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1/25/11 DEPARTMENT OF REVENUE: FY11 AND FY12 REVENUE FORECAST

<TARGET><BILL></BILL><SUBJECT>1-25-11 DEPARTMENT OF REVENUE FY11 AND FY12 REVENUE FORECAST</SUBJECT><COMM>SFIN27</COMM></TARGET>

First Presentation

Bryan Butcher – *Commissioner, Department of Revenue*

Also here with the Commissioner to provide testimony:

- **Bruce Tangeman** – *Deputy Commissioner, DOR*
- **Johanna Bales –** *Deputy Director, Tax Division*
- **Dona Keppers** – *Audit Master, Tax Division*
- **Lennie Dees –** *Audit Master, Tax Division*
- **Dan Stickel** – *Petroleum Economist, Tax Division*
- **Cherie Nienhuis** – *Petroleum Economist, Tax Division*
- **Frank Molli** – *Production Forecast Consultant* ***(On Teleconference)***
  - Welcome Commissioner.

Chair Questions/Comments

-

Member Questions

- Do members have any additional questions?

Frank Mahle DOR



Presentation to the Senate Finance Committee January 25, 2011 Alaska Department of Revenue

Outline for Presentation

- **Fall 2010 Revenue Forecast for FY2011 and 2012**
  - Revenue Classification Changes
  - Total Revenue
  - Unrestricted Revenue
  - Non-Oil Revenue
- **10-year plan Revenue / Spending Scenario**
- **How Production Tax Is Calculated**
  - FY 2010, 2011, 2012 - "Income statement" format
- **Components of Production Tax Forecast**
  - Oil Production Forecast
  - Oil Price Forecast
  - Lease Expenditures Forecast / Oil Company Spending
  - Tax Credits

Fall 2010
Revenue Forecast
FY2011 and FY2012

Revenue Classification Changes

- **In response to Legislative Finance & OMB request, we worked with these agencies to implement new categories of revenue.**
- **In the past, 2 categories of revenue**
  - **Unrestricted Revenue**
  - **Restricted Revenue**
- **Now, 4 categories of revenue**
  - **Unrestricted General Fund Revenue**
  - **Designated General Fund Revenue**
  - **Other Restricted Revenue**
  - **Federal Revenue**

  } **Formerly grouped as "restricted"**
- **Only a couple minor changes made to unrestricted revenue**
  - **LPV Gambling Tax shown as unrestricted revenue**
  - **Dividends from component units (state corporations) shown as unrestricted revenue**
  - **These changes ensure consistency between our revenue forecast, and budget protocol**

FY 11 and FY 12 Total Revenue

Revenue Type	FY 11 ($M)	FY 12 ($M)
Unrestricted General Fund		
Oil Revenue	$ 4,673.9	$ 5,061.1
Other Sources (except Federal & Investment)	$ 480.5	$ 487.1
Investment Revenue	$ 217.4	$ 195.7
Subtotal Unrestricted	$ 5,371.8	$ 5,743.9
Designated General Fund		
Other Sources (except Federal & Investment)	$ 281.6	$ 282.3
Investment Revenue	$ 59.7	$ 42.0
Subtotal Restricted	$ 341.3	$ 324.3
Other Restricted Revenue		
Oil Revenue	$ 669.7	$ 755.3
Other Sources (except Federal & Investment)	$ 209.7	$ 190.3
Investment Revenue	$ 3,384.5	$ 3,283.4
Subtotal Restricted	$ 4,263.9	$ 4,229.0
Federal Revenue		
Oil Revenue	$ 19.5	$ 19.5
Federal Receipts	$ 3,087.0	$ 2,987.0
Subtotal Restricted	$ 3,106.5	$ 3,006.5
Total State Revenue	$ 13,083.4	$ 13,303.7

Source: Fall 2010 Revenue Sources Book

FY 11 & FY 12 General Fund Unrestricted Revenue

Revenue Type	FY 11 ($M)	% Total	FY 12 ($ M)	% Total
Royalty - Net PF / SF	$ 1,510.1	28.1%	$ 1,666.6	29.0%
Production Tax	$ 2,614.6	48.7%	$ 2,737.6	47.7%
Corp Income Tax	$ 445.0	8.3%	$ 555.0	9.7%
Property Tax	$ 104.1	1.9%	$ 101.9	1.8%
Subtotal Oil Revenue	$ 4,673.9	87.0%	$ 5,061.1	88.1%
Non-Oil Revenue	$ 697.9	13.0%	$ 682.8	11.9%
Total Revenue	$ 5,371.8	100.0%	$ 5,743.9	100.0%

Source: Fall 2010 Revenue Sources Book

FY 11 and FY 12 Unrestricted Non-Oil Revenue Detail

Revenue Type	FY 11 ($M)	% Total	FY 12 ($M)	% Total
Taxes				
Corporate Income	$ 80.0	11.5%	$ 85.0	12.4%
Mining	$ 46.7	6.7%	$ 47.0	6.9%
Insurance Premium	$ 50.1	7.2%	$ 51.6	7.6%
Tobacco	$ 44.4	6.4%	$ 44.3	6.5%
Motor Fuel	$ 38.5	5.5%	$ 38.8	5.7%
Other Taxes	$ 61.3	8.8%	$ 61.4	9.0%
Subtotal Taxes	**$ 321.0**	**46.0%**	**$ 328.1**	**48.1%**
Investments	**$ 217.4**	**31.2%**	**$ 195.7**	**28.7%**
Other *	**$ 159.5**	**22.9%**	**$ 159.0**	**23.3%**
Total Non-Oil	**$ 697.9**	**100.0%**	**$ 682.8**	**100.0%**

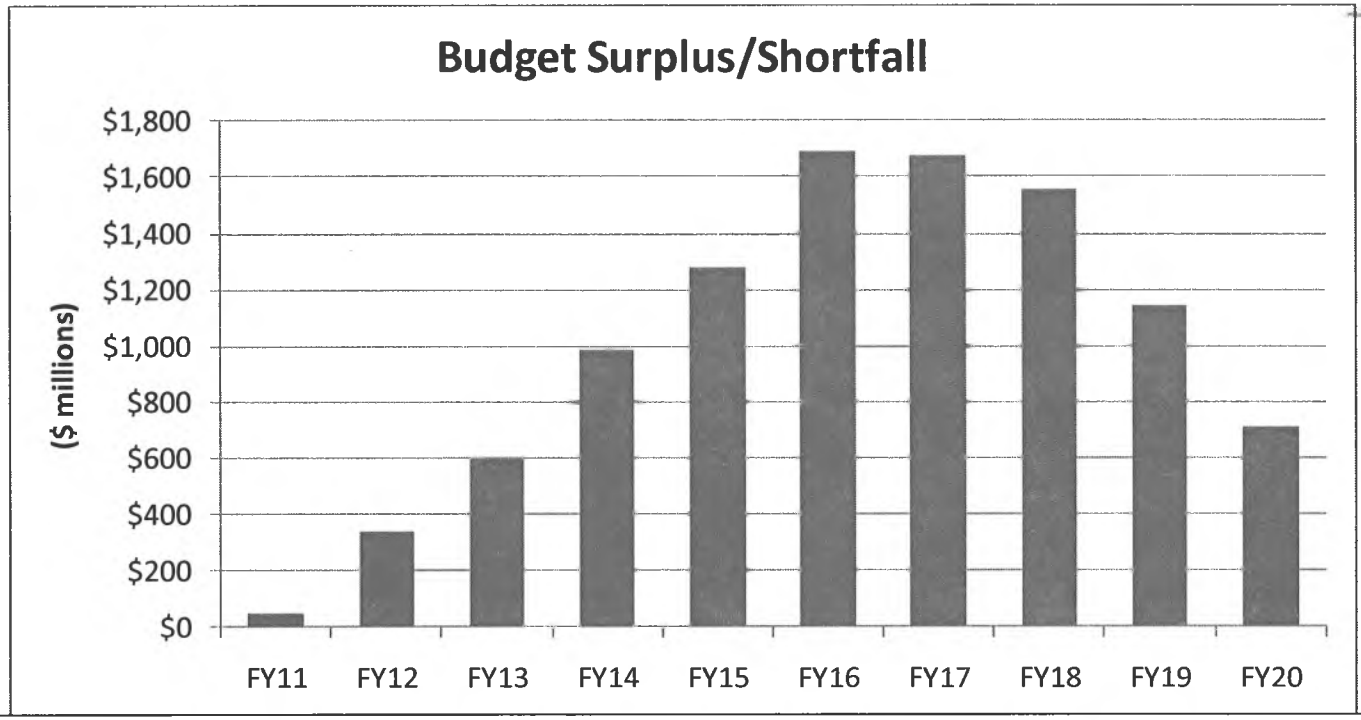
NOTE: This presentation only includes the portion of revenue that is included in the "Unrestricted General Fund" category.
*Other includes Charges for Services, Fines and Forfeitures, Licenses & Permits, Rents & Royalties, and Miscellaneous.

Source: Fall 2010 Revenue Sources Book

10-Year Revenue/Spending Projection

10-Year Revenue and Spending

Assumes Fall 2010 Revenue and 3% budget escalation from FY12



Revenue vs. Spending ($Millions)	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
General Fund Unrestricted Revenues	5,452.2	5,790.3	6,207.7	6,767.8	7,233.1	7,822.4	7,992.7	8,060.4	7,845.7	7,610.7
General Fund Expenses	5,403.6	5,446.4	5,609.8	5,778.1	5,951.4	6,130.0	6,313.9	6,503.3	6,698.4	6,899.3
Budget Surplus/Shortfall	48.6	343.9	597.9	989.7	1,281.7	1,692.4	1,678.9	1,557.1	1,147.3	711.3
Reserve Balances										
CBRF Total	10,016.8	10,589.0	11,195.2	11,837.3	12,517.8	13,239.1	14,003.7	14,814.6	15,674.6	16,587.0
Statutory Budget Reserve Balance	1,048.6	1,392.4	1,990.3	2,980.0	4,261.7	5,954.2	7,633.0	9,190.1	10,337.4	11,048.7
Total Reserve Balances	11,065.4	11,981.4	13,185.5	14,817.4	16,779.5	19,193.3	21,636.7	24,004.7	26,012.0	27,635.7

Source: OMB FY 2012 10-year plan. FY 11 and FY 12 revenues shown include adjustments for corporate dividends, reappropriations, and carry forwards and do not exactly match numbers in the RSB.

Appropriations projections do not represent a commitment by the Administration to propose spending at a particular level in FY13 or any future year. The 10 year forecast shows that unanticipated shortfalls during the period could be filled primarily through the use of reserve funds. However, other options could be used in whole, or in part. The plan will be revisited as conditions warrant.

How Production Tax Is Calculated

FY 10 Production Tax Calculation

	Per Barrel	Barrels	Value ($ million)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$74.90	643,517	$48.2 / day
Annual Production (bbl)			
Total Annual Production/Value		**234,883,705**	**$17,592.8**
Royalty and Federal barrels		(31,067,340)	($2,326.9)
Taxable barrels		**203,816,365**	**$15,265.8**
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	($2.21)		
TAPS Tariff	($3.81)		
Other	$0.00		
Total Transportation Costs	**($6.02)**	**203,816,365**	**($1,227.0)**
Lease Expenditures			
Deductible Operating Expenditures	($10.64)		($2,168.7)
Deductible Capital Expenditures	($8.55)		($1,742.0)
Total Lease Expenditures	**($19.19)**	**203,816,345**	**($3,910.7)**
Production Tax Value (PTV)	**$49.69**	**203,816,345**	**$10,128.1**
Production Tax			
Base Tax (25%*PTV)			$2,532.0
Progressive Tax Rate = ($49.69-$30) * 0.4% = **7.9%**			
Progressive Tax = (7.9% * PTV)			$797.8
Total Tax Due before credits			**$3,329.8**
Credits Applied Against Taxes			($350.0)
Total Tax after credits			**$2,979.8**

Source: Department of Revenue Fall 2010 Revenue Sources Book, Appendix D
This simple model assumes constant production, price, and expenditures for the entire year; results will differ from our larger model and forecast.
The per-barrel expenditures shown are per taxable barrel and do not reflect expenditures per all barrels produced.

FY 11 Production Tax Projected

	Per Barrel	Barrels	Value ($ million)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$77.96	615,902	$48.0 / day
Annual Production (bbl)			
Total Annual Production/Value		**224,804,230**	**$17,525.7**
Royalty and Federal barrels		(34,100,490)	($2,658.5)
Taxable barrels		**190,703,740**	**$14,867.3**
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	($2.07)		
TAPS Tariff	($4.17)		
Other	$0.24		
Total Transportation Costs	**($6.00)**	**190,730,740**	**($1,144.2)**
Lease Expenditures			
Deductible Operating Expenditures	($12.99)		($2,477.0)
Deductible Capital Expenditures	($10.43)		($1,988.4)
Total Lease Expenditures	**($23.42)**	**190,703,740**	**($4,465.4)**
Production Tax Value (PTV)	**$48.54**	**190,703,740**	**$9,257.6**
Production Tax			
Base Tax (25%*PTV)			$2,314.4
Progressive Tax Rate = ($48.54-$30) * 0.4% = **7.4%**			
Progressive Tax = (7.4% * PTV)			$686.7
Total Tax Due before credits			**$3,001.1**
Credits Applied Against Taxes			($400.0)
Total Tax after credits			**$2,601.1**

Source: Department of Revenue Fall 2010 Revenue Sources Book, Appendix D
This simple model assumes constant production, price, and expenditures for the entire year; results will differ from our larger model and forecast.
The per-barrel expenditures shown are per taxable barrel and do not reflect expenditures per all barrels produced.

FY 12 Production Tax Projected

	Per Barrel	Barrels	Value ($ million)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$82.67	622,182	$51.4 / day
Annual Production (bbl)			
Total Annual Production/Value		**227,096,430**	**$18,774.1**
Royalty and Federal barrels		(34,669,890)	($2,866.2)
Taxable barrels		**192,426,540**	**$15,907.9**
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	($2.05)		
TAPS Tariff	($4.67)		
Other	$0.33		
Total Transportation Costs	**($6.39)**	**192,426,540**	**($1,229.6)**
Lease Expenditures			
Deductible Operating Expenditures	($12.86)		($2,477.0)
Deductible Capital Expenditures	($13.14)		($1,988.4)
Total Lease Expenditures	**($26.00)**	**192,426,540**	**($5,002.4)**
Production Tax Value (PTV)	**$50.28**	**192,426,540**	**$9,675.9**
Production Tax			
Base Tax (25%*PTV)			$2,419.0
Progressive Tax Rate = ($50.28-$30) * 0.4% = **8.1%**			
Progressive Tax = (8.1% * PTV)			$785.0
Total Tax Due before credits			**$3,204.0**
Credits Applied Against Taxes			($450.0)
Total Tax after credits			**$2,754.0**

Source: Department of Revenue Fall 2010 Revenue Sources Book, Appendix D

This simple model assumes constant production, price, and expenditures for the entire year; results will differ from our larger model and forecast.

The per-barrel expenditures shown are per taxable barrel and do not reflect expenditures per all barrels produced.

Components of Production Tax Calculation

- Production
- Price
- Lease Expenditures
- Tax Credits

Fall 2010
Oil Production
Forecast

Three Categories of Forecasted Production

1) Currently Producing- Includes base production and enhanced recovery production from investment in rate enhancing activities (perforations, stimulations, well workovers, gas and water injection support).
2) Currently under Development- New projects that are currently funded or awaiting project sanction in near future.

Three Categories of Forecasted Production

3) <u>Currently Under Evaluation</u>- Includes technically viable projects in the stage where engineering, cost, risk and reward are being actively evaluated. Unfunded but are considered to have a high chance of being brought to fruition.

Factors That Affect Production Forecasting

1. **GEOLOGY**
   - •Rock type and formation characteristics
   - •Depth, thickness, pressure
   - •Oil & gas characteristics (oil gravity, viscosity, water content, etc.)
2. **DEVELOPMENT PLAN**
   - •Well density and development rate
   - •Well bore size and completion technique
   - •Artificial lift and enhanced oil recovery
   - •Facilities & surface operations
3. **COMMERCIAL**
   - •Project economics
   - •Oil price and market conditions
   - •Government Policy: access, regulation, taxation
4. **PRODUCTION PROFILE**
   - •History, stage of depletion
   - •Use production profile to extrapolate trends
5. **TIMING!**

North Slope Production Decline

FY 1988: production peak → 2.01 million barrels per day (bpd).

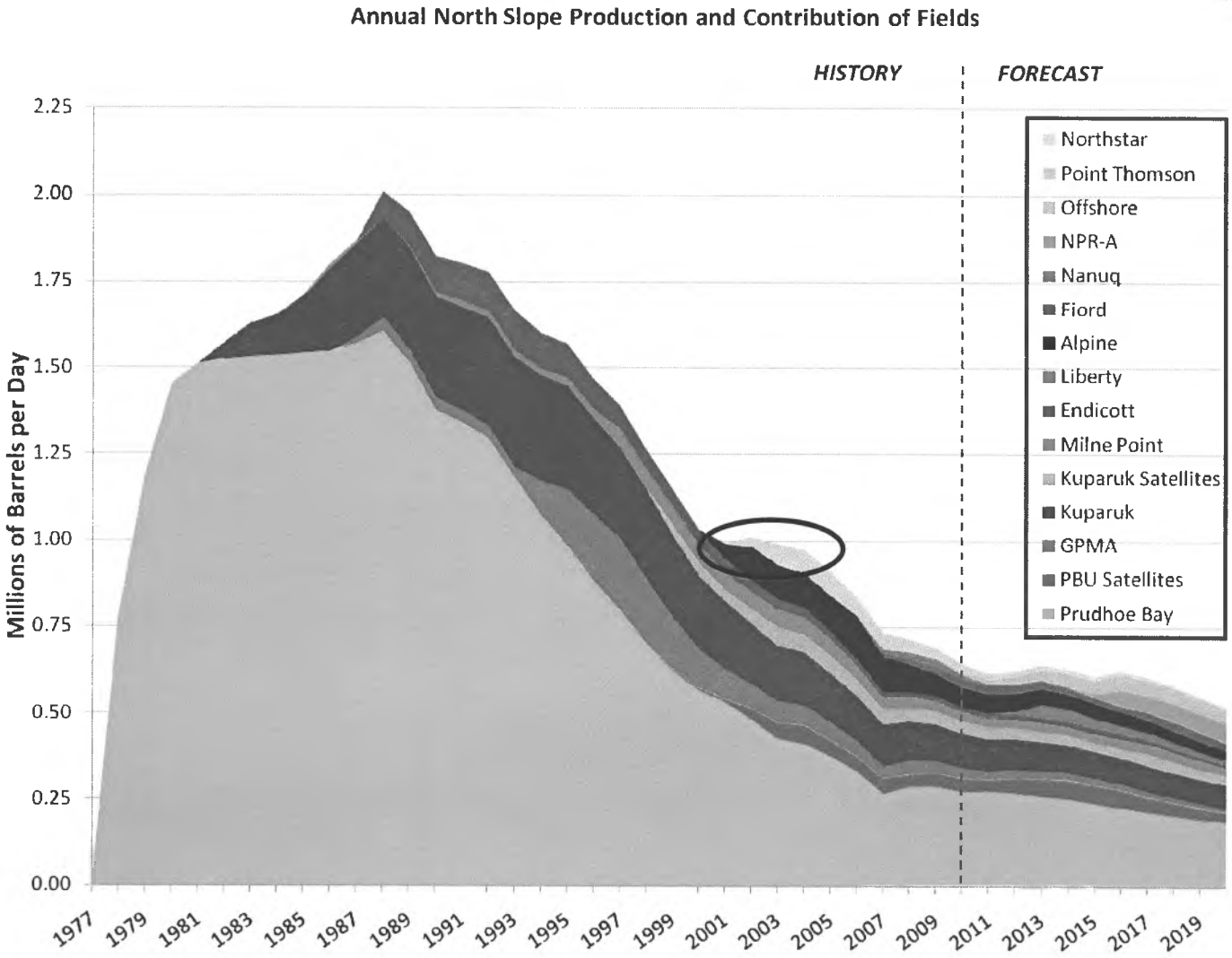
FY 2010: production → 644,000 bpd, a 68% decline since peak.

FY 1988 to date: production decline rate ~ 5% per year, on average.

Over the last 10 years, production decline rate ~ 4.2% per year, on average.

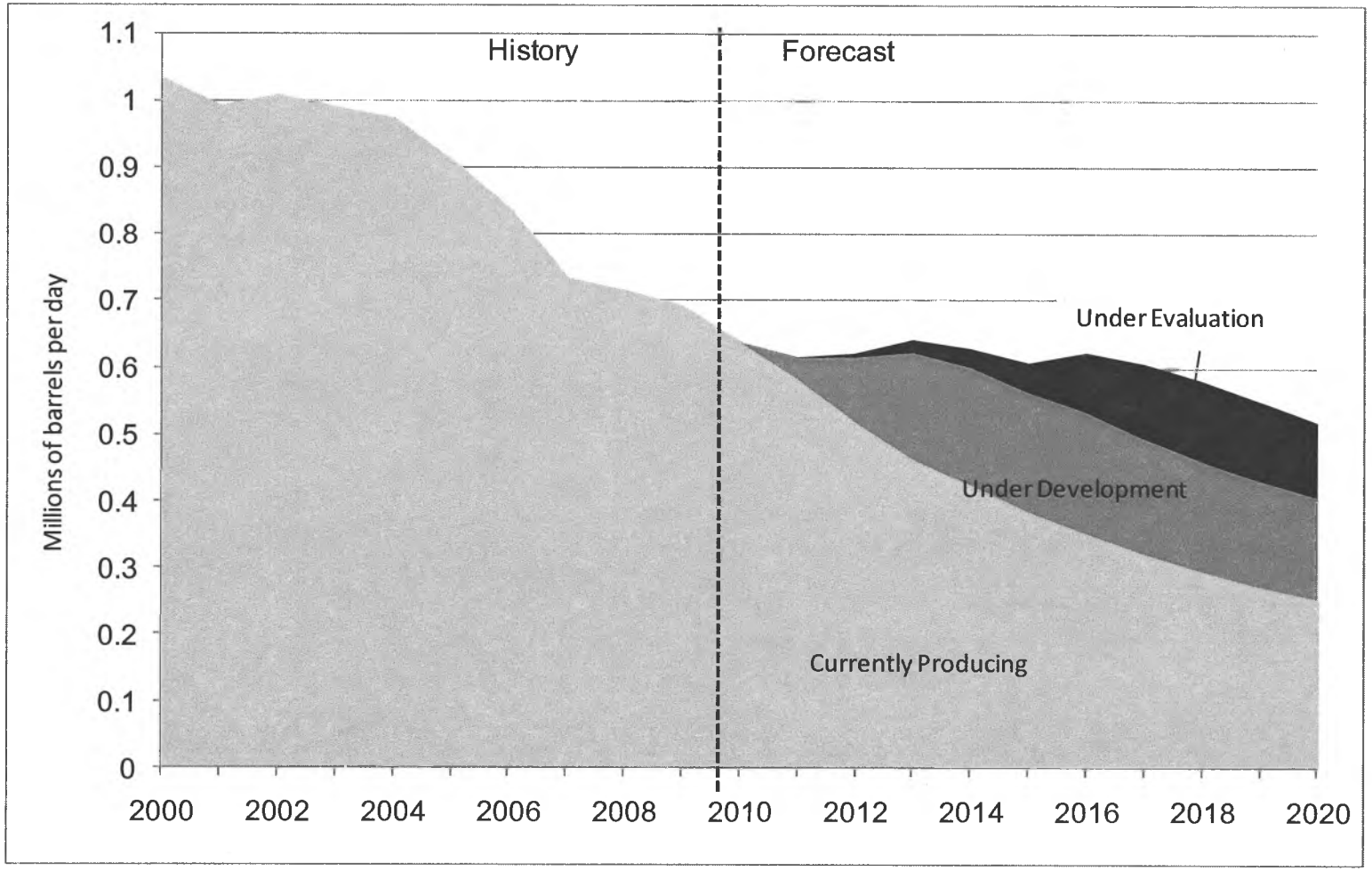
We expect the decline rate to flatten out to 3.2% per year, on average, through FY 2030.

ANS Production History & Forecast



Source: Fall 2010 Revenue Sources Book

Forecasted ANS Production
FY 2010 - 2020



Source: Fall 2010 Revenue Sources Book

Conclusion on Production

- Production forecasting requires consideration of each project's geology, development plans, commerciality, production profiles, decline curves and timing.

- Department uses extensive well and field specific data acquired from producers, AOGCC, and DNR

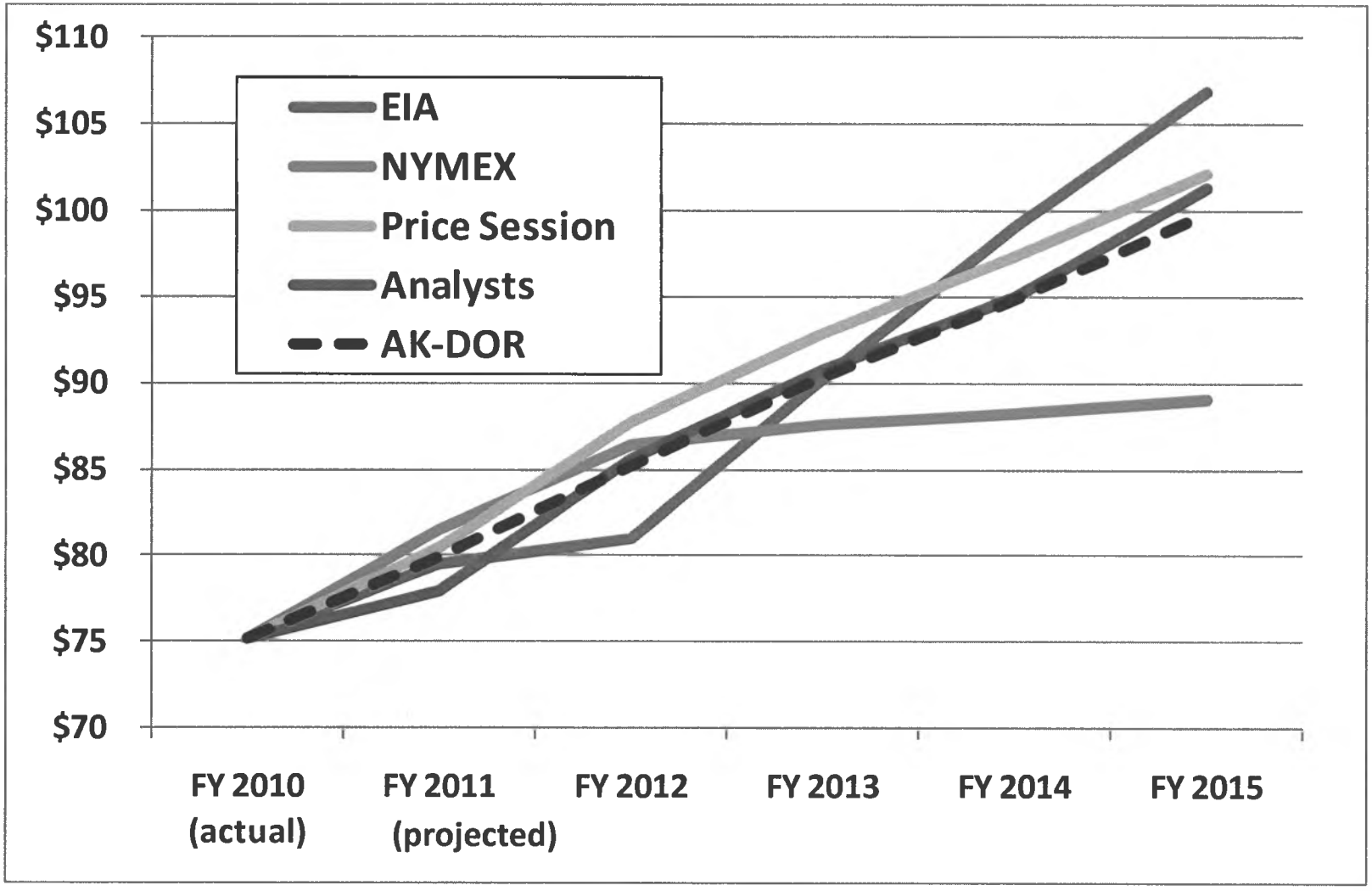
- New field development is very important in mitigating decline rates.

Fall 2010 Oil Price Forecast

Price Forecast Methodology

- **FY 2011- 2015: Average of participant forecasts from Price Forecasting Session, and other sources**
- **27 Participants from DOR, DNR, DOL, OMB, University, Legislative Finance and outside participants**
- **Presentations: supply, demand, geopolitics, financial markets, outside expert forecasts, etc.**
- **Forecasting Session outcome blended equally with NYMEX, EIA, and analysts to derive price forecast.**
- **Beyond FY 2015: Constant real price, 2.75% inflation**

Price Forecasts as of October 2010



WTI, nominal dollars per barrel. Sources: DOR, Bloomberg, NYMEX, Energy Information Agency

Fall 2010 DOR Oil Price Forecast

	Real $		Nominal $	
	WTI	ANS	WTI	ANS
FY 2010 (actual)	75.21	74.90	75.21	74.90
FY 2011 (projected)	77.75	75.88	79.89	77.96
FY 2012	80.67	78.30	85.17	82.67
FY 2013	83.30	80.99	90.36	87.86
FY 2014	85.15	82.90	94.91	92.41
FY 2015	87.17	84.99	99.84	97.34

*Note: FY 2011 forecast includes one quarter of actual prices.

Forecast is made in terms of Real WTI , then adjusted using 2.75% inflation rate and $2.50 nominal differential to ANS.

Source: Fall 2010 Revenue Sources Book

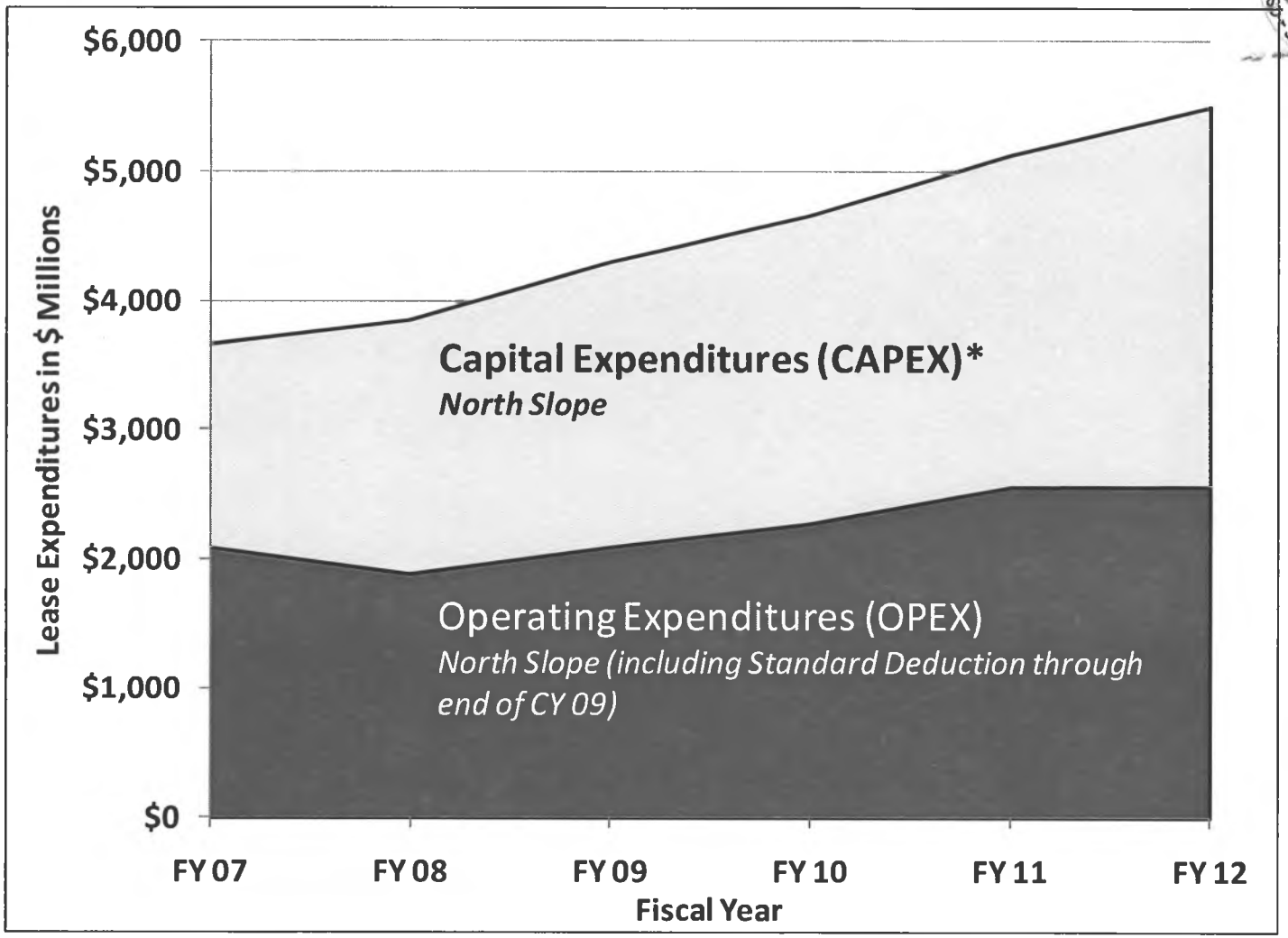
Fall 2010
Lease Expenditure Forecast
(Oil Company Spending)

Lease Expenditures (Costs)

- **FY 2007 – FY 2010 lease expenditures based on unaudited company reported expenditure estimates submitted on production tax monthly forms and annual returns**
- **FY 2011 – FY 2012 lease expenditure forecasts were compiled from company submitted information**
- **Under ACES, DOR requests expenditure forecast estimates and other documentation from oil companies**
- **Longer term spending – particularly capital investment - is highly uncertain**

Source: Alaska Department of Revenue

Lease Expenditures (Costs)



* Capital Expenditures shown are based on company reporting. Includes capital spending on new exploration, development spending, and capital spending required to maintain existing operations and production.

Source: Department of Revenue from production tax monthly information forms, annual returns, and company forecasts.

Lease Expenditures per Barrel

	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12
Lease Expenditures ($ millions)						
Operating Expenditures (OPEX)	2,081	1,881	2,085	2,270	2,553	2,558
Capital Expenditures (CAPEX)	1,578	1,967	2,212	2,389	2,572	2,937
Production (bpd)	739,702	715,950	692,127	643,517	615,902	622,182
Lease Expenditures per barrel ($)						
OPEX per barrel ($)	**7.71**	**7.20**	**8.25**	**9.66**	**11.36**	**11.26**
CAPEX per barrel ($)	**5.84**	**7.53**	**8.76**	**10.17**	**11.44**	**12.93**

Source: Department of Revenue from production tax monthly information forms, annual returns, and company forecasts
Operating expenditures include "standard deduction" through end of CY 2009.

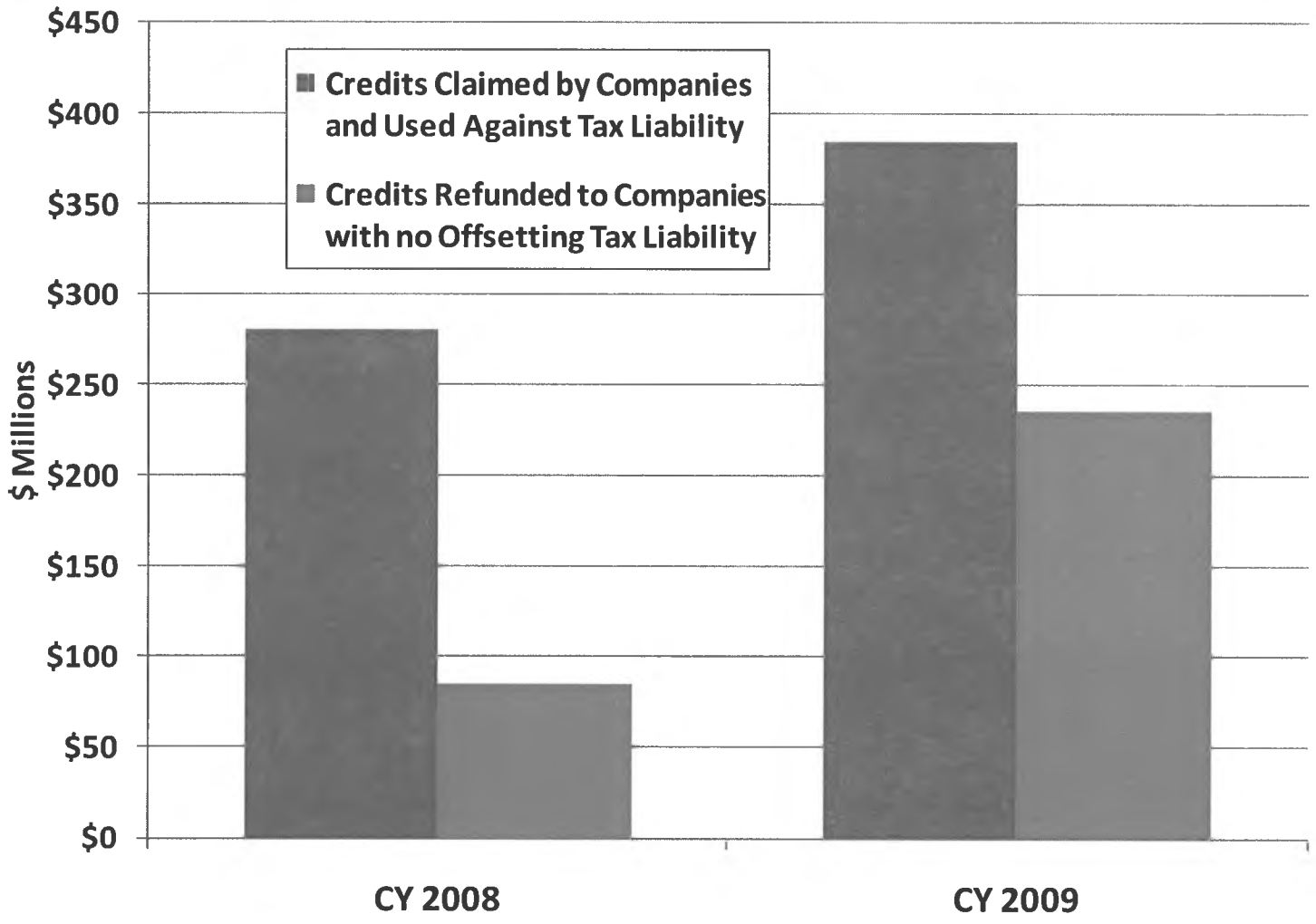
Tax Credits

Production Tax Credits

- **Qualified Capital Expenditure Credit –** 20% credit for qualified capital expenditures (40% for well lease expenditures outside North Slope).
- **Carried-Forward Annual Loss Credit –**25% credit for carried-forward annual loss.
- **Small Producer / New Area Development Credit –** Up to $12 million / year for small producers and up to $6 million / year for production outside North Slope and Cook Inlet.
- **Alternative Credit for Exploration –** 30% or 40% of eligible exploration expenditures if certain criteria are met.
- **Cook Inlet Jack-Up Rig Credit –** 80% to 100% credit for first three exploration wells drilled using jack-up rig in Cook Inlet.
- **Chapter 3 of Fall 2010 Revenue Sources Book provides detailed information about these and other tax credits**

Source: Alaska Department of Revenue

Production Tax Credits Reported



Source: Fall 2010 Revenue Sources Book

1/26/11 OFFICE OF MANAGEMENT AND BUDGET: FY2012 BUDGET OVERVIEW

<TARGET><BILL></BILL><SUBJECT>1-26-11 OFFICE OF MANAGEMENT AND BUDGET FY2012 BUDGET OVERVIEW</SUBJECT><COMM>SFIN27</COMM></TARGET>

FY2012 Budget Overview



Senate Finance Committee

January 26, 2011

Office of Management and Budget

DRAFT - Effective January 16, 2011

Office of Management and Budget
Karen J. Rehfeld, Director 465-4660

Email to any staff: *First.Last@alaska.gov*

Director, Policy and Management Analysts, Internal Auditor Fax 465-3640 ---------- Budget Analysts Fax 465-2090

Steve Hildebrand	**Tom Narvaez**	**Karen Elliott**	**Kym Mauseth**	**Lena Simmons**	**Kelly White**	**Sarah Brinkley**	**Tyson Gallagher**
Chief Budget Analyst	Budget Analyst	Budget Analyst	Senior Budget Analyst	Operating Coordinator	Capital Coordinator	Budget Analyst	Budget Analyst
465-4681	465-8235	465-2178	465-4684	465-4697	465-4698	465-4690	465-4693
Governor Legislature Instructions Op Bill and Amds Op ABS Scenarios MH Bill & Amds Statewide Rates LB&A	Administration Commerce Labor & Workforce Dev Appropriation Log	Education & Early Dev University Public Education Fund Auto AB Fiscal Notes tracking Community Funding Deferred Maintenance	Fish & Game Environmental Cons Fiscal Summary Debt Service Fund Transfers Bill Sectionals Ratifications RP Logger Reports	Military & Vets Affairs Natural Resources Disaster Policy Cabinet Op Budget Instructions RP Manual Salary/Labor Costs	Health & Social Svcs Mental Health Budget Capital Bill and Amds Cap Budget Instructions Cap ABS Scenarios Capital Reports Final Auth & Actual Rpts	Corrections Public Safety Law Court System Surveys	Transportation Revenue

John Boucher	**Craig Kahklen**	**Vacant**	**Diane Burnham**		**Alaska Budget System (ABS) Webmaster**
Senior Economist 465-4677	Policy Analyst 465-3559	Policy Analyst 465-4676	Internal Auditor 465-4663		**Will Belknap 465-4674** **Mike Dau 465-4787** **Heather Crondahl 465-4694**
Long Range Fiscal Plan Revenue/Financing Permanent Fund Div/Corp Economic/Resource Dev Statewide Admin Issues	Performance Framework Federal Requests Denali Commission Energy/Community Dev Health/Education/Workforce	Legislative Liaison Fiscal Notes Criminal Justice Transportation/Infrastructure	Program/Performance Audits ARRA 2009 Coordinator Indirect/Cost Allocation Plans		

Support Staff --->	Director and Policy Analysts **Lynn Castle** 465-4660	Budget Analysts and Internal Auditor **Linda Schauwecker** 465-4699

Budget Vision

Governor Parnell's vision and mission

'Position Alaska's economy for growth and Alaska's families for opportunity.'

FY2012 Budget principles

Guiding principles

- Fiscal Restraint
- Strategic Investments
- Maintain Cash Reserves

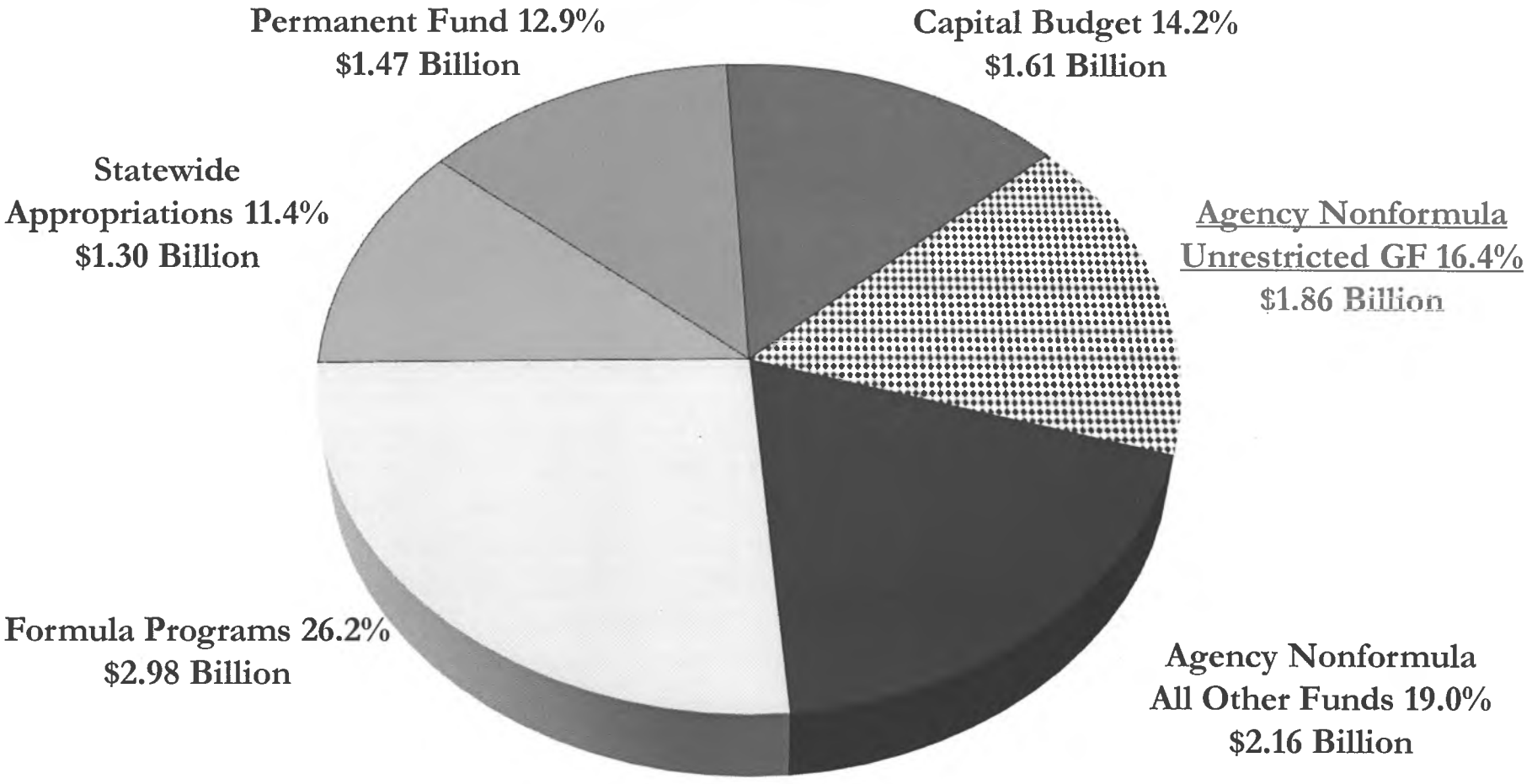
FY2012 Budget priorities

Focus is on Alaska's constitutional priorities

- **Resource and Economic Development**
  - Energy
  - Access to resources
  - Natural gas development
- **Education**
  - Alaska Performance Scholarship
  - Full funding K-12 FY2012
  - Forward fund K-12 FY2013
- **Public Safety**
  - Prevention
  - Investigation
  - Services to Victims
  - Child Safety/Cybercrimes

FY2012 Expenditures by Category

Governor's December 15 Spending Plan



FY2012 Operating Budget-Formula

Formula growth driving FY2012 overall increase

- **Formula programs $2.98 billion**
  - K-12 and pupil transportation $1.16 billion
    - $8.2 million Alaska Performance Scholarship
    - Fully fund K-12 in FY2012 $1.13 billion
    - Forward fund K-12 for FY2013 $1.14 billion
  - Other Formula programs $1.82 billion
    - Medicaid is $1.5 billion of the total

FY2012 Operating Budget-Statewide

Retirement system, debt obligations are also drivers in FY2012 growth

- **Statewide Appropriations $1.30 billion**
  - **$479 million retirement unfunded liability**
  - **$400 million oil tax credits**
  - **$290 million debt service**
  - **$60 million Community Revenue Sharing**

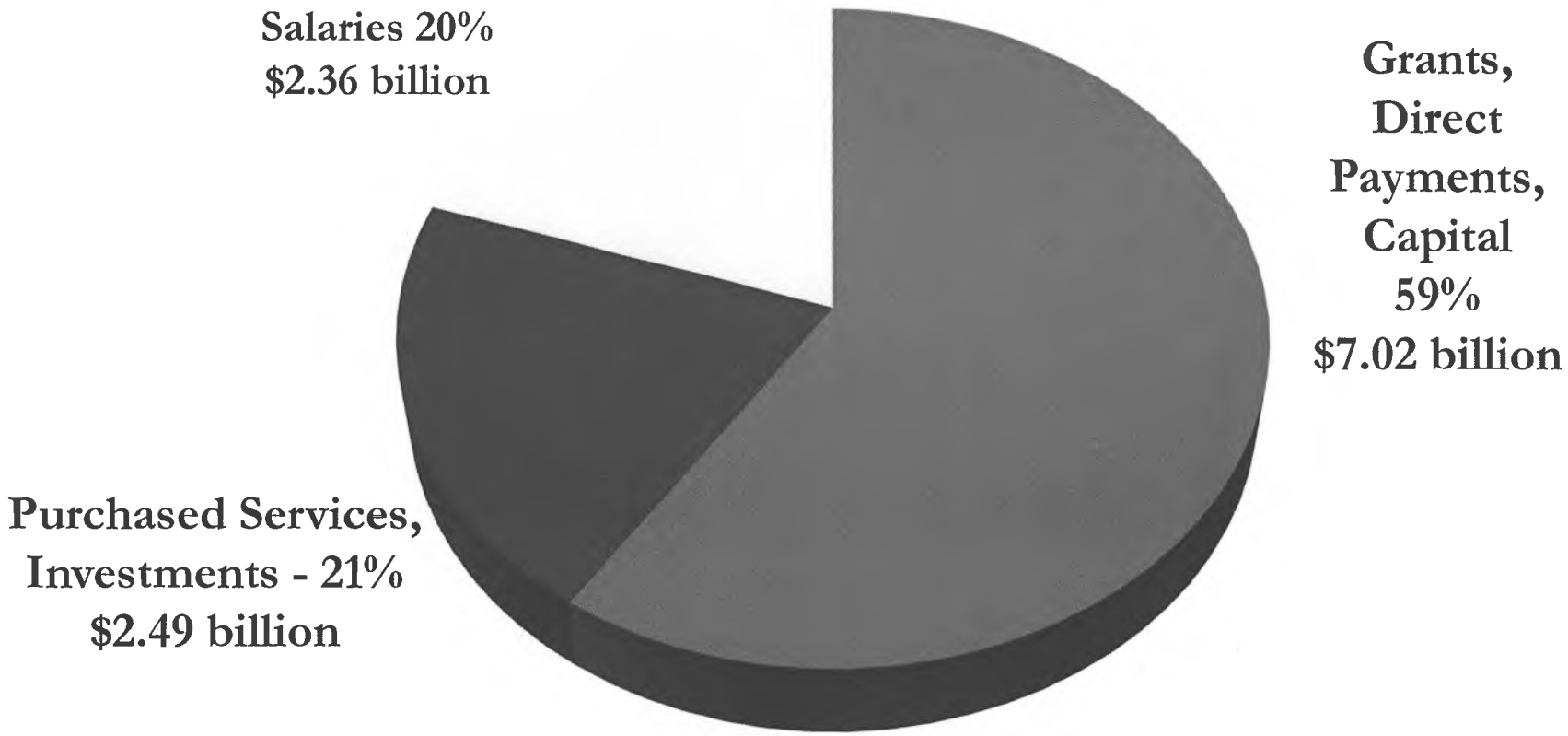
FY2012 Capital Budget

Putting Alaskans to work

- $1.6 billion in capital spending proposed
- $644.9 million in state general funds
  - $160 million for AGIA gas pipeline work
  - $103 million match leverages $705 million federal funds
    - transportation, highway, aviation & water/sewer projects
  - $60 million for resource roads and ports
  - $65.7 million for Susitna hydro planning and design
  - $25 million each for Renewable Energy and Weatherization
  - $100 million year 2 deferred maintenance
  - $28.4 Quinhagak K-12 construction/renovation (#1 DEED)
  - $19.9 14 school major maintenance projects

State Budget- Another Perspective

Nearly 60% of Alaska's budget benefits communities, organizations and individuals through grants, direct payments and capital project funding



Includes duplicate funds, savings, investments and the Permanent Fund

For More Information on the Budget

How can I get more details about the Governor's FY2012 budget?

http://www.omb.alaska.gov

Karen J. Rehfeld, Director

Office of Management and Budget

907-465-4660

Karen.Rehfeld@alaska.gov

Note: The projections in the FY2012 plan are intended to be used as a planning tool. They do not represent a commitment by the Administration to propose spending nor bring in revenue at a particular level in FY2011, FY2012, or any future year.

Executive Summary FY2012 10-year plan

Diversification of Revenue: Plotting a course from 2011 to First Gas

Looking ahead at the next 10 years, Alaska must move toward diversification and expansion of its revenue base. The main emphasis of the 10-year plan is to facilitate Alaska's transition from a predominantly oil revenue base to an oil and natural gas revenue base. Construction of pipeline infrastructure to monetize Alaska's natural gas resource is a key element in providing for the future fiscal and economic stability of the state. Revenue generated from natural gas would help diversify Alaska's revenue sources and provide a substantial source of new revenue to offset declining oil revenue. In addition, the gas pipeline will provide economic opportunity through the provision of a stable, clean source of energy to fuel Alaskan businesses and homes for years to come. Efforts to diversify revenue cannot be solely reliant on the construction of a natural gas pipeline though- Alaska must continue to make strides to maximize production from existing oil fields and develop other economic opportunities.

Assuming the Alaska Department of Revenue's Fall 2010 forecast, Alaska can use spending discipline combined with the prudent use of reserve accounts to sustain itself through fiscal year 2021. This would achieve the goal of transitioning the state from FY2012 to first gas, which is currently estimated to occur in the 2019 to 2021 time period. Assuming the Fall 2010 forecast and a range of spending assumptions, the combined balances of the state's primary reserve accounts, the Statutory Budget Reserve and the Constitutional Budget Reserve, would remain positive during the next ten years. By the end of the period, the anticipated fall in oil production starts the overall state revenue curve on a downward trajectory; however the onset of gas revenue could potentially position the state on more solid financial footing. The 10-year forecast shows that anticipated budget shortfalls during the 10-year period could be filled through the use of reserve funds; however, other fiscal tools, including spending reductions, would likely be used in addition to, or in lieu of, reserve funds.

The plan examines a range of possible spending and revenue scenarios. Taking one scenario as an example, it assumes relatively modest spending growth of 3.0% annually beginning in FY2013, and no change to the revenue forecast that was developed in the fall of 2010. The expenditure growth rate assumption in this scenario would be challenging to meet, and implies that the delivery of state services will become more efficient over the 10-year period. Inflation is assumed at 2.75% and population growth will be slightly above 1.0% annually. That implies that state spending on a per capita basis will decline over the next ten years in real terms.

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While overall spending in this scenario is projected at an average annual growth rate of 3.0%, it is anticipated that portions of the budget will grow faster, and that would require other areas of the budget to grow at a slower rate or decline to meet the projected growth rate. One particularly challenging example of this issue in the operations portion of the budget is the state's projected Medicaid spending. In FY2011 the state's portion of the federal Medicaid program was $441 million. Over the next 10 years that figure is projected to increase at an annual rate of over 9.0% and by FY2021 is projected to require a $1.15 billion contribution from the state's general fund. This percentage change assumes that the state's participation rate in the Medicaid program reverts back to levels experienced prior to the passage of the health-care reform bill.

Among the other challenges that must be considered in the planning horizon are: financing investment expenses associated with the gas line project; the unfunded liability to the public employee and teachers retirement systems, dealing with the high cost of energy for Alaskans; shoring up aging transportation and other state-owned infrastructure; handling the effects of growing elderly and prison populations; and tackling the adverse affects of climate change. All of these issues must be considered while continuing to provide an acceptable level of government services to Alaskans.

Oil Prices and the Plan

In view of history, the possibility of oil prices falling below the Fall 2010 forecast must be considered. In that scenario, spending projections and use of the state's reserve accounts must be reevaluated. More conservative spending plans would be necessary and the ability of the state's available reserve accounts to facilitate a transition from today to the onset of revenue from a gas pipeline becomes more challenging. While alternate revenue and expenditure scenarios are not discussed extensively, they are presented as part of this document as a means to inform the public of what alternate revenue and expenditure scenarios look like in terms of the magnitude of change they could present.

The Plan's Imperative

The overarching objectives of the 10-year fiscal plan are guided by the statutory language that requires the Executive branch to produce a 10-year plan on an annual basis. Alaska Statute 37.07.020 (b) (2): says that the fiscal plan

> ***"must balance sources and uses of funds held while providing for essential state services and protecting economic stability of the state."***

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Essentially, there are three requirements that the Executive's plan must meet:

- Balance the budget between sources and uses of finds,
- Provide for essential state services, and
- Protect Alaska's economic stability.

The Plan's Guiding Principles and Supporting Strategies

The 10-year plan meets the statutory objectives through the application of several foundational principles. The principles outlined below provide the framework and guidance for spending and savings strategies represented in the plan.

Principle: Responsibly Develop Alaska's Natural Resources

The State of Alaska's future prosperity hinges on the responsible development of its abundant natural resources. In 1959, when Alaska became a state, 99.8 percent of the land was owned by the federal government. The Alaska Statehood Act gave the State the right to select and acquire approximately 104 million of the nearly 365 million acres of federal lands in Alaska. It was envisioned that the management of this land base and the associated resources would provide the State with a viable economic foundation. That stable economic base would then enable the State to provide governmental services to the people of Alaska, and reduce the likelihood that Alaska would be a drain on the federal treasury.

To date, the strategy of building Alaska's economy on natural resources has been effective. The State takes in significant revenues from companies that lease State-owned lands for extraction of oil, natural gas and coal, gold, zinc and other minerals and shares with the federal government revenues from oil, natural gas and other assets extracted from federal lands leased by private companies. Currently, nearly 90% of the State's unrestricted General Fund revenue is generated from petroleum production activities. For the foreseeable future, the health of Alaska's fiscal system will be linked to the wealth generated from the monetization of Alaska's natural resource base.

> **Strategy: Facilitate Gas Line Development-** The Administration's highest priority is the development of the State's natural resources. The State's long-term planning is based in part on efforts to develop natural gas resources before oil resources are depleted. Currently, natural gas produced in conjunction with oil production on the North Slope is stranded from the market, and development of this critical resource has been limited because a means to transport recovered natural gas to markets

outside Alaska has not been available. To spur commercialization of Alaska natural gas, the Alaska Gasline Inducement Act ("AGIA") was enacted in 2007; and in August 2008, authorized the State to award an AGIA license to TransCanada Alaska, a wholly-owned subsidiary of the TransCanada Corporation ("TransCanada"). Along with the license, the state committed to a cost-sharing agreement with TransCanada that provided a $500 million state commitment to assist in underwriting a portion of the pre-development costs of the project. TransCanada subsequently joined forces with ExxonMobil, one of the three major North Slope producers, to form the Alaska Pipeline Project. In addition to the Alaska Pipeline Project, two of the three major North Slope producers, ConocoPhillips and BP, are pursuing their own gas pipeline project, called Denali. While the State's economic past and present is tied to oil, the state's future is dependent upon the development of its abundant natural gas resources. During the next several years the Administration will be actively pursuing a project to monetize Alaska's gas.

Strategy: Facilitate Other Oil & Gas Development- The State is also financing and promoting pre-development activities associated with production of a project plan for an in-state natural gas pipeline. House Bill 369 established the Joint In-State Gasline Development Team and Alaska Gasline Development Corporation (AGDC) to deliver a plan by July 2011 that would bring gas to Southcentral Alaska by 2016. AGDC is working in several critical areas:

- Performing market analysis and assessments to define project parameters that would allow the project to be commercially viable.
- Obtaining feedback from private pipeline construction and operating companies on their level of interest in the project.
- As necessary preparing any legislation in support of the project.

The Administration intends to pursue oil tax changes to incentivize investment and create private sector jobs. Additionally, the Administration intends to foster other oil and gas development by assuring that the State regulatory process is consistent, clear and timely. The Administration will also budget for roads to resources projects to lower the cost of access to state lands and foster additional jobs and investment.

Strategy: Facilitate Other Natural Resource Development- While oil and gas resources are the largest potential revenue sources for the state, other resource development efforts can also help diversify the state's revenue base. While they currently play smaller roles than oil and gas in terms of generating revenue to the state, mineral mining activity, fisheries and tourism also are critical contributing industries to the State's revenue stream and economic diversity.

Strategy: Invest in Hydropower and Other Cost-Effective Renewable Energy Projects- The State has an ambitious energy goal of having 50% of all of Alaska's electricity generated by renewable resources by 2025. In order to meet this goal the Administration advocates state investment in a large-scale hydroelectric power project as well as continued investment in smaller regional projects that use wind, hydroelectric and other renewable resources as the energy source for power generation. In many of these areas, high cost diesel is currently the primary fuel for electrical power generation. The Administration also proposes to continue investment in programs that provide resources for projects that promote energy conservation.

Principle: Restrain Spending

In contrast to revenue, the part of the fiscal equation that Alaska's policy makers can have the greatest impact on is the size of the State budget.

Strategy: Implement Results Based Budgeting- The Administration implemented results-based budgeting with the intention of restraining government spending. The Administration has directed agencies to focus on agency missions, core services and results expected for the current spending level. This is intended to assure Alaskans that state government dollars are being spent wisely. Within that framework, spending areas that will be a priority are those that are constitutionally mandated: natural resource development, education, and public safety. By implementing this approach the Administration has committed to promoting more efficient ways of providing and delivering government services.

Strategy: Evaluate Long term Costs of Investment Initiatives- In addition to assessing current spending for effectiveness, the Administration is committed to evaluating the long-term financial implications of proposed savings and investment initiatives. Taking a long-term view is intended to provide a framework for budget and policy decisions that promote the economic growth and fiscal stability necessary for Alaskans to prosper beyond the current budget cycle.

In order to restrain growth, the Administration will have to implement multiple strategies. Substantial reductions in state spending would require reductions in important public services and less investment in Alaska natural resource development and infrastructure. Anticipated growth in areas such as Medicaid, K-12 education and retirement system costs also make it challenging to reduce total state spending over time.

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Principle: Save for Future Generations of Alaskans

Along with resource development, the savings element of the plan meets a basic challenge facing Alaska, turning the non-recurring revenue stream produced from Alaska's resources in to a long term recurring revenue source that can help maintain Alaska's economic stability beyond the life of the resource. The primary vehicle for this effort is Alaska's Permanent Fund, and a primary objective of the plan is to continue growing the Permanent Fund. In addition to growing the Permanent Fund, when an opportunity presents itself, the plan contemplates depositing unspent unrestricted revenue in reserve accounts such as the Constitutional Budget Reserve and Statutory Budget Reserve. Continual building of Alaska's reserve accounts provides the State a means to stabilize a revenue stream that is subject to the dramatic swings of oil prices or production interruptions. The availability of reserves underpin the state government's ability to provide the services that are mandated without having to draw upon other means of revenue generation such as broad-based taxes or use of the Permanent Fund.

Strategy: Preserve and Grow The Permanent Fund - The primary vehicle for this effort is Alaska's Permanent Fund, which receives ongoing deposits of mineral royalty revenue as well as annual appropriations to inflation proof the fund. Currently, the main contribution of Alaska's Permanent Fund to the state's residents is the annual Permanent Fund dividend payment. In 2010, the dividend amounted to $822 million distributed to an estimated 641,595 dividend eligible citizens. If this distribution were added to payroll wages, it is the equivalent of a 5.5% boost to the overall wage and salary payroll in the state's economy.

Strategy: Build Reserves When Possible, Use Them Judiciously When Necessary- Beyond continuing to grow the Permanent Fund; the plan contemplates that in times of surplus unrestricted general fund revenue that a portion of that revenue be used to build reserve accounts. To date, the primary reserve account drawn upon to fund ongoing operations of state government has been the Constitutional Budget Reserve fund (CBRF). Since its inception more than $5.2 billion has been borrowed from that fund to pay for state funded services. Recent general fund revenue surpluses have allowed the CBRF to be replenished so that as of June 30, 2010 the entire borrowed balance had been repaid by the general fund. The available balance has grown to approximately $9.7 billion as of December 2010. Additionally, $1.2 billion has been placed in another savings account called the Statutory Budget Reserve.

Strategy: Forward Fund When Appropriate - Another method the plan contemplates to provide fiscal stability is forward funding programs. Examples where the state has built or plans to build reserves to fund programs in future years include:

- Public Education Fund: More than $1 billion was set aside to fund the State's projected contribution to funding K-12 education one year in advance. This fund has stabilized the funding stream for Alaska's K-12 education sector, and during the FY2010 budget cycle this fund was critical in balancing the budget at a time when oil prices were lower than forecast. The Administration proposed fully funding FY2012 projected K-12 costs with projected FY2011 revenue, and will repeat this proposal in FY2012, by proposing to forward fund projected FY2013 education costs.
- Community Revenue Sharing Fund- $180 million is set aside in an attempt to stabilize annual funding to local communities for provision of local government services. The Administration will propose to deposit $60 million in the Community Revenue Sharing fund to bring the balance of the fund to $180 million. This insures communities stable funding in FY2012 as well as a revenue sharing program through at least FY2015 given the programs current funding mechanism.
- Alaska Housing Capital Corporation Fund: More than $300 million was set aside to fund future capital projects, the Administration is proposing in FY2012 to use a portion of these funds for gas line and other important infrastructure expenditures.
- Alaska Performance Scholarships: As part of the FY2012 budget, the Administration included $8.2 million to fund performance scholarships to in-state universities or job-training programs for students who complete a rigorous academic course of study and earn higher grades. Additional work needs to occur to implement a funding mechanism for performance scholarships that will be sustainable over time.

Strategy: Focus Investment - The plan prioritizes spending according to the Administration's investment priorities of:

- Economic and Resource development
- Education
- Transportation infrastructure
- Public Safety, health and welfare

Alternate Scenarios Provide Reason for Optimism and Caution

While Alaska's current financial outlook is easily characterized as among the best in recent history one only need look at the recent past to remind Alaskans that the link between the State of Alaska's fiscal health and the price of oil can change the fiscal outlook quickly and dramatically. In view of history, the examination of different spending growth paths or lower oil

prices than forecast can temper the optimism of the state's current long term outlook. It also illustrates the dependence of the state's fiscal stability on oil.

For an illustration of possibilities that may lie ahead for Alaska, three spending scenarios and two alternate revenue and spending scenarios were modeled. A brief description and synopsis of each scenario is presented below:

Scenario 1: 2010 Forecast with flat spending: This scenario holds spending constant at FY2012 levels for the next 10 years assuming the Fall 2010 revenue forecast.

Synopsis: Budget surpluses through FY2021 while the SBR and CBR combined account balances grow to $36.8 billion by the end of FY2021.

Scenario 2: 2010 Forecast with 3% spending growth: This scenario assumes 3.0% annual spending growth beginning in FY2013 and beyond while assuming the Fall 2010 revenue forecast.

Synopsis: Budget surpluses through FY2021 while the SBR and CBR combined account balances grow to $28.9 billion by the end of FY2021.

Scenario 3: 2010 2010 Forecast with 6% spending growth: This scenario assumes 6.0% annual spending growth beginning in FY2013 and beyond while assuming the Fall 2010 revenue forecast.

Synopsis: Budget surpluses through FY2018 while the SBR and CBR combined account balances grow to $20.1 billion by the end of FY2021.

Scenario 4: $80 oil with 3% spending growth: This scenario assumes that oil prices hold steady at $80 a barrel and annual spending growth is 3.0% beginning in FY2013 and beyond.

Synopsis: Budget shortfalls begin in FY2013 while the SBR and CBR combined account balances reach nearly $12 billion in the short run but the steady draws on those two accounts erode the combined SBR and CBR balances to $3.1 billion by the end of FY2021.

Scenario 5: $70 oil with 1% spending growth: This scenario assumes that oil prices hold steady at $70 a barrel and annual spending growth is 1.0% beginning in FY2013 and beyond.

Synopsis: Budget shortfalls begin in FY2012 and the SBR and CBR reserve accounts are exhausted by the end of FY2020.

In summary, there is a wide range of possible scenarios that could lie ahead for Alaska. While the future holds the promise of fiscal stability if given steadily increasing price of oil, the past has demonstrated on numerous occasions that the state must take a cautious approach to its finances, and carefully consider the obligations that it makes today to insure that it has the means to provide essential services in the future. The challenge will remain to strike a balance between the needs of current Alaskans against the need to provide essential public services to Alaska's future generations.

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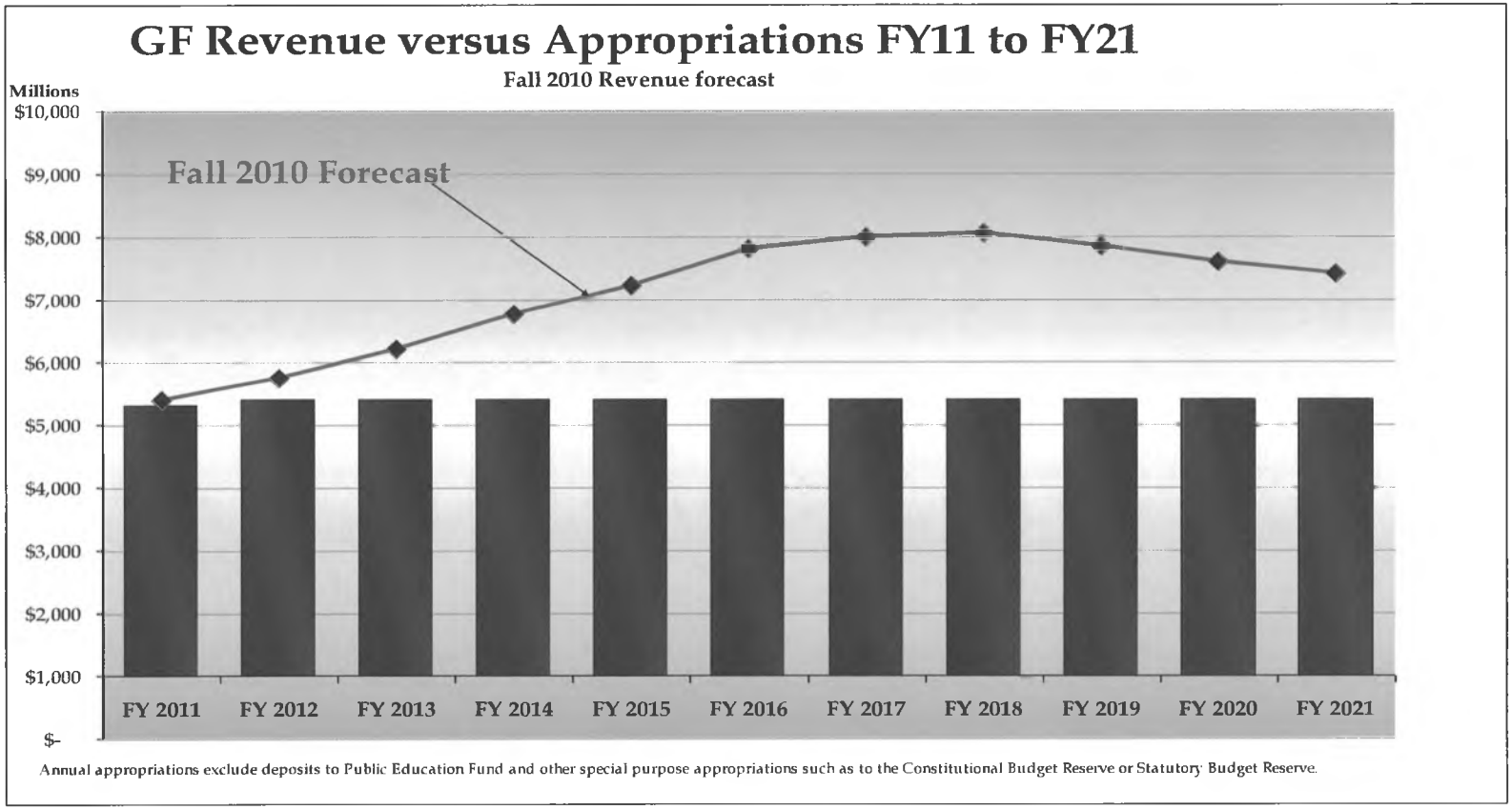
Scenario 1: FY2012 Governor's Budget with 0% Annual Expenditure Growth



Appropriations projections in the plan do not represent a commitment by the Administration to propose spending or generate revenue at a particular level in FY2011, FY2012 or any future year. The 10 year forecast shows that unanticipated budget shortfalls during the 10-year period could be filled primarily through the use of reserve funds; however, other fiscal tools including spending reductions would likely be used in addition to, or in lieu of, reserve funds.

The plan will be revisited as conditions warrant.

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Scenario 1: FY2012 Governor's Budget with 0% Annual Expenditure Growth

Oil Price & Production	**FY 11**	**FY 12**	**FY 13**	**FY 14**	**FY 15**	**FY 16**	**FY 17**	**FY 18**	**FY 19**	**FY20**	**FY21**
Fall 2010 forecast ANS West Coast ($/bbl.)	$77.96	$82.67	$87.86	$92.41	$97.34	$100.08	$102.90	$105.80	$108.78	$111.84	$114.99
Fall 2010 forecast production (mmbbl./day)	0.616	0.622	0.642	0.629	0.608	0.623	0.607	0.582	0.551	0.520	0.496
Revenue vs. Spending ($millions)											
General Fund Revenues[1/]	$5,452.2	$5,790.3	$6,207.7	$6,767.8	$7,233.1	$7,822.4	$7,992.7	$8,060.4	$7,845.7	$7,610.7	$7,424.1
General Fund Expenses	$5,403.6	$5,446.4	$5,446.4	$5,446.4	$5,446.4	$5,446.4	$5,446.4	$5,446.4	$5,446.4	$5,446.4	$5,446.4
Budget Surplus/Shortfall	**$48.6**	**$343.9**	**$761.3**	**$1,321.4**	**$1,786.7**	**$2,376.0**	**$2,546.3**	**$2,614.0**	**$2,399.3**	**$2,164.3**	**$1,977.7**
Reserve Balances ($millions)											
CBRF Main Account Balance End of Year	$5,126.1	$5,346.9	$5,576.3	$5,814.6	$6,062.3	$6,319.7	$6,587.1	$6,864.9	$7,153.7	$7,453.7	$7,765.4
CBRF Subaccount Balance End of Year	$4,890.7	$5,242.2	$5,618.9	$6,022.7	$6,455.5	$6,919.4	$7,416.7	$7,949.6	$8,520.9	$9,133.3	$9,789.6
CBRF Total	**$10,016.8**	**$10,589.0**	**$11,195.2**	**$11,837.3**	**$12,517.8**	**$13,239.1**	**$14,003.7**	**$14,814.6**	**$15,674.6**	**$16,587.0**	**$17,555.0**
Statutory Budget Reserve Balance	$1,048.6	$1,392.4	$2,153.7	$3,475.1	$5,261.8	$7,637.9	$10,184.2	$12,798.2	$15,197.5	$17,361.7	$19,339.4
TOTAL RESERVES	**$11,065.4**	**$11,981.5**	**$13,348.9**	**$15,312.4**	**$17,779.6**	**$20,876.9**	**$24,187.9**	**$27,612.8**	**$30,872.1**	**$33,948.7**	**$36,894.4**

1/FY 2011 and FY 2012 General Fund Revenue includes Corporate Dividends, Reappropriations and Carry Forward.

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The plan will be revisited as conditions warrant.

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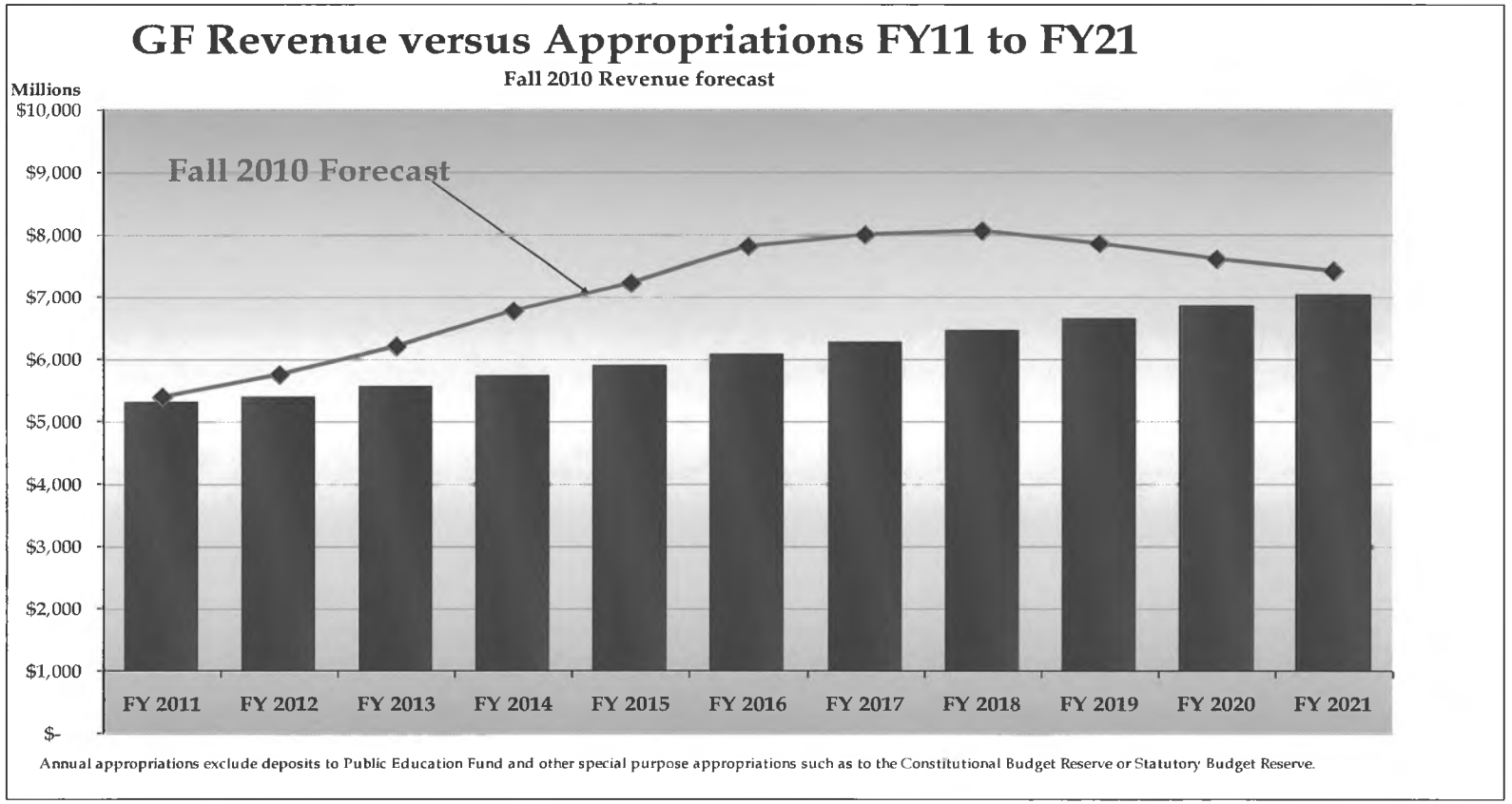
Scenario 2: FY2012 Governor's Budget with 3% Annual Expenditure Growth



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Scenario 2: FY2012 Governor's Budget with 3% Annual Expenditure Growth

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General Fund Expenses	$5,403.6	$5,446.4	$5,609.8	$5,778.1	$5,951.4	$6,130.0	$6,313.9	$6,503.3	$6,698.4	$6,899.3	$7,106.3
Budget Surplus/Shortfall	**$48.6**	**$343.9**	**$597.9**	**$989.7**	**$1,281.7**	**$1,692.4**	**$1,678.9**	**$1,557.1**	**$1,147.3**	**$711.3**	**$317.8**
Reserve Balances ($millions)											
CBRF Main Account Balance End of Year	$5,126.1	$5,346.9	$5,576.3	$5,814.6	$6,062.3	$6,319.7	$6,587.1	$6,864.9	$7,153.7	$7,453.7	$7,765.4
CBRF Subaccount Balance End of Year	$4,890.7	$5,242.2	$5,618.9	$6,022.7	$6,455.5	$6,919.4	$7,416.7	$7,949.6	$8,520.9	$9,133.3	$9,789.6
CBRF Total	**$10,016.8**	**$10,589.0**	**$11,195.2**	**$11,837.3**	**$12,517.8**	**$13,239.1**	**$14,003.7**	**$14,814.6**	**$15,674.6**	**$16,587.0**	**$17,555.0**
Statutory Budget Reserve Balance	$1,048.6	$1,392.4	$1,990.3	$2,980.0	$4,261.7	$5,954.2	$7,633.0	$9,190.1	$10,337.4	$11,048.7	$11,366.5
TOTAL RESERVES	**$11,065.4**	**$11,981.5**	**$13,185.5**	**$14,817.4**	**$16,779.5**	**$19,193.2**	**$21,636.8**	**$24,004.7**	**$26,012.0**	**$27,635.7**	**$28,921.6**

1/FY 2011 and FY 2012 General Fund Revenue includes Corporate Dividends, Reappropriations and Carry Forward.

Appropriations projections in the plan do not represent a commitment by the Administration to propose spending or generate revenue at a particular level in FY2011, FY2012 or any future year. The 10 year forecast shows that unanticipated budget shortfalls during the 10-year period could be filled primarily through the use of reserve funds; however, other fiscal tools including spending reductions would likely be used in addition to, or in lieu of, reserve funds.

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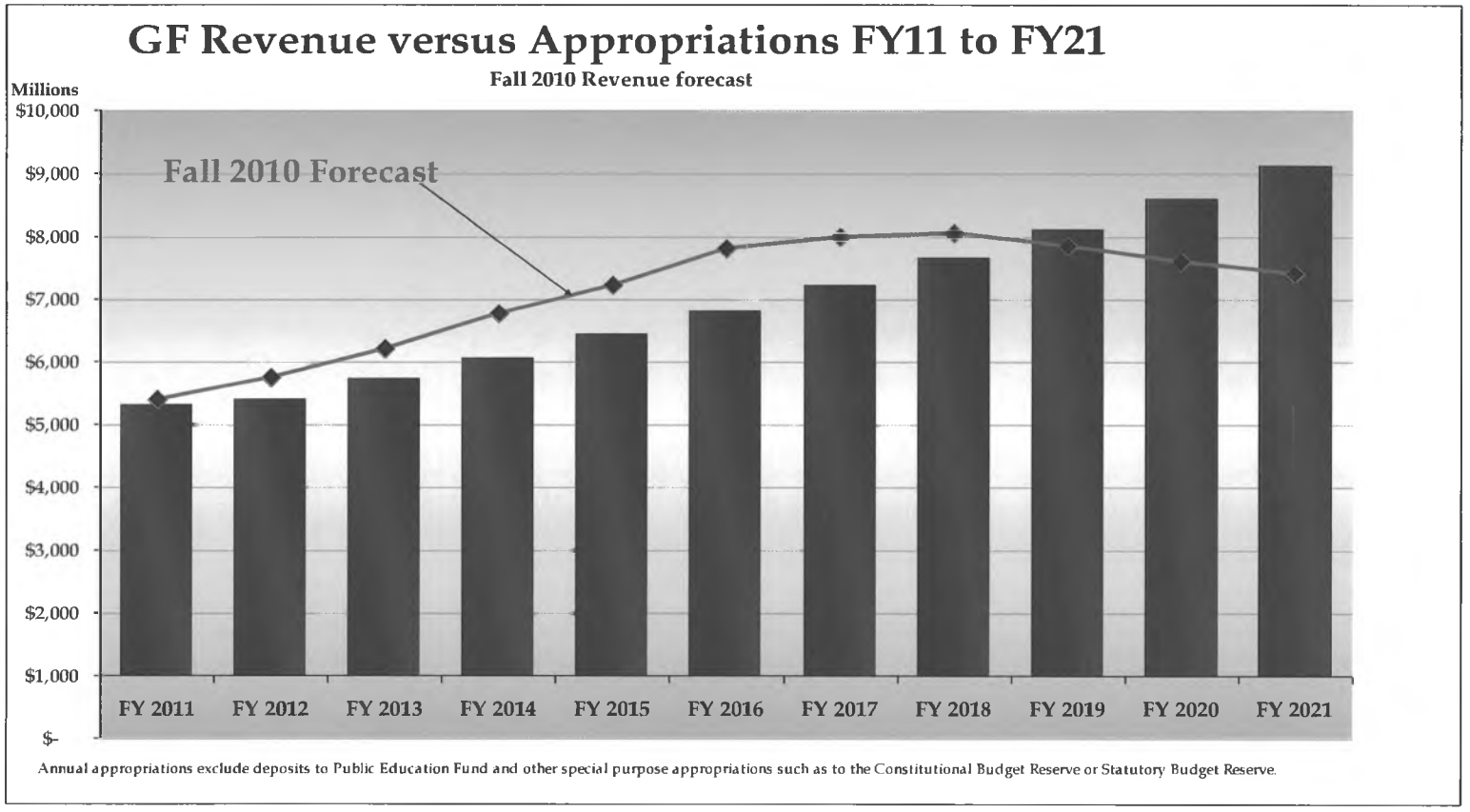
Scenario 3: FY2012 Governor's Budget with 6% Annual Expenditure Growth



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Oil Price & Production	**FY 11**	**FY 12**	**FY 13**	**FY 14**	**FY 15**	**FY 16**	**FY 17**	**FY 18**	**FY 19**	**FY20**	**FY21**
Fall 2010 forecast ANS West Coast ($/bbl)	$77.96	$82.67	$87.86	$92.41	$97.34	$100.08	$102.90	$105.80	$108.78	$111.84	$114.99
Fall 2010 forecast production (mmbbl./day)	0.616	0.622	0.642	0.629	0.608	0.623	0.607	0.582	0.551	0.520	0.496
Revenue vs. Spending ($millions)											
General Fund Revenues[1/]	$5,452.2	$5,790.3	$6,207.7	$6,767.8	$7,233.1	$7,822.4	$7,992.7	$8,060.4	$7,845.7	$7,610.7	$7,424.1
General Fund Expenses	$5,403.6	$5,446.4	$5,773.2	$6,119.6	$6,486.7	$6,876.0	$7,288.5	$7,725.8	$8,189.4	$8,680.7	$9,201.6
Budget Surplus/Shortfall	**$48.6**	**$343.9**	**$434.5**	**$648.2**	**$746.4**	**$946.5**	**$704.2**	**$334.6**	**($343.7)**	**($1,070.1)**	**($1,777.5)**
Reserve Balances ($millions)											
CBRF Main Account Balance End of Year	$5,126.1	$5,346.9	$5,576.3	$5,814.6	$6,062.3	$6,319.7	$6,587.1	$6,864.9	$7,153.7	$7,453.7	$7,765.4
CBRF Subaccount Balance End of Year	$4,890.7	$5,242.2	$5,618.9	$6,022.7	$6,455.5	$6,919.4	$7,416.7	$7,949.6	$8,520.9	$9,133.3	$9,789.6
CBRF Total	**$10,016.8**	**$10,589.0**	**$11,195.2**	**$11,837.3**	**$12,517.8**	**$13,239.1**	**$14,003.7**	**$14,814.6**	**$15,674.6**	**$16,587.0**	**$17,555.0**
Statutory Budget Reserve Balance	$1,048.6	$1,392.4	$1,827.0	$2,475.2	$3,221.5	$4,168.0	$4,872.2	$5,206.8	$4,863.1	$3,793.0	$2,015.5
TOTAL RESERVES	**$11,065.4**	**$11,981.5**	**$13,022.1**	**$14,312.5**	**$15,739.3**	**$17,407.1**	**$18,875.9**	**$20,021.4**	**$20,537.7**	**$20,380.0**	**$19,570.6**

1/FY 2011 and FY 2012 General Fund Revenue includes Corporate Dividends, Reappropriations and Carry Forward.

Appropriations projections in the plan do not represent a commitment by the Administration to propose spending or generate revenue at a particular level in FY2011, FY2012 or any future year. The 10 year forecast shows that unanticipated budget shortfalls during the 10-year period could be filled primarily through the use of reserve funds; however, other fiscal tools including spending reductions would likely be used in addition to, or in lieu of, reserve funds.

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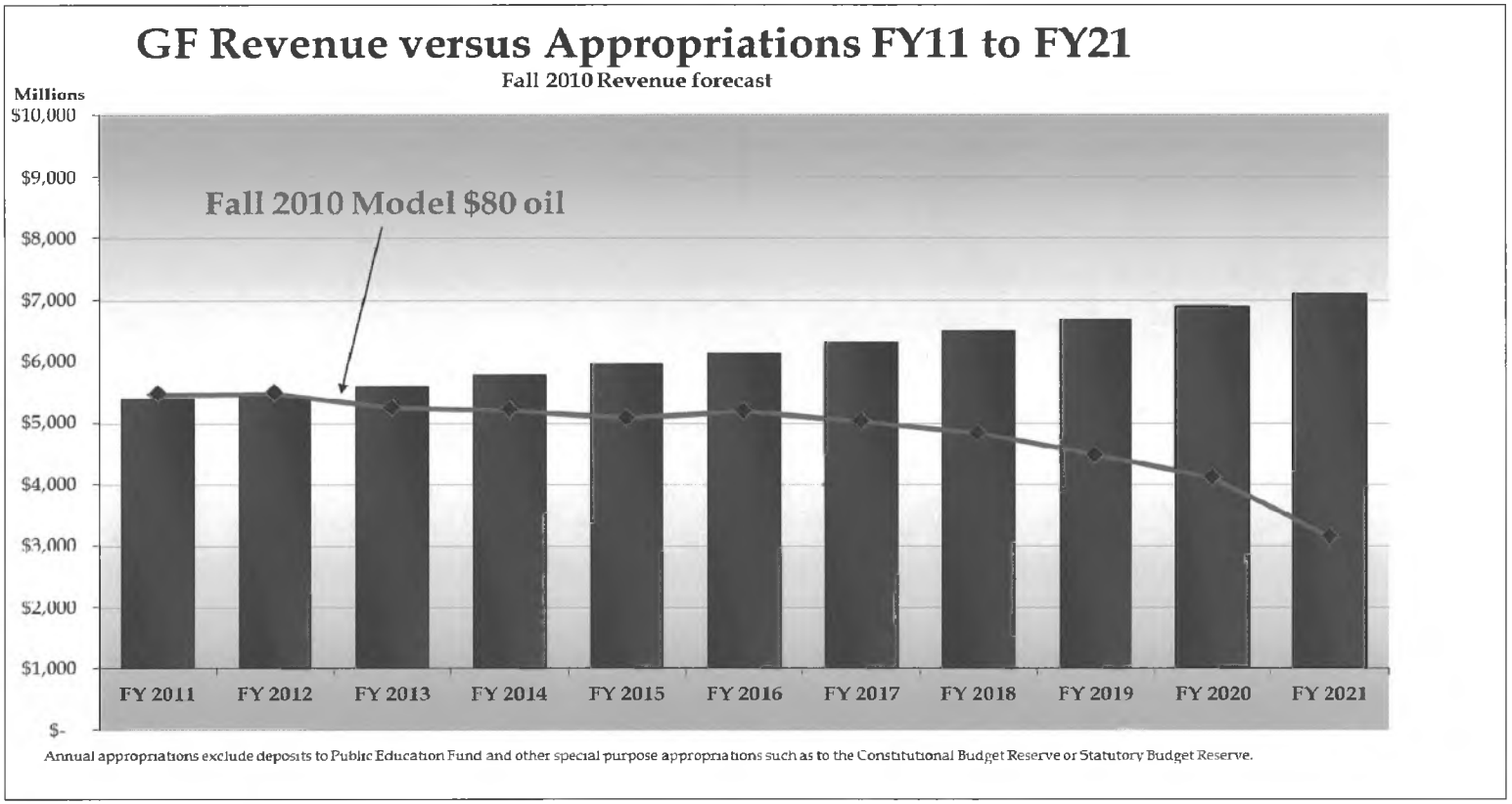
Scenario 4: Revenue@$80 oil FY2012 Governor's Budget plus 3% Annual Growth



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Oil Price & Production	**FY 11**	**FY 12**	**FY 13**	**FY 14**	**FY 15**	**FY 16**	**FY 17**	**FY 18**	**FY 19**	**FY20**	**FY21**
Fall 2010 forecast ANS West Coast ($/bbl)	$77.96	$80.00	$80.00	$80.00	$80.00	$80.00	$80.00	$80.00	$80.00	$80.00	$80.00
Fall 2010 forecast production (mmbbl./day)	0.616	0.622	0.642	0.629	0.608	0.623	0.607	0.582	0.551	0.520	0.496
Revenue vs. Spending ($millions)											
General Fund Revenues[1/]	$5,392.4	$5,423.4	$5,229.2	$5,199.3	$5,066.8	$5,176.3	$5,020.6	$4,821.5	$4,465.0	$4,109.4	$3,835.7
General Fund Expenses	$5,403.6	$5,446.4	$5,773.2	$6,119.6	$6,486.7	$6,876.0	$7,288.5	$7,725.8	$8,189.4	$8,680.7	$9,201.6
Budget Surplus/Shortfall	$48.6	$23.4	($543.9)	($920.2)	($1,419.9)	($1,699.6)	($2,267.9)	($2,904.3)	($3,724.4)	($4,571.3)	($5,365.9)
Reserve Balances ($millions)											
CBRF Main Account Balance End of Year	$5,126.1	$5,346.9	$5,576.3	$5,814.6	$5,274.1	$4,526.9	$3,403.8	$1,840.1	($162.4)	$0.0	$0.0
CBRF Subaccount Balance End of Year	$4,890.7	$5,242.2	$5,618.9	$6,022.7	$6,455.5	$6,919.4	$7,416.7	$7,949.6	$8,329.4	$6,051.4	$3,110.4
CBRF Total	$10,016.8	$10,589.0	$11,195.2	$11,837.3	$11,729.6	$11,446.3	$10,820.5	$9,789.7	$8,167.0	$6,051.4	$3,110.4
Statutory Budget Reserve Balance	$1,048.6	$1,071.9	$691.4	$112.6	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
TOTAL RESERVES	$11,065.4	$11,661.0	$11,886.5	$11,949.9	$11,729.6	$11,446.3	$10,820.5	$9,789.7	$8,167.0	$6,051.4	$3,110.4

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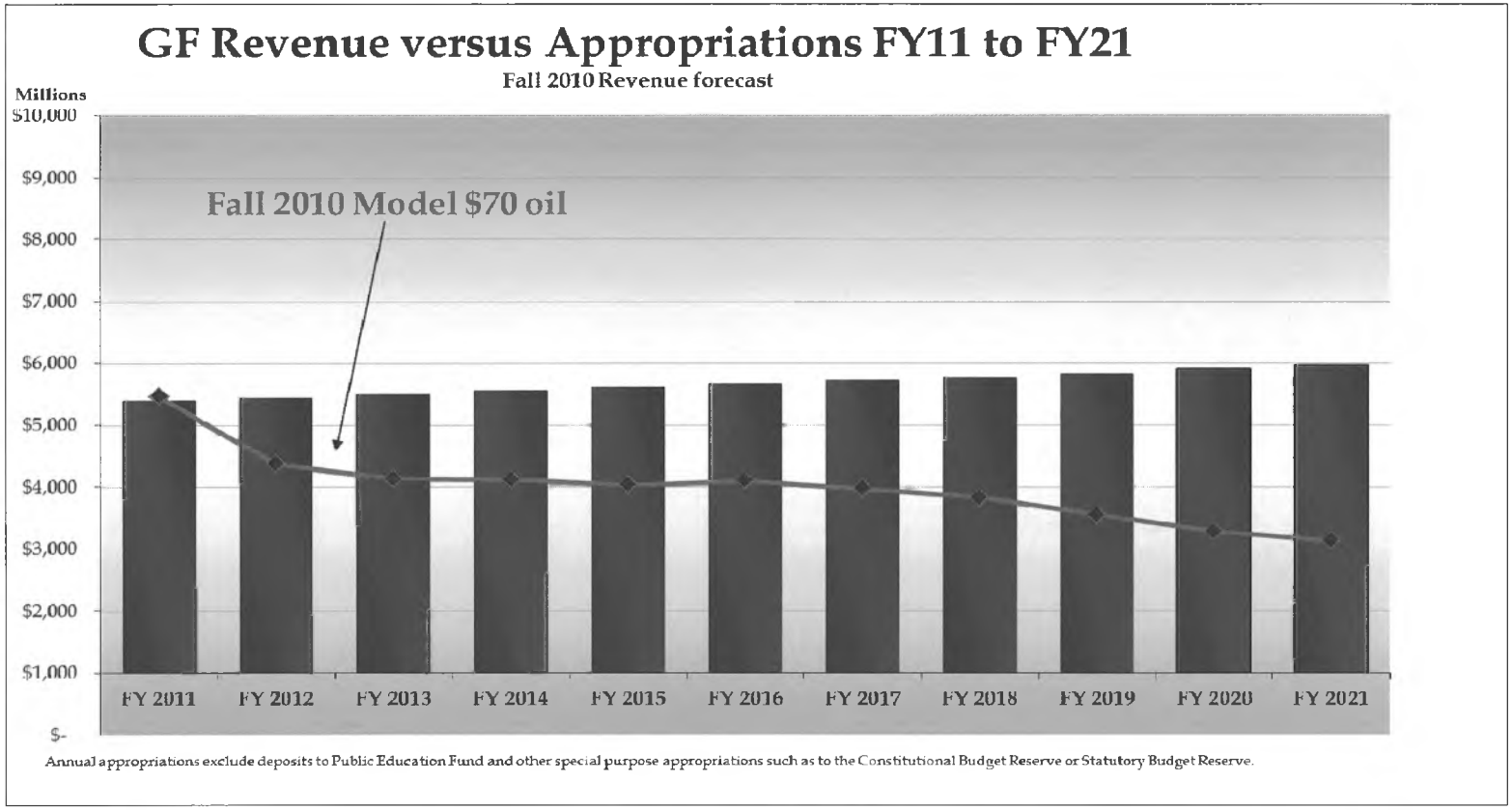
Scenario 5: Revenue@$70 oil FY2012 Governor's Budget plus 1% Annual Growth



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Oil Price & Production	**FY 11**	**FY 12**	**FY 13**	**FY 14**	**FY 15**	**FY 16**	**FY 17**	**FY 18**	**FY 19**	**FY20**	**FY21**
Fall 2010 forecast ANS West Coast ($/bbl)	$77.96	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00	$70.00
Fall 2010 forecast production (mmbbl./day)	0.616	0.622	0.642	0.629	0.608	0.623	0.607	0.582	0.551	0.520	0.496
Revenue vs. Spending ($millions)											
General Fund Revenues[1/]	$5,452.2	$4,365.3	$4,127.7	$4,111.3	$4,024.5	$4,091.8	$3,971.2	$3,826.5	$3,556.7	$3,281.1	$3,835.7
General Fund Expenses	$5,403.6	$5,446.4	$5,500.9	$5,555.9	$5,611.4	$5,667.5	$5,724.2	$5,781.5	$5,839.3	$5,897.7	$5,956.6
Budget Surplus/Shortfall	$48.6	($1,081.1)	($1,373.2)	($1,444.6)	($1,586.9)	($1,575.7)	($1,753.0)	($1,955.0)	($2,282.5)	($2,616.6)	($2,120.9)
Reserve Balances ($millions)											
CBRF Main Account Balance End of Year	$5,126.1	$5,313.7	$4,139.7	$2,846.9	$1,358.3	($46.8)	$0.0	$0.0	$0.0	$0.0	$0.0
CBRF Subaccount Balance End of Year	$4,890.7	$5,242.2	$5,618.9	$6,022.7	$6,455.5	$6,784.8	$5,472.6	$3,856.4	$1,783.8	$0.0	$0.0
CBRF Total	$10,016.8	$10,555.8	$9,758.6	$8,869.6	$7,813.8	$6,737.9	$5,472.6	$3,856.4	$1,783.8	$0.0	$0.0
Statutory Budget Reserve Balance	$1,073.5	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
TOTAL RESERVES	$11,090.3	$10,576.9	$9,823.8	$8,981.3	$7,974.1	$6,953.7	$5,702.2	$4,263.4	$2,267.0	$0.0	$0.0

1/FY 2011 and FY 2012 General Fund Revenue includes Corporate Dividends, Reappropriations and Carry Forward.

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1/27/11 LEGISLATIVE FINANCE DIVISION: FY2012 BUDGET OVERVIEW AND FISCAL SUMMARY

<TARGET><BILL></BILL><SUBJECT>1-27-11 LEGISLATIVE FINANCE DIVISION FY2012 BUDGET OVERVIEW AND FISCAL SUMMARY</SUBJECT><COMM>SFIN27</COMM></TARGET>

An Overview of Alaska's Fiscal Situation

Senate Finance Committee

January 26, 2011



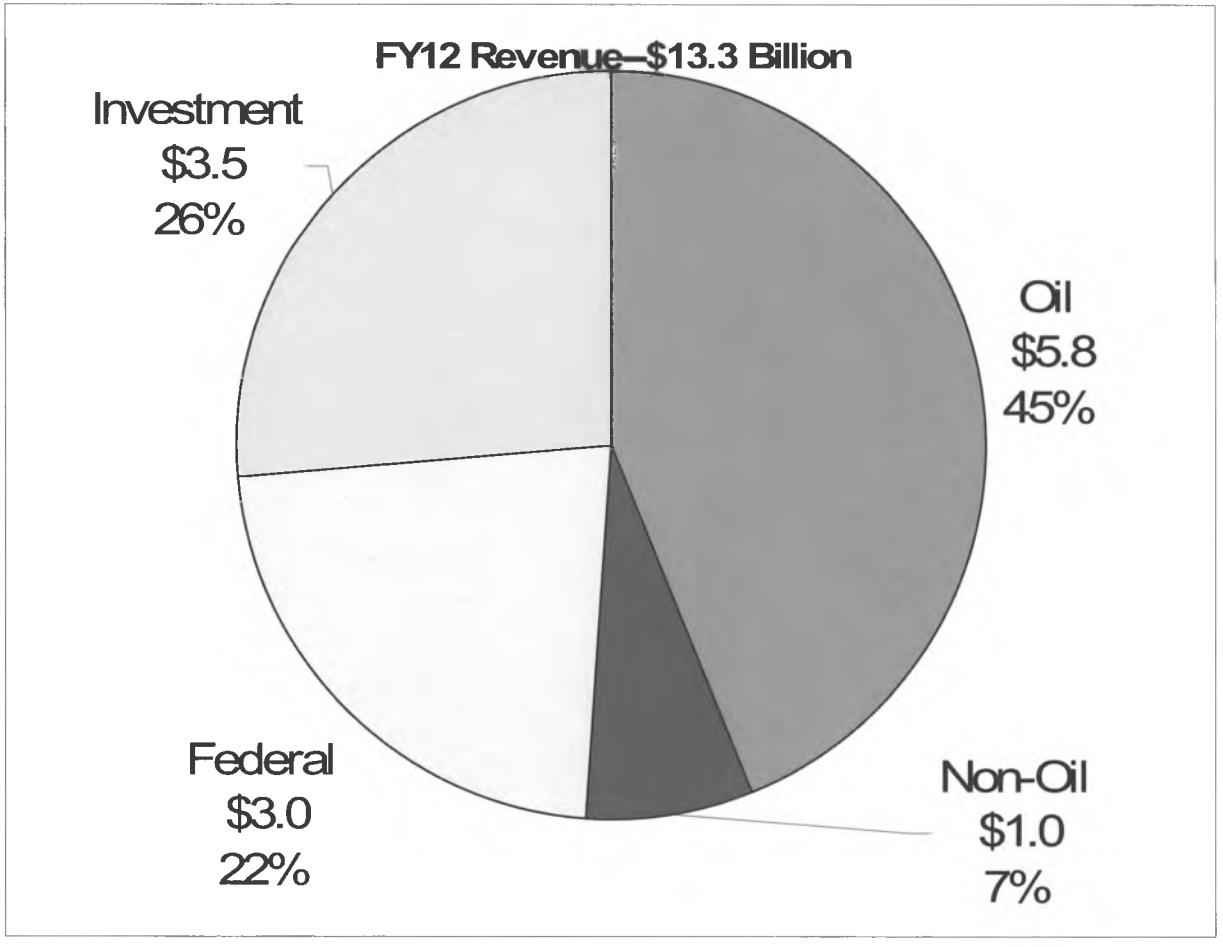
Legislative Finance Division

Four Elements of Budgeting

1. Revenue
2. Appropriations
3. Reserve Balances
4. A Long-Term Plan

Revenue Sources

DOR Fall 2010 Source Book



Revenue and Appropriations

- Unrestricted General Funds (UGF)
- Designated General Funds (DGF)
- Other State Funds
- Federal Receipts

Federal Receipts

- Typically have strings attached—the legislature has very little discretion in the appropriation process
- Frequently require state matching funds
- Split pretty evenly into thirds
  - Capital budget (primarily transportation)
  - Formula programs (primarily Medicaid)
  - Agency operations (DMVA, Labor, DEED)

Other State Funds

- Before Budget Clarification Project, "other" was almost $3 billion, now is $500 million
- Now, there is very little discretion in how money is spent—the category includes
  - international airport revenue,
  - state corporation receipts (including Permanent Fund)
  - Trusts (retirement, Mental Health and others)
  - Dedicated Funds (Fish & Game and others)

Designated General Funds

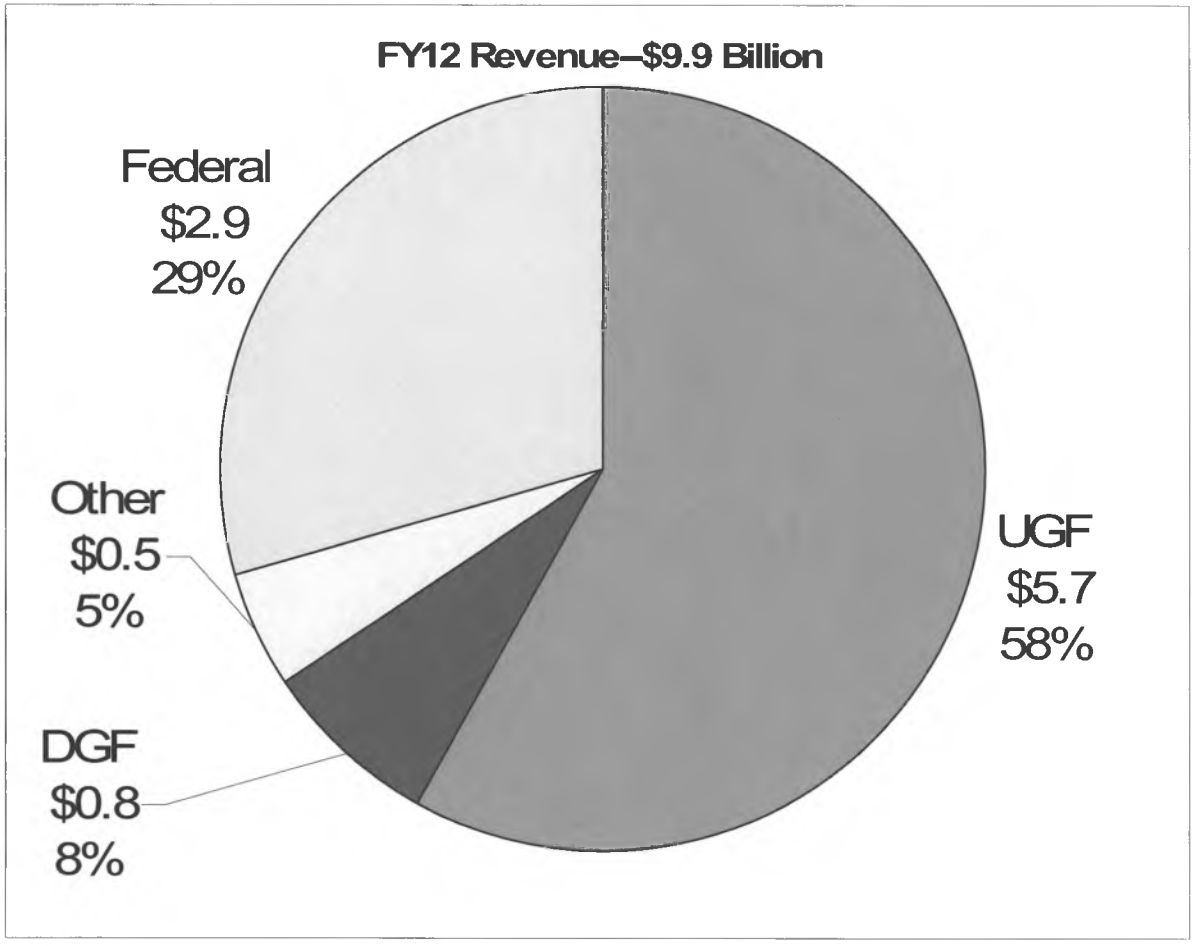
- Fund sources that have been designated—not dedicated—for a special purpose in statute
- Include University Receipts, AMHS receipts and other "fees for service" that agencies charge
- The legislature typically follows statutory guidelines (the law prohibits spending program receipts outside the program that generates them)

Unrestricted General Funds

- 88% of UGF revenue is derived from oil
- Complete discretion in appropriating UGF
- Typically referenced as the measure of state spending
- Used to calculate the Fiscal Surplus or Deficit

Revenue Sources

Degree of Discretion



State of Alaska Fiscal Summary--FY11 and FY12

($ millions)

		FY11 Management Plan						FY12 Governor's Request						Change in GF	
		Unrestricted General Funds	Designated General Funds	Total General Funds	Other State Funds	Federal Receipts	All Funds	Unrestricted General Funds	Designated General Funds	Total General Funds	Other State Funds	Federal Receipts	All Funds	$	%
1	**REVENUE** (Excludes Permanent Fund Earnings) (1)	5,395.2	770.1	6,165.3	537.4	3,145.6	9,848.3	5,732.4	760.8	6,493.2	494.4	2,901.6	9,889.2	327.9	5.3%
2	Unrestricted General Fund Revenue (Fall 2010) (2)	5,371.8	-	5,371.8	-	-	5,371.8	5,743.9	-	5,743.9	-	-	5,743.9		
3	Reappropriation and Carryforward (3)	21.4	0.6	22.0	0.9	144.8	167.7	-	-	-	-	-	-		
4	Corporate Dividends (4)	1.9	-	1.9	-	-	1.9	(11.5)	-	(11.5)	-	-	(11.5)		
5	Designated General Fund Revenue (5)	-	769.5	769.5	-	-	769.5	-	760.8	760.8	-	-	760.8		
6	Other State Funds and Federal Receipts	-	-	-	536.5	3,000.8	3,537.4	-	-	-	494.4	2,901.6	3,396.0		
	APPROPRIATIONS														
7	TOTAL OPERATING APPROPRIATIONS	4,797.9	706.7	5,504.6	442.4	2,134.9	8,082.0	5,066.2	726.7	5,792.9	449.5	2,071.8	8,314.3	288.3	5.2%
8	**Agency Operations**	3,761.6	685.5	4,447.1	390.1	2,089.0	6,926.1	3,909.2	704.6	4,613.9	408.3	2,028.7	7,050.9	166.8	3.8%
9	**Current Fiscal Year Appropriations** (Includes Fiscal Notes)	3,711.6	685.5	4,397.1	390.1	2,089.0	6,876.1	3,859.2	704.6	4,563.9	408.3	2,028.7	7,000.9	166.8	3.8%
10	Agency Operations (Non-Formula)	1,991.5	633.1	2,624.6	385.9	1,059.8	4,070.3	2,060.5	648.1	2,708.5	405.5	919.2	4,033.3	84.0	3.2%
11	K-12 Formula and Pupil Transportation	1,114.3	10.7	1,125.0	-	23.5	1,148.5	1,124.7	12.4	1,137.0	-	23.5	1,160.5	12.0	1.1%
12	Other Formula Programs	605.8	41.7	647.5	2.8	973.6	1,623.9	674.1	44.2	718.3	2.8	1,086.0	1,807.2	70.9	10.9%
13	Revised Programs Legislatively Approved	-	-	-	1.4	32.1	33.5	-	-	-	-	-	-		
14	*Duplicated Authorization (non-additive)* (6)	-	-	-	*657.2*	-	*657.2*	-	-	-	*681.9*	-	*681.9*		
15	**Supplemental Operating Appropriations**	50.0	0.0	50.0	0.0	0.0	50.0	50.0	0.0	50.0	0.0	0.0	50.0	-	0.0%
16	**Statewide Operations**	1,036.4	21.2	1,057.6	52.4	45.9	1,155.8	1,157.0	22.0	1,179.0	41.2	43.2	1,263.4	121.5	11.5%
17	**Current Fiscal Year Appropriations**	1,036.4	21.2	1,057.6	52.4	45.9	1,155.8	1,157.0	22.0	1,179.0	41.2	43.2	1,263.4	121.5	11.5%
18	Debt Service	171.5	21.2	192.7	52.4	12.4	257.4	208.8	21.6	230.4	41.1	13.0	284.6	37.7	19.6%
19	Local Government Support	60.0	-	60.0	-	-	60.0	60.0	-	60.0	-	-	60.0	-	0.0%
20	Oil & Gas Investment Tax Credits	430.0	-	430.0	-	-	430.0	400.0	-	400.0	-	-	400.0	(30.0)	-7.0%
21	Other Fund Capitalization	11.6	0.0	11.6	-	33.5	45.1	7.5	0.4	7.9	0.0	30.2	38.1	(3.6)	-31.5%
22	Direct Appropriations to Retirement	357.6	-	357.6	-	-	357.6	479.5	-	479.5	-	-	479.5	121.9	34.1%
23	Resource Rebate	4.5	-	4.5	-	-	4.5	-	-	-	-	-	-	(4.5)	-100.0%
24	Judgments, Claims and Settlements	1.2	-	1.2	-	-	1.2	1.2	-	1.2	-	-	1.2	-	0.0%
25	*Duplicated Authorization (non-additive)* (6)	-	-	-	*19.9*	-	*19.9*	-	-	-	*20.9*	-	*20.9*		
26	TOTAL CAPITAL APPROPRIATIONS	549.7	59.7	609.3	85.5	1,010.7	1,705.6	691.7	30.0	721.6	36.1	829.7	1,587.5	112.3	18.4%
27	**Current Fiscal Year Appropriations**	549.7	59.7	609.3	85.5	1,010.7	1,705.6	691.7	30.0	721.6	36.1	829.7	1,587.5	112.3	18.4%
28	Project Appropriations & RPLs (Revised Programs)	407.3	59.6620	466.9	85.5	1,010.7	1,563.2	531.7	30.0	561.6	36.1	829.7	1,427.5	94.7	20.3%
29	Fund Capitalization	142.4	0.0	142.4	0.0	0.0	142.4	160.0	0.0	160.0	0.0	0.0	160.0	17.6	12.4%
30	*Projects Funded with General Obligation Bonds (non-additive)*	*0.0*	*0.0*	*0.0*	*397.2*	*0.0*	*397.2*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*		
31	*Projects Funded with Other Debt Proceeds (non-additive)*	*0.0*	*0.0*	*0.0*	*29.6*	*0.0*	*29.6*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*		
32	*Capital Vetoes (non-additive)*	*(100.3)*	*(25.3)*	*(125.5)*	*(6.4)*	*(0.3)*	*(132.2)*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*		
33	*Duplicated Authorization (non-additive)* (6)	*0.0*	*0.0*	*0.0*	*459.7*	*0.0*	*459.7*	*0.0*	*0.0*	*0.0*	*74.3*	*0.0*	*74.3*		
34	*Money on the Street (includes all fund sources)* (7)	*549.7*	*59.7*	*609.3*	*545.2*	*1,010.7*	*2,165.3*	*691.7*	*30.0*	*721.6*	*110.5*	*829.7*	*1,661.8*	*112.3*	*18.4%*
35	**Pre-Transfers Authorization** (unduplicated)	5,347.6	766.4	6,114.0	527.9	3,145.6	9,787.5	5,757.9	756.6	6,514.5	485.7	2,901.6	9,901.8	400.6	6.6%
36	*Pre-Transfers Surplus/(Deficit)*	*47.6*	*0.9%*	*of UGF Revenue*				*(25.5)*	*-0.4%*	*of UGF Revenue*					

January 11, 2011

Notes:

(1) Although Permanent Fund earnings may be appropriated for any purpose, the legislature traditionally excludes them from the definition of available revenue. Appropriations of Permanent Fund earnings are reported in lines 48-51 of the summary. Permanent Fund earnings and balance information is reported in part 2 of the fiscal summary.

(2) The Department of Revenue's December 2010 oil forecast for FY11 is 0.616 mbd at $77.96 per barrel; the FY12 forecast is 0.622 mbd at $82.67/bbl.

(3) Carryforward is money that was appropriated in a prior year that is made available for spending in FY11 via multiyear appropriations or reappropriations. FY12 carryforward will be unknown until the close of FY11.

(4) Funds made available to the state by the boards of the Alaska Industrial Development and Export Authority (AIDEA) and Alaska Housing Finance Corporation (AHFC) are included in the revenue forecast. The amounts on this line correct estimates reported in the revenue forecast.

(5) Designated general funds include 1) program receipts that are restricted to the program that generates the receipts and 2) revenue that is statutorily designated for a specific purpose.

(6) Duplicated authorizations are in the budget twice, such as when funds flow in and out of a holding account or one agency pays another for services provided. Duplicated authorization also includes the expenditure of bond proceeds when debt service on bonds (which includes repayment of principal) will be reflected in future operating budgets.

(7) From an accounting perspective, unduplicated authorization is the best measure of capital spending. However, adding duplicated fund sources provides a valuable measure of "money on the street" because it includes projects funded with bond proceeds and other duplicated fund sources.

37	**Transfers (8)**	62.2	3.7	65.9	9.5	-	75.4	(309.9)	4.2	(305.7)	8.8	-	(296.9)	(371.6)	-563.5%
38	**Current Fiscal Year Transfers**	62.2	3.7	65.9	9.5	0.0	75.4	(309.9)	4.2	(305.7)	8.8	0.0	(296.9)	(371.6)	-563.5%
39	Designated Savings (Public Education Fund)	16.7	-	16.7	-	-	16.7	16.3	-	16.3	-	-	16.3		
40	Designated Savings (Railbelt Energy Fund)	-	-	-	-	-	-	(65.7)	-	(65.7)	-	-	(65.7)		
41	Undesignated Savings (Alaska Housing Capital Corp)	-	-	-	-	-	-	(295.4)	-	(295.4)	-	-	(295.4)		
42	Undesignated Savings (Other)	-	-	-	-	-	-	-	-	-	-	-	-		
43	Other Operating Transfers	10.6	3.7	14.3	9.5	-	23.8	9.9	4.2	14.1	8.8	-	22.8		
44	Capital Power Project Fund	10.0	-	10.0	-	-	10.0	-	-	-	-	-	-		
45	Capital Renewable Energy Fund	25.0	-	25.0	-	-	25.0	25.0	-	25.0	-	-	25.0		
46	**Post-Transfers Authorization** (unduplicated)	5,409.8	770.1	6,179.9	537.4	3,145.6	9,863.0	5,448.0	760.8	6,208.8	494.4	2,901.6	9,604.8	28.9	0.5%
47	*Post-Transfer Balance to/(from) the SBR*	*(14.6)*	*-0.3% of UGF Revenue*					*284.3*	*5.0% of UGF Revenue*						
48	**Permanent Fund**	1,200.0	42.0	1,242.0	6.9	-	1,248.8	1,468.0	41.8	1,509.8	7.0	-	1,516.8		
49	Permanent Fund Dividends	696.0	-	696.0	-	-	696.0	524.0	-	524.0	-	-	524.0		
50	Deposits to Principal	501.0	-	501.0	-	-	501.0	922.0	-	922.0	-	-	922.0		
51	*Other Uses of Earnings (included in op or cap budget)* **(9)**	*3.0*	*42.0*	*45.0*	*6.9*	-	*51.8*	*22.0*	*41.8*	*63.8*	*7.0*	-	*70.8*		
52	**Total Authorization** (unduplicated)	6,606.8	770.1	7,376.9	537.4	3,145.6	11,060.0	6,894.0	760.8	7,654.8	494.4	2,901.6	11,050.8	277.9	3.8%
	FISCAL YEAR SUMMARY	6,544.6	766.4	7,311.0	527.9	3,145.6	10,984.5	7,203.9	756.6	7,960.5	485.7	2,901.6	11,347.8	649.6	8.9%
	Agency Operations	3,761.6	685.5	4,447.1	390.1	2,089.0	6,926.1	3,909.2	704.6	4,613.9	408.3	2,028.7	7,050.9	166.8	3.8%
	Statewide Operations	1,036.4	21.2	1,057.6	52.4	45.9	1,155.8	1,157.0	22.0	1,179.0	41.2	43.2	1,263.4	121.5	11.5%
	Total Operating	**4,797.9**	**706.7**	**5,504.6**	**442.4**	**2,134.9**	**8,082.0**	**5,066.2**	**726.7**	**5,792.9**	**449.5**	**2,071.8**	**8,314.3**	**288.3**	**5.2%**
	Capital	**549.7**	**59.7**	**609.3**	**85.5**	**1,010.7**	**1,705.6**	**691.7**	**30.0**	**721.6**	**36.1**	**829.7**	**1,587.5**	**112.3**	**18.4%**
	Appropriation of Permanent Fund Earnings	1,197.0	0.0	1,197.0	0.0	0.0	1,197.0	1,446.0	0.0	1,446.0	0.0	0.0	1,446.0	249.0	20.8%
	Transfers (nonadditive)	***563.2***	***3.7***	***566.9***	***9.5***	-	***576.4***	***(309.9)***	***4.2***	***(305.7)***	***8.8***	-	***(296.9)***	***(872.6)***	***-153.9%***

Notes:

January 11, 2011

(8) "Transfers" refer to appropriations that move money from one fund to another within the Treasury. Although transfers are not true expenditures, they reduce the amount of money available for other purposes so must be included in the calculation of the surplus/deficit. For savings accounts, a positive number indicates a deposit and a negative number indicates a withdrawal. When money is withdrawn and spent, the expenditure is included in the operating or capital budget, as appropriate.

(9) Amounts shown on line 51 can be considered duplicated appropriations--they are included in the operating or capital budgets above. Amounts in the UGF column indicate earnings deposited in the Capital Income Fund; amounts in the DGF column indicate costs associated with the dividend program; and amounts in the Other column reflect gross earnings of the Permanent Fund spent for purposes other than operation of the corporation.

The Governor's capital budget request includes $19.1 million for items that Legislative Finance considers to be operating in nature. This amount has been added to agency operations (line 10) and subtracted from capital projects (line 28).

Fiscal Summary Key Points

1. FY12 revenue is $328 million above FY11 revenue
2. But spending is $400 million higher
   - Agency Operations is up $167 million (3.8%)
   - Statewide is up $122 million (11.5%)
   - Capital is up $112 million (18.4%)
3. There is a cash flow deficit of $25 million
4. The Governor removes a net of $310 million from savings accounts
5. The FY11 surplus remains a question mark

Reserves—the Third Element of Budgeting

- Alaska has reserves like no other state
- Excluding the Permanent Fund, which cannot be spent, Alaska has over $14 billion in reserves
- Some are difficult to access—PF ERA and CBRF
- No disagreement on accessible cash of about $1.5 billion

State of Alaska Fiscal Summary--FY11 and FY12

($ millions)

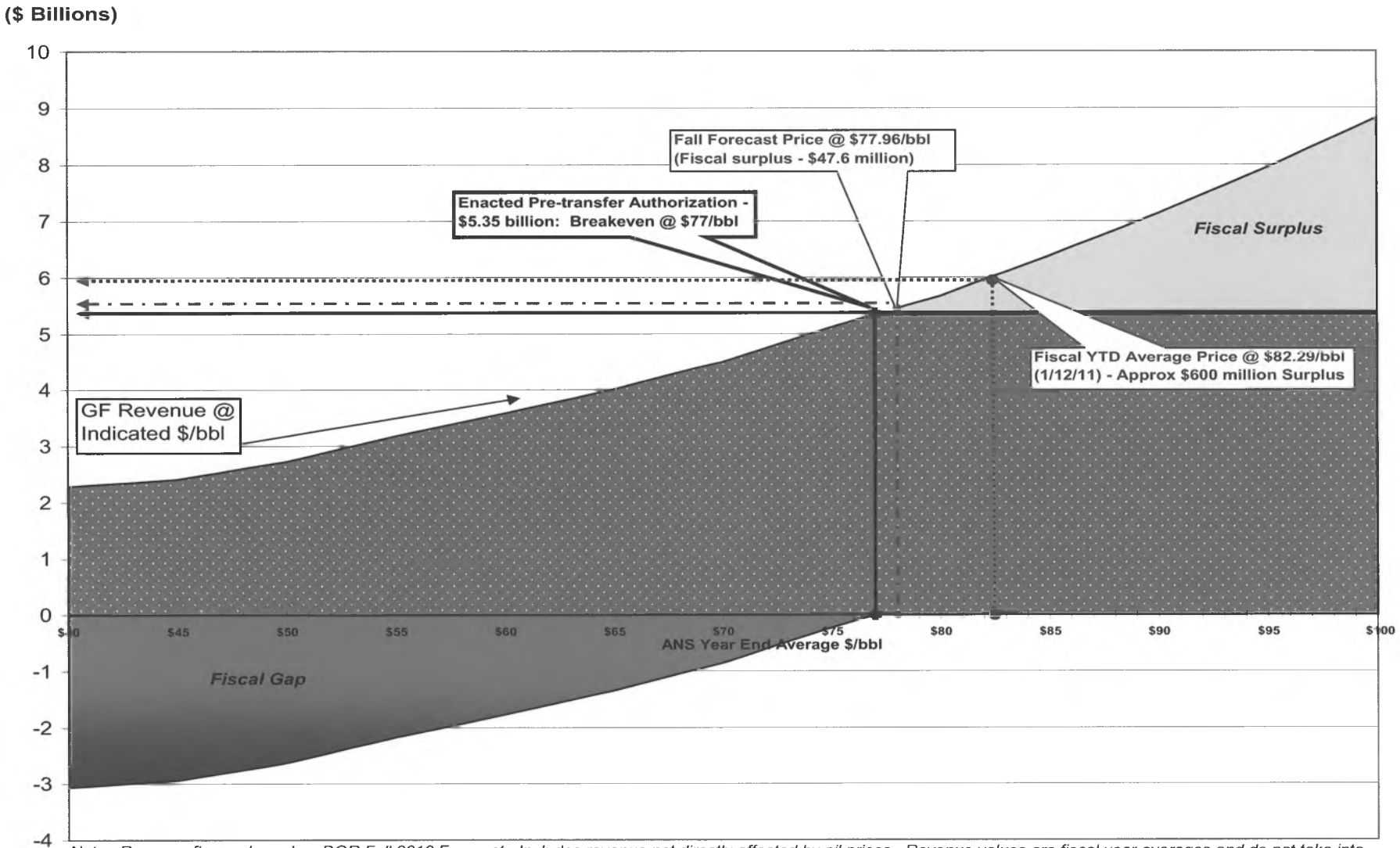
Part 2--Approximate Balances of Savings Accounts

	FY11				FY12			
	BoY Balance	In	Out	EoY Balance	BoY Balance	In	Out	EoY Balance
Permanent Fund (no appropriations allowed)	31,624.0	1,153.0	0.0	**32,777.0**	32,777.0	1,645.0	0.0	**34,422.0**
Undesignated Savings	**11,977.2**	**1,702.0**	**1,223.6**	**12,455.6**	**12,455.6**	**2,758.6**	**1,762.4**	**13,451.8**
Permanent Fund Earnings Reserve Account	1,209.8	1,190.0	1,209.0	1,190.8	1,190.8	1,865.0	1,467.0	1,588.8
Constitutional Budget Reserve Fund (cash)	9,166.1	495.0	0.0	9,661.1	9,661.1	572.3	0.0	10,233.4
Statutory Budget Reserve Fund	1,197.5	0.0	14.6	1,182.9	1,182.9	284.3	0.0	1,467.2
Alaska Housing Capital Corporation Fund	360.7	14.0	0.0	374.7	374.7	15.0	295.4	94.3
Alaska Capital Income Fund	43.1	3.0	0.0	46.1	46.1	22.0	0.0	68.1
Designated Savings	**1,737.1**	**1,261.1**	**1,198.0**	**1,800.3**	**1,800.3**	**1,237.7**	**1,274.1**	**1,763.9**
Public Education Fund	1,171.0	1,131.0	1,114.3	1,187.7	1,187.7	1,141.0	1,124.7	1,204.0
Revenue Sharing Fund	180.0	60.0	60.0	180.0	180.0	60.0	60.0	180.0
Railbelt Energy Fund	65.5	0.0	0.0	65.5	65.5	0.0	65.7	(0.2)
Power Cost Equalization Endowment	320.7	70.1	23.7	367.1	367.1	36.7	23.7	380.1
Reserves (Excluding Permanent Fund Principal)	**13,714.4**	**2,963.1**	**2,421.6**	**14,255.9**	**14,255.9**	**3,996.3**	**3,036.5**	**15,215.7**
Unrestricted General Fund Appropriations				6,606.8				6,894.0
Years of Reserves (Reserves/UGF Appropriations)				2.16				2.21

The Value of Reserves

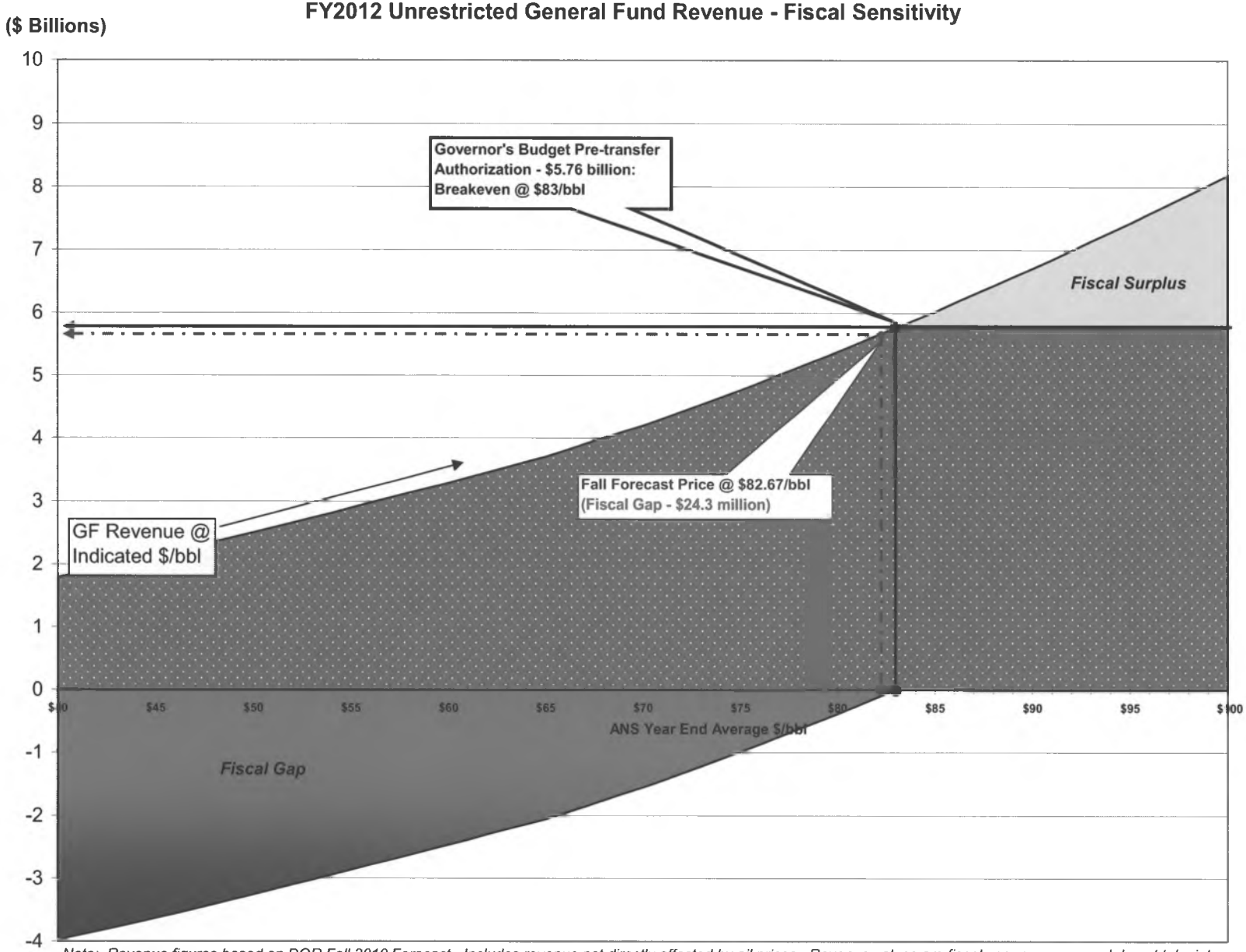
- Provide a certain level of comfort for the longer term
  - There is time to react, but not as much as many may believe
- Provide breathing room in the FY12 budget process

FY2011 Unrestricted General Fund Revenue - Fiscal Sensitivity



Note: Revenue figures based on DOR Fall 2010 Forecast. Includes revenue not directly affected by oil prices. Revenue values are fiscal year averages and do not take into account monthly price volatility that could affect the total revenue received.

FY2012 Unrestricted General Fund Revenue - Fiscal Sensitivity

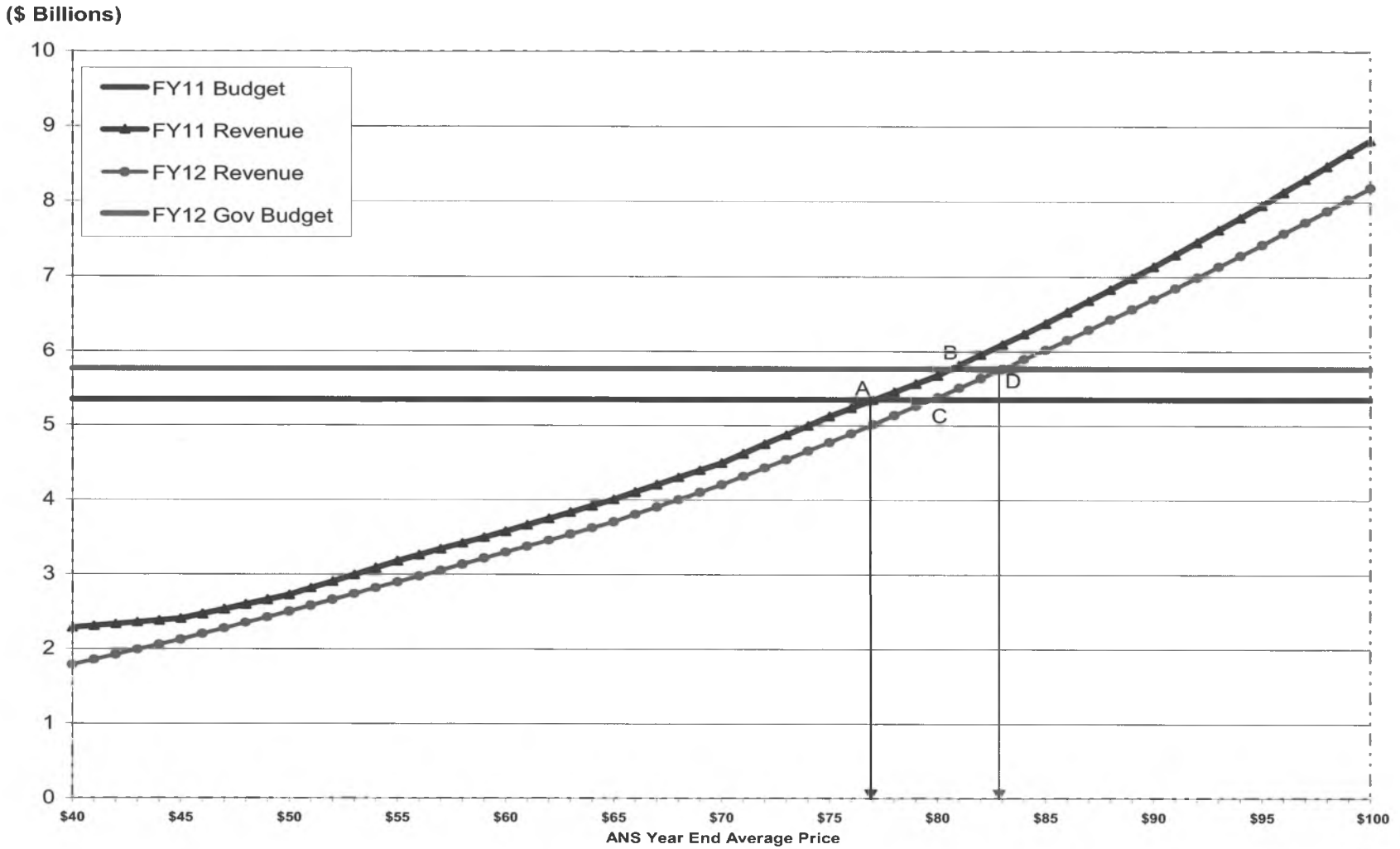


Note: Revenue figures based on DOR Fall 2010 Forecast. Includes revenue not directly affected by oil prices. Revenue values are fiscal year averages and do not take into account monthly price volatility that could affect the total revenue received.

Key Points

- An increase in spending shifts the expenditure line upward
- Declining oil production, lower tax rates, additional tax credits and/or declining profitability shifts the revenue curve downward
- A $1 change in oil price produces a $100 million change in revenue—movement along a revenue curve
- As the expenditure line shifts upward, the revenue curve shifts downward, or oil prices decline, the breakeven price of oil rises--reserves can vanish very quickly

FY11/12 General Fund - Fiscal Sensitivity Overlay



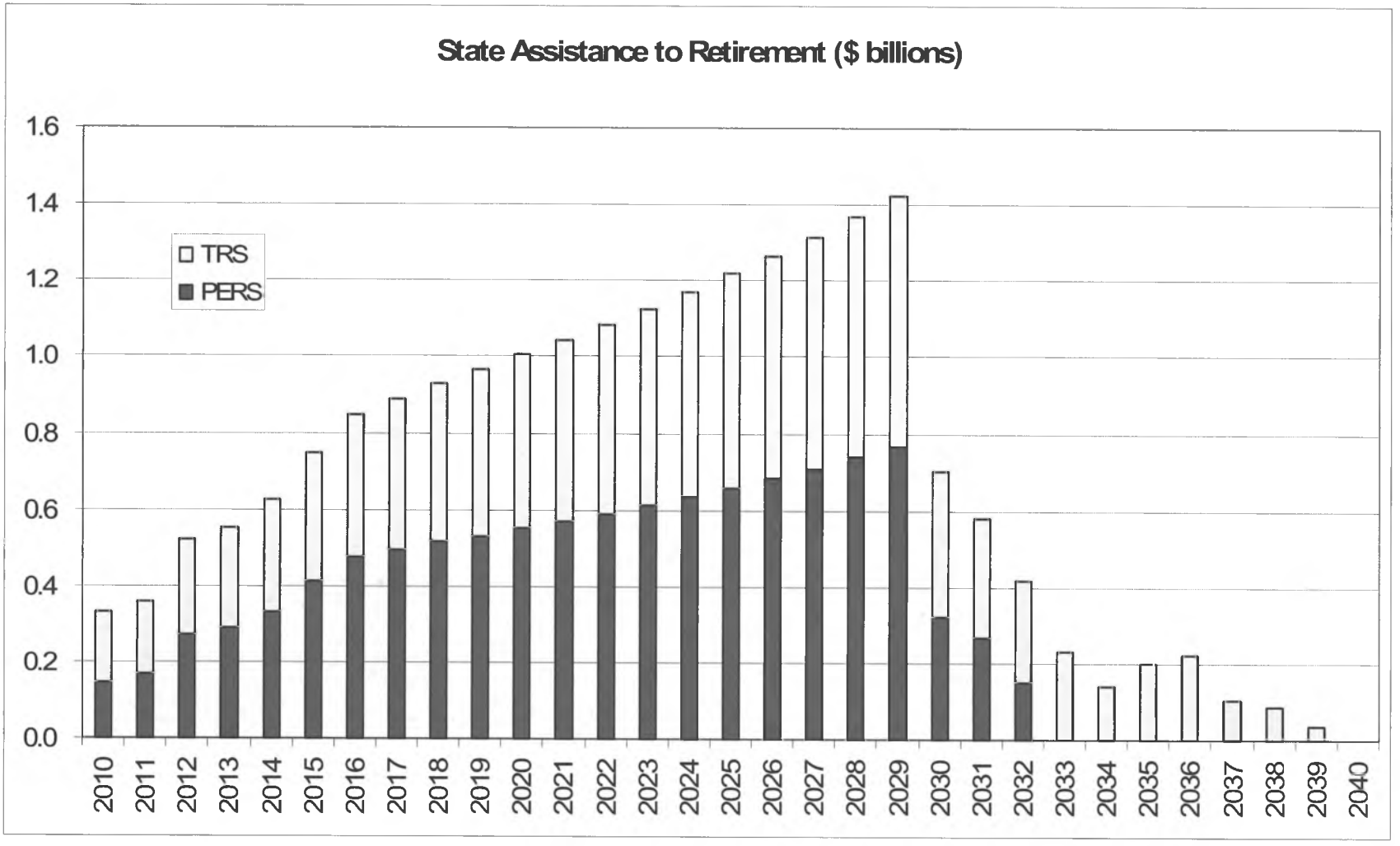
Note: Revenue figures from DOR Fall 2010 Forecast. Figures include sources not directly affected by oil prices. Budget Authorization corresponds with "Pre-transfer" authorization on Fiscal Summary.

Why the Revenue Curve Shifts Downward Over Time

- Production decline
  - Typically, greatest impact in past years. But the forecast for FY12 production is *up* 1%
- Taxes
  - Rates
  - Credits—not the transferable credits—the net-out credits that we can't see
- Lower profitability

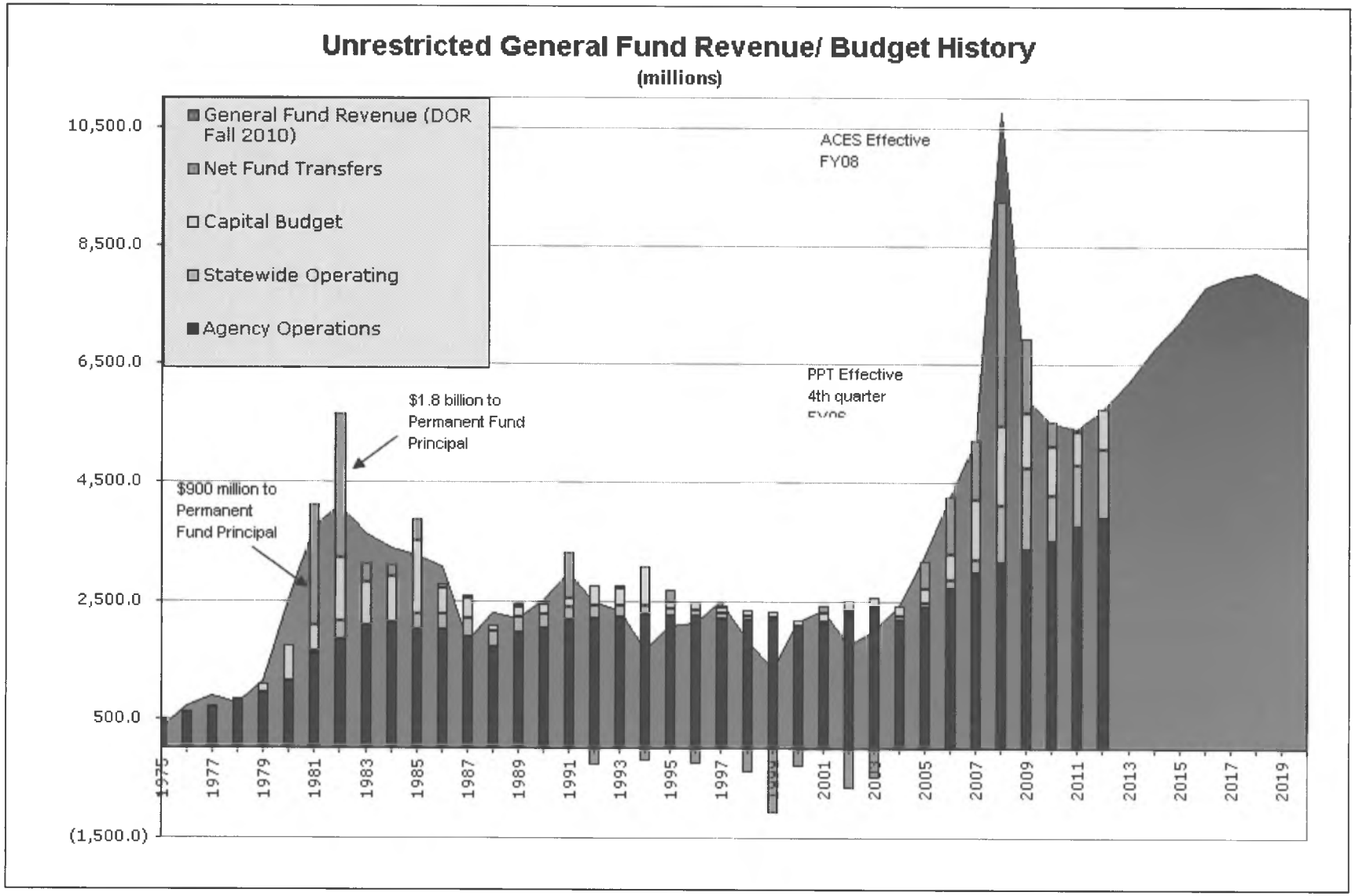
Why Expenditures Shift Upward Over Time

- **Formula programs** seemingly inexhaustible demand
- **Incremental budget process** if you simply review increments, the budget will always increase
- **Debt service and tax credits** consequences of past legislation
- **Retirement Costs** along with a review of oil tax rates, one of the big issues facing the legislature this year


State Assistance to Retirement ($ billions)
1.6
1.4
1.2
1.0
0.8
0.6
0.4
0.2
0.0
TRS
PERS
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033
2034
2035
2036
2037
2038
2039
2040

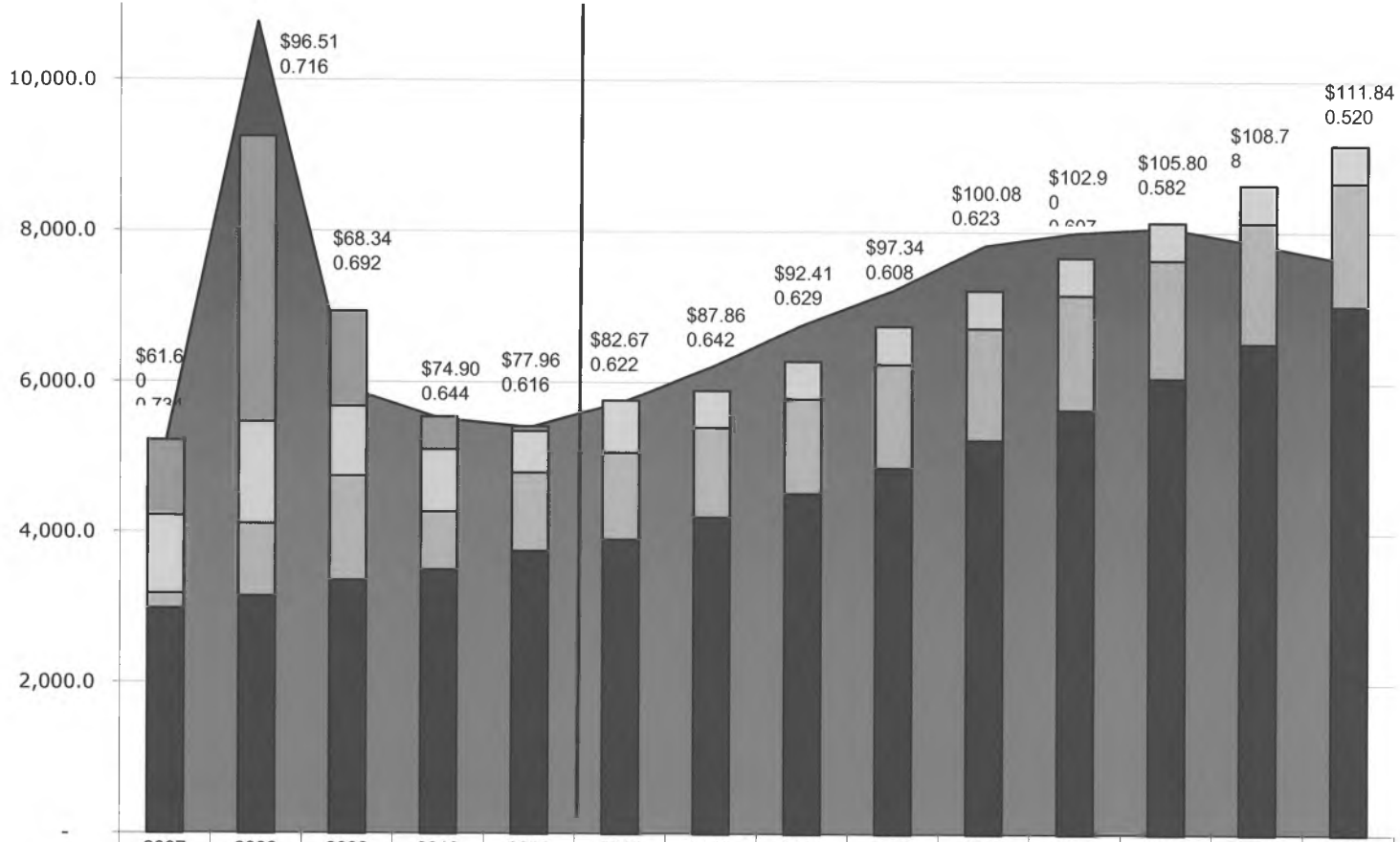
The Fourth Element of Budgeting—A Plan

- FY12 looks like a good year—the Governor's budget is balanced and reserves are sufficient to handle anything but a major change in circumstances
- But what about next year? And the year after that?


Unrestricted General Fund Revenue/ Budget History
(millions)
General Fund Revenue (DOR Fall 2010)
Net Fund Transfers
Capital Budget
Statewide Operating
Agency Operations
10,500.0
8,500.0
6,500.0
4,500.0
2,500.0
500.0
(1,500.0)
ACES Effective FY08
PPT Effective 4th quarter
$1.8 billion to Permanent Fund Principal
$900 million to Permanent Fund Principal
1975
1977
1979
1981
1983
1985
1987
1989
1991
1993
1995
1997
2001
2005
2007
2009
2011
2013
2015
2017
2019

Unrestricted General Fund Revenue/ Budget

(millions)



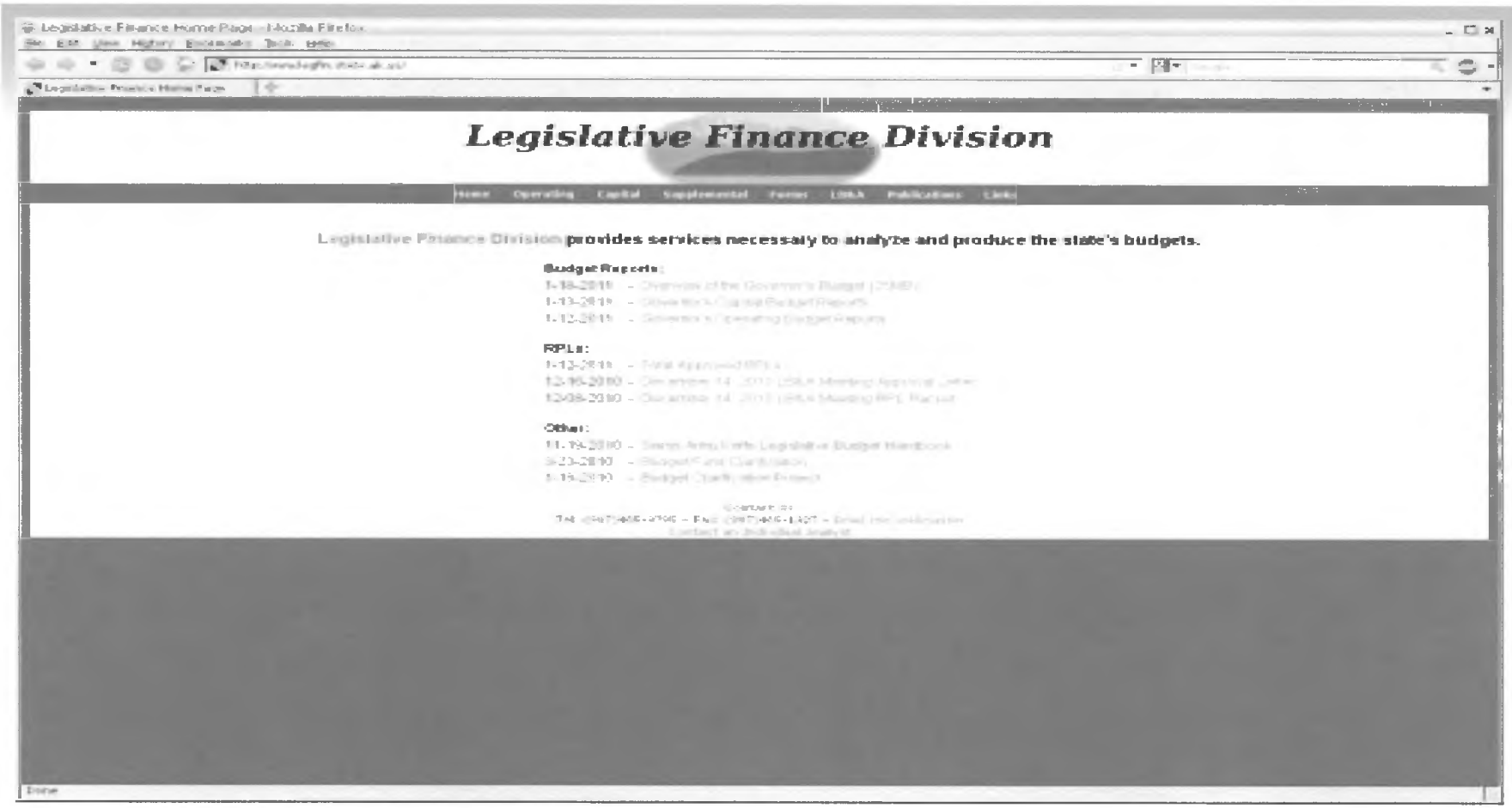
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
GF Revenue (DOR Fall 2010)	5,215.7	10,764.3	5,918.8	5,512.7	5,395.0	5,732.4	6,207.7	6,767.8	7,233.1	7,822.4	7,992.7	8,060.4	7,845.7	7,610.7
Net Fund Transfers	1,003.3	3,788.3	1,260.0	426.1	62.2	(25.5)								
Capital Budget	1,035.1	1,351.7	924.1	826.2	549.7	691.7	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0
Statewide Operating	196.1	961.1	1,388.7	771.0	1,036.4	1,157.0	1,188.0	1,260.0	1,382.0	1,484.0	1,526.0	1,565.0	1,601.0	1,640.0
Agency Operations-7.6% Growth	2,986.5	3,150.6	3,360.0	3,506.6	3,761.6	3,909.2	4,206.3	4,526.0	4,870.0	5,240.1	5,638.3	6,066.8	6,527.9	7,024.0

Growth in Agency Operating Budgets (UGF)-- FY06MP to FY11MP

Agency	FY06 Mgmt. Plan	FY11 Mgmt. Plan	Growth	Annual Growth Rate	Share of Growth	Cumulative Share of Growth
Department of Health and Social Services	608,356.0	930,456.1	322,100.1	8.9%	28%	28%
Department of Education and Early Development	891,623.0	1,173,368.2	281,745.2	5.6%	24%	52%
Department of Transportation & Public Facilities	169,715.4	276,235.3	106,519.9	10.2%	9%	62%
University of Alaska	245,443.7	338,983.4	93,539.7	6.7%	8%	70%
Department of Corrections	169,865.4	231,033.5	61,168.1	6.3%	5%	75%
Department of Public Safety	93,766.5	137,029.6	43,263.1	7.9%	4%	79%
Department of Commerce, Community and Economic Development	8,736.7	43,592.3	34,855.6	37.9%	3%	82%
Department of Revenue	17,954.7	51,912.8	33,958.1	23.7%	3%	85%
Department of Fish and Game	33,980.1	65,414.0	31,433.9	14.0%	3%	88%
Alaska Court System	64,000.9	94,841.3	30,840.4	8.2%	3%	90%
Department of Administration	51,970.3	76,651.2	24,680.9	8.1%	2%	92%
Legislature	49,768.7	68,472.8	18,704.1	6.6%	2%	94%
Department of Law	42,074.6	59,264.7	17,190.1	7.1%	1%	95%
Department of Labor and Workforce Development	15,796.6	29,367.3	13,570.7	13.2%	1%	98%
Office of the Governor	19,640.3	31,245.5	11,605.2	9.7%	1%	99%
Department of Natural Resources	65,283.5	72,077.0	6,793.5	2.0%	1%	99%
Department of Environmental Conservation	12,994.3	18,895.4	5,901.1	7.8%	1%	100%
Department of Military and Veterans Affairs	12,801.4	12,735.5	(65.9)	-0.1%	0%	100%
TOTAL	**2,573,772.1**	**3,711,575.9**	**1,152,303.8**	**7.6%**		

Wrap Up

- The fiscal situation is strong for FY12
  - Balanced budget
  - Solid reserves
- The future is less rosy
  - Downward shifts in the revenue curve
  - Upward shifts in the expenditure curve
  - Retirement system unfunded liability
  - Reserves can vanish as quickly as they were built up



David Teal, Director
Legislative Finance Division
(907) 465-3795

1/31/11 DEPARTMENT OF REVENUE: OVERVIEW OF STATE SAVINGS ACCOUNTS AND BUDGET RESERVES

<TARGET><BILL></BILL><SUBJECT>1-31-11 DEPARTMENT OF REVENUE OVERVIEW OF STATE SAVINGS ACCOUNTS AND BUDGET RESERVES</SUBJECT><COMM>SFIN27</COMM></TARGET>

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

Senator Bert Stedman, Co-Chair
State Capitol, Room 516
Juneau, AK 99801-1182
(907) 465- 3873 - Phone
(907) 465-3922 - Fax
Senator_Bert_Stedman@legis.state.ak.us

Official Business

Senator Lyman Hoffman, Co-Chair
State Capitol, Room 518
Juneau, AK 99801-1182
Phone - (907) 465- 4453
Fax - (907) 465- 4523
Senator_Lyman_Hoffman@legis.state.ak.us

AGENDA

Monday, January 31, 2011
9:00 AM

Overview by Department of Revenue:
State Savings Account and Budget Reserves

State of Alaska
An Update on the State's Savings Accounts

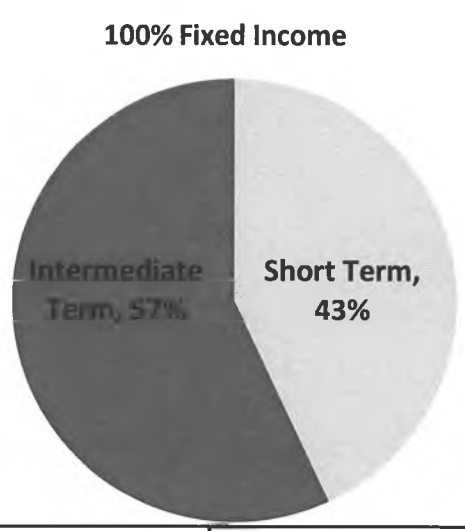
January 31, 2011

Department of Revenue
Treasury Division

1: Comparative Analysis of State Operating and Savings Funds

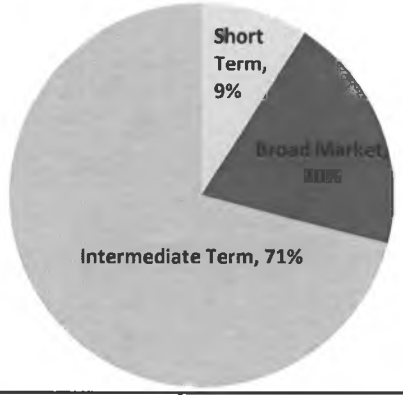
General Fund and other non segregated investments

Fiduciary oversight: Commissioner of Revenue

		General Fund (and other nonsegregated investments)	
Investment Objective		Moderate Risk, Short to Intermediate investment horizon	
Target Asset Allocation			
		Actuals	Benchmark
Market Value (in 000s)	12/31/2008	$7,466,400	
	12/31/2009	$6,184,600	
	12/31/2010	$6,589,600	
Returns (12/31/10)	YTD	2.44%	2.01%
	FYTD	0.67%	0.39%
	3 Year Actuals	3.37%	2.86%
	5 Year Actuals	4.26%	3.98%
	FORECAST	**3.44%**	

Constitutional Budget Reserve Fund (main & sub)

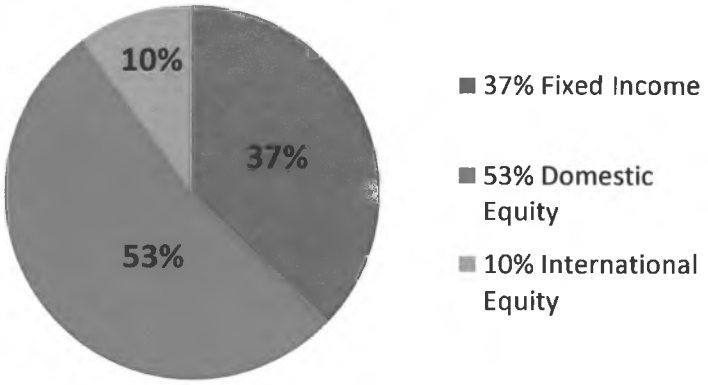
Fiduciary oversight: Commissioner of Revenue

		Constitutional Budget Reserve (main fund)		**Constitutional Budget Reserve** (sub fund)	
Investment Objective		Moderate Risk, Intermediate investment horizon		High Risk, Moderately Long investment horizon	
Target Asset Allocation		**100% Fixed Income** 			
		Actuals	Benchmark	Actuals	Benchmark
Market Value (in 000s)	12/31/2008	$3,240,800		$3,590,800	
	12/31/2009	$4,231,100		$4,427,300	
	12/31/2010	$5,029,000		$4,928,400	
Returns (12/31/10)	YTD	4.23%	3.77%	11.32%	11.21%
	FYTD	0.99%	0.69%	15.56%	15.08%
	3 Year Actuals	4.71%	4.32%	-1.02%	0.75%
	5 Year Actuals	5.11%	4.98%	3.20%	4.26%
	FORECAST	**3.84%**		**6.96%**	

*1% of Fixed Income is allocated to Int. Fixed Income

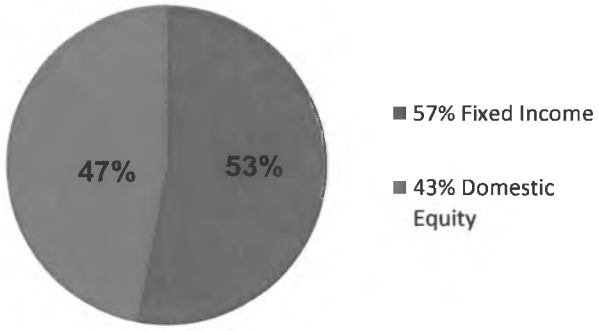
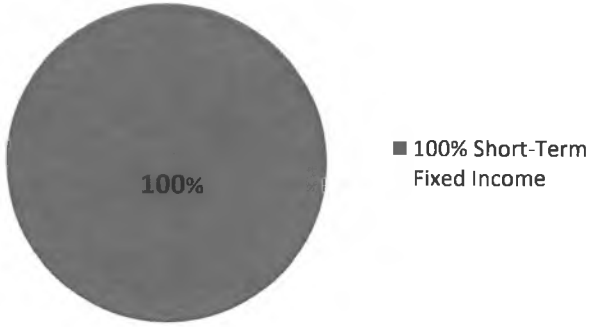
Power Cost Equalization Fund

Fiduciary oversight: Commissioner of Revenue

		Power Cost Equalization Fund	
Investment Objective		High Risk, Moderately Long investment horizon	
Target Asset Allocation			
		Actuals	Benchmark
Market Value (in 000s)	12/31/2008	$288,800	
	12/31/2009	$329,400	
	12/31/2010	$352,600	
Returns (12/31/10)	YTD	12.92%	11.81%
	FYTD	15.95%	15.53%
	3 Year Actuals	1.78%	0.95%
	5 Year Actuals	5.05%	4.61%
	FORECAST	**7.00%**	

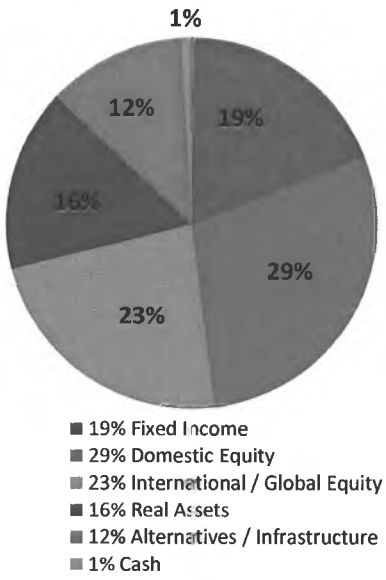
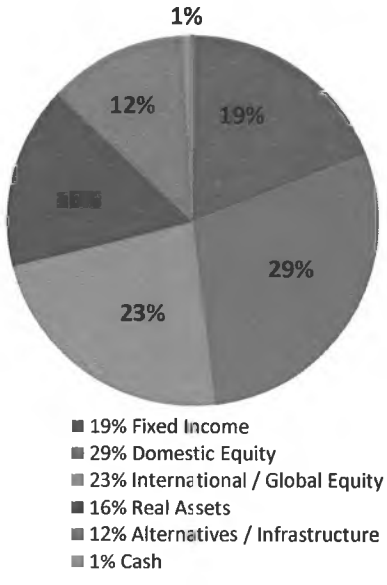
Public School Trust Fund (Principle and Income accounts)

Fiduciary oversight: Commissioner of Revenue

		Public School Trust Fund (Principle)		**Public School Trust Fund** (Income)	
Investment Objective		Moderate Risk, Long Term investment horizon		Low Risk, Short investment horizon	
Target Asset Allocation					
		Actuals	Benchmark	Actuals	Benchmark
Market Value (in 000s)	12/31/2008	$311,100		$18,700	
	12/31/2009	$365,100		$15,200	
	12/31/2010	$407,600		$15,700	
Returns (12/31/10)	YTD	12.32%	12.41%	0.55%	0.13%
	FYTD	12.01%	11.77%	0.24%	0.08%
	3 Year Actuals	3.42%	2.98%	1.20%	0.79%
	5 Year Actuals	5.10%	4.83%	2.73%	2.43%
	FORECAST	**6.38%**		**3.03%**	

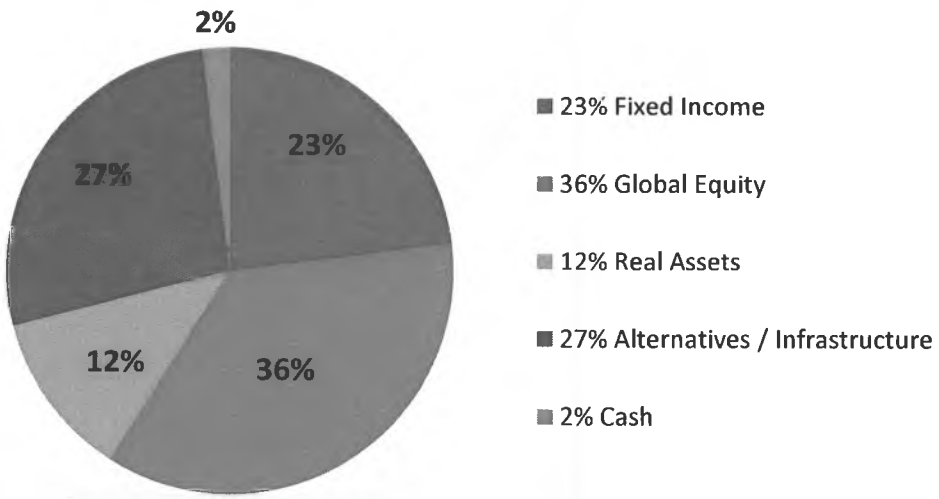
PERS & TRS

Fiduciary oversight: Alaska Retirement Management Board

		PERS Retirement Defined Benefit Pension		TRS Retirement Defined Benefit Pension	
Investment Objective		Moderate Risk, Long Term investment horizon		Moderate Risk, Long Term investment horizon	
Target Asset Allocation					
		Actuals	Benchmark	Actuals	Benchmark
Market Value (in 000s)	12/31/2008	$8,359,800		$3,705,800	
	12/31/2009	$9,551,100		$4,194,600	
	12/31/2010	$10,901,800		$4,603,700	
Returns (12/31/10)	YTD	11.97%	12.50%	12.11%	12.50%
	FYTD	14.08%	16.26%	14.15%	16.26%
	3 Year Actuals	-1.44%	0.45%	-1.49%	0.45%
	5 Year Actuals	4.04%	4.69%	4.01%	4.69%
	FORECAST	**8.25%**		**8.25%**	

APFC

Fiduciary oversight: Alaska Permanent Fund Corporation Board

		Alaska Permanent Fund Corporation	
Investment Objective		Long term Investment Goal is to achieve a real rate of return of 5% per year	
Target Asset Allocation			
		Actuals	Benchmark
Market Value (in 000s)	12/31/2008	$28,839,500	
	12/31/2009	$34,617,900	
	12/31/2010*	$38,425,100	
Returns (12/31/10)	YTD	11.92%	11.77%
	FYTD	14.45%	16.62%
	3 Year Actuals	-0.33%	-1.20%
	5 Year Actuals	4.14%	3.79%
	FORECAST	**7.75%**	
	** 12/31/2010 data is preliminary and unaudited, and includes some estimates*		

2: FY2011 Investment Revenue Forecast

FY2011 Investment Revenue Forecast

All Amounts in $ Millions

Prepared January 21, 2011 by the State of Alaska - Department of Revenue

FY 2010 Actuals	Actual through 06-30-10
UNRESTRICTED	
Investments	179.1
Interest Paid by Others	4.9
TOTAL UNRESTRICTED	**184.0**
RESTRICTED	
Investments - Designated GF	13.6
Investments - Other Restricted	27.4
CBRF - Main Account	*223.0*
CBRF - Special Sub Account	*468.1*
CBRF - Total	691.1
Other Treasury Managed Funds	42.6
Alaska Permanent Fund	3,517.3
TOTAL RESTRICTED	**4,292.0**
GRAND TOTAL	**4,476.0**

FY 2011 Forecast - Based on actuals through Dec 31, 2010	Actual through 12-31-10	Forecast through 06-30-11	Total FY 11
UNRESTRICTED			
Investments	39.3	95.2	*134.5*
Interest Paid by Others	0.2	2.0	*2.2*
TOTAL UNRESTRICTED	**39.5**	**97.2**	**136.7**
RESTRICTED			
Investments - Designated GF	3.3	7.9	11.2
Investments - Other Restricted	6.8	16.0	22.8
CBRF - Main Account	*43.7*	*97.4*	*141.1*
CBRF - Special Sub Account	*663.5*	*174.0*	*837.5*
CBRF - Total	707.2	271.4	978.6
Other Treasury Managed Funds	45.3	12.1	57.4
Alaska Permanent Fund	4,806.6	982.4	5,789.0
TOTAL RESTRICTED	**5,569.2**	**1,289.8**	**6,859.0**
GRAND TOTAL	**5,608.7**	**1,387.0**	**6,995.7**

Notes:

FY2011 investment forecasts include actual data through Dec 31, 2010 and projections for the remainder of FY2011.

Due to financial market volatility, forecasts shown are subject to review and adjustment.

Constitutional Budget Reserve Fund

Preliminary December 31, 2010 results

Account	Balance	Combined YTD Income Stmt		Performance Forecast	3yr Prfrmnc Act (as of 12.31.10)
Corpus	$ 5,028,977,276	$ 8,663,871,924	7.1.10 Balance	3.84%	4.71%
Sub	4,928,418,040	586,375,139	Net Cont(draw)*	6.96%	-1.02%
		707,148,253	Income (Loss)		
Total	$ 9,957,395,316	$ 9,957,395,316	Balance		

Account	Balance	Asset Allocation	Actual Alloc	YTD Income Statement	
Corpus (AKSAS FU 33040)					
Broad Market Fixed Income	$ 980,574,236	20% ± 8%	19.50%	$ 4,398,917,318	7.1.10 Balance
Intermediate-Term Fixed Income	3,507,885,968	71% ± 8%	69.75%	586,375,139	Net Cont(draw)*
Short-Term Fixed Income	540,517,072	9% ± 5%	10.75%	43,684,819	**Income (Loss)**
Total	$ 5,028,977,276		100.00%	$ 5,028,977,276	Balance
Sub (AKSAS FU 33042)				YTD Income Statement	
Domestic Equity	$ 2,557,686,292	52% ± 7%	51.90%		
International Equity	647,489,558	9% ± 5%	13.14%		
US Treasury Fixed Income	128,252,506	3% ± 2%	2.60%		
Broad Market Fixed Income	1,502,585,411	35% ± 7%	30.49%	$ 4,264,954,606	7.1.10 Balance
Emerging Income Plus Fund	92,404,218	1% -1%/+3%	1.87%	-	Net Cont(draw)*
Short-Term Fixed Income	55	0% + 2%	0.00%	663,463,434	**Income (Loss)**
Total	$ 4,928,418,040		100.00%	$ 4,928,418,040	Balance

* Net Contributions and withdrawals are calculated on a cash basis. Some activity in FY11 is due to FY10 appropriations.

Total Fixed Income Investments	$ 6,752,219,466	67.81%
Total Equity Investments	3,205,175,850	32.19%
Total Equity and Fixed Income Investments	$ 9,957,395,316	100.00%

Sub funds of the General Fund and Defined Benefit Retirement Funds

Preliminary December 31, 2010 results

Account	Balance	3yr Prfrmnc Act (as of 12.31.10)	AKSAS Fund #	Notes
AHFC Capital Fund (Type 1)	$ 365,868,667	3.37%	34076	
Railbelt Energy Fund (Type 1)	$ 110,439,876	3.37%	11123	
Alaska Capital Income Fund (Type 2)	$ 221,104,397	3.37%	11185	Amaranda Hess AS 37.13.145(d)
Public Education Fund (Type 2)	$ 1,754,883,320	3.37%	11184	
Statutory Budget Reserve (Type 2)	$ 1,000,000,000	3.37%	11115	Funded 12.17.08

DB Retirement Plans	Balance	Forecast	3yr Prfrmnc Act (as of 12.31.10)
PERS	$ 10,901,792,145	8.25%	-1.44%
TRS	4,603,709,667	8.25%	-1.49%
JRS	126,007,231	8.25%	-2.15%
MRS	32,790,838		2.77%
Total	$ 15,664,299,881		

Note: Sub fund performance rates are for the GeFonsi, which includes the Sub funds.

2/02/11 PRESENTATION BY DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES: STATEWIDE TRANSPORTATION ECONOMIC INDICATORS

<TARGET><BILL></BILL><SUBJECT>2-02-11 PRESENTATION BY DEPARTMENT OF TRANSPORTATION and PUBLIC FACILITIES STATEWIDE TRANSPORTATION ECONOMIC INDICATORS</SUBJECT><COMM>SFIN27</COMM></TARGET>



Alaska Department of Transportation & Public Facilities

Aviation – Economic Engine for Alaska

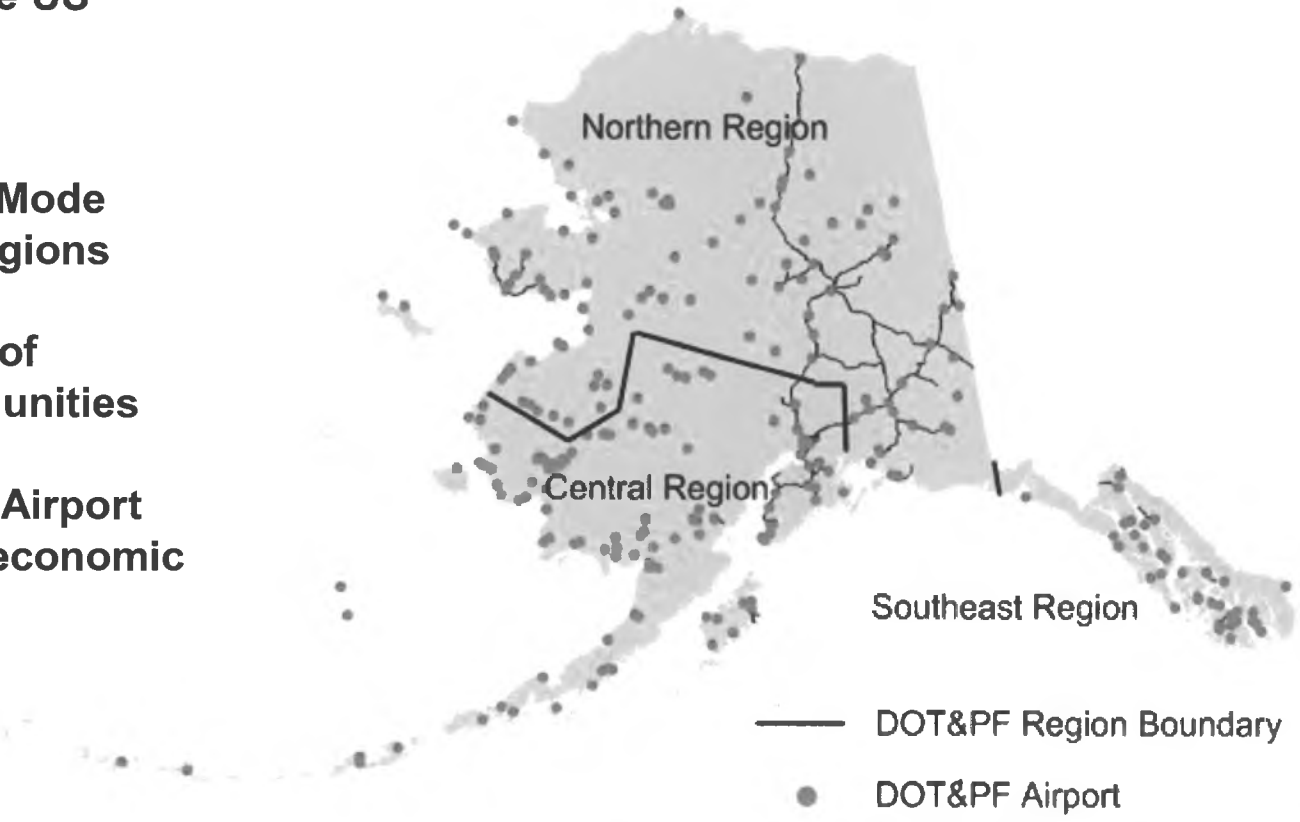
Deputy Commissioner – Aviation
Steven D. Hatter

February 2, 2011



Alaska's Airports & Aviation

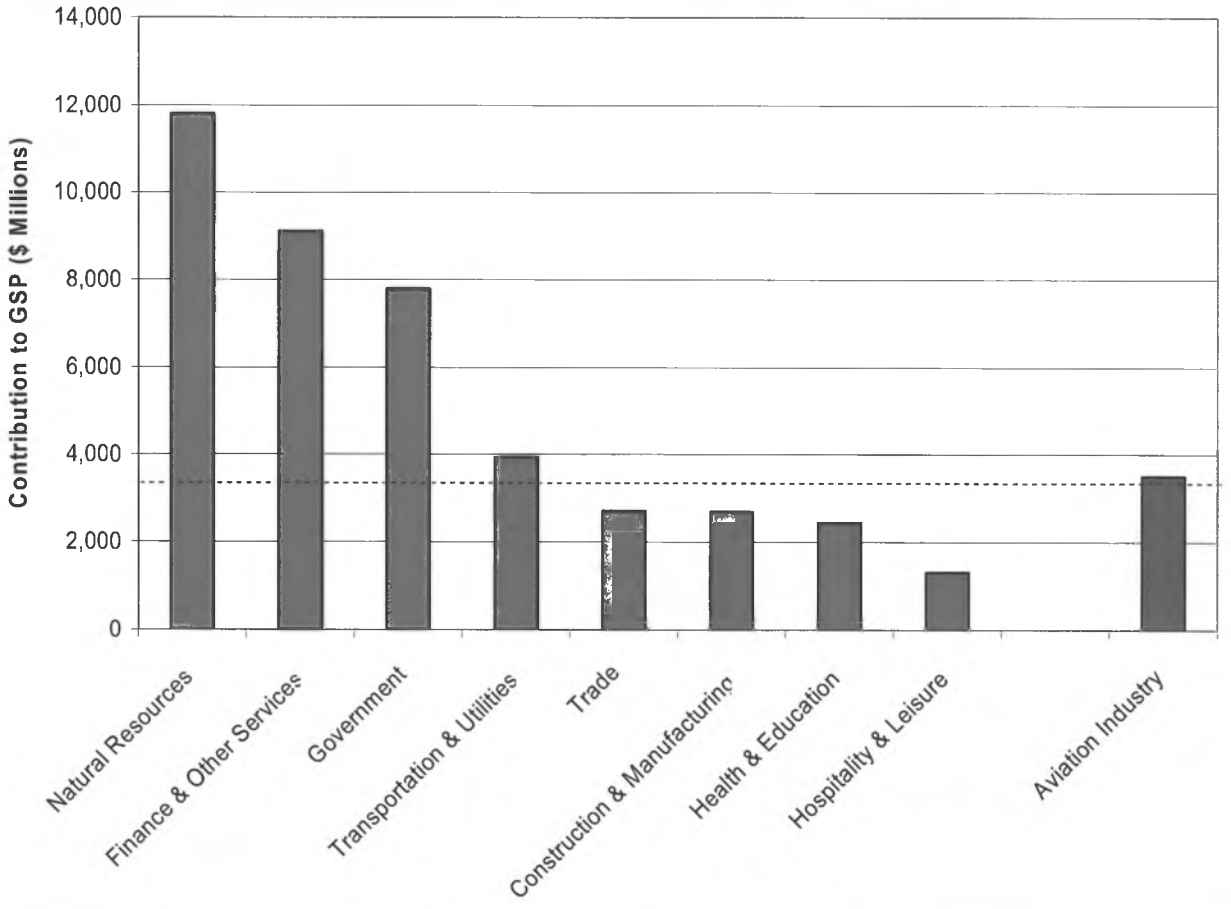
- Largest System in the US
- 255 State Airports
- Main Transportation Mode for all citizens and regions
- Airports only means of access for 169 communities
- Alaska International Airport System (AIAS) is an economic engine for the state





Aviation Industry Economic Contribution to Alaska

- 47,000 aviation jobs statewide in both rural and urban areas
- 5th largest contributor to Alaska's Gross State Product (GSP)
- Contributes $3.5B to $44B economy




Ted Stevens
Anchorage
International Airport
anchorageairport.com
Fairbanks
International
Airport
dot.state.ak.us/faiiap
Polar
SINGAPORE AIRLINES CARGO
C4
C3





AIAS Overview

- Alaska's Major Airports are State Owned Assets
  - Established 1961
  - Comprised of Ted Stevens Anchorage International and Fairbanks International Airports
- Operate as a Single Business Enterprise
  - Shared Assets & Resources
- Serve as regional hubs for intrastate mobility
- Serve as Trans-Pacific hub for international cargo



AIAS Presentation Points

- AIAS Advantages and Strengths
- AIAS Finances, Statistics and Trends
- AIAS Close Watch Topics
  - Fuel Supply and Pricing
  - Federal Funding and Regulatory Trends
- AIAS Successes
- AIAS Future

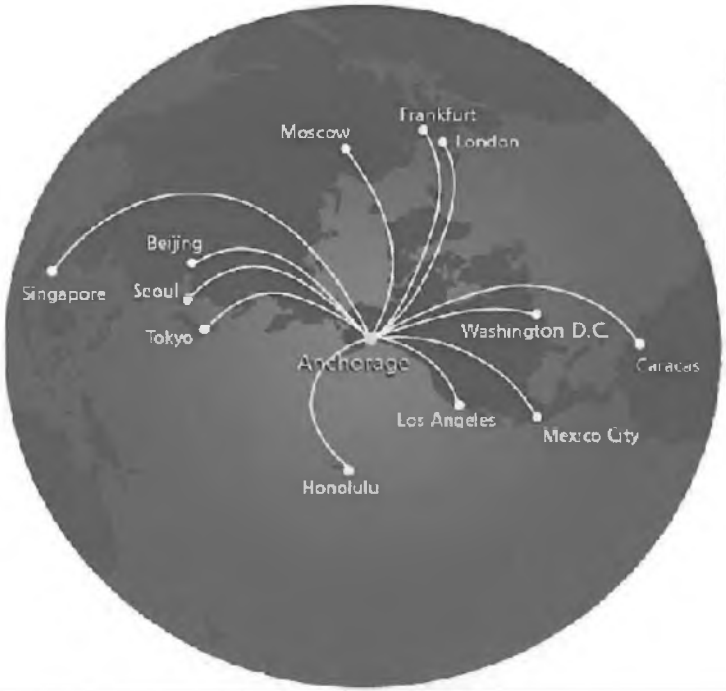


AIAS Advantages and Strengths



Advantage: Location

AIAS Offers Unmatched Access to the World's Markets



	Nautical Miles
Bejing	3,431
Seoul	3,286
Singapore	5,792
Tokyo	2,983
Frankfurt	4,064
London	3,902
Moscow	3,778
Honolulu	2,413
Los Angeles	2,037
Washington DC	2,916
Caracas	4,646
Mexico City	3,281

AIAS is 9.5 hours to 90% of the Industrialized Northern Hemisphere

+/- 10 minutes diversion Trans-Pac





Advantage: Payload v. Range

HKG - ORD
Distance = 7,794 NM
Payload = 134,500 KG
Revenue = $228,650*

HKG - ANC - ORD
Distance = 7,927 NM
Payload = 246,900 KG
Revenue = 419,730*

Fairbanks (FAI)
Anchorage (ANC)
Chicago (ORD)
Hong Kong (HKG)

Increased Revenue with ANC stop $191,080

$191,080 X 5 days a week X 52 weeks = $49,680,800 additional revenue annually

* $2/kg +85% load factor



AIAS Cargo Traffic Standings

(Importance of AIAS to National and World Economy)

Gross Landed Weight (000s of lbs) United States		
Rank	**Airport**	**CY2009**
1	Memphis (MEM)	18,928,729
2	**Anchorage (ANC)**	**15,524,360**
3	Louisville (SDF)	10,278,036
4	Miami (MIA)	6,352,786
5	Indianapolis (IND)	4,573,841
6	Los Angeles (LAX)	3,768,865
7	Chicago (ORD)	3,499,701
8	New York (JFK)	3,181,560
9	Newark (EWR)	2,917,981
10	Dallas/Fort Worth (DFW)	2,872,972

Air Cargo Tonnage (metric tons) North America		
Rank	**Airport**	**CY2009**
1	Memphis (MEM)	3,697,054
2	**Anchorage (ANC)**	**1,994,629**
3	Louisville (SDF)	1,949,528
4	Miami (MIA)	1,557,401
5	Los Angeles (LAX)	1,509,236
6	New York (JFK)	1,144,894
7	Chicago (ORD)	1,047,917
8	Indianapolis (IND)	944,805
9	Newark (EWR)	779,642
10	Dallas/Fort Worth (DFW)	578,906

ACI Worldwide Cargo Tonnage (metric tons) World		
Rank	**Airport**	**CY2009**
1	Memphis (MEM)	3,697,054
2	Hong Kong (HKG)	3,385,313
3	Shanghai (PVG)	2,543,394
4	Incheon (ICN)	2,313,001
5	Paris (CDG)	2,054,515
6	**Anchorage (ANC)**	**1,994,629**
7	Louisville (SDF)	1,949,528
8	Dubai (DXB)	1,927,520
9	Frankfurt (FRA)	1,887,686
10	Tokyo (NRT)	1,851,972

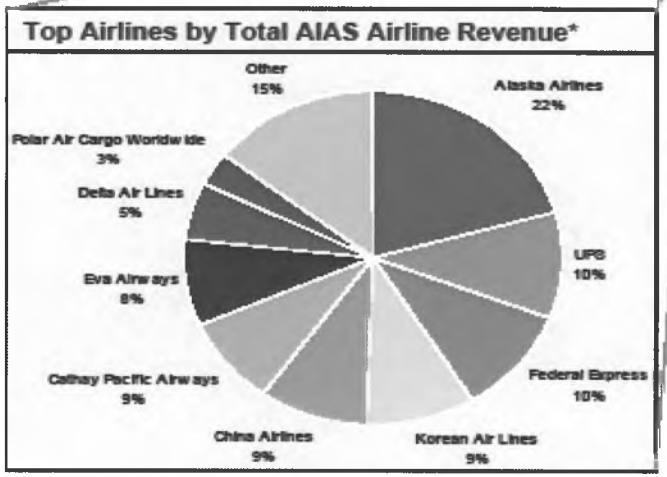
Source: Federal Aviation Administration (Qualifying Cargo Airports, Rank Order and Percent Change from 2008 – Preliminary).
ACI World Airport Traffic ("The Top 30 Airports 2009 – Cargo Traffic" and "North American Airports Traffic 2009").

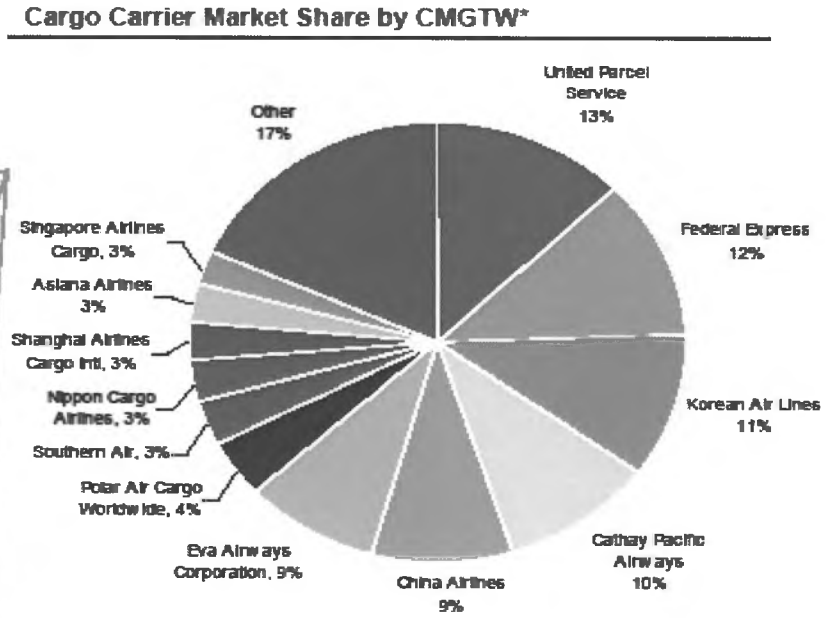


Strength: Diverse Customer Base

No Single Concentration of Cargo Carriers

- International cargo hub for FedEx, UPS, Korean Air, Nippon, China Airlines, Polar Air Cargo and Atlas Air
- Cargo-related revenues account for nearly two-thirds of AIAS revenues





* Totals may not add due to rounding



Strength: Large Cargo Anchor Tenants

UPS

- Operates 11 wide-body aprons in a 90,000 sq.ft. facility
- Established ANC as pilot domicile in 2007
- Opened 27,000 sq.ft. pilot training facility in 2008 – $35M investment



FedEx

- Invested in excess of $150M in ANC facilities
- ANC serves as primary hub for
- Completed multi-phased expansion of package sorting facility in 2007

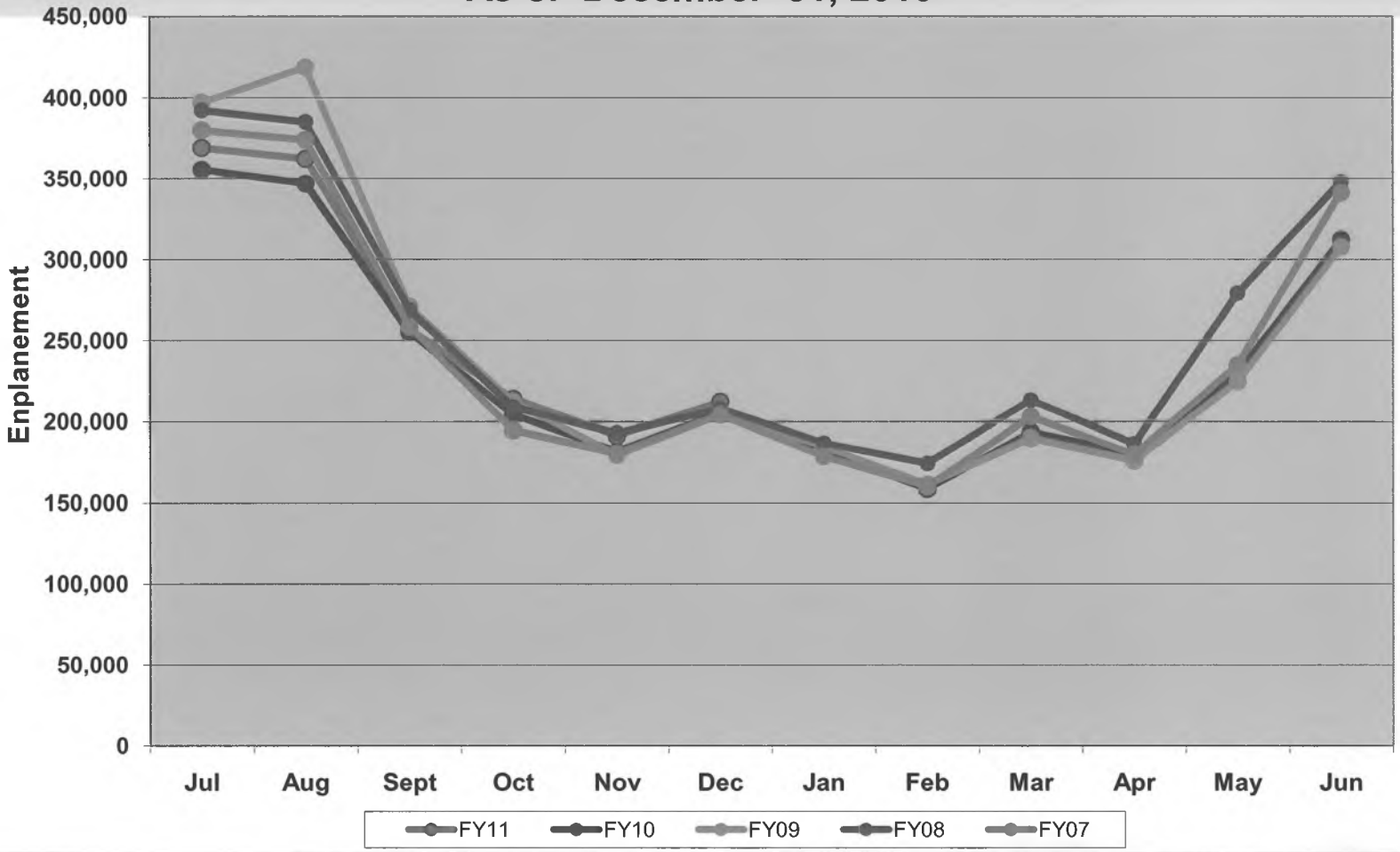




AIAS Finances, Statistics and Trends

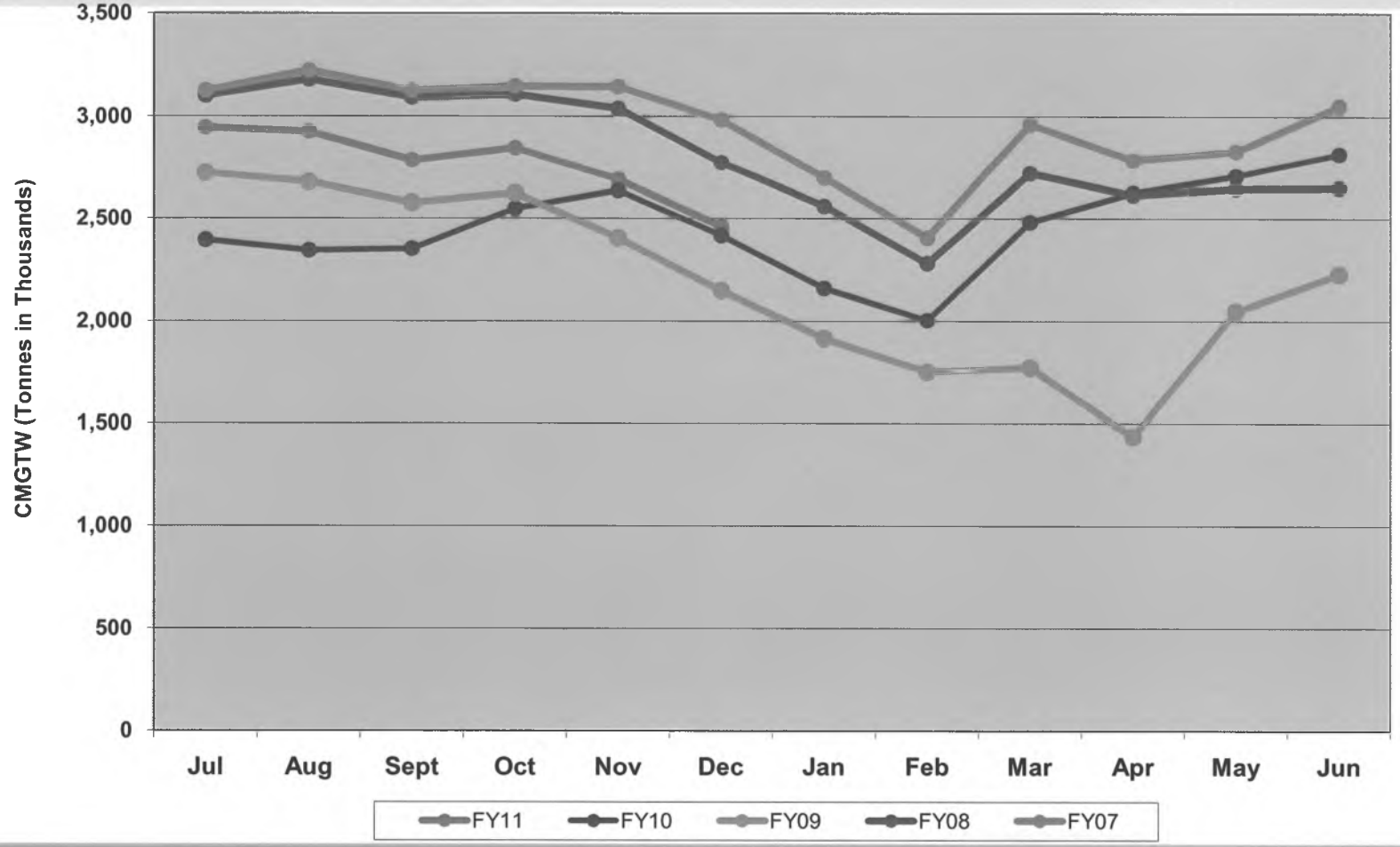


AIAS FY07 - FY11 YTD
Monthly Enplanements
As of December 31, 2010





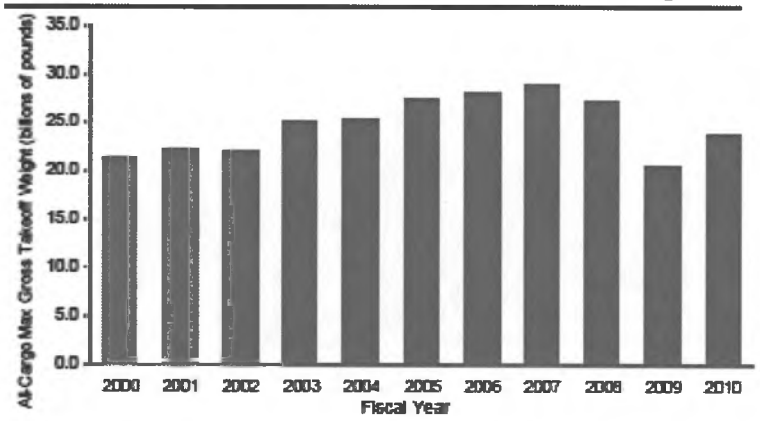
AIAS FY07 - FY11 YTD
Monthly Combined Cargo - Pax CMGTW
As of December 31, 2010



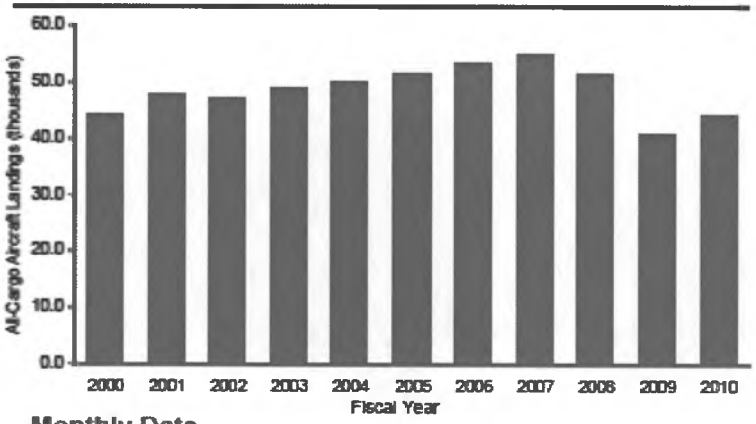


Cargo Operations

All-Cargo Aircraft Certified Max Gross Takeoff Weight

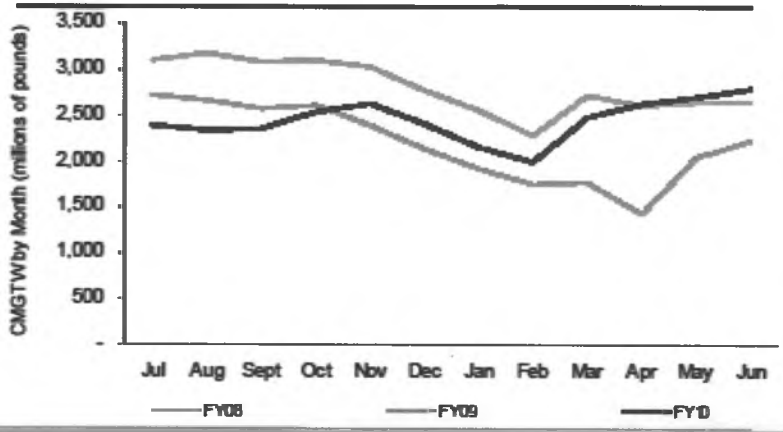


All-Cargo Aircraft Landings



- Positive trend is developing
  - All-cargo certified maximum gross takeoff weight increased 15.6% in FY 2010
  - All-cargo aircraft landings increased 8.8% in FY 2010
  - February to June increase in 2010 was 29.4%, 15% higher than the seasonal increase seen in FY06 – FY09

Monthly Data



Source: Alaska International Airports System and Federal Aviation Administration.



Impact of Global Economic Downturn

Where we were (year-over-year)

- FY 09-08
  - Total landings ↓ 13%
  - Cargo/Pax (CMGTW) ↓ 23%
  - Pax Enplanements ↓ 4%
  - Fuel Consumption ↓ 28%

Where we are (year-over-year)

- FY 10-09
  - Total landings ↑ 1.3%
  - Cargo/Pax (CMGTW) ↑ 12%
  - Pax Enplanements ↓ 4%
  - Fuel Consumption ↑ 18%



AIAS Close Watch Topics



Fuel

- **Challenge:**
  - Shortage caused by swift and unexpected recovery in air cargo market; carriers under nominated, providers under produced.
  - Air carriers overflew AK and looked for additional providers.
- **Solution:**
  - State held several meetings between all parties to increase awareness and facilitate communication.
  - Additional suppliers: Delta Western, Cosmo, Trans Montagne (pending). DEC processed requests in timely manner.
  - Supply adequate for foreseeable future with additional providers
  - Alaska Fuel Supply Consortium (AFSC) discussing additional storage options



Federal Funding and Regulation

- Carefully watching trends
- Decreases in FAA Airport Improvement Program (AIP) funding
- Increasing regulatory oversight often means unfunded mandates



AIAS Successes



AIAS Response to Recession

Remained Competitive:

- **Proactively controlled & reduced operating costs early**
- **Worked with airlines to scale-back capital projects**
- **Managed airport debt for optimal stability**
- **Reduced Rates & Fees**
- **Conducted 3rd Party Cargo Analysis of Asian Market trends**
- **Marketed favorable regulations – Cargo Transfer Authority**



AIAS Recent (2010) Successes

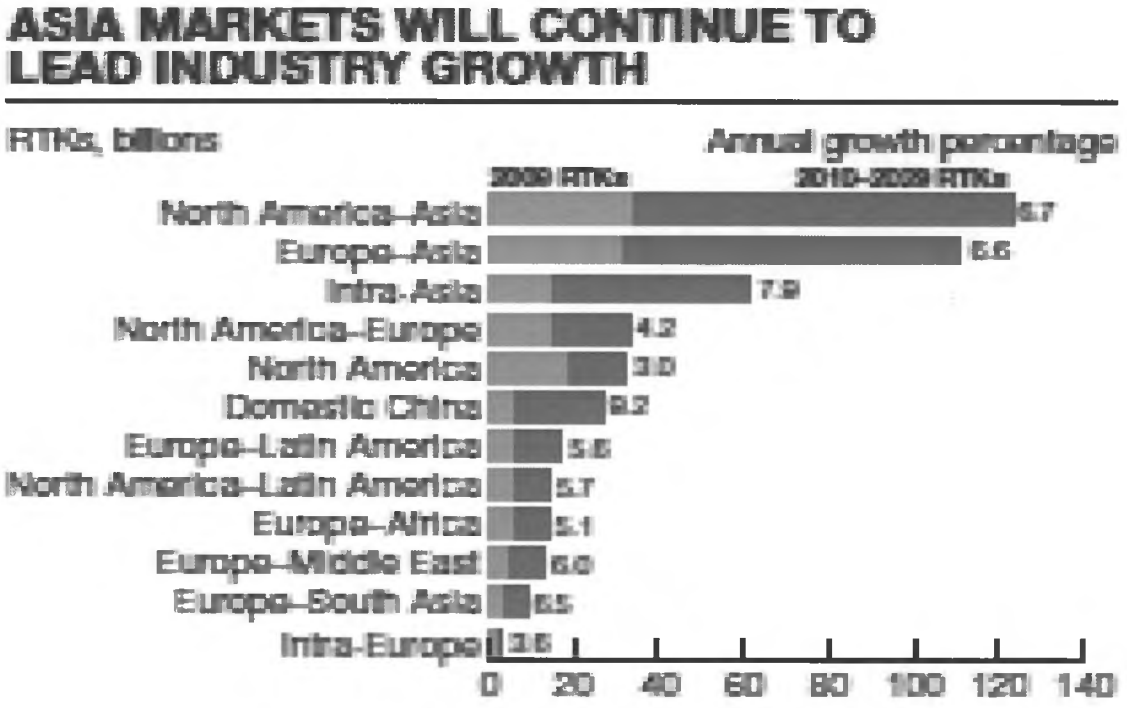
- Alaska International Cargo Summit held in Anchorage, August 2010. 18 international cargo carriers attended meetings that included information on Alaska's unique air cargo transfer rights.
- Japan Airlines winter charters from Tokyo to Fairbanks increased to 15 flights – up from 10 flights the previous year.
- Frontier Airlines added seasonal non-stop service in 2010 from Denver to FAI.
- Jet Blue seasonal scheduled service to start May 24 through September 6, 2011; Anchorage – Long Beach daily flight.
- Edelweiss seasonal scheduled service to begin May 30 through September 12, 2011; Zurich – Whitehorse – Anchorage weekly flight.
- Cargolux cargo flights returned in October 2010, 10-14 stops a week.



AIAS Future



Asian Market Projected to Lead Growth



Source: Boeing World Air Cargo Forecast 2010-2011



Cargo Summit & Follow On

- Video from Summer 2010
- August, 2010: Air Cargo Summit – attended by 18 international cargo carriers
- January, 2011: Asia Trip – visited with all major international cargo carriers
- August, 2011: 2nd Annual Cargo Summit – expect large attendance and will include more groups



Strategic Planning & Marketing

- AIAS System Plan
  - Business Plan
  - Strategic Plan
  - Organizational Study
  - Marketing Plans / Branding
- Proactive Communications
  - Work with CVB's and EDC's to strategize opportunities
  - Attend pax and cargo conferences to promote AIAS



Thank you!

Questions?

Deputy Commissioner – Aviation
Steven D. Hatter



Back-up Slides



Advantage: Location

Strategic Importance of AIAS to Cargo Carriers

AIAS Offers Air Carriers Cost and Operational Efficiencies

- Strategic link to Asia and the Pacific Rim
- AIAS is a major sorting and transfer hub for domestic and international carriers
- Favorable Federal Legislation specific to Alaska
- Ability to accommodate state-of-the-art Design Group VI (VLA) 747-800 / A380F aircrafts
- Economics favor refueling at AIAS with heavier payload than bypassing AIAS with lighter payload

Market	Nautical Miles (ANC)	Flight time from ANC	Nautical Miles (FAI)	Flight Time from FAI
Bejing	3,431	7.5 hours	3,393	7.5 hours
Hong Kong	4,415	10.0 hours	4,399	10.0 hours
Seoul	3,286	7.5 hours	3,295	7.5 hours
Shaghai	3,743	8.5 hours	3,741	8.5 hours
Singapore	5,792	13.0 hours	5,788	13.0 hours
Tokyo	2,983	7.0 hours	3,026	7.0 hours
Amsterdam	3,901	8.5 hours	3,674	8.0 hours
Frankfurt	4,064	9.0 hours	3,822	8.5 hours
London	3,902	8.5 hours	3,675	8.0 hours
Madrid	4,499	10.0 hours	4,277	9.5 hours
Moscow	3,778	8.5 hours	3,564	8.0 hours
Paris	4,072	9.0 hours	3,832	8.5 hours
Chicago	2,473	5.5 hours	2,413	5.5 hours
Honolulu	2,413	5.5 hours	2,640	6.0 hours
Los Angeles	2,037	4.5 hours	2,138	5.0 hours
Miami	3,479	7.5 hours	3,445	7.5 hours
New York	2,941	6.5 hours	2,839	6.5 hours
Washington DC	2,916	6.5 hours	2,838	6.5 hours
Caracas	4,646	10.5 hours	4,596	10.5 hours
Mexico City	3,281	7.5 hours	3,334	7.5 hours

Source: Great Circle Mapper.



Strength: Large Customer Base

(FY09 Service)

Diverse Mix of Cargo Operators

AIAS Cargo Operators

- **Air China Cargo Company**
- **Alaska Airlines**
- Alaska Central Express
- All Nippon Airways Co
- Antonov Design Bureau
- **Asiana Airlines**
- **Atlas Air**
- **Brooks Fuel**
- **Cathay Pacific Airways**
- Cargolux Airlines International
- Centurion Cargo
- **China Airlines**
- **China Cargo Airlines**
- **Desert Air**
- Empire Airlines
- Era Aviation Air Cargo
- **Eva Airways Corporation**
- **Evergreen International Airlines**
- **Everts Air Cargo**
- **Everts Air Fuel**
- **Federal Express**
- **Great Wall Airlines Co**
- Hageland Aviation Services
- **Japan Airlines**[1]
- **Kalitta Air**
- **Korean Air**
- **Lynden Air Cargo**
- **Nippon Cargo Airlines**
- **Northern Air Cargo**
- **Peninsula Airways**
- **Polar Air Cargo**
- **Qantas**
- **Shanghai Airlines Cargo**
- **Singapore Cargo Airlines**
- Southern Air
- Transnorthern Aviation
- **United Parcel Service**
- Volga-DNEPR Cargo Airlines
- World Airways
- Wright Air Service

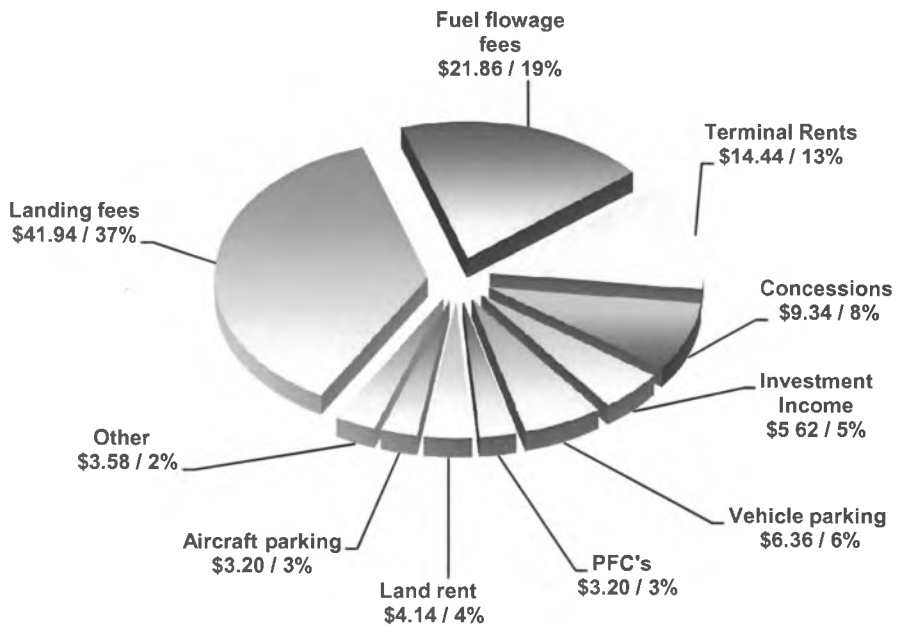
(1) Japan Airlines announced it will cease cargo operations within the System in October 2010

Bold type indicates Signatory Airlines of the Operating Agreement.

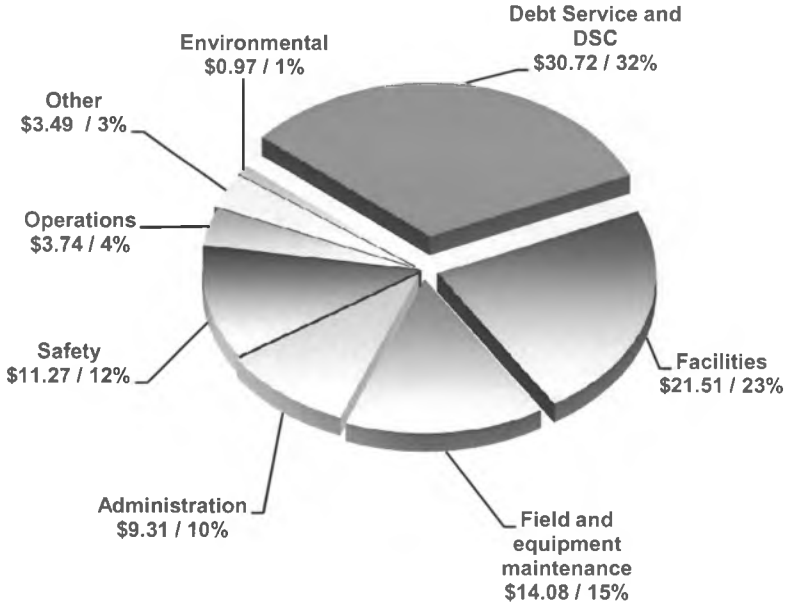


AIAS
Revenues & Costs

AIAS FY2010 Revenue Sources (Millions)

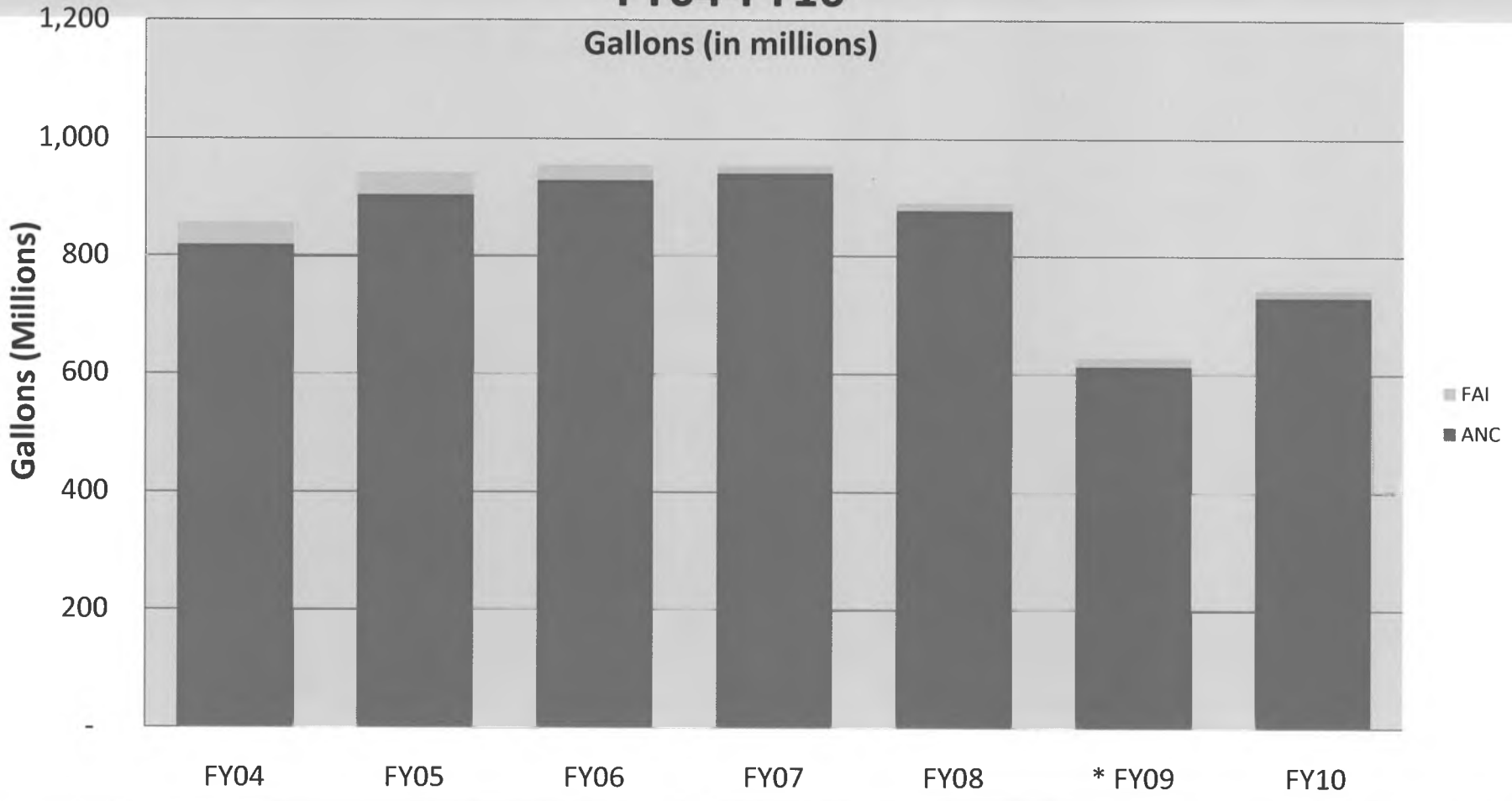


AIAS 2010 Annual Costs and DSC (Millions)





AIAS Annual Fuel Flowage
FY04-FY10



Finance Division
Tel: 907-265-2516
Fax 907-265-2517
olearyb@akrr.com

February 11, 2011

Members of Senate Finance Committee:

Thank you for the opportunity for the Alaska Railroad Corporation (ARRC) to present to your committee on February 2nd an overview of our financial condition and outlook for the future.

At that hearing, Senator Stedman and Senator Hoffman requested follow-up information related to some of the topics discussed. In response, I offer the following:

- Financial Highlights 2005 – 2010
    - Attachment #1 provides a six-year history of ARRC financial condition, earnings, and cash flow statements in a condensed fashion. Please note that 2010 numbers are still preliminary/unaudited; we anticipate completion of our annual financial audit by late March. Greater detail on previous audits can be found in the annual report section of our website (www.AlaskaRailroad.com).
- ARRC Barge Business Composition 2001 – 2010
    - Attachment #2 shows the changes in tonnage related to oil-field activity shipped on our rail barge over the last ten years.
- Breakdown of 2009 Position Eliminations
    - As part of a corporate initiative to reduce our cost structure to address declining key revenue streams, ARRC reduced staffing markedly in 2008 and 2009. Specific statistics:
    - Positions eliminated: 192
        - Year-round positions: 115
        - Seasonal positions: 77
    - Number of layoffs (included within total positions eliminated): 57
        - Anchorage-based staff: 46
        - Fairbanks-based staff: 8
        - Other areas: 3

Please contact me at 265-2516 or Wendy Lindskoog, VP of Corporate Affairs, at 265-2498 if you have any further follow-up questions or desire more detailed information on these or other topics.

Regards,

Bill O'Leary
VP Finance/Chief Financial Officer

cc: Chris Aadnesen, ARRC Chief Executive Officer
Wendy Lindskoog, ARRC VP, Corporate Affairs

327 W. Ship Creek Avenue
Anchorage, Alaska 99501

MAILING ADDRESS
P.O. Box 107500, Anchorage, Alaska 99510-7500

TEL 907.265.2300 FAX 907.265.2416
AlaskaRailroad.com

Attachment #1

Alaska Railroad Corporation
Financial Highlights 2005-2010

Balance Sheet
(in thousands)

	2005	2006	2007	2008	2009	Unaudited 2010
Assets:						
Current assets:						
Cash and cash equivalents	$ 2,078	$ 13,263	$ 15,332	$ 17,095	$ 18,267	$ 33,488
Receivables	34,019	30,666	26,067	29,214	24,136	32,680
Other current assets	10,667	9,967	10,723	12,419	10,863	11,068
Restricted assets	1,241	-	7,580	18,139	20,662	20,101
Total current assets	48,005	53,896	59,702	76,867	73,928	97,337
Non-current assets:						
Capital assets	481,706	560,390	696,465	925,822	995,588	1,118,730
Accumulated depreciation	(169,210)	(198,773)	(233,657)	(280,492)	(322,825)	(373,294)
Construction work in progress	213,355	238,091	201,800	63,883	68,391	22,399
Total capital assets	525,851	599,708	664,608	709,213	741,154	767,835
Restricted and other non-current assets	103	60,642	110,204	68,042	46,173	27,105
Total assets	$ 573,959	$ 714,246	$ 834,514	$ 854,122	$ 861,255	$ 892,277
Liabilities:						
Current liabilities	$ 27,449	$ 34,322	$ 38,140	$ 44,464	$ 40,768	$ 43,221
Non-current liabilities						
Notes payable, less current portion	24,468	33,310	30,219	27,436	24,537	24,028
Revenue bonds payable, less current portion	-	78,403	164,314	155,066	145,315	135,133
Other non-current liabilities	1,193	1,208	1,204	2,318	2,103	8,449
Regulatory liabilities:						
Accrued pension and postretirement benefits	4,279	-	-	29,225	6,258	-
Deferred grant revenue	345,391	383,435	402,581	415,882	428,501	453,866
Total non-current liabilities	375,331	496,356	598,318	629,927	606,714	621,476
Fund equity	171,179	183,568	198,056	179,731	213,773	227,580
Total liabilities & fund equity	$ 573,959	$ 714,246	$ 834,514	$ 854,122	$ 861,255	$ 892,277

Alaska Railroad Corporation
Financial Highlights 2005-2010

Statement of Revenues & Expenses
(in thousands)

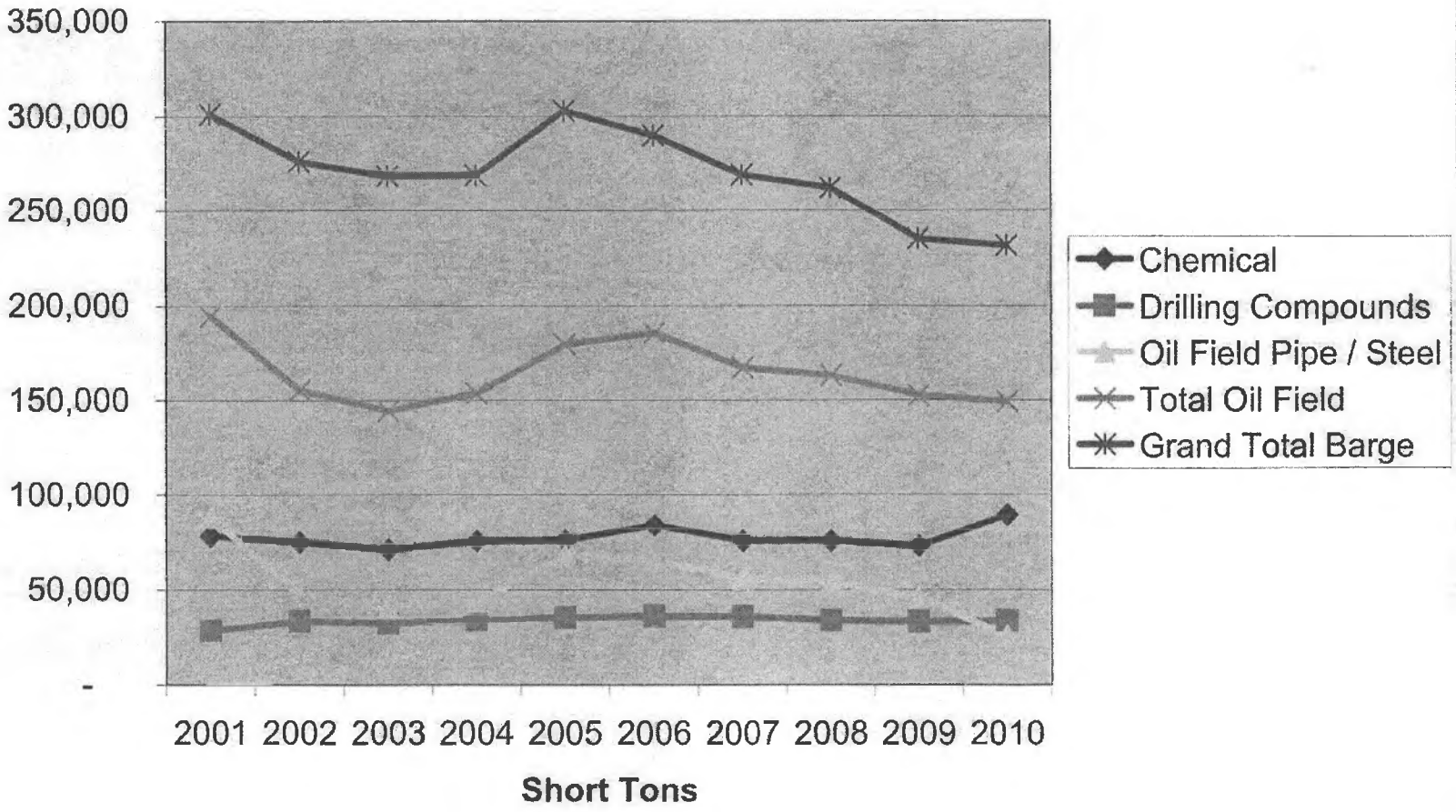
	2005	2006	2007	2008	2009	Unaudited 2010
Operating revenue:						
Freight	$ 94,485	$ 89,623	$ 91,783	$ 96,337	$ 84,939	$ 84,329
Passenger	19,472	21,292	23,304	24,550	21,455	20,783
Other	121	456	526	895	704	772
Grant	15,115	21,299	32,949	37,013	36,515	40,225
Total operating revenue	129,193	132,670	148,562	158,795	143,613	146,109
Operating expenses	122,841	128,419	138,878	155,490	137,993	140,197
Operating Income	6,352	4,251	9,684	3,305	5,620	5,912
Non-operating revenue (expenses):						
Real estate income	13,909	15,053	19,296	20,285	22,428	20,872
Real estate expense	(7,403)	(8,543)	(12,626)	(9,878)	(13,063)	(11,494)
Gain on sale of fixed assets	452	616	478	(13)	517	0
Investment Income	430	572	945	377	115	78
Interest expense, net of grant revenue	(1,085)	(1,504)	(1,527)	(1,519)	(1,715)	(1,561)
Net income	$ 12,655	$ 10,445	$ 16,250	$ 12,557	$ 13,902	$ 13,807

Alaska Railroad Corporation
Financial Highlights 2005-2010

Cash flows
(in thousands)

	2005	2006	2007	2008	2009
Net cash provided by operating activities	$ 11,836	$ 9,059	$ 17,491	$ 9,770	$ 17,926
Net cash provided by (used in) capital and related financing activities	(32,198)	50,749	22,195	(59,337)	(48,973)
Net cash provided by (used in) investing activities	12,218	(48,623)	(37,617)	51,330	32,219
Cash and cash equivalents at beginning of year	10,222	2,078	13,263	15,332	17,095
Cash and cash equivalents at end of year	$ 2,078	$ 13,263	$ 15,332	$ 17,095	$ 18,267
Reconciliation of operating income to net cash provided by operating activities					
Operating income	$ 6,352	$ 4,251	$ 9,684	$ 3,305	$ 5,620
Depreciation and amortization	20,224	26,003	33,977	42,496	42,193
Bond issuance cost amortization	-	-	121	176	176
Grant revenue on capital assets	(11,681)	(16,275)	(24,947)	(31,261)	(29,985)
Changes in operating assets and liabilities	(3,059)	(4,920)	(1,344)	(4,946)	(78)
Total adjustments	5,484	4,808	7,807	6,465	12,306
Net cash provided by operating activities	$ 11,836	$ 9,059	$ 17,491	$ 9,770	$ 17,926

Attachment 2
Barge Oil Field related Tonnage 2001 - 2010



Report to the State of Alaska

December 2010



ARRC President: A Look Ahead

The Alaska Railroad Corporation Act (AS 42.40.290) requires the Alaska Railroad Board of Directors to annually adopt a long-range capital improvement and program plan and to forward that plan to the governor and legislature. I am pleased to present the railroad's capital plan for 2011 through 2015.

I joined the Alaska Railroad Corporation (ARRC) as the President and CEO in September 2010 and already I appreciate the railroad's significant role in the state's history and its future. While new to the Alaska Railroad, I have spent 37 years in the national and international rail industry. Through that experience I understand the importance of communicating and working with local government leaders. This report begins my dialogue with you.



CHRISTOPHER AADNESEN
PRESIDENT & CEO

The 2010 business year sets the stage for the railroad's outlook. We will emerge from 2010 better than expected even though our largest freight commodity, petroleum, underperformed based on budget forecasts. While rail passenger numbers are down from the peak a couple of years ago, 2010 passenger service revenue surpassed revenue expectations. Gravel and trailer/container businesses were both strong, and export coal volumes set another record year. Real estate lease and permit revenue continued steady growth. Incremental revenue growth coupled with tight expense control yielded total unaudited revenues at $174.2 million, total expense at $160.5 million, with corporate net income forecast to be $13.7 million. Audited results will true these numbers up by April 1, 2011.

Railroaders marked many significant accomplishments in 2010. On the transportation side, we developed a method to move export coal trains over Grandview Pass with a single train rather than breaking the train into several sections. This approach offered measurable safety gains and more efficient operations that benefit our customers and our bottom line. We also increased the length of our export coal trains to 75 cars to better serve Usibelli Coal Mine as it increases its capacity to meet demands of the growing export market.

The railroad also continued core infrastructure investments in 2010. Crews installed 43 additional miles of continuous welded rail and replaced 50,000 crossties. We completed important track realignment and retaining wall work in Healy Canyon and constructed bridge improvements along the system. Federal Stimulus funding accelerated rehabilitation work on the Anchorage Historic Depot and made passenger improvements possible at the Seward and Talkeetna depots. Stimulus funds also enabled installation of a Wheel Impact Load Detector to improve the safety of rail operations.

Improving safety was the driver behind another 2010 highlight. July 2010 marked the first time since 1983 that ARRC was allowed to use herbicides as part of an integrated vegetation management program. Without this crucial component to weed control, the Alaska Railroad was failing to live up to Federal Railroad Administration (FRA) safety standards. Thanks to a state-issued herbicide use permit and ARRC's implementation of an her-

ARRC President: A Look Ahead

bicide program on the south end of the rail corridor, the FRA has indicated it may consider suspending previously issued vegetation violations, which could save the railroad millions of dollars in fines.

Charting the course for capital spending over the next five years is a little like looking into a crystal ball. The Alaska and national economies appear to be slowly strengthening but the Alaska Railroad is not out of the woods yet. We are guardedly optimistic that improved Flint Hills Refinery forecasts will pan out. Our five-year revenue estimates hinge largely on this essential customer.

Looking forward, we will continue to improve the Alaska Railroad's safety systems, customer service, and infrastructure. This includes plans to modernize signal and train communication systems and is driven in large part by the Federal mandate to implement Positive Train Control by the end of 2015. We will pursue diversification of our revenue sources, working closely with customers and partners to identify new lines of business.



Renovating the Historic Freight Shed to Leadership Energy & EEnvironmental Design (LEED) standards is a major internally-funded project.

The information in this report provides a high-level snapshot of our long-range capital improvement plan. Particularly as the legislative session begins, I will make myself and my team available to provide a more in-depth look at our operation and our budget through one-on-one meetings, facility tours, or informational committee hearings in Juneau. Please contact our Vice President of Corporate and Government Affairs Wendy Lindskoog if you are interested in any or all of these avenues. You are always invited to stop by my office at our headquarters in Anchorage. I look forward to meeting Alaska's lawmakers and policy makers in the very near future and to working with you all to ensure the continued vitality of the state-owned Alaska Railroad.



AquaMaster herbicide is applied to the Seward Rail Yard in late July 2010.

Best regards,

Chris Aadnesen

President and CEO

Mission, Vision and Values

Alaska Railroad Mission

- Safety... Customer Service... Profitability

Alaska Railroad Vision

"Building a great Railroad across the Greatland."

An important element in fulfilling this vision is ARRC's success since 1996 in qualifying for federal funding...an entitlement afforded the railroad's public status and its passenger service mission. As a result, ARRC has been able to greatly accelerate long overdue mainline maintenance and upgrades.

In addition, other federal grants have funded facility improvements, such as intermodal facilities and docks; technology improvements, such as the collision avoidance system; and homeland security grants. These have come to the the Alaska Railroad via recent major federal legislation.

Alaska Railroad Values

We are a values based organization. Values are all about people, not things. We are all about taking care of our people. We believe who you are is as important as what you do. Character counts. Many of our values are embodied in our corporate Code of Conduct. Our fundamental core values consist of integrity, excellence, and service.

As a responsible partner, in order to accomplish the ambitious goals we set out for ourselves in conjunction with those of others along the railbelt, the ARRC must be a safe, secure, customer responsive, financially and environmentally sound, employee friendly corporation. We must provide a stable, reliable foundation that can be counted on to enhance the future economic growth of the state and the municipalities we support. If our corporate foundation is not sound, support for further state growth and development becomes problematic at best. Values and high standards are the building blocks of that foundation.



Alaska Central Railway owners pose in Seward. Circa 1902 to 1907.

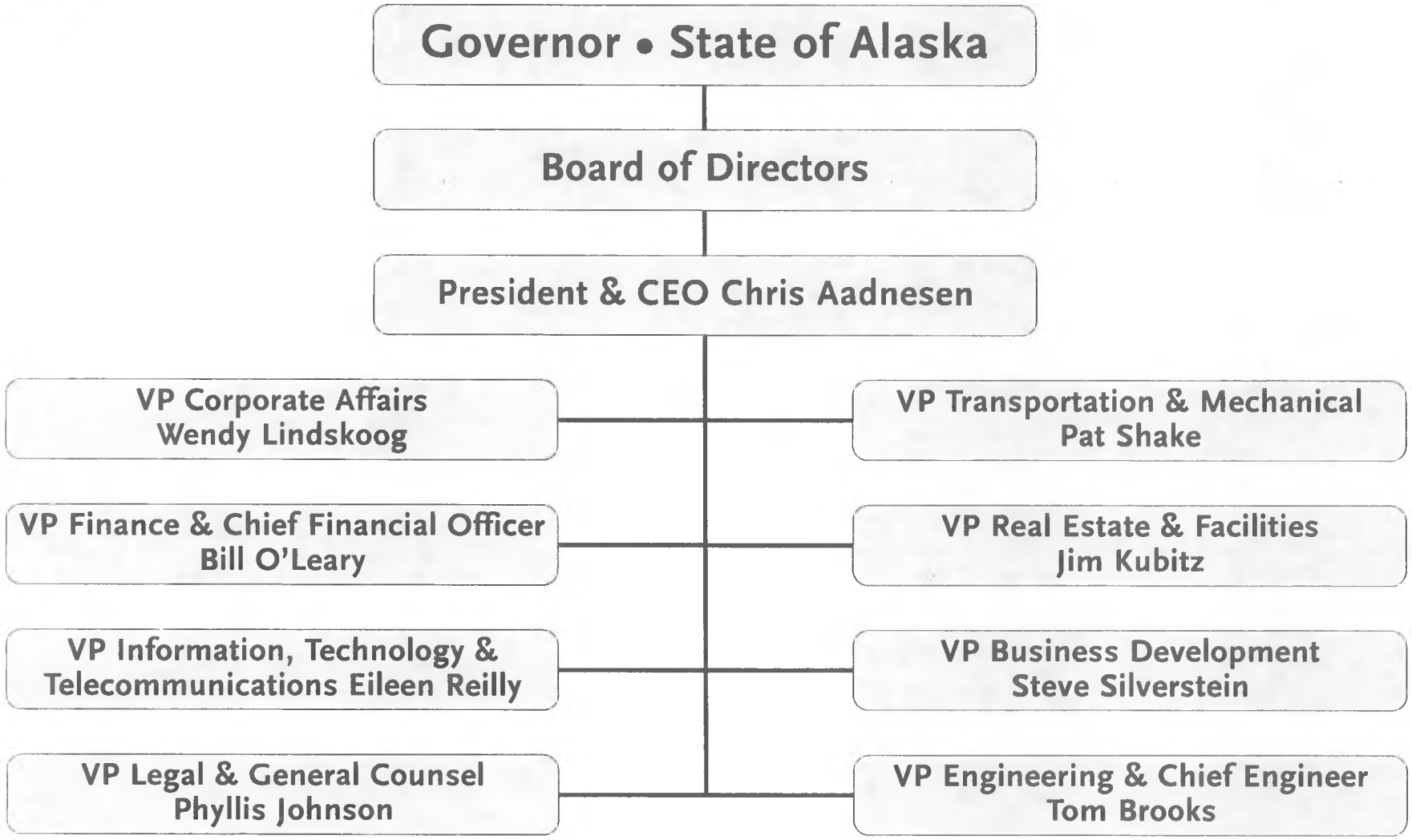


Hurricane Bridge under construction. Circa 1921.



Brace work to stiffen the Loop District trestle at mile 48.3. Circa 1948.

Alaska Railroad Organizational Chart



Alaska Railroad Quick Facts

Purchase Price (January 5, 1985)

Paid to federal government	$22.3 million
Start-up costs & contributed capital	$11.9 million
Total Investment-State of Alaska	$34.2 million

Organization (following State purchase)

- Independent corporation owned by State
- Managed by a seven-member board of directors. Position qualifications are spelled out in law, members appointed by the Governor.
- Mandated to be self-sustaining, responsible for all its own financial and legal obligations

Financial Statistics

January 1-December 31, 2010* (estimated & unaudited)

Total Assets	$ 882.0 million
Total Revenues	$ 174.2 million
Total Expenses	$ 160.5 million
Forecasted Net Income (as of October)	$ 13.7 million
Budgeted Net Income	$ 8.4 million

Operating Data

Miles of main line	467
Miles of branch line	54
Miles of yards and sidings	130
Total miles of track	651
Freight cars (owned & leased)	1,160
Passenger cars	47
Locomotives	51

Operating Statistics

January 1-December 31, 2010 (estimated & unaudited)

Passenger ridership	404,000 passengers
Freight tonnage	6.6 million tons

Employees (as of December 2010) (estimated)

Number of year-round employees	657
Average years of service	12.3
Average age	46
Male	541
Female	116

Union Membership

Most of ARRC employees are members in one of five unions:

United Transportation Union	125
Transportation Communication Union	41
International Association of Machinists	63
American Federation of Govt. Employees	254
American Train Dispatchers Department	8

Benefits

- Corporation provides a defined benefit pension plan
- Corporation provides for health and life insurance
- Corporation provides for retiree medical benefits

** ARRC audits are normally complete by March 31.*

Five-Year Forecast — Operating Budget

(in millions)	2011 Budget	2012 Plan	2013 Plan	2014 Plan	2015 Plan	TOTAL
Net Operating Income	$ 11.3	$ 12.1	$ 12.1	$ 12.6	$ 12.4	$ 60.5
Net Income-Real Estate	8.3	8.1	8.5	8.4	8.3	41.6
Net Other Income (Expense)	(1.4)	(1.1)	(1.0)	(0.8)	(0.3)	(4.6)
Net Income	**$ 18.2**	**$ 19.1**	**$ 19.6**	**$ 20.2**	**$ 20.4**	**$ 97.5**

Five-Year Capital Project Plan — Internal Funding

(in millions)	2011 Budget	2012 Plan	2013 Plan	2014 Plan	2015 Plan	TOTAL
Nondiscretionary Projects	$ 14.9	$ 14.4	$ 16.2	$ 9.2	$ 7.0	$ 61.7
Continuing Program Projects	6.3	7.2	7.0	7.6	6.8	34.9
Strategic Business Initiatives	2.9	2.9	1.6	1.3	1.3	10.0
Ranked Projects	1.0	1.4	0.5	9.3	13.1	25.3
Total Internal Funding	**$ 25.1**	**$ 25.9**	**$ 25.3**	**$ 27.4**	**$ 28.2**	**$ 131.9**

Five-Year Capital Project Plan — Federal and Bond Funding

	2011	2012	2013	2014	2015	5-YR TOTAL
Federal Transit Administration						
Passenger Equipment: Rehabilitation	$ 530,000	$ 500,000	$ 500,000	$ 500,000	$ 500,000	$ 2,530,000
Projects:						
Depot Improvements	—	—	—	—	300,000	300,000
Track Rehabilitation	8,328,206	6,666,152	8,965,478	11,797,879	14,482,177	50,239,892
Positive Train Control	3,557,000	7,335,000	6,1561,000	3,556,000	2,040,000	22,649,000
Track Project Subtotal	12,415,206	14,501,152	15,626,478	15,853,879	17,322,177	75,718,892
Bridge Replacements/Upgrades:						
Bridge at Mile Post 29.5 Trail Lake	579,000	—	—	1,000,000	—	1,579,000
Bridge at Mile Post 422.9 Little Goldstream	—	—	—	—	458,402	458,402
Bridge 447.7 Permafrost Bridge	—	—	—	—	300,000	300,000
Bridge Program Subtotal	579,000	—	—	1,000,000	758,402	2,337,402
Debt Service Subtotal:						
2006 Bond Issue Debt Service	7,520,266	7,513,216	7,519,254	7,503,586	7,486,648	37,542,970
2007 Bond Issue Debt Service	9,175,686	9,176,261	9,180,361	9,140,152	9,139,078	45,811,538
Debt Service Subtotal	16,695,952	16,689,477	16,699,615	16,643,738	16,625,726	83,354,508
Preventive / Safety / Security:						
Preventive Maintenance Reimbursement	9,888,331	9,987,214	10,087,086	10,187,957	10,289,836	50,440,424
Slope Stabilization - Area MP52	400,000	—	—	—	—	400,000
Transit Enhancements	208,660	214,920	221,367	228,008	234,849	1,107,804
Transit Security	208,660	214,920	221,367	228,008	234,849	1,107,804
Preventive/Safety/Security Subtotal	27,401,603	27,106,531	27,229,435	27,287,711	27,385,259	136,410,540
Total Federal Transit Administration	**40,395,809**	**41,607,683**	**42,855,914**	**44,141,591**	**45,465,838**	**214,466,835**
Less: Preventive Maintenance Reimbursement	(9,888,331)	(9,987,214)	(10,087,086)	(10,187,957)	(10,289,836)	(50,440,424)
Less: Debt Service Grants	(16,695,952)	(16,689,477)	(16,699,615)	(16,643,738)	(16,625,726)	(83,354,508)
Add: 2010 FTA funds for track rehab	6,628,853	—	—	—	—	6,628,853
Total FTA for Federal Capital Projects	**$ 20,440,379**	**$ 14,930,992**	**$ 16,069,213**	**$ 17,309,896**	**$ 18,550,726**	**$ 87,300,756**

Five-Year Capital Project Plan — Federal and Bond Funding (continued)

	2011	2012	2013	2014	2015	5-YEAR TOTAL
FTA Capital Grant Receipts 2007 Bonds						
Track Rehabilitation Program	$ 13,580,907	$ 12,341,552	—	—	—	$ 25,922,459
Other Federal Funds						
US DOT TIGGER II, Locomotive Emissions Reduction Program	1,380,000	—	—	—	—	1,380,000
FEMA Grants, flood related	2,450,635	—	—	—	—	2,450,635
FEMA Security Related Projects, Anchorage and Fairbanks	478,000	—	—	—	—	478,000
Total Other Federal Funds	4,308,635	—	—	—	—	4,308,635
TOTAL FEDERAL & BOND FUNDING	**$ 38,329,921**	**$ 27,272,544**	**$ 16,069,213**	**$ 17,309,896**	**$ 18,550,726**	**$117,532,300**

FIVE-YEAR CAPITAL PROJECT PLAN SUMMARY - TOTALS BY FUNDING SOURCE

(in millions)	2011 Budget	2012 Plan	2013 Plan	2014 Plan	2015 Plan	5-YEAR TOTAL
FTA Formula Funds (net of PM/Debt Svc)	$ 20.4	$ 14.9	$ 16.1	$ 17.3	$ 18.6	$ 87.3
FTA Bond Proceeds - 2007 issue	13.6	12.3	—	—	—	25.9
Other Federal (FEMA, US DOT TIGGER II	4.3	—	—	—	—	4.3
Internal Funds (ARRC Revenue)	25.1	26.0	25.3	27.4	28.1	131.9
Third Party Performance Settlement	—	2.7	—	—	—	2.7
Total Capital Program	$ 63.4	$ 55.9	$ 41.4	$ 44.7	$ 46.7	$ 252.1

FAIRBANKS INTERNATIONAL AIRPORT

Jesse VanderZanden
Airport Manager

6450 Airport Way, Suite 1 • Fairbanks, Alaska 99709
T: 907.474.2500 • F: 907.474.2513
E: jesse.vanderzanden@alaska.gov

Steve Silverstein
VICE PRESIDENT
BUSINESS DEVELOPMENT

431 West First Avenue
Anchorage, Alaska 99501
MAILING ADDRESS
P.O. Box 107500
Anchorage, Alaska, 99510-7500
TEL 907.265.2464 *FAX* 907.265.2597
CELL 907.244.6895
silversteins@akrr.com
AlaskaRailroad.com

FAIRBANKS INTERNATIONAL AIRPORT

杰西·范德赞登
机场经理
费尔班克斯国际机场
美国阿拉斯加州

Senate Finance Committee Briefing



February 2, 2011

Briefing Contents

- Corporate Overview
- Financial Position
- Earnings/Operating Budget Outlook

Handout

- December 2010 State Report

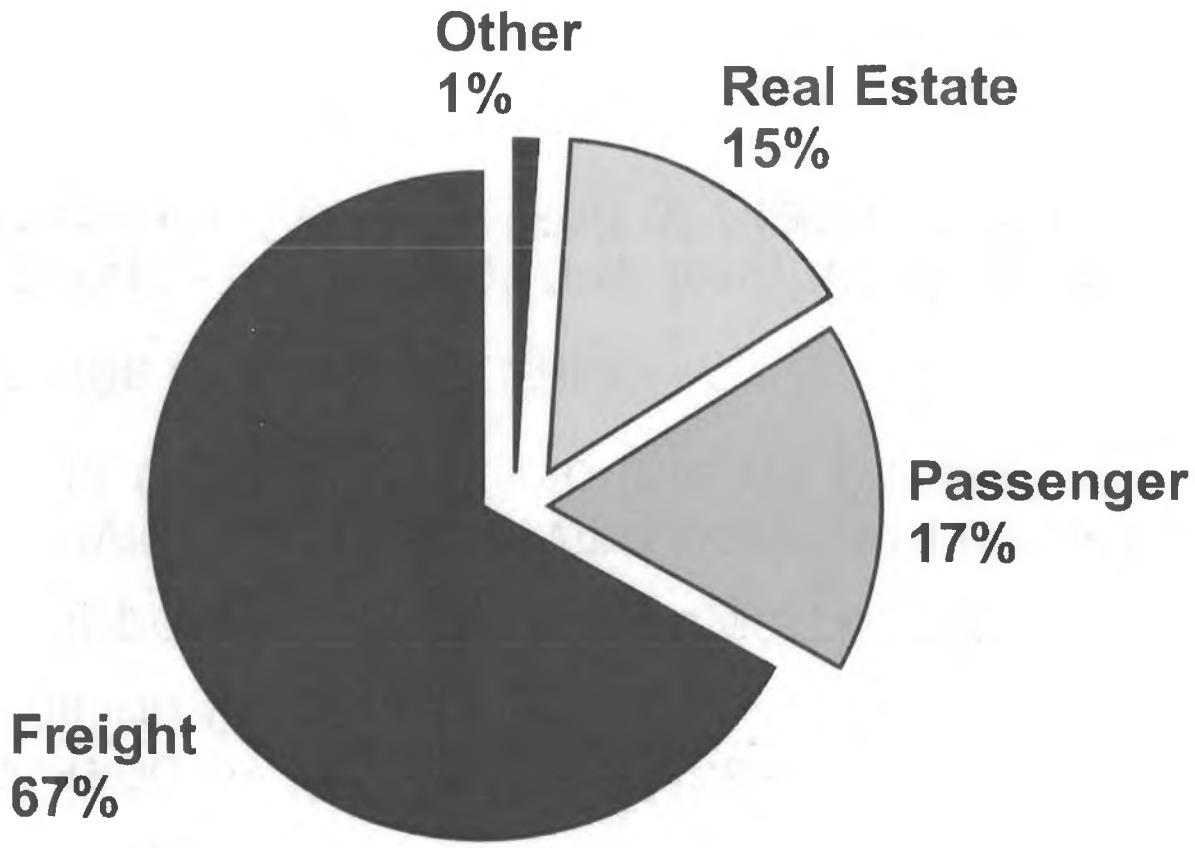


ARRC Corporate Overview

Alaska Railroad Corporation

- Railroad built by the federal government (1914 – 1923)
- Purchased by the State of Alaska for $22 million in January 1985
- Self-supporting, State-owned corporation
- Full-service railroad serving ports and communities from the Gulf of Alaska to Interior Alaska
- 469 miles of mainline track
- Full-service passenger and freight railroad serving communities from the Gulf of Alaska to Fairbanks.

2010 Sources of Customer Revenue*



*Preliminary/unaudited

Freight Business

- Moved 6.3 million tons of freight overall in 2010, compared to 6.2 million tons in 2009 (2% increase)
- 2011: Anticipate 3.5% overall freight growth over 2010
- Heavily reliant on three primary commodities


Oilfield pipe


Petroleum


Military


Coal


Logs


Gravel


Interstate Barge



Trailers

Passenger Business

- Includes both ARRC trains and cruise partner movements
- Moved 405,000 passengers in 2010, compared to 471,000 in 2009 (14% decrease)
- 2011: anticipate 3.2% passenger growth over 2010
- Makes ARRC eligible for Federal Transit Administration formula funds



Real Estate

- Property Development
- Leases and Permits
- Dockage and Wharfage
- Facilities Maintenance and Management
- Revenue from Real Estate activities are key component to ARRC being self-sustaining
  - 2010: 69% of corporate net income derived from real estate





Top: Ship Creek basin includes highly valuable leasable land. Bottom: upland from the Seward freight dock is being developed

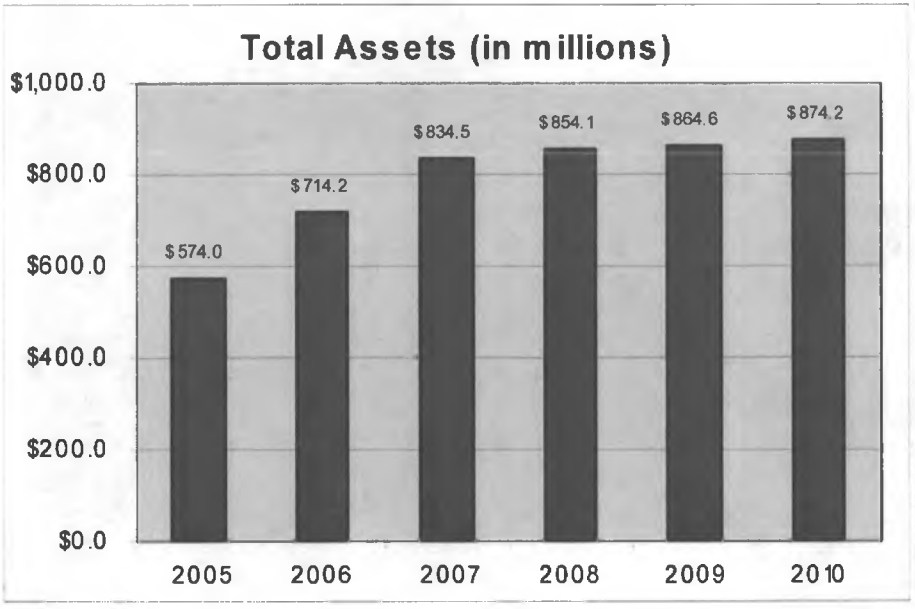
Capital Funding Sources

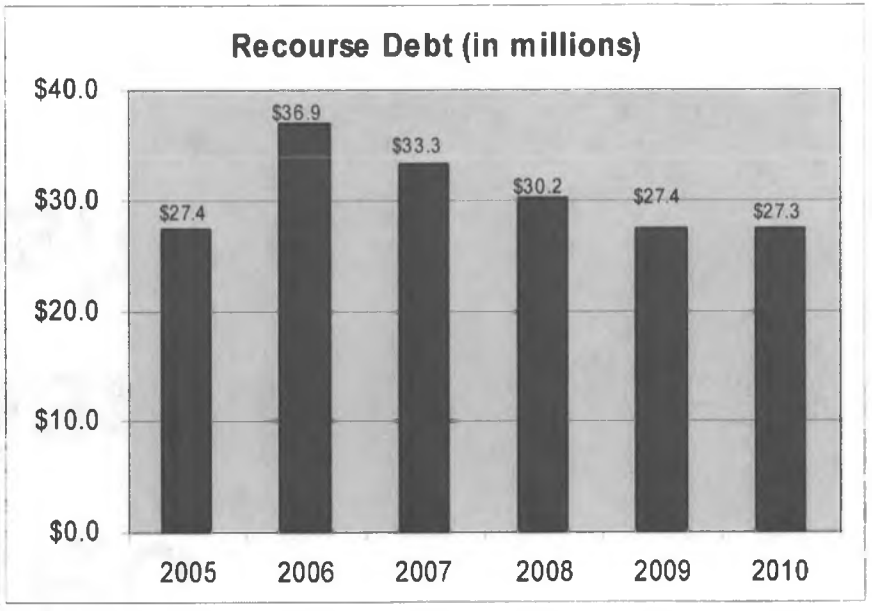
- ARRC Earnings
  - Provides required match for federal funds
  - Essential for freight-related improvements
- USDOT/Federal Transit Administration
  - Formula Funds, Grants, Repayment Source for Bonds
  - 9-20% ARRC Match Required
- Other Federal Agencies – (Dept of Defense, FEMA, FHWA, FRA, Homeland Security, etc)
- Federal funds allocated to ARRC do not affect federal funding for other state transportation projects
- ARRC federal match is *not* from State of Alaska general fund or gas tax...match is solely from ARRC earnings.



ARRC Financial Position

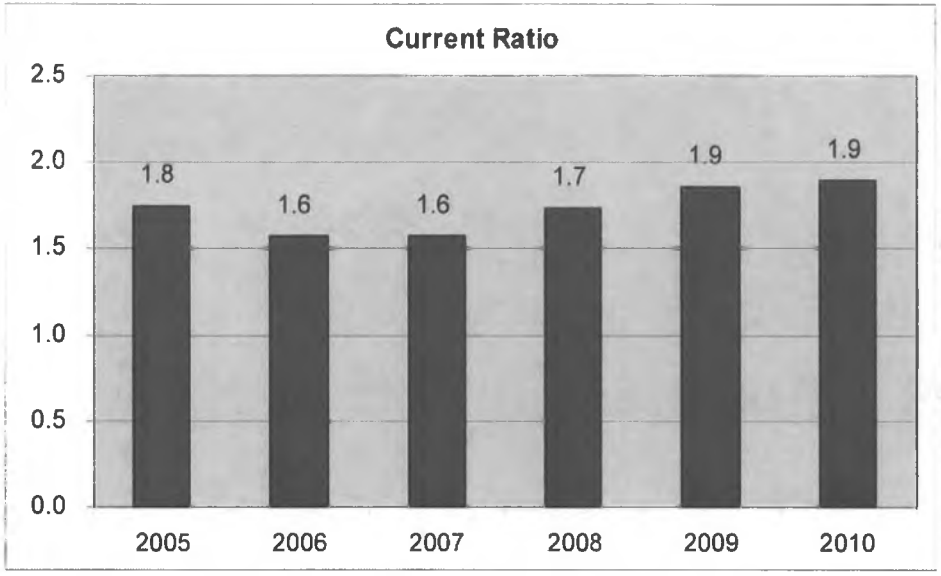
Balance Sheet Highlights
Assets/Debt

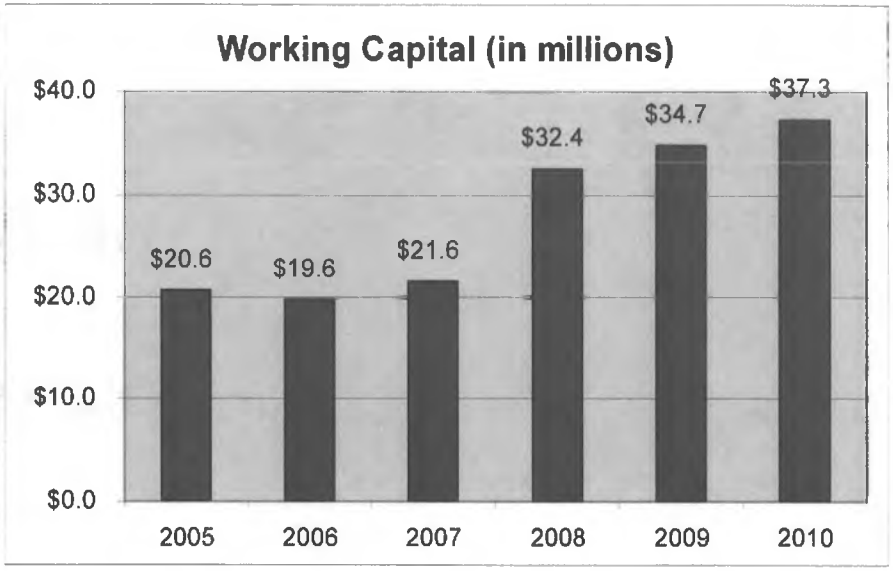




Conservative capital structure: At year-end 2010, ARRC's recourse debt is $27.3 million, with a debt to capital ratio of 21%, reflecting relatively modest use of debt instruments.

Balance Sheet Highlights
Liquidity





Current ratio is calculated by dividing current assets by current liabilities. The ratio is a measurement of an entity's liquidity and ability to meet current obligations.

Working capital is calculated by subtracting current liabilities from current assets and is a complementary measurement of an entity's liquidity.

ARRC liquidity continues to improve, despite difficult earnings environment.

Benefit Trust Funds

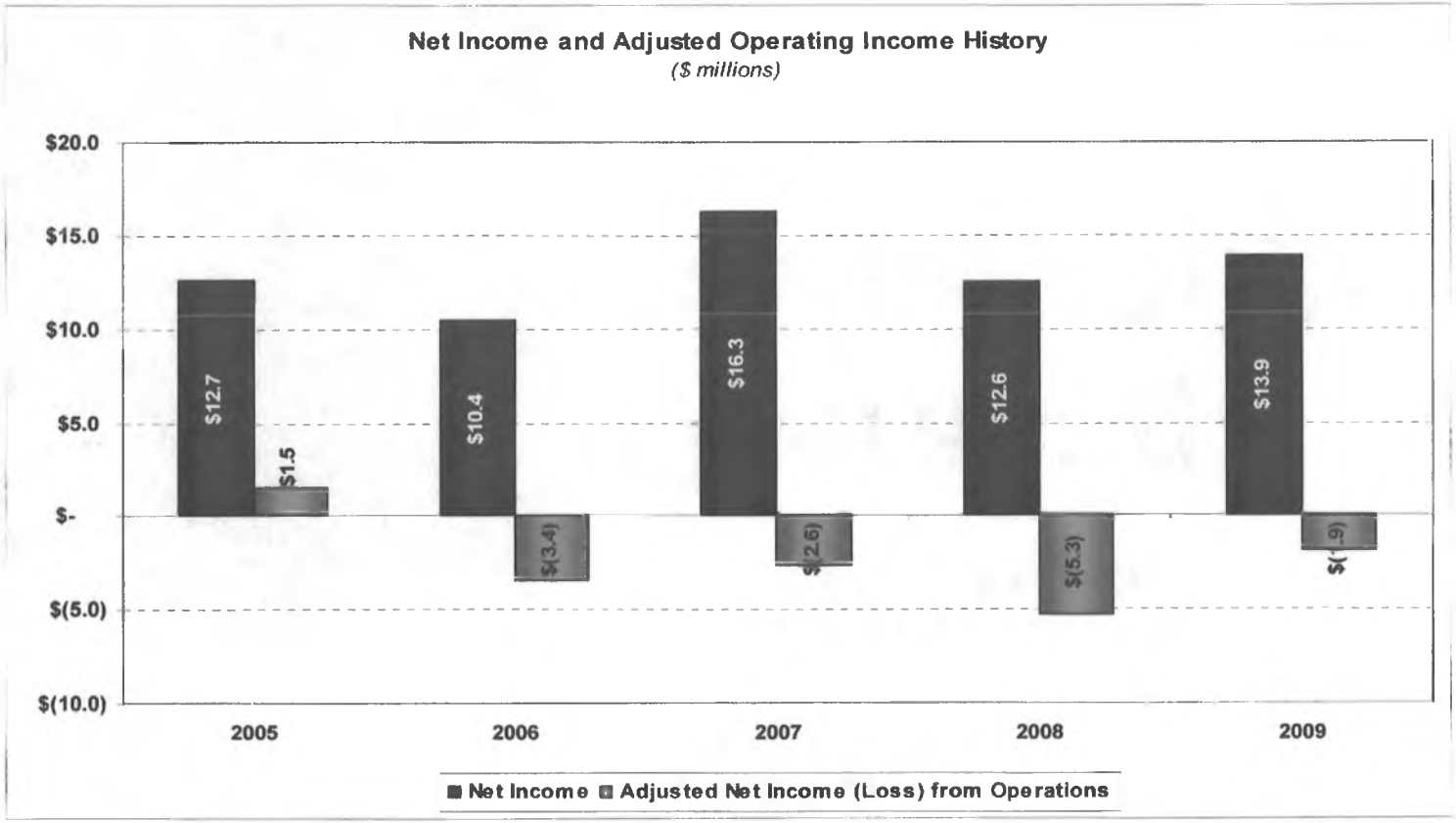
- ARRC is plan sponsor of two benefit trust funds
  - Defined Benefit (DB) pension fund
  - Retiree medical fund

- Both plans financially sound
  - DB pension: 99% funded as of 1/1/10
  - Retiree medical: 118% funded as of 1/1/10



ARRC Earnings/ Operating Budget Outlook

Recent History



- Solid corporate earnings; core train operations run at loss
  - Real estate earnings key to stability and sustainability
  - Non-traditional fund sources important
    - Federal grant reimbursement of operating expenses
    - Section 45G tax credit
- 2009 – Position eliminations/layoffs, significant cost structure reduction

2010 Financial Snapshot

- 2010 Plan – prepare for uncertain future
  - Petroleum haul anticipated to be half that of 2003
  - Passenger: cruise ship redeployments
  - Impact of significant 2009 ARRC personnel downsizing
- Budgeted net earnings: $8.4 million
  - $4.3 million loss from train operations budgeted

2010 Financial Snapshot

- Preliminary 2010 numbers exceed expectations
  - Petroleum performed worse than expected, offset somewhat by Trailer on Flat Car (TOFC) and Gravel hauls
  - Passenger revenue did not fall as far as anticipated
  - Solid expense control offset rising fuel costs
  - Year-end boost from tax credit legislation approved by Congress
- Preliminary, unaudited net earnings: $13.7 million
  - $700,000 loss from train operations
  - Audit to be completed March 2011

Freight & Passenger Revenues
2009 – 2011 (Budget)

	2009 Actuals	2010 Actuals*	2011 Budget
Freight Revenue	$ 84,938,713	$ 84,329,466	$101,311,645
Passenger Revenue	$ 21,455,262	$ 20,782,532	$ 21,464,033
Total	$106,393,975	$105,111,998	$122,775,678

*Preliminary/unaudited

2011 Freight Revenue Budget – Local Coal

Local Coal: Coal moved north from Healy to Clear Air Site, UAF, Aurora Energy, Ft. Wainwright and Eielson AFB

Local Coal	2009	2010	2011 Budget
Short Tons	762,547	791,286	762,954

2011 Freight Revenue Budget – Export Coal

Export coal: Coal moved south from Healy to Seward for export to Chile, Japan and South Korea

Export Coal	2009	2010	2011 Budget
Metric Tonne	801,254	953,329	1,068,670

- *Strong global market – coal prices have increased for 2011*

2011 Freight Revenue Budget – TOFC/COFC

TOFC (trailer on flat car) and COFC (container on flat car): Trailers and containers moved between Seward, Anchorage and Fairbanks; also includes southbound movements between Fairbanks and Whittier.

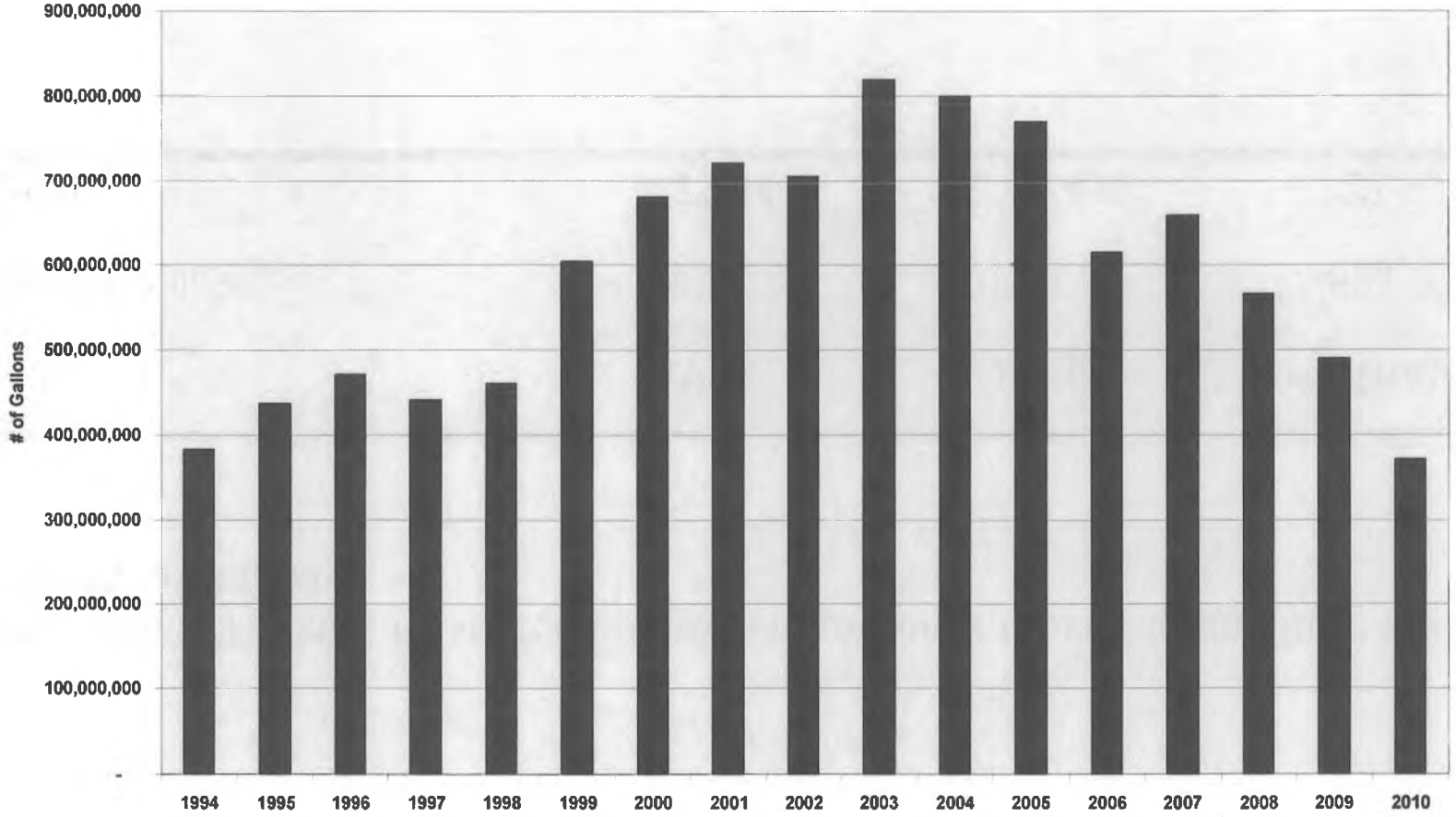
TOFC	2009	2010	2011 Budget
Trailers / Containers	11,690	13,917	13,458

2011 Freight Revenue Budget – Petroleum

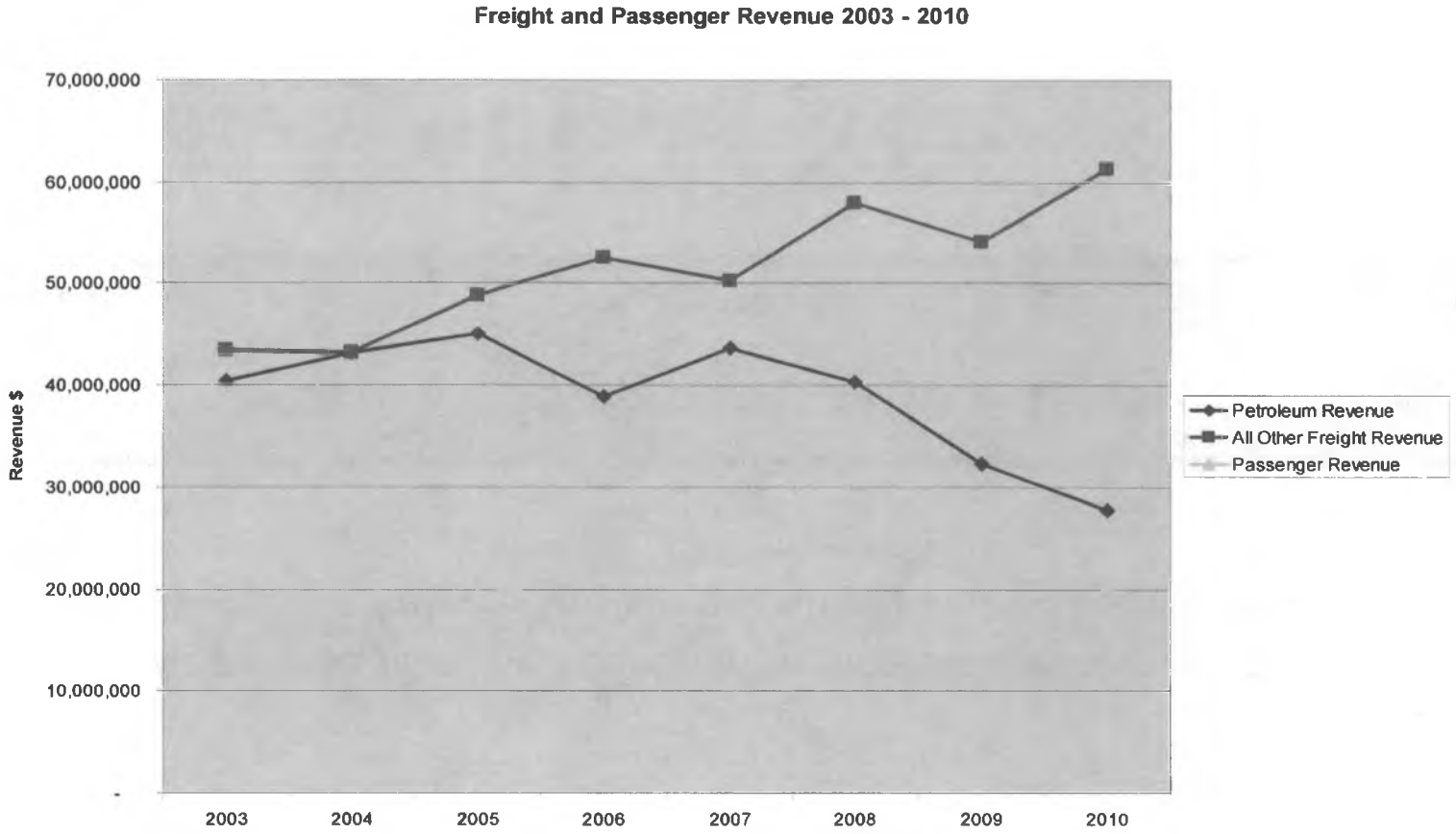
Petroleum: Flint Hills Resources petroleum products moved to and from the North Pole Refinery

Petroleum	2009	2010	2011 Budget
Gallons (millions)	488.7	374.2	521.3
Railcars	21,549	16,473	22,901

Petroleum Gallons Shipped 1994 - 2010



Petroleum Revenue vs. Other Freight & Passenger Revenue



2011 Freight Revenue Budget – Gravel

Gravel: Aggregate products moved from Mat-Su Valley to Anchorage by Anchorage Sand & Gravel, Granite Construction, and Quality Asphalt Paving

Gravel	2009	2010	2011 Budget
Short Tons	2,306,075	2,613,900	2,500,000

2011 Freight Revenue Budget – ARMS Barge

ARMS Barge: Railcar shipments to and from Alaska via the Seattle Gateway

ARMS Barge	2009	2010	2011Budget
Railcars	2,090	1,952	1,974
Voyages	53	52	52
Avg Railcars / Voyage	39.4	37.5	38.0

- *Revenue depends heavily on oil and gas activity on the North Slope*

2011 Freight Revenue Budget – CN Barge

CN Barge: Railcar shipments to and from Alaska via CN's Prince Rupert Gateway

CNR Barge	2009	2010	2011 Budget
Railcars	1,138	982	931
Voyages	30	31	30
Avg Railcars / Voyage	37.9	31.7	31.0

2011 Freight Revenue Budget – ICOFC

Interline COFC (container on flat car): Container shipments on ARMS Barge from Whittier to Anchorage and Fairbanks by Alaska Marine Lines

ICOFC	2009	2010	2011 Budget
Trailers / Containers	9,056	6,618	6,953

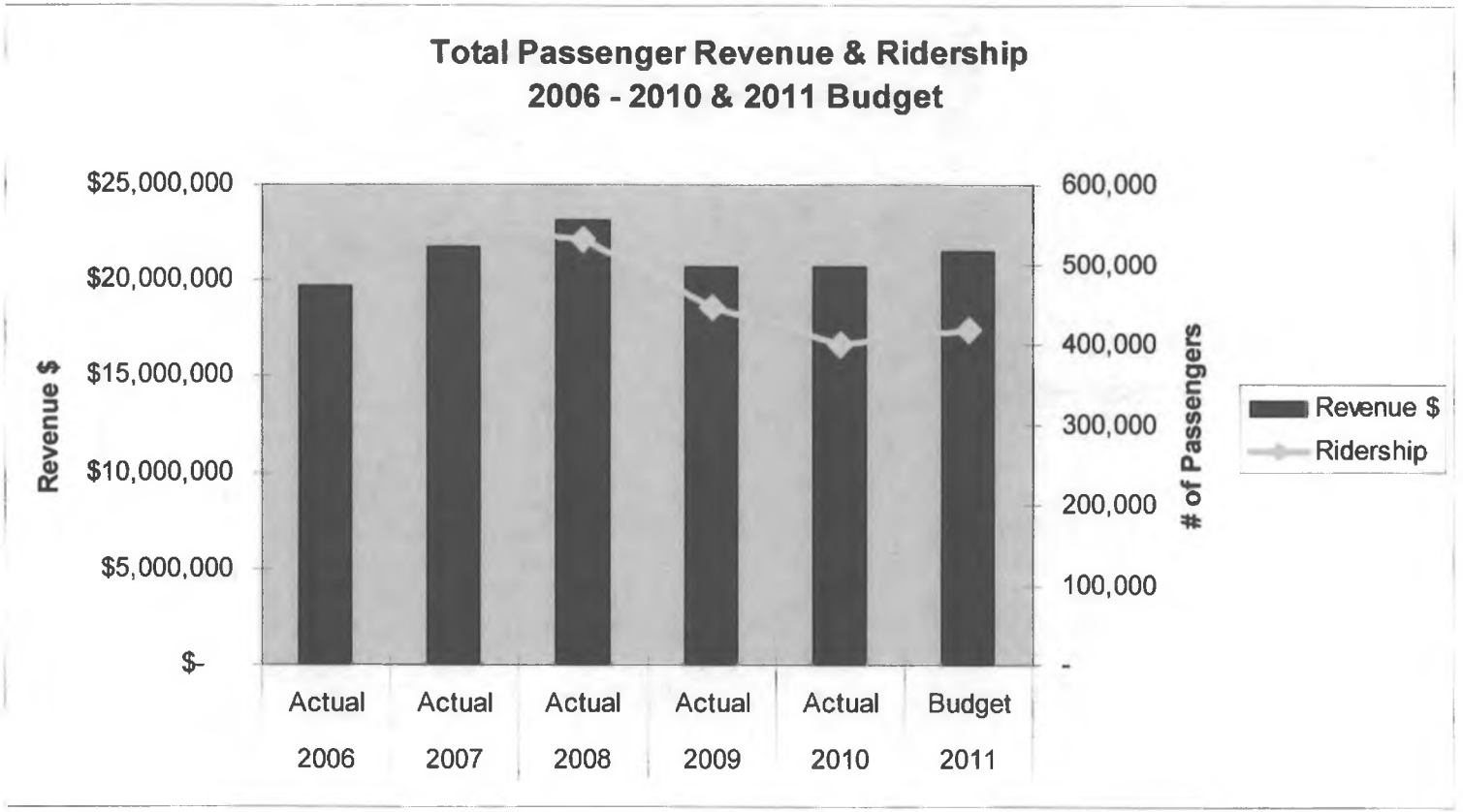
2011 Freight Revenue Budget – Misc Local

Misc Local: Generally railcar revenue and limited miscellaneous revenue that does not fit into other revenue lines

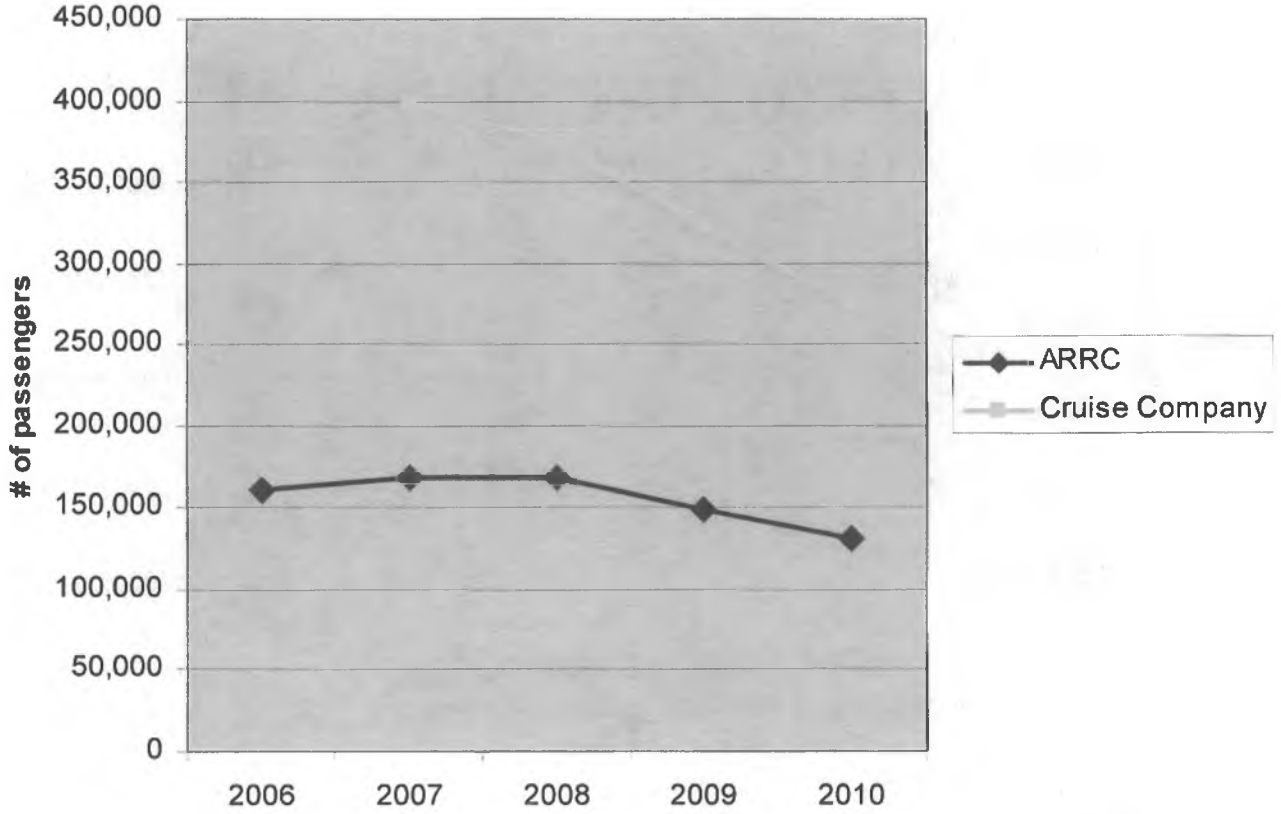
Misc Local	2009	2010	2011 Budget
Revenue including fuel surcharge	$ 1,643,268	$ 2,159,436	$ 2,036,681

- *Base industries included in this revenue line are:*
  - *Cement between Anchorage and Fairbanks*
  - *Scrap between Fairbanks and Anchorage*
  - *Conoco Phillips chemicals between Anchorage and Fairbanks*
  - *TOTE miscellaneous equipment moves, including military shipments not on TOFC*

Passenger Revenue History and 2011 Budget



Passenger Count
2006 - 2010



2011 Outlook – Operating Budget

- ARRC financial situation still fragile
- Revenue growth planned, but market uncertainty/expense pressures persist
  - Flint Hills projecting growth, but off to rough start
  - Export Coal – strong global demand, tempered by environmental issues
  - Moderate passenger growth seen, more improvement coming in 2012
  - Fuel, benefit cost increases dragging on bottom line
- ARRC Board approved earnings budget of $18.2 million
  - $8.7 million net income from core train operations planned
  - Contingency plans in place if revenue does not materialize

Alaska Railroad 2011 Program of Projects

Established in 1923, the Alaska Railroad Corporation (ARRC) is the last of the full-service railroads in the United States, offering both freight and passenger services. From tidewater at Whittier and Seward to the heart of Interior Alaska, our route covers more than 500 miles. ARRC is a state-owned corporation, but it does not receive state funding to operate. ARRC relies on passenger, freight and real estate revenues to operate its trains and maintain tracks and facilities. About $55.9 million is budgeted in new spending for capital improvements in 2011. Detailed project fact sheets are also available online at **www.AlaskaRailroad.com**.

Federally-funded Projects

ARRC receives federal grant funding for capital infrastructure improvements and rehabilitation. Funding has been received from the Department of Defense (DOD), Federal Railroad Administration (FRA), Federal Transit Administration (FTA), Federal Highway Administration (FHWA), Transportation Security Administration (TSA), Federal Emergency Management Agency (FEMA), U.S. Forest Service (USFS) as well as other federal funding, such as "Stimulus" money from the American Recovery & Reinvestment Act of 2009. Most FTA, FHWA and FEMA funded projects require 9% to 25% matching funds from the Alaska Railroad. Although ARRC receives no direct funding from the state for capital or operating expenses, ARRC provides support to the Matanuska-Susitna Borough, City of Seward and Fairbanks North Star Borough to execute State of Alaska funded capital projects.

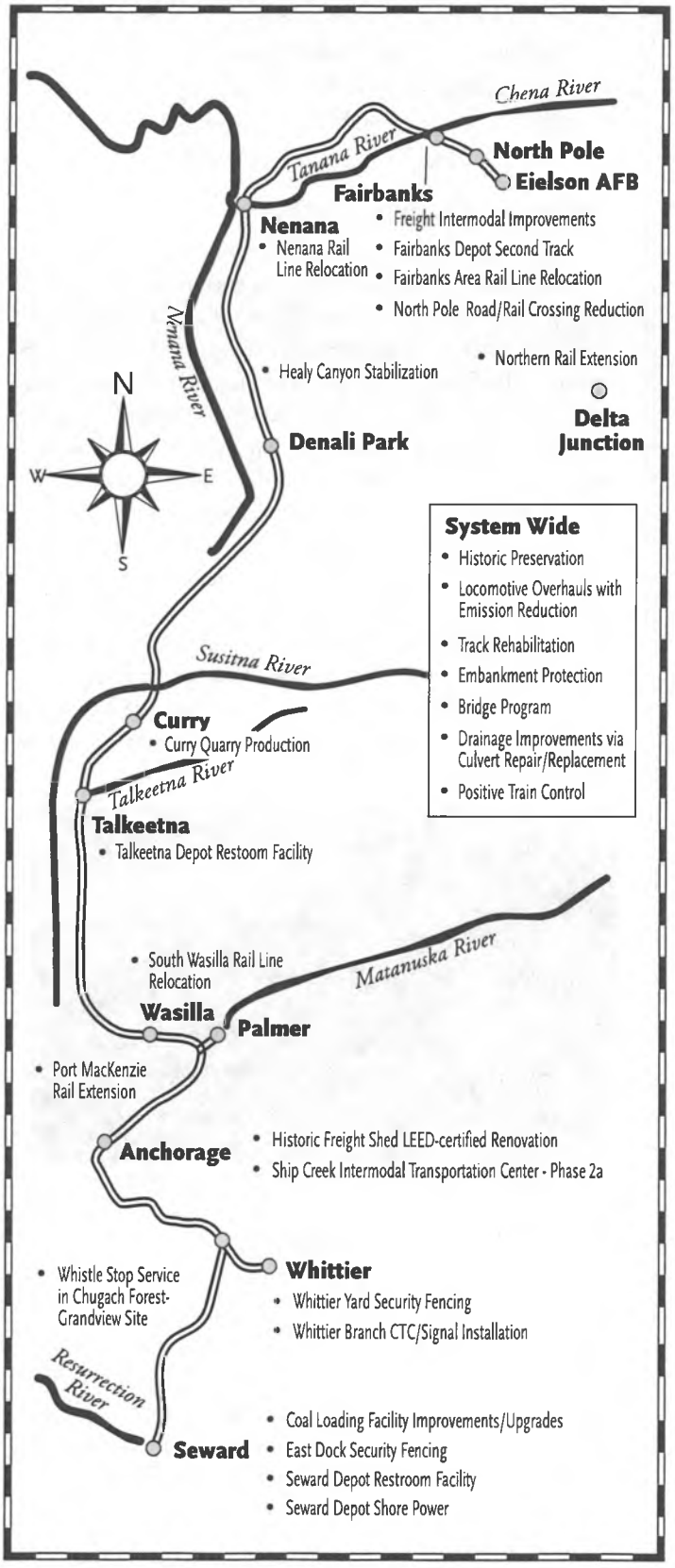
In 2011, ARRC expects to receive continuing FTA formula funding grants totaling $13.8 million (ARRC will contribute 9% of this amount). Other federal funds for 2011 include $2.93 million in FEMA-administered grants and a $1.38 million Stimulus-funded grant.

Internally-funded Projects

In addition to the match for federal funds, ARRC internal funds (funds generated by corporate freight, passenger and real estate revenues) support ARRC's ongoing expense activities as well as an annual capital program. In 2011, internal funds will provide $23.7 million toward capital improvements and capital rehabilitation activities.

Bond-funded Projects

In 2006, ARRC sold $76.1 million in revenue bonds with another $89 million bond sale in 2007. These funds are primarily used to accelerate track rehabilitation efforts. About $14.1 million will be spent in 2011. Bonds are repaid with FTA formula fund appropriations.



Frequently used acronyms:

- ARRC = Alaska Railroad Corporation
- ARRA = American Recovery & Reinvestment Act
- FEMA = Federal Emergency Management Agency
- FTA = Federal Transit Administration
- FRA = Federal Railroad Administration
- FHWA = Federal Highway Administration
- DOD = Department of Defense
- EA = Environmental Assessment
- EIS = Environmental Impact Study
- STB = Surface Transportation Board

Seward Coal Loading Facility

ARRC acquired the Seward Coal Loading Facility in 2003 and made subsequent improvements in order to increase facility efficiency, driving down the cost of operation, thus making Alaska's coal resources more competitive in the global market. ARRC completed an EA of proposed improvements and upgrades in 2004. FRA provided the original $9.54 million grant, with $8.3 million spent on acquisition and associated studies and $1.24 million used for inspections, repairs and improvements. ARRC is underwriting ongoing maintenance and capital improvements. In response to community concerns over coal dust problems resulting from unusual dry, windy weather in early 2007, ARRC and facility operator Aurora Energy Services (AES) modified operations and ARRC hired industry experts to analyze and recommend future capital improvements. Since 2007, ARRC and AES have spent more than $1 million on safety, operations and environmental improvements. $540,000 is budgeted for 2011.



A coal ship docks at the Seward Coal Loading Facility.

Seward Depot Improvements

Construction of a new restroom facility next to the Seward Depot will be complete in 2011. The 24.5-by-26-foot building houses separate men's and women's facilities. Also, a power hook-up was installed beside the track near the depot, allowing trains to plug-in to support onboard food and beverage service. This eliminates the need for locomotives to run their engines to supply power to a parked train. The $750,000 budget is funded 100% by ARRA Stimulus money via FTA.



ARRC's West (left) and East docks in Seward.

Seward East and West Dock Investments

ARRC built a new East Dock in Seward in 2000, and a section of the 640-by-200-foot East dock was expanded to 320 feet wide in 2007. Begining in 2001, the West Dock and terminal building have been substantially improved to support intermodal passenger activity. In 2010-2011 a 2,000-foot security fence is being installed around the East Dock, with $162,400 funded by ARRA Stimulus money. State revenues from the Cruise Ship Tax funded dredging around the docks in 2010 to accommodate larger ships.

Chugach National Forest Whistle Stop Service

ARRC and the U.S. Forest Service (USFS) are partners in developing a whistle stop service in the Chugach National Forest. Plans call for five recreational sites between Portage and Moose Pass that will be accessible by rail and interconnected by trail. Sites include a passenger rail platform, passenger shelter, toilets and interpretive signage. Other features may include picnic, camping and wildlife viewing facilities. The project purchased a self-propelled diesel multiple unit (DMU) rail car, which arrived spring 2009. The first stop site at Spencer was completed late summer 2007. The USFS recently completed preliminary design and engineering for the Grandview stop site and construction is scheduled in 2011. $1.8 million for Spencer funded by USFS and ARRC. The $5.35 million DMU was funded $4.7 million by USFS and $648,000 by FTA and ARRC. Construction of a pedestrian bridge over Placer River at Spencer ($1.6 million), and the Grandview site ($1.2 million) is scheduled for 2011 and funded by ARRA grants obtained by the USFS. Estimated $14 million is needed to complete all five site facilities.



The bi-level self-propelled "DMU" railcar is delivered in 2009.

Whittier Infrastructure & Master Planning

ARRC is pursuing a Whittier Master Plan to improve railroad infrastructure. Recent projects: **1)** built a pedestrian ⁻derpass (2002); **2)** built an equipment maintenance facility 02); **3)** improved Delong Dock (2002); **4)** built barge slip side-loading structures (2002); **5)** demolished the old transit shed (2003); **6)** built a cruiseship passenger spur and platform (2004); **7)** improved security with a yard office at the entrance, seasonal yard fence and video cameras (2006/07); and **8)** demolished the marginal wharf (2008). Barge Slip major modification began in 2009 with a $870,000 ramp extension and track/ground work funded by ARRC. The stern (front) unloading area was replaced in 2010 with the $4 million cost split between ARRC and Lynden. A security fence around the Whittier Yard will be installed in 2011 with a $311,224 Homeland Security grant and $82,000 from ARRC. Future actions recommended by the Master Plan include: **a)** construction of improved intermodal passenger and public use facilities; **b)** rail yard reconfiguration and track improvements to separate freight and passenger activity; and **c)** additional security measures including lighting and detection equipment for passenger facilities.



The Whittier barge slip stern (front) is replaced. The towers were removed and replaced by hydraulic devices to lower/raise the slip.

Whittier Branch CTC / Signal Installation

ARRC is incorporating the 12-mile Whittier Branch into the Centralized Traffic Control (CTC) network. Signals will be installed at sidings near Portage and at the west end of Portage Tunnel. Remote controlled power switches will be installed at the turn-around wye in Portage. $1.11 million project funded 91% by FTA and 9% by ARRC.

Ship Creek Intermodal Transportation Center

ARRC is pursuing an Intermodal Transportation Center (ITC) and associated improvements (pedestrian amenities, transit infrastructure, parking, track modifications, etc.) in the Ship Creek area. The ITC will facilitate connections from one transportation mode to another — rail, public transit, air, marine, bus, taxi, private vehicle, bicycle and pedestrian — and improve links to Anchorage's downtown business district meet passenger transit needs over the next 30 years. Phase e, completed 2007-2009, included utility relocation, new track and passenger platform construction, and track rehabilitation. Part of Phase Two (2a) began in 2010 to include Anchorage Historic Depot exterior improvements, electrical upgrades and boiler replacement. Phase 2a wraps up in 2011. Future phases will construct a service / office building, a new departure lounge over the tracks and an elevated covered walkway connecting to downtown. Approximately $23 million for conceptual and environmental work, preliminary design, and Phase One was funded 91% by the FTA and 9% by ARRC. Phase 2a cost of $7.94 million is funded by ARRA Stimulus money. ARRA Stimulus money also funded $300,000 in 2009-2010 to install an additional 1,000 feet of security fencing east of the depot. Total cost is estimated at $78 million.



Phase One of the Ship Creek ITC constructs two new tracks and a pedestrian platform next to the Anchorage Historic Depot.

Historic Freight Shed LEED-certified Renovation

The Alaska Railroad (ARRC) is renovating a historic freight shed in Anchorage's Ship Creek District. It is Alaska's first historic building to be reconstructed with the high environmental standards established by Leadership in Energy and Environmental Design (LEED) criteria. Originally built in 1941, the 36,000-square-foot heavy timber facility offers a "green" commercial office space in lower downtown, featuring a raised heated walkway and ample parking. The building core-and-shell was completed late 2009 and site construction wrapped up in summer 2010. ARRC signed leases with two tenants in 2010 for 93% occupancy by the end of 2011. The overall facility renovation cost $10.1 million and tenant space renovations are estimated at $2 million, funded by ARRC.



The Historic Freight Shed renovation nears completion.

South Wasilla Rail Line Relocation

ARRC plans to straighten curves along the main line track in South Wasilla, between ARRC MP 154 and 158. The track relocation would eliminate five at-grade crossings, reduce derailment risk, reduce operational and maintenance costs, and allow for faster train speeds. An EA of alternative relocation routes was completed in 2005. Land acquisition should be complete in 2011. $246,000 for conceptual engineering and the EA and $2.72 million for preliminary engineering and land acquisition, funded by 91% FTA and 9% by ARRC. $2.5 million to continue right-of-way land acquisition funded 91% by FHWA and 9% by ARRC. Total cost for construction of Phase One (MP 154 to 156) is estimated at $37 million.



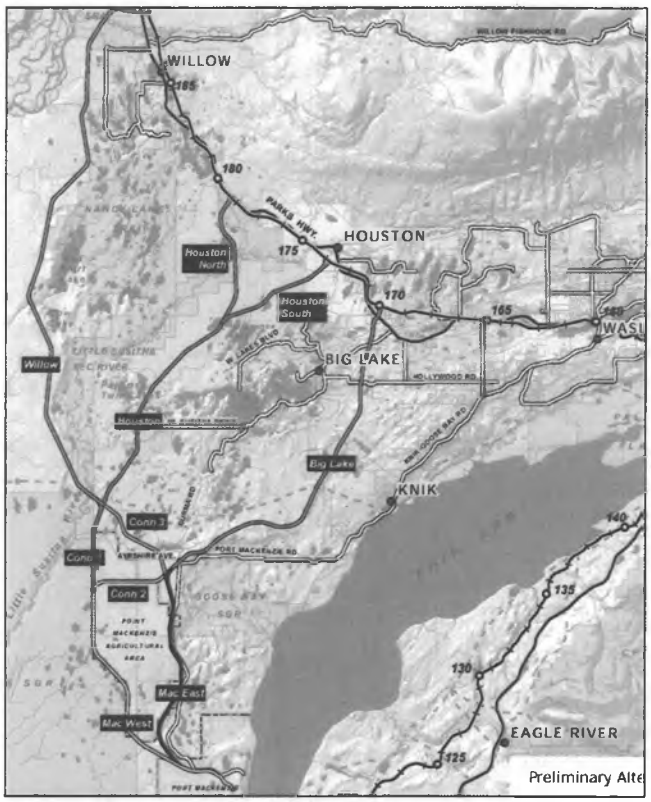
A large curve in the track slows train speeds in south Wasilla.

Port MacKenzie Rail Extension

The Mat-Su Borough and ARRC are partners in proposing a new rail line connecting Port MacKenzie to the existing main track at a point between Meadow Lakes and north of Willow. Three main routes were developed in 2007, ranging from 30 to 45 miles long, depending on a connection near Big Lake, Houston or Willow. Extensive public involvement activities were conducted in summer and fall 2007 to obtain citizen and agency input. In early 2008, ARRC submitted an application to the STB, the federal agency with authority over rail extensions in the United States. STB is conducting the environmental impact study (EIS) as required by the National Environmental Policy Act (NEPA). STB hired a third party contractor (ICF International) to begin the EIS in early 2008; completion is expected in 2011. The State of Alaska appropriated $27.5 million (2007/2008) to support the NEPA process and $37 million (2010) to pursue design and construction. Depending on the route selected, an additional $170 to $240 million is needed to complete design and construction.

Talkeetna Depot Restoom Facility

In 2011, construction will be completed on a 26-by-24.5-foot restroom facility about 20 feet from the existing Talkeetna Depot. The building houses separate men's and women's restrooms for passengers and employees. With modern plumbing and electrical systems, the new facility will eliminate the need to rent port-a-potties. The $500,000 budget is funded by ARRA Stimulus money.



Potential Port MacKenzie Rail Extension routes.

Curry Quarry Ballast & Riprap Production

The Alaska Railroad's track rehabilitation, embankment protection and other construction activities are supported by rock material production at the Curry Quarry. The quarry was developed 2005-2007, and a three-year production contract for ballast and riprap followed in 2007-2009. The quarry was dormant in 2010. Production resumes spring 2011.

Healy Canyon Safety & Reliability Program

Healy Canyon lies between Denali Park Station and Healy. The tracks follow the Nenana River gorge on a narrow grade with two tunnels. The area has steep slopes and erosion-prone soil. ARRC proposed a series of projects to: **1)** stabilize the track bed in Healy Canyon; **2)** control the rock fall problems; **3)** "daylight" (remove the top of) Moody Tunnel; **4)** realign tracks around Garner Tunnel; and **5)** realign the tracks to straighten the corridor. Total cost is estimated at approximately $71 million. $2.9 million in FRA funds were used to address track realignment and the slide zone around Garner Tunnel in 2005. $5.2 million in FTA grants and FTA-backed revenue bonds were used to daylight Moody Tunnel, which was completed in 2009. About $5.86 million was spent in 2009/2010 to stabilize several areas (MPs 352.9, 354.1, 355.2 and 357) in the canyon, with a combination of funding from FEMA, FRA, ARRC and the Alaska Division of Emergency Services. ARRC continues to seek funding to pursue future stabilization projects, including completion of MP 352.9.

Nenana Rail Line Relocation

ARRC proposes to realign the railroad main track around downtown Nenana, following a route outside of the exist- ·g right-of-way, north of the airport and southeast of town, r the Parks Highway. The track structure through Nenana would be maintained to support port activities. ARRC completed an EA of three alternative realignment routes and a "no action" alternative in 2004. Right-of-way acquisition was complete in 2009. A hydrology study completed in 2010 will be used to pursue flood plain permits in 2011. $1 million budget for the EA funded 91% by the FTA and 9% by ARRC. $1.04 million for land acquisition funded by 91% FHWA (administered via FTA) and 9% ARRC. $350,000 for the hydrology study funded by ARRA Stimulus funding. Estimated $31 million budget for construction and land acquisition. Funding for construction has not yet been identified.

Fairbanks Depot Second Track

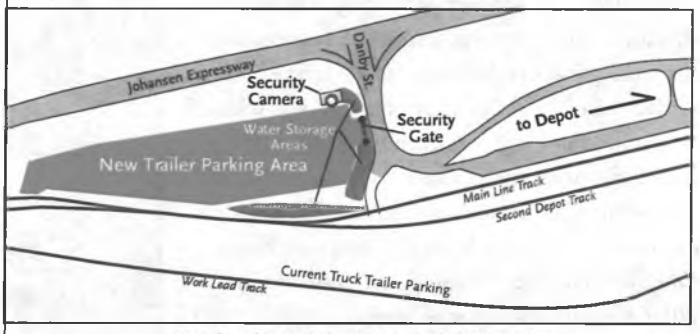
ARRC built a new depot in Fairbanks in 2005. Original plans called for two passenger tracks adjacent to the depot. The second track will be completed in 2011. The new 3,000-foot track will provide staging for passenger trains, improving operations efficiency and reducing equipment wear-and-tear. The second track cost of $1.2 million is funded by ARRA Stimulus money administered via an FTA grant.



A second track is constructed parallel to the existing track by the Fairbanks Depot.

Fairbanks Freight Intermodal Improvements

ARRC and ADOT/PF are improving the freight intermodal area of the ARRC Fairbanks Rail Yard to enable faster pick-up and drop-off by truck operators, and to enhance safety and security of train/truck operations. Improvements to Danby Street intersection area include: **a)** moving and improving at-grade crossings; **b)** constructing a centralized trailer ·king area near the entrance and adjacent to Danby; **c)** ing Danby Street access; and **d)** improving drainage. Construction began in 2010 and will be complete in 2011. The $2 million budget is funded 91% by FHWA and 9% by ARRC. In 2011, the railroad also plans to install a rolling chain-link gate with ID card reader access and a video security camera at the entrance of the new trailer parking area, with funding from a FEMA-administered grant. Future improvements call for 100-foot high mast lighting to be added incrementally and funded annually by ARRC.



Fairbanks Freight Intermodal Site Plan

Fairbanks Area Rail Line Relocation

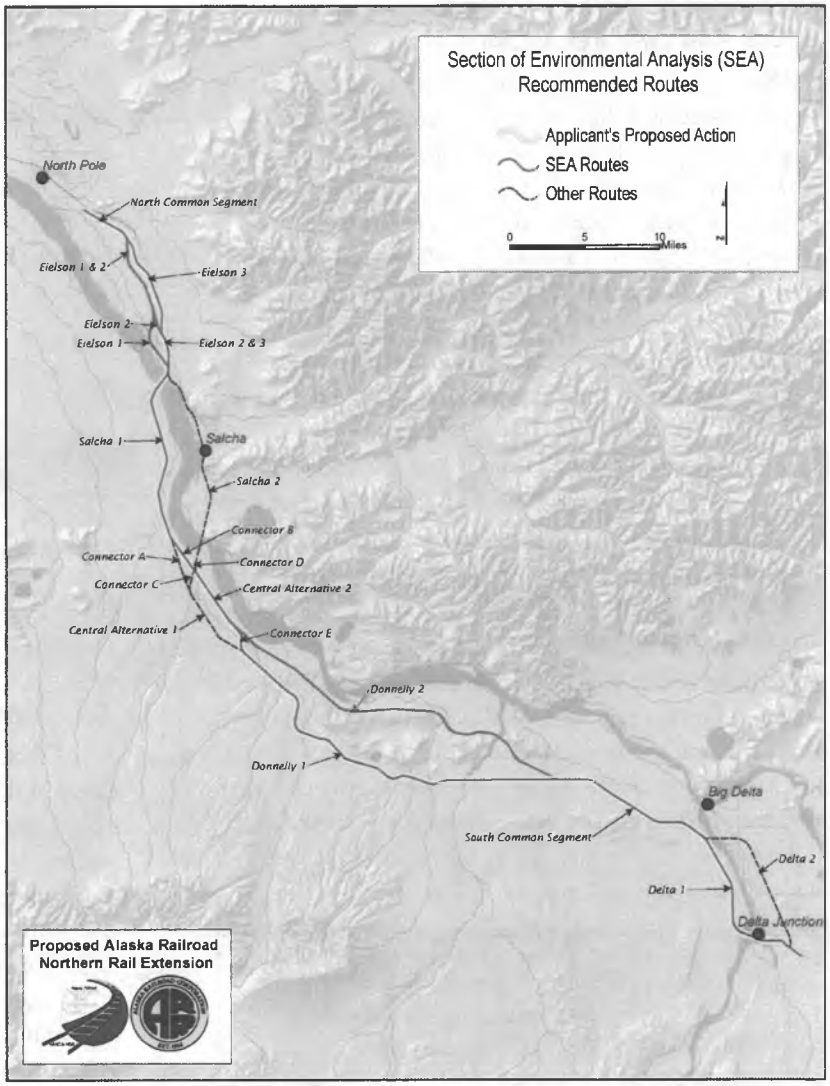
ARRC is analyzing options to: **a)** realign and improve safety of the main line and branch track, including potential realignments outside the more populated areas of Fairbanks and **b)** realign and improve the Eielson Branch, from the new Fairbanks depot to the end of the branch near Eielson AFB. The Fairbanks Area Rail Line Relocation will likely require an EIS. As a pre-cursor to the EIS, ARRC conducted an Alternatives Analysis (AA) in 2007-2008 that capitalizes on the findings of previous reconnaissance and engineering studies. The AA recommends a three-phased approach. ARRC also commissioned a *North End Rail Public Transportation Study and Operation Plan* to explore options for passenger rail and commuter service. Findings indicate low demand for Fairbanks-North Pole commuter service and results are inconclusive for Fairbanks-Denali service options. The AA and transportation study were funded by $450,000 in grants from FHWA and FTA with 9% from ARRC. Funding sources are being sought for NEPA environmental work to include an EIS.

North Pole Road/Rail Crossing Reduction

ARRC, in cooperation with the FRA, is initiating an EA and preliminary engineering for a proposed project to reduce at-grade road/rail crossings by realigning an 8-mile section of the Eielson Branch that currently runs through North Pole, between Richardson Hwy milepost 9 and the Chena River floodway. This project is essentially Phase One of the three-phased Fairbanks Area Rail Line Relocation. The EA is expected to be complete by the end of 2011. Funding of $1 million comes from FHWA funds reallocated by the Fairbanks Metropolitan Area Transportation System (FMATS) and the Alaska Department of Transportation & Public Facilities.

Northern Rail Extension

ARRC proposes to extend its main line track from North Pole / Eielson AFB, about 80 miles southeast to Delta Junction. The project would offer: **a)** commercial freight service supporting communities and commerce in the corridor; **b)** a passenger transportation alternative to the Richardson Hwy; **c)** support of military training; and **d)** support of regional tourism. ARRC initiated the conceptual development in 2004. The STB initiated an EIS in 2005. A draft EIS was released for public comment in December 2008. The final EIS was released in late 2009 and the STB approving a license to construct and operate a rail extension on January 5, 2010. Design of Phase One, Tanana River Crossing, got underway in 2010. Construction is scheduled to begin in 2011. The EIS, preliminary engineering and design was funded by $16.5 million in DOD appropriations, administered by the FRA. DOD appropriated another $44.2 million in 2007 and $60 million in 2008 for planning, engineering, environmental work, design and to begin construction on the first phase of the project. The State of Alaska appropriated $40 million toward Phase One in 2010. Entire rail line cost is estimated at $650 to $850 million; later phase funding is not yet identified.



Proposed and recommended routes identified in the Northern Rail Extension EIS.

Passenger Rail Cars and Locomotives

ARRC has 45 passenger-related railcars, including 30 coaches, six diners, six baggage cars, two business cars (charters) and one DMU. ARRC also has 53 locomotives: 28 SD70MACs (12 equipped with head-end-power to supply electricity to passenger cars), 15 GP40s, eight GP38s and two cab/power cars. ARRC upgrades older equipment and buys newer equipment to meet current and future passenger demands. In 2011, several passenger cars will be upgraded with new lighting, public address systems, batteries, signs, carpeting, wall-covering, seat upholstery and restroom refurbishment, thanks to a $530,000 grant funded 91% by FTA and 9% by ARRC. Four GP40 locomotives will be overhauled to include installation of engine idle reduction systems, and installation of a Tier-0-plus kit to improve fuel efficiency and reduce emissions; funded by a $1.4 million FTA "TIGGER" (Stimulus-funded) grant and $328,000 by ARRC.



Left to Right: GP-38-2, GP 40-2 and SD70MAC locomotive.

Positive Train Control

ARRC is developing a multi-phased program to design, develop, and implement a communication-based train control system that uses data radio communications between train dispatchers and train crews, or dispatchers and roadway workers. The Positive Train Control (PTC) project is comprised of a Computer Aided Dispatch (CAD) system, an on-board computer system, VHF packet data radio technology, and GPS locator technology. The PTC will provide improved information for decision-making, and will also detect infrastructure failure and potential operations violations quickly, and intervene when necessary. The PTC is being accomplished in phases, each achieving incremental safety benefits. The total cost is estimated to be more than $70 million. To date, FRA has funded $15.74 million; $4.48 million has come from FTA-backed revenue bonds; and FTA grants (91% FTA and 9% ARRC) account for $29 million. An additional $2 million was provided in 2009-2010, funded by ARRA Stimulus funding.



Matanuska River Bridge is undergoing rehabilitation work.

Bridge Program

ARRC's 500-plus miles of main line track include about 160 bridges that cross barriers ranging from streams to gulches. ARRC's 2011 Bridge Program calls for major maintenance, overhaul and replacement needed to maintain railroad integrity, safety and efficiency. In 2011, ARRC plans to complete replacement of two aging bridges (Little Goldstream Creek at MP 432.1 and Ship Creek at MP 115.1) and to design replacement of three culverts at Indian Creek (MP 88.1). A new bridge may be constructed over Skookum Creek Drainage (MP 59.4, near Portage). Upgrades and rehabilitation are also planned for five other bridges. In addition, a "rock shed" will be installed at the tunnel about 50 miles rth of Seward to protect against falling rock and ice. Fund- g includes $1.69 million by FTA, $1.25 million by ARRC and $1.19 by FEMA.

Drainage Improvement/Embankment Protection

ARRC will repair or replace up to nine culverts along the northern half of the rail corridor. Several culverts in this area are at risk of washout, collapse or clogging. ARRC also plans to install riprap and armor rock to fortify track embankment that is susceptible to high water events, including flooding. Culvert repair/replacement budget is $1.05 million funded by ARRC. Embankment protection work is supported by a $2.45 million grant funded 75% by FEMA and 25% by ARRC.



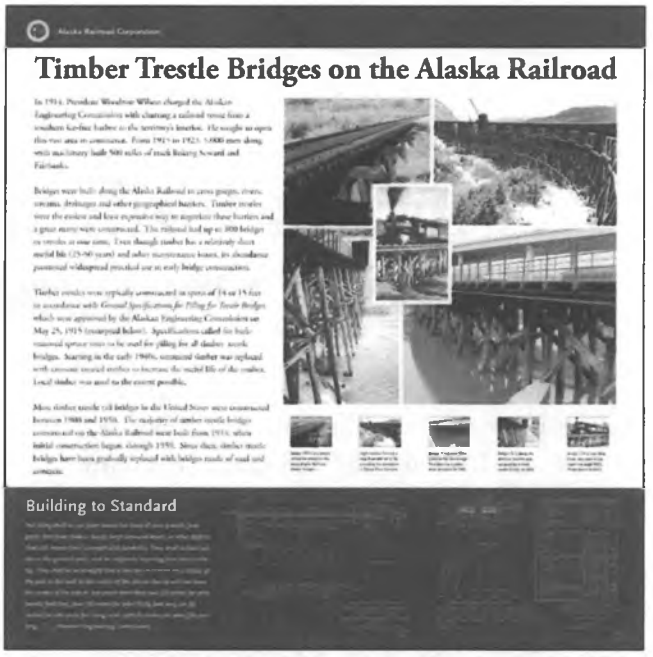
A culvert becomes clogged with ballast (track bed rock) leaking in.

Track Rehabilitation

ARRC continues an aggressive track rehabilitation program in 2011 that calls for replacement of rail, ties and ballast in areas of critical need. Each year, ARRC converts several miles of track into continuously welded rail, which dramatically decreases maintenance costs and improves ride quality. ARRC also replaces a portion of its nearly two million wooden ties (50,000 ties in 2011), and installs concrete ties along curves and other high-use stretches (none in 2011). ARRC also plans to resurface many miles of track using 70,000 tons of ballast rock. For 2011, $14.1 million is funded through the sale of ARRC revenue bonds backed by FTA formula funds; $8.3 million is funded by FTA grants (91% FTA; 9% ARRC); and $665,000 is funded by ARRC.

Historic Preservation

ARRC supports historic preservation efforts that are related to railroad assets and infrastructure. Some ARRC assets are historic properties and are listed on the National Register of Historic Places and more than 50 ARRC properties are eligible for listing on the National Register. ARRC often consults with state and federal historic preservation agencies to mitigate impacts from capital projects that may adversely impact historic assets. Mitigation often takes the form of educational materials, including brochures, interpretive signage, archived photos and documentation.



This interpretive sign will be posted in several common-use passenger railcars as part of a public education effort.

Integrated Vegetation Management Program

The Alaska Railroad pursues an integrated vegetation management program to protect the millions of dollars invested each year in its infrastructure. Uncontrolled weeds pose safety risks to ARRC operations and employees, including: **a)** vegetation makes track and train inspection difficult; **b)** plants hinder automated equipment operation; **c)** overgrown weeds hide walking hazards, contributing to slips, trips and falls; **d)** roots create uneven, heaving surfaces, again posing walking hazards for track workers; and **e)** vegetation accelerates rail and tie deterioration. Public safety is also impacted by uncontrolled weeds: **a)** overgrown bushes block line-of-sight; **b)** vegegation can obscure signs and signals that warn the public; **c)** plants cause heaving and slippery conditions at road/rail crossings; and **d)** dry vegetation can fuel brush fires.

The railroad has always, and wil continue to use mechanical and manual methods to clean the ballast, cut and clip brush, mow grass and weeds, saw roots and trim limbs, etc. Mechanical and manual methods achieve limited and temporary success. ARRC has also tested many alternative and experimental methods of controlling weeds (including steam, hot water, radient heat, abrasion, flaming and burning), with no lasting success. Herbicides provide an additional tool to help maintain safe operations and regulatory compliance, and to protect infrastructure investments. The railroad seeks to control vegetation with a combination of mechanical and chemical methods, using herbicides in the most critical and difficult areas.

In 2008, ARRC commissioned herbicide research to provide scientific information about use in Alaska's environment. Results indicate that herbicides behave the same as in other climates, and the glyphosate-based herbicide AquaMaster does not linger or migrate in the soil. In 2009, ARRC applied for a Department of Environmental Conservation (ADEC) permit to use herbicides in the Seward yard and along 30 miles between Seward and Indian. The permit was approved in spring 2010 and AquaMaster was applied selectively within the permitted area with good results. ARRC is currently applying for additional permits for herbicide use in the Anchorage Yard, Healy Yard, Fairbanks Yard and along the Eielson Branch.



Ineffective mechanical/manual control in Seward yard prior to herbicide application.

current as of 1/05/2011

Alaska Railroad Corporation 2011 Program of Projects

At the beginning of each calendar year, ARRC conducts project open house events in Anchorage, Fairbanks, the Mat-Su Valley and Seward to inform the public about the proposed Program of Projects (POP) for the year. While these events provide a good forum for residents to comment on any or all projects, the public is not limited to commenting at these events. Public input is accepted year-round, and in a variety of formats as outlined at the right. Detailed project descriptions are provided within fact sheets that are created for major federally-funded and internally-funded capital improvement efforts. These fact sheets are accessible at the Alaska Railroad web site **ww.AlaskaRailroad.com** (click on "Capital Projects").

Public Input:

Public comment on any or all of these projects may be submitted via:

- Mail to: Capital Projects
  Alaska Railroad Corporation
  P.O. Box 107500
  Anchorage, AK 99510-7500
- E-mail to *public_comment@akrr.com*
- Fax to (907) 265-2365
- Call Stephenie Wheeler at (907) 265-2671
  ARRC's TTY/TTD 265-2620
  or voice 265-2494 or Alaska Relay TTY
  800-770-8973 or voice 1-800-770-82555

Alaska Airports and Aviation

Annual Report 2010





Statewide Aviation
Alaska Department of Transportation & Public Facilities
4111 Aviation Avenue • Anchorage, Alaska 99502
www.dot.alaska.gov

Message from:
Marc Luiken, Commissioner - DOT&PF



It is my pleasure to submit the Department of Transportation and Public Facilities' *Airports and Aviation Annual Report*. Our department continues its diligent work toward improving the safety and efficiency of Alaska's airports.

Nowhere in the nation is aviation more important than Alaska, since 82% of Alaska's communities are not connected to the national highway system. Many state airports still have not been improved to current FAA standards and some communities are totally reliant on very substandard airports for their only means of all season access. Even airports which have been improved to current standards require major capital investments to keep them operating in a safe and reliable manner. In addition, our state still has a need for new airports to improve basic access to some remote communities. Through the ongoing Alaska Aviation System Plan update, I am evaluating all aspects of our aviation system including the vision, planning, design and construction, as well as the management and operations of our airports.

The Alaska International Airports System (Anchorage and Fairbanks airports) is a vital gateway for trade and commerce between North America and Asia and both airports are economic engines for their respective communities and the state. A strategic plan is being developed that will identify the international airports' mission, vision and values for the next decade. We are reaching out to our customers to help them understand the economic benefits our system can provide to their companies.

As our rural airports' infrastructure is developed our need to meet maintenance and operation commitments will continue to grow. The evolution of an airport project does not stop with construction. My goal is to identify issues and funding requirements to ensure these airports receive timely maintenance and airport operators/contractors receive adequate training to improve the competence and capability of our airport staff.

I'm committed to the growth and development of our aviation system while enhancing its contribution to Alaska's economy and the quality of life of Alaska's citizens.

Safe Travels,

Marc Luiken
Commissioner

Alaska Aviation System
Largest Aviation System in North America



Tradeshows, Conferences and Public Communication Efforts

DOT&PF airports' staff can be found throughout the year at numerous trade shows and conferences with the goal of increasing communication, sharing information and providing better customer service. Aviation stakeholders and the general public can find information on airport projects, aviation policy issues, airport activity surveys, contacts, and more at these events.

One of the larger annual events is the Alaska Airmen's Aviation Trade Show and Conference held annually at the FedEx Hangar. Approximately 25,000 people attend this show with DOT&PF well represented with booths from Ted Stevens Anchorage International Airport, Alaska Division of Investments (Capstone Loan Program), ANC Airport Rescue and Firefighting recruiting officers, and Division of Statewide Aviation.

Upcoming events include the Alaska Air Carriers Association 45th Annual Conference and Tradeshow, February 14-18, 2011 and the Alaska State Aviation Trade Show and Conference, April 30—May 1, 2011.

GOV DELIVERY
NOTIFICATION
ALASKA DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES

GovDelivery is a service offered by DOT&PF to keep the public up-to-date on the Department's latest news alerts, press releases, and more. A complete list of topics is available to choose from so you'll only receive the news you can use. Sign up for GovDelivery at *www.dot.alaska.gov*

There are many organizations in Alaska that promote and support the aviation industry. Information on these organizations and other useful aviation links can be found at *www.dot.alaska.gov/stwdav/Links.shtml*



(L-R) Jessica Semmler, Statewide Aviation Planner; Jeff Roach, Northern Region Aviation Planner and Rich Sewell, Statewide Aviation Policy Planner at the 2010 Alaska Airmen's Conference & Trade Show

Piston Aircraft put on Notice by EPA

The Alaska aviation community received an Advanced Notice of Proposed Rulemaking (ANPRM) this year from the EPA asking for comments for their evaluation of the science and research available about lead contamination from av-gas powered airplanes. Governor Parnell was quick to respond and was the only Governor to provide comments to this ANPRM. Air service to Alaskan rural communities is primarily provided by piston-engine aircraft and without a substitution, this rule would impact thousands of aircraft and would be a disaster for our communities.

As Governor Parnell addressed in his letter to the EPA, piston powered aircraft require high octane fuel that provide reliable performance at high altitude and in extreme temperatures. 100 octane low lead avgas (100 LL) aviation fuel has over 60 years of dependable proven safety. There is no substitute fuel for 100LL, which must be considered as EPA proceeds with their evaluation of this change. The entire letter can be read online:

www.dot.alaska.gov/documents/Gov-Parnell-EPA-letter.pdf

Alaska International Airports System
Air Cargo Summit



(L-R) Vice-President of Air China Cargo Dongfeng Gu with Governor Sean Parnell, and DOT&PF Commissioner Marc Luiken.

At the invitation of Governor Sean Parnell, representatives from 18 air carriers from North America, Asia and Europe gathered in Anchorage in August, for an Alaska International Air Cargo Summit. The summit was designed to spotlight the unique airline opportunities for international air cargo transfer in Alaska that have been provided to the state by U.S. Department of Transportation (USDOT) and U.S. Congress.

"Aviation is an economic force in Alaska, contributing $3.5 billion to the state's economy every year," Governor Parnell said. "Our exclusive air cargo transfer authority reinforces the business-friendly environment that we've built in our state, and keeps Alaska favorably positioned in the global market."

Aviation experts addressed specifics of the special cargo transfer authorities available to international cargo carriers operating at the state-owned and operated international airports. Scheduled speakers included: George Wellington, Chief of the Foreign Air Carrier Licensing Division of USDOT, and Jeff Shane, partner in Hogan & Lovells who previously served as USDOT's chief U.S. aviation negotiator and as an undersecretary for policy.

The Alaska International Airports System (AIAS) is working to increase the air cargo activity at both Anchorage and Fairbanks airports by helping carriers expand markets and increase revenue through the combination of Alaska's strategic location and exclusive cargo transfer rights.

Alaska is equidistant between Tokyo and New York City. Freighters carry maximum cargo payloads and refuel in Alaska, which in turn create lower costs and access to imported goods for American households. 5% of the value of all U.S. international cargo or $41 billion worth of merchandise passed through ANC in 2008. The largest aircraft in the world can land at these airports.

Aviation Advisory Board

The Governor's Aviation Advisory Board is comprised of 11 board members representing different user groups and geographic areas of Alaska. They meet three to four times annually and advise the DOT&PF Commissioner and Deputy Commissioner regarding aviation issues and concerns about the state's aviation system.

At the August meeting in Unalakleet, the Board heard comments and concerns first-hand from local residents that are totally dependent on Alaska's aviation system. Key issues that the Board is addressing include the impacts of expanding postal hubs in Alaska, maintenance and operations at rural airports, and long-term sustainability of funding rural airport improvements.

Aviation Advisory Board (AAB) members and user groups they represent:

Jim Dodson (Mayors of Fairbanks & North Star Borough)
Tom George (Statewide Organizations of Pilots, Aircraft Owners & other Aviation Supporters)
Ken Lythgoe (Non-Airline Tenants, Anchorage)
Judy McKenzie (All Cargo Air Carrier)
Frank Neitz (Unorganized Borough)
Tom Nicolos (Public)
Al Orot (Alaska Int'l. Airports System Operating Agreement Signatory Airlines)
Lee Ryan (2nd Judicial District)
Hon. Mike Salazar (Alaska Air Carriers Association)
Mike Stedman (Regional Air Carriers)
Steve Strait (Mayor of the Municipality of Anchorage)



Aviation Advisory Board in Unalakleet, Alaska.

eleasing AVIATION LEASING

Statewide Aviation Leasing

Statewide Aviation Leasing's online land use application program allows customers to apply for:

- Lease or Permit
- Building Permit
- Mobile Fuel Dispensing Permit
- Tiedown Permit

Submit reports, pay fees, and rent with a Visa or MasterCard directly online.

More information on the web at:
www.dot.alaska.gov/stwdav/leasing/shtml

Alaska Aviation System

The Alaska Aviation System is the largest system in North America. Alaska has 255 state owned airports of which 172 are gravel strips, 46 paved, 36 seaplane bases and 1 heliport. The Alaska International Airports System (Anchorage and Fairbanks) is managed as an enterprise fund of the State of Alaska.

The DOT&PF rural airport system is divided and managed by three regions: Northern, Central, and Southeast.

Each region has the responsibility for the planning, design, construction, maintenance, operations, and management of each airport.

Maintenance and operation challenges at remote village airports include spring floods with river ice, poor soil conditions, access to gravel, land acquisition and overall high costs associated with remote locations such as mobilization and material acquisition.

How Are Airport Projects Identified and Prioritized?

Airport projects are identified and submitted by DOT&PF regional planning sections with significant input from community representatives, the FAA, legislature, and aviation stakeholders.

After the airfield improvement projects have been identified they are evaluated and scored by the Airport Project Evaluation Board (APEB), a six member board that meets annually to score proposed airport projects. Each project goes through a technical scoring process of 16 different detailed quantitative criteria to help objectively prioritize which ones get the limited funding that is available each year. After projects are scored, Statewide Aviation develops the rural airport system capital spending plan and reports.

Key Aviation Planner Contacts:

- Jeff Roach
  Northern Region
  (907) 451-2382
  Jeff.roach@alaska.gov
- Judy Chapman
  Central Region
  (907) 269-0519
  Judy.chapman@alaska.gov
- Verne Skagerberg
  Southeast Region
  (907) 465-4477
  Verne.skagerberg@alaska.gov



Alaska Airlines jet departing from Barrow Airport. Runway and apron paving project completed in 2010.



Stevens Village new runway as seen during spring flooding.

Rural Airport High Spot During Flooding

Stevens Village was one of the villages hit hard by spring flooding on the Yukon River last year '09. The village's new runway is only two years old and was just about the only place above water in the entire village. Many homes were under water and the road to the airport was cutoff as well. Fortunately, aircraft were still able to get in for emergency operations because of the elevation of the runway.

This airport was built on very wet land in stages over about five years. The process includes letting the main runway fill stand and settle for two years. Then going back and adding additional fill to build up the height of the runway above the max anticipated flood levels and as seen in the above photo-that worked!

Total cost of the new airport was $13.3 million and that included the new runway, snow removal equipment and building, and aeronautical survey for wide area augmentation system (WAAS) approaches. A WAAS approach can guide aircraft to as low as 250 feet above touchdown resulting in safer approaches and better airport access in poor weather.

Aviation Education Needed to Meet Growing Demand

A recent Boeing press release (Sept. 15, 2010) predicted a requirement for more than one million pilots and maintenance personnel over the next 20 years, noting there will be more than 30,000 airplanes that will be delivered by 2029. In Alaska, the aviation industry is the 5th largest employer or 10% of Alaska jobs.

Recognizing the local need and global demand, efforts are underway to develop an aviation outreach program for middle and high school students.

The FAA has been very successful educating youth through Aviation Career Education camps, and supporting projects throughout Alaska including the Build-A-Plane program. This program provides high school students classroom learning with hands-on efforts to build a real airplane. Currently there are four programs in Alaska Hooper Bay, Chevak, Anchorage and Talkeetna.

High school students will be invited to participate in an Aviation Career Day planned for February 17, 2011 from 12:00 p.m.-4:00p.m. at the Alaska Aviation Heritage Museum. For more information please call Statewide Aviation at 269-8654 or the FAA at 271-5228.

Airport Managers & Operators Receive Training

This year, 70 airport managers/operators including 58 from DOT&PF participated in airport operations training specifically designed for Alaskan airports. Five airport employees earned the Certified Member (CM) designation from the American Association of Airport Executives and one completed the Airport Certified Employee (ACE) program for operations personnel.

Training will keep the airports and state in compliance with FAA regulations as well as provide current information on maintaining and operating airports in efficient and effective methods as we keep up with the ever growing needs of an expanding aviation industry.

Within DOT&PF lies the Research, Development and Technology Transfer section (RD&T2) pro viding training, technical assistance, library, research management, and technology deployment services to ADOT&PF, local transportation agencies, and their partners. RD&T2 in partnership with the FAA produced an aviation safety video in 2009, about the challenges of performing construction activity on an active runway and the importance of communication. Landings have occurred on closed sections of runways and this video highlights what role construction can play in preventing aviation accidents. The video, *Alaska Aviation Construction Safety - Approach to Communication,* has been distributed to contractors and Alaska's flying community.

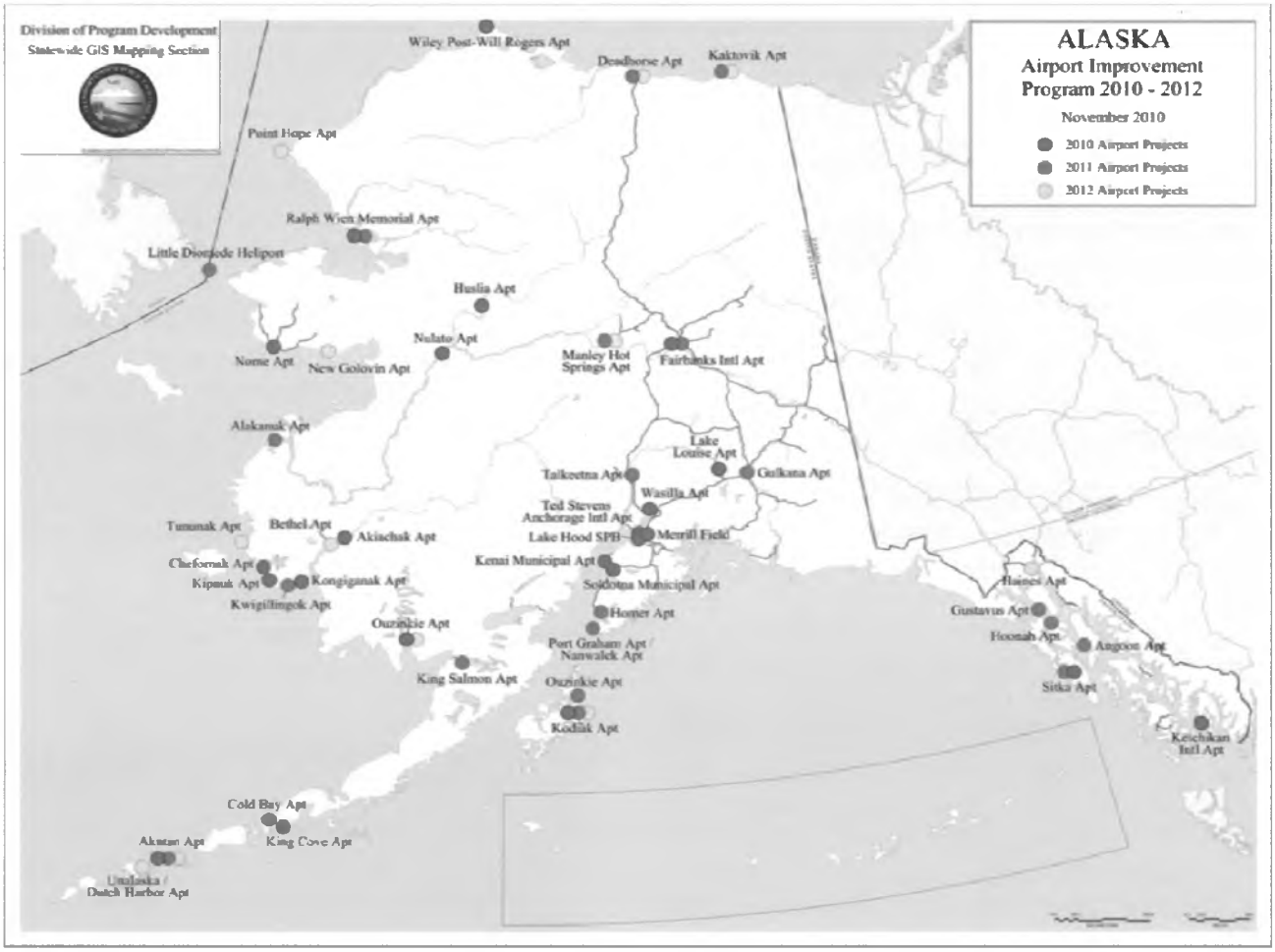


(L-R) Adam Archibald - Airport Security Coordinator for Ketchikan Airport and Mike Carney - Ketchikan Airport Manager at the August "Airport Operations Practicum".

Airport Safety Inspections

DOT&PF inspected 125 rural public airports this year, or about 1/3 of the total number of public airports in Alaska. This is part of the safety inspection program called the 5010 Airport Master Record inspections funded by the FAA. All of the public airports updated information is listed in the salmon colored *Alaska Supplement.*

The DOT&PF Airport Managers and Regional Safety Officers work with FAA inspectors to accomplish the airport inspections for the Part 139 certificated hub airports. DOT&PF owns and inspects nineteen Part 139 (jet service) airports.



Funding for Airport Improvement Projects

DOT&PF relies on federal Airport Improvement Program (AIP) funding for airport improvement projects. In general, AIP funds can be used on airfield capital improvements, repairs, or planning. Federal AIP grants cover 95% of the eligible costs for all airports except Anchorage International, which is eligible for 93.75% federal AIP funding. The funding match for the rural airport system comes from the general fund. Match funding for International Airport projects is provided through the International Airport Revenue Fund, rather than state general funds.

2010 AIRPORT PROJECTS

Akiachak Airport: Airport Relocation – Stage 2 ($11,780,074)
Akutan Airport: Airport Construction – Stage 2 ($20,000,000)
Barrow Airport: Runway and apron paving/SA Expansion Stage 4 ($7,200,000)
Chefornak Airport: Airport Relocation – Stage 2 ($21, 692,300)
Dillingham Airport: Apron and Taxiway Rehabilitation ($8,555,483)
Fairbanks International Airport: Master Plan Update ($950,000); Access Control Improvements ($950,000); Aeronautical Survey, GIS & ALP ($700,000)
Huslia Airport: Airport Improvements – Stage 2 ($800,000)
Ketchikan Airport: Runway Overlay and Safety Area Expansion – Stage 3 ($652,126—Municipal Airport)
King Cove Airport: Fencing ($1,820,936)
Kipnuk Airport: Airport Relocation - Stage 2 & 3 ($17,637,423)
Kodiak Airport: Chemical Storage Building ($2,499,922)
Kongiganak Airport: Airport Improvements ($5,685,750)
Kotzebue Airport: Runway Safety Area Improvement – Stage 1 and Rehabilitate Runway 9-27 ($17,700,000); Certification Compliance ($2,470,711)
Lake Hood Seaplane Base: Property Acquisition- Stage 1 ($1,355,517); Strip Guidance Signs ($608,255); Bank Stabilization- Stage 1 ($1,644,483)
Lake Louise Airport: Runway Rehabilitation ($2,106,833)

2010 Airport Projects (continued)

Nulato Airport: Airport Improvements ($8,200,000)
Sitka Airport: Runway Safety Area Expansion ($29,957,716)
Ted Stevens Anchorage International Airport: Residential Sound Insulation Program ($1,313,500); South Terminal Seismic & Security Upgrades - Stage 6 and 7 ($2,573,710); Upgrade Runway 6R/24L ($17,972,654); Runway 7R/25L Drainage and Embankment ($10,027,500); Snow Removal Equipment Building ($991,491); Communications and Badging Center ($1,016,551); Security and Badging Center Equipment ($2,130,626); Runway 7R/25L Extension - Phase 1 ($2,767,912); Part 150 Noise Study ($750,000)

2011 Airport Projects (Tentative Projections & Cost Estimates Only)

Akutan Airport: Airport Construction – Stage 3 ($11,000,000)
Alakanuk Airport: Airport Relocation – Stage 4 ($6,000,000); SREB ($1,100,000)
Angoon Airport: Airport Environmental Impact Statement – Stage 3($2,500,000)
Cold Bay Airport: Runway Safety Area – Stage 1 ($4,000,000); North Terminal Apron Rehab. – Stage 2 ($5,000,000)
Deadhorse Airport: Runway Rehabilitation and Lighting Replacement – Stage 1 ($18,100,000)
Fairbanks International Airport: Access Control Improvements ($950,000)
Gulkana Airport: Apron and Taxiway Repaving ($1,900,000)
Gustavus Airport: Runway Safety Area ($10,500,000)
Homer Airport: Apron and Taxiway Rehab ($3,000,000)
Hoonah Airport: Airport Improvements ($3,400,000)
King Salmon Airport: Lighting System Replacement – Stage 3 ($6,500,000)
Kodiak Airport: Rehab Runway 18/36, Taxiway B, and Parking – Stage 1 ($12,000,000)
Kotzebue Airport: Runway Safety Area Improvements – Stage 2 &3 ($23,000,000)
Kwigillingok Airport: Airport Rehabilitation ($1,100,000)
Little Diomede Heliport: Temporary Snow Removal Equipment Building ($200,000)
Manley Airport: Airport Relocation – Stage 1 ($9,000,000)
Nanwalek/Port Graham Airports: Master Plan – Stage 3 ($800,000)
Ouzinkie Airport: Relocation – Stage 2 ($3,800,000)
Talkeetna Airport: Airport Improvements – Stage 2 ($10,800,000); Runway 18/36 Pavement and Rehabilitation ($2,100,000); Apron and Taxiway Pavement Rehabilitation ($3,300,000)

2012 Airport Projects (Tentative Projections & Cost Estimates Only)

Akutan Airport: Airport Construction – Stage 4 ($5,250,000)
Bethel Airport: Parallel Runway and Other Improvements – Stage 6 (ROW acquisition) ($1,650,000); Runway, Taxiway, Commercial Apron Pavement Rehabilitation ($13,000,000)
Deadhorse Airport: Apron and Taxiway Rehabilitation and Lighting Replacement – Stage 2 ($13,400,000)
Dillingham Airport: Runway Safety Area – Stage 1 ($25,000,000)
Golovin Airport: Runway and Apron Improvements – Stage 1 ($2,000,000)
Haines Airport: Drainage, Taxiway, and Apron Rehabilitation and Fence ($7,400,000)
Kodiak Airport: Runway 7/25 Rehabilitation ($14,800,000)
Manley Airport: Relocation – Stage 2 ($6,400,000)
Point Hope Airport: Pavement Rehabilitation ($7,000,000)
Sitka Airport: Runway 11/29 Overlay ($5,000,000)
Tununak Airport: Airport Relocation – Stage 1 ($14,400,000)
Unalaska Airport: Runway Safety Area and Pavement Rehabilitation ($24,200,000); Chemical Storage Building ($2,750,000)

Municipal Airport Projects 2010/2011/2012 (Tentative Projections & Cost Estimates Only)

The following municipal airport projects have been funded or are being considered by the FAA for AIP funding:

Kenai Airport: Airport Apron and Float Plane Basin Development ($199,614) - 2010
Merrill Field Airport: Runway Rehabilitation, Snow Removal Equipment Building, VASI/ROW ($4,515,378) -2010
Soldotna Airport: Apron ($1,546,891) - 2010
Wasilla Airport: Apron ($1,139,689) - 2010
Kaktovik Airport: Airport Relocation – Stage 1 ($4,000,000) - 2011
Kaktovik Airport: Airport Relocation – Stage 2 ($23,000,000) - 2012

DIGITAL ELEVATION MAPPING CONTRIBUTES TO AVIATION SAFETY

The existing map of Alaska is over 50 years old, is widely regarded as grossly inaccurate and does not support modern requirements. In truth, Mars is more recently, extensively and accurately mapped than Alaska. The Statewide Digital Mapping Initiative (SDMI) is a collaboration of state and federal agencies to create a digital map of Alaska.

There are a multitude of mission critical requirements which rely on accurate elevation data, which are the primary component of the digital map. The benefits of accurate elevation data are significant and support a broad range of disciplines. Here are just a few examples:

Resource development, "Roads to Resources" and infrastructure development all require accurate elevation data. Elevation data are foundational to project planning and permitting, engineering and design and responsible resource management.

Modern public safety and emergency response capabilities supporting first responder situational awareness are largely unrealized in Alaska due to the absence of a digital base map. Disaster preparation, recovery and mitigation efforts are greatly impeded by the lack of accurate elevation data. Disaster response training cannot be adequately addressed without an accurate base map in a digital context. Search and rescue efforts are hindered by inaccurate elevation data; for example: when an F-22 Raptor crashed in November, rescue and recovery efforts were impeded because terrain and slopes could not be calculated to accurately predict the threat of avalanche danger to responders.

Floodplain risk and mitigation analysis, sea wall construction and coastal erosion cannot be adequately addressed without accurate elevation data. Climate change and its effects on Alaska require accurate elevation data. For example, as the tundra becomes permeable, existing safe drinking water supplies may be impacted and sewage lagoons may affect ground water. Elevation data are needed to understand these potential impacts and plan accordingly.

Advancements in Next Generation aviation safety utilize elevation data for terrain avoidance purposes, which has the promising capacity to reduce Controlled Flight Into Terrain (CFIT) fatalities from occurring. Navigational devices, survey equipment and tracking applications require accurate elevation data in order to function properly.

State and federal funds were pooled to collect elevation data over approximately ten percent of the state last summer. A cost sharing and federal outreach meeting is planned for early 2011. A public demonstration of elevation data collected in 2010 will be performed at the annual Alaska Surveyors and Mapping Conference, scheduled for February, 2011. Information about this conference is available at *www.aksmc.org*. Nick Mastrodicasa is Project Manager for the Statewide Digital Mapping Initiative and can be contacted at *nick.mastrodicasa@alaska.gov*



(L-R) Nicholas Mastrodicasa, Project Mgr.; Dr. Vicki Childers / NOAA-National Geodetic Survey (NGS) & Project Manager GRAV-D; Lt. Governor Mead Treadwell; Dr. Mark Myers (previous Director of USGS); Marc Luiken, Commissioner and Phil Thiel, Vice President Dewberry Engineering participate in "Skybreaking Ceremony" highlighting the progress being made in statewide mapping.

Alaska Aviation System Plan

With 82% of the communities in Alaska not connected to a highway or road system, it is important that the state maintain a comprehensive airport system plan that identifies the aviation facilities needed to meet air transportation needs.

The first Alaska Aviation System Plan (AASP) was adopted in 1986, updated in 1996, and currently being updated to meet the needs of today's aviation system. The AASP proposes aviation policy, and documents the existing system with published reports and studies. The AASP also includes the element of continuous planning to keep the plan current and relevant to the ever-evolving aviation system.

The AASP planning team includes members of the DOT&PF, FAA, professional consultants, airlines, and other aviation stakeholders, working together through various focus work groups to support the total system planning effort.

The AASP team has worked together over the past three years to develop numerous technical reports and studies, including the first economic impact assessment of aviation in Alaska, an economic analysis of runway extensions, and fact sheets covering Maintenance & Operations issues and air mail service in Alaska.

This past year, the AASP developed the following elements of the plan:

- A database inventory of the current aviation system
- Aviation system forecasts
- Goals, objectives, and performance measures to regularly assess the status and health of the system
- Classifications of the state's airports

More information on the AASP can be found online at *www.AlaskaASP.com*

Aviation contributes to Alaska's economy

- $3.5 Billion to the State economy
- 47,000 Jobs—represents 10% of all jobs in Alaska
- 1 in 8 Jobs in Anchorage attributable to the Anchorage Airport **AVIATION SYSTEM**

Rural Airport Lighting Program

Occasionally rural airport runway lighting fails, and DOT&PF deploys battery operated emergency runway lights to provide a safety net until M&O staff can repair lights during summer months.

This year Togiak runway lighting failed and DOT&PF shipped a set of emergency runway lights to the village. Night medevac operations require runway lights and our battery powered runway lights are a great back-up system. DOT&PF has 10 full runway sets and 50 six-packs for helicopter operations.



On a clear night lights are visible 5 miles out on approach to the airport. Emergency runway lights are easily stored and installed.



mission

To provide for the safe movement of people & goods and the delivery of State services

STATE of ALASKA DEPARTMENT of TRANSPORTATION & PUBLIC FACILITIES

From:
Statewide Aviation
Department of Transportation & Public Facilities
P.O. Box 196900
Anchorage, AK 99519

TO:


ECONOMIC ENGINE
alaska aviation system
Largest aviation system in North America
COMMUNITY LIFELINE

AIR FREIGHT GATEWAY

The Alaska International Airports System, comprised of the Anchorage (ANC) and Fairbanks (FAI) airports, is a vital gateway for trade and commerce between North America and Asia.

- Alaska is the halfway point between Asian countries and the Continental U.S. Freighters carry maximum cargo payloads and refuel in Alaska, which in turn creates lower costs and access to imported goods for American households.
- 2.5 million tons of air cargo handled at ANC ranking it the #2 airport in North America for volume of cargo handled.
- 5% of the value of all U.S. international cargo or $41 billion worth of merchandise trade passed through ANC in 2008.
- Largest aircraft in the world can land at these airports.

AVIATION *CONTRIBUTES TO* ALASKA'S ECONOMY

$3.5 BILLION
to the State economy

47,000 JOBS
represents 10% of all jobs in Alaska

1 in 8 JOBS
in Anchorage attributable to ANC Airport





DISTANCE FROM ALASKA

City	Nautical Miles
Singapore	5,792
Hong Kong	4,415
Frankfurt	4,064
London	3,902
Moscow	3,791
Miami	3,479
Beijing	3,442
Seoul	3,286
Mexico City	3,284
Tokyo	2,983
New York	2,941
Chicago	2,473
Honolulu	2,413
Los Angeles	2,037

9.5 HOURS FROM 90% OF THE WORLD

COMMUNITY LIFELINE



mission

To provide for the safe movement of people & goods and the delivery of State services.

STATE of ALASKA DEPARTMENT of TRANSPORTATION & PUBLIC FACILITIES

ECONOMIC ENGINE

Alaska's Aviation Lifeline

Aviation is more important in Alaska than anyplace else in the United States.

- 255 airports are owned and operated by the State of Alaska
- Airports provide a vital link for access to food, mail, schools, medical services and travel

"If we didn't have the airport we wouldn't have anything. The airport is a fact of life for living out here in the villages. The airport is our roads, highway, ocean, our lifeline."

-Rural Alaska Resident





82% of the communities in Alaska are not connected to a highway or road system.

Three busiest airports at a glance



Ted Stevens Anchorage International Airport

- 5 million passengers annually
- New terminal in 2009
- World's largest and busiest seaplane base
- Ranked #5 in world cargo tonnage
- #2 airport in the U.S. for landed cargo weight
- 522,000 annual flight operations

anchorageairport.com



Fairbanks International Airport

- 1 million passengers annually
- New terminal and 11,800' runway in 2009
- Seaplane base with 322 tie-downs and 185 float slips
- 118,000 annual flight operations
- Hub airport for Interior Alaska and alternate for ANC

dot.state.ak.us/faiiap

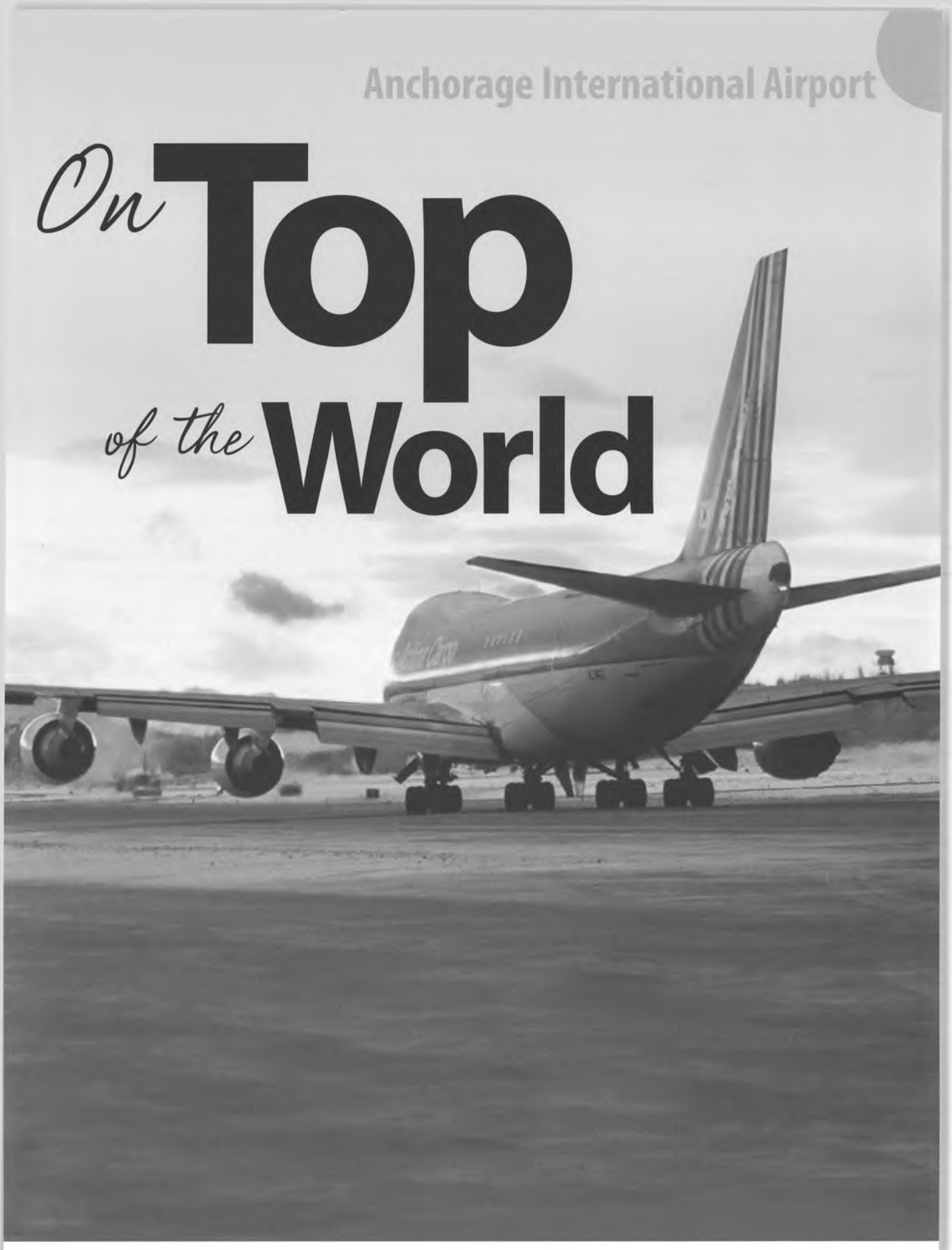


Bethel Airport

- 300,000 passengers annually
- New runway in 2009
- 2nd busiest cargo airport in Alaska
- 122,000 annual flight operations
- Serves 56 villages in Yukon-Kuskokwim Delta

dot.alaska.gov

On Top *of the* World



Anchorage International Airport

One of the northernmost airports in the US is continuing to evolve to meet the changing needs of the aeronautic industry. John Parrott explains.

When the first 747 airplane flew, aeronautic experts heralded a new age of nonstop flights. Some said airports like Anchorage International (ANC), which had served for years as a refueling station for cargo and passenger craft alike, would go the way of the dodo. Airport manager John Parrott said those experts had forgotten about the payload range equation.

"If you want to fill your 747 to capacity, you can't also carry enough gasoline to make it from Asia or Europe to the lower 48 states; you need to fly with less cargo to make room for the weight of more fuel," he explained. "That's why it's still extremely cost effective for carriers to stop here and refuel, which is why we're still number five in the world for cargo throughput."

In addition, the US government has granted airports in Alaska and Hawaii a special privilege: cargo in those airports can be transferred from one craft to another without the move counting as an official break in an international voyage. This allows carriers to connect international cities in one trip even with fuel limitations.

ANC, Parrott said, is about nine-and-a-half hours from 90% of the industrialized world but in addition to this fortuitous location, this airport has evolved over the years to become a perfect blend of cargo and passenger service.

The airport has 14 wide-body, pull-through parking spaces, which means even the largest aircraft don't need to park to the side and be pulled out by trucks when its time to take off. And in those parking spaces, ANC has an extensive hydro-refueling system that eliminates the need for a team of trucks to refuel the giant tanks. Parrott said whenever possible, his team arranges for planes from the same carrier company to be parked side by side to give the carrier a more efficient space to work.

For all its fame as a cargo hub, however, ANC also serves five million passengers each year. Parrott said in the summer, about one million tourists pour into the state, most through a cruise and fly package, and all of those come through ANC at least once.

"Aviation is truly the lifeblood of travel and commerce in Alaska: there are no roads west of the center of the state and only one



that traverses the length of the state north to south," Parrott said. "Alaskan's fly year round to get anywhere."

In fact, AIA supplies 10,000 direct jobs and 8,000 indirect in the city of Anchorage, meaning one out of every eight employed citizens works for the airport in some way. And Parrott said that ratio is consistent for aviation impact throughout the state.

That's one reason why the recession had a significant impact in Alaska. The airport saw a 20% drop in revenue between 2008 and 2009. Parrott said the airport had to tighten its belt like everyone else but that he and his team are cautiously optimistic that they've been through the worst of it. Parrott reported the airport is about 10% up over 2009 this year, and hopes to get back to its 2008 levels next year.

Making plans

The team at ANC has done a lot in the last few years and has a lot of big plans for the future, to fuel the airport's growth and continue its evolution as a transportation hub of the north.

For one thing, the airport just completed a 10-year renovation project to its terminals. The project included a tear down and rebuild of the original, 1950s C concourse, a complete renovation of the B concourse, and an entirely new road system for the property.

Of the 4,800 acres owned by the airport, Parrott said a significant portion is not yet developed and is suitable for aeronautic use. And amid all the turmoil last year, ANC got some additional news: as part of the Base Relocation Commission, the Department of Defense would not be renewing its lease on the 135 acres that made up its Kulis Air National Guard Base and is consolidating those operations at a nearby air force base.

Those 135 acres have hangars, garages, and runway access as well as a mess hall,

"The team at ANC has done a lot in the last few years and has a lot of big plans for the future, to fuel the airport's growth and continue its evolution as a transportation hub of the north."



Anchorage International Airport



medical building, and ample storage. Parrott, his team, and development and real estate experts are currently assessing the best possible use of the land for the airport.

"An opportunity like this doesn't come along very often, so we want to make sure we get it right to ensure future success for the airport and beneficial economic development for the city," said Parrott.

One option the team is considering would be to add wide-body aircraft maintenance services, giving carriers and opportunity to get scheduled maintenance done on their aircraft while they stop over in Alaska for fuel anyway. Most important to the team's consideration, Parrott said, are the needs of ANC's diverse customer base.

Even with this new space and the renovation project, however, Parrott is concerned the airport will need to look at further expansion a few years from now thanks to a continuing interest in the state from tourists. In the last few months, he said a large number of US carriers requested landing rights at the airport. In addition to Alaska, Delta, Continental, and US Airways, which have a year round presence at ANC, United, American, and Frontier have added flights for the summer.

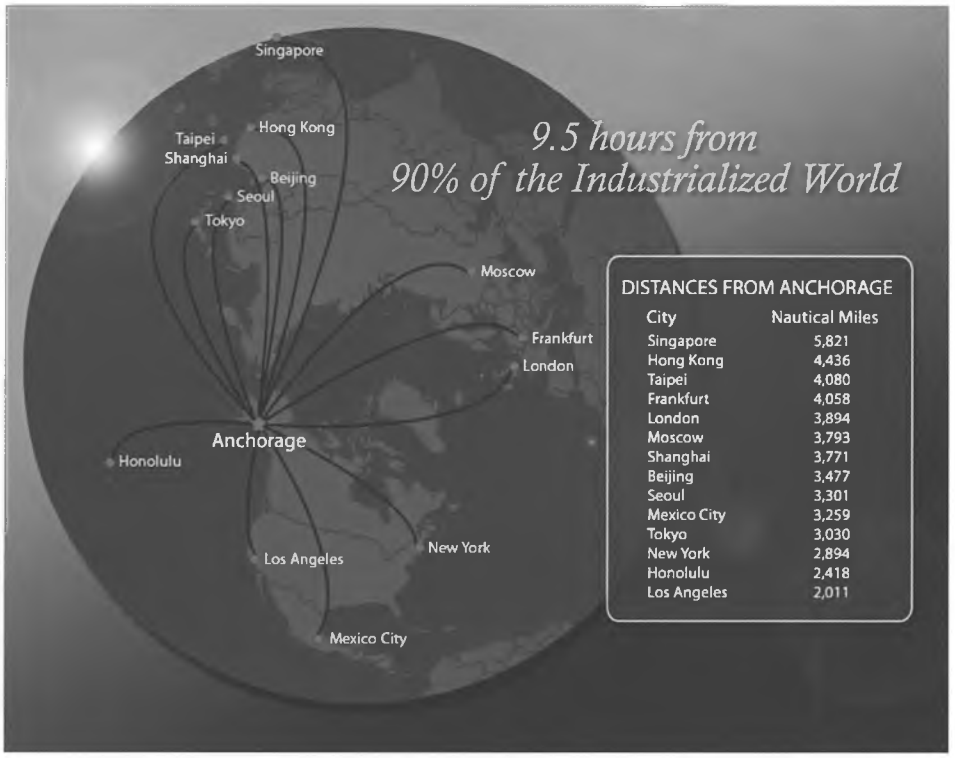
This is of course, a challenge most airport managers these days would die to have and Parrott said he and his team are excited about the opportunities to position ANC for future success.

"There's a large Asian population in Alaska, and we used to have a sizable passenger service from Europe before the former Soviet Union opened its airspace in the early 1990s," he said. "We'd like to become a new destination for those markets."

As foreboding as Alaska can seem to those who've never been there, Parrott added that the team at ANC is among the best in the world in providing a hassle-free and welcoming experience. In fact, ANC's snow removal team has won the Balchen-Post award four times for their work and Parrott said the airport hasn't closed for snow in decades.

"I'm proud of the hard work that every member of this team does every day," he said. "I've known for years that this crew can stack up to the crews at any major metropolitan airport, and it's exciting to see them get the recognition they deserve." W

—Meghan Flynn





The Economic Contribution of the Aviation Industry to Alaska's Economy

Alaska Aviation System Plan

Introduction

As an economic engine for the State of Alaska, Alaska's aviation industry contributes $3.5 billion dollars and over 47,000 jobs to the state's economy. Aviation is a critical component of the state's economy and the vitality of Alaska's communities. The Alaska Department of Transportation & Public Facilities (ADOT&PF), Aviation Division recently embarked on updating the Alaska Aviation System Plan. An important part of that update is determining the value and contribution of Alaska's aviation industry to the state's economy. This determination was accomplished through an extensive survey effort targeting all public airports managed by ADOT&PF, public airports managed by other entities, private airports throughout the state, leaseholders located on ADOT&PF airports, and 600 residents in rural Alaska and the Railbelt who have flown within the last 12 months. The study included interviews with airport managers, city officials and other community leaders in 18 selected communities in Alaska, and four western states to evaluate the importance of airports to remote, rural communities.

Contributions to Alaska's State Economy

Airports and aviation-related businesses create significant economic value within the State of Alaska. In fiscal year (FY) 2007, the Alaska aviation industry contributed $3.5 billion to the state economy and supported over 47,000 jobs statewide. The aviation industry contributed about 8 percent of Alaska's gross state product of $44 billion in 2007 and supported almost 10 percent of 2007 statewide annual average employment. If compared to the primary economic sectors the aviation industry would be the fifth largest employer in Alaska.



Economic Activity

The aviation industry contributes to Alaska's economy by supporting local businesses and employing citizens in year round operations. The value of the economic activity generated by the operation of the airports, the businesses, and agencies operating within the airport premises in FY2007 amounted to more than $2.1 billion.

This direct spending by airports, businesses located on the airports and their employees in turn creates additional employment and income in other sectors of the economy. The economic contribution of the aviation industry through those secondary (multiplier) expenditures is estimated to be $1.4 billion in FY2007 resulting in a total of $3.5 billion in economic activity. **(See Figure 1)**

This Alaska Aviation System Plan was conducted in accordance with FAA Advisory Circular 150/5070-7: The Airport System Planning Process. The economic analysis described in this brochure was conducted pursuant to Section 101.a(3) of that document.

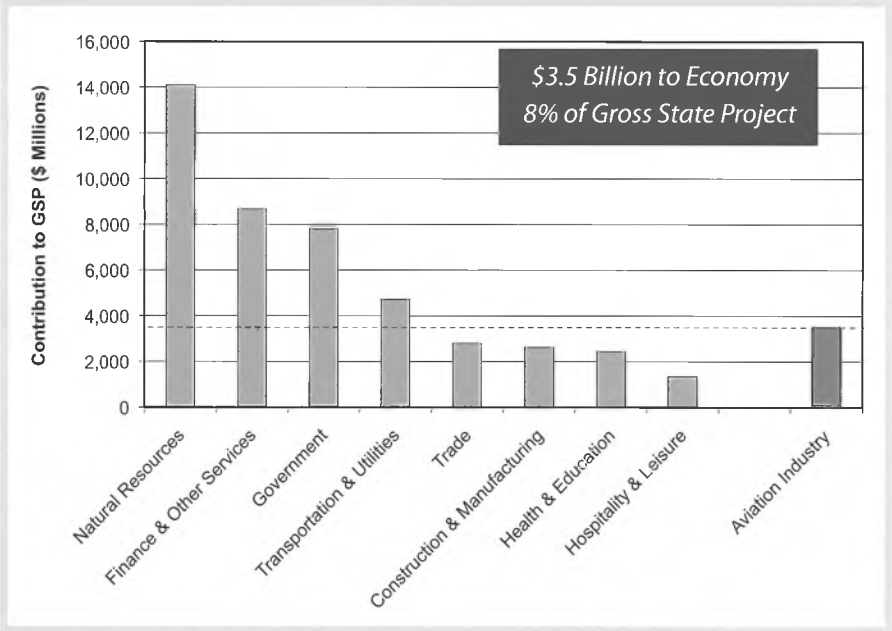


Figure 1 **The Aviation Industry's Contribution to GSP Compared to Primary Economic Sectors, 2007**

Source: Northern Economics estimates, 2008

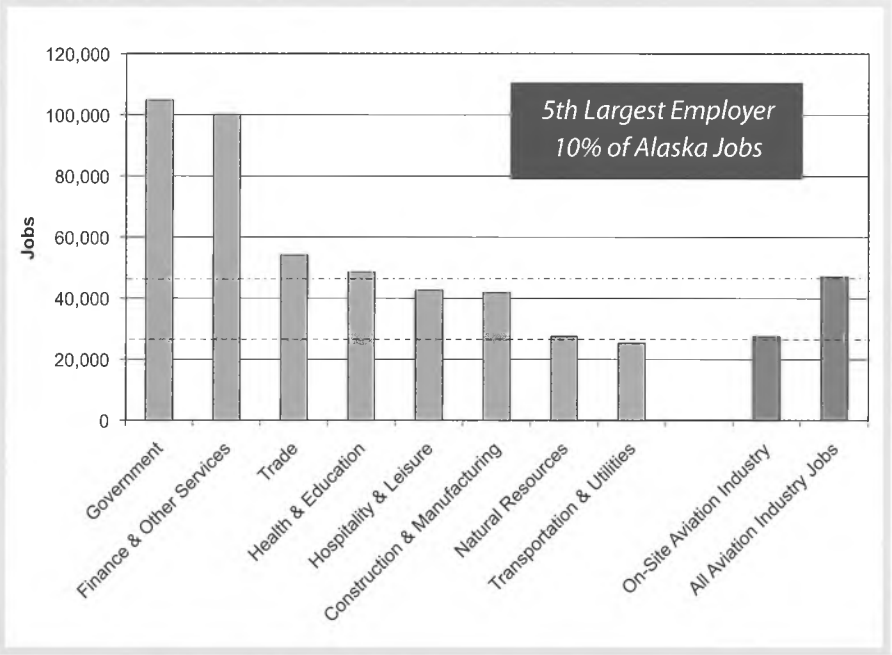


Figure 2 **The Aviation Industry's Contribution to Available Jobs Compared to Primary Economic Sectors, 2007**

Source: Northern Economics estimates, 2008

Employment

In 2007, the aviation industry provided over 47,000 on-site and off-site jobs across the state. The highest concentration of jobs are located at the international airports in Anchorage, Fairbanks, and the state's regional hubs. These jobs include more than 27,000 on-site jobs and nearly 20,000 off-site jobs created by this industry. **(See Figure 2)** The on-site jobs include more than 2,000 full-time and part-time jobs directly related to the operation and maintenance of public and private airports in Alaska as well as more than 25,000 jobs created by on-site businesses, organizations, and government agencies operating out of the airports. These businesses include commercial air carriers, fixed-base operators, fuel distributors, caterers, air taxis, charter operations, general aviation services, state agencies and other public agencies. The number of on-site jobs underscores the value of airport infrastructure in creating jobs in various businesses and communities across the state.

The nearly 20,000 off-site jobs are created when goods and services are purchased from other businesses in

EMPLOYMENT

Jobs related to aviation:

2,000 jobs to operate airports statewide, full and part time

25,000 jobs due to on-site business, organizations and agencies

20,000 jobs created due to multiplier effect from aviation jobs

47,000 total jobs attributed to aviation in Alaska in 2007

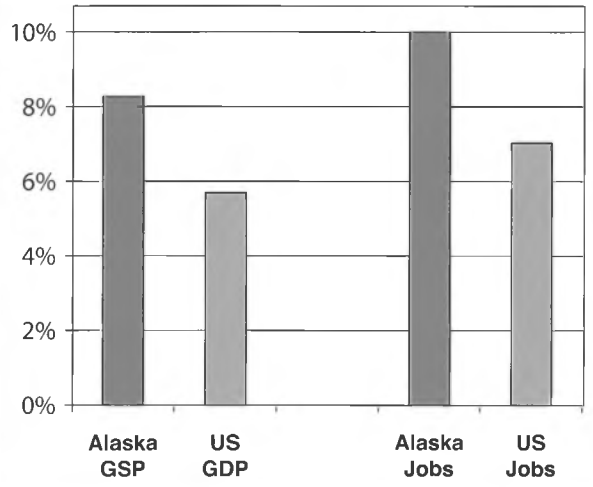
This represents about **10% of all jobs** in Alaska

the state to support the operations and maintenance of airports and businesses located at airports, and when on-site employees spend their wages on goods and services within the state.

Over 47,000 jobs generated by the firms, agencies and businesses that make up the industry provided approximately 10 percent of the total jobs in Alaska's economy in 2007, including the self-employed and the military. The aggregate aviation industry was smaller than the government, finance and other services, trade, and health & education sectors, but larger than the hospitality & leisure, construction & manufacturing, natural resources, and transportation & utilities sectors.

Figure 3 shows that the aviation industry's proportional contribution to Alaska's economy is greater than the proportion the industry contributes to the national economy. In actuality, the figure underestimates the relative importance of the aviation industry to Alaska as the true difference is even greater than shown; the national data include the expenditure of visitors and this study does not include this factor in the estimates for Alaska's economy.

Figure 3 **Economy and Jobs: Importance in Alaska vs. the US**



The aviation industry's proportional contribution to Alaska's economy is greater than the proportion the industry contributes to the national economy.

Importance of Alaska's Airports to Alaska's Communities

Telephone surveys of 500 households were conducted in 18 selected communities throughout the state, 100 households within the Railbelt stretching from Fairbanks to the Kenai Peninsula, and also with airport managers, community officials, and other leaders in these communities to evaluate the importance of Alaska's airports to state residents.

The study compared the importance of Alaska's airports to remote airports in other rural, western states. Interviews were made with airport managers and community officials for airports in Idaho, Montana, Oregon and Wyoming, for a comparison of enplanements and freight volumes per capita for the 18 airports in Alaska and the airports in the western U.S. **Figures 4** and **5** show that enplanements and air freight loads are much higher per capita in Alaska than for airports in the western U.S. Enplanements for Alaska communities can exceed enplanements of other rural U.S. communities by eight times per person while air freight loads can be more than 39 times higher per person.



"If we didn't have the airport we wouldn't have anything. The airport is a fact of life for living out here in the villages. The airport is our roads, highway, ocean, our lifeline."

Rural survey respondents emphasized the importance of air travel in rural Alaska. For many communities, especially in Alaska's West and Interior, air travel is the only means to get in and out of the communities; there are no roads or ferry service. These villages rely on air travel for emergencies, family visits, work-related travel, social and vacation trips, and transportation of supplies. Some communities do not offer medical services and residents need to travel for all medical visits. This situation is especially common in small communities and the survey data indicate that community airport respondents made more than twice as many family or personal business related and medical trips than those in larger communities.

Some rural communities in Western and Interior Alaska would be completely isolated in the winter without their rural airports. In parts of Central and Southeast Alaska, ferry or road transportation may be alternatives, but communities still rely heavily on their airports for swift and reliable travel and cargo transport.

By contrast, rural communities in the Lower 48 more often commented that their community would be less attractive for people visiting or doing business but that they could likely live without an airport.

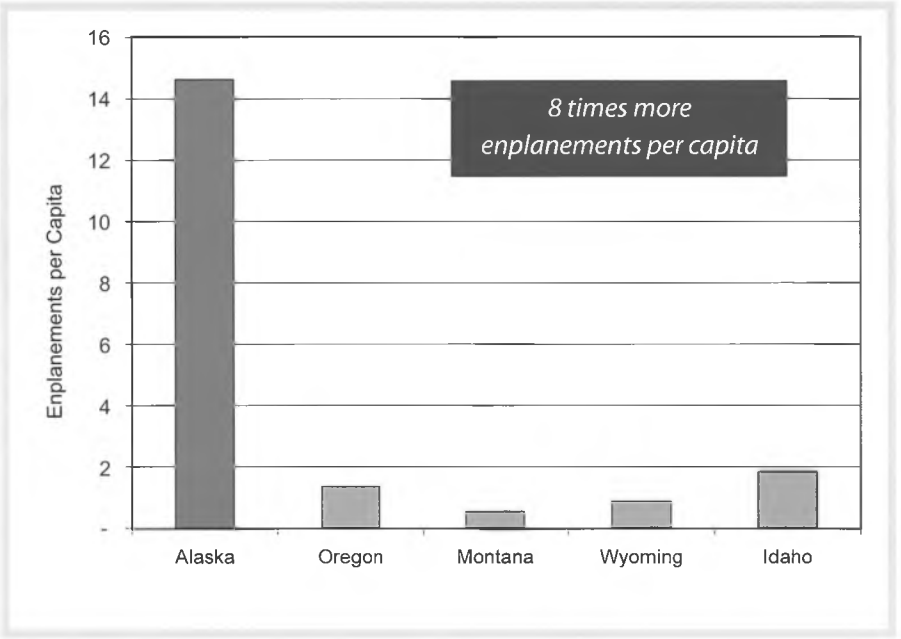


Figure 4 **Comparison of Enplanements per 1,000 Persons for Selected Community Airports, 2007**

Sources: Bureau of Transportation Statistics, 2008. U.S. Census Bureau, 2008.

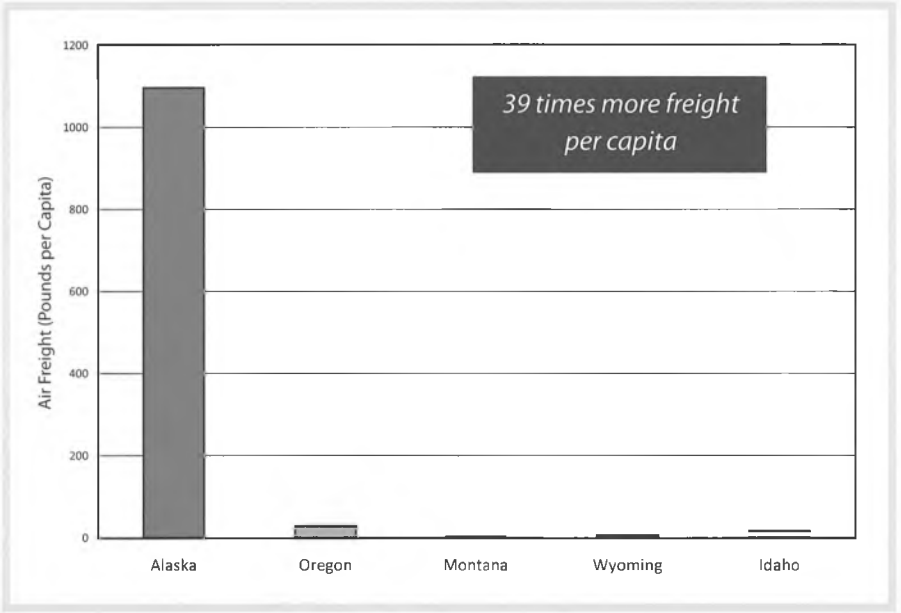


Figure 5 **Air Freight per Capita for Selected Community Airports, 2007**

Sources: Bureau of Transportation Statistics, 2008. U.S. Census Bureau, 2008.



2/10/11 PRESENTATION BY DEPARTMENT OF REVENUE: OIL AND GAS TAX CREDITS

<TARGET><BILL></BILL><SUBJECT>2-10-11 PRESENTATION BY DEPARTMENT OF REVENUE OIL AND GAS TAX CREDITS</SUBJECT><COMM>SFIN27</COMM></TARGET>

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

Senator Bert Stedman, Co-Chair
State Capitol, Room 516
Juneau, AK 99801-1182
(907) 465- 3873 - Phone
(907) 465-3922 - Fax
Senator_Bert_Stedman@legis.state.ak.us

Official Business

Senator Lyman Hoffman, Co-Chair
State Capitol, Room 518
Juneau, AK 99801-1182
Phone - (907) 465- 4453
Fax - (907) 465- 4523
Senator_Lyman_Hoffman@legis.state.ak.us

AGENDA

Thursday, February 10, 2011
9:00 AM

Presentation on Oil and Gas Tax Credits by the Department of Revenue

Bruce Tangeman, Deputy Commissioner, Dept of Revenue
Lennie Dees, Audit Master, Tax Division, Dept of Revenue

PRODUCTION TAX CREDITS

PRESENTATION TO THE
SENATE FINANCE COMMITTEE
FEBRUARY 10, 2011

Overview

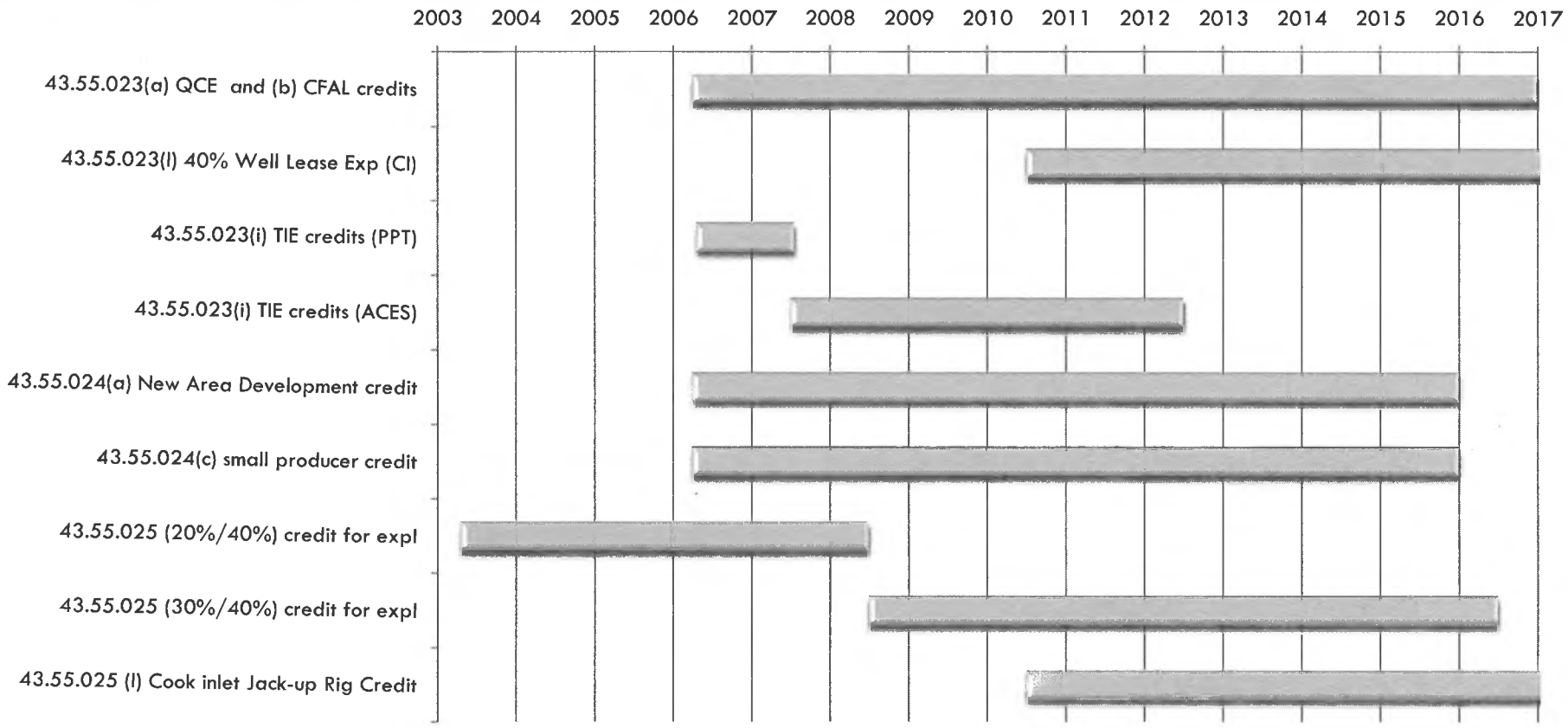
- **Types of Production Tax Credits**
- Credits Applied Against Production Tax Liability
- Transferable Tax Credit Certificates
- Cash Refunds History

Types of Production Tax Credits

Credits which may be taken against oil and gas production taxes include:

- Capital Expenditure Credits
- Alternative Tax Credits for Oil and Gas Exploration
- Net Operating Loss ("NOL") Carry Forward Credits
- Transitional Investment Expenditure ("TIE") Credit
- Additional Nontransferable Tax Credits
- Well Lease Expenditures Credit
- Cook Inlet Jack-up Rig Credit

Timelines for Production Tax Credits



Types of Production Tax Credits

Capital Expenditure Credits - (AS 43.55.023(a)(1))

- **20%** of qualified capital expenditures (QCE)
- QCE include drilling, construction of facilities, new equipment, etc.
- Same expenditures may also qualify for NOL Carry Forward Credit
- Same expenditures do ***not*** qualify for exploration credit
- Must be spread over 2 years (except for expenditures incurred south of 68 degrees North latitude – effective July 1, 2010)
- Credits may be cashed or transferred

Types of Production Tax Credits

Exploration Credits

- Two Main Types
  - Capital Credit for Exploration Activity 43.55.023(a)(2) **(20%)**
  - Alternative Tax Credits for Oil and Gas Exploration 43.55.025 **(30%-40%)**

Types of Production Tax Credits

Capital Credit for Exploration Activity 43.55.023(a)(2)

- **20%** of qualifying expenditures
- Qualifying expenditures related to geologic and geophysical exploration, or in connection with an exploration well
- Must be spread across 2 years (except for expenditures incurred south of 68 degrees North latitude – effective July 1, 2010)
- Same expenditures may also qualify for NOL Carry Forward Credits
- Credits may be cashed or transferred

Types of Production Tax Credits

Exploration Credits

- Two Main Types
  - Capital Credit for Exploration Activity under 43.55.023(a)(2) **(20%)**
  - Alternative Tax Credits for Oil and Gas Exploration under 43.55.025 **(30%-40%)**

Types of Production Tax Credits

Alternative Tax Credits for Oil and Gas Exploration - 43.55.025

- **30% - 40%** of qualified expenditures depending on well location and proximity to existing wells and unit boundaries
- Qualified expenditures include certain expenses associated with seismic and geophysical exploration work, and exploration well drilling
- Same expenditures may also qualify for NOL Carry Forward Credit
- Same expenditures do ***not*** qualify for Capital Expenditure Credit
- To receive credit, taxpayer must provide certain well data to DNR
- Expires 2016
- Credits may be cashed or transferred

Types of Production Tax Credits

NOL Carry Forward Credit - 43.55.023(b)

- **25%** of net operating loss
- Applied against tax liability in following year
- Credit based on adjusted lease expenditures which include both operating and capital expenses
- Includes capital expenditures which also qualify for qualified capital expenditure credit under 43.55.023(a)(1) and exploration credit under 43.55.023(a)(2)
- Credits may be cashed or transferred

Types of Production Tax Credits

Transitional Investment Expenditure (TIE) Credits

43.55.023(i)

- Credit equals 20% of qualifying capital expenditures:
  - incurred between March 31, 2001 and April 1, 2006, and
  - not exceeding 10% of the capital expenditures incurred between March 31, 2006 and January 1, 2008.
- Revised under Aces to cover only producer or explorer not having production prior to January 1, 2008
- Credits are ***not*** transferable and may ***not*** be carried forward beyond 2013
- Same capital expenditures may ***not*** qualify for exploration credit under 43.55.025

Types of Production Tax Credits

Additional Nontransferable Tax Credit- 43.55.024(a)

- Referred to as "New Area Development" credit
- Up to $6 million
- Available for companies producing from leases or properties outside of Cook Inlet and North Slope
- Credit can only be applied against tax liability
- Expires 2016 or 9 years after first commercial oil or gas production if before May 1, 2016
- Credits may ***not*** be cashed or transferred or carried forward

Types of Production Tax Credits

Small Producer Credit - 43.55.024**(c)**

- Up to $12 million, depending upon level of production
- Available for companies producing less than 100,000 bbl/day of oil BTU-equivalent
- Production not restricted by region
- Credit can only be applied against tax liability
- Expires 2016 or 9 years after first commercial oil or gas production if before May 1, 2016
- Credits may ***not*** be cashed or transferred or carried forward

Types of Production Tax Credits

Well Lease Expenditure Credit - 43.55.023(l)

- 40% of well lease expenditures incurred in the state south of 68 degrees north latitude
- Must be intangible drilling costs or geological / geophysical exploration
- Credit may be applied against tax liability, or certificated and cashed or transferred to another taxpayer

Types of Production Tax Credits

Cook Inlet Jack-Up Rig Credit - 43.55.025(l)

- Credit of 100%/90%/80% of up to $25 million each of exploration expenditures for first 3 unaffiliated persons drilling wells using the same jack up rig penetrating and evaluating prospects in the pre-Tertiary zone.
- Taxpayer obtaining credit may not claim .023 credit for same expenditures
- 50% of credit to be repaid over 10 year period if well yields sustained production

Overview

- Types of Production Tax Credits
- **Credits Applied Against Production Tax Liability**
- Transferable Tax Credit Certificates
- Cash Refunds History

Credits Applied Against Production Tax Liability

Credits may be redeemed in two ways:

(1) All Credits may be applied against production tax liability

- Capital Expenditure and Capital Exploration Credits split over two years (except south of 68 degree North latitude – eff. July 1, 2010)
- NOL , TIE, Small Producer and Alternative Tax Credits for Oil and Gas Exploration may all be applied against tax liability in total in a single year

(2) Some Credits may be converted into a transferable Tax Credit Certificate

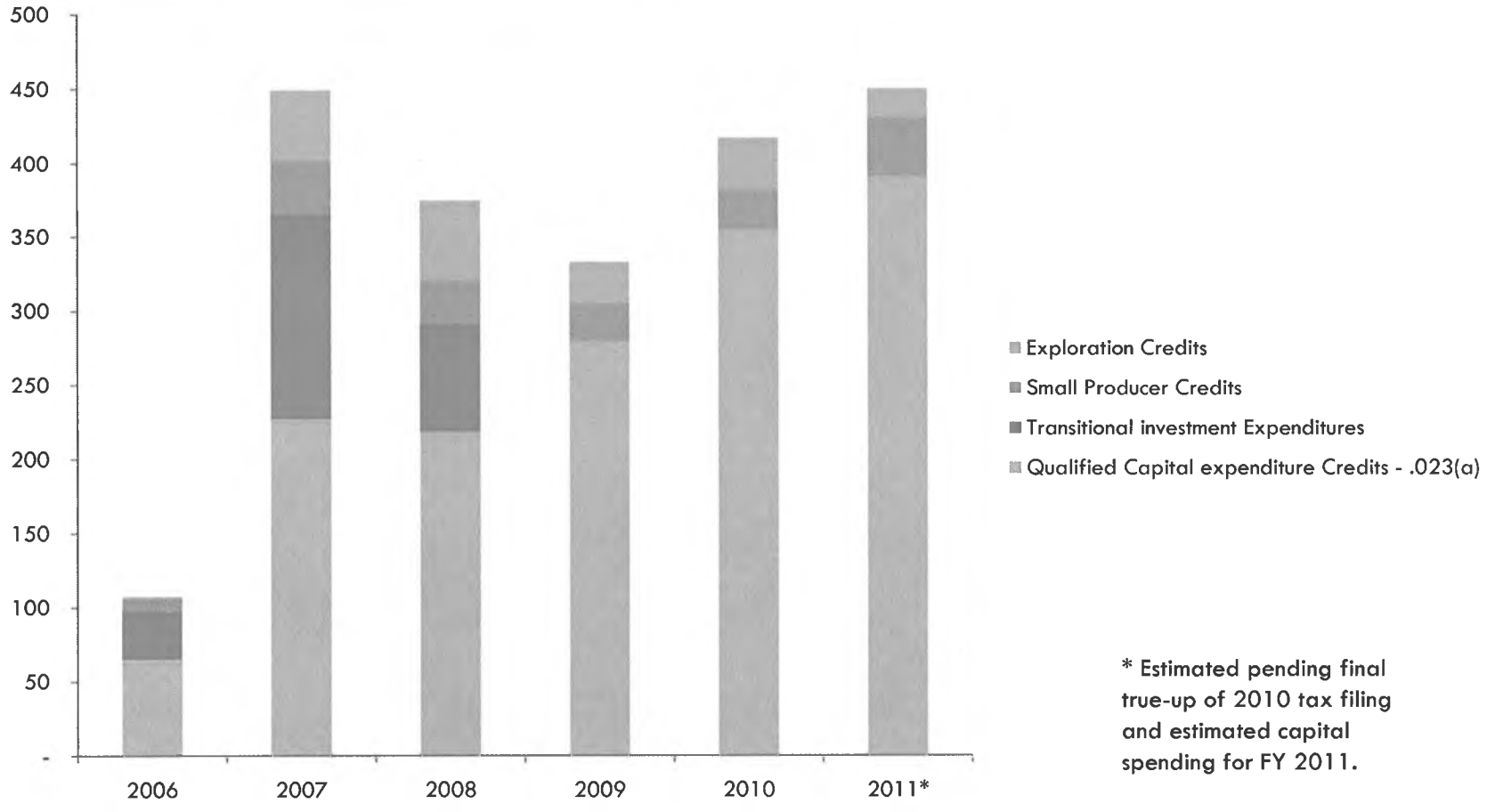
- Capital Expenditure, Capital Exploration, NOL, and Alternative Tax Credits for Oil and Gas Exploration are convertible to tax certificates
- Capital Expenditure, Capital Exploration and NOL Tax Credit Certificates must be applied over two years (except south of 68 degrees North latitude – passed 2010)
- Alternative Tax Credits for Oil and Gas Exploration Certificates can be used in single year

Production Tax Credits Applied Against Tax Liability (Fiscal Year)

	2006	2007	2008	2009	2010	2011*	Total
Capital Expenditure Credit	65	227	219	280	349	391	1,329
TIE Credits	33	138	73	0	0	0	243
Small Producer Credits	9	37	30	26	28	40	155
Exploration Credits	1	47	55	28	34	20	169
Totals	107	449	375	333	417	450	1,896

* Estimated

Production Tax Credits Applied Against Tax Liability (Fiscal Year)

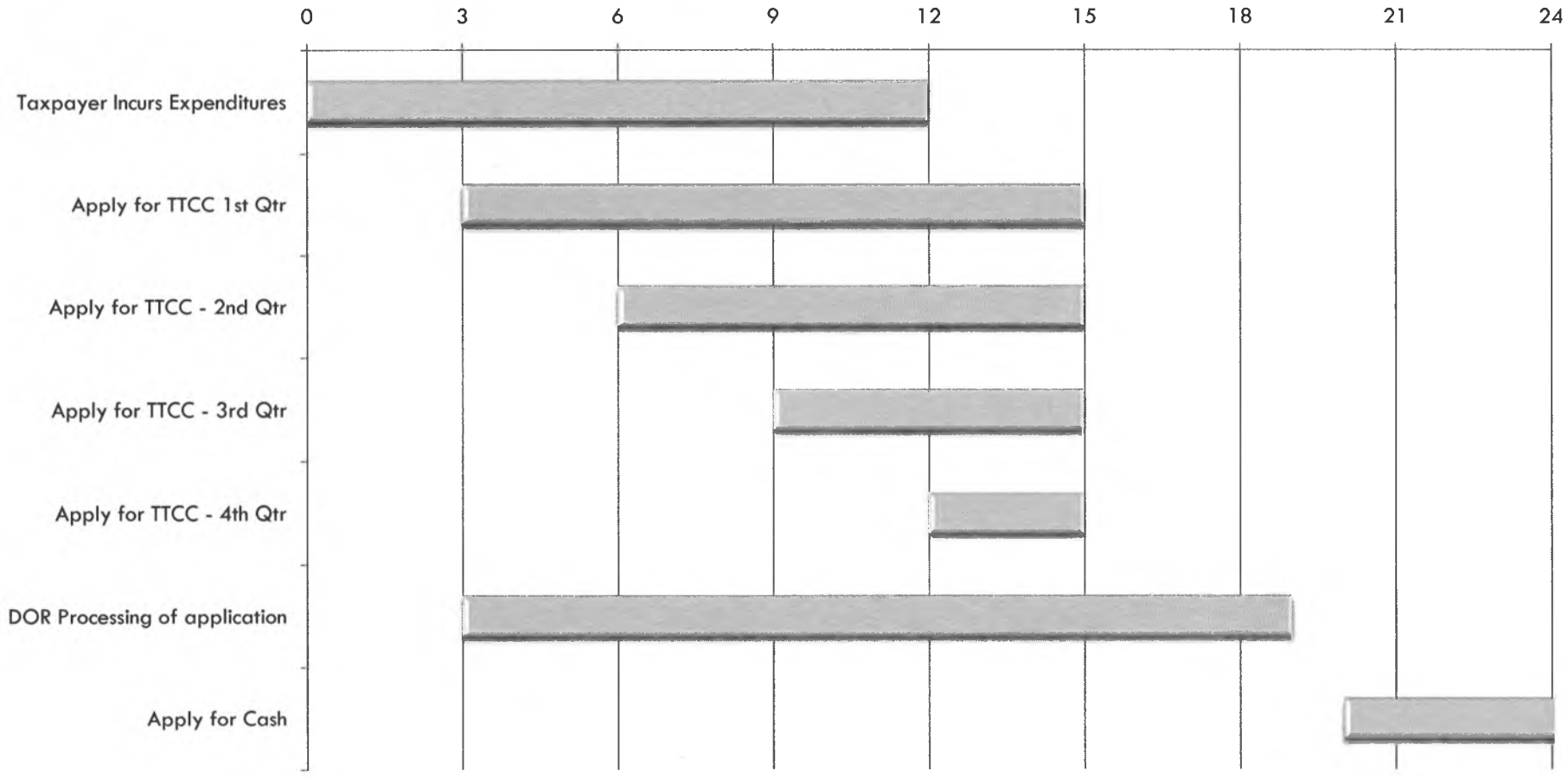


* Estimated pending final true-up of 2010 tax filing and estimated capital spending for FY 2011.

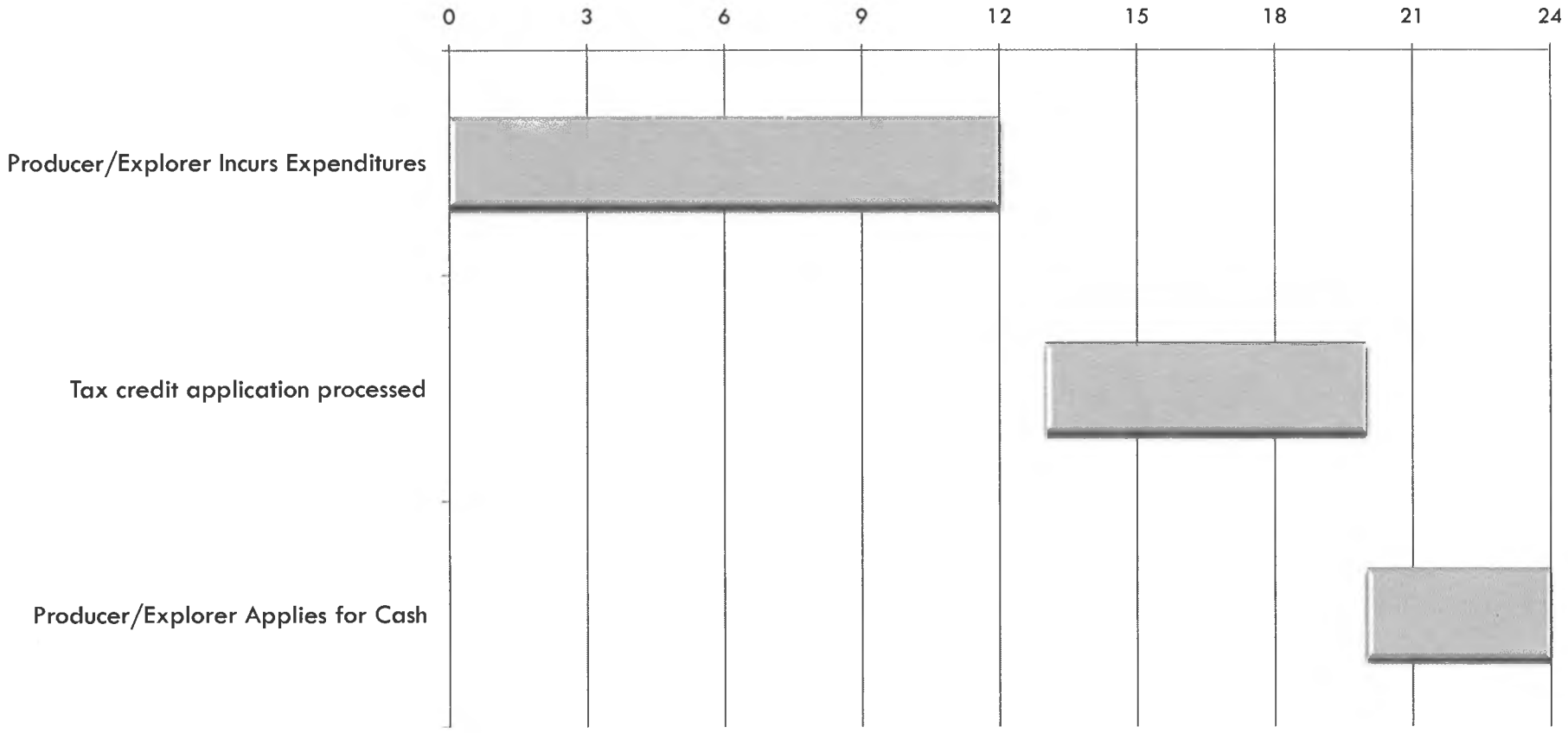
Overview

- Types of Production Tax Credits
- Credits Applied Against Production Tax Liability
- **Transferable Tax Credit Certificates**
- Cash Refunds History

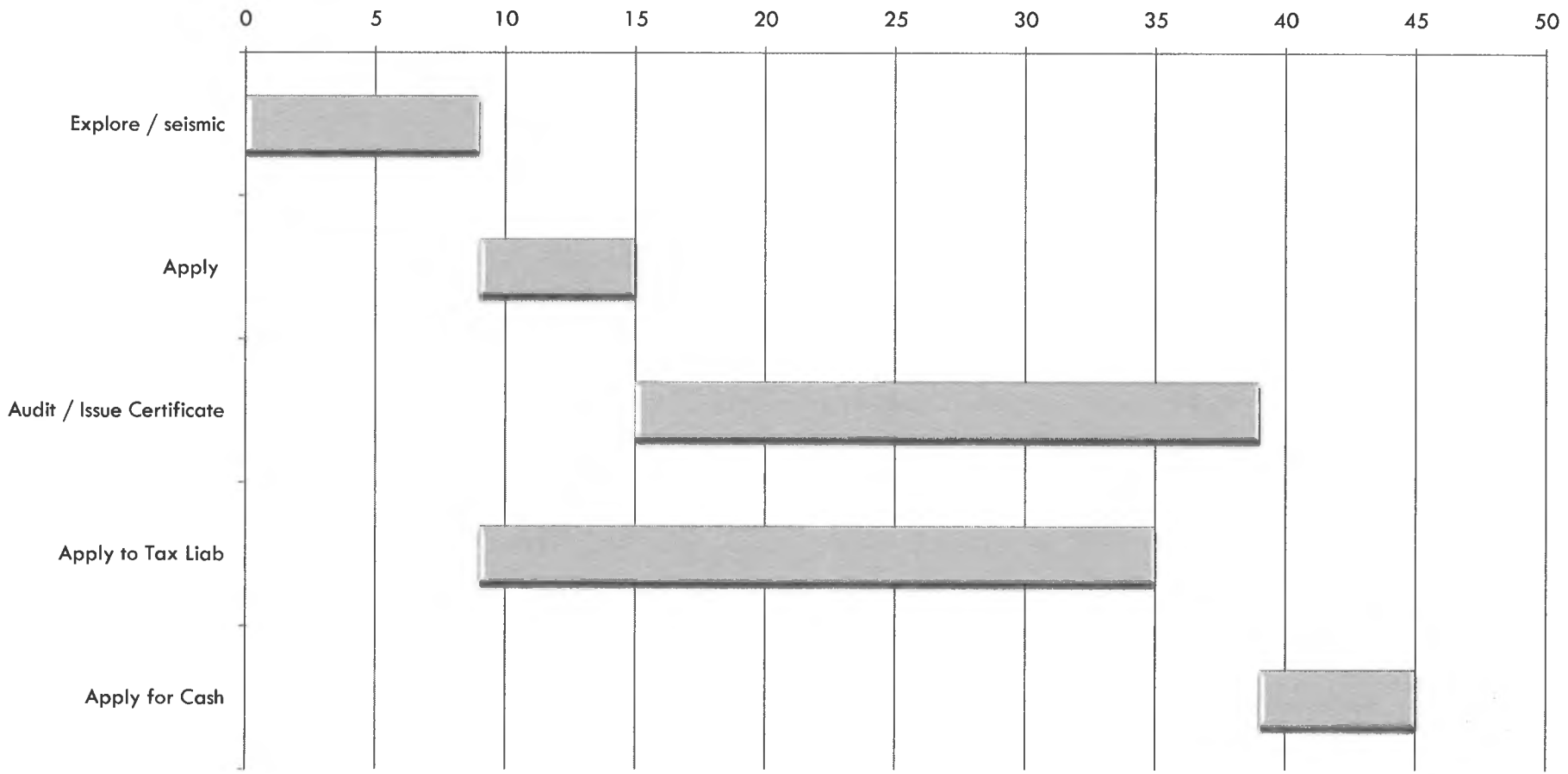
Timeline for processing of Transferable Credit under AS 43.55.023 (a)



Timeline for processing a Transferable Tax Credit Certificate under AS 43.55.023(b)



Timeline for Application for AS 43.55.025 Alternative Credit for Oil and Gas Exploration



Transferable Tax Credit Certificates

Companies may also claim tax credits by applying for a Transferable Tax Credit Certificate (TTCC)

- Available to companies (explorers) with no tax liability to which credits can be applied
- Tax Credit Certificates under 43.55.023(a) and (b) must be split or applied over two years (except credits issued for expenditures incurred south of 68 degrees North latitude effective July 1, 2010)
- May be transferred to another taxpayer or cashed with the state

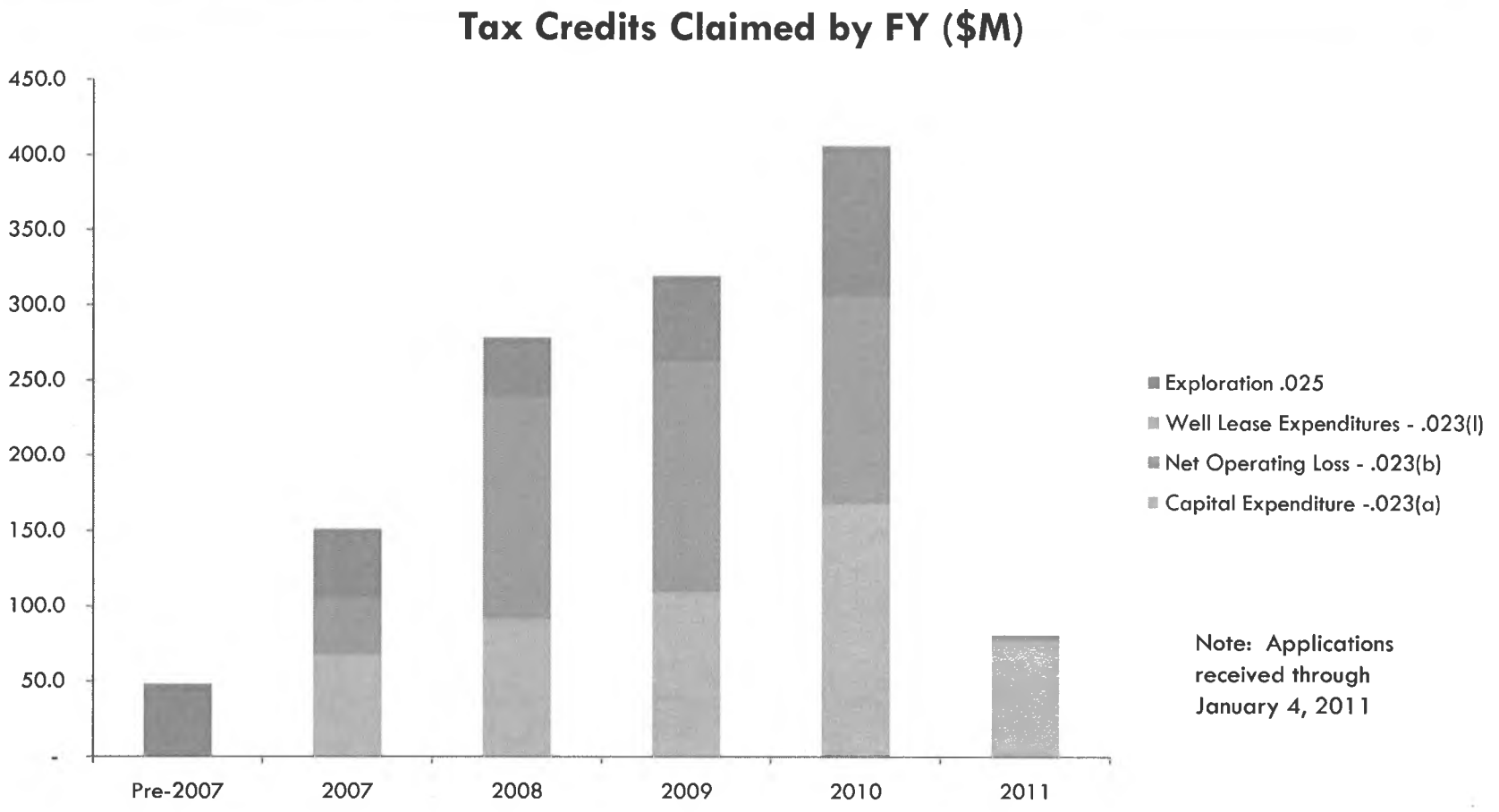
Production Tax Credits Under AS 43.55 Claimed by FY ($M)

Credit Type	Pre-2007	2007	2008	2009	2010	2011*	Total
Capital Expenditure - .023(a)		68.2	91.7	109.6	168.0	72.8	510.3
Net Operating Loss .023(b)		38.1	148.5	153.5	138.7	.2	479.0
Well Lease Expenditure - .023(l)						5.8	5.8
Exploration -.025	48.3	44.9	38.5	56.6	99.5	2.4	290.2
Total	48.3	151.3	278.6	319.7	406.2	81.3	1285.3

requested not granted

* Applications received through January 4, 2011.

Transferable Tax Credit Certificates



Transferable Tax Credit Certificate Activity by Fiscal Year ($M)

	Pre-2007	2007	2008	2009	2010	2011*	Total
Issued	16.2	99.9	130.8	308.2	361.3	191.5	1,107.9
Refunded		(54.6)	(54.1)	(193.1)	(250.5)	(299.3)	(851.6)
Transferred/ Applied to Taxes	(12.3)	(40.0)	(46.6)	(20.0)	(1.2)	(62.7)	(182.8)
Activity by year	3.9	5.2	30.1	95.1	109.6	(170.4)	
Transferable Tax Credit Certificates Outstanding	3.9	9.1	39.2	134.2	243.9	73.4	73.4

*Payment activity through February 4, 2011.

Overview

- Types of Production Tax Credits
- Credits Applied Against Production Tax Liability
- Transferable Tax Credit Certificates (TTCC)
- Cash Refunds History

Cash Refunds History

Cash Refunds Governed by AS 43.55.028:

- To cash must be usable against tax liability
- Must show subsequent (24 months) QCEs or lease bids equal to cash sought (repealed in 2010)
- Have a zero tax owed in current and past years
- Have no more than 50,000 BOE/d

Cash Refunds History

Tax Credits Purchased

By fiscal year ($M)

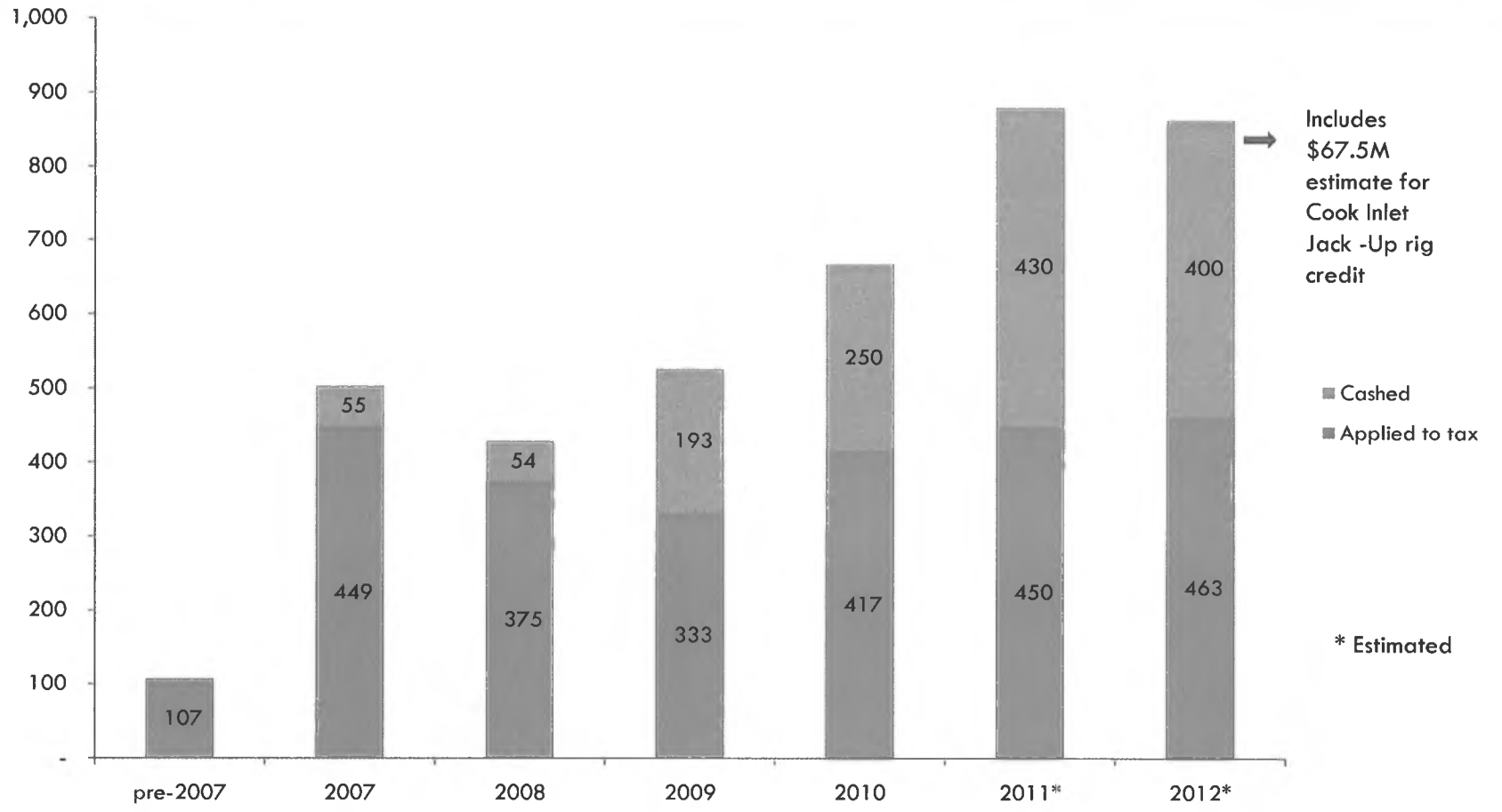
2007	$ 54.6
2008	54.1
2009	193.1
2010	250.5
2011 (thru 02/04/11)	299.3
TOTAL	$851.6

Cash Refunds History

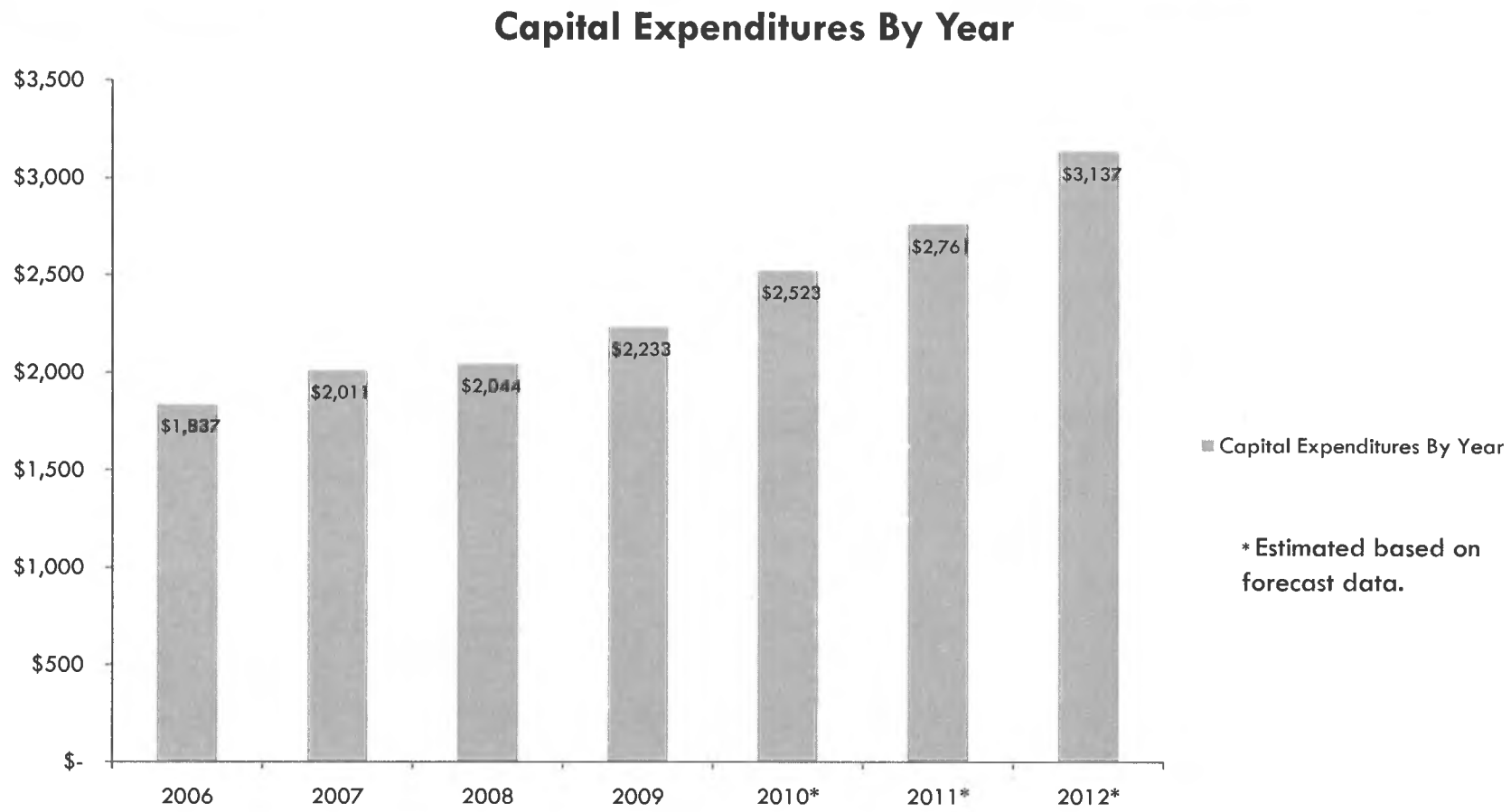
Oil & Gas Tax Credit Fund

Appropriations -	$ 904	M
Tax Credit Purchases (TC Fund)	(772)	M
Tax Credit Purchases (GF)	(79)	M
Interest Earned	22	M
Balance	$ 75	M

Impact of Production Tax Credits
Total State Stimulus



Capital Expenditures by Year ($M)



State of Alaska
Department of Revenue

Commissioner Bryan Butcher

SEAN PARNELL, GOVERNOR
333 Willoughby Avenue, 11th Floor
P.O. Box 110400
Juneau, Alaska 99811-0400
Phone: (907) 465-2300
Fax: (907) 465-2389

The Honorable Lyman Hoffman
The Honorable Bert Stedman
Co-Chairs, Senate Finance Committee
Alaska State Senate
Juneau, Alaska 99801

February 8, 2011

SUBJECT: Response to Questions asked of the Department of Revenue at the January 25, 2011 forecast overview in the Senate Finance Committee

Dear Senators Hoffman and Stedman:

The purpose of this document is to respond to several questions that were asked of the Department of Revenue during the department's overview of the Fall 2010 revenue forecast before the Senate Finance Committee on January 25, 2011. The questions are organized into five categories below: general questions, production questions, price questions, lease expenditure questions, and credits questions. The questions posed at the hearing and the answers to those questions follow.

GENERAL QUESTIONS:

The committee requested information about the status of the Chief Economist position, and a summary of our recruiting attempts.

The Chief Economist position has been vacant since March 2008. The department has recruited for the Chief Economist position five times since 2008 without a successful hire. We have experienced difficulty attracting applicants with the desired qualifications at the salary range offered.

- An Alaska-only recruitment at a Range 24 which ended in April 2008, resulted in four applicants; only one applicant met minimum qualifications, one interviewed and that individual withdrew their application.
- A national recruitment at a Range 26 which ended in February 2009, resulted in one applicant who did not meet the minimum qualifications.
- A national recruitment at a Range 26 which ended in April 2009, resulted in eight applicants; four met the minimum qualifications; four interviewed, the successful candidate declined the job offer.

- A national recruitment at a Range 26 which ended in October 2009, resulted in eight applicants; one barely met the minimum qualifications; one interviewed, an applicant not selected.
- A national recruitment at a Range 26 which ended in April 2010, resulted in eight applicants; none of the applicants met the minimum qualifications.

PRODUCTION QUESTIONS:

(1) The committee requested information about the status of the Liberty project and how this relates to our production forecast.

The Anchorage Daily News reported on December 1, 2010 that construction of the drilling rig at the Liberty project is being temporarily suspended to review certain systems including power, mud control, ventilation, and safety systems. A further article in the Anchorage Daily News on February 1, 2011 stated that BP is now expecting to begin production at Liberty in 2013. In the department's Fall 2010 revenue forecast, Liberty is forecast to begin production in FY 2012, with peak production of about 39,000 barrels per day in FY 2013. The department will revisit the timing of the Liberty development for the next revenue forecast. Also, it is important to note that the Liberty field is located in federal waters, not in state waters. Therefore, although delays at Liberty affect production, pipeline throughput, and employment, the impact on state revenue is much smaller than if the field were on state land and subject to production taxes and state royalties.

(2) The committee requested information about the life cycle of a typical oil basin and how Alaska compares.

A production profile typical for an oil basin in general is represented by a period of production growth, followed by a production peak, and then a long period of declining production. Oil production in Alaska peaked in FY 1988 and has declined at an average rate of about 5% annually since. Over the last 10 years, the decline rate was about 4.2% and the department forecast is for an average decline rate of about 3.2% annually through FY 2030.

Comparing Alaska's oil production profile to other oil basins is a complicated task that would require an in-depth analysis of each oil basin, including technical and geological analysis and the timing of new field developments. However, Alaska's rate of production decline does not appear to be unusual for a mature oil basin. According to data from the Energy Information Administration (EIA), oil production in the United Kingdom has declined at an average rate of 6.6% annually from the peak in 1999 through 2009. Oil production in Norway has declined at an average rate of 4.6% from its peak in 2001 through 2009, also according to the EIA.

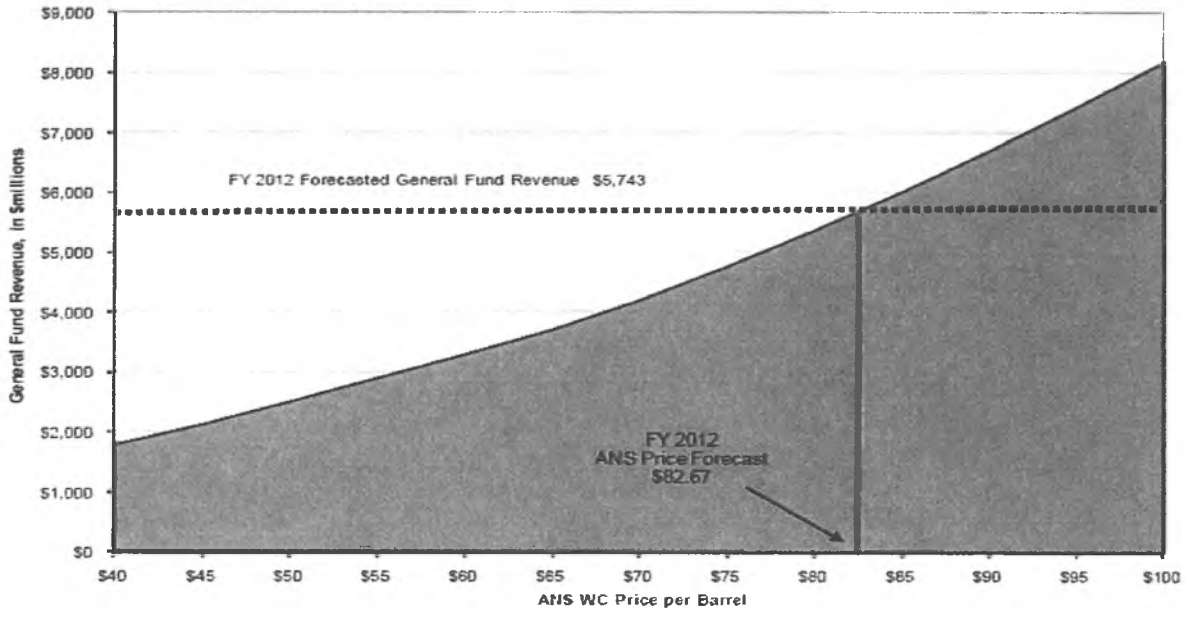
A study recently published in the "Energy Policy" journal examined oil production declines in Norway.[1] The authors found that production from "giant" oil fields in Norway declined at an average rate of 13% annually, and for smaller "dwarf" oil fields the average decline was 21% per year. With double-digit decline rates expected for individual fields, new and incremental production is an important component of achieving a single-digit decline rate or stable production.

PRICE QUESTIONS:

The committee requested information about high and low price forecast scenarios and how those prices would affect revenue forecasts.

The department prepared an analysis of revenues across a range of oil prices and published this information in Appendix A-2 of the Fall 2010 Revenue Sources Book for FY 2011-FY 2013. The matrices provided allow the reader to estimate what General Fund Unrestricted Revenue might be under oil prices that are higher (or lower) than the department's official price forecast. The figure below shows a graphical representation of FY 2012 revenues across a range of ANS prices. For example, at the department's ANS price forecast of $82.67 per barrel, unrestricted revenue is forecast to be approximately $5.7 billion. If prices instead averaged $100 per barrel, unrestricted revenue could be about $8.2 billion. On the other hand if prices averaged $65 per barrel, expected unrestricted revenue would be about $3.7 billion.

FY 2012 General Fund Unrestricted Revenue, with Price Sensitivity



[1] Mikael Hook, Kjell Aleklett, A decline rate study of Norwegian oil production, Energy Policy, Volume 36, Issue 11, November 2008. (http://www.sciencedirect.com/science/article/B6V2W-4TF69H9-3/2/4bbba298f1d70b29e0b82b1a0f2876d4)

LEASE EXPENDITURE QUESTIONS:

(1) The committee requested information about historical operating expenditures, with and without the "standard deduction."

The department has been in consultation with the Department of Law regarding the disclosure of this information. We will report back to the committee on this issue once we have a determination from the Department of Law.

(2) The committee requested information about the share of oil company capital expenditures attributable to various types of activity such as new exploration, developing new production, and capital required to maintain existing operations. The committee was specifically interested in details of the forecasted $400 million increase in capital spending between FY 2011 and FY 2012.

The increase in capital spending forecasted for FY 2012 is based on company-reported expenditure projections as of the Fall 2010 forecast. A review of the expenditure projections shows that a majority of the increase in capital expenditures is anticipated to occur in currently producing units.

The department does not require operators to provide information about the specific uses of their projected capital expenditures, but some operators do provide that information for certain units. Also, the Production Tax Audit section of the department receives some specific information about historical capital spending as part of their auditing of capital expenditures that are claimed on tax returns. The department has been in consultation with the Department of Law regarding the disclosure of this information. We will report back to the committee on this issue once we have a determination from the Department of Law.

(3) The committee requested information about lease expenditures specific to the Point Thomson Unit, including labor expenses and credits generated.

The table below shows lease expenditure information for the Point Thomson Unit for fiscal years FY 2008 - FY 2010. Credits for qualified capital expenditures at the Point Thomson Unit are also shown, calculated as 20% of the qualified capital expenditure total. We could not show labor expenses at Point Thomson, as those have not been separately reported.

Point Thomson Unit Lease Expenditures and Credits* (in millions)

	FY 2008	FY 2009	FY 2010
Qualified Capital Expenditures	$27.9	$152.0	$419.0
Total Lease Expenditures	$29.0	$157.6	$420.0
Capital Credits (calculated)	$5.6	$30.4	$83.8

*NOTES:
Lease expenditures shown are before exclusions and are from company reported data restated to accommodate a fiscal year format.
Capital credits are calculated based on 20% of qualified capital expenditures shown above.

(4) The committee requested lease expenditure information for three units: Prudhoe Bay, Kuparuk, and Colville River (Alpine).

The table below presents lease expenditure information for Prudhoe Bay and Kuparuk units for fiscal years FY 2008- FY 2010. Colville River Unit information cannot be reported separately due to confidentiality constraints.

Total Company Reported Lease Expenditures for Prudhoe Bay and Kuparuk, FY 2008- FY 2010

	Prudhoe Bay Unit		Kuparuk Unit	
	Qualified Capital Expenditures	Total Lease Expenditures	Qualified Capital Expenditures	Total Lease Expenditures
FY 2008	$ 685	$ 1,620	$ 422	$ 854
FY 2009	$ 766	$ 1,728	$ 337	$ 779
FY 2010	$ 639	$ 1,828	$ 277	$ 732

Amounts shown are in $ Millions
Expenditures are shown before exclusions.
Total expenditures include the "standard deduction" per AS 43.55.890 through December 31, 2009
Expenditures are reported as annual expenditures and restated as fiscal year estimates.
Source: Company reported information from monthly information forms and annual tax returns.

CREDITS QUESTIONS:

The committee asked several questions relating to production tax credits.

A representative of the department is planning to be available the week of February 7 to meet with the committee and address credit-related questions.

Sincerely,

Bruce Tangeman
Deputy Commissioner

2/16/11 FOLLOW-UP TO PRESENTATION ON UNIVERSITY OF ALASKA FY12 BUDGET

<TARGET><BILL></BILL><SUBJECT>2-16-11 FOLLOW-UP TO PRESENTATION ON UNIVERSITY OF ALASKA FY12 BUDGET</SUBJECT><COMM>SFIN27</COMM></TARGET>

Michelle Rizk, Associate Vice President
(907) 450-8187 ph
(907) 450-8181 fax
michelle.rizk@alaska.edu

UNIVERSITY of ALASKA
Many Traditions One Alaska

Budget
PO BOX 755260
910 Yukon Drive Ste. 108
Fairbanks, AK 99775-5260

March 1, 2011

Senator Hoffman,

Below are some additional responses and attachments to the questions you had from the February 16th subcommittee meeting. I am still working on responses to the other questions.

1) Retention rate of degree seeking students at community campuses and students enrolled in high demand job area degree programs-Attached is an information sheet.

2) From page 26 of the Fischer Report: **"In FY 2009, the System spent $78.4 million on items labeled as technology; this was eleven percent of the System's total expenditures and represented a 93 percent increase since FY 1999."**

a. *The Fischer report asks about the effectiveness of this spending throughout the University system-what is the University System doing to get a better understanding of how effective technology spending is?*

The University of Alaska has been tracking total IT spend across the UA system and by MAU yearly since 1999. That information is distributed to the campuses for review and planning purposes. In the time period from 199 to 2009 while total technology spend across the UA system changed by 93.3%, total UA system spend changed by 92.5%.

In 1999 tech spend was 11% of total UA spend. In 2009 total tech spend was 11% of total UA spend. During that decade % of tech spend to total UA spend never went above 11%. Total tech spend for the UA system is on the high end of other university systems across the nation but not out of range. In Alaska telecommunications costs are significantly higher than other states.

3) Bottlenecks in accessing bandwidth in Sitka-The Sitka campus did experience a recent network outage that was due to an outage by the carrier under contract to the university (AT&T). The carrier's back-up did not work appropriately causing a longer outage than usual. The university has worked with the carrier and the situation has been addressed for future similar situations. All of this was done keeping the Sitka campus director in the communications loop.

4) Assignable space- Of the assignable space used for academic/administrative support and instruction, 76% is assigned to instruction and 24% is assigned to support. However, as e-Learning becomes more common, (34% of students are taking a least one class via e-Learning), and students are able receive instruction in places other than classrooms, i.e. dorms, the type of space considered as instruction should be re-evaluated.

5) According to the Association of University Technology Managers 2009 Survey, federally funded research at Universities led to the creation of 596 new companies, 658 new products and 12,109 patent applications. Universities also received $2.3 billion in licensing revenue from previous technology commercialization.

a. How much revenue does the University system receive from licensing revenue?

UAF has less than $20k per year in licensing/copyright/trademark revenues. At the moment, our accounting combines licensing with copyright revenue so separating those two, licensing is probably on the order of $10k per year. Increasing licensing revenue will be a focus of the newly formed Office of Intellectual Property and Commercialization at UAF.

b. How does the University compare to its peers in terms of technology commercialization?

The Office of Intellectual Property and Commercialization was formed in October so we have a lot of opportunities in this area.

c. Is there a strategic plan to improve technology commercialization and innovation at the UA system?

Technology commercialization and innovation will be part of the strategic planning effort the University of Alaska currently has underway.

6) Looking at the University's Blue Book, page 53, spending by the system is broken out by National Center for Higher Education Management Systems (NCHEMS) categories.

a. *In FY10 $210,076,000 was spent on instruction and $116,814,300 was spent on (institutional support) executive administration with another $42,365,600 on academic administration (academic support).*

i. *Can you comment on the level of administrative overhead throughout the University system?*

The definitions of each of these categories according to NCHEMS are below.

Academic Support: The academic support category includes expenditures related to academic administration and governance to the institution's academic programs; academic program advising; course and curriculum planning, research, development and evaluation, including faculty development; and academic computing, including regional academic mainframes and the student micro-computer labs.

Instruction: The instruction service category includes expenditures for all activities, which are part of the system's instruction programs. Instructional services include all credit and non-credit courses for academic and vocational instruction.

Institutional Support: The institutional support category includes expenditures related to executive services including the office of the President, chancellors' offices, and other institutional support functions including business offices, accounting, budget development, EEO/AA, educational properties management, facilities planning and construction, finance,

Michelle Rizk, Associate Vice President
(907) 450-8187 ph
(907) 450-8181 fax
michelle.rizk@alaska.edu



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of ALASKA
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Budget
PO BOX 755260
910 Yukon Drive Ste. 108
Fairbanks, AK 99775-5260

human resources, information services, institutional research, internal audit, investment properties management, legal counsel, payroll, procurement, records, risk and hazardous materials management, systems maintenance, university relations and support for the assemblies and the Board of Regents.

ii. *This looks like the University spends at least $1 on administration for every $2 in instruction?*

The University allocates as much funding into instruction as possible while maintaining a reliable infrastructure to deliver the programs and meets its mission statement of "*The University of Alaska inspires learning, and advances and disseminates knowledge through teaching, research, and public service, emphasizing the North and its diverse peoples."*

Please let me know if you have any additional questions.

Sincerely,

Michelle Rizk

Gwendolyn White, Associate VP
(907) 450-8190
(907) 450-8181 fax
gwen.white@poc.alaska.edu

UNIVERSITY of ALASKA
Many Traditions One Alaska

SW Planning & Institutional Research
PO BOX 755260
910 Yukon Drive Ste. 108
Fairbanks, AK 99775-5260

March 1, 2011

Office of Senator Lyman Hoffman
State Capitol Room 518
Juneau AK, 99801

Senator Hoffman:

Thank you for your recent request for information about the retention rate of degree seeking students at University of Alaska community campuses, and students enrolled in High Demand Job Area degree programs. I am pleased to provide the following information in response to your interest in this area.

Virtually all community campus first-time freshmen in fall 2009 were seeking a two-year degree or certificate, and roughly 40 percent of these students attended part-time. The tables below provide a summary of the number of first time freshmen who started at a community campus in fall 2009 and the proportion who returned anywhere in the university system in fall 2010, as well as the retention rates for the subset of students starting in a high demand job area program at a community campus in fall 2009.

University of Alaska
First-Time Freshmen Retention
Full-Time and Part-Time Students Starting At a Community Campus

		Starting Cohort Fall 2009	Percent Retained Fall 2010	High Demand Area	Starting Cohort Fall 2009	Percent Retained Fall 2010
UAA						
	Kenai	139	54.7%	Business, Finance & Mgmt	65	50.8%
	Kodiak	19	31.6%	Construction	10	50.0%
	Mat-Su	219	56.2%	Engineering	15	60.0%
	PWSCC	34	17.6%	Health	77	42.9%
UAF				Information Technology	30	60.0%
	Bristol Bay	7	28.6%	Natural Resources	1	0.0%
	Interior-Aleutians	10	30.0%	Process Technology	60	53.3%
	Kuskokwim	17	29.4%	Teacher Education	11	54.5%
	Northwest	1	0.0%	Transportation	38	26.3%
	UAF CTC	240	48.8%	Grand Total - High Demand	146	47.6%
UAS						
	Ketchikan	28	42.9%			
	Sitka	12	50.0%			
Grand Total		726	48.2%			

Source : Data supplied by MAUs via UA Information Systems: UA Decision Support Database compiled from Banner SI Opening Extracts 2009-2010
Compiled by Statewide Planning and Institutional Research.

National retention rates for other, similar community colleges in the U.S. range from about 38 percent for part-time students to about 55 percent for full-time students[1]. For UA community campuses, note small starting cohort sizes can greatly impact the variability of year-to-year retention.

Sincerely,

Gwendolyn White

[1] *A National Study of Community College Retention Rates Segmented by Institutional Degree of Urbanization*, available online at:
http://www.academicleadership.org/article/a-national-study-of-community-college-retention-rates-segmented-by-institutional-degree-of-urbanization

2/23/11 OVERVIEW: STATEWIDE PORT AND HARBOR PROJECTS, PORT OF ANCHORAGE

<TARGET><BILL></BILL><SUBJECT>2-23-11 OVERVIEW STATEWIDE PORT AND HARBOR PROJECTS, PORT OF ANCHORAGE</SUBJECT><COMM>SFIN27</COMM></TARGET>









PORT OF ANCHORAGE

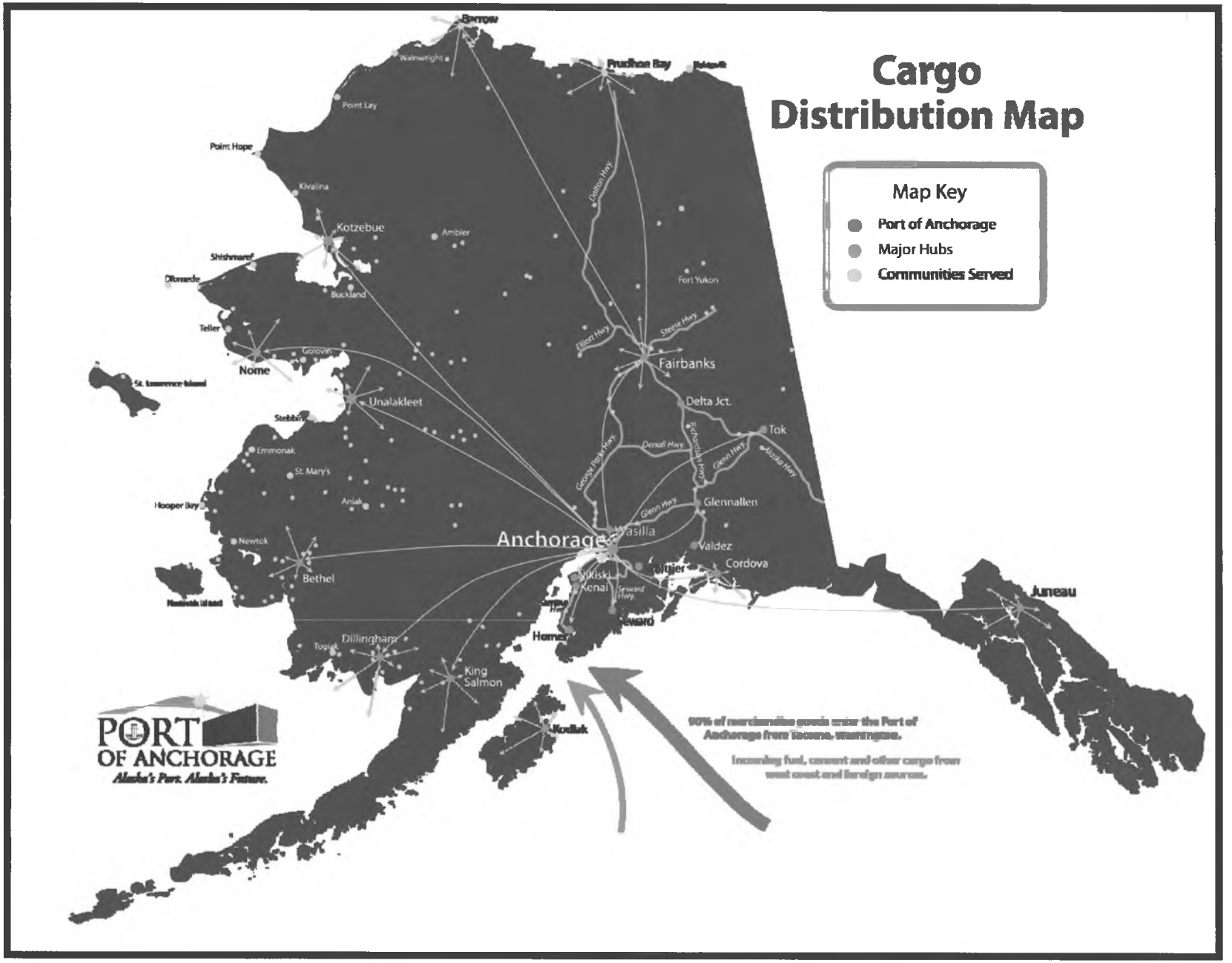
Senate Finance Committee

Wednesday, February 23, 2011








Cargo
Distribution Map
Map Key
Port of Anchorage
Major Hubs
Communities Served
Barrow
Prudhoe Bay
Walnwright
Point Lay
Point Hope
Kivalina
Kotzebue
Ambler
Shishmaref
Diomede
Buckland
Teller
Nome
Golovin
St. Lawrence Island
Unalakleet
Stebbins
Emmonak
St. Mary's
Hooper Bay
Aniak
Newtok
Bethel
Nunivak Island
Dillingham
Togiak
King Salmon
Kodiak
Homer
Seward
Nikiski
Kenai
Seward Hwy.
Anchorage
Wasilla
Glennallen
Valdez
Cordova
Glenn Hwy.
Denali Hwy.
Richardson Hwy.
George Parks Hwy.
Alaska Hwy.
Delta Jct.
Tok
Fairbanks
Elliott Hwy.
Steese Hwy.
Fort Yukon
Dalton Hwy.
Juneau
PORT
OF ANCHORAGE
Alaska's Port. Alaska's Future.
90% of merchandise goods enter the Port of Anchorage from Tacoma, Washington.
Incoming fuel, cement and other cargo from west coast and foreign sources.

Cargo at a glance:

- **120,000 containers annually**
  - 90% of merchandise goods for the Railbelt and interior Alaska
  - 100 million pounds of by pass mail items
  - Serving more than 250 villages in rural Alaska
  - 90% of new automobiles
  - 80% of the cement for concrete along road system
- **11 million barrels of fuel annually**
  - 2/3 of the jet fuel for Ted Stevens Anchorage International Airport
  - 100% of the jet fuel for Elmendorf Air Force Base
  - 90% of fuel used by vehicles, water craft and general aviation in the Railbelt
  - 2/3^{r} of all fuel used by the military in Alaska
  - 100% of the Aviation Gasoline used in Alaska (including Southeast!)
- 1.7 million barrels of fuel are shipped from POA to rural Alaska.

PORT OF ANCHORAGE

Military Support

- Designated by the **Department of Defense** as a **Nationally Strategic Seaport.** Only 19 ports in the nation have this designation.



- What makes the POA strategically important to the Armed Forces?
  - -Connected with secure access to two major military bases
  - -Facilities open year-round
  - -Existing & efficient connection to the state's transportation infrastructure via rail, road and proximity to the airport (TSAIA)
- Supported over **20 deployments** since 2005 including Stryker Brigade deployments to Iraq and Afghanistan.
- Over **18,000** pieces of equipment and cargo have moved through the POA since 2005



- The POA provides essential fuel supplies, vehicles and almost all of the goods on a daily basis from the commissary to office supplies.
- In a 2009 letter to U.S. Secretary of Transportation, U.S. Senator Daniel Inouye wrote:

"For example, the Port of Anchorage is vital to our national defense…the Port is essential in serving the thousands of Army and Air Force personnel, that call Alaska home. Without the Port of Anchorage, these key military bases would be out of business." (April 28, 2009)

PORT OF ANCHORAGE

Revenue & Operating Projections

(in Millions)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	$13.0	$13.6	$15.4	$15.5	$16.5	$16.8	$16.9	$17.3	$17.4	$17.8	$18.9
Expenses	$11.8	$12.0	$12.0	$14.3	$14.5	$14.4	$14.6	$14.7	$14.8	$15.6	$15.9
Projected Net Income	$1.2	$1.6	$3.3	$1.1	$2.0	$2.4	$2.4	$2.7	$2.6	$2.2	$3.0
Plus Depreciation	$4.6	$4.7	$4.7	$7.0	$7.1	$7.2	$7.3	$7.3	$7.4	$7.5	$7.6
Projected Cash Flow	**$5.8**	**$6.3**	**$8.1**	**$8.1**	**$9.2**	**$9.6**	**$9.6**	**$10.0**	**$10.0**	**$9.7**	**$10.6**

Project History



1999 The Port's 10-year Master Plan recommends an expansion program to meet future needs

2003 The Port partners with the U.S. Maritime Administration (MARAD) to implement the program.

2005 The Port and MARAD select the preferred alternative (current project design) and begin the permitting process.

2006 Terminal Road Rail Extension and Coast Guard floating dock completed.

2007 The project receives final permits.

2008 North and South Backlands filled and Port/Tidewater Rd. improvements completed.

2009 Dry Barge Berth bulkhead and mooring complete.

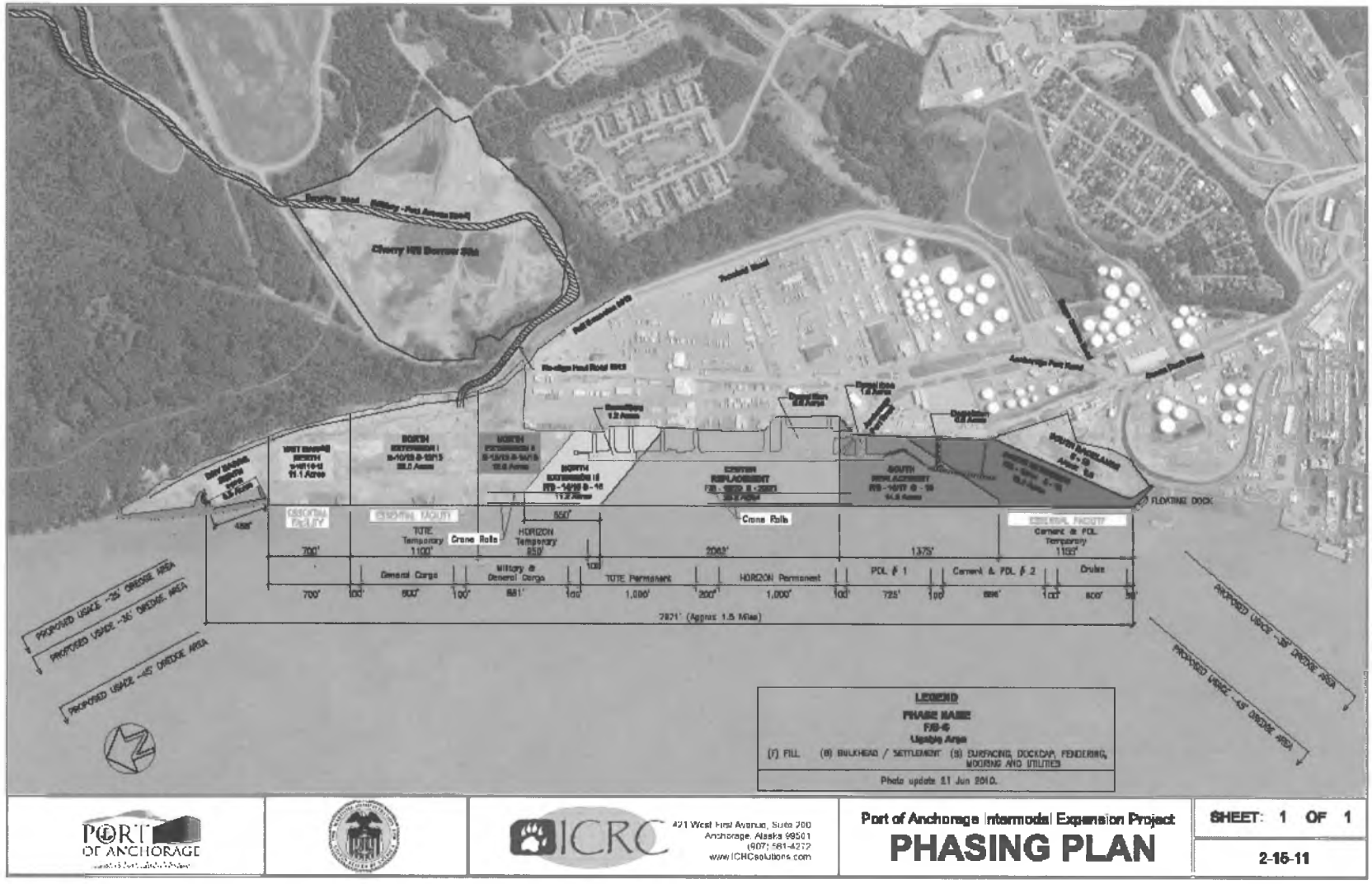
PORT OF ANCHORAGE

Intermodal Expansion Project



PORT OF ANCHORAGE

Phasing Plan



PORT OF ANCHORAGE

ICRC 421 West First Avenue, Suite 200 Anchorage, Alaska 99501 (907) 561-4272 www.ICRCsolutions.com

Port of Anchorage Intermodal Expansion Project

PHASING PLAN

SHEET: 1 OF 1

2-15-11

Employment & Payroll

Regular Operations:

- $50 million aggregate annual payroll from Port Stakeholders
- Ship days over 3,600 vehicles moving through port
- Non-ship days over 600 vehicles

Expansion Project:

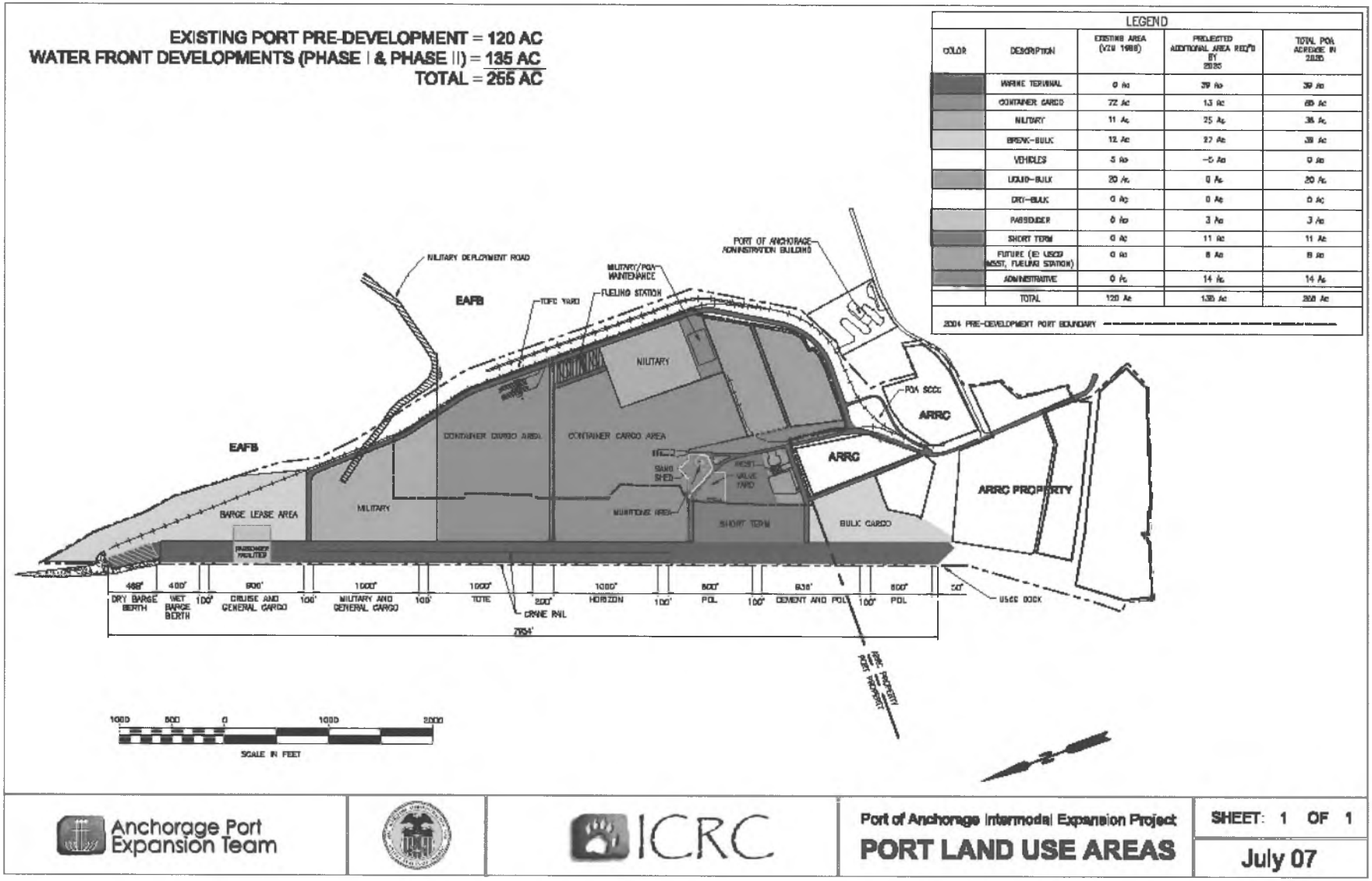
- Employs 450-500 people annually
- $20 million annual payroll
- Generated over 700,000 man hours in 2009
- Over 200 companies involved in project from 2005 - 2009

Companies involved in Expansion Project

A G Street
ACS
Airgas
AK Trucking
AK Stormwater
Alaska Crane
Alaska Interstate Construction (AIC)
Alaska Divers
Alaska Divers PAM
Alaska Land Clearing
Alaska Native Technologies, LLC
Alaska Pure Water
Alaska Pacific University
Alaska Soils Recycling
Alaska Structural Inspections, LLC
Arctic Slope Regional Corporation
Arctic Slope Consulting Group
Alaska Testlab
Benson Trucking
Bratslavsky Consulting Engineers
Buzdor
C2HMHill
Clarus Technologies
CMI Equipment
CQC
Coalaska
Coffman Engineers
Cook Inlet Tug & Barge
Crowley Marine
Damco
Discovery Drilling
Denali Drilling
D&L Construction
DNL
Dutra
Dowl HKM
Enstar
Epperson
Global Divers
GeoEngineers, Inc.
Golder Associates
Granite Construction
Great Northern Engineering
Gregg Drilling
Hughes & Associates
ICRC
Inlet Petroleum
IM Systems Group, Inc.
Isaacs Pumping Service
Industrial X-ray
Koonce Pfeffer Bettis
Kumin Associates, Inc.
Lantech
Larson Consulting Group
LB Foster
LGL
McClintock Land Associates
McClure Engineering
MKB Constructors, Inc.
MLP
NC Janitorial
NC Machinery
North Star
Northern Geo
North Wind
Pentec Environmental
PND Engineers, Inc.
Premier Surveys
Pruhs Corporation
QA Services
QAP
RSA
Sandstorm
Shaw GBB LLC
Shannon & Wilson
Sixty-One North
Smith Emery Co.
Stephen Braund & Associates Inc.
STG
Swalling Construction Co.
Tec, Inc.
TC Excavating
TDS Tires
Temple Inc.
Terracon Consulting
TerraSond
Test America
Tryk Nyman Hayes, Inc.
Tutka, LLC
TWA
TNH
USKH, Inc.
URS Corporation
Udelhoven
United Rentals
West Construction
Wilder Construction
WH Pacific
World Equipment

(This is not a comprehensive listing.)

Land Use



PORT OF ANCHORAGE

Port Expansion Team

Federal Lead Agency

MARAD

US DOT Maritime Administration

•Responsibilities include contracting authority, oversight and quality assurance and managing funding.

Project Owner

Port of Anchorage

Municipality of Anchorage

•Responsibilities include securing funding and coordinating the construction phasing to fit the port's needs.

Project Manager

ICRC

Integrated Concepts & Research Corps.

•Responsibilities include development, project management, design, construction and permitting.

Design & Construction Subcontractors

PORT OF ANCHORAGE

Funding

The expansion project is funded through a combination of port revenues, state and federal funds.

-$279 million received to date:

Federal Funds	$138.7 million
State Funds	$ 91.3 million
Port of Anchorage Funds	$ 49.1 million

- The Port of Anchorage covers all of its own operational costs and puts all of the additional revenue, $4 - $5 million annually, towards the expansion project.
- The Port also qualifies for a $75 million line of credit.

PORT OF ANCHORAGE

State Funds Received to Date

Year	Amount	Bill
2002	$5,853,658	SB 29
2004	$436,505	SB 283
2005	$10,000,000	SB 46
2006	$10,000,000	SB 231
2008	$15,000,000	SB 221
2008	$10,000,000	SB 221
2009	$10,000,000	SB 75
2009	$10,000,000	SB 75
2010	$20,000,000	SB 230
Total	$91,290,164	

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Federal Funds Received

FY	DoD	FHWA	FTA	SDDC
2002	-	$9,568,421	$2,832,968	
2003	$4,850,000	$590,500	$2,862,505	
2004	$4,850,000	$1,371,058	$5,181,803	
2005	$4,850,000 $7,153,750	$4,149,039 $580,545	-	
2006	$8,245,000	$4,179,613 $1,169,645	$5,577,500	
2007	$9,700,000	$1,562,916 $4,467,940	$5,820,000	$1,957
2008	$10,804,618	$1,568,490 $4,483,847	$6,305,000	
2009	$10,000,000	$2,463,192 $6,466,443	$6,547,500	
2010	-	-	$472,390	
Total:	**$60,453,368**	**$42,621,649**	**$35,599,666**	**$1,957**
Total Federal Funds: $138,676,640				

Funds Expended on Project

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	**Total**
(Millions)	-	$6.6	$18.3	$19.6	$10.5	$43.7	$63.3	$63.4	$39.6	**$265**

- Baseline site assessment, scientific studies, permitting & environmental impact assessments
- Instituted environmental impact avoidance, minimization, and/or mitigation measures
- Over-water Geotechnical Program:
  -sampling, analyses, sesmicity studies, design enhancements, and optimized dredging specs
- Hydrologic & hydraulic modeling for harbor sedimentation and icing studies
- Geotechnical Analysis: Borings, Analysis, Design Changes
- Extracted, tested, sorted, transported and placed structural fill to create 70 acres of useable new land
- Completed dry barge berth bulkhead fendering and mooring
- Constructed 5 mile haul connecting POA to Joint Base Elmendorf Richardson (JBER) allowing secured military deployment, an emergency evacuation route and off-road gravel transport.
  -This road is already being used for military deployments relieving congestion on public roadways.
- Cleared land, opened and operated two gravel extraction borrow pits on JBER
- Realigned Terminal and Tidewater roads with enhanced intersections, track & fuel line crossings, & safety upgrades
- Demolished unserviceable track and installed upgraded, extended track with tie-in to the ARRC rail line
- Installed a new dedicated ultra-low sulfur diesel line
- Manufactured and installed a customized floating dock for the Coast Guard for Emergency Response
- Buried, upgraded and extended power lines and critical drainage systems



PORT OF ANCHORAGE

Budget Comparison

Area	2005* (Millions)	2010 (Millions)	+/- (Millions)	Reason
NEPA	-	$8	+8	2005 estimate specific to construction costs, no planning or permitting.
Supporting Services	$120	$207	+87	Design effort to support changed phasing, seismic criteria & other.
Corrosion Protection	$13	$66	+53	Change to hot dip galvanized steel coating, providing increased protection, reduced maintenance, extended project life.
Steel	$80	$154	+74	Steel prices increased from $1,100/ton in 2005 to $3,000/ton in 2010.
Fill	$74	$175	+101	Changes in fill composition & volume due to design changes. Diesel price swelled from $1.96/gallon in 2005 to $3.43/gallon in 2010 increasing transportation costs.
Concrete	$2	$29	+27	Design change & quantity increase from $1,000^2$ yds to $4,000^2$ yds.
Road, Rail, Drainage	$5	$66	+61	Addition of road, rail, drainage, haul road, buried power, etc. not considered in 2005.
Other Costs	$121	$233	+112	Costs associated w/inefficiencies related to regulatory restrictions, phasing changes & funding. Average in-water productivity loss is 50%.
Marine Mammals	-	$30	+30	Direct costs for Marine Mammal Monitoring, unnecessary in 2005 when the Belgua Whale were not listed as endangered.
Permit Delay	-	$34	+34	Regulatory permit issued in 2007. Lost 2 years of construction activity.
Inflation	-	$87	+87	Compounding interest rates on construction elements.
Total	$415	$1,089	+674	

*2005 Cost estimate from Marine Terminal Redevelopment Environmental Assessment, Appendix G-15

PORT OF ANCHORAGE

Marine Mammal Permit Conditions

Mitigation measures include:

- Shutting down for two hours on either end of low tide.
- Shutting down if a whale enters our "zone"
- Shutting down if the monitors cannot observe the water (fog or sun glare)
- Restrictions on the use of vibratory hammers and impact hammers
- Until the 2010 construction season we were required to shut down for two one-week periods during the summer for fish smolt.



The Marine Mammal Mitigation aspects of our construction permit greatly affects our in-water productivity. In-water productivity loss related to these permit conditions is 60% when impact driving and 35% when using a vibratory hammer.

Average in-water productivity loss is 50%.

PORT OF ANCHORAGE

Projected Expenditures & Funding

Expenditures	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
North End	$52.0	$120.0	$60.0	$30.0	$30.0	$30.0						**$322.0**
South End			$50.0	$50.0	$50.0	$50.0	$50.0	$50.0				**$300.0**
Center								$75.0	$75.0	$75.0	$75.0	**$300.0**
Total Expenditures	**$52.0**	**$120.0**	**$110.0**	**$80.0**	**$80.0**	**$80.0**	**$50.0**	**$125.0**	**$75.0**	**$75.0**	**$75.0**	**$922.0**

Funds	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Beginning Cash	$14.4	$33.8	$233.8	$143.8	$108.8	$73.8	$38.8	$13.8	$6.8	$4.8	$2.8	
Port Funds	$25.0							$28.0	$5.0	$5.0	$5.0	**$68.0**
Commercial Paper	$20.0							$65.0				**$85.0**
State Funds	$20.0	$320.0	$20.0	$20.0	$20.0	$20.0						**$420.0**
Federal Funds	$6.4			$25.0	$25.0	$25.0	$25.0	$25.0	$68.0	$68.0	$68.0	**$335.4**
Total Funds	**$85.8**	**$353.8**	**$253.8**	**$188.8**	**$153.8**	**$118.8**	**$63.8**	**$131.8**	**$79.8**	**$77.8**	**$75.8**	**$922.8**
Expenditures	$52.0	$120.0	$110.0	$80.0	$80.0	$80.0	$50.0	$125.0	$75.0	$75.0	$75.0	$922.0
Cash Forward	$33.8	$233.8	$143.8	$108.8	$73.8	$38.8	$13.8	$6.8	$4.8	$2.8	$0.8	

(in Millions)

2011 Construction Details

Bulkhead Construction

- Steel Order Feb 8
- Mobilization and PH I Demo WBB NTP Feb 28
- Remainder PRI 1-3 NTP Apr 5
  - PH II Demo
  - Construct WBB
  - Construct Outfall A
  - Construct Bulkhead 1-11
  - Tailwall Inspection

Engineering est. $ 37.7M

Design Work

• North end bulkhead 13-66	$ 353K
• North Ext Dock Cap I & II	$ 537K
• North Ext Bulkhead III	$ 200K
• South Backland	$ 80K
• Barge Dock Cap/Rail	$ 700K

Total $ 1.9M

Support and Other Construction

• PMO, Veh, Trailers	$ 6.5M
• Geotech Instrumentation	$ 100K
• Construction support/Envir	$ 2.9M
•EDRC Sediment model	$ 439K
• Stabilize South Backland	$ 1.5M
•NDT development Sheet Pile	$ 150K

Total $ 11.6M

2011 Total Cost

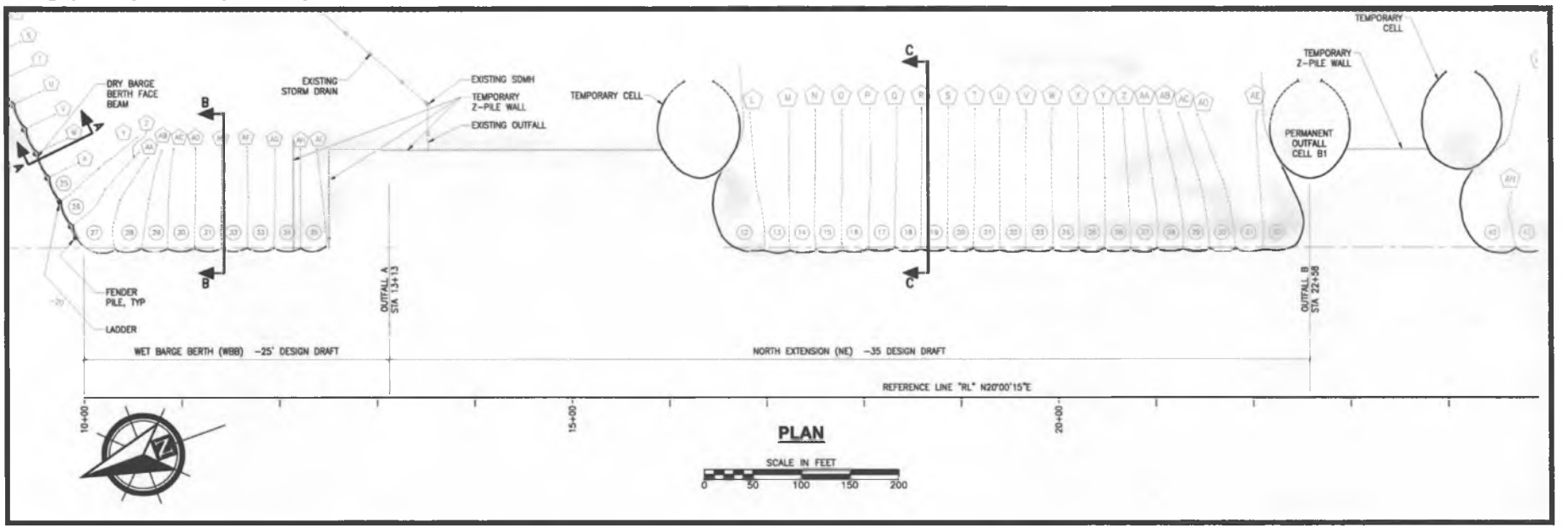
• Bulkhead Construction	$ 37.7M
• Design	$ 1.9M
• Support and Other	$ 11.6M

Total $ 51.2M

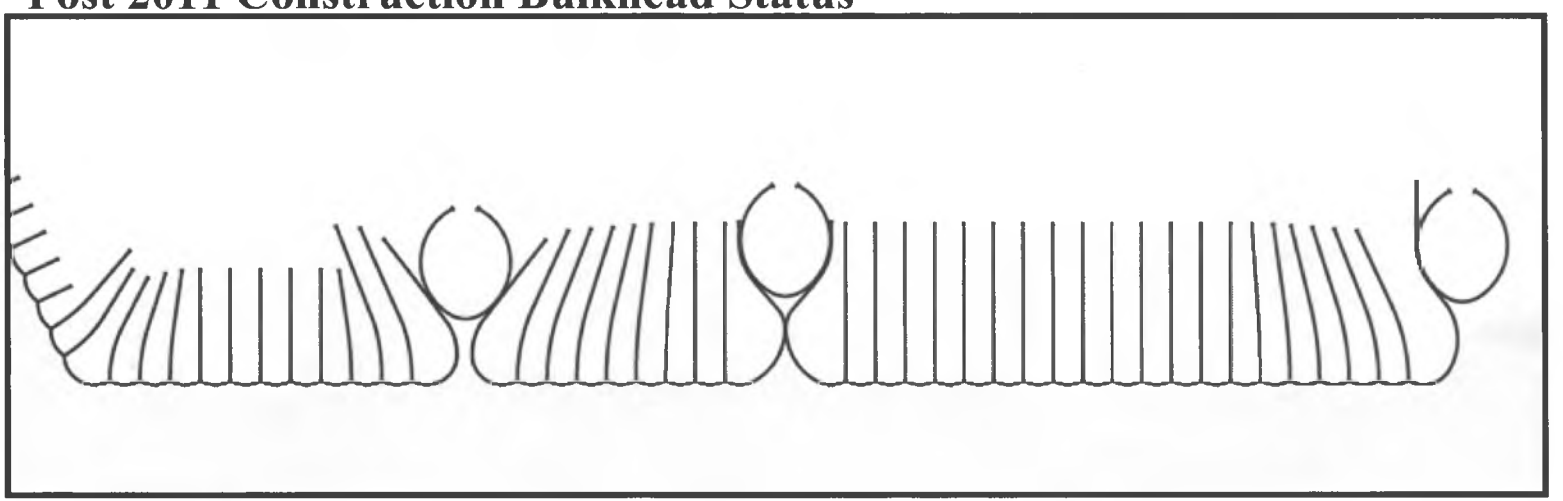
PORT OF ANCHORAGE

2011 Construction

Current Bulkhead Status

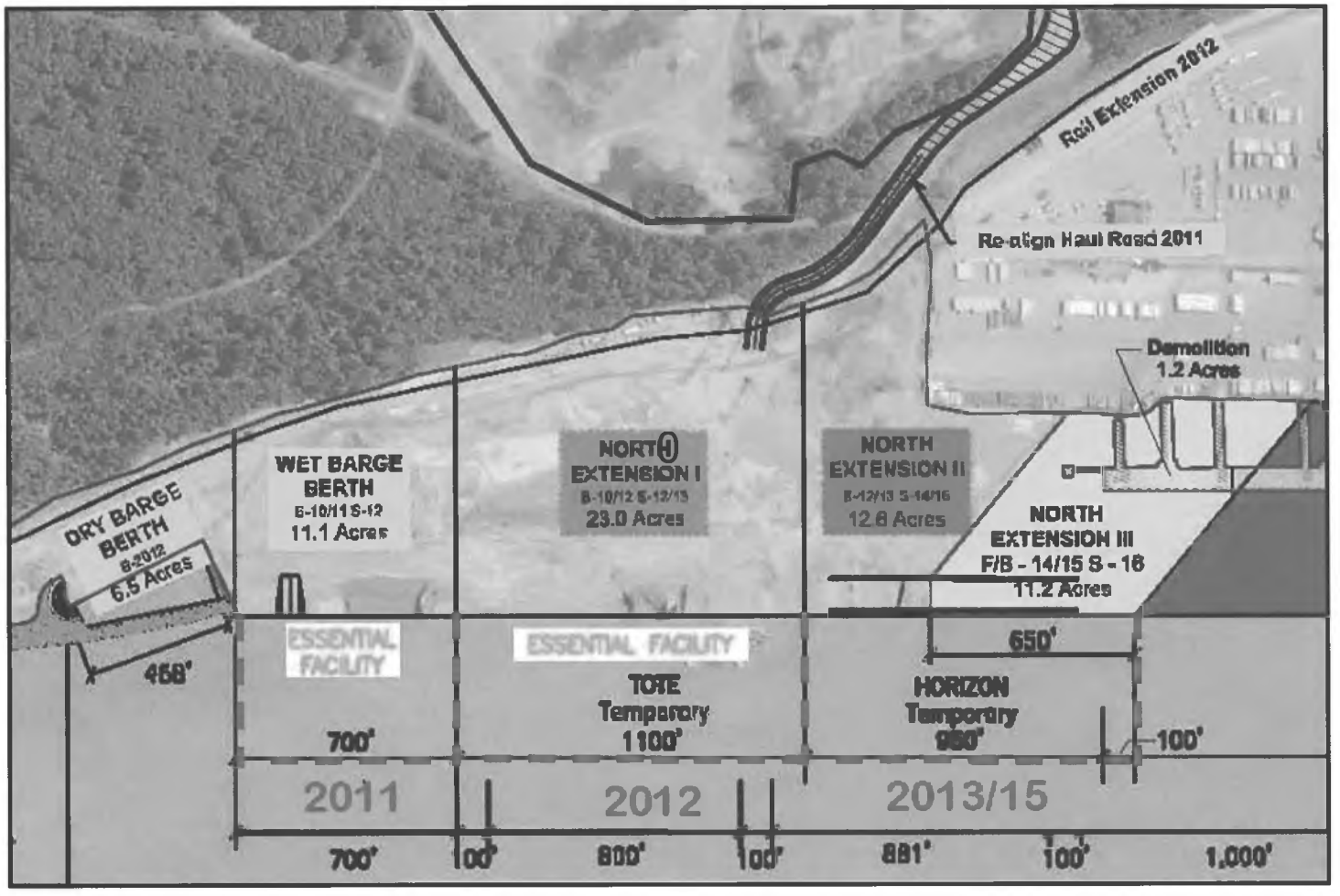


Post 2011 Construction Bulkhead Status



PORT OF ANCHORAGE

North End Bulkhead



- **Wet Barge Berth:** 2011 complete bulkhead, 2012 complete surfacing
- **TOTE Berth:** 2012 complete bulkhead, 2013 complete surfacing
- **Horizon Berth:** 2013/15 complete bulkhead, 2016 complete surfacing

PORT OF ANCHORAGE

The Expansion Project is moving forward with clear changes in place.

- A new Project Oversight Committee has been formed to provide clear and timely direction to the Contractors and quickly address issues as the project moves forward. The Committee consists of key decision makers from MARAD, the Municipality and the Port, with participation by ICRC, the project design team PND, the Corps of Engineers and others, as needed.
- Additional financial protection will be in place to assure the work is completed on time with high quality workmanship.
- An entirely new Quality Assurance and Quality Control process will be implemented to catch problems early and guarantee high quality workmanship.
- A detailed evaluation of the contract structure between MARAD, ICRC, PND and subcontractors will be undertaken to insure there are clear lines of responsibility and accountability.
- The nature and extent of the damaged areas will be documented and analyzed and subjected to an independent/forensic review.
- The Port will implement an annual accounting of all expansion funds and associated work that will be published on our website.

Thank You



For more information visit www.muni.org/departments/port

PORT OF ANCHORAGE

Municipality of Anchorage - Port of Anchorage Expansion **FY2012 Request: $20,000,000**
Reference No: 41956

AP/AL: Appropriation
Category: Development
Location: Anchorage Areawide
House District: Anchorage Areawide (HD 17-32)
Estimated Project Dates: 07/01/2011 - 06/30/2016

Project Type: Construction
Recipient: Municipal of Anchorage
Contact: JoEllen Hanrahan
Contact Phone: (907)465-2506

Brief Summary and Statement of Need:
This project will provide funds for the Port of Anchorage Expansion project. This project contributes to the Department's mission of promoting a healthy economy and strong communities by providing economic growth to the communities it serves.

Funding:	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	Total
AHCC Rcpts	$20,000,000						$20,000,000
Total:	$20,000,000	$0	$0	$0	$0	$0	$20,000,000

☐ State Match Required ☐ One-Time Project ☐ Phased - new ☑ Phased - underway ☐ On-Going
0% = Minimum State Match % Required ☐ Amendment ☐ Mental Health Bill

Operating & Maintenance Costs:

	Amount	Staff
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	
Totals:	0	0

Additional Information / Prior Funding History:
Refer to the funding matrix in the project description.

Project Description/Justification:
The Port of Anchorage (POA) serves 80 percent of Alaska's population as the entry point for 90 percent of consumer goods and petroleum products that are shipped to Alaska. The POA directly impacts the quality of life and the cost of daily goods for more than 233 communities in Alaska. The POA plays an essential role in economic development, military operations, and businesses throughout the state. In terms of economic impact, the POA contributes $1.4 billion annually to local and state economies including hundreds of construction related jobs along with dozens of long term employment opportunities.

Background: The POA Intermodal Expansion Project is a federal DOT project under the Maritime Administration (MARAD). The project began in 2003 and will continue in phases until project completion, anticipated in 2021. Partners in the project include the State of Alaska, Municipality of Anchorage-Port of Anchorage and port tenants and stakeholders.

Overall, this project has four primary objectives:

- Accommodate existing customer requirements;
- Accommodate growth and demand for Port services, especially with respect to potential new customers and the new generation of vessels anticipated to call at the POA;

- Stimulate economic development for the Municipality and the region by providing marine and landside transportation system improvements; and
- Better serve the military in the Port's role as the nation's 15th Strategic Seaport. The U.S. Maritime Administration (MARAD) has been designated as the federal lead agency for POA development.

Due to the overarching goal of maintaining 100% commercial operations throughout the duration of the project, it is progressing in phases. Completed to date are the tidewater road and rail extensions and the north and south backlands. State funding in FY2011 will be used for the completion of the north extension which is part of the critical path in project implementation. Once completed, the POA will be able to move current container and general cargo operations off of the old deteriorating facility, onto the new facility, and begin demolition of the old infrastructure. Surface transportation design documents are complete, ready to competitively bid, with all authorizing permits in place.

Planned construction in 2012 includes:

- Completion of wet and dry barge berth facilities including surface improvements for barge operations and a rail extension to the north extension and barge berths.
- Completion of the bulkhead, installation of utilities, protective fender systems, docking appurtenances and cathodic protection systems to protect steel structions from corrosion.

With the completion of these facilities in 2012, the POA will be in a position to accept new customers and begin final preparations for moving current shippers from the existing dock structure to the temporary berths.

rior Funding Information:

YEAR	AMOUNT	LEGISLATION
FY11	$ 20,000,000	SLA 10, Ch 43, Pg 80, Ln 9
FY10	$ 10,000,000	SLA 09, Ch 15, Pg 3, Ln 20
FY10	$ 10,000,000	SLA 09, Ch 15, Pg 44, Ln 12
FY09	$ 15,000,000	SLA 08, Ch 29, Pg 114, Ln 14
FY09	$ 10,000,000	SLA 08, Ch 29, Pg 185, Ln 11
FY08	$ 10,000,000	SLA 08, Ch 11, Pg 74, Ln 7
FY07	$ 10,000,000	SLA 06, Ch 82, Pg 51, Ln 29
FY06	$ 10,000,000	SLA 05, Ch 3, Pg 41, Ln 6

PORT OF ANCHORAGE
Alaska's Port. Alaska's Future.

RECEIVED
JAN 24 2011

January 21, 2011

The Honorable Bert K. Stedman
Alaska State Senate
State Capitol, Room 516
Juneau, Alaska 99801

Dear Senator Stedman:

The Port of Anchorage has received some very negative press over the past few days and I wanted to address some of the issues raised regarding this important project.

The Port first became aware of the construction problems in May of 2009 and worked diligently through the 2010 construction season to identify the full extent of the problem. As a result, we had to modify the work plan for this past construction season and did not accomplish what was hoped. These setbacks are frustrating, but they are not insurmountable. The project is moving forward and we are fixing the affected areas and will finish this phase of the project as scheduled.

Going forward, we are demanding major changes by our federal lead agency, the Maritime Administration, and the contractor charged with developing the project. These changes are summarized in the attached compass piece, but they include increased protection for the Port for faulty work, the creation of an oversight committee that can respond quickly to issues as they arise, increased oversight and accountability by project managers and additional financial protection for the Port.

This is one of the largest ongoing construction projects in Alaska and far too often the integrity of the project and the Port's value to the state are lost in the accompanying debate. The Port of Anchorage is a vital economic engine for 80% of Alaska and this project alone puts nearly 500 people to work every year. This Port and this project are too important to fail.

I recognize that you may have further questions regarding this project and I take those very seriously. Please do not hesitate to contact me directly if I can address any of your concerns. Ultimately this is about economic development, it's about jobs, and it's about investing in infrastructure today that will serve generations of Alaskans tomorrow.

Sincerely,

Bill Sheffield
Port Director

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Anchorage Daily News

Anchorage port project too vital to fail

COMPASS: ***Other points of view***

By BILL SHEFFIELD

(01/19/11 19:30:50)

The Port of Anchorage expansion project is too important to fail. The Anchorage Daily News and I can certainly agree on that. However, I disagree with the article in Sunday's paper that implies there is a billion dollars in wasted funding and that the project is failing.

The facts are that $265 million has been spent or obligated on the port expansion to date and the majority of those dollars were spent on successful aspects of the project. It took more than 5 years, and a hefty sum, for the port to secure its permit. During this time the port was rebuilding roads, a rail line, repairing disintegrating pipelines and culverts, burying and extending power lines, installing a new pipeline, building a floating dock used by the Coast Guard, and mitigating a vexing runoff problem for Elmendorf.

To date, nearly 70 acres of new land in the north and south end have been filled. We have constructed a 5-mile haul road from Elmendorf Air Force Base to the port to transport gravel fill for this project. This road will be used for military deployments relieving congestion on public roadways. All of these projects have been successfully completed with little fanfare or acknowledgment.

In regard to leadership, let me clear up any ambiguity. Because federal funds are involved, the Municipality of Anchorage entered into a memorandum of understanding with the federal Maritime Administration (MARAD) to be the lead federal agency on this project. MARAD contracted with Integrated Concepts and Research Corporation (ICRC) to develop the Port. ICRC, in turn, contracted with design professionals and contractors. MARAD and ICRC have responsibility for quality assurance and the design professionals, PND Engineers, Inc., are responsible for providing a fully functional design for the project. The Port of Anchorage is the owner of the project, responsible for securing funding and coordinating construction phasing to fit the needs of the port and its customers.

It has become clear over the past 12 months that there are some oversight problems and protection issues not adequately addressed by this arrangement. The port has responded aggressively to these issues and has demanded that the following actions be implemented before the start of the 2011 construction season.

• The port is demanding a major review of the contract between MARAD and ICRC in anticipation of the April renewal date. The new structure must provide clear accountability and absolute protection from faulty design, construction and oversight.

• The port is ordering a forensic investigation be performed as soon as possible to establish the cause and extent of the damaged sheet pile installed prior to 2010.

• The port is requiring additional financial protection to assure the work is completed on time with outstanding workmanship.

• The port is developing an oversight committee consisting of the port, MARAD, ICRC, and

appointees from the city, U.S. Army Corps of Engineers and others.

In short, we are establishing an oversight framework with clear expectations from our project partners. We expect progress and demand change. The current construction contractor was able to successfully install sheet pile cells in areas that were discovered damaged starting in May of 2009, indicating to us that the project can be constructed as designed.

While we are frustrated with the progress to date, we remain confident in the integrity of the facility and in the need to complete its construction as soon as possible. This project is about the future of this state and the next five generations of Alaskans that will rely on it. And that's why it is simply too important to fail.

Former Gov. Bill Sheffield is director of the Port of Anchorage. He also has served as president and CEO of the Alaska Railroad, founded and owned a hotel chain and involved in various public and private enterprises.

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Port of Anchorage

Cost Increase Comparison

Area	2005 Estimate* (Millions)	2010 Estimate (Millions)	Difference (Millions)	Reason
NEPA and Permitting	-	8	8	Permitting process extended resulting in increased overhead and associated costs.The 2005 estimate for $415 M was not intended to be a program inclusive estimate. This estimate was published in the Environmental Assessment and was specific to construction costs and the related impact of construction spending on the local economy. The estimate was based on general concepts, was completed prior to any significant design effort, and did not consider such costs as planning, permitting and environmental assessment.
Supporting Services (Design, Project management, contingency, bond and insurance, other support services	120	207	87	Design effort to support changed phasing and schedules, seismic criteria, and other design changes. When the 2005 estimate was prepared, geotechnical, seismic, and stability analysis and modeling were not complete, nor had the initial US Army Corps of Engineers, Engineering Research and Development Center review taken place. Design development and the review process resulted in design changes. Design development following the 2005 estimate also resulted in refinements and changes to address constructability, long term stability, operations, maintenance, and other needs not recognized or considered at the conceptual development stage. Further, operational and business decisions by the Port of Anchorage resulted in changes to the overall phasing plan.
Corrosion Protection (Active system and steel coatings) 2005 included Cathodic system only	13	66	53	Change from synthetic coating on facesheets only to hot dip galvanizing for all sheets and a robust active Cathodic protection system. The Corrosion Engineer was not retained on the project until late 2006. The coatings and cathodic protection included in the 2005 estimate were based on general industry standards. After evaluating the proposed design, the operational and maintenance needs of the Port, site specific conditions, and a life cycle cost analysis, the Corrosion Engineer recommended changes in the design approach. Anticipate complete cost recovery over the project life due to reduced maintnence costs and extended project lifecycle.
Steel	80	154	74	Cost change $1100 per ton 2005 vs. $3000 per ton in 2010. Costs are spread over the project life.

Port of Anchorage
Cost Increase Comparison

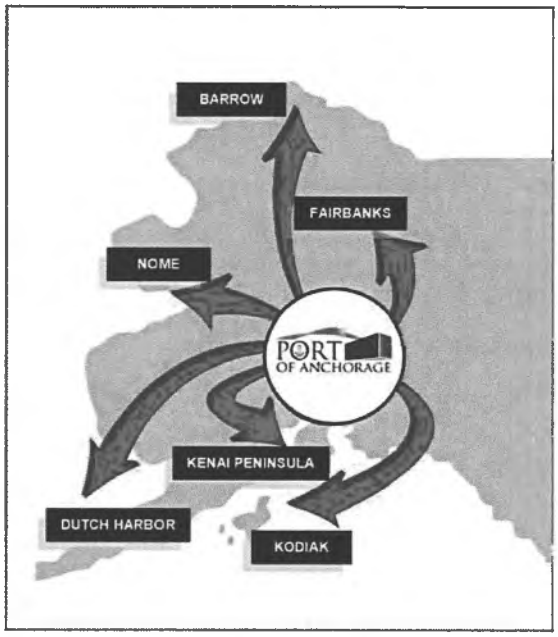
Fill	74	175	101	Changes in fill composition. The bulk fill consists of two types of fill material, granular fill, and common fill each with different composition requirements. Granular fill is required within the sheet pile cells and extends beyond the end of the tailwalls. During initial design development the tailwalls were lengthened, changing the required ratio of granular fill to common fill. In addition, laboratory testing of potential fill materials from Elmendorf Air Force Base resulted in a specification change for the granular fill to provide the required engineering properties for the sheet pile structure. There was a rise in diesel fuel prices from $1.96 in 2005 to $3.43 in 2010 affecting the cost of transporting the gravel. Costs are spread over the project life
Concrete	2	29	27	2005 estimate envisioned a small 8 inch square concrete dock cap beam and no concrete pavement. 2010 estimate includes 8' by 10' for concrete utilidor/ dock cap, a concrete apron under the cranes and increased crane infrastructure. This change is again related to design development and was initially proposed to reduce the overall length of the sheet pile to be driven along the water front. Reducing the length of the sheets during design development in 2006 to no greater than 90 feet improves constructability. As the design progressed the dock cap changed to a box beam (hollow) that allows for water front utilities to be contained within an open utilitdor; this provides benefits for long term maintenance and allows for future modifications or additions to water front utilities. In addition the box beam provides additional structural strength. Quantity change from 1,000 cu yds to 41,000 cu yds to improve seismic stability. Costs are spread over the project life
Road, Rail, Floating Dock, Drainage work	5	66	61	Addition of road, rail, drainage, floating dock, extended haul road, pit management, buried power, and other work not included in the 2005 estimate. Change in scope with additional rail, road, utility, and floating dock work. During EA development, the details of how and where a rail yard would function within the port area were not developed. The larger yard and extended track came from design development and identification of Port, Tenant, and Railroad operational needs.

Port of Anchorage
Cost Increase Comparison

Other construction costs	121	233	112	Increased cost due to inefficiencies introduced by regulatory requirements, extended phasing, changes in operational requirements and seismic considerations providing increased relibalibity for cranes, sheet pile, and other elements. The project phasing has changed several times based on operational priorities of the port (such as moving TOTE and Horizon simultaneously, reducing conflict at the POL berths, potential new customer requirements), funding availability, and permit delays. In addition, the overall construction period has been effectively doubled primarily due to the regulatory restrictions that significantly reduce construction efficiency. In-water productivity loss related to marine mamal permit conditions is 60% for impact driving and 35% for Vibratory driving, resulting in reduced average in-water productivity of 50%. There may be an opportunity to lower a portion of this cost based on future re-evaluation of permit conditions as the project progresses.
Marine Mammal Monitoring and direct stand-by costs	-	30	30	Additional costs not anticipated in 2005 before the Beluga Whale was listed as endangered.
Two Year Permitting delay	-	34	34	Not anticipated in 2005 estimate. The delay cost is shown separately to illustrate the cost impact of schedule changes. The regulatory permit was granted in 2007, causing 2 years of lost productivity and incurring 2 years of overhead cost.
Inflation due to extended schedule delays, reduced efficiency etc.	-	87	87	Compounding interest rates on major construction elements caused by extending project construction from 7 years anticipate in 2005 to 15 years at present
Total	**415**	**1,089**	**674**	

2005 cost estimate based on Marine Terminal Redevelopment Environmental Assessment, Appendix G-15

Inflation 2005-2010 14.93%. Cost considerations has to be given to the difficutly of funding a project vs. phasing it over time.



90% of the merchandise goods that come into Alaska move through the Port of Anchorage.

Over 250 Communities Served by the Port of Anchorage:

Adak
Akiak
Akiachak
Akutan
Alakanuk
Allakaket
Ambler
Anaktuvuk Pass
Anchorage
Anchor Point
Anderson
Aniak
Anvik
Arctic Village
Atka
Atqasuk

Barrow
Beaver
Bethel
Bettles Field
Big Lake
Border
Boundary
Brevig Mission
Buckland
Butte

Candle
Cantwell
Central
Chalkyitsik
Chandalar
Chatanika
Chena Hot Springs
Chenega Bay
Chenik
Chevak
Chicken
Chikaloon
Chignik
Chiniak
Chitina
Chugiak

Circle
Circle Hot Springs
Clam Gulch
Clarks Point
Clear
Cold Bay
Coldfoot
Cooper Landing
Copper Center
Crooked Creek

Deadhorse
Deering
Deltana
Delta Junction
Diomede
Dillingham
Dot Lake
Dutch Harbor

Eagle
Eagle River
Eek
Egegik
Ekwok
Elim
Emmonak
English Bay
Eureka

Fairbanks
False Pass
Flat
Fort Glenn
Fort Greely
Fort Yukon
Fortuna Ledge
Fox

Gakona
Galena
Gambell
Girdwood
Glenallen
Golovin
Gordon
Grayling
Gulkana

Hamilton
Healy
Holy Cross
Homer
Hooper Bay
Hope
Houston
Hughes
Hulsia

Icy Bay
Iditarod
Iguigig
Ikatan
Iliamna
Indian
Ivanoff Bay

Kaktovik
Kaltag
Kanatak
Kanishna
Karluk
Kasigluk
Kasilof
Katalla
Kenai
Kenny Cove
Kiana
King Cove
King Salmon
Kipnuk
Kivalina
Kobuk
Kodiak
Kokhanok
Koliganek
Kongiganak
Kotlik
Kotzebue
Koyuk
Koyukuk
Kustatan
Kwethluk
Kwigillingok
Kwikpak

Lake Minchumina
Larsen Bay
Lavelock
Livengood
Long
Lower Kalskag

Manly Hot Springs
Manokotak
Marshall
McCarthy
McGrath
Medra
Mekoryuk
Mentasta
Minto
Moose Pass
Mountain Village

Nabesna
Naknek
Napakiak
Nelson Lagoon
Nenana
New Stuyahok
Newhalen
Newtok
Nightmute
Nikiski
Nikolai
Nikolski
Ninilchik
Noatak
Nome
Nondalton
Noorvik
Northway
North Pole
Noyes Island
Nuiqsut
Nulato
Nunapitchuk
Nyac

Old Harbor
Ophir
Ouzinkie

Palmer
Paxson
Pedro Bay
Perryville
Petersville
Pile Bay
Pilot Point
Pilot Station
Platinum
Point Hope
Point Lay
Poorman
Port Alice
Port Alsworth
Port Graham
Port Heiden
Port Moller
Portage Creek
Prudhoe Bay

Quinhagak

Russian Mission
Rampart
Red Devil
Ruby

St. George Island
St. Marys
St. Michael
St. Paul Island
Salcha
Sand Point
Savoonga
Scammon Bay
Selawik
Seldovia
Seward
Shageluk
Shaktoolik
Sheldon Point
Shemya
Shishmaref
Shungnak
Skwentna
Slana
Slaterville
Sleetmute
Soldotna
South Naknek
Stebbins
Sterling
Stevens Village
Stony River
Sutton

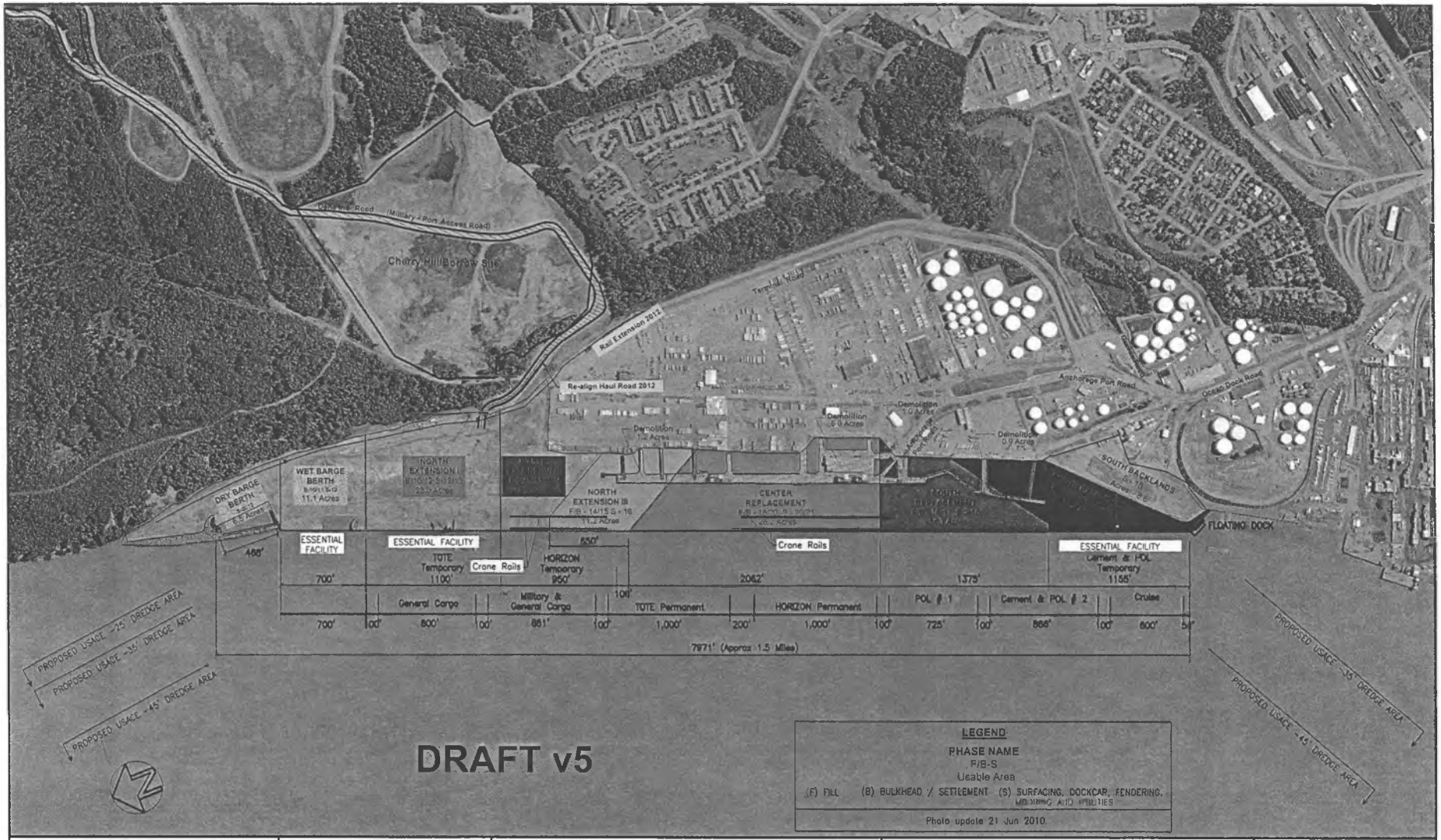
Takotna
Talkeetna
Tanacross
Tanana
Tatitlek
Teller
Tetlin
Tofty
Togiak
Tok
Toklat
Toksook Bay
Tonsina
Trapper Creek
Tuluksak
Tuntutuliak
Tununak
Twin Hills
Tyonek

Uganik
Umiat
Unalakleet
Unalaska
Unimak
Upper Kalskag

Valdez
Venetie

Wainwright
Wales
Wasilla
White Mountain
Whittier
Willow
Wiseman
Woodchopper

Yakataga



PORT OF ANCHORAGE
Alaska's Port, Alaska's Future

ICRC
421 West First Avenue, Suite 200
Anchorage, Alaska 99501
(907) 561-4272
www.ICRCsolutions.com

Port of Anchorage Intermodal Expansion Project

PHASING PLAN

SHEET: 1 OF 1

2-15-11

PORT OF ANCHORAGE
Alaska's Port. Alaska's Future.

March 16, 2011

Senator Bert Stedman
Alaska State Senate
State Capitol, Room 516
Juneau, Alaska 99801

Dear Senator Stedman:

In response to the Senate Finance Committee's request for letters of customer commitment and support, we have compiled letters from a variety of different businesses and entities throughout Alaska. These letters are listed in the following pages.

Thank you again for the opportunity to present to the Senate Finance Committee. I appreciate your continued support of this important project. Please do not hesitate to contact me further with any questions.

Sincerely,

William J. Sheffield
Port Director

PORT OF ANCHORAGE
Alaska's Port. Alaska's Future.

Letters of Customer Commitment and Support for the Port of Anchorage Intermodal Expansion Project

1. Horizon Lines Inc.
2. Anchorage Fueling & Service Company (AFSC)
3. Ted Stevens Anchorage International Airport (TSAIA)
4. Alaska Basic Industries
5. Totem Ocean Trailer Express
6. Tesoro Alaska Company
7. Cook Inlet Tug & Barge Inc.
8. ATS International
9. Aircraft Service International Group (ASIG)
10. Port of Tacoma
11. United States Army Alaska
12. Alaska Trucking Association
13. Carlile Transportation
14. Alaska Commercial Company
15. International Brotherhood of Electrical Workers (IBEW)
16. Alaska Regional Council of Carpenters
17. International Union of Operating Engineers
18. Laborers International Union of North America Local 341
19. Carpenters and Joiners of America
20. Pile Drivers and Divers Local Union 2520
21. NANA Regional Corporation
22. Doyon Limited
23. Bearing Straits Native Corporation
24. Koniag Incorporated
25. Anchorage Chamber of Commerce
26. Alaska State Chamber of Commerce 2011 Position
27. Anchorage Port Commission
28. Alaska Command (ALCOM) to Alaska Delegation (3)
29. Department of Defense U.S. Transportation Command to U.S. Secretary LaHood
30. U.S. Senator Daniel Inouye to U.S. Secretary LaHood
31. U.S. Secretary of Transportation Mineta to Congressman Don Young

March 3, 2011

Senator Bert K. Stedman
State Capitol, Room 516
120 4th Street
Juneau, AK 99801-1182

Dear Senator,

We recently discussed the importance of Horizon Lines partnership with the Port of Anchorage (POA) in the past, present and future.

Our history (Sea Land Service, Inc.) goes all the way back to the "good Friday Quake" whereas two days after the May 1, 1964, 8.7 magnitude earthquake, the Sea-Land vessel S. S. New Orleans made her maiden voyage to Anchorage. Then, on July 22, 1964, Sea-Land expanded the service to include Kodiak, Alaska.

On September 6, 1964, Sea-Land and the POA agreed to a twenty (20) year Preferential User Agreement (PUA). By 1975, Sea-Land upgraded the Alaska Tradelane too three (3) C-4X class ships with each being able to handle 360 – 35' containers.

In 1987, the three (3) brand new D-7 class vessels entered the Alaska trade and a third container crane was added by the POA.

On October 13, 1992, Sea-Land shipped its' millionth container to Alaska. Over time, acreage leased from the POA for container parking increased from some twenty (20) acres to forty-five (45). Today, there is not adequate useable land for expansion.

At the present, Horizon Lines continues its' partnership with the POA with a five (5) year PUA through 2016. In combination with day-to-day operational activities, the Port of Anchorage has embarked on a $1 billion Intermodal Expansion Project. When completed in 2021, there will be one (1) mile of dock face creating an additional 135 acres of useable property. Upon completion, Horizon Lines is requesting additional acreage for container parking to cover future growth needs. Additional acreage would allow vendors that support the industry to relocate on site.

Horizon Lines has worked closely with the POA staff and professionals coordinating relocation of the vessels, yard design and traffic patterns. Three (3) container cranes were purchased by Horizon Lines at a cost of $25 million and are currently stored in China due to dock construction delays. These upgraded larger cranes are essential to stevedore any larger vessels that Horizon may introduce into the trade to meet customer demands in the years to come. Without the expanded POA facility, Horizon Lines would not be able to upgrade these container cranes limiting our ability to bring in larger vessels. The expanded POA facility is necessary for common carriers such as Horizon Lines to be able to meet future cargo demands for Alaska. As Horizon moves forward in partnership with the POA, there will always be need for both dock space and property for parking and support facilities such as executive offices, administrative offices, warehouse operations and two fully staffed garages.

The POA and Horizon Lines will continue to jointly work together as we have in the past as well as moving forward on the dock construction project. Our firm plans to grow with the demands of Alaskan bound cargo. Partnering with the POA to meet these demands is essential as well as a modern facility to ensure we all do not risk future opportunity.

Regards,

HORIZON LINES OF ALASKA, LLC

Marion G. Davis
Vice President & General Manager, Alaska

MGD/pml

AFSC

Anchorage Fueling & Service Company

The Honorable Bert K. Stedman
Senate Finance Committee Co-Chairman
120 4th Street
State Capitol, Suite 516
Juneau, AK 99801-1182

Dear Senator,

Anchorage Fueling and Service Company (AFSC), formed in 1981, is an Alaska corporation consisting of seventeen domestic and international airlines. AFSC owns and operates the primary jet fuel storage and distribution systems that provide jet fuel to airlines operating at Ted Stevens International Airport (ANC).

AFSC member airlines represent over 85% of the jet fuel demand at the ANC airport. Member airlines require between 1.8 million and 2.3 million gallons every day to ensure sustainable flight operations at the ANC airport.

AFSC depends on jet fuel provided from both local refiners and importers. As fuel demand continues to exceed local refining capacity, we anticipate that imports delivered via the Port of Anchorage will become an increasingly vital mode for supplying jet fuel and other petroleum products to the Anchorage market.

The Port of Anchorage is already a critical component in the fuel supply chain. As fuel imports increase, the Port will need additional capacity and the flexibility to ensure timely and reliable fuel supply. AFSC is encouraged that the Port is taking appropriate strategic steps to increase capacity and accommodate larger, deeper draft petroleum tankers in a safe and efficient manner.

AFSC recommends continued legislative support of the Port's expansion plans. AFSC is excited about the future of air traffic at Ted Stevens International airport and would appreciate your support for this strategic and critical piece of the fuel supply infrastructure.

Thank you for your support,

Mike Whitlatch

AFSC Chairman
6000 Dehavilland Drive
ANCHORAGE AK 99502-1081

Ted Stevens
Anchorage
International Airport

March 1, 2011

The Honorable Bert K. Stedman
Senate Finance Committee Co-Chairman
120 4th St.
State Capitol, Suite 516
Juneau, AK 99801-1182

Re: Letter of Support for the Port of Anchorage

Dear Senator Stedman,

Approximately two thirds of the fuel used at the Ted Stevens Anchorage International Airport transits the Port of Anchorage on its way to the airport. This fuel is produced by both instate and external refineries. The fuel that transits the Port facilitates the global economy and is critical to the success of the airport as an economic engine.

Thank you for your consideration.

Sincerely,

John Parrott, A.A.E.
Airport Manager

ALASKA
BASIC
INDUSTRIES

SUBSIDIARIES
ANCHORAGE SAND & GRAVEL CO., INC
FAIRBANKS MATERIALS, INC

February 24, 2011

The Honorable Senator Bert Stedman
Senate Finance Committee Co-Chair
Alaska State Legislature
State Capitol, Room 516
Juneau, AK 99801

Dear Senator Stedman,

RE: Alaska Basic Industries –Port of Anchorage Expansion

Alaska Basic Industries (ABI) imports Portland cement which is used throughout Alaska as an essential component in the construction of buildings, roads and in support of mining and oil field development. The cement is delivered by ocean going ships carrying upwards of 27,000 tons per load, which is unloaded at the Port of Anchorage. Each year we import between 4-6 ships, which are each unloading at the POA dock for upwards of 12 days.

ABI has been involved in the new dock design process since the POA and MARAD selected the present design. Starting in 2006, ABI personnel have provided input relating to operating requirements necessary to continue to using the dock for unloading cement based on various phases of construction. In addition, we have been involved in numerous meeting over the years with ICRC, DOWL, contractors and POA personnel relating to our operating requirements with regards to a new dock and operating upgrades necessary for future expansion that include the following:

- Starting in 2006 we have provided input relating ship draft depth requirements for servicing larger ships in the future. The Handy size ships that we presently use can carry up to 38,000 tons, however due to our storage requirements and available draft the most we can import is 28,000 tons. Plus the Handy size ships are slowly being phased out and replaced by Handy Max sized ships which can carry up to 55,000 tons. We need a dock that can handle these size ships in the future.

1040 O'MALLEY ROAD • ANCHORAGE, ALASKA 99515 • www.anchsand.com • www.fairbanksmaterials.com
PHONE: (907) 349-3333 • FAX: (907) 344-2844 • TOLLFREE: (888) 349-3133

- We have been involved in various meetings relating to both location and dock length requirements that would best fit our needs for unloading cement.

- We have provided input to the POA regarding our future plans for 30,000 – 40,000 tons of additional new storage that we plan on building. Our present cement storage facilities were built in the 1960's and are no longer sufficient to address the market.

- We have made a number of recommendations for the location and configuration of pipe necessary to pneumatically transport unloaded cement from the dock to our storage facilities. The present cement line is over 2,400 feet in length which restricts unloading. We have made recommendations for reducing the distance to pneumatically transport cement. As a matter of note, our present system is the longest pneumatic cement line in North America, which is a nice fact, but it also means it is very expensive and inefficient to operate.

- We have been working with the Port since 2002 on the new design for the POA to provide shore power versus diesel fired generators to supply electricity for unloading.

- We made numerous recommendations in meeting with ICRC personnel regarding critical dock elevations necessary to operate specialty equipment used in cement unloading.

In summary, ABI has been involved in planning since the beginning of the POA development. Although the total project cost is higher than anticipated, the Port of Anchorage is vital to the state of Alaska and this project should continue to receive the legislature's support. If you have any questions or need additional information please feel free to contact me.

Sincerely,

Dale G. Morman
President
Alaska Basic Industries, Inc.

TOTEM OCEAN TRAILER EXPRESS, INC.

PO Box 4129
Federal Way, WA 98063-4129

Tel 253•449•8100
Fax 253•449•8225

www.totemocean.com

March 16, 2011

Senator Bert K. Stedman
Senate Finance Committee Co-Chair
120 4th Street
State Capital, Suite 516
Juneau, AK 99801-1182

Dear Senator Stedman,

Totem Ocean Trailer Express (TOTE) is one of two shipping companies that use the Port of Anchorage on a weekly basis. TOTE contributes to the delivery of approximately 50 percent of the consumer goods that eventually make their way through the Port to customers in railbelt Alaska. We make over 100 port calls a year and have been doing so since 1975, and have a preferential user agreement with the Port effective through 2020. TOTE has completed major investments in vessels and terminals, over $400 million, and is prepared to serve Alaska efficiently for decades.

While TOTE recognizes the need for long term improvements to the Port and our berth, the expansion as envisioned is of no real value to TOTE and since 2003 we have been on record as not supporting this project. From the beginning we have been assured that this project would not adversely affect TOTE or our customers.

Currently, we are experiencing issues related to siltation in our berth as a result of the phase construction. At the present time we run the risk of being unable to remain at the dock during negative low tides. This has and continues to require TOTE to alter sailing schedules and stevedoring operations, which increases fuel and labor expenses.

At TOTE, we find ourselves in a very untenable situation; our operations are being negatively impacted by a Port expansion project that is far in excess of our needs, which we have been skeptical of from the beginning. At the same time, budgetary realities call into question the satisfactory completion of the project, even years into the future.

To be clear, it is unacceptable to leave the Port in its present unfinished condition. It is our position that a thorough review of the scope and cost of the Port of Anchorage Expansion Project is needed to ensure the completion of a reliable and efficient Port. A modern first class Port of Anchorage is vital to TOTE and the economic development for the State of Alaska.

Sincerely,

John D. Parrott
President

March 7, 2011

TESORO

Tesoro Alaska Company
1601 Tidewater Road
Anchorage , AK 99501

The Honorable Bert Stedman
Alaska State Senate
State Capitol
Juneau AK 99801-1182

Dear Senator Stedman:

Please find below a summary of our facilities and activities at the Port of Anchorage (POA).

Facilities

Tesoro leases 8.74 acres of Port land. Our fuel storage and loading facility (Terminal #2) is located on that land, and includes 676,696 barrels of storage, secondary containment for that storage, a loading rack, a warehouse, a fire suppression system, and an office building.

Our 10" products pipeline, which originates at the Nikiski Refinery, ends on Railroad property adjacent to Terminal #2 and Port land. That pipeline has connections to the Port of Anchorage Valve Yard (POAVY) which allows us to make pipeline deliveries to multiple fuel customers at the Port.

Terminal #1, also located on Railroad property adjacent to Terminal #2 and Port land, and Terminal #2 have connections to the POAVY. This allows for transfers between fuel customers at the Port and fuel tankers and barges tied up at the fuel loading dock.

Tesoro pays POA land lease fees, per gallon flow fees for use of the POAVY, and berthing fees.

Activities

The POA facilities noted above comprise one of Tesoro's largest fuels distribution facilities. A dedicated jet fuel pipeline to the Anchorage Airport is our largest distribution facility. Terminal #2 is a key distribution point for heating fuel, jet fuel and gasoline in the Railbelt.

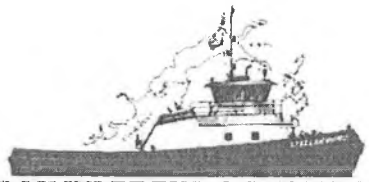
The POA fuel loading dock serves as an important alternative to our Nikiski dock for both receiving fuel imports and delivering fuels to customers via barge or tanker. Because fuel custody transfers at the time of loading, we do not know the ultimate destination of those barges and tankers, however, those vessels have the ability to supply fuel to all marine locations in the state and beyond.

Finally, we sub-lease a significant quantity of fuel storage at our POA facilities to several fuel dealers.

If you have any questions, please contact me at 907-261-7221.

Sincerely,

Kip Knudson
External Affairs Manager



COOK INLET TUG & BARGE INC.

March 4, 2011

Senator Bert Stedman
Finance Committee
State Capitol, Room 516
Juneau, Alaska 99801-1182

Dear Senator Stedman,

I am writing on behalf of the Port of Anchorage in regards to funding the dock expansion project. The Port of Anchorage is the center of transportation for the State of Alaska; it is pivotal in keeping the state's economy running, and a huge supplier of jobs, including the 9 mariners at Cook Inlet Tug & Barge.

We have been docking ships at the Port of Anchorage for over 37 years. During this time we have seen many changes on the waterfront, the newest being the dock expansion. Unfortunately this project keeps getting delayed, and it is pivotal for the State of Alaska to finish the project. The condition of the dock presently does not lend itself to a growing State, and the State can't grow until the Port grows.

Every delay makes it that much harder to get cargo in and out of the State. We are not attractive to outside customers because the expansion project isn't finished, and we are upsetting the customers that use the Port every week because construction is beginning to delay their operations.

Please consider funding the Port of Anchorage, it is pivotal for this project to be finished in order for the State to continue operating efficiently.

Sincerely,

Katrina Anderson

Capt. Katrina Anderson
Operations Manager
Cook Inlet Tug & Barge Inc.

International St. Cloud, MN, USA • 866-854-2747 • Fax: 320-255-7478

Dear Governor Sheffield.

I'd like to take this opportunity to notify of you of our company's intent to make use of your barge berth area for the shipment of materiel in support of Anchorage's Fire Island Wind Turbine project.

We would like to discuss with you the availability of up to 10 acres of lay down area for a period of 18-24 months. We anticipate having to move more than 72,000 Freight tons of wind turbine parts and 15,000 Freight tons of support equipment through the berths. We plan to begin operations in May, 2010 through August 2011.

We would appreciate you providing us a point of contact as soon as possible with whom to begin negotiations for berthing reservations and tariff rates. Thank you for your assistance.

Respectfully,

Joseph M. Goering
Vice President
ATS International Services
Operating Subsidiary of:
Anderson Trucking Service, Inc.

ASIG. AIRCRAFT SERVICE INTERNATIONAL GROUP™

BBA Aviation

The Honorable Bert K. Stedman
Senate Finance Committee Co-Chairman
120 4th Street
State Capital, Suite 516
Juneau, AK 99801-1182

Dear Senator,

Aircraft Service International Group (ASIG) is the operator of Anchorage Fueling and Service Company's (AFSC) fuel storage system in Anchorage. This system supplies 85% of jet fuel to Ted Stevens Anchorage International Airport (ANC) and consists of eighteen domestic and international airlines. Prior to the economic downturn, demand for fuel at the ANC was increasing by 5 to 8 percent annually. AFSC shareholders expect the demand for jet fuel to continue to increase as the world economy recovers (in Dec. 2010, AFSC approved a construction project that will increase their system storage capacity by 16 million gallons). Alaska refineries are unable to supply the total demand required, as their capacity is limited. Additional supply must come from outside of Alaska and enter the market via the Port of Anchorage. The port of Anchorage has been an essential source of supply for Ted Stevens Anchorage International Airport in the past and will be a critical source in the future. Limitations at the port and their ability to accommodate fuel deliveries could correlate directly with limitations in the growth at Ted Stevens Anchorage International Airport.

AFSC, along with ASIG, have taken steps to encourage supply sources from outside of Alaska to provide fuel to the Anchorage market. In the last year, 2 additional suppliers have entered the market and are supplying fuel via water borne tankers. Entities looking at the Anchorage market will be encouraged to see an expanding port, increasing capacity and the ability to accommodate larger deep draft vessels

ASIG, along with AFSC, recommends continued legislative support of the Port's expansion plans. It is vital to secure Anchorage's position as the crossroads of the world.

Thank you for your service.

Bert Mattingly

Administrative Manager
AFSC / ASIG
6000 Dehavilland Drive
Anchorage, Alaska 99502-1081

RECEIVED

PORT of TACOMA U.S.A.

February 25, 2011

Gov. Bill Sheffield, Executive Director
Port of Anchorage
2000 Anchorage Port Road
Anchorage, AK 99501

Dear Mr. Sheffield:

Alaskans all know the importance of the oil pipeline to the Alaska economy. But there is another pipeline that is equally important—the cargo pipeline that exists between the Port of Anchorage and the Port of Tacoma.

With regular service from two major shipping lines, Horizon Lines and Totem Ocean Trailer Express, an estimated $3.5 billion of trade moves annually between Tacoma and Alaska on this vital connection each year—everything from groceries and consumer goods to autos and military equipment. In fact, over 75% of waterborne goods in the Alaska trade move between our two ports.

In addition to the Tacoma-Alaska cargo connection, the Port of Anchorage also provides important connections and opportunities for the entire state of Alaska to compete and succeed in today's global economy.

While the current port project has had some challenges, we hope that the issues can be resolved in order to maintain and grow the cargo connections between Tacoma and Anchorage, two key strategic military and commercial ports.

Sincerely,

John Wolfe
Chief Executive Officer

cc: Hon. Dan Sullivan, Mayor, Municipality of Anchorage

P.O. Box 1837 • Tacoma, Washington 98401-1837 • Telephone: (253) 383-5841

DEPARTMENT OF THE ARMY
HEADQUARTERS, U. S. ARMY ALASKA
724 POSTAL SERVICE LOOP #5000
JOINT BASE ELMENDORF-RICHARDSON, ALASKA 99505-5000

REPLY TO
ATTENTION OF

March 10, 2011

Office of the Commanding General

Mr. William J. Sheffield
Director, Port of Anchorage
2000 Anchorage Port Road
Anchorage, Alaska 99501

Dear Mr. Sheffield:

Thank you for the support of the Port of Anchorage, which continues to provide US Army Alaska with the necessary resources for global projection of our mission critical forces. The Port of Anchorage is the only strategic port capable of sustaining our military deployments and operations and is a key logistics capability for current and future US Army Alaska mission requirements.

Since 2005, almost 18,000 pieces of military cargo in the form of combat vehicles, weaponry, and support equipment have passed through the port. The recent cooperation and team effort in the successful military movements through the port in December 2010 highlighted your commitment to support deployments of our Alaskan forces. With your support, we moved 835 vehicles including 308 Strykers, 767 shipping containers, and miscellaneous items for a grand total of 1659 pieces.

I anticipate continued consideration of the Army's needs in Alaska and appreciate the close working relationship US Army Alaska has enjoyed to date with the Port of Anchorage.

Sincerely,

Raymond P. Palumbo
Brigadier General, US Army
Commanding Officer

Alaska Trucking Association, Inc.
3443 Minnesota Drive · Anchorage, Alaska 99503 · Phone (907) 276-1149 · Fax (907) 274-1946
www.aktrucks.org
The authoritative voice of the trucking industry in Alaska

March 4, 2011

Sent via e-mail

Senator Bert Stedman
Co-Chair, Senate Finance Committee
Alaska State Senate

Re: Port of Anchorage Funding

Senator Stedman,

The Alaska Trucking Association supports the Port of Anchorage's request for additional funding to continue work on the port expansion project.

The Port of Anchorage is a vital link in Alaska's freight movement system. Trucks are in and out of the port on a daily basis with Tuesday and Sunday being the highest volume days. These are the days Horizon Lines container ships and the Totem Ocean Trailers Express roll on, roll off cargo ships arrive at the port. Trucks enter and exit the port to pick up or deliver both inbound and outbound freight. Without the continued capability of the port to handle the trailers and the containers in an efficient manner, the ability of the trucking industry to deliver the freight will be lessened. It is estimated that there are more than 200,000 truck trips into and out of the port annually.

We request that you look favorably on the Port of Anchorage's request.

Thank you,

Sincerely,

Aves Thompson
Executive Director

If you got it, a truck brought it...

Carlile
CARLILE TRANSPORTATION SYSTEMS, INC.
1800 East 1st Avenue, Anchorage, AK 99501
(907) 276-7797 | TOLL - FREE (800) 478-1853 | FAX (907) 278-7301

Senator Bert Stedman
Senate Finance Committee
Alaska State Legislature
State Capitol, Room 516
Juneau, AK 99801

Dear Senator Stedman,

I would like to express my support for the Port of Anchorage and the ongoing intermodal expansion project. Carlile Transportation depends on the Port of Anchorage for the container freight that is distributed from our company to locations throughout Alaska. The Port of Anchorage is the key entry point for the majority of our business and for the state. It is vital that the Port of Anchorage is able to provide efficient and reliable service.

Although the ongoing expansion project is based in Anchorage, it is a project of statewide significance. The Port of Anchorage is the vein to Alaska's Transportation System. The condition of the current port facilities, its limitations and inefficiencies limit shipping options and opportunities for companies transporting freight. The expanded port facility will provide an opportunity to realize new efficiencies in freight transportation that will ultimately be passed along to our company and our customers. Once complete, the expanded Port will have additional acreage, storage, and barge berths capabilities which would create opportunities to further improve and expand service. The expanded facilities would provide new options and potentially cost savings for freight shipment to and from Anchorage, Alaska's transportation hub.

I appreciate your support of this important project. The port has approached funding this project through federal and state grants in order to protect port users and ultimately their customers from shouldering the project cost. I urge you to provide the funding necessary to complete this project on schedule.

Thank you for your time, please do not hesitate to contact me for any further questions.

Sincerely,

Harry McDonald, CEO
Carlile Transportation Systems



Senator Bert Stedman
Senate Finance Committee
Alaska State Legislature
State Capitol, Room 516
Juneau, AK 99801

Dear Senator Stedman,

We wanted to take this opportunity to express our support for the Port of Anchorage and the ongoing intermodal expansion project. The Alaska Commercial Company depends on the Port of Anchorage for the food, clothing and consumer goods that are distributed to our store locations throughout Rural Alaska. The Port of Anchorage is the entry point for the majority of all goods we sell in our stores. These items are brought in via container ships through the Port of Anchorage and then distributed from there to more than 30 store locations via air, barge, and road. The Alaska Commercial Company depends on efficient and reliable service at the Port of Anchorage to enable us to continue to serve the people of Rural Alaska.

Although the ongoing expansion project is based in Anchorage, it is a project of statewide significance. The state of the current port facilities, its limitations and inefficiencies, are passed onto users in the form of higher transportation costs. The expanded port facility will provide an opportunity to realize new efficiencies in freight transportation that will ultimately be passed along to our company and our rural customers. This is so important to the people of Rural Alaska who are already heavily burdened with very high costs associated with basic necessities such as heating fuel and food. Once complete, the expanded Port with have additional acreage, storage, and barge berths capabilities which could create opportunities to further improve and expand service to western Alaska. This increased service would provide new options and potentially cost savings for freight shipment from Anchorage to western Alaskan communities.

We appreciate your support of this important project. The port has approached funding this project through federal and state grants in order to protect port users and ultimately their customers from shouldering the project cost. To deviate from this plan would only lead to an increase in the cost of essential consumer goods and fuel throughout the state, something our communities and our business simply cannot afford.

Thank you for your time, please do not hesitate to contact either of us for any further questions.

Sincerely,

Rex Wilhelm
President and COO
Alaska Commercial Company
907-273-4662

Walt Pickett
Vice President and General Manager
Alaska Commercial Company
907-273-4642

International Brotherhood of Electrical Workers
Local 1547

3333 DENALI STREET, SUITE 200
ANCHORAGE, ALASKA 99503-4038

TELEPHONE (907) 272-6571
DISPATCH (907) 276-1547
FAX (907) 777-7255

LARRY W. BELL
BUSINESS MANAGER • FINANCIAL SECRETARY

KNUTE ANDERSON
PRESIDENT

March 9, 2011

Senator Bert Stedman
Senate Finance Committee
Alaska State Legislature
State Capitol, Room 516
Juneau, AK 99801

Dear Senator Stedman:

I wanted to take this opportunity to express my support for the Port of Anchorage and the ongoing intermodal expansion project. As Business Manager of the International Brotherhood of Electrical Workers (IBEW) 1547, I can attest to the importance of this facility, both for our members who work in various sectors at the Port, and the freight and cargo companies who utilize these facilities.

A substantial number of members of our Local union are employed in various capacities throughout the Port and the adjoining facilities. Our members play a critical role in ensuring the Port facilities are maintained to a safe degree and that Port operations continue uninterrupted.

Although the ongoing expansion project is based in Anchorage, it is a project of statewide and regional significance. The state of the current port facilities, its limitations and inefficiencies, limit shipping options and opportunities for companies transporting freight to destinations throughout the state. Once complete, the expanded Port will have additional acreage, storage, draft and berthing capabilities that will create opportunities to further improve and expand service – especially to rural Alaska. For our membership, this means better delivery of services statewide and of course, expanded job opportunities. This is good for Alaska as a whole.

Senator, this project is putting people to work now. Our members are only a small example of the jobs and employment opportunities created by this critical infrastructure project. Every construction season, around 500 people are employed from a variety of independent contractors and unions on the expansion alone. This does not account for the day-to-day needs to keep the aging infrastructure viable as well, an effort in which our members also play a critical role. This project is very important to our members, the Alaskan families they support, and the IBEW fully supports it. I urge you to provide the funding necessary to personally make sure this project moves forward without delay.

Thank you for your time and please do not hesitate to contact me at 907-777-7234 if you have any further questions.

Sincerely,

Larry Bell
Business Manager/Financial Secretary
IBEW LU 1547

LB/bp

C. Jim Lottsfeldt
File

ALASKA REGIONAL COUNCIL OF CARPENTERS

JOHN A. PALMATIER
Executive Secretary Treasurer

Phone: (907) 274-2722
Fax: (907) 274-2727

410 Denali St., Suite 100
Anchorage, AK 99501

Senator Bert Stedman
Senate Finance Committee
Alaska State Legislature
State Capitol, Room 516
Juneau, AK 99801

Dear Senator Stedman,

I wanted to take this opportunity to express my support for the Port of Anchorage and the ongoing intermodal expansion project. As head of the Alaska Regional Council of Carpenters, Millwrights, Piledrivers and Divers, I can attest to the importance of this facility and the intermodal expansion project as it provides jobs for many of our Alaskan union members.

Senator, this project is putting people to work now. This important Alaskan project will require a variety of skilled labor including earthwork, pipes and drainage, extensive concrete work, sheet pile, installation of crane rails, and the construction of any support buildings.

Our members are a single example of the jobs and employment opportunities created by this critical infrastructure project. Every construction season, nearly 500 people are employed from a variety of independent contractors and unions. This project is very important to our members and we fully support it. I urge you to provide the funding necessary to make sure this project stays on track. To lose a year of construction due to funding issues would mean the loss of close to 500 construction jobs come April, 2012.

Thank you for your time, please do not hesitate to contact me for any further questions.

Sincerely,

John A. Palmatier
Executive Secretary Treasurer

International Union of Operating Engineers
LOCAL 302 • Washington and Alaska • AFL-CIO

Daren Konopaski, *Business Manager*

Tony Hansen, *Vice President and District Six Representative*

Senator Bert Stedman
Senate Finance Committee
Alaska State Legislature
State Capitol, Room 516
Juneau, AK 99801

Dear Senator Stedman,

I wanted to take this opportunity to express my support for the Port of Anchorage and the ongoing intermodal expansion project. As head of the Local 302 Operating Engineers for South Central Alaska, I can attest to the importance of this facility, both for our members who work in various sectors at the Port, and the freight and cargo companies who call here.
Forty members of our union are employed in maintenance, snow removal, bulk cement, and cruise ship berth operations. Our members play a critical role in ensuring the Port facilities are maintained to a safe degree while also assisting the essential fuel barges and tankers that call on the Port.

Although the ongoing expansion project is based in Anchorage, it is a project of statewide and regional significance. The state of the current port facilities, its limitations and inefficiencies, limit shipping options and opportunities for companies transporting freight. Once complete, the expanded Port with have additional acreage, storage, draft and berthing capabilities that could create opportunities to further improve and expand service—especially to rural Alaska. For our union, this could mean more jobs. On the past phases of the Port Expansion over 100 of our members were employed.

Senator, this project is putting people to work now. Our members are only a small example of the jobs and employment opportunities created by this critical infrastructure project. Every construction season, around 500 people are employed from a variety of independent contractors and unions, including ours. This project is very important to our members and we fully support it. I urge you to provide the funding necessary to make sure this project moves forward without delays.

Thank you for your time, please do not hesitate to contact me for any further questions.

Sincerely,

Tony Hansen

Tony Hansen
Vice President and District Six Representative

Kyle Brees, *Financial Secretary* • **Sean Jeffries,** *President* • **Tony Hansen,** *Vice President*
MAIN OFFICE: 18701 120th Avenue N.E. • Bothell, Washington 98011-9514
Telephone: (425) 806-0302 • Toll-free: 1-800-521-8882 • Fax: (425) 806-0030
ANCHORAGE OFFICE: 4001 Denali Street • Anchorage, Alaska 99503
Telephone: (907) 561-5288 • Toll-free: 1-800-478-5338 • Fax: (907) 563-4571
Washington Branches: Bellingham • Ellensberg • Silverdale Alaska Branches: Anchorage • Fairbanks • Juneau

LABORERS' INTERNATIONAL
UNION OF NORTH AMERICA
LOCAL 341

2501 Commercial Drive, Anchorage, AK 99501
Phone (907) 272-4571 Fax (907) 274-0570
www.local341.com



March 14, 2011

Senator Bert Stedman
Senate Finance Committee
Alaska State Legislature
State Capitol, room 416
Juneau, AK 990801

RE: Laborers' Local 341's support for the Port of Anchorage intermodal expansion project.

Dear Senator Stedman;

Laborers' Local 341, and our more than 2,200 members, supports the Port of Anchorage and their intermodal expansion project. For Alaskans, increased employment opportunities should continue to be a top priority especially when dealing with the difficult realities of the current economy. Not to mention the significant impact the Port of Anchorage has throughout all of Alaska and its communities.

The port is currently handling 120,000 containers of cargo and 11 million barrels of fuel annually. The intermodal expansion project not only increases throughput, therefore contributing to the success of Alaska, but also generates an additional $20 million in annual payroll. In 2009 alone, the expansion project generated over 700,000 work hours. This is a tremendous boost to our economy.

With a projected growth of nearly 200% in annual net operating revenue from $5.8 million in 2011 to $10.6 million by the year 2021, to not complete this project due to a lack of funding would be regrettable. Laborers' Local 341 requests that the funding necessary to maintain this expansion project be approved.

Please do not hesitate to contact me with any questions or comments you may have regarding this matter.

Sincerely,

A. J. Merrick II

A.J. "Joey" Merrick II
Business Manager/Secretary-Treasurer
Laborers' Local 341

JOEY MERRICK
BUSINESS MANAGER
SECRETARY-TREASURER

RON MCPHETERS
PRESIDENT

RON AXTELL
VICE PRESIDENT

LARRY MOONEY
BUSINESS REPRESENTATIVE

STACY ALLEN
HEALTHCARE UNIT
REPRESENTATIVE

UNITED BROTHERHOOD OF
Carpenters and Joiners of America
LOCAL UNION NO. 1281
407 DENALI
SUITE 100
PHONE (907) 276-3533
FAX (907) 276-7962
ANCHORAGE, ALASKA 99501

March 11, 2011

To Whom It May Concern,

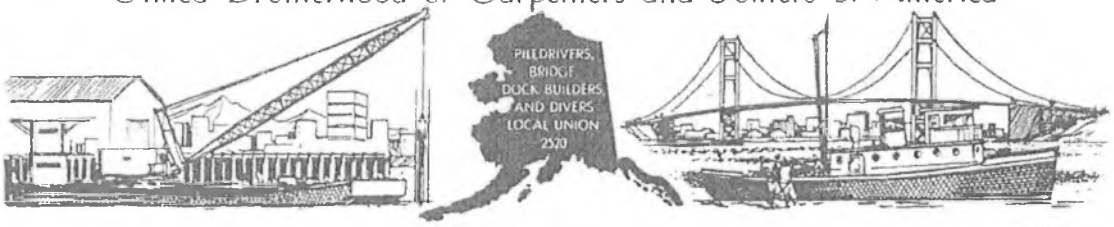
I am a 37 year resident of Alaska and enjoy living in this wonderful state with my wife and six children. I work hard to provide a good life for us with hopes that there future here is as great as its past.

I would like to show my support for the Anchorage Port Expansion Project. In my opinion this should be a top priority project to get completed for the businesses and residents of Alaska. With the ever increasing shipping that comes through our port we must complete the expansion. From the fuel supply to the military and the airport or the everyday consumer of goods, the jobs that are created through expansion should not be denied. The economic effects of this project will be positive to most all Alaskans. With the completion of this project it is one more step in a great future for our children.

Respectfully,

Scott Hansen
Business Manager
Carpenters Local1281

United Brotherhood of Carpenters and Joiners of America



825 EAST EIGHTH AVENUE
ANCHORAGE, ALASKA 99501

Senator Bert Stedman
Senate Finance Committee
Alaska State Legislature
State Capitol, Room 516
Juneau AK 99801

Dear Senator Stedman,

I want to take this opportunity to express my support for the Port of Anchorage and the ongoing intermodal expansion project. As the business manager for the Piledrivers and Divers Local Union 2520, I have seen firsthand that this type of project can be done in a cost efficient and timely manner especially with the expertise that the current contractor West Construction has at its disposal. We need this expansion now more than ever with the existing dock deteriorating and the state of the economy. This project is putting people to work now; it provides an income for a vast majority of our skilled workers and their families who would otherwise be counting on the state for support.

Senator, this project is very important to our members and we fully support it. I urge you to provide the funding necessary to make sure this project stays on track. To lose a year of construction due to funding issues would mean the loss of close to 500 construction jobs come April 2011.

Thank you for your time, if you have any questions please do not hesitate to contact me.

Sincerely,

Steve Abel
Business Manager
Piledrivers and Divers Local Union 2520

NANA
REGIONAL CORPORATION, INC.

P.O. Box 49
Kotzebue, AK 99752
www.nana.com

907 442 3301 MAIN
800 478 3301 TOLL-FREE IN ALASKA
907 442 4161 FAX

March 11, 2011

Senator Bert Stedman
Senate Finance Committee
Alaska State Legislature
State Capitol, Room 516
Juneau, AK 99801

Dear Senator Stedman,

I wanted to take this opportunity to express my support for the Port of Anchorage and the ongoing intermodal expansion project. The Port is the center of a hub and spoke transportation system that stretches throughout the State of Alaska providing essential services to communities in western Alaska including Kotzebue. From consumer goods to fuel, our communities and businesses depend on efficient and reliable service at the Port of Anchorage to keep these goods coming in regularly.

Although the ongoing expansion project is based in Anchorage, it is really a project that has statewide significance. Consumer goods reach western Alaska through barge, air and bypass mail deliveries. According to the U.S. Postal Service, nearly 100 million pounds of goods enter Alaska through the Port of Anchorage before being shipped out as bypass mail. Additionally, over 1.7 million gallons of heating oil, gasoline, diesel fuel and other types of petroleum products are shipped from the Port of Anchorage to western Alaska annually. Expansion of the Port of Anchorage, particularly its new barge berths, provides opportunities to further improve and expand service to rural Alaska. Once complete, the expanded Port will have additional acreage, barge berths and storage capabilities all of which could lead to increased service to rural Alaska. New efficiencies resulting from improved facilities will be passed along to consumers in rural Alaska.

I appreciate your careful consideration of this important project. The Port has approached funding this project through federal and state grants in order to protect Port users and ultimately their customers from shouldering the project cost. To deviate from this plan could lead to an increase in the cost of essential consumer goods and fuel throughout the state, something our communities simply cannot afford.

Thank you for your time, please do not hesitate to contact me for any further questions. Taikuu!

Sincerely,

Marie N. Greene
President/CEO

DOYON
Limited®

1 Doyon Place, Suite 300
Fairbanks, Alaska 99701

Toll free: (888) 478-4755
In Fairbanks: (907) 459-2000

March 14, 2011

Senator Bert Stedman
Senate Finance Committee
Alaska State Legislature
State Capitol, Room 516
Juneau, AK 99801

Dear Senator Stedman,

Please accept this expression of support for the Port of Anchorage and its ongoing intermodal expansion project. The Port is the center of a hub and spoke transportation system that stretches throughout the State of Alaska providing essential services to over 250 towns and villages in Alaska including the interior region. From consumer goods to fuel, our communities and businesses depend on efficient and reliable service at the Port of Anchorage.

Although the ongoing expansion project is based in Anchorage, it is really a project of statewide significance. Once complete, the Port will have additional acreage, barge berths and storage capabilities which will increase efficient service to the interior region.

Approximately 90% of the merchandise and consumer goods used in Fairbanks and the interior region enter the state via the Port of Anchorage. Consumer goods reach Fairbanks and surrounding communities via road, rail and air. According to the US Postal Service, nearly 100 million pounds of goods enter Alaska through the Port of Anchorage before being shipped out as bypass mail. A third of those goods are transported to Fairbanks via road and rail and then distributed as bypass mail from the Fairbanks airport to surrounding rural communities. Port facilities also support critical petroleum distribution including heating oil, gasoline, diesel fuel and other types of petroleum products. Construction projects in the region depend on the cement and supplies that come over the Port's docks. Expansion of the Port of Anchorage is vital to ensuring these services continue without disruption and it's vital to the continued growth of our economy.

I appreciate your careful consideration of this important project. The port has approached funding this project through federal and state grants in order to protect port users and ultimately their customers from shouldering the project cost. To deviate from this plan would only lead to an increase in the cost of essential consumer goods and fuel throughout the state, something our communities simply cannot afford.

Thank you for your time and please contact me if I can be of any assistance to you.

Sincerely,

Norman L. Phillips, Jr.
President and CEO



Bering Straits Native Corporation

Senator Bert Stedman
Senate Finance Committee
Alaska State Legislature
State Capitol, Room 516
Juneau, AK 99801

Dear Senator Stedman,

I wanted to take this opportunity to express my support for the Port of Anchorage and the ongoing intermodal expansion project. The Port is the center of a hub and spoke transportation system that stretches throughout the State of Alaska providing essential services to communities in rural Alaska including Nome. From consumer goods to fuel, our communities and businesses depend on efficient and reliable service at the Port of Anchorage to keep these goods coming in regularly.

Although the ongoing expansion project is based in Anchorage, it is really a project of statewide significance. Once complete, the expanded Port will have additional acreage, barge berths and storage capabilities, all of which could lead to increased service to rural Alaska. Any new efficiencies resulting from improved facilities will also be passed along to consumers in rural Alaska.

Consumer goods reach rural Alaska through barge, air and bypass mail deliveries. According to the US Postal Service, nearly 100 million pounds of goods enter Alaska through the Port of Anchorage before being shipped out as bypass mail. Additionally, over 1.7 million gallons of heating oil, gasoline, diesel fuel and other types of petroleum products are shipped from the Port of Anchorage to Western Alaska annually. Expansion of the Port of Anchorage, particularly its new barge berths, provides opportunities to further improve and expand service to rural Alaska.

I appreciate your careful consideration of this important project. The port has approached funding this project through federal and state grants in order to protect port users and ultimately their customers from shouldering the project cost. Deviation from this plan would only lead to an increase in the cost of essential consumer goods and fuel throughout the state, something our communities can ill afford.

Thank you for your consideration.

Sincerely,

Gail R. Schubert
President/CEO

4600 DeBarr Road, Suite 200 • Anchorage, Alaska 99508-3126 • (907) 563-3788 • Fax (907) 563-2742

March 8, 2011

Senator Bert Stedman
Senate Finance Committee
Alaska State Legislature
State Capitol, Room 516
Juneau, Alaska 99801

KONIAG
INCORPORATED

Dear Senator Stedman:

I wanted to take this opportunity to express my support for the Port of Anchorage and the ongoing intermodal expansion project. The Port is the center of a hub and spoke transportation network that stretches throughout the State of Alaska providing essential services to communities in rural Alaska, including Kodiak Island. From consumer goods to fuel, our communities and businesses depend on efficient and reliable service at the Port of Anchorage to keep these commodities flowing regularly.

Although the ongoing expansion project is based in Anchorage, it is a project of statewide significance. The state of the current port facilities, its limitations and inefficiencies, are passed onto users in the form of higher transportation costs. The expanded port facility will provide an opportunity to realize new efficiencies in freight transportation that will ultimately be passed along to our customers. Once complete, the expanded Port will have additional acreage, storage, and barge berth capabilities which could create opportunities to further improve and expand service throughout Alaska. This increased service would provide new options and, potentially, cost savings for freight shipments from Anchorage to all Alaskan communities.

I appreciate your support of this important project. The Port has approached funding this project through federal and state grants in order to protect Port users and ultimately their customers from shouldering the project cost. To deviate from this plan would only lead to an increase in the cost of essential consumer goods and fuel throughout the state, something our communities and our businesses simply cannot afford.

Thank you for your time, please do not hesitate to contact me for any further questions.

Sincerely,

KONIAG, INC.

William Anderson, Jr.
President & CEO

194 Alimaq Drive
Kodiak, Alaska 99615
1-800-658-3818
(907) 486-2530
FAX (907) 486-3525

ANCHORAGE CHAMBER
of COMMERCE

October 25, 2010

Wayne Stevens
President/CEO
The Alaska State Chamber of Commerce
217 Second Street, Suite 201
Juneau, AK 99801

Dear Mr. Stevens:

The Anchorage Chamber of Commerce recognizes the vital strategic importance of the Port of Anchorage and fully supports the Port's Intermodal Expansion Project and the legislature's funding of the appropriation request. The Port serves a critical economic role for Alaska and is estimated to annually contribute $1.4 billion to the state's economy. From retail to resource development, from construction to health care, it is difficult to identify any industry that does not depend on the Port's operations.

The Port of Anchorage is a statewide transportation hub, moving 90 percent of Alaska's consumer goods. Moreover, the Port serves as a strategic gateway for the U.S. Military and has been named a "National Strategic Port" by the Department of Defense. Notably, 100 percent of the jet fuel used by Elmendorf Air Force Base and Fort Richardson Army Post arrives via the Port.

The Port expansion project will upgrade facilities, many of which are now 45 years-old. It will add much needed berthing space; provide improved capabilities and new industrial real estate; and importantly, will lower overall facility maintenance costs and allow the Port to operate with greater efficiency well into the future. The timing of the Port expansion is also fortuitous. The project will provide much needed jobs as our economy continues to fight off the lingering effects of the worldwide recession.

The expansion project represents the largest single-infrastructure project in the state. It requires both leadership and vision in order to ensure its successful completion. The Anchorage Chamber of Commerce represents over 1,200 members employing over 70,000 workers and unequivocally supports full funding of the project, essential to project completion and limiting cost increases, while meeting our growing statewide needs.

Sincerely,

William J. Evans, 2010-11 chair
Anchorage Chamber of Commerce

Alaska State Chamber of Commerce
2011 Position

Port of Anchorage Intermodal Expansion Project

The Alaska State Chamber of Commerce strongly supports the Port of Anchorage Intermodal Expansion Project and urges the legislature to fund a major appropriation for this critical piece of statewide transportation infrastructure. The Port of Anchorage is undergoing a major Intermodal expansion and renovation of its current port infrastructure, most of which is more than 45 years old and in a deteriorated condition. Ninety percent of the consumer goods for all of Alaska north of Cordova, move through the Port of Anchorage, along with critical fuel supplies and military deployments making this a vital and significant statewide project to businesses throughout Alaska.

PORT OF ANCHORAGE

Alaska's Port. Alaska's Future.

March 13, 2011

Senator Bert K. Stedman
Co-Chair, Senate Finance Committee
120 4th Street
State Capitol, Suite 516
Juneau, AK 99801-1182

Dear Senator Stedman,

I'm writing to you in my capacity as Chair of the Anchorage Port Commission. On behalf of the entire Port Commission, I express our support for the Port's ongoing intermodal expansion project and urge you and the Finance Committee to provide the funding necessary to complete this project on schedule and without delays.

As you know, the Port of Anchorage serves more than the Anchorage bowl, it is a project of statewide significance. Goods that cross the Anchorage docks are destined to locations around the state. In addition, the Port employs 650 for its day to day operations. This figure swells to 3500 on "ship days". Additionally the Port employs around 500 people every season from various independent contractors and unions during this expansion project.

The Commission is very aware of the current port facilities' limitations and inefficiencies. These detriments have an impact on shipping options and opportunities for companies transporting freight to grow and expand their businesses. Not only will the expanded Port facilities provide new options and opportunities for existing Port customers, but also, once completed, the expanded Port will have additional acreage, storage and barge berth capacity that will create the potential for new customers and possible cost savings for freight shipments.

This is an exciting project for ALL Alaska and we encourage your support.

Thank you for your time and please do not hesitate to contact me if you have further questions.

Sincerely,

Sue Linford

Suzanne (Sue) Linford
Chair, Anchorage Port Commission

HEADQUARTERS
ALASKAN COMMAND (ALCOM)
JOINT BASE ELMENDORF-RICHARDSON, ALASKA 99506

FEB 9 2011

Lieutenant General Dana T. Atkins
Commander, Alaskan Command
9480 Pease Avenue, Suite 110
JBER, AK 99506-2101

The Honorable Lisa A. Murkowski
United States Senate
709 Hart Senate Office Building
Washington, DC 20510-0201

Dear Senator Murkowski

I would like to take this opportunity to inform you of the key role the Port of Anchorage plays in our national security and its importance to Alaska's five major military installations.

In 2004, the Maritime Administration designated the Port of Anchorage as one of America's 19 National Strategic Ports. The Port of Anchorage supports our mission and requirement to receive and deploy combat forces stationed in Alaska. Alaska is now home to an Army Stryker brigade, an airborne brigade, and a combat aviation brigade, with the likelihood of additional forces being home-stationed here in the future. Since 2005, almost 18,000 pieces of military cargo in the form of combat vehicles, weaponry, and support equipment have passed through the Port. Over 33 million gallons of military aviation fuel is received annually by barge and tankers offloading via the Port. Our ability to project this power to combat theaters around the globe depends heavily upon sealift through the Port of Anchorage.

The Port of Anchorage's commitment under the Strategic Port program to provide at least 25 acres of land area within its boundaries during a deployment is key to the efficient staging and loading of our combat equipment. Due to the high worldwide operations tempo, we have executed several large military movements through the Port recently.

The Port of Anchorage is not only the strategic hub for military deployments and operations, it is also one point of throughput for the commodities we stock in our base exchanges, commissaries, and troop stores in support of 55,000 military and family members in Alaska.

I look forward to continuing the long and successful partnership between the Port and Alaskan Command forces for many years to come.

Respectfully

Dana T. Atkins

DANA T. ATKINS
Lieutenant General, USAF
Commander

Guardian of the North

HEADQUARTERS
ALASKAN COMMAND (ALCOM)
JOINT BASE ELMENDORF-RICHARDSON, ALASKA 99506

Lieutenant General Dana T. Atkins
Commander, Alaskan Command
9480 Pease Avenue, Suite 110
JBER, AK 99506-2101

The Honorable Mark P. Begich
United States Senate
144 Russell Senate Office Building
Washington, DC 20510-0202

Dear Senator Begich

I would like to take this opportunity to inform you of the key role the Port of Anchorage plays in our national security and its importance to Alaska's five major military installations.

In 2004, the Maritime Administration designated the Port of Anchorage as one of America's 19 National Strategic Ports. The Port of Anchorage supports our mission and requirement to receive and deploy combat forces stationed in Alaska. Alaska is now home to an Army Stryker brigade, an airborne brigade, and a combat aviation brigade, with the likelihood of additional forces being home-stationed here in the future. Since 2005, almost 18,000 pieces of military cargo in the form of combat vehicles, weaponry, and support equipment have passed through the Port. Over 33 million gallons of military aviation fuel is received annually by barge and tankers offloading via the Port. Our ability to project this power to combat theaters around the globe depends heavily upon sealift through the Port of Anchorage.

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The Port of Anchorage is not only the strategic hub for military deployments and operations, it is also one point of throughput for the commodities we stock in our base exchanges, commissaries, and troop stores in support of 55,000 military and family members in Alaska.

I look forward to continuing the long and successful partnership between the Port and Alaskan Command forces for many years to come.

Respectfully

Dana T. Atkins

DANA T. ATKINS
Lieutenant General, USAF
Commander

Guardian of the North

HEADQUARTERS
ALASKAN COMMAND (ALCOM)
JOINT BASE ELMENDORF-RICHARDSON, ALASKA 99506

FEB 9 2011

Lieutenant General Dana T. Atkins
Commander, Alaskan Command
9480 Pease Avenue, Suite 110
JBER, AK 99506-2101

The Honorable Don Young
United States House of Representatives
2111 Rayburn House Office Building
Washington, DC 20515-0201

Dear Congressman Young

I would like to take this opportunity to inform you of the key role the Port of Anchorage plays in our national security and its importance to Alaska's five major military installations.

In 2004, the Maritime Administration designated the Port of Anchorage as one of America's 19 National Strategic Ports. The Port of Anchorage supports our mission and requirement to receive and deploy combat forces stationed in Alaska. Alaska is now home to an Army Stryker brigade, an airborne brigade, and a combat aviation brigade, with the likelihood of additional forces being home-stationed here in the future. Since 2005, almost 18,000 pieces of military cargo in the form of combat vehicles, weaponry, and support equipment have passed through the Port. Over 33 million gallons of military aviation fuel is received annually by barge and tankers offloading via the Port. Our ability to project this power to combat theaters around the globe depends heavily upon sealift through the Port of Anchorage.

The Port of Anchorage's commitment under the Strategic Port program to provide at least 25 acres of land area within its boundaries during a deployment is key to the efficient staging and loading of our combat equipment. Due to the high worldwide operations tempo, we have executed several large military movements through the Port recently.

The Port of Anchorage is not only the strategic hub for military deployments and operations, it is also one point of throughput for the commodities we stock in our base exchanges, commissaries, and troop stores in support of 55,000 military and family members in Alaska.

I look forward to continuing the long and successful partnership between the Port and Alaskan Command forces for many years to come.

Respectfully

Dana T. Atkins

DANA T. ATKINS
Lieutenant General, USAF
Commander

Guardian of the North

UNITED STATES TRANSPORTATION COMMAND
508 SCOTT DRIVE
SCOTT AIR FORCE BASE, ILLINOIS 62225-5357

23 June 2009

The Honorable Raymond H. LaHood
Secretary
United States Department of Transportation
1200 New Jersey Ave SE
Washington DC 20590

Dear Secretary LaHood

I am writing to request the Department of Transportation award Transportation Investment Generating Economic Recovery (TIGER) Discretionary Grants to our Nation's commercial seaports for intermodal and other port infrastructure improvements.

The Department of Defense (DoD) relies heavily on the Nation's commercial freight transportation system to support military operations worldwide. Fifteen commercial seaports in the continental United States and Alaska are designated as Strategic Seaports, based on their ability to support military surge operations.

We collaborated with the U.S. Maritime Administration to assess Strategic Seaport infrastructure. The results are summarized in the enclosed "DoD Report to Congress on Projected Requirements for Military Throughput at Strategic Seaports." Since we rely on commercial infrastructure to support Defense needs, infrastructure projects that improve the capability to receive, stage, and load commercial freight onto ocean-going vessels tend to also benefit DoD. Table 2 of the report provides examples of port infrastructure projects that could mitigate projected military throughput constraints.

As you and your Department consider these grant requests, respectfully request that to the extent possible you make funding available to those seaports whose ready-to-execute projects not only provide long-term commercial and economic benefit, but also enhance our Nation's defense posture. Thank you in advance for your consideration.

Sincerely

DUNCAN J. McNABB
General, USAF
Commander

Attachment:
DoD Report to Congress, April 2007

STO-090505-022

DANIEL K. INOUYE
HAWAII

COMMITTEE ON APPROPRIATIONS, CHAIRMAN
SUBCOMMITTEE ON DEFENSE, CHAIRMAN
COMMITTEE ON INDIAN AFFAIRS
DEMOCRATIC STEERING AND COORDINATION COMMITTEE
COMMITTEE ON RULES AND ADMINISTRATION
JOINT COMMITTEE ON PRINTING

United States Senate
SUITE 722, HART SENATE OFFICE BUILDING
WASHINGTON, DC 20510-1102
(202) 224-3934
FAX (202) 224-6747

PRINCE KUHIO FEDERAL BUILDING
ROOM 7-212, 300 ALA MOANA BOULEVARD
HONOLULU, HI 96850-4975
(808) 541-2542
FAX (808) 541-2549

101 AUPUNI STREET, NO. 205
HILO, HI 96720-4221
(808) 935-0844
FAX (808) 961-5163

April 28, 2009

The Honorable Raymond LaHood
Secretary
United States Department of Transportation
1200 New Jersey Avenue, S.E.
Washington, D.C. 20590

Dear Secretary LaHood:

Public Law 111-5, the American Recovery and Reinvestment Act of 2009 (ARRA), provided the Department of Transportation with $1.5 billion to be awarded through a new surface transportation competitive grant program. This new program provides the Department and the nation with a unique opportunity to competitively finance significant transportation infrastructure projects, regardless of transport mode, that will enhance national, regional, or metropolitan mobility, while putting Americans back to work.

This program is particularly important to addressing the diverse needs and unique transportation demands of the states and territories in the non-contiguous trades. These states and territories heavily depend on maritime and intermodal transportation infrastructure which has, historically, received little federal investment when compared to federal spending for our nation's highway or aviation infrastructure. I urge you to ensure that the maritime and intermodal needs of these states and territories will be given significant consideration in this new grant program, both on the water side as well as the land side of the ports. Additionally, I hope that this grant program will be used, in part, to fund port projects which traditionally have received little federal investment, despite their significant economic and military importance to our nation.

For example, the Port of Anchorage is vital to our national defense. The expansion project that is underway will provide future economic opportunities and further strengthen the military and diplomatic mission of the United States. The Port of Anchorage is one of only 19 ports designated by the Department of Defense as a Strategic Port. There are five military bases strategically located in Alaska (Elmendorf AFB, Ft. Richardson, Eielson AFB, Ft. Wainwright, and Ft. Greely),

S10-090505-022

and the Port is essential in serving the thousands of Army and Air Force personnel, that call Alaska home. Alaska is playing a larger role in the training of military personnel with more than 2 million acres of training grounds, where troops can train with close air support in live fire exercises. Without the Port of Anchorage, these key military bases and activities would be out of business.

As the focus of the strategic location of our military forces changes, we must ensure that states have the critical infrastructure necessary to support military movement. The State of Hawaii and the Port of Anchorage are each seeking $179 million in stimulus funds for their port and intermodal expansion plans. I fully support these requests for improvements on the water side as well as the land side of the ports, and hope that you will agree these projects are worthy investments.

Your efforts and those of your agencies are essential to the ARRA's effectiveness in creating jobs and promoting our nation's economic recovery. Investments in key ports such as those in Hawaii and Alaska will provide long term economic and strategic benefits.

Aloha,

DANIEL K. INOUYE
United States Senator

DKI:vl

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

September 27, 2004

The Honorable Don Young
Chairman
Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Thank you for your letter of July 30 requesting the U.S. Department of Transportation (DOT) support for the Port of Anchorage Intermodal Expansion Project (Port Expansion).

DOT has been and continues to be a committed partner of the Port Expansion. The Port Expansion presents a new way for government and industry to partner on projects. I am committed to facilitating the development and planning of major freight and passenger projects like the Port Expansion.

The Department is encouraged by the leadership and responsible coordination between the Municipality of Anchorage and the Port of Anchorage in working with DOT to develop an innovative public/private partnership to solve a serious transportation and throughput bottleneck in this critical hub. DOT recognizes the important national contribution of the port as a strategic facility for military deployments, including the Stryker Brigade Combat team. As you are aware, the port serves as Alaska's center for homeland security by its status as homeport for the U.S. Coast Guard Marine Safety and Security Team and it is also an important national economic driver because of its critical commercial location.

The Department, through the U.S. Maritime Administration (MARAD), is currently engaged in the successful implementation of the Port Expansion. Similar to the Chicago Region Environmental and Transportation Efficiency (CREATE) project, we have established a DOT Intermodal Project Facilitation Team to coordinate Port Expansion support activities among the various Federal, State and other agencies. Our Port of Anchorage Team includes representatives from MARAD headquarters as well as field personnel working in collaboration with the Federal Highway Administration, Federal Railroad Administration, Federal Transit Administration, and my immediate office. The team also coordinates with the U.S. Army and its Corps of Engineers, the U.S. Air Force, the Alaska Department of Transportation, the Alaska Department of Environmental Conservation, and the Municipality of Anchorage Department of Transportation and Planning.

DOT looks forward to continuing the excellent working relationship between our respective staffs.

If I can provide further information or assistance, please feel free to call me.

Sincerely yours,

Norman Y. Mineta

Alaska's Lifeline

Cargo Distribution Patterns from the Port of Anchorage to Southcentral, Northern, Western and Southeast Alaska







University of Alaska Anchorage
College of Business & Public Policy
Department of Logistics
&
Port of Anchorage
Municipality of Anchorage

February 2011

EXECUTIVE SUMMARY
PORT OF ANCHORAGE CARGO DISTRIBUTION STUDY

The sources for the data in this executive summary are extensively referenced in the body of this study.

Goods shipped through the Port of Anchorage (POA) reach almost every Alaska community making the POA arguably one of the most important infrastructure facilities in the State of Alaska. The data presented in this report shows the entry points and distribution channels of critical cargoes that drive Alaska's economy and bring Alaskans the consumer goods and business supplies essential to the state's economy and daily life.

For the vast majority of Alaskans, the Port of Anchorage **is** Alaska's Port. The annual cargo entering the Port of Anchorage accounts for 90% of the merchandise goods used by Alaskan communities west of Cordova. This study will help inform public policy decision at the state and federal level to determine the level of public support that is justified for the Port expansion project.

Nearly all of the container goods that make up the day-to-day items used by Alaskans originate in shipments from the Port of Tacoma to the Port of Anchorage (POA). These shipments represent a critical lifeline for Alaska and amount to nearly 30 percent of Tacoma's total cargo activity. The total value of these goods is estimated to be well over $1 billion annually according to a study by the Port of Tacoma and the Seattle Chamber of Commerce.

Once these cargos enter Alaska through the Port of Anchorage, they are distributed throughout the Railbelt by truck, train, and to rural Alaska by air and barge. Ninety percent of the goods delivered to Fairbanks and the Mat-Su area originate in shipments through the Port of Anchorage as do seventy-five percent of the goods consumed in Western and Northern Alaska. A substantial amount of POA originated cargo is shipped via air freight to Southeast Alaska and 28.5 million pounds of US Postal Service Standard mail arrives in the state annually through the Port.

The POA is also a major entry point for fuel. On average, two-thirds of the fuel for air carriers at Ted Stevens Anchorage International Airport, and two-thirds of the fuel used by the US military and federal government agencies in Alaska, are delivered through the Port. This includes 100 percent of the jet fuel for Elmendorf Air Force Base and Fort Richardson- now Joint Base Elmendorf-Richardson (JBER). Smaller aircraft around the state are particularly dependent on Port operations because all in-state aviation gasoline (avgas) passes through the Port. Additionally 90 percent of the fuel Alaskans use to operate their vehicles and water craft originates in POA deliveries.

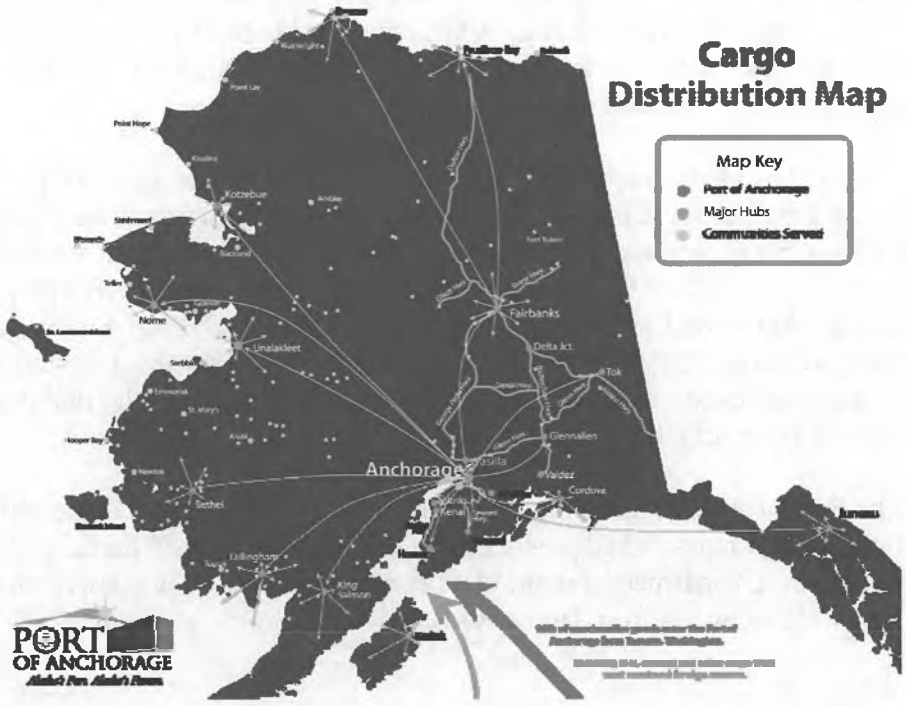
The Port of Anchorage is the only port in Southcentral that has the capability to offload bulk cement in unsacked powder form. As a result, over 80 percent of the cement used for concrete construction in the state comes into the Port annually, enough to build a four foot wide sidewalk from Homer to Barrow and back.

The Port is essential to the Armed Forces and was designated one of only 19 National Strategic Seaports by the Department of Defense. The US Armed Forces have staged over 20 military deployments through the Port of Anchorage in the past 10 years, including Stryker Brigade deployments to Iraq and Afghanistan. In a 2009 letter to the U.S. Secretary of Transportation, Raymond LaHood, U.S. Senator Daniel Inouye calls the Port of Anchorage "vital to our nation's defense" citing its service to all five military bases saying "the port is essential in serving the thousands of Army and Air Force personnel that call Alaska home." He continues on to say that "without the Port of Anchorage, these key military bases and activity would be out of business."

The Port of Anchorage makes a substantial contribution to Alaska's economy not only through the goods and cargoes which enter the port, but also through jobs and associated payroll. Total payroll at the Port for direct operations exceeds $53 million per year. An additional $20 million dollars per year in construction wages supports around 500 jobs and is expected to continue through 2021. The associated railroad, trucking and air cargo operations (delivering Port of Anchorage sourced goods at the regional air hubs of Fairbanks, Bethel, Nome, Dillingham, Kotzebue and Barrow) also make a significant contribution to many local economies.

Four container ships per week supply the vast majority of consumer goods and business supplies to Alaskans. In the course of this study we discovered that most retail companies, non-profits and government agencies reported that they would reach a crisis mode within two weeks if service was disrupted.

This study also identifies some of the issues that could substantially increase operating costs within the distribution system, and ultimately, the cost of goods to Alaska consumers. One example is increased fees and tariffs to pay for the Port of Anchorage Intermodal Expansion Project should local bonding be required. Federal issues include proposed changes to the bypass mail system, elimination or reduction of the Essential Air Service Program, new requirements for marine vessels to use ultra-low sulfur diesel, and any initiation of federal container taxes. Each of these issues could have a significant impact on the cost of goods to Alaskans.



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ABBREVIATIONS

AEDC – Anchorage Economic Development Corporation
ARRC – Alaska Railroad Corporation
ASIG – Aircraft Service International Group
AS&G – Anchorage Sand and Gravel
CIRI – Cook Inlet Region Incorporated
DLA – Defense Logistics Agency
DOD – Department of Defense
ECA – Emissions Control Area
Horizon – Horizon Lines, Inc.
IMPLAN – Impact M for Planning, a multiplier for economic impact calculation developed by the US Department of Agriculture Forest Service
ISER – Institute of Social and Economic Research, University of Alaska
JBER – Joint Base Elmendorf-Richardson
LO/LO – lift-on/lift-off operations
MLLW – Mean Lower Low Water
PANAMAX – The maximum sized vessel that will fit through the Panama Canal
POA – Port of Anchorage
POL – Petroleum Oils and Lubricants
RO/RO – roll-on/roll-off operations
TOTE – Totem Ocean Trailer Express
ULSD – Ultra-Low Sulfur Diesel
USCG – United States Cost Guard
USPS – U.S. Postal Service

STUDY PURPOSE AND METHODOLOGY

The purpose of this study is to describe the distribution patterns of goods which enter the Port of Anchorage (POA) and are delivered to Southcentral, Interior, Northern, Western and Southeast Alaska. The information from this study is intended to inform the general public and public policy makers on the importance of the Port's operations to Alaska's people and businesses.

The study methodology was to collect all available and relevant data on incoming volumes of cargo entering the Port of Anchorage utilizing published documents, port data and interviews with port operators. The final cargo destinations within Alaska and the patterns of freight distribution were further determined through interviews with freight forwarders, trucking, railroad and air freight operators along with retail and government related customers.

To better illustrate the patterns of freight distribution, the data was arranged according to the following tiers:

I. The first tier consists of shipping companies and operators who deliver cargo to the POA including containerized cargoes of consumer goods and business supplies, fuel, cement, construction materials, military equipment, building materials, automobiles and commercial vehicles.

II. The second tier is made up of trucking and rail operations which move goods from the POA to a secondary location. There they are either delivered directly to retail markets or consolidated and shipped via a third tier transporter to a further destination.

III. The third tier is comprised of air cargo carriers and barge operators who ship consolidated freight to hub airports and local harbors via bypass mail, air freight and barge operations. Once received at a hub airport or harbor, the freight is then further broken down for delivery by smaller air carriers or barge shippers for final delivery to rural villages.

IV. The fourth tier includes those goods delivered to the Port of Anchorage and then transshipped to Kodiak, Dutch Harbor and Western and Northern Alaska by container ship and barge. This includes consumer goods and business supplies, fuel, construction materials, automobiles and commercial vehicles.

Data on incoming fuel, cement and military supplies were also analyzed to determine their sources and patterns of distribution.

The Port is committed to treating any proprietary data in a confidential manner and informed study participants that such data would be aggregated to ensure confidentiality. As a result, much of the data is described in overall terms or percentages, nevertheless it clearly indicates the patterns of distribution.

The total payroll of Port stakeholders was collected from operators to help illustrate the economic impact of direct Port operations on Alaska's economy. This data was aggregated into a total payroll amount and was interpreted by Dr. Darren Prokop, UAA Professor of Logistics. The Alaska Trucking Association and the Alaska Association of Air Carriers provided additional information to help assess the value of trucking and air cargo operations to Alaska's economy.

In the course of interviewing participants in the distribution chain, issues of concern were raised that could affect the cost of delivery of goods throughout Alaska including the costs of developing the Port if local bonding were required, changes or reductions in the bypass mail system, requirements for marine vessels to use ultra-low sulfur diesel fuel, and any change in container taxes. These concerns are addressed at a cursory level towards the end of this study.

Participants also identified several inefficiencies in current Port operations that could be improved as a result of the new Port design. This information is contained in *Commodity Details and Port Efficiency Issues* on page 15.

Participants were asked to identify the impact on their businesses should there be any disruptions to Port of Anchorage operations. A summary of their responses is contained on page 18 under *Interruption of Service.*

This study was sent in draft form to all participants for review to identify any omissions or errors. A complete list of companies interviewed for this study can be found on page 25.

ABOUT THE AUTHORS

This study was conducted under the supervision of Dr. Darren Prokop, Professor of Logistics at the College of Business and Public Policy at the University of Alaska, Anchorage (UAA). Primary research for the project was conducted by Paul Fuhs under the supervision of the Port of Anchorage. The project was assisted by University of Alaska Anchorage student interns Duke Kahumoku (majoring in Political Science) and Grigory Kalugin (majoring in Logistics).

A NOTE FROM THE AUTHORS

The authors would like to thank all the companies who participated in this study. Their cooperation was freely given and their support is very much appreciated. Too often this sector of our economy is taken for granted as essential items appear each week on the shelves without any thought as to how they got there.

This study contains data and statistics, which when taken together, are quite remarkable. As different sectors of the industry were interviewed, it became apparent that behind the numbers there are very real Alaskans, all pulling their weight in a complex and sometimes dangerous system that requires each leg to work all the time, every time, in order to be successful. This silent, steady system is what keeps Alaska's economy alive, its what keeps food in the house and pencils on the desks. This study is a way of recognizing what these companies and people do for the citizens of Alaska every day.



BACKGROUND ON CURRENT PORT OPERATIONS AND PORT REDEVELOPMENT PLANS

The current Port facility has four ship berths and a published draft depth of -35 ft mean lower low water (MLLW) which easily accommodates ships requiring 30 feet of draft. The two northern berths are container ship berths used primarily by Horizon Lines and Totem Ocean Trailer Express (TOTE). A container ship from each of these companies travels from the Port of Tacoma to call on the POA twice a week on Tuesdays and Sundays. TOTE offloads their cargo via Roll-on/Roll-off (RO/RO) facilities while Horizon Lines uses three 38-foot gauge container cranes to lift containers on and off their ships. These container berths are also used to accommodate cruise ship vessels during summer months and other vessels as needed. The two berths on the south end of the dock are for bulk cargo (cement) and petroleum oil and lubricants (POL). These berths accommodate fuel tankers, fuel barges, and dry bulk carriers.



The Port occupies 129 acres with 81 acres leased to long-term users and 31 acres used as transit storage for cargo including fuel tanks and cements silos. These same areas are occasionally designated for use by the Department of Defense to stage military deployments. The Alaska based U.S. Coast Guard Maritime Safety and Security Team is home ported at the POA with 75 personnel and multiple emergency response vessels.

The POA is involved in a major project to replace aging and deteriorated facilities that were built up to 50 years ago and are at risk of catastrophic failure in the event of a major earthquake[1]. The Port of Anchorage Intermodal Expansion Project began in 2002 and upon completion will add 1,700 ft of linear dock space, creating 7 functioning ship berths, two public barge berths, and an additional 135 acres of land which can accommodate industrial development activities. The project increases the operating depth of the Port to -45' MLLW and is expected to reduce dredging costs. The expansion project must be constructed in phases with new operational sections completed before abandoning the current facilities to ensure that there is no disruption of service.



Several areas of the new facilities are constructed to withstand the worst case expected earthquakes based on past history of seismic activity. They are designed to operate for 50 years without any major maintenance and an overall useful life of 75 to 100 years. The expanded facilities will also address a number of inefficiencies inherent to the current facilities which are described in this report.

[1] R&M Consultants, Inc. *Seismic Vulnerability Report.* (2009).

The Port of Anchorage operates on a self-sustaining basis. Port tariffs and fees pay for all operations and maintenance of the facility, along with a small reserve fund. This steady fiscal performance qualifies the Port for a $75 million line of credit used as part of the Port's match to state and federal funds in the ongoing expansion project.

FINDINGS OF THE STUDY

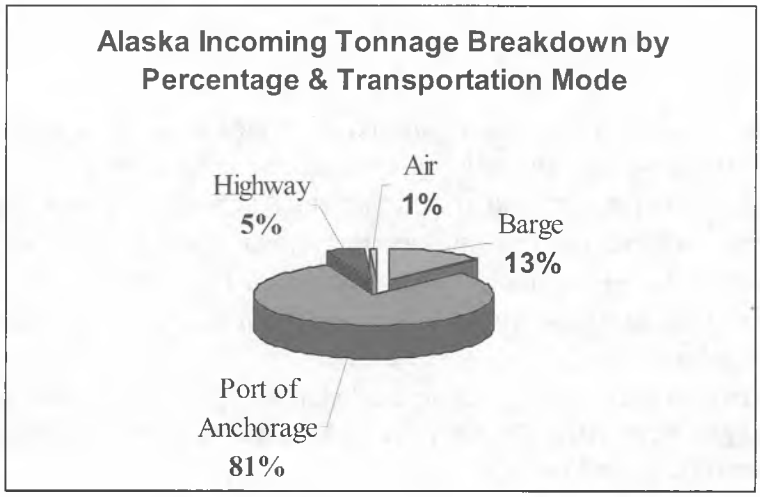
TIER I: ANNUAL INCOMING CARGO AND ORIGIN OF SOURCES

In 2009, the baseline year for complete data, the Port of Anchorage received 4,370,000 tons of cargo (8.74 billion pounds) comprised of containerized consumer goods and business supplies, US mail, fuel, construction materials, drill pipe, cement for concrete, automobiles, and military equipment.[2]

An additional 706,000 tons of annual cargo deliveries, most by barge, do not pass through the POA, but enter Southcentral Alaska through the Alaska Railroad Corporation's rail barge operations in Seward and Whittier and through barge deliveries to North Star Terminal and Stevedoring and the Swan Bay dock. These are primarily outsized and overweight loads and bulk construction supplies.[3] Around 325,000 tons of goods enter the Railbelt through trucking and airfreight.

Railbelt Alaska Incoming Tonnage Breakdown: Percentage by Facilities[4]

There are four ways of delivering goods to the Alaska Railbelt: container ship, barge, trucks, and air freight. Each delivery method is displayed by percentage in the following chart according to data from the Alaska Rail Road Corporation.



[2] Port of Anchorage, 2009 Annual Port Tonnage Report
[3] Personal Interview, September, 2010, Alaska Rail Road Corporation
[4] Personal Interview, September, 2010, Alaska Rail Road Corporation & 2009 Annual Port Tonnage Report

POA LO/LO and RO/RO Operations

Container crane lift on/lift off (LO/LO), and roll-on/roll-off (RO/RO) operations account for 1,820,000 tons annually, (120,000 incoming containers annually, or about 10,000 containers per month.)[5] TOTE's RO/RO operations also allow for the delivery of oversized loads, or just about anything that can be put on wheels.

POA container crane and RO/RO cargo is primarily comprised of consumer goods and business supplies, construction materials, and vehicles. This represents 90 percent of Railbelt and interior merchandise cargo and business supplies shipped to Fairbanks, Mat-Su and the Kenai Peninsula.[6] **Origin of Cargo:** Port of Tacoma

Non POA Barge Cargoes

Around 706,000 tons of annual cargo does not pass through the POA, but is instead transported by barge to Seward, Whittier, and private docks in Anchorage. These cargoes are mostly bulk but can also be containerized and are primarily materials such as chemicals, sack cement, grain products, construction goods, heavy industrial loads, oversized items and fuels. There are several different types of barges that use the facilities listed above including rail barges, with regular weekly service between Seattle or Price Rupert depending on the company, and fuel barges. **Origin of Cargo:** Seattle, Prince Rupert, BC



Fuel

Eleven million barrels[7] (or 462 million gallons) of refined petroleum products move through the Port of Anchorage annually on a regular basis including:

- Two-thirds of the jet fuel used at Ted Stevens Anchorage International Airport
- Two-thirds of all fuel used by military and federal agencies in Alaska
- 100 percent of the jet fuel used by Elmendorf Air Force Base
- 90 percent of the fuel used by vehicles, watercraft and general aviation aircraft in Railbelt Alaska
- 100 percent of the aviation gasoline used statewide (including Southeast Alaska)

Origin of Cargo: Flint Hills Refinery, Tesoro Refinery, Petrostar Refinery, domestic and international ships and vessels.

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[5] Port of Anchorage, 2008 Annual Tonnage Report
[6] 1999 VZM TranSystems Corp/Northern Economics, *Port Master Plan*, Page 1.C 14
[7] Port of Anchorage, Annual Dock Tonnage 2001 - 2010

Cement

An estimated eighty percent of the cement for manufacturing the concrete used in Anchorage, Fairbanks, Mat-Su, the Kenai Peninsula and the road system is delivered through the Port of Anchorage by the company Alaska Basic Industries, a division of Anchorage Sand and Gravel (AS&G).[8] Other barge operations deliver an additional 20,000 tons per year. In some cases, cement is distributed from the POA to rural areas via air freight from Ted Stevens Anchorage International Airport. To date, 78 Alaskan communities throughout the State, including the North Slope, have received cement through this distribution method.



Origin of Cargo: Korea, China, Thailand

Automobiles and Commercial Vehicles

About ninety-five percent of new private, commercial, and military automobiles and trucks bound for the Railbelt come through Port of Anchorage. On average, 50,000 vehicles pass through the POA annually.[9] **Origin of Cargo:** Port of Tacoma

Military Cargo



In addition to the fuel, military operating supplies and equipment, commissary groceries, and base/post exchange consumable and durable goods items provided through the Port of Anchorage. In a 2011 letter to Alaska's Congressional delegation, Lieutenant General Dana Atkins, Commander of Alaska Command wrote "The Port of Anchorage is not only the strategic hub for military deployments and operations, it is also one point of throughput for the commodities we stock in our base exchanges, commissaries and troop stores in support of 55,000 military and family members in Alaska."

In the past ten years the Port has supported over 20 military deployments, including deployments to Iraq and Afghanistan. Lieutenant General Atkins writes "Since 2005 almost 18,000 pieces of military cargo in the form of combat vehicles, weaponry, and support equipment have passed through the Port. Our ability to project this power to combat theaters around the globe depends heavily upon sealift through the Port of Anchorage."[10]

USPS Mail

Twenty-eight and a half (28.5) million pounds of US "standard mail" is delivered annually through the Port of Anchorage.[11] **Origin of Cargo:** Port of Tacoma

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[8] Personal Interview, Alaska Basic Industries, October, 2010.
[9] Phone Interview, Wrightway Auto Carriers, October, 2010.
[10] Letter from Lieutenant General Dana T. Atkins to the Alaska Delegation, February 9, 2011.
[11] Phone Interview, U.S. Postal Service, October, 2010.

Bulk Shipments and Construction Materials through POA



These include general construction materials, drill pipe for the North Slope and industrial structural elements. If Cook Inlet Region Incorporated (CIRI) moves forward with it planned wind energy project on Fire Island, the towers are expected to arrive in Cook Inlet by ship and be delivered to the POA for transfer by barge to Fire Island. This will be facilitated by the Port's dry barge landing facility.
Origin of Cargo: Seattle, Tacoma and International sources.

TIER II: PRIMARY DISTRIBUTION TO ANCHORAGE, INTERIOR AND RAILBELT ALASKA

Trucking operations make deliveries directly to large and small retail stores in the Anchorage bowl. Trucks also deliver containers to freight consolidators and warehouses in Anchorage who further break down the cargo for smaller deliveries.[12]

Nearly 90 percent of consumer goods and business supplies for Fairbanks, Mat-Su, and the Kenai Peninsula first enter through the Port of Anchorage. The goods are primarily transported as follows:

- 60 percent intermodal transfer to ARRC for rail transport
- 40 percent delivered by trucking operations[13]



Standard US mail shipped through the Port of Anchorage is delivered by truck to the USPS sort operation near the Ted Stevens Anchorage International Airport. After sorting, it is delivered locally by mail carriers and statewide by truck and air operations. Fuel and cement are delivered directly by truck and railcar to customers throughout the state while cement is also delivered to remote locations by air freight. Construction materials and automobiles are delivered directly by truck.

These trucking operations have a substantial impact on Alaska's economy. The American Transportation Research Institute reports that in 2008, 603 Alaska trucking companies provided 19,955 jobs.[14]

[12] Personal Interview, Alaska Trucking Association, November, 2010.
[13] Personal Interview, Alaska Rail Road Corporation, September, 2010.
[14] American Transportation Research Institute & Alaska Trucking Association, *Alaska Fast Fact.,* (2011)

TIER III: SECONDARY DISTRIBUTION OF CONSUMER GOODS AND BUSINESS SUPPLIES FROM THE PORT OF ANCHORAGE TO RURAL AND SOUTHEAST ALASKA

Surface and Air Transport of Goods

Goods designated for shipment to rural Alaska are transported primarily by trucks to distribution warehouses as stated under the second distribution tier. These warehouses and distribution centers consolidate the goods which are then further distributed to air freight and bypass mail carriers for transport to rural areas. The volume of consumer goods transported through this method is significant. According to a 2006 Northern Economics study, 75 percent of total goods move to rural Alaska through bypass mail.[15]

Air cargo and related passenger flight operations make a substantial contribution to Alaska's economy. According to the Alaska Air Carriers Association, there are 304 commercial operators in Alaska with 47,000[16] people employed in Alaska aviation. The amount of airfreight per person in Alaska is 39 times higher than the US average, amounting to almost one ton per person per year.[17] Air cargo shipments of POA originating goods are also made year round to resource development projects such as Red Dog Mine, Donlin Creek Mine, the North Slope, etc.



According to Alaska Airlines Air Freight, a "substantial" amount of POA originating cargo is sent to the Southeast Alaska communities of Cordova, Juneau, Wrangell, Petersburg, Sitka and Ketchikan. Once the cargo is delivered to these hub communities, smaller air carriers further distribute this Anchorage originating cargo to more remote villages in Southeast.[18]

Bypass Mail

Bypass mail plays a crucial role in delivering consumer goods to Western and Northern Alaska. Cargoes originating from the Port of Anchorage are delivered by truck or rail to the primary air cargo hubs of Anchorage, Fairbanks and Deadhorse. From there this cargo is flown either to the regional hubs of Bethel, Nome, Kotzebue, Dillingham, and Barrow, or flown directly to the villages. The U.S. Postal Service reports that these shipments total almost 100 million pounds per year, with 1.5 million pounds of bypass mail being shipped from Anchorage and 750,000 lbs shipped from Fairbanks every

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[15] Northern Economics, *Port of Anchorage Consolidation & Distribution Study,* 2006.

[16] Alaska Department of Transportation & Public Facilities Commissioned Study, *The Economic Contribution of the Aviation Industry to Alaska's Economy,* 2008.

[17] Alaska Air Carriers Association, *Alaska Aviation Facts*, 2009.

[18] Specific cargo amounts and percentages are not available since one carrier, Alaska Airlines, flies almost all of this cargo and to publish it would reveal proprietary information.

week.[19] An additional 10 percent of cargo is flown at the full tariff air freight rate. Standard US Mail shipped through the Port of Anchorage is also delivered by air to rural Alaska.

Bypass mail provides a lower cost to consumers since air cargo is charged at "postage stamp rates" which means that cargo moves at $0.38 per pound regardless of which community it is shipped to, similar to the way a letter is charged the same rate regardless of where you are sending it. To send that same freight from Anchorage to Bethel via air freight or at standard postal rates for instance, would cost nearly twice that much. To send it to the outlying villages could cost up to 6 times that amount. The USPS pays for the difference in those prices which amounts to a "subsidy" of over $100 million per year.[20]

Bypass mail is organized into two categories:

1. Service to hubs; in planes fully loaded with cargo, or by combi service (a Boeing 737 configured for half freight in totes and half passengers) as offered by Alaska Airlines. These hubs are a legacy of the old postal hub communities. The number of providers is limited to those carriers who have provided this service in the past and have the capacity for hauling a minimum of 7,500 pounds.

2. Service to villages: Cargo is flown in conjunction with passenger flights on smaller aircraft that have at least 20 percent of the passenger market in those communities. In many cases the revenues from bypass mail are what keep these airlines serving these communities.



There is discussion within USPS of moving these hubs to communities that they estimate would be more efficient locations for them. However, this would require significant state expenditures to upgrade these airports, while current hubs have seen substantial improvements in their capabilities. Airports like Bethel, the second busiest airport in Alaska, are considering moving to a 24/7 schedule to accommodate all of their nighttime traffic in a safe and efficient way.[21] Any reductions in bypass mail service would impose a significant burden on people living in the villages who are already struggling to make ends meet due to the high cost of goods and energy.

[19] Phone Interview, USPS, October 2010.
[20] Personal Interview, Alaska Commercial Company, October, 2010.
[21] Personal Interview, Airport Manager, Bethel Airport, November, 2010.

TIER IV: CARGO TRANSHIPPED VIA WATER TO RURAL ALASKA

A significant amount of Western Alaska bound cargo is shipped by container vessel to Anchorage and then loaded to barges destined for Western Alaska. One of the barge operators serving western Alaska estimates that 25 percent of their cargo is transshipped via the Port of Anchorage. The remaining 75 percent of barge cargo is sourced directly out of Seattle.[22]

Horizon Lines has direct container service to Kodiak and Dutch Harbor/Unalaska. These ships carry cargo from the Port of Tacoma, discharge most of their cargo in Anchorage, take on additional cargo for Kodiak and Dutch Harbor and then return to Tacoma after making those port calls. They take Asian destination frozen fish from Southcentral and Kodiak to Dutch Harbor where it is loaded onto container ships headed for foreign destinations. Frozen fish from Kodiak and Dutch Harbor are backhauled to Tacoma for distribution to domestic markets.

Several consolidators and large scale retailers, such as Alaska Commercial, repackage cargo from the Port of Anchorage and then reload these containers on the Horizon vessels or Northland barges headed for Kodiak, Dutch Harbor and Western Alaska ports.

Fuel to Rural Alaska

Annually, 1.7 million barrels of refined petroleum product are shipped out of the Port of Anchorage to rural Alaska via barge[23].

Cargo Backhaul to the Port of Tacoma

On average, about 2 out of 10 containers is loaded with cargo for container ship return voyages to the Port of Tacoma. This cargo is comprised of: recycled items, frozen fish, household goods and vehicles for people moving out of Alaska, automobile and truck trade-ins, and rental car fleet inventories being returned to the West Coast.[24] As an example of how backhauled goods can have a strong impact on shipping rates, it is estimated that the backhaul of fisheries products alone can help reduce the cost of shipping goods to Alaska.[25]

COMMODITY DETAILS AND PORT EFFICIENCY ISSUES



"As Is" LO/LO and RO/RO Container Service

The current container service operated by Horizon Lines and TOTE is highly efficient. Four vessels a week supply around 90 percent of the

[22] Phone Interview, Northland Services, December, 2010.
[23] Port of Anchorage, 2009 Annual Tonnage Report
[24] Personal Interview, Horizon Lines, Totem Ocean Trailer Express, November, 2010.
[25] Personal Interview, Lynden Inc. 2010

merchandise goods and business supplies to Alaskans living west of Cordova. It is so efficient, particularly when combined with the capability for just-in-time delivery, that many retail outlets have drastically reduced, or even eliminated, their need for warehousing services. Coupled with bar code inventory systems, the products in many containers are taken from the vans and put directly on store shelves. These efficiencies allow retailers to offer a wide range of food and other commodities at a price that is little different from those in Seattle.

"To Be" LO/LO and RO/RO Container Service

When completed, the modernized Port of Anchorage will contribute to even greater efficiencies. The draft (depth) at the current dock is -35 feet, restricting the size of vessels that can call on the Port, while the three LO/LO container cranes on the current dock only have a nine container reach. A modern container ship is 16 containers wide and requires a deeper draft and larger cranes at port facilities.

The design of the new facility will provide seven berths of nearly 1,000 feet each that are capable of supporting either RO/RO or LO/LO operations, 49 feet of draft, and placement of the dock face farther out into the channel where it will be self-scouring. New container cranes will be able to reach across PANAMAX container ships, now the industry standard. These upgrades will improve the efficiency of container, commodity, RO/RO and automobile operations. Additional staging areas immediately behind the LO/LO and RO/RO operations will improve efficiencies there while construction of a railroad intermodal loading facility at the back of the port will make transfer operations to flat cars more efficient and reduce the need for drayage operations.



"As Is" Fuel Details

Fuel deliveries have been steadily increasing at the Port of Anchorage. The startup of the ultra-low sulfur diesel towers at the Petrostar facility in Valdez will further increase these deliveries to the POA. Currently about 7.7 million barrels of fuel are delivered to the Anchorage area by rail car annually.[26] An additional 4.5 million barrels come across the Port's dock.[27] ASIG operates the tank farm and valve manifolds that facilitate deliveries of jet fuel to the Ted Stevens Anchorage International Airport by pipeline.[28]

The tank farm at the airport is a subzone of the Foreign Trade Zone at the Port of Anchorage. Since most of this fuel is burned out of the US, there is a significant tax advantage to imported fuel. The crude oil refined at the Tesoro refinery in Nikiski is

[26] Port of Anchorage, Annual Tonnage Report 2010
[27] Port of Anchorage, *Annual Dock Tonnage 2001 – 2010*
[28] Personal Interviews, Petrostar Refinery, Alaska Rail Road Corporation, ASIG, October, 2010.

sourced out of Russia and UK. They also import substantial quantities of refined jet fuel from Korea.[29]

Currently, all general aviation gas (avgas) for Alaska comes through the Port of Anchorage which typically receives four or five tanker deliveries per year and are stored at the Port's tank farms. It is then distributed to Fairbanks, Mat-Su, and the North Slope by truck, and to Western and Southeast Alaska by barge. The Southeast Alaska trade in avgas is facilitated by favorable prices in Anchorage. If Southeast communities were to rely on direct tug and barge deliveries of avgas, these barges would have to travel as far as San Francisco to get avgas from the West Coast. Instead, they are serviced by tugs and fuel barges that are demobilizing from their Western Alaska trades and returning south in the fall. These tugs and barges make this return trip profitable by loading avgas at the POA and making deliveries to Southeast Alaska as they continue their return voyage.[30]

"To Be" Fuel Infrastructure Benefits

Fuel operations are also constrained by the current, limited draft at the Port of Anchorage. Larger petroleum product carriers, given the ability to make larger bulk deliveries, can potentially reduce the overall cost of fuel to consumers. Petroleum operators at the Port who supply fuel to Ted Stevens Anchorage International Airport have indicated the need for increased storage tanks to ensure deliveries of adequate volumes to cover peak periods of demand at the airport. Two dedicated POL berths with new environmentally friendly and state-of-the-art offload headers at the future petroleum docks provide opportunities for new storage capability and the ability to handle a wider variety of refined petroleum products. The newly added acreage behind the POL berths could be a siting source for additional tankage.

"As Is" Cement Offload and Storage Infrastructure



Cement is used in almost every construction project in the state, large and small. The Port of Anchorage is one of the only facilities in Alaska with bulk offloading capacity for cement ships. The ships arrive with dry cement carried in segregated hold compartments and are offloaded via a vacuum and pump system. The cement is transferred through a pipeline to storage tanks on railroad property. Trucks are used to transport the cement from the storage tanks to its final destination. Due to the limited draft at the port, the current bulk cement carrier can only load and receive 24,000 tons at a time despite the vessel's capacity of 40,000 tons.

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[29] Ostherimer, David. *Annual Report For Foreign-Trade Zone No. 160; October 1, 2008-September 30, 2009*

[30] Personal and Phone Interviews, Tesoro Alaska, September, 2010. PetroMarine, Delta Western Fuels, December, 2010.

"To Be" Cement Offload and Storage Infrastructure

Completion of the south replacement and extension phase of the intermodal expansion project will provide both a deeper depth of -45ft and new acreage for the construction of additional cement storage tanks. This could create a cost savings benefit to the shipper as they would be able to double their capacity, transporting 40,000 tons at a time while experiencing the same operational and crew cost with only a modest increase in fuel. The operators of the bulk cement facility at the Port have indicated that if they could utilize these efficiencies, they would construct additional cement silos at the Port on the newly added backlands created by the Port expansion. This would eliminate their current need to truck cement across town to a different storage facility.[31]

"As Is" Military Support

The Port of Anchorage currently serves all five military bases in Alaska through fuel, supplies, vehicles and deployments. In a 2009 letter to the U.S. Secretary of Transportation Ray LaHood, U.S. Senator Daniel Inouye (HI) wrote:

> For example, the Port of Anchorage is vital to our national defense. The Expansion project that is underway will provide further economic opportunities and further strengthen the military and diplomatic mission of the United States. The Port of Anchorage is one of only 19 ports designated by the Department of Defense as a Strategic Port. There are five military bases strategically located in Alaska (Elmendorf AFB, Ft. Richardson, Eielson AFB, Ft. Waignright, and Ft. Greely), and the Port is essential in serving the thousands of Army and Air Force personnel, that call Alaska home. Alaska is playing a larger role in the training of military personnel with more than 2 million acres of training grounds, where troops can train with close air support in live fire exercises. Without the Port of Anchorage, these key military bases would be out of business. (April 28, 2009)

As part of its designation as a Strategic Seaport, the Port of Anchorage must be able to provide enough dock space and acreage to support a military deployment within 72 hours notice. Currently, the Port has successfully demonstrated the ability to provide one 1,000-foot berth without ceasing normal commercial dock operations, and 25 acres of non-contiguous/non-adjacent staging, however this does not meet the military's stated needs.



"To Be" Military Support

The U.S. Transportation Command's Surface Deployment and Distribution Command, through the U.S. Maritime Administration, has indicated a new need for the Port to be able to provide 2,000 feet of berthing space with an adjacent 25 acres of staging area in support of a more expedited major unit deployment[32]. Upon completion of the expansion project, two

[31] Personal Interview, Alaska Basic Industries, October, 2010.
[32] US Department of Administration, Maritime Administration, *Port Planning Order*. (August 31, 2010)

1,000-foot berths and 25 acres of adjacent contiguous staging area can easily be provided with room for growth if needed. This future footprint further provides an easily secured and monitored area decreasing security costs for military users.

The gravel fill for the expansion project, 11 million cubic yards, will all be mined on Elmendorf Air Force Base and transported down a haul road to the Port. This arrangement has proved mutually beneficial to both parties. The Port benefits because the short transit distance generates a large cost savings for the project while the Air Force benefits as hills are removed at the end of the north-south runway creating land that can be developed and used as needed. Once the project is complete, the road that is currently used to transport gravel will be used for deployment, providing the military with direct access to a secured facility and avoiding the associated congestion on public roadways.

Interruption of Service

The efficiencies of the Port have significant advantages, but only so long as port operations remain uninterrupted. During the course of our surveys, businesses were asked how quickly their operations would be affected if operations at the Port were disrupted. Most businesses said they would feel the consequences within a week, two weeks at most. Beyond that time period, they indicated that the interruption would develop into a full blown crisis[33]. This highlights the seriousness of concerns about the stability of the current deteriorated Port structure in the event of a major earthquake.

Once completed the expanded facilities would significantly decrease this risk. The facilities are designed to withstand normal to moderate earthquakes with little to no damage. Given the past seismic history of the region, the design includes two berths designated as "essential facilities." These berths feature increased structural reinforcements and are designed to remain operational following a maximum level earthquake of equal or greater magnitude than the 1964 earthquake.

Manufacturing and Increased Backhaul Opportunities



The Port's newly added acreage can provide much needed industrial space for the manufacture of modules for the North Slope or for the construction of the Alaska gas pipeline. Potential developers of the gas line have already visited the Port to explore these opportunities. A recent report by Anchorage Economic Development Corporation (AEDC) indicates that industrial development lands in Anchorage that are suited for development are limited and dispersed.[34] The new uplands at the Port can help provide space for industrial development and staging.

[33] See list of retail businesses interviewed in reference section

[34] Anchorage Economic Development Corporation, *Industrial Land Needs – The Outlook for Anchorage 2010-2030*. (2009)

Nearly 90 percent of the backhauled containers from the POA are empty. This is a potential area for increased economic activity that would have an additional benefit of reducing the cost of shipping. Although this has yet to be realized, value added processing of natural gas liquids from an Alaskan gas line could provide manufactured products for export. For example, ethylene processed into polyethylene beads, and butane processed into butyl rubber cants is the feedstock for plastic products such as automobile tires.[35]

POTENTIAL COST INCREASE DRIVERS

As previously mentioned, the efficiency of the existing distribution system is quite impressive. So much so that there is a large portion of the state's population that gives no real thought as to how things get on the store shelves. It is the efficiency of this transportation system that has contributed significantly to the ability to stabilize consumer prices for Alaskans. That being said, the balance is delicate. Here are a few potential sources of cost increases that, if realized, could easily upset that balance.

EPA Emissions Control Area

The requirements of this mandate, which are slated to take effect in 2015, would force Alaska-bound ship operators to use ultra-low sulfur diesel fuel in and near the Alaska coast. This fuel is much more expensive and safety concerns have been raised related to the low lubricating characteristics of this fuel. Once in effect, this could dramatically increase the cost of providing service to Alaska.[36]

Changes in Bypass Mail System

Reductions in the bypass mail system would have devastating effects on rural Alaska resulting in increased air shipping costs to rural villages by up to 500 percent. The recent proposal by U.S. Senator John McCain to eliminate the Essential Air Service program could increase the cost of air transportation including the transportation of consumer goods and other items to rural areas.

Proposed Container Tax

The states of Washington and California have both proposed container taxes to provide funds for transportation projects in their states. Alaska would be particularly and unfairly burdened with these fees since the bulk of our cargo arrives by container. The State of Alaska and the Alaska transportation industry rose up to vigorously oppose these measures and they were defeated. However, this issue may surface again and if adopted would significantly increase the cost of shipping goods to Alaska.

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[35] Chemical Manufacturers of America, Inc, *2010 Update: Cook Inlet Value Added Opportunity, for AEDA and ANGDA.*

[36] Personal Interviews, Horizon Lines, Totem Ocean Trailer Express, November, 2010.

Port Expansion Financing Plan

The Port of Anchorage secures funds for its intermodal expansion project from the federal government, the State of Alaska, and through contributions from its own annual profits. If the Port were required to bond completely for this project, to make the required payments towards those bonds would require substantial increases in port surcharge fees, from 3 to 8 times higher than current rates[37]. This would increase the cost of every single item, bulk or containerized, that passes through the POA. State and federal grants for the project negate the need to consider this option.

CONCLUSION

A modern, safe, survivable Port of Anchorage is critical to the lives of Alaskans. It is an economic driver that provides the needed commodities and business supplies Alaskans use in their everyday lives. It provides essential supplies to Alaska's construction and resource development industries and delivers the cars we use to get around in. The Port also provides jobs for Alaskans both through its direct operations and through the extensive web of transporters and facilitators that ultimately deliver the goods to Alaskans. It truly is the Port of Alaska.

[37] Based on tax-exempt bonding for capital costs of $300 to $750 million.

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Barrow
A & D Automotive & Jeep
Aamodt Construction Inc.
Arctic Coast Trading Post
Arctic Janitorial Service
Arctic Pizza
Astac Cellular
Barrow Quick Stop
Barrow Souvenirs & Gifts (Phillips Child Care)
Barrow Utilities & Electric (Bueci)
Boynton Office Systems
Borealis Glass Design
Browers Restaurant
Cornerstone community church
Ferreras Equipment, LLC.
Inupiat Cleaners/ Furshop/ Water service
King Eider Inn
Lucy's Fabric Shop
Napa Auto Parts (Eskimos Inc. Fuel and Parts)
North Slope Borough Vet Clinic
Northern Lights Restaurant
Osaka's Restaurant
Pepe's North of the Border
Sam & Lee's Restaurant
Top of the World Hotel

Mountain Village
Mt. Village Covenant Church

Saint Mary's
Mattys Truck Rental LLC.

Nome
Airport Pizza
Anchor Liquor
Arctic Trading Post
Aurora Inn
Breakers Bar
Builders Industrial Supply
Eds/Xerox Corp
Kawerak Inc.
Landons
Mai's Guest House
Mukluk Telephone Co.
N B Tweet & Sons
Nome Liquor Store
Nome Machine Works
Nome Outfitters Gun & Tackle
Outsiders Hardware
Our Saviors Lutheran Church
Quality Auto Parts
R J's Auto Repair
Rasmussen's Music Art
Rave'n Cuts
River of Life Assembly of God
Solid Green Bingo & Pull Tabs
Subway
Trails End
Veggo Alaska

Kotzebue
Arctic Chiropractic
Arctic Sun Pull Tabs/Kvfd
Baker Services
Baker Aviation Inc.
Custom Electronics
Empress Chinese Restaurant
First Baptist Church
Iva Baker
Thomas Bolen (Otter Enterprises)

Dillingham
Alaskan Espresso
B & B Bed & Breakfast
B & C Fiberglass Inc.
Beaver Creek Bed & Breakfast
Bristol Express
D & J Rentals
Dan's Raft & Camping Equipment
Dave Williams Aircraft Repair
Dillingham Liquor Store
Firewood Bed & Breakfast
Food Bank
JD B&B Reservations
Kae Williams Aircraft Repair
Kozy Kuspuk (Bush Outfitters)
Marx Merchandise
N & N Market Inc.
Nushagak Cab Co.
Osborn Tanks
Rae's Flower & Garden
Ram Auto & Equipment Repair
Sherry's Cuts & Curls
Southwest Salvage
Stelling Enterprises (Gas Stations)
Teddy's Convenient Store
U Pop em' Fireworks

Unalakleet
Essential Services (Plumbing & Heating)
Sleep Inn
Unalakleet City Clerk
Unalakleet Native Village-Housing

APPENDIX A:

List of over 250 Alaskan Communities served by the Port of Anchorage

Adak
Akiak
Akiachak
Akutan
Alakanuk
Allakaket
Ambler
Anaktuvuk Pass
Anchorage
Anchor Point
Anderson
Aniak
Anvik
Arctic Village
Atka
Atqasuk

Barrow
Beaver
Bethel
Bettles Field
Big Lake
Border
Boundary
Brevig Mission
Buckland
Butte

Candle
Cantwell
Central
Chalkyitsik
Chandalar
Chatanika
Chena Hot Springs
Chenega Bay
Chenik
Chevak
Chicken
Chilkaloon
Chignik
Chiniak
Chitina
Chugiak
Circle
Circle Hot Springs
Clam Gulch
Clarks Point
Clear
Cold Bay
Coldfoot
Cooper Landing
Copper Center
Crooked Creek

Deadhorse
Deering
Deltana
Delta Junction
Diomede
Dillingham
Dot Lake
Dutch Harbor

Eagle
Eagle River
Eek
Egegik
Ekwok
Elim
Emmonak
English Bay
Eureka

Fairbanks
False Pass
Flat
Fort Glenn
Fort Greely
Fort Yukon
Fortuna Ledge
Fox

Gakona
Galena
Gambell
Girdwood
Glenallen
Golovin
Gordon
Grayling
Gulkana

Hamilton
Healy
Holy Cross
Homer
Hooper Bay
Hope
Houston
Hughes
Hulsia

Icy Bay
Iditarod
Iguigig
Ikatan
Iliamna
Indian
Ivanoff Bay

Kaktovik
Kaltag
Kanatak
Kanishna
Karluk
Kasigluk
Kasilof
Kataila
Kenai
Kenny Cove
Kiana
King Cove
King Salmon
Kipnuk
Kivalina
Kobuk
Kodiak
Kokhanok
Koliganek
Kongiganak
Kotlik
Kotzebue
Koyuk
Koyukuk
Kustatan
Kwethluk
Kwigillingok
Kwikpak

Lake Minchumina
Larsen Bay
Lavelock
Livengood
Long
Lower Kalskag

Manly Hot Springs
Manokotak
Marshall
McCarthy
McGrath
Medra
Mekoryuk
Mentasta
Minto
Moose Pass
Mountain Village

Nabesna
Naknek
Napakiak
Nelson Lagoon
Nenana
New Stuyahok
Newhalen
Newtok
Nightmute
Nikiski
Nikolai
Nikolski
Ninilchik
Noatak
Nome
Nondalton
Noorvik
Northway
North Pole
Noyes Island
Nuiqsut
Nulato
Nunapitchuk
Nyac

Old Harbor
Ophir
Ouizinkie

Palmer
Paxson
Pedro Bay
Perryville
Petersville
Pile Bay
Pilot Point
Pilot Station
Platinum
Point Hope
Point Lay
Poorman
Port Alice
Port Alsworth
Port Graham
Port Heiden
Port Moller
Portage Creek
Prudhoe Bay

Quinhagak

Russian Mission
Rampart
Red Devil
Ruby

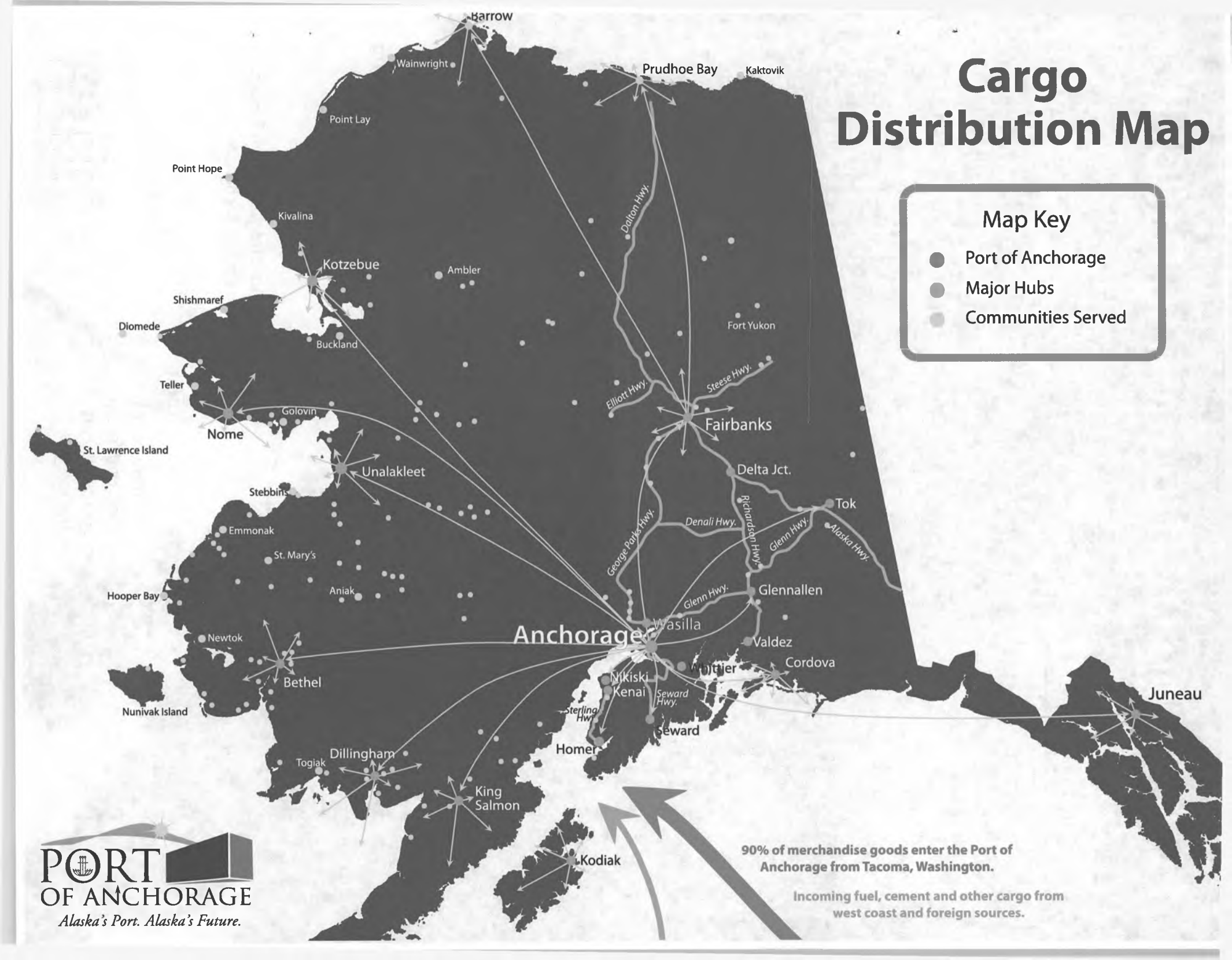
St. George Island
St. Marys
St. Michael
St. Paul Island
Salcha
Sand Point
Savoonga
Scammon Bay
Selawik
Seldovia
Seward
Shageluk
Shaktoolik
Sheldon Point
Shemya
Shishmaref
Shungnak
Skwentna
Slana
Slaterville
Sleetmute
Soldotna
South Naknek
Stebbins
Sterling
Stevens Village
Stony River
Sutton

Takotna
Talkeetna
Tanacross
Tanana
Tatitlek
Teller
Tetlin
Tofty
Togiak
Tok
Toklat
Toksook Bay
Tonsina
Trapper Creek
Tuluksak
Tuntutuliak
Tununak
Twin Hills
Tyonek

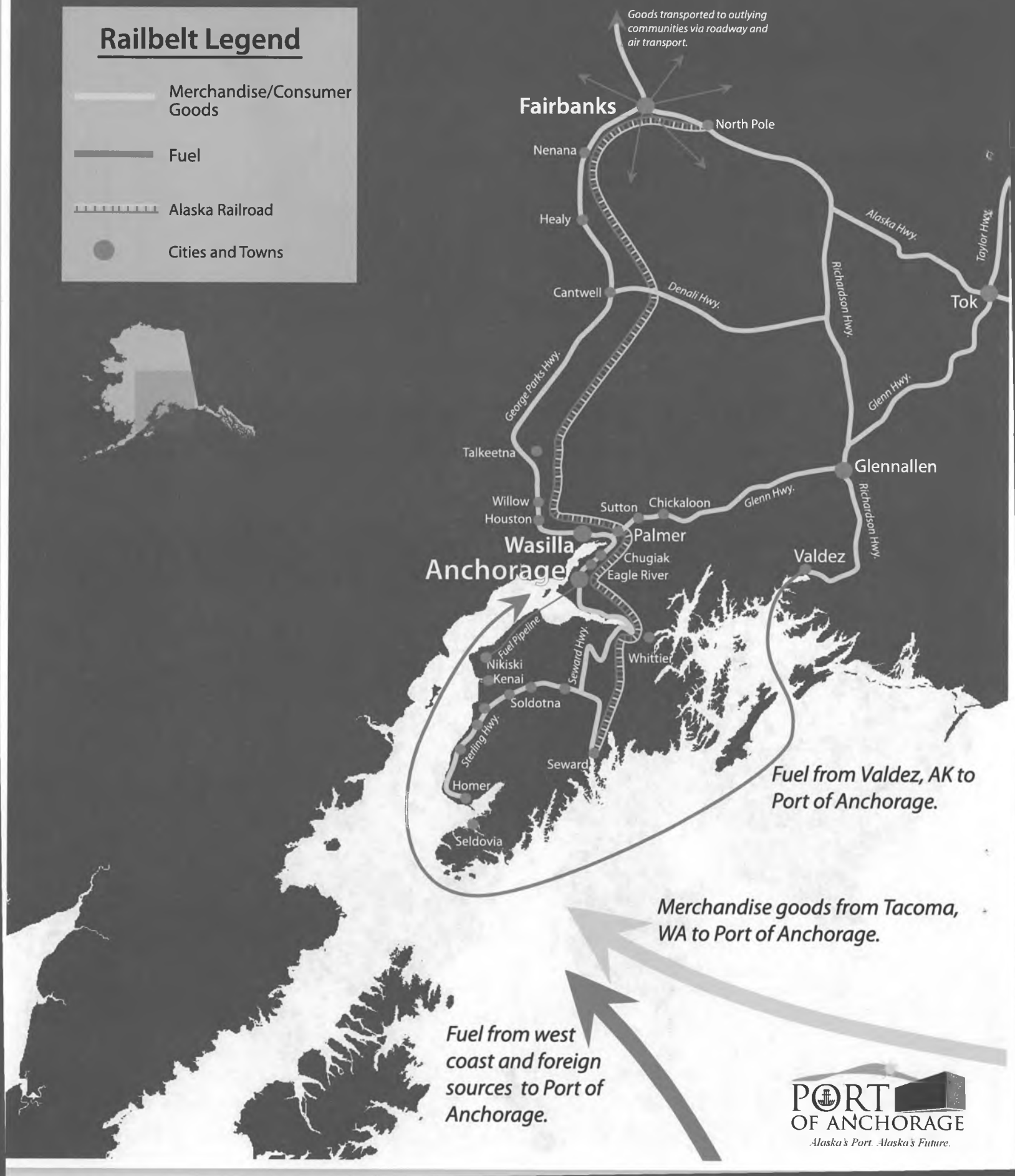
Uganik
Umiat
Unalakleet
Unalaska
Unimak
Upper Kalskag

Valdez
Venetie

Wainwright
Wales
Wasilla
White Mountain
Whittier
Willow

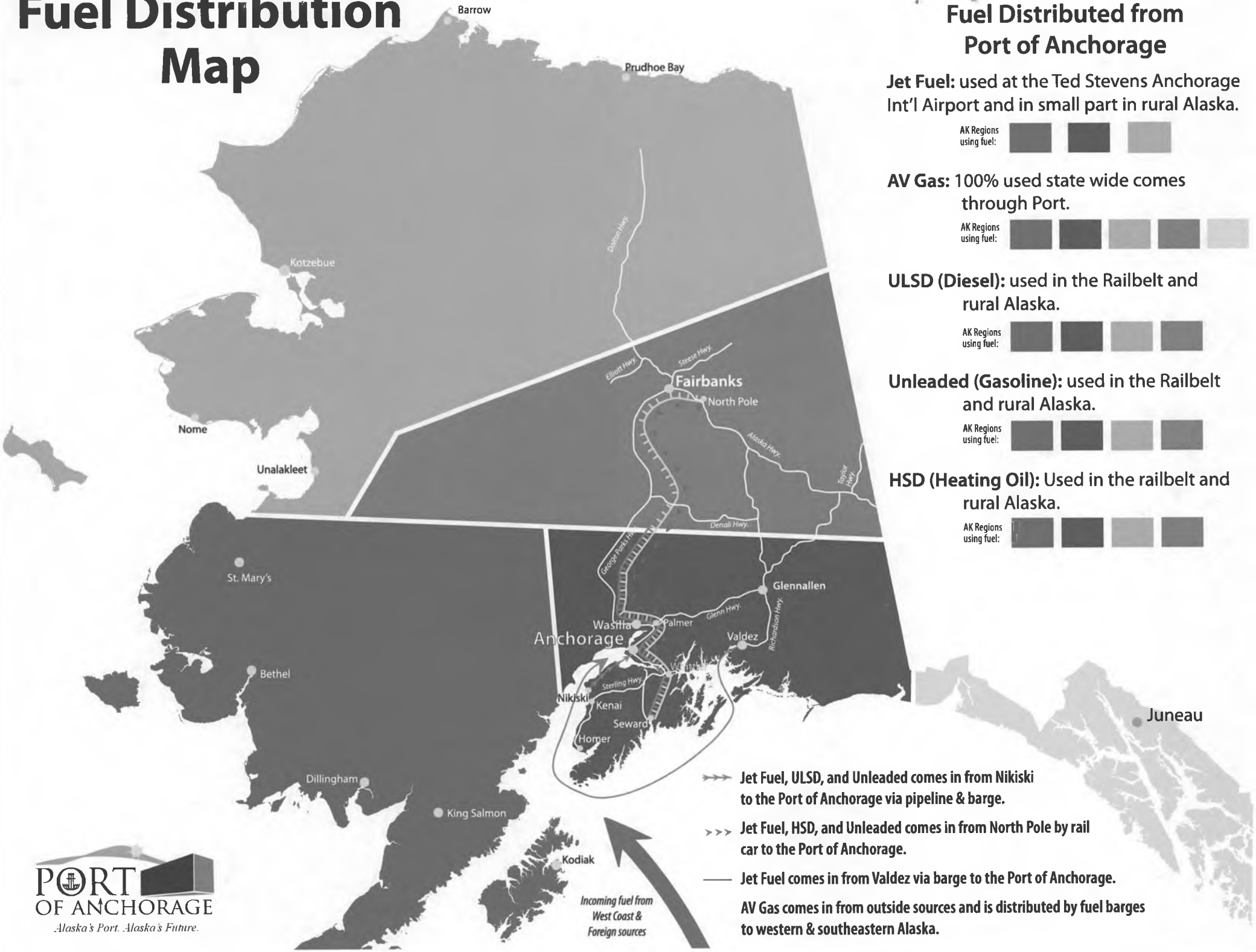

Cargo Distribution Map
Map Key
Port of Anchorage
Major Hubs
Communities Served
Barrow
Wainwright
Prudhoe Bay
Kaktovik
Point Lay
Point Hope
Kivalina
Kotzebue
Ambler
Shishmaref
Diomede
Buckland
Teller
Golovin
Nome
St. Lawrence Island
Unalakleet
Stebbins
Emmonak
St. Mary's
Aniak
Hooper Bay
Newtok
Bethel
Nunivak Island
Dillingham
Togiak
King Salmon
Kodiak
Homer
Seward
Anchorage
Wasilla
Palmer
Whittier
Valdez
Cordova
Nikiski
Kenai
Juneau
Fairbanks
Fort Yukon
Delta Jct.
Tok
Glennallen
Dalton Hwy.
Elliott Hwy.
Steese Hwy.
George Parks Hwy.
Denali Hwy.
Richardson Hwy.
Glenn Hwy.
Alaska Hwy.
Sterling Hwy.
Seward Hwy.
90% of merchandise goods enter the Port of Anchorage from Tacoma, Washington.
Incoming fuel, cement and other cargo from west coast and foreign sources.
PORT OF ANCHORAGE
Alaska's Port. Alaska's Future.

POA Cargo Distribution to Railbelt



PORT OF ANCHORAGE
Alaska's Port. Alaska's Future.

Fuel Distribution Map



Fuel Distributed from Port of Anchorage

Jet Fuel: used at the Ted Stevens Anchorage Int'l Airport and in small part in rural Alaska.

AK Regions using fuel:

AV Gas: 100% used state wide comes through Port.

AK Regions using fuel:

ULSD (Diesel): used in the Railbelt and rural Alaska.

AK Regions using fuel:

Unleaded (Gasoline): used in the Railbelt and rural Alaska.

AK Regions using fuel:

HSD (Heating Oil): Used in the railbelt and rural Alaska.

AK Regions using fuel:

Jet Fuel, ULSD, and Unleaded comes in from Nikiski to the Port of Anchorage via pipeline & barge.

Jet Fuel, HSD, and Unleaded comes in from North Pole by rail car to the Port of Anchorage.

Jet Fuel comes in from Valdez via barge to the Port of Anchorage.

AV Gas comes in from outside sources and is distributed by fuel barges to western & southeastern Alaska.

PORT OF ANCHORAGE

Alaska's Port. Alaska's Future.

Port of Anchorage
Funding and Expenditures

APPROPRIATED and RECEIVED

(in millions)

2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
						46.9		2.2	49.1
5.9			10.4	10.0		15.0	30.0	20.0	91.3
	4.9	4.9	12.0	8.2	9.7	10.8	10.0		60.5
9.6	0.6	1.4							11.5
2.8	2.9	5.2						0.5	11.3
			4.7	5.3	6.0	6.1	8.9		31.1
				5.6	5.8	6.3	6.5		24.3
					0.0				0.0
18.3	8.3	11.4	27.2	29.2	21.6	85.1	55.5	22.7	279.1

EXPENDED ON PROJECT

2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
0.0	6.6	18.3	19.6	10.5	43.7	63.3	63.4	39.6	265.0

PROJECTED APPROPRIATIONS

(in Millions)

Sources	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals
Beginning Cash	14.4	33.8	233.8	143.8	108.8	73.8	38.8	13.8	6.8	4.8	2.8	14.4
												0.0
Port Commercial Paper	20.0							65.0				85.0
Port Contributions	25.0							28.0	5.0	5.0	5.0	68.0
State Grants & General Obligations	20.0	320.0	20.0	20.0	20.0	20.0						420.0
DoD												
FHWA	6.4											6.4
FTA												
SAFETEA-LU FHWA												
SAFETEA-LU FTA												
SDDC												
Federal Funds				25.0	25.0	25.0	25.0	25.0	68.0	68.0	68.0	329.0
Total Source of Funds	85.8	353.8	253.8	188.8	153.8	118.8	63.8	131.8	79.8	77.8	75.8	922.8

PROJECTED EXPENDITURES

Expenditures	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals
North End Phase	52.0	120.0	60.0	30.0	30.0	30.0						322.0
South End Phase			50.0	50.0	50.0	50.0	50.0	50.0				300.0
Center Phase								75.0	75.0	75.0	75.0	300.0
Total Expenditures	52.0	120.0	110.0	80.0	80.0	80.0	50.0	125.0	75.0	75.0	75.0	922.0
Ending Cash	33.8	233.8	143.8	108.8	73.8	38.8	13.8	6.8	4.8	2.8	0.8	
Borrowings - (Credit Line)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Cash Forward	**33.8**	**233.8**	**143.8**	**108.8**	**73.8**	**38.8**	**13.8**	**6.8**	**4.8**	**2.8**	**0.8**	
CREDIT LINE BALANCE	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	

02/17/11

2/23/11 OVERVIEW: STATEWIDE PORT AND HARBOR PROJECTS, PORT MACKENZIE RAIL EXTENSION

<TARGET><BILL></BILL><SUBJECT>2-23-11 OVERVIEW STATEWIDE PORT AND HARBOR PROJECTS, PORT MACKENZIE RAIL EXTENSION</SUBJECT><COMM>SFIN27</COMM></TARGET>

Responses to Senate Finance Committee Questions
Regarding Port MacKenzie Rail Extension

Q1: Senator Stedman requested letters of support from potential customers.

R1: Letters are being requested and will be forwarded upon receipt from current port lessees:

- Alutiiq Manufacturing (module construction),
- Klondike Concrete (cement import),
- NPI (bulk natural resource export),
- PacArctic/Koniag (transportation logistics), and
- Central Alaska Energy (fuel farm)

Q2: Past and future capital costs for the Port itself (not the rail extension).

R2: The table presented below provides this information.

Project Name	Status	Cost (in millions)	Funder
Deep Water Draft Dock	Complete	$14.7	State/Private/Borough
Barge Dock/Access Road	Complete	$7.2	State
Electricity/Communication	Complete	$2.5	State
Conveyor System	Complete	$7	Private
Terminal Office Building Well/Septic	Complete	$4.5	Federal, FTA
Port Road Grade Reduction and Paving	Complete – Fall of 2011	$5.2	Federal FHA and AKDOT&PF
Barge Dock Expansion	Complete Spring of 2011	$3.9	Federal EDA and MSB
Future Port Projects			
Improve/Replacement of Conveyor System	Planning Stage	$1.5	Private
Deep Water Draft Extension (after rail extension is complete)	Permitted	$35	Funding to be requested from Federal and State
Ferry Dock	Permitted	$17 (partially Funded)	Federal FTA with 20% State/MSB Match

Q3: Senate McGuire wanted to know how much it would cost to bring the existing infrastructure up to code for maintenance.

R3: The existing port structures are already up to code and would not need significant maintenance for many years. The structures have been constructed within the last 10 years, and most would have a 50 year life. For example, the deep draft dock is five years old and is expected to last 50 years. In approximately seven years, MSB will be spending up to $1 million on dock preservation and maintenance.

Q4: Senator Hoffman asked how much the tonnage by potential customer (type of product) is, and the expected revenue.

R4: Dr. Paul Metz, University of Alaska Fairbanks, has provided an updated chart laying out the tonnages of different products expected to be carried over the rail extension during the first 5, 10, 20, and 30 year periods. This chart is entitled, "Estimated Port MacKenzie Extension Freight Tonnages During First 30 Years of Operations, February 23, 2011." This was provided as a final page in Dr. Metz's presentation to the Senate Finance Committee during the February 23rd hearing. The chart indicates that the products to be exported would include coal, aggregates (sand and gravel), lime, wood products, petroleum products, possibly natural gas pipeline, military logistics, and mineral concentrates. The attached chart sets forth the tonnages for each of these products expected during the different periods of development. Examples of interested customers are:

- Usibelli Coal
- Exxon
- ConocoPhillips
- British Petroleum
- Trans Alaska Pipeline Company
- JP Power – Japan
- NANA
- CH2MHill
- Fort Knox – Gold Mine
- Shorty Creek – Copper Mine
- Livengood Gold
- Prospect Copper
- Nenana Native Corporation
- Doyon Ltd.
- U.S. Military
- State of Alaska

The Institute of Social and Economic Research (ISER) completed a study regarding the expected fiscal return associated with the new mines that would be stimulated by the transportation cost savings associated with the rail extension. This study concluded that a combination of the

three mines, limestone production, and potential cement production, could generate about $2.5 billion per year of additional in-state spending. It would also generate about 1,000 jobs by 2017 and increase to about 5,500 jobs by 2023. It is also expected that over the next 30 years, additional revenue to the State of Alaska could reach $57 million per year in the early years, and $267 million per year by 2040.

Q5: Mr. Perkins said that no dredging will be required at the port because the current prevents siltation. Senator Stedman asked for a letter from the Army Corps of Engineers to support that assertion.

R5: A letter is attached from the Army Corps of Engineers.

Estimated Port MacKenzie Extension Freight Tonnages
During First 30 Years of Operation
February 23, 2011

This information was taken from Table 3 on page 26 of the Economic Analysis of Rail Link Port MacKenzie to Willow, Alaska, Phase II – Possible Rail Extension Users Analysis by Paul A. Metz, Ph.D., DIC, P.G., November 2007. The information was updated by Dr. Metz in February, 2011.

Product	Annual Tonnages in Years (1-5)	Annual Tonnages in Years (6-10)	Annual Tonnages in Years (10-20)	Annual Tonnages in Years (20-30)
Coal Exports	1,000,000 – 2,000,000	2,000,000 – 3,000,000	3,000,000	3,000,000
Aggregates (sand and gravel)	100,000	100,000	100,000	100,000
Lime	50,000	50,000	50,000	50,000
Wood Products	60,000	60,000	60,000	60,000
Petroleum Products	200,000	300,000	400,000	400,000
Natural Gas Pipeline	0	960,000**	0	0
USARAK Logistics	Not Available	Not Available	Not Available	Not Available
Mineral Concentrates	365,000	365,000	1,679,000	1,879,000
Total	1,775,000 – 2,775,000	3,835,000 – 4,835,000	5,289,000	5,489,000

* Non-metallic freight tonnages remain the same in the second and third decade, though it is expected that these tonnages would grow significantly. Freight tonnages do not include coal tonnages associated with the Agrium Coal Gasification Project.

** Assume 960,000 tons of pipe and construction materials for each of two years during the five year period

RECEIVED
MAR - 9 2011

Alutiiq

3909 Arctic Blvd., Suite 400
Anchorage, AK 99503
(907) 222-9500 • fax (907) 222-9519

Date: March 8, 2011

Subject: Port McKenzie Rail Extension Funding Letter

Ms. Elizabeth Gray
Acting Matanuska-Susitna Borough Manager
350 E. Dahlia Avenue
Palmer, Alaska 99645

Dear Ms. Gray,

I am the Director of Operations for the Construction Division of Alutiiq Manufacturing Contractors, LLC. We are currently leasing 31.5 acres of property from the Matanuska-Susitna Borough at Port MacKenzie. Alutiiq Manufacturing is currently utilizing our manufacturing plant on this property to construct modular building for shipment throughout the state of Alaska.
The purpose of this letter is to voice Alutiiq's strong support for the Rail Extension Project at Port MacKenzie, and to urge the Governor and State legislature to provide funding in this year's Capital Budget for the rail extension.

The rail extension would become a great asset to our current operations, as well as help to develop the importing & exporting of materials and goods to Interior Alaska.
We also anticipate that with the development of this rail project, Alutiiq will be able to provide additional services to the North Slope oil companies with our Alutiiq Oilfield Solutions side of our company.

Again, we urge the legislature and governor to provide funding to move ahead with this project.

Sincerely,

W. Jake Garner
Director of Operations
3909 Arctic Blvd. Suite 400
Anchorage, AK. 99503
(907) 440-7657

JDM Consultants, LLC

P.O. Box 92325
Anchorage, Alaska 99509

+1(907)301-7992
jdm@acsalaska.net

16 March 2011

Ms. Elizabeth Gray, Acting Borough Manager
Matanuska-Susitna Borough
350 East Dahlia Avenue
Palmer, Alaska 99645

RE: Funding for Port MacKenzie Alaska Railroad Extension

Dear Ms. Gray:

I support a State funding appropriation of the full $55 million requested this year for the project to extend the Alaska Railroad to Port MacKenzie. I understand the current appropriation under consideration is only $20 million.

As you know, I hope to site a $5 billion coal-to-liquids project in West Cook Inlet. For Port MacKenzie to be considered for this project, it needs rail access from the Interior to supply up to 6 million tons of coal annually as feedstock to the facility, and for the delivery of produced fuels and chemicals to the Interior's refineries, military, and commercial aviation users. The full $55 million appropriation can be considered an industrial development investment.

By the State's providing the requested $55 million for rail access to Port MacKenzie, it will indicate State's intent to complete the rail extension project, which will reassure my project's investors that they can consider Port MacKenzie as a viable location. One for which the complete transport infrastructure for the coal-to-liquids production facility will be in place, reducing capital costs for our project and thus improving its economic feasibility.

Let me know what else I can do to help obtain your full funding request for this year,

JDM Consultants, LLC

John D. McClellan, P.E.
Principal

KONIAG
INCORPORATED
4300 B Street Suite 407 Anchorage, AK 99503

Ms. Elizabeth Gray
Acting Matanuska-Susitna Borough Manager
350 E. Dahlia Avenue
Palmer, Alaska 99645

Dear Ms. Gray,

I am director of Logistics and Marketing Resource Development for Koniag, Incorporated, and our company is leasing property from you at Port MacKenzie. We will be using this property to run a transportation logistics operation to convey goods between the Port MacKenzie rail extension and the Port MacKenzie dock for both bulk export and import. The purpose of this letter is to voice Koniag's strong support for the Rail Extension Project, and to urge the Governor and state legislature to provide $55 million in this year's Capital Budget for the rail extension.

The importance of the rail extension to our operation is critical. We are specifically leasing more expensive land between Port MacKenzie Road and the rail extension so that we can provide a direct service between the port dock and the rail extension. We expect to be carrying everything from bulk natural resources such as riprap to general mining camp supplies, construction materials, and other forms of support materials required for resource development. Being 147 miles closer to tide water at Port MacKenzie greatly reduces the transportation costs for moving the type of bulk supplies, machinery, and natural resources that need to be moved to Interior Alaska.

Again, we urge the legislature and governor to provide $55 million to move ahead with this project as part of the governor's Fiscal Year 2012 Capital Budget.

Sincerely,

King R Hufford III
Director of Logistics and Marketing
Koniag Inc.

NPI
A Shareholder Investment Development Company
BOX 870213, WASILLA, ALASKA 99687
(907) 357-3722 OFFICE
(907) 357-3822 FACSIMILE

Ms. Elizabeth Gray
Acting Matanuska-Susitna Borough Manager
350 E. Dahlia Avenue
Palmer, Alaska 99645

Dear Ms. Gray, 4 March 2011

NPI, LLC has been the primary tenant at Port MacKenzie from the very beginning of Port operations and hopes to continue to grow and develop new opportunities though Port MacKenzie.

In the past six years, NPI has exported wood chips and lumber, facilitated gravel movement and has imported bulk steel and cement. We foresee a bright future at Port MacKenzie and the rail extension is vital to the continued growth and prosperity South Central Alaska and the Interior.

Rail access to the deep water dock at Port MacKenzie will allow bulk commodities to be more readily available to the world market and continue to build our economy. Port MacKenzie is unique amongst available ports in Alaska as it designed for industrial use and has adequate room to grow. Rail service will expedite more rapid growth and provide jobs to the local area.

This letter is in support of the continuation of the rail extension project to Port MacKenzie. This rail extension project adds much needed infrastructure to Alaska, giving all Alaskans the benefit of expanded economic opportunity.

NPI strongly supports the rail extension project and urges the legislature and the Governor to include the full $55 million for this project in the FY 2012 Capital Budget.

Sincerely,
Dane Crowley
COO
NPI, LLC
Wasilla, AK

Klondike Concrete Co., Inc.

P.O. Box 671169
Chugiak, AK 99567
Phone: (907) 688-2161
Fax: (907) 688-6016

March 14, 2011

Subject: Port MacKenzie Rail Extension

Ms. Elizabeth Gray
Acting Matanuska-Susitna Borough Manager
350 E. Dahlia Avenue
Palmer, AK 99645

Dear Ms. Gray,

Klondike Concrete has been operating a warehouse at Port MacKenzie for the last several years for the purpose of importing bulk materials to be used in the local construction market. The proposed rail extension would greatly improve the ability to move bulk commodities in and out of Port MacKenzie.

Port MacKenzie is a very promising location but is very limited at this time due mostly to lack of access. The rail extension is one major step in making Port MacKenzie a viable port and bolstering the economy of South Central Alaska.

Thank you for your time.

Sincerely,

Steve Siegel
Klondike Concrete Co.

SS/dj

CENTRAL ALASKA ENERGY LLC

03/05/11

Elizabeth Gray
Acting Borough Manager
Matanuska-Susitna Borough
350 E. Dahlia Ave.
Palmer, AK 99645

Dear Mrs. Gray,

I would like to express my strong support for the Port MacKenzie rail extension project. Our plan at Central Alaska Energy is to construct a fuel terminal at Port MacKenzie. The terminal would hold primarily unleaded and diesel fuel for South-Central and Interior Alaska. Having access to the railroad lowers the cost of transportation which results in lower fuel prices to the consumer. Alaska needs to be prepared to deal with increased demand for ultra low sulfur diesel which is currently produced in limit quantities. Connecting the railroad to Port MacKenzie will provide access to other fuel markets (lower 48 or international) to a greater number of Alaskans than will be possible without the railroad.

I urge the legislature and governor to provide the $55 million needed to move ahead with this project as part of the Fiscal Year 2012 Capital Budget.

Sincerely,

Justin Charon
Chief Executive Officer

3261 Amber Bay Loop, Anchorage AK 99515
(907) 440-0769 phone (907) 562-9168 Fax
www.centralakenergy.com

MATANUSKA-SUSITNA BOROUGH

Acting Borough Manager

350 East Dahlia Avenue • Palmer, AK 99645
Phone (907) 746-7405 • Fax (907) 745-9669

RECEIVED

MAR - 7 2011

March 4, 2011

Senator Stedman, Co-Chair
Senate Finance Committee
State Capitol
Room 516
Juneau, Alaska 99801

Dear Senator Stedman,

Thank you for allowing us to present the Port MacKenzie Rail Extension Project. At the finance committee meeting questions were asked that required follow up. Please see the attached response that we have prepared for you.

We truly appreciate your time and effort regarding this important project.

Sincerely,

Elizabeth Gray

Elizabeth Gray
Acting Borough Manager

EG:kr

cc: Senator Hoffman

DEPARTMENT OF THE ARMY
U.S. ARMY ENGINEER DISTRICT, ALASKA
P.O. BOX 6898
JBER, ALASKA 99506-0898

REPLY TO ATTENTION OF:

CEPOA-PM-C

Ms. Elizabeth Gray
Assistant Borough Manager
Matanuska-Susitna Borough
350 East Dahlia Ave.
Palmer, Alaska 99645

Dear Ms. Gray;

Recently I was asked whether the U.S. Army Corps of Engineers has ever dredged at or near Port MacKenzie. The answer is that the Corps has not conducted any dredging operation, either new work or maintenance dredging, at Port MacKenzie.

Should you or your staff have any similar question, please contact me at 907-753-5799.

Sincerely,

Stephen C. Boardman, P.E.
Chief, Civil Project Management Branch
U.S. Army Corps of Engineers, Alaska

Rail Extension Project



Economic Benefits to the Alaska Economy

Thursday, January 27, 2011

What the Rail Extension means to Alaska's economy

- **Opens up the Interior to resource development**
- **Creates a development corridor along the Railbelt for exploration and extraction of strategic minerals (lead, zinc, copper, molybdenum and silver)**
- **Facilitates the development of a world class limestone deposit between Livengood and Fairbanks**

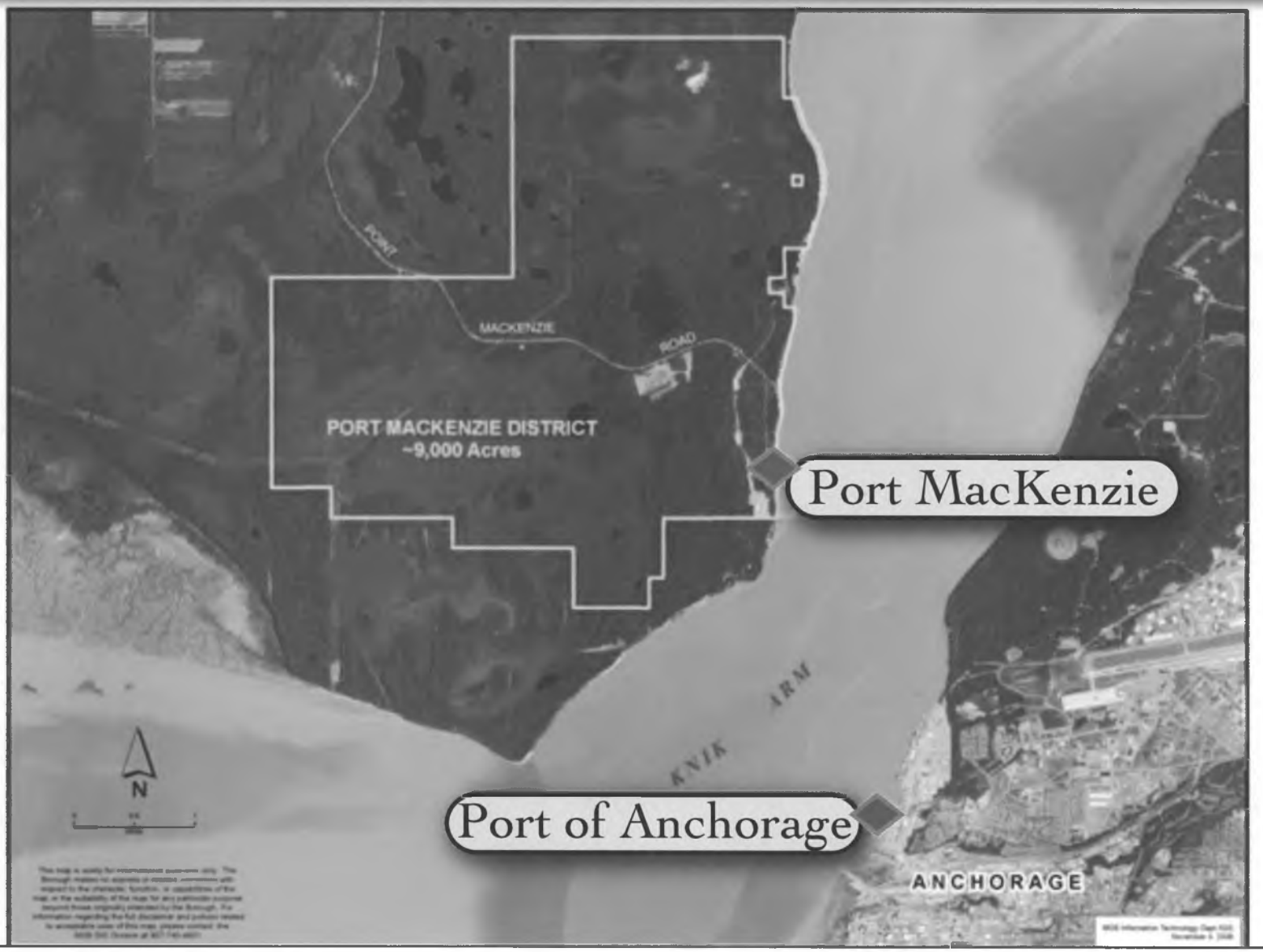
- Facilitates the development of a cement production facility in or near Fairbanks
- Dramatically improves the world competitiveness of Alaska coal
- Significantly reduces transportation and staging cost for the Alaska Gas Pipeline construction
- Increases employment in the Mat-Su Borough, the Denali Borough, the Fairbanks North Star Borough and Anchorage

Port MacKenzie and the Rail Extension working together

- Port MacKenzie is a bulk commodities port for the export of minerals, cement and coal
- Provides for the import, storage and staging of bulk fuel and pipe
- Is not a consumer goods or container port like the Port of Anchorage

Port MacKenzie

a port with 14 square miles of industrial land



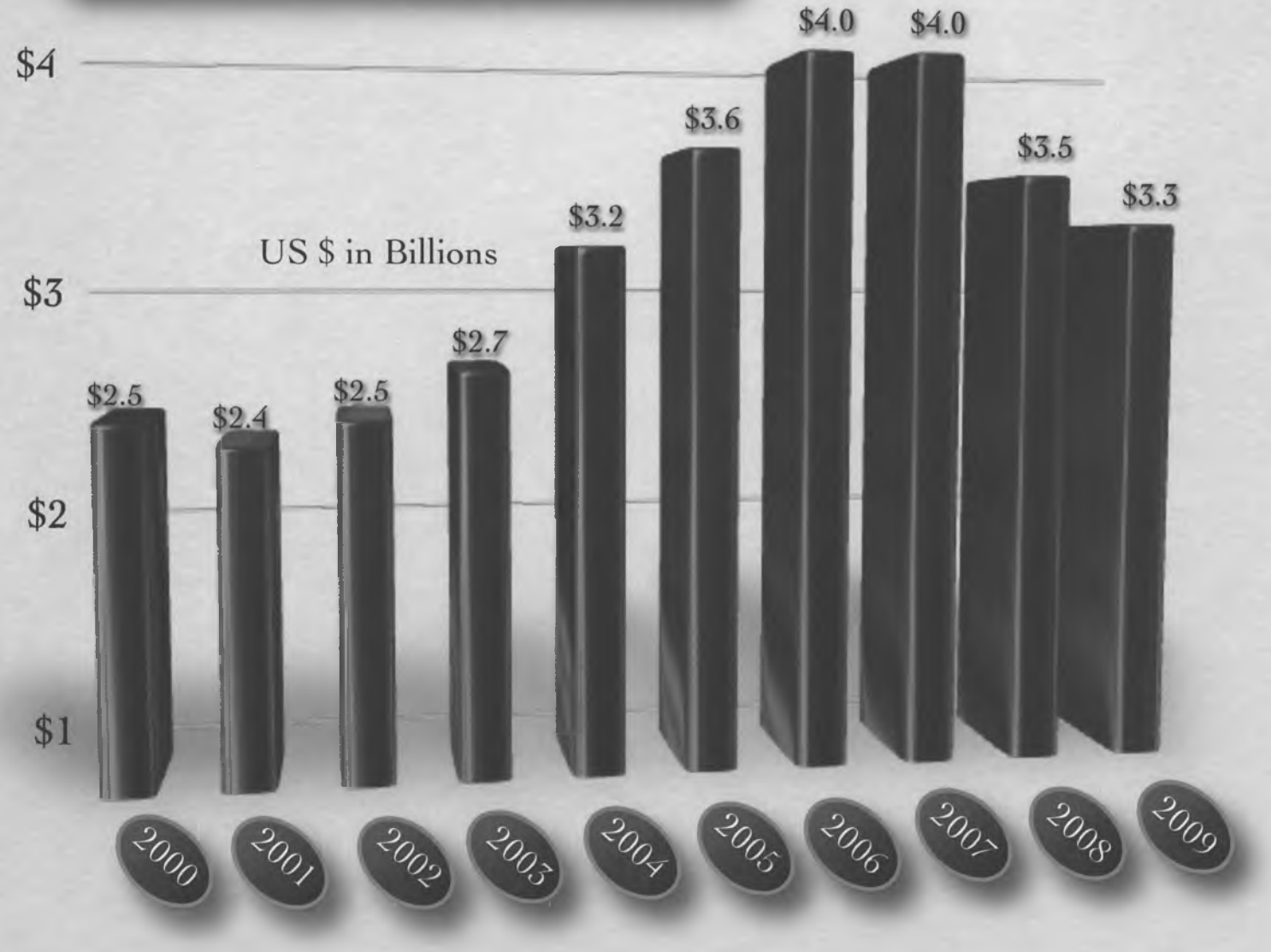
4

Advantages of Rail to Port Mac

- Shorter rail distance to tidewater for mineral exports
- Only Alaska port with 100 rail car loop
- Efficient product transfer from train to ship
- Avoids the most congested portion of Alaska RR mainline
- Deep draft port that operates year-round

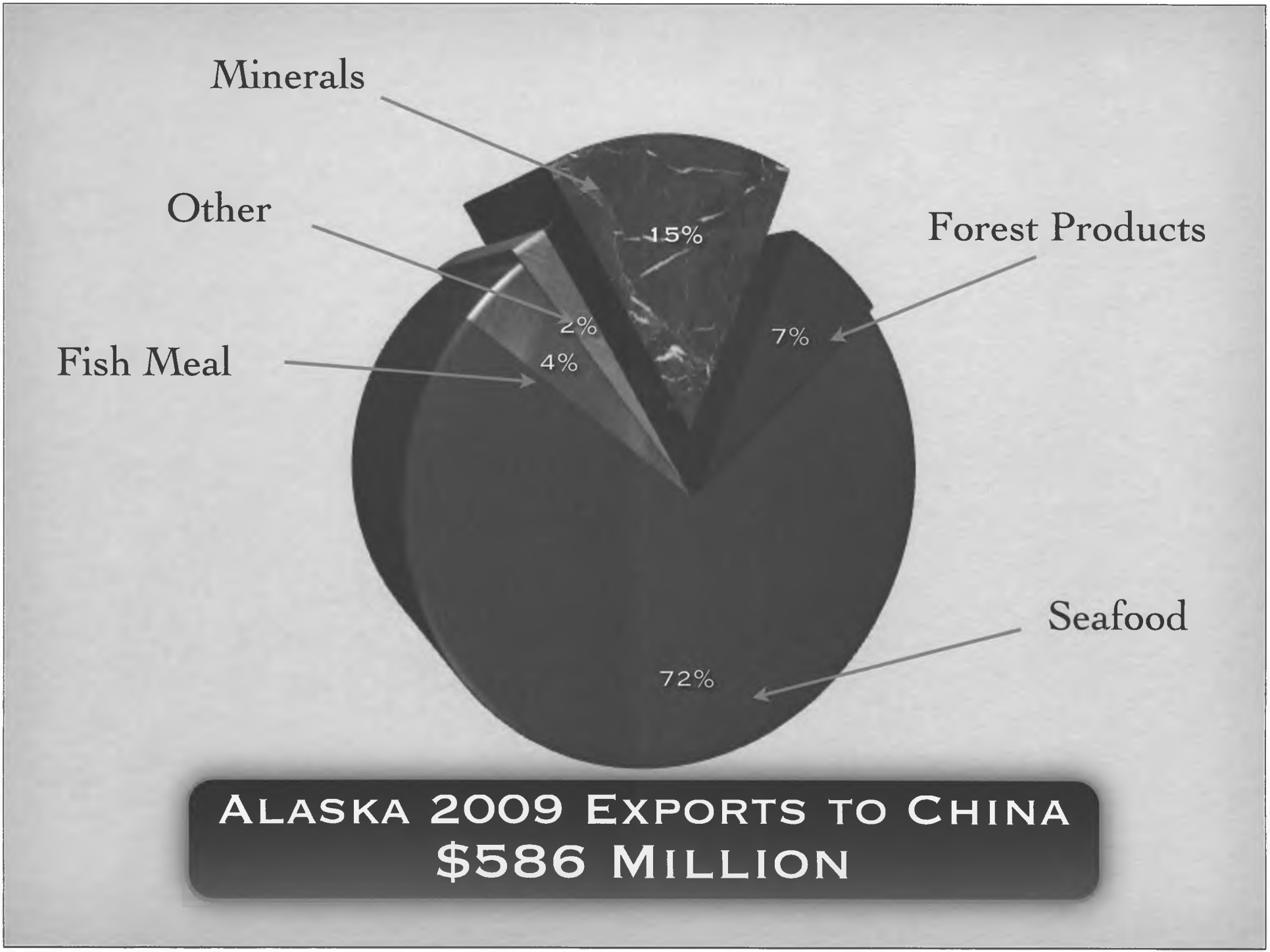
- 14 square miles of industrial area
- Will make **Alaska's minerals more competitive** on the world market (molybdenum, copper, lead, zinc, coal)
- Port MacKenzie Rail Extension is a **great opportunity to grow our export economy**

Alaska's Total Exports




Precious Metals
Energy
Other
Minerals
Seafood
Forest Products
10%
5%
6%
26%
50%
3%
ALASKA'S 2009 TOTAL EXPORTS
$3.3 BILLION


Minerals
Other
Energy
Forest Products
Seafood
14%
2%
2%
27%
55%
Alaska 2009 Exports to Japan
$981 Million



Alaska 2009 Exports to China
$586 Million


Mineral
Forest Products
35%
3%
Seafood
Other
1%
40%
Energy
22%
ALASKA 2009 EXPORTS TO KOREA
$458 MILLION

JOBS CREATED

by Rail Extension and Port MacKenzie Expansion*

direct, indirect and induced jobs from construction



3000



*Estimates by HDR and ISER

JOBS CREATED

private development

mining development along rail line

4000

industrial development of Port MacKenzie

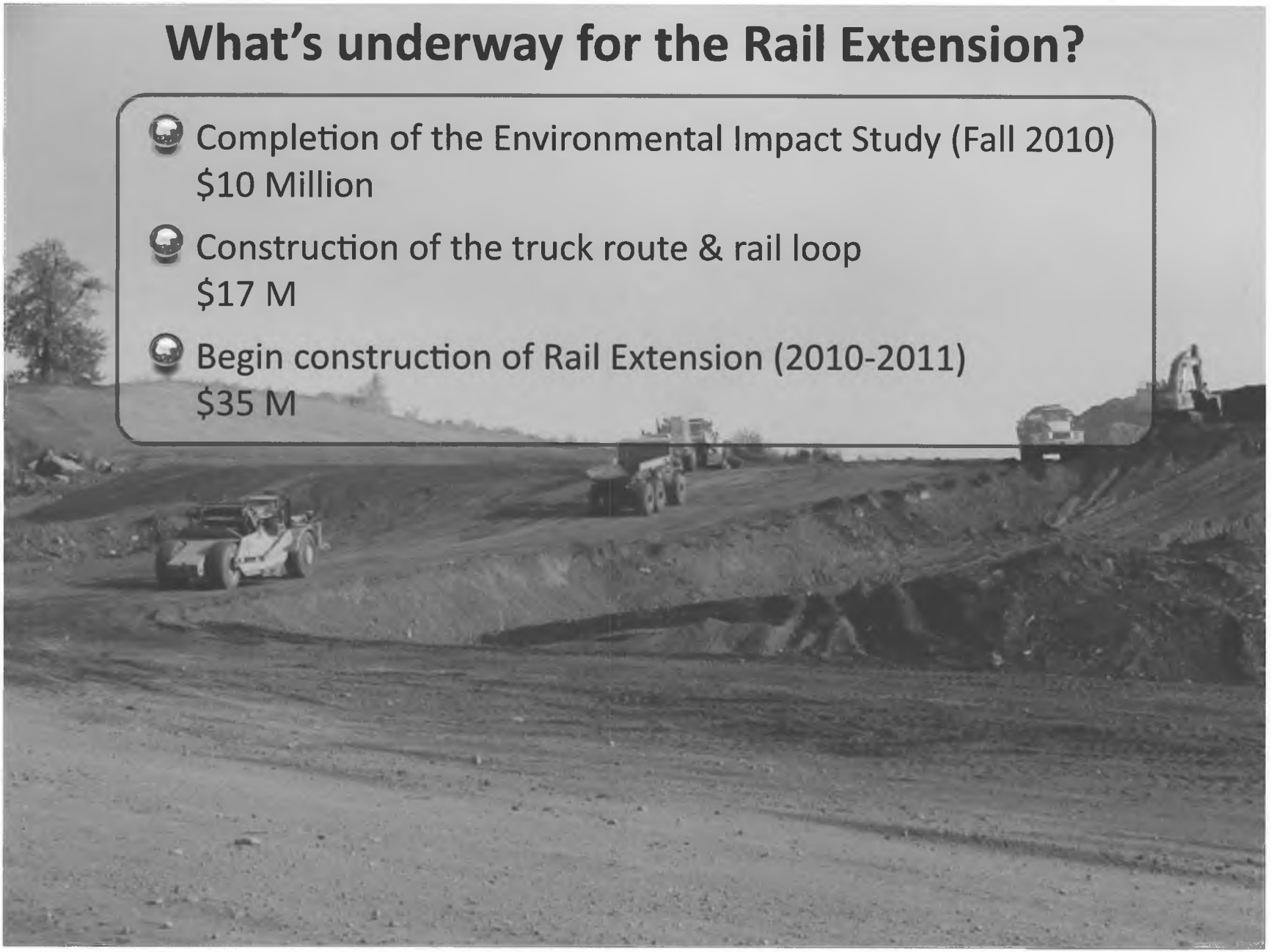
3500



*Estimates by HDR and ISER



What's underway for the Rail Extension?

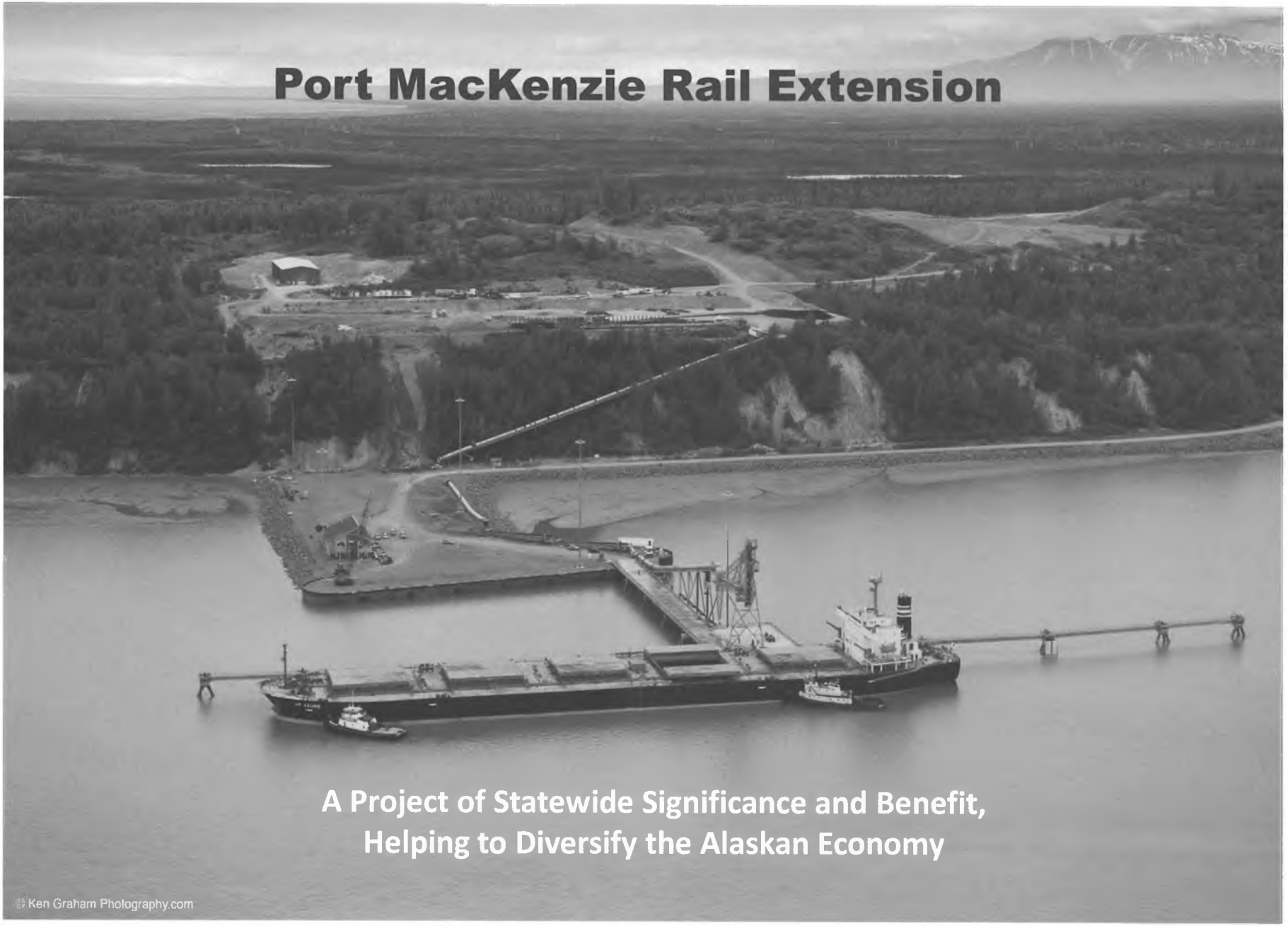


- Completion of the Environmental Impact Study (Fall 2010)
  $10 Million
- Construction of the truck route & rail loop
  $17 M
- Begin construction of Rail Extension (2010-2011)
  $35 M

What's Next?



- Continued construction of Rail Extension (fall 2011) $55M
- Complete railbed to Alaska main line (2013) $60 M
- Lay rail and complete Rail Extension (2014) $41 M


Port MacKenzie Rail Extension
A Project of Statewide Significance and Benefit,
Helping to Diversify the Alaskan Economy
© Ken Graham Photography.com

MISSION

- Contribute to diversification of Alaska's economy.
- Provide Interior Alaska with a closer, less expensive outlet to tidewater for export of natural resources.
- Develop a new industrial and economic engine for the Alaska economy.

HOW TO IMPLEMENT MISSION

- Provide less expensive, more efficient rail transportation to deep water port, 147 miles closer to tidewater
- Effectively use rail loop, road, conveyor, barge dock, deep water dock, terminal/offices building infrastructure to provide for export of bulk materials
- Wisely use and develop the Port Mackenzie Industrial District
  - 8,940 acres of industrial zoned land adjacent to 1,130 acres of Borough owned tidelands for commodity transport, storage and related services

Port MacKenzie

a port with 14 square miles of industrial land



BUSINESS OBJECTIVES

- Develop infrastructure to support Mission
  - Deep Water Draft Dock: complete
  - Barge Dock Expansion (doubled the acreage): complete spring 2011
  - Conveyor System: complete
  - Terminal/Office Building: complete
  - Road Improvements (grade reduction & paving):complete fall of 2011
  - Electricity, fiber optics and potable water to Port: completed
  - Rail Loop: complete Fall of 2011
  - Rail Extension (only infrastructure left to complete): Fall of 2014
- Complete Port Master Plan
  - Assembly adopted Master Plan in January 2011
  - Streamlined Lease Procedure complete June 2011

BARGE DOCK EXPANSION



BUSINESS OBJECTIVES

(continued)

- Market Port & Develop Customer Base
  - Targeted marketing continues (presentations, port meetings & tours, video, You-Tube, brochures, radio, etc.)
  - Two new lease applications, PacArctic (Transportation Logistics) and Central Alaska Energy (Tank Farm)
- Establish Solid Export Base by Rail through Port
  - First 5 Years: 1.8-2.8 million tons/year
  - 6-10 Years: 3.8-4.8 million tons/year
  - 10-20 Years: 5.3 million tons/year
  - 20-30 Years: 5.5 million tons/year

IMPORTS & EXPORTS
WINTER/SUMMER OPERATIONS



EXISTING CUSTOMERS

- Alutiiq Manufacturing – Module Construction
- Klondike Concrete – Cement Import
- NPI – Bulk Natural Resource Export
- Tri-Metal International – Metal Export
- PacArctic/Koniag – Transportation Logistics
- Central Alaska Energy – Fuel Farm

CURRENT BUSINESSES









PORT MACKENZIE RAIL EXTENSION

- Examples of Interested Customers

- Usibelli Coal
- Exxon
- Conoco Phillips
- British Petroleum
- Trans Alaska Pipeline Co.
- JP Power – Japan
- NANA
- CH2MHill
- Fort Knox – Gold Mine
- Shorty Creek – Copper Mine
- Livengood Gold
- Prospect Copper
- Nenana Native Corp.
- Doyon Ltd.
- U.S. Military

DEEPEST DRAFT VESSEL EVER IN COOK INLET
Spring of 2010 - test shipment of coal from Port MacKenzie to Japan for Usibelli Coal Mine Inc.



RAIL EXTENSION USES DURING FIRST DECADE

- Coal Exports
- Sand and Gravel Aggregates
- Petroleum Products
- Natural gas Pipeline
- Lime
- Wood Products
- Military Transport
- Minerals

PROMINENT ALASKA PROJECTS
Supported By The
Port MacKenzie Rail Extension

- Susitna Dam
- World Class Fairbanks/Livengood Cement Plant
- Any Natural Gas Pipeline Alternative
- Upgrade to Interior and South Central Railbelt Intertie

"A second port facility would allow us to increase our export market," Usibelli Coal Mine Inc. Representative

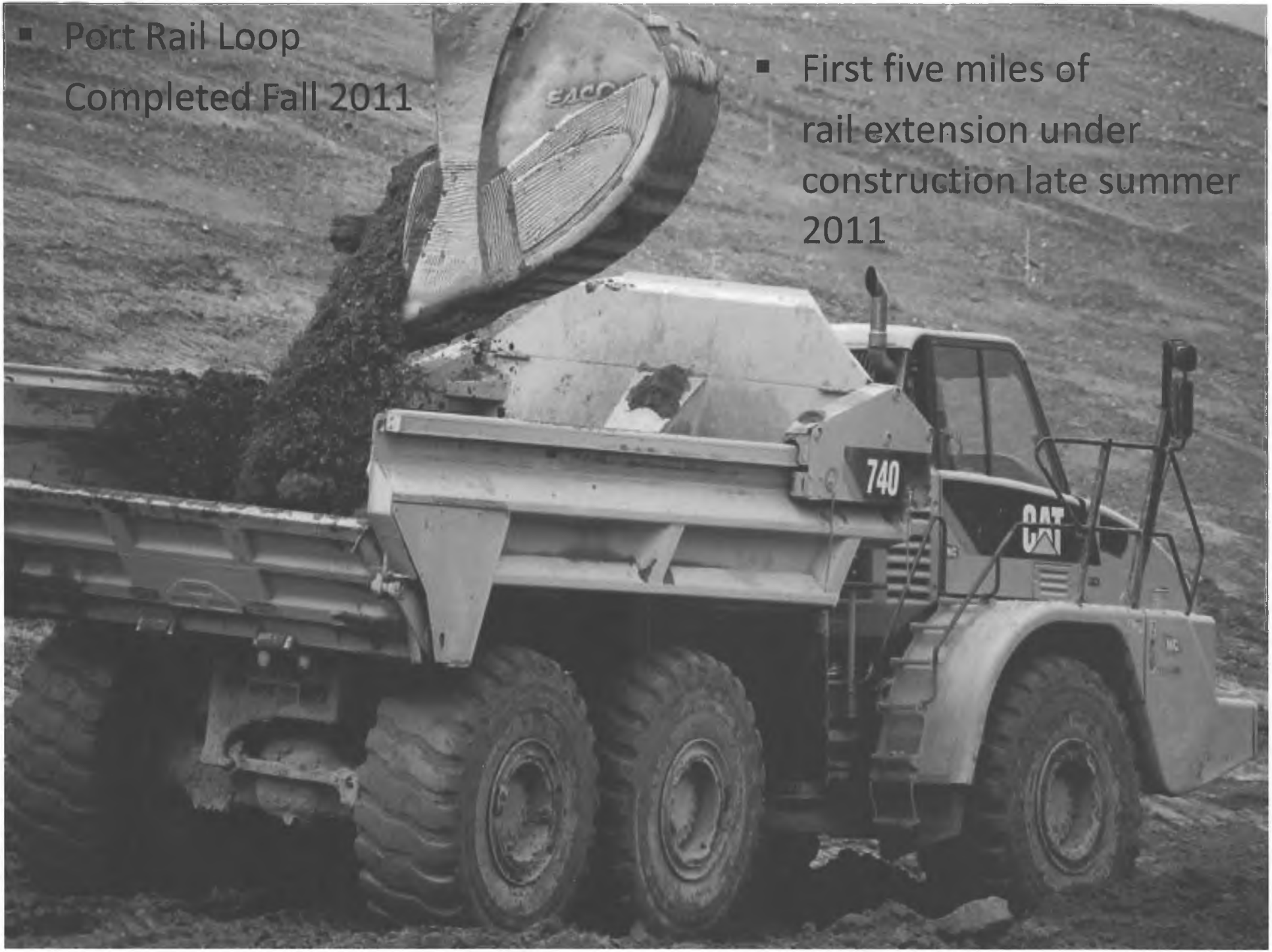


PROJECT IS ON SCHEDULE & UNDER BUDGET

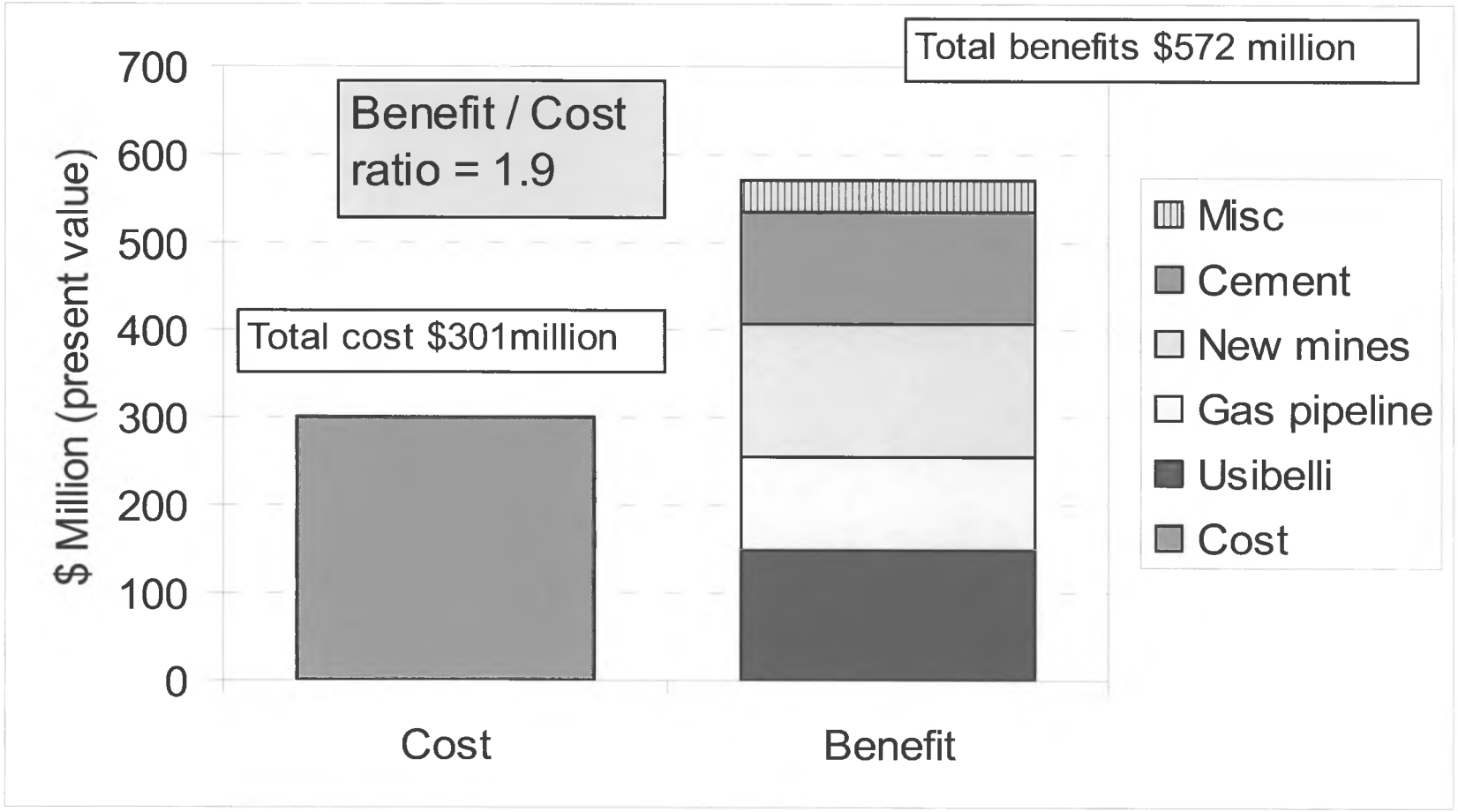


- Total Capital Invested: $62.5 million (from 3 appropriations)
- Funds needed this year: $55 million

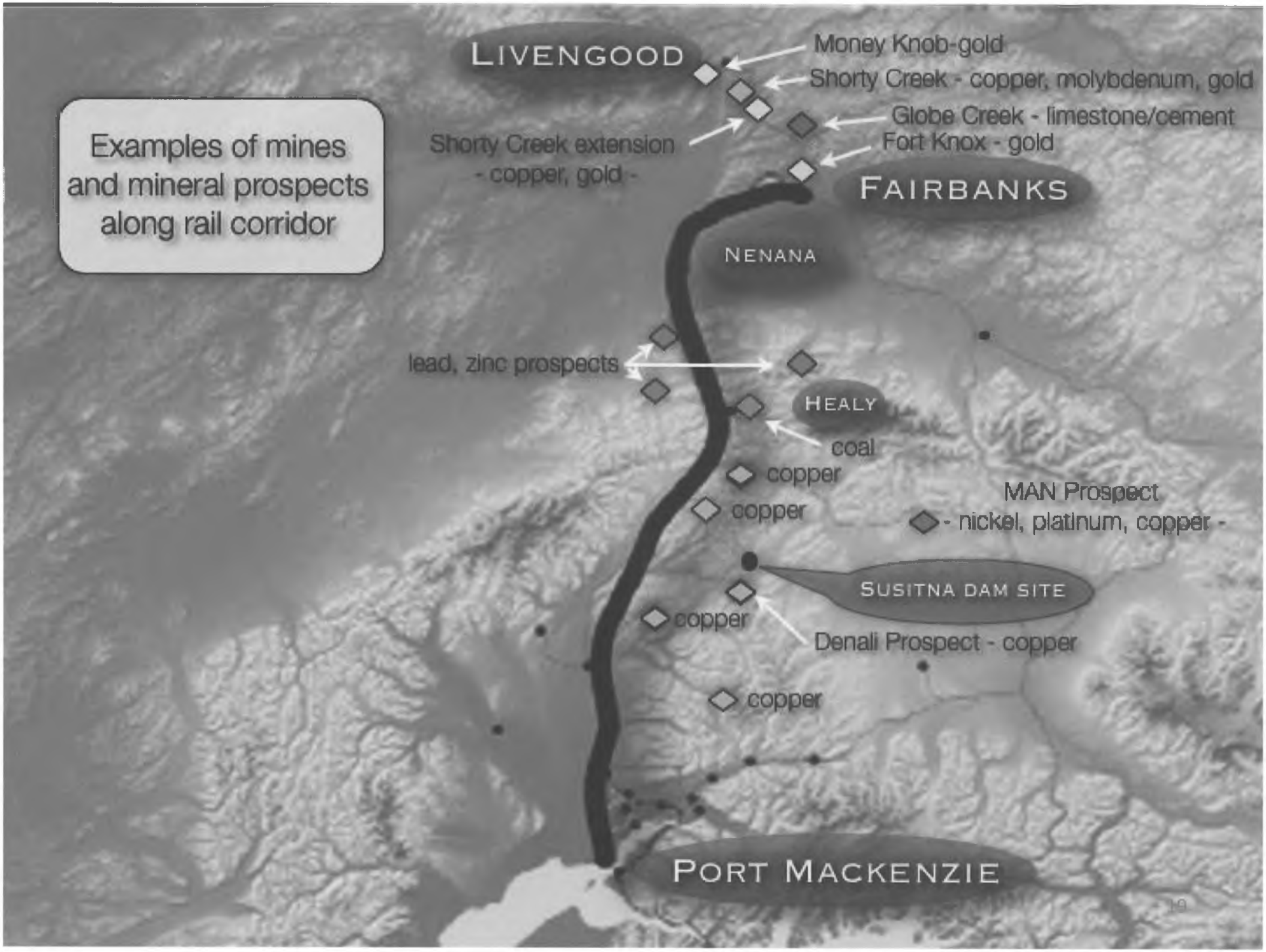
- Estimated Funds Needed to Complete the Rail Extension Project: $ 156 million (includes this year's $55M Request
- Total Estimated Cost of Rail Extension: $218.5 million with a potential return to the State of over $16 Billion (from the development of only three mineral deposits analyzed by Dr. Metz.)


Port Rail Loop
Completed Fall 2011
First five miles of rail extension under construction late summer 2011
740
CAT

ISER Benefit Cost Assessment of Rail Extension



Note: By adding the community benefits, jobs, and associated business income generated by the additional mineral development (to the transportation cost savings seen above) the benefit cost ratio can be calculated at up to 40 to 1.


Examples of mines and mineral prospects along rail corridor
LIVENGOOD
Money Knob-gold
Shorty Creek - copper, molybdenum, gold
Globe Creek - limestone/cement
Fort Knox - gold
Shorty Creek extension - copper, gold -
FAIRBANKS
NENANA
lead, zinc prospects
HEALY
coal
copper
copper
MAN Prospect - nickel, platinum, copper -
SUSITNA DAM SITE
copper
Denali Prospect - copper
copper
PORT MACKENZIE

RAILROAD TRANSPORTATION

- Railroads generally have a significant cost per ton-mile advantage over other surface transportation modes
  - Fuel efficiency
    - trains move 1 ton of freight, 480 miles, on one gallon of fuel; trucks move that same ton only 130 miles
  - Labor efficiency
    - 16,000 ton train with three man crew replaces 200 trucks and drivers
  - "Clean and Green"
    - Less impact on roads, reduces congestion

PORT MACKENZIE RAIL EXTENSION COSTS

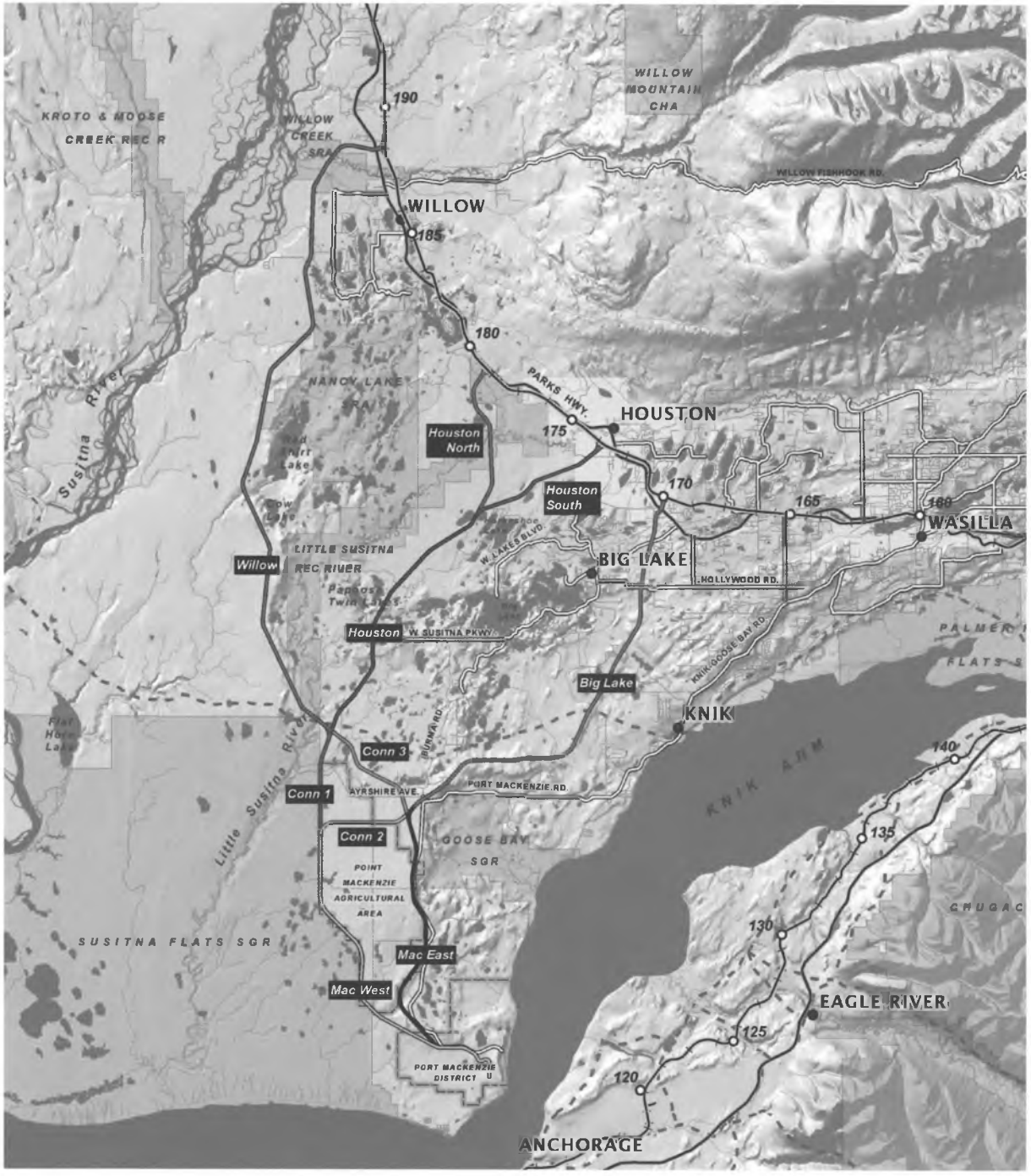
- Fixed costs
  - $150,000 per year - baseline maintenance costs
- Variable Costs
  - Generally covered by freight rate
- Capital Replacement Costs
  - Properly constructed, capital costs will be low in initial years on new track structure
  - Capital renewal cycle will begin in 20-30 years for ties, longer for rail depending on traffic volume

ARRCs SUPPORT FOR PORT MACKENZIE

- ARRC supports the Port MacKenzie Rail Extension Project
- Railroads are catalysts for port development
- Alaska's Potential for Coal – South Central
  - 1.1 MM tonnes per year current, we are working with Usibelli coal mine to determine the path to triple export volumes
  - ARRC is encouraging Usibelli to utilize the rail extension to move product to Port MacKenzie
  - Both Usibelli and the ARRC see a probable sharing of increasing export coal volumes between Seward and Port MacKenzie
- Port MacKenzie Potential
  - The ARRC has the capacity to absorb increased rail traffic, we are eager for it
  - ARRC supports the long-term possibilities associated with Livengood and other mineral sources

Thank You




WILLOW MOUNTAIN CHA
KROTO & MOOSE CREEK REC R
WILLOW CREEK SRA
190
WILLOW FISHHOOK RD.
WILLOW
185
180
NANCY LAKE SRA
PARKS HWY.
HOUSTON
175
Houston North
Houston South
170
165
160
WASILLA
Susitna River
LITTLE SUSITNA REC RIVER
Willow
W. LAKES BLVD
BIG LAKE
HOLLYWOOD RD.
Houston
W SUSITNA PKWY.
PALMER FLATS S
KNIK-GOOSE BAY RD.
Big Lake
KNIK
Conn 3
BURMA RD.
Conn 1
AYRSHIRE AVE.
PORT MACKENZIE RD.
140
KNIK ARM
Little Susitna River
Conn 2
GOOSE BAY SGR
135
POINT MACKENZIE AGRICULTURAL AREA
CHUGAC
130
SUSITNA FLATS SGR
Mac East
Mac West
EAGLE RIVER
125
PORT MACKENZIE DISTRICT U
120
ANCHORAGE

Port MacKenzie Rail Extension



Ken Graham



Symbols show mineral deposits

A rail link from the Alaska Railroad mainline to the deep draft dock at Port MacKenzie will significantly boost the export of Alaska's strategic minerals, coal, cement, and other natural resources, helping diversify the Alaska economy.



Patty Sullivan/MSB

Photos: the ship, the deepest draft vessel ever in Upper Cook Inlet at Port MacKenzie; Above: 2010 haul road and rail loop construction at Port Mac moved 1.9 million cubic yards of dirt.

Funding Plan:

ON SCHEDULE
UNDER BUDGET

Already funded-$62 million

2011 Governor's budget-$20 million
2011 Requested appropriation-$55 million, pays for half of rail embankment
2012 Appropriation request-$63.5 million, build rest of embankment
2013 Appropriation request-$43 million, placement of rails, completes project
2014 Ribbon cutting

Port MacKenzie is an exporting port for bulk natural resources. Port MacKenzie complements the Port of Anchorage, where consumer goods are imported.

Description & Justification: $55 million

The Port MacKenzie Rail extension will bring tremendous economic benefit to Alaska through economic diversification, state revenues, and new jobs. The production of bulk resources is heavily dependent on low transportation costs. This new rail link will shorten the distance to tidewater and lower transport costs to such an extent that minerals now idle will be profitable to mine and export. The value of mineral production is projected to be nearly $1 billion a year over 100 years, according to ISER, Institute of Social & Economic Research. Three mining companies say the Asian market is poised now for Alaska minerals such as molybdenum, lead, zinc, and copper. Also, a 1.5 billion ton limestone deposit near Livengood could be mined to produce a new export: Portland cement. A world-class cement manufacturing plant would be built in the Interior. Alaska would supply up to 15 percent of our nation's demand for cement. With the rail link, Alaska coal becomes more competitive on the world market. Usibelli Coal Mine estimates it will likely export up to 4 million tons of coal a year through Port MacKenzie. State revenues are estimated to reach $300 million annually in taxes, royalties, and fees. Some 3,000 construction related jobs and 4,000 mining jobs will be created. The Alaska Pipeline project will gain $100 million in transport savings by shipping heavy pipe north through Port MacKenzie.

Elizabeth.Gray@matsugov.us

Natural Resource Development and The Port MacKenzie Rail Extension

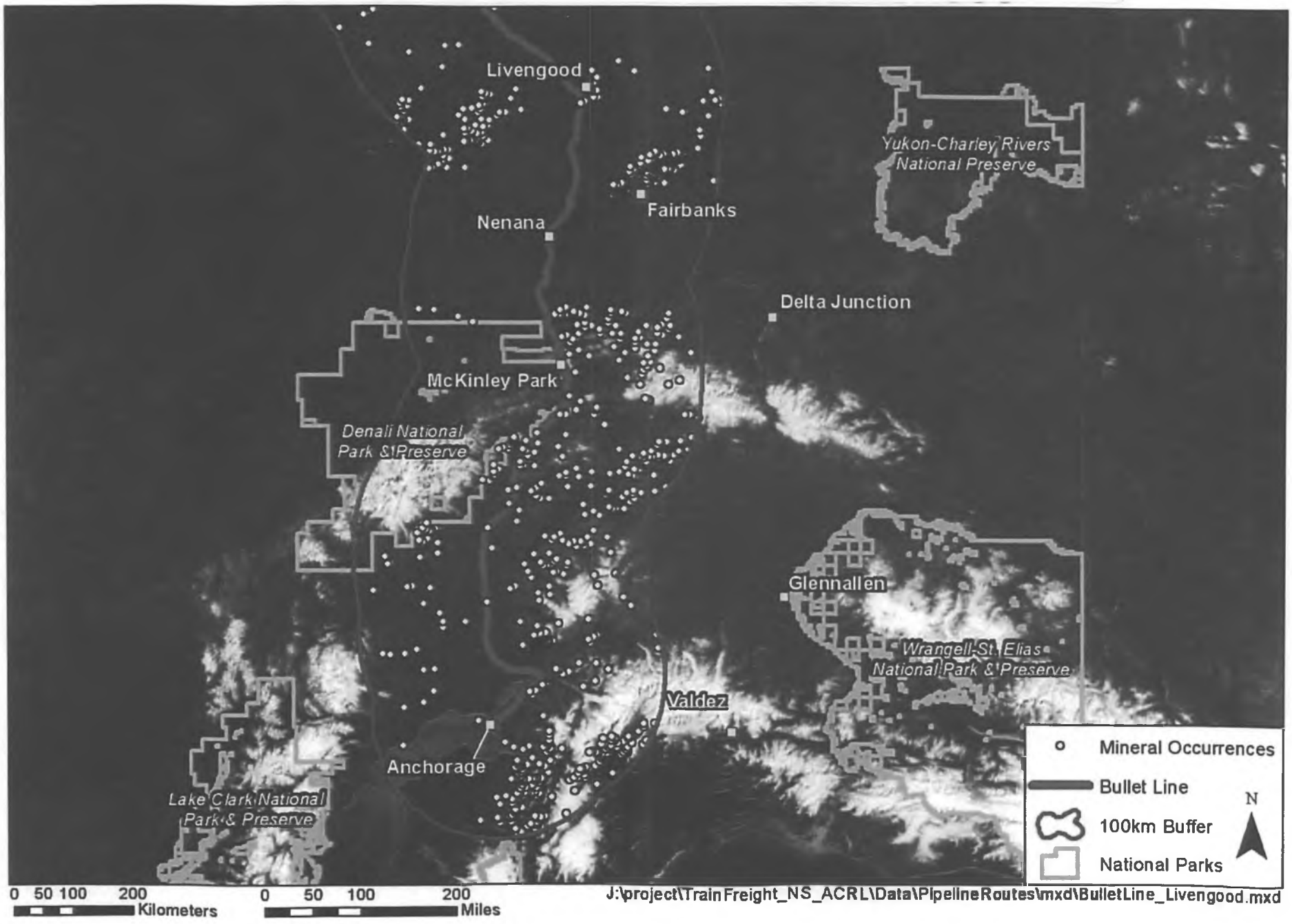
Presentation to the Senate Finance Committee

February 23, 2011

By

Paul A. Metz, Ph.D., DIC, P.G.
Professor of Geological Engineering
College of Engineering and Mines
University of Alaska Fairbanks
Fairbanks, Alaska 99707

Mineral Occurrences Along Rail Belt

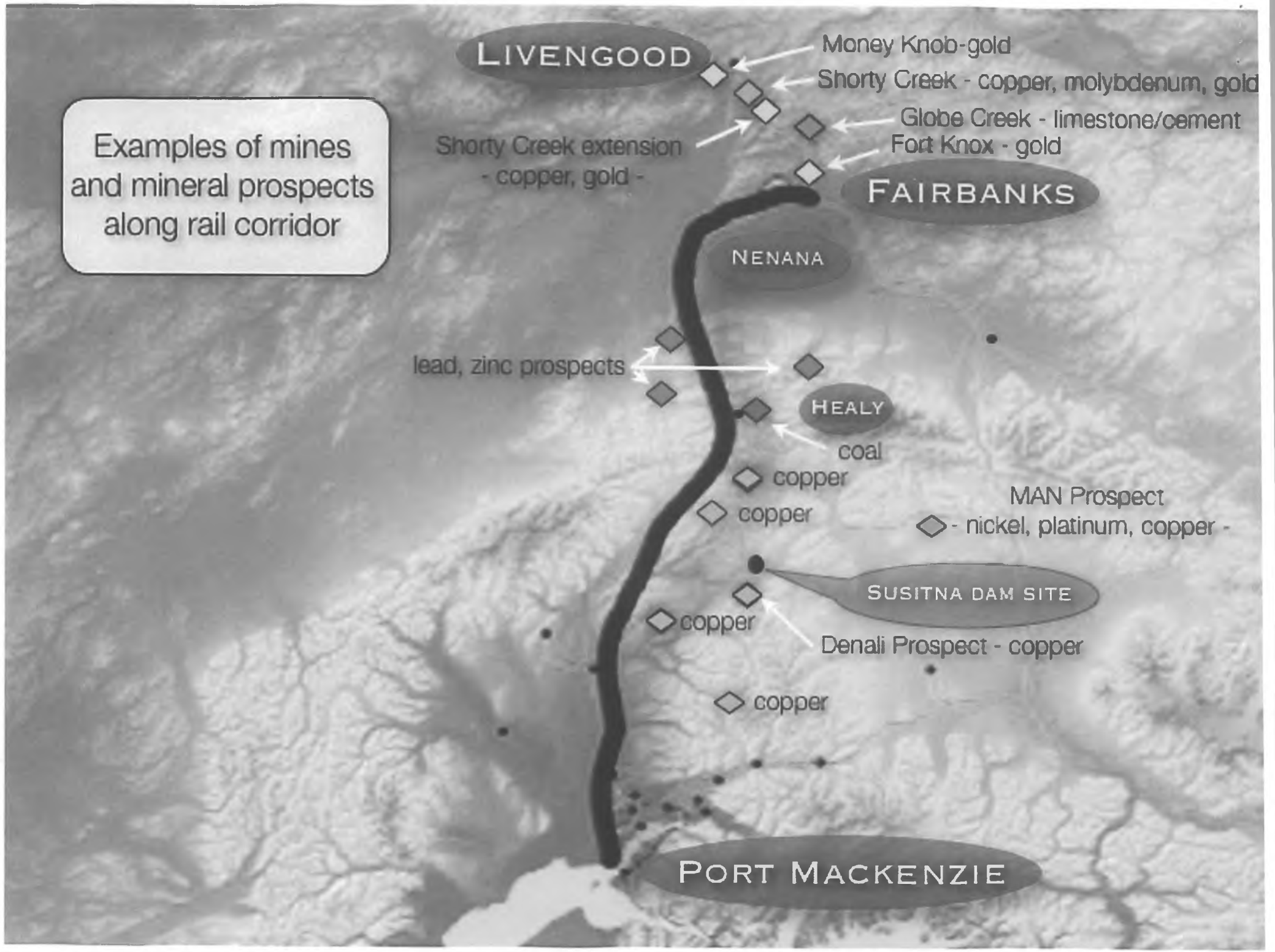


Probability/Value Mineral Chart in Rail Belt Corridor

Bullet Line (ENSTAR) - Updated 10/29/2010 with Development Probability						
Model Code	Name	Metals	Amt	GMV (10th Perc.)	GMV (50th Perc.)	GMV (90th Perc.)
10	Carbonatite	Niobium - Rare Earth	1	$771,795,431	$9,329,300,739	$38,420,308,164
20a	Porphyry Cu-Au	Ag-Au-Cu-Mo-Zn	1	$0	$0	$0
26a	Carbonate Hosted Au-Ag	Au-Ag	1	$277	$4,707	$33,641
27b	Almaden Hg	Hg	1	$0	$0	$0
30a	Sandstone Hosted Pb-Zn	Pb-Zn-Ag	1	$9,896	$304,823	$4,793,022
31b	Bedded Barite	Barite	1	$1,489	$30,713	$260,597
39b	Placer PGE-Au	Pt-Au-Os-Ir-Pl	1	$157	$11,918	$253,611
5	Cu-Ni-PGE	Cu-Pt-Pd	1	$0	$0	$0
5b	Noril'sk Cu-Ni-PGE	Au-Pd-Pt	1	$0	$0	$0
9	Alaskan PGE	Pt	1	$0	$0	$0
14b	Sn Skarn	Sn	2	$45,007	$630,525	$4,768,965
31a	Sedimentary Exhalative Zn-Pb	Zn-Pb-Ag-Cu	2	$234,657	$4,981,789	$53,093,290
39c	Shoreline Placer Ti	Zr-Ti	2	$149,486	$7,742,151	$152,147,019
6a	Komatitic Ni-Cu	Ni-Au-Cu	2	$31,998	$540,902	$6,552,870
8d	Serpentine Hosted Asbestos	Asbestos	2	$20,359	$196,051	$983,535
15b	Sn Veins	Sn	3	$2,726	$101,265	$1,679,632
20b	Sn Polymetallic Veins	Au-Ag-Pb-Zn	3	$0	$0	$0
24c	Volcanogenic Mn	Mn	3	$5,299	$155,646	$1,757,918
25g	Epithermal Mn	Mn	3	$3,785	$59,136	$413,953
32a	Mississippi Valley Zn-Pb	Zn-Pb	3	$0	$0	$0
15c	Sn Greisen	Sn	4	$58,855	$872,435	$6,610,339
18a	Porphyry Cu Skarn	Cu-Ag-Au-Mo	4	$2,508,508	$19,070,135	$72,694,279
21b	Porphyry Mo, Low F	Mo	4	$795,281	$7,220,788	$32,895,705
17	Porphyry Cu	Cu-Ag-Au-Mo	5	$1,765,550	$22,848,374	$166,363,908
19a	Polymetallic Replacement	Pb-Zn-Cu-Ag-Au	7	$57,062	$1,872,126	$30,815,076
18c	Zn-Pb Skarn	Zn-Pb-Cu	8	$72,529	$1,594,558	$17,322,805
21a	Porphyry Cu-Mo	Cu-Mo-Au-Ag	9	$17,762,261	$124,016,971	$446,627,128
24a	Cyprus Massive Sulphide	Cu-Ag-Au-Pb-Zn	9	$35,742	$1,532,417	$20,069,737
24b	Besshi Massive Sulphide	Cu-Ag-Au-Zn	9	$4,355	$184,524	$3,546,825
25a	Hot Spring Au-Ag	Au-Ag	12	$0	$0	$0
20c	Porphyry Cu-Au	Cu-Au-Ag-Mo	16	$8,297,242	$46,840,007	$140,924,597
8a	Podiform Chromite	Cr	16	$39,996,353	$5,068,408,394	$28,647,525,704
14a	W Skarn	W	17	$6,898	$299,031	$6,248,411
18b	Cu Skarn	Cu-Ag-Au	18	$19,049	$763,576	$14,752,021
28a	Kuroko Massive Sulphide	Cu-Pb-Zn-Au-Ag	18	$78,558	$3,341,265	$65,121,239
34c	Phosphates	P_2O_5-P	19	$0	$0	$0
27d	Simple Sb Deposits	Sb-Ag-Au	36	$146	$7,646	$197,159
23	Basaltic Copper	Au-Ag-Cu-Ni-Zn-Co	37	$0	$0	$0
22c	Polymetalllic Veins	Ag-Au-Pb-Zn-Cu	79	$1,096	$104,652	$5,139,179
36a	Low Sulfide Au-Quartz Veins	Au-Ag	300	$484	$38,637	$5,230,948
	No Description		315	$0	$0	$0
39a	Placer Au-PGE	Au-Ag	448	$2,851	$33,967	$1,852,742
	TOTALS		1425	$843,763,387	$14,643,109,869	$68,330,984,020

Metal Prices	1985	1995	2005	2010
Copper	$0.67/lb	$1.38/lb	$1.74/lb	$4.50/lb
Gold	$317/oz	$385/oz	$445/oz	$1373/oz
Lead	$0.19/lb	$0.42/lb	$0.61/lb	$1.19/lb
Molybdenum	$3.25/lb	$7.89/lb	$31.80/lb	$33.20/lb
Nickel	$2.25/lb	$3.73/lb	$6.67/lb	$12.95/lb
Platinum	$257/oz	$224/oz	$439/oz	$1821/oz
Silver	$6.13/oz	$5.29/oz	$7.34/oz	$30.65/oz
Tin	$5.94/lb	$4.16/lb	$3.62/lb	$14.72/lb
Zinc	$0.40/lb	$0.56/lb	$0.67	$1.12/lb

From U.S. Geological Survey Commodity Data Summaries
Complied by Paul Metz
February 16, 2011


Examples of mines and mineral prospects along rail corridor
LIVENGOOD
Money Knob-gold
Shorty Creek - copper, molybdenum, gold
Globe Creek - limestone/cement
Fort Knox - gold
Shorty Creek extension - copper, gold -
FAIRBANKS
NENANA
lead, zinc prospects
HEALY
coal
copper
copper
MAN Prospect - nickel, platinum, copper -
SUSITNA DAM SITE
copper
Denali Prospect - copper
copper
PORT MACKENZIE

Estimated Port MacKenzie Extension Freight Tonnages
During First 30 Years of Operation
February 23, 2011

This information was taken from Table 3 on page 26 of the Economic Analysis of Rail Link Port MacKenzie to Willow, Alaska, Phase II – Possible Rail Extension Users Analysis by Paul A. Metz, Ph.D., DIC, P.G., November 2007. The information was updated by Dr. Metz in February, 2011.

Product	Annual Tonnages in Years (1-5)	Annual Tonnages in Years (6-10)	Annual Tonnages in Years (10-20)	Annual Tonnages in Years (20-30)
Coal Exports	1,000,000 – 2,000,000	2,000,000 – 3,000,000	3,000,000	3,000,000
Aggregates (sand and gravel)	100,000	100,000	100,000	100,000
Lime	50,000	50,000	50,000	50,000
Wood Products	60,000	60,000	60,000	60,000
Petroleum Products	200,000	300,000	400,000	400,000
Natural Gas Pipeline	0	960,000**	0	0
USARAK Logistics	Not Available	Not Available	Not Available	Not Available
Mineral Concentrates	365,000	365,000	1,679,000	1,879,000
Total	**1,775,000 – 2,775,000**	**3,835,000 – 4,835,000**	**5,289,000**	**5,489,000**

* Non-metallic freight tonnages remain the same in the second and third decade, though it is expected that these tonnages would grow significantly. Freight tonnages do not include coal tonnages associated with the Agrium Coal Gasification Project.

** Assume 960,000 tons of pipe and construction materials for each of two years during the five year period

Matanuska-Susitna Borough - Port MacKenzie Rail Extension **FY2012 Request: $20,000,000**
Reference No: 46242

AP/AL: Appropriation
Category: Transportation
Location: Matanuska Susitna Borough
House District: Matsu Areawide (HD 13-16)
Estimated Project Dates: 07/01/2011 - 06/30/2016

Project Type: Construction
Recipient: Matanuska-Susitna Borough
Contact: JoEllen Hanrahan
Contact Phone: (907)465-2506

Brief Summary and Statement of Need:
This project is for continuation of the development and construction of the Matanuska-Susitna Borough Port MacKenzie Rail Extension and contributes to the Department mission of promoting healthy economies.

Funding:	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	Total
AHCC Rcpts	$20,000,000						$20,000,000
Total:	$20,000,000	$0	$0	$0	$0	$0	$20,000,000

☐ State Match Required ☐ One-Time Project ☐ Phased - new ☐ Phased - underway ☑ On-Going
0% = Minimum State Match % Required ☐ Amendment ☐ Mental Health Bill

Operating & Maintenance Costs:

	Amount	Staff
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	
Totals:	0	0

Additional Information / Prior Funding History:
Refer to the funding matrix in the project description.

Project Description/Justification:
This request is for continued development and construction of the Matanuska-Susitna Borough Port MacKenzie Rail Extension Project. The rail extension will promote the diversification of Alaska's economy. Savings will be provided by the rail extension for transporting bulk materials like coal from the Usibelli coal mines to tidewater from Interior Alaska, and will make Alaskan natural resources significantly more competitive in Pacific Rim markets. The rail extension is expected to quadruple coal exports, stimulate development of new mineral mines, development of limestone deposits and related cement industry, and new opportunities for timber exports. An expected 4,000 jobs will be created along the rail line and in Interior Alaska due to new mining ventures and development efforts. South Central Alaska is expected to gain 2,000 permanent jobs over the first 10 years following rail construction, and up to 3,500 jobs over the longer term.

Background: The Port MacKenzie Rail Extension will bring tremendous economical and employment benefits to Alaska. The project will create jobs, lower transport costs and increase economic development. Extension of the rail line will connect the Alaska Railroad Mainline to Port MacKenzie, resulting in a shorter distance to tidewater from the interior that will save more than $100 million over existing ports for the State's proposed natural gas pipeline. Less expensive bulk transport costs will also help stimulate the development of natural resources and mines.

The lower costs created by the proposed rail extension coupled with this limestone deposit will create a major new export related manufacturing opportunity for the production of cement. With the rail extension, Alaska will be able to produce up to 15% of the nation's annual need for cement. In addition, the shorter distance to tidewater will reduce the cost of transporting coal by approximately 6 dollars per ton, making coal from Alaska's interior competitive on the world market. Representatives of the Alaska coal industry indicate that once the rail line is completed, it can quadruple annual coal exports from one million tons to four million tons.

An independent study by the University of Alaska-Fairbanks estimates the revenue to the State from new mines averages $300 million per year over the next 100 years. According to a study by the Institute of Social and Economic Research, the Port MacKenzie Rail Extension Project will create up to 3,400 new jobs over a three year period in construction (currently in progress), 35 jobs in annual operations and another 640 direct and indirect jobs.

Planned FY12 Construction at a total of $55 million will add 15 miles of rail bed commencing from the end of the 5-mile rail bed segment being constructed in 2011. It will also provide funding for project engineering, environmental permitting, and project management.

Construction will be comprised of three separate construction contracts. Each contract includes clearing and grubbing, excavation of unsuitable material and placement and compaction of various types of fill material.

Engineering will encompass design support and the design for the separate 2014 contract for placement of ties, ballast and rail on the entire extension will also be completed. Work includes all permitting and mitigation measures required for construction of these three segments.

Funding is also required for Alaska Railroad Corporation (ARRC) and the Matanuska-Susitna Borough (MSB) support for project management, including contract administration, planning, stakeholder coordination, agency coordination, federal regulatory coordination and contracted construction management for all construction contracts.

With full funding, the project will be 53% complete when the FY12 work is complete. The remaining project work, approximately ten miles of rail bed and placement of ties, ballast, and rail, is targeted for completion in 2014.

Prior funding history:

YEAR	AMOUNT	LEGISLATION
FY11	$ 35,000,000	SLA 10, Ch 43, Pg 99, Ln 27
FY09	$ 17,500,000	SLA 08, Ch 29, Pg 129, Ln 19
FY08	$ 10,000,000	SLA 07, Ch 30, Pg 88, Ln 8

Port MacKenzie Rail Extension
Funding it now makes sense

- In light of the national recession, the faster the rail is completed, the faster we are able to add up to 4,000 permanent mining and logistics jobs to the Alaska economy.

- Additionally, construction will provide up to 3,000 jobs, beginning December 2011.

- Due to the economic downturn, bids for railbed construction work have been coming in significantly below engineering estimates. By avoiding a construction delay, we can take advantage of this window, building more rail miles for less money.

- With Alaska's rapidly declining oil production, the need to diversify our economy is urgent. The rail extension will provide less expensive transport for bulk materials and minerals from Interior Alaska to tidewater. This transportation link will lower the transport costs to such an extent that new mineral areas will become economic to mine.

- The construction of the Susitna Dam could utilize the rail extension for most of its construction materials.

- Leading Alaska mining companies indicate that Pacific Rim markets exist now for increased Alaska exports, and the prices are right. The sooner the rail line is completed, the sooner Alaska exports can increase to new record levels. This will also be beneficial for the national debt payments and increasing American exports.

- The Alaska coal industry indicates that the markets are ripe for coal exports. As soon as the rail line is completed, the coal industry can quadruple Alaska coal exports from one million tons to four million tons per year. Any funding lag, delays these benefits and puts at risk new markets that seek dependable suppliers.

- Timely funding will enable the rail extension to be completed and operational for 2014. This is the earliest possible start date for construction of a gas line from the North Slope, and the rail line will enable the construction effort to save more than $100 million.

- Any funding delay will mean the loss of a summer construction season and a year-long delay in completing the rail extension.

CONTENTS

NO. 1 — Port MacKenzie: A major bulk materials terminal for Alaska

NO. 2 — Funding: On schedule and under budget

NO. 3 — Rick Mystrom's Compass Legislators Got It Right: Infrastructure Investment ADN April 2009

NO. 4 — Resolutions of Support

NO. 5 — Alaska State Chamber of Commerce Newsletter – Port MacKenzie Rail is a Top Infrastructure Project

NO. 6 — Economic Studies

NO. 7

NO. 8

IFS0588

AVERY® EXECUTIVE READY INDEX® DIVIDERS

1

Port MacKenzie: A major bulk materials terminal for Alaska



In June, a vessel, too large to fit through the Panama Canal, tied up easily at Port MacKenzie and loaded 1,250 tons of coal as a test-run. The test went smoothly and was a harbinger of bigger things to come. Up to 4 million tons of coal annually could be exported through Port MacKenzie, once a rail link is in. And this is just one of the projected exports. Aggregate minerals, limestone, cement, and timber all show promise. These developments emphasize how important Port MacKenzie will be in providing income, commerce, and jobs to the Matanuska-Susitna Borough and Alaska.

With a coming rail link, an existing deep draft dock, and even a coming ferry connection, Port MacKenzie will become the major bulk materials export and import terminal for Alaska. It will also evolve into the largest industrial development grounds in the state.

Its natural amenities, large land resource, deep draft dock, and expanding infrastructure make it ideal. Nowhere else in the state is there a 100-rail car loop for the efficient offloading of bulk materials from rail to ship. Construction got underway on this loop last summer. The rail line will shorten the distance to tidewater making idle minerals profitable to mine and export. The value of mineral production is estimated to rise to nearly $1 billion a year over 100 years, according to ISER, Institute of Social and Economic Research. A 1.6 billion ton limestone deposit in the Interior will introduce a new industry to Alaska, the production of Portland cement. Up to 15 percent of our nation's cement could go through Port MacKenzie in the future. Such development will bring tremendous revenues to the Borough.





The nearly 9,000 acres of public lands in the Port District provide abundant land for stockpiling commodities, manufacturing products and processing petrochemicals. The port's deep water dock, a large expanded barge dock, terminal building, paved road access, and natural resources conveyor system from the uplands to the port, all contribute to the port's value and potential.

The development of the Port MacKenzie will also result in a large number of high paying, temporary and permanent jobs for Borough residents. It is estimated that more than 3,500 direct jobs will be created over the next 10 – 20 years

Natural scouring occurs in front of the deep draft dock so costly dredging is never needed.

As the planned terminus for the Knik Arm Bridge from Anchorage, Port MacKenzie will become a main transportation hub for the region.

Port MacKenzie is an exporting port for bulk natural resources. It complements the Port of Anchorage, where consumer goods are imported.

2

Port MacKenzie Rail Extension
Funding: On schedule and under budget

Funds appropriated to date:

- $10 million – to complete Environmental Impact Statement (EIS)
- $17.5 million – to complete bi-modal rail/road loop
- $35 million – build first 5 – 6 miles of rail line embankment, design rail route selected by EIS, and buy right-of-way *(Project completion at 28%)*

Total funds appropriated to date: **$62.5 million**

Estimated Funds Required to Complete Rail Extension

- $55 million (first year) – complete next 10 – 11 miles of rail route embankment, and buy remainder of right-of-way [$20 million currently in Governor's Budget – additional $35 million needed] *(Project completion at 53%)*

- $60 million (second year) – to complete construction of remaining rail embankment to the Alaska Railroad mainline. *(Project completion at 81%)*

- $41 million (third year) – to purchase and lay rail, and complete rail extension construction *(Project completion 100%, Fall 2014 ribbon cutting)*

Total estimated additional funds needed: **$156 million**

Total estimated cost of rail extension cost: $218.5 million

3

COMPASS: *Other points of view*

Big capital budget can boost quality of life

By RICK MYSTROM

Is the capital budget proposed by the Legislature too high? Will it overheat the economy? Was it a "spending spree"? Or ... will it stimulate a slowing economy? Will it stop the job losses predicted by the state's economists? Will it improve the quality of life for Alaskans?



Every state government in America would like the opportunity to stimulate its economy. Only Alaska has that ability.

ALASKA'S CAPITAL BUDGET IS DIFFERENT

In every other state in the U.S., a large capital budget means that you take money out of the private sector to pay for the projects. Usually it's through state income tax increases, property tax increases or, in some cases, sales tax or fee increases.

Alaska is different. We've already taken the money out of the private sector. With billions and billions of dollars of surplus, the question for Alaska is do we want to use the taxes we've already collected to pay for the capital projects or are we better off leaving the money in one of the state's surplus accounts?

THE LEGISLATURE GOT IT RIGHT

Put me on the side of those who think the Legislature got it right. Probably not perfect, but generally right. At this time in Alaska's economic history we should have a large capital budget as long as those projects can either grow the economy or improve Alaskans' quality of life or both. Here's why I think this capital budget is good for Alaska's economy:

• **This is a very uncertain time for Alaska's economy.** Many unknowns are out there concerning future oil exploration, the future of a gas line or lines, the future of Alaska Native contracting legislation at the federal level, the high cost of energy, etc.

• **Economists are predicting a loss of about 1,000 jobs over this next year.** In effect, the economy is frozen. The private sector, with the exception of health care, is shrinking. This is exactly the time that the state should be investing in capital projects. While I don't presume to know the specifics of all of the capital budget projects, I do believe that the amount is very appropriate for this time in Alaska's history.

• **A capital budget of $3 billion will not overheat the economy.** It will keep the economy from shrinking and allow healthy growth. Every state government in America would like the opportunity to stimulate its economy. Only Alaska has that ability. Any conclusion that this amount would overheat the Alaska economy is not correct and not substantiated historically. Two other times in the past 30 years our economy was in danger of decline as it is today. Once the decline was avoided by capital projects. Once it was not.

• **In 1979-80 the construction of the trans-Alaska pipeline was completed and workers were moving out.** Gov. Jay Hammond realized the importance of creating jobs through the capital budget. With the support of the Legislature, he implemented a plan that gave every community in Alaska $1,000 per person to develop capital projects. That meant about $650 million a year for three years in 1980 dollars. This was in addition to the state's direct capital budget for roads, schools, public buildings, etc. Hammond's action was correct. It saved the Alaska economy from a post-pipeline decline.

• **In 1986 the economy dropped again.** This was caused by a 75 percent plunge in oil prices following five years of loose real-estate lending practices. It was also exacerbated by the tax reform act of 1986, which devalued real estate. None of those issues is in play today. While capital spending could not have stopped that major decline in the economy, it could have mitigated it somewhat. Gov. Steve Cowper chose to hold back money for capital spending and save the money for the tough times. The rest is history.

The measure of a state's economic health is not the amount of money in a state's savings accounts. It's the growth of the economy, the prosperity and quality of life of its citizens and the opportunities for its young people. If projects in the capital budget meet these criteria, they should not be vetoed.

Rick Mystrom served as mayor of Anchorage from 1994 to 2000 and is currently an economic development adviser to the Mat-Su Borough.

4

Resolutions of Support

Denali Borough

Alaska Railroad Corporation

Alaska Miners Association, Inc

Greater Fairbanks Chamber of Commerce

Matanuska-Susitna Borough

Greater Wasilla Chamber of Commerce

City of Palmer

Alaska State Chamber of Commerce
Top infrastructure priority

DENALI BOROUGH, ALASKA
RESOLUTION NO. 10-01

A RESOLUTION SUPPORTING THE PORT MACKENZIE RAIL EXTENSION

WHEREAS, natural resource development is vital to the economy of the entire State of Alaska; and

WHEREAS, Port MacKenzie, with a vast amount of industrial development land and a deep draft dock, is capable of processing and handling bulk resource commodities; and

WHEREAS, Port MacKenzie is strategically located and has available land and space to stage bulk resources for export; and

WHEREAS, Port MacKenzie can accommodate Panamax and Cape-size vessels and does not require annual dredging; and

WHEREAS, the distance to tidewater at Port MacKenzie from the Interior Alaska offers lower transportation costs and the Port MacKenzie Rail Extension will stimulate the use and export of coal and other minerals from the Interior; and

WHEREAS, the rail extension will eliminate congestion from shipping high-volume export materials on the southern rail end from Wasilla to Anchorage, and will eliminate the need for more costly upgrades to the rail system south of Big Lake; and

WHEREAS, off-loading, staging, and rail transportation of north bound materials for construction of a gas pipeline and other large projects from Port MacKenzie would be less costly than rail shipment from Anchorage or Seward; and

WHEREAS, the first two phases of rail extension development, the Environmental Impact Statement and the construction of a bi-modal road/rail loop at the port, are due to be completed during the next six to nine months.

NOW THEREFORE BE IT RESOLVED: the Denali Borough Assembly supports the Matanuska-Susitna Borough in their efforts to extend the Alaska Railroad to Port MacKenzie.

BE IT FURTHER RESOLVED: that the Denali Borough Assembly requests the Governor and the Alaska State Legislature support all phases of construction and rail extension development;

BE IT FURTHER RESOLVED: that the Denali Borough Assembly supports state funding of $57 million for phase III of the project so construction can begin on the first 11 miles of rail line, and design and engineering can be completed on the connection route selected by the Environmental Impact Study.

AND BE IT FURTHER RESOLVED, that this resolution be distributed to:

Governor Sean Parnell
Commissioner Annette Kreitzer, Administration
Commissioner Emil Notti, DCCED
Commissioner Larry Hartig, ADEC
Commissioner Denby Lloyd, ADF&G
Commissioner Click Bishop, ADOL
Commissioner Tom Irwin, ADNR
Commissioner Patrick S. Galvin, ADOR
Commissioner Leo Von Scheben, ADOT
Director Karen Rehfeld, OMB
Sen. Gary Stevens, Senate President
Rep. Mike Chenault, House Speaker
Sen. Albert Kookesh, Senate Transportation Chair
Sen. Linda Menard, Senate Transportation Vice-chair
Rep. Peggy Wilson, House Transportation Chair
Rep. Craig Johnson, House Resources Chair and Transportation Vice-chair
Rep. Mark Neuman, House Resources Co-chair
Sen. Lesil McGuire, Senate Resources Co-chair
Sen. Bill Wielechowski, Senate Resources Co-chair
Sen. Bert Stedman, Senate Finance Co-chair
Sen. Lyman Hoffman, Senate Finance Co-chair
Rep. Mike Hawker, House Finance Co-chair
Rep. Bill Stoltze, House Finance Co-chair
Interior Delegation
Talis Colberg, Matanuska-Susitna Borough Mayor
Luke Hopkins, Fairbanks North Star Borough Mayor

PASSED AND APPROVED by the Denali Borough Assembly on this 13TH day of January, 2010.

David M. Talerico, Borough Mayor

ATTEST _____
Gail Pieknik, Borough Clerk

PASSED UNANIMOUSLY

Adopted: October 12, 2010

Resolution No. 2010-34

Relating to Supporting Funding of
the Port MacKenzie Rail Extension

WHEREAS, The Alaska Railroad is a powerful economic engine and backbone for Alaska's transportation infrastructure, hauling millions of tons of freight per year and providing critical support for resource industries such as coal, petroleum, and gravel; and

WHEREAS, the State of Alaska needs to diversify and strengthen its economy and an effective transportation system facilitates such diversification; and

WHEREAS, the Matanuska-Susitna Borough is building a rail extension from Port MacKenzie to the Alaska Railroad mainline and the Alaska Railroad is assisting in this effort by serving as a contractor and applicant to the Surface Transportation Board for the project; and

WHEREAS, the new rail line will shorten the distance for transporting minerals and freight from the interior to tidewater and the Alaska Railroad expects the rail extension will lead to additional bulk resource rail transport opportunities in the future; and

WHEREAS, the Alaska Railroad serves ports in Seward, Whittier and Anchorage and the connection to Port MacKenzie, with it 9,000 acres of industrial zoned land and deep-draft dock, is a logical next step in enhancing the State's transportation capacity for bulk natural resources; and

WHEREAS, the rail extension also provides an additional rail route to tidewater that can serve both our military logistics and national security needs; and

WHEREAS, this project is expected to create thousands of new jobs for Alaskans and is a project of statewide benefit and significance.

NOW THEREFORE BE IT RESOLVED that the Alaska Railroad Board of Directors supports the inclusion of $55 million in the Governor's Fiscal Year 2012 Capital Project Budget to complete Phase Four construction of the rail extension between Port MacKenzie and the Alaska Railroad mainline.

This is to certify that I am the Secretary of the Board of Directors of the Alaska Railroad Corporation, and the above Resolution No. 2010-34 is a true and correct copy of the resolution adopted by the Alaska Railroad Corporation's Board of Directors at its regular meeting on October 12, 2010.

Date 10-13-2010 Wendy Lindskoog

Wendy G. Lindskoog
Board Secretary

Corporate Seal

327 W. Ship Creek Avenue
Anchorage, Alaska 99501

MAILING ADDRESS
P.O. Box 107500 Anchorage, Alaska, 99510-7500

TEL 907.265.2300 FAX 907.265.2416
AlaskaRailroad.com

ALASKA MINERS ASSOCIATION, INC.

3305 Arctic Blvd., #105, Anchorage, Alaska 99503 • 907) 563-9229 • FAX: (907) 563-9225 • www.alaskaminers.org

November 15, 2010

Honorable Sean Parnell
Governor
State of Alaska
Capitol Building
Juneau, Alaska 99811

Re: Railroad Extension from Port MacKenzie to the Alaska Railroad Main Line

Dear Governor Parnell,

We are writing to urge continued funding for the extension of the railroad from the port at Point MacKenzie to the Alaska Railroad main line north of Wasilla.

The completion of this rail connection is needed for the export shipment of bulk commodities from existing and future mines in Southcentral and Interior Alaska. This project will provide important diversification and new opportunities for the state and will help stimulate new mineral development projects.

Mines producing coal, base metal (copper, zinc, lead, iron) concentrates, and many industrial minerals depend on reasonable transportation costs and this project has the opportunity to do just that. This extension, when combined with the results from the current western Alaska transportation study, will provide the best opportunity for concentrates from Interior Alaska to reach a deep water port.

Furthermore, this extension would allow current sand and gravel producers that are on the Alaska Railroad to export a portion of their production. In some cases, sand and gravel from these mines will provide the most economical sources for construction projects around the coast of Alaska.

We appreciate your consideration of this funding.

Sincerely,

Steven C. Borell, P.E.
Executive Director

GREATER FAIRBANKS CHAMBER OF COMMERCE

Interior Alaska – The "Place" To Do Business

Introduced By:	Transportation Committee
Date Introduced:	September 27, 2010
Date Passed:	September 27, 2010
Date Transmitted:	September 27, 2010

RESOLUTION 10-0927

A RESOLUTION BY THE GREATER FAIRBANKS CHAMBER OF COMMERCE SUPPORTING PORT MACKENZIE RAIL EXTENSION PROJECT

WHEREAS, the State of Alaska needs to diversify its statewide and regional economies and develop an efficient and effective transportation system to support such diversification; and

WHEREAS, the rail extension being built from Port MacKenzie to the Alaska Railroad mainline will greatly stimulate such economic diversification by reducing the cost of transportation from Southcentral and Interior Alaska for bulk natural resources to tidewater; and

WHEREAS, the Greater Fairbanks Chamber of Commerce supports the need for economic diversification on both a statewide and regional basis as well as the need for significant transportation infrastructure improvements; and

NOW THEREFORE BE IT RESOLVED that the Greater Fairbanks Chamber of Commerce supports the inclusion of funding to continue construction of the rail extension between Port MacKenzie and the Alaska Railroad Mainline in the Governor's Capital Project Budget.

BE IT FURTHER RESOLVED that this resolution be distributed to:

Members of the Alaska Legislature Transportation and Finance Committees
Interior Delegation
Governor's office
Mat Su Borough Mayor
Mat Su Borough Assembly
Alaska State Chamber of Commerce

GREATER FAIRBANKS CHAMBER OF COMMERCE

Dan Britton
Board of Directors, Chairman

Karl Gohlke
Transportation Committee, Chairman

INVESTORS

DIAMOND
BP Exploration
ConocoPhillips
ExxonMobil
Fairbanks Daily News-Miner
FMH & Denali Center
Flint Hills Resources Alaska

PLATINUM
Alyeska Pipeline Service Co
Carlson Center
Doyon, Limited
Fred Meyer Stores
Golden Heart Utilities
Mt. McKinley Bank
Wells Fargo Bank Alaska

GOLD
Alaska USA FCU
Birchwood Homes
Denali State Bank
Design Alaska
Doyon Utilities LLC
First National Bank Alaska
GCI
Kinross-Fort Knox Mine
MAC Federal Credit Union
Pogo Gold Mine
The Boeing Co
Usibelli Coal Mine

SILVER
ACS
Alaska Airlines
Alaska Railroad
AT&T
Denali – The Alaska Gas Pipeline
Everts Air Cargo, Everts Air AK
Exclusive Paving/Univ. Red-Mix
Fairbanks Natural Gas
Flowline Alaska
Fountainhead Development
General Teamsters Local 959
GVEA
Hale & Associates, Inc
JL Properties, Inc
Key Bank
Northrim Bank
Personnel Plus
Spirit of Alaska FCU
Tanana Valley Clinic
TDL Professional Staffing
TOTE
WAL-MART Stores Inc
Yukon Title Company

Adopted: 02/02/10

MATANUSKA-SUSITNA BOROUGH
RESOLUTION SERIAL NO. 10-009

A RESOLUTION OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY SUPPORTING THE PORT MACKENZIE RAIL EXTENSION AS A STATEWIDE, ECONOMIC DIVERSITY, STIMULUS PROJECT.

WHEREAS, the Port Mackenzie Rail Extension project connecting the Alaska Rail Road mainline will greatly reduce the distance for transporting bulk materials to and from Southcentral and Interior Alaska to tidewater; and

WHEREAS, reduced transport distance translates to reduced transportation costs which leads to an increase in volume of freight and the stimulation of resource development projects near the rail corridor; and

WHEREAS, the State currently relies on the petroleum industry for 85 percent of its revenue; and

WHEREAS, by stimulating resource development, the project would diversify and stabilize the State and local economies; and

WHEREAS, the construction and operation of the rail extension and the increased development it would stimulate along the rail corridor will provide thousands of jobs for Alaskans.

NOW, THEREFORE, BE IT RESOLVED, that the Matanuska-Susitna Borough Assembly supports the Port Mackenzie Rail Extension as a project which will provide Statewide benefits, economic diversity, and jobs for Alaskans.

ADOPTED by the Matanuska-Susitna Borough Assembly this 2 day of February, 2010.

TALIS J. COLBERG, Borough Mayor

ATTEST:

DONNIE R. McKECHNIE, CMC, Borough Clerk

(SEAL)

PASSED UNANIMOUSLY: Woods, Houston, Arvin, Ewing, Bettine, Colver and Halter.

GREATER WASILLA CHAMBER OF COMMERCE RESOLUTION No. xx

A RESOLUTION OF THE GREATER WASILLA CHAMBER OF COMMERCE SUPPORTING EXTENSION OF THE ALASKA RAILROAD FROM THE RAILROAD MAIN LINE TO PORT MACKENZIE.

WHEREAS, bulk natural resource development and export is important to the economy of the Matanuska-Susitna Borough, the Denali Borough, the Fairbanks North Star Borough, and the State of Alaska; and

WHEREAS, the ability of the Alaska Railroad to continue to provide economical transportation of bulk commodities is vital to the economic health of Alaska; and

WHEREAS, Port MacKenzie, with its 8,940 acres of industrial development land and deep draft dock, is a developing port with capability for bulk natural resource transport; and

WHEREAS, Port MacKenzie is capable of handling panamax and cape-size vessels (the largest ships in the world); and

WHEREAS, Port MacKenzie is closer to tidewater than the existing ports of Southcentral Alaska; and

WHEREAS, a shorter distance to tidewater will make resource development in South Central and Interior Alaska more economical by lowering transportation costs; and

WHEREAS, the shorter rail distance to tidewater will further stimulate the use and export of coal from the Usibelli mine and other extracted material developments in the Denali Borough, Matanuska-Susitna Borough and Interior Alaska; and

WHEREAS, the rail extension will make development of natural resources (coal, limestone, sand and gravel, timber and metallic minerals, etc) located in the rail belt and Interior more economically feasible; and

WHEREAS, the rail spur to Port MacKenzie will create more usage of the Alaska Railroad and increase the economic viability of the railroad; and

WHEREAS, the increase in economic activity will significantly contribute to the State's economic well being, increase employment of Alaskans, and contribute to the continued economic stability of one of the fastest growing regions in the nation.

NOW THEREFORE, be it resolved that the Greater Wasilla Chamber of Commerce strongly supports construction of the Alaska Rail line Extension from the Alaska Railroad mainline to Port MacKenzie.

ADOPTED by the Greater Wasilla Chamber of Commerce this ___ ___day of December,2009.

David Johnston
President

Lyn Carden
Executive Director

Introduced by: City Manager Allen
Date: January 12, 2010
Action: Adopted
Vote: Unanimous

Yes:	No:
Chmielewski	
Erbey	
Vanover	
Best	
Hanson	
Brown	

CITY OF PALMER, ALASKA

RESOLUTION NO. 10-009

A RESOLUTION OF THE CITY OF PALMER COUNCIL SUPPORTING EXTENSION OF THE ALASKA RAILROAD FROM THE RAILROAD MAIN LINE TO PORT MACKENZIE

WHEREAS, bulk natural resource development and export is important to the economy of the Denali Borough, Matanuska-Susitna Borough and its cities, the Fairbanks North Star Borough, and the State of Alaska; and

WHEREAS, the Usibelli Coal Mine is the main developed source of coal in Alaska; and

WHEREAS, Usibelli Coal Mine has offices and employees residing in Palmer; and

WHEREAS, Port MacKenzie with its 8,940 acres of industrial development lands and deep draft dock, is a developing port with potential for bulk natural resource transport; and

WHEREAS, Port MacKenzie is capable of handling panamax and cape size vessels (the largest ships in the world); and

WHEREAS, Port MacKenzie is closer to tide water than the existing ports of Southcentral Alaska; and

WHEREAS, a shorter distance to tide water will make resource development in Interior and Southcentral Alaska more economical, by lowering transport costs; and

WHEREAS, the shorter rail distance to tide water will further stimulate the use and export of coal from the Usibelli mine and other mineral developments in the Denali Borough, Matanuska-Susitna Borough, and Interior Alaska; and

WHEREAS, the rail extension will make development of various natural resources (coal, limestone, sand and gravel, timber and metallic minerals, etc.) located in the rail belt and Interior more feasible; and

WHEREAS, the economic activity will contribute to the Matanuska-Susitna Borough economy, tax base, and employment.

NOW THEREFORE, be it resolved that the City of Palmer strongly supports construction of the Alaska Rail line Extension from the Alaska Railroad mainline to Port MacKenzie.

Passed and approved by the City Council of the City of Palmer, Alaska this twelfth day of January 2010.

Kevin W. Brown II, Mayor Pro-Tempore

Janette M. Bower, MMC, City Clerk

5

ALASKA STATE CHAMBER OF COMMERCE

Business to Business

December 2010



Lawmakers discuss Alaska's economic future

By Jedediah R. Smith

On the cusp of an election, and with $12 billion in budget reserve accounts, five of Alaska's 60 legislators participated in a panel discussion before the State Chamber of Commerce, not to campaign, but to share their experiences and thoughts on strategies for filling the Trans-Alaska Pipeline, the state's regulatory regime, public employee retirement systems and ways the Legislature can create a more friendly investment climate.

At times, politics crept into the discussion. But the panel generally focused on the issues at hand. Chamber executive board chair Kip Knudson moderated the discussion and first asked lawmakers whether and how the state should spend the $12 billion available in reserve accounts.

Responses were varied, from Sen. Kevin Meyer's belief that the money shouldn't be touched until the economy improves, to Rep. Anna Fairclough's reminder that the state has a $12 billion liability to PERS/TRS retirement accounts.

"We made a promise to those that came before us," Fairclough (R-Eagle River) said.

"I think we have to be very careful," said Rep. Bill Stoltz (R-Chugiak), who noted the state has invested money in important infrastructure projects in Southcentral Alaska, such as the Port McKenzie rail spur. Prioritizing infrastructure projects is critical in choosing the best projects that will prove a return on investment for the state. But once open, that valve can be difficult to control with 60 legislators all vying for a piece of the action, Stoltz said.

The response highlighted the subtle differences on the political landscape among the business-friendly legislators, whose dis-

See Panel, Page 2

Chair's message: How to Create Jobs

By Kip Knudson


Knudson

In last quarter's newsletter I expressed dismay with candidates who claim they will create jobs.

Most of our elected officials have lost track of the fact that the private sector creates two-thirds of Alaska's jobs, and pays the taxes that fund the remaining third. If they haven't forgotten this fact, then they are afraid to talk about it in public forums.

During the State Chamber's priority-setting Tie-In, we heard from Scott Cohn about how Alaska finished dead-last in the CNBC's 2010 Business Ranking. He told us about our bottom-of-the-pack rankings on things like road quality (not quantity), litigiousness, high taxes (our world-beating oil and gas taxes weren't even factored in) and low-outcome, high-cost education system.

My dismay at politicians talk about "creating jobs," and Mr. Cohn telling us everything-we-know-but-wish-we-didn't spurred a fantastic conversation among the State Chamber's Board of Directors on a central question: How can the State Chamber convince our elected officials to focus on policies and programs that encourage the private sector to create more jobs?

The first step is to sharpen our strategic plan, and below is a proposal that I intend to forward to the State Chamber Board.

Tag Line:
The Voice of Alaska Business

Vision (What does the future look like?): A top ranking in "Best Places to Do Business" lists.

Mission (Why do we exist?): Advocate for public policies that encourage private sector investment and job growth.

Values (How do we operate?): Results-driven. We will focus on measurable improvement of the Alaska business climate. Be a statewide, all-business-sector advocate. "The Voice of Alaska Business" grows stronger when all businesses are represented.

Strategy (What will we do?): The State Chamber will achieve progress through three initiatives aimed at creating a robust business climate – and thus job growth - in Alaska. These initiatives provide focus both to members and to government officials. Success on these initiatives can be measured and will result in private sector growth.

Perhaps most important to note is that the discreet action items within each initiative are generated by our membership. The more your business participates in State Chamber priority setting, the more likely the entire business community will benefit from collective ideas to grow our economy.

The State Chamber's strategy will:

Reduce Government Burden

Our state government can either help or hinder business growth and

See Chair, Page 2

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ANCHORAGE, AK
PERMIT NO. 283

Welcome New Members

ACE Air Cargo: ACE to the rescue! From Dutch Harbor to Ketchikan and 20 locations in between — ACE Air Cargo delivers more destinations, more often. ACE offers scheduled cargo flights, passenger and cargo charters, small package service and logistics across Alaska with connecting service to the Lower 48.

Based at Ted Stevens International Airport, the company flies a fleet of Beech 1900C and can accommodate virtually any freight that fits through a 52-inch-square door. ACE provides consistent flight schedules, online package tracking, competitive rates and superior customer service.

Flights include Anchorage to Aniak, Bethel, Chen-[illegible] St. Paul, Tatitlek, Wrangell and Yakutat.

Contact Person: Greg Hawthorne
Email: greg@aceaircargo.com
Physical Address: 5901 Lockheed Ave., Anchorage, AK 99502
Phone: (888) 722-0232
Web: www.aceaircargo.com

Sumitomo Metal Mining Pogo LLC (SMM Pogo) has been working on operation of the Pogo Mine, which is located about 90 miles southeast of Fairbanks. The Pogo Mine began its production in February 2006 and [illegible]

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anti-development, on budget issues and Alaska's dependence on resource development for operating revenue.

"Students were saying 'Anna, we need to give the university tens of millions of more dollars,' and I would say, 'I'd love to do that, can you tell me what we should cut?"

"We need to engage Alaskans in understanding where the economy is coming from and where it is going," Fairclough said.

In the short-term, the members of the panel, which also included Sen. Charlie Huggins (R-Wasilla) and Sen. Kevin Meyer (R-Anchorage) said they didn't think changes in the state's retirement system, from a defined benefit to a defined contribution (Tier 3 to Tier 4) had a significant impact on recruiting well qualified workers.

Public employee unions have continued to confound legislators who have attempted to solve the state's entitlement obligations though.

"You can't say you want to go back to a system of defined benefits that will bankrupt our state and also want to enshrine the dividend," Stoltz said. "Every year there is a bill and a lot of pressure to radically reverse the system. This is one of the most political issues. Some of us stuck our finger in the electric pencil sharpener that is that union. I still have a little bit of a nub left. I'm willing to do it again."

Attracting highly qualified state employees to run the permitting system continues to be a concern among resource development industries, said Jason Brune, executive director of the Resource Development Council. The current litigious climate makes hiring good state employees all the more important for industry, as regulators are charged with writing permits that will ultimately hold up in a court of law. Brune challenged the panel to find alternatives to avoid the "lawsuit first" strategy pursued by many environmental groups opposing resource development projects.

Johnson said he'd tried a number of different things during the last session, notably introducing a bill to freeze the timeline of a permit once a lawsuit is filed.

"If you can stretch it out in court so that a permit expires, you just wasted a bunch of time and expense," Johnson said. Even if the developer prevails, the project may have to reapply for another permit or even go through the costly Environmental Impact Statement process again. His legislation would allow the clock on the permit to resume only after the lawsuit was settled.

"I'm not confident we're going to get away from the public litigant way of doing business for awhile," said Johnson, who hopes to introduce the legislation again this year. "It isn't a big fix, but might be something on the table to help."

Other steps the legislature must take, according to Johnson, are to leverage existing funds to attract money for large scale hydroelectric projects like the Susitna Dam or Chackachamna, not necessarily by building them, but perhaps by providing loan guarantees. He said the state missed the opportunity 20 years ago to build a project like Susitna, and that, "We need to vision," Johnson said. "I dread 15 years from now, having people say, 'why didn't you do something?"

S Continued from Page 2

on private and public sector transportation programs and projects throughout Al , including major road and port re aissance engineering for oil/g and mining developments.

Contact: Mike Gordon McKinno , Owner/Manager
Email: mgmckinnon@gci.net
Address: Office: 319 Seward S , Suite 3, Juneau, Alaska
Phone: (907) 523-9877

New members in September:

American Seafoods Group
Great Northwest Inc.

New members in October:

Faulkner Walsh Constructors
Health Care Cost Mgmt. Corp. of A
Hotel Seward
Kenai Physical Therapy Inc.
Northern Gas Pipeline
U.S. Dept. of Labor, VETS
MacCheyne's Carpets Plus Inc.

New members in November:

Alaska Addiction Professionals Association
River's Edge Resort

Chair Continued from Page 2

job creation. Therefore, the State Chamber will lobby to:

- Reform oil and gas tax;
- Continue the existing coast zone program,
- Continue effective administration of the state's strong mining regulations;
- Review RCA regulations;
- Adopt tax incentives for new economic sectors;
- Lower workers compensation costs
- Privatize public services that compete with the private sector;
- Reduce litigation costs and delays;
- Reform state procurement code;
- Create, and then follow, a strategic plan for economic development; and
- Reduce state GF spending to FY10 levels.

Improve and Expand Infrastructure

- Create an infrastructure endowment to reliably fund renewal and expansion;
- Renew the Port of Anchorage;
- Construct a rail spur to Pt. McKenzie; and,
- Advocate for a long-range energy plan and then identify all barriers to that long-range plan

Communicate and Educate

Advocacy on the above two initiatives can be leveraged through a solid communication and education program, including:

- In cooperation with all the trade associations in Alaska, create a scorecard to clearly communicate our expectations to lawmakers;
- Support the Board of Trustees Alaska Business Political Action Committee in their efforts to support candidates who commit to grow the private sector;
- Immerse high school students in entrepreneurship and leadership through the Alaska Business Week summer program;
- Empower our partners in local chambers to affect statewide change, in addition to supporting local chambers focus on growing their community and regional economies;
- Provide timely updates to membership on progress on the initiatives through print and electronic media;
- Educate member companies on how to engage employees to participate in the government's progress on these initiatives; and,
- Connect members with their legislators to drive home the in-district impact of adopting the initiatives
- Consistent, valuable communication both internal and external to the State Chamber

I welcome your feedback on this strategic plan at kip.c.knudson@tsocorp.com.

Make a plan and work the plan.

6

PORT MACKENZIE
RAIL EXTENSION

FIND ALL THE STUDIES ONLINE

The entire studies can be found at the Matanuska-Susitna Borough website. The link to the website is below:

http://ww1.matsugov.us/index.php?option=com_docman&task=cat_view&gid=125&Itemid=238

Benefit-Cost Assessment of the Port MacKenzie Rail Extension

Final Report

prepared for
Matanuska-Susitna Borough

prepared by
Steve Colt
Nick Szymoniak

Institute of Social and Economic Research
University of Alaska Anchorage

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Contact:
Steve Colt
907-786-1753
steve.colt@uaa.alaska.edu

or:
Nick Szymoniak
907-786-5452
nick.szymoniak@uaa.alaska.edu

Executive Summary

Costs

We assume that the Port MacKenzie rail extension would cost $275 million to construct.[1] This is a conservative estimate based on a range of between $200 million and $300 million for different route options. The time horizon runs 50 years from 2012 to 2061. O&M costs are assumed to be $1.5 million per year, with a net present value of $26.1 million. The net present value of all costs using a 5% real discount rate[2] and a base year of 2010 is $301.1 million.

Benefits

The rail extension would provide two distinct types of benefits: 1) It reduces the cost of rail transportation; and 2) It is likely to stimulate significant new mines and other major development. These benefits come from a diverse mix of potential projects – thus a strength of the rail extension is that its economic viability does not depend on any one project.

Reduced transportation costs

Relative to Seward, using the extension would save 140.7 miles per one-way trip.[3] Assuming an average cost savings of 6 cents per ton-mile and a 5.0% real discount rate, we estimate that using the extension would save $572 million in avoided rail costs, avoided port costs, and avoided railroad and road upgrades. These savings are shown in the table and figure on the following page.

In addition to the above, we estimate that about 22,000 train crossings of Pittman Road and other roads would be avoided by the extension, saving motorists up to 64,000 vehicle-hours of travel time delay between now and 2061.

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[1] AK Railroad submission to Federal Surface Transportation Board requesting license to build rail extension. January 2008.

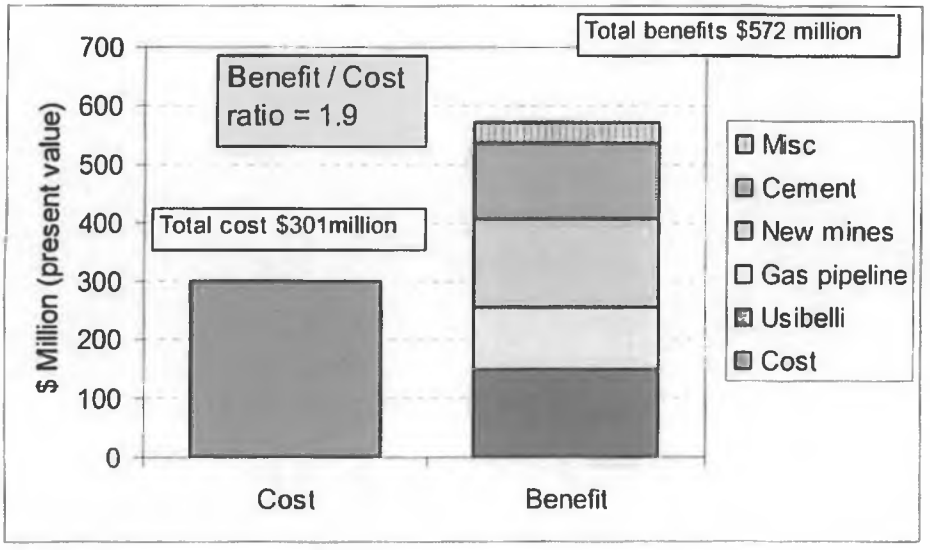
[2] "real discount rate" means adjusted for inflation. This rate is based on the real rate of return from the Alaska Permanent Fund.

[3] Paul Metz, Economic Analysis of Rail Link Port MacKenzie to Willow, Alaska. February 2007

Benefits of Port MacKenzie rail extension from reduced transportation costs
(Present value in year 2010 @ 5.0%; does not include motorist time savings)

	Tons per year	Years of operation		Benefits from reduced rail and port cost NPV at 5%	Notes
Usibelli Coal	1,000,000	2012 - 2061	$	148,711,175	
Gas pipeline materials	N/A	2013 - 2015	$	105,838,887	1
Ore from new mines	1,879,750	2017 - 2056	$	151,038,111	2
Cement plant	1,095,000	2020 - 2061	$	130,031,810	3
Misc commodities	250,000	2012 - 2061	$	36,694,410	4
Total benefits			**$**	**572,314,393**	
Construction cost			$	275,000,000	
O&M cost (NPV of $1.5 million/yr)			$	26,079,894	
Total cost			**$**	**301,079,894**	
Benefit / Cost ratio from transportation savings				**1.9**	

Notes: 1. Gas pipeline savings includes $82 million NPV of avoided rail and road upgrade costs
2. Mines would commence operation in various years; the tonnage number in this table is peak production reached after 2037. The analysis of benefits is based on the actual time profile of tonnage produced.
3. Assumes 3,000 tons per day output shipped to tidewater for export.
4. Assumes a combination of gravel, wood chips, additional fuel imports to meet growing demand, and other miscellaneous bulk commodities.



Direct fiscal return to State of Alaska

Because much of the savings from reduced rail transportation costs would flow through to increased taxable income, we estimate that direct annual fiscal returns to the State of Alaska

would have a present value of between $107 million (tied to rail cost savings) and $4.4 billion (including all mineral revenues from new mines). These break down as follows:

- Between $1 million and $3 million per year in additional corporate income taxes, with a present value of $32.7 million
- About $7 million per year in additional oil and gas revenue due to lower pipeline construction cost reflected in lower pipeline tariffs, with a present value of $33 million.
- A direct saving to the state of $41.2 million from avoided railroad and road upgrades[4]
- Assuming new mineral development and attributing it to the rail extension, $42 million per year increasing to $602 million per year from mining license taxes, royalties, and corporate income taxes. The present value of all these mineral revenues is $4.3 billion.

Economic development from new mineral activity

According to a detailed analysis by Paul Metz (Metz, 2007a), the rail extension would provide a significant stimulus to new mineral developments within a 120-mile wide corridor surrounding the existing railroad. Metz projects likely minerals development with a cumulative gross metal value of $173 billion. This value would generate taxes and royalties to the State of Alaska starting at $42 million per year (in 2017) and increasing to $543 million per year in 2027 and to $602 million per year beginning in 2037. In addition these developments could generate up to $3 billion per year in additional economic activity in Railbelt communities.

Conclusion

This project provides a benefit/cost ratio ranging from 1.9 (based only on transportation cost savings) up to about 40 (assuming that additional mineral activity is attributable to the rail extension). In addition, there will be community benefits -- jobs and income -- that we have not explicitly considered here. These are extraordinarily good returns on an infrastructure investment in Alaska.[5]

[4] We have assumed that the state would pay half of these upgrades and pipeline builders would pay half.
[5] By comparison, the Bradley Lake hydroelectric project now appears to have a B/C ratio of less than 1.5, even when based on high and rising natural gas prices. Most public projects in Alaska have not been subjected to formal cost-benefit analysis.

Benefits of the Southcentral Rail Extension to the Municipality of Anchorage

prepared for:

Matanuska – Susitna Borough
Economic Development Department

prepared by:

Steve Colt and Nick Szymoniak
Institute of Social and Economic Research (ISER)
University of Alaska Anchorage



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contact:
steve.colt@uaa.alaska.edu
907-786-1753

Benefits of the Southcentral Rail Extension to the Municipality of Anchorage

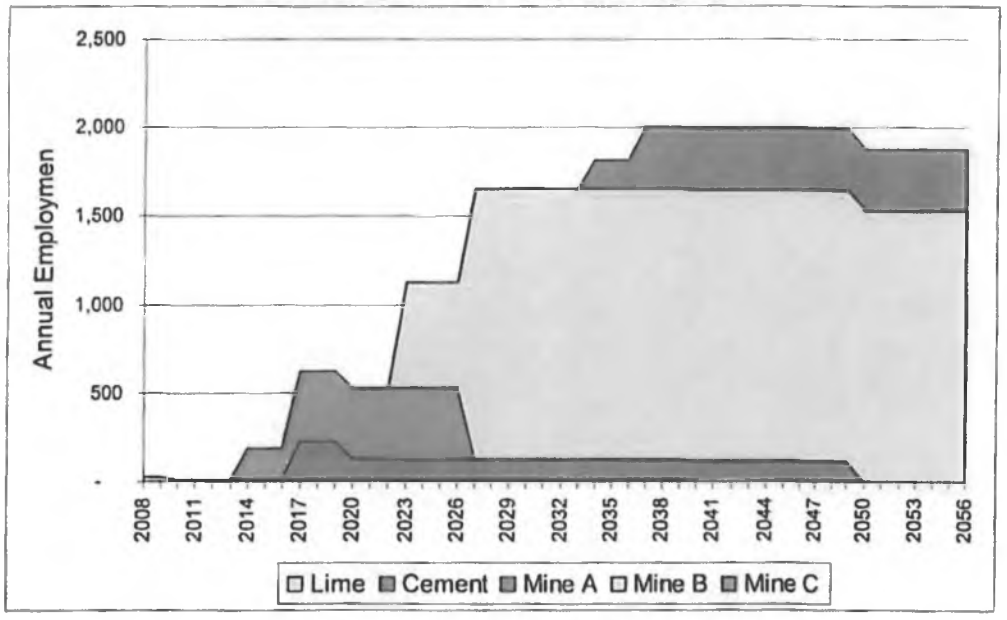
Summary of Findings

The proposed Southcentral rail extension to Port MacKenzie is likely to generate significant economic benefits for the residents of Anchorage. These benefits are due to a combination of reduced transport costs, the ability to ship bulk commodities over shorter distances, and economical access to industrial land. We considered and analyzed these benefits under a set of assumptions about job creation, transportation costs, land use considerations and future mineral development. Our major findings include the following:

Jobs

- **Port MacKenzie.** The rail extension will generate new jobs for Anchorage workers by stimulating industrial development and jobs at Port MacKenzie. Under a base case scenario with a rail extension and ferry service, Anchorage residents would gain 730 average annual jobs and $50 million of annual income during the period of 2013 -2017 from industrial development at Port MacKenzie. Hundreds more jobs would be gained after 2017. The rail extension will play an important role in this process. For example, it will allow coal exports through the port as early as 2013, generating more than 100 jobs.
- **New Mines.** Major new mines shipping concentrate via the rail extension would generate thousands of new jobs, and a significant fraction of these jobs would be held by Anchorage residents. Our detailed analysis of the potential employment from five specific mining projects indicates that more than 2,000 average annual jobs would be created in Anchorage or held by Anchorage residents once the mines are fully developed. Most of these jobs would be in mining and in professional sectors that pay good wages. Also, during initial mine development, many of the jobs would be in construction and fabrication.

Projected average annual employment of Anchorage residents due to new mining activity and multiplier effects, by mining project



- **Rail Construction.** The construction of the rail extension would generate up to 3,000 total jobs, and ongoing operations would generate up to 150 total jobs. It is likely that many of these jobs would be held by Anchorage residents.
- **State Revenues.** State mining taxes generated from new mines will boost the Anchorage economy. Estimated tax revenues and royalties would grow steadily, reaching $267 million per year by 2040. A large share of these potential tax revenues, roughly proportional to Anchorage's share of state population, would likely flow into the Anchorage economy, sustaining hundreds of direct jobs and reducing property tax burdens that would otherwise stifle private sector job creation.

Regional Competitiveness

- **New Economic Opportunities.** Port MacKenzie and the rail extension, operating together, are a significant new strategic asset for the entire regional economy. This infrastructure will create expanded opportunities for mineral, timber, and energy resource development, and the export of bulk commodities by rail through Port MacKenzie constitutes a new economic sector for the Southcentral regional economy. As the region's commercial and financial hub, Anchorage will gain jobs and income from all of this activity.
- **More Efficient Land Use.** The rail extension allows for higher-valued use of land in Anchorage. The rail extension will allow for railroad-dependent industrial development to take place at Port MacKenzie. This development would allow limited existing industrial-zoned land throughout Anchorage to be used for other, higher-value uses such as commercial development, while still meeting the regional economy's need for industrial land.

Fiscal Benefits

- **New State Revenues.** As noted above, revenues to the State of Alaska from new resource development would grow steadily, reaching $267 million per year by 2040. These revenues will reduce the need for other taxes, stimulating capital formation and job creation by the private sector.
- **Higher Local Tax Base.** Local governments will also see higher tax revenues from a higher-valued property tax base. The stimulated new development will increase the tax base and reduce the need to raise taxes on homeowners or existing businesses.

Other Benefits

- **Port of Anchorage.** The industrial and mineral development stimulated by the rail extension to Port MacKenzie will likely increase both the volume and the value of cargo going through the Port of Anchorage. For example, if large mines are developed, the goods and equipment used by the mines for development and operations will flow through Anchorage.
- **Rail Shipping Costs.** The unit cost of shipping on the Alaska Railroad is likely to fall as fixed costs of roadbed maintenance and administration are spread over a higher volume of shipments.

Final Report

Economic Analysis of Rail Link

Port MacKenzie to Willow, Alaska

By

Paul A. Metz, Ph.D., DIC, P.G.
Consulting Economic and Mining Geologist
P.O. Box 73795
Fairbanks, Alaska 99707

Submitted to:

Matanuska-Susitna Borough

February 2007

Executive Summary

A railroad link of 43 miles from Willow to Port MacKenzie will result in rail freight savings for bulk commodities and heavy freight transported to and from the Rail Belt area of interior Alaska. Tidewater access at Port MacKenzie from interior Alaska is 26.4, 89.1, and 140.7 miles shorter than the Ports of Anchorage, Whittier, and Seward respectively. Bulk freight from metallic and industrial mineral development, coal and petrochemical production, and forest products are estimated. These bulk freight quantities are then multiplied times a per mile cost for the number of miles saved by using Port MacKenzie versus other ports. This results in an annual monetary savings. The net present value of these savings is calculated at a public tax-free bond interest rate of 4.5%, for payback periods of 25 and 30 years.

Metallic mineral and other natural resource freight loads are estimated from a probabilistic analysis of the known mineral and resource occurrences within a 120-mile wide transportation corridor in three separate segments. The primary economic analysis is on the existing Alaska Railroad from Port MacKenzie to the northeastern end of the Alaska Railroad at Eielson AFB. A secondary analysis is conducted on a planned railroad extension from Eielson AFB to Delta Junction and tertiary analysis is conducted on a potential railroad extension from Delta Junction to the Canadian Border.

The primary analysis indicates that the net present value of rail freight savings from the proposed rail link relative to the Ports of Whittier and Seward greatly exceeds the capital cost of the proposed project. The net present value of the rail freight savings for Port MacKenzie relative to the Port of Anchorage over a 30 year period equals 92% of the capital cost of the project.

The economic benefits to the State of Alaska from the development of the metallic mineral occurrences in the rail corridor from Port MacKenzie to Eielson, AFB, assisted by the line extension, greatly exceed the capital cost of the project. These benefits are estimated to range between $61 and $773 million per year for a 100 year time period. Industrial minerals, coal, petrochemicals, and forest products will add significantly to the economic benefits of metallic mineral production.

The citizenry of the state will be the prime beneficiaries of the proposed rail extension addition to the infrastructure of the state that will reduce bulk transportation costs, increase economic development, decrease transportation congestion in the Anchorage area, and decrease the adverse impact of natural disasters on the surface transportation systems in central and south-central Alaska.

Final Report

Economic Analysis of Rail Link

Port MacKenzie to Willow, Alaska

Phase II - Possible Rail Extension Users Analysis

By

Paul A. Metz, Ph.D., DIC, P.G,
Consulting Economic and Mining Geologist
P.O. Box 73795
Fairbanks, Alaska 99707

Submitted to:

Matanuska-Susitna Borough

November 2007

Executive Summary

This economic analysis examines possible business activities that will be induced or enhanced in Southcentral and Interior Alaska by the rail extension from Port MacKenzie to the Alaska Railroad mainline. The possible business activities include: coal exports, mineral aggregate (sand and gravel) exports, lime and portland cement exports, forest product exports, refined petroleum product exports and imports, the Alaska Natural Gas Pipeline logistics and metallic mineral development. This is also a preliminary investigation of the economic benefits provided by these uses and whether these benefits justify the capital investment needed to build the rail extension. The analysis does not include the coal tonnage that would likely be transported on the rail extension, if the Agrium Coal Gasification Project moves forward.

Background: Metallic and non-metallic mineral and solid fuel (coal) resource development is a major source of freight for most railroads worldwide. These bulk commodities must be transported to worldwide markets by the most economical method available. Thus, railroads either transport the materials from mines and quarries directly to manufacturing and population centers or to ocean vessels via the nearest port facilities. Alaska is no exception.

Alaska has abundant mineral and energy resources that can supply both North American and worldwide markets. In the absence of a railroad connection to the contiguous states and major manufacturing in Alaska, these resources must be exported through deepwater port facilities. Connecting the mines to the ports via railroads greatly reduces transportation costs. This increases the competitive advantage of Alaskan resources, and results in maximum returns to the State in the form of jobs, corporate income taxes, and mineral rents and royalties. Estimating the mineral and energy resource potential of Alaska is a necessary step in the planning, design, financing, and construction of infrastructure.

Part I: Part I examines possible exports and imports of products, other than metallic minerals, over the rail extension during the first ten years of rail extension operation. The analysis provides information on expected rail extension use during the first five years (2012-2017) and the second five years (2017-2022) of operation. During the first five years, 1.4 million tons of freight is expected to be annually transported over the rail extension. For the second five year period, 2.4 to 3.4 million tons are expected to be annually transported. *The five year and ten year freight tonnage projections in this investigation may be very conservative. These expected annual tonnages are over and above the 3.3 million tons of coal annually required for the Agrium Coal Gasification Project at Nikiski.*

Part II: Part II focuses on new metallic mineral developments that will be enabled by the proposed 25-40 mile rail extension. The Part II analysis examines the feasibility of developing one small, one large, and one medium metallic mineral deposit inland from the port over the first, second, and third decades of rail extension operation. In addition, the analysis includes a forecast of the tonnage of rail freight for each mine over the initial

mine life; the mining license taxes, royalties, and corporate income taxes expected to accrue to the State of Alaska; and the expected economic benefits that will accrue to the communities along the rail belt from the mine developments.

Metallic mineral deposits and coal in the railbelt corridor have the greatest potential for generating additional rail freight revenues and additional revenues to the State of Alaska as well as additional economic benefits to the railbelt communities. Other potential sources of rail freight loads are relatively small or short term. During the first thirty years of rail extension operation, it is expected that the annual metallic mineral development tonnages transported will be at least 365,000 tonnes in the first decade, 1.7 million tonnes in the second decade and 1.9 million tonnes during the third decade.

The expected annual rail freight revenues from metallic mineral production for the first, second, and third decades of the rail extension operation are expected to increase by $7.8, $33, and $45.1 million respectively The expected revenue streams to the State of Alaska over a sixty year period in the form of corporate income taxes, mining license taxes, and mining royalties from metallic minerals alone are estimated at $18.1 billion or $300 million per year. The economic benefits that will accrue to the railbelt communities from metallic mining over the same period are estimated at $185 billion or $3 billion per year. These amounts far exceed the estimated $225 - $330 million capital cost of providing the rail connection between Port MacKenzie and the rest of the Alaska Railroad system.

Conclusion: The combined Part I and Part II results of estimated metallic and non-metallic annual freight tonnages over the first thirty years of rail extension operation are conservatively expected to range up to 3.7 million tonnes in the first decade, 4.1 million tonnes in the second decade and 4.3 million tonnes in the third decade. Most of the origin or destination of the freight would be the interior of Alaska thus the average haul distances are expected to be approximately 350 miles. At an average freight rate of $0.06 per ton mile, four million tonnes of freight per year along this route would generate annual gross revenues of $84 million.

Cost Savings Related to Use of the Port MacKenzie Rail Extension to Support Alaska Gas Pipeline Construction

Prepared for the

Matanuska-Susitna Borough

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Prepared by

northerneconomics inc.

880 H Street, Suite 210
Anchorage, AK 99501
T: 907.274.5600
F: 907.274.5601

1108 11th Street, Suite 305
Bellingham, WA 98225
T: 360.715.1808
F: 360.715.3588

W: www.northerneconomics.com **E:** mail@norecon.com

In association with

Baker

Michael Baker, Jr., Inc.

Revised Executive Summary Including Additional Scenarios from Appendices

This report was commissioned by the Matanuska-Susitna Borough (MSB) in January 2008. The report's purpose is to examine the transportation savings and other economic advantages of using Port MacKenzie and a proposed rail extension to provide logistical support for construction of a natural gas pipeline connecting Alaska North Slope (ANS) gas reserves to markets in Canada and the Lower 48, as well as a natural gas spur line that will serve Southcentral Alaska markets. This revised executive summary includes a discussion of scenarios included in the appendices showing estimated transportation costs from Anchorage and Whittier.

Transporting gas pipeline construction materials by rail from Port MacKenzie appears to generate significant savings when compared to the costs and foregone savings associated with the transportation of the same materials by rail from Seward, Whittier or Anchorage, or by truck from Valdez. This report estimates that $122 million in cost savings and foregone spending (compared to the use of Port of Seward) could be realized with the full development and use of Port MacKenzie and a rail extension linking the port with the ARRC mainline. Savings are significantly higher—$165 to 176 million—when compared to using the Port of Valdez and using trucks as the primary mode of land transportation. Savings are lower—$107 to $111 million—when compared to using the Port of Anchorage with rail or the Port of Whittier with rail.

Table ES–1 provides a summary of the transportation costs associated with moving pipe, supplies, equipment and other materials for the construction of the ANS main gas pipeline and a gas spur line from Fairbanks to Wasilla. The results are shown for various scenarios developed in this report and in the appendices.[1]

Land Transportation Costs

The summary table shows estimated transportation costs using rail from Seward, using rail from Port MacKenzie, using trucks from Valdez, and using rail from Anchorage and Whittier. The estimated costs of moving material by rail from Port MacKenzie are $23 to $30 million less than the costs of moving the material from the Port in Seward. Moreover, the estimated costs of moving the material by truck from Valdez are significantly higher than any of the rail-based scenarios. The Port MacKenzie transportation costs are up to $58 million less than the Valdez truck option. The rail-based costs from Port MacKenzie are from $5 to $11 million less than estimated rail-based costs from Anchorage and $14 to $20 million less than estimated rail-based costs from Whittier.

Marine Transportation Costs

The summary table also provides comparisons of marine transportation costs to each of the ports including the port fees. In general, the differences in marine transportation costs among ports (up to $5 million), are small relative to the differences in land-based transportation costs. Due to its higher tariff cost, it is estimated that marine costs to Anchorage are highest ($19 million) among the ports considered, while marine costs to Whittier are lowest ($14 million). Marine costs to both Seward and Port MacKenzie are both estimated at $16 million, while marine costs to Valdez are estimated at $15 million.

[1] Land transportation estimates in the main body of the report focus on costs from Port MacKenzie, Seward and Valdez. Appendix B provides additional detail of land-based transportation costs and includes estimates of moving material by rail from Anchorage and from Whittier.

Infrastructure Improvement Costs

The summary table also addresses infrastructure improvement costs related to pipe and pipeline material transport including road and bridge improvements, at-grade rail crossings, and module transport-related road improvements.

Assuming that the pipe and other gas pipeline materials will be transported by truck from Valdez, the road and bridge improvements needed to support gas pipeline construction-related transportation from Delta to Valdez will be no less than $90 million. If the pipe preparation plant is in Valdez, the Glennallen to Tok Highway segment could be used in addition to the Delta to Valdez highway segment. In that case, the road and bridge improvements needed to support gas pipeline construction will be no less than $100 million. The road improvements considered include bridges, passing lanes, turning lanes, safety pull-outs, weigh station upgrades, and other highway improvements. This would be considered a minimum level of investment with no significant pre-construction pavement and sub-base rehabilitation.

Under a second scenario, where you presume that the substandard road segments, with less than ideal geometric standards (lane width, shoulders, curvature and grade) as well as substandard pavement condition need to be brought up to a high standard, the pre-construction investment would rise significantly to the $225 million range with an additional $50 million needed for the Tok Highway section. These improvements do not include pipeline construction related "road wear and tear" repairs (Ottesen, 2008). These road improvement costs are assumed for the Valdez truck transportation options.

It is estimated that the cost of improvements to at-grade rail crossings in and around Wasilla is approximately $73 million (Brooks, 2008). This analysis assumes that this expense would be foregone given the construction of the rail extension to Port MacKenzie since pipeline materials would not go through Wasilla and a significant portion of future freight traffic would use the rail extension. To capture these foregone expenditures if the rail line to Port MacKenzie is built, the analysis shows the $73 million as a cost that would need to be incurred if any of the other ports are used for transporting pipeline materials.

Furthermore, Flour (2003) estimated that $20 million in highway improvements would be required to move modules by road from Kenai. If Port MacKenzie is used to construct some of the large modules and support structures that might otherwise be constructed on the Kenai Peninsula or in Anchorage, and assuming that these modules and structures can be transported by rail, then the need to spend $20 million on improvements to the Glenn and Parks Highway could be eliminated. The $20 million in costs are assumed to occur if Port MacKenzie is not used.

Table ES-1. Summary of Costs Related to the Transport of Pipeline Materials under Different Scenarios

Description	Scenario 1: Seward by Rail	Scenario 2: Port Mackenzie by Rail	Scenario 3: Valdez by Truck	Scenario 4: Valdez by Truck with Coating Plant	Scenario 5: Anchorage by Rail	Scenario 6: Whittier by Rail
Total Tons of Materials to Transport for ANS Gas Mainline (tons)	1,275,383	1,275,383	1,275,383	1,275,383	1,275,383	1,275,383
Total Tons of Materials to Transport for Fairbanks to Wasilla Spur Line (tons)	235,096	235,096	235,096	235,096	235,096	235,096
Total Tons of Materials to Transport for Main Line and Spur Line (tons)	**1,510,479**	**1,510,479**	**1,510,479**	**1,510,479**	**1,510,479**	**1,510,479**
Estimated Land Transport Costs						
Land Transport Costs for ANS Gas Mainline (S)	181,000,000	161,000,000	204,000,000	206,000,000	166,000,000	173,000,000
Land Transport Costs For Spur Line ($)	20,000,000	16,000,000	24,000,000	24,000,000	17,000,000	19,000,000
Land Transport of All Materials for Both Main Line and Spur Line ($)	**201,000,000**	**178,000,000**	**228,000,000**	**229,000,000**	**183,000,000**	**192,000,000**
Differential From Unadjusted Port Mackenzie Costs ($)	23,000,000	-	50,000,000	52,000,000	5,000,000	14,000,000
Land Transport of All Materials (With Adjustment—See Note #4)	**201,000,000**	**172,000,000**	**228,000,000**	**229,000,000**	**183,000,000**	**192,000,000**
Differential From Adjusted Port Mackenzie Costs ($)	30,000,000	-	57,000,000	58,000,000	11,000,000	20,000,000
Estimated Marine Transport Costs						
Marine Transport Costs for ANS Gas Mainline (S)	13,000,000	13,000,000	12,000,000	12,000,000	16,000,000	12,000,000
Marine Transport Costs For Spur Line ($)	3,000,000	3,000,000	2,000,000	2,000,000	3,000,000	2,000,000
Marine Transport of All Materials for Both Main Line and Spur Line ($)	**16,000,000**	**16,000,000**	**15,000,000**	**15,000,000**	**19,000,000**	**14,000,000**
Differntial from Port Mackenzie Costs ($)	less than -500,000	-	-2,000,000	-2,000,000	3,000,000	-2,000,000
Other Costs and Avoided Costs Related to the Transport of Pipeline Materials						
Costs to Repair At-grade Knik Goose Bay Rail Crossings	73,000,000	-	-	-	73,000,000	73,000,000
Costs tp Improve Glen and Parks Highways for Pipeline Module Transport ($)	20,000,000	-	20,000,000	20,000,000	20,000,000	20,000,000
Costs to Improve Richardson Highway between Valdez and Delta Junction ($)	-	-	90,000,000	90,000,000	-	-
Costs to Improve Tok Cut-off between Glenallen and Tok ($)	-	-	-	10,000,000	-	-
Total Costs and Avoided Costs ($)	**93,000,000**	**-**	**110,000,000**	**120,000,000**	**93,000,000**	**93,000,000**
All Marine and Land Costs Related to the Transport of Pipeline Materials						
All Marine and Land Costs and Avoided Costs ($)	**310,000,000**	**188,000,000**	**353,000,000**	**364,000,000**	**295,000,000**	**299,000,000**
Differential from Adjusted Port Mackenzie Costs ($)	122,000,000	-	165,000,000	176,000,000	107,000,000	111,000,000

Source: Estimates were generated by Northern Economics.

Notes:

1. Details regarding these estimates can be found in Appendix B.
2. Costs are rounded to the nearest million—rounding errors account for apparent inconsistencies.
3. All estimates for land transport include rail or trucking costs to staging areas.
4. This adjusts Port MacKenzie rail costs by including $6 million in "difficult to quantify" savings due to congestion costs and higher per mile maintenance costs on the existing ARRC track between Houston and Seward. More details on these adjustments are found in the main report.
5. Otteson (2008) indicates that $90 million in road improvements would be required on the Richardson Highway between Valdez to Delta Junction, with an additional $10 million required if 80-ft double joint sections of pipe will be moved from Valdez.
6. Brooks (2008) estimates the costs to upgrade crossings at $73 million. This report assumes the crossing upgrades would not be required if the rail extension to Port MacKenzie is constructed.
7. Flour (2003) estimates that the $20 million in improvements would be required to move modules from Kenai. These costs could be foregone with a rail extension to Port MacKenzie.

Economic Effects of the Southcentral Rail Extension

Prepared for the

Matanuska-Susitna Borough

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Prepared by

northern economics inc.

880 H Street, Suite 210,
Anchorage, AK 99501
T: 907.274.5600
F: 907.274.5601

1108 11th Street, Suite 305
Bellingham, WA 98225
T: 360.715.1808
F: 360.715.3588

W: www.northerneconomics.com E: mail@norecon.com

In association with

HDR Alaska, Inc.

Executive Summary

The proposed plan to expand the transportation infrastructure in the Point MacKenzie area by creating a rail link between Port MacKenzie and the Alaska Railroad Corporation's (ARRC) mainline is expected to generate significant economic benefits to the region and the state. This study evaluates the potential economic effects of the construction and operations of the proposed Southcentral rail extension project and some of the anticipated development that may occur as a result of the rail extension. In particular, this study evaluates the direct, indirect, and induced economic effects of the following project components and associated development:

- Construction and operations of the rail extension
- Construction and operations of a new dock at Port MacKenzie
- Construction and operations of loading and unloading facilities from the rail terminal to the dock
- Expansion of coal production at the Usibelli Coal Mine

The economic benefits of the project were measured according to the direct, indirect, and induced jobs and industry output or sales that would be generated by the local spending for construction and operations of various facilities associated with the project. The direct effects estimates of local spending (or in-state spending) were generated using preliminary cost estimates of construction and operating costs for the various facilities. The indirect and induced economic effects (or the multiplier effects) within the state were estimated using an input-output model of the Alaska economy.

Table ES-1 and Table ES-2 summarize the direct and the multiplier effects of the proposed project and associated development.

Table ES-1. Estimated Direct, Indirect, and Induced Industry Output/Sales Associated with the Proposed Southcentral Rail Extension and Associated Development (in million $)

Facility	Direct Local Spending	Additional Business Sales	Total
Rail Extension			
Construction	$193	$164	$357
Operations (annual)	$1.5 - $2	$1.25 - $1.67	$2.75 - $3.67
Uplands Development			
Construction	$8	$6	$14
Operations (annual)	$12	$9.80	$21.80
Port MacKenzie Dock			
Construction	$23 - $26	$19.5 - $22	$42.5 - $48
Operations (annual)	$0.99	$0.80	$1.00
Usibelli Coal Mine (expansion)			
Operations	$15 -$20	$11	$26 - $31
Total Construction			**$413.50 - $419.00**
Total Operations			**$51.55 - $57.47**

If the construction of the rail extension takes two years to complete, then the number of jobs in any year would depend on the expenditures made in each year. If the expenditures in both years of

construction were equal, then the number of total construction-related jobs would be about 1,600 to 1,700 full-time and part-time jobs.

Table ES-2. Estimated Direct, Indirect, and Induced Jobs Associated with the Proposed Southcentral Rail Extension and Associated Development

Facility	Direct	Indirect + Induced	Total
Rail Extension			
Construction	1,700 to 1,900	1,500	3, 200 to 3,400
Operations (annual)	10 to 20	10 to 15	20 to 35
Uplands Development			
Construction	80	45	125
Operations (annual)	25 to 35	80	105 to 115
Port MacKenzie Dock			
Construction	230 to 260	145 to 165	375 to 425
Operations (annual)	10	<10	< 20
Usibelli Coal Mine (expansion)			
Operations	60 to 70	115	175 to 185
Total Construction			**3,600 to 3,950**
Total Operations			**320 to 355**

2/23/11 OVERVIEW: STATEWIDE PORT AND HARBOR RROJECTS, SKAGWAY YUKON GATEWAY PROJECT

<TARGET><BILL></BILL><SUBJECT>2-23-11 OVERVIEW STATEWIDE PORT AND HARBOR RROJECTS, SKAGWAY YUKON GATEWAY PROJECT</SUBJECT><COMM>SFIN27</COMM></TARGET>

Skagway's Yukon Port Project



Photo courtesy of Paul Murray

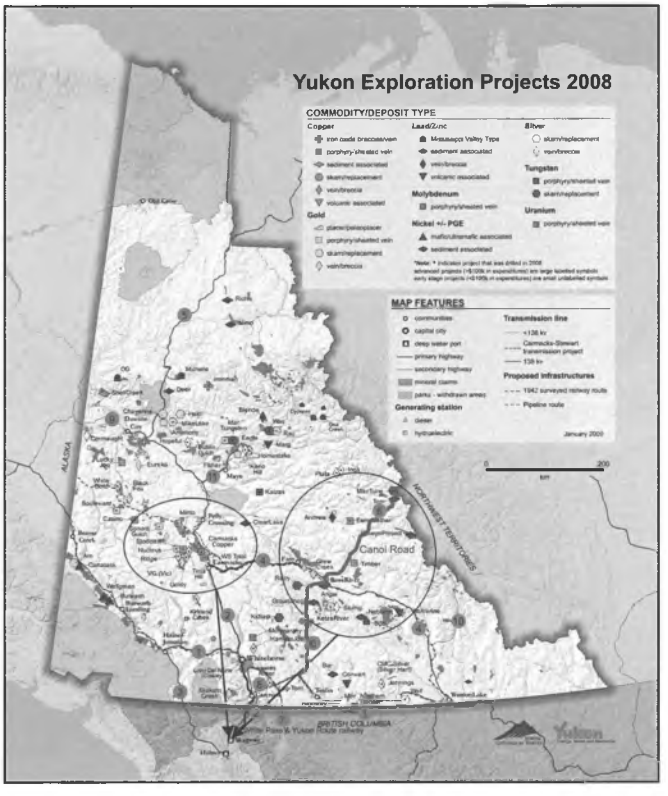
A. Introduction

Over the past four years, the Government of the Yukon and then the Municipality of Skagway has completed a series of assessments of port developments that will best serve the interests of Skagway and its economic hinterland.

This document provides a summary of the previous assessments and concludes with a status update on port development plans.

B. Yukon Port Access Strategy

In June 2006, KPMG completed a study for Yukon Economic Development that examined the potential demand for port infrastructure to serve the Yukon, assessed the capacity and condition of existing port and related infrastructure and identified feasible alternatives for infrastructure improvement. KPMG examined a number of port options including Skagway, Haines, Stewart and other more distant ports.



The study concluded that Skagway was potentially the most viable option due to its existing role in the movement of freight and passengers bound to and from the Yukon, the availability of an existing terminal for handling bulk products, its history in moving mineral products, good road infrastructure connecting the port to the Yukon and proximity to potential mining developments in the Yukon (compared to Stewart and Haines).

The study included a recommended implementation plan for the short, medium and long term to ensure that the strategy could be realized. The key elements of the short term implementation plan were as follows:

1. Create an implementation organization
2. Review funding options
3. Develop communications strategy/program
4. Develop full project description
5. Engage regulatory agencies
6. Identify and undertake the appropriate environmental baseline studies
7. Clarify all issues related to land ownership/rights
8. Determine governance model

C. Skagway Port Development Plan

In September 2008, KPMG, CH2M Hill and Sandwell completed the Skagway Port Development Plan. The Plan included:

- A detailed examination of the condition of existing road, rail and port infrastructure in Skagway
- An assessment of potential demand for the port (passenger, re-supply, project and bulk commodity traffic)

- A competitive assessment of Skagway versus other ports and modes of transport for the delivery of goods to and from the Yukon
- An assessment of potential options for the redevelopment of the port
- An examination of port governance options
- A discussion of implementation considerations for the Plan

The proposed Port Development Plan focused on separation of the cruise and industrial port traffic to the greatest extent, with further development of ore handling facilities at the old ore dock (including reconstruction of the shiploading system and existing berth.

One of the key findings of the Plan was the identification and quantification of the **Skagway Advantage**. Simply stated, the **Skagway Advantage** arises from a significantly shorter distance from major mining areas to Skagway, compared to Stewart; hence significantly lower transportation costs. The **Skagway Advantage** is illustrated below.

THE SKAGWAY ADVANTAGE

Origin	Destination	Routing	One-Way Distance (km)	Cost Per Tonne
Carmacks	Skagway	Hwy 2	350	$33.95
	Stewart	Hwy 2/1/37	1,218	$134.14
	The Skagway Advantage		**868 km**	**$100.19**
Ross River	Skagway	Hwy 4/6/1/8/2	435	$42.20
		Hwy 4/6/1/2	495	$48.02
		Hwy 4/2	579	$56.16
	Stewart	Hwy 4/1/37	1,017	$112.00
	The Skagway Advantage		**438 – 532 km**	**$55.84 to $69.80**
Watson Lake	Skagway	Hwy 1/8/2	513	$49.76
		Hwy 1/2	573	$55.58
	Stewart	Hwy 37	648	$71.37
	The Skagway Advantage		**75 – 135 km**	**$15.79 to $21.61**

D. TIGER II Grant Application

In September 2010, the Municipality of Skagway submitted an application for a Transportation Investment Generating Economic Recovery (TIGER) grant to the US Department of Transportation. The purpose of the grant application, the purpose of the application is to find partial funding for Skagway's Yukon Gateway Project (illustrated and described on the following page). The Municipality asked for a grant of up to $11.5 million and was not successful. Consequently the Municipality engaged in discussions with the State of Alaska. These latter efforts have borne fruit in the amount of $10.0 million being included in the State's budget fort he project. The municipality is taking steps to issue a $5 million bond and AIDEA is taking additional steps to finance $27 million of improvements to the Ore Facility.

The Gateway Project will encourage application of the most efficient modes of transportation by gathering freight at coastal seaports, providing barge service to Skagway and truck service northward to the Yukon from Skagway, as well as possible reactivation of rail service into Yukon.

Yukon Gateway Project – Conceptual Plan

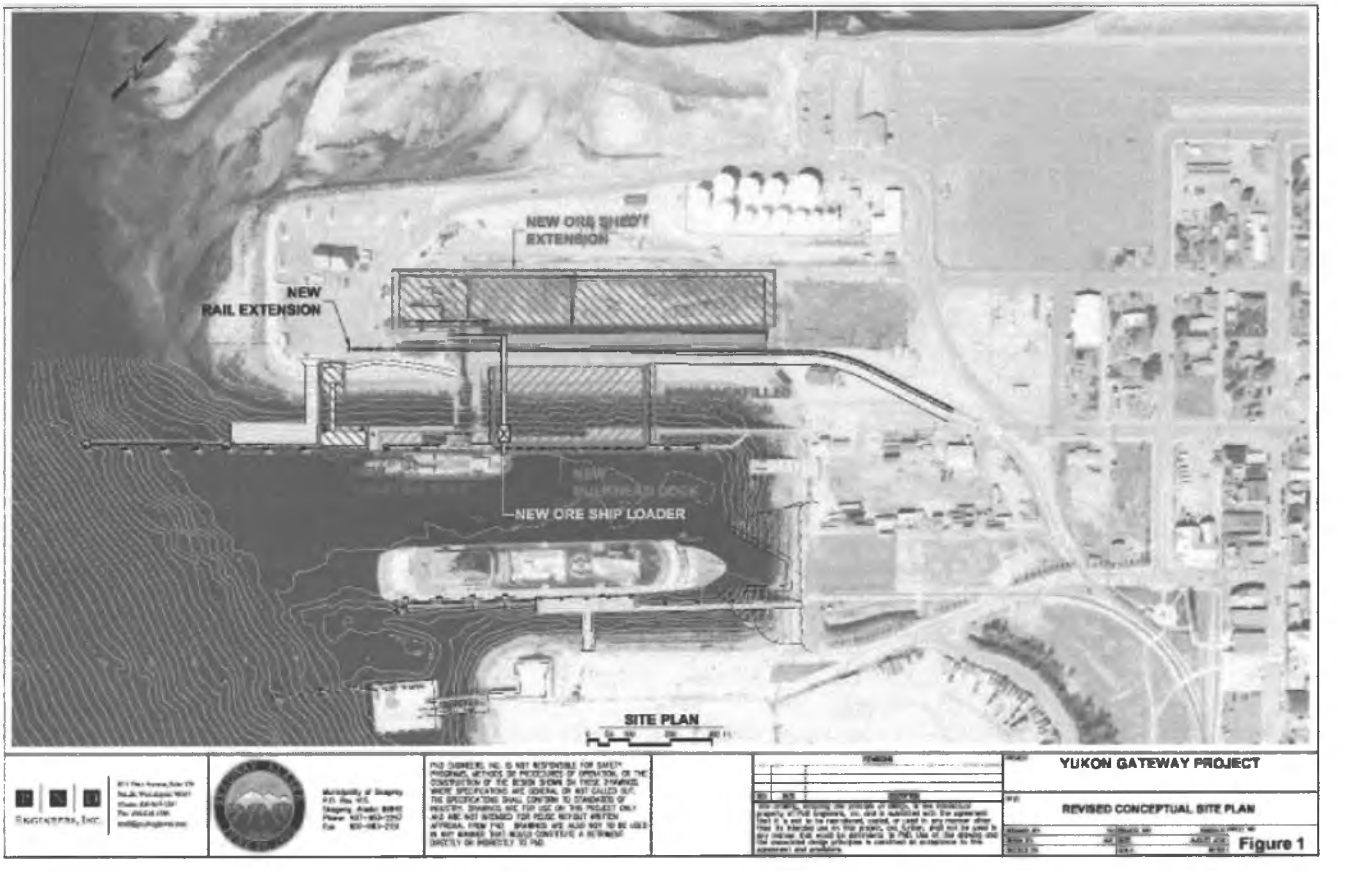


Figure 1

- **Phase I**: Completion of the ore storage facility, the rehabilitation to the feed conveyor, the feed reclamation conveyor, the upgrading of the dust control system and modification to the power supply. This will double capacity, increase efficiency and lower the operating costs at the port.
- **Phase II**: Expansion of port site by creation of uplands with a new bulkhead structure will increase ore dock capacity to accommodate ore vessels and cruise ships at the same time.
- **Phase III**: Replace existing ship ore loader with a new ship ore loader built within the new sheet pile bulkhead area. This will place the loader in a structurally more desirable location for long term support of this essential machine.

The principal benefits of the Gateway Project include a stimulus to economic development in the Yukon, creation of local jobs in Skagway, a reduction of greenhouse gases compared to the movement of goods via other ports and modes

E. Status Update

The following table provides an update on the implementation plan initially prepared during the Yukon Port Access Strategy:

	Implementation Plan Item	Status
1	Create an implementation organization	A new Port Department has been created within the Municipality of Skagway through a revision to the Skagway Municipal Code
2	Review funding options	The Municipality is currently engaged in discussions with other partners about project funding
3	Develop communications strategy/program	Outreach to other governments and agencies has resulted in significant support for the Yukon Gateway Project
4	Develop full project description	A respected engineering firm has been hired to complete all necessary project drawings and technical specification required for permits and selection of a contractor.
5	Engage regulatory agencies	Skagway has completed all environmental permit applications as required in order to obtain complete environmental review and approval. Skagway has been in contact with US Army Corp of Engineers, Alaska Department of Natural Resources, U.S. Coast Guard, Federal Aviation Administration and Alaska Department of Fish and Game.
6	Identify and undertake the appropriate environmental baseline studies	Will be undertaken as required by the terms of permits applied for with the various regulatory agencies.
7	Clarify all issues related to land ownership/rights	Ongoing, including active negotiations between tidelands owner (Municipality of Skagway) and the lessee (White Pass and Yukon Route).
8	Determine governance model	The governance model has been developed and is reflected in a revision to the Skagway Municipal Code

WHY THE TIME IS NOW!!

State Predicts 14.2% Decline in Southeast Population

Population by Region	2009	2034	Percentage Change
Southeast Region	69338	59472	-14.2%
Haines Borough	2286	1422	-37.8%
Juneau	30661	30191	-1.5%
Ketchikan Gateway Borough	12984	9878	-23.9%
Prince of Wales	5392	3566	-33.9%
Sitka	8627	8000	-7.3%
Skagway -Hoonah-Angoon	2908	2100	-27.8%
Wrangell- Petersburg	5852	3828	-34.6%
Yakutat	628	487	-22.5%
source:	State of Alaska Department of Labor		


OPEN FOR MINING BUSINESS
PORT OF SKAGWAY, ALASKA
SKAGWAY TIDEWATER LINK IN THE
YUKON MINING SUPPLY CHAIN
✓ Port Short-Cut
✓ Mineral Friendly
✓ Rail/Road Ready



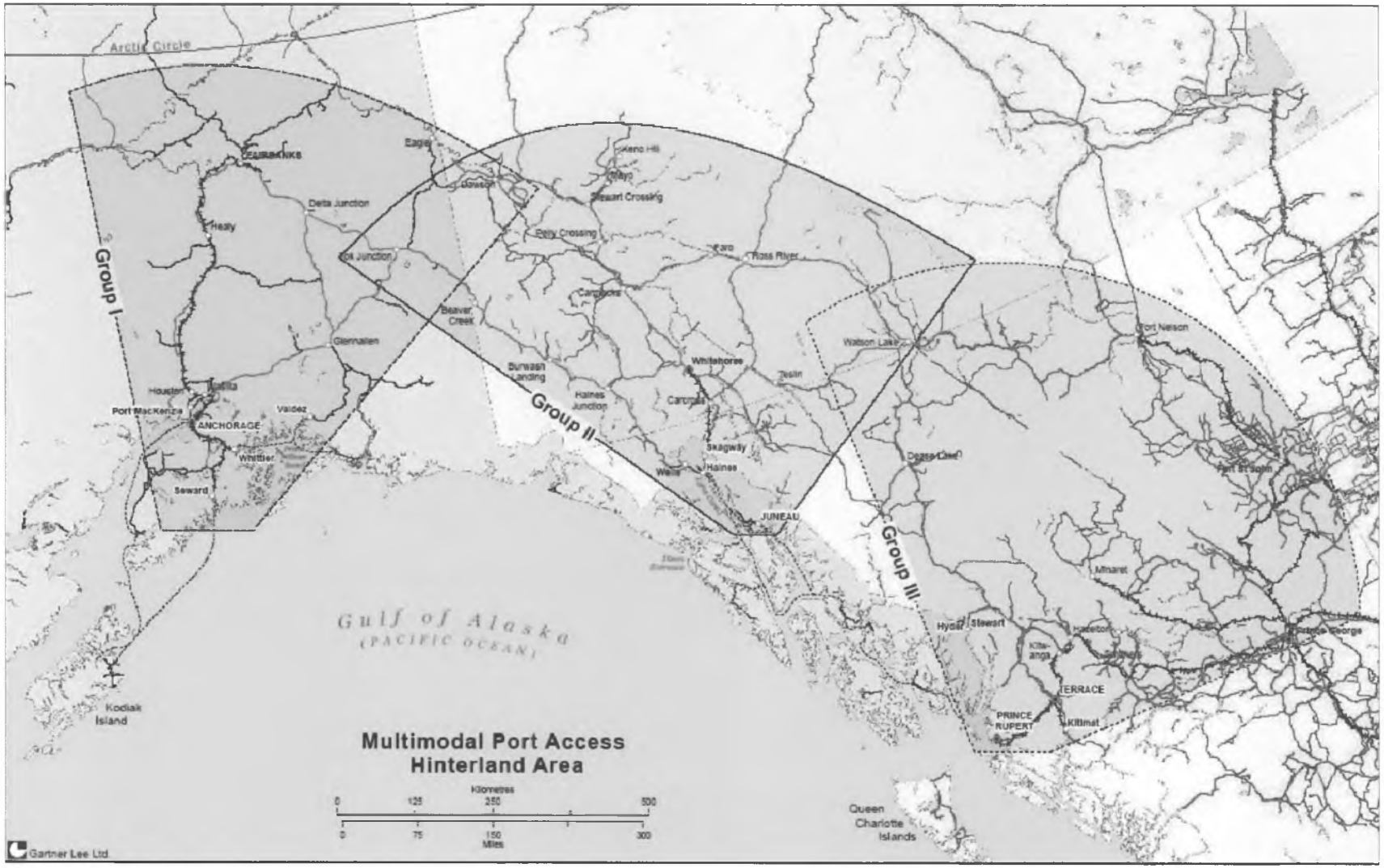

✓Port Short
✓Mineral Fri
✓Rail/Road Re

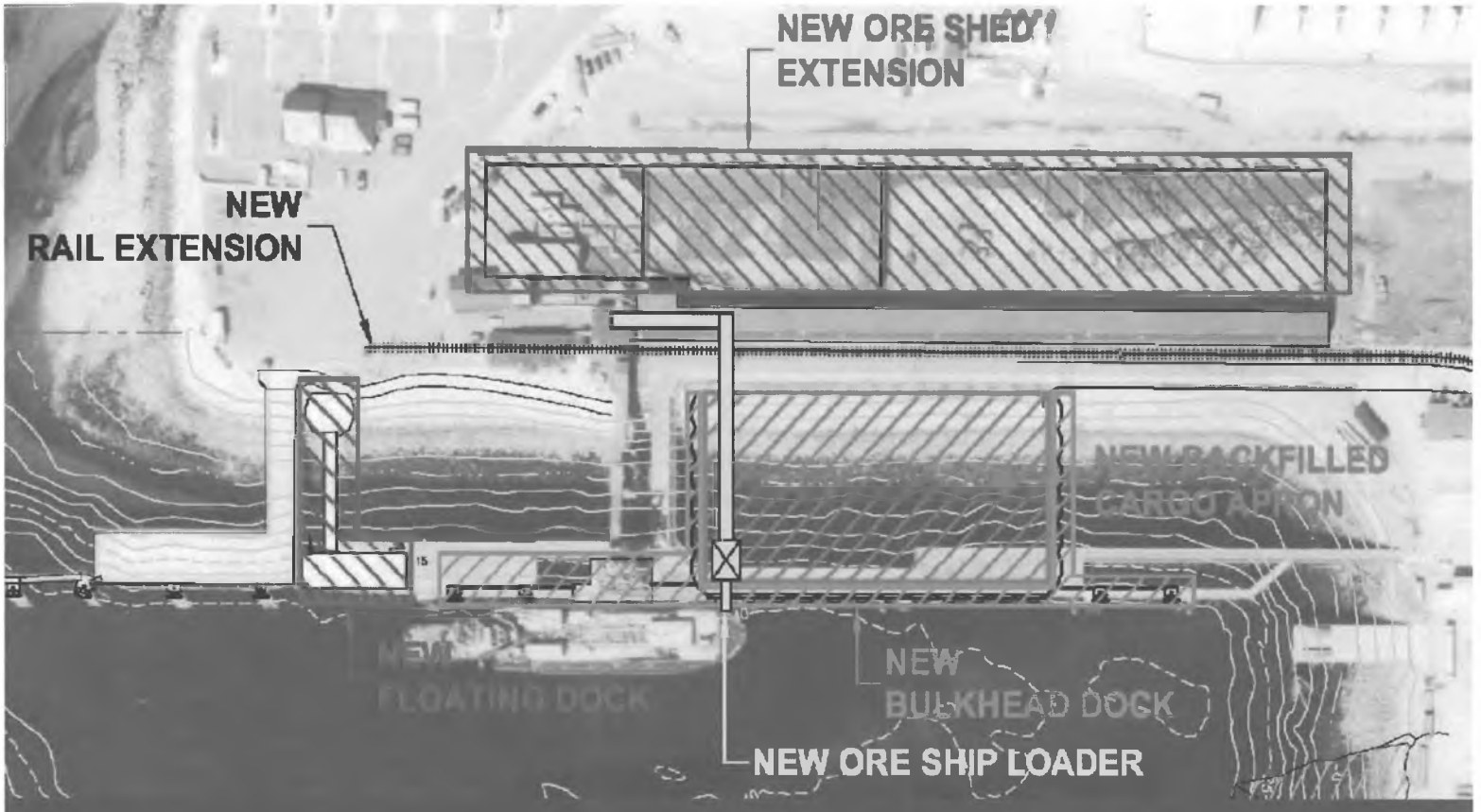



Skagway Tidewater Link
In the Yukon Mining
Supply Chain

OPEN FOR MORE *MINING* BUSINESS
PORT OF SKAGWAY, ALASKA




Arctic Circle
Group I
Group II
Group III
FAIRBANKS
Eagle
Dawson
Keno Hill
Mayo
Stewart Crossing
Delta Junction
Healy
Tok Junction
Pelly Crossing
Faro
Ross River
Carmacks
Beaver Creek
Glennallen
Burwash Landing
Whitehorse
Watson Lake
Fort Nelson
Houston
Wasilla
Haines Junction
Carcross
Teslin
Port MacKenzie
Valdez
ANCHORAGE
Skagway
Dease Lake
Whittier
Haines
Fort St. John
Seward
Wrangell
JUNEAU
Minaret
Hyder
Stewart
Prince George
Kitimat
PRINCE RUPERT
Gulf of Alaska
(PACIFIC OCEAN)
Kodiak Island
Queen Charlotte Islands
Multimodal Port Access
Hinterland Area
Kilometres
0 125 250 500
0 75 150 300
Miles
Gartner Lee Ltd.



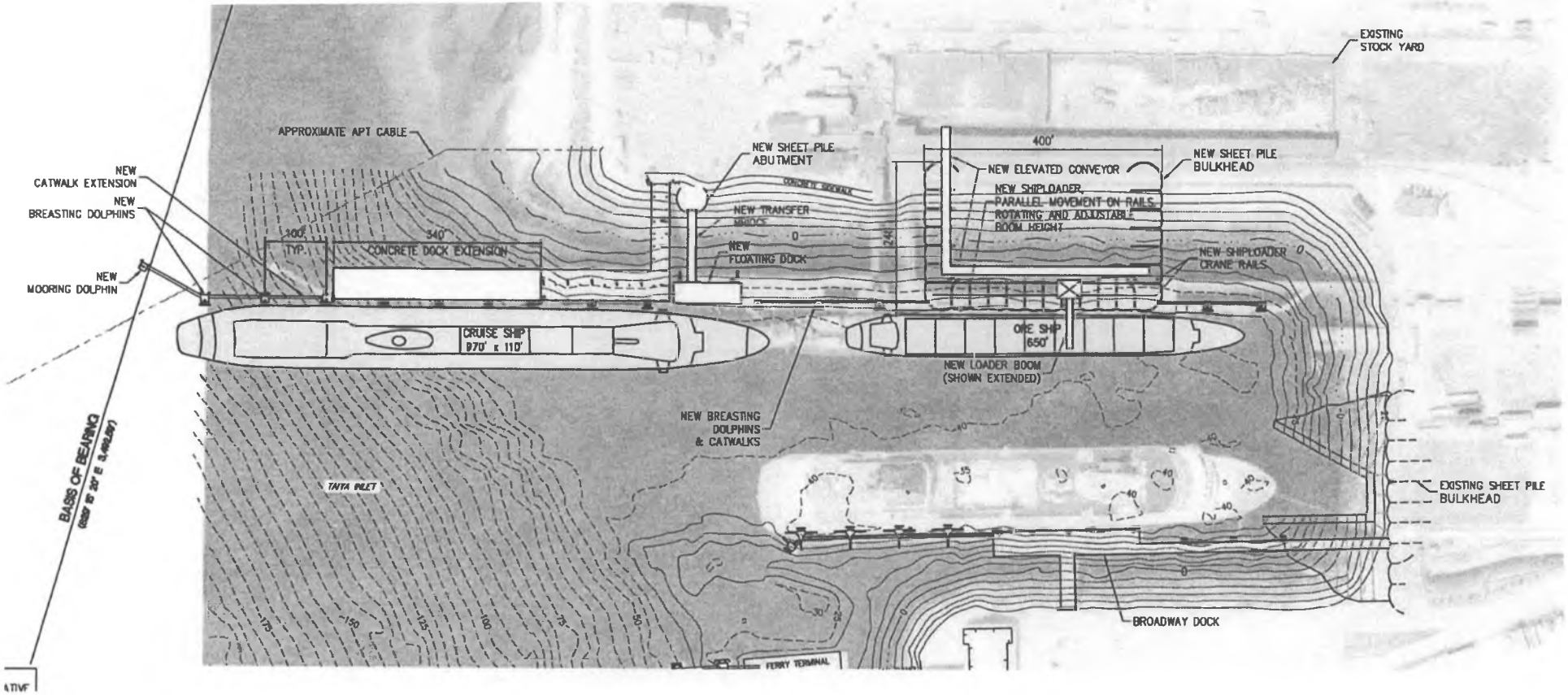
New Ore Dock Development

Skagway Tidewater Link In the Yukon Mining Supply Chain

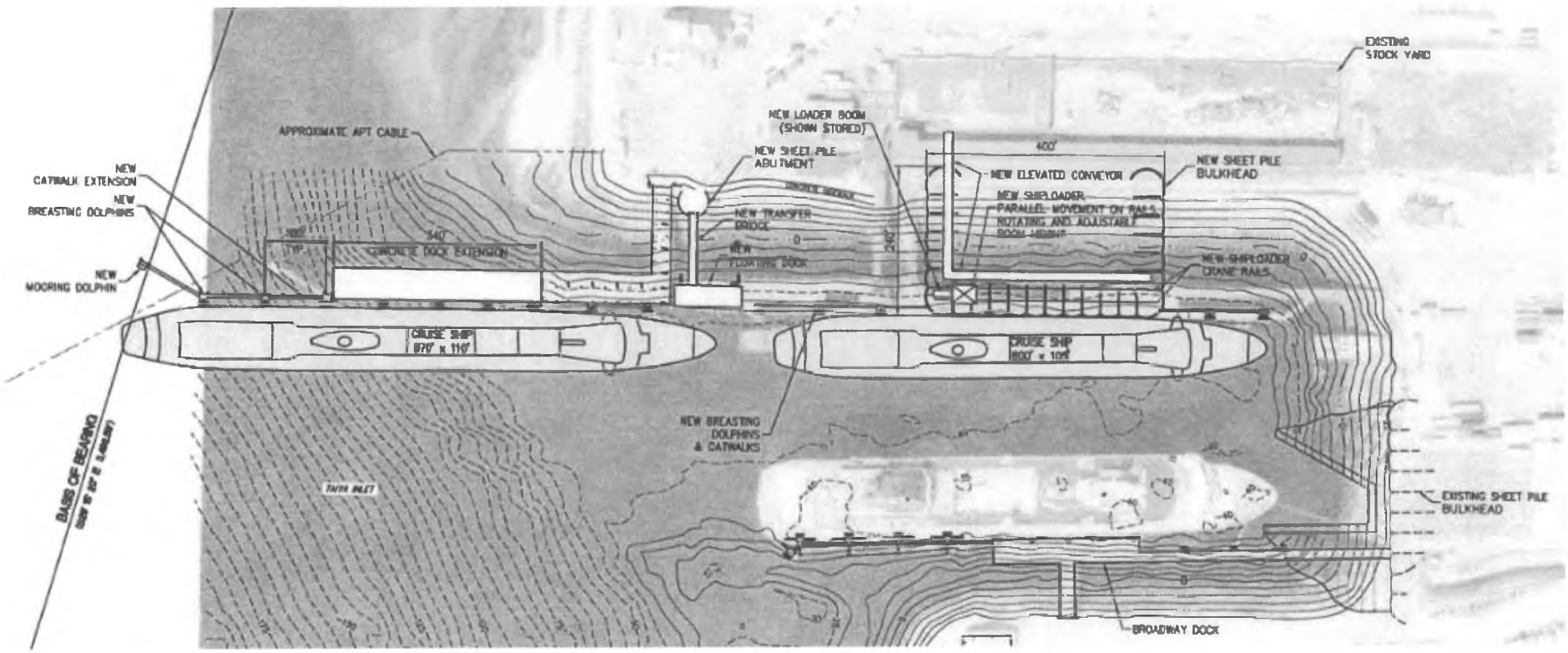
✓Port Short-Cut

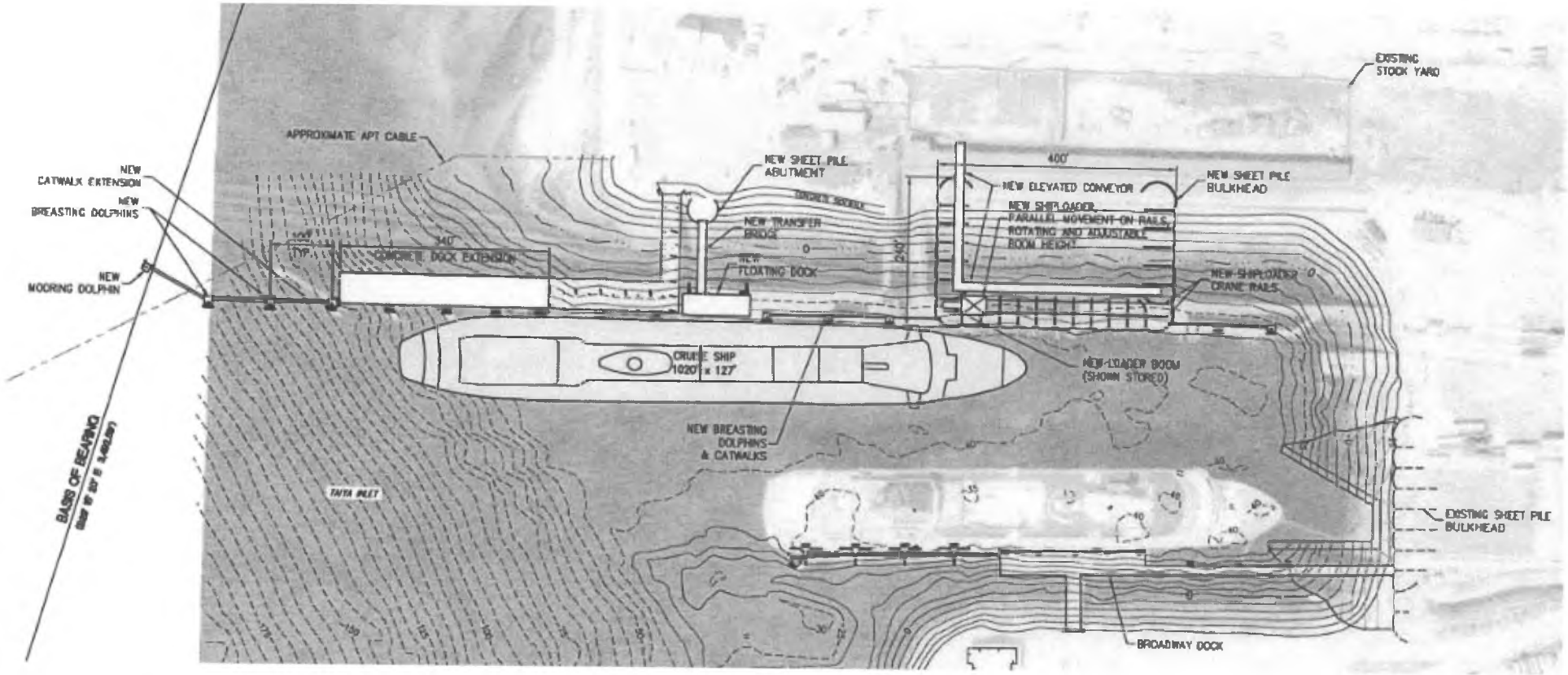
✓Mineral Friendly

✓Rail/Road Ready



MUNICIPALITY OF SKAGWAY, ALASKA SEAL
GATEWAY TO THE KLONDIKE


EXISTING STOCK YARD
NEW LOADER BOOM (SHOWN STORED)
APPROXIMATE APT CABLE
NEW SHEET PILE ABUTMENT
400'
NEW ELEVATED CONVEYOR
NEW SHEET PILE BULKHEAD
NEW CATWALK EXTENSION
NEW BREASTING DOLPHINS
NEW SHIPLOADER PARALLEL MOVEMENT ON RAILS, ROTATING AND ADJUSTABLE BOOM HEIGHT
NEW TRANSFER BRIDGE
340'
CONCRETE DOCK EXTENSION
NEW FLOATING DOCK
NEW SHIPLOADER CRANE RAILS
NEW MOORING DOLPHIN
CRUISE SHIP 870' x 110'
CRUISE SHIP 800' x 105'
NEW BREASTING DOLPHINS & CATWALKS
TAIYA INLET
EXISTING SHEET PILE BULKHEAD
BROADWAY DOCK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NEW SHIPLOADER CRANE RAILS
CRUISE SHIP 1020' x 127'
NEW LOADER BOOM (SHOWN STORED)
NEW BREASTING DOLPHINS & CATWALKS
BASIS OF BEARING
TAIYA INLET
EXISTING SHEET PILE BULKHEAD
BROADWAY DOCK

FEDERAL FUNDS SPENT TO DATE:

$0.00

STATE FUNDS SPENT TO DATE:

$0.00

MUNICIPAL FUNDS SPENT TO DATE:

$TBA

Skagway City Dock Improvements **FY2012 Request: $10,000,000**
Reference No: 51263

AP/AL: Appropriation
Category: Development
Location: Skagway
House District: Cordova/Southeast Islands (HD 5)
Estimated Project Dates: 07/01/2011 - 06/30/2016

Project Type: Renovation and Remodeling
Recipient: City of Skagway
Contact: JoEllen Hanrahan
Contact Phone: (907)465-2506

Brief Summary and Statement of Need:
This project provides improvements to the Port of Skagway to accommodate both the tourism industry and the expanding mining activity in the Yukon Territory. This project contributes to the Department mission of promoting healthy economies.

Funding:	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	Total
AHCC Rcpts	$10,000,000						$10,000,000
Total:	$10,000,000	$0	$0	$0	$0	$0	$10,000,000

☐ State Match Required ☑ One-Time Project ☐ Phased - new ☐ Phased - underway ☐ On-Going
0% = Minimum State Match % Required ☐ Amendment ☐ Mental Health Bill

Operating & Maintenance Costs:

	Amount	Staff
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	
Totals:	0	0

Additional Information / Prior Funding History:
No prior funding history.

Project Description/Justification:
The improvements to the Port of Skagway will accommodate both the tourism industry and the expanding mining activity in the Yukon Territory. In partnership with the City of Skagway and the White Pass and Yukon Railroad, the Alaska Industrial Development and Export Authority is also improving the ore handling facility at the Port. Recent mining activity at large Canadian mines such as the Selwyn mine and increased shipments of ore through the Skagway port facilities will provide new jobs and economic growth.

As the Yukon's economy continues to expand, along with the number of operational mines, Yukon ore will increasingly contribute to a year round industry for the Port of Skagway. Yukon's mineral potential is also dependent on cost-effective access to adequate port facilities. Skagway is the most economical port for most Yukon mines, however, it cannot handle the demand coming from the Yukon much longer. Enhanced port infrastructure is of strategic interest to both Alaska and the Yukon. The movement of people and goods between the two regions has existed for over a century, benefiting both of these communities and economies.

The Municipality of Skagway, strategically partnering with the Alaska Industrial Development and Export Authority and the White Pass and Yukon Route has recently submitted a competitive application for federal transportation funding (TIGER II grant) outlining a $44.4 million port

development plan. Critical to the success of this endeavor is support from the state of Alaska. Specifically, this request is for construction of an intermodal cell dock at the Ore Terminal. This request forms the cornership component within the Ore Terminal Improvement Phase. The proposed dock facility will allow for multiple cruise vessels berthing at the Ore Terminal and allow for the larger class cruise vessels that are likely to arrive in Alaska over the next few years. Additional benefits of this investment will accrue to the movement of the ore product and increased lay down for shipment of large scale material such as pipeline or bulk goods.

SELWYN CHIHONG
MINING LTD.

#700 – 509 Richards Street
Vancouver, British Columbia
Canada V6B 2Z6
Telephone: (604) 801-7240
Toll-free: 1-888-989-7240
Fax: (604) 689-8355
International toll-free: 866-940-5019
info@selwynresources.com
www.selwynresources.com

February 22, 2011

BY FACSIMILE TO 907-465-3532

Governor Sean Parnell
Alaska State Capitol Building
P.O. Box 110001
Juneau, AK 99811-0001

Dear Governor Parnell:

Re: Letter of Support – Application of Municipality Skagway– Gateway Project

We write in support of the application of the Municipality of Skagway Borough to the State of Alaska for $10 million in funding to enable the Municipality to proceed with its Gateway Project to expand and improve the facilities at the Port of Skagway. We understand that this application will be considered at a meeting of the Senate Finance Committee in Juneau that is scheduled for Wednesday, February 23, 2011.

Selwyn Chihong Mining Selwyn Project

Selwyn Chihong Mining Ltd. (SCML) is a Canadian joint venture company. It is beneficially owned in equal parts by Selwyn Resources Ltd., a base metals exploration and development company headquartered in Vancouver, B.C., and Yunnan Chihong Mining Ltd., a fully integrated zinc-lead mining and smelting company based in the Yunnan province of southern China. The mission of SCML is to bring the Selwyn Project in east-central Yukon, one of the largest undeveloped zinc-lead resources in the world, into production.

SCML is committed to doing so as rapidly as possible, in order to avail itself of a "window of opportunity" for zinc and lead concentrates that is expected to open within the next few years. Our goal is to complete permitting, financing and construction in order to commission the mining and milling facilities at the project by the end of 2013. SCML is working closely with the Yukon Government, Yukon and Northwest Territories First Nations, the Municipality of Skagway, the Alaska Industrial Development and Export Authority and others toward this objective. If we achieve it, commercial production, and therefore the shipment of zinc and lead concentrates, could commence as early as the first or second quarter of 2014.

Port of Skagway and Gateway Project

Given its geographic location, business environment and existing infrastructure, the Port of Skagway is viewed as a highly attractive option for the overseas shipment of concentrates from the Selwyn Project. With this in mind, SCML has engaged in extensive discussions with the

2/...

Municipality and AIDEA over the past year, to determine the potential of the Port of Skagway to serve as this essential link in the transportation chain for the mine.

Our discussions thus far have been encouraging. However, all three parties acknowledge that the existing facilities must be expanded and modernized in order to handle the anticipated volumes of concentrates, meet or exceed current environmental and operating standards, and ensure harmonious relationships among all port users. The Gateway Project represents an essential element of this overall initiative. Moreover, it will allow the expansion and upgrades of the AIDEA-owned facilities at the port, which are currently undergoing close consideration, to achieve their full potential.

Economic Benefits for Alaskans
The mining operation that provides the basis for this proposal is situated in Canada. Nonetheless, Alaskans will be well positioned to enjoy significant benefits through employment and business opportunities if Skagway is allowed to fulfill its natural destiny as the port of choice for the oceanic shipment of products generated from Yukon's significant mineral resources. However, it is essential for the underlying facilities to be constructed and operational at Skagway within a time-frame that will be in synchrony with the needs of the port's potential customers.

Recommendation
With these considerations in mind, we respectfully submit that the application of the Municipality in order to proceed with the Gateway Project deserves the full support and approval of the Alaska government within the context of the current State budget.

We have enclosed a brief summary of the Selwyn Project by way of additional information, and would be glad to respond to any questions or the need for further details.

Thank you for considering this submission.

SELWYN CHIHONG MINING LTD.

Harlan Meade

Harlan Meade
President and Chief Executive Officer

Encl. (1)

c.c. Senator Bert Stedman, Co-chair, Senate Finance Committee (fax to 907-465-3922)
Members of the Alaska State Legislature
Mayor Tom Cochran, Municipality of Skagway Borough (by e-mail)
Mr. Ted Leonard, Executive Director, AIDEA (by e-mail)
Dr. Harvey Brooks, Deputy Minister of Economic Development, Government of Yukon (fax to 867-667-3159)

SELWYN CHIHONG
MINING LTD.

SELWYN CHIHONG MINING LTD. INFORMATION SHEET

Corporate Overview

Selwyn Chihong Mining Ltd. ("SCML") is a Canadian Joint Venture Company based in Vancouver, B.C. It is equally owned by Selwyn Resources Ltd., an exploration and mining company whose principal initiative is the Selwyn Project, and Chihong Canada Mining Ltd., a wholly owned subsidiary of Yunnan Chihong Zinc and Germanium Co. Ltd. Based in Qujing, China. Yunnan Chihong is a fully integrated zinc-lead mining and smelting company.

SCML is advancing the Selwyn Project located in the Howard's Pass district along the Yukon-Northwest Territories boundary, the project is situated at a distance of approximately 200 air miles northeast of Whitehorse. In aggregate, Selwyn and SCML have spent more than $100 million in advancing exploration, permitting, engineering and feasibility work. This work has clearly established the Selwyn Project as one of the largest undeveloped zinc-lead deposits in the world.

Anticipated Project Timetable

Under the joint venture agreement, Yunnan Chihong will invest $100 million in the project. SCML has therefore initiated programs in order to complete a bankable feasibility study and obtain the licences, permits and other authorizations required to advance to the construction and production stage. SCML is currently approximately mid way in an $85 million program to undertake work that involve definition drilling, engineering, initial underground development and permitting.

These initiatives are intended to ensure that, by the fourth quarter of 2012, the company will have:

(a) obtained the permits, licences and other forms of authority required for construction and operations;
(b) completed a bankable feasibility study; and
(c) confirmed the terms and conditions for project financing,

all of which are required in order to make a production decision. In the interim, the bankable feasibility study, as presently envisaged, is targeted for completion early in the third quarter of 2011.

If the project proceeds on this basis, construction could commence as early as the third quarter 2012, with the goal of commissioning the mining and milling facilities by the end of 2013. Under this scenario, commercial production, and therefore the shipment of zinc and lead concentrates, could start in the first or second quarter of 2014.

Management is fully committed to advancing the project according to this schedule. Nonetheless, it should be recognized that the proposed timeline is aggressive, and that unexpected delays may therefore take place, particularly in relation to securing the required financing and with regard to satisfying governmental requirements for permitting and licenseing.

Key Parameters for Concentrate Shipment Facilities

SCML intends to adopt engineering, technical, environmental and commercial standards for all aspects of the Selwyn Project that will meet or exceed regulatory requirements, minimize potential liability, protect the interests of its shareholders, foster mutually rewarding relationships with its employees, suppliers and customers, and ensure that the Company is welcome in all of the communities in which it operates.

Volume and Frequency of Shipments

We presently estimate the annual rates of production for the Selwyn Project at 400,000 dry metric tonnes of zinc concentrate and 120,000 dry metric tonnes of lead concentrate. The combined daily rate for the two products is estimate at 1500 dry metric tonnes. Taking into account the cargo capacity of the ocean-going vessels that we anticipate will be required, up to 20 ships per year utilizing the Skagway port facilities, amounting to one ship every 20 days, on average.

Yukon Port
Access Options

Mineral Concentrate Exports

		Tonnes/Year
NOW Thru Skagway		
Minto	*Copper/Gold*	*65,000*
Bellekeno	*Lead/Zinc*	*20,000*
		85,000
NOW Thru Stewart		
Wolverine	Lead/Zinc	45,000
NOW Thru Vancouver		
Cantung	Tungsten	9,000
		139,000

PRO LOG Canada

Yukon Port
Access Options

Mineral Concentrate Exports

		Tonnes/Year
NEXT Thru Skagway		
Minto	*Copper/Gold*	*65,000*
Bellekeno	*Lead/Zinc*	*20,000*
Andrew	*Lead/Zinc*	*40,000*
Selwyn	*Lead/Zinc*	*300,000*
Casino	*Copper/Gold*	*300,000*
Eagle	*Magnetite*	*300,000*
Mactung	*Tungsten*	*15,000*
Next Thru Stewart		
Wolverine	Lead/Zinc	135,000

PRO LOG Canada

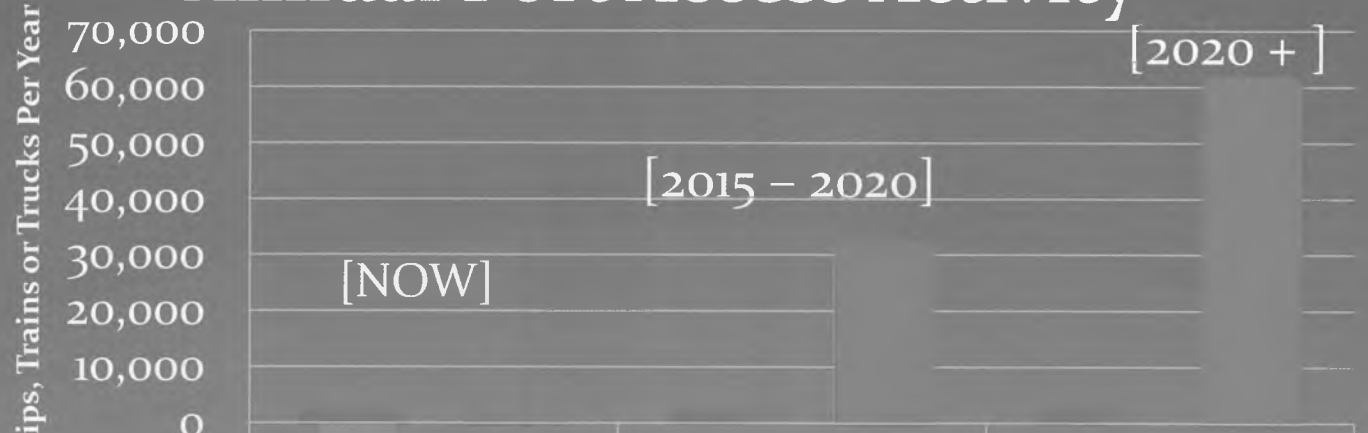
Yukon Port Access Options





30,000 Tonnes = 1 Ship = 20 Trains = 600 Trucks

Annual Port Access Activity



	1 50,000 Tonnes	1,500,000 Tonnes	3,000,000 Tonnes
Ships	5	50	100
Trains	0	1,000	2,000
Trucks	3 ,000	30,000	60,000

PRO LOG Canada

Western Copper Corporation

March 15, 2011

VIA FAX 907-465-3532

Alaska State Capital Building
P.O. Box 110001
Juneau, AK 99811-0001
Attention: Governor Parnell

Dear Governor Parnell:

RE: LETTER OF SUPPORT
APPLICATION OF MUNICIPALITY SKAGWAY – GATEWAY PROJECT

Western Copper Corporation is submitting this letter of support in connection with the application of the Municipality of Skagway Borough of the State of Alaska. We are in support of $10 Million funding to enable the Municipality to proceed with its Gateway Project to improve and expand the facilities at the Port of Skagway.

Western Copper Corporation is a Vancouver based exploration and development company directly engaged in advancing its mineral properties to production. Western Copper holds significant gold, copper and molybdenum resources and reserves in four Canadian properties. Two of these properties; Casino Project and the Carmacks Copper Project are located in the Yukon Territory. Western Copper's key asset is the Casino Project which is located approximately 380 kilometers north of Whitehorse and given its location, business environment and infrastructure, the Port of Skagway is a highly attractive option for shipping of concentrates this project. It is anticipated that the Casino project will ship up to 500,000 tonnes of copper concentrate and 16,000 tonnes of molybdenum concentrate per year though the Port of Skagway. Significant quantities of materials will be imported through the Port of Skagway to support the project development beginning as early as 2014.

Casino is an advanced stage project. A pre-feasibly study was completed in 2008, which is currently being updated, and Western Copper expects to issue a feasibility study and enter the permitting process in 2012. First shipment of concentrates through the port would be anticipated to commence in 2018-2019.

The Gateway Project is essential in order to handle the expected volumes not only from our projects, but also many other mining projects in and around the area and we feel that Alaska will benefit from the significant benefits of employment as well as the business opportunities that will follow if this project is allowed to move forward.

Thank you for considering this submission.

Yours sincerely,

Dale Corman
Chairman & CEO
Western Copper Corporation

2050 – 1111 West Georgia Street, Vancouver, B.C., Canada V6E 4M3 | T. 604.684.9497 F. 604.669.2926 |
WWW.WESTERNCOPPERCORP.COM



Western Copper Corporation

CC: Senator Bert Stedman, Co-Chair, Senate Finance Committee – via fax 907-465-3922
Members of the Alaska State Legislature
Mayor Tom Cochrane, Municipality of Skagway Borough – via email
Mr. Ted Leonard, Executive Director, AIDEA – via email
Dr. Harvey Brooks, Deputy Minister of Economic Development, Government of Yukon – via fax 867-667-3159

EAGLE INDUSTRIAL MINERALS
7 Fielding Circle, Mill Valley, CA 94941
Ph: 415-381-4300 Fax: 415-381-6570

February 28, 2011

Governor Sean Parnell
Alaska State Capital Building
P.O. Box 110001
Juneau, AK 99811-0001

Re: Letter of Support, Skagway Gateway Project

Dear Governor Parnell:

We write in support of the application of the Municipality of Skagway to the State of Alaska for $10 million in funding to support the Municipality's Gateway Project to expand and improve the facilities at the Port of Skagway.

Eagle Industrial Minerals is developing a project to reprocess the tailings at the old Whitehorse Copper Mine in Whitehorse, Yukon, to remove the magnetite in the tailings to produce iron ore. The iron ore will be shipped to steel companies in Japan and/or China. Given where we are currently in the Yukon permitting process, we expect to begin operating in mid-2012, and expect to produce approximately 300,000 tons of iron ore concentrate per year. Skagway is the closest deep-water port to Whitehorse, and we would like to ship through Skagway, although it is clear that the facilities there are currently quite limited and will need upgrading, especially if the Port wants to attract shipments of concentrates from other mining operations in future years.

Eagle's operations will create economic activity and jobs in both Yukon and Alaska, as will shipments from other mining operations in future years. The Gateway Project will help the Port of Skagway capture its share of that economic activity and those jobs, and we urge your support for the Gateway Project. Please do not hesitate to contact us if we can provide any additional information.

Thank you.

C. Eaton

Charles E. Eaton
President

OVERLAND RESOURCES LIMITED
ABN 92 114 187 978
Level 2, 675 Murray Street
West Perth, WA 6005

March 15, 2011

Governor Sean Parnell
Alaska State Capitol Building
P.O.Box 110001
Juneau, AK 99811 0001

Dear Governor Parnell

RE: Application of Municipality Skagway – Gateway Project

Overland Resources Limited is an Australian listed exploration and development company with a geographic focus in Canada and particularly the Yukon Territory.

The Company's flag ship project is it's Yukon Base Metal Project. The Project hosts a mineral resource in excess of 11 million tonnes of high grade zinc. It is the Company's intention to develop this resource to produce both zinc and lead concentrates that would be shipped via the port of Skagway, Alaska, to a final destination for processing into zinc and lead metal.

The Company's current development plan and timeline would see approximately 60,000 tonnes of zinc concentrate and 20,000 tonnes of bagged lead concentrate per annum flowing through the port of Skagway from 2014- 2015. This would equate to approximately one additional ship per month through the port on a year round basis.

This addition to the current port utilisation will provide better capital utilisation of the facility and more importantly stable employment for the citizens of Skagway beyond the summer tourist season.

Overland Resources Limited is pleased to support the Municipality of Skagway Borough of the State of Alaska in its application for $10 million in funding to advance the Gateway Project. I would be pleased to address any queries you or the Alaskan Legislature may have in relation to Overland or its projects. I can be contacted on +1 604 632 9915.

Yours faithfully

Hugh Bresser
President and CEO
OVERLAND RESOURCES LIMITED

Australian Office
Level 2 / 675 Murray Street,
West Perth WA
Australia, 6005

Ph: +61 8 9226 5566, Fax: +61 8 9226 2027

www.overlandresources.com

Canadian Office
1158 -409 Granville Street,
Vancouver, BC
Canada, V6C 1T2

Ph. +1 604 632 9915, Fax +1 604 632 9925

info@overlandresources.com

City of Whitehorse

Office of the Mayor
2121 Second Avenue, Whitehorse, Yukon Y1A 1C2
Phone: (867) 668-8626 Fax: (867) 668-8639
Email: Bev.Buckway@whitehorse.ca

March 9, 2011

Office of the Governor
PO Box 110001
Juneau, AK 99811-0001

Dear Governor Parnell:

Thank you for the opportunity to express the City of Whitehorse support for the proposed expansion of the Port of Skagway.

Expansion of the port facilities will be a major incentive for mining interests in the Yukon. Of course as mining activity grows in the Yukon, the City of Whitehorse benefits as well.

Thank you for the opportunity to express support for the proposed expansion project.

Sincerely,

Bev Buckway
Mayor

Yukon
Office of the Premier
Box 2703, Whitehorse, Yukon Y1A 2C6

October 7, 2010

The Honorable Sean Parnell, Governor
State of Alaska
PO Box 110001
Juneau, Alaska 99811-0001

RE: SUPPORT FOR FY 2012 CAPITAL BUDGET PRIORITY REQUEST: $10 MILLION CRUISESHIP DOCK IMPROVEMENTS AT THE PORT OF SKAGWAY

Dear Governor Parnell:

Enhanced port infrastructure at the Port of Skagway is of strategic interest to both Alaska and Yukon. The movement of people and goods, including ores, between the two regions has existed for over a century, benefiting both our communities and economies.

As Yukon's economy continues to expand, along with the number of operational mines, Yukon ore will increasingly contribute to a year round industry for the Port of Skagway. Yukon's mineral potential is also dependant on cost-effective access to adequate port facilities. Skagway is the most economical port for most Yukon mines; however, it cannot handle the demand coming from Yukon much longer.

Yukon has actively supported the Municipality of Skagway's submissions for U.S. stimulus money under the Transportation Investment Generating Economic Recovery Discretionary Grant to upgrade the ore handling facility and dock in Skagway. We see this as part of a larger, critical port development project. As such, Yukon fully supports and encourages Mayor Cochran's $10 million Capital Budget Priority Request for Cruiseship Dock Improvements at the Port of Skagway.

The long history, and similar economic interests in tourism and mining, has resulted in an integrated relationship of mutual benefit between our two regions. Expansion of the economic benefits associated with this relationship, will be greatly assisted by access to enhanced port infrastructure in Skagway.

Yukon looks forward to continuing to work with our Alaskan partners to help realize our shared visions.

Yours truly,

Dennis Fentie
Premier

2/24/11 DEPARTMENT OF ADMINISTRATION: FINANCIAL UPDATE ON PUBLIC EMPLOYEE RETIREMENT SYSTEM AND TEACHERS RETIREMENT SYSTEM

<TARGET><BILL></BILL><SUBJECT>2-24-11 DEPARTMENT OF ADMINISTRATION FINANCIAL UPDATE ON PUBLIC EMPLOYEE RETIREMENT SYSTEM AND TEACHERS RETIREMENT SYSTEM</SUBJECT><COMM>SFIN27</COMM></TARGET>

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

Senator Bert Stedman, Co-Chair
State Capitol, Room 516
Juneau, AK 99801-1182
(907) 465- 3873 - Phone
(907) 465-3922 - Fax
Senator_Bert_Stedman@legis.state.ak.us

Official Business

Senator Lyman Hoffman, Co-Chair
State Capitol, Room 518
Juneau, AK 99801-1182
Phone - (907) 465- 4453
Fax - (907) 465- 4523
Senator_Lyman_Hoffman@legis.state.ak.us

AGENDA

Thursday, February 24, 2011
9:00 AM

Financial Update of Public Employee Retirement System and Teachers Retirement System by the Department of Administration

Mike Barnhill, Deputy Commissioner, Dept of Administration
Gary Bader, Chief Investment Officer, Dept of Revenue

PERS ACTIVE EMPLOYERS

Compiled on December 28, 2010

by Mindy Voigt, Information Systems Liaison

FUND	EMPLOYER NUMBER	EMPLOYER NAME
P	101	STATE OF ALASKA
P	102	SOUTHWEST REGION SD
P	103	ANNETTE ISLAND SD
P	104	BERING STRAIT SD
P	105	CHATHAM SD
P	106	ALASKA MUNICIPAL LEAGUE
P	107	CITY OF VALDEZ
P	108	JUNEAU BOROUGH SD
P	109	MATANUSKA-SUSITNA BOROUGH
P	110	MATANUSKA-SUSITNA BOROUGH SD
P	111	ANCHORAGE SD
P	112	COPPER RIVER SD
P	113	UNIVERSITY OF ALASKA
P	115	CITY OF KENAI
P	116	FAIRBANKS NORTH STAR BOROUGH
P	117	FAIRBANKS NORTH STAR BOROUGH SD
P	118	DENALI BOROUGH SD
P	120	CITY AND BOROUGH OF SITKA
P	121	CHUGACH SD
P	122	KETCHIKAN GATEWAY BOROUGH
P	123	CITY OF SOLDOTNA
P	124	IDITAROD AREA SD
P	125	KUSPUK SD
P	126	CITY AND BOROUGH OF JUNEAU
P	128	CITY OF KODIAK
P	129	CITY OF FAIRBANKS
P	131	CITY OF WASILLA
P	133	SITKA BOROUGH SD
P	134	CITY OF PALMER
P	135	CITY AND BOROUGH OF WRANGELL
P	136	CITY OF BETHEL
P	137	VALDEZ CITY SD
P	138	HOONAH CITY SD
P	139	CITY OF NOME
P	140	CITY OF KOTZEBUE
P	141	GALENA CITY SD
P	143	CITY OF PETERSBURG
P	144	BRISTOL BAY BOROUGH
P	145	NORTH SLOPE BOROUGH
P	146	WRANGELL PUBLIC SD
P	148	CITY OF CORDOVA

PERS ACTIVE EMPLOYERS

Compiled on December 28, 2010

by Mindy Voigt, Information Systems Liaison

FUND	EMPLOYER NUMBER	EMPLOYER NAME
P	149	NOME CITY SD
P	151	CITY OF KING COVE
P	152	ALASKA HOUSING FINANCE CORPORATION
P	153	LOWER YUKON SD
P	154	NORTHWEST ARCTIC BOROUGH SD
P	155	SOUTHEAST ISLAND SD
P	156	PRIBILOF SD
P	157	LOWER KUSKOKWIM SD
P	158	KODIAK ISLAND BOROUGH SD
P	159	YUKON FLATS SD
P	160	YUKON / KOYUKUK SD
P	161	NORTH SLOPE BOROUGH SD
P	162	ALEUTIAN REGION SD
P	163	CORDOVA COMMUNITY MEDICAL CENTER
P	164	LAKE AND PENINSULA BOROUGH SD
P	165	SITKA COMMUNITY HOSPITAL
P	166	TANANA SD
P	167	SOUTHEAST REGIONAL RESOURCE CENTER
P	168	HYDABURG CITY SD
P	169	CITY OF TANANA
P	170	NORTH PACIFIC FISHERY MGMT COUNCIL
P	171	CITY OF BARROW
P	172	CITY OF SAINT PAUL
P	173	MUNICIPALITY OF ANCHORAGE
P	174	KODIAK ISLAND BOROUGH
P	175	NOME JOINT UTILITY SYSTEM
P	176	CITY OF SAND POINT
P	177	KETCHIKAN GATEWAY BOROUGH SD
P	178	CITY OF DILLINGHAM
P	179	CITY OF UNALASKA
P	180	KENAI PENINSULA BOROUGH
P	181	CITY OF KETCHIKAN
P	182	CITY OF SEWARD
P	183	CITY OF FORT YUKON
P	184	BRISTOL BAY BOROUGH SD
P	185	CORDOVA CITY SD
P	186	CITY OF CRAIG
P	187	PETERSBURG MEDICAL CENTER
P	189	HAINES BOROUGH
P	190	KENAI PENINSULA BOROUGH SD
P	191	CITY OF NORTH POLE

PERS ACTIVE EMPLOYERS

Compiled on December 28, 2010

by Mindy Voigt, Information Systems Liaison

FUND	EMPLOYER NUMBER	EMPLOYER NAME
P	192	CITY OF GALENA
P	193	CITY OF NENANA
P	195	YUPIIT SD
P	196	NENANA CITY SD
P	198	CITY OF SAXMAN
P	199	CITY OF HOONAH
P	200	CITY OF PELICAN
P	202	CITY OF WHITTIER
P	203	ANCHORAGE COMMUNITY DEVELOP AUTHORITY
P	204	CRAIG CITY SD
P	205	DILLINGHAM CITY SD
P	206	CITY OF THORNE BAY
P	208	CITY OF AKUTAN
P	209	UNALASKA CITY SD
P	211	KASHUNAMIUT SD
P	215	CITY OF HOMER
P	218	SPECIAL EDUCATION SERVICE AGENCY
P	219	BARTLETT REGIONAL HOSPITAL
P	220	NORTHWEST ARCTIC BOROUGH
P	221	SAINT MARY'S SD
P	222	CITY OF SELAWIK
P	223	BRISTOL BAY RHA
P	224	COPPER RIVER BASIN RHA
P	225	SKAGWAY CITY SD
P	227	CITY OF KLAWOCK
P	228	PETERSBURG CITY SD
P	230	ALEUTIANS EAST BOROUGH
P	231	CITY OF KIVALINA
P	232	BERING STRAITS CRSA
P	235	CITY OF HUSLIA
P	237	CITY OF KALTAG
P	240	HAINES BOROUGH SD
P	241	CITY OF NOORVIK
P	242	CITY OF ELIM
P	243	CITY OF ATKA
P	244	ALEUTIANS EAST BOROUGH SD
P	245	ALEUTIANS WEST CRSA
P	246	DELTA/GREELY SD
P	247	LAKE AND PENINSULA BOROUGH
P	248	CITY AND BOROUGH OF YAKUTAT
P	249	CITY OF UNALAKLEET

PERS ACTIVE EMPLOYERS

Compiled on December 28, 2010

by Mindy Voigt, Information Systems Liaison

FUND	EMPLOYER NUMBER	EMPLOYER NAME
P	251	KLAWOCK CITY SD
P	254	CITY OF MEKORYUK
P	255	ALASKA GATEWAY SD
P	256	CITY OF SAINT GEORGE
P	257	PELICAN CITY SD
P	258	DENALI BOROUGH
P	259	CITY OF ALLAKAKET
P	260	CITY OF KACHEMAK
P	262	COOK INLET HOUSING AUTHORITY
P	263	INTERIOR RHA
P	264	YAKUTAT SD
P	265	KAKE CITY SD
P	266	CITY OF QUINHAGAK
P	267	ALEUTIAN HOUSING AUTHORITY
P	270	BERING STRAITS RHA
P	271	CITY OF EGEGIK
P	275	ILISAGVIK COLLEGE
P	276	NORTH PACIFIC RIM HA
P	278	SAXMAN SEAPORT
P	279	TLINGIT-HAIDA RHA
P	280	CITY OF TOKSOOK BAY
P	281	BARANOF ISLAND HA
P	282	CITY OF DELTA JUNCTION
P	283	CITY OF ANDERSON
P	284	INTER-ISLAND FERRY AUTHORITY
P	285	CITY OF HOOPER BAY
P	286	CITY OF SELDOVIA
P	287	CITY OF KOYUK
P	288	NORTHWEST INUPIAT HOUSING AUTHORITY
P	290	CITY OF UPPER KALSKAG
P	291	CITY OF SHAKTOOLIK
P	292	CITY OF EEK
P	293	TAGIUGMIULLU NUNAMIULLU HOUSING AUTHORIT
P	296	MUNICIPALITY OF SKAGWAY
P	297	CITY OF NULATO
P	298	CITY OF ANIAK

TRS ACTIVE EMPLOYERS

Compiled on December 28, 2010

by Mindy Voigt, Information Systems Liaison

FUND	EMPLOYER NUMBER	EMPLOYER NAME
T	701	ANCHORAGE SD
T	704	CORDOVA CITY SD
T	705	CRAIG CITY SD
T	706	FAIRBANKS NORTH STAR BOROUGH SD
T	707	HAINES BOROUGH SD
T	708	HOONAH CITY SD
T	709	HYDABURG CITY SD
T	710	JUNEAU BOROUGH SD
T	712	KAKE CITY SD
T	714	KETCHIKAN GATEWAY BOROUGH SD
T	717	KLAWOCK CITY SD
T	718	KODIAK ISLAND BOROUGH SD
T	719	NENANA CITY SD
T	720	NOME CITY SD
T	722	MATANUSKA-SUSITNA BOROUGH SD
T	723	PELICAN CITY SD
T	724	PETERSBURG CITY SD
T	727	SITKA BOROUGH SD
T	728	SKAGWAY CITY SD
T	729	UNALASKA CITY SD
T	730	VALDEZ CITY SD
T	731	WRANGELL PUBLIC SD
T	732	YAKUTAT SD
T	733	UNIVERSITY OF ALASKA
T	735	GALENA CITY SD
T	736	NORTH SLOPE BOROUGH SD
T	737	STATE OF ALASKA
T	739	NORTHERN REGION RESOURCE CENTER
T	740	SOUTHWEST REGION RESOURCE CENTER
T	742	BRISTOL BAY BOROUGH SD
T	743	SOUTHEAST REGIONAL RESOURCE CENTER
T	744	DILLINGHAM CITY SD
T	746	KENAI PENINSULA BOROUGH SD
T	748	SAINT MARY'S SD
T	751	NORTHWEST ARCTIC BOROUGH SD
T	752	BERING STRAIT SD
T	753	LOWER YUKON SD
T	754	LOWER KUSKOKWIM SD
T	755	KUSPUK SD
T	756	SOUTHWEST REGION SD
T	757	LAKE AND PENINSULA BOROUGH SD

TRS ACTIVE EMPLOYERS

Compiled on December 28, 2010

by Mindy Voigt, Information Systems Liaison

FUND	EMPLOYER NUMBER	EMPLOYER NAME
T	758	ALEUTIAN REGION SD
T	759	PRIBILOF SD
T	761	IDITAROD AREA SD
T	762	YUKON / KOYUKUK SD
T	763	YUKON FLATS SD
T	764	DENALI BOROUGH SD
T	765	DELTA/GREELY SD
T	766	ALASKA GATEWAY SD
T	767	COPPER RIVER SD
T	768	CHATHAM SD
T	769	SOUTHEAST ISLAND SD
T	770	ANNETTE ISLAND SD
T	771	CHUGACH SD
T	772	ALASKA STATE LEGISLATURE
T	775	TANANA SD
T	777	KASHUNAMIUT SD
T	779	SPECIAL EDUCATION SERVICE AGENCY
T	780	ALEUTIANS EAST BOROUGH SD
T	778	YUPIIT SD

Public Employee Retirement System (PERS)

Teachers Retirement System (TRS)

UPDATE

Presentation to Senate Finance

Department of Administration
Department of Revenue

February 24, 2011

PERS / TRS
Update

I. Basic Facts

II. Investments

III. Recent Assumption Changes

IV. SB 125 State Assistance

V. Future

VI. Other Issues

I. Basic Facts

PERS / TRS
Basic Facts

A. Membership

B. Organization

C. Balance Sheet

D. Health Cost Trends

E. Funding Ratio History

F. Employer Contribution Rates

PERS / TRS
Basic Facts – Membership - PERS

PERS:

160 Member Employers

3 Defined Benefit (DB) Tiers

25,015	retirees
6,566	terminated members entitled to future benefits
27,565	actives (74.55%)
59,146	total members

1 Defined Contribution (DC) Tier

0	retirees
304	terminated members entitled to future benefits
9,412	actives (25.45%)
9,716	total members

Source: FY 2010 PERS CAFR

PERS / TRS
Basic Facts – Membership - TRS

TRS:

58 Member Employers

2 Defined Benefit (DB) Tiers

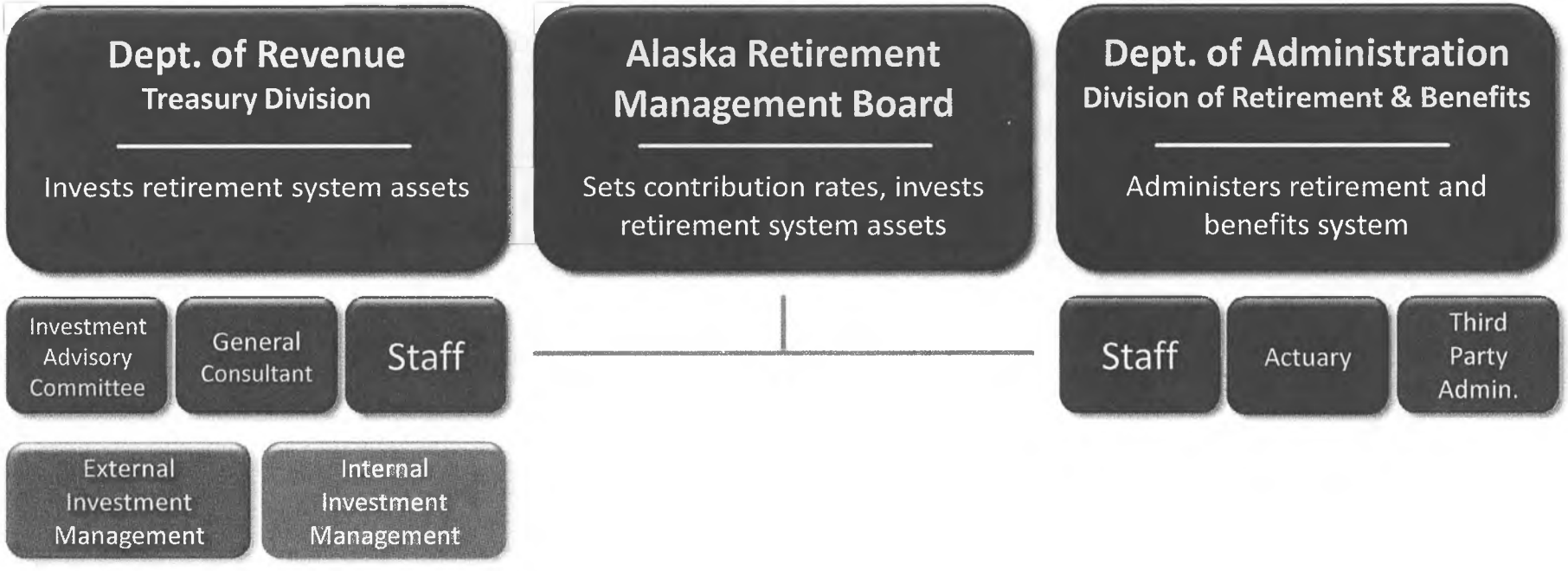
10,255	retirees
884	terminated members entitled to future benefits
8,226	actives (78.4%)
19,365	total members

1 Defined Contribution (DC) Tier

0	retirees
394	terminated members entitled to future benefits
2,269	actives (21.6%)
2,663	total members

Source: FY 2010 TRS CAFR

PERS / TRS
Basic Facts – Organization



PERS / TRS
Basic Facts – Balance Sheet

PERS DB:

Assets (Mkt. Value, 12/31/10)	$10,901,792,145
Accrued Liabilities (Net Present Value, 6/30/2010)	17,190,284,000
Unfunded Liability	$ 6,288,491,855
Funding Ratio	63.42%

TRS DB:

Assets (Mkt. Value, 12/31/10)	$4,603,709,667
Accrued Liabilities (Net Present Value, 6/30/2010)	8,449,650,000
Unfunded Liability	$3,845,940,333
Funding Ratio	54.48%

Source: Treasury Division, 12/2010 Monthly Report; Buck Consultants

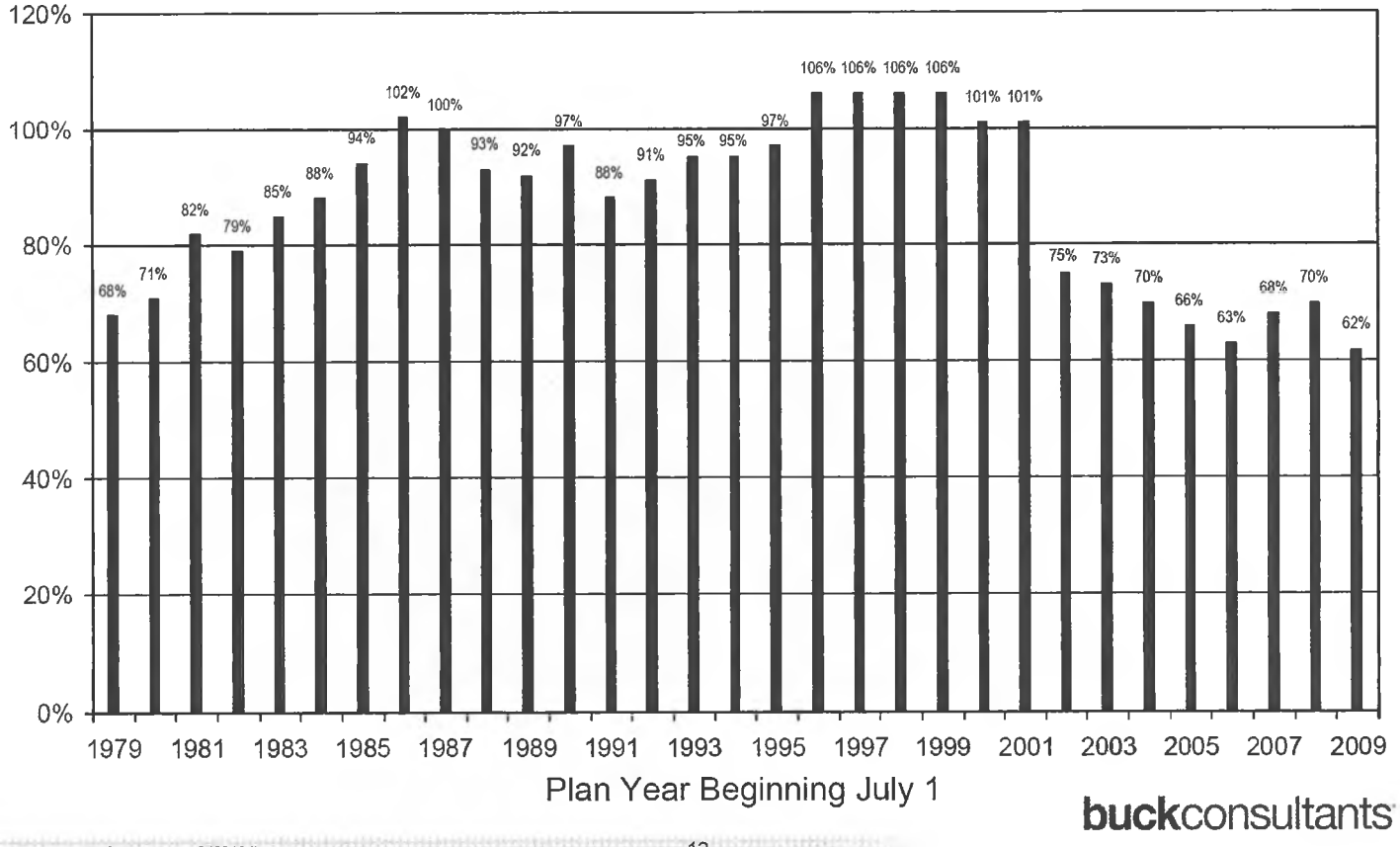
PERS / TRS
Basic Facts – Health Cost Trends

Time Period	Monthly Premium Per Retiree For Health Coverage	Annual Percentage Change	Average Compound Annual Increase Since FY78
2/1/77-1/31/78	$ 57.64	66%	--
2/1/78-1/31/79	69.10	20%	20%
2/1/79-1/31/80	64.70	-6%	6%
2/1/80-1/31/81	96.34	49%	19%
2/1/81-1/31/82	96.34	0%	14%
2/1/82-1/31/83	115.61	20%	15%
2/1/83-1/31/84	156.07	35%	18%
2/1/84-1/31/85	191.85	23%	19%
2/1/85-1/31/86	168.25	-12%	14%
2/1/86-1/31/87	165.00	-2%	12%
2/1/87-1/31/88	140.25	-15%	9%
2/1/88-1/31/89	211.22	51%	13%
2/1/89-1/31/90	252.83	20%	13%
2/1/90-1/31/91	243.98	-4%	12%
2/1/91-1/31/92	243.98	0%	11%
2/1/92-1/31/93	226.90	-7%	10%
2/1/93-1/31/94	309.72	37%	11%
2/1/94-1/31/95	336.05	9%	11%
2/1/95-1/31/96	350.50	4%	11%
2/1/96-1/31/97	350.50	0%	10%
2/1/97-1/31/98	368.00	5%	10%
2/1/98-12/31/98	368.00	0%	9%
1/1/99-12/31/99	442.00	20%	10%
1/1/00-12/31/00	530.00	20%	10%
1/1/01-12/31/01	610.00	15%	10%
1/1/02-12/31/02	668.00	10%	10%
1/1/03-12/31/03	720.00	8%	10%
1/1/04-12/31/04	806.00	12%	10%
1/1/05-12/31/05	850.00	5%	10%
1/1/06-12/31/06	876.00	3%	10%
1/1/07-12/31/07	876.00	0%	10%
1/1/08-12/31/08	876.00	0%	9%
1/1/09-12/31/09	937.00	7%	9%
1/1/10-12/31/10	1,068.00	14%	9%

Source: Buck Consultants

PERS / TRS
Basic Facts – Funding Ratio History – PERS

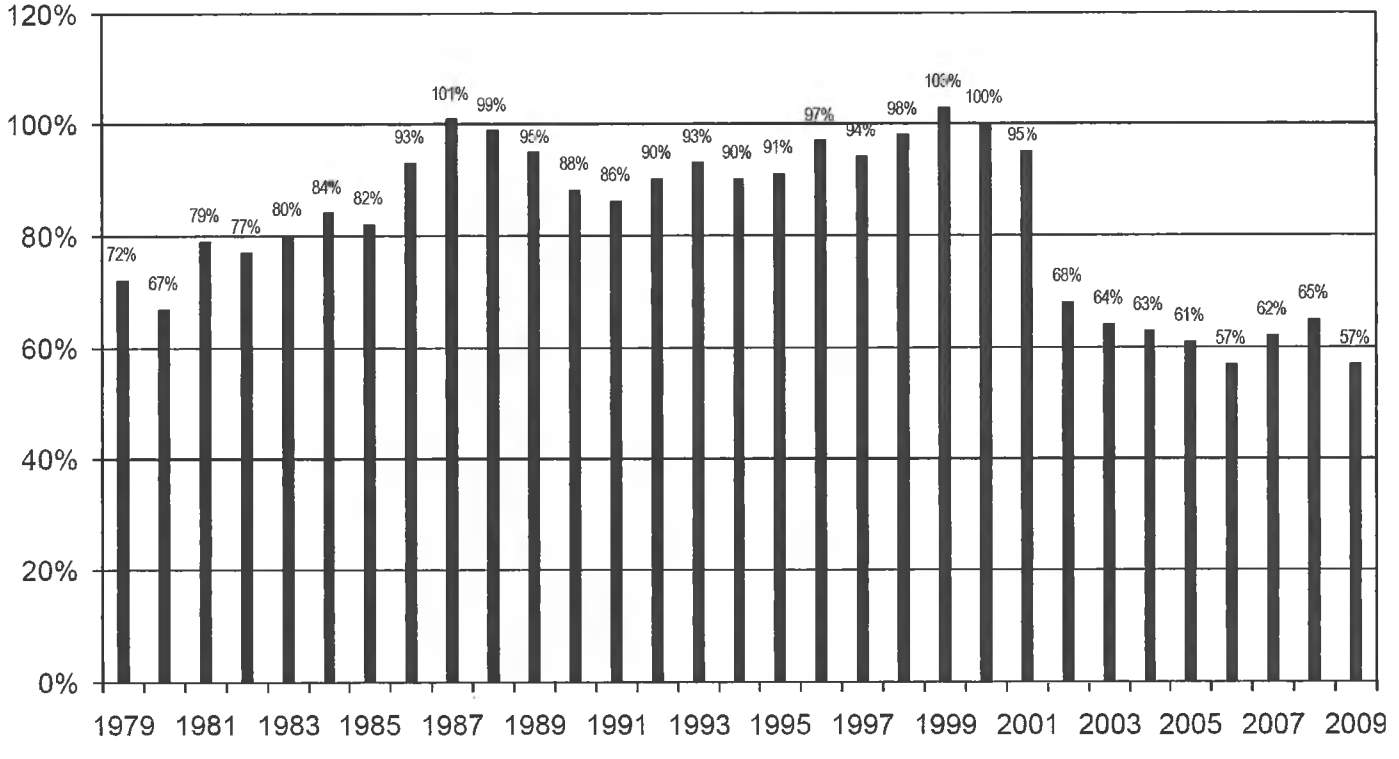
PERS Funding Ratio History
Pension and Postemployment Healthcare
Based on Valuation Assets



buckconsultants

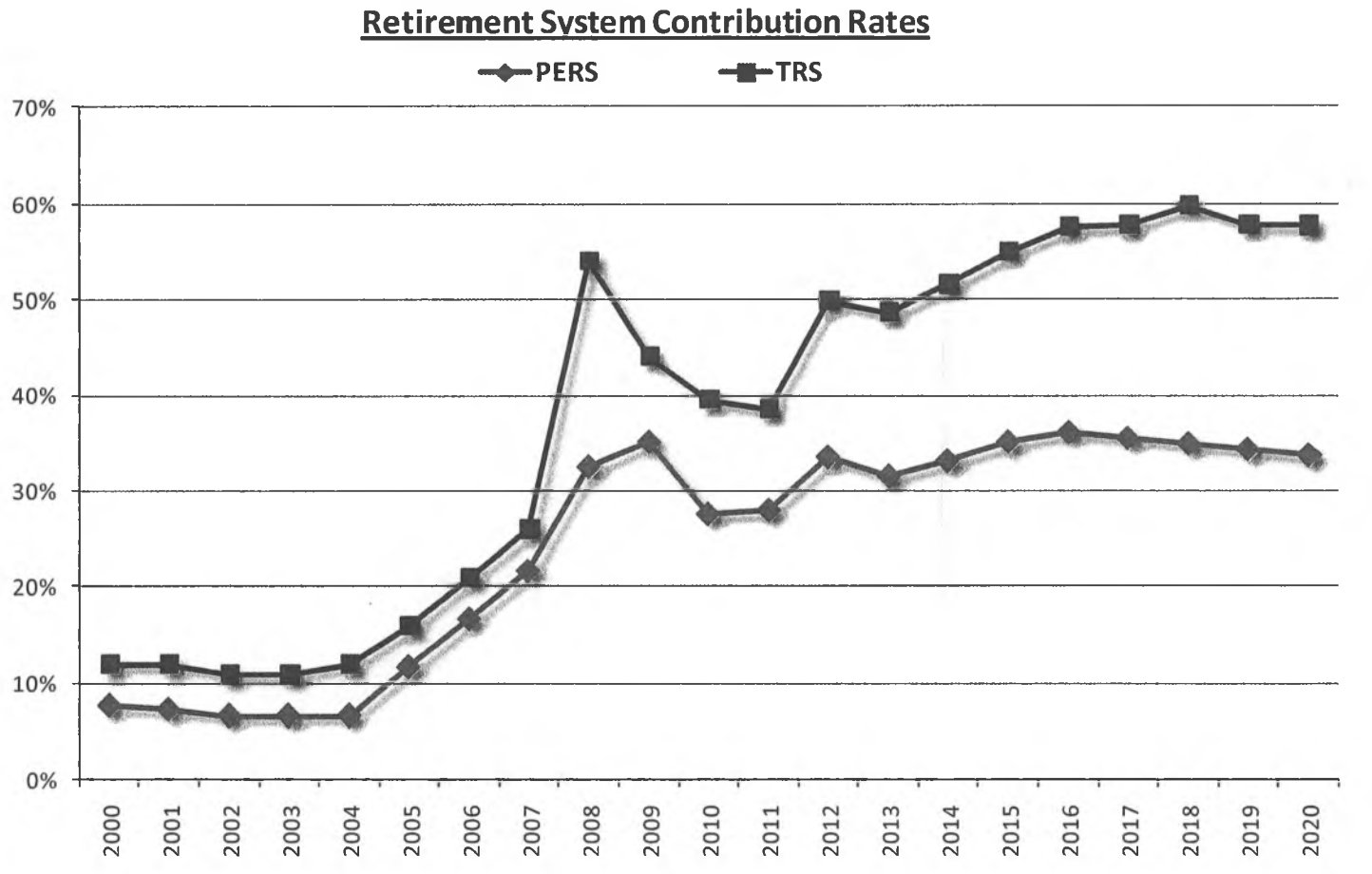
PERS / TRS
Basic Facts – Funding Ratio History – TRS

TRS Funding Ratio History
Pension and Postemployment Healthcare
Based on Valuation Assets



buckconsultants

PERS / TRS
Basic Facts – Contribution Rates



SB 125 capped PERS employer contribution rates at 22% and TRS employer contribution rates at 12.56% beginning in FY 2009.

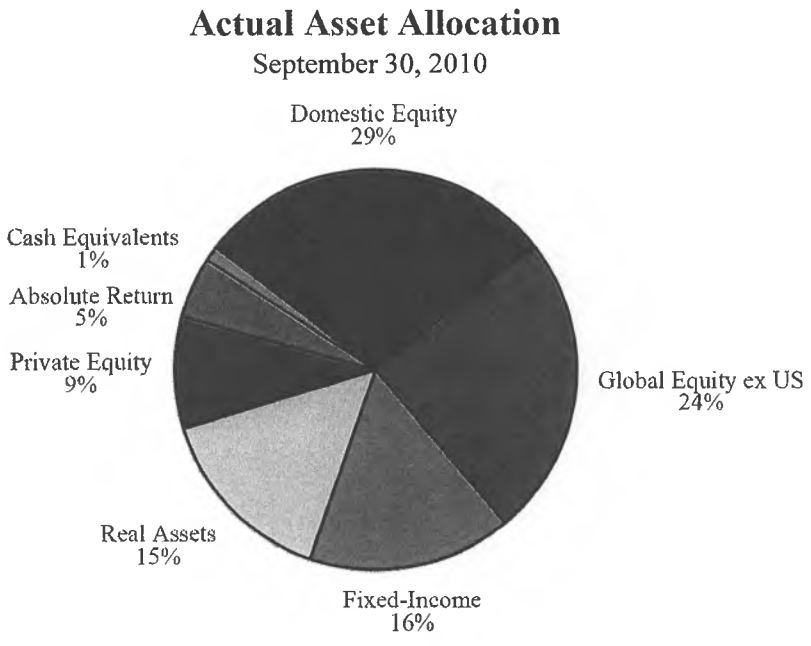
II. Investments

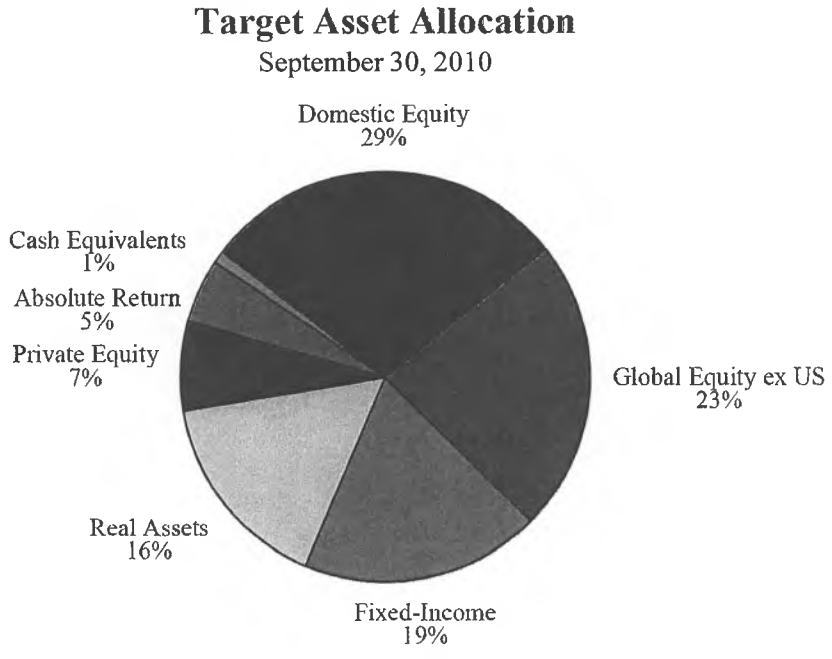
PERS / TRS
Investments – ARMB Assets Under Management

- As of 12/31/2010, the ARMB managed $19 billion across 18 plans:

Public Employees' Retirement System (PERS)	**$11,099,635,604**
Retirement Trust	6,060,467,891
Retirement Health Care Trust	4,841,324,254
Defined Contribution Retirement Plan - PERS	139,507,552
Health Reimbursement Arrangement	42,190,190
Retiree Medical Plan	10,274,269
Occupational Death and Disability - PERS	4,315,404
Occupational Death and Disability - Police & Fire	1,556,044
Teachers' Retirement System (TRS)	**$4,685,531,280**
Retirement Trust	3,059,480,622
Retirement Health Care Trust	1,544,229,045
Defined Contribution Retirement Plan - TRS	61,711,488
Health Reimbursement Arrangement	13,804,502
Retiree Medical Plan	4,468,518
Occupational Death and Disability	1,837,105
Judicial Retirement System (JRS)	**$126,007,231**
Defined Benefit Plan Retirement Trust	106,613,558
Defined Benefit Retirement Health Care Trust	19,393,673
National Guard/Naval Militia Retirement System (MRS)	**$32,790,838**
Supplemental Annuity Plan - SBS	**$2,446,112,558**
Deferred Compensation Plan	**$569,631,217**

PERS / TRS
Investments – Asset Allocation



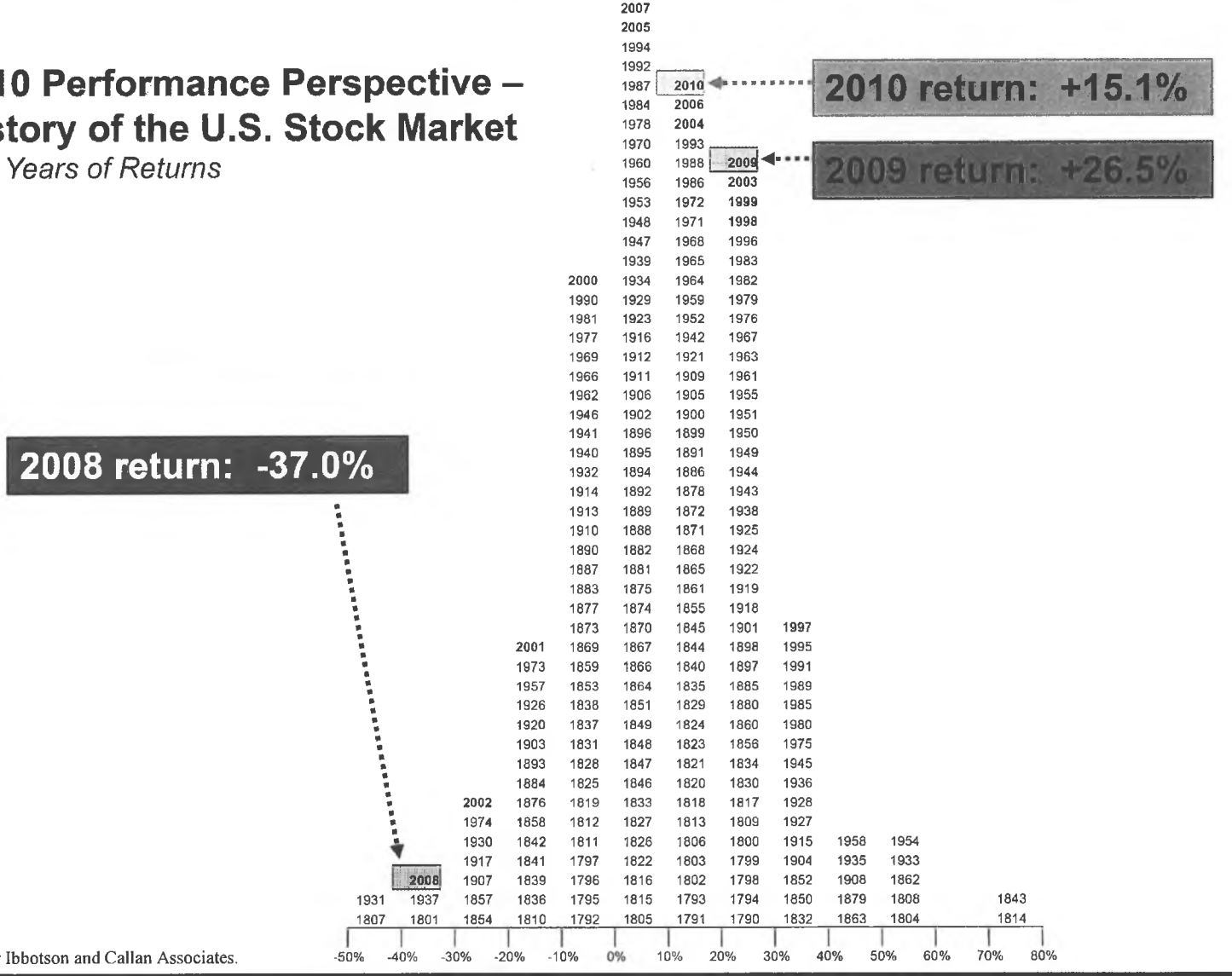


Source: Callan Associates Inc. PERS asset allocation as of 9/30/2010. The TRS target is the same and the TRS actual is similar.

PERS / TRS
Investments – US Stock Market Historical Returns

2010 Performance Perspective – History of the U.S. Stock Market

223 Years of Returns



Source: Roger Ibbotson and Callan Associates.

PERS / TRS
Investments – Fiscal Year Returns

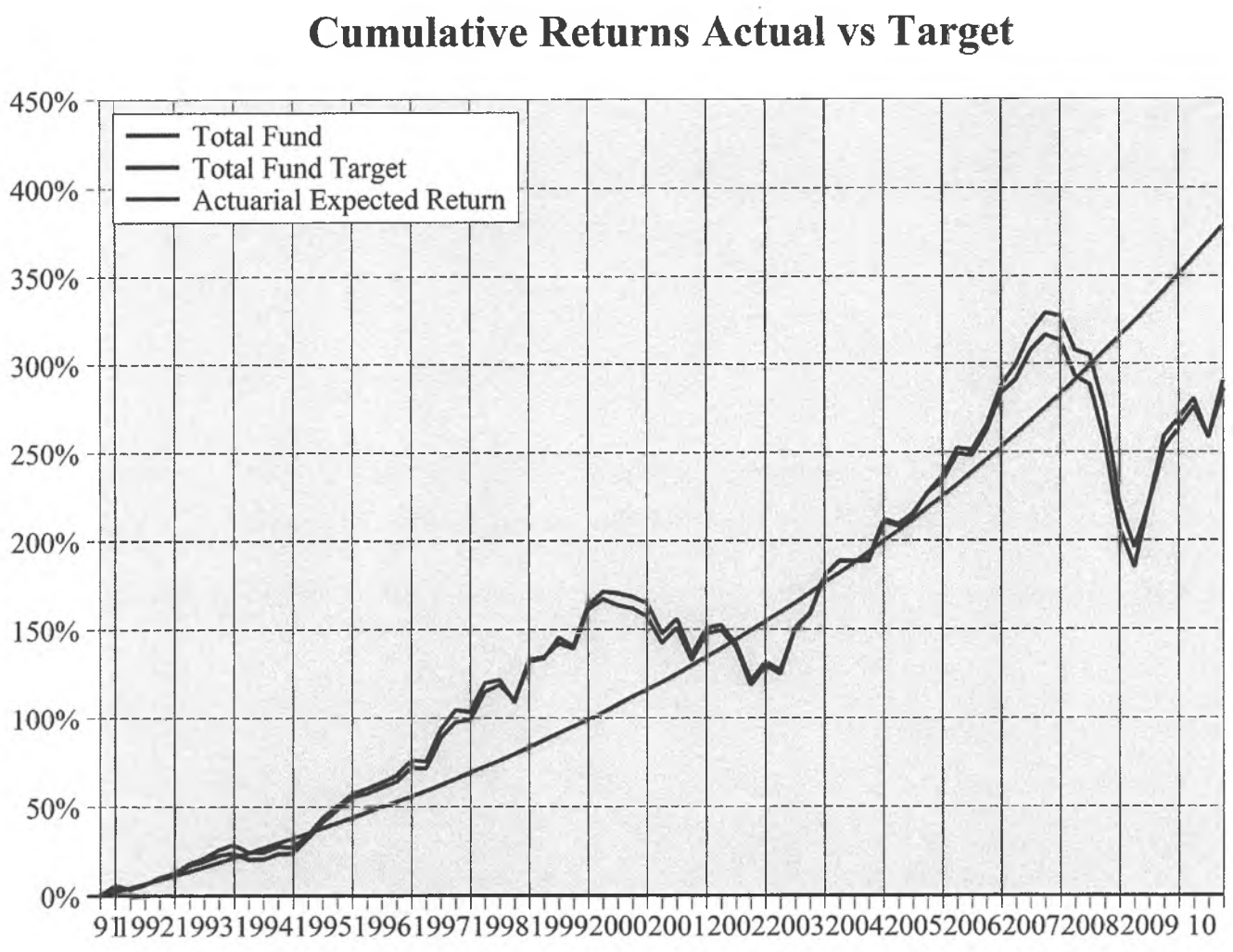
Investment Returns

- The 5 year annualized return for the period ending FY2010 was:
  - 2.65% for PERS
  - 2.67% for TRS
  - 2.80% for APFC
  - 0.79% for the S&P 500
- The 18 year annualized return for the period ending FY2010 was:
  - 6.99% for PERS
  - 7.06% for TRS
  - 7.14% for APFC
  - 7.38% for the S&P 500

Fiscal Year	PERS	TRS	APFC	S&P 500
2010	11.39%	11.58%	11.72%	14.43%
2009	-20.49%	-20.62%	-17.96%	-26.21%
2008	-3.13%	-3.12%	-3.60%	-13.12%
2007	18.88%	18.92%	17.06%	20.59%
2006	11.74%	11.78%	10.98%	8.63%
2005	8.95%	9.01%	10.43%	6.32%
2004	15.08%	15.09%	14.23%	19.11%
2003	3.67%	3.68%	4.46%	0.25%
2002	-5.48%	-5.49%	-2.24%	-17.99%
2001	-5.25%	-5.35%	-3.26%	-14.83%
2000	10.07%	10.15%	9.18%	7.25%
1999	10.59%	10.67%	9.48%	22.76%
1998	14.73%	14.83%	16.36%	30.16%
1997	18.18%	18.12%	17.02%	34.70%
1996	13.70%	14.35%	13.43%	26.00%
1995	15.56%	15.90%	14.51%	26.07%
1994	2.71%	2.65%	1.46%	1.41%
1993	14.25%	14.38%	12.73%	13.63%

Source: Callan Associates Inc.

PERS / TRS
Investments – Cumulative Returns



Source: Callan Associates Inc. as of 9/30/2010.

III. Recent Assumption Changes

PERS / TRS
Recent Assumption Changes

- AS 37.10.220(a)(9) requires a review of actuarial assumptions every four years
- Buck Consultants performed the experience study
- Gabriel Roeder Smith & Co. reviewed and certified the Buck experience study
- Based on the Buck and GRS reports, the ARM Board modified some of its actuarial assumptions

PERS / TRS
Recent Assumption Changes – Investment Returns

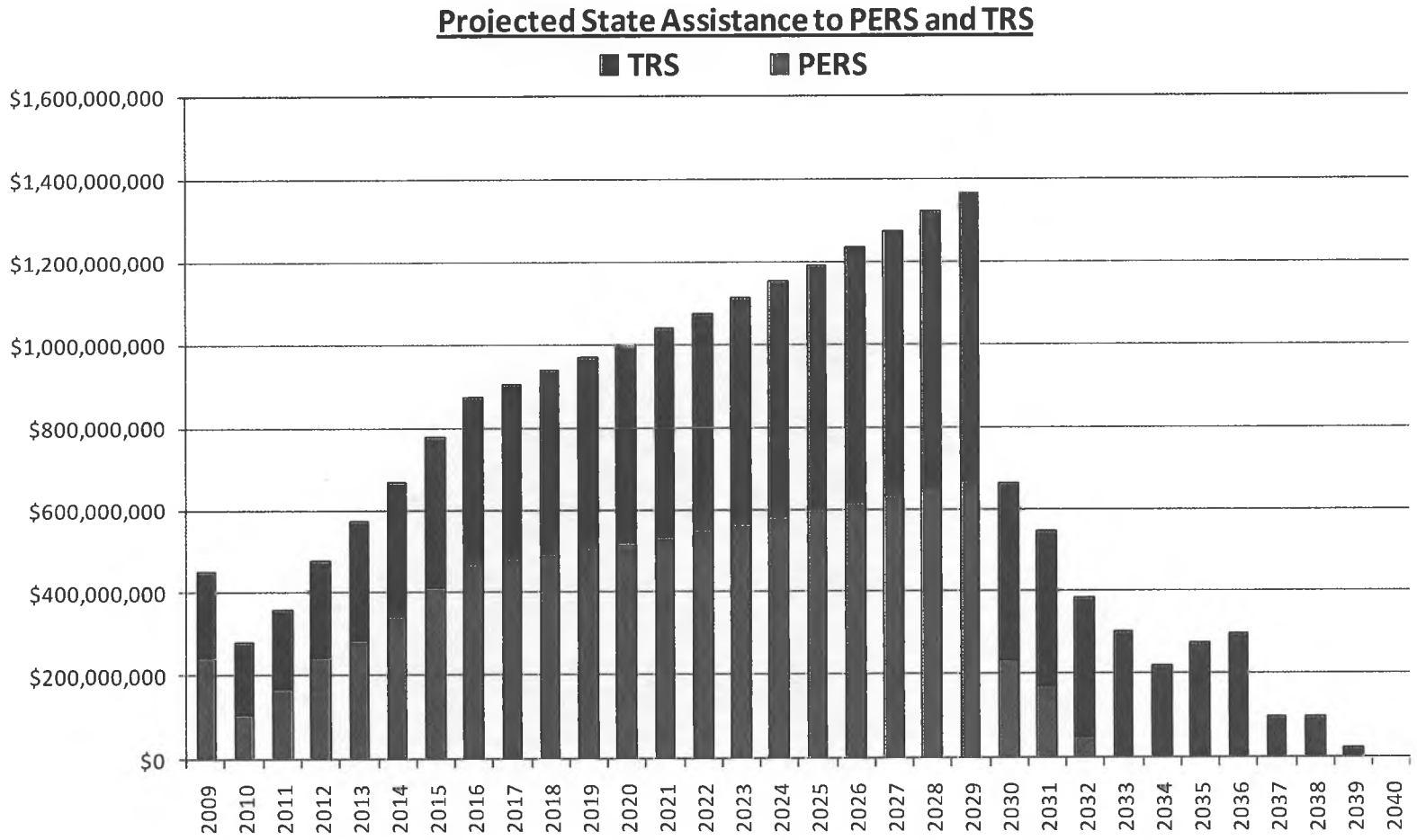
- Investment Return Assumption reduced from 8.25% to 8.00%
  - 4.88% real return assumption
  - 3.12% inflation assumption

PERS / TRS
Recent Assumption Changes – Contribution Rate Impact

	PERS	TRS
FY 2012 Employer Contribution Rate	30.76%	42.61%
Change in Demographics (net) (post termination mortality)	1.25%	5.55%
Change in Earnings Assumption	1.53%	1.77%
Total Change in Employer Contribution	2.78%	7.32%
FY2012 Employer Contribution Rate - Revised	33.54%	49.93%

IV. SB 125 State Assistance

PERS / TRS
SB125 State Assistance



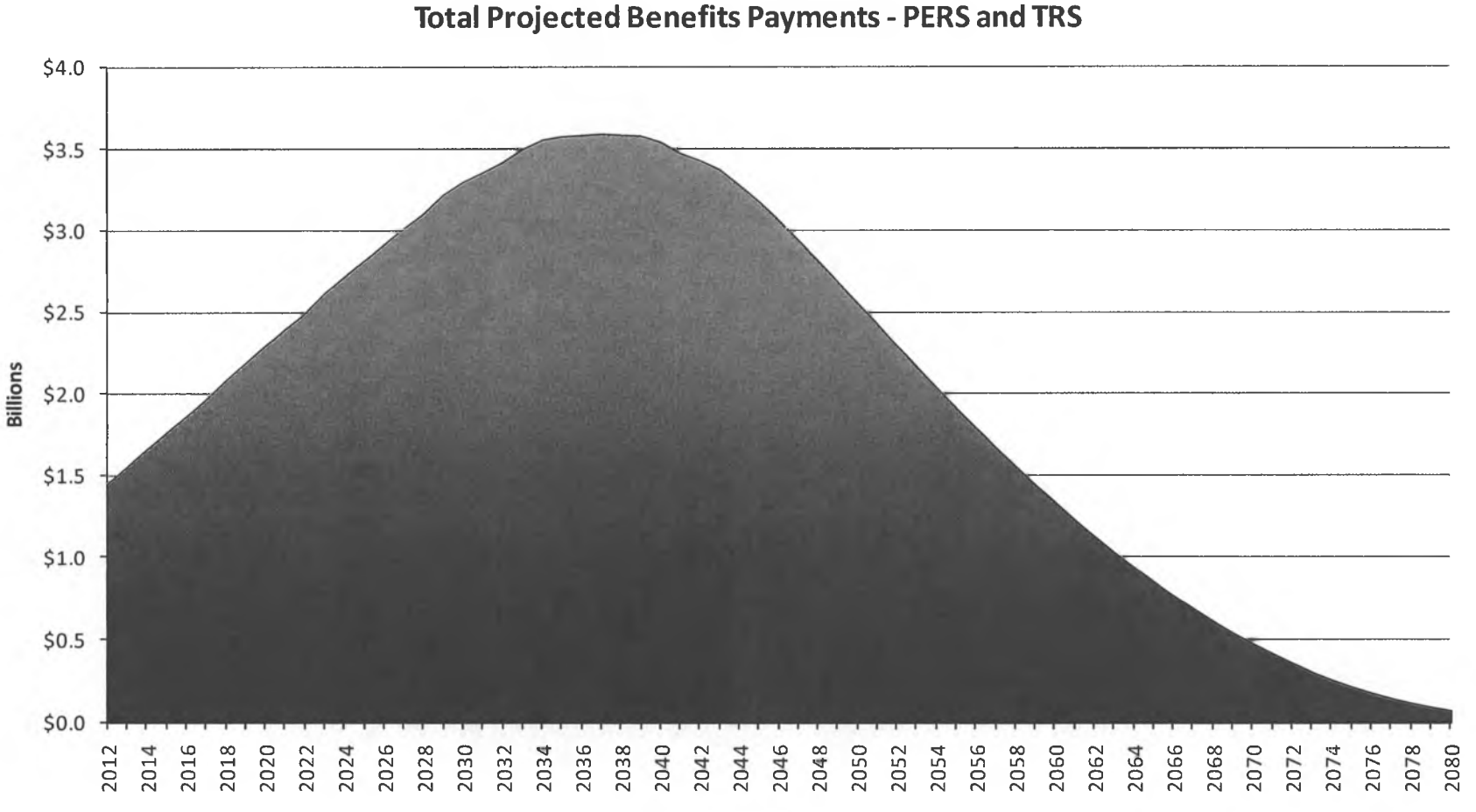
Source: Buck Consultants

V. Future

PERS / TRS
Future

- ARM Board held work session in September 2010 at the request of legislative finance.
  - Discussed how to best address unfunded liability
  - Modeled different approaches and scenarios
  - Discussion and modeling is ongoing

PERS / TRS
Future



PERS / TRS
Future

Long term observations:

- Sharply declining petroleum revenues post-2030
- Other obligations (schools and Medicaid) will compound fiscal situation – paying now versus paying more later is in sharp tension
- Paying more now and reducing state savings accounts could reduce budgeting flexibility post-2030 at a time when state savings account may be necessary to "keep the lights on"
- Paying less now increases expenses in the long term
- More critical thinking and discussion about a global approach to structuring state finances and budgeting including a long term plan for PERS/TRS funding is needed

VI. Other Issues

PERS / TRS
Other Issues – Termination Studies

PERS 2010 Termination Studies

Employer	Positions Removed	Cost of the Study	One-time Termination Cost
City of Ketchikan Gateway Center for Human Resources	8	$ 2,500	$ 10,364
Ketchikan Gateway Borough	1	2,500	12,392
City of Ketchikan Public Utilities	4	2,500	21,373
City of Palmer	1	2,500	12,483
Municipality of Skagway	1	2,500	17,470

PERS / TRS
Other Issues – Mercer Settlement

Allocation of Mercer Proceeds

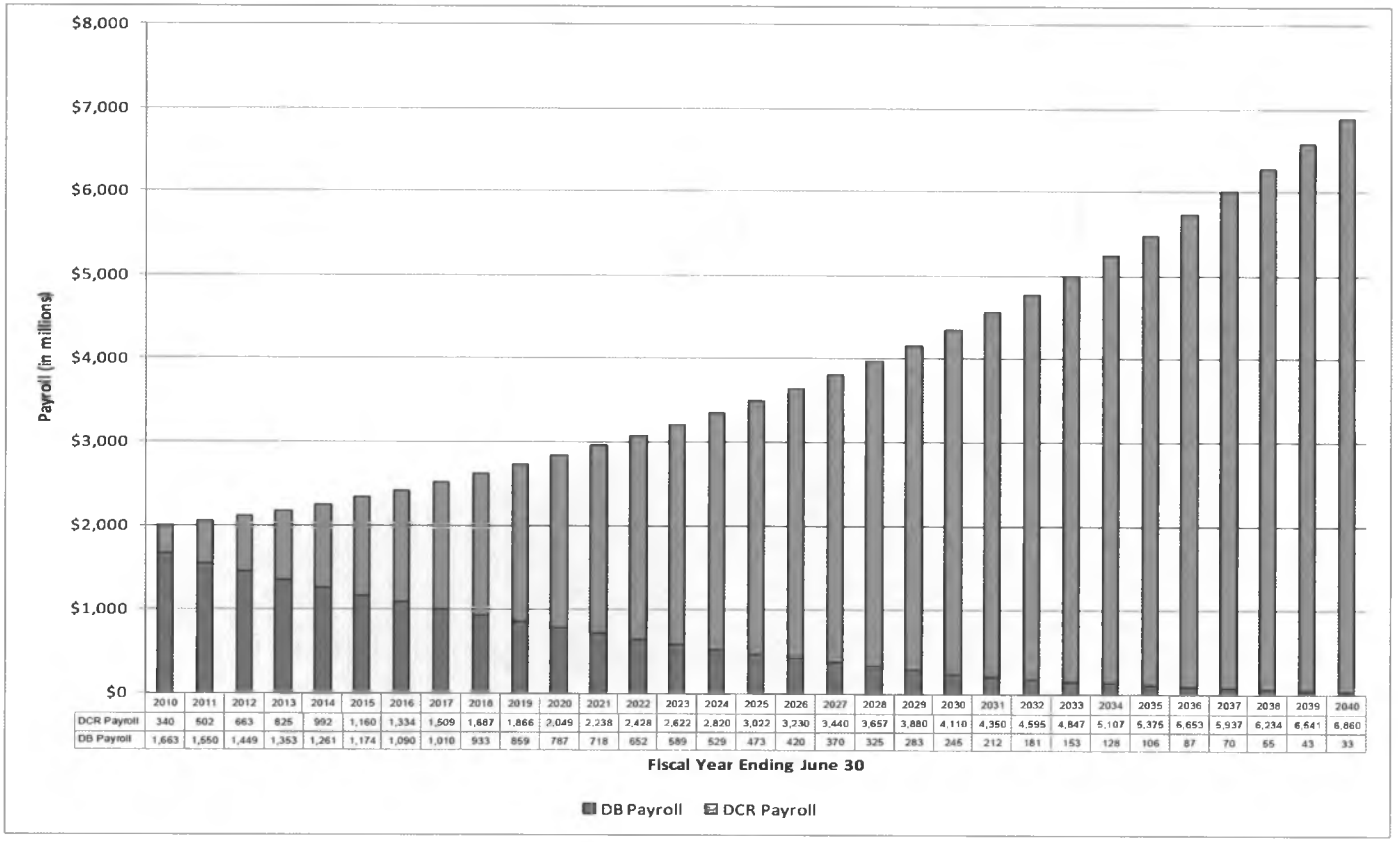
Gross Recovery		**$500,000,000.00**
Costs		$5,836,685.11
Recovery Net of Costs		$494,163,314.89
Contingency Fee Calculation:		
Up to $200mm:	25%	$50,000,000.00
Over $200mm up to $500 mm:	14%	$41,182,864.08
Over $500mm up to $1 billion:	8.50%	$0.00
Over $1 billion:	5%	$0.00
Total Contingency Fee:	18.45%	$91,182,864.08
Net Recovery to Systems:		**$402,980,450.81**

Allocation:

PERS Share:	89.08290%	$358,986,672.01
TRS Share:	10.91710%	$43,993,778.79
PERS Atty's Fees and Costs		$86,427,827.99
TRS Atty's Fees and Costs		$10,591,721.21

PERS / TRS
Other Issues – PERS Payroll

PERS DB and DCR Payroll

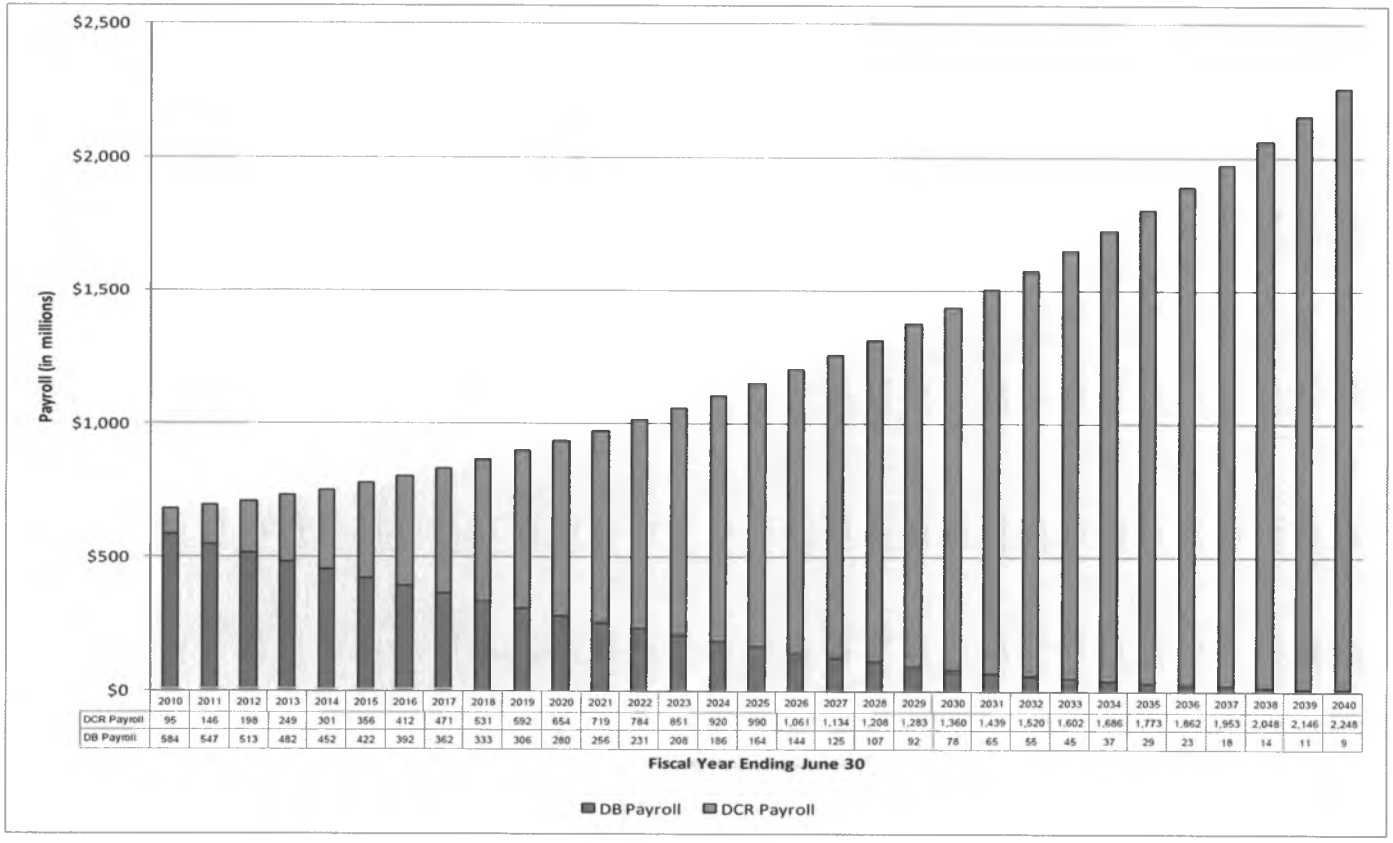


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
DCR Payroll	340	502	663	825	992	1,160	1,334	1,509	1,687	1,866	2,049	2,238	2,428	2,622	2,820	3,022	3,230	3,440	3,657	3,880	4,110	4,350	4,595	4,847	5,107	5,375	5,653	5,937	6,234	6,541	6,860
DB Payroll	1,663	1,550	1,449	1,353	1,261	1,174	1,090	1,010	933	859	787	718	652	589	529	473	420	370	325	283	245	212	181	153	128	106	87	70	55	43	33

buckconsultants

PERS / TRS
Other Issues – TRS Payroll

TRS DB and DCR Payroll

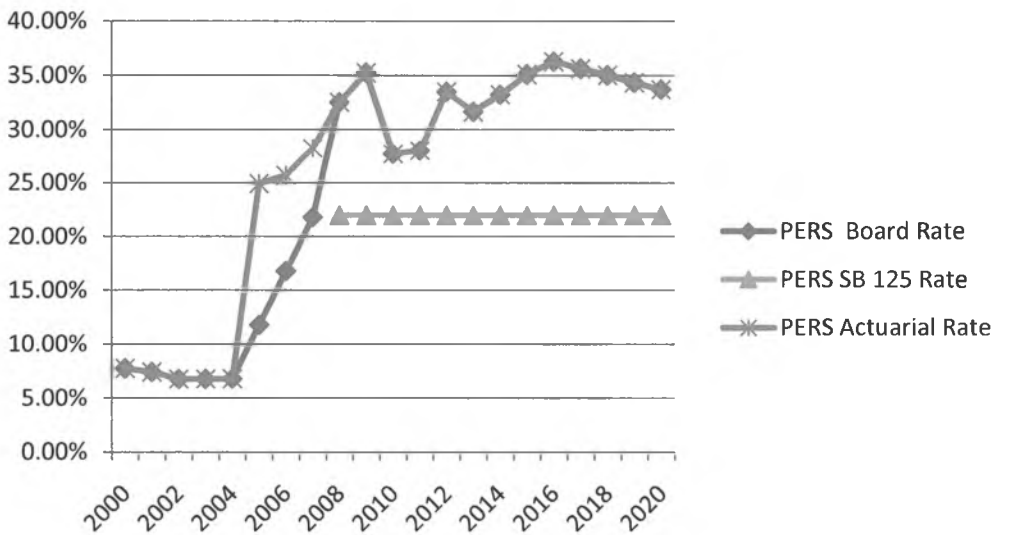


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
DCR Payroll	95	146	198	249	301	356	412	471	531	592	654	719	784	851	920	990	1,061	1,134	1,208	1,283	1,360	1,439	1,520	1,602	1,686	1,773	1,862	1,953	2,048	2,146	2,248
DB Payroll	584	547	513	482	452	422	392	362	333	306	280	256	231	208	186	164	144	125	107	92	78	65	55	45	37	29	23	18	14	11	9

buckconsultants

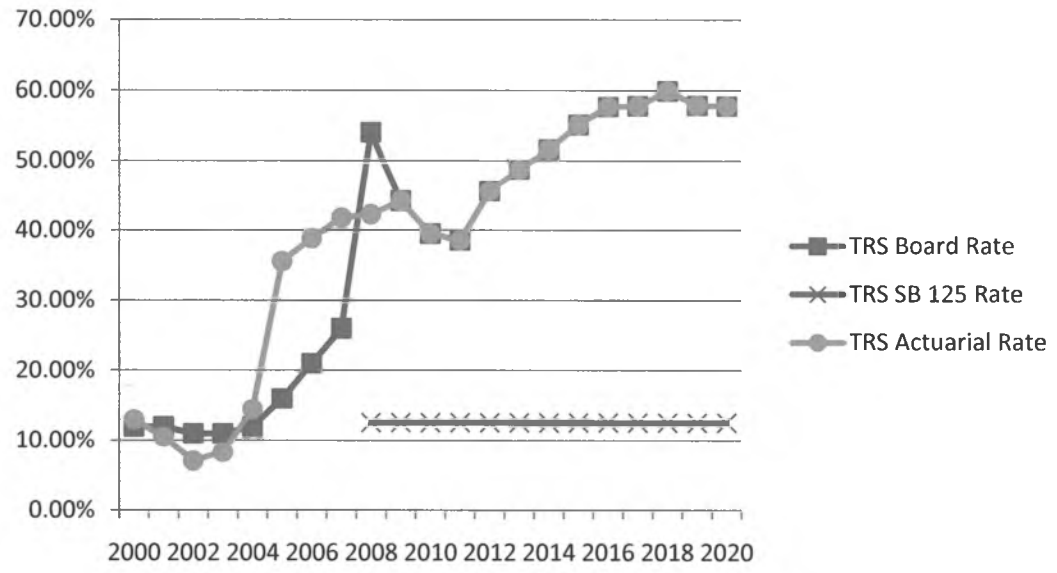
PERS / TRS

- **PERS Contribution Rates**



PERS / TRS

- **TRS Contribution Rates**



2/24/11 PRESENTATION BY DEPARTMENT OF CORRECTIONS: GOOSE CREEK CORRECTIONAL CENTER

<TARGET><BILL></BILL><SUBJECT>2-24-11 PRESENTATION BY DEPARTMENT OF CORRECTIONS GOOSE CREEK CORRECTIONAL CENTER</SUBJECT><COMM>SFIN27</COMM></TARGET>

Department of Corrections

Presentation on Goose Creek Correctional Center

Senate Finance Committee

February 24, 2011

Goose Creek Correctional Center



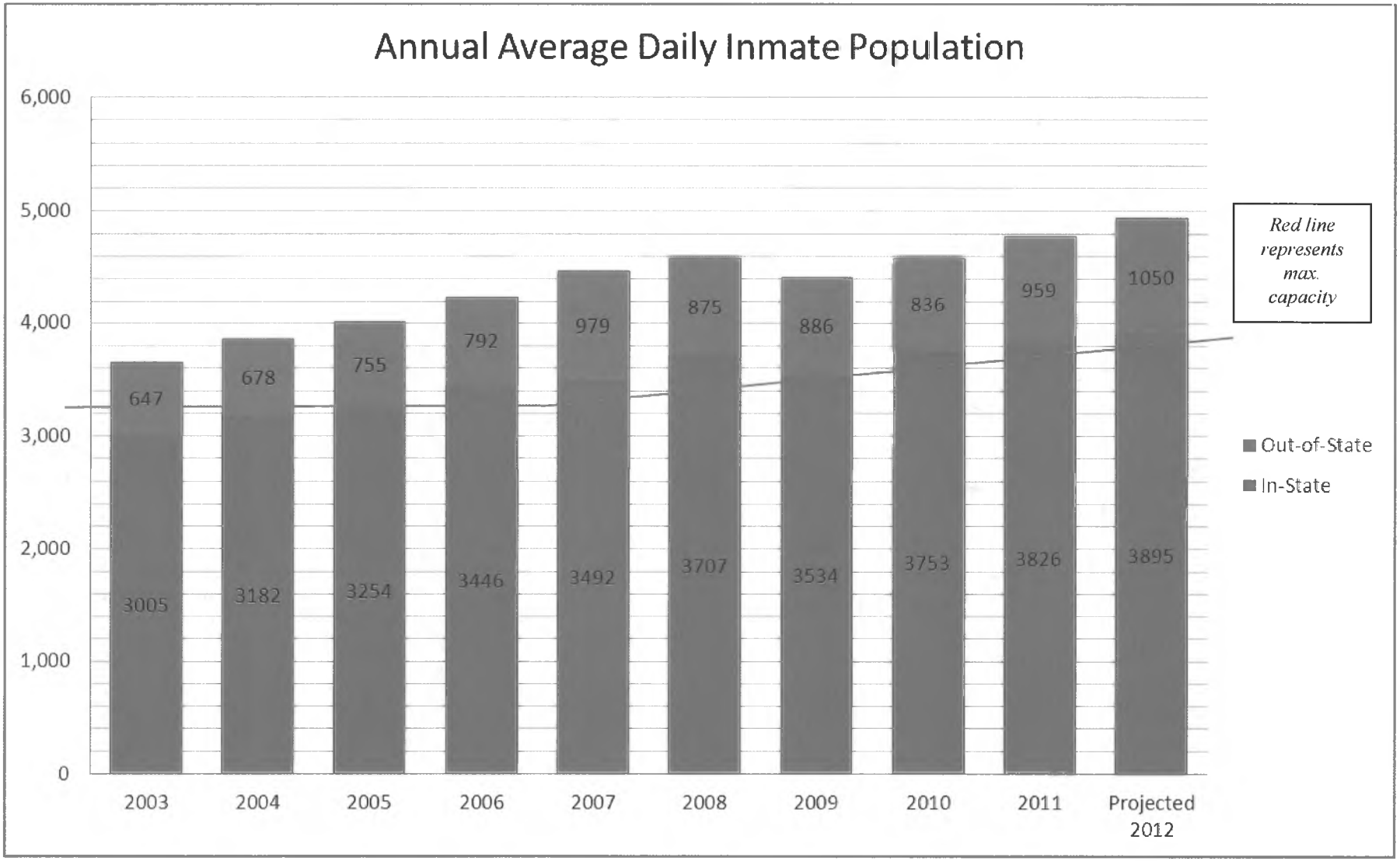
Goose Creek at a Glance

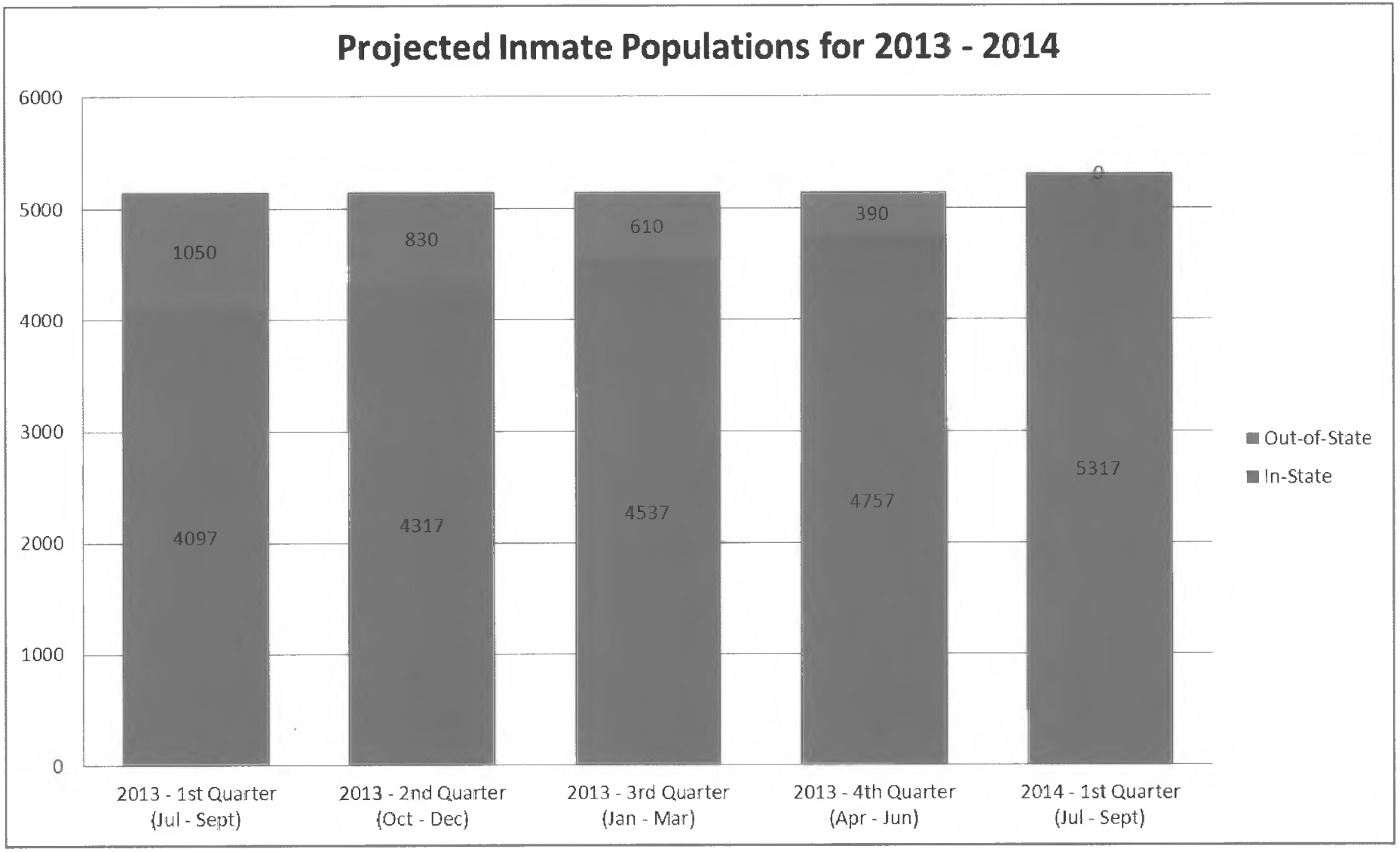
- Consist of five buildings with 435,000 square feet on 150 acres.
- Maximum security-like perimeter.
- Provide 1,536 beds for medium security sentenced inmates.
  - *1,280 General Housing*
  - *128 Special Management Unit*
  - *56 Administrative Segregation*
  - *56 Punitive Segregation*
  - *16 Medical Segregation*
- Employ a staff of up to 345.
- Inmates participate in the everyday responsibilities and operations of the facility (Mail, kitchen, laundry, etc.).
- On-site medical clinic.

Opening of Goose Creek Correctional Center

- Ready for occupancy March, 2012 … the last four months of FY 2012.
- Open with approximately 30 selected prisoners, small staff contingent.
- Prisoners will move from mod-to-mod testing electronic systems, intercoms, doors, run kitchen, laundry.
- Full ramp-up will begin July 1, 2012 – September 30, 2013 (FY13 – FY14). Transfer of prisoners and staff recruitment and training paced over 15 months.
- Experienced department staff will have an opportunity to transfer to Goose Creek Correctional Center (GCCC) when it opens.
- Staff will be recruited and hired to backfill vacancies. Hiring will occur at institutions throughout the state.

STATEWIDE AVERAGE DAILY INMATE POPULATION LEVELS


Annual Average Daily Inmate Population
6,000
5,000
4,000
3,000
2,000
1,000
0
2003
2004
2005
2006
2007
2008
2009
2010
2011
Projected 2012
647
678
755
792
979
875
886
836
959
1050
3005
3182
3254
3446
3492
3707
3534
3753
3826
3895
Red line represents max. capacity
Out-of-State
In-State


Projected Inmate Populations for 2013 - 2014
6000
5000
4000
3000
2000
1000
0
1050
4097
830
4317
610
4537
390
4757
0
5317
Out-of-State
In-State
2013 - 1st Quarter (Jul - Sept)
2013 - 2nd Quarter (Oct - Dec)
2013 - 3rd Quarter (Jan - Mar)
2013 - 4th Quarter (Apr - Jun)
2014 - 1st Quarter (Jul - Sept)

History of Goose Creek Correctional Center

- February 2003 – SB 65 was introduced.
  - This bill was introduced as a financing mechanism to expand correctional facilities within the state.
  - Mandated local governments to bond for construction of a prison.
    - Fairbanks 80 bed expansion
    - Bethel 120 bed expansion
    - Seward 144 bed expansion
    - Unidentified Region, 1200-2251 bed facility (Mat-Su selected, Goose Creek site selected)
    - Kodiak Community Jail, 6 bed expansion
    - Dillingham Community Jail, 17 bed expansion
- May 2004 – SB 65 passed unanimously.
- July 2004 – Memorandum of Understanding between Mat-Su Borough, Alaska Housing Finance Corp. (AHFC), and Department of Corrections (DOC) with the agreement to develop the prison in the Mat-Su Borough.
- June 2006 – Site selection process began.
  - With a plan to construct a 2,250 bed facility.
  - 800,000 square feet all under one roof.
  - Capable of housing close/max prisoners.
  - Public hearing and open houses were held.
- June 2007 – MOA with AHFC expires, effectively removing AHFC from project involvement.
- June 2007 – The decision was made by DOC to downsize GCCC to 1,536 beds and change the classification level to medium security.
  - To build a 2,250 bed facility was projected to cost $490M.
  - It would mitigate DOC's ability to spread resources across the state.
  - The largest prisoner population is medium security.

History of Goose Creek Correctional Center Continued…

- February 2008 – Mat-Su Borough and DOC execute an MOU to plan and finance a prison.
- June 2008 - Mat-Su Borough issues design/build request for proposal (RFP) for the prison.
- August 2008 - Mat-Su Borough published request for qualification (RFQ) to design, build, operate & finance a water/waste water facility for GCCC.
- October 2008 – Deputy AG Tillery issues a legal opinion that CPI for Construction Inflation can be applied for services received during subsequent time period; this does not violate SB65 per bed formula.
- December 2008 – DOC requests $20 Million for FY10 Capital Budget.

History of Goose Creek Correctional Center Continued…

- December 2008 - State of Alaska Lease Revenue Bonds sold by Mat-Su Borough provided $240,073.2 to fund GCCC.
- May 2009 – Mat-Su Borough publishes a RFP for a contract to design, build, operate and finance the water/waste water facility to support GCCC.
- July 2009 – DOC secures $6M appropriation in FY10 Capital Budget for utilities and infrastructure.
- March 2010 – Valley Utility proposes to finance the water/waste water facility using tax exempt private activity bonds issued by the Mat-Su Borough.
- April 2010 – The State of Alaska Department of Revenue expresses concern about issuing state supported debt that exceeds the authority of SB65.
- April 2010 – DOC formulates a three pronged strategy to reduce the annual fees for the water/waste water facility. (detail of strategy on next slide)

Three Pronged Strategy

1.) Value Engineering of the water and waste water facility. These efforts have resulted in cost reductions of approximately $2,000,000.

2.) Use of alternative funding sources. The DOC and Valley Utilities agreed to break the project into four segments. One of the segments was funded by DOC from existing appropriations; one segment was incorporated into the prison itself and funded from surplus proceeds from Mat-Su Borough's prison bonds; a third segment from Valley Utilities equity contributions; leaving only the wastewater treatment plant to be financed. The amount financed will be about ½ of the original estimate.

Segment	Pay Estimate Schedule Costs	Funding Source
Pipeline	$1,693,477.00	DOC Existing Approp. FY10 GF
Water	$5,109,130.28	GCCC Bonds
Well Field	$1,447,842.04	Valley Utilities Equity Contributions
Waste Water	$14,264,367.58	AIDEA

3.) Seek alternative funding sources to reduce cost of debt service. In addition to the private placement of the sale, several alternatives were evaluated including direct appropriation.

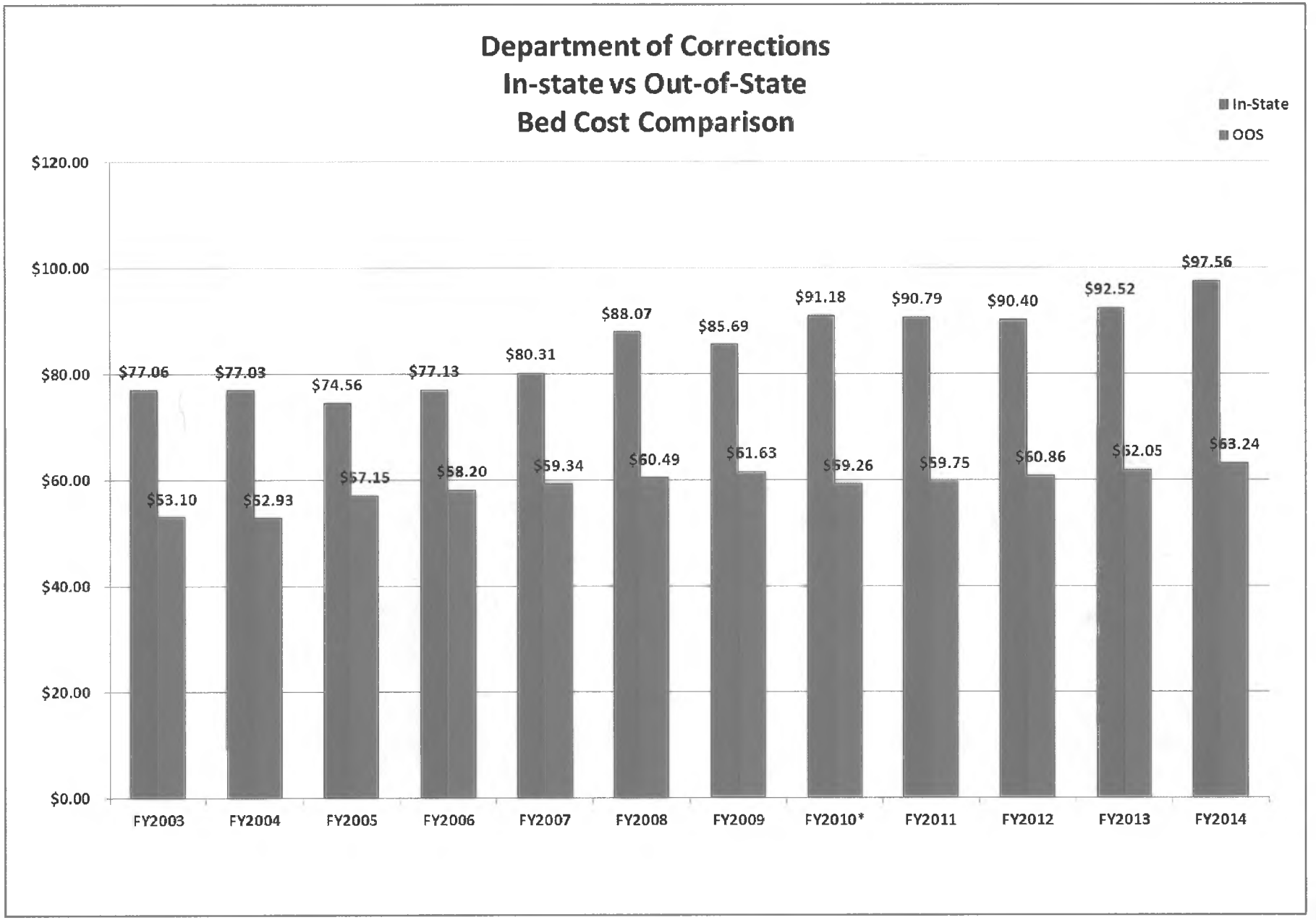
History of Goose Creek Correctional Center Continued…

- April 2010 – GCCC Project Committee authorized the use of up to $5,400,000 in GCCC contingency fund for construction of the water/waste water treatment plant.

- October 2010 – Valley Utilities requested permission to proceed with the private placement bond sale at a total interest cost between 8-9%. DOC rejected this proposal and began exploring financing alternatives through Department of Environmental Conservation and ultimately AIDEA in an effort to reduce the State's future debt services component of operating costs.

- December 2010 – AIDEA Board approved financing.

- December 2010 – AIDEA sold AA-rated bonds publically that achieved a total interest rate of 5.13%. The bonds are supported by a general obligation pledge of AIDEA rather than the State's credit. By acting expeditiously, AIDEA achieved an interest rate that is approximately 1 to 1.5% lower than it would be in the market of late-January 2011.


Department of Corrections
In-state vs Out-of-State
Bed Cost Comparison
In-State
OOS
$120.00
$100.00
$80.00
$60.00
$40.00
$20.00
$0.00
$77.06
$77.03
$74.56
$77.13
$80.31
$88.07
$85.69
$91.18
$90.79
$90.40
$92.52
$97.56
$53.10
$52.93
$57.15
$58.20
$59.34
$60.49
$61.63
$59.26
$59.75
$60.86
$62.05
$63.24
FY2003
FY2004
FY2005
FY2006
FY2007
FY2008
FY2009
FY2010*
FY2011
FY2012
FY2013
FY2014

BONDING & FINANCES

Net Present Value – Qualification and Assumptions

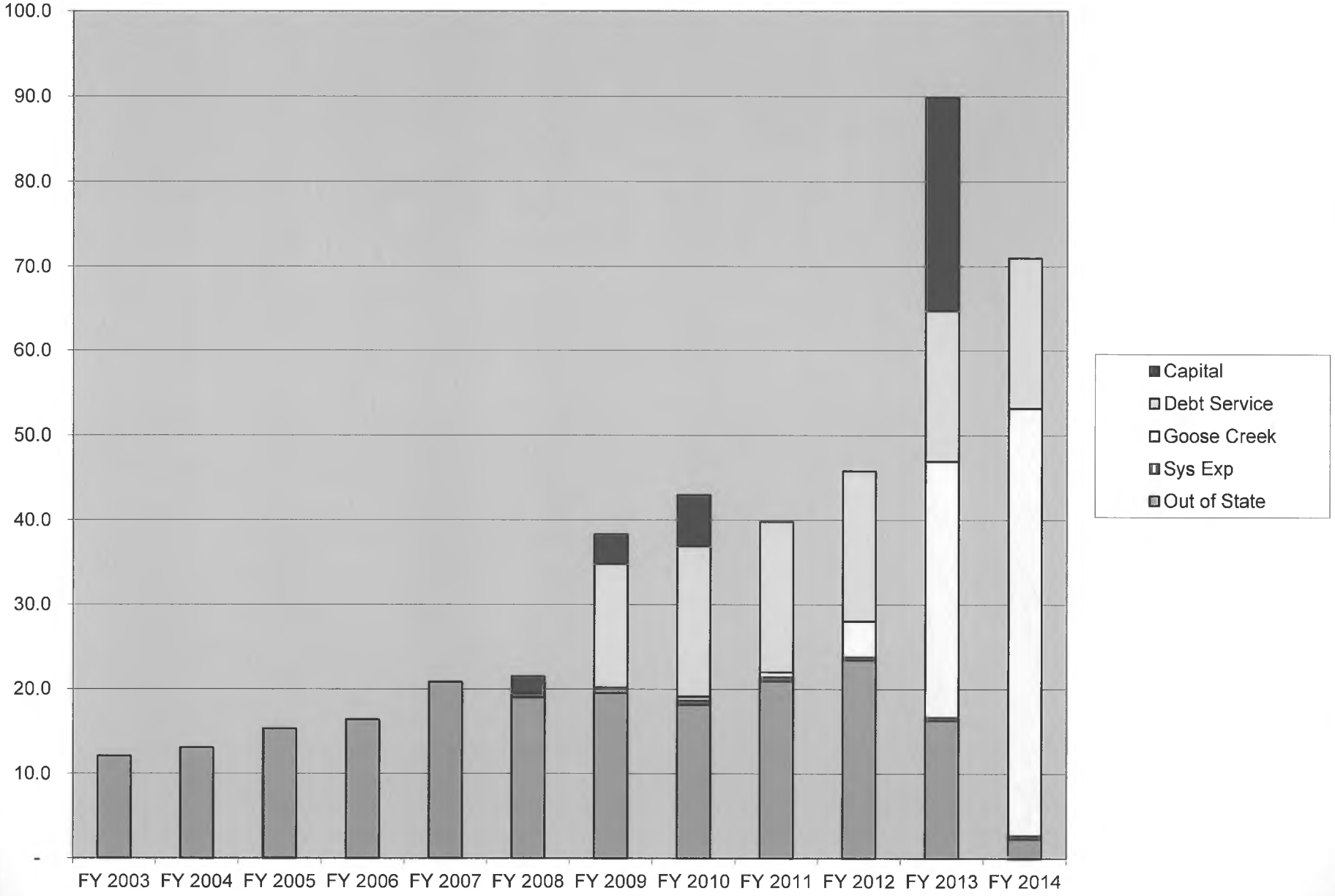
- Rate of returns for FY 2011 – 2014 are assumed to be 3%.
- Assumes capital funding was used in full the year of appropriation.
- NPV – cost of out-of-state (OOS) is estimated in order to calculate; however, the DOC will revisit it's population management plan if OOS is used for FY 2012 – 2014. Assumes population for OOS will remain at 1,050 as it is uncertain what DOC will have to do in order to house inmates in excess of 1,050.
- State will continue all bond payments.
- Assumes no additional changes to OOS contract.
- This is subject to change in the event the population management plan changes or there are significant changes to the prison inmate population.
- For NPV calculation, assumes that if GCCC is not opened, OOS inmate population will continue to increase. DOC will revisit it's population management plan.

Operating and Capital Expenditures
DOC Costs – GCCC Phase-in

DESCRIPTION	Amounts (In Millions)											
	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Operating												
Dept of Admin - Debt Service	-	-	-	-	-	-	14.6	17.8	17.8	17.8	17.8	17.8
Dept of Corrections - Out of State	12.1	13.1	15.3	16.4	20.8	19.0	19.5	18.1	20.9	23.4	16.3	2.3
Dept of Corrections - System Expansion	-	-	-	-	-	0.5	0.7	0.5	0.5	0.4	0.4	0.4
Dept of Corrections - Goose Creek	-	-	-	-	-	-	-	0.5	0.6	4.2	30.2	50.5
TOTAL OPERATING	12.1	13.1	15.3	16.4	20.8	19.5	34.8	36.9	39.8	45.8	64.7	71.0
Capital												
Future Capital Requests	-	-	-	-	-	-	-	-	-	-	25.2	-
Chap 15 SLA 2009	-	-	-	-	-	-	-	6.0	-	-	-	-
Chap 11 SLA 2008	-	-	-	-	-	-	2.5	-	-	-	-	-
Chap 29 SLA 2008	-	-	-	-	-	-	1.0	-	-	-	-	-
Chap 30 SLA 2007	-	-	-	-	-	2.0	-	-	-	-	-	-
TOTAL CAPITAL	-	-	-	-	-	2.0	3.5	6.0	-	-	25.2	-
ANNUAL TOTAL	12.1	13.1	15.3	16.4	20.8	21.5	38.3	42.9	39.8	45.8	89.9	71.0

** Costs for FY13 – FY14 are subject to change based on prison population management plan.*

Operating and Capital Expenditures
DOC Costs – GCCC Phase-in
Dollars in Millions



Net Present Value (NPV)

Comparison of GCCC Phase-in vs. Continuation of Out-of-State

- NPV of GCCC phase-in = $317.0
- NPV of Out-of-State = $177.3

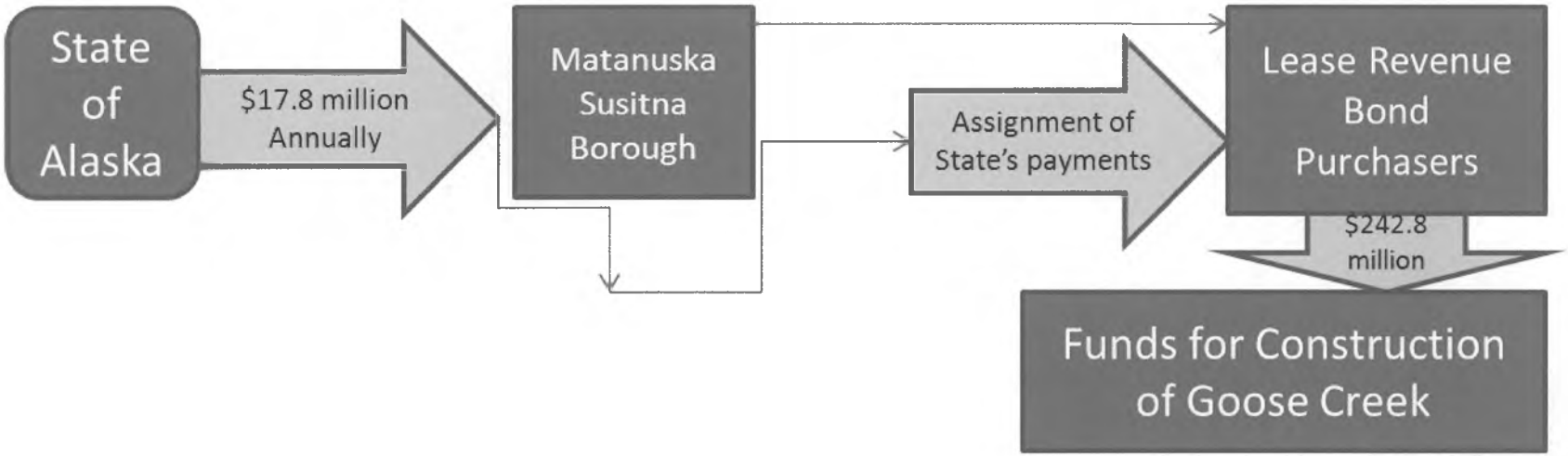
Timeframe comparison is FY03 – FY14.

2008 Matanuska-Susitna Borough Goose Creek Bonds Security and Legal Structure

- Lease purchase agreement and ground lease executed in which the State leases the facility from the Borough in exchange for annual lease payments and "additional rent" equal to debt service on the bonds plus operations and maintenance costs
  - State will own the facility once the bonds are retired and lease agreement terminated
  - The Land on which the facility is constructed is currently owned by the Borough
- Right to receive lease payments assigned to trustee who acts on behalf on bond purchasers
  - State pays appropriated funds directly to the trustee five days prior to each payment date
- Lease agreement represents an absolute net lease/triple net lease in which the State is responsible for all rent payments, additional rent and operations and maintenance
- Funds for repayment of bonds are appropriated annually by the Legislature - principal payments made to the State are structured semi-annually
- Agreements are subject to early termination due to an event of non-appropriation or event of default
  - Should the Legislature fail to appropriate funds, the State may vacate the facility and be released of its obligations to make all future payments. The trustee would pursue remedies under the lease agreement including attempting to re-let the property. The State's credit rating would be downgraded

Financing Structure

- Par amount of $244.3 million of Lease Revenue Bonds priced December 19, 2008
- Twenty-five year level debt service with a final maturity in FY 2033
  - Annual lease payment approximately $17.8 million per year
- All in TIC 5.955391%
- Cost of issuance $400,000, underwriting cost $1,172,847.70 ($4.80 per bond), cost of bond insurance $1,105,431.27, net original issue discount $1,533,570.95, resulting in project fund deposit of $240,073,150.08
- Yields 35 to 100 basis points over Municipal Market Data Aaa scale of 12/19/2010
- Standard 10-year call feature



GCCC Future Financials…

- Serviceable life of the prison is 50-75 years
- The Mat-Su Borough owns the asset and the land until the last payment is made by DOC on the 25 year bonds at which time the asset and land is transferred to DOC
- DOC will assume control of the asset when Construction is complete—between August and December of 2011

Thank you!

SB65

AN ACT

Relating to the qualifications of correctional officers, parole officers, and probation officers; authorizing the Department of Corrections to enter into lease-purchase agreements with municipalities for new or expanded public correctional facilities in the Fairbanks North Star Borough, the Matanuska-Susitna Borough, Bethel, the Municipality of Anchorage, and the City of Seward; relating to the development and financing of privately operated correctional facility space and services; authorizing the Department of Corrections to enter into a lease-purchase agreement with the City of Whittier for the confinement and care of prisoners in privately operated correctional facility space if the state cannot provide the same level of services required in state law or regulation for the same or less cost; giving notice of and approving, and authorizing the entry into and issuance of certificates of participation for, the upgrade, expansion, and replacement of certain jails in Dillingham and Kodiak; and providing

for an effective date.

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* **Section 1.** AS 18.65.290(2) is amended to read:

(2) "correctional officer" means a person

(A) appointed by the commissioner of corrections whose primary duty under AS 33.30 is to provide custody, care, security, control, and discipline of persons charged or convicted of offenses against the state or held under authority of state law; **or**

(B) employed in a correctional facility in this state whose primary duty is to provide custody, care, security, control, and discipline of persons charged or convicted of offenses or held under authority of law;

* **Sec. 2.** AS 18.65.290(5) is amended to read:

(5) "parole officer" means a person appointed by the commissioner of corrections **or employed by a correctional facility in this state** to perform the duties of supervising the parole of prisoners under AS 33.16;

* **Sec. 3.** AS 18.65.290(7) is amended to read:

(7) "probation officer" means a person appointed by the commissioner of corrections **or employed by a correctional facility in this state** to perform the duties of a probation officer under AS 33.05.

* **Sec. 4.** AS 18.65.290 is amended by adding a new paragraph to read:

(8) "correctional facility" means a prison or jail owned, leased, or operated by the state that is designated by the commissioner of corrections for the custody, care, security, control, and discipline of prisoners.

* **Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to read:

AUTHORIZATION TO LEASE CORRECTIONAL FACILITY SPACE WITH MUNICIPALITIES. (a) To relieve overcrowding of existing correctional facilities in the state and the extensive use of out-of-state correctional facilities, the Department of Corrections, not later than July 1, 2009, may enter into lease-purchase agreements with the following municipalities for new or expanded correctional facilities:

(1) Fairbanks North Star Borough - expansion of existing facility by up to 80 beds;

(2) Matanuska-Susitna Borough - construction of new facility with a minimum of 1,200 beds up to a maximum of 2,251 beds;

(3) Bethel - expansion of existing facility by up to 120 beds;

(4) Municipality of Anchorage - expansion of Anchorage Jail by up to 200 beds;

(5) City of Seward - expansion of existing Spring Creek Correctional Center by up to 144 beds.

(b) The authorizations given by (a) of this section are subject to the following conditions:

(1) the average capital cost for all beds may not exceed $135,000 a bed for (a)(1), (2), (4), and (5) of this section and $155,000 a bed for (a)(3) of this section, adjusted for inflation each year at a rate equal to the percentage increase in the Consumer Price Index for urban wage earners and clerical workers for Anchorage, Alaska, during the previous calendar year as determined by the Bureau of Labor Statistics, United States Department of Labor;

(2) if construction of a new facility is authorized, the municipality shall initially own the facility, and the state may enter into a long-term lease-purchase agreement not to exceed 25 years with the municipality to operate the facility and the state to own the facility at the end of the lease term; the annual lease payment for a new facility may not exceed $11,600 a bed;

(3) if expansion of an existing facility is authorized, the state shall enter into a joint ownership agreement with the municipality of the expanded facility, enter into a long-term lease-purchase agreement not to exceed 25 years of the municipality's interest in the facility, and operate the facility and own the facility at the end of the term of the agreement; payments under the lease-purchase agreement may not exceed $16,700 a bed for the Bethel facility and $14,600 a bed for the Fairbanks, Anchorage, and Seward facilities;

(4) the agreement to lease-purchase must contain terms providing that the commissioner of corrections may terminate for cause any contract for operating the facility;

(5) the commissioner may not enter into an agreement under (a) of this section

if any bonds issued for projects under (a) of this section are rated below investment grade.

(c) The authorization given by (a)(4) of this section is subject to the following condition: expansion of the facility may only occur if the expansion is funded by up to $30,000,000 in federal receipts.

*** Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to read:

AUTHORIZATION TO CONTRACT FOR CORRECTIONAL FACILITY SPACE AND SERVICES WITH THIRD-PARTY CONTRACTOR FOR OPERATION. (a) To relieve overcrowding of existing correctional facilities in the state and the extensive use of out-of-state facilities, the Department of Corrections, not later than July 1, 2007, is authorized to enter into a lease-purchase agreement with the City of Whittier for the purpose of acquiring correctional facility space for a term not to exceed 25 years and services for contractual periods of not greater than five years for persons who are committed to the custody of the commissioner of corrections. Before entering into an initial contract for correctional space or services with the City of Whittier under this section, the Departments of Corrections and Administration shall first contract with an independent entity to conduct a feasibility study to determine whether the state can provide the same level of services required in state law or regulation for the same or less cost than a third-party operator. An agreement may be entered into under this section only if the feasibility study determines that the state cannot provide the same level of services required in state law or regulation for the same or less cost in a facility of the same capacity.

(b) The lease-purchase agreement entered into under this section is predicated on and must provide for an agreement between the City of Whittier and one or more private third-party contractors under which private, for profit or nonprofit third-party contractors construct and operate the facility by providing for custody, care, and discipline services for persons committed to the custody of the commissioner of corrections under authority of state law. The state shall own the facility at the end of the term of the lease-purchase agreement. In an agreement with the City of Whittier, the commissioner of corrections shall require that the city procure one or more private third-party operators through a competitive bid process. The City of Whittier shall follow state procurement procedures for procurement of land, design, construction, and operation of a facility. The commissioner of corrections shall approve the

facility design before entering into an agreement.

(c) The authorization given by (a) of this section is subject to the following conditions:

(1) the agreement must cover a minimum of 1,200 beds and a maximum of 2,251 prison beds, and, subject to (2) of this subsection, the payments by the Department of Corrections must be sufficient to cover all capital and operating costs, not including inmate transportation, based on per diem operating charges for a minimum 1,200 prison beds;

(2) the agreement must provide that the obligation of the Department of Corrections to make payments under the agreement is subject to annual appropriation of funds by the legislature;

(3) the agreement must contain terms providing that the commissioner of corrections may direct the City of Whittier, after notice and reasonable opportunity to cure, to terminate its contract with a private third-party contractor operating the facility in accordance with the provisions of (b) of this section, and to procure a replacement third-party contractor if the commissioner finds that the private third-party contractor has failed to provide or cause to be provided the degree of custody, care, and discipline required by terms of the agreement and that the private third-party contractor has been given notice and reasonable opportunity to cure as provided in the third-party contractor's agreement with the city;

(4) the commissioner's authority to enter into the agreement is subject to the condition that the contract between the City of Whittier and the operator requires the operator to provide culturally relevant reformation services to incarcerated Alaska Natives;

(5) the commissioner may not enter into the agreement if any bonds issued for the project are rated below investment grade.

(d) Nothing in this section is intended to prevent the City of Whittier from issuing bonds as permitted for municipalities under state law, including AS 29.47.390, to finance construction of the facility. The bonds may be secured by and payable from revenues of the facility, including those described in (c) of this section. Revenues of the facility are not revenues of the City of Whittier for purposes of AS 29.47.390.

*** Sec. 7.** The uncodified law of the State of Alaska is amended by adding a new section to read:

NOTICE OF THE ISSUANCE OF CERTIFICATES OF PARTICIPATION AND

OTHER FINANCING. (a) The state bond committee is authorized to provide for the issuance of certificates of participation in one or more series in the aggregate principal amount of $4,000,000, plus costs of required reserves and costs of issuance, to pay for the costs for expansion of municipal jails described in sec. 8 of this Act. The estimated total cost of construction, acquisition, and equipping the projects is $4,000,000, which shall be paid from the proceeds of the certificates of participation issued under this section. The estimated aggregate annual amount of rental obligations under the lease-financing agreements is $400,000. The total payments for the full term of the certificates of participation are estimated to be $6,000,000. In this subsection, "cost of construction" includes credit enhancement and underwriting expenses, rating agency fees, bond counsel fees, financial advisor fees, printing fees, trustee fees, advertising fees, capitalized interest, interest earnings used for lease payments, and other costs of issuance, and costs of required reserves.

(b) The state bond committee may contract for credit enhancement, underwriting, credit ratings, bond counsel, financial advisor, printing, advertising fees, and trustee services that the committee considers necessary in financing the projects described in sec. 8 of this Act.

(c) The state bond committee may not authorize the issuance of certificates of participation as provided in (a) of this section if the issuance lowers the state's credit and the certificates are rated below investment grade.

*** Sec. 8.** The uncodified law of the State of Alaska is amended by adding a new section to read:

MUNICIPAL JAIL FACILITIES. (a) Each of the following projects is approved to receive $2,000,000 of the proceeds of the certificates of participation authorized under sec. 7 of this Act, on condition that the municipality in which the project is located contributes a matching share of at least $1,500,000, to be used for the upgrade, expansion, or replacement of the jail facilities:

(1) Dillingham Community Jail in the Municipality of Dillingham to replace the existing eight-bed facility with a new 25-bed facility;

(2) Kodiak Community Jail in the Municipality of Kodiak to replace the existing 16-bed facility with a new 22-bed facility.

(b) Subject to appropriation, the Department of Corrections is authorized to pay the

annual operating costs associated with the addition of new beds at the municipal jail facilities to the municipalities listed in (a) of this section. The anticipated annual operating costs for the new beds authorized in (a) of this section are:

(1) Dillingham Community Jail - $750,000 (17 new beds);

(2) Kodiak Community Jail - $188,000 (six new beds).

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

APPROVAL. This Act constitutes the notice and approval of the projects described in secs. 5 - 8 of this Act required by AS 36.30.085.

* **Sec. 10.** Sections 1 - 3, ch. 32, SLA 2001, are repealed.

* **Sec. 11.** This Act takes effect July 1, 2004.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: CSSB 65(FIN)
(S) Publish Date: 5/1/04

Revision Date/Time (Note if correction):
Dept. Affected: Corrections
Title: Correctional Facility Expansion
RDU: Administration & Operations
Component:
Sponsor: Senator Green
Requester:
Component No:

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	235.0	243.2	3,052.2	14,448.3	23,703.9	24,438.5
Travel	7.0	8.0	154.7	235.8	315.8	315.8
Contractual	5.0	5.0	1,960.1	976.5	(12.1)	(12.1)
Supplies	6.0	7.0	1,382.6	2,939.7	4,495.3	4,495.3
Equipment	7.0	0.0	34.0	34.0	34.0	34.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	154.6	511.6	868.5	868.5
Miscellaneous	0.0	0.0	4,005.0	16,703.0	14,177.0	14,177.0
TOTAL OPERATING	**260.0**	**263.2**	**10,743.2**	**35,848.9**	**43,582.4**	**44,317.0**
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)						
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	260.0	263.2	10,743.2	35,848.9	43,582.4	44,317.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type--Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**260.0**	**263.2**	**10,743.2**	**35,848.9**	**43,582.4**	**44,317.0**

Estimate of any current year (FY2004) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time	3	3	43	327	327	327
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

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

This bill authorizes the Department of Corrections to enter into twenty-five year lease agreements with the Fairbanks North Star Borough, Matanuska-Susitna Borough, Bethel, Municipality of Anchorage, and the City of Seward for up to a total of 1,744 beds at state correctional facilities and a new state correctional facility.

The above contractual line has been reduced by the current cost of the Out of State Contract. The $43,582,400 increased annual costs of incarceration and lease payments can be further offset by moving any remaining prisoners housed at the out of state contract facility (Florence Correctional Center) back to Alaska and housing them in the new beds created by this bill. Assuming that in FY09, 500 additional prisoners, at $70.00 per day x 365 days = $12,775,000 of savings that can be applied to the cost of new beds. **The FY2009 estimated annual net cost of these projects is $30,807,400.**

(continued on page 2 of 2).

Prepared by: Jerry D. Burnett, Director — Phone (907) 465-3339
Division: Administrative Services — Date/Time 4/29/04 3:13 PM
Approved by: Portia C.K. Parker, Deputy Commissioner — Date 4/29/2004
Agency: Department of Corrections

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. CSSB 65(FIN)

ANALYSIS CONTINUATION

Assume that the local government agencies will fund the costs of the new or expanded correctional facilities construction through local/AIDEA bond sales backed by the state leases. Costs of construction for Fairbanks, Anchorage, Seward, and Mat-Su facilities not to exceed $135,000 per bed. Annual lease payments not to exceed $14,600 per bed for Fairbanks, Anchorage, and Seward and not to exceed $11,600 for Mat-Su. The Bethel facility costs of construction are not to exceed $155,000 per bed and annual lease costs payments not to exceed $16,700.

DOC will require three project management positions during the planning and construction phase.

Annual Lease Costs, by Facility (shown in miscellaneous line):
Fairbanks Correctional Center: 80 new beds = $1,076,000
Matanuska-Susitna Borough: 1,200 new beds = $10,172,000
**Matanuska-Susitna Borough alternate option of 2,251 new beds = $15,261,200*
Spring Creek Correctional Center: 144 beds = $1,076,000
Yukon-Kuskokwim Correction Center: 120 beds = $1,853,000
Anchorage Jail: no lease payment (if appropriated, federal funds used for construction)
Dillingham Community Jail expansion of 17 beds = $149,100
Kodiak Community Jail expansion of 6 beds = $149,100

Additionally, security and life/safety staff and institutional staffing necessary to support the 1,744 new prisoner beds in Alaska is based on about 5 prisoners per 1 staff. Thus, 327 new staff will be needed to support these additional prisoner beds statewide.

The bill provides for federal receipt authority for up to $30,000,000. The authorization to expand the Anchorage Jail facility by 200 beds may only occur if federal funds are received and the Alaska State Legislature appropriates the funds.

For the purposes of this fiscal note, it is assumed that a private option would only be built if less costly than the public option. It is also assumed that the 2251 bed facility would be built only if operating costs reduced from other facilities would allow for the option to be built without total departmental costs exceeding the 1200 bed option.

End.

2/25/11 OVERVIEW: CAPITAL MARKETS AND PERMANENT FUND PERFORMANCE REVIEW

<TARGET><BILL></BILL><SUBJECT>2-25-11 OVERVIEW CAPITAL MARKETS AND PERMANENT FUND PERFORMANCE REVIEW</SUBJECT><COMM>SFIN27</COMM></TARGET>

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

Senator Bert Stedman, Co-Chair
State Capitol, Room 516
Juneau, AK 99801-1182
(907) 465- 3873 - Phone
(907) 465-3922 - Fax
Senator_Bert_Stedman@legis.state.ak.us

Official Business

Senator Lyman Hoffman, Co-Chair
State Capitol, Room 518
Juneau, AK 99801-1182
Phone - (907) 465- 4453
Fax - (907) 465- 4523
Senator_Lyman_Hoffman@legis.state.ak.us

AGENDA

Friday, February 25, 2011
8:00 AM

Capital Markets Outlook and Permanent Fund Performance Review

Auto corrects

Mike Burns, Executive Director, Alaska Permanent Fund Corporation, Department of Revenue MB

Michael O'Leary, Executive Vice President, Callan Associates MOL

Bill Moran, Chair, Alaska Permanent Fund Corporation Board BM



2011 Economic Environment and Capital Markets Review

Michael J. O'Leary CFA
Executive Vice President
Callan Associates Inc.
February 2011

Callan's Capital Market Projection Process

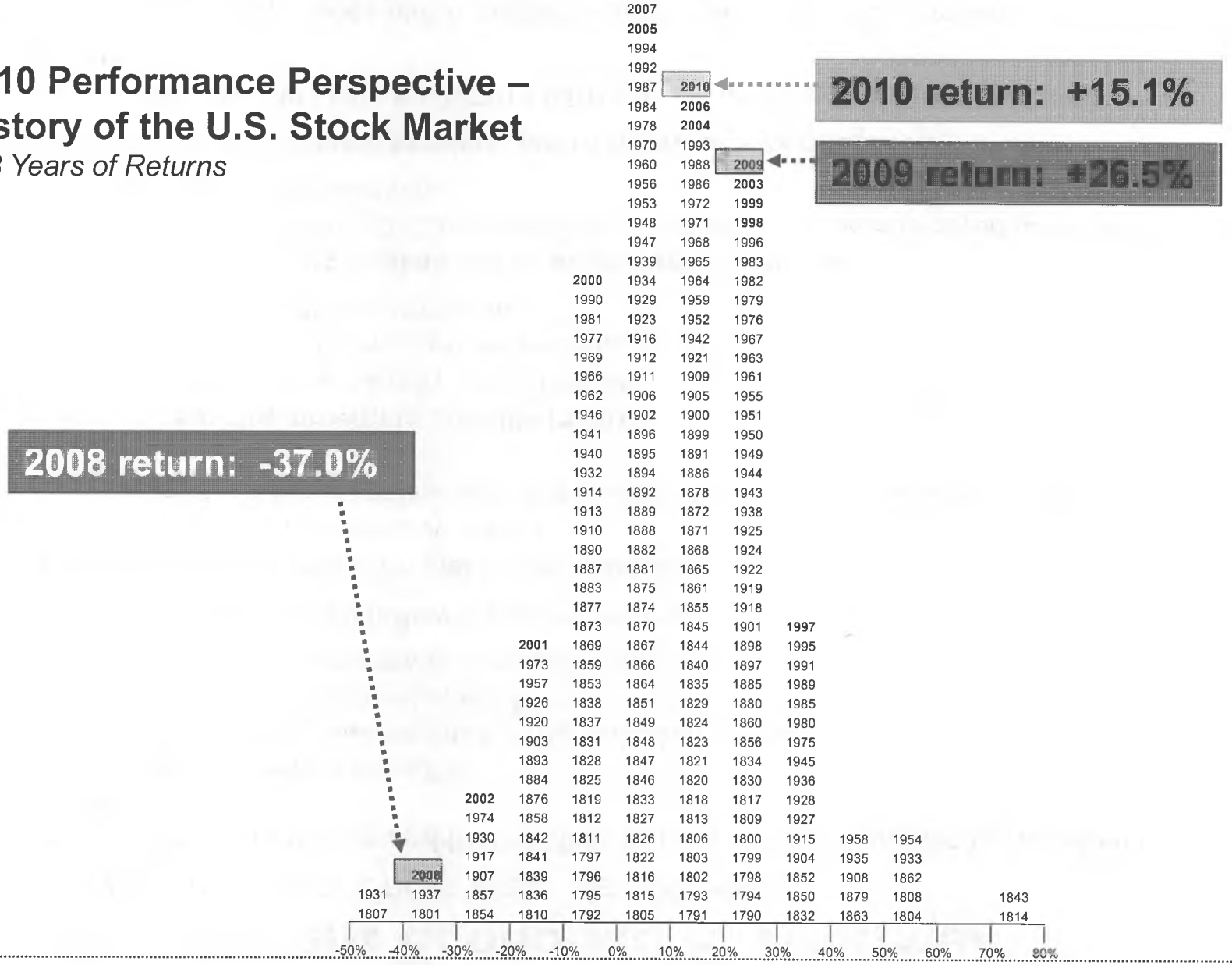
Economic outlook drives our projections.

- **Evaluate the current environment and economic outlook for the U.S. and other major industrial countries:**
  - Business cycles, relative growth, inflation.
- **Examine the relationships between the economy and asset class performance patterns.**
- **Examine recent and long-run trends in asset class performance.**
- **Apply market insight:**
  - Consultant experience - Plan Sponsor, Manager Search, Specialty
  - Industry consensus
  - Client Policy Review Committee
- **Test the projections for reasonable results.**

Stock Market Returns by Calendar Year

2010 Performance Perspective – History of the U.S. Stock Market

223 Years of Returns



The Current Economic Environment

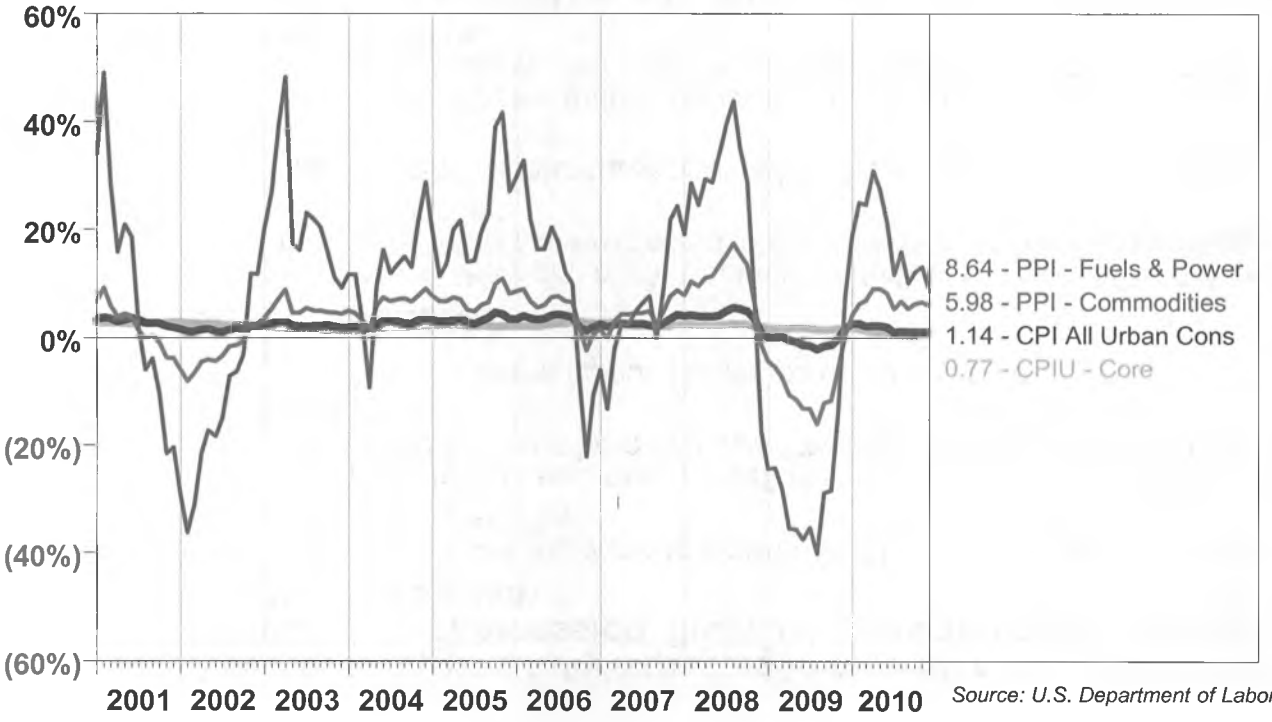
Modest Recovery Under Way, Markets Wary

- **Growth returned in the second half of 2009, but job market struggles to revive well into 2011.**
  - Unemployment remains above 9%.
  - Wealth has been hit, consumers de-levering, savings are rebuilding.
  - QE II the "last" round of monetary stimulus.
  - Tax compromise provides new fiscal stimulus in 2011-12.
- **Steep recoveries usually follow steep recessions.**
- **However, recoveries after financial crises are slow.**
  - Financial stress has been greatly reduced…
  - …but private credit is still contracting – banks reluctant to lend, households and businesses reluctant to borrow
- **Everyone expected growth to subside in 2010…**
  - Stimulus fades and the inventory cycle is complete.
  - Europe struggles with slow growth and sovereign debt crisis.
  - Emerging markets wait on our recovery.
- **But the capital markets freaked out as projections come true.**
  - Equity hammered through Q3 2010, retail investors fled risk, bond inflows remained substantial.
  - Interest rates headed even lower.
- **Q4 saw signs of economic stability, return of investor confidence.**
- **Tax compromise will likely push 2011 GDP growth to 3%, a year ahead of expectations.**
- **Federal government faces harsh budget realities. Defense, social security, Medicare/Medicaid and Interest dominate spending.**

Is Rising Inflation an Emerging Threat?

Consumer Prices

Year-Over-Year Change



Source: U.S. Department of Labor

- **"Radical" short-term volatility in recent inflation expectations.**
- **Heads have been turned by producer prices, commodities and particularly energy, but overall CPI and core inflation much more benign.**

The Economy and the Capital Markets

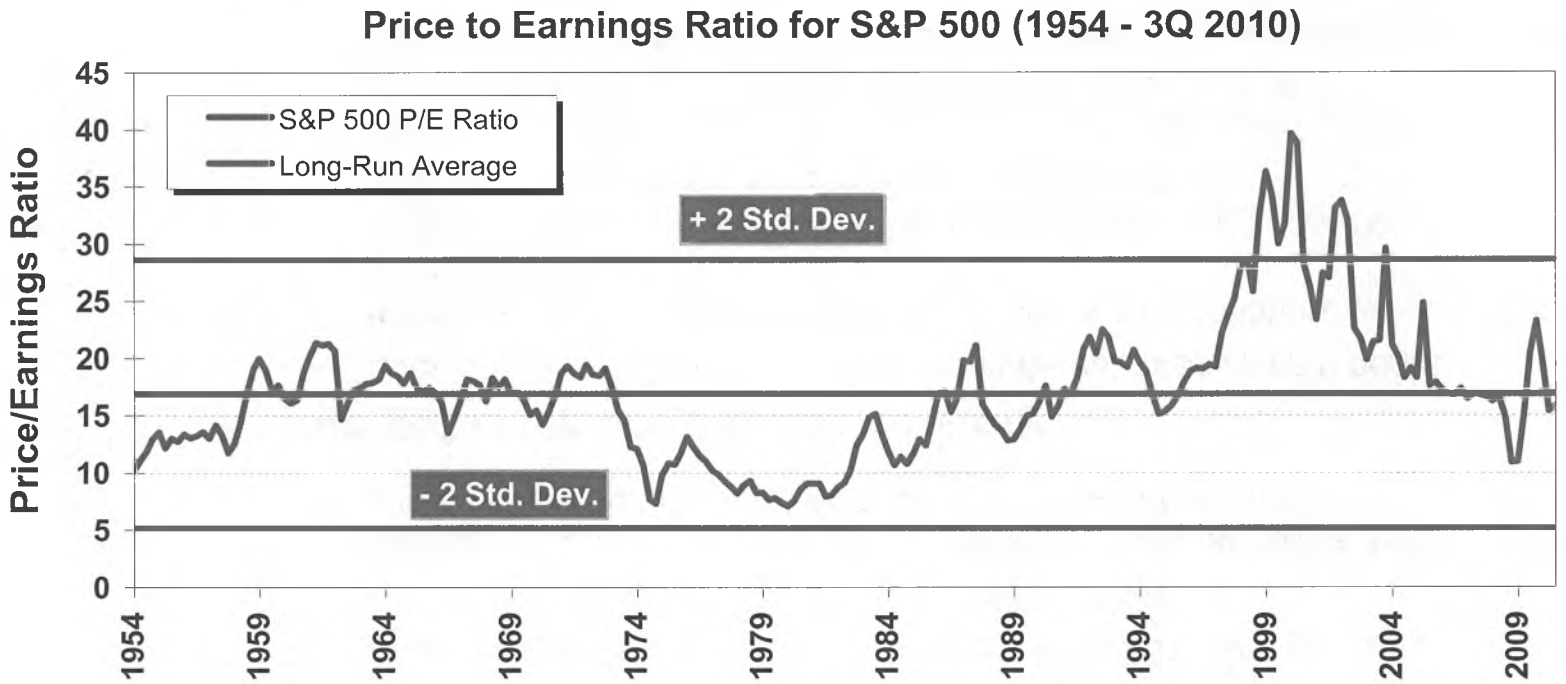
- **The economy was fully expected to meander through a weak recovery, as the combination of recession, financial crisis and deleveraging required time to work through the system.**
  - GDP growth was expected to slacken in 2011, but tax compromise may boost growth to the long-term trend (3%) .
  - Inflation is in the headlines, but deflation remains the real concern to the Fed. Inflationary pressures stemming from Fed and Treasury actions are less of a concern in the short to medium term.
  - Double-dip is possible, but not the expected outcome.
- **Callan's outlook:**
  - Inflation will likely drift higher, but not immediately. Painfully low interest rates may persist through 2011, but are expected to rise after that, as the Fed eventually removes accommodation.
  - Historic nominal return averages will be hard to achieve over the short, medium and even the longer run.
  - Stocks rallied in the fourth quarter of 2010 and turned in a good year. However, prospects for above-trend growth are weak; companies are strong enough to attain trend profit growth, but not a lot more.
  - The housing market has yet to truly hit bottom, despite mortgage rates at an all-time low. The "shadow inventory" of homes yet to foreclose hangs heavy over the market.
  - The chance that we could see another leg down on housing is the greatest risk to the economy, and to a deflationary spiral.
  - The dollar should face substantial downward pressure as a result of U.S. policy. The problem, of course, is what other currency can take the dollar's place?
  - The path to a rational set of long-term capital market outcomes is likely through an ugly shorter term period of rising interest rates, capital losses in fixed income, and volatile equity markets.

Starting asset valuations dominant return expectations

- **Equity valuations, both domestic & international, appear reasonable (not cheap but not expensive)**
  - Analyst expectations already envision decent 2011 eps growth
  - Corporate balance sheets provide good flexibility
  - Developing countries are expected to enjoy strong absolute growth which should offset soft demand in much of the developed world
- **Interest rates are a different story**
  - Even with low inflation real short-term interest rates remain negative
  - Inflationary pressures could build (e.g. commodity inflation, excess demand in emerging world)
  - Rates are so low across the curve that the "income cushion" to rising rates is minimal (see Q4 2010 bond returns for perspective)
  - Equity earnings yield versus Treasury or Corporate bond yields look attractive but spread could be narrowed quickly with a rise in rates.
  - Our conclusion is that rates will rise and limit P/E expansion opportunities
- **Major theme is nominal returns for both stocks and bonds will be positive but limited for the short-intermediate term.**

Equity Is More Reasonably Priced

Trailing P/E At Its Long Run Average



Trailing earnings as reported for the fiscal year; includes negative earnings from 1998 onward.
Source: Standard & Poor's and Callan Associates

Absolute valuation measures indicate that stocks are "reasonably" valued

Global Stock Fundamentals

Valuation	S&P 500	MSCI EAFE	MSCI Emerging Markets
P/E (last fiscal year reported earnings)	15.3	14.0	14.1
P/E (next fiscal year estimated earnings)	14.5	12.9	13.2
P/E (second fiscal year forward estimated earnings)	12.9	11.5	11.5
Price to Book Ratio	2.2	1.5	2.1
Price to Cash Flow Ratio	8.6	6.8	8.3
Price to Sales Ratio	1.3	0.9	1.5
Profitability			
Return on Equity (ROE)	10.8	14.2	17.0
Balance Sheet Strength			
Long Term Debt to Capital Ratio	34.0	33.8	24.8

Note: Valuation and Profitability figures are weighted harmonic averages, a statistical technique that reduces the effects of extreme outlying data on the average. Long Term Debt to Capital figures are weighted averages.
Source: FactSet

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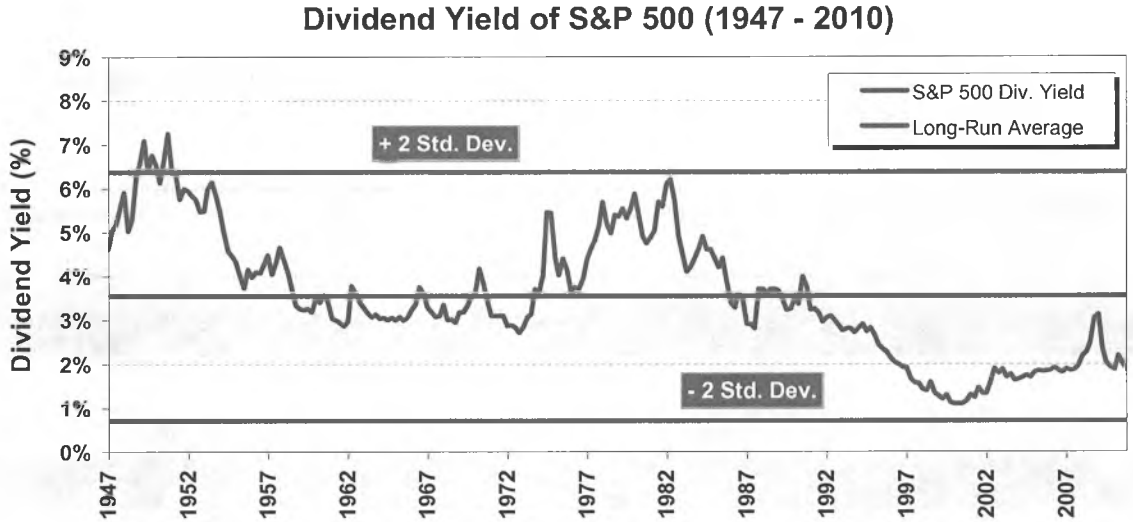
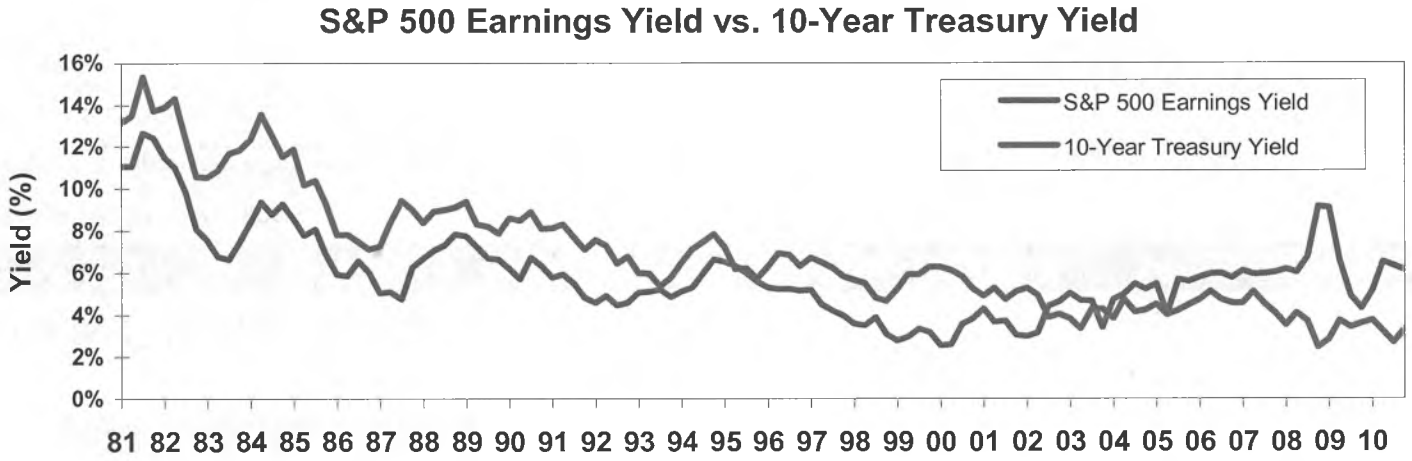
- Reproduced from ING Global Perspectives Q42010

Dividend yields are in line with recent experience but not high.



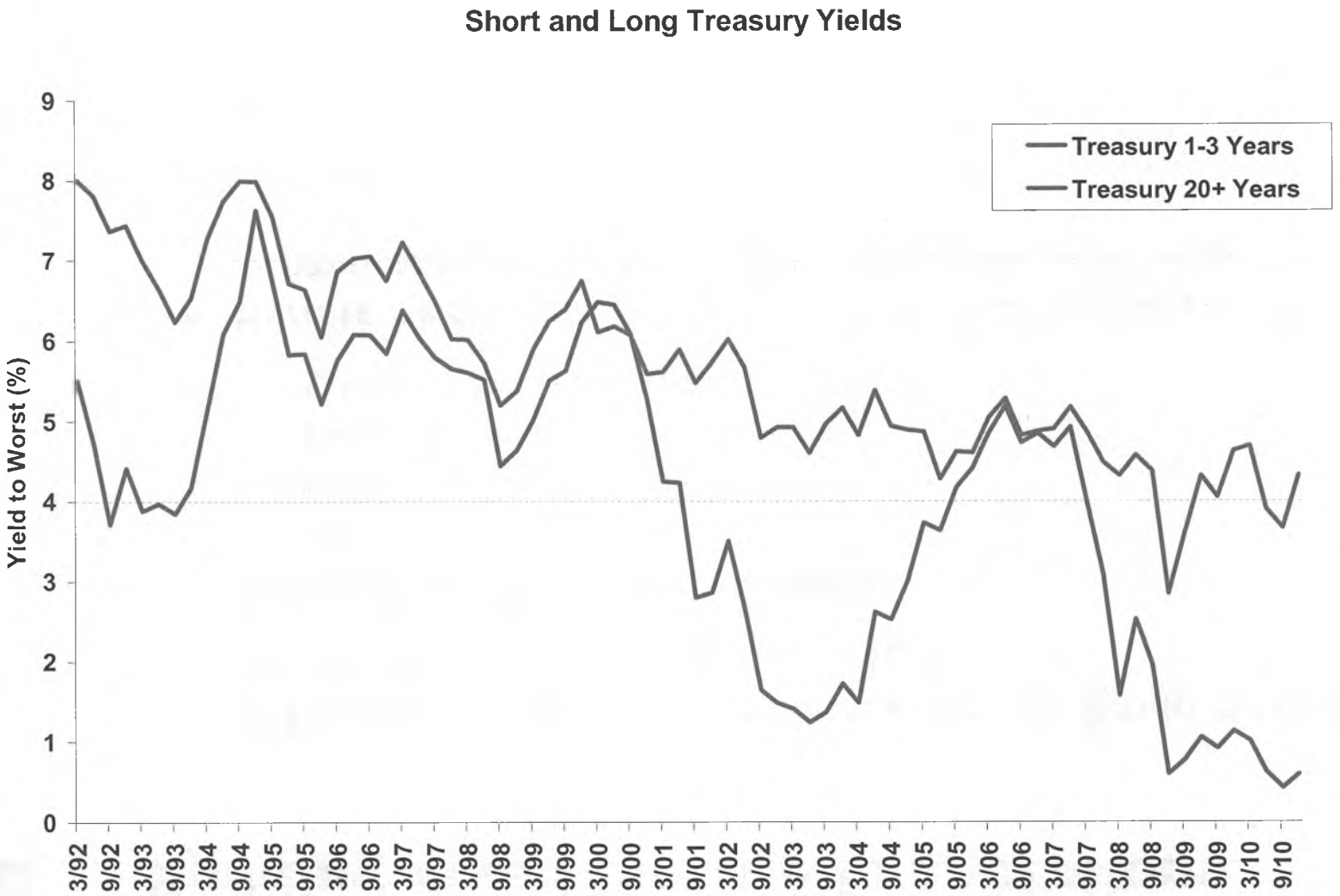
- But earnings yield is attractive relative to bonds



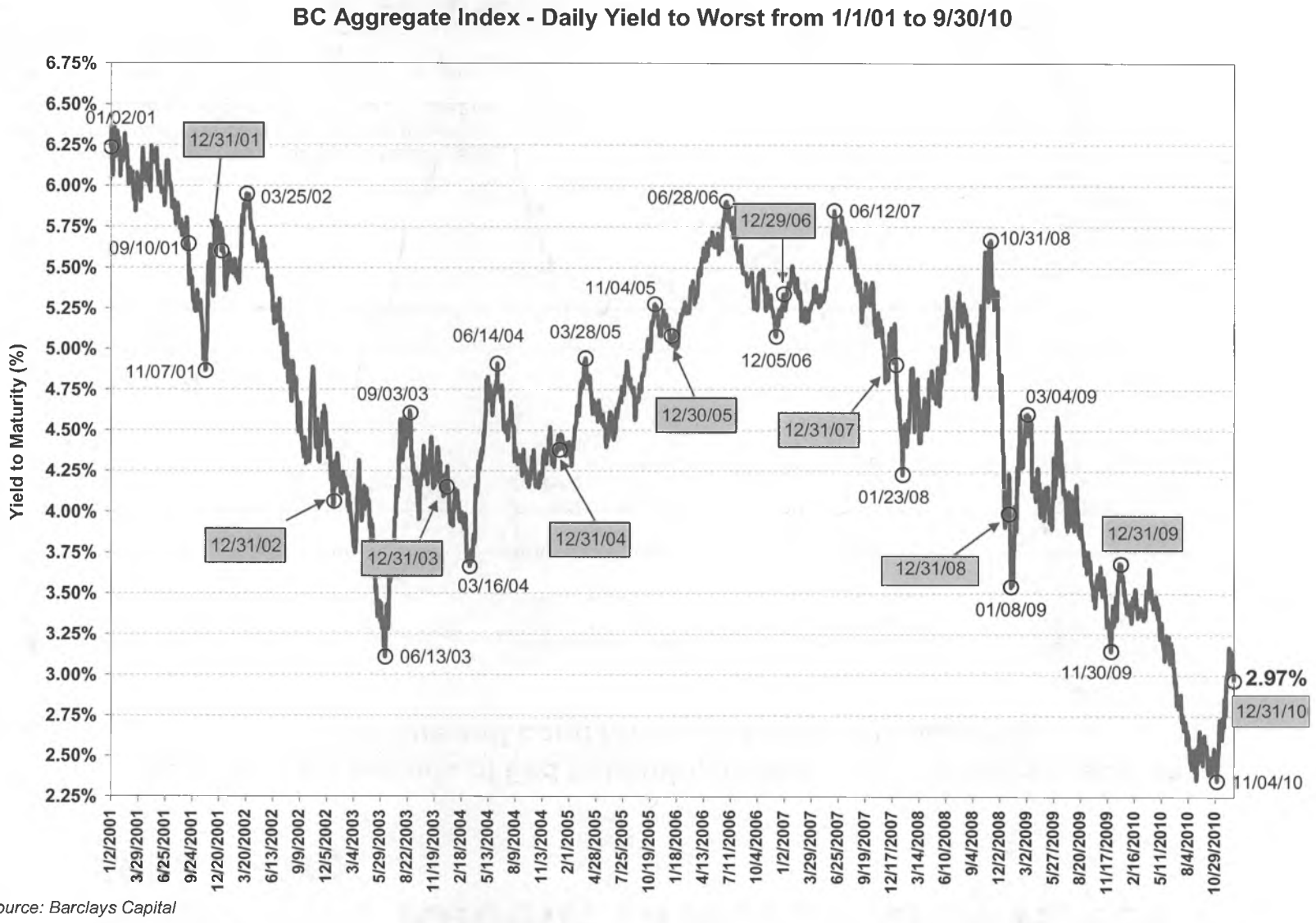
Building Fixed Income Expectations

- **2010 results a surprise – interest rates fell, broad market generated 6.5% return (BC Aggregate).**
- **The path to future return matters:**
  - Inflation
  - Composition of the market
  - Expected spreads and risk premiums
  - Current yields – level, slope of the yield curve.
- **Hard to be enthusiastic about fixed income returns given current environment and likely economic path to growth.**

Yield curve is extraordinarily steep



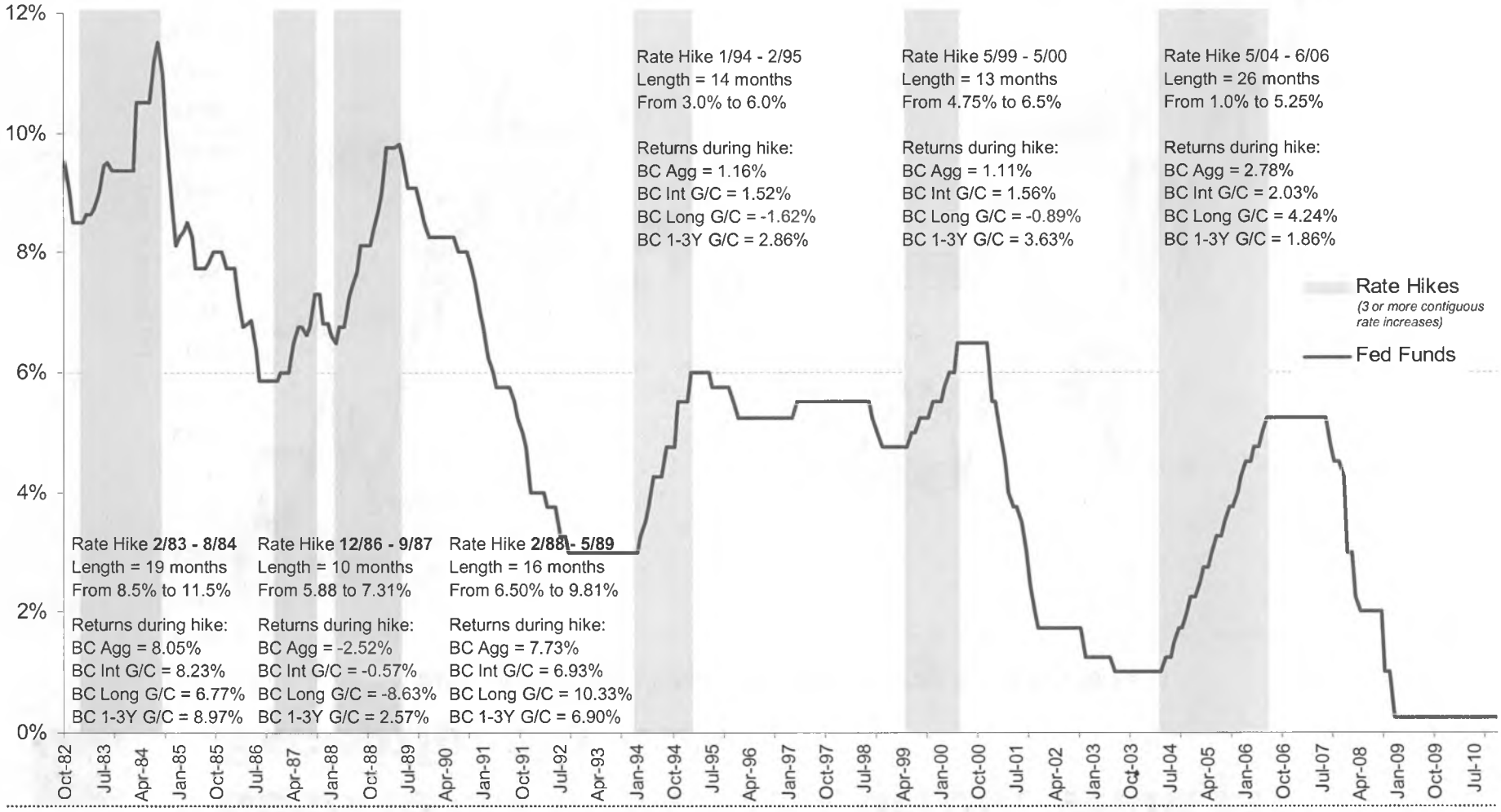
Despite Q4 Increase Current Yield is Exceptionally Low



Source: Barclays Capital

History of Recent Interest Rate Hikes
1982 – 2010

There were six periods of Fed tightening over the past 28 years; each was unique and bond returns were positive in many



Rate Hike Summary

Returns, Yield Curve Shape, and Credit Spreads

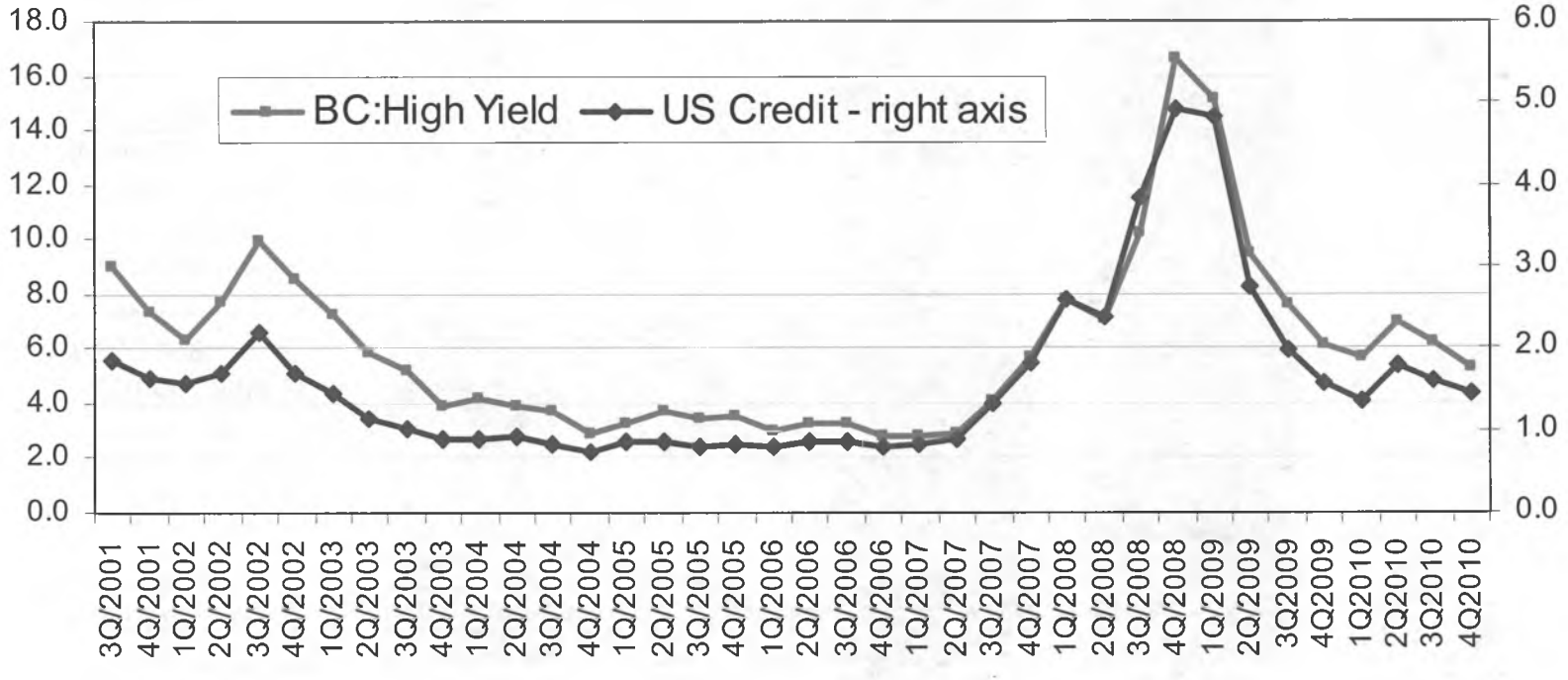
Rate Hike	BC 1-3 Year G/C Returns	BC Agg Returns	BC Long Agg Returns	Yield Curve	Credit Spreads
February 1983 to August 1984	↑↑	↑↑	↑↑	=	↓
December 1986 to September 1987	↑	↓	↓↓	/	↓
February 1988 to May 1989	↑↑	↑↑	↑↑	—	↓
January 1994 to February 1995	↑	↑	↓	=	Unchanged
May 1999 to May 2000	↑	↑	↓	—	↑
May 2004 to June 2006	↑	↑	↑	—	Unchanged

Bond Returns	
↑	Returns between 0% and 5%
↑↑	Returns above 5%
↓	Returns between -5% and 0%
↓↓	Returns below -5%

Yield Curve	
=	Parallel shift
/	Curve steepening
—	Curve flattening

Credit Spreads Widened From Record Lows to Record Highs in 2008 but have returned to more normal levels

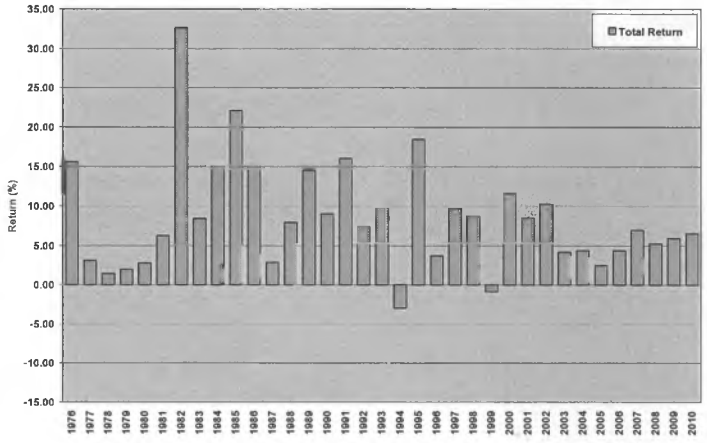
Effective Yield Over Treasurys

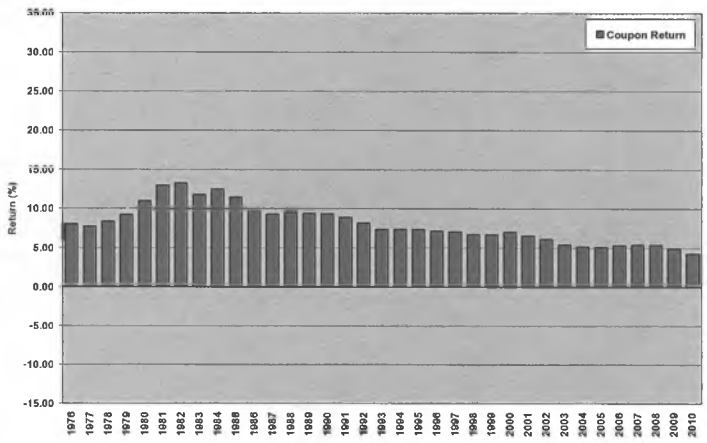


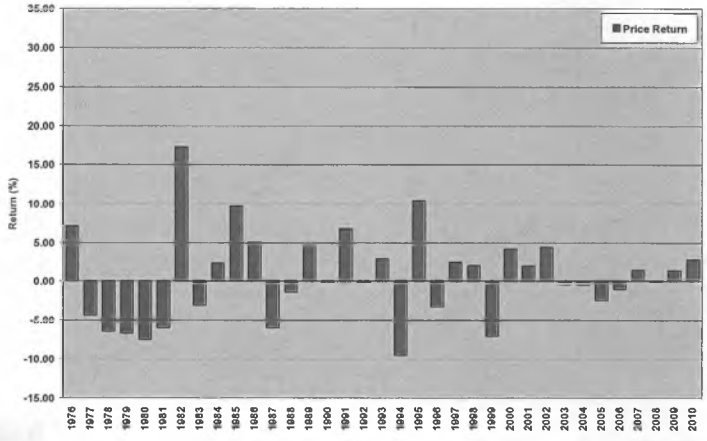
- Option adjusted spreads based on Barclays Capital Indexes
- U.S. Credit = Investment Grade
- High Yield Index on left axis

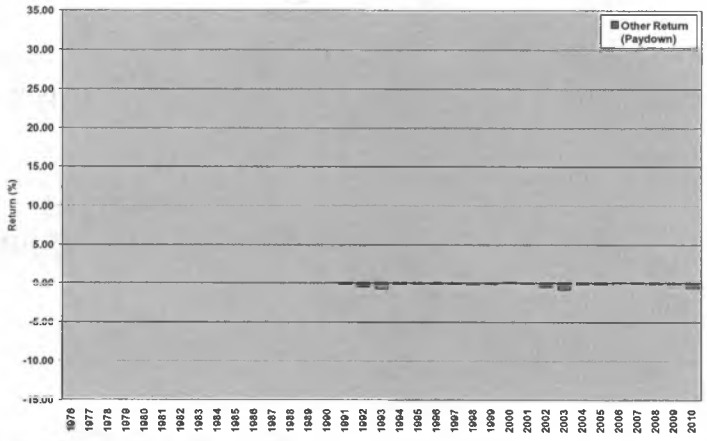
Decomposition of Aggregate Bond Returns
Note shrinking income component

BC Aggregate Index - Annual Return Breakdown









Source: Barclays Capital

2011 Capital Market Expectations – Traditional Asset Categories

Return and Risk

Risk and Return Assumptions
Preliminary

Asset Class	Projected Arithmetic Return	Projected Standard Deviation	5 Yr. Geometric Mean Return	10 Yr. Geometric Mean Return
Broad Domestic Equity	9.35%	18.12%	8.32%	8.15%
Large Cap	9.05%	17.25%	8.13%	7.97%
Small/Mid Cap	10.55%	23.00%	8.76%	8.48%
ACWI exUS	10.06%	20.87%	8.63%	8.40%
EAFE	9.50%	19.75%	8.22%	8.02%
Emerging Markets Equity	11.75%	27.50%	9.09%	8.68%
Private Equity	13.10%	30.00%	9.93%	9.44%
Domestic Fixed	3.80%	4.50%	3.77%	3.76%
High Yield	6.15%	11.55%	5.75%	5.68%
TIPS	3.60%	5.90%	3.51%	3.49%
Non US Fixed	3.75%	9.70%	3.42%	3.38%
Absolute Return	6.25%	10.00%	5.99%	5.94%
Real Estate	7.85%	16.35%	6.98%	6.84%
CommoditiesGS	6.50%	24.00%	4.30%	4.00%
Cash Equivalents	3.00%	0.90%	3.03%	3.03%

Source: Callan Associates Inc.

Illustrative Efficient Mixes – Traditional Characterization

Asset Mix Alternatives

Portfolio Component	Max	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6
Broad Domestic Equity	100%	20%	22%	25%	27%	30%	32%
ACWI exUS	100%	15%	17%	19%	21%	23%	25%
Private Equity	100%	3%	4%	5%	6%	7%	8%
Domestic Fixed	100%	34%	29%	23%	18%	12%	7%
Non US Fixed	100%	4%	4%	4%	5%	5%	5%
High Yield	5%	5%	5%	5%	5%	5%	5%
Absolute Return	5%	5%	5%	5%	5%	5%	5%
TIPS	100%	8%	7%	6%	4%	3%	2%
Real Estate	100%	5%	6%	7%	8%	9%	10%
Cash Equivalents	100%	1%	1%	1%	1%	1%	1%
Totals		100%	100%	100%	100%	100%	100%
Projected Arithmetic Return		6.50%	6.90%	7.30%	7.70%	8.10%	8.50%
Projected Standard Deviation		8.83%	9.99%	11.17%	12.38%	13.61%	14.85%
5 Yr. Geometric Mean Return		6.34%	6.67%	6.99%	7.29%	7.59%	7.86%
10 Yr. Geometric Mean Return		6.30%	6.62%	6.93%	7.21%	7.49%	7.75%

Note that Commodities were excluded and HY & Absolute Return were constrained

APFC Policy Index Projections

Using our basic building blocks, we developed return/risk and correlation projections for the benchmarks used to track the APFC.

Risk and Return Assumptions

Asset Class	Projected Arithmetic Return	Projected Standard Deviation	5 Yr. Geometric Mean Return	10 Yr. Geometric Mean Return
Gbl Equity	9.71%	18.73%	8.61%	8.42%
Gbl Corp Hdg	4.15%	5.80%	4.08%	4.06%
TIPS	3.60%	5.90%	3.51%	3.49%
Gbl Gov Hdg	3.25%	4.30%	3.22%	3.21%
NCREIF	7.85%	16.35%	6.98%	6.84%
Cash Equivalents	3.00%	0.90%	3.03%	3.03%

Asset Mix Correlations

	Gbl Equity	Gbl Corp Hdg	TIPS	Gbl Gov Hdg	NCREIF	Cash Equivalents
Gbl Equity	1.00					
Gbl Corp Hdg	0.21	1.00				
TIPS	(0.11)	0.58	1.00			
Gbl Gov Hdg	(0.38)	0.50	0.38	1.00		
NCREIF	0.72	(0.05)	(0.02)	(0.10)	1.00	
Cash Equivalents	(0.04)	0.05	0.07	0.10	(0.06)	1.00

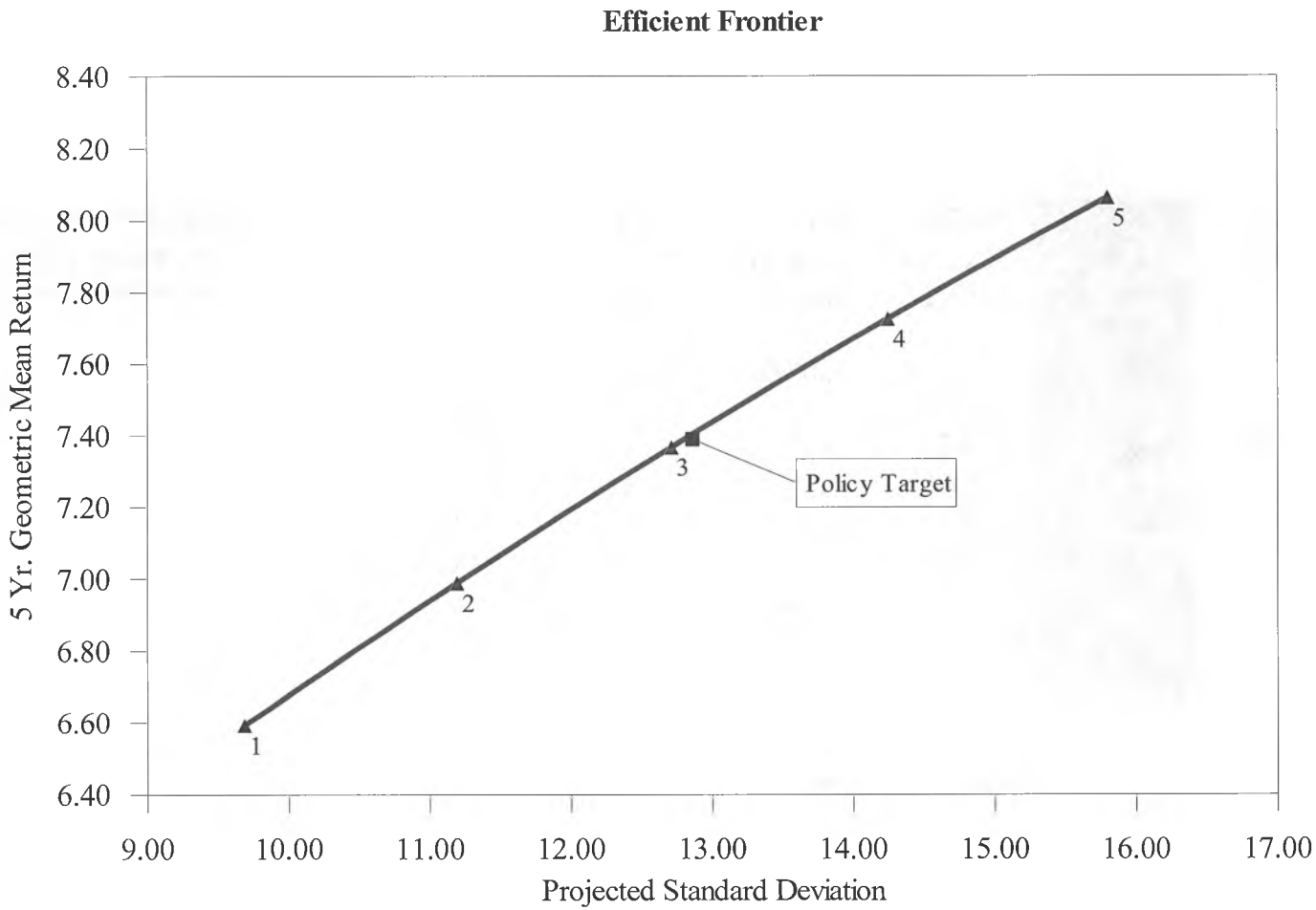
Global Equity = MSCI All Countries World Investable Market Equity Index
Gbl Corp Hdg = BC Global Corporate Bond Index (currency hedged)
TIPS = BC U.S. Treasury Inflation Protected Securities Index
Gbl Gov Hdg = BC Global Government Bond Index (currency hedged)
NCREIF = NCREIF (NPI) index is used as a proxy for "real assets" other than TIPS
Cash Equivalents = 3 month U.S. Treasury Bills

Current Policy versus Efficient Frontier

Asset Mix Alternatives

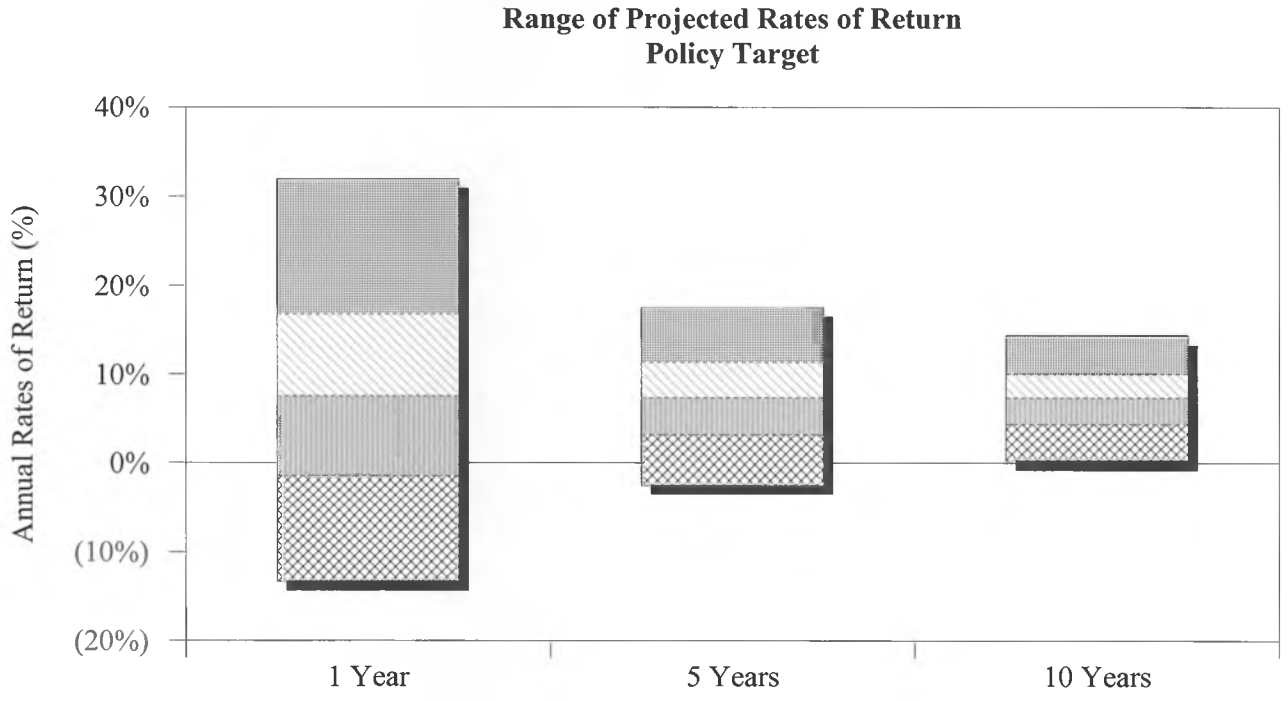
Portfolio Component	Min	Max	Mix 1	Mix 2	Mix 3	Policy Target	Mix 4	Mix 5
Gbl Equity	0.0%	100.0%	50.2%	55.3%	59.2%	59.2%	64.7%	73.7%
Gbl Corp Hdg	0.0%	100.0%	0.0%	4.9%	13.9%	14.8%	18.2%	11.3%
TIPS	0.0%	100.0%	12.5%	10.0%	6.0%	4.5%	1.8%	0.0%
Gbl Gov Hdg	0.0%	100.0%	31.5%	21.1%	8.3%	6.0%	0.0%	0.0%
NCREIF	0.0%	100.0%	5.8%	8.7%	12.6%	13.5%	15.3%	15.0%
Cash Equivalents	0.0%	100.0%	0.0%	0.0%	0.0%	2.0%	0.0%	0.0%
Totals			100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Projected Arithmetic Return			6.80%	7.30%	7.80%	7.84%	8.30%	8.80%
Projected Standard Deviation			9.69%	11.19%	12.71%	12.86%	14.25%	15.80%
10 Yr. Geometric Mean Return			6.54%	6.92%	7.28%	7.30%	7.62%	7.93%

Efficient Frontier



Expected Range of Returns 1, 5, & 10 years

Note – the 5th to 95th percentiles are shown. More extreme outcomes are always possible.



	1 Year	5 Years	10 Years
5th Percentile	31.94%	17.54%	14.33%
25th Percentile	16.78%	11.36%	10.06%
Median	7.54%	7.33%	7.30%
75th Percentile	(1.39%)	3.24%	4.41%
95th Percentile	(13.29%)	(2.45%)	0.28%

Alaska Permanent Fund

Designed for Sustainability

Alaska Permanent Fund Corporation

FY2010 performance

Total return	11.7%
Benchmark return	10.2%
Ending balance	$33.3 billion
Change from FY10	$ 3.4 billion
Dividend	$858 million

FY2011 performance as of Dec. 31

Total return	14.5%
Benchmark return	16.6%
Ending value	$38.4 billion
Change from FY10	$ 5.1 billion

Renewable resource

$14.7 billion

deposited in Fund to date

$18.4 billion

dividends paid to date

$39 billion

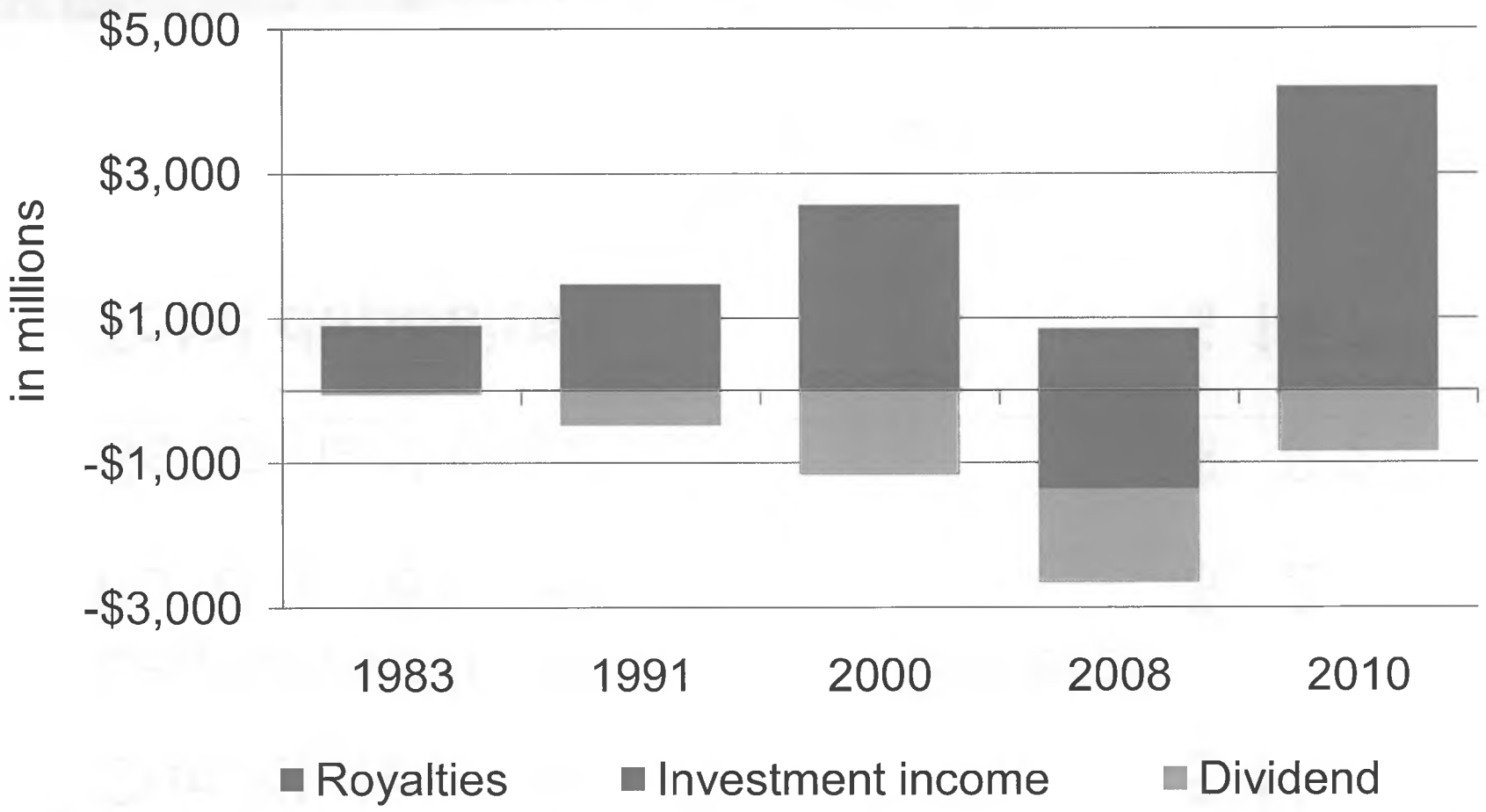
current value

Fund deposits

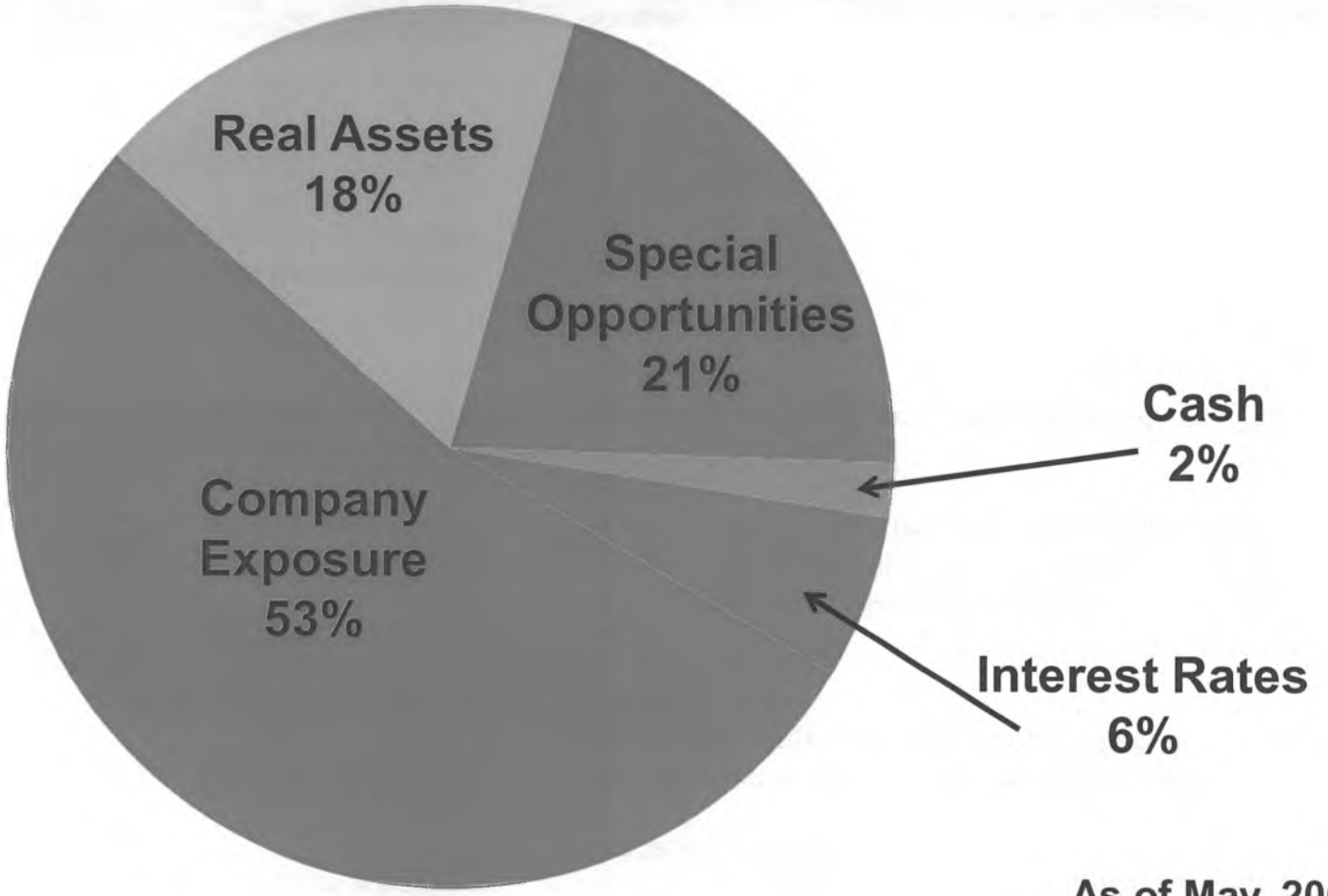
Constitutional royalty deposits	$ 11.8
Legislative transfers from General Fund (FY81 - 85)	$ 2.7
Settlement deposits	$ 0.2
Total deposits	**$ 14.7**

in billions
as of June 30, 2010

Inflow and outflow



Risk based asset allocation



As of May, 2009

Risk allocation groups

Interest rates
Purpose: Securities with low credit risk usually perform better than other investments in times of deflation or market crises.

Components: U.S. Treasury bonds and non-U.S. government bonds.

Company exposure
Purpose: When the economy is performing well, most public and private companies are performing well. Investing in these corporations allows the Permanent Fund to benefit in times of growth and prosperity.

Components: U.S. and non-U.S. stocks, Corporate investment grade and high yield bonds, bank loans and private equity

Real assets
Purpose: The value of real assets hedges inflation risk, helping protect the Fund's real value over time.

Components: Real estate, infrastructure and TIPS

Special opportunities
Purpose: This allocation allows the Permanent Fund to invest in special opportunities and to take advantage of dislocations in the markets.

Components: Absolute return, distressed debt, commercial mortgage backed bonds, other strategies as they arise.

Cash
Purpose: The cash allocation is designed to let the Fund build up reserves over the course of the year to meet its expected liabilities, primarily the annual dividend payment each July.

Components: liquid investments with durations of less than 12 months.

Dollar Allocation Limits by Risk Class (1/31/2011)

Cash (2%)



Interest Rates (6%)



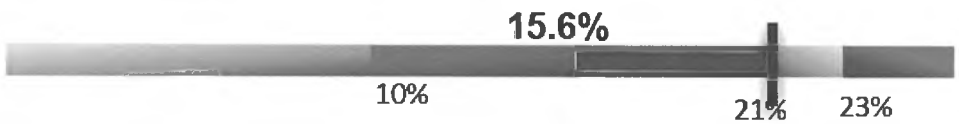
Company Exposure (53%)



Real Assets (18%)

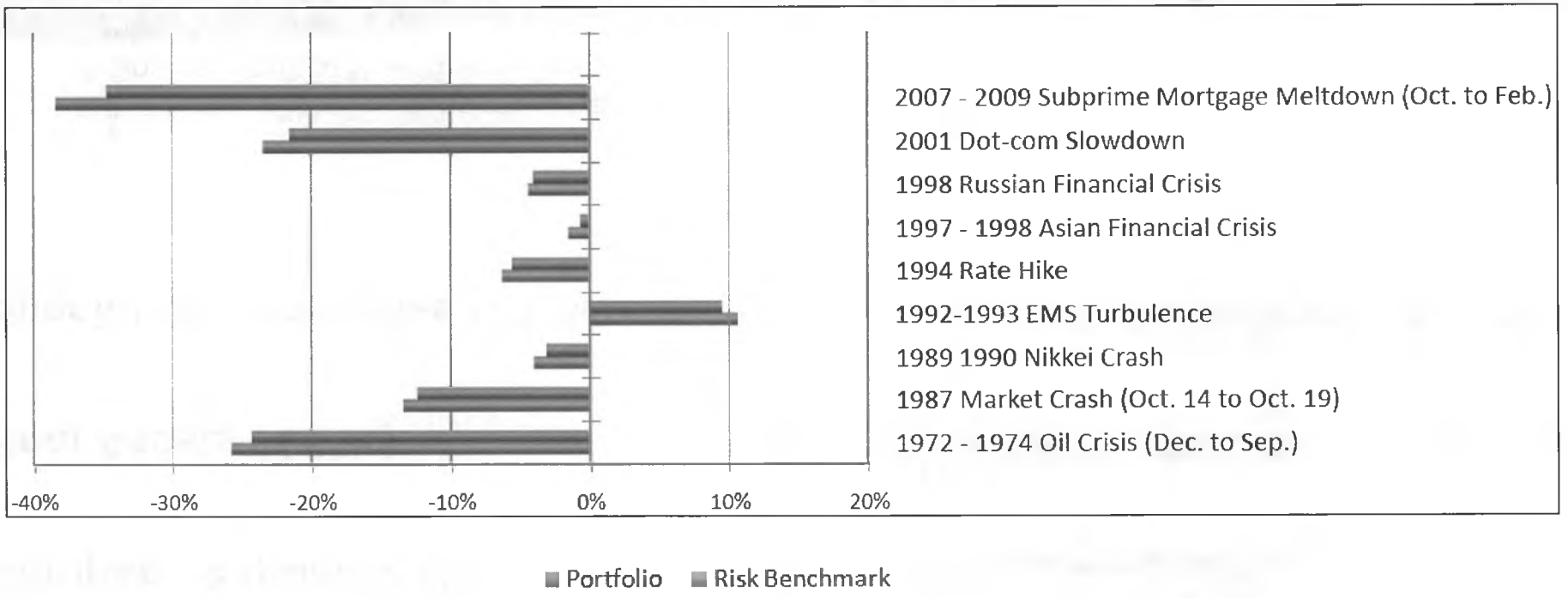


Special Opportunities (21%)



1- ▌ = Policy allocation benchmark per Investment Policy 10-05
2- Source: Bank of New York Mellon

Tail Risk: Scenarios (1/31/2011)

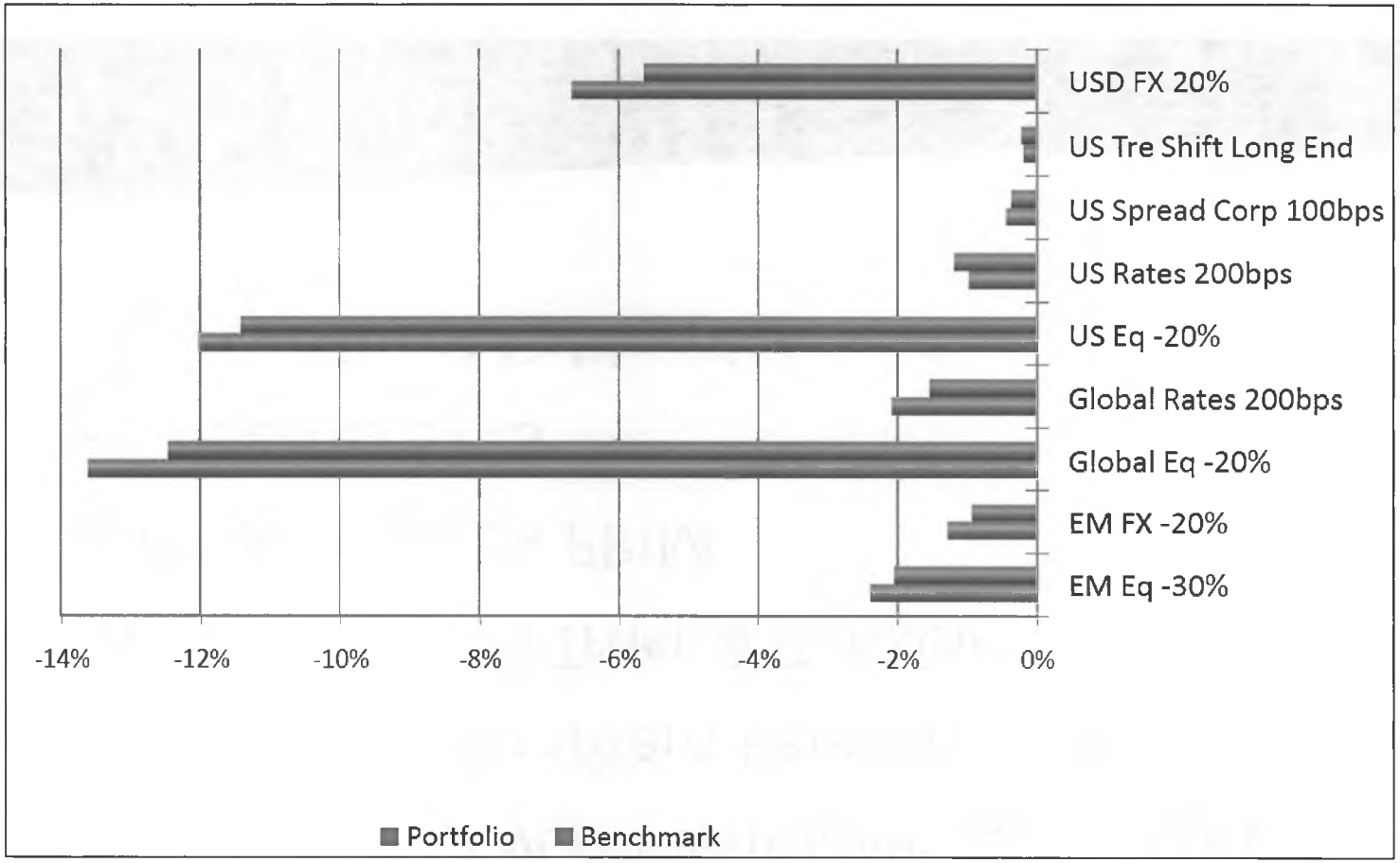


1-Risk Benchmark: 2% T-Bills, 6% Barclays Global Treasury Hedged, 14.8% Barclays Global Corporate Hedged, 59.2% MSCI ACWI, 13.5% NCREIF, 4.5% Barclays US TIPS

2-Real estate and infrastructure are modeled as real estate investment trusts

3-Source: Bank of New York Mellon

Tail Risk: Stress Tests (1/31/2011)



1-Risk Benchmark: 2% T-Bills, 6% Barclays Global Treasury Hedged, 14.8% Barclays Global Corporate Hedged, 59.2% MSCI ACWI, 13.5% NCREIF, 4.5% Barclays US TIPS

2-Real estate and infrastructure are modeled as real estate investment trusts

3-Source: Bank of New York Mellon, MSCI Barra

Peer recognition

- aiCIO Industry Innovation Award
- Public and private fund managers
  - Singapore Government Investment Corp
  - Norway Government Pension Fund
  - Mitsubishi UFJ Trust & Banking
  - Massachusetts PRIM
  - California STRS
  - University of California

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

SEAN PARNELL, GOVERNOR
333 Willoughby Avenue, 11th Floor
P.O. Box 110400
Juneau, Alaska 99811-0400
Phone: (907) 465-2300
Fax: (907) 465-2389

March 1, 2012

The Honorable Bert Stedman
The Honorable Lyman Hoffman
Co-Chairs, Senate Finance Committee
Alaska State Senate
Juneau, AK 99801

Dear Senators Stedman and Hoffman:

During the Senate Finance Committee hearing on February 22, I was asked what the value of the PERS and TERS funds would have grown to had they achieved the annual estimated return rate adopted by the Alaska Retirement Management Board (ARMB) and its predecessor board, the Alaska State Pension Investment Board. The calculation is more complex than would initially be expected because of the hundreds of cash flows into and out of the funds due to multiple employer receipts as well as pension and health care payments.

We have attempted to provide a fair estimate of the calculation you requested by using fund balances at the beginning of the fiscal year and adjusting for net cash flows throughout the fiscal year. The attached table is the result of our computations.

Please advise me if I can be of further assistance.

Sincerely,

Angela Rodell

Angela Rodell
Deputy Commissioner

Enclosure

cc: Darwin Peterson, Senate Finance Committee Aide

PERS	Starting 6/30/01 Balance ($MM):	$ 8,081.5	TRS	Starting 6/30/01 Balance ($MM):	$ 4,076.1
	Target Return	Actual Return		Target Return	Actual Return
FY02	$ 8,493.70	$ 7,411.60	FY02	$ 4,225.42	$ 3,686.71
FY03	$ 8,883.59	$ 7,399.29	FY03	$ 4,345.38	$ 3,609.95
FY04	$ 9,248.80	$ 8,172.60	FY04	$ 4,450.83	$ 3,908.93
FY05	$ 9,650.67	$ 8,577.49	FY05	$ 4,563.31	$ 4,022.10
FY06	$ 10,180.03	$ 9,350.00	FY06	$ 4,710.57	$ 4,278.15
FY07	$ 10,767.32	$ 10,858.88	FY07	$ 4,871.49	$ 4,847.34
FY08	$ 11,833.17	$ 10,698.34	FY08	$ 5,234.54	$ 4,670.34
FY09	$ 12,692.03	$ 8,428.65	FY09	$ 5,639.46	$ 3,691.39
FY10	$ 13,627.93	$ 9,172.66	FY10	$ 6,006.02	$ 3,972.28
FY11	$ 14,932.45	$ 11,348.76	FY11	$ 6,386.91	$ 4,705.75

Note: the balances above begin with the 6/30/2001 balance of PERS and TRS, then separately roll forward the target return and the actual return. Non-investment-related cash flows are assumed to occur at the start of the year in question.

3/31/11 DEPARTMENT OF TRANSPORTATION OVERVIEW: ROADS TO RESOURCES

<TARGET><BILL></BILL><SUBJECT>3-31-11 DEPARTMENT OF TRANSPORTATION OVERVIEW ROADS TO RESOURCES</SUBJECT><COMM>SFIN27</COMM></TARGET>

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

Senator Bert Stedman, Co-Chair
State Capitol, Room 516
Juneau, AK 99801-1182
(907) 465- 3873 - Phone
(907) 465-3922 - Fax
Senator_Bert_Stedman@legis.state.ak.us

Official Business

Senator Lyman Hoffman, Co-Chair
State Capitol, Room 518
Juneau, AK 99801-1182
Phone - (907) 465- 4453
Fax - (907) 465- 4523
Senator_Lyman_Hoffman@legis.state.ak.us

AGENDA

Thursday, March 31, 2011
9:00 AM

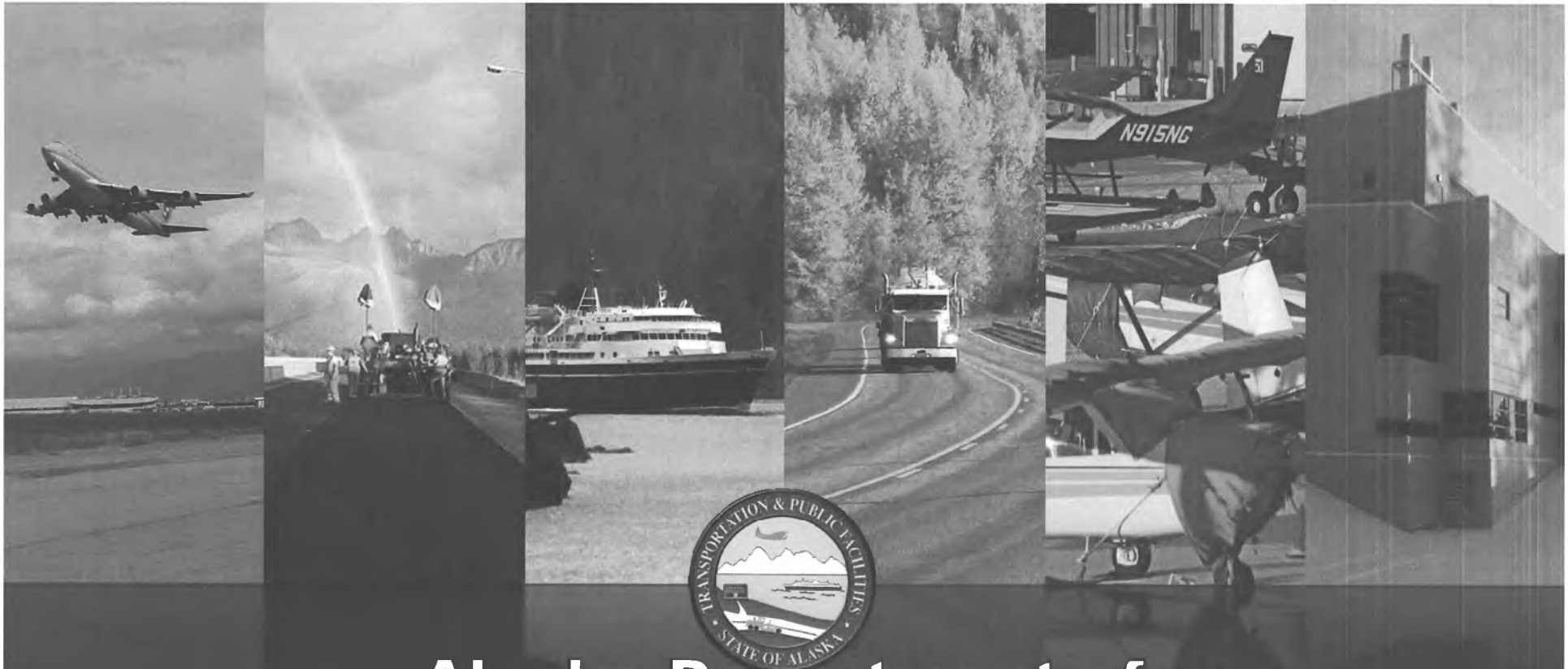
Department of Transportation Overview: Roads to Resources

Testifiers:

Pat Kemp - Deputy Commissioner for Highways & Facilities, DOTPF

Al Clough - Project Manager, Resource Roads, DOTPF

Laura Baker - Admin. Services Director, DOTPF



Alaska Department of Transportation & Public Facilities

Roads to Resources

Senate Finance Presentation

Patrick Kemp, P.E.
Deputy Commissioner

Al Clough, P. Geo.
Project Manager

March 25, 2011



Roads to Resources Program

- Alaska has exceptionally diverse natural resource base
- Surface access to most potential sites is non-existent
- Alaska has been unable to fully develop a surface transportation system to enhance resource development & community access



Evolution of the Alaska Highway System

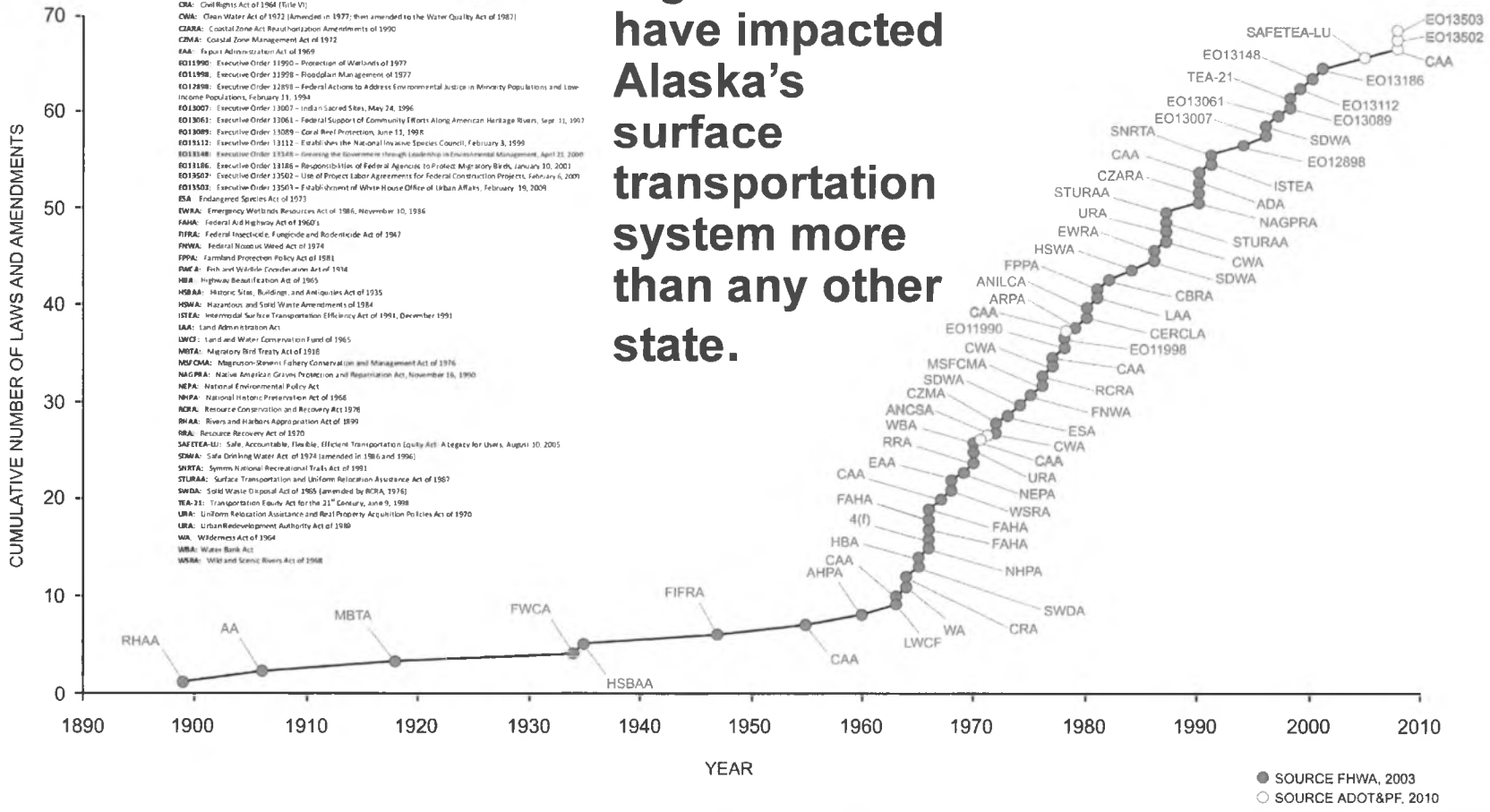
- Alaska Road Commission & Bureau of Public Roads construct initial roads in territorial days
- Newly created Department of Highways started developing a highway network to access Alaska communities & resources
- A transportation policy to connect all communities with population of 2,000 or more was adopted
- 1964 Earthquake and 1967 flood resulted in capital dollars used to repair and not expand the surface transportation system
- 1968 Federal Highway Act shifted policy towards funding urban areas rather than rural
- 1969 Rapid expansion of federal environmental laws including NEPA
- Cost to develop new roads versus need to improve existing roads
- Last significant public road built in Alaska was Klondike Highway in 1978

Alaska's Environmental Permitting Challenges

Acronym – Description

4(f): Section 4(f) of the Department of Transportation Act of 1966
AA: American Antiquities Act of 1906
ADA: Americans with Disabilities Act of 1990 (also ADA Amendments Act of 2008)
AHPA: Archeological and Historic Preservation Act of 1974 (Expansion of Reservoir Salvage Act of 1960)
ANCSA: Alaska Native Claims Settlement Act, 1971
ANILCA: Alaska National Interest Lands Conservation Act, 1980
ARPA: Archaeological Resources Protection Act of 1979
CAA: Air Pollution Control Act of 1955 (later replaced by Clean Air Act of 1963, amended in 1970, 1977, 1990; Endangerment finding regarding greenhouse gases, 2009)
CBRA: Coastal Barrier Resources Act of 1982
CERCLA: Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (Superfund)
CRA: Civil Rights Act of 1964 (Title VI)
CWA: Clean Water Act of 1972 (Amended in 1977; then amended to the Water Quality Act of 1987)
CZARA: Coastal Zone Act Reauthorization Amendments of 1990
CZMA: Coastal Zone Management Act of 1972
FAA: Export Administration Act of 1969
EO11990: Executive Order 11990 – Protection of Wetlands of 1977
EO11998: Executive Order 11998 – Floodplain Management of 1977
EO12898: Executive Order 12898 – Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations, February 11, 1994
EO13007: Executive Order 13007 – Indian Sacred Sites, May 24, 1996
EO13061: Executive Order 13061 – Federal Support of Community Efforts Along American Heritage Rivers, Sept 11, 1997
EO13089: Executive Order 13089 – Coral Reef Protection, June 11, 1998
EO13112: Executive Order 13112 – Establishes the National Invasive Species Council, February 3, 1999
EO13148: Executive Order 13148 – Greening the Government through Leadership in Environmental Management, April 21, 2000
EO13186: Executive Order 13186 – Responsibilities of Federal Agencies to Protect Migratory Birds, January 10, 2001
EO13502: Executive Order 13502 – Use of Project Labor Agreements for Federal Construction Projects, February 6, 2009
EO13503: Executive Order 13503 – Establishment of White House Office of Urban Affairs, February 19, 2009
ESA: Endangered Species Act of 1973
EWRA: Emergency Wetlands Resources Act of 1986, November 10, 1986
FAHA: Federal Aid Highway Act of 1960's
FIFRA: Federal Insecticide, Fungicide and Rodenticide Act of 1947
FNWA: Federal Noxious Weed Act of 1974
FPPA: Farmland Protection Policy Act of 1981
FWCA: Fish and Wildlife Coordination Act of 1934
HBA: Highway Beautification Act of 1965
HSBAA: Historic Sites, Buildings, and Antiquities Act of 1935
HSWA: Hazardous and Solid Waste Amendments of 1984
ISTEA: Intermodal Surface Transportation Efficiency Act of 1991, December 1991
LAA: Land Administration Act
LWCF: Land and Water Conservation Fund of 1965
MBTA: Migratory Bird Treaty Act of 1918
MSFCMA: Magnuson-Stevens Fishery Conservation and Management Act of 1976
NAGPRA: Native American Graves Protection and Repatriation Act, November 16, 1990
NEPA: National Environmental Policy Act
NHPA: National Historic Preservation Act of 1966
RCRA: Resource Conservation and Recovery Act 1976
RHAA: Rivers and Harbors Appropriation Act of 1899
RRA: Resource Recovery Act of 1970
SAFETEA-LU: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, August 10, 2005
SDWA: Safe Drinking Water Act of 1974 (amended in 1986 and 1996)
SNRTA: Symms National Recreational Trails Act of 1991
STURAA: Surface Transportation and Uniform Relocation Assistance Act of 1987
SWDA: Solid Waste Disposal Act of 1965 (amended by RCRA, 1976)
TEA-21: Transportation Equity Act for the 21st Century, June 9, 1998
URA: Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970
URA: Urban Redevelopment Authority Act of 1989
WA: Wilderness Act of 1964
WBA: Water Bank Act
WSRA: Wild and Scenic Rivers Act of 1968

Ever growing federal regulations have impacted Alaska's surface transportation system more than any other state.

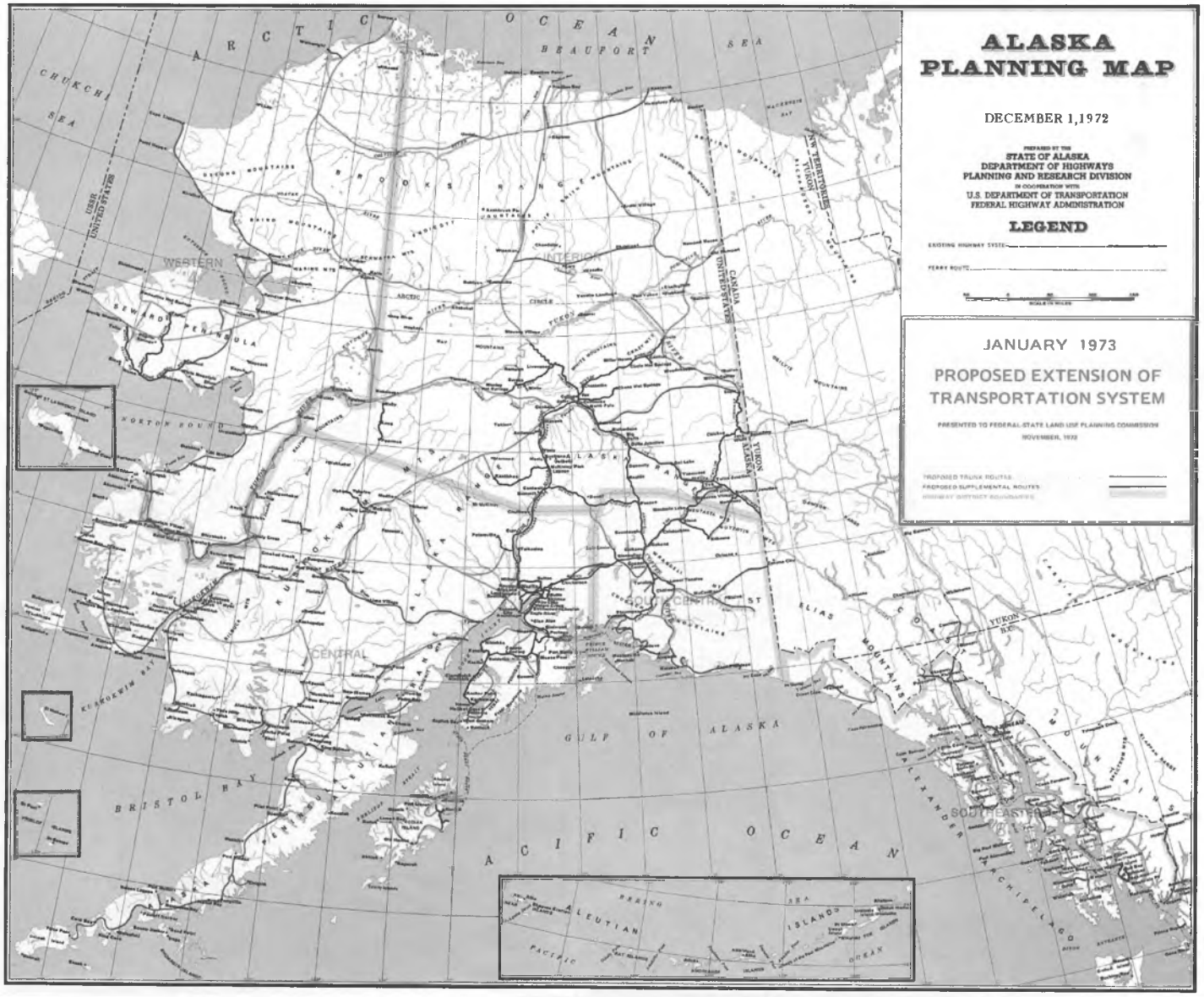




Statutory Purpose of DOT/PF

- *AS 19.05.125 - The purpose of AS 19.05- AS 19.25 is to establish a highway department capable of carrying out a highway planning, construction, and maintenance program that will provide a common defense to the United States and Alaska, a network of highways linking together cities and communities throughout the state (thereby contributing to the development of commerce and industry in the state, and aiding the extraction and utilization of its resources), and otherwise improve the economic and general welfare of the people of the state.*

Early Surface Transportation Goals



The development of Alaska's surface transportation has been a goal since before statehood.

Roads to Resources Program

- Working closely with Department of Natural Resources and other state agencies along with the private sector to identify resource areas
- Road standards and unit costs are being instituted through discussions with development entities, contractors and Alaska General Contractors
- Develop a matrix-based system that identifies decision factors for access roads/infrastructure & named projects
- Prioritize the list for possible inclusion in the annual capital budget

Resources Road Decision Matrix

Project Details, Benefits/Costs

PROJECTS

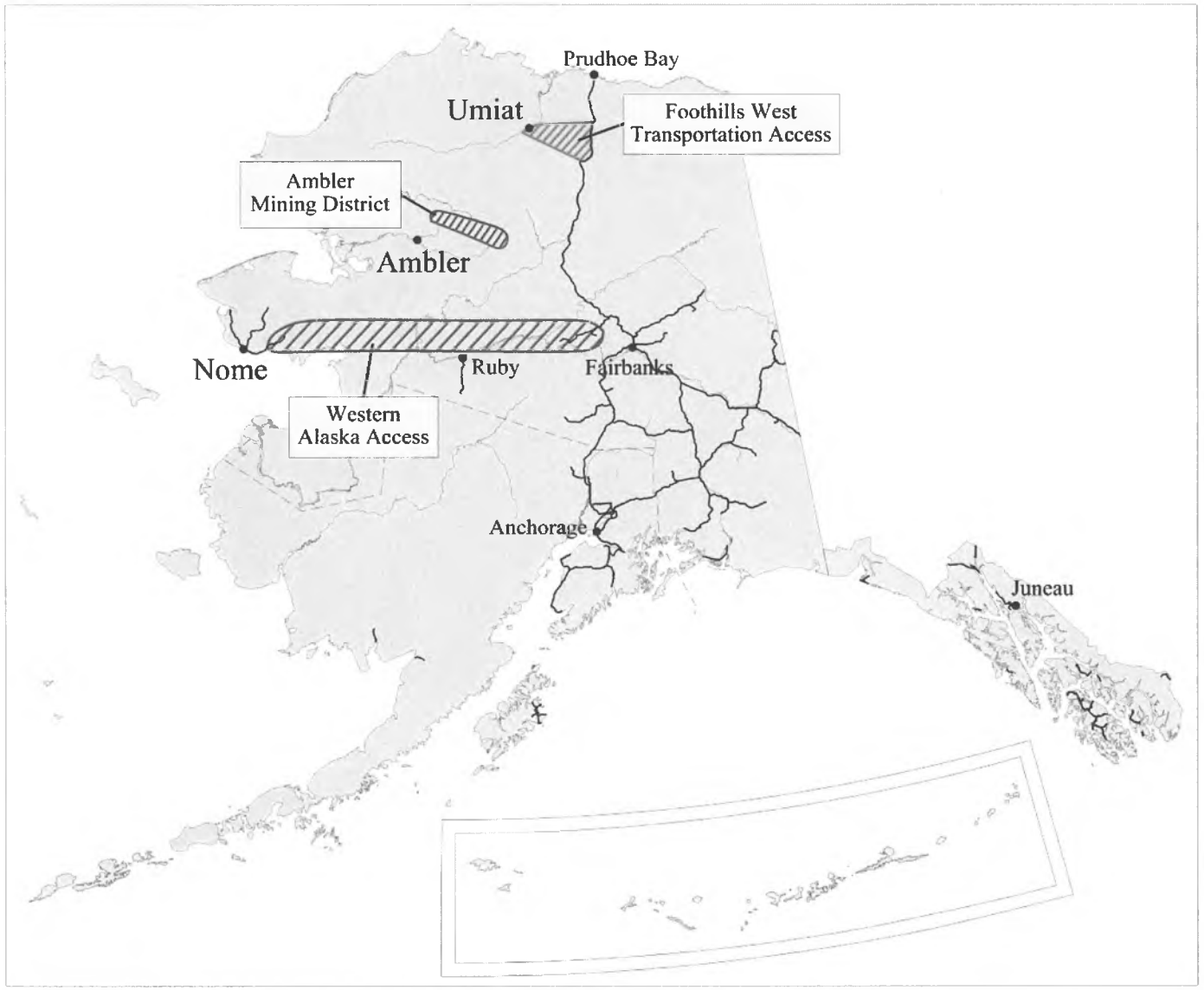
	Resource Type	Estimated Road Cost	Road Length	Direct Jobs	Indirect Jobs	Revenue to State	Life of Resource Project	Number of Communities Accessed	Other Resource Opp	Community Energy Opp	Candidate for PPP
Project A											
Project B											
Project C											
Project D											

- Matrix is an example of how various projects may be evaluated

Phased Funding

- Environmental permitting & design accomplished by the DOT&PF
- Construction will likely be funded jointly by the State & the developer (private/public partnership)
- Roads will be constructed "long and skinny" for industrial use. Upgrade to public road standards would be considered after revenues began flowing
- State would recover investment through a number of methods, IUH, AIDEA, Bonds, GF, etc.

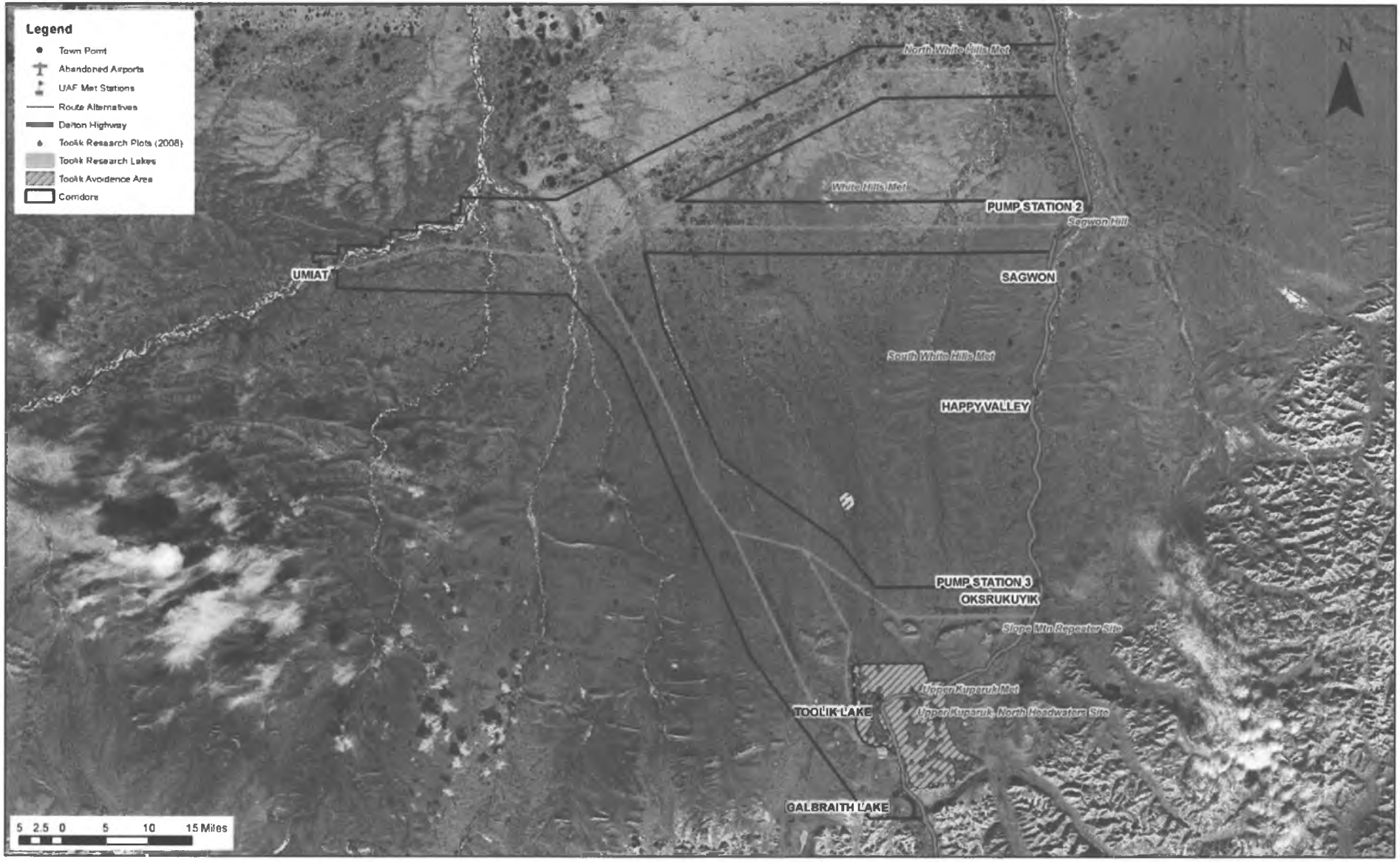
Current Roads to Resources Projects



DOT&PF's projects:

- Foothills West Transportation Access (Umiat Oil & Gas)
- Ambler Mining District
- Western Alaska Access (Road to Nome)

Foothills West Transportation - Road to Umiat

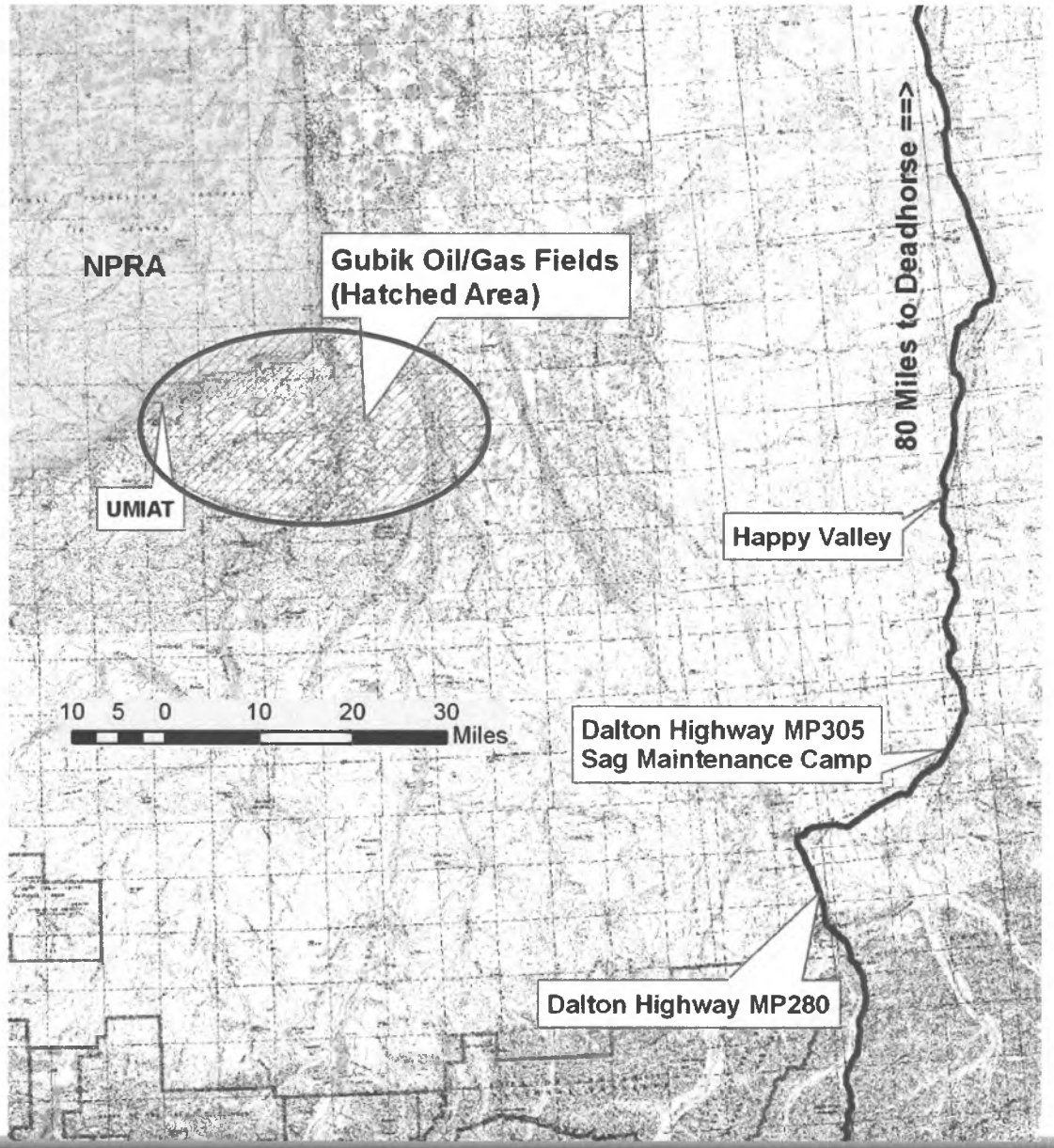


Alaska Department of Transportation and Public Facilities

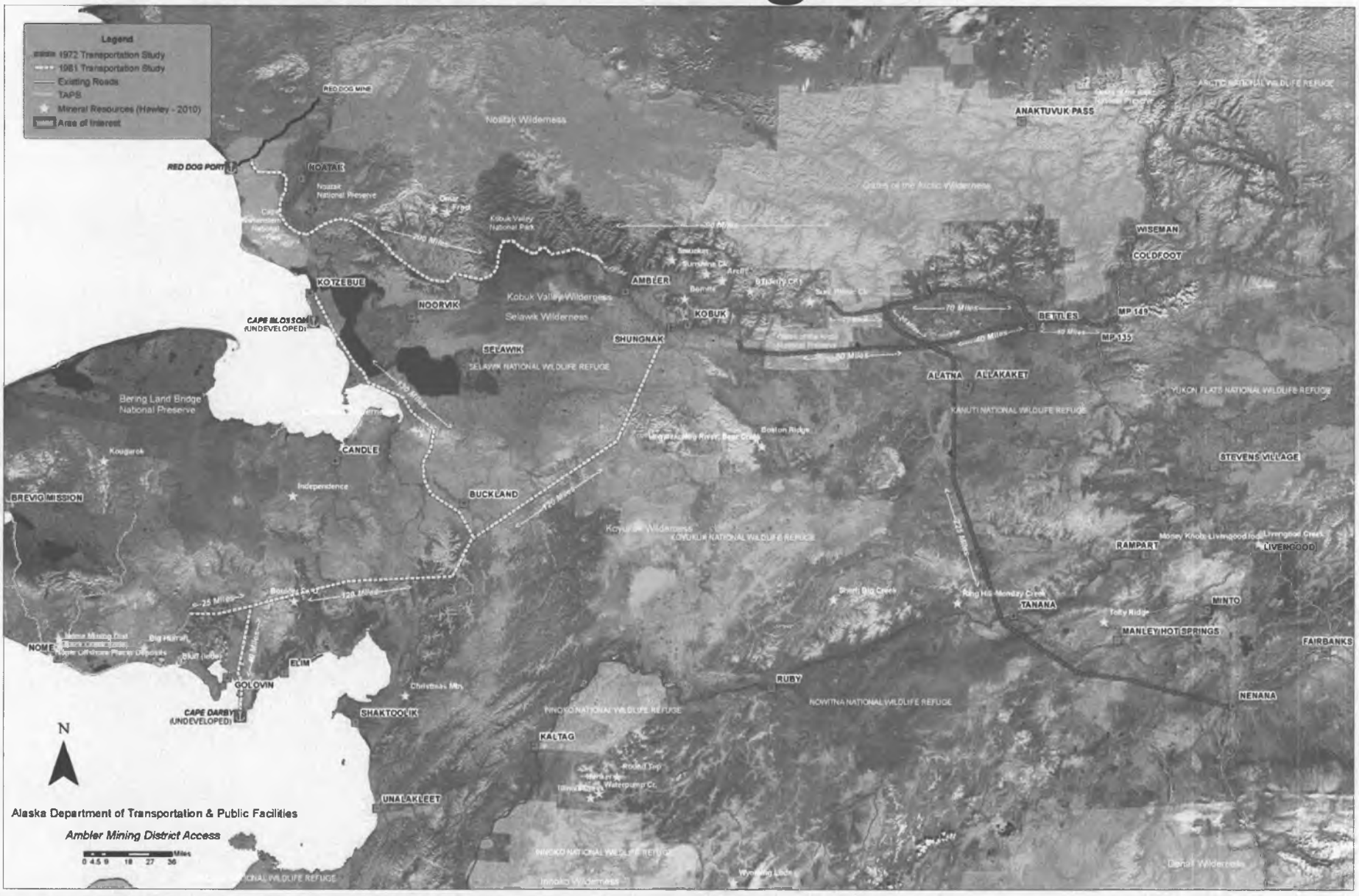
Foothills West Project

Umiat Oil & Gas Fields

- Currently only ice road or air access
- Access corridor extends 90 miles NW of Dalton Hwy, starting at Galbraith Lake
- Provides access to 580 mm bbl oil and 7 trillion cubic feet of natural gas
- Opens adjacent lands for cost effective exploration
- Provides access portal into NPRA
- Aggressive timeline for Spring 2013 construction start
- Project EIS and specific permitting work begins with FY12 funding request



Ambler Mining District

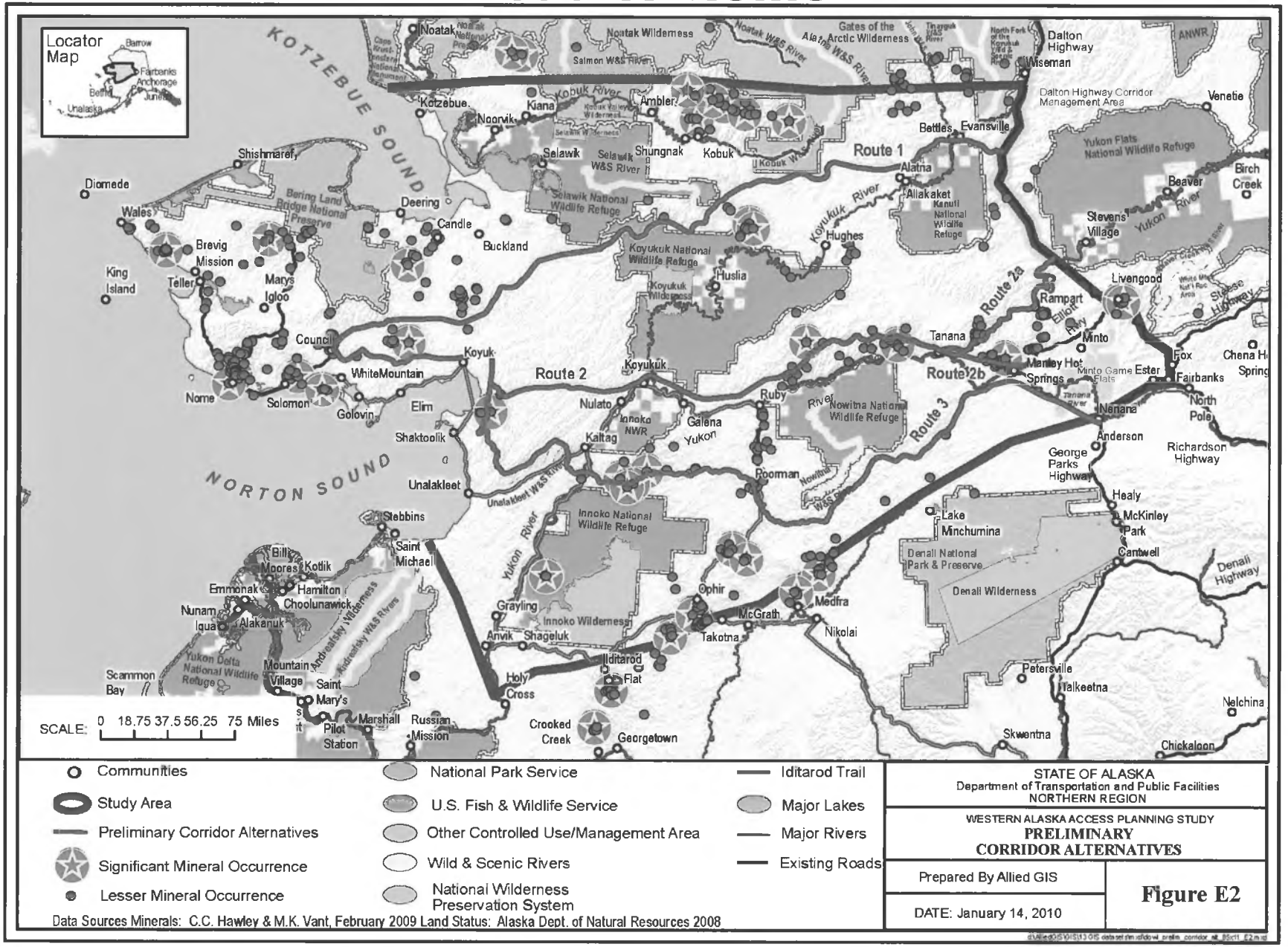


Ambler Mining District

- Contains over 120 million tons: Cu, Zn, Pb, Ag, Au resources
- Upside exploration potential is outstanding
- Ongoing active exploration in district
- Development of Arctic deposit would create over 300 direct jobs for Nova Gold proposal
- FY12 Funding request will provide detailed subsistence studies and research with communities in region to be used for corridor selection and refinement



Road to Nome



Locator Map
Barrow
Fairbanks
Anchorage
Bethel
Juneau
Unalaska
KOTZEBUE SOUND
NORTON SOUND
Noatak
Noatak Wilderness
Salmon W&S River
Noatak W&S River
Gates of the Arctic Wilderness
Alatna W&S River
Dalton Highway
Wiseman
Dalton Highway Corridor Management Area
Venetie
Kotzebue
Noorvik
Kiana
Kobuk River
Ambler
Selawik
Selawik W&S River
Shungnak
Kobuk
Bettles
Evansville
Route 1
Alatna
Allakaket
Kanuti National Wildlife Refuge
Yukon Flats National Wildlife Refuge
Beaver
Birch Creek
Stevens Village
Yukon River
Shishmaref
Diomede
Wales
Bering Land Bridge National Preserve
Deering
Candle
Buckland
Selawik National Wildlife Refuge
Koyukuk National Wildlife Refuge
Koyukuk Wilderness
Koyukuk River
Hughes
Huslia
Brevig Mission
King Island
Teller
Marys Igloo
Council
Koyuk
Route 2
Koyukuk
Route 2a
Rampart
Livengood
Steese Highway
Tanana
Minto
Manley Hot Springs
Minto Game Flats
Ester
Fox
Fairbanks
Chena Hot Springs
Route 2b
Route 3
Nome
Solomon
WhiteMountain
Golovin
Elim
Nulato
Innoko NWR
Galena
Yukon
Ruby
Nowitna National Wildlife Refuge
Nenana
North Pole
Shaktoolik
Kaltag
Anderson
George Parks Highway
Richardson Highway
Unalakleet
Unalakleet W&S River
Poorman
Nowitna W&S River
Healy
McKinley Park
Cantwell
Stebbins
Saint Michael
Innoko National Wildlife Refuge
Lake Minchumina
Denali National Park & Preserve
Denali Wilderness
Denali Highway
Bill Moores
Kotlik
Emmonak
Hamilton
Choolunawick
Nunam Iqua
Alakanuk
Andreafsky Wilderness
Andreafsky W&S Rivers
Yukon River
Grayling
Innoko Wilderness
Ophir
McGrath
Medfra
Nikolai
Takotna
Anvik
Shageluk
Iditarod Flat
Holy Cross
Yukon Delta National Wildlife Refuge
Scammon Bay
Mountain Village
Saint Mary's
Pilot Station
Marshall
Russian Mission
Crooked Creek
Georgetown
Petersville
Talkeetna
Nelchina
Skwentna
Chickaloon
SCALE: 0 18.75 37.5 56.25 75 Miles
Communities
Study Area
Preliminary Corridor Alternatives
Significant Mineral Occurrence
Lesser Mineral Occurrence
National Park Service
U.S. Fish & Wildlife Service
Other Controlled Use/Management Area
Wild & Scenic Rivers
National Wilderness Preservation System
Iditarod Trail
Major Lakes
Major Rivers
Existing Roads
Data Sources Minerals: C.C. Hawley & M.K. Vant, February 2009 Land Status: Alaska Dept. of Natural Resources 2008
STATE OF ALASKA
Department of Transportation and Public Facilities
NORTHERN REGION
WESTERN ALASKA ACCESS PLANNING STUDY
PRELIMINARY
CORRIDOR ALTERNATIVES
Prepared By Allied GIS
DATE: January 14, 2010
Figure E2

Road to Nome

- Long term project to access resources and connect communities to Alaska's highway system
- Fund & develop in phases because of independent utility
- Benefits commerce to all of western Alaska
- FY12 Funding request will be for survey, mapping and refined cost estimates



Other Potential Projects

- Site access to Niblack Copper and Bokan Mtn. - rare earth element deposits on Prince of Wales Island
- Flat mining district in Upper Kuskokwim
- Nixon Fork Mine
- Pebble – Cu, Au
- Donlin Creek – Au
- Chuitna – Coal
- Deadfall Syncline – Coal
- Man – Cu, Ni, PGE
- Others

Capital Needs For FY12

- **Roads to Resources:**
  - Foothills West Access - $8 M
  - Ambler - $1.25 M
  - Western Alaska Access - $1.25 M



Why General Funds

- **General funds provide:**
  - Most flexibility – usually only one NEPA process
  - Leverage other funding sources
  - Opportunities for Public-Private Partnerships

Benefits Summary

- Umiat access will put oil into TAPS
- Ambler Mining District access will allow for development of world class Cu, Zn, Pb, Au, Ag sulfide deposits
- Western Alaska Access will allow connectivity for mineralized areas along the corridor
- Projects will provide jobs and expansion of local economies

Senate Finance Committee,

Please use this set of questions during the Department of Transportation's presentation on the Roads to Resources hearing on Thursday, March 31. Many communities in the area of the proposed road to Umiat have brought concerns and questions to the DOT. We look forward to the DOT's presentation, and hope these following questions are addressed:

1. Will there be more public participation in the DOT process to come?
2. Will comments raised in past public hearings in Anaktuvuk Pass, Nuiqsut, and Barrow be addressed and relayed back to the communities? If so, how?
3. What is the proposed timeline for the $8 million included in Governor Parnell's fiscal year 2012 Capital Budget? Is there a timeline DOT is currently working under for this road project?
4. Why was the Galbraith route selected as the preferred alternative? Which alternative route might have the least impact on subsistence activities and harvests?
5. Each proposed route for the road to Umiat cross critical migratory corridors for Central Arctic Caribou Herd (CAH) and at times the Teshekpuk Caribou Herd (TCH) and the Western Arctic Herd (WAH). Subsistence harvest of caribou is critical to physical, cultural, and spiritual health of numerous Alaska Native communities. How have roads and resource development projects throughout the state impacted caribou migration routes?
6. Communities also rely on the harvest of furbearers and other migratory and resident fish and game resources.
7. Will the road be opened to the public? Because funding for the road is from the State, might we encounter a similar situation like the Haul Road where it was private for some time and then finally opened to the public?
8. A public road can increase sport hunters as well as create public access to the Colville River and other rivers important to subsistence activities and harvests. Are there plans to keep hunting a certain distance from the road?
9. An increase of sport hunting of caribou may increase the resources and staff needed for the management of the wildlife. Is there a plan to fund these needs?
10. What is the long-term plan for funding the road and maintaining it?

Anaktuvuk Pass

Naqsragmiut Tribal Council

P.O. Box 21065, Anaktuvuk Pass, Alaska 99721

4/31/2011

RESOLUTION NO. 2011-02

A RESOLUTION OF THE NAQSRAGMIUT TRIBAL COUNCIL AND NAQSRAGMIUT TRIBAL RESIDENTS OPPOSING COAL DEVELOPMENT IN THE NANUSHUK AREA.

WHEREAS: the Naqsragmiut Tribal Council is the federally recognized tribal government for the village of Anaktuvuk Pass, and

WHEREAS: the Naqsragmiut Tribal Council seeks to accurately represent the concerns of the tribe, and

WHEREAS: the Naqsragmiut Tribal Council has determined that tribal residents have long depended on, and will continue to depend on, the caribou, fish, edible plants, moose, bear and clean air and water found in the Nanushuk Area for their subsistence and traditional way of life, and

WHEREAS: the Naqsragmiut Tribal Council has determined that development of coal resources, including the development of an open pit mine, subsurface mine, underground coal gasification or any associated infrastructure, will have considerable adverse effects on the quality of life enjoyed by tribal residents, the subsistence and traditional lifestyle, the social well-being of the community, and the local and regional water resources, and

WHEREAS: the Naqsragmiut Tribal Council has determined that tribal residents overwhelmingly oppose any proposed coal mining developments, and

WHEREAS: the Naqsragmiut Tribal Council has determined that even if any proposed mining developments are permitted to move forward by state or federal process, the Tribal Council will stand firm in its commitment to represent these tribal concerns and ensure that all measures are taken by any participating mining companies and responsible state and federal agencies to avoid and mitigate any impacts to the Tribe's subsistence and traditional way of life,

NOW THEREFORE BE IT RESOLVED: that because of the potential damage to the environment, potential threat to cultural heritage, potential disruption to the subsistence lifestyle as we know it, the Naqsragmiut Tribal Council hereby strongly opposes the development of any open pit coal mine, subsurface coal mine, underground coal gasification or any other coal development activities in the Nanushuk Area.

BE IT FURTHER RESOLVED: that the Naqsragmiut Tribal Council requests that the Governor of the State of Alaska and his administration halt all plans to develop coal in the Nanushuk Area.

BE IT FURTHER RESOLVED: that the Naqsragmiut Tribal Council will do all that it can to preserve our subsistence and traditional way of life for current and future generations by opposing coal development.

CERTIFICATION: The foregoing resolution was duly adopted at the official meeting of the Naqsragmiut Tribal Council this 31 day of January 2011, at which a quorum of tribal residents eligible to vote was present. This resolution supersedes any resolution which may have been passed on this issue.

ATTEST:

President
Naqsragmiut Tribal Council

Secretary
Naqsragmiut Tribal Council

North Slope Borough
Fish and Game Management Committee
Barrow, Alaska

January 14, 2010

RESOLUTION 2010-01

A RESOLUTION OPPOSING CONSTRUCTION OF AN INDUSTRIAL ROAD FROM THE JAMES DALTON HIGHWAY TO THE GUBIK NATURAL GAS FIELD AND UMIAT OIL FIELD

WHEREAS, Alaska Governor Sean Parnell announced in December 2009 a transportation plan to build a four-season gravel road from the James Dalton Highway to the Gubik gas complex and beyond to the Umiat oil field; and

WHEREAS, Governor Parnell's budget for Fiscal Year 2011 will include $8 million for the Department of Transportation and Public Facilities to aggressively pursue permitting to build the road; and

WHEREAS, current cost estimates to complete the project would be approximately $350 million; and

WHEREAS, state transportation planners have preliminarily proposed three alternate routes for the planned road; and

WHEREAS, each of the three proposed alternate routes serves as a critical migratory corridor for the Central Arctic Caribou Herd (CAH) and at times for the Teshekpuk Caribou Herd (TCH) and Western Arctic Herd (WAH); and

WHEREAS, the subsistence harvest of caribou from the CAH, TCH, and WAH is critical to the physical cultural, and spiritual health of the residents of numerous Alaska Native communities within the region; and

WHEREAS, these communities also rely heavily on the harvest of furbearers and other migratory and resident fish and game resources beyond caribou; and

WHEREAS, the example of the forced opening of the James Dalton Highway to public access would seem to indicate that the proposed road would also have to be open to public access if constructed with public funds; and

WHEREAS, the proposed road would therefore allow increased sport hunter and other public access to the surrounding land ,the Colville River area, and other river systems critical to regional subsistence activities and harvests; and

WHEREAS, increased access for urban hunters and sport hunters would impact the true subsistence harvest of caribou, furbearers, and other resources critical to full-time North Slope residents who depend most directly on these resources; and

WHEREAS, increased sport hunter access via the proposed road would result in increased hunting pressure on the Central Arctic, Teshekpuk, and Western Arctic Caribou Herds, the management of which have required the commitment of considerable staff and financial resources from numerous agencies and private entities; and

WHEREAS, far more intensive management and oversight of these herds would be required, along with an associated commitment of substantial additional financial resources, if the road is constructed and public access is permitted; and

WHEREAS, with a declining budget and no mandate or direct management authority over any of the wildlife resources involved, the North Slope Borough would be hard-pressed to commit to any financial role in the intensified fish and game management and monitoring that would be required upon construction of road; and

WHEREAS, it is also relevant that pending House Bill 267 would allow the use of snow machines in the Dalton Highway Corridor (Corridor) that extends for five miles on either side of the James Dalton Highway (Highway), and is presently closed to travel by motorized vehicles; and

WHEREAS, if House Bill 267 becomes law, greater access to the Corridor would further tax the already strained ability of state law enforcement to protect both the public and its resources at large given that the lone trooper seasonally stationed in Coldfoot already must patrol an area larger in size than many of the Lower 48 states; and

WHEREAS, greater access off the Highway and the lure of access along the proposed road would certainly increase the traffic on the Highway, with commensurate increased needs for sanitary facilities, signage, air-based search and rescue and other emergency response capabilities, many which would likely be borne by the North Slope Borough; and

WHEREAS, increased public traffic would mean increased risks to the industrial traffic that is necessary to maintain the smooth and uninterrupted operation of oilfields that are the economic assets of the state; and

WHEREAS, North Slope communities are already experiencing, and are likely to increasingly see, cumulative impacts associated with industrial expansion in both onshore and offshore areas, and a variety of pressures associated with ecological changes resulting from arctic warming, and changing wildlife numbers and distributions.

NOW, THEREFORE BE IT RESOLVED, that the North Slope Borough Fish and Game Management Committee strongly opposes the construction of a road from the James Dalton Highway to the Gubik Natural Gas Field and the Umiat Oil Field.

ADOPTED by a duly called quorum of the North Slope Borough Fish & Game Management Committee at Barrow, Alaska on this 14th day of January 2010.

Enoch Oktollik 1-14-2010

Enoch Oktollik, Chairman Date

Michael Pederson 01.14.2010

Michael Pederson, Executive Manager Date

Naqsragmiut Tribal Council
P.O. Box 21065, Anaktuvuk Pass, Alaska 99721

February 3, 2011

Governor Sean Parnell
State of Alaska
PO Box 110001
Juneau, AK 99811

Re: Resolution of the Naqsragmiut Tribal Council Opposing Coal Development in the Nanushuk Area

Dear Governor Parnell,

The Naqsragmiut Tribal Council respectfully requests that the State of Alaska halt all plans for the permitting and development of coal resources in or near the Nanushuk Area. As the federally recognized tribal government for the Village of Anaktuvuk Pass, the Naqsragmiut Tribal Council has the best interest of the people at heart.

The Village of Anaktuvuk Pass is located a mere 35 miles south-southwest of the proposed Nanushuk coal prospecting permits. Village residents have long depended on, and will continue to depend on, the rich subsistence resources found in the Nanushuk Area to support their traditional lifestyle and cultural heritage. Caribou, fish, edible plants, moose, bear, and clean air and water found in the Nanushuk Area all play key roles in maintaining the quality of life enjoyed by tribal residents and the social well-being of the community. It is in the best interest of the people to protect these important subsistence and cultural resources for current and future generations.

The proposed Nanushuk coal prospecting permits would be the first step toward coal exploration and development activities on over 116,000 acres of important subsistence lands. If issued, these permits would risk untold harm to local communities, our cultural heritage and the historic and cultural uses of the land. Coal prospecting and its related activities are not compatible with ongoing uses of the land. Because of the potential damage to the environment, and the threat coal development would pose to our culture and lifestyle, tribal residents overwhelmingly oppose the proposed coal prospecting permits.

The Naqsragmiut Tribal Council is determined to stand firm in its commitment to the people and represent the people's interests by strongly opposing any coal permits, leases or other coal-related activities in the Nanushuk Area. With the best interests of the people in mind, on January 31, 2011, the Naqsragmiut Tribal Council adopted the appended resolution. It expresses the will of the people to protect subsistence and cultural uses of the Nanushuk Area and calls on the State to halt all plans to issue coal permits or otherwise authorize coal-related activities in the Nanushuk Area. We respectfully request that you honor the best interests of the people by not

issuing the Nanushuk coal prospecting permits and halting all plans for the leasing, exploration or development of coal resources in the Nanushuk Area.

Thank you for your attention to this important matter. We look forward to hearing from you and hope your office and the State of Alaska will halt all plans to develop coal in the Nanushuk Area.

Sincerely,

Timothy Ahgook Sr.

Timothy Ahgook Sr.
President
Naqsragmiut Tribal Council

cc: Senator Mark Begich, United States Senate
Senator Lisa Murkowski, United States Senate
Mayor Edward s. Itta, North Slope Borough
President Doreen Lampe, Inupiat Community of the Arctic Slope
Mayor Esther Hugo, City of Anaktuvuk Pass
Commissioner Daniel S. Sullivan, Alaska DNR

Enclosure: Naqsragmiut Tribal Council Resolution No. 2011-02

Project Review Listing
FY2012 Governor Amended

Transportation Only

Department of Transportation and Public Facilities

FinNum	AP/AL	Project Title			Fund Source Total
51721 p1	AP	Ward Cove Improvement - Alaska Marine Highway System			
			1140	AIDEA Div	$3,400,000
50745 p3	AP	Alaska Marine Highway System: Vessel and Terminal Overhaul and Rehabilitation			
			1004	Gen Fund	$8,000,000
49780 p6	AP	Municipal Harbor Facility Grant Fund (AS 29.60.800)			
			1003	G/F Match	$5,000,000
46338 p8	AP	Infrastructure and Erosion Control Design and Environmental Permitting			
			1004	Gen Fund	$300,000
50767 p9	AP	Statewide: Rural Airport Emergency Medical Evacuation Lights – Battery Replacement			
			1004	Gen Fund	$46,000
48941 p11 *	AP	Roads to Resources			
			1140	AIDEA Div	$10,500,000
50844 p12	AL	Foothills West			
			1140	AIDEA Div	$8,000,000
51748 p14	AL	Roads to Resources - Ambler			
			1140	AIDEA Div	$1,250,000
50843 p16	AL	Western Access Project			
			1140	AIDEA Div	$1,250,000
AMD 50770 p17-1	AP	Arctic Ports Study			
			1002	Fed Rcpts	0
			1004	Gen Fund	$972,000
30648 p18	AP	MH: Coordinated Transportation and Vehicles			
			1037	GF/MH	$800,000
			1092	MHTAAR	$250,000
48926 p20 *	AP	Highways and Facilities			
			1004	Gen Fund	$1,550,000
			1026	Hwy Capitl	$18,322,600
			1061	CIP Rcpts	$1,500,000
6391 p21	AL	Americans with Disabilities Act Compliance Projects			
			1004	Gen Fund	$500,000
32534 p22	AL	Capital Improvement Program Equipment Replacement			
			1061	CIP Rcpts	$1,500,000
50803 p23	AL	Material Site Mining Plans			
			1004	Gen Fund	$200,000
50784 p24	AL	Northern Region: Material Site Reconnaissance			
			1004	Gen Fund	$500,000
30628 p25	AL	State Equipment Fleet Replacement			
			1026	Hwy Capitl	$18,322,600

* Indicates an appropriation with allocations (amounts not included in totals)

Roads to Resources **FY2012 Request: $10,500,000**
Reference No: 48941

AP/AL: Appropriation with Allocations **Project Type:** Construction
Category: Transportation
Location: Statewide **Contact:** Frank Richards
House District: Statewide (HD 1-40) **Contact Phone:** (907)465-3900
Estimated Project Dates: 07/01/2011 - 06/30/2016

Brief Summary and Statement of Need:
Capital requests in support of the Roads to Resources program.

Funding:	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	Total
AIDEA Div	$10,500,000						$10,500,000
Gen Fund		$15,000,000	$90,600,000	$108,000,000	$112,320,000	$32,448,000	$358,368,000
Total:	$10,500,000	$15,000,000	$90,600,000	$108,000,000	$112,320,000	$32,448,000	$368,868,000

☐ State Match Required ☐ One-Time Project ☐ Phased - new ☐ Phased - underway ☑ On-Going
0% = Minimum State Match % Required ☐ Amendment ☐ Mental Health Bill

Operating & Maintenance Costs:

	Amount	Staff
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	
Totals:	0	0

Additional Information / Prior Funding History:

Foothills West **FY2012 Request: $8,000,000**
Reference No: 50844

AP/AL: Allocation
Project Type: Construction
Category: Transportation
Location: Ambler
Contact: Frank Richards, Deputy Commissioner
House District: Arctic (HD 40)
Contact Phone: (907)465-3900
Estimated Project Dates: 07/01/2011 - 06/30/2016
Appropriation: Roads to Resources

Brief Summary and Statement of Need:
The Foothills West Transportation Access project proposes to construct a road from the Dalton Highway to Umiat. The purpose of the Foothills West Transportation Access Project is to provide access to oil and gas resources both along the northwestern foothills of the Brooks Range and within the National Petroleum Reserve- Alaska (NPRA). The road would provide both exploration and development opportunities for the area as well as facilitate a more economically feasible NPRA development. This second installment will complete the environmental impact survey (EIS).

Funding:	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	Total
AIDEA Div	$8,000,000						$8,000,000
Gen Fund			$75,000,000	$78,000,000	$81,120,000		$234,120,000
Total:	$8,000,000	$0	$75,000,000	$78,000,000	$81,120,000	$0	$242,120,000

☐ State Match Required ☐ One-Time Project ☐ Phased - new ☑ Phased - underway ☐ On-Going
0% = Minimum State Match % Required ☐ Amendment ☐ Mental Health Bill

Operating & Maintenance Costs:

	Amount	Staff
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	
Totals:	0	0

Additional Information / Prior Funding History:
$8,000,000 - Ch 43 SLA 2010 Sec 7 Pg 38 Ln 15; $4,000,000 - Ch 3 SLA 2005 Sec 58 Pg 136 Ln 28; $5,119,971 - Ch 159 SLA 2004 Sec 1 Pg 48 Ln 17.

Project Description/Justification:
The current project is being proposed as multi phased. The first phase of the project would construct an approximately 85 mile long all season road to the Gubik Gas Fields vicinity, in order to capitalize on potential exploration and development within the project study area. The second phase would continue the construction of the road for an additional 15 miles to Umiat, and would include a bridge across the Colville River. This second phase would achieve a long term goal of all season access to the National Petroleum Reserve – Alaska.

During the summer of 2009 DOT&PF performed and contracted for engineering and environmental studies of potential road corridors within the project study area. Preliminary assessments resulted in studies focusing on a potential road corridor from the Galbraith Lake area to Umiat. Subsequent engineering field studies focused on collecting the following information: imagery and survey data; hydrology data along the Itkillik, Anaktuvuk, and Chandler rivers; geotechnical data focusing on potential material sites within the corridor; and the potential road alignment routing options within the

corridor. Environmental studies were also conducted within the project corridor and focused on baseline wetlands mapping, fish and wildlife species and habitats, cultural and archeological resources, and identifying subsistence resources and use patterns. Fieldwork continues in 2010, focusing on environmental baseline studies in preparation to begin the formal NEPA documentation process.

Previous funding for the project is $17,119,971. The requested funding will be used to advance the project through the preliminary engineering phase and produce an environmental impact statement (EIS). This project has the potential to create numerous private sector jobs in the oil and gas industry. Future maintenance costs will depend on how the project is developed (public highway, public-private partnership, private transportation facility).

Western Access Project **FY2012 Request: $1,250,000**
Reference No: 50843

AP/AL: Allocation
Project Type: Research / Studies / Planning
Category: Transportation
Location: Nome
Contact: Frank Richards, Deputy Commissioner
House District: Bering Straits (HD 39)
Contact Phone: (907)465-3900
Estimated Project Dates: 07/01/2011 - 06/30/2016
Appropriation: Roads to Resources

Brief Summary and Statement of Need:
The Western Alaska Access Study Project (WAASP) will continue the development of a transportation corridor connecting the existing road system with the Nome area road system. The project would provide economic development opportunities, create jobs and lower the cost of living for the residents of western Alaska.

Funding:	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	Total
AIDEA Div	$1,250,000						$1,250,000
Gen Fund		$15,000,000	$15,600,000	$30,000,000	$31,200,000	$32,448,000	$124,248,000
Total:	$1,250,000	$15,000,000	$15,600,000	$30,000,000	$31,200,000	$32,448,000	$125,498,000

☐ State Match Required ☐ One-Time Project ☐ Phased - new ☑ Phased - underway ☐ On-Going
0% = Minimum State Match % Required ☐ Amendment ☐ Mental Health Bill

Operating & Maintenance Costs:

	Amount	Staff
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	
Totals:	0	0

Additional Information / Prior Funding History:
$1,000,000 - Ch 43 SLA 2010 Sec 7 Pg 38 Ln 18; $1,000,000 - Ch 82 SLA 2006 Sec 1 Pg 108 Ln 11.

Project Description/Justification:
The current study is analyzing road corridors from the contiguous highway to the Seward Peninsula. The requested funding will be used to continue the project to the preliminary engineering phase. Operating cost estimates were derived from the existing costs to maintain the Dalton Highway, a similar type of roadway. Additional highway maintenance staff would have to be hired to maintain the facility.

Corridor Planning Report was completed January 2010 and DOT&PF is moving into the next stages of the project to obtain broad public input on the alternatives considered in the WAAPS Corridor Planning Report, conduct additional limited analysis of selective new options proposed or refinements of existing options proposed during the public review, and identify a proposed staging plan and alternative construction techniques.

The current estimate of this phase of the project is $5,000,000. This project funding would advance crucial elements of work to proceed beyond the current Western Access Planning Study to the preliminary engineering phase. Additional work would include advanced field engineering analysis

such as detailed construction recommendations, satellite imagery, GIS work, necessary advanced field studies, in-depth cost estimates, and earlier development of permits.

Roads to Resources Historical Funding / Expenditures
Exp/Enc as of 3/7/2011

Appropriation	Project Name	Federal	State	Total	Expended	Encumbered	Unobligated Balance	Project Work
Chapter 82, SLA 03, page 36, line 11	Industrial Development Roads		5,000.0	5,000.0	5,000.0		-	Bradfield Corridor Economic Study; Juneau Cascade Point road; Colville River Road; Northwest Alaska Transportation Plan; North Slope Oilfield Roads, etc.
Chapter 159, SLA 04, page 48, line 17	Industrial Road Program	9,000.0	8,000.0	17,000.0	8,000.0		-	Bullen Point Road, Colville River Road, Northwest AK Transportation Plan
Chapter 3, FSSLA 05, page 136, line 25	Industrial Roads - $3 million allocation; NS Foothills West Road EIS $4 million*		6,196.3	6,196.3	6,125.2	-	71.1	Northwest AK Transportation Plan, Gas Pipeline Highway Use Agreement, Juneau Kensington Mine Access, Delong Mountain Port Expansion, Bostwick Logging Road Construction, etc.
Chapter 82, SLA 06, page 108, line 11	Roads to Resources		12,000.0	12,000.0	10,889.9	1,100.6	9.5	Circle Mining District, Elliott Highway Washington Creek Bridge, Ruby to Poorman, Ketchikan to Shelter Cove, Hoonah to Tenakee Inlet Road, Western Alaska Access Planning Study Gas Pipeline Logistics, PPP Model - Sierra Yoyo Review (Foothills), etc.
Chapter 29, SLA 08, page 78, line 9	Resource Development Roads (ED 1-40)		3,000.0	3,000.0	1,042.4		1,957.6	Akutan Airport Access Road Project
Chapter 43, SLA 10, page 38, line 12	Ambler Mining District Access - Planning, Design and Engineering		4,000.0	4,000.0	97.6	3,902.4	-	

Appropriation	Project Name	Federal	State	Total	Expended	Encumbered	Unobligated Balance	Project Work
Chapter 43, SLA 10, page 38, line 15	Foothills West Access - Planning, Design and Engineering		8,000.0	8,000.0	4,410.0	3,590.0	-	Multi-Modal Transportation Access
Chapter 43, SLA 10, page 38, line 18	Roads to Resources Western Access Project Phase I		1,000.0	1,000.0	226.8	773.2	-	Planning Study
	Totals	**9,000.0**	**47,196.3**	**56,196.3**	**35,791.9**	**9,366.2**	**2,038.2**	

FY2012 Request	*Roads to Resources*	GF/State	Total
	Foothills West	8,000.0	8,000.0
	Ambler Mining District	1,250.0	1,250.0
	Western Access Project	1,250.0	1,250.0
	FY12 Request Total	**10,500.0**	**10,500.0**

Summary of Projects Funded with Industrial Roads / Roads to Resources Appropriations

82/03/36/11

GF	AR	LL AR	Authorized	AR Expend	Unob Bal	Encumb	PJ Expend	Project	Brief Description of Work (blue denotes construction related).
	60788-10	63766-10	5,000,000.00	5,000,000.00	0.00	0.00	5,000,000.00	State	
							400,000.00	PJ 56667 Pile Bay Road	Recon study for Port/Road
							97,097.74	PJ 67480 WRG Bradfield Corridor Economic Study	Economic Study
							1,099,046.88	PJ 67471 Cascade Point Road	Engineering/Consultant time
							678,998.39	PJ 74320 NW/Arctic Transportation Plan	Planning
							642,676.61	PJ 75960 North Slope Oilfield Roads	Planning & design.
							321,001.61	PJ 75967 Pebble Copper Reconnaissance Study	Planning/Study
							1,607,321.61	PJ 60445 Colville River Road	Recon Study to access NRPA
							11,441.39	PJ 76228 Gas Pipeline Highway Use Agreement	Prep Agreement
							70,000.00	PJ 76772 Steese Hwy MP 146 Birch Creek Erosion	Reconstruction embankment
							72,415.77	PJ 62210 Foothills West Multi-Modal Transp Access	Prelim engineering and environmental work.

159/04/48/17

GF	AR	LL AR	Authorized	AR Expend	Unob Bal	Encumb	PJ Expend	Project	Brief Description of Work (blue denotes construction related).
	64448-10	60697-10	8,000,000.00	8,000,000.00	0.00		8,000,000.00	State	
							559,915.08	PJ 60445 Colville River Road	Recon Study to Access NRPA
							5,900,000.00	PJ 60837 Bullen Point Road	(Pt. Thompson) Recon Study
							150,000.00	PJ 68311 KLW Airport Fill	Haul sawdust to airport for sawmill operation
							1,000,000.00	PJ 74320 NW/Arctic Transportation Plan	Planning
							390,084.92	PJ 62210 Foothills West Multi-Modal Transp Access	Continue environmental and preliminary engineering studies

3/05/136/25

ACI	AR	LL AR	Authorized	AR Expend	Unob Bal	Encumb	PJ Expend	Project	
	58789-11	60039-11	6,196,278.00	6,125,196.93	71,081.07	0.00	6,125,196.93	Alaska Capital Income Fund	
							128,918.93	PJ 74320 Northwest Alaska Transportation Plan	Planning
							1,099,985.17	PJ 68887 JNU Kensington Mine Access	Improve Access Road to Kensington Road / public access
							1,246,800.00	PJ 76372 Bostwick Logging Road Construction	RSAs w/DNR for Bridge Access
							475,470.43	PJ 65984 Glacier Creek Road	Pre-construction: Realignment of Glacier Creek Road connecting the Home-Teller Hwy
							0.00	PJ 76236 Gas Pipeline Highway Use Agreement (FFY06/07 STWD Long Range Trans Plan)	SW Planning
							60,000.00	PJ 68311 KLW Airport Fill	Sawdust Fill
							51,279.10	PJ 61922 Delong Mountain Port Expansion	
							14,574.00	PJ 76379 Transportation Infrastructure Study Update	Modify and build upon the Rise Transportation Study (focusing on an update and refinement of the D1 (Dalton Hwy) segment.
							3,048,169.30	PJ 62210 Foothills West Multi-Modal Transp Access	Preliminary engineering and environmental work.

82/06/108/11

GF	AR	LL AR	Authorized	AR Expend	Unob Bal	Encumb	PJ Expend	Project	Brief Description of Work (blue denotes construction related).
	60294-11	60441-11	12,000,000.00	10,889,932.43	9,471.04	1,100,596.53	10,889,932.43	General Fund	
						217,751.87	217,751.87	PJ 53039 Pile Bay Road 06 M&O Repairs	Not available at this time.
						400,000.00	386,255.37	PJ 50808 Petersville Road Repairs MP 18-36 ph 2	Repairs - placement of reinforced embankment, drainage modification and improvement, brush cutting and material site development.
						2,380,870.92	2,380,870.92	PJ 61069 Elliott Highway Washington Creek Bridge ph4	Replace bridge #83 and approaches.
						50,000.00	50,000.00	PJ 76738 Tofty Road	Not available at this time.
						92,802.57	92,802.57	PJ 76736 Ruby to Poorman	Surface and road drainage repairs; improve access to mining property.
						49,998.38	49,998.38	PJ 76734 Circle Mining District	Replaced culverts to enhance mining property
						597,856.79	597,856.79	PJ 76772 Steese Hwy MP 146 Birch Creek Erosion PH2	Reconstruct embankment to original alignment and armor approx 1,550 feet of embankment with riprap.
						90,000.00	90,000.00	PJ 76809 Taylor Creek Bridge Repairs	Conduct repairs to bridge to allow increased loads; removing and replacing stringers and decking.
						199,994.45	199,994.45	PJ 76819 Steese Highway Improvements	MP 81-126 road improvements, i.e. dust control, shoulder, ditch and drainage improvements, brush cutting, sign replacement, and minor guardrail repairs.
						800,000.00	800,000.00	PJ 68405 Ketchikan to Shelter Cove	Prelim engineer for 11 new miles - surveying and environmental costs.
						900,000.00	604,403.21	PJ 68426 Kake to Petersburg Road	Prelim engineer for 51 new miles of Island collector road
						671,271.47	671,271.47	PJ 76372 Shirley Towne Bridge / Bostwik Logging Road	Construction - access; logging road.
						643,759.96	31,655.86	PJ 79468 Bostwick #2 Timber Access Road	Construct approx two miles of road to access additional MMBG of timber and provide for purchase and installation of 80 foot modular bridge over Bostwick Creek.
						187,822.21	187,822.21	PJ 79470 Willer-Kash Road	Rehabilitate 6.6 miles of road in the Willow Management Area; install a modular bridge; improve drivability.
						200,000.00	135,812.56	PJ 69149 HNH to Tenakee Inlet Road	Evaluate three mile GAP between Hoonah and Tenakee Inlet Roads for most feasible roadway corridor to link segments.
						534,776.11	472,639.84	PJ 59007 WILLOW FISHOOK RD IM MP 34-39	Primarily construction and utility phase funding to extend roadway surfacing on Hatcher Pass Road.
						26,000.00	19,536.31	PJ 76379 Transportation Infrastructure Study Update	Continued refinement of study.
						1,000,000.00	1,000,000.00	PJ 60800 Western Alaska Access Planning Study	Planning
						50,000.00	26,350.85	PJ 80180 Gas Pipeline Logistics	Planning
						100,000.00	83,322.55	PJ 80186 Gas Pipeline ROW Corridor Mapping	Mapping of ROW

						166,323.00	163,708.33 PJ 51905 Shirley Town Drive Improvements	Construction; utility work
						0.00	0.00 PJ 80304 Shirley Towne Drive - Wilier Kash Rd	Construction : upgrade and pave (2,000 LF) between Willow Fishhook to Willer Kash Road/West Kenny Blvd.
						22,000.00	18,577.66 PJ 80324 PPP Model - Sierra Yoyo review (foothills)	Planning: desk review; telephone consultations on BC - product to be briefing paper.
						2,609,301.23	2,609,301.23 PJ 62210 Foothills West Multi-Modal Transp Access	Preliminary engineering / environmental

29/08/78/9

GF	AR	LL AR	Authorized	AR Expend	Unob Bal	Encumb	PJ Expend	Project	Brief Description of Work (blue denotes construction related).
	62143-12	62144-12	3,000,000.00	0.00	3,000,000.00	0.00		General Fund	
					-1,042,400.00			Akutan Airport Access Road project	Design/Build construction administration and mobilization for airport and hovercraft ramp work.
					1,957,600.00				Remaining balance will undergo internal review for future project funding needs; and ultimately could be part of the new charette process.

43/10/38/12

Ambler Mining District Access - Planning, Design and Engir

GF	AR	LL AR	Authorized	AR Expend	Unob Bal	Encumb	PJ Expend	Project	Brief Description of Work (blue denotes construction related).
	65469-17	65470-17	4,000,000.00	97,640.54	0.00	3,902,359.46			
						4,000,000.00	4,000,000.00 PJ 63812 Ambler Mining District Access		$4 million work items: Facilitate environmental and engineering studies related to subsistence activities in the region, and to specifically address these activities related to acquiring community support for this project. During initial scoping activities with local governments, maintaining traditional use of the land related to subsistence has been identified as a critical project issue.

43/10/38/15

Foothills West Access - Planning, Design and Engineering

GF	AR	LL AR	Authorized	AR Expend	Unob Bal	Encumb	PJ Expend	Project	Brief Description of Work (blue denotes construction related).
	65471-17	65472-17	8,000,000.00	4,409,987.87	0.00	3,590,012.13			
						8,000,000.00	8,000,000.00 PJ 62210 Foothills West Multi-Modal Transp Access		$8 million work items: Environmental baseline studies $3,153.5; Prelim engineering; UAF Hydro Proposal $1,257.6; Geotechnical work $300.0; survey program $75.0; fieldwork logistics $2,413.9. Additional work in some of the above areas, and 3rd party environmental contract $500.0 with encumbered funds.

43/10/38/18

Roads to Resources Western Access Project Phase 1

GF	AR	LL AR	Authorized	AR Expend	Unob Bal	Encumb	PJ Expend	Project	
	65473-17	65474-17	1,000,000.00	226,848.74	0.00	773,151.26			
						1,000,000.00	1,000,000.00 PJ 60800 Western Alaska Access Planning Study		Planning and economic analysis of alternatives for transportation corridors between central Alaska and the Seward Peninsula.

Department of Transportation & Public Facilities
Responses to Roads to Resources Overview Questions at Senate Finance 3/31/11

Dated 4/6/11

In response to questioned posed by Senate Finance Committee members during the Department of Transportation & Public Facilities Overview on Roads to Resources projects and FY12 capital budget requests, the following information is provided.

- ***Why are Maintenance and Operating (M&O) costs not included in the scoring matrix example on page 8 of the handout, or in the FY2012 project back-up?***

As discussed at the hearing, the scoring matrix provided in the handout is a starting point for discussion, and the department agrees that it will be important to include an estimate of future ongoing M&O costs; however, at this time project funding is focusing on the planning and EIS stages. An EIS will impact any future cost calculations for design, construction, and ongoing maintenance and operations. Lastly, it is the intent of this program to have toll revenues paid by industrial users to fund M&O annual costs.

- ***How much of funding request is for Right-of-Way acquisition?***

None of the FY12 funding request is for Right of Way acquisition. The current focus of the projects is to perform enough engineering work to support the EIS and permitting. Included in the engineering work to support the EIS will be right of way base mapping which will describe property boundaries, easements, etc. From that mapping initial appraisal of properties can occur.

- ***Who are the private landowners on the map on page 15 of handout (Road to Nome)?***

Landowners include state, federal, Doyon Ltd., Bering Straits, NANA, potential private ownership, and potential native allotments. Specific ownership information will take place after a corridor is selected for study. Again, accurate base mapping and title searches will be employed to determine accurate land ownership.

- ***How much do corporations benefit from each phase?***

Corporation's benefits related to the construction of a road would include factors such as savings in exploration, development, and production cost due to transportation infrastructure being in place to support those actions. It is not possible to quantify how much each corporation will benefit, but it is our hope that road construction will affect their ability to start production is earlier which translates to jobs and state revenue. Lastly, it is the department's intent to recoup capital costs as the development realizes revenues.

- ***Was there a public hearing in Anaktuvuk Pass? When and where?***

A formal public hearing has not yet taken place in Anaktuvuk Pass. This will occur in the scoping phase of the EIS for the Foothills West project, expected in June, 2011. Three informational meetings have been conducted by DOT&PF in Anaktuvuk Pass since January, 2009, relating specifically to the Foothills project. The dates of these meetings, as well as the meeting notes, are available on the project website: http://foothillsroad.alaska.gov.

- ***Provide a list of where and when public hearings on these proposals have taken place or planned.***

As described previously, no formal public hearings for these projects have taken place.

- A list of informational public meeting dates for the Foothills project is available on the project website at http://foothillsroad.alaska.gov. The Foothills meetings consisted of 3 rounds of public informational meetings at Anaktuvuk Pass, Nuiqsut, and Barrow.

- Informational public meetings related to the Ambler Mining District Access project have taken place at Ambler, Shungnak, and Kobuk in January, 2011.

- Informational public meetings for the Western Alaska Access Project have been held in most communities along the Yukon River Corridor between October 2010 and March 2011. A list of the community meetings and notes are available on the project's website: http://www.dowlhkm.com/projects/westernalaskaaccess/Documents.htm

- ***How were expenditures to-date spent in terms of actual construction work project(s), as opposed to planning, study, design, etc.?***

As presented at the hearing, earlier year appropriations for Industrial Development Roads were part of a prior Administration, and were not as focused on specific projects and/or areas as the funding requested in and appropriated in FY11 for Roads to Resources and the three FY12 funding requests for Roads to Resources. As a result, the expenditures for prior year projects include funding for a variety of projects as provided in Attachment # 1.

- ***How are amounts of prior year appropriations that are encumbered being spent or planned to be spent?***

The information below is provided as an update to the current Roads to Resources projects' FY2011 capital funding. See prior response and attachment for information on prior year appropriations.

Foothills West Transportation Access:
Foothills prior year encumbrances are dedicated to the following activities:

- On-going hydrology studies including 2011 spring break up and river gauging studies to be conducted in May, 2011- $1,303,000.
- Contract environmental 2010 field studies completing technical reporting activities in 2011 - $1,075,000.
- Contract 3rd Party Environmental EIS work through EIS scoping - $586,000.
- State agency coordination activities related to EIS development - $37,000.

Total encumbrances (3/23/2011) - $3,001,000.

All remaining encumbrances are funded by AR 65472 / LA Citation Ch 43/10/38/15.

Ambler Mining District Access:
Ambler prior year encumbrances are dedicated to ongoing route analysis office studies scheduled to be completed in May, 2011 - $826,000.

Remaining encumbrances are funded by AR 65470 / LA Citation Ch 43/10/38/12.

Western Alaska Access:
Western Alaska Access Planning Study developed planning and economic analysis of alternatives for transportation corridors between central Alaska and the Seward Peninsula. Project completed in January of 2010 - $1,000,000 Ch 82/06/108/11 (Industrial Roads)

Western Access Project Phase 1 includes public involvement, construction staging and funding alternatives which will be completed in May 2011- $677,537 Ch 43/10/38/18 (Roads to Resources Western Access Project Phase 1).

The balance of this funding will be used for advanced route mapping, field studies, engineering analysis and implementation planning.

- ***Provide an overlay of map on page 15 of handout that shows where wells have been drilled, i.e. Renaissance, etc.***

In terms of drilled wells, the focus of the discussion was on the area of development by Renaissance Corp., which focused in the Foothills West area. The Foothills West slide is on slide 11 of the Roads to Resources handout provided to the committee. Please see Figure # 1, titled Exploratory Well Sites in the Vicinity of the Project Study Area, on page six of this document as an overlay to slide 11 for the Foothills West area.

The following questions were posed by Senator Olson in a handout during the committee meeting.

- ***Will there be more public participation in the DOT process to come?***

Yes, each of the projects will go through a rigorous public participation process as follows:

- The Foothills West project is beginning the formal EIS NEPA process. As part of this process the USACE will conduct formal scoping meetings and public hearings in Anaktuvuk Pass, Barrow, Nuiqsut, Fairbanks, and Anchorage. The scoping meetings are anticipated to occur in May-June 2011.

- The Ambler Mining District Access project will continue to conduct informal public informational meetings in the upper Kobuk communities of Ambler, Kobuk, and Shungnak in April/May 2011, and expand community outreach efforts as potential corridors are better defined.

- The Western Alaska Access project has conducted thirty public informational meetings in communities over the past several months. The public report will be available online in April 2011.

Everyone who provided contact information on the public meeting sign in sheets will be notified of the completion of the study and where the results can be found. There will be more publications, newsletters and visits dependant on which route is chosen.

- ***Will comments raised in past public hearings in Anaktuvuk Pass, Nuiqsut, and Barrow be addressed and relayed back to the communities? If so, how?***

There have been no formal public hearings to date. All comments raised in past public informational meetings are available on the project website: http://foothillsroad.alaska.gov. These comments will be considered in the development of project conceptual design elements, as well as brought forward in the project EIS to help better understand environmental impacts.

- ***What is the "proposed timeline for the $8 million included in Governor Parnell's fiscal year 2012 Capital Budget? Is there a timeline DOT is currently working under for this road project?***

The $8 million will fund environmental and preliminary engineering activities to allow for a completed EIS Record of Decision anticipated in the Spring of 2013. DOT&PF is working with the agencies to accelerate this schedule to Fall/Winter 2012. Once a Record of Decision and permits are in hand the department will vigorously pursue construction so that additional oil can be added to TAPS.

- ***Why was the Galbraith route selected as the preferred alternative? Which alternative route might have the least impact on subsistence activities and harvests?***

The Galbraith Route is considered the State of Alaska's recommended study area. The "preferred alternative" will be developed as part of the EIS process – expected to take between 18 and 24 months to complete. The State selected the Galbraith Route based on exploration potential in the Foothills region, as well as a variety of engineering and environmental factors (construction costs, avoidance of major watersheds, etc.). DOT&PF, through a Contractor, is currently completing 2 years of subsistence studies. The results of these studies will be available in May of 2011.

- ***Each proposed route for the road to Umiat. cross critical migratory corridors for, Central Arctic Caribou Herd (CAH) and at times the Teshekpuk Caribou Herd (TCH) and the Western Arctic Herd (WAH). Subsistence harvest of caribou is critical to physical, cultural, and spiritual health of numerous Alaska Native communities. How have roads and resource development projects throughout the state impacted caribou migration routes?***

Caribou migration routes and subsistence harvests will be analyzed in detail as part of the Foothills West EIS process. DOT&PF has provided detailed project information to, and solicited the expertise of, the Alaska Department of Fish and Game, the Western Arctic Caribou working group, the North Slope Borough Wildlife Division, and US Bureau of Land Management. The department does not have an exact number of roads in the state that have impacted migration routes but knows it is an extensive number and many highways have multiple crossings.

- ***Communities also rely on the harvest of furbearers and other migratory and resident fish and game resources.***

DOT&PF has put significant effort into subsistence studies to identify and better understand fish, game, and other subsistence resources. More information will be derived from social and environmental studies conducted as part of the EIS process.

- ***Will the road be opened to the public? Because funding for the road is from the State, might we encounter a similar situation like the Haul Road where it was private for some time and then finally opened to the public?***

DOT&PF is aware of the community concerns related to public access in this region. Public/Industry safety concerns in relation to an industrial use road will be further evaluated in the EIS process for this project. In very general terms the facility will not be open to the public until it is brought to a highway design standard. This is for safety reasons. The amount of time it would take to bring this highway to an acceptable safety standard will be a function of how quickly the developer brings their venture into production. For instance, the Umiat road may be opened in a quicker time frame because an oil line will need to be buried in a finished embankment.

- ***A public road can increase sport hunters as well as create public access to the Colville River and other rivers important to subsistence activities and harvests. Are there plans to keep hunting a certain distance from the road?***

All state land in townships within the Umiat Meridian require a permit for motorized vehicle use, unless that use is for subsistence purposes or is on a graveled road. Additional evaluations of the Dalton Highway Corridor Management Area as related to road access will be conducted as part of this project. In addition, the impacts of hunting and public access to the Colville, and other rivers will be evaluated in the project's EIS process.

- ***An increase of sport hunting of caribou may increase the resources and staff needed for the management of the wildlife. Is there a plan to fund these needs?***

The EIS will thoroughly discuss the wildlife management needs, the potential for more protection, subsistence uses and all other aspects of game management. This information will be used by other agency staff to consider environmental mitigation.

- ***What is the long-term plan for funding the road and maintaining it?***

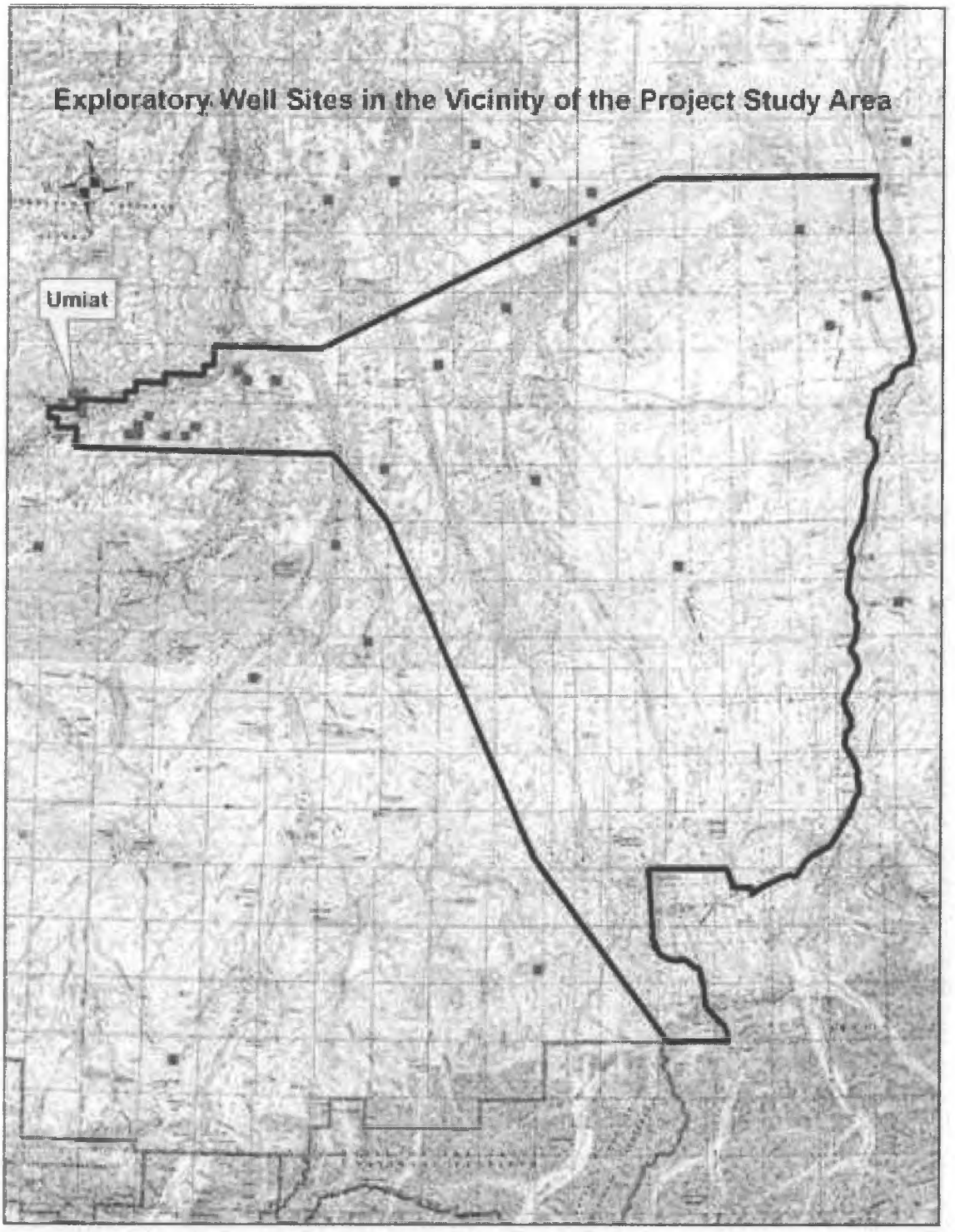
The long term plan for funding and maintaining industrial designated roads to Ambler and Umiat would include:

- Environmental and permitting work will be funded by state general funds.
- Initial pioneer road construction will be funded by either the state or the state and the private developer.
- Road improvements to bring the highway to a higher design standard will be funded by developers.
- The staff will enter private/public partnerships to minimize state costs and to seek a return of the state's initial investment.
- Maintenance costs will be returned to the state via industrial use highway tolls.

The long term funding for the Western Access route would vary from those constructed strictly for industrial uses.

- The initial pioneer road will be constructed with state general funds.
- Subsequent widening and improvement projects will more than likely be funded with federal aid funds.
- Construction of this roadway will more than likely be a long term process dependent upon community access needs and resource development.
- The Roadway would be designated as an industrial use highway for the collection of tolls from industry users.
- Maintenance costs (approximately $12,000.00/per mile at today's cost) will be returned to the state via industrial tolls.

Figure #1


Exploratory Well Sites in the Vicinity of the Project Study Area
Umiat

STATE OF ALASKA
DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES
OFFICE OF THE COMMISSIONER

SEAN PARNELL, GOVERNOR

☐ Anchorage Office: 4111 Aviation Avenue
☐ Juneau Office: 3132 Channel Drive

P.O. Box 112500
JUNEAU, ALASKA 99811-2500

PHONE: (907) 465-3901
FAX: (907) 586-8365
WEB: dot.state.ak.us

April 6, 2011

The Honorable Bert Stedman
Co-Chair Senate Finance Committee
Alaska State Legislature
State Capitol, Room 516
Juneau, AK 99801-1182

Dear Senator Stedman:

Thank you very much for the recent opportunity to present and discuss the Governor's Roads to Resources program before the Senate Finance Committee. The Committee's interest and input into this program is most appreciated.

A number of questions were posed by various committee members; Senator Olson in particular provided a list of written questions and issues which required staff consultation to fully answer. Other follow-up questions from your staff have also been provided to the department. Enclosed you will find specific responses to the committee member and staff questions.

There also appears to have been some miscommunication between the department and the Finance Committee concerning potential benefits to the State of Alaska should the natural resource exploration projects in the Ambler Mining District and the Umiat oil field continue to development and production.

The purpose of the resource roads into the Ambler Mining District and the Umiat oil fields are to accelerate exploration, development, and ultimately production of these valuable resources to the State of Alaska.

Although the Ambler Mining District has seen significant exploration dating back to the late 1950's none of this exploration is detailed enough to provide a precise mineral reserve. However, the sum total of exploration does clearly show the Ambler District to be highly mineralized and to have the potential for hosting several massive sulfide mineral deposits similar in size to the Greens Creek Mine near Juneau. (The Greens Creek Mine has been in operation for over 25 years and employs 325 people.) The two best known massive sulfide deposits in the Ambler District (Arctic and Bornite) are both an order of magnitude larger than what was known for the Greens Creek Mine at the time it was developed. An all-weather pioneer road will greatly enhance the exploration, facility construction and eventual operation of the mining district.

Similar to the Ambler Mining District, the data currently available for the Umiat oil field only allows for the estimation of a broad range of oil and gas resources. The Alaska Department of Natural Resources (ADNR) estimates for Umiat range from 70-300 million bbl oil in place. Information provided by Renaissance Corporation suggests Umiat may contain an estimated 250 million bbl's of recoverable oil. Considerable exploration, delineation drilling, and production testing is necessary to refine these resource estimates to what could then be represented as actual reserves. Exploration work, supporting infrastructure, and eventual production drilling will begin much quicker with the availability of an all-weather pioneer road to support those work activities.

In regards to road construction and maintenance, we are proceeding in the following manner:

- The initial pioneer road, constructed with state or a combination of state and private funds, will be built to the lowest road standards required to provide basic access for exploration and site development. The pioneer road will only be available for industrial users; the embankment thickness will only be that required to support construction equipment building the road; the width will be no more than 16' on top; temporary floating bridges, temporary pre-manufactured bridges or other low cost methods will be used for the two river crossings for the Umiat Road. In short, the initial road constructed will only be an access road to enhance the developer's ability to perform exploration work, to begin building infrastructure, and to begin producing their product to bring in revenues that would support constructing the roadway to a higher design standard.

- Prior to construction of the pioneer road, the State and the developer(s) will enter into an agreement to bring the roadway to a higher design standard. The initial agreement will be based on a Private-Public Partnership (3P) concept. The 3P model would be developed to accommodate the developer's stream of revenue; for instance with the Umiat Road the developer needs a buried pipeline to connect to TAPS and the roadway would need to be completed to a high standard quickly for pipeline support. On the other hand perhaps the road to Ambler could be brought to a highway standard along the same timeline that new mine sites come on line.

- Participatory to the initial construction funding techniques, in all cases, the department would designate the roadways as an Industrial Use Highway (IUH). An IUH designation means the department can impose industrial tolls which would at least fund the annual maintenance cost.

- The department is working with the Alaska Industrial Development and Export Authority (AIDEA) on the development 3P concepts as well as examining financing methods for industrial roads.

- If the roadway is eventually improved to a high enough design standard, the department will support opening it for public use.

The department fully realizes the committee's desire for more information regarding the costs of constructing and maintaining the road, the funding sources for the road, the size of the potential

sites, the revenues to the state, and other information to ensure that compiling a complex Environmental Impact Statement (EIS) is a good use of public funds.

We cannot emphasize more that the iterative nature of the EIS process will answer many of the questions the committee brought forward in the hearing. The EIS will be a summary document that considers natural environment impacts, social and cultural environment impacts, road costs, the purpose and need to access these resource rich areas, and a host of other information required through the NEPA and regulatory processes required by federal and state law.

Finally, if the Roads to Resources funding requests contained within the Governor's FY12 capital budget are not approved we will have to stop work on all three projects beginning July 1. A stoppage of work will severely hamper the ability of the private developers to create jobs and bring their products to market. A stoppage will also leave many of the very questions asked by committee members to remain unanswered.

Again, thank you for the opportunity to testify and answer the written questions provided. Please feel free to contact me should you or the committee require additional information or clarification.

Sincerely,

Patrick Kemp
Deputy Commissioner
for Highways and Public Facilities

Enclosure

cc: Senate Finance Committee members
Marc Luiken, Commissioner, DOT&PF
Laura Baker, Director, Division of Administration Services, DOT&PF
Brenda Hewitt, Legislative Liaison, DOT&PF

1/23/12 OFFICE OF MANAGEMENT AND BUDGET: FY2013 BUDGET OVERVIEW AND FISCAL SUMMARY

<TARGET><BILL></BILL><SUBJECT>1-23-12 OFFICE OF MANAGEMENT AND BUDGET FY2013 BUDGET OVERVIEW AND FISCAL SUMMARY</SUBJECT><COMM>SFIN27</COMM></TARGET>

FY2013 Budget Overview



Senate Finance Committee

January 23, 2012

Office of Management and Budget

Budget Vision

Governor Parnell's vision

Economic Growth and Strengthening Families

Budget Principles

Guiding principles

- Fiscal Restraint
- Strategic Investments
- Cash Reserves
- Focus on Results

Budget Priorities

Focus on Administration's strategic investment priorities

- Resource Development
- Education
- Public Safety
- Transportation/Infrastructure
- Military Support

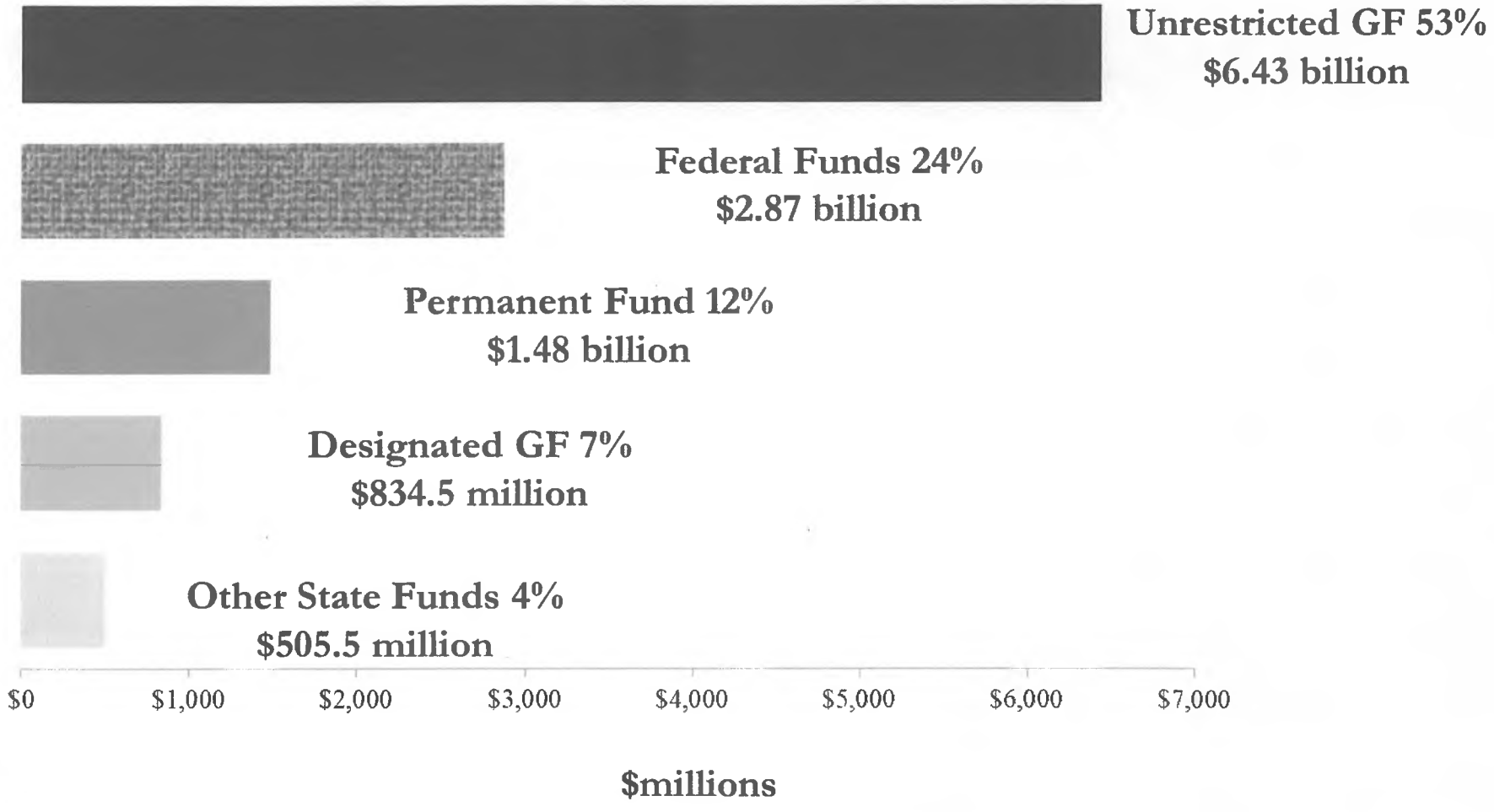
FY2012/2013 Revenue

Budget Restraint = Surplus

Unrestricted General Funds	FY2012	FY2013
Revenue (FY12 includes $53.6 reapprop./carry forward)	$8,981.5	$8,217.7
Spending	-$7,041.8	-$6,430.2
Projected Balance	$1,939.7	$1,787.5
Opportunity to Save		$3,727.2

FY2013 Budget Sources of Funds

Total FY2013 Budget $12.1 Billion



FY2013 Budget Priorities

Jobs for Alaskans

- Resource Development
  - –Roads to Resources $28.5 million
  - –Streamline Permitting $3.3 million
  - –Strategic Minerals/Shale Oil Assessment $3.8 million

FY2013 Budget Priorities

Preparing Alaska's Students for Success

- **Education**
  - Full funding & forward funding for K-12 education and pupil transportation $1.17 B
  - TRS Assistance payment $302.7 million
  - Alaska Performance Scholarships $8.0 million
  - School Construction $61.0 million (2 projects)
  - Major Maintenance $23.9 million (14 projects)

FY2013 Budget Priorities

Safe Homes and Strong Families

- **Public Safety**

Choose Respect

- Prevention and Intervention $3.3 million
- Support for Survivors $3.2 million
- Law Enforcement $5.3 million

Disaster Preparedness

- Emergency Food Supplies $4.9 million
- Interior Search & Rescue Helicopter $3.0 million

FY2013 Budget Priorities

Build and Maintain Alaska's Infrastructure

- **Transportation/Infrastructure**

  Over $1 billion for Statewide infrastructure projects

  - Highways and Aviation $938.3 million
  - Municipal Water & Sewer $32.0 million
  - Municipal Harbor Grants $23.1 million
  - Port GO Bond package $350.0 million

  Energy

  - Renewable Energy Grant Fund $25.0 million
  - Weatherization/Home Energy $51.5 million
  - Bulk Fuel & Rural Power System upgrades $15.0 million
  - Power Cost Equalization $38.2 million

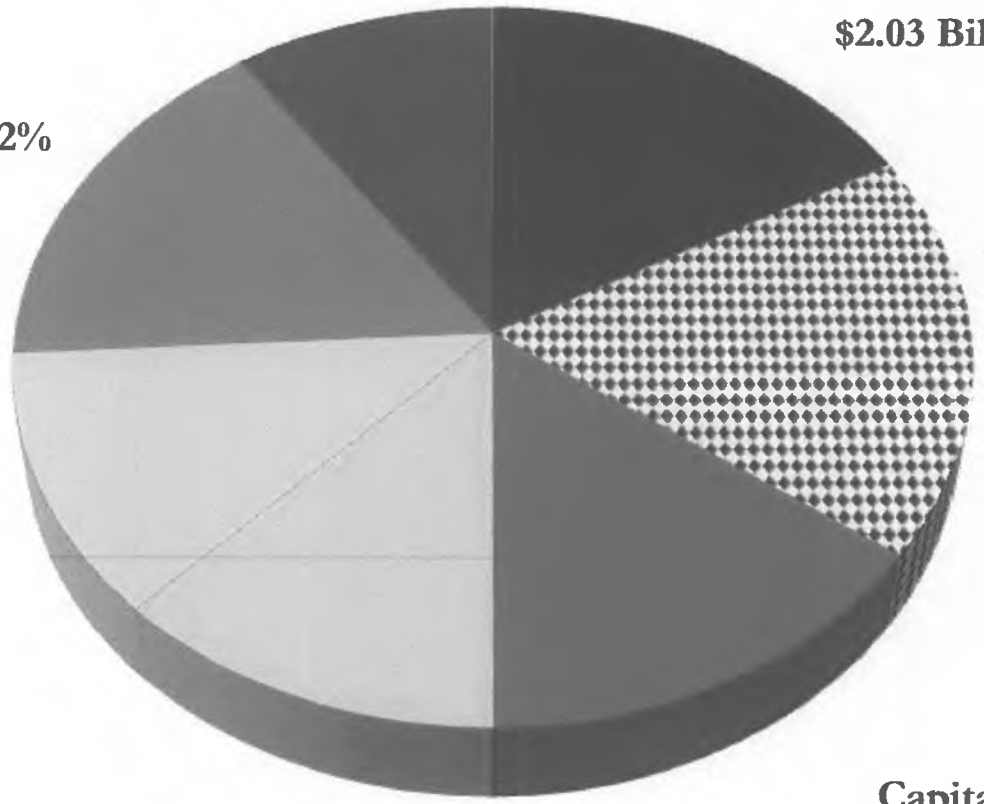
  Deferred Maintenance $100.0 million

FY2013 Budget Priorities

Strengthen Military Missions and Support Alaska's Military families

- **Military Support**
  - Army and Air Guard Facilities $4.0 million
  - Veteran's Services and Outreach $0.7 million
  - Veteran's Cemetery $2.0 million
  - Alaska Aerospace Corporation $8.0 million

FY2013 Expenditures by Category



K-12 Formula 9.7%
$1.17 Billion
(includes pupil trans.)

Agency Nonformula
All Other Funds 16.8%
$2.03 Billion

Other Formula 16.2%
$1.96 Billion

Agency Nonformula
Unrestricted GF 18.2%
$2.21 Billion

Statewide
Appropriations 11.9%
$1.44 Billion

Capital Budget 14.9%
$1.80 Billion

Permanent Fund 12.2%
$1.48 Billion

Total Funds = $12,120.6 million

Net Transfers/Savings = $9.6 million

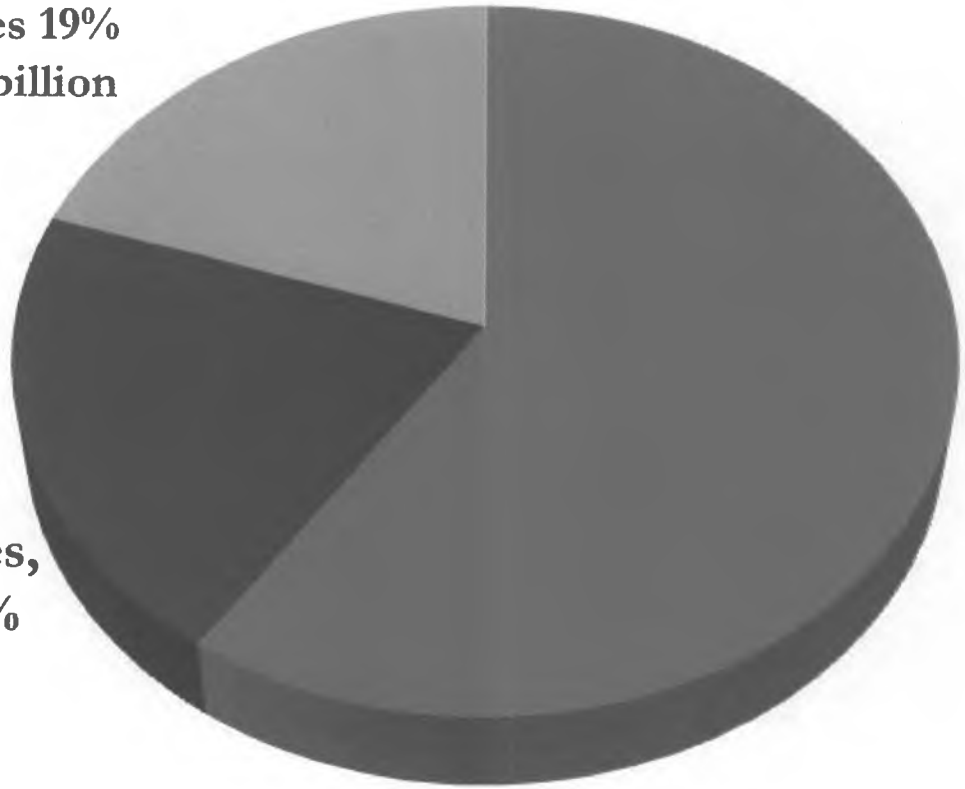
FY2013 Operating Budget Highlights

Restrain growth

- Deleted 288 positions
- Fully fund K-12 Education and Pupil Transportation $1.17 billion
- Medicaid growth $130.5 million
- Salary & Benefit increases $66.0 million
- Goose Creek $29.1 million
- Tourism Marketing $16.0 million

FY2013 Budget- Another Perspective

60% of Alaska's budget benefits communities, organizations and individuals through grants, direct payments and capital project funding



Includes duplicate funds, savings, investments and the Permanent Fund

For More Information on the Budget

http://www.omb.alaska.gov

Karen J. Rehfeld, Director

Office of Management and Budget

907.465.4660

Karen.Rehfeld@alaska.gov

State of Alaska

Fiscal 2013 Governor Fiscal Summary

(dollars shown in millions)

	FY2012 Authorized					FY2013 Governor							
	Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Funds	Total Funds	Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Funds	Total Funds	UGF Change	UGF % Change	Total % Change
REVENUE	**8,981.5**	**787.3**	**514.1**	**3,112.9**	**13,395.8**	**8,217.7**	**834.5**	**505.0**	**2,868.9**	**12,426.1**			
Total Unrestricted General Fund Revenues (A) ($109.33, $109.47)	8,927.9				8,927.9	8,217.7				8,217.7			
Reappropriations and Carry Forward (B)	53.6	0.6	0.2	54.4	108.8					0.0			
Restricted Revenue (C)		786.7	513.9	3,058.5	4,359.1		834.5	505.0	2,868.9	4,208.4			
APPROPRIATIONS													
Total Operating	**5,324.1**	**738.6**	**456.2**	**2,010.6**	**8,529.5**	**5,566.9**	**749.0**	**475.5**	**2,033.4**	**8,824.8**	**242.8**	**4.6%**	**3.5%**
Agency Operations	**4,082.2**	**707.2**	**413.0**	**1,988.6**	**7,190.9**	**4,214.5**	**725.4**	**432.7**	**2,006.1**	**7,378.6**	**132.3**	**3.2%**	**2.6%**
Agency Operations (Non-formula)	1,942.2	650.0	407.4	997.5	3,997.1	2,028.0	667.4	429.1	933.9	4,058.4	**85.8**	**4.4%**	**1.5%**
Legislature and Courts Operations	175.5	0.6	1.0	1.7	178.8	182.5	0.6	0.8	1.7	185.5	**6.9**	**4.0%**	**3.8%**
Total K-12 Foundation and Pupil Transportation (D)	1,157.5	12.4		20.8	1,190.6	1,139.7	13.3		20.8	1,173.8	(17.8)	**-1.5%**	**-1.4%**
Agency Operations (Formula)	806.9	44.2	2.8	966.6	1,820.6	864.3	44.1	2.8	1,049.7	1,961.0	**57.4**	**7.1%**	**7.7%**
Revised Programs Legislatively Approved			1.8	2.0	3.8			0.0		0.0			
Duplicated Authorizations Non-additive (E)			693.4		693.4			723.5		723.5			
Statewide Operations	**1,241.9**	**31.5**	**43.1**	**22.1**	**1,338.6**	**1,352.4**	**23.6**	**42.8**	**27.3**	**1,446.2**	**110.5**	**8.9%**	**8.0%**
Debt Service (F)	243.7	21.6	43.1	13.0	321.4	218.7	21.8	42.6	18.2	301.4	(25.0)	**-10.3%**	**-6.2%**
Fund Capitalizations (G)	7.5	9.9	0.0	9.1	26.5	5.0	1.8	0.0	9.1	16.0			
Direct Appropriations to Retirement	479.5				479.5	610.5				610.5	**131.0**	**27.3%**	**27.3%**
Revenue Sharing	60.0				60.0	60.0				60.0			
Oil and Gas Tax Credits	400.0				400.0	400.0				400.0			
Judgments, Claims and Settlements	1.2				1.2					0.0			
Supplementals	50.0				50.0	50.0				50.0			
New Legislation					0.0	8.2		0.2		8.4			
Duplicated Authorizations Non-additive (E)			15.8		15.8			11.2		11.2			
Total Capital	**1,557.1**	**44.5**	**49.2**	**1,081.2**	**2,731.9**	**882.0**	**81.0**	**20.6**	**820.5**	**1,804.2**	(675.0)	**-43.4%**	**-34.0%**
Project Appropriations	1,494.7	44.5	49.2	1,078.1	2,666.5	762.0	81.0	20.6	818.8	1,682.5	(732.6)	**-49.0%**	**-36.9%**
AMHS Vessel Replacement Fund/Alaska Class Ferry					0.0	60.0				60.0	**60.0**		
GO Bond Package $350Million Non-additive (H)					0.0			350.0		350.0	**0.0**		
Revised Programs Legislatively Approved				0.6	0.6					0.0			
AGIA Reimbursement Fund	60.0				60.0	60.0				60.0			
Other Fund Capitalizations (G)	2.4			2.4	4.8				1.7	1.7			
Duplicated Authorizations Non-additive (E)			(47.5)		(47.5)			42.7		42.7			
Pre-Transfer Authorization	**6,881.1**	**783.1**	**505.4**	**3,091.8**	**11,261.5**	**6,448.9**	**830.0**	**496.1**	**2,853.9**	**10,629.0**	(432.2)	**-6.3%**	**-5.6%**
Pre-Transfer Balance to/(from) SBR	**2,100.4**					**1,768.8**							
Transfers/Savings	**160.7**	**4.2**	**8.8**	**21.1**	**194.7**	(18.7)	**4.5**	**8.8**	**15.0**	**9.6**			
Designated Savings													
Public Education Fund - Budget Year Draw (D)	(1,137.5)				(1,137.5)	(1,139.7)				(1,139.7)			
Public Education Fund - Future Year Funding (D)	1,105.7				1,105.7	1,139.7				1,139.7			
Regional Educational Attendance Area School Fund	0.0				0.0	35.5				35.5			
Renewable Energy Grant Fund (I)	26.6				26.6	25.0				25.0			
In-State Gas Pipeline Fund (J)	200.0				200.0					0.0			
Education Grants/Performance Scholarships Fund (J)	400.0				400.0					0.0			
Railbelt Energy Fund	(65.7)				(65.7)					0.0			
Alternative Energy Conservation RLF	2.5				2.5					0.0			
AMHS Vessel Replacement Fund					0.0	(60.0)				(60.0)			
Undesignated Savings													
Statutory Budget Reserve	50.0				50.0					0.0			
Cruise Ship Gambling Tax (K)	(31.0)				(31.0)								
AHFC Subsidiary - AHCC Receipts (J)	200.0				200.0					0.0			
AHFC Subsidiary - (to In-State Gas Pipeline Fund) (J)	(200.0)				(200.0)					0.0			
AHFC Subsidiary - (to Scholarship Fund) (J)	(400.0)				(400.0)	(29.0)				(29.0)			
Other Transfers (L)	10.0	4.2	8.8	21.1	44.0	9.8	4.5	8.8	15.0	38.1			
Total Authorization to Spend with Savings	**7,041.8**	**787.3**	**514.1**	**3,112.9**	**11,456.1**	**6,430.2**	**834.5**	**505.0**	**2,868.9**	**10,638.6**	(611.6)	**-8.7%**	**-7.1%**
Post-Transfer Balance to/(from) SBR	**1,939.7**					**1,787.5**							
Permanent Fund Appropriations	**0.0**	**1,521.0**	**0.0**	**0.0**	**1,521.0**	**0.0**	**1,482.0**	**0.0**	**0.0**	**1,482.0**			
PF Dividends / PFD Division Operations (M)		652.0			652.0		572.0			572.0			
PF Inflation Proofing		847.0			847.0		888.0			888.0			
AK Capital Income Fund (Am Hess) (N)		22.0			22.0		22.0			22.0			
Total Authorization to Spend with Permanent Fund	**7,041.8**	**2,308.3**	**514.1**	**3,112.9**	**12,977.1**	**6,430.2**	**2,316.5**	**505.0**	**2,868.9**	**12,120.6**	(611.6)	**-8.7%**	**-6.6%**

		FY2012 Authorized					FY2013 Governor							
		Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Funds	Total Funds	Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Funds	Total Funds	UGF Change	UGF % Change	Total % Change
59	**Fiscal Year Summary (Includes Permanent Fund)**	**7,041.8**	**2,308.3**	**514.1**	**3,112.9**	**12,977.1**	**6,430.2**	**2,316.5**	**505.0**	**2,868.9**	**12,120.6**	(611.6)	**-8.7%**	**-6.6%**
60	Agency Operations	4,082.2	707.2	413.0	1,988.6	7,190.9	4,214.5	725.4	432.7	2,006.1	7,378.6	132.3	**3.2%**	**2.6%**
61	Statewide Totals	1,241.9	31.5	43.1	22.1	1,338.6	1,352.4	23.6	42.8	27.3	1,446.2	110.5	**8.9%**	**8.0%**
62	**Total Operating**	**5,324.1**	**738.6**	**456.2**	**2,010.6**	**8,529.5**	**5,566.9**	**749.0**	**475.5**	**2,033.4**	**8,824.8**	242.8	**4.6%**	**3.5%**
63	**Capital**	**1,557.1**	**44.5**	**49.2**	**1,081.2**	**2,731.9**	**882.0**	**81.0**	**20.6**	**820.5**	**1,804.2**	(675.0)	**-43.4%**	**-34.0%**
64	**Total Authorization Pre-Transfers/Savings**	**6,881.1**	**783.1**	**505.4**	**3,091.8**	**11,261.5**	**6,448.9**	**830.0**	**496.1**	**2,853.9**	**10,629.0**			
65	**Transfers/Savings**	**160.7**	**4.2**	**8.8**	**21.1**	**194.7**	(18.7)	**4.5**	**8.8**	**15.0**	**9.6**			
66	**Total Authorization to Spend with Savings**	**7,041.8**	**787.3**	**514.1**	**3,112.9**	**11,456.1**	**6,430.2**	**834.5**	**505.0**	**2,868.9**	**10,638.6**	(611.6)	**-8.7%**	**-7.1%**
67	**Permanent Fund Appropriations**	**0.0**	**1,521.0**	**0.0**	**0.0**	**1,521.0**	**0.0**	**1,482.0**	**0.0**	**0.0**	**1,482.0**			

Notes

A Total Unrestricted General Fund Revenue: Line 2 is based on information from the Department of Revenue Fall 2011 Revenue Forecast.

Unrestricted General Fund Revenue	FY2012	FY2013
Oil Price (ANS West Coast Spot per barrel)	$109.33	$109.47
Average ANS oil production (bbl, per day)	0.574	0.555
Unrestricted General Fund Revenue	**$8,927.9**	**$8,217.7**

Corporate Dividends	FY2012	FY2013
Alaska Industrial Development and Export Authority (AIDEA)	$29.4	$20.4
Alaska Housing Finance Corporation for Projects	$17.0	$16.5
Total as Unrestricted General Funds	**$46.4**	**$36.9**
Total AHFC Dividend for Capital Projects and Debt Service	$23.1	$27.3

B Reappropriations and Carry Forward: Includes fund sources for reappropriations and other appropriations (typically roll-forwards of prior year authorizations - including American Recovery and Reinvestment Act of 2009 (ARRA) Federal Receipts) that do not require additional FY2012 or FY2013 revenue.

C Restricted Revenue: Other revenue not included as Unrestricted General Fund Revenues in the Revenue Sources Book, such as Federal Receipts and University Receipts.

D Public Education Fund: Legislation in 2005 established the Public Education Fund (PEF). One of the effects of this legislation was to remove expenditures for K-12 Public Education from Agency Operations (Formula) on line 11. The FY2012 and FY2013 proposed total K-12 Foundation Program and Pupil Transportation expenditures are shown on line 10. The table below shows the amount of K-12 Foundation Formula and Pupil Transportation being expensed from the Public Education Fund, since expenditures from the fund do not require appropriation.

Public Education Fund Expenditures	FY2012	FY2013	FY2014
K-12 Foundation Formula	$1,074,840.1	$1,077,513.3	$1,077,513.3
Pupil Transportation	$62,665.8	$62,202.7	$62,202.7
Total	**1,137,505.9**	**1,139,716.0**	**1,139,716.0**

E Duplicated Authorizations: These appropriations are in the budget twice, such as when funds flow in and out of a holding account or one agency pays another for services provided. The most significant examples of these type of expenditures include operating payments from Interagency Receipts, Capital Improvement Project Receipts and General Obligation Bonds.

F Debt Service: The Debt Service line includes actual payment of debt obligations, primarily General Obligation Bonds, State debt reimbursement programs such as School Debt reimbursement, Certificates of Participation (lease-financing), and International Airports Revenue Bonds.

G Fund Capitalizations: Operating Fund Capitalizations includes fund transfers to the Alaska Children's Trust Grant Account, Disaster Relief Fund and the Crime Victim Compensation Fund on line 16. Line 30 consists of the Emerging Technology Fund transfers.

H GO Bond Package: The Governor proposes a General Obligation (GO) Bond package for port projects, subject to voter approval in November, 2012.

I Renewable Energy Grant Fund: The Renewable Energy Grant Fund is capitalized with $26.6 million Unrestricted General Funds in FY2012, and $25 million Unrestricted General Funds in FY2013. $36.6 million in FY2012, and $25 million in FY2013, in grants are appropriated from the Renewable Energy Grant Fund in line 25 in the Designated General Funds column.

J AHFC Subsidiary Account -- Education Grants and In-State Gasline Fund Transfers: In the FY2012 column - The Legislature appropriated $400.0 million from the General Fund to the Alaska Housing Capital Corporation account (aka AHFC Subsidiary Account) in FY2011 (SLA 2011, Chapter 5 (SB46), Section 20(d)), and $200.0 million from the General Fund to the Alaska Housing Capital Corporation account in FY2012 (Id., Section 20(c))(line 48). Those fund transfers were then appropriated from the Alaska Housing Capital Corporation account; $200.0 million to an In-State Gasline Fund (Id., Section 20(e)), and $400.0 million to an Education Grants/Performance Scholarships Fund (Id., Section 20(f)). Each of those appropriations is contingent on the passage of legislation establishing the respective funds by the Twenty-Seventh Alaska State Legislature. Those contingent appropriations are included in this summary on lines 40, 41, 49 and 50. In the FY2013 column (line 50), the Governor proposes using $21.0 million in AHCC Receipts for capital projects and $8.0 million for Alaska Performance Scholarships.

K Cruise Ship Gambling Tax: The unspent balance of Cruise Ship Gambling Tax, prior to FY2012, appropriated for capital projects in line 25.

L Other Transfers: Includes capitalization of various State funds, such as the Fish and Game Fund, Oil and Hazardous Substance Release Prevention and Response Accounts, and others.

M PF Dividends / PFD Division Operations: Line 55 includes both the amounts for Permanent Fund Dividend (PFD) checks and other State operating costs of the PFD.

Permanent Fund Dividend Fund Other Expenditures	FY2012	FY2013
Department of Revenue, Division of Permanent Fund Dividend operations	$8.1	$8.2
Department of Health and Social Services, Public Assistance PFD Hold Harmless	$16.3	$16.8
Total	**$24.4**	**$25.0**

The financial information for the Permanent Fund section (lines 54-58) is from the Alaska Permanent Fund Corporation Fund Financial History & Projections as of October 31, 2011. These financial statements are available on the Alaska Permanent Fund website: www.APFC.org.

N Alaska Capital Income Fund: The Alaska Capital Income Fund is authorized by AS 37.05.565. The fund consists of income earned on money awarded as a result of the State vs. Amerada Hess royalty case, estimated to be $28-29 million per year, plus other appropriations. Those projections have been reduced in the FY2012 and FY2013 columns per the Alaska Permanent Fund Corporation Fund Financial History & Projections as of October 31, 2011.

Office of Management & Budget Contacts

Court Plaza Building, 240 Main St. Suite 802, Juneau, AK 99801

P.O. Box 110020, Juneau, Alaska 99811-0020 - Phone (907) 465-4660, Fax (907) 465-3640

Director

- **Karen J. Rehfeld**
  (907) 465-4660, (907) 465-3640 fax
- **Lynn Castle, Administrative Assistant**
  (907) 465-4660, (907) 465-3640 fax: Director and Policy Analyst Support

Policy Analysts

- **John Boucher, Senior Economist**
  (907) 465-4677: Long Range Fiscal Plan, Revenue Outlook, Financing Options, Permanent Fund Division/Corporation, Economic Resource Development (Gas-line), and Statewide Administrative Issues (PERS/TRS, Information Technology, Broadband, AIDEA).
- **Arnold Liebelt, Senior Policy Analyst**
  (907) 465-4676: Legislative Liaison, Fiscal Notes, Deferred Maintenance, Energy (Alaska Energy Authority, AHFC, Energy Performance), Transportation Infrastructure (Roads, Harbors, Ports, Alaska Marine Hwy System) and Criminal Justice (Public Safety, Law, Corrections).
- **Craig Kahklen, Management Analyst**
  (907) 465-3559: Performance Framework, Denali Commission, Federal Requests, Community Development (Revenue Sharing, Climate Change, Coastal Zone Management, Village Safe Water) and Heath/Education/Workforce (K-12 Education, University, Labor, and DHSS).

Internal Audit

- **Diane Burnham, Internal Auditor**
  (907) 465-4663 – (907) 465-3640 fax – Program/Performance-Audits, ARRA 2009 – Reporting, Indirect/Cost Allocation Plans, ARRA Coordinator

Budget Analysts

- **Kelly O'Sullivan, Chief Budget Analyst**
  (907) 465-4681, (907) 465-2090 fax – Governor, Legislature, Instructions, Operating Bills and Amendments, Operating ABS Scenarios, MH Bill and Amendments, Capital Bill and Amendments, Statewide Rates, LB&A
- **Linda Schauwecker, Admin Support Tech**
  (907) 465-4699, (907) 465-2090 fax – Budget Analysts and Audit Support
- **Brook Larson, Budget Analyst**
  (907) 465-4787 – Corrections, Law, Public Safety, Alaska Court System, DVSA Lead, Final Authorized and Actuals, Capital AR Status Report (CASR), Accounting System and ALDER Lead
- **Tyson Gallagher, Budget Analyst**
  (907) 465-4693 – Transportation, Capital Budget Instructions, Capital Reports, Capital ABS Scenarios

- **Karen Elliott, Budget Analyst**
  (907) 465-2178 – Education & Early Development, University, Public Education Fund, Auto AB, Fiscal Notes tracking, Community Funding
- **Lena Simmons, Budget Analyst**
  (907) 465-4697 – Military & Veterans Affairs, Natural Resources, Salary/Labor Costs, Disaster Policy Cabinet, Operating Budget Instructions
- **Sarah Brinkley, Budget Analyst**
  (907) 465-4690 – Health & Social Services, Mental Health Budget, Surveys, Revised Program Manual
- **Kym Mauseth, Budget Analyst**
  (907) 465-4684 – Fish & Game, Environmental Conservation, Fiscal Summary, Debt Service, Fund Transfers, Bill Sectionals, Ratifications, RP Log Reports
- **Tom Narvaez, Budget Analyst**
  (907) 465-8235 – Commerce, Labor & Workforce Development, Appropriation Log
- **Steve Ricci, Budget Analyst**
  (907) 465-4698 – Administration, Revenue

Alaska Budget System

- **Will Belknap**
  (907) 465-4674 – Project Manager, Programmer/Analyst
- **Heather Crondahl**
  (907) 465-4694 – Programmer

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1/24/12 LEGISLATIVE FISCAL ANALYST'S OVERVIEW OF GOVERNOR'S FY13 BUDGET

<TARGET><BILL></BILL><SUBJECT>1-24-12 LEGISLATIVE FISCAL ANALYST'S OVERVIEW OF GOVERNOR'S FY13 BUDGET</SUBJECT><COMM>SFIN27</COMM></TARGET>

Senate Finance Committee

January 24, 2012

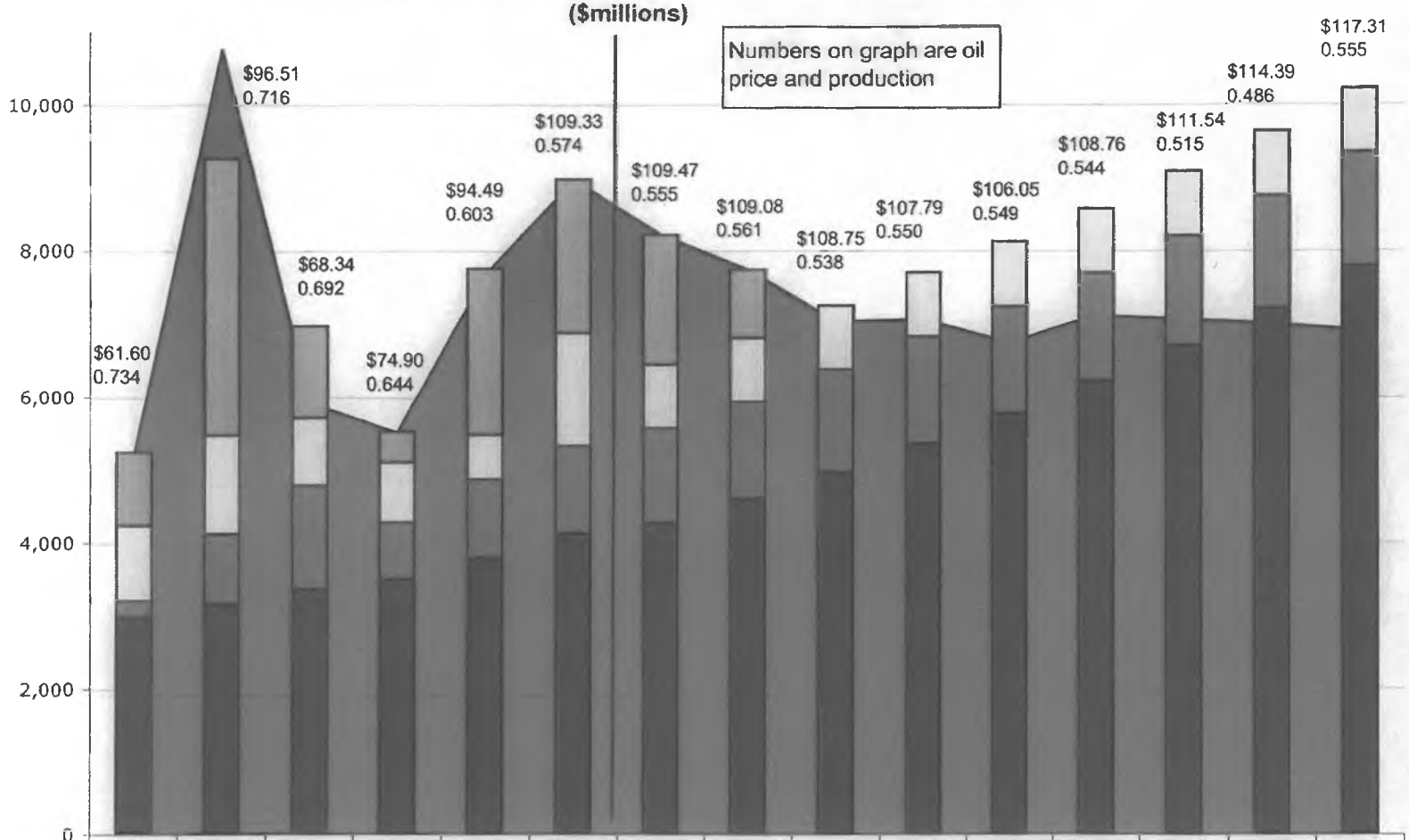
Legislative Fiscal Analyst's Overview

of the Governor's FY13 Budget

David Teal
Legislative Fiscal Analyst
http://www.iegfin.state.ak.us

Figure 2. Unrestricted General Fund Revenue/ Budget

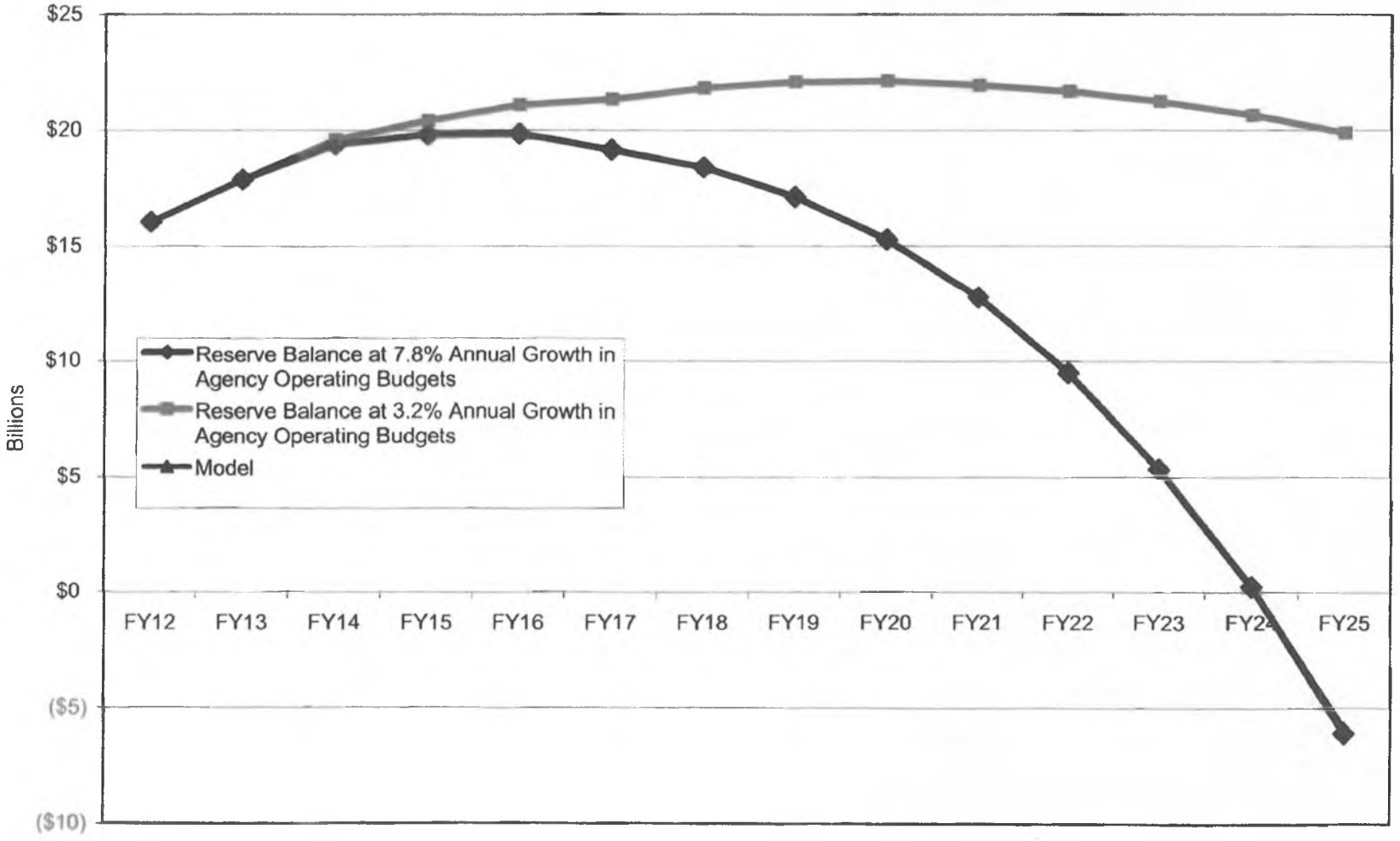
($millions)



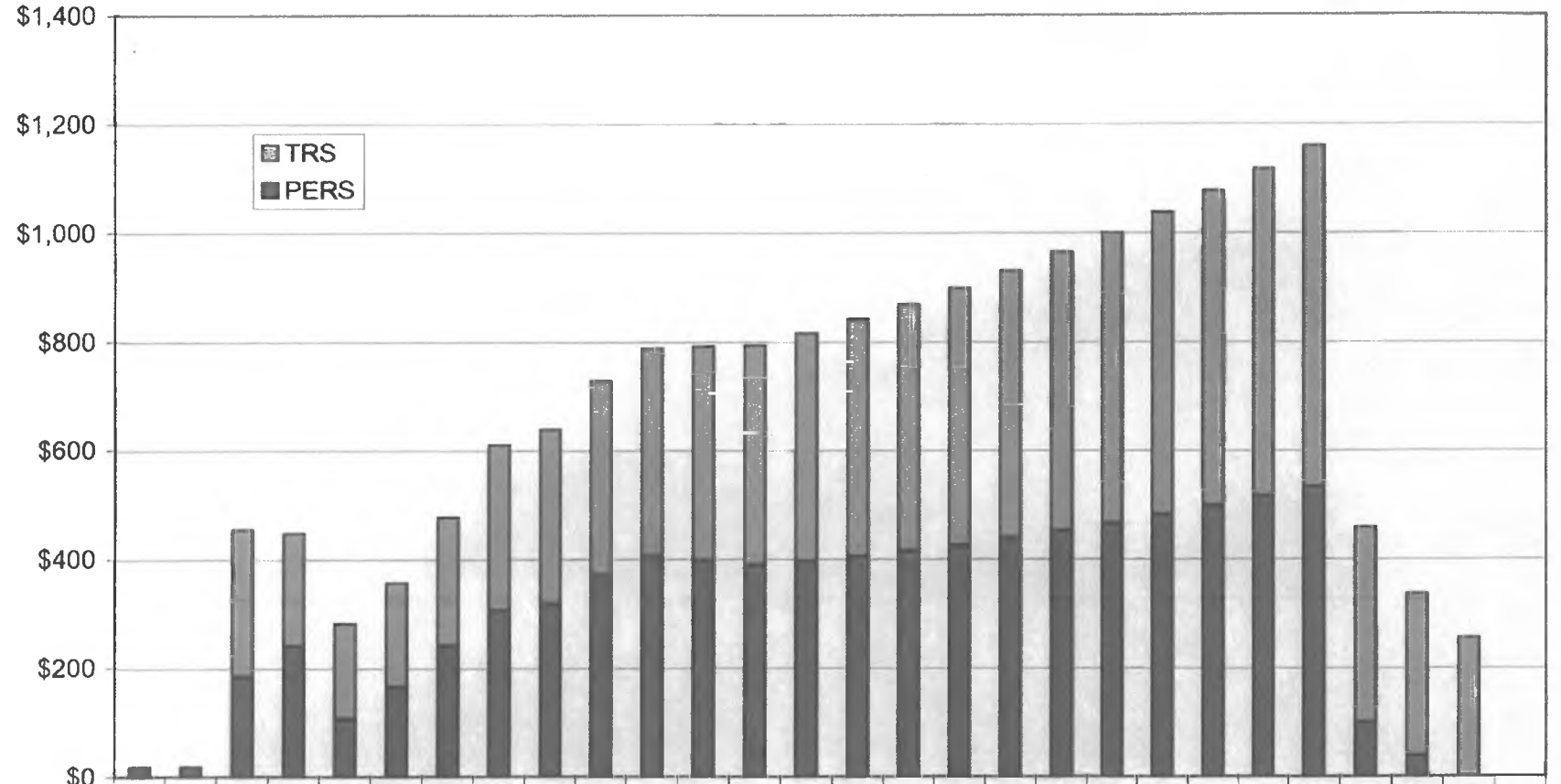
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
GF Revenue (Fall 2011)	5,215.7	10,764.3	5,918.8	5,513.3	7,673.0	8,981.6	8,222.7	7,742.8	7,043.4	7,065.5	6,738.9	7,125.0	7,070.4	7,012.1	6,917.5
Net Fund Transfers	1,003.3	3,788.3	1,260.0	426.1	2,279.5	2,100.4	1,773.8	932.6	(216.0)	(641.2)	(1,388.3)	(1,454.3)	(2,016.0)	(2,623.4)	(3,308.8)
Capital Budget	1,035.1	1,351.7	924.1	826.2	614.6	1,557.1	882.0	882.0	882.0	882.0	882.0	882.0	882.0	882.0	882.0
Statewide Operating	220.6	963.1	1,423.4	771.0	1,072.1	1,191.9	1,294.2	1,322.2	1,412.2	1,472.2	1,475.2	1,477.2	1,499.2	1,525.2	1,552.2
Agency Operations	2,986.5	3,165.4	3,370.3	3,506.6	3,793.1	4,132.2	4,272.7	4,606.0	4,965.2	5,352.5	5,770.0	6,220.1	6,705.2	7,228.3	7,792.1

Figure 3. Projected Reserve Balances

(Assumes revenue of $7 billion annually after FY21 and a constant ($882 million/year) capital budget)

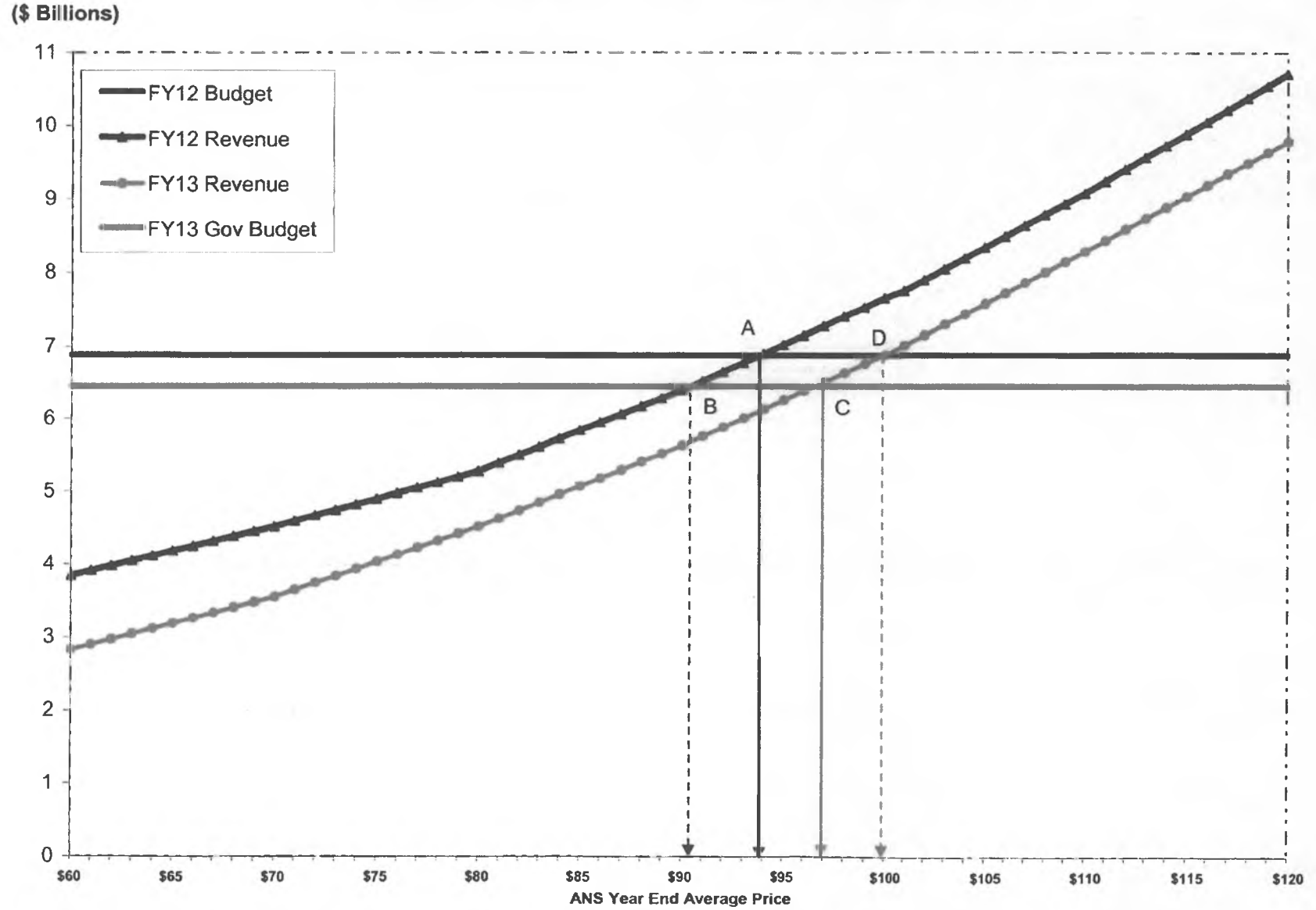


Projected Direct State Contributions to PERS and TRS



	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	FY 33
TRS	0	0	270	206	174	191	235	303	320	357	384	394	403	419	436	454	474	493	514	535	556	579	602	626	358	297	256	0
PERS	18	19	185	242	108	166	243	307	318	371	404	397	390	396	405	414	425	438	452	466	482	498	515	533	100	39	0	

Figure 4. FY12/13 General Fund - Fiscal Sensitivity Overlay



Note: Revenue figures from DOR Fall 2011 Forecast. Figures include sources not directly affected by oil prices. Budget Authorization corresponds with "Pre-transfer" authorization on Fiscal Summary.

2/02/12 DEPARTMENT OF REVENUE: FY12 AND FY13 REVENUE FORECAST

<TARGET><BILL></BILL><SUBJECT>2-02-12 DEPARTMENT OF REVENUE FY12 AND FY13 REVENUE FORECAST</SUBJECT><COMM>SFIN27</COMM></TARGET>



Presentation to the
Senate Finance Committee
February 2, 2012
Alaska Department of Revenue

Outline for Presentation

- **Fall 2011 Revenue Forecast for FY2012 and 2013**
  - **Total Revenue**
  - **Unrestricted Revenue**
  - **Non-Oil Revenue**
- **Components of Production Tax Forecast**
  - **Oil Production Forecast**
  - **Oil Price Forecast**
  - **Lease Expenditures Forecast / Oil Company Spending**
  - **Tax Credits**

Fall 2011
Revenue Forecast
FY2012 and FY2013

FY 12 and FY 13 Total Revenue

Revenue Type	FY 12 ($M)	FY 13 ($M)
Unrestricted General Fund		
Oil Revenue	$ 8,215.3	$ 7,496.0
Other Sources (except Federal & Investment)	$ 535.7	$ 539.1
Investment Revenue	$ 176.9	$ 182.6
Subtotal Unrestricted	$ 8,927.9	$ 8,217.7
Designated General Fund		
Other Sources (except Federal & Investment)	$ 307.9	$ 308.1
Investment Revenue	$ 12.4	$ 41.8
Subtotal Restricted	$ 320.3	$ 349.9
Other Restricted Revenue		
Oil Revenue	$ 958.0	$ 891.9
Other Sources (except Federal & Investment)	$ 203.1	$ 203.2
Investment Revenue	$ 2,991.8	$ 3,746.0
Subtotal Restricted	$ 4,152.9	$ 4,841.0
Federal Revenue		
Oil Revenue	$ 4.0	$ 4.0
Federal Receipts	$ 3,102.5	$ 3,102.5
Subtotal Restricted	$ 3,106.5	$ 3,106.5
Total State Revenue	$ 16,507.7	$ 16,515.1

Source: Fall 2011 Revenue Sources Book

FY 12 & FY 13 General Fund Unrestricted Revenue

Revenue Type	FY 12 ($M)	% Total	FY 13 ($ M)	% Total
Royalty - Net PF / SF	$ 2,085.2	23.4%	$ 1,962.0	23.9%
Production Tax	$ 5,376.4	60.2%	$ 4,715.8	57.4%
Corp Income Tax	$ 662.1	7.4%	$ 728.4	8.9%
Property Tax	$ 91.7	1.0%	$ 89.7	1.1%
Subtotal Oil Revenue	$ 8,215.3	92.0%	$ 7,496.0	91.2%
Non-Oil Revenue	$ 712.6	8.0%	$ 721.7	8.8%
Total Revenue	$ 8,927.9	100.0%	$ 8,217.7	100.0%

Source: Fall 2011 Revenue Sources Book

FY 12 and FY 13 Unrestricted Non-Oil Revenue Detail

Revenue Type	FY 12 ($M)	% Total	FY 13 ($M)	% Total
Taxes				
Corporate Income	$ 149.7	21.0%	$ 152.5	21.1%
Mining	$ 43.0	6.0%	$ 48.4	6.7%
Insurance Premium	$ 49.9	7.0%	$ 50.1	6.9%
Tobacco	$ 46.0	6.5%	$ 46.0	6.4%
Motor Fuel	$ 37.6	5.3%	$ 37.8	5.2%
Other Taxes	$ 62.3	8.7%	$ 63.3	8.8%
Subtotal Taxes	**$ 388.5**	**54.5%**	**$ 398.1**	**55.2%**
Investments	**$ 176.9**	**24.8%**	**$ 182.6**	**25.3%**
Other *	**$ 147.2**	**20.7%**	**$ 141.0**	**19.5%**
Total Non-Oil	**$ 712.6**	**100.0%**	**$ 721.7**	**100.0%**

NOTE: This presentation only includes the portion of revenue that is included in the "Unrestricted General Fund" category.
*Other includes Charges for Services, Fines and Forfeitures, Licenses & Permits, Rents & Royalties, and Miscellaneous.

Source: Fall 2011 Revenue Sources Book

Components of Production Tax Calculation

- Production
- Price
- Lease Expenditures
- Tax Credits

Fall 2011
Oil Production
Forecast

Three Categories of Forecasted Production

1) Currently Producing- Includes base production and enhanced recovery production from investment in rate enhancing activities (perforations, stimulations, well workovers, gas and water injection support).
2) Currently under Development- New projects that are currently funded or awaiting project sanction in near future.

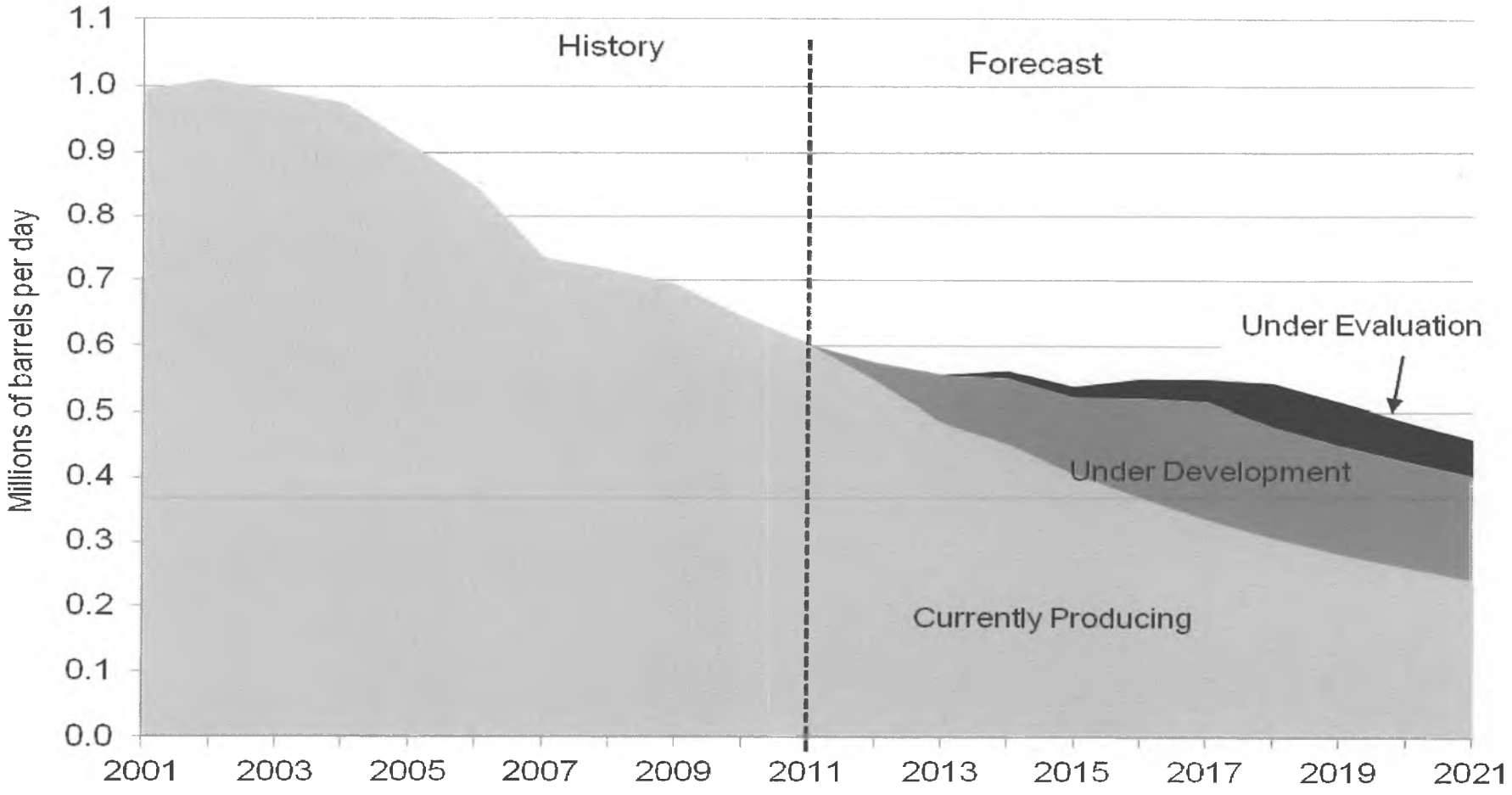
Three Categories of Forecasted Production

3) <u>Currently Under Evaluation</u>- Includes technically viable projects in the stage where engineering, cost, risk and reward are being actively evaluated. Unfunded but are considered to have a high chance of being brought to fruition.

Factors That Affect Production Forecasting

1. **GEOLOGY**
   - Rock type and formation characteristics
   - Depth, thickness, pressure
   - Oil & gas characteristics (oil gravity, viscosity, water content, etc.)
2. **DEVELOPMENT PLAN**
   - Well density and development rate
   - Well bore size and completion technique
   - Artificial lift and enhanced oil recovery
   - Facilities & surface operations
3. **COMMERCIAL**
   - Project economics
   - Oil price and market conditions
   - Government Policy: access, regulation, taxation
4. **PRODUCTION PROFILE**
   - History, stage of depletion
   - Use production profile to extrapolate trends
5. **TIMING!**

Forecasted ANS Production
FY 2011 - 2021



Source: Fall 2011 Revenue Sources Book

ANS Production Forecast and Decline Rates, FY 2012 - 2021

Fiscal Year	Currently Producing	% Change from Prior Year	Under Development	Under Evaluation	Total ANS	% Change from Prior Year
2011	0.603	(6.3%)	0.000	0.000	0.603	(6.3%)
2012	0.548	(9.1%)	0.026	0.001	0.574	(4.7%)
2013	0.485	(11.6%)	0.069	0.001	0.555	(3.3%)
2014	0.451	(6.9%)	0.099	0.010	0.561	1.0%
2015	0.406	(10.0%)	0.115	0.017	0.538	(4.1%)
2016	0.369	(9.1%)	0.151	0.029	0.550	2.1%
2017	0.336	(9.1%)	0.179	0.034	0.549	(0.1%)
2018	0.307	(8.5%)	0.171	0.066	0.544	(0.9%)
2019	0.282	(8.1%)	0.166	0.066	0.515	(5.4%)
2020	0.262	(7.4%)	0.164	0.061	0.486	(5.6%)
2021	0.241	(7.7%)	0.161	0.056	0.458	(5.8%)

Source: Fall 2011 Revenue Sources Book

Production Forecast – Improvements in Methodology

- Created standardized reporting forms for production and reserve forecasting information.
- Petroleum Engineer and Petroleum Economists compiled the forecast information instead of reinterpreting data previously received.
- For first time, department received down time estimates requested historically and never provided.
- Followed up and met second time with industry to confirm department's assumptions and ensure forecast results were reasonable with the companies' projections.
- Production forecasting requires consideration of each project's geology, development plans, commerciality, production profiles, decline curves and timing.
- Department uses extensive well and field specific data acquired from producers, AOGCC, and DNR.
- New field development is very important in mitigating decline rates.

Conclusion on Production

- Production forecasting requires consideration of each project's geology, development plans, commerciality, production profiles, decline curves and timing.

- Department uses extensive well and field specific data acquired from producers, AOGCC, and DNR

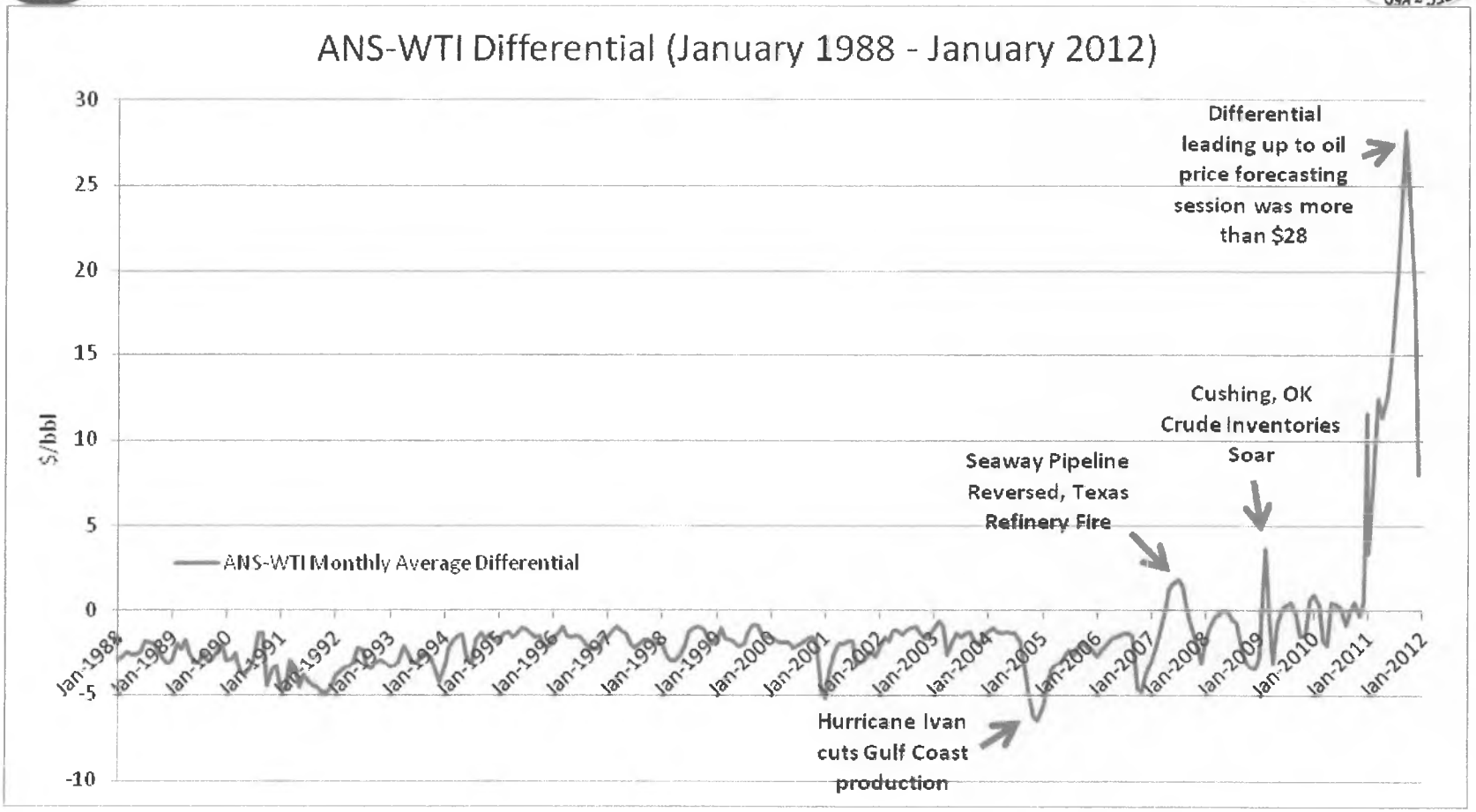
- New field development is very important in mitigating decline rates.

Fall 2011 Oil Price Forecast

Price Forecast Methodology

- **Oil Price Forecasting Session held October 3, 2011, included 26 Participants from DOR, DNR, DOL, OMB, University, Legislative Finance and outside participants**
- **Forecasting Session Presentations included supply, demand, geopolitics, financial markets, outside expert forecasts, etc.**
- **FY 2011-2016: Average of participant forecast from Forecasting Session blended equally with NYMEX, EIA, and analysts to derive price forecast.**
- **Beyond FY 2016: Constant real price, 2.5% inflation**
- **Change in ANS-WTI differential methodology due to widening differential**

ANS-WTI Oil Price Differential



WTI, nominal dollars per barrel. Sources: DOR, Bloomberg, NYMEX, Energy Information Agency

ANS-WTI Oil Price Forecast Differential Methodology

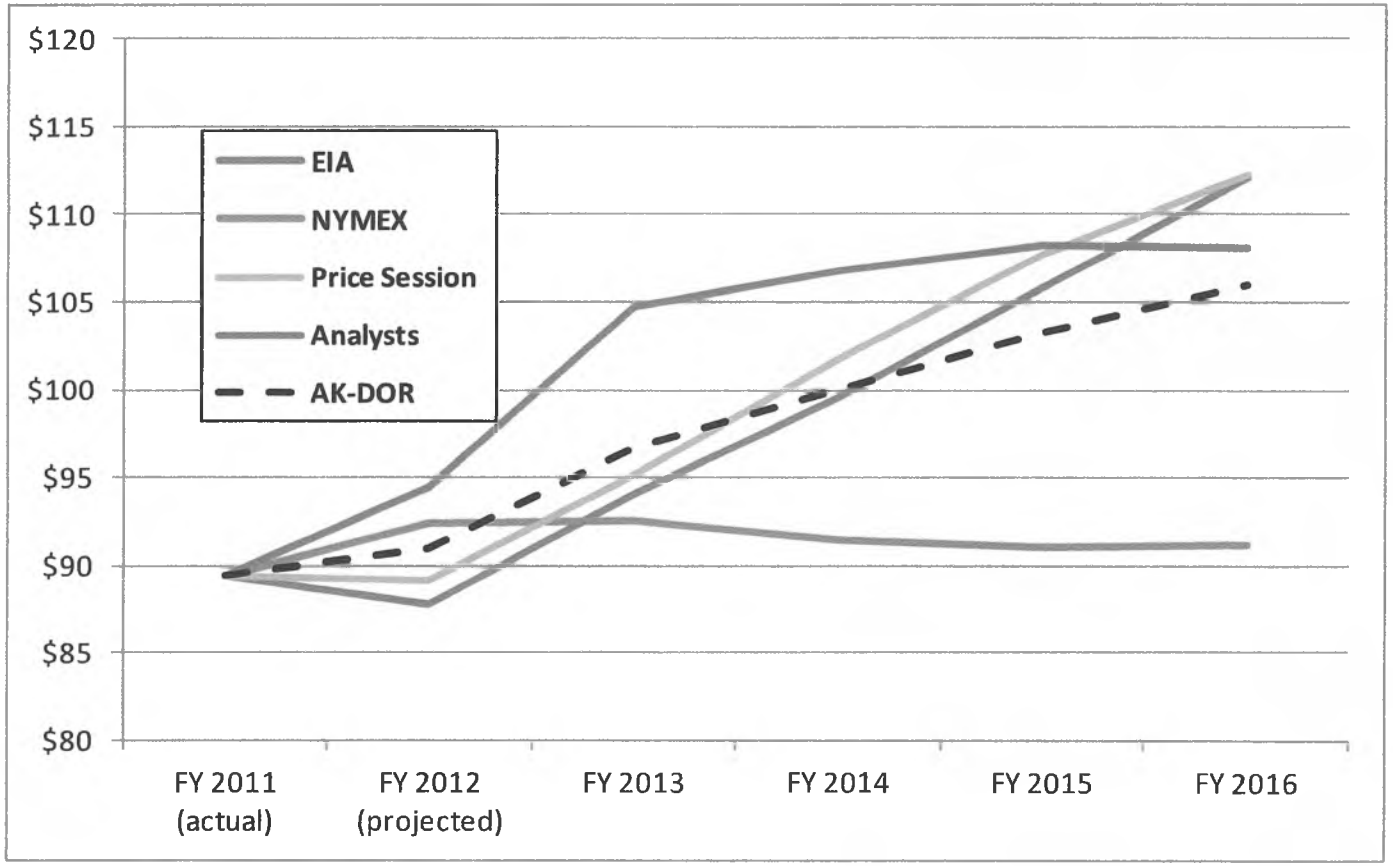
Forecast the Brent-WTI Differential using futures

- Use the Brent-WTI futures spread

- Forecast the ANS-Brent Differential using history
  - Use an assumption based on the historical ANS-Brent differential
- Taken together these make the ANS-WTI Forecast
  - (Brent-WTI) + (ANS-Brent) = ANS-WTI
  - Brent-WTI = $26, ANS-Brent = -$1
  - $26 + -$1 = $25
- This differential narrows over time (currently $16 per barrel) averaging $18.41 for FY2012

- Differential peaked at ~$29 during Sept 2011; dropped to a low of ~$7 for a few days at end of December 2011; has climbed to ~$13 today
- RSB uses a differential of $18.41 for FY12 and as of January 30, 2012 the average differential FY-to date was $18.22

Price Forecasts as of October 2011



WTI, nominal dollars per barrel. Sources: DOR, Bloomberg, NYMEX, Energy Information Agency

Fall 2011 DOR Oil Price Forecast

	Real $		Nominal $	
	WTI	ANS	WTI	ANS
FY 2011 (actual)	89.39	94.49	89.39	94.49
FY 2012 (projected)	88.71	106.66	90.92	109.33
FY 2013	91.97	104.20	96.62	109.47
FY 2014	92.75	101.29	99.88	109.08
FY 2015	93.50	98.52	103.21	108.75
FY 2016	93.60	95.27	105.90	107.79

*Note: FY 2012 forecast includes one quarter of actual prices.

Forecast is made in terms of Real WTI , then adjusted using 2.5% inflation rate and a forecast differential to ANS.

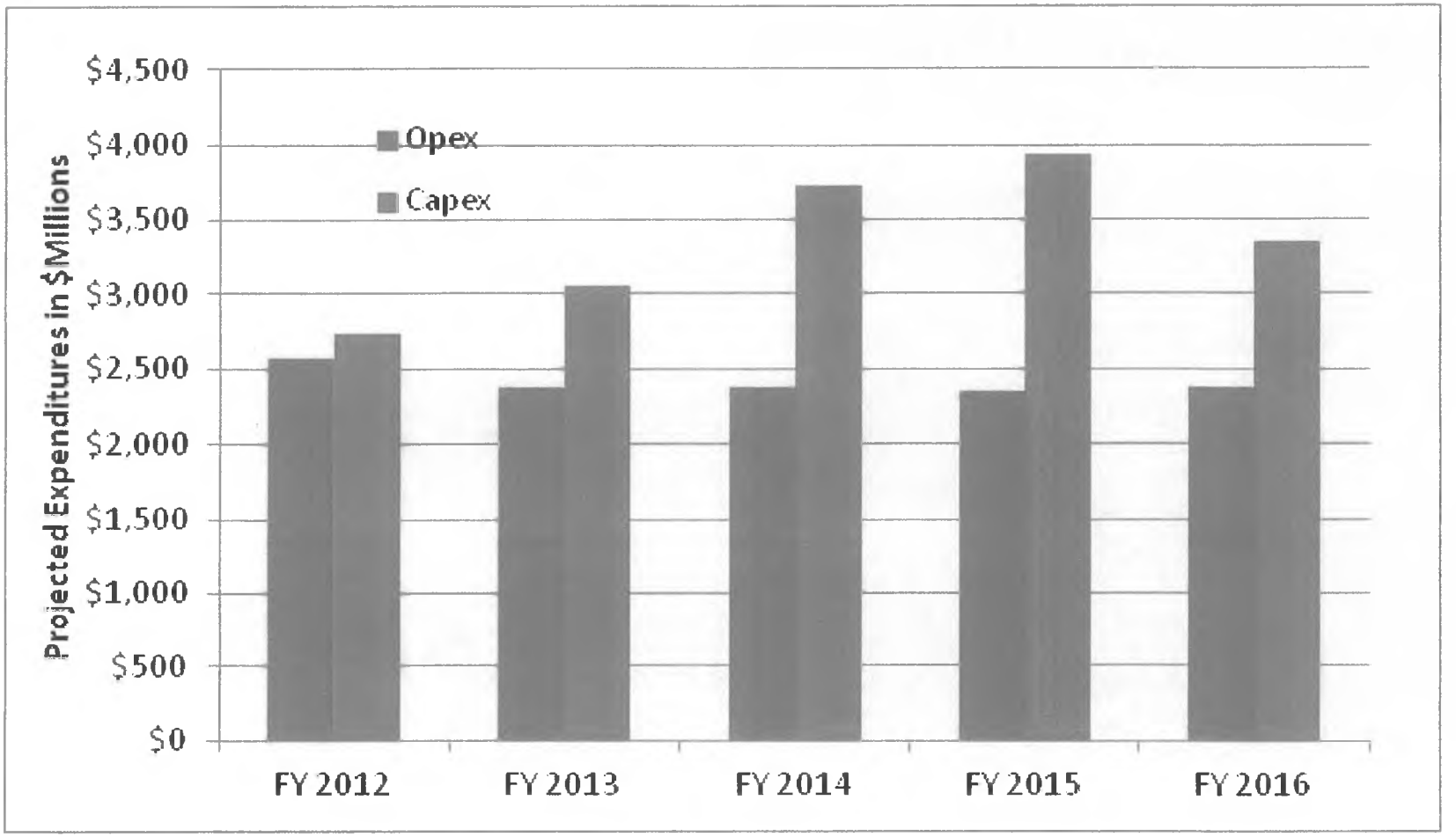
Source: Fall 2011 Revenue Sources Book

Fall 2011
Lease Expenditure Forecast

Lease Expenditure Forecast Methodology

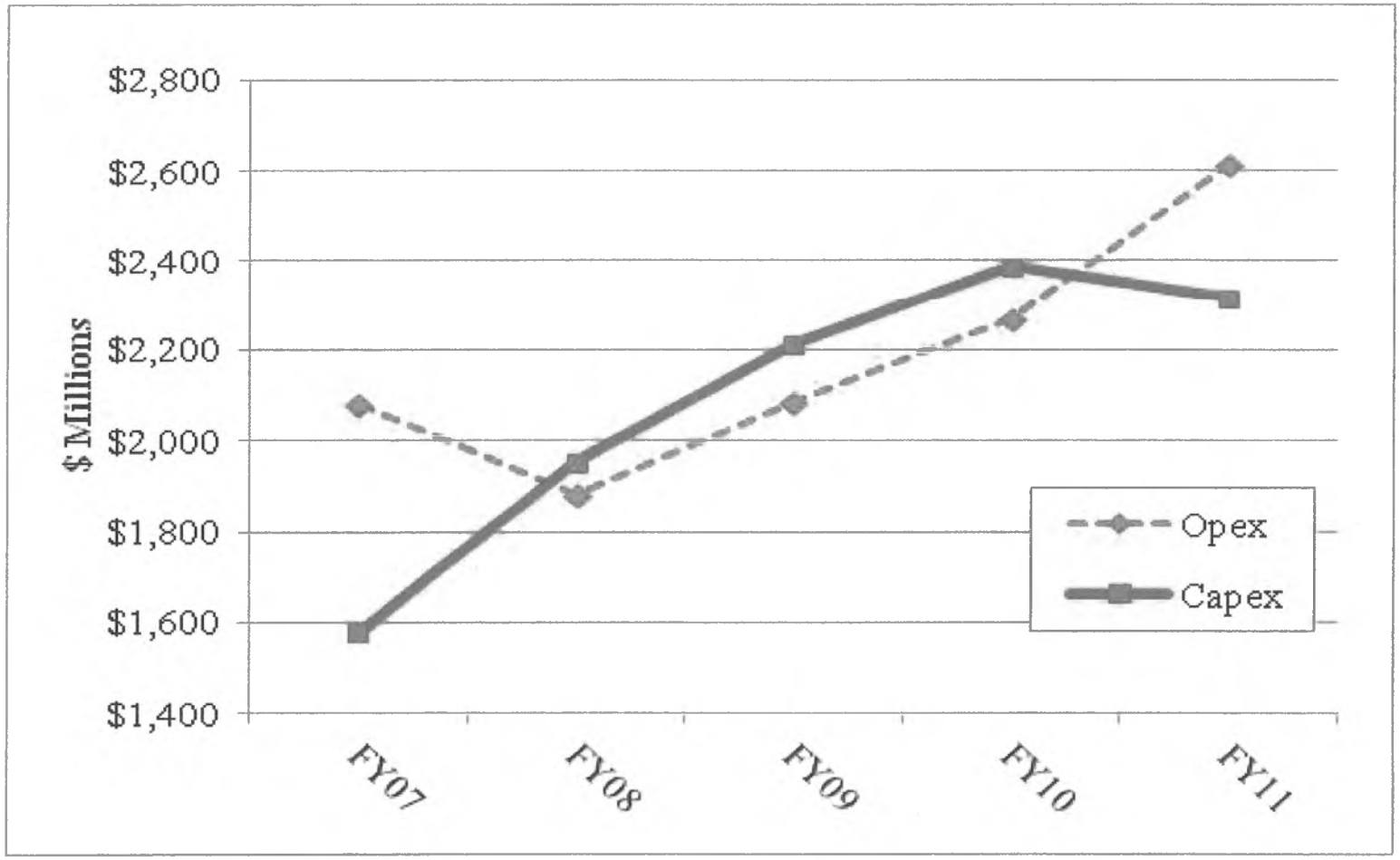
- **Request capital and operating lease expenditure projections from North Slope unit operators in the fall and the spring of each year in writing for the next five years from the current year**
- **Meet with and request spending projections from companies that are not currently producing but have announced drilling and/or development plans**
- **Review and coordinate with production forecast regarding anticipated developments outside the five-year time horizon received from operators**
- **Update long-term capital and operating expenditure projections based on new information**

Forecasted North Slope Expenditures, FY 2012 – FY 2016

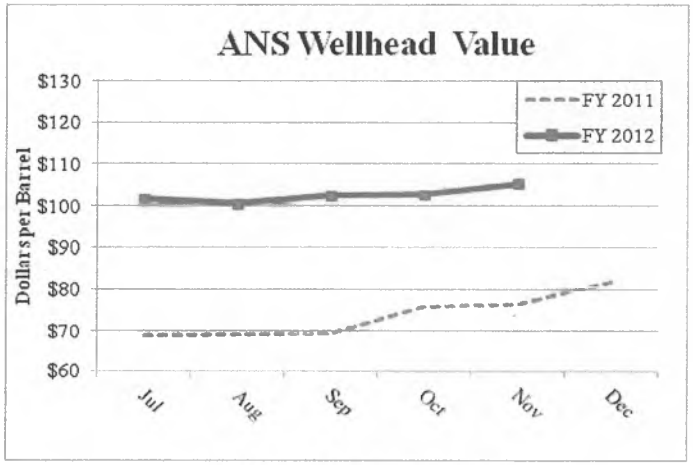


Source: Fall 2011 Revenue Forecast

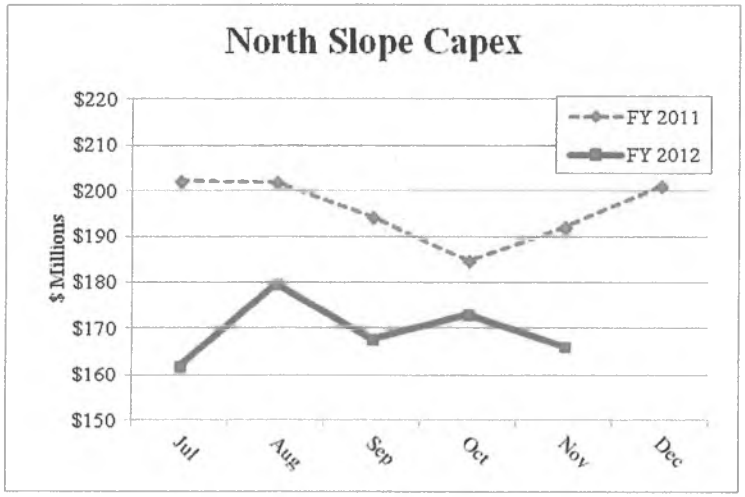
Historical Actual Expenditures, FY 2007 – FY 2011



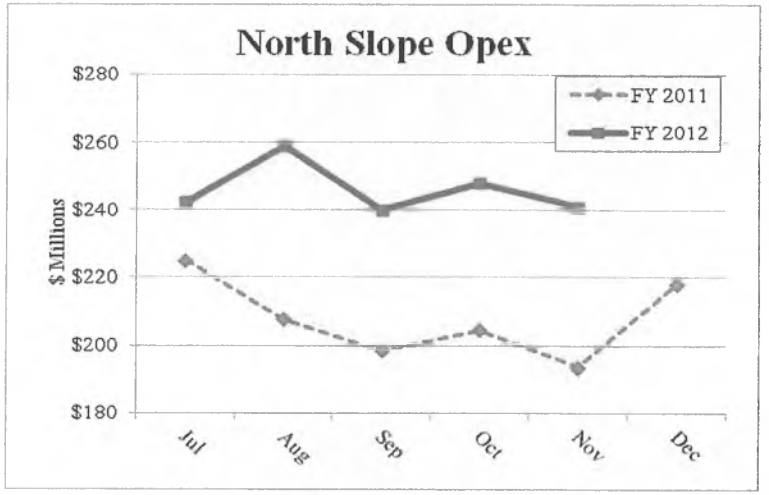
FY 2011 & FY 2012 Wellhead Values, North Slope Capex and Opex



FY12 avg up 43% through 5 months



FY12 down 11% through 5 months



FY12 up 19% through 5 months

Production Tax Credits Update

Credits Applied Against Production Tax Liability, by Fiscal Year ($M)

	Pre-2008	2008	2009	2010	2011*	2012*	Total
Capital Expenditure Credit	292	219	278	342	345	360	1,837
TIE Credits	171	73	0	0	0	0	244
Small Producer Credits	46	31	27	27	41	35	208
Exploration Credits	48	55	28	42	19	5	196
Totals	557	378	333	412	405	400	2,485

*estimated pending final true-up

Transferable Tax Credits Certificates Claimed by Fiscal Year ($M)

Credit Type	Pre-2008	2008	2009	2010	2011	2012*	Total
Capital Expenditure - .023(a)(1)	52.3	78.4	66.9	114.9	160.7	83.4	556.7
Capital Expenditure Exploration - .023(a)(2)	15.9	13.3	42.6	34.7	4.6	0.4	111.5
Net Operating Loss .023(b)	38.1	148.5	153.8	140.4	188.6	8.3	677.7
Well Lease Expenditure - .023(l)					9.4	23.8	33.2
Exploration -.025	93.2	85.5	56.6	99.5	2.4	2.5	339.7
Total	199.6	325.7	320.0	389.5	365.7	118.4	1.718.9

* through December 2011

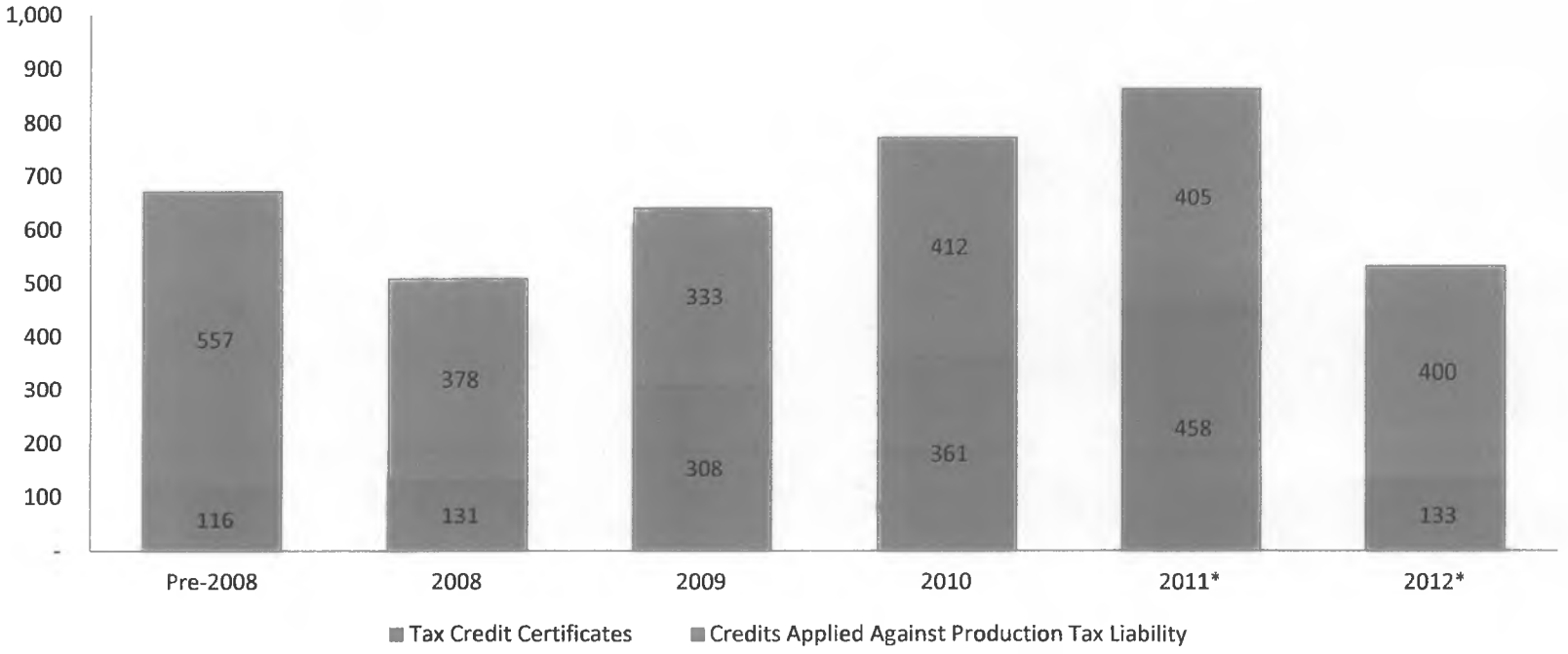
Transferable Tax Credit Certificate Activity by Fiscal Year ($M)

	Pre-2008	2008	2009	2010	2011	2012*	Total
Issued	116.0	130.8	308.0	361.3	458.0	132.9	1,507.1
Refunded	(54.6)	(54.1)	(193.1)	(250.5)	(450.2)	(273.5)	(1276.1)
Transferred/ Applied to Taxes	(52.3)	(62.7)	(46.6)	(20.0)	(7.4)	0	(189.0)
Activity by year	9.1	14.0	68.3	90.8	.3	(140.5)	
Transferable Tax Credit Certificates Outstanding	9.1	23.1	91.5	182.3	182.6	42.0	42.0

* through December 2011

Production Tax Credits

By Fiscal year



* Estimates pending final true-ups

Production Tax Credits

Total Production Tax Credit Impact through FY 2012
($M)

	Pre-2008	2008	2009	2010	2011*	2012*	Total
Tax Credit Certificates	116	131	308	361	458	133	1,507
Credits Applied Against Production Tax Liability	557	378	333	412	405	400	2,485
Total by Year	673	509	641	773	863	533	3,992

*Estimated pending final true-ups

The End
Questions?

2/02/12 DEPARTMENT OF REVENUE: OVERVIEW OF STATE SAVINGS ACCOUNTS AND BUDGET RESERVES

<TARGET><BILL></BILL><SUBJECT>2-02-12 DEPARTMENT OF REVENUE OVERVIEW OF STATE SAVINGS ACCOUNTS AND BUDGET RESERVES</SUBJECT><COMM>SFIN27</COMM></TARGET>

State of Alaska
An Update on the State's Savings Accounts

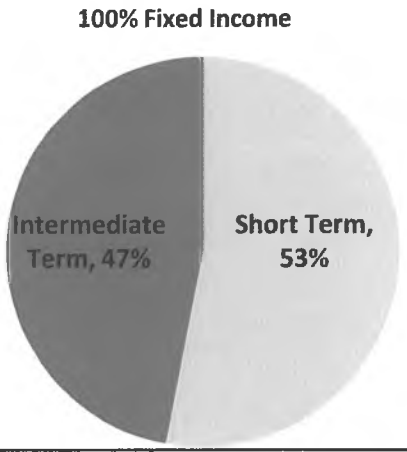
February 2, 2012

Department of Revenue
Treasury Division

1: Comparative Analysis of State Operating and Savings Funds

General Fund and other non segregated investments

Fiduciary oversight: Commissioner of Revenue

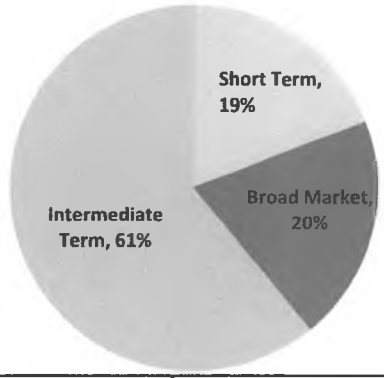
		General Fund (and other nonsegregated investments)	
Investment Objective		Moderate Risk, Short to Intermediate investment horizon	
Target Asset Allocation			
		Actuals	Benchmark*
Market Value (in 000s)	12/31/2009	$6,184,600	-
	12/31/2010	$6,589,600	-
	12/31/2011	$9,207,700	-
Returns (6/30/11)	FY11	1.72%	1.25%
Returns (12/31/11)	YTD	1.94%	1.67%
	FYTD	0.89%	0.81%
	3 Year Actuals	2.46%	1.42%
	5 Year Actuals	3.68%	3.42%
	FORECAST	**3.20%**	

*Short-term: 3-month U.S. Treasury Bill; Intermediate-term: 1-5 Year Bank of America Govt. Bond Index

Current Fiscal Year market values and stated returns are unaudited, preliminary, and include some estimates

Constitutional Budget Reserve Fund (main & sub)

Fiduciary oversight: Commissioner of Revenue

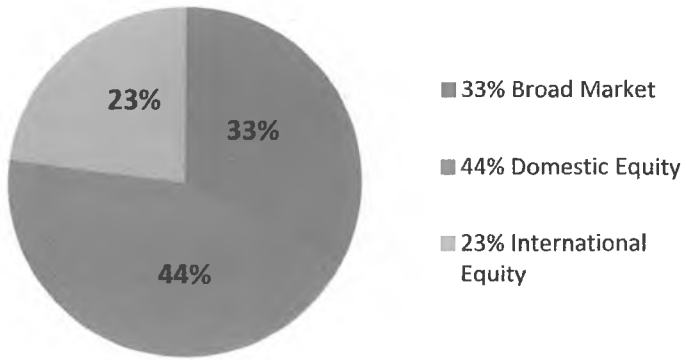
		Constitutional Budget Reserve (main fund)		**Constitutional Budget Reserve** (sub fund)	
Investment Objective		Moderate Risk, Intermediate investment horizon		High Risk, Moderately Long investment horizon	
Target Asset Allocation		**100% Fixed Income** 			
		Actuals	Benchmark*	Actuals	Benchmark*
Market Value (in 000s)	12/31/2009	$4,231,100	-	$4,427,300	-
	12/31/2010	$5,029,000	-	$4,928,400	-
	12/31/2011	$5,290,600	-	$4,955,400	-
Returns (6/30/11)	FY11	2.64%	2.29%	21.13%	20.64%
Returns (12/31/11)	YTD	3.73%	3.65%	0.55%	0.02%
	FYTD	2.08%	2.03%	-4.07%	-4.58%
	3 Year Actuals	4.06%	3.08%	11.34%	10.34%
	5 Year Actuals	4.93%	4.84%	1.80%	1.79%
	FORECAST	**3.40%**		**6.85%**	

*Short-term: 3-month U.S. Treasury Bill; Intermediate-term: 1-5 Year Bank of America Govt. Bond Index; Broad Market: Barclays U.S. Aggregate; Domestic Equity: Russell 3000 Stock Index; International Equity: MSCI EAFE

Current Fiscal Year market values and stated returns are unaudited, preliminary, and include some estimates

Power Cost Equalization Fund

Fiduciary oversight: Commissioner of Revenue

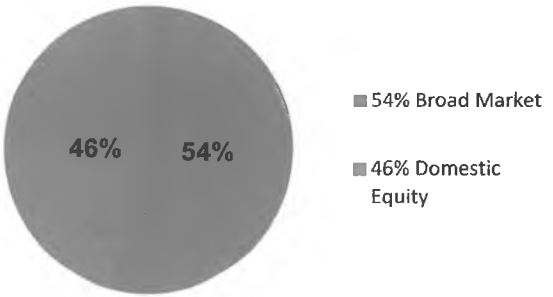
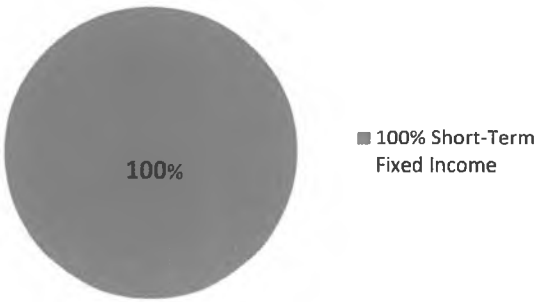
		Power Cost Equalization Fund	
Investment Objective		High Risk, Moderately Long investment horizon	
Target Asset Allocation			
		Actuals	Benchmark*
Market Value (in 000s)	12/31/2009	$329,400	-
	12/31/2010	$352,600	-
	12/31/2011	$716,300	-
Returns (6/30/11)	FY11	21.80%	21.17%
Returns (12/31/11)	YTD	0.87%	0.37%
	FYTD	-3.98%	-4.30%
	3 Year Actuals	11.48%	10.52%
	5 Year Actuals	2.60%	2.10%
	FORECAST	**7.00%**	

*Broad Market: Barclays U.S. Aggregate; Domestic Equity: Russell 3000 Stock Index; International Equity: MSCI EAFE

Current Fiscal Year market values and stated returns are unaudited, preliminary, and include some estimates

Public School Trust Fund (Principle and Income accounts)

Fiduciary oversight: Commissioner of Revenue

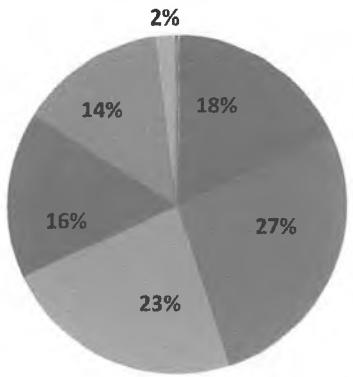
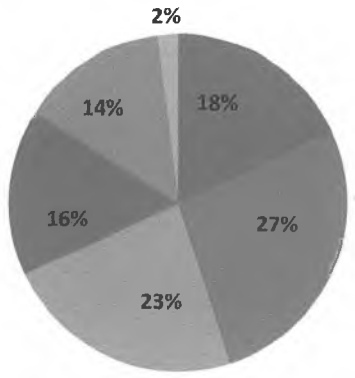
		Public School Trust Fund (Principle)		**Public School Trust Fund** (Income)	
Investment Objective		Moderate Risk, Long Term investment horizon		Low Risk, Short investment horizon	
Target Asset Allocation					
		Actuals	Benchmark*	Actuals	Benchmark*
Market Value (in 000s)	12/31/2009	$365,100	-	$15,200	-
	12/31/2010	$407,600	-	$15,700	-
	12/31/2011	$433,600	-	$14,100	-
Returns (6/30/11)	FY11	16.98%	16.71%	0.48%	0.16%
Returns (12/31/11)	YTD	4.77%	5.04%	0.35%	0.10%
	FYTD	0.32%	0.60%	0.10%	0.02%
	3 Year Actuals	11.45%	10.77%	1.19%	0.14%
	5 Year Actuals	4.16%	4.04%	1.75%	1.48%
	FORECAST	**6.07%**		**3.00%**	

*Short-term: 3-month U.S. Treasury Bill; Broad Market: Barclays U.S. Aggregate; Domestic Equity: Russell 3000 Stock Index

Current Fiscal Year market values and stated returns are unaudited, preliminary, and include some estimates

PERS & TRS

Fiduciary oversight: Alaska Retirement Management Board

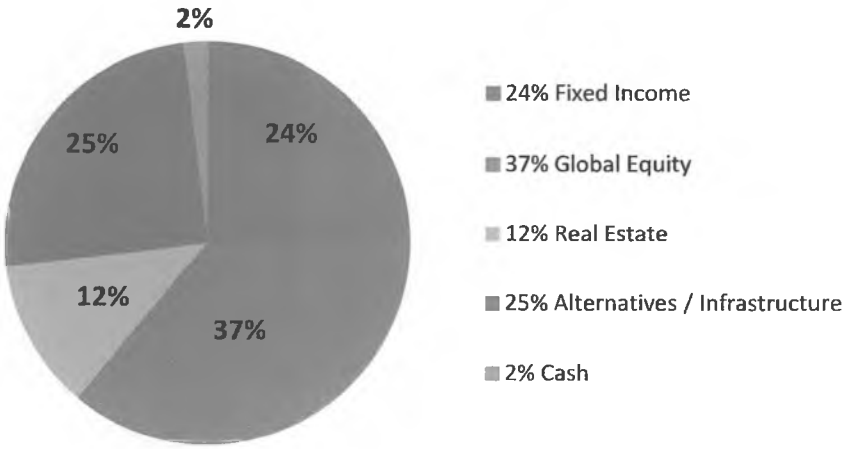
		PERS Retirement Defined Benefit Pension		TRS Retirement Defined Benefit Pension	
Investment Objective		Moderate Risk, Long Term investment horizon		Moderate Risk, Long Term investment horizon	
Target Asset Allocation					
		Actuals	Benchmark*	Actuals	Benchmark*
Market Value (in 000s)	12/31/2009	$9,551,100	-	$4,194,600	-
	12/31/2010	$10,901,800	-	$4,603,700	-
	12/31/2011	$10,873,100	-	$4,545,200	-
Returns (6/30/11)	FY11	21.07%	22.52%	21.23%	22.52%
Returns (12/31/11)	YTD	0.73%	0.91%	0.87%	0.91%
	FYTD	-5.09%	-4.25%	-5.02%	-4.25%
	3 Year Actuals	7.97%	10.23%	8.00%	10.23%
	5 Year Actuals	1.28%	2.08%	1.28%	2.08%
	FORECAST	**8.00%**		**8.00%**	

*The ARMB Benchmark is a diversified weighted composite comprised of the following indexes by weight: 29.0% Russell 3000; 23.0% MSCI ACWI ex-US; 15.0% Barclays Intermediate Treasury; 9.6% NCREIF Total; 5.0% 3-Month U.S. Treasury Bill+5.0%; 3.2% Barclays U.S. TIPS; 2.3% MSCI EAFE; 2.3% S&P 500; 2.3% Russell 2000; 2.0% Citi WGBI Non-U.S.; 2.0% HiYld II; 1.6% NCREIF Farmland; 1.6% NCREIF Timberland; 1.0% 3-month U.S. Treasury Bill

Current Fiscal Year market values and stated returns are unaudited, preliminary, and include some estimates

APFC

Fiduciary oversight: Alaska Permanent Fund Corporation Board

		Alaska Permanent Fund Corporation	
Investment Objective		Long term Investment Goal is to achieve a real rate of return of 5% per year	
Target Asset Allocation			
		Actuals	Benchmark*
Market Value (in 000s)	12/31/2009	$34,617,900	-
	12/31/2010	$38,425,100	-
	12/31/2011	$38,646,700	-
Returns (6/30/11)	FY11	20.56%	22.63%
Returns (12/31/11)	YTD	0.33%	-0.35%
	FYTD	-4.54%	-4.60%
	3 Year Actuals	10.20%	8.70%
	5 Year Actuals	1.61%	0.90%
	FORECAST	**7.50%**	

*The APFC Benchmark is a diversified weighted composite comprised of the following indexes by weight: 59.2% AC WORLD IMI; 13.5% NCREIF Total; 14.8% Global Corporation Holdings; 6.0% Barclays Global Government Holdings; 4.5% Barclays U.S. TIPS; 2.0% 3-month US Treasury Bill

Current Fiscal Year market values and stated returns are unaudited, preliminary, and include some estimates

2: FY2011 Investment Revenue Forecast

FY2012 Investment Revenue Forecast

All Amounts in $ Millions

Prepared January 27, 2012 by the State of Alaska - Department of Revenue

FY 2011 Actuals

	Actual through 06-30-11
UNRESTRICTED	
Investments	93.2
Interest Paid by Others	3.1
TOTAL UNRESTRICTED	**96.3**
RESTRICTED	
Investments - Designated GF	8.6
Investments - Other Restricted	17.4
CBRF - Main Account	*125.9*
CBRF - Special Sub Account	*901.0*
CBRF - Total	1,026.9
Other Treasury Managed Funds	63.8
Alaska Permanent Fund	6,811.8
TOTAL RESTRICTED	**7,928.5**
GRAND TOTAL	**8,024.8**

FY 2012 Forecast - Based on actuals through Dec 31, 2011

	Actual through 12-31-11	Forecast through 06-30-12	Total FY 12
UNRESTRICTED			
Investments	62.5	88.1	*150.6*
Interest Paid by Others	1.4	1.0	*2.4*
TOTAL UNRESTRICTED	**63.9**	**89.1**	**153.0**
RESTRICTED			
Investments - Designated GF	4.3	7.6	11.9
Investments - Other Restricted	8.7	15.3	24.0
CBRF - Main Account	*107.3*	*90.7*	*198.0*
CBRF - Special Sub Account	*(210.5)*	*172.2*	*(38.3)*
CBRF - Total	(103.2)	262.9	159.7
Other Treasury Managed Funds	1.4	13.4	14.8
Alaska Permanent Fund	(1,942.8)	1,449.3	(493.5)
TOTAL RESTRICTED	**(2,031.6)**	**1,748.5**	**(283.1)**
GRAND TOTAL	**(1,967.7)**	**1,837.6**	**(130.1)**

Notes:

FY2012 investment forecasts include actual data through Dec 31, 2011 and projections for the remainder of FY2012.

Due to financial market volatility, forecasts shown are subject to review and adjustment.

Current Fiscal Year market values and stated returns are unaudited, preliminary, and include some estimates

2/10/12 PRESENTATION BY DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES: STATEWIDE TRANSPORTATION ECONOMIC INDICATORS

<TARGET><BILL></BILL><SUBJECT>2-10-12 PRESENTATION BY DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES STATEWIDE TRANSPORTATION ECONOMIC INDICATORS</SUBJECT><COMM>SFIN27</COMM></TARGET>



Alaska Department of Transportation & Public Facilities

Aviation – Economic Engine for Alaska

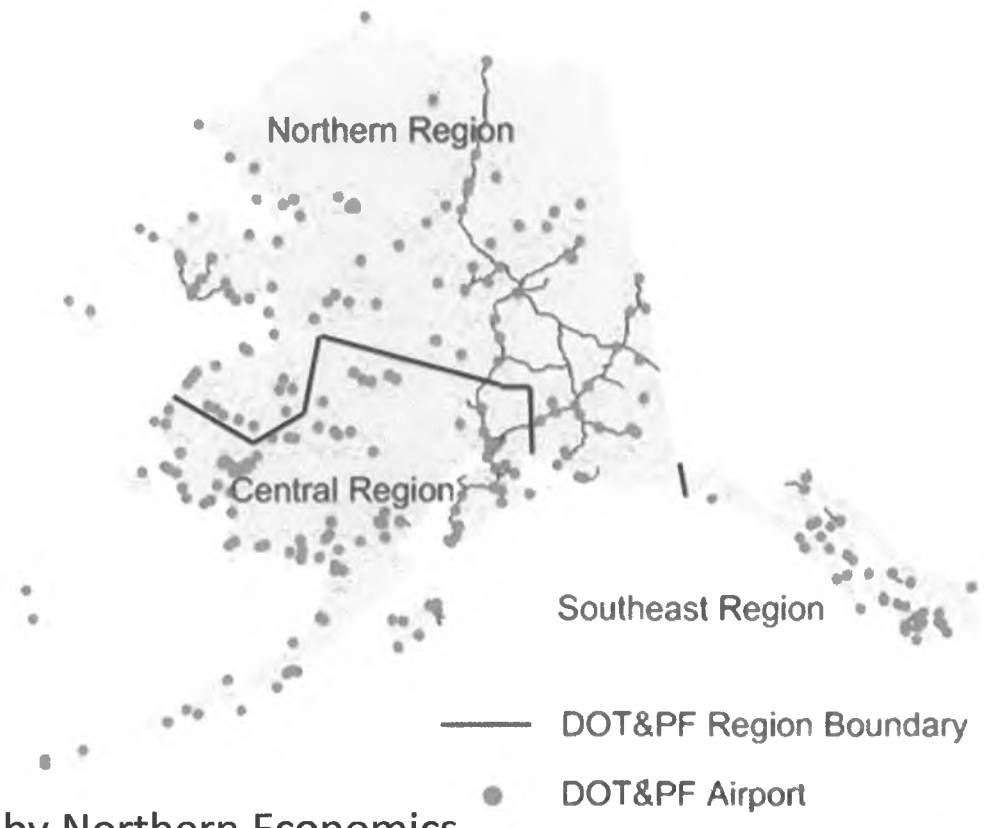
Steven Hatter
Deputy Commissioner--Aviation

February, 2012



Alaska's Airports & Aviation

- **Largest System in the US**
- **254 State-owned Airports**
- **Lifeline Transportation Mode for all citizens and regions**
- **Airports only means of year round access for 169 communities**
- **Alaska International Airport System (AIAS) is an economic engine for the state**

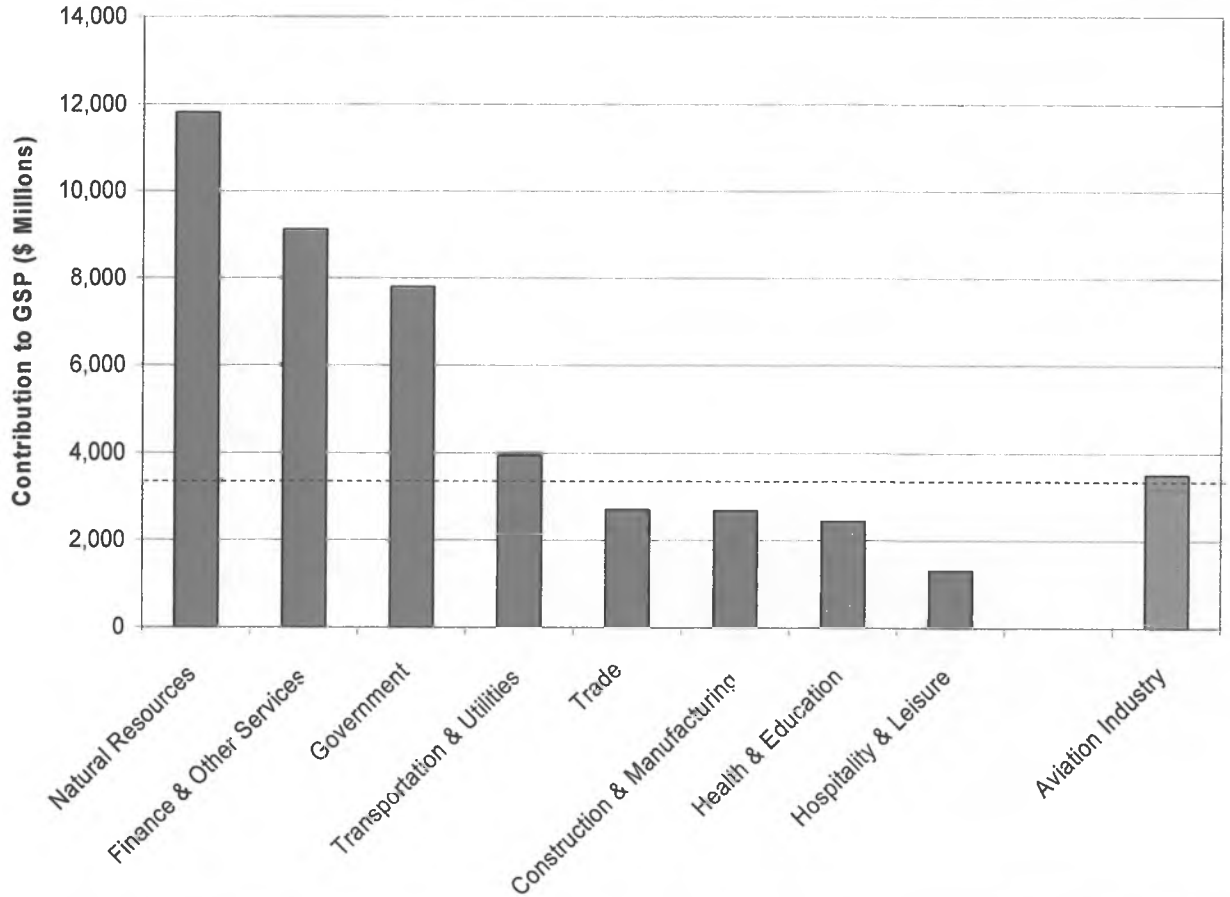


*Source: 2008 Statewide Aviation Study by Northern Economics



Aviation's Contribution to Alaska

- 47,000 aviation jobs statewide in both rural and urban areas
- 5th largest contributor to Alaska's Gross State Product (GSP)
- Contributes $3.5B to $44B economy





Alaska International Airport System

Who We Are and How it Works



Two Airports – One System

Ted Stevens Anchorage International Airport

+

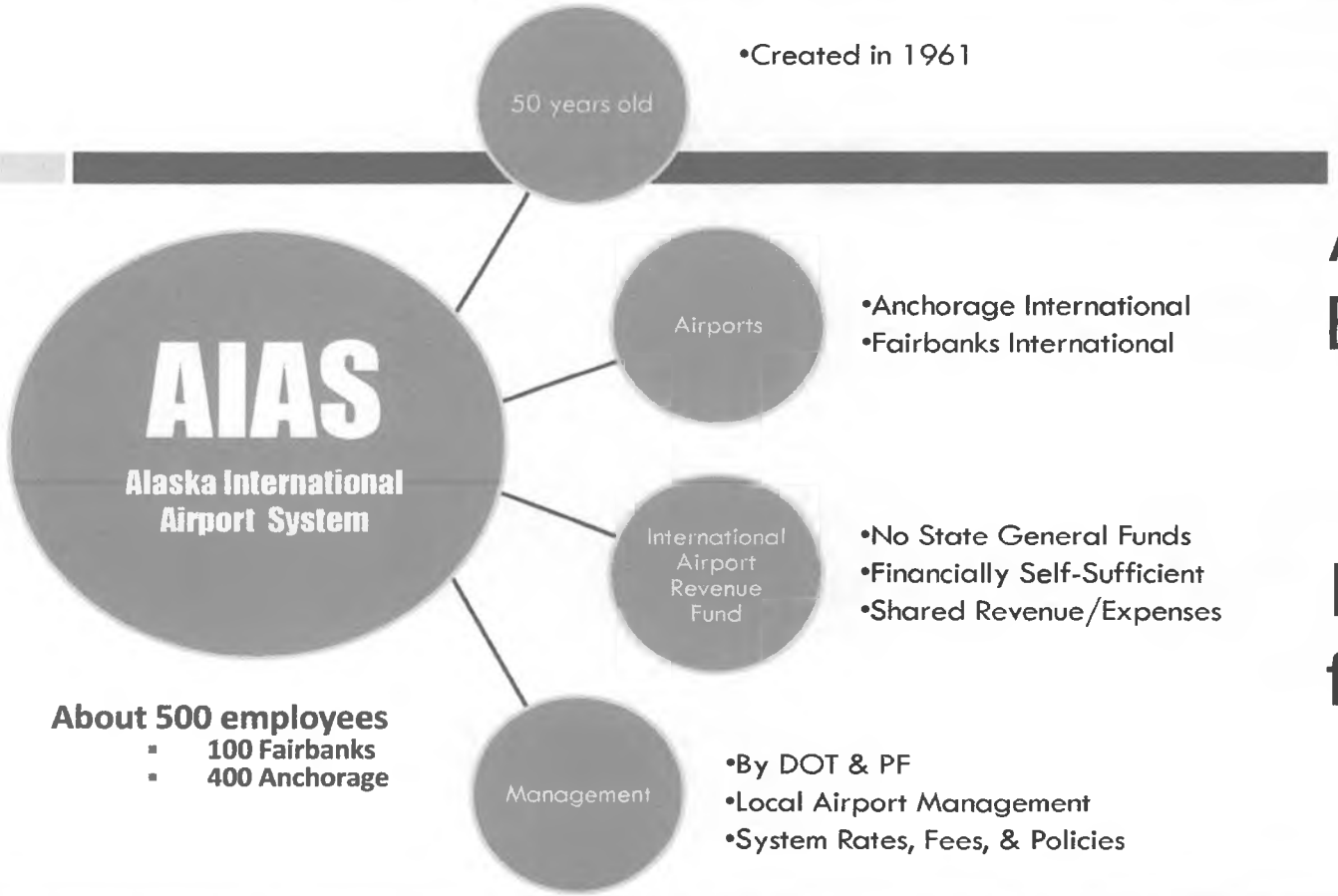
Fairbanks International Airport

= **Alaska International Airport System (AIAS)**

Created Fifty Years ago by Ch88
SLA 1961 - (AS 37.15.410-550)



Self-Sustaining

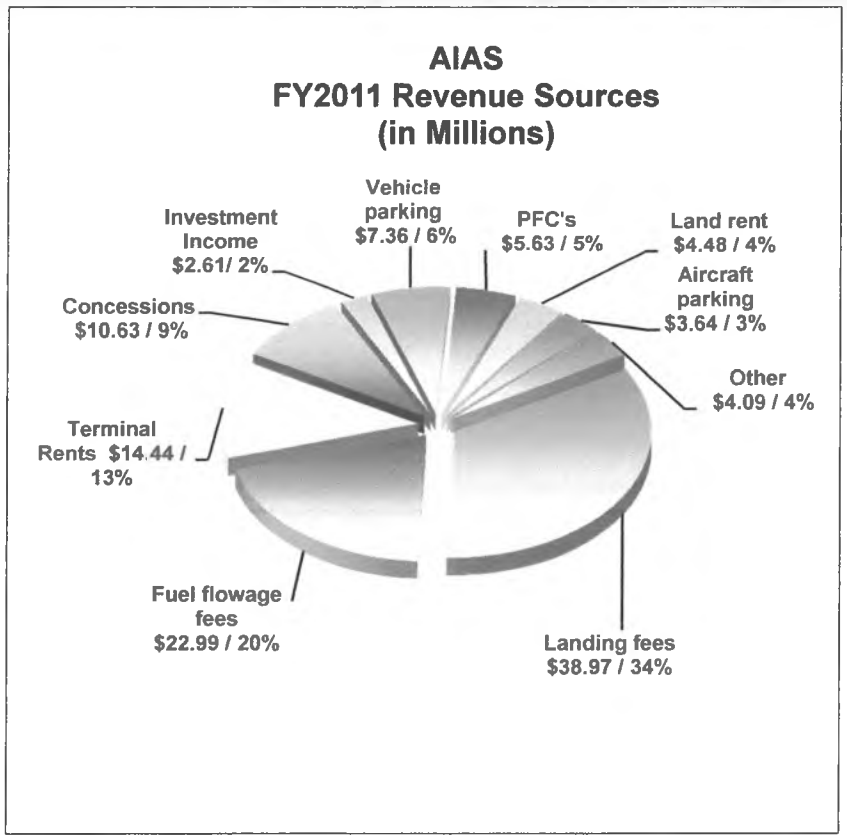


Alaska's largest Enterprise Fund

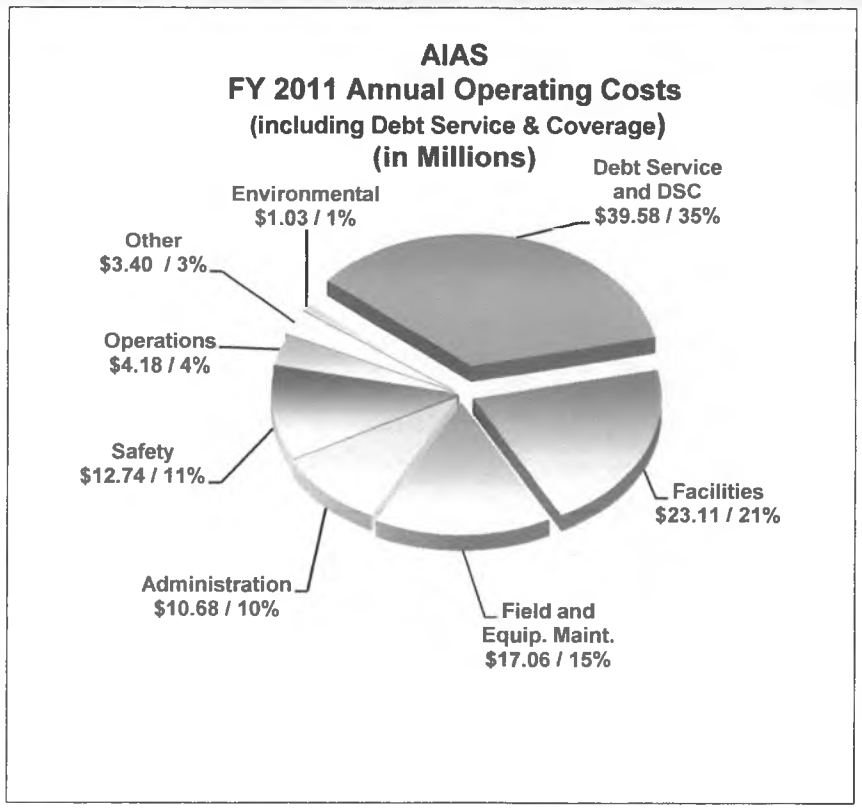
Funded by user fees rather than State general revenues



AIAS Revenues and Costs



$101M in Operating Revenues



Costs are covered by adjustments to rates and fees – self sustaining system



AIAS Assets

Alaska International Airports System

Total Assets of Select Comparative State Funds

June 30, 2010

(in Billions)

Alaska Permanent Fund	37.053
Pension and Other Employee Benefit Trust Funds	17.068
General Fund	16.933
Alaska Housing Finance Corp (AHFC)	4.797
International Airport Fund	*1.457*
University of Alaska	1.402
Alaska Industrial Development & Export Authority (AIDEA)	1.213
Alaska Railroad Corporation	0.861
Alaska Student Loan Corporation	0.818
Alaska Energy Fund	0.773
Alaska Municipal Bond Bank Authority	0.687

Source = FY10 State of Alaska Comprehensive Annual Financial Report (CAFR)



Operating Agreement with Carriers

- Residual Cost Model
- Renew at "agreed to" term—last Operating Agreement term: 5 years
- Authority to Issue Revenue Bonds



Economic Engine

Anchorage Int'l. Airport

- 15,577 Jobs – one in ten jobs in Anchorage
- About $724 million in direct annual payroll
- Another $303 million in annual payroll for jobs in the community
- #2 Airport in North America for landed cargo weight

*Source: 2011 McDowell Group Study

Fairbanks Int'l. Airport

- 1,900 Jobs - one in twenty jobs in Fairbanks attributable to the airport
- $225 million in statewide economic output
- Ranked 85th in the nation in weight of total mail and freight (2010)

*Source: 2011 Alaska Aviation System Plan Study



Asia Centric Cargo Market

- **Over 99% of cargo through AIAS -- five Asian origins (China, Taiwan, Korea, Japan, Hong Kong)**
- **N. America - Asia cargo through AIAS expected to grow ~ 1-2%**
- **71% of all Asia-bound air cargo from U.S. goes through ANC**
- **82% of all U.S.-bound air cargo from Asia goes through ANC**
- **All Asia-North America carriers have flights through Anchorage**
- **Approximately 80% of AIAS carrier generated revenue is cargo**

*Source: 2011 McDowell Group Study



A Global Player

#2 in North America

North American Cargo Rankings 2010

## RANK	CITY (AIRPORT CODE)	TOTAL CARGO (metric tonnes)
1	MEMPHIS TN (MEM)	3 916 811
2	ANCHORAGE AK (ANC)*	2 646 695
3	LOUISVILLE KY (SDF)	2 166 656
4	MIAMI FL (MIA)	1 835 797
5	LOS ANGELES CA (LAX)	1 747 629
6	CHICAGO IL (ORD)	1 376 552
7	NEW YORK NY (JFK)	1 344 126
8	INDIANAPOLIS IN (IND)	1 012 589
9	NEWARK NJ (EWR)	855 594
10	ATLANTA GA (ATL)	659 129

#5 in the World

World Cargo Rankings 2010

Rank	City (Airport)	Total Cargo
1	Hong Kong, HK (HKG)	4,165,852.00
2	Memphis TN, US (MEM)	3,916,811.00
3	Shanghai, CN(PVG)	3,228,081.00
4	Incheon, KR(ICN)	2,684,499.00
5	Anchorage AK, US*(ANC)	2,646,695.00
6	Paris, FR(CDG)	2,399,067.00
7	Frankfurt, DE(FRA)	2,275,000.00
8	Dubai, AE(DXB)	2,270,498.00
9	Tokyo, JP(NRT)	2,167,853.00
10	Louisville KY, US(SDF)	2,166,656.00

Statistics provided by Airports Council International



Alaska International Airport System
The Alaska Advantage

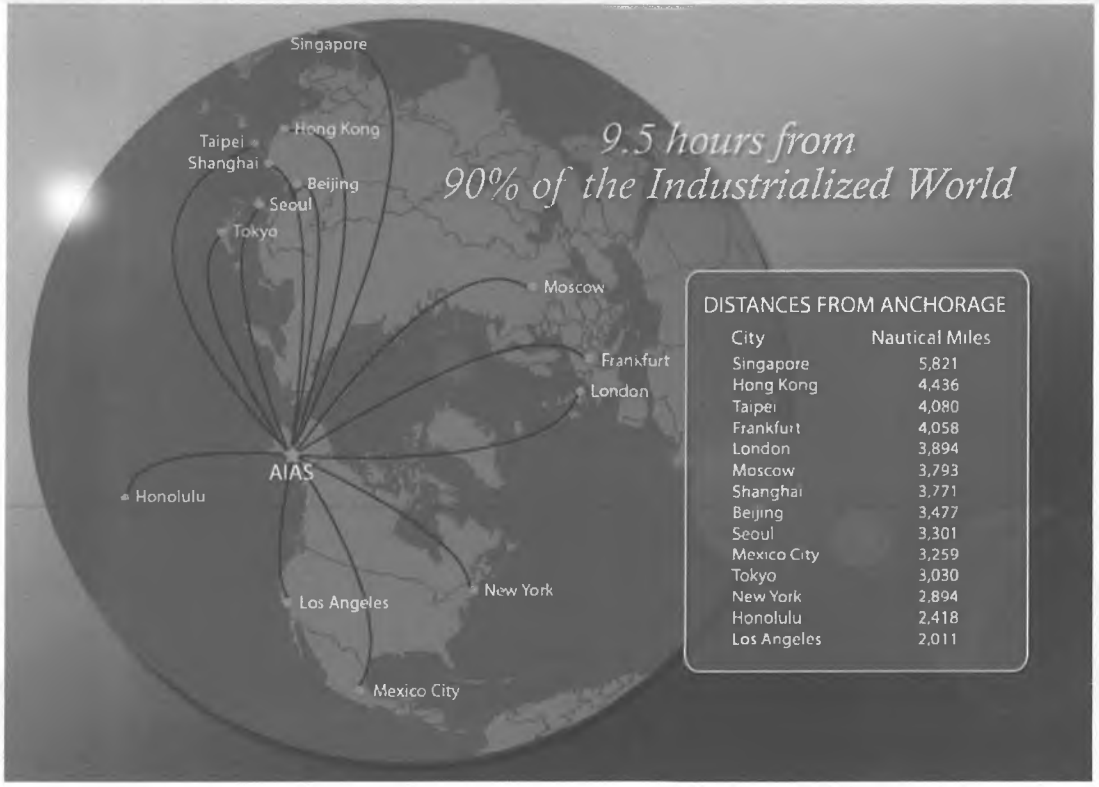


Location and Two Airports

- 9.5 hours from 90% of Industrialized World
- Never a same day closure (except 9/11)

+/- 10 minutes diversion Trans-Pac







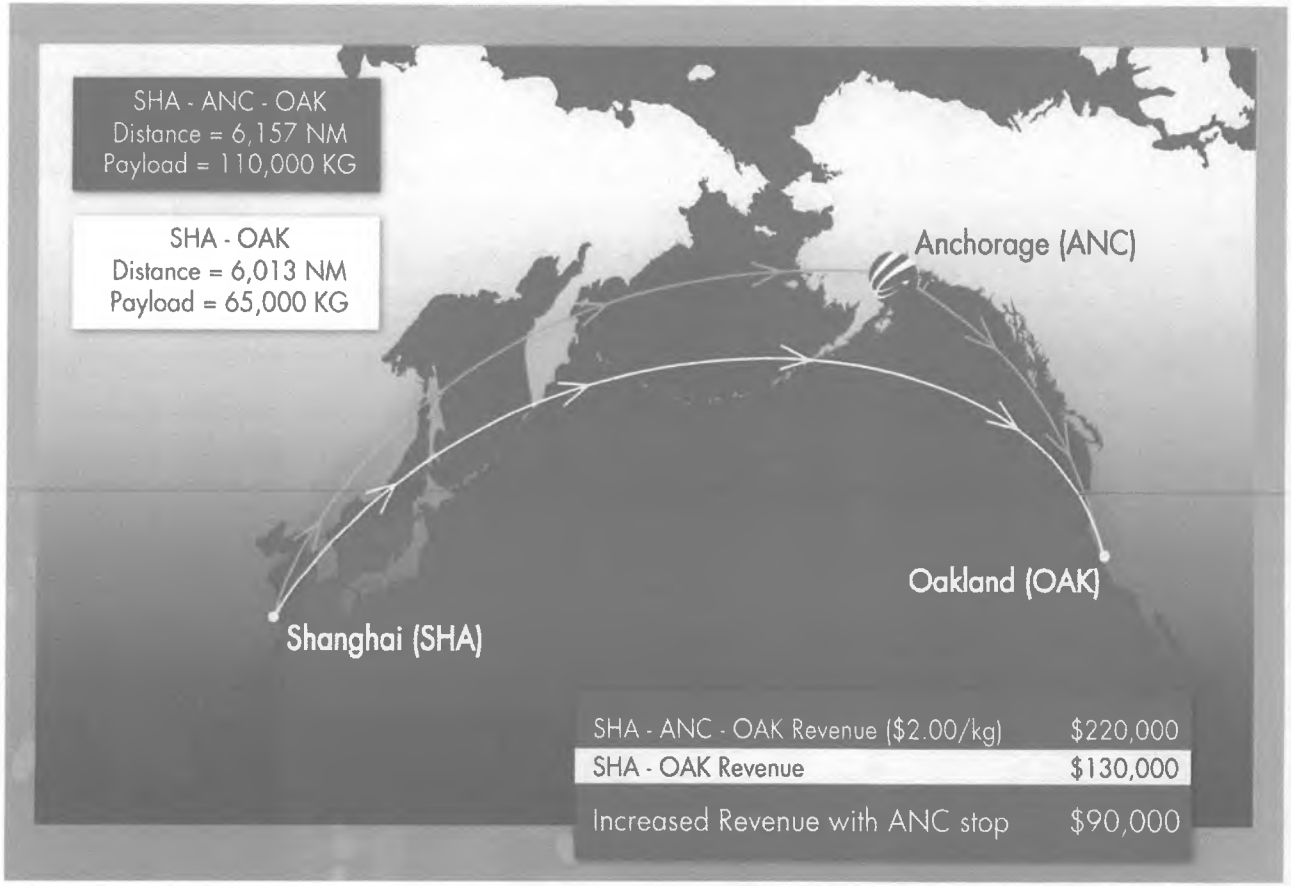
Payload Versus Range

Example:
SHA-ANC-OAK
Distance = 6157 NM
Payload = 110,000 KG

SHA-OAK
Distance = 6013 NM
Payload = 65,000 KG

At $2.00/kg:

SHA-ANC-OAK = $220,000
SHA-OAK = $130.000
ANC Stop = +$90,000





Large and Diverse Customer Base



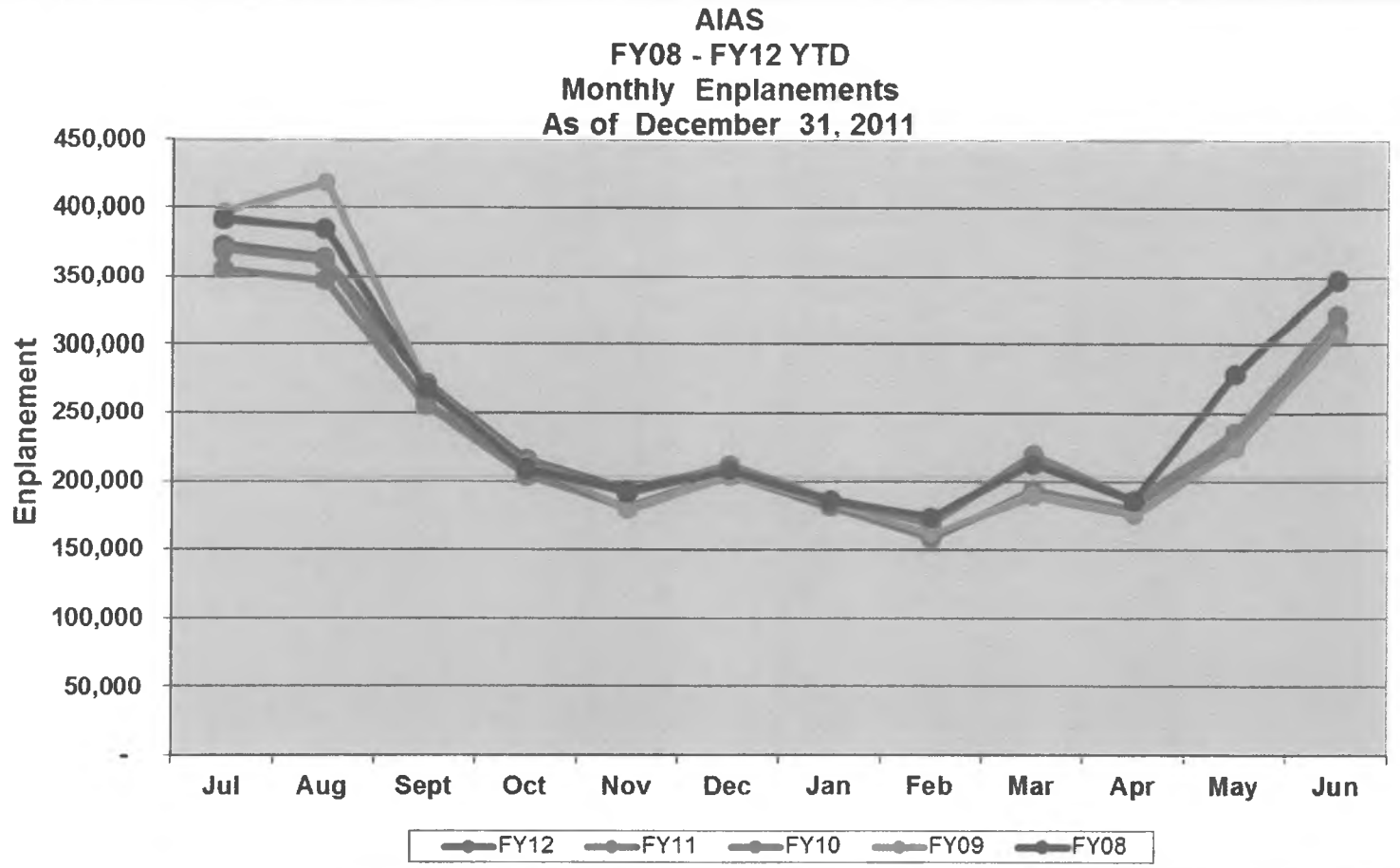


Alaska International Airport System

By the Numbers

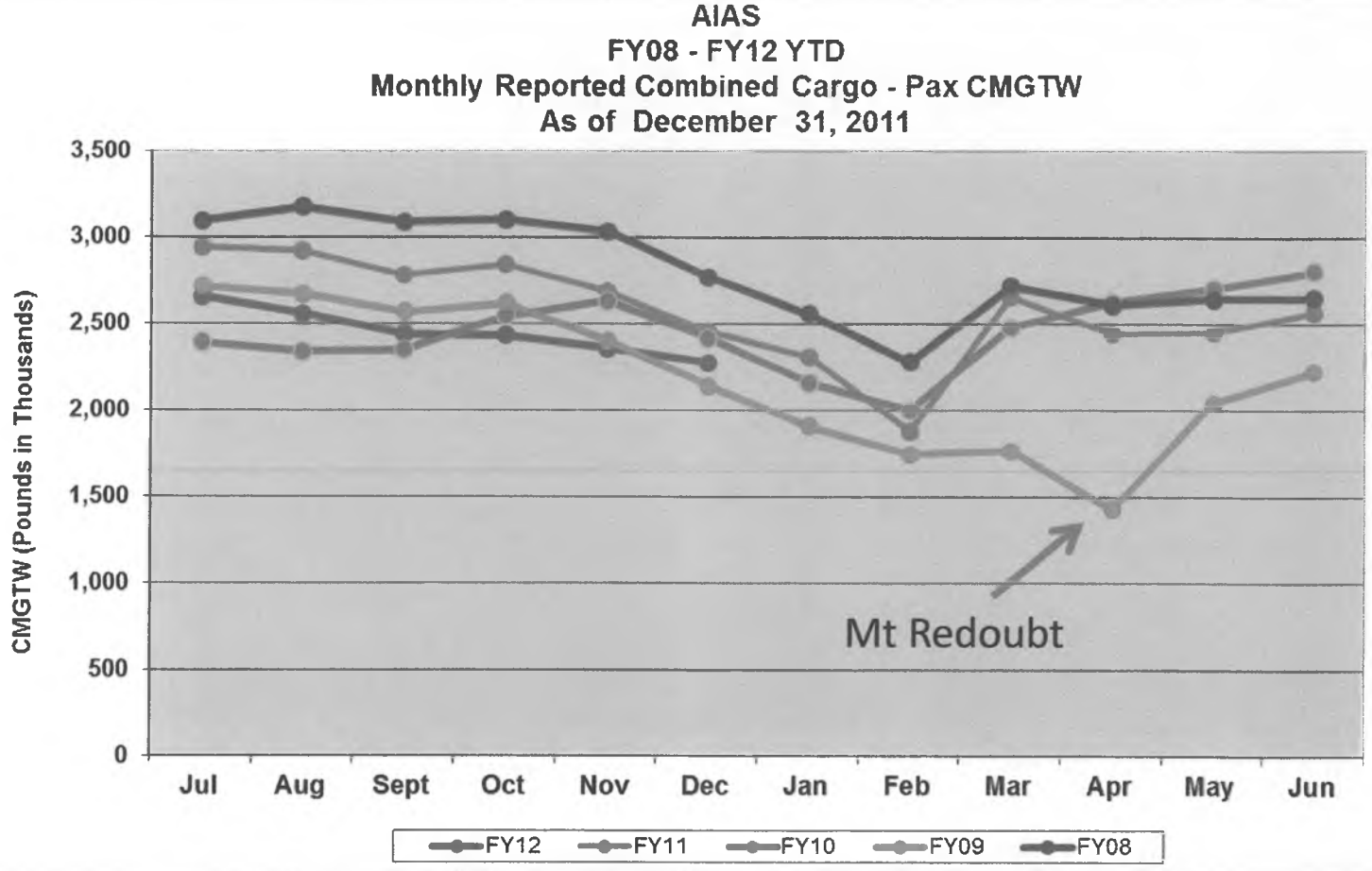


Passenger Activity: +1.3% Ytd FY12





Cargo Activity: -12% Ytd FY12





What Causes Decreased Activity?

- **The global economy……..**

- **Other risk factors:**
  - **Fleet mix**
  - **Potential competitor airports**
  - **Perceptions that operating at/through AIAS doesn't "pencil"**

- **We aggressively and collaboratively manage those factors within our control, while also proactively marketing and myth busting**



Alaska International Airport System
Close Watch Topics



Fuel Supply

- Fuel market is entirely private
- 2009 fuel shortage caused by swift and unexpected recovery in air cargo market
- Some carriers opted to overfly AIAS lacking confidence in fuel supply
  - Fuel price and supply a large part of airline routing decisions
- New suppliers entered the market
- Private industry is increasing storage
- Status today: low risk of a repeat of 2009



Competitor Airports

- **Tough for competitors to overcome our location**
- **We have liberal cargo transfer options**
- **However……Portland, Seattle, Vancouver, Prince George, other US West Coast airports have all visited Asia in efforts to recruit cargo business**
- **We are "right sizing" our response to competition—emphasize competitive advantage; retain and attract**



Alaska International Airport System
Focus Areas



Preserving/Increasing Cargo Activity

- Working cooperatively with airlines
- Held Alaska Cargo Summits in 2010, 2011
- Followed up with Asia trips
  - Build relational equity and market Alaska advantages
- Comprehensive AIAS Strategic Planning in 2011
- Implemented Cargo Incentive Program



Collaborative Relationships

We're working closely with airline partners to get through recent traffic downturn. The following is AAAC's written response to AIAS's November 2011 rate increase:

"The State worked collaboratively with the AAAC Chairs…to determine the most prudent course to take."

"The State has been very collaborative in their approach…to address the needs of both the Airlines and the Airport." AAAC Co-Chairs



Passenger Activity

- 550,000 out-of-state and int'l visitors transited ANC; 85,000 through FAI in 2011
- Japan Airlines winter charters
- Jet Blue initiated ANC-Long Beach
- United announced new Fairbanks-Denver for 2012
- Working with Alaska "Coalitions of the Willing"
- Implemented Passenger Incentive Program



Strategic Planning & Marketing

- System planning/responses to previous management reviews
  - Strategic Plan (2011)
  - Business Plan (2012)
  - Human Resources Study (2011/12)
  - Marketing Plans / System Branding (Ongoing)

- Proactive communications
  - Work with CVB's and EDC's to strategize opportunities
  - Attend passenger and cargo conferences to promote AIAS
  - Pursue Asian carriers



New Operating Agreement

- Negotiate Operating Agreement with Signatory Airlines
- Existing OA expires June, 2013
- New Capital Improvement Program
- Review rates and fees model
- Review next OA term



FY13 Aviation Capital Request

FAA Airport Improvement Program (AIP) Legislative Authority - Totals $200.7 M

- AIAS = $14.1M
- Central Region = $75.1M
- Northern Region = $63.1M
- Southeast Region = $13.4M
- Statewide = $35M

Non – Federal Funding

- AIAS Airport Revenue Funds = $.8M
- AIAS Construction Bond Funds = $16.8M
- GF Match for AIP Projects = $11.7M
- GF Deferred Aviation Maintenance = $3.5M
- GF for Umiat Airport Survey & Planning = $.25M

State – Federal Partnerships

- Statewide Digital Mapping Initiative = $12.2M Fed / $3.7M GF
- Alaska Aviation Safety Project / Flight Simulation Training = $1.5M Fed / $1M GF



Takeaways

- Two Airports - One System
- Self-sustaining - no general funds
- Business-centric: rates and fees and self-supporting bonds
- Economic engine of regional, state, and global significance
- Critical aviation enabler in our nation's most aviation-centric state
- Working cooperatively with the airlines – they shoulder the financial risk - unilateral state action puts this relationship at risk
- Aggressive strategic planning to protect and enhance our system
- Great people doing great things for our state

Keeping Alaska flying and thriving!



Thank you!

Questions?

Deputy Commissioner – Aviation
Steven D. Hatter



What is Strategic Planning and Why is it Important?

"Companies that enjoy enduring success have core values and core purpose that remain fixed while their business strategies and practices endlessly adapt to a changing world"

"Core ideology provides the glue that holds an organization together through time"

***Core Ideology** = Core Purpose + Core Values*

Vision is built on Core Ideology

***Vision** = a "BHAG" + "We wills" + accountability methods*

***Strategic Agenda** = Prioritized projects*

***Projects/Initiatives** = The vehicles or mechanisms to go forward*

Source: James C. Collins and Jerry Porras, Harvard Business Review Article, Building Your Company's Vision



Senate Finance Committee Briefing

February 10, 2012

Briefing Contents

- Corporate Overview
- Financial Position
- Earnings/Operating Budget Outlook
- Capital Budget Outlook

Handouts

- December 2011 State Report
- Program of Projects Summary



ARRC Corporate Overview

Alaska Railroad Corporation

- Railroad built by the federal government (1914 – 1923)
- Purchased by the State of Alaska for $22 million in January 1985
- Self-supporting, State-owned corporation
- Seven-member Board of Directors appointed by Governor
- Full-service passenger and freight railroad serving ports and communities from the Gulf of Alaska to Fairbanks

Supports 3,000 jobs and $150 million in payroll across the State

Alaska Railroad Quick Facts

Operating Data	
Miles of main line	467
Miles of branch line	54
Miles of yards and siding	135
Total miles of track	656
Freight cars (owned & leased)	1,254
Passenger cars	45
Locomotives	51

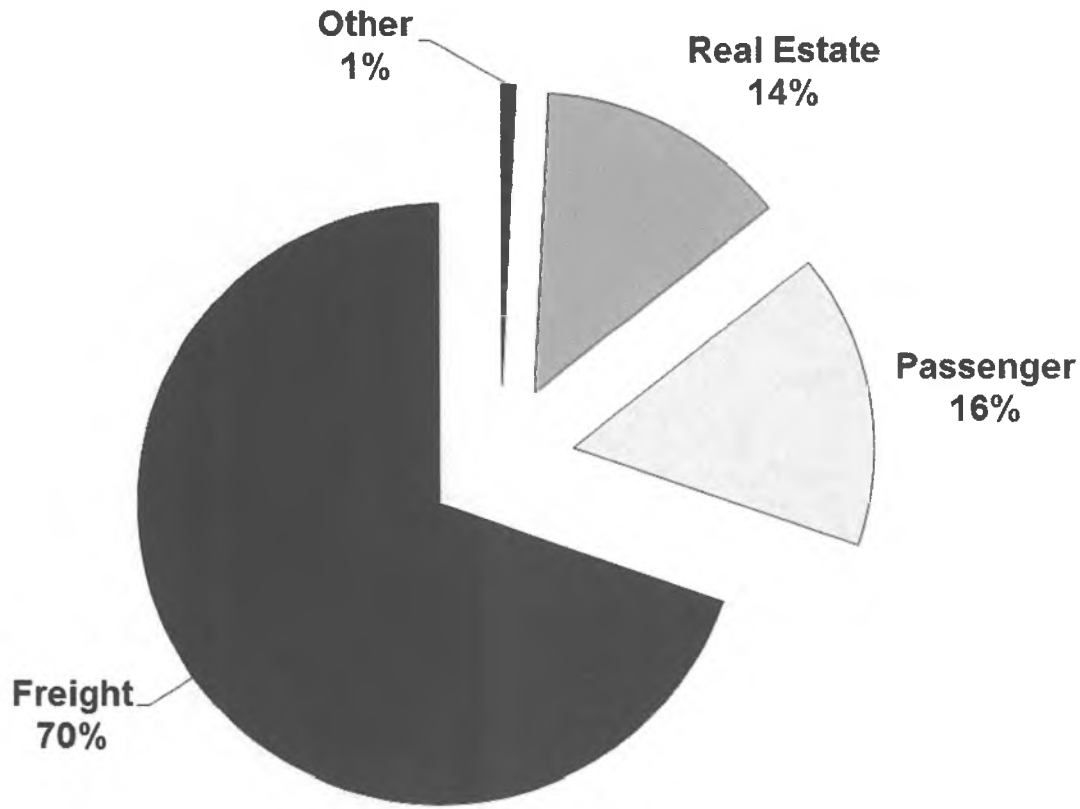
Employees (as of December 2011)	
Year-round employees	685
Average years of service	12
Average age	46
Male	571
Female	114

Unions

Most ARRC employees are members in 1 of 5 unions:

United Transportation Union	132
Transportation Communications Workers Union	39
International Brotherhood of Teamsters	61
American Federation of Govt. Employees	274
American Train Dispatchers Association	8

2011 Sources of Customer Revenue*



*Preliminary/unaudited

Freight Business

- Moved 6.2 million tons of freight overall in 2011, compared to 6.3 million tons in 2010 (1.6% decrease)
- 2012: Anticipate 8.5% overall freight growth over 2011
- Heavily reliant on three primary commodities


Oilfield pipe


Petroleum


Military


Coal


Logs


Gravel


Interstate Barge



Trailers

Passenger Business

- Moved 412,000 passengers in 2011, compared to 405,000 in 2010 (2% increase)
  - Includes both ARRC trains and cruise partner movements
- 2012: Anticipate 9.6% passenger growth over 2011
- Makes ARRC eligible for Federal Transit Administration formula funds



Real Estate

- Property Development
- Leases and Permits
- Dockage and Wharfage
- Facilities Maintenance and Management
- Revenue from Real Estate activities are key component to ARRC being self-sustaining
  - 2011: 62% of corporate net income derived from real estate (preliminary/unaudited)





Top: Ship Creek basin includes highly valuable leasable land. Bottom: upland from the Seward freight dock is being developed

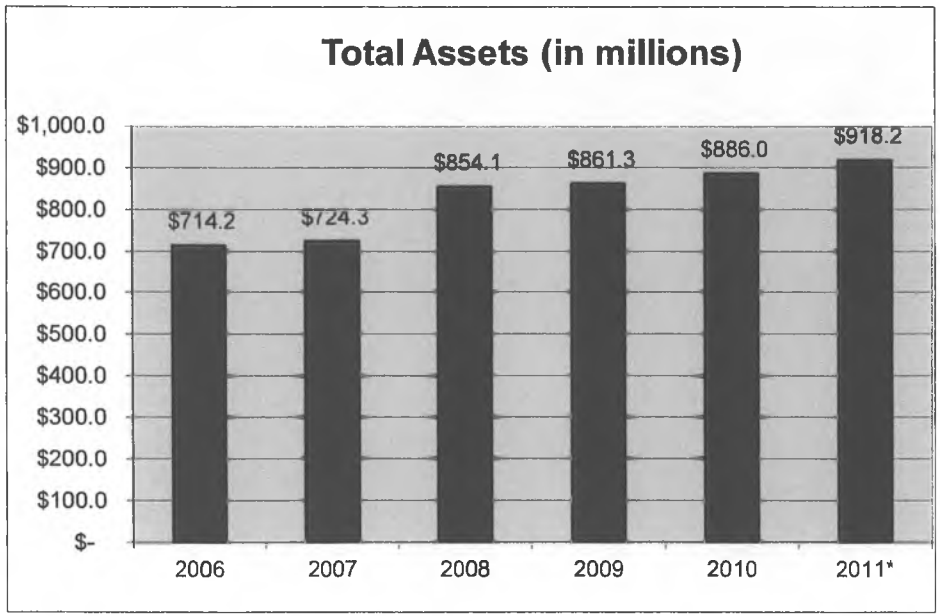
Capital Funding Sources

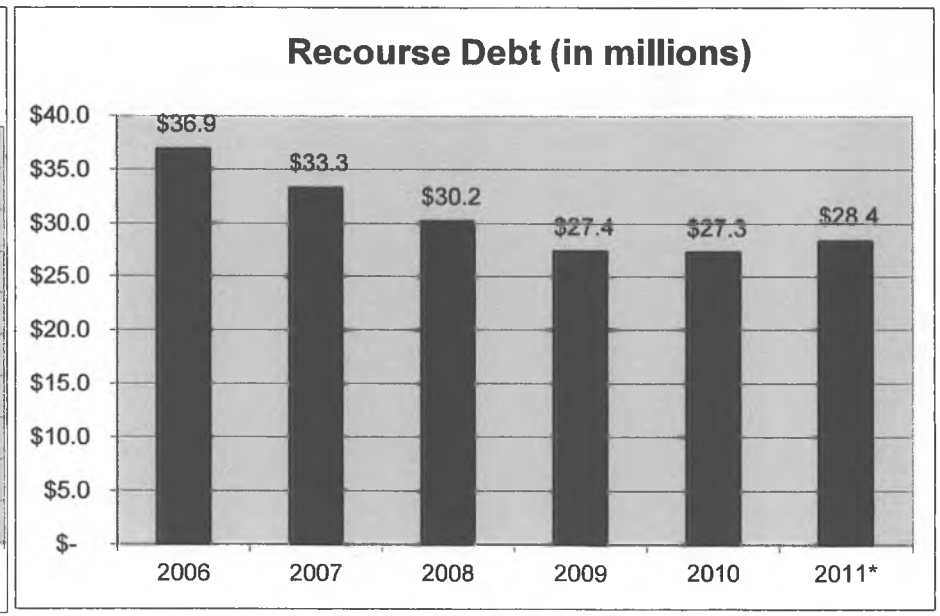
- ARRC Earnings
  - Provides required match for federal funds
  - Essential for freight-related improvements
- USDOT/Federal Transit Administration
  - Formula Funds used for projects and bond repayment
  - 9-20% ARRC Match Required
- Other Federal Agencies – (Dept. of Defense, FEMA, FHWA, FRA, Homeland Security, etc.)
- Federal funds allocated to ARRC do not affect federal funding for other state transportation projects
- ARRC federal match is *not* from State of Alaska general fund; match derived solely from ARRC earnings



ARRC Financial Position

Balance Sheet Highlights
Assets/Debt

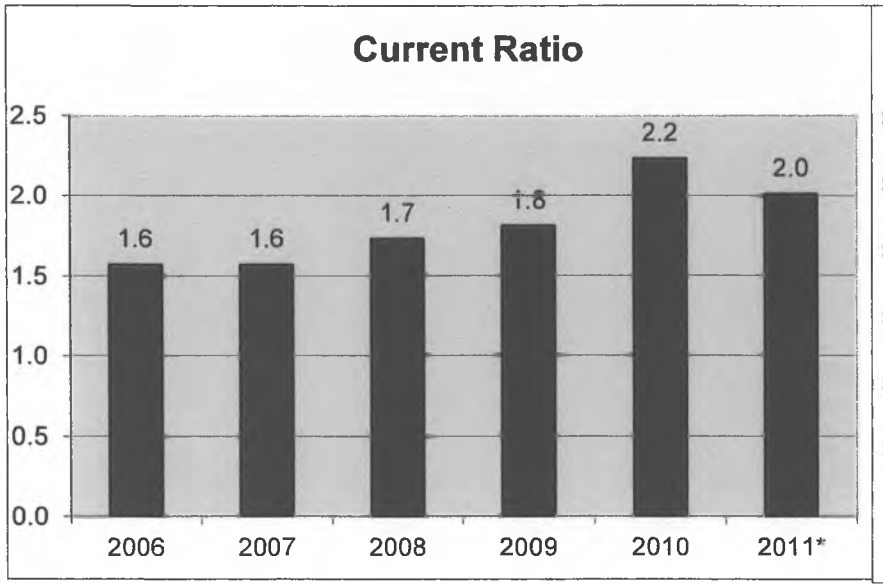


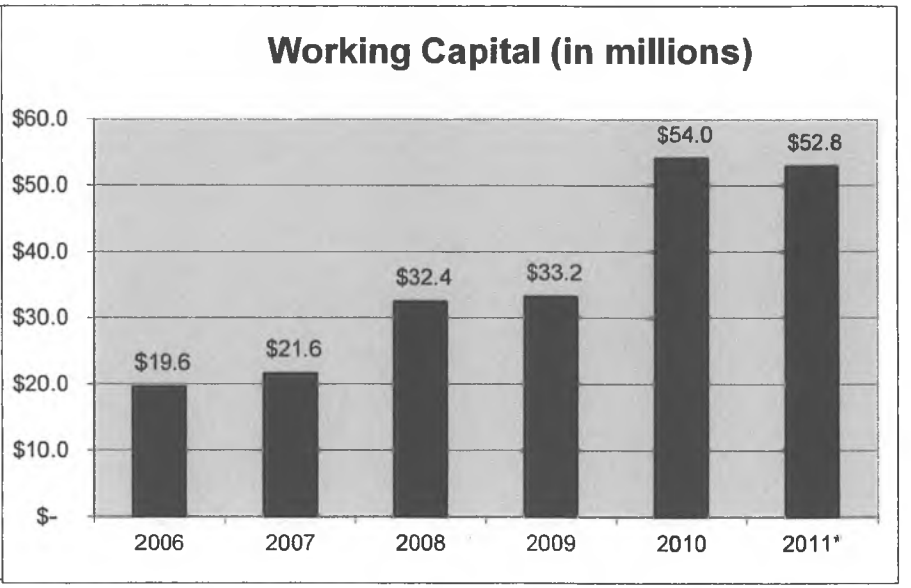


Conservative capital structure: At year-end 2011, ARRC's recourse debt is $28.4 million, with a debt to capital ratio of 19%, reflecting relatively modest use of debt instruments.

*Preliminary/unaudited

Balance Sheet Highlights
Liquidity





Current ratio is calculated by dividing current assets by current liabilities. The ratio is a measurement of an entity's liquidity and ability to meet current obligations.

Working capital is calculated by subtracting current liabilities from current assets and is a complementary measurement of an entity's liquidity.

ARRC liquidity continues to remain adequate, despite difficult earnings environment.

*Preliminary/unaudited

Benefit Trust Funds

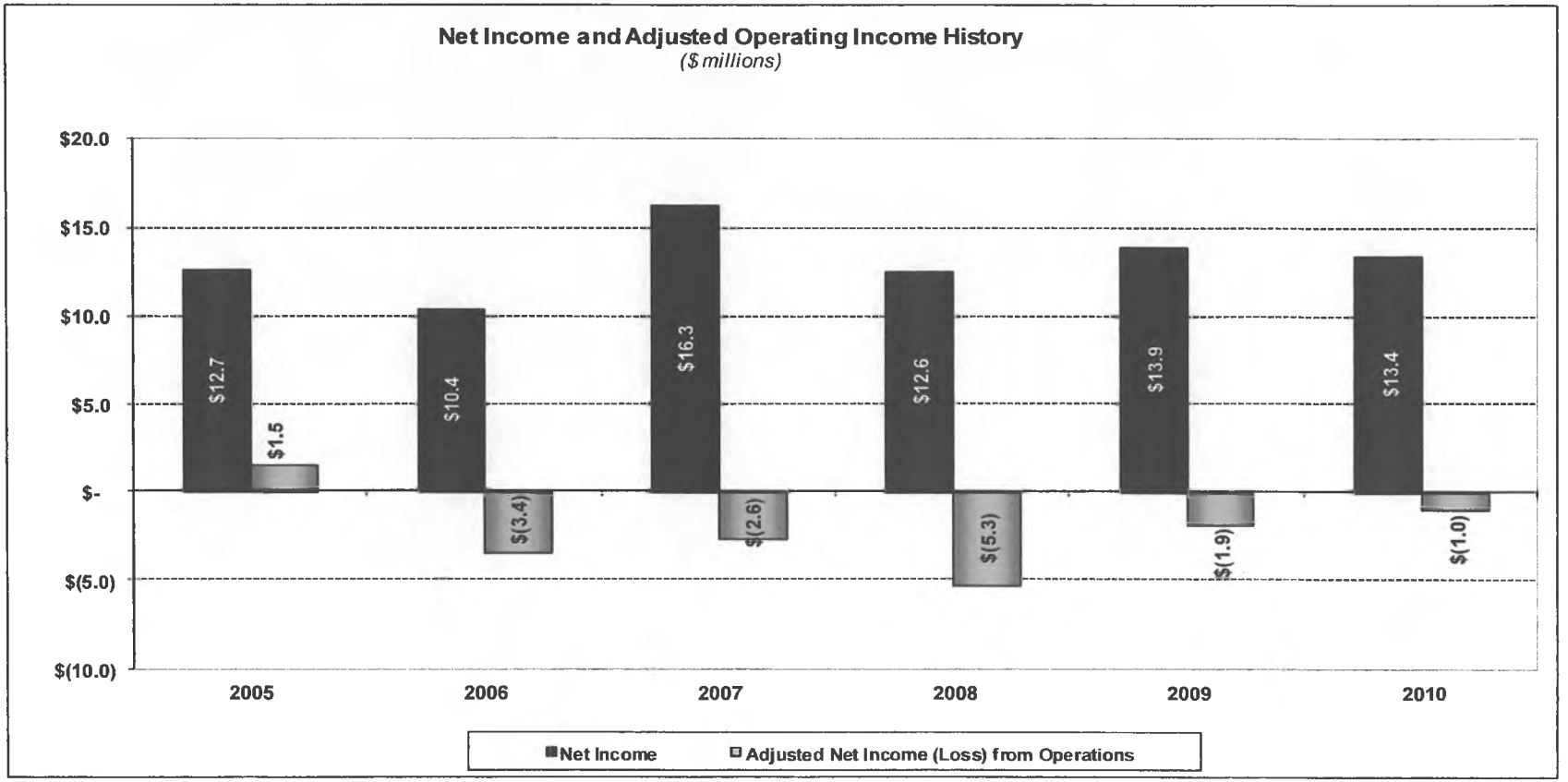
- ARRC is plan sponsor of two benefit trust funds
  - Defined Benefit (DB) pension fund: ~$95 million assets
  - Retiree medical fund: ~$35 million assets

- Both plans financially sound
  - DB pension: 96% funded as of 1/1/11
  - Retiree medical: 135% funded as of 1/1/11



ARRC Earnings/ Operating Budget Outlook

Recent History



- Solid corporate earnings; core train operations run at loss
  - Real estate earnings key to stability and sustainability
  - Non-traditional fund sources important
    - Federal grant reimbursement of operating expenses
    - Section 45G tax credit
- 2009 – Position eliminations/layoffs, significant cost structure reduction
- 2010/2011 – Increased focus on operating efficiency

2011 Financial Snapshot

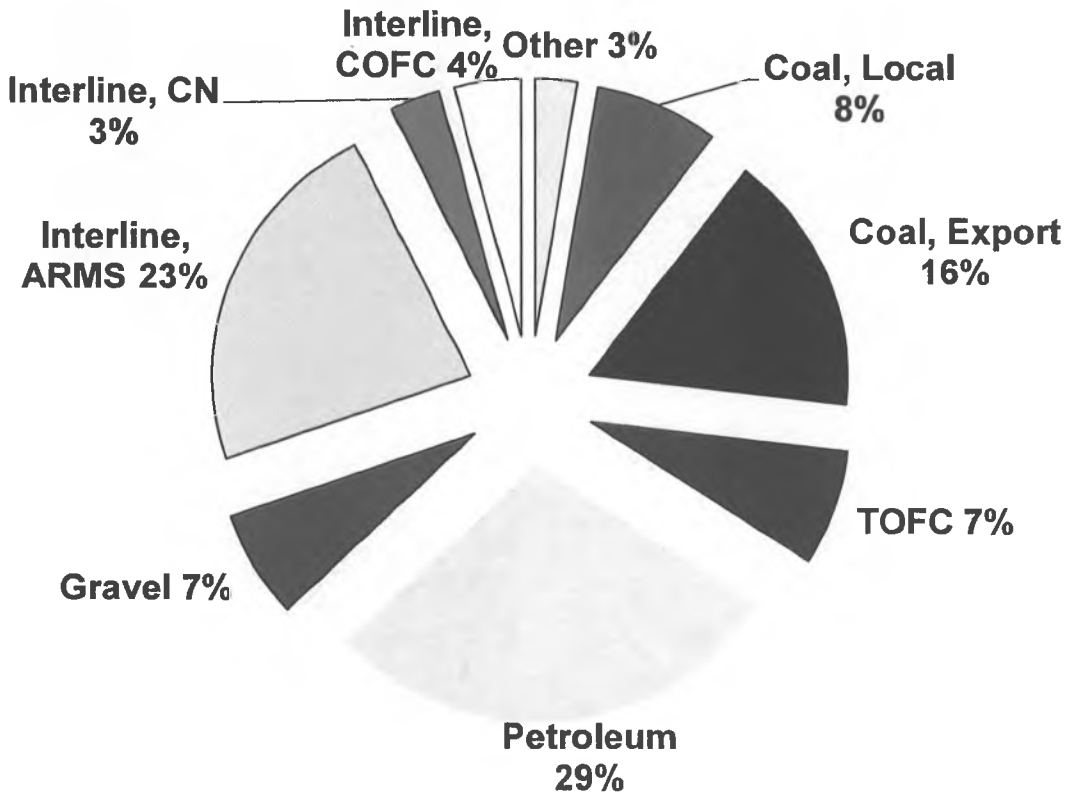
- 2011 Plan – guarded optimism about revenue recovery
- 2011 Actuals did not meet early expectations
  - Petroleum growth did not materialize, offset somewhat by coal, Trailer on Flat Car (TOFC) and Interline Barge hauls
  - Passenger revenue performed better than anticipated
  - Solid expense control partially offset rising fuel costs
  - Boost from tax credit legislation approved by Congress
- Still closing 2011's books – preliminary numbers expected mid-February
  - Corporate net earnings not anticipated to be markedly different than 2010
  - Positive earnings from train operations anticipated
    - Not seen since 2005
  - Audit to be completed March 2011

Freight & Passenger Revenues
2010 – 2012 (Budget)

	2010 Actuals	2011 Actuals*	2012 Budget
Freight Revenue	$ 87.0	$ 98.1	$105.5
Passenger Revenue	$ 20.8	$ 22.4	$ 24.9
Total	$107.8	$120.5	$130.4

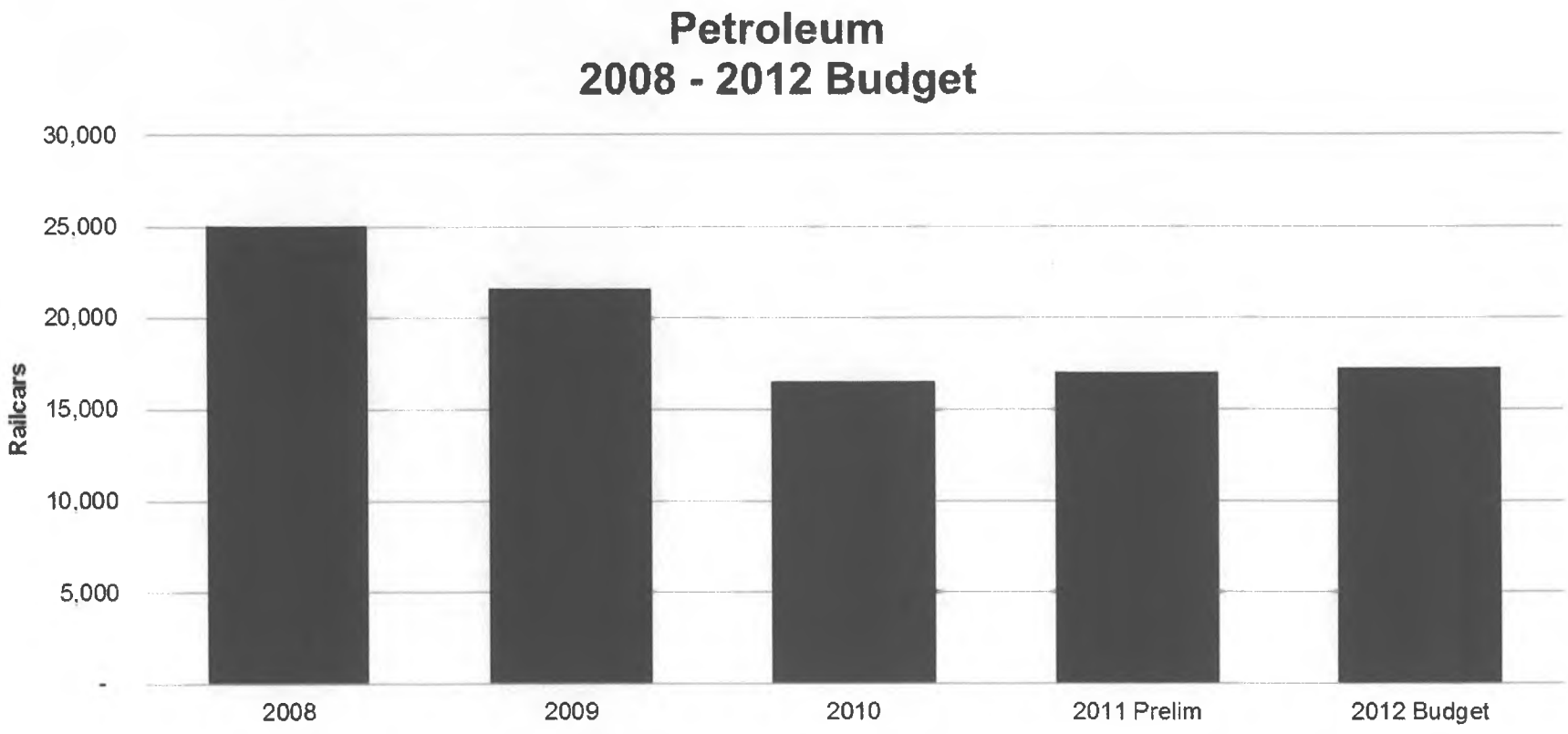
*Preliminary/unaudited

2012 Sources of Freight Revenue*



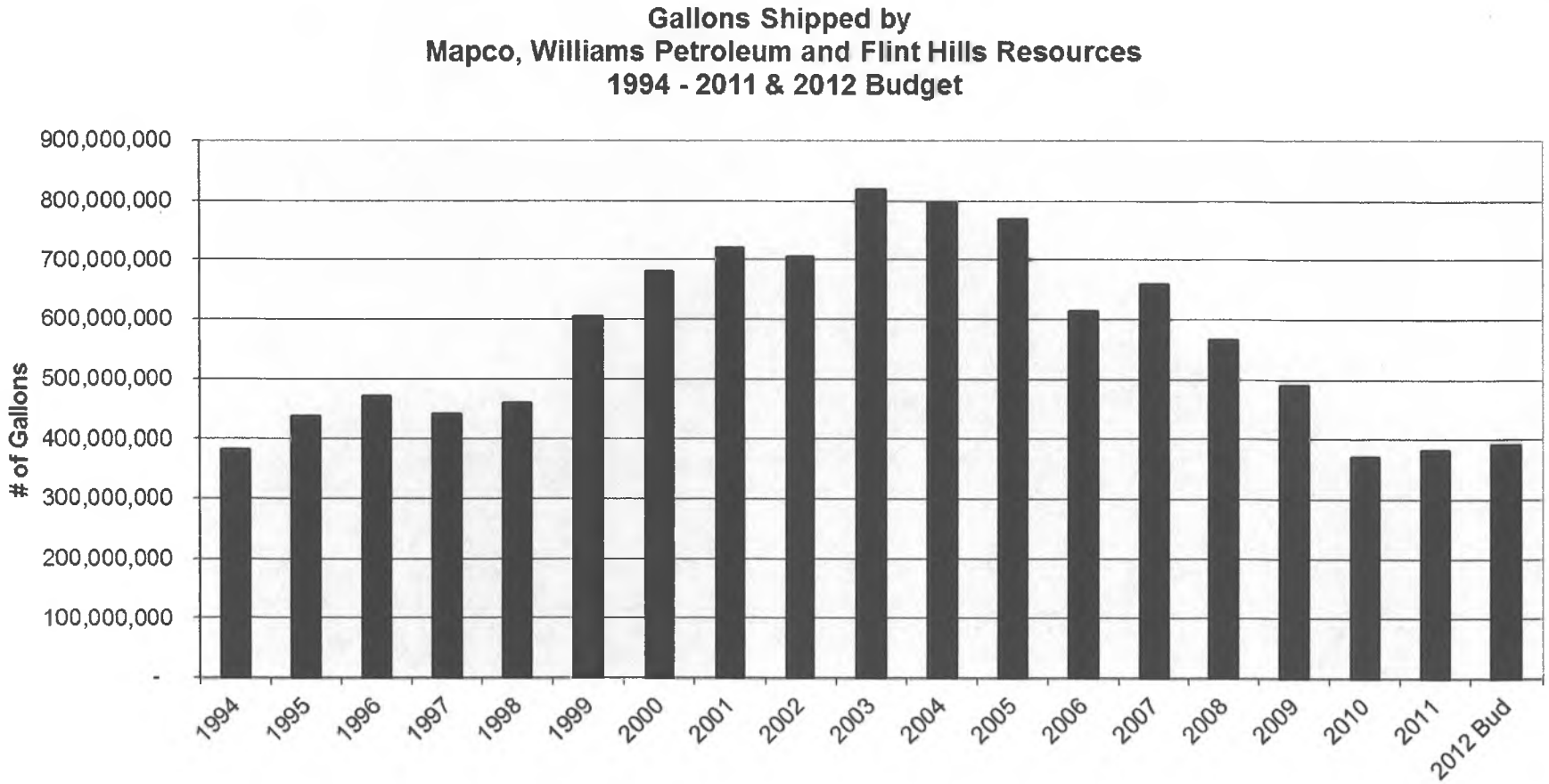
* Board Approved Budget

Freight Revenue – Petroleum



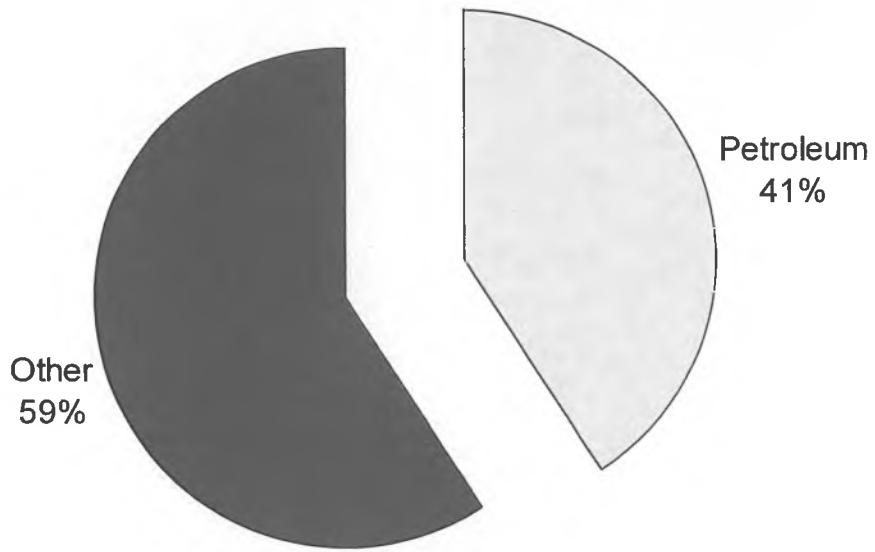
Petroleum: Flint Hills Resources petroleum products moved to and from the North Pole Refinery

Petroleum Gallons Shipped 1994 – 2012 Budget

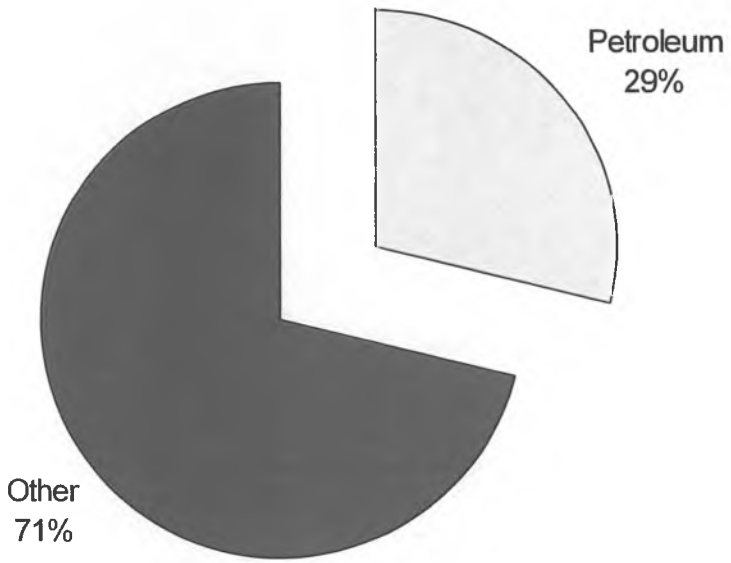


Changing ARRC Dependence on Petroleum Haul

2008

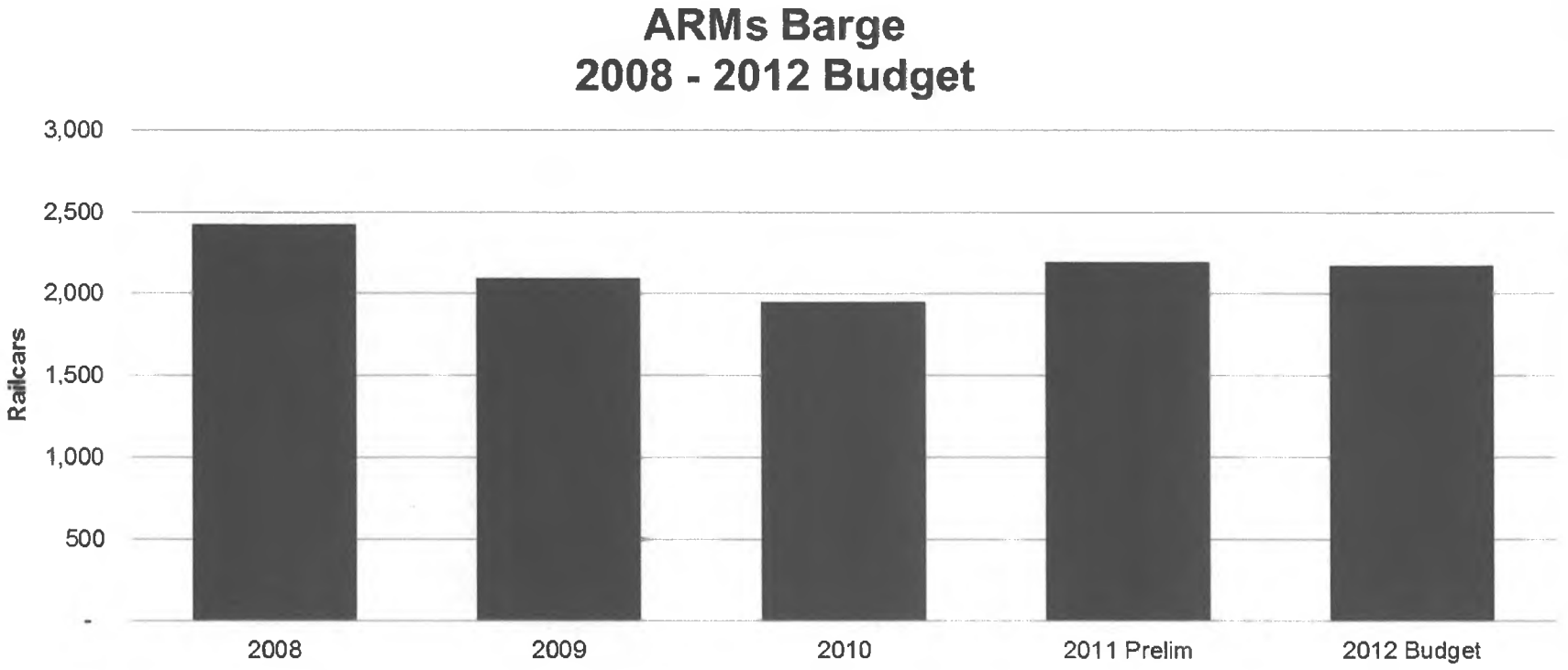


2012



$98,900,000 Freight Revenue $105,500,000

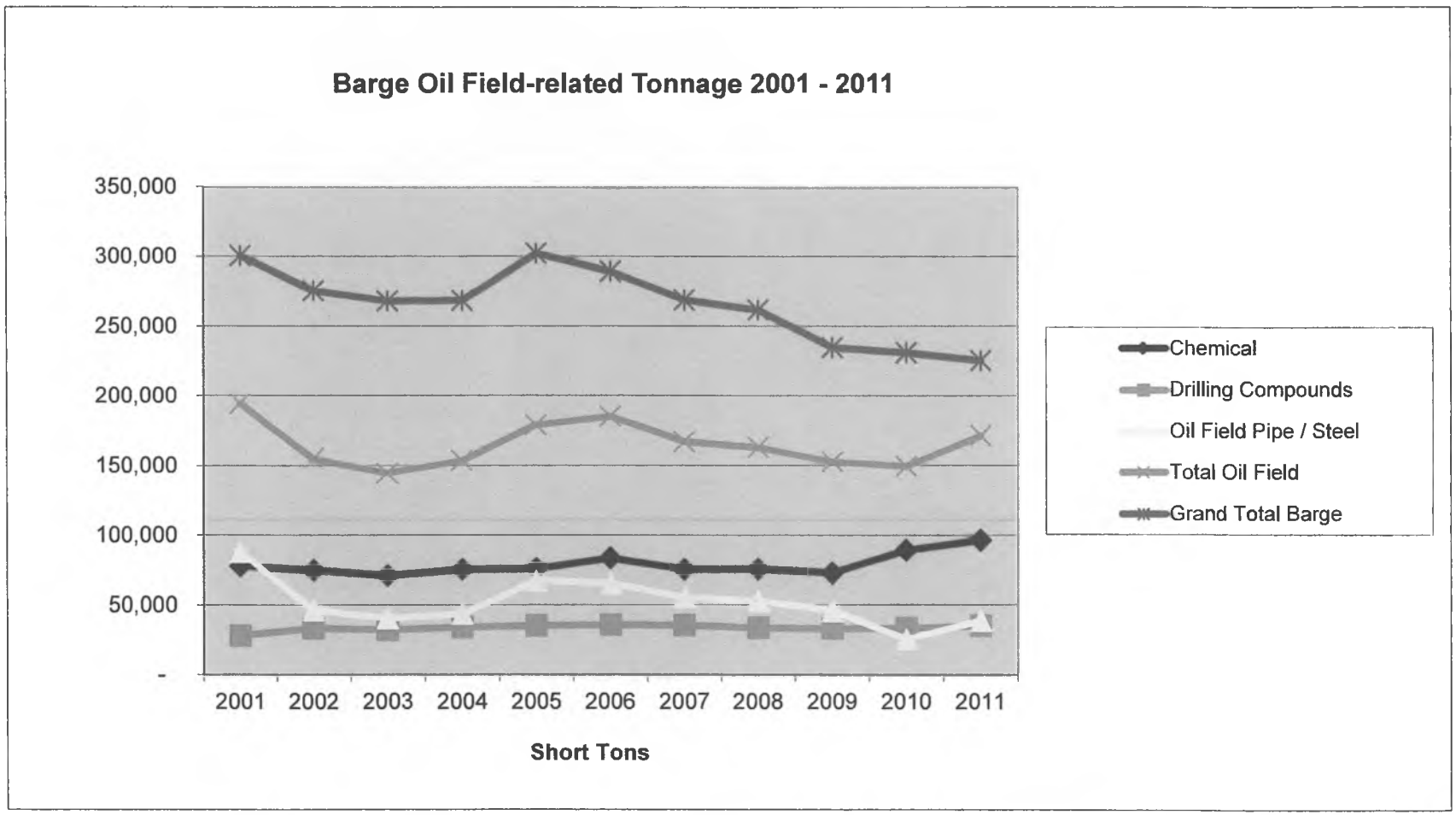
Freight Revenue – ARMS Barge



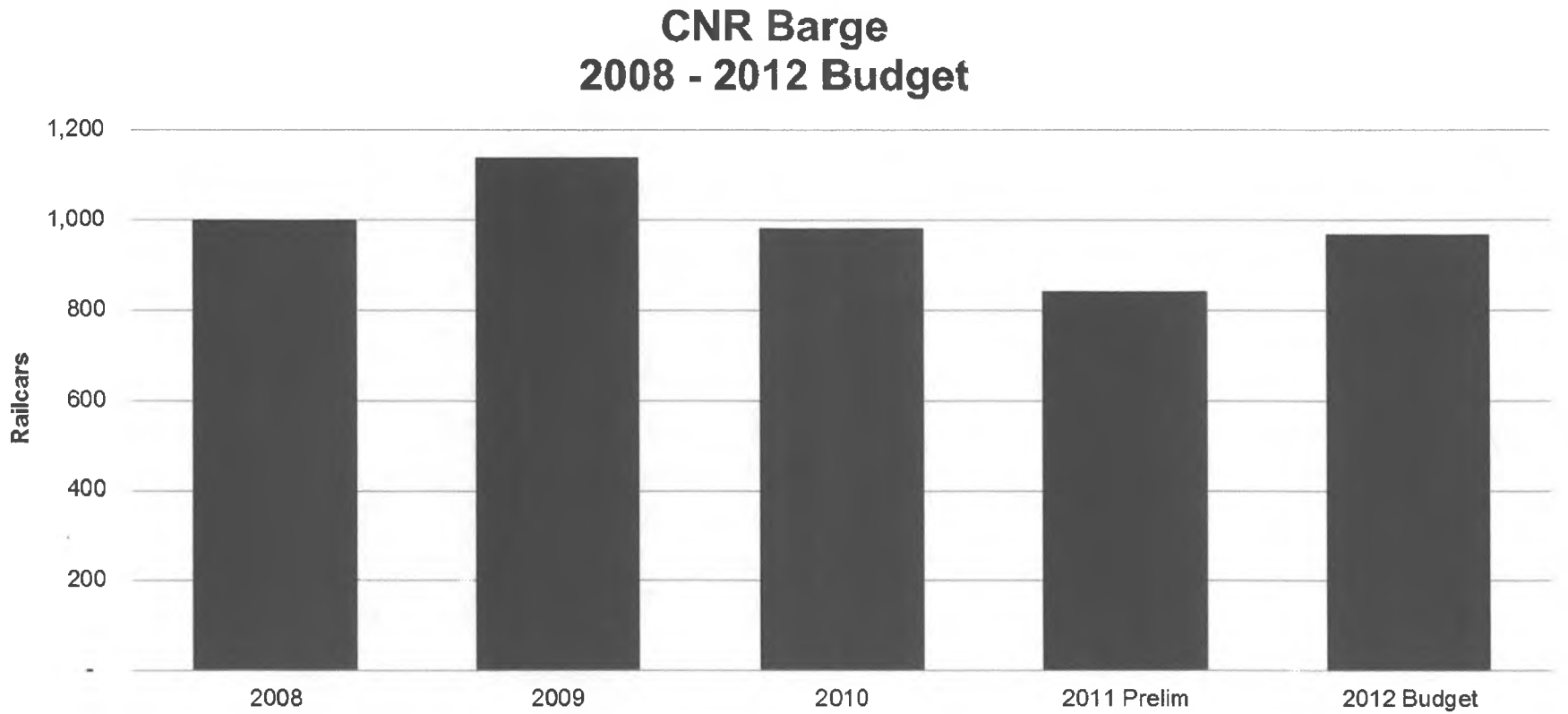
ARMS Barge: Railcar shipments to and from Alaska via the Seattle Gateway

- *Revenue depends heavily on oil and gas activity on the North Slope*

Barge Oil Field-related Tonnage 2001 - 2011

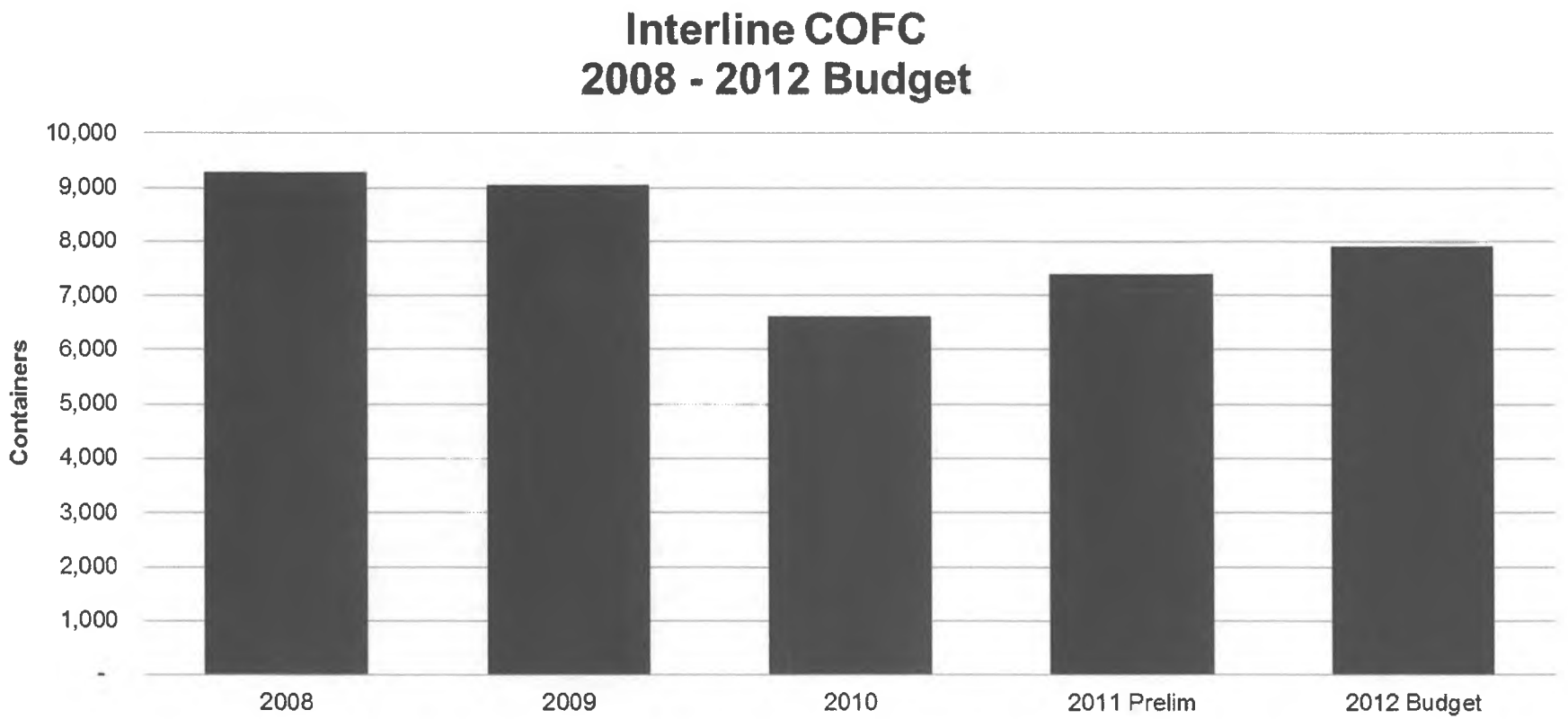


Freight Revenue – CN Barge



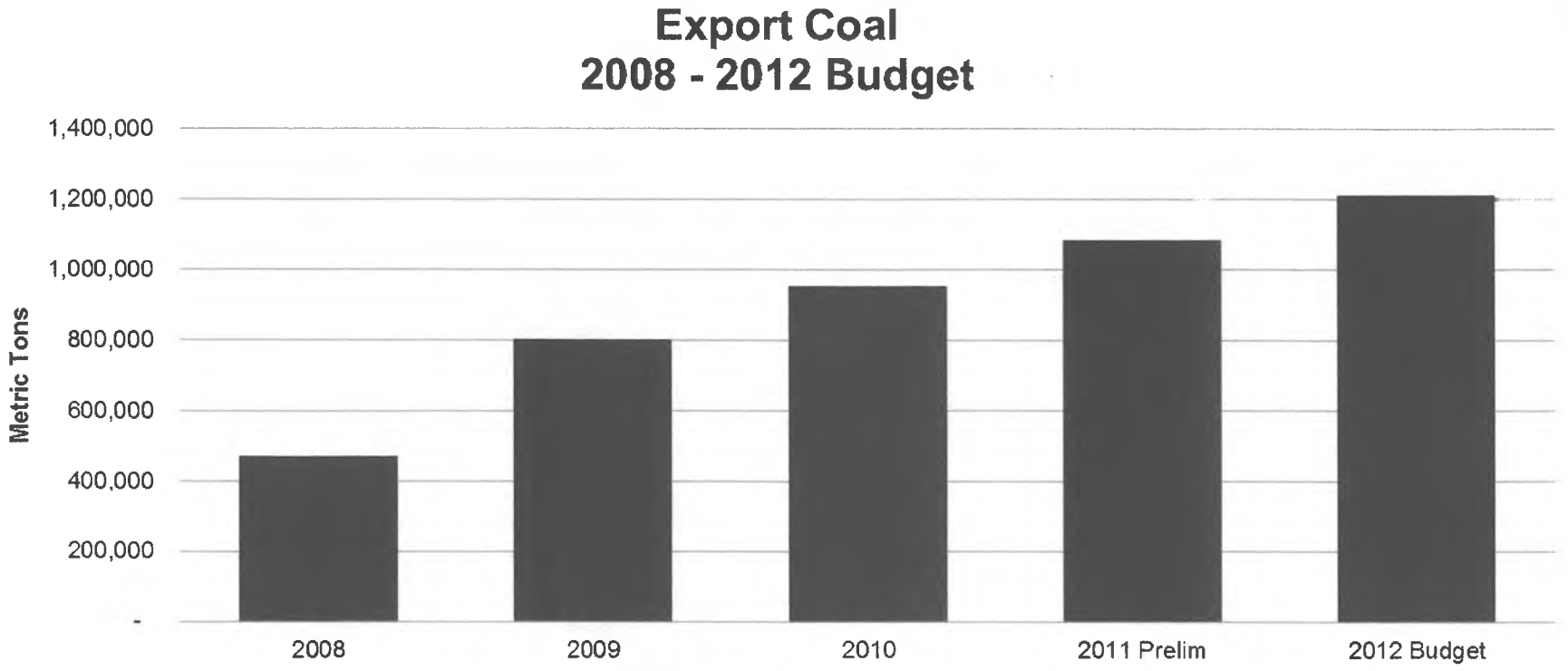
CN Barge: Railcar shipments to and from Alaska via CN's Prince Rupert Gateway

Freight Revenue– ICOFC



Interline COFC (container on flat car): Container shipments on ARMS Barge from Whittier to Anchorage and Fairbanks

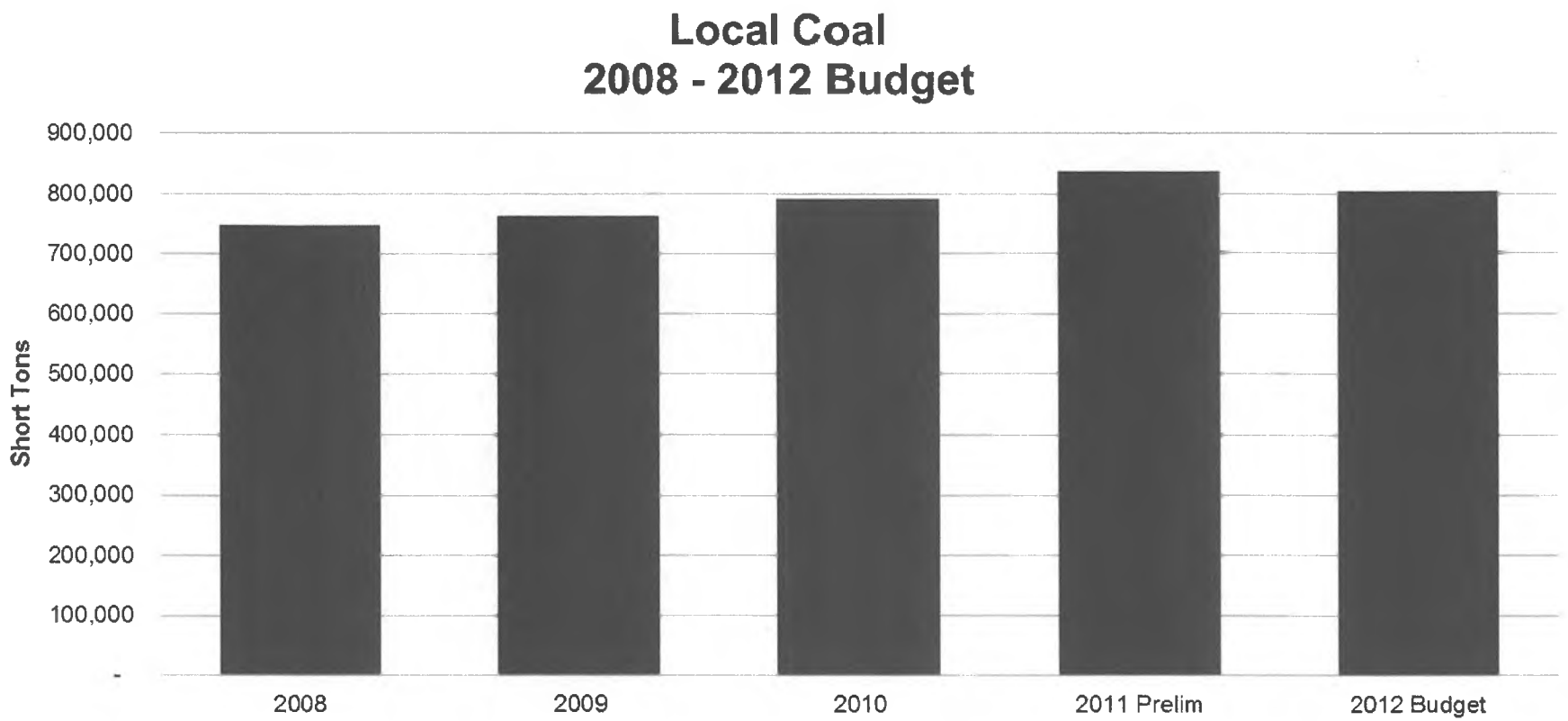
Freight Revenue – Export Coal



Export coal: Coal moved south from Healy to Seward for export to Chile, Japan and South Korea

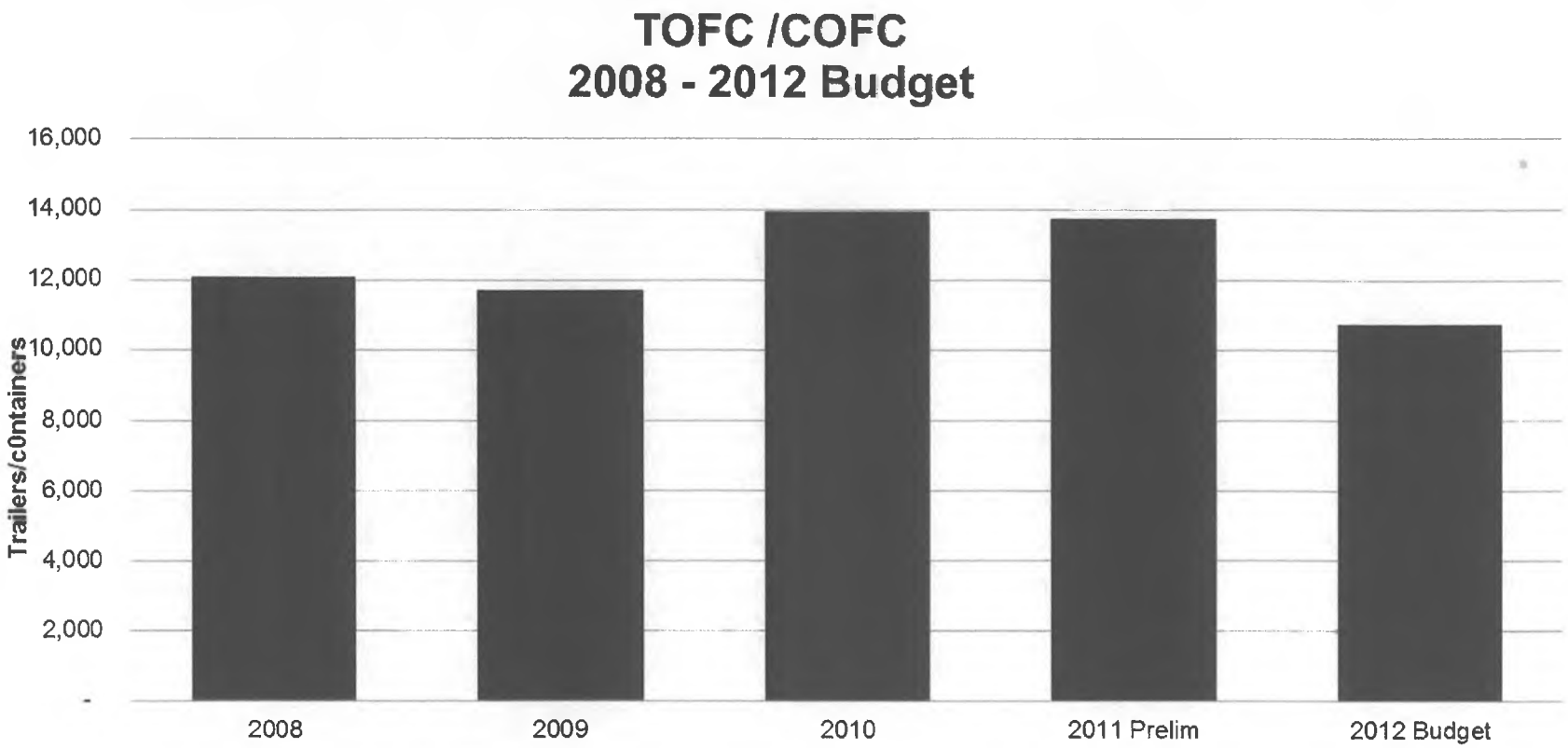
- *Strong global market – coal prices have increased for 2012*

Freight Revenue – Local Coal



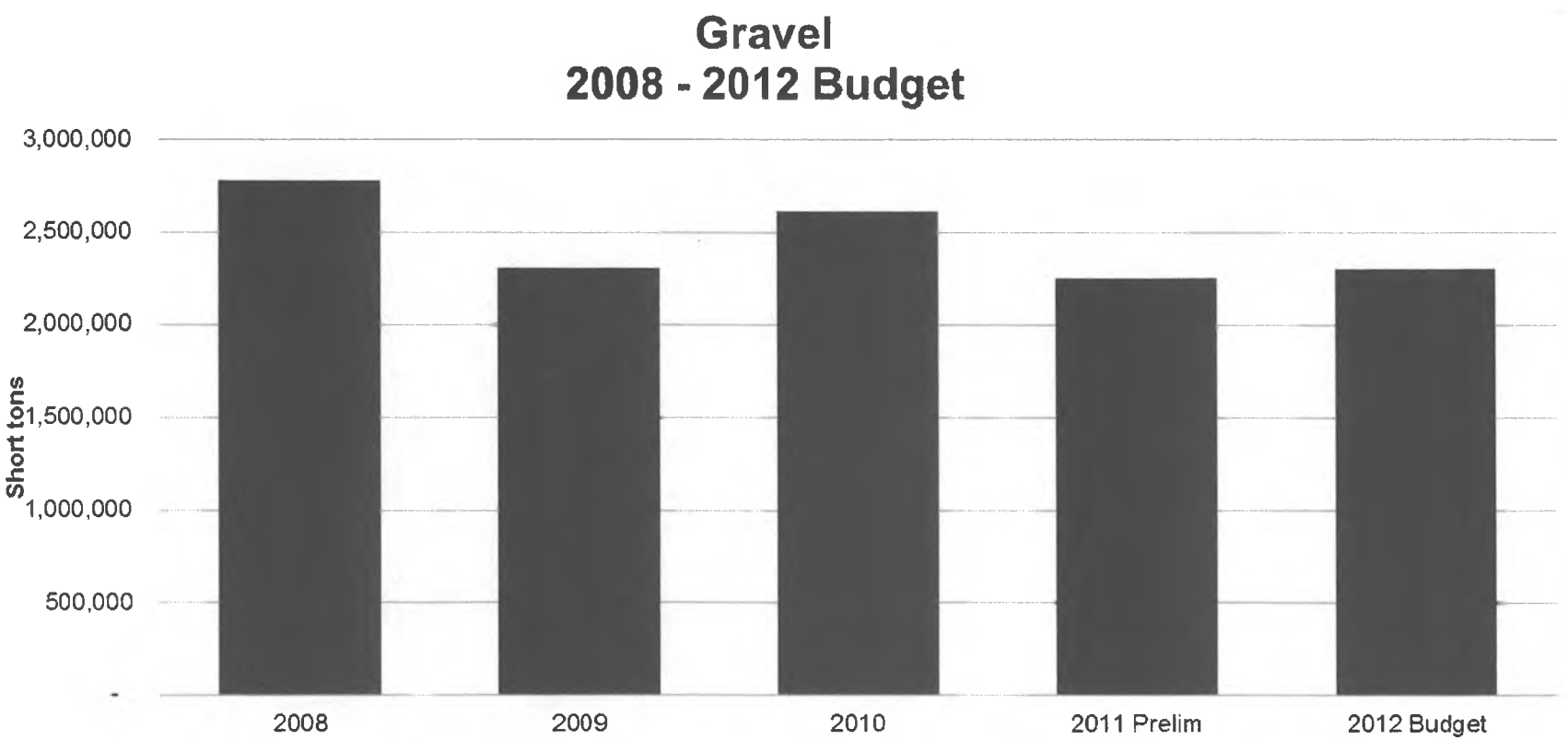
Local Coal: Coal moved north from Healy to Clear Air Site, UAF, Aurora Energy, Ft. Wainwright and Eielson AFB

Freight Revenue – TOFC/COFC



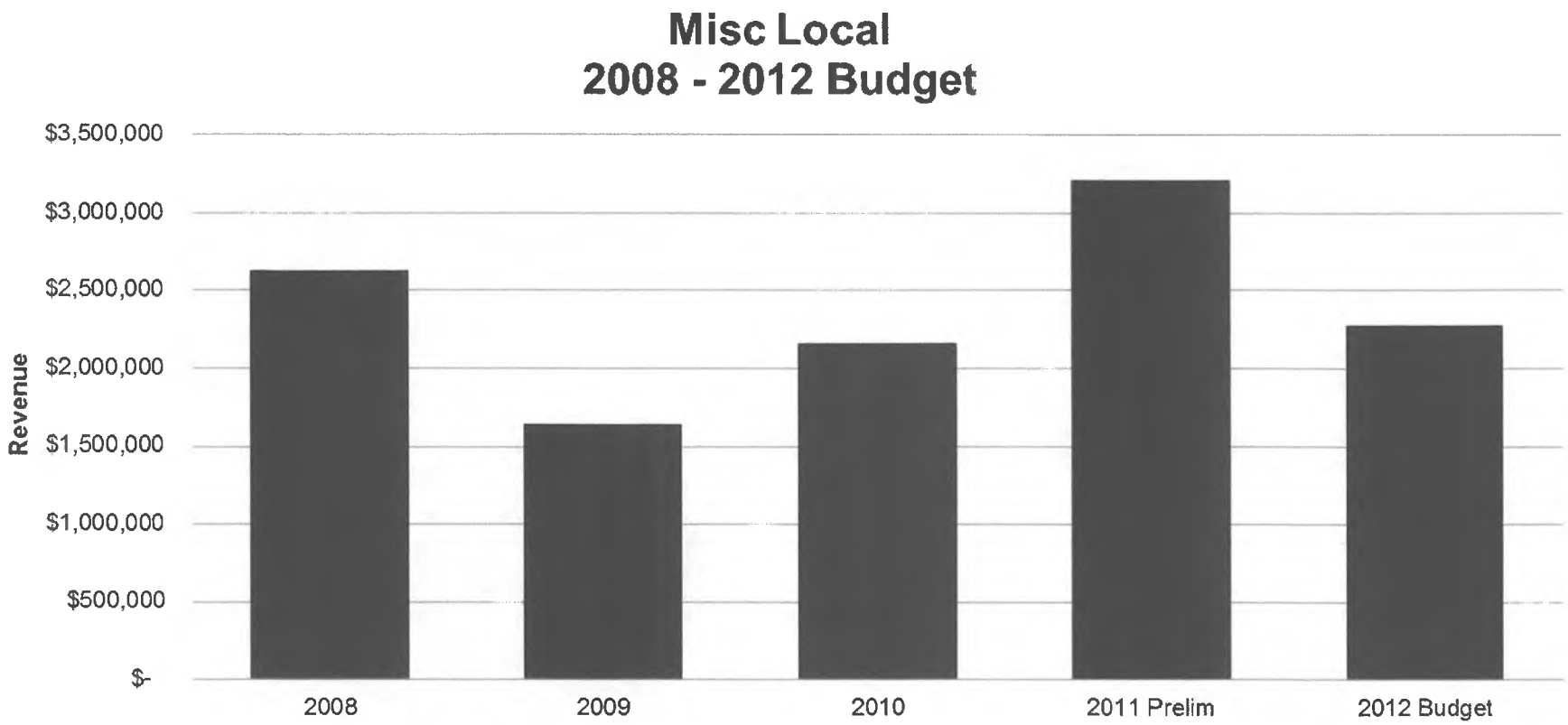
TOFC (trailer on flat car) and COFC (container on flat car): Trailers and containers moved between Seward, Anchorage and Fairbanks

Freight Revenue – Gravel



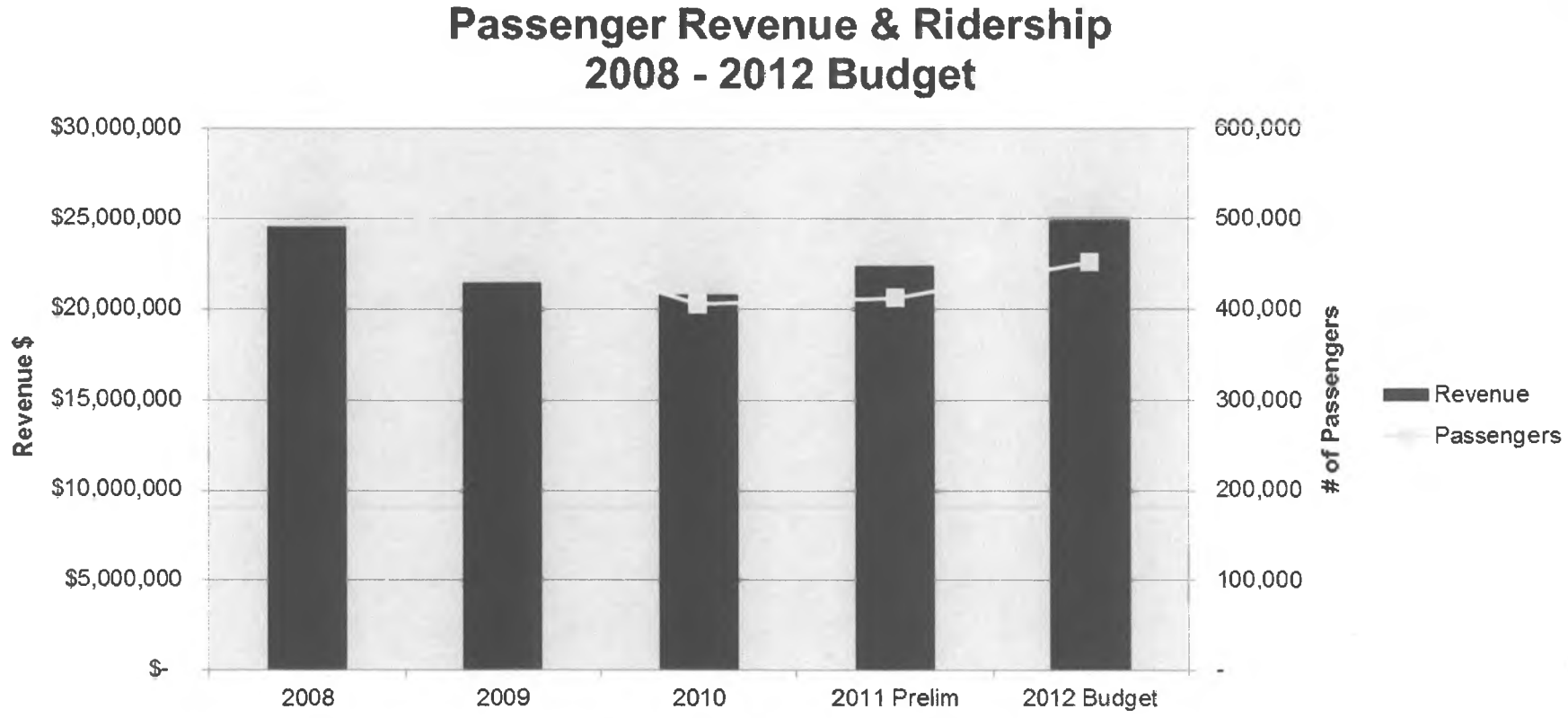
Gravel: Aggregate products moved from Mat-Su Valley to Anchorage by Anchorage Sand & Gravel, Granite Construction, and Quality Asphalt Paving

Freight Revenue – Misc. Local

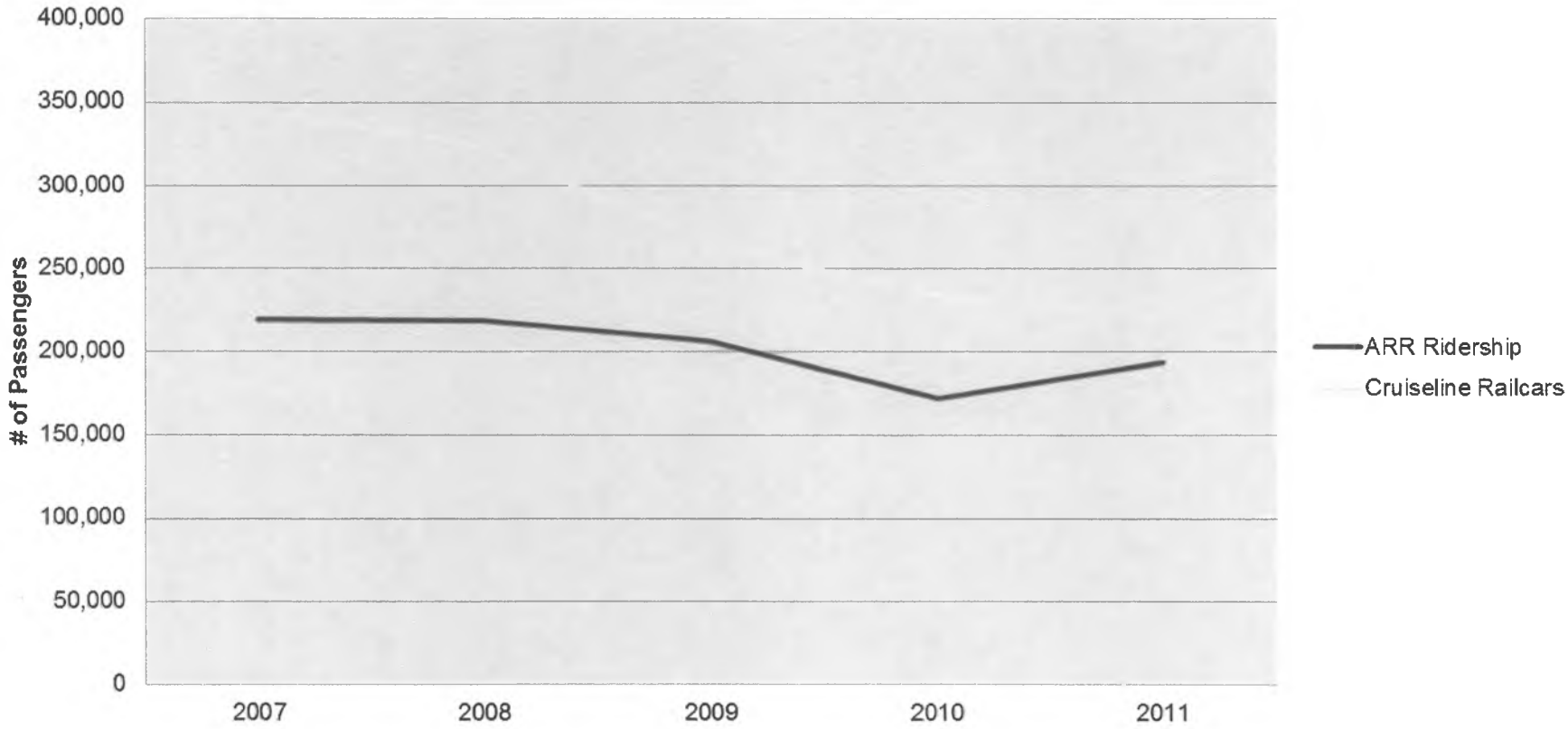


Misc Local: Generally railcar revenue and limited miscellaneous revenue that does not fit into other revenue lines

Passenger Revenue



Passenger Count
2007 - 2011



2012 Outlook – Operating Budget

- ARRC financial situation still fragile
- Revenue growth planned, but market uncertainty/expense pressures persist
  - Export Coal – strong global demand, tempered by environmental issues, and capacity constraints
  - Interline business growth potential
  - Flat-line petroleum haul level planned
  - Moderate passenger growth seen: independents and return of Princess ship
  - Fuel, benefit cost increases dragging on bottom line
- ARRC Board approved earnings budget of $15.4 million
  - $6.4 million net income from core train operations planned
  - Contingency plans in place if revenue does not materialize

2012 Outlook – Capital Budget

- Approximately $55.4 million in total funding planned for capital projects
  - Federal Formula and Bond funds: $26.3 million
  - Other Federal funds/litigation settlement: $5.7 million
  - Cash flow from earnings: $23.4 million

- Program primarily maintains/upgrades existing infrastructure
  - Concludes seven-year accelerated track rehabilitation program: $31 million
  - Continues the development of Positive Train Control technology: $5 million
  - Continues vehicle and equipment replacement program: $3.3 million
  - Continues bridge rehabilitation program: $3 million

Challenges/Risks

- Federal Surface Transportation Reauthorization/FTA Formula Funds
  - ~$36 million annually at risk
  - Key fund source for ARRC's continued viability in current form
  - Sole security for $137 million in outstanding bonds
  - Draconian changes to corporation necessary should certain proposals in Congress move forward
- Positive Train Control
  - Unfunded federal mandate with remarkably aggressive implementation timeline requirements
  - Over $45 million spent to-date, with at least another $70 million to go
  - Technology development program designed to prevent collisions, unauthorized train movements, and other human factor errors
- Strategic initiatives developed and in various stages of implementation to address these and other identified challenges/risks
  - Joint Board/management strategic planning process

Strategic Initiatives

- Integrated Safety Management Initiative
- Maintain Eligibility for Federal Transit Administration Formula Programs
- Protect Existing Revenue Base and Grow our Business
- Customer and Community Relationships
- Economic Development of State
- Cost Containment Initiatives and Technology Initiatives
- Mitigate Impact of Spend-Out of Federal Transit Administration Bond Funds

2012 Alaska Railroad Corporation Report to the State



Strategic

Leadership's Outlook

In accordance with state law (Alaska Statute 42.40.290), the Alaska Railroad Corporation (ARRC) annually adopts a long-range capital improvement plan and shares this with the governor and Legislature each year. We are pleased to present our outlook for capital investment and self-sustained operations, 2012 - 2016.

The railroad's five-year capital project and operating budgets are influenced by a strategic plan that outlines how we execute our company mission and measure supporting goals. Defined within two governing statutes (Alaska Railroad Corporation Act and Alaska Railroad Transfer Act), ARRC's mission is to provide safe, profitable, high-quality service to our freight, passenger and real estate customers and to foster the development of Alaska's economy. The Alaska Railroad Strategic Plan is revised annually to reflect changes in the business climate, workforce, community planning and other influences. Our current five-year plan defines eight strategic initiatives that were developed by the railroad's management team in concert with the ARRC Board of Directors. Initiatives include:

- Establish integrated safety management programs
- Protect existing revenue base and seek new business opportunities
- Enhance customer communication and relationships
- Maximize impact of federal grant spending to include capital bond repayment
- Maintain eligibility for federal formula funds related to passenger services
- Contain costs and improve operating ratio
- Maximize technology resources and investments
- Ensure the value of rail transportation is recognized and used as an economic driver

As the initiatives suggest, we understand the railroad's strength relies on a successful mix of assets — capital, people and reputation. That's why our corporate values put employees and customers first. It's why we strive to provide a safe working environment, operate trains safely, run a business in a financially sound manner, partner with Alaska's communities and protect our environment.

While this report outlines capital improvement plans, we also mention other accomplishments, such as recent honors received from Alaska's business community and anticipated rail business gains. These illustrate how ARRC benefits from the skill of a seasoned workforce, cooperation from long-term relationships with communities and business partners and a commitment to customer service. With this solid foundation, we fully expect to realize our potential as an essential transportation service and reliable economic partner for Alaska.

Chris Aadnesen



President/CEO

Linda Leary



Board Chair

History

The Alaska Railroad was built by the U.S. government between 1914 and 1923. Operated by the federal government until January 1985, it was then purchased by the State of Alaska for $22.3 million to serve Alaska businesses and communities as an engine of community development and economic growth. The Alaska State Legislature created the Alaska Railroad Corporation (ARRC) in 1984 as the entity to own and operate the railroad and to manage railroad property after transfer.

The Legislature appropriated $11.9 million to the new corporation for start-up costs because the U.S. government retained control of the railroad's bank accounts at the time of transfer (Jan. 5, 1985). The legislative appropriation was sufficient to cover two payrolls and the costs of several ongoing capital projects.

Unlike other state business enterprises (such as the Alaska Housing Finance Corporation and the Alaska Industrial Development and Export Authority), ARRC's enabling statute specifically requires that all revenue earned by the railroad is retained by the railroad. The federal transfer act also contains this requirement. The intent was to ensure the railroad had the money it needed to meet basic maintenance and capital needs, improve safety and increase profitability, thereby avoiding dependence on the state general fund. The corporation's annual earnings are invested entirely back into the corporate capital program.

The state-owned corporation is governed by a seven-member board of directors appointed by the governor. The president and CEO of the corporation reports to the board.

Board of Directors

Linda Leary
Susan Bell
John Binkley
Jack Burton
Jon Cook
Marc Luiken
Bill Sheffield

Management Team

President & CEO
Chris Aadnesen

Engineering & Maintenance
VP Tom Brooks

General Counsel / Legal
VP Bill Hupprich

Real Estate & Facilities
VP Jim Kubitz

Corporate & Gov't Affairs
VP Wendy Lindskoog

CFO / Finance
VP Bill O'Leary

Technology, Info & Telecom
VP Eileen Reilly

Mechanical & Transportation
VP Patrick Shake

Business Development
VP Steve Silverstein

Board of Directors

Susan Bell

Director

John Binkley

Director

Jack Burton

Director

Jon Cook

Director

Marc Luiken

Director

Bill Sheffield

Vice Chair

FIVE-YEAR CAPITAL PLAN: FEDERAL FUNDING

Federal Transit Administration (FTA) Formula Funds

	2012	2013	2014	2015	2016	5-Yr Total
Total FTA Formula Funds	$ 38,337,249	$ 39,487,367	$ 40,671,988	$ 41,892,147	$ 43,148,912	$ 203,537,663
Less Programmed Items:						
Preventive Maintenance	9,886,539	9,985,405	10,085,259	10,186,111	10,287,973	50,431,287
2006 Bond Principal & Interest	7,513,216	7,519,254	7,503,586	7,486,648	7,480,060	37,502,764
2007 Bond Principal & Interest	9,176,261	9,180,361	9,140,152	9,139,078	9,136,906	45,772,758
Transit Security	197,096	203,009	209,099	215,372	221,833	1,046,409
Transit Enhancement	197,096	203,009	209,099	215,372	221,833	1,046,409
Total Programmed Items (PI)	26,970,208	27,091,038	27,147,195	27,242,581	27,348,606	135,799,628
FTA Formula Funds Available for Projects	$ 11,367,041	$ 12,396,329	$ 13,524,793	$ 14,649,567	$ 15,800,306	$ 67,738,035
Bridge 422.9 Permafrost Bridge	—	—	—	458,402	—	458,402
Bridge 25.7	—	—	—	—	1,000,000	1,000,000
Bridge 447.7 Permafrost Bridge	—	—	—	300,000	—	300,000
Total FTA Bridge Projects	—	—	—	758,402	1,000,000	1,758,402
Depot Improvements	—	—	—	300,000	—	300,000
Track Rehab Program	7,367,041	6,896,329	8,024,793	8,091,165	9,300,306	39,679,633
Passenger Equipment Rehabilitation	—	500,000	500,000	500,000	500,000	2,000,000
Positive Train Control	4,000,000	5,000,000	5,000,000	5,000,000	5,000,000	24,000,000
Total FTA Other Projects	11,367,041	12,396,329	13,524,793	13,891,165	14,800,306	65,979,633
Total FTA Projects, net of PI	11,367,041	12,396,329	13,524,793	14,649,567	15,800,306	67,738,035
Plus: Prior Year FTA Funds	6,859,395	—	—	—	—	6,859,395
Total FTA Grants for Projects, net PI	**$ 18,226,436**	**$ 12,396,329**	**$ 13,524,793**	**$ 14,649,567**	**$ 15,800,306**	**$ 74,597,430**

FTA-backed Bonds (Series 2007 bond proceeds repaid with FTA formula capital grant receipts)

Track Rehabilitation Program	8,044,039	—	—	—	—	8,044,039
Total FTA-backed Bond Projects	**$ 8,044,039**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 8,044,039**

Other Federal - Federal Railroad Administration (FRA), Federal Emergency Management Agency (FEMA), Dept. of Homeland Security (DHS)

MP 142 Curve Realignment (FRA)	$ 1,427,300	$ —	$ —	$ —	$ —	$ 1,427,300
MP 238.6 Erosion Protection (FEMA)	508,744	—	—	—	—	508,744
MP 244.7 Erosion Protection (FEMA)	322,528	—	—	—	—	322,528
MP 243.9 Erosion Protection (FEMA)	318,965	—	—	—	—	318,965
Seward Fencing & Access Control (DHS)	295,000	—	—	—	—	295,000
MP 240 Embankment Protection (FEMA)	110,430	—	—	—	—	110,430
Total Other Federal Funds	**$ 2,982,967**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 2,982,967**

Railtech Settlement (to repair deficient track work originally funded by federal grants)

Track Rehab Program	2,700,000	—	—	—	—	2,700,000
Total Funds from Settlement	**$ 2,700,000**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 2,700,000**

Total Federal & Settlement	$31,953,442	$12,396,329	$13,524,793	$14,649,567	$15,800,306	$ 88,324,436



Passenger rail equipment, bridge and track rehabilitation projects are funded by both federal grants and funds generated internally by the Alaska Railroad. (Photo by David Blazejewski)

FIVE-YEAR CAPITAL PLAN: INTERNAL FUNDING

Non-discretionary Projects	2012	2013	2014	2015	2016	5-Yr Total
Track Rehabilitation Program	$ 6,259,026	$ 12,887,248	$ 5,693,482	$ 8,037,389	$ 7,972,865	$ 40,850,011
Bridge Program	2,950,000	3,500,000	3,500,000	3,120,799	2,500,000	15,570,799
Equipment Program	1,925,000	2,182,894	1,485,000	2,787,000	3,190,000	11,569,894
Vehicle Program	1,350,000	1,405,018	2,050,000	1,095,000	1,635,000	7,535,018
Positive Train Control	1,000,000	—	—	—	—	1,000,000
Portage Section Facility	750,000	—	—	—	—	750,000
2012 Capital Equipment Rebuilds	620,000	550,000	550,000	200,000	—	1,920,000
Passenger Equipment Rehab	600,000	—	—	—	—	600,000
ARRC Narrow Band Radios	376,000	—	—	—	—	376,000
Mandated Wheel Registration	154,250	—	—	—	—	154,250
Fleet Management GPS Units	105,000	—	—	—	—	105,000
Whittier Barge Slip Sewer Line Replacement	20,000	—	—	—	—	20,000
Whittier Maintenance Facility Arctic Entry	15,000	—	—	—	—	15,000
Total Nondiscretionary Projects	**$ 16,124,276**	**$ 20,525,160**	**$ 13,278,482**	**$ 15,240,188**	**$ 15,297,865**	**$ 80,465,972**
Continuing Programs/Projects						
Capital Locomotive Heavy PM Program	$ 1,234,000	$ 1,829,000	$ 2,378,000	$ 2,323,000	$ 2,263,000	$ 10,027,000
Dock & Slip Maintenance & Repairs	980,890	1,500,000	1,500,000	1,500,000	1,500,000	6,980,890
Healy Canyon Stabilization	—	800,000	500,000	500,000	500,000	2,300,000
Seward Coal Loading Facility Upgrades	555,000	500,000	500,000	500,000	500,000	2,555,000
Rip Rap Program / Drainage Maintenance	500,000	500,000	1,000,000	1,000,000	1,000,000	4,000,000
Corporate-wide Network Services	409,250	400,000	400,000	400,000	400,000	2,009,250
Avalanche / Slide Zone Mitigation	363,000	525,000	415,000	435,000	450,000	2,188,000
Roof Replacements	300,000	315,000	534,000	25,000	—	1,174,000
191XX Freight Car Heavy Maintenance	256,100	256,100	128,050	—	—	640,250
Crossing Signal Event Recorders	202,700	214,700	214,700	—	—	632,100
Locomotive Truck Overhaul	180,000	180,000	180,000	180,000	180,000	900,000
Defect Detector Upgrades	179,000	301,000	240,000	—	—	720,000
Code Line Upgrade	162,000	572,704	—	—	—	734,704
Electrical Upgrades	100,000	65,000	50,000	50,000	50,000	315,000
Energy Management / Conservation	50,000	75,000	75,000	75,000	75,000	350,000
Building Maintenance	40,000	50,000	50,000	50,000	50,000	240,000
Comm Site Battery Plant Replacements	40,000	80,000	80,000	80,000	80,000	360,000
General Facility Repair	40,000	50,000	50,000	50,000	50,000	240,000
Section Improvements	40,000	50,000	50,000	50,000	50,000	240,000
Trespass Mitigation	35,000	35,000	35,000	35,000	35,000	175,000
Small Tools and Test Equipment	34,000	34,000	34,000	34,000	34,000	170,000
Purchase of End of Train Devices	30,000	30,000	30,000	30,000	30,000	150,000
Copier Fleet Replacement	29,000	29,000	29,000	50,000	—	137,000
Infrastructure Updates	—	200,000	200,000	200,000	200,000	800,000
Total Continuing Programs	**$ 5,759,940**	**$ 8,591,504**	**$ 8,672,750**	**$ 7,567,000**	**$ 7,447,000**	**$ 38,038,194**
Strategic Business Initiatives						
Passenger Reservations System Enhance	$ 179,550	$ —	$ —	$ —	$ —	$ 179,550
Premisys Equipment Refresh	143,000	143,000	140,000	176,000	—	602,000
Records Management & Retention	116,000	86,201	384,040	—	5,000	601,241
Tunnel 2 Drainage Improvements	60,000	25,000	—	—	—	85,000
Land & Utilities	40,000	50,000	50,000	50,000	50,000	240,000
Tenant Improvements	40,000	50,000	50,000	50,000	50,000	240,000
Anchorage Historic Depot Restrooms	20,000	—	—	—	—	20,000
Access Plates for ASCTD (Yr 1 of 3)	16,800	21,000	22,200	—	—	60,000
Total Strategic Business Initiatives	**$ 615,350**	**$ 375,201**	**$ 646,240**	**$ 276,000**	**$ 115,000**	**$ 2,027,791**
Ranked Discretionary Projects						
Post Road Sewer Construction - Phase I	400,000	$ —	$ —	$ —	$ —	$ 400,000
CITRIX Virtual Desktops - Phase 1 of 2	198,500	—	—	—	—	198,500
Peger Road Access for Chena Landings	180,000	—	—	—	—	180,000
Post Road Sewer Line Design - Phases 2 - 4	150,000	—	—	—	—	150,000
Talkeetna Depot Pavement Renovation	30,000	—	—	30,000	—	60,000
Denali Depot Upgrades	20,000	—	—	—	—	20,000
Funds Available for Ranked Projects	—	—	6,053,388	8,233,586	9,379,324	23,666,297
Total Ranked Discretionary Projects	**$ 978,500**	**$ —**	**$ 6,053,388**	**$ 8,263,586**	**$ 9,379,324**	**$ 24,674,797**
Debt-Financed Project						
Freight Car Replacement Program	**$ —**	**$ 3,050,000**	**$ —**	**$ —**	**$ —**	**$ 3,050,000**
Total Internal & Debt	$23,478,066	$32,541,866	$28,650,860	$31,346,774	$32,239,189	$148,256,755
Total Federal & Settlement	$31,953,442	$12,396,329	$13,524,793	$14,649,567	$15,800,306	$ 88,324,436
Total Capital Program	**$55,431,508**	**$44,938,195**	**$42,175,653**	**$45,996,341**	**$48,039,495**	**$236,581,191**

OPERATING DATA AND PLANS

Operating Statistics

• Miles of main line:	467
• Miles of branch line:	54
• Miles of yards and sidings:	135
• Total miles of track:	656
• Freight cars (owned/leased)*:	1,254
• Passenger cars:	45
• Locomotives:	51

* *961 revenue cars and 293 maintenance cars; not including 420 tanker cars owned by Flint Hills Resources*

•Ridership**:	411,000 passengers
• Freight tonnage**:	6.3 million tons

** *Jan. 1 - Dec. 31, 2011, Projected*

Employees *(November 2011)*

• Year-round employees:	685
• Additional seasonal employees:	~100
• Average years of service:	12.1
• Average age:	46.2
• Male:	571
• Female:	114

A majority of employees are members of five unions:

• United Transportation Union:	132
• Transportation Communication Union:	39
• International Brotherhood of Teamsters Local 959:	61
• American Federation of Gov't Employees:	274
• American Train Dispatchers Department:	8

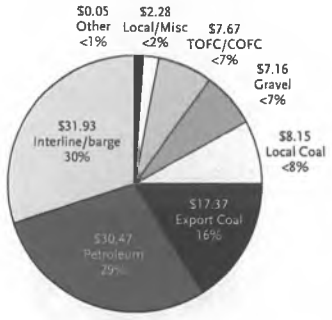
2012 Budget Revenue Sources

(in millions of dollars)



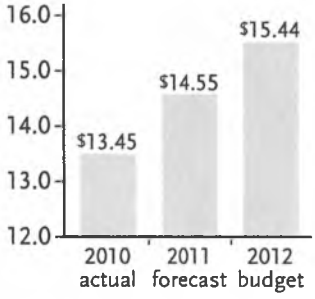
2012 Budget Freight Revenues

(in millions of dollars)



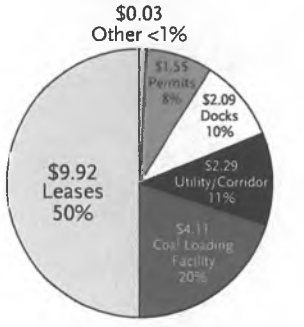
Net Income

(in millions of dollars)



2012 Budget Real Estate Revenues

(in millions of dollars)



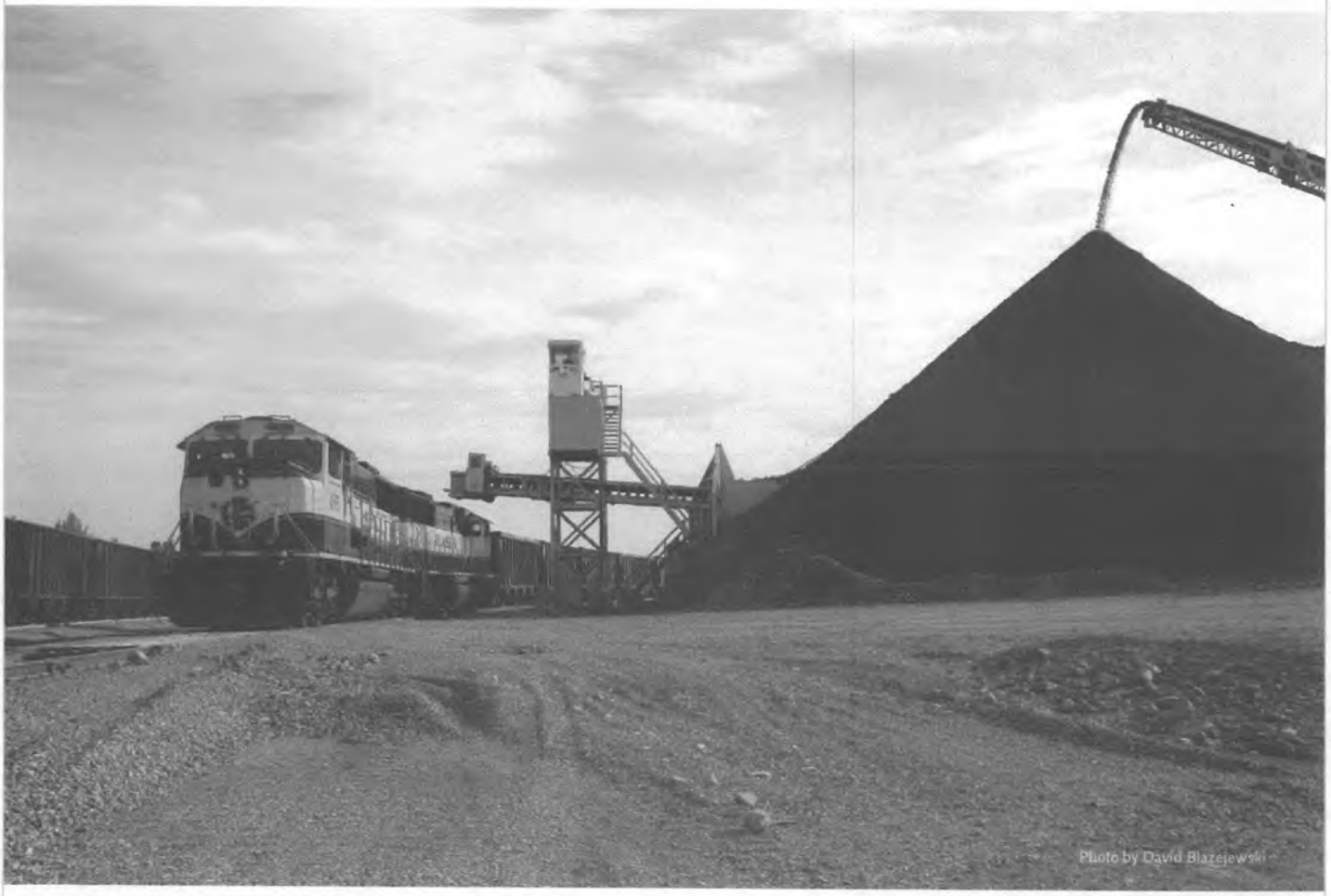


ARRC funded renovation of its freight shed, Alaska's first historic building to be reconstructed to Leadership in Energy and Environmental Design (LEED) standards. The 36,000 square-foot facility will be 93 percent occupied by early 2012 once the U.S. Forest Service moves in.

Five-Year Operating Plan

(in millions)	2012	2013	2014	2015	2016
Operating Revenue	$131.20	$139.41	$148.54	$153.80	$156.39
Operating Expense	123.31	130.17	138.87	142.64	145.40
Net Operating Income	7.89	9.24	9.67	11.16	10.99
Net Real Estate Income	9.11	9.95	10.44	10.61	12.54
Net Other Income (Expense)	(1.56)	(1.01)	(0.81)	(0.29)	(0.09)
Net Income	$15.44	$18.18	$19.30	$21.48	$23.44





A gravel train being loaded in Birchwood.



Ground was broken on the Northern Rail Extension Phase One, a Tanana River bridge near Salcha. Funding: $104 million from the Department of Defense; $84 million from the State of Alaska.

RECOGNITION ROUND-UP

Three organizations presented the Alaska Railroad with annual awards in 2011, recognizing ARRC's ongoing community service and environmental stewardship efforts:

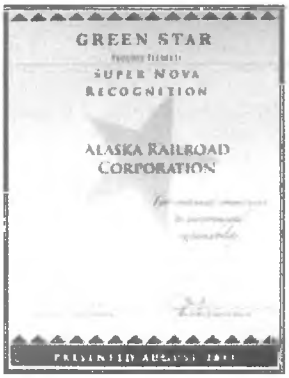
- In April, the Alaskans for Litter Prevention and Recycling (ALPAR) named the railroad its 2010 Contributor of the Year for ARRC's steady support of recycling backhaul efforts benefitting ALPAR and Alaska communities. ARRC helped affordably move 5.8 million pounds of recyclable materials in 2010.
- In September, the Anchorage Chamber of Commerce presented ARRC with its 2011 Distinguished Community Service Award (Large Business/Organization category). ARRC was honored for participation in the school-business partnership program, charitable giving, environmental stewardship, infrastructure investments and employee volunteerism.
- In October, Green Star, Inc. presented ARRC with its new Super Nova award, acknowledging a higher level of leadership and commitment to doing business in an environmentally responsible manner. Impressed with ARRC's recertification effort, Green Star plans to use the railroad's recertification submission as a "best practices" standard for other organizations seeking to recertify.

ALPAR



Recycling Support

Green Star Inc.



Best Practices

Anchorage Chamber



Community Service

ALASKA RAILROAD CORPORATION EST. 1914

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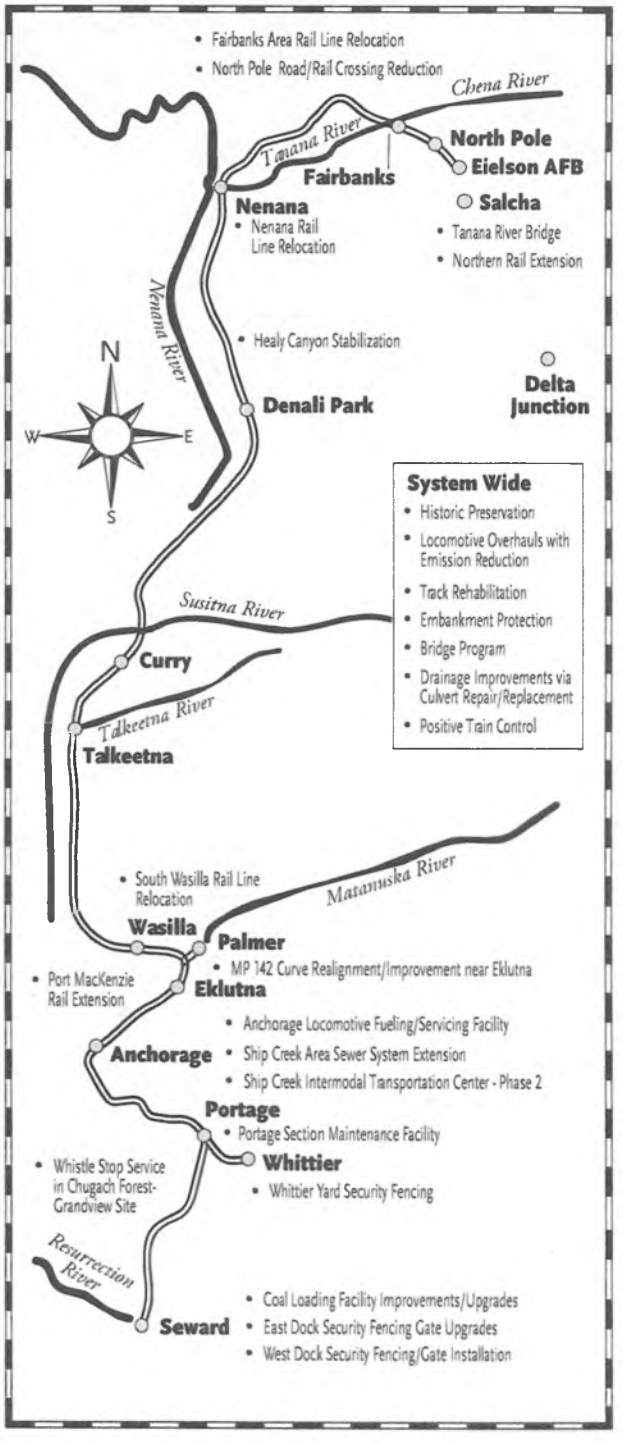
Alaska Railroad 2012 Program of Projects

Established in 1923, the Alaska Railroad Corporation (ARRC) is the last of the full-service railroads in the United States, offering both freight and passenger services. From tidewater at Whittier and Seward to the heart of Interior Alaska, our route covers more than 500 miles. ARRC is a state-owned corporation, but it does not receive state funding to operate. ARRC relies on passenger, freight and real estate revenues to cover expenses to operate trains and maintain tracks and facilities. About $49 million is budgeted in new spending for capital improvements in 2012. An additional $68 million is budgeted for two special rail extension projects. Detailed project fact sheets are online at **www.AlaskaRailroad.com -> Capital Projects.**



Federally-funded Projects

Since 1996, ARRC has received federal funds for infrastructure improvements. Funding has come from the Department of Defense (DOD), Federal Railroad Administration (FRA), Federal Transit Administration (FTA), Federal Highway Administration (FHWA), Transportation Security Administration (TSA), Federal Emergency Management Agency (FEMA), U.S. Dept. of Homeland Security (DHS), U.S. Forest Service (USFS) and other federal sources, such as "Stimulus" money from the American Recovery & Reinvestment Act of 2009. Most FTA, FHWA and FEMA funded projects require 9% to 25% matching funds from ARRC.

In 2012, ARRC expects to receive FTA formula funding to support an estimated $11.76 million in capital projects; ARRC will contribute 9% of this amount. Other federal funds include $1.26 million in FEMA-administered grants, $1.43 million from the FRA, and $295,000 from DHS. A $2.7 million settlement will repair deficient track work originally paid by federal grants.

Internally-funded Projects

In addition to the match for federal grants, ARRC internal funds (funds generated by corporate freight, passenger and real estate business revenues) support ARRC's ongoing expense activities as well as an annual capital program. In 2012, internal funds will provide $23.5 million toward capital projects that are not eligible or selected for federal funding support.

Bond-funded Projects

In 2006, ARRC sold $76.1 million in revenue bonds and another $89 million in 2007. These funds are primarily used to accelerate track rehabilitation efforts. About $8 million will be spent in 2012. Bonds are repaid with FTA formula funds.

Special Rail Extension Projects

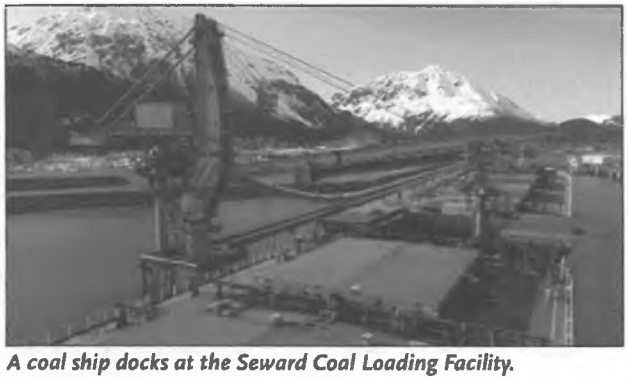
The State of Alaska appropriated FY2012 funds to support two major rail extensions. $44 million was approved mid-2011 to close the funding gap for Phase One of the Northern Rail Extension. ARRC will manage $24 of the $30 million the State approved mid-2011 to pursue Port MacKenzie Rail Extension construction.

Frequently used acronyms:

- ARRC = Alaska Railroad Corporation
- ARRA = American Recovery & Reinvestment Act
- FEMA = Federal Emergency Management Agency
- FTA = Federal Transit Administration
- FRA = Federal Railroad Administration
- FHWA = Federal Highway Administration
- DOD = Department of Defense
- EA = Environmental Assessment
- EIS = Environmental Impact Study
- STB = Surface Transportation Board

Seward Coal Loading Facility

ARRC acquired the Seward Coal Loading Facility in 2003 and made subsequent improvements in order to increase facility efficiency, driving down the cost of operation, thus making Alaska's coal resources more competitive in the global market. ARRC completed an EA of proposed improvements and upgrades in 2004. FRA provided the original $9.54 million grant, with $8.3 million spent on acquisition and associated studies and $1.24 million used for inspections, repairs and improvements. ARRC is underwriting ongoing maintenance and capital improvements. In response to community concerns over coal dust problems resulting from unusual dry, windy weather in early 2007, ARRC and facility operator Aurora Energy Services (AES) modified operations and ARRC hired industry experts to analyze and recommend future capital improvements. Since 2007, ARRC and AES have spent more than $1.5 million on safety, operations and environmental improvements. $720,000 is budgeted for 2012.



A coal ship docks at the Seward Coal Loading Facility.

Seward East and West Dock Investments

ARRC built a new East Dock in Seward in 2000, and a section of the 640-foot long by 200-foot wide East Dock was expanded to 320 feet wide in 2007. Since 2001, the West Dock and its terminal building have been substantially improved to support intermodal passenger activity. In 2011, a 1,600-foot security fence with three roller gates was installed around the East Dock. In 2012, two of the three gates will be upgraded with card-reader control access and surveillance cameras. A security fence and card-reader access gates (with surveillance cameras) will also be installed on either side of the West Dock terminal building. 2012 fencing and gate upgrades funded by a $295,000 Port Security Grant.



ARRC's West (left) and East docks in Seward.

Chugach National Forest Whistle Stop Service

ARRC and the U.S. Forest Service (USFS) are partners in developing a whistle stop service in the Chugach National Forest. Plans call for five recreational sites between Portage and Moose Pass that will be accessible by rail and interconnected by trail. Sites include a passenger rail platform, passenger shelter, toilets and interpretive signage. Other features may include picnic, camping and wildlife viewing facilities. The project purchased a self-propelled diesel multiple unit (DMU) railcar, which arrived spring 2009. The first site was completed at Spencer in late summer 2007. Construction on the Grandview site began in 2011 and will be completed in 2012. Construction of a pedestrian bridge over Placer River at Spencer also began in 2011; it will be installed in 2012. $1.8 million for Spencer site funded by USFS and ARRC. The $5.35 million DMU was funded $4.7 million by USFS and $648,000 by FTA and ARRC. The pedestrian bridge at Spencer ($1.6 million), and the Grandview site ($1.2 million) funded by ARRA grants obtained by the USFS. Estimated $14 million is needed to complete all five sites and facilities.

Whittier Infrastructure & Master Planning

ARRC is pursuing a Whittier Master Plan to improve railroad infrastructure. Recent projects: **1)** built a pedestrian underpass (2002); **2)** built an equipment maintenance facility (2002); **3)** improved Delong Dock (2002); **4)** built barge slip side-loading structures (2002); **5)** demolished the old transit shed (2003); **6)** built a cruiseship passenger spur and platform (2004); **7)** improved security with a yard office at the entrance, seasonal yard fence and video cameras (2006/07); **8)** demolished the marginal wharf (2008); and **9)** extended barge slip ramp and replaced the stern (front) unloading area to include hydraulic lifts and pass/pass features (2009-2011). A security fence around the Whittier Yard will be installed in 2012 with a $311,224 Homeland Security grant and $82,000 from ARRC. Future actions recommended by the Master Plan include: **a)** construction of improved intermodal passenger

and public use facilities; **b)** rail yard reconfiguration and track improvements to separate freight and passenger activity; and **c)** additional security measures including lighting and detection equipment for passenger facilities.

Portage Section Maintenance Facility

ARRC plans to build up to six section maintenance facilities. These steel-framed heated buildings house a shop area to store / maintain rail equipment and trucks, small office space, restroom and utility room. The prototype was constructed in Cantwell in 2006. Construction of a 47-by-65-foot facility at Portage began in 2011 (Phase 1: site prep). Phase 2 — building with shop area — will be complete in 2012. A final phase will add offices and restrooms at a later date. Phases 1 and 2 are budgeted to cost $1.25 million, funded by ARRC.



The prototype section maintenance facility built in Cantwell.

Ship Creek Intermodal Transportation Center

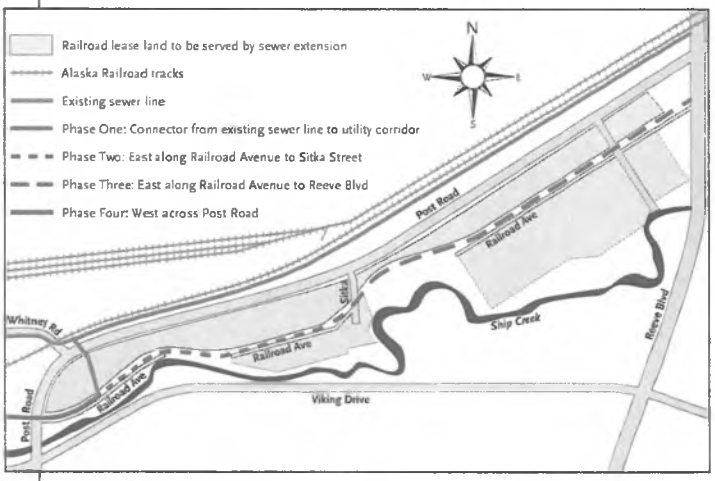
ARRC is pursuing an Intermodal Transportation Center (ITC) and associated improvements (pedestrian amenities, transit infrastructure, parking, track modifications, etc.) in the Ship Creek area. The ITC will facilitate connections from one transportation mode to another — rail, public transit, air, marine, bus, taxi, private vehicle, bicycle and pedestrian — and improve links to Anchorage's downtown business district to meet passenger transit needs over the next 30 years. Phase 1, completed 2007-2009, included utility relocation, new track and passenger platform construction, and track rehabilitation. Part of Phase 2 (2a) began in 2010 to include Anchorage Historic Depot exterior improvements, electrical upgrades and boiler replacement. Phase 2a was completed in 2011. Future phases will construct a service / office building, a new departure lounge over the tracks and an elevated covered walkway connecting to downtown. Approximately $23 million for conceptual and environmental work, preliminary design, and Phase 1 was funded 91% by the FTA and 9% by ARRC. Phase 2a budget of $7.94 million funded by ARRA Stimulus money. ARRA money also funded $300,000 in 2009-2010 to install 1,000 feet of security fencing east of the depot. Conceptual design for Phase 2b (replace annex building with smaller crew facility and improve pick-up /drop-off and other areas surrounding the depot) was complete in 2011. ARRC is seeking funding for 2b. Total cost for all phases is estimated at $78 million.



Phase 2a included installation of a paved-system roof along with more insulation for better energy conservation.

Ship Creek Area Sewer System Extension

ARRC plans to extend the existing Anchorage Water & Wastewater Utility sewer system to provide sewer service to railroad leased land on the east side of the Anchorage Railroad Reserve, located south of Post Road and north of Viking Drive. Phase 1 of the four-phase project would construct a connector from the existing sewer line to a proposed utility corridor along an old right-of-way parallel to, and south of, Post Road. Phase 1 design complete in 2011 and construction will begin in 2012. Phase 1 cost of $400,000 funded by ARRC. All four phases are estimated to cost nearly $2 million; funding for later phases is not yet identified.



Proposed sewer extension project in Anchorage Railroad Reserve.

Anchorage Locomotive Fueling/Servicing Facility

ARRC plans to replace an existing 1970s-era locomotive fueling delivery system in the Anchorage Yard. Plans call for a new facilty to provide fueling, sand loading, inspection and minor maintenance of locomotives. First considered in 2003, conceptual planning and design resumed in 2011 to include a cost/benefit analysis of a stationary fueling/serving facility versus mobile fueling by truck. Efforts to optimize the design continue. Preliminary design first budgeted at $200,000 in 2003; followed by $100,000 in 2010 and $150,000 in 2011. Funded by ARRC.

Curve Realignment / Improvement near Eklutna

ARRC plans to reduce the curvature of the mainline track and parallel siding track along a curve at ARRC MP 142, near Eklutna. The project will relocate a maintenance spur track from the north end of the curve to the south, and lengthen the spur from 130 to 1,000 feet. The timber road/rail crossing across the mainline and siding will be upgraded to concrete, improving drivability access to Eklutna Inc. land. Design began in 2011, and construction will begin 2012. Funding 80% U.S. Department of Transportation and 20% ARRC.

South Wasilla Rail Line Relocation

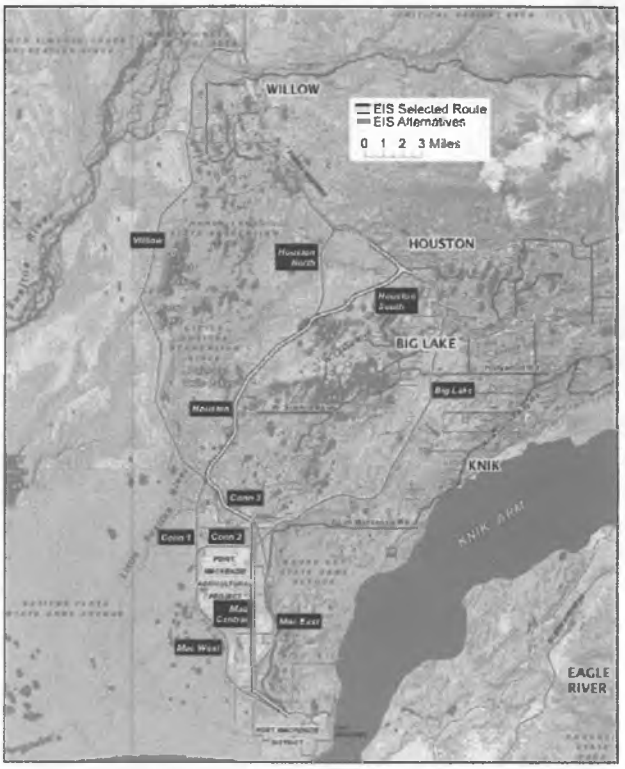
ARRC plans to straighten curves along the mainline track in South Wasilla, between ARRC MP 154 and 158. The track relocation would eliminate five at-grade crossings, reduce derailment risk, reduce operational and maintenance costs, and allow for faster train speeds. An EA of alternative relocation routes was completed in 2005. Land acquisition will be complete in 2012. $246,000 for conceptual engineering and the EA and $2.72 million for preliminary engineering and land acquisition, funded by 91% FTA and 9% by ARRC. $2.5 million to continue right-of-way land acquisition funded 91% by FHWA and 9% by ARRC. Total cost to construct Phase 1 (MP 154 to 156) is estimated at $37 million.



A large curve in the track slows train speeds in south Wasilla.

Port MacKenzie Rail Extension

The Matanuska-Susitna Borough and ARRC are partners in proposing a new 32-mile rail line connecting Port MacKenzie to the existing mainline track near Houston. Extensive public involvement activities were conducted in summer and fall 2007 to obtain citizen and agency input. In early 2008, ARRC submitted an application to the Surface Transportation Board (STB), the federal agency with authority over rail extensions in the United States. The STB conducted an EIS which was complete in spring 2011. The STB's record of decision to approve construction came in late November 2011. The State of Alaska appropriated $27.5 million (2007/2008) to support the EIS and supporting studies, and to construct a bulk commodities road loop. The State appropriated $35 million in 2010 and $30 million in 2011 to pursue design and construction of the first two phases. An estimated additional $180 is needed to complete design and construction.



Potential Port MacKenzie Rail Extension preferred route selected.

Healy Canyon Safety & Reliability Program

Healy Canyon lies between Denali Park and Healy. The tracks follow the Nenana River gorge on a narrow grade, originally through two tunnels. The area has steep slopes and erosion-prone soil. ARRC proposed a series of projects to: **1)** stabilize the track bed in Healy Canyon; **2)** control the rock fall problems; **3)** "daylight" (remove the top of) Moody Tunnel; **4)** realign tracks around Garner Tunnel; and **5)** realign the tracks to straighten the corridor. Total cost is estimated at approximately $71 million. $2.9 million in FRA funds were used to address the slide zone and realign track around Garner Tunnel in 2005. $5.2 million in FTA grants and FTA-backed revenue bonds were used to daylight Moody Tunnel, which was completed in 2009. About $5.86 million was spent in 2009-2011 to stabilize several areas (MPs 352.9, 354.1, 355.2 and 357) in the canyon, with a combination of funding from FEMA, FRA, ARRC and the Alaska Division of Emergency Services. MP 352.9 will be complete in 2012. ARRC continues to seek funding to pursue future stabilization.

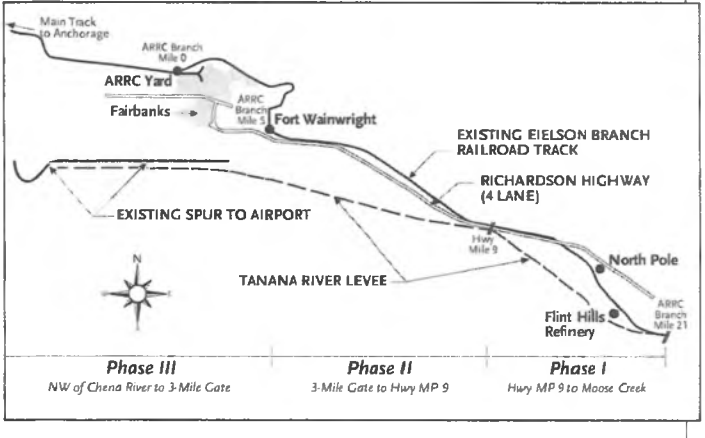
Nenana Rail Line Relocation

ARRC proposes to realign the railroad mainline around downtown Nenana, following a route outside of the existing right-of-way, north of the airport and southeast of town, over the Parks Highway. The track structure through Nenana would be maintained to support port activities. ARRC completed an EA of three alternative realignment routes and a "no action" alternative in 2004. Right-of-way acquisition

was complete in 2009. A hydrology study completed in 2010 is being used to obtain flood plain permits. One such permit was approved by the City of Nenana in 2011. A $1 million budget for the EA was funded 91% by the FTA and 9% by ARRC. $2 million for land acquisition funded by 91% FHWA (administered via FTA) and 9% ARRC. $225,000 for the hydrology study funded by ARRA Stimulus funding. Estimated $37.7 million to complete final design and construction. Funding for construction has not yet been identified.

Fairbanks Area Rail Line Relocation

ARRC is analyzing options to: **a)** realign and improve safety of the main line and branch track, including potential realignments outside the more populated areas of Fairbanks and **b)** realign and improve the Eielson Branch, from the Fairbanks Depot to the end of the branch near Eielson AFB. The Fairbanks Area Rail Line Relocation will likely require an EIS. As a pre-cursor to the EIS, ARRC conducted an Alternatives Analysis (AA) in 2007-2008 that capitalizes on the findings of previous reconnaissance and engineering studies. The AA recommends a three-phased approach. In 2007-2009, ARRC also commissioned a *North End Rail Public Transportation Study and Operation Plan* to explore options for passenger rail and commuter service. Findings indicate low demand for Fairbanks-North Pole commuter service and results are inconclusive for Fairbanks-Denali service options. The AA and public transportation study were funded by $450,000 in grants from FHWA and FTA with 9% match from ARRC. Funding has been secured to pursue environmental work for Phase I, the North Pole area *(see separate project description below)*. Funding sources are being sought for National Environmental Policy Act (NEPA) environmental work to include an EIS for Phases II and III.

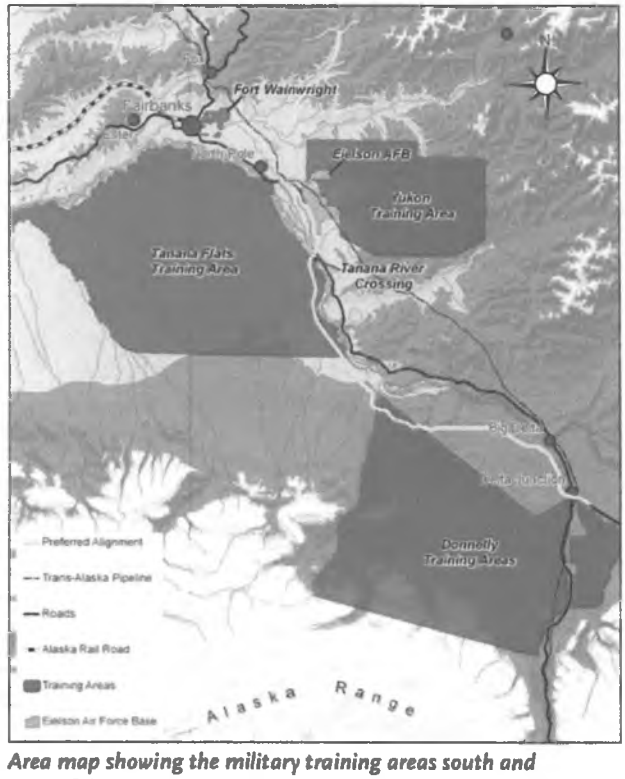


North Pole Road/Rail Crossing Reduction

In cooperation with the FRA, FHWA and Fairbanks Metropolitan Area Transportation System (FMATS), the ARRC initiated an EA and preliminary engineering for a proposed project to reduce at-grade road/rail crossings by realigning an 8-mile section of the Eielson Branch that runs through North Pole, between Richardson Hwy milepost 9 and the Chena River floodway. This project is essentially Phase I of the three-phased Fairbanks Area Rail Line Relocation. The EA is expected to be complete and ready for public review in early 2012. Funding of $1 million comes from FHWA funds re-allocated by FMATS and the Alaska Department of Transportation & Public Facilities. Cost for final design and construction will be determined through the EA process.

Northern Rail Extension

ARRC proposes to extend its mainline track from North Pole / Eielson AFB, about 80 miles southeast to Delta Junction. The project would offer: **a)** commercial freight service supporting communities and commerce in the corridor; **b)** a passenger transportation alternative to the Richardson Hwy; **c)** support of military training; and **d)** support of regional tourism. ARRC initiated the conceptual development in 2004. The STB initiated an EIS in 2005. The final EIS was released in late 2009 and the STB approving a license to construct and operate a rail extension on January 5, 2010. The EIS, preliminary engineering and design was funded by $16.5 million in DOD appropriations, administered by the FRA. DOD appropriated another $44.2 million in 2007 and $60 million in 2008 for planning, engineering, environmental work, design and to begin construction on the first phase of the project *(see project description below)*. The project is expected to be built in four phases, beginning with the river bridge, followed by rail construction from the bridge to the end of the Eielson Branch. Later phases will continue the extension

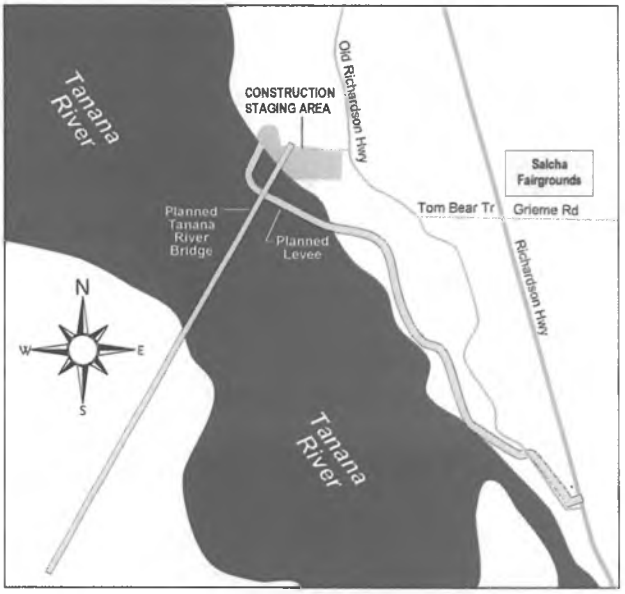


Area map showing the military training areas south and west of the Tanana River.

to Delta Junction. Cost of all phases is estimated at $650 to $850 million. Phase 1 is funded *(see below)*. Funding for later phases is not yet identified.

NRE Phase 1: Tanana River Crossing

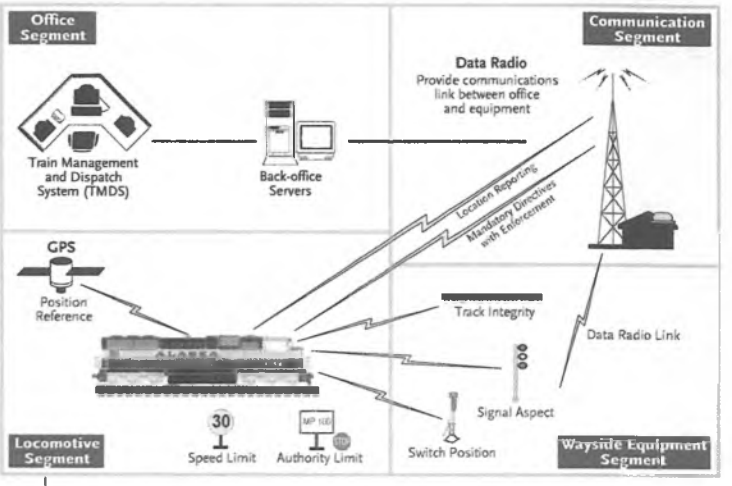
Design of the Northern Rail Extension Phase 1, Tanana River Crossing, got underway in 2010, after the STB had granted authority with a record of decision in January. Design includes a bridge over the Tanana River at Salcha as well as a levee to control river flow in the area. Kiewit was hired as Construction Management / General Contractor and construction on Phase 1 began in 2011. The bridge and levee are scheduled for completion in 2014. Budget is $188.2 million, funded with $104.2 million from the DOD and $84 million from the State of Alaska.



Phase One: Tanana River Crossing - Construction area map.

Positive Train Control

ARRC is pursuing a multi-phased program to design, develop and implement a communication-based train control system that uses data radio communications between train dispatchers and train crews, or dispatchers and roadway workers. The Positive Train Control (PTC) project is comprised of a replacement Computer Aided Dispatch (CAD) system, an on-board computer system, VHF packet data radio technology, and Global Positioning System (GPS) locator technology. The PTC will provide regulatory-mandated safety enhancements to prevent train-to-train collisions, to detect infrastructure failure and potential operations violations quickly, and to intervene when necessary. To date, ARRC has spent $53 million (1999-2011) on communications and preparational work, funded by FRA, FTA, ARRA and ARRC sources. An additional $70 million is estimated to complete the PTC system. For 2012, $5 million is funded $4 million by FTA grants (91% FTA; 9% ARRC) and $1 million by ARRC.



Positive Train Control System Overview.

Passenger Rail Cars and Locomotives

ARRC has 45 passenger-related railcars, including 30 coaches, six diners, six baggage cars, two business cars (charters) and one DMU. ARRC also has 53 locomotives: 28 SD70MACs (12 equipped with head-end-power to supply electricity to passenger cars), 15 GP40s, eight GP38s and two cab/power cars. ARRC upgrades older equipment and buys newer equipment to meet current and future passenger demands. In 2012, several passenger cars will be upgraded with new lighting, public address systems, batteries, signs, new flooring, wall-covering, seat upholstery and galley modification. $600,000 budget is funded by ARRC. Four SD70MAC locomotives and one or two GP40 locomotives will be overhauled to include installation of tier-plus kits to improve fuel efficiency, and installation of engine idle reduction systems (GP40s). SD70MACs funded by $1.23 million from ARRC. GP40s funded by a $1.4 million FTA "TIGGER" (Stimulus-funded) grant and $328,000 by ARRC.



Left to Right: GP-38-2, GP 40-2 and SD70MAC locomotive.

Bridge Program

ARRC's 500-plus miles of mainline track include about 160 bridges that cross barriers ranging from streams to gulches. ARRC's Bridge Program calls for major maintenance, overhaul and replacement needed to maintain railroad integrity, safety and efficiency. In 2012, ARRC plans to complete design for a structure to replace three culverts at Indian Creek (MP 88.1). Drainage and embankment work will be completed for a new bridge that was built over Skookum Creek Drainage (MP 59.4, near Portage) in 2011. Upgrades and



Timber piling and caps were replaced with steel pipe and pile caps on the bridge at MP 29.5 in 2011. In 2012, timber beams and ties will be replaced to complete bridge rehabilitation.

rehabilitation are also planned for 10 other bridges. In addition, a "rock shed" will be designed for the tunnel about 50 miles north of Seward to protect against falling rock and ice. Funding includes $2.95 million by ARRC plus $500,000 in FTA grants (funded 91% FTA; 9% ARRC).

Track Rehabilitation

ARRC continues an aggressive track rehabilitation program in 2012 that calls for replacement of rail, ties and ballast in areas of critical need. Each year, ARRC converts several miles of track into continuously welded rail, which dramatically decreases maintenance costs and improves ride quality. ARRC also replaces a portion of its nearly two million wooden ties (45,000 ties in 2012). ARRC also plans to resurface many miles of track using 50,000 tons of ballast rock. For 2012, $14.2 million is funded by current and prior year FTA grants (funded 91% FTA; 9% ARRC); $8 million is funded through the sale of ARRC revenue bonds backed by FTA formula funds; $6.3 million is funded by ARRC, and a $2.7 million legal settlement will repair deficient work originally paid for by federal grants.



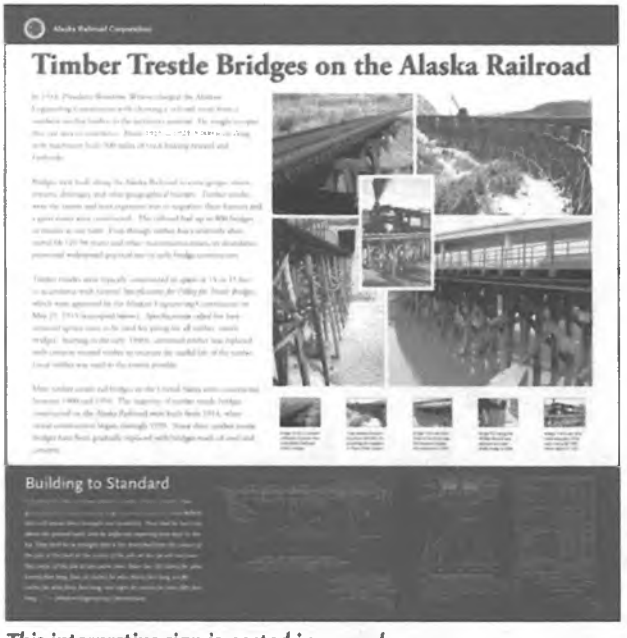
A tie crane operator positions a new tie during tie replacement operations in spring 2011.

Drainage Improvement/Embankment Protection

ARRC will repair or replace up to 15 culverts along the northern half of the rail corridor. Several culverts in this area are at risk of washout, collapse or clogging. ARRC also plans to install riprap and armor rock to fortify track embankment that is susceptible to high water events, including flooding. Culvert repair/replacement budget is $500,000, funded by ARRC. Embankment protection work is supported by $2.52 million in grants funded 75% by FEMA and 25% ARRC; and $446,000 in grants funded 80% by FRA and 20% ARRC.

Historic Preservation

ARRC supports historic preservation efforts that are related to railroad assets and infrastructure. Some ARRC assets are historic properties and are listed on the National Register of Historic Places and more than 50 ARRC properties are eligible for listing on the National Register. ARRC often consults with state and federal historic preservation agencies to mitigate impacts from capital projects that may adversely impact historic assets. Mitigation often takes the form of educational materials, including brochures, interpretive signage, archived photos and documentation.



This interpretive sign is posted in several common-use passenger railcars as part of a public education effort.

Integrated Vegetation Management Program

The Alaska Railroad pursues an integrated vegetation management program to protect the millions of dollars invested each year in its infrastructure. Uncontrolled weeds pose safety risks to ARRC operations and employees, including: **a)** vegetation makes track and train inspection difficult; **b)** plants hinder automated equipment operation; **c)** overgrown weeds hide walking hazards, contributing to slips, trips and falls;

d) roots create uneven, heaving surfaces, again posing walking hazards for track workers; and **e)** vegetation accelerates rail and tie deterioration. Public safety is also impacted by uncontrolled weeds: **a)** overgrown bushes block line-of-sight; **b)** vegegation can obscure signs and signals that warn the public; **c)** plants cause heaving and slippery conditions at road/rail crossings; and **d)** dry vegetation can fuel brush fires.

The railroad has always, and will continue to use mechanical and manual methods to clean the ballast, cut and clip brush, mow grass and weeds, saw roots and trim limbs, etc. Mechanical and manual methods achieve limited and temporary success. ARRC has also tested many alternative and experimental methods of controlling weeds (including steam, hot water, radient heat, abrasion, flaming and burning), with no lasting success. Herbicides provide an additional tool to help maintain safe operations and regulatory compliance, and to protect infrastructure investments. The railroad seeks to control vegetation with a combination of mechanical and chemical methods, using herbicides in the most critical and difficult areas.

In 2008, ARRC commissioned herbicide research to provide scientific information about use in Alaska's environment. Results indicate that herbicides behave the same as in other climates, and the glyphosate-based herbicide AquaMaster® does not linger or migrate in the soil. In 2009, ARRC applied for a Department of Environmental Conservation (ADEC) permit to use herbicides in the Seward yard and along 30 miles between Seward and Indian. The permit was approved in spring 2010 and AquaMaster® was applied selectively within the permitted area with good results. ARRC applied for additional permits in 2011 for herbicide use in the Anchorage Yard, Healy Yard, Fairbanks Yard and along the Eielson Branch. These were approved by ADEC and were used in July 2011. In 2012, ARRC is applying for three new permits covering 12 miles of track in the Palmer-Wasilla area, 38 miles of track between Gold Creek (34 miles north of Talkeetna) and Broad Pass, and 60 miles of track between Clear and Fairbanks. The ADEC will accept public comment through March 12, 2012. Public hearings are scheduled for January 31 in Fairbanks, February 1 in Wasilla and February 2 in Talkeetna.



Post herbicide control near Seward. Note clear distinction at control area boundary at the end of the ties.

current as of 01/11/2012

Alaska Railroad Corporation 2012 Program of Projects

At the beginning of each calendar year, ARRC conducts project open house events in Anchorage, Fairbanks, the Mat-Su Valley and Seward to inform the public about the proposed Program of Projects (POP) for the year. While these events provide a good forum for residents to comment on any or all projects, the public is not limited to commenting at these events. Public input is accepted year-round, and in a variety of formats as outlined at the right. Detailed project descriptions are provided within fact sheets that are created for major federally-funded and internally-funded capital improvement efforts. These fact sheets are accessible at the Alaska Railroad web site **ww.AlaskaRailroad.com** (click on "Capital Projects" and then select the geographica area of interest).

Public Input:

Public comment on any or all of these projects may be submitted via:

- Mail to: Capital Projects
  Alaska Railroad Corporation
  P.O. Box 107500
  Anchorage, AK 99510-7500
- E-mail to *public_comment@akrr.com*
- Fax to (907) 265-2365
- Call Stephenie Wheeler at (907) 265-2671
  ARRC's TTY/TTD 265-2620
  or voice 265-2494 or Alaska Relay TTY
  800-770-8973 or voice 1-800-770-82555

Alaska Railroad Corporation
Status Update February 6, 2012

NORTHERN RAIL EXTENSION

- Project is in winter shut-down until the end of February
- Coast Guard permit public notice has closed. Permit is expected in time for bridge construction.
- ***Site Work Summary***:

    - Site offices are operational. Occupancy is expected by spring as project resumes from the winter dormancy.
    - Noise and Vibration study posted on website on the Phase 1 link.
    - An ice bridge permit has been received by Kiewit to provide access to the south bank allowing for continued tree clearing and grubbing. Work on the ice bridge is progressing and access to the south bank should be available later in February.
    - Weekly project meetings are held to discuss "Requests for Information" on design drawings, schedule, product submittals, Quality Control plans etc.

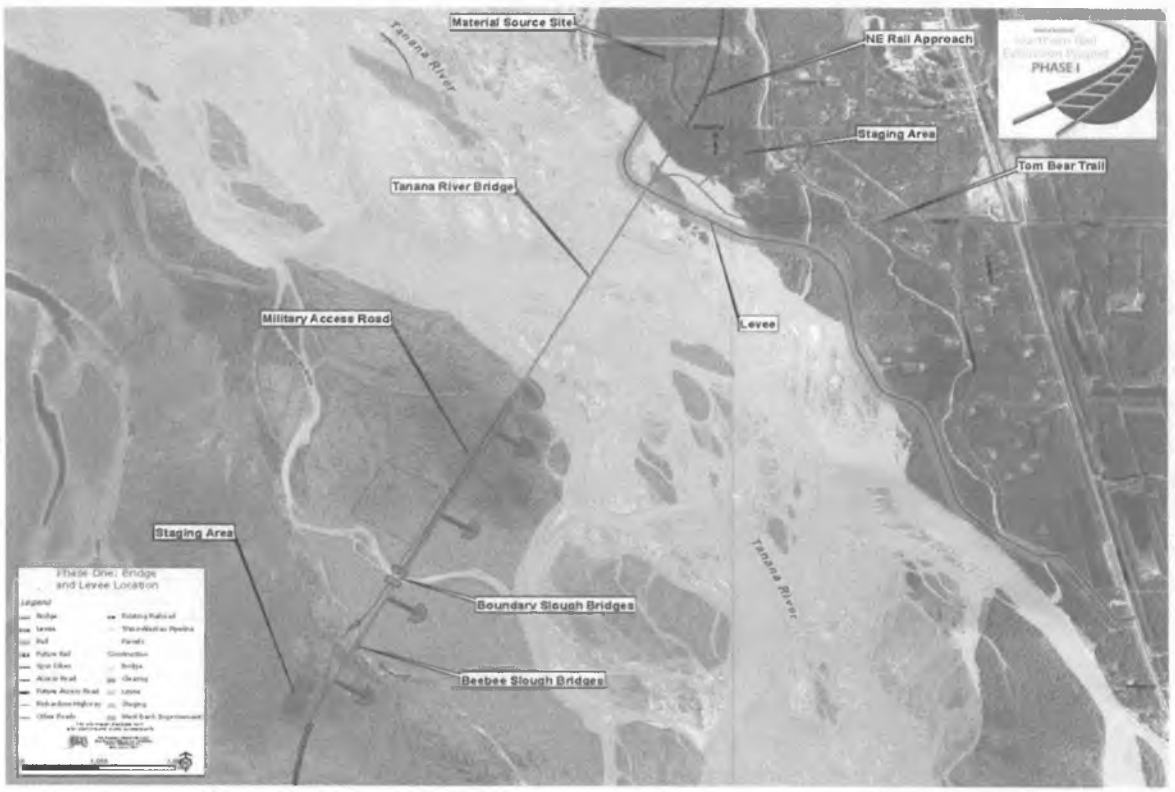
PORT MACKENZIE

- Alaska Survival/Cook Inlet Keeper/Sierra Club filed a Petition for Judicial Review of the STB decision in the 9th Circuit of Appeals on Friday, January 20th claiming that the STB violated NEPA in rendering their decision. Lacking an injunction or restraining order, project activities are continuing. Our ongoing efforts are being closely coordinated with the MSB. We are presently awaiting MSB Assembly approval to intervene (expected approval the evening of Feb 7th)
- Corps is finalizing permit decision. Meeting with COE to discuss mitigation on Feb 21st.
- STB Submittals:
    - Draft mitigation report submitted to STB for review
    - Additional resource-specific mitigation plans for STB submission in final review.
- Right-of-way acquisition on-going by MSB.
- Final Design continues.
- MSB working with local groups and assembly members regarding trails and access concerns.

Northern Rail Extension Phase 1

Tanana River Bridge
Quarterly Progress Report
January 15, 2012





This report covers the period:
October 1, 2011 through December 31, 2011

www.northernrailextension.com

Northern Rail Extension Phase 1

Project Summary

The Northern Rail Extension (NRE) project proposes to construct and operate an approximately 80-mile-long rail extension from Fairbanks to Delta Junction. The NRE project will begin at the existing rail line located on the Eielson Branch line at the Chena Overflow Bridge just south of the community of North Pole and be extended to the community of Delta Junction, with the ability to service Fort Greely.

The project phases are as listed:

- **Phase 1: Bridge, approach road, and levee associated with the crossing of the Tanana River near Salcha. (Current Phase)**
- Phase 2: Approximately 13 miles of rail from Fairbanks to the Tanana River crossing.
- Phase 3: Approximately 30 miles of rail from the west side of the Tanana River crossing to the Tanana Flats Training Area,
- Phase 4: Approximately 38 miles of rail between the Tanana Flats Training Area and Delta Junction.

Current Status

Fourth quarter 2011 included the completion of utility relocations, completion of site office erection and lay down storage areas. Additionally, tree clearing and ground grubbing on the north bank was completed and approximately 2500' of levee construction on the north bank were accomplished. Rip rap was produced and stock piled on site for levee construction. Future track embankment approach work also continued in the beginning of the fourth quarter.



Northern Rail Extension Phase 1

Next Quarter Outlook

First quarter of 2012 activities will include:

- Levee construction will start up again the first week of March with anticipated completion on the north bank in July.
- Production of project piling and girder fabrication is expected to begin in March.
- Construction of an ice bridge across the Tanana for access to the south side to complete tree clearing activity

Safety

0	**Incidents this Quarter**
92	**Days injury Free**
0	**Total incidents to date**

Alaska Work Force (this quarter)

121	**Total Manpower on Site**
102	**Alaskan Manpower on Site**

84% Alaskans employed on-site this Quarter

Alaskan Companies providing services:

Construction

• **Brice Construction:** Rip Rap	North Pole
• **MAAPA:** QC and Testing	Fairbanks
• **Design Alaska:** Survey	Fairbanks
• **Rolling Stone Construction:** Gravel	Salcha
• **R & L gravel trucking:** Trucking	Fairbanks
• **Powerline Inc.:** Electrical	Fairbanks
• **Power House Inc.:** Traffic control	Fairbanks
• **Colthrup Draglines Inc.:** Dragline	Fairbanks
• **Denali Fence Works:** Fencing	Fairbanks
• **Statewide Clearing Inc,** Clearing	Eagle River

Northern Rail Extension Phase 1

- **Bloom Enterprises:** Asphalt Paving — Fairbanks

Engineering

- **HDR Alaska:** , Contract Management/Engineering — Anchorage
- **Hanson Alaska:**, Bridge Engineering — Anchorage
- **Shannon and Wilson:**, Geotechnical Engineering — Fairbanks
- **PDC Inc.:** Survey — Fairbanks

Public Outreach

- Presentation to Fairbanks Chamber of Commerce Transportation Committee scheduled in February
- Next scheduled public meetings:
  - Jan 2012 ARRC Projects Open House in Fairbanks
  - March 2012 NRE Public Meeting in Salcha

Funding Details

	FRA FUNDS		STATE FUNDS		TOTAL
	Spent	Balance	Spent	Balance	FUNDING
Construction	$ 10,769,952	$ 75,486,156	$ 1,041,829	$ 66,955,359	$ 154,253,296
Eng., Design, Permitting	$ 13,546,135		$ 307,121	$ 3,646,744	$ 17,500,000
Right-of-Way	$ 635,384		$ 17,150		$ 652,534
Construction Admin.	$ 3,670,571	$ 91,802	$ 1,056,358	$ 6,445,885	$ 11,264,616
Contingency				$ 4,529,554	$ 4,529,554
Totals	**$ 28,622,042**	**$ 75,577,958**	**$ 2,422,458**	**$ 81,577,542**	**$ 188,200,000**

Schedule

Original Estimated Schedule completion Date: **August 2014**

Current Estimated Schedule completion Date **August 2014**

Northern Rail Extension Phase 1

Project Milestones

Major Project Milestones		
	Date	**Status**
Final Design and Permits	**July-11**	**Complete**
Construction Contract	**July-11**	**Complete**
Office Complex & Staging Area	**November-11**	**Complete**
Utility Relocation	**November-11**	**Complete**
North Bank Levee	August-12	
South Bank Spur Dikes	September-13	
Bridge Sub-Structure	March-14	
Bridge Super-Structure	March-14	

ARRC Project Staff

On-Site Project Manager

Mark Peterburs – Project Director
Salcha Project Office
748-1767 or 378-1762 (interior number)
peterbursm@akrr.com

Anchorage Staff

Tom Brooks – ARRC Chief Engineer
327 West Ship Creek Avenue
Anchorage Ak, 99501
907-265-2595
brookst@akrr.com

Clark Hopp – Director Special Projects
327 West Ship Creek Avenue
Anchorage Ak, 99501
907-265-2372
hoppc@akrr.com

www.northernrailextension.com

2/13 - 2/14/12 JOINT OIL TAX POLICY HEARINGS

<TARGET><BILL></BILL><SUBJECT>2-13 - 2-14-12 JOINT OIL TAX POLICY HEARINGS</SUBJECT><COMM>SFIN27</COMM></TARGET>

SESSION 1

Policy Options for Alaska Oil and Gas

Pedro van Meurs

Monday – Tuesday, February 13-14, 2012

Presentation
Alaska Senate Finance Committee

Van Meurs Corporation
Nassau, Bahamas
Tel: (242) 324-4438
e-mail: info@vanmeurs.org

Introductory Comment

The objective of Governor Parnell is to achieve a TAPS throughput of 1 million barrels per day.

Can this objective be achieved from State of Alaska resources by 2025? Yes

How?

It will require major policy and fiscal changes as will be discussed during the seminar.

These changes need to induce an increase in investment of about $ 7.5 billion per year over current levels.

Introductory Comment

Such major policy and fiscal changes could also induce significant exports of LNG prior to 2025.

Four Sessions

The seminar will develop in four sessions:

1. **New policy framework required**
2. **International competitive environment**
3. **Proposed terms for existing and new light oil**
4. **Proposed terms for heavy oil, shale oil and natural gas**

Session 1

New policy framework required

World Rating of Oil and Gas Terms

Much of the material to be presented during the seminar is derived from a large international study being done by Van Meurs Corporation entitled:

World Rating of Oil and Gas Terms

In this study oil and gas fiscal systems of more than 140 countries and jurisdictions, such as Alaska, are being compared and analyzed in order to determine their favorability for investors.

Information about the study is available on:

www.petrocash.com

World Rating of Oil and Gas Terms

The 2011-2012 ratings of fiscal terms will cover 6 volumes.

Four volumes have been completed:

- **North American wells and shale plays**
- **Deep water**
- **Arctic**
- **Shallow water**

Two volumes still to be completed:

- **Onshore fields and shale plays**
- **Summary**

Alaska fiscal terms

During the seminar specific new fiscal terms will be proposed for Alaska oil and gas.

The purpose of these terms is to demonstrate how a new fiscal system can be created and to indicate the order of magnitude of the amounts and rates that would need to be adopted.

Concept of Government Take

During the seminar the concept of "government take" will be used frequently. Following is an example of the calculation of the government take for a 10% royalty.

Gross Revenues	**$ 100 per barrel**
Costs	**$ 20 per barrel**
Divisible Income	**$ 80 per barrel**
Royalty 10%	**$ 10 per barrel**

Government Take: ($ 10 / $ 80) x 100% = 12.5%

The Government Take in this seminar is presented on an undiscounted and real basis using an escalation and inflation rate of 2% and is based on price and cost data as contained in Volume 3 of World Rating of Oil and Gas Terms.

Policy Change required

Alaska will not be able to reverse the decline in oil production from State of Alaska leases unless Alaska encourages major investment in:

- **Heavy oil,**
- **Potentially Shale Oil, if technically and economically viable, and**
- **Maybe some GTL production**

Policy Change required

If Alaska wants to attract investment in a major way for the important new resources (heavy oil, gas and potentially shale oil), significant political change is required in Alaska.

These changes are:

1. **Alaska has to define competitive fiscal terms for the entire range of oil and gas resources, so investors know what the terms are.**
2. **Alaska has to offer fiscal stability on these terms for large new projects, so investors know that Alaska will honor these terms for a significant duration.**

Policy Change required

Alaska is only jurisdiction in the world without defined fiscal terms for major oil and gas resources within its jurisdiction.

Alaska has no fiscal terms designed for heavy oil.

Alaska has no fiscal terms designed for shale oil.

Alaska has no implementable fiscal terms for natural gas.

This is a major obstacle for new investment.

Alaska political climate

It will be very difficult to introduce such changes in the current somewhat unfavorable political climate in Alaska.

The unfavorable political climate in Alaska is "structural"; in other words it is unlikely to change.

It is created by two factors:

- **The small size of the Alaska population creates a particular way of developing fiscal policy, and**
- **An dependency relationship of Alaska on three major oil companies for most of their government budget, which creates resentment among some Alaskans. "Standing up for Alaska" is politically popular.**

Political climate:

Small size of population

Jurisdictions with small populations (<2 million) develop oil and gas fiscal systems differently than jurisdictions with large populations (> 2 million) .

Small jurisdictions are often "project driven". They tend to wait for someone to propose a project before deciding on detailed terms. Often terms are complex because many local interests need to be dealt with and terms are tailored for specific conditions.

Examples with population in millions: Alaska (0.7), Newfoundland & Labrador (0.5), Trinidad and Tobago (1.3), Equatorial Guinea (0.7) and Qatar (1.7).

Political climate:

Large populations

Jurisdictions with large populations of have generic petroleum codes and tax laws which deal with all petroleum resources. Terms are identical for all investors. Terms may be adjusted for each bid round. Often petroleum fiscal terms are relatively simple.

Examples with population in millions: United States (Federal onshore and OCS) (312.1), Norway (5.0), Alberta (3.7), the United Kingdom (62.3) and Australia (22.8).

Competitive Framework for Alaska: 1997

Petroleum economic environment:

- **Oil price low**
- **European and Asian gas prices low**
- **LNG trade limited**
- **Focus on conventional oil and gas**
- **Conventional oil production in US declining**

Competitors of Alaska:

- **Latin American, African and Asian developing countries**
- **Main LNG competitor: Qatar**

Method of determining fiscal terms by competitors:

- **Negotiations of production sharing contracts resulting typically in tough terms**

Competitive Framework for Alaska: 2012

Petroleum economic environment:

- **High oil prices**
- **High European and Asian gas prices**
- **Booming LNG trade**
- **Focus on unconventional oil and gas**
- **Oil production in US and Canada increasing**

Competitors of Alaska:

- **Lower 48 USA, Canada, Russia and Brazil**
- **Main LNG competitor: Australia**

Method of determining fiscal terms by competitors:

- **Fixed and usually attractive fiscal terms.**

Alaska Political climate:

Negative experience

The fact that fiscal terms in Alaska are being defined once a project is identified has already resulted twice in the loss of a major gas export project:

- **Under Governor Knowles in 1996 there were realistic opportunities for LNG exports to Asia. Yet, the process of having first to develop the "Stranded Gas Development Act" in order to enter in negotiations resulted in a situation where Asian buyers went elsewhere.**
- **Under Governor Murkowski in 2003 there was a significant opportunity to built a gas line to Alberta. Yet, strong opposition within government and from Alaskans delayed negotiations and resulted in a disapproval of the project.**

These experiences create a negative environment for the proposal of new projects by major companies in Alaska.

Policy change required

If Alaska wants to attract major new investment in the new competitive environment of 2012 and achieve a million bopd target and LNG exports, it has to establish competitive and fixed terms for all its resources:

- **Existing light oil**
- **New light oil**
- **Heavy oil**
- **Ultra heavy oil**
- **Shale oil**
- **New natural gas**
- **Associated natural gas**

What Alaska needs is a "we are open for business" brochure that sets out all terms for investing in oil and gas in Alaska.

Implementation of new terms.

With respect to light oil for existing and new production it seems that no particular implementation measures need to be taken. It is likely that investors will respond positively to the new terms and make the necessary investments, unless the project involves major new investments, such as the development of Point Thomson.

With respect to heavy oil, shale oil, natural gas and GTL it is unlikely that investors will commit to large multi-billion dollar programs unless there is a degree of fiscal stability in a contractual framework.

Contractual relationship.

If investors feel that fiscal stability is required for their investments, the Government of Alaska should be authorized to sign contracts, without further legislative approval. In other words the process would be similar to the approval of an oil sands plant in Alberta.

The fiscal stability period could range from 10 – 25 years from the start of the contract, depending on the nature of the investment.

In exchange for being offered fiscal stability, the investor would have to commit to a substantive work program.

It is understood that the matter of whether or not Alaska can offer fiscal stability, is an issue to be decided by the Alaska Supreme Court.

Difficulties in achieving Alaska production increases

Increasing Alaska oil production and initiation of gas exports will face other major difficulties.

The main difficulty is that the three major oil companies are in a "harvesting mode", which means their main objective is drawing cash out of Alaska to invest elsewhere. The reasons for this are:

- **No large and attractive projects available in Alaska under current fiscal terms for major oil companies**
- **Attractive opportunities outside Alaska.**

No attractive projects in Alaska
for major oil companies

Current fiscal terms are designed for *low cost light oil*.

There is possibly about one billion barrels of new *high cost light oil* production available through:

- **Discoveries as a result of new exploration**
- **Small discovered fields, which have not yet been brought on stream**
- **Infill drilling of existing fields.**

Major oil companies are already infill drilling, other projects do not compare well in attractiveness with international opportunities.

As a result, the main focus of major oil companies is to draw cash out of Alaska for investment elsewhere.

SESSION 2

Session 2

International competitive framework

Attractive terms outside Alaska
for major oil companies

In the following slides the international competitive position for Alaska will be evaluated for the following resources:

- **Existing light oil production**
- **New light oil production**
- **Heavy oil**
- **Shale oil, and**
- **Natural Gas**

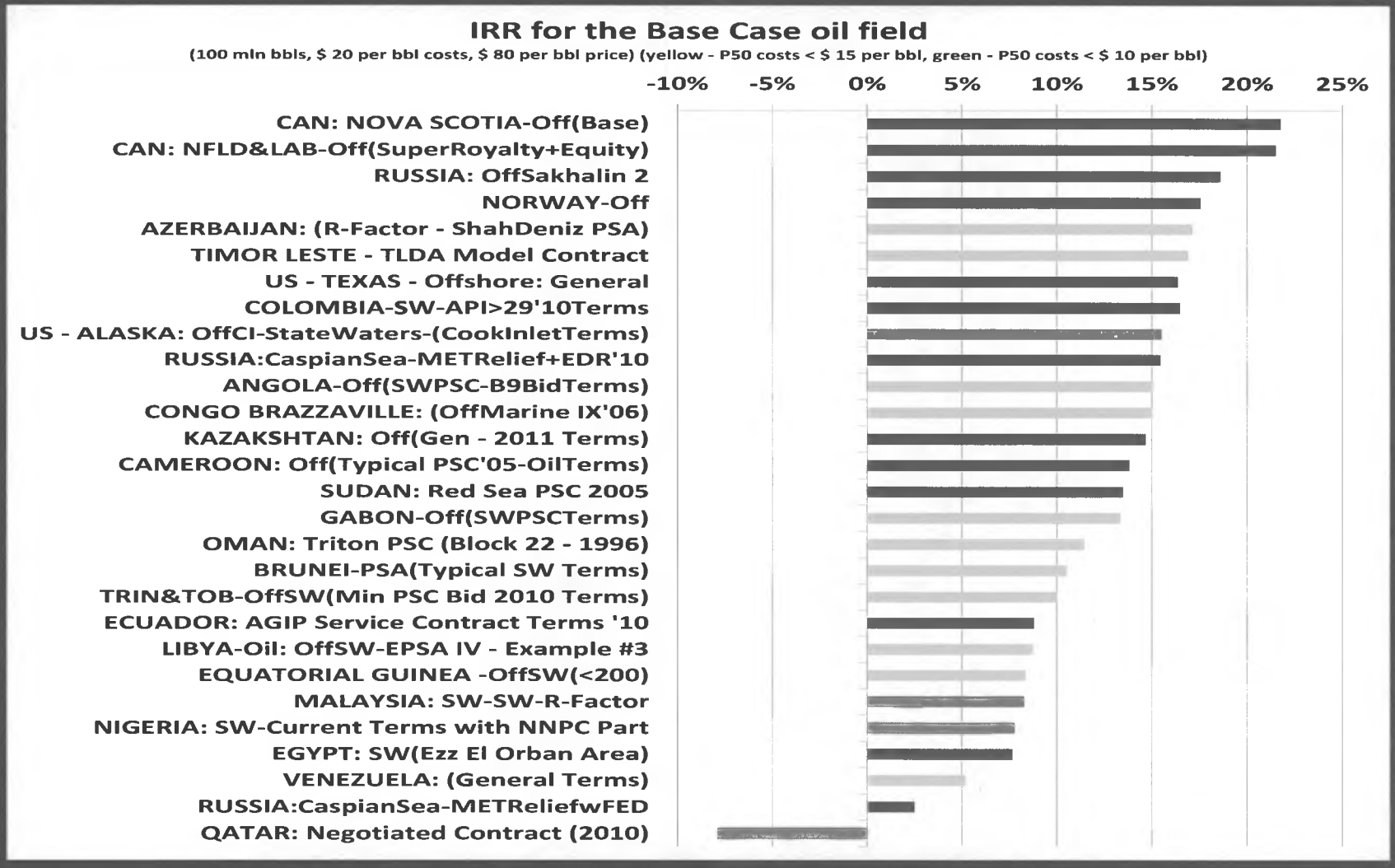
International competition:
Existing oil production

The Shallow Water results of World Rating of Oil and Gas Terms permit a comparison with the largest "peer group". The largest peer group for Alaska are the exporting jurisdictions. The following charts provide the results for a selection of 28 exporters of oil.

The Arctic Report permits a comparison with other Arctic jurisdictions.

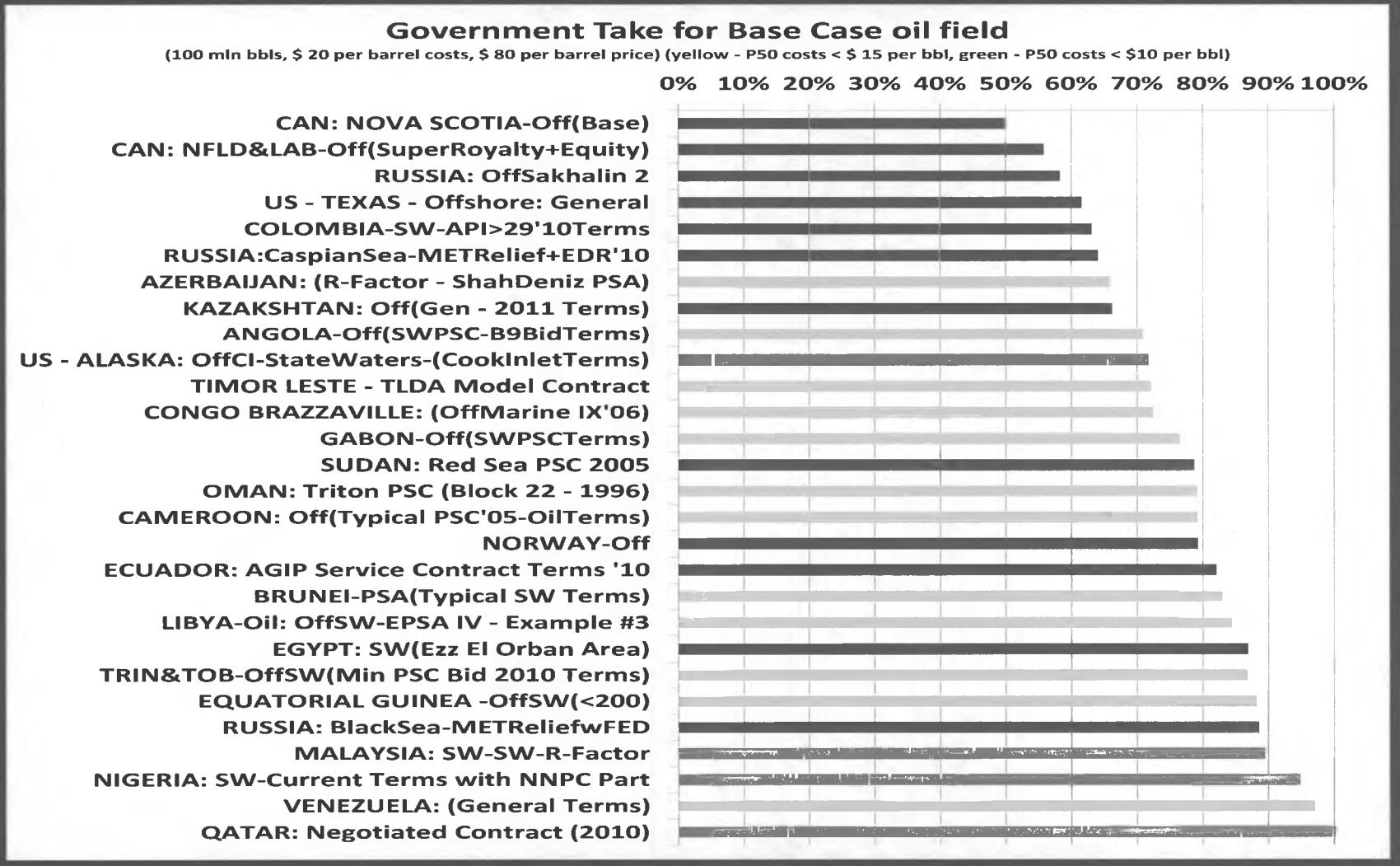
Following is an overview of the results.

Shallow water exporters (Oil)



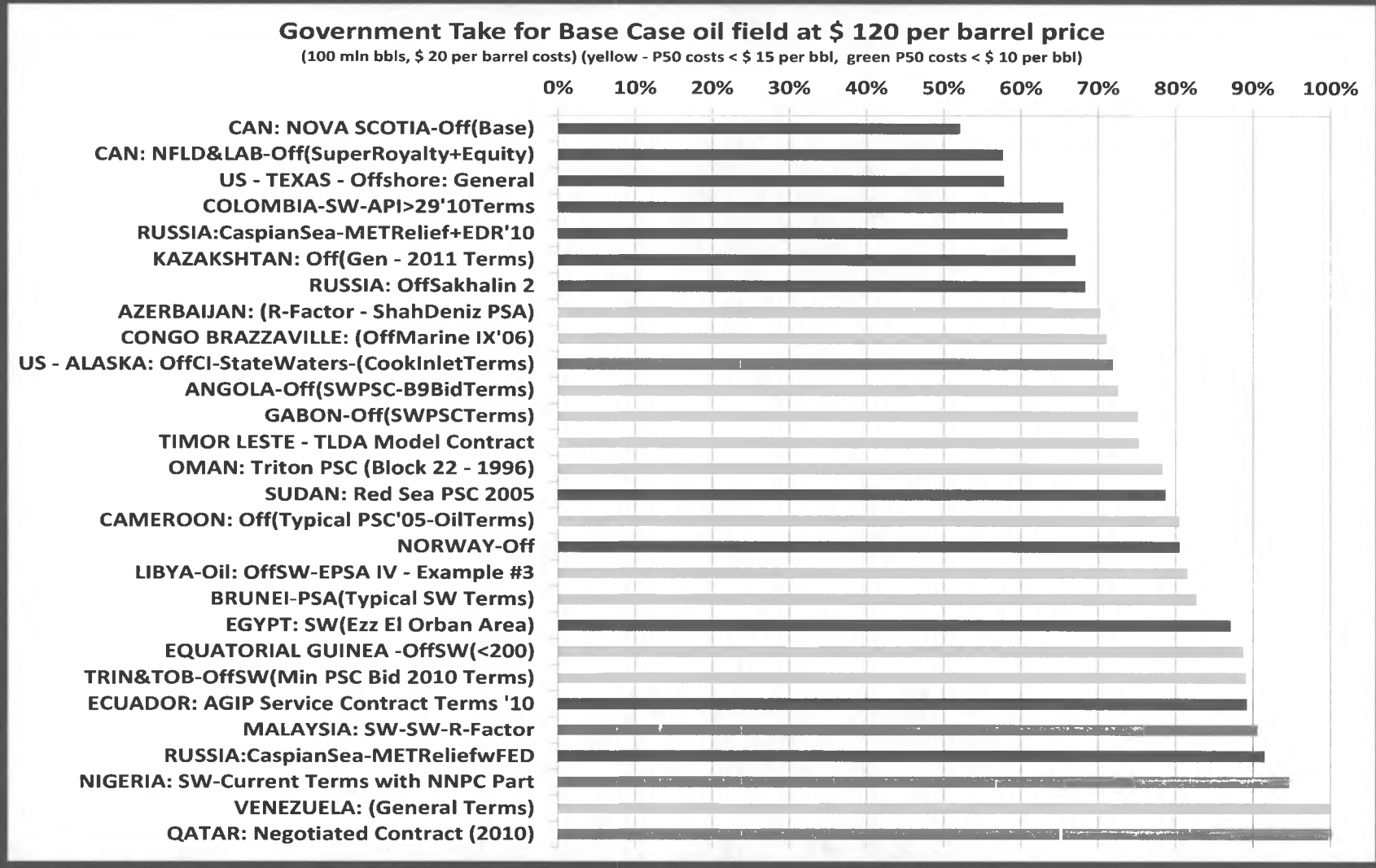
IRR: Alaska terms rate # 9 out of 28 exporters.

Shallow water exporters (Oil) - $ 80



Undiscounted Government Take: Alaska terms rate # 10 out of 28 exporters.

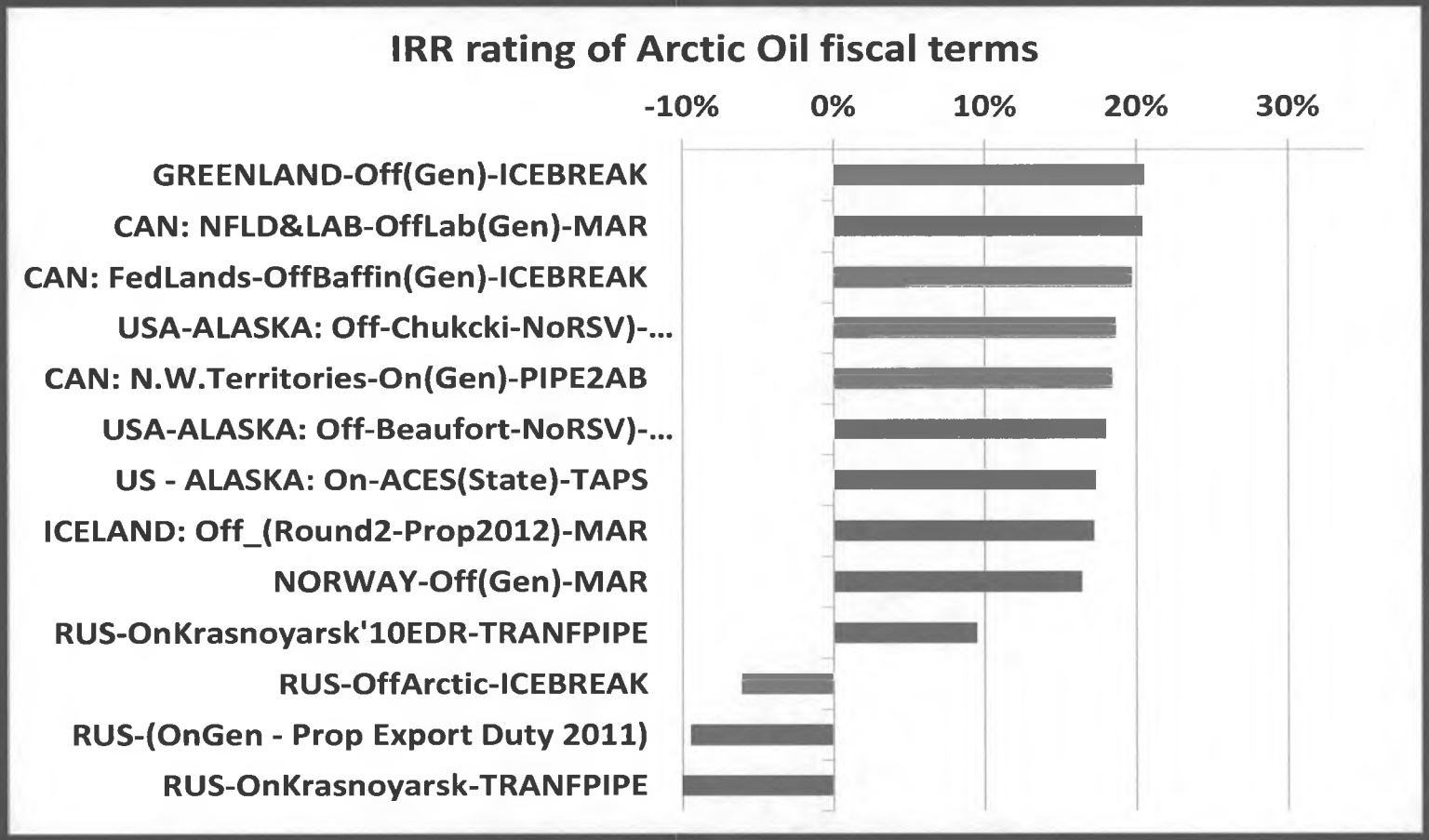
Shallow water exporters (Oil) - $ 120



Undiscounted Government Take at $ 120 per barrel: Alaska terms also rate # 10 out of 28 exporters.

Arctic (Oil)

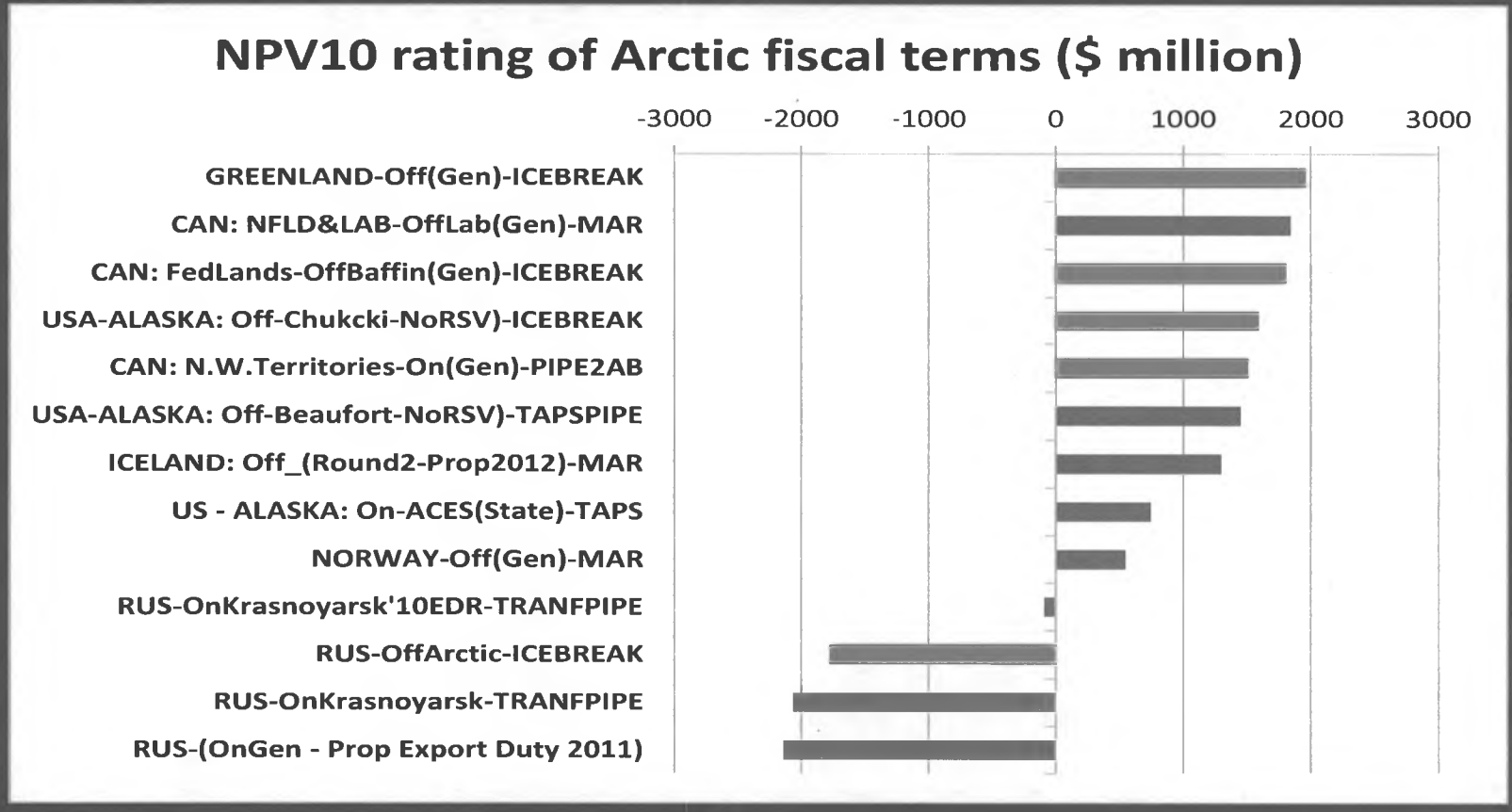
(red – no transport system available)



Alaska ACES IRR compares favorably with other Arctic jurisdictions. Russia still very tough under high cost and slow development conditions. Russian terms are rather attractive under lower cost conditions.

Arctic (Oil)

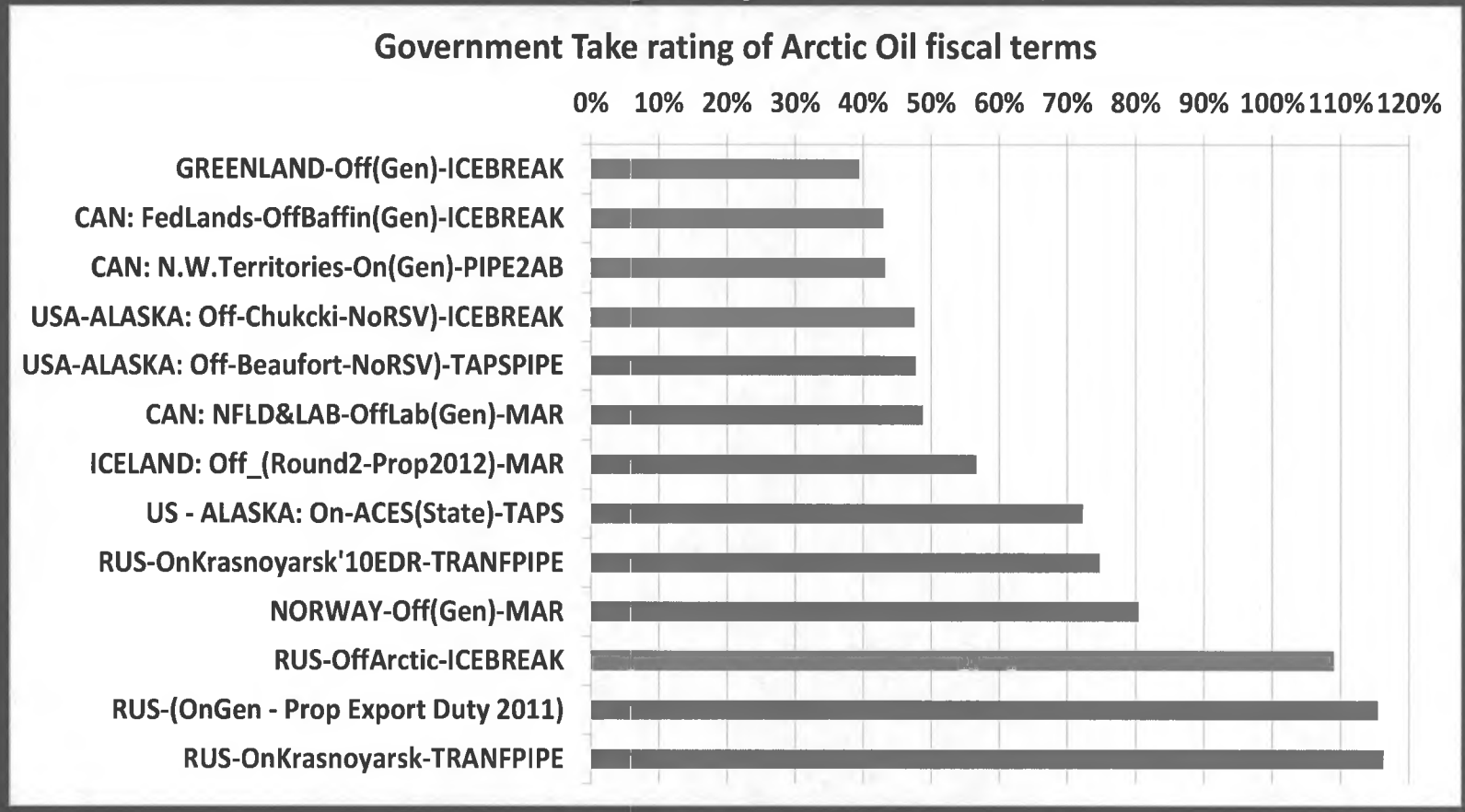
(red – no transport system available)



Alaska ACES NPV10 seems OK compared to other jurisdictions, but is somewhat meager. Note how Federal Beaufort and Chukchi acreage is attractive. Russia still very tough.

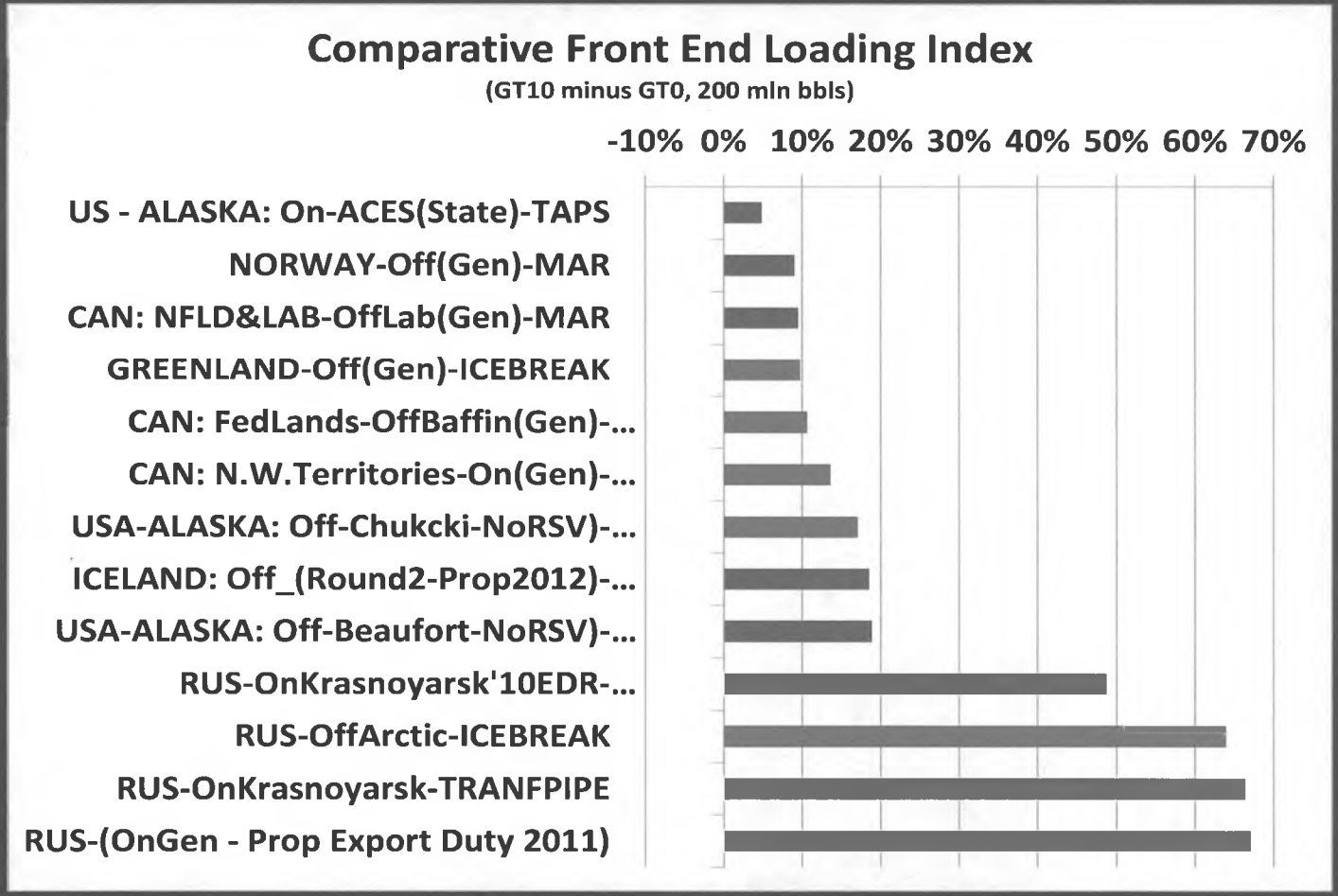
Arctic (Oil)

(red – no transport system available)



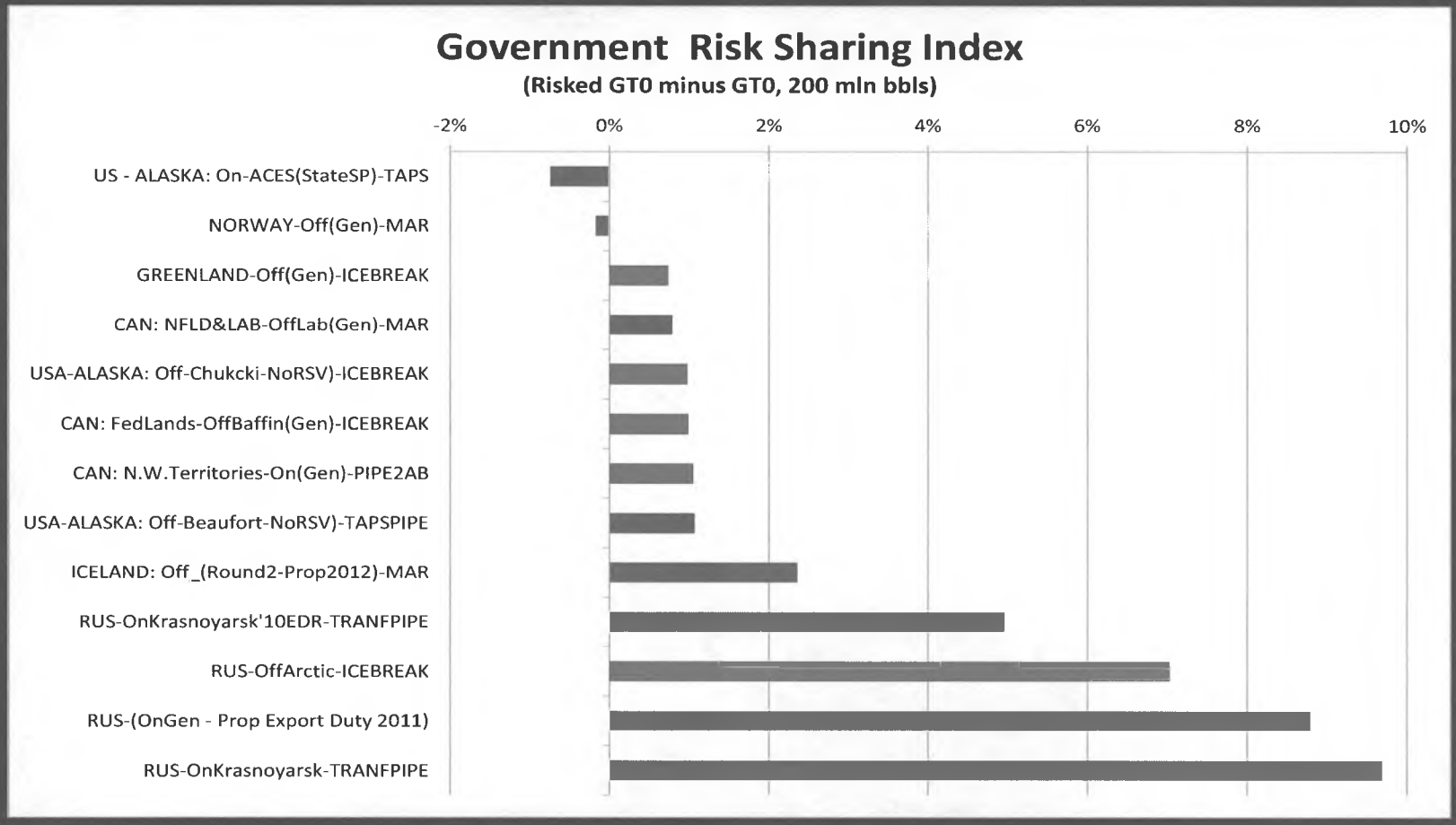
Alaska ACES government take is attractive from a government point of view and approximately at the right level for existing operations for investors. Interestingly new Russian terms compare with Alaska and Norway government take.

Arctic (Oil)



Alaska ACES government take is relatively well balanced compared to other Arctic jurisdictions in terms of the time distribution of the government take.

Arctic (Oil)



Under Alaska ACES the Alaska government is one of the few governments which shares disproportionately in the geological risk, indicating very strong support for exploration. In fact, with South Africa, Alaska rates the highest in the world in this respect.

International competition
Existing Production

The government take of about 70%-75% for Alaska is reasonable compared to the other exporters for existing operations. It is maybe slightly on the high side.

Alaska also offers a favorable time distribution of the government take and very favorable sharing of geological risk.

International competition
Existing Production

Both House Bill proposals lower the government take below 65% for existing as well as for new operations.

Although some improvements could be made in the existing terms, the results of the reports indicate that a significant lowering of government take (below the 70 – 75% range) for existing operations is not necessary.

SB 192 retains significant revenues on existing production in the 74 – 76% government take range.

International competition
New Production

The Alaska light oil production is rapidly declining at about 5% per year.

As stated earlier, there may be about one billion barrels of possible new production under more favorable fiscal terms. The production costs of this new oil is likely high on a per barrel basis.

The World Rating for Oil and Gas Terms provides information as to a reasonable government take for new production from the Deep Water report and the North American report.

Deep Water results

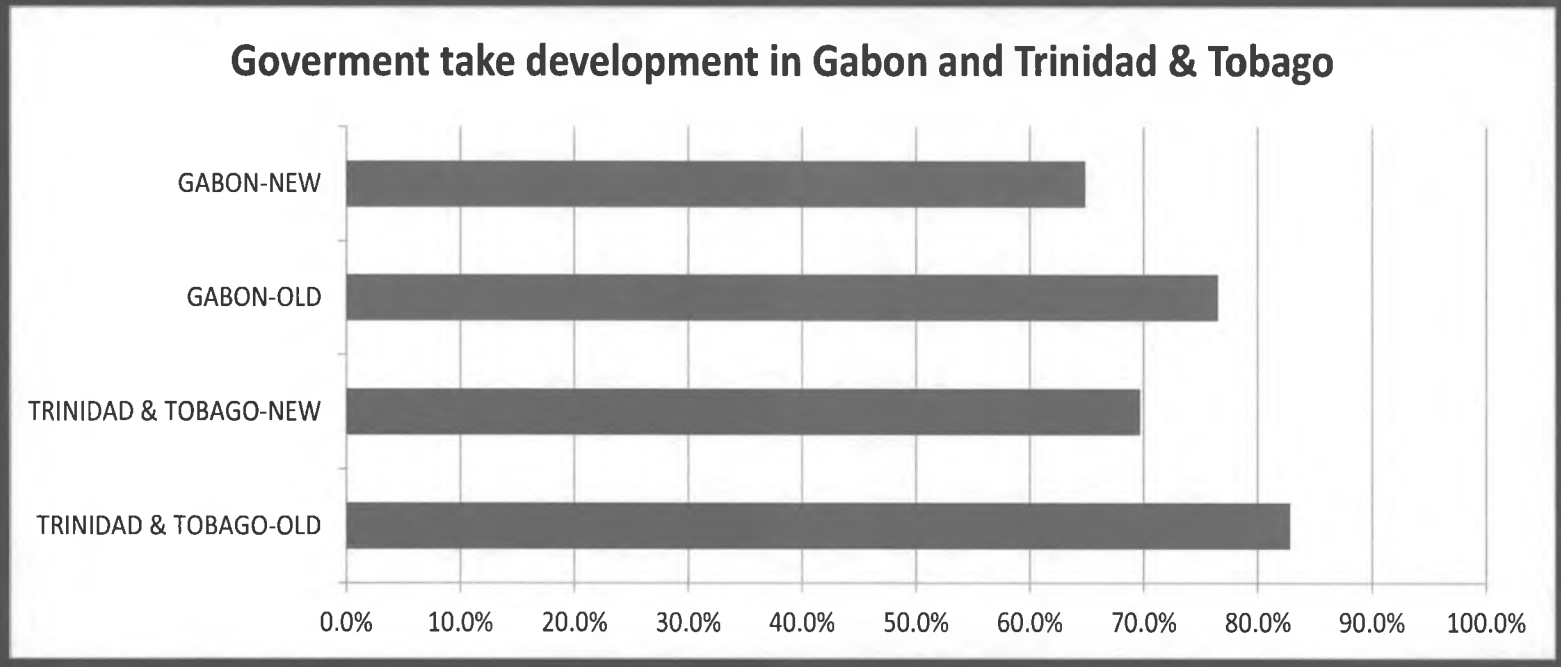
An important "peer group" for Alaska would be exporting jurisdictions with a declining conventional oil production.

There are not many jurisdictions in this group, but examples are Alberta, Gabon, Trinidad & Tobago, Malaysia.

Both Gabon and Trinidad applied about a 12 percent drop in order to attract new investment in an effort to offset declining production.

Both in Gabon and Trinidad this only applies to new blocks. Terms and conditions on old blocs remain unchanged.

Deep Water results



Gabon and Trinidad and Tobago are exporters with a declining oil production and have recently reduced their terms by about 12 percentage points.

North American Wells

Fiscal terms

Another way of competing with a fiscal system is to design the system for a wide range of economic conditions.

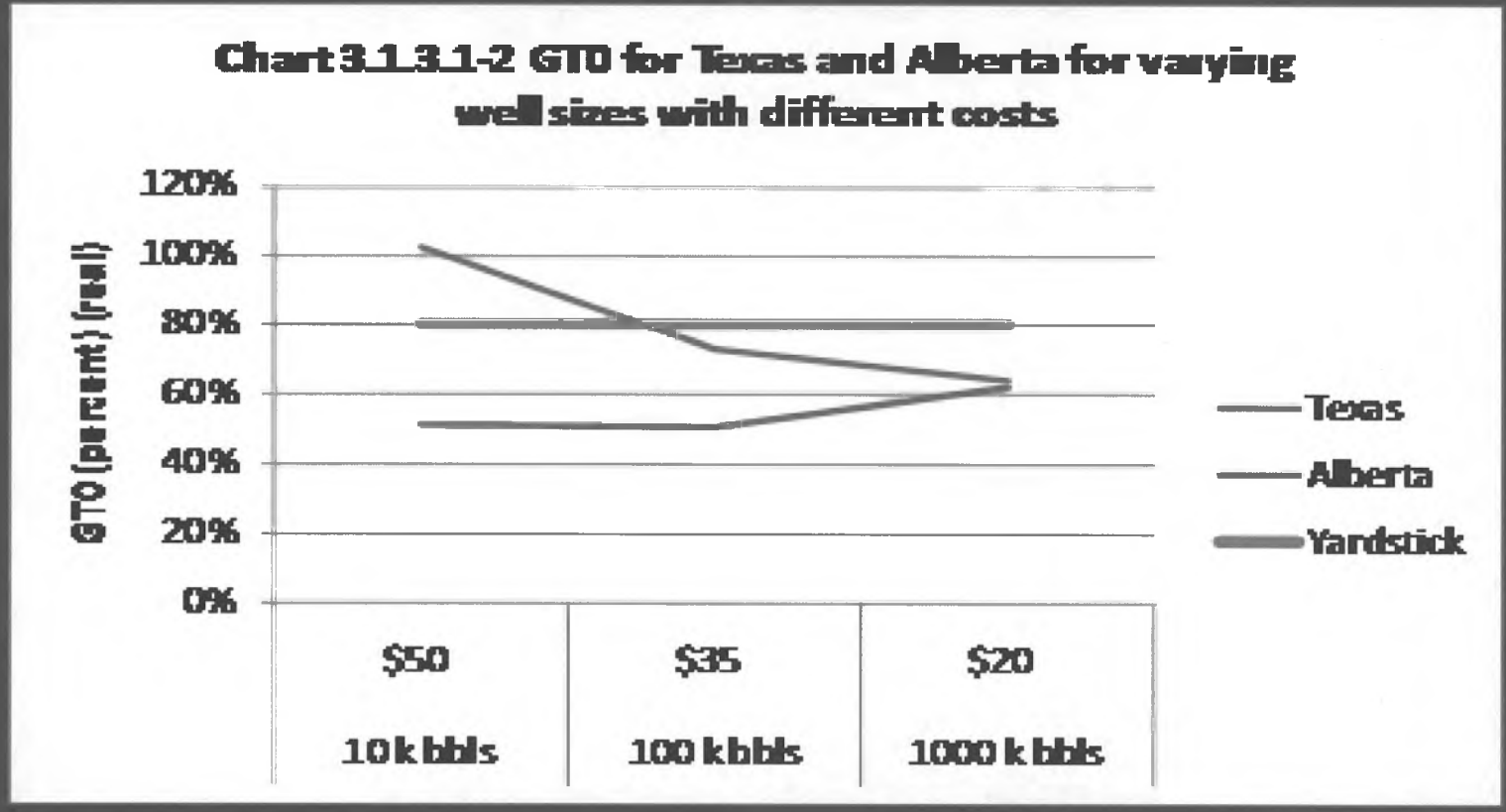
In Canada the fiscal systems consist of:

- **Royalties, based usually on formulas**
- **Federal and provincial corporate income tax**

In the United States the fiscal systems consist of:

- **Royalties, usually a fixed percentage**
- **Federal and often state corporate income tax**
- **Severance (production) taxes**
- **Property taxes**

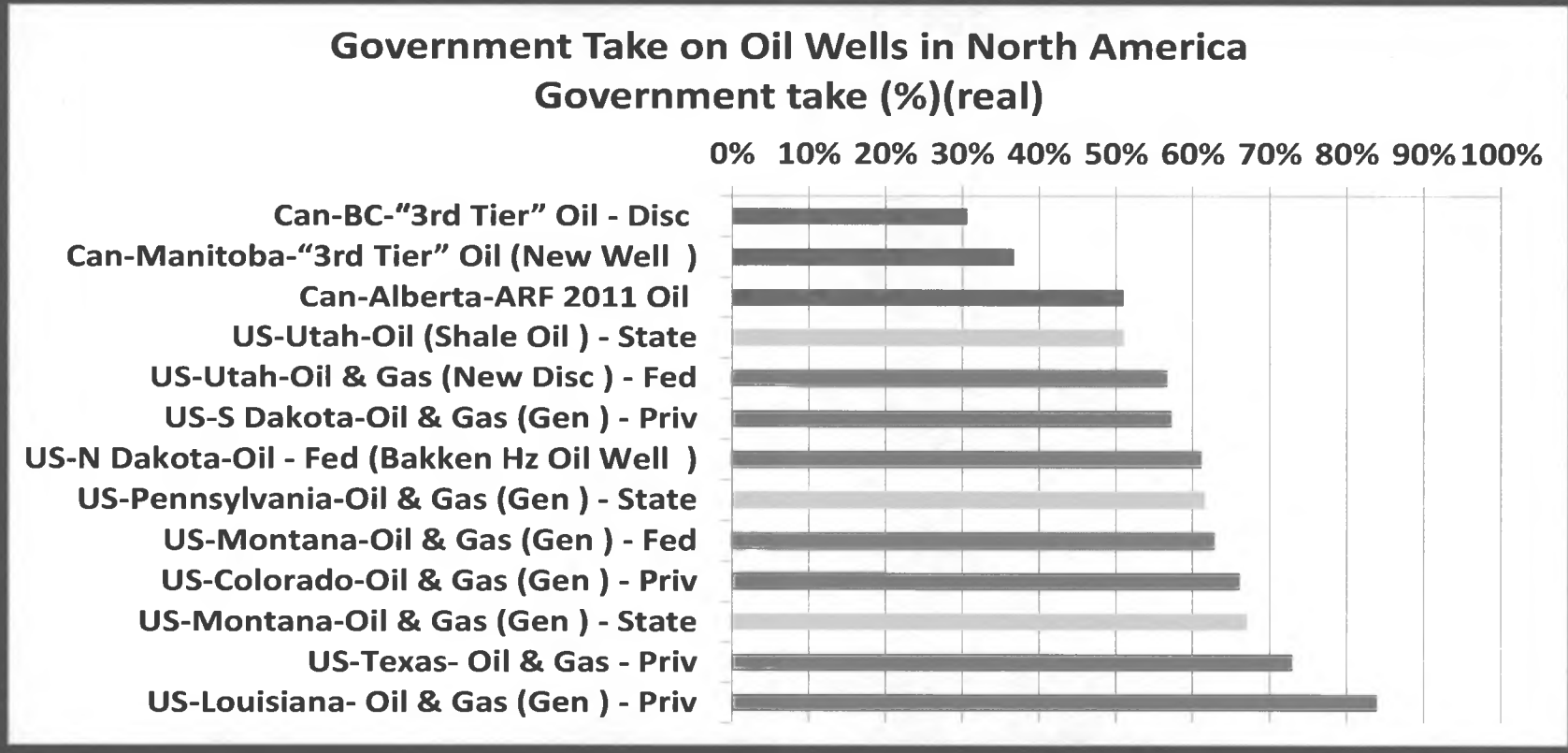
North American Wells (Oil)



In Canada the government take usually goes up and in the United States the government take goes down with higher level of production per well or with higher prices (or both).

North America Wells (Oil)

Typical Well: 100,000 barrels, $ 35 costs, $ 80 price



The government take on oil wells varies between 30% and 83% in North America and depends very much on the resource owner: Canadian provinces (blue), US Federal lands (green), US State lands (yellow) and US private lands (red)

North American Wells

Fiscal terms

Since 1997 Canada has lowered government take considerably, while the government take in the United States stayed the same.

The combined federal- provincial tax rate in Canada declined from about 45% to 25%.

Due to declining conventional oil production, the major Canadian oil producing provinces promote strongly new activity with more attractive royalties formulas which compete over a wider cost range.

International competition
New Production

International examples indicate that dropping the government take by about 10% for new production is reasonable once the jurisdiction faces a declining production.

The experience of Alberta, which faces a declining conventional oil production, indicates that designing lower fiscal terms in the 50 to 65% range of government take for higher cost resources is a viable strategy to increase investment.

International competition
New Production

The 60 – 65% government take for more costly "new" light oil resources as proposed in HB 110 and HB 17 is a reasonable level from an international perspective.

SB 192 terms are to tough to encourage costly new production.

International competition
Heavy Oil

Heavy Oil can be separated in two groups:

- **Heavy Oil: 15 – 22 degrees API. This oil can typically be produced with conventional production methods, since oil flows to the wells. The oil can also be transported by pipeline and in marine tankers**
- **Ultra Heavy Oil or Bitumen: 8 – 15 degrees API. This oil which needs to be produced with special production methods. The oil cannot be transported by pipeline or marine tanker. It needs to be mixed with condensate or it needs to be converted in an upgrader to synthetic crude oil.**

Heavy Oil

Alaska has significant heavy oil potential, probably in excess of 5 billion barrels. Alaska heavy oils range from 10 to 22 degrees API.

The most important deposits are:

- **Heavy Oil - 15 – 22 degrees API – West Sak, Schrader Bluff, Orion, Polaris, Nikaitchuq.**
- **Ultra Heavy Oil – 10 – 15 degrees API – Ugnu**

Separate fiscal terms are required for these two groups.

Alberta Oil Sands

The most important competitor for heavy oils in North America is Alberta with the oil sand deposits which may well contain in excess of 500 billion barrels of recoverable oil.

For Alberta oil sands, at 10 degrees API, government takes are in the range of 43% - 55% depending on the oil price.

In order to compete the government take for ultra heavy oil in Alaska may has to be similar to Alberta.

For heavy oil the terms could be between ultra heavy oil and new light oil production.

International competition
Heavy Oil

In order to be competitive Alaska would have to offer the following government takes for heavy oil:

- **Heavy oil: 55 – 60%**
- **Ultra heavy Oil: 45 – 55%**

International Competition
Shale Oil

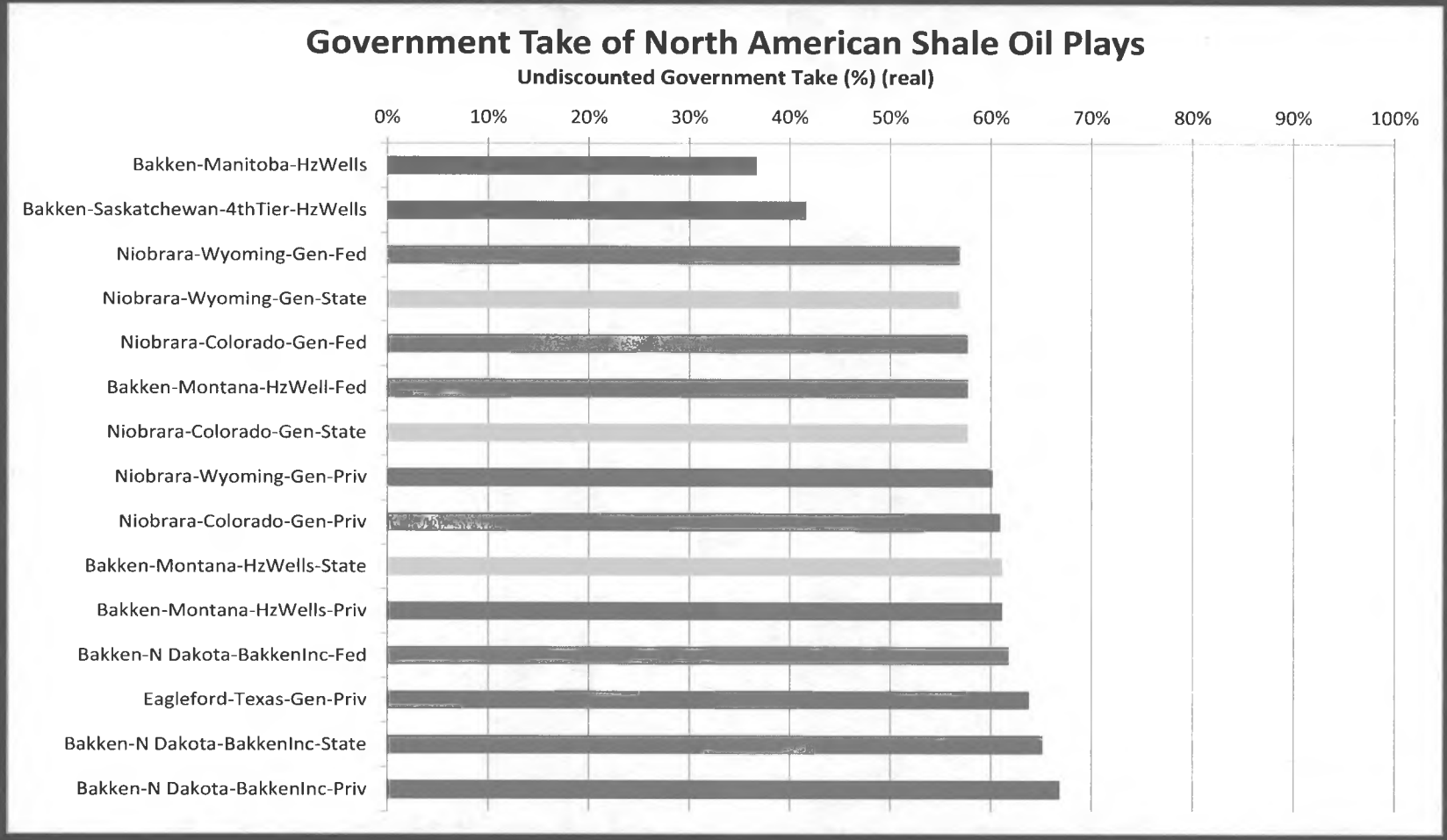
At this time it is not known whether shale oil production will be possible in Alaska. Pilot projects will be required to identify whether reservoir characteristics are of a nature that would permit fracking and would result in a sufficient flow of oil to make shale oil economic.

If shale oil would be economic, the resources may be quite considerable, for instance, in excess of several billion barrels. It is therefore very important for Alaska to identify whether shale oil is economic or not.

New shale oil developments will likely require major new infrastructure. The Federal permitting of this infrastructure and related environmental concerns could be a major stumbling block.

North American Wells (Shale Oil)

Government Take



Shale Oil plays in the United States are typically subject to a government take of about 60% and in Canada 40%.

International competition
Shale Oil

Alaska may have significant shale oil potential.

However, given the fact that the formations are relatively deep, operating conditions are severe and infrastructure is lacking, the costs per barrel would very likely be higher than in Canada and the Lower 48 States.

It is unlikely that large capital investments can be attracted unless the government take is in the 45 – 55% range.

International competition
Natural Gas

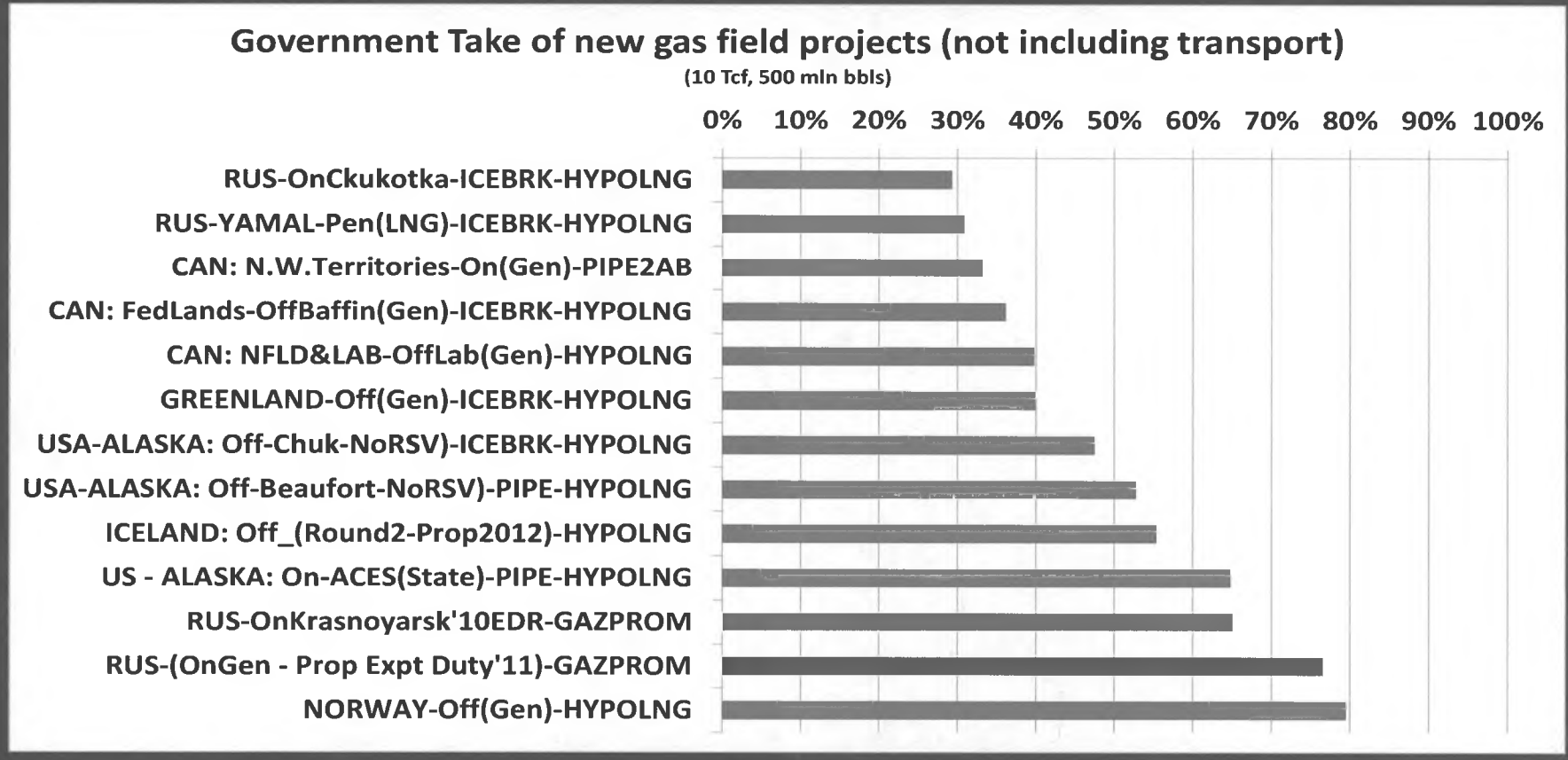
The Pacific market is very competitive

Current major *new* LNG suppliers in the Pacific LNG market are Australia and Papua New Guinea. Government take is less than 50% for dry gas.

Offshore and onshore conventional gas production in China is also significant. Chinese owned companies often benefit from a system where China does not participate on a carried basis, resulting in a government take of 42% for dry gas.

In addition to the conventional gas resources, China has in situ 1300 Tcf of coal bed methane gas and 1100 Tcf of shale gas.

Arctic (Gas)



Alaska government take for gas aimed at Pacific LNG markets is about 25% to 30% too high compared to strong Russian competition.

International competition
Natural Gas

Given the strong challenges of Russia, Australia, PNG and Chinese producers themselves, Alaska would have to offer a government take in the range of 45-55% in order to be competitive for the production of gas from new gas fields such as Point Thomson.

For gas from Prudhoe Bay, whereby most of the production costs have already been absorbed by oil production, a government take in the range of 55 – 60% may be appropriate.

International competition
Summary

In order to be competitive, Alaska needs to develop a fiscal system that offers the following government takes for the various resources:

- **Existing light oil production: 70 – 75%**
- **New light oil production: 60 – 65%**
- **Heavy Oil: 55 – 60%**
- **Ultra Heavy Oil: 45 – 55%**
- **Shale Oil: 45 – 55%**
- **Natural Gas – new gas fields: 45 – 55%**
- **Natural Gas – Prudhoe Bay: 55 – 60%**

SESSION 3

Session 3

Proposed terms for existing and new light oil

Overall framework for a new PPT

A new PPT should preferably structured in such a manner that it deals with the following important issues:

1. **The current ACES system has serious deficiencies. A new PPT should remove these problems.**
2. **A new "architecture" for the PPT needs to be created to permit a greater variety of terms for the different oil and gas resources.**
3. **The system should be made simpler.**

Complexity

An important other issue is complexity.

The production tax is far too complex - The current complexity of the production tax is a strong disincentive for investment.

It can be strongly recommended to review the tax to see what changes can be made to reduce complexity.

Deficiencies in the current ACES system

The current ACES system has five main deficiencies:

1. **PPT tax rates up to 75% in addition to 41% corporate income tax are too high to stimulate efficiency in operations.**
2. **The price based sliding scales and result in a situation where under high prices the producer is actually better off with a lower price.**
3. **The excessive tax credits result in a situation where Alaska may pay all of the costs of a well.**
4. **The BOE concept results in a situation where new gas production could lead to massive losses of oil based revenues.**
5. **Under marginal circumstances the ACES system actually creates a negative PPT, in other words the government will loose PPT on certain fields.**

Deficiencies

Excessive Tax rates

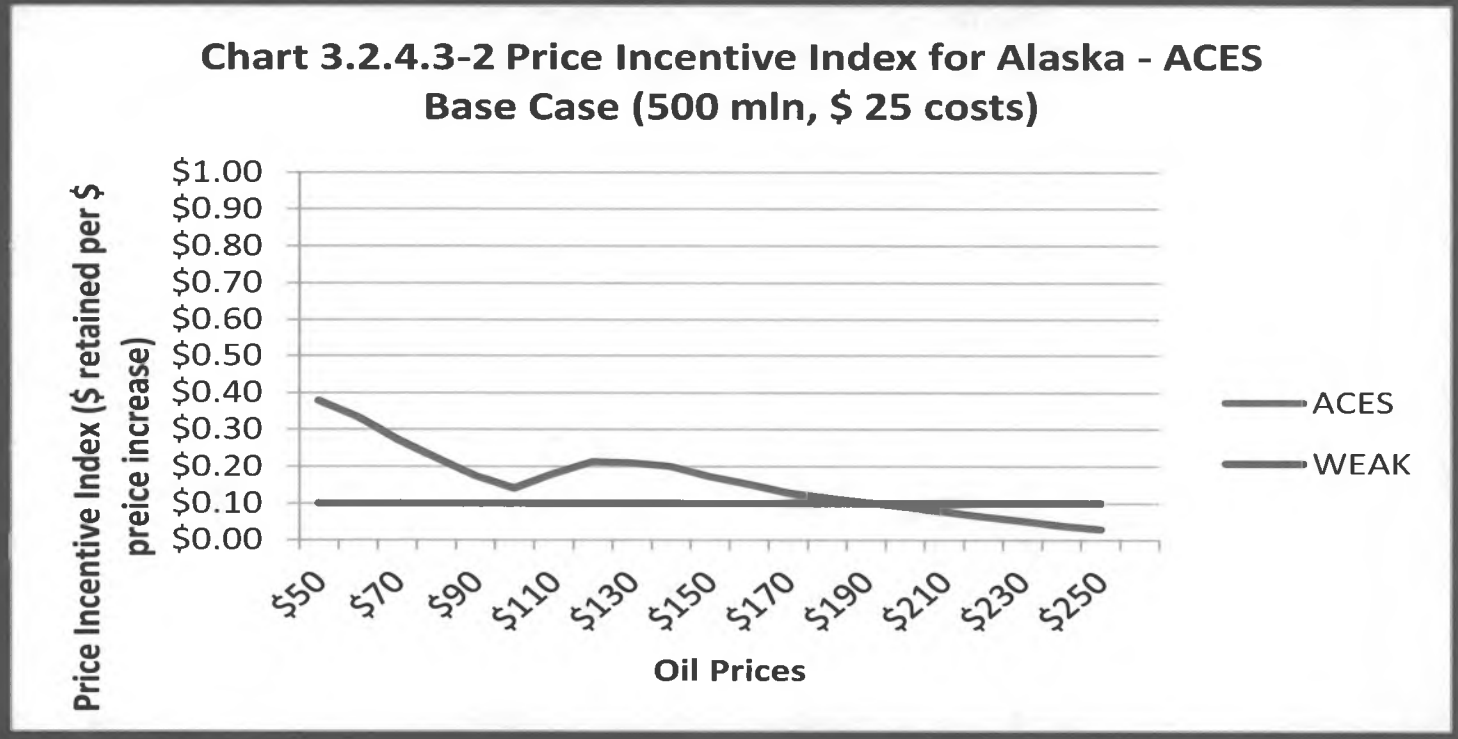
The combination of the maximum ACES rate of 75% and the normal corporate income tax rate (state and federal) of 41% creates a combined tax rate of 85.25% under high prices.

Such an excessive tax rate reduces significantly the incentive for companies to be efficient because they can only keep $ 0.1475 of every dollar saved. This means the cost savings index is only 14.75%.

This is well below the cost savings index of most countries. Usually, it is recommended to have a cost savings index well over 20%.

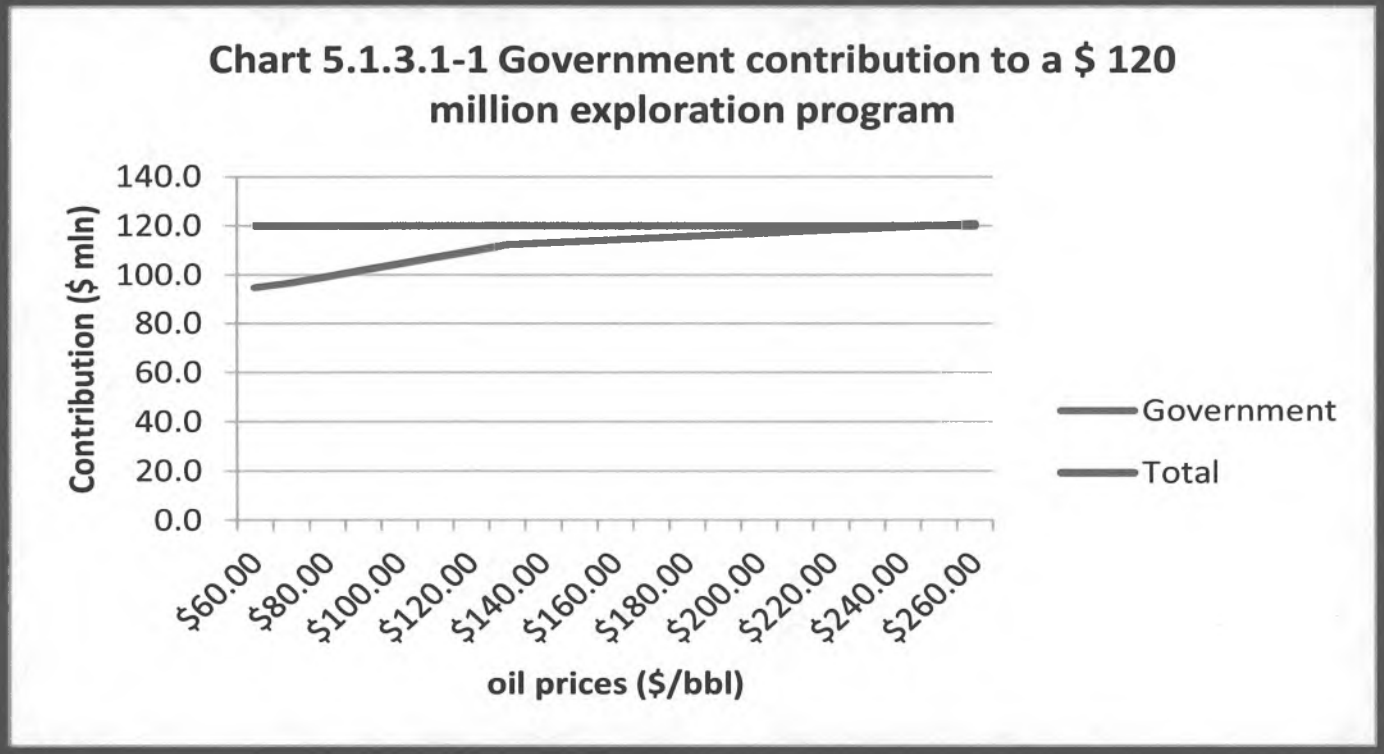
It should be noted that the combined tax rate of 85.25% is in addition to the regular royalties.

Deficiencies
Excessive price progressivity



For ACES, at high prices, the combined tax rate becomes so high that there is the price incentive performance becomes very weak by international standards. This leads to lack of interest in achieving the highest prices on an arms length basis and strong incentives to try to "transfer price".

Deficiencies
Excessive exploration support



Existing producers under ACES are entitled to the 40% tax credit as well as all normal deductions of the exploration expenditures. This means that at $ 111 per barrel, the Alaska contributes 90% of the exploration costs. At $ 245 per barrel Alaska contributes 100%.

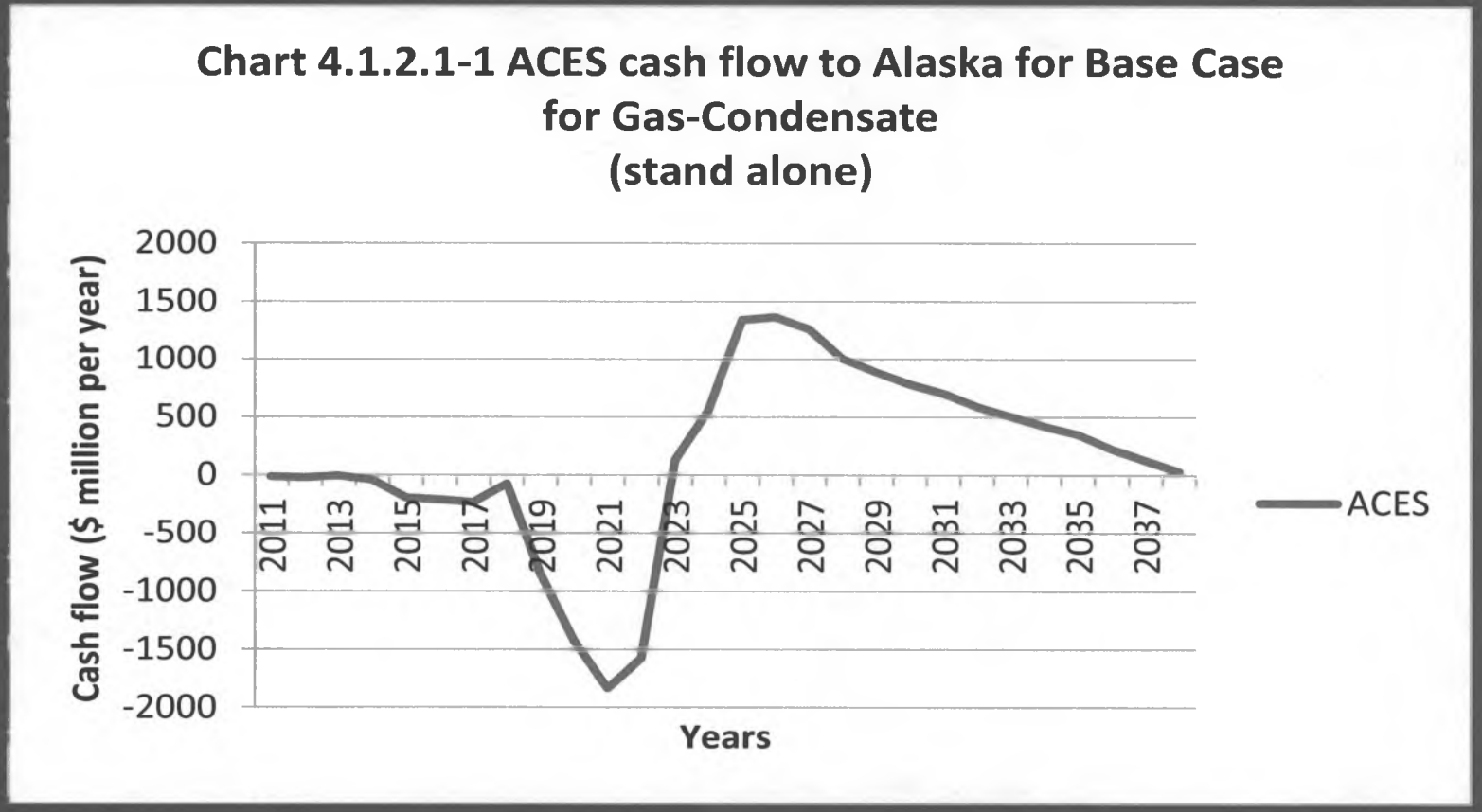
Deficiencies

Nonsensical cross subsidization of gas

Table 5.1.3.1-1 Incremental Gas Economics for ACES in Alaska (Country Incremental, Real)	Oil only	Oil + Gas	Incremental
Oil production (mln bbls)	500	500	0
Gas production (Bcf)	0	10000	10000
Oil price ($/bbl) North Slope	100	100	100
Gas Price ($/MMBtu) North Slope		1.0	1.0
Gross Revenues ($ mln)	50000	60000	10000
Total Production (Mln BOE)	500	2167	1667
Capital Expenditures ($ mln)	7500	11000	3500
Operating Expenditures ($ mln)	5000	7500	2500
Divisible Income ($ mln)	37500	41500	4000
Royalties ($ mln)	6250	7500	1250
Property Tax, other	852	1504	652
Production Tax Value	30398	32496	2098
Production Tax Value per BOE	60.80	15.00	-46
PPT ($ mln)	15186	6900	-8286
Corp Income Tax (State) ($ mln)	1466	2474	1008
Total State Revenues ($ mln)	23754	18378	-5376
Corporate Income Tax (Fed) ($ mln)	4942	8340	3398
Total Government Revenues ($ mln)	28696	26719	-1977
Undiscounted Government Take	76.50%	64.40%	-49.3%
IRR	21.10%	19.30%	17.3%

The BOE concept would result in massive government revenue losses on oil production if incrementally also gas would be developed. This does not make any sense. It is clear that Alaska would not accept such unnecessary losses. This in turn impedes gas project development.

Deficiencies
Negative PPT



By definition, for a marginal project the total negative ACES cash flow to government as a result of tax credits and tax deductions becomes (almost) identical to the positive cash flow. In other words the net government receipts are low or even negative.

Deficiencies
Negative PPT

With the existence of a tax credit, there are always economic conditions under which the government may loose more in credits and deductions than it receives in income.

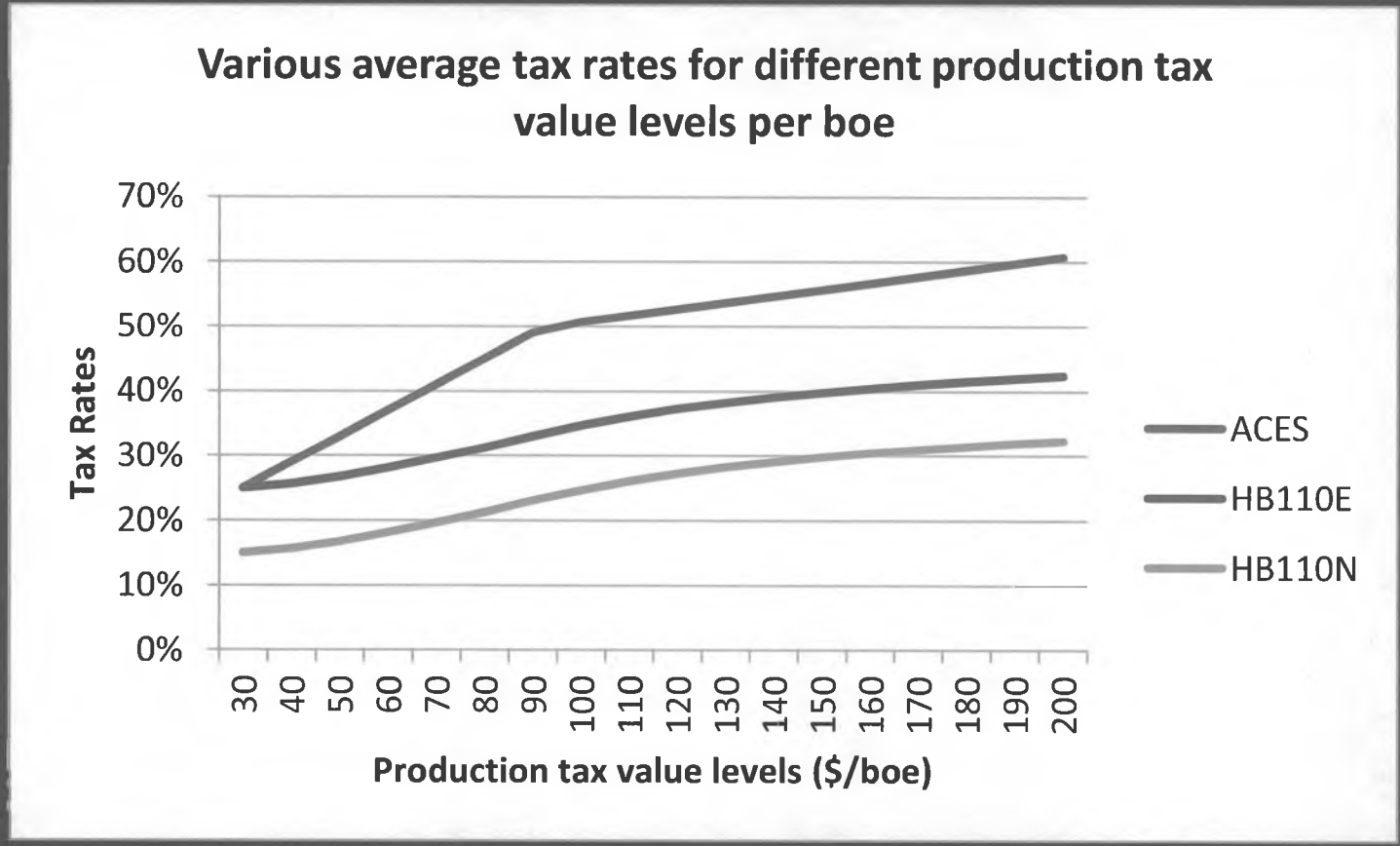
However, this effect should be minimized in the fiscal design. This is not done under ACES.

Proposals for light oil

Proposals for light oil production will be discussed first, based on this discussion the variation for other resources can be introduced

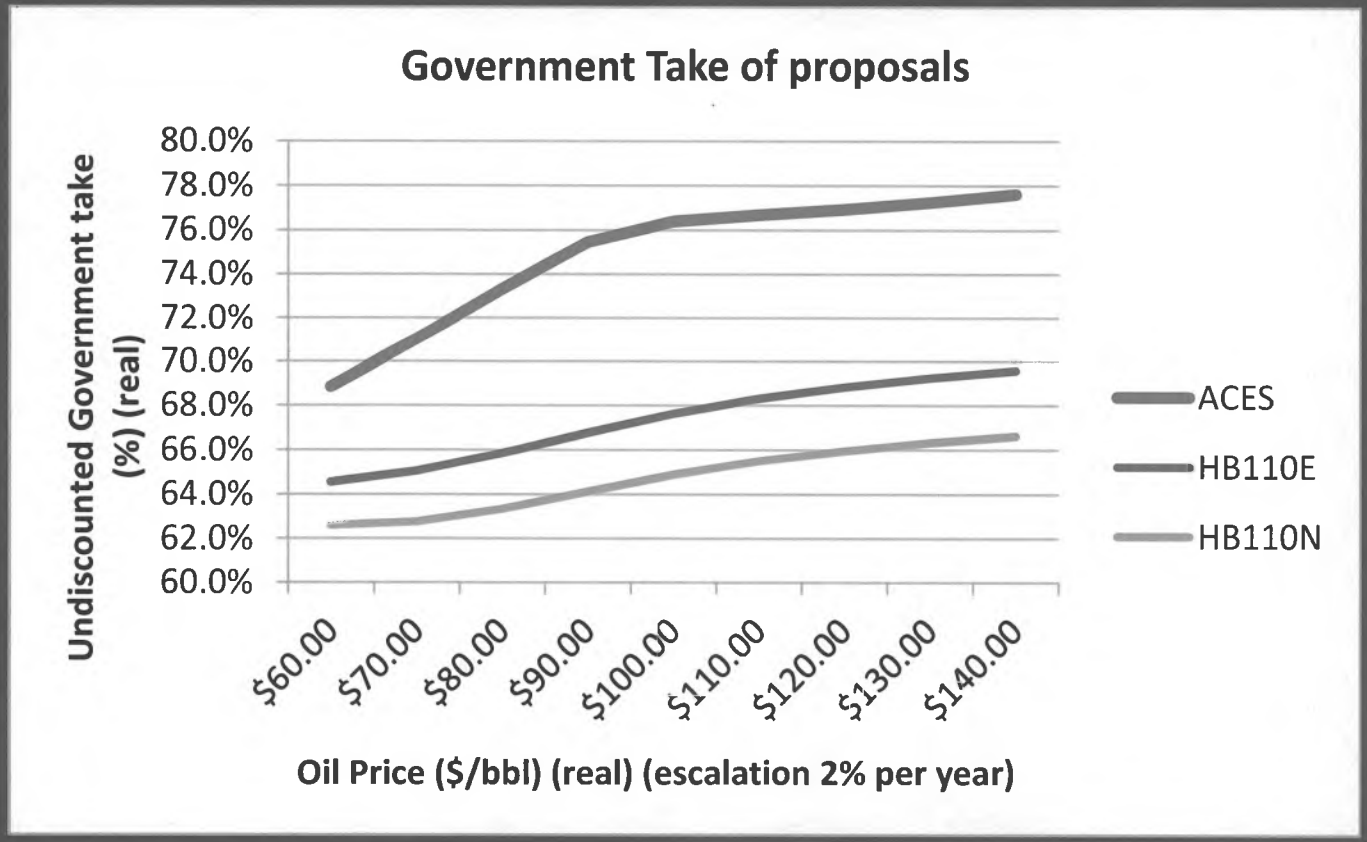
HB 110 has been introduced modify ACES.

Proposals for light oil: HB110Analysis: PPT rates



The bracketing procedure creates a significant lowering of the average PPT rates. The HB 110 N rates apply only for 7 years from the start of production for new production.

Proposals for light oil: HB110 Analysis: Government take



At $ 100 per barrel, the government take of ACES would be 76.4%, HB 110 (Existing) 67.6% and HB 110 (New) 64.9%

HB 110: Existing Production

The HB 110 proposal is relatively complex. It is based on so-called "bracketing". Following is the scale:

< $ 30.00	25.0%
< $ 42.50	27.5%
< $ 55.00	32.5%
< $ 67.50	37.5%
< $ 80.00	42.5%
< $ 92.50	47.5%
> $ 92.50	50%

Bracketing means that the final average rate is based on the weighted average of all the brackets. This means the rate will never be 50%.

HB 110: New production

For new production the rates will be lowered by 10% for the first 7 years of production.

This means that new production has to be "ring fenced". All production and all revenues and costs will have to be allocated to "existing" and to "new" production.

This is complex from an administrative point of view.

Deficiencies in HB 110

HB 110 deals with only two of the deficiencies of ACES:

1. **PPT tax rates up to 75% in addition to 41% corporate income tax are too high to stimulate efficiency in operations.**
2. **The price based sliding scales and result in a situation where under high prices the producer is actually better off with a lower price.**
3. **The excessive tax credits result in a situation where Alaska may pay all of the costs of a well.**
4. **The BOE concept results in a situation where new gas production could lead to massive losses of oil based revenues.**
5. **Under marginal circumstances the ACES system actually creates a negative PPT, in other words the government will loose PPT on certain fields.**

Deficiencies in HB 110

In addition HB 110 creates an entirely new problem.

Specifying different tax rates for Existing and New Production requires tax payers to submit different tax returns for these two classes of production. This is called ring fencing.

This in turn means that all revenues and costs need to be allocated to "existing" and "new". This is complex to administer and could lead to significant revenue losses for the State. HB 110 does not specify how this process would have to take place.

HB 110 is therefore not a viable alternative to ACES.

BOE complications

An important drawback of ACES is the BOE problem.

This means that in case major oil companies would propose a new Alaska LNG export project to the Pacific, the entire fiscal system has to be revised again. This is an unnecessary obstacle to the introduction of a new gas project.

It is therefore essential that in any revision of ACES this problem is also dealt with in advance. This would permit to add gas terms to the package later (or immediately) without having to change oil terms again.

PVM Proposal: Existing and New Production

The PVM Proposal is going further than merely creating new levels of government take for existing and new production. The proposal also:

- **Creates a new "architecture" to which terms for heavy oil , shale oil and natural gas can be easily added, and**
- **Resolves <u>all</u> the deficiencies associated with ACES.**

PVM Proposal for New Production

At $ 100 per barrel, the HB 110 for New Production is equal to a much simpler concept, which is:

- **25% flat PPT**
- **20% tax credit, plus a**
- **2.25% severance feature.**

The severance tax feature is no different from the way the severance tax used to be calculated in Alaska. The severance tax is a percentage of the value of the gross production less the royalty. For instance, with a royalty of 12.5% and an oil price of $ 100, a 2.25% severance feature would be equal to:

2.25% * 87.5% * $ 100 = $ 1.96875 per barrel

PVM Proposal for New Production

In order to make the severance feature match the government take of HB 110 for new production, the following price sensitive sliding scale is proposed:

- **The sliding scale starts at an oil price of $ 60 per barrel,**
- **Between an oil price of $ 60 and $ 180 per barrel, the severance feature would increase with 0.05% per dollar increase, reaching a value of 6% at $ 180 per barrel**
- **Thereafter, the sliding scale would increase 0.1% in order to reach a maximum of 15% at $ 270 per barrel.**

New "architecture"

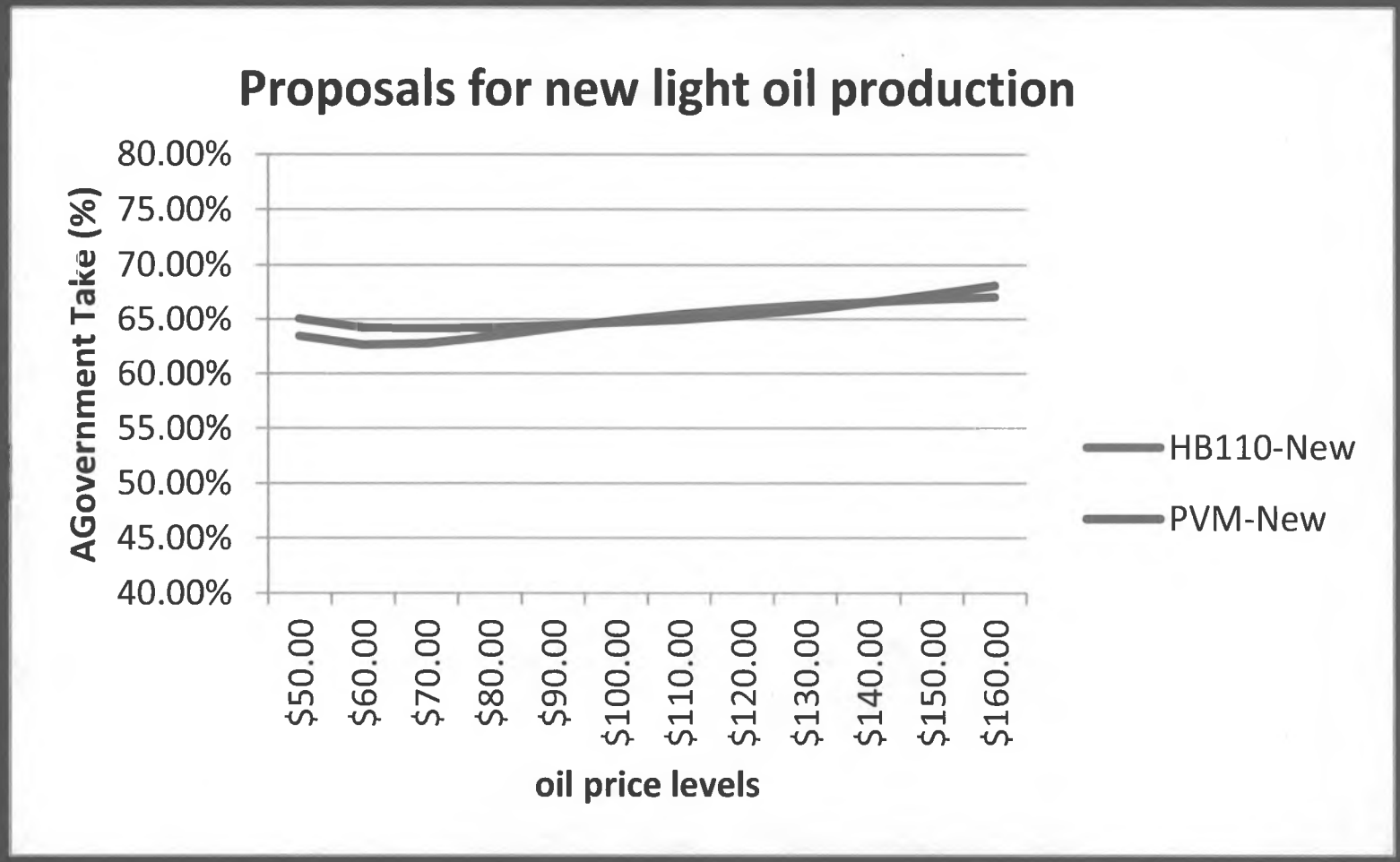
The PVM Proposal creates a new "architecture" which is not BOE based. The severance feature is simply gross revenue based for oil (after the royalty) and therefore it does not apply to gas.

As a result PPT revenues from oil remain the same if also gas is produced. This solves a major deficiency of ACES.

Also excessive exploration support is eliminated because:

- **It is proposed to limit tax credits to 20% and not increase tax credits to 40% for certain exploration expenditures, and**
- **By creating a maximum PPT tax rate of 25% and corporate income tax rate of 41.1%, for a total maximum of 55.75%.**

PVM Proposal for New Production



The PVM proposal results in almost exactly the same government take as HB 110 for new production for the entire price range from $ 60 to $ 160.

PVM Proposal for New Production

The main advantages of the PVM Proposal are:

- **Much easier to administer**
- **Can be consolidated with existing production, so no need for ring fencing**
- **An "architecture" which permits other resources to be added to the fiscal terms**
- **No excessive tax rates, in fact a combined rate of 55.75%.**
- **No excessive price progressivity**
- **No excessive exploration support**
- **No nonsensical cross subsidization of gas based on BOE values**
- **Reduced negative PPT characteristics**

Alternative Proposal for Existing Production

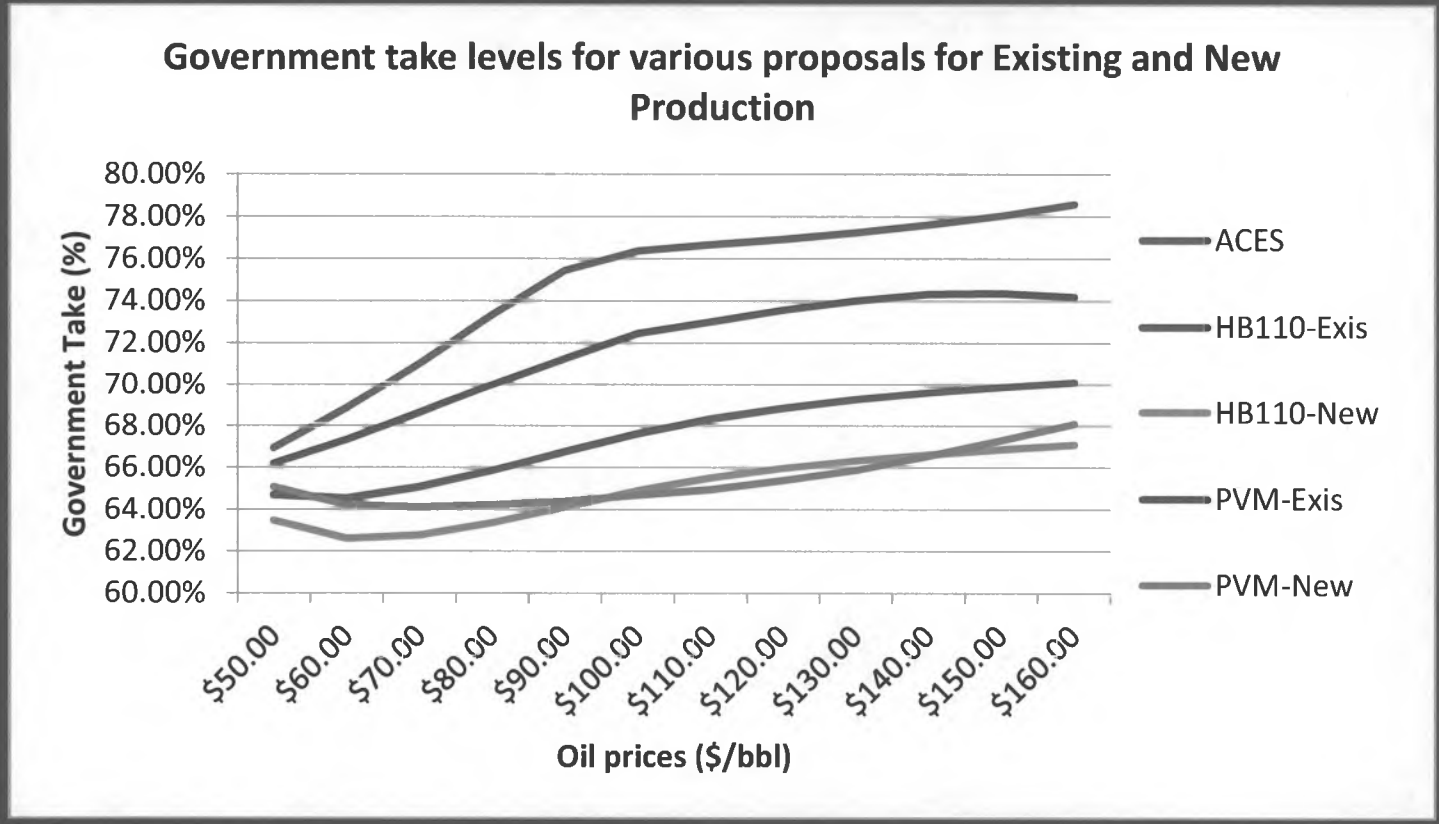
It is now easy to add a proposal for existing production.

Terms for existing production could be close to the current government take levels of ACES. It is not necessary to give up significant revenues.

Existing production terms could also be based on:

- **A flat 25% PPT**
- **20% tax credits**
- **A severance feature starting a $ 60 with 0.2% increases per dollar increase in price up to $ 130 per barrel and from there 0.1% up to a maximum of 20%.**

All Proposals for Existing and New Production



The PVM Proposal for existing production would be result in a much higher government take than HB 110 for existing production. The PVM proposal for new production is about equal to HB 110 for new production.

Old and New Production

HB 110 does not determine how to distinguish between new oil and existing oil. It is proposed to use the following methods:

Decline curve method.

With the decline curve method Alaska would establish the average production for each company in 2011. An exponential decline curve would be established per company. For instance one could use 6% per year for all companies for light production. Any production over the decline curve per company would qualify as "new".

The main advantage of the method is that is goes to the essence of the problem in Alaska. It also strongly stimulates investment by new companies. It is easy to administer. The main disadvantage is that existing companies may be rather differently affected. Therefore, this method needs to be complemented with other options.

Old and New Production

New non-producing lease method.

Another simple method is to consider "new" production, as production from leases which were not in production prior to December 31, 2011.

The main advantage of the method is that it is easy to administer and is a well established international practice. It would encourage new investment in new leases with fields which maybe more expensive.

New approved program method.

In principle it is possible for existing producers to make specific comprehensive proposals to the Alaska Government for new investments that will increase production from existing fields. This would relate to programs that would be in excess of ongoing investments.

Old and New Production

These programs could include:

- **The drilling of new more expensive deeper or shallower reservoirs,**
- **Enhanced recovery projects**
- **Horizontal well drilling projects in thin reservoirs,**
- **Extensive new infill drilling beyond current rates, or**
- **Any application of new technology.**

DNR would establish the base line production above which production would be considered "new" on a year by year basis, based on reservoir and other studies.

Old and New Production Summary

"New" light oil production (higher than 22 degrees API) would be:

- the higher off:
  - New production from programs specifically approved by the administration, and
  - New production above a pre-determined decline curve for light oil production of 6%.
- production from non-producing leases.

Based on these definitions it is easy to apply the differences in the severance features between existing and new production.

SESSION 4

Session 4

Proposed terms for heavy oil, shale oil and natural gas

Terms for Heavy Oil
General

Major heavy oil development may face significant challenges, since a mixture in the TAPS line of too much heavy oil may cause operational problems.

Major heavy oil development may have to be stimulated in conjunction with expansion of light oil projects, with possible condensate and liquid stripping projects from gas fields (such as Point Thomson) and/or a construction of GTL plant(s) (with subsequent cracking of waxy components).

Alternatively, one could build upgraders fueled by cheap natural gas on the North Slope in order to upgrade heavy crudes to lighter crudes. It is not known at this time whether construction of upgraders would be a viable possibility.

Terms for Heavy Oil
Proposed Terms

With the new "architecture" in place for light oil production it is now easy to add terms for heavy oil.

At this point in time only 40,000 bopd of heavy oil is being produced.

It is not recommended to divide heavy oil in "existing" and "new".

Firstly, because it would be difficult to determine a fair decline curve at this time.

Secondly, the volume is too small to make unnecessary complications in the fiscal terms.

Terms for Heavy Oil
Proposed Terms

For heavy oil the fiscal system could be based on the same PPT as follows:

- **PPT based on a flat rate of 25%**
- **20% tax credit**
- **A 15% allowance based on the gross value of the heavy oil as special deduction for the determination of the PPT**
- **A severance feature starting at $ 160 per barrel at 0.05% per barrel increase up to $ 200 and thereafter 0.1% per barrel increase up to a maximum of 10%**
- **A floor price for the purpose of calculating PPT of $ 55 per barrel escalated with inflation.**

Terms for Ultra Heavy Oil
Proposed Terms

For heavy oil the fiscal system could be based on the same PPT as follows:

- **PPT based on a flat rate of 25%**
- **20% tax credit**
- **A 25% allowance based on the gross value of the heavy oil as special deduction for the determination of the PPT**
- **A severance feature starting at $ 160 per barrel at 0.05% per barrel increase up to $ 200 and thereafter 0.1% per barrel increase up to a maximum of 10%**
- **A floor price for the purpose of calculating PPT of $ 55 per barrel escalated with inflation.**

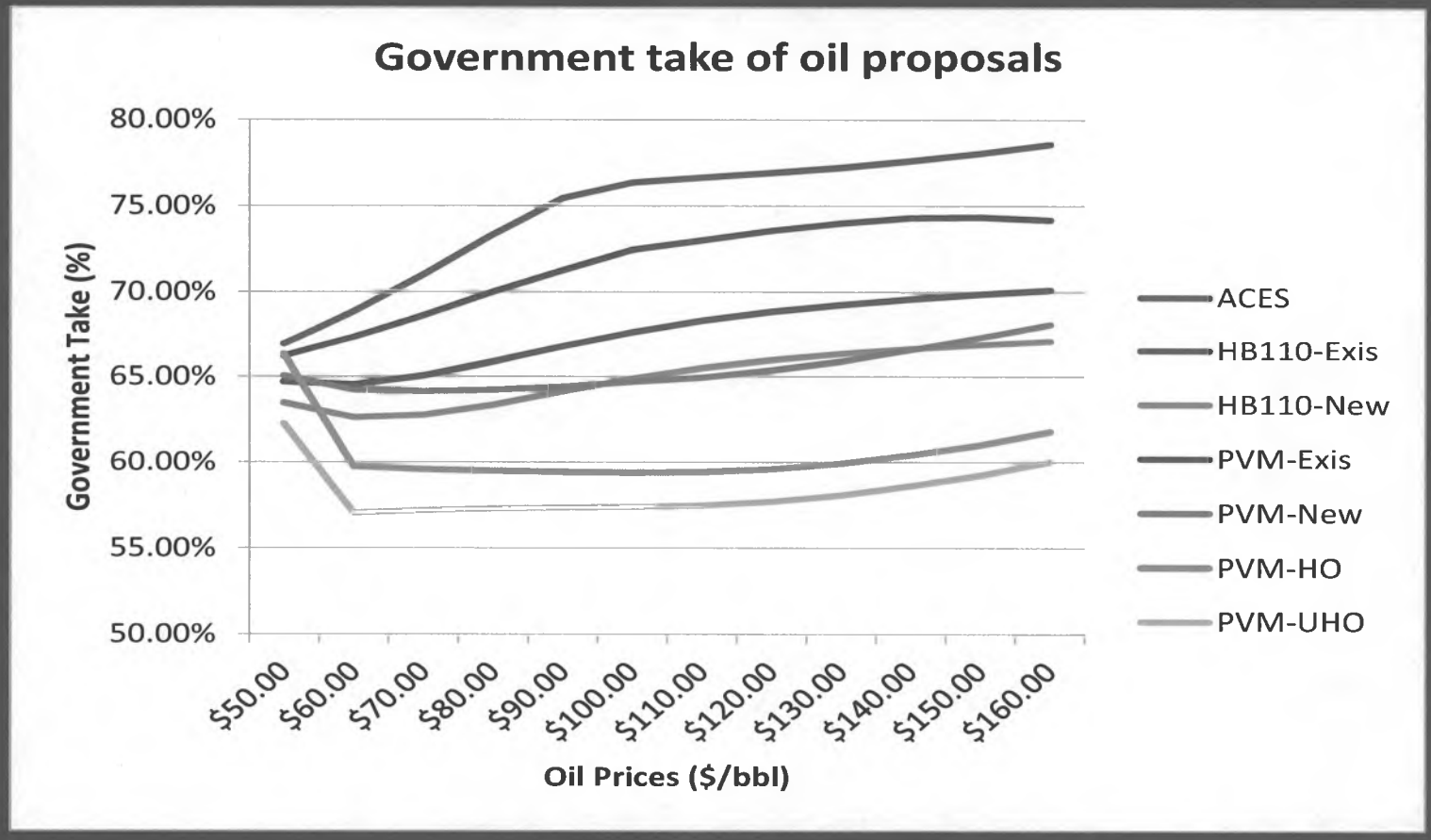
Terms for Ultra Heavy Oil
Proposed Terms

It is very important for Alaska to upgrade ultra heavy oil. This would create additional value added in the State and would make the operations of the oil line much easier.

It can therefore be suggested that producers are given the option to have a "feed price" into the upgrader for ultra-heavy oil which would be equal to 65% of the value of the synthetic oil that would be produced. The feed price would be the basis for royalties and PPT.

It would allow companies to only pay corporate income tax on the upgrader, since this is in fact a mid-stream type operation. This same concept is applied in Alberta for oil sands or refineries in Alaska.

Terms Overview



The PVM terms for existing light oil, new light oil, heavy oil and ultra heavy oil would be a simple overall scheme that would be easy to administer and implement and would not have the deficiencies of the current ACES system.

Terms for Shale Oil

The Shale Oil terms could be the same as the terms for ultra heavy oil.

However, there is a small probability that the shale oil operations may turn out to be rather profitable if fracking operations are very successful and primarily light oil is being produced.

So, it is possible to make the allowance of 20% more flexible and reduce the percentage in case shale oil production proves to be rather profitable.

This can be done with a so-called R-factor. The 20% could be reduced if the ratio between cumulative revenues and cumulative costs for a project become very profitable.

Terms for Natural Gas
New Gas Fields

Any condensates and other liquids from natural gas production could be dealt with as new light oil production.

For gas the fiscal package could be:

- **Flat 25% PPT**
- **20% tax credit**
- **25% allowance of the gross value of the gas revenues**
- **Severance feature starting at $ 8/MMBtu at 0.05% per $1 per MMBtu, and after $ 20/MMBtu at 0.1% (which means that on a Btu equivalent the severance feature is much stronger for gas than for oil)**
- **A floor net back gas price of $ 3.00 per MMBtu for PPT purposes and a floor price for liquids and condensates of $ 70 per barrel.**

Terms for Natural Gas
Gas from fields with existing oil production

Any condensates and other liquids from natural gas production could be dealt with as new light oil production.

For gas the fiscal package could be:

- **Flat 25% PPT**
- **20% tax credit**
- **15% allowance of the gross value of the gas revenues**
- **Severance feature starting at $ 8/MMBtu at 0.05% per $1 per MMBtu, and after $ 20/MMBtu at 0.1% (which means that on a Btu equivalent the severance feature is much stronger for gas than for oil)**
- **A floor net back gas price of $ 3.00 per MMBtu for PPT purposes and a floor price for liquids and condensates of $ 70 per barrel.**

Government Take issues

As a first step it can be recommended to bring the government take down to higher levels than indicated by international competition for:

- **Ultra heavy oil**
- **Shale oil**
- **Natural gas**

The reason is that international competitive levels cannot be reached unless Alaska would lower the royalties. It seems prudent to first "test the market" on the packages proposed in this seminar.

New fiscal terms

	Light-Exist	Light-New	HO	UHO	Shale Oil	Gas-Exist	Gas-New
PPT Rate	25%	25%	25%	25%	25%	25%	25%
Tax Credit Rate	20%	20%	20%	20%	20%	20%	20%
Sev Feature - Base Price	$60	$60	$160	$160	$160	$8	$8
Sev Feature - Initial Increment	0.20%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%
Sev Feature - Change Price	$130	$180	$200	$200	$200	$20	$20
Sev Feature - Increment 2	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Sev Feature - Max Rate	20%	15%	10%	10%	10%	15%	15%
Allowance - % gross rev	0	0	15%	25%	25%	15%	25%
Floor price - oil	no	no	$55	$55	$55	$70	$70
Floor price - gas	no	no	no	no	no	$3	$3
R-factor	no	no	no	no	yes	no	no

The proposed fiscal terms would provide for a simple to administer overall system and would set terms for all possible oil and gas investments. Significant investment may occur as a result of these terms.

Failure to achieve goals

What would happen if Alaska adopts these terms and no significant new investment takes place in Alaska, while oil production continues to decline:

1. **Alaska would not have lost anything compared to the current situation.**
2. **A very valuable benchmark would be established as to how fiscal terms may have to be changed further in order to eventually attract the investment in these resources.**

Summary

With the appropriate fiscal and contractual framework Alaska can achieve:

- **1 million barrel per day throughput through the TAPS line, and**
- **Significant LNG exports to the Pacific market**

However major political and fiscal change is required.

The sooner the process starts to encourage these changes the better the future of Alaska will be secured.

ADDENDUM
1A

Addendum 1A to "Policy Options for Alaska Oil and Gas"

Pedro van Meurs

Monday – Tuesday, February 13-14, 2012

Presentation
Alaska Senate Finance Committee

(Note: This Addendum 1A replaces the "Addendum")

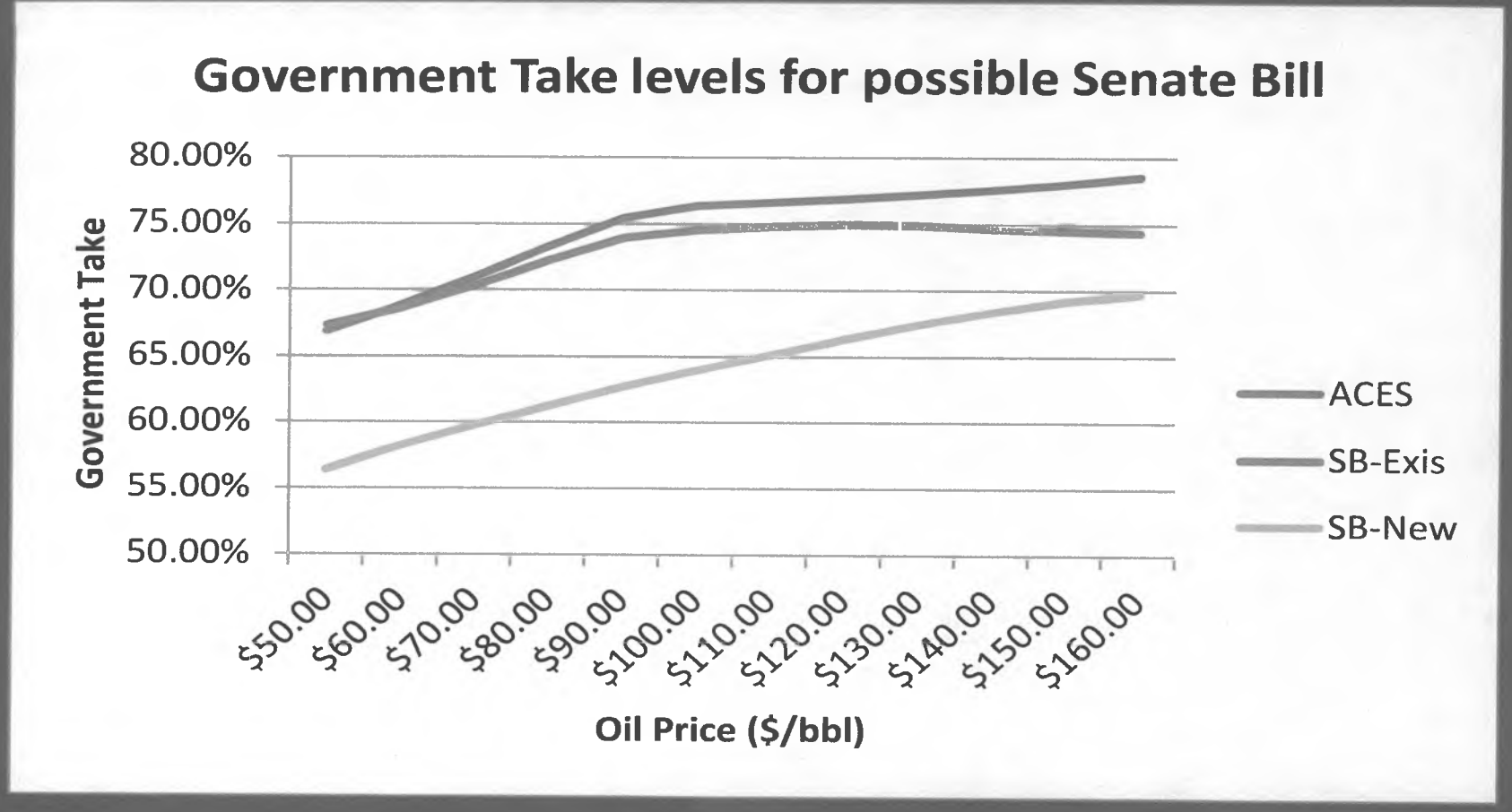
Van Meurs Corporation
Nassau, Bahamas
Tel: (242) 324-4438
e-mail: info@vanmeurs.org

Possible Senate Bill

If all the Senate wants to do is make minor modifications to ACES in order to create a better bill than HB 110, the following easy proposal would achieve these goals:

- **Change the current ACES to:**
  - **0.35% per dollar increases to $ 90 and thereafter 0.1% increases to a maximum additional rate of 25% at $ 130 per barrel,**
- **Establish a 25% of gross revenues allowance for new oil production for the purposes of calculating PPT, and**
- **Limit tax credits to 20% on exploration and development.**

Possible Senate Bill



The results show that this achieves the recommended government take ranges at $ 100 per barrel.

Possible Senate Bill

This proposal would achieve the following improvements relative to HB 110:

- **It does not create the "give away" on revenues from existing production as proposed under HB 110.**
- **It provides the same stimulus for new production as proposed under HB 110.**
- **It does not require ring fencing**
- **It solves four deficiencies of ACES:**
  - **excessive tax rates,**
  - **excessive price progressivity,**
  - **excessive exploration support,**
  - **the negative PPT issues**

Possible Senate Bill

The proposal would not achieve:

- **Dealing with the nonsensical BOE cross subsidization and therefore, in case of any proposal by the major oil companies on a Pacific LNG project, the PPT would have to be significantly modified again to make such a proposal work,**
- **Creating an "architecture" to which new Alaska resources can be added, such as heavy oil, shale oil and natural gas,**
- **The stimulus of investment in heavy oil, oil shale or natural gas and thereby the achievement of the one million bopd goal.**

Break down of Government Take in individual revenue items: Comprehensive Proposal-Existing Production

EXISTING PRODUCTION: PVM PROPOSALS FOR COMPREHENSIVE CHANGE							
GOVERNMENT REVENUE ITEMS IN AMOUNTS AND PERCENT OF DIVISIBLE INCOME FOR THREE FISCAL ALTERNATIVES							
(Undiscounted) (Real)($100 per barrel oil price)		ACES		HB-110 Existing		PVM Existing	
TOTAL OIL PRODUCTION	(MMbbls)	500		500		500	
TOTAL GAS PRODUCTION	(Bcf)	0		0		0	
TOTAL GROSS REVENUES	(MM$)	47500		47500		47500	
TOTAL CAPEX	(MM$)	7500		7500		7500	
TOTAL OPEX	(MM$)	5000		5000		5000	
TOTAL DIVISIBLE INCOME	(MM$)	35000		35000		35000	
BONUSES, RENTALS	(MM$)	0	0.0%	0	0.0%	0	0.0%
ROYALTIES	(MM$)	5938	17.0%	5938	17.0%	5938	17.0%
PETROLEUM PROFITS TAX	(MM$)	13910	39.7%	8708	24.9%	5597	16.0%
PROPERTY TAX	(MM$)	834	2.4%	834	2.4%	834	2.4%
MISC REVENUES AND SEVERANCE FEATURE	(MM$)	18	0.1%	18	0.1%	5996	17.1%
CORPORATE INCOME TAX	(MM$)	6034	17.2%	8171	23.3%	6993	20.0%
GOVERNMENT INCOME	(MM$)	26733	76.4%	23669	67.6%	25358	72.5%

The PVM proposal at $ 100 per barrel would be slightly under the ACES levels for existing production (please note that the petroleum profits tax and severance feature income are listed separately).

Break down of Government Take in individual revenue items: Comprehensive Proposal-New Production

NEW PRODUCTION: PVM PROPOSALS FOR COMPREHENSIVE CHANGE GOVERNMENT REVENUE ITEMS IN AMOUNTS AND PERCENT OF DIVISIBLE INCOME FOR THREE FISCAL ALTERNATIVES (Undiscounted) (Real)($100 per barrel oil price)		ACES		HB-110 New		PVM New	
TOTAL OIL PRODUCTION	(MMbbls)	500		500		500	
TOTAL GAS PRODUCTION	(Bcf)	0		0		0	
TOTAL GROSS REVENUES	(MM$)	47500		47500		47500	
TOTAL CAPEX	(MM$)	7500		7500		7500	
TOTAL OPEX	(MM$)	5000		5000		5000	
TOTAL DIVISIBLE INCOME	(MM$)	35000		35000		35000	
BONUSES, RENTALS	(MM$)	0	0.0%	0	0.0%	0	0.0%
ROYALTIES	(MM$)	5938	17.0%	5938	17.0%	5938	17.0%
PETROLEUM PROFITS TAX	(MM$)	13910	39.7%	7077	20.2%	5597	16.0%
PROPERTY TAX	(MM$)	834	2.4%	834	2.4%	834	2.4%
MISC REVENUES AND SEVERANCE FEATURE	(MM$)	18	0.1%	18	0.1%	1590	4.5%
CORPORATE INCOME TAX	(MM$)	6034	17.2%	8842	25.3%	8804	25.2%
GOVERNMENT INCOME	(MM$)	26733	76.4%	22708	64.9%	22762	65.0%

The PVM proposal at $ 100 per barrel would be equal to HB 110 for new production (please note that the petroleum profits tax and severance feature income are listed separately).

Break down of Government Take in individual revenue items: PVM proposal for modification of ACES

NEW PRODUCTION: PVM PROPOSALS MODEST ADJUSTMENT TO ACES							
GOVERNMENT REVENUE ITEMS IN AMOUNTS AND PERCENT OF DIVISIBLE INCOME FOR THREE FISCAL ALTERNATIVES							
(Undiscounted) (Real)($100 per barrel oil price)		ACES		PVM Existing		PVM New	
TOTAL OIL PRODUCTION	(MMbbls)	500		500		500	
TOTAL GAS PRODUCTION	(Bcf)	0		0		0	
TOTAL GROSS REVENUES	(MM$)	47500		47500		47500	
TOTAL CAPEX	(MM$)	7500		7500		7500	
TOTAL OPEX	(MM$)	5000		5000		5000	
TOTAL DIVISIBLE INCOME	(MM$)	35000		35000		35000	
BONUSES, RENTALS	(MM$)	0	0.0%	0	0.0%	0	0.0%
ROYALTIES	(MM$)	5938	17.0%	5938	17.0%	5938	17.0%
PETROLEUM PROFITS TAX	(MM$)	13910	39.7%	12833	36.7%	6658	19.0%
PROPERTY TAX	(MM$)	834	2.4%	834	2.4%	834	2.4%
MISC REVENUES AND SEVERANCE FEATURE	(MM$)	18	0.1%	18	0.1%	18	0.1%
CORPORATE INCOME TAX	(MM$)	6034	17.2%	6476	18.5%	9014	25.8%
GOVERNMENT INCOME	(MM$)	26733	76.4%	26099	74.6%	22461	64.2%

The PVM proposal for a modest modification of ACES results in government revenues for Existing Production which are very similar to ACES.

Discounted Government Revenues and Government Take – Comprehensive Change – Existing Production

EXISTING PRODUCTION: PVM PROPOSALS FOR COMPREHENSIVE CHANGE					
DISCOUNTED GOVERNMENT REVENUES AND GOVERNMENT TAKE FOR THREE FISCAL ALTERNATIVES					
				HB-110	PVM
(Real)($ 100 per barrel price)			ACES	New	New
	Discount Rate				
GOVERNMENT	0%	(MM$)	26733	23669	25358
REVENUES	5%	(MM$)	10801	9516	10281
	10%	(MM$)	4555	3986	4368
GOVERNMENT	0%	%	76.4%	67.6%	72.5%
TAKE	5%	%	78.3%	69.0%	74.5%
	10%	%	81.6%	71.4%	78.2%

ACES and proposals result in a modest difference between the discounted government take and undiscounted government take.

Discounted Government Revenues and Government Take – Comprehensive Change – New Production

NEW PRODUCTION: PVM PROPOSALS FOR COMPREHENSIVE CHANGE					
DISCOUNTED GOVERNMENT REVENUES AND GOVERNMENT TAKE FOR THREE FISCAL ALTERNATIVES					
				HB-110	PVM
(Real)($ 100 per barrel price)			ACES	New	New
	Discount Rate				
GOVERNMENT	0%	(MM$)	26733	22708	22762
REVENUES	5%	(MM$)	10801	9119	9175
	10%	(MM$)	4555	3827	3861
GOVERNMENT	0%	%	76.4%	64.9%	65.0%
TAKE	5%	%	78.3%	66.1%	66.5%
	10%	%	81.6%	68.5%	69.2%

ACES and proposals result in a modest difference between the discounted government take and undiscounted government take.

Discounted Government Revenues and Government Take – Modest change to ACES

NEW PRODUCTION: PVM PROPOSALS MODEST ADJUSTMENT TO ACES					
DISCOUNTED GOVERNMENT REVENUES AND GOVERNMENT TAKE FOR THREE FISCAL ALTERNATIVES					
				PVM	PVM
(Real)($ 100 per barrel price)			ACES	Existing	New
	Discount Rate				
GOVERNMENT	0%	(MM$)	26733	26099	22461
REVENUES	5%	(MM$)	10801	10563	8979
	10%	(MM$)	4555	4470	3733
GOVERNMENT	0%	%	76.4%	74.6%	64.2%
TAKE	5%	%	78.3%	76.6%	65.1%
	10%	%	81.6%	80.1%	66.9%

ACES and proposals result in a modest difference between the discounted government take and undiscounted government take.

Repsol Anecdote

Subsequent to providing the Repsol anecdote about the complexity of ACES to the Senate Finance Committee, I was contacted by DOR.

DOR has no record of questions being asked by Repsol. Furthermore, DOR is of the view that they have an efficient system in place to respond to questions.

I have promised DOR to see whether I can get further clarifications from my contacts in Repsol on this matter. Repsol is an important new investor in Alaska. Their experiences are therefore of importance to see what can be learned from this to better attract new investors.

ADDENDUM

2

Addendum 2 to "Policy Options for Alaska Oil and Gas"

Pedro van Meurs

Monday – Tuesday, February 13-14, 2012

Presentation
Alaska Senate Finance Committee
COMMENTS ON DOR PRESENTATION OF FEBARY 13, 2012

Van Meurs Corporation
Nassau, Bahamas
Tel: (242) 324-4438
e-mail: info@vanmeurs.org

Re-investment by major oil companies

Slide 13 of the DOR presentation indicates that major oil companies reinvested $ 1544 million in 2010 in capital expenditures. Comments:

- This is about $ 8 per barrel produced
- DOR includes capital maintenance expenditures and work overs in these capital expenditures
- It is likely that about $ 4 per barrel relates to these type of expenditures. These are non-discretionary. They have to be done to continue operations normally
- It seems that the remaining $ 4 per barrel is largely infill drilling with the goal of accelerating cash flow
- This $ 4 per barrel is about $ 1 on an after tax basis.
- It is therefore clear that the three major companies are "harvesting" at the maximum rate. During the last 5 years there was "near zero" interest in investments in new projects.

Investor impact of high marginal rates related to higher prices

There may be some confusion as to the impact on investors of high marginal rates related to higher prices.

There is no direct impact of marginal rates on investment. Investments decisions are being made on the basis of the total average incremental NPV and IRR, not the marginal NPV or IRR.

For instance, Pakistan has in their production sharing contracts a price cap of $ 100. Over $ 100 all higher revenues go to government. So the marginal rate is 100%. Yet, investments are taking place because the take below $ 100 is relatively modest and therefore the NPV and IRR are acceptable.

Investor impact of high marginal rates related to higher prices

There are two important impacts of very strong price progressivity:

- **Strong price progressivity means that the average rates increase to higher levels under higher prices. In the case of Alaska this means that that Alaska will rapidly become less attractive than some of the main competitors with regressive systems, such as the Lower 48, Australia, Russia and Brazil.**
- **New investors, will look negatively on very strong price progressivity because it removes the "upside" of the possible outcome of investments. This is a strong impediment for new investment. Even if price progressivity is less strong for new production, new investors will still evaluate how current producers are being treated by Alaska since this is an indication of the fiscal policy of the jurisdiction.**

For these reasons one would not recommend price progressivity that is too strong.

Fiscal design criteria for Alaska

From an international perspective a number of design criteria can be recommended in order to optimize fiscal terms for Alaska:

- Price progressivity should not be so strong that the price incentive index drops below $ 0.10. For ACES this level is reached at a price of about $ 190 per barrel
- Cost progressivity based on average blended costs should not be so strong that the cost savings index drops below $ 0.20. For ACES this level is reached at a price of about $ 180 per barrel (assuming $ 25 per barrel costs)
- Government take should not be uncompetitive: For Alaska it should not be higher than 75%. For ACES this is reached at a price level of about $ 90 per barrel.

Fiscal design criteria for Alaska

(continued):

- **Exploration support: Government should not contribute more than 80% of the exploration costs through tax credits and tax deductions. For ACES this level is reached at $ 60 per barrel.**
- **Negative PPT: Whenever tax credits or uplifts are being provided the tax income on a consolidated basis could become negative. Sensitivity analysis should be done to ensure that negative PPT only occurs under unlikely conditions. ACES is deficient under certain high cost – low price conditions.**

ADDITIONAL DOCUMENTS

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

SEAN PARNELL, GOVERNOR
333 Willoughby Avenue, 11th Floor
P.O. Box 110400
Juneau, Alaska 99811-0400
Phone: (907) 465-2300
Fax: (907) 465-2389

Oil and Gas Production Tax
Status Report to the Legislature
Alaska Department of Revenue

January 18, 2011

Report Purpose

In August 2006, the 24th Alaska state legislature approved House Bill 3001, which represented a major restructuring of the state's oil and gas production tax. As part of the legislation, lawmakers asked that the Department of Revenue study the impact of the production tax changes on several criteria and produce a report on or before the first day of the 2011 legislative session on the findings of that study.[1] This report summarizes those findings.

Executive Summary

This report evaluates six elements of Alaska's production tax system since implementation of the Petroleum Profits Tax (PPT) in 2006 and Alaska's Clear and Equitable Share (ACES) in 2007. The six elements and our key findings with respect to each of them are described briefly below.

1. **Revenue Generation/Tax Rate** – State revenues under PPT and ACES exceeded the amount that would have been received under ELF for each of the four fiscal years since implementation of a net profits tax. Although the production tax rate under ACES may be as high as 75%, tax rates in each of the

[1] ***AS 43.55.180 Required Report. (a)*** *The department shall study*
(1) *the effects of the provisions of this chapter on oil and gas exploration, development, and production in the state, on investment expenditures for oil and gas exploration, development, and production in the state, on the entry of new producers into the oil and gas industry in the state, on state revenue, and on tax administration and compliance, giving particular attention to the tax rates provided under AS 43.55.011 , the tax credits provided under AS 43.55.023 - 43.55.025, and the deductions for and adjustments to lease expenditures provided under AS 43.55.160 - 43.55.170; and*
(2) *the effects of the tax rates under AS 43.55.011 (i) on state revenue and on oil and gas exploration, development, and production on private land, and the fairness of those tax rates for private landowners.*
(b) *The department shall prepare a report on or before the first day of the 2011 regular session of the legislature on the results of the study made under (a) of this section, including recommendations as to whether any changes should be made to this chapter. The department shall notify the legislature that the report prepared under this subsection is available.*

four years were much lower than the maximum rate.

The oil tax rate of 5% of the gross value at the point of production at AS 43.55.011(i) for private landowners has not raised any significant concerns that have been communicated to the Department of Revenue.

2. **Industry Investment** – Investment in the form of capital expenditures has increased in each of the four fiscal years since implementation of the net profits tax, however, it is unclear how much of the capital expenditures were drilling or well-related and how much were maintenance or facilities-related.

3. **Impact on Exploration, Development, and Production –** Exploration has generally increased from 2003, when the EIC credit was implemented, but has dropped off in 2010. Development continues in three relatively new North Slope projects, yet production continues to decline.

4. **Industry Employment and New Entrants –** Industry employment rose steadily from 2006 through 2009, but dipped slightly in 2010. The number of companies filing annual tax returns doubled between 2006 and 2009, indicating interest by companies that are either new or returning to the Alaska oil and gas industry.

5. **Use and Expansion of Tax Credits –** The amount of credits used has increased annually since 2006 and we expect the trend to continue as new credit programs were added in the 2010 legislative session.

6. **Tax Administration and Compliance –** The department continues to write regulations for the new tax system, and the first audits under the net profits tax have been completed. The department has, however, been hampered in its tax reporting and compliance efforts by the lack of a centralized database to house and manage the large volumes of oil and gas data it receives.

7. **Conclusions and Recommendations –** Based on the multiple changes to the tax laws over the past few years, drawing any conclusion about their effect on Alaska's investment climate is difficult. However, what is clear is that production continues to decline. The state should continue to monitor its competitiveness with other oil and gas jurisdictions worldwide and be prepared to change its tax structure as needed.

Overview

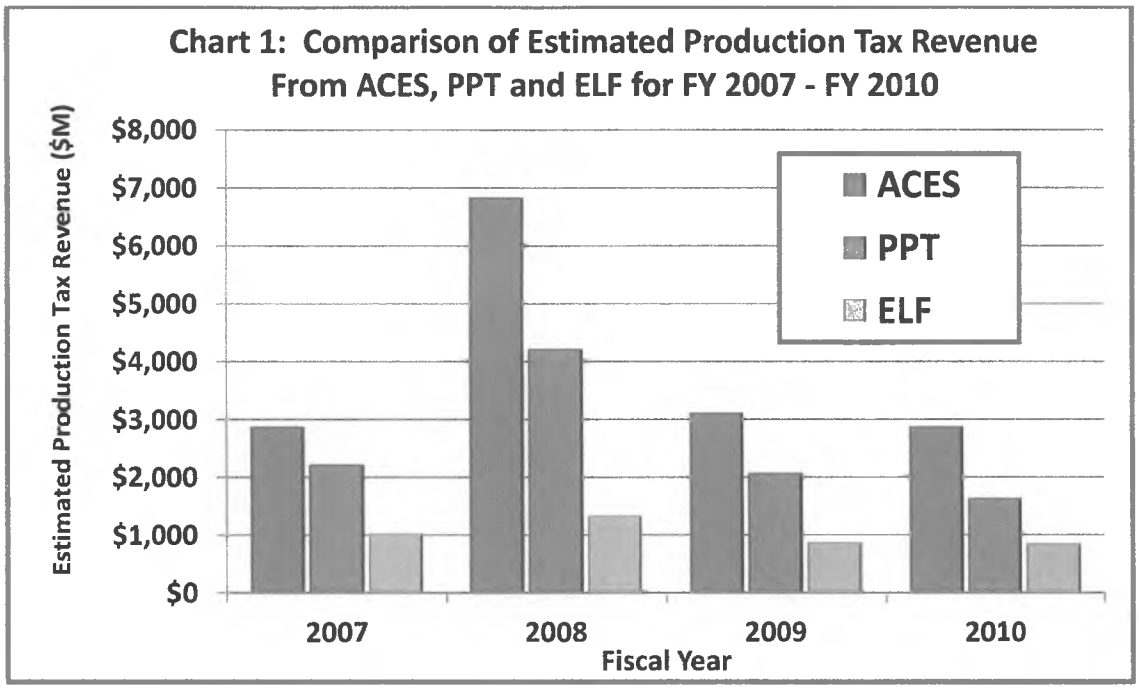
This report reviews and summarizes information gathered over the approximate five-year period since the implementation of the Petroleum Profits Tax (PPT) in 2006, and in 2007, Alaska's Clear and Equitable Share (ACES). The report covers six critical elements for evaluation and a section with conclusions and recommendations, as follows:

1. Revenue Generation/Tax Rate
2. Industry Investment
3. Impact on Exploration, Development and Production
4. Industry Employment and New Entrants
5. Use and Expansion of Tax Credits
6. Tax Administration and Compliance
7. Conclusions and Recommendations

Revenue Generation/Tax Rate

Both PPT and ACES have generated more production tax revenue for the State than would have been received under the previous production tax system, which used the Economic Limit Factor (ELF). In the one year that PPT was in place, FY 2007, the production tax totaled $2.2 billion. That year, the ANS West Coast oil price averaged $61.60 and production on the North Slope averaged 734,000 barrels per day. In contrast, the average oil price one year earlier, in FY 2006, was $62.12, production averaged 840,000 barrels per day, and the production tax under ELF totaled $1.2 billion--$1 billion, or 45% less than collected under PPT. It should be noted that PPT became effective on April 1, 2006, adding two months of tax collections to the FY 2007 total, making FY 2007 effectively a 14-month fiscal year. Regardless, the level of PPT collections above those that would have been collected under ELF, at least at moderately high prices, is significant.

In the three years that ACES has been in place, production tax revenues have increased to higher levels than under PPT. This is largely because ACES has higher base and progressivity tax rates than did PPT, and because one of the credits under PPT – the transition investment expenditure credit – was reduced substantially. The chart below shows production tax revenue collections under PPT and ACES as compared to how production tax revenue collections would have looked under two tax systems that were not in place during those years.



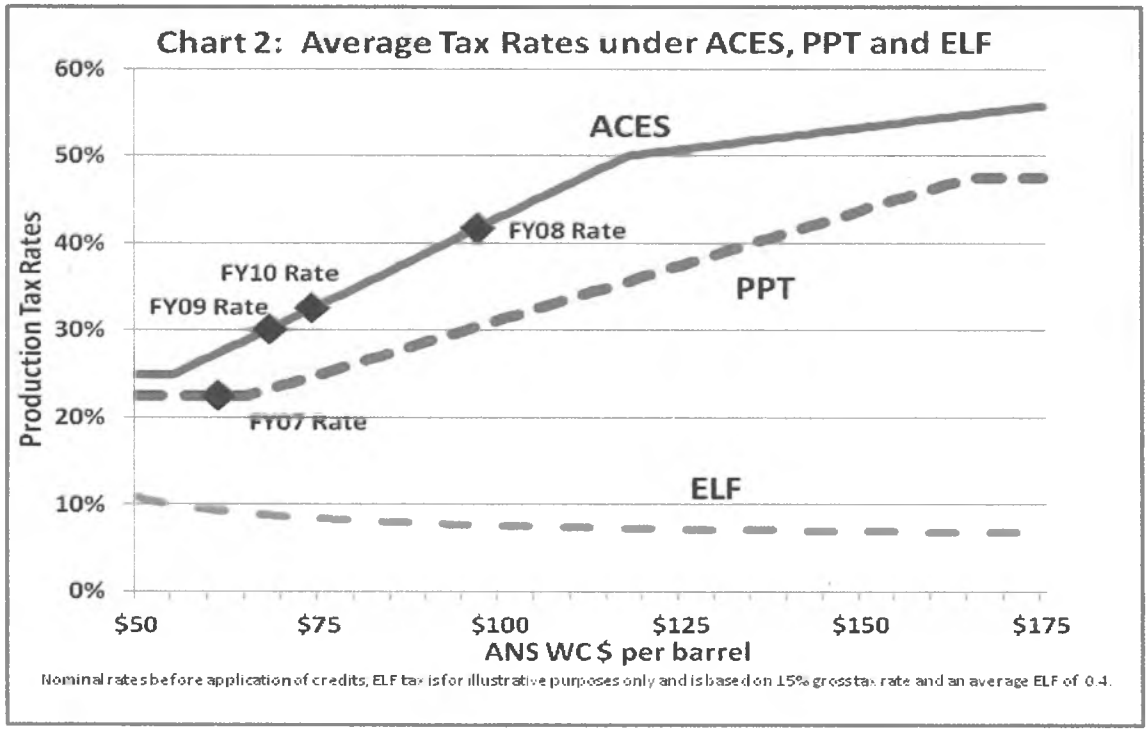
Production tax under both PPT and ACES is calculated on the net profits of oil and gas production, whereas ELF production tax was calculated on the gross profits of oil and gas production. Relative to taxes based on the gross value of production, net profit tax systems generally provide more tax revenue when oil prices are high and less tax revenue when prices are low. The progressive tax mechanism, designed to increase the total tax rate when per-barrel profit exceeds a pre-determined threshold, can increase the tax rate substantially. In addition to the progressive tax rate, the per-barrel profit level where the progressive tax is triggered is important. In the case of ACES, the progressive tax trigger is $30 net profit per barrel, whereas with PPT, the progressive tax trigger was $40 net profit per barrel.

Alaska North Slope (ANS) oil prices over the past four fiscal years were high relative to previous fiscal years. ANS crude prices over the four fiscal years of 2007 through 2010 averaged about $75 per barrel compared to $42 per barrel for the fiscal years of 2003 through 2006. Under ACES, an average price of $75 per barrel would yield an average profit of $50 per barrel, producing a combined base and progressivity tax rate of 33% (25% + [($50-$30)*.004]). The tax under this scenario before credits would be $16.50 per barrel. In contrast, the tax rate under ELF of 15% of the gross value at the point of production, even if the ELF calculated to 1, would yield a production tax of $10.50 per barrel, assuming transport costs of $5 per barrel.

When oil prices are low, however, a net profits-based tax structure would likely provide less production tax revenue than a gross profits-based tax. For example, a tax of 15% on the gross value, regardless of profit, could create a loss for companies producing oil

if profits were equal to or less than the tax. Because PPT and ACES recognize the costs of production in their calculation, a company with no profit would not pay any production tax and would likely get tax credits to offset future tax liabilities. Low oil prices experienced late in the year 2008 and early 2009 generated tax liabilities for many companies operating on the North Slope that were lower than they would have been under the ELF system.

Chart 2 below shows the average tax rates of PPT, ACES and ELF under a range of oil prices. Also shown is the average tax rate in each of the years that a net profits tax has been in place.



The department was also asked to review the tax rate for oil produced from private land of 5% of the gross value at the point of production.[2] The department is not aware of any concerns expressed on behalf of industry or private landowners as to the fairness of this tax.

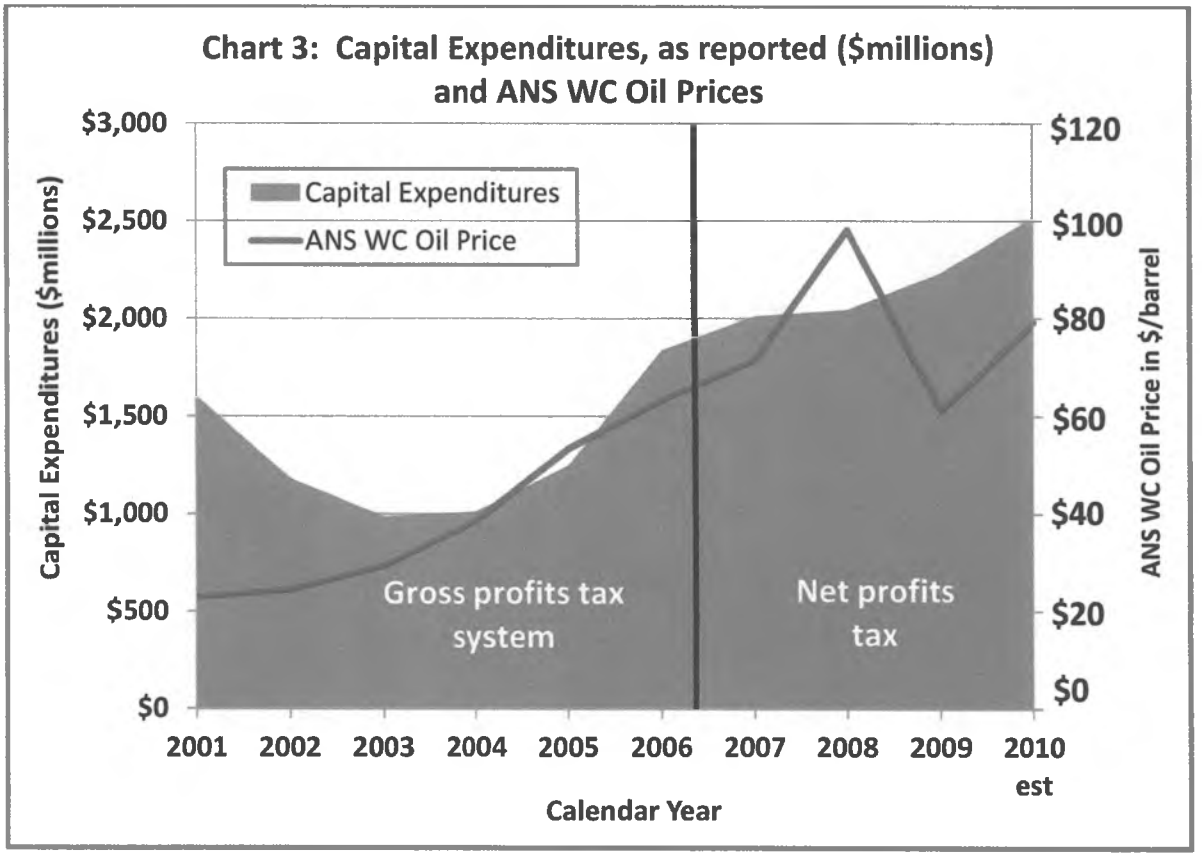
Industry Investment

Investment is an important component in Alaska's oil and gas industry. Producing oil, especially in an arctic environment, requires substantial financial outlays before, during

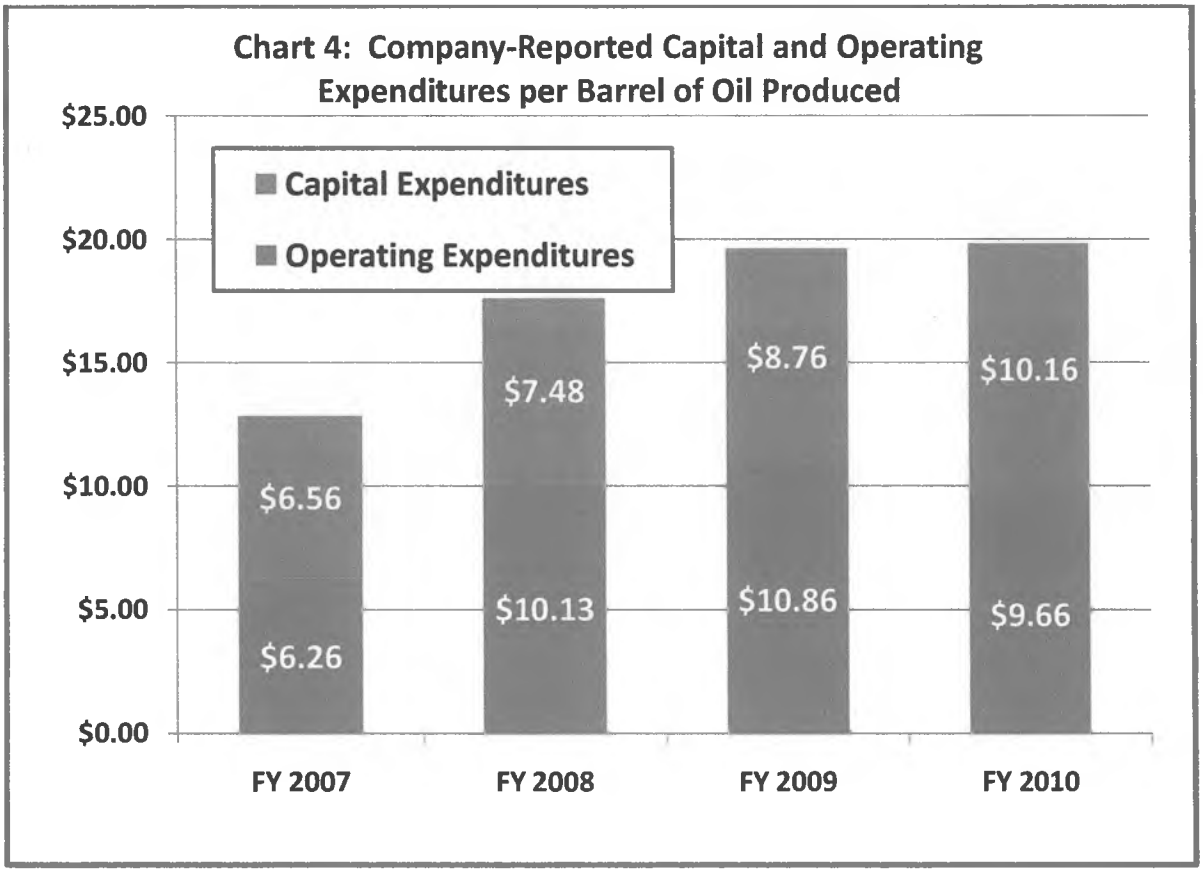
[2] AS 43.55.011(i)

and after producing the oil. In massive oil fields such as Prudhoe Bay, which has been operating for more than 30 years, maintaining and upgrading equipment and facilities is key to continued undisrupted oil production. Companies must also invest in research and new technologies in order to achieve the maximum recoverability of petroleum from the reservoirs they have developed. Because the companies that invest in petroleum projects can and do operate in areas outside of Alaska and the country, Alaska oil projects must compete with other petroleum opportunities throughout the world for those investment dollars.

Industry investment is generally reflected in capital expenditures, as opposed to operating expenditures, which are normally considered day-to-day expenditures for producing oil and gas. Alaska's fiscal system, which gives credits for capital expenditures, theoretically encourages these types of investments. Our review of the past 10 years of data appears to bear this out. Chart 3 below shows company-reported data from tax filings from calendar year 2001 through calendar 2010 (estimated). While capital expenditures over the five-year period (2006 through 2010) since the implementation of a net profits tax with credits for capital expenditures have increased each year, we have limited data as to the nature of the expenditures.

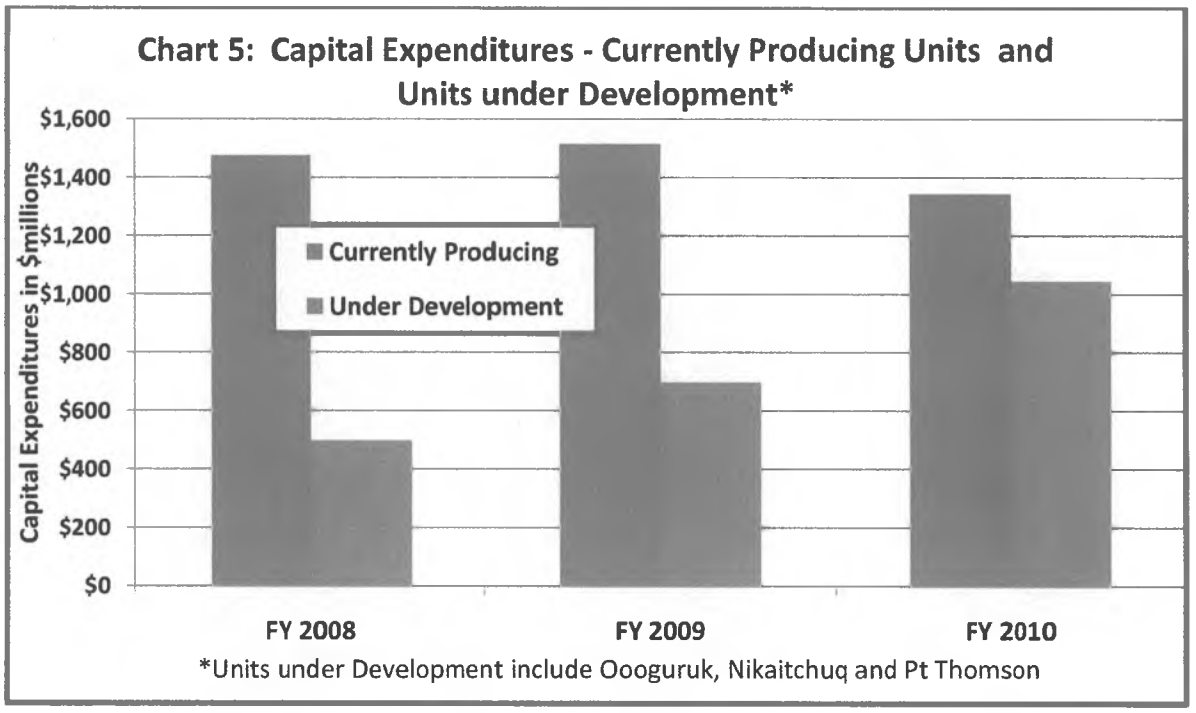


In the context of petroleum basin operations, capital expenditures are generally an indicator of expanding production or enhancing or extending the life of facilities or equipment. Expenditures for drilling wells normally fall into the category of capital expenditures as do expenditures for building housing or processing facilities. The Department of Revenue has extremely limited data from which to determine the nature of the capital expenditure increases. Given the age of North Slope facilities and infrastructure, it is quite possible that much of the capital investment in currently producing properties such as Prudhoe Bay is to extend the life of the facilities or infrastructure. Production on the North Slope continues to decrease, with a 7% decline rate between FY 2009 and FY 2010. The end result is that capital expenditures per barrel of oil produced are rising, while operating expenditures per barrel have leveled off and even decreased somewhat, as shown in Chart 4 below.[3]



[3] The slight decline in capital expenditures per barrel between FY 2007 and FY 2008 can be explained by the fact that FY 2007 included 14 months of expenditures, due to the effective date of the tax change of April 1, 2006.

One trend that has been observed in annual capital expenditures figures is that the proportion of capital spending in units under development has been increasing relative to the total capital expenditures spent on the North Slope. Chart 5 below shows expenditures by currently producing units and units under development over the past three fiscal years.

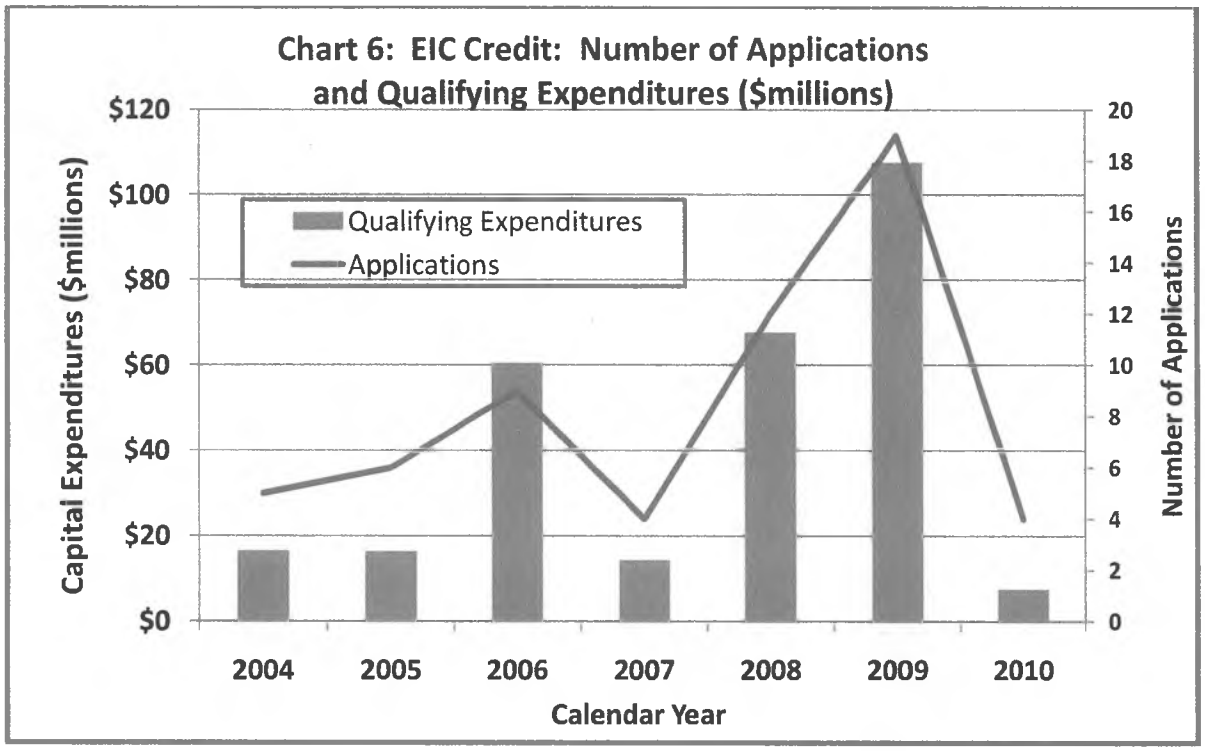


Capital expenditures also earn credits under the new production tax system. The credit system for capital expenditures on the North Slope does not distinguish between types of capital expenditures in existing units. The legislature in 2010 expanded the credit program in Cook Inlet to include an additional 20% credit (total of 40% credit) for lease expenditures related to wellwork. A credit increase of this nature may also prove beneficial to incentivize capital expenditures on drilling and increased wellwork on the North Slope.

Impact on Exploration, Development and Production

As discussed in the previous section, the net profits tax system includes credits for capital expenditures, without distinction as to the nature of the expenditure. The tax system also includes credits for exploration expenditures through its exploration incentive credit (EIC) at AS 43.55.025. This credit was implemented in 2003 and was expanded with the ACES tax changes. If a project meets certain exploration criteria, it may be eligible for 40% credit under the EIC program.

The department began receiving applications under the EIC program in 2004, and the number of applications and amount of qualifying expenditures has generally increased each year peaking in the winter of 2008/2009[4]. The number of applications for EIC credit decreased significantly in 2010, reflecting a decrease in activity for the winter of 2009/2010. Chart 6 shows the number of applications and the expenditures that qualify under the EIC program from 2004 through 2010.

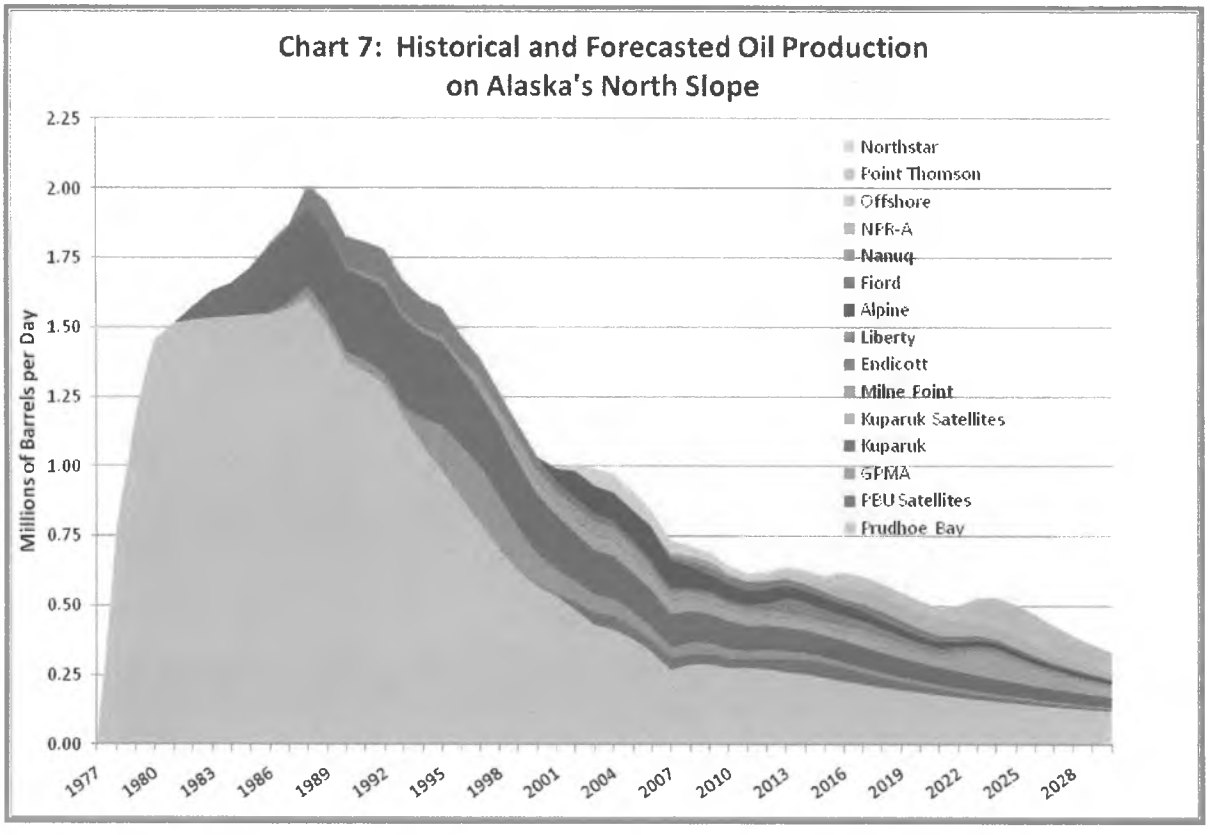


It is much more difficult to measure a tax system's impact on oil development and production from existing fields. The department's production forecasters twice annually create production profiles from limited information about an area's geology, drilling results, and other information exchanged in confidential discussions with operators. The compilation of production profiles for each North Slope field is a challenging task, employing the use of an engineering consultant, generally accepted engineering principles, and special software. The results of this compilation are subject to further revision as projects face delays that are typical in the petroleum industry such as reservoir challenges, permitting difficulties or lack of project funding.

New commercial developments on the North Slope include the Oooguruk Unit, which began production in 2009, and the Nikaitchuq Unit, which is expected to begin production in 2011. The Point Thomson Unit is also under development, expected to

[4] The sharp decrease in 2007 may be due to the tax change to the PPT, which at the time provided credit equal to the lower credit rate of the EIC program, without the reporting requirements.

begin production in 2015. Despite the addition of these developments, North Slope production continues to decline. From FY 2009 to FY 2010, oil production declined 7%; another 4% decline is projected between FY 2010 and FY 2011. Chart 7 below shows historical and projected oil production from the North Slope.

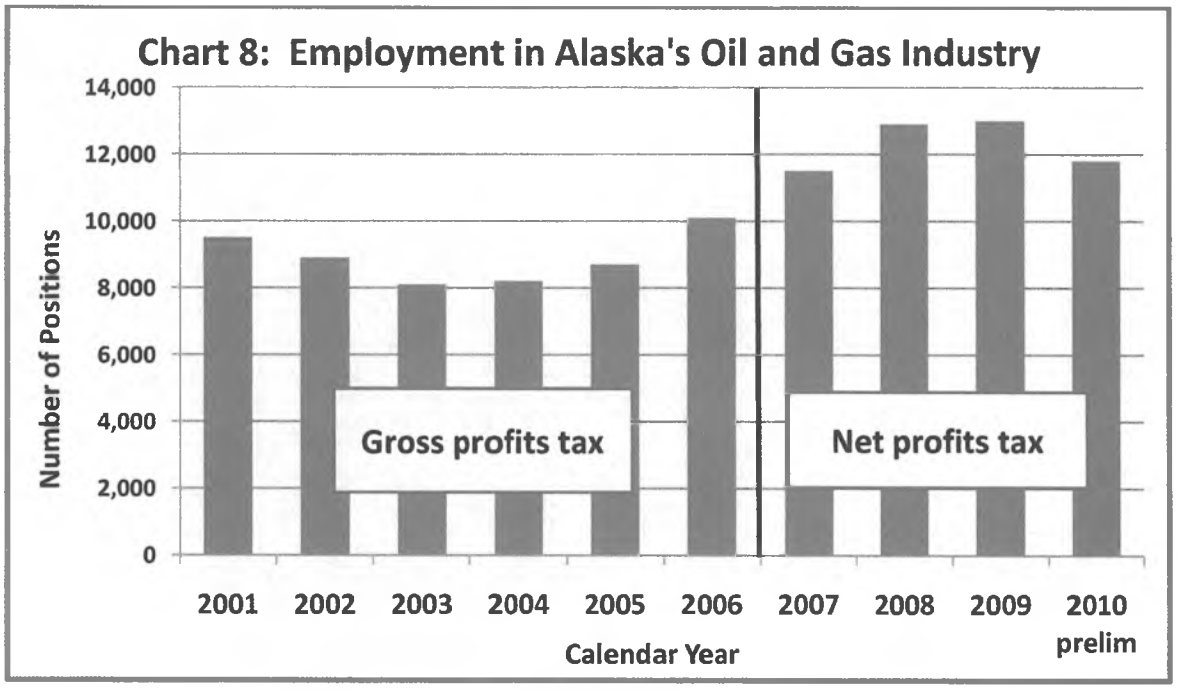


Industry Employment and New Entrants

Employment in the oil and gas sector is another important measure of the health of the oil and gas industry in Alaska. Although oil and gas employment is not the largest category in the state, it is among the most sought-after employment, due to high wages. The Alaska Department of Labor and Workforce Development (DOLWD) reports that in 2009, the average earnings for a person employed in the oil and gas extraction industry was close to $14,000 per month. These earnings are more than 3 times higher than the average earnings for all industries and government in the state of about $4,000 per month.

The department also reports number of employees by industry. Oil industry employment in the state includes jobs with duties that would fall into one of three categories: (1) oil and gas extraction; (2) drilling oil and gas wells; and (3) support activities for oil and gas operations. Officials at DOLWD acknowledge that the definition

is fairly narrow, leaving out important oil-related employment, such as jobs at Alyeska Pipeline Service Company and at refineries in the state. Employment in the oil and gas industry has increased in the years since PPT was implemented, although the department projects a slight decrease in 2010. These data are shown in Chart 8 below.



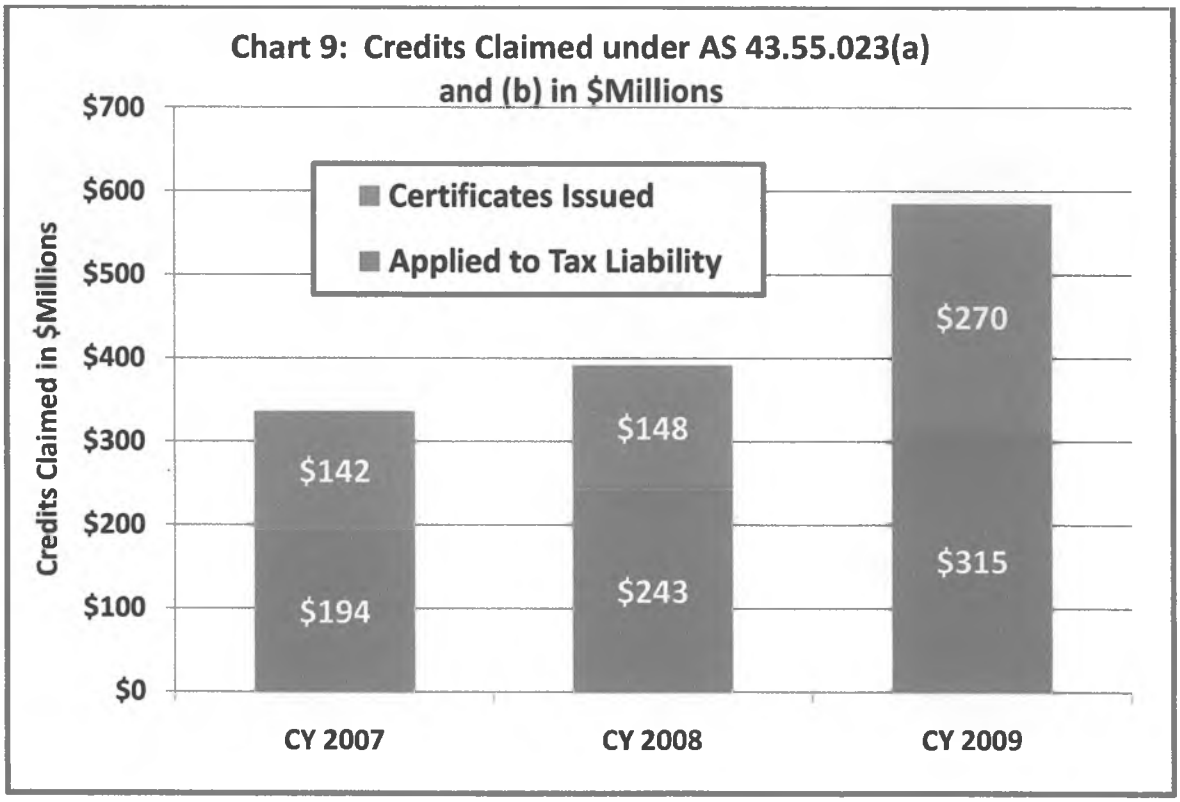
The state has seen new entrants into the Alaska oil and gas industry since the implementation of a net profits production tax. At the most recent lease sale held in October of 2010, a company new to Alaska successfully bid on over 100 tracts of oil and gas property. The steadily increasing number of production tax returns filed annually also indicates companies' new or renewed interest in Alaska's oil and gas opportunities. In 2006, the first year that filings were made under a net profits tax, there were 19 companies filing annual returns. In 2007, the number of companies filing production tax returns totaled 26, and in 2008, 36 companies filed annual production tax returns. The filing for 2009 increased only slightly from 2008, with 39 companies filing returns.

Use and Expansion of Tax Credits

Tax credits have played and continue to play an important role in the net profits production tax system. There are currently five credit programs specific to the oil and gas production tax, and each of the programs have had substantial interest, and in most cases, use from taxpayers. Alaska's tax credit programs are intended to steer spending to certain in-state activities.

The most widely used credits under the production tax system are the qualified capital expenditure credits at AS 43.55.023(a). Tax credits under this program may be applied to production tax to reduce a taxpayer's tax liability. If an oil and gas company has no tax liability, the credit may be carried forward, transferred to another company, or sold to the state. AS 43.55.023(b), credits for carried-forward net operating losses, are also widely used and may also be carried forward, transferred to another company, or sold to the state. Combined, these credits made up over 80% of the credits issued by the DOR Tax Division over the past three years.

Chart 9 below shows the total number of tax credits claimed under AS 43.55.023(a) and (b), categorized by the number of tax credits applied against a tax liability and the number of credits that were issued credit certificates for future use. We note that credits increased in each of the three years shown. The forecast for increased capital expenditures will translate to more credits applied against tax liabilities as well as more credits certificated.



Other credits include Small Producer/New Area Development credits (AS 43.55.024(a) and (c)) and Alternative Credit for Exploration (AS 43.55.025). These credits have seen less use than the credits under .023.

Credits have been expanded – both in credit rate and number of credits available – over the past year. The credit rate under the Qualified Capital Expenditure credit (AS 43.55.023) was increased for well lease expenditures relative to projects in Cook Inlet from 20% to 40%. Credit under the corporate income tax was also increased and extended (AS 43.20.043) for exploration and development of natural gas in Cook Inlet. The credit rate increased from 10% of qualified capital expenditures and qualified services to 25% of these costs and the credit program was extended from 2013 to 2016. For a complete listing of tax credits available against the production tax and other taxes, see the Fall 2010 *Revenue Sources Book*, at:
http://www.tax.alaska.gov/programs/documentviewer/viewer.aspx?2126f

Tax Administration and Compliance

The numerous changes associated with the shift from a tax on gross value to a tax on profits have been a challenge for the Department of Revenue in a few specific areas. The first order of business under a tax system with a new, different way of calculating the tax is to define the inputs. This has taken place over the past several years in the process of creating, vetting, and implementing regulations. The regulations writing process for the production tax change has been extraordinarily interactive with the taxpayers, incorporating their input in all phases of development. Although this process may have slowed the pace of development, it resulted in more clarity in a complex set of regulations. The regulations writing process continues to date.

The change to a production tax on net profits also posed challenges for the audit staff in the areas of hiring qualified auditors and training auditors for the new demands of the position. The department has had difficulties attracting qualified auditors under the state pay schedule. New and expanded credit programs have also added to their workload. Despite these challenges, the audit staff has completed most of the audits under the PPT system.

The greatest difficulties faced by the department since the implementation of a net profits production tax system are the collection, use, and storage of the huge amounts of data received monthly and annually. As an example, the department receives monthly information from each active oil and gas company regarding the amount of oil and gas produced, the amount spent in operating and capital expenditures, the amount of credits earned and used, and the payment submitted. The department also receives documents pertaining to petroleum sales and netback calculations, most of which are submitted in Adobe Acrobat pdf format, which is not a suitable format for data storage or use. Assembling this data in a useable format is time-intensive and subject to error, as the data are cut and pasted into spreadsheets manually. Further compilations and changes subject the data to additional error and distortion.

The department's access to and use of this important data would be substantially improved if the information were housed in a central database, with access provided to all users of the data. The department believes securing a database will assist in operating more efficiently and effectively as an interface with both taxpayers and the public.

Conclusions and Recommendations

A government's fiscal regime is just one element for oil and gas companies to consider when weighing options for where to invest. Many other elements, such as resource risk, political risk, environmental factors, and availability of labor and equipment, also play a part in companies' decisions about where to invest. It is very difficult to separate these factors in order to determine the extent to which a government's fiscal system influences investment choices.

While it is untenable to blame a tax system for the lack of industry investment, it is equally untenable to claim that the tax system is the reason increased activity or investment occurs. The past three years have seen dramatic swings in oil prices from a high of $134 per barrel to a low of $38 per barrel just 6 months later. An economic recession stifled investment and business activity in the United States and much of the developed world for over a year. The economic activity of the past three years may not have been the best benchmark by which to judge the impact of a tax system.

Nevertheless, it is prudent for state officials to monitor praise for and criticisms of its fiscal systems from both industry and the general population that they serve. High oil prices of recent years have swelled state bank accounts and some have suggested that the state is in the best financial position since statehood. Business periodicals and industry journals report that state is benefitting at the expense of a single industry – petroleum – and that the tax rate under ACES is too high and "takes away the upside" for the oil and gas producers. Criticism is often centered around the marginal tax rate under ACES, under which the government share of each additional dollar of profit may be as high as 93%.

State officials also make efforts to stay informed on the global oil and gas markets and opportunities in other jurisdictions, including how Alaska ranks competitively against them. Among the recent events in government taxation was the royalty modification undertaken by the Canadian province of Alberta. Studies conducted for the Alberta government showed that the royalty changes made in 2007, combined with the recession, the changes in natural gas markets, and other jurisdictions' efforts to attract investment, were making Alberta less competitive for limited petroleum investment

capital. The government responded to this information by changing its royalty structure in a way that the government's share of oil and gas profits would be lower.

The State of Alaska depends heavily on the oil industry, with more than 80% of its unrestricted revenue coming from oil taxes and royalties. State officials should continue to monitor the state's competitiveness in oil and gas opportunities, and be prepared to modify it as the need arises.

FY2012 SUPPLEMENTAL REQUESTS

#	Bill Sec.	Bill Page	Bill Line	Department	Component or Capital	Description of Supplemental Need	Unrestricted General Funds	Designated General Funds	Other Funds	Federal Funds	Fund Source	Total Funds
88	6(b)	12	7	Commerce	Capital	Reappropriate the unexpended and unobligated balance of the appropriation made in sec. 78(c), ch. 1, SSSLA 2002, page 132, lines 2 - 5, as amended by sec. 69, ch. 29, SLA 2008, page 225, lines 24 - 29, estimated to be $8,965,000, to the Alaska Energy Authority and allocated in the following amounts: (1) $1,000,000 for a Railbelt-wide detailed transmission line plan; (2) the balance, estimated to be $7,965,000, for the upgrade and extension of the Anchorage to Fairbanks power transmission line intertie to a southern terminus in the Point MacKenzie area.	0.0	0.0	0.0	0.0		0.0
90	6(c)	12	17	Commerce	Capital	Reappropriate the unexpended and unobligated balance of the appropriation made in sec. 39(a)(4), ch. 15, SLA 2009, page 80, line 6 to new entities to replace Coastal Resource Service Area (CRSA) grantees that no longer exist for federally approved Coastal Impact Assistance Program grants.	0.0	0.0	0.0	0.0		0.0
91	7	13	3	Corrections	Capital	Reappropriate the unexpended and unobligated balance, not to exceed $100,000, of the appropriation made in sec. 1, ch. 5, FSSLA 2011, page 79, lines 16-18 for the Combined Hiland Mountain Correctional Center land transfer.	0.0	0.0	0.0	0.0		
92	8	13	8	Education and Early Development	Commissioner's Office	Judgments and Settlements Settlement between Department of Education and Citizens for the Educational Advancement of Alaska's Children (CEAAC), related to the state's education system for the fiscal years ending June 30, 2012 through June 30, 2017.	18,000.0	0.0	0.0	0.0	1004 General Fund	18,000.0
93	9(a)	13	14	Law	Deputy Attorney General's Office	Judgments and Settlements Actual judgment and settlement costs received as of January 30, 2012	20,770.8	0.0	0.0	0.0	1004 General Fund	20,770.8
	9(b)	13	18	Law	Deputy Attorney General's Office	Judgments and Settlements Actual judgment and settlement costs incurred in the fiscal year ending June 30, 2012 but not included in the previous subsection.	0.0	0.0	0.0	0.0	1004 General Fund	0.0
94-1	10(a)	13	23	Military and Veterans Affairs	Army Guard Facilities Maintenance	Scope Change: Section 13, ch. 29, SLA 2008, page 151, lines 27-28 Anchorage Armory Roof Replacement and G-Wing Preparation	0.0	0.0	0.0	0.0	1003 General Fund Match (380.5) 1004 General Fund 380.5	0.0
94-2	10(b)	13	30	Military and Veterans Affairs	Army Guard Facilities Maintenance	Amend: Section 1, ch. 5, FSSLA 2011, page 88, line 21 State Match Requirement Change for Federal Energy Projects The federal/state funding ratios for armory operations in Kodiak, Ketchikan, and Kenai have changed due to federal regulations regarding funding and armory use.	7.5	0.0	0.0	(7.5)	1003 General Fund Match 1002 Federal Receipts	0.0
94-4	10(c)	14	4	Military and Veterans Affairs	Army Guard Facilities Maintenance	Amend: Section 4, ch. 43, SLA 2010, page 12 line 27 State Match Requirement Change for Deferred Maintenance Projects in Kodiak, Ketchikan, and Kenai The federal/state funding ratios for armory operations in Kodiak, Ketchikan, and Kenai have changed due to federal regulations regarding funding and armory use.	737.5	0.0	0.0	(737.5)	1003 General Fund Match 1002 Federal Receipts	0.0
94-5	11	14	9	Natural Resources	Gas Pipeline Project	Extend the lapse date for permitting and application processing related to the state gas pipeline right-of-way work related to bringing North Slope natural gas to market, made in Section 22(c), ch. 14, SLA 2009, as amended by sec. 11(c), ch. 1, FSSLA 2011, from June 30, 2012 to June 30, 2013.	0.0	0.0	0.0	0.0		0.0

FY2012 SUPPLEMENTAL REQUESTS

PG #

	Bill Sec.	Bill Page	Bill Line	Department	Component or Capital	Description of Supplemental Need	Unrestricted General Funds	Designated General Funds	Other Funds	Federal Funds	Fund Source	Total Funds
86 (94-6)	12	14	12	State Debt and Other Obligations	International Airports Revenue Bonds	Amend: Section 32(q), ch. 3, FSSLA 2011 This allows the Alaska International Airport System to restructure debt payments to include additional passenger facility charge (PFC) revenue and the International Airports Construction Fund.	0.0	0.0	0.0	0.0	1027 Int Airports Revenue Fund (13,500.0) 1112 Int Airports Construction Fund 10,000.0 1179 Passenger Facility Charges 3,500.0	0.0
87 (94-7)	13	14	27	Fund Capitalization	Disaster Relief Fund	Supplemental Disaster Funding Current disasters are expected to exhaust the available general funds in the Disaster Relief Fund. In addition to fall and winter storms, traditionally there are springs floods that have been eligible for expenditures from the Disaster Relief Fund. The impact of this supplemental request is being considered for a FY2013 budget amendment.	3,000.0	0.0	0.0	0.0	1004 General Fund	3,000.0
88 (95)	14	14	29	Ratifications (see below)		(See below)						0.0
89	15	15	9	Budget Reserve Fund		The unobligated balance of the operating general fund at the close of business on June 30, 2012, is appropriated to the Budget Reserve Fund.						0.0
90	16(a)	15	12	Lapse of Appropriations		The appropriations made by secs. 6, 7, and 10 of this Act are for capital projects and lapse under AS 37.25.020.						0.0
91	16(b)	15	14	Lapse of Appropriations		The appropriations made by secs. 13 and 15 of this Act are for the capitalization of funds and do not lapse.						
92	17	15	16	Retroactivity		Section 14(b) of this Act is retroactive to June 30, 2011.						0.0
93	18	15	17	Effective Date		This Act take effect April 15, 2012						
94						**Total of Supplemental Requests**	78,514.7	(2,350.6)	4,801.0	16,271.3		97,236.4
95												
96	IFICATIONS					**AR and AR Name**						
97	14(a)	14	29	Natural Resources	Fire Suppression Activity	AR 37313-11 Fire General Fund	36,388.9					36,388.9
98	14(b)(1)	15	7	Public Safety	Statewide Facility Maintenance	AR 47410-11 Statewide Facility Maintenance	152.1					152.1
99	14(b)(2)	15	8	Public Safety	Laboratory Services	AR 47892-11 Crime Lab Toxicology Unbudgeted RSA	2.2					2.2

Scope Change: Anchorage Armory Roof Replacement and G-Wing Preparation | **FY2012 Request:** $0 | **Reference No:** 45205

AP/AL: Appropriation
Project Type: Deferred Maintenance
Category: Public Protection
Location: Joint Base Elmendorf - Richardson
House District: Military (HD 18)
Impact House District: Anchorage Areawide (HD 17-32)
Contact: McHugh Pierre
Estimated Project Dates: 04/15/2012 - 06/30/2013
Contact Phone: (907)428-6003

Brief Summary and Statement of Need:
A scope change is requested on an existing $4 million appropriation titled "Anchorage Armory Roof Replacement" to expand the language to allow the Department of Military and Veterans Affairs to provide needed site preparation for the G-Wing at the same facility.

Funding:	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	Total
G/F Match	$-380,500						$-380,500
Gen Fund	$380,500						$380,500
Total:	$0	$0	$0	$0	$0	$0	$0

☐ State Match Required ☑ One-Time Project ☐ Phased - new ☐ Phased - underway ☐ On-Going
0% = Minimum State Match % Required ☐ Amendment ☐ Mental Health Bill

Operating & Maintenance Costs:

	Amount	Staff
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	
Totals:	0	0

Additional Information / Prior Funding History:
Original appropriation: SLA 2008 Chapter 29 (SB221), Section 13, Page 151, Line 27.

Project Description/Justification:
The original appropriation provided funding for a life cycle replacement of the Anchorage Armory roof. $4,000,000 was appropriated for the project and included a 50% general fund match (GFM) requirement. The project was completed in FY2011 under budget. There is remaining authorization of $380,500 in general fund match.

The requested language change expands the title from "Anchorage Armory Roof Replacement" to "Anchorage Armory Roof Replacement and G-Wing Preparation". This project will provide for site preparation work associated with Anchorage Armory expansion at Camp Denali. Site prep work may include but is not limited to land clearing, construction access road development, sidewalk and asphalt demolition, communications tower and utility relocation. The department wishes to amend the funding source from general fund match to general fund.

Federal Energy Projects | **FY2012 Request:** $0 | **Reference No:** 50957

AP/AL: Appropriation with Allocations | **Project Type:** Energy
Category: Public Protection
Location: Statewide | **House District:** Statewide (HD 1-40)
Impact House District: Statewide (HD 1-40) | **Contact:** McHugh Pierre
Estimated Project Dates: 04/15/2012 - 06/30/2016 | **Contact Phone:** (907)428-6003

Brief Summary and Statement of Need:
This request will provide additional matching funding for federal energy projects at Kenai, Ketchikan, and Kodiak. The federal funding ratio has changed due to federal regulations regarding funding and armory use. The total request for the federal energy projects remains $490,000. The funding split is amended to from $10,000 general funds and $480,000 federal funds to $17,500 general funds and $472,500 federal funds.

Funding:	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	Total
Fed Rcpts	$-7,500						$-7,500
G/F Match	$7,500						$7,500
Total:	$0	$0	$0	$0	$0	$0	$0

☐ State Match Required ☐ One-Time Project ☐ Phased - new ☐ Phased - underway ☑ On-Going
0% = Minimum State Match % Required ☐ Amendment ☐ Mental Health Bill

Operating & Maintenance Costs:

	Amount	Staff
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	
Totals:	0	0

Additional Information / Prior Funding History:
Original appropriation and allocations: Chapter 5, Section 1, FSSLA 2011 (SB46), page 88, line 21 - page 89, line 4

Project Description/Justification:
The federal funding ratio for armory maintenance and renovation has changed due to federal regulations regarding funding and armory use. Three projects appropriated in Chapter 5 FSSLA 2011 now require additional state match.

The project scope and total project costs remain the same.

Allocations Affected	General Fund Match	Federal Funds
Kenai Replace Exterior Lights with LEDs	2.5	(2.5)
Ketchikan Replace Exterior Lights with LEDs	2.5	(2.5)
Kodiak Replace Exterior Lights with LEDs	2.5	(2.5)

Deferred Maintenance Projects **FY2012 Request:** **$0**
Reference No: **49583**

AP/AL: Appropriation with Allocations
Project Type: Deferred Maintenance
Category: Public Protection
Location: Statewide
House District: Statewide (HD 1-40)
Impact House District: Statewide (HD 1-40)
Contact: McHugh Pierre
Estimated Project Dates: 04/15/2012 - 06/30/2014
Contact Phone: (907)428-6003

Brief Summary and Statement of Need:
Funding is requested to provide the required match for the Kodiak, Ketchikan, and Kenai projects from the FY2010 Deferred Maintenance Supplemental Request. The project description/justification of the individual allocations within this appropriation request for Deferred Maintenance Projects is amended. These projects repair state facilities to improve the life of state assets.
This total request remains $10,300,000. The funding split is amended to $4,712,500 General Funds and $5,587,500 Federal Funds.

Funding:	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	Total
Fed Rcpts	$-737,500						$-737,500
G/F Match	$737,500						$737,500
Total:	$0	$0	$0	$0	$0	$0	$0

☐ State Match Required ☐ One-Time Project ☐ Phased - new ☐ Phased - underway ☑ On-Going
0% = Minimum State Match % Required ☐ Amendment ☐ Mental Health Bill

Operating & Maintenance Costs:

	Amount	Staff
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	
Totals:	0	0

Additional Information / Prior Funding History:
Original appropriation and allocations: Original allocation: Ch 43, Sec. 4, SLA 2010 (SB 230), page 12, line 27 - page 13, line 6

Project Description/Justification:
Due to the state to federal funding ratio change, the amount of state match for some projects has increased from 25% state/75% federal to 50% state/50% federal.

Allocations Affected	General Fund Match	Federal Funds
Armory Facilities Deferred Maintenance	200.0	(200.0)
Army Guard Facilities Projects Match Funding	537.5	(537.5)

Language Only

Change Record Detail with Description

Department of Natural Resources

Scenario: FY2012 Supplemental (9721)
Component: Gas Pipeline Project Office (2947)
RDU: Administration and Support (600)
Title: Extend Lapse Date for Gas Pipeline Permitting Ch. 1 FSSLA2011

Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions PFT	PPT	NP
Suppl	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0

The Department of Natural Resources (DNR) requests approval to extend the lapse date to June 30,2013 for the remaining general funds balance (estimated to be $1,177.3) for Gas Pipeline Permit (AR 37998).

Appropriation History:
Original appropriation: SLA2004 ch.159 Sec 24 page 82 line 6 Lapse: June 30, 2009
Reappropriated for the same purpose:SLA2009 ch. 14 Sec 12 page 18 lines 6-12
Lapse date: SLA2009 ch. 14 Sec 22 page 30 line 10 Lapse: June 20, 2011
Lapse extensions:
FSSLA2010 ch. 1 Sec11 page 36 line 2 Lapse: June 30, 2012

The intent of the appropriation is to fund the permitting and application processes related to gasline right-of-way work needed to bring North Slope natural gas to market. Industry will pay for much of the permitting and application processing. However, there is demand for work which will not be reimbursed by private industry.

Costs which are not covered through reimbursement by non-state agencies include:
- Legal counsel on a variety of items such as contaminated sites, authorities and responsibilities, opinions on actions taken by the state and general analysis of federal law as it relates to the DNR leasing process.
- Analysis of material site demands for infrastructure development at all stages of construction.
- Identification of infrastructure sites for construction and operations.
- Training staff on issues relating to project adjudication which include, but are not limited to engineering, environmental issues, and construction and operation of a pipeline.
- Contracting of independent engineering services to advise DNR to protect state interests.
- Field studies which expand the scope of work on an existing study and serve to maximize the benefit for the participating agency.
- General administrative costs.
- In-state and out-of-state travel to gather information relating to pipeline construction.
- Technical analysis of specific engineering issues in the early project stages.

This work will require the use of the remaining balance of the appropriation. It is expected that these funds will be expended or obligated by June 30, 2013. To date, $2,005.8 has been encumbered to support the continuing light detection and range data collection project along potential gas pipeline right of ways. This data will serve multiple purposes, but are primarily being collected to (1) evaluate active faulting, slope instability, thaw settlement, erosion, and other engineering constraints along the proposed pipeline routes and (2) provide a base layer for the state-federal GIS database that will be used to evaluate permit applications and-construction plans.

Language Only

Change Record Detail with Description

Debt Service

Scenario: FY2012 Supplemental (9721)
Component: International Airport Revenue Bonds (2284)
RDU: Debt Service (251)
Title: Fund Source Changes for FY2012 Alaska International Airport System Debt Service Payments

	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions PFT	PPT	NP
	Suppl	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
1027 Int Airprt	-13,500.0											
1112 IntAptCons	10,000.0											
1179 PFC	3,500.0											

The Alaska International Airport System (AIAS) requests fund source changes relating to FY2012 International Airport debt service in order to increase the amount of Passenger Facility Charges (PFC) currently approved, and to use a portion of existing AIAS Construction Funds for FY2012 debt service payments. As with previous supplemental requests in years' past, this request utilizes amounts deemed by AIAS as surplus and available in order to help minimize the amount of revenue needed to be collected from airport customers while meeting debt service coverage ratios required under the bond resolution rate covenant.

The AIAS proposes increasing the use of PFC previously collected under the provisions of an Federal Aviation Administration PFC application for the payment of FY2012 annual debt service in the amount of an additional $3.5 million and Construction Funds in the amount of $10.0 million in order to help ensure FY2012 debt service covenants are met without raising rates and fees to AIAS customers in excess of the increased landing fee revision implemented November 1, 2011.

The use of these particular funds in lieu of the International Airports Revenue Fund also allows the AIAS to provide debt service payments from funds on hand, net of the additional 25% debt service coverage which would otherwise be required to be collected through current fiscal year operating revenue rate and fee increases to AIAS customers.

These appropriation changes will allow AIAS to meet the technical requirements of their bond resolution rate covenant while also minimizing the need for rate and fee changes to customers. Both are required to meet fiscal obligations and maintain fiscal integrity.

Language Only

Change Record Detail with Description

Fund Capitalization

Scenario: FY2012 Supplemental (9721)
Component: Disaster Relief Fund (2497)
RDU: Fund Capitalization (OpSys) (608)
Title: Supplemental Disaster Funding

	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions PFT	PPT	NP
	Suppl	3,000.0	0.0	0.0	0.0	0.0	0.0	3,000.0	0.0	0	0	0
1004 Gen Fund	3,000.0											

Current disasters are expected to exhaust the available general funds in the Disaster Relief Fund. In addition to fall and winter storms, traditionally there are springs floods that have been eligible for expenditures from the Disaster Relief Fund.

The impact of this supplemental request is being considered for a FY2013 budget amendment.

94-7

2/17/12 DEPARTMENT OF TRANSPORTATION OVERVIEW: ROADS TO RESOURCES

<TARGET><BILL></BILL><SUBJECT>2-17-12 DEPARTMENT OF TRANSPORTATION OVERVIEW ROADS TO RESOURCES</SUBJECT><COMM>SFIN27</COMM></TARGET>

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

Senator Bert Stedman, Co-Chair
State Capitol, Room 516
Juneau, AK 99801-1182
(907) 465- 3873 - Phone
(907) 465-3922 - Fax
Senator_Bert_Stedman@legis.state.ak.us

Official Business

Senator Lyman Hoffman, Co-Chair
State Capitol, Room 518
Juneau, AK 99801-1182
Phone - (907) 465- 4453
Fax - (907) 465- 4523
Senator_Lyman_Hoffman@legis.state.ak.us

AGENDA

Friday, February 17, 2012 Senate Finance Room 532 – 9:00 AM

Department of Transportation Overview: Roads to Resources
Bills Previously Heard/Scheduled

Sen Giessel



Alaska Department of Transportation & Public Facilities

Roads to Resources
Senate Finance Committee Presentation

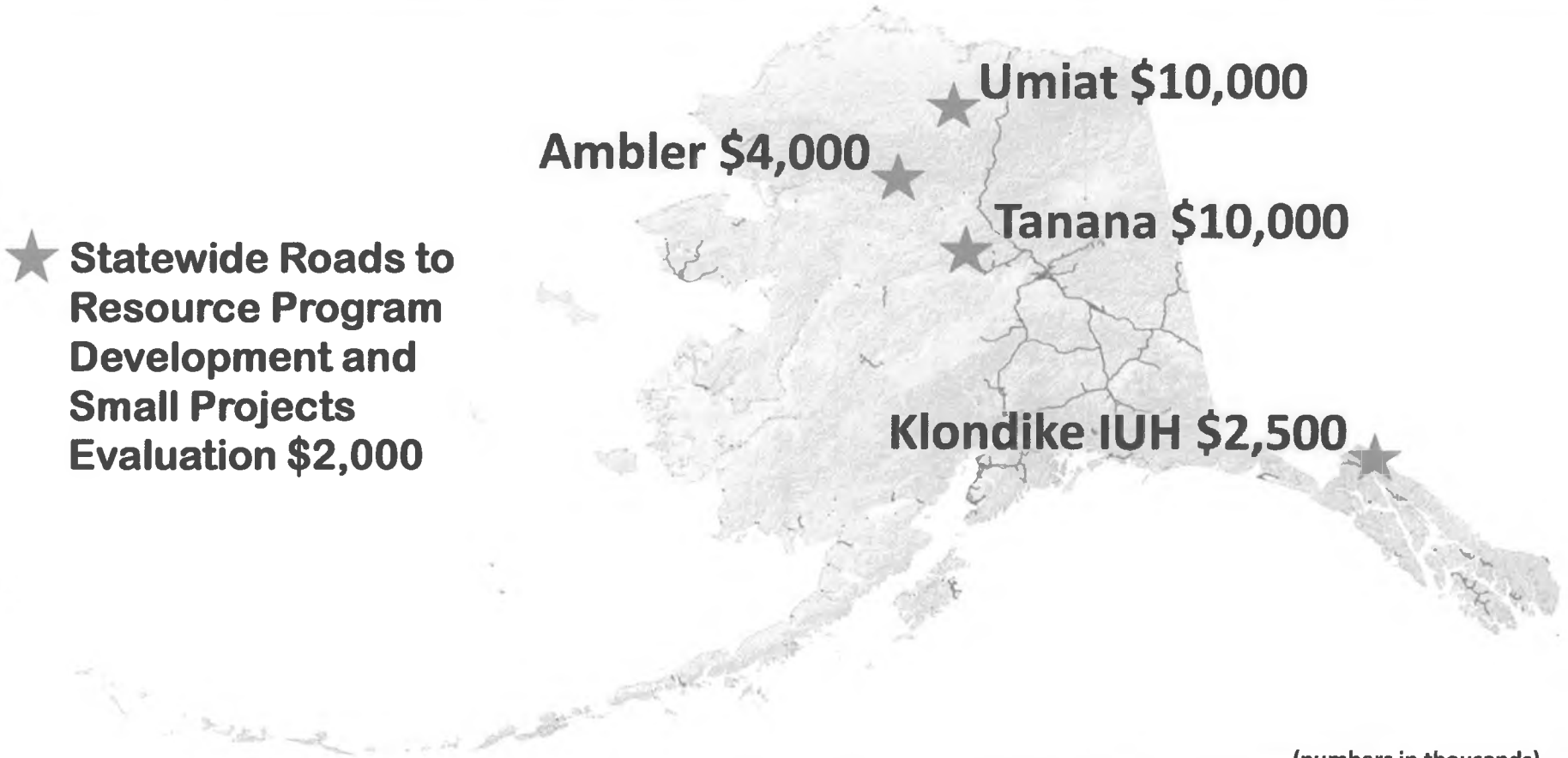
February 17, 2012

Patrick Kemp, P.E.
Deputy Commissioner

Joe Buck, P.E.
Roads to Resource Manager



Roads to Resources
2013 Capital Budget Request

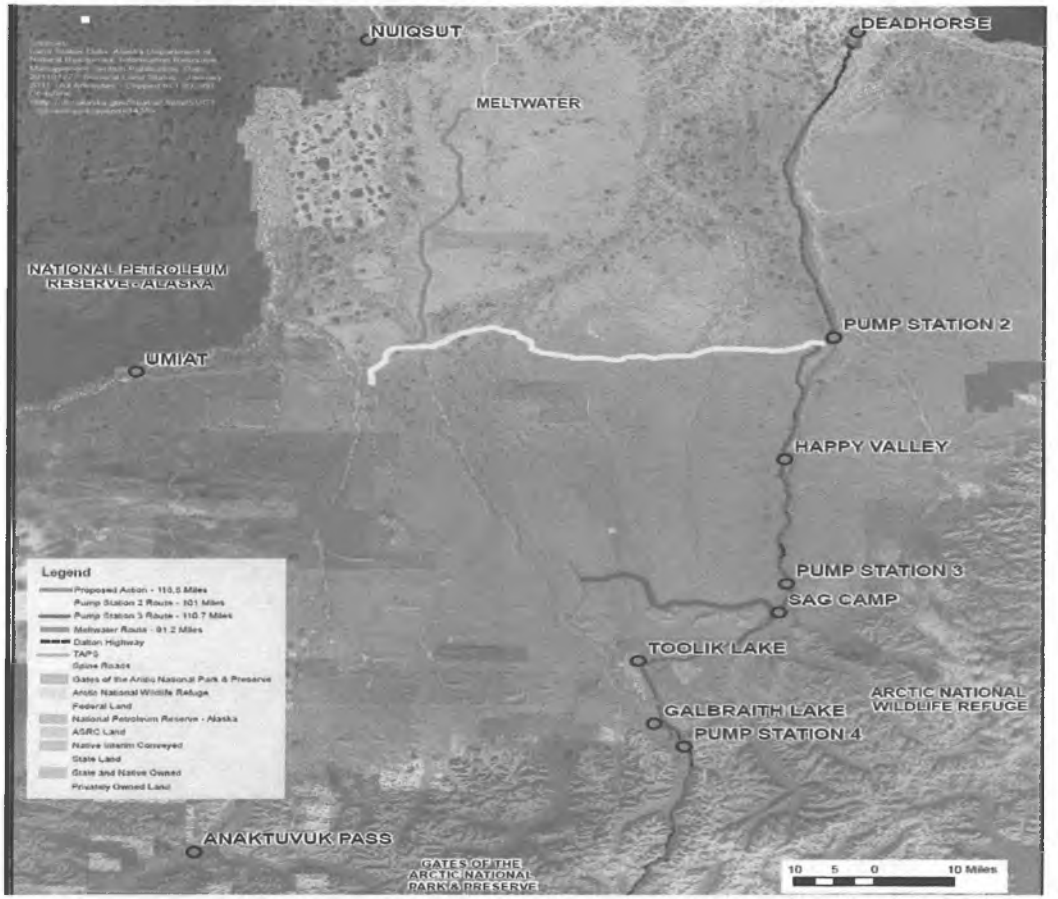


★ **Statewide Roads to Resource Program Development and Small Projects Evaluation $2,000**

(numbers in thousands)



Road to Umiat - Foothills West



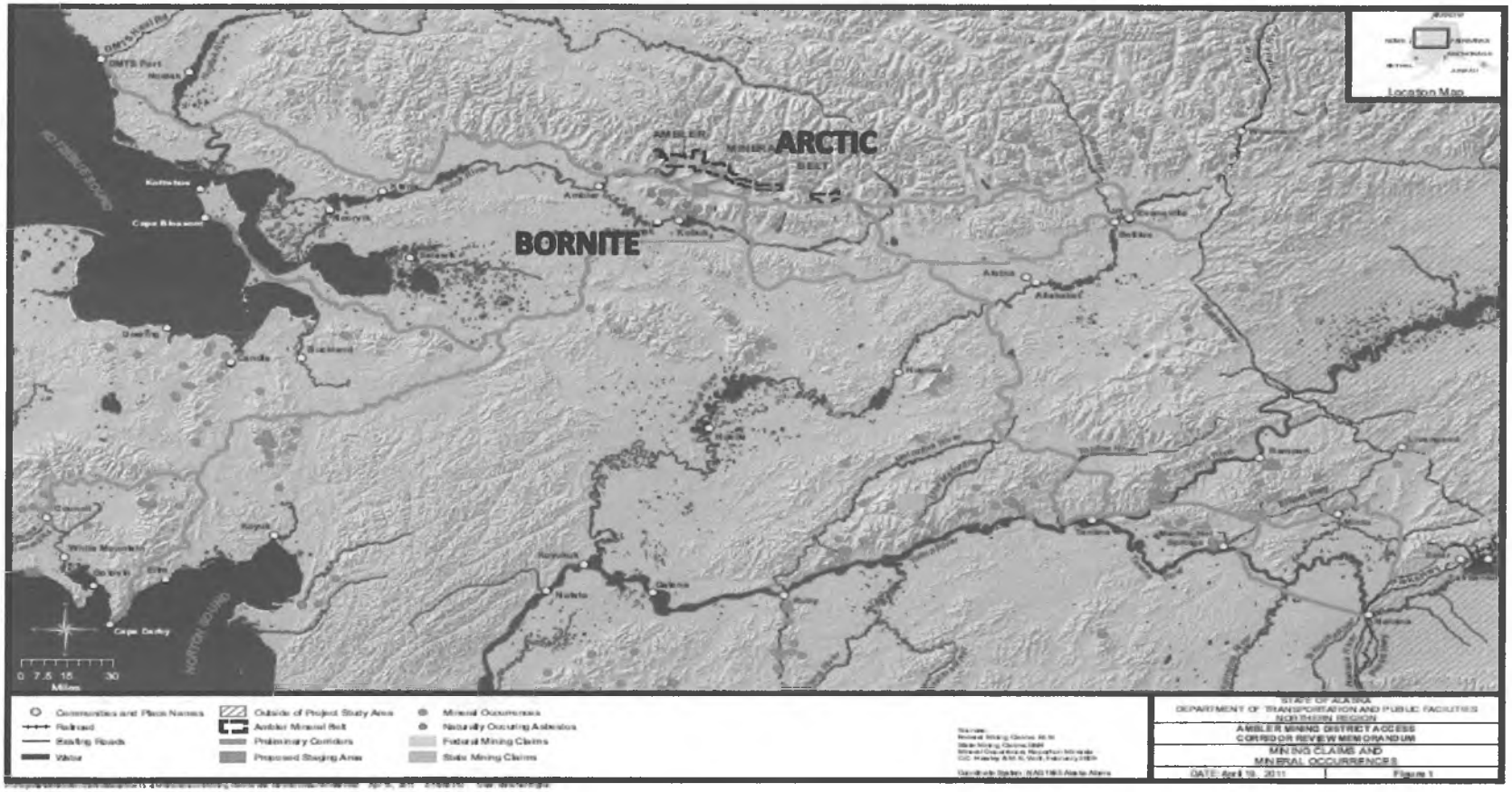


Road to Umiat – Foothills West

- Umiat is a petroleum rich area, 200 to 300 million barrels of oil, and over 31 trillion cubic feet of gas
- 18’ wide road with inner-visible turnouts
- $200 million to $300 million construction estimate for road and bridges
- Draft EIS scheduled for December 2012, with R.O.D. in mid-2013



Ambler Mining District Access



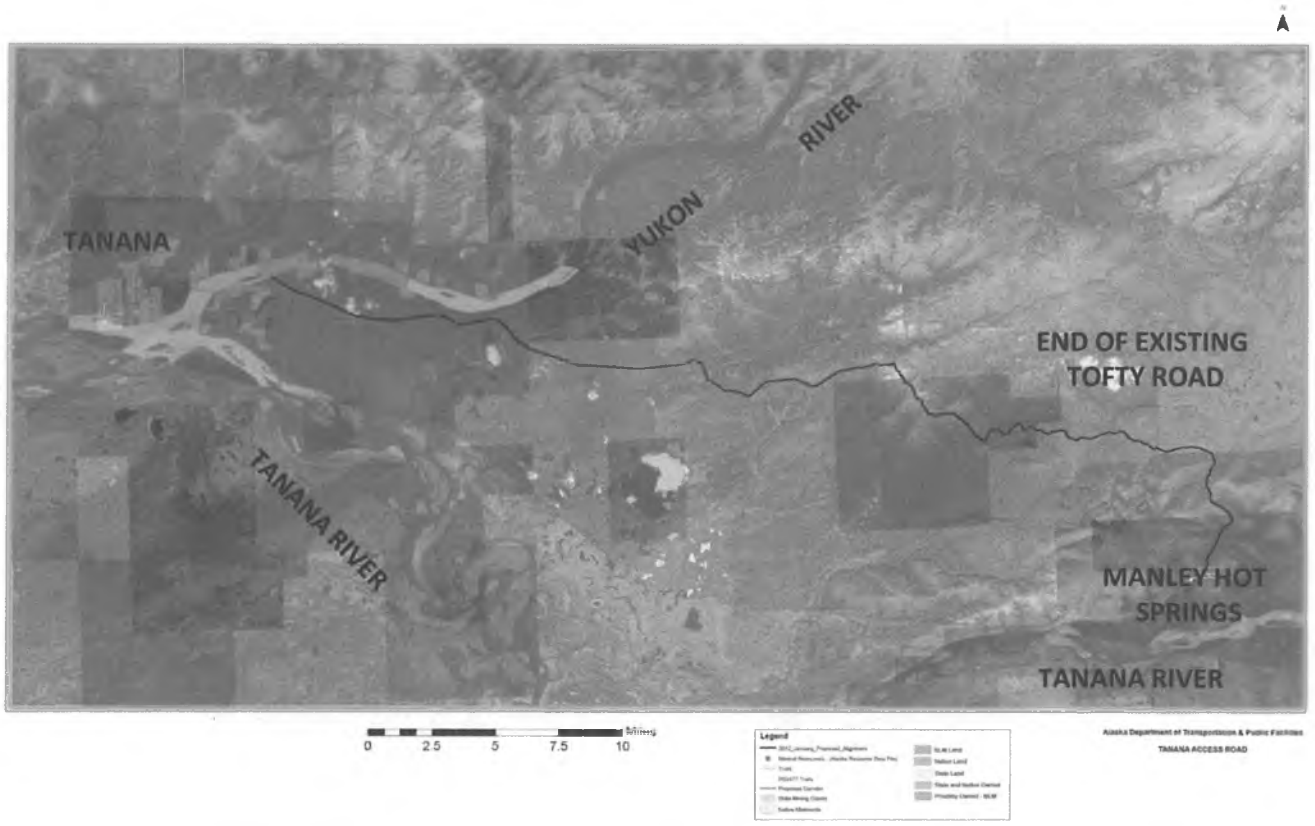


Roads to Resources
Ambler Mining District Access

- Ambler Mining District is a mineral rich area (Cu, Zn, Pb, Ag, and Au)
- 300 direct jobs for development of NovaCopper's Arctic deposit
- NovaCopper and NANA Corp. have entered into a partnership to develop mineral resources
- Road and rail alternatives being considered



Tanana Access Road Map



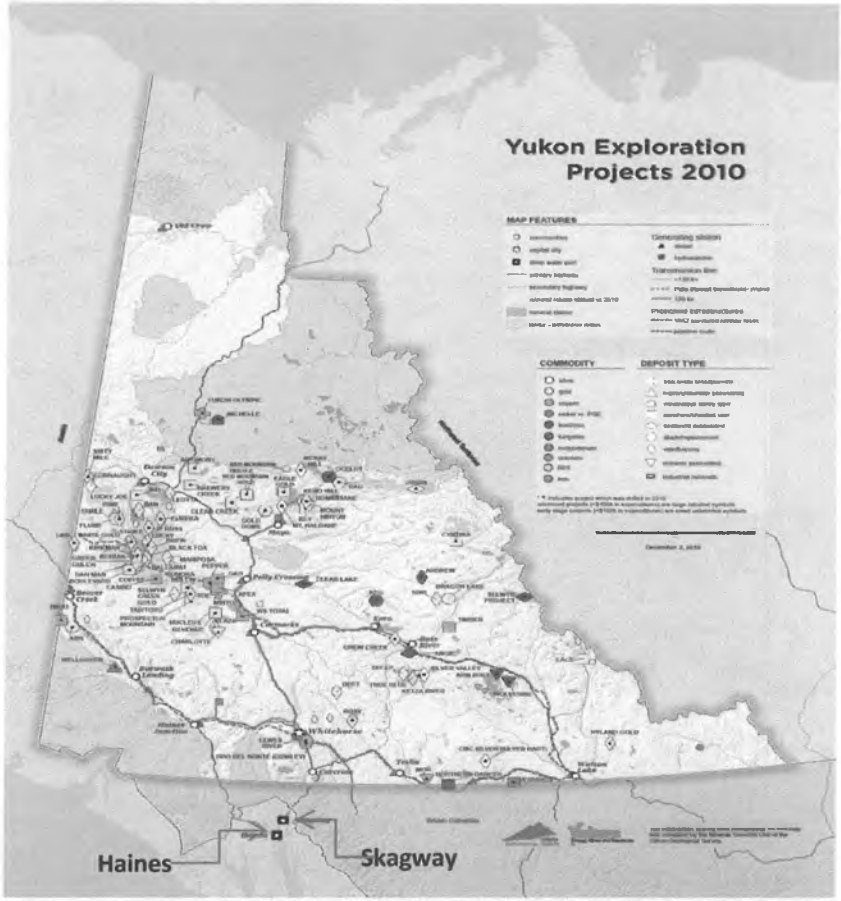


Road to Tanana

- Mineral rich area with mines in production
- Added benefit of providing road access to the community of Tanana
- 18’ wide road with inner-visible turnouts
- Begin construction in 2013



Klondike Industrial Use Highway (IUH)





Klondike Industrial Use Highway (IUH)

- Yukon ore haul volumes to Skagway are projected to significantly increase due to Canadian mine industry growth
- The Klondike IUH is the only Industrial Use Highway in Alaska
- Tolls collected since 1985
- Replace bridge and strengthen pavement to support heavy haul ore trucks



Other Potential Projects

- Road to Beluga (gas and coal)
- Niblack Mine Access- Prince of Wales (Au, Ag, Cu, Zn, Pb)
- Bokan Mtn. Mine Access- Prince of Wales (REE)
- Totchaket Road- Nenana (agriculture/ timber/ potential gas & minerals)
- Granduc Mine- Hyder Salmon Road (Cu)
- Katlian Quarry – Baranof Island
- Marshall Quarry – Yukon River

Title: Road to Umiat – Foothills West Access

Location: The Foothills West Access study area ranges from a northern limit at Franklin Bluffs along the Dalton Highway at Milepost 376, south to Galbraith Lake near Dalton Highway Milepost 278, and from those points west to converge on the state owned airport at Umiat. Umiat is located approximately 90 miles west of the Dalton Highway and TAPS Pump Station 2. The access study area is approximately 3,940 square miles. See attached Resource Areas map – Foothills West Transportation Access EIS, June 2011.

Purpose: The State of Alaska proposes to improve access to known Gubik gas and Umiat oil accumulations, and optimize exploration and development of hydrocarbon resources, within the Foothills Areawide Lease Sale area. To facilitate this proposal, the State of Alaska, through the DOT&PF, proposes to construct an all-season gravel road from the Dalton Highway to Umiat, Alaska. Road access would optimize and expand oil and gas exploration and development of known hydrocarbon resources in the Foothills Areawide Lease Sale area, as well as facilitate a more economically feasible development of the NPR-A. The Foothills West Transportation Project is considered an important investment by the State of Alaska to further oil and gas resource development opportunities to benefit Alaska's economy.

Project Description: The proposed road would be designed to safely accommodate industrial traffic in arctic conditions. Construction components of the road corridor would include an all-season gravel road, associated bridges, pull-outs, maintenance facilities, temporary construction camps, and material sites.

The road will be initially constructed to Industrial Access Road standards as defined by AASHTO classification, "Special Resource Recover Roads", to include:

- Single lane industrial access road
- 18' wide roadway with 2'shoulders to accommodate thermal degradation
- Gravel embankment: minimum 6' depth at centerline
- 9" crushed rock surfacing with palliatives for dust control
- 200' long x 25' wide inter-visible vehicle turnouts

Estimated Cost of Construction = $200 to $400 million for road and bridges, depending on selected alternative.

Schedule Status: EIS schedule from ACOE project webpage (2/15/12)

Notice of intent Published:	May 20, 2011
Public Scoping Period:	May 20 – July 26, 2011
Public Scoping Meetings:	June 8 – 16, 2011
Scoping Report published:	Winter 2012 (February)
Draft EIS published:	Fall 2013
Public Comment on Draft EIS & ANILCA §810 Hearings:	Fall 2013
Final EIS published:	Fall 2014
Record of Decision:	Winter 2014

Funding Sources: FY2013 Governor's Budget Proposal = $10 million

Issues:

- The project is currently in the NEPA phase with the Army Corp of Engineers as the lead federal agency. The ACOE has hired AECOM as their EIS consultant. The Alaska Department of Natural Resources and the Bureau of Land Management are cooperating agencies in the NEPA process. ADOT&PF is the permit applicant for the State of Alaska.

- Human Impact Assessment (HIA) work currently underway is coordinated through ADNR-OPMP, is being managed by the ADH&SS HIA group, and has contracted with the consultant NewFields of Denver CO. The work is to be completed by summer 2012 for inclusion with the Preliminary Draft EIS as an appendix.

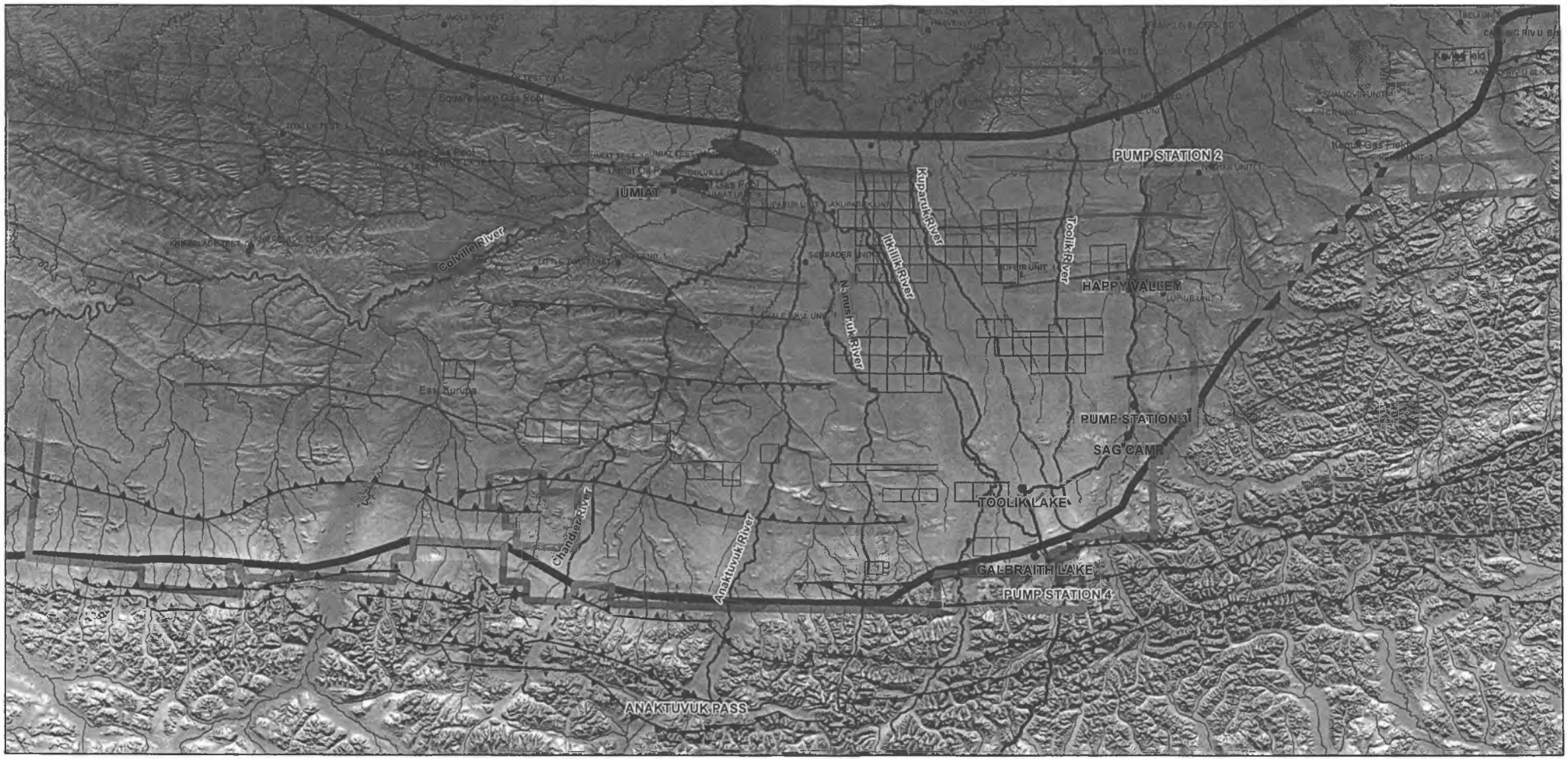
- Caribou Survey Studies and a Subsistence Impact Assessment are being conducted by the Alaska Department of Fish & Game. This work is to be completed by summer 2012 for inclusion in the Preliminary Draft EIs as an appendix.

- The Umiat and Foothills Areawide Lease Sales area is a petroleum rich region with an estimated 200 to 300 million barrels of oil, and over 31 trillion cubic feet of gas.

References:

www.foothillsroad.alaska.gov/ (ADOT&FP Northern Region project webpage)
www.foothillswesteis.com (ACOE NEPA project webpage)
Resource Areas map, Foothills West Transportation Access EIS, June 2011

Foothills West Transportation Access EIS June 2011



Data Sources:
Geologic Structure Data: "Regional Geology of the North Slope of Alaska" Map, published April 2008. State of Alaska, Department of Natural Resources, Division of Oil and Gas http://www.dog.dnr.alaska.gov/oil/products/maps/northslope/nsrs/NS_RegionalGeology_60x36_040808.pdf

Oil and Gas Accumulation Data: State of Alaska Department of Natural Resources, Division of Oil and Gas; Oil and Gas Accumulations (as of January 12, 2009); http://www.dog.dnr.state.ak.us/oil/products/data/downloads/downloads.htm

Oil and Gas Leases Data: Statewide Oil & Gas PA Boundaries Shapefile, Alaska Department of Natural Resources, Division Oil and Gas; Statewide Oil & Gas PA Boundaries; http://www.dog.dnr.state.ak.us/oil/products/data/downloads/downloads.htm

Source of Map: Alaska Department of Transportation & Public Facilities

Note:
Potential resource target areas reflect areas of mapped geologic anticlinal structures. Potential resource target areas may be inferred between these structures but are not shown on this map.

20 10 0 20 Miles

Legend

- Gas Accumulations
- Oil Accumulations
- Potential Resource Target Areas
- Anticlines
- Thrust Faults
- Foothills Lease Sale Area
- Physiographic Province
- Umiat Baseline
- Foothills Study Area
- Dalton Highway
- TAPS
- Proposed Road Corridor
- Historic Exploration Wells
- Oil & Gas Leases (as of March 4, 2011)

Resource Areas

Title: Ambler Mining District Access

Location: The project study area extends from the Ambler mineral belt south to Nenana and from the Dalton Highway to the west coast of Alaska. Eight potential corridors were initially identified within the project study area.

Purpose: Provide all-season transportation access to promote exploration, development, and production of known mineral resources in the Ambler mineral belt. The project will assess, identify, permit, design, and develop a transportation corridor from the Ambler mineral belt to either a port location on the west coast of Alaska or the surface transportation system in Alaska's Interior. Both road and rail options are being evaluated. The selected corridor is intended to provide surface transportation access to state, private, and native corporate lands to facilitate exploration and development of mineral resources in the region.

Project Description: Conduct a transportation corridor feasibility and preliminary engineering assessment to determine an optimal transportation mode and corridor, proceed with permitting and environmental documentation, and establish a right-of-way. Thereafter, some form of public-private partnership (3P) would be structured to proceed with private financing, final design, construction, operations and maintenance; relying on user commitments to repay capital investments.

Eight transportation corridors have been evaluated and the Brooks East Corridor option refined for further evaluation due to ranking scores. The corridor matrix criteria were evaluated and scored based on 1) corridor length, 2) Federal Conservation System Unit impact, 3) wild & scenic river impact, 4) salmon/shee fish river impact, 5) caribou habitat impact, 6) threatened & endangered species/critical habitat area impact, 7) availability of material sites, 8) large bridges requirements, 9) construction costs, 10) maintenance costs, and 11) special considerations.

The Brooks East Corridor is the shortest option, measuring 220 miles from the Ambler mineral belt to the Dalton Highway. The corridor leaves the Ambler mineral belt and travels east to the Dalton Highway, staying primarily in the foothills of the Brooks Range and crossing the lower portion of the Gates of the Arctic National Park and Preserve and the Kobuk Wild & Scenic River. The corridor connects to the Dalton Highway at Prospect Creek.

Corridor Length =	220 miles
Material site availability =	100% of length
Total bridges =	13 totaling 5000 lf
Estimated construction cost =	$430 million

The roadway construction costs assume construction of a narrow industrial access road with clearing, embankment, gravel surfacing, and inner-visible turnouts.

Schedule Status:

Public outreach w/ 9 communities:	December 2011 to January 2012
Develop Proposed Action:	January 2012 to December 2012
EIS Initiation:	February 2013
Engineering Baseline Studies:	March 2012 to November 2012

Environmental Baseline Studies:	February 2012 to December 2013
EIS	April 2013 to August 2016
ROD	December 2016

Funding Sources: FY2013 Governor's Budget Proposal = $4 million

Issues:

- Meetings with the Upper Kobuk Valley communities were held in January, April, May, December 2011, and January, February 2012 to provide information on this study, and to gather information and feedback from the communities on potential access to the Ambler mineral belt. Information from these meetings was incorporated into the evaluations and will inform the engineering and environmental processes as the project moves forward. Meetings were also held with the National Park Service to discuss considerations related to corridors that cross through the Gates of the Arctic National Park and Preserve.

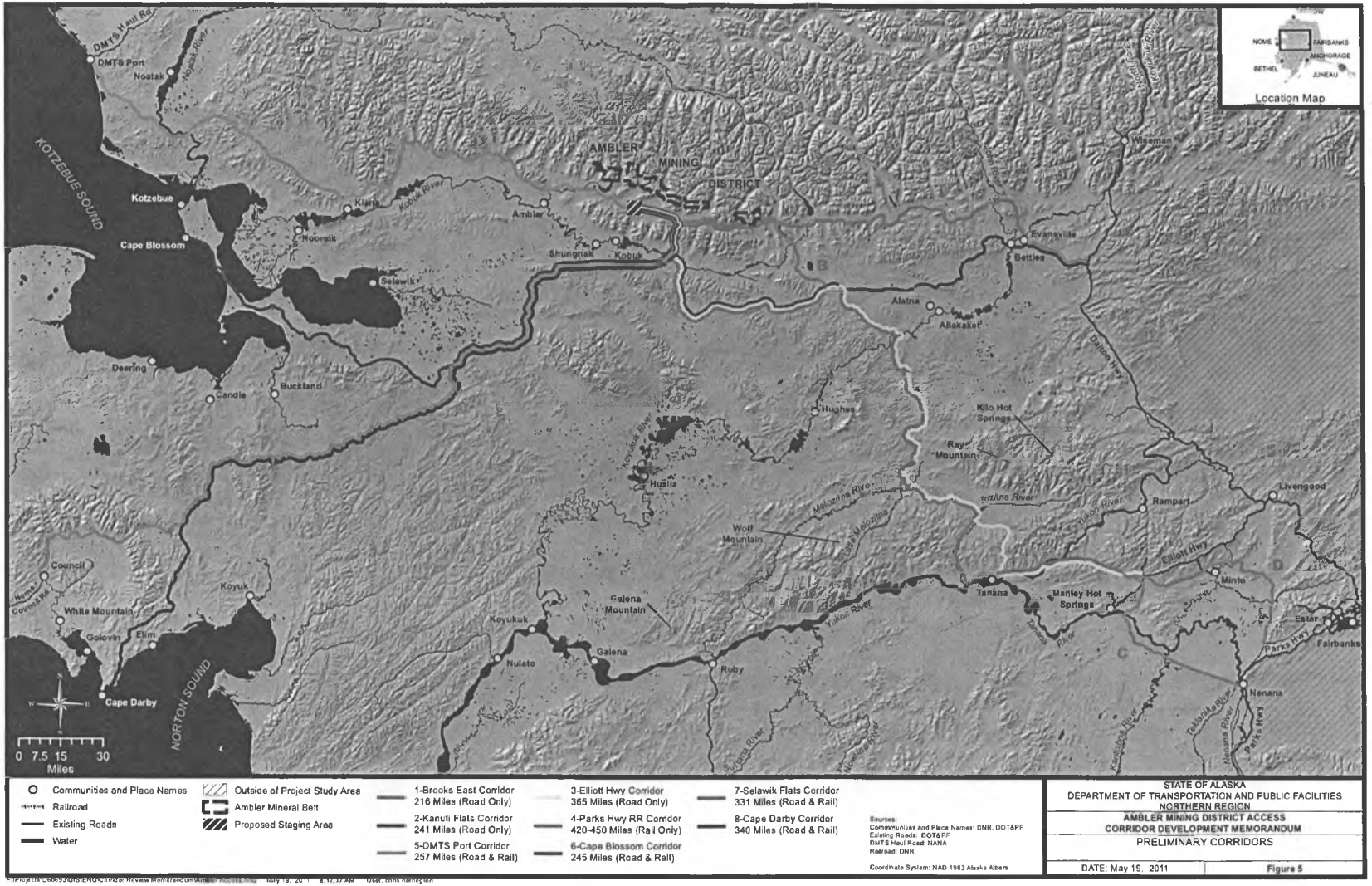
- Comprehensive subsistence mapping by contractor is scheduled to begin in spring of 2012 for the Upper Kobuk region. This work may be extended to Lower Kobuk depending on initial findings.

- Hydrological studies are being planned for selected rivers for spring 2012.

- Continuing overall engineering and environmental evaluations related to developing a proposed action.

References:

www.dowlhkm.com/projects/Amber_Mining_District_Access/new_website/index.html
Ambler Mining District Access - Summary Report, September 2011 (DOWL HKM)
Ambler Mining District Access - Corridor Development Memorandum, September 2011 (DOWL HKM)
Attached Ambler Mining District Access -Preliminary Corridors Map (5/19/2011)



STATE OF ALASKA
DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES
NORTHERN REGION

AMBLER MINING DISTRICT ACCESS
CORRIDOR DEVELOPMENT MEMORANDUM

PRELIMINARY CORRIDORS

DATE: May 19, 2011 | Figure 5

T:\Projects\26693\GIS\ENG\Corridor Review Memo\Ambler_Access.mxd May 19, 2011 8:17:37 AM User: chris.harrington

Title: Road to Tanana

Location: Extension of Tofty Road, between Manley Hot Springs and Tanana.

Purpose: Provide improved road access to known mineral developments in the Serpentine Ridge/Rough Top Mountain mineral belt to support mining opportunity expansion and resource exploration. The road will improve access between remote communities and connect to existing Elliot Highway near Fairbanks. The project would support regional and community sustainability by reducing the cost of living and providing greater opportunities for employment and commerce.

Project Description: The proposed road would be 54 miles in length, including the existing 15 miles of Tofty Road. The road will take advantage of existing pioneer roads alignments to minimize additional impacts to the environment. The road would be designed to safely accommodate public, commercial and industrial traffic.

The road will be constructed to Industrial Access Road Standards as defined by AASHTO classification, "Special Resource Recovery Roads", to include:

- Single lane industrial access road
- 18' wide roadway with 2' shoulders
- Gravel embankment – 6' min. depth at centerline
- 9" crushed rock surfacing with palliatives for dust control
- 200' x 25' inter-visible vehicle pullouts

The FY2013 project funding will be used for environmental permitting, design, and construction of a pioneer road to the east bank of the Yukon River

Schedule Status:

Preliminary Engineering & Field Work:	March 2012 to November 2012
Environmental Documentation & Permitting:	June 2012 to March 2013
R/W Acquisitions and Clearing Plans:	November 2012 to March 2013
Design & Pioneer Road Construction:	April 2013 to January 2015

Funding Sources: FY2013 Governor's Budget Proposal = $10 million

Issues:

- Mineral data is well documented – numerous mining claims along route (Au, Ag, base metals Cu, Pb, Zn, REE, U, Th).
- Road would lower costs for mineral exploration, development and production.
- Anticipate potential to enhance intermodal transportation system (Yukon River barges basing operations out of Tanana).
- Project will greatly reduce the cost of getting goods into Tanana
- Improved access to public services (education, health care, emergency and safety services)

References:

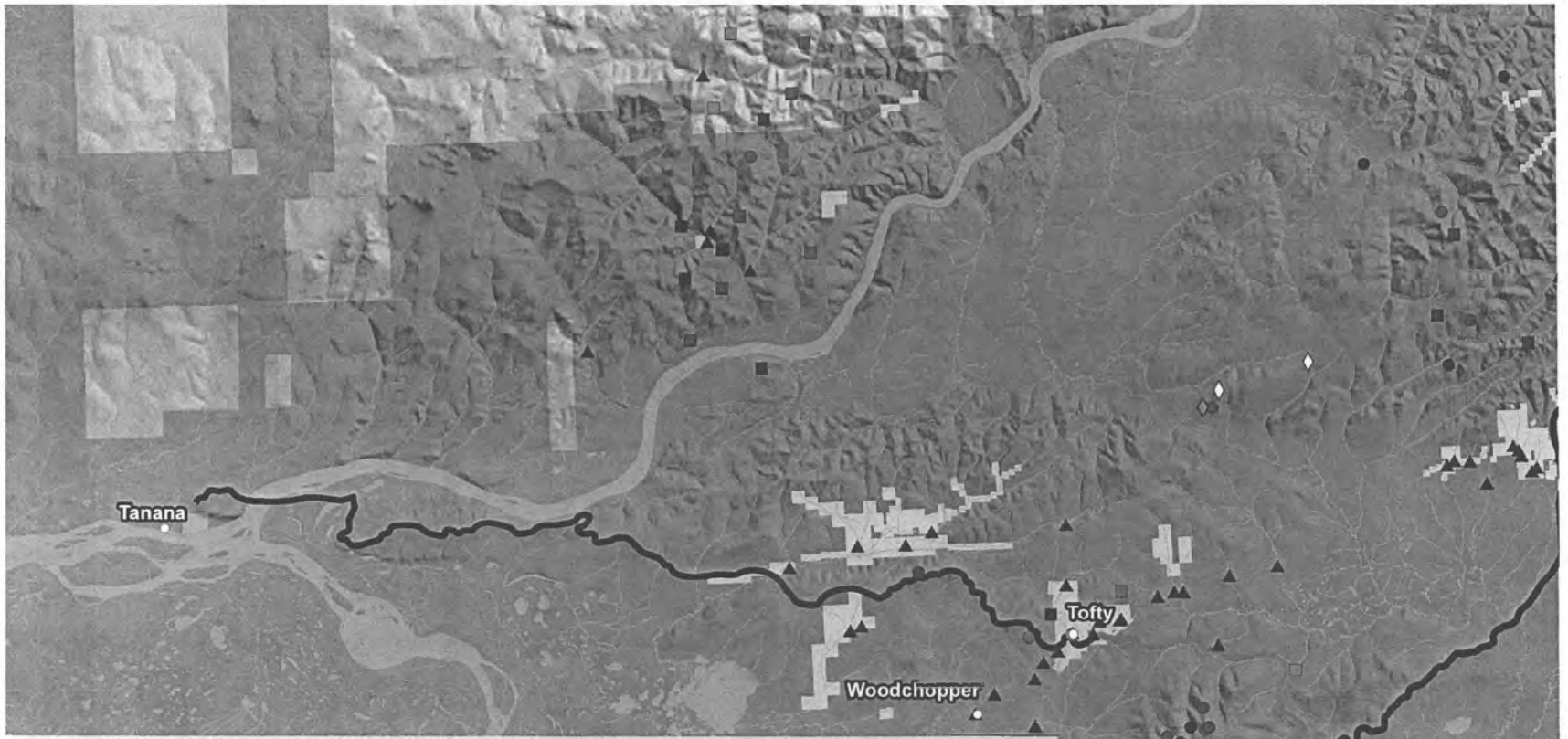
www.dot.alaska.gov/nreg/westernaccess/
Western Alaska Access Planning Study, Corridor Staging and Alternatives Report, Dec. 2011, prepared by DOWL HKM
ADNR Map - Known Mineral Localities Along Proposed Tanana Road, dated Feb. 2012

ALASKA DEPARTMENT OF NATURAL RESOURCES

KNOWN METALLIC-MINERAL AND LIMESTONE LOCALITIES ALONG PROPOSED TANANA ROAD

DIVISION OF GEOLOGICAL & GEOPHYSICAL SURVEYS

FEBRUARY, 2012



NOTE: None of the mineral localities in the map area have NI 43-101-compliant resource estimates. Therefore, no dollar values can be assigned to metals at these sites.

Lode Prospect
(Site has exploration work)
- Gold ± silver ± copper ± zinc
- Base metals (lead, zinc, copper, ± silver)
- Rare-earth element
- Tin ± tungsten ± silver
- Other

Lode Occurrence
(Site is unexplored or incompletely explored)
- Gold ± silver ± copper ± zinc
- Base metals (lead, zinc, copper, ± silver)
- Rare-earth element
- Tin ± tungsten ± silver
- Other

Placer Occurrence
(Includes unevaluated and partially explored localities, and sites with some metal production)
- Gold (± tin, other metals)

Bureau of Mines Sample
(Open File Report 9-65)
- Dolomitic Limestone
- Limestone

Generalized Land Status
- Bureau of Land Management or Military
- Native Patent or IC
- State Patent or TA
- State Selected

- Mining Claim, Lease, or Prospecting Site
- Populated Place
- Elliott Highway, Eureka-Rampart Road
- Existing Tofty Road
- Proposed Tanana Road

Title: Klondike - Industrial Highway Ore Haul Refurbishment

Location: South Klondike Highway from Skagway to Alaska-Canada border.

Purpose: Refurbish and strengthen the Klondike Highway pavement to accommodate increased ore and freight demands from Yukon mining industry. Replace the Capt. William Moore Bridge with a structure capable of supporting 80 to 100 ton heavy haul truck loads.

Project Description: The South Klondike Highway is 98 miles from Skagway to Alaska Highway MP874.4 outside Whitehorse YT. The portion within Alaska is approximately 14 miles in length from Skagway to the Alaska-Canada border at White Pass.

Estimated construction cost for road and bridge improvements are $39 million.

The FY2013 project funding will be used for design, environmental permitting, and a portion of the construction cost.

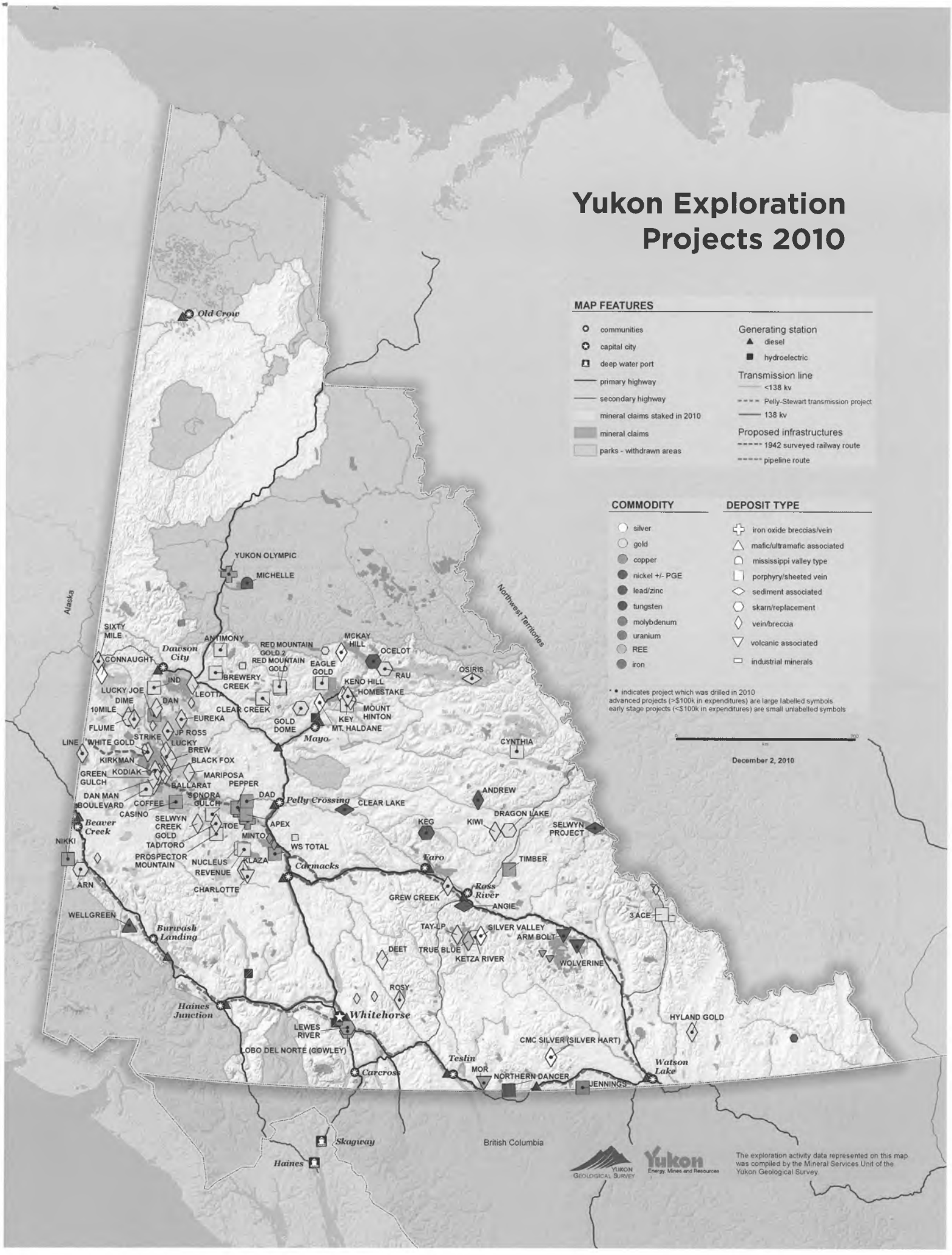
Schedule Status:

Design & Permitting: July 2012 to December 2013

Funding Sources: FY2013 Governor's Budget Proposal = $2.5 million

Issues:

- Adjust toll fee for industrial haul truck to recoup capital investments.
- Assess border crossing and weigh station infrastructure and develop improvement plan to accommodate increased industrial truck traffic on Klondike IUH.
- Canadian mines haul ore to the Port of Skagway for shipment to ore smelters around the world. AIDEA is in the process of replacing their ship loader and expand their ore storage facility at the Port of Skagway to accommodate increasing ore shipping demands - including ore shipments from the Selwyn Mine (Pb/Zn).
- The Klondike IUH currently levies fees on industrial truck loads in excess of legal highway loads. Existing haul fees are set to recover the cost of capital investment and road maintenance for ore haul over the service life of the improvement.


Yukon Exploration Projects 2010
MAP FEATURES
communities
capital city
deep water port
primary highway
secondary highway
mineral claims staked in 2010
mineral claims
parks - withdrawn areas
Generating station
diesel
hydroelectric
Transmission line
<138 kv
Pelly-Stewart transmission project
138 kv
Proposed infrastructures
1942 surveyed railway route
pipeline route
COMMODITY
silver
gold
copper
nickel +/- PGE
lead/zinc
tungsten
molybdenum
uranium
REE
iron
DEPOSIT TYPE
iron oxide breccias/vein
mafic/ultramafic associated
mississippi valley type
porphyry/sheeted vein
sediment associated
skarn/replacement
vein/breccia
volcanic associated
industrial minerals
* ● indicates project which was drilled in 2010
advanced projects (>$100k in expenditures) are large labelled symbols
early stage projects (<$100k in expenditures) are small unlabelled symbols
0
200
km
December 2, 2010
Old Crow
YUKON OLYMPIC
MICHELLE
Alaska
Northwest Territories
SIXTY MILE
Dawson City
ANTIMONY
RED MOUNTAIN GOLD 2
RED MOUNTAIN GOLD
MCKAY HILL
OCELOT
EAGLE GOLD
RAU
OSIRIS
CONNAUGHT
IND
BREWERY CREEK
LEOTTA
KENO HILL
HOMESTAKE
LUCKY JOE
DIME
DAN
10MILE
EUREKA
CLEAR CREEK
MOUNT HINTON
KEY
MT. HALDANE
GOLD DOME
FLUME
JP ROSS
STRIKE
LUCKY
LINE
WHITE GOLD
BREW
KIRKMAN
BLACK FOX
Mayo
CYNTHIA
GREEN GULCH
KODIAK
MARIPOSA
BALLARAT
PEPPER
DAD
Pelly Crossing
CLEAR LAKE
ANDREW
DAN MAN BOULEVARD
COFFEE
SONORA GULCH
CASINO
Beaver Creek
SELWYN CREEK GOLD
TAD/TORO
TOE
APEX
MINTO
KEG
KIWI
DRAGON LAKE
SELWYN PROJECT
NIKKI
WS TOTAL
PROSPECTOR MOUNTAIN
NUCLEUS
REVENUE
KLAZA
Carmacks
Faro
TIMBER
ARN
CHARLOTTE
Ross River
GREW CREEK
ANGIE
3 ACE
WELLGREEN
Burwash Landing
TAY-LP
SILVER VALLEY
ARM BOLT
DEET
TRUE BLUE
KETZA RIVER
WOLVERINE
ROSY
Haines Junction
Whitehorse
HYLAND GOLD
LEWES RIVER
CMC SILVER (SILVER HART)
LOBO DEL NORTE (COWLEY)
Teslin
Carcross
MOR
NORTHERN DANCER
JENNINGS
Watson Lake
Skagway
Haines
British Columbia
YUKON GEOLOGICAL SURVEY
Yukon Energy, Mines and Resources
The exploration activity data represented on this map was compiled by the Mineral Services Unit of the Yukon Geological Survey.

2/21/12 OVERVIEW: CAPITAL MARKETS OUTLOOK AND PERMANENT FUND PERFORMANCE REVIEW

<TARGET><BILL></BILL><SUBJECT>2-21-12 OVERVIEW CAPITAL MARKETS OUTLOOK AND PERMANENT FUND PERFORMANCE REVIEW</SUBJECT><COMM>SFIN27</COMM></TARGET>

2012 Economic Environment and Capital Markets Review Senate Finance Committee

Callan Associates Inc.
Michael J. O'Leary CFA
Executive Vice President
February 21,2012

Callan's Capital Market Projection Process

Economic outlook drives our projections.

- **Evaluate the current environment and economic outlook for the U.S. and other major industrial countries:**
  - Business cycles, relative growth, inflation.
- **Examine the relationships between the economy and asset class performance patterns.**
- **Examine recent and long-run trends in asset class performance.**
- **Apply market insight:**
  - Consultant experience - Plan Sponsor, Manager Search, Specialty
  - Industry consensus
  - Client Policy Review Committee
- **Test the projections for reasonable results.**

Themes Explored in Setting the 2012 Expectations

- **What the heck happened in 2011? Are we back on track? What are the prospects for growth in the short term?**
- **Did inflation disappear as a risk?**
- **Bond market surprised yet again in 2011, with rates going down rather than up. Did anyone call the 2011 fixed income market? Is THIS finally the end of the road for bonds? Do rising rates doom the return expectations for fixed income?**
- **Has the long term trend for GDP growth changed?**
- **Sharp contrast between a long term, strategic vision for an investor (10+ years), the short term (1-3 years) reality, and the path from the current conditions to the long term expectations.**
- **Scenarios beyond the expected case:**
  - Threat of double dip.
  - Stagnation and deflation.
  - The recovery reignites and inflation takes hold.

The Capital Markets in 2011

Fixed Income Surprises, Equity Markets Suffer Loss of Confidence

							Average Annual Return		
	2006	2007	2008	2009	2010	2011	Five Years 2007-11	Ten Years 2002-11	Fifteen Yrs 1997-2011
Broad U.S. Stock Market									
Russell 3000	15.72	5.14	-37.31	28.34	16.93	1.03	-0.01	3.51	5.68
S&P Super Composite 1500	15.34	5.47	-36.72	27.25	16.38	1.75	0.11	3.40	5.84
Large Cap U.S. Stocks									
Russell 1000	15.46	5.77	-37.60	28.43	16.10	1.50	-0.02	3.34	5.68
S&P 500	15.79	5.49	-37.00	26.47	15.06	2.11	-0.25	2.92	5.45
Small Cap U.S. Stocks									
Russell 2000	18.37	-1.57	-33.79	27.17	26.85	-4.18	0.15	5.62	6.25
S&P 600 Small Cap	15.11	-0.30	-31.07	25.57	26.31	1.02	1.94	7.09	8.27
Non-U.S. Stock Markets									
EAFE ($US)	26.34	11.17	-43.38	31.78	7.75	-12.14	-4.72	4.67	3.39
MSCI Emerging Markets	32.59	39.78	-53.18	79.02	19.20	-18.17	2.70	14.20	7.12
Fixed Income Markets									
BC Aggregate	4.33	6.97	5.24	5.93	6.54	7.84	6.50	5.78	6.32
Citi Non-US Bonds	6.95	11.45	10.11	4.38	5.22	5.17	7.23	8.36	5.54
Cash Market									
90-day T-bill	4.85	5.00	2.06	0.21	0.13	0.10	1.48	1.95	3.02
Inflation									
CPI-U*	2.54	4.08	0.09	2.72	1.50	2.96	2.26	2.48	2.37

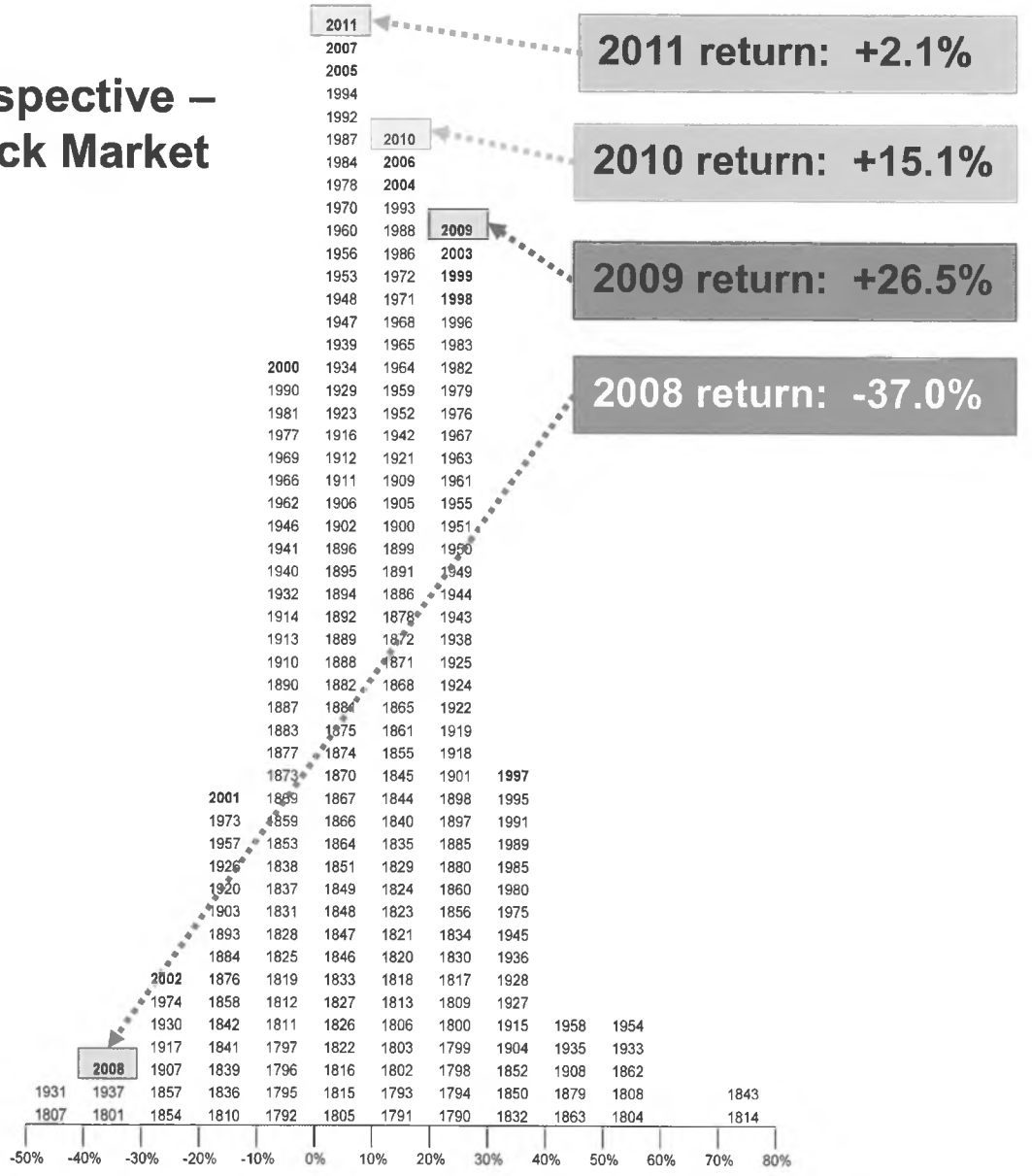
* CPI-U data are measured as year-over-year change through 12/31/11.

- Results for 2011 showed a sharp slump in all equity segments. Domestic equity returns were down almost 10% through September 2011; a strong fourth quarter brought returns back above zero. International markets were not so fortunate.
- Five-year equity returns through 2011 are essentially zero. Ten-year returns are weak as the tech bubble has rolled out of the calculations, and include two downturns. Fifteen-year returns are still below long-run averages, and are back below those of fixed income.

Stock Market Returns by Calendar Year

2011 Performance Perspective – History of the U.S. Stock Market

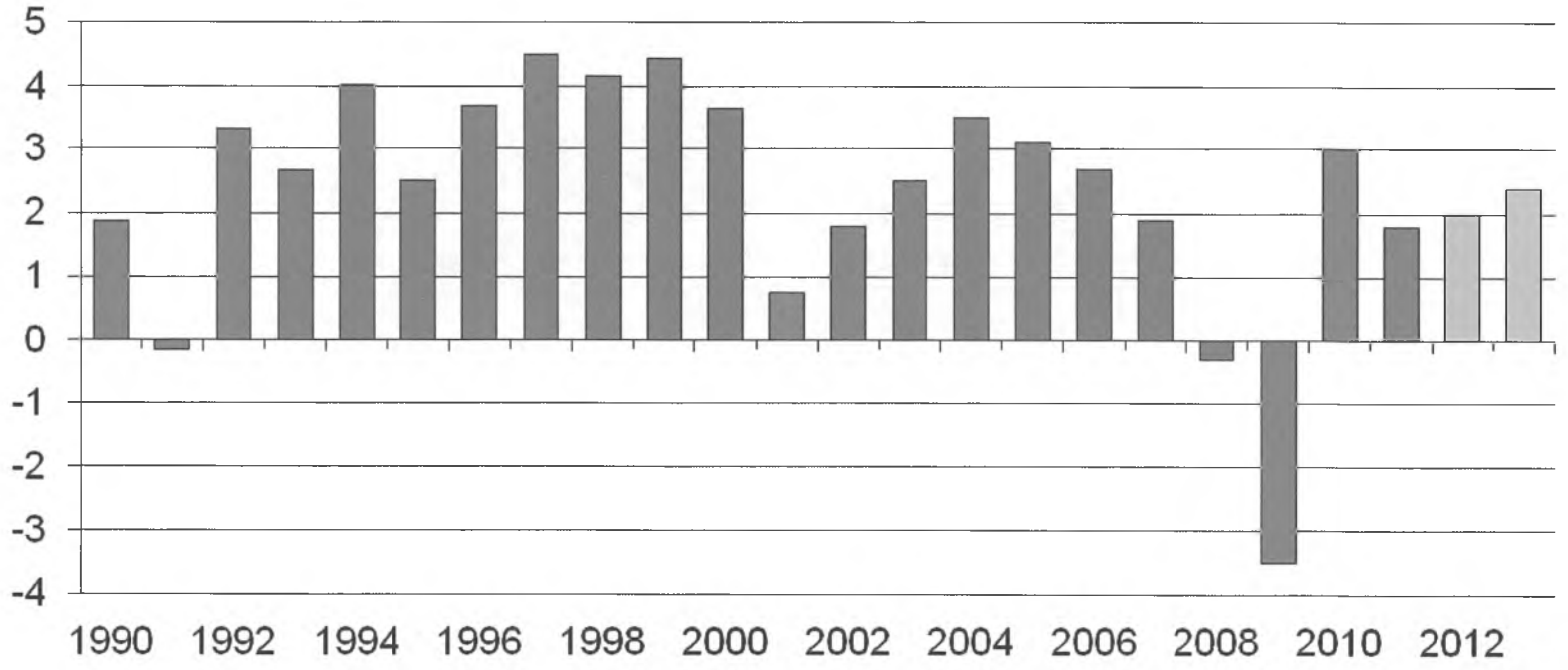
224 Years of Returns



Below-Par Recovery for the U.S. Economy

Real GDP

Annual Percent Change



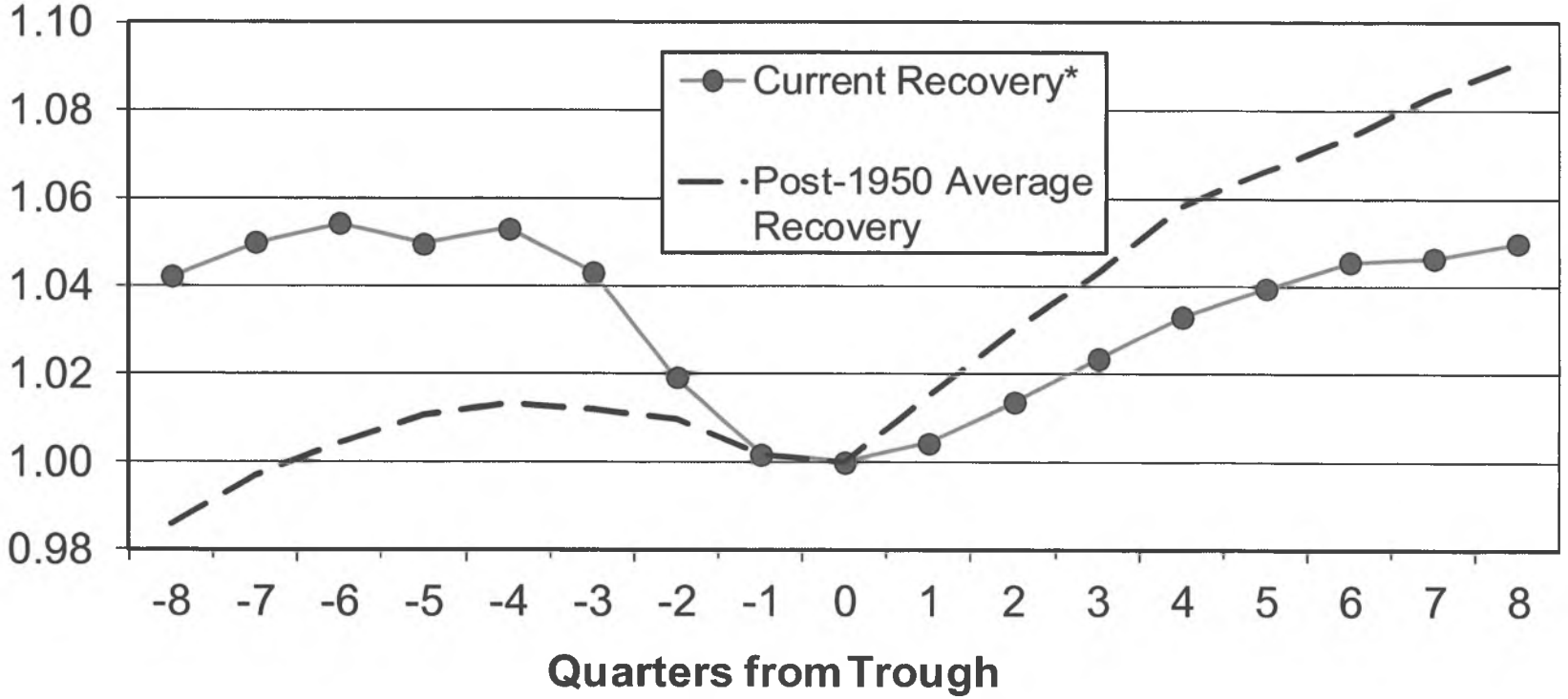
*** 2012-13 estimate - Global Insight**

Source: Global Insight

Deeper Recession, Slower Recovery

GDP Has Struggled to Regain Its Previous Peak

Real GDP Compared with Recession Trough



* 2009Q2 trough

Source: Global Insight

Will We Fall Back Into Recession?

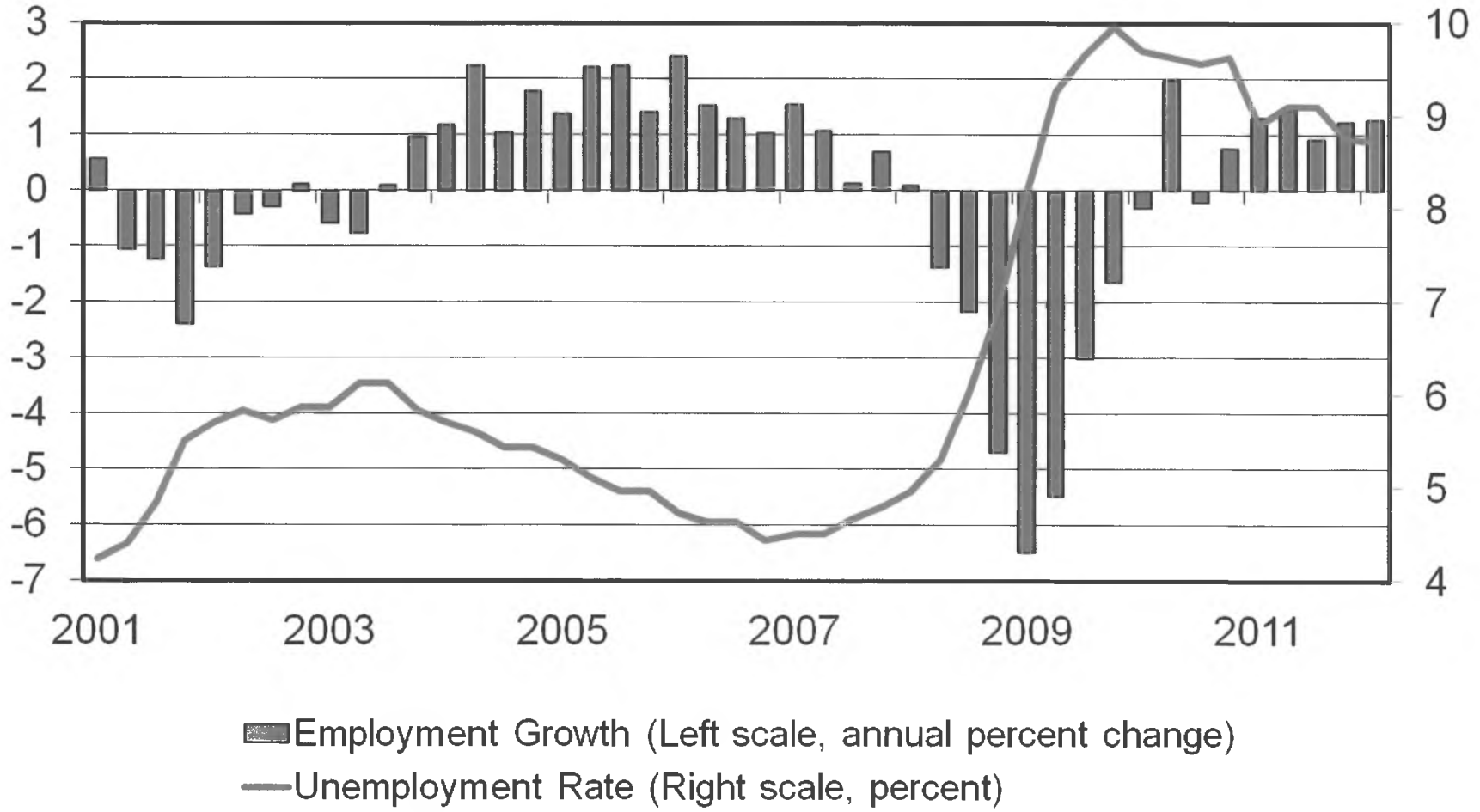
Why?

- **An economy near stall speed is vulnerable to shocks.**
- **Fed can't help much.**
- **Risks of policy mistakes**
  - Premature fiscal tightening
  - Policy paralysis.
- **Eurozone is the immediate risk.**
- **Oil shocks are a perennial threat.**

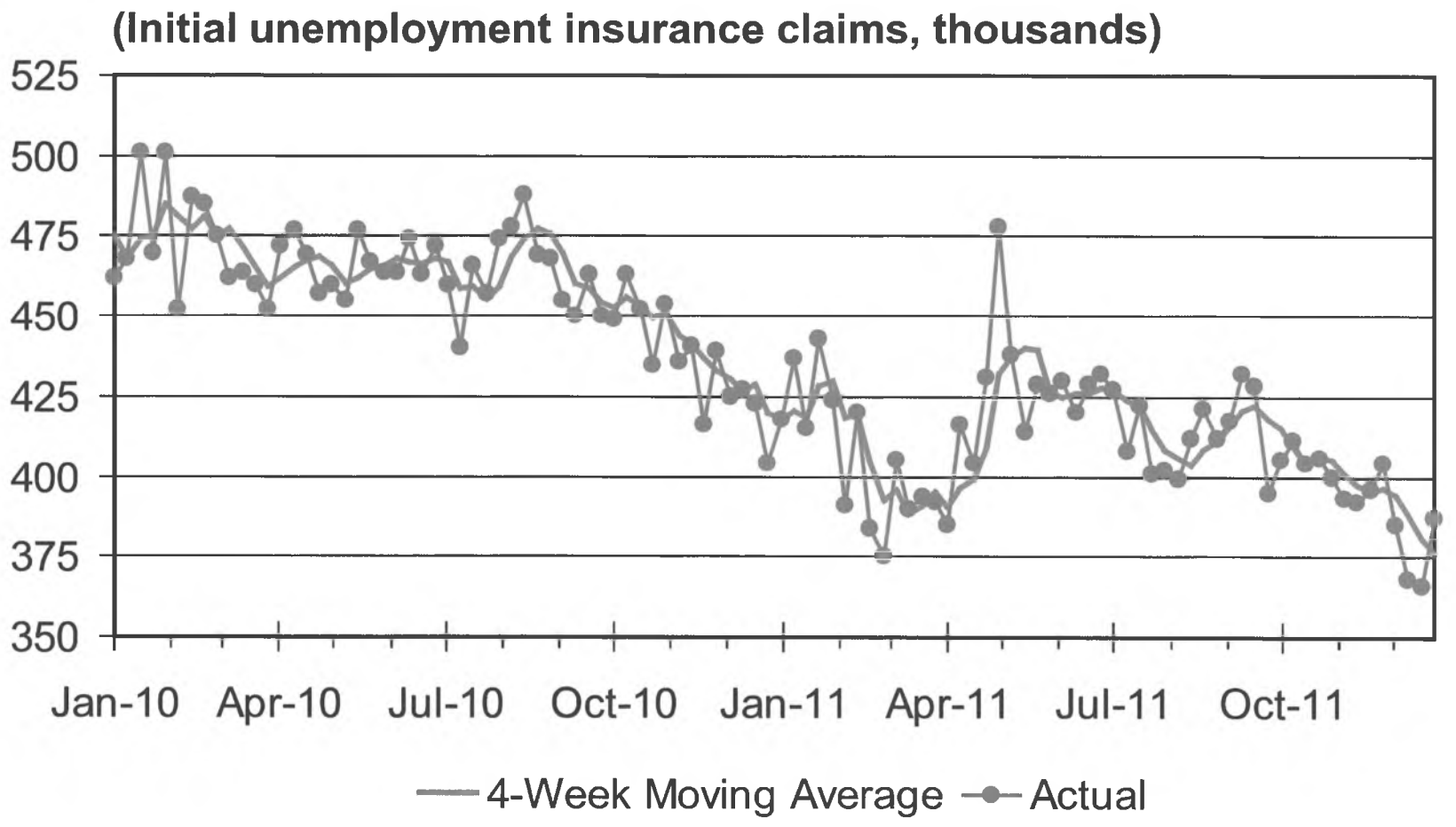
Why Not?

- **U.S. banks in better shape than 2008.**
- **Nonfinancial corporations balance sheets are strong.**
- **Exposures to Eurozone sovereign debt are better understood than were the exposures to sub-prime debt.**
- **Europe unlikely to allow a major institution to collapse similar to Lehman.**

Modest Employment Growth and High Unemployment Sapped Confidence



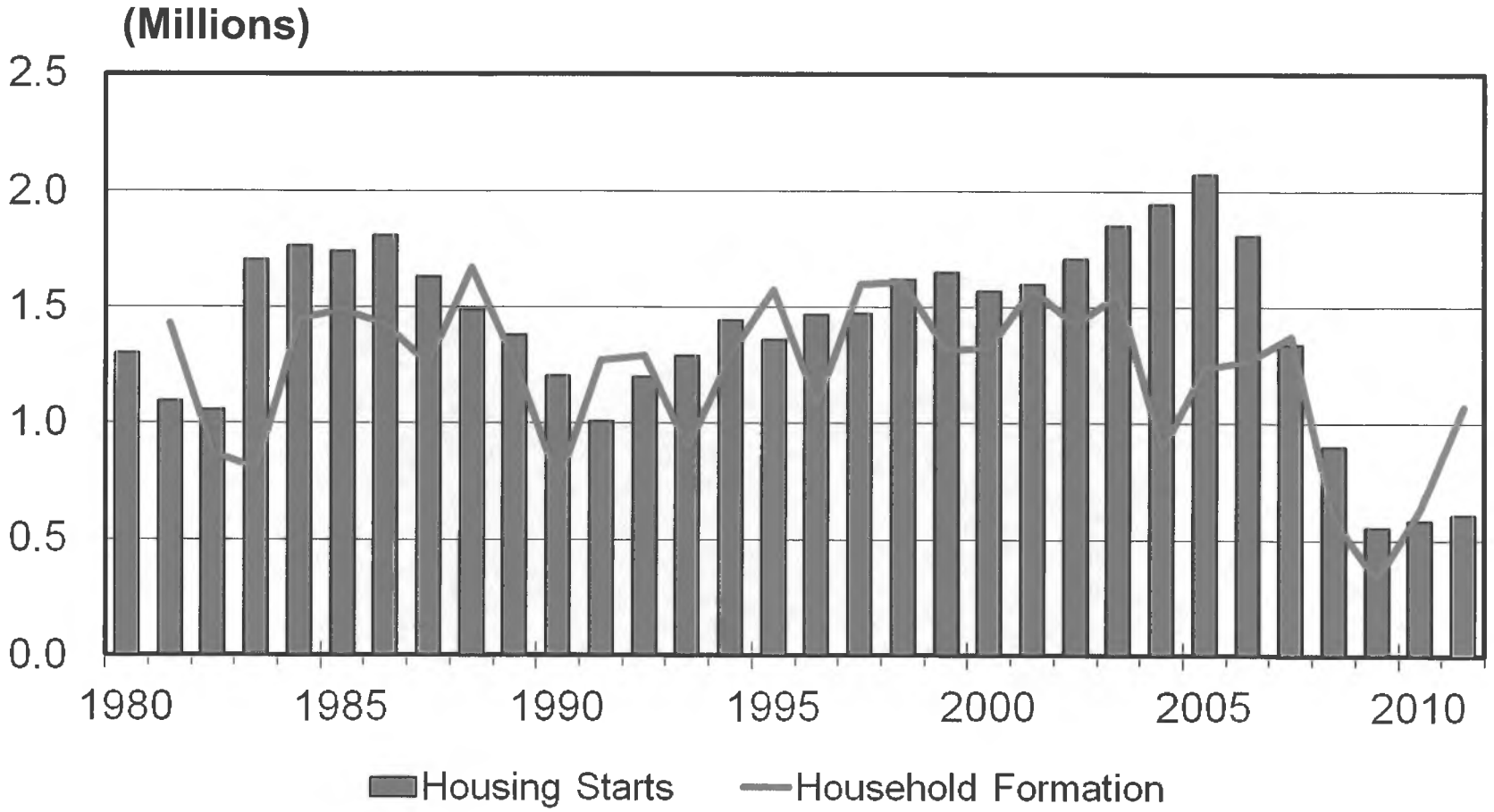
Good News: Initial Unemployment Insurance Claims Are Edging Down



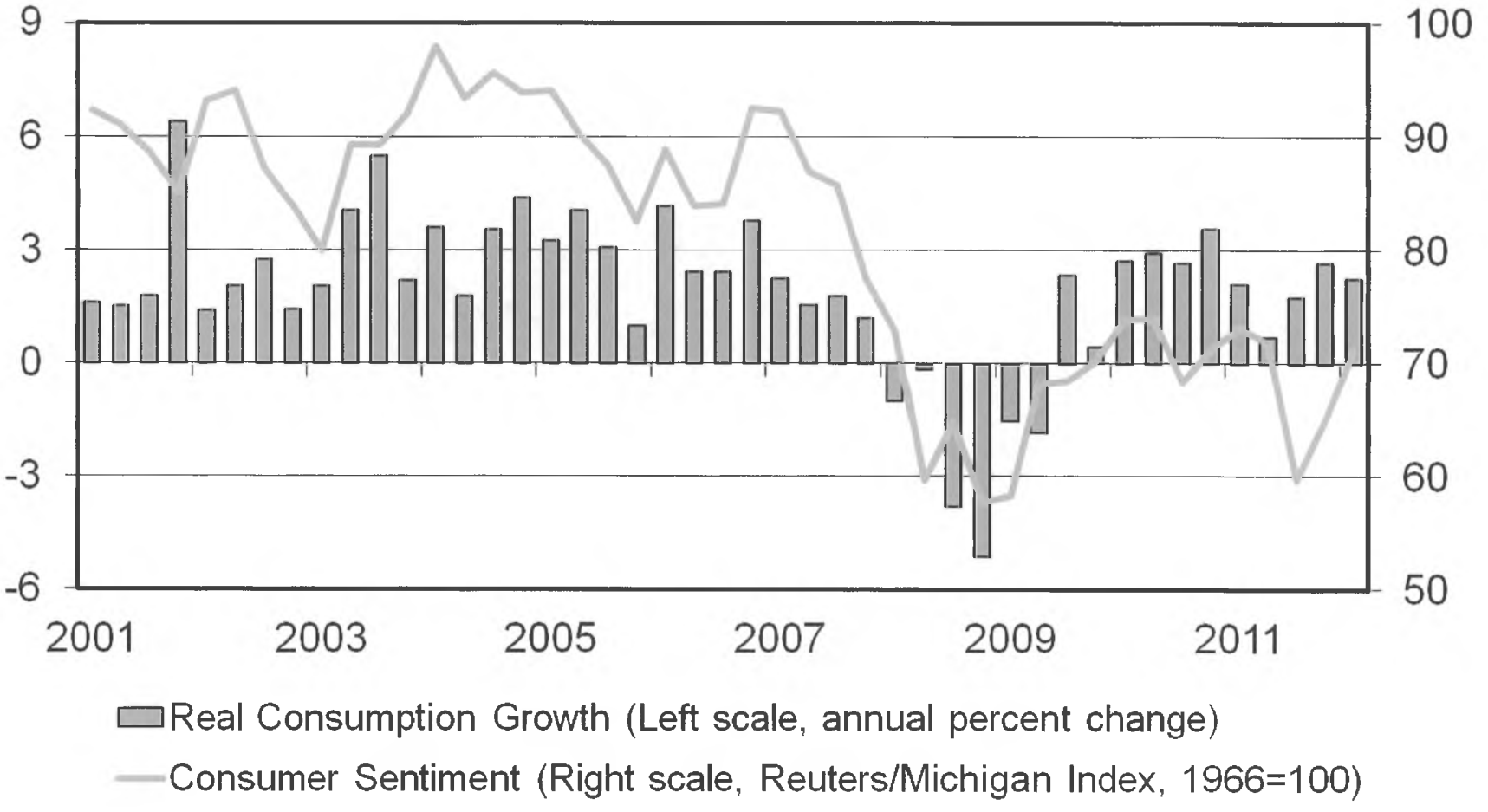
- 400,000 = "magic number" below which the job market is typically expanding.

Source: U.S. Department of Labor

A Rebound in Household Formation Required for Recovery in Housing Starts

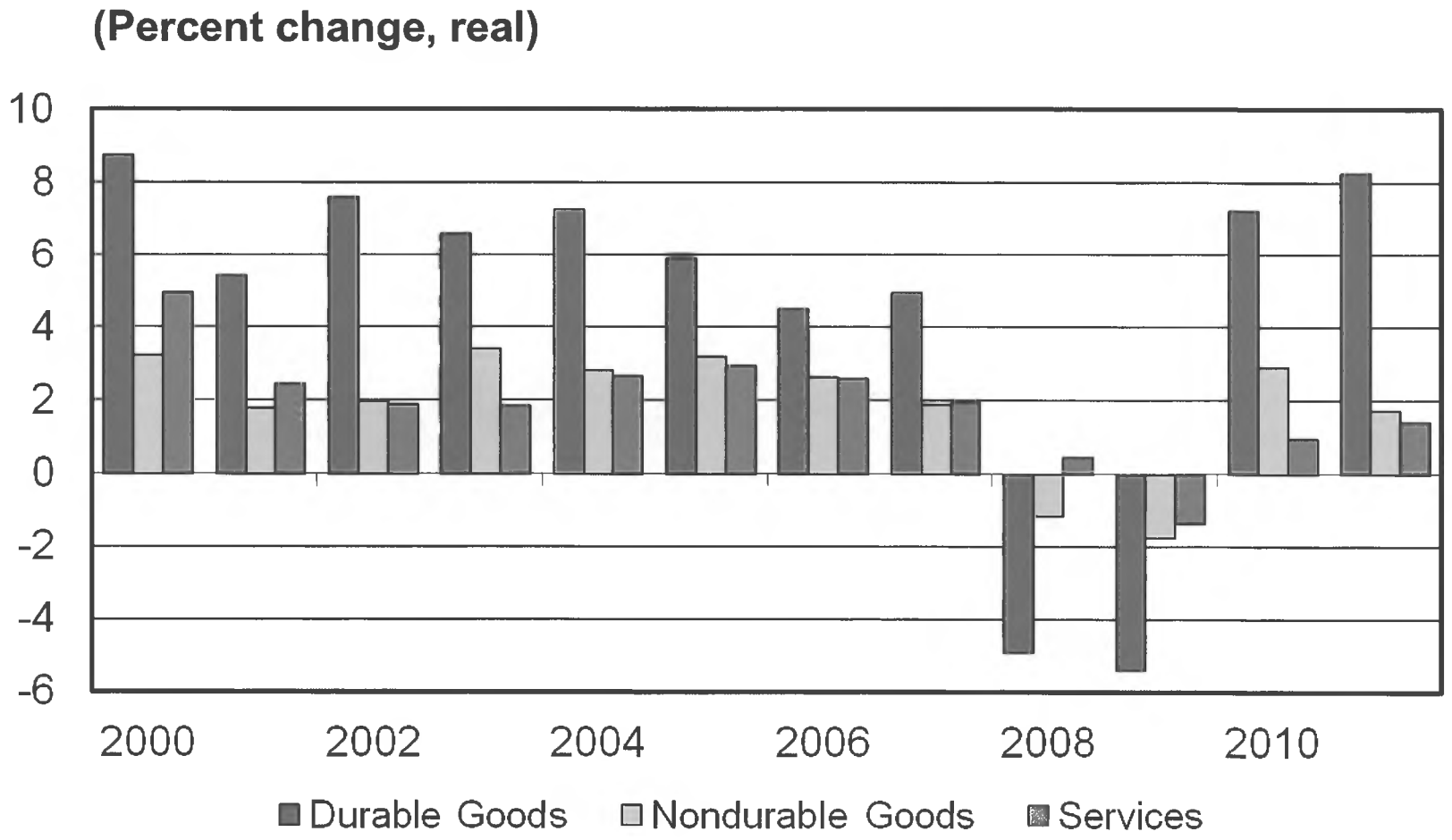


Consumers Spending Has Not Been a Strong Driver of Recovery



Source: Global Insight

Pent-up Demand for Durable Goods Drives Growth in Consumer Spending

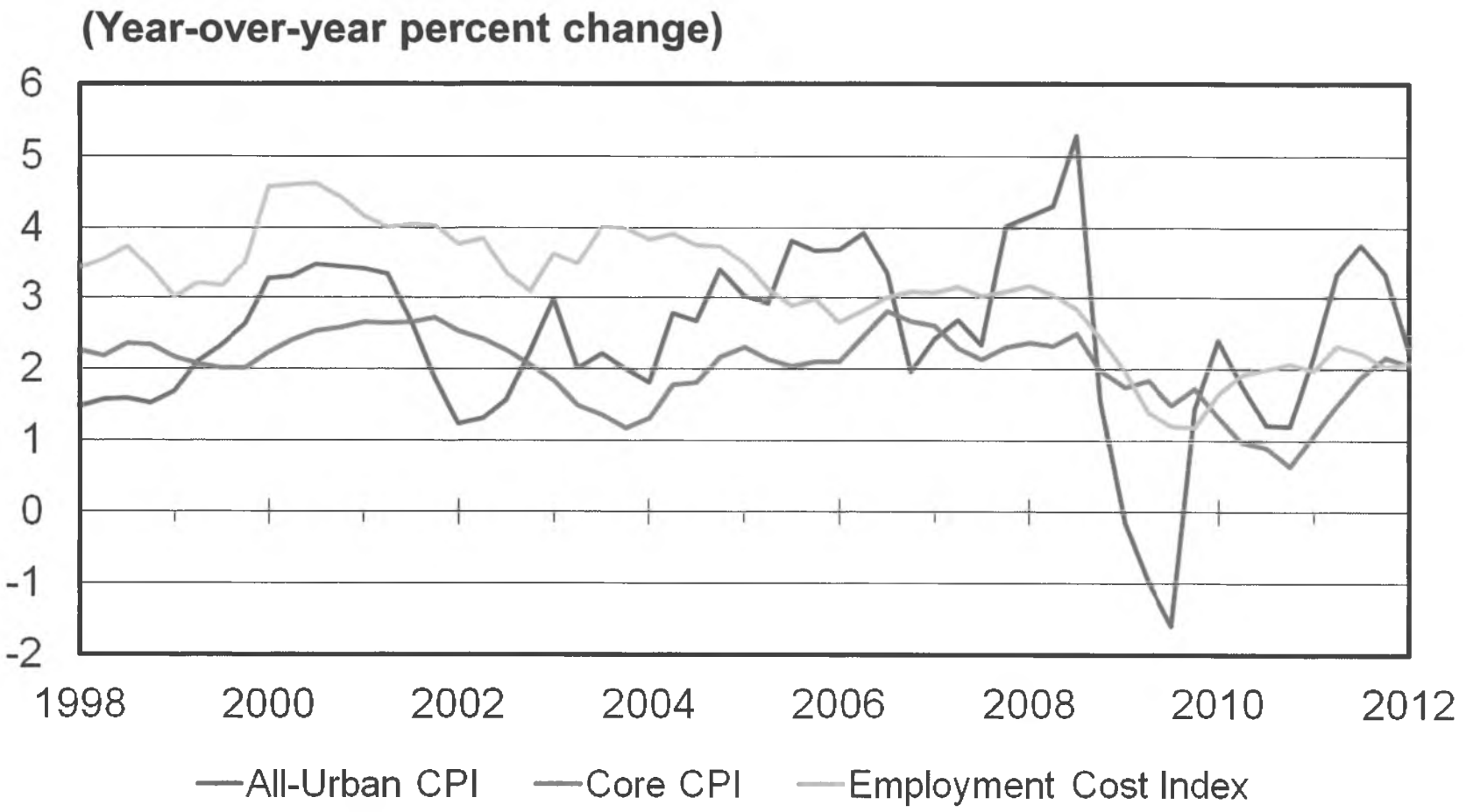


Source: Global Insight

So Is Rising Inflation an Emerging Threat?

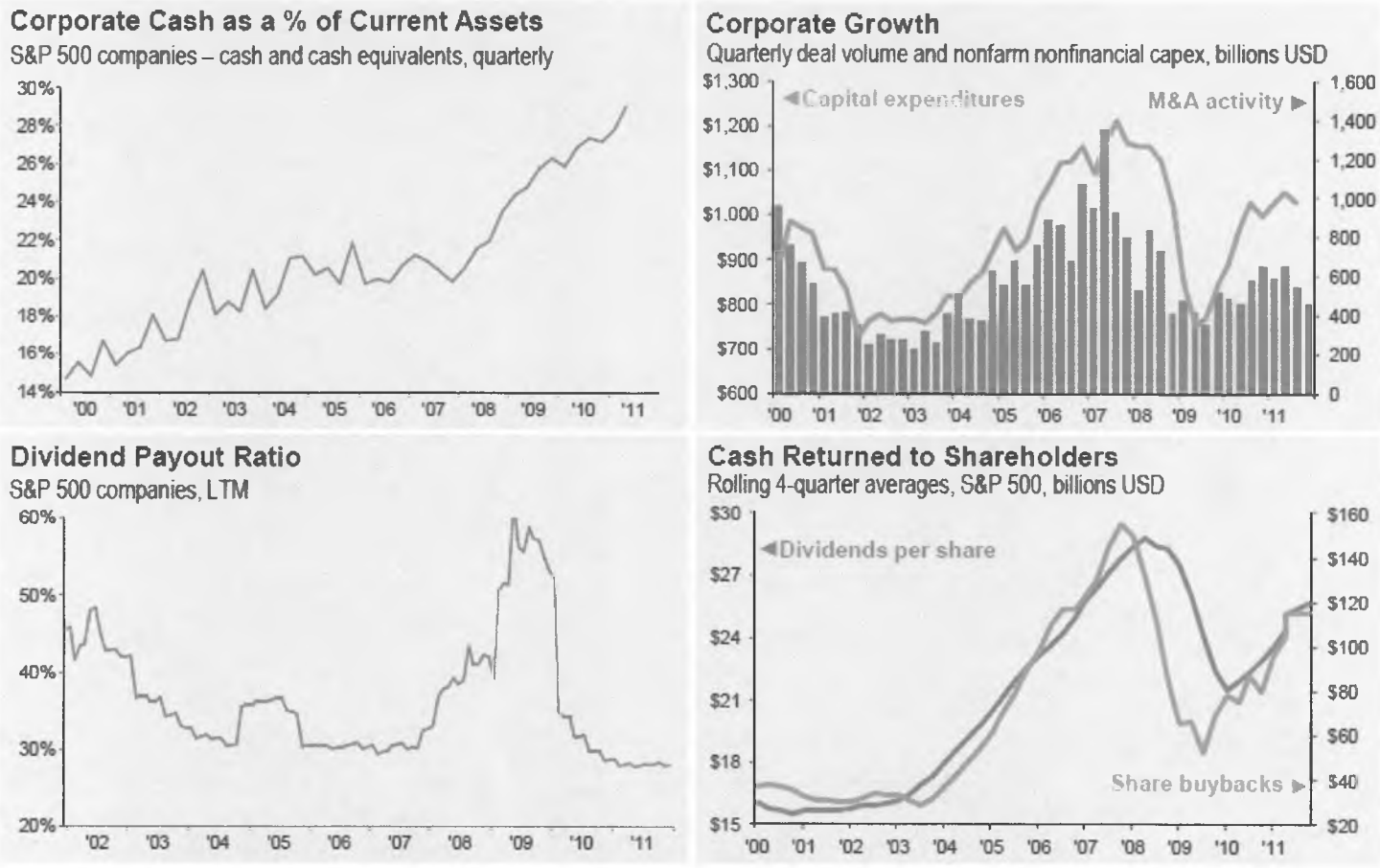
- **Economic theory says inflation HAS to take off:**
  - Unprecedented, synchronized global monetary stimulus.
    - Interest rates at historic lows.
  - Unprecedented fiscal stimulus.
    - Corresponding unprecedented federal budget deficit.
    - Inflation beneficial to debtors—moral hazard?
  - Commodity prices itching to rise at the first sign of growth.
  - Dollar must weaken, furthering pressure on inflation.
- **Practical reality:**
  - The U.S. and the rest of the world face very slow recoveries:
    - Fiscal and monetary stimulus kept us out of a longer, deeper recession, but
    - Aggregate demand is weak, no post-recession surge as fiscal stimulus fades.
    - Capacity utilization has plummeted in the U.S.; we are awash in new capacity overseas, and still importing deflationary pressure.
    - Weak job market, no wage pressures.
  - Interest rates may rise sharply without a surge in inflation.
  - Inflation a very real threat, but it may be up to five years off.
  - Commodity prices represent a wildcard threat in the shorter term, particularly a supply-side disruption.
    - Commodity spike more likely to trigger another slowdown than a general price spiral.

Consumer Price Inflation Expected to Ease in 2012



Source: Global Insight

Corporate liquidity & growth



Source: Standard & Poor's, FRB, Bloomberg, FactSet, J.P. Morgan Securities, J.P. Morgan Asset Management.

(Top left) Standard & Poor's, FactSet, J.P. Morgan Asset Management. (Top right) M&A activity is quarterly number of deals of any value and capital expenditures are for nonfarm nonfinancial corporate business. (Bottom left) Standard & Poor's, FactSet, J.P. Morgan Asset Management. (Bottom right) Standard & Poor's, Compustat, FactSet, J.P. Morgan Asset Management. Data are most recent as of 12/31/11.

J.P.Morgan
Asset Management

- **This graph reproduced from J.P. Morgan Guide to Markets Q1 2012**

Business Equipment Demand Is Strengthening



Source: Global Insight

U.S. Economic Growth by Sector

Annual Percentage Change

	12/31/2006 Share of GDP	12/31/2011 Share of GDP	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Direction of Change
Real GDP	100.0%	100.0%	1.8	2.5	3.5	3.1	2.7	1.9	-0.3	-3.5	3.0	1.8	Slowing
Consumption	70.3%	71.1%	2.7	2.8	3.3	3.4	2.9	2.3	-0.6	-1.9	2.0	2.2	Above total GDP growth
Residential Investment	5.1%	2.2%	5.3	8.2	9.8	6.2	-7.3	-18.7	-23.9	-22.2	-4.3	-1.7	Light on the horizon?
Bus. Fixed Investment	11.3%	10.4%	-7.9	1.4	6.2	6.7	8.0	6.5	-0.8	-17.9	4.4	8.7	Healthy growth
Federal Government	6.9%	8.1%	7.3	6.6	4.1	1.3	2.1	1.2	7.2	6.0	4.5	-1.8	End of stimulus
State & Local Govt.	11.6%	11.7%	3.3	-0.1	-0.2	-0.2	0.9	1.4	0.0	-0.9	-1.8	-2.2	See "Federal Government"
Exports	11.3%	13.9%	-2.0	1.6	9.5	6.8	9.0	9.3	6.1	-9.4	11.3	6.9	Continued bright spot
Imports	16.6%	17.5%	3.4	4.4	11.1	6.1	6.1	2.4	-2.7	-13.6	12.5	4.8	Consumption or energy prices?

- **GDP hit bottom in Q2 2009. After inventory and stimulus boost, economy was fully expected to slow in second half of 2010 and through 2011, but the bottom seemed to fall out of economic growth, particularly during the first half of 2011.**
- **As confidence deteriorated with the European debt crisis and the US budget impasse over the summer, concerns rose for a return to recession,**
- **However, data on the U.S. economy began to surprise, notching solid growth in the 3rd and 4th quarters. Indicators ranging from orders to jobs to consumer spending all strengthened in direct contrast to depressed reports on consumer and business confidence.**
- **Note: Imports are a negative number in the calculation of GDP.**

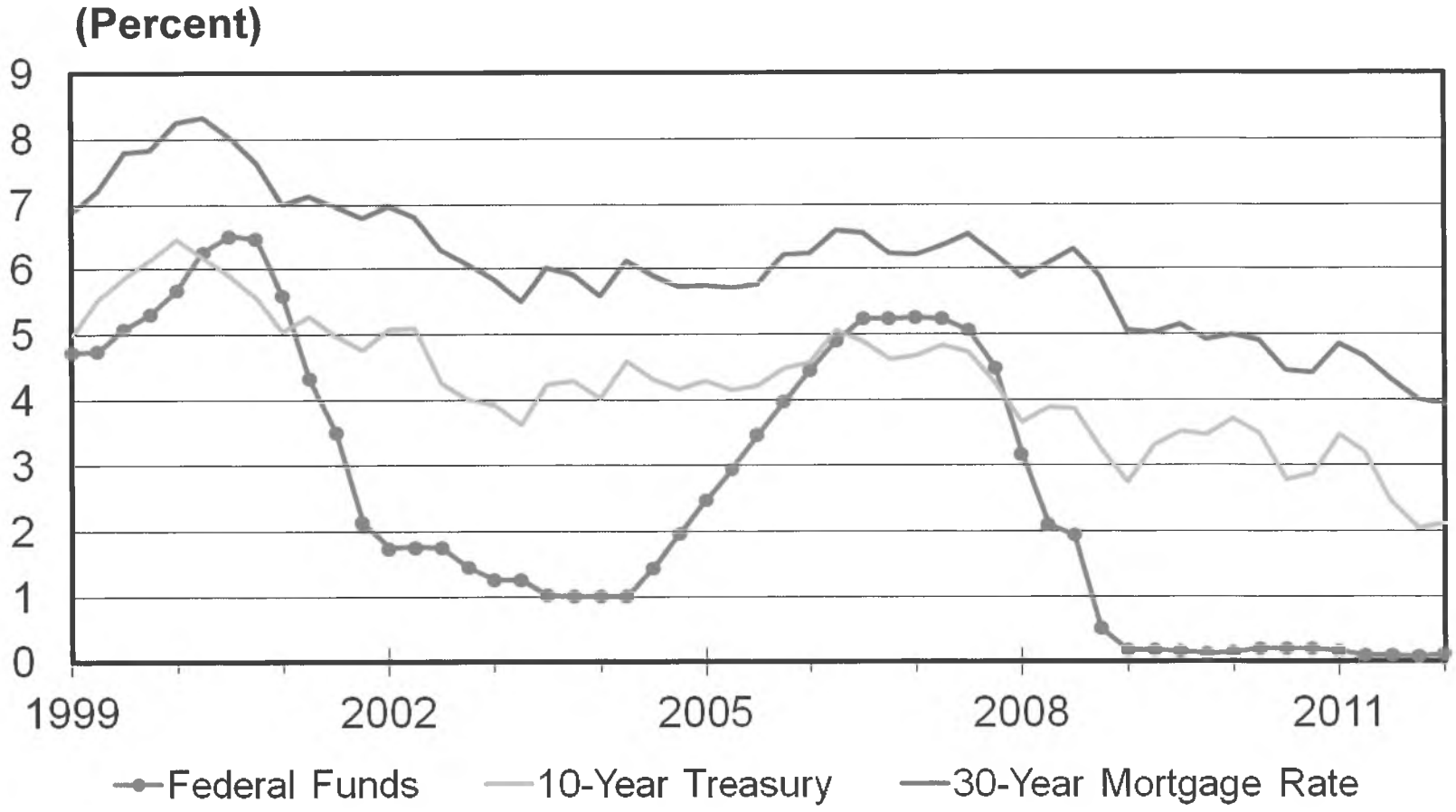
Source: Global Insight

What Will The Fed Do?

- The Fed is worried; it had expected 2.7%-2.9% growth for 2011, 3.3%-3.7% for 2012.
- 2011 came in at 1.8%.
- Global Insight (and consensus) forecast now: 2.0% (2012), 2.4% (2013).
- Fed has used its prime ammunition already.
- No rate hike till mid-2013 "promised".
- Market assumes no hike before 2014.
- Hurdle for QE III is high – but we may clear it.

Federal Funds Rate Near Zero Until 2014

Long Rates Will Also Stay Low; Steep Yield Curve



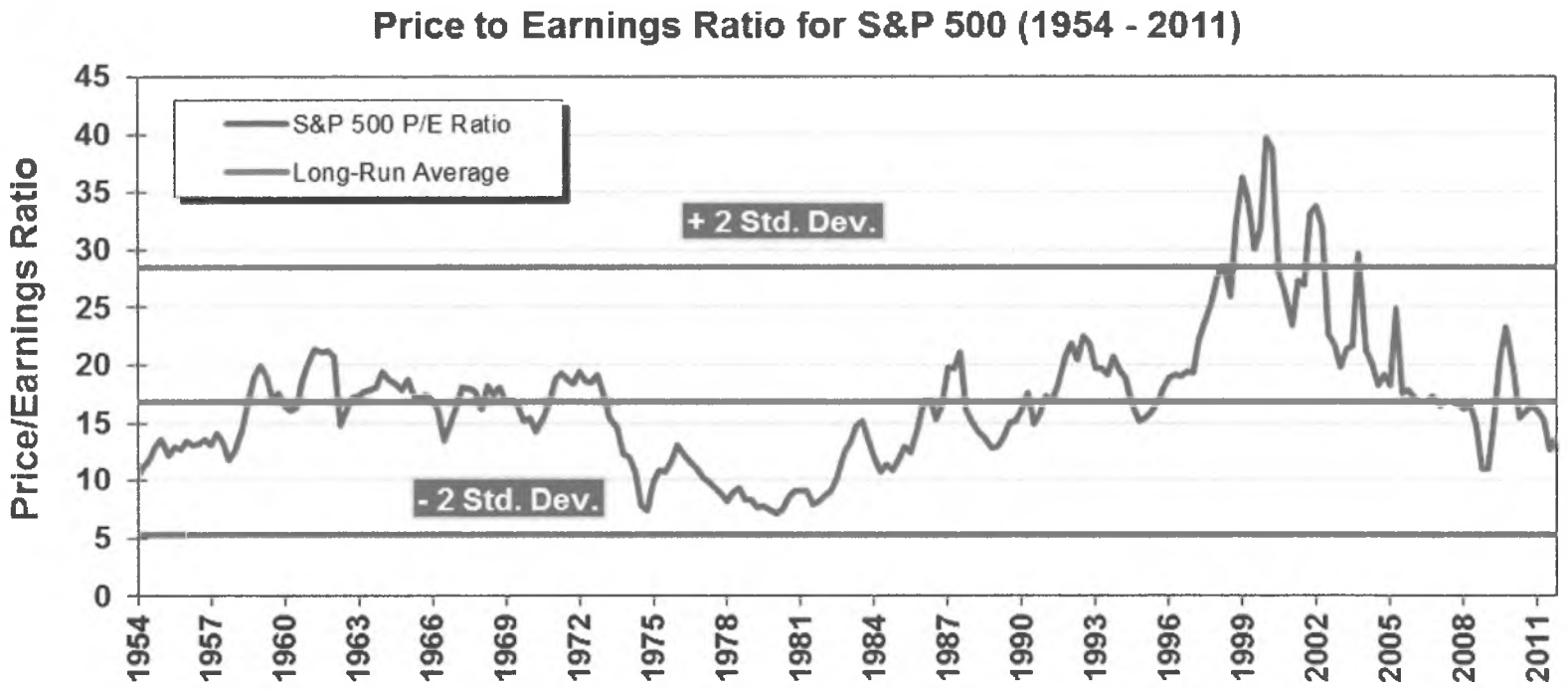
Source: Global Insight

The Economy and the Capital Markets

- **The economy was fully expected to meander through a weak recovery, as the combination of recession, financial crisis and deleveraging required time to work through the system.**
  - GDP growth was expected to slacken in 2011, but events and emotions combined to spur investors into a series of risk on/risk off trades that drove market volatility.
  - Economic data suggest the economy continues to grow, but such growth will remain modest.
  - Double-dip recession is possible, but not the expected outcome.
- **Callan's outlook:**
  - Inflation will likely drift higher, but not immediately. Painfully low interest rates will persist, now that the Fed has "guaranteed" low rates through 2013. We expect interest rates to rise gradually after 2013.
  - Historic nominal return averages will be hard to achieve over the short, medium and even the longer run.
  - Stocks rallied in the fourth quarter of 2011, saving the results for the year. However, prospects for above-trend growth are weak; companies are strong enough to attain trend profit growth, but not a lot more.
  - The housing market has yet to truly hit bottom, despite mortgage rates at an all-time low. The "shadow inventory" of homes yet to foreclose still hangs over the market.
  - The chance that we could see another leg down on housing is the greatest risk to the economy, and to a deflationary spiral.
  - The dollar should face substantial downward pressure as a result of U.S. policy. The problem, of course, is what other currency can take the dollar's place?
  - **The path to a rational set of long-term capital market outcomes is likely through an ugly shorter term period of rising interest rates, capital losses in fixed income, and volatile equity markets.**

Equity Is More Reasonably Priced

Trailing P/E Below Its Long Run Average



Trailing earnings as reported for the fiscal year; includes negative earnings from 1998 onward.
Source: Standard & Poor's and Callan.

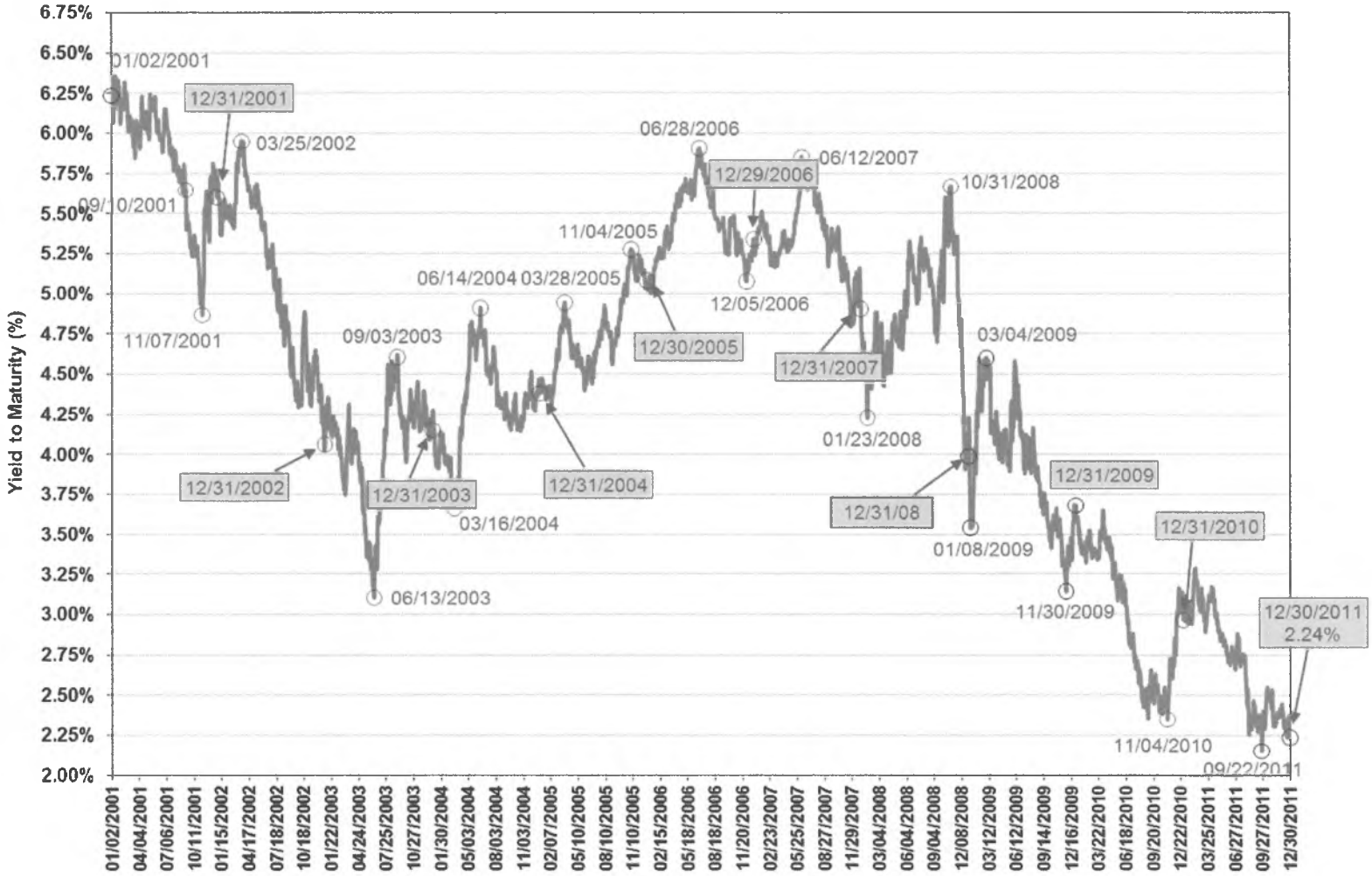
Building US Equity Expectations

- **Dividend Yields Likely to Stay Near Current Levels.**
  - Financing uncertainty continues so cash unlikely to be returned to investors.
  - Fixed income yields expected to remain low.
- **Equity Valuations Currently Moderate to Attractive After Market Angst During 2010 and 2011.**
- **Corporate Profits Near Long-Term Growth Rate.**
  - Companies may be able to sustain trend or above trend profit growth even in a weak recovery.
- **Company Balance Sheets Are Strong, But No One is Eager to Spend. Large Cash Holdings a Drag on ROE.**
- **Consumption Still Dominates Economic Growth.**
  - Unemployment high but finally declining,
  - Wealth depleted,
  - Deleveraging continues,
  - Savings replenished.
- **Exports Remain Strong, in Spite of Strengthening Dollar but Impact Muted by Size of Economy.**
- **Have We Entered a New Era of Lower Trend Growth in GDP?**

Current Yield is Exceptionally Low

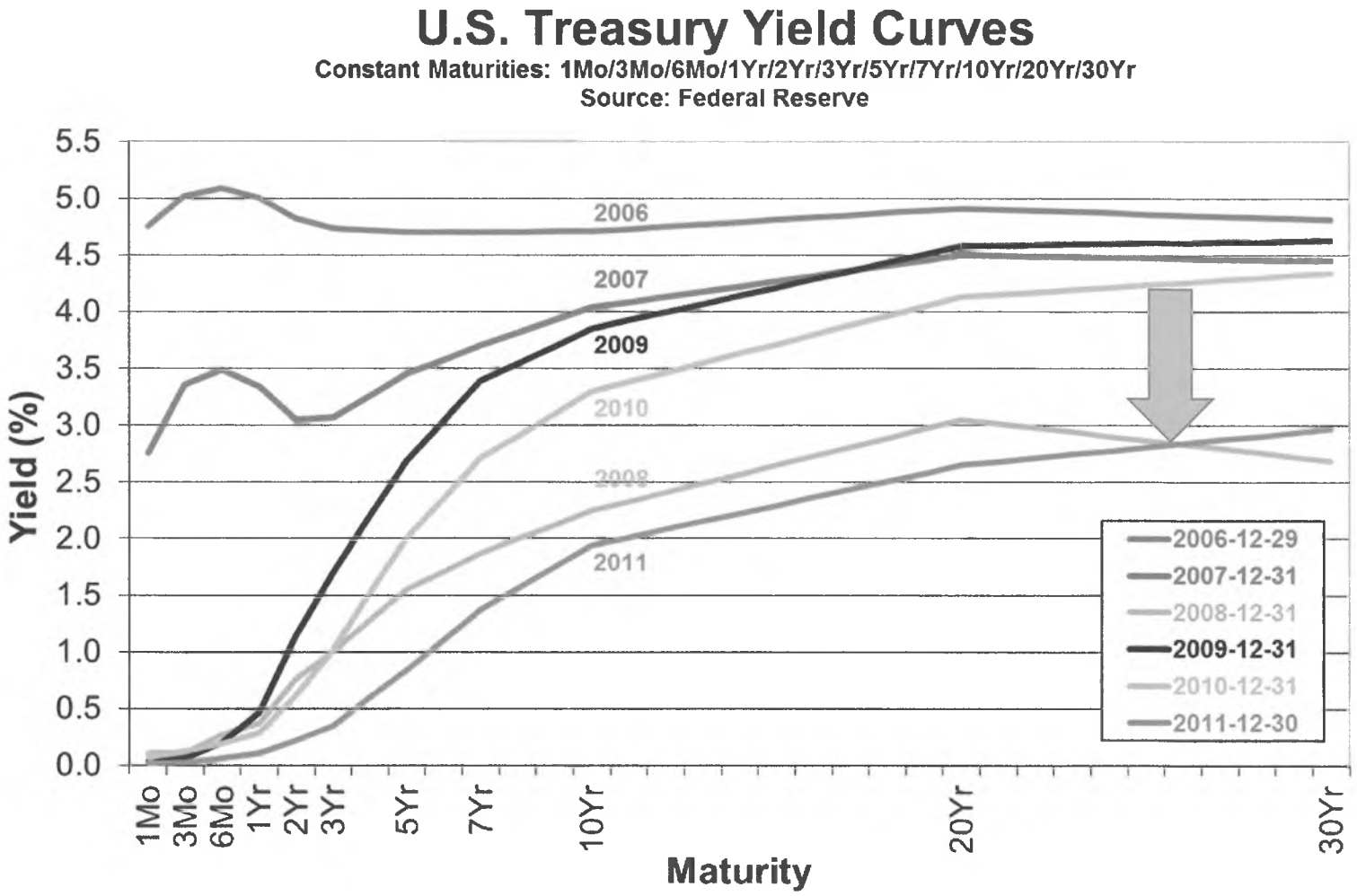
We Can Go Lower; Uncharted Waters Going Forward

BC Aggregate Index - Daily Yield to Worst from 1/2/01 to 12/30/11



Source: Barclays Capital and Callan

Treasury Rates Fell With Fears of a Faltering Recovery



Source: Federal Reserve and Callan

Building Fixed Income Expectations

- **2011 results yet another surprise – interest rates fell, broad market generated 7.8% return (BC Aggregate).**
  - Credit event of 2011: downgrade of U.S. Treasury debt by S&P.
  - Result of downgrade: a flight to quality. Treasuries rallied. The market speaks.
- **The path to future return matters:**
  - Inflation
  - Composition of the market
  - Expected spreads and risk premiums
  - Current yields – level, slope of the yield curve.
- **Hard to be enthusiastic about fixed income returns given current yields, environment and likely economic path to growth.**
  - Calling the bottom of the "long term" interest rate cycle has been perilous. Nevertheless, the risk that rates will move higher is likely greater than the potential for rates to move lower.

2012 Capital Market Expectations

- Bond returns reduced to 3.25%. We expect interest rates to rise, likely after 2013, resulting in capital loss before higher yields kick in. We expect cash yields to reach 3.0% and 10-year Treasury yields to reach 5% over the ten-year projection.
- Project an upward sloping yield curve, with a slim risk premium for bonds over cash (1.0%).
- Building equity returns from long-term fundamentals, we find it hard to get to 8%: 2.5-3.0% real GDP growth, which means 5-5.5% nominal earnings growth, 2% dividend yield. Nothing expected from the "buyback yield". Equity suffered in the broad flight to quality in 2011, particularly outside the U.S., and looks reasonably priced, but is it "cheap"? Broad U.S. equity expectations are reduced 25 bps, from 8.0% to 7.75%. Broad non-U.S. equity returns are decreased by a similar amount.
- Real estate return reduced to 6.4% from 6.75%, reflecting income returns holding up at 5-6% but reduced expectations for appreciation.
- Hedge fund expectations of T-bill plus 2.75% suggests a return of 5.5%.

2012 Capital Market Expectations

Return and Risk

Summary of Callan's Long-Term Capital Market Projections (2012 - 2021)

		Projected Return			Projected Risk		2011	
Asset Class	Index	1-Year Arithmetic	10-year Geometric *	Real	Standard Deviation	Projected Yield	10-year Geometric *	Standard Deviation
Equities								
Broad Domestic Equity	Russell 3000	9.20%	7.75%	5.25%	18.70%	2.00%	8.00%	18.10%
Large Cap	S&P 500	8.95%	7.60%	5.10%	18.00%	2.20%	7.85%	17.25%
Small/Mid Cap	Russell 2500	10.25%	7.90%	5.40%	23.00%	1.20%	8.25%	23.00%
International Equity	MSCI EAFE	9.30%	7.60%	5.10%	20.00%	2.00%	7.85%	19.75%
Emerging Markets Equity	MSCI EMF	11.50%	8.00%	5.50%	27.75%	0.00%	8.35%	27.50%
Global ex-US Equity	MSCI ACWI ex-US	9.85%	7.90%	5.40%	21.15%	1.70%	8.20%	20.90%
Fixed Income								
Defensive	BC Govt 1-3	3.00%	3.00%	0.50%	2.50%	3.00%	3.25%	2.50%
Domestic Fixed	BC Aggregate	3.30%	3.25%	0.75%	4.25%	3.30%	3.75%	4.50%
TIPS	BC TIPS	3.10%	3.00%	0.50%	5.60%	3.10%	3.50%	5.90%
Long Duration	BC Long Govt/Credit	4.10%	3.45%	0.95%	11.80%	4.10%	4.00%	11.15%
High Yield	BC High Yield	6.00%	5.35%	2.85%	12.50%	6.00%	5.60%	11.55%
Non-US Fixed	Citi Non-US Govt	3.25%	2.85%	0.35%	9.50%	3.25%	3.35%	9.70%
Other								
Real Estate	Callan Real Estate	7.65%	6.40%	3.90%	16.95%	5.00%	6.75%	16.35%
Private Equity	VE Post Venture Cap	13.05%	8.90%	6.40%	30.60%	0.00%	9.00%	30.00%
Hedge Funds	Callan Hedge FoF	5.90%	5.55%	3.05%	10.00%	0.00%	5.90%	10.00%
Commodities	DJ-UBS	4.75%	3.25%	0.75%	17.90%	3.00%	3.75%	24.00%
Cash Equivalents	90-day T-bill	2.75%	2.75%	0.25%	0.90%	2.75%	3.00%	0.90%
Inflation	CPI-U	2.50%	2.50%		1.40%		2.50%	1.40%

** Geometric returns are derived from arithmetic returns and the associated risk (standard deviation).*

Source: Callan

2012 Capital Market Expectations

Largely Unconstrained Asset Mix Return and Risk

Absolute Return Capped at 5%

Asset Mix Alternatives
Optimization Set: 2012 Broad Equity

Portfolio Component	Min	Max	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5	Mix 6
Broad Domestic Equity	0%	100%	19%	22%	26%	29%	33%	35%
Global ex-US Equity	0%	100%	14%	17%	20%	23%	26%	29%
Private Equity	0%	100%	2%	3%	5%	6%	7%	10%
Domestic Fixed	0%	100%	39%	31%	23%	16%	7%	0%
High Yield	0%	100%	6%	6%	6%	7%	7%	6%
Non US Fixed	0%	100%	3%	4%	4%	4%	5%	4%
TIPS	0%	100%	7%	6%	3%	1%	0%	0%
Real Estate	0%	100%	5%	6%	8%	9%	10%	11%
Absolute Return	0%	5%	5%	5%	5%	5%	5%	5%
Totals			100%	100%	100%	100%	100%	100%
Projected Arithmetic Return			6.00%	6.60%	7.20%	7.80%	8.40%	9.00%
Projected Standard Deviation			8.59%	10.30%	12.06%	13.85%	15.66%	17.49%
5 Yr. Geometric Mean Return			5.77%	6.24%	6.68%	7.08%	7.45%	7.78%
10 Yr. Geometric Mean Return			5.77%	6.23%	6.66%	7.06%	7.42%	7.74%
10 Yr. Simulated Sharpe Ratio			0.32%	0.31%	0.30%	0.29%	0.28%	0.27%

ARMB's current policy has an expected arithmetic return of 7.9%
The expected 10-year geometric mean return is 7.1%.

Source: Callan

Fallout of 2012 Capital Market Expectations

- **What happened in 2011? The economic recovery appeared to lose steam, investors lost faith, the equity market took beating through Q3, and interest rates fell sharply, from already-low levels. Strong fourth quarter pushed U.S. equities back up, but only enough to end the year flat sharply; non-U.S. markets were not so fortunate. Bonds recorded yet another (unexpected) stellar year as interest rates dropped in the flight from risk.**
- **Bond returns going forward– not a lot of room for optimism. Interest rates have no where to go but up, right?**
- **Cash cannot sustain a negative real yield over the longer term. Or can it? We project an upward sloping yield curve, with very a slim risk premium for bonds over cash.**
- **Building equity returns from long-term fundamentals:**
  - Earnings growth – **outlook now in jeopardy.**
  - Real GDP – **how slow can we go?**
  - Dividends & other returns on free cash flow – **can dividends surpass Treasury yields? For how long?**
  - Valuation – **cheaper, but cheap enough?**
- **How to make investors very unhappy in 3 easy numbers:**
  - Bonds = 3%, or less
  - Stocks = 8%, or less
  - 60/40 = 7%, or less…
  - Our 2012 numbers reflect our ***optimism*** for the economy, for inflation, and for the capital markets.
  - The challenge: to refrain from translating these expectations into a need to take on more risk in pursuit of return.
  - How does one keep invested in fixed income – a prudent investor's anchor to windward -when we all KNOW it's going to lose money while interest rates rise?

Appendix

10-Year vs. 30-Year Capital Market Expectations

- **Over a 30-year time horizon, our capital market expectations would reference long-term historical mean results, with an overlay of informed judgment. Key elements to consider:**
  - Nominal returns
  - Inflation
  - Real returns
  - Risk premia – bonds over cash, stocks over bonds, long duration over short
  - Long term underlying economic growth (real GDP).
- **Current expectations:**
  - Stocks: 7.75% nominal, 5.25% real, 4.50% premium over bonds
  - Bonds: 3.25% nominal, 0.75% real, 0.50% premium over cash
  - Cash: 2.75% nominal, 0.25% real
  - Inflation: 2.5%
  - Underlying economic growth (real GDP) – 2 to 3% per year.
- **Long-term (30-year) expectations:**
  - Stocks: 9.5% nominal, 6.5% real, 4.5% premium over bonds
  - Bonds: 5% nominal, 2% real, 1% premium over cash
  - Cash: 4% nominal, 1% real
  - Inflation: 3.0%
  - Underlying economic growth (real GDP) – 3 to 3.5% per year.

10-Year vs. 30-Year Capital Market Expectations

- **Under Callan's current 5-10 year expectations, a typical institutional policy target mix is not expected to generate an annual return anywhere near 8.0%; even 7.0% will be a challenge.**
  - Assumed returns for pension valuations and endowment/foundation spending are usually between 7% and 8%.
- **Substantially greater exposure to risk assets than the typical policy mix would be required to generate an 8% return over the 5-10 year horizon, potentially in conflict with many investors' expressed tolerance for risk.**
- **Appealing to expectations with a 30-year time horizon, a typical institutional policy mix may indeed be expected to generate an 8% return. However, long-term perspective must be maintained. The path to a long-term 8% return will include extended periods of returns above the 8% (the 1990s, 2003-2007) and periods below the 8%.**

Alaska Permanent Fund

Designed for Sustainability

Alaska Permanent Fund Corporation

FY2011 performance

Total return	20.60%
Benchmark return	21.50%
Ending balance	$40.1 billion
Change from FY11	$ 6.9 billion
Dividend	$801 million

FY2012 to-date

Total return	-4.5%
Benchmark return	-4.6%
Ending balance	$39.0 billion
Change from FY11	-$ 1.1 billion

Renewable resource

$15.6 billion

deposited in Fund to date

$19.2 billion

dividends paid to date

$40.7 billion

current value

Tysons Corner Center



- Washington, DC
- 2 million square feet developed
- 1.4 million square feet entitled
- Apartment, office, hotel
- Train access to DC and Dulles

299 Park Avenue



- New York, NY
- Partners: Fisher Brothers
- Office
- 1.1 million square feet
- $1.2 billion total property value

City Centre II & III



- Houston, TX
- Office & Retail
- 150,000 square feet at present
- 270,000 square feet after construction
- $50 million property value

2/22/12 DEPARTMENT OF ADMINISTRATION: FINANCIAL UPDATE ON PUB. EMPLOYEES RETIREMENT SYSTEM AND TEACHERS RETIREMENT SYSTEM

<TARGET><BILL></BILL><SUBJECT>2-22-12 DEPARTMENT OF ADMINISTRATION FINANCIAL UPDATE ON PUBLIC EMPLOYEES RETIREMENT SYSTEM AND TEACHERS RETIREMENT SYSTEM</SUBJECT><COMM>SFIN27</COMM></TARGET>

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

Senator Bert Stedman, Co-Chair
State Capitol, Room 516
Juneau, AK 99801-1182
(907) 465- 3873 - Phone
(907) 465-3922 - Fax
Senator_Bert_Stedman@legis.state.ak.us

Official Business

Senator Lyman Hoffman, Co-Chair
State Capitol, Room 518
Juneau, AK 99801-1182
Phone - (907) 465- 4453
Fax - (907) 465- 4523
Senator_Lyman_Hoffman@legis.state.ak.us

AGENDA

Wednesday, February 22, 2012 Senate Finance Room 532 – 9:00 AM

Financial Update on the Public Employees Retirement System and the Teachers Retirement System by the Department of Administration and the Alaska Retirement Management Board

Bills Previously Heard/Scheduled

Public Employee Retirement System (PERS)
Teachers Retirement System (TRS)
UPDATE



Presentation to Senate Finance

Department of Administration

Department of Revenue

February 22, 2012

PERS / TRS Update

I. **Basic Facts**

II. **Investments**

III. **SB 125 State Assistance**

IV. **ARM Board Work Re Unfunded Liability**

I. Basic Facts

PERS / TRS
Basic Facts

A. Membership

B. Organization

C. Balance Sheet

D. Health Cost Trends

E. Funding Ratio History

F. Employer Contribution Rates

PERS / TRS
Basic Facts – Membership - PERS

PERS:

160 Member Employers

3 Defined Benefit (DB) Tiers

26,237	retirees
6,253	terminated members entitled to future benefits
26,442	actives (70.3%)
58,932	total members

1 Defined Contribution (DC) Tier

0	retirees
554	terminated members entitled to future benefits
11,182	actives (29.7%)
11,736	total members

Source: FY 2011 PERS CAFR

PERS / TRS
Basic Facts – Membership - TRS

TRS:

58 Member Employers

2 Defined Benefit (DB) Tiers

10,598	retirees
840	terminated members entitled to future benefits
7,832	actives (74.1%)
19,270	total members

1 Defined Contribution (DC) Tier

0	retirees
502	terminated members entitled to future benefits
2,738	actives (25.9%)
3,240	total members

Source: FY 2011 TRS CAFR

STATE OF ALASKA

PERS / TRS
Basic Facts – Organization



Dept. of Revenue
Treasury Division

Invests retirement system assets

- Investment Advisory Committee
- General Consultant
- Staff
- External Investment Management
- Internal Investment Management

Alaska Retirement Management Board

Sets contribution rates, invests retirement system assets

Dept. of Administration
Division of Retirement & Benefits

Administers retirement and benefits system

- Staff
- Actuary
- Third Party Admin.

PERS / TRS
Basic Facts – Balance Sheet

PERS DB:

Assets (actuarial value, 6/30/11)	$11,813,774,000
Accrued Liabilities (6/30/11)	18,740,550,000
Unfunded Liability	$ 6,926,776,000
Funding Ratio	63.0%

TRS DB:

Assets (actuarial value, 6/30/11)	$4,937,937,000
Accrued Liabilities (6/30/11)	9,128,795,000
Unfunded Liability	$4,190,858,000
Funding Ratio	54.1%

Source: Buck Consultants

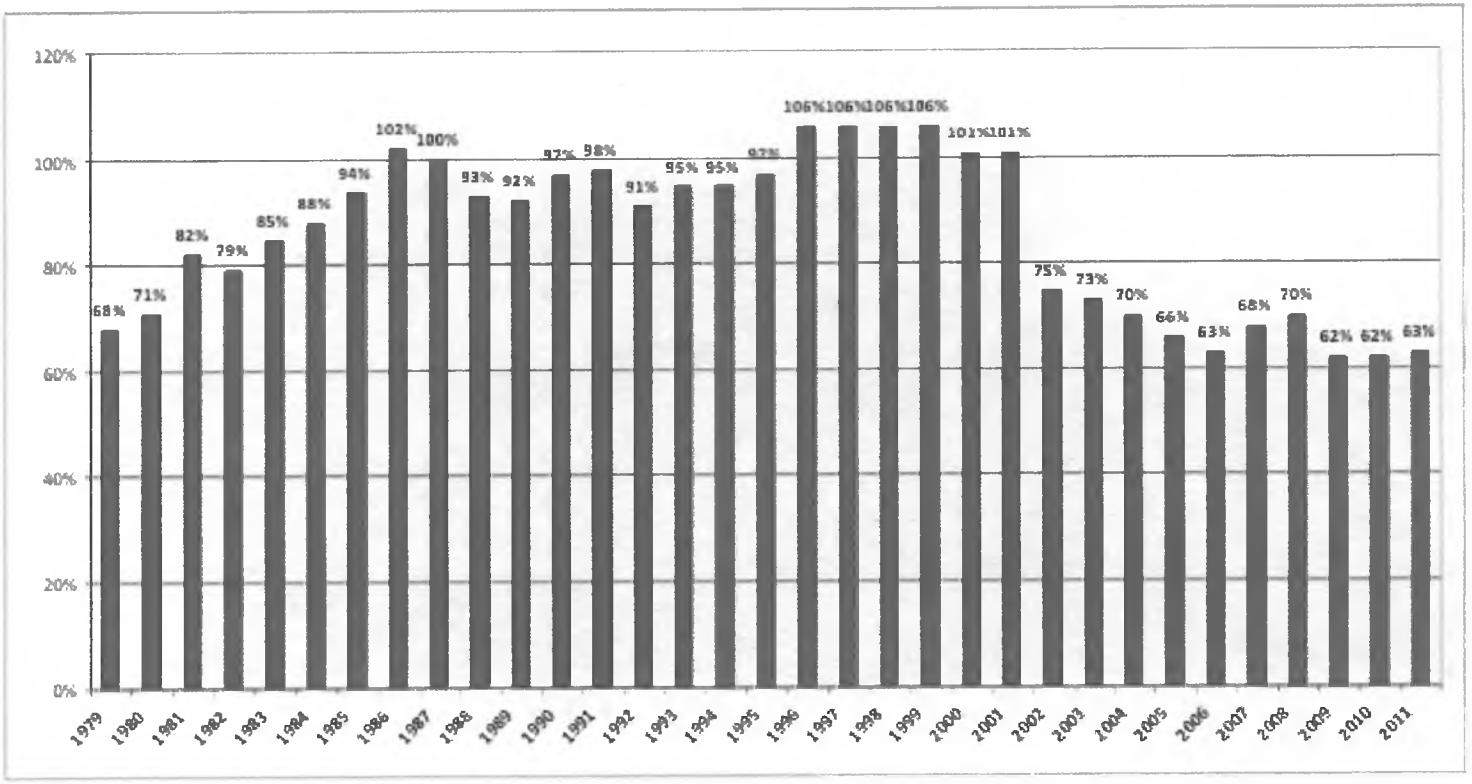
PERS / TRS
Basic Facts – Health Cost Trends

Time Period	Monthly Premium Per Retiree For Health Coverage	Annual Percentage Change	Average Compound Annual Increase Since FY78
2/1/77-1/31/78	$ 57.64	66%	--
2/1/78-1/31/79	69.10	20%	20%
2/1/79-1/31/80	64.70	-6%	6%
2/1/80-1/31/81	96.34	49%	19%
2/1/81-1/31/82	96.34	0%	14%
2/1/82-1/31/83	115.61	20%	15%
2/1/83-1/31/84	156.07	35%	18%
2/1/84-1/31/85	191.85	23%	19%
2/1/85-1/31/86	168.25	-12%	14%
2/1/86-1/31/87	165.00	-2%	12%
2/1/87-1/31/88	140.25	-15%	9%
2/1/88-1/31/89	211.22	51%	13%
2/1/89-1/31/90	252.83	20%	13%
2/1/90-1/31/91	243.98	-4%	12%
2/1/91-1/31/92	243.98	0%	11%
2/1/92-1/31/93	226.90	-7%	10%
2/1/93-1/31/94	309.72	37%	11%
2/1/94-1/31/95	336.05	9%	11%
2/1/95-1/31/96	350.50	4%	11%
2/1/96-1/31/97	350.50	0%	10%
2/1/97-1/31/98	368.00	5%	10%
2/1/98-12/31/98	368.00	0%	9%
1/1/99-12/31/99	442.00	20%	10%
1/1/00-12/31/00	530.00	20%	10%
1/1/01-12/31/01	610.00	15%	10%
1/1/02-12/31/02	668.00	10%	10%
1/1/03-12/31/03	720.00	8%	10%
1/1/04-12/31/04	806.00	12%	10%
1/1/05-12/31/05	850.00	5%	10%
1/1/06-12/31/06	876.00	3%	10%
1/1/07-12/31/07	876.00	0%	10%
1/1/08-12/31/08	876.00	0%	9%
1/1/09-12/31/09	937.00	7%	9%
1/1/10-12/31/10	1,068.00	14%	9%
1/1/11-12/31/11	1,176.00	10%	9%
1/1/12-12/31/12	1,200.00	2%	9%

Source: Buck Consultants

PERS / TRS
Basic Facts – Funding Ratio History – PERS

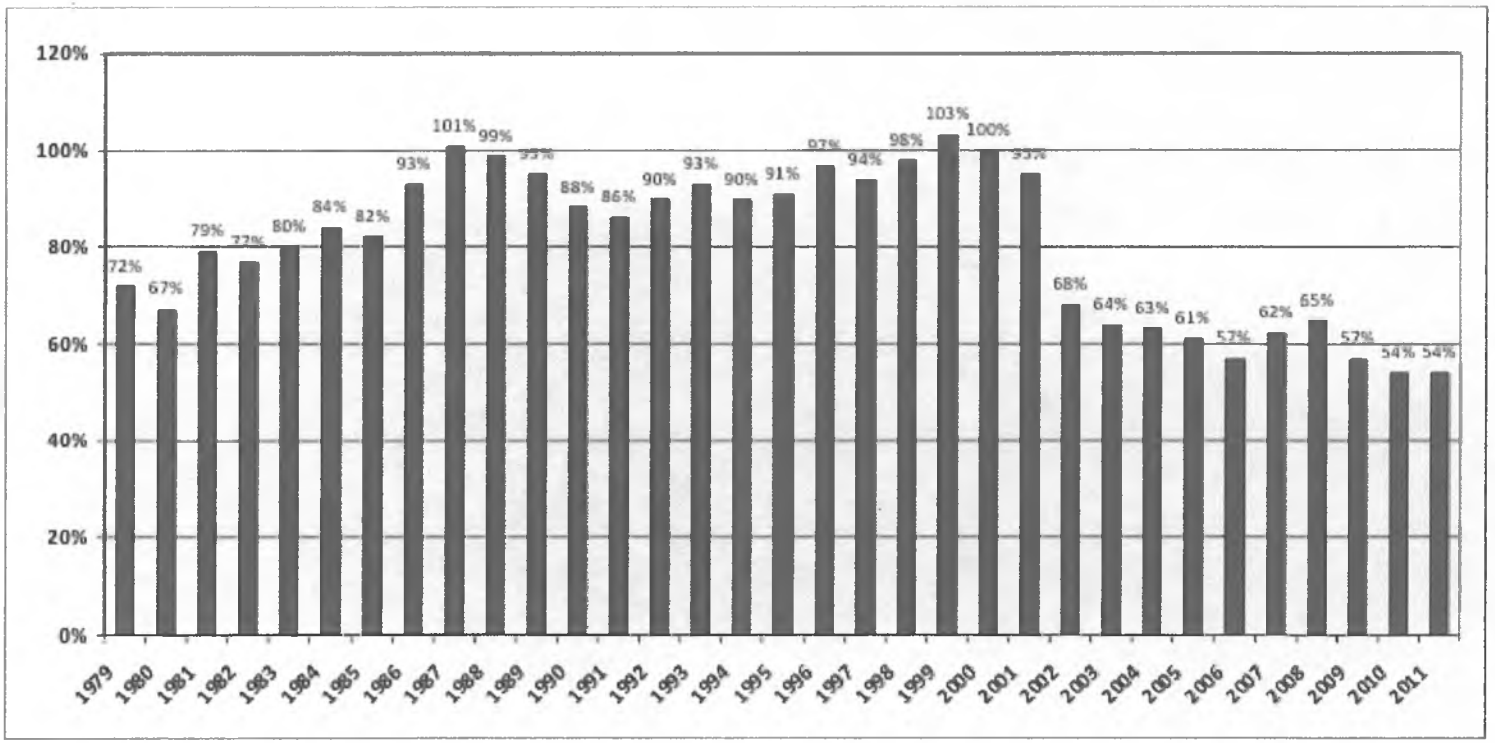
(Based on Valuation Assets)



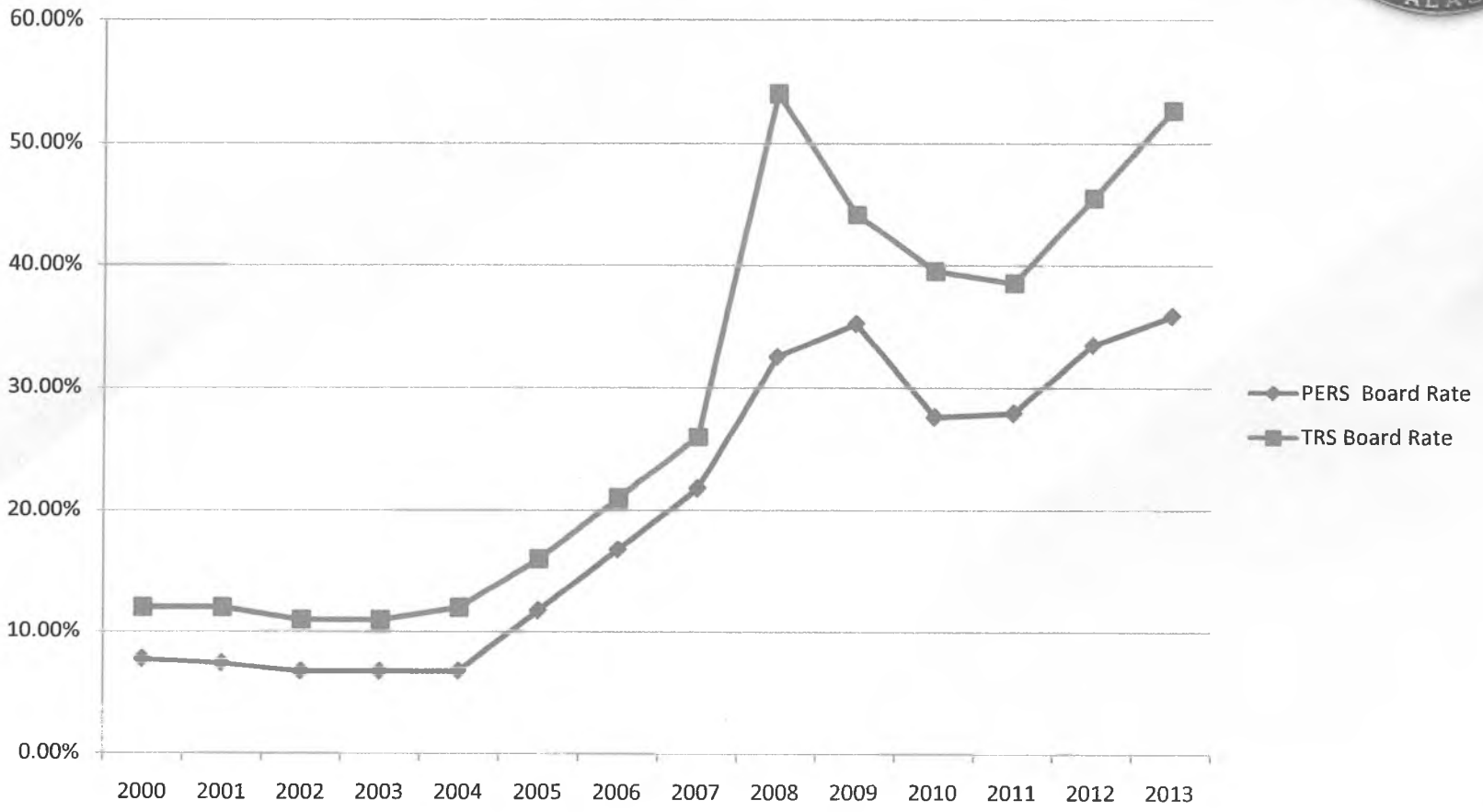
State of Alaska
Public Employees' Retirement System
As of June 30, 2011

PERS / TRS
Basic Facts – Funding Ratio History – TRS

(Based on Valuation Assets)

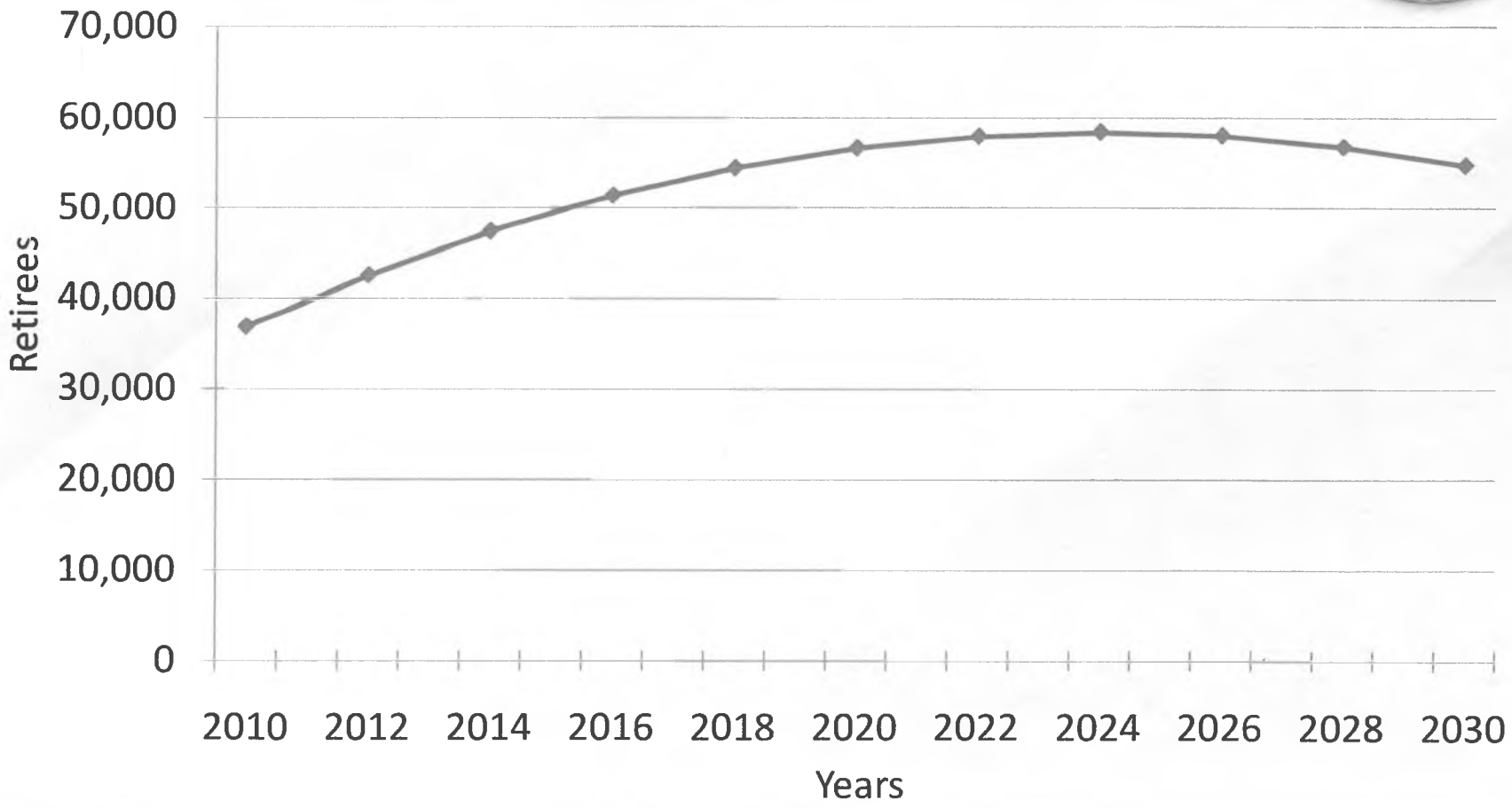


PERS / TRS
Basic Facts – Contribution Rates



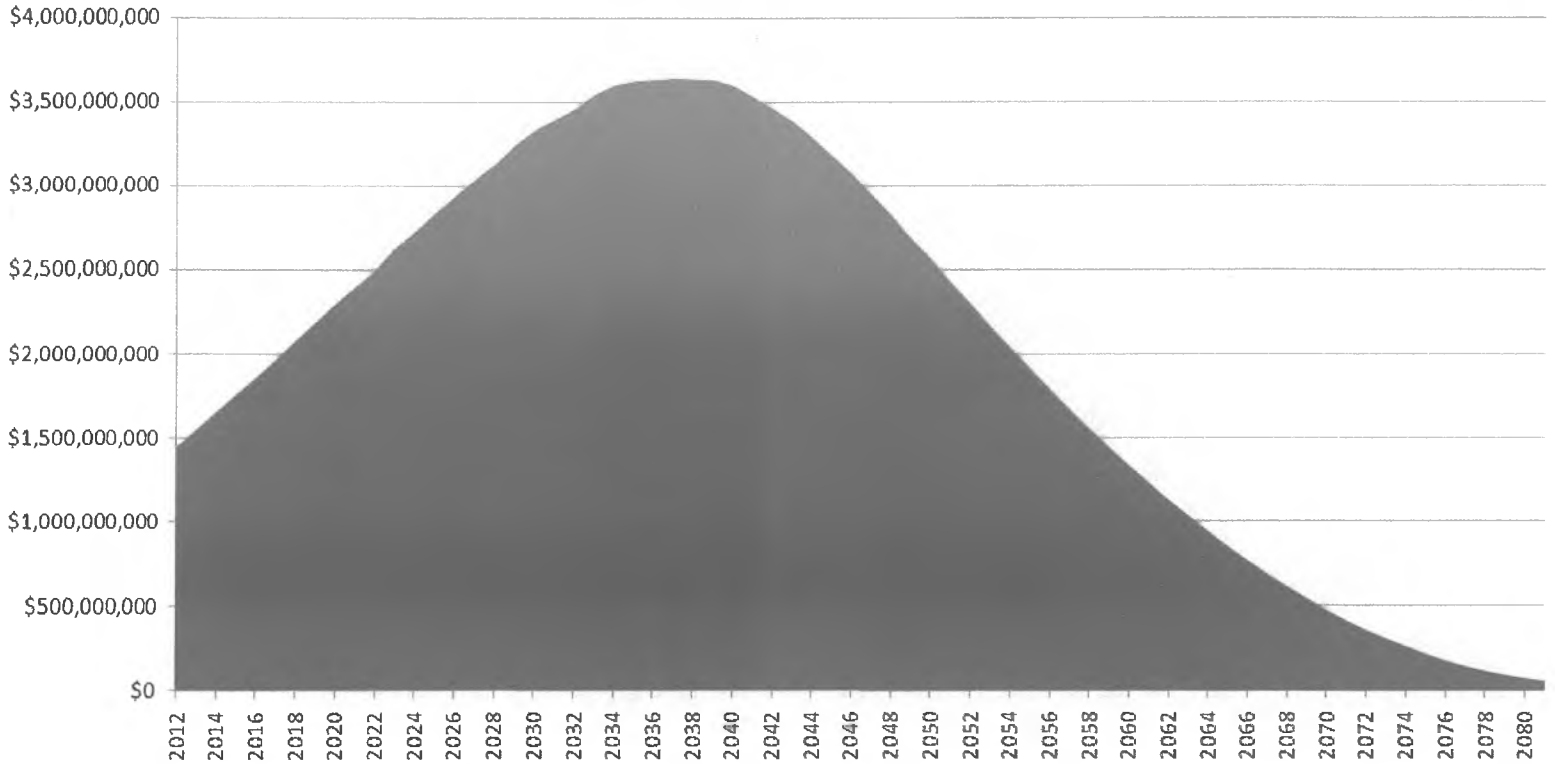
SB 125 capped PERS employer contribution rates at 22% and TRS employer contribution rates at 12.56% beginning in FY 2009.

Projected Retirement Population Growth



Big Picture Budget Issues
PERS and TRS promises made

Pay $141 billion in benefits payments over next 70 years



Current PERS/TRS account balance: $15.4 billion

Unfunded Liability: $11.1 billion

II. Investments

PERS / TRS
Investments – ARMB Assets Under Management

Public Employees' Retirement System (PERS)	**$11,151,649,032**
Retirement Trust	5,917,565,533
Retirement Health Care Trust	4,955,522,364
Defined Contribution Retirement Plan - PERS	196,812,142
Health Reimbursement Arrangement	60,926,595
Retiree Medical Plan	13,150,689
Occupational Death and Disability - PERS	5,564,236
Occupational Death and Disability - Police & Fire	2,107,473
Teachers' Retirement System (TRS)	**$4,658,169,352**
Retirement Trust	2,963,021,793
Retirement Health Care Trust	1,582,214,904
Defined Contribution Retirement Plan - TRS	85,559,937
Health Reimbursement Arrangement	19,503,399
Retiree Medical Plan	5,685,067
Occupational Death and Disability	2,184,252
Judicial Retirement System (JRS)	**$123,485,239**
Defined Benefit Plan Retirement Trust	103,962,599
Defined Benefit Retirement Health Care Trust	19,522,640
National Guard/Naval Militia Retirement System (MRS)	**$32,214,362**
Supplemental Annuity Plan - SBS	**$2,527,247,292**
Deferred Compensation Plan	**$585,232,928**

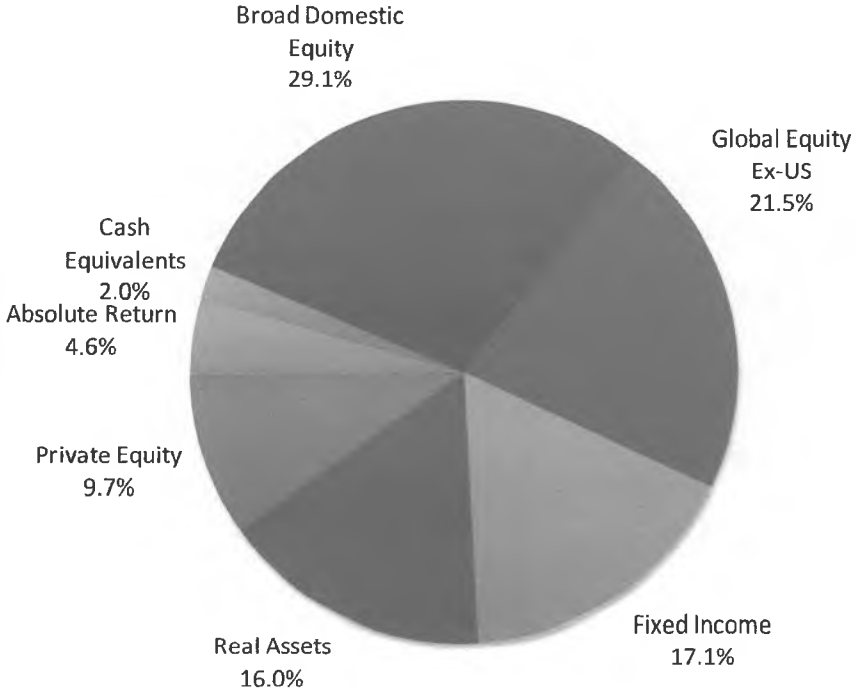
As of 12/31/2011, the ARMB managed $19 billion across 18 plans:

Source: ARMB Financial Report as of December 31, 2011

PERS / TRS
Investments – Asset Allocation

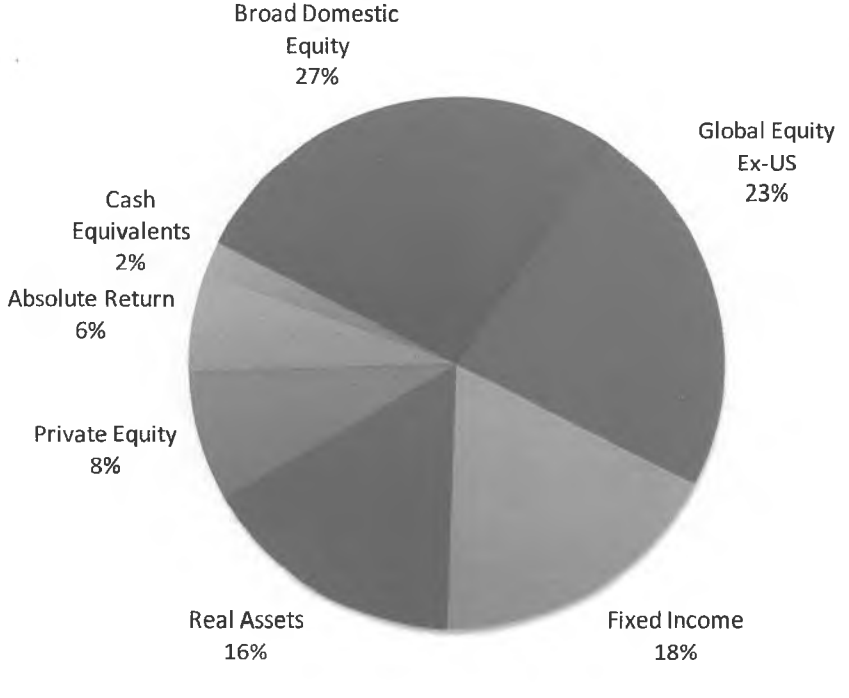
Actual Asset Allocation

December 31, 2011



Target Asset Allocation

December 31, 2011

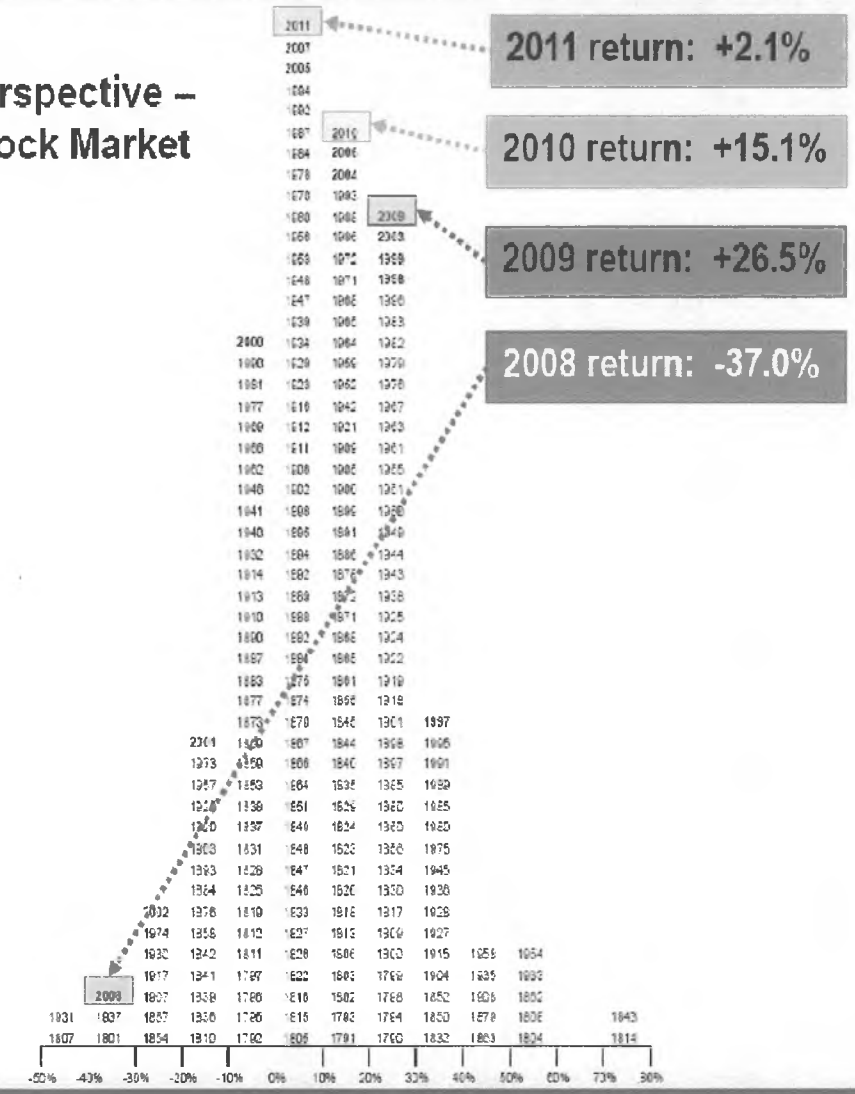


Source: ARMB Financial Report as of December 31, 2011. PERS asset allocation as of 12/31/2011. The TRS target is the same as PERS and the TRS actual is similar to PERS.

PERS / TRS
Investments – US Stock Market Historical Returns

2011 Performance Perspective – History of the U.S. Stock Market

224 Years of Returns



Source: Callan Associates

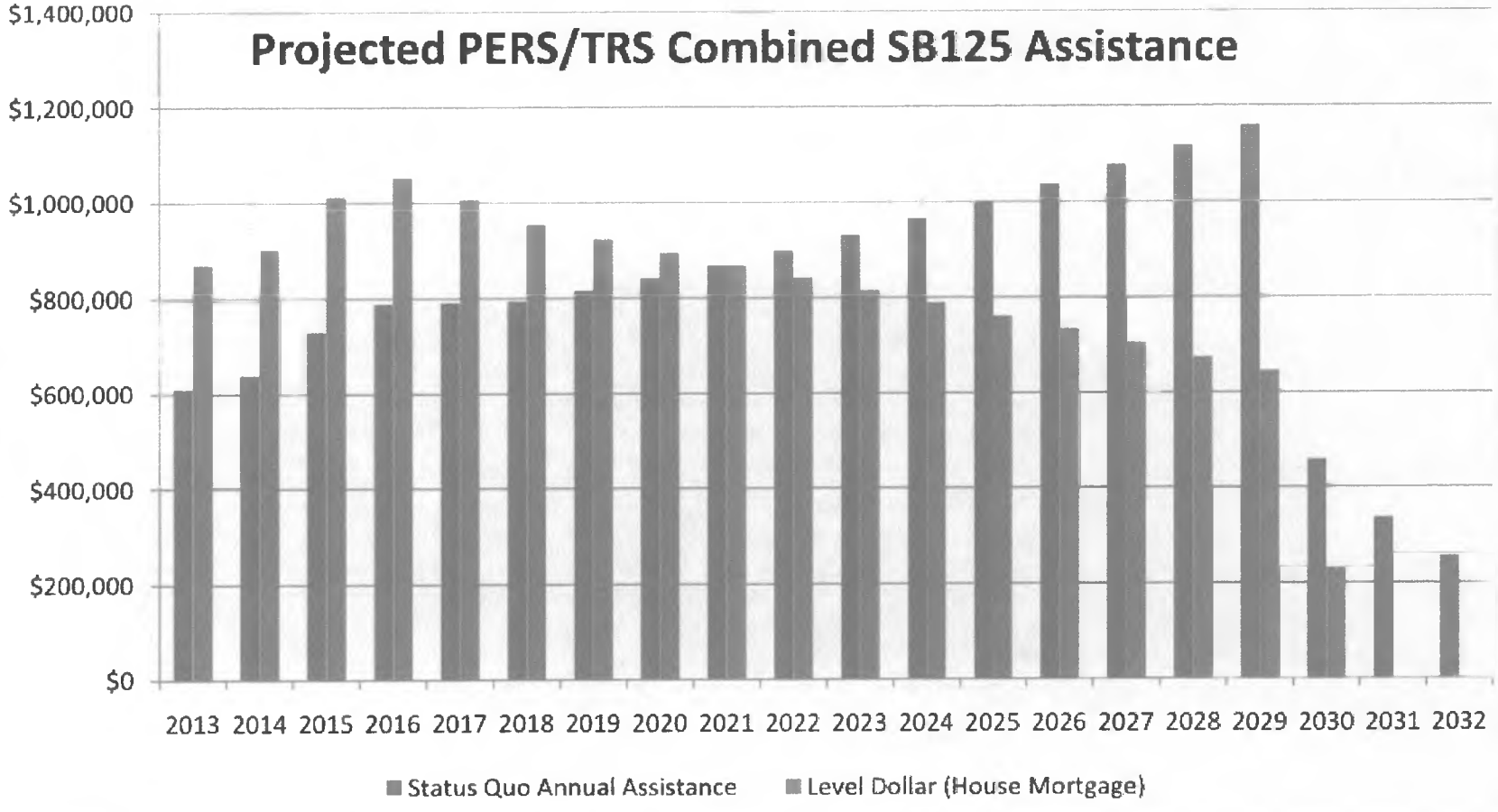
PERS / TRS Annualized Returns

Annualized Returns through 6/30/2011	PERS	TRS	Average
1 Year	21.18%	21.36%	21.27%
3 Year	2.36%	2.41%	2.39%
5 Year	4.32%	4.36%	4.34%
10 Year	5.43%	5.46%	5.44%

Source: Callan Associates

III. SB 125 State Assistance

State assistance (SB 125)



IV. ARM Board Work Re Unfunded Liability

ARM Board Unfunded Liability Scenarios

- **40+ scenarios**
- **Adjusting 5 different levers**
  - Amortization methodology
  - Amortization term
  - Cash infusion
  - Continuation of state assistance
  - Additional municipal participation
- **Measured results**
  - Total payoff amount
  - Date of payoff
  - Amount of state participation
  - Amount of municipal participation
  - Near-term burden on the General Fund

Thank you!

www.alaska.gov for more information.

Mike Barnhill

Angela Rodell

Questions?

State of Alaska PERS
Financial Projections (in Thousands)

Investment Return: 7.0% thru FY21 and 8.51% from FY22 - FY41, 8% thereafter

Fiscal Year End	Valuation Amounts on July 1 (Beginning of Fiscal Year)				Flow Amounts During Following 12 Months									Recognized Asset Gain/(Loss)	Ending Actuarial Assets
	Actuarial Assets	Accrued Liability	Funding Ratio	Surplus (Deficit)	Total Salaries	Employer/State Ctb Rate	Employer Contribs	State Contribs	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs	Investment Earnings		
2012	$11,813,774	$18,740,550	63%	($6,926,776)	$2,176,179	30.76%	$429,257	$240,136	$121,669	$791,062	$923,509	($132,447)	$792,646	($502,995)	$11,970,978
2013	11,970,978	19,594,822	61%	(7,623,844)	2,224,321	32.83%	426,348	303,897	123,685	853,930	1,001,230	(147,300)	838,349	(270,410)	12,391,617
2014	12,391,617	20,413,494	61%	(8,021,877)	2,284,159	32.31%	425,513	312,499	117,140	855,152	1,077,703	(222,551)	884,133	327,228	13,380,427
2015	13,380,427	21,193,684	63%	(7,813,257)	2,352,955	33.27%	426,291	356,537	110,703	893,531	1,159,938	(266,407)	928,935	273,564	14,316,519
2016	14,316,519	21,926,590	65%	(7,610,071)	2,429,611	33.81%	428,460	392,991	104,724	926,175	1,240,089	(313,914)	973,677	12,884	14,989,166
2017	14,989,166	22,612,343	66%	(7,623,177)	2,514,198	32.71%	432,069	390,325	98,930	921,324	1,311,244	(389,920)	1,017,245	12,694	15,629,185
2018	15,629,185	23,259,378	67%	(7,630,193)	2,608,369	31.71%	437,360	389,754	93,593	920,707	1,382,629	(461,922)	1,058,681	12,318	16,238,262
2019	16,238,262	23,865,957	68%	(7,627,695)	2,705,048	31.43%	443,144	407,053	88,233	938,430	1,469,906	(531,476)	1,098,061	11,833	16,816,680
2020	16,816,680	24,413,917	69%	(7,597,237)	2,806,928	31.21%	449,897	426,145	82,949	958,991	1,550,220	(591,229)	1,135,666	11,298	17,372,415
2021	17,372,415	24,904,710	70%	(7,532,295)	2,913,745	31.12%	457,618	449,139	78,040	984,797	1,628,133	(643,336)	1,171,983	10,819	17,911,881
2022	17,911,881	25,340,970	71%	(7,429,089)	3,025,925	31.09%	466,237	474,523	59,006	999,766	1,702,512	(702,746)	1,467,404	(197,975)	18,478,564
2023	18,478,564	25,718,645	72%	(7,240,081)	3,147,128	31.10%	476,364	502,393	54,131	1,032,888	1,766,742	(733,854)	1,531,180	(153,182)	19,122,708
2024	19,122,708	26,035,775	73%	(6,913,067)	3,273,954	31.18%	487,493	533,326	49,109	1,069,928	1,862,172	(792,244)	1,596,599	(106,578)	19,820,485
2025	19,820,485	26,267,533	75%	(6,447,048)	3,407,370	31.17%	499,786	562,291	44,637	1,106,714	1,930,811	(824,097)	1,663,722	(58,195)	20,601,915
2026	20,601,915	26,434,173	78%	(5,832,258)	3,547,971	31.05%	513,375	588,270	40,092	1,141,737	2,004,407	(862,670)	1,733,566	(8,098)	21,464,713
2027	21,464,713	26,528,526	81%	(5,063,813)	3,695,845	30.80%	528,184	610,136	36,219	1,174,539	2,067,748	(893,209)	1,806,406	(8,400)	22,369,510
2028	22,369,510	26,555,553	84%	(4,186,043)	3,851,400	30.44%	544,338	628,028	32,352	1,204,718	2,131,749	(927,031)	1,882,710	(8,760)	23,316,429
2029	23,316,429	26,510,031	88%	(3,193,602)	4,014,040	29.98%	561,780	641,629	28,901	1,232,310	2,190,427	(958,117)	1,962,742	(9,167)	24,311,887
2030	24,311,887	26,392,167	92%	(2,080,280)	4,186,025	18.77%	580,796	204,921	25,535	811,252	2,268,668	(1,457,416)	2,027,424	(8,702)	24,873,193
2031	24,873,193	26,177,368	95%	(1,304,175)	4,366,885	16.96%	601,303	139,321	22,271	762,895	2,325,028	(1,562,133)	2,071,567	(7,294)	25,375,333
2032	25,375,333	25,878,970	98%	(503,637)	4,557,421	13.97%	623,331	13,341	19,597	656,269	2,358,426	(1,702,157)	2,109,084	(5,914)	25,776,346
2033	25,776,346	25,550,949	101%	225,397	4,763,757	0.08%	3,811	0	17,150	20,961	2,399,492	(2,378,531)	2,115,521	(3,527)	25,509,809
2034	25,509,809	25,150,257	101%	359,552	4,976,457	0.06%	2,986	0	14,432	17,418	2,450,528	(2,433,110)	2,090,864	(503)	25,167,060
2035	25,167,060	24,661,412	102%	505,648	5,197,428	0.03%	1,559	0	12,474	14,033	2,480,738	(2,466,705)	2,060,339	1,729	24,762,423
2036	24,762,423	24,098,928	103%	663,495	5,427,477	0.03%	1,628	0	10,312	11,940	2,489,605	(2,477,665)	2,025,300	3,283	24,313,341
2037	24,313,341	23,480,180	104%	833,161	5,666,666	0.02%	1,133	0	8,500	9,633	2,493,774	(2,484,141)	1,986,534	4,144	23,819,878
2038	23,819,878	22,805,276	104%	1,014,602	5,915,417	0.00%	0	0	7,099	7,099	2,482,823	(2,475,724)	1,944,538	4,614	23,293,306
2039	23,293,306	22,085,031	105%	1,208,275	6,172,379	0.01%	617	0	5,555	6,172	2,483,271	(2,477,099)	1,899,277	5,030	22,720,514
2040	22,720,514	21,305,753	107%	1,414,761	6,440,545	0.00%	0	0	4,508	4,508	2,460,110	(2,455,602)	1,851,000	5,414	22,121,326
2041	22,121,326	20,486,229	108%	1,635,097	6,719,346	0.00%	0	0	3,360	3,360	2,418,176	(2,414,816)	1,801,249	5,711	21,513,470
2042	21,513,470	19,643,065	110%	1,870,405	7,010,384	0.00%	0	0	2,804	2,804	2,370,544	(2,367,740)	1,645,949	89,939	20,881,618

State of Alaska PERS
Financial Projections (in Thousands)

Investment Return: 7.0% thru FY21 and 8.51% from FY22 - FY41, 8% thereafter

Fiscal Year End	Valuation Amounts on July 1 (Beginning of Fiscal Year) Actuarial Assets	Accrued Liability	Funding Ratio	Surplus (Deficit)	Total Salaries	Employer/State Ctb Rate	Flow Amounts During Following 12 Months Employer Contribs	State Contribs	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs	Investment Earnings	Recognized Asset Gain/(Loss)	Ending Actuarial Assets
2043	20,881,618	18,780,835	111%	2,100,783	7,318,587	0.00%	0	0	2,196	2,196	2,314,374	(2,312,178)	1,590,385	66,609	20,226,434
2044	20,226,434	17,906,735	113%	2,319,699	7,618,729	0.00%	0	0	1,524	1,524	2,240,237	(2,238,713)	1,535,524	43,821	19,567,066
2045	19,567,066	17,038,218	115%	2,528,848	7,926,292	0.00%	0	0	1,585	1,585	2,168,450	(2,166,865)	1,482,087	21,612	18,903,900
2046	18,903,900	16,174,068	117%	2,729,832	8,243,609	0.00%	0	0	824	824	2,091,592	(2,090,768)	1,430,290	0	18,243,422
2047	18,243,422	15,319,002	119%	2,924,420	8,572,937	0.00%	0	0	857	857	2,002,710	(2,001,853)	1,380,940	0	17,622,509
2048	17,622,509	14,486,923	122%	3,135,586	8,916,072	0.00%	0	0	892	892	1,908,831	(1,907,939)	1,334,952	0	17,049,522
2049	17,049,522	13,684,806	125%	3,364,716	9,273,495	0.00%	0	0	0	0	1,809,406	(1,809,406)	1,292,978	0	16,533,094
2050	16,533,094	12,919,797	128%	3,613,297	9,647,357	0.00%	0	0	0	0	1,714,820	(1,714,820)	1,255,374	0	16,073,648
2051	16,073,648	12,190,807	132%	3,882,841	10,036,892	0.00%	0	0	0	0	1,620,476	(1,620,476)	1,222,320	0	15,675,492
2052	15,675,492	11,500,469	136%	4,175,023	10,444,500	0.00%	0	0	0	0	1,523,999	(1,523,999)	1,194,252	0	15,345,745
2053	15,345,745	10,854,068	141%	4,491,677	10,871,212	0.00%	0	0	0	0	1,428,862	(1,428,862)	1,171,605	0	15,088,488
2054	15,088,488	10,253,741	147%	4,834,747	11,318,746	0.00%	0	0	0	0	1,337,483	(1,337,483)	1,154,609	0	14,905,614
2055	14,905,614	9,699,312	154%	5,206,302	11,787,266	0.00%	0	0	0	0	1,247,744	(1,247,744)	1,143,500	0	14,801,370
2056	14,801,370	9,192,767	161%	5,608,603	12,277,590	0.00%	0	0	0	0	1,159,701	(1,159,701)	1,138,614	0	14,780,283
2057	14,780,283	8,736,192	169%	6,044,091	12,790,332	0.00%	0	0	0	0	1,074,853	(1,074,853)	1,140,256	0	14,845,686
2058	14,845,686	8,330,302	178%	6,515,384	13,326,431	0.00%	0	0	0	0	992,908	(992,908)	1,148,703	0	15,001,481
2059	15,001,481	7,976,168	188%	7,025,313	13,886,568	0.00%	0	0	0	0	914,053	(914,053)	1,164,260	0	15,251,688
2060	15,251,688	7,674,754	199%	7,576,934	14,470,489	0.00%	0	0	0	0	838,522	(838,522)	1,187,240	0	15,600,406
2061	15,600,406	7,426,861	210%	8,173,545	15,080,316	0.00%	0	0	0	0	766,486	(766,486)	1,217,963	0	16,051,883
2062	16,051,883	7,233,179	222%	8,818,704	15,715,455	0.00%	0	0	0	0	698,000	(698,000)	1,256,768	0	16,610,651
2063	16,610,651	7,094,396	234%	9,516,255	16,376,161	0.00%	0	0	0	0	632,982	(632,982)	1,304,020	0	17,281,689
2064	17,281,689	7,011,339	246%	10,270,350	17,066,907	0.00%	0	0	0	0	571,274	(571,274)	1,360,124	0	18,070,539
2065	18,070,539	6,985,064	259%	11,085,475	17,787,135	0.00%	0	0	0	0	513,038	(513,038)	1,425,517	0	18,983,018
2066	18,983,018	7,016,544	271%	11,966,474	18,537,879	0.00%	0	0	0	0	458,270	(458,270)	1,500,663	0	20,025,411
2067	20,025,411	7,106,836	282%	12,918,575	19,319,575	0.00%	0	0	0	0	406,869	(406,869)	1,586,071	0	21,204,613
2068	21,204,613	7,257,184	292%	13,947,429	20,133,127	0.00%	0	0	0	0	358,805	(358,805)	1,682,293	0	22,528,101
2069	22,528,101	7,468,962	302%	15,059,139	20,984,019	0.00%	0	0	0	0	314,082	(314,082)	1,789,927	0	24,003,946
2070	24,003,946	7,743,651	310%	16,260,295	21,869,182	0.00%	0	0	0	0	272,760	(272,760)	1,909,615	0	25,640,801
2071	25,640,801	8,082,787	317%	17,558,014	22,791,361	0.00%	0	0	0	0	234,830	(234,830)	2,042,052	0	27,448,023
2072	27,448,023	8,488,041	323%	18,959,982	23,750,548	0.00%	0	0	0	0	200,309	(200,309)	2,187,984	0	29,435,698
							$10,250,678	$ 8,566,655	$ 1,525,588	$ 20,342,921					

State of Alaska TRS
Financial Projections (in Thousands)

Investment Return 7.0% thru FY21 and 8.51% from FY22 - FY41, 8% thereafter

Fiscal Year End	Valuation Amounts on July 1 (Beginning of Fiscal Year)				Flow Amounts During Following 12 Months									Recognized Asset Gain/(Loss)	Ending Actuarial Assets
	Actuarial Assets	Accrued Liability	Funding Ratio	Surplus (Deficit)	Total Salaries	Employer/State Ctb Rate	Employer Contribs	State Contribs	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs	Investment Earnings		
2012	$4,937,937	$9,128,795	54%	($4,190,858)	$731,652	42.61%	$75,090	$236,667	$55,138	$366,895	$506,890	($139,995)	$326,483	($231,967)	$4,892,458
2013	4,892,458	9,438,679	52%	(4,546,221)	750,776	49.56%	72,398	299,687	56,533	428,618	536,938	(108,320)	340,627	(128,852)	4,995,913
2014	4,995,913	9,738,173	51%	(4,742,260)	771,669	50.10%	69,810	316,796	54,190	440,796	564,642	(123,846)	356,355	141,615	5,370,037
2015	5,370,037	10,026,684	54%	(4,656,647)	794,246	52.42%	67,285	349,059	51,979	468,323	593,575	(125,252)	372,582	116,067	5,733,434
2016	5,733,434	10,302,256	56%	(4,568,822)	818,353	53.96%	64,784	376,799	49,719	491,302	621,945	(130,643)	389,709	4,652	5,997,152
2017	5,997,152	10,564,322	57%	(4,567,170)	844,058	53.29%	62,327	387,472	47,487	497,286	648,797	(151,511)	407,126	4,838	6,257,605
2018	6,257,605	10,813,228	58%	(4,555,623)	870,940	52.72%	59,863	399,297	45,256	504,416	677,357	(172,941)	424,282	4,898	6,513,844
2019	6,513,844	11,047,419	59%	(4,533,575)	899,348	52.97%	57,417	418,968	43,043	519,428	708,341	(188,913)	441,326	4,906	6,771,163
2020	6,771,163	11,263,002	60%	(4,491,839)	929,524	53.30%	55,027	440,409	40,854	536,290	741,239	(204,949)	458,443	4,899	7,029,556
2021	7,029,556	11,455,273	61%	(4,425,717)	961,841	53.70%	52,778	463,731	38,603	555,112	770,178	(215,066)	475,840	4,922	7,295,252
2022	7,295,252	11,628,748	63%	(4,333,496)	996,829	54.09%	50,752	488,433	28,011	567,196	796,778	(229,582)	600,104	(80,220)	7,585,554
2023	7,585,554	11,782,688	64%	(4,197,134)	1,034,380	54.47%	48,894	514,533	25,756	589,183	817,609	(228,426)	631,683	(62,413)	7,926,398
2024	7,926,398	11,915,822	67%	(3,989,424)	1,073,615	54.83%	47,084	541,579	23,405	612,068	850,105	(238,037)	665,600	(43,853)	8,310,108
2025	8,310,108	12,019,359	69%	(3,709,251)	1,114,640	55.05%	45,383	568,226	21,178	634,787	884,672	(249,885)	701,492	(24,493)	8,737,222
2026	8,737,222	12,092,813	72%	(3,355,591)	1,157,964	55.09%	43,836	594,086	18,991	656,913	912,102	(255,189)	739,703	(4,316)	9,217,420
2027	9,217,420	12,138,471	76%	(2,921,051)	1,203,523	54.94%	42,422	618,794	16,849	678,065	935,970	(257,905)	780,821	(4,612)	9,735,724
2028	9,735,724	12,159,896	80%	(2,424,172)	1,251,781	54.64%	41,250	642,723	14,896	698,869	961,126	(262,257)	825,140	(4,949)	10,293,658
2029	10,293,658	12,151,739	85%	(1,858,081)	1,302,095	54.19%	40,336	665,269	13,021	718,626	992,731	(274,105)	872,548	(5,311)	10,886,790
2030	10,886,790	12,108,609	90%	(1,221,819)	1,355,319	32.12%	39,668	395,660	11,249	446,577	1,024,223	(577,646)	910,823	(5,106)	11,214,861
2031	11,214,861	12,025,908	93%	(811,047)	1,411,583	26.31%	39,263	332,124	9,740	381,127	1,046,472	(665,345)	935,521	(4,240)	11,480,797
2032	11,480,797	11,911,296	96%	(430,499)	1,470,781	22.29%	39,054	288,783	8,383	336,220	1,057,780	(721,560)	956,170	(3,375)	11,712,032
2033	11,712,032	11,773,741	99%	(61,709)	1,533,252	18.74%	39,084	248,247	7,206	294,537	1,071,787	(777,250)	973,814	(2,648)	11,905,948
2034	11,905,948	11,623,965	102%	281,983	1,598,337	0.07%	1,119	0	6,074	7,193	1,099,858	(1,092,665)	977,395	(1,612)	11,789,066
2035	11,789,066	11,431,793	103%	357,273	1,666,210	0.05%	833	0	5,165	5,998	1,108,444	(1,102,446)	967,178	(321)	11,653,477
2036	11,653,477	11,214,203	104%	439,274	1,737,102	0.03%	521	0	4,343	4,864	1,109,585	(1,104,721)	955,571	621	11,504,948
2037	11,504,948	10,976,868	105%	528,080	1,810,982	0.03%	543	0	3,441	3,984	1,106,419	(1,102,435)	942,974	1,220	11,346,707
2038	11,346,707	10,722,896	106%	623,811	1,888,219	0.02%	378	0	2,832	3,210	1,108,702	(1,105,492)	929,277	1,509	11,172,001
2039	11,172,001	10,445,465	107%	726,536	1,968,218	0.01%	197	0	2,362	2,559	1,101,532	(1,098,973)	914,552	1,640	10,989,220
2040	10,989,220	10,152,535	108%	836,685	2,051,667	0.01%	205	0	1,847	2,052	1,094,645	(1,092,593)	899,124	1,749	10,797,500
2041	10,797,500	9,842,722	110%	954,778	2,138,798	0.00%	0	0	1,497	1,497	1,082,358	(1,080,861)	883,149	1,838	10,601,626
2042	10,601,626	9,520,172	111%	1,081,454	2,229,565	0.01%	223	0	1,115	1,338	1,059,561	(1,058,223)	815,242	43,503	10,402,148

State of Alaska TRS
Financial Projections (in Thousands)

Investment Return 7.0% thru FY21 and 8.51% from FY22 - FY41, 8% thereafter

Fiscal Year End	Valuation Amounts on July 1 (Beginning of Fiscal Year)				Flow Amounts During Following 12 Months									Recognized Asset Gain/(Loss)	Ending Actuarial Assets
	Actuarial Assets	Accrued Liability	Funding Ratio	Surplus (Deficit)	Total Salaries	Employer/State Ctb Rate	Employer Contribs	State Contribs	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs	Investment Earnings		
2043	$10,402,148	$9,195,065	113%	1,207,083	$2,324,229	0.00%	$0	$0	$930	$930	$1,041,277	($1,040,347)	$796,505	$32,355	$10,190,661
2044	10,190,661	8,862,307	115%	1,328,354	2,422,076	0.00%	0	0	727	727	1,010,751	(1,010,024)	778,187	21,383	9,980,207
2045	9,980,207	8,534,069	117%	1,446,138	2,523,377	0.00%	0	0	505	505	980,861	(980,356)	760,804	10,596	9,771,251
2046	9,771,251	8,210,038	119%	1,561,213	2,628,561	0.00%	0	0	526	526	955,825	(955,299)	744,223	0	9,560,175
2047	9,560,175	7,885,817	121%	1,674,358	2,737,731	0.00%	0	0	274	274	924,204	(923,930)	728,568	0	9,364,813
2048	9,364,813	7,567,872	124%	1,796,941	2,851,298	0.00%	0	0	285	285	893,769	(893,484)	714,133	0	9,185,462
2049	9,185,462	7,255,757	127%	1,929,705	2,968,382	0.00%	0	0	297	297	864,263	(863,966)	700,943	0	9,022,439
2050	9,022,439	6,948,985	130%	2,073,454	3,090,284	0.00%	0	0	0	0	833,733	(833,733)	689,087	0	8,877,793
2051	8,877,793	6,648,719	134%	2,229,074	3,217,223	0.00%	0	0	0	0	801,871	(801,871)	678,766	0	8,754,688
2052	8,754,688	6,357,152	138%	2,397,536	3,349,619	0.00%	0	0	0	0	769,985	(769,985)	670,168	0	8,654,871
2053	8,654,871	6,075,003	142%	2,579,868	3,487,843	0.00%	0	0	0	0	737,696	(737,696)	663,450	0	8,580,625
2054	8,580,625	5,803,442	148%	2,777,183	3,631,488	0.00%	0	0	0	0	705,058	(705,058)	658,790	0	8,534,357
2055	8,534,357	5,543,673	154%	2,990,684	3,780,955	0.00%	0	0	0	0	672,186	(672,186)	656,378	0	8,518,549
2056	8,518,549	5,296,879	161%	3,221,670	3,936,709	0.00%	0	0	0	0	639,220	(639,220)	656,407	0	8,535,736
2057	8,535,736	5,064,196	169%	3,471,540	4,099,026	0.00%	0	0	0	0	606,318	(606,318)	659,073	0	8,588,491
2058	8,588,491	4,846,685	177%	3,741,806	4,268,306	0.00%	0	0	0	0	573,572	(573,572)	664,578	0	8,679,497
2059	8,679,497	4,645,402	187%	4,034,095	4,443,861	0.00%	0	0	0	0	540,911	(540,911)	673,140	0	8,811,726
2060	8,811,726	4,461,557	198%	4,350,169	4,626,900	0.00%	0	0	0	0	508,548	(508,548)	684,987	0	8,988,165
2061	8,988,165	4,296,239	209%	4,691,926	4,817,682	0.00%	0	0	0	0	476,436	(476,436)	700,362	0	9,212,091
2062	9,212,091	4,150,671	222%	5,061,420	5,016,516	0.00%	0	0	0	0	444,594	(444,594)	719,526	0	9,487,023
2063	9,487,023	4,026,159	236%	5,460,864	5,223,772	0.00%	0	0	0	0	413,079	(413,079)	742,757	0	9,816,701
2064	9,816,701	3,924,049	250%	5,892,652	5,439,834	0.00%	0	0	0	0	381,879	(381,879)	770,355	0	10,205,177
2065	10,205,177	3,845,810	265%	6,359,367	5,665,012	0.00%	0	0	0	0	351,132	(351,132)	802,639	0	10,656,684
2066	10,656,684	3,792,887	281%	6,863,797	5,899,707	0.00%	0	0	0	0	320,985	(320,985)	839,942	0	11,175,641
2067	11,175,641	3,766,689	297%	7,408,952	6,144,304	0.00%	0	0	0	0	291,526	(291,526)	882,615	0	11,766,730
2068	11,766,730	3,768,648	312%	7,998,082	6,399,216	0.00%	0	0	0	0	262,896	(262,896)	931,025	0	12,434,859
2069	12,434,859	3,800,164	327%	8,634,695	6,664,888	0.00%	0	0	0	0	235,268	(235,268)	985,559	0	13,185,150
2070	13,185,150	3,862,573	341%	9,322,577	6,941,628	0.00%	0	0	0	0	208,765	(208,765)	1,046,622	0	14,023,007
2071	14,023,007	3,957,192	354%	10,065,815	7,229,918	0.00%	0	0	0	0	183,553	(183,553)	1,114,640	0	14,954,094
2072	14,954,094	4,085,272	366%	10,868,822	7,530,257	0.00%	0	0	0	0	159,848	(159,848)	1,190,057	0	15,984,303
							$1,157,824	$9,587,342	$713,707	$11,458,873					

2/27/12
ALASKA ENERGY AUTHORITY: OVERVIEW OF ENERGY PROJECTS

<TARGET><BILL></BILL><SUBJECT>2-27-12 ALASKA ENERGY AUTHORITY OVERVIEW OF ENERGY PROJECTS</SUBJECT><COMM>SFIN27</COMM></TARGET>

Alaska Housing
FINANCE CORPORATION

AHFC Energy Programs Update

Weatherization Program

- Assisting homeowners for 30 years
- Income based
- Homeowners and renters may apply
- Services provided at no cost by 17 providers
- Strong history of performance



Alaska Housing
FINANCE CORPORATION

Weatherization Program

Funding level prior to and after FY2008 appropriation

Average Expense Per Unit

Road & Marine Highway



Air only



Alaska Housing
FINANCE CORPORATION

FY 2012 100 % OF MEDIAN INCOME LIMITS FOR ALASKA

Effective December 1, 2011

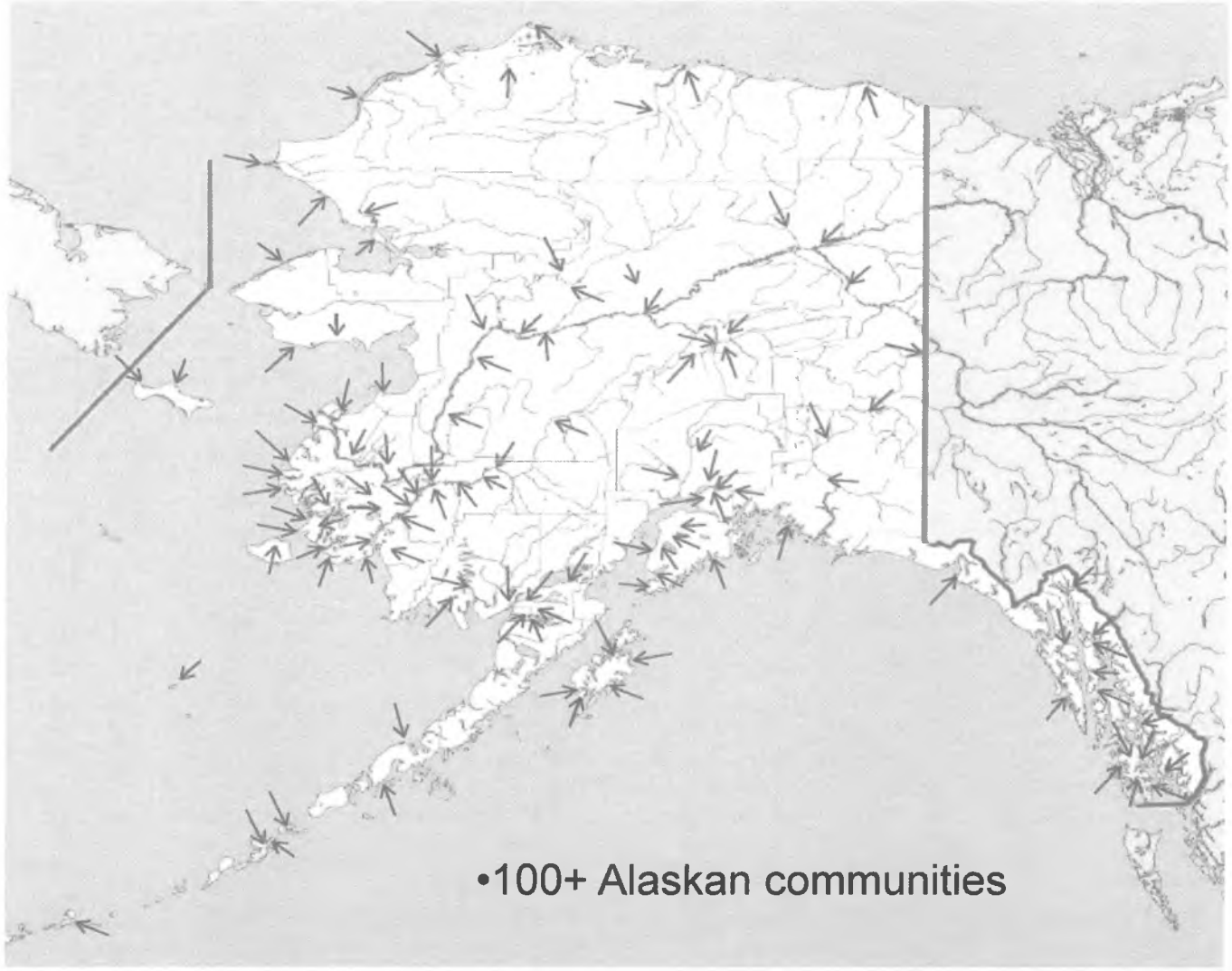
Community Name	INCOME LIMIT - 1 PERSON	INCOME LIMIT - 2 PERSONS	INCOME LIMIT - 3 PERSONS	INCOME LIMIT - 4 PERSONS	INCOME LIMIT - 5 PERSONS	INCOME LIMIT - 6 PERSONS	INCOME LIMIT - 7 PERSONS	INCOME LIMIT - 8 PERSONS	EA ADDED FAMILY MEMBER
Anchorage Municipality Low Income Limit	59,700	[illegible]	76,700	85,200	92,100	9			
Aleutians East Borough Low Income Limit	49,800	[illegible]	64,000	[illegible]	[illegible]	[illegible]			
Aleutians West Census Low Income Limit	60,900	69,600	78,300	87,000	94,000	10			
Bethel Census Area Low Income Limit	55,300	63,200	71,100	79,000	85,400	9			
Bristol Bay Borough Low Income Limit	55,600	63,500	71,400	79,300	85,700	9			
Denali Borough Low Income Limit	68,500	78,300	88,100	97,800	105,700	11			
Dillingham Census Area Low Income Limit	49,800	56,900	64,000	71,100	76,800	8			
Fairbanks North Star Borough Low Income Limit	59,300	67,700	76,200	84,600	91,400	98,200	105,000	111,700	6,768
Haines Borough Low Income Limit	49,800	56,900	64,000	71,100	76,800	82,500	88,200	93,900	5,688
Hoonah-Angoon Census Area Low Income Limit	49,800	56,900	64,000	71,100	76,800	82,500	88,200	93,900	5,688
Juneau Borough Low Income Limit	66,000	75,400	84,800	94,200	101,800	10			
Kenai Peninsula Borough Low Income Limit	52,100	59,600	67,000	74,400	80,400	8			
Ketchikan Gateway Borough Low Income Limit	54,600	62,400	70,200	78,000	84,300	9			
Kodiak Island Borough Low Income Limit	49,800	56,900	64,000	71,100	76,800	8			
Lake and Peninsula Borough Low Income Limit	49,800	56,900	64,000	71,100	76,800	8			
Matanuska-Susitna Borough Low Income Limit	58,300	66,600	74,900	83,200	89,900	9			
Nome Census Area Low Income Limit	50,100	57,200	64,400	71,500	77,300	8			
North Slope Borough Low Income Limit	53,700	61,400	69,100	76,700	82,900	89,000	95,200	101,300	6,136
Northwest Arctic Borough Low Income Limit	49,800	56,900	64,000	71,100	76,800	82,500	88,200	93,900	5,688
Petersburg Census Area Low Income Limit	55,400	63,300	71,200	79,100	[illegible]	91,800	98,100	104,500	6,328
Prince of Wales-Hyder Census Low Income Limit	49,800	56,900	64,000	71,100	76,800	82,500	88,200	93,900	5,688
Sitka City & Borough Low Income Limit	53,000	60,600	68,200	75,700	81,800	87,900	93,900	100,000	6,050
Skagway Municipality Low Income Limit	55,400	63,300	71,200	[illegible]	85,500	91,800	98,100	104,500	6,328
Southeast Fairbanks Census Area Low Income Limit	49,800	56,900	64,000	71,100	76,800	82,500	88,200	93,900	5,688
Valdez-Cordova Census Low Income Limit	51,800	59,200	66,600	73,900	79,900	85,800	91,700	97,600	5,912
Wade Hampton Census Area Low Income Limit	49,800	56,900	64,000	71,100	76,800	82,500	88,200	93,900	5,688
Wrangell City and Borough Census Area Low Income Limit	49,800	56,900	64,000	71,100	76,800	82,500	88,200	93,900	5,688
Yakutat City & Borough Low Income Limit	55,400	63,300	71,200	79,100	85,500	91,800	98,100	104,500	6,328
Yukon-Koyukuk Census Area Low Income Limit	49,800	56,900	64,000	71,100	76,800	82,500	88,200	93,900	5,688
2012 DOE Poverty Income Levels	25,080	33,860	42,640	51,420	60,200	68,980	77,760	86,540	8,780

$59,700
1 Person in Anchorage

$25,080
DOE Income Level

Alaska Housing
FINANCE CORPORATION

Weatherization Program



Weatherization Program

State Funding Levels

SFY 2008	$200 million
SFY 2011	$64 million
Total	$264 million



Weatherization Program

Update

Current totals	December, 31 2011
Total expended	$144.6m
Units complete	5,649

Projected totals	March 31, 2012
Total expended	$164.2m
Total units complete	7,681

Projected totals	March 31,2013
Total expended	$245m
Total units complete	10,500

Weatherization Program



Benefits

- Resident health and safety
- Fire safety
- Improves building stock
- Job creation
- Invests in local communities
- **Energy Savings**

Home Energy Rebate Program

- Open to all Alaskans not participating in the Weatherization program
- No income requirements
- Owner-occupied, year-round residences
- Homeowners pay upfront and are then rebated
- "As-Is & Post" energy ratings



Home Energy Rebate Program

State Funding Levels

SFY 2008	$100 million
SFY 2009	$60 million
SFY 2011	$37.5 million
Total	$197.5 million



Home Energy Rebate Program

Alaska Housing
FINANCE CORPORATION

Results

April 2008 – Jan 30, 2012

➢ Rebates	16,098	$102.6m
➢ As-Is	28,365	$9.2m
➢ Post	16,158	$2.8m
➢ 5 Star Plus	1,317	$9.9m
Total Expended		$130.5m

Home Energy Rebate Program

Alaska Housing
FINANCE CORPORATION

First Name*
Middle Name
Last Name*

Physical Address
Address 1*
Address 2
City*
Zip Code*

Mailing Address Same as Physical Address
Address 1*
Address 2
City*
Zip Code*

Primary Phone* 907
Secondary Phone
Email Address

Waitlist

All communities

1,746

Dispatch

500/month

Waitlist numbers updated 1/27/12

Home Energy Rebate Program

Program Snapshot

Average Improvement Costs of 15,906 Homeowners

$11,009 spent
-$6,375 rebate
-$325 As-Is
-$175 Post
= **$4,134** homeowner investment

Program snapshot was taken 1/6/2012

Home Energy Rebate Program

Alaska Housing
FINANCE CORPORATION

Savings

Average home energy savings	33 percent
Average home cost savings	$1,297/year

Data as of 9/30/11

Home Energy Rebate Program

Home Energy Rebate Program Statewide Annual Outcome Estimates as of 9/30/11

Estimates	Home Energy Rebate Program
Total Energy Savings	1,649,785 MMBTUs
Total CO2 Emissions Reduced	101,906 net tons
Average home energy savings	33%
Average home cost savings	$1,297/year
Average Home Age	33.6 years
As is rating	2 Star Plus
Post rating	4 Star
Average increase in rating	3 Steps

5 Star Plus New Home Rebate

AHFC provides a $7,500 rebate for new 5 Star Plus homes.

- Not more than one year old
- For original owner
- Must meet all AHFC property financing requirements
- 5 Star Plus energy rating

Rebates	1,317 rebates
Total Expended	$9.9 million

Numbers updated 1/30/2012

Second Mortgage for Energy Conservation

- Second mortgage up to $30,000
- 15 Year Loan at the Taxable Rate
- Active Loans: **77**
- Loans Paid Off: **59**



Updated 12/28/11

Alaska Energy Efficiency Revolving Loan Fund (AEERLF)

$250m available for energy efficiency improvements for:

-Schools	-State facilities
-University of Alaska	-Municipal facilities

Savings from energy efficiency improvements are used to pay off the loan

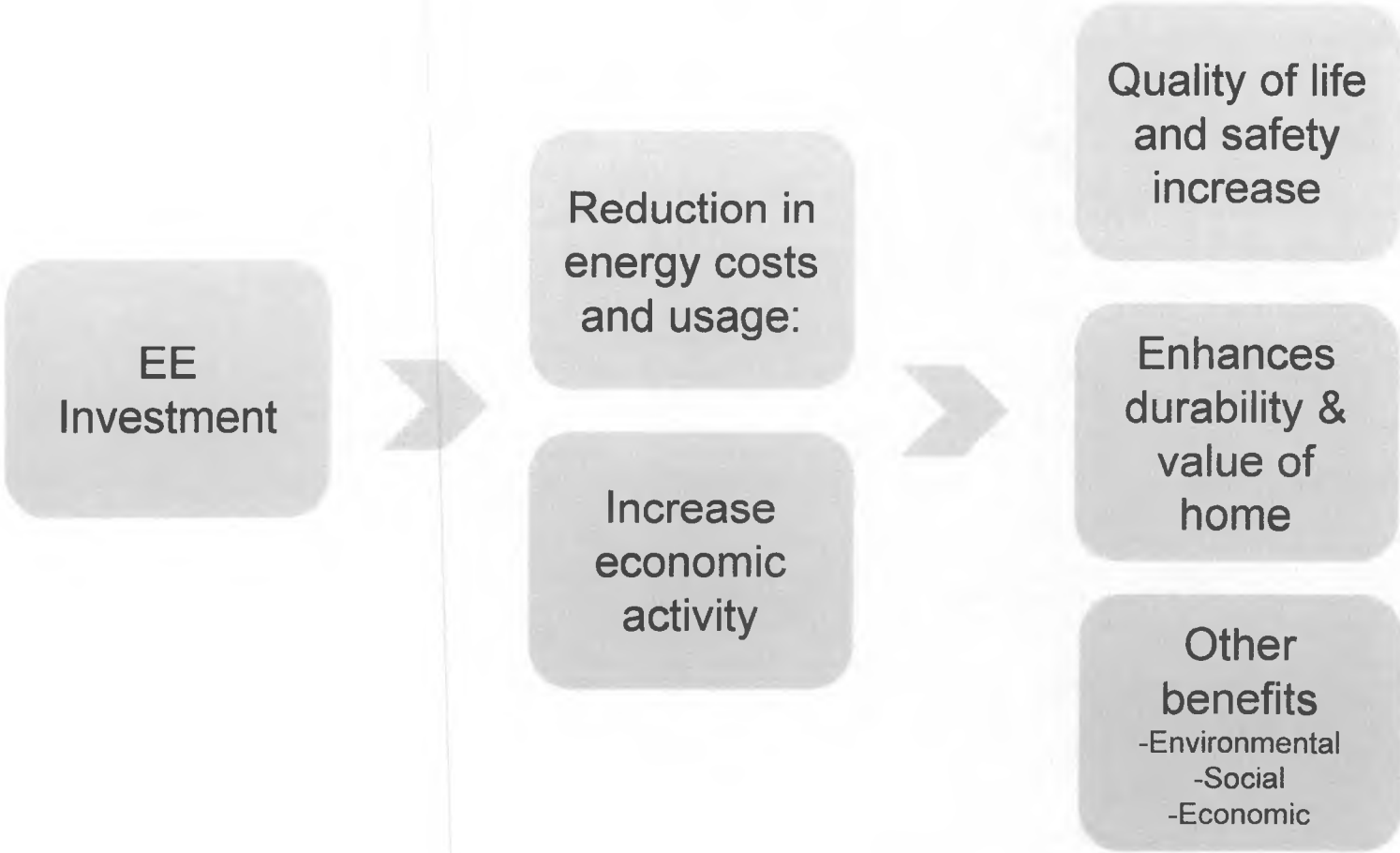


Alaska Energy Efficiency Revolving Loan Fund (AEERLF)

- Benchmarked 1200+ facilities
- Over 300 Investment Grade Audits to be completed
- One loan application submitted to AHFC



Energy Efficiency Benefits




Alaska
Housing
FINANCE CORPORATION


ALASKA
ENERGY AUTHORITY
Renewable Energy Fund
Program Status
Alaska Legislature
Juneau
February 27, 2012

Renewables and other Projects 5-Year State Funds

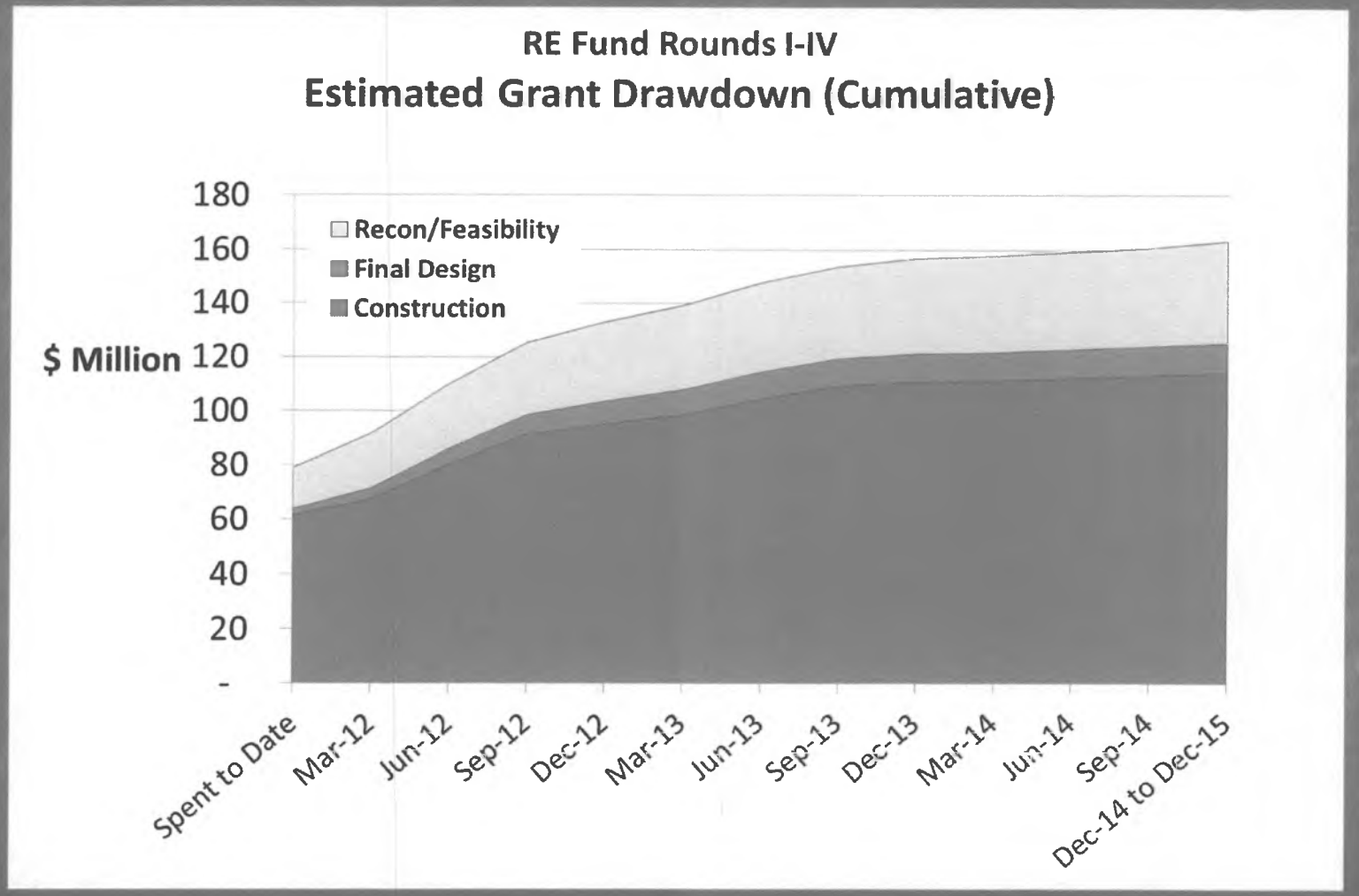
Renewable Energy, Emerging Energy Technology & Other Large Energy Development Projects
5 Year Funding Levels - FY2008 thru FY2012
Prepared by the Alaska Energy Authority
February 11, 2012

Program Type	No. of Projects	Renewable Energy Funds	Other State Funds	Total State Funding
Renewable Energy Programs:				
Biomass	49	18,279,657	1,398,091	19,677,748
Heat Recovery - Other Diesel	27	8,464,017	1,360,381	9,824,397
Energy Efficiency & Conservation	23	-	3,455,910	3,455,910
Geothermal	16	14,452,219	12,553,038	27,005,257
Hydropower	81	46,139,814	64,211,988	110,351,803
Ocean & River Energy	4	2,718,175	442,347	3,160,522
Energy Generation - Transmission	28	24,869,271	48,342,629	73,211,900
Wind Energy	74	61,351,725	11,183,563	72,535,288
Solar Power	6	325,122	58,747	383,869
Emerging Energy Technology	TBD	-	4,800,000	4,800,000
Large Energy Development Projects:				
Susitna-Watana Hydroelectric Project	1	-	75,970,435	75,970,435
Fire Island Wind Farm T-Lines	1	-	25,000,000	25,000,000
	310	**176,600,000**	**248,777,129**	**425,377,129**

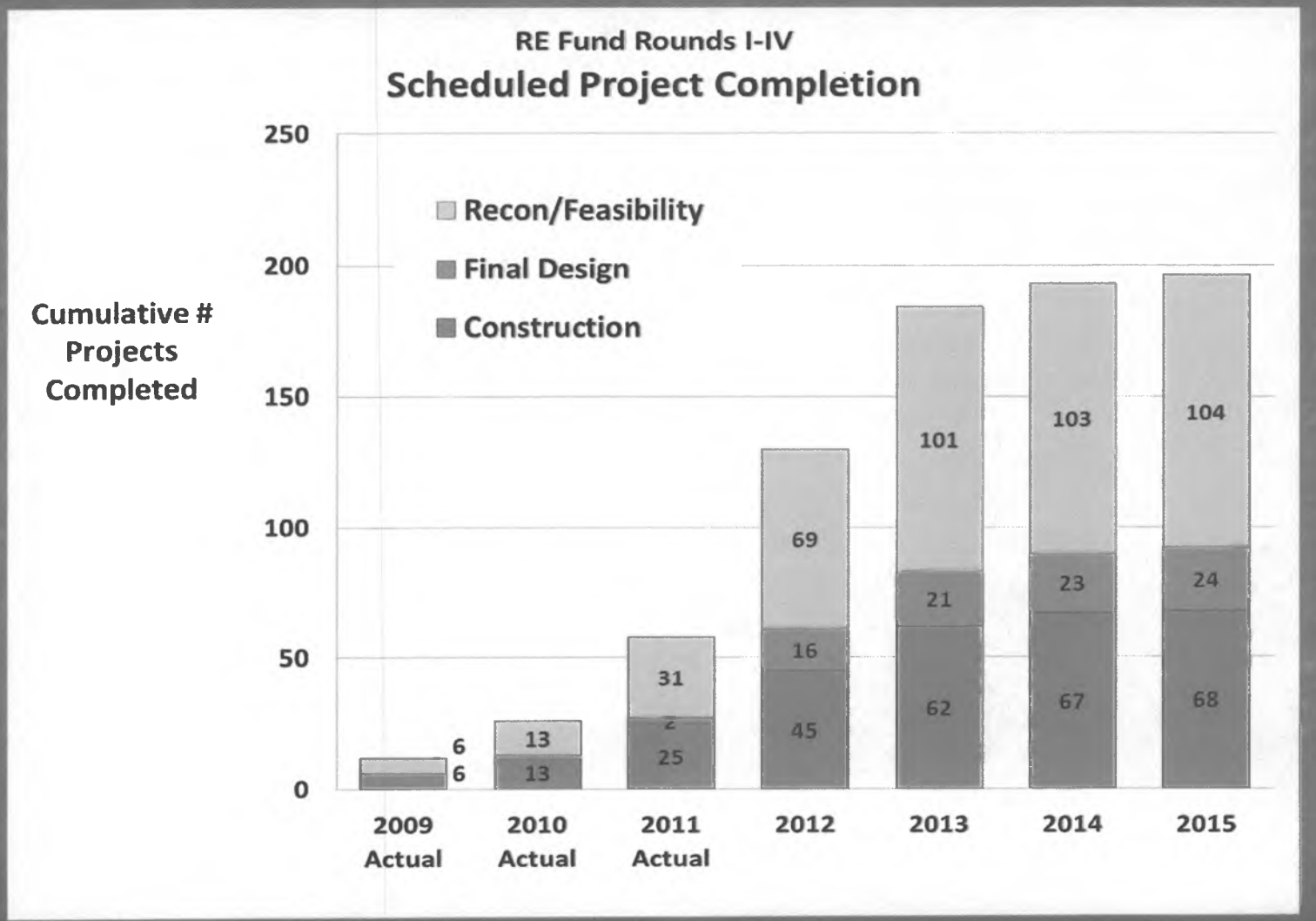
RE Fund Grant Status
Feb 17, 2012

Round	I	II	III	IV	V	Total
Applications Received	112	118	123	108	97	558
Projects Funded	79	30	25	74	tbd	208
Grants in Place	72	29	19	49	0	165
Grants Completed	23	4	0	0	0	27
Grants Cancelled	5	1	3	0	0	9
Amount Requested ($M)	$453.8	$293.4	$223.5	$123.1	$132.9	$1,226.7
AEA Recommended ($M)	$100.0	$36.8	$65.8	$36.6	$43.2	$282.4
Appropriated ($M)	$100.0	$25.0	$25.0	$26.6	tbd	$176.6
Cash Disbursed ($M)	$54.9	$17.1	$6.2	$2.6	$0	$80.8
Match provided ($M)	$20.7	$22.6	$10.5	$34.6	tbd	$88.4
Other Contributions ($M)	$9.2	$1.6	$0.8	$14.5	tbd	$26.1
Can be reallocated ($M)	$0	$0	$0.2	$0	$0	$0.2

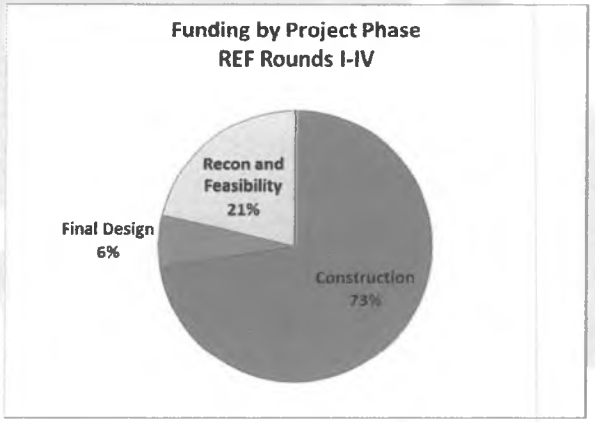
RE Fund Drawdown Outlook



RE Fund Project Completion



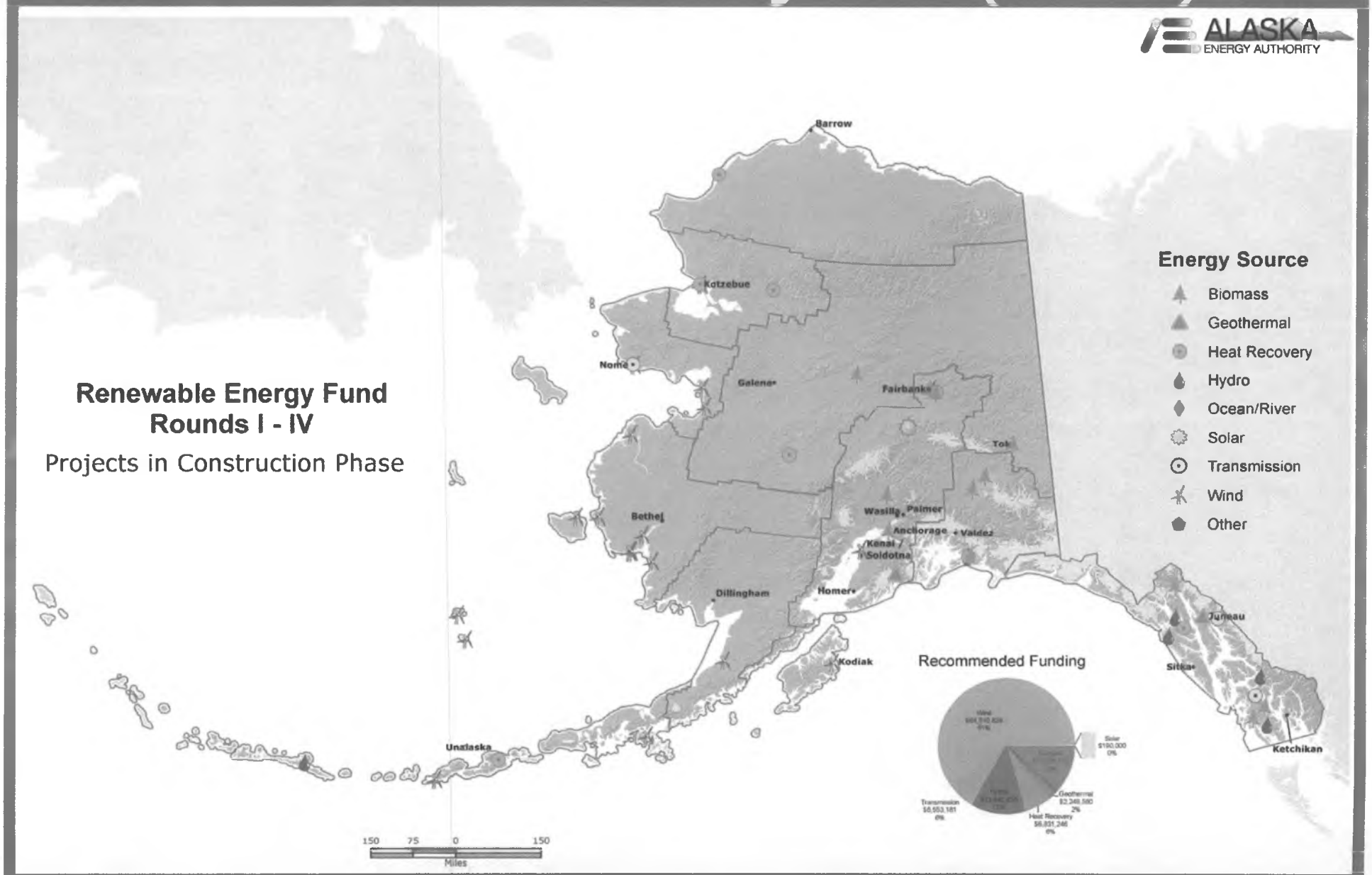
Pre-construction Projects (R1-4)



Renewable Energy Fund Rounds I - IV

Projects in PreConstruction Phase: Reconnaissance, Feasibility, or Design

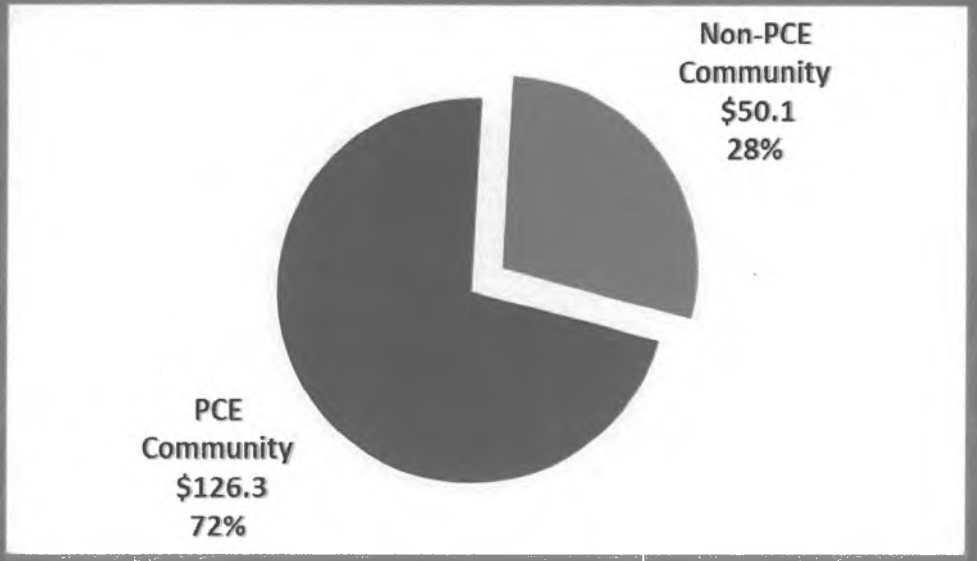
Construction Projects (R1-4)



Funding Allocation by

($ x million, Rounds I – IV)

- PCE vs Non-PCE



- Heat vs Power

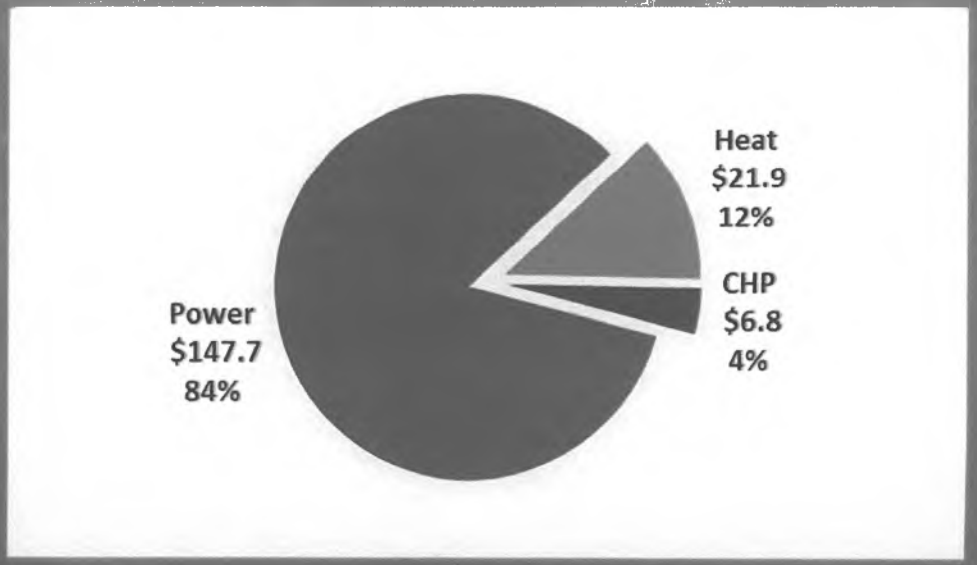
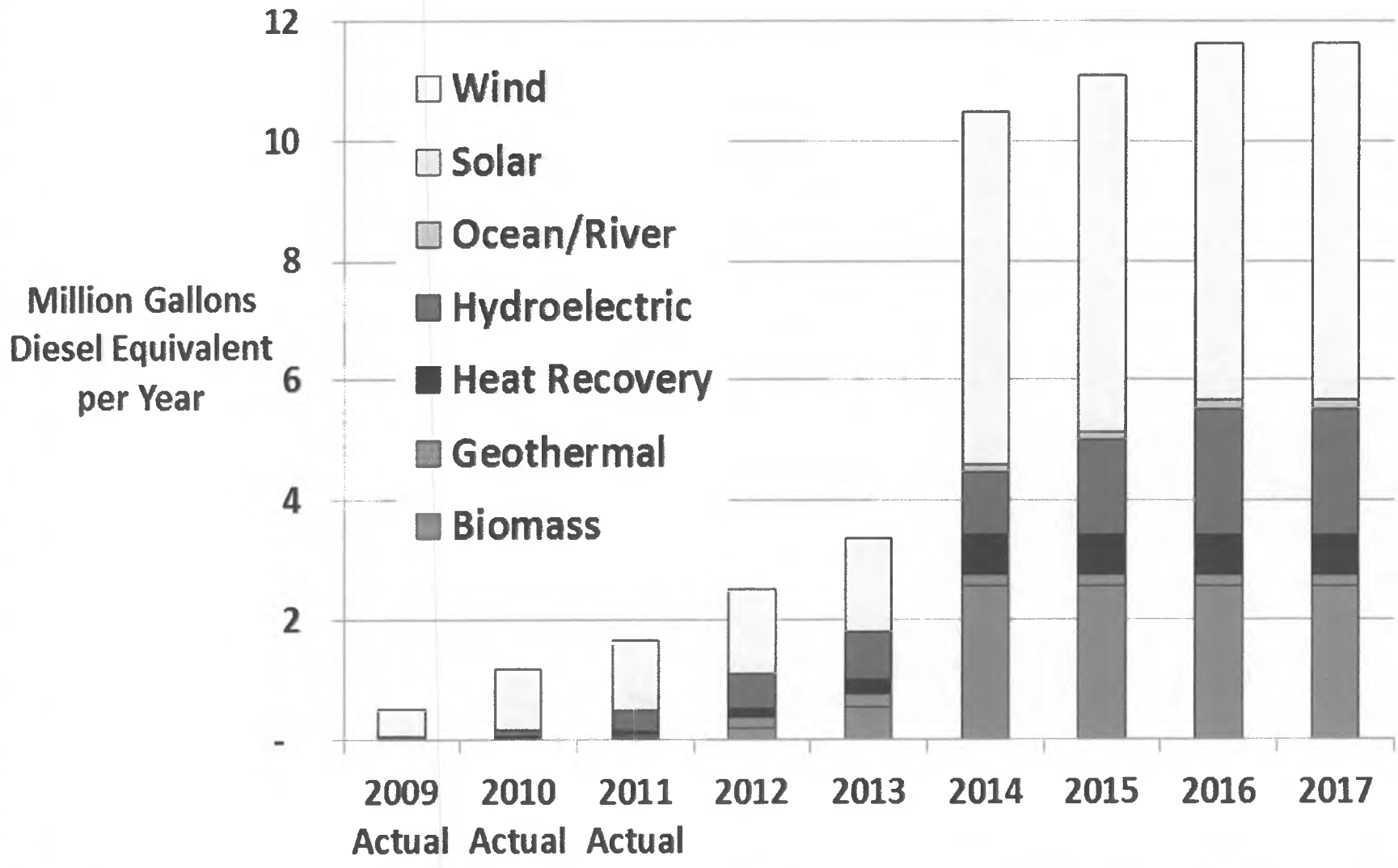


Fig. 3. RE Fund Rounds I-IV



Cost of Scheduled Construction Projects, Rounds I – IV

	Million
RE Fund Grants	$123.3
Other State Funds	22.9
Non-state and Local	218.7
TOTAL	$364.9

Energy production and diesel cost savings-2011

Resource	Grantee	Project Name	Energy Performance					Economic Performance					
			2011 Energy Production		Diesel Displaced (gal x 1000)		Actual / Goal	Project Cost ($ x 1000)		2011 Fuel Savings ($ x1000)	Simple Payback (Years) on:		Project Life
			Electrical (MWh)	Thermal (mmBtu)	2011 Actual	Goal		Total Cost	REF Funding		Total Cost	REF Funding	
Biomass	Alaska Gateway School District	Tok Wood Heating	-	3.2	24.4	50.4	48%	3,260	3,245	92	35	35	20
	Native Village of Eyak	Cordova Wood Processor	-	1.5	11.4	88.7	13%	78	75	42	2	2	20
	Gulkana Village Council	Gulkana Central Wood Heating	-	0.8	5.9	14.6	40%	500	500	24	21	21	20
Geothermal	City and Borough of Juneau	Juneau Airport GS Heat Pump	-	5.1	37.1	29.5	126%	1,026	513	131	8	4	20
Heat Recovery	Golden Valley Electric Assoc	North Pole Heat Recovery	-	5.2	61.5	89.6	69%	1,022	817	172	6	5	20
	McGrath Light & Power Co	McGrath Heat Recovery	-	2.9	23.0	32.0	72%	1,179	712	157	8	5	20
Hydro	City and Borough of Wrangell	Wrangell Hydro Electric Boilers	-	6.9	66.0	69.6	95%	2,082	2,000	230	9	9	20
	Gustavus Electric Co	Falls Creek Hydroelectric	1,933	-	138.1	118.3	117%	8,400	750	483	17	2	50
Solar	Golden Valley Electric Assoc	McKinley Village Solar Thermal	-	0.1	1.8	5.7	31%	194	193	7	27	27	20
Wind	Kodiak Electric Association	Pillar Mountain Wind	12,448	-	870.7	852.0	102%	21,400	4,000	2,873	7	1	20
	Alaska Env Power	Delta Area Wind	1,425	-	95.9	117.0	82%	2,802	2,000	256	11	8	20
	Alaska Village Electric Coop	Toksook Wind Farm	187	-	12.6	16.3	77%	1,253	1,038	43	29	24	20
	Nome Joint Utility Systems	Banner Pk Wind Transmission	955	-	53.9	191.3	28%	6,390	801	152	42	5	20
	Unalakleet Valley Electric Co	Unalakleet Wind Farm	958	-	58.2	61.9	94%	6,000	4,000	211	28	19	20
TOTAL			**17,907**	**25.8**	**1,460.4**	**1,736.8**	**84%**	**55,585**	**20,645**	**4,872**	**11**	**4**	

1. Includes projects in operation in January 2011 or before.
2. Tok Wood Heating project shut down June-Dec for steam turbine installation.
3. Nome Banner Peak wind project is privately owned. The RE Fund paid only for the intertie.

Challenges/Opportunities

- Focus on the entire energy system
  - Reliable, efficient diesel systems first
  - Reduce demand through EE
- Deliverables
  - Reduce and stabilize costs to residents
  - Displace diesel
  - Assist in project development
- Monitor technical and economic performance

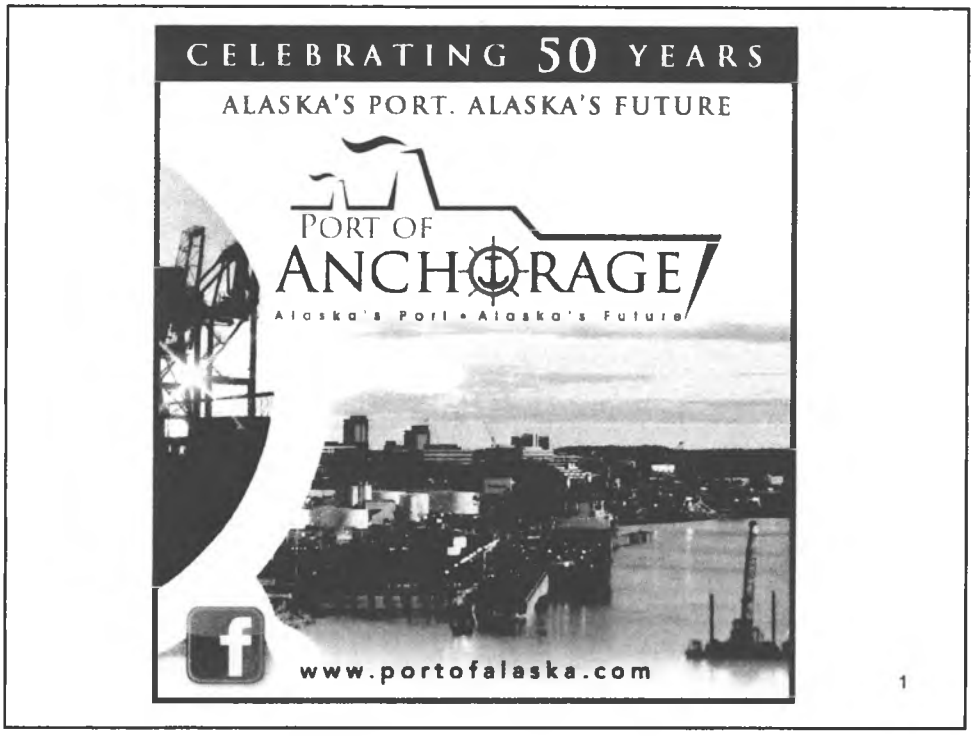
Thank you.

Alaska Energy Authority
813 West Northern Lights Boulevard
Anchorage, Alaska 99503

www.akenergyauthority.org

2/28/12 OVERVIEW BY DEPARTMENT OF TRANSPORTATION: PORT OF ANCHORAGE

<TARGET><BILL></BILL><SUBJECT>2-28-12 OVERVIEW BY DEPARTMENT OF TRANSPORTATION PORT OF ANCHORAGE</SUBJECT><COMM>SFIN27</COMM></TARGET>



SLIDE 1 – Introduction Slide

Good Morning, for the record my name is Steve Ribuffo, I am the Interim [redacted] Director at the Port of Anchorage.

Here today with me is Emily Cotter.

I believe that Mayor Sullivan is on the line and would like to make some introductory comments.

The Municipal Manager, George Vakalis is also on the phone along with Bob Ownes in the Municipal Attorney's office.

I would like to thank you Mr. Chairman, Senator Hoffman, and the rest of the committee members for inviting me to come and speak here today.

I especially want to thank the committee for their support of this project over the years and their continued foresight in investing in our state's infrastructure.

I will provide a very brief overview of the services the Port of Anchorage provides and then quickly move into the project update and finances.

Facts about the Port

- The major point of entry for containerized cargo in Alaska
- Services support over 200 rural communities in the State
- Annually, 240,000 containers move through the Port
- Since 2000, an average 4 million tons of goods and materials pass through the Port's facilities annually
- 90% of merchandise goods for the Railbelt and interior Alaska.\
- 100 million pounds of bypass mail items
- 52,000 vehicles processed annually on average
- 80% of the cement for concrete





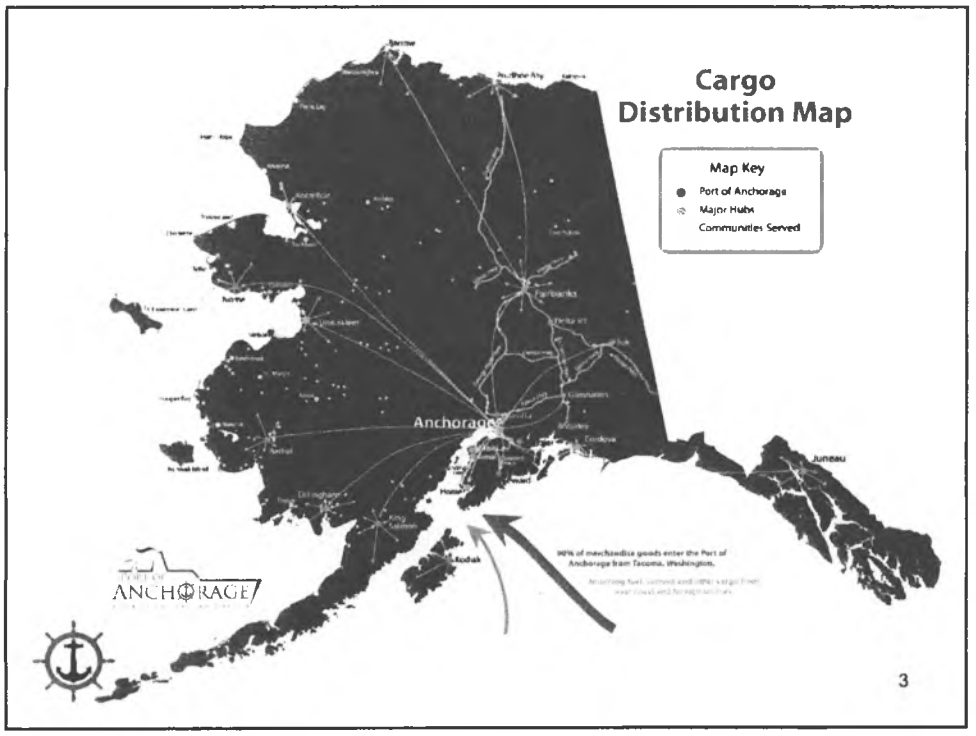
2

SLIDE 2 – Facts About the Port

I realize that the committee members are well aware of the statewide services the Port of Anchorage provides, so I will not spend time going through each of these bullets.

Our facilities serve as the gateway for containerized cargo with an average of 240,000 containers passing through Port annually.

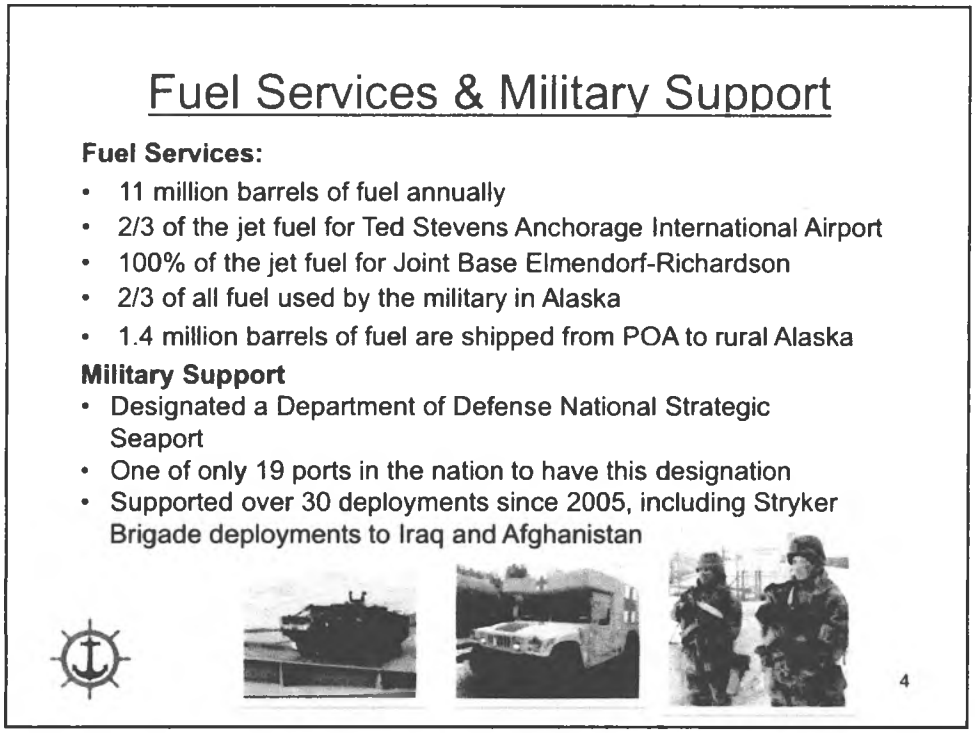
This includes an estimated 90% of the merchandise goods used in interior Alaska.



SLIDE 3 –Cargo Distribution Map

Once cargo passes through your Port, it is distributed across the state by road, rail, barge and plane as illustrated in this distribution map.

This distribution pattern supports over 200 rural communities with fuel and bypass mail deliveries.



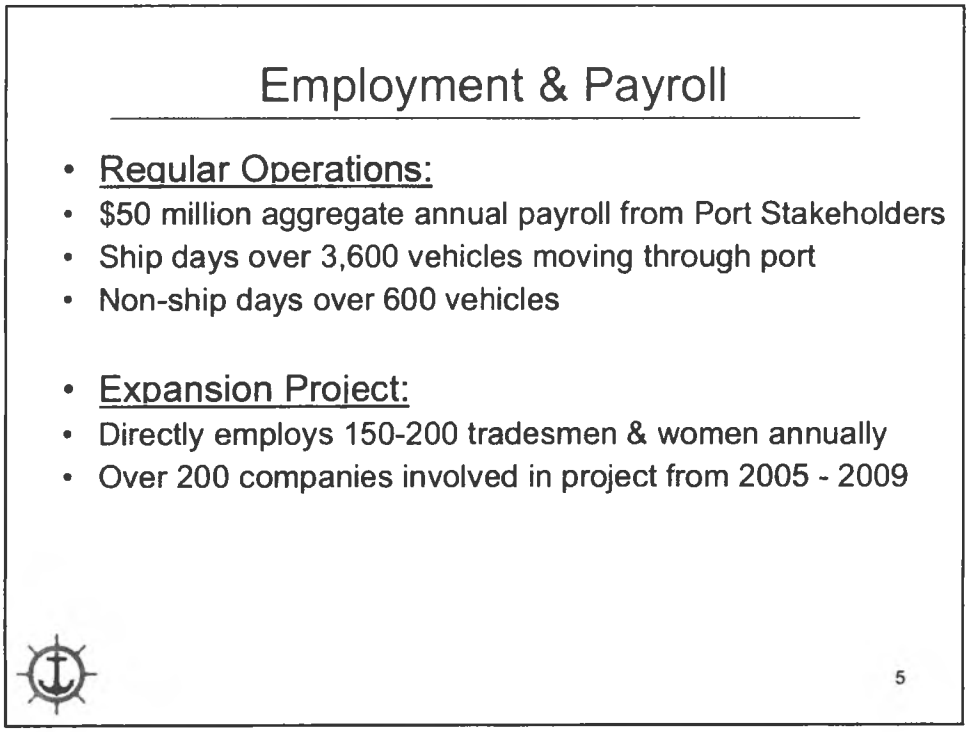
SLIDE 4 – Fuel & Military Support

The Port of Anchorage is also a major provider of jet fuel unleaded gasoline, heating oil, diesel, and aviation gasoline for the southcentral area, rural communities, and the state at large.

The Port provides over two thirds of the jet fuel used at Ted Stevens International Airport and all of the jet fuel used at Joint Base Elmendorf-Richardson.

The Port also provides critical services to Alaska's Armed Forces and was designated a National Strategic Seaport by the Department of Defense—one of only 19 ports in the nation to have such a designation.

We routinely support the deployment of army brigades and are pleased to have been selected to host the commissioning of the naval warship, Anchorage in Spring 2013.



SLIDE 5 – Employment and Payroll

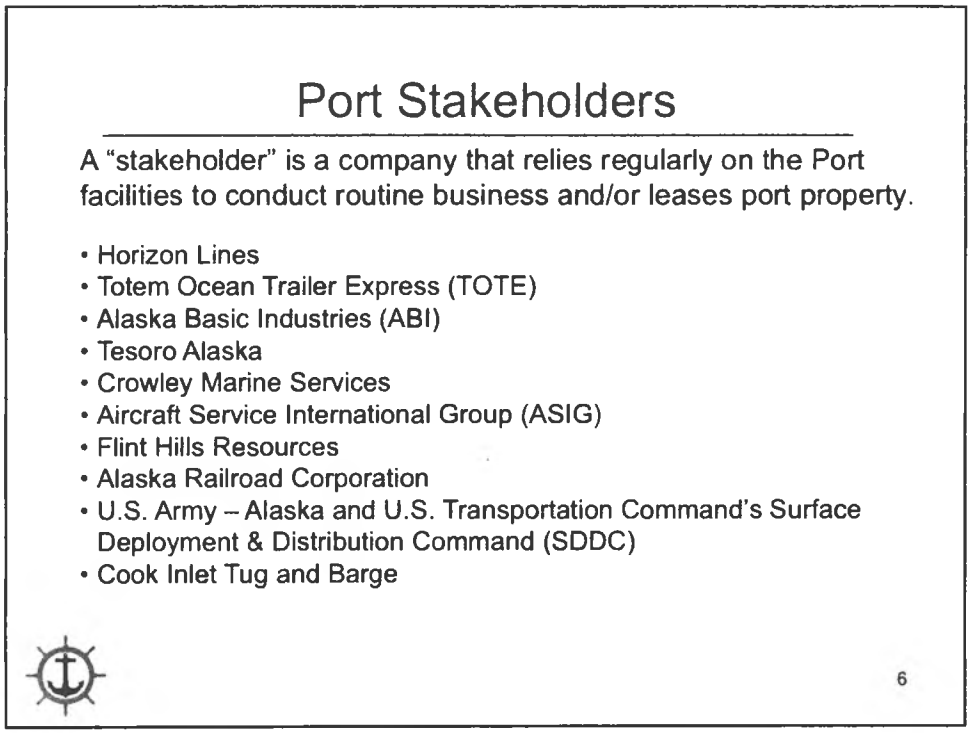
The Port of Anchorage is a major economic engine for Alaska contributing over $750 million to the economy, with some higher estimates reaching over one billion dollars annually.

The facility not only plays an important role in Alaska's economy, but it plays an important role in the regional economy as Port of Anchorage-related commerce accounts for thirty percent of the business at the Port of Tacoma.

As you can see on the slide, the aggregate payroll of port stakeholders in 2010 was $50 million dollars.

Regular port operations create jobs for a variety of trade industries including union members such as longshoremen, operating engineers, and teamsters.

When our project is in full swing, it will create 150-200 direct jobs in construction-associated trades.

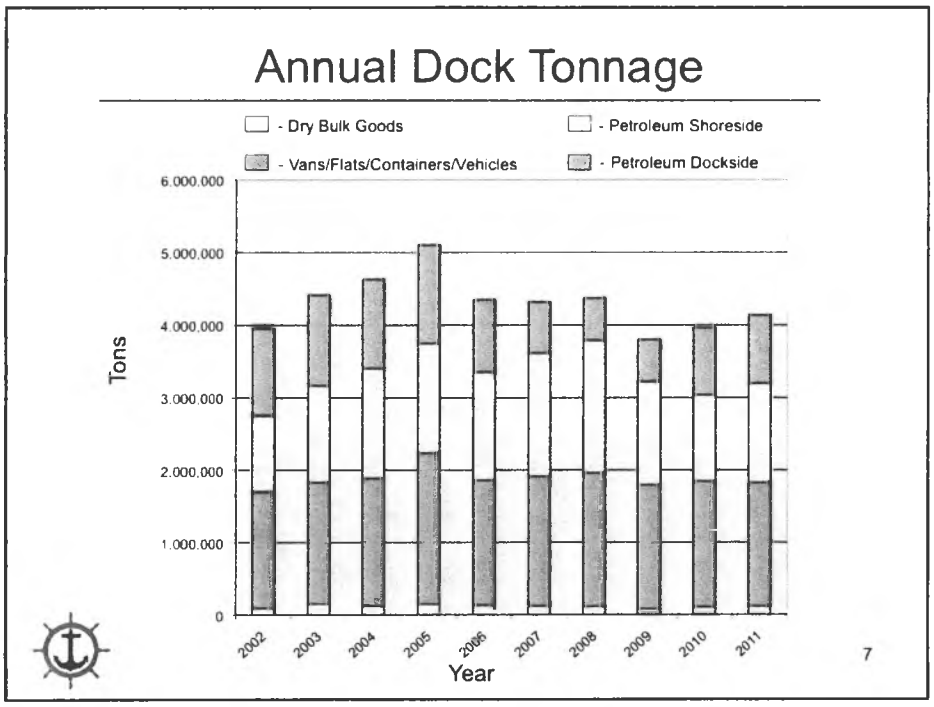


SLIDE 6 – Port Stakeholders

You can see here a list of port stakeholders.

These are companies that either lease land from the Port or rely regularly on port facilities to conduct their business operations.

The first two companies, Horizon Lines and Totem Ocean Trailer Express, are the two container shippers that call on the Port twice weekly. I will be referencing them later on in the presentation.



SLIDE 7 – Annual Tonnage

This slide depicts the Port's annual tonnage for the past 10 years.

As you can see, we average around 4 million tons per year.

Let me clarify what those categories are because a couple of them are not very self-explanatory.

Dry bulk goods consist of commodities such as cement and steel.

Petroleum - Shoreside refers to petroleum products that pass through our valve yard enroute to either an on-Port storage facility or over the dock, but which were initially delivered by pipeline or rail car.

Petroleum Dockside refers to those petroleum products that pass through our valve yard while entering or leaving the port and which were transported by a fuel tanker or barge.

Revenue & Operating Projections

(in Millions)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	$12.3	$13.6	$15.4	$15.5	$16.5	$16.8	$16.9	$17.3	$17.4	$17.8	$18.9
Expenses	$11.1	$12.0	$12.0	$14.3	$14.5	$14.4	$14.6	$14.7	$14.8	$15.6	$15.9
Projected Net Income	$1.2	$1.6	$3.3	$1.1	$2.0	$2.4	$2.4	$2.7	$2.6	$2.2	$3.0
Plus Depreciation	$4.3	$4.7	$4.7	$7.0	$7.1	$7.2	$7.3	$7.3	$7.4	$7.5	$7.6
Projected Cash Flow	**$5.5**	**$6.3**	**$8.1**	**$8.1**	**$9.2**	**$9.6**	**$9.6**	**$10.0**	**$10.0**	**$9.7**	**$10.6**

The expenses and revenue projections include projected maintenance costs for the newly constructed areas.

NOTE: The Port of Anchorage covers all of its own operational costs and reserves its profits for the project.

8

SLIDE 8 - Revenue & Operating Projections

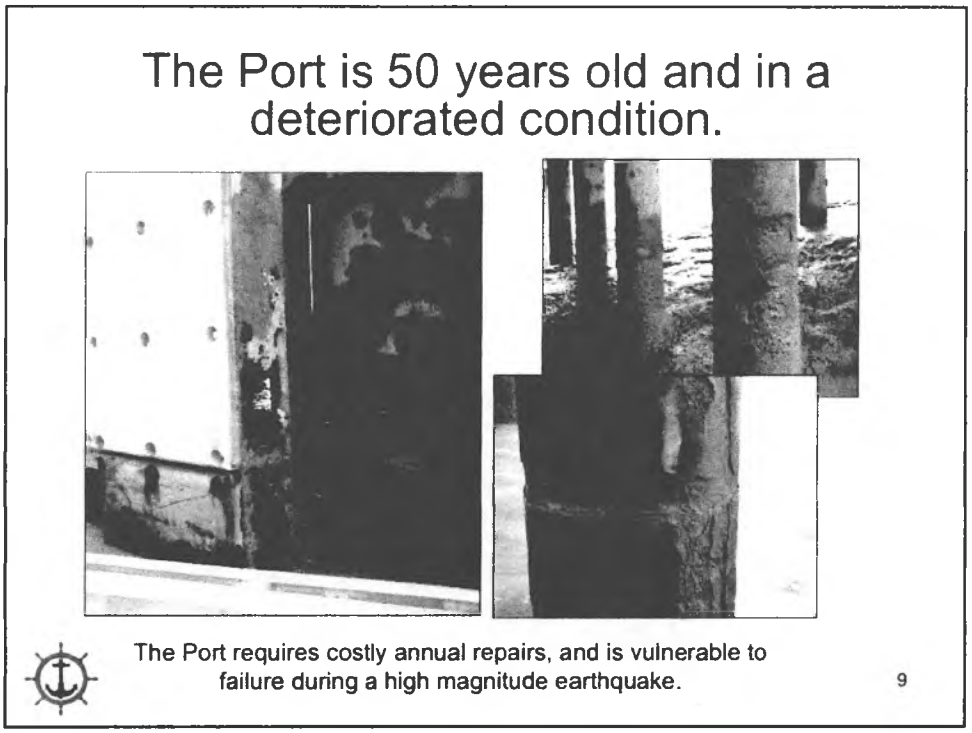
This slide depicts the Port's actual revenue and operating expenses for 2011, and our projections for 2012 through 2021.

These include the projected revenue increases associated with completion of the new berths and the projected new revenues from anticipated business changes for existing tenants.

The operational costs take into account the addition of the new and expanded facilities and their associated grounds maintenance needs.

I think it is especially important to point out that we have a stable customer base in a facility near a population center upon which we will expand.

We are also very proud to state that the port generates enough revenue to cover all of its operational costs with no burden placed on property taxpayers, and will continue to do so upon completion of the project.



SLIDE 9 – Deteriorated Condition

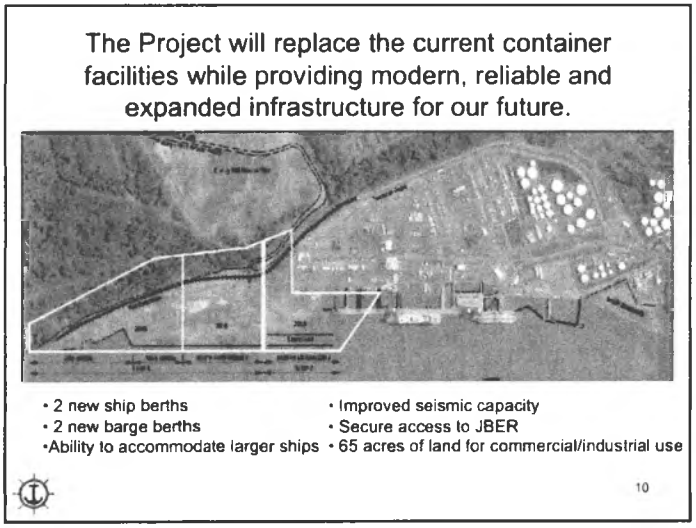
In 2011, the Port celebrated its 50th anniversary, and while we are excited about that milestone, it also underscores the reality that our facilities are in a deteriorating condition.

The cathodic protection system has exceeded its useful life and there is severe corrosion found throughout the facility.

A 2011 memo from R&M Consultants estimated that there are 1,300 pilings requiring repairs due to age and corrosion.

Since 2004, we have repaired 111 pilings. That averages 16 pilings a year.

Even if we were to quadruple our efforts, it would take 15 years to complete all of the necessary repairs and would not add any increased seismic protection or provide for the modernization of our facilities.



SLIDE 10 – Phasing Plan

The objective of the project is to provide reliable, modern and expanded facilities for future generations of Alaskans.

The project area is outlined in yellow on this slide.

It has been scaled back from its original vision and is now focused on completing two barge berths and two ship berths in the north area of the Port.

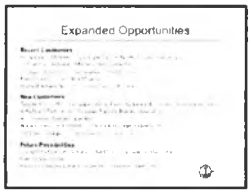
When completed, the new facilities will allow our current container ship tenants, Totem Ocean Trailer Express and Horizon Lines, to move their ships off of the old, deteriorated facility into new, larger and modern berthing spaces built to a higher level of seismic stability and operational safety.

The two barge berths will provide new economic and business opportunities for shippers in the region, and ready access to a rail line that extends the full length of the Port.

Additional benefits of the project include access to 65 acres of commercial or industrial land with immediate access to intermodal connections and waterborne transportation.

The combination of increased berthing space and acreage will allow us to better facilitate military deployments, accommodate larger vessels with a deeper draft, and support resource development projects in the state and the region.

Perhaps most importantly, the new dock will be built to a higher degree of seismic stability ensuring that the Port will remain operational following an earthquake.



SLIDE 11 – Expanded Opportunities

This slide briefly lists some of the recent non-tenent customers that have used Port facilities within the last 18 to 24 months.

Under "New Customers," we have listed businesses that have formally indicated intent to use port facilities.

We cannot disclose the name of these businesses due to the proprietary nature of the discussions, however we have provided a generic description of how they would use the facility.

The last section describes potential opportunities in the future, but we have differentiated them from the other column due to the lack of formal intent.

Additionally, it is very important to note that while we have managed in the past to provide for new customer use, it is growing increasingly more difficult due to space constraints.

Thanks to the close and cooperative relationships we have with our primary lessees, we can accommodate transient customer requests.

We collectively use the phrase "Cooperate and Graduate."

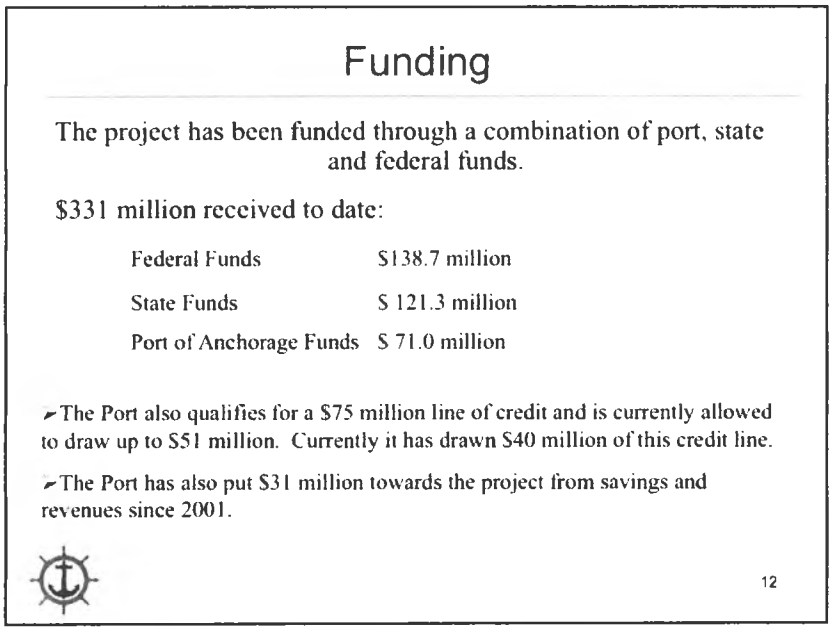
We are basically counting on short-term access to their leased land in order to accommodate larger shipping requests such as that of ML&P with extremely large pieces of infrastructure they brought through for their new power generation project.

While there isn't anything financial in it for those lesees, everyone recognizes the importance of making logistics operations at the Port a success.

If we succeed as a team, we all benefit as one.

Also, while the project is not complete, there are 65 acres of new lay down area have already been used to store transient cargo..

In short, we have a lot of new opportunities, but we need more finished space.



SLIDE 12 – Funding

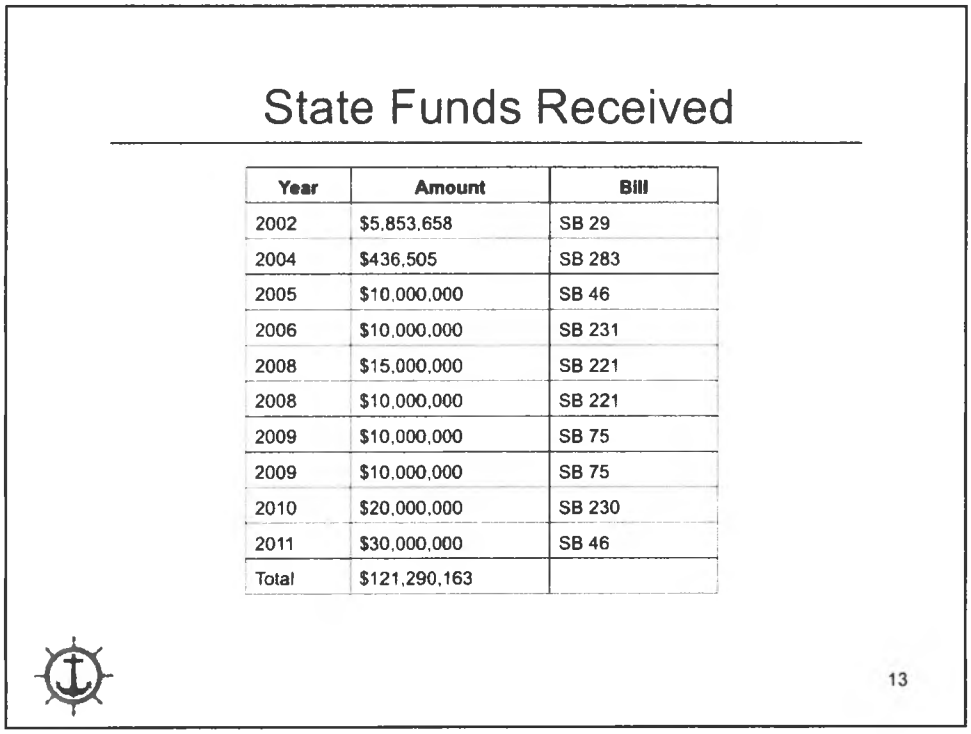
Here you can see the funding the project has received from state and federal appropriations along with Port contributions.

The Port has invested 71 million dollars to date.

This is comprised of 40 million dollars from a commercial paper line of credit from which we can access up to $51 million; and 31 million dollars in port funds from savings and revenues.

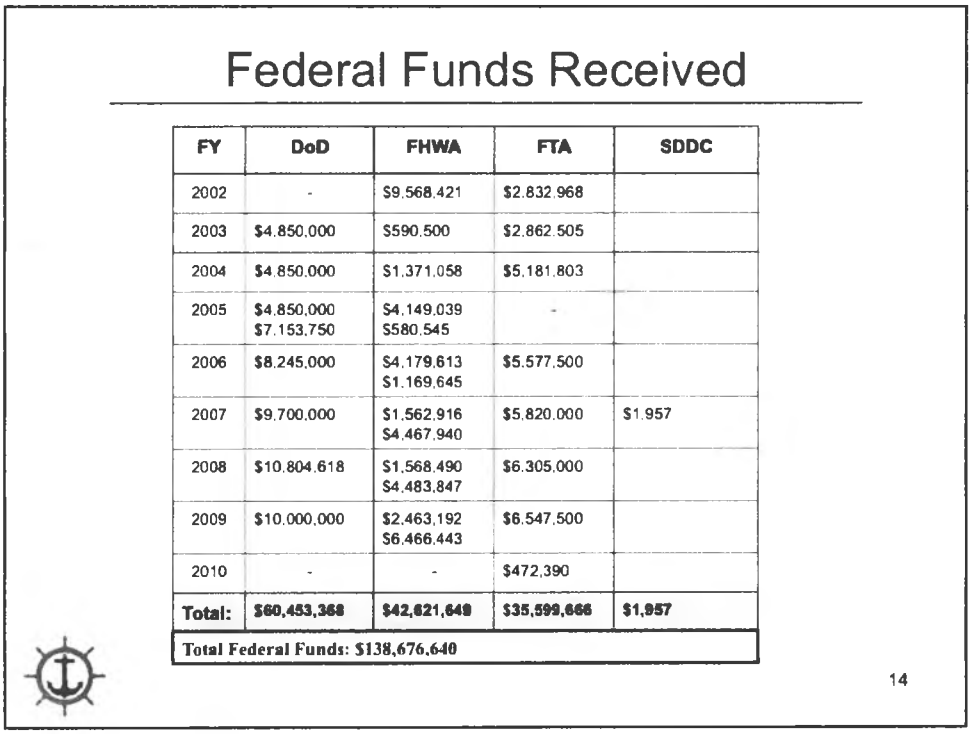
We currently have $29 million in uncommitted appropriations and can draw another $11 million on our line of credit.

So, if need be we currently have access to up to $40 million.



SLIDE 13 – State Funds Received To Date

This is a listing of the state funds that the project has received to date totaling $121 million.



SLIDE 14 – Federal Funding Received

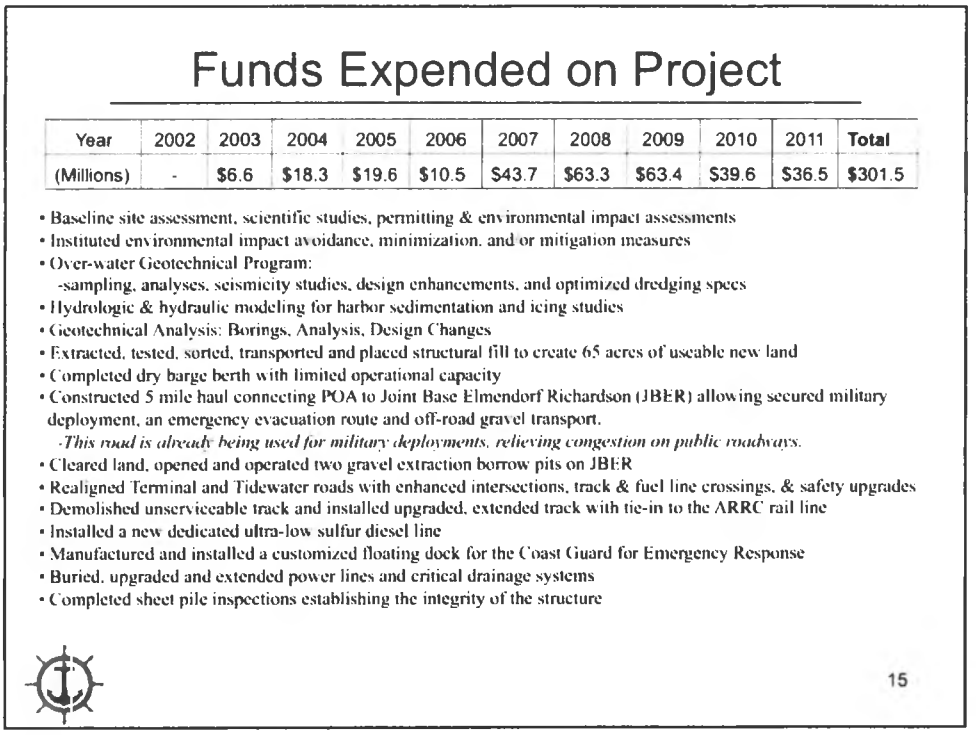
This is a listing of the federal funds that the project has received totaling $138.7 million.

Federal funding was the primary source of funding for the early years of the project.

However like other organizations around the country and the state, we have seen our federal funds dry up; and we have not received any funding for the past two years.

We now also pursue funding at the federal level through competitive grants such as the TIGER Discretionary Grant program and we will continue to do so.

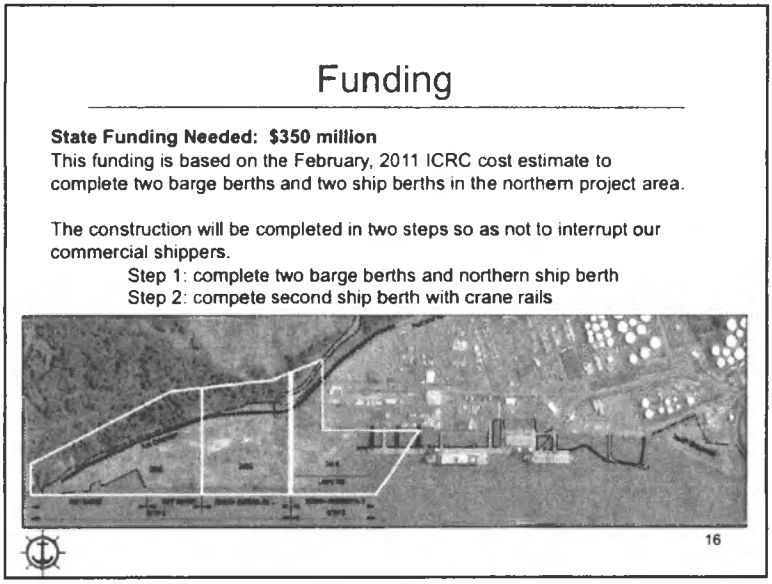
However, it is pretty clear that future federal funding will be at significantly lower levels.



SLIDE 15 – Funds Expended on the Project

This is a listing of the funds expended on the project since its inception.

We have spent and/or obligated $301 million dollars to date in the areas listed.



SLIDE 16 – Funding

As previously outlined, in the past this project has received funding from state and federal grants combined with port funds.

This has allowed the project to progress.

However, receiving piecemeal funding for a large, multi-year project has proven to be extremely inefficient.

In order to successfully move forward, to plan more efficiently, and to be able to exploit economies of scale to better control costs, we need to have complete funding up front.

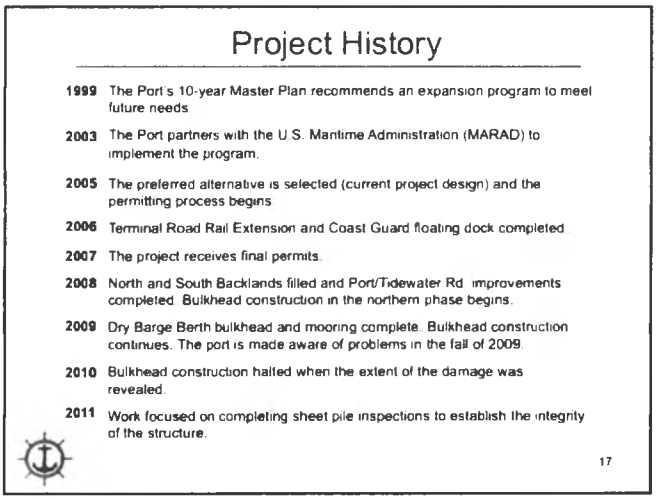
In our annual request to the Legislature, the Municipality's highest priority was to secure $350 million for this project.

This is based on a 2011 cost estimate with an added contingency.

It is our intent to construct this project with $350 million in state funds and not to return to the legislature for further funding.

Full, up front funding, will allow us to create multi years bids that provide an efficiency we do not currently enjoy.

It would eliminate the need to pay for the constant mobilization and demobilization of construction contractors, it would allow the contractors to purchase materials at the best available prices, and it eliminates the risk of further increasing the project cost through delays due to lack of funding or from inefficiencies created by constantly changing the contractor of record.



SLIDE 17 – Project History

We have put together a brief overview of the project in order to provide a context for understanding both the project history and expenditures.

The project began in 2001 following the recommendation for an expansion in the 1999 Master Plan.

In 2003, the Municipality of Anchorage signed a Memorandum of Understanding with the U.S. Maritime Administration to develop the Port of Anchorage Intermodal Expansion Project.

In 2005, the design was selected and the permitting process began.

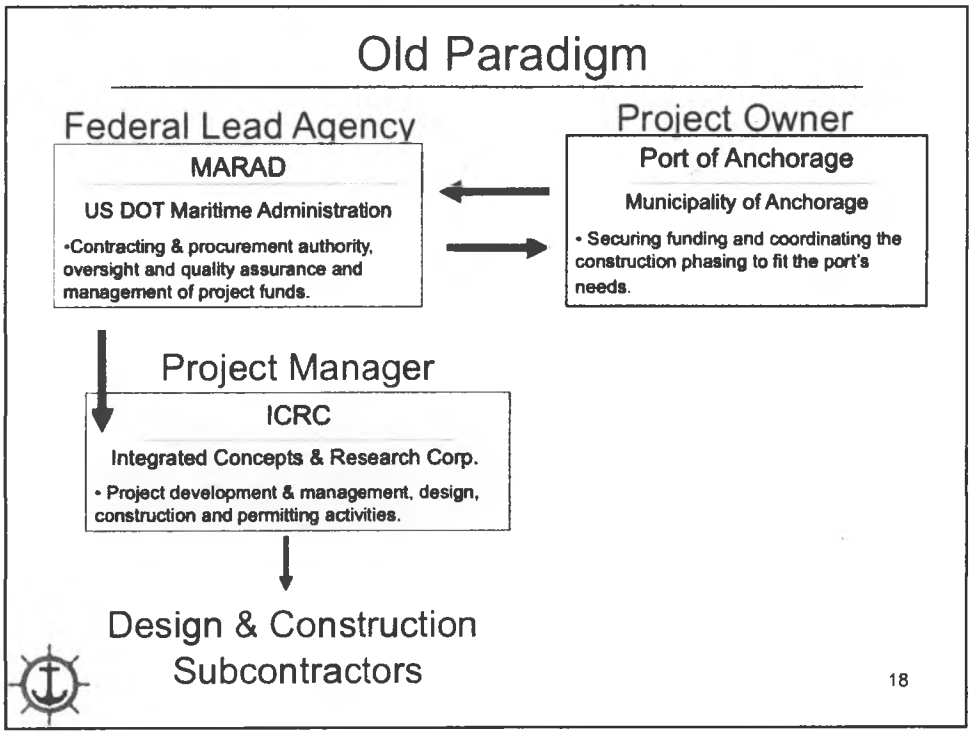
I'm going to jump ahead to August 2007, when the project received its final permits for in-water construction.

In-water work on the bulkhead sheet pile structure began in 2008 and continued through 2009.

In the spring of 2009, the Port became aware that there had been reported problems with the sheet pile installation.

However, it was not until 2010 that the full extent of the damage was revealed.

The construction plans for 2010 were then altered in response to the discovered damage and work in 2011 was focused on completing further inspections of the sheet pile, specifically in the tail wall sections, to establish the integrity of the structure.



SLIDE 18 – Old Paradigm

This is a flow chart depicting how the project was managed in the past.

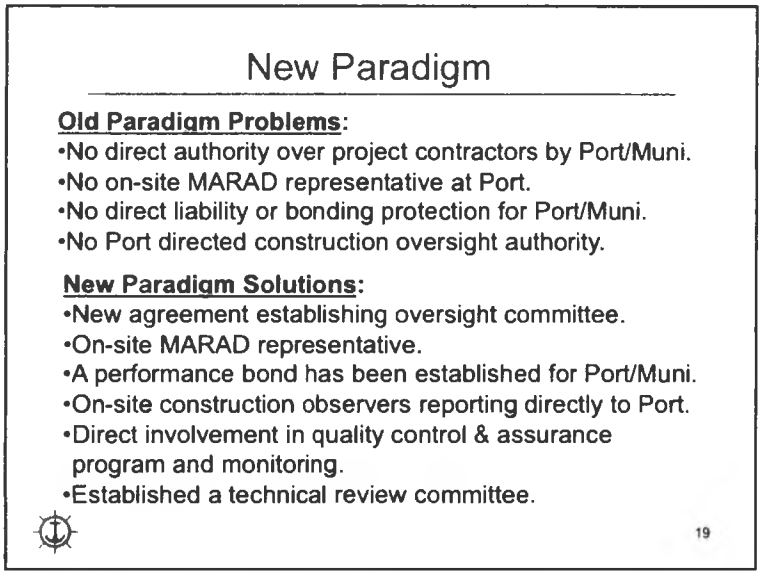
You can see the different relationships and responsibilities of each project partner.

The Port was responsible for securing funding and coordinating construction phasing with our operational needs.

The U.S. Maritime Administration, or MARAD, was the lead federal agency for the project and was responsible for contracting and procurement, oversight, quality assurance and control, and managing the project funds.

MARAD hired ICRC to manage and develop the project. ICRC in turn relied on a variety of sub-contractors to design and construct the project.

This arrangement was based on that 2003 Memorandum of Understanding between MARAD and Municipality, which in retrospect, had some very serious problems



SLIDE 19 – New Paradigm

Specifically, there was no established relationship between the Port, and ICRC or their subcontractors.

The Port had a relationship with MARAD, but they had no direct authority over the project construction.

MARAD had a contractual relationship with ICRC, and ICRC in turn had contractual relationships with their subcontractors, but the port had no direct relationship or authority over either ICRC or their subcontractors.

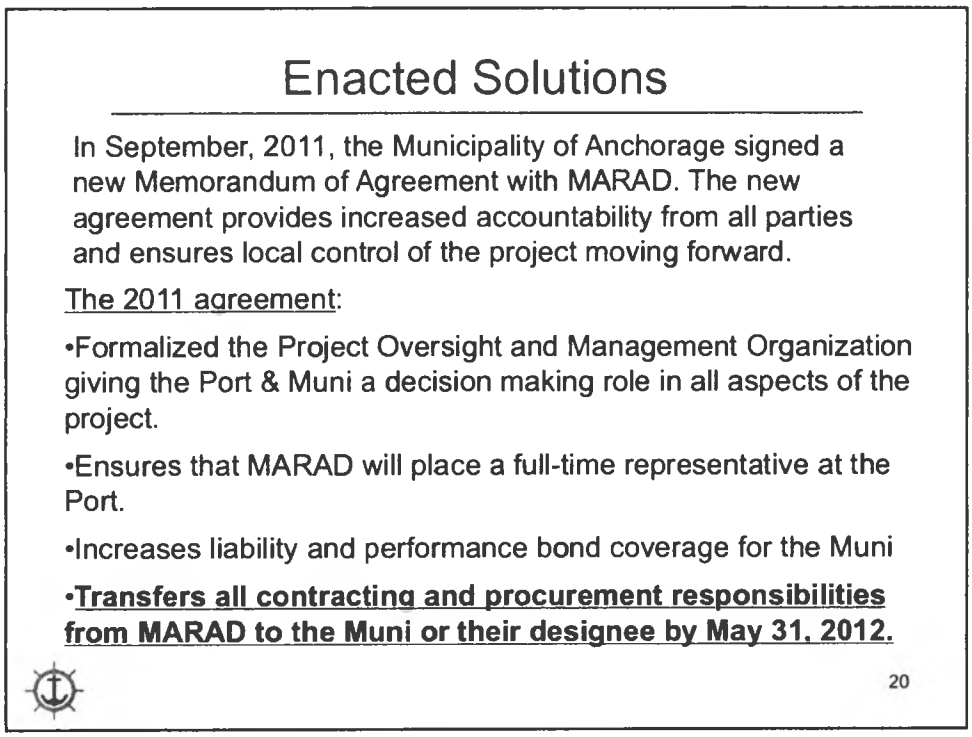
Further, the Port and the Municipality were not protected as a named party on construction bonds, nor were we even authorized to speak directly to the contractors on the ground.

Major changes have been enacted to address these problems and to ensure local control of the project moving forward.

Today, we have a project oversight and management organization, which gives the port a strong voice in all aspects of the project.

A performance bond has been established for the Municipality for all construction work.

MARAD has assigned an on-site representative to the project, and the Port employs construction observers who report directly to Port officials.



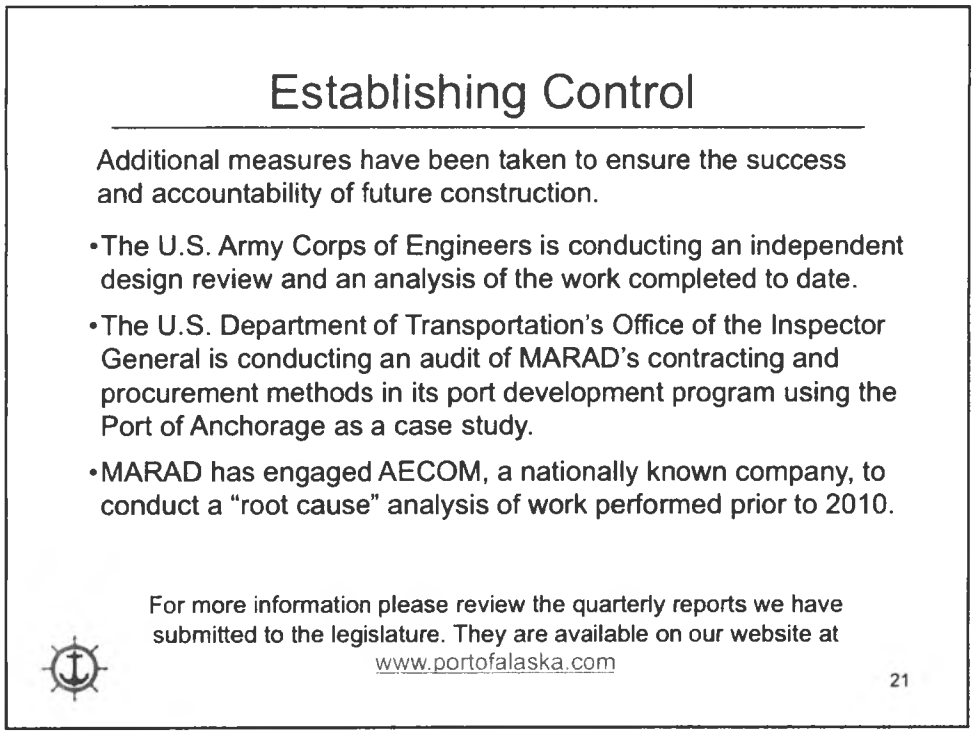
SLIDE 20 – Enacted Solutions

Perhaps the most significant change was a new Memorandum of Agreement signed last fall between the Municipality and MARAD.

This agreement formalizes the oversight committee, calls for a dedicated onsite representative from MARAD, and increases liability and performance bond coverage for the Port and Municipality.

Most importantly, it arranges for the transfer of all contracting and procurement responsibilities to the Municipality or our designee effective May 31, 2012.

This ensures local control of the project moving forward and represents a new direction for the project.



SLIDE 21 – Establishing Control

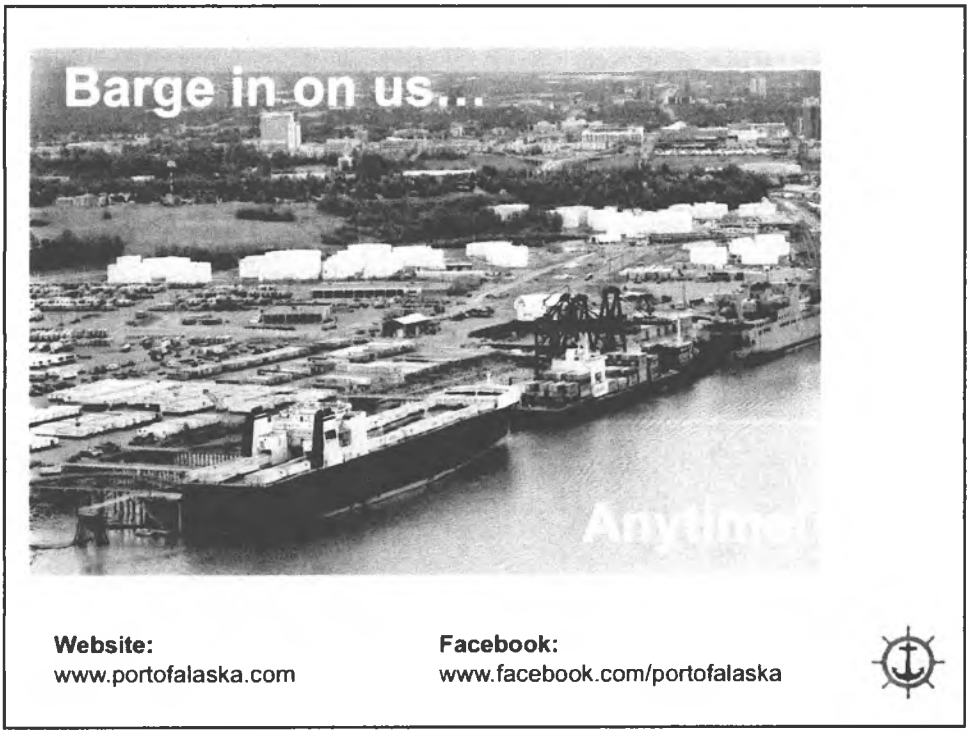
The Port and the Municipality are confident that this project will move forward successfully and have taken steps to determine the cause of the damage and to establish accountability.

MARAD has hired AECOM, a nationally renown firm, to conduct a root cause analysis of the work performed prior to 2010.

The U.S. Department of Transportation Office of the Inspector General is conducting an audit of MARAD's Port construction program using the Port of Anchorage as a case study.

In addition, the U.S. Army Corps of Engineers is currently conducting both a design suitability study and a project analysis to inform the project moving forward and provide possible improvements or enhancements to both design and construction management processes.

The Corps has engaged CH2MHill to aid in this process and results are expected in late April or May and will be made public.



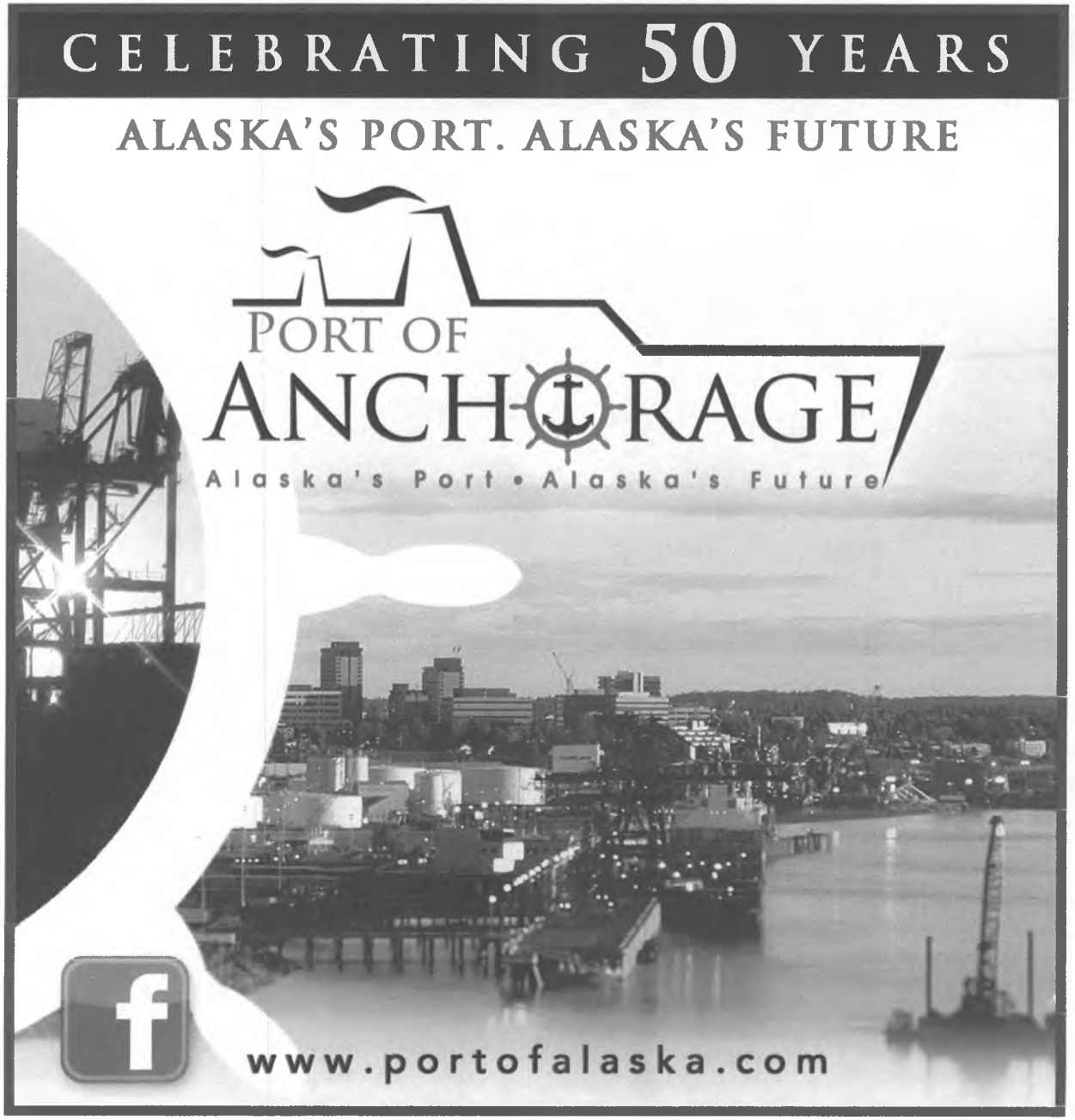
SLIDE 22 – End

In conclusion, I want to again thank Chairmen Stedman and Chairmen Hoffman and the full committee for providing me with the opportunity to speak here today.

The Port and the Municipality appreciate the past and the continued support of the state and the legislature for this important project.

Again, this is the highest priority of the Municipality and with the commitment of full funding and the measures we have enacted we are confident that this project will move forward successfully with local control and increased accountability.

Thank you.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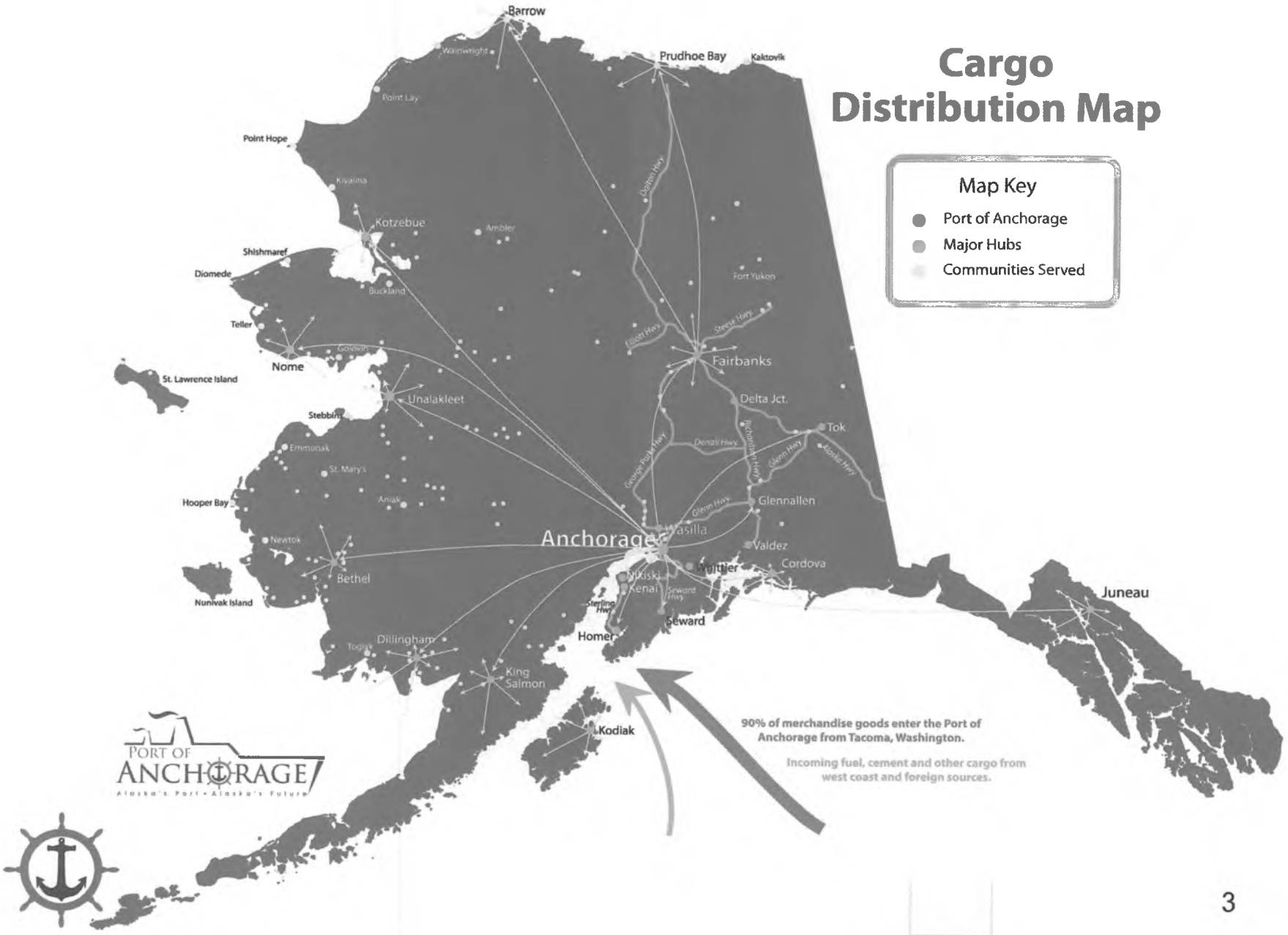
Facts about the Port

- The major point of entry for containerized cargo in Alaska
- Services support over 200 rural communities in the State
- Annually, 240,000 containers move through the Port
- Since 2000, an average 4 million tons of goods and materials pass through the Port's facilities annually
- 90% of merchandise goods for the Railbelt and interior Alaska.\
- 100 million pounds of bypass mail items
- 52,000 vehicles processed annually on average
- 80% of the cement for concrete





Cargo Distribution Map



Fuel Services & Military Support

Fuel Services:

- 11 million barrels of fuel annually
- 2/3 of the jet fuel for Ted Stevens Anchorage International Airport
- 100% of the jet fuel for Joint Base Elmendorf-Richardson
- 2/3 of all fuel used by the military in Alaska
- 1.4 million barrels of fuel are shipped from POA to rural Alaska

Military Support

- Designated a Department of Defense National Strategic Seaport
- One of only 19 ports in the nation to have this designation
- Supported over 30 deployments since 2005, including Stryker Brigade deployments to Iraq and Afghanistan







Employment & Payroll

- Regular Operations:
- $50 million aggregate annual payroll from Port Stakeholders
- Ship days over 3,600 vehicles moving through port
- Non-ship days over 600 vehicles

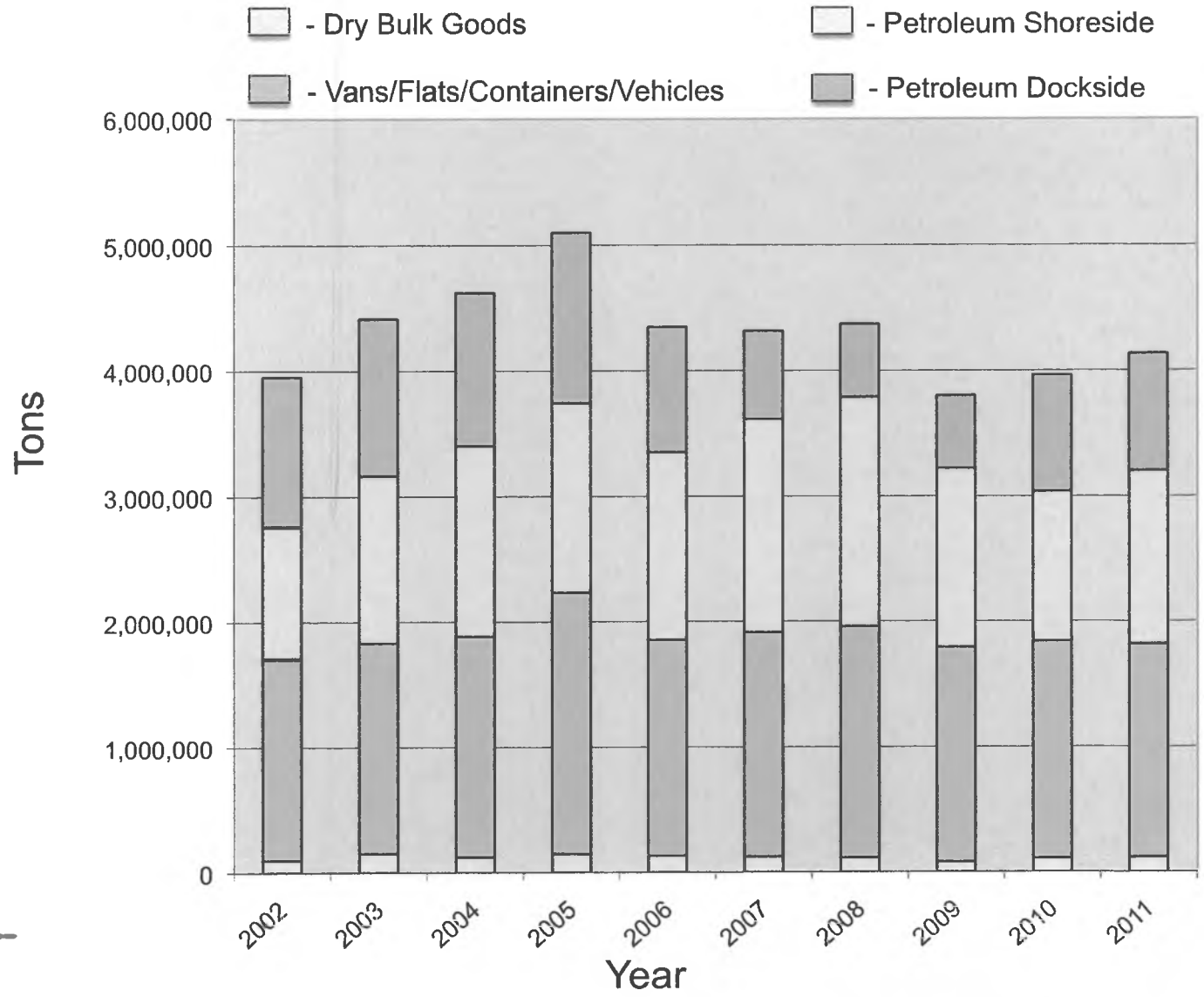
- Expansion Project:
- Directly employs 150-200 tradesmen & women annually
- Over 200 companies involved in project from 2005 - 2009

Port Stakeholders

A "stakeholder" is a company that relies regularly on the Port facilities to conduct routine business and/or leases port property.

- Horizon Lines
- Totem Ocean Trailer Express (TOTE)
- Alaska Basic Industries (ABI)
- Tesoro Alaska
- Crowley Marine Services
- Aircraft Service International Group (ASIG)
- Flint Hills Resources
- Alaska Railroad Corporation
- U.S. Army – Alaska and U.S. Transportation Command's Surface Deployment & Distribution Command (SDDC)
- Cook Inlet Tug and Barge

Annual Dock Tonnage



Revenue & Operating Projections

(in Millions)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	$12.3	$13.6	$15.4	$15.5	$16.5	$16.8	$16.9	$17.3	$17.4	$17.8	$18.9
Expenses	$11.1	$12.0	$12.0	$14.3	$14.5	$14.4	$14.6	$14.7	$14.8	$15.6	$15.9
Projected Net Income	$1.2	$1.6	$3.3	$1.1	$2.0	$2.4	$2.4	$2.7	$2.6	$2.2	$3.0
Plus Depreciation	$4.3	$4.7	$4.7	$7.0	$7.1	$7.2	$7.3	$7.3	$7.4	$7.5	$7.6
Projected Cash Flow	**$5.5**	**$6.3**	**$8.1**	**$8.1**	**$9.2**	**$9.6**	**$9.6**	**$10.0**	**$10.0**	**$9.7**	**$10.6**

The expenses and revenue projections include projected maintenance costs for the newly constructed areas.

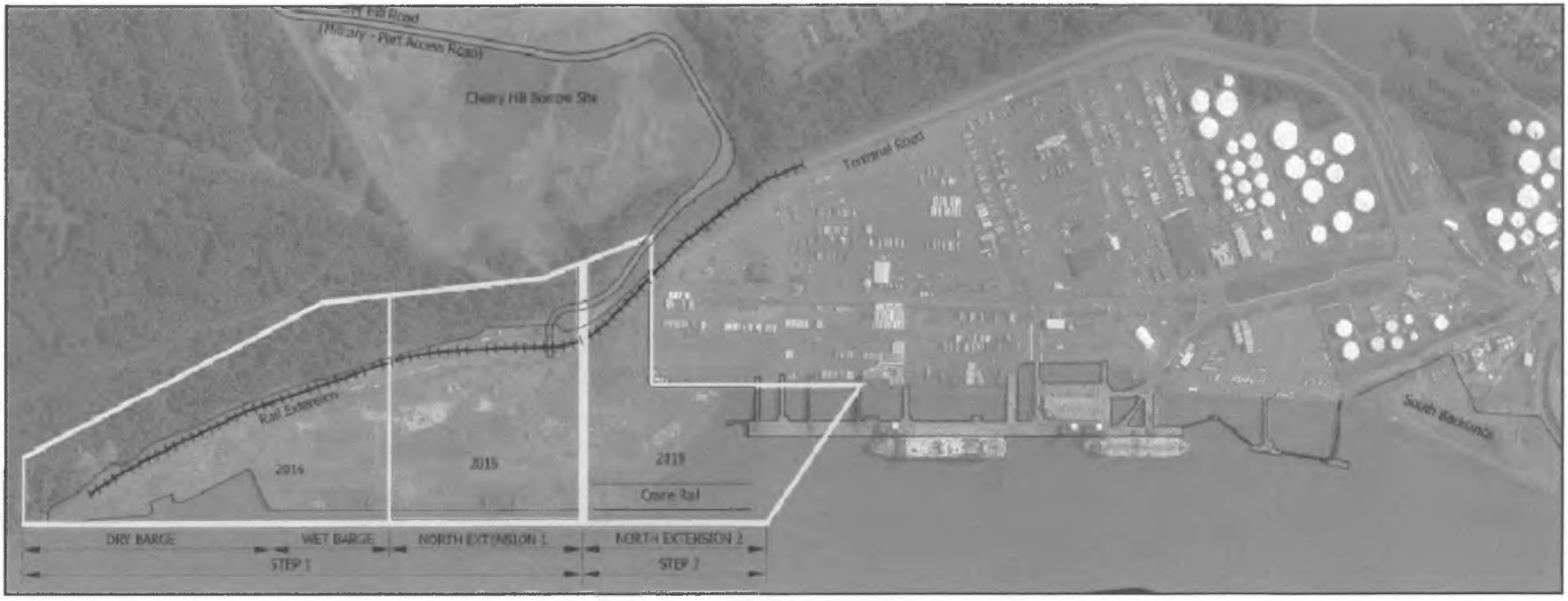
NOTE: The Port of Anchorage covers all of its own operational costs and reserves its profits for the project.

The Port is 50 years old and in a deteriorated condition.



The Port requires costly annual repairs, and is vulnerable to failure during a high magnitude earthquake.

The Project will replace the current container facilities while providing modern, reliable and expanded infrastructure for our future.



- 2 new ship berths
- 2 new barge berths
- Ability to accommodate larger ships
- Improved seismic capacity
- Secure access to JBER
- 65 acres of land for commercial/industrial use

Expanded Opportunities

Recent Customers

BP & ExxonMobile – Drill Pipe for the North Slope Operations
U.S. Army - Alaska - Military Deployments
Chugach Electric – Sub-station infrastructure
Film Productions – Big Miracle
Holland America – 7 to 9 summer port calls

New Customers

Tetrotech – CIRI Fire Island Wind Farm turbines & construction equipment
A Refined Petroleum Storage Facility/Barge Operator
A Container Barge Operator
Alaska Basic Industries – Planned storage expansion
USS Anchorage – Commissioning ceremony

Future Possibilities

Current Petroleum Tenant – Addition of a new product line
Film Productions
Resource development projects – Gasline, dam, etc.

Funding

The project has been funded through a combination of port, state and federal funds.

$331 million received to date:

Federal Funds	$138.7 million
State Funds	$ 121.3 million
Port of Anchorage Funds	$ 71.0 million

- The Port also qualifies for a $75 million line of credit and is currently allowed to draw up to $51 million. Currently it has drawn $40 million of this credit line.
- The Port has also put $31 million towards the project from savings and revenues since 2001.

State Funds Received

Year	Amount	Bill
2002	$5,853,658	SB 29
2004	$436,505	SB 283
2005	$10,000,000	SB 46
2006	$10,000,000	SB 231
2008	$15,000,000	SB 221
2008	$10,000,000	SB 221
2009	$10,000,000	SB 75
2009	$10,000,000	SB 75
2010	$20,000,000	SB 230
2011	$30,000,000	SB 46
Total	$121,290,163	

Federal Funds Received

FY	DoD	FHWA	FTA	SDDC
2002	-	$9,568,421	$2,832,968	
2003	$4,850,000	$590,500	$2,862,505	
2004	$4,850,000	$1,371,058	$5,181,803	
2005	$4,850,000 $7,153,750	$4,149,039 $580,545	-	
2006	$8,245,000	$4,179,613 $1,169,645	$5,577,500	
2007	$9,700,000	$1,562,916 $4,467,940	$5,820,000	$1,957
2008	$10,804,618	$1,568,490 $4,483,847	$6,305,000	
2009	$10,000,000	$2,463,192 $6,466,443	$6,547,500	
2010	-	-	$472,390	
Total:	**$60,453,368**	**$42,621,649**	**$35,599,666**	**$1,957**
Total Federal Funds: $138,676,640				

Funds Expended on Project

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	**Total**
(Millions)	-	$6.6	$18.3	$19.6	$10.5	$43.7	$63.3	$63.4	$39.6	$36.5	**$301.5**

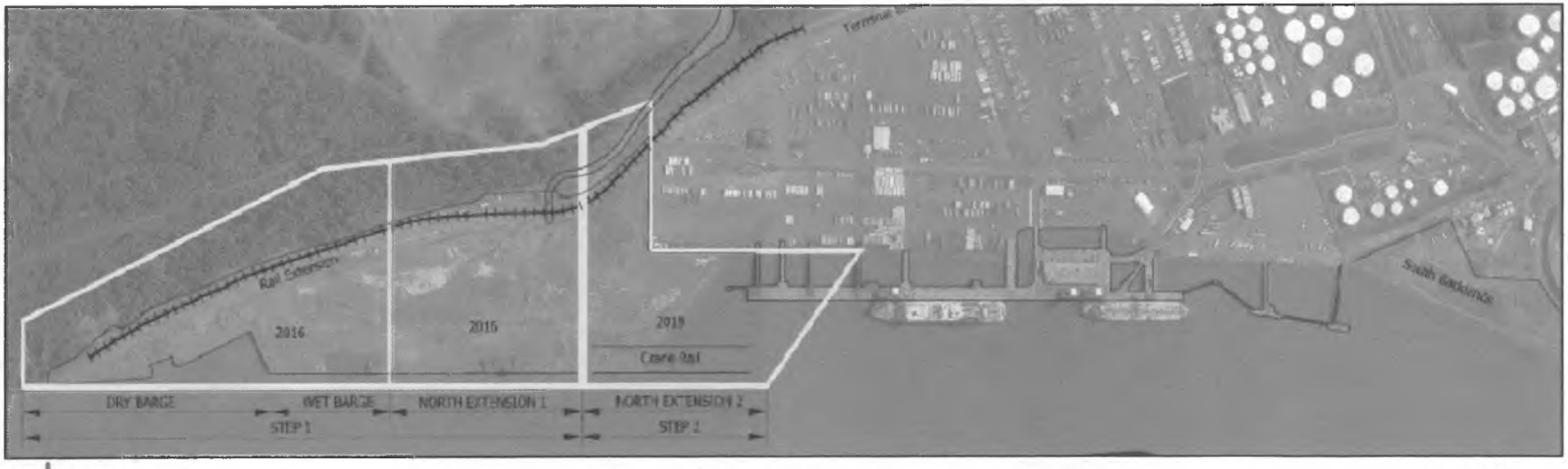
- Baseline site assessment, scientific studies, permitting & environmental impact assessments
- Instituted environmental impact avoidance, minimization, and/or mitigation measures
- Over-water Geotechnical Program:
  -sampling, analyses, seismicity studies, design enhancements, and optimized dredging specs
- Hydrologic & hydraulic modeling for harbor sedimentation and icing studies
- Geotechnical Analysis: Borings, Analysis, Design Changes
- Extracted, tested, sorted, transported and placed structural fill to create 65 acres of useable new land
- Completed dry barge berth with limited operational capacity
- Constructed 5 mile haul connecting POA to Joint Base Elmendorf Richardson (JBER) allowing secured military deployment, an emergency evacuation route and off-road gravel transport.
  -This road is already being used for military deployments, relieving congestion on public roadways.
- Cleared land, opened and operated two gravel extraction borrow pits on JBER
- Realigned Terminal and Tidewater roads with enhanced intersections, track & fuel line crossings, & safety upgrades
- Demolished unserviceable track and installed upgraded, extended track with tie-in to the ARRC rail line
- Installed a new dedicated ultra-low sulfur diesel line
- Manufactured and installed a customized floating dock for the Coast Guard for Emergency Response
- Buried, upgraded and extended power lines and critical drainage systems
- Completed sheet pile inspections establishing the integrity of the structure

Funding

State Funding Needed: $350 million
This funding is based on the February, 2011 ICRC cost estimate to complete two barge berths and two ship berths in the northern project area.

The construction will be completed in two steps so as not to interrupt our commercial shippers.

Step 1: complete two barge berths and northern ship berth
Step 2: compete second ship berth with crane rails



Project History

1999 The Port's 10-year Master Plan recommends an expansion program to meet future needs.

2003 The Port partners with the U.S. Maritime Administration (MARAD) to implement the program.

2005 The preferred alternative is selected (current project design) and the permitting process begins.

2006 Terminal Road Rail Extension and Coast Guard floating dock completed.

2007 The project receives final permits.

2008 North and South Backlands filled and Port/Tidewater Rd. improvements completed. Bulkhead construction in the northern phase begins.

2009 Dry Barge Berth bulkhead and mooring complete. Bulkhead construction continues. The port is made aware of problems in the spring of 2009.

2010 Bulkhead construction halted when the extent of the damage was revealed.

2011 Work focused on completing sheet pile inspections to establish the integrity of the structure.

Old Paradigm

Federal Lead Agency

MARAD

US DOT Maritime Administration

•Contracting & procurement authority, oversight and quality assurance and management of project funds.

Project Owner

Port of Anchorage

Municipality of Anchorage

• Securing funding and coordinating the construction phasing to fit the port's needs.

Project Manager

ICRC

Integrated Concepts & Research Corp.

• Project development & management, design, construction and permitting activities.

Design & Construction Subcontractors

New Paradigm

Old Paradigm Problems:

- No direct authority over project contractors by Port/Muni.
- No on-site MARAD representative at Port.
- No direct liability or bonding protection for Port/Muni.
- No Port directed construction oversight authority.

New Paradigm Solutions:

- New agreement establishing oversight committee.
- On-site MARAD representative.
- A performance bond has been established for Port/Muni.
- On-site construction observers reporting directly to Port.
- Direct involvement in quality control & assurance program and monitoring.
- Established a technical review committee.

Enacted Solutions

In September, 2011, the Municipality of Anchorage signed a new Memorandum of Agreement with MARAD. The new agreement provides increased accountability from all parties and ensures local control of the project moving forward.

The 2011 agreement:

- Formalized the Project Oversight and Management Organization giving the Port & Muni a decision making role in all aspects of the project.
- Ensures that MARAD will place a full-time representative at the Port.
- Increases liability and performance bond coverage for the Muni
- **Transfers all contracting and procurement responsibilities from MARAD to the Muni or their designee by May 31, 2012.**

Establishing Control

Additional measures have been taken to ensure the success and accountability of future construction.

- The U.S. Army Corps of Engineers is conducting an independent design review and an analysis of the work completed to date.
- The U.S. Department of Transportation's Office of the Inspector General is conducting an audit of MARAD's contracting and procurement methods in its port development program using the Port of Anchorage as a case study.
- MARAD has engaged AECOM, a nationally known company, to conduct a "root cause" analysis of work performed prior to 2010.

For more information please review the quarterly reports we have submitted to the legislature. They are available on our website at www.portofalaska.com



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Alaska's Lifeline

Cargo Distribution Patterns from the Port of Anchorage to Southcentral, Northern, Western and Southeast Alaska

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Alaska's Port • Alaska's Future

University of Alaska Anchorage

College of Business & Public Policy

Department of Logistics

and

Port of Anchorage

Municipality of Anchorage

2000 Anchorage Port Road

Anchorage, Alaska 99501

Phone: 907-343-6200

Fax: 907-277-5636

www.portofalaska.com

February 2011

EXECUTIVE SUMMARY
PORT OF ANCHORAGE CARGO DISTRIBUTION STUDY

The sources for the data in this executive summary are extensively referenced in the body of this study.

Goods shipped through the Port of Anchorage (POA) reach almost every Alaska community making the POA arguably one of the most important infrastructure facilities in the State of Alaska. The data presented in this report shows the entry points and distribution channels of critical cargoes that drive Alaska's economy and bring Alaskans the consumer goods and business supplies essential to the state's economy and daily life.

For the vast majority of Alaskans, the Port of Anchorage **is** Alaska's Port. The annual cargo entering the Port of Anchorage accounts for 90% of the merchandise goods used by Alaskan communities west of Cordova. This study will help inform public policy decision at the state and federal level to determine the level of public support that is justified for the Port expansion project.

Nearly all of the container goods that make up the day-to-day items used by Alaskans originate in shipments from the Port of Tacoma to the Port of Anchorage (POA). These shipments represent a critical lifeline for Alaska and amount to nearly 30 percent of Tacoma's total cargo activity. The total value of these goods is estimated to be well over $1 billion annually according to a study by the Port of Tacoma and the Seattle Chamber of Commerce.

Once these cargos enter Alaska through the Port of Anchorage, they are distributed throughout the Railbelt by truck, train, and to rural Alaska by air and barge. Ninety percent of the goods delivered to Fairbanks and the Mat-Su area originate in shipments through the Port of Anchorage as do seventy-five percent of the goods consumed in Western and Northern Alaska. A substantial amount of POA originated cargo is shipped via air freight to Southeast Alaska and 28.5 million pounds of US Postal Service Standard mail arrives in the state annually through the Port.

The POA is also a major entry point for fuel. On average, two-thirds of the fuel for air carriers at Ted Stevens Anchorage International Airport, and two-thirds of the fuel used by the US military and federal government agencies in Alaska, are delivered through the Port. This includes 100 percent of the jet fuel for Elmendorf Air Force Base and Fort Richardson- now Joint Base Elmendorf-Richardson (JBER). Smaller aircraft around the state are particularly dependent on Port operations because all in-state aviation gasoline (avgas) passes through the Port. Additionally 90 percent of the fuel Alaskans use to operate their vehicles and water craft originates in POA deliveries.

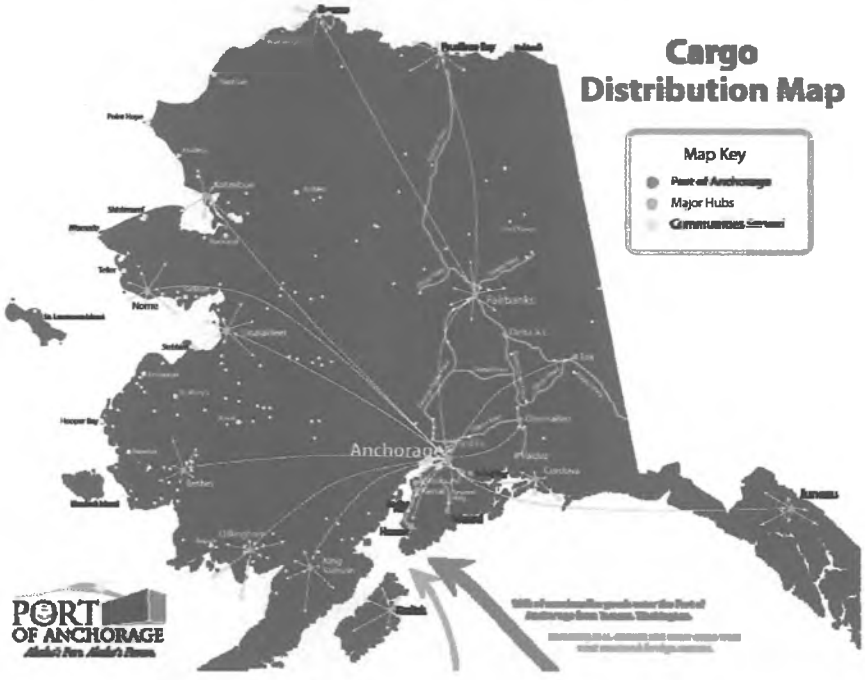
The Port of Anchorage is the only port in Southcentral that has the capability to offload bulk cement in unsacked powder form. As a result, over 80 percent of the cement used for concrete construction in the state comes into the Port annually, enough to build a four foot wide sidewalk from Homer to Barrow and back.

The Port is essential to the Armed Forces and was designated one of only 19 National Strategic Seaports by the Department of Defense. The US Armed Forces have staged over 20 military deployments through the Port of Anchorage in the past 10 years, including Stryker Brigade deployments to Iraq and Afghanistan. In a 2009 letter to the U.S. Secretary of Transportation, Raymond LaHood, U.S. Senator Daniel Inouye calls the Port of Anchorage "vital to our nation's defense" citing its service to all five military bases saying "the port is essential in serving the thousands of Army and Air Force personnel that call Alaska home." He continues on to say that "without the Port of Anchorage, these key military bases and activity would be out of business."

The Port of Anchorage makes a substantial contribution to Alaska's economy not only through the goods and cargoes which enter the port, but also through jobs and associated payroll. Total payroll at the Port for direct operations exceeds $53 million per year. An additional $20 million dollars per year in construction wages supports around 500 jobs and is expected to continue through 2021. The associated railroad, trucking and air cargo operations (delivering Port of Anchorage sourced goods at the regional air hubs of Fairbanks, Bethel, Nome, Dillingham, Kotzebue and Barrow) also make a significant contribution to many local economies.

Four container ships per week supply the vast majority of consumer goods and business supplies to Alaskans. In the course of this study we discovered that most retail companies, non-profits and government agencies reported that they would reach a crisis mode within two weeks if service was disrupted.

This study also identifies some of the issues that could substantially increase operating costs within the distribution system, and ultimately, the cost of goods to Alaska consumers. One example is increased fees and tariffs to pay for the Port of Anchorage Intermodal Expansion Project should local bonding be required. Federal issues include proposed changes to the bypass mail system, elimination or reduction of the Essential Air Service Program, new requirements for marine vessels to use ultra-low sulfur diesel, and any initiation of federal container taxes. Each of these issues could have a significant impact on the cost of goods to Alaskans.



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ABBREVIATIONS

AEDC – Anchorage Economic Development Corporation
ARRC – Alaska Railroad Corporation
ASIG – Aircraft Service International Group
AS&G – Anchorage Sand and Gravel
CIRI – Cook Inlet Region Incorporated
DLA – Defense Logistics Agency
DOD – Department of Defense
ECA – Emissions Control Area
Horizon – Horizon Lines, Inc.
IMPLAN – Impact M for Planning, a multiplier for economic impact calculation developed by the US Department of Agriculture Forest Service
ISER – Institute of Social and Economic Research, University of Alaska
JBER – Joint Base Elmendorf-Richardson
LO/LO – lift-on/lift-off operations
MLLW – Mean Lower Low Water
PANAMAX – The maximum sized vessel that will fit through the Panama Canal
POA – Port of Anchorage
POL – Petroleum Oils and Lubricants
RO/RO – roll-on/roll-off operations
TOTE – Totem Ocean Trailer Express
ULSD – Ultra-Low Sulfur Diesel
USCG – United States Cost Guard
USPS – U.S. Postal Service

STUDY PURPOSE AND METHODOLOGY

The purpose of this study is to describe the distribution patterns of goods which enter the Port of Anchorage (POA) and are delivered to Southcentral, Interior, Northern, Western and Southeast Alaska. The information from this study is intended to inform the general public and public policy makers on the importance of the Port's operations to Alaska's people and businesses.

The study methodology was to collect all available and relevant data on incoming volumes of cargo entering the Port of Anchorage utilizing published documents, port data and interviews with port operators. The final cargo destinations within Alaska and the patterns of freight distribution were further determined through interviews with freight forwarders, trucking, railroad and air freight operators along with retail and government related customers.

To better illustrate the patterns of freight distribution, the data was arranged according to the following tiers:

I. The first tier consists of shipping companies and operators who deliver cargo to the POA including containerized cargoes of consumer goods and business supplies, fuel, cement, construction materials, military equipment, building materials, automobiles and commercial vehicles.

II. The second tier is made up of trucking and rail operations which move goods from the POA to a secondary location. There they are either delivered directly to retail markets or consolidated and shipped via a third tier transporter to a further destination.

III. The third tier is comprised of air cargo carriers and barge operators who ship consolidated freight to hub airports and local harbors via bypass mail, air freight and barge operations. Once received at a hub airport or harbor, the freight is then further broken down for delivery by smaller air carriers or barge shippers for final delivery to rural villages.

IV. The fourth tier includes those goods delivered to the Port of Anchorage and then transshipped to Kodiak, Dutch Harbor and Western and Northern Alaska by container ship and barge. This includes consumer goods and business supplies, fuel, construction materials, automobiles and commercial vehicles.

Data on incoming fuel, cement and military supplies were also analyzed to determine their sources and patterns of distribution.

The Port is committed to treating any proprietary data in a confidential manner and informed study participants that such data would be aggregated to ensure confidentiality. As a result, much of the data is described in overall terms or percentages, nevertheless it clearly indicates the patterns of distribution.

The total payroll of Port stakeholders was collected from operators to help illustrate the economic impact of direct Port operations on Alaska's economy. This data was aggregated into a total payroll amount and was interpreted by Dr. Darren Prokop, UAA Professor of Logistics. The Alaska Trucking Association and the Alaska Association of Air Carriers provided additional information to help assess the value of trucking and air cargo operations to Alaska's economy.

In the course of interviewing participants in the distribution chain, issues of concern were raised that could affect the cost of delivery of goods throughout Alaska including the costs of developing the Port if local bonding were required, changes or reductions in the bypass mail system, requirements for marine vessels to use ultra-low sulfur diesel fuel, and any change in container taxes. These concerns are addressed at a cursory level towards the end of this study.

Participants also identified several inefficiencies in current Port operations that could be improved as a result of the new Port design. This information is contained in *Commodity Details and Port Efficiency Issues* on page 15.

Participants were asked to identify the impact on their businesses should there be any disruptions to Port of Anchorage operations. A summary of their responses is contained on page 18 under *Interruption of Service.*

This study was sent in draft form to all participants for review to identify any omissions or errors. A complete list of companies interviewed for this study can be found on page 25.

ABOUT THE AUTHORS

This study was conducted under the supervision of Dr. Darren Prokop, Professor of Logistics at the College of Business and Public Policy at the University of Alaska, Anchorage (UAA). Primary research for the project was conducted by Paul Fuhs under the supervision of the Port of Anchorage. The project was assisted by University of Alaska Anchorage student interns Duke Kahumoku (majoring in Political Science) and Grigory Kalugin (majoring in Logistics).

A NOTE FROM THE AUTHORS

The authors would like to thank all the companies who participated in this study. Their cooperation was freely given and their support is very much appreciated. Too often this sector of our economy is taken for granted as essential items appear each week on the shelves without any thought as to how they got there.

This study contains data and statistics, which when taken together, are quite remarkable. As different sectors of the industry were interviewed, it became apparent that behind the numbers there are very real Alaskans, all pulling their weight in a complex and sometimes dangerous system that requires each leg to work all the time, every time, in order to be successful. This silent, steady system is what keeps Alaska's economy alive, its what keeps food in the house and pencils on the desks. This study is a way of recognizing what these companies and people do for the citizens of Alaska every day.



BACKGROUND ON CURRENT PORT OPERATIONS AND PORT REDEVELOPMENT PLANS

The current Port facility has four ship berths and a published draft depth of -35 ft mean lower low water (MLLW) which easily accommodates ships requiring 30 feet of draft. The two northern berths are container ship berths used primarily by Horizon Lines and Totem Ocean Trailer Express (TOTE). A container ship from each of these companies travels from the Port of Tacoma to call on the POA twice a week on Tuesdays and Sundays. TOTE offloads their cargo via Roll-on/Roll-off (RO/RO) facilities while Horizon Lines uses three 38-foot gauge container cranes to lift containers on and off their ships. These container berths are also used to accommodate cruise ship vessels during summer months and other vessels as needed. The two berths on the south end of the dock are for bulk cargo (cement) and petroleum oil and lubricants (POL). These berths accommodate fuel tankers, fuel barges, and dry bulk carriers.



The Port occupies 129 acres with 81 acres leased to long-term users and 31 acres used as transit storage for cargo including fuel tanks and cements silos. These same areas are occasionally designated for use by the Department of Defense to stage military deployments. The Alaska based U.S. Coast Guard Maritime Safety and Security Team is home ported at the POA with 75 personnel and multiple emergency response vessels.



The POA is involved in a major project to replace aging and deteriorated facilities that were built up to 50 years ago and are at risk of catastrophic failure in the event of a major earthquake[1]. The Port of Anchorage Intermodal Expansion Project began in 2002 and upon completion will add 1,700 ft of linear dock space, creating 7 functioning ship berths, two public barge berths, and an additional 135 acres of land which can accommodate industrial development activities. The project increases the operating depth of the Port to -45' MLLW and is expected to reduce dredging costs. The expansion project must be constructed in phases with new operational sections completed before abandoning the current facilities to ensure that there is no disruption of service.

Several areas of the new facilities are constructed to withstand the worst case expected earthquakes based on past history of seismic activity. They are designed to operate for 50 years without any major maintenance and an overall useful life of 75 to 100 years. The expanded facilities will also address a number of inefficiencies inherent to the current facilities which are described in this report.

[1] R&M Consultants, Inc. *Seismic Vulnerability Report.* (2009).

The Port of Anchorage operates on a self-sustaining basis. Port tariffs and fees pay for all operations and maintenance of the facility, along with a small reserve fund. This steady fiscal performance qualifies the Port for a $75 million line of credit used as part of the Port's match to state and federal funds in the ongoing expansion project.

FINDINGS OF THE STUDY

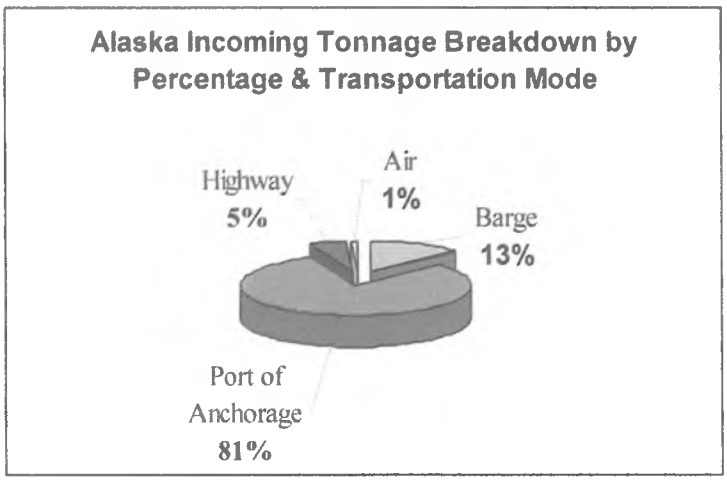
TIER I: ANNUAL INCOMING CARGO AND ORIGIN OF SOURCES

In 2009, the baseline year for complete data, the Port of Anchorage received 4,370,000 tons of cargo (8.74 billion pounds) comprised of containerized consumer goods and business supplies, US mail, fuel, construction materials, drill pipe, cement for concrete, automobiles, and military equipment.[2]

An additional 706,000 tons of annual cargo deliveries, most by barge, do not pass through the POA, but enter Southcentral Alaska through the Alaska Railroad Corporation's rail barge operations in Seward and Whittier and through barge deliveries to North Star Terminal and Stevedoring and the Swan Bay dock. These are primarily outsized and overweight loads and bulk construction supplies.[3] Around 325,000 tons of goods enter the Railbelt through trucking and airfreight.

Railbelt Alaska Incoming Tonnage Breakdown: Percentage by Facilities[4]

There are four ways of delivering goods to the Alaska Railbelt: container ship, barge, trucks, and air freight. Each delivery method is displayed by percentage in the following chart according to data from the Alaska Rail Road Corporation.



[2] Port of Anchorage, 2009 Annual Port Tonnage Report
[3] Personal Interview, September, 2010, Alaska Rail Road Corporation
[4] Personal Interview, September, 2010, Alaska Rail Road Corporation & 2009 Annual Port Tonnage Report

POA LO/LO and RO/RO Operations

Container crane lift on/lift off (LO/LO), and roll-on/roll-off (RO/RO) operations account for 1,820,000 tons annually, (120,000 incoming containers annually, or about 10,000 containers per month.)[5] TOTE's RO/RO operations also allow for the delivery of oversized loads, or just about anything that can be put on wheels.

POA container crane and RO/RO cargo is primarily comprised of consumer goods and business supplies, construction materials, and vehicles. This represents 90 percent of Railbelt and interior merchandise cargo and business supplies shipped to Fairbanks, Mat-Su and the Kenai Peninsula.[6] **Origin of Cargo:** Port of Tacoma

Non POA Barge Cargoes

Around 706,000 tons of annual cargo does not pass through the POA, but is instead transported by barge to Seward, Whittier, and private docks in Anchorage. These cargoes are mostly bulk but can also be containerized and are primarily materials such as chemicals, sack cement, grain products, construction goods, heavy industrial loads, oversized items and fuels. There are several different types of barges that use the facilities listed above including rail barges, with regular weekly service between Seattle or Price Rupert depending on the company, and fuel barges. **Origin of Cargo:** Seattle, Prince Rupert, BC



Fuel

Eleven million barrels[7] (or 462 million gallons) of refined petroleum products move through the Port of Anchorage annually on a regular basis including:

- Two-thirds of the jet fuel used at Ted Stevens Anchorage International Airport
- Two-thirds of all fuel used by military and federal agencies in Alaska
- 100 percent of the jet fuel used by Elmendorf Air Force Base
- 90 percent of the fuel used by vehicles, watercraft and general aviation aircraft in Railbelt Alaska
- 100 percent of the aviation gasoline used statewide (including Southeast Alaska)

Origin of Cargo: Flint Hills Refinery, Tesoro Refinery, Petrostar Refinery, domestic and international ships and vessels.

[5] Port of Anchorage, 2008 Annual Tonnage Report
[6] 1999 VZM TranSystems Corp/Northern Economics, *Port Master Plan*, Page 1.C 14
[7] Port of Anchorage, Annual Dock Tonnage 2001 - 2010

Cement

An estimated eighty percent of the cement for manufacturing the concrete used in Anchorage, Fairbanks, Mat-Su, the Kenai Peninsula and the road system is delivered through the Port of Anchorage by the company Alaska Basic Industries, a division of Anchorage Sand and Gravel (AS&G).[8] Other barge operations deliver an additional 20,000 tons per year. In some cases, cement is distributed from the POA to rural areas via air freight from Ted Stevens Anchorage International Airport. To date, 78 Alaskan communities throughout the State, including the North Slope, have received cement through this distribution method.



Origin of Cargo: Korea, China, Thailand

Automobiles and Commercial Vehicles

About ninety-five percent of new private, commercial, and military automobiles and trucks bound for the Railbelt come through Port of Anchorage. On average, 50,000 vehicles pass through the POA annually.[9] **Origin of Cargo:** Port of Tacoma

Military Cargo



In addition to the fuel, military operating supplies and equipment, commissary groceries, and base/post exchange consumable and durable goods items provided through the Port of Anchorage. In a 2011 letter to Alaska's Congressional delegation, Lieutenant General Dana Atkins, Commander of Alaska Command wrote "The Port of Anchorage is not only the strategic hub for military deployments and operations, it is also one point of throughput for the commodities we stock in our base exchanges, commissaries and troop stores in support of 55,000 military and family members in Alaska."

In the past ten years the Port has supported over 20 military deployments, including deployments to Iraq and Afghanistan. Lieutenant General Atkins writes "Since 2005 almost 18,000 pieces of military cargo in the form of combat vehicles, weaponry, and support equipment have passed through the Port. Our ability to project this power to combat theaters around the globe depends heavily upon sealift through the Port of Anchorage."[10]

USPS Mail

Twenty-eight and a half (28.5) million pounds of US "standard mail" is delivered annually through the Port of Anchorage.[11] **Origin of Cargo:** Port of Tacoma

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[8] Personal Interview, Alaska Basic Industries, October, 2010.
[9] Phone Interview, Wrightway Auto Carriers, October, 2010.
[10] Letter from Lieutenant General Dana T. Atkins to the Alaska Delegation, February 9, 2011.
[11] Phone Interview, U.S. Postal Service, October, 2010.

Bulk Shipments and Construction Materials through POA



These include general construction materials, drill pipe for the North Slope and industrial structural elements. If Cook Inlet Region Incorporated (CIRI) moves forward with it planned wind energy project on Fire Island, the towers are expected to arrive in Cook Inlet by ship and be delivered to the POA for transfer by barge to Fire Island. This will be facilitated by the Port's dry barge landing facility.
Origin of Cargo: Seattle, Tacoma and International sources.

TIER II: PRIMARY DISTRIBUTION TO ANCHORAGE, INTERIOR AND RAILBELT ALASKA

Trucking operations make deliveries directly to large and small retail stores in the Anchorage bowl. Trucks also deliver containers to freight consolidators and warehouses in Anchorage who further break down the cargo for smaller deliveries.[12]

Nearly 90 percent of consumer goods and business supplies for Fairbanks, Mat-Su, and the Kenai Peninsula first enter through the Port of Anchorage. The goods are primarily transported as follows:

- 60 percent intermodal transfer to ARRC for rail transport
- 40 percent delivered by trucking operations[13]



Standard US mail shipped through the Port of Anchorage is delivered by truck to the USPS sort operation near the Ted Stevens Anchorage International Airport. After sorting, it is delivered locally by mail carriers and statewide by truck and air operations. Fuel and cement are delivered directly by truck and railcar to customers throughout the state while cement is also delivered to remote locations by air freight. Construction materials and automobiles are delivered directly by truck.

These trucking operations have a substantial impact on Alaska's economy. The American Transportation Research Institute reports that in 2008, 603 Alaska trucking companies provided 19,955 jobs.[14]

[12] Personal Interview, Alaska Trucking Association, November, 2010.
[13] Personal Interview, Alaska Rail Road Corporation, September, 2010.
[14] American Transportation Research Institute & Alaska Trucking Association, *Alaska Fast Fact.*, (2011)

TIER III: SECONDARY DISTRIBUTION OF CONSUMER GOODS AND BUSINESS SUPPLIES FROM THE PORT OF ANCHORAGE TO RURAL AND SOUTHEAST ALASKA

Surface and Air Transport of Goods

Goods designated for shipment to rural Alaska are transported primarily by trucks to distribution warehouses as stated under the second distribution tier. These warehouses and distribution centers consolidate the goods which are then further distributed to air freight and bypass mail carriers for transport to rural areas. The volume of consumer goods transported through this method is significant. According to a 2006 Northern Economics study, 75 percent of total goods move to rural Alaska through bypass mail.[15]

Air cargo and related passenger flight operations make a substantial contribution to Alaska's economy. According to the Alaska Air Carriers Association, there are 304 commercial operators in Alaska with 47,000[16] people employed in Alaska aviation. The amount of airfreight per person in Alaska is 39 times higher than the US average, amounting to almost one ton per person per year.[17] Air cargo shipments of POA originating goods are also made year round to resource development projects such as Red Dog Mine, Donlin Creek Mine, the North Slope, etc.



According to Alaska Airlines Air Freight, a "substantial" amount of POA originating cargo is sent to the Southeast Alaska communities of Cordova, Juneau, Wrangell, Petersburg, Sitka and Ketchikan. Once the cargo is delivered to these hub communities, smaller air carriers further distribute this Anchorage originating cargo to more remote villages in Southeast.[18]

Bypass Mail

Bypass mail plays a crucial role in delivering consumer goods to Western and Northern Alaska. Cargoes originating from the Port of Anchorage are delivered by truck or rail to the primary air cargo hubs of Anchorage, Fairbanks and Deadhorse. From there this cargo is flown either to the regional hubs of Bethel, Nome, Kotzebue, Dillingham, and Barrow, or flown directly to the villages. The U.S. Postal Service reports that these shipments total almost 100 million pounds per year, with 1.5 million pounds of bypass mail being shipped from Anchorage and 750,000 lbs shipped from Fairbanks every

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[15] Northern Economics, *Port of Anchorage Consolidation & Distribution Study,* 2006.
[16] Alaska Department of Transportation & Public Facilities Commissioned Study, *The Economic Contribution of the Aviation Industry to Alaska's Economy,* 2008.
[17] Alaska Air Carriers Association, *Alaska Aviation Facts*, 2009.
[18] Specific cargo amounts and percentages are not available since one carrier, Alaska Airlines, flies almost all of this cargo and to publish it would reveal proprietary information.

week.[19] An additional 10 percent of cargo is flown at the full tariff air freight rate. Standard US Mail shipped through the Port of Anchorage is also delivered by air to rural Alaska.

Bypass mail provides a lower cost to consumers since air cargo is charged at "postage stamp rates" which means that cargo moves at $0.38 per pound regardless of which community it is shipped to, similar to the way a letter is charged the same rate regardless of where you are sending it. To send that same freight from Anchorage to Bethel via air freight or at standard postal rates for instance, would cost nearly twice that much. To send it to the outlying villages could cost up to 6 times that amount. The USPS pays for the difference in those prices which amounts to a "subsidy" of over $100 million per year.[20]

Bypass mail is organized into two categories:

1. Service to hubs; in planes fully loaded with cargo, or by combi service (a Boeing 737 configured for half freight in totes and half passengers) as offered by Alaska Airlines. These hubs are a legacy of the old postal hub communities. The number of providers is limited to those carriers who have provided this service in the past and have the capacity for hauling a minimum of 7,500 pounds.

2. Service to villages: Cargo is flown in conjunction with passenger flights on smaller aircraft that have at least 20 percent of the passenger market in those communities. In many cases the revenues from bypass mail are what keep these airlines serving these communities.



There is discussion within USPS of moving these hubs to communities that they estimate would be more efficient locations for them. However, this would require significant state expenditures to upgrade these airports, while current hubs have seen substantial improvements in their capabilities. Airports like Bethel, the second busiest airport in Alaska, are considering moving to a 24/7 schedule to accommodate all of their nighttime traffic in a safe and efficient way.[21] Any reductions in bypass mail service would impose a significant burden on people living in the villages who are already struggling to make ends meet due to the high cost of goods and energy.

[19] Phone Interview, USPS, October 2010.
[20] Personal Interview, Alaska Commercial Company, October, 2010.
[21] Personal Interview, Airport Manager, Bethel Airport, November, 2010.

TIER IV: CARGO TRANSHIPPED VIA WATER TO RURAL ALASKA

A significant amount of Western Alaska bound cargo is shipped by container vessel to Anchorage and then loaded to barges destined for Western Alaska. One of the barge operators serving western Alaska estimates that 25 percent of their cargo is transshipped via the Port of Anchorage. The remaining 75 percent of barge cargo is sourced directly out of Seattle.[22]

Horizon Lines has direct container service to Kodiak and Dutch Harbor/Unalaska. These ships carry cargo from the Port of Tacoma, discharge most of their cargo in Anchorage, take on additional cargo for Kodiak and Dutch Harbor and then return to Tacoma after making those port calls. They take Asian destination frozen fish from Southcentral and Kodiak to Dutch Harbor where it is loaded onto container ships headed for foreign destinations. Frozen fish from Kodiak and Dutch Harbor are backhauled to Tacoma for distribution to domestic markets.

Several consolidators and large scale retailers, such as Alaska Commercial, repackage cargo from the Port of Anchorage and then reload these containers on the Horizon vessels or Northland barges headed for Kodiak, Dutch Harbor and Western Alaska ports.

Fuel to Rural Alaska

Annually, 1.7 million barrels of refined petroleum product are shipped out of the Port of Anchorage to rural Alaska via barge[23].

Cargo Backhaul to the Port of Tacoma

On average, about 2 out of 10 containers is loaded with cargo for container ship return voyages to the Port of Tacoma. This cargo is comprised of: recycled items, frozen fish, household goods and vehicles for people moving out of Alaska, automobile and truck trade-ins, and rental car fleet inventories being returned to the West Coast.[24] As an example of how backhauled goods can have a strong impact on shipping rates, it is estimated that the backhaul of fisheries products alone can help reduce the cost of shipping goods to Alaska.[25]

COMMODITY DETAILS AND PORT EFFICIENCY ISSUES



"As Is" LO/LO and RO/RO Container Service

The current container service operated by Horizon Lines and TOTE is highly efficient. Four vessels a week supply around 90 percent of the

[22] Phone Interview, Northland Services, December, 2010.
[23] Port of Anchorage, 2009 Annual Tonnage Report
[24] Personal Interview, Horizon Lines, Totem Ocean Trailer Express, November, 2010.
[25] Personal Interview, Lynden Inc. 2010

merchandise goods and business supplies to Alaskans living west of Cordova. It is so efficient, particularly when combined with the capability for just-in-time delivery, that many retail outlets have drastically reduced, or even eliminated, their need for warehousing services. Coupled with bar code inventory systems, the products in many containers are taken from the vans and put directly on store shelves. These efficiencies allow retailers to offer a wide range of food and other commodities at a price that is little different from those in Seattle.

"To Be" LO/LO and RO/RO Container Service

When completed, the modernized Port of Anchorage will contribute to even greater efficiencies. The draft (depth) at the current dock is -35 feet, restricting the size of vessels that can call on the Port, while the three LO/LO container cranes on the current dock only have a nine container reach. A modern container ship is 16 containers wide and requires a deeper draft and larger cranes at port facilities.

The design of the new facility will provide seven berths of nearly 1,000 feet each that are capable of supporting either RO/RO or LO/LO operations, 49 feet of draft, and placement of the dock face farther out into the channel where it will be self-scouring. New container cranes will be able to reach across PANAMAX container ships, now the industry standard. These upgrades will improve the efficiency of container, commodity, RO/RO and automobile operations. Additional staging areas immediately behind the LO/LO and RO/RO operations will improve efficiencies there while construction of a railroad intermodal loading facility at the back of the port will make transfer operations to flat cars more efficient and reduce the need for drayage operations.



"As Is" Fuel Details

Fuel deliveries have been steadily increasing at the Port of Anchorage. The startup of the ultra-low sulfur diesel towers at the Petrostar facility in Valdez will further increase these deliveries to the POA. Currently about 7.7 million barrels of fuel are delivered to the Anchorage area by rail car annually.[26] An additional 4.5 million barrels come across the Port's dock.[27] ASIG operates the tank farm and valve manifolds that facilitate deliveries of jet fuel to the Ted Stevens Anchorage International Airport by pipeline.[28]

The tank farm at the airport is a subzone of the Foreign Trade Zone at the Port of Anchorage. Since most of this fuel is burned out of the US, there is a significant tax advantage to imported fuel. The crude oil refined at the Tesoro refinery in Nikiski is

[26] Port of Anchorage, Annual Tonnage Report 2010
[27] Port of Anchorage, *Annual Dock Tonnage 2001 – 2010*
[28] Personal Interviews, Petrostar Refinery, Alaska Rail Road Corporation, ASIG, October, 2010.

sourced out of Russia and UK. They also import substantial quantities of refined jet fuel from Korea.[29]

Currently, all general aviation gas (avgas) for Alaska comes through the Port of Anchorage which typically receives four or five tanker deliveries per year and are stored at the Port's tank farms. It is then distributed to Fairbanks, Mat-Su, and the North Slope by truck, and to Western and Southeast Alaska by barge. The Southeast Alaska trade in avgas is facilitated by favorable prices in Anchorage. If Southeast communities were to rely on direct tug and barge deliveries of avgas, these barges would have to travel as far as San Francisco to get avgas from the West Coast. Instead, they are serviced by tugs and fuel barges that are demobilizing from their Western Alaska trades and returning south in the fall. These tugs and barges make this return trip profitable by loading avgas at the POA and making deliveries to Southeast Alaska as they continue their return voyage.[30]

"To Be" Fuel Infrastructure Benefits

Fuel operations are also constrained by the current, limited draft at the Port of Anchorage. Larger petroleum product carriers, given the ability to make larger bulk deliveries, can potentially reduce the overall cost of fuel to consumers. Petroleum operators at the Port who supply fuel to Ted Stevens Anchorage International Airport have indicated the need for increased storage tanks to ensure deliveries of adequate volumes to cover peak periods of demand at the airport. Two dedicated POL berths with new environmentally friendly and state-of-the-art offload headers at the future petroleum docks provide opportunities for new storage capability and the ability to handle a wider variety of refined petroleum products. The newly added acreage behind the POL berths could be a siting source for additional tankage.

"As Is" Cement Offload and Storage Infrastructure



Cement is used in almost every construction project in the state, large and small. The Port of Anchorage is one of the only facilities in Alaska with bulk offloading capacity for cement ships. The ships arrive with dry cement carried in segregated hold compartments and are offloaded via a vacuum and pump system. The cement is transferred through a pipeline to storage tanks on railroad property. Trucks are used to transport the cement from the storage tanks to its final destination. Due to the limited draft at the port, the current bulk cement carrier can only load and receive 24,000 tons at a time despite the vessel's capacity of 40,000 tons.

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[29] Ostherimer, David. *Annual Report For Foreign-Trade Zone No. 160; October 1, 2008-September 30, 2009*

[30] Personal and Phone Interviews, Tesoro Alaska, September, 2010. PetroMarine, Delta Western Fuels, December, 2010.

"To Be" Cement Offload and Storage Infrastructure

Completion of the south replacement and extension phase of the intermodal expansion project will provide both a deeper depth of -45ft and new acreage for the construction of additional cement storage tanks. This could create a cost savings benefit to the shipper as they would be able to double their capacity, transporting 40,000 tons at a time while experiencing the same operational and crew cost with only a modest increase in fuel. The operators of the bulk cement facility at the Port have indicated that if they could utilize these efficiencies, they would construct additional cement silos at the Port on the newly added backlands created by the Port expansion. This would eliminate their current need to truck cement across town to a different storage facility.[31]

"As Is" Military Support

The Port of Anchorage currently serves all five military bases in Alaska through fuel, supplies, vehicles and deployments. In a 2009 letter to the U.S. Secretary of Transportation Ray LaHood, U.S. Senator Daniel Inouye (HI) wrote:

> For example, the Port of Anchorage is vital to our national defense. The Expansion project that is underway will provide further economic opportunities and further strengthen the military and diplomatic mission of the United States. The Port of Anchorage is one of only 19 ports designated by the Department of Defense as a Strategic Port. There are five military bases strategically located in Alaska (Elmendorf AFB, Ft. Richardson, Eielson AFB, Ft. Waignright, and Ft. Greely), and the Port is essential in serving the thousands of Army and Air Force personnel, that call Alaska home. Alaska is playing a larger role in the training of military personnel with more than 2 million acres of training grounds, where troops can train with close air support in live fire exercises. Without the Port of Anchorage, these key military bases would be out of business. (April 28, 2009)

As part of its designation as a Strategic Seaport, the Port of Anchorage must be able to provide enough dock space and acreage to support a military deployment within 72 hours notice. Currently, the Port has successfully demonstrated the ability to provide one 1,000-foot berth without ceasing normal commercial dock operations, and 25 acres of non-contiguous/non-adjacent staging, however this does not meet the military's stated needs.



"To Be" Military Support

The U.S. Transportation Command's Surface Deployment and Distribution Command, through the U.S. Maritime Administration, has indicated a new need for the Port to be able to provide 2,000 feet of berthing space with an adjacent 25 acres of staging area in support of a more expedited major unit deployment[32]. Upon completion of the expansion project, two

[31] Personal Interview, Alaska Basic Industries, October, 2010.
[32] US Department of Administration, Maritime Administration, *Port Planning Order*. (August 31, 2010)

1,000-foot berths and 25 acres of adjacent contiguous staging area can easily be provided with room for growth if needed. This future footprint further provides an easily secured and monitored area decreasing security costs for military users.

The gravel fill for the expansion project, 11 million cubic yards, will all be mined on Elmendorf Air Force Base and transported down a haul road to the Port. This arrangement has proved mutually beneficial to both parties. The Port benefits because the short transit distance generates a large cost savings for the project while the Air Force benefits as hills are removed at the end of the north-south runway creating land that can be developed and used as needed. Once the project is complete, the road that is currently used to transport gravel will be used for deployment, providing the military with direct access to a secured facility and avoiding the associated congestion on public roadways.

Interruption of Service

The efficiencies of the Port have significant advantages, but only so long as port operations remain uninterrupted. During the course of our surveys, businesses were asked how quickly their operations would be affected if operations at the Port were disrupted. Most businesses said they would feel the consequences within a week, two weeks at most. Beyond that time period, they indicated that the interruption would develop into a full blown crisis[33]. This highlights the seriousness of concerns about the stability of the current deteriorated Port structure in the event of a major earthquake.

Once completed the expanded facilities would significantly decrease this risk. The facilities are designed to withstand normal to moderate earthquakes with little to no damage. Given the past seismic history of the region, the design includes two berths designated as "essential facilities." These berths feature increased structural reinforcements and are designed to remain operational following a maximum level earthquake of equal or greater magnitude than the 1964 earthquake.

Manufacturing and Increased Backhaul Opportunities



The Port's newly added acreage can provide much needed industrial space for the manufacture of modules for the North Slope or for the construction of the Alaska gas pipeline. Potential developers of the gas line have already visited the Port to explore these opportunities. A recent report by Anchorage Economic Development Corporation (AEDC) indicates that industrial development lands in Anchorage that are suited for development are limited and dispersed.[34] The new uplands at the Port can help provide space for industrial development and staging.

[33] See list of retail businesses interviewed in reference section

[34] Anchorage Economic Development Corporation, *Industrial Land Needs – The Outlook for Anchorage 2010-2030*. (2009)

Nearly 90 percent of the backhauled containers from the POA are empty. This is a potential area for increased economic activity that would have an additional benefit of reducing the cost of shipping. Although this has yet to be realized, value added processing of natural gas liquids from an Alaskan gas line could provide manufactured products for export. For example, ethylene processed into polyethylene beads, and butane processed into butyl rubber cants is the feedstock for plastic products such as automobile tires.[35]

POTENTIAL COST INCREASE DRIVERS

As previously mentioned, the efficiency of the existing distribution system is quite impressive. So much so that there is a large portion of the state's population that gives no real thought as to how things get on the store shelves. It is the efficiency of this transportation system that has contributed significantly to the ability to stabilize consumer prices for Alaskans. That being said, the balance is delicate. Here are a few potential sources of cost increases that, if realized, could easily upset that balance.

EPA Emissions Control Area

The requirements of this mandate, which are slated to take effect in 2015, would force Alaska-bound ship operators to use ultra-low sulfur diesel fuel in and near the Alaska coast. This fuel is much more expensive and safety concerns have been raised related to the low lubricating characteristics of this fuel. Once in effect, this could dramatically increase the cost of providing service to Alaska.[36]

Changes in Bypass Mail System

Reductions in the bypass mail system would have devastating effects on rural Alaska resulting in increased air shipping costs to rural villages by up to 500 percent. The recent proposal by U.S. Senator John McCain to eliminate the Essential Air Service program could increase the cost of air transportation including the transportation of consumer goods and other items to rural areas.

Proposed Container Tax

The states of Washington and California have both proposed container taxes to provide funds for transportation projects in their states. Alaska would be particularly and unfairly burdened with these fees since the bulk of our cargo arrives by container. The State of Alaska and the Alaska transportation industry rose up to vigorously oppose these measures and they were defeated. However, this issue may surface again and if adopted would significantly increase the cost of shipping goods to Alaska.

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[35] Chemical Manufacturers of America, Inc, *2010 Update: Cook Inlet Value Added Opportunity, for AEDA and ANGDA.*

[36] Personal Interviews, Horizon Lines, Totem Ocean Trailer Express, November, 2010.

Port Expansion Financing Plan

The Port of Anchorage secures funds for its intermodal expansion project from the federal government, the State of Alaska, and through contributions from its own annual profits. If the Port were required to bond completely for this project, to make the required payments towards those bonds would require substantial increases in port surcharge fees, from 3 to 8 times higher than current rates[37]. This would increase the cost of every single item, bulk or containerized, that passes through the POA. State and federal grants for the project negate the need to consider this option.

CONCLUSION

A modern, safe, survivable Port of Anchorage is critical to the lives of Alaskans. It is an economic driver that provides the needed commodities and business supplies Alaskans use in their everyday lives. It provides essential supplies to Alaska's construction and resource development industries and delivers the cars we use to get around in. The Port also provides jobs for Alaskans both through its direct operations and through the extensive web of transporters and facilitators that ultimately deliver the goods to Alaskans. It truly is the Port of Alaska.

[37] Based on tax-exempt bonding for capital costs of $300 to $750 million.

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Johnson, Joan E., Senior Account Manager, *Pacific Alaska Freight.* (personal communication 2010)

Johnson, Murray, Director of Materials Management, *Banner Health-Fairbanks Memorial Hospital.* (personal communication 2010)

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Barrow
A & D Automotive & Jeep
Aamodt Construction Inc.
Arctic Coast Trading Post
Arctic Janitorial Service
Arctic Pizza
Astac Cellular
Barrow Quick Stop
Barrow Souvenirs & Gifts (Phillips Child Care)
Barrow Utilities & Electric (Bueci)
Boynton Office Systems
Borealis Glass Design
Browers Restaurant
Cornerstone community church
Ferreras Equipment, LLC.
Inupiat Cleaners/ Furshop/ Water service
King Eider Inn
Lucy's Fabric Shop
Napa Auto Parts (Eskimos Inc. Fuel and Parts)
North Slope Borough Vet Clinic
Northern Lights Restaurant
Osaka's Restaurant
Pepe's North of the Border
Sam & Lee's Restaurant
Top of the World Hotel

Mountain Village
Mt. Village Covenant Church

Saint Mary's
Mattys Truck Rental LLC.

Nome
Airport Pizza
Anchor Liquor
Arctic Trading Post
Aurora Inn
Breakers Bar
Builders Industrial Supply
Eds/Xerox Corp
Kawerak Inc.
Landons
Mai's Guest House
Mukluk Telephone Co.
N B Tweet & Sons
Nome Liquor Store
Nome Machine Works
Nome Outfitters Gun & Tackle
Outsiders Hardware
Our Saviors Lutheran Church
Quality Auto Parts
R J's Auto Repair
Rasmussen's Music Art
Rave'n Cuts
River of Life Assembly of God
Solid Green Bingo & Pull Tabs
Subway
Trails End
Veggo Alaska

Kotzebue
Arctic Chiropractic
Arctic Sun Pull Tabs/Kvfd
Baker Services
Baker Aviation Inc.
Custom Electronics
Empress Chinese Restaurant
First Baptist Church
Iva Baker
Thomas Bolen (Otter Enterprises)

Dillingham
Alaskan Espresso
B & B Bed & Breakfast
B & C Fiberglass Inc.
Beaver Creek Bed & Breakfast
Bristol Express
D & J Rentals
Dan's Raft & Camping Equipment
Dave Williams Aircraft Repair
Dillingham Liquor Store
Firewood Bed & Breakfast
Food Bank
JD B&B Reservations
Kae Williams Aircraft Repair
Kozy Kuspuk (Bush Outfitters)
Marx Merchandise
N & N Market Inc.
Nushagak Cab Co.
Osborn Tanks
Rae's Flower & Garden
Ram Auto & Equipment Repair
Sherry's Cuts & Curls
Southwest Salvage
Stelling Enterprises (Gas Stations)
Teddy's Convenient Store
U Pop em' Fireworks

Unalakleet
Essential Services (Plumbing & Heating)
Sleep Inn
Unalakleet City Clerk
Unalakleet Native Village-Housing

APPENDIX A:

List of over 250 Alaskan Communities served by the Port of Anchorage

Adak
Akiak
Akiachak
Akutan
Alakanuk
Allakaket
Ambler
Anaktuvuk Pass
Anchorage
Anchor Point
Anderson
Aniak
Anvik
Arctic Village
Atka
Atqasuk

Barrow
Beaver
Bethel
Bettles Field
Big Lake
Border
Boundary
Brevig Mission
Buckland
Butte

Candle
Cantwell
Central
Chalkyitsik
Chandalar
Chatanika
Chena Hot Springs
Chenega Bay
Chenik
Chevak
Chicken
Chikaloon
Chignik
Chiniak
Chitina
Chugiak
Circle
Circle Hot Springs
Clam Gulch
Clarks Point
Clear
Cold Bay
Coldfoot
Cooper Landing
Copper Center
Crooked Creek

Deadhorse
Deering
Deltana
Delta Junction
Diomede
Dillingham
Dot Lake
Dutch Harbor

Eagle
Eagle River
Eek
Egegik
Ekwok
Elim
Emmonak
English Bay
Eureka

Fairbanks
False Pass
Flat
Fort Glenn
Fort Greely
Fort Yukon
Fortuna Ledge
Fox

Gakona
Galena
Gambell
Girdwood
Glenallen
Golovin
Gordon
Grayling
Gulkana

Hamilton
Healy
Holy Cross
Homer
Hooper Bay
Hope
Houston
Hughes
Hulsia

Icy Bay
Iditarod
Iguigig
Ikatan
Iliamna
Indian
Ivanoff Bay

Kaktovik
Kaltag
Kanatak
Kanishna
Karluk
Kasigluk
Kasilof
Katalla
Kenai
Kenny Cove
Kiana
King Cove
King Salmon
Kipnuk
Kivalina
Kobuk
Kodiak
Kokhanok
Koliganek
Kongiganak
Kotlik
Kotzebue
Koyuk
Koyukuk
Kustatan
Kwethluk
Kwigillingok
Kwikpak

Lake Minchumina
Larsen Bay
Lavelock
Livengood
Long
Lower Kalskag

Manly Hot Springs
Manokotak
Marshall
McCarthy
McGrath
Medra
Mekoryuk
Mentasta
Minto
Moose Pass
Mountain Village

Nabesna
Naknek
Napakiak
Nelson Lagoon
Nenana
New Stuyahok
Newhalen
Newtok
Nightmute
Nikiski
Nikolai
Nikolski
Ninilchik
Noatak
Nome
Nondalton
Noorvik
Northway
North Pole
Noyes Island
Nuiqsut
Nulato
Nunapitchuk
Nyac

Old Harbor
Ophir
Ouzinkie

Palmer
Paxson
Pedro Bay
Perryville
Petersville
Pile Bay
Pilot Point
Pilot Station
Platinum
Point Hope
Point Lay
Poorman
Port Alice
Port Alsworth
Port Graham
Port Heiden
Port Moller
Portage Creek
Prudhoe Bay

Quinhagak

Russian Mission
Rampart
Red Devil
Ruby

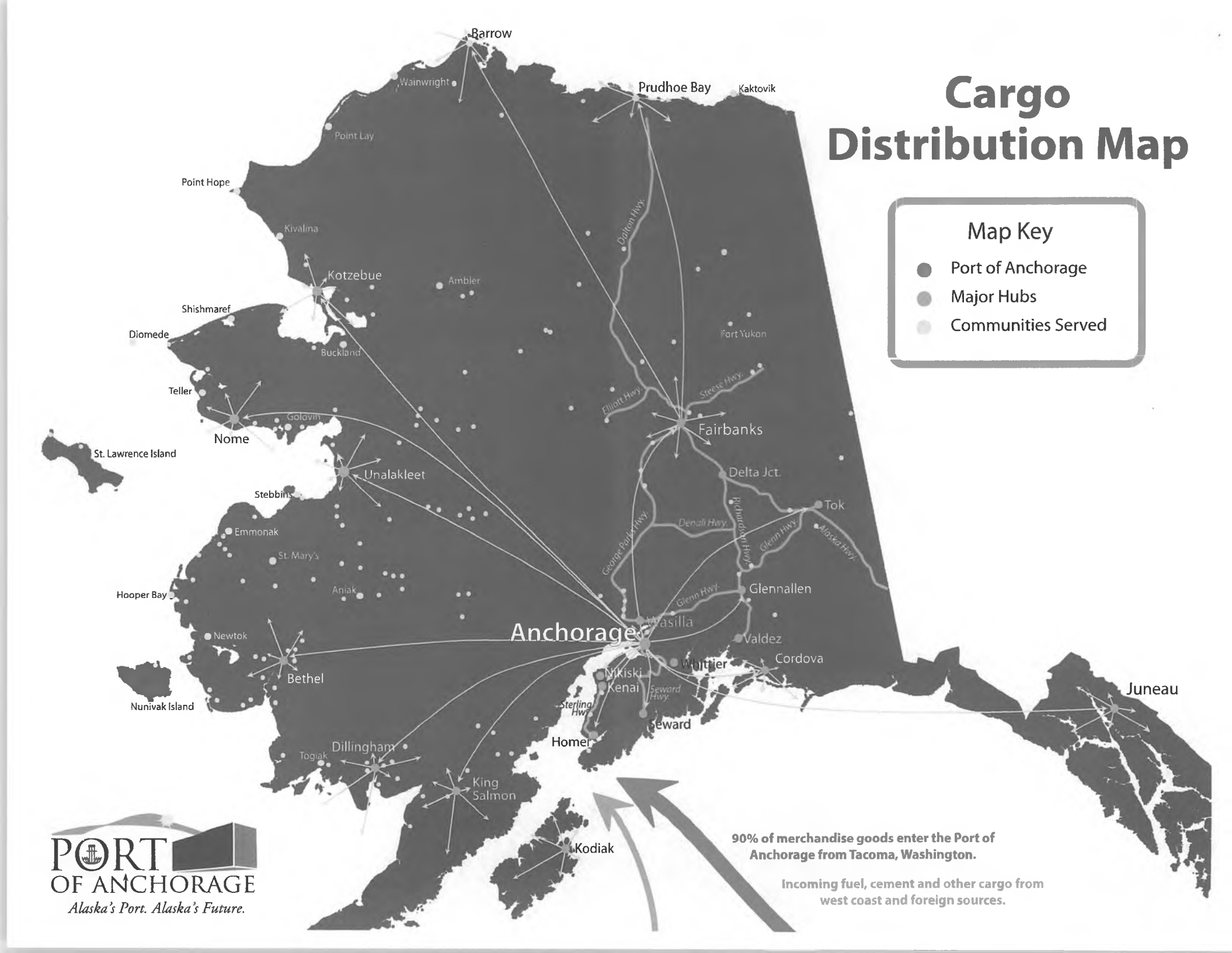
St. George Island
St. Marys
St. Michael
St. Paul Island
Salcha
Sand Point
Savoonga
Scammon Bay
Selawik
Seldovia
Seward
Shageluk
Shaktoolik
Sheldon Point
Shemya
Shishmaref
Shungnak
Skwentna
Slana
Slaterville
Sleetmute
Soldotna
South Naknek
Stebbins
Sterling
Stevens Village
Stony River
Sutton

Takotna
Talkeetna
Tanacross
Tanana
Tatitlek
Teller
Tetlin
Tofty
Togiak
Tok
Toklat
Toksook Bay
Tonsina
Trapper Creek
Tuluksak
Tuntutuliak
Tununak
Twin Hills
Tyonek

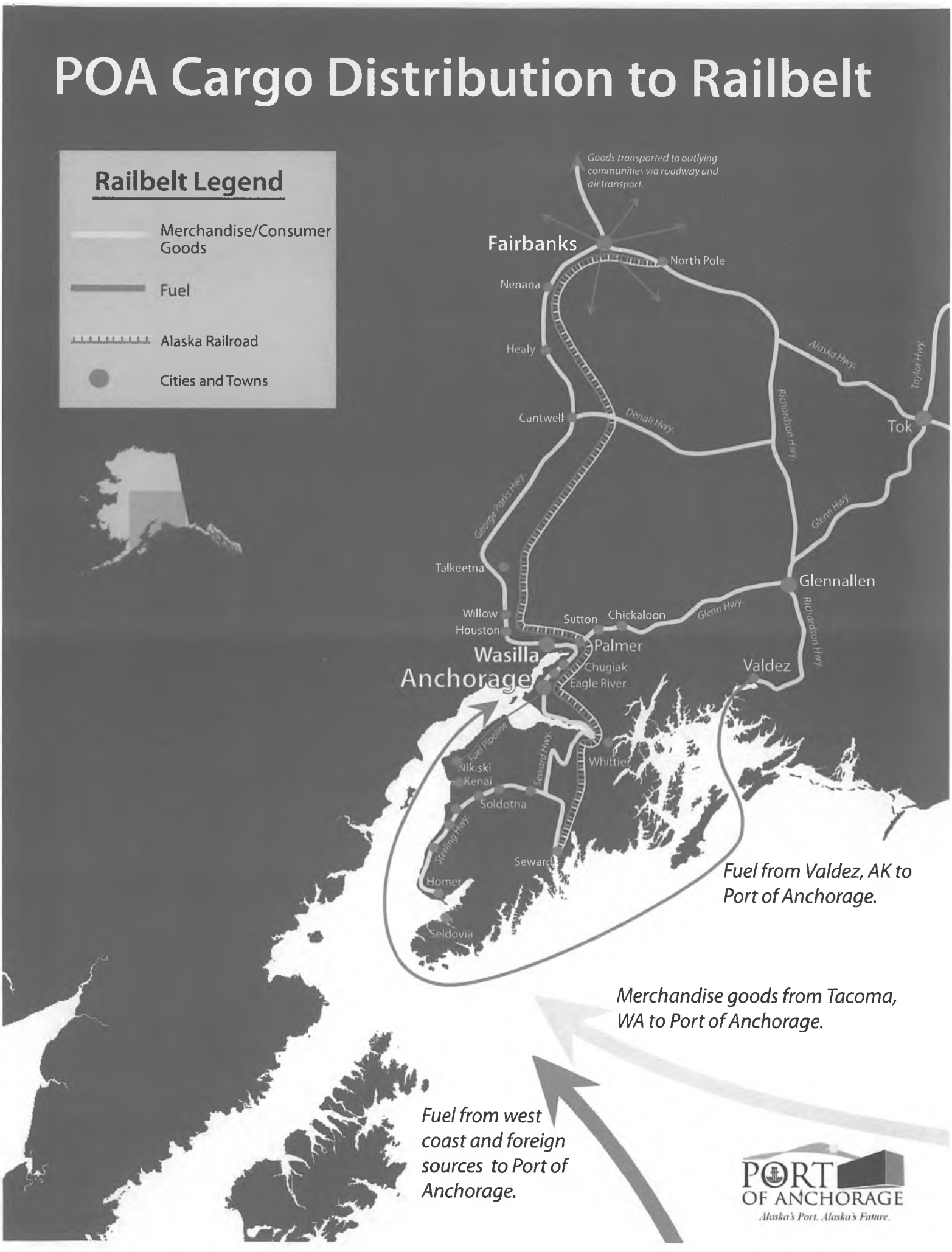
Uganik
Umiat
Unalakleet
Unalaska
Unimak
Upper Kalskag

Valdez
Venetie

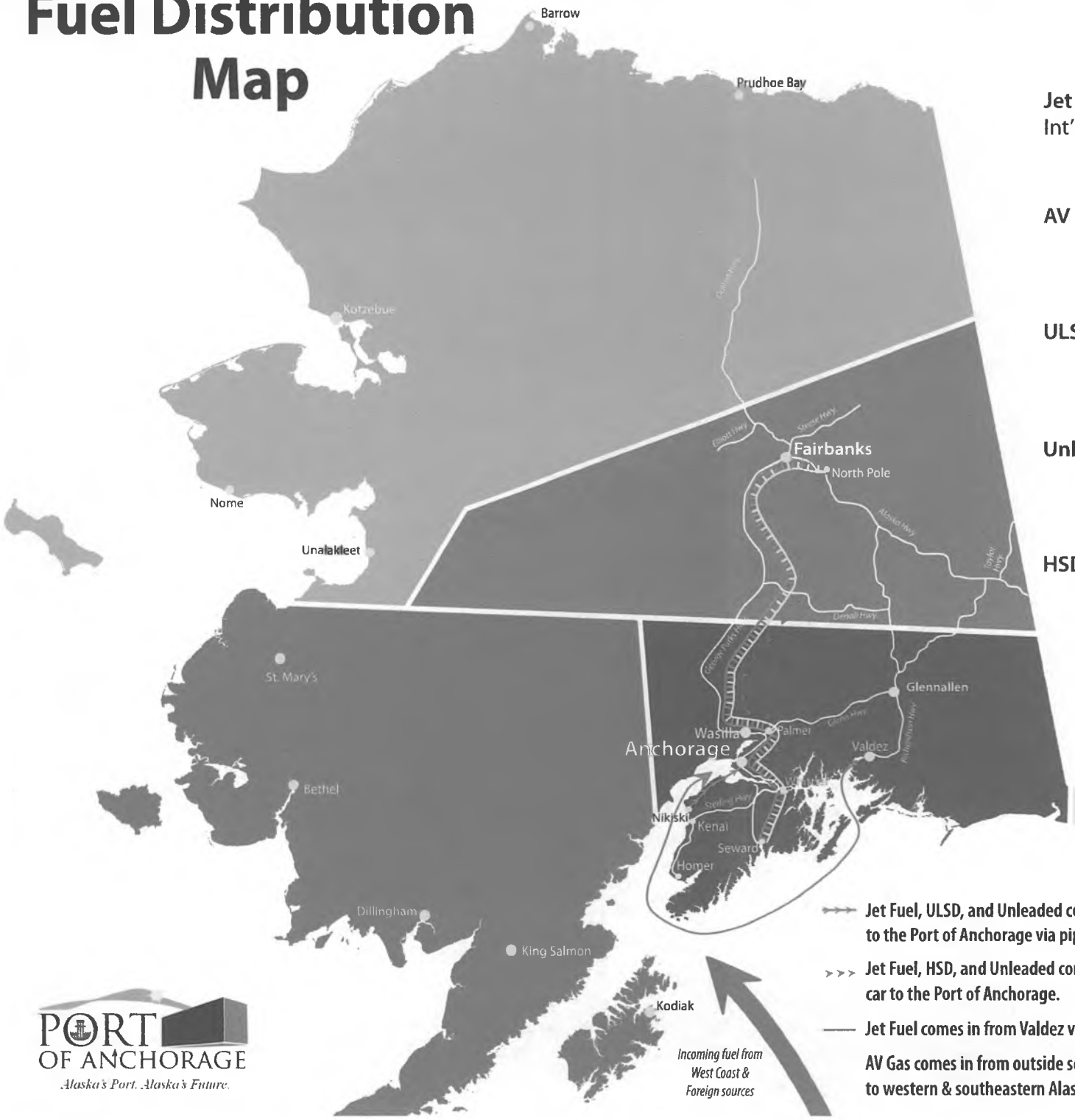
Wainwright
Wales
Wasilla
White Mountain
Whittier
Willow


Cargo Distribution Map
Map Key
Port of Anchorage
Major Hubs
Communities Served
Barrow
Wainwright
Prudhoe Bay
Kaktovik
Point Lay
Point Hope
Kivalina
Kotzebue
Ambler
Shishmaref
Diomede
Buckland
Teller
Golovin
Nome
St. Lawrence Island
Unalakleet
Stebbins
Emmonak
St. Mary's
Hooper Bay
Aniak
Newtok
Bethel
Nunivak Island
Dillingham
Togiak
King Salmon
Kodiak
Anchorage
Wasilla
Homer
Seward
Kenai
Nikiski
Whittier
Valdez
Cordova
Juneau
Fairbanks
Fort Yukon
Delta Jct.
Tok
Glennallen
Dalton Hwy.
Elliott Hwy.
Steese Hwy.
George Parks Hwy.
Denali Hwy.
Richardson Hwy.
Glenn Hwy.
Alaska Hwy.
Seward Hwy.
Sterling Hwy.
PORT OF ANCHORAGE
Alaska's Port. Alaska's Future.
90% of merchandise goods enter the Port of Anchorage from Tacoma, Washington.
Incoming fuel, cement and other cargo from west coast and foreign sources.

POA Cargo Distribution to Railbelt



Fuel Distribution Map



Fuel Distributed from Port of Anchorage

Jet Fuel: used at the Ted Stevens Anchorage Int'l Airport and in small part in rural Alaska.

AK Regions using fuel:

AV Gas: 100% used state wide comes through Port.

AK Regions using fuel:

ULSD (Diesel): used in the Railbelt and rural Alaska.

AK Regions using fuel:

Unleaded (Gasoline): used in the Railbelt and rural Alaska.

AK Regions using fuel:

HSD (Heating Oil): Used in the railbelt and rural Alaska.

AK Regions using fuel:

Jet Fuel, ULSD, and Unleaded comes in from Nikiski to the Port of Anchorage via pipeline & barge.

Jet Fuel, HSD, and Unleaded comes in from North Pole by rail car to the Port of Anchorage.

Jet Fuel comes in from Valdez via barge to the Port of Anchorage.

AV Gas comes in from outside sources and is distributed by fuel barges to western & southeastern Alaska.

PORT OF ANCHORAGE
Alaska's Port. Alaska's Future.

MUNICIPALITY OF ANCHORAGE

Office of the Mayor

Phone: 907-343-7100
FAX: 907-343-7180

Mayor Dan Sullivan

October 24, 2011

Honorable Gary Stevens
Senate President
Alaska State Legislature
State Capitol Room 111
Juneau, AK 99801

Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol Room 208
Juneau, AK 99801

To Senate President Stevens and House Speaker Chenault:

Included with this letter is the quarterly report for the third quarter of 2011 from the Municipality of Anchorage regarding the Port of Anchorage Intermodal Expansion Project (PIEP) submitted in accordance with the reporting requirement pursuant to Section 1, Chapter 5 FSSLA 2011 (pg. 20, line 16-18). This section requires the Municipality of Anchorage to submit quarterly progress reports detailing cost overruns and significant project scope changes.

This report addresses both of those requirements while explaining some of the major changes underway with the project. Additional information is available on www.muni.org/departments/port or by request. Please do not hesitate to contact me if you require any further assistance. For more information, or to schedule a tour of the Port of Anchorage please contact Port Director Bill Sheffield at (907) 343-6200.

Sincerely,

Dan Sullivan
Mayor

INTRODUCTION

The Port of Anchorage is Alaska's Lifeline. It supports bi-weekly shipments of goods transported on container ships from the Port of Tacoma to the Port of Anchorage. These goods account for an estimated 90% of the merchandise goods used in 85% of Alaska's populated areas. In addition to merchandise cargo, the Port is a major fuel hub providing critical supplies of jet fuel, gasoline, heating oil, diesel and aviation gas to communities throughout the state. It also serves as a source of concrete and other building materials.

The Port is celebrating its 50th anniversary this year, and although the facilities remain operational, the dock has surpassed its life expectancy and is in a deteriorated condition. In 2003, the Port of Anchorage and the Municipality of Anchorage along with the U.S. DOT Maritime Administration (MARAD) undertook the Port of Anchorage Intermodal Expansion Project in an effort to replace and expand the existing facility to provide modern, efficient and reliable marine infrastructure for Alaskans. The project is currently focused on construction of facilities to the north of the existing dock (Phase 1), scheduled for completion in 2019[1]. For a detailed history of the project please refer to the July 2011 PIEP Quarterly Report.

Since July 2011, construction work has continued while project partners have been focusing on initiating long-term changes resulting in increased protection, improved project management structure, enhanced oversight, and an independent review of the work done to date.

Several major developments have occurred over the past few months, each of which are further discussed in the document:

- The Municipality of Anchorage recently concluded negotiations for a new Memorandum of Agreement with the U.S. Department of Transportation Maritime Administration (MARAD). This further clarifies the roles and responsibilities of each entity through May, 2012, at which time all contracting and construction management will be the responsibility of the POA, the Municipality, or their designee.
- The Port of Anchorage (POA), the Municipality and MARAD have engaged the U.S. Army Corps of Engineers to conduct an independent design review and an analysis of the project work to date.
- The U.S. DOT Office of the Inspector General is conducting an audit of MARAD and its contracting and procurement methods in its port development program using the Port of Anchorage Intermodal Expansion Project as a case study.
- The Municipality of Anchorage filed a lawsuit against the Federal Highways Administration's Record of Decision for the Knik Arm Crossing because its access route into Anchorage would traverse port property and negatively affect Port operations in a specific area. A settlement agreement is being finalized and the lawsuit will be withdrawn.
- MARAD has engaged AECOM to conduct a "root cause" analysis of work performed prior to 2010 to facilitate resolution of claims.

[1] Appendix A: Port of Anchorage Intermodal Expansion Project Phasing Plan

MEMORANDUM OF AGREEMENT

In 2003, the Municipality of Anchorage signed a Memorandum of Agreement with MARAD to develop the Port of Anchorage Intermodal Expansion Project. As the project progressed, it became clear that the original agreement did not sufficiently address or define each entities' roles and responsibilities. All parties recognized the need for a more extensive, detailed, and updated document which is reflected in the agreement approved by the Anchorage Assembly on Tuesday, September 27, 2011.

The most significant item in this document is the transfer of construction and contract management responsibilities from MARAD to the POA, the Municipality of Anchorage (MOA), or another agent designated by the Municipality by May 31, 2012. MARAD has been responsible for these items in the past and this represents a new direction for the project. This document also permits the potential for subsequent agreements to be negotiated between MARAD, the Municipality, and the U.S. Army Corps of Engineers to serve as the design and construction agent for the project.

The U.S. Army Corps of Engineers has increased its involvement in the project and is conducting an independent suitability study and an in-progress review that evaluates the work completed to date. The contract for the suitability study was let to CH2MHill in late September with a target completion date of March 31, 2012.

The agreement also formalizes the Project Oversight and Management Organization (POMO) team, which has been in place since January, 2011. The POMO consists of high-level representatives from the MOA, POA, MARAD and Port who meet weekly, or as needed, to act as a leadership body determining policies, vision, strategic objectives and priorities for the expansion project. The POMO is supported by the technical advisory committee consisting of project managers and engineers from the POA, MOA, MARAD, and Project Contractors (Integrated Concepts and Research Inc., PND Inc. etc.). The technical advisory committee provides recommendations to the POMO and keeps them informed of construction progress and developments.

Some additional items in the agreement are designed to emphasize effective project planning. This includes a project master plan requirement and an annual project management and financial planning requirement. In order to increase day-to-day communication and coordination between the project partners, MARAD is required to provide a full-time, on-site representative.

This new Memorandum of Agreement represents the initial formal step in making significant changes and improvements to the existing management structure of the expansion project.

MARAD PORT PROGRAM AUDIT

In May 2011, the U.S. DOT Office of the Inspector General (OIG) announced that it had initiated an audit focusing on MARADS's coordination and oversight of port

infrastructure projects using the Port of Anchorage Intermodal Expansion Project as a case study. The audit has two objectives, "to evaluate MARAD's oversight and risk management of port development projects and to evaluate MARAD's oversight of port infrastructure projects' contract awards and administration[2]."

Under the current project management structure, MARAD has contracting and procurement responsibilities and acts as a central procurement agency with all funds, federal, state and local, being sent to MARAD for administration. Officials from the OIG visited Alaska this fall in order to meet with, and interview, entities involved in the project including Port and Municipal officials. The OIG has authority of the audit and no release date has been announced yet.

FHWA RECORD OF DECSION LAWSUIT

On July 5, 2011, the Municipality of Anchorage filed a lawsuit against the Federal Highways Administration (FHWA) stating that the Record of Decision (ROD) issued to the Knik Arm Bridge and Toll Authority did not adequately consider its affect on the expanding Port of Anchorage. The proposed route would have negatively impacted the port by eliminating operational use of the newly constructed dry barge berth. The lawsuit was not intended to stop or impede bridge development, but was initiated in order to protect port and municipal assets. A settlement agreement is being finalized.

2011 CONSTRUCTION STATUS

Work for the 2011 construction season included dismantling a section of damaged sheet pile in the wet barge berth area and completing tail wall inspections in the ship berthing areas in order to establish the integrity of the current structure. The projected budget for project related work including construction, design and support services is $37.4 million.

The construction contractor, West Construction, successfully completed removal of a section of sheet pile in the damaged wet barge berth. Tail wall inspections were completed in a portion of the North Extension 1 ship berth area and no damage was found in the areas inspected. Ongoing work involves backfilling inspected areas and re-establishing the site. The construction work for this season is on schedule and within budget.

Table 2: Funding Snapshot as of October 11, 2011

Total funds received	$332 million
Total funds transferred to MARAD	$302 million
Total funds obligated	$287 million
Total Funds Pending obligation	$14 million

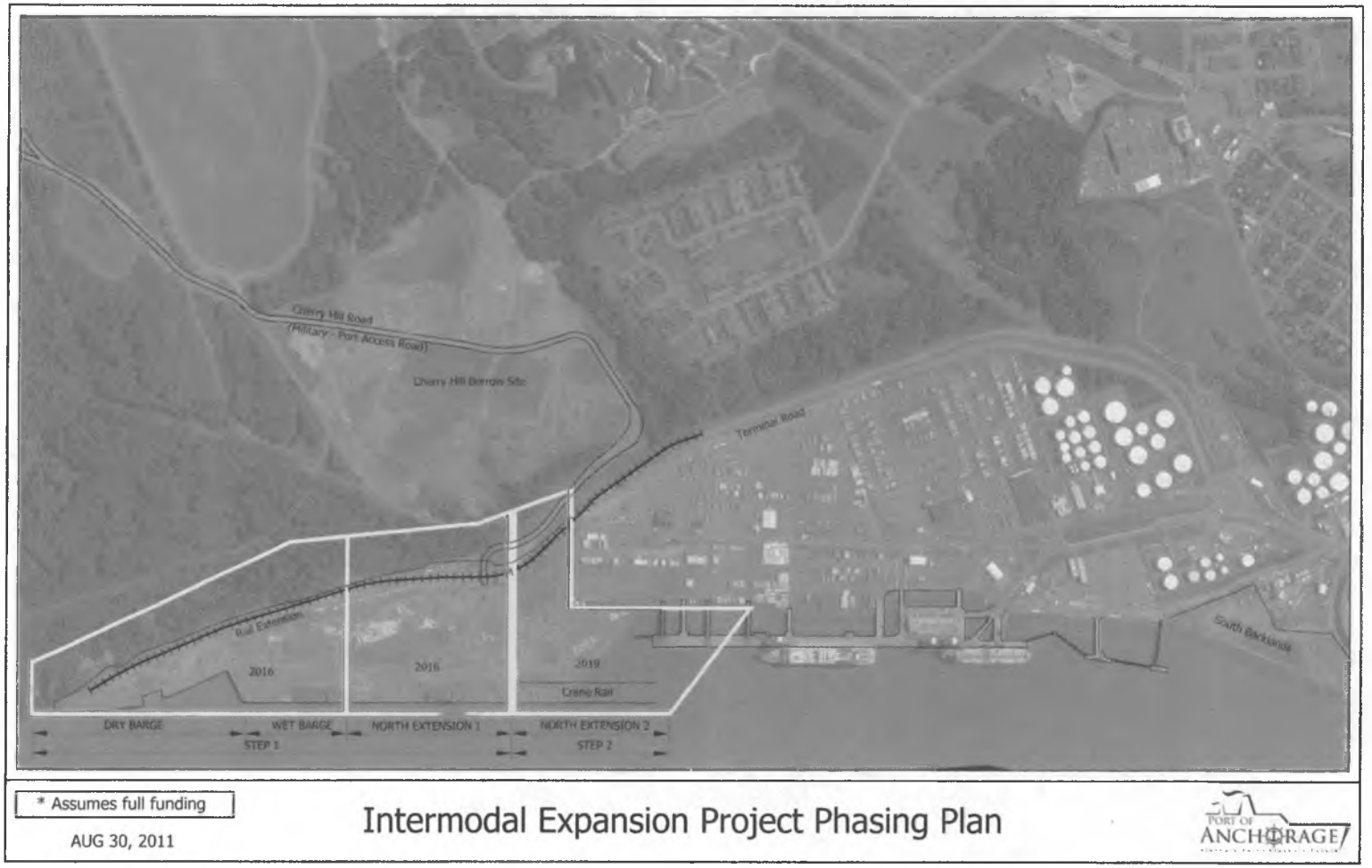
For a summary of the Expansion Project's funding to date please see Appendix B.

[2] May 9, 2011 Memo from the U.S. DOT OIG to the Maritime Administrator

CONCLUSION

The past few months have produced significant changes to the project, best illustrated in the new Memorandum of Agreement. These changes are both necessary and substantial. This document creates a structure under which the project can transition from its previous form of contract management and oversight to a new team, one experienced in delivering marine infrastructure projects. As the transition process develops, our goal is that it will result in improved project delivery, cost effective design, and financial protection that will assure all parties involved that their investments are well managed and protected.

APPENDIX A: Port of Anchorage Intermodal Expansion Project Phasing Plan (highlighted area indicates Phase 1)



APPENDIX B: FUNDING SUMMARY

Of the $332 million received, $302 million have been transferred to MARAD. Currently all federal funds appropriated to the PIEP are transferred directly to MARAD, however state and port funds are transferred to the project as needed so the remaining balance of funds in MARAD's account is not necessarily an accurate indicator of the state and port funds available at any given time.

Table 2: Funding Snapshot as of October 11, 2011

Total funds received	$332 million
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Total funds obligated	$287 million
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Table 3: State funds received to date

Year	Amount	Legislation
2002	$5,853,658	SB 29
2004	$436,505	SB 283
2005	$10,000,000	SB 46
2006	$10,000,000	SB 231
2008	$25,000,000	SB 221
2009	$20,000,000	SB 75
2010	$20,000,000	SB 230
2011	$30,000,000	SB 46
Total	121,290,163	

Table 4: Federal funds received to date

Year	DoD	FHWA	FTA	SDDC
2002	-	$9,568,421	$2,832,968	
2003	$4,850,000	$590,500	$2,862,505	
2004	$4,850,000	$1,371,058	$5,181,803	
2005	$12,003,750	$4,729,584	-	
2006	$8,245,000	$5,349,258	$5,577,500	
2007	$9,700,000	$6,030,856	$5,820,000	$1,951
2008	$10,804,618	$6,052,337	$6,305,000	
2009	$10,000,000	$8,929,635	$6,547,500	
2010	-	-	$472,390	
2011	-	-	-	
Total	$60,453,368	$42,621,649	$35,599,666	$1,951
Total Funds	$138,676,634			

MUNICIPALITY OF ANCHORAGE

Office of the Mayor

Phone: 907-343-7100
FAX: 907-343-7180

Mayor Dan Sullivan

January 13, 2012

Honorable Gary Stevens
Senate President
Alaska State Legislature
State Capitol Room 111
Juneau, AK 99801

Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol Room 208
Juneau, AK 99801

To Senate President Stevens and House Speaker Chenault:

Included with this letter is the quarterly report for the fourth quarter of 2011 from the Municipality of Anchorage regarding the Port of Anchorage Intermodal Expansion Project (PIEP) submitted in accordance with the reporting requirement pursuant to Section 1, Chapter 5 FSSLA 2011 (pg. 20, line 16-18). This section requires the Municipality of Anchorage to submit quarterly progress reports detailing cost overruns and significant project scope changes.

This report addresses both of those requirements while explaining some of the major changes underway with the project. Additional information is available on www.portofalaska.com or by request. Please do not hesitate to contact me if you require any further assistance.

Sincerely,

Dan Sullivan
Mayor

INTRODUCTION

The Port of Anchorage (POA) is Alaska's Port and serves as a critical lifeline to the state. The Port supports twice-weekly shipments of goods transported on container ships, whose cargo accounts for an estimated 90% of the merchandise goods used in 85% of Alaska's populated areas. In addition to merchandise cargo, the Port is a major fuel hub providing critical supplies of jet fuel, gasoline, heating oil, diesel and aviation gas to communities throughout the state. It also serves as a major source of cement and other building materials.

The Port celebrated 50 years of service in 2011, and although the facilities remain operational, the dock has surpassed its life expectancy and is in a deteriorated condition. In 2003, the POA and the Municipality of Anchorage (MOA) along with the U.S. Department of Transportation Maritime Administration (MARAD) undertook the Port of Anchorage Intermodal Expansion Project (PIEP) in an effort to replace and expand the existing facility to provide modern, efficient and reliable marine infrastructure for Alaskans. The project is currently focused on construction of facilities to the north of the existing dock (Phase 1)[1]. For a detailed history of the project please refer to the 2011 Second Quarter Report.

During the third and fourth quarters, significant efforts towards initiating long-term changes were formally implemented by the MOA/POA, MARAD, and the U.S. Army Corps of Engineers (USACE). These efforts include:

- The MOA/POA executed a new Memorandum of Agreement with MARAD. This agreement further clarifies the roles and responsibilities of each entity through May 31, 2012, at which time all design and construction will be the responsibility of the MOA/POA, or their designee.

- The MOA/POA and MARAD have engaged the USACE to conduct a suitability study and analysis of the project work to date.

MEMORANDUM OF AGREEMENT

In October 2011, the MOA signed a Memorandum of Agreement with MARAD to develop the Port of Anchorage Intermodal Expansion Project. This agreement was designed to improve upon an earlier agreement signed in 2003. The details of this agreement were provided in the 2011 Third Quarter Report and include the transfer of design and construction management responsibilities from MARAD to the MOA/POA, or their designated agent, by May 31, 2012; the formalization of the Project Oversight and Management Organization (POMO) team; and additional items designed to emphasize effective project planning and execution.

SUITABILITY STUDY AND PROJECT ANALYSIS

MARAD has funded the USACE to review the design for the ongoing Intermodal Expansion Project. Ultimately this review is composed of an independent study of the

[1] Appendix A: Port of Anchorage Intermodal Expansion Project Phasing Plan

foundation design and a review by USACE of the planning, design, permitting and construction with a focus on evaluating what has been accomplished and recommendations for moving forward.

The USACE selected CH2MHill in September to conduct an independent study of the foundation system designed to support the Port's expansion efforts, and this effort is underway. In analyzing the foundation design, the study will assess the effects of hydrologic, geotechnical, structural and seismic conditions. CH2MHill is bringing together a strong team of port design experts and finite element modeling capabilities to accomplish the analysis.

So that the project can move forward as expeditiously as possible, the suitability study and project analysis is expected to be complete in April, 2012.

2011 CONSTRUCTION STATUS

Like other areas within the state, most construction activities are limited to early spring, summer and fall seasons with regular shutdowns scheduled for the winter months. Earlier work in the 2011 construction season included dismantling a section of damaged sheet pile in the wet barge berth area and conducting tail wall inspections in the ship berthing areas in order to establish the integrity of the current structure. The projected budget for project related work including construction, design and support services is $37.4 million.

The construction contractor, West Construction, successfully completed removal of a section of sheet pile in the damaged wet barge berth. Tail wall inspections were completed in a portion of the North Extension 1 ship berth area and no damage was found in the areas inspected. The site is being re-established by conducting vibracompaction in the areas disturbed.

Table 1: Funding Snapshot as of November, 2011

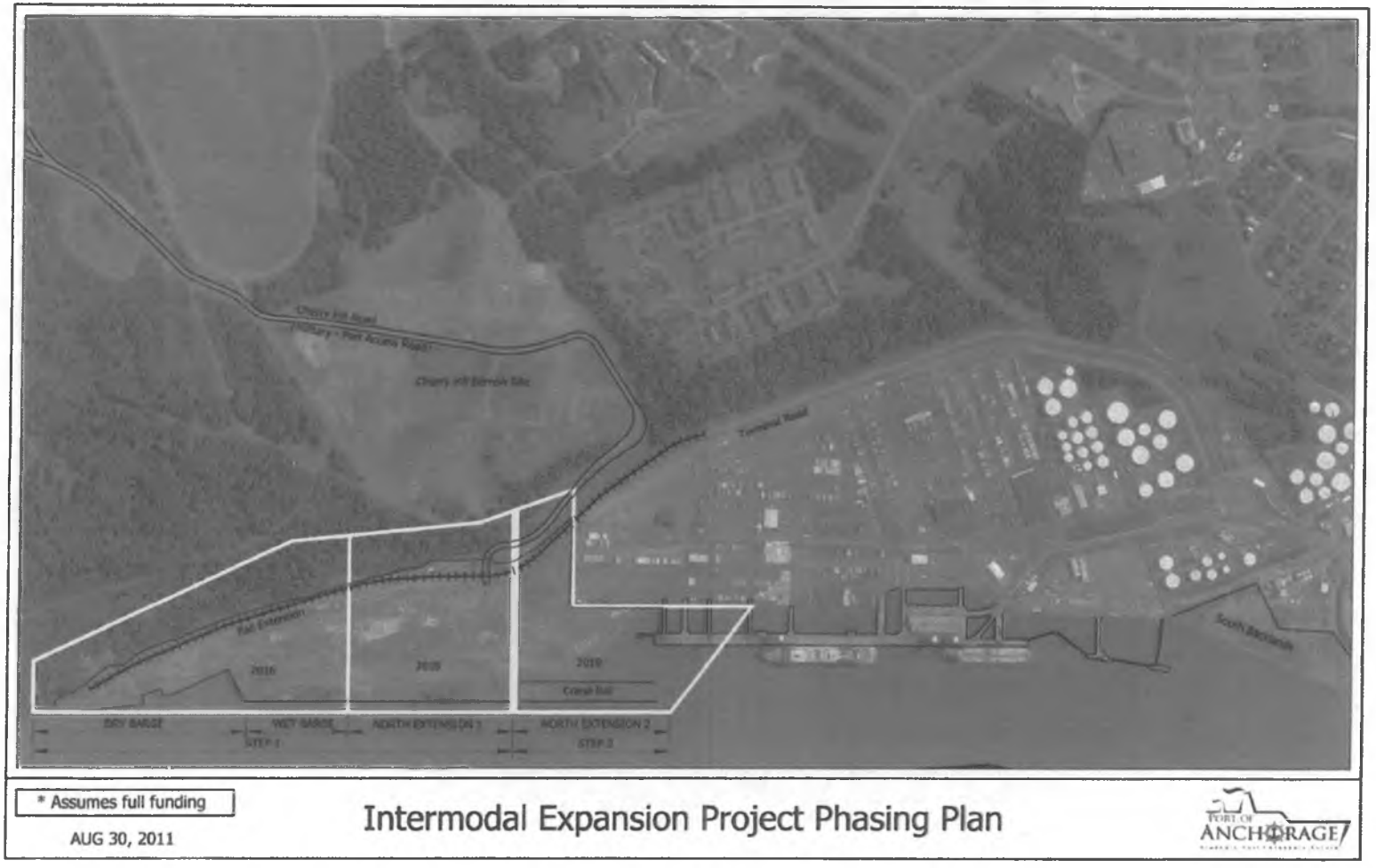
Total funds received	$332 million
Total funds transferred to MARAD	$302 million
Total funds obligated	$289 million
Total Funds Pending obligation	$13 million

For a summary of the Expansion Project's funding to date please see Appendix B.

CONCLUSION

Significant changes were initiated this fall to transition the project from its previous form of contract management and oversight to a new team experienced in delivering marine infrastructure projects. Work has been focused on the planning and review efforts necessary to implement these changes in 2012. These changes will improve project delivery and ensure future success.

APPENDIX A: Port of Anchorage Intermodal Expansion Project Phasing Plan (highlighted area indicates Phase 1)



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Total funds obligated	$289 million
Pending 2011 obligations	$13 million

Table 2: State funds received to date

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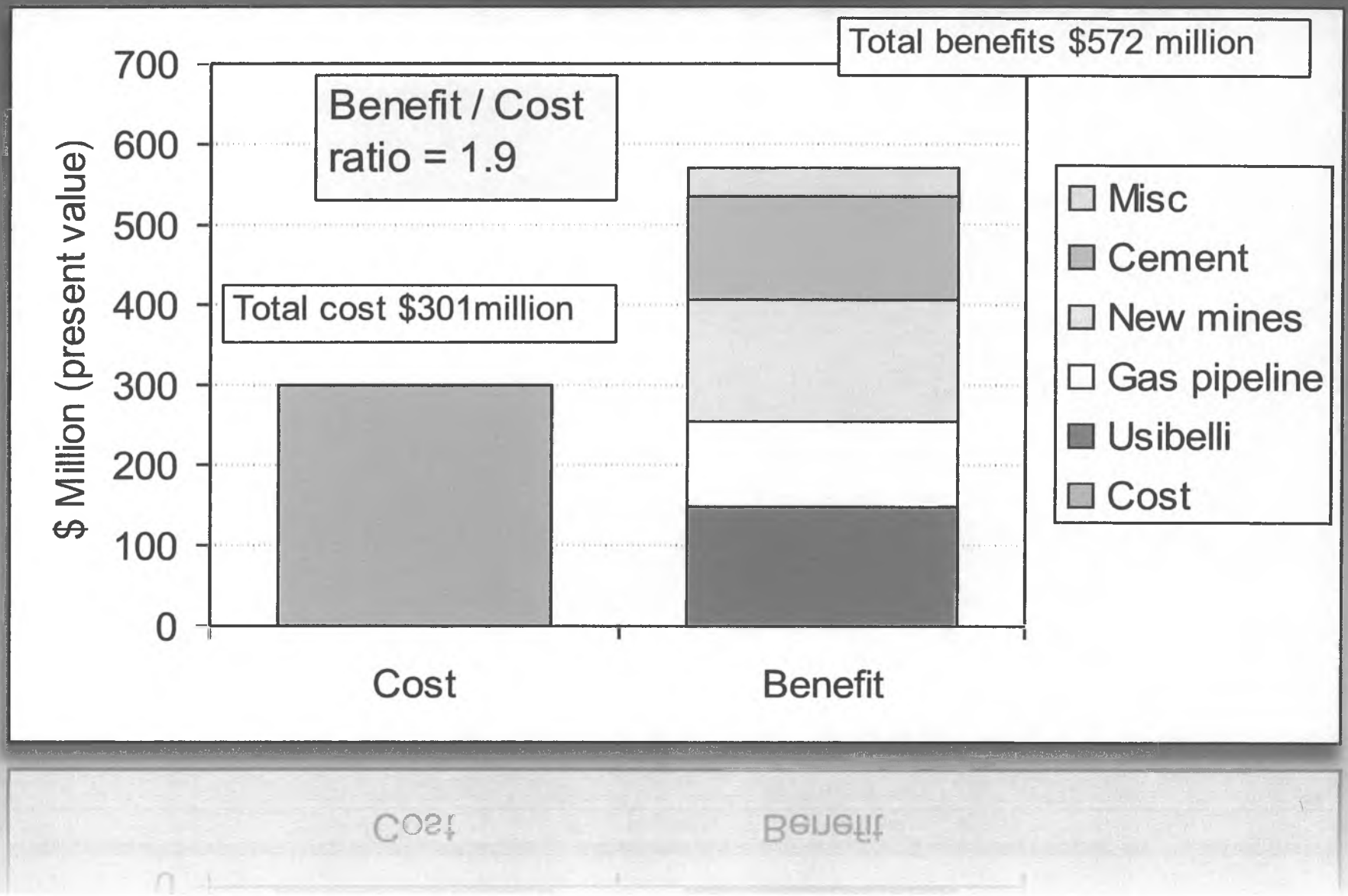
2/28/12 OVERVIEW BY DEPARTMENT OF TRANSPORTATION: PORT MACKENZIE RAIL EXTENSION

<TARGET><BILL></BILL><SUBJECT>2-28-12 OVERVIEW BY DEPARTMENT OF TRANSPORTATION PORT MACKENZIE RAIL EXTENSION</SUBJECT><COMM>SFIN27</COMM></TARGET>


PORT MACKENZIE
RAIL EXTENSION
This Presentation includes animation and video
POISED FOR GROWTH


Thank you!
$92.5 million
Four separate appropriations

ISER Benefit Cost Assessment of Rail Extension



Pac Arctic
LOGISTICS



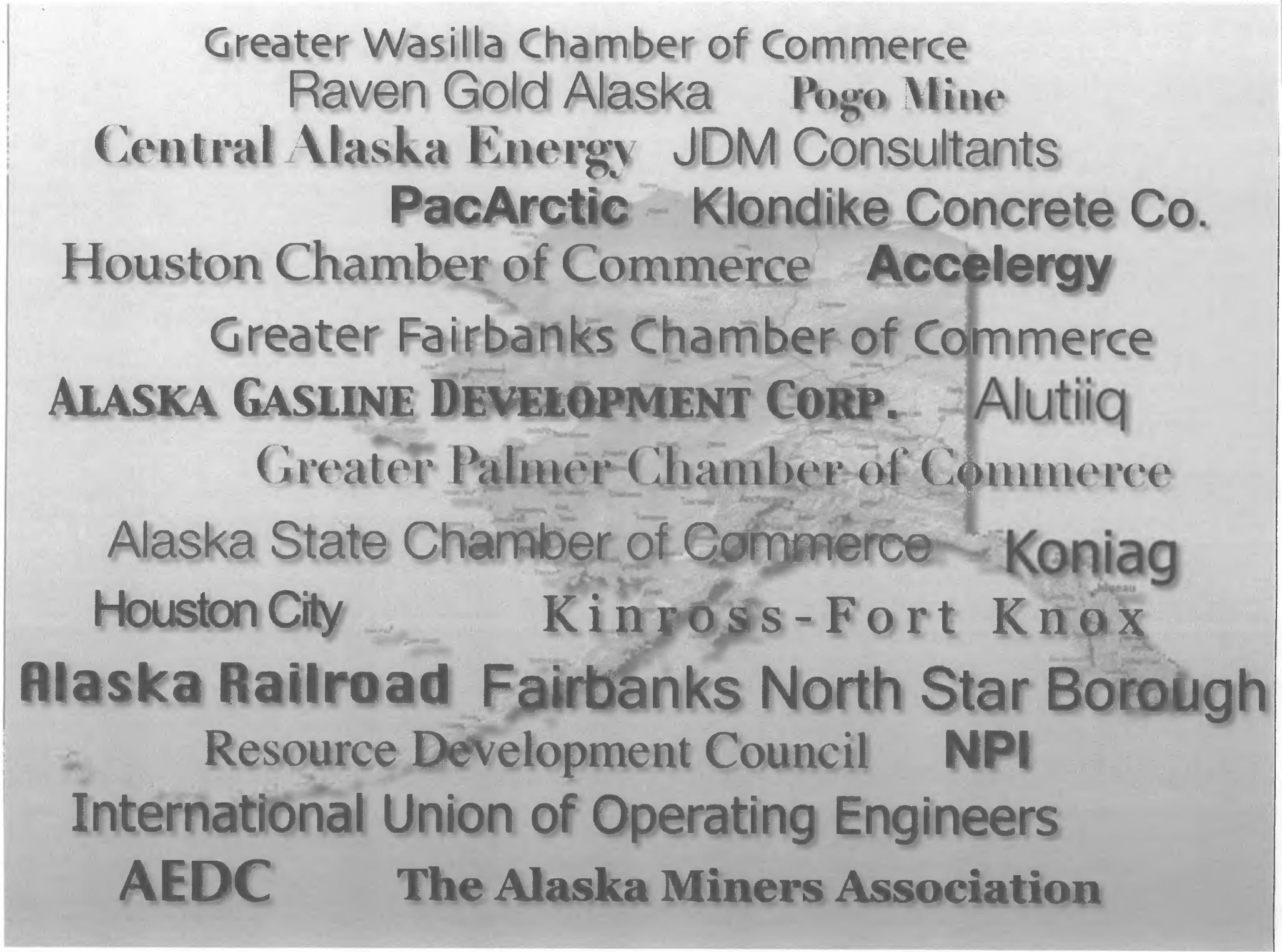
CENTRAL ALASKA ENERGY LLC

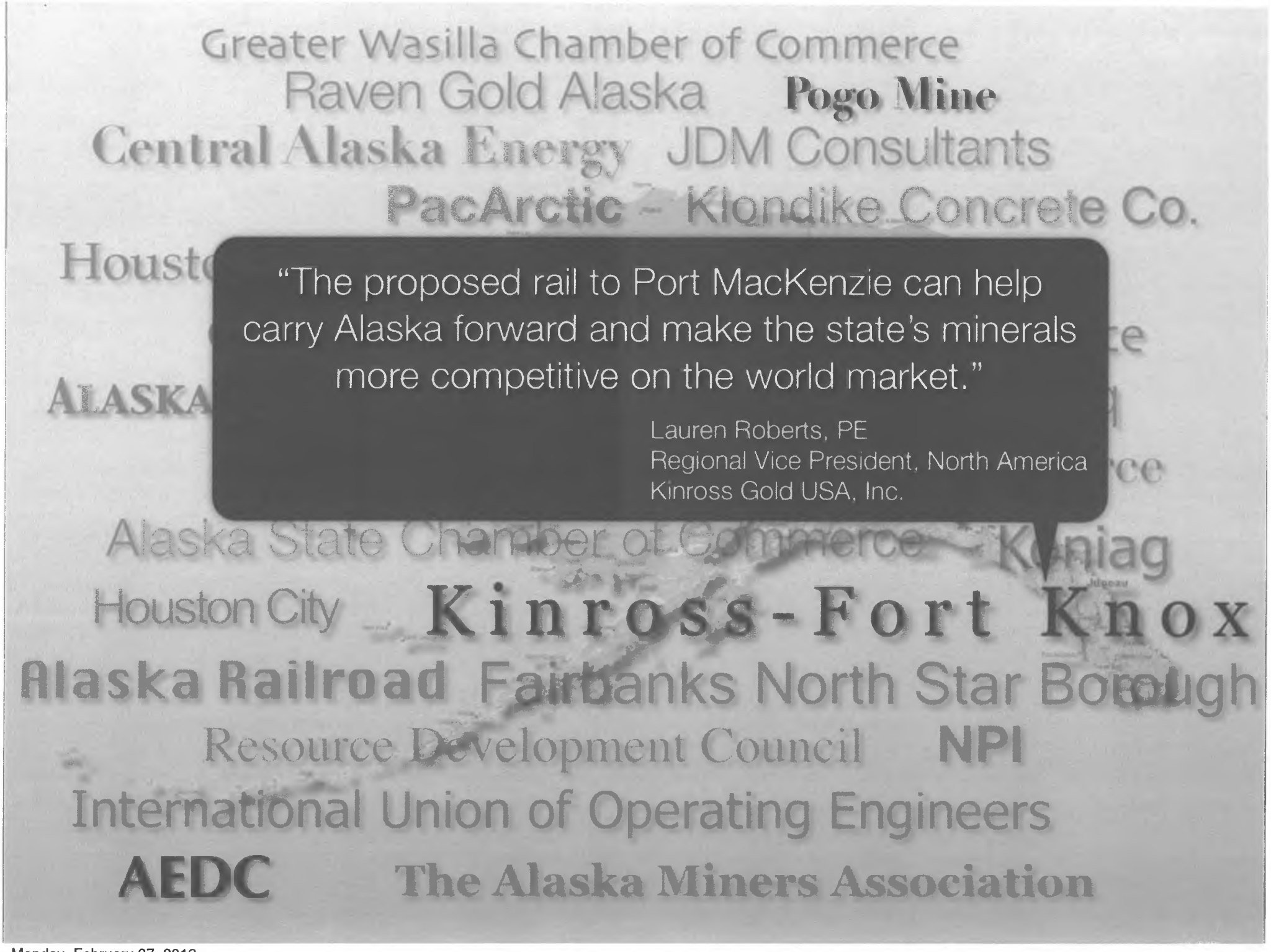


Monday, February 27, 2012



Bill Brophy
Communications
Usibelli Coal Mine


Greater Wasilla Chamber of Commerce
Raven Gold Alaska
Pogo Mine
Central Alaska Energy
JDM Consultants
PacArctic
Klondike Concrete Co.
Houston Chamber of Commerce
Accelergy
Greater Fairbanks Chamber of Commerce
Alaska Gasline Development Corp.
Alutiiq
Greater Palmer Chamber of Commerce
Alaska State Chamber of Commerce
Koniag
Houston City
Kinross-Fort Knox
Alaska Railroad
Fairbanks North Star Borough
Resource Development Council
NPI
International Union of Operating Engineers
AEDC
The Alaska Miners Association


Greater Wasilla Chamber of Commerce
Raven Gold Alaska
Pogo Mine
Central Alaska Energy
JDM Consultants
PacArctic
Klondike Concrete Co.
"The proposed rail to Port MacKenzie can help carry Alaska forward and make the state's minerals more competitive on the world market."
Lauren Roberts, PE
Regional Vice President, North America
Kinross Gold USA, Inc.
Alaska State Chamber of Commerce
Koniag
Houston City
Kinross-Fort Knox
Alaska Railroad
Fairbanks North Star Borough
Resource Development Council
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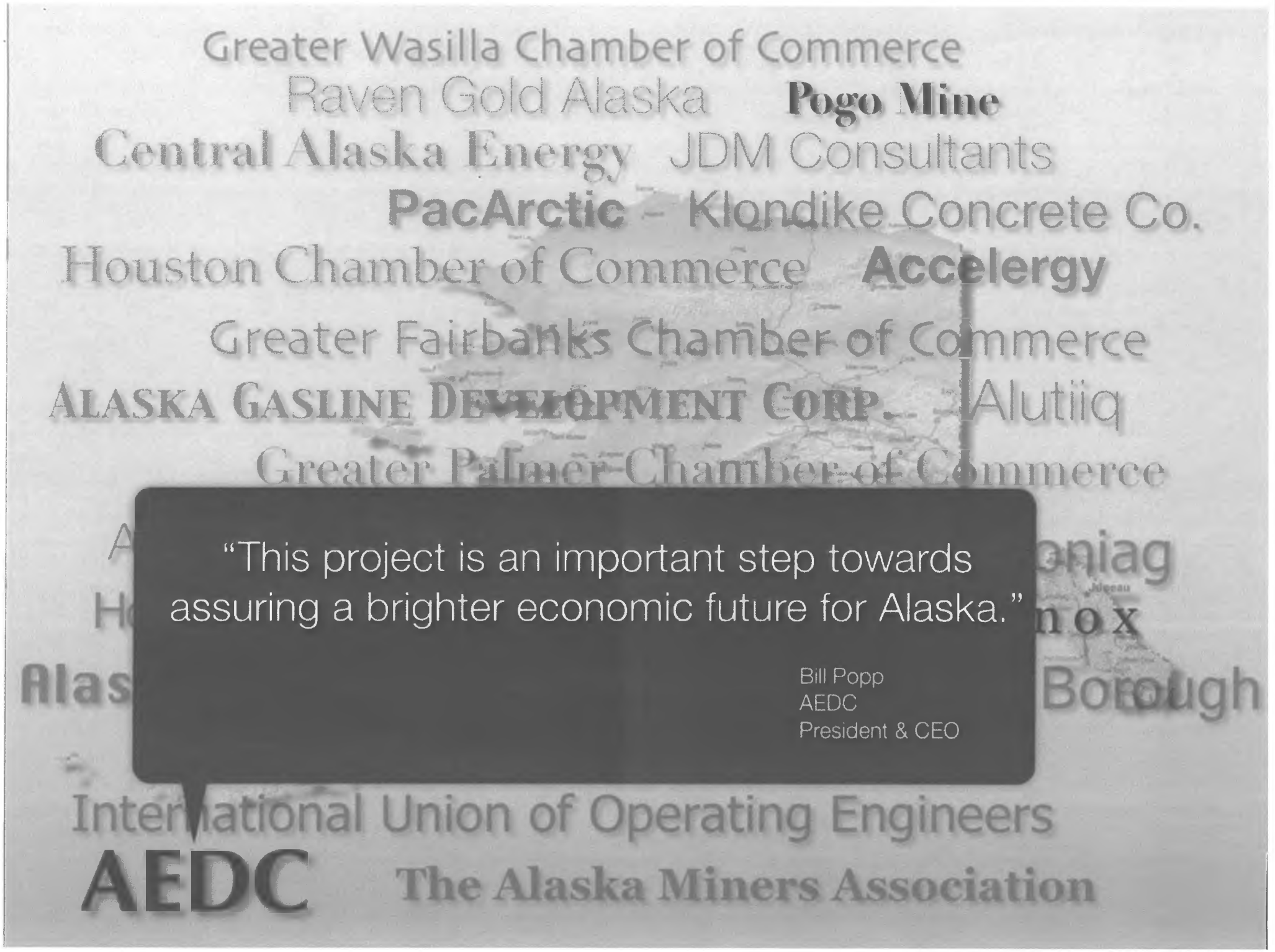
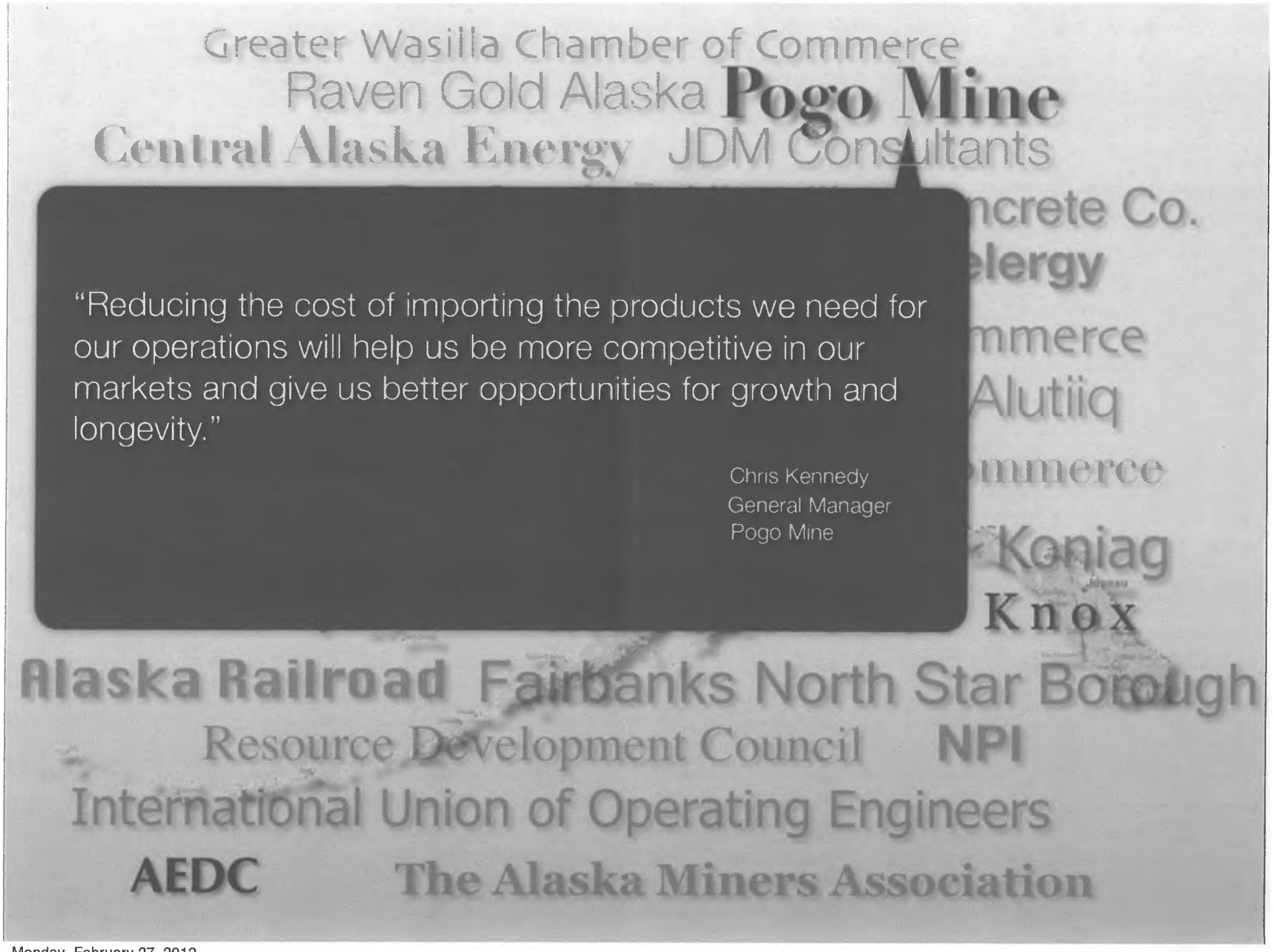

Greater Wasilla Chamber of Commerce
Raven Gold Alaska
Pogo Mine
Central Alaska Energy
JDM Consultants
PacArctic
Klondike Concrete Co.
Houston Chamber of Commerce
Accelergy
Greater Fairbanks Chamber of Commerce
ALASKA GASLINE DEVELOPMENT CORP.
Alutiiq
Greater Palmer Chamber of Commerce
"This project is an important step towards assuring a brighter economic future for Alaska."
Bill Popp
AEDC
President & CEO
International Union of Operating Engineers
AEDC
The Alaska Miners Association


Greater Wasilla Chamber of Commerce
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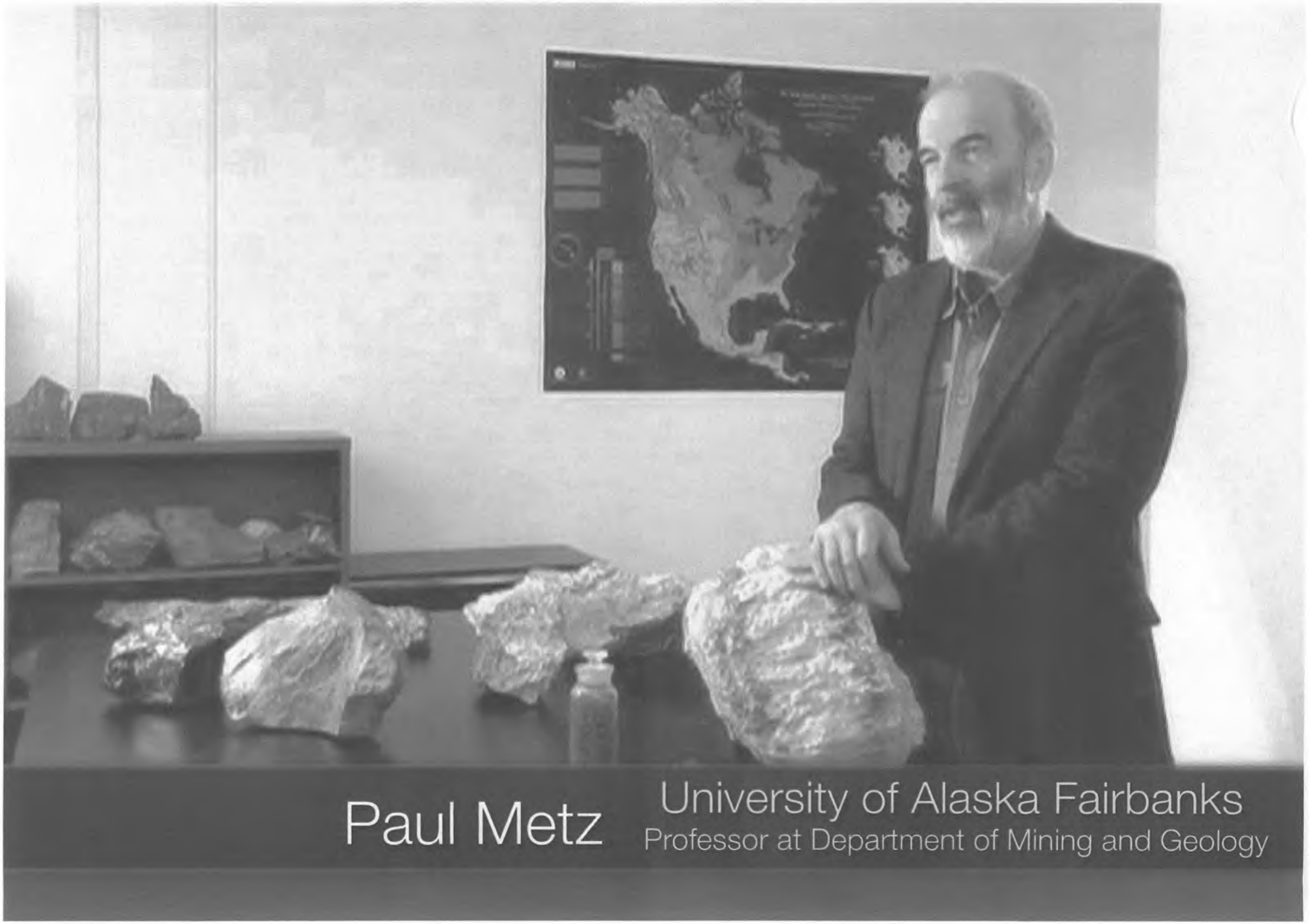
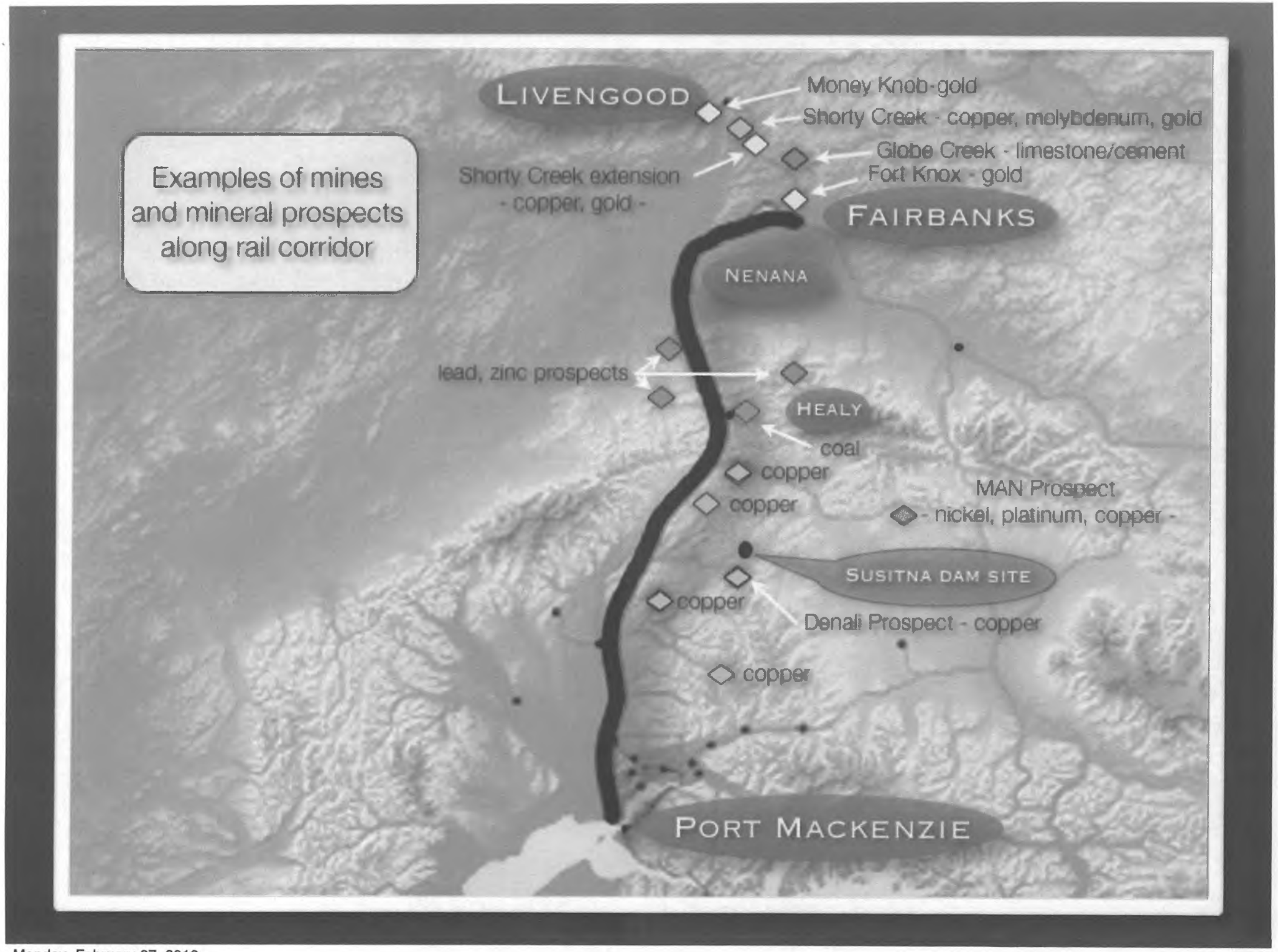
Pogo Mine
Central Alaska Energy
JDM Consultants
ncrete Co.
elergy
mmerce
Alutiiq
mmerce
Koniag
Knox
"Reducing the cost of importing the products we need for our operations will help us be more competitive in our markets and give us better opportunities for growth and longevity."
Chris Kennedy
General Manager
Pogo Mine
Alaska Railroad
Fairbanks North Star Borough
Resource Development Council
NPI
International Union of Operating Engineers
AEDC
The Alaska Miners Association

Companies & Freight on Port MacKenzie Rail

- PacArctic, Inc.
- Koniag, Inc.
- Alaska Central Energy
- Kinross Gold USA, Inc.
- Sumitomo Metal Mining
- Alutiiq
- NPI
- Accelergy
- Klondike Concrete
- Usibelli



Monday, February 27, 2012

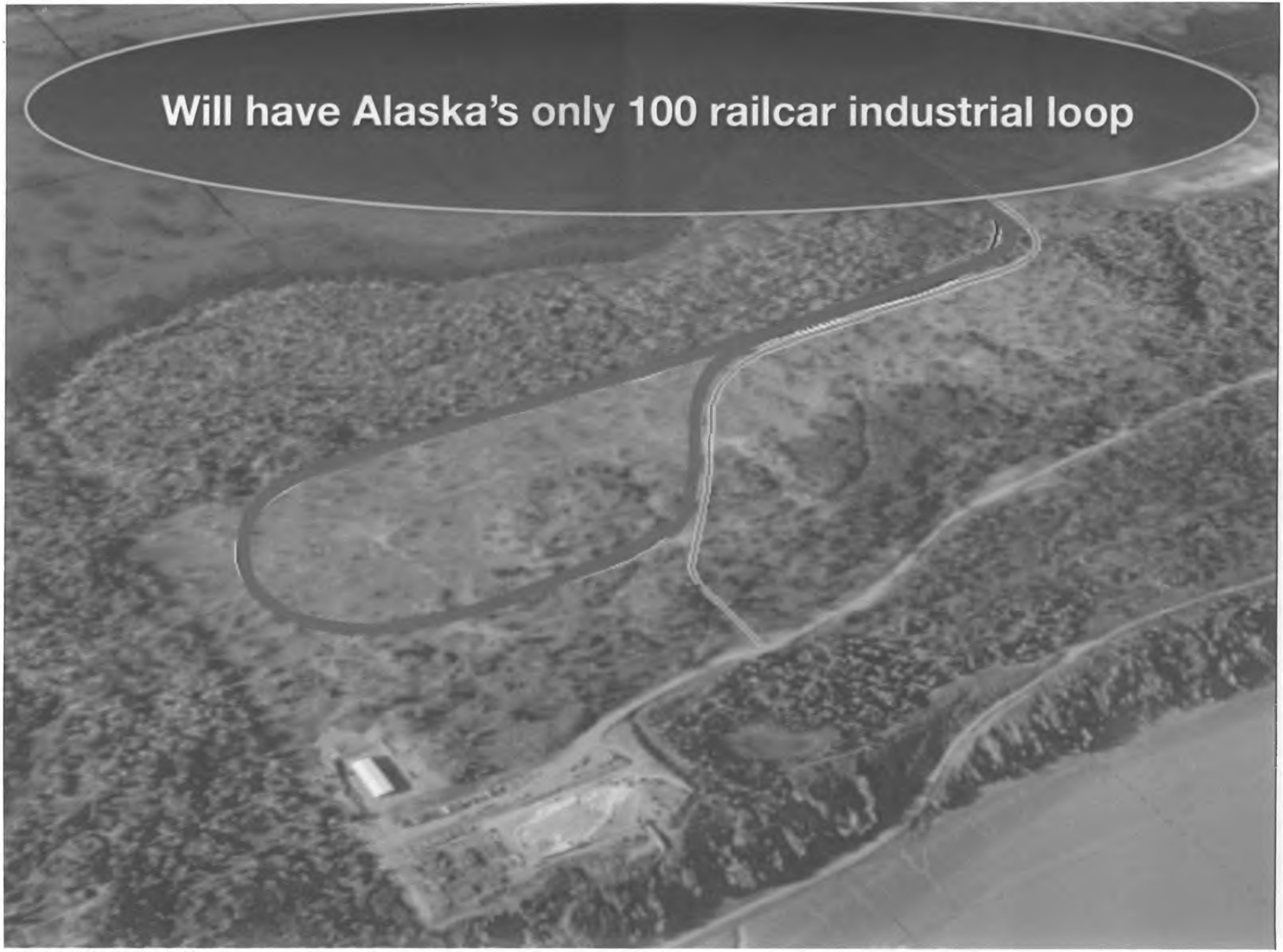

Examples of mines and mineral prospects along rail corridor
LIVENGOOD
Money Knob-gold
Shorty Creek - copper, molybdenum, gold
Globe Creek - limestone/cement
Fort Knox - gold
Shorty Creek extension - copper, gold -
FAIRBANKS
NENANA
lead, zinc prospects
HEALY
coal
copper
copper
MAN Prospect - nickel, platinum, copper -
SUSITNA DAM SITE
copper
Denali Prospect - copper
copper
PORT MACKENZIE

Progress at the Port





3 million cubic yards of soil moved

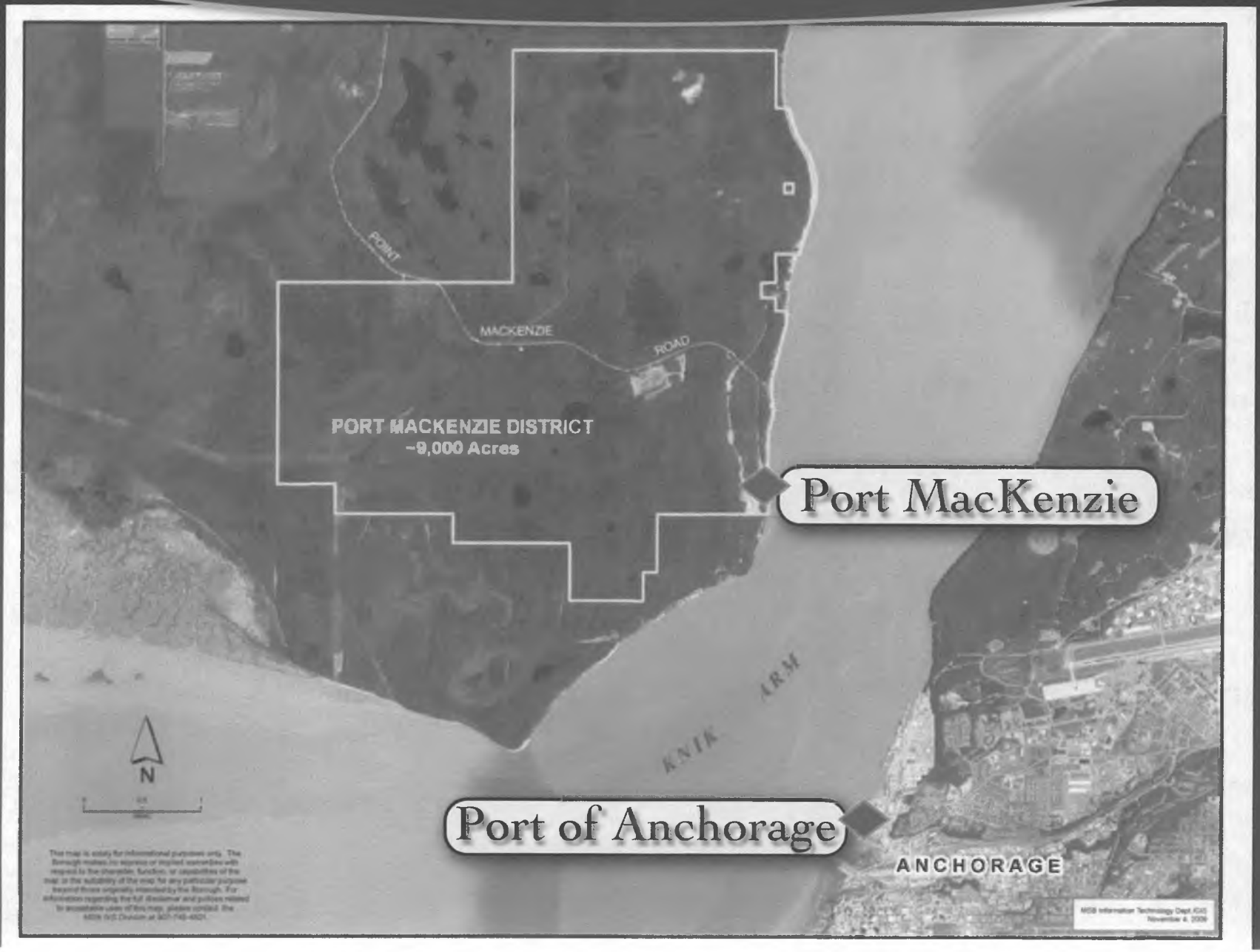


Monday, February 27, 2012

Allows for efficient transfer between trains and ships



Only port in Alaska with large (14 sq. mile) staging, storage and industrial area



This large industrial space provides excellent opportunity for value-added growth



Project funding to date

FY 2008	$10 million	state appropriation for EIS
FY 2009	$17.5 million	state appropriation for project
FY 2011	$35 million	state appropriation for project
FY 2012	$30 million	state appropriation for project

$92.5 million: Current Total Appropriations


2013 Funding Request
$60 million (GF)
$120 million (GO bond)



Full length of the future rail extension



Full length of the future rail extension

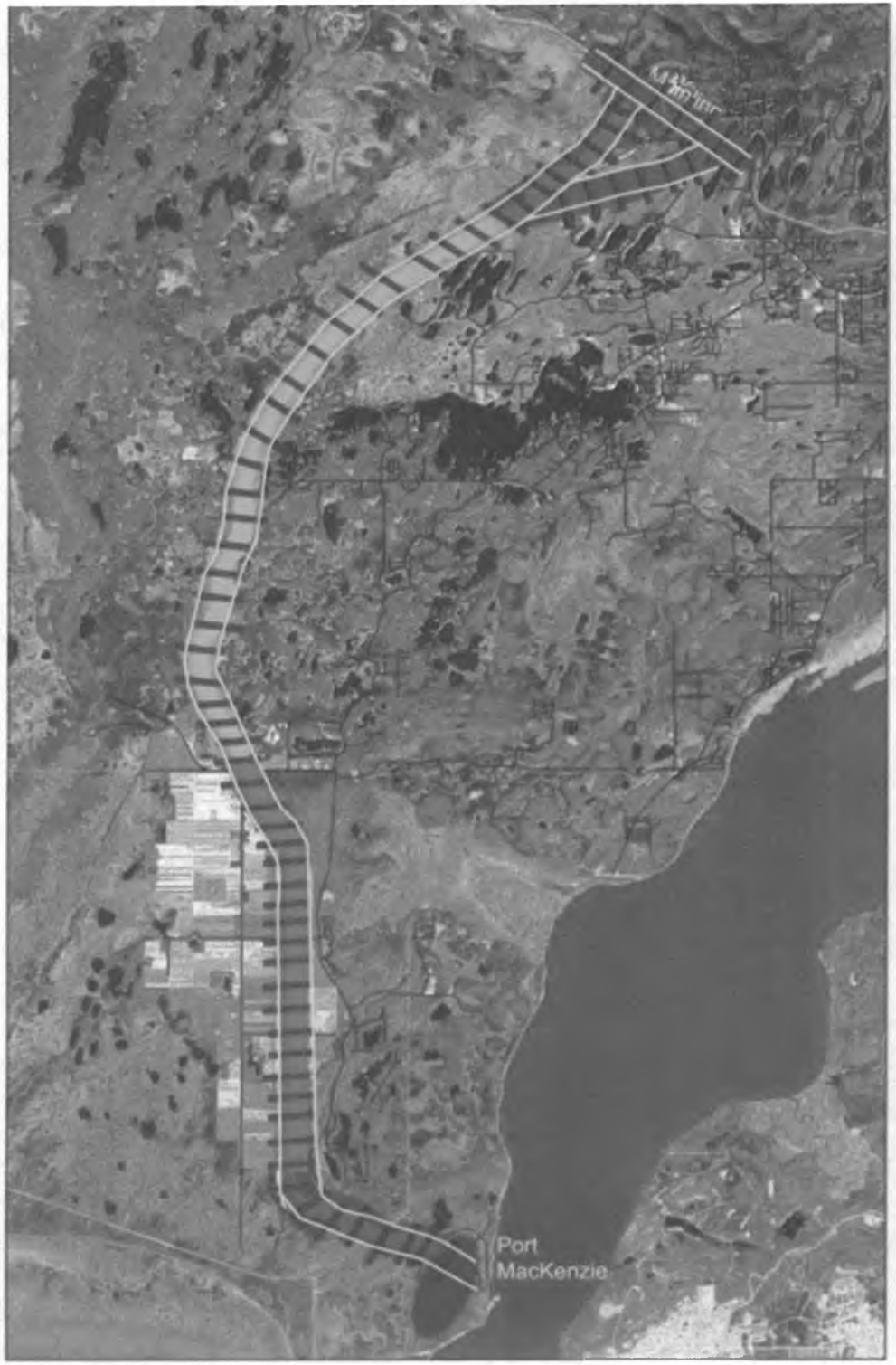
Currently funded



Full length of the future rail extension

Currently funded

With this year's $60 Million funding, we can complete 2/3 of the railbed



After that...

The balance needed to complete project

$120 million

– Complete rail bed –

– Lay all the track –

Project funding summary

Total Estimate for project	$272.5 million
Appropriated	$92.5 million
Required for completion	$180.0 million
General Fund request	**$60 million**
GO Bond request	**$120 million**



PORT MACKENZIE
RAIL EXTENSION



POISED FOR GROWTH

2/28/12 OVERVIEW BY DEPARTMENT OF TRANSPORTATION: ARCTIC PORTS STUDY UPDATE

<TARGET><BILL></BILL><SUBJECT>2-28-12 OVERVIEW BY DEPARTMENT OF TRANSPORTATION ARCTIC PORTS STUDY UPDATE</SUBJECT><COMM>SFIN27</COMM></TARGET>



Alaska Department of Transportation & Public Facilities

Arctic Port(s) Study Update

Jeff Ottesen, Alaska DOT&PF

February 28, 2012



Study History

- January 2008 Port and Harbor Conference sparked wide interest in focusing attention on Alaska's ports
- November 2010 Port and Harbor Conference built on this and identified a long list of ongoing and new needs including an Arctic port.
- May 2012 Arctic Port Kickoff Meeting (charette) was held with numerous stakeholders
- December 2012 Army Corps of Engineers and Alaska DOT&PF execute $3 million Alaska Deep-Draft Arctic Ports Study Feasibility Study Cost Sharing Agreement.



2012 Funding Purpose

- "Study and identify potential arctic deepwater port sites. A deepwater Arctic port would be a long-term vital asset to national security and to the State's economy.
- It would provide a new, northernmost port for the US Coast Guard to protect and patrol the State's arctic waters. Such vessels require a minimum of -35 feet."



Army Corps Partnership Schedule

- Use multi-criteria decision analysis technique to screen potential sites
- Identify Potential Sites Final List by September 2012.
- Evaluate Public-Private Partnership (P3) finance mechanism
- 2013-2014 Site Specific Feasibility Phase



Ports Vital to Many Needs

- Sovereignty/Homeland Protection
- Resource protection
- Offshore oil and gas exploration/development
- Search and rescue/incident response
- Onshore resources export
- Community supply and economic activities
- Fisheries



Port Needs Vary

- Different needs, require different port characteristics:
  - Mining export: very deep draft, proximity to resource
  - Oil and gas services: intermediate depth, proximity to on-shore services, and off-shore leases
- Potentially, no one port site ideal for all needs



Natural Harbor Sites Scarce

- Few natural harbors with wind and wave protection
  - Marine structures must withstand significant ice forces
- Water depth is generally shallow in Arctic shore areas
  - Dredging will likely be necessary, on-going



Linking Need to Funding

- Funding should relate to overall purpose:
  - Sovereignty/Homeland – federal
  - Resource protection – federal and state
  - Search and rescue – federal and state
  - Off-shore resources – federal
  - On-shore resources – state/private
  - Community/Economic development – state/local
  - Fisheries – state/local



Funding Issue

- Little *National Economic Benefit* as measured by federal rules
  - Corps, other federal agencies reluctant to participate
- Despite strong federal nexus, federal funding in doubt
- Public Private Partnership (P3) tool being evaluated



P3's – Public Private Partnerships

- Increasingly common means to achieve public goods, typically infrastructure
- General characteristics:
  - Contract between public-sector and private party for a public service or good
  - Substantial private sector role; typically design, finance, build and operations involved
  - Costs borne by users rather than public
  - Requires robust economics to cover risks
  - Private entity often a new special purpose company



Why the Trend to P3's?

- Someone else's money involved
- Off books of government spending or debt
- Brings private sector expertise and management skills
- Possible tax advantages to private investors
- Aligns risk and reward to single entity
- What's old is new again
  - Early American toll roads, continental railroad were P3's by another name
- Canada currently uses P3's at far greater level
  - British Columbia requires P3 consideration for all public projects



Fitting P3's to Alaska

- Many Alaska projects require government help
  - Thin economics due to low user base
  - High costs due to environment, geography
  - Other ways to tap into private expertise
- AIDEA has long been in business to assist beneficial quasi-public projects
  - Skagway ore terminal
  - Red Dog road and terminal
  - Ketchikan Shipyard and Drydock



Related Efforts

- Congressional Delegation working on several fronts to help: icebreakers, hydrographic surveys, federal port funds, international interest
- Statewide digital mapping effort will focus on northwest Alaska this year to update onshore mapping information in Arctic port study area
  - (Some mapping costs eligible as state match)



2013 Appropriation Request

- Governor's capital budget request:
  - #54074 $1 million GF to continue the Arctic Ports Study
  - Matched by $0.5 million federal funds
  - Based on the 2012 effort, carry on the site specific port feasibility investigation.



Canada's "Northern Strategy"

- Sovereignty
  - Deepwater port, vessels and year round military base
- Environment
  - Monitor and protect on- and off-shore resources
- Social and Economic Development
  - Improve circumstances of residents
  - Enable resource development for jobs and tax base
- Governance
  - Working for sustainable local governance



Key Take-Aways

- Multiple ports likely necessary to serve many needs
- No single governmental entity likely to cover full costs of arctic port: federal, state or local.
- Resource user(s), may bring economies of scale to help finance.
  - Today's push for minerals and energy could expand opportunities
  - Some form of private participation seems desirable (AIDEA, P3's or ?).
- Need to shift federal focus to national security need versus economic purpose

US Army Corps
of Engineers
Pacific Ocean Alaska

22 February 2012

INFORMATION PAPER

SUBJECT: Alaska Deep-Draft Arctic Ports Study.

1. BLUF: The State of Alaska and the U.S. Army Corps of Engineers, Alaska District (Alaska District) executed a $3M Feasibility Cost Sharing Agreement (FCSA) to study the feasibility of implementing Alaska Deep-Draft Arctic Ports (minimum -35 feet depth). The State is very interested in resource extraction from western and northern Alaska, and the diminishing sea ice is making development more economically viable. The Alaska Congressional delegation has sponsored legislation highlighting the need for U.S. Arctic ports to support national sovereignty, environmental stewardship and life safety. The U.S. Navy (USN), U.S. Coast Guard (USCG), and National Oceanographic and Atmospheric Administration (NOAA) all have an increasing mission in the Arctic, but so far have not been a contributing partner for developing a deep-draft port. The State would welcome Federal participation in selecting, funding, and designing deep-draft port(s) in the Arctic that would incorporate the Federal mission.

2. Background: The Alaska District initiated the Alaska Regional Ports Reconnaissance Study in 2003. In 2008, they determined there was Federal interest in participating in cost-shared feasibility studies addressing regional ports and harbors in the state of Alaska. On 21 September 2009, the State of Alaska and the Alaska District executed an FCSA for the Alaska Regional Ports Feasibility Study. Two Statewide Ports and Harbor Conferences were conducted in January 2008 and November 2010. As a result of the November 2010 Conference, Gov. Sean Parnell requested a more specific effort to evaluate Deep-Draft Arctic Port(s) primarily focused on the extraction of resources. On 16-17 May 2011, the State and the Alaska District conducted a "planning charrette," which has led to the development of a specific FCSA and Project Management Plan (PMP) for the Alaska Deep-Draft Arctic Port(s) Feasibility Study. The documents were signed by both parties on 8 December 2011. The Corps has $350K+/- and State of Alaska has $300K+/- to initiate the estimated $3M three year study. The study was not in the President's budget for FY11 or 12.

Sen. Murkowski unsuccessfully introduced legislation in 2009 for the study of an Arctic Deepwater Port. She reportedly reintroduced it in 2010. Sen. Begich obtained Legislative Drafting Assistance in 2010 for an Arctic Deep Water Port. So far we have not seen evidence that it was introduced. Congressman Young successfully introduced legislation in February 2010 that provided funding for hydrographic surveys to support safe navigation and deep draft studies in the Arctic. It has been suggested that Congress is interested to have DoD study and construct a Deep-Draft Port in the Arctic, but nothing has been formalized.

During the Planning Charrette, the terms Arctic Deepwater and Arctic Deep-Draft were discussed. The differentiation is that Deep-Draft implies we can create the depth of water as compared to it occurring naturally. There are few naturally occurring deep water sites in the US Arctic. The Planning Charrette helped define "arctic" (north of Nunivak Island even though many official definitions go all the way to the Aleutian Chain) and "deep-draft" (greater than or

equal to -35 feet MLLW). However, these definitions have not been vetted by the public at large. It was discussed that mineral exporters would be the primary users, and therefore, the mining industry should be the primary proponent of port selection instead of the public sector. However, if vessel activity in the Arctic increases as much as projected, it will result in a significantly increased Federal mission. Representatives from the Alaska Delegation attended all of the mentioned conferences or charrette.

The results from the two Statewide Conferences and the Planning Charrette are posted on the Alaska District website (http://www.poa.usace.army.mil/en/cw/AKPortsStudy.htm).

Potential Future Actions:

Civil Works – The primary purpose of the Alaska Deep-Draft Arctic Ports study is to investigate the alternatives for developing deep-draft Arctic ports in Alaska to best serve state and national interests for generations to come. Considerations during the study are preferably a direct shipping point for resources developed in western and northern regions in Alaska, a strategic military and commercial port as vessel traffic increases, and a major infrastructure asset to any future endeavors for oil and gas operations. While it is recognized that industry will drive the future development, the study must incorporate the efforts and needs of other agencies and organizations, and to consider how they can play into a Private Public Partnership. The study has two distinct phases. In the first phase, all potential sites north of Nunivak Island will be identified and evaluated. A Multi- Criteria Decision Analysis will be used to evaluate each site based on established criteria and potential scenarios. Stakeholder input will be obtained through public meetings and interviews, and after a year the study will be re-scoped. The last two years of the Feasibility Study will focus on specific site development, harbor master planning, cost, benefits, and environmental coordination.

The study must incorporate the region's stakeholder concerns, especially those of the Native Alaskans to preserve their culture and subsistence activities, and the effects of climate change and increased vessel traffic and industry impacts on the environment. There are numerous marine and Arctic species of special interest that congregate in this region.

Military – The USN, USCG, and NOAA have "participated" in the two statewide conferences and planning charrette. Specifically, the USN and USCG have said in our conferences they do not require an Arctic Deep-Draft Port; however, if one were to be developed they would be interested in using it occasionally. The USCG has provided the dimensions of their ice breakers. NOAA has expressed some interest but has no funding towards such a project at this time.

International Considerations - The United States has been reluctant to ratify the United Nations Convention on the Law of the Sea Treaty, which governs national maritime boundaries and international maritime operations. Russia meanwhile is investing heavily in the Northeast Passage to support cargo traffic, where in 2010 four ships traversed the route. In 2011 thirty-four ships made the journey. Russia has four nuclear powered icebreakers and are constructing at least one more. The United States has one icebreaker.

2. SCHEDULE & MILESTONES

Name	Start	Finish
Task 1: Develop Work Plan		
Execute Tier 1 Amendment to FCSA	9/20/11	12/05/11
Kick-off Meeting		10/27/11
Establish Steering Committee		11/30/11
Task 2: Define Study Area		
Establish Study Area Working Definition	12/15/11	
Confirm Definition w/Steering Committee		12/30/11
Task 3: Identify Other Agency Efforts		
Initial Write-up of Agency Efforts		1/25/12
Final Compilation of Agency Efforts	2/22/12	
Task 4: Evaluate Public/Private Partnerships (PPP)		
Evaluate PPP Approach and Potential	1/25/12	2/22/12
Task 5: Periodic PDT and Steering Committee Meetings		
Meetings to occur the last Wednesday every month		
Task 6: Examine Problems and Opportunities		
Draft Write-up Problems/Opportunities	1/25/12	2/22/12
Final Write-up Problems/Opportunities	2/22/12	3/30/12
Task 7: Establish Criteria		
Draft Scenario Analysis	3/30/12	4/25/12
Final Criteria Established	4/25/12	5/30/12
Task 8: Conduct Scenario Analysis		
Scenario Analysis Developed by PDT	5/30/12	6/27/12
Scenario Analysis vetted thru Stakeholders	6/27/12	7/25/12
Task 9: Identify Potential Sites		
Potential Sites Preliminary List	7/25/12	8/08/12
Potential Sites Final List	8/08/12	8/22/12
Final Site Selection Document	8/08/12	9/26/12
Task 10: Engage Public		
Public Meetings around the State	10/03/12	10/31/12
Task 11: Rescope Study Plan for 2013		
Draft Scope	11/01/12	11/14/12
Final Scope	11/14/12	11/28/12
FY13 and FY14: Site Specific Feasibility Phase	11/28/12	11/03/14
Conduct Feasibility Study	11/28/12	04/25/14
Value Engineering Study	03/01/13	07/01/13
Feasibility In-House Review		04/28/14
Alternative Formulation Briefing		05/16/14
Feasibility Review Conference		06/18/14
Finalize Feasibility Report		09/16/14
Division Commander Notice		10/03/14

Arctic Ports Study

FY2012 Request: **$972,000**
Reference No: **AMD 50770**

AP/AL: Appropriation
Project Type: Research / Studies / Planning
Category: Transportation
Location: Statewide
Contact: Marc Luiken, Commissioner
House District: Statewide (HD 1-40)
Contact Phone: (907)465-3901
Estimated Project Dates: 07/01/2011 - 09/01/2018

Brief Summary and Statement of Need:
This is a new capital request to fund the study and mapping of potential arctic deepwater port sites, in conjunction with the United States Army Corps of Engineers (USACE). A deepwater arctic port would be a long-term vital asset to national security and to the State's economy. It would provide a new, northernmost port for the United States Coast Guard (USCG) to protect and patrol the State's arctic waters. USCG icebreakers and other vessels require a minimum of -35 feet. Additional funding to complete the study would be required in FY2013 and FY2014.

Funding:	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	Total
Fed Rcpts		$500,000	$500,000				$1,000,000
Gen Fund	$972,000	$500,000	$500,000				$1,972,000
Total:	$972,000	$1,000,000	$1,000,000	$0	$0	$0	$2,972,000

☐ State Match Required	☐ One-Time Project	☐ Phased - new	☑ Phased - underway	☐ On-Going
0% = Minimum State Match % Required		☑ Amendment	☐ Mental Health Bill	

Operating & Maintenance Costs:

	Amount	Staff
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	
Totals:	0	0

Additional Information / Prior Funding History:
This project is focused on studying and mapping the Arctic coast in conjunction with the Army Corps of Engineers for a deepwater port site. A separate statewide digital mapping project has received prior capital funding: DNR: $6,000,000 GF total, $7,000,000 federal receipts. DMVA also received $11.4 million in federal receipts in FY06 for this project under what was known as the Alaska Aviation Safety Program.

Project Description/Justification:
The Arctic coast is approximately 927 miles long or 1,492 kilometers, and a high priority for the State of Alaska and all federal agencies. It is in our interest to learn as much as we can about the region and its potential deepwater (-35 feet or greater) port sites by working with the Army Corps of Engineers conducting a combination of research and mapping in order to develop a list of potential port sites on the State's arctic coastline. An arctic port in Alaska would serve as a major infrastructure asset as the State, nation, and world continue to evolve. In the short term, this would serve as the northernmost port for the USCG, the US Navy (USN), and the National Oceanic and Atmospheric Administration (NOAA) in order for them to protect and patrol this region, and to develop a greater understanding of the factors involved in the potential economic development of the region. In the long term, a potential arctic port could be expanded upon to allow for greater utilization to the state. It could help further diversify the state's economy in many ways. Including:

- The possibility of an arctic port becoming a direct shipping point for resources developed in the western and northern regions of Alaska.
- A major strategic American commercial and military port along the Arctic Coast as vessel traffic increases.
- A major infrastructure asset to any future potential endeavors to produce oil and gas from deepwater reserves in the Arctic Ocean.

Vital information that could potentially be gathered through digital mapping and studies in collaboration with the USACE includes, but is not limited to: depth of water, size and number of vessels, security requirements, hydrographic surveys, ice thickness and movement, operational needs, maintenance requirements, social, economic, and environmental impacts, potential arctic infrastructure development, coastal erosion, storm surge analysis, tsunami inundation analysis, sea rise, disaster preparedness, mitigation and recovery, climate change research, and an understanding of the capabilities of other arctic nations.

Attached are two digital mapping charts, one illustrating existing legacy IFSAR elevation data while the other illustrates the 2010 elevation collection. The legacy data is sporadic (i.e. mountain passes and etc.) and with exception of the northern oil and gas regions, the digital data is old and inadequate.

Accurate elevation data supports all types of resource, infrastructure and economic development through the streamlining of permitting and construction of supporting networks. This is accomplished through a thorough understanding of the terrain and how the terrain will impact engineering, construction and supply. It also impacts the mitigation of spills, contamination and cleanup.

CONFIR-
MATIONS
2011

<TARGET><BILL></BILL><SUBJECT>CONFIRMATIONS
2011</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE
CONFIRMATION COMMITTEE REPORT

Date: 4/5/11

In accordance with AS 39.05.080, the Finance Committee reviewed the following and recommends the appointment be forwarded to a joint session for consideration:

Commissioner – Department of Revenue
Bryan Butcher

This does not reflect an intent by any of the members to vote for or against the confirmation of the individual during any further sessions.

Signature:	Printed Last Name
	Thomas
	EGAN
	McGuire
	OLSON
	ELLIS
Cochair:	Hoffman
Cochair:	STEDMAN

Please return to the Senate Secretary's Office (Room 211).

Alaska State Legislature

Senate

Office of the Secretary

Official Business

State Capitol, Room 211
Juneau, Alaska 99801-1182
Phone: (907) 465-3701
Fax: (907) 465-2832
Email:senate_secretary@legis.state.ak.us

Memorandum

TO: Senator Stedman, Cochair
Senator Hoffman, Cochair
Finance Committee

FROM: Kirsten Waid
Secretary of the Senate

DATE: February 2, 2011

SUBJECT: Confirmation of Governor's Appointment

Pursuant to AS 39.05.080, the President has referred the following name for legislative confirmation to your committee for a hearing, recommendation and report:

Commissioner – Department of Revenue
Bryan Butcher
Appointed: 11/24/2010

Resume(s) will be transmitted electronically.

KW:jcs
gl #2

Butcher, Bryan
Commissioner - Department of Revenue

Commissioner Bryan Butcher

Commissioner Bryan Butcher was appointed to this position beginning in January, 2011 by Governor Sean Parnell. Mr. Butcher was the Director of Governmental Relations and Public Affairs for the Alaska Housing Finance Corporation (AHFC) for the last eight years and in a dual role was also Vice President of the recently formed Alaska Gasline Development Corporation (AGDC) since 2010. In 2009 Mr. Butcher served as a Special Assistant working on Economic Development issues for Governor Parnell. Mr. Butcher also served as a member of former Governor Sarah Palin's gasline team through the AGIA process.

Before joining AHFC in 2003, Mr. Butcher previously worked for the Alaska State Legislature as a Finance Committee Aide for the House and Senate Finance Committees for 12 years.

Mr. Butcher is also currently serving as the coordinator for Governor Sean Parnell's statewide transition team.

A lifelong Alaskan born and raised in Anchorage, Mr. Butcher holds a Bachelor of Science degree in Speech Communications from the University of Oregon.

BRYAN D. BUTCHER

VICE PRESIDENT — Anchorage, AK

Alaska Gasline Development Corporation — **2010**

Worked as the Vice President for the newly established Alaska Gasline Development Corporation that was tasked with developing a plan on how an in-state gas pipeline can be designed, financed, constructed and made operational by December 31, 2015. This plan is due to be submitted to the legislature by July 1, 2011. Was in charge of the Corporation's budget, as well as working on the financing and outreach aspects of the task. Worked in concert with the Commercial Manager in meeting with gas pipeline construction companies, investment banks and gas producers to gauge interest in this project as required by state statute.

LEAD COORDINATOR — Alaska

The Transition Team of Alaska Governor Sean Parnell — **2010-2011**

In charge of putting together eight policy transition teams that included over 100 Alaskans in developing a transition team report on recommendations in the policy areas of Education, Health Care, Science and Technology, Public Safety and Justice, Resources, Energy and the Environment, Infrastructure, Financial Services and Business Investment and the Military.

SPECIAL ASSISTANT — Anchorage, AK

Alaska Governor Sean Parnell — **2009-2010**

Worked on issues in the broad policy area of economic development for the Governor, including the establishment of policy teams that met to advise the Governor on issues of importance to that particular sector of the economy.

DIRECTOR OF GOVERNMENTAL RELATIONS AND PUBLIC AFFAIRS

Anchorage, AK

Alaska Housing Finance Corporation — **2005-2010**

Responsibilities include all communications with the Governor, Legislature, Congress and the federal government on issues affecting the Corporation. Accomplishments include getting more flexibility for the Public Housing Division by having Congress include Alaska in the Moving to Work program and establishment of the Weatherization and Home Energy Rebate programs in the Corporation. Responsibilities included preparing and giving presentations on the Corporation's fiscal health and outlook to the credit rating agencies on Wall Street and assisting in virtually all areas of the Corporation's policy management, including Finance, Public Housing and Mortgage Operations. Also was responsible for all marketing, press relations and public outreach, including the successful educational campaign for the 2010 Veterans mortgage loan program general election vote.

Responsible for successful legislation passed including the establishment of the Alaska Housing Capital Corporation for the funding of future capital projects, expansion of the Teachers and Nurses Housing Loan program to include all health care professionals and expanding the Corporation's statutes to allow it to do more for homeless Alaskans.

MEMBER — Alaska

Governor Sarah Palin's AGIA Gas Pipeline Team — **2007-2008**

Worked on the evaluation aspects of the team focused on the financing and bonding proposals included in the applications received during the AGIA process.

CHAIR — Alaska

Department of Revenue Transition Team — **2006**

Was in charge of developing and compiling the recommendations for the Department of Revenue transition team document for the Administration of Alaska Governor Sarah Palin.

LEGISLATIVE LIAISON — Anchorage, AK

Alaska Housing Finance Corporation — **2003-2005**

Was in charge of relationship with the Governor and the Legislature in all communications, including passing of AHFC transfer plan legislation that resulted in an upgrade in the Corporation's credit rating from Standard and Poor's. Also successfully worked to get a $25 million AHFC bond bill passed by the legislature to fund sewer and water projects.

SENATE FINANCE COMMITTEE AIDE — Anchorage and Juneau, AK

Alaska State Senator Pete Kelly, Co-Chair — **2001-2003**

Senate Finance Committee

- Worked on the development of the $227 million transportation bond bill and $237 million education bond bill for the Senate Finance Committee that passed the legislature and was approved by voters in the November 2002 election.
- Was the Finance Committee staff person responsible for the development of the $1.4 billion state capital and public works budget, including road, port, school construction and public sanitation projects.
- Fiscal analysis and oversight of $2.3 billion State of Alaska operating budget, including the preparation of State Senate versions of state agency budgets for the $151 million Department of Community and Economic Development and the $134 million Department of Fish and Game.

Policy Development

- Development of strategy resulting in the successful passage of the State's operating and capital budgets by the legislature and subsequent signature into law by the Governor.

HOUSE FINANCE COMMITTEE AIDE — Anchorage and Juneau, AK

Alaska State Representative Gene Therriault, Co-Chair — **1999-2001**

House Finance Committee

- Was the Finance Committee staff person responsible for the development of the $1 billion state capital and public works budget, including road, port, school construction and public sanitation projects.
- Fiscal analysis and oversight of $2.3 billion State of Alaska operating budget, including the preparation of the State House version of the state budget for the $1.07 billion Department of Health and Social Services.
- Developed the missions and measures for the Department of Health and Social Services for the legislature. This included better defining the missions of the divisions in the department

and generating measures that would allow for the increase in the effectiveness and the efficiency of those divisions.

CHIEF OF STAFF — **Anchorage and Juneau, AK**
Alaska State Representative Terry Martin — **1998**
House Finance Committee

- Fiscal analysis and oversight of $2.3 billion State of Alaska operating budget, including the preparation of State House versions of state agency budgets for the $140 million Department of Revenue and the $28 million Department of Law.

Policy Development

- Development of legislation in the area of public finance, intended to produce a more "honest" budgetary method of accounting for the state's general fund.

Public Affairs Management

- Development of public outreach programs targeting constituents, community councils, trade organizations and special interest advocacy groups using direct mail, contact with the press and public appearances.

MANAGER OF CLIENT DEVELOPMENT — **Los Angeles, CA**
Global Stratagem Group — **1997**

Led efforts to develop private sector clients for strategic planning consulting firm, with an emphasis in infrastructure development and public affairs advocacy. Clients included Montgomery Watson Americas, Inc., Nelson NamePlate Co. and the City of Vernon, CA.

LEGISLATIVE COORDINATOR — **Anchorage, AK**
American Cancer Society/American Heart Association — **1997**
Public Affairs Management

Worked with executive directors of the American Cancer Society, the American Heart Association and their lobbyists to develop and execute a strategic plan to pass legislation that would fund children's programs by substantially increasing the tobacco tax in the State of Alaska. A primary component in executing the plan was targeting individuals who had strong relationships with individual legislators in order to gain those legislators' support. Activities included direct contact with influential political and community leaders in order to get them to personally lobby for the legislation. After unsuccessful attempts in the prior three legislative sessions, the legislation was successfully passed and signed into law by the Governor during the 1997 legislative session.

CHIEF OF STAFF — **Anchorage and Juneau, AK**
Alaska State Senator Steve Rieger — **1993-1997**
Senate Finance Committee

- Fiscal analysis and oversight of $2.6 billion State of Alaska operating budget, including the preparation of State Senate versions of state agency budgets for the $425 million Department of Health and Social Services, the $370 million University of Alaska, the $320 million Department of Transportation and the $91 million Department of Public Safety.
- Assisted in the development of the yearly state capital budget, ranging in size from $100 million to $325 million general funds.

Policy Development

- Development of legislation in areas of health and social services and public safety, including legislation reducing the overpayment of welfare amounts, a budget cutting matter, and a bill to extend state police protection coverage to parts of Senator Rieger's district not covered at the time.
- Oversight of the development of legislation dealing with the prioritization of the investments of the Alaska Permanent Fund, the Senator's top priority, a fund of approximately $24 billion.

LEGISLATIVE ASSISTANT — **Anchorage and Juneau, AK**
Alaska State Senator Rick Uehling — **1989-1993**
Senate Finance Committee

- Fiscal analysis and oversight of the $3.1 billion State of Alaska budget, including the preparation of State Senate version of the state agency budget for the $102 million Department of Corrections budget and assisted in the development of the state senate version of the $760 million Department of Education budget.
- Assisted in the development of the yearly state capital budget, ranging in size from $100 million to $500 million general funds.

Policy Development

- Development of legislation in areas of health and social services, natural resources and revenue, including passage of legislation dealing with the protection of workers from sexual harassment in the workplace. Also worked on a resolution urging Congress to open the Arctic National Wildlife Refuge to oil and gas exploration. Worked on legislation that came through the Senate Finance Committee for the Senator.

EDUCATION

UNIVERSITY OF OREGON — **Eugene, OR**
Bachelor of Science degree, Speech: Rhetoric and Communication, 1987.

WEST ANCHORAGE HIGH SCHOOL — **Anchorage, AK**
Graduated 1982.

MONETARY TERMS OF AGREEMENT

<TARGET><BILL></BILL><SUBJECT>MONETARY TERMS OF AGREEMENT</SUBJECT><COMM>SFIN27</COMM></TARGET>

Alaska State Legislature

Senate

Office of the Secretary

State Capitol, Room 211
Juneau, Alaska 99801-1182
Phone: (907) 465-3701
Fax: (907) 465-2832
Email:senate_secretary@legis.state.ak.us

Official Business

Memorandum

TO: Senator Hoffman, Cochair
Senator Stedman, Cochair
Senate Finance Committee

FROM: Kirsten Waid
Secretary of the Senate

DATE: March 21, 2012

SUBJECT: Report of Monetary Terms

In accordance with AS 23.40.215, the President has referred the following to your committee for review:

Monetary terms for the collective bargaining agreement reached with the Teachers' Education Association of Mt. Edgecumbe.

Attachments

KW:lc

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

REBECCA HULTBERG, COMMISSIONER

SEAN PARNELL, GOVERNOR

P.O. BOX 110200
JUNEAU, ALASKA 99811-0200
PHONE: (907) 465-2200
FAX: (907) 465-2135

March 16, 2012

The Honorable Gary Stevens
President of the Senate
Alaska State Capitol, Room 111
Juneau Alaska 99801-1182

Dear President Stevens:

I am required by the Public Employment Relations Act (AS 23.40.070-260) to report the monetary terms of any agreement reached with an employee organization. By copy of my memorandum to Karen Rehfeld, Director of the Office of Management and Budget (enclosed), please accept my report of the monetary terms of the collective bargaining agreement reached between the State and Teachers Education Association of Mount Edgecumbe. Also enclosed is a copy of the collective bargaining agreement.

The monetary terms of this agreement must be submitted to the Legislature for approval pursuant to AS 23.40.215. In the interest of maintaining harmonious relations, I respectfully request that the Legislature approve the monetary terms of this agreement pursuant to AS 23.40.215(b), subject to ratification by a majority of union members.

If I can answer any questions or provide additional information please call.

Sincerely,

Becky Hultberg

Becky Hultberg

Enclosure

cc: Karen Rehfeld, Director of the Office of Management and Budget

Mertl-Posthumus, Benthe (DOA)

From: Anderson, Willie [AK] [Willie.Anderson@neaalaska.org]
Sent: Friday, March 16, 2012 3:59 PM
To: Mertl-Posthumus, Benthe (DOA)
Subject: Re: FW: TEAME Articles Approved, Initialed, and dated by Paul FitzGibbon

He can read his e-mail. Can I help? Art 14 is coming by US mail.

"Mertl-Posthumus, Benthe (DOA)" <benthe@alaska.gov>wrote:

Do you know if Paul is still there?

From: Mertl-Posthumus, Benthe (DOA)
Sent: Friday, March 16, 2012 3:52 PM
To: Fitzgibbon, Paul G (MEHS)
Subject: RE: TEAME Articles Approved, Initialed, and dated by Paul FitzGibbon

I did not see TA'd copies of the attached articles. I understand that we will get the signatures for Art 14 later, but could you please TA?

From: Paul Fitzgibbon [mailto:paulf@mehs.us]
Sent: Friday, March 16, 2012 3:08 PM
To: Mertl-Posthumus, Benthe (DOA)
Cc: Willie Anderson
Subject: TEAME Articles Approved, Initialed, and dated by Paul FitzGibbon

See attached.

Confirm receipt at your earliest convenience.

Please let me know if you have any questions.

thanks and have a great weekend

Paul FitzGibbon
MEHS Social Studies Teacher
966-5255

STATE OF ALASKA

SEAN PARNELL, GOVERNOR

DEPARTMENT OF ADMINISTRATION

REBECCA HULTBERG, COMMISSIONER

P.O. BOX 110200
JUNEAU, ALASKA 99811-0200
PHONE: (907) 465-2200
FAX: (907) 465-2135

Memorandum

To: Karen Rehfeld, Director
Office of Management and Budget
Office of the Governor

Date: March 16, 2012

From: Becky Hultberg BH
Commissioner

Phone: 465-2200

Subject: Monetary terms of the July 1, 2012 to June 30, 2015, Collective Bargaining Agreement between the State and the Teachers' Education Association of Mt. Edgecumbe

The Administration has concluded negotiations with the Teachers' Education Association of Mt. Edgecumbe (TEAME). If approved by the Legislature the monetary terms of this agreement become effective July 1, 2012 and remain in effect through June 30, 2015.

I. Terms Requiring Appropriation.

Current Legislative session

Effective July 1, 2012, the employer health premium contribution shall increase to a total of one thousand three hundred and thirty dollars ($1330) per month, per member. This amounts to an increase of $80.00 per month, per member.

Effective July 1, 2012, the wage schedule in effect on June 30, 2012, shall increase by two (2%) percent.

Future Legislative sessions

Effective July 1, 2013, the employer health premium contribution shall increase by the amount of money not exceeding that necessary to maintain the Select Benefits Default plan.

Effective July 1, 2013, the wage schedule in effect on June 30, 2013, shall increase by one percent (1%).

Effective July 1, 2014, the employer health premium contribution shall increase by the amount of money not exceeding that necessary to maintain the Select Benefits Default plan.

Effective July 1, 2014, the wage schedule in effect on June 30, 2014, shall increase by one percent (1%).

II. Change in State Revenues.

No term of this agreement would result in a change to State revenues.

III. Change in Productive Work Hours.

There is no change in productive work hours.

This report of monetary terms is consistent with the requirements of the Public Employment Relations act. Please forward these monetary terms to the Legislature in accordance with AS 23.40.215.

Cc: Commissioner Mike Hanley
Department of Education and Early Development

Les Morse, Deputy Commissioner
Department of Education and Early Development

Scot Arehart, Director
Division of Finance

Nicki Neal, Director
Division of Personnel and Labor Relations

ARTICLE 1
GENERAL PROVISIONS

Section 1: Nondiscrimination

P.F. 2/10/12 TA

The State and the Association agree that there shall be no discrimination concerning terms and conditions of employment or TEAME admission or representation on the basis of race, creed, color, religion, age, national origin, sex, domicile, marital status, change in marital status, genetic information, physical or mental disabilities, pregnancy, parenthood, membership or participation in Association activities.

Section 2: Management Rights
Except – and only to the extent – that specific provision of this Agreement expressly provide otherwise, it is hereby mutually agreed that the Employer has, and shall continue to retain, regardless of the frequency of exercise, rights to operate and manage its affairs in each and every respect.
Nothing in this Article shall be considered as superseding those rights granted to the Association in the articles and/or amendments of this Agreement.

Section 3: Savings and Separability

If any article, section, or subsection of this Agreement or any application of this Agreement to any employee or group of employees is held to be contrary to law, then such provision or application shall not be deemed valid or subsisting, except to the extent permitted by law, but all other provisions or applications shall continue in full force and effect. Furthermore, the State and Association shall within ten (10) calendar days enter into negotiations to replace any provision found to be contrary to law.

Section 4: Reproduction of Agreement
Copies of this Agreement shall be supplied by the State within ninety (90) calendar days after the Agreement is signed and presented to all teachers now employed, or hereafter employed. The State shall furnish five (5) additional copies of this Agreement to the Association for its use.

TA PMP 2/10/12 at 12:45pm P.F. 2/10/12

ARTICLE 2
NEGOTIATIONS PROCEDURE AND ASSOCIATION SECURITY

Section 1: Recognition

The State recognizes, in accordance with AS 23.40.070-23.40.260, the Teachers' Education Association of Mt. Edgecumbe as the exclusive representative for all teachers in the bargaining unit for the purpose of negotiating to achieve mutually satisfactory agreements on matters pertaining to their employment and the fulfillment of their professional duties.

Section 2: Inaugurating Negotiations

The parties agree to meet at a mutually agreeable time in August, 2011, to discuss establishment of a time to begin negotiations for a successor agreement.

- need to address when agreed on art. 14

P.F. 2/10/12

Section 3: Impasse Resolution

If no agreement is reached despite implementation of the foregoing procedures and the best efforts of the negotiating teams, the mediation procedure in AS 23.40.200(g) for resolving impasse shall be followed.

Section 4: Agency Fee

A. The National Education Association (NEA) shall fulfill its duty to represent all TEAME teachers without respect to membership in the Association.
B. For the life of the Agreement, all teachers covered by this agreement shall, as a condition of continued employment, either be or become a member of NEA and pay NEA dues, or pay a monthly agency fee to the NEA equal to the dues assessment made of all members of TEAME. The fee shall be subject to all legal requirements of the bargaining agent.
C. Teachers who are members of the NEA shall remain members for the duration of this Agreement, except that teachers may withdraw from membership during an annual thirty (30) day period immediately prior to September 30th. Any teacher who withdraws from membership shall be obligated to pay a monthly agency fee to NEA as a condition of continued employment.

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Section 5: Dues

A. Upon receipt by the Employer of a check off authorization dated and executed by the teacher which includes the bargaining unit member's ~~social security number~~ Employee Identification Number, the Employer shall deduct from the teacher's wages the amount of NEA membership dues or agency fee owed. The Employer will forward the monies so deducted to NEA together with a list of teachers from whose wages such monies were deducted not later than fifteen (15) working days after deduction. The Employer shall deduct from a teacher's wages only the amount of money which the NEA has certified in writing is the amount of monthly dues or agency fees.
If, for any payroll period in which the Employer is obligated to make deductions pursuant to this section, the wages owed a teacher after mandatory deductions are less than the authorized dues or fees to be deducted pursuant to this Article, the Employer shall withhold the amount from the second semi-monthly pay period.
B. Payroll deduction authorizations for dues or agency fees may be canceled by the teacher upon thirty (30) days written notice to the Employer, who shall notify NEA prior to the cessation

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of the deduction. Such cancellations may be processed only during an annual thirty (30) day period immediately preceding September 30. The cancellation of payroll deduction does not relieve that teacher from the requirement of agency fee payment.

C. The TEAME/NEA president shall notify the Director of the Division of Finance in writing of any increase or decrease in authorized dues or agency fees at least thirty (30) days prior to the effective date of the rate changes.

TA BMP 2/10/12 @ 12:46

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ARTICLE 3
DURATION OF AGREEMENT

Section 1

This Agreement shall become effective July 1, 2012, upon ratification by TEAME and approval of the Legislature and TEAME. This Agreement shall continue in full force and effect through June 30, 2015.

bmertl-posthumus 3/16/12 9:36 AM
Deleted: 06

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Section 2

Either party may, by written notice, initiate negotiations for a successor agreement as provided in Article 2, Section 2.

Section 3

The terms set forth herein shall be included by reference in the contracts of all teachers employed by MEHS. This Agreement shall be made a part of the teacher's individual comprehensive contract with the same force and effect as though fully set forth therein, and it shall remain in full force and effect up to and including June 30, 2015. This Agreement shall be altered, changed, added to, deleted from or modified only through the voluntary, mutual consent of the State and TEAME. Agreement to the commitments contained herein will have full force and effect.

bmertl-posthumus 2/9/12 2:50 PM
Deleted: 09

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ARTICLE 4
ASSOCIATION RIGHTS

Section 1: Access to Buildings

Duly authorized representatives of the Association shall be permitted to transact official Association business on school property outside the normal work day (8:00a.m. – 4:30p.m.) provided such right is not abused and does not disrupt normal school activities.

Section 2: Communication

The Association shall have the right to use MEHS mails both traditional and electronic and MEHS mailboxes to distribute Association material outside the normal workday (8:00a.m. – 4:30p.m.). Electronic use will be in accordance with the State's Technology Policy.

Section 3: Use of Facilities and Equipment

The Association shall have the right to use school facilities and equipment including, but not limited to, typewriters, computers, photocopy machines, other duplication equipment, calculating machines, local telephone and audiovisual equipment when such equipment is not otherwise in use, provided such right is not abused and does not disrupt normal school activities. The Association shall pay for incidentals to such use. Allegations of abuse of this right shall be resolved pursuant to Article 5. The Association shall have the right to use school buildings for meeting at no charge.

Section 4: Access to Information

The State agrees to furnish to the Association, upon request, information relevant to the Association's responsibilities as the recognized bargaining agent.

Section 5: Exclusive Rights

The rights granted to TEAME shall not be granted or extended to any other organization claiming to represent teachers at MEHS during the life of this Agreement.

Section 6: Steward Leave

The Union President or the President's designee shall be allowed to handle complaints and grievances under this Agreement during working hours. The President or designee shall suffer no loss in compensation for time spent handling complaints and grievances for up to eight (8) hours per month. All time spent in such activities shall be recorded on a State form which clearly identifies the activity as release time. Release from work to perform steward functions will normally be pre-approved and will not be unreasonably denied.
The State form will be prepared and submitted to administration for recording purposes. If possible the form will be submitted in advance; however, when not feasible, the form will be prepared and submitted to administration within a reasonable period of time within the affected pay period.

Section 7: Union Leave Bank

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Union leave will be used by request of the Association President. A leave ~~slip~~ request with the name of the member shall be submitted to management for accounting purposes.
Each bargaining unit member shall be charged with four (4) hours of leave annually on or before November 1st. If the Union Leave Bank has one hundred sixty (160) hours on November 1st there will be no assessment of the unit members' leave in that school year.

TA BMP
2/10/12
@ 12:47

P.F. 2/10/12

ARTICLE 5
GRIEVANCE PROCEDURE

Section 1: Definitions

A. A grievance shall be defined as any controversy or dispute involving the application or interpretation of the terms of this Agreement arising between the Association or any teacher(s) and the Employer.

B. The grievant(s) is the teacher(s) or the Association pursuing the controversy or dispute through the grievance-arbitration procedure.

Section 2: Purpose

The parties agree that they will promptly attempt to adjust grievances arising between them. The purpose of the procedure described herein is to secure, at the lowest possible level, mutually agreeable solutions to the grievances that may, from time to time, arise between the parties. The parties agree that these proceedings will be kept as confidential as may be appropriate at any level of the procedure.

Within the framework of this Agreement, the grievant and/or the Association shall use the following procedure as the sole means of settling said grievances. It is further agreed that the parties covered herein shall be bound, consistent with the terms of this Article, by any written decisions, determinations, agreements, or settlements that may be effectuated through this grievance-arbitration procedure.

Section 3: General Provisions

A. Any grievance must be brought to the attention of the Employer, consistent with the procedures set forth in this Article, within thirty (30) working days of the date the teacher first knew of or first received notice of the disputed action or inaction upon which the grievance is based, whichever is later, to receive use of the grievance procedure.

A dismissal, demotion, or suspension grievance must be brought to the attention of the Employer through the Association within fifteen (15) working days of the effective date of the action, or the date the teacher becomes aware of the action, whichever is later, to received the use of the grievance procedure.

It is agreed that all grievances resulting from dismissal, demotion or single suspension in excess of thirty (30) calendar days of a teacher covered by this Agreement shall be entered into the procedure at Level Three.

B. Throughout the grievance procedure, the number of days indicated at each level should be considered as a maximum and every effort should be made to expedite the process. The time limits specified may be extended by mutual agreement. The time limits for submission of a grievance at Level Two shall be counted from the date of receipt of the response from the Employer or the date the response is due, whichever is earlier. The time limits for a response to a grievance shall be counted from the date of receipt of the grievance from the Association or the grievant.

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Date of receipt of a grievance or response shall be seven (7) calendar days following the date of postmark or the date of a signed verification or receipt, whichever is earlier.

C. If the Employer does not comply in rendering a decision within the time allotted after the grievance is submitted, such failure shall entitle the Association to take the grievance to the next level of the grievance procedure. Grievances not advanced within the time frames provided or altered by mutual agreement will not be considered active.

D. If a designated representative of the Association attends an arbitration during the working day, s/he will, upon notice to the Employer, be granted reasonable accommodation for release time, in order to permit participation in the arbitration. A teacher, whose appearance in such proceedings as an Employer witness is necessary, will be accorded the same right.

E. If in the judgment of the Association, a grievance affects two or more teachers in the same manner, the Association may file a class action grievance within thirty (30) calendar days after learning of the action or inaction upon which the grievance is based. The processing of such grievance will commence at Level Two.

F. All copies and originals of documents, exhibits, written communications, and records dealing with the processing of a grievance shall be filed in a separate grievance file and will not be kept in the personnel file of any of the participants.

G. Forms for use in processing grievances shall be jointly developed and/or approved by the Association and the Employer.

Section 4: Grievance Steps

A. Level One

Within 30 days of the disputed action or inaction or within 30 calendar days from the date the teacher is made aware of the action or inaction, whichever is later, the grievant shall first present a grievance in writing to his/her first level supervisor outside the bargaining unit. The supervisor shall attempt to resolve the matter and report his/her decision in writing to the grievant within ten (10) working days of its presentation.

B. Level Two

If the grievant is not satisfied with the disposition of his/her grievance at Level One, the Association may file a written grievance with the Superintendent within ten (10) working days after the written response at Level One is due or received, whichever is earlier. The written appeal shall state specifically which Article(s) and/or Section(s) of the Agreement the Employer may have violated. The Superintendent shall submit his/her decision and the reasons therefore in writing to the Association within ten (10) working days after receipt of the grievance at Level Two.

C. Level Three

If the grievant is not satisfied with the disposition of his/her grievance at Level Two, the Association may file a written grievance with the Senior Management Consultant for the General Service Team within ten (10) working days after the written response at Level Two is due or

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received, whichever is earlier. The written appeal shall state specifically which Article(s) and/or Section(s) of the Agreement the Employer may have violated. The Senior Management Consultant shall submit his/her decision and the reasons therefore in writing to the Association within twenty (20) working days after receipt of the grievance at Level Two.

Settlements reached at Level One or Level Two shall be binding only if such settlements are consistent with the provisions of this Agreement and policies and regulations of the Employer. Grievances settled at Level One or Level Two found to be inconsistent with this Agreement may be reopened by the Employer through a written notice to the Association within fifteen (15) working days from the date of the settlement.

D. Level Four

If the Association is not satisfied with the disposition of the grievance at Level Three, the Association may appeal in writing the Level Three decision to the Commissioner of the Department of Administration within twenty (20) working days after the decision at Level Three is due or received, whichever is earlier. The written appeal shall state, when appropriate, specifically which Article(s) and Section(s) of the Agreement the Employer may have violated. The Commissioner of the Department of Administration, or designee, shall submit his/her decision and the reasons therefore in writing to the Association within twenty (20) working days after receipt of the grievance at Level Four.

E. Arbitration

If the Association is not satisfied with the disposition of a grievance at Level Four, the Association may appeal in writing the Level Four decision binding arbitration within fifteen (15) working days after the decision at Level Four is due or received, whichever is earlier. Within twenty (20) working days after the written appeal to arbitrate is received, the Employer and the Association will meet to select an arbitrator from the current panel of arbitrators by alternately striking names from the panel until only one name remains. The remaining name shall serve as the arbitrator. If the selected arbitrator cannot serve within a reasonable period of time, the parties will mutually agree upon another arbitrator. The first strike shall be determined by a coin toss.

Section 5: Board of Arbitrators

The panel of arbitrators will be seven (7) Pacific Northwest arbitrators jointly requested by the Association and the Employer from the United States Federal Mediation and Conciliation Service (USFMCS) within thirty (30) working days of the signing of the Agreement. If either the Employer or Association so desires, a new panel of seven (7) arbitrators may be requested at the end of each six month period. This does not preclude the parties from compiling a mutually agreeable list without the assistance of the USFMCS.

The selected arbitrator will be jointly contacted by the parties promptly to schedule a mutually satisfactory hearing date, time, and place for the arbitration. The arbitrator will issue his/her decision not later than thirty (30) working days from the date of the close of the hearings, or from the date the final statements and/or briefs are submitted to him/her. The written decision of the arbitrator will be submitted to the Employer and to the Association and will be final and binding upon the parties. The arbitrator shall have no authority to rule contrary to, to amend, add to, subtract from, or eliminate any of the terms of this Agreement. The arbitrator shall have the power to return a grievant to employee status with or without restoration of back pay, or

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mitigate the penalty as equity suggests under the facts. Should either party fail or refuse to abide by the decision of the arbitrator, the prevailing party shall be free to take whatever action it deems necessary within the confines of this agreement.

Section 6: Authority of Arbitrator

The parties agree that any question of arbitrability in a dispute will be heard by the arbitrator at the same hearing that the merits of the dispute are heard, unless upon the request of either party, the arbitrator decides otherwise. The arbitrator will first rule on the arbitrability issues in his/her decision and, if appropriate, on the merits of the dispute.

The costs of the services for the arbitrator, and his/her travel and subsistence expenses and the cost of any hearing room will be borne as designated by the arbitrator. Normally, the losing party shall be expected to pay the arbitrator's expenses. If neither party can be considered the losing party, the arbitrator shall apportion expenses using the arbitration decision as a guide.

Section 7: Arbitration Witnesses

A teacher who is required to appear as a witness for an arbitration proceeding for the Association shall be considered in pay status.

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ARTICLE 6
STANDARD TEACHER CONTRACT

The Standard teacher's contract shall consist of one hundred and eighty-eight (188) teaching and/or in-service days plus holidays. When necessary the Superintendent may assign the academic counselor to work outside the standard contract above and he may request that teachers work outside the standard contract above in order to work on the scheduling of students prior to the beginning of the school year. The teachers' per diem rate shall be calculated at 1/188 of their contracted annual salary.

Mertl-Posthumus, Benthe (DOA)

From: Anderson, Willie [AK] [Willie.Anderson@neaalaska.org]
Sent: Friday, March 16, 2012 4:04 PM
To: Mertl-Posthumus, Benthe (DOA)
Subject: Re: FW: TEAME Articles Approved, Initialed, and dated by Paul FitzGibbon

Article 6 is a status quo article. No changes propose by either party.

"Mertl-Posthumus, Benthe (DOA)" <benthe@alaska.gov>wrote:

Do you know if Paul is still there?

From: Mertl-Posthumus, Benthe (DOA)
Sent: Friday, March 16, 2012 3:52 PM
To: Fitzgibbon, Paul G (MEHS)
Subject: RE: TEAME Articles Approved, Initialed, and dated by Paul FitzGibbon

I did not see TA'd copies of the attached articles. I understand that we will get the signatures for Art 14 later, but could you please TA?

From: Paul Fitzgibbon [mailto:paulf@mehs.us]
Sent: Friday, March 16, 2012 3:08 PM
To: Mertl-Posthumus, Benthe (DOA)
Cc: Willie Anderson
Subject: TEAME Articles Approved, Initialed, and dated by Paul FitzGibbon

See attached.

Confirm receipt at your earliest convenience.

Please let me know if you have any questions.

thanks and have a great weekend

Paul FitzGibbon
MEHS Social Studies Teacher
966-5255

ARTICLE 7
TEACHER RIGHTS

Section 1: Student Evaluation

The teacher shall maintain the right and responsibility to determine grades and other evaluations of students within the grading policies of the State based upon his/her professional judgment of available criteria pertinent to any given subject area or activity for which the teacher is responsible. No grade or evaluation shall be changed without prior notification to the teacher.

Section 2: Academic Freedom

Teachers will have full freedom in instruction and the selection of instructional materials and methodology within the outlines of the appropriate course content, within the planned instructional program as determined by normal instructional development and administrative procedures subject to approval of the superintendent or his designee and within budgetary constraints.

Section 3: Personal Freedom

The off-duty conduct of a teacher shall not be a concern of the Employer unless it impairs the teacher's fulfillment of job responsibilities.

The teacher is free to express to administrators or other teachers professional opinions or suggestions that are in disagreement with those of the administrators or other teachers without fear of disciplinary action, unless or until such expression becomes abusive or harassing in nature.

In the exercise of their private affairs teachers shall enjoy the rights guaranteed within this section.

The State may not directly or indirectly:

A. Require or coerce any teacher to participate in any way in any activity or undertaking unless the activity or undertaking is related to the performance of official duties;

B. Require or coerce any teacher to make any report concerning any of his/her activities or undertakings unless the activity or undertaking is related to the performance of his/her official duties;

C. Except as directly related to the performance of his/her official duties, require or coerce any teacher to submit to any interrogation or examination or psychological test that is designed to elicit from him/her information concerning:

1. his/her personal relationship with any person connected with him/her by blood or marriage,

2. his/her religious beliefs or practices,

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3. sexual matters,

4. his/her political affiliation or philosophy;

D. Coerce any teacher to invest or contribute his/her earnings in any manner or for any purpose;

E. Restrict or attempt to restrict after-working-hour statements, pronouncements, or other activities, not otherwise prohibited by law or rule, of any teacher, if the teacher does not purport to speak or act in an official capacity. The provisions of this Section do not diminish the authority of an authorized law enforcement agency to conduct criminal investigations of teachers suspected to being involved in criminal activity.

Section 4: Political Activity

Teachers may be active politically. For the purposes of the Section, "active politically' means that teachers may be a member of a national, state, or local political party; may take part in a political campaign; and may exercise his/her right as a citizen to express his/her opinion, register his/her party preference, serve as a delegate to party conventions, and cast his/her vote. Teachers may also be appointed, nominated, or elected to nonpartisan public office in a local government unit.

For the purposes of this Section, "active politically' does not include:

A. Running for and serving in State or national partisan public office;

B. Being politically active while in work status;

C. Purporting to act on behalf of the Employer;

D. Taking an active part in the management of a political party above the precinct level;

E. Giving, rendering, paying, offering, soliciting, or accepting money, service, or other valuable thing in connection with an appointment, promotion, or advantage in State employment;

F. Requiring an assessment, subscription, contribution, or service for a political party from a teacher or any other State employee;

G. Seeking or attempting to use a political party endorsement in connection with an appointment or promotion as a teacher or to a position in the classified or partially-exempt services.

Section 5: Workday

The standard workday for teachers is eight (8) hours exclusive of a meal period.

Section 6: Meal Periods

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Teachers shall normally have a daily duty-free meal period of at least thirty (30) minutes free of assigned responsibilities.

Section 7: Preparation Time

Each teacher who is assigned to teach a full curriculum and who is not assigned to the residential program shall have, in addition to his/her meal period, equivalent to one full class period daily preparation time during which the teacher shall not be assigned to any other duties. If the school schedule is modified, preparation time will match the modified schedule for that day. Preparation time will not be unnecessarily divided and it will be during the student day.

Section 8: Legal Assistance

A. Eligibility for Legal Assistance

To be eligible for legal assistance, both of the following conditions must be met:

1. Timely Request. The teacher must request in writing to the Commissioner of the Department of Education and Early Development that the Employer provide the legal defense services available under this Article within ten (10) calendar days of service of summons and complaint on the employee. The postmark on the teacher's request shall be deemed the date of the request. Failure to submit a written request within the required ten (10) calendar days relieves the Employer of any obligation under this Article.

2. Good Faith Performance. The Employer must determine that the teacher was acting in good faith and with reasonable care and diligence in the performance of the assigned duties before the teacher is entitled to legal assistance under this Article. Determinations made by the Employer in connection with this subsection are final. The Department of Law shall be responsible for making such determinations.

B. Legal Assistance to be Provided

1. If the Employer determines that a teacher did not engage in conduct beyond the scope of the teacher's authority or which constituted willful misconduct or gross negligence in the performance of the teacher's duties, upon request the Employer agrees to provide for the legal defense of the teacher in any civil legal action brought against the teacher as a result of the performance of the teacher's duties.

2. The teacher must request in writing that the Employer provide the legal defense services available under this Article within five (5) working days of service of summons and complaint on the teacher. The summons and complaint shall accompany the request. The postmark on the bargaining unit member's request shall be accepted as the date of the request by the Employer. Failure to submit a written request within the required five (5) working days relieves the Employer of any obligation under this Article.

3. The Employer shall have the right to determine which attorney shall represent the teacher. If the bargaining unit member objects to the attorney provided by the Employer, the teacher may request that the Employer appoint another attorney. The teacher may make only one (1) such request.

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4. If the Employer determines that the teacher did not engage in conduct beyond the scope of the teacher's authority or which constituted willful misconduct or gross negligence, the Employer agrees to compensate the teacher at the teacher's normal rate of pay including per diem without loss of any benefits or seniority to the teacher; upon a reasonable showing by the teacher of need, an absence from work will be allowed to prepare the teacher's case for negotiation or trial. The Employer also agrees to pay any judgment rendered against the teacher if the Employer has provided legal services to the teacher pursuant to this Article.

5. The Employer may undertake the defense of a teacher pursuant to this Article with reservation. If the Employer has provided legal services under reservation, the obligation to pay a judgment against the teacher is not operative until final determination is made by the Employer of the teacher's eligibility for legal services under this Article. If the Employer has undertaken the defense of a teacher with reservation, and if a court of competent jurisdiction deems that the teacher acted beyond the scope of the teacher's authority or with willful misconduct or gross negligence, then the Employer has no liability whatsoever to the teacher or any other person as a result of such determination. In such cases as this, the judgment, costs and fees will be borne by the teacher as in any other instance where the court determines that the teacher acted beyond the scope of the teacher's authority or with willful misconduct or gross negligence.

6. For purposes of this Article, "Employer" means the State of Alaska or designated representative of the State or an agency of the State. Consistent with past practice, decisions of the Employer pursuant to this Article shall not be subject to the grievance-arbitration procedure.

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ARTICLE 8
DISMISSALS, NON-RETENTION, DISCIPLINE, AND REDUCTION IN FORCE

Section 1: Dismissal

The Employer agrees not to dismiss, non-retain or suspend a tenured teacher without just cause. Any tenured teacher who is suspended, non-retained, or dismissed shall be notified of the reason(s) for said dismissal in writing. If a teacher so requests, s/he may appeal his/her dismissal starting at Level Two of the grievance procedure.

Section 2: Discipline

The Employer agrees to notify the teacher, in writing, when it becomes known that he/she has a deficiency so serious as to have a possible effect on his/her continued employment but that does not require the immediate removal or disciplining of the teacher.

The written notice required by this Section shall include the nature of the deficiency and the standard against which future performance will be evaluated. Discussions of said deficiency and possible means to overcome the same shall be held upon request from the teacher. The teacher shall normally be given a reasonable period of time to effect remedial action after receiving this written notice.

Warnings, reprimands, and other forms of discipline shall only be for just cause and, whenever possible, administered in private. A copy of written disciplinary action(s) shall be provided to TEAME and one shall be placed in the teacher's personnel file, along with the teacher's response, if one is made and is not part of a grievance.

Discipline shall be administered in a prompt, fair, and equitable manner.

If a teacher has been notified in advance, or if the teacher has reason to believe that discipline is being or will be administered, the teacher may request, and is entitled to receive, a reasonable period of time to secure the presence of a TEAME representative during the disciplinary action.

Section 3: Layoff

A layoff of a teacher(s) may occur by reason of abolition of position, shortage of work or funds, or another reason outside the teacher's control that does not reflect discredit on the services of the teacher(s).

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ARTICLE 9
VACANCIES, ASSIGNMENT, AND TRANSFERS

Section 1: Vacancies

Definitions

"Qualified" is defined as an endorsement, or a major or minor in a subject field from an accredited college or university. The Superintendent may designate a teacher otherwise not qualified by this definition as being qualified.

"Assignment" is defined as a specified teaching duty(ies) in terms of subject matter and/or grade level(s), and teaching stations.

"Transfer" is defined as the movement of an employee to a different assignment, grade level, subject area or teaching station.

Section 2: Procedures

Each teacher shall be given written notice of assignments for the school year not later than August 1 of the school year. Assignments are subject to change due to the needs of the incoming students.

The State shall deliver to the Association and post a list of teaching vacancies that occur during the year and for the following school year upon knowledge of such vacancies. Said vacancies shall be posted for not less than fifteen (15) school days prior to being filled, unless such posting is impractical under the circumstances.

If a current teacher wants to fill a vacant position for which s/he is qualified, the teacher is entitled to first consideration based on seniority. If a teacher wishes to change assignment for a full school year, the teacher shall notify the Superintendent by March 1 of the previous school year.

Section 3: Involuntary Transfers and Reassignment

Reassignments of teaching positions will be completed by the Superintendent, so long as the teacher to be reassigned is properly certified and highly qualified for the reassignment. A teacher occupying a position through an involuntary transfer shall be given first consideration to fill any subsequent vacancy that occurs for which the teacher is certified or highly qualified by the No Child Left Behind state/federal requirements.

Notice of involuntary transfer shall be given in writing to employees as soon as possible and in no case later than thirty (30) calendar days before the effective date of the transfer, except in case of a teacher resignation after August 1.

The State shall provide upon written request a written statement of the reason(s) for a teacher's assignment being involuntarily changed.

Involuntary transfers shall not be used for disciplinary actions.

B.F 3/16/2

Section 4: Student Discipline

When, in the judgment of the teacher, a student requires the attention of the principal, counselor, psychologist, physician or other specialist, s/he shall so inform the principal or immediate supervisor in writing. The principal or immediate supervisor shall arrange as soon as possible for a conference composed of appropriate parties to discuss the problem and to decide appropriate steps for its resolution.

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ARTICLE 10
EVALUATIONS

Section 1: Instrument/Criteria

The evaluation instrument and related criteria shall be bilaterally developed by the Employer and TEAME, and shall be available to all members of TEAME and shall be consistently and equitably applied.

Section 2

Evaluations and post-evaluation conferences between the employee and principal shall be arranged according to the following schedules:

Non-tenured employees shall have a minimum of two (2) formal evaluations and post-evaluation conferences annually prior to March 1. The first evaluation and conference shall be no later than November 1. There shall be at least a thirty (30) working day period between each observation unless requested sooner by the employee. Additional post-evaluation conferences shall be scheduled as needed in order to provide new employees with maximum assistance in strengthening and improving of teaching performance.

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Tenured employees shall have a minimum of one (1) evaluation every ~~three~~ one years or as often as deemed necessary by the principal. The evaluation and post-evaluation conference shall be completed prior to February 15. Additional post-observation conferences shall be scheduled as needed in order to provide intensive and maximum assistance in the strengthening and improvement of teacher performance.

Should the evaluation procedure reveal a performance deficiency, it is the responsibility of the building supervisor to inform the teacher in writing of the specific deficiency and provide in cooperation with the teacher a positive written step-by-step prescription for improvement (i.e., recommended course work, other staff advice, conferences, classroom visitations, books or articles). Such a prescription shall take into consideration both short- and long-term goals. The teacher shall have the option to request that the evaluator model correct teaching methods for specified deficiencies.

After a three (3) month period of remediation the employee shall be evaluated again in accordance with the procedures in this Article.

When a classroom teacher is to be evaluated, the academic principal shall make at least three (3) informal classroom visitations of twenty (20) minutes or longer duration and one (1) formal classroom visitation of fifty (50) minutes in length prior to completion of the evaluation instrument. Residential teachers will be evaluated according to standard State procedures by their immediate supervisor.

The evaluation instrument must be signed by the academic principal as the evaluator and by the teacher acknowledging that the post-evaluation conference was held and that the teacher is aware of the contents of the evaluation instrument. The teacher shall be allowed to affix to the instrument a rebuttal of any portion of the instrument that s/he feels is inaccurate, unfair or incomplete. This rebuttal shall be made within ten (10) working days following receipt of the evaluation instrument.

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The subjective judgment of the evaluator shall be subject to review according to the terms of this Agreement.

A signed copy of the evaluation instrument shall be provided to the teacher at the time of evaluation conference.

The evaluation instrument shall be considered confidential.

Section 3: Teacher Evaluation of Administrators

Forms for the evaluation of the principal and superintendent shall be provided for staff by the administration for completion and return to the appropriate administrators being evaluated by March 15 of the school term.

Completion of these evaluations by the teacher is at the teacher's option and forms shall be signed by the teacher. Copies of the signed evaluations shall be forwarded to the State Board of Education and the Commissioner of the Department of Education and Early Development.

Section 4: Personnel Files

Official personnel files shall contain only materials and records related to the employment history with the employer of the teacher, and shall be maintained under conditions which insure integrity and safekeeping. Teachers shall be advised as to the physical location of these files. File information shall be furnished upon request.

A. Teacher Access

Teachers shall have the right to examine their own official personnel files during the normal business hours of the office in which the files are kept. A copy of any non-routine material placed in a teacher's personnel file shall be forwarded to that teacher at the time it is placed in the file.

A teacher may make reasonable entries to the file and may make timely comments to material in the file that is not the subject of a grievance.

No anonymous material shall be placed in a teacher's personnel file.

A TEAME representative, with the teacher's written permission, shall have the right to examine the teacher's personnel file upon prior written notification to the Employer. The Employer will make available original material, or copies of the original material, for examination by the TEAME representative at the place where the personnel file is kept.

Confidential pre-hire information shall not be a part of the official personnel files, but may be maintained in separate files.

B. Secret Files

There shall be no secret personnel files.

In a specific personnel action no use may be made of any material that has not been properly and in a timely manner placed in a teacher's personnel file.

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Before the record of any complaint by a parent or by a student is placed in the teacher's personnel file, the teacher shall be afforded the opportunity to confront the complainant and to reply to the same. No derogatory materials, letter or report of complaint shall be placed in the teacher's file without the teacher's knowledge and without affording the teacher an opportunity to make a written statement of defense or explanation to be attached thereto. Any material referred to shall also be subject to the grievance procedure.

C. Copies

A teacher or designee may make a reasonable number of copies of the contents of his/her file.

TA BMP
2/10/12
12:48

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ARTICLE 11
CONTINUING EDUCATION

In-Service Education

Recognizing the importance of an in-service education program that meets the needs of teachers, the administration shall establish the in-service needs of teachers and also the kinds and costs of in-service programs that may be used to meet those needs.

P.F.
3/16/12

P.F.
2/10/12

ARTICLE 12
LEAVE

Section 1: Personal Leave

Teachers are entitled to personal leave with pay that accrues as follows:

Two (2) days for each full monthly pay period in the case of teachers with less than two (2) years of service;

Two and one-quarter (2.25) days for each full monthly pay period in case of teachers with two (2) but less than five (5) years of service.

Two and one-half (2.5) days for each full monthly pay period in the case of teachers with five (5) or more years of service.

Upon appointment, accrued personal leave is available for use by a member following the successful completion of thirty (30) consecutive calendar days of leave eligible employment.

Section 2: Use of Personal Leave

A teacher may take personal leave any time business permits with permission of the immediate supervisor.

A teacher may take personal leave for medical reasons, regardless of whether business permits, with permission of the immediate supervisor. The supervisor shall grant personal leave for medical reasons if the supervisor is satisfied that the teacher is absent for medical reason. The taking of personal leave for medical reasons shall be reduced by the amount of wage continuation payments made under the Alaska Workers' Compensation Act (AS 23.30). The following constitute "medical reasons" and are subject to the conditions noted: Medical disability of teacher is medical reason for taking personal leave. A supervisor may require a doctor's certificate showing the disability if the absence exceeds three (3) consecutive working days.

Medical disability of a member of a teacher's immediate family is a medical reason for taking personal leave if the disability is such that the attendance of the teacher is required. A supervisor may require a doctor's certificate showing the disability if the absence exceeds three (3) consecutive working days.

A medical condition of a teacher that makes presence at work a danger to the health of fellow employees or students is a medical reason for taking personal leave. A supervisor may require a doctor's certificate showing the condition if the absence exceeds three (3) consecutive working days.

Death of a member of a teacher's immediate family is a medical reason for taking personal leave. No more than ten (10) days of personal leave may be taken for this purpose.

Each teacher shall, during the school year, take at least five (5) days of personal leave. If the teacher does not take at least five (5) days of personal leave during the school year, the difference between five (5) days and the amount of personal leave taken shall be canceled

without pay unless the superintendent certifies in writing that the teacher was denied the opportunity to take five (5) days of personal leave during the school year. Except in unusual circumstances, and when approved by the superintendent, leave will not be granted the last two (2) weeks the school is in operation or the week before or after Christmas break.

Section 3: Family and Medical Leave

Bargaining unit members shall be covered by the provisions of the Federal Family and Medical Leave Act (FMLA) CFR Title 29 Part 825 and the Alaska Family Leave Act (AFLA) AS 39.20.500 and for qualified employees the benefits of the two acts will run concurrently.

A. Health Coverage

During the time that an employee is on leave under this section, the Employer shall maintain coverage under the group health plan. However, the Employer may require that the employee pay all or part of the costs for maintaining health insurance coverage during a period of unpaid leave.

Section 4: Accumulation of Personal Leave

Personal leave accrued but not used shall accumulate to a maximum of seven-hundred twenty (720) hours on June 30 of any calendar year. If a teacher has, as of June 30, an amount of personal leave in excess of seven-hundred twenty (720) hours, the excess shall be deducted from the employee's personal leave balance and paid as cash. (For informational purposes only: the Teachers have deferred comp options available to address tax liability on leave cash-in).

Section 5: Donation of Leave

Employees covered by this Agreement shall be allowed to donate personal leave to and receive donations of annual or personal leave from employees in this unit or those represented by a different union or non-covered employees subject to the following conditions.

1. Each employee wishing to donate personal leave will ~~fill out, date and sign a leave slip~~ complete a leave request showing the amount of leave to be donated subject to a minimum of four hours. The leave ~~slip~~request will have written along the bottom, or in the space provided, "Leave donated to (employee name, ~~social security number~~Employee Identification Number)."

P.F. 2/10/12

2. The recipient's union will be responsible for gathering all leave donations to be forwarded to the Division of Finance for processing. Leave donations will be posted by the Division of Finance to the recipient's account during the pay period in which received (1 through 15, or 16 though the end of the month) for use from that pay period forward. Donation shall not be posted for use in a pay period prior to that in which received.

3. The Division of Finance will convert the donated leave to dollars at the annualized hourly rate of the donor. That dollar amount will be converted to leave at the annualized hourly rate of the recipient and the appropriate hours of leave will be added to the recipient's donated leave account for use as sick leave. The total amount of leave credited to the recipient's donated leave account shall not exceed 300 hours during the life of the current agreement. Donated leave may not be used until all accrued sick and annual leave has been exhausted.

P.F. 2/10/12

4. Once the Division of Finance has completed the above process, the State will not be obligated for further processing or liabilities resulting therefrom. Once the donation has been transferred to the recipient, the donation cannot be withdrawn, modified or otherwise returned to the donor's leave account. Leave donations will not reduce the mandatory leave usage requirements established in the collective bargaining agreement. Upon the death of an employee, any unused donated leave shall be paid in cash to the employee's beneficiaries at the employee's annualized hourly rate.

A teacher may donate one or more days of personal leave a year to the memorial scholarship revolving loan fund, or to a scholarship account in the fund, under AS 14.42.250-14.43.325. The Commissioner of the Department of Administration shall pay to the account of the memorial scholarship revolving loan fund, or to a scholarship account in the fund, an amount equal to the value of the day or days or personal leave contributed by the teacher.

Section 6: Terminal Leave

1. Any teacher who is separated from State service for any reason including layoff shall receive within ten (10) days from the date of receipt of final time record, a lump sum payment, minus any required deductions, for any unused personal leave

2. If a teacher who resigned from State service returns to State service prior to the end of the period covered by the terminal leave, the employee may, at his/her option, refund to the State an amount equal to the compensation covering the period between the date of reemployment and the expiration of terminal leave. The hours of leave represented by this refund shall then be re-credited to the teacher's personal leave account.

Section 7: Sick Leave

1. Effective July 1, 1989, the provisions of AS 14.14.105-107 do not apply to teachers in the bargaining unit except as expressly provided herein. All sick leave accrued prior to that date by a teacher shall be transferred to a medical leave bank, and may only be taken in accordance with this section.

2. A teacher may not take any banked medical leave unless the teacher:

a. Has no accrued personal leave; and

b. Has a medical disability exceeding ten (10) consecutive working days in duration; or

c. Has a medical disability exceeding thirty (30) consecutive working days in duration.

3. Once the requirements of 2 and 4 of this Section have been met, a teacher may take banked medical leave until the medical disability is terminated or the banked medical leave is exhausted. If a teacher qualifies for banked medical leave under 2.c of this Section, the banked medical leave may be taken for all working days of the medical disability following the tenth (10th) working day of the disability.

4. When leave is taken under 2.a and b of this Section, the superintendent may require a doctor's certificate showing the disability. When leave is taken under 2.c of this section, the teacher must submit a doctor's certificate showing the disability.

P.F. 2/10/12

5. The taking of leave under this Section shall be reduced by the amount of wage continuation payments made under the Alaska Workers' Compensation Act (AS 23.30).

6. Upon a teacher's separation from State service, the teacher's banked medical leave shall be canceled without pay, unless transferred under the terms of AS 14.14.107.

Section 8: Professional Improvement

Professional improvement days may be used for professional improvement in the employee's subject area with prior approval of the superintendent. The administration will make every reasonable effort to see that as many employees as possible attend professional conferences each year.

Section 9: Leave Cash-In

A teacher who has at least thirty (30) days of accrued leave may cash in up to eight (8) days of personal leave in a leave year. Additional days of leave may be cashed in at the discretion of the superintendent. The teacher's leave balance will be reduced by the number of days of personal leave cashed in. Leave cash-ins must not reduce a teacher's leave balance to less than five (5) days.

Section 10: Sabbatical Leave

A. The Employer may grant a total of one sabbatical leave to a qualified TEAME applicant in any fiscal year. The leave may be for up to one full year and shall count as a year's service for salary placement at MEHS. If the Employer determines a sabbatical leave is appropriate, the Employer and teacher agree to make TRS contributions for the period of sabbatical leave in accordance with AS 14.20.330 [C]. The Employer shall pay a teacher's employer-sponsored health insurance premium while the teacher is on sabbatical leave.

P.F.
2/10/12

B. If the Employer determines a sabbatical leave may be taken during the following school year, a Sabbatical Leave Committee composed of three representatives appointed by the Association and three representative appointed by the Employer will meet during the first week of February to review applications submitted prior to February 1 for Sabbatical leave consideration. In the event the committee's vote is a tie, the Superintendent shall make the final decision among the tied candidates. The teacher will be notified of his/her selection on or before February 15 of each year.

C. To qualify to apply for a sabbatical, a teacher must have served with the Employer as a teacher at MEHS for at least seven (7) continuous years. The sabbatical leave shall be granted only for educational purposes. The educational purposes must be directly related to the teacher's MEHS position. The criteria to be considered for each applicant shall be: 1) benefit to the educational program of MEHS, and 2) educational improvement of the teacher; and 3) the quality of educational program chosen by the teacher to enter.

D. Upon return from a sabbatical leave a teacher shall be assigned to the position s/he previously held unless that position has been eliminated in which case the teacher shall be assigned by the Employer to a similar position after consultation between the teacher and the Superintendent. If no similar position is available or if the similar position is filled, layoff procedures as provided for in Article 8 shall be invoked.

Section 11: Medical Leave Bank

Any team member may become a member of the Medical Leave Bank by authorizing the donation of fifteen (15) hours of leave to the Bank on the form provided by the Employer.

Newly-hired bargaining unit members must donate within the first one hundred (100) days of employment.

Existing bargaining unit members may join by donating during an annual enrollment window of November 1 to December 15 each calendar year. Failure of the bargaining unit member to join by notification to the Employer during this period renders the bargaining unit member ineligible for use of the Medical Leave Bank for the following year.

Thereafter, members of the Bank shall donate to the Bank a leave day (8.0 hours) the first pay period of each year until the Bank reaches a maximum balance of 120 days (960 hours). Except for new participants, no more leave donations will be deducted until the Bank is depleted to 60 days (480 hours).

When the 60 day (480 hours) minimum is reached, each member of the Bank will again contribute one leave day (8.0 hours) each December 16 until the Bank again reaches a maximum of 120 days (960 hours).

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Section 12: Medical Leave Bank Use

A Medical Leave Bank Committee will be established by TEAME to implement, administer and oversee the Bank. The decision(s) of the Medical Leave Bank Committee shall be final.

Medical leave days can only be withdrawn from the Bank for injuries or illnesses.

If the Medical Leave Bank is disbanded the accumulated medical leave in the bank will be distributed equally to all the bargaining unit members who are Medical Leave Bank members at the time. This leave will be deposited into their personal leave account. A report of the balance of the Medical Leave Bank will be provided to the TEAME president upon request.

TA BMP 2/10/12 @ 12:49

P.F. 2/10/12

ARTICLE 13
SALARY

Section 1: Alaska Geographic Differential Pay

A. Effective July 1, 2010, all members working in Sitka shall receive a Sitka Alaska geographical differential of 5% to the TEAME wage scale.

Section 2: Compensation

Contracted teachers serving a school term of one hundred and seventy two (172) contract days or more shall be credited with a year of teaching service.

A. TEAME Salary Schedule effective 7/1/

For the purposes of this proposal the table has been removed. After this Article has been TA'd the tables will be added back in showing the agreed upon wages.

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The State proposes that effective July 1, 2012 the wages in effect on July 1, 2011 will be increased by two percent (2 %).

Effective July 1, 2013 the wages in effect on July 1, 2012 will be increased by one percent (1 %).

Effective July 1, 2014 the wages in effect on July 1, 2013 will be increased by one percent (1 %).

The parties further agree that should the State enter into a voluntary agreement with the Labor, Trades and Crafts unit or the Alaska Correctional Officer Association that provides for an increase in wages for the July 1 2012 through June 30, 2015 timeframe in excess of that provided for in this Agreement, upon request of the Union, this Agreement will be promptly reopened for the sole purpose of negotiating equivalent terms for this Agreement.

Section 3: Placement on Column

Each teacher shall be placed on the highest numbered row and column step for which s/he qualifies from the time the teacher received his/her teaching certificate issued by a state.

The total creditable years of teaching experience shall be the sum of:

A. Each year of teaching experience in an Alaska public school, whether operated by a school district, REAA, the State or the Bureau of Indian Affairs (BIA); and
Each year of teaching experience in a nationally, regionally or state-accredited public school outside Alaska, including over-seas schools; to a maximum of five (5) years.

B. Each year of certificated, international teaching experience up to a maximum of two (2) additional years with the approval of the superintendent.
Employees on the Teachers Salary Schedule who advance from one vertical column to another at any time shall move to the corresponding eligible step on the higher column, if s/he has filed notice of additional educational credit with the superintendent no later than November 1 of the current year.

Salary placement credit will be allowed for:

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A. Applicable education courses, including all credits earned by a teacher for supervising a student teacher or intern teacher to a maximum of 6 credits out of every 15 credits recognized for movement from column to column on the salary schedule. This limitation on the counting of credits for supervising student or intern teachers becomes effective on July 1, 1998.

B. Courses applicable to the teacher's current teaching assignment.

C. Courses in the teacher's major or minor field.

D. Certain workshops will be allowed to the same extent as they are allowed with prior approval by the Department of Education and Early Development for renewal of a teaching certificate.

E. Any professional educational hours earned to secure an initial teaching certificate shall not be allowed for any additional range on the salary schedule unless the teacher is teaching in his/her major field.

The superintendent may approve substitutions for the above requirements if the circumstances are unique.

All certificated teaching staff who are assigned night duty and or weekend duty shall be paid at their regular rate plus an additional 3.75 percent of their daily rate.

All certificated teaching staff who are assigned to work school holidays or school vacation days shall be paid at a rate one and one-half (1 ½) times that of their normal per diem.

Section 4: Health Insurance

Employer Provided Health Insurance

The Employer will continue to provide a flexible benefits program for the provision of health insurance. Eligible employees will pay, by payroll deduction, any difference between the Employer's contribution and the total premium required to provide the coverage elected by the employee under the flexible benefits program. The Employer will seek to maintain a plan with prudent reserves and minimal cost shifting. This article will in no way limit the Commissioner's authority under AS 39.30.095B. Effective July 1, 2012 the Employer's health insurance contribution shall be increased to one thousand three hundred thirty dollars ($1330) for each eligible employee per month. Effective July 1 of each subsequent year this agreement is in effect, the Employer's health insurance premium contribution will increase by the amount of money, for all employees, that is necessary to fund comparable coverage under the "Select Benefits Economy Medical/Audio/RX/Dental Plan". The eligibility of the employees and their dependents for coverage and the precise benefits to be provided will be as set forth in the insurance plan documents, consistent with AS 39.30.090.

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bmertl-posthumus 3/5/12 1:20 PM
Deleted: Effective July 1, 2010, through the duration of this agreement, insurance will be provided in whole or in part by the Employer as follows:

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The Employer will provide written notice to the Association of changes to the level of health insurance benefits at least sixty (60) days prior to implementation. The Employer expressly waives its right to require the Association to bargain collectively and the Association expressly waives its right to require the Employer to bargain collectively over all matters relating to the provision of a group health insurance plan established pursuant to AS 39.30.090 and AS

P.F 3/16/12

39.30.095. The Employer agrees to continue to require the provider under the Employer plan to provide a toll-free number for the purpose of handling inquiries and complaints to the provider.

Section 5: Contract Extensions

Compensation for contract extensions within the regular school year shall be calculated at the employee's per diem rate. Compensation for contracts extended beyond the regular school year shall be at the per diem rate unless mutually agreed otherwise. The teacher's per diem rate shall be calculated by dividing the teacher's total salary by one hundred and eighty-eight (188) days. However, as of July 1 any change in the per diem will be reflected on new or continuing contracts.

Section 6: Student Activity Sponsorship

All Teacher sponsors will be compensated in accordance with the following provisions.

The employer shall annually review the extra curricular program to determine which activities shall be included.

If the administration cannot find a viable volunteer for a vacant student activity sponsorship, TEAME agrees to provide a viable candidate.

Student activity sponsorship is defined as direct supervision outside the work day for an activity club, or sport.

Ability to perform an activity sponsorship shall have no bearing on continued classroom teaching assignment or formal evaluation.

A copy of the completed, signed contract shall be given to the activity sponsor prior to the beginning of the activity.

A teacher may be released from any activity sponsorship contract for reasons of health, just cause, or for any reason which is mutually agreed to by the teacher and the employer. Termination initiated by the employer before completion of the contract is subject to the grievance procedure.

A. Authorized activities will be compensated by assignment to one of the seven (7) salary ranges each of which has four (4) experience steps. The percentages outlined are percentages of the BA /0 level, which includes the Geographic Differential Pay as a value on the salary schedule in effect at the time the activity is sponsored.

Range

Experience Steps	1	2	3	4	5	6	7
0	.0200	.0400	.0480	.0560	.0640	.0880	.1280
1	.0210	.0420	.0504	.0588	.0672	.0924	.1344
2	.0220	.0440	.0528	.0616	.0704	.0968	.1408
3	.0230	.0460	.0552	.0644	.0736	.1012	.1472

P.F. 3/16/12

4	.0240	.0480	.0576	.0672	.0768	.1056	.1536

B. Five (5) experience steps shall be allowed providing that:

1. All experience is gained in the activity for which compensation is being considered.

2. Only experience at MEHS will be credited.

3. The attached schedule of activities and ranges shall be implemented for the duration of the agreement unless changes are mutually agreed to.

C. Prior to the beginning of the activity the Employer shall make the final decision as to whether the activity will be authorized for compensation. Teachers shall not be required to perform activities from this schedule that have not been compensated.

D. Teachers will be eligible for the allowable per diem for required travel. Other expenses will be reimbursed only if pre-authorized,

E. Known activity sponsorship positions for the upcoming school year will be posted ten (10) working days prior to the conclusion of the academic school year. Whenever possible, activity sponsorships will be assigned prior to the end of the school year.

Section 7: Student Activity Sponsorship Schedule
Activity Assigned Range
Activity Director 7
Basketball
Varsity Boys 7
Varsity Girls 7
Assistant Boys 5
Assistant Girls 5
Cross country
varsity 2
assistant 1
Volleyball
varsity 7
assistant 5
Wrestling
varsity 7
assistant 5
Yearbook advisor 4
National Honor Society 2
Cheerleader Coach 4
Student Counsel Advisor 5
Battle of The Books Coordinator 1
Future Teachers Club Coordinator 3
Drama Debate and Forensics 4

Section 8: Payroll Deductions

P.F 3/16/12

Within thirty (30) days after receipt of written authorization from the teacher, the State shall deduct from the salary of the employee and make appropriate remittance for: NEA-AK and NEA dues. Such authorization shall continue in effect from year to year. Pursuant to such authorization, the State shall deduct one-tenth (1/10) of such dues form the regular semi-monthly pay warrant of the affected employee each month for the ten (10) months beginning in September and ending in June of each year. Amounts to be deducted shall be supplied to the State through a schedule established by the Association. Any balance due upon the employee's termination of employment shall be deducted from such individual's final pay warrant.

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The employee also reserves the right to authorize the State to deduct the entire amount from any designated paywarrant. Prior authorizations existing on the effective date of this Agreement shall continue in full force and effect into this and successor agreements unless and until revoked in writing by the employee between August 15 and September 15 of any school year. The State shall transmit to the Association the total semi-monthly deduction for the professional dues within ten (10) school days following each regular pay period with a listing of the employees for whom the deduction was made.

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Deductions for tax sheltered annuities, and retirement or investment programs shall be authorized at the employee's request.

Direct deposits of paywarrant will be made upon request of the employee.

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Paywarrants will be distributed over a twelve (12) month period in order to ensure year-round insurance coverage for MEHS teachers. The annual salary will be paid on a semi-monthly basis, consisting of twenty-four (24) approximately equal payments for the school year.

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(Semi-Monthly Salary = Annual Salary)
24

Teacher Travel

Authorized travel, per diem and meal allowances will be paid in accordance with the State Administrative Manual AAM 60.010 - AAM 60.380, as revised.

Activities Expenses
Authorized travel expenses incurred in conjunction with student activities which exceed the per diem advanced will be reimbursed upon the submission of receipts. This section applies only to expenditures on behalf of students and does not otherwise affect the travel and per diem entitlements of teachers.

The parties agree that if a bi-weekly pay schedule becomes available in the future, it will be implemented at the State's convenience. Leave accrual and any other conditions or benefits calculated based on a semi-monthly pay cycle will be recalculated to ensure that the conditions or annual benefits are not reduced by a conversion to a bi-weekly pay cycle.

P.F. 3/16/12

ARTICLE 14
CONCLUSION OF COLLECTIVE BARGAINING

This Agreement is the entire Agreement between the Employer and TEAME. The parties acknowledge that they have fully bargained with respect to terms and conditions of employment and have settled them for the duration of this Agreement. This Agreement terminates all prior agreements and understandings and concludes all collective bargaining for the duration of this Agreement.

Prior to enacting any change in the terms and conditions of employment, as established by a specific provision of this Agreement, the Commissioner of the Department of Administration will obtain the approval of TEAME in the form of a Letter of Agreement. Prior to enacting any change in any mandatory subject of bargaining which is not established by a specific provision of this Agreement, or a subject of written negotiations proposal, TEAME will be notified in advance of the proposed change thereby enabling them to negotiate on that change.

In the event of any enactment by the Legislature that creates conditions not specifically covered by this Agreement, the parties agree to immediately negotiate a mutually satisfactory supplement covering such operations.

For THE STATE OF ALASKA

Becky Hultberg, Commissioner
Department of Administration

Benthe Mertl-Posthumus
Chief Spokesperson

Allison Hanzawa
Team member

Julie Yancey
Team member

FOR THE TEACHERS EDUCATION ASSOCUIATION OF MT.EDGECUMBE

Paul Fitzgibbon,
President TEAME

Greg Raschick
Team member

Mark Nance
Team member

Willie Anderson
NEA-Alaska Consultant

Alaska State Legislature

Senate

Office of the Secretary

State Capitol, Room 211
Juneau, Alaska 99801-1182
Phone: (907) 465-3701
Fax: (907) 465-2832
Email:senate_secretary@legis.state.ak.us

Official Business

Memorandum

TO: Senator Hoffman, Cochair
Senator Stedman, Cochair
Senate Finance Committee

FROM: Kirsten Waid
Secretary of the Senate

DATE: March 21, 2012

SUBJECT: Report of Monetary Terms

In accordance with AS 23.40.215, the President has referred the following to your committee for review:

Monetary terms for the collective bargaining agreement reached with the Public Employees Local 71 representing the Labor, Trades and Crafts bargaining unit.

Attachments

KW:lc

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

BECKY HULTBERG, COMMISSIONER

SEAN PARNELL, GOVERNOR

P.O. BOX 110200
JUNEAU, ALASKA 99811-0200
PHONE: (907) 465-2200
FAX: (907) 465-2135

March 16, 2012

The Honorable Gary Stevens
President of the Senate
Alaska State Senate
Alaska State Capitol, Room 111
Juneau, Alaska 99801-1182

The Honorable Mike Chenault
Speaker of the House
Alaska State House of Representatives
Alaska State Capitol, Room 208
Juneau, AK 99801-1182

Dear President Stevens and Speaker Chenault:

I am required by the Public Employment Relations Act (AS 23.40.070-260) to report the monetary terms of any agreement reached with an employee organization. By copy of my memorandum to Karen Rehfeld, Director of the Office of Management and Budget (enclosed), please accept my report of the monetary terms of the collective bargaining agreement reached between the State and Public Employees Local 71 representing the Labor, Trades and Crafts bargaining unit. Also enclosed is a copy of the collective bargaining agreement.

The monetary terms of this agreement must be submitted to the Legislature for approval pursuant to AS 23.40.215. In the interest of maintaining harmonious relations, I respectfully request that the Legislature approve the monetary terms of this agreement pursuant to AS 23.40.215(b), subject to ratification by a majority of union members.

If I can answer any questions or provide additional information please don't hesitate to call.

Sincerely,

Becky Hultberg

Becky Hultberg
Commissioner

Attachments: 3

cc: Karen Rehfeld, Director of the Office of Management and Budget

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STATE OF ALASKA

SEAN PARNELL, GOVERNOR

DEPARTMENT OF ADMINISTRATION

REBECCA HULTBERG, COMMISSIONER

P.O. BOX 110200
JUNEAU, ALASKA 99811-0200
PHONE: (907) 465-2200
FAX: (907) 465-2135

Memorandum

To: Karen Rehfeld, Director
Office of Management and Budget
Office of the Governor

Date: March 16, 2012

From: Becky Hultberg BH

Phone: 465-2200

Subject: Monetary terms of the July 1, 2012 to June 30, 2015, Collective Bargaining Agreement between the State and the Public Employees Local 71

The Administration has concluded negotiations with the Public Employees Local 71 representing the Labor, Trades and Crafts bargaining unit (LTC). If approved by the Legislature the monetary terms of this agreement become effective July 1, 2012 and remain in effect through June 30, 2015.

I. Terms Requiring Appropriation.

Current Legislative Session

Effective July 1, 2012, the employer health premium contribution shall increase by an amount of money necessary to fund comparable coverage to maintain the AlaskaCare Economy plan. This amounts to an increase of $80.00 per member, per month.

Effective July 1, 2012, the wage schedule in effect on July 1, 2011, shall increase by two percent (2%).

Future Legislative Sessions

Effective July 1, 2013, the employer health premium contribution shall increase by an amount of money not exceeding that necessary to maintain comparable coverage under the current AlaskaCare Economy Plan.

Effective July 1, 2013, the wage schedule in effect on July 1, 2012, shall increase by one percent (1%).

Effective July 1, 2014, the employer health premium contribution shall increase by an amount of money not exceeding that necessary to maintain comparable coverage under the current AlaskaCare Economy Plan.

Effective July 1, 2014, the wage schedule in effect on July 1, 2013, shall increase by one percent (1%).

II. Change in State Revenues.

No term of this agreement would result in a change to State revenues.

III. Change in Productive Work Hours.

There is no change in productive work hours.

IV. Terms Addressing Employee Compensation Not Requiring an Appropriation.

There are no new terms addressing compensation and not requiring appropriation.

This report of monetary terms is consistent with the requirements of the Public Employment Relations act. Please forward these monetary terms to the Legislature in accordance with AS 23.40.215.

Cc: All Commissioners

All Administrative Services Directors

Scot Arehart, Director
Division of Finance

Nicki Neal, Director
Division of Personnel and Labor Relations

BK laws
T.A. KD 2/15/12
RL 2-15-2012

ARTICLE 1 - PURPOSE

It is the objective of the parties that the obligation of the Employer for the successful conduct of its business and the fulfillment of its responsibilities to the employees covered by this Agreement be carried on without interference arising from differences between the parties.

The Union, representing the employees of the Employer, and the Employer desire to establish and maintain, through harmonious cooperation, a standard of conditions and procedures to provide for orderly collective bargaining relations, prompt and equitable disposition of grievances, and fair wages, hours, and working conditions for the employees covered by this Agreement.

Public Employees Local 71 Proposal

Date 2/15/12 **Time**_____

ARTICLE 2 - RECOGNITION

The Employer recognizes, during the term of this Agreement, the Union as the sole and exclusive collective bargaining representative for all employees working in the classifications in the Labor, Trades and Crafts Unit and as the representative of all such employees in interpreting this Agreement and adjusting disputes.

Tentative Agreement:

Bob Johnson	BR Lang
Local 71	KD TA
	State of Alaska
2-15-2012	2/15/12
Date	Date

Public Employees Local 71 Proposal

Date 2/15/12 **Time** 9:47 am

ARTICLE 3 - UNION ACTIVITIES

The Employer agrees that it shall not in any manner, directly or indirectly, attempt to interfere between any of its employees and the Union; it will not in any manner restrain or attempt to restrain any employee from belonging to the Union or from taking an active part in Union affairs; and it will not discriminate against any employee because of the Union membership or lawful Union activity.

Book Lang

Tentative Agreement:

B. Johnson
Local 71

12-15-2012
Date

KD
State of Alaska

2/15/12
Date

Book

BK Lang 2/22/12

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Public Employees Local 71 Proposal

Date 2/22/12 **Time**_____

ARTICLE 4 - EMPLOYMENT REFERRAL PROCEDURES

4.01 - REFERRAL SERVICES

The Union agrees to maintain preferential referral procedures for the purpose of soliciting qualified workers in order to fill all Employer referral requests. Except for promotions, demotions, transfers and emergency appointments, the Employer agrees to use such referral services and will call upon the Union to furnish all qualified workers required. The Employer further agrees to notify the employee and the Union of all promotions, demotions, transfers and emergency appointments.

4.02 - NONPERMANENT TO PERMANENT

The Employer may elect to appoint a nonpermanent employee into a permanent position if the position to be filled is at the entry level at that duty station; provided, however, that any qualified permanent part-time employees in that duty station are offered first rights of refusal to the position. The Employer shall notify the Union of such appointments in accordance with Section 6.

4.03 - REFERRAL COMMITTEE

The Union shall create a preferential referral committee within thirty (30) days of the signing of this contract, composed of not more than three (3) individuals appointed by the Union, to supervise and control the operation of the job referral system herein.

4.04 - APPLICATION FORMS/NONDISCRMINIATION

The Union agrees to accept and review applications, on forms provided by the Employer, from all those wishing to apply for possible openings with the State. Selection of applicants for referral to jobs shall be nondiscriminatory and shall not be based on nor affected by race, creed, color, age, sex, national origin or political affiliation or activity. The Union agrees that it will not discriminate against non-Union workers in referring applicants to the Employer, and the Employer agrees that it will not discriminate against Union workers in selecting job applicants referred by the Union.

4.05 - PREFERENTIAL CATEGORIES

A. The parties recognize the primary importance to employ residents of Alaska. Both the Union and the Employer shall give first preference to qualified residents of Alaska. Also, preference shall be given to qualified residents in the immediate area of the job call.

B. It is understood the Employer will have need for employees with special skills and abilities. The Union agrees to refer persons possessing such skills and abilities and to honor all such bona fide requests.

C. The parties recognize the need to hire people with disabilities. A person with a disability is one so specified under regulations issued by the Vocational Rehabilitation Division of the Department of Labor and Workforce Development.

D. Pursuant to the parties mutual recognition of the principles of Equal Employment Opportunity and Affirmative Action, the parties agree that selective certification by referral will be made to satisfy the State's affirmative action objectives. When a specific request is made for a referral to fill a position with an applicant in a protected category, the Union will make every effort to honor such request, providing such underutilization has been specified and approved by the Office of Equal Employment Opportunity. In such cases, the Union will have seventy-two (72) hours, rather than forty-eight (48) hours, to make the referral.

E. The criteria expressed in the subsections above may be used as justification for an appointment from other than the top qualified and available candidates; provided, however, the individual is registered with the Union.

4.06 - REJECTION OF APPLICANTS

The Employer retains the right to reject any job applicant, but the applicant and the Union shall be entitled to the reason for such rejection.

4.07 - REFERRAL TIME FRAME REQUIREMENTS

In the event the Union is unable to supply the Employer with three (3) qualified workers within forty-eight (48) hours (Saturdays, Sundays and holidays excluded) when called upon by the Employer, the Union and the Employer will coordinate efforts to advertise such openings for job vacancies to reach the largest pool of applicants. The Employer may procure workers from other sources; provided, however, that in such instances the Employer shall promptly furnish the Union with the names of such workers, their classification and date of hiring. In any emergency resulting from an act of God or natural disaster, the Employer may temporarily procure workers from any source.

4.08 - UNION MEMBERSHIP - NEW EMPLOYEES

It is further agreed that all workers employed by the Employer who are not already members shall become members of the Union or make the uniformly required payments on or before the thirty-first (31st) calendar day following the beginning of employment or the effective date of this Agreement, whichever is later, and all employees shall maintain membership in the Union as a condition of employment during the life of this Agreement. Membership means to tender the initiation fees and the periodic dues or fees uniformly required as a condition of acquiring or retaining membership in the Union. All requests by the Union for dismissal of any employee for failure to comply with this provision shall be in writing.

The Union shall defend, indemnify, and save the Employer harmless against any and all claims, demands, suits, grievances, or other liability (including attorney's fees incurred by the Employer) that arise out of or by reason of actions taken by the Employer pursuant to this section, except those actions caused by the Employer's negligence.

4.09 - UNION STEWARD - NEW EMPLOYEE NOTICE

Within a five (5) day period after reporting to work, each new employee within the bargaining unit shall be informed as to the identity of the Union steward, chief job steward, or a Union representative by the supervisor in the activity to which such employee will be regularly assigned. Each employee transferred from a section or shift shall likewise be informed.

4.10 - O.S.C.O. EXEMPTION FROM UNION REFERRAL

It is agreed between the parties that the Occupational Safety Compliance Officers under the Agreement shall be required to meet minimum qualifications established by the State as well as being required to pass any examinations to be considered for employment. The recruitment and selection procedures for Occupational Safety Compliance Officers shall be determined by the Employer.

Tentative Agreement:

Local 71	State of Alaska
Date	Date

Public Employees Local 71 Proposal

Date 2/15/12 **Time**_____

ARTICLE 5 - UNION RESPONSIBILITY

5.01 - NONDISCRIMINATION

The Union assumes all obligations and responsibility for the continued membership of its members and the Union shall retain the right to discipline its members. No worker shall be discriminated against for the upholding of Union principles, and any employee who works under the instructions of the Union, provided such instructions are in compliance with the Agreement, or who serves on a committee, shall not lose their position or be discriminated against for this reason.

5.02 - BINDING EFFECT OF AGREEMENT

The Union agrees that this Agreement is binding on each and every member of this bargaining unit and that its members, individually or collectively, accept full responsibility for carrying out all the provisions of this Agreement.

5.03 - HARMONIOUS RELATIONSHIP

It is the responsibility of the Employer to manage the work force. It is the responsibility of the parties to promote such practices as will improve the quality of service provided and the working conditions of the members. The Union agrees that it will actively dissuade excessive absenteeism and other practices which may hamper the Employer's operation and that the Union will support the Employer's efforts to eliminate waste and inefficiency, to improve the quality of work, and to promote harmonious relations between the Employer and employees.

5.04 - EMPLOYER RULES AND REGULATIONS

The Union agrees to make every effort to see that the members working under this Agreement obey all reasonable rules, instructions, and regulations prescribed by the Employer.

TA BK

Tentative Agreement:

Bob Johnson
Local 71

KD
State of Alaska

2-15-2012
Date

2/15/12
Date

State proposal 9:30 am 2/22/12

ARTICLE 6 - RECOGNITION OF RIGHTS AND FUNCTIONS OF MANAGEMENT

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6.01 - MANAGEMENT'S AUTHORITY

Except as provided in this Agreement, nothing herein limits the Employer in the exercise of the rights of ownership and management. Accordingly, the Employer has, among others, the right to: select its supervisory personnel (supervisors as defined by the Alaska State Labor Relations Agency); to hire new employees; to discipline, suspend, or discharge employees for just cause; to decide and determine and designate all occupational classifications it has to offer its employees, to assign duties and responsibilities to employees, to make such rules and regulations as the Employer considers necessary or advisable for the orderly and efficient conduct of its operations and to require employees to observe such rules and regulations; provided, however, the exercising of the aforementioned rights is not inconsistent with the provisions of this Agreement.

6.02 - AUTHORITY RETENTION

All of the functions, rights, powers, and authority of the Employer not specifically abridged, delegated, or modified by this Agreement are recognized by the Union as being retained by the Employer.

6.03 - EXEMPTION TO WORK STOPPAGE

The Union recognizes that the continuity of certain work is imperative to the public service mission of the Employer, and if a work stoppage should occur, management and all other personnel not covered by this Agreement, including guards, firefighters, and other protectors of public safety and health, shall be permitted to perform their respective functions without interference by the Union or its members.

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BK hand
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ARTICLE 8 - SEPARATION FROM STATE SERVICE/DISCIPLINE

8.01 - DISCIPLINE

The Employer retains the right to discipline or suspend an employee for just cause but agrees that the Union steward or a paid Union representative shall be notified in writing concurrent with written notice to the employee. The Employer further agrees that the Union steward or representative shall be present, if requested by the employee, during all stages of conduct of hearings determining such matters.

The following provision shall apply only to employees in positions that require the employee to possess a commercial driver's license (CDL) and who are subject to testing for drugs and alcohol under the provisions of title 49, Code of Federal Regulations.

A. Employees who test positive for illegal drugs as defined in the Code of Federal Regulations shall be suspended for a minimum of ninety (90) days without pay as discipline. More severe discipline is subject to the just cause standard.

B. Employees who test positive a second time for illegal drugs will be considered for immediate dismissal, subject to the just cause standard.

C. The Union reserves the right to challenge the validity of the urinalysis and reporting under the provisions of Article 9.

8.02 - DISCHARGE

The Employer retains the right to discharge a permanent employee for just cause such as incompetence, unsatisfactory performance of duties, and unexcused absenteeism. The Employer further agrees that the Union steward and the Union office in the employee's district shall be notified immediately by copy of the written notice to the employee giving the reason(s) for such discharge. The Employer further agrees that with the exception of intoxication, substance abuse, dishonesty, gross disobedience,- physical assault, abandonment of duties, lewd behavior, theft, fraud, or accessing or viewing pornography all permanent employees shall be given two (2) weeks notice or two (2) weeks pay prior to discharge. Employees other than permanent employees discharged or terminated under the provisions of this section shall have appeal rights through Step Three of the grievance procedure.

8.03 - RESIGNATION

A bargaining unit member may resign from the State by presenting the resignation in writing (including fax or email) to the member's first level supervisor outside of the bargaining unit. To resign in good standing the bargaining unit member must give the supervisor at least fourteen (14) calendar days notice. A bargaining unit member may resign in good standing with less than fourteen (14) calendar days notice when there is an emergency, as determined by management.

8.04 - TERMINATION/LAYOFF SLIPS

It shall be mandatory that the Employer furnish each employee a termination or layoff slip showing the actual reason for termination or layoff. Employees in year-round service will receive two (2) weeks notice prior to layoff or two (2) weeks pay in lieu thereof. The Employer will make every effort to provide employees in seasonal service with two (2) weeks notice prior to layoff.

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ARTICLE 9 - GRIEVANCE PROCEDURES

9.01 - GRIEVANCES

A grievance shall be defined as any controversy or dispute arising between the Union or an employee of the bargaining unit and the Employer. Having a desire to create and maintain labor relations harmony, the parties agree that they will promptly attempt to adjust all complaints, disputes, controversies, or other grievances arising between them involving questions of interpretation or application of the terms and provisions of this Agreement, or other controversy or dispute having occasion to arise between the parties. If differences or disputes of any kind arise between the Union or the employee covered herein and the Employer, the Union or the aggrieved employee, as the case may be, shall use the following procedure as the sole means of settling said grievance. Deadlines may be extended by mutual agreement.

Disciplinary Grievances: Any grievance resulting from a dismissal, demotion for cause, or suspension in excess of thirty (30) days shall be entered into the procedure at Step Two and must be brought to the attention of the Employer through the Union within ten (10) working days of the effective date of the action or the date the employee is made aware of the action, whichever is later, to receive the assistance of the Union and the use of this grievance procedure.

Step One: Except for disciplinary grievances described above, any dispute must be brought to the attention of the Employer through the Union, consistent with the procedures set forth in this Article, within thirty (30) working days of the effective date of the disputed action or the date the employee is made aware of the action, whichever is later, to receive the attention of the Union and the use of this grievance procedure. The employee may report in writing to the Steward or designated representative of the Union any grievance that arises between the employee and the Employer. The written grievance will be filed with the employee's first line supervisor outside of the Labor, Trades and Crafts bargaining unit by the designated representative for investigation and resolution. The supervisor, with whom the grievance is filed, will provide an answer in writing, any corrective action taken and whether the grievance is denied or granted in total or in part within ten (10) working days.

Step Two: If the grievance is not resolved at Step One, the grievance shall be referred in writing to the designated Human Resource representative ~~Manager of the Management Services Group~~ for the department or agency in which the grievant(s) is (are) employed within ten (10) working days after receipt of a response or the date response is due, whichever is earliest. The designated Human Resource Manager for that department or agency shall answer the Union representative within fifteen (15) working days in writing.

Step Three: If the grievance is not resolved at Step Two, the grievance may be submitted by the Union for settlement to the Commissioner of the Department of Administration within ten (10) working days after receipt of a Step Two response or the date the response is due, whichever is earliest. If the grievance has not been settled in writing within twenty (20) working days after receipt by the Commissioner, either party may proceed to Step Four of this Article if the nature of the grievance falls within the scope of Step Four. Date of receipt shall constitute date of answer or date the response is due, whichever is earliest. In the event the matter is settled by written agreement between the Union representative and the Commissioner of the Department of Administration, such written agreement shall have the same force and effect as a decision or award of the arbitrator and shall be final and binding on each of the parties and they will abide thereby. Should either party fail or refuse to abide by the written agreement, the prevailing party shall be free to take whatever action it deems necessary and such action will not be considered in violation of this Agreement.

Step Four: Arbitration. Any grievance which involves the application or interpretation of the

terms of this Agreement or is an appeal from demotion or dismissal of a permanent employee, or an appeal from dismissal of a probationary employee holding permanent status in another classification, which is not settled at Step Three may be submitted to arbitration for settlement. The Union shall state which Article(s) and section(s) the State may have violated. If either party desires to demand arbitration, the request must be received in writing within twenty (20) days of the receipt of the completed Step Three grievance. The parties will meet within ten (10) days to strike names.

9.02 - BOARD OF ARBITRATION

Within thirty (30) days of the signing of this Agreement the Employer and the Union will jointly request from the United States Federal Mediation and Conciliation Service (USFMCS) the names of thirty (30) qualified arbitrators. Each party may add up to three (3) names of arbitrators to the list provided from the USFMCS. From the list of thirty-six (36) arbitrators the employer and the Union shall alternately strike from the list one (1) name at a time until eleven (11) names remain on the list. This list of eleven (11) arbitrators shall be used by the parties to select individual arbitrators for arbitration. Either party may, at any time, request a new list of arbitrators during the life of this Agreement.

In the event that arbitration becomes necessary, the arbitrator will be selected by the Union and the Employer by alternately striking names from the list one name at a time until only one name remains on the list. The name of the arbitrator remaining on the list shall be accepted by the parties and arbitration shall commence within sixty (60) calendar days, unless otherwise mutually agreed to by both parties.

During the process of the above procedure, there shall be no strike or lockout which is in any manner related to this grievance. The parties agree that the decision or award of the arbitrator shall be final and binding on each of the parties and as they will abide thereby. The authority of the arbitrator shall be limited to questions directly involving the interpretation or application of specific provisions of this Agreement and no other matter shall be subject to arbitration hereunder. The arbitrator shall have no authority to add to, subtract from, or change any of the terms of this Agreement, to change an existing wage rate, or to establish a new wage rate. Should either party fail or refuse to abide by the arbitrator's decision, the prevailing party shall be free to take whatever action it deems necessary, and such action will not be considered in violation of the Agreement.

The arbitrator shall render a decision within thirty (30) days following the final day of the arbitration hearing unless mutually agreed to by both parties. Expenses incident to the services of the arbitrator shall be borne by the losing party. If, in the opinion of the arbitrator, neither party can be considered the losing party, then such expenses shall be apportioned as in the arbitrator's judgment is equitable.

9.03 - GRIEVANCE - MEDIATION

Nothing in this article shall preclude the parties from mutually agreeing to submit any grievance(s) not resolved at Step Three to mediation. The mediation agreement shall provide that:

1. Within thirty (30) days of the signing of this Agreement the Employer and the Union will jointly request from the United States Federal Mediation and Conciliation Service (USFMCS) the names of twenty-one (21) qualified mediators. From the list of twenty-one (21) mediators the employer and the Union shall alternately strike from the list one name at a time until eleven (11) names remain. This list of mediators shall be used by the parties to select individual mediators. This does not prohibit the parties from compiling a mutually acceptable list without the assistance of the USFMCS. A member of the arbitration panel may also serve on the mediation panel; however, if mediation does not resolve the dispute(s), the mediator shall not be selected

to hear and decide the matter at Step Four.

2. The parties agree only to have as many people present at the mediation as necessary.

3. The taking of oaths and the examination of witnesses shall not be permitted nor shall any written or electronic record of the proceeding be made. There shall be no formal evidentiary rules and the mediator shall decide any questions of procedure or of the admissibility of facts or arguments. Documents and other evidence submitted to the mediator shall be returned to the presenting party at the conclusion of the mediation meetings.

4. Comments, opinions, admissions and settlement offers of the parties or of the mediator shall be confidential and shall not be admissible or in any manner referred to in any future arbitration, hearing or other matter.

5. If the grievance(s) remain unresolved at the conclusion of the mediation meeting, the mediator will provide an oral statement to each party regarding how he/she would rule in the case based upon the evidence and argument presented.

6. Expenses incident to the services of the mediator shall be borne equally by the Employer and the Union. Except for the expenses of the mediator, each party shall be responsible for its own costs and fees.

7. Any mediation agreement shall provide for a specific extension of the time frames of Step four of this article, which may be modified by mutual agreement. Except as extended under authority of this provision, all time frames shall apply.

8. The parties may agree to such other provisions as they deem proper and necessary to facilitate resolution of the dispute.

Public Employees Local 71 Proposal

Date 2/15/12 **Time**_____

ARTICLE 10 - UNION REPRESENTATIVES

10.01 - UNION REPRESENTATIVES

The Union shall have representatives, as designated by the Business Manager, who shall be authorized to speak for the Union in all matters governed by this Agreement and shall be permitted to visit any work area at any time with advance notice and mutual consent to the person in charge, so long as such visits do not disrupt the work or the employees doing such work.

10.02 - SHOP STEWARDS

In addition to the above, the Union may, upon written notice to the Director of the Division of Personnel and Labor Relations, authorize Shop Stewards from among the employees of the Employer to carry out the intent and purposes of this Agreement. Where practical, the shop steward shall notify their immediate supervisor prior to performing their union duties while at work. Stewards shall suffer no loss in compensation for time spent handling complaints and grievances for up to ten (10) hours per month. All time spent in such activities shall be recorded on a State form which clearly identifies the activity as release time. The Union shall provide to the Director of the Division of Personnel and Labor Relations a current list of all shop stewards every six (6) months.

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Tentative Agreement:

Local 71

2-15-2012
Date

KD
State of Alaska

2/15/12
Date

Public Employees Local 71 Proposal

Date 2/15/12 **Time**_____

ARTICLE 11 - EXAMINATION OF RECORDS

Any bargaining unit member or Union representative shall have the right to examine the employee's records pertaining to wages, hours and conditions covered by this Agreement subject to the following:

A. An employee's employment records, other than those considered confidential under AS 39.25.080, shall be made available by the Employer for inspection by the authorized Union representative upon two (2) working days written or email notice by the Union to the State office where the records are maintained.

B. Reasonable requests for copies of records as specified in this Article will be honored. The parties recognize that it may become necessary to charge for copies requested at the rate of twenty-five cents ($.25) per page.

Tentative Agreement:

Bob Johnson
Local 71

2-15-2012
Date

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State of Alaska

2/15/12
Date

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TA 2-15-2012

Public Employees Local 71 Proposal

Date 2/15/12 **Time**_____

ARTICLE 12 - CHECKOFF

12.01 - MEMBERSHIP - UNION DUES

Whenever an employee coming under the terms of this Agreement executes and delivers to the Union, who will deliver to the Employer, a proper written assignment for the deduction of Union dues/fees and initiation fees from the employee's wages, and the Secretary/Treasurer of the Union notifies the Employer that such Union dues/fees are due, the Employer agrees to make such deductions within thirty-one (31) days from the date of the notification and to remit to the Union the amount so deducted from each. All employees in the bargaining unit on the Employer's payroll on the effective date of this Agreement who have previously executed a proper written assignment shall continue to have their assigned dues/fees and initiation fees deducted from their wages. Upon receipt of a proper written assignment, the Employer shall deduct from the pay of each new employee in the unit such assigned dues and fees for the period specified so long as the employee remains in the unit. Such deductions shall commence not later than the pay period following the first full pay period after proper authorization is received by the State.

"Proper written assignment" shall mean an authorization executed by the employee for deductions of dues and fees in an amount as specified by the Secretary/Treasurer of the Union. The amount of dues and fees to be deducted shall be those amounts as specified to the Directors of the Divisions of Labor Relations and Finance by the Union Secretary/Treasurer. The Secretary/Treasurer of the Union shall notify the Directors of the Divisions of Labor Relations and Finance in writing of any change in dues or fees which require payroll programming changes at least sixty (60) days prior to the effective date of the change. The union shall provide written notice at least thirty (30) days prior to the effective date of any other change in dues or fees.

The Employer agrees to provide to the Union, each pay period, a list of employees showing the amounts deducted from each. This list will also include all employees and their classifications working under the jurisdiction of this Agreement. No other employee organization shall be accorded payroll deduction privileges with regard to this bargaining unit.

All dues and initiation fee assignments executed by employees shall be effective for as long as such employee is employed by the Employer in a position coming within the purview of this Agreement. However, assignments may be canceled by an employee who gives notice in writing to the Employer during the month of July

p 232

each year.

12.02 –VOLUNTARY DONATIONS

It is agreed between the parties that, following the signing of the collective bargaining agreement, a unit member may authorize and the State will deduct a specified amount to be forwarded to the Union for the Public Employees Local 71 Supporting League. The Union will obtain the payroll deduction authorization from each employee who wishes to participate and forward such authorization to the State so that the deduction can be made.

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It is agreed that an employee cannot revise the amount to be deducted once the authorization has been received by the State except during the month of January each year. However, an employee may withdraw the authorization at any time by notifying the Division of Personnel in writing at least thirty (30) days prior to the last intended deduction.

The Union will furnish the payroll deduction authorization forms as approved by the State.

Signed on page 1

Tentative Agreement:

Local 71	State of Alaska
Date	Date

TA BK Lang
2/22/12 11:30
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2-22-2012

ARTICLE 15 - TRAVEL AND MOVING

15.01 - TRAVEL STATUS

An employee shall be considered in travel status from the time an authorized trip begins until it ends. For purposes of interpretation, travel status will begin and end when the employee leaves and returns to his/her duty station if travel begins and ends during assigned working hours, or when the employee leaves and returns to his/her home if travel begins and ends outside assigned working hours.

No employee shall be required to travel for more than forty-eight (48) hours from the employee's duty station without prior authorization and travel advanced funds, based on the travel status requested by the Employer and applicable per diem rates.

Travel entitlements shall be paid in accordance with the Fair Labor Standards Act, except as provided in this section. However, if travel is outside of an employee's regularly scheduled hours of work and not in conjunction with the day's work, the employee shall be paid straight time for all such travel up to a maximum of two (2) hours. If travel on a regularly scheduled day off is outside the employee's normal work hours, the employee shall receive straight time for all such travel up to a maximum of two (2) hours.

Article 14.03 (Call Back) and Article 14.04 (On Call) do not apply during travel time; however, employees may be required to work as necessary for vehicle loading, unloading or repositioning during time in travel status.

15.02 - LODGING ALLOWANCE

When an employee is in travel status overnight on State business away from their duty station and quarters are not furnished, the Employer shall provide a lodging allowance in accordance with the following schedule. As to any one location assignment, the first thirty (30) days will be at the short-term rate and the day after that at the long-term rate.

		Peak Season Rates 05/16 - 09/15		Off Season Rates 09/16 - 05/15	
Region	Location	Short -Term	Long-Term	Short-Term	Long-Term
1	Southeast Alaska	$74.00	$44.40	$64.00	$38.40
2	Southcentral Alaska	79.00	47.40	59.00	35.40
3	Interior Alaska	64.00	38.40	54.00	32.40
4	Southwest Alaska	64.00	38.40	60.00	36.00
5	Barrow, Kotzebue	64.00	38.40	60.00	36.00

A bargaining unit member may request advance approval of the department head or his/her designee to receive a higher lodging allowance (consisting of actual hotel cost) on a trip-by-trip basis whenever the circumstances of travel are such that the established rate is not adequate to obtain lodging. Such requests will normally contain bulletins, agendas, etc., denoting prearranged lodging, and shall not be unreasonably denied.

When employees are assigned to temporary duty stations where a bunkhouse with heat, light, adequate cooking, sleeping and lavatory facilities is available and utilized by the employee, the lodging allowance shall be reduced by ten dollars ($10) per day. This does not apply to Article 21.08.

B. An employee, who is assigned to work a distance of more than fifty (50) miles away from their permanent duty station, is entitled to a commuting allowance in lieu of a lodging allowance if they choose to return to their residence on their own time rather than obtaining overnight

lodging at their travel destination. The commuting allowance shall be equal to ninety percent (90%) of the applicable lodging allowance (short-term or long-term depending on the duration of the assignment).

The Meal and Incidental Expense Allowance for that day shall be paid in accordance with Article 15.03.

No mileage or travel pay will be paid for an employee's travel to or from their residence except for the initial assignment to and final return from a temporary work site.

C. An employee shall receive a lodging allowance for all travel outside the State of Alaska in accordance with the Alaska Administrative Manual.

15.03 - MEAL & INCIDENTAL EXPENSE ALLOWANCE

When an employee is traveling between work assignments or is temporarily assigned to work a distance of more than fifty (50) road miles away from their regularly assigned work location, the employee is entitled to a meal and incidental expense (M&IE) allowance in accordance with section 60.250 of the Alaska Administrative Manual. In no event will the M&IE rates be less than the following schedule:

	Short-term Rate	Long-term Rate
Breakfast	$12.00	$7.00
Lunch	16.00	9.00
Dinner	32.00	17.00
Daily Allowance	$ 60.00	$ 33.00

On the day of departure and return, the employee is entitled to a prorated M&IE allowance if the employee is in travel status at least three consecutive hours during a normal meal period. Normal meal periods are:

Breakfast	midnight to 10:00 a.m.
Lunch	10:00 a.m. to 3:00 p.m.
Dinner	3:00 p.m. to midnight.

Employees in travel status for less than twenty-four (24) hours but more than ten (10) hours who return to their residence and/or duty station rather than obtaining overnight lodging at their travel destination are entitled to a M&IE allowance of one-half the daily M&IE allowance for the destination.

An employee shall receive an M&IE allowance for all travel outside the State of Alaska in accordance with the Alaska Administrative Manual.

15.04 - REIMBURSABLE TRAVEL EXPENSES
Whenever an employee is required to change their place of residence because of a change in assignment, promotion or other reasons related to the employee's duties, the employee shall be reimbursed for transportation expenses in accordance with Section 60.360 of the Alaska Administrative Manual.

In cases of new hires to duty stations not on the connected highway system or ferry system, one-way airfare for the employee only will be furnished.

15.05 - REIMBURSABLE MOVING EXPENSES
Employees shall be reimbursed for moving expenses in accordance with Section 60.350 of the Alaska Administrative Manual. Transfer between duty stations and travel in exercising retention rights at the employee's option will be at the employee's expense.

15.06 - TRAVEL INSURANCE
The Employer shall insure the life of every employee against accidental death while in travel status away from their duty station in the amount of one hundred thousand dollars ($100,000.00) at no cost to the employee. The employee shall name the beneficiary.

15.07 - PRIVATE VEHICLE USE
Any reimbursement for mileage for the use of the employee's privately owned vehicle shall be made pursuant to the Alaska Administrative Manual at the time of travel.

15.08 - PRIVATELY OWNED AIRCRAFT
From time-to-time it is mutually beneficial to have employees use their private aircraft in the course of State business. When the use of an employee's privately owned aircraft is authorized in advance by the Employer, reimbursement shall be one dollar-seven cents ($1.07) per mile or such higher amount authorized in accordance with Section 60.090 of the Alaska Administrative Manual at the time of travel.

TA KD
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2/15/12
2-15-2012

ARTICLE 16 - TIME CARDS

A. Corrections to the time-card hours and subsequent pay adjustments may be made and bargaining unit members will be notified by a copy of any alterations of their time card. All alterations will be made in a manner that does not obliterate or obscure the original time as reported by the employee. Copies of the employee's time cards shall be made available by the Employer for inspection by the employee or authorized Union representative upon eight (8) working hours written notice by the Union to the State office where the records are maintained.

B. If the employer implements an electronic timekeeping system, corrections to time cards and subsequent pay adjustments will be made using that system, and Section A of this article will not apply. Employees who are using the electronic timekeeping system will have access to review their time card on the system. If the employee is not able to access their time card on the system, then the employer will make available a copy upon eight (8) working hours written notice by the employee or the authorized Union representative.

C. The Employer shall not be required to keep time cards over sixty-five (65) days. Employees having a discrepancy on their time card must bring same to the attention of the Union within thirty (30) days after such discrepancy.

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ARTICLE 17 - PAY PROCEDURES

17.01 - PAYDAY

Payday shall be the fifteenth (15th) day of the month and the last day of the month. If the employee's payday falls on a Saturday, Sunday, or holiday, then the last working day before said Saturday, Sunday, or holiday shall be the payday. The parties agree that if a bi-weekly pay schedule becomes available in the future, it will be implemented at the State's convenience. Leave accrual and any other conditions or benefits calculated based on a semi-monthly pay cycle will be recalculated to ensure that the conditions or annual benefits are not reduced by a conversion to a bi-weekly pay cycle.

Note - Bob No objection to rolling over LOA ~~[illegible]~~ 12/14/12 KD

The parties agree that if a new program becomes available to the State where paychecks are no longer mailed (because of mandatory direct deposit), then the language regarding the mailing of paychecks in this section is no longer valid. If an employee does not receive their direct deposit within twenty-four (24) hours of the close of business on payday or if the employee who elects to receive their paycheck at home or at work does not receive their paycheck on payday, the employee shall be entitled to penalty pay of forty dollars ($40.00) per day for each day the payment or check is late excluding Saturdays, Sundays and holidays to a maximum of four hundred dollars ($400.00), provided the employee files notice with the Employer on forms provided by the State within the next regular day of business. Failure to provide notice to the Employer within the specified time period will forfeit claim for penalty pay until the date of written complaint to the Employer.

A. The Employer shall itemize all deductions except deferred compensation on pay advices or regular paychecks so employees can clearly determine the purposes for which amounts have been withheld and shall include the number of straight-time hours, overtime hours, dues deductions and basic rate per hour paid.

B. All mailed checks shall be considered paid timely if postmarked three (3) days prior to the due date.

17.02 - PAY SHORTAGES

Verified pay shortages shall be paid promptly after receipt of the employee's complaint in accordance with Section 17.01 and no later than fifteen (15) days after the written complaint is received on forms provided by the State.

It is agreed that pay shortages of twenty-five dollars ($25.00) or less are exempt from this provision. However, it is agreed that such verified pay shortages will be paid by the next regular payday following receipt of the notice by the Employer or within the fifteen (15) days described above, whichever is later. If not paid within the prescribed period, the penalties as set forth in Section 17.01 shall apply. Date of mailing of the verified pay shortage shall constitute date of payment.

17.03 - TERMINATION PAY

When an employee is terminated, the employee's wages less terminal leave and retirement contributions, become due immediately and shall be paid during business hours no later than the ~~fourth (4th)~~third (3rd) working day after termination. If not paid within the prescribed period, the penalties shall be seven and one-half (7.5) hours per day straight-time rate of pay for any day thereafter that the payment or check is late, provided that the employee files notice with the Employer on the next regular day of business. Failure to provide notice to the Employer within the specified time period will forfeit claim for penalty until such notice is given. Provided, however, if the employee voluntarily terminates without two (2) weeks prior notice, the late pay penalty shall not apply until after the following pay period. Date of electronic distribution or date

of mailing the paycheck shall constitute date of payment. Employees shall be entitled to penalty pay only from the date of written complaint to the Employer.

17.04 - REMOTE LOCATION EXEMPTION

The parties agree that the Employer is exempt from penalty pay under Section 17.01 and Section 17.03, for those employees assigned to duty stations at remote locations where United States mail delivery is not available, except when the regular or termination pay warrant is not mailed to the warrant address of record in accordance with the provisions referenced herein.

The Employer will make every effort, within available means, to forward or deliver mail to employees in such remote locations.

17.05 - LAYOFF

When an employee is placed on layoff, including seasonal layoff, the employee's wages earned through the date of layoff become due and shall be paid on the regular payday for the period in which the wages were earned. If not paid within the prescribed period, the penalties shall be seven and one-half (7.5) hours per day straight-time rate of pay for any day thereafter that the payment or check is late, provided that the employee files notice with the Employer on the next regular day of business. Failure to provide notice to the Employer within the specified time period will forfeit claim for penalty pay until such notice is given. Date of the electronic distribution or date of mailing of paycheck shall constitute date of payment. Employees shall be entitled to penalty pay only from the day of written complaint to the Employer. Pay shortages shall be handled as provided in Section 17.02.

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ARTICLE 19 - LEAVE

19.01 - PERSONAL LEAVE ACCRUAL
During the term of this Agreement, personal leave shall be earned and used in lieu of all sick and annual leave except as specified in this Article.

A. Rate of Accrual. An employee shall accrue personal leave as follows:

Years of Service	Hours Per Pay Period
0 - 2	7.50
2 - 5	8.44
5 - 10	9.38
10 +	11.25

In determining years of service for the purpose of computing personal leave, all permanent/probationary service with the State of Alaska is included.

Personal leave accrual for partial pay periods of service will be prorated.

Employees who work less than full-time shall accrue personal leave on a prorated basis according to the above schedule and hours in pay status.

B. Changes of Accrual Rate. Accrual rate changes will become effective the sixteenth (16th) day of the month following the pay period in which the employee completes the service requirement and becomes eligible for the higher accrual rate. The leave anniversary date must be moved one month later for each twenty-three (23) days of leave without pay in a leave year (December 16 through December 15).

19.02 - USE OF PERSONAL LEAVE
Accrued personal leave is available for use after an employee has completed thirty (30) continuous calendar days of employment.

A. Personal leave may be granted at any time business permits with the prior approval of the employee's supervisor. Employees desiring personal leave should submit a request at least forty-five (45) calendar days in advance. The Employer shall respond to the request within fifteen (15) working days. Requests for personal leave will not be unreasonably denied. Once leave has been approved, the approval may not be rescinded unless the Commissioner of the Department declares that a situation exists which requires the employee's presence on the job.

B. An employee may take personal leave for medical reasons, regardless of whether business permits, upon permission of the employee's supervisor. The Employer shall grant personal leave if satisfied that the employee is absent for medical reasons. The taking of personal leave for medical reasons shall be reduced by the amount of wage continuation payments made under the Alaska Workers' Compensation Act (AS 23.30). The following constitute "medical reasons" and are subject to the conditions noted:

1. Medical disability of an employee is a medical reason for taking personal leave.

2. Medical disability of a member of an employee's immediate family is a medical reason for taking personal leave if the disability is such that the attendance of the employee is required.

3. A medical condition of an employee that makes presence at work a danger to the health of fellow employees is a medical reason for taking personal leave.

4. Pregnancy and childbirth is a medical reason for an employee to take personal leave.

5. Death of a member of an employee's immediate family is a medical reason for taking personal leave. An employee is entitled to five (5) days of personal leave for this purpose; additional personal leave may be granted at the Employer's discretion.

The Employer may require a doctor's certificate to substantiate any medical reason for taking leave which exceeds three (3) consecutive working days or if malingering is suspected. An employee who falsely claims a medical use of personal leave is subject to disciplinary action.

C. Family Medical Leave (Federal). Qualified employees will be entitled to coverage under the Family Medical Leave Act (FMLA). Health insurance contributions will be made on behalf of qualified employees during the twelve (12) week period of family leave (including periods of personal, sick or donated leave, or periods of leave without pay).

When taking leave under the FMLA, a qualified employee must exhaust all accrued sick, personal, and donated leave (in that order) before entering leave without pay. When taking leave due to pregnancy, childbirth, foster care placement or adoption, the leave entitlement must be taken consecutively.

The twelve (12) month period for utilizing leave entitlements shall commence with the first day leave is taken under the FMLA. Approved leave without pay taken under the provisions of the FMLA shall have the same effect as any other period of approved leave without pay on the employee's terms and conditions of employment, except as provided herein.

An employee may be required to re-certify the qualifying reason for remaining on family leave. An employee may be required to provide a fit-for-duty statement prior to returning to work.

The parties recognize that if leave provisions in this Article are found to be in conflict with the FMLA, FMLA entitlements prevail.

D. Family and Health Leave (State). The parties recognize that qualified employees may be entitled to up to eighteen (18) workweeks of leave during a twenty-four (24) month period pursuant to AS 39.20.305, and that such entitlements may run concurrently with FMLA entitlements.

19.03 - MANDATORY LEAVE USAGE

Each employee shall use at least thirty-seven and one-half (37.5) hours of personal leave during each leave year beginning December 16 and ending December 15 of the succeeding year. If the employee does not use at least thirty-seven and one-half (37.5) hours of personal leave during the leave year, the difference between thirty-seven and one-half (37.5) hours and the amount of personal leave used shall be canceled without pay unless the department or agency head certifies in writing that the employee was denied the opportunity to use thirty-seven and one-half (37.5) hours of personal leave during the leave year. Should circumstances cause the Employer to refuse the employee the opportunity to use the full thirty-seven and one-half (37.5) hours, any unused portion of the thirty-seven and one-half (37.5) hours mandatory leave shall be deducted from the employee's leave balance at the end of the leave year and paid at the employee's regular hourly rate. Part-time employees shall have the mandatory leave requirement prorated based upon the number of hours the employee is regularly scheduled to work.

19.04 - LEAVE CASH-IN

Upon written request to the Employer, an employee shall receive payment for the employee's personal leave. Leave shall be paid at the employee's regular hourly rate. Additional hours of

personal leave may be granted at the Employer's discretion. The employee's leave balance will be reduced by the number of hours of personal leave for which payment is made. In no case may an employee's leave balance be reduced to less than thirty-seven and a half (37.5) hours through cash-in.

Withdrawals under this section shall not eliminate the employee's obligation to use personal leave as provided in Section 19.03, nor shall the hours withdrawn take the place of leave which an employee is required to use.

19.05 - TERMINAL LEAVE

An employee, who is separated from State service except by seasonal layoff, shall receive within thirty (30) days a lump sum payment of the cash value of the employee's accrued personal leave. An employee who is placed on seasonal layoff may choose to: 1) receive within thirty (30) days a lump sum payment of the cash value of the employee's entire accrued personal leave, or 2) elect to retain up to one-hundred and fifty (150) hours of personal leave for use upon return to work. The cash value of leave in excess of one-hundred and fifty (150) hours will be paid in a lump sum payment. Retained leave may not be cashed out while on seasonal layoff, however, if a determination is made that the employee will not return or be returned from seasonal layoff the cash value of any retained leave will be paid as a lump sum at that time.

19.06 - LEAVE DONATIONS

Members of this bargaining unit shall be allowed to donate personal leave to and receive personal or annual leave from employees in this unit or those represented by a different union or non-covered employees subject to the following conditions:

A. Each employee wishing to donate personal leave will fill out, date, and sign a leave slip showing the hours of personal leave he or she wishes to donate in increments subject to a minimum of two (2) hours. The leave slip will have written or typed along the bottom, or in the space provided, "Leave donation to: (employee name, employee identification number)."

B. Donors will submit leave slips for a particular donee to the Division of Personnel Payroll Supervisor of the department in which the donee is employed. Leave donations will be posted in date and order received to the recipient's Donated Leave Account during the pay period in which personal and sick leave is exhausted, for use from that pay period forward.

C. The Employer will convert the donated leave hours to dollars at the regular (annualized) hourly rate of the donor. The dollars will then be converted to hours of leave at the regular (annualized) hourly rate of the recipient, and the resulting number of hours will be added to the recipient's Donated Leave Account for use in accordance with the requirements of this Article. The total amount of leave credited to the recipient's Donated Leave Account shall not exceed three hundred (300) hours during the life of the agreement.

D. Once the Employer has completed the above process, the State will not be obligated for further processing or liabilities resulting therefrom. Once the donation has been transferred to the recipient's account, the donation cannot be withdrawn, modified or otherwise returned to the donor's account.

E. Donations of leave under this section will not reduce the mandatory leave usage requirements established in Section 19.03.

F. Donated leave may not be used unless and until all accrued personal leave and all sick leave has been exhausted. Donated leave may only be used for those purposes described in Sections 19.2.B, C, and D. Upon termination, any balance in the Donated Leave Account shall be canceled without pay. Upon the death of an employee, the balance of the Donated Leave

Account will be paid to the employee's beneficiaries at the employee's regular hourly rate.

19.07 - CASH DONATIONS

Members of this bargaining unit shall be allowed to donate personal leave to and receive donations of personal or annual leave from employees in this unit, those represented by a different unit and non-covered employees. The Employer will convert the leave to earnings at the regular (annualized) hourly rate of the donor and appropriate deductions required by law will be made. The net sum of donations after deductions will be combined into a single check and delivered to the Division of Personnel Technical Services Manager for distribution to the employee. An individual letter of agreement between the State and the recipient's union will be required for each recipient.

19.08 - SICK LEAVE

In the event of serious illness or injury within the employee's immediate family which requires the attendance of the employee for emergency care or when the employee's presence on the job would jeopardize the health of fellow employees, the employee shall be entitled to the use of sick leave provided that a physician's certificate may be required by the Employer that the presence of the employee was required or that the illness or injury would jeopardize the health of other employees. Immediate family shall be defined as father, mother, husband, wife, sons, daughters, brothers and sisters.

A. **Doctor's Certificate.** Employees using three (3) days sick leave or less shall not be required to furnish a doctor's certification before returning to work unless there is reason to believe malingering is involved. Any employee with more consecutive sick leave days than specified above may be required to furnish a doctor's certificate to the Employer, certifying that the employee was physically unable to perform their duties. Any employee who abuses the sick leave privilege is subject to disciplinary action.

B. **Dental Appointments.** The employee shall be allowed time off without loss of pay for time spent off the job while under the care of a dentist, for such treatment as provided under the health and welfare plan. Such time off shall be deducted from the employee's accumulated sick/personal leave credit account. The employee shall notify the Employer not less than one (1) day in advance of such appointment. However, in cases of emergency, the employee need not give notice to the Employer, but must show evidence of such emergency upon return to work if requested by the Employer. Upon completion of such appointment or series of appointments, the employee shall provide the Employer with a dentist's certificate, in a form acceptable to the Employer, that shall contain the date and hour of when such appointment or series of appointments were scheduled and completed.

19.09 - FUNERAL LEAVE

Following the death of a member of an employee's immediate family, an employee is entitled to five (5) working days of leave; additional days may be granted at the Employer's discretion. Immediate family shall be defined for purposes of this section only as spouse, son, daughter, mother, father, sister, brother, grandparents, including in-law and step-relation equivalents. Funeral-leave time shall be deducted first from accumulated sick leave, then from personal leave.

19.10 - DEATH OF AN EMPLOYEE

Upon the death of an employee, any unused sick leave balance shall be paid in cash to the employee's beneficiaries at the employee's base pay rate.

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SOA Proposal

Date: _____ **Time:** _____

ARTICLE 21 - SAFETY AND LIABILITY

21.01 - UNSAFE EQUIPMENT

No employee shall be discriminated against or disciplined in any manner because of refusal to work with, operate, or ride in unsafe equipment. Such refusal must be evidenced by a written report of the unsafe condition by the employee. If subsequently the equipment is deemed to be safe by the Safety Committee, disciplinary action may be taken by the Employer.

21.02 - WORK SAFETY

All work should be executed in a safe manner. The "Alaska State Safety Code" and OSHA regulations shall serve as minimum standards.

21.03 - SAFETY AND FIRST-AID EQUIPMENT

Safety devices and first-aid equipment, as may be needed for safety and proper emergency medical treatment, shall be provided for by the Employer. Each employee shall be responsible to account for the tools, protective clothing and equipment so supplied, ordinary wear and tear excepted. Non-expendable tools or protective clothing which become lost, damaged or stolen through the employee's proven negligence or deliberate act shall be replaced or paid for by the employee.

The Employer shall furnish such safety equipment and protective clothing as is necessary for the safety of the employees. Accordingly, the Employer agrees to furnish coveralls to employees working as equipment operators and their foreman, and mechanics and servicemen in an automotive shop and their foreman. The Employer may elect to provide coveralls to automotive shop mechanics, servicemen and foremen, which are of a color other than orange and which are fabricated of cotton or other fire resistant material. Each employee will be responsible for cleaning their own issued coveralls. However, in locations where washers and/or dryers are made available for such cleaning, such washers or dryers shall continue to be available for that purpose but there is no requirement to furnish washers or dryers in other locations, unless the State discontinues a practice of having them commercially cleaned during the term of this Agreement.

21.04 - SAFETY AND FIRST AID PROGRAM

A safety and first-aid program as required by the State Safety Code, shall be instituted, and regular safety meetings at each duty station shall be scheduled by the Employer during working hours once each month in a "tool box" or "lunch" area.

21.05 - FIRST AID TRAINING

The Union will cooperate with the Employer in order to have at least one (1) person in each ten (10) employed who is a trained first aid person.

21.06 - SPECIAL FIRST-AID REQUIREMENTS

A. The Employer will keep and maintain fully-equipped standard first-aid kits (as prescribed by the National Safety Council). For crews who are working remote areas, a first aid kit shall be provided and accessible on each machine or for each crew.

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B. Every foreman or leadman in the bargaining unit ~~employed at locations outside of a 911 emergency response service area~~ shall have a current State-approved first-aid card.

C. Blankets and stretchers shall be maintained for the use of employees who may be injured.

D. Employees whose injuries require the use of a stretcher or ambulance shall be accompanied to the hospital by an attendant.

E. Immediate transportation must be provided for seriously injured or ill employees, and such transportation must have precedence over all other transportation.

F. The Employer shall also notify the Union, as promptly as possible, of lost-time accidents and shall furnish the Union with a copy of the Employer's accident report at the time such report is furnished to the insurance company.

21.07 SANITARY REQUIREMENTS

A. Where temporary camp housing is furnished, each employee shall be allowed housing of approximately sixty (60) square feet of floor area and shall be furnished bedding and a weekly change of linen. Shelter-wells and similar structures shall require approximately ninety (90) square feet of floor area per employee. Adequate closet or locker space shall be provided each employee, and where more than two (2) employees are housed in a single room, a locker and keys or lockable closet shall be provided each employee. There shall be no more than four (4) employees housed in a standard 16' x 24' shelter-well. Living quarters, toilets, showers and laundry rooms shall be kept clean. The Employer shall furnish an adequate number of washers and dryers, both in camp and in facilities arranged for through a third (3rd) party. However, employees covered by this Agreement shall be entitled to as favorable camp conditions as other employees employed on the project. Alberta or equal quality trailer camps are acceptable, providing the patented or similar covered walkways are installed.

B. Those employees handling, preparing, or serving food will not be utilized during the same shift in cleaning toilets and urinals, and will not be used to wash or clean floors, beds, walls, and the garments of patients. This does not apply to the employee's assigned work area.

C. It shall not be considered a violation of this Agreement where employees refuse to work in facilities that are not being maintained in a sanitary condition.

21.08 - SHELTER REQUIREMENTS

Warm and adequate shelter shall be provided for employees by the Employer in which to dry their clothes and eat their meals.

21.09 - EQUIPMENT REQUIREMENTS

To insure safety and to eliminate unnecessary occupational accidents, the Employer agrees that all equipment shall be properly cabbed and screened.

21.10 - DRINKING WATER

Clean and sanitary drinking water will be provided in adequate supply in close proximity to workers at all times.

21.11 - TOILETS AND URINALS

On all projects covered by this Agreement there shall be provided by the Employer at all times during construction, sanitary facilities consisting of a reasonable number of toilets and urinals.

21.12 - MONITORED HEALTH PROGRAM

The parties recognize that certain employees may come in contact with toxic chemicals, radioactive materials and/or work with and around asbestos. Upon the signing of this Agreement, the Employer and the Union agree to establish a labor-management committee

consisting of two (2) representatives of the Union and two (2) representatives of the Employer to review the medical examination needs of employees who may have been exposed during the course of their employment with the Employer. The purpose of the committee shall be to determine a set of criteria which establish the circumstances under which employees exposed on the job are entitled to an in-depth medical examination at the Employer's expense.

21.13 - FIRE DUTY

It is recognized that circumstances associated with fire suppression activities under the control of the Department of Natural Resources precludes management from maintaining camp requirements as outlined in Section 21.08.A. It is therefore agreed and understood that the following provisions shall apply to fire suppression activities:

A. When an employee is assigned to fire duty on a fire line, or in related duties at or near the fire line, camp requirements need not be met nor is per diem payable except that per diem will be payable, consistent with Article 15, for each day after twenty-three (23) consecutive days of initial assignment to fire suppression activities, or twenty-three (23) consecutive days for each reassignment to the fire suppression activities.

B. When an employee is assigned to supply or support activity related to a fire, but they are retained in a city, town, or village distant from the fire, per diem will be paid per Article 15 if commercial facilities are present in the community and the employee can procure such facilities for the employee's use, and the department has not provided for those commercial facilities.

If such facilities are not available or cannot be procured, the Department of Natural Resources will provide other facilities to include sleeping and lavatory needs, a light source, heat where needed, and a means of heating or preparing the food provided by the department.

Facilities provided by the Department of Natural Resources will be equal to facilities provided to all other employees similarly assigned and per diem is not payable.

Should it become necessary for support personnel to travel to or near the fire line, the provisions of subsection A herein shall apply for the duration of that stay.

2/23/12 State Proposal
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ARTICLE 22 - SENIORITY

For purposes of layoff, recall, and promotions, seniority shall be established by the date of entry by a probationary/permanent employee into an established or new duty station. Employees who are on leave without pay for layoff, subject to recall, or on leave in pay status, shall continue to have the same seniority date as original entry into the duty station. Employees who are on leave without pay for under thirty (30) consecutive days shall maintain their same seniority date. Employees on leave without pay for over thirty (30) consecutive days shall have their seniority date adjusted according to the days over thirty (30) in leave without pay status, except as specifically provided in other sections of this Agreement.

The Employer shall also notify the Union, in writing, of all layoffs and recalls and their effective dates concurrent with the notice to the affected employees. The Employer will also furnish every six (6) months, by duty station, lists of all employees by seniority date including their classification. Such seniority lists shall be forwarded to the Business Manager no later than March 1 and September 1 of each year.

22.01 - DUTY STATION SENIORITY

Duty Station seniority shall be established for the purposes of ranking employees for promotion or layoff and recall from layoff. Duty stations shall be determined by location. These locations will be categorized by department, by divisions within that department. For purposes of this section, location shall mean the city, town, village or job site.

Within the Department of Transportation and Public Facilities, the divisions of Maintenance and Operations, and the State Equipment Fleet, will be combined into one duty station at each location for determining duty station seniority. For the Southeast Region, because the Division of Maintenance and Operations is also combined with Construction, Construction shall be considered a separate duty station from Maintenance and Operations and the State Equipment Fleet for determining duty station seniority.

It has further been understood that if an employee is temporarily reassigned from their permanent duty station for a period not to exceed one (1) year, or as mutually agreed by the parties, the employee's seniority at their permanent duty station will not be affected.

Duty station seniority shall not in any way affect the employee's overall seniority with the Employer for purposes of vacation, holiday and/or other fringe benefits.

A. It is agreed that this subsection covers only design and construction employees within this bargaining unit employed in the Department of Transportation and Public Facilities, and the Department of Natural Resources, Division of Parks, who are assigned to work on-site at pre-construction or construction projects. Accordingly, Article 15 and Article 22 of this Agreement are modified to meet the working conditions of employees so employed. Those sections or subsections of the Collective Bargaining Agreement not modified herein will remain in full force and effect.

Each employee will be assigned by the Employer upon hire to a permanent duty station which will be an area of fifty (50) road miles from a focal point in a city, town, or village which has a population large enough to reasonably expect local hires for jobs within that duty station. Once assigned to a duty station, that duty station shall be the designated, permanent duty station of the employee unless and until the employee elects to fill a position in another duty station in accordance with Article 4 or Article 22.03. There shall be only one (1) permanent duty station for each employee.

The Employer will designate duty stations and determine the focal point of each duty station. That designated duty station shall be used to compute duty station seniority. However, if a dispute arises regarding the focal point, both parties agree to meet and confer on the issue.

For the purposes of determining compensation, the focal point for each duty station will be considered point zero and the project office will be considered as the job assignment for determining miles from the focal point.

When an employee is assigned to work at a project with the project office between the focal point and twenty-five (25) road miles from the focal point, the employee will not be entitled to per diem, meal allowances, travel pay or any other compensation in lieu thereof.

When an employee is assigned to work at a project with the project office between twenty-five (25) road miles and fifty (50) road miles from the focal point, the employee will be entitled to ten dollars ($10.00) for each day worked at the project.

When an employee is assigned to work at a project with the project office beyond fifty (50) road miles from the focal point of their designated, permanent duty station, the employee will be entitled to meal allowances in accordance with Article 15.03. When the employee is required to stay overnight for an assignment beyond fifty (50) road miles from the focal point of their designated, permanent duty station, the employee shall be entitled to lodging and meal allowances in accordance with Articles 15.02 and 15.03.

Each employee shall be entitled to report to the project office each workday and shall be entitled to travel time or work time, as appropriate, for the time required to transport themselves to the work site. In the event that the employee and their supervisor mutually agree that the employee will report directly to the work site, the employee shall be entitled to travel time or work time, as appropriate, for actual time spent traveling, but no more than that which it takes to travel from the project office to the work site.

22.02 - PROMOTION

For the purposes of this section, promotion means the movement from a permanent position in any classification to a permanent position in any classification at a higher range. It is recognized by the parties that promotions usually occur within an occupational series consisting of one (1) or more classifications. However, it is also recognized that promotions from one (1) occupational series to another occupational series shall be allowed providing the promotional candidate is qualified and competent for the position to be filled and the employee satisfies the other conditions of this section.

A. When an opening occurs, promotions shall be initiated by posting of a job announcement at the duty station where the opening occurs. Such job announcements shall be posted in a location or locations where all eligible candidates could reasonably be expected to be aware of the opening. Such job announcements will be posted for four (4) working days and will be retained by the Employer for six (6) months.

B. Promotions shall be made from among the three (3) employees signing the job announcement with the highest duty station seniority, provided each employee is qualified and competent for the higher classification and is qualified and competent to perform the duties of the position to be filled. If the Employer determines that any of the three most senior employees signing the job announcement are not qualified or competent for the higher level position, the Employer may consider other employees, in order of their seniority, until three qualified and competent employees are under consideration for the position. If an employee other than one of the three most senior is selected for promotion, the Union and Employer will meet and confer.

C. When Sections A and B above have been complied with but no employee at the duty station is found qualified and competent for the promotional vacancy, the Employer may promote an employee from another duty station. When an employee is promoted as a result of a transfer from one (1) duty station to another duty station, the duty station seniority of the employee will not be a determining factor, but such a promotional transfer will be determined by whether or not the candidate is qualified and competent for the position to be filled.

22.03 - TRANSFERS

A. An employee will not be compelled to accept a transfer from one (1) duty station to another duty station or from the employee's classification to another classification at the same wage group. When an employee accepts a transfer from one (1) duty station to another duty station, the employee's duty station seniority at the duty station the employee left will be terminated and the employee will begin accruing duty station seniority at the employee's new duty station effective on the date of the transfer.

B. When an employee accepts a transfer from one (1) classification to another classification of the same wage group at the same duty station, the employee's duty station seniority shall be retained for purposes of ranking for promotion.

C. When an employee applies for transfer to another duty station and it is accepted by the Division Director, the employee will receive a duty station seniority credit that will be calculated at a rate of 50% of current duty station seniority. For purposes of Article 22.03(C), a transfer shall be considered any movement from one LTC position to another from one duty station to another without a break in service, regardless of the job class or wage grade.

22.04 - LAYOFF

A. Layoffs, including reduction in force, shall be made in reverse order of duty station seniority from among those in the classification in which the layoff occurs.

B. An employee may exercise bumping rights to a lower classification in the employee's class series at the employee's duty station, provided the employee is qualified to perform the tasks of the lower classification and is not the least senior in the lower classification, and will assume the wage level of the lower classification to which the employee is moved.

C. When an employee is promoted, voluntarily demoted in lieu of layoff or transferred outside of the employee's occupational series at the employee's duty station, the employee retains seniority in the classification the employee left for two (2) years. If the employee does not return to the classification the employee left within two (2) years, the employee loses all accumulated seniority in that classification.

22.05 - RECALL

A. Recalls shall be made in order of duty station seniority from among those employees laid-off in the classification in which the recall occurs.

B. Employees who exercise their bumping rights in accordance with Section 22.04.B of this Article shall retain their recall rights to the classification from which they were laid off, for a period of two (2) years.

C. Employees who voluntarily demote or transfer outside their classification series to another classification at the same duty station shall retain recall rights to the classification they vacated for a period of two (2) years.

22.06 - TERMINATION OF SENIORITY

Seniority shall be terminated and the Employer-employee relationship shall be severed by the

following conditions:

A. Discharge in accordance with Article 8.

B. Layoff of twenty-four (24) months duration.

C. Resignation.

D. Failure to return from leave of absence on agreed date unless approval has been obtained from the Employer.

E. Failure to return from layoff when recalled, except under unique and unusual circumstances.

ARTICLE 24 - PENSION AND RETIREMENT

The employee shall enjoy the retirement benefits as outlined in the applicable statutes relating to the Public Employees' Retirement System.

TA BK Lacey
KD
2/15/12
KJ 2-15-2012

TA Bank Lang KI 2/15/12 Rf 2-15-201

ARTICLE 26 - SEPARABILITY AND SAVINGS

26.01 - SAVINGS CLAUSE

If an Article or section of this Agreement should be decided by a court of competent jurisdiction, or by mutual agreement of the parties, to be in violation of any Federal, State or local law, or if adherence to or enforcement of an Article or part of an Article should be restrained by a court of law, or if any Article or section should be found not in compliance with Federal regulations where compliance is required as a condition for the receipt and expenditure of Federal funds, the remaining Article and sections of the Agreement shall not be affected and the parties shall convene within thirty (30) days for the purpose of negotiating a satisfactory replacement.

26.02 - WAIVER OF BARGAINING

The parties acknowledge that during the negotiations which resulted in this Agreement, each had the unlimited right and opportunity to make demands and proposals with respect to any subject or matter not removed by law from the area of collective bargaining and that this Agreement is the entire Agreement and concludes all collective negotiations during its term.

The parties further agree that notwithstanding the above section, maintenance of contract matters, should they develop, may be negotiated under a written supplemental agreement.

26.03 - MERIT SYSTEM PRINCIPLES

The parties agree that it is their mutual intent to strengthen the merit principles in the bargaining unit, and pursuant to AS 23.40.070(3) shall use all due diligence to maintain merit principles among public employees.

Should this Agreement or any section or Article be found in violation of Federal regulations where compliance is required for receipt or expenditure of federal funds, the parties agree to convene within fifteen (15) days and re-negotiate the section or Article to comply with such regulations.

26.04 - GRANT- AIDED AGENCIES

Employees subject to Federal provisions regarding merit system requirements for Grant-in-Aid Agencies shall be subject to regulations developed by the referral committee provided for in Article 4.03. Regulations will be developed and implemented for those employees governing appointment, promotion and layoff in accordance with Federal merit system standards.

26.05 - AVAILABILITY OF PARTIES TO EACH OTHER

The State of Alaska and Public Employees Local 71 hereby agree to meet at reasonable times for a discussion of this Agreement, its interpretation, continuation and/or modification.

Therefore, there shall be established a labor/management committee comprised of representative(s) of both labor and management who will meet periodically for the purpose of discussing matters relative to the administration of the Agreement between the parties. Meeting agendas and location will be mutually agreed to in advance of the meeting. It is agreed that the location shall be rotated between Anchorage, Fairbanks and Juneau. This agreement is established for the purpose of facilitating two-way communication. Both parties agree that an obligation to meet in good faith exists.

KDFA 12/29/15
2:05
2-29-2012

ARTICLE 27 - STATE-OWNED/CONTROLLED HOUSING

The parties agree that the following is the rental schedule for Bargaining Unit Members living in State-owned or State-controlled housing.

27.01 - FACTORS TO BE USED IN DETERMINING RENT

The following factors are to be used in the rental formula for assessing rental charges for State housing units:

Rental Base - The typical rent for an unfurnished unit in Anchorage with a particular number of bedrooms.

Facility Condition - The index of facility condition in terms of "Good," "Fair," or "Poor."

Adjusted Rent - The figure derived from application of the facility condition index to the rental base. The adjusted rent figure will be used for the calculation of the amenities lacking and the imposition-on-privacy deductions.

Required-to-Live - A deduction of twenty-five (25) percent allowed for protection of property or for the convenience of the State where applicable.

Imposition-on-Privacy - A deduction of ten (10) percent of the adjusted rent allowed for the use of a portion of the facility for State business if applicable.

Amenities Lacking - Percentage of the adjusted rent to be deducted due to lack of fire and/or police protection.

Geographic Differential - The coefficient used to adjust an Anchorage-based rent to a level appropriate for a specific location outside of Anchorage. See Section 27.09 for list of coefficients by election district.

Travel Allowance - Deduction allowed for locations involving unusual transportation costs.

27.02 - RENTAL FORMULA

The rental formula is as follows:

[[[((RB x CI) - (AL + IP)) GDF] - TA] RTL] + UC = FCR

Or Calculated FCR is:

RB
xCI
Subtotal 1

Subtotal 1
-(Subtotal 1 x AL) + (Subtotal 1 x IP)
Subtotal 2

Subtotal 2
xGDF
Subtotal 3

Subtotal 3
-TA

Subtotal 4

Subtotal 4
xRTL
Subtotal 5

Subtotal 5
+UC
FCR

GDF is the geographical differential factor for a particular location.

CI is the facility condition index:

1.0 = Good
0.8 = Fair
0.6 = Poor

RB is the typical rental base for an unfurnished unit in Anchorage with a particular number of bedrooms.

RTL is the reduction for required-to-live; when used in the formula the RTL equals three-quarters (.75).

AL is the deduction for amenities lacking.

IP is the deduction for imposition-on-privacy.

TA is the allowance for excessive travel.

UC is the utility charge for all units except bunkhouses.

FCR is the formula calculated rent.

AND:

Amount of rent to be paid will be the lesser of the following:

1. twenty-five percent (25%) of employee's gross income (standby and overtime compensation excluded) as an employee of the State of Alaska, or

2. "FCR" resulting from exercise of formula.

27.03 - RENTAL BASE SCHEDULE

	NUMBER OF BEDROOMS			
ALL TYPES OF STRUCTURES	0	1	2	3 or more
(Mobile Homes, Apartments or Houses)	$359	$454	$532	$588

Rental Base Unit Notes:

A. Units are assumed to be unfurnished. All units are to include one (1) refrigerator, one (1)

stove, one (1) washer, one (1) dryer and window coverings.

B. Units are assumed to be in "Good" condition. A lesser condition shall be compensated for by application of the "condition index."

27.04 - FACILITY CONDITION
State housing units are classified into the following three (3) condition categories:

"Good" - Wear and tear may be evident and/or is in need of minor repairs; insulation for winter use is adequate or heating plant capacity is able to compensate for inadequate insulation; water is reliable, adequate and safe for household use; reliable and adequate electrical service; reliable and adequate fuel available for heating, hot water and cooking needs.

"Fair" - Wear and tear is evident and/or unit is in need of significant repair; insulation for winter use is adequate or heating plant capacity is able to compensate for inadequate insulation.

"Poor" - Unit is marginally habitable and is in serious need of repair or insulation for winter use is less than adequate. The heating plant is not able to compensate for lack of insulation.

27.05 - REQUIRED TO LIVE
In cases where the Commissioner of a department requests and the Commissioner of the Department of Administration approves an employee to occupy a State-owned or State-controlled facility for either the protection of State property or for the convenience of the State a deduction of twenty-five percent (25%) is allowable. In no case will the total deductions reduce the rental base more than fifty percent (50%).

27.06 - IMPOSITION ON PRIVACY
In cases where the head of a department requests the use of a portion of the facility for the purpose of accommodating official visitors, for use as office space, or for the general convenience of the public, a deduction of ten percent (10%) of the adjusted rent is allowable. Only one (1) deduction is allowed per agency per location. In no case will the total deductions reduce the rental base more than fifty percent (50%).

27.07 - AMENITIES LACKING
A deduction from the adjusted rent equal to two percent (2%) shall be allowed for lack of fire and/or police protection up to a maximum of four percent (4%) for the unit in question. In no case will the total deductions reduce the rental base more than fifty percent (50%).

27.08 - TRAVEL ALLOWANCE
In some cases the State supplies quarters to its employees in locations where minimal community services are available only at some distance from the location of the quarters. In this situation the Department of Administration will grant a deduction from the chart listed below, to offset the direct economic effects of the unusual transportation costs incurred. The nearest established community as defined in this section is to be used as the base community for calculating the deduction. A community must be deficient in more than one (1) of the listed services if a town farther away is to be selected as the base for calculating the distance deduction.

Distance in miles, one (1) way for surface travel or air travel if surface travel not available	Maximum Monthly Deduction
Less than 10 miles	No deduction
10 but less than 20	$15.00

20 but less than 30	25.00
30 but less than 40	35.00
40 but less than 50	45.00
50 but less than 60	55.00
60 but less than 70	65.00
70 but less than 90	80.00
90 but less than 110	95.00
110 and more miles	110.00

For purposes of calculating a deduction under this section, an established community is a population center offering the minimal community services listed below on a year round basis, or alternatively, approximately the same seasonal basis as the occupancy of the State rental quarters under consideration. Conformity with this definition, without regard to population size or other criteria, is the sole basis for identification of an established community.

Services	Minimum
Medical	Physician, one (1) dentist
Educational	Public elementary and high school (unless transportation is provided without charge, to a borough, or district school)
Shopping	Grocery, drugs, clothing, hardware and general household needs
Religious	Congregation of two (2) faiths, or denominations
Public Transportation	Connection with at least one (1) major town or city by common carriers (i.e., trucking, airport, bus)

In no case will total deductions reduce the rental base more than fifty percent (50%).

27.09 - GEOGRAPHIC DIFFERENTIAL FACTORS

Election District in Which Facility is Located	Applicable Geographical Differential Factor
1	1.0000
2	1.0375
3	1.0375
4	1.0000
5	1.0750
6a excluding Valdez Duty Station	1.1500
6b Valdez Duty Station	1.1875
7	1.0375
8	1.0000
9	1.0750
10	1.0750
11	1.0750
12	1.2625
13	1.2625
14	1.3000
15a excluding Nenana Duty Station	1.3375
15b Nenana Duty Station	1.3000
16a South of Arctic Circle	1.1500
16b North of Arctic Circle	1.3375
17	1.3375

18	1.2625
19	1.2625

These ratios are derived from AS 39.27.020. If AS 39.27.020 is amended by the Legislature, the parties agree to reopen Article 27.09 for thirty (30) days for the sole purpose of bargaining the geographic differential factors.

27.10 - UTILITY CHARGE
The utility charge shall be two hundred dollars ($200.00) per month for all units.

27.11 - MOBILE HOME PAD RENTAL RATES
The rental rate for mobile home pads shall be fixed at one hundred and forty-two dollars ($142.00) per month.

27.12 - DAMAGE DEPOSIT
A damage deposit of two hundred and fifty dollars ($250.00) is required for each unit. This deposit is refundable in full or part based on the condition of the unit, allowing for reasonable wear and tear, at the time of final inspection.

27.13 - CLEAN-UP DEPOSIT (MOBILE HOME PADS ONLY)
A clean-up deposit of two hundred and fifty dollars ($250.00) for each mobile home pad is required for utility disconnect and pad clean-up. This deposit is refundable if upon inspection the pad is found to be clean and free of debris. This provision shall apply to new tenants only.

27.14 - PAYROLL DEDUCTIONS; DISPUTED AMOUNTS
Rent and utilities shall preferably be paid by payroll deduction. If a dispute between the State and an employee develops concerning the unit's condition as provided for in the Landlord-Tenant Act, payment will continue and the State agrees to establish a separate account into which monthly rent will be deposited until the dispute is resolved. When a settlement is reached the disputed funds will be disbursed appropriately.

27.15 - BUNKHOUSE RENTAL RATES
The standard bunkhouse room rental rate shall be one hundred and five dollars ($105.00) a month for each occupant. There will be no charge for utilities to bunkhouse residents. All bunkhouse units will be furnished. No damage deposit will be required of bunkhouse residents.

27.16 - PET LIMITATION
Employee occupants who own pets shall ensure that their pets are not nuisances and do not create unsanitary conditions in/around quarters. All pets must be leashed or otherwise under direct control of their owners while on State-owned or State-controlled premises. Ownership of kennels, dog teams, livestock, horses and other exotic pets is prohibited on State-owned or State-controlled premises. Owners of pets are responsible and liable for injury, damage or loss caused by their pets.

Intent of limitation - ER can not issue.

TA Book Long
KD 2/15/12
RJ 2-15-2012

ARTICLE 28 - MISCELLANEOUS

28.01 - BULLETIN BOARDS

The Union shall have the right to use reasonable bulletin board space for the purpose of posting Union information. Whenever practical, the Employer shall designate an area at each work site which may be used for the purpose of posting Union notices. The Union, its agents and members, shall not post partisan political materials or advertisements in partisan political elections, on bulletin boards.

28.02 - REMOTE AREAS

The parties recognize that the terms prescribed by this Agreement may not be satisfactory for all permanent work assignments and duty stations for all employees, particularly in remote areas where climate, geography and specific duties may impose unique conditions which require modification to the terms. The parties therefore agree that either party may propose, on a situation-by-situation basis, modifications to the express terms of this Agreement throughout its term. Such proposed modifications may include, but are not limited to, such conditions as Employer-provided housing, transportation, shift schedules, overtime, etc. In the absence of mutual agreement on the proposed modification(s) the terms of this Agreement shall prevail.

TA KP 3/6/12 2:43 TA RJ 3-6-12

SOA Proposal

Date: 2-29-2012 Time: 10:29

APPENDIX A

It is agreed between the parties that for the purposes of layoff, the following class series are recognized to determine bumping and recall rights for the purposes of Article 22.04 and 22.05 of the – 2009 - 2012 Agreement.

Occupational Safety and Compliance Officer	49
Safety Inspection and Compliance, Electrical Inspector	49
Safety Inspection and Compliance, Elevator Inspector	49
Safety Inspection and Compliance, Plumbing Inspector	49
Building Maintenance Series (Bldg/Facility/Const)	
Maintenance Specialist, Bldg/Facility/Const, Foreman	50
Maintenance Specialist, Bldg/Facility/Const, Journey II/Lead	51
Maintenance Specialist, Bldg/Facility/Const, Journey I	53
Building Maintenance Series (Electrical Utility)	
Maintenance Specialist, Electrical Utility, Foreman	50
Maintenance Specialist, Electrical Utility, Journey II/Lead	51
Maintenance Specialist, Electrical Utility, Journey I	53
Building Maintenance Series (Electrician)	
Maintenance Specialist, Electrician, Foreman	50
Maintenance Specialist, Electrician, Journey II/Lead	51
Maintenance Specialist, Electrician, Journey I	53
Building Maintenance Series (Electronics)	
Maintenance Specialist, Electronics, Foreman	50
Maintenance Specialist, Electronics, Journey II/Lead	51
Maintenance Specialist, Electronics, Journey I	53
Building Maintenance Series (Plumbing)	
Maintenance Specialist, Plumbing, Foreman	50
Maintenance Specialist, Plumbing, Journey II/Lead	51
Maintenance Specialist, Plumbing, Journey I	53
Building Maintenance Series (Traffic Cntrl & Elec Sys)	
Maintenance Specialist, Traffic Cntrl & Elec Sys, Foreman	50
Maintenance Specialist, Traffic Cntrl & Elec Sys, Journey II/Lead	51
Maintenance Specialist, Traffic Cntrl & Elec Sys, Journey I	53
Building Maintenance Series (Generalist)	
Maintenance Generalist, Foreman	52
Maintenance Generalist, Lead	53
Maintenance Generalist, Journey	54

Maintenance Generalist, Sub-Journey III	56
Maintenance Generalist, Sub-Journey II	58
Food Service Series	
Food Service, Foreman	53
Food Service, Lead	56
Food Service, Journey	57
Food Service, Sub-Journey	61
Environmental Services Series	
Environmental Services, Foreman	57
Environmental Services, Lead	58
Environmental Services, Journey III	60
Environmental Services, Journey II	61
Driller Series	
Driller, Journey	53
Driller, Sub-Journey	54
Equipment Maintenance Series (Automotive)	
Mechanic, Automotive, Foreman II	51
Mechanic, Automotive, Foreman I	52
Mechanic, Automotive, Advanced Journey/Lead	53
Mechanic, Automotive, Journey	54
Mechanic, Automotive, Sub-Journey	56
Equipment Maintenance Series (Aircraft)	
Mechanic, Aircraft, Foreman II	51
Mechanic, Aircraft, Foreman I	52
Mechanic, Aircraft, Advanced Journey/Lead	53
Mechanic, Aircraft, Journey	54
Mechanic, Aircraft, Sub-Journey	56
Equipment Operator Series	
International Airport Foreman	49
Rural Airport Foreman	49
Equipment Operator Foreman II	50
Equipment Operator Foreman I	51
Equipment Operator, Lead / Journey III	52
Equipment Operator, Journey II	53
Equipment Operator, Journey I	54
Equipment Operator, Sub-Journey II	56
Equipment Operator, Sub-Journey I	58
Engineering Series	
Engineering Technician, Journey	54
Engineering Technician, Sub-Journey III	55
Engineering Technician, Sub-Journey II	57
Engineering Technician, Sub-Journey I	59
Materials Lab Series	
Materials Laboratory Technician, Foreman	51
Materials Laboratory Technician, Specialist/Lead	52

Materials Laboratory Technician, Journey 53
Materials Laboratory Technician, Sub-Journey IV 54
Materials Laboratory Technician, Sub-Journey III 56
Materials Laboratory Technician, Sub-Journey II 57
Materials Laboratory Technician, Sub-Journey I 59

Storekeeper/Partsman Series
Stock & Parts Services, Lead 53
Stock & Parts Services, Journey II 54
Stock & Parts Services, Journey I 55
Stock & Parts Services, Sub-Journey 57

Survey Series
Survey, Lead 53
Survey, Journey 54
Survey, Sub-Journey II 56
Survey, Sub-Journey I 58

Package TA
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Package TA
3-16-12 9:05

TA Package:

Ar 7	Protection of Rhts (Book Language-attached)
Ar 13.01,02 &04-11	Wage increase, subsistence, OT, (proposal attached)
Ar 13.03	Classification Disputes (proposal -attached)
Ar 14	Workweek/call back/on call (Book Language-attached)
Ar 18	Holidays, Meal Breaks, Relief Periods, Evals (proposal-attached)
Ar 20	Leaves of absence (proposal attached)
Ar 23	Health Insurance (proposal- attached)
Ar 25	Tool Allowance (Book Language-attached)
Ar 29	Terms of Agreement-3 yrs (proposal attached)

Note: Package conditioned on voluntary agreement, submissions/approval of monetary terms and ratification. (No retroactivity in absence of voluntary agreement).

3/16/12
3-16-12

ARTICLE 7 - PROTECTION OF RIGHTS

7.01 - PICKET LINES
It shall be a violation of this Agreement and it shall be cause for disciplinary action in the event an employee refuses to go through or work behind any primary picket line unless such line is sanctioned by Public Employees Local #71, AFL-CIO, and the participating International Union (Laborers International Union of North America). The Employer specifically retains all of its rights under AS 23.40.200.

7.02 - STRUCK GOODS
It shall not be a violation of this Agreement and it shall not be cause for discharge or disciplinary action if any employee refuses to perform any service which the Employer undertakes to perform as an ally of any Employer or person whose employees are on strike, and which service, but for such strike, would be performed by the employees of the Employer or person on strike. Nor shall the exercise of any rights permitted by law be a violation of this Agreement, unless such exercise is precluded by this Agreement.

7.03 - LOST OR DAMAGED PROPERTY
Employees shall not be responsible for lost, stolen, or damaged property except in case of proven negligence or deliberate act. This shall include the use of credit cards for any purpose or any other method of giving credit. The Employer shall provide an adequate checking system to protect the Employer and employee.

7.04 - CONTRACTING OUT
The following shall govern contracting and subcontracting, involving the performance of work of classifications covered by this Agreement, which would directly result in the layoff of permanent or probationary employees covered by this Agreement.

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A. Prior to the contracting or subcontracting of any work covered by this Agreement which would result in the layoff of permanent or probationary employees, the Employer agrees to conduct a cost efficiency study. Unless the study shows that the work can be performed by the contractor or subcontractor with less cost to the Employer, no permanent/probationary employee shall be laid off and replaced by contracted or subcontracted work.

The Employer shall require the contractor or subcontractor to pay the hourly wage rates established in the Agreement for all such work, plus an additional two dollars and fifty-five cents ($2.55) for each compensable hour worked as "in lieu of" benefits. It is agreed that the above-mentioned "in lieu of" amount will be reduced only by the amount of actual cost of benefits paid by the contractor or subcontractor. To insure compliance with this section, the Employer will require the contractor or subcontractor to furnish a certification of wages and/or any certified cost of benefits paid upon written request. Such certified information shall be furnished to the Union upon reasonable written showing of suspected noncompliance. In addition, the Employer shall furnish to the Union, a copy of each new or renewal contract. If the contractor or subcontractor is found to be out of compliance, the Employer agrees to take all reasonable steps to enforce the requirements of this section, including without limitation, terminating the contract or subcontract if compliance cannot be otherwise obtained.
All work performed on motor vehicles which is typically associated with work done by private service stations (e.g. tires, lights, fan belts, wipers, etc.) shall be free from the requirements of this section. Other vehicle repair and overhaul service work shall be performed in State facilities except in extreme emergencies. All State-owned vehicles shall contain a maintenance/repair instruction packet outlining the foregoing language.

KD 3/16/12
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B. Nothing in this Agreement will invalidate nor supersede AS 35.15.010 or AS 19.10.170.

7.05 - Overloads
In the event an employee is arrested with an overload, the Employer shall pay all fines upon conviction, and the employee shall be paid for the time spent in service of the Employer, provided the employee has not loaded the cargo contrary to the instructions of the supervisor.

7.06 - REVOCATION OF LICENSES
In the event an employee suffers a revocation of his/her license because of violations of any Federal, state, or city law by the Employer, the Employer shall provide suitable and continued employment for such employee, at not less than the employee's hourly rate of pay at the time of revocation of the employee's license, for the entire period of revocation of the license. The employee shall be reinstated to the seniority the employee held prior to revocation of the employee's license, after the employee's license is restored.

7.07 - NO STRIKE/LOCKOUT
The parties agree that there will be no strikes or lockouts during the life of this Agreement.

7.08 - LICENSES
Each employee shall be responsible for obtaining and retaining all mandatory licenses and certifications necessary to perform the duties of his/her position. If a new licensing or certification provision is imposed by statute or regulation on current employees, the State shall pay for the initial license/certification fee provided the employee obtains the license or certification prior to the deadline established by statute or regulation. All future renewals shall be the sole responsibility of the employee.

Employees who were grandfathered under the 1992/94 agreement and had licenses or certifications paid for by the Employer, shall continue to have those licenses or certifications paid for so long as they remain in their current position or a position which requires the license or certification.

The parties recognize that there are certain licenses/certifications which are required for the convenience of the Employer. In such cases, the Employer shall pay for necessary training and license/certification fees.

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Rf 3-16-12

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ARTICLE 13 - CLASSIFICATION AND WAGES

13.01 - DAILY UPGRADES, TEMPORARY AND SUBSTITUTE APPOINTMENTS

A. **Daily Upgrades.** When the Employer directs an employee to work in a classification other than that held, the employee shall be paid at the higher wage group for the entire shift, provided the employee works at the higher-rated wage group for at least three (3) hours.

B. **Working in a Lower Classification.** When an employee is directed to temporarily work in a lower wage group, the employee shall receive his/her regular rate of pay for all lower rated work performed.

C. **Temporary Appointments.** Selection for appointments for less than thirty (30) consecutive days will be the right of management, other provisions of this contract notwithstanding. Temporary performance by an employee in a higher-rated classification shall not result in a change in classification of a position, unless such temporary work is approved in writing by the Division Director prior to performing the duties and is in excess of thirty (30) consecutive days. In such cases, the change to a permanent classification will be made in accordance with Article 22.02.

D. **Substitute Appointments.** When an employee is temporarily substituting for another employee who is absent from a position in a higher-rated classification and it is known or becomes known that the appointment will exceed thirty (30) consecutive days, the substitute appointment will be made in accordance with Article 22.02, from current employees.

13.02 - WAGE SCHEDULE & STEP PLACEMENT

The wage table shown in Section 13.02.A is the base wage schedule in effect June 30, 2012. ~~and 13.04 will be in effect on July 1, 2010, as specified in the table.~~ The wage schedule is found on and derived from the Division of Finance Website.

A. Wage Schedule. ~~Effective July 1, 2010, the following wage schedule will apply to employees in this bargaining unit.~~

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Range	Step A	Step B	Step C	Step D	Step E	Step F
49	28.32	29.31	30.34	31.40	32.50	33.64
50	27.04	27.99	28.97	29.98	31.03	32.12
51	25.70	26.60	27.53	28.49	29.49	30.52
52	24.28	25.13	26.01	26.92	27.86	28.84
53	22.69	23.48	24.30	25.15	26.03	26.94

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NJ 3-16-12

54	21.29	22.04	22.81	23.61	24.44	25.30
55	20.16	20.87	21.60	22.36	23.14	23.95
56	19.03	19.70	20.39	21.10	21.84	22.60
57	18.07	18.70	19.35	20.03	20.73	21.46
58	17.05	17.65	18.27	18.91	19.57	20.25
59	16.09	16.65	17.23	17.83	18.45	19.10
60	15.07	15.60	16.15	16.72	17.31	17.92
61	12.73	13.18	13.64	14.12	14.61	15.12

	Pay Increments (continue every 2 years)					
	2 yr	2 yr	2 yr	2 yr	2 yr	2 yr
Range	Step J	Step K	Step L	Step M	Step N	Step O
49	34.90	36.21	37.57	38.98	40.44	41.96
50	33.32	34.57	35.87	37.22	38.62	40.07
51	31.66	32.85	34.08	35.36	36.69	38.07
52	29.92	31.04	32.20	33.41	34.66	35.96
53	27.95	29.00	30.09	31.22	32.39	33.60
54	26.25	27.23	28.25	29.31	30.41	31.55
55	24.85	25.78	26.75	27.75	28.79	29.87
56	23.45	24.33	25.24	26.19	27.17	28.19
57	22.26	23.09	23.96	24.86	25.79	26.76
58	21.01	21.80	22.62	23.47	24.35	25.26

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59	19.82	20.56	21.33	22.13	22.96	23.82
60	18.59	19.29	20.01	20.76	21.54	22.35
61	15.69	16.28	16.89	17.52	18.18	18.86

The base wage schedule in effect June 30, 2012 will increase by 2% effective July 1, 2012.

The base wage schedule in effect June 30, 2013 will increase by 1% effective July 1, 2013.

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The base wage schedule in effect June 30, 2014 will increase by 1% effective July 1, 2014.

13.03 (NOTE: SEPARATE PROPOSAL MADE FOR CLASSIFICATION DISPUTES FOR 13.03)

13.04 - PAY INCREMENTS

Pay increments, beginning at Step J, computed at the rate of 3.75 percent of the employee's wage rate, shall be provided after an employee has remained at Step F within a given Wage Grade for two years, and every two years thereafter, if, at the time the employee becomes eligible for the increment, the employee's current annual rating by the employee's supervisor is designated as mid-acceptable or better. Movement between Pay Increments shall be extended by one (1) month for every twenty-three (23) working days leave without pay each year.

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~~Beginning on January 1, 2011, p~~ Pay increments will only be awarded through a performance evaluation in which the employee is considered to have a mid-acceptable or better commencing on the first day of the pay period following the fulfillment of the service requirement. If a pay increment is delayed due to an untimely performance evaluation, upon receipt of the evaluation with an annual rating of mid-acceptable or better, the pay increment will be granted retroactive to the employee's anniversary date.

13.05 13.05 - SUBSISTENCE

Subsistence shall be calculated as a daily rate according to geographic location and only at permanent work locations at two dollars and thirty-eight cents ($2.38) per day times step due district for eligible employees in Wage Groups 61 through 56 and two dollars and fifty-three cents ($2.53) per day times step due district for those eligible employees in Wage Groups 55 through 49. It is agreed that the rate of two dollars and twenty-five cents ($2.25) per day shall remain in effect for those employees stationed outside Alaska.

Further, subsistence will be converted to an hourly rate and added to the employee's hourly rate as determined by Sections 13.02 and 13.04. The conversion shall be as follows:

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	daily rate
x (times)	steps due district
x (times)	7
/ (divided by)	37.5.

The Election Districts used below are those designated by the Proclamation of Reapportionment Redistricting of December 7, 1961, and retained for the House of Representatives by proclamation of the Governor September 3, 1965.

Illustrative Place Name	House Districts	Elections Pay Plan	Steps Above
Ketchikan	1	0	
Prince of Wales	1	1	
Wrangell-Petersburg	2	1	
Sitka	3	1	
Juneau	4		0
Icy Strait-Lynn Canal	5	2	
Yakutat	5		4
Cordova	6(a)	4	
Valdez	6(b)	5	
Palmer-Wasilla	7		1
Cascade[1]	7(a)	2	
Anchorage	8	0	
Seward	9		2
Kenai-Cook Inlet	10	2	
Kodiak	11	3	
Aleutian Islands	12	8	
Bristol Bay	13	8	
Bethel	14	8	
Yukon-Kuskokwim[2]	15(a)	9	
Nenana-Cantwell-Healy-Livengood-Manley	15(b)	7	
Fairbanks (South of Arctic Circle)	16(a)	4	
Eagle, Chicken, Circle, 40 Mile, Tok, Delta, Trimms Camp, Northway	16(b)	5	
Fort Yukon (North of Arctic Circle)	16(c)	9	
Barrow-Kobuk	17	9	
Nome	18	8	
Wade-Hampton	19	8	
Outside Alaska			-4

1. It is agreed as Talkeetna, Chulitna and Willow shall be considered to be in District 7(a) for subsistence purposes.

2. It is agreed as Seven Mile Camp shall be considered to be in District 15(a) for subsistence purposes.

~~If AS 39.27.020 is amended by the Legislature, the parties agree to reopen Article 13.05~~

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~~for thirty (30) days for the sole purpose of bargaining Article 13.05.~~ The parties agree to reopen this Article for a period not to exceed 30 calendar days between *December* through February 2013 for the sole purpose to negotiate Article 13.05. The parties recognize any change to monetary terms in Article 13.05 are subject to legislative approval and funding according to AS 23.40.215. In the absence of mutual agreement for change to Article 13.05 or funding by the legislature, the original 13.05 terms will carry forward unchanged for the duration of the agreement.

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13.06 - PREMIUM PAY

13.06 PREMIUM PAY

A. Overtime. ~~It is the policy of the Employer to distribute overtime in the most economical manner, insofar as possible~~, the Employer shall equalize the distribution of overtime among the bargaining unit members who desire to work overtime, and those not desiring to work overtime shall preferably not be assigned to work overtime. This does not preclude the Employer from assigning and requiring overtime work of bargaining unit members based on reasons such as the qualifications of the members and the amount of work to be accomplished. Compulsory overtime may be necessary when the Employer determines it is in the public's best interest, such as natural disasters or weather related emergencies.

An employee shall be paid overtime for all work in excess of eight (8) hours of work in any one day and forty (40) hours of work in any one (1) week, at one and one-half (1.5) times the basic rate of pay.

~~For all work performed on the employee's first or second scheduled day off, one and one-half (1.5) times the basic rate of pay shall be allowed for that shift~~. For purposes of clarification it is agreed that the employee's first and second scheduled days off follow the employee's five (5) scheduled work days of their work schedule.

Overtime and holiday pay shall not be pyramided or duplicated. Hours paid at an overtime rate shall only be credited once in the calculation of hours in the workweek for overtime purposes.

~~A. Overtime. An employee shall be paid overtime for all work in excess of eight (8) hours of work in any one day and forty (40) hours of work in any one (1) week, at one and one-half (1.5) times the basic rate of pay.~~

For all work performed on the employee's first or second scheduled day off, one and one-half (1.5) times the basic rate of pay shall be allowed. However, for all work on the seventh (7th) consecutive day of work, two (2) times the basic rate of pay shall be allowed.

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~~For purposes of clarification it is agreed that the employee's first scheduled day off begins twenty four (24) hours following the scheduled start time of the employee's last shift of work for that workweek and the employee's second day off begins forty eight (48) hours following the scheduled start of the employee's last shift of work for their workweek. An employee shall~~

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~~receive two (2) times the basic rate of pay for all hours of work performed between the forty-eighth (48th) hour described herein and the start of the employee's next regularly scheduled shift, provided the employee is working a standard workweek of five (5) consecutive days followed by two (2) days off and the employee worked on the employee's first scheduled day off.~~

~~Overtime shall not be compulsory (except in dire emergency) and shall be distributed as evenly as possible among those employees desiring to work the overtime. Overtime and holiday pay shall not be pyramided or duplicated. Hours paid at an overtime rate shall only be credited once in the calculation of hours in the workweek for overtime purposes.~~

B. **Holiday Pay.** All work performed on holidays shall be paid at one and one-half (1.5) times the basic rate of pay in addition to holiday pay. Overtime and holiday pay shall not be pyramided or duplicated. Hours paid at an overtime rate shall only be credited once in the calculation of hours in the workweek for overtime purposes.

C. **Shift Differential.** All bargaining unit members who work a swing shift beginning between 11 a.m. and 7:59 p.m. are entitled to three and three quarters percent (3.75%) of the employee's base hourly rate for each hour worked on that daily shift.

All bargaining unit members who work a graveyard shift beginning between 8 p.m. and 5:59 a.m. are entitled to seven and one-half percent (7.50%) of the employee's base hourly rate for each hour worked on that daily shift.

For the purposes of this section, the starting time of the employee's regular shift, excluding overtime hours, shall determine eligibility for shift differential. All hours worked from the beginning of the employee's regular shift until the starting time of the employee's following regular shift shall be paid shift differential at the same differential rate including those hours worked on the employee's regular scheduled days off.

D. **Hazard Pay.** Employees who are required to work under dangerous conditions shall receive hazard pay of seven and one-half percent (7.50%) in four (4) hour increments so worked. Dangerous conditions shall be defined as:

1. Working at heights more than twenty-five (25) feet above ground on towers, bridgework, and antennas.

2. Handling explosives so designated by the Employer or involved in some related activity which has been so designated by the Employer.

3. Transportation by or working under a helicopter required by the Employer.

4. Direct involvement in the clearing of an avalanche from the roadway (limited to equipment operators and spotters).

13.07 - **PROBATIONARY PERIODS**

For employees starting in a position after July 1, 2010 the probationary period for classifications in this bargaining unit shall be one (1) year, except that the parties may mutually agree to extend the probationary period by up to two (2) additional months. The probationary period will be extended one (1) month for each accumulation of twenty-three (23) working days of leave without pay within a leave year.

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A. Each new employee appointed to a permanent position shall be hired as a probationary employee. Upon completion of the probationary period, the employee shall be considered a permanent employee and shall have seniority from the date of hire. Accrual and use of personal leave, holiday pay, retirement benefits, health and welfare coverage and other conditions of employment shall be subject to other provisions of this Agreement.

B. A permanent employee who is promoted to a classification in a higher wage group or appointed to a different classification at the same wage group or a different class series at a lower wage group will serve a probationary period in the new classification. Such employee, however, will retain permanent status in the class the employee left.

C. A probationary employee who is promoted to a classification in a higher wage group or is appointed to a different classification at the same wage group will serve a probationary period in the new classification with the time in the previous class not being considered toward permanent status in either case.

D. If an employee is notified of failure to complete the new probationary period, he/she shall be returned to a vacant position in the previous classification. If there is no vacant position the Employer intends to fill, the provisions of Section 22.04 shall apply.

13.08 - NONPERMANENT EMPLOYEES

The Employer may elect to appoint a full-time or part-time nonpermanent employee subject to AS 39.25.195-39.25.200. If a nonpermanent employee is appointed to a permanent position, the duty station seniority shall be counted from the original date of hire providing such combined service is continuous. Nonpermanent employees shall be entitled to step placement in accordance with Section 13.02(C). Nonpermanent employees shall be entitled to subsistence in accordance with Section 5 of this Article. Time served as a nonpermanent employee shall not count towards probationary credit.

A nonpermanent employee is not entitled to accumulate or use paid leave, health and accident insurance, pension benefits or other benefits except when other benefits are expressly provided for nonpermanent employees in this Agreement. In lieu of such entitlements, each nonpermanent employee shall receive one dollar and sixty-five cents ($1.65) for each compensable hour worked.

Nonpermanent employees shall be covered by the holiday and overtime provisions of this Agreement. If a nonpermanent employee is in work status on a designated floating holiday, then the employee is entitled to either another scheduled day off with pay, or an additional day's pay at the straight-time rate for the employee's regularly scheduled hours of work on the holiday.

Nonpermanent part-time employees working five (5) days per week will be paid holiday pay as provided by Article 18.03 according to the hours they are normally scheduled to work. Nonpermanent part-time employees working less than five (5) days per week will be paid holiday pay according to the hours they are normally scheduled to work on the day on which the holiday falls.

Nonpermanent employees reporting to work and not put to work shall receive four (4) hours pay or their regular shift, whichever is less, at their regular straight-time rate unless notified not to report at the end of their previous shift or two (2) hours prior to the start of the shift. If the second half is started, then a whole shift shall be allowed or their

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regular shift, whichever is less.

13.09 - PERMANENT PART-TIME EMPLOYEES

The Employer may establish a fixed reduced work schedule for an employee on a continuing basis when the employee accepts such employment or agrees in writing to the reduced work schedule in advance.

Increases or decreases to this fixed reduced work schedule may be made with fifteen (15) days written notice to the affected employee. If the affected employee is unable to accept a reduction to his/her part-time work schedule, a layoff in accordance with Article 22 may result.

Permanent part-time employees working five (5) days per week will be paid holiday pay as provided by Section 18.03.B according to the hours they are normally scheduled to work. Permanent part-time employees working less than five (5) days per week will be paid holiday pay according to the hours they are normally scheduled to work on the day on which the holiday falls.

Benefits for personal leave and retirement pensions pursuant to pertinent statutes and regulations shall accrue proportionate to the benefits for full-time service.

Permanent part-time employees will be covered by the overtime provisions of this Agreement. Work in excess of the permanent part-time employee's regular schedule shall not be compulsory (except in dire emergency) and shall be distributed as evenly as possible among those employees desiring to work the additional hours.

13.10 - EMERGENCY EMPLOYEES

An emergency employee is one who is employed for not more than thirty (30) calendar days. The emergency employee is entitled to be paid the hourly rate specified in this Agreement. Emergency employees may be employed directly by the Employer with notice to the Union office of the names and locations of the employees. Emergency employees are not subject to other terms and conditions of this Agreement, except for overtime provisions.

Appointments of emergency employees shall be governed in accordance with AS 39.25.195-39.25.200, and the rules, regulations, policies and procedures adopted under the authority provided therein.

13.11 - TRAINING

It is understood and agreed that both parties will consider each training program individually and reach mutual agreement on wages and conditions implemented.

It is understood and agreed that the parties will meet within thirty (30) days of the signing of this Agreement to identify training needs and establish a policy and procedure for training employees in this bargaining unit.

13.03 - JOB CLASSIFICATIONS

A. **Classifications**. Management retains the exclusive right to establish the specifications of job classifications regarding skills, abilities, experience, work requirements and duties of job classifications. The job classifications as of the effective date of this Agreement are as follows:

Wage Group 49
International Airport Foreman
Rural Airport Foreman
Occupational Safety and Compliance Officer
Safety Inspection and Compliance, Electrical Inspector
Safety Inspection and Compliance, Elevator Inspector
Safety Inspection and Compliance, Plumbing Inspector

Wage Group 50
Equipment Operator Foreman II
Maintenance Specialist, Bldg/Facility/Const, Foreman
Maintenance Specialist, Electrical Utility, Foreman
Maintenance Specialist, Electrician, Foreman
Maintenance Specialist, Electronics, Foreman
Maintenance Specialist, Plumbing, Foreman
Maintenance Specialist, Traffic Cntrl & Elec Sys, Foreman

Wage Group 51
Maintenance Specialist, Bldg/Facility/Const, Journey II/Lead
Maintenance Specialist, Electrical Utility, Journey II/Lead
Maintenance Specialist, Electrician, Journey II/Lead
Maintenance Specialist, Electronics, Journey II/Lead
Maintenance Specialist, Plumbing, Journey II/Lead
Maintenance Specialist, Traffic Cntrl & Elec Sys, Journey II/Lead
Mechanic, Automotive, Foreman II
Mechanic, Aircraft, Foreman II
Materials Laboratory Technician, Foreman
Equipment Operator Foreman I

Wage Group 52
Maintenance Generalist, Foreman
Mechanic, Automotive, Foreman I
Mechanic, Aircraft, Foreman I
Equipment Operator, Lead / Journey III
Materials Laboratory Technician, Specialist/Lead

Wage Group 53
Maintenance Generalist, Lead
Maintenance Specialist, Bldg/Facility/Const, Journey I
Maintenance Specialist, Electrical Utility, Journey I
Maintenance Specialist, Electrician, Journey I
Maintenance Specialist, Electronics, Journey I
Maintenance Specialist, Plumbing, Journey I
Maintenance Specialist, Traffic Cntrl & Elec Sys, Journey I
Food Service, Foreman
Driller, Journey

Mechanic, Automotive, Advanced Journey/Lead
Mechanic, Aircraft, Advanced Journey/Lead
Equipment Operator, Journey II
Materials Laboratory Technician, Journey
Stock & Parts Services, Lead
Survey, Lead

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Wage Group 54
Maintenance Generalist, Journey
Driller, Sub-Journey
Mechanic, Automotive, Journey
Mechanic, Aircraft, Journey
Equipment Operator, Journey I
Engineering Technician, Journey
Materials Laboratory Technician, Sub-Journey IV
Stock & Parts Services, Journey II
Survey, Journey

Wage Group 55
Engineering Technician, Sub-Journey III
Stock & Parts Services, Journey I

Wage Group 56
Maintenance Generalist, Sub-Journey II
~~Maintenance Generalist, Sub-Journey I~~
Food Service, Lead
Mechanic, Aircraft, Sub-Journey
Mechanic, Automotive, Sub-Journey
Equipment Operator, Sub-Journey II
Materials Laboratory Technician, Sub-Journey III
Survey, Sub-Journey II

Wage Group 57
Food Service, Journey
Environmental Services, Foreman
Engineering Technician, Sub-Journey II
Materials Laboratory Technician, Sub-Journey II
Stock & Parts Services, Sub-Journey

Wage Group 58
Maintenance Generalist, Sub-Journey I
~~Maintenance Generalist, Sub-Journey II~~
Environmental Services, Lead
Equipment Operator, Sub-Journey I
Survey, Sub-Journey I

Wage Group 59
Engineering Technician, Sub-Journey I
Materials Laboratory Technician, Sub-Journey I

Wage Group 60
Environmental Services, Journey I

Wage Group 61
Food Service, Sub-Journey
Environmental Services, Journey I

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This list is subject to modification during the life of this Agreement.

It is the obligation of the employer to maintain and establish a classification system and a pay plan. Classification disputes are not subject to the grievance and arbitration provisions of Article 9 ~~except as provided in Sections B and D below~~. The procedures outlined below will be the only method of settling any dispute concerning substantive classification matters.

B. **Bargaining Unit Placement and New Classifications.** It is recognized that all new positions (PCNs) and classifications created by the Employer should be placed in the appropriate bargaining unit.

Subsequent to the effective date of this Agreement, the Union Business Manager shall be notified of all new classifications created within ten (10) working days of such action and such notifications shall include the class specifications and wage grade assignment. If the Union disagrees with the wage grade assignment of a new job class, it must notify the Director of Personnel and Labor Relations in writing of its objections within thirty (30) calendar days. The notice must include an analysis and rationale of the disagreement and detailed information regarding the duties, responsibilities and wage rates of comparable classifications in the public or private sector in Alaska or the Pacific Northwest. Within fifteen (15) working days of receipt of the Union's objections, the parties shall meet and confer. If disputes regarding the wage grade assignments of job classes are not resolved within thirty (30) calendar days, ~~the Union may request arbitration. The arbitrator shall be selected from the panel provided in Article 9. The arbitrator shall have no authority to establish a new wage grade; the arbitrator's authority shall be limited to a determination of the proper wage grade assignment for specific job classes. The arbitrator's award shall be consistent with merit system principles as articulated at AS 39.25.010.~~ the Director shall issue a decision in writing to the Union.

Both parties recognize that the Labor Relations Agency shall retain its usual authority to make determinations of unit classification assignments. No filled position (PCN) shall be changed to a bargaining unit outside this bargaining unit without written notification to Local 71 of such action concurrent with the notification to the department. If the Union does not notify the Employer within ten (10) working days from the receipt of notification of its intent to challenge, the Employer will be free to take the proposed action. If the Employer changes a vacant position (PCN) to a bargaining unit outside this bargaining unit, Local 71 shall be notified concurrently with such action.

C. Reallocation of a Position.

An employee occupying a position that is reallocated to a lower classification which carries a lower pay range and who continues in the same position shall be placed at the most advanced step providing an equal or lesser wage rate, but the salary will remain frozen at the former rate until earned step advancements or adjustments to the wage schedule cause the rate to exceed the frozen rate. For purposes of this paragraph, an employee may not be placed at a pay increment unless they have earned such step in that wage group or higher classification. Time served at Step F or a pay increment of the higher classification shall be counted as time served at Step F or a pay increment of the lower classification.

An employee occupying a position that is reallocated to a classification at the same pay range shall remain at the same step assignment

An employee occupying a position that is reallocated to a higher classification which carries a higher pay range and who continues in the same position shall have their step placement determined in accordance with Article 13.02.D.

As the result of a reallocation action from outside the bargaining unit, the incumbent of the position shall be appointed to the position as of the effective date of the reallocation action.

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D. Classification Reviews.

1. When the Union believes a position is improperly classified, the Union shall submit an updated position description and information regarding the duties and responsibilities of the position to the departmental Division of Personnel and Labor Relations Classifications Manager with a copy to the Director of the Division of Personnel and Labor Relations. Within thirty (30) calendar days of receipt the department shall submit its written analysis and recommendation to the Director with a copy to the Union. If the department fails to respond within thirty (30) calendar days, the Union may advance the request to the Director within five (5) working days of the due date. If the Union does not agree with the department's recommendation, it must notify the Director of its specific disagreement within twenty (20) working days of the date the recommendation was received.

2. Within thirty (30) calendar days from receipt of the department's recommendation or thirty (30) calendar days from the date the request was advanced by the Union, the Director shall review the position description in conjunction with existing class specifications, and issue a decision. ~~If the Union does not agree with the Director's decision, it must request arbitration within ten (10) working days of the date the decision was due or received, whichever is earlier. Absent a notice of objection from the Union, any change in job class allocation shall be effective the pay period following the Director's decision.~~

~~The arbitrator shall be selected from the panel provided in Article 9. The parties shall make every effort to schedule arbitration within sixty (60) calendar days of the arbitrator's selection. The arbitrator has no authority to establish a new wage group or a new job class. The arbitrator's authority shall be limited to a determination of the proper job class allocation. The arbitrator's award shall be consistent with the merit system principles at AS 39.25.010. Any change in job class allocation shall be effective the pay period following receipt of the arbitrator's award.~~

3. No more than one (1) request may be submitted for a position in any twelve (12) month period unless substantial changes in duties have occurred.

4. The time frames contained herein may be altered by mutual agreement of the parties.

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ARTICLE 14 - WORKING RULES

14.01 - WORKWEEK
The workweek shall consist of thirty-seven and one-half (37.5) hours within five (5) consecutive days, and all permanent full-time employees shall be guaranteed a full workweek provided they are ready, willing and able to work, unless suspended, on layoff or leave without pay.

It is understood and agreed between the parties that at a duty station where workweek schedule changes are necessary, the requirement of five (5) consecutive days shall be invalid for a fourteen (14) day period provided, however, that the employee shall be guaranteed seventy-five (75) hours of work in that fourteen (14) day period. This provision applies only during a workweek schedule change period. However, in no instance will an employee be required to work more than seven (7) consecutive days at straight-time as a result of workweek schedule changes.

When shift changes are required, the affected employees will receive reasonable notice of the shift change.

14.02 - STARTING TIMES
The Employer shall establish regular starting times for each operation and may adjust those starting times up to two (2) hours without discussion or agreement of the parties. The Employer will not make such changes more frequently than twice per month without mutual agreement.

14.03 - CALL BACK
A. When an employee is called back to work within four (4) hours after the completion of the employee's regular shift, the employee shall be paid for such hours worked at the appropriate overtime rate. If the employee is called back to work later than four (4) hours after the completion of the employee's shift, the employee is entitled to a minimum of four (4) hours pay at the appropriate overtime rate. If the hours worked exceed four (4), the employee shall be entitled to overtime pay for all such hours worked. If the employee is called out more than once in one four (4) hour period, a new call-out shall not be established.

B. When an employee is called to work within four (4) hours prior to the start of the employee's regular shift, the employee shall be paid for such hours worked at the appropriate overtime rate. If the employee is called to work more than four (4) hours prior to the start of the employee's regular shift, then 14.03(A) applies.

C. Minimum call back guarantees do not apply when the additional work assignment has been scheduled and the employee has been notified prior to the completion of the employee's shift. In such cases, the employee shall be paid for all hours worked at the appropriate rate of pay.

14.04 - ON CALL
When employees are ordered to remain at home, or periodically report their whereabouts, and be available for immediate recall, their name shall be placed on an on-call roster. Assignments to an on-call roster shall be, insofar as it is possible, equitably rotated among employees normally required to perform the anticipated duties. Nothing in this Article shall preclude the assignment of an individual to an on-call roster whose knowledge, skills and abilities makes that employee the most logical choice for the call out tasks. An employee who is assigned to an on-call roster, for each calendar day or portion of a calendar day of such assignment, shall be paid one (1) straight-time hour at the employee's base hourly rate. The daily rate of compensation shall be in addition to pay for hours worked.

14.05 - STANDBY
When employees are required to standby because of temporary breakdown or shortage of

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materials, temporary weather conditions, or for any other cause beyond their control, no time shall be deducted from this period and the finishing time or shift shall not be extended to make up the lost time.

14.06 - TIDAL OPERATIONS

When it is necessary to work with the tide, any such working hours may be changed at the option of the Employer to meet tidal conditions; however, when these conditions make it impossible for full shift operations, the employees shall be paid for a full shift regardless of whether a full shift is worked. No split shift which extends into the next tide shall be worked except at the overtime rate.

14.07 - ORDERS

A. Authority for orders to employees covered by this Agreement will be to the employees by a management representative through a foreman or leadman, where there is a foreman or leadman as required by paragraphs B and C of this section.

B. When four (4) or more employees, except for laborers (includes laborers, custodians and helpers in a variety of job classifications performing unskilled and semiskilled work) in public buildings, are employed on the same shift as a crew, one (1) shall be selected by the Employer as a working leadman and shall be paid seventy-five cents ($0.75) per hour above the employee's base hourly rate for all such hours of supervision. Management may appoint a working leadman in situations where there are less than four (4) employees and the leadman shall be paid according to this section.

C. When eight (8) or more employees are employed on the same shift as a crew in an immediate area, one (1) shall be selected as a foreman to direct the work and shall be paid an additional one dollar and fifty cents ($1.50) per hour above the employee's base hourly rate for all such hours of supervision provided that the designated employee does not currently hold a foreman position.

D. The appointment of such foreman or leadman will be the right of management, other provisions of the contract notwithstanding, and shall not result in a permanent wage change.

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ARTICLE 18 - CONDITIONS

18.01 - MEAL BREAK
A meal period of not less than thirty (30) minutes or more than one (1) hour shall be allowed approximately midway of each shift. If the employee is scheduled to work twelve (12) hours in a day, the employee may request a second (2nd) meal period after eight (8) hours of work, and a third (3rd) meal period if the employee is expected to work beyond twelve (12) hours. The employee shall be relieved of all work-related duties and responsibilities during such meal periods.

18.02 - RELIEF PERIODS
All employees shall be allowed one (1) relief break not to exceed fifteen (15) minutes in duration during the first (1st) half of the shift and fifteen (15) minutes during the second (2nd) half of the shift. When working other than the regular shift, relief breaks shall be taken consistent with the above schedule.

18.03 - HOLIDAYS
Holidays recognized are:

1. The first (1st) of January, known as New Year's Day,
2. The third (3rd) Monday of January, known as Martin Luther King, Jr. Day,
3. The third (3rd) Monday in February, known as President's Day,
4. The last Monday in March, known as Seward's Day,
5. The last Monday in May, known as Memorial Day,
6. The fourth (4th) of July, known as Independence Day,
7. The first (1st) Monday in September, known as Labor Day,
8. The eighteenth (18th) of October, known as Alaska Day,
9. The eleventh (11th) of November, known as Veterans' Day,
10. The fourth (4th) Thursday in November, known as Thanksgiving Day,
11. The twenty-fifth (25th) of December, known as Christmas Day,
12. Every day designated by public proclamation by the Governor of Alaska as a legal holiday.

A designated holiday will normally be observed on the calendar day on which it falls except that if the holiday falls on an employee's first regularly scheduled day off it will be observed on the preceding day. If the holiday falls on the employee's second regularly scheduled day off it will be observed on the following day.

Holidays may be rescheduled to another day in the workweek or in the work schedule in which the holiday was to be observed with mutual agreement between the employee and supervisor.

1. Employees in the bargaining unit working for the Department of Military and Veterans' Affairs will not observe October 18, Alaska Day, but will observe Columbus Day, during the same month, to coincide with the Federal employees attached to the Department of Military and Veterans' Affairs.

2. Any of the holidays provided above may be converted to a floating holiday for any designated group of employees upon mutual agreement of the parties.

18.04 - PERFORMANCE EVALUATIONS
A. Performance Evaluation Reports will be discussed with an employee by the rater. An employee who disagrees with a performance evaluation may submit written comments within ten (10) working days. The written comments shall be attached to the performance evaluation and become a part of the employee's personnel file. Following the discussion of the performance

evaluation with the employee, the evaluation will be signed by both the employee and the rater. The signed evaluation, together with any employee comments, shall constitute the evaluation. The employee shall receive a copy of the finalized evaluation.

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B. For an employee who is denied a Pay Increment increase under Article 13.04, the following process shall be the sole and exclusive method for resolution:

Level One: Within thirty (30) calendar days after receipt of a copy of the finalized evaluation, the employee must submit through the Union a written request to the director of the employee's division asking that the director investigate allegations that the evaluation includes factual inaccuracies, or that in the preparation of the evaluation management has been arbitrary or capricious, or has been motivated by discrimination or bias. The written request must state specifically the allegations to be investigated and, to the degree that information in support of those allegations is known, identify the facts surrounding the controversy. The list of allegations to be investigated shall not be expanded after the initial submission to the Employer except by written mutual agreement of the parties. The division director or section manager shall have thirty (30) calendar days to assign an investigator outside the complaint's direct chain of command to investigate and make written recommendations to the Director regarding revision of the evaluation, with a copy to the Union.

Level Two: In the event the dispute is not resolved by the recommendations at Level 1, the employee through the Union shall submit a written request for informal hearing to the Director of the Division of Personnel and Labor Relations within ten (10) working days after receipt of the recommendations. Absent such a request, the Director shall adjust the evaluation in accord with the recommendations, provided that those recommendations are not in violation of law or regulation. If a hearing is requested, every reasonable effort shall be made to schedule the hearing within thirty (30) calendar days of the request and in no case later than sixty (60) calendar days. Hearings shall be conducted by an individual outside the employing department and bargaining unit assigned by the Director of Personnel and Labor Relations. The employee and the employing department shall have one (1) hour each to present additional testimony and documentary evidence, which shall be considered by the Hearing Official together with the employee's initial request and the Level One recommendations. The Hearing Official shall issue a final decision within fifteen (15) working days after the close of the informal hearing revising those contested facts found to be inaccurate. Other contested portions of the evaluation shall be revised upon a finding by the Hearing Official that in the preparation of the evaluation management has been arbitrary or capricious, or was motivated by discrimination or bias.

C. Former employees who are evaluated following termination, or are otherwise not available to discuss their evaluation, will be mailed their copy of the completed evaluation at the last address of record. Upon receipt of their evaluation, former employees may, at their option, request to meet with the rater to discuss the evaluation and may submit written comments which will be attached to the evaluation and placed in the personnel file.

19

Former Art 5 State proposal 3/12/12 14:10

3/14/12

Y: 3-16-12

ARTICLE 20 - LEAVES OF ABSENCE

20.01 - APPLICATION FOR LEAVES OF ABSENCE

No application for a leave of absence, as described in this Article, will be considered, unless it is applied for in writing or electronically, if electronic option is available and presented to the employee's immediate supervisor for approval in advance whenever possible.

20.02 - TEMPORARY ABSENCE DUE TO DISABILITY, ILLNESS OR INJURY

A permanent employee who shall be found and certified by a medical doctor to be unable to perform his or her regular or alternate duties within this bargaining unit because of disabling illness or injury shall use all accumulated leave prior to requesting extended leave without pay.

Leave of absence without pay will be granted up to a maximum of twelve (12) months, with service bonus credit and seniority accumulating, subject to the following conditions:

A. Requests for leave of absence without pay shall be in writing in accordance with Section 1 of this Article.

B. Requests for leave of absence without pay shall be submitted to the Employer no less than ten (10) days prior to the effective date of the request or ten (10) days before the employee exhausts accumulated paid leave. Reasonable extensions to the application shall be granted by the Employer upon a good faith showing by the affected employee.

C. The employee signs a release that will allow the Employer to obtain additional medical information when deemed necessary by the Employer.

A leave of absence without pay may be granted for a period of time up to twelve (12) months, depending on the extent of illness or disability. The Employer may require a certificate from a medical doctor of the Employer's choice at any time, although not more frequently than once every thirty (30) days, should there exist any questions with regard to the illness or injury as related to the employee's ability to perform their expected duties. This examination shall be performed at no cost to the employee.

D. If the disability continues beyond twelve (12) months and the employee has not returned to work, the employee's service bonus credit and seniority will be broken and terminated, unless otherwise mutually agreed by the Union and Employer.

20.03 - OTHER APPROVED ABSENCE

Upon written approval of the employing department, permanent employees may be granted a leave of absence without pay.

20.04 - MILITARY LEAVE

A. An employee who is ordered by the United States Selective Service System to report for a pre-induction physical examination is entitled to a leave of absence without loss of pay, time or performance rating. The leave of absence shall not exceed three (3) working days.

B. An employee of the State who is a member of a reserve component of the United States Armed Forces, National or Alaska Guard or Naval Militia, is entitled to a leave of absence without loss of pay, time or performance rating on all days during which the employee is ordered to training duty, as distinguished from active duty, with troops or at field exercises or for instruction, or when under direct military control in the performance of a search and rescue mission. The leave of absence may not exceed sixteen and one-half (16.5) working days in any calendar period beginning December 16 and ending December 15

KD 3/14/12
4 3-14-12

20.05 - JURY/COURT LEAVE
An employee who is called for jury duty or who is subpoenaed to appear in court in Alaska as a witness will be compensated by the Employer for the difference between payment received for such compulsory jury duty or court appearance and the payment the employee would have received for the straight-time hours the employee was thereby required to lose from their regular work schedule but not to exceed thirty-seven and one half (37.5) hours per week, computed at the employee's established basic hourly wage rate. However, when subpoenaed by a party other than the Employer, the employee will not be compensated if the employee, the Employer or the Union is a party in the case, or if the employee has any direct interest or financial interest in the case. Differential payment shall be made so long as such jury duty or court appearance continues only upon presentation of documentary proof of jury duty or court appearance and the payment received therefore. Continuous service bonus credit and duly-established seniority privileges will accumulate during such leave.

20.06 - TIME OFF TO VOTE
If the Employer has so placed an employee that the employee is unable to vote on off-duty time, it shall be the responsibility of the Employer to provide time and transportation during normal working hours, without loss of pay to the employee, for each employee to vote in Federal, State, city, borough elections and Union elections held on the employee's job site.

20.07 - UNION BUSINESS LEAVE
There is hereby created a Union Business Leave Bank which shall be administered by the State with a monthly report of the balance and withdrawals provided to the Union Business Manager. The Bank shall be established by a transfer of one (1) day of personal leave from each employee on the payroll of the Employer. Employees shall donate one (1) day of personal leave when the employee's balance is at least one (1) day or more and such leave shall be transferred to the Bank. Existing employees who have donated leave during their current employment shall be exempt from this section.

Withdrawal requests from the Bank will be for purposes of compensation of bargaining unit members for absences due to contract negotiations and formulation, executive meetings, conventions, training sponsored by the Union, attendance at arbitration or other hearings as a witness for the Union and other like purposes as may be determined by the Union Business Manager. Requests for withdrawals from the Bank shall be made only by the Business Manager of the Union to the Director of the Division of Personnel on forms mutually agreed by the parties and furnished by the Union. Personal leave transferred to the Bank is final and not recoverable for re-credit to an individual's leave account.

In addition, the parties agree that a cash business leave bank may be established at any time by mutual agreement.

The release of employees for Union leave from duty shall be handled on the same basis as release from duty for personal leave, however, such release shall not be unreasonably withheld by the supervisor. No one employee may be absent for longer than twelve (12) months during the life of this Agreement.

Unless otherwise mutually agreed in writing, should a promotional opportunity arise while an employee is on Union Business Leave, they shall be deemed eligible for the promotion. Should an employee accept such a promotion, their leave shall be canceled and they shall be ineligible for Union Business Leave during the succeeding six (6) months, unless specifically approved by the Director of the Division of Personnel and Labor Relations.

KD 3/16/12
MF 3-16-12

ARTICLE 23 - HEALTH AND SECURITY

23.01 - EMPLOYEE HEALTH INSURANCE

The terms and conditions of the Public Employees Local 71 Health and Welfare Trust established by Letters of Agreement 93-LL-027 (as amended) and 98-LL-030 shall continue during the term of this Agreement.

Effective July 1, 2012~~0~~, the Employer shall contribute ~~$1030~~ $1330 per month to the Union's health insurance trust for each eligible employee. Effective July 1, for each year after this Agreement, the Employer health insurance contribution will increase by an amount of money not exceeding that necessary to maintain comparable coverage under the current Select Benefits Default/Economy Plan.

Upon sixty (60) days written notice to the Commissioner of Administration, the Union may increase the monthly contribution of eligible employees.

~~By July 9, 2012, the State will make a payment to the Public Employees Local 71 Health and Welfare Trust. The payment will be determined by the State and will be calculated based on the number of employees eligible for health insurance receiving $42 per month for July 1, 2009 to June 30, 2010.~~

23.02 - EMPLOYEE LIFE INSURANCE

The Employer shall insure the life of every employee in the principle amount of two thousand dollars ($2,000.00).

23.03 - HEALTH INSURANCE RATE ADJUSTMENTS

The Union agrees to provide the State with an actuarial analysis of the Trust by May 1 of each year of this agreement. The State, at its own expense, reserves the right to perform its own review and analysis of the Trust.

23

KD 3/16/12
BY 3-16-12

ARTICLE 25 - TOOL ALLOWANCE

All permanent Mechanics (Automotive) in Wage Group 53 and 54, Mechanics (Aircraft) in Wage Group 53, and Mechanic (Automotive) Foreman I in Wage Group 52 will be required to furnish their own hand tools up to but not including socket sets of 3/4-inch drives. The employees will receive a tool allowance of thirty dollars ($30.00) each pay period. Maintenance Specialist (Electronics) Journey I and Lead will be paid twenty dollars ($20.00) each pay period and furnish all hand tools exclusive of complex testing equipment consistent with this section. Mechanic (Automotive) - Sub-journey, Wage Group 56, will receive twenty dollars ($20.00) each pay period and furnish all hand tools necessary to work within this class specification.

Department of Corrections employees who are provided all tools and not allowed to bring personal tools into the facility are excluded from the tool allowance provision in this article. However, any Department of Corrections employee who received a tool allowance as of July 1, 2010 will continue to receive the tool allowance as long as it would otherwise be permitted under this article.

If the Employer adopts new or revised class specifications which fall within the automotive mechanical or electronic technician fields, the parties agree to negotiate the amount of tool allowance which might be appropriate for the new or revised class specification. In the event such negotiations do not produce an agreement, the dispute shall only be resolved pursuant to Article 9, Section 9.02.

SB

1

<TARGET><BILL>SB 1</BILL><SUBJECT>SB
1</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 2/2/11

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 1

SB 1-BD OF ED./EARLY DEVELOPMENT ANNUAL REPORT

"An Act requiring the state Board of Education and Early Development to provide an annual report to the legislature."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[✓] adopt **previous CS** SB 1 (EDC) *[✓] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____ Letter of Intent

[ ] further referral to _____ Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
EED			✓	

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	EGAN	✓			
	McGuire	✓			
	ELLIS	✓			
	OLSON			✓	
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	STEDMAN	✓			

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSSB 1(EDC)
(S) Publish Date: 2/2/11

Identifier (file name): SB1-EED-ESS-1-28-11
Dept. Affected: EED
Title: "An Act requiring the State Board of Education and Early Development..."
Appropriation: Education Support Services
Allocation: Executive Administration
Sponsor: Sen. Davis
Requester: Senate Education Committee
OMB Component Number: 2736

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by: Marcy Herman
Phone: 465-2803
Division: Commissioner's Office
Date/Time: 1/28/11 8:05 PM
Approved by: Les Morse
Acting Commissioner
Date: 1/28/2011

(Revised 1/27/2011 OMB)

FISCAL NOTE #1

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. CSSB 1(EDC)

Analysis

This legislation has no fiscal impact on the Department of Education and Early Development.

Alaska State Legislature

Interim: (May - Dec.)
716 W. 4th Ave
Anchorage, AK 99501
Phone: (907) 269-0144
Fax: (907) 269-0148

Session: (Jan. - May)
State Capitol, Suite 30
Juneau, AK 99801-1182
Phone: (907) 465-3822
Fax: (907) 465-3756
Toll free: (800) 770-3822

Senator_Bettye_Davis@legis.state.ak.us
http://www.akdemocrats.org

Senator Bettye Davis

SB 1 - "An Act requiring the state Board of Education and Early Development to provide an annual report to the legislature."

SPONSOR STATEMENT

This bill requires that the Alaska State Board of Education shall prepare and present to State Legislature not later than the 30th day of each regular session an annual report that describes the efforts of the Board to develop, maintain, and continuously improve a comprehensive quality public education system as provided for under the bylaws of the Board.
The report to the Legislature must include:

1. a summary of resolves and rationales provided in support of policy decisions;
2. program and curriculum changes made, discussed, or recommended in meetings; and
3. additional information relevant to efforts made to improve and maintain the public education system.

This bill is intended to create a greater dialogue among Alaska legislators, Department of Education and Early Development (DEED), and the Board of Education which meets at least quarterly. Since Alaska legislators appropriate over $1 billion per year for state public education which a significant portion of the state budget, they must be at the center of the state's efforts to identify strengths and weaknesses of the current system, help determine a public agenda, set clear goals for K-12 and higher education, and hold institutions accountable for performance. The only way to achieve this is through cooperation and communication with the Board and the Department.

Legislators take great pride and tremendous amounts of time and effort every session in trying to provide the best possible education, scholarships, and funding for Alaska students. The annual report required by this bill will assist both DEED and legislators early in each session in assessing new programs, curriculum changes, goals and priorities which may require more information or administrative and legislative action during session.

SB

3

<TARGET><BILL>SB 3</BILL><SUBJECT>SB
3</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 1/31/11

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 3

SB 3 FUNDING FOR SCHOOL MEALS

"An Act providing for funding for school lunch and breakfast."

and recommends:

[✓] be **replaced** with **CS** SB 3 (FIN) *[ ] Same Title [X] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
SFIN	✓			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	EGAN	✓			
	McGuire	✓			
	OLSON	✓			
	ELLIS	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	STEDMAN	✓			

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version **SB 3**
() Publish Date

Identifier (file name)
Title "An Act providing for funding for school lunch and breakfast..."
Dept. Affected Education & Early Development
Appropriation Teaching & Learning Support
Allocation Child Nutrition Services
Sponsor Senator Wielechowski
Requester Senate Finance Committee
OMB Component Number 1955

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants	2,143.0		2,143.0	2,143.0			
Miscellaneous							
TOTAL OPERATING	**2,143.0**	**0.0**	**2,143.0**	**2,143.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	2,143.0		2,143.0	2,143.0			
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**2,143.0**	**0.0**	**2,143.0**	**2,143.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

This fiscal note reflects two changes made in the Senate Finance Committee Substitute: 1) the CS removes the annual Consumer Price Index adjustment to the base amount and; 2) sunsets the program on June 30, 2014.

Prepared by Darwin Peterson, Senate Finance Committee staff
Phone 465-3873
Date/Time 2/21/11 4:12 PM

Senator Bert Stedman, Co-Chair Senate Finance Committee
Date 2/21/2011
Senator Lyman Hoffman, Co-Chair Senate Finance Committee

(Revised 1/27/2011 OMB)

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB3

Analysis

This legislation will establish a state school and breakfast program to assist districts in offsetting the costs of providing free and reduced breakfast and lunch meals under 42 U.S.C. 1771-1784 for eligible students. School districts will be eligible for 35 cents for each breakfast and 15 cents for each lunch served plus an additional amount generated by applying the specified formula to the district cost factors under AS 14.17.460.

CS FOR SENATE BILL NO. 3(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS WIELECHOWSKI, ELLIS, DAVIS, EGAN, FRENCH, KOOKESH, MCGUIRE, MENARD, PASKVAN, AND THOMAS

A BILL

FOR AN ACT ENTITLED

"An Act providing for funding for school lunch and breakfast; and providing for an effective date."

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

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

STATE FUNDING FOR SCHOOL LUNCH AND BREAKFAST. (a) To supplement the cost of lunch and breakfast provided to each student who is eligible for a free or reduced-price lunch under 42 U.S.C. 1771 - 1784, in addition to public school funding and subject to appropriation, the Department of Education and Early Development shall provide funding to a school district of 15 cents for lunch and 35 cents for breakfast to each eligible student. For each meal, the department shall add an additional amount, expressed in cents and not applied as a cost factor, that is determined by

(1) reducing the applicable district cost factor provided in AS 14.17.460 by 1.0; and

(2) dividing the remainder determined under (1) of this subsection by four; the department shall round to the nearest cent a quotient that is not a whole number.

(b) In this section, "district" has the meaning given in AS 14.17.990.

* **Sec. 2.** Section 1 of this Act is repealed June 30, 2014.

* **Sec. 3.** This Act takes effect immediately under AS 01.10.070(c).

RECEIVED
FEB 18 2011

Adopted 2/22/11

27-LS0020\D
Mischel
2/17/11

CS FOR SENATE BILL NO. 3(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS WIELECHOWSKI, ELLIS, DAVIS, EGAN, FRENCH, KOOKESH, MCGUIRE, MENARD, PASKVAN, AND THOMAS

A BILL

FOR AN ACT ENTITLED

"An Act providing for funding for school lunch and breakfast; and providing for an effective date."

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

* **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

STATE FUNDING FOR SCHOOL LUNCH AND BREAKFAST. (a) To supplement the cost of lunch and breakfast provided to each student who is eligible for a free or reduced-price lunch under 42 U.S.C. 1771 - 1784, in addition to public school funding and subject to appropriation, the Department of Education and Early Development shall provide funding to a school district of 15 cents for lunch and 35 cents for breakfast to each eligible student. For each meal, the department shall add an additional amount, expressed in cents and not applied as a cost factor, that is determined by

(1) reducing the applicable district cost factor provided in AS 14.17.460 by 1.0; and

New Text Underlined [DELETED TEXT BRACKETED]

(2) dividing the remainder determined under (1) of this subsection by four; the department shall round to the nearest cent a quotient that is not a whole number.

(b) In this section, "district" has the meaning given in AS 14.17.990.

* **Sec. 2.** Section 1 of this Act is repealed June 30, 2014.

* **Sec. 3.** This Act takes effect immediately under AS 01.10.070(c).

Removed 2/22/11

27-LS0020\I.2
Mischel
2/11/11

AMENDMENT 1

OFFERED IN THE SENATE BY SENATOR MCGUIRE

TO: CSSB 3(EDC)

Page 1, line 4:

Delete "To"

Insert "Except as provided in (c) of this section, to"

Page 2, following line 5:

Insert a new subsection to read:

"(c) The department may not pay a school district that has a cost factor under AS 14.17.460 of 1.07 or less a supplement for a school lunch or breakfast as provided under (a) and (b) of this section unless the district has demonstrated to the satisfaction of the department that the district, to the extent practicable, gives a preference in purchasing food to food grown in the state."

Reletter the following subsection accordingly.

Removed 2/22/11

27-LS0020\D.1
Mischel
2/18/11

AMENDMENT 2

OFFERED IN THE SENATE BY SENATOR MCGUIRE

TO: CSSB 3(FIN), Draft Version "D"

Page 1, line 6:

Delete "To"

Insert "Except as provided in (b) of this section, to"

Page 2, following line 2:

Insert a new subsection to read:

"(b) The department may not pay a school district that has a cost factor under AS 14.17.460 of 1.07 or less a supplement for a school lunch or breakfast as provided under (a) of this section unless the district has demonstrated to the satisfaction of the department that the district, to the extent practicable, gives a preference in purchasing food to food grown or harvested in the state."

Reletter the following subsection accordingly.

Alaska Preference: AS 36.15.050

Sec. 36.15.050. Use of local agricultural and fisheries products required in purchases with state money.

(a) When agricultural products are purchased by the state or by a school district that receives state money, only agricultural products harvested in the state shall be purchased whenever priced no more than seven percent above products harvested outside the state, available, and of like quality compared with agricultural products harvested outside the state.

(b) When fisheries products are purchased by the state or by a school district that receives state money, only fisheries products harvested or processed within the jurisdiction of the state shall be purchased whenever priced no more than seven percent above products harvested or processed outside the jurisdiction of the state, available, and of like quality compared with fisheries products harvested or processed outside the jurisdiction of the state.

(c) A solicitation for the purchase of agricultural or fisheries products shall specify the requirement that products harvested in the state shall be used where possible. If the state or a school district that receives state money purchases agricultural or fisheries products harvested outside the state, the officer responsible for the purchase shall certify in writing the reasons that products harvested in the state were not purchased.

(d) If a contractor fails to comply with this section, the purchasing agency shall withhold payment until the contractor complies. If a school district fails to comply with this section, the department responsible for disbursing state money to the school district shall withhold the money until the school district complies.

(e) An interested party, as defined in AS 36.30.699 , may seek administrative or judicial review of the award of a contract in violation of this section.

(f) Compliance with this section is not required if an exception to this section is mandated for participation in a federal program.

(g) In this section,

(1) "agricultural products" includes dairy products, timber and lumber, and products manufactured in the state from timber and lumber;

(2) "school district" includes a regional educational attendance area established under AS 14.08;

(3) "state money" includes state reimbursement to school districts for school or related construction, foundation funding for education, municipal assistance, revenue sharing, and state funds for capital projects.

United States Department of Agriculture

Food and Nutrition Service

3101 Park Center Drive
Alexandria, VA 22302-1500

DATE: February 1, 2011

MEMO CODE: SP_18 - 2011

SUBJECT: Procurement Geographic Preference Q&As

TO: Regional Directors
Special Nutrition Programs
All Regions

State Directors
Child Nutrition Programs
All States

In light of recent Farm to School efforts to connect schools with local or regional farmers and the need for guidance and technical assistance on the State and local levels, we have created Q&As to further explain the geographic preference option. The purpose of this memorandum is to provide Q&As on the application of the geographic preference option in procurement of unprocessed locally grown or locally raised agricultural products.

We encourage State agencies to share these Q&As with their counterparts at other State Departments (e.g., Department of Agriculture or Department of Health) that are involved in Farm to School activities.

Original Signed

Cynthia Long
Director
Child Nutrition Division

AN EQUAL OPPORTUNITY EMPLOYER

Geographic Preference

Applying Geographic Preference

Q1: The 2008 Farm Bill amended the Richard B. Russell National School Lunch Act (NSLA) to direct the Secretary of Agriculture to encourage institutions operating Child Nutrition Programs to purchase unprocessed locally grown and locally raised agricultural products. Does USDA define the geographic area that is considered to be local?

A: No, USDA does not define the geographic area that is considered to be local; the decision is left to the purchasing institution, such as a school food authority (SFA) making the purchase or the State agency (SA) making purchases on behalf of SFAs. In other words, the purchasing institutions, such as SAs, SFAs, child care institutions and Summer Food Service Program (SFSP) sponsors, may specifically identify the geographic area within which unprocessed locally raised and locally grown agricultural products will originate. The purchasing institution must not define local in a manner that unnecessarily restricts free and open competition.

Q2: Does the geographic preference option for the procurement of unprocessed agricultural products apply to all Federal Child Nutrition Programs?

A: Institutions receiving funds through the Federal Child Nutrition Programs may apply an optional geographic preference in procurement of unprocessed locally grown or locally raised agricultural products, including the National School Lunch Program (NSLP), School Breakfast Program (SBP), Fresh Fruit and Vegetable Program (FFVP), Special Milk Program (SMP), Child and Adult Care Food Program (CACFP) and Summer Food Service Program (SFSP).

Q3: Can an SFA issue a solicitation that states, "We will only accept locally grown agricultural products from a State"?

A: No, the Federal laws allow institutions receiving funds through the Child Nutrition Programs to apply a geographic preference when procuring locally grown or locally raised agricultural products, as noted in the preamble of the geographic preference rule. The exclusion of all non-locally grown agricultural products is not a preference but rather a requirement of bidding and therefore is overly restrictive.

Q4: An SFA defined "local" as the entire State and issued a Request for Proposal (RFP). Can the SFA give a bidder geographic preference points if the bidder is incorporated outside of the State with its principal place of business outside of the State?

A: Yes, geographic preference in a procurement does not preclude a bidder from outside the specified geographic area from competing for, and possibly being awarded, the contract subject to geographic preference. The geographic preference applies to the unprocessed locally grown and locally raised agricultural product; it is irrelevant whether the bidder's business is incorporated or has a principal place of business in the State.

Q5: An SFA wants to issue an Invitation for Bid (IFB). How does an SFA incorporate geographic preference points into an IFB?

A: An IFB doesn't generally include preference points; instead, an SFA determines who is responsive based on the solicitation, and then from the responsive bidders the SFA awards the contract to the bidder with the lowest price. Therefore, it may not be feasible to incorporate "points" into an IFB in the same way as is done with an RFP. However, an SFA could write in the specifications that, for example, an apple must have been picked within one day of delivery or must have been harvested within a certain time period.

Additionally, the solicitation document must clearly outline how all bids will be evaluated, including the application of geographic preference in the scoring criteria. The following is an example of one approach on how to incorporate geographic preference points in an IFB:

> Geographic preference points in an IFB would be applied after the SFA determined the three bidders with the lowest price. The three bidders with the lowest price would be given a total of ten geographic preference points if those bidders met the geographic preference. In order to determine the winning bidder, the scoring criteria would clearly state that one point would equal one cent; in other words, ten points would translate into ten cents. If one or more of the responsive bidders with the lowest price met the geographic preference, ten cents would be taken off of their respective prices and that bidder could potentially win the bid. Note: Deducting ten cents from the prices of responsive bidders that met the geographic preference only applies to determining the winning bidder and would not affect the actual price paid to a bidder.
>
> In the following example, Bidder 2 meets the geographic preference and is given ten points which translates into deducting ten cents from Bidder 2's price. In this example, Bidder 2 still doesn't win the bid because Bidder 1 has a lower price.

	Bidder 1	Bidder 2	Bidder 3
Price	$1.97	$2.10	$2.03
Meets geographic preference?	No	Yes (10 points)	No
Price with preference points	$1.97	**$2.00**	$2.03

Q6: An SFA would like to prescribe geographic preference as a percentage in their solicitation (IFB or RFP). For example, the SFA would like to give a ten percent price

preference to bidders offering unprocessed locally grown and locally raised agricultural products. Can an SFA prescribe geographic preference as a percentage in their solicitation?

A: Yes, an SFA may prescribe geographic preference in their solicitation in terms of actual percentage (e.g., ten percent price preference). Geographic preference can be prescribed in terms of points or percentages. The solicitation document must clearly outline the scoring criteria and the method in which the criteria will be evaluated.

Q7: How many geographic preference points can an SFA assign to geographic preference? What is the maximum price percentage an SFA can assign to geographic preference?

A: The Federal regulations do not prescribe the number of preference points or maximum price percentage an SFA can assign to geographic preference. Generally speaking, any price preference (prescribed as points or percentage) impacts free and open competition. However, geographic preference may have a greater or lesser impact on free and open competition depending on the characteristics of the market. The SFA's application of the geographic preference option must leave an appropriate number of qualified firms, given the nature and size of the procurement, to compete for the contract, as it is imperative that the SFA does not unnecessarily restrict free and open competition.

Q8: Can SFAs split up large purchases into smaller amounts and thereby fall under the small purchase threshold?

A: SFAs cannot intentionally split purchases in order to fall below the Federal, State, or local small purchase threshold in an effort to avoid more rigorous procurement practices. However, there may be some instances in which the characteristics of a product or market support the need to separate selected products from the overall food procurement. For example, milk and bread are commonly procured separately because there are fundamental differences between them and other food products, such as shorter shelf-life, specialized pricing mechanisms, and durability. Similarly, an SFA may find that fresh produce may be considered a

separate market given that it shares similar characteristics as bread and milk, and may want to separate this procurement from their overall food procurement.

Q9: An SFA would like to conduct a procurement under the small purchase threshold. Can the SFA procure unprocessed locally grown or locally raised agricultural products directly from a local farmer?

A: Yes; however, the procurement must be conducted in a manner that maximizes full and open competition. According to the Federal regulations, the SFA can conduct a procurement under the small purchase threshold if the procurement is under $100,000 in value. States or localities may set a lower small purchase threshold and thereby impose more formal procedures. The SFAs should put the number, quality and type of goods in writing before contacting any potential offerors. When using the small purchase threshold, we recommend that at least three sources be contacted who are eligible, able and willing to provide the unprocessed locally grown or locally raised agricultural product. Contacting a minimum of three sources ensures that an adequate number of potential offerors will be afforded the opportunity to respond to the solicitation.

Q10: An SFA would like to conduct a procurement under the small purchase threshold. Can the SFA procure unprocessed locally grown or locally raised agricultural products directly from a teacher that works for one of the schools in the SFA's school district?

A: The procurement must be conducted in a manner that maximizes full and open competition. The Federal regulations prohibit an employee, officer or agent of the grantee or subgrantee (i.e., SA or SFA) to participate in the selection, award or administration of a contract if a conflict of interest, real or apparent, would be involved. A contract award to a teacher in an SFA's school district creates an appearance of impropriety and generates the question of whether or not free and open competition has been circumvented. Therefore, a conflict of interest, real or apparent, may be involved if a teacher that works for one of the schools in the SFA's school district is awarded a contract.

Q11: May an SFA give geographic preference to farmers in a neighboring country (i.e., Mexico or Canada) for foreign unprocessed agricultural products when procuring unprocessed locally grown or locally raised agricultural products?

A: An SFA must adhere to the Buy American clause which requires SFAs to purchase domestically grown foods to the maximum extent possible. An SFA may purchase foreign goods only if the two rare exceptions to the Buy American provision are met: (1) the product is not produced or manufactured in the U.S. in sufficient and reasonable available quantities of a satisfactory quality; and (2) competitive bids reveal the costs of a U.S. product is significantly higher than the foreign product.

Q12: A State regulation requires State governmental entities to give geographic preference to local State farmers and prescribes a method on how geographic preference can be incorporated in the State governmental entities' solicitation. Is an SFA required to follow the State's regulation on geographic preference?

A: No. Under the principles of federalism, a State has the right to create a regulation of this nature; however, the application of the State's regulation to the Federal Child Nutrition Programs is an entirely different matter. Please keep in mind that States cannot mandate through law or policy that institutions apply a geographic preference when conducting procurements for the Federal Child Nutrition Programs, because the National School Lunch Act (NSLA) grants this authority directly to the purchasing institution (i.e., SFA or SA making purchases on behalf of the SFA).

Q13: Where does an SFA go to obtain help in developing bid sheets that use geographic preference? Does USDA have examples of solicitations that use geographic preference?

A: An SFA should start by contacting its SA for assistance in developing bid sheets and for examples of solicitations that use geographic preference. USDA is in the process of creating

tools that will assist in this area. USDA has created an online training on procurement, *State Agency Guidance on Procurement*, that can be found at http://www.nfsmi.org. Additionally, the USDA Farm to School website (http://www.fns.usda.gov/cnd/f2s/) provides information on the procurement requirements, as well as Q&As directly related to local food purchases.

Unprocessed Agricultural Product

Q14: Can an SFA apply the geographic preference option in the procurement of ground beef?

A: As we stated in our policy memo dated November 13, 2009, we further amended the previous guidelines regarding what is to be considered to be unprocessed locally grown or locally raised agricultural products. In our view, for the purpose of applying a geographic procurement preference in the Child Nutrition Programs, unprocessed agricultural products means only those agricultural products that retain their inherent character. Size adjustment made by grinding does not change an agricultural product into a product of different kind or character. Therefore, an SFA can apply the geographic preference option in the procurement of ground beef if no other items such as additives or preservatives are added to the ground beef.

Q15: Can an SFA give geographic preference when procuring a frozen bag of combination local vegetables (e.g., broccoli, cauliflower and carrots) from a bidder?

A: Yes, the inherent character of the vegetables is retained and not modified by freezing or combining vegetables in a bag.

Q16: Can an SFA give geographic preference when procuring fresh local vegetables in portion sized or single serving bags (e.g., small bags of carrots) from a bidder?

A: Yes, the inherent character of the vegetables is retained and not modified by placing vegetables in portion sized or single serving bags.

Q17: Can an SFA give geographic preference when procuring canned local vegetables from a bidder?

A: No, the inherent character of the vegetables is not retained because the heating process involved in canning changes the agricultural product into a product of a different kind or character.

District Cost Factors

Prepared by the Office of Senator McGuire
February 21, 2011

Sec. 14.17.460. District cost factors.

(a) For purposes of calculating a district's adjusted ADM under AS 14.17.410 (b)(1), the district cost factor for a school district is (1) for the fiscal year ending June 30, 2009, the factor set out under column (A) of this subsection, (2) for the fiscal year ending June 30, 2010, the factor set out under column (B) of this subsection, (3) for the fiscal year ending June 30, 2011, the factor set out under column (C) of this subsection, (4) for the fiscal year ending June 30, 2012, the factor set out under column (D) of this subsection, and (5) for fiscal years ending on or after June 30, 2013, the factor set out under column (E) of this subsection:

DISTRICT

(A) (B) (C) (D) (E)

Alaska Gateway 1.443 1.481 1.519 1.557 1.594

Aleutians East 1.707 1.778 1.849 1.920 1.991

Aleutians Region 1.838 1.864 1.890 1.916 1.939

Anchorage 1.000 1.000 1.000 1.000 1.000

Annette Island 1.175 1.216 1.257 1.298 1.338

Bering Strait 1.762 1.821 1.880 1.939 1.998

Bristol Bay 1.370 1.397 1.424 1.451 1.478

Chatham 1.348 1.405 1.462 1.519 1.576

Chugach 1.395 1.420 1.445 1.470 1.496

Copper River 1.246 1.264 1.282 1.300 1.316

Cordova 1.165 1.182 1.199 1.216 1.234

Craig 1.108 1.133 1.158 1.183 1.206

Deltareely 1.174 1.191 1.208 1.225 1.241

Denali 1.323 1.326 1.329 1.332 1.332

Dillingham 1.300 1.312 1.324 1.336 1.346

District Cost Factors

Prepared by the Office of Senator McGuire
February 21, 2011

Fairbanks 1.055 1.059 1.063 1.067 1.070

Galena 1.370 1.376 1.382 1.388 1.391

Haines 1.104 1.128 1.152 1.176 1.200

Hoonah 1.227 1.270 1.313 1.356 1.399

Hydaburg 1.295 1.348 1.401 1.454 1.504

Iditarod 1.658 1.705 1.752 1.799 1.846

Juneau 1.075 1.093 1.111 1.129 1.145

Kake 1.242 1.296 1.350 1.404 1.459

Kashunamiut 1.504 1.533 1.562 1.591 1.619

Kenai Peninsula 1.088 1.109 1.130 1.151 1.171

Ketchikan 1.085 1.106 1.127 1.148 1.170

Klawock 1.160 1.196 1.232 1.268 1.302

Kodiak Island 1.191 1.216 1.241 1.266 1.289

Kuspuk 1.584 1.622 1.660 1.698 1.734

Lake and Peninsula 1.776 1.831 1.886 1.941 1.994

Lower Kuskokwim 1.577 1.599 1.621 1.643 1.663

Lower Yukon 1.650 1.703 1.756 1.809 1.861

Matanuska-Susitna 1.040 1.048 1.056 1.064 1.070

Mt. Edgecumbe 1.098 1.123 1.148 1.173 1.195

Nenana 1.304 1.313 1.322 1.331 1.338

Nome 1.385 1.402 1.419 1.436 1.450

North Slope 1.648 1.684 1.720 1.756 1.791

Northwest Arctic 1.686 1.720 1.754 1.788 1.823

District Cost Factors

Prepared by the Office of Senator McGuire
February 21, 2011

Pelican 1.384 1.408 1.432 1.456 1.477

Petersburg 1.122 1.153 1.184 1.215 1.244

Pribilof 1.555 1.589 1.623 1.657 1.691

Sitka 1.098 1.123 1.148 1.173 1.195

Skagway 1.159 1.163 1.167 1.171 1.174

Southeast Island 1.264 1.299 1.334 1.369 1.403

Southwest Region 1.554 1.587 1.620 1.653 1.685

St. Mary's 1.488 1.522 1.556 1.590 1.624

Tanana 1.641 1.677 1.713 1.749 1.786

Unalaska 1.343 1.368 1.393 1.418 1.441

Valdez 1.133 1.143 1.153 1.163 1.170

Wrangell 1.080 1.100 1.120 1.140 1.159

Yakutat 1.229 1.275 1.321 1.367 1.412

Yukon Flats 1.892 1.948 2.004 2.060 2.116

Yukon/Koyukuk 1.669 1.711 1.753 1.795 1.835

Yupiit 1.596 1.628 1.660 1.692 1.723.

(b) The department shall monitor the cost factors established under (a) of this section and shall prepare and submit to the legislature by January 15 of every other fiscal year proposed district cost factors.



RECEIVED
FEB 18 2011

Alaska School Nutrition Association

ATTENTION DARWIN PETERSON:

Office of Honorable Senator Bert Stedman:

We wish to thank the Senator for any and all kind help with the support for Alaska children as reflected in Senate Bill 3.

This school meal assistance is a big deal for those of us tasked with providing the 11 million USDA school meals each year to Alaska Children.

The $.35 per Breakfast in SB 3 will be partnered with the well established USDA support of $2.36 per breakfast for students qualifying as free.

The $.15 per Lunch in SB 3 will be partnered with the well established USDA support of $4.43 per lunch for students qualifying as free.

The long time successful USDA staffers serving students in Petersburg- Sitka- and all across Alaska need the SB 3 help for supporting school meals.

It turns out, that successful school meal programs are a big deal for success in Alaska classrooms.

The USDA school meal programs in Alaska very successfully comply with and exceed the criteria for appropriate nutrition for student health.

The accountability practices for per meal service are well established for finances and nutrition support.

Audits and trainings and documentation criteria are all well in place for school meal purchases, service, and reimbursement claims.

School Meal providers can be trusted with funding responsibility.

We take great pride in what we do for Alaska kids.

Dean Hamburg

Dean Hamburg—Alaska School Nutrition Association- AKSNA
P.O.Box 2546
Soldotna, Alaska 99669 Tel: 907-7154-8830

ALASKA STATE LEGISLATURE

Session

State Capitol, Rm. 101
Juneau, AK 99801
(907) 465-2435
Fax: (907) 465-6615

Interim

716 W. 4th Ave, Ste. 540
Anchorage, AK 99501
(907) 269-0120
Fax: (907) 269-0122

Senator_Bill_Wielechowski@legis.state.ak.us



Chair
State Affairs Committee

Co-chair
Joint Armed Services Committee

Vice Chair
Resources Committee
Judiciary Committee

Member
Administrative Regulation Review

SENATOR BILL WIELECHOWSKI

MEMORANDUM – School Meals Numbers

Alaska is a diverse state and the additional funds for school meals will help schools in different regions and different economic situations differently. Here are the three ways these funds should help schools:

Help Schools Which Are Dipping Into Operating Budgets.

- Thirty-seven Alaska school districts are currently dipping into their operating budgets for a total of $7.8 million.
- SB3 should allow some schools to defray part of these costs, allowing them to use more of their operating budgets for classroom needs.

Operating Budget Expenditures 2010

School	Percent of students **who qualify for low or reduced** price meals	Money taken from the **operating budget** to support the school meals
Bering Strait	87%	$1,021,950
Kashunamiut	75%	$50,000
Lower Yukon	67%	$1.7 million
Northwest Arctic	72%	$805,430
Southwest Region	91%	$305,000
Yukon-Koyukuk	82%	$94,091

Help Schools Increase Low Student Participation

- Currently, many schools are underachieving when it comes to participation of students in the free or reduced-price meals program.
- The additional funds provided by SB3 should allow some schools room to increase participation in their programs.

Breakfast Examples 2010

School	% of student body **qualifying** for free/reduced breakfast	% of qualifying free/reduced students **NOT participating** in breakfast program
Anchorage	37%	77%
Bering Strait	87%	64%
Bristol Bay Borough Schools	43%	80%
Chatham School District	70%	94%
Dillingham	71%	80%
Fairbanks	28%	69%
Kashunamiut	75%	53%
Kenai Penninsula	37%	80%
Lower Kuskokwim	72%	61%
Lower Yukon	67%	53%
Matanuska/Susitna Borough	66%	66%
Sitka Borough	27%	90%
Total	**41%**	**74%**

Help Schools Increase Food Quality, Nutrition

- These extra funds should allow some schools to increase the nutritional quality of meals.
- Under new USDA standards for school meals (which go into effect in the Fall of 2012) schools are encouraged to add more fresh fruits, vegetables, whole grains, low-fat dairy products and lower sodium. (Sample menu attached.)
- There is also a great opportunity to involve our state agriculture more in our school meals programs with the Farm to School project (HB70) which went into effect last year. Alaska's first farm to school summit was held on Jan. 12th, with over 50 people from around the state in attendance. An outcome of this summit was the establishment of an advisory team to assist with development of a strategic plan and assessment method.

Anchorage School District

5530 E. Northern Lights Blvd.
Anchorage, Alaska 99504-3135
(907) 742-4000

SCHOOL BOARD

John Steiner
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SUPERINTENDENT

Carol Comeau

February 16, 2011

Honorable Bill Wielechowski
Alaska State Senate
State Capitol, Room 115
Juneau, AK 99801-1182

Re: Comments Regarding ASD Support of SB3

Dear ~~Senator Wielechowski~~ Bill,

The Anchorage School District Student Nutrition Department has been able to weather the difficult financial challenges over the last five years thanks to the support of the Anchorage School Board.

In 2005-2006 the School Board approved a ten cent increase in all meal prices and a twenty-five cent increase in 2007-2008 and in 2008-2009. The sixty cent increase in that short period of time made it difficult for many families to pay for meals for their children.

In May of 2008 the School Board approved the transfer of $1.123 million from the general fund to the Student Nutrition fund to cover losses from previous years and help the department for the next few years from increasing meal costs for parents/students.

The Student Nutrition Department has reduced staff to the point that further reductions are no longer possible. Truck and equipment replacement purchases have been severely reduced since 2007. Some equipment parts were taken from units to keep other equipment operational. That only worked until there were no more units available for parts. The School Board has approved use of the Student Nutrition fund balance to offset the need for replacement trucks and equipment. That only works until the fund balance is gone.

Since 2005 food costs have escalated as shown below and it is predicted that food costs will go up another three to ten percent over the next few years. The new dietary guideline will require ever higher costs especially in Alaska because most fresh fruits and vegetables are not grown in colder climates. According to our records annual expenditures for food products since 2005-2006 are as follows:

2005-2006	$4,379,194
2005-2007	$5,076,974
2005-2008	$4,991,302
2005-2009	$5,152,219
2005-2010	$5,328,019

Student Nutrition has done everything possible to control food costs but much of that effort is lost through increases in employee benefits, salaries, and retirement costs.

State reimbursement will help offset increased food costs associated with the new dietary guidelines. Every district in the state will be impacted. The addition of breakfast reimbursement will allow Anchorage School District to evaluate schools not currently served. The additional state funding for breakfast may allow the ASD to provide meals at schools for which it was not previously economically possible.

Sincerely,

Carol

Carol Comeau
Superintendent

STATE OF ALASKA

SEAN PARNELL, GOVERNOR

Department of Education & Early Development

Office of the Commissioner

Goldbelt Place
801 West Tenth Street, Suite 200
P.O. Box 110500
Juneau, Alaska 99811-0500
(907) 465-2800
(907) 465-4156 Fax

February 14, 2011

The Honorable Bert Stedman, Co-Chair
The Honorable Lyman Hoffman, Co-Chair
Senate Finance Committee
Alaska State Senate
State Capitol, Room 532
Juneau, AK 99801

Dear Senators Stedman and Hoffman:

This letter includes responses to follow-up questions asked during the Senate Finance Committee hearing on Monday, February 7, 2011, related to SB3, "An Act providing for funding for school lunch and breakfast."

- ***Is 35% of the food offered through NSLP wasted by the students at the table?***

Child Nutrition Staff review between 15 to 20 district meal programs per year. Direct observation by the review staff has never observed this level of waste. If students do not care for a particular food component they may discard a portion of the meal. When schools serve a meal students do not care for, the school lunch staff remedies the problem.

A sampling of districts garnered the following varied responses:

"It is difficult to measure waste; the hot entrées seldom get thrown out, and when it is it's because the student didn't have time to finish it; mainly the cold items like fruits and veggies tend to get thrown out more often."

"Custodial and other food service staff over the last couple of years tell me that the amount thrown out continues to decrease as offer vs. serve was implemented, food service lines speed up, and quality of food improves."

"We have very little waste due in a large part to our experienced cooks and our stable participation rate."

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"It is difficult for us to document waste since all of our elementary schools eat their lunch in the classroom. Custodians will tell us when a meal isn't popular based upon waste. Most of the time, the kids don't seem to want the fruits and vegetables."

- ***More detailed numbers on student population (compared to the total, how many get reduced-price meals, how many get free meals, how many pay, how many don't eat school meals at all, etc).***

Attachment I provides the free and reduced-price lunch eligibility for each school district and individual school sites participating in the National School Lunch Program. The six districts that do not participate are not on this report. (They are: Aleutian Region, Chugach, Denali, Pelican, Pribilof, and Tanana.) This eligibility information includes the total student enrollment (nearly equal to average daily membership). The last two columns of this report show which sites participate in lunch and which sites participate in breakfast as designated with an "X."

Attachment II is a recent compilation using actual FY2010 monthly claims and other reports to break out the free, reduced-price and paid participation compared to the total population, by district. This calculation uses NSLP eligibility for total population, which is consistent with the department's enrollment data and average daily membership.

- ***Various methods employed by schools to identify students in the free and reduced-price meal program without embarrassing those students.***

Most schools have a student identification card that either scans or has a 4-digit number the school uses to record meals served to students. In the schools where a card is not used, a roster of all students is available for the school lunch staff, who check the student's name to record who received a meal. Both processes only identify the student as enrolled in the school. Authorized school district staff who prepare the monthly meal claims by category have access to the student's eligibility status of Free, Reduced or Paid. Releasing information to unauthorized staff about a student's eligibility is prohibited by federal statute.

- ***School revenues from breakfast and lunch programs from students: Total amount of revenue per school and overall AK total for money brought in through paid and reduced-price meals.***

Attachment III provides the annual audited activity from each school district's food service special revenue fund for FY2010 and FY2009. This spreadsheet provides revenues, expenditures, the net difference, and amount of funds transferred from the district's general operating fund to cover food service program deficits.

Sincerely,

Elizabeth Nudelman
Director, School Finance

STATE OF ALASKA

SEAN PARNELL, GOVERNOR

Department of Education & Early Development

Office of the Commissioner

Goldbelt Place
801 West Tenth Street, Suite 200
P.O. Box 110500
Juneau, Alaska 99811-0500
(907) 465-2800
(907) 465-4156 Fax

February 10, 2011

The Honorable Bert Stedman, Co-Chair
The Honorable Lyman Hoffman, Co-Chair
Senate Finance Committee
Alaska State Senate
State Capitol, Room 532
Juneau, AK 99801

Dear Senators Stedman and Hoffman:

This letter includes responses to questions asked by Senators Stedman and McGuire in Senate Finance Committee hearing on Monday, February 7, 2011 related to SB3, "An Act providing for funding for school lunch and breakfast."

- ***Will more districts offer programs?***
- ***Will students be added?***

The funding in SB3 will not necessarily add programs or increase the number of students served.

Lunch: Currently 47 of 53 districts participate in the National School Lunch Program (NSLP) representing 99.6% of the average daily membership in the state. Districts serving lunch provide lunch at nearly all individual school sites within the district, the exceptions being some alternative schools, and a few schools with very small populations that may meet meal requirements in other ways rather than NSLP.

The six small districts that do not participate in NSLP report that there are hurdles to participating in NSLP such as: lack of affordability for up to date kitchens that meet health standards, staff salaries, and required paperwork required for implementing NSLP. In summary, Alaska is overwhelmingly making available NSLP lunches in our schools each day.

Breakfast: Currently 37 of 53 districts participate in the NSLP breakfast program representing 96.6% of the average daily membership in the state. The 17 districts that do not have an NSLP

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breakfast program account for 4,096 average daily membership. A sampling of the 17 districts not participating in breakfast identified the following hurdles: We can't even afford lunch and our bus routes are too long to accommodate delivering students for breakfast. The percent of paid students is too high and our bus routes would need to be changed which would cost money in order to accommodate breakfast.

Districts serving breakfast generally serve breakfast at all sites; there are two major exceptions, one being Anchorage. Anchorage has approximately 28 sites, many elementary, where there is lunch but not breakfast. Anchorage surveys parents for potential participation before making a decision to add breakfast programs at individual sites.

If breakfast participation was added at the 28 Anchorage sites and in the 17 districts, the fiscal note impact would be approximately $130,000 annually.

The department continues to encourage and support districts in participating in NSLP breakfast and lunch programs.

- ***Can state agriculture be more involved for better food?***

Yes. The National School Lunch Program (NSLP) is administered at the Department of Education and Early Development (EED) within the Teaching and Learning Support division by the Child Nutrition Services (CNS) section. CNS promotes and supports the use of local food in a number of ways. Two years ago the department communicated with a local company and the outcome has been a locally produced salmon wrap that is now provided in the school lunch program. Other similar collaborative efforts are under way.

Multiple school lunch programs are actively using Alaskan fish in school meals. Training and information are provided to schools for the safe use of donated game meats in school meals where wild game is a common resource.

The CNS staff attended the first federal Farm to School Summit in January in order to learn new approaches to bringing local foods to school food programs. The CNS staff is discussing outreach and other program components with the Alaska Department of Natural Resources (DNR), as the DNR Farm to School Coordinator implements HB70 the farm to school program established in law in 2010.

Sincerely,

Elizabeth Nudelman

Elizabeth Nudelman
Director, School Finance

Alaska Department of Education & Early Development / Child Nutrition Services

National School Lunch Program Free & Reduced Percentage Report FY 2010

District #	District and schools	Free Eligible	Reduced Eligible	Enrolled	% F & R	District % F & R	Breakfast	Lunch
	Alaska Gateway Schools					**90%**		
3	Dot Lake Academy	17	2	19	100%		X	X
3	Eagle Community School	17	4	23	91%		X	X
3	Mentasta Lake School	19	0	19	100%		X	X
3	Northway School	46	5	54	94%		X	X
3	Tanacross School	21	1	24	92%		X	X
3	Tetlin School	27	0	27	100%		X	X
3	Tok School	111	55	195	85%		X	X
	Total	**258**	**67**	**361**	**90%**			
	Aleutians East Borough Schools					**56%**		
56	King Cove Schools	49	4	94	56%			X
56	Sand Point School	49	10	105	56%			X
	Total	**98**	**14**	**199**	**56%**			
	Anchorage School District					**37%**		
5	Abbott Loop	171	57	442	52%		X	X
5	Airport Hts	211	28	338	71%		X	X
5	Alaska Native Cultural Charter	137	19	206	76%		X	X
5	Alpenglow	26	19	543	8%			X
5	Aquarian (Charter)	22	16	364	10%			X
5	Aurora	83	99	408	45%			X
5	Baxter	156	50	385	54%		X	X
5	Bayshore	52	26	527	15%		X	X
5	Bear Valley	22	0	447	5%			X
5	Birchwood	26	14	325	12%			X
5	Bowman	76	30	480	22%		X	X
5	Campbell	149	34	438	42%			X
5	Chester Valley	89	26	202	57%			X
5	Chinook	275	76	531	66%			X
5	Chugach Opt	10	2	258	5%		X	X
5	Chugiak Elem	72	18	466	19%		X	X
5	College Gate	161	32	418	46%		X	X
5	Creekside	214	59	422	65%		X	X
5	Denali	101	23	409	30%			X
5	Eagle River	86	43	391	33%		X	X
5	Fairview	350	50	473	85%		X	X
5	Fire Lake	84	28	369	30%		X	X
5	Government Hill	203	60	479	55%		X	X
5	Homestead	43	12	330	17%		X	X
5	Huffman	32	8	389	10%		X	X
5	Inlet View	46	14	228	26%		X	X
5	Kasuun	98	42	475	29%		X	X
5	Klatt	147	41	360	52%		X	X
5	Kincaid	69	13	488	17%		X	X
5	Lake Hood	108	48	421	37%		X	X
5	Lake Otis	228	81	442	70%			X
5	Mt. Iliamna	38	8	60	77%			X
5	Mt. Spurr	16	41	319	18%			X
5	Mountain View	302	46	402	87%		X	X
5	Muldoon	315	33	443	79%			X
5	North Star	287	81	454	81%		X	X
5	Northwood	190	58	386	64%			X
5	Nunaka Valley	108	50	276	57%			X
5	Oceanview	97	35	444	30%			X
5	O'Malley	27	13	339	12%		X	X
5	Orion	39	95	465	29%			X
5	Ptarmigan	275	72	453	77%		X	X
5	Rabbit Creek	53	4	429	13%		X	X
5	Ravenwood	25	10	415	8%		X	X
5	Rogers Park	106	38	502	29%			X

District #	District and schools	Free Eligible	Reduced Eligible	Enrolled	% F & R	District % F & R	Breakfast	Lunch
5	Russian Jack	237	69	389	79%			X
5	Sand Lake	104	30	679	20%			X
5	Scenic Park	118	46	392	42%		X	X
5	Spring Hill	139	39	349	51%		X	X
5	Susitna	168	57	475	47%		X	X
5	Taku	201	64	413	64%		X	X
5	Trailside	68	24	496	19%		X	X
5	Tudor	163	36	371	54%		X	X
5	Turnagain	127	24	447	34%		X	X
5	Tyson	400	44	517	86%			X
5	Ursa Major	141	131	486	56%			X
5	Ursa Minor	110	49	308	52%			X
5	Williwaw	261	62	415	78%			X
5	Willow Crest	274	52	421	77%		X	X
5	Wonder Park	191	46	299	79%			X
5	Wood, Gladys	167	57	483	46%			X
5	Benson	79	10	229	39%		X	X
5	Girdwood	21	5	162	16%		X	X
5	Northern Lights	70	27	628	15%		X	X
5	Polaris	35	11	472	10%			X
5	Whaley Center	78	10	113	78%		X	X
5	Begich Middle	443	115	1011	55%		X	X
5	Central Middle	204	54	593	44%		X	X
5	Clark Middle	686	120	1065	76%			X
5	Goldenview Middle	71	22	774	12%		X	X
5	Gruening Middle	57	60	608	19%		X	X
5	Hanshew Middle	179	64	804	30%			X
5	Mears Middle	158	64	856	26%		X	X
5	Mirror Lake Middle	77	31	664	16%			X
5	Roming Middle	259	56	702	45%		X	X
5	Wendler Middle	223	57	583	48%		X	X
5	Bartlett High	570	162	1752	42%		X	X
5	Chugiak High	104	38	1283	11%		X	X
5	Dimond High	248	76	1837	18%		X	X
5	East High	955	152	2361	47%		X	X
5	Service High	321	105	1928	22%		X	X
5	West High	601	115	1906	38%		X	X
5	South Anchorage High	122	22	1658	9%		X	X
5	Eagle River High	55	66	932	13%			
	Total	**13,910**	**3,924**	**47,702**	**37%**			
	Annette Island School District					**73%**		
6	C. Leask Middle School	23	4	39	69%		X	X
6	Metlakatla High School	54	10	103	62%		X	X
6	Richard Johnson Elementary	99	19	145	81%		X	X
	Total	**176**	**33**	**287**	**73%**			
	Bering Strait School District					**87%**		
7	Brevig Mission School	104	8	126	89%		X	X
7	Diomede School	22	1	32	72%		X	X
7	Aniguiin School	72	2	75	99%		X	X
7	John Apangalook School (Gambell)	152	15	185	90%		X	X
7	Martin L. Olson School	39	5	46	96%		X	X
7	Koyuk Malemute School	102	12	127	90%		X	X
7	Hogarth Kingeekuk Sr. School	204	10	226	95%		X	X
7	Shaktoolik School	40	3	54	80%		X	X
7	Shishmaref School	187	8	207	94%		X	X
7	Anthony A. Andrews School	141	8	176	85%		X	X
7	Tukurngailnguq School	168	9	185	96%		X	X
7	James C. Isabell School	82	3	88	97%		X	X
7	Unalakleet School	88	16	187	56%		X	X
7	Wales-Kingikmiut School	37	1	42	90%		X	X
7	White Mountain School	37	4	56	73%		X	X
	Total	**1,475**	**105**	**1,812**	**87%**			
	Bristol Bay Borough Schools					**43%**		
8	Bristol Bay K-12	62	4	155	43%		X	X
	Total	**62**	**4**	**155**	**43%**			

Attachment I

District #	District and schools	Free Eligible	Reduced Eligible	Enrolled	% F & R	District % F & R	Breakfast	Lunch
	Chatham School District					**70%**		
9	Angoon Elementary School	22	2	33	73%		X	X
9	Angoon High School	32	0	47	68%		X	X
	Total	**54**	**2**	**80**	**70%**			
	Copper River School District					**43%**		
11	Copper Center Elementary	17	10	52	52%			
11	Glennallen School	67	37	254	41%			X
11	Kenny Lake	36	15	125	41%			X
11	Siana School	9	0	18	50%			
	Total	**129**	**62**	**449**	**43%**			
	Cordova Public Schools					**45%**		
12	Cordova Jr/Sr High School	67	8	176	43%		X	X
12	Mount Eccles Elementary School	69	20	186	48%		X	X
	Total	**136**	**28**	**362**	**45%**			
	Craig City Schools					**77%**		
13	Craig Elementary & Middle School	171	12	237	77%		X	X
13	Craig High School	58	3	81	75%		X	X
	Total	**229**	**15**	**318**	**77%**			
	Delta Greely School District					**38%**		
14	Delta Junction Elementary	125	34	411	39%			X
14	Delta Junction High School/New Horizons	57	15	240	30%			X
14	Fort Greely Junior High	54	20	157	47%			X
	Total	**236**	**69**	**808**	**38%**			
	Dillingham City Schools					**71%**		
15	Dillingham Alternative High School	0	0	0	#DIV/0!		X	X
15	Dillingham Elementary School	130	16	217	67%		X	X
15	Dillingham Middle/High School	187	13	269	74%		X	X
	Total	**317**	**29**	**486**	**71%**			
	Fairbanks North Star Borough Schools					**28%**		
16	Anderson Elementary	48	65	340	33%		X	X
16	Anne Hopkins Wien Elementary	149	37	407	46%		X	X
16	Artic Lights Elementary	154	127	536	52%		X	X
16	Badger Road Elementary	82	40	554	22%		X	X
16	Barnette Elementary School	46	44	421	21%		X	X
16	Ben Eielson Jr/Sr High School	38	23	475	13%		X	X
16	CEC (not a participating site)	0	0	0	0%			X
16	Crawford Elementary	32	62	305	31%		X	X
16	Denali Elementary School	136	31	371	45%		X	X
16	DWPass	6	2	23	35%		X	X
16	Effie Kokrine Charter	72	13	156	54%		X	X
16	BRIDGE (formerly known as HIRE)	8	0	19	42%		X	X
16	Hunter Elementary School	176	46	364	61%		X	X
16	Hutchinson Career Center	36	20	357	16%		X	X
16	Joy Elementary	136	34	394	43%		X	X
16	Ladd Elementary	127	84	563	37%		X	X
16	Lathrop High School	188	77	1,200	22%		X	X
16	Nordale Elementary	117	35	334	46%		X	X
16	North Pole Elementary	100	42	538	26%		X	X
16	North Pole High School	102	28	813	16%		X	X
16	North Pole Middle School	95	27	634	19%		X	X
16	NPA (Star of the North)	21	6	103	26%		X	X
16	Pearl Creek Elementary School	72	17	452	20%		X	X
16	Randy Smith Middle School	66	13	337	23%		X	X
16	Ryan Middle School	70	35	374	28%			X
16	Salcha Elementary	26	18	101	44%		X	X
16	Tanana Middle School	99	53	523	29%		X	X
16	Ticasuk Brown Elementary	94	41	564	24%		X	X
16	Two Rivers Elementary	26	17	93	46%		X	X
16	University Partk Elementary	100	24	466	27%		X	X
16	Weller Elementary	66	36	528	19%		X	X
16	West Valley High School	110	30	1,079	13%		X	X
16	Woodriver Elementary	65	29	417	23%			
	Total	**2,663**	**1,156**	**13,841**	**28%**			

District #	District and schools	Free Eligible	Reduced Eligible	Enrolled	% F & R	District % F & R	Breakfast	Lunch
	Galena City Schools					**46%**		
17	Galena Elementary School	18	6	81	30%		X	X
17	Galena High School	5	1	31	19%		X	X
17	Galena Interior Learning Academy	79	16	162	59%		X	X
	Total	**102**	**23**	**274**	**46%**			
	Haines Borough Schools					**60%**		
18	Haines Borough School	122	56	291	61%		X	X
18	Mosquito Lake Elementary	3	3	14	43%		X	
	Total	**125**	**59**	**305**	**60%**			
	Hoonah City Schools					**68%**		
19	Hoonah City School District	66	6	106	68%		X	X
	Total	**66**	**6**	**106**	**68%**			
	Hydaburg City School District					**94%**		
20	Hydaburg City School District	58	4	66	94%			X
	Total	**58**	**4**	**66**	**94%**			
	Iditarod Area Schools					**64%**		
21	Blackwell School	6	1	21	33%		X	X
21	David Louis Memorial	38	2	45	89%		X	X
21	Holy Cross School	21	4	42	60%		X	X
21	Innoko River School	12	2	18	78%		X	X
21	McGrath School	20	1	50	42%		X	X
21	Takotna School	9	0	13	69%		X	X
21	Top of the Kuskokwim School	17	0	20	85%		X	X
	Total	**123**	**10**	**209**	**64%**			
	Juneau School District					**22%**		
22	Auke Bay Elementary School	22	10	318	10%			X
22	Dzantik'i Heeni Middle School	77	19	444	22%			X
22	Floyd Dryden Middle School	87	32	563	21%			X
22	Gastineau Elementary	70	6	276	28%			X
22	Glacier Valley Elementary	105	29	351	38%			X
22	Harborview Elementary	107	19	474	27%			X
22	Juneau Community Charter School	16	5	86	24%			X
22	Juneau Douglas High School	84	19	937	11%			X
22	Thunder Mountain High School	74	31	571	18%			X
22	Mendenhall River Community School	62	19	393	21%			X
22	Riverbend School	93	21	302	38%			X
22	Yaakoosge Daakahidi	73	0	163	45%			X
	Total	**870**	**210**	**4,878**	**22%**			
	Kake City Schools					**68%**		
23	Kake Schools	57	13	103	68%			X
	Total	**57**	**13**	**103**	**68%**			
	Kashunamuit School District					**75%**		
55	Chevak School	165	64	305	75%			X
	Total	**165**	**64**	**305**	**75%**			
	Kenai Peninsula School District					**37%**		
24	Chapman School	37	27	102	63%		X	X
24	Homer Flex	20	3	38	61%		X	X
24	Homer High School	131	38	500	34%		X	X
24	Homer Middle School	51	14	213	31%		X	X
24	Kaleidoscope Charter School	43	15	252	23%		X	X
24	Kalifornsky Beach Elementary	99	43	450	32%			X
24	Kenai Alternative	34	8	96	44%		X	X
24	Kenai Central High School	147	45	667	29%		X	X
24	Kenai Middle School	101	44	365	40%		X	X
24	McNeil Canyon Elementary	39	18	136	42%		X	X
24	Moose Pass School	3	2	16	31%			X
24	Mt. View Elementary School	202	44	441	56%		X	X
24	Nanwalek School	62	6	75	91%		X	X
24	Nikiski Middle School	108	40	415	36%		X	X
24	Nikiski North Star	153	45	415	48%		X	X
24	Ninilchik School	63	20	192	43%		X	X
24	Paul Banks Elementary	89	27	241	48%			X
24	Redoubt Elementary School	125	60	373	50%		X	
24	Seward Elementary	92	39	290	45%		X	X
24	Seward High School	36	16	228	23%		X	X
24	Seward Middle School	21	13	110	31%		X	X
24	Skyview High School	112	51	557	29%		X	X

District #	District and schools	Free Eligible	Reduced Eligible	Enrolled	% F & R	District % F & R	Breakfast	Lunch
24	Soldotna Elementary School	117	41	441	36%		X	X
24	Soldotna High School	87	33	663	18%		X	X
24	Soldotna Middle School	96	33	415	31%		X	X
24	Sterling Elementary School	45	27	146	49%			X
24	Susan B. English School	12	7	52	37%		X	X
24	Tebughna Elementary/High School	12	4	30	53%			X
24	Tustumena Elementary School	54	23	153	50%		X	X
24	West Homer Elementary School	89	46	316	43%			X
	Total	**2,280**	**832**	**8,388**	**37%**		**X**	**X**
	Ketchikan Gateway Schools					**33%**		
25	Charter Elementary	65	15	179	45%			X
25	Houghtaling Elementary School	129	27	364	43%		X	X
25	Ketchikan High School	83	11	570	16%			X
25	Point Higgens School	33	11	231	19%			X
25	Revilla High School	51	9	112	54%		X	X
25	Schoenbar Middle School	68	7	288	26%		X	X
25	Tongass School of Arts and Sciences	69	9	165	47%		X	X
25	White Cliff Elementary/Fawn Mountain	110	20	295	44%		X	X
	Total	**608**	**109**	**2,204**	**33%**			
	Klawock City Schools					**72%**		
27	Klawock City Schools	88	11	137	72%			X
	Total	**88**	**11**	**137**	**72%**			
	Kodiak Island Borough Schools					**42%**		
28	Kodiak High School	227	64	783	37%		X	X
28	Kodiak Middle School	176	65	534	45%		X	X
28	Peterson Elementary	14	28	249	17%		X	X
28	East Elementary	104	31	321	42%		X	X
28	Main Elementary	112	44	260	60%		X	X
28	North Star Elementary	69	24	218	43%		X	X
28	Akhiok School	5	5	18	56%		X	X
28	Karluk School	11	0	13	85%		X	X
28	Larsen Bay School	8	0	11	73%		X	X
28	Old Harbor School	32	5	47	79%		X	X
28	Ouzinkie School	21	2	30	77%		X	X
28	Port Lions School	23	0	36	64%			X
28	Chiniak School CLOSED!	0	0	0	0%			
	Totals	**802**	**268**	**2,520**	**42%**			
	Kuspuk School District					**76%**		
29	Joseph & Olinga Gregory Elem. School	10	1	14	79%		X	X
29	Zackar Levi Elementary School	41	7	59	81%		X	X
29	George Morgan Sr. High School	51	0	65	78%		X	X
29	Auntie Mary Nicoli Elementary	31	9	63	63%		X	X
29	Aniak Jr./Sr. High School	21	13	51	67%		X	X
29	Crow Village Sam School	24	1	32	78%		X	X
29	Johnnie John Sr. School	32	6	45	84%		X	X
29	Jack Egnaty Sr. School	11	1	17	71%		X	X
29	Gusty Michael Sr. School	19	3	24	92%		X	X
	Total	**240**	**41**	**370**	**76%**			
	Lake Peninsula School District					**66%**		
30	Chignik Bay School	9	0	16	56%			X
30	Chignik Lagoon School	4	0	14	29%			X
30	Chignik Lake	11	0	19	58%			X
30	Egegik School	6	1	11	64%			X
30	Igiugig School	8	4	15	80%			X
30	Kokhanok School	21	0	40	53%			X
30	Levelok School	17	0	22	77%			X
30	Newhalen School	58	4	84	74%			X
30	Nondalton School	24	4	35	80%			X
30	Pedro Bay School (Dena'ina)	4	0	11	36%			X
30	Perryville School	20	0	27	74%			X
30	Pilot Point School	7	0	16	44%			X
30	Port Alsworth School	15	14	44	66%			X
30	Port Heiden School (Meshik)	18	0	24	75%			X
	Total	**222**	**27**	**378**	**66%**			
	Lower Kuskokwim Schools					**72%**		
31	Akiuk Memorial	69	7	94	81%		X	X
31	Akula Elitnaurvik School	87	0	87	100%		X	X

District #	District and schools	Free Eligible	Reduced Eligible	Enrolled	% F & R	District % F & R	Breakfast	Lunch
31	Anna Tobeluk Memorial School	143	12	170	91%		X	X
31	Ayaprun Elitnurvik	91	18	172	63%		X	X
31	Ayaprun(Newtok)	117	2	124	96%		X	X
31	Bethel Regional High School	180	16	474	41%			X
31	Bethel Alternative Boarding school	27	0	34	79%			X
31	Bethel-Gladys Jung Elementary	126	19	334	43%		X	X
31	Bethel-Mikelnguut Elitnaurviat	98	14	285	39%		X	X
31	Chefornak School	106	20	186	68%		X	X
31	Dick R. Kiunya Memorial (Kongiganak)	108	7	144	80%		X	X
31	Eek School	104	1	108	97%		X	X
31	JoAnn A. Alexie Memorial (Atmautluak)	91	2	100	93%		X	X
31	Kipnuk School	157	21	207	86%		X	X
31	Kuinerrarmiut Elitnaurviat (Quinhagak)	145	8	184	83%		X	X
31	Kwethluk Community School	198	16	250	86%		X	X
31	Kwigillingok School	94	5	120	83%		X	X
31	Napakiak School	108	5	130	87%		X	X
31	Nelson Island (Toksook Bay)	161	29	256	74%		X	X
31	Nightmute School	51	0	82	62%		X	X
31	Nunwarmiut (Mekoryuk)	32	4	43	84%		X	X
31	Paul T. Albert Memorial (Tununak)	91	15	125	85%		X	X
31	Qugcuun Memorial High (Oscarville)	28	0	33	85%		X	X
31	Arviq Platinum School	11	1	14	86%		X	X
31	Rocky Mountain (Goodnews Bay)	49	2	65	78%		X	X
31	Tunututuliak/Lewis Angapak Memorial School	125	5	159	82%		X	X
31	Z John Williams Memorial (Napaskiak)	138	0	153	90%		X	X
	Total	**2,735**	**229**	**4,133**	**72%**			
	Lower Yukon School District					**67%**		
32	Alakanuk	126	6	214	62%		X	X
32	Emmonak School	118	10	238	54%		X	X
32	Hooper Bay School	247	8	402	63%		X	X
32	Kotlik Schools	115	11	171	74%		X	X
32	Marshall School	80	25	135	78%		X	X
32	Mountain Village	135	20	240	65%		X	X
32	Pilot Station	118	3	169	72%		X	X
32	Pitkas Point School	19		23	83%		X	X
32	Russian Mission	59	10	105	66%		X	X
32	Scammon Bay	156	23	218	82%		X	X
32	Sheldon Point School/Nunumiqua	37	5	66	64%		X	X
	Total	**1,210**	**121**	**1,981**	**67%**			
	Matanuska-Susitna Borough School District					**36%**		
33	Big Lake Elementary	191	48	371	64%		X	X
33	Burchell High School	138	12	225	67%		X	X
33	Butte Elementary	82	59	310	45%		X	X
33	Colony High School	168	50	1225	18%		X	X
33	Colony Middle School	122	40	644	25%		X	X
33	Cottonwood Ck Elementary	99	19	404	29%		X	X
33	Finger Lake Elementary	98	18	342	34%		X	X
33	Glacier View School	10	2	39	31%		X	X
33	Goose Bay Elemetary	140	59	436	46%		X	X
33	Houston High School	138	36	401	43%		X	X
33	Houston Middle School	151	34	323	57%		X	X
33	Iditarod Elementary	149	30	366	49%		X	X
33	Knik Elementary	123	57	409	44%		X	X
33	Larson Elementary	83	30	347	33%		X	X
33	Machentanz Elementary	70	17	310	28%		X	X
33	Mat-Su Career & Tech H.S.	91	26	403	29%		X	X
33	Meadow Lakes Elementary	168	48	459	47%		X	X
33	Mid Valley High School	94	7	188	54%		X	X
33	Palmer High School	146	36	787	23%		X	X
33	Palmer Middle School	160	53	594	36%		X	X
33	Pioneer Peak Elementary	74	14	379	23%		X	X
33	Shaw Elementary	110	36	365	40%		X	X
33	Sherrod Elementary	129	29	426	37%		X	X
33	Snowshoe Elementary	83	37	369	33%		X	X
33	Sutton Elementary	33	10	70	61%		X	X
33	Su-Valley Jr/Sr High School	72	22	165	57%		X	X

District #	District and schools	Free Eligible	Reduced Eligible	Enrolled	% F & R	District % F & R	Breakfast	Lunch
33	Swanson Elementary	123	29	447	34%		X	X
33	Talkeetna Elementary	30	12	91	46%		X	X
33	Tanaina Elementary	154	36	401	47%		X	X
33	Teeland Middle School	170	36	724	28%		X	X
33	Trapper Creek Elementary	18	1	23	83%		X	X
33	Valley Pathways	75	9	206	41%		X	X
33	Wasilla High School	304	86	1274	31%		X	X
33	Wasilla Middle School	252	84	805	42%		X	X
33	Willow Elementary	66	16	132	62%		X	X
	Total	**4,114**	**1,138**	**14,460**	**36%**			
	Mt. Edgecumbe High School					**40%**		
98	Mt. Edgecumbe High School	138	25	405	40%		X	X
	Total	**138**	**25**	**405**	**40%**			
	Nenana City Public Schools					**26%**		
34	Nenana City Public School	40	12	198	26%		X	X
	Total	**40**	**12**	**198**	**26%**			
	Nome Public Schools					**68%**		
35	NACTEC	14	0	14	100%			X
35	Nome Elementary School	238	12	354	71%			X
35	Nome-Beltz Jr/Sr High School	170	8	281	63%			X
	Total	**422**	**20**	**649**	**68%**			
	North Slope Borough School District					**45%**		
36	Alak School (Wainright)	97	22	155	77%		X	X
36	Barrow High School	45	13	202	29%			X
36	Eban Hopson Sr. Memorial Middle School	45	17	192	32%			X
36	Harold Kaveolook School	44	5	60	82%		X	X
36	Ipalook Elementary School	140	42	606	30%		X	X
36	Kali School	25	4	74	39%		X	X
36	Kiita Learning Center (Barrow)	16	2	51	35%			X
36	Meade River School	26	19	77	58%		X	X
36	Nuigsut Trapper School	26	4	88	34%		X	X
36	Nunamiut School	45	12	91	63%		X	X
36	Tikigaq School	133	19	202	75%		X	X
	Total	**642**	**159**	**1,798**	**45%**			
	Northwest Arctic Borough School					**72%**		
37	Ambler School	56	2	64	91%		X	X
37	Buckland School	131	0	162	81%		X	X
37	Deering School	30	0	33	91%		X	X
37	Kiana School	106	0	113	94%		X	X
37	Kobuk School	39	0	42	93%		X	X
37	Kotzebue Elementary /Middle School	333	23	730	49%		X	X
37	McQueen School (Kivalina)	80	2	122	67%		X	X
37	Napaqtugmiut School(Noatak High)	115	0	160	72%		X	X
37	Noorvik Elementary	185	8	210	92%		X	X
37	Selawik School (Davis Ramoth)	243	0	261	93%		X	X
37	Shungnak School	52	6	68	85%		X	X
	Total	**1,370**	**41**	**1,965**	**72%**			
	Petersburg Public Schools					**50%**		
39	Petersburg High School	72	5	173	45%		X	X
39	Mitkof Middle School	53	6	120	49%		X	X
39	Rae C. Stedman Elementary School	95	24	217	55%		X	X
	Total	**220**	**35**	**510**	**50%**			
	Sitka Borough School District					**27%**		
42	Baranof Elementary School	47	13	243	25%		X	X
42	Blatchley Middle School	51	18	289	24%			X
42	Keet Gooshi Heen Elementary	99	30	418	31%		X	X
42	Pacific High School	21	2	38	61%			X
42	Sitka High School	65	21	392	22%			X
	Total	**283**	**84**	**1,380**	**27%**			
	Skagway City Schools					**14%**		
43	Skagway City School	4	8	84	14%			X
	Total	**4**	**8**	**84**	**14%**			

District #	District and schools	Free Eligible	Reduced Eligible	Enrolled	% F & R	District % F & R	Breakfast	Lunch
	Southeast Island School District					72%		
44	Hollis	9	3	14	86%		X	X
44	Howard Valentine	7	3	15	67%		X	X
44	Hyder Closed	0	0	0	0%		X	X
44	Kasaan	6	3	11	82%		X	X
44	Naukati	13	2	15	100%		X	X
44	Port Alexander	9	0	10	90%		X	X
44	Port Protection	8	0	11	73%		X	X
44	Thorne Bay	32	9	68	60%		X	X
44	Whale Pass Closed	0	0	0	0%		X	X
	Total	**84**	**20**	**144**	**72%**			
	Southwest Region Schools					91%		
45	Aleknagik School	19	6	33	76%			X
45	Clarks Point School	11	0	13	85%			X
45	Koliganek School	44	6	57	88%			X
45	Manokotak School	106	21	128	99%			X
45	New Stuyahok School	138	11	158	94%			X
45	Togiak School	154	48	228	89%			X
45	Twin Hills School	14	0	14	100%			X
45	William "Sonny" Nelson School	3	6	12	75%			X
	Total	**489**	**98**	**643**	**91%**			
	St. Mary's School District					88%		
46	Elicarvicuar Elementary School	132	21	174	88%			
	Total	**132**	**21**	**174**	**88%**			
	Unalaska City School District					17%		
47	Unalaska Elementary	38	4	208	20%		X	X
47	Unalaska Junior/Senior High School	24	1	192	13%		X	X
	Total	**62**	**5**	**400**	**17%**			
	Valdez City Schools					25%		
48	Hermon Hutchen Elementary	60	19	331	24%		X	X
48	Valdez High School	79	13	340	27%		X	X
	Total	**139**	**32**	**671**	**25%**			
	Wrangell Public Schools					59%		
57	Evergreen Elementary	57	22	127	62%		X	X
57	Stikine Middle School	31	12	69	62%		X	X
57	Wrangell High School	53	9	116	53%		X	X
	Total	**141**	**43**	**312**	**59%**			
	Yakutat School District					76%		
50	Yakutat School District	50	32	108	76%		X	X
	Total	**50**	**32**	**108**	**76%**			
	Yukon Flats School District					74%		
51	Arctic Village School	26	0	33	79%		X	X
51	Beaver" Cruikshank" School	6	3	15	60%		X	X
51	ChalkkyitsikTsuk Taih School	19	1	21	95%		X	X
51	Circle School	17	1	19	95%		X	X
51	Far North School	2	0	11	18%		X	X
51	Fort Yukon Schools	53	26	112	71%		X	X
51	Stevens Village School	14	0	16	88%		X	X
51	Venetie School	40	6	61	75%		X	X
	Total	**177**	**37**	**288**	**74%**			
	Yukon Kovukuk School District					82%		
52	Allakaket School	33	10	46	93%			X
52	(Ruby) Merreline A Kangas School	21	4	36	69%			X
52	Andrew K Demonski School	33	6	49	80%			X
52	Minto School	38	3	50	82%			X
	Total	**125**	**23**	**181**	**82%**			
	Yupiit School District					91%		
54	Akiachak School	162	11	204	85%		X	X
54	Akiak School	90	4	105	90%		X	X
54	Tuluksak	143	4	148	99%		X	X
	Total	**395**	**19**	**457**	**91%**			
	Total all school districts	**38,521**	**9,387**	**118,044**	**41%**			
		Free	**Reduced**	**All students**	**%F&R**			

ATTACHMENT II

School District National School Lunch and Breakfast Data, Fiscal Year 2010

Prepared by EED 2/2011

School District	DISTRICT Eligibility- by day, by district			LUNCH [Actual, by day, by district] LUNCH							BREAKFAST [Actual, by day, by district] BREAKFAST						
	Eligible Free & Reduced	Eligible Paid	Total Enrolled	Actual Free & Reduced	Free & Reduced Not Claiming	% Free & Reduced Not Claiming	Actual Paid	Paid Not Claiming	% Paid Not Claiming	Total All Students Not Claiming	Actual Free & Reduced	Free & Reduced Not Claiming	% Free & Reduced Not Claiming	Actual Paid	Paid Not Claiming	% Paid Not Claiming	All Students Not Claiming
Alaska Gateway Schools	325	36	361	256	69	21%	33	3	9%	20%	203	122	37%	22	14	39%	38%
Aleutians East Borough Schools	112	87	199	76	36	32%	40	47	53%	41%	-	112	100%	-	87	100%	100%
Anchorage School District	17,834	29,868	47,702	12,673	5,161	29%	5,296	24,572	82%	62%	4,038	13,796	77%	568	29,300	98%	90%
Annette Island School District	209	78	287	119	90	43%	28	50	65%	49%	46	163	78%	6	72	93%	82%
Bering Strait School District	1,580	262	1,812	1,183	397	25%	162	100	38%	27%	565	1,015	64%	58	204	78%	67%
Bristol Bay Borough Schools	66	89	155	49	17	25%	61	28	32%	29%	13	53	80%	16	73	82%	81%
Chatham School District	56	24	80	28	28	50%	3	21	87%	61%	3	53	94%	1	23	98%	95%
Copper River School District	191	258	449	113	78	41%	81	177	69%	57%	-	191	100%	-	258	100%	100%
Cordova Public Schools	164	198	362	138	26	16%	105	93	47%	33%	47	117	72%	15	183	93%	83%
Craig City Schools	244	74	318	184	60	24%	43	31	42%	29%	136	108	44%	20	54	73%	51%
Delta Greely School District	305	503	808	230	75	25%	134	369	73%	55%	-	305	100%	-	503	100%	100%
Dillingham City Schools	346	140	486	195	151	44%	45	95	68%	51%	71	275	80%	13	127	91%	83%
Fairbanks North Star Borough Schools	3,819	10,022	13,841	2,832	987	26%	2,260	7,762	77%	63%	1,171	2,648	69%	335	9,687	97%	89%
Galena City Schools	125	149	274	93	32	25%	118	31	21%	23%	80	45	36%	77	72	48%	43%
Haines Borough Schools	184	121	305	106	78	43%	51	70	58%	49%	95	89	48%	25	96	79%	61%
Hoonah City Schools	72	34	106	53	19	27%	24	10	30%	28%	32	40	56%	11	23	66%	59%
Hydaburg City School District	62	4	66	37	25	40%	4	-	0%	37%	-	62	100%	-	4	100%	100%
Iditarod Area Schools	133	76	209	109	24	18%	22	54	71%	38%	68	65	49%	16	60	79%	60%
Juneau School District	1,080	3,798	4,878	776	304	28%	777	3,021	80%	68%	-	1,080	100%	-	3,798	100%	100%
Kake City Schools	70	33	103	38	32	46%	15	18	53%	48%	20	50	71%	6	27	81%	74%
Kashunamuit School District	229	76	305	193	36	16%	59	17	22%	17%	108	121	53%	25	51	67%	56%
Kenai Peninsula School District	3,112	5,276	8,388	2,105	1,007	32%	1,123	4,153	79%	62%	622	2,490	80%	122	5,154	98%	91%
Ketchikan Gateway Schools	717	1,487	2,204	520	197	28%	316	1,171	79%	62%	32	685	95%	11	1,476	99%	98%
Klawock City Schools	99	38	137	68	31	31%	24	14	37%	33%	-	99	100%	-	38	100%	100%
Kodiak Island Borough Schools	1,070	1,450	2,520	705	365	34%	438	1,012	70%	55%	223	847	79%	73	1,377	95%	88%
Kuspuk School District	281	89	370	199	82	29%	57	32	36%	31%	173	108	38%	51	38	42%	39%
Lake Peninsula School District	249	129	378	196	53	21%	54	75	58%	34%	-	249	100%	-	129	100%	100%
Lower Kuskokwim Schools	2,964	1,169	4,133	2,399	565	19%	362	807	69%	33%	1,145	1,819	61%	132	1,037	89%	69%
Lower Yukon School District	1,331	650	1,981	1,032	299	22%	403	247	38%	28%	621	710	53%	229	421	65%	57%
Matanuska-Susitna Borough School	5,252	9,208	14,460	3,675	1,577	30%	1,647	7,561	82%	63%	1,788	3,464	66%	1,542	7,666	83%	77%
Mt. Edgecumbe High School	163	242	405	148	15	9%	176	66	27%	20%	88	75	46%	126	116	48%	47%
Nenana City Public Schools	52	146	198	42	10	20%	62	84	57%	47%	29	23	45%	36	110	76%	68%
Nome Public Schools	442	207	649	312	130	30%	90	117	56%	38%	-	442	100%	-	207	100%	100%
North Slope Borough School District	801	997	1,798	525	276	35%	730	267	27%	30%	214	587	73%	191	806	81%	77%
Northwest Arctic Borough School	1,411	554	1,965	1,110	301	21%	292	262	47%	29%	513	898	64%	75	479	86%	70%
Petersburg Public Schools	255	255	510	154	101	40%	57	198	78%	59%	64	191	75%	8	247	97%	86%
Saint Marys School District	153	21	174	135	18	12%	19	2	9%	11%	-	153	100%	-	21	100%	100%
Southeast Island School District	104	40	144	84	20	19%	31	9	23%	20%	-	104	100%	19	21	52%	87%
Sitka Borough School District	367	1,013	1,380	250	117	32%	280	733	72%	62%	37	330	90%	18	995	98%	96%
Southwest Region Schools	587	56	643	433	154	26%	73	-	0%	24%	-	587	100%	-	56	100%	100%
Unalaska City School District	67	333	400	67	(0)	0%	221	112	34%	28%	15	52	78%	25	308	93%	90%
Valdez City Schools	171	500	671	125	46	27%	249	251	50%	44%	38	133	78%	27	473	95%	90%
Wrangell Public Schools	184	128	312	123	61	33%	39	89	69%	48%	76	108	59%	12	116	91%	72%
Yakutat School District	82	230	312	58	24	29%	17	213	93%	76%	56	26	32%	18	212	92%	76%
Yukon Flats School District	214	74	288	119	95	44%	24	51	68%	50%	55	159	74%	12	62	83%	76%
Yukon Koyukuk School District	148	33	181	107	41	28%	28	5	15%	26%	-	148	100%	-	33	100%	100%
Yupiit School District	414	43	457	300	114	28%	48	-	0%	25%	145	269	65%	21	22	52%	64%
Totals	47,896	70,298	118,194	34,471	13,425	28%	16,219	54,079	77%	57%	12,632	35,264	74%	3,960	66,338	94%	86%

Compiled from annual, acutal (2010) per district NSLP participating free/reduced claims. Converted using 170 eating days. Non NSLP districts are: Aleutian Region, Chugach, Denali, Pelican, Pribilof and Tanana; Skagway data missing from analysis.

Alaska Department of Education and Early Development Attachment III Prepared by School Finance
FY2009 Food Service Fund (255) Actuals

School District	Revenue: Local Sales/Other	Revenue: Federal	Subtotal Revenues	Expenditures	Difference	Transfers In
Alaska Gateway	$ 22,442	$ 304,637	$ 327,079	$ 451,441	$ (124,362)	$ 129,659
Aleutian Region	-	-	-	-	-	-
Aleutians East	30,577	62,568	93,145	191,589	(98,444)	110,000
Anchorage	5,008,314	10,984,019	15,992,333	15,950,687	41,646	-
Annette Island	1,164	119,603	120,767	175,610	(54,843)	104,843
Bering Strait	115,623	1,139,462	1,255,085	2,170,378	(915,293)	915,293
Bristol Bay	59,922	41,333	101,255	116,873	(15,618)	15,618
Chatham	172	14,704	14,876	51,845	(36,969)	36,969
Chugach	-	-	-	30,375	(30,375)	30,375
Copper River	63,612	89,006	152,618	215,624	(63,006)	64,869
Cordova	55,204	170,059	225,263	311,842	(86,579)	100,000
Craig	27,542	210,551	238,093	232,871	5,222	-
Delta Greely	99,080	200,099	299,179	346,457	(47,278)	47,278
Denali	-	-	-	-	-	-
Dillingham	39,660	229,058	268,718	318,425	(49,707)	49,707
Fairbanks	2,166,675	2,663,788	4,830,463	4,829,664	799	-
Galena	23,206	92,560	115,766	248,803	(133,037)	133,037
Haines	96,639	109,543	206,182	203,189	2,993	-
Hoonah	16,804	64,818	81,622	94,308	(12,686)	12,686
Hydaburg	-	23,415	23,415	50,267	(26,852)	26,852
Iditarod	44,029	120,336	164,365	229,443	(65,078)	65,078
Juneau	501,461	527,051	1,028,512	953,150	75,362	41,100
Kake	751	44,250	45,001	127,480	(82,479)	82,479
Kashunamiut	22,364	205,003	227,367	354,904	(127,537)	127,537
Kenai Peninsula	957,003	1,741,650	2,698,653	3,243,735	(545,082)	424,998
Ketchikan	137,801	373,495	511,296	580,390	(69,094)	-
Klawock	11,804	46,477	58,281	100,299	(42,018)	120,000
Kodiak	256,514	727,680	984,194	1,133,175	(148,981)	148,981
Kuspuk	59,627	235,882	295,509	539,414	(243,905)	243,855
Lake & Peninsula	64,131	159,337	223,468	537,412	(313,944)	275,000
Lower Kuskokwim	302,743	2,602,884	2,905,627	3,003,014	(97,387)	97,387
Lower Yukon	162,986	1,422,388	1,585,374	3,025,898	(1,440,524)	1,440,524
Mat-Su	1,555,972	3,619,363	5,175,335	5,822,945	(647,610)	647,610
Nenana	42,451	57,762	100,213	199,810	(99,597)	99,597
Nome	69,521	221,199	290,720	353,328	(62,608)	62,608
North Slope	118,381	508,834	627,215	2,375,185	(1,747,970)	1,747,970
Northwest Arctic	148,254	1,052,198	1,200,452	2,005,089	(804,637)	800,512
Pelican	-	-	-	-	-	-
Petersburg	39,907	161,023	200,930	217,695	(16,765)	-
Pribilof	-	-	-	-	-	-
Saint Mary's	6,026	121,940	127,966	185,124	(57,158)	57,158
Sitka	105,496	203,702	309,198	345,745	(36,547)	-
Skagway	65,046	11,716	76,762	101,407	(24,645)	11,300
Southeast Island	6,331	78,383	84,714	221,611	(136,897)	136,897
Southwest Region	43,956	300,964	344,920	649,920	(305,000)	305,000
Tanana	-	-	-	-	-	-
Unalaska	266,240	84,385	350,625	327,469	23,156	-
Valdez	237,825	130,952	368,777	577,422	(208,645)	289,777
Wrangell	-	-	-	-	-	-
Yakutat	21,307	77,995	99,302	137,752	(38,450)	-
Yukon Flats	33,395	-	33,395	232,946	(199,551)	199,551
Yukon-Koyukuk	275	48,204	48,479	130,086	(81,607)	81,607
Yupiit	14,422	275,443	289,865	487,544	(197,679)	197,679
Mt. Edgecumbe	-	174,562	174,562	174,562	-	-
TOTALS:	**$ 13,122,655**	**$ 31,854,281**	**$ 44,976,936**	**$ 54,364,202**	**$ (9,387,266)**	**$ 9,481,391**

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Alaska Department of Education and Early Development Attachment III Prepared by School Finance
FY2010 Food Service Fund (255) Actuals

School District	Revenue: Local Sales/Other	Revenue: Federal	Subtotal Revenues	Expenditures	Difference	Transfers In
Alaska Gateway	$ 457,232	$ 357,565	$ 814,797	$ 788,163	$ 26,634	$ -
Aleutian Region	-	-	-	-	-	-
Aleutians East	39,594	62,728	102,322	189,638	(87,316)	110,000
Anchorage	4,586,647	12,495,037	17,081,684	16,406,378	675,306	-
Annette Island	1,766	122,832	124,598	168,236	(43,638)	100,000
Bering Strait	128,464	1,205,789	1,334,253	2,376,203	(1,041,950)	1,041,950
Bristol Bay	54,851	47,743	102,594	146,054	(43,460)	43,460
Chatham	313	27,631	27,944	53,870	(25,926)	46,176
Chugach	-	-	-	46,732	(46,732)	46,732
Copper River	61,330	99,109	160,439	237,386	(76,947)	74,700
Cordova	61,995	207,626	269,621	347,960	(78,339)	74,000
Craig	22,328	212,126	234,454	244,906	(10,452)	11,000
Delta Greely	98,085	192,050	290,135	334,676	(44,541)	53,850
Denali	-	-	-	-	-	-
Dillingham	47,005	180,450	227,455	299,991	(72,536)	-
Fairbanks	2,010,908	2,790,592	4,801,500	5,249,484	(447,984)	-
Galena	20,786	122,752	143,538	263,323	(119,785)	119,785
Haines	107,947	119,895	227,842	218,790	9,052	-
Hoonah	15,323	69,179	84,502	137,132	(52,630)	54,434
Hydaburg	6,688	74,371	81,059	81,059	-	-
Iditarod	63,991	114,781	178,772	241,880	(63,108)	63,108
Juneau	562,525	626,029	1,188,554	1,254,882	(66,328)	-
Kake	13,433	43,458	56,891	158,482	(101,591)	166,591
Kashunamiut	22,999	223,433	246,432	421,609	(175,177)	50,000
Kenai Peninsula	911,808	2,075,390	2,987,198	3,212,377	(225,179)	316,614
Ketchikan	148,351	450,687	599,038	658,000	(58,962)	80,000
Klawock	11,101	58,779	69,880	102,672	(32,792)	61,000
Kodiak	260,499	724,086	984,585	1,149,293	(164,708)	164,708
Kuspuk	39,671	249,300	288,971	496,600	(207,629)	207,629
Lake & Peninsula	66,495	162,471	228,966	567,520	(338,554)	350,000
Lower Kuskokwim	356,349	2,751,601	3,107,950	3,311,188	(203,238)	203,238
Lower Yukon	119,466	1,258,830	1,378,296	3,082,122	(1,703,826)	1,703,826
Mat-Su	1,449,019	3,922,394	5,371,413	5,836,485	(465,072)	465,072
Nenana	55,450	50,222	105,672	208,674	(103,002)	103,002
Nome	82,071	280,392	362,463	404,846	(42,383)	42,383
North Slope	2,440,598	600,370	3,040,968	3,040,968	-	-
Northwest Arctic	214,854	1,137,522	1,352,376	2,159,596	(807,220)	805,430
Pelican	-	-	-	-	-	-
Petersburg	37,364	159,319	196,683	209,458	(12,775)	7,542
Pribilof	-	-	-	-	-	-
Saint Mary's	4,787	133,147	137,934	203,503	(65,569)	65,569
Sitka	125,666	219,595	345,261	381,806	(36,545)	-
Skagway	95,229	12,715	107,944	96,103	11,841	25,000
Southeast Island	2,684	94,556	97,240	225,740	(128,500)	128,500
Southwest Region	63,371	323,176	386,547	721,157	(334,610)	305,000
Tanana	-	-	-	-	-	-
Unalaska	267,187	78,378	345,565	338,401	7,164	-
Valdez	240,622	124,820	365,442	623,282	(257,840)	209,536
Wrangell	40,984	121,724	162,708	211,165	(48,457)	48,457
Yakutat	23,926	79,897	103,823	136,503	(32,680)	-
Yukon Flats	41,580	116,827	158,407	321,972	(163,565)	163,565
Yukon-Koyukuk	940	84,991	85,931	180,022	(94,091)	94,091
Yupiit	13,231	306,125	319,356	562,840	(243,484)	243,484
Mt. Edgecumbe	-	213,283	213,283	213,283	-	-
TOTALS:	**$ 15,497,513**	**$ 35,185,773**	**$ 50,683,286**	**$ 58,322,410**	**$ (7,639,124)**	**$ 7,849,432**

C:\Users\maboman\Desktop\[FoodServiceFund2pages.xlsx]255 Food Service FundFY10

Action for Healthy Kids®

Because healthy kids learn better

RECEIVED
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Senate Finance Committee
VIA FAX

February 7, 2011

Senators Hoffman and Steadman,

I am writing on behalf of the Alaska Action for Healthy Kids team, a coalition of Alaskan organizations, agencies and individuals who support ways to fight children obesity through changes in school policies.

We support SB 3!

Lack of adequate nutrition affects the cognitive and behavioral development of children. Research shows that school breakfast
(1) improves student performance; (2) increases school attendance; (3) decreases school violence; and (4) fights obesity and improves nutrition

* 42% of Alaska students qualify for free/reduced school meals (over 51,000 students)

* 15% of the students that qualify for free/reduced school meals do not attend schools that offer a breakfast program (over 7,000 missed meals) Over 23,000 Alaska students attend a public school that does not offer a school breakfast program.

We urge Alaska join 25 other states that provide state funds to supplement the federal reimbursement so that all Alaskan children have access to healthy meals at school.

"Childhood Obesity: The Preventable Threat to America's Youth" follows this fax. We invite you to www.actionforhealthykids.org to find more fact sheets.

If I can provide more information, please contact me at mary.grisco@elmendorf.af.mil.

Thanks for your support,

Mary Grisco, Acting Chair
Alaska Action For Healthy Kids Team
And Executive Director, All Alaska Pediatric Partnership

Fact Sheet

Action for Healthy Kids®

Childhood Obesity
The Preventable Threat to America's Youth

The majority of American youth are sedentary and do not eat well. The resulting poor nutrition and lack of physical activity has created an epidemic of childhood obesity that is preventable, yet shows no sign of decreasing. Action for Healthy Kids helps schools make changes that will make their students healthier, which in turn will improve their achievement.

Prevalence and Trends

Overweight and obesity impairs or threatens the health of millions of American children.

- Thirty-two percent of American children and adolescents are overweight or obese, with a 16% of youth 2-19 falling into the obese category
- Rates of overweight and obesity remain high with 31.9% of children and adolescents aged 2-19 years at or above the 85th percentile of the 2000 BMI-for-age growth charts. [1]
- For children aged 2-19 11% are above the 97th percentile, 15% above the 95th percentile, and 30% above the 85th percentile. About 2/3 of those with BMIs above the 95th percentile have BMIs above the 97th percentile, indicating much severe obesity. [1]

Racial/Ethnic Populations

Although overweight has increased for all children and adolescents over time, data indicate disparities among racial/ethnic groups.

- 28% of African-American girls aged 12 to 19 are obese, as are 20% of Mexican-American girls. [1]
- 18.5% of African-American and 22% of Mexican-American boys are overweight or obese. [1]
- Among 12-19 year olds, those above the 97th percentile BMI included 20% of non-Hispanic black girls, 18% of Mexican American boys, and 9% of white girls. [1]

Contributing Factors

Poor eating habits and lack of physical activity are root causes of overweight and obesity.

- Only 2% of school-aged children consume the recommended daily number of servings from all five major food groups, and only 30% consume the suggested amount of milk. [2]
- Caloric contribution from sugar sweetened beverages increased significantly from 204 kcal/day in 1988–1994 to 224 kcal/day in 1999–2004. [3]
- 35% of students watch television 3 or more hours per average school day. [4]
- Only 35% of students are physically active for 60 minutes at least 5 days per week. [4]

Health Consequences

Childhood obesity is a medical concern, not a cosmetic issue.

- An obese 4-year-old has a 20% chance of becoming an obese adult, and an obese teenager has up to an 80% chance of becoming an obese adult. [5]

- Overweight children and teens have been found to have risk factors for cardiovascular disease (CVD), including high cholesterol levels, high blood pressure, and abnormal glucose tolerance.[6]
- Among 5- to 17-year-olds, almost 60% of overweight children had at least one CVD risk factor while 25 percent of overweight children had two or more CVD risk factors.[7]
- Severely overweight and obese children often suffer from depression, anxiety disorders, isolation from their peers, low self-esteem, and eating disorders.[8]

Academic Consequences

A growing body of evidence indicates that poor nutrition, physical inactivity and obesity are associated with lower student achievement.

- The psychological stress of social stigmatization can cause low self-esteem which, in turn, can hinder academic and social functioning, and persist into adulthood.[9]
- Hunger, physical and emotional abuse, and chronic illness can lead to poor school performance.[10]
- Overweight kindergartners had significantly lower math and reading test scores at the beginning of the year than did their non-overweight peers, and these lower scores continued into first grade.[11,12]

Economic Consequences

- Childhood obesity is estimated to cost $14 billion annually in health expenses.[13,14]
- Severely overweight children miss four times as much school as normal-weight kids.[8] If such health problems keep children out of school just one day per month, this could cost a large school district like Los Angeles about $15 million each year. An average size school district could likely forfeit $95,000 to $160,000 annually.[15]
- Obesity-associated annual hospital costs for children increased more than threefold from $35 million during 1979-1981 to $127 million during 1997-1999.[16]

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ALASKA STATE LEGISLATURE

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State Capitol, Rm. 101
Juneau, AK 99801
(907) 465-2435
Fax: (907) 465-6615

Interim
716 W. 4th Ave, Ste. 540
Anchorage, AK 99501
(907) 269-0120
Fax: (907) 269-0122

Senator_Bill_Wielechowski@legis.state.ak.us

Chair
State Affairs Committee

Co-chair
Joint Armed Services Committee

Vice Chair
Resources Committee
Judiciary Committee

Member
Admin Reg Review

SENATOR BILL WIELECHOWSKI

Explanation of Changes

Senate Bill 3 – Funding for School Meals

"An Act providing for funding for school lunch and breakfast."

The original legislation specified "the department shall provide a base amount of 15 cents for each lunch **OR** 35 cents for each breakfast" (emphasis added).

In order to ensure schools can receive funding for both lunches and breakfasts served, the Committee Substitute now reads "the department shall provide funding to a school district of 15 cents for lunch **AND** 35 cents for breakfast to each eligible student" (emphasis added).

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SENATOR BILL WIELECHOWSKI

Sponsor Statement

Senate Bill 3 – Funding for School Meals

"An Act providing for funding for school lunch and breakfast."

Senate Bill 3 will provide a state match for schools participating in the federal Free and Reduced Price School Breakfast and Lunch Program. This legislation will encourage more schools to provide nutritious meals for underprivileged children and allow schools that already do so to improve their programs. Currently in Alaska, twenty percent (20%) of schools participating in the school lunch program do not offer school breakfast, impacting 22,253 Alaskan children, 6,850 of whom are children from low income families who qualify for free or reduced price meals. For many children, these are the only nutritious meals they will get on a regular basis. Alaska is one of the only states that does not help supplement the program.

This legislation will provide school districts with a base amount of 35 cents for each breakfast served and 15 cents per lunch. To compensate for higher costs, rural schools will receive additional assistance through a funding formula based on the applicable School District Cost Factor for each district.

In addition to fighting childhood hunger, investing in school meals has been shown to improve school attendance and performance, reduce violence, and combat childhood obesity.

This legislation was requested by the Food Bank of Alaska, The Alaska Food Coalition, and the Alaska School Nutrition Association; and currently has been endorsed by the Yakutat Board of Education, the Petersburg Indian Association, the Petersburg School District, the Lower Kuskokwim School District, the Bering Strait School Board, the Cordova School District, the Yupiit School District, the Kenai Peninsula School District, the Chugach School District, the Anchorage School District, the Homer Food Pantry and the AARP.

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SENATOR BILL WIELECHOWSKI

Fast Facts: Alaska's School And Lunch Program

Alaskan Children In Need:

- **One out of every 8 Alaska** families struggles to put enough food on the table.[USDA]
- According to Hunger in America 2010, **74,000 Alaskans seek food assistance each year**.The study also showed that 43% of households visiting food pantries in Alaska have a child under the age of 18. [Hunger In America]
- An estimated **42% of Alaska students**, more than 51,000 children, are eligible for free or reduced-cost school meals.

School Meals Programs In Need

- The school meal program costs the schools **$58 million in output**. Currently, the federal government funds the majority of the school meal program **at $32.5 million**. Alaska students pay approximately **$23.4 million**, leaving our schools with **at least a $2.1 million shortfall**.
- Alaska is **one of only twelve states** in the country that does not have any state legislative support for their school meals programs. [Alaska Food Coalition Hunger Data]
- In Alaska, the school lunch program **feeds over 36,000 students** at a free/reduced rate for lunch. School breakfast participation **is over 18,000 with 14,000** of those being free/reduced price. [FRAC scorecard]
- Currently in Alaska, **twenty percent (20%) of schools** participating in the school lunch program do not offer school breakfast, impacting 22,253 Alaskan children, 6,850 of whom are children from low income families who qualify for free or reduced price meals.
- There are **six school districts educating 927 students** in Alaska that do not offer the lunch program or the school breakfast program.
- For many children, these are the only nutritious meals they will get on a regular basis.

Alaska Missing Out On $1.9 Million

- Alaska is **in the bottom 10 states** for lowest participation in the School Breakfast Program in the nation.
- Our state is not taking advantage of a large amount of potential federal funding that would come to the state on a per-meal basis.
- If Alaska lifted breakfast participation **from 38.3% to 60%,** the state would receive an **additional $1.9 million in federal funds**.
- Raising the rate to 60% would entail feeding approximately 8,006 additional free and reduced-price students.[FRAC scorecard]

Payment Chart

The following chart illustrates the lunch National Average Payment Factors with the sections 4 and 11 already combined to indicate the per lunch amount; the maximum lunch reimbursement rates; the reimbursement rates for afterschool snacks served in afterschool care programs; the breakfast National Average Payment Factors including "severe need" schools; and the milk reimbursement rate. All amounts are expressed in dollars or fractions thereof. The payment factors and reimbursement rates used for the District of Columbia, Virgin Islands, Puerto Rico and Guam are those specified for the contiguous States.

School Programs—Meal, Snack and Milk Payments To States and School Food Authorities **Back to Top**

National school lunch program*	Less than 60%	60% or more	Maximum rate
Contiguous States:			
Paid	0.26	0.28	0.34
Reduced price	2.32	2.34	2.49
Free	2.72	2.74	2.89
Alaska:			
Paid	0.42	0.44	0.53
Reduced price	4.01	4.03	4.26
Free	4.41	4.43	4.66
Hawaii:			
Paid	0.30	0.32	0.39
Reduced price	2.78	2.80	2.97
Free	3.18	3.20	3.37
[Expressed in dollars or fractions thereof]			
[Effective from July 1, 2010-June 30, 2011]			

School breakfast program	Non-Severe need	Severe need
Contiguous States:		
Paid	0.26	0.26
Reduced price	1.18	1.46

Free	1.48	1.76
Alaska:		
Paid	0.39	0.39
Reduced price	2.06	2.52
Free	2.36	2.82
Hawaii:		
Paid	0.30	0.30
Reduced price	1.42	1.75
Free	1.72	2.05

Special milk program	**All milk**	**Paid milk**	**Free milk**
Pricing programs without free option	0.1775	N/A	N/A
Pricing programs with free option	N/A	0.1775	Average cost per 1/2pint of milk
Nonpricing programs	0.1775	N/A	N/A

Afterschool snacks served in afterschool care programs	
Contiguous States:	
Paid	0.06
Reduced price	0.37
Free	0.74
Alaska:	
Paid	0.11
Reduced price	0.60
Free	1.21
Hawaii:	
Paid	0.08
Reduced price	0.43
Free	

** Payment listed for Free and Reduced Price Lunches include both section 4 and section 11 funds.*

Sec. 14.17.460. District cost factors.

(a) For purposes of calculating a district's adjusted ADM under AS 14.17.410 (b)(1), the district cost factor for a school district is (1) for the fiscal year ending June 30, 2009, the factor set out under column (A) of this subsection, (2) for the fiscal year ending June 30, 2010, the factor set out under column (B) of this subsection, (3) for the fiscal year ending June 30, 2011, the factor set out under column (C) of this subsection, (4) for the fiscal year ending June 30, 2012, the factor set out under column (D) of this subsection, and (5) for fiscal years ending on or after June 30, 2013, the factor set out under column (E) of this subsection:

DISTRICT COST FACTOR

DISTRICT	(A)	(B)	(C)	(D)	(E)
Alaska Gateway	1.443	1.481	1.519	1.557	1.594
Aleutians East	1.707	1.778	1.849	1.920	1.991
Aleutians Region	1.838	1.864	1.890	1.916	1.939
Anchorage	1.000	1.000	1.000	1.000	1.000
Annette Island	1.175	1.216	1.257	1.298	1.338
Bering Strait	1.762	1.821	1.880	1.939	1.998
Bristol Bay	1.370	1.397	1.424	1.451	1.478
Chatham	1.348	1.405	1.462	1.519	1.576
Chugach	1.395	1.420	1.445	1.470	1.496
Copper River	1.246	1.264	1.282	1.300	1.316
Cordova	1.165	1.182	1.199	1.216	1.234
Craig	1.108	1.133	1.158	1.183	1.206
Deltareely	1.174	1.191	1.208	1.225	1.241
Denail	1.323	1.326	1.329	1.332	1.332
Dillingham	1.300	1.312	1.324	1.336	1.346
Fairbanks	1.055	1.059	1.063	1.067	1.070

Galena 1.370 1.376 1.382 1.388 1.391

Haines 1.104 1.128 1.152 1.176 1.200

Hoonah 1.227 1.270 1.313 1.356 1.399

Hydaburg 1.295 1.348 1.401 1.454 1.504

Iditarod 1.658 1.705 1.752 1.799 1.846

Juneau 1.075 1.093 1.111 1.129 1.145

Kake 1.242 1.296 1.350 1.404 1.459

Kashunamiut 1.504 1.533 1.562 1.591 1.619

Kenai Peninsula 1.088 1.109 1.130 1.151 1.171

Ketchikan 1.085 1.106 1.127 1.148 1.170

Klawock 1.160 1.196 1.232 1.268 1.302

Kodiak Island 1.191 1.216 1.241 1.266 1.289

Kuspuk 1.584 1.622 1.660 1.698 1.734

Lake and Peninsula 1.776 1.831 1.886 1.941 1.994

Lower Kuskokwim 1.577 1.599 1.621 1.643 1.663

Lower Yukon 1.650 1.703 1.756 1.809 1.861

Matanuska-Susitna 1.040 1.048 1.056 1.064 1.070

Mt. Edgecumbe 1.098 1.123 1.148 1.173 1.195

Nenana 1.304 1.313 1.322 1.331 1.338

Nome 1.385 1.402 1.419 1.436 1.450

North Slope 1.648 1.684 1.720 1.756 1.791

Northwest Arctic 1.686 1.720 1.754 1.788 1.823

Pelican 1.384 1.408 1.432 1.456 1.477

Petersburg 1.122 1.153 1.184 1.215 1.244

Pribilof 1.555 1.589 1.623 1.657 1.691

Sitka 1.098 1.123 1.148 1.173 1.195

Skagway 1.159 1.163 1.167 1.171 1.174

Southeast Island 1.264 1.299 1.334 1.369 1.403

Southwest Region 1.554 1.587 1.620 1.653 1.685

St. Mary's 1.488 1.522 1.556 1.590 1.624

Tanana 1.641 1.677 1.713 1.749 1.786

Unalaska 1.343 1.368 1.393 1.418 1.441

Valdez 1.133 1.143 1.153 1.163 1.170

Wrangell 1.080 1.100 1.120 1.140 1.159

Yakutat 1.229 1.275 1.321 1.367 1.412

Yukon Flats 1.892 1.948 2.004 2.060 2.116

Yukon/Koyukuk 1.669 1.711 1.753 1.795 1.835

Yupiit 1.596 1.628 1.660 1.692 1.723.

(b) The department shall monitor the cost factors established under (a) of this section and shall prepare and submit to the legislature by January 15 of every other fiscal year proposed district cost factors.

Free and Reduced-Price Meal Plans

Download printable version of this information

Breakfast and Lunch Programs, 2010-11

The Anchorage School District provides free and reduced-priced meals for elementary, middle and high school students under the National School Lunch/School Breakfast Program. *Nutritious meals are served every school day.*

Free and reduced-price application

We must RETURN any incomplete applications so please read the instructions carefully

2010-11 FRP application and English instructions (PDF)

Translated applications for 2010-11

Español Hmoob Korean Faa-Samoa Tagalog

Return the completed application to your school or mail it to:
Student Nutrition
1307 Labar Street
Anchorage, AK 99515-3516
Phone: (907) 348-5145
Fax: (907) 348-5233
Hours: weekdays 7:30 a.m. - 4:00 p.m.

Your meal application cannot be processed until your child(ren) is/are in the district's registration system

Meal prices

Breakfast	Elementary	Middle	High
Full price	$1.80	$1.80	$2.25
Reduced price	30¢	30¢	30¢
Milk (alone)	50¢	50¢	50¢

Lunch	Elementary	Middle	High
Full price	$3.15	$3.55	$4.00
Reduced price	40¢	40¢	40¢
Milk (alone)	50¢	50¢	50¢

Schools serving breakfast

Elementary schools
Abbott Loop
Airport Heights
Baxter
Campbell
Chester Valley
Chinook
Chugiak
College Gate
Creekside Park
Denali
Eagle River
Fairview
Gladys Wood
Government Hill
Kasuun
Klatt
Lake Hood
Lake Otis
Mountain View
Mt. Illamna
Muldoon
North Star
Northern Lights
Northwood
Nunaka Valley
Ptarmigan
Rogers Park
Russian Jack
Scenic Park
Susitna
Taku
Tudor
Tyson
Ursa Major
Ursa Minor
Whaley
Williwaw
Willowcrest
Wonder Park

Middle schools
Begich
Central
Clark
Hanshew
Romig
Wendler

High schools
Bartlett
Chugiak
Dimond
Eagle River
East
Service
South
West

Charter schools
Alaska Native

Who can get free or reduced-price meals?

Free & reduced participant applications must be submitted annually

- Children from households whose size and income is at or below the criteria in the charts below are eligible to receive free or reduced-price meals for the school year effective July 1, 2010 – June 30, 2011. Income plus Permanent Fund Dividend information will be totaled and annualized.
- A household or family is defined as a group of related or unrelated individuals who are living as one economic unit.
- Children who are members of households that are approved for Food Stamps or Alaska Temporary Assistance Program (SNAP), or Temporary Assistance to Native Families (TANF) are automatically eligible for free meals, but we must have an application or an electronic import.
- Foster children, as the legal responsibility of a welfare agency or court, may also be eligible for benefits regardless of the household income where they reside. Again, an application is required.

Income Eligibility Guidelines, 2010-11

Reduced priced meals				Free meals			
Household size	Yearly	Monthly	Weekly	Household size	Yearly	Monthly	Weekly
1	$25,031	$2,086	$482	1	$17,589	$1,466	$339
2	33,689	2,808	648	2	23,673	1,973	456
3	42,347	3,529	815	3	29,757	2,480	573
4	51,005	4,251	981	4	35,841	2,987	690
5	59,663	4,972	1,148	5	41,925	3,494	807
6	68,321	5,694	1,314	6	48,009	4,001	924
7	76,979	6,415	1,481	7	54,093	4,508	1,041
8	85,637	7,137	1,647	8	60,177	5,015	1,158
For each additional family member, add:				For each additional family member, add:			
	+$8,658	+$722	+$167		+$6,084	+$507	+$117

Frequently Asked Questions

Where do I obtain meal applications?
Applications are located at all schools, at the ASD Education Center and Student Nutrition, or it may be completed and downloaded from the district website. Click here to download a PDF of the application.

Do I need to fill out an application for each child?
No. Use one application for all elementary, middle school and high school students in your household for whom you are applying except for foster children.

Who can get free or reduced-price meals?
Children in households getting food stamps or public assistance (SNAP/TANF) and foster children can get free meals regardless of the household income, though we must have an application or receive an electronic import. We now receive electronic imports from State of Alaska Public Assistance Office as well as Migrant Education advising us of students qualified for free school meals under those programs. Student Nutrition sends households a letter confirming status at that time. Food stamp/public assistance families may alternately receive written

Do I have to complete a new application if my child transfers from one district school to another?
No, unless a child has been at one of the special provision schools mentioned above, and transfers to a non-provision school, which are all other district schools.

How long does it take to process an application?
Allow 10 working days for processing.

May I apply if someone in my household is not a U.S. citizen?
Yes, you or your children do not have to be US citizens to qualify for the program.

Who should I include as members of my household?
You must include all people living in your household, related or not (such a grandparents, other relatives, or friends). You must include yourself and all children who live with you.

What if my income is not always the same?

Meals Menu
Menus
Free & Reduced Price Meals
Student Nutrition FAQ

And Justice For All
Our facilities are operated in accordance with U.S. Department of Agriculture policy, which does not permit discrimination because of race, color, gender, age, disability, or national origin. More information may be obtained here or from the Office of Equal Opportunity, USDA, Washington, D.C. 20250 -Secretary of Agriculture

verification and submit same in place of an application or list their case number on a regular application form. Also if your household income is within limits on the Federal Income Chart for Alaska, along with Permanent Fund Dividend income, your children can get free or reduced-price meals.

If we are notified that our child is free through the electronic import method, do we still need to complete an application?
No.

Can homeless, runaway and migrant children get free meals?
Please contact Child in Transition/Homeless Project at 742-3833 or Migrant Education at 742-4275 to see if your children qualify if you have NOT been informed that they will get free meals.

My child was on the lunch program last year. Won't her free status carry over to this year?
It will carry over for the first 30 school days if the child's status was via application. However, if the child attended a provision school, where children are automatically approved free, this will not be the case. We need a new application for each school year.

Our income this year is identical to last year when the children were free. Why are they reduced this year?
This is very common. The Federal Income Guidelines change every year, as do the Permanent Fund Dividend amounts, should they apply.

Will the information I give be checked?
Yes, and we may also ask you to send written proof.

If I don't qualify now, may I apply later?
Yes, you may apply at any time during the school year.

Why is student income a requirement?
We must have income for the entire household. Many children have income from estates, trusts, survivor benefits, etc. besides any real wages.

Why are applications returned to households?
Usually because the application is not completed as required. Illegible applications must also be returned; also if any child on the application is not in the school registration system, the application is delayed.

Why are there some schools that feed children free automatically?
These are special provision schools determined by government requirements. These schools are: Alaska Native Charter, Clark Middle School, Fairview, Mount Iliamna, Mountain View, Muldoon, North Star, Ptarmigan, Russian Jack, Tyson, Whaley, Willlwaw, Willow Crest and Wonder Park.

List the amount that you normally get. For example, if you normally get $1000 per month, but you missed some work last month and only got $900, list the $1,000 per month. If you normally get overtime, include it, but not if you get it only sometimes.

We are in the military, do we include our housing allowance as income?
If your housing is part of the Military Housing Privatization Initiative, do not include your housing allowance as income. All other allowances must be included in your gross income.

My spouse is deployed to a combat zone. Is their combat pay counted as income?
No, if the combat pay is received in addition to their basic pay because of their deployment, and it wasn't received before they were deployed, combat pay is not counted as income. Contact Student Nutrition for more information.

What do I do with my completed application?
You may turn it in at any school's front desk or mail to Student Nutrition (see back of application). NOTE: Our new scanning equipment will not read faxed applications or applications downloaded from the district website. These applications will be delayed in processing.

What if I disagree with the status my application determines?
Your application will be processed according to Federal Guidelines. If you wish to ask for a hearing, you may call or write to Dr. Brent Rock, Director, Student Nutrition, 1307 Labar Street, Anchorage, AK 99515.

What if my child has special dietary needs?
If your child has been determined by a doctor to have a condition that would result in a disability that prevents your child from eating the regular meals, the school may make substitutions prescribed by a doctor.

Are there any additional benefits our family may be eligible for?
Yes, health insurance, Women, Infants and Children Nutrition Program (WIC), and the district's Child in Transition Program.

Denali KidCare: Call 1-888-318-8890 or (Anchorage) 269-6529 for information and an application for free health insurance for children, teens and pregnant women.

WIC: Call 1-800-478-2221 for information on how to apply for free food benefits and nutrition education for pregnant, postpartum/ breastfeeding women, infants and children under 5 years. If approved for free or reduced-price meals, you may take your approval letter with you to WIC for documentation for benefits.

Anchorage School District Child in Transition/Homeless Project: Call 742-3833 for assistance.

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Anchorage School District
5530 E Northern Lights Blvd
Anchorage, Alaska 99504-3135
907-742-4000

Funding For Alaska's School Meals SB3

1

SEN. WIELECHOWSKI PRESENTATION TO SENATE FINANCE COMMITTEE (02/07/11)

Prime Sponsors
Senators Wielechowski, Ellis, Thomas, Kookesh, McGuire, French, Davis, Egan, Menard and Paskvan

Three Goals
For The School Meals Bill

- More schools serving meals
- More kids in each school fed
- More nutritious meals served

Problem 1

KIDS IN NEED

One out of every eight Alaska families struggles to put enough food on the table each year.

•USDA, 2010

Hunger In Alaska 2010

74,000 Alaskans seek food assistance each year.

43% of households visiting food pantries in Alaska have a child under the age of 18.

•Alaska Food Coalition

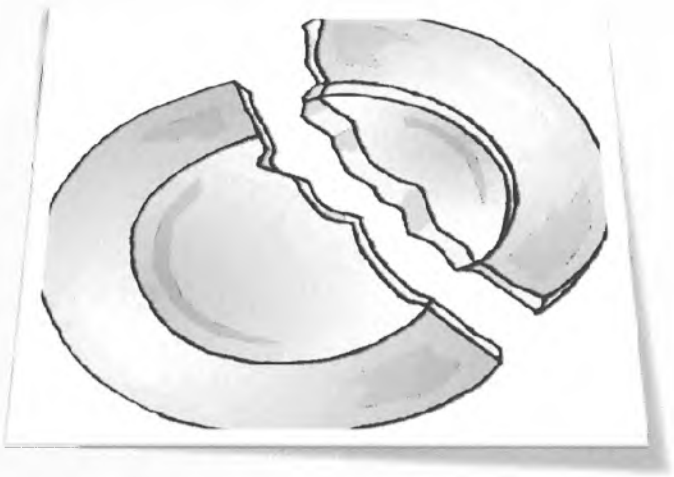
Students In Need Not Being Reached

51,000 Alaskan children are eligible for reduced or free lunch. However:

Six school districts do not offer breakfast or lunch.

15% of schools that do participate in the school lunch program do not offer breakfast.

Overall, 60% of lower-income kids **are not being reached by the school meals program.**



Alaska In Bottom 10 For Participation

Alaska ranks ninth from the bottom of all 50 states in the participation of low-income children in the school meal programs.

Bottom 10 States	% Participation
Connecticut	38.9
Alaska	**38.3**
Colorado	38.2
Illinois	38.0
New Jersey	37.6
Nebraska	37.1
Iowa	36.8
New Hampshire	36.7
Nevada	34.9
Utah	33.7

•School Breakfast Scorecard 2009-2010
Food Research & Action Center

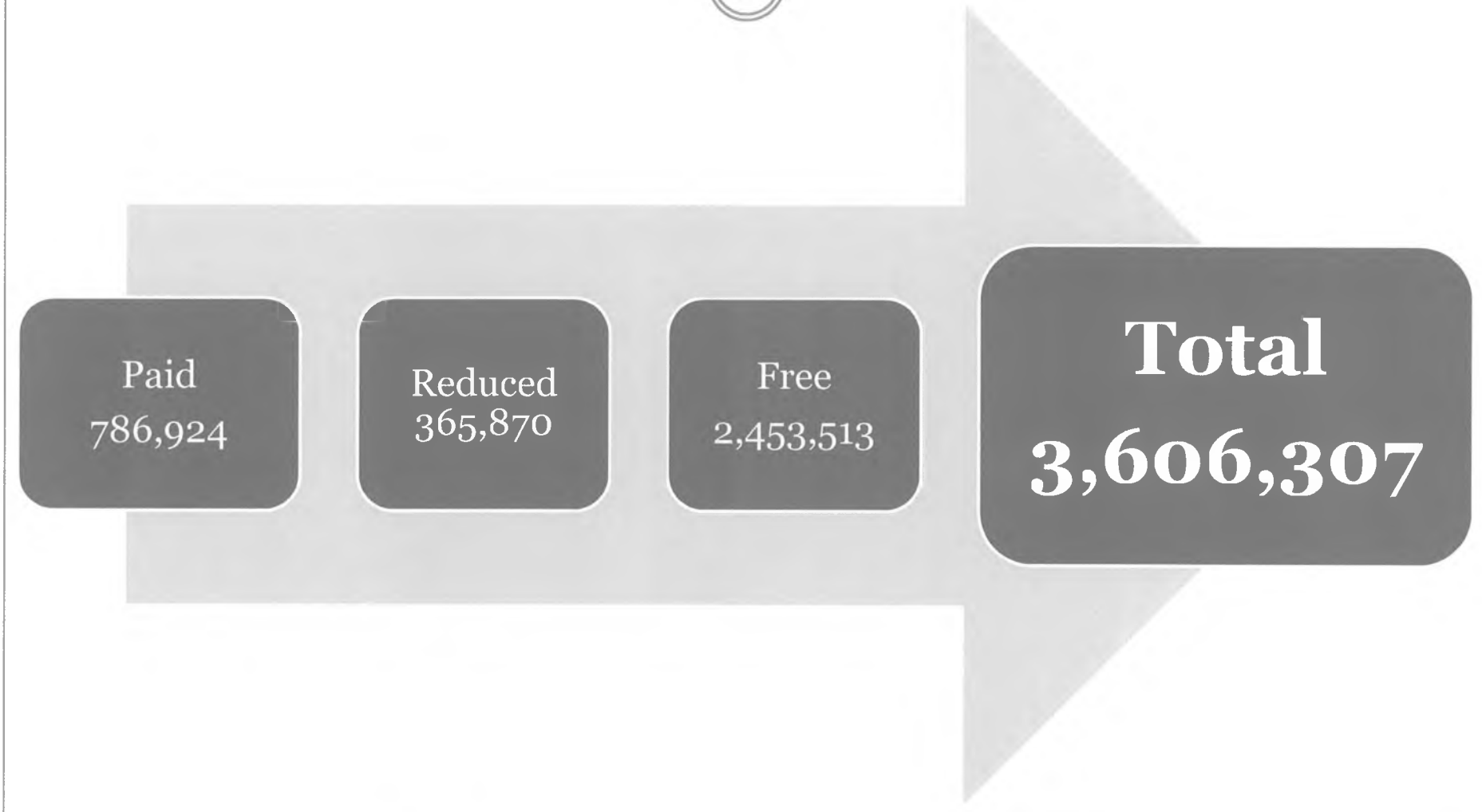
"How many sleeps before we can have meals at school again?"

--An elementary school student in the Kenai Peninsula to her teacher, just before a long weekend. (ADN, 3/8/10)

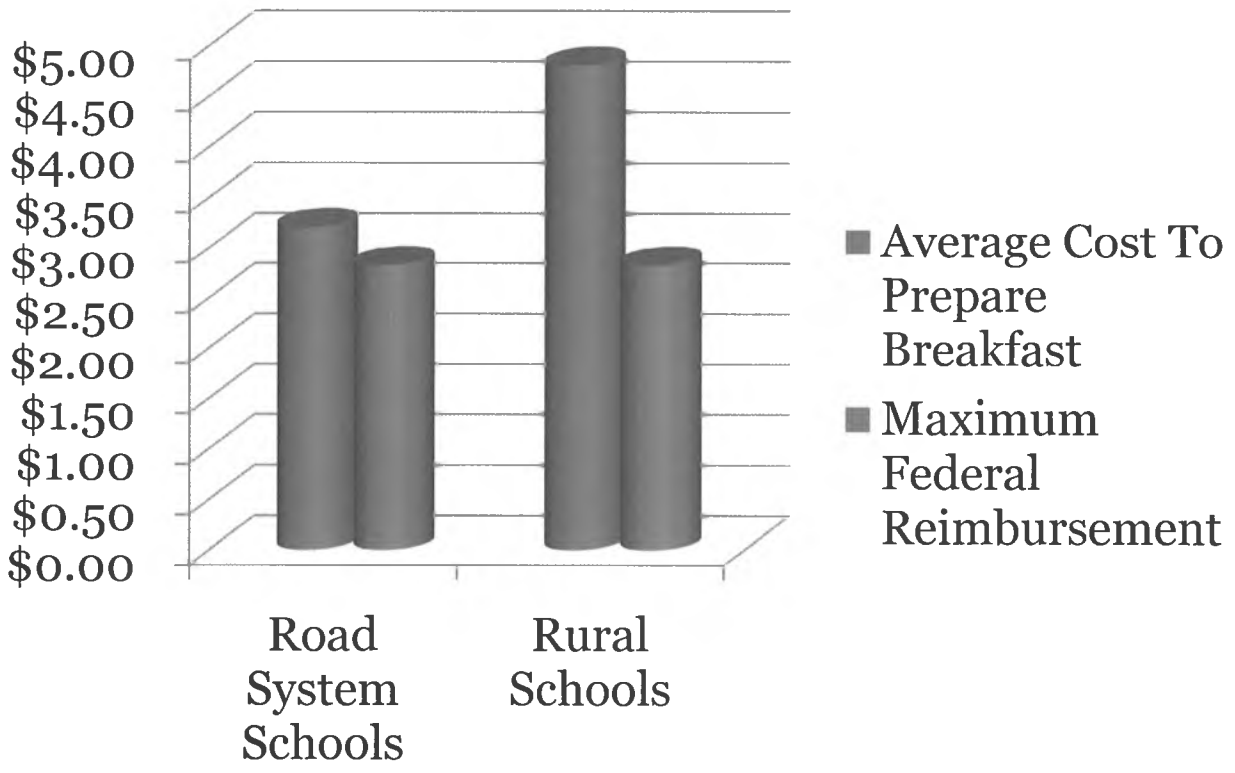
Problem #2

SCHOOLS IN NEED

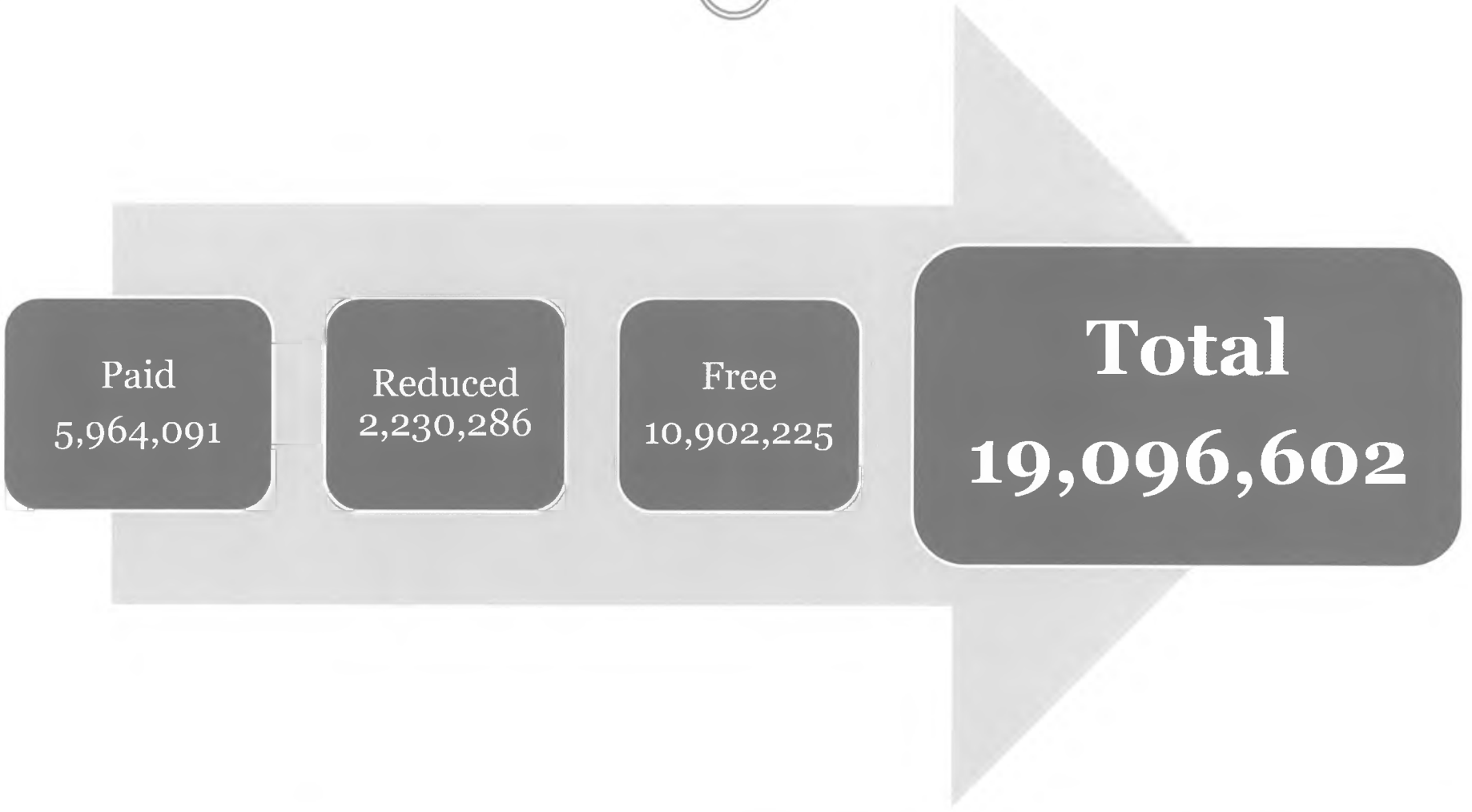
Alaskan School Breakfasts Served FY 09-10



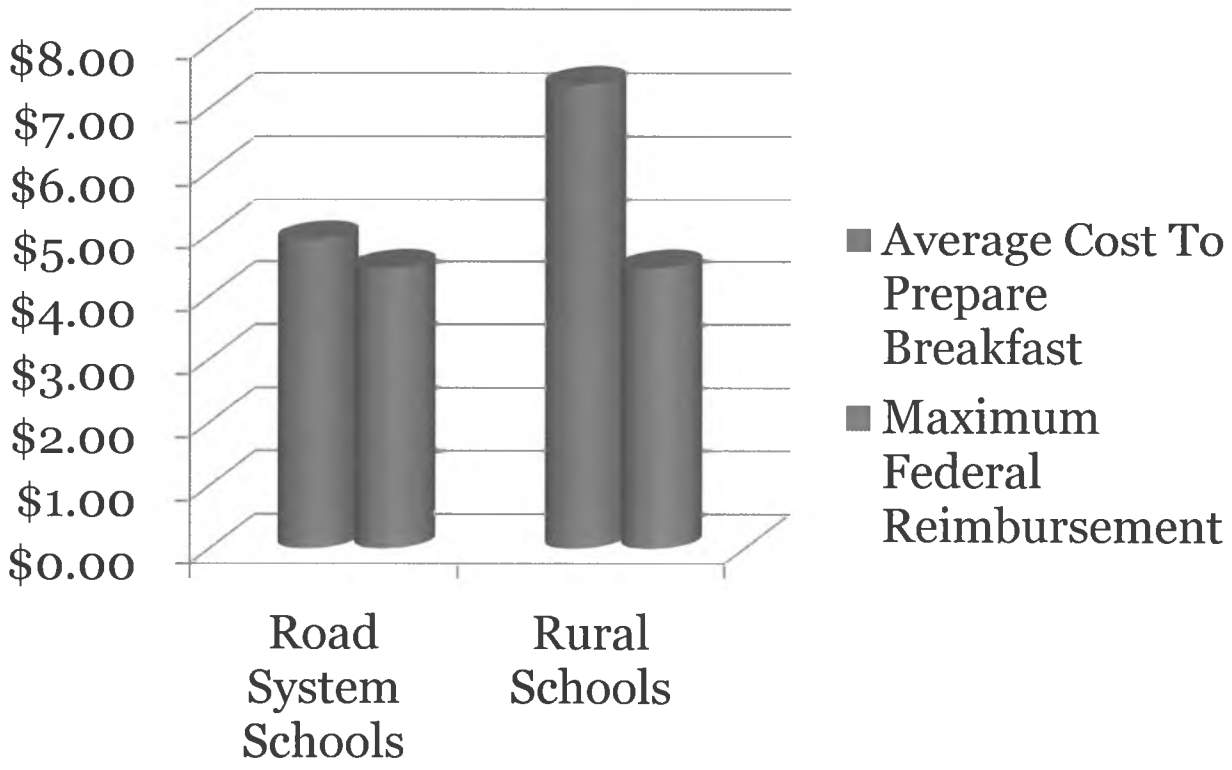
Current Breakfast Reimbursement Rates



Alaskan School Lunches Served FY 09-10



Current Lunch Reimbursement Rates



The Need

Even with federal subsidies, Alaska schools fall $9 million short.

This money comes out of their operating budgets.

School Meal Money 2009-2010



- Federal Subsidies - $32.5 million
- Student Payments - $16.5 million *
- School Operating Budget - $9 million

* Extrapolated from Department of Education & Early Development figures

Smart Investment

ENSURING ALASKAN KIDS ARE FED IS A SOLID INVESTMENT IN ALASKA'S FUTURE.

Investing in School Meals Provides a "Two-Fer" in Returns

Short-Term

- Better academic performance
- Better behavior
- Better attendance
- Better health

Long-Term

- Better attendance= lower dropout rates
- Lower dropout rates= lower prison populations
- Higher graduation rates= higher incomes
- Lower obesity rates= lower health care costs

SB3 Short-Term Effects

BETTER ACADEMIC PERFORMANCE

Better Academic Performance

Improved School Achievements

A review of 18 studies showed students who ate breakfast consistently showed improvement in **verbal fluency, arithmetic, tests of attention, memory, creativity, physical endurance, and general tests** of academic achievement and cognitive functioning.

--"Nutrition and Student Performance at School." The Journal of School Health 2005

Improved Standardized Test Scores

Scores on the Comprehensive Test of Basic Skills improved significantly in schools that had larger participation in their school breakfast programs.

-- "School Breakfast Program and School Performance." American Journal of Diseases of Children 1989

Better Academic Performance

Improved Scores in Language, Reading, Math

Low-income students in a breakfast test program in the United States improved their combined scores in **language, reading and math.**

--"Breakfast and Cognition: An Integrative Summary." American Journal of Clinical Nutrition 1998

Improved Math Scores, Participation

Researchers found students who ate breakfast **improved math scores** and **participated more** in class.

--"Diet, Breakfast, and Academic Performance in Children." Annals of Nutrition & Metabolism 2002

Better Academic Performance

Improved Memory, Listening Skills

A Tufts University study showed elementary school students who ate breakfast listened better and had both **better spatial memory and short-term memory** than students who skipped breakfast.

-- "Effect of Breakfast Consumption on Cognitive Processes in Elementary School Children." Physiology & Behavior 2005

Skipping Breakfast = Slower Brain Function

A study conducted by the University of California Davis showed **skipping breakfast alters brain function** and had an adverse affect on the speed and accuracy with which children were able to retrieve information from memory.

-- "Does Breakfast Make a Difference in School?" Journal of the American Dietetic Association 1995

SB3 Short-Term Effects

BETTER BEHAVIOR

Better Behavior In School

22

Calmer, More Obedient

Researchers noted a **significant decrease in behavioral "oppositional scores"** for students eating school breakfast. "Oppositional scores" measure whether or not students are likely to break the rules, have problems with authority or are quick to anger than most individuals in their age groups.

-- "Evaluation of the School Breakfast Program Pilot Project: Findings from the First Year of Implementation." U.S. Department of Agriculture, Food and Nutrition Service 2002.

Better Behaved

Researchers found low-income students who ate meals at school were **less likely to be hyperactive and had fewer behavioral or attention problems** than their hungry peers.

-- "Relationship Between Hunger and Psychosocial Functioning in Low-Income American Children." Journal of the American Academy of Child & Adolescent Psychiatry 1998

Better Behavior In School

23

Fewer Disciplinary Referrals Needed

Researchers conclude that classroom breakfast works and that a pilot program in New York resulted in decreased hunger and **improvements** in factors critical to student learning such as tardiness and **disciplinary referral rates**.

-- "Academics & Breakfast Connection Pilot: Final Report on New York's Classroom Breakfast Project." Nutrition Consortium of New York State. Albany, New York. July 2005.

Fewer Emotional Problems

Increased school breakfast participation is associated with **fewer emotional or behavioral problems.** Teachers at schools that increased participation in their school breakfast programs reported a positive change in student behavior (60%) and improved in student attentiveness (63%).

--"The Boston Public Schools Universal Breakfast Program: Final Evaluation Report." Massachusetts General Hospital, Boston, MA, 2000

SB3 Short-Term Effects

BETTER ATTENDANCE

Better Attendance

25

Higher Rates Of Attendance

Studies show that universal school breakfast program participation is associated with **higher rates of attendance and declines in tardiness**.

--"Universal-Free School Breakfast Program Evaluation Design Project. Review of the Literature on Breakfast and Learning. Final Report." Mathematica Policy Research 1999

Lower Rates Of Tardiness

Schools with increased participation in school breakfast programs had their proportion of **children chronically tardy decreased by 67%.**

-- "Evaluation of a Universally-Free School Breakfast Program Demonstration Project, Central Falls, Rhode Island," Tufts University, 1996

SB3 Short-Term Effects

BETTER HEALTH

Better Health

Lower Obesity Rates

Girls from "food insecure" households are **significantly less likely to become overweight** (68 percent) if they participate in school lunch and breakfast programs.

-- "Lower Risk of Overweight in School-aged Food Insecure Girls Who Participate in Food Assistance: Results from the Panel Study of Income Dynamics Child Development Supplement." Archives of Pediatric and Adolescent Medicine 2003.

More Physically Active

Students who ate breakfast daily were **more likely to participate in physical activity** three or more times a week than breakfast skippers.

--"Smoking, Physical Activity and Breakfast Consumption among Secondary School Students in a Southwestern Ontario Community." Canadian Journal of Public Health 2003

Better Health

Alaskan Obesity

25.4% of Alaskans are currently considered "obese."

-- America's Health Rankings 2010

The High Cost Of Obesity

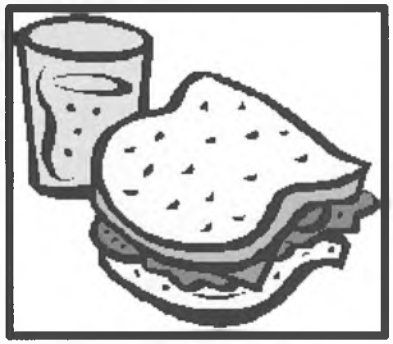
Recent studies project that, if our national weight problem continues as it has been, obesity will cost the USA about **$344 billion in medical-related expenses by 2018**, eating up about 21% of health-care spending.

-- USA Today, 11/17/09

School Meals Legislation

THE PROPOSAL

State Supplement to Federal Funding

Breakfast	Lunch
	
$0.35	$0.15

Examples of Support

Schools	• Cordova School District • Kenai Peninsula School District • Chugach School District • Yupiit School District • Petersburg City Schools • Lower Kuskokwim School District
School Boards	• Anchorage School Board • Fairbanks School Board • Yakutat Board of Education • Association of Alaska School Boards
Assistance Groups	• Alaska Food Coalition • Food Bank of Alaska • Alaska School Nutrition Association • AARP

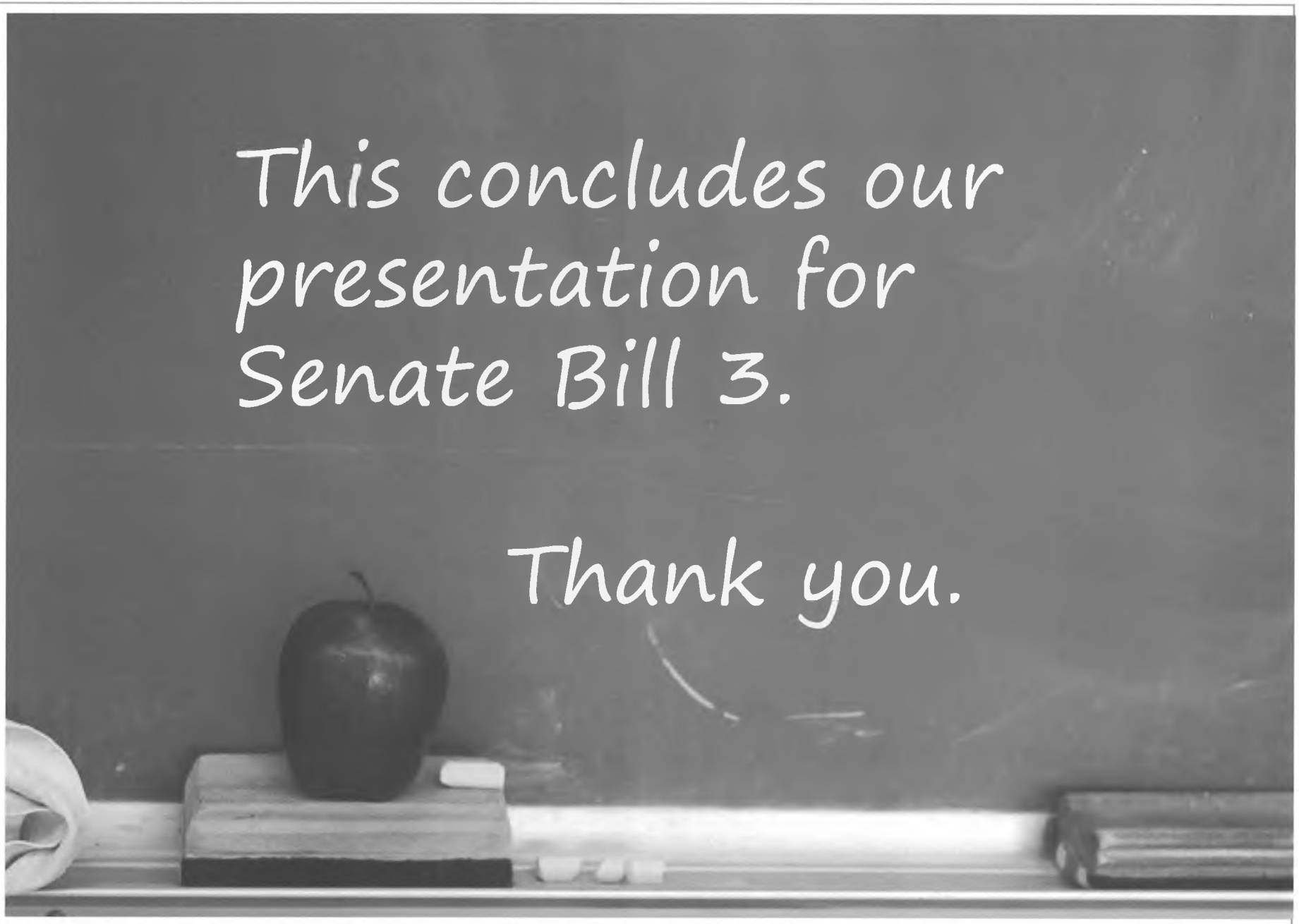
School Meals Legislation

THE BOTTOM LINE

Senate Bill 3 is a **solid investment** in Alaska's future, providing both short-term and long-term payoffs for Alaska's students.

We spend a great deal of money on education in Alaska. This comparatively small investment will help our students **reap the maximum benefits** from our schools.

By setting our kids up for success now, we may be **able to avoid costly problems** in the future.


This concludes our presentation for Senate Bill 3.
Thank you.

SB

5

<TARGET><BILL>SB 5</BILL><SUBJECT>SB
5</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/30/11

FURTHER:

DATE TURNED IN TO OFFICE: 4/11/11

Finance Committee considered SENATE BILL NO. 5

SB 5-MEDICAL ASSISTANCE ELIGIBILITY

"An Act relating to eligibility requirements for medical assistance for certain children and pregnant women; and providing for an effective date."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DHS	X			1
DHS	X			2
DHS	X			3

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
		✓			
	Olson			✓	
	Ellis	X			
CO-CHAIR:		✓			
CO-CHAIR:	STEDMAN			✓	

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 3
Bill Version: SB 5
(S) Publish Date: 3/30/11

Identifier (file name): SB005-DHSS-PAFS-02-17-11
Title: Medical Assistance Eligibility
Sponsor: Sen. Bettye Davis, Sen. Dennis Egan
Requester: Senate HSS Committee

Dept. Affected: Health and Social Services
Appropriation: Public Assistance
Allocation: Public Assistance Field Services
OMB Component Number: 236

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	187.0		187.0	187.0	187.0	187.0	187.0
Travel							
Services	19.4		19.4	19.4	19.4	19.4	19.4
Commodities	1.0		1.0	1.0	1.0	1.0	1.0
Capital Outlay	14.4						
Grants							
Miscellaneous							
TOTAL OPERATING	**221.8**	**0.0**	**207.4**	**207.4**	**207.4**	**207.4**	**207.4**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	144.2		134.8	134.8	134.8	134.8	134.8
1003 GF Match	77.6		72.6	72.6	72.6	72.6	72.6
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**221.8**	**0.0**	**207.4**	**207.4**	**207.4**	**207.4**	**207.4**

Estimate of any current year (FY2011) cost: 0.0

POSITIONS

Full-time	**2.0**		2.0	2.0	2.0	2.0	2.0
Part-time							
Temporary							

Why this fiscal note differs from previous version:
Not applicable, initial version.

Prepared by: Ron Kreher, Acting Director
Division: Public Assistance
Approved by: Alison Elgee, Assistant Commissioner
DHSS Finance & Management Services

Phone (907) 465-2680
Date/Time 2/17/11 12:00 AM
Date 2/17/2011

(Revised 12/29/2010 OMB)

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 5

Analysis:

This legislation increases the income level for covering children and pregnant women under Denali KidCare to 200% of the federal poverty guidelines, up from 175%. It restores eligibility levels to the levels used when the Denali KidCare(DKC) program was originally created.

This fiscal note represents the additional administrative costs needed to support the increased eligibility determination workload resulting from more pregnant women and children applying for medical assistance, using the assumptions from the companion fiscal notes for the Division of Health Care Services and the Division of Behavioral Health.

The eligibility decision includes verifying information and determining whether a pregnant woman or child qualifies for DKC when they apply, acting on changes, and periodically re-examining a household's eligibility.

We assume that 218 pregnant women and 1,277 children will enroll in Medicaid if the qualifying income limit is revised to 200% FPG, and that implementation will begin July 1, 2011. We estimate two additional Eligibility Technician II (Range 14) positions will be needed to manage this additional work in FY2012.

Total Administrative Costs for Two ET II Positions:

Personal Services: Two Eligibility Technician II Range 14 at a cost of $187.0, including benefits, for 12 months.
Contractual: Annual cost for office space, phones, etc. will be $19.4.
Commodities: Annual cost for the office supplies will be $1.0.

Additional Cost of FY2012:
Equipment/Supply: A one-time cost of $14.4 for desktop computer, software, printer, and work stations will be needed for the new positions.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: SB 5
(S) Publish Date: 3/30/11

Identifier (file name): SB005-DHSS-BHMS-02-17-11
Title: Medical Assistance Eligibility
Sponsor: Sen. Bettye Davis, Sen. Dennis Egan
Requester: Senate HSS Committee

Dept. Affected: Health and Social Services
Appropriation: Medicaid Services
Allocation: Behavioral Health Medicaid Services
OMB Component Number: 2660

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants	567.0		615.7	668.7	726.2	788.6	856.4
Miscellaneous							
TOTAL OPERATING	**567.0**	**0.0**	**615.7**	**668.7**	**726.2**	**788.6**	**856.4**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	383.6		416.5	452.3	491.2	533.4	579.3
1003 GF Match	183.4		199.2	216.4	235.0	255.2	277.1
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**567.0**	**0.0**	**615.7**	**668.7**	**726.2**	**788.6**	**856.4**

Estimate of any current year (FY2011) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version:

Not applicable, initial version

Prepared by: Kimberly Poppe-Smart, Director — Phone 907-334-2520
Division: Health Care Services — Date/Time 2/17/11 12:00 AM
Approved by: Alison Elgee, Assistant Commissioner — Date 2/17/2011
DHSS Finance & Management Services

FISCAL NOTE #2

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 5

Analysis:

Denali KidCare is part of Alaska's Medicaid program, covering low income children and pregnant women. This legislation increases the income level for covering children and pregnant women under Denali KidCare to 200% of the federal poverty guidelines, up from the current level of 175% of the federal poverty guidelines, which are adjusted annually. In 2003, DKC eligibility limits were reduced from 200% of poverty to 175% and frozen at 2003 levels. In 2007, the income limits were unfrozen, but remained at 175% of poverty. This bill would restore Denali KidCare to its original level.

Children age 18 and under at this income level are part of Alaska's Medicaid CHIP expansion and are eligible for enhanced federal matching funds. For FY2012, the federal CHIP match is projected at 65%, compared to an estimated 50% for regular Medicaid. Pregnant women under this income level are eligible only for regular Medicaid (50% match).

Between 2003 and 2006, the number of enrolled children with household incomes between 151% and 200% FPG dropped by 2,553 and the number of enrolled pregnant women with incomes between 134% and 200% dropped by 436. This fiscal analysis assumes that the additional enrollment due to this bill will be equal to about half that number of people (estimated at 218 pregnant women and 1,277 children). The assumption is that most people affected by this bill will enroll by the end of SFY 2012 and that enrollment will resume normal growth (about 2% per year) thereafter.

Further assumptions are that participation, i.e. the proportion of enrollees that obtain services during the year, will not change with implementation of this bill and will remain the same throughout the projection period. First year costs are based on an estimate for the number of new enrollees times the average cost per enrollee for the affected eligibility subtypes in 2010. Medicaid children in the income range addressed by this bill tend to have lower Medicaid costs than those from families with lower incomes, and those lower costs are reflected in our estimates.

Costs projections incorporate 8.6% annual growth (Long Term Forecast of Medicaid Enrollment and Spending in Alaska: 2005-2025, DHSS, updated for 2006). That growth rate includes changes in population, enrollment, utilization, and medical-price inflation.

Fund source calculations are based on the relative proportion of costs for these eligibility types that were reimbursed at IHS, Title XIX, or Title XXI rates during 2010 and our best estimates for federal medical assistance percentages (FMAPs) between 2012 and 2017. Children affected by this legislation are included in the State Children's Health Insurance Program (SCHIP) so most of their Medicaid costs would normally be matched at the enhanced rate for Title XXI services. Fund projections assume sufficient SCHIP allocation to fully fund the additional children between 2012 and 2017.

Expenditures for the Behavioral Health Medicaid Services component were determined based on the component's share of expenses for the affected eligibility subtypes in 2010. Behavioral Health paid about 15% of the costs for affected DKC children in 2010. No charges for services for DKC pregnant women were paid by this component in 2010.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 5
(S) Publish Date: 3/30/11

Identifier (file name): SB005-DHSS-HCMS-02-17-11
Title: Medical Assistance Eligibility
Sponsor: Sen. Bettye Davis, Sen. Dennis Egan
Requester: Senate HSS Committee

Dept. Affected: Health and Social Services
Appropriation: Medicaid Services
Allocation: Health Care Medicaid Services
OMB Component Number: 2077

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants	2,718.2		2,952.0	3,205.8	3,481.5	3,781.0	4,106.1
Miscellaneous							
TOTAL OPERATING	**2,718.2**	**0.0**	**2,952.0**	**3,205.8**	**3,481.5**	**3,781.0**	**4,106.1**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	1,897.8		2,061.1	2,238.3	2,430.8	2,639.9	2,866.9
1003 GF Match	820.4		890.9	967.5	1,050.7	1,141.1	1,239.2
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**2,718.2**	**0.0**	**2,952.0**	**3,205.8**	**3,481.5**	**3,781.0**	**4,106.1**

Estimate of any current year (FY2011) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version

Prepared by: Kimberly Poppe-Smart, Director — Phone 907-269-7827
Division: Health Care Services — Date/Time 2/17/11 12:00 PM
Approved by: Alison Elgee, Assistant Commissioner — Date 2/17/2011
DHSS Finance & Management Services

(Revised 1/27/2011 OMB)

FISCAL NOTE #1

STATE OF ALASKA **BILL NO.** SB 5
2011 LEGISLATIVE SESSION

Analysis:

Denali KidCare is part of Alaska's Medicaid program, covering low income children and pregnant women. This legislation increases the income level for covering children and pregnant women under Denali KidCare to 200% of the federal poverty guidelines, up from the current level of 175% of the federal poverty guidelines, which are adjusted annually. In 2003, DKC eligibility limits were reduced from 200% of poverty to 175% and frozen at 2003 levels. In 2007, the income limits were unfrozen, but remained at 175% of poverty. This bill would restore Denali KidCare to its original level.

Children age 18 and under at this income level are part of Alaska's Medicaid CHIP expansion and are eligible for enhanced federal matching funds. For FY2012, the federal CHIP match is projected at 65%, compared to an estimated 50% for regular Medicaid. Pregnant women under this income level are eligible only for regular Medicaid (50% match).

Between 2003 and 2006, the number of enrolled children with household incomes between 151% and 200% FPG dropped by 2,553 and the number of enrolled pregnant women with incomes between 134% and 200% dropped by 436. This fiscal analysis assumes that the additional enrollment due to this bill will be equal to about half that number of people (estimated as 218 pregnant women and 1,277 children). The assumption is that most people affected by this bill will enroll by the end of SFY2012 and that enrollment will resume normal growth (about 2% per year) thereafter.

Further assumptions are that participation, i.e. the proportion of enrollees that obtain services during the year, will not change with implementation of this bill and will remain the same throughout the projection period. First year costs are based on an estimate for the number of new enrollees times the average cost per enrollee for the affected eligibility subtypes in 2010. Medicaid children in the income range addressed by this bill tend to have lower Medicaid costs than those from families with lower incomes, and those lower costs are reflected in our estimates.

Cost projections incorporate 8.6% annual growth (Long Term Forecast of Medicaid Enrollment and Spending in Alaska: 2005-2025, DHSS, updated for 2006). That growth rate includes changes in population, enrollment, utilization, and medical-price inflation.

Fund source calculations are based on the relative proportion of costs for these eligibility types that were reimbursed at IHS, Title XXI rates , Title XIX, or State General Fund only (for abortions) during 2010 and our best estimates for federal medical assistance percentages (FMAPs) between 2012 and 2017. Children affected by this legislation are included in the State Children's Health Insurance Program (SCHIP) so most of their Medicaid costs would normally be matched at the enhanced rate for Title XXI services. Fund projections assume sufficient SCHIP allocation to fully fund the additional children between 2012 and 2017.

Expenditures for the Health Care Services Medicaid component were determined based on that component's share of expenses for the affected eligibility subtypes in 2010. Health Care Services Medicaid paid 100% of the costs for DKC pregnant women and about 85% of the costs for affected DKC children in 2010.

Alaska State Legislature

Interim: (May - Dec.)
716 W. 4th Ave
Anchorage, AK 99501
Phone: (907) 269-0144
Fax: (907) 269-0148

Session: (Jan. - May)
State Capitol, Suite 7
Juneau, AK 99801-1182
Phone: (907) 465-3822
Fax: (907) 465-3756
Toll free: (800) 770-3822

Senator_Bettye_Davis@legis.state.ak.us
http://www.akdemocrats.org

Senator Bettye Davis

SB 5 - "An Act relating to eligibility requirements for medical assistance for certain children and pregnant women; and providing for an effective date."

Sponsor Statement

Senate Bill 5 increases and restores to original levels established 14 years ago the qualifying income eligibility standard to 200% of the Federal Poverty Level (FPL) for the State Children's Health Insurance Program (SCHIP) called Denali KidCare (DKC) in Alaska. Alaska as one of the nation's wealthiest states is only one of four states which funds its SCHIP program below 200% FPL. This bill makes health insurance accessible to an estimated 1277 more uninsured children and 225 pregnant women in Alaska. Denali KidCare is an enhanced Medicaid reimbursement program receiving up to 70% federal matching funds.

Denali KidCare serves an estimated 7900 Alaska children and remains one of the least costly medical assistance programs in the state at about $1,700 per child with full coverage, including dental care, which is about 20% of the cost of adult senior coverage. Early intervention and preventative care will greatly increase Alaska children's health and yield substantial savings to the state and public and private sector hospital emergency rooms which must admit indigent and uninsured patients for non-emergency treatment. It is estimated per the Kaiser Foundation that the 24,000 uninsured children in Alaska with a medical need are five times as likely not to have a regular doctor as insured children and four times more likely to use emergency rooms at a much higher cost.

A similar bill was overwhelmingly passed with bipartisan support by the Legislature in 2010. Governor Parnell subsequently vetoed the bill over concern that increased eligibility to Denali KidCare would require an increase in state-funded induced terminations of pregnancies. Medicaid funds 51% of all births in Alaska. In order to continue to receive federal funding for the state Medicaid program of which Denali KidCare is part, and in order to comply with state law, constitutional provisions, and Alaska Supreme Court rulings, the state must provide medical services for pregnant women including medically necessary terminations, as well as prenatal and postpartum care.

The Alaska Department of Health and Social Services (DHSS) estimated that no more than 10% or 22 more induced terminations would result with minimal expense from the increase in eligibility for Denali KidCare to 200% FPL. Induced terminations under Denali KidCare cost about $384,000 annually or less than 0.18% or 1/5 of 1% of the $217 million of the DKC budget.

While the Governor understandably is concerned about the mushrooming cost of the state Medicaid program, Denali KidCare which is about 18% of the $1.2 billion total state Medicaid budget should not be among his first cuts at the expense of Alaska's most vulnerable children and pregnant women. Increasing eligibility for DKC to 200% FPL under Senate Bill 5 is uncomplicated, manageable, and could take effect immediately with prompt implementation by DHSS.

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Anchorage, AK 99501
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SB 5 "An Act relating to eligibility requirements for medical assistance for certain children and pregnant women; and providing for an effective date."

Background of SCHIP/Denali Kid Care

- State Children's Health Insurance Program (SCHIP), which is administered in Alaska through the Denali KidCare Program was created in 1997 to reduce the number of uninsured children by providing subsidized insurance to children of those parents who are too poor to afford insurance but make too much to receive Medicaid coverage. About 1/3 of all children in America get health services through Medicaid or the SCHIP program.
- The Denali KidCare Program is 70% funded by the federal government up to the state's allocated funding level. After that, the reimbursement rate declines to slightly over 50%.
- Denali KidCare provides health insurance for children up to age 18 and pregnant women who meet income guidelines. There is no cost to eligible children, teens and pregnant women. However, youth who are 18 may be required to contribute a limited amount for some services.
- Roughly 7,900 children were covered by Denali KidCare in 2009.
- The cost per child of Denali KidCare is about $1,700 annually, compared to over $12,000 for an elderly person who qualifies for federal aid.
- By comparison, private health insurance for a family of three, *e.g.,* a pregnant woman with two children, is estimated at $8,000-$17,000 annually. Unlike Denali KidCare, this insurance may require a substantial deductible, 20% co-pay, and no vision, dental or hearing benefits.

Why Coverage for Pregnant Women is Important In Alaska

- Alaska has one of the nation's highest documented pregnancy-associated mortality ratios – 58 per 100,000 live births during 1990-1999 (DHSS). National data indicate that women who receive no prenatal care are at increased risk of pregnancy-related death.

- Only 58% of women in Alaska receive adequate prenatal care, compared with 75% nationally.
- Mothers having late or no prenatal care are more likely to have low birth weight or pre-term infants and are at increased risk fro pregnancy-related mortality and complications of childbirth (DHSS).
- The average cost of hospital care for a premature baby was $75,000 in 2001, compared with $1,300 for a healthy, full-term infant. The March of Dimes Prenatal Data Center reports that premature babies cost about $13.1 billion annually.

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SB 5 "An Act relating to eligibility requirements for medical assistance for certain children and pregnant women; and providing for an effective date."

Repercussions of the Unmet Health Care Needs of Alaska's Uninsured Children

- The number of uninsured children in Alaska is estimated to be about 24,100 or 19% of the uninsured population (Kaiser Family Foundation, 2008-2009).
- Over the last 10 years Alaska has seen a 31% decline in the number of children covered by private health insurance (Robert Wood Johnson Foundation).
- Nationally, more than 80% of uninsured children are from working families (Kaiser Commission on Medicaid and the Uninsured).
- Uninsured children have much higher health risks than do covered children. They receive less preventative care and are diagnosed at more advanced stages of illness (Kaiser, *supra*).
- Uninsured children are more likely to develop throat, eye, and ear infections, serious dental problems, and chronic conditions such as asthma and diabetes. They are more than five times as likely as insured children to have an unmet need for medical care and nine times more likely not to be examined by a regular doctor. They are also four times more likely to use emergency rooms which are much more costly than care in physicians' offices (*Pediatrics* 105, 113; "Care for Children," *New England Journal of Medicine*, 330).
- Almost 1/3 of uninsured children received no medical treatment during a 1-year period between 2002 and 2003 (*Health Affairs* 23, no. 5, September-October 2004).
- Uninsured children are 25% more likely to miss school than insured children (Children's Defense Fund, Minnesota). Continued illness affects school performance and, in the long run, workforce participation (Southern Institute on Children and Families). A National Institute of Medicine study indicates that lack of insurance results in lost national economic productivity of $65-$130 billion annually.

LEGAL SERVICES

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

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

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

MEMORANDUM January 24, 2011

SUBJECT: Sectional Summary (SB 5; Work Order No. 27-LS0057\B)

TO: Senator Bettye Davis
Attn: Tom Obermeyer

FROM: Jean M. Mischel
Legislative Counsel

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

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

Section 1. Amends the medical assistance eligibility provisions for persons under 19 years of age and for pregnant women by increasing the household income limit from 175 to 200 percent of the federal poverty line.

Section 2. Increases the household income limit from 175 to 200 percent of the federal poverty line for requiring premiums and cost-sharing contributions from medical assistance recipients who are under 19 years of age.

Section 3. Provides for an immediate effective date.

JMM:ljw
11-034.ljw

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STATE OF ALASKA

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

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

MEMORANDUM March 29, 2011

SUBJECT: Discussion points relating to medical necessity
(SB 5 (Work Order No. 27-LS0057\B))

TO: Senator Bettye Davis
Chair of the Senate Health and Social Services Committee
Attn: Tom Obermeyer

FROM: Jean M. Mischel
Legislative Counsel

You have provided a March 28, 2011 memorandum from the Department of Health and Social Services and comments from the Planned Parenthood of the Greater Northwest pertaining to the above-referenced bill and the concept of medical necessity as it relates to Medicaid funding of abortions.

I understand the basis for the Department of Health and Social Services memorandum relates at least indirectly to my own memorandum on the concept of medical necessity dated November 18, 2010. The department appears, however, to be interested in clarifying its own undated fact sheet presented to you that contains the following statement:

> "Medically necessary" as it applies to abortions paid for under Denali KidCare is not defined in statute or regulation, or by Court decision.

My memorandum on the subject provided a survey of the several instances in state regulation, and in federal and state court cases in which the concept is or was defined. 7 AAC 105.100(5), I pointed out, provides that the department will pay for medical assistance, including Denali KidCare and abortion services, that are

> medically necessary as determined by criteria established under 7 AAC 43 and 7 AAC 105 - 7 AAC 160 or by the standards of practice applicable to the provider.

In the same memorandum, I also explained that a statutory definition of medical necessity that was limited only to abortion services funding was vetoed in 2002, that the general relief assistance program contains a regulatory definition for abortion funding, and that a former regulatory definition (7 AAC 43.140(a)) was found to be unconstitutional by the

Alaska Supreme Court, resulting in the state's current lack of a clear definition of the phrase as it applies to medical assistance funding for abortion services. (November 18 memorandum at page 5). I also explained that although the phrase is "not clearly defined in Alaska" the regulations that pertain to all covered services and to other specified types of services provide "some guidance" (November 18 memorandum at page 8). The memorandum further described several court cases in which the concept is analyzed and described.

In this context, the March 28, 2011 memorandum from the department is confusing. While admitting that current and unrepealed (the lack of funding for one of the programs is not relevant to the existence of the regulation) definitions of the phrase exists in several sections of state regulations, the department stated that

> . . . the Department believes its previous statement that there is no statute, regulation, or court decision that defines medical necessity as it applies to abortions paid for under Denali KidCare is accurate.

My understanding of the purpose of the November 18 memorandum by my office and the discussion in committee, was to come to some agreement on the meaning of the concept of medical necessity and to discern which definition is currently applied by the department for medical assistance funding of abortions in this state and elsewhere. The department doesn't answer that question except to refer to a definition in the regulations for all medical assistance funding. So the department's position becomes quite circular.

In any event, the legislature could provide a definition in statute of the phrase "medical necessity" that allows for consideration of physical, mental, and age of a patient by a physician. In so doing, the concept must in my opinion be consistent for all reproductive services covered by medical assistance payments. The current regulatory definition in 7 AAC 105.100(5) acknowledges the applicability of standards of medical practice to covered services but confuses the issue by cross-referencing medical necessity considerations for mental health and other services that may or may not be relevant to other types of services.

Another option that would allow for an increase in income eligibility limits include raising the limit only as it pertains to persons under 19 years of age and not for pregnant women. The difficulty with that option is that the state plan combines children and pregnant women and the federal law also treats them similarly. A separation would require federal approval.

A third option, proposed by Planned Parenthood in various ways, is to introduce a separate bill to address family planning services for both men and women, including adoption services. That, of course, would also necessitate a state plan amendment and approval as well as additional funding.

As a modification of this third option, it is possible to amend the informed consent provisions for abortion under AS 18.16.060(b)(1) to require a physician's office to provide the information contained on the state website (currently it is one of two options for consent) and to amend AS 18.05.032 to provide additional information about adoption services and costs.

If I may be of further assistance, please advise.

JMM:plm
11-193.plm

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LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
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State Capitol
Juneau, Alaska 99801-1182
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MEMORANDUM November 18, 2010

SUBJECT: Medicaid funding of "medically necessary" abortions
(Work Order No. 27-LS0175)

TO: Senator Bettye Davis
Attn: Tom Obermeyer

FROM: Jean M. Mischel
Legislative Counsel

You have asked about the meaning of "medical necessity" as it relates to medical assistance (Medicaid) funding of abortions. State and federal statutes fail to define the phrase, although the concept forms the basis for coverage of all services under the jointly funded Medicaid program and is defined for purposes other than abortion services in regulation.

Despite a federal exclusion for most abortion services known as the "Hyde Amendment," upheld by the United States Supreme Court, the Alaska Supreme Court in 2001 specifically held that the equal protection guarantee under our state constitution requires the state to cover medically necessary abortion services, as it does for all other medical services covered under state Medicaid funding. The standard for "medical necessity" in Alaska appears to be similar for all Medicaid services and includes services that are broader than life saving services but less than elective services, as discussed below.

FEDERAL LAW DRAWS A DISTINCTION BETWEEN ABORTION SERVICES FUNDING AND OTHER TYPES OF COVERED SERVICES

The federal purpose of the Medicaid program established the medical necessity standard under 42 U.S.C.S. § 1396-1 as follows:

> For the purpose of enabling each State, as far as practicable under the conditions in such State, to furnish (1) medical assistance on behalf of families with dependent children and of aged, blind, or disabled individuals, whose income and resources are insufficient to meet the costs of *necessary medical services*, and (2) rehabilitation and other services to help such families and individuals attain or retain capability for independence or self-care, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Secretary, State plans for medical assistance.

(Emphasis added.) Since 1976, Congress has prohibited, either by an amendment to the annual appropriations bill for the United States Department of Health and Human Services, or by joint resolution, the use of any federal funds to reimburse the cost of abortions under the Medicaid program except under certain specified circumstances. The "Hyde Amendment" provides that:

> [N]one of the funds provided by this joint resolution shall be used to perform abortions except where the life of the mother would be endangered if the fetus were carried to term; or except for such medical procedures necessary for the victims of rape or incest when such rape or incest has been reported promptly to a law enforcement agency or public health service.

Pub. L. 96-123.

After the passage of the Hyde Amendment, federal courts wrestled with questions about whether state and federal governments are required to pay for an indigent woman's exercise of a fundamental constitutional right when a "medically necessary" abortion is involved. In several close decisions, the U.S. Supreme Court determined that the federal constitution does not require public financial support of the right to choose an abortion in cases that do not involve rape or incest or a threat to the mother's life. Beal v. Doe, 432 U.S. 438 (1977); Maher v. Roe, 432 U.S. 464 (1977); Harris v. McRae, 448 U.S. 297 (1980); Webster v. Reproductive Health Services, 492 U.S. 490 (1989). It is instructive to note the trial court definition in the McRae case of the phrase "medically necessary" for purposes of abortion funding was "a professional judgment for the physician that may be exercised in the light of all factors--physical, emotional, psychological, familial and the woman's age--relevant to the well-being of the patient."

The federal courts ruled in these cases that governments are not required to provide money to assist in the exercise of constitutional rights; governments are only prohibited from placing obstacles in the way of exercising those rights. Withholding funding, said the federal courts, is not an obstacle to the indigent woman who seeks an abortion. Her poverty may be an obstacle, but the government did not create the poverty. She is still free to have an abortion, but not with public money. The federal courts suggested other private money might be available. In light of these federal decisions, it is clear that public funding for abortions, even when "medically necessary," is not required under the federal constitution.

ALASKA LAW REQUIRES A MORE UNIFORM BUT INEXACT STANDARD FOR STATE MEDICAID FUNDING OF ALL TYPES OF SERVICES COVERED, INCLUDING ABORTION SERVICES

In the early 1990's, the state attempted to adopt the federal distinction for funding of abortion services and disregarded the general medical necessity definition adopted in regulation for other types of services. In a direct challenge to the state regulation that provided only for public funding of abortion services to preserve the life of the mother or

in cases of rape or incest, the Alaska Supreme Court held that the state must pay for medically necessary abortions for participants in the Medicaid program as it does for other types of services. State v. Planned Parenthood of Alaska, Inc., 28 P.3d 904 (Alaska 2001). The Alaska Supreme Court determined then that the "rape, incest, and to prevent the death of the mother" restrictions of the Hyde Amendment are too narrow to satisfy the requirements of the Alaska state constitution.

The Alaska constitution has been consistently interpreted to provide broader protections than the federal constitution. For instance, in Valley Hospital Ass'n v. Mat-Su Coalition for Choice, 948 P.2d 963, 969 (Alaska 1997), the Alaska Supreme Court held that "reproductive rights are fundamental . . . [and] include the right to an abortion." Later, in State v. Planned Parenthood of Alaska, Inc., 28 P.3d 904 (Alaska 2001), the Alaska Supreme Court, although basing its decision on due process considerations rather than the privacy clause used by the lower court, came to the same conclusion the lower court had. The conclusion was that if the state Department of Health and Social Services (DHSS) restricted abortion coverage for Medicaid-eligible women to only those covered by the exceptions in the Hyde Amendment, it would result in unconstitutional implementation of Medicaid in Alaska.

There is language in the Planned Parenthood of Alaska, Inc. case (cited above; see 28 P.3d at 913) strongly suggesting that the Alaska Supreme Court considers women who carry their pregnancy to term to be similarly situated with women who have an abortion (in that they are both exercising their constitutional freedom of reproductive choice). If the court continues to hold that position when faced with a renewed public abortion funding challenge, there is a possibility that the court will find that the state may not be able to burden the right to abortion services under the state Medicaid program unless a similar burden is placed on medical services to continue a pregnancy, and in the absence of comparable burdens on continuation of a pregnancy the state cannot burden the right to abortion services.

The consequence of having a more broadly interpreted right to public funding of abortions for Medicaid recipients in Alaska than what is allowed under federal law is that DHSS must cover some Medicaid abortions with 100% state money (no federal match).[1] The federal government does not prohibit states from using their own funds.

Over the years, language has appeared in Alaska budget acts that purport to prohibit DHSS from using any of its appropriated money for abortions outside the scope of the

---

[1] Alaska is reportedly not alone in using purely state funds for some Medicaid abortions that the federal government will not fund. I do not have an up-to-date list and I have not double-checked the cases cited, but the ACLU says that 17 states fund abortions outside the Hyde Amendment restrictions, 4 voluntarily and 13 under court order. I have attached the relevant information, as reported by the ACLU, excerpted from http://www.aclu.org. I cannot vouch for the accuracy of the ACLU website, but if you require further information about public funding of abortions in other states, please let the office know.

Hyde Amendment. However, DHSS has been under court order to continue to pay for medically necessary abortions and has complied with the state attorney general's advice to do so.[2]

---

[2] For instance, with regard to the 2007 fiscal year operating budget, the attorney general wrote the following:

> This year's budget, as did the prior four years' budgets, contains the following language regarding abortion funding:
>
> > No money appropriated in this appropriation may be expended for an abortion that is not a mandatory service required under AS 47.07.030(a). The money appropriated for Health and Social Services may be expended only for mandatory services required under Title XIX of the Social Security Act and for optional services offered by the state under the state plan for medical assistance that has been approved by the United States Department of Health and Human Services . . . .
>
> [citation omitted]. As we opined before, this language is intended to prevent expenditures from these appropriations for therapeutic or medically necessary abortions. DHSS, however, is under a superior court order to operate its Medicaid program in a constitutional manner by providing payment for them. That superior court order has been upheld by the Alaska Supreme Court, which specifically rejected an argument that the separation-of-powers doctrine precluded the superior court from ordering the state to pay. State, Dept. of Health & Social Services v. Planned Parenthood of Alaska, 28 P.3d 904 (Alaska 2001). Thus, the DHSS is faced with a ruling from the state's highest court that the limit on payment for abortion services results in the operation of the Medicaid program in an unconstitutional manner, while DHSS is ostensibly without the money available to pay for services to operate the program legally. . . . Five years ago, the plaintiffs in the Planned Parenthood case asked the superior court to clarify how similar budget restrictions impacted its judgment. The superior court, three days after the supreme court affirmed the judgment, issued an opinion ordering the DHSS not to comply with the restrictions. To date, therefore, DHSS has obeyed the superior court's order and we must advise DHSS to continue to obey it; i.e., to continue to pay for these medically necessary abortions, until such time as a court reverses the order that is now in effect.

2007 Alas. AG LEXIS 21, 7 - 8.

According to DHSS, the money used for Medicaid abortions not covered by the Hyde Amendment (i.e., abortions for which the federal government will not contribute federal money), comes from the appropriation made by the legislature to DHSS for Medicaid.[3]

Other attempts to narrow the definition of "medical necessity" for purposes of abortion services funding have similarly failed. In 2002, for example, the Alaska Legislature passed and the governor vetoed a bill (SB 364, 22nd Legislature) that added a new section to AS 47.07 to provide that the state Medicaid program may only pay for medically necessary abortions and for abortions to terminate pregnancies resulting from rape or incest. The bill prescribed what is a medically necessary abortion and established requirements for submitting claims for payment for abortions. (See SB 364, attached). That bill provided as follows:

> (b) A claim for payment for a medically necessary abortion that is submitted to the department must be accompanied by a written certification by the treating physician that the abortion is medically necessary to treat a serious
>
> (1) adverse physical condition of a pregnant woman that
>
> (A) either is caused by the pregnancy or would be significantly aggravated by continuation of the pregnancy; and
>
> (B) would seriously endanger the physical health of the woman if the pregnancy were not terminated by an abortion; or
>
> (2) psychological illness of a pregnant woman who requires medication for treatment of the illness if
>
> (A) the medication required to treat the illness would be highly dangerous to the fetus; and
>
> (B) the health of the woman would be endangered if the mediation was not taken during pregnancy.

Since the bill was vetoed and the definition of "medical necessity" for purposes of abortion services funding contained in former 7 AAC 43.140(a) was held to be unconstitutional in 2001 and has recently been repealed but not reenacted, the state currently lacks a clear definition of the phrase as it applies to abortion services. The repealed regulatory definition provided that:

> (a) Payment for an abortion will, in the department's discretion, be covered under Medicaid if the physician services invoice is accompanied by certification that the (1) life of the mother would be endangered if the pregnancy were carried to term; or (2) pregnancy is the result of an act of rape or incest.

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[3] If the physician submitting the Medicaid claim for costs associated with an abortion does not provide the information that would allow DHSS to document to the federal government that a particular abortion falls within the Hyde Amendment exceptions, then DHSS does not seek a federal match for the costs associated with that abortion.

What remains in the regulations for abortion services funding are the terms "elective" and "therapeutic" (a term that appears to be used as a substitute in the regulations for "medical necessity"), defined in 7 AAC 47.290, along with the general concept of "medically necessary" for all covered services under 7 AAC 105.100.

For general relief funding,[4] 7 AAC 47.290 provides as follows:

> . . .
> (7) "elective abortion" means a procedure, other than a therapeutic abortion, to terminate a pregnancy;
> (8) "therapeutic abortion" means the termination of a pregnancy;
> (A) certified by a physician as medically necessary to prevent the death or disability of the woman, or to ameliorate a condition harmful to the woman's physical or psychological health; or
> (B) that resulted from actions that would constitute a crime of sexual assault under AS 11.41.410 - 11.41.425, a crime of sexual abuse of a minor under AS 11.41.434 - 11.41.440, or the crime of incest under AS 11.41.450.

For state funding under Medicaid, 7 AAC 105.100 describes "covered services" to include the general concept of "medically necessary" with cross-references to specified types of services as follows:

> The department will pay for a service only if that service
> (1) is identified as a covered service in accordance with AS 47.07, 7 AAC 43, and 7 AAC 105 - 7 AAC 160;
> (2) is provided to an individual who is eligible for Medicaid under 7 AAC 100 on the date of service;
> (3) is ordered or prescribed by a provider authorized to order or prescribe that service under applicable law;
> (4) is provided by a person who is enrolled as a Medicaid provider or rendering provider under 7 AAC 105.210, or otherwise eligible to receive payment for services under 7 AAC 43 and 7 AAC 105 - 7 AAC 160;
> *(5) is medically necessary as determined by criteria established under 7 AAC 43 and 7 AAC 105 - 7 AAC 160 or by the standards of practice applicable to the provider;*
> (6) has received prior authorization from the department, if prior authorization is required under 7 AAC 43 or 7 AAC 105 - 7 AAC 160; and

---

[4] Like the Medicaid program, the general relief program is designed to meet "medical needs." While some abortions are termed "elective" by some observers, they still meet a medical need, as determined by the physician who performs the abortion procedure. Distinguishing among types of abortions in the general relief program would infringe the same privacy and equal protection interests as courts have determined are infringed when abortion funding restrictions are imposed under the Medicaid program.

(7) is not specifically excluded as a noncovered service under 7 AAC 43 or 7 AAC 105 - 7 AAC 160.

(Emphasis added.) The phrase "medically necessary" is defined for purposes of mental health services and other purposes such as vision, hearing, and dental screening funding under Medicaid as follows:

7 AAC 43.486. Medical necessity determinations for mental health rehabilitation services

(a) The division will, in its discretion, periodically review the recipient's clinical record to determine whether the services requested are medically necessary. A medically necessary mental health rehabilitation service is a service designed to

(1) screen recipients for the presence of a mental or emotional disorder;

(2) assess the nature and extent of the mental or emotional disorder and its impact upon the recipient's ability to meet the demands of daily living, social, occupational, or educational functioning;

(3) diagnose the mental or emotional disorder;

(4) treat the mental or emotional disorder;

(5) provide rehabilitation for the mental or emotional disorder;

(6) prevent the relapse or deterioration of the recipient's condition due to the mental or emotional disorder.

(b) In making its determination as to whether the proposed services are medically necessary, the division will consider the following:

(1) the recommendations of the referring physician, mental health professional clinician, or interdisciplinary team organized under 7 AAC 43.470 that prescribed, ordered, recommended, or approved the service;

(2) the recipient's diagnosis and level of functioning;

(3) the risk of danger from the recipient to self or other individuals;

(4) the appropriateness of the level of care and the need for inpatient or residential care;

(5) whether the intervention targets specific symptoms and behavioral and social dysfunction, and logically derives from the assessments and diagnosis;

(6) whether the proposed services in the individualized treatment plan are consistent with generally accepted community-based treatments and practices for the treatment of the specific symptoms and behavioral and social dysfunction;

(7) whether the recipient agrees with the referring physician, mental health professional clinician, or interdisciplinary team under (1) of this subsection that the focus of the treatment will be the symptoms and behavioral and social dysfunction targeted for intervention;

(8) the extent to which past and current treatment has been successful in treating the symptoms and behavioral and social dysfunction;

(9) if the recipient is under 21 years of age, whether the recipient has, as indicated by the American Psychiatric Association's Diagnostic

and Statistical Manual of Mental Disorders, Fourth Edition, Text Revision, dated 2000, an Axis V Global Assessment of Functioning (GAF) rating at admission of 50 or less, or the recipient has an Axis V Global Assessment of Functioning (GAF) rating at admission of more than 50, but exhibits specific mental, behavioral, or emotional disorders that place the recipient at imminent risk for out-of-home supervision or protective custody of state or local authorities; the American Psychiatric Association's Diagnostic and Statistical Manual of Mental Disorders, Fourth Edition, Text Revision, dated 2000, is adopted by reference;

(10) the extent to which a less restrictive or intrusive alternative treatment is not available;

(11) the extent to which a less expensive alternative is not available;

(12) the extent to which the units of service requested are no more than are necessary to meet the treatment or rehabilitation needs of the recipient;

(13) the extent to which the duration of services requested are no more than are necessary to reach the recipient-approved goals outlined in the individualized treatment plan;

(14) if the requested services are intended to prevent the relapse or deterioration of a mental disorder, the extent to which social functioning is improved through interventions provided as active treatment, targeted in specific therapeutic goals, and included in the individualized treatment plan;

(15) the likelihood that the recipient will benefit from any therapy provided on the same day as the recipient has received crisis intervention services.

(c) Payment for services determined not to be medically necessary under this section is subject to recovery under 7 AAC 105.260.

The limitation on abortion services funding is, as for other Medicaid covered services "medical necessity," a phrase that is not clearly defined in Alaska. The regulations that pertain to other types of covered services provide some guidance. Because the right to state funding for medically necessary abortions under the current state Medicaid program is protected by the Alaska constitution, the term "medically necessary abortion" has acquired a constitutional component of unknown scope. The relatively few Alaska cases involving abortion rights do not provide guidance as to how broadly the term "medically necessary abortion" is to be construed. There is a possibility that the Alaska courts may find that there are additional situations other than those described in the vetoed bill that fall within the scope of a medically necessary abortion and thus must be covered under the state Medicaid program.

What follows is a brief overview of how other states have handled the issue after the federal exception was rejected under those state's constitutional protections.

CASE LAW FROM STATES OTHER THAN ALASKA

Other states have dealt with the issue of state funding of abortion services in various ways. After the federal decisions of the 1970's that upheld restrictions on public abortion funding, courts in a number of states were required to analyze the issue under their own laws and constitutions to see if they supported the same conclusion. In contrast with the federal decisions, several state decisions determined that funding for abortions could not be singled out under public assistance programs. See Moe v. Sec'y of Admin. and Fin., 417 N.E.2d 387 (Mass. 1981); Comm. to Defend Reproductive Rights v. Myers, 625 P.2d 779 (Cal. 1981); Right to Choose v. Byrne, 450 A.2d 925 (N.J. 1982); Planned Parenthood Ass'n v. Dep't of Human Res., 663 P.2d 1247 (Or. App. 1983), affirmed at 687 P.2d 785 (Or. 1984); and Doe v. Maher, 515 A.2d 134 (Conn. Super. 1986); contra, Fischer v. Dep't of Pub. Welfare, 502 A.2d 114 (Pa. 1985).

Except for the Pennsylvania case, these state courts weighed the private and state interests involved with abortions and struck a different balance than the federal courts. They considered the state's desire to save money, state policies to promote childbirth, state claims that poor women can still choose to find private money to fund their abortions, state interests in protecting unborn life, and state arguments that they are not required to provide money for the exercise of constitutional rights. Most of these arguments had been successful in federal courts. Not so in the state courts of Massachusetts, California, New Jersey, Oregon, and Connecticut.

In Moe v. Secretary of Administration and Finance, supra, the highest state court in Massachusetts determined that the Massachusetts constitution afforded a greater degree of protection for the right to choose an abortion than the federal constitution.[5] In upholding the right of Medicaid recipients to have their abortions paid for, the court observed:

> [T]he Legislature need not subsidize any of the costs associated with child bearing, or with health care generally. However, once it chooses to enter the constitutionally protected area of choice, it must do so with genuine indifference. It may not weigh the options open to the pregnant woman by its allocation of public funds; in this area, government is not free to "achieve with carrots what [it] is forbidden to achieve with sticks." (citation omitted). We are therefore in agreement with the views expressed by Justice Brennan, writing in dissent to Harris v. McRae, [when he wrote] "In every pregnancy, [either medical procedures for its termination, or medical procedures to bring the pregnancy to term are] medically necessary, and the poverty-stricken woman depends on the Medicaid Act to pay for the expenses associated with [those] procedure[s]. But under [this restriction], the Government will fund only those procedures incidental to childbirth. By thus injecting coercive financial incentives favoring childbirth into a decision that is constitutionally

[5] Moe, 417 N.E.2d at 400.

> guaranteed to be free from governmental intrusion, [this restriction] deprives the indigent woman of her freedom to choose abortion over maternity, thereby impinging on the due process liberty right recognized in Roe v. Wade."[6]

In Committee to Defend Reproductive Rights v. Myers, supra, the highest court in California made a determination similar to Massachusetts'. The court noted that the state had no constitutional obligation to provide medical care to the poor or to fund the exercise of all constitutional rights, but held:

> Once the state furnishes medical care to poor women in general, it cannot withdraw part of that care solely because a woman exercises her constitutional right to choose to have an abortion.[7]

In Right to Choose v. Byrne, supra, the highest court in New Jersey also came to a similar conclusion, using an equal protection analysis. The court struck down a restrictive abortion funding statute, stating:

> [T]he Legislature need not fund any of the costs of medically necessary procedures pertaining to pregnancy. . . . Once it undertakes to fund medically necessary care attendant upon pregnancy, however, government must proceed in a neutral manner. Given the high priority accorded in this State to the rights of privacy and health, it is not neutral to fund services medically necessary for childbirth while refusing to fund medically necessary abortions. . . . The statute affects the right of poor pregnant women to choose between alternative necessary medical services. No compelling state interest justifies that discrimination, and the statute denies equal protection to those exercising their constitutional right to choose a medically necessary abortion.[8]

In Planned Parenthood Ass'n v. Department of Human Resources, supra, the court struck down an Oregon Medicaid regulation that would have restricted funding of abortions, saying:

> [I]t is difficult to understand the rational basis for denying one medically necessary surgical procedure to a pregnant woman solely because it involves an abortion while, at the same time, funding all other medically necessary services relating to pregnancy.[9]

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[6] Id. at 402.

[7] Myers, 625 P.2d at 798 and footnote 31 accompanying the text.

[8] Byrne, 450 A.2d at 935 - 936.

[9] Planned Parenthood, 663 P.2d at 1255.

In Doe v. Maher, supra, a Connecticut court struck down a state Medicaid regulation that prohibited funding for medically necessary abortions, saying:

> This court is unable to reconcile the mandate and logic of the United States Supreme Court in Roe v. Wade . . . with the McRae . . . decision. Medicaid reimbursement funds are made available for all the health care costs of women, including the medical costs necessary to carry the fetus to term, but not for the medically necessary abortion. Surely, this constitutes infringement on the right to an abortion. . . . In adopting the regulation, . . . the state has ceased to preserve its neutrality at least under our state constitution. . . . And since that one exception also is a subject of a woman's constitutional rights, the regulation impinges upon those constitutional rights to the same practical extent as if the state were to affirmatively rule that poor women were prohibited from obtaining an abortion.[10]

In each of the state cases quoted in this section, the state court struck down an abortion funding restriction that would have been upheld by a federal court. These cases clearly demonstrate that state courts can find independent state grounds to strike down an abortion restriction that might be upheld in federal court. Unfortunately, the cases do not provide a standard definition of "medical necessity" for purposes of all covered services.

CONCLUSION

The concept of "medical necessity" provides the baseline for Medicaid and other types of public funding of covered health care services. Under the federal law, the United States Supreme Court upheld an exemption for coverage of abortions services that was narrower than the standard for all other types of covered services. Many states, including Alaska, found an equal protection and liberty interest violation in drawing a distinction among various types of service coverage.

Current Alaska legislation and regulations defer to the treating physician to determine whether a service is medically necessary for the physician's patient under the applicable standard of practice for most covered services, including abortion services.

If I may be of further assistance, please advise.

JMM:ljw
10-418.ljw

Attachements

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[10] Doe, 515 A.2d at 151 and 152.

STATE OF ALASKA
DEPT. OF HEALTH AND SOCIAL SERVICES
OFFICE OF THE COMMISSIONER

SEAN PARNELL, GOVERNOR

P.O. BOX 110601
JUNEAU, ALASKA 99811-0601
PHONE: (907) 465-3030
FAX: (907) 465-3068

MEMORANDUM

DATE: March 28, 2011

TO: Senator Bettye Davis, Chair, Senate HSS Committee

FROM: Jon Sherwood, DHSS Medical Assistance Administrator

SUBJECT: Denali KidCare

Senator Davis, below is the Department's response to two issues that came up in the hearing on SB 5 on March 23, 2011.

First, we believe there may have been some confusion regarding regulations defining medical necessity as it related to abortion and the definition of therapeutic abortion. There are regulations defining therapeutic abortion at 7 AAC 47.290; however, these regulations only apply to the General Relief Medical program. This program was defunded by the Alaska Legislature in 1998. Prior to that time, abortions for Medicaid eligible women were covered under the General Relief Medical program. This defunding of the program that covered abortions for Medicaid eligible women is what triggered the court cases that currently govern state-funded abortions. Nothing in those court decisions applies the definition at 7 AAC 47.290 to the current requirement to pay for abortions nor provides a separate definition of medical necessity.

There is no specific definition of medical necessity for abortions in 7 AAC 105.100 or elsewhere in 7 AAC 105, the regulations that govern Medicaid services. Under 7 AAC 105.100(5), the general criteria for medical necessity if there is no specific definition for a service is "by the standards of practice applicable to the provider".

Given these facts, the Department believes its previous statement that there is no statute, regulation, or court decision that defines medical necessity as it applies to abortions paid for under Denali KidCare is accurate.

Second, questions arose about how the Department uses coding to determine that services are abortion-related, and if services for miscarriages or stillbirths might be included.

The Division of Health Care Services determines whether a claim is for an abortion related service based on a combination of procedure codes and diagnosis codes as follows:

If a claim comes in with one of several ICD-9 diagnosis codes related to pregnancy, the claim is pended for review. The reviewer then identifies the procedure code and determines if the procedure code - diagnosis code combination is an abortion-related service. If so, the claim is assigned a collocation code that will be charged against state funds only. In some cases, the reviewer may request medical case notes to make the final determination of whether or not the claim is for an abortion-related service.

While a multitude of procedure codes may be included in abortion-related services, use of diagnosis codes directs the reviewer to correctly exclude services related to miscarriage, stillbirths, or other circumstances not related to abortions when we identify abortion-related services.

Cc: William Streur, DHSS Commissioner

2011 POVERTY GUIDELINES

ALASKA ONLY

ANNUAL GUIDELINES

FAMILY SIZE	PERCENT OF POVERTY GUIDELINE								
	100%	120%	133%	135%	150%	175%	185%	200%	250%
1	13,600.00	16,320.00	18,088.00	18,360.00	20,400.00	23,800.00	25,160.00	27,200.00	34,000.00
2	18,380.00	22,056.00	24,445.40	24,813.00	27,570.00	32,165.00	34,003.00	36,760.00	45,950.00
3	23,160.00	27,792.00	30,802.80	31,266.00	34,740.00	40,530.00	42,846.00	46,320.00	57,900.00
4	27,940.00	33,528.00	37,160.20	37,719.00	41,910.00	48,895.00	51,689.00	55,880.00	69,850.00
5	32,720.00	39,264.00	43,517.60	44,172.00	49,080.00	57,260.00	60,532.00	65,440.00	81,800.00
6	37,500.00	45,000.00	49,875.00	50,625.00	56,250.00	65,625.00	69,375.00	75,000.00	93,750.00
7	42,280.00	50,736.00	56,232.40	57,078.00	63,420.00	73,990.00	78,218.00	84,560.00	105,700.00
8	47,060.00	56,472.00	62,589.80	63,531.00	70,590.00	82,355.00	87,061.00	94,120.00	117,650.00

For family units of more than 8 members, add $4,780 for each additional member.

MONTHLY GUIDELINES

FAMILY SIZE	PERCENT OF POVERTY GUIDELINE								
	100%	120%	133%	135%	150%	175%	185%	200%	250%
1	1,133.33	1,360.00	1,507.33	1,530.00	1,700.00	1,983.33	2,096.67	2,266.67	2,833.33
2	1,531.67	1,838.00	2,037.12	2,067.75	2,297.50	2,680.42	2,833.58	3,063.33	3,829.17
3	1,930.00	2,316.00	2,566.90	2,605.50	2,895.00	3,377.50	3,570.50	3,860.00	4,825.00
4	2,328.33	2,794.00	3,096.68	3,143.25	3,492.50	4,074.58	4,307.42	4,656.67	5,820.83
5	2,726.67	3,272.00	3,626.47	3,681.00	4,090.00	4,771.67	5,044.33	5,453.33	6,816.67
6	3,125.00	3,750.00	4,156.25	4,218.75	4,687.50	5,468.75	5,781.25	6,250.00	7,812.50
7	3,523.33	4,228.00	4,686.03	4,756.50	5,285.00	6,165.83	6,518.17	7,046.67	8,808.33
8	3,921.67	4,706.00	5,215.82	5,294.25	5,882.50	6,862.92	7,255.08	7,843.33	9,804.17

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2011 POVERTY GUIDELINES

HAWAII ONLY

ANNUAL GUIDELINES

FAMILY SIZE	PERCENT OF POVERTY GUIDELINE								
	100%	120%	133%	135%	150%	175%	185%	200%	250%
1	12,540.00	15,048.00	16,678.20	16,929.00	18,810.00	21,945.00	23,199.00	25,080.00	31,350.00
2	16,930.00	20,316.00	22,516.90	22,855.50	25,395.00	29,627.50	31,320.50	33,860.00	42,325.00
3	21,320.00	25,584.00	28,355.60	28,782.00	31,980.00	37,310.00	39,442.00	42,640.00	53,300.00
4	25,710.00	30,852.00	34,194.30	34,708.50	38,565.00	44,992.50	47,563.50	51,420.00	64,275.00
5	30,100.00	36,120.00	40,033.00	40,635.00	45,150.00	52,675.00	55,685.00	60,200.00	75,250.00
6	34,490.00	41,388.00	45,871.70	46,561.50	51,735.00	60,357.50	63,806.50	68,980.00	86,225.00
7	38,880.00	46,656.00	51,710.40	52,488.00	58,320.00	68,040.00	71,928.00	77,760.00	97,200.00
8	43,270.00	51,924.00	57,549.10	58,414.50	64,905.00	75,722.50	80,049.50	86,540.00	108,175.00

For family units of more than 8 members, add $4,390 for each additional member.

MONTHLY GUIDELINES

FAMILY SIZE	PERCENT OF POVERTY GUIDELINE								
	100%	120%	133%	135%	150%	175%	185%	200%	250%
1	1,045.00	1,254.00	1,389.85	1,410.75	1,567.50	1,828.75	1,933.25	2,090.00	2,612.50
2	1,410.83	1,693.00	1,876.41	1,904.63	2,116.25	2,468.96	2,610.04	2,821.67	3,527.08
3	1,776.67	2,132.00	2,362.97	2,398.50	2,665.00	3,109.17	3,286.83	3,553.33	4,441.67
4	2,142.50	2,571.00	2,849.53	2,892.38	3,213.75	3,749.38	3,963.63	4,285.00	5,356.25
5	2,508.33	3,010.00	3,336.08	3,386.25	3,762.50	4,389.58	4,640.42	5,016.67	6,270.83
6	2,874.17	3,449.00	3,822.64	3,880.13	4,311.25	5,029.79	5,317.21	5,748.33	7,185.42
7	3,240.00	3,888.00	4,309.20	4,374.00	4,860.00	5,670.00	5,994.00	6,480.00	8,100.00
8	3,605.83	4,327.00	4,795.76	4,867.88	5,408.75	6,310.21	6,670.79	7,211.67	9,014.58

Produced by: CMSO/DEHPG/DEEO

2011 POVERTY GUIDELINES

ALL STATES (EXCEPT ALASKA AND HAWAII) AND D.C.

ANNUAL GUIDELINES

FAMILY SIZE	PERCENT OF POVERTY GUIDELINE								
	100%	120%	133%	135%	150%	175%	185%	200%	250%
1	10,890.00	13,068.00	14,483.70	14,701.50	16,335.00	19,057.50	20,146.50	21,780.00	27,225.00
2	14,710.00	17,652.00	19,564.30	19,858.50	22,065.00	25,742.50	27,213.50	29,420.00	36,775.00
3	18,530.00	22,236.00	24,644.90	25,015.50	27,795.00	32,427.50	34,280.50	37,060.00	46,325.00
4	22,350.00	26,820.00	29,725.50	30,172.50	33,525.00	39,112.50	41,347.50	44,700.00	55,875.00
5	26,170.00	31,404.00	34,806.10	35,329.50	39,255.00	45,797.50	48,414.50	52,340.00	65,425.00
6	29,990.00	35,988.00	39,886.70	40,486.50	44,985.00	52,482.50	55,481.50	59,980.00	74,975.00
7	33,810.00	40,572.00	44,967.30	45,643.50	50,715.00	59,167.50	62,548.50	67,620.00	84,525.00
8	37,630.00	45,156.00	50,047.90	50,800.50	56,445.00	65,852.50	69,615.50	75,260.00	94,075.00

For family units of more than 8 members, add $3,820 for each additional member.

MONTHLY GUIDELINES

FAMILY SIZE	PERCENT OF POVERTY GUIDELINE								
	100%	120%	133%	135%	150%	175%	185%	200%	250%
1	907.50	1,089.00	1,206.98	1,225.13	1,361.25	1,588.13	1,678.88	1,815.00	2,268.75
2	1,225.83	1,471.00	1,630.36	1,654.88	1,838.75	2,145.21	2,267.79	2,451.67	3,064.58
3	1,544.17	1,853.00	2,053.74	2,084.63	2,316.25	2,702.29	2,856.71	3,088.33	3,860.42
4	1,862.50	2,235.00	2,477.13	2,514.38	2,793.75	3,259.38	3,445.63	3,725.00	4,656.25
5	2,180.83	2,617.00	2,900.51	2,944.13	3,271.25	3,816.46	4,034.54	4,361.67	5,452.08
6	2,499.17	2,999.00	3,323.89	3,373.88	3,748.75	4,373.54	4,623.46	4,998.33	6,247.92
7	2,817.50	3,381.00	3,747.28	3,803.63	4,226.25	4,930.63	5,212.38	5,635.00	7,043.75
8	3,135.83	3,763.00	4,170.66	4,233.38	4,703.75	5,487.71	5,801.29	6,271.67	7,839.58

Produced by: CMSO/DEHPG/DEEO

Georgetown University Health Policy Institute
Center for Children and Families

To: Interested Parties
From: Tricia Brooks, Georgetown Center for Children and Families
Re: Alaskan Options for Expanding Coverage for Pregnant Women
Date: November 4, 2010

During a recent trip to Alaska to participate in the Kids First Alaska meeting on October 19, 2010 at the invitation of the All Alaska Pediatric Partnership and the Mat Su Health Care Foundation, I was asked to provide clarifying information on opportunities to expand federally supported medical coverage to pregnant women in Alaska. This memo outlines current coverage in Alaska and provides an overview of federal options and requirements for expanding coverage.

Current Coverage for Pregnant Women and Children in Alaska

Currently, Alaska provides traditional Medicaid coverage to pregnant women with income up to 175% of the Federal Poverty Level (FPL) who are citizens or immigrants lawfully residing in the U.S. for at least five years. Additionally, the state provides, as federally required, emergency medical coverage for labor and delivery services to any uninsured pregnant woman who meets the Medicaid guidelines, regardless of citizenship or immigration status.

While the purpose of this memo is to identify options for expanding coverage to pregnant women, certain options are related to coverage for children. Alaska uses its Medicaid program for covering both children and pregnant women. Currently, the State provides Medicaid coverage for children up to 150% FPL and coverage between 150% and 175% FPL for children through a Medicaid expansion funded through the Children's Health Insurance Program (CHIP) called Denali Kid Care. The CHIP-funded Medicaid expansion for children qualifies for a higher financial participation rate. In Alaska the federal participation rate for Medicaid is 50%[1] and for CHIP is 65%.

Options for Expanding Coverage for Pregnant Women with Federal Financial Participation

- *Expand Medicaid Coverage*

  Federal Requirements and Options - States with Medicaid programs are required to cover pregnant women who are citizens with income up to 133% of the federal poverty level (FPL). States may expand income eligibility through Medicaid to pregnant women who are citizens and, at the state option, lawfully-residing immigrants up to an income level approved by the federal government. States are

also required to cover labor and delivery cost of all uninsured women under emergency Medicaid services if they otherwise meet Medicaid income and asset requirements.

Alaska Options – Alaska may expand Medicaid coverage for pregnant women with incomes higher than the current limit of 175% FPL. Under this option, the state may also elect to provide coverage for lawfully residing immigrant pregnant women. An expansion of eligibility requires a Medicaid State Plan Amendment (SPA). Federal financial participation under this option is 50%.

- *Expand CHIP Coverage to Pregnant Women*

Federal Requirements and Options – The 2009 federal reauthorization of the CHIP program (CHIPRA) expanded options for states to cover pregnant women. Under CHIPRA, states may provide coverage to pregnant women who are citizens and, at the state option, lawfully residing immigrant pregnant women, through CHIP up to 300% FPL, if certain conditions are met. Among those conditions, the state must cover children under Medicaid/CHIP up to at least 200% FPL and cover pregnant women through Medicaid up to 185% FPL. Pregnant women cannot be covered at a higher income level than children.

Alaska Options – To expand coverage to pregnant women under CHIPRA, the state would first have to expand Denali Kid Care coverage to children from the current income level of 175% FPL up to at least 200% FPL or higher, depending on the proposed income limit for pregnant women. Additionally, the state would have to expand Medicaid coverage to pregnant women between 175% and 185% FPL. With those coverage levels, the state may expand coverage for pregnant women above 185% FPL drawing down the higher 65% CHIP federal match.

This option would require a Medicaid SPA to raise the income eligibility level for pregnant women to 185% FPL. Additionally, Alaska must submit a CHIP SPA to expand income eligibility for children up to 200% FPL (or higher depending on the proposed income limit for pregnant women) and to provide CHIP coverage to pregnant women above 185% FPL.

The SPA establishes what is technically a separate CHIP program for low-income pregnant women rather than a CHIP-funded Medicaid expansion program as is Denali Kid Care. However, it can be operated as a "Medicaid look-alike" program using the existing Medicaid administrative structure and health care delivery system. The expansion to pregnant women between 175% and 185% FPL would qualify for the 50% federal Medicaid match, while expanded coverage for children above 175% FPL and for pregnant women above 185% would qualify for the higher federal CHIP match of 65%.

- *Expand Coverage Under the CHIP Unborn Child Option*

  Federal Requirements and Options - States may provide prenatal care, labor, and delivery services to pregnant women through the unborn child option in CHIP. Sixty days of postpartum care can also be funded if services are provided under a global capitation arrangement, which bundles payment for all prenatal, labor, delivery, and postpartum care. Through this option, coverage is provided without regard to the pregnant woman's immigration status. While it is the unborn child who is eligible, services are directed to the pregnant woman to ensure the delivery of a healthy newborn, including medical and dental services for the mother deemed necessary to promote the health of the unborn child.

  Alaska Options - The state may expand coverage under the CHIP unborn child option for the unborn child of pregnant women who do not otherwise qualify for Medicaid, as well as pregnant women above the current income limit of 175% FPL. Like the previous option, this would require a CHIP State Plan Amendment to create a separate CHIP program to establish coverage for the unborn child.

  Currently eligible children, ages 0 - 18 would continue to be covered under Denali Kid Care while the pregnant women receiving services based on the eligibility of their unborn child would be covered under the separate CHIP program. In this case, Alaska may also wish to design its CHIP unborn child coverage as a "Medicaid look-alike" program as described above. Services provided to pregnant women under the unborn child option qualify for a 65% federal financial participation in Alaska.

Summary

Several options exist for Alaska to expand coverage to pregnant women directly through Medicaid and/or CHIP. Financial participation depends on the option(s) chosen. This overview of provisions in CHIPRA to cover pregnant women may be helpful. Stakeholders may wish to review additional information provided to states by the Centers for Medicaid and Medicare (CMS) in these relevant State Health Official (SHO) letters of guidance and Q & A memos:

State Health Official Letter on the Unborn Child Option

State Health Official Letter on Lawfully Residing Children and Pregnant Women

State Health Official Letter on Covering Pregnant Women through CHIP

State Health Official Letter on Frequently Asked Questions about Covering Pregnant Women

[1] The 50% federal participation is the traditional matching rate for Alaska. During the period July 2008 through June 2011, the American Recovery and Reinvestment Act (ARRA) provides a higher match to help states deal with the increased need for services during the economic downturn.

kaiser commission on

medicaid and the uninsured

HOLDING STEADY, LOOKING AHEAD: ANNUAL FINDINGS OF A 50-STATE SURVEY OF ELIGIBILITY RULES, ENROLLMENT AND RENEWAL PROCEDURES, AND COST SHARING PRACTICES IN MEDICAID AND CHIP, 2010-2011

EXECUTIVE SUMMARY

Prepared by:

Martha Heberlein, Tricia Brooks, and Jocelyn Guyer
Georgetown University Center for Children and Families

and

Samantha Artiga and Jessica Stephens
Kaiser Commission on Medicaid and the Uninsured
The Henry J. Kaiser Family Foundation

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THE HENRY J. KAISER FAMILY FOUNDATION

Executive Summary

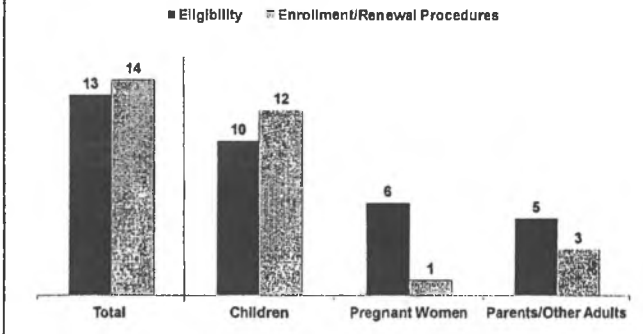
Introduction

Over the past year, as the nation's attention was focused on the country's continuing economic problems and the debate over the passage of broader health care reform, Medicaid and the Children's Health Insurance Program (CHIP) continued to play their central role of providing coverage to millions of people who otherwise lack affordable coverage options. In 2010, this role was more pronounced than ever as families losing their jobs and access to employer-based coverage turned to public programs in growing numbers. Without Medicaid and CHIP, many more individuals would have become uninsured, adding to the 50 million currently without coverage. Based on a survey of state officials in all 50 states and the District of Columbia conducted by the Kaiser Commission on Medicaid and the Uninsured and the Georgetown University Center for Children and Families, this tenth annual report provides an overview of state actions on eligibility rules, enrollment and renewal procedures, and cost sharing practices in Medicaid and CHIP during 2010, as well as the status of coverage as of January 1, 2011, for children, parents, pregnant women, and other non-disabled adults.

As the survey findings illustrate, families could turn to Medicaid and CHIP because nearly all states "held steady" or made targeted improvements in their eligibility and enrollment rules in 2010, with a total of 13 states expanding eligibility and 14 states making improvements in enrollment and renewal procedures (Figure 1). This striking stability in public programs can be directly attributed to the federal government's decision both to provide temporary Medicaid fiscal relief to states through June 2011, and to require states to maintain their Medicaid and CHIP eligibility rules and enrollment procedures until broader health reform goes into effect.

Figure 1

Number of States Improving Access to Health Care Coverage, January 2010 – January 2011



SOURCE: Based on the results of a national survey conducted by the Kaiser Commission on Medicaid and the Uninsured and the Georgetown University Center for Children and Families, 2011.

During 2010, states also were starting to look ahead to implementation of the Affordable Care Act (ACA) and, in some instances, to take advantage of early options to improve Medicaid coverage. Health reform provides a broad expansion in coverage that will take effect in 2014, including extending Medicaid to a new national eligibility floor of 133 percent of the federal poverty level ($24,352 for a family of three and $14,404 for an individual in 2010). However, it is important for states to begin taking steps now to address the technological changes necessary to develop the online, consumer-friendly enrollment process envisioned under the ACA. Although there has been some progress in 2010, the survey highlights that states still have a significant amount of work to be prepared in 2014. Looking ahead, it will be important for state policymakers to continue moving forward on implementation while sustaining the gains and progress made in coverage to date.

Key Findings on Eligibility and Enrollment Procedures

Nearly all states (49, including DC) held steady or made targeted improvements in their Medicaid and CHIP eligibility rules and enrollment procedures in 2010. By doing so, they maintained the central role of Medicaid and CHIP in providing affordable coverage to children and, to a lesser extent, their parents and other adults, many of whom lost jobs and their access to employer-based coverage in the ongoing economic downturn. This stability can be directly attributed to provisions in the American Recovery and Reinvestment Act (ARRA) adopted in February 2009, that required states to maintain their Medicaid eligibility rules and enrollment procedures as a condition of receiving a significant, temporary increase in the federal Medicaid matching rate. The ACA also included a maintenance-of-effort (MOE) requirement designed to keep Medicaid coverage steady for adults until broader reform goes into effect in 2014 and for children until 2019, as well as to extend these protections to children covered by CHIP. Without the MOE requirements and enhanced federal funding, many states almost certainly would have needed to turn to cutbacks in coverage in 2010 as a result of continuing budget pressures. Two states (AZ and NJ) did make coverage reductions that were not subject to the MOE. States also made other changes such as cuts to provider reimbursement rates and benefits to reduce Medicaid spending growth in 2010.

Despite significant budget challenges, 13 states went beyond maintaining coverage to implement targeted eligibility expansions for children, pregnant women, and adults in 2010. These expansions varied in size and scope. Most of the expansions focused on providing increased coverage to uninsured children, and in a many cases, also produced some state savings by allowing the state to draw down federal matching funds for previously fully state-funded coverage.

Building on progress made over the past decade, 3 states (CO, KS, and OR) increased income eligibility in Medicaid/CHIP for children in 2010. As such, as of January 1, 2011, 25 states, including DC, cover children in families with income at least up to 250 percent of the federal poverty level ($45,775 for a family of three in 2010), although enrollment remains heavily concentrated among the lowest-income children (Figure 2). Oregon also added a buy-in program in 2010 that enables families with incomes above Medicaid and CHIP thresholds to buy into coverage.

Figure 2

Children's Eligibility for Medicaid/CHIP by Income, January 2011



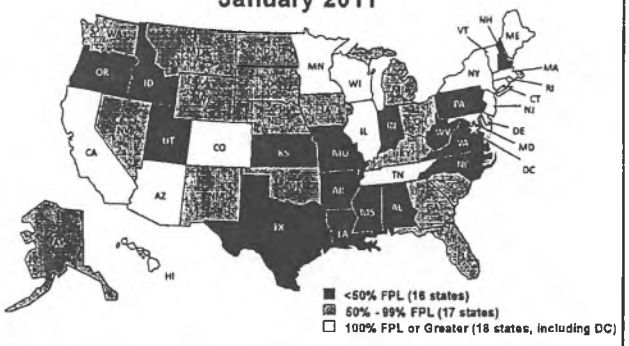
Notes: The federal poverty line (FPL) for a family of three in 2010 is $18,310 per year. IL uses state funds to cover children up to 300% of the FPL; OK has a premium assistance program for select children up to 200% of the FPL. AZ's CHIP program is currently closed to new enrollment.
SOURCE: Based on the results of a national survey conducted by the Kaiser Commission on Medicaid and the Uninsured and the Georgetown University Center for Children and Families, 2011.

In 2010, states continued to take advantage of the option to cover lawfully-residing immigrant children and pregnant women during their first five years residing in the country. The Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) allowed states to draw down federal funding to cover these populations without imposing a 5-year waiting period. Six (6) states (DE, MN, MT, NE, NC, and WI) adopted the option for lawfully-residing immigrant children in 2010, resulting in a total of 21 states having eliminated this barrier for children as of January 1, 2011. In 15 of these states, coverage had previously been provided to these children with state-only dollars. In addition, in 2010, 5 states (DE, MN, NE, NC, and WI) adopted this option for lawfully-residing pregnant women, bringing the total number eliminating the "five-year bar" for pregnant women to 17. In 9 of these states, coverage had previously been provided with state-only dollars.

While states have made significant progress in expanding coverage for children, eligibility for their parents continues to lag far behind. In 2010, only one state (CO) expanded Medicaid coverage for parents. As of January 1, 2011, 33 states do not cover parents up to 100 percent of the federal poverty level ($18,310 for a family of three in 2010). The median eligibility threshold for parents remains at 64 percent of the federal poverty level and 16 states limit eligibility to below 50 percent of the federal poverty level ($9,155 for a family of three in 2010). In the absence of further expansions, these restrictive eligibility levels will leave most uninsured, low-income parents without an affordable coverage option until the health reform expansion goes into effect in 2014 (Figure 3).

Figure 3

Medicaid Eligibility for Working Parents by Income, January 2011



Notes: The federal poverty line (FPL) for a family of three in 2010 is $18,310 per year. Several states also offer coverage with a benefit package that is more limited than Medicaid at higher income levels.
SOURCE: Based on the results of a national survey conducted by the Kaiser Commission on Medicaid and the Uninsured and the Georgetown University Center for Children and Families, 2011.

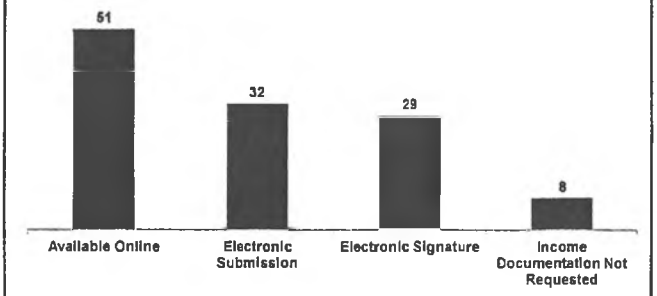
Low-income adults without dependent children remain ineligible for Medicaid in the vast majority of states. Under the ACA, Medicaid eligibility will be expanded to a minimum of 133 percent of the federal poverty level, ending the historic exclusion of non-disabled, non-pregnant adults without dependent children from the program. While this change is not required to be in effect until January 1, 2014, states have the option of moving early to cover these adults. In 2010, Connecticut and the District of Columbia took advantage of this option and moved low-income adults they had previously served through state-funded programs to Medicaid. Further, California received approval in 2010 for a waiver to continue and expand county coverage initiatives serving low-income adults. However, even with these expansions, as of January 1, 2011, only seven states (AZ, CT, DE, DC, HI, NY, and VT) provide Medicaid or Medicaid-equivalent benefits to adults without dependent children. Additional states offer more limited coverage to these adults, but in most states, low-income adults without children do not have access to public coverage regardless of their income.

States adopted improvements in their enrollment and renewal procedures in 2010 that helped to reduce burdens on families, streamline administrative processes, and achieve program efficiencies. In making these improvements, states often turned to options provided by CHIPRA. Specifically, 29 states took advantage of the CHIPRA option to more efficiently and accurately verify citizenship status by relying on an electronic data match with the Social Security Administration (SSA). A smaller, but still notable number of states, moved ahead with other simplification measures including the CHIPRA "Express Lane Eligibility" option, as well as long-standing strategies such as presumptive eligibility and continuous eligibility for children. Many appear to have done so at least in part to qualify for the Medicaid performance bonuses included in CHIPRA. These bonuses provide a financial reward and recognition to states that have implemented at least 5 of 8 simplification policies and that have reached specific enrollment targets for children in Medicaid. The Administration encouraged states in their efforts by launching the *Connecting Kids to Coverage Challenge*, a partnership of national and state organizations committed to enrolling all five million uninsured but eligible children in public programs.

States continued work to modernize their programs and begin preparing for health reform implementation by focusing on technological improvements. A number of states made program improvements such as offering applications that can be submitted online. Despite this early work, the survey findings highlight that states have a long way to go to develop the integrated, technology-driven, web-based eligibility systems for Medicaid, CHIP, and subsidized Exchange coverage that are envisioned and required under reform. For example, all states, including DC, post their Medicaid applications online, but only 32 accept the electronic submission of those applications. Among the 32 that accept electronic submission, 29 allow for the use of an electronic signature, but only 8 do not routinely ask families to submit paper documentation of information via mail or fax before checking other data sources to verify eligibility (Figure 4). In light of a rule proposed by the Administration at the end of 2010 to provide states with a 90 percent matching rate to prepare their Medicaid eligibility systems for health reform and the likelihood of additional guidance and funding opportunities in the months ahead, it can be expected that next year's survey will show more developments in this area.

Figure 4

Status of Online Applications for State Medicaid Programs, January 2011



Notes: In some states the online application is only available for children applying for coverage.
SOURCE: Based on the results of a national survey conducted by the Kaiser Commission on Medicaid and the Uninsured and the Georgetown University Center for Children and Families, 2011.

Conclusion

As implementation of broader health reform moves forward, the findings of this survey describe the foundation for coverage of low-income families and individuals through Medicaid and CHIP. These programs will play an even more substantial role in the years to come, particularly with the expansion in coverage for low-income adults. Valuable lessons can be learned from how states have streamlined and simplified their enrollment and renewal procedures in these programs, and while additional improvements will be necessary to further transform Medicaid and CHIP in order to fulfill the promise of reform, they provide a sound platform on which to begin.

Looking ahead, states face the challenge of implementing reform while at the same time dealing with significant budget pressures due to the nation's continuing economic problems and the corresponding increased need for Medicaid and CHIP. To continue forward progress on reform and keep the foundation solid, it will be important to focus on sustaining the coverage gains and progress made to date even in the face of these challenges. Health reform has the potential to markedly reduce the number of uninsured and provides states new opportunities to modernize, streamline, and continue to improve their Medicaid programs. While some of the most significant changes in health reform do not go into effect until 2014, it is important for states to lay the groundwork now. In 2010, there were initial signs of state Medicaid agencies preparing for health reform implementation, but more activity can be expected in 2011.

1330 G Street NW, Washington, DC 20005
Phone: (202) 347-5270, Fax: (202) 347-5274
Website: www.kff.org/kcmu

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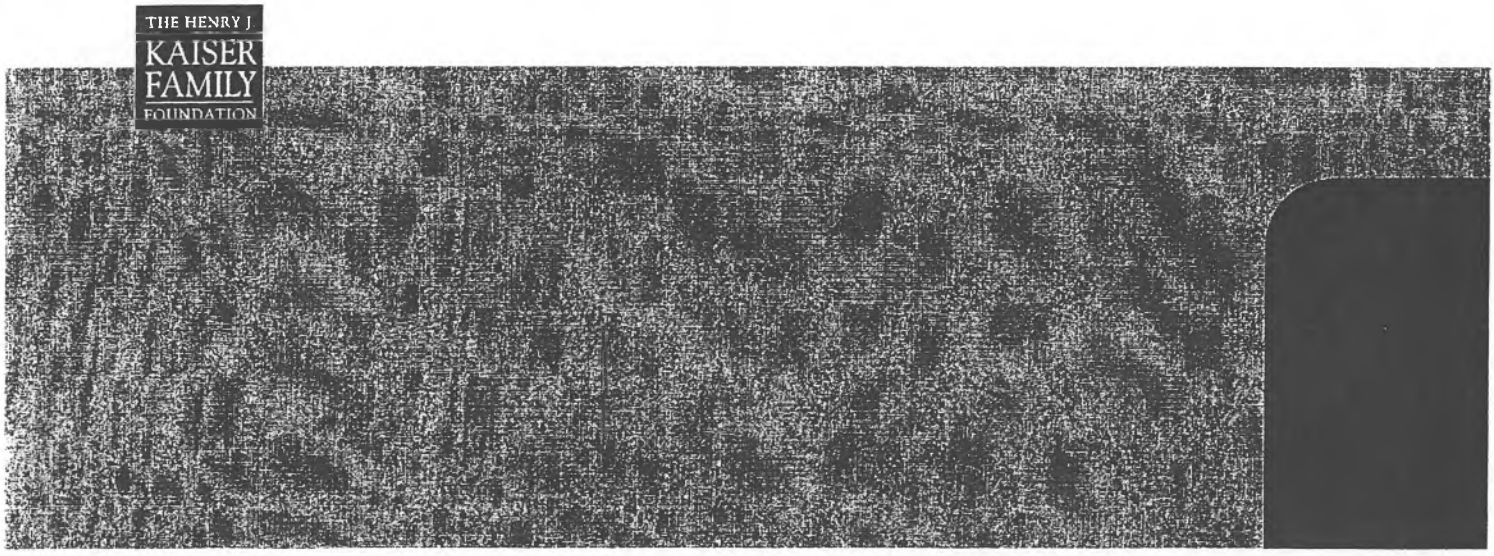


FOCUS on Health Reform

THE HENRY J. KAISER FAMILY FOUNDATION

NOVEMBER 2010

Access to Abortion Coverage and Health Reform

The Patient Protection and Affordable Care Act (ACA) will make significant changes to health coverage for women, expanding their access to coverage and broadening the health benefits that many will receive. Coverage for abortion services, however, was addressed separately under health reform. As result, the extent of abortion coverage that women will receive once ACA is fully implemented in 2014 will depend largely on policies enacted at the state level as well as choices that plans and consumers will make in terms of coverage of abortion services. This brief summarizes the major insurance coverage provisions of the ACA that are relevant for women of reproductive age, reviews current federal and state policies on abortion coverage and how they may be modified under health reform, and discusses the potential impact of the federal legislation on women's access to abortion coverage.

How does the Patient Protection and Affordable Care Act affect overall coverage for women of reproductive age?

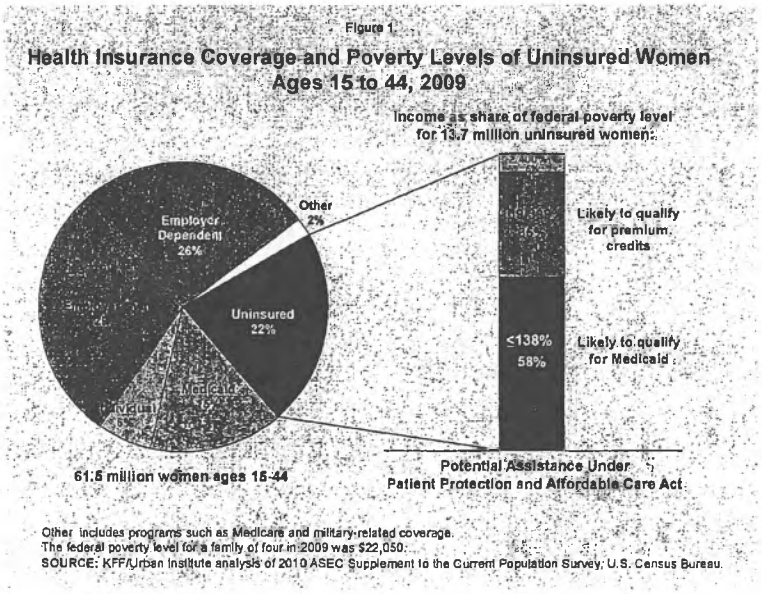
Signed into law on March 23, 2010, the ACA is a federal law aimed at ensuring that almost all U.S. citizens and legal residents have health insurance by requiring that most individuals obtain a minimum level of insurance coverage by 2014. This is to be achieved through a combination of public and private insurance expansions. By 2014, Medicaid will be available to cover many more of the nation's poorest uninsured, employers will be more likely to offer affordable coverage to their employees, and small businesses and other uninsured individuals will have access to state-based exchanges that will offer a variety of plans from which they can purchase insurance. The scope of benefits, including abortion, covered under these different avenues will vary.

The ACA will expand health care coverage to many of the nation's uninsured by extending Medicaid eligibility to all qualifying individuals with incomes up to 138% of the federal poverty level (FPL).[1] Uninsured individuals with incomes above 138% FPL will be able to purchase coverage in new state-based insurance exchanges that will act as marketplaces, open to all qualifying, uninsured individuals and small businesses with up to 100 employees. These state-based exchanges are to offer multiple insurance plans that uninsured individuals can choose from to purchase coverage. To help with the costs of insurance, the federal government will provide subsidies (in the form of premium credits) to eligible individuals and families with incomes from 139% to 399% FPL or if their share of premiums exceeds 9.5% of their income.[2]

It is estimated that 13.7 million women ages 15 to 44 are uninsured currently, 93% of whom would qualify for federal assistance under the health reform law, based on their income. The act would potentially extend Medicaid to 58% or 8 million women, and an estimated 4.8 million women (35%) would qualify for federal premium credits[3] to purchase coverage as shown in Figure 1.

Figure 1

Health Insurance Coverage and Poverty Levels of Uninsured Women Ages 15 to 44, 2009



Other includes programs such as Medicare and military-related coverage.
The federal poverty level for a family of four in 2009 was $22,050.
SOURCE: KFF/Urban Institute analysis of 2010 ASEC Supplement to the Current Population Survey, U.S. Census Bureau.

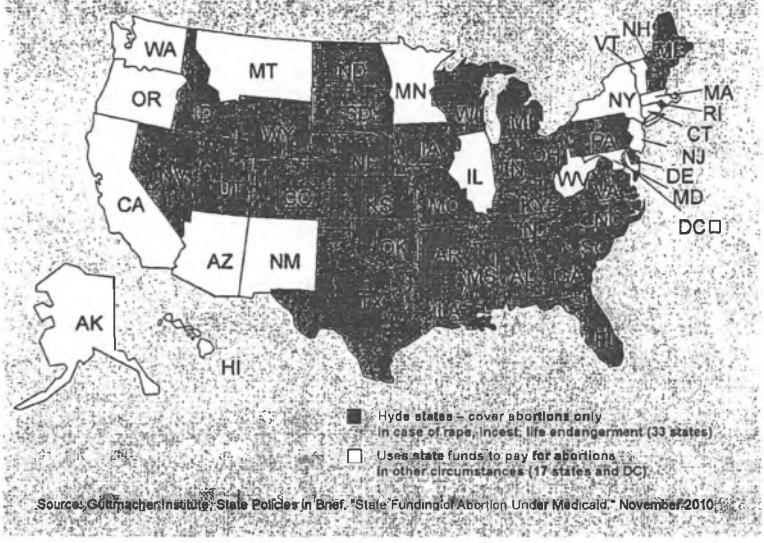
What are current federal and state laws regarding abortion coverage and financing?

Federal law bans the use of any federal funds for abortion, except when the pregnancy is a result of rape, incest, or if it is determined to endanger the woman's life. In effect since 1977, this rule known as the Hyde Amendment is not a permanent law; rather it has been attached annually to Congressional appropriations bills, and has been approved every year by the Congress. The Hyde Amendment initially affected only funding for abortions under Medicaid, but over the years, its reach broadened to limit federal funds for abortion for federal employees, women in the Indian Health Service, and in the military.

State level policies also have a large impact on abortion coverage, particularly since states are responsible for operation of Medicaid programs. The Medicaid program serves millions of low-income women and is a major payor of reproductive health services. It is estimated that two-thirds of adult women on Medicaid are in their reproductive years.[4] As discussed earlier, the federal Hyde Amendment restricts state Medicaid programs from using federal funds to cover abortions beyond the cases of life endangerment, rape, or incest. However, if a state chooses to, it can use its own funds to cover abortions in certain other circumstances, and states will continue to have this option under health reform. Currently, 17 states and the District of Columbia use state-only funds to cover abortions beyond the federal limitations for women on Medicaid.[5] In the other 33 states, Medicaid programs do not pay for any abortions beyond the Hyde restrictions (Figure 2). Currently, in these 33 states, an estimated 4.6 million women ages 15 to 44 are uninsured and have incomes less than 138% FPL, and would meet the income eligibility criteria to qualify for Medicaid under health reform (Table 2).[6]

Figure 2

Abortion Financing Under Medicaid, 2010



Source: Guttmacher Institute, State Policies in Brief, "State Funding of Abortion Under Medicaid," November 2010

States also have authority over the scope of benefits for public employees. Currently, 13 states restrict abortion coverage in insurance plans for public employees. These restrictions range from states that provide coverage only under the Hyde limits to states that prohibit coverage for all abortions, regardless of circumstances.[7] States also regulate benefits covered by private insurance plans. Currently, at least four states (Idaho, Kentucky, Missouri, and North Dakota) prohibit private insurance coverage for abortions except in the case of rape, incest, or to save the woman's life. These states allow insurers to sell riders for abortion coverage, but there is little evidence about their availability and no documentation of their cost or impact on access.

How will abortion coverage be handled by Medicaid and plans in the exchanges under health reform?

Medicaid: The ACA reinforces current federal restrictions, limiting federal funds to be spent on abortions only to cases when the pregnancy endangers the life of the woman or results from rape or incest. This will not change for Medicaid under health reform; state Medicaid programs will continue to have the option to cover other medically necessary abortions using only state funds and no federal funds. President Obama issued an executive order as part of health reform that restated the federal limits specifically for Medicaid and community health centers.[8]

Plans in the Exchange: Plans participating in state-based exchanges will be required to cover a minimum set of services, defined as "essential health benefits, and the ACA explicitly prohibits states from including abortion in any essential benefits package. Therefore, no state or insurer offering a plan in an exchange will be required to offer abortion coverage, and each exchange must include at least one plan that does not cover abortions beyond those permitted by current federal law. Furthermore, states can bar all plans participating in the state exchanges from covering abortions, which at least five states (Arizona, Louisiana, Mississippi, Missouri, and Tennessee) have already elected to do since the health reform law's passage.[9]

If the state does not bar coverage of abortions, private insurers can offer a plan that covers abortions beyond the federal limitations within an exchange. The ACA outlines a methodology for states to follow to ensure that no federal funds are used towards coverage for abortions beyond Hyde. Any plan that covers abortions beyond Hyde limitations must estimate the actuarial value of such coverage by taking into account the cost of the abortion benefit (valued at least $1 per enrollee per month). This estimate cannot take into account any savings that might be achieved as a result of the abortions. Furthermore, plans that receive federal subsidies (it is believed that all plans in the exchanges will receive at least some federal subsidies) would have to collect two premium payments from all enrollees, including men and women of all ages. One payment would be for the value of the abortion benefit and the other payment would be for all other services. The funds would be deposited in separate allocation accounts, overseen and managed by state health insurance commissioners. Both the federal Office of Management and Budget and the Department of Health and Human Services are expected to publish guidelines in 2010 that states must follow to ensure that exchanges are adhering to these requirements.[10] The health reform law prohibits plans in the exchanges from discriminating against any provider because of "unwillingness" to provide abortions. It does not preempt other current state policies regarding abortion, such as parental notification and waiting period laws.

Currently, most (55%) women of reproductive age are covered through employer-sponsored plans from their own job or their husbands. Many of these plans do cover abortion currently and will be allowed to continue once health reform is fully implemented. Table 1 summarizes the ACA's major provisions on abortion coverage.

Table 1: Summary of Abortion Provisions in the Patient Protection and Affordable Care Act (P.L. 111-148)

Benefit Design	Prohibits abortion coverage from being required as part of the federally established essential benefits package. States can prohibit coverage for any abortions by all plans in their state-based exchange. At least one plan within a state exchange must not cover abortions beyond those permitted by federal law (to save the life of the woman and in cases of rape and incest). Private Plans: Can provide a plan in the exchanges that covers abortions beyond those permitted by federal law as long as they comply with requirement to segregate federal funds. All states' Pre-existing Condition Insurance Plans cannot cover abortions beyond those permitted by federal law.
Financing	Prohibit federal subsidies (for premiums or cost sharing) from being used to purchase a health plan in the exchanges that includes coverage for abortions beyond those permitted by federal law. In order to segregate funds, plans that choose to offer coverage for abortions beyond Hyde limitations must estimate the actuarial value of covering abortions by taking into account the cost of the abortion benefit (valued at least $1 per enrollee per month) and cannot take into account any savings that might be reaped as a result of the abortions. Any exchange plan that covers abortions and includes enrollees that receive federal subsidies must collect two separate premium payments from all enrollees – one payment for value of abortion benefit and one payment for all other covered services.
State Role	Law will have no effect on state laws regarding coverage, funding or procedural requirements on abortions, such as parental notification/consent laws. States can use state-only funds to pay for "medically necessary" abortions beyond federal requirements under Medicaid or to pay for abortion coverage in plans offered in an exchange. States can prohibit plans in new exchanges from covering any abortions. State-level health insurance commissioners will monitor and oversee payment segregation requirements for the purchase of plans within their respective exchanges.
Discrimination/ Protection	Prohibit plans participating in the exchanges from discriminating against any provider because of an unwillingness to provide, pay for, provide coverage of, or refer for abortions.

How much does an abortion cost?

The ACA's complex combination of restrictions means that under health reform, many currently uninsured women will obtain coverage either through Medicaid or an exchange; however, many of these women will not be covered for abortions and will have to pay out-of-pocket if they seek one. The cost of an abortion varies depending on factors such as location, facility, timing, and type of procedure. A clinic-based abortion at 10 weeks' gestation is estimated to cost between $400 and $550, whereas an abortion at 20-21 weeks' gestation is estimated to cost $1,250-$1,800 or more.[11] Though the vast majority (~90%) of abortions are performed early in pregnancy, the costs could still be economically challenging for many low-income women.[12]

What is the impact of the federal abortion provisions on women in high-risk pools?

The new health insurance exchanges will become operational in 2014. Prior to that time, some uninsured individuals will be able to buy coverage in new state-based, federally subsidized high-risk pools. Separate from states' currently operating high-risk pools, these new federally funded, Pre-existing Condition Insurance Plans (PCIP) will be open to individuals who have been uninsured for at least six months with existing health conditions, and will provide temporary coverage until exchanges become fully operational in 2014. States can operate the PCIPs or request the federal government to operate them, but all are financed with federal funds.

In July 2010, the Department of Health and Human Services issued a federal directive prohibiting all of these new PCIPs from covering abortions, effectively extending the Hyde Amendment to these plans as well.[13] Women who enroll in these temporary high-risk pools will not be able to use their own private dollars to purchase abortion coverage. Since many women eligible for PCIPs have more health problems than average, they could be more likely to encounter medical complications should they become pregnant. It is estimated that an additional 200,000 to 400,000 individuals are expected to enroll in the temporary PCIPs.[14] This order does not preempt states' policies on abortion coverage in their existing high-risk pools, nor does it prohibit women from paying a provider directly should they seek an abortion.

* * * * *

As a result of health reform, many more women will gain health insurance coverage. The decisions that the federal government, states, insurance companies, and policymakers will make over the next few years will determine the extent of abortion coverage that will be available to women across the nation once health reform is fully implemented in 2014.

Table 2: State Level Estimates of Percent of Uninsured Women Ages 15-44 Likely to Qualify for Federal Assistance under the Patient Protection and Affordable Care Act

		Uninsured Women, 2008-2009		Percent of Currently Uninsured Women Ages 15-44 Potentially Eligible for Federal Assistance in 2014	
	Total Number of Women Ages 15-44 in State	Number	Percent of Total Women in State	Likely to Qualify for Medicaid **	Likely to Qualify for Premium Credits in the Exchanges ***
Alabama*	941,940	193,965	21%	63%	32%
Alaska	138,624	34,647	25%	49%	43%
Arizona	1,290,755	302,354	23%	58%	34%
Arkansas*	556,616	161,324	29%	57%	39%
California	7,712,611	1,909,644	25%	58%	36%
Colorado*	1,020,305	213,345	21%	57%	37%
Connecticut	683,718	91,238	13%	48%	41%
Delaware	174,875	28,325	16%	50%	40%
District of Columbia	149,583	17,640	12%	58%	32%
Florida*	3,439,595	1,000,591	29%	54%	38%
Georgia*	2,060,710	516,501	25%	64%	31%
Hawaii	243,668	25,898	11%	60%	28%
Idaho*	300,011	67,734	23%	59%	36%
Illinois	2,652,361	469,469	18%	54%	39%
Indiana*	1,263,857	253,215	20%	60%	36%
Iowa*	572,244	94,251	16%	52%	40%
Kansas*	546,268	97,788	18%	69%	26%
Kentucky*	859,623	208,348	24%	65%	32%
Louisiana*	923,220	232,129	25%	63%	31%
Maine*	244,584	29,488	12%	45%	44%
Maryland	1,172,744	196,542	17%	53%	41%
Massachusetts	1,353,253	90,192	7%	--	--
Michigan*	1,956,538	355,014	18%	58%	34%
Minnesota	1,030,700	125,338	12%	46%	47%
Mississippi*	593,878	138,132	23%	64%	31%
Missouri*	1,173,596	218,902	19%	53%	40%
Montana	181,434	38,227	21%	51%	39%
Nebraska*	351,675	52,110	15%	58%	38%
Nevada*	520,000	133,246	26%	50%	42%
New Hampshire*	256,892	37,572	15%	40%	48%
New Jersey	1,726,605	329,250	19%	53%	36%
New Mexico	396,222	122,328	31%	66%	28%
New York	4,035,744	708,705	18%	50%	40%
North Carolina*	1,893,856	425,668	22%	64%	31%
North Dakota*	124,975	16,977	14%	52%	46%
Ohio*	2,248,979	350,501	16%	58%	37%
Oklahoma*	722,740	167,708	23%	53%	42%
Oregon	751,120	160,498	21%	58%	36%
Pennsylvania*	2,393,581	327,877	14%	55%	37%
Rhode Island*	214,038	34,393	16%	59%	35%
South Carolina*	902,532	199,945	22%	60%	32%
South Dakota*	151,360	27,366	18%	59%	36%
Tennessee*	1,257,375	246,435	20%	56%	41%
Texas*	5,133,199	1,781,564	35%	58%	37%
Utah*	599,794	106,561	18%	53%	37%
Vermont	118,214	14,618	12%	39%	47%
Virginia*	1,593,387	273,285	17%	47%	45%
Washington	1,335,218	220,188	16%	53%	42%
West Virginia	342,321	80,517	24%	56%	37%
Wisconsin*	1,092,394	120,614	11%	56%	39%
Wyoming*	104,779	20,313	19%	45%	47%

Notes: The federal poverty level (FPL) for a family of four in 2009 was $22,050.
* State does not provide funds for abortions beyond restrictions in federal Hyde Amendment.
** Percent of women ages 15-44 who are currently uninsured with incomes <138% of the federal poverty level.
*** Percent of women ages 15-44 who are currently uninsured with incomes 139-399% of the federal poverty level.
-- Sample size insufficient to make reliable estimate.
Source: Kaiser Family Foundation/Urban Institute estimates of ASEC supplement to March 2009 and March 2010 Current Population Surveys, U.S. Census Bureau.

ENDNOTES

[1] Legislation extends Medicaid coverage to all individuals with incomes up to 133% of the poverty level (FPL) and includes a provision to disregard first 5% of income, effectively extending Medicaid to all individuals with incomes up to 138% FPL.

[2] Congressional Budget Office, *Letter to Congressman John Dingell Regarding H.R. 3962*, November 6, 2009.

[3] Note that undocumented individuals will not have access to coverage through Medicaid or exchanges, regardless of ability to pay for coverage.

[4] Kaiser Family Foundation, *Medicaid's Role for Women*, 2007.

[5] Guttmacher Institute, State Policies in Brief, November 1, 2010.

[6] Kaiser Family Foundation/Urban Institute analysis of 2009, 2010 ASEC supplements to Current Population Survey, Bureau of the Census.

[7] Guttmacher Institute, *State Policies in Brief*, September 1, 2010.

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[14] U.S. Health and Human Services, *HHS Secretary Sebelius Announces New Pre-Existing Condition Insurance Plan*, July 1, 2010. Available at: www.hhs.gov/news/press/2010pres/07/20100701a.html.

This brief was prepared by Usha Ranji, Alina Salganicoff, and Tina Park of the Kaiser Family Foundation.

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THE HENRY J. KAISER FAMILY FOUNDATION www.kff.org

Headquarters: 2400 Sand Hill Road Menlo Park, CA 94025 650.854.9400 Fax: 650.854.4800

Washington Offices and Barbara Jordan Conference Center: 1330 G Street, NW Washington, DC 20005 202.347.5270 Fax: 202.347.5274

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DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop C2-21-15
Baltimore, Maryland 21244-1850

CMS
CENTERS for MEDICARE & MEDICAID SERVICES

Center for Medicaid and State Operations

SHO # 09-006
CHIPRA #2

May 11, 2009

Dear State Health Official:

The Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA), Public Law 111-3, ensures that States are able to provide necessary health coverage for low-income uninsured children eligible under the Children's Health Insurance Program (CHIP). Section 111 of CHIPRA adds a new section 2112 to the Social Security Act (the Act) which gives States the option to provide necessary prenatal, delivery, and postpartum care to low-income uninsured pregnant women through an amendment to its State child health plan (CHIP plan) (as described in section 2112). This letter provides general information concerning the new option and guidance on amending your CHIP plan to reflect the coverage of pregnant women, should your State wish to take advantage of this option.

Background

Prior to CHIPRA, States could provide services to pregnant women either through a Section 1115 demonstration program or under the CHIP State plan by covering unborn children. CHIPRA allows States to continue providing coverage through these two options or through a new option of covering pregnant women under the CHIP plan. This letter outlines the differences between options to assist States in adopting coverage for pregnant women.

Continuation of Existing Section 1115 Pregnant Women Demonstrations

The CHIPRA allows States to continue existing section 1115 demonstrations that provide coverage for pregnant women with title XXI funds. These States may continue demonstrations or modify their CHIP plans to include pregnant women as described below.

Continuation of Coverage for Unborn Children Under the CHIP Plan

States will continue to have the option of considering an unborn child to be a targeted low-income child and therefore eligible for coverage under CHIP, if other applicable eligibility criteria are met. This permits States to provide health care services to promote healthy pregnancies, regardless of the mother's eligibility status. States may continue to pay for pregnancy and delivery services through a bundled payment or global fee method, under which a single payment is made for prenatal care, labor, delivery, and postpartum care.

New Option to Cover Targeted Low-Income Pregnant Women Under the CHIP Plan

The CHIPRA also allows States the option of providing health care coverage for uninsured, low-income pregnant women under the CHIP plan. Under this option, the pregnant woman is eligible for coverage, rather than the unborn child.

States that choose to cover pregnant women under the CHIP plan are eligible to receive enhanced Federal Medical Assistance Payments (FMAP) for such expenditures and have the option of providing presumptive eligibility to pregnant women.

As established in CHIPRA (Section 111), in order to cover pregnant women through the State plan option under CHIP, States must meet the following criteria:

- States may only provide coverage under the CHIP plan for pregnant women who were not eligible under the Medicaid State plan as of July 1, 2008;
- States must cover pregnant women under Medicaid up to the minimum income level of 185 percent of the Federal poverty level (FPL). Any State that currently does not provide Medicaid coverage for pregnant women up to this income level, can only claim regular FMAP for pregnant women covered under a Medicaid expansion whose family income is at or below 185 percent of the FPL;
- States may not establish a higher income eligibility level for pregnant women than the State's eligibility level for targeted low-income children;
- States must cover children under 19 years of age under Medicaid or CHIP, up to a minimum income level of 200 percent of the FPL;
- States must not apply an effective income level for pregnant women under CHIP that is lower than the Medicaid effective income level and cannot cover higher income pregnant women without covering lower income pregnant women;
- States must not apply any preexisting condition exclusion or waiting period for CHIP coverage of pregnant women;
- States must not impose any cap or limitation on the enrollment of targeted low-income children, and must not have any waiting list or any procedures designed to delay applications for enrollment; and
- States may not require enrollee cost sharing for preventive or pregnancy-related services.

Benefits

States have the flexibility to offer coverage that meets the requirements of section 2103 of the CHIP statute under the new CHIP option for pregnant women, including in most cases, benefits during a 60-day postpartum period.

Coverage of Both the Unborn Child and Pregnant Women

States may opt to cover both the unborn child and pregnant women under the CHIP plan. If States elect both options, we want to emphasize that States will need to uniquely identify

enrollees so that there is no duplication of payment for services. Eligibility under either category is subject to screening for Medicaid eligibility, and payment is not available under CHIP for services that would be covered under Medicaid.

Submitting a CHIP Plan Amendment

States wishing to adopt any of the options described above and be eligible for funds under title XXI, must submit a CHIP plan amendment, which must be approved by the Secretary. States adopting such an expansion will be able to amend their CHIP plan by submitting the enclosed addendum to the CHIP plan and budget form. The addendum sections correspond to the relevant sections in your current State Child Health Plan Template.

States that have implemented CHIP through a Medicaid expansion program, but wish to extend coverage to unborn children and/or pregnant women under a separate child health program, may do so by submitting the same CHIP plan amendment above. Such States would then continue to cover children from birth through age 18 under Medicaid expansion programs, and would operate separate CHIP programs only for pregnant women and/or unborn children.

To incorporate either of these provisions into the CHIP plan, the State, through the appropriate State official, should submit these pages electronically to both the Centers for Medicare & Medicaid Services (CMS) Central and Regional Offices. Once approved, these pages will be added to the current State Child Health Plan as an addendum describing coverage for pregnant women. Before submitting such an amendment, please review the current approved CHIP plan to determine if it is necessary to amend additional sections simultaneously (e.g., if a new benefit package is being adopted, if cost sharing is being modified just for this eligibility group, if different service delivery type is being used, if different enrollee protections apply, or if the State has not previously implemented a separate child health program). Note that if a State does not choose to use the same benefit type and package of services for pregnant women or unborn children, the State needs to submit a revised section 6 of the State plan with its amendment. Questions or assistance may be provided by your Central Office or Regional Office project officer.

In addition to offering the option of covering targeted low-income pregnant women under the CHIP plan, CHIPRA requires that children born to a woman receiving pregnancy-related assistance shall be deemed on the date of the child's birth to have applied for coverage under CHIP or Medicaid, and shall be found eligible for the appropriate program, and until the child reaches age one (as described in section 2112(e) of the Act). During this deemed eligibility period, the new law stipulates that the child health or medical assistance eligibility identification number of the mother shall also serve as the identification of the child. Additionally, during this period, all claims shall be submitted and paid for the child under the mother's identification number (unless the State issues a separate identification number for the child before the child reaches age one).

Draft State plan template pages to implement these options are enclosed. CMS is in the process of obtaining the required Office of Management and Budget (OMB) clearance under the Paperwork Reduction Act for the State plan amendment (SPA) templates. Given that States may need considerable time to complete these templates, CMS is sharing in draft the SPA template at

this time. Until such time when this SPA template is assigned an OMB clearance number, States are not obligated to respond.

It is well established that access to prenatal services and care throughout a mother's pregnancy improves health outcomes for both the mother and child. Therefore, we encourage States to consider these options to establish eligibility for this vulnerable population.

Sincerely,

/s/

Jackie Garner
Acting Director
Center for Medicaid and State Operations

Enclosure

cc:

CMS Regional Administrators

CMS Associate Regional Administrators
Division of Medicaid and Children's Health

Ann C. Kohler
NASMD Executive Director
American Public Human Services Association

Joy Wilson
Director, Health Committee
National Conference of State Legislatures

Matt Salo
Director of Health Legislation
National Governors Association

Debra Miller
Director for Health Policy
Council of State Governments

Barbara Levine
Director of Policy and Programs
Association of State and Territorial Health Officials

Alan R. Weil, J.D., M.P.P.
Executive Director
National Academy for State Health Policy

From: Desiree Compton [dcompton@unitedwaymatsu.org]
Sent: Monday, April 04, 2011 3:35 PM
To: Sen. Lyman Hoffman; Sen. Bert Stedman; Sen. Donny Olson; Sen. Dennis Egan; Sen. Joe Thomas; Sen. Johnny Ellis; Sen. Lesil McGuire
Cc: Mary.Grisco@elmendorf.af.mil
Subject: FW: SB 5, DKC eligibility, Friday April 8th, 9AM Senate Finance

Dear Senate Finance Committee,

The purpose of this correspondence is to ask that you please support Sentate Bill 5 to increase Denali KidCare eligibility back to 200%. United Way of Mat-Su believes that every child should have health coverage and there are an estimated 18,000 uninsured children in Alaska.

I understand the concerns about funds being used to pay for abortions. Personally, I am a pro-life advocate who seeks to reduce the prevalence of abortions; furthermore, I completely disagree with legislation that uses tax money to fund abortions. I had my son when I was 19 years old and a major reason why I chose to raise him (rather than choose adoption) was that I was able to get him medical coverage through Denali Kid Care. In my opinion, the benefits of increased childcare for children in our state outweigh the costs associated with a minor percentage of these funds being used to fund abortions. I also speculate that the decision to veto the bill could will not reduce the prevalence of abortions and could potentially have the opposite effect as less women would qualify for health care coverage during their pregnancy for their child; thus, they may feel that abortion is the only affordable option. If the end goal is reduced prevalence's of abortion, I would advise that you attend to issues around informed consent to ensure that women are being adequately informed about their options and have had sufficient time in counseling to process their options prior to making a final decision. If a woman has made the decision to terminate her pregnancy, a lack of public funding for the operation is hardly a deterrent compared to the idea of completing a pregnancy and raising a child with no medical coverage. If this bill passes more pregnant women get a chance to deliver a healthy child through covered prenatal appointments and treatment.

Over 80% of the children receiving Denali Kid Care are from working families, but their employers either can't afford or simply don't provide employee health insurance Many of the parents in these families work more than one job. A simple examination of the numbers demonstrates that a family of four (Mat-Su's average family size) with an income of $55,140 a year (200%) with usual expenses cannot afford to purchase stand-alone health insurance for their kids. Denali Kid Care is an Alaskan solution that supports families, and helps parents raise healthy kids.

Children and teens covered by Denali KidCare receive a full range of prevention and treatment services, including doctor's visits, health check-ups and screenings, vision exams and eyeglasses, dental check-ups, cleanings and fillings, hearing tests and hearing aids, hospital care, speech therapy, physical therapy, mental health therapy, substance abuse treatment, laboratory tests, prescription drugs and medical transportation. Medicaid-enrolled children who are up-to-date on their well-child check-ups through 2 years of age are 48% less likely to experience an avoidable hospitalization. Children with incomplete care are 60% more likely to visit an emergency room compared to children who are up-to-date on their well-child care.

The bottom line is that increased federal support for state programs like Denali KidCare improves Alaska's ability to provide better health for more of Alaska's children. I urge you to pass this bill; furthermore, I would like to recommend that our legislators look into ideas such as regulating the services covered by Denali Kid Care, instituting co-pays and assets tests, and other ideas during the interim when there is adequate time for analyses and good discussions.

Sincerely,

Desiree Compton, MS
Community Impact Director
United Way Mat-Su
124 W. Swanson, Suite C
Wasilla, AK 99654
907.373.5818 (p)
907.376.0635 (f)

www.unitedwaymatsu.org

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"A community where compassion, generosity and stewardship are intrinsic values."

Our Core Purpose

Positive Community Impact

Our Core Values

Integrity, Self-reliance, Leadership, Stewardship, Collaboration

Addendum to State Child Health Plan Describing Coverage of Pregnant Women

Section 1. General Description and Purpose of the State Child Health Plans and State Child Health Plan Requirements. (Section 2101)

1.1 The State will use funds provided under Title XXI primarily for (Check appropriate box) **(42 CFR 457.70)**:

1.1.1 ☐ Obtaining coverage that meets the requirements for a separate child health program (Section 2103); or

1.1.2. ☐ Providing expanded benefits under the State's Medicaid plan (Title XIX); or

1.1.3. ☐ A combination of both of the above.

1.2 ☐ Please provide an assurance that expenditures for child health assistance will not be claimed prior to the time that the State has legislative authority to operate the State plan or plan amendment as approved by CMS. (42 CFR 457.40(d))

1.3 ☐ Please provide an assurance that the State complies with all applicable civil rights requirements, including title VI of the Civil Rights Act of 1964, title II of the Americans with Disabilities Act of 1990, section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, 45 CFR Part 80, Part 84, and Part 91, and 28 CFR Part 35. (42 CFR 457.130)

1.4 ☐ Please provide the effective (date costs begin to be incurred) and implementation (date services begin to be provided) dates for this plan or plan amendment (42 CFR 457.65):

Effective date:

Implementation date:

Section 2. General Background and Description of State Approach to Child Health Coverage and Coordination. (Section 2102 (a)(1)-(3) and Section 2105)(c)(7)(A)-(B))

2.2. Describe the current State efforts to provide or obtain creditable health coverage for uncovered children by addressing: (Section 2102(a)(2) and 42 CFR 457.80(b))

2.2.1. The steps the State is currently taking to identify and enroll all uncovered children who are eligible to participate in public health insurance programs (i.e., Medicaid and State-only child health insurance):

Section 4. Eligibility Standards and Methodology. (Section 2102(b))

4.1. The following standards may be used to determine eligibility of targeted low-income children for child health assistance under the plan. Please note whether any of the following standards are used and check all that apply. If applicable, describe the criteria that will be used to apply the standard. (Section 2102(b)(1)(A), 42 CFR 457.305(a), and 457.320(a))

4.1.1. ☐ Geographic area served by the Plan:

4.1.2. ☐ Age:

4.1.3. ☐ Income:

4.1.4. ☐ Resources (including any standards relating to spend downs and disposition of resources):

4.1.5. ☐ Residency (as long as residency requirement is not based on length of time in State) :

4.1.6. ☐ Disability Status (so long as any standard relating to disability status does not restrict eligibility):

4.1.7. ☐ Access to or coverage under other health coverage:

4.1.8. ☐ Duration of eligibility:

4.1.9. ☐ Other standards (identify and describe):

4.1-P. ☐ The State includes eligibility for one or more populations of targeted low-income pregnant women under the plan. ***Please describe the population of pregnant women that the State proposes to cover in this section. Please include any criteria, such as the above categories (e.g., income and resources) that will be applied to this population. Please use the same reference number system for those criteria (for example, 4.1.1-P for a geographic restriction).***

4.2. The State assures that it has made the following findings with respect to the eligibility standards in its plan: (Section 2102(b)(1)(B) and 42 CFR 457.320(b))

4.2.1. ☐ These standards do not discriminate on the basis of diagnosis.

4.2.2. ☐ Within a defined group of covered targeted low-income children, these standards do not cover children of higher income families without covering children with a lower family income. ***Please confirm that this applies to pregnant women as well as targeted low-income children.***

4.2.3. ☐ These standards do not deny eligibility based on a child having a pre-existing medical condition. ***Please confirm that this applies to pregnant women as well as targeted low-income children.***

4.3. Describe the methods of establishing eligibility and continuing enrollment. (Section 2102(b)(2) and 42 CFR 457.350)

4.3.1 Describe the State's policies governing enrollment caps and waiting lists (if any). (Section 2106(b)(7) and 42 CFR 457.305(b))

☐ Check here if this section does not apply to your State.

Please note that this box should be checked as related to children because States may not have an enrollment cap or waiting list for children and cover pregnant women.

4.4. Describe the procedures that assure that:

4.4.1. Through the screening procedures used at intake and follow-up eligibility determination, including any periodic redetermination, that only targeted low-income children who are ineligible for Medicaid or not covered under a group health plan or health insurance coverage (including access to a State health benefits plan) are furnished child health assistance under the State child health plan. (Sections 2102(b)(3)(A), 2110(b)(2)(B), 42 CFR 457.310(b), 42 CFR 457.350(a)(1), and 457.80(c)(3))

Please confirm that the State does not apply a waiting period for pregnant women.

Section 8. Cost Sharing and Payment. (Section 2103(e))

8.1. Is cost-sharing imposed on any of the children covered under the plan? (42 CFR 457.505) ***Please indicate if this applies for pregnant women also.***

8.1.1. ☐ YES

8.1.2. ☐ NO, skip to question 8.8.

8.2. Describe the amount of cost-sharing, any sliding scale based on income, the group or groups of enrollees that may be subject to the charge, and the service for which the charge is imposed or time period for the charge, as appropriate. (Section 2103(e)(1)(A), 42 CFR 457.505(a), 457.510(b) and (c), and 457.515(a) and (c))

8.2.1. Premiums:
8.2.2. Deductibles:
8.2.3. Coinsurance or copayments:
8.2.4. Other:

Please include a statement that no cost sharing will be charged for pregnancy-related services.

9.9. Describe the process used by the State to accomplish involvement of the public in the design and implementation of the plan and the method for ensuring ongoing public involvement. (Section 2107(c) and 42 CFR 457.120(a) and (b))

9.9.1 Describe the process used by the State to ensure interaction with Indian Tribes and organizations in the State on the development and implementation of the procedures required at 42 CFR section 457.125. (Section 2107(c) and 42 CFR 457.120(c))

States should provide notice and consultation with Tribes on proposed pregnant women expansions.

9.10. Provide a 1-year projected budget. (Section 2107(d) and 42 CFR 457.140)

The budget must describe:

- Planned use of funds, including:
  - Projected amount to be spent on health services;
  - Projected amount to be spent on administrative costs, such as outreach, child health initiatives, and evaluation; and
  - Assumptions on which the budget is based, including cost per child and expected enrollment.
- Projected sources of non-Federal plan expenditures, including any requirements for cost-sharing by enrollees.

Please include a separate budget line to indicate the cost of providing coverage to pregnant women.

MAT-SU HEALTH FOUNDATION

950 E. Bogard Road, Suite 218 • Wasilla, AK 99654
Phone: (907) 352-2863 • Fax: (907) 352-2865
www.matsuhealthfoundation.org

Mat-Su Health Foundation Resolution in Support of Increased Denali KidCare Income Eligibility Level

WHEREAS the Mat-Su Health Foundation's mission is to enhance the health of Alaskans living in Mat-Su, and where health is in part determined by access to primary, behavioral, and dental care and preventive services;

WHEREAS the provision of health insurance is a key component of healthcare access;

WHEREAS the Mat-Su Borough is the fastest growing area of Alaska, growing from 5,188 in 1960 to 82,515 in 2008 due to both positive birth and in-migration rates; and the AK Department of Labor projects that all Mat-Su age groups will continue to grow through 2020;[i]

WHEREAS in 2006, of the 22,868 children in Mat-Su, approximately 12.9% or 2,949 were uninsured;[ii]

WHEREAS in 2006, approximately 19.5% or 1,530 children in Mat-Su living at or below 200% Federal Poverty Level (FPL) were uninsured;[iii]

WHEREAS the Average Monthly Medicaid Enrollment *decreased* from 12,073 in 2006 to 11,671 in 2007 in Mat-Su despite a *rising* rate of uninsured coupled with significant population growth;[iv]

WHEREAS in Mat-Su nearly a quarter (23.5%) of all female headed households fell below the poverty level, 51.9% of those with children under 5 years of age were living in poverty compared to 32% of similar households in AK;[v]

WHEREAS 11.3% of families with related children in Mat-Su and 11.2% of families with related children in AK have lived below the poverty level in the last 12 months;[vi]

WHEREAS 37% of Mat-Su Borough School District students ages five to 17 live in households receiving Public Assistance;[vii]

WHEREAS Mat-Su Regional Medical Center, the sole community acute care provider in Mat-Su, supplied $339,554,984 in uncompensated care from 2007 through 2009 and saw uncompensated care rates rise 10% between 2007 and 2008 and 5% between 2008 to 2009;

WHEREAS the rate of uninsured children under age 18 in Alaska is increasing—from 8.4% in 2005 to 10.3% in 2006 to 11.4% in 2007 to 13.2% in 2008;[viii]

WHEREAS results of the 2007 National Survey of Children's Health 2007 reflect that

- 46% of Alaska's children live at or below 200% FPL as compared to 40.6% nationwide;
- 12.8% of Alaskan children under age 18 were uninsured at the time of the survey versus 9.1% nationwide; and only four states have lower rates than AK
- 18% of Alaskan children under age 18 were currently uninsured or had periods of no coverage during the year versus 15.1% nationwide
- 21% of Alaskan children living at or below 99% FPL were uninsured at the time of the survey versus 15% nationwide
- 28.8% of Alaskan children living at or below 99% FPL had periods of no coverage during the year versus 24.2% nationwide

- 17% of Alaskan children living at or below 199% FPL had no coverage at the time of the survey versus 13.9% nationwide
- 25.1% of Alaskan children living at or below 199% FPL had periods of no coverage during the year versus 24.3% nationwide;[ix]

WHEREAS approximately 10,000 Alaskan children 18 years or younger and below 200% FPL are uninsured,[x] and 36,000 Alaskan children 19 years or younger and below 200% FPL rely on government health insurance to provide access to health care services;[xi]

WHEREAS Alaska has seen a 31% decline in the number of children covered by private health insurance in the past decade; [xii]

WHEREAS the cost of caring for uninsured children is passed on to other Alaskans and businesses, raising premiums and out-of-pocket expenses for everyone;[xiii]

WHEREAS uninsured children are nine times less likely to have a regular doctor, four times more likely to be taken to emergency rooms, and 25% more likely to miss school than insured children;[xiv]

WHEREAS the Denali KidCare upper income eligibility guideline was decreased in 2007 to 175% FPL from 200% FPL;

WHEREAS increasing Denali KidCare income eligibility levels to at least 200% FPL will increase health care access for children and families that meet this criterion;

WHEREAS expanding the Denali KidCare income eligibility levels would result in improved public health and overall health outcomes throughout the state for Alaskan children;

WHEREAS the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) reauthorized and expands the State Children's Health Insurance Program of 1997 to allow states to implement coverage up to 300% FPL and also provides for Performance Bonuses for states enrolling additional children in Medicaid;

BE IT THEREFORE RESOLVED that the Mat-Su Health Foundation supports and advocates for the Denali KidCare income eligibility level to be increased to *at least* 200% FPL and that a cost-sharing option is considered between 200% and 300% FPL.

Approved by the Mat-Su Health Foundation Board of Directors on February 15, 2010 *(date)*

Deborah Prator

Deborah Prator, President

[i]Matanuska-Susitna Borough. Alaska Department of Labor, Division of Research & Analysis. http://laborstats.alaska.gov/cgi/databrowsing/localAreaProfileQSResults.asp?geogArea=0204000170&population=census+data=Population&B1=View+Report.

[ii]2006 Small Area Health Insurance Estimates. U.S. Census. http://www.census.gov/did/www/sahie/data/index.html

[iii] Ibid.

[iv] Alaska Health Care Data Book, page 241. Alaska Department of Health & Social Services. November 2007.
[v]Ibid.

[vi] Ibid.

[vii] Ibid.

[viii]U.S. Census Bureau, Current Population Survey, 2006 to 2008 Annual Social and Economic Supplements. http://www.census.gov/hhes/www/hlthins/hlthins.html

[ix] 2007 National Survey of Children's Health. Data Resource Center. 2007. http://nschdata.org/DataQuery/SurveyQuestions.aspx?vid=2&tid=44&geoid=1

[x]U.S. Census Bureau, Current Population Survey, 2006 to 2008 Annual Social and Economic Supplements. http://www.census.gov/hhes/www/hlthins/hlthins.html

[xi] Ibid.

[xii] Legislative Health Care Initiatives Presentation to the Anchorage Chamber of Commerce, August 27, 2007.

[xiii] Ibid.

[xiv] Ibid.

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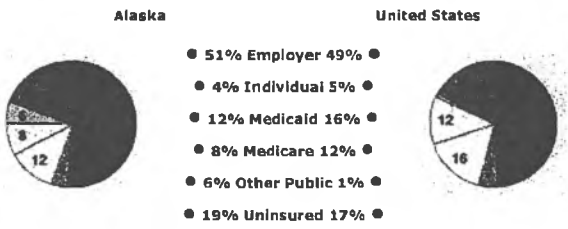
Alaska & United States

State Medicaid Fact Sheets

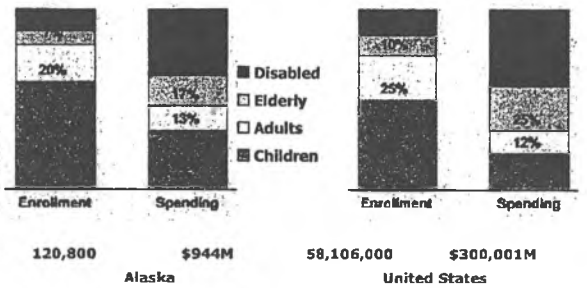
Total Residents, 2008-2009

AK: 666,900 US: 303,343,300

Distribution by Insurance Status, 2008-2009



Medicaid Enrollment and Spending by Group, FY2007



	Number		Percent		Notes
	AK	US	AK	US	
Demographic Profile, 2008-2009					
Total Residents	666,900	303,343,300	-	-	
Income					
Poor Residents (below 100% FPL)	117,700	60,939,000	18	20	% of total residents
Residents (100-138% FPL)	48,000	22,851,100	7	8	% of total residents
Median Annual Income	$63,505	$49,945	-	-	
Age					
Children (0-18)	194,300	79,305,700	29	26	% of total residents
Poor Children	43,900	21,472,200	23	27	% of total children
Adults (19-64)	416,100	185,424,200	62	61	% of total residents
Poor Adults	66,100	34,149,200	16	18	% of total adults
Elderly (65+)	56,400	38,613,300	8	13	% of total residents
Poor Elderly	7,700	5,317,700	14	14	% of total elderly
Distribution by Race/Ethnicity					
White	472,600	196,769,100	71	65	% of total residents
Black	24,400	36,795,300	4	12	% of total residents
Hispanic	27,800	48,828,900	4	16	% of total residents
Other	142,200	20,949,900	21	7	% of total residents
Non-Citizen	24,800	21,578,800	4	7	% of total residents
Population Living in Non-Metropolitan Areas	205,300	48,866,200	31	16	% of total residents
Health Insurance Coverage of Nonelderly, 2008-2009					
Medicaid	76,700	44,144,600	13	17	% of nonelderly
Children	46,500	26,325,400	61	60	% of Medicaid
Adults	30,100	17,819,200	39	40	% of Medicaid
Uninsured	125,800	49,997,900	21	19	% of nonelderly
Children	24,100	8,284,500	19	17	% of uninsured
Adults	101,700	41,713,400	81	83	% of uninsured
Nonelderly (below 100% FPL)	47,200	19,831,900	37	40	% of uninsured
Nonelderly (100-138% FPL)	10,800	6,060,700	9	12	% of uninsured
Nonelderly (139-250% FPL)	35,800	12,877,100	28	26	% uninsured
Nonelderly (251-399% FPL)	19,400	6,476,400	15	13	% of uninsured
Nonelderly (400%+ FPL)	12,600	4,751,900	10	10	% of uninsured
Employer Sponsored Insurance	341,700	149,690,000	56	57	% of nonelderly

Individual Insurance	23,300	13,767,100	4	5	% of nonelderly
Other Public	43,000	7,130,200	7	3	% of nonelderly
Percentage Point Change Among Nonelderly 0-64 by Coverage Type, 2008-2009					
Uninsured	-	-	-2.4	1.5	% point change
Medicaid	-	-	1.0	1.7	% point change
Employer-Sponsored	-	-	2.4	-3.2	% point change
Individually Purchased	-	-	-2.0	-0.1	% point change
Medicaid Enrollment					
Total Enrollment, FY2007	120,800	58,106,000	-	-	% of total residents
Children	72,900	28,754,500	60.3	49.5	% of Medicaid enrollees
Adults	24,500	14,627,000	20.3	25.2	% of Medicaid enrollees
Elderly	8,500	5,934,900	7.0	10.2	% of Medicaid enrollees
Disabled	14,900	8,789,500	12.3	15.1	% of Medicaid enrollees
% Enrolled in Managed Care, 2009	-	-	0.0	71.7	% of Medicaid enrollees
Medicaid Expenditures					
Total Medicaid Spending, FY2008	$890,169,313	$338,791,482,443	-	-	Including DSH
Disproportionate Share Hospital Payments (DSH)	$15,580,779	$17,738,530,492	1.8	5.2	% of total spending
Acute Care	$532,601,181	$206,255,691,313	59.8	60.9	% of total spending
Rx Drugs	$50,424,021	$15,274,195,878	9.5	7.4	% of acute care spending
Long Term Care (LTC)	$341,987,353	$114,797,260,638	38.4	33.9	% of total spending
Nursing Home	$74,009,055	$49,639,456,902	21.6	43.2	% of LTC spending
Home/Personal Care	$212,808,098	$47,762,519,611	62.2	41.6	% of LTC spending
Per Enrollee Medicaid Spending, FY2007					
Total	$7,815	$5,163	-	-	
Children	$4,261	$2,135	32.4	18.6	% of total spending
Adults	$5,108	$2,541	13.3	11.9	% of total spending
Elderly	$19,143	$12,499	17.4	24.3	% of total spending
Disabled	$23,194	$14,481	35.7	40.9	% of total spending
Other Medicaid Spending Measures					
Federal Contribution per State Dollar, FY2010	1.66	1.28	62.46	56.20	
General Fund Spending on Medicaid, SFY2008	$408	$111,711	7.9	16.3	% of general fund spending
Medicaid Eligibility Levels by Annual Income and FPL, 2011					
Pregnant Women	-	-	175	-	% of federal poverty level
Infants	-	-	150	-	% of federal poverty level
Children 1-5	-	-	150	-	% of federal poverty level
Children 6-19	-	-	150	-	% of federal poverty level
Working Parents	-	-	81	-	
Medicaid and Medicare Dual Eligibles					
Total Dual Eligible Enrollment, 2007	13,020	8,896,020	100	100	
Total Dual Eligible Spending in Millions, 2007	$255	$120,520	100	100	
Total Medicare Enrollment, 2010	64,797	46,589,141	9	15	% of total residents
Estimated Annual "Clawback" Payment, 2006	$17,202,153	$6,605,675,559	-	-	
CHIP					
Eligibility Income Level for Family of 3, 2011	-	-	-	-	% of federal poverty level
Change in CHIP Enrollment, June 2008-09	-	-	-0.3	2.7	% growth, 2008-2009
Total CHIP Spending, FY2007	$21,611,463	$10,046,523,960	-	-	

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KidCare funded 664 'medically necessary' abortions in '09

DENALI KIDCARE: Physicians determine what is "medically necessary."

By SEAN COCKERHAM
scockerham@adn.com

(06/18/10 11:47:08)

The Alaska Department of Health and Social Services says 664 abortions were funded last year through Denali KidCare, the state health care program for low-income children and pregnant women.

Gov. Sean Parnell this month vetoed money to expand Denali KidCare to serve more Alaskans, saying he did it because some of the money pays for abortions.

Parnell said at the time that Denali KidCare funded "hundreds" of abortions. Anchorage Democratic Sen. Bettye Davis had disputed that, saying she'd previously spoken to the state health department and that a "very small number" of abortions are funded through Denali KidCare.

The health department couldn't answer for nearly two weeks exactly how many abortions were actually funded through the program. But a department spokeswoman sent out the figures Thursday showing Denali KidCare had paid for between 636 and 689 abortions every year for the past five years.

Last year's 664 is a substantial portion of the total abortions received by Alaskans. The Bureau of Vital Statistics reports 1,875 abortions in Alaska as a whole last year, although that doesn't count Alaskans who had the procedure performed out of state.

Davis didn't return a phone call Thursday seeking comment. But others were not ready to accept the state's numbers at face value.

"I am waiting for clarification about those numbers, but the bottom line is this -- Denali KidCare only pays for medically necessary abortions," said Hollis French, a Democratic state senator who is running against Parnell for governor. "Standing between a woman and her doctor is irresponsible, particularly when the stance also includes denying 1,200 children access to affordable medical care."

Denali KidCare is required to fund "medically necessary" abortions because of a 2001 Alaska Supreme Court ruling. The court ruled that "if the state undertakes to fund medically necessary services for poor Alaskans, it may not exclude from that program women who medically require abortions."

The state does not define what is "medically necessary," leaving that to the treating physician.

"I've been doing this for thirty-some years, not just abortions but health care. And early on I learned that only a physician can determine medical necessity," Bill Streur, deputy commissioner of the state health department, said earlier this month.

Jim Minnery, president of the anti-abortion group Alaska Family Council, said on Thursday that the

definition of "medically necessary" needs to be tightened.

He questioned how many abortions funded by Denali KidCare are related to the health of the mother, saying doctors are free to determine it's "medically necessary" to have an abortion if the birth would interfere with the mother's work or education.

Clover Simon, vice president of Planned Parenthood of Alaska, which provides abortions, said there was a court order during the 2001 case over state-funded abortions that set out what "medically necessary" is about. She said the term refers to "abortions certified by a physician to prevent the death or disability of the woman, or to ameliorate a condition harmful to the woman's physical or psychological health, as determined by the treating physician performing the abortion services, in his or her professional judgment."

The state health department said $384,000 out of Denali KidCare's $217 million budget went to pay for "abortion related services." That's 0.18 percent of the total.

It adds up to about $580 for each abortion. The state and Planned Parenthood said that figure sounds about right, noting that the reimbursement to physicians through Denali KidCare is less than it would be with private insurance.

There were 55,754 Alaskans enrolled in Denali KidCare last year to receive help from the state with their health care costs, including 7,947 pregnant women.

The $3 million that Parnell vetoed would have allowed 1,300 more children and 218 more pregnant women on Denali KidCare, according to state estimates.

The money would have expanded eligibility of the program to cover households with income up to 200 percent of the federal poverty level, a threshold that's about $55,150 for a family of four. Proponents of the expansion said most states fund at that level while Alaska is currently at about 175 percent.

Ethan Berkowitz, another Democrat running against Parnell for governor, has said the issue is about health care and not abortion. If the issue for Parnell was really abortion he would have opposed all the Denali KidCare money, Berkowitz said, instead of just saying people can get health services if they are up to 175 percent of the poverty line but not between 175 and 200 percent.

Parnell spokeswoman Sharon Leighow said the governor had nothing to add Thursday to what he said when he vetoed the money. Parnell said he was acting to "make sure we don't expand state government funding of abortions here in Alaska."

Find Sean Cockerham online at adn.com/contact/scockerham or call him at 257-4344.

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Parnell cites abortion in KidCare funds veto

CUTS: Governor axes over $300 million in state spending.

By SEAN COCKERHAM
scockerham@adn.com

(06/04/10 14:34:15)

Gov. Sean Parnell vetoed more than $300 million in state spending Thursday, including money for renewable energy and to expand Denali KidCare for low-income children and pregnant women.

Parnell vetoed nearly $3 million aimed at letting more Alaskans have health care costs covered under Denali KidCare. It's an increase he supported when it overwhelmingly passed the Legislature. But the governor said he reversed his position after recently finding out some Denali Kid Care money goes to fund abortions.

"My intention here today is to make sure we don't expand state government funding of abortions here in Alaska," Parnell said in announcing the veto.

His administration could not say how much Denali KidCare money is going to fund abortions, and critics of the decision say he's denying help to more than 1,000 children.

The Denali KidCare veto was the only significant cut Parnell made to the $8 billion budget that funds state agencies and services. But the governor axed $300 million from the separate $3.1 billion state budget for construction and maintenance projects, which is among the largest capital budgets the state has seen. The Legislature approved the budgets before adjourning for the year in April.

Parnell vetoed money for about 150 projects throughout the state, from roads to sewers to a new house for polar bears Ahpun and Louie at the Alaska Zoo. In many cases the governor reduced funding for projects instead of zeroing them out. He halved the $50 million intended for renewable energy grants, saying most of the money appropriated in the past for such projects still hasn't been spent. He cut $250,000 of the $1 million for deferred maintenance at the governor's mansion.

His veto of Denali KidCare money drew by far the strongest reaction, with Democrats saying it was outrageous. Anchorage Democratic Sen. Bettye Davis, who sponsored the Denali Kid Care money, said it would have allowed 1,300 children and 225 pregnant women to receive care.

Ethan Berkowitz, one of Parnell's Democratic opponents for governor, called the decision cold-hearted. "If you want to be tough, you don't be tough by slapping kids around," he said.

Hollis French, a Democratic state senator who is also running against Parnell, said the decision was depriving hundreds of children of coverage "because you're afraid a few women might make a choice you don't agree with." The courts made it clear the state has to pay for "medically necessary" abortions for poor women and the program doesn't fund elective abortions, he said.

Officials with AARP Alaska and the Central Council of Tlingit and Haida Head Start program said the governor's veto will hurt people struggling to raise children.

Parnell said he wanted to offer the health care to more women and children. But he said he couldn't bring himself to do it after recently discovering Denali Kid Care also funded abortions. Parnell said he couldn't believe it when he found out.

"I want to be able to provide those services. But if your governor doesn't stand for life and liberty, as he understands it in his conscience, then you don't have a governor," Parnell said.

Parnell said there are "hundreds of abortions being paid for by these funds." But state Sen. Davis said that's not true and only a "very small number" of abortions are funded. She said that's what the Alaska Department of Health and Social Services, which administers the program, told her when she inquired last year.

The Department of Health and Social Services was not answering any questions about it Thursday, even after Parnell referred reporters to the agency when he was asked how much Denali KidCare money is going for abortions. The agency said it could not answer that question, nor could it say how many abortions were funded or how it made the decisions on which abortions it should pay for.

Agency spokeswoman Cathy Stadem said the answers had to be run past the governor's office and she hoped to give them the next day. "Everything is having to be vetted through (the Alaska Department of Law) and through the governor's office," she said.

The $2.9 million Parnell vetoed would have expanded eligibility of the Denali KidCare program to cover households with income up to 200 percent of the federal poverty level, a threshold that's about $55,150 for a family of four. Proponents said most states fund at that level while Alaska is currently at about 175 percent.

BUILDING PROJECTS AXED

Sitka Republican Sen. Bert Stedman said he didn't realize Denali Kid Care money went to abortions and understands Parnell's reasoning on the veto. But Stedman said there was no financial reason for Parnell to chop hundreds of millions of dollars from the state budget for construction and maintenance projects.

"It's a political decision, not a financial one," said Stedman, who helped craft the budget.

The state has $12 billion in cash reserves on top of the Alaska Permanent Fund, Stedman said, and if the projects aren't funded now, they might never happen.

Parnell said the state has a surplus from high oil prices but it's not going to last forever. He said the amount of spending he approved will create jobs but not break the bank.

"These vetoes for the most part don't represent projects I do not like. They represent projects I think should be deferred to another time because of the fiscal situation," the governor said.

Ralph Samuels, a Republican running for governor, criticized Parnell for not cutting more. He said Parnell didn't do nearly enough at a time when oil production is declining.

There were about $70 million in road and drainage money vetoes in Anchorage. The mayor's office said nearly $10 million more was axed from the budget in planned upgrades for the Loussac Library, Sullivan Arena, the Ben Boeke and Dempsey Anderson ice arenas, and recreation centers in Spenard and Fairview.

But Anchorage Mayor Dan Sullivan said "a healthy list of road, public safety and other priority

projects remains, and will lead to a robust level of economic activity for Anchorage."

Parnell cut the biggest project in the budget for the Mat-Su Borough. He vetoed $22 million of the $57 million that the Legislature appropriated for work toward an extension of the Alaska Railroad from north of Willow to Port MacKenzie. Mat-Su Economic Development Director David Hanson said the remaining money will go to design and engineer the route, buy right of way and begin construction.

Mat-Su borough officials said they were mostly happy with the $137 million in projects they kept.

Find Sean Cockerham online at adn.com/contact/scockerham or call 257-4344. Daily News reporter Rindi White contributed to this story.

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Scenarios show emergency room visit is no cure-all for many children

COMPASS: ***Other points of view***

By SEN. BETTYE DAVIS

(07/23/10 21:23:29)

While stories of the governor's veto of Senate Bill 13 and the funding for the expansion of the state's Denali KidCare program fade from the media, just under 1,300 children and over 200 pregnant women will be faced with the daily reality of not having basic insurance coverage. That is why I sponsored this legislation, and that is where my interest in this remains.

Some may argue that they still have the ability to seek treatment at an emergency room. While that is true, let's look at some scenarios that Denali KidCare would cover with a less costly visit to a doctor's office.

Try taking your 6-month-old to an emergency room for checkups that include hearing or vision tests, immunizations and other various well-baby screenings instead of a pediatrician's office. They can't help you with that at the emergency room.

Perhaps while talking to your 2-year-old child, you notice he can only imitate speech or actions but doesn't produce words or phrases spontaneously. Without speech language therapy, his speech could fall further behind his peers' as he grows older. You can't get speech therapy in an emergency room.

We all know smart children who seem to lose interest or can't follow things in class, who we later learn couldn't see the visuals the teacher used because they didn't know they needed glasses. You can't get glasses in an emergency room.

How about not being able to eat or concentrate during school or at home because of a toothache? The emergency room doesn't offer dental checkups, cleanings and fillings.

Your 14-year-old breaks her leg while engaged in sports and goes to the emergency room for treatment. In this instance she will no doubt receive outstanding care, but what about follow-up physical therapy? You can't get that in an emergency room.

There are many other great services offered through Denali KidCare, such as mental health therapy, substance abuse treatment, chiropractic services, foot doctor's services and the fundamentally important but many times forgotten medical transportation services. I haven't even touched upon the prenatal services available to pregnant women that are critical to the wellbeing of the mother and birth of a healthy child.

Let me make it clear that I believe that we have some of the most highly trained, caring and compassionate professionals staffing our emergency rooms statewide and I am highly supportive of them. But an emergency room is designed for just what it pronounces itself to be: a place to treat people during emergencies. While either a doctor or an emergency room visit for your child can provide you with laboratory tests, prescription drugs or, in a worst-case scenario, hospitalization for a major traumatic event, the costs for these services could easily be a financial nightmare for any family. If the family cannot pay most or any of the bills, those costs are spread throughout the health care system to

those with insurance, whose premiums go up accordingly. And if those services are done exclusively at an emergency room, the costs are even higher.

So while some individuals want to take this valuable program and use it as a touchstone for their opinions on government spending or philosophical battles, I remain focused on helping to bring health care to those who have no real interest in politics but just need assistance to see a doctor. For those women and children, the fact that the veto of SB 13 is no longer headline news doesn't change their needs.

Sen. Bettye Davis, an Anchorage Democrat, has represented District K in the state Senate since 2001.

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Senate Bill 5 and Denali Kid Care Expansion

March 21, 2011

The Alaska Chapter of the American Academy of Pediatrics is in support of SB 5 and expansion of Denali Kid Care to 200% FPL.

Every child has medical needs that cannot be ignored. Denying coverage to a family in poverty does not change this fact. Alaska's huge size and minimally developed wilderness present a challenge in medically caring for its children. Denali KidCare (DKC) is the only means for many of these children to have access to local primary care, and when needed, the ability to reach specialty care in Anchorage. The federal government pays 64% of the cost of the State Children's Health Insurance Program (SCHIP/DKC) for non-Alaska Native children and 100% for Alaska Native children. Alaska has some of the most stringent eligibility requirements in the United States, 175% Federal Poverty Limit, placing us at 48th out of the 50 states in covering our poorest children. Senate Bill 13 was overwhelmingly passed with bipartisan support during the last legislative session. It expands DKC back to 200% of the Federal Poverty Line, its original level when instituted in 1998, and more in line with the rest of the United States. The cost of this expansion is estimated to add less than $1M to the annual State budget. Many legislators from both parties, including Governor Parnell, publically pledged support for this bill and claimed to recognize the importance of taking care of the basic health needs of our children. Suddenly, the Governor, who is a former finance committee chairman, reversed his support claiming he did not understand DKC funding and the potential for covering selective abortion services. The Alaska Department of Health and Social Services reports that 0.18% of DKC funding went to abortion related services last year. The service is permissible if deemed a medical necessity.

Prior to last year, expansion of children's healthcare was never once an abortion issue until Governor Parnell faced re-election and the republican primary. The Governor vetoed DKC expansion arguing that it was morally wrong to spend state funds on a medical plan with an abortion benefit. The Governor and his family are covered under the state workers plan called AlaskaCare (Wells Fargo Insurance Services). A call to the AlaskaCare benefits line reveals "abortion services are a covered benefit for employees and their dependents when deemed medically indicated." It appears the Governor is unconcerned with state funds paying for a healthcare plan with an abortion benefit, if the plan is for himself, his family, administration and staff. For Governor Parnell to claim that DKC expansion is an abortion bill simply does not ring true. Nearly every healthcare plan in the state has an allowance for some sort of abortion service, including the Governor's own. If the Governor truly believes that state funding should not be used towards a plan with abortion services, then he has the opportunity to take a stand with himself, his own family, his staff and administration. Not with the poor and vulnerable.

Alaska ranks at the bottom of the country in regards to domestic violence, rape and once again, children's healthcare coverage. This is not an abortion issue. It is an issue of social justice, of doing what is right. As a State, we cab do better.

M. David Bomalaski, MD, FAAP
Legislative Representative
Alaska Chapter of the American Academy of Pediatrics

Jody L. Butto, MD, FAAP
President
Alaska Chapter of the American Academy of Pediatrics

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MAR 14 ...

March of Dimes Foundation
Alaska Chapter
3209 Denali Street, Suite 200
Anchorage, AK 99503
Telephone (907) 276-4111
Fax (907) 276-3375

March 9, 2011

The Honorable Bettye Davis
State Capitol, Room 30
Juneau, AK 99801

RE: Support for Senate Bill 5 pending in the House Health and Social Services Committee

Dear Senator Davis:

I am writing to you to express the support of March of Dimes for **Senate Bill 5.** The mission of March of Dimes to improve maternal and child health by preventing birth defects, premature birth and infant mortality can best be achieved if all women of childbearing age, infants and children have access to comprehensive health coverage.

Senate Bill 5 reinstates Medicaid and Denali KidCare (DKC) for children and pregnant women in Alaska up to 200% of Federal Poverty Level (FPL). This was the original eligibility level when DKC was established in 1997. The eligibility threshold was reduced and frozen at 175% FPL by the Legislature in 2003. This bill will help reinstate eligibility to many of Alaska's 24,000 uninsured children as well as provide maternity coverage for several of Alaska's 34,000 women of childbearing age who have no health insurance.

The Institute of Medicine has found that health coverage is the single most important factor in determining whether or not a child receives needed health services. Coverage also plays a key role in access to maternity care services for pregnant women.

Women who receive maternity care are more likely to have access to screening and diagnostic tests that can help to identify problems early; services to manage developing and existing problems; and education, counseling, and referral to reduce risky behaviors like substance use and poor nutrition. Such care may thus help improve the health of both mothers and infants. For example, singleton infants born to mothers who received late or no prenatal care in 2004 were nearly twice as likely to be low birth weight (less than 5 1/2 pounds) as infants born to mothers who received early prenatal care —9.9 percent compared with 5.9 percent.

In addition to pregnant women, health insurance status is the single most important influence in determining whether health care is accessible to children when they need it, according to another Institute of Medicine study. Though uninsured newborns are more likely than insured babies to be sick, they receive fewer hospital services.

Uninsured children are the most likely to have no usual source of medical care - 28.8 percent, compared with only 2.3 percent of privately insured youngsters and 4.6 percent of children in public insurance programs.
March of Dimes is a leading nonprofit organization for maternal, infant and child health. With chapters nationwide and its premier event, March for Babies, March of Dimes works to improve the health of women, infants and children. **I urge you bring Senate Bill 5 before the House Health and Social Services Committee for a vote and ensure passage of this important piece of legislation.**

Sincerely,



Janie Odgers
State Director

Main Office
130 Seward St #209
Juneau, Alaska 99801
Phone: (907) 586-3650
Fax: (907) 463-4493
www.andvsa.org

ANDVSA
Alaska Network on Domestic Violence & Sexual Assault

Pro Bono Office
PO Box 6631
Sitka, Alaska 99835
Phone: (907) 747-7545
Fax: (907)747-7547

February 4, 2011

Senator Bettye Davis
State Capitol, Room 30
Juneau, AK 99801

Re: Letter of Support for SB 5

Dear Senator Davis:

On behalf of our member programs that provide safety and resources for women and children throughout Alaska, and the women and children for whose safety we advocate, thank you for introducing SB 5. The Alaska Network on Domestic Violence and Sexual Assault fully supports SB5. An increase in the maximum income Medicaid eligibility requirements to 200% of the Federal Poverty Level will provide many additional women and children critical and oftentimes lifesaving medical services.

It is common for instances of abuse to be first detected by medical providers, who then refer women and children to appropriate services in their communities. In this regard, access to regular medical care is one of our first screening and referral tools. But beyond increasing knowledge of and referrals to community resources, an increase in Medicaid eligibility will allow women to make safe choices. When women know they have the resources to adequately provide for their children, they are more likely to take steps to leave abusive situations. An increase to the maximum eligibility requirement will afford such security to scores of working mothers.

The Network is in full support of SB 5. Thank you for advocating for women and children in our state, and if I may be of any assistance or provide you any information, please let me know,

Sincerely,

Peggy Brown
Executive Director

cc: Lisa Mariotti, Policy Director

Theda S. Pittman
PO Box 241513
Anchorage, AK 99524

907-222-5974
tspittman@oci.net

March 24, 2011

The Honorable Kevin Meyer
Alaska State Senate

Dear Senator Meyer,

With respect to the following:

1) potential expansion of insurance coverage under Denali KidCare;

2) the fact that there is no statutory definition of 'medically necessary'; and

3) your quoted comment that it's one thing for a woman to have an abortion if her life is in danger and another if she feels having a baby will leave her depressed, I ask you to consider the following.

It is an incredible insult to women to suggest they are not capable of selecting a competent doctor and that said doctor is not competent to determine whether a given procedure is medically necessary.

As you certainly know, there is already a lot of incomprehensible language in our statutes; I shudder to think of the outcome should there be an effort to reduce something so complex as medical necessity to a laundry list of conditions that are the only things that merit insurance coverage. How detailed do you think such a list should be?

For example, common sense (which is not so common after all) might conclude that plastic surgery for breast reduction is not medically necessary. I suggest that absent some competence in medicine and knowledge of the specifics of a given case, such a conclusion would be foolish.

I know a woman whose breasts were so disproportionately large for her small body frame, that she suffered debilitating pain in her shoulders and back. Plastic surgery was indeed medically necessary and having the surgery freed her of a condition that was seriously undermining her ability to work and to care for her family.

I'm confident that intelligent men who genuinely care about health care can come to understand that abortion is a subject best left to a woman, her doctor, her spiritual advisor and any others that she personally invites to assist her with a decision.

A careful reading of Roe v. Wade will inform one that it does not sanction abortion without limitations. The time and money and anguish that has taken place since its passage because people have used laws and courts in an effort to impose their personal views on the rest of us is total nonsense. That much maligned decision is both clear and excellent public policy.

Please work to eliminate the demeaning of women and doctors when considering decisions related to women's reproductive health.

Yes, there are quack doctors and yes, there are women who – for a variety of reasons may have an abortion when a condom or a morning after pill might have help avoid that situation altogether.

But in a society where some people consider using contraception as on a level with murder, it seems clear that this subject will require calm, thoughtful, educated discussion rather than the present efforts across the states to return women to the subservient position some think they deserve simply because they are women.

Respectfully,

Theda Pittman

Cc: Senator Bettye Davis

Juneau Youth Services, Inc.

907.789.7610
907.789.2106 Fax

P.O. Box 32839
Juneau, AK 99803

March 7, 2011

Senator Bettye Davis, Chair
Health and Social Services Committee
State Capitol
Juneau, AK 99801-1182

Re: Support for SB 5

Dear Senator Davis,

I am writing on behalf of both Juneau Youth Services and the Alaska Association of Homes for Children. Thank you for once again introducing legislation (SB 5) to raise the eligibility threshold for Denali KidCare from 175% to 200% of the Federal Poverty Level (FPL).

As you know, Alaska is one of the strictest states in the country when it comes to eligibility for Children's Medicaid (Denali KidCare). The estimate last year was that raising the eligibility criteria to 200% of the FPL would result in an additional 1,200 children and 200 pregnant women being covered under Denali KidCare. With a high rate of federal matching funds, this increase could take place with a minimal increment in state operating funds.

It is important to recognize that Denali KidCare is a major funding source for children's behavioral health and residential services in Alaska. Approximately 75% of the children and youth served by Juneau Youth Services access these services through Medicaid/Denali KidCare. Denali KidCare is also a major factor in ensuring that Alaska's children and youth receive services as close to their home communities as possible.

Raising the threshold for Denali KidCare is a wise investment in the health and wellbeing of Alaska's children. Thank you for your leadership on this critical issue.

Sincerely,

Walter Majoros

Walter Majoros
Executive Director

Doniece Gott

From: Emily Kane [DoctorEm@aol.com]
Sent: Monday, April 04, 2011 11:33 PM
To: Senate Finance Committee
Cc: Thomas Obermeyer
Subject: SB 5

I support SB 5.

Investing in kids' health gives the biggest bang for the healthcare buck. For example, preventing one case of childhood obesity and subsequent diabetes could save Medicaid $5 million over that kid's lifetime. Diabetes is hugely expensive what with chronic medication, dialysis, amputations, and blindness.

Treating as many children as need medical and preventive care as possible leads to healthier moms and healthier families as well.

Many middle class families can't afford private health insurance.

What is the point of all of our oil money if we don't take care of our children?

Please insist on SB 5 passing this month.

Sincerely,

Dr Emily A Kane
www.DrEmilyAKane.com
www.AKANP.org
www.naturopathic.org

SB

9

<TARGET><BILL>SB 9</BILL><SUBJECT>SB 9</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/16/11

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 9

SB 9-RAISE COMP. SCHOOL ATTENDANCE AGE/TRUANCY

"An Act relating to compulsory school attendance; and relating to the crime of contributing to the delinquency of a minor."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
EED	✓			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	EGAN	✓			
	McGuire	✓			
	OLSON			✓	
	ELLIS	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman			✓	

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **SB009**
Fiscal Note Number:
Publish Date:

Identifier (file name): SB009-EED-ESS-11-25-11
Title: "An Act related to compulsory school attendance; and to the crime of contributing to the delinquency of ..."
Sponsor: Senator Davis
Requester: Senate Finance

Dept. Affected: Education & Early Development
Appropriation: K-12 Support
Allocation: Foundation Program
OMB Component Number: 141

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits	14,858.6						
Miscellaneous							
TOTAL OPERATING	**14,858.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	14,858.6						
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**14,858.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (If initial version, please note as such)

This fiscal note reflects updated fiscal year information.

Prepared by: Elizabeth Nudelman, Director — Phone: 465-8679
Division: School Finance & Facilities — Date/Time: 11/25/11 12:00 AM
Approved by: Mike Hanley, Commissioner — Date: 11/25/2011

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB009
2012 LEGISLATIVE SESSION

Analysis

This bill lowers the compulsory age for attendance by one year, from age 7 to 6; and extends the age of required attendance by two years, from age 16 to 18. The exception is if a student completes the 12th grade or graduates from a secondary school.

In FY2010 there were approximately 1,406 students between the ages of 16 and 18 that dropped out of public school after the October student count period. The average cost of a student run through the FY12 foundation formula is $10,568. 1,406 x $10,568 = $14,858,608.

Alaska State Legislature

Interim: (May - Dec.)
716 W. 4th Ave
Anchorage, AK 99501
Phone: (907) 269-0144
Fax: (907) 269-0148

Session: (Jan. - May)
State Capitol, Suite 30
Juneau, AK 99801-1182
Phone: (907) 465-3822
Fax: (907) 465-3756
Toll free: (800) 770-3822

Senator_Bettye_Davis@legis.state.ak.us
http://www.akdemocrats.org

Senator Bettye Davis

SB 9 27-LS0085 "An Act relating to compulsory school attendance; and relating to the crime of contributing to the delinquency of a minor."

SPONSOR STATEMENT

This bill changes the Alaska compulsory school attendance ages from 7-16 to 6-18. At the same time it necessarily amends the criminal statute of contributing to the delinquency of a minor from the maximum age 16 to 18. The legislative intent of this bill is to require all students to start school earlier when their brains are growing and developing at a dramatic rate from birth to age 7 and to stay in school long enough to graduate. This bill allows earlier identification of children with learning disabilities and more time to take successful corrective action. This bill will not preclude parents from homeschooling children, or using charter or alternative schools, or any other of the twelve enumerated exceptions to compulsory education under AS 14.30.010(b), including completion of grade 12 or graduation from a secondary school before age 18.

The Alaska compulsory school age statute is out of date with modern educational practice and thinking. The law has not changed since territorial days when few children attended school beyond 8th grade or bothered to graduate, because most jobs did not require much education. The majority of Alaskan students today are already in school by age six and many by the minimum age five. Head Start and prekindergarten programs are growing in popularity. The state already funds a pilot pre-kindergarten program and SB 6 this year proposes funding such a program statewide.

In 1852 Massachusetts became the first state to pass compulsory school attendance laws, and by 1918 all states required children to receive an education. Today every state and territory requires children to enroll in public or private education or to be home-schooled. Thirty-two states require students to begin their education by age 6 or 5 and to remain in school until 16 or older. Twenty-four states and American Samoa set the minimum at age 6, and eight states and the District of Columbia, Puerto Rico and the Virgin Islands set the minimum at age 5. All children are required to continue their education into their high school years, with twenty states setting the compulsory cutoff age at age 18; eleven at age 17; and nineteen states including Alaska and the Virgin Islands at age 16.

By increasing the school attendance age to 18, this bill should discourage earlier dropouts and reduce juvenile crime, teen pregnancy and other at risk behaviors. Studies have found that students without a diploma earn less than 75% of those with a diploma; they are more likely to live in poverty, go to jail, and have health problems.

The Alaska Department of Education and Early Development reported 8,245 students or 67.7% graduated in 2010 while 3,186 dropped out. The graduation rate of Alaska Native students was 55.4%, a group which experienced twice the dropout rate of all students. These rates remain well below the national average. The National Education Association's first priority two years ago in its "12-Point Action Plan for Reducing the School Dropout Rat" was to "*mandate high school graduation or equivalency as compulsory for everyone below the age of 21.*" It reported:

"Just as we established compulsory attendance to the age of 16 or 17 in the beginning of the 20th century, it is appropriate and critical to eradicate the idea of 'dropping out' before achieving a diploma. To compete in the 21st century, all of our citizens, at minimum, need a high school education."

Opponents to increasing compulsory school age who are concerned about forcing students to be in the classroom against their will argue that these students may become disruptive and require more time and expense on behavior and truancy problems. This bill, however, is directed at more than just "seat time." It is to become part of a larger plan to motivate rather than to punish or ignore students. It aims to help students stay in school long enough to graduate and go on to college or better-paying jobs. Students will want to come to school, stay in school, and graduate, if academic problems are identified early and they helped long before they dropout. For those students who want to work or are not as academically inclined, school districts are encouraged to continue accredited alternative schools and work-study programs to help students earn credits toward a diploma if they must work at the same time. Coupled with early efforts to retain, train, and graduate, this bill can bring hope and success to thousands of Alaskan students who otherwise might not stay in school long enough to graduate or develop to the best of their potential.

LEGAL SERVICES

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

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

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

MEMORANDUM January 31, 2012

SUBJECT: Revised Sectional Summary of SB 9
(Work Order No. 27-LS0085\M)

TO: Senator Bettye Davis
Chair of the Senate Health and Social Services Committee
Attn: Thomas Obermeyer

FROM: Jean M. Mischel
Legislative Counsel

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

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

Section 1. Raises the age from 16 to 18 for the crime of contributing to the delinquency of a minor for repeated absences from school.

Section 2. Adjusts the compulsory school age from 7 to 16 to 6 to 18 years of age.

Section 3. Amends an exception to the compulsory school attendance age to provide for graduation for a secondary school.

JMM:ljw
12-067.ljw

Doniece Gott

From: Sen. Bert Stedman
Sent: Monday, January 30, 2012 10:24 AM
To: Senate Finance Committee
Subject: FW: SB 9

Importance: High

Please distribute in the SB 9 packets.
DP

From: Comeau_Carol [mailto:Comeau_Carol@asdk12.org]
Sent: Monday, January 30, 2012 9:09 AM
To: Sen. Lyman Hoffman; Sen. Bert Stedman; Sen. Dennis Egan; Sen. Johnny Ellis; Sen. Lesil McGuire; Sen. Donny Olson; Sen. Joe Thomas
Cc: School Board; Level I; Laule_Marie; Embley_Heidi
Subject: SB 9
Importance: High

Dear Senators:
I am not able to call in to testify today on Senate Bill 9 (Raise the Compulsory Age/Truancy), but I did want to comment on this important legislation. The Anchorage School Board, and administration, have had a long-time legislative priority regarding this issue. Our community has testified many times as to the importance of giving all of our students the best chance to earn a high school diploma, and not a GED. Our students need to hear loud and clear that students should get that high school diploma, and that it is not right to drop out of high school at 16 just because the current law says they can!!! **We support SB 9.**

Over the years, our School Board has prioritized school attendance and its impact on student achievement. Most of Anchorage's students enter kindergarten during a child's fifth year, at age 5, some at age 6. We know that if the current law for compulsory education remains at seven (7), that this is far too late for a student to be able to achieve on a "level playing field" with their peers. We believe that law should be revised downward to age six (6) as proposed in SB 9 because the vast majority of Alaska's students enter when eligible to enter kindergarten.

We strongly support revising the compulsory education age to age 18, or graduating from high school with a diploma, as the best way to insure that more of our young people are career and college ready. Many in our community, especially newly arrived in Anchorage from rural Alaska and from overseas, feel that their children do not need to continue in school past their sixteenth year; many are asked to go into the work force to help their families financially since the law doesn't require them to attend school. We think this is the wrong message.

The increased opportunities for Career and Technical Education (C and TE) due to the increase in funding by the Alaska legislature last year will have a very positive impact for many of our students. One of the arguments against raising the compulsary age is that we don't want "unengaged students in our schools causing trouble for those who want to learn". I believe that we are making our classes more engaging and appropriate for today's students and the future workforce.

We know that all students, in this day and age, need a high school diploma at a minimum! We have been notified by the US Army, and the other branches of the military, that they will not accept students into the voluntary military without a high school diploma, except in very specialized areas. In addition, even though the University of Alaska accepts students with a GED, we believe that the lack of entry requirements of a diploma and a minimum GPA, increases the probability that entering students have to take remedial classes. We believe that the vast majority of our students in Alaska, will benefit from increased years of high school.

Additionally, we believe that the name of the High School Graduation Qualifying Exam (HSGQE), should change. Too many of our sophomores pass all three sections of this test and think that they can leave high school. This is an essential skills test only and certainly does not prepare a student for entry into college or the work force, etc.

We support SB 9 as the right thing to do for our students!

Thank you for your attention to this important matter.
Carol Comeau
Superintendent
Anchorage

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January 25, 2012

Obama Wades Into Issue of Raising Dropout Age

By TAMAR LEWIN

President Obama's State of the Union call for every state to require students to stay in school until they turn 18 is Washington's first direct involvement in an issue that many governors and state legislators have found tough to address.

While state legislative efforts to raise the dropout age to 18 have spread in recent years, many have had trouble winning passage. Last year, for example, such legislation was considered in Alaska, Illinois, Kentucky, Maryland and Rhode Island — but only Rhode Island actually changed its law.

"Efforts to raise the age usually come up against the argument that requiring students to stay in school when they no longer want to be there is disruptive to other students and not fair to the teacher," said Sunny Deye, a senior policy analyst at the National Conference of State Legislatures. "Home-school groups often oppose raising the compulsory attendance age, and especially now, in this budget crunch, there are major concerns about the fiscal impact."

In Kentucky, where the dropout age of 16 was set in 1934, legislation to move the age to 18 has failed twice. Gov. Steven L. Beshear's State of the State message this month made another push.

The dropout age, historically set at 16 in most of the nation, has been edging up. Currently, 21 states and the District of Columbia have compulsory attendance until 18, and 11 others require attendance until age 17.

Given that Washington provides only about 10 percent of education financing, the federal government's effort to dictate policy in an area that has always been left to the states may raise hackles.

"I will concede that having the federal government decree this, that's going to stick hard with some people," said Bob Wise, president of the Alliance for Excellent Education, which supports the proposal. "But with almost a third of our students dropping out of high school,

we have an economic crisis and we need to be sending a stronger message about the importance of education."

And, he said, it would not be hard for the federal government to incentivize the higher age requirement by making it a condition of states' getting Race to the Top grants or other federal education money.

Several economists, over two decades, have found that higher dropout ages improve not only graduation rates but entrance to higher education and career outcomes. "The evidence is quite robust that raising the school-leaving age increases educational attainment," said Philip Oreopoulos, an economics professor at the University of Toronto, whose study found, however, that exceptions to the law, lenience in enforcement and weak consequences for truancy could all interfere with an increase. "Ideally, you use both a carrot and stick approach, so that if students have to stay in school longer you're also providing wider curriculum options that might interest them."

In a 2010 report on the dropout problem, Robert Balfanz, a research scientist at Johns Hopkins University, found that of the six states that increased the compulsory school age from 2002 to 2008, two — Illinois and South Dakota — experienced increases in their graduation rates, and one, Nevada, had a decline.

"It's symbolically and strategically important to raise the age to 18, but it's not the magical thing that in itself will keep kids in school," Dr. Balfanz said.

Most policy experts warn that to prevent dropouts, schools need a broad range of supports for struggling students, as far back as the middle grades.

"There's a whole array of reasons students drop out: teen pregnancy, financial obligations, detachment from the school environment, boredom, feeling the curriculum has no relevance in the real world," said Jennifer Dounay Zinth, a senior policy analyst at the Education Commission of the States. "Schools need to intervene quickly if there are warning flags."

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MEMORANDUM January 31, 2011

SUBJECT: Sectional Summary of SB 9 (Work Order No. 27-LS0085\M)

TO: Senator Bettye Davis
Chair of the Senate Health and Social Services Committee
Attn: Thomas Obermeyer

FROM: Jean M. Mischel
Legislative Counsel

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

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Section 1. Raises the age from 16 to 18 for the crime of contributing to the delinquency of a minor for repeated absences from school.

Section 2. Raises the compulsory school age from 16 to 18.

Section 3. Amends an exception to the compulsory school attendance age to provide for graduation for a secondary school.

JMM:ljw
11-057.ljw

Graduation Rates in Alaska
Fact Sheet

The Graduation Rate is reported as a fraction. The numerator is the sum of the number of graduates receiving a regular diploma before June 30. The denominator is the sum of the number of graduates, plus the number of dropouts in grade nine three school years prior, plus the number of unduplicated dropouts in grade ten two school years prior, plus the number of unduplicated dropouts in grade eleven in the prior school year, plus the number of unduplicated dropouts in grade 12 during the current year, plus the number of grade 12 continuing students.

A **graduate** is defined as a student who has received a regular diploma from a state- or district-approved education program, as evidenced by receipt of a secondary school diploma from school authorities. Any student who receives a diploma under a waiver from the competency examination required under AS 14.03075 (a), as specified by the state board is considered to be a graduate. This does not include an individual who:

- receives a certificate of completion;
- receives a certificate of attendance;

The statewide Graduation Count has increased significantly over the last five years.

School Year	Graduation Rate	Graduate Count
2004	62.9%	7,290
2005	61.4%	6,905
2006	61.6%	7,361
2007	63.0%	7,666
2008	62.6%	7,855
2009	67.5%	8,008
2010	67.7%	8,245

The Alaska Native/American Indian Graduation Rate has shown improvement over the same five year time period:

School Year	Graduation Rate	Graduate Count
2004	46.1%	1,327
2005	43.2%	1,233
2006	45.1%	1,442
2007	51.2%	1,689
2008	48.1%	1,523
2009	55.4%	1,508
2010	55.4%	1,616

Please note that the new Graduation Rate required by the Final Title 1 Regulations under NCLB will use a different calculation. The new Graduation Rate, also known as the Four-Year Adjusted Cohort Rate, will follow an actual group of students across four

years of high school. Alaska will no longer be incorporating prior years' counts of dropouts to calculate the Graduation Rate.

Dropout Rates in Alaska
Fact Sheet

The Dropout Rate is computed by dividing the number of dropouts in the current school year by the number of students enrolled in grades 7-12 on October 1 of the current school year. School year is defined as the12-month period beginning with July 1 and ending June 30.

A **Dropout** is defined as a student who was enrolled in the district at some time during the school year and whose enrollment terminated. This does not include an individual who:

- graduated from high school or completed a state or district approved education program, as evidenced by receipt of formal recognition from school authorities;
- transferred to another public school, private school or state or district approved education program;
- is temporarily absent due to suspension;
- is absent due to illness or medical condition;
- died.

The statewide Dropout Rate has decreased as well as the number of dropouts for three consecutive years:

School Year	Dropout Rate	Dropout Count (Grades 7-12)
2005	6.0%	3,791
2006	5.8%	3,642
2007	5.5%	3,434
2008	5.2%	3,232
2009	5.2%	3,146

The Alaska Native/American Indian Dropout Rate has not reflected the proportionate decrease over the same time period:

School Year	Dropout Rate	Dropout Count (Grades 7-12)
2005	8.2%	1,276
2006	8.4%	1,333
2007	8.3%	1,299
2008	8.5%	1,224
2009	8.5%	1,172

In 2007-2008 Alaska showed a wide range in difference with district by district comparisons of Dropout Rates. Four districts reported 0 dropouts. Two districts reported over 25% Dropout Rates. Both districts with the highest rates, Delta/Greely School District and the Nenana City School District, had a large percentage of dropouts reported in the statewide correspondence schools.

StateNotes

Attendance

Education Commission of the States • 700 Broadway, Suite 810 • Denver, CO 80203-3442 • 303.299.3600 • Fax: 303.296.8332 • www.ecs.org

Compulsory School Age Requirements

Updated by Melodye Bush

Last Updated June 2010

Summary

Compulsory school attendance refers to the minimum and maximum age required by each state in which a student must be enrolled in and attending public school or some equivalent education program defined by the law.

The vast majority of states include an added clause providing for pupils to be released from compulsory attendance requirements upon graduation of high school, regardless of their age.

Arizona, **Vermont** and **Wyoming** all exempt children from compulsory attendance requirements upon completion of the 10th grade.

Five states – Virginia, South Dakota, Nevada, Maryland **and** Connecticut – **allow the minimum compulsory age to be extended by at least one year if the parent(s) obtain a waiver from their assigned school.**

Nearly half of all states allow children ranging from age 14 to 18 to be exempt from the compulsory attendance requirement if they meet one or more of the following stipulations: are employed, have a physical or mental condition that makes the child's attendance infeasible, have passed the 8th-grade level, have their parents' permission, have the permission of the district court or the local school board, meet the requirements for an exit interview, or have arranged alternative education such as vocational or technical school. Endnotes are provided for Indiana, Louisiana, Massachusetts and Virginia as examples of such legislation.

Part I: Age Ranges

Minimum compulsory age and corresponding number of states:

- Age 5: 8 states and the District of Columbia, Puerto Rico and Virgin Islands
- Age 6: 24 states and American Samoa
- Age 7: 16 states
- Age 8: 2 states

Maximum compulsory age and corresponding number of states:

- Age 16: 19 states and the Virgin Islands
- Age 17: 11 states
- Age 18: 20 states and the District of Columbia, American Samoa, and Puerto Rico

State/Territory	Requirement	Citation
(Shaded line indicates change)		
Alabama	7-17	ALA. CODE § 16-28-3
Alaska	7-16	ALASKA STAT. 14.30.010
Arizona	6-16 or completion of grade 10	ARIZ. REV. STAT. § 15-802, §15-802-D-2
Arkansas[1]	5-17	ARK. STAT. ANN. § 6-18-201
California	6-18	CAL. EDUC. CODE § 48200
Colorado	6-17	COLO. REV. STAT. § 22-33-104
Connecticut[2]	5-18	CONN. GEN. STAT. § 10-184
Delaware	5-16	14 DEL. CODE ANN. §2702
District of Columbia	5-18	D.C. CODE ANN. § 38-202
Florida	6-16	FLA. STAT. § 1003.21
Georgia	6-16	GA. CODE ANN. § 20-2-690.1
Hawaii	6-18	HAW. REV. STAT. § 302A-1132
Idaho	7-16	IDAHO CODE § 33-202
Illinois	7-17	105 ILL. COMP. STAT. ANN. 5/26-1
Indiana[3]	7-18	IND. CODE ANN. § 20-33-2-6; § 22-33-2-9(B)
Iowa	6-16	IOWA CODE §299.1A
Kansas	7-18	KAN. STAT. ANN. § 72-1111
Kentucky	6-16	KY. REV. STAT. ANN. § 159.010
Louisiana[4]	7-18	LA. REV. STAT. ANN. § 17:221
Maine	7-17	ME. REV. STAT. ANN. § TIT. 20A, § 3271
Maryland	5-16	MD. CODE ANN., EDUC. § 7-301
Massachusetts[5]	6-16	MASS. REGS. CODE TIT. 603. § 8.02 MASS. GEN. LAWS ANN. CH. 76 § 1
Michigan	6-18	MICH. STAT. ANN. § 380.1561
Minnesota	7-16	MINN. STAT. § 120A.22
Mississippi	6-17	MISS. CODE ANN. § 37-13-91
Missouri	7-17	MO. REV. STAT. § 167.031
Montana[6]	7-16	MONT. CODE ANN. § 20-5-102
Nebraska	6-18	NEB. REV. STAT. ANN. § 79-201
Nevada	7-18	NEV. REV. STAT. ANN. § 392.040
New Hampshire[7]	6-18 (effective 7/01/09)	N.H. REV. STAT. ANN. § 193.1
New Jersey	6-16	N.J. REV. STAT. §18A:38-25
New Mexico	5-18	N.M. STAT. ANN. § 22-8-2; § 22-12-2; § 22-8-2 m(3)
New York[8]	6-16	N.Y. EDUC. LAW § 3205
North Carolina	7-16	N.C. GEN. STAT. § 115C-378
North Dakota	7-16	N.D. CENT. CODE § 15.1-20-01
Ohio	6-18	OHIO REV. CODE ANN. § 3321.01
Oklahoma	5-18	70 OKLA. STAT. TIT, 70, § 10-105
Oregon	7-18	OR. REV. STAT. § 339.010
Pennsylvania	8-17	PA. STAT. ANN. § 13-1326
Rhode Island	6-16	R.I. GEN. LAWS § 16-19-1
South Carolina[9]	5-17	S.C. CODE ANN. § 59-65-10
South Dakota	6-18 (effective 7/01/09)	S.D. CODIFIED LAWS § 13-27-1
Tennessee[10]	6-17	TENN. CODE ANN. § 49-6-3001 (C)(1)
Texas[11]	6-18	TEX. EDUC. CODE ANN. § 25.085
Utah	6-18	UTAH CODE ANN. § 53A-11-101
Vermont	6-16 or completion of grade 10	VT. STAT. ANN. TIT. 16 § 1121
Virginia[12]	5-18	VA. CODE ANN. § 22.1-254
Washington	8-18	WASH. REV. CODE § 28A.225.010
West Virginia	6-17	W. VA. CODE § 18-8-1
Wisconsin	6-18	WIS. STAT. § 118.15
Wyoming	7-16 or completion of grade 10	WYO. STAT. ANN. § 21-4-102

State/Territory	Requirement	Citation
(Shaded line indicates change)		
Am. Samoa	6-18	ASCA 16-3-16.0302
Puerto Rico	5-18	3 P.R. LAWS ANN. § 143B
Virgin Islands	5-16	V.I. CODE ANN. TIT. 17, § 82

Notes:

[1] Arkansas: "Any parent, guardian, or other person residing within the state and having custody or charge of any child may elect for the child not to attend kindergarten if the child will not be age six on September 15 of that particular school year."

[2] Connecticut: "The parent or person having control of a child five years of age shall have the option of not sending the child to school until the child is six years of age and the parent or person having control of a child six years of age shall have the option of not sending the child to school until the child is seven years of age.

[3] Indiana: An individual is required to stay in school until he or she: graduates; is between 16 and 18 and meets the requirements for an exit interview; or reaches at least 18 years of age. Withdrawal before 18 requires parent/guardian's and principal's written permission.

[4] Louisiana: "A child between the ages of seventeen and eighteen may withdraw from school prior to graduation if both the following circumstances exist: (a) The written consent of his parents, tutor, or legal guardian. (b) An exit interview is conducted where the student and his parent, tutor, or legal guardian provide written acknowledgment that withdrawal from school shall likely reduce the student's future earning potential and increase the student's likelihood of being unemployed in the future. During such exit interview, a student who is withdrawing from school shall be given information that has been prepared and supplied by the Louisiana Workforce Commission regarding available training and employment opportunity programs, provided such information is available."

[5] Massachusetts: "Every child between the minimum and maximum ages established for school attendance by the board of education, except a child between fourteen and sixteen who meets the requirements for the completion of the sixth grade of the public school as established by said board and who holds a permit for employment in private domestic service or service on a farm, under section eighty-six of chapter one hundred and forty-nine, and is regularly employed thereunder for at least six hours per day, or a child between fourteen and sixteen who meets said requirements and has the written permission of the superintendent of schools of the town where he resides to engage in non-wage-earning employment at home, or a child over fourteen who holds a permit for employment in a cooperating employment, as provided in said section eighty-six, shall, subject to section fifteen, attend a public day school in said town, or some other day school approved by the school committee, during the number of days required by the board of education in each school year, unless the child attends school in another town, for said number of days, under sections six to twelve, inclusive, or attends an experimental school project established under an experimental school plan, as provided in section one G of chapter fifteen, but such attendance shall not be required of a child whose physical or mental condition is such as to render attendance inexpedient or impracticable subject to the provisions of section three of chapter seventy-one B or of a child granted an employment permit by the superintendent of schools when such superintendent determines that the welfare of such child will be better served through the granting of such permit, or of a child who is being otherwise instructed in a manner approved in advance by the superintendent or the school committee."

[6] Montana: requires that a child shall remain in school until the latter of either the child's 16th birthday or the date of completion of the work of the eighth grade.

[7] New Hampshire: The superintendent, may grant waivers upon proof that the pupil is 16 years of age or older and has an alternative learning plan for obtaining either a high school diploma or its equivalent. This law takes effect July 1st, 2009.

[8] New York: Both New York City and Buffalo require minors to attend school from the age of 6 until the age of 17. Each district in the state is authorized to require minors between 16 and 17 who are not employed to attend school. The board of education of the Syracuse city school district is authorized to require minors who are five years of age on or before December first to attend kindergarten instruction.

[9] South Carolina: In South Carolina, kindergarten is mandatory. However, state statutes permit parental waiver for kindergarten at age five.

[10] Tennessee: "A parent or guardian who believes that such parent's or guardian's child is not ready to attend school at the designated age of mandatory attendance may make application to the principal of the public school which the child would attend for a one semester or one year deferral in required attendance.

[11] Texas: School districts may require persons who voluntarily enroll in school or voluntarily attend school after their 18th birthday to attend school until the end of the school year.
[12] Virginia: "For a student who is at least 16 years of age, there shall be a meeting of the student, the student's parents, and the principal or his designee of the school in which the student is enrolled in which an individual student alternative education plan shall be developed in conformity with guidelines prescribed by the Board..."

Part II: Statutory Excerpts

Alabama – "Every child between the ages of **7** and **16** . . . ."

Alaska – "Every child between **7** and **16** years of age . . . ."

American Samoa – " . . . the age of **six** through **eighteen** . . . ."

Arizona – "Every child between the ages of **6** and **16** years . . ." or " . . . has completed the high school course of study necessary for completion of grade ten as prescribed by the State Board of Education . . ."

Arkansas – ". . . age **5** through **17** years on or before September 15th of that year...."

California – "Each person between the ages of **6** and **18** . . . ."

Colorado – "Every child who has attained the age of **6** years on or before August 1st of each year and is under the age of **17** years . . . ."

Connecticut – ". . . a child **five** years of age and over and under **eighteen** years of age . . ."

Delaware – ". . . a child between **5** years of age and **16** years of age . . . ."

District of Columbia – ". . . a minor who has reached the age of **5** years or will become **5** years of age on or before December 31st of the current school year . . . until the minor reaches the age of **18** years."

Florida – "All children who have attained the age of **6** years or who will have attained the age of **6** years by February 1 of any school year or who are older than **6** years of age but who have not attained the age of **16** years . . . ."

Georgia – ". . . between their **sixth** and **sixteenth** birthdays . . . ."

Hawaii – ". . . all children who will have arrived at the age of **6** years, and who will not have arrived at the age of **18** years, by January 1 of any school year . . . ."

Idaho – ". . . any child resident in this state who has attained the age of **7** years at the time of commencement of school in his district, but **not the age of 16** years . . . ."

Illinois - ". . . any child between the ages of **7** and **17** years . . . ."

Indiana – ". . . the individual becomes **7** years of age until . . . reaches at least **16** years of age but who is less than **18** years of age and the requirements under subsection (j) concerning an exit interview are met enabling the individual to withdraw from school before graduation; or . . . the individual reaches at least **18** years of age . . . ."

Iowa – "A child who has reached the age of **6** and is under **16** years of age by September 15 . . . ."

Kansas – ". . . any child who has reached the age of **7** years and is under the age of **18** years . . . ."

Kentucky – ". . . any child between the ages of **6** and **16** . . . A child's age is between **6** and **16** when the child has reached his **6**th birthday and has not passed his **16**th birthday. . . ."

Louisiana – ". . . from that child's **seventh** birthday until his **eighteenth** birthday . . . ."

Maine – "Persons . . . who are at **7** and under **17** years of age . . . ."

Maryland – ". . . each child who . . . is **5** years old or older and under **16** . . . ."

Massachusetts – "Each child must attend school beginning in September of the calendar year in which he or she attains the age of **six**." (Language for the maximum age found in MASS. GEN. LAWS ANN. 76 § 1.)

Michigan – ". . . a child from the age of **6** to the child's **16**th birthday . . . ."

Minnesota – ". . . every child between **7** and **16** years of age...A parent may withdraw a child under the age of 7 from enrollment at any time."

Mississippi – ". . . a child who has attained or will attain the age of **6** years on or before September 1 of the calendar year and who has not attained the age of **17** years on or before September 1 of the calendar year...and any child who has attained or will attain the age of 5 years on or before September 1st and has enrolled in a full-day public school program."

Missouri – ". . . a child between the ages of **7** and the compulsory attendance age for the district...Any parent, guardian or other person who enrolls a child between the ages of 5-7 years in a public school program of academic instruction shall cause such a child to attend the academic program on a regular basis." The school board of a metropolitan school district ". . .may adopt a resolution to establish a compulsory attendance age of **17** to take effect no later than the school year next following the school year during which the resolution is adopted." In all other cases, compulsory attendance shall mean "Seventeen years of age or having successfully completed sixteen credits towards high school graduation. The school board of a metropolitan school district for which the compulsory attendance age is 17 years may adopt a resolution to lower the compulsory attendance age to sixteen years; provided that such resolution shall take effect no earlier than the school year next following the school year during which the resolution is adopted. "

Montana – ". . . any child who is **7** years of age or older prior to the first day of school in any school fiscal year . . . until . . . the child's **16**th birthday . . . ."

Nebraska – ". . . a child is of mandatory attendance age if the child (i) will reach **six** years of age prior to January 1 of the then-current school year. . . .and (iii) **has not reached eighteen** years of age."

Nevada – ". . . any child between the ages of **7** and **18** years..."

New Hampshire – ". . . any child at least **6** years of age and under **18** years of age . . . ."

New Jersey – ". . . a child between the ages of **6** and **16** years . . . ."

New Mexico – ". . . *is at least five years of age prior to 12:01 a.m. on September 1 of the school year; . . .* until the school age-person is at least 18 years of age unless that person has graduated from high school or received a general educational development certificate."

New York – ". . . each minor from **6** to **16** years of age . . . ."

North Carolina – ". . . a child between the ages of **7** and **16** years . . . ."

North Dakota – ". . . child of an age of **7** years to **16** years. . ..and if a person enrolls a child of age 6 in a public school, the person shall ensure that the child is in attendance for the entire school year."

Ohio – "A child between **6** and **18** years of age is 'of compulsory age'..."

Oklahoma – ". . . a child who is over the age of **5** years, and under the age of **18** years . . . ."

Oregon – ". . . all children between the ages of **7** and **18** years who has not completed the 12th grade. . ."

Pennsylvania – ". . . not be later than at the age of **8** years, until the age of **17** years."

Puerto Rico – ". . . all children between the ages of five (**5**) and eighteen (**18**) . . . ."

Rhode Island – "Every child who has completed or will have completed **6** years of life on or before September 1st of any school year and has not completed **16** years of life . . . ."

South Carolina – ". . . the child or ward is **5** years of age before September first until the child or ward attains his **17**th birthday . . . ."

South Dakota – ". . . a child who is **6** years old by the first day of September and who has not exceeded the age of 18..."

Tennessee – ". . . any child or children between **six** years of age and **seventeen** years of age. . . ."

Texas – ". . . a child who is at least **6** years of age . . . and who has completed the academic year in which the child's **18**th birthday occurred . . . ."

Utah – ". . . a minor between **6** and **18** years of age . . . ."

Vermont – ". . . a child between the ages of **six** and **16** years . . ." or " . . . has completed tenth grade . . . " or " . . . is excused by the superintendent or a majority of the school directors . . . ."

Virgin Islands – "All children shall commence their school education . . . in the calendar year in which they reach their **5**th birthday . . . until the expiration of the school year nearest their **16**th birthday . . . ."

Virginia – ". . . any child who will have reached the **fifth** birthday on or before September 30 of any school year and who has not passed the **eighteenth** birthday . . . ."

Washington – ". . . any child **8** years of age and under **18** years of age . . . ."

West Virginia – "Compulsory school attendance shall begin with the school year in which the **6**th birthday is reached prior to the first day of September of such year . . . and continue to the **16**th birthday."

Wisconsin – ". . . a child who is between the ages of **6** and **18** years old . . . ."

Wyoming – " . . . a child . . . whose **7**th birthday falls on or before September 15 of any year and who has not attained his **16**th birthday . . ." or " . . . completed the tenth grade . . . . "

Recent updates to this ECS StateNote have been made by Melodye Bush, Kyle Zinth, and Michael Colasanti.

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Equipping Education Leaders, Advancing Ideas

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Employment Related Provisions in State Compulsory School Attendance Laws - January 1, 2009

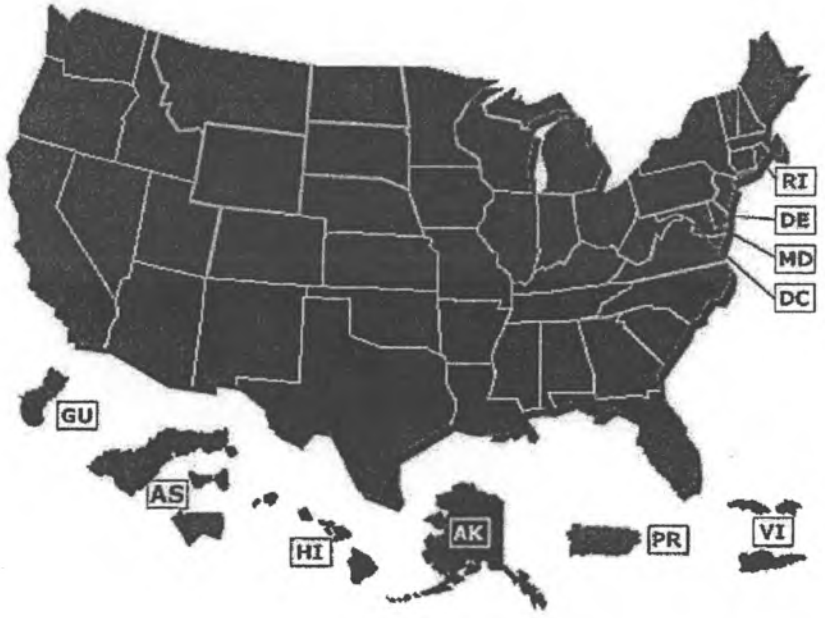

Table of Employment Related Provisions in State Compulsory School Attendance Laws By State

State	Age of Required School Attendance		Exemptions 1/ Employed		High School Graduate
	from	to	Age	Completion of Grade	
Alabama	7	16	legally and regularly employed under child labor law.	---	X
	3	21	permitted for special education students.		
Alaska	7	16	---	---	X
			14 with parental		

Arizona	6	16	consent and gainfully employed.	---	---
Arkansas	5	17 must complete school year.	---	---	X
California	6	18	---	---	X
Colorado	7	16	has current age and school certificate or work permit.	---	X
Connecticut	5	18	16 with parental consent.	---	---
Delaware	5	16	---	---	---
District of Columbia	5	18	children who are age 5 by September 30 are required to be enrolled in kindergarten.	---	---
Florida	6	17	may terminate attended at 16 with parental consent.	---	---
Georgia	6	16	---	---	X
Hawaii	6	18	15	---	X
Idaho	7	16	---	---	---
Illinois	7	17	employed and excused by school official.	---	---
Indiana	7	18	16 with consent of parent and principal. 14 if a parent agrees and State Labor bureau issues a certificate. must go back to school within 5 days of termination of employment for which certificate was issued.	---	X
Iowa	6	16	---	---	X
Kansas	7	18	17 or 16 with parental consent.	---	---
Kentucky	6	16	---	---	X
Louisiana	7	18 or 17 with parental consent.	---	---	X
Maine	7	17	15 or	9	X
Maryland	5	16	---	---	---
Massachusetts	6	16	14	---	---
Michigan	6	16	---	---	---
Minnesota	7	16	---	---	X

Mississippi	6	17	5 years of age if in public kindergarten.	---	---
Missouri	7	16	14	---	---
Montana	7	16 or completion of 8th grade, whichever is later.	---	---	---
Nebraska	7	18	14 and16 with parental consent; special legislation for home schooling.	8 ---	X
Nevada	7	upper age limit has been changed to 18 unless the child has graduated from high school.	14 and excused by board of trustees. 14 if work is necessary for own or parents' support.	8 ---	X
New Hampshire	6	16 presently; however, effective July 2009, upper age limit will change to 18 or the student must have received diploma or qualifies for exception. With passage of NH House Bill 927, all districts are making plans to offer kindergarten.	---	---	---
New Jersey	6	16	---	---	---
New Mexico	5, or 8 if parents and school board agree	effective July 1, 2007, neither school districts or state chartered school districts shall excuse a student from attending school except as provided by law or for parent-authorized medical reasons.	---	---	X
New York	6	17 in cities with 4,500 or more population and union-free school districts, otherwise 16 if approved by local school board.	---	---	X
North Carolina	7	16	---	---	---
North Dakota	7	16	necessary to support of family.	---	X

Ohio	6	18	16 with parents' and superintendents permission.	---	X
Oklahoma	5	18 or 16 if excused by written joint agreement.	---	---	X
Oregon	7	18 or excused by district school board; 16 with consent of school administration and parent; 21 for a child with a disability.	16	---	X
Pennsylvania	8	17	16 if regularly engaged in employment with a certificate. 15 in farm work or domestic service in private home with permit. Or, 14 employed as above if completed elementary school with permit recommended by district superintendent of schools or principal of private school.	---	X
Rhode Island 2	6	18	16 with written parental consent. Dropout Prevention Act of 2007.	---	---
South Carolina	5	17	16 further attendance is determined by court to be disruptive, unproductive or not in best interest of child.	8th grade completed and employment is necessary for maintenance of home.	X
South Dakota	6	16 or completion of 8th grade if member of certain religious organizations. effective July 1, 2009, the upper limit of the compulsory age law changes to	---	---	---

		18.			
Tennessee	6	18th birthday.	---	local exemptions at 17th birthday for discipline problems.	X
Texas	6	18; person 18 years of age may enroll but failure to attend can result in permanent revocation if 5 or more unexcused absences occur in a semester. Students suspected of violating school attendance laws when apprehended must be taken into custody and delivered to their school campus.	---	---	---
Utah	6	18	16 and 8th grade completed. home schooled minors has exempt from attendance.	8th for employment purposes.	X
Vermont	6	16	15 and completed 6th grade and services needed for support of family.	---	---
Virginia	5	18	exempt any pupil with parent's consent along with that of principal or superintendent or a court which believes the minor cannot benefit from education at school.	---	X
Washington	8	18 16 and parent agrees that child should not be required to attend, or child is emancipated, or child has received certificate of competence.	16	---	X and age 16
West Virginia	6	16	---	---	X
Wisconsin	6	18	---	---	X

Wyoming	7	16	---	---	---

1 Nearly all States exempt those whose physical or mental condition precludes attendance. Other exemptions not directly related to employment include those because of distance from school or school transportation; expulsion, suspension or determined to be disruptive; marriage; excused by court or judge; and receiving religious education.

2 The Dropout Prevention Act is a comprehensive program to have all the schools within the state make an attempt to keep students in school. There were no changes to the age limits for school attendance, but the establishment of a state-wide program is a major effort to prevent students from leaving school early - for any reason.

Prepared By:

Office of Performance, Budget, and Departmental Liaison
Wage and Hour Division
Employment Standards Administration
U.S. Department of Labor

This document was last revised in December 2008; unless otherwise stated, the information reflects requirements that were in effect, or would take effect, as of January 1, 2009.

U.S. Department of Labor
Frances Perkins Building
200 Constitution Avenue, NW
Washington, DC 20210

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Education Program

Compulsory Education

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Overview

More than 150 years have passed since Horace Mann helped Massachusetts establish a statewide system of education that eventually led to the requirement that all children attend public school. In 1852, Massachusetts became the first state to pass compulsory school attendance laws, and by 1918, all states required children to receive an education.

Compulsory Education Requirements

Today, every state and territory requires children to enroll in public or private education or to be home-schooled. More than half—32 states—require students to begin their education by age 6. Some states' set their age requirements as low as age 5 and as high as age 8. All children are required to continue their education into their high school years, with 26 states setting the cutoff age at 16. The remaining states require students to stay in school through age 17 or 18.

Compulsory education laws vary greatly from state to state. While some states use a student's date of birth to determine the beginning and ending dates for compulsory education, other states require a student to begin school if he or she will turn 6 during the school year and require a student to remain in school until completion of the school year in which he or she turns 17. Four states—Arizona, Montana, Vermont and Wyoming—require students to remain in school through a specified grade. Most states allow parents to petition their local school board or principal for a waiver of these requirements under certain circumstances, such as enrollment in a vocational education program or an institution of higher education or early completion of required coursework.

Kindergarten Enrollment

States and territories also set a minimum age for children to enroll in kindergarten, which is typically one or two years earlier than the compulsory education age. Every state or territory with a policy on this issue has established age 5 as the minimum age. However, six states—Colorado, Massachusetts, New Hampshire, New Jersey, New York and Pennsylvania—leave this decision up to local education agencies. In addition to the age requirement, each state also sets a date by which students must have attained the specified age in order to attend kindergarten. The cutoff dates range from August 1 in Indiana and Missouri to Jan. 1 in Connecticut and Vermont.

The School Age Debate

School attendance ages are often controversial. Many early childhood experts argue that if policymakers establish early cutoff dates for kindergarten, they should also establish aggressive school readiness programs to ensure students' success. Others argue that because there has been an increased emphasis on early childhood development and school readiness, we should continue to challenge children at a younger age. Some experts assert that age may be an arbitrary indicator or measure of a child's ability to succeed in school and should not be used at all. Others point out that when a state considers legislation, such as Nebraska, allowing younger children to enter kindergarten, policymakers must understand that there is likely to be a large increase in the number of children entering kindergarten during the first year of the new policy, thereby straining already tight school district budgets and increasing the need for teachers.

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The age through which students must attend school can also be controversial. To encourage more students to attend institutions of higher education and to decrease dropout rates, juvenile crime and teen pregnancy, some state legislatures have increased the school attendance requirement to age 17 or 18. Opponents are concerned about forcing students to be in the classroom against their will. They say that these students may become disruptive and may require teachers and principals to spend more time and resources disciplining such students for disruptive or violent behavior and truancy. They also point out that there probably will be a greater need for funding, teachers and classrooms for alternative education.

State Action

Many state legislatures continue to debate school attendance policies. During the 2005 legislative session, Indiana changed their kindergarten enrollment date from July 1st to August 1st. During the 2004 legislative session, at least seven states enacted legislation regarding compulsory education. Alaska extended the required school age for a child who is six years of age on or before Sept. 1 following the beginning of the school year, and who is under the age of 20 and has not completed the 12th grade. Illinois increased the compulsory school age from 16 to 17 years of age, with certain exceptions. Kansas and Kentucky will both, under specific circumstances, grant exemptions from compulsory attendance. Nebraska changed the mandatory ages for compulsory education beginning in the 2005-06 school year to age of 6 by Jan. 1 of the current school year through the age of 17, with certain exceptions. In New York, local school districts will have the power to require minors from 16 to 17 years of age to attend full time day instruction. Finally, Virginia strengthened the mechanisms for enforcement of the compulsory school attendance law.

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Education Home Page

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NEA-ALASKA

Affiliated with the National Education Association

February 18, 2011

RECEIVED

FEB 21 2011

Sen. Bettye Davis
Room 30, State Capitol
Juneau, AK 99801

Dear Senator Davis:

Thank you for your introduction of Senate Bill 9, "An Act relating to compulsory school attendance; and relating to the crime of contributing to the delinquency of a minor."

On behalf of NEA-Alaska's nearly 13,000 public school employees and retired members I am privileged to offer this letter of support for the passage of Senate Bill 9.

Each January, for the past 55 years, elected NEA-Alaska delegates from Ketchikan to Barrow gather in Anchorage to set policy for the year. A few weeks ago, those 400 elected delegates affirmed their support for legislation to expand the age of compulsory school attendance and to address the problem of truancy in Alaska's public schools. As president of NEA-Alaska and as a 30 year teacher in Western Alaska I know firsthand the issue of children deciding to end their education on their 16th birthday. In this global economy, a high school diploma is a minimum for Alaska's children entering adulthood.

This legislation will help keep children in school and tracking towards their graduation. NEA-Alaska urges passage of Senate Bill 9 by the 27th Alaska Legislature.

NEA-Alaska applauds your efforts to improve K-12 education in Alaska.

Sincerely,

Barb Angaiak
President

ANCHORAGE OFFICE • 4100 Spenard Road • Anchorage, Alaska 99517 • (907) 274-0536 • FAX: (907) 274-0551
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NEA's 12-Point Action Plan for Reducing the School Dropout Rate

To address the nation's school dropout crisis, NEA has developed a 12-point action plan that includes the most promising actions supported by experience and data.

1. Mandate high school graduation or equivalency as compulsory for everyone below the age of 21. Just as we established compulsory attendance to the age of 16 or 17 in the beginning of the 20th century, it is appropriate and critical to eradicate the idea of "dropping out" before achieving a diploma. To compete in the 21st century, all of our citizens, at minimum, need a high school education.

2. Establish high school graduation centers for students 19-21 years old to provide specialized instruction and counseling to all students in this older age group who would be more effectively addressed in classes apart from younger students.

3. Make sure students receive individual attention in safe schools, in smaller learning communities within large schools, in small classes (18 or fewer students), and in programs during the summer, weekends, and before and after school that provide tutoring and build on what students learn during the school day.

4. Expand students' graduation options through creative partnerships with community colleges in career and technical fields and with alternative schools so that students have another way to earn a high school diploma. For students who are incarcerated, tie their release to high school graduation at the end of their sentences.

5. Increase career education and workforce readiness programs in schools so that students see the connection between school and careers after graduation. To ensure that students have the skills they need for these careers, integrate 21st century skills into the curriculum and provide all students with access to 21st century technology.

6. Act early so students do not drop out with high-quality, universal preschool and full-day kindergarten; strong elementary programs that ensure students are doing grade-level work when they enter middle school; and middle school programs that address causes of dropping out that appear in these grades and ensure that students have access to algebra, science, and other courses that serve as the foundation for success in high school and beyond.

7. Involve families in students' learning at school and at home in new and creative ways so that all families-single-parent families, families in poverty, and families in minority communities-can support their children's academic achievement, help their children engage in healthy behaviors, and stay actively involved in their children's education from preschool through high school

graduation.

8. Monitor students' academic progress in school through a variety of measures during the school year that provide a full picture of students' learning and help teachers make sure students do not fall behind academically.

9. Monitor, accurately report, and work to reduce dropout rates by gathering accurate data for key student groups (such as racial, ethnic, and economic), establishing benchmarks in each state for eliminating dropouts, and adopting the standardized reporting method developed by the National Governors Association.

10. Involve the entire community in dropout prevention through family-friendly policies that provide release time for employees to attend parent-teacher conferences; work schedules for high school students that enable them to attend classes on time and be ready to learn; "adopt a school" programs that encourage volunteerism and community-led projects in school; and community-based, real-world learning experiences for students.

11. Make sure educators have the training and resources they need to prevent students from dropping out including professional development focused on the needs of diverse students and students who are at risk of dropping out; up-to-date textbooks and materials, computers, and information technology; and safe modern schools.

12. Make high school graduation a federal priority by calling on Congress and the president to invest $10 billion over the next 10 years to support dropout prevention programs and states who make high school graduation compulsory.

For the Spanish version of this plan, see El Plan de la NEA para Reducir el Abandono de los Estudios.

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National High School Center
betterhighschools.org
September 2007
Linking Research and Resources for Better High Schools

Quick Stats Fact Sheet

High School Dropout: A Quick Stats Fact Sheet

By Maggie Monrad, National High School Center at AIR

Each year almost one-third of public high school students fail to graduate from high school.[1] The high school dropout problem is a crisis for the United States, in part because it impacts not only individuals and their education, but also because the economic and social costs are so dramatic. Globally, the United States ranks seventeenth in high school graduation rates and fourteenth in college graduation rates among developed nations.[2] Domestically, the nation and its communities suffer from a lack of productive workers and higher costs associated with incarceration, health care, and other social services.[3] As the 21st century United States moves towards an increasingly global economy, more individuals are discovering that higher levels of education are critical to their own and their nation's ability to compete and thrive – in fact, about 90 percent of the fastest growing jobs will require some postsecondary education.[4] Understanding the magnitude of the dropout problem and the forces that impact dropout rates is critically important to developing dropout prevention strategies.

Who drops out?

- Secretary of Education Margaret Spellings' testimony to the U.S. House of Representatives Appropriations Subcommittee on Labor, HHS, and Education estimated that approximately one million students drop out every year.[5]
- High school dropouts are more likely to be unemployed, earn lower wages, have higher rates of public assistance, are more likely to be single parents, and have children at a younger age.[6]
- Every school day 7,000 U.S. students leave high school never to return.[7] In 2004, approximately 3.8 million 16- through 24- year olds were not enrolled in high school and had not earned a high school diploma or alternative credential, such as a GED.[8]
- Based on calculations per school day (180 days of school, seven hours each day), one high school student drops out every nine seconds.[9]
- The dropout rate for students with emotional/behavioral disabilities is approximately twice that of general education students.[10]
- Research has confirmed that the lowest-performing readers are most at risk of dropping out of high school. Those achieving in the lowest quartile are 3.5 times more likely to drop out than students in the next highest quarter of academic achievement, and 20 times more likely to drop out than top-performing students.[11]

Race/Ethnicity/Socioeconomic Status

- Male students are consistently eight percent less likely to graduate than female students, and the gap is as large as 14 percent between male and female African-American students.[12]

- Among minorities, only about 52 percent of Hispanic students and 56 percent of African-American students will graduate in four years, compared with 78 percent of white students.[13]

- High school students from low-income families (the lowest 20 percent) were six times more likely to drop out than students from higher income families. Ultimately, about one half of all dropouts never receive a high school credential.[14]

Students with Disabilities Aged 14 and Older Who Dropped Out, by Race/Ethnicity

Race/Ethnicity	Percent of Group who Dropped Out
American Indian/Alaska Native	52.2%
Black	44.5%
Hispanic	43.5%
White	33.9%
Asian/Pacific Islander	28.0%

Source: U.S. Department of Education, Office of Special Education Programs, Data Analysis System (DANS), 2003.These data are for the 50 states, DC, Puerto Rico and the four outlying areas. This is based on a cumulative 12-month count.

Impact: Crime

- Estimates indicate that approximately 30 percent of federal inmates, 40 percent of state prison inmates, and 50 percent of persons on death row are high school non-completers. Moreover, non-completers are 3.5 times more likely than high school completers to be imprisoned at some point during their lifetime.[15]

- Raising the high school completion rate one percent for all men ages 20- through 60- would save the US $1.4 billion annually in crime related costs.[16] Each class of high school dropouts costs the U.S. economy more than $8 billion in incarceration expenses and lost wages *per year.*[17] If the male graduation rate was increased by only five percent, the U.S. could save $7.7 billion a year through reducing crime related costs and increasing earnings.[18]

Impact: Economy

- A single 18-year-old dropout earns $260,000 less over a lifetime and contributes $60,000 less in federal and state income taxes. Combined income and tax losses for one cohort of 18-year-olds who drop out is $192 billion which is 1.6 percent of the GDP.[19] America loses more than $26 billion in federal and state income taxes each year from the 23 million high school dropouts aged 18 to 67.[20]

- Almost 1.3 million students didn't graduate from US high schools in 2004, costing more than $325 billion in lost wages, taxes, and productivity over their lifetimes.[21] The Alliance for Excellent Education has estimated that the more than 12 millions students who will drop out over the next decade will cost the nation $3 trillion dollars.[22]

Unemployment and Earnings for Full-time Wage and Salary Workers Age 25 and Over, by Educational Attainment

Unemployment Rate in 2005 (Percent)	Education Attained	Median Weekly Earnings in 2005 (Dollars)
1.6	Doctoral degree	$1,421
1.1	Professional degree	1,370
2.1	Master's degree	1,129
2.6	Bachelor's degree	937
3.3	Associate degree	699
4.2	Some college, no degree	653
4.7	High-school graduate	583
7.6	Some high-school, no diploma	409

Source: Bureau of Labor Statistics, U. S. Department of Labor. (2006, May). *Occupational employment and wages, May 2005.* Washington: Author. Retrieved April 20, 2007, from http://www.bls.gov/news.release/ocwage.toc.htm

Impact: Personal Income and Employment

- A male high school graduate who works until age 65 will earn, on average, nearly $333,000 more than a dropout; a worker with some college will earn $538,000 more. According to a recent report published by Teachers College at Columbia University, male high school graduates earn up to $322,000 more over the course of their lifetimes than dropouts, while college graduates earn up to $1.3 million more.[23] In total, there is more than $309 billion lost wages over the students' lifetimes.[24]

- In 1964, a high school dropout earned 64 cents for every dollar earned by an individual with at least a high school degree. In 2004, the high school dropout earned only 37 cents for each dollar earned by an individual with more education.[25]

- The median income of high school dropouts aged 18 and over was $12,184 in 2003. By comparison, the median income of those aged 18 and over who completed their education with a high school credential (including GED) was $20,431.[26]

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THIS STORY HAS BEEN FORMATTED FOR EASY PRINTING

Law urged to make teens stay in school

The Boston Globe

By James Vaznis, Globe Staff | October 21, 2009

Massachusetts students would be required to stay in school until age 18 under an ambitious proposal, part of a broader effort to halve the state's high school dropout rate, to be announced today by a special state commission.

With approximately 10,000 Massachusetts students quitting school each year, some as young as 14 years old, commission members say the state can no longer afford to ignore the dropout crisis, especially when striving to develop a more highly educated and skilled workforce.

For more than a decade, the state's dropout rate has remained stagnant. According to the most recent data available, 3.4 percent of students statewide quit school during the 2007-08 academic year, while several urban districts have rates nearly triple that. Under current state law, students can legally drop out by choice at age 16, and students as young as 14 can withdraw from school with permission from the superintendent for medical reasons, employment, or to do nonwage work at home.

If these dropouts never return to receive a diploma, they can become a huge drain on the state's economy. They are less likely to have a job and are far more likely to go to jail or depend on public assistance than residents who have graduated from high school, according to the commission's report, which is being released this afternoon.

"This whole report is a call to action," said Paul Reville, the secretary of education and chairman of the commission, which was created under a 2008 law to develop dropout prevention strategies. "It's critical work. We can ill afford the waste, loss, and tragedy these persistent rates represent."

In the coming months, the Patrick administration plans to put together legislation to raise the compulsory school age, a measure that will be tied to creation of an array of programs aimed at preventing students from dropping out and reaching out to those who have. By April this year, 19 states required students to stay in school until 18, according to the Education Commission of the States. The group includes New Hampshire, where the change took effect this year.

Some strategies recommended by the commission include hiring case managers to make the school experience more personal for these students, creating internships so students clearly see the connection between the classroom and potential careers, and using standardized test scores and other data to gauge, as early as elementary school, whether a student runs the risk of not finishing high school.

Given the state's dire budget predicament, Reville said, gaining the funding needed to push the effort forward could be a challenge. Already, sluggish state revenues have forced a sharp reduction in funding for dropout prevention this year.

But Reville emphasized that fighting for these students is worthwhile. "We are not going to hold back because of a budget crisis and say this problem doesn't exist," he said.

While the commission did not put a pricetag on its proposals, the report pointed out that overall enrollment in alternative education programs at local high schools would more than double, from 4,500 to 12,000, as more students stay in school.

Some members of the Legislature have expressed skepticism in the past about raising the age of school leaving, worried about the cost associated with creating programs for these students or further exacerbating problems that many districts already have with truancy. Those concerns led to passage of the bill that created the commission.

But others in the Legislature strongly support raising the attendance age. Representative Garrett Bradley, Democrat of Hingham, has already filed a bill to raise the maximum attendance age, which will be the subject of a hearing next month.

Reville said he has not examined that legislation yet, but anticipates that it will need to be reworked to encapsulate all the panel's recommendations.

Representative Martha M. Walz, a Boston Democrat who cochairs the Joint Committee on Education, has not yet taken a position on Bradley's bill, but said she was encouraged that the commission had given the age change a favorable recommendation and had suggested other programs and resources that could help these students succeed in school.

"My gut instinct tells me keeping students in school until age 18 is the right way to go if we can address underlying reasons that cause them to drop out and create programs that address their need," Walz said.

Students drop out of school for a wide array of reasons. Some grow frustrated because of consistently poor academic performance in school, particularly those not fluent in English and those who require special education, according to the report. Other students say they don't have time for school because they need to help their families earn income.

The commission also found that some students said they did not stick with school simply because no one seemed to care whether they did.

Compared with the national average, Massachusetts loses a smaller share of students. According to the most recent federal data available, from 2007, the national high school dropout average was 8.7 percent.

But rates in several Massachusetts urban districts often exceed or hover around the national average. In the 2007-08 school year, Lawrence lost 12.9 percent of its students; Fall River, 12.5 percent; Holyoke, 11.6 percent; Springfield, 9.7 percent; and Boston, 7.6 percent.

Reducing dropout rates is one part of the state's strategy to boost the state's high school graduation rate, which for the class of 2008 stood at about 81 percent. Dropouts accounted for about half of the students who did not earn a diploma in four years, while most of the others in that group opted for a fifth year of school.

Each dropout, over his or her lifetime, costs more than $118,000 in government expenditure and other benefits, according to research conducted a few years ago by Northeastern University's Center for Labor Market Studies.

Some districts are already working on reducing dropout rates. Boston opened a "re-engagement center" last month where high school dropouts can receive extra support as they resume their quest for a diploma.

Thomas Scott, executive of the Massachusetts Association of School Superintendents, said that decreasing the dropout rate is a good goal, but that the state needs to put money behind the policy. "You have to invest in this population for them to stay in school," said Scott. ■

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Attending to Learn
The Implications of Raising the Compulsory Age for School Attendance

Final Report of the Task Force to Study Raising the Compulsory Public School Attendance Age to 18
Submitted to the Maryland General Assembly and Governor
December 1, 2007



Attending to Learn: The Implications of Raising the Compulsory Age for School Attendance

Martin O'Malley
Governor

Maryland State Board of Education
Mr. Dunbar Brooks (President)
Ms. Beverly A. Cooper
(Vice President)
Dr. Lelia T. Allen
Mr. J. Henry Butta
Mr. Blair G. Ewing
Dr. Mary Kay Finan
Ms. Rosa M. Garcia
Mr. Richard L. Goodall
Dr. Charlene M. Dukes
Dr. Karabelle Pizzigati
Mr. David F. Tufaro
Mr. Renford Freemantle
(Student)

Nancy S. Grasmick
Secretary/Treasurer of the Board
State Superintendent of Schools

JoAnne L. Carter
Deputy State Superintendent
Office of Instruction and Academic Acceleration

Ann E. Chafin
Assistant State Superintendent
Division of Student, Family, and School Support

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Setting the Stage for the Discussion...

"Most students don't wake up on a single morning and decide to drop out of school. Rather, dropping out is the end of a long-term process of disengagement, as students find school to be disconnected from — even at odds with — the rest of their lives."

—Geoff Garin, President, Peter D. Hart Research Associates

"No problem can be solved by the same level of consciousness that created it."

—Albert Einstein

"More of the same ... will not work.... Intensifying efforts that have repeatedly failed is not a route to success. However, the necessary first step toward success is not very complicated: it lies in simply recognizing that, when it comes to schools, one size cannot possibly fit all. Thus, if a student has demonstrated she's not going to make it in one kind of school, we should let her try another. And it can't reasonably be another that is essentially the same as the one she left. Let her try a different kind of school."

—Mary Anne Raywid, Professor Emeritus, Hofstra University

"Contrary to popular belief, most dropouts demonstrate remarkable persistence and drive to achieve their education goals. In search of a second chance, they find and enter a wide variety of "second chance" programs in pursuit of a high school credential."

—*Making Good on a Promise: What Policymakers Can Do to Support the Educational Persistence of Dropouts*, Double the Numbers: A Jobs for the Future Initiative.

"When parents talk to their children about school, expect them to do well, help them plan for college, and make sure that out-of-school activities are constructive, their children do better in school."

—*A New Wave of Evidence: The Impact of School, Family and Community Connections on Student Achievement*, National Coalition for Parent Involvement in Education.

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Acknowledgements

The Task Force would like to recognize all those who shared their time and expertise. Your contributions were invaluable to our work and instrumental in helping us complete this report. Thank you.

Patricia Alvey, Section Chief, Maryland State Department of Education: GED Exam.

Mark Goldstein, Maryland Department of Planning: Enrollment.

Gary Heath, Assistant Superintendent, Maryland State Department of Education: Calculating the dropout percentage.

Barbara Bice, Branch Chief, Maryland State Department of Education: School construction.

John Smealie, Assistant Superintendent, Maryland State Department of Education: Highly qualified teachers and the teacher shortage.

Catherine Pugh, State Senator: Alternatives to dropping out.

Stuart Bounds, President, Chesapeake Community College: Alternatives for at-risk students.

Note From the Chair

On behalf of the Task Force to Study Raising the Compulsory Public School Attendance Age to 18, I am pleased to submit this report. It reflects the hard work, experience, and thoughtfulness of the more than 50 people involved in our deliberations over the past year.

Youth are society's greatest resource. Thus, one of society's greatest interests must be to empower youth through education, allowing them to realize their human potential. This imperative is moral, economic, and social and requires leadership at every level.

Schools need to create cultures in which every student is valued, and generate a menu of creative approaches to engage each student. We must engage all students at a very early age, set high expectations for them, and inspire and motivate them to learn. We must strive toward the ideal that every student succeeds, eliminating those barriers to success where we can. Globalization and automation require us to alter traditional thinking and exercise creativity in engaging students. Additionally, Maryland's student demographics have changed dramatically over the past 20 years, underscoring the need for culturally competent and diverse teachers.

While schools can and must play an integral role in shaping the lives of young people, they are not a panacea for the family, social, environmental, and other societal forces that can impact a student's ability to achieve. There are myriad factors this Task Force had neither the time nor specific mandate to address, but are germane in determining whether to raise the compulsory public school attendance age. We urge the Maryland General Assembly and Governor to consider all relevant issues in determining how we can most effectively and efficiently empower Maryland's young people to achieve their potential. There is no greater investment we can make than the investment in children. We urge the State of Maryland to invest the resources required to promote the success of all Maryland students.

It has been a pleasure to serve as Task Force Chair. The Task Force is deeply indebted to Marcia Lathroum, Ann Chafin, and other members of the Maryland State Department of Education who provided invaluable input. The Task Force also appreciates the input provided by the 24 local school systems. I am most thankful for this opportunity to serve Maryland's youth.

Sincerely,
Ranjit S. Dhindsa, President, Maryland Leadership Workshops, Inc.

Message From the State Superintendent of Schools

During the Maryland General Assembly Session 2006, House Bill (HB) 36 was amended to establish a task force that would study raising the age of compulsory attendance from 16 to 18 years of age. The Bill was signed into law by Governor Robert L. Ehrlich on May 16, 2006.

The Task Force convened in December 2006 and concluded in December 2007. The work and recommendations of this Task Force could impact current law and have implications for many State and local agencies. Also impacted by the outcome of this work are the children of Maryland, their families, schools, and the State of Maryland.

This is a complicated topic, and this Task Force was charged with studying all aspects of the issue. Maryland prides itself on its diversity. That diversity is also found in the students of Maryland. There are some students, despite myriad interventions, that find it impossible to continue in a comprehensive school setting. Although it is sometimes behavioral, just as often it is a result of family obligations, financial needs, and personal commitments. Engaging some children and young adults in the learning process is a challenge for instructional leaders and teachers. This committee looked at not only engaging 16-year-old students in school, but exposing students at an early age to a positive learning experience.

The Maryland State Department of Education is committed to providing a safe and orderly environment that is conducive to learning and high achievement for all students. The work of this committee is yet another effort to move forward. Although the Task Force has completed its work, we must now take these recommendations to our legislators and collaborate with our elected State and national officials to address the needs of our students who are leaving schools without high school diplomas. We are committed to establishing an educational system that will ensure that all students can graduate.

Sincerely,
Nancy S. Grasmick, Maryland State Superintendent of Schools

Task Force Membership

Ranjit S. Dhindsa, Esq., Chair

APPOINTED BY THE GOVERNOR

Cassandra Abdelmeguid, PMP, Maryland PTA

Adela M. Acosta, Director of Intergovernmental Relations, Office of the Governor

Stuart M. Bounds, Ph.D., President, Chesapeake Community College

Catherine P. Bradshaw, Ph.D., Assistant Professor, Johns Hopkins Bloomberg School of Public Health

John Carroll Byrnes, Judge

Lisa C. Cox, Maryland PTA

Sharon W. Cox, Member at Large, Montgomery County Board of Education

John E. Deasy, Ph.D., CEO, Prince George's County Public Schools

Nneka Dennie, Maryland Association of Student Councils

Ranjit S. Dhindsa, Esq., President, Maryland Leadership Workshops, Inc.

Carolyn S. Graham, Coordinator of Staff Development (ret.), Charles County Public Schools

Joe A. Hairston, Ed.D., Superintendent, Baltimore County Public Schools

George E. Hohl, School Principal (ret.)

Eugene Peterson, Vice President, Anne Arundel County Board of Education

Sherry A. Riggleman, Esq., Washington County

LaToya Ivory Simmons, Office Clerk, Maryland Parole Commission

Major Otha Edward Thornton, Jr., Human Resources Manager, U.S. Army

Henry V. Wagner, Jr., Director of Secondary Education, Wicomico County Public Schools

APPOINTED BY SENATE PRESIDENT

Honorable Nathaniel J. McFadden

APPOINTED BY HOUSE SPEAKER

Honorable John A. Olszewski, Jr.

DESIGNEE OF THE STATE SUPERINTENDENT OF SCHOOLS

Ann E. Chafin, Assistant Superintendent of Student, Family, and School Support, Maryland State Department of Education

DESIGNEE OF THE STATE SECRETARY OF JUVENILE SERVICES

Sheri M. Meisel, Ph.D., Superintendent of Education, Maryland Department of Juvenile Services

MARYLAND STATE DEPARTMENT OF EDUCATION APPOINTEES

Mary Anne Adkins, Supervisor of Pupil Services, Caroline County Public Schools

Supreet Anand, Specialist, English Language Learners, Maryland State Department of Education

Mark Baden, Jr., ELL Teacher Specialist/Program Coordinator, Caroline County Public Schools

Paul Balides, Assistant Superintendent for Finance, Business and Administration, and Technology, Charles County Public Schools

Tom Barkley, Transition Specialist, Maryland State Department of Education

Lin Bartle, Ph.D., Facilitator, Pupil Personnel, Howard County Public Schools

Barbara Bice, Branch Chief, School Facilities Branch, Maryland State Department of Education

Chuck Buckler, Director, Student Services and Alternative Programs Branch, Maryland State Department of Education

Linda D. Burgee, Ed.D., Superintendent, Frederick County Public Schools

Vicky Ciulla, Coordinator of Alternative Education, Dropout Prevention and Summer School, Baltimore County Public Schools

Carol Costello, Coordinator of Alternative Education, Washington County Public Schools

Bill Dooley, Student Records Specialist, Prince George's County Public Schools

Gabrielle Fair, Director of Student Services, Prince George's County Public Schools

Glory Folker, Field Office Specialist, Montgomery County Public Schools

Keith Gayler, Policy Analyst, Maryland State Department of Education

Rhonda Harris, Supervisor of Pupil Services, St. Mary's County Public Schools

Louise Johnson, Department Chair, ESOL Center at Parkville High School

Dr. Kathy Kolan, Supervisor for Transition Services, Montgomery County Public Schools

Carroll Kozlowski, Chief, Budget Branch, Maryland State Department of Education

John LeMaster, Section Chief, Adult Instructional Services, Maryland State Department of Education

Michael Linkins, Specialist, School Counseling, Maryland State Department of Education

John McGinnis, Pupil Personnel Specialist, Maryland State Department of Education

Lori Miller, ESOL Counselor, International Student Registration Center, Howard County Public Schools

Robert Murphy, Dropout Prevention Specialist, Maryland State Department of Education

Bonnie Naef, Title III/ELL Specialist, Maryland State Department of Education

Mary Thomas Newsom, Chief of Staff, Office of Senate President Pro Tem

Beverly Pariser Foster, Counselor, International School Counseling Office, Prince George's County Public Schools

Leonard Proden, Court Liaison Specialist, Prince George's County Public Schools

Kim Roof, Director of Student Services, Calvert County Public Schools

Richard Sarfino, Pupil Personnel, Baltimore County Public Schools

Tony Silva, Transition Coordinator, Charles County Public Schools

Jack R. Smith, Superintendent, Calvert County Public Schools

Martha Speciale, School Counselor, Harford County Public Schools

Dixie Stack, Director of Curriculum, Maryland State Department of Education

Diane L. Stulz, Coordinator of Dropout Prevention and Recovery, Worcester County Public Schools

STAFF

Marcia R. Lathroum, School Counseling Specialist, Maryland State Department of Education

Committee Membership

MARYLAND PROGRAMS & MOTIVATION/ENGAGEMENT STRATEGIES

Cause/Risk/Protective Factors

Robert Murphy (Chair)
Cassandra Abdelmeguid
Catherine Bradshaw
Honorable John Byrnes
Carol Costello
Sharon Cox
Henry Wagner

Remedies/Best Practices

George Hohl (Chair)
Lisa Cox
Carolyn Graham
Sheri Meisel
Diane Stultz
Otha Thornton

RESEARCH FROM OTHER STATES

Mary Thomas Newsom (Chair)
Mary Anne Adkins
Lin Bartle
Gloria Folker
John LeMaster
Honorable Nathanial McFadden
John McGinnis
Sherry Riggleman

PRACTICAL IMPLICATIONS AND RESOURCES

Eugene Peterson (Co-chair)
Jack Smith (Co-chair)
Barbara Bice
Stuart Bounds
Vicki Ciulla
Joe Hairston
Rhonda Harris
Michael Linkins
Honorable John Olszewski
Kim Roof
Dixie Stack

SPECIAL POPULATIONS

Tom Barkley (Chair)
Supreet Anand
Mark Baden
Linda Burgee
Beverly Foster
Kathy Kolan
Lori Miller
Bonnie Naef
Martha Speciale

History and Charge

The General Assembly has introduced bills for the last four years that would, if passed, amend §7-301 of the Annotated Code of Maryland by raising the age of compulsory attendance from 16 to 18. Although these bills have not been signed into law, interest in the topic and concerns related to students who drop out of school without a high school diploma have not waned. Therefore, during the 2006 Maryland General Assembly session, House Bill 36 was amended to create a task force that would study this issue from a variety of perspectives.

House Bill 36 succinctly outlined membership and questions to which the Task Force was required to respond. These questions covered a broad perspective of issues surrounding the act of raising the age of compulsory attendance. The Task Force was charged with evaluating the impact of extending the compulsory public school attendance age to 18, and providing the General Assembly and Governor with an impact statement, recommendations, and an action plan for guidelines and resources needed to effectively implement such a change in statute. The overarching charge posed to the Task Force had to do with examining the *impact* of raising the age of compulsory attendance, and what issues would need to be addressed if this change were to occur, rather than making a recommendation on whether to raise the age. It was incumbent among the members of this Task Force to research, brainstorm, evaluate, and reach consensus on myriad topics. Experts in each of the areas to be studied were invited to the Task Force meetings to share existing practices, policies, and data on dropouts, enrollment, existing facilities, staffing, best practices, and alternatives to comprehensive or "traditional" high school. During their last full meeting, the Task Force members crafted recommendations.

The main Task Force oversaw the work of four subcommittees, which were organized around the following categories: laws of other states; best practices in Maryland and strategies to motivate and engage students in school; the practical implications of raising the age of compulsory attendance and resources needed to effect the change; and the impact of changing the age of compulsory attendance on special populations. Additional members who could bring expertise to the subcommittees were invited to join the Task Force. Each subcommittee was asked to focus its work primarily on the statutory provisions of House Bill 36 that pertained to its area of study. Subcommittees met periodically throughout the process, and reported to the full Task Force at each of the four Task Force meetings.

The following are the mandates that the Task Force addressed from House Bill 36:

1. "Gather and review data on relevant best practices related to extended learning opportunities for teens between the ages of 15 and 18, including recommendations put forth under the federal No Child Left Behind legislation (P.L. 107-110);"
2. "Examine the adequacy of facilities, staffing, programming, instructional time, and resources to accommodate raising the compulsory public school attendance age to 18;"
3. "Project the impact on student attendance and achievement outcomes, and assess the fiscal and social benefits to the students and to the State, of raising the compulsory public school attendance age to 18;"
4. "Develop an action plan to implement, provide professional development opportunities, and foster partnerships among governmental agencies, county boards of education, and the business community to support the successful implementation of an initiative to raise the compulsory public school attendance age to 18 throughout the State;"
5. "Examine the implications for raising the compulsory public school attendance age to 18 on standards-based outcomes, students with disabilities, and students with limited English proficiency;" and
6. "Provide any other guidance and make any other recommendations the Task Force deems appropriate."

Although the work of the Task Force is complete, the Maryland State Department of Education realizes its responsibility to continue to work toward engaging all students in the educational process, ensuring that all students achieve and graduate with a Maryland High School Diploma. The Department hopes to continue to work collaboratively with State and federal legislators to promote this end.

Executive Summary

The motivation for virtually all education initiatives—such as House Bill 36 and No Child Left Behind—is to enable children to succeed, maximize their human potential, and lead productive lives. Research tells us that young people in Maryland can achieve these objectives by staying in school, mastering a body of work through grade 12, and earning a Maryland High School Diploma.

FRAMING THE PROBLEM

The high school diploma is a prerequisite for self-sufficiency in America, and yet in the 2005-06 school year alone, 1.2 million students nationally ("Diplomas Count," 2007), and 11,058 in Maryland (Maryland State Department of Education, 2006), left high school before earning one.

"Most students don't wake up on a single morning and decide to drop out of school. Rather, dropping out is the end of a long-term process of disengagement, as students find school to be disconnected from—even at odds with —the rest of their lives."
—Geoff Garin, President, Peter D. Hart Research Associates

These students face a harsh future. Without diplomas, young adults earn lower salaries and face reduced earning potential. It is estimated that American adults without diplomas earn 27 percent less than those with diplomas (Day & Newburger, 2002). High school dropouts are also disproportionately represented in prison. In 2004, dropouts made up 41 percent of the nation's prison inmates (Harlow, 2003). Dropouts can even expect a shorter life span and more instances of heart disease, diabetes, and obesity (Belfield & Levin, 2007).

Beyond individual consequences, the problem of high school dropouts affects everyone. Less education is associated with an increased dependency on public assistance (Heckman, 2000). Further, research indicates that low educational achievement directly correlates to crime committed by juveniles and adults (Bonczar, 2003). It costs Maryland from $8,237 to $11,740 per year to educate a student (Maryland State Department of Education, "The Fact Book," 2006). Consider the costs of incarceration. In FY 2004, the average daily population in a secure detention facility under the Maryland Department of Juvenile Services Administration was 291 children. The average daily cost in FY 2004 for children was $243. The State spends over $70,000 per day for children incarcerated in a secure facility. This does not represent children in alternative placements or programs (Maryland Department of Juvenile Services, 2004).

CONTRIBUTING FACTORS

As Geoff Garin, President of Peter D. Hart Research Associates puts it: "Most students don't wake up on a single morning and decide to drop out of school." On the contrary, the cycle of habitual truancy begins as early as elementary school. Poverty, dysfunctional families, learning disabilities, emotional issues, environmental issues, substance abuse, lack of parental engagement, language barriers, and low expectations on the part of the student or society—all of these factors and more lead students to abandon their education.

When asked, students who drop out of school tell us that schools did not motivate them to work hard, were not sufficiently demanding, and did not provide necessary academic and personal supports. Other students stated that as they grew older, increased freedom and other distractions drew them away from school. Significant reasons given by students for dropping out included not being sufficiently challenged, and feeling unmotivated, bored, and unsupported. Other, more personal reasons, were also significant: needing a job, becoming a parent, taking care of a sick family member (Bridgeland, DiJulio, & Morison, 2006).

EVERY CHILD NEEDS A CARING ADULT

The family is likely the most important factor in determining a child's educational success. Children need daily encouragement and validation. But not all parents are engaged or even interested in their children's education. While parent and family involvement is not within the purview of this Task Force, it is inextricably linked to student success. Therefore, the Task Force must emphasize that successfully reducing the dropout rate hinges upon children having a parent or other responsible adult, which includes a qualified mentor, to support and encourage them. Knowing this, the school community should confirm that each child has at least one responsible adult in his life encouraging him to be successful in school. If that adult cannot be confirmed, then one must be found for him. That adult should stress to the student the importance of schoolwork, and should help the family understand that allowing the child too much access to distractions (television, video games, etc.) will thwart her learning.

When parents talk to their children about school, expect them to do well, help them plan for college, and make sure that out-of-school activities are constructive, their children do better in school.
—A New Wave of Evidence: The Impact of School, Family and Community Connections on Student Achievement, National Coalition for Parent Involvement in Education.

Title I schools currently require a "School-Parent Compact," which is an effective tool for describing how schools and parents will share the responsibility for improved student academic achievement. Compacts, developed jointly between parents and school staff, describe

the responsibilities of both parties as they relate to academic, attendance, and behavioral standards, and serve as a basis for productive, two-way communication. It would be beneficial to expand this practice to every student who does not have an adult in his or her education life.

NO SINGLE REMEDY

Studying the impact of changing the age of compulsory attendance from age 16 to age 18 has been the focus of the Task Force. Some states have instituted a compulsory attendance age of 17 or 18, though most have included exceptions to allow principals and superintendents the latitude to continue to remove students who prove disruptive or habitually truant. This Task Force has explored the complexities of raising the compulsory attendance age and ensuring student success. Fundamental to our consideration is recognizing that students who drop out of school are diverse and thus there is no single remedy for the ills that lead them to drop out.

Education is the first step in breaking the cycle of poverty that is exacerbated by the lack of opportunity that dropping out of high school brings. Engaging students in a positive learning environment is critical whether or not students are legally allowed to leave at 16 or 18.

INTERVENTIONS ENGAGE STUDENTS AND KEEP THEM IN SCHOOL

There is a spectrum of interventions that would engage students who leave school prior to graduation. These interventions could include anything from more effectively engaging students within the traditional classroom and school, to offering alternative and creative solutions to educate students outside of the traditional classroom or school. Since there is no standard definition for "alternative programming" in Maryland, the framework on which these interventions can be created is limited only by resources. There are certain factors or characteristics, however, that any program designed to effect change in the at-risk student should include. These are: (1) effective organization and administration (program design that supports low student/adult ratios or alternative education with supports); (2) safe school climate (family atmosphere, cultural sensitivity); (3) student-centered service and instruction delivery (targeted interventions and monitoring); (4) appropriate content/curriculum (combination of academic and work-based learning); and (5) a staff culture of high expectations and commitment to knowing students as individuals. In addition to program needs, it is also important that students feel a sense of support and empowerment (from family, neighborhood, school); positive values/identity (character, sense of purpose); boundaries/expectations (role models, family, positive peer influence); commitment to learning (life-long learning); and social competency and constructive use of time (decision-making skills, conflict resolution, youth programs and activities).

> *"No problem can be solved by the same level of consciousness that created it"*
>
> *—Albert Einstein*

There are currently programs aimed at providing students with skills and assistance to graduate high school or complete a GED program, attain post-secondary education, and develop entry-level job skills. These programs enable students to feel a sense of purpose and connection to their learning environments. Students feel connected in a variety of ways. Connectedness can take the form of an individual relationship with a staff member, participation in an extracurricular activity, a positive peer group, or recognition for academics. Model programs tend to enable students to meaningfully connect their education to the work world and emphasize the importance of relationships. These programs address the diversity of reasons that precipitate students leaving high school early. Because students leave high school early for a wide variety of reasons, we must consider a multi-faceted approach in exploring ways to foster and guarantee student success. All Marylanders benefit when Maryland youth realize their human potential and lead productive lives as members of our community.

THE FISCAL IMPACT OF INCREASED INTERVENTIONS

Although the overall socioeconomic impact of these programs is significant, substantial resources are needed to successfully implement them. Assessing the fiscal impact on the State and local governments seems imperative as families, business leaders, politicians, and educators consider raising the compulsory age of attendance from 16 to 18 years of age.

"More of the same ... will not work.... Intensifying efforts that have repeatedly failed is not a route to success. However, the necessary first step toward success is not very complicated: it lies in simply recognizing that, when it comes to schools, one size cannot possibly fit all. Thus, if a student has demonstrated she's not going to make it in one kind of school, we should let her try another. And it can't reasonably be another that is essentially the same as the one she left. Let her try a different kind of school."
—Mary Anne Raywid, Professor Emeritus, Hofstra University

Based on figures from the Maryland State Department of Education, the average number of students dropping out of Maryland's public schools each year is approximately 10,500. For calculation purposes we projected that this number would remain unchanged so that a two-year total would be approximately 21,000 students. Facility analysis was based on an assumption that students would return to a typical classroom with 20–25 students. Based on the present Public School Construction Program facilities capacity formula (25 students per teaching station at 85 percent utilization), we assumed 21.25 students per classroom. The committee took into account each system's present overall high school capacity without regard for the fact that some geographical areas of a local school system might be more heavily impacted by returning students than other neighborhoods. Statewide usage capacity is already at 100 percent with 11 systems above 100 percent. The number of high school students is projected to decline in the state

through 2014, but the total public school enrollment in Maryland in 2015 is trending upward.

To calculate the staffing needs, we used the statewide average of one instructor for every 19 students. Recognizing that "new construction" often takes years to come to fruition, the subcommittee decided to provide both the cost to provide newly constructed classroom space and the cost to provide portable classrooms to expand facility capacity in the short term. New construction costs and portable classroom costs are based on current Public School Construction Program budget estimates. New construction was calculated at $247 per square foot. The purchase and installation of portable classrooms is estimated at $80,000 per unit. The more likely approach of purchasing portable classrooms to accommodate the additional 21,000 students totals approximately $46 million. Additional space is required in 15 of the 24 school systems.

The total additional costs for providing educational and related services to the additional students exceed $200 million per year. (See the "State Summary of Additional Costs" table below.) This figure varies in the projected impact on local jurisdictions, from a low of $385,000 in Talbot County to a high of $60 million in Baltimore City. (For specific district information, see tables 1–6 in the report of Subcommittee Three: Practical Implications and Resources.)

The State Summary of Additional Costs table is based on data currently collected by the Maryland State Department of Education. The State Summary of Additional Costs table does not include certain other potential costs, including costs associated with: alternative education programs for students ages 17 or 18; alternative education programs associated with early interventions at much younger ages; professional development; or costs associated with enforcing daily attendance and monitoring truancy of students.

STATE SUMMARY OF ADDITIONAL COSTS	
Additional Pupils (17 and 18 year olds)	*21,044*
Additional Instructional Staff	*1,108*
Additional Classrooms Needed	*571*
Cost for Additional Pupils (rounded, annual)	*$200,015,000*
Cost for Additional Portable Classrooms	*$45,660,000*

Numbers are rounded, one time.

STAFFING AND PROFESSIONAL DEVELOPMENT CONSIDERATIONS

An action plan to implement a change in the age of compulsory attendance must address both the critical shortage of highly qualified teachers in Maryland—17.8 percent of classes in core academic subjects are presently *not* taught by highly qualified teachers, as defined by the No Child Left Behind Act of 2001—and the need for professional development opportunities to train teachers to more effectively engage students at risk of dropping out of school (Maryland

Report Card, 2007). This is particularly important given the potential additional strain on the existing teacher shortage that may be precipitated by military base realignment. Additionally, the move toward all-day kindergarten will likely further deplete the availability of highly qualified teachers in Maryland. The challenge is underscored by the fact that Maryland institutions of higher education cannot meet Maryland's current demand for highly qualified teachers. While the above figures include the total number of teachers needed to fill the positions created by the additional students, assuming the current teacher-student ratio remains the same, it does not include costs associated with professional development needs.

Educators must use diverse and, in some cases, nontraditional pedagogical methods to engage potential dropouts. Moreover, educators must identify and engage these students at ages much younger than 16 with creative and nontraditional strategies to enable these students to become successful. We must create professional development opportunities to train teachers to more effectively engage the increasingly diverse students which are withdrawing from the traditional high school.

CHRONICALLY DISRUPTIVE STUDENTS

One subset of students that leaves school early is those who are chronically disruptive and leave either by choice or by invitation. The potential benefits to students who would otherwise drop out of Maryland public schools by requiring them to attend beyond the age of 16 must be weighed against the potential detriment to their peers in cases of highly disruptive students. However, with appropriate professional development training, perhaps some of these chronically disruptive students could be better managed within the traditional classroom setting. Appropriate alternative programming could be the remedy for those who can't be managed within the regular classroom setting.

"Contrary to popular belief, most dropouts demonstrate remarkable persistence and drive to achieve their education goals. In search of a second chance, they find and enter a wide variety of "second chance" programs in pursuit of a high school credential."
—Making Good on a Promise: What Policymakers Can Do to Support the Educational Persistence of Dropouts, Double the Numbers, a Jobs for the Future Initiative.

GED IS AN EXISTING ALTERNATIVE ROUTE TO A DIPLOMA

The General Educational Development (GED) Program offers students an alternative route to earning a high school diploma. In FY 2007, 5,720 GEDs were awarded in Maryland (Maryland State Department of Education, 2007). Although students who are awarded a high school diploma through the GED Tests are eligible to attend community colleges, those students are not considered high school completers under No Child Left Behind. A recipient who earns a High School

Diploma by Assessment is nevertheless deemed a high school dropout. As a result, this viable alternative is not counted as a positive educational outcome for local school systems.

THOUGHTS ON SPECIAL POPULATIONS

Students with disabilities receive special education and related services designed specifically to meet their unique needs. These services and specialized instruction are provided to the student at no cost to the parents. The Individuals with Disabilities Education Act (IDEA 2004) is the federal law mandating that all children with disabilities between the ages of 3 and 21 are entitled to a free appropriate public education, sometimes referred to as FAPE. Additionally, the Annonated Code of Maryland, §7-701, mandates that all individuals 5 years or older and under 21 shall be admitted, free of charge, to the public schools of Maryland.

Another special student population is that of Limited English Proficient (LEP) students. These students have a primary or home language other than English, and have been assessed as having no ability, or limited ability, to understand, speak, read, or write English. LEP students are also entitled to a public education between the ages of 3 and 21 (COMAR 13A.01.04.02 (11)). Some research and data indicate, however, that being entitled to FAPE until age 21 does not necessarily result in a higher rate of school completion for these special populations.

To meet the needs of these diverse subgroups of students, appropriate educational program options, services, and supports are necessary. As the discussion of raising the compulsory attendance age continues, policymakers and educators must be sure to consider the unique needs and concerns of these students.

NEXT STEPS

This Task Force urges consideration of this report in concert with the work of other groups that have been convened to address ways for students to achieve, including Maryland's Parent Advisory Council, the Task Force on the Education of Maryland's African-American Males, and the Task Force on Universal Preschool Education. The research and recommendations of these other groups, coupled with this Task Force's work: (1) elucidate the complexities impacting student success; and (2) underscore the importance of identification and early intervention with students who are at risk for dropping out or otherwise failing to realize their academic potential and potential to become successful community members. Additionally, creating partnerships with local business leaders and workforce development organizations will enable local school systems to create and tailor educational programming to meet the workforce needs of their local communities. Further, this will engage the business community in education.

We must identify students at risk for dropping out at very early ages; create and make accessible sustained interventions to prevent them from dropping out; encourage and provide alternative routes to success for those students who ultimately drop out notwithstanding all

efforts; provide professional development; and allocate the resources, both financial and otherwise, to ensure that all Maryland students maximize their educational potential.

Recommendations

The Task Force believes that Maryland must do more to engage children and keep them in school. However, the Task Force agrees that in isolation, a change in the compulsory attendance age will not reduce the dropout rate. The reality is a policy change can require students to attend school, but it can't make them learn. Whether the students benefit from being in school depends largely upon the programs and support they receive there. Accordingly, the Task Force supports the implementation of these recommendations, and the engagement of students at an earlier age, in order to address the needs of children at risk of dropping out of school. In the context of strengthened, expanded supports for ~~the~~ students who would be affected, students who would otherwise drop out, would, of their own volition, choose to remain in school and earn a diploma. Thereby, addressing the issue of legally mandating students to remain in school would become unnecessary.

Recommendation One

Establish a statewide initiative that will:

a) Be flexible while maintaining a consistent approach to meeting the needs of 16- to - 18 year old dropouts and potential dropouts, regardless of where they live or attended school;

b) Expand the data collection work on existing dropout-prevention and re-entry programs that has been done, and design and implement a program to analyze the effectiveness of these dropout-prevention programs;

c) Establish pilot model programs based on proven or promising approaches, and evaluate their success prior to statewide implementation. (Consideration should be given to geographic location, size, and diversity of school systems.);

d) Provide an infrastructure (people, organization, time of day, location, resources, community and family involvement), and identify reallocation of funding and new funding that guarantee effective interagency services and assure increased numbers of students will stay in school and graduate; and,

e) Examine articulation and funding agreements and formulas among agencies and institutions to determine which of these enhance students' opportunities and which serve as barriers.

Rationale

If the compulsory attendance age is raised, Maryland will immediately need to put in place a system of supports and services for students who under the previous requirement would have dropped out, and for those young adults who have already dropped out but will be required to return to school. A statewide framework must be built to accommodate these students; this multi-faceted recommendation can serve as the blueprint.

Before Maryland puts dropout prevention and intervention programs and practices in place, devoting staff, resources, and time, we must know that these programs and practices will be effective.

Task Force research on current practices and programs included collecting data from school systems on existing programs. Members analyzed the evidence shared by districts, and examined the findings of national longitudinal dropout studies. This process revealed weaknesses in data collected on programs across the state. Task Force findings in this area included the following:

- There is a significant discrepancy among districts in what is identified as an alternative education or dropout-prevention program.
- The data evaluating these programs are inconsistent.
- It is difficult, if not impossible, to compare the costs per student of these programs.

Better data collection is essential to confirming programs' success before statewide implementation. It is also essential for reasons of accountability. Although there are programs that address at-risk students, there have been limited studies done on the effectiveness of these programs. This lack of robust data has inhibited the Task Force from making more specific recommendations regarding the designs of ideal dropout-prevention and re-entry programs. Scant data has also constrained this Task Force's analysis of the need for alternative programming, the additional years to educate students, and the associated costs. Before moving forward with costly initiatives, it is imperative that evidence-based decisions be made that support both the need for change, as well as the justification for funding.

A review of promising practices in other states indicated a significant expense (around $200 million dollars per year) to simply raise the compulsory age requirement to 18 under the present school environment and current instructional delivery systems. The additional expenses associated with truly alternative programs—over and above the school systems' commitment to the typical child served—should be based on research that has taken place in Maryland, with Maryland children, ideally in multiple settings. The analysis of these pilot programs would then

inform further discussion of the fiscal support needed for an alternative program to meet the needs of Maryland's students, teachers, businesses, and families.

Recommendation Two

Support and promote the awarding of a High School Diploma by Assessment as a valid credential, and work with the federal government to remove any disincentives for recognizing a high school diploma earned by passing the national GED Tests.

Rationale

The traditional route to the diploma must remain the preferred pathway. However, Maryland must acknowledge that the traditional, four-year high school experience is an unrealistic expectation for some children. Alternatives, including the awarding of a High School Diploma by Assessment through the GED Tests, must be provided, supported, and promoted. Maryland must support and promote alternative pathways for those students for whom it is appropriate. Certainly, these pathways should not be promoted to every child at risk of dropping out.

INCREASE ACCESS TO GED INSTRUCTION AND TESTING

GED instructional programs should be more effectively publicized and more widely available. Schools should be encouraged to distribute accurate information about local GED instructional programs, including the cost of testing, both to students who have already dropped out of school and to students at risk of dropping out. Students also need to know that a High School Diploma by Assessment is a valid credential to enter Maryland community colleges. They also need to know that without a college degree their future income potential is limited compared to that of a college graduate. One opportunity for providing this information is the exit interview that COMAR requires of all students who withdraw from Maryland public schools. In order to implement this recommendation, instructional programs and testing services would need to be expanded. For example, demand for GED instruction exceeds current capacity.

IMPLEMENT THE "GED OPTION" PROGRAM

Maryland students wishing to attempt the GED Tests must first drop out of school to conform to the American Council on Education (ACE) requirement. ACE does offer an alternative for targeted students who remain in school. The GED Option program targets students who are able to complete high school requirements, but who, for a variety of circumstances, are behind in the credits needed to graduate with their class. With the GED Option, the student remains enrolled and attends high school for at least 15 hours of instruction per week. This

instruction includes not only GED preparation, but also workforce development skills and/or career and technology education. As the GED Tests are a valid method of earning a diploma, Maryland should consider implementing the GED Option program, which has been adopted in 11 states, including New York and Virginia. To implement a similar GED Option in Maryland, the State Board of Education would need to amend COMAR to recognize the GED Option program as an approved pathway leading to a Maryland high school diploma.

REMOVE DISINCENTIVES

The GED Tests are a valid route to the diploma and should be promoted as such, regardless of how the federal government categorizes GED Tests under No Child Left Behind (NCLB). Currently, NCLB requires Maryland to count its graduates with a High School Diploma by Assessment as dropouts. As a result, these students negatively affect the school, school system, and state graduation rates, which are used in the determination of Adequate Yearly Progress. There is much at stake here for schools and school systems. Those not making Adequate Yearly Progress are subject to a series of escalating consequences that include corrective actions and complete restructuring of the school or school system. It is easy to see why a school or school system might not promote the GED program as positively or as often as it should. This is a damaging disincentive to meeting students' needs, and it must be eliminated. This Task Force urges the Maryland Congressional delegation to work with the Congress and the President to amend No Child Left Behind to allow students who earn a GED to be counted as high school graduates. Implementing this recommendation would increase Maryland's high school graduates by five percent (based on FY 2006 data).

CHOOSE DIPLOMA PATHS INDIVIDUALLY

Identifying the GED Tests as the most appropriate path for a student to earn a diploma must be done with careful consideration for each student. However, the GED Tests are not appropriate or attainable for every child. Some students, including some English Language Learners and some students with special needs, would not be successful on the GED Tests. Together, parents, school personnel, and the student must review the student's skills, needs, and future goals against all of the diploma routes and choose the best one for the student.

Recommendation Three

Create multiple pathways to the Maryland High School Diploma for students with disabilities and English Language Learners. These diploma pathways should include these options: work study beginning in grade 9; a five-year high school program; and instruction at times outside of the traditional school schedule.

Rationale

Raising the compulsory attendance age alone will not produce more high school graduates. Indeed, whether the compulsory attendance age is raised or not, other actions and new alternatives to help students complete a path to graduation are needed. Particularly in need of alternatives to traditional high school programs are students with disabilities and students with little or no English language skills, referred to as English Language Learners.

Flexible, alternative routes to the Maryland High School Diploma will provide these students additional opportunities to be successful. Allowing five-year high school programs, for example, will allow more time for remediation for students having difficulty passing the High School Assessments. The additional time may also be used to meet the requirements for a Maryland High School Diploma. Another consideration in creating these diploma pathways is the age of English Language Learners at the time of enrollment. For example, an English Language Learner may enroll in high school at age 17 speaking no English. To be successful, some students may need to be enrolled for a period of time past age 18.

An alternative route to the Maryland High School Diploma that offers instruction outside of the traditional school schedule is also essential. It is not unusual for some families to place obligations (e.g., working to support the family or supervising siblings) on students that make it difficult for the students to fully participate in school. A flexible schedule with opportunities for learning in the evening, on the weekend, or during the summer would allow these students to attend school while still fulfilling their familial responsibilities.

Based on student feedback on a Maryland school district survey (Cecil County Public Schools, 2007), a five-year high school program could address the special needs of students at risk by providing:

- Additional help in academic subjects;
- Work-study opportunities that can be built into student schedules beginning at an earlier age; and,
- Additional time to meet graduation requirements, including the High School Assessments.

Alternate formats and creative solutions for instruction may enable students to complete their education. For example, school schedules may use part-time day classes; combine part-time day classes with night school; and/or include work study and technical post-secondary education.

Recommendation Four

The State Board of Education must adopt a definition of alternative education that addresses different modes of instruction and appropriate strategies for current dropouts and for children and young adults at risk of dropping out.

Rationale

Unlike several other states, Maryland has no formal definition of alternative education. This omission must be addressed promptly. Adopting a formal definition in state regulations is necessary: to ensure that alternative education programs deliver instruction that meets content standards; to offer appropriate, targeted courses that enable students to reintegrate into a comprehensive school when ready; to address individual learning styles of students; and generally to meet standards for education as set forth by the Maryland State Board of Education. The Task Force must emphasize that flexible schedules should be considered for these programs to meet the needs of students with personal obligations such as job responsibilities and other family obligations.

A review of the literature and current practices for alternative education programs across the nation revealed common types of program locations and common elements of quality practice and programming, summarized below.

Alternative Education Program Locations

- Separate room or teacher within a comprehensive high school where additional services are provided
- School within a comprehensive high school
- Separate facility

(Source: State of Wisconsin, Department of Public Instruction)

Elements of Quality Practice and Programming

- Low student/teacher ratio
- Accredited
- Authority to grant credentials (High School Diplomas or GED)

- Credit recovery (allowing students the opportunity to make up credits that were lost due to failure)
- Certified teachers
- Flexible scheduling
- Strong relationships with the district office and other high schools
- Private funding and/or public-private partnerships

(Source: State of Wisconsin, Department of Public Instruction)

To support students, alternative education models need to offer a range of services and instruction, including anger management; small group instruction; some individualized instruction; computerized, self-paced instruction; guidance services; and study skills. Strong, consistent and persistent support services are critical to students' success.

In crafting a regulatory definition for alternative programs, the State Board of Education should consider the aforementioned program locations, elements of quality practice and programming, and range of services and instruction. Also important to the process is encouraging and considering the input of stakeholders, such as local school systems, higher education, community organizations, experts in alternative programs, parents, and students.

During the process of developing the alternative program definition, the State Board of Education and/or Maryland State Department of Education should also work to change perceptions of alternative programs. Too often, alternative education programs carry a reputation in their respective communities as programs for "bad kids." This view must be changed as an alternative program infrastructure is put into place. While these programs do serve some students with behavioral problems, they also serve many other students who do not have behavior issues but do require an alternative educational setting in order to be successful. Alternative programs have great potential for helping children achieve success; communities must understand this so they can get involved with and support the school and its students.

Recommendation Five

Should the compulsory age of attendance be raised to 18, Maryland should provide the adequate financial support to raise the age of compulsory attendance to age 18.

Rationale

This Task Force has identified many, but not all, of the costs that would be associated with an increase in the compulsory attendance age. Raising the compulsory attendance age can be done responsibly and effectively only by providing the resources necessary to engage all students at a young age and keep them engaged until they successfully complete high school.

While it is not the job of this Task Force to identify specific funding sources necessary to support an increase in the compulsory attendance age, or otherwise implement these recommendations, students will not benefit from an unfunded mandate. The subcommittee recognized that much more than an infusion of money would be necessary to effect this legislated change should it come to fruition. Preparation time would need to be built into the implementation date to allow systems to hire and professionally develop additional teachers, build additional classrooms, purchase and outfit relocatable classrooms, order needed textbooks and supplies, redraw school boundaries, analyze transportation needs, account for the special needs of the physically and educationally disabled students returning or remaining, and include the appropriate amount of money in the local school boards' funding requests to the local political jurisdictions in time to meet all of the deadlines for adequate consideration in the budgetary process. Public-private partnerships may need to be explored as the State and local school systems attempt to marshal sufficient resources to implement any changes to the compulsory age of attendance.

Recommendation Six

Appoint a group to study Maryland's existing truancy courts, examine their structure, assess their effectiveness, and, if appropriate, make a recommendation for expanding truancy courts statewide.

Rationale

Currently, Maryland lacks an established system of support and consequences for frequently truant students. And while Maryland has established consequences for parents/guardians, they are rarely enforced. Without enforcement in place, the compulsory attendance law is insignificant, and raising the compulsory attendance age will have little or no influence on keeping students in school. Therefore, the State should consider a truancy court system in each county to instill hope, improve student attendance, enhance achievement, and reduce delinquent behavior through a proactive partnership of schools, courts, and families.

Truancy courts currently exist in several Maryland counties, but data on their effectiveness is not known. Truancy courts have been used with strong success in several states, including North Carolina, where a newly developed truancy court has successfully transformed truant elementary and middle school students in two counties into perfect or nearly perfect attendance students. According to Judge Richard Chaney of Durham, North Carolina, only one student failed to graduate high school out of the students who regularly came into his courtroom. In St. Louis County, Missouri, a three-year evaluation of the truancy court showed 60 percent of students significantly improved their attendance rates, reducing absences by an average of 44

percent (St. Louis County Truancy Court, 2005). Additionally, in Ingham County, Michigan, approximately 63 percent of the 600 students referred to truancy court in the first two years have improved their attendance (Burton, 2003). Dramatic successes have also been found in Delaware. In 2003, 55 percent of the 739 students with cases closed achieved overall compliance with the truancy court; 94 percent of the students achieving full compliance remained in school at the end of the year; 70 percent of all students were still in school at the end of the year; and, 66 percent of all 2002 students involved with the truancy court continued to remain in school more than a year later (State of Delaware Justice of the Peace Court, 2003).

Should truancy courts be established, Maryland should consider a system whereby each truancy court works closely with the local State's Attorneys office, Sheriff's department, Department of Social Services, local leaders, and local boards of education to ensure compliance with compulsory attendance laws.

A statewide truancy court system should consider targeting students who were absent between 10 and 30 times. One judge, volunteer or appointed, per court could handle truancy cases once a week before or after school. The truancy judge would review a student's attendance, behavior, and academic performance. After an accumulation of multiple absences, the student would be placed on probation. If there is no improvement, the student might face community service, juvenile detention, or parental supervision in school.

The court would also intervene with issues underlying a student's truancy, including depression and drug and/or alcohol abuse, and make the appropriate referrals and placements.

Suggestions for keeping students in school through the truancy court system include transportation assistance; parent participation; counseling; parenting classes; support groups; and positive reinforcement, such as praise for small accomplishments and rewards for attendance and compliance with the truancy system.

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Subcommittee Reports

The following subcomittee reports represent the work, findings, recommendations, and opinions of the individual committees. These reports were considered by the entire Task Force, along with the Task Force's charge set forth in House Bill 36, in generating the consensus recommendations discussed previously. The content of the subcommittee reports does not necessarily represent the opinions of the entire Task Force.

Subcommittee One: Research From Other States

Subcommittee Charge

During the 2006 Legislative Session, Senator Nathaniel J. McFadden introduced legislation which established a task force to study the effects of raising the compulsory attendance age from 16 to 18 years of age and to provide guidance and recommendations to the Maryland General Assembly on its findings.

This Subcommittee of the Task Force was charged with:

- Researching, studying, and evaluating the laws of other states that raised or attempted to raise the compulsory attendance age;
- Identifying and evaluating the best practices for educating students between the ages of 16 and 18;
- Gathering data and other rationales to justify the existing laws and practices;
- Determining any fiscal impact due to a change in compulsory attendance;
- Unveiling outcomes of changes made in other states' laws; and,
- Analyzing how changes were implemented.

To accomplish its assignment, Subcommittee One researched graduation rates, dropout rates, economic statistics—including the earning power of a dropout as compared to a high school graduate—incarceration rates, truancy penalties, legislative exemptions to compulsory attendance, factors contributing to dropping out of school, and alternative programs for students and for high school dropouts.

In a review of states' legislative actions to raise the compulsory age of attendance, the Subcommittee found that the compulsory age is 16 in 23 states, 17 in nine states, and 18 in 19 states. (See Nationwide Snapshot on page 24.) Since 1996, eight states have raised the age of compulsory attendance to either 17 or 18 years of age; and in nine states, legislation was defeated or died in committee. (See Appendix F: State Legislative Comparisons.)

Findings

The Subcommittee was charged with researching, studying, and evaluating the laws of other states regarding the compulsory attendance age. Interviews were conducted with representatives from the state legislature or board of education to determine the outcome and rationale of recent attempts to change compulsory attendance laws. (See Appendix A: Summary of Interviews With State Representatives or Boards of Education.) In surveying the states that

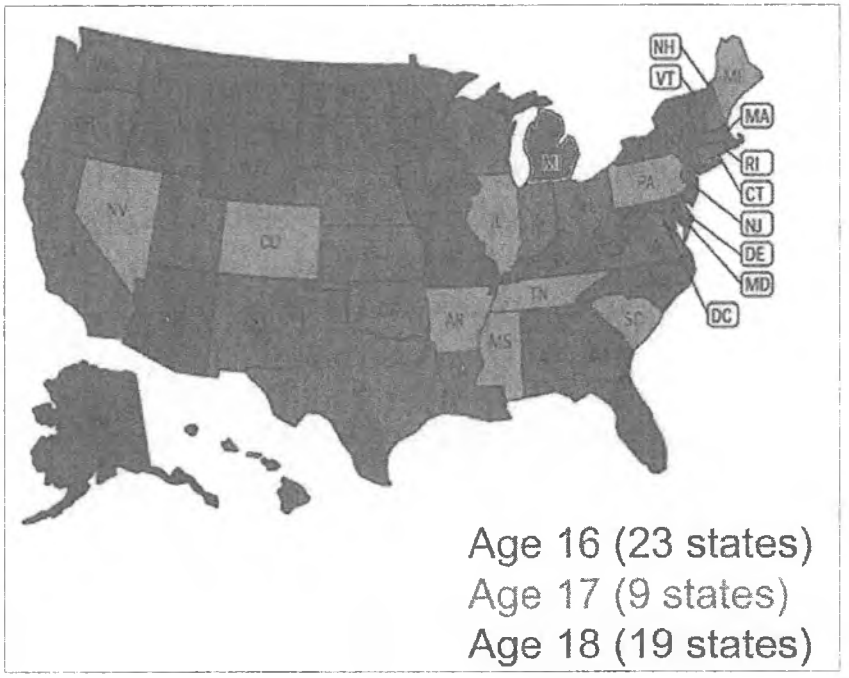
recently increased or attempted to increase the age of attendance, representatives of the legislature or state board of education indicated there were various rationales for the change, including a moral obligation, a desire to increase the graduation rate, an attempt to reduce the dropout rate, and an attempt to affect academic standing by increasing standardized scores.

Those states that were unsuccessful in attempting to change the compulsory attendance age cited such reasons as opposition from home school educators, parents, students, business/industry, legislature and local school systems or advocacy groups; being unable to determine if an increase in graduation and attendance rates or decrease in the dropout rate can be attributed to increasing the compulsory attendance age or the No Child Left Behind Act; and the fiscal estimate would increase financial burden on schools and community.

The Subcommittee charge also included identifying and evaluating some of the best practices for educating students between the ages of 16 and 18. A body of educational literature, commonly known as effective schooling research, documents educational practices in classrooms, schools, and local educational agencies. The literature studies student academic performance and behavior in educational settings. Effective schooling research compares and contrasts students, classrooms, and schools where students reach high academic achievement and demonstrate appropriate behavior to those where students are not successful.

NATIONWIDE SNAPSHOT

Compulsory attendance ages



Many educational agencies, labs, and other enterprises have engaged in collecting and reviewing effective schools research. For example, the Northwest Regional Educational Laboratory, Office of Educational Research and Improvement Clearinghouse (ERIC), National Dropout Prevention Center/Network at Clemson University, and the Center for Research of Students Placed at Risk at Johns Hopkins and Howard University have devoted time to reviewing and writing promising practices in education.

An overview of promising practices specifically targeted to students 16 to 18 years of age is provided in this document. The results are positive when schools acknowledge and incorporate best practices in the curriculum creating a positive and inviting climate where personal relationships are stressed. Also appearing in the literature is the need for proactive collaboration with families, students, and community, beginning in the early ages through high school.

Additionally, Subcommittee One researched data and reviewed other rationales to justify the existing laws and practices of compulsory attendance. A review of the literature and data from governmental organizations and agencies demonstrates the apparent correlation between dropping out of school, fiscal earning, and crime. State representatives indicated that some motivating reasons to increase the compulsory age of attendance were influenced by national research that including the following:

- **Education and Crime**—Broadly speaking, crime research indicates that higher educational achievement reduces crime committed by juvenile and adults. The clearest correlation can be drawn when examining the relationship between dropout status and incarceration:
    - Dropouts constitute less than 20 percent of the overall population.
    - Over 50 percent of the inmate population are dropouts (Bonczar, 2003).
    - Dropouts make up a disproportionately higher percentage (41 percent) of the nation's prison inmates (U.S. Department of Justice, 2004).

- **Education and Welfare**—According to Heckman (2000), higher education is associated with a decreased dependency on public assistance payments or subsidies. The relationship may directly result from lower rates of single motherhood or teenage pregnancy commensurate with high school graduation. High school graduation is also associated with higher incomes, better health, lower crime activity, and fewer welfare recipients.

- **Fiscal Impact**—According to a 2006 U.S. Bureau of Labor Statistics report, in October 2005, 68.6 percent of high school graduates from the class of 2005 were enrolled in colleges or universities. This enrollment rate was a historical high dating back to 1959.

    The report also provides that the unemployment rate for those students not enrolled in college was 20.6 percent in October 2005. After examining approximately 400,000 young people who dropped out of school during this same period of time, the report indicates participation in the labor force for these dropouts (52.7 percent) was considerably lower than the participation rate for recent high school graduates who had not enrolled in college (78.5 percent).

The unemployment rates for dropouts were lower than those with higher education. Males without a high school diploma had unemployment rates of 15.3 percent and females had a rate of 21.2 percent. Thus, dropping out of high school correlates to the following outcomes:

- The median income of high school dropouts ages 18 and over was $12,184 in 2003; and
- The median income of those ages 18 and over who completed their education with a high school/GED certificate was $20,431 (U.S. Census Bureau 2005).

Further, in reviewing the literature and conducting personal interviews, committee members investigated how changes were implemented as statutes were changed. As stated previously, several states changed the compulsory attendance age to 18. However, most statutes provide for various exceptions allowing for a student to leave school earlier than the required age. The majority of states have an exception for students who have completed the high school graduation requirements and received a high school diploma or its equivalent. For example, in Ohio, a student is exempted from compulsory attendance if he/she has received a high school diploma, completed the high school curriculum, completed an education program or received a schooling certificate. Additionally, there are exceptions for students with temporary illness or injury or with a physical, mental, and/or emotional disability. Students in a number of states, such as Connecticut, Nebraska, and New Mexico, are also not required to attend school if they have parental consent to drop out. A number of states (Colorado, Hawaii) and the District of Columbia also allow students to leave school early for employment or higher education purposes. In rural areas of the country, such as Alaska, Pennsylvania, and Virginia, students are exempt if they live a certain distance from a school, bus stop, or public highway. Also, a few states, like Illinois and Oklahoma, have a religious exception. Thus, raising the compulsory attendance age is not a bright-line rule; exemptions can be added to accommodate special circumstances. (See Appendix G: Exemptions and Penalties.)

Also, several states incorporate criminal penalties to force parents to ensure their child attends school. The vast majority of states inflict a monetary fine ranging from $25 to $1,000. A number of states, such as Louisiana, Mississippi, New Mexico, Oklahoma, Pennsylvania, South Carolina, and Wisconsin, impose incarceration up to one year. Community service may be ordered in lieu of a fine or incarceration in some states like Ohio, Oklahoma, Pennsylvania, and Wisconsin. There are also provisions allowing for alternative penalties to be imposed on parents, including parent education and counseling programs, such as in California and Pennsylvania.

A handful of states, including Arkansas, Mississippi, New Mexico, and Pennsylvania, impose penalties upon truant students. In Arkansas, students may be denied course credit,

promotion, or graduation and face suspension of their driver's license. In New Mexico, truant students may also lose their driving privileges for up to one year. (See Appendix G: Exceptions and Penalties.)

Subcommittee Recommendations

RECOMMENDATION ONE

Create a model program devoted to helping students stay in school.

RATIONALE

Based on the research conducted by Subcommittee One, it became apparent that the State and/or the local boards of education should create model programs aimed to keep students in school. An underlying structural system targeted toward students can assist in raising graduation rates, lowering dropout rates, and providing a positive future.

Our research indicated that model programs have positive results.

The JAG Model is aimed at providing students grades 9 through 12 with skills and assistance to graduate high school or complete a GED program and/or to obtain postsecondary education and/or entry level job. The program's success rates for the class of 2002 are: graduation rate, 84.56 percent; positive outcomes rate, 72.28 percent; aggregate job placement rate, 52.4 percent; full-time jobs rate, 65.89 percent; full-time placement rate, 88.13 percent; and further education rate, 19.88 percent.

The Stanley Hall Enrichment Center in Evansville, Indiana, was created in 1988 as an open-concept alternative school program focusing on empowering students to earn a high school diploma and advance to post-secondary education or gainful employment. During the 1999-00 school year, 60 of the 89 seniors received a high school diploma. The remaining students reported attaining their identified goals. In 2004–05, 74 of the 103 seniors completed graduation requirements.

Kalamazoo Communities in School (KCIS) was created to meet the physical, social, and emotional needs of students to help them learn and, ultimately, to create a strong workforce and strong leaders, parents, and communities. The vast majority of teachers and mentors participating in a recent survey saw improvements in the academic achievement and conduct of students in the program. Many students surveyed liked their mentors so much they wanted to spend more time with them.

The Coca-Cola Valued Youth Program is devoted to helping students stay in school by giving personal and academic responsibility to Valued Youth tutors, who develop self-discipline and self-esteem. Results show that tutors stay in school, increase academic performance,

improve school attendance, and advance to higher education. Since its inception in 1984, the program has helped schools keep 98 percent of program participants in school, more than 12,300 young people who were previously at risk of dropping out. The program has positively impacted over 220,000 children, families, and educators. Research results indicate that the Coca-Cola Valued Youth Program had a statistically significant impact on the dropout rate, reading grades, self-concept, and attitudes toward school. Only one tutor out of 101 (one percent) dropped out of school toward the end of the second year of the program, compared to 11 students of the 93 comparison group students (12 percent). Similar results were found for reading grades, self-concept, and attitudes toward school.

Check and Connect is a data-driven program grounded in research on resiliency and home-school collaboration. After two years, participants showed dramatic decreases in tardiness and truancy. A study of students ages 11 to 17 found a reduction in absenteeism and a school attendance rate of 95 percent after two years in the program.

Funding for these programs varies and is provided by a variety of sources. The Check and Connect Model is approximately $1,100 per student, and the Coca-Cola Valued Youth Program ranges from $150-$250. KCIS is funded through a grant by the Kalamazoo Chamber of Commerce. The JAG Model is approximately $1,500; however, full-time employed graduates or completers repay the cost through payroll or sales taxes within 14 months. The programs may be funded through the local boards of education, local or state government, or business community. While there may be a fiscal impact with the implementation of a model program, the overall socio-economic impact is far greater. (See Appendix E: Model Programs to Address School Dropouts.)

RECOMMENDATION TWO

Create a truancy court.

RATIONALE

Currently, Maryland lacks an established punishment system for frequently truant students. Also, even though penalties are established for parents/guardians, they are rarely enforced. Thus, Maryland should institute a system to strictly enforce the penalties. Accordingly, we recommend a truancy court system in each county. Truancy courts would instill hope, improve student attendance, enhance achievement, and reduce delinquent behavior through a proactive partnership of schools, courts, and families. Specifically, each truancy court would work closely with the local State's Attorneys office, Sheriff's department, Department of Social Services, local leaders, and local boards of education to ensure compliance with compulsory attendance laws.

The truancy court system would target students who were absent between 10 and 30 times. Truancy courts would have one judge, who either volunteers or is appointed, to handle truancy cases once a week before or after school. The truancy judge would review the student's attendance, behavior, and academic performance. After an accumulation of multiple absences, the student would be placed on probation. If there is no improvement, the student faces community service, juvenile detention, or parental supervision in school.

The court also intervenes with issues underlying a student's truancy, including depression and substance abuse, and makes the appropriate referrals and placements into programs.

Suggestions for keeping students in school through the truancy court system include:

- Positive reinforcement
- Praise for small accomplishments
- Rewards for attendance and compliance with truancy system
- Transportation assistance
- Parent participation
- Counseling
- Parenting classes
- Support groups
- Parents and students signing an agreement to abide by the conditions of the truancy court. Upon successful completion, the student's truancy case is dismissed.

RATIONALE

Throughout the Subcommittee's work, the necessity for a structural system to ensure and enforce compulsory attendance laws was evident. Without enforcement in place, the compulsory attendance law is insignificant; students and parents must take compulsory attendance seriously. It is necessary for parents to take an active role in their children's education.

The research compiled by the Subcommittee demonstrates the negative impacts on society when students drop out or are excessively truant. There is a direct correlation between students who are not in school and crime. Students who are not in school are more likely to be involved in gang activity, vandalism, substance abuse, and other crimes. Additionally, students who are not in school are more likely to commit crimes as adults. Students who are not in school also have lower incomes, higher unemployment rates, and higher dependency on public assistance payments or subsidies. Also, students who are not in school have lower academic achievement and are less likely to graduate from high school or go to college.

The success rates for truancy court systems are evident in several states. In North Carolina, specifically in Durham and Mecklenburg counties, a newly developed truancy court has successfully transformed truant elementary and middle school students into perfect or nearly

perfect attendance students. Judge Richard Chaney of Durham, North Carolina, stated that only one student failed to graduate high school out of the students who regularly came into his courtroom (Administrative Office of the Courts of North Carolina, 2001). Also, in St. Louis County, Missouri, a three-year evaluation concluded that 60 percent of students significantly improved their attendance rates, reducing absences by an average of 44 percent (St. Louis County Truancy Court, 2005). In Ingham County, Michigan, approximately 63 percent of the 600 students referred to truancy court in the first two years have improved their attendance (Burton, 2003).

Most significantly is the truancy court in Delaware. Between the 1995-96 and 2002-03 school year, there was a 41 percent decrease in the average number of unexcused absences. Recently, in 2003, 55 percent of the 739 students with closed cases achieved overall compliance with the truancy court; 94 percent of the students achieving full compliance remained in school at the end of the year; 70 percent of all students were still in school at the end of the year; and 66 percent of all 2002 students involved with the truancy court continued to remain in school more than a year later (State of Delaware Justice of the Peace Court, 2003).

Thus, our subcommittee feels a truancy court system will lower truancy rates and raise graduation rates. Most importantly, parents and students will be complying with compulsory attendance laws and bettering themselves and their community.

RECOMMENDATION THREE

Increase the age of compulsory school attendance from 16 to 18.

RATIONALE

Legislators and the public are demanding increased accountability from the nation's educational system. (Just one example of this demand is the Alliance for Excellent Education.) Often the word crisis describes the state of education in America. States are being asked to address this crisis since it is predicted to have devastating effects on our national economy and ability to compete internationally. The data below highlight aspects of the crisis in education and provide insight into what some states are doing to address the crisis.

- Currently, 26 states and the District of Columbia have compulsory education laws for students over the age of 16. Of these, 17 have compulsory attendance to age 18 (or until high school graduation) and nine require students to attend school until the age of 17. Compulsory education is historically imposed on students and families for the public good and their individual rights as citizens.
- Baltimore, the largest city in Maryland, has a dropout rate that exceeds neighboring cities such as Washington, D.C., and Philadelphia.

- The average income of persons ages 18 through 65 who have not completed high school was approximately $20,100 in 2005 (U.S. Department of Commerce, 2006).
- By comparison, the average income of persons aged 18 through 65 who completed their education with a high school credential, including a General Educational Development (GED) certificate, was nearly $29,700 (U.S. Census Bureau, 2006).
- Dropouts are less likely to participate in the labor force than those with a high school credential or higher (U.S. Bureau of Labor Statistics, 2004).
- Dropouts make up a disproportionately higher percentage (41 percent) of the nation's prison inmates (Harlow, 2003).
- Unemployed youth spend time on the streets, create families they cannot support, or participate in anti-social activities. It costs from $8,237 to 11,740 per year to educate a student (Maryland State Department of Education, 2006). In FY 2004, the Average Daily Population (ADP) in a secure detention facility under the Maryland Department of Juvenile Services Administration was 291 children. The Average Daily Cost (ADC) in FY 2004 for these children was $243. The State spends over $70,000 per day for children incarnated in a secure facility. This does not represent children in alternative placements or programs (Maryland Department of Juvenile Services, 2004).
- Those who cannot earn an adequate living often resort to welfare to support their families.
- Of the 12 million new jobs created nationally in the past decade, only 700,000 of those did not require a college education. Many high-paying jobs in manufacturing, telecommunications, and other industries have been eliminated. Technology has replaced people in recent years, spawning layoffs and the elimination of countless jobs that require minimal education (Mariani, 1999).
- Based on the comments from interviews conducted by Subcommittee One, interview subjects from 19 states that recently increased the compulsory attendance age stated that there was no foreseeable fiscal impact at the state or local boards of education, since all local school systems have alternative programs to address the needs of students between 16 and 18 years old.
- Representatives from 20 states interviewed by Subcommittee One identified rationales such as moral obligation, desire to increase graduation rate, attempt to reduce the dropout rate, and attempt to affect academic standing by increasing standardized scores for increasing the compulsory attendance age.

Appendix A: Summary of Interviews with State Representatives or Boards of Education

Alabama: No response

Alaska: Currently, the compulsory attendance age is 17. The Alaska State Department of Education is submitting a bill to the Legislature to raise the age to 18. Past attempts have failed, and strong opposition from the Legislature, local school systems, and several advocacy groups remains. At this time, there is no completed fiscal note. The Legislature is in session until May; the State Department of Education will develop a fiscal note later in the session.

Colorado: No response.

Connecticut: No response.

Hawaii: Hawaii has had a compulsory education age of 18 since its addition to the Union in 1959. Statistics place the graduation rate at 80 percent and dropout rate at 14 percent. The Hawaii State Department of Education, however, believes the information is inaccurate because the state has a high transient population that is difficult to track.

Illinois: No response.

Iowa: Last year, an introduced bill received an unfavorable report from the legislative committee. The current House Bill is attempting to raise the age to 18. If passed, the law will take effect in 2009 to allow the State Department of Education an opportunity to study the fiscal and academic impact, among other issues. However, the Department estimates they have 825 students in the range of 16 to 18 years of age. Because the current per student cost totals $5,700 for over 1,000 school districts, there should not be a financial hardship for any school district. Currently, all school districts have alternative programs and resources to address any students needing assistance. However, there are many other issues to study if the law is passed.

Kansas: The Legislature raised the age to 18 in 1996. No study has been conducted before or after the legislation. The Legislature felt it was in the best interest of the State and the students to raise the compulsory attendance age. At age 16, students can withdraw with parental permission. There has been no significant cost to the local school systems. There are 296 districts that have implemented various interventions, such as alternative programs, a virtual high school curriculum, and positive behavioral programs.

Kentucky: During the 2007 legislative sessions, two bills were introduced to raise the compulsory attendance age. One bill would raise the age to 17, and the other would raise it to 18. Neither bill received a hearing, effectively ensuring that neither became law. A similar bill introduced in previous years suffered the same fate. Opponents of the bills argued strongly against the estimated $30 million in costs. Proponents argued that dropouts cost the State billions of dollars in lost wages, uncollected taxes, and productivity.

Louisiana: In 2001, the Louisiana State Legislature increased the compulsory age from 17 to 18. In 1999, similar legislation failed, presumably because of the estimated $30 million cost associated with the increase. The 2001 fiscal note did not contain a cost estimate, but rather the possibility that in a given year there could be a reduction of state-level general fund expenditures. For example, if the number of dropouts decreased, there could be a resulting decrease in the number of students in the custody of the Department of Corrections and a decrease in the number of students dependent on assistance programs, such as welfare and food stamps.

A review of available data suggests that the graduation rate in Louisiana has improved. The rate went from 63.7 percent during 2000–01, the year prior to the change, to 69.4 percent in 2003–04, according to the latest data available through NCES. Dropout data suggests an improvement the year following the change, but none thereafter. The dropout rate fell from 9.2 percent in 2000-01 to 6.6 percent the year following the change. Since then, it has ranged between 7.0 and 7.4 percent.

Michigan: In Michigan, the following two bills were introduced: Senate Bill 4 in 2006 and Senate Bill 11 in 2007. There have been eighteen bills in the past several legislative sessions; however, until last year, no bill was ever scheduled for a hearing. The bill received an unfavorable report due to financial reasons and a concern for the impact of disruptive students on school staff.

Minnesota: Minnesota changed its compulsory attendance age in 1998, though it was delayed for several years due to financial reasons. Minnesota offers two types of diplomas: a district-issued diploma and a state-issued GED.

Missouri: In 2001, Senate Bill 363, which provides that the compulsory attendance age shall be 16 years, or 17 years in the Board of St. Louis Public Schools, was introduced. The Board of St. Louis Public Schools may also adopt a resolution lowering the compulsory attendance age to 16. In 2006, House Bill 1277 was introduced, which would have raised the compulsory attendance age from 16 to 18. A student's parent or guardian could withdraw a student and had to agree in writing to excuse students from school for work or drop from school rolls. A religious exemption to compulsory school attendance was also added. The Bill stated that students who successfully completed all elementary and secondary grade levels before the age of 18 were exempt from the compulsory school age.

House Bill 1277 was not scheduled for a hearing; therefore, the bill died in committee. Support for the bill was present because it addressed what was perceived as the "gray area" of students ages 16 to 18—too old to be forced to attend school by their parents, but too young to make the decision as an adult. No known opposition was present; however, the Bill failed due to the perceived increase in costs and the competition for funding by other legislation. A fiscal note was not completed, but increased costs at both the state and local levels were foreseeable. (The Bill was not re-introduced this year.)

Nebraska: In 2004, Nebraska passed Legislative Bill 868, which raised compulsory attendance from age 16 to age 18 beginning in the 2005–06 school year. The Bill would not apply to any child who obtained a high school diploma and allows for any child over the age of 16 to attend alternative educational programs. According to conversations with representatives from Nebraska, there were six proponents of the Bill, and four of those were from school boards. There were eight opponents, who did not represent a particular group, to the Bill. The fiscal note projected minimal financial increases, but did not specify a figure.

New Hampshire: New Hampshire has attempted to raise the compulsory attendance from age 16 to age 18 several times over the past 10 years, most recently in 2006 and 2007. In 2007, a bill was passed that raised the age to 18 and exempted home-schooled children, physically or mentally handicapped children, and children who obtained a high school diploma. The fiscal note states a possible increase in local expenditures by an indeterminable amount.

New York: Under New York State Education Law § 3205, the compulsory attendance age ranges from 6 to 16 years of age. The law requires students to attend school until the end of the school year in which they turn 16. The law also permits city school districts and union-free school districts with a population over 4,500 to require unemployed minors from 16 to 17 years of age to attend school. In April 2007, § 4686 was introduced,

but defeated. If § 4686 had passed, it would have required students in all districts to attend school until the end of the school year in which they turn 18. The State Education Department estimates that up to 8,500 additional 16 year olds would have been impacted by this bill. The total annual cost was between $59 million and $89 million. The State would have funded $27 million to $41 million. Furthermore, the cost estimate assumes that these students did not require more expensive programs and services than would be covered by the average per-pupil expenditure in New York. To the extent that this population of disaffected students required even more intensive services, costs would have increased accordingly.

Texas: In 1996, the State legislature passed a bill to raise the compulsory attendance age from 17 to 18. The legislation was unsuccessful, but only received minor opposition. The Bill did not provide financial assistance to the local school systems (LSS). Some of the LSS have hired Dropout Prevention Specialists to assist in having students re-enter school, but the expense for additional staff is the responsibility of the LSS. In contrast to the State, the LSS have instituted alternative interventions, such as additional programs and alternative schools. Attendance cases are referred to juvenile court, which has cooperated extensively to compel students to return to school. The increase in the age requirement and the cooperation of the juvenile court has contributed to increasing the graduation and attendance rates in Texas. Additionally, Texas' dropout rate continues to decline.

Utah: A law requiring compulsory education until age 18 was passed in 1919 with amendments in 1999. There has been no significant fiscal burden to the State.

Wyoming: A bill failed last legislative session due to lobbying by the home-schooling community and organization. There were many new legislators who did not understand the lobbying was from a "group," not individual voters. This year, the Bill is being introduced with the following additional provision: the State will pay full funding for each of the 48 school districts to establish programs for "at-risk" students. The district will need to create/provide after-school programs, summer school, tutors, and alternative high schools. There are three caveats for the funding: 1. The school district is accountable for demonstrating how the money for at-risk students is spent; 2. The parent/guardian must meet with school officials to withdraw underage students; and, 3. The student is accountable for demonstrating proficiency in reading, writing, and math. Students with an Individualized Education Program (IEP) must meet the goals of the plan. The State will provide a refund to all 48 school districts in the amount of the cost-per-pupil. There was no fiscal note taken into consideration.

Appendix B: Who is at risk of dropping out?

Reports from the United States Department of Education and the National Center for Education Statistics calculate the event dropout rate, which estimates the percentage of both private and public high school students who left high school between the beginning of one school year and the beginning of the next without earning a high school diploma or its equivalent. Looking at national event dropout rates, the following facts emerge during the period of October 2002 to October 2003:

- Four out of every 100 students enrolled in high school left school before October 2003.
- Hispanic high school students are more likely to drop out than students of other races/ethnicities. The event dropout rate for Hispanics was 7.1 percent compared with rates of 3.2 percent for Whites and 2.4 percent for Asians.
- African-American students and students who indicate more than one race had event dropout rates of 4.8 percent and 6.1 percent, respectively.
- Students living in low-income families were approximately 5 times more likely than their peers in high-income families to drop out of school.

Appendix C: Why do students drop out?

Dropping out of school is not a sudden act, but a gradual disengagement process. "The Silent Epidemic: Perspectives of High School Dropouts" (Bridgeland, Dijulio, & Morison, 2006) presents the central message that most students drop out for one of the following reasons:

- Significant academic challenges
- Lack of connection to the school environment
- Lack of interest in school
- Employment
- Pregnancy
- Ailing/unhealthy family member

Other significant elements that influence students with disabilities to leave school include:

- Failing in school
- Being poorly prepared for high school
- Repeating at least one grade
- Being truant
- Having too much freedom
- Lacking parental involvement in school

At the 2006 National State Education Agency Forum in Clemson, South Carolina, Dr. Jay Smink and Dr. Terry Cash discussed National Dropout Prevention Center studies that revealed status factors and other variables associated with students dropping out of school, including:

Status Factors

Age	Native language	Parental involvement
Gender	Region of the country	School size
Socioeconomic background	Academic ability	Family structure
Ethnicity	Disability	Mobility

Other variables associated with dropouts

Grades	School climate	Educational support in the home
Disruptive behavior	Parenting	
Absenteeism	Attitudes toward school	Retention
School policies	Sense of belonging	Stressful life events

Appendix D: Research Findings on Dropout Prevention

What can we do to prevent students from dropping out of school? What are some of the key components that will keep students in school and be successful in their endeavor to obtain a high school diploma? The research of Dynarski (2001), Slavin and Fashola (1998), Schargel and Smink (2001), and Smink and Cash (2006) leads us in the right direction:

- Creating small school communities with small classes.
- Allowing teachers to build relationships and enhanced communication [creating personal bonds between students and teachers].
- Providing individual academic and behavioral assistance [early intervention includes comprehensive family involvement, early childhood education and strong reading and writing programs].
- Focusing on helping students address personal and family issues through counseling and access to social services.
- Recognizing the importance of families in school success.
- Developing problem solving skills to meet the demands of the school environment.

The work of Jay Smink and Franklin P. Schargel describes fifteen strategies identified through nationwide research reviewed by the National Dropout Prevention Center/Network at Clemson University, including:

School and Community Perspective

- Systemic renewal
- School-community collaboration
- Safe learning environments

Basic Core Strategies

- Mentoring/Tutoring
- Service learning
- Alternative schooling
- After school opportunities

Early Interventions

- Family engagement
- Early childhood education
- Early literacy development

Making the Most of Instruction

- Professional development
- Active learning
- Educational technology
- Individualized instruction
- Career and technical education

Dr. E. Gregory Woods, from the Northwest Regional Educational Laboratory, reviewed the research findings regarding the characteristics of effective dropout-prevention programs, including:

Organization/Administration: Program design and administration have an effect on the retention of at-risk students. Research has shown that schools-within-schools, low student-teacher ratios and alternative schools have had some success in lowering dropout rates.

School Climate: Safe, orderly, non-threatening environments contribute to dropout prevention. Staff training to build cultural sensitivity and developing "family" atmospheres have also proven to be effective strategies.

Service Delivery/Instruction: Instruction needs to be student-centered. Students at risk of dropping out should be identified as early as possible so that the appropriate intervention can be implemented. Research shows that early identification, family involvement, clear instructional objectives and monitoring student progress are effective in dropout prevention.

Instructional Content/Curriculum: A combination of academic and work-based learning has been shown to be beneficial.

Staff/Teacher Culture: Staff members in successful programs are committed to the program and have high standards for all students.

Appendix E: Model Programs to Address School Dropouts

Agora Cyber Charter School

The Agora Cyber Charter School is a tuition-free public virtual school that gives parents the curriculum, tools, and support to provide students a high-quality, well-rounded education. The newest public education option in Pennsylvania is modeled by curriculum experts at K12 Inc. and professional teachers and administrators to form a virtual public school for students in grades K-12.

TARGETED POPULATION

Agora Cyber Charter School focuses on students from kindergarten through grade 12. Students are placed in the curriculum per assessment data in reading, mathematics, and writing. Experts in the special education area are available to assist those students who have an Individualized Education Program (IEP).

MAJOR COMPONENTS

Extensive instructional materials—including textbooks, workbooks, art supplies, science equipment, and maps—to support the learning environment are provided. Desktop computers, printers, and internet reimbursements are also available. Clearly defined mastery objectives are monitored daily and recorded on students' daily sheets. Students are required to keep accurate attendance by noting the hours spent on each course. Online, synchronous teacher conferences with other students in the class are a major component of the Agora Cyber Charter Schools. Agora Cyber Charter Schools also offers foreign-language opportunities, online clubs, and extracurricular activities. Also, part of the success of the Cyber Charter Schools is attributed to workshops for parents that address specific needs of students and lessons paced for student success.

EVIDENCE OF EFFECTIVENESS

- Increase in students' grades
- Positive feedback from students, including pace is a factor in success and more time allotted to acquire the knowledge presented for success

COST PER STUDENT

Agora Cyber Charter School is based on the cost per student in the district in which the parent/guardian resides and is paid by the State Department of Education. In Pennsylvania, Agora Cyber Charter School is funded through the tax base of each district.

SUMMARY

http://www.agora.org/

Check and Connect Model

Check and Connect is a model of sustained intervention for promoting students' engagement at school and with learning. Demonstrated outcomes include:

- Decrease in truancy
- Decrease in dropout rates
- Increase in obtaining credits
- Increase in school completion
- Impact on literacy

TARGET POPULATION

Check and Connect is data-driven and grounded in research on resiliency and home and school collaboration. The model was first developed in Minneapolis for urban middle school students with learning and behavioral disabilities. Today, it has been replicated for all students, grades K-12.

MAJOR COMPONENTS

Check and Connect promotes student engagement with school using seven components:

1. Relationship building
2. Routine monitoring and alterable indicators
3. Individualized and timely intervention
4. Long-term commitment
5. Persistence plus
6. Problem-solving
7. Affiliation with school and learning

A key factor in the Check and Connect model is the "monitor," who ensures a student "connects" with school and learning. An effective monitor must be persistent, willing to work closely with families using a non-blaming approach, and able to work well in different settings. Additionally, a successful monitor must believe that all children have abilities, advocate for the student, commit to documenting the intervention, and work well in different settings. The monitor must establish trust with the students and their families.

The monitor regularly checks on student attendance and academic performance, talks to the families, and listens to students, which establishes a strong connection throughout the year. The monitor periodically checks student engagement by using several indicators, including attendance, social/behavior performance and academic performance. Using these indicators, the monitor can "connect" with the student by using either basic or intensive interventions.

All students receive basic interventions, which primarily comprise purposeful conversations with the monitors once a month for secondary students and once a week for elementary students. The monitor talks to the student about progresses made in school, the connection to graduation, and possible conflicts or concerns and the resolutions.

The intensive intervention is triggered by a student exhibiting early warning signs of dropping out of school (e.g., attendance, academic performance, behavior). The monitor taps existing support services when necessary and increases the degree of interaction with the student, including calling the student and parent in the morning to ensure the student attends school.

EVIDENCE OF EFFECTIVENESS

Check and Connect has been used in grades K through 6. Participants included students with and without disabilities and their families. After two years, participants showed dramatic decreases in tardiness and truancy. A study of students ages 11 to 17 found a reduction in absenteeism and a school attendance rate of 95 percent after two years in the program.

COST

Cost per student is approximately $1,100.

CONTACT

Josie Danni Cortez, M.A., Intercultural Development Research Association

Coca-Cola Valued Youth Program

The Coca-Cola Valued Youth Program is devoted to helping students stay in school by giving personal and academic responsibility to Valued Youth tutors. The program also provides schools with the ability to change longstanding philosophy and practices of devaluing at-risk students. Results show that tutors stay in school, have increased academic performance, have improved school attendance, and advance to higher education.

TARGETED POPULATION

First developed by the Intercultural Development Research Association (IDRA) in 1984, this cross-age tutoring program takes students at risk of dropping out of school and places them as tutors for younger students.

MAJOR COMPONENTS

Seven important tenets express the philosophy of the Coca-Cola Valued Youth Program. They are:

1. All students can learn;
2. The school values all students;
3. All students can actively contribute to their own education and to the education of others;
4. All students, parents, and teachers have the right to participate fully in creating and maintaining excellent schools;
5. Excellence in schools contributes to individual and collective economic growth, stability, and advancement;
6. Commitment to educational excellence is created by including students, parents, and teachers in setting goals, making decisions, monitoring progress, and evaluating outcomes; and,
7. Students, parents, and teachers must be provided extensive, consistent support in ways that allow students to teach, teachers to teach, and parents to be involved.

FIVE INSTRUCTIONAL COMPONENTS

CLASSES FOR TUTORS: Tutors meet with their secondary school teacher/coordinator once a week in order to: Develop tutoring skills; Reflect on and celebrate successes and contributions; and, Improve reading, writing, and other subject matter skills, enabling the students to teach these skills to elementary school students. The class for tutors and the tutoring sessions, which occur four times a week during the same class period, is offered as an elective or as a state or local course credit.

TUTORING SESSIONS: There is a minimum of four hours of tutoring per week—one class period a day. The student tutors earn a minimum wage stipend for their efforts and are expected to adhere to the employee guidelines of their host school. The tutors' primary responsibility is to work in a one-to-three ratio with tutees. Tutoring young children (at least a four-year grade level difference) forces the tutors to use their own experiences and apply them to the difficult task of teaching.

EDUCATIONAL FIELD TRIPS: Between two and three times throughout the year, students are invited to explore economic and cultural opportunities in the community. The field trips are an opportunity for career awareness by exposing the students to a variety of professional environments. The students can make connections among school, career, and being a professional.

MENTORS AND ROLE MODELS: Career and leadership awareness is developed through five guest speakers who model a variety of professions and experiences. Adults, who are considered successful in their fields and who represent students' ethnic background(s), are invited to participate. A person who has overcome serious barriers can also be a powerful role model.

STUDENT RECOGNITION: Students are acknowledged for their efforts and contributions while fulfilling their responsibilities as tutors. Throughout the year, students receive certificates of merit and appreciation, are invited on field trips with their tutees, receive media attention, and are honored at a luncheon or supper. These events help students understand the importance of their tutoring within their school, district, and community.

SUPPORT COMPONENTS

CURRICULUM: A primary goal of the curricular framework is to prepare secondary school students to tutor elementary school students. The objectives of the curricular framework include improving the students' self-concept, tutoring skills, and literacy skills.

COORDINATION: Periodic meetings are held to coordinate all activities, facilitate communication among personnel, and provide first-hand information for monitoring the program. Coordination is formalized through the Coca-Cola Valued Youth Program implementation team at each participating site. The team includes the teacher coordinators at the secondary school, the secondary school counselor, the evaluation liaison, the family liaison, an elementary school receiving teacher representative, and the principals of the participating schools.

STAFF ENRICHMENT: Training and other instructive or enriching experiences strengthen the individual program components. The Coca-Cola Valued Youth Program includes training and technical assistance in response to the participants' needs assessments. Staff enrichment is achieved through technical assistance and training.

PARENT INVOLVEMENT: Great efforts are taken to involve the tutors' families in the Coca-Cola Valued Youth Program. The goal of family involvement is to show that the school takes the children's education seriously and values the families' contributions. Empowering minority and disadvantaged families requires vigorous outreach and meaningful school activities. Parent meetings and sessions, a minimum of four per year, are conducted partially or fully in the language of the parents.

EVIDENCE OF EFFECTIVENESS

Since its inception in 1984, the program has helped schools keep 98 percent of program participants in school, more than 12,300 young people who were previously at risk of dropping out. The program has positively impacted over 220,000 children, families, and educators.

The key to the program's success is valuing students who are considered at risk of dropping out of school and sustaining the students' efforts with effective, coordinated strategies. The program is flexible and readily adaptable to individual schools. Its careful design and assessment have shown that certain elements are critical, such as paying tutors for the work accomplished and having experienced content-area teachers serve as the program's teacher coordinators.

The Coca-Cola Valued Youth Program was extensively researched in 1989 using a longitudinal, quasi-experimental design with data collected for the treatment and comparison group students before tutoring began, during implementation, and at the end of the first and second program years. The results from the research showed that the Coca-Cola Valued Youth Program had a statistically significant impact on the dropout rate, reading grades, self-concept, and attitudes toward school. Only one tutor out of 101 (one percent) dropped out of school toward the end of the second year of the program, compared to 11 students of the 93 comparison group students (12 percent). Similar results were found for reading grades, self-concept, and attitudes toward school.

The research unveiled critical elements of the program's implementation and success, allowing for replication as the program expanded across the country. The research also served as the basis for the evaluation design, which continues to be one of the most rigorous dropout-prevention models.

The research and ongoing program evaluation indicates the strength of the program. It continues to be acknowledged as one of only a few proven dropout-prevention programs in the country. In fact, the Coca-Cola Valued Youth Program was identified as an effective program in "Show Me the Evidence! Proven and Promising Programs for America's Schools" (Slavin & Fashola, 1998). The article states that the Coca-Cola

Valued Youth Program is one of only two programs in the country designed to increase the high school graduation rates of at-risk students.

The program has also been recognized by the U.S. Department of Education's Program Effectiveness Panel for Inclusion in the National Diffusion Network, the Corporation for National and Community Service, the Secretary of the U.S. Department of Education, and President George Bush. Also, it has been featured as an educational model in books by the American Council on Education, the Committee for Economic Development, the Hamilton Fish National Institute on School and Community Violence, Jobs for the Future, the National Center for Service-Learning in Early Adolescence, and the Urban Institute.

COST

Cost per student/user (based on 25 tutors and 75 tutees) ranges from $150-$250, which includes tutor stipends, and recognition awards, staff training, technical assistance and evaluation.

CONTACT

Josie D. Supik, Intercultural Development Research Association

Kalamazoo Area Academic Achievement Program (KAAAP) Kalamazoo Communities in Schools!

In 1992, the Kalamazoo Chamber of Commerce created the Kalamazoo Area Academic Achievement Program (KAAAP). The business community's goal was to create goal-oriented students and graduates who would join the business community and contribute to economic development.

Recently, KAAAP has merged with two similar programs to form the Kalamazoo Communities in Schools (KCIS). KCIS is a compilation of major service providers, school officials, community volunteers, business leaders, and other concerned citizens. The purpose of KCIS is to meet the physical, social, and emotional needs of students to help them learn and, ultimately, to create a strong workforce, leaders, parents, and community in the future. By creating partnerships within the community, KCIS is able to assist schools with a wider variety of services.

TARGETED POPULATION

KCIS focuses on all students, K through 12, to help them successfully learn, stay in school, and prepare for life.

MAJOR COMPONENTS

KCIS repositions community resources into schools so students can access needed services. There are 10 full-service schools with on-site coordinators who have full access to dental services, mental health services, career exposure, and other support services to promote excellence in education and high achievement. The on-site coordinators are in contact with teachers, students, and families and make direct connections between community partners and students referred for services.

Activities and services offered by full-service schools are varied and include:

- Academic and emotional support through mentoring and tutoring services
- Behavioral health that includes mental health, substance abuse, grief counseling, and peer mediation
- Service learning and academic enrichment
- Health services that include health education, nutrition, dental screening, x-rays, cleaning, sealants and referral, a nurse pilot project and nurse interns, vision checks and eyeglasses
- Food pantry projects

- Coats, boots, hats, and mittens
- Housing support services
- Academic enrichment
- Parent outreach and support
- Internships and volunteer support from AmeriCorps VISTA

Additionally, KCIS offers a mentoring program, which pairs students with adult mentors who model strong lifestyles and work ethics and provide scholastic support. The mentors meet with the students at least once a week. KCIS also offers grants and scholarships to students and staff to further training in projects directly involving students and academic achievement.

EVIDENCE OF EFFECTIVENESS

The vast majority of teachers and mentors participating in a recent survey saw improvements in the academic achievement and conduct of students in the program. Many students surveyed liked their mentors so much they wanted to spend more time with them.

COST PER STUDENT

Kalamazoo Chamber of Commerce Grant

SUMMARY

http://www.kcisfkidsfirst.org/index.php?inc=content

Stanley Hall Enrichment Center

The Stanley Hall Enrichment Center in Evansville, Indiana, was created in 1988 as an open-concept alternative school program focusing on empowering students to earn a high school diploma and advance to post-secondary education or gainful employment.

TARGETED POPULATION

High school students who are experiencing difficulty staying in school.

MAJOR COMPONENTS

The Center maintains a success-oriented program designed to assist students to build self esteem, develop and apply desired work habits, gain computer skills and career information, and increase awareness of the importance of high school graduation.

To meet the needs of diverse students, the program uses:

- Self-paced curricula
- Technology
- Student-operated branch bank
- Job shadowing
- Internships
- Service learning
- Service programs

All students must achieve a letter grade of "C" or higher for assignments and courses. Frequent conferences keep students, faculty, and families informed of academic progress. In addition, student achievement is recognized daily at Stanley Hall. Each time a student earns a credit, the teacher and class offer congratulations, and the student calls a family member to share his/her success.

The Center promotes a strong connection with the community through guest speakers, college field trips, contests, and presentation opportunities. By participating in these activities, students are encouraged to be active in the community, remain in school, and assume responsibility for their future.

Additionally, the Center has partnered with the Department of Natural Resources and Vanderburgh County Soil and Water Conservation to establish a seasonal wetland at Angel Mounds State Historic Site and Nature Preserve. Students use the site as a lab facility and have planted native grasses and cypress trees, designed a walkway for visitors to view wildlife, and installed signage. As a reward for their efforts, the students have received an environmental stewardship award and have been nominated for a National Wetlands competition. Each year, the students also participate in the United Way's Day of Caring and spend the day at the food bank getting supplies ready for distribution.

Center students are also involved with building financial literacy among students at Lodge Elementary. As a result, students strengthen their communication and organizational skills by facilitating group activities and class discussions to improve financial skills. Center students also speak one-on-one with elementary and middle school students regarding problems they encountered during their school years. During these talks, students stress attendance, citizenship, bullying, and staying in school.

EVIDENCE OF EFFECTIVENESS

During the 1999-00 school year, 60 of the 89 seniors received a high school diploma. The remaining students reported attaining their identified goals. The success of the Stanley Hall Enrichment Center Program has been judged by the number of students who are retained in high school, graduate from high school, earn a GED, and secure legitimate employment. In 2004-05, 150 students attended Stanley Hall, and 74 of the 103 seniors completed graduation requirements.

COST PER STUDENT

Unknown

THE BUDDY SYSTEM PROJECT

The Buddy System is a mentoring program designed to improve participants' academic and social behaviors and promote interaction between youth and older role models. The program is based on individual and group mentoring and encouraging positive behaviors through financial incentives.

TARGETED POPULATION

Children ages 10 to 17 and multi-ethnic children

MAJOR COMPONENTS

Component	Provided by	Duration	Description
One-on-one mentoring	Community resident	Less than 1 year for most participants	Weekly meetings engaging in social activities; mentors are trained to establish warm, trusting relationships and to create a plan to change targeted behaviors.
Group mentoring	Community resident		When appropriate, mentors met with their mentees in group activities.
Financial incentive	Program		Students were given $10/month if their behaviors improved.

EVIDENCE OF EFFECTIVENESS

STUDY 1: *The Buddy System: Effects of community intervention on delinquent offenses. Behavior Therapy*, 6, 522-524. Fo, W. S., & O'Donnell, C. R. (1975).

Evaluated population: Youth referred to program; treatment n=264 and control group n=178.

Objective: To determine the effects of the program on delinquent acts.

Measurement instrument: Records on the delinquent offenses of participants and control group.

Evaluation: *Type:* Experimental, random assignment, treatment n=264 and control group n=178. *Statistical techniques:* Z test, Significance Level=.05.

Outcome: For youth who had committed major offenses in the year prior to entering the project, program youth were significantly less likely to have committed major offenses during the Buddy System year (37.5 percent) than were the youth in the control group (64 percent). The pattern was opposite, however, for youths with no record of major offenses in the preceding year; in this case, program youth were significantly more likely to have committed major offenses (15.7 percent) than the control youth (7.2 percent).

STUDY 2: *The Buddy System: Review and follow-up. Child Behavior Therapy*, 1, 161-169. O'Donnell, C. R., Lydgate, T., & Fo, W. S. (1979).

Evaluated population: 335 youths (206 boys and 129 girls) in the experimental group. 218 youths (151 boys and 67 girls) in the control group. In the experimental group 255 were in the program for one year, 73 for two years, and seven for three years. In the control group 195 were assigned to one year, 23 for two years and none for three years.

Objective: To evaluate the effectiveness of the program based on the arrest data (for major offenses only) of participants over a three-year span.

Measurement instrument: Arrest records of participants and control group one year before participation, the year(s) of participation, and two years after the initial year of participation.

Evaluation: *Type:* Experimental *Statistical techniques:* Two tailed Z tests, Significance Level=.05.

Outcome: The Buddy System was most effective for youth who had been arrested for major offenses in the year preceding participation in the program: 56 percent of these participants vs. 78 percent of the control group ($p<.04$) were arrested for a major offense in the program year or two years after. Of participants without prior arrests, those in the treatment group were more likely to commit a major offense than those in the control group: 22.5 percent vs. 16.4 percent ($p<.05$).

COST PER STUDENT

Not provided. Funding provided through the U.S. Department of Housing and Urban Development's Model Cities and the U.S. Department of Health, Education, and Welfare's Office of Juvenile Delinquency and Youth Development.

THE JAG MODEL

The JAG Model has several purposes, including:

- Keeping program participants in school through graduation or passing the GED and assisting graduates to obtain an entry-level job that would lead to a career
- Assisting graduates or GED passers in pursuit of a postsecondary education and/or an entry-level job that would lead to a career
- Extending program services to participants for 12 months after graduation or completion of a GED
- Delivering services to non-graduates and to those who did not pass the GED during the 12-month follow-up period to attain a GED or a high school diploma

TARGETED POPULATION

Students, grades 9–12, and dropouts in alternative school programs or community-based programs leading to a high school diploma or GED

MAJOR COMPONENTS

The JAG Model provides performance standards and best practices for serving students ages 15–21. Examples of program applications include: School-to-Career Program (grade 12); Multi-Year Dropout Prevention Program (grades 9–12); and, Out-of-School Program (dropouts and alternative schools).

EVIDENCE OF EFFECTIVENESS

Program outcome goals include: graduation (90 percent), positive outcomes (80 percent), employment (60 percent), full-time employment (60 percent), and full-time placement (80 percent).

For the class of 2002, the JAG Network's performance outcomes were:

- Graduation Rate, 84.56 percent
- Positive Outcomes Rate, 72.28 percent
- Aggregate Job Placement Rate, 52.40 percent
- Full-time Jobs Rate, 65.89 percent
- Full-time Placement Rate, 88.13 percent
- Further Education Rate, 19.88 percent
- Average Wage, $7.54

COST PER STUDENT

The average cost per participant is $1,500 for the in-school phase of the program. Full-time employed graduates or completers repay the cost within 14 months after leaving school through payroll or sales taxes.

SUMMARY

Since its inception in 1980, JAG achieved extraordinary success in achieving the objectives of a JAG Model Program. This model operates in 29 states, including the East Coast and Midwest, as well as Washington, D.C.

Middle College High Schools

Middle College High Schools are alternative high schools located on college campuses aimed to help and encourage at-risk students complete high school and attend college. The schools offer a project-centered, interdisciplinary curriculum with an emphasis on team teaching, individualized attention, and development of critical thinking skills. Students are also offered support services, including specialized counseling, peer support, and career experience opportunities. As recently as December 2006, the Middle College High Schools program was operating in 31 school districts in 12 states.

TARGETED POPULATION

Dropouts or students at risk of dropping out

MAJOR COMPONENTS

- Small schools (fewer than 100 students per grade) with substantially lower student-to-staff ratios
- Career-oriented courses, internships, and community service, which connects what is learned to real-world experiences
- Alternative assessment strategies, such as portfolios and oral presentations

EVIDENCE OF EFFECTIVENESS

The What Works Clearinghouse (WWC) examined six studies on the effectiveness of the Middle College High Schools. Only one study, a randomized controlled trial, met WWC evidence standards. The program was found to have no discernible effects on staying in school.

COST PER STUDENT

Researchers estimated the cost of educating a student in a Middle College High School to be about 50 percent higher than the cost of educating a student in a regular school within the district.

SUMMARY

Middle College National Consortium (MCNC)— http://www.mcnc.us
What Works Clearinghouse (WWC)—http://www.whatworks.ed.gov

Career Academies

Career Academies are school-within-school programs operating in high schools. The program offers career-related curricula based on a career theme, academic coursework, and work experience through partnerships with local employers. Currently, the National Career Academy Coalition (NCAC) reports that at least 1,500 Career Academies are operable. A registry by the Career Academy Support Network (CASN) includes more than 1,600 Career Academies.

TARGETED POPULATION

Career Academies were originally developed over 30 years ago as a dropout-prevention strategy, targeting students at risk of dropping out of high school. Recently, Career Academies have broadened to serve all categories of students.

MAJOR COMPONENTS

- School-within-school organization with a career theme (health care, business and finance, technology, communications)
- Academic and vocational curricula related to career themes and taught by a core group of teachers
- Partnerships with local employers who provide internship opportunities and mentoring to students

EVIDENCE OF EFFECTIVENESS

The What Works Clearinghouse (WWC) examined seven studies on the effectiveness of the Career Academies. Only one study met WWC evidence standards. The program was found to have potentially positive effects on progressing and remaining in school and no discernible effects on completing school.

COST PER STUDENT

The cost of Career Academies is approximately $600 per pupil more than the average expenditure per pupil in the district. No information is available on the cost of delivering services to high-risk youth within the Career Academies.

SUMMARY

Career Academy Support Network (CASN) —http://casn.berkeley.edu
National Career Academy Coalition (NCAC) — http://www.ncacinc.org
What Works Clearinghouse (WWC) —http://www.whatworks.ed.gov

Appendix F: State Legislative Comparisons

State	Date of Enactment (Rev.) [1]	Compulsory Attendance Age [2]	Recent Leg Proc	Avg Daily Mbrshp (02-03) [3]	Grad Rate Prior to Change	Grad Rate (02-03) [4]	Grad Rate (03-04) [5]	Dropout Rates (01-02) [6]	Dropout Rate Prior to Change [7]
Alabama	1915	7 to 16	2006–Leg. adjourned	96.6		64.7	65.0	3.7	
Alaska	2004	7 to 16		91.3		68.0	67.2	8.1	
Arizona	1899	6 to 16		86.8		68.0	66.8	10.5	
Arkansas	1909	5 to 17		93.6		75.9	76.8	5.3	
California	1874	6 to 18		99.5		74.1	73.9	----	
Colorado	2006	6 to 17	2006–To 17	88.8		76.4	78.7	---	
Connecticut	2002	5 to 18		97.3	77.5	80.9	80.7	2.6	3.0
Delaware	1907	5 to 16		92.4		73.0	72.9	6.2	
*D. C.	1864	5 to 18		84.0		59.6	68.2	----	
Florida	2006	6 to 16	LSS to raise age to 18	93.4		66.7	66.4	5.1	
Georgia	1916	6 to 16		93.5		60.8	61.2	6.5	
Hawaii	1959	6 to 18		91.3	68.3	71.3	72.6	5.1	5..3
Idaho	1887	7 to 16		94.0		81.4	81.5	3.9	
Illinois	2004	7 to 17		88.6	75.9	75.9	80.3	3.1	---
Indiana	1897	7 to 18		93.3		75.5	73.5	2.3	
Iowa	2006	6 to 16	2006–Leg. Failed	95.1		85.3	85.8	2.4	
Kansas	1996	7 to 18	1996–To 18	88.3		76.9	77.9	3.1	---
Kentucky	2001	6 to 16	2001–Leg. Failed	85.9		71.7	73.0	4.0	
Louisiana	2001	7 to 18	2001–To 18	92.6	63.7	64.1	69.4	6.6	9.2
Maine	1875	7 to 17		92.7		76.3	77.6	2.8	
Maryland	1902	5 to 16		93.0		79.2	79.5	3.9	
Massachusetts	1852	6 to 16		95.1		75.7	79.3	----	
Michigan	1871	6 to 16	2002–Leg. Failed	94.0		74.0	72.5	----	
Minnesota	1998	7 to 16		94.0	77.0	84.8	84.7	3.8	5.5
Mississippi	1918	6 to 17		93.9		62.7	62.7	3.9	
Missouri	1905	7 to 16	2001–Leg. Failed	94.0		78.3	80.4	3.6	
Montana	1883	7 to 16		89.2		81.0	80.4	3.9	
Nebraska	2005	6 to 18		91.1		85.2	87.6	4.2	
Nevada	1973	7 to 17		94.5		72.3	57.4	6.4	
New Hampshire	2007	6 to 18	2007–Legislation Passed	97.5		78.2	78.7	4.0	
New Jersey	1875	6 to 16	2006 – In committee	96.8		87.0	86.3	2.5	
New Mexico	1891	5 to 18	2007–To 18	98.9		63.1	67.0	5.2	

[1] U.S. Department of Education, National Center for Education Statistics. (2004). *Digest of educational statistics.*
[2] U.S. Department of Education, National Center for Education Statistics. (2006). *Common core of data.*
[3] U.S. Department of Education, National Center for Education Statistics Information. Blank states do not report dropouts that are consistent with NCES definition.
[4] U.S. Department of Education, National Center for Education Statistics. *User's guide to computing high school graduation rates, volume 2.*
[5] U.S. Department of Education, National Center for Education Statistics. *User's guide to computing high school graduation rates, volume 2.*
[6] U.S. Department of Education, National Center for Education Statistics. (2006). *Dropout rates in the United States: 2004.* Some information not available.
[7] U.S. Department of Education, National Center for Education Statistics. (2006). *Dropout rates in the United States: 2004.* Some information not available.

State	Date of Enactment (Rev.) [8]	Compulsory Attendance Age [9]	Recent Leg Proc	Avg Daily Mbrshp (02-03) [10]	Grad Rate Prior to Change	Grad Rate (02-03) [11]	Grad Rate (03-04) [12]	Dropout Rates (01-02) [13]	Dropout Rate Prior to Change [14]
New York	1874	6 to 16	Buffalo & NYC – 17 2002 – Leg. failed	90.7		---	---	7.1	
North Carolina	1907	7 to 16		92.9		70.1	71.4	5.7	
North Dakota	1883	7 to 16		94.1		86.4	86.1	2.0	
Ohio	1877	6 to 18		92.1		79.0	81.3	3.1	
Oklahoma	1907	5 to 18		93.2		76.0	77.0	4.4	
Oregon	1965	7 to 18		88.1		73.7	74.2	4.9	
Pennsylvania	1895	8 to 17		93.4		81.7	82.2	3.3	
Rhode Island	1883	6 to 18	2007–To 18	90.2		77.7	75.9	4.3	
South Carolina	1915	6 to 17		90.9		59.7	60.6	3.3	
South Dakota	1883	6 to 16		92.9		83.0	83.7	2.8	
Tennessee	1905	6 to 1 7		91.7		63.4	66.1	3.8	
Texas	1996	6 to 18		92.7	62.9	75.5	76.7	3.8	---
Utah	1999	6 to 18	1999–To 18	91.0	78.0	80.2	83.0	3.7	5.2
Vermont	1867	6 to 16		96.0		83.6	85.4	4.0	
Virginia	1908	5 to 18		93.8		80.6	79.3	2.9	
Washington	1871	8 to 18		91.8		74.2	74.6	7.1	
W. Virginia	1897	6 to 16	2006–In committee	94.6		75.7	76.9	3.7	
Wisconsin	1879	6 to 18		93.9		85.8	---	1.9	
Wyoming	1919	6 to 16	2007–Failed	89.9		73.9	76.0	5.8	6.2

[8] U.S. Department of Education, National Center for Education Statistics. (2004). *Digest of educational statistics.*

[9] U.S. Department of Education, National Center for Education Statistics. (2006). *Common core of data.*

[10] U.S. Department of Education, National Center for Education Statistics Information. Blank states do not report dropouts that are consistent with NCES definition.

[11] U.S. Department of Education, National Center for Education Statistics. *User's guide to computing high school graduation rates, volume 2.*

[12] U.S. Department of Education, National Center for Education Statistics. *User's guide to computing high school graduation rates, volume 2*

[13] U.S. Department of Education, National Center for Education Statistics. (2006). *Dropout Rates in the United States: 2004.* Some information not available.

[14] U.S. Department of Education, National Center for Education Statistics. (2006). *Dropout Rates in the United States: 2004.* Some information not available.

Appendix G: Exceptions and Penalties

State	Exceptions	Penalties
Alabama		
Alaska	Physical or mental disability; Legal custody; Temporary illness/injury; Suspension/Expulsion; Lives more than two miles from school; Completed 12th grade; Enrolled in State boarding school/district correspondence program/centralized correspondence study program/other alternative educational experience approved by board, upon written request from parent; Home school	Parent: $500 fine for every five days of unlawful absence Student: N/A
Arizona		
Arkansas	Received high school diploma or equivalent; Enrolled in postsecondary vocational-technical institution/community college/two-year or four-year institution of higher education; Enrolled in an adult education program; Enrolled in Arkansas National Guard Youth Challenge Program	Parent: $500 fine (# unlawful absence determined by school board) Student: Denial of course credit/promotion/graduation; Suspension of driver's license
California	None mentioned in statute	Parent: N/A Student: Four unexcused absences in one month or 10 unexcused absences during school year
Colorado		
Connecticut	Graduated high school; Receiving equivalent instruction; Parental consent	Parent: $25 per day Student: N/A
Delaware		
*D. C.	Received diploma or equivalent; Flexible hours for students ages 17 to 18 for work purposes	Parent: $100 fine, jail, community service for every two unlawful absences Student: N/A
Florida		
Georgia		
Hawaii	Physical/mental disability; Employment if over 15 and approved by superintendent; Family Court; Graduated high school; Enrolled in alternative education program; Home school; Enrolled in alternative education program due to behavior issues and/or poor attendance (over 16)	Parent: Guilty of misdemeanor Student: N/A
Idaho		
Illinois	Physical/mental disability; Employment; Confirmation; Religious holidays	Parent: N/A Student: N/A
Indiana		
Iowa		
Kansas	For students 16-17, enrolled in alternative educational program; Enrolled postsecondary educational institution; Attends final counseling session at which a disclaimer to encourage the child to remain in school or to pursue	Parent: N/A Student: N/A

State	Exceptions	Penalties
	educational alternatives is presented to and signed by the child and the parent	
Kentucky		
Louisiana	Written consent by parent; If over 16, enrolled in alternative education program/vocational-technical education program/adult education program; Attending National Guard Youth Challenge Program	Parent: $250 and/or 30 days in jail—penalty for violation of compulsory attendance; $100 and/or 10 days in jail—penalty for enticing/soliciting children to be absent from school Student: N/A
Maine	Enrolled in alternative education; Graduated high school before age 17; If over 15 and completed grade 9, work/home school; Habitual truancy	Parent: For every 10 full days of unexcused absences or seven consecutive school days of unexcused absences, a parent is guilty of a civil violation; May be ordered to take specific action to ensure the student's attendance at school, enjoin offender from engaging in specific conduct which interferes with student's attendance at school, or, undergo counseling Student: N/A
Maryland	Home school; Severe illness; Age 16 and lack of academic success, continual disciplinary problems, or lack of interest; Employment; Marriage; Military service; Court action; Age 16 to support family; Expulsion; Special cases with superintendent's approval; Pregnancy/parenthood—if under age 16, must enroll in appropriate educational program; Completed high school diploma/equivalent requirements; Early college admission; Disabled students, completed requirements for a Maryland High School Certificate; Physical/mental/emotional handicap; Dangerous students	Parent: If induces or harbors absent student, $500 fine and/or 30 days in jail; If fails to see child attends, first offense, $50 fine per day and or 10 days in jail, and, second and subsequent offenses, $100 fine per day and/or 30 days in jail; Court may suspend sentence and establish terms and conditions to promote attendance Student: Discretion of school system/staff
Massachusetts		
Michigan		
Minnesota		
Mississippi	Physical/mental/emotional disability; Enrolled in special education/remedial education/education for handicapped; Home School; NOTE: Certificate of Enrollment must be completed to participate in these programs	Parent: If child is absent within 18 days after the first day of school or 12 unlawful absences during school year, parent subject to $1,000 fine and/or 1 year in jail Student: Subject to youth court discretion to order child to enroll or re-enroll in school; superintendent may assign child to alternative school program
Missouri		
Montana		

State	Exceptions	Penalties
Nebraska	Met graduation requirements; Ages 16 to 17 to attend alternative education programs; Age 16 with parental permission	Parent: Class III misdemeanor Student: N/A
Nevada	Obtained permission to take GED; Juvenile court may release child who has completed grade 8; Age 14 if written evidence shows child needs to support himself or family; Age 14 to 17 and completed grade 8 may be excused from full-time school attendance for employment	Parent: N/A Student: N/A
New Hampshire		
New Jersey		
New Mexico	Graduated; Age 17 and employed w/parental consent; Parental consent	Parent: $25–$100 fine or community service; second and subsequent violations, $500 fine and/or 6 months in jail Student: For 10 or more unexcused absences, 90 days suspended driving privileges; second and subsequent violations, 1 year suspended driving privileges
New York		
North Carolina		
North Dakota		
Ohio	Received diploma; Completed high school curriculum; Completed education program; Received an age and schooling certificate; Special Education; Physical/mental disability; Home school; Age 14 for employment to support himself or family	Parent: $500 fine or 70 hours community service Student: N/A
Oklahoma	Physical/mental disability; Emergency; Age 16 with consent of parent and school administrator; Religious holy days	Parent: First offense, $25-$50 fine and/or 5 days in jail; Second offense, $50-$100 fine and/or 10 days in jail; Third and subsequent offenses, $100-$250 fine and/or 15 days in jail; Community service may be ordered in lieu of fine/jail; Court may order as a condition of a deferred sentence or as a condition of sentence, the following: 1. Verifying attendance of the child with the school; 2. Attending meetings with school officials; 3. Taking the child to school; 4. Taking the child to the bus stop; 5. Attending school with the child; 6. Undergoing an evaluation for drug, alcohol, or other substance abuse and following the recommendations of the evaluator; and 7. Taking the child for drug, alcohol, or other substance abuse evaluation and following the

State	Exceptions	Penalties
		recommendations of the evaluator, unless excused by the court. Student: N/A
Oregon	Acquired equivalent study of grades 1–12; Home school; Legal; Age 16-17 for employment, community college or alternative education; Emancipated minors	Parent: Class C Violation Student: N/A
Pennsylvania	Physical/mental disability; Home school; Age 16 and employed; Age 15 and engaged in farm work/domestic service; Age 14 and engaged in farm work/domestic service and completed elementary school; Resides two miles from nearest public highway	Parent: $300 fine or parent education program or 5 days in jail; 6 months community service Student: Age 13 and absent 3 or more days, $300 fine; suspended driving privileges
Rhode Island	2007 Legislature changed to 18 years of age	
South Carolina	Graduated; Received equivalent high school education; Physical/mental disability; Completed grade 8 and employed for necessity of home; Pregnancy/parenthood; Age 17 and disruptive/unproductive/not in best interest—court determined	Parent: $50 fine or 30 days in jail Student: N/A
South Dakota		
Tennessee	Received diploma/certificate; Enrolled/completed GED courses; Home school; Parent withdraws; Physical/mental disability; Age 17 and detriment to good order/discipline of other students	Parent: Class C misdemeanor; Fines placed in public school fund Student: N/A
Texas	Enrolled in special education; Physical/mental disability; Expelled; Age 17 and attending GED courses, required by court to attend course, established residence apart from parents, homeless or received GED/equivalent; Age 16 and attending GED courses if court ordered or enrolled in Job Corps; Enrolled in Texas Academy of Mathematics and Science/Texas Academy of Leadership in the Humanities/Texas Academy of Mathematics and Science at The University of Texas at Brownsville/Texas Academy of International Studies	Parent: N/A Student: N/A
Utah	Age 16 and completed grade 8 for employment—partial release; Completed graduation requirements; Physical/mental disability; Employment; Age 16 and negative attitude toward school/unprofitable experience; Home school	Parent: Class B misdemeanor Student: N/A
Vermont		
Virginia	Age 16 to 18 in adult correctional facility attending GED classes; Obtained high school diploma/equivalent; Religion; Students who cannot benefit from education at school; Children suffering from contagious/infectious diseases; Children without immunizations against communicable diseases; Age 10 and live more than one mile from public transportation to school; Age 10 to 17 and live more than 1.5	Parent: Class 3 misdemeanor; Subsequent offenses and offenses committed knowingly and willingly constitute Class 2 misdemeanor Student: N/A

State	Exceptions	Penalties
	miles from public transportation to school	
Washington	Home school; Physical/mental disability; Age 16 and employed with parent consent, met graduation requirements, or received certificate of educational competence	Parent: N/A Student: N/A
West Virginia		
Wisconsin	Age 16 to 17 and attending technical college or GED courses with written parental consent and written agreement with school board agreeing to completion of high school—part time; Age 17 in juvenile correctional facility completing GED courses; Physical/mental disability; Written parental consent; Home school; Parent may request board-approved modification, including but not limited to: work training/study program, alternative education, private school, home school, school outside district	Parent: First offense, $500 fine and/or 30 days in jail; Second and subsequent offense, $1,000 fine and/or 90 days in jail; Community service; Counseling; Attend school with child Student: N/A Other: Any school district administrator, principal, teacher, or school attendance officer who violates this section shall forfeit not less than $5 nor more than $25.
Wyoming		

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Subcommittee Two: Maryland Programs and Motivation/ Engagement Strategies

Subcommittee Charge

Subcommittee Two was charged with generating recommendations to ensure students stay in and complete school. The recommendations were developed as a result of Subcommittee members' review of literature, surveys, and student feedback.

The Subcommittee had one area of focus from House Bill 36: "(e) (3) project the impact on student attendance and achievement outcomes, and assess the fiscal and social benefits to the students and the State, of raising the compulsory public school attendance age to 18."

Throughout the recommendations are references to risk and protective factors for students at risk of dropping out. Other states have raised the compulsory attendance age with some retention success; however, they have added community services for students at risk of dropping out.

Findings

The recommendations presented by the subcommittee evolved through a process that included information gathering, surveys, brainstorming, and reaching consensus. Through a facilitated process, the subcommittee was able to engage in a meaningful and candid dialogue on the topic. Surveys were submitted to a variety of local school systems, local management boards, social service agencies, and the court system. In addition, numerous articles, journals, and reports were used to determine what the best course of action is to provide extra supports and safety nets for those students at risk of dropping out.

In the 2005–06 school year, Maryland had 11,058 dropouts (Maryland State Department of Education, 2006). The problem of school dropouts disproportionately affects African-American males. The problem also disproportionately affects urban youth, with the two most urban districts in the state (Baltimore City and Prince George's County) ranking first and second respectively in terms of dropout rates. Several large-scale longitudinal studies have shown that dropping out significantly increases the risk for subsequent economic (unemployment), behavioral (crime, drug involvement), and social (family instability) problems. Consequently, dropout prevention is a significant priority, both locally and nationally.

Dropping out is not a single event, but a process that is often triggered by disengagement from school and early academic problems. There are multiple factors at different levels (individual, family, community, school) which contribute to a student's withdrawal from school. Below we briefly summarize some of the most commonly cited risk factors for dropout.

A study of school dropouts found that the most commonly cited reason for dropping out of school is disliking school, followed by poor academic performance, and the availability of work opportunities. Students who feel disconnected from others in the school are at greater risk for dropping out of school. Similarly, students who feel disengaged from the educational process tend to receive lower grades and have less positive attitudes toward school—two predictors of school dropout.

A related risk factor for early school leaving is lacking interest in school and low motivation for education attainment. In the survey done for the "Silent Epidemic" report for the Bill and Melinda Gates Foundation (Bridgeland, DiJulio, & Morison, 2006), 69 percent of the respondents cited they were not motivated or inspired to work hard, 80 percent did one hour or less of homework each day in high school, 66 percent would have worked harder if more was demanded of them (higher academic standards and more studying and homework) Furthermore, several of the students who dropped out of school reported that their classes were not interesting and that they did not understand the relevance of their coursework to the real world. Other studies indicate that youth who drop out of school tend to perceive that they have limited control over their future, set only short-term professional goals, and have a difficult time planning for the future. They also tend to make poor decisions related to their future and are more interested in immediate rather than long-term rewards.

Truancy is another common risk factor for early school leaving. Truancy is defined by the State of Maryland as a student meeting the following criteria:

1) The student was between the ages of 5 and 20 during the school year;

2) The student was in membership in a school for 91 or more days;

3) The student was unlawfully absent for 20 percent or more of the school days in membership.

Truant students miss the opportunity to gain fundamental skills necessary to successfully navigate the educational system. Many truancy problems can be traced back to disengagement in education, poor academic achievement, and grade retention in elementary school.

Another related risk factor for dropping out is academic problems. Findings from a recent study of Chicago Public Schools (Roderick, 2006) indicate that students who failed a core course, such as Algebra or English, had an 80 percent chance of dropping out of school. Academic problems can lead to frustration and disengagement from school. A recent report about Boston Public Schools ("Too Big to Be Seen," 2006) reported that many youth cited the pace of instruction (not feeling challenged, falling behind) or not being on track to graduate as

primary reasons for leaving schools. Interestingly, some students reported that they felt frustrated by too slow a pace, while others were frustrated because they were so far behind they could not catch up.

Youth with a history of behavior problems are at increased risk for displaying problems in school and leaving school early. More specifically, youth with substance abuse problems and who are involved in gang or other criminal activity are at risk for dropping out of school. These behavior problems can also contribute to disciplinary problems at school, such as office discipline referrals and suspensions, both of which are also risk factors for dropping out. Similarly, affiliation with deviant peers has also been identified as a precursor to academic failure and early dropout (Battin-Pearson et al., 2000).

Common family-level risk factors include parents' low expectations for their children's success and lack of parental engagement in the educational process. Other family risk factors include low parental monitoring and poor parental discipline. Furthermore, youth who lack positive adult role models—family or non-family—tend to be at greater risk for delinquent behaviors, including dropping out. Family demographic factors that are associated with an increased risk for early school leaving include poverty, parents' educational history (i.e. dropout), and parental unemployment (Marcus & Sanders-Reio, 2001).

Subcommittee Recommendations

RECOMMENDATION ONE

Maryland will provide adequate financial support to raise the age of compulsory attendance to age 18 in FY 2011.

RATIONALE

Providing adequate financial support will reduce the societal costs of incarceration, social services, and other services. The "opportunity cost" to implement and manage the increased student population in Maryland high schools may initially be significant. Nevertheless, the long-term return on this investment is discernable. Increased tax revenues from a more educated workforce will be evident. Past reports indicate that the "lower annual earnings of dropouts cost the federal government $158 billion or more in lost revenue each year" (U.S. Department of Commerce, 2002). Based on research from Moretti (2005) and Muenning (2005), Melville tells us in "The School Dropout Crisis" (2006) that "a one-percent reduction in the dropout rates would reduce the number of crimes by 100,000 annually. Increasing graduation rates by 10 percent would correlate with a 20 percent reduction in murder and assault rates." Moreover, the impact of high school dropouts on crime statistics is considerable: "Each youth who drops out

and enters a life of drugs and crime costs the nation between $1.7 – 2.3 million dollars in crime control and health expenditures."

RECOMMENDATION TWO

Students passing the GED will become completers of Maryland high school graduation requirements and will not be counted as dropouts; MSDE will monitor districts to ensure that GED rates reflect appropriate use of this alternative path to a diploma.

RATIONALE

Since GED counts as a diploma, students passing the GED should receive the same opportunities and benefits that accrue to persons holding a diploma, at a lesser cost to the local school systems. However, we believe that completion of a comprehensive high school program provides social and educational benefits beyond those available via the completion of the GED. After careful review, this Subcommittee supports raising the compulsory school attendance age from 16 to 18, or until graduation requirements are met. Students should be expected to follow the standard academic programs until age 16; however, from ages 16 to 18 the local school system may offer other program options for earning a high school diploma or GED tailored to meet individual students' needs. A legitimate effort must be made to ensure student success in earning a high school diploma and offering options to those students aged 16 to 18 who need added flexibility and options. The most significant aspect of the success of any new opportunity is leadership. Leadership provides the framework for developing a vision, making the commitment needed for success, and ensuring the shared responsibility for student success. Local school systems should develop diploma options that will allow all students the opportunity to earn a high school diploma. Maryland State Department of Education personnel should support local school systems' efforts and assist with the coordination of professional development for teachers and administrators.

Many school systems in Maryland have supports and programs currently in place to serve high school students who are not successful in the regular school program. Systems responded to a survey regarding such supports and programs. These include alternative programs, individual academic success plans, and career centers. A summary of these is listed in the Appendix to the Subcomittee report.

Currently, students completing a GED program earn a Maryland high school diploma. However, to participate, they must first drop out of school. The GED is a viable option for some students, and participation in this program should not first require students to drop out of high school. Eleven states have implemented the GED Option, including New York and Virginia. It is designed to target a subgroup of students who have the ability to complete high school requirements, but are behind in the credits needed to graduate with their class. The GED Option

involves the student remaining enrolled, attending high school, and receiving a minimum of fifteen hours of instruction per week. This instruction includes not only GED preparation, but also workforce development skills and/or career and technology education. To implement the GED Option program, COMAR Regulations must be amended to recognize the GED as an approved program leading to a Maryland high school diploma.

The impact of increasing the age of compulsory school attendance will vary from district to district, school system size, location, and current dropout rate. Smaller, more rural systems may be limited in the number and types of options they can offer. Larger school systems may be significantly impacted by the increase in the high school population.

Changing the compulsory attendance age should have a positive effect upon student achievement as measured by the attainment of a Maryland high school diploma or GED. The longer students are required to remain in school, the more likely they will complete their education. More students earning this credential will result in a better trained workforce, improved potential for participation in post-secondary education and/or training, and the development of lifelong learners. A more educated populace will result in more involved and active citizenry.

RECOMMENDATION THREE

Public and private local school systems share resources and collaborate to support at-risk youth, improve dropout prevention and intervention programs and services, address risk and protection factors, and use strategies associated with effective dropout prevention programs.

RATIONALE

An example of effective intervention is the alternative education program. Many students who are sent to alternative learning environments enjoy an atmosphere that is conducive to learning and improve academically. Students in alternative education schools report higher levels of satisfaction and confidence that their schools will meet their needs than do students in traditional schools (Smith, Gregory, & Pugh, 1981). Students are encouraged by the staff-to-student ratio, and the structure allows students to build productive and positive relationships with adults. As has been seen with most studies on dropouts, the need to feel like there is one adult in the school that you can talk to and that will advocate for you is immense and cannot be devalued.

Alternative education students excel behaviorally and academically because they are a part of a smaller community. Staff are sensitive to the environment and subsequently can be hyper-vigilant about safety and security. Alternative schools report reduced discipline problems and violence (Butchart, 1986). Students feel safe and can focus on their class work or focus on their behavior issues through an assigned therapist or social worker. A recent study done by the State of Oklahoma (Storm & Storm) addressed the success of its alternative schools. Students

responded to the survey question, "What is the best thing about alternative school?" Comments included:

1. "Teachers care about us."
2. "The class sizes are smaller."
3. "You can get the help you need."
4. "I feel safe here, while I didn't at the other school."

Alternative programs have smaller student-to-staff ratios that allow teachers to focus on specific interventions and targeted instruction for students lacking the basic skills necessary to compete in today's global economy. Smaller classrooms and program sizes also allow the teacher or staff member to target specific behavioral interventions to behavioral challenges. Smaller program and classroom sizes permit the teachers and program staff to provide different learning opportunities and experiences for students.

SUMMARY

Our subcommittee believes in supporting the increase in raising the compulsory attendance age from 16 to 18 years of age; however, it is imperative that if the law is changed, there are resources devoted to its success. The education of children is a broad experience from the home, community, and schoolhouse. That experience must be made relevant and substantial for all students.

Appendix: Maryland Programs

Anne Arundel County

Program	Population served
Attendance Contracts: Developed by counselors and administrators for students with attendance concerns.	Students with attendance concerns
Attendance Letters: Sent to parents of students with excessive absences.	Students with excessive absences
Attendance Review Committee: Committee composed of administrators, counselors, school psychologists, pupil personnel workers, school nurses, and other assigned staff. The committee meets on a regular basis to discuss, monitor, and work with students with excessive absences. They also gather teacher input and meet at the end of each semester to determine whether students will be granted credit for courses taken.	Students with excessive absences, both excused and unexcused
Closing the Gap Action Plan: Based on ASCA domains, standards and competencies are developed and implemented. Activities are delivered through classroom, small group, and individual counseling.	Targets groups of at risk and/or minority student populations
Evening High School: Alternative instructional program offered in the evening at four county high schools.	Targeted groups of at risk and/or minority student populations
Summer School Program: Offered in various locations throughout the county during the month of July.	All students needing to make up classes
Twilight School: After-school credit recovery opportunity offered at each high school.	Ninth-graders in all high schools
Procedures for Prevention and Notification of Senior Failures: Prescribed steps taken by counselors, teachers, and administrators in working with juniors and seniors. Steps include meeting with and reviewing the credits of every student; providing every senior a copy of his/her transcript and the High School Graduation Notification Agreement during the month of September; reviewing student interim reports and meeting with students in danger of failing classes needed for graduation; contacting by phone and mail the parents of seniors in danger of failing classes needed for graduation; arranging parent/ teacher conferences; and meeting with all seniors in need of interventions and/or alternative programs in order to meet graduation requirements.	Juniors and seniors in all high schools
Smaller Learning Communities (SLC): Restructure four high schools into smaller units called career clusters. The goals of the project are to enhance academic achievement, increase academic rigor, and create a better school climate. The SLC schools include Arundel, Glen Burnie, Meade, and Old Mill high schools.	Implemented for ninth graders at selected schools

Anne Arundel County Public Schools pays for all students, grades 9 through 11, to take the PSAT. This gives students access to personalized college and career planning with My Road. Advanced Placement potential data is a tool used to facilitate the enrollment of students in rigorous classes.	All high school students, grades 9 through 11
Centers of Applied Technology North and South: Vocational-technical centers that provide students the opportunity to earn a high school diploma while gaining skills, employment, and certification in over 20 career programs in the areas of engineering and mechanical technology, health and human services, and information technology.	Students in all county high schools who apply, meet criteria, and are accepted into the program
Mentorship Programs: Variety of programs offered at each high school to address the needs of the student population. Mentors include staff members who volunteer to work with individual students referred to them and students, who include peer helpers, mediators, and tutors. Programs are organized by the individual high schools. Some schools also work with community agencies to provide mentorship opportunities	Students who request the services or who have been referred by staff members
Teacher Advisory Programs: Offered at most high schools on a daily, weekly, or monthly basis depending on the school. Teacher advisory lessons are developed and implemented to meet the needs of students in each grade level. Teacher advisors present the lessons and serve as another adult to assist students in their school adjustment success.	All high school students
Consent Form: A form authorizing Anne Arundel County Public Schools to provide public/nonprofit programs or agencies directory information for students planning to withdraw from school. These agencies will provide students with information on education and career opportunities to assist them in completing their high school diploma, earning a GED, or gaining skills for employment.	Students withdrawing from school
Alternative Education Programs through Home and Hospital Teaching: The Office of Home and Hospital Teaching provides alternative education services for a variety of reasons in different locations, including the student's home, a hospital, or alternative sites. *The Teen Parent Alternative program provides instructional services at two sites to girls who have given birth and are in need of childcare in order to attend school. *Pathways Drug Treatment Center provides educational services to students throughout the state. *Anne Arundel County Detention Centers receive services for confined students.	All students in need of services
Mary E. Moss Academy: Works with families and communities to provide academic and behavioral support services to students who have not met with success in their previous academic setting.	Referred students
Phoenix Center: A regional special education center for students who have been diagnosed with the disability "Emotionally Disturbed." Staff conveys realistic behavioral expectations, models and teaches age-appropriate social skills, and prepares students for transition to general education or to the workplace.	"Emotionally Disturbed" students K–12

Evening High School: Credit recovery and original program for students presently in comprehensive schools, transfer students from day school, and assigned students on extended suspension or expulsion. Evening High School hours are 3 to 9 p.m.	Serves grades 10 to 12 if the student is over 16, unless he/she is assigned for discipline sanction. Evening High School is a diploma-granting school serving an increasing number of non-concurrent, full-time Evening High School students.
Summer School: Credit recovery with a small number of original credits.	Serves grades 6 to 12 for four and a half weeks each summer. Summer school primarily gives students remediation opportunities so they can move on to the next grade and make progress toward graduation.
Twilight School: Credit-recovery program for ninth graders and seniors; organized by each school with the support of the principal of Evening High School. Twilight school hours are usually 2 to 3:30 p.m.	Each semester, twilight school offers remedial opportunities for courses not passed the previous semester. Helps ninth graders with difficulty acclimating to high school and seniors needing credit recovery to support graduation.
Prep Programs: Tutoring programs offered to high schools with large numbers of students failing tested area courses. Prep programs are run by individual schools with the support of the principal of Evening High School. Hours are from 2 to 3:30 p.m.	Students in grade 10 English and Algebra 1 who do not pass the first marking period, and other students as determined by the school. Runs continuously through the school year up to the May administration of the High School Assessments.
Annapolis High School Attendance Supports: School social worker conducts home visits, contacts families, leads support counseling groups, encourages students to share contact information with each other and provides incentives for improved attendance.	High school students with truancy and school absences
Community Ambassadors: Engages professionals in the Annapolis community to assist selected students with attendance, behavior, and academic difficulties.	
Positive Behavioral Intervention Strategies (PBIS): Schoolwide behavioral intervention program at Old Mill High School.	Secondary students at risk of dropping out due to academic and behavior difficulties
Old Mill High School FBA/BIP Process—A psychologist works with implementing behavioral interventions.	Individual counseling and behavioral intervention programming for Old Mill High School students
Ninth Grade Academy: To increase probability for promotion, ninth graders are grouped into smaller learning communities, and teachers are grouped into interdisciplinary teams, rather than by subject area. Two staff people address improved family and school communication.	Ninth-grade students with a goal of promotion to grade 10
Schools participate in attendance communities. Should social or emotional concerns be "uncovered" during those meetings, the school psychologists and social worker become involved	Secondary students with emotional needs
Alternative Evening Mid-School (3 sites in high school): Social workers provide direct counseling services and consult with teachers about students' learning profiles. A social worker advises students about behavior changes to be successful upon return to the home school.	Students with disabilities placed on extended suspension or expulsion

NCHS Recovery Program: Academic and clinical interventions. Two designated teachers and one social worker. Academic intervention in reading and math recovery in one-on-one contacts and small groups. Social workers meet individually to discuss low grades and non-attendance, develop behavioral incentives, review progress sheets, work on organizational skills, communicate with parents, teachers, and staff.	Students at risk of failing; first-time ninth graders; "yellow zone" kids with grades of high E through C
Project Attend: Multi-agency program that aims to reduce the absence rate of chronically truant students.	Chronically truant students under the age of 16
Collaborative Supervision and Focused Enforcement (CSAFE): A collaborative effort between state and local public safety agencies to reduce crime and ensure public safety.	Identified students in areas that contribute to the most significant crime levels
Allegany County	
Program	**Population served**
Project Y.E.S. (Youth Experiencing Success)	Students in grades 8, 9, and 10 identified by the Pupil Services Team as at risk for dropping out (based on grades, attendance, home environment). Eleventh and twelfth graders monitored.
	Sixth- to 12th-grade students are placed on a community work site when suspended from school. Students work five hours and are tutored for two hours each day they are suspended. Placed through Board of Education hearing or by school administrator. Students are not on streets unsupervised and return to school with assignments completed.
Academic Village	Sixth- to 12th-grade students are placed with a certified teacher when attendance, grades, or behavior prevents them from working successfully in a regular classroom. They work their way back into the regular schedule.
Math School	Grades 6–8
Algebra School	Grades 9–11
SRA Corrective Reading	Grades 9 and 10
HSA Preparation for High School	Grades 9 and 10
Extended Learning Opportunities	
Co-teaching	
Alternative School	Grades 7–12
Pregnant/Parenting Program at YMCA	Grades 8–12
General Education and Special Education Cohesive Programming	Grades 6–12
Baltimore County Public Schools	
Program	**Population served**
Afternoon Middle School Learning Centers	Students in grades 6 to 8 who are on expulsion, administrative transfer, or program review status when alternative schools are at capacity

Alternative Middle and High Schools provide innovative curriculum, counseling, and social skills to assist students when returning to comprehensive schools.	Students in grades 6 to 12 who are on expulsion administrative transfer, or program review status
Evening/Saturday High School Program offers courses to continue credit classes and/or accelerate credit programs. A graduation ceremony is held for students who complete their graduation requirements.	High school students and individuals between 16 and 21 years of age (students in grades 9 through 12 who are on expulsion, administrative transfer, or program review status)
Life Works program offers support to alternative school students in grades 11 and 12. Focus is on assistance with transitioning back to their home school, finding employment, and graduating.	Students in alternative school (Rosedale Center) in grades 11 and 12
Home and Hospital services students restricted for reasons of physical or emotional health. The students are taught either by distance learning or individual instruction in the home, hospital, or therapeutic center.	Students in grades K-12 (regular education) or ages 3 to 21 (special education), who are unable to attend school for reasons of physical or emotional health
Home Teaching provides individualized instruction at the home or a community location.	When appropriate, students in grades K-12 who are on expulsion, administrative transfer, or program review status
Maryland's Tomorrow/Advance Path Academy is an in-school alternative program that provides a flexible schedule and curriculum based on technology.	Students in grades 9–12 who are at risk of dropping out of school.
Maryland's Tomorrow program's primary goal is to increase the number of students who graduate from high school. This program is offered in targeted high schools.	Students in grades 9–12 who are at risk of dropping out of school
Neglected and Delinquent Youth Grant provides instruction to incarcerated youth, 21 and under, to assist their return to a comprehensive school or to help prepare them to pass the GED.	Youth 21 and under who are incarcerated at the Baltimore County Detention Center (must be an Adult Center)
Summer School program offers specific, grade-level instruction in preparation for the Maryland School Assessment and High School Assessments.	Students in grades 3–12 who are in need of help with acceleration, promotion, or credits
Therapeutic Services program offers individual, family, and group counseling, home visits, and case management services to qualified students and families.	Selected students based on need and/or recommendation
Secondary Academic Intervention Model (SAIM) focuses on academic and behavioral intervention to address the needs of students who are the lowest academic performers, most disruptive, and at greatest risk of dropping out of school.	Grades 6–10
Bridge Center provides support for secondary students transitioning into Baltimore County Public Schools.	Students who are entering or returning to BCPS after a long absence, being released from incarceration, or in foster care
Baltimore City Public Schools	
Program	**Population served**
Novell Credit Recovery program offers review credit opportunities during and after school to help students recover credits from courses they have previously failed.	High school students in grades 9–12 who have failed courses required for graduation

Calvert County Public Schools	
Program	**Population served**
Calvert County Alternative School offers students an opportunity to continue education services toward graduation in a non-traditional setting.	Middle school students, grades 6–8, who need an alternative setting as a result of disciplinary action or special education needs High school students, grades 9–12, who need additional support through disciplinary actions, special education services, or behavioral interventions
Alternative programs are located in each of the county's four high schools and two regional programs housed in the county's middle schools. The programs serve as an intervention for students with various needs that are struggling in a regular education setting.	Grades 6–8: Regional programs at two of six middle schools assist students who require an alternative setting to meet their educational needs Grades 9–12: High school students who need an alternative setting to continue with high school courses toward graduation
Twilight School focuses on students who need extra support to complete coursework toward graduation. The intervention is focused on state-assessed courses.	Grades 9–12: High school students who are in danger of failing a state-assessed course needed for graduation
Ninth Grade Academy is used to assist with transitioning of students from middle school to high school and to focus on small learning communities that address students' individual needs.	Grade 9—High school students that are involved in the standard curriculum are placed in cohorts with a core group of teachers to assist with the transitioning to high school.
Sixth-grade teams assist the fifth graders in transitioning to middle school with a focus on small learning communities with the same core of teachers.	Grade 6—Middle schools work with students in cohorts with a group of teachers to assist with academic, social, and emotional needs of transitioning students.
Saturday for Middle School is a program in middle schools that works with students who need additional academic support. Enrichment programs are offered to allow students to explore additional information and points of interest.	6th–8th graders are involved in the program to work on academic remediation and enrichment.
Saturday School for High School program provides additional opportunities for students to get academic assistance in core courses.	9th–12th graders can be assigned or volunteer to come and receive academic assistance.
Algebra Enhancement program provides remediation to enhance students' Algebra skills in preparation for the High School Assessments.	9th–12th graders will receive instruction based on the skills and content covered on the High School Assessments.
Cecil County Public Schools	
Program	**Population served**
Detour: Offers after-school tutorial, anger-management counseling, career guidance, drug/alcohol counseling, and community referral.	Grades 8–12, students referred through school, agency, or family
ASP (Alternative Suspension Program): Provides for suspension reduction through community services, anger-management counseling, and schoolwork recovery.	Grades 6–12, students referred by school administrator and parent
Cecil Alternative Program is an alternative school for students referred for inappropriate behaviors and those entering from a nonpublic placement.	Grades 6–12

High School After School is a grade recouping program that offers students failing core subjects the opportunity of tutorial instruction and test retaking.	Grades 9–12. Students who are failing core classes may stay after school for instruction and test retaking.
Evening High School offers review credit as well as original credit.	Grades 9–12. Students may enroll in Evening High School to pick up additional or review credits for graduation.
High Roads School is a nonpublic day program for emotionally disturbed students with a credit program and behavior intervention.	Grades 6–12
High School Academic Intervention Team: An in-school team that provides academic intervention to identified students. Provides direct and referral services.	Grades 9–12
Charles County Public Schools	
Program	**Population served**
Case Management Pilot Project at Henry Lackey High School: Individualized interventions are being developed by case managers at a pilot high school to retain special education students at risk of dropping out of school.	Special education students at risk for dropping out
Check and Connect Pilot Project at General Smallwood Middle School: Students are assigned mentors who monitor engagement with school, then intervene to reestablish connections and enhance social and academic competencies.	Students who exhibit dropout indicators, including low academic performance, poor attendance, and unproductive behaviors
21st Century Community Learning Center at Malcolm is a once weekly after-school mentoring program.	Malcolm neighborhood students in grades 3–12 who exhibit dropout indicators, including: low academic performance, poor attendance, or unproductive behaviors
Maryland's Tomorrow offers academic support and encouragement throughout the high school experience. Assistance is geared toward improving attendance, academic performance, and career objectives.	Students who are experiencing difficulty maintaining a satisfactory level of academic performance, and identified by their 8th grade guidance counselor as at risk of dropping out of school
Student Support Teams function in each school to identify students who are not being successful academically or socially.	K–12
Summer Youth Achievement program is designed to meet the needs of at-risk middle school students. Summer school students, alternative school students, and students referred by outside agencies in grades 6,7, and 8 are eligible to participate. Students receive academic assistance, social skills training, recreational trips, and planned field trips.	At-risk middle school students (approximately 100 students)
Freshman Seminar is designed to promote a successful transition from eighth to ninth grade and to promote academic and social success for all students. Freshman seminar will examine skills all students need for success in school and life. This course will provide students with opportunities to develop skills and knowledge.	Entering ninth graders

Positive Behavioral Interventions and Supports (PBIS) is a system-based approach to enhancing the capacity of schools to educate all children by developing research-based schoolwide and classroom discipline systems. The process focuses on improving a school's ability to teach and support positive behavior.	PBIS impacts all students K through 12 with a strong focus on students exhibiting difficulties in social and academic development.
Behavior Education Program: The Check-IN/Check-Out program is a school-based program providing daily support and monitoring for students who are at risk of developing serious, chronic behaviors. It incorporates core principles of positive behavior support and enhances communicating among teachers, improves school climate, increases consistency among staff, and helps teachers feel supported.	Students who demonstrate persistent patterns of problem behavior K through 12
Southern Maryland College Access Network: Academic support provided through weekly individual meetings with a trained site advisor, as well as group activities aimed at increasing academic success, encouraging career exploration, and planning for college admissions and the financial aid process.	Serving La Plata High School students (and one high school from each adjoining southern Maryland county) who are identified as low income and minority, to encourage college preparation and attendance
College of Southern Maryland's Education Talent Search program: Academic support, along with high school and college orientation and advisement. College tours and assistance with college admissions procedures are also provided.	Available to all Charles County middle and high school students
STAY program assures that all students develop the necessary social, behavioral, and academic skills to become responsible members of society. Consistency, setting high behavioral standards, and expecting positive outcomes for each student accomplish these goals. Individual, group, and family therapy/parent training are essential components of the program. Collaboration between home, school, and community service providers is critical to each student's success.	Serving children, both regular and special education, grades K–8, whose behavioral needs have not been within their home school setting
Juvenile Intervention Officer (JIO) develops and serves in the role of the law enforcement liaison to assigned primary and secondary schools in Charles County that include enforcement, intelligence gathering, prevention and intervention strategies. The role also includes serving as a student mentor which has proven to be a very positive influence for many students in both middle and high school.	All middle and high schools
Garrett County Public Schools	
Program	**Population served**
Evening High School provides opportunity for students to enroll in classes in which they have lost credit.	High school students
J-ROTC provides the opportunity to gain leadership and achievement skills by students.	High school students
Freshman Seminar provides instruction in various skills needed by high school students.	9th graders
Academic Remediation/After school Tutoring provides the opportunity for tutoring and remediation in challenge subjects.	K–12
Maryland's Tomorrow provides classes and interventions for identified students.	High school, at-risk students
Back to School is a re-entry program for returning students.	High school students who re-enroll
Family Worker/STAR/PBIS –Student-family, school intervention	K–12, at-risk students

Drop-out prevention case managers	Grades 6–12, at-risk students
Instructional Consultation Teams provide review and intervention for students experiencing academic or behavioral difficulty.	K–8 students
Harford County Public Schools	
Program	**Population served**
Online Credit Recovery System uses an assessment and curriculum generation tool to produce an individualized prescriptive remediation specific to each student.	High school students who have failed courses required for graduation
PBIS is a schoolwide system of support that includes proactive strategies for defining, teaching, and supporting appropriate student behaviors to create positive school environments.	Students in the Alternative Education Programs
Reconnecting Youth and Techs Bridge	Students who have already dropped out of high school
Math and reading intervention programs, intervention specialists, after school programs, and home visitors (Title 1 schools) are various academic interventions designed to assist at-risk students.	All eligible students
Capturing Kids' Hearts and other grade 9 Freshman Academy strategies focus on adults and their developing relationships with students in order to help them make strong connections in high schools.	All 9th grade students
Peer Helpers program: Leadership training program in all secondary schools. Peer helpers are available to help new students, provide tutoring, facilitate mediation, and assist their fellow students.	All middle and high school students
Student 2 Student is a specific type of peer-helper program focusing on transitioning military students, supported by the military child education coalition (MCEC) and a partnership with Aberdeen Proving Ground.	Aberdeen High School and Edgewood High School students
Howard County Public Schools	
Program	**Population served**
In School Alternative Education Programs (AEPs) provide behavioral and academic support, parent outreach services, and intensive case management for students at risk of school failure. These entry-level alternative education programs are designed to provide resources that allow students with challenging behaviors to remain in their districted school.	K-12 students exhibiting significant behavioral and academic difficulties in school
Maryland's Tomorrow is a high school dropout-prevention program. Facilitators employed at five high schools work in tandem with AEP staff to provide academic tutoring and supplementary instruction to students at risk of dropping out of school.	High school students exhibiting significant difficulties, inconsistent attendance, and low motivation to succeed in school
Gateway High School is one of the programs that comprise the Homewood Center. Homewood is a countywide alternative learning center. Gateway provides behavioral and academic support services to students whose needs exceed what can be provided at the districted schools. Gateway provides a more individualized approach to teaching and learning, counseling, and socio-emotional support and a high level of structure and supervision for participating students.	High school students exhibiting significant difficulties whose needs cannot be met in their districted schools

Evening School program provides academic and behavioral support services for students in the middle and high schools who exhibit behaviors that require their removal from the districted school. Some students may attend by choice.	Middle and high school students serving extended suspensions or who are expelled but continue to qualify for educational services; High school students that elect to attend original credit courses in lieu of or in addition to attending classes during regular school hours; Students 18 years of age or older who have dropped out and then request re-enrollment
Teen Parenting and Childcare is a teen parenting program that provides academic guidance, support, childcare, and counseling for teens and their children. The program enables pregnant and parenting teens to complete their high school education while receiving instruction, job skills, and daycare services. Pregnant and parenting teens are able to attend school fulltime.	High school students; Outreach component of the program serves pregnant and parenting teens at middle and high school levels
Other Academic Intervention Services include extended day, extended week, and extended year programs, the Black Student Achievement Program, and Community Based Learning Centers. These programs are designed to implement effective practices to accelerate the achievement of students performing below grade level. High school programs enable students to score at the proficient level or higher on the Maryland School Assessment and to pass the High School Assessments.	
Montgomery County Public Schools	
Program	**Population served**
Pupil Personnel Workers (PPWs): Each school has an assigned PPW to monitor students with absentee rates of 20 percent or greater. PPWs work with school staff and families to investigate these cases and to provide supports and resources to improve school attendance.	K–12
HAPIT (Honors Advanced Placement Identification Tool) was developed locally to examine a variety of data points for each high school student to determine/verify the appropriateness of course levels. Not only does this assist staff in determining when more rigorous coursework is appropriate, it allows staff to ensure that struggling students receive more interventions and supports.	All students grades 9–12
Reading and Mathematics Interventions: Programs, including Read 180 and Challenge Reading, to help students who are struggling with reading.	Students grades 3–12 who are in need of academic support
Extended Day/Extended Year Programs: Individual schools are provided funding to offer extended day and school year programs for students who are struggling with academics, have failed courses, or are at risk of not passing assessments required for graduation. These programs offer low student-to-teacher ratios and make use of research-based programs proven to positively impact learning. At the high school level credit-recovery programs are being piloted.	Students grades 3–12 on Saturday mornings
George B. Thomas Learning Academy: The mission of this tutoring and mentoring program is to accelerate student mastery of academics, specifically reading, language arts, and mathematics.	Students grades 1–12 on Saturday mornings

Alternative Programs: MCPS operates a continuum of intervention services for middle and high school students who are unsuccessful in their home schools. Level 1 programs are provided in every secondary school. These programs provide intervention strategies and supports to students in their home schools. Level 2 programs are available for students who are successful in their home schools, even with the support of a Level 1 program. Each of these programs provides academic instruction as well as behavioral and social skills instruction. The goal of Level 2 programs is to provide students with the skills needed to successfully return to their home schools. Level 3 programs are available to students in lieu of expulsion.	Students grades 6–12 who are unsuccessful in their home schools
Gateway to College is a program at Montgomery College for high school students who have stopped attending MCPS high schools and for whom high school completion is at risk. The program gives students an opportunity to earn a high school diploma while transitioning to a college campus. Students may simultaneously accumulate high school and college credits, earning their high school diploma while progressing toward an associate degree or certificate.	16- to 20-year-olds who have stopped attending MCPS high schools and for whom high school completion is at risk
Student Withdrawal Interview: School staff contact parents and interview any student who wishes to withdraw from school after age 16, but prior to graduation. During the interview, school staff presents instructional interventions and alternatives available to encourage the student to remain in school. All information is documented on a MCPS form specifically designed for this purpose.	Any student over age 16 considering withdrawal from school prior to graduation
Interagency Truancy Review Board: The purpose of the Truancy Review Board hearing is to motivate parents of habitually truant students to send their children to school. The hearing is essentially an "end stage" strategy when a sequence of interventions implemented by the school has failed to gain results.	Students through age 15 who are habitually truant
Queen Anne's County Public Schools	
Program	**Population served**
Alternative Program at the Learning Center, Queen Anne's County High School	Grades 9–12 in county high schools
Midshore Alternative Program Collaboration with Caroline County Public Schools	Grades 6–8
Saturday School	9–12th grade students in lieu of in-school suspension
Character Counts! is a joint effort of the Local Management Board and Board of Education of Queen Anne's County to promote a program of character education to all students. Embedding character education into curriculum and the language of the school makes a difference in the school climate.	All grade levels in all QACPS
Positive Behavioral Intervention Supports (PBIS) is a schoolwide system of support that includes proactive strategies for defining, teaching, and supporting appropriate student behaviors to create positive school environments.	K–12

St. Mary's County Public Schools	
Program	**Population served**
Credit Recovery Program allows students to recover credits for classes they previously failed.	9–12th graders who have failed a course
Evening High School offers students the opportunity to receive original credit for courses previously failed or for courses that could not be taken during the school day.	9–12th graders who have failed required courses for graduation receiving a percentage grade of 44 percent or below 9–12th graders who need original credit for required courses for graduation but cannot fit courses into their schedule during the normal school day
Baby Talk offers students with children, infants up to age 3, daycare within the student's high school during school hours.	9–12th graders who have infants and toddlers and are in need of daycare in order to remain in school
Evening Counseling Center offers free counseling services to public school students who are struggling with issues that impact their ability to be successful in school.	K–12 students struggling with personal issues that negatively impact their ability to be successful at school
School Counseling program: High school counselors and pupil service team members meet with 9–12th grade students at risk of dropping out and develop individual intervention plans.	9–12th graders who demonstrate excessive absences, fail multiple courses, or are not scheduled to graduate within the four-year time frame
Talbot County Public Schools	
Program	**Population served**
Educational Options Computer Curriculum offers independent study courses for a variety of subjects. This program is used in several different situations.	Middle and high school students
Independent study classes are part of the regular school day during the second, third, and fourth periods.	Students who have failed a number of courses to recover credit
Extended day program runs two hours after the regular school day.	Students who have failed a number of courses to recover credit
Adult High School Diploma program is offered four nights a week at two locations and five days a week during the day.	Students 16 years of age and in lieu of dropping out
Talbot Family Support Center provides daycare.	Students who have children
Alternative Educational Center (AEC): Extended services for chronically disruptive students beyond existing programs and in-school programs.	Students of any age are scheduled for a morning and afternoon session
Tutoring	Available to all students participating in the program
Washington County Public Schools	
Program	**Population served**
High School Dropout Prevention Program: Develop caseload of students most at-risk for dropping out; build positive relationships; develop strategies and provide intervention; Student Support Team; Maintain and analyze academic, behavioral, and demographic data in order to target appropriate students and provide meaningful intervention.	All WCPS high school students who are at risk of dropping out

Middle School Dropout Prevention Program: Develop caseload of students most at-risk for dropping out; build positive relationships; develop strategies and provide intervention; Student Support Team; maintain and analyze academic, behavioral, and demographic data in order to target appropriate students and provide meaningful intervention. Work to ensure effective transition to high schools.	All WCPS middle school students
Washington County Family Center administers a high school credit program for pregnant and parenting students, provides case management, childcare, and parenting instruction.	Parenting students
WC Evening High School (WCEHS) is an alternative high school educational program that offers up to two courses each semester, original and credit recovery; dual enrollment at home high school and WCEHS.	WCPS high school students
Nova Net Computer/Web-based Instruction: Provides credit recovery and original credit in non-assessed courses; serves selected students at WCEHS, Antietam Academy Alternative Learning Center, and Washington Family Center.	15 to 30 at-risk high school students
Wicomico County Public Schools	
Program	**Population served**
Mentoring Project: Matches a student and an adult to meet one hour per week in the school setting.	Students K-12 who are identified by administration as at risk of failure due to attendance, behavior, or academics
Evening High School enables students to recover credits for promotion or to maintain credit count. Can be used as original credit.	Students 16 or older who have not passed a course
Dropout Reduction: Work with students on a daily basis to offer assistance on grades, attendance, conduct issues, and other matters that affect student performance and advancement.	9–12th grade high school students who have failed courses required for graduation; suggested rising eighth graders who are at risk of struggling in high schools
HSA Remediation: Assist students in areas of weakness in preparation for retaking the test.	Students who fail to pass a required course or test
College Tutors offer in-class tutoring for students during the school day to help students get caught up with work and increase their understanding of core subjects.	Volunteer students who feel they need additional help in core subject areas
Middle School Visits to High School gives middle school students an opportunity to visit Career Technology Educational Center to experience firsthand the types of crafts/careers that are offered. (Motivation to keep students in school to be able to attend one of these programs.)	8th grade middle school students
After School Tutoring program offers individual and group assistance after school to help students work on core and elective courses that they are experiencing difficulty with.	High school students

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Subcommittee Three: Practical Implications and Resources

Subcommittee Charge

Task Force Subcommittee Three was charged with examining the adequacy of resources for and developing an action plan to accomplish the implementation of an initiative to raise the compulsory age of attendance. Assessing the fiscal impact on the State and local governments seems imperative as families, business leaders, politicians, and educators consider raising the compulsory age of attendance from 16 to 18 years of age. The appropriateness of mandating students return to or continue to attend educational settings from which they desire to drop out is the primary charge of other subcommittees. Our charge is to clarify the fiscal impact of continuing education for an additional two years without changing the instructional program, class size, mode of delivery, or length of the school day/year.

Findings

ADEQUACY OF RESOURCES

To examine the adequacy of resources we collected current information and data on dropouts, statewide enrollment projections, high school state rated capacity, costs per pupil belonging, and estimated construction costs for permanent construction of additional classrooms and costs for portable classrooms. A projection was made to determine the number of students who would potentially return to school buildings by the change in the age of compulsory attendance. The resources required by these additional students and the projected fiscal impact of these additional students in Maryland schools were extrapolated from this data.

To this end, the Subcommittee's research included determining:

- The additional number of students who would be continuing for at least two years;
- An analysis of present classroom capacity to accommodate the additional students and the funding necessary to provide additional classrooms;
- The additional funding necessary to staff schools to accommodate these additional students and to purchase necessary textbooks and instructional supplies.

To calculate the fiscal impact on the State and local school systems, we made certain critical assumptions. An initial assumption is that these students will be returning to the same

schools from which they dropped out. This assumption would allow for a base price cost estimate for returning students without any change in staffing ratio, program, resources, or length of instructional day/year. Based on figures from the Maryland State Department of Education, the average number of students dropping out of Maryland's public schools each year is approximately 10,500. For calculation purposes we projected that this number would remain unchanged so that a two-year total would be approximately 21,000 students. Facility analysis was based on an assumption that students would return to a typical classroom with 20 to 25 students. Based on the present Public School Construction Program facilities capacity formula (25 students per teaching station at 85 percent utilization), we assumed 21.25 students per classroom. The committee took into account each system's present overall high school capacity without regard for the fact that some geographical areas of a local school system might be more heavily impacted by returning students than other neighborhoods. Statewide usage capacity is already at 100 percent with 11 systems above 100 percent. The number of high school students is projected to decline in the state through 2014, but the total public school enrollment in Maryland in 2015 is trending up. To calculate the staffing needs, we used the statewide average of one instructor for every 19 students. Recognizing that "new construction" often takes years to come to fruition, the subcommittee decided to provide both the cost to provide newly constructed classroom space and the cost to provide portable classrooms to expand facility capacity in the short term. New construction costs and portable classroom costs are based on current Public School Construction Program budget estimates. New construction was calculated at $247 per square foot. The purchase and installation of portable classrooms is estimated at $80,000 per unit. The more likely approach of purchasing portable classrooms to accommodate the additional 21,000 students totals approximately $46 million. Additional space is required in 15 of the 24 school systems.

The total additional costs for providing educational and related services to the additional students are approximately $200 million per year. This figure varies in the projected impact on local jurisdictions from a low of $385,000 in Talbot County to a high of $60 million in Baltimore City. See tables 1-6 for specific district information and table 7 for a state summary.

TABLE 1

High School Dropouts and Retentions, Grades 9-12

Local School System	2003-2004	2004-2005	2005-2006	Average Last 3 yrs
Allegany	111	91	116	106
Anne Arundel	1,208	577	503	763
Baltimore City	3,229	3,212	2,898	3,113
Baltimore	1,591	1,662	1,569	1,607
Calvert	131	123	134	129
Caroline	70	42	53	55
Carroll	130	123	139	131
Cecil	243	221	235	233
Charles	329	325	317	324
Dorchester	91	104	98	98
Frederick	86	93	102	94
Garrett	49	37	33	40
Harford	336	409	442	396
Howard	220	231	231	227
Kent	36	45	27	36
Montgomery	814	838	990	881
Prince George's	1,305	1,668	1,863	1,612
Queen Anne's	64	81	87	77
St. Mary's	124	157	217	166
Somerset	46	49	67	54
Talbot	25	18	21	21
Washington	144	129	155	143
Wicomico	202	189	153	181
Worcester	26	51	31	36
State Total	**10,610**	**10,475**	**10,481**	**10,522**

TABLE 2

High School Capacity School Year 2005-06

Local School System	State Rated Capacity	Enrollment SY05-06	Utilization Rate	Seats Available (Needed)	Classrooms Available (Needed)
Allegany	3,491	2,835	81%	656	31
Anne Arundel	24,309	23,151	95%	1,158	54
Baltimore City	26,592	15,452	58%	11,140	524
Baltimore	30,662	31,381	102%	(719)	(34)
Calvert	5,556	5,761	104%	(205)	(10)
Caroline	2,125	1,819	86%	306	14
Carroll	9,891	9,806	99%	85	4
Cecil	5,432	5,552	102%	(120)	(6)
Charles	7,086	8,437	119%	(1,351)	(64)
Dorchester	2,115	1,988	94%	127	6
Frederick	10,978	10,934	100%	44	2
Garrett	1,520	1,478	97%	42	2
Harford	11,886	12,311	104%	(425)	(20)
Howard	13,539	15,578	115%	(2,039)	(96)
Kent	1,195	835	70%	360	17
Montgomery	38,750	43,954	113%	(5,204)	(245)
Prince George's	35,859	40,870	114%	(5,011)	(236)
Queen Anne's	2,314	2,510	108%	(196)	(9)
St. Mary's	1,560	1,065	68%	495	23
Somerset	5,445	5,191	95%	254	12
Talbot	1,786	1,605	90%	181	9
Washington	7,040	6,607	94%	433	20
Wicomico	3,811	4,375	115%	(564)	(27)
Worcester	2,408	2,305	96%	103	5
State Total	**255,350**	**255,800**	**100%**	**(450)**	**(21)**

TABLE 3

Projected High School Capacity With Additional Pupils

Local School System	Additional Pupils	Classrooms needed for Additional Pupils	Total Enrollment w/Additional Pupils	Utilization Rate w/Additional Pupils	Seats Available (Needed)	Classrooms Available (Needed)	Additional Classrooms Needed for Total Enrollment	Additional Classrooms Needed for Addl Pupils Only
Allegany	212	10	3,047	87%	444	21	0	0
Anne Arundel	1,525	72	24,676	102%	(367)	(17)	17	17
Baltimore City	6,226	293	21,678	82%	4,914	231	0	0
Baltimore	3,215	151	34,596	113%	(3,934)	(185)	185	151
Calvert	259	12	6,020	108%	(464)	(22)	22	12
Caroline	110	5	1,929	91%	196	9	0	0
Carroll	261	12	10,067	102%	(176)	(8)	8	8
Cecil	466	22	6,018	111%	(586)	(28)	28	22
Charles	647	30	9,084	128%	(1,998)	(94)	94	30
Dorchester	195	9	2,183	103%	(68)	(3)	3	3
Frederick	187	9	11,121	101%	(143)	(7)	7	7
Garrett	79	4	1,557	102%	(37)	(2)	2	2
Harford	791	37	13,102	110%	(1,216)	(57)	57	37
Howard	455	21	16,033	118%	(2,494)	(117)	117	21
Kent	72	3	907	76%	288	14	0	0
Montgomery	1,761	83	45,715	118%	(6,965)	(328)	328	83
Prince George's	3,224	152	44,094	123%	(8,235)	(388)	388	152
Queen Anne's	155	7	2,665	115%	(351)	(17)	17	7
St. Mary's	332	16	1,397	90%	163	8	0	0
Somerset	108	5	5,299	97%	146	7	0	0
Talbot	43	2	1,648	92%	138	7	0	0
Washington	285	13	6,892	98%	148	7	0	0
Wicomico	363	17	4,738	124%	(927)	(44)	44	17
Worcester	72	3	2,377	99%	31	1	0	0
State Total	**21,044**	**990**	**276,844**	**108%**	**(21,494)**	**(1,011)**	**1316**	**571**

TABLE 4

Instructional Staff Needed

Local School System	Additional Pupils	Additional Instructional Staff Required
Allegany	212	11
Anne Arundel	1,525	80
Baltimore City	6,226	328
Baltimore	3,215	169
Calvert	259	14
Caroline	110	6
Carroll	261	14
Cecil	466	25
Charles	647	34
Dorchester	195	10
Frederick	187	10
Garrett	79	4
Harford	791	42
Howard	455	24
Kent	72	4
Montgomery	1,761	93
Prince George's	3,224	170
Queen Anne's	155	8
St. Mary's	332	17
Somerset	108	6
Talbot	43	2
Washington	285	15
Wicomico	363	19
Worcester	72	4
State Total	**21,044**	**1,108**

TABLE 5

Estimated Costs

Local School System	Additional Pupils	FY05 Cost per Pupil Belonging	Cost for Additional Pupils (Annual)	One Time Cost Perm. Construction Classrooms (Additional Pupils Only)	One Time Cost Portable Classrooms (Additional Pupils Only)
Allegany	212	$9,194	$1,949,128	$0	$0
Anne Arundel	1,525	$9,275	$14,147,467	$4,269,710	$1,382,902
Baltimore City	6,226	$9,603	$59,788,278	$0	$0
Baltimore	3,215	$9,439	$30,346,385	$37,369,647	$12,103,529
Calvert	259	$9,224	$2,385,941	$3,006,620	$973,804
Caroline	110	$8,568	$942,480	$0	$0
Carroll	261	$8,708	$2,275,691	$2,049,616	$663,843
Cecil	466	$8,701	$4,054,666	$5,416,565	$1,754,353
Charles	647	$8,535	$5,524,990	$7,524,298	$2,437,020
Dorchester	195	$9,358	$1,827,929	$794,275	$257,255
Frederick	187	$8,650	$1,620,433	$1,666,039	$539,608
Garrett	79	$9,195	$729,470	$433,945	$140,549
Harford	791	$8,237	$6,518,213	$9,198,086	$2,979,137
Howard	455	$10,585	$4,812,647	$5,284,831	$1,711,686
Kent	72	$10,422	$750,384	$0	$0
Montgomery	1,761	$11,740	$20,678,053	$20,472,910	$6,630,902
Prince George's	3,224	$9,103	$29,348,072	$37,474,259	$12,137,412
Queen Anne's	155	$8,720	$1,348,693	$1,797,773	$582,275
St. Mary's	332	$8,903	$2,955,796	$0	$0
Somerset	108	$10,390	$1,122,120	$0	$0
Talbot	43	$9,024	$385,024	$0	$0
Washington	285	$8,522	$2,431,611	$0	$0
Wicomico	363	$8,998	$3,263,275	$4,215,467	$1,365,333
Worcester	72	$11,228	$808,416	$0	$0
State Total	**21,044**	**$9,661**	**$200,015,162**	**$140,974,039**	**$45,659,608**

TABLE 6

Summary by Local School System

Local School System	Additional Pupils	Additional Instructional Staff Required	Additional Classrooms Needed for Additional Pupils Only	Cost for Additional Pupils (Annual)	One Time Cost Portable Classrooms (Additional Pupils Only)
Allegany	212	11	0	$1,949,128	$0
Anne Arundel	1525	80	17	$14,147,467	$1,382,902
Baltimore City	6226	328	0	$59,788,278	$0
Baltimore	3215	169	151	$30,346,385	$12,103,529
Calvert	259	14	12	$2,385,941	$973,804
Caroline	110	6	0	$942,480	$0
Carroll	261	14	8	$2,275,691	$663,843
Cecil	466	25	22	$4,054,666	$1,754,353
Charles	647	34	30	$5,524,990	$2,437,020
Dorchester	195	10	3	$1,827,929	$257,255
Frederick	187	10	7	$1,620,433	$539,608
Garrett	79	4	2	$729,470	$140,549
Harford	791	42	37	$6,518,213	$2,979,137
Howard	455	24	21	$4,812,647	$1,711,686
Kent	72	4	0	$750,384	$0
Montgomery	1761	93	83	$20,678,053	$6,630,902
Prince George's	3224	170	152	$29,348,072	$12,137,412
Queen Anne's	155	8	7	$1,348,693	$582,275
St. Mary's	332	17	0	$2,955,796	$0
Somerset	108	6	0	$1,122,120	$0
Talbot	43	2	0	$385,024	$0
Washington	285	15	0	$2,431,611	$0
Wicomico	363	19	17	$3,263,275	$1,365,333
Worcester	72	4	0	$808,416	$0
State Total	**21044**	**1108**	**571**	**$200,015,162**	**$45,659,608**

TABLE 7

STATE SUMMARY

Additional Pupils	**21,044**
Additional Instructional Staff	**1,108**
Additional Classrooms Needed	**571**
Cost for Additional Pupils (rounded, annual)	**$200,015,000**
Cost for Additional Portable Classrooms (rounded, one time)	**$45,660,000**

ACTION PLAN, PROFESSIONAL DEVELOPMENT, AND PARTNERSHIPS

Task Force Subcommittee Three was also charged with making recommendations that would support successful implementation of an initiative to raise the compulsory public school attendance age from 16 to 18 across Maryland. The Subcommittee had three primary areas of focus: an action plan, professional development that would assure success of the action plan, and partnerships that would enhance opportunities for students to successfully complete high school.

According to the National Youth Employment Coalition (2005), nearly one third of the students in the United States are not completing high school in four years. The result of this failure to complete high school means that approximately 5.4 million young people between the ages of 16 and 24 are out of school and out of work in this country.

In order to develop an action plan for the implementation of such an initiative, infrastructure must be constructed. That infrastructure must be based on what the students need, rather than on what schools traditionally have offered in a new location or with new labels.

Researchers and educational writers differ markedly about what students need to keep them in school and to earn a diploma. Rather than sift through conflicting opinions, the Subcommittee found it most useful to explore the question of why students drop out in the first place. Knowing those reasons will dictate program design.

In a survey (Bridgeland, Dijulio, & Morison, 2006) of nearly 470 dropouts throughout the country, nearly 50 percent said they left school because their classes were boring and not relevant to their lives or career aspirations. A majority said schools did not motivate them to work hard, and more than half dropped out with just two years or less to complete their high school education.

Two-thirds of those surveyed said they would have worked harder to graduate if their schools had demanded more of them and provided the necessary academic and personal supports

to help them succeed. Others said that as they grew older, increased freedom and other distractions drew them away from school. Sixty-two percent reported they had grades of C's or better when they left school; 70 percent were confident they could have met their school's graduation requirements; and 74 percent would have stayed in school if they had to do it over again. Significant reasons given by students for dropping out included not being sufficiently challenged, and feeling unmotivated, bored, and unsupported. Other, more personal reasons, were also significant: needing a job, becoming a parent, taking care of a sick family member.

"Most students don't wake up on a single morning and decide to drop out of school. Rather, dropping out is the end of a long-term process of disengagement, as students find school to be disconnected from—even at odds with—the rest of their lives," said Geoff Garin, President of Peter D. Hart Research Associates.

While these former students accept some responsibility for not completing high school, they say that there are "supports" that can be provided at school and at home. More than 70 percent believe that the problem could be addressed through better teachers, real world learning opportunities, smaller classes, increased supervision, and improved communication between parents and schools.

"As we work to improve our nation's high schools for all students, it is vital for us to consider the insights and reflections of the young people who were failed by our schools," said Jim Shelton, Education Divison Program Director at the Bill and Melinda Gates Foundation. "Our education system needs to respond by ensuring all students—no matter where they go to school—have access to the challenging, relevant and supportive education to ensure their success in this tough new economy." (Bridgeland et al., 2006).

The Subcommittee reviewed current practices and programs, collected data from school systems on existing programs, analyzed the evidence shared by districts, and examined the findings of national longitudinal dropout studies in order to consider the most effective responses to the questions of implementation of action plans, professional development and the fostering of partnerships. From our examination of practices in Maryland we found:

- There is significant discrepancy among districts in what is identified as an alternative education or dropout-prevention program.
- A lot of programs exist in the name of dropout prevention, yet one-third of entering high school students leave high school before graduation with no viable options for gaining their diploma or equivalent.
- The data evaluating these programs are inconsistent.
- It is difficult, if not impossible, to compare the costs per student of these programs.
- While Maryland's demographics may mirror the national demographics to some extent, there are unique factors in Maryland's data; a significant number of

Maryland's dropouts are not members of the traditional subgroups. The majority (more than 60 percent) of students dropping out in Maryland are students of color. Only 40 percent of the dropouts are in subgroups of special education, FARMS, LEP, migrant, or 504.

- Structures to engage the families of potential dropouts appear to be insufficient based on the review of program information from districts.
- There is recognition that meeting the needs of students who are most likely to drop out is not the same as preventing students from dropping out of school by changing the compulsory age of attendance.

School climate, adult expectations, scaffolding for learning, and content relevance have much to do with the student's decision to drop out. These points constitute the design principles for an action plan to keep students moving toward a diploma until their eighteenth year.

ACTION PLAN

Following the design principles itemized above, an action plan to keep youth productively engaged in working toward a diploma would be something other than more of what schools offer now. After all, if schools do the same things, why should we expect different results?

An action plan to accomplish the goal could do any combination of things to support positive climate, high expectations, scaffold learning, and relevant content for students.

According to the National Youth Employment Coalition (2005), students between the ages of 16 and 18 who are likely to drop out will need some support to stay engaged in school. The support these students will need is often identified as alternative education.

Currently, the State of Maryland has no formal definition of alternative education. Such a definition is found, however, in several other states, Wisconsin for one. Too often, alternative education programs have developed a reputation in their respective communities as programs for "bad kids." This view must be changed as an infrastructure is put into place. While much of the work to prevent students from dropping out of school must be done in pre-kindergarten through grade nine, the question of how to best serve those students who leave school when they reach the age of 16 must be addressed. A review of the literature and current practices across the nation indicates the following:

Alternative education programs can be:

- A separate room or teacher within a comprehensive high school where additional services are provided;
- A school within a comprehensive high school; or,

- A separate facility.

(Source: State of Wisconsin, Department of Public Instruction)

Elements of Quality Practice and Programming:

- Offer low student/teacher ratio
- Are accredited
- Grant credentials (High School Diplomas or GED)
- Offer credit recovery
- Hire certified teachers
- Provide flexible scheduling
- Negotiate strong relationships at the local level
- Secure private funding

(Source: State of Wisconsin, Department of Public Instruction)

Models of Alternative Education need to offer anger management; small group instruction; some individualized instruction; computerized, self-paced instruction; guidance services; and study skills. Strong, consistent, and persistent support services are critical to these students' success.

PROFESSIONAL DEVELOPMENT

Any professional development discussion related to dropouts must address two separate areas: ongoing growth of all staff who meet and teach students throughout their public school experiences, and the fine-tuned professional development of staff devoted to alternative programming focused on those students least likely to earn a diploma.

Professional teaching staff as well as administrative staff are at a premium due to national shortages in both work forces. Before considering professional development needs, the Subcommittee recognized initially that adequate staff may not be available for a plan of this scope, even if funding would be.

According to the Maryland Teacher Staffing Report 2006–2008 (Maryland State Department of Education, 2006), the State is experiencing a critical shortage of non-classroom positions: principal, reading specialist, and speech/language pathologist. Also in short supply are teachers who are: male, members of minority groups, and certified in critical content areas (including mathematics, science, ESOL, foreign language, career and technology, and special education).

Each of Maryland's 24 school systems is projected to have a shortage of certified teachers. This continuing employee shortage, coupled with a successful plan to keep students in school, suggests a need for alternate approaches to teaching certification and for alternative

delivery of instruction as well. While it is not the purview of this report to suggest restructuring of Maryland Higher Education, it is also true that Maryland must begin to move toward producing more certified teachers to meet the instructional needs of its students. At the same time, Maryland must implement strategies to welcome college graduates with relevant job skills and experiences to instruct our most vulnerable youth at risk of not earning a high school diploma. In light of continuing high-stakes requirements for a diploma in Maryland, alternative programming for youth who currently drop out is a complex issue. Those youth must meet the same High School Assessment and graduation requirements as all other students, so their program is not a difference of content as much as it is a difference of delivery. Finding adequate numbers of staff who can fulfill this requirement during a time of shortage is more than a professional development question.

PARTNERSHIPS

In order to ensure the success of an initiative to meet the needs of students who are in the age range of 16 to 18 years, and who, for whatever reason, have been unable to complete high school, an extensive and sophisticated network of interagency collaboration needs to be in place. Critical guiding principles to consider include these from the National Youth Employment Coalition (Mala & Henry, 2005):

- Partner with community-based organizations and higher education for the good of all students;
- Access multiple funding streams to protect programming;
- Provide support services, such as case management and counseling, to assure continued student attendance;
- Provide contextual, applied, experiential, and project-based learning to engage the learner;
- Offer a personalized learning environment embedded in youth development principles; and
- Integrate community service and service-learning opportunities which offer connections to employment, training, and postsecondary education.

Without a solid foundation of well articulated and established partnerships, the initiative has a greatly diminished possibility for success. Certainly, the school systems have a great deal of responsibility for providing the most appropriate service to all students. However, the federal, state and local governments, a multitude of social service agencies and the private sector all share in this responsibility. Each in some way provides support and acts as a barrier to providing appropriate programming and experiences for the students who are not completing high school.

In reviewing the current state of America's dropouts, the National Youth Employment Coalition (Mala & Henry, 2005) addressed the issue of dropouts by observing:

- Given the new economy and global competition, the goal for the American High School must be to graduate the overwhelming majority of students with proficient skills.
- School districts and the State will need to develop a portfolio of secondary school options—all having the highest standards—while customizing to the needs of a diverse population.
- Funding and policy must be realigned to support the re-invention of the American High School, which would include expansion of educational options. While the American High School works for about two-thirds of all students, it clearly does not work for a large section of the student population.

According to the National Longitudinal Study conducted by the U.S. Department of Education Statistics (Kaufman et al., 1999), the key reasons why eighth- to tenth-grade students dropped out were school-related: did not like school (51 percent), could not get along with teachers (35 percent), and were failing school (39 percent). While some reasons were job-related or family-related, the primary reasons resided in the structure, pacing, time of instructional delivery, and the overall feeling about being in school. To stay in school, some of our students need a different type of school experience.

Subcommittee Recommendations

RECOMMENDATION ONE

Factors other than age must be addressed in any program or legislation that attempts to reduce the dropout rate.

RECOMMENDATION TWO

A definition of alternative education must be developed by the State Board that addresses different modes of instruction and age-appropriate implementation of strategies targeted to the population likely to, or who has already, voluntarily dropped out of school.

RECOMMENDATION THREE

Establish a state-wide initiative that will:

a) Be flexible while providing a consistent philosophy of approach in addressing the needs of 16- to 18-year-old dropouts regardless of where they live or attended school;
b) Establish and evaluate pilot programs based on proven or promising approaches prior to statewide implementation. Consideration should be given to geographic location, size, and diversity of school systems.
c) Provide an infrastructure (people, organization, time of day, location, resources, community and family involvement) and identify reallocation of funding and new funding that guarantees effective services that are interagency and assures increased numbers of students who stay in school and graduate;
d) Examine articulation and funding agreements and formulas among agencies and institutions to determine which of these enhance students' opportunities and which serve as barriers.

RECOMMENDATION FOUR

Expand the data collection work on existing dropout prevention and re-entry programs that has been done, and design and implement a program to analyze the effectiveness of these dropout prevention programs.

RECOMMENDATION FIVE

Use what has been learned in previous studies (African American Males, AEMMS, MPAC report) to address the disproportionate rate of dropouts in minority populations and the need for greater parental involvement.

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Subcommittee Four: Special Populations

Subcommittee Charge

Subcommittee Four was to address Subsection (e)(5) of House Bill 36: "Examine the implications for raising the compulsory public school attendance age to 18 on standards-based outcomes, students with disabilities, and students with limited English proficiency."

The Subcommittee examined carefully the impact of any change in the compulsory public school attendance age on special population students, specifically on students with disabilities receiving special education and students with limited English proficiency (LEP). Students with disabilities receive special education and related services that are specifically designed to meet the unique needs of the student. These services and specialized instruction are provided to the student at no cost to the parents. The Individuals with Disabilities Education Act (IDEA 2004) is the federal law that mandates that all children residing in the state with disabilities are entitled to a free appropriate public education (FAPE) between the ages of 3 and 21.

Limited English Proficient students are students who have a primary or home language other than English, and who have been assessed as having limited or no ability to understand, speak, read, or write English. Those LEP students are also entitled to a public education between the ages of 3 and 21 (COMAR 13A.01.04.02 (11)). As described in the Findings section of this report, some research and data indicate that being entitled to FAPE until age 21 does not necessarily result in a higher rate of school completion for these special populations.

Both the Individuals with Disabilities Education Act of 2004 and the No Child Left Behind Act of 2001 have established goals that will improve the education and preparation of young adults for employment and independence upon exiting school. The success of these legislative initiatives depends on change, i.e. change in educational standards, student expectations, instruction, and assessments. According to Knokey (2006), "What happens in classrooms every day is what students experience directly and it is the mechanism through which educational interventions are most likely to produce the desired changes in improved student achievement." To meet the needs of this diverse subgroup of students, appropriate educational program options, services, and supports are necessary.

For consistency of understanding throughout this report, definitions of special education participant/student with disabilities, Limited English Proficient, Dropout, and Graduation, as defined by the Maryland Report Card (2007) are listed in Appendix A.

To accomplish its assigned task, the subcommittee reviewed and discussed research and data regarding:

- Current federal and State law pertaining to Special Education and non- English proficient/limited English proficient (NEP/LEP) students;
- Graduation and dropout rates for the identified subgroups;
- Factors contributing to student dropout;
- Existing and potential alternate educational opportunities to meet the needs of the identified subgroups; and,
- Post school outcomes of the students in the identified subgroups.

Findings

The IDEA 2004 emphasizes that post school success is the ultimate outcome of the FAPE guaranteed to students with disabilities by declaring that its purpose is "To ensure that all children with disabilities have available to them a FAPE that emphasizes special education and related services designed to meet their unique needs and prepare them for further education or, employment, and/or independent living." To determine if services provided to students with disabilities are effectively preparing them to meet the goals of IDEA, the Maryland State Department of Education, Division of Special Education/Early Intervention Services has been conducting the Maryland Longitudinal Transition Study (MD LTS). It is a parallel study of the National Longitudinal Transition Study – 2 (NLTS2) being conducted by the U.S. Department of Education, Office of Special Education Programs. These two studies began in 2000 and will conclude in 2009. The Maryland study began with 1000 students with disabilities with Individualized Education Programs (IEPs) between the ages of 13 and 18. The MD LTS has been divided into Waves, or sections, focusing on student school age experiences and bands of post school year outcomes. The first Wave looked at students while in school, concentrating on educational instruction and support along with out-of-school activities such as home life, part-time employment, recreational activities, and social relationships. The MD LTS Wave 1 and Wave 2 Final Report is included as Appendix B to the Subcomitte's report.

All data and findings are weighted estimates of the total population of youth who received special education support during their public education. The MD LTS includes both youth who exited school with a diploma or a certificate of program completion, and those who dropped out.

Wave 2 is the first look at the post-school activities of the participants. Those participants have been out of school for up to two years. The majority are male, 18 or 19 years of age. The following table provides information on the modes of post school engagement of the study participants (Cameto, 2006).

TABLE 1

Post School Engagement Activities

from Wave 2 of the Maryland Longitudinal Transition Study

Activity	*Graduate/Certificate*	*Dropout*
Employment Only	42.8%	46.6%
Postsecondary Education Only	4.8 %	0%
Job Training Only	11.4%	11.1%
Employment and Postsecondary Education	29.8%	18.8%

While it is important to keep in mind that these students have only been out of school for up to two years, it is alarming that the number of young adults engaged in post school activities is so low. Responses listed in the chart above do not equal 100 percent since respondents could check off more than one activity, or could indicate that none of the options were applicable. Therefore, the data indicate that approximately 50 percent of "school leavers" in this subcategory (students with disabilities) were engaged in employment, job training, and/or postsecondary education at the time of the report.

The rate of students with disabilities completing their education programs proved to be a concern to the Subcommittee. The following tables summarize trend data for dropout and graduation rates for the school years 2001-02 to 2005-06. Based on these data, it becomes obvious that few young adults with disabilities are engaged in postsecondary activities.

TABLE 2

Maryland Dropout Data—Students with Disabilities

Summary of trend data for the 2001-02 to 2005-06 school year

Source: Maryland Report Card

Year	*Special Education*	*Regular Education*	*Difference*
2006	5.65%	3.38%	+ 2.27%
2005	5.13%	3.50%	+ 1.63%
2004	4.12%	3.81%	+ 0.31%
2003	4.10%	3.30%	+ 0.8%
2002	3.71%	3.68%	+ 0.03%

TABLE 3

Maryland Graduation Rate Data—Special Education

Summary of trend data for the 2001-02 to 2005-06 school years

Source: Maryland Report Card

Year	Special Education	Regular Education	Difference
2006	76.77%	86.21%	- 9.44%
2005	77.56%	85.47%	- 7.91%
2004	77.56%	84.89%	- 7.33%
2003	78.35%	85.20%	- 6.85%
2002	80.71%	84.08%	- 3.37%

For Limited English Proficient (LEP) students, several factors were identified that may explain the striking differences between rates of drop out and graduation compared to students with disabilities. One important difference is the extreme diversity of students comprising the total LEP population. Local school system personnel who are actively engaged with these students and their families note that there are subgroups that choose to migrate to Maryland specifically for the educational opportunities available and who have high expectations for their children's academic achievement. There are also subgroups that migrate to Maryland for employment opportunities and, due to economic necessity, may be forced to work for long hours to meet their family's basic needs, leaving less opportunity to focus on their children's academic progress. While these are just two simplistic explanations, those factors do not negate the fact that dropout and graduation rates are significant issues for LEP students.

TABLE 4

Maryland Dropout Data—Limited English Proficient

Summary of trend data for the 2001-02 to 2005-06 school years

Source: Maryland Report Card

Year	Limited English Proficient	Regular Education	Difference
2006	1.22 percent	3.38%	- 2.16%
2005	1.44%	3.50%	- 2.06%
2004	1.13%	3.81%	- 2.68%
2003	1.03%	3.30%	- 2.27%
2002	1.79%	3.68%	- 1.89%

TABLE 5

Maryland Graduation Rate Data—Limited English Proficient

Summary of trend data for the 2001-02 to 2005-06 school years

Source: Maryland Report Card

Year	Limited English Proficient	Regular Education	Difference
2006	85.41%	86.21%	- 0.8%
2005	91.74%	85.47%	+ 6.27%
2004	86.41%	84.89%	+1.52%
2003	82.57%	85.20%	- 2.63%
2002	88.61%	84.08%	+ 4.53%

Dropping out of high school is related to a number of negative outcomes:

- The median income of high school dropouts age 18 and older was $12,184 in 2003 (U.S. Census Bureau, 2005).
- The median income for those who completed their education was $20,431 (U.S. Census Bureau, 2005).
- Dropouts make up a disproportionately high percentage of the nation's prison inmate population (Harlow, 2003).

Dropping out of high school is not a sudden act, but a gradual process of disengagement. Most students drop out because of significant academic challenges, lack of connection to school community, a belief that school is boring, the need to get a job, pregnancy, or the necessity to care for a family member. There are many warning signs that a student has begun the process of school disengagement. Signs may include:

- Downward spiral of grades;
- Poor attendance;
- Increase in discipline referrals;
- Lack of participation in classes; and,
- Non-adherence to school policies.

One Maryland school system conducted a survey of young adults who dropped out of school during recent years. The survey included, but was not limited to, students with disabilities and LEP students. The following chart provides concrete examples that reflect national research listed above. (For purposes of this survey, similar and repeated responses were combined.)

TABLE 6

Results of Maryland School System Survey of Recent Dropouts

Question	*Responses*
Why did you leave school?	Family conflict
	Hate school
	Medical issues
	Quicker to get GED
	Bullied by others
	Drugs
	Boy issues
	Attendance failure
	Just wanted out
	Split home
	Teachers don't like me
	Wanted to work
What kept you from succeeding in your school program?	Did not want to repeat a grade
	Pregnancy
	Need more one-on-one
	Did not try
	Did not feel comfortable
	Needed too many credits
	Hard to sit still
	No math help
	Always in trouble
What did you like about school?	Nothing
	No idea
	Helping out
	Everything
	Office staff
What courses or programs could we have offered that would have caused you to stay in school?	Smaller classes
	Shorter or later day
	Flexible schedule for medical issues
	Nothing

What are you doing now?	Vo-Tech in grade 8 Classes are not the issue Special education Accelerated diploma Free night school None Nothing GED class Trying to save money Waiting for an opening at the Bridges Program Two month waiting list for the GED program Looking for a job Going to court Working
What do you like about what you are doing now?	Being on my own Freedom Making money Finished GED Don't have to deal with the drama and immaturity Don't have to get up until 10:00 and GED class is over at 2:00 Will finish GED faster than getting a diploma Taking care of my baby Nothing

Recommendations

RECOMMENDATION

The Subcommittee recommends that the age of compulsory attendance be increased along with an earlier starting age. Compulsory attendance should begin at age 4 and end at age 18. Research is proving that early education/intervention leads to greater success.

RATIONALE

The No Child Left Behind Act of 2001 and the 2004 reauthorization of IDEA have placed new focus on educational outcomes. This focus provides Maryland with the opportunity to reexamine how education is delivered. The Maryland Report Card is providing us with annual data on the progress of children to meet these desired outcomes using existing educational frameworks. Dr. Ruby Payne, in her body of work on "Understanding and Working with Students and Adults from Poverty" (1996), strongly advocates beginning formal education at age 4. Building a solid educational and social foundation will lead to students achieving their desired post school outcomes. As stated earlier, federal and State law requires public education be available at age 3 for children with disabilities and LEP children. Because of this entitlement, children are meeting with much greater success. The opportunity to begin education earlier should be made available to all children. The additional years at the end of public education will provide the opportunity for the establishment of five-year high school programs and alternative formats for delivering instruction.

FIVE YEAR HIGH SCHOOL PROGRAMS.

An additional year of high school could be used to address some of the reasons given by students for dropping out of school in the survey discussed earlier, such as:

- Students could receive additional help in academic subjects;
- Work-study could be more easily built into student schedules beginning at an earlier age;
- Additional time would be available to meet graduation requirements, including the High School Assessments.

ALTERNATIVE FORMATS FOR THE DELIVERY OF INSTRUCTION.

Alternative formats for instructional delivery may enable students to complete their education. For example:

- Schedules may use part-time day classes;
- Schedules may combine part-time day classes in combination with night school;
- Schedules could include work study and technical and/or post-secondary education.

The increased age of compulsory attendance would allow LEP students to enroll at an older age. Many families immigrating have children ages 16 and older. Too often they are discouraged from enrolling because of their age and lack of prior schooling.

Students could be provided with activities that demonstrate the importance of their coursework, such as internships and cooperative education opportunities.

Appendix A: Maryland Report Card Definitions

From http://mdreportcard.org

Special Education Program Participants: The number and percentage of special education program participants—students with disabilities who have current Individualized Education Plans (IEPs).

Limited English Proficient (LEP) Program Participants: LEP students have a primary or home language other than English and have been assessed as having limited or no ability to understand, speak, read, or write English.

Graduation Rate: The percentage of students who receive a Maryland high school diploma during the reported school year. This is an estimated cohort group. It is calculated by dividing the number of high school graduates by the sum of the dropouts for grades 9 through 12, respectively, in consecutive years, plus the number of high school graduates.

Dropout Rate: The percentage of students dropping out of school in grades 9 through 12 in a singular year.

The number and percentage of students who leave school for any reason, except death, before graduation or completion of a Maryland-approved educational program, and who are not known to enroll in another school or State-approved program during the current school year. The year is defined as July through June and includes students dropping out over the summer and students dropping out of evening high school and other alternative programs. The dropout rate is computed by dividing the number of dropouts by the total number of students in grades 9–12 served by the school.

Note—Students who re-enter school during the same year in which they dropped out of school are not counted as dropouts.

Appendix B: Maryland Longitudinal Transition Study, Wave 1, Components 1 and 2, Final Report Summary, April 13, 2004

BACKGROUND

As part of a comprehensive longitudinal research related to the Individuals with Disabilities Education Act (IDEA), the National Longitudinal Transition Study (NLTS2) is being conducted by SRI International. SRI is conducting this study under contract with the U.S. Department of Education. Baltimore City, Baltimore County, and Allegany County students and their families are taking part in the study. OSEP asked that states be offered the opportunity to augment the sample of students selected for the NLTS2 with additional students to conduct a state-level companion study. The Maryland State Department of Education elected to participate and is conducting the Maryland Longitudinal Transition Study (MD LTS). 1,200 students, their parents/guardians, teachers, and school administrators from 9 local school systems are participating in the Maryland Longitudinal Transition Study (MD LTS). These students were ages 13 through 16 on December 1, 2000. The sample includes enough youth in the following disability categories to report findings for them separately: learning disabilities, speech/language impairments, mental retardation, emotional disturbance, other health impairments, autism and multiple disabilities.

The framework of the MD LTS is the same as the NLTS2. There are to be 5 components within this wave. Component 1 of the study is a look at the characteristics of students with disabilities and their households. The demographic characteristics shall depict the diversity of the students. The second component addresses the extracurricular activities of the students. It looks at all out of school activities. Component 3 and 4 focus on the school. Component 3 summarizes findings regarding the characteristics of schools attended by secondary school-age students with disabilities. Component 4 will focus on the school programs of students, including courses taken, placements, and access to the general education curriculum. Component 5 will address student achievement in multiple domains such as: academic achievement in the general curriculum, areas of independence, and employment. Component 5 will also report on absenteeism and dropout.

The nearly 1,200 MD-LTS students represent **all** students in Maryland who were ages 13 through 16 on December 1, 2000, and receiving special education services. All of the descriptive statistics presented are weighted estimates of the population of students with disabilities. We should also be cautious when interpreting the results due to the low actual number of youth in a given group, e.g., disability category or racial/ethnic group.

The MD LTS was initiated in August 2001 and will conclude in August 2010. Maryland has now received the report for Wave 1, Components 1 and 2. This is a summary of these two reports.

WAVE 1 COMPONENT 1: INDIVIDUAL AND HOUSEHOLD CHARACTERISTICS

Component 1 addresses key questions regarding the characteristics of students with disabilities and their households. The demographic characteristics will depict the diversity of the population of students with disabilities. A detailed description of their functional abilities and their prior service histories will illustrate what students bring to their educational experiences. A thorough understanding of the characteristics of students and their households is the foundation for effective policy and practice. The data for this component was reported by parents using telephone interviews and from school data reports. Five areas are discussed in Component 1 of the MD LTS.

1. Demographic characteristics of youth with disabilities

- The distribution of youth with disabilities in the MD LTS differs from that of the nation as a whole, as represented in the NLTS2.

	NLTS2	MD LTS
Learning Disability	62%	54%
Mental Retardation	12%	8%
Speech/language Imp.	4%	9%
Emotional disturbance	11%	14%
Multiple disabilities	2%	14%

- 71 percent of youth with disabilities in the MD LTS age range were male.
- 91 percent of youth with autism were males.
- Maryland youth with disabilities represented by MD LTS differed only slightly from the general state population in terms of their racial/ethnic backgrounds. These findings are contrary to considerable evidence that "disability has long been linked to the conditions of poverty, family structure, and minority status."
- English is the predominate language.

2. Characteristics of Students' Households

- Living arrangements of students with disabilities closely mirrored those of the general population in the U.S.
- Only about half of youth with mental retardation or emotional disturbance lived in two-parent households, where as 61 to 71 percent of youth in most other categories of disabilities were living with two parents.

- Among youth with disabilities, 53 percent who lived with their parents lived in households in which another individual was reported to have a disability or special need.
- 12 percent of youth with disabilities had mothers without high school diplomas compared with 18 percent of youth in general population.
- 49 percent of youth with disabilities have private health insurance and 19 percent have government insurance.
- One in nine youth with disabilities were receiving SSI and four percent were in households receiving TANF.
- Youth with mental retardation stand out as being among the most disadvantaged.
- 15 percent of parents reported that their insurance had refused to cover some type of service needed by the youth.

3. Disability Profiles

- This data was reported by the parents, and in many cases reports of disabilities did not include the primary disability classification identified by schools.
- Parents of more then 40 percent of youth reported that they had attention deficit or attention deficit / hyperactivity disorder. Although there is much debate concerning the true prevalence of an appropriate diagnosis of these conditions, the rate at which parents perceived them as part of students' disability profile is telling and may be unaccounted for in the way school staff interact with youth with disabilities.

4. Functional Abilities

- 10 percent or fewer of youth with disabilities were reported to have difficulties in mobility, vision, or hearing.
- 25 percent of youth reported to have problems in one or more of the areas related to conversing, speaking, or understanding others.

5. Daily Living and Social Skills

- There were considerable ranges in parents' perception of students' daily living, social abilities, and strengths.
- Males were more likely to take on household responsibilities.
- Females were more likely to excel at the performing arts.

WAVE 1 COMPONENT 2: LIFE OUTSIDE THE CLASSROOM FOR YOUTH WITH DISABILITIES

Although school is a critically important learning environment for children and youth, the majority of their time is spent at home with family, interacting with peers, taking part in

extracurricular activities, pursuing individual interests or various forms of recreation. These activities provide opportunities for learning through real life experiences. The choices youth make about how they spend their time outside of school can reap important benefits or result in serious negative consequences, both of which may affect their transition to adulthood. Component 2 describes the lives of youth with disabilities in their non-school time, focusing on the following aspects of their experiences: a broad look at the use of free time, interaction with friends, participation in extracurricular activities, and employment. Analyses also explore the question of how participation in friendships, extracurricular activities, and employment relate to the level of social skills youth possessed as reported by parents.

1. **Use of Free Time**
   - The activities listed by parents were very typical of young teenagers. The activities ranged from playing on computers to hanging out to listening to music.
   - For youth with mental retardation, autism, or multiple disabilities, watching television was the most commonly named activity.
   - Using the computer was the most commonly named activity for youth with learning disabilities.

2. **Interaction with Friends**
   - 90 percent of youth with disabilities visited with friends outside of school at least once a week. (We do not know if these are friends with or without disabilities.)
   - 80 percent of youth with access to a computer used it to communicate with friends.
   - There are differences in the social activities associated with primary disability categories, which demonstrate how functional limitations can have significant effects on social interactions. Youth with learning disabilities tended to be the most socially active. Youths with autism or multiple disabilities have less frequent contacts with friends; approximately 20 percent of them had none of the interactions with friends that were investigated.

3. **Participation in Extracurricular Activities**
   - 80 percent of youth with disabilities had participated in extracurricular activities and programs through which they could explore interests, learn skills, develop friendships, and participate actively as members of their school and community.
   - Youth with learning disabilities, speech impairments, or mental retardation were the most likely to participate in volunteer activities.

4. **Employment**
   - Employment was broken into two categories: work-study and non-school related.
   - 18 percent of youth with disabilities had employment through work-study programs.
   - 48 percent of students in work-study programs received school credit but no pay.
   - 40 percent of youth with autism had work-study jobs.
   - 2/3 of all students were employed in food services, maintenance, or personal care positions.
   - 60 percent of youth with disabilities worked at 1 non-school job during a 12-month period spanning 2001 and 2002.

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Attending to Learn

The Implications of Raising the Compulsory Age for School Attendance

Final Report of the Task Force to Study Raising the Compulsory Public School Attendance Age to 18

Maryland State Department of Education
200 West Baltimore Street
Baltimore, Maryland 21201

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SB

13

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SENATE FINANCE COMMITTEE REPORT

DATE: 1/25/12

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 13

SB 13-WAIVE PARK FEE FOR DISABLED VETERANS

"An Act providing for the waiver of certain fees and charges in state parks for disabled veterans."

and recommends:

[✓] be **replaced** with **CS** SB 13 (FIN) [✓] *Same Title* [ ] *New Title*

[ ] adopt **previous CS** _____ (_____) [ ] *Same Title* [ ] *New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet	Zero	FN #
DNR	✓			1

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	EGAN	✓			
	McGuire	✓			
	OLSON			✓	
	ELLIS	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓			

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB 13(RES)**
Fiscal Note Number: 1
(S) Publish Date: 1/25/12

Identifier (file name): SB013 - DNR-PM-03-18-11
Title: Waive Park Fees for Disabled Vets
Sponsor: Senator French
Requester: (s) RES

Dept. Affected: Natural Resources
Appropriation: Parks Management & Access
Allocation: Parks Management & Access
OMB Component Number: 3001

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	252.0		252.0	252.0	252.0	252.0	252.0
Travel							
Services	10.0						
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**262.0**	**0.0**	**252.0**	**252.0**	**252.0**	**252.0**	**252.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	262.0		252.0	252.0	252.0	252.0	252.0
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**262.0**	**0.0**	**252.0**	**252.0**	**252.0**	**252.0**	**252.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	**(252.0)**		**(252.0)**	**(252.0)**	**(252.0)**	**(252.0)**	**(252.0)**

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Update the the SLA 2012 fiscal note form and changes to the appropriation and allocation to reflect the revised DNR structure.

Prepared by: Ben Ellis
Division: Parks and Outdoor Recreation
Phone: 907-269-8701
Date/Time: 1/4/12 12:00 AM

Approved by: Daniel Sullivan
Department of Natural Resources
Date: 1/4/2012

(Revised 11/17/2011 OMB)

FISCAL NOTE #1

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB 13(RES)

Analysis

The current statute (AS 41.21.026(d)) provides an exemption to disabled veterans from paying fees for overnight camping in a state park facility. SB 13 would expand the exemption from state park fees for disabled veterans to include the following additional park fees:

- Rental of public use cabins
- Use of an RV dump station
- Admission or guided tours to a visitor center or historic site
- Use of an approved boat ramp
- Day use
- Attendance to educational programs

It would cost approximately $10,000 in programming charges to the online cabin reservation system to implement the exemption from fees for disabled vets.

This legislation would result in an annual loss of revenue to the state of up to $252,000 in park user fees. This fiscal note includes $252,000 in general funds to replace the anticipated loss of revenue, to allow the same level of service in state parks to continue. If the lost fees are not replaced, the Division of Parks and Outdoor Recreation could lose approximately three park ranger positions.

It is likely some public use cabins could be vacant but not available to the public because they would be reserved by disabled vets but not used. There may be an increase in use and demand of park facilities as a result of this legislation.

CS FOR SENATE BILL NO. 13(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATOR FRENCH

A BILL

FOR AN ACT ENTITLED

"An Act providing for the waiver or reduction of certain fees and charges in state parks for disabled veterans."

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

*** Section 1.** AS 41.21.026(a) is amended to read:

(a) Notwithstanding (b) of this section **and except as provided in (d), (f), and (g) of this section**, the department may charge or collect a fee in a park unit for

(1) rental of public use cabins or other overnight lodgings;

(2) overnight use of a developed campsite;

(3) special park use permits;

(4) competitive and exclusive commercial use permits;

(5) noncompetitive and nonexclusive commercial use permits;

(6) use of a sewage holding tank dump station;

(7) admission to or guided tours of visitor centers and historic sites;

(8) use of an improved boat ramp in a park facility developed

principally for boat launching;

(9) sale of firewood;

(10) sale of merchandise for informational or educational purposes related to public use and understanding of parks, including maps, plans, and other graphic materials;

(11) use of a developed facility that has developed parking and rest rooms; and

(12) presentation or attendance at programs related to natural or cultural history, outdoor skills or education, or other topics concerned with public use, enjoyment, or understanding of parks.

* **Sec. 2.** AS 41.21.026(d) is amended to read:

(d) The department shall issue free of charge to **a** disabled **veteran** [VETERANS] of this country an annual state park developed campsite permit. The permit shall allow **the** [A] disabled veteran to use a state park developed campsite for personal recreation use without a charge or fee under (a)(2) of this section. While utilizing a developed campsite without charge under this subsection, the disabled veteran shall comply with all other statutes or regulations pertaining to the use of the developed campsite. The department shall provide a form for use by a disabled veteran when applying for a permit under this section. Not later than February 1 of each year, the department shall prepare a report on the number of permits issued to disabled veterans under this subsection during the previous calendar year and notify the legislature that the report is available.

* **Sec. 3.** AS 41.21.026(e) is amended to read:

(e) In this section,

(1) "developed campsite" means a campsite having access to the following public facilities:

(A) [(1)] restrooms;

(B) [(2)] a picnic table;

(C) [(3)] an outdoor cooking facility; and

(D) [(4)] an approved water source**;**

(2) "veteran" has the meaning given in AS 38.05.067.

* **Sec. 4.** AS 41.21.026 is amended by adding new subsections to read:

(f) The department may not charge or collect a fee under (a)(6) - (8), (11), or (12) of this section from a resident who is a disabled veteran.

(g) The department may not charge or collect a fee from a resident who is a disabled veteran for the rental of a public use cabin under (a)(1) of this section that is more than 50 percent of the fee that would be charged or collected from a person that is not a disabled veteran.

Senator Hollis French

Sponsor Statement

CSSB 13(RES) – Waive Park Fees for Disabled Veterans

Alaska's veterans served our country with pride. This legislation shows a small token of our appreciation, by providing disabled veterans with free and discounted access to state park facilities.

Our parks provide all Alaskans with the opportunity to explore and recreate in Alaska's wild places. To provide these opportunities to those with disabilities, many park facilities are compliant with ADA standards. Six cabins have been modified to include features like wheelchair ramps. Two boat launches, 14 campgrounds, 10 historic sites and dozens of day use locations provide handicap accessible facilities. Regardless of disability, the system is truly open to all Alaskans.

In 1991, Alaska passed a law which created a special disabled veteran camping permit, providing disabled veterans with free camping in state park campgrounds. Senate Bill 13 extends this free benefit to boat ramps, RV facilities and day parking, and provides at least a 50 percent discount for public use cabins.

Please join me and support this meaningful piece of legislation.

27-LS0097\B
Bullock
1/31/12

adopted 02/03/12

CS FOR SENATE BILL NO. 13(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATOR FRENCH

A BILL

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(8) use of an improved boat ramp in a park facility developed

principally for boat launching;

(9) sale of firewood;

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(A) [(1)] restrooms;

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(g) The department may not charge or collect a fee from a resident who is a disabled veteran for the rental of a public use cabin under (a)(1) of this section that is more than 50 percent of the fee that would be charged or collected from a person that is not a disabled veteran.

Senator Hollis French

Capitol Room 417
465-3892
465-6595 fax

Date: 1/26/2012

CSSB 13 (RES) – Sectional Analysis

Section 1. Amends AS 41.21.026(a) to reference the exceptions in AS 41.21.026(d), (f), and (g).

Section 2. Amends AS 41.21.026(d) to refer to a veteran in the singular to conform to the amendment to AS 41.21.026(e) in sec. 3 of the bill, and to new subsections AS 41.21.026(f) and (g) that would be added by sec. 4 of the bill.

Section 3. Amends AS 41.21.026(e) by adding a definition of "veteran" for purposes of AS 41.21.026.

Section 4. Adds a new subsection, AS 41.21.026(f), to describe the fees in AS 41.21.026(a) that may not be charged or collected from a resident who is a disabled veteran.

Section 5. Adds a new subsection, AS 41.21.026(g), to describe the fee that may be charged or collected from a disabled veteran for rental of a public use cabin under AS 41.21.026(a)(1) – the fee may not be more than 50 percent of the fee that would be charged or collected from a person that is not disabled.

Senator Hollis French

Capitol Room 417
465-3892
465-6595 fax

January 26, 2012

Explanation of Changes in CS for Senate Bill 13 (RES)

A new subsection (g) was added to SB 13 in response to concerns raised by the Department of Natural Resources. The Division of Parks testified that for public use cabin reservations, when someone cancels a reservation, they are issued a credit they can use for future reservations. The division expressed concern that with a full fee waiver, there would be no incentive for a veteran to cancel a reservation and this would tie up a cabin that could be used by someone else.

Sec. 41.21.026(g) was added to provide a discounted fee for a disabled veteran for rental of a public use cabin. Under subsection (g), the fee that may be charged or collected from a disabled veteran for rental of a public use cabin may not be more than 50 percent of the fee that would be charged or collected from a person that is not a disabled veteran.

In regard to the addition of subsection (g), conforming amendments were made to Sec. 41.21.026(a) and Sec. 4, subsection (f).

Division of Parks and Outdoor Recreation

Alaska Department of Natural Resources

ADA Facilities

This listing is alphabetized by facility type, such as trails, cabins or campgrounds. The Alaska State Parks Statewide Brochure has facilities listed by town with a notation marking facilities with accessible features. Click here for the statewide brochure.

If a park or cabin is underlined, click on the name for more information on that park or cabin. Click on the town name for park location and other facilities, as shown in the statewide brochure pages.

For more detailed information, visit the State's ADA Coordinator's Office ADA Parks Accessibility Survey 2002.

Disclaimer: Accessibility standards change over time as guidelines are being developed. When a facility is built or remodeled, it meets guidelines current at the time of construction. Although access issues are addressed, some persons with particular disabilities may have difficulty with, for example, the signing, window latches or stoves. It is recommended that the disabled park visitor bring along a fully able companion on his or her first visit to a park facility in case of difficulties or problems. Solo trips can be taken later, knowing the facility and terrain. If anyone using facilities listed here encounters difficulties not mentioned, please contact local park staff or email: dnr.pksweb@alaska.gov Suggestions and comments are welcomed.

Boat Launches
Cabins
Campgrounds
Day Use Areas and Picnic Sites
Drinking Water
Fishing Access
Historic Sites
Picnic Shelters
Restrooms
Trail heads and Trails
Viewpoints
Visitor Centers

ASP Links
Home
Current News
Cabins
Find a State Park
Statewide Brochure
Park Fees
ADA Facilities
Individual Parks
For More Info
Be Safe
Related Sites

Boat Launches

- Kenai River Special Management Area - Cooper Landing Boat Launch, near Sterling
  A 250 foot boardwalk connects parking, toilets and the boat ramp. The boardwalk has a maximum gradient of 5%. There are also viewing areas and interpretive displays. Pressurized water is available.
- Kenai River Special Management Area - The Pillars Boat Launch, near Kenai
  Accessible dock with a less than 5% gradient to it. Dock is only for boat exit/entry - no fishing allowed from dock. There is paved parking with easy access to viewing deck with interpretive displays. Pressurized water is available.

Cabins

- Chena River State Recreation Area - Chena River Cabin, near Fairbanks with road access
  There is a ramp up to the porch and a ramp from the cabin to the latrine. North Fork Cabin, in the same park, also has road access, but is not fully accessible.
- Chena River State Recreation Area - Twin Bears Camp, near Fairbanks with road access
  This facility has 12 rustic cabins, mess hall and recreation hall. It can be rented by an individuals or group. Ramps exist between three cabins, mess hall, recreation hall and main latrine.
- Chugach State Park State Park - Yuditnu Cabin, near Anchorage
  The cabin is accessible, but the latrine is not. Therefore, help may be needed when

using the latrine. The trail to access the cabin is an old road. Motorized access is allowed, by snowmachines in the winter (all week) and ATVs in the summer (Sunday thru Wednesday only). Bicycles are also allowed (all week).

- Kachemak Bay State Park - Halibut Cove Lagoon East Cabin, remote park near Homer
  Cabin and latrine are along a boardwalk with a maximum gradient of 5%. Assistance may be needed on the ramp from the dock to the cabin boardwalk system. At low tide, the ramp is very steep.
- Shoup Bay State Marine Park - Kittiwake Cabin, remote park near Valdez
  Recommend inner lagoon drop off. Assistance may be needed from boat to hard-pack gravel trail. Click on park name above for more information.
- Thumb Cove State Marine Park - Spruce Glacier Cabin, remote park near Seward
  Assistance may be needed from the beach to boardwalk system. Boardwalk extends from fire ring on beach to the cabin and latrine.

Campgrounds

- Anchor River State Recreation Area - Halibut Day Use, near Homer
- Anchor River State Recreation Area - Slidehole Day Use, near Homer
- Birch Lake State Recreation Site, near Fairbanks
- Chena River State Recreation Site, in Fairbanks
- Chugach State Park - Bird Creek Campground Overflow, near Anchorage
- Chugach State Park - Eagle River Campground, near Anchorage
- Crooked Creek State Recreation Site, near Soldotna
- Deep Creek State Recreation Area - Deep Creek North Campground, near Homer
- Denali State Park - Denali Viewpoint North Campground, near Trapper Creek
- Kenai River Special Management Area - Bings Landing Campground, near Sterling
- Kenai River Special Management Area - Izaak Walton Campground, near Sterling
- Kenai River Special Management Area - Morgans Landing Campground, near Sterling
- Lower Chatanika River State Recreation Area, near Fairbanks
- Ninilchik State Recreation Area - Ninilchik Overlook, near Homer

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Day Use Areas and Picnic Sites

- Anchor River State Recreation Area - Halibut Day Use, near Homer
- Anchor River State Recreation Area - Slidehole Day Use, near Homer
  Pressurized water is available.
- Big Delta State Historical Park, near Delta Junction
  Pressurized water is available.
- Big Lake North State Recreation Site, near Wasilla
- Chena River State Recreation Area - Red Squirrel Campground, near Fairbanks
- Chena River State Recreation Area - Tors Trail Campground, near Fairbanks
- Chena River State Recreation Site, in Fairbanks
- Chugach State Park - Eklutna Lake Campground, near Anchorage
- Chugach State Park - McHugh Creek Day Use, near Anchorage
  Paved.
- Crooked Creek State Recreation Site, near Soldotna
- Deep Creek State Recreation Area - Deep Creek South Day Use, near Homer
- Delta State Recreation Site, near Delta Junction
  Pressurized water is available.
- Harding Lake State Recreation Area, near Fairbanks
- Kenai River Special Management Area - Bings Landing Day Use, near Sterling
- Matanuska Lakes State Recreation Area (formerly Kepler-Bradley Lake State Recreation Area) - Matanuska Lake, near Palmer
- Lower Chatanika River State Recreation Area, near Fairbanks
- Ninilchik State Recreation Area - Ninilchik Overlook, near Homer
- Ninilchik State Recreation Area - Ninilchik River, near Homer

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Drinking Water

Most drinking water facilities in state parks are hand pumps with cement pads for access. These are shown in the statewide brochure pages mentioned at the top of the page. A small number of facilities have pressurized water and are listed here. If the facility is listed elsewhere on this page, pressurized water is mentioned there as well.

- Anchor River State Recreation Area - Slidehole Campground and Day Use, near Homer
- Big Delta State Historical Park, near Delta Junction
- Chena River State Recreation Site, in Fairbanks
- Chugach State Park - Eagle River Campground, near Anchorage
- Delta State Recreation Site, near Delta Junction
- Denali State Park - Alaska Veteran's Memorial, near Trapper Creek
- Kenai River Special Management Area - Cooper Landing Boat Launch, near Sterling
- Kenai River Special Management Area - The Pillars Boat Launch, near Kenai

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Fishing Access

- Buskin River State Recreation Site, near Kodiak
  Accessible fishing platform at river's edge. Parking and trail to platform is paved.
- Chugach State Park - Bird Creek, near Anchorage
  Fishing is from a pier over the river. Best to use at high tide. At low tide, the water is beyond the pier. Paved access to the pier.
- Crooked Creek State Recreation Site, near Soldotna
  May need assistance getting to and from the river due to a steep grade.
- Deep Creek State Recreation Area - Deep Creek North Campground, near Homer
  Trail is gravel path to river, may need assistance. Parking and viewing area with interpretive displays is paved.
- Matanuska Lakes State Recreation Area (formerly Kepler-Bradley Lake State Recreation Area) - Matanuska Lake, near Palmer
  Trail to accessible fishing dock is a 500 foot gravel path with a 8.3% maximum gradient and handrails.
- Kenai River Special Management Area - Bings Landing Campground, near Sterling
  Accessible boardwalk along river.
- Quartz Lake State Recreation Area, near Delta Junction
  At Quartz Lake Campground, gravel trail with less then 5% grade to accessible fishing dock. At Lost Lake Campground, gravel trail with less then 5% grade to accessible boat/fishing dock.

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Historic Sites

- Baranof Castle State Historic Site, near Sitka
  An accessible, 700 foot, concrete sidewalk with handrails leads from the street level to interpretive displays and viewpoint at the top of Castle Hill. The maximum gradient is 8.3% and the elevation gain is 40 feet.
- Big Delta State Historical Park, near Delta Junction
  The visitor center, called Rika's Roadhouse, has accessible ramp. Trails are hard-pack gravel with interpretive sites. Pressurized water is available.
- Denali State Park - Alaska Veteran's Memorial, near Trapper Creek
  Parking, trails, picnic sites, interpretive shelter and the memorial are paved with a less than 5 % slope. Pressurized water is available.
- Fort Abercrombie State Historical Park, near Kodiak
  Kodiak Military History Museum are accessible.
- Independence Mine State Historical Park, near Palmer
  Visitor Center is accessible by ramp. Parking, nearby trails and interpretive site with

spotting scopes are paved.

- Old Sitka State Historic Park, near Sitka
  Trails are hard-pack gravel, with sections of boardwalk. Approximately 100 feet of trail has a 14% gradient. The rest of the trail has a gradient of 12% or less. Parking is paved.
- Petroglyph Beach State Historic Site, in Wrangell
  An accessible boardwalk leads to a viewing deck and interpretive displays overlooking Petroglyph Beach. The boardwalk has a maximum gradient of 8.3% and is approximately 220 feet.
- Potter Section House State Historical Site, near Anchorage
  Trails around the house are paved. Nearby viewing deck and boardwalk has a 8% maximum gradient. The house itself is park office space and not open to the public.
- Totem Bight State Historical Park, near Ketchikan
  The trails are hard-pack gravel - may need assistance on steep portions. Buildings are accessible.
- Wickersham State Historic Site, in Juneau
  The Wickersham House Museum is accessible.

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Picnic Shelters

- Anchor River State Recreation Area - Slidehole Campground, near Homer
  Pressurized water.
- Big Lake North State Recreation Site, near Wasilla
  Paved parking, gravel path.
- Captain Cook State Recreation Area - Stormy Lake Day Use, near Kenai
- Chena River State Recreation Area - Red Squirrel Campground, near Fairbanks
  Paved parking, gravel path.
- Chena River State Recreation Site, in Fairbanks
- Chugach State Park - Eklutna Lake Campground, near Anchorage
- Clam Gulch State Recreation Area, near Soldotna
- Delta State Recreation Site, near Delta Junction
  Pressurized water is available.
- Fort Abercrombie State Historical Park, near Kodiak
- Harding Lake State Recreation Area, near Fairbanks
- Johnson Lake State Recreation Area, near Soldotna
- Kenai River Special Management Area - Bings Landing Campground, near Sterling
- Lake Louise State Recreation Area, near Glennallen
- Lower Chatanika River State Recreation Area, near Fairbanks
- Ninilchik State Recreation Area - Ninilchik River Campground, near Homer
- Quartz Lake State Recreation Area - Quartz Lake Campground, near Delta Junction
- Settlers Cove State Recreation Site, near Ketchikan
- Tok River State Recreation Site, near Tok

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Restrooms

Most restrooms facilities in state parks are pit latrines. Those that are accessible are shown in the statewide brochure pages mentioned at the top of the page. A small number of facilities have flush toilets and are listed here. If the facility is listed elsewhere on this page, flush toilets are mentioned there as well.

- Chena River State Recreation Site, in Fairbanks
- Chugach State Park - Eagle River Campground, near Anchorage
  Flush toilets in overflow area only.

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Trailheads and Trails

- Chilkat Bald Eagle Preserve, near Haines
  1.75 mile trail of pavement and boardwalk for viewing eagles along the Chilkat River.
- Chugach State Park - Bird Creek to Indian Bike Trail, near Anchorage
  A paved trail starts at Indian Creek at mile 103.0 of the Seward Highway and goes east along Turnagain Arm to Bird Creek Campground and beyond to mile 99.2 of the Seward Highway. Grade exceeds 5% in the Bird Creek area. The trail is eight feet wide with no shoulder.
- Chugach State Park - Bird Point to Girdwood Bike Path, near Anchorage
  The trail is the Old Seward Highway between Bird Point and Girdwood, and is now a paved, multi use path for pedestrians, bicycles and other non-motorized use. It starts at Mile 96.1 of the Seward Highway (Bird Point) and ends at mile 90.1, near the Girdwood turnoff, with a total length of six miles. The typical width is 10 feet with wide unpaved shoulders for runners. Twice, the path exceeds a 5% gradient with a maximum of 7%: for 800 feet at 0.2 miles east of Bird Point, and for 500 feet at 3 miles, halfway between Bird Point and Girdwood. Where the gradient exceeds 5%, the paved width is 12 feet. Restrooms and picnic shelters are at approximately one mile east of Bird Point, and two miles west of Girdwood.
- Chugach State Park - Bird Ridge Trailhead, near Anchorage
  Lower section of trail is paved, a distance of approximately 0.3 miles. Viewing areas at either end of pavement, with accessible restrooms at the upper end. Average gradient is 4.7% with the entire trail less than 8%. There is no cross slope and the trail width is 4.74 feet/1.4 meters. Elevation gain is 66 feet. Parking is paved. Upper section of trail is steep and unimproved. This trail has a trail guide with Universal Access Information. Request one from the DNR Public Information Center.
- Chugach State Park - Eagle River Nature Center, near Anchorage
  The center itself is accessible. Surrounding area and trails are hard-pack gravel. Beginning section of trail has a long, 8% maximum gradient. Parking is paved
- Chugach State Park - Eklutna Lake, near Anchorage
  The Lakeside Trail is an old, gravel road bed, with some large ruts and rocks. Sections have been rebuilt due to damage from the lake and have a steep gradient. ATVs (Sunday thru Wednesday only) and bicycles (all week) use the trail.
- Chugach State Park - Potter Creek Interpretive Trail, near Anchorage
  Paved parking, with interpretive panels and spotting scope. The first 220 feet of this 0.46 mile trail is paved, with accessible restrooms at the end. The 5.3% is the maximum gradient for this section. The trail continues from there as hard-pack gravel and has a greater than 8% gradient, with 17% maximum gradient. There is no cross slope and the trail width is 5 feet/1.5 meters. Elevation gain is 240 feet. Trail connects to the unimproved Turnagain Arm Trail. This trail has a trail guide with Universal Access Information. Request one from the DNR Public Information Center.
- Denali State Park - Alaska Veteran's Memorial, near Trapper Creek
  Trails are paved throughout the Memorial.
- Denali State Park - Denali View North, near Trapper Creek
  Approximately 1200 feet of paved trail with interpretive panels.
- Independence Mine State Historical Park, near Palmer
  Visitor Center is accessible by ramp. Trails to the center core of the mine compound are paved with less than 5% gradient. Trail to the mine portal is paved with a 15% gradient. Other trails are hard-pack gravel.
- Matanuska Lakes State Recreation Area (formerly Kepler-Bradley Lake State Recreation Area) - Matanuska Lake, near Palmer
  Trails are hard-pack gravel.
- Lake Louise State Recreation Area, near Glennallen
  Trail is hard-pack gravel.
- Old Sitka State Historic Park, near Sitka
  Trails are hard-pack gravel, with sections of boardwalk. Approximately 100 feet of trail has a 14% gradient. The rest of the trail has a gradient of 12% or less. Parking is paved.
- Settlers Cove State Recreation Site, near Ketchikan
  A short portion of the trail is accessible for approximately 200 yards to the Lunch Creek Bridge.
- Totem Bight State Historical Park, near Ketchikan
  The trails are hard-pack gravel - may need assistance on steep portions. Buildings are accessible.

- Willow Creek State Recreation Area - Willow Creek Campground, near Wasilla
  Trail is hard-pack gravel down to the river.

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Viewpoints

- Chugach State Park - Beluga Point, near Anchorage
  At Mile 110.5 of the Seward Highway along Turnagain Arm. Paved parking, spotting scopes, interpretive panels.
- Chugach State Park - Bird Point, near Anchorage
  At Mile 95 of the Seward Highway along Turnagain Arm. Paved parking, spotting scopes, interpretive panels, accessible restrooms.
- Chugach State Park - Glen Alps, near Anchorage
  On the Hillside, off Upper Huffman. Paved and hard-packed gravel trails leads to viewpoint on hill that overlooks Anchorage, Cook Inlet and the Alaska Range. Accessible restrooms.
- Denali State Park - Denali View North, near Trapper Creek
  At Mile 162.7 of the Parks Highway. Paved parking and approximately 1200 feet of paved trail with interpretive panels. Accessible restrooms
- Denali State Park - Denali View South, near Trapper Creek
  At Mile 135.2 of the Parks Highway. Paved parking, interpretive panels, accessible restrooms.

Return to top of page

Visitor Centers

- Big Delta State Historical Park, near Delta Junction
  The visitor center, called Rika's Roadhouse, has a ramp. Trails are hard-pack gravel with interpretive sites. Pressurized water is available.
- Chugach State Park - Eagle River Nature Center, near Anchorage
  The center is accessible. Parking is paved. Surrounding grounds and trails are hard-pack gravel. Beginning section of trail has 8% maximum gradient.
- Independence Mine State Historical Park, near Palmer
  Visitor Center has a ramp. Trails to the center core of the mine compound are paved with less than 5% gradient. Trail to the mine portal is paved with a 15% gradient. Other trails are hard-pack gravel.

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Last updated on Thursday, 16-Dec-2010 09:23:25 AKST.
Site optimized for Netscape 7, IE 6 or above.
Not sure who to contact? Have a question about DNR? Visit the Public Information Center.
Report technical problems with this page to the Webmaster

State of Alaska Natural Resources Parks Home Parks Index Copyright Privacy System Status

Division of Parks and Outdoor Recreation

Alaska Department of Natural Resources

Disabled Veteran's Annual Camping Pass

The legislature granted Disabled Alaskan Veterans (DAV) the right to receive one Alaska State Park Camping Pass free of charge. The DAV Camping Pass, which is valid in all developed Alaska State Park campgrounds, is good for two years. There is no DAV pass for boat launch or day use, nor can the DAV camping pass be used to purchase a boat launch or day use pass as the second pass at the discount rate.

ASP Links
Home
Current News
Cabins
Find a State Park
Statewide Brochure
Park Fees
ADA Facilities
Individual Parks
For More Info
Be Safe
Related Sites

To receive a free DAV camping pass, an eligible disabled veteran must present proof of a **service connected disability and Alaska residency** at either the Anchorage or Fairbanks DNR Public Information Centers (see below). Alaskan resident is defined as a person who is physically present in the state with the intent to remain indefinitely and to make a home in the state, has maintained the person's domicile in the state for the 12 consecutive months prior to requesting the issuance of a Disabled Alaska Veteran (DAV) camping pass, is not claiming residency in another state, territory or country, and is not obtaining benefits under claim of residency in another state, territory or country. Proof of residency can be in the form of an Alaskan Driver's License, Alaska Sport Fishing or hunting License, Alaska Voters Registration Card, or other documentation suitable to the department that proves Alaska residency.



Evidence of service connected disability can be provided by the presentation of a Veteran's Administration Patient Data Card (red, white, and blue) imprinted with "service connected disability" under the photo identification, or a current year letter from the US Department of Veteran's Affairs, which states the person has a service-connected disability and is signed by the Veteran Services Officer. Other types of VA cards exist, but cannot be accepted as proof of disability. Information on obtaining either the card or the letter can be found through the local Veteran's Administration office or calling 1-800-827-1000. Please note: A Veterans Universal Access Identification card with the veteran's social security number and birth date printed on the card will no longer be accepted, in compliance with the Personal Information Protection Act which passed the Alaska Legislature in 2008. .

The Disabled Alaska Veteran camping pass is non-transferable. If the qualified DAV's vehicle is sold, the decal must be removed. Or, if the windshield is broken and must be replaced, the individual is requested to scrape as much of the decal off as possible and return the remains to any area office. In either of these cases, a replacement decal will be issued for $10 upon receipt of the removed decal. If the decal is lost or if no remains of a previous decal can be produced, and the DNR has record of the owner's previous issuance of the DAV decal, a one-time replacement decal may be purchased for $100.

For further information, please contact the Anchorage or Fairbanks Public Information Center.

550 W 7th Ave, Suite 1260
Anchorage, AK 99501-3557
phone: 907-269-8400
TDD: 907269-8411
fax: 907-269-8901

3700 Airport Way
Fairbanks, AK 99709-4699
phone: 907-451-2705
TDD: 907-451-2770
fax: 907-451-2706

Return to Alaska State Parks Fee page.

2010 ALASKA STATE PARKS FEES

Fees subject to change.

Alaska Department of NATURAL RESOURCES

Revised March 2010

ANNUAL PASSES	
Alaska Resident Disabled Vet Camping (1 Only)	Free
Daily Parking	$40*
Second Daily Parking (Same household)	$20*
Boat Launch	$75*
Second Boat Launch (Same household)	$40*
Combination (Day Use/Boat Launch) **NOTE: 2nd & subsequent passes $100.**	$100

***Purchase of 3rd and subsequent passes are at full price.**

There is a $10 decal fee to replace unsalvageable decals. Damaged decal must be presented.

CAMPING	Charge	Per
Anchorage Area		
Chugach State Park		
- Bird Creek CG	$15	Site
- Bird Creek Overflow	$15	Vehicle
- Eagle River CG/Executive Site	$15/$30 C*	Site
- Eklutna Lake CG	$10	Site
Mat-Su / Copper Basin Area		
Big Lake North & South SRS	$15 C*	Vehicle
Denali State Park		
- Byers Lake CG	$10	Site
- Denali View North & South CG	$10	Vehicle
- Lower Troublesome CG	$10	Vehicle
Finger Lake SRS	$15 C*	Vehicle
Hatcher Pass Gold Mint/Gov Peak	$10	Vehicle
Kepler-Bradley SRA (**Tents Only**)	$10 C*	Site
King Mountain SRS	$15 C*	Site
Matanuska Glacier SRS ** C*	$15/$10	Site/Vhcle
Montana Creek**	$20	Vehicle
Nancy Lake SRA-South Rolly L.	$10	Site
Nancy Lake SRS	$10	Site
Rocky Lake SRS	$15 C*	Site
Willow Creek SRA	$10	Vehicle
Dry Creek SRS **	$12 C*	Site
Lake Louise SRA / Walk-In	$5	
- Army Point CG	$15 C*	Vehicle
- Lake Louise CG	$15 C*	Vehicle
Liberty Falls SRS** **(CLOSED 5/08)**	$12 C*	Vehicle
Porcupine Creek SRS **	$12 C*	Vehicle
Squirrel Creek SRS **	$12 C*	Site
Northern/Interior Area		
Big Delta SHP	$5	Vehicle
Birch Lake	$10	Vehicle
Chena River SRA		
- Red Squirrel CG	$10	Vehicle
- Rosehip CG	$10	Site
- Tors Trail CG	$10	Site
Chena River SRS		
- Hook-Up Sites (Elec & water)	$28 C*	Site
- No Hook-Up Sites	$17 C*	Site
- Sites W1 – W5 (Walk In Camping)	$10 C*	Site
Clearwater SRS	$10	Site
Delta SRS	$10	Site
Donnelly Creek SRS	$10	Site

C* = Contracted

Northern/Interior Area Con't		
Eagle Trail SRS	$15	Site
Harding Lake CG	$10	Site
- Harding Lake Parking Area	$10	Vehicle
Lower Chatanika River SRA	Passively	Managed
Moon Lake SRS	$15	Site
Quartz Lake SRA		
- Lost Lake CG	$10	Site
- Quartz Lake CG	$10	Site
- Quartz Lake Camping/ Parking Area	$10	Vehicle
Salcha River SRS	$10	Vehicle
Tok River SRS	$15 C*	Site
Upper Chatanika River SRS **	$13 C*	Vehicle
Southeast Area		
Chilkat SP	$10	Site
Chilkoot Lake SRS	$10	Site
Eagle Beach SRS	$10	Site
Mosquito Lake SRS	$10	Site
Portage Cove SRS	$5	Site
Settlers Cove SRS	$10	Site
Kenai Area		
Anchor River SRA		
- Coho CG	$12 C*	Site
- Halibut CG	$12 C*	Site
- Silver King CG	$12 C*	Site
- Slidehole CG	$12 C*	Site
- Steelhead CG	$12 C*	Site
Blueberry Lake SRS **	$14 C*	Site
Captain Cook SRA - Discovery	$12 C*	Site
Clam Gulch SRA	$10	Site
Crooked Creek SRS	$10	Site
Deep Creek SRA		
- Deep Creek Beach CG	$10	Site
- Deep Creek North CG	$10	Site
- Deep Creek South CG	$10	Site
Johnson Lake SRA	$10	Site
Kasilof River SRS	$10	Site
Kenai River SMA		
- Bing's Landing CG	$10	Site
- Funny River CG	$10	Vehicle
- Izaak Walton CG	$10	Site
- Morgan's Landing CG	$10	Site
Ninilchik SRA		
- Ninilchik Beach CG	$10	Vehicle
- Ninilchik River CG	$10	Site
- Ninilchik Scenic CG	$10	Site
- Ninilchik View CG	$10	Site
Stariski SRS	$12 C*	Site
Kodiak Area		
Buskin River SRS**	$10	Site
Fort Abercrombie SHP**	$10	Site

**The fee for self-registration ("iron ranger") for overnight camping at these contract-managed facilities is as listed above. If Park staff or the contract manager's staff has to collect the fee due to non-payment, an additional fee will be charged as follows:
$2 at Montana Creek & Upper Chatanika
$3 at Chena River, Matanuska Glacier, & Porcupine Creek
$5 at Buskin River, Dry Creek, Ft. Abercrombie, Liberty Falls, & Squirrel Creel

DAILY PARKING	Per Vehicle
Anchor River SRA	$5 **C***
Big Lake North / South SRS	$5 **C***
Birch Lake SRS	$5
Chena Rvr SRA (Angel Rocks & Tors)	$5
Chugach State Park-All Access Points	$5 (**C*-Eagle River**)
Captain Cook SRA	$5 **C***
Clam Gulch SRA	$5
Crooked Creek SRS	$5
Deep Creek SRA (North & South)	$5
Dry Creek SRS	$5 **C***
Eagle Beach SRS	$5
Eagle River Nature Center	$5 (Decal not accepted)
Ermine Hill TH/Little Coal Creek (Denali)	$5
Finger Lake SRS	$5 **C***
Harding Lake SRA	$5
Hatcher Pass East Mgmnt Area	$5
Independence Mine SHP	$5
Kasilof River SRS	$5
Kenai River SMA-Bings Landing, Izaak Walton, Cooper & Morgan's Landing, (Slikok Crk/Flats (July)	$5
The Pillars (KRSMA)	$5 (Decal not accepted)
Johnson Lake SRA	$5
Kepler-Bradley Lakes	$5 **C***
King Mountain	$5 **C***
Lake Louise SRA	$5 **C* ($3 w/decal)**
Liberty Falls SRS	$5 **C***
Lowell Point SRS	$5
Matanuska Glacier SRS	$5 **C***
Montana Creek (**see page 1)	$10 **C***
Nancy Lake SRA	$5
Ninilchik Beach & Overlook	$5
Quartz Lake SRA	$5
Rocky Lake SRS	$5 **C***
Scout Lake SRS	No Charge
Squirrel Creek SRS	$5 **C***
Willow Creek SRA	$5

BOAT LAUNCHING	Charge
Big Lake North / South SRS	$10 **C***
Birch Lake SRS	$10
Chena River SRS	$5 **C***
Chilkat	$5
Clearwater SRS	$5
Deep Creek SRA	$5
Deep Creek/Anchor River Tractor	$55 **C*** (Decal not accepted)
Finger Lake SRS	$10 **C***
Harding Lake SRA	$10
Kasilof River SRS	$5
Kenai River SMA	
- Bing's Landing & Izaak Walton	$10
- Cooper Landing	$5
- The Pillars	$10 (Decal not accepted)
Lake Aleknagik SRS	$10
Lake Louise SRA	$10 **C* ($7 w/decal)**
Nancy Lake SRS	$10
Old Sitka SHP	$10
Quartz Lake SRA	$10
Salcha River SRS	$10

SANITARY DUMP STATIONS	Charge
Big Delta SHP	$5
Byers Lake	$5
Chena River SRS	$5 **C***
Chugach SP - Eagle River CG	$5 **C***
Harding Lake SRA	$5
Ninilchik SRA	$5
NOTE: Nightly campers may dump free at Chena River SRS, & Hardling Lake SRA	

PUBLIC USE CABINS	Peak	Non-Peak
Anchorage Area		
Chugach State Park		
- Eklutna Lake (1 cabin)	$50	$40
- Serenity Falls Hut (Call PIC 269-8400)		
- Eagle River Nature Center (3 cabin/yurts)	694-2108	
Whittier – Decision Point Cabin	$65	$50
Kenai / PWS Area/Seward/Homer/Valdez		
Caines Head SRA (Seward) (2 cabins)	$65	$50
Thumb Cove SMP (Seward) (2 cabins)	$65	$50
Kachemak Bay SP (Homer)		
- Halibut Cove Lagoon (3 cabins)	$65	$50
- China Poot Lake (1 cabin)	$65	$50
- Mooses Valley (1 cabin)	$35	$25
- Sea Star (Tutka Bay) (1 cabin)	$65	$50
- 6 Yurts (**C*** Nomad Shelter @235-0135)		
Shoup Bay SMP (Valdez) (3 cabins)	$65	$50
Gulf Coast Cabins		
-Midtimber Lake & Vitus Lake	$65	$50
Kodiak Area		
Afognak Island SP (2 cabins)	$35	$25
Shuyak Island SP (4 cabins)	$75	$60
Mat-Su Area		
Denali State Park-Byers Lake (3cabins)	$60	$45
Nancy Lake SRA		
- James Lake – (1 cabin)	$45	$30
- Lynx Lake – (3 cabins)	$35	$25
- Nancy Lake (4 cabins)	$45	$30
- Red Shirt Lake (4 cabins)	$45	$30
- Bald Lake (1 cabin)	$60	$45
Fairbanks Area		
Birch Lake Cabin	$35	$25
Chena River SRA		
-Trail Access: Upper & Lower Angel, Nugget, Colorado, & Stiles Creek Cabins	$25	$20
-Road Access: North Fork/Chena River/Hunt	$50	$40
Salcha River SRS (1 cabin)	$25	$20
Quartz Lake SRA (2 cabins)	$35	$25
Fielding Lake SRA (1 cabin)	$35	$25
Ice Fishing Huts - Day Use Only (7 huts)	$15	
Southeast		
-Pt Bridget (3) Cowee/Blue Mussel/Camping Cove	$45	$35
-St James/Oliver Inlet - Hinman/Seymour	$35	$25
-Tiger Olson (Taku Harbor)	$35	$25
- Rupe Andrews (Shelter Island)	$35	$25
- Grindall Island (1)	$35	$25
Fees, capacity limits, and stay limits for cabins vary. The above fees are the nightly base rate. Contact the local park office for details or see our web site at www.alaskastateparks.org & click on Public Use Cabins.		

GUIDED TOURS OF HISTORICAL SITES	
Ft. Abercrombie	
Adults / Seniors (60+) / Child Under 10	$3 / $2 / Free
Independence Mine SHP	
Adults / Child Under 12	$5 / $3
Park Ranger led tour by arrangement	$30/Person
Totem Bight	$5

COMMERCIAL ACTIVITIES

People conducting commercial activities in state parks must have a current commercial use permit. Permit requirements, stipulations and fees vary. Contact the appropriate local park office for information.

RESERVED USE OF DEVELOPED FACILITIES

The State Park system has numerous picnic shelters, group camping areas, visitor centers, and other facilities that can be reserved for the exclusive use of groups. Contact local park offices for information on available sites, fees and other details.

C* = Contracted

SB

15

<TARGET><BILL>SB 15</BILL><SUBJECT>SB
15</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/1/11

FURTHER:

DATE TURNED IN TO OFFICE: 4.8.11

Finance Committee considered SENATE BILL NO. 15

SB 15-SEX OFFENDER/UNDERAGE ALCOHOL OFFENSE

"An Act relating to penalties for certain alcohol offenses involving persons under 21 years of age committed by a sex offender or child kidnapper."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[✓] adopt **previous CS** SB 15 (JUD ___) *[ ] Same Title [✓] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
SFIN/COR		✓		

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
LAW		✓		2

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	EGAN	✓			
	OLSON			✓	
	ELLIS	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman			—	

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **CSSB 15 (HSS)**
() Publish Date

Identifier (file name)
Title
Dept. Affected: DOC
Appropriation: Administration & Support
Allocation: Office of the Commissioner

Sponsor: Senate Finance Committee
Requester: Senate Finance Committee
OMB Component Number: 694

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**	**	**	**	**	**	**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**	**	**	**	**	**	**

Estimate of any current year (FY2011) cost 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

The fiscal impact is indeterminate.

Prepared by: Darwin Peterson, Senate Finance Committee staff
Phone: 465-3873
Date/Time: 4/6/11 8:30 AM

Senator Bert Stedman, Co-Chair Senate Finance Committee
Date: 4/6/2011
Senator Lyman Hoffman, Co-Chair Senate Finance Committee

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: CSSB 15(HSS)
(S) Publish Date: 3/18/11

Identifier (file name): SB015-LAW-CRIM-03-11-11
Dept. Affected: Law
Title: An Act relating to penalties for certain alcohol offenses involving persons under 21 years of age committed by a sex offender or child kidnapper.
Appropriation: Criminal
Allocation: Criminal Justice Litigation
Sponsor: SENATOR(S) MEYER
Requester: (S) HEALTH & SOCIAL SERVICES
OMB Component Number: 2202

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	***	***	***	***	***	***	***
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	***	***	***	***	***	***	***

Estimate of any current year (FY2011) cost ***

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by: Eileen Donahue, Division Operations Manager — Phone: 465-5427
Division: Administrative Services — Date/Time: 3/11/11 4:30 PM
Approved by: John J. Burns, Attorney General — Date: 3/11/2011
Department of Law

(Revised 1/27/2011 OMB)

FISCAL NOTE #2

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. CSSB 15(HSS)

Analysis

SB 15 raises one level the severity of offenses for providing alcohol to persons under 21 years of age if the offender is a sex offender or child kidnapper. For example, a nonlicensee who furnishes alcohol to a person under 21 years of age commits a class A misdemeanor for a first offense. SB 15 would make this offense a class C felony if the offender was a sex offender or child kidnapper.

This would have an indeterminate fiscal impact on the Department of Law. Any time an offense is raised from a misdemeanor to a felony there is an impact. Felony prosecutions require more time – for example, a felony requires a grand jury indictment and a jury of 12 persons.

Alaska State Legislature

Interim:
716 West 4th Ave.
Anchorage, Alaska 99501
(907) 269-0199

Session:
State Capitol Building
Juneau, Alaska 99801-1182
(907) 465-4945

Senator Kevin Meyer

Senate District O

SPONSOR STATEMENT FOR CSSB 15 (JUD)

"An Act relating to penalties for certain alcohol offenses involving persons under 21 years of age committed by a sex offender or a child kidnapper."

Senate Bill 15 increases penalties on a registered sex offender or child kidnapper providing alcohol for individuals under 21 years of age.

If SB 15 is enacted, penalties will increase as follows:

- A Violation to a Class B Misdemeanor
- A Class A Misdemeanor to a Class C Felony
- A Class C Felony to a Class B Felony

According to the Anchorage Police Department, alcohol is involved in over 51.2% of sexual assaults reported in Anchorage between 2006 and 2007. Almost a fourth of those sexual assaults were perpetrated against victims between the ages of 15 and 19. Law enforcement and social service agencies all recognize a strong pattern in the use of drugs and alcohol as a "grooming" tool in an attempt to lure young people into sexual activity.

APOA
ALASKA PEACE OFFICERS ASSOCIATION

ALASKA ASSOCIATION OF CHIEFS OF POLICE

Women Police of Alaska

February 14, 2011

Senator Kevin Meyer
Alaska State Senate
State Capitol
Juneau AK 99801-1182

Dear Senator Meyer:

On behalf of our respective organizations, we would like to thank you for introducing SB 15, an Act relating to penalties for certain alcohol offenses involving persons under 21 years of age committed by a sex offender or child kidnapper.

We met recently to review proposed legislation and decided to unanimously support this bill.

Again, thank you for addressing this issue. Please contact the APOA office in Anchorage at 277-0515 if there is anything our organizations can do to assist in the passage of this bill.

Sincerely,

John Lucking Jr., President
Alaska Peace Officers Association
PO Box 240106
Anchorage AK 99524

Tom Clemons, President
Alaska Association of Chiefs of Police
183 Nelson Ave
Wasilla AK 99654

Michele Logan, President
Women Police of Alaska
PO Box 233306
Anchorage AK 99523

Advisory Board on Alcoholism
and Drug Abuse

abada
amhb

Alaska Mental Health Board

ALASKA MENTAL HEALTH BOARD
ADVISORY BOARD ON ALCOHOLISM AND DRUG ABUSE
431 NORTH FRANKLIN STREET, SUITE 200
JUNEAU, ALASKA 99801
(907) 465-8920

March 29, 2011

Senator Kevin Meyer
Alaska State Legislature
Capitol Building, Room 103
Juneau, Alaska 99801

Re: SB 15 – Alcohol Offenses Committed by Sex Offenders, Child Kidnappers

Dear Senator Meyer,

On behalf of the Advisory Board on Alcoholism and Drug Abuse, I would like to express our support for your efforts to protect children and youth from falling victim to sexual exploitation, trafficking, and kidnapping. While there is no specific data reflecting how often a young person gains access to alcohol through a convicted sex offender or child kidnapper, there is data that shows that young people gain access to alcohol at least one third of the time from adults or friends.

The Center for Behavioral Health Statistics and Quality reported in February 2011 that, between 2006 and 2009, 93.4% of the 709,000 adolescents aged 12-14 who reported drinking alcohol gained access to the alcohol — for free — from other people. Of those, 13.5% were given the alcohol by an unrelated adult. In Alaska, 34.7% of traditional high schools students participating in the 2009 Youth Risk Behavior Survey reported that they had used alcohol in the past thirty days and that they got that alcohol from someone else. While we don't know who provided that alcohol, or whether they were a convicted sex offender or child kidnapper, we do know there is connection between providing alcohol to minors and victimization.

Recent new coverage of sexual exploitation of young Alaskan women by Channel 2, KTUU news highlighted the role of drugs and alcohol in this form of victimization. Young people are often ensnared in human trafficking and sexual exploitation through the provision of drugs and alcohol, among other "grooming" efforts. By creating an aggravating factor to target individuals who use alcohol to coerce, induce, or otherwise attempt to engage a young person in sexual activity will help to address this problem.

Given the traumatic and potentially lifelong harm that can result from situations in when predators use alcohol (and other drugs) to prey upon young people, SB 15 provides a balanced approach to increasing the penalty for individuals who engage in this sort of victimization and exploitation. We appreciate your efforts on behalf our most vulnerable youth.

Sincerely,

J. Kate Burkhart
Executive Director

SB

18

<TARGET><BILL>SB 18</BILL><SUBJECT>SB
18</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 2/11/11

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 18

SB 18-DURATION OF REGULAR LEGISLATIVE SESSIONS

"An Act relating to the duration of regular sessions of the legislature; and providing for an effective date."

and recommends:

[√] be **replaced** with **CS** SB 18 (FIN) *[ ] Same Title [√] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
LEG	✓			
LEG	✓			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
Joe J. Thomas	Thomas	✓			
	EGAN	✓			
	OLSON				✓
	ELLIS			✓	
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:		✓			

27-LS0122\I.5
Gardner
3/18/11

AMENDMENT \ Adopted 3/21/11

OFFERED IN THE SENATE BY SENATOR HOFFMAN

TO: CSSB 18(STA)

Page 2, line 11:

Delete "2012"

Insert "2013"

"2014"

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **CSSB 18 (STA)**
() Publish Date

Identifier (file name): CSSB18-LEG-COU-3-7-2011
Title: "An Act relating to the duration of regular sessions of the Legislature and providing for an effective date."
Sponsor: Senator Stevens
Requester: Senate State Affairs Committee

Dept. Affected: Legislature
Appropriation: Legislative Council
Allocation: Salaries and Allowances
OMB Component Number: 776

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	413.0	0.0	413.0	0.0	413.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equipment							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**413.0**	**0.0**	**413.0**	**0.0**	**413.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF		413.0		413.0		413.0	
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**413.0**	**0.0**	**413.0**	**0.0**	**413.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

Initial version of fiscal note did not show fiscal impact. This version shows fiscal impact of bill but does not request funding.

Prepared by: Shane Miller, Finance Manager — Phone 465-6626
Division: Administrative Services Division — Date/Time 3/7/11 11:22 AM
Approved by: Pamela Varni, Executive Director — Date 3/7/2011
Legislative Affairs Agency

(Revised 12/29/2010 OMB)

Analysis

CSSB 18 increases the number of days of the 2nd regular session of a Legislature from 90 days to 120 days, beginning with the second session of the 27th Legislature which convenes in January 2012.

When the session was reduced from 120 to 90 days, the cost savings were redesignated into the special session contingency account in the event that reducing the number of session days resulted in more or longer special sessions. It is the intent of the Senate Finance Committee that the cost of adding 30 additional days to the legislative session be included in this fiscal note and the special session contingency account will pay for these additional session days. No increment appropriation is requested by this fiscal note.

The increased cost of session per diem for the additional 30 days is approximately $413.0.

Session per diem cost would increase per the formulas below:

57 Non-Juneau Legislators * $232/day * 30 days =	$397.0
3 Juneau Legislators * $174/day * 30 days =	$16.0
Total:	$413.0

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **CSSB 18(STA)**
() Publish Date

Identifier (file name): CSSB18-LEG-COU-3-07-2011
Title: "An Act relating to the duration of regular sessions of the Legislature and providing for an effective date."
Sponsor: Senator Stevens
Requester: Senate State Affairs Committee

Dept. Affected: Legislature
Appropriation: Legislative Council
Allocation: Session Expenses
OMB Component Number: 782

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	0.0	438.0	0.0	438.0	0.0	438.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	6.0	0.0	6.0	0.0	6.0	0.0
Supplies	0.0	6.0	0.0	6.0	0.0	6.0	0.0
Equipment							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**450.0**	**0.0**	**450.0**	**0.0**	**450.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF		450.0		450.0		450.0	
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**450.0**	**0.0**	**450.0**	**0.0**	**450.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

Initial version of fiscal note did not show fiscal impact. This version shows fiscal impact of bill but does not request funding.

Prepared by: Shane Miller, Finance Manager — Phone: 465-6626
Division: Administrative Services Division — Date/Time: 3/7/11 12:35 PM
Approved by: Pamela Varni, Executive Director — Date: 3/7/2011
Legislative Affairs Agency

(Revised 12/29/2010 OMB)

Analysis

CSSB 18 increases the number of days of the 2nd regular session of a Legislature from 90 days to 120 days, beginning with the second session of the 27th Legislature which convenes in January 2012.

When the session was reduced from 120 to 90 days, the cost savings were redesignated into the special session contingency account in the event that reducing the number of session days resulted in more or longer special sessions. It is the intent of the Senate Finance Committee that the cost of adding 30 additional days to the legislative session be included in this fiscal note and the special session contingency account will pay for these additional session days. No increment appropriation is requested by this fiscal note.

The daily cost for the additional 30 days is approximately $15.0 resulting in an increase to the budget of $450.0 per fiscal year.

The costs below are for items needed for a longer session.

	Per Day
Personal Services	14.6
Contractual - Phones, copier maintenance, etc.	.2
Commodities - Lounge, paper supplies, etc.	.2
Total	15.0

(30 days * 15.0 - $450.0)

CS FOR SENATE BILL NO. 18(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATOR STEVENS

A BILL

FOR AN ACT ENTITLED

"An Act relating to the convening and duration of regular sessions of the legislature; and providing for an effective date."

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

*** Section 1.** AS 24.05.090 is amended to read:

Sec. 24.05.090. Duration of legislature; sessions. [THE LEGISLATURE SHALL CONVENE AT THE CAPITAL EACH YEAR ON THE THIRD TUESDAY IN JANUARY AT 1:00 p.m.] Each legislature has a duration of two years and consists of a "First Regular Session" that meets in the odd-numbered years, and a "Second Regular Session" that meets in the even-numbered years, and any special session that the governor or legislature calls. **The legislature shall convene a First Regular Session at the capital on the third Tuesday in January at 1:00 p.m. and shall convene a Second Regular Session at the capital on the second Tuesday in January at 1:00 p.m.**

*** Sec. 2.** AS 24.05.150(b) is amended to read:

(b) The legislature shall adjourn from a **first** regular session within 90 consecutive calendar days, including the day the legislature first convenes in that [REGULAR] session. **The legislature shall adjourn from a second regular session within 120 consecutive calendar days, including the day the legislature first convenes in that session.**

* **Sec. 3.** AS 24.05.150 is amended by adding a new subsection to read:

(c) Notwithstanding (b) of this section, the legislature may extend a first or second regular session once for up to 10 consecutive calendar days. An extension of the regular session requires the affirmative vote of at least two-thirds of the membership of each house.

* **Sec. 4.** Sections 1 and 2 of this Act take effect January 1, 2014.

* **Sec. 5.** Section 3 of this Act takes effect immediately under AS 01.10.070(c).

ALASKA STATE LEGISLATURE

SESSION ADDRESS
Alaska State Capitol
Juneau, AK 99801-1182
(907) 465-4925
Fax (907) 465-3517

INTERIM ADDRESS
305 Center Ave. Ste 1
Kodiak, AK 99615
(907) 486-4925
Fax (907) 486-5264

Senator Gary Stevens
President of the Senate

SPONSOR STATEMENT
Senate Bill 18

Senate Bill 18 strikes a compromise by maintaining a 90-day first session, and a 120-day second session during each Alaska Legislature.

In the Fall of 2006, Alaskan voters narrowly passed ballot measure #1 to limit legislative sessions to 90 days. The Legislature has since worked under a 90-day session for 4 sessions. We've tried it. However, the best interests of Alaskans are not being served, nor are the arguments supporting passage of the ballot measure being proven true.

The most compelling argument in favor of shortening the session was the notion it would save money by reducing the cost of government. Obviously the costs of having regular legislative sessions have been reduced. However, the overall annual costs of the legislature have actually increased. Legislative salaries are still paid out, paper and copy costs accrue for more interim committee meetings, and legislator travel expenses accrue throughout the year, not just during session. There has not been a significant cost savings, if any, by reducing legislative sessions to 90 days.

It's very common to look at what other states are doing and to embrace or dismiss their policies depending on what side of an issue a person stands. Comparatively, Alaska is in the middle of the road on this issue and SB 18 would move us even closer to the middle.

There's also the idea that less time in Juneau means less time away from the home district, away from family, and normal interim activities (private sector work, etc), and thus greater "competition" among candidates who will have more incentive to run for office. Unfortunately there has been a steady decline in the total number of candidates running for state office since 2000, with the 2008 & 2010 election seasons showing the lowest number of candidates in a primary since 1998.

The bottom line is, the roughly $50 million spent on administering the Legislative ("Peoples') Branch of government, the watchdog of the Executive Branch, is a drop in the bucket compared to the $10 *billion* being spent by the executive agencies. And while the legislature respects and acknowledges the initiative process in Alaska, particularly the 90-day session vote in 2006, it is within the confines of Alaska's Constitution to resume a 120-day legislative session, at least partially as SB 18 proposes, to balance the power structure of Alaska's state government, and better serve the public.

Thank you for your support of this important issue.

ALASKA STATE LEGISLATURE

SESSION ADDRESS
Alaska State Capitol
Juneau, AK 99801-1182
(907) 465-4925
Fax (907) 465-3517

INTERIM ADDRESS
305 Center Ave. Ste 1
Kodiak, AK 99615
(907) 486-4925
Fax (907) 486-5264

Senator Gary Stevens
President of the Senate

SECTIONAL ANALYSIS
Senate Bill 18
CS (STA) Version "I"

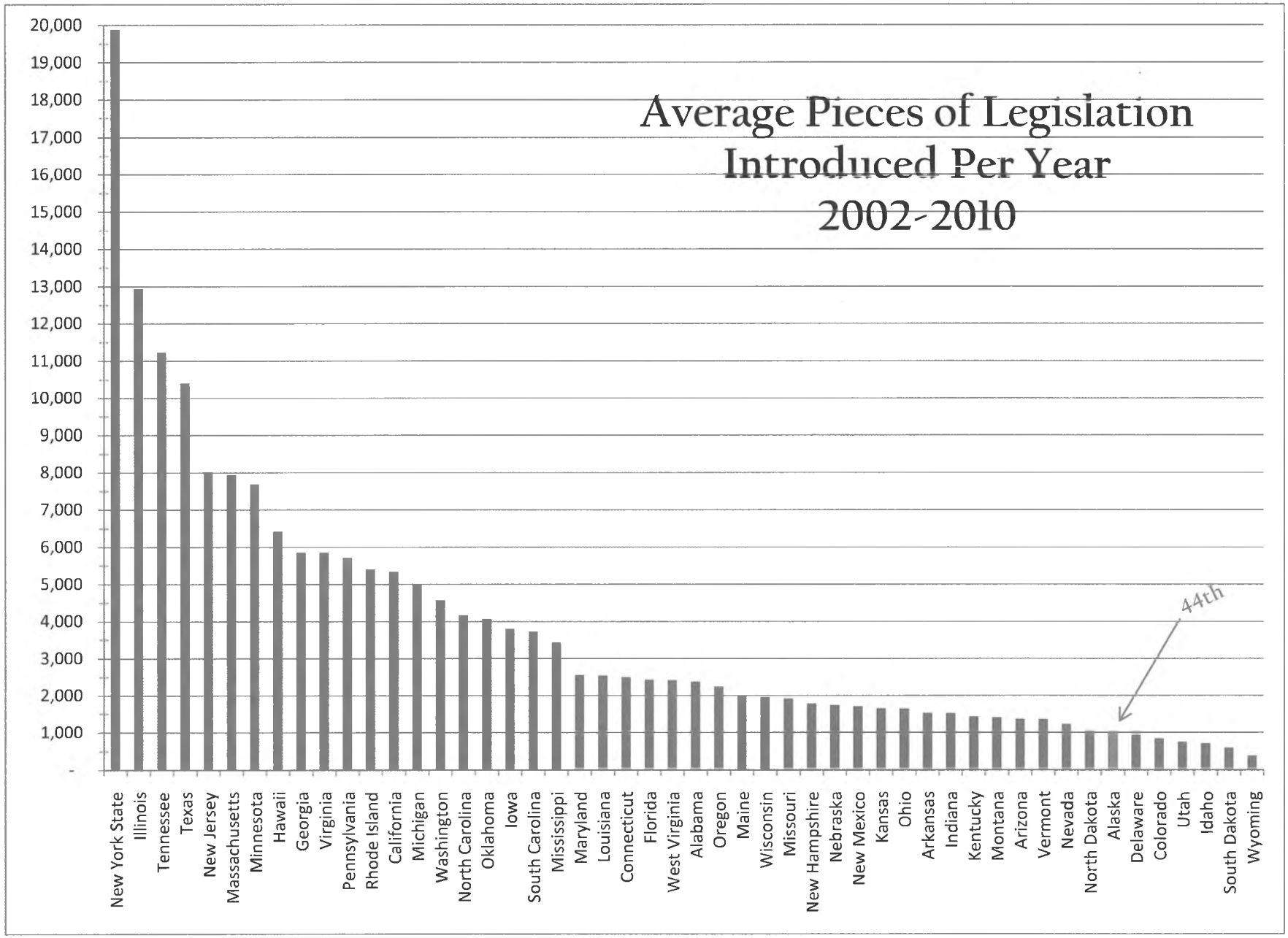
SECTION 1: AS 24.05.090
Establishes that during even-numbered years and a 120-day session, the legislature will convene on the second Tuesday in January. During odd-numbered years and a 90-day session, the legislature will convene on the third Tuesday of January.

SECTION 2: AS 24.05.150(b)
Establishes that the legislature shall adjourn its first regular session within 90 calendar days and its second regular session within 120 calendar days from the time it convenes.

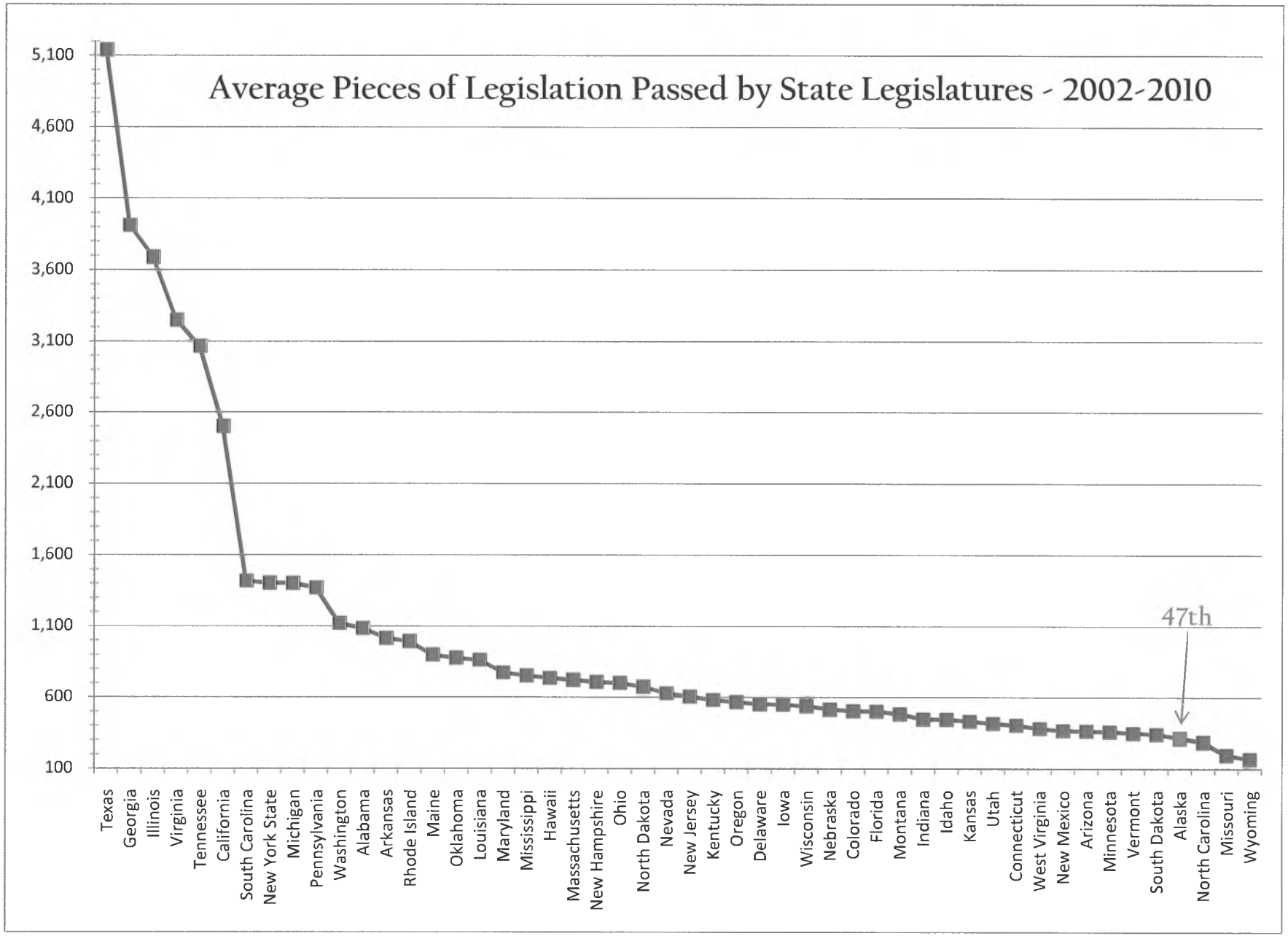
SECTION 3: AS 24.05.150 (c)
Adds a new subsection (c) that reiterates Article 2, Section 8 of the Alaska State Constitution, providing for a 10-day extension of a regular session if made by an affirmative vote of two-thirds of the membership of each house.

SECTION 4:
Establishes the effective date of Sections 1 and 2 of the bill to be January 1, 2012.

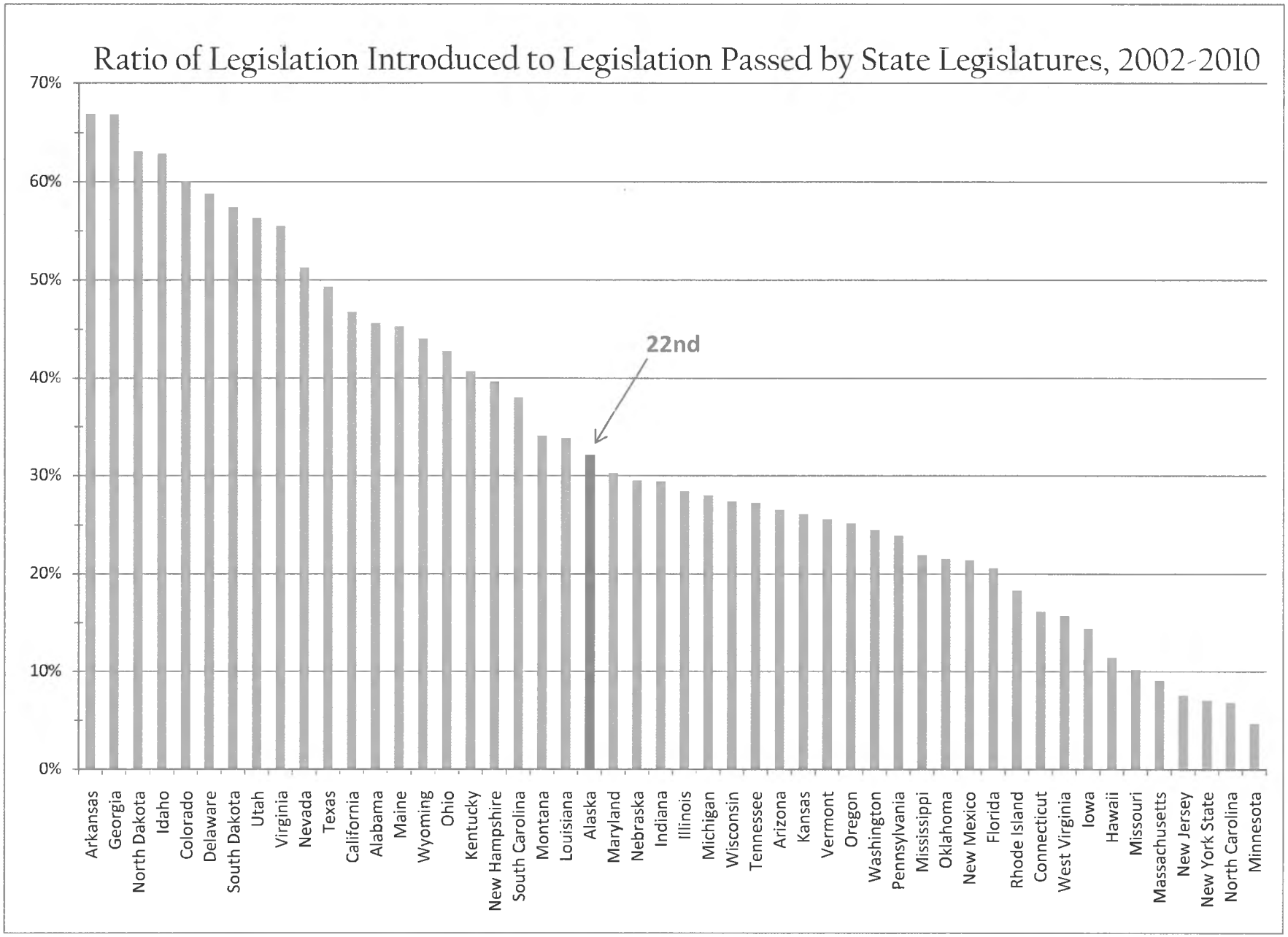
SECTION 5:
Establishes an immediate effective date of Section 3 of the bill.



Source: www.StateNet.com, *Session Statistics, 2002-2010*



Source: www.StateNet.com, *Session Statistics 2002-2010*



Source: www.StateNet.com, *Session Statistics 2002-2010*

NATIONAL CONFERENCE of STATE LEGISLATURES

The Forum for America's Ideas

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Methods by Which Legislative Session Lengths Are Limited

Constitution (28 states)	**Statute** (5 states)	**Chamber Rule** (3 states)	**Indirect Method** (3 states)	**No Limit** (11 states)
Arkansas	Alabama	Arizona	Iowa	Idaho
Colorado	Alaska	California	New Hampshire	Illinois
Connecticut	Indiana	Massachusetts	Tennessee	Michigan
Delaware	Maine			New Jersey
Florida	South Carolina			New York
Georgia				North Carolina
Hawaii				Ohio
Kansas				Pennsylvania
Kentucky				Rhode Island
Louisiana				Vermont
Maryland				Wisconsin
Minnesota				
Mississippi				
Missouri				
Montana				
Nebraska				
Nevada				
New Mexico				
North Dakota				
Oklahoma				
Oregon				
South Dakota				
Texas				
Utah				
Virginia				
Washington				
West Virginia				
Wyoming				

As of December 2010

FAIRBANKS DAILY NEWS MINER print

Poor turnout: Scheduling conflicts left Alaskans unheard in Juneau

03.03.11 - 07:32 pm
Editorial

Once every legislative session, for about a week, the Alaska Legislature almost guarantees it won't been seen in a good light by Alaskans. That's because, during that week, they're not seen much at all.

Almost half the Legislature went to Washington, D.C., this week for the annual Energy Council meeting. The council is a loosely organized association of legislators from energy-producing states and Canadian provinces. They all get together to hear presentations about trends in the energy business. Some Alaska legislators also use the trip to Washington, D.C., to visit other officials and share viewpoints on various issue.

Even if the Energy Council meeting seems a bit over-attended, legislators can legitimately defend its educational value. And, while travel and expenses for last year's trip set the state back almost $50,000, it's not a terribly expensive educational seminar.

However, legislators do themselves no favors when they allow the trip to interfere with the business back home. That's what happened Wednesday. The House Finance Committee scheduled a full afternoon of public testimony from specific communities around the state, including Fairbanks. But only a handful of legislators were there to listen. The rest either were in D.C. or didn't attend for some other reason.

That's unfortunate. When a committee schedules a hearing to invite testimony from specific areas, it should do so at a time when more than a skeleton crew of legislators can attend. Skipping out makes for bad public relations, if nothing else.

Of course, this is a two-way street. Alaskans should take opportunities to attend such events when invited. That doesn't always happen; people sometimes seem happier to grouse privately than testify up front.

Part of the problem is that it's difficult to schedule everything into the Legislature's 90-day session. If nothing else, attendance at the Finance hearing this week illustrated again why the 90-day session limit should be returned to the 120 days called for by the Constitution.

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JuneauEmpire.com

Empire editorial: Stevens' longer Legislature measure deserves consideration

Wednesday, February 16, 2011

Story last updated at 2/15/2011 - 10:57 pm

Empire editorial: Stevens' longer Legislature measure deserves consideration
JUNEAU EMPIRE

Sen. Gary Stevens, R-Kodiak, has pitched a proposal to extend the legislative session to 120 days every other year. We are encouraged by the desire captured in Senate Bill 18 to find a middle ground between those who say the Legislature is constrained in its efforts by a 90-day session and others who believe 90 days is adequate to perform the people's business, and we are hopeful both cabinets and the governor will give Stevens' plan serious consideration.

In 2006, a slim majority of voters — less than 51 percent of the 51 percent of registered voters who cast ballots — decided to impose a 90-day maximum on the length of each legislative session. However, that vote put state law at odds with Alaska's Constitution, which allows the legislature to meet for 120 days each session. This creates tension between the constitution and state statute.

One main argument against the shorter gathering is hurried committee meetings do not allow for complete consideration of legislation. Proposals in front of the House and Senate are often complex, and the less time legislators can spend hashing out the finer points means more time the details are left to unelected staff. Lobbyists, whose jobs are to master all of the intricacies of their respective pet issues, remain 30 days smarter and better informed on legislation as well, allowing their influence to grow.

The counter from proponents of 90-day meetings is that lawmakers could be more efficient with their time. Complaints of committee meetings starting late are common, and such meetings are occasionally wasted on silly discussions and even sillier legislation. As the clock ticked away on the final day of last year's session, when the Legislature rushed to complete its work before 90 days elapsed (they missed by about 35 minutes), it took up measures giving the Malamute status as the state dog and naming a bridge in Petersburg.

Stevens' bill is one that splits the difference between the two camps, and would give each side half a loaf. Legislators, many screaming for more time to get their work done, would get 30 more days every other year. Backers of shorter sessions would still have accomplished their goal as well, getting both the voters and lawmakers — in a representative democracy, it's important to have both — to sign off on less than 240 days of debate for each Legislature, and this proposal is a better effort to strike a balance between the two camps than the effort gaining traction in the House which would return sessions to 120 days a year. That option is always available if Stevens' middle ground proves not to be enough.

Both sides in this debate have a point — a much more common occurrence, generally, than our present state of political discourse would lead someone to believe. We are pleased with Stevens' reasonable proposal to address the concerns of the parties. It's a sensible solution to a legal tension that needs resolution.

JUNEAU
CHAMBER OF COMMERCE

3100 Channel Drive, Suite 300 • Juneau AK 99801• (907) 463-3488 • Fax (907) 463-3489
E-mail: juneauchamber@gci.net • jcc@alaska.com • Web site: http://www.juneauchamber.com

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Alaska Pacific Bank
Alaska USA FCU
Alaskan Brewing Company
Bartlett Regional Hospital
BP Alaska
CBJ (Manager's Office)
Capital Office Supply
Coeur Alaska, Inc.
Coogan Construction
Copy Express
Elgee Rehfeld & Mertz
Exxon Mobil
First National Bank of Alaska
Hecla Greens Creek Mining
Goldbelt, Inc.
Huna Totem
Shattuck & Grummett
Taku Oil
True North FCU
UAS
Wells Fargo Bank of Alaska
Wostmann and Associates

February 8, 2011

Alaska State Legislature
Senator Gary Stevens
State Capitol Room 111
Juneau AK, 99801

RE:SB18

Dear Senator Stevens,

It is my pleasure to tell you what a great job your aide Tim Lamkin did last week at chamber lunch presenting information on SB18 extending the second session of the Legislature back to 120 days.

I have represented the Juneau Chamber of Commerce as well as served on the Marine Transportation Advisory Board for the past 6 years. I have had the honor of visiting many legislators during this time regarding issues important to my community as well as all other communities served by the Alaska Marine Highway.

Before the legislative sessions were shortened to 90 days I could call on not only my delegation but legislators from around the state and felt confident that they would have time to hear what I had to say.

Since the change from 120 to 90 days I seldom go directly to any of my legislators during session. If I do I must be prepared to chase them down the hall or if I get lucky I might get 5 minutes of their time. Legislators and their staff seem to be racing from one meeting to the next. I can only imagine how difficult this must be for folks traveling to Juneau to see their legislators especially when I know legislators want to spend time with their constituents.

In conclusion, we whole heartedly support SB18 and hope that at least one year of each session is extended to 120 days. The ideal would be to revert back to 120 days every year.

Thank you so much for your service to the State of Alaska.

Respectfully,

Cathie Roemmich, CEO
Juneau Chamber of Commerce

From: Frances Ulmer [affau@uaa.alaska.edu]
Sent: Friday, February 11, 2011 11:08 AM
To: Sen. Gary Stevens
Subject: sessions
Attachments: image001.jpg

Dear Gary,

I understand that you have introduced legislation to provide a compromise between the 90-day session limit and the 120-day session limit. Based on my personal experience as a legislator, I think that makes sense.

The 90-day session is very popular with the public, and in many ways it helps focus the attention of legislators on the most important business of that year.

What it does not do is allow much time for the public to weigh in on important policy decisions, or enable the legislature to delve more deeply into long-term issues that need the attention of our elected representatives and senators. Some issues are complicated and require both analysis and deliberation. That can be much more challenging when you need to watch the clock and pass a budget.

One other way that the legislature could achieve this goal is with more focused special committee work during the interim. But that approach tends to limit the number of legislators who can effectively participate.

Someday, I hope that the legislature will address the inefficiencies associated with annual budgeting. A two-year cycle for agencies and the legislature would save a lot of time and paper. There will always have to be mid-course (annual) adjustments, but the underlying legal, policy, and program choices can and should be made, in my opinion, with a twenty-four month horizon.

I want to clarify that I am certainly not speaking on behalf of the University of Alaska or UAA or anyone except myself. You asked my opinion and I am happy to share it, although it is based primarily on my experience in a very different decade.

Wishing you a successful session.

Fran

Fran Ulmer

Duration of Alaska's Legislative Sessions

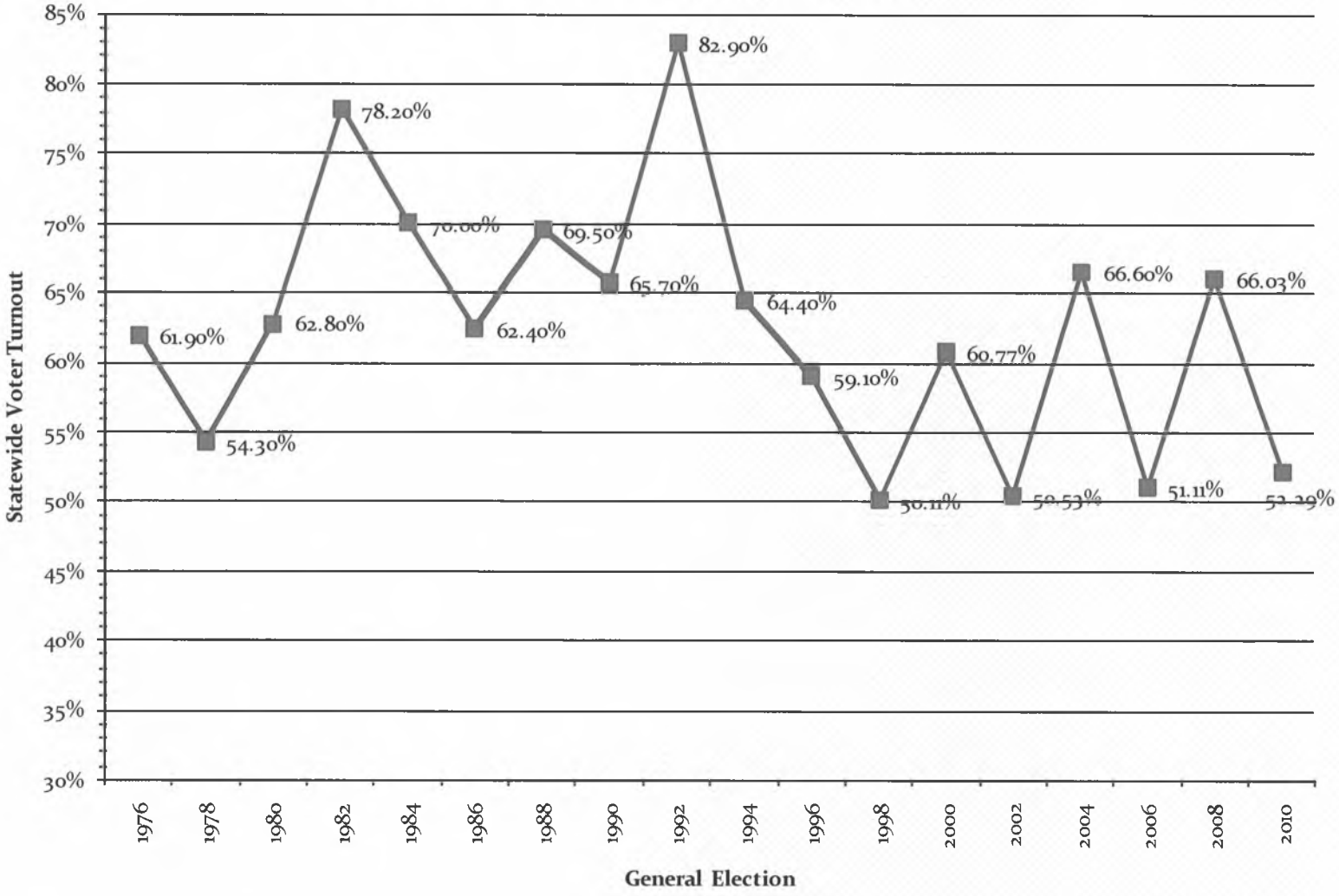
Senate Bill 18

Senator Gary Stevens

SB 18 Strikes A Compromise

- 90-day first session, 120-day second session
- In 2006 voters passed Ballot Measure #1, reducing the legislative sessions to 90 days.
- BM#1 passed by a margin of 50.8% in favor, in what was a notable low voter turnout.

Alaska Voter Turnout 1976-2010



The 90-Day Session vote passed by 3,843 votes.

There were 238,307 total cards cast (voters) statewide during the 2006 general election.

There were 231,507 total cards cast (voters) statewide on BM#1

There were 6,800 people who took a ballot, but didn't vote on BM#1.

Nonetheless, a vote is a vote, and majority rules. So, we've tried it.

This year will be the 4th session the Legislature has worked under a 90-day limit since that vote took place.

However, the best interests of Alaskans are not being served, nor are the arguments made to support passing BM#1 in the first place being proven valid.

Arguments Made In Favor of Shortening the Session

1) Reduce the cost of government.
2) 27 other states had shorter sessions than Alaska.
3) Legislation to shorten the session had been introduced 24 times since 1990 with no action taken.
4) Less time in Juneau would reduce time away from home, family, private sector work, etc, and thus incentivize more quality individuals to run for office.

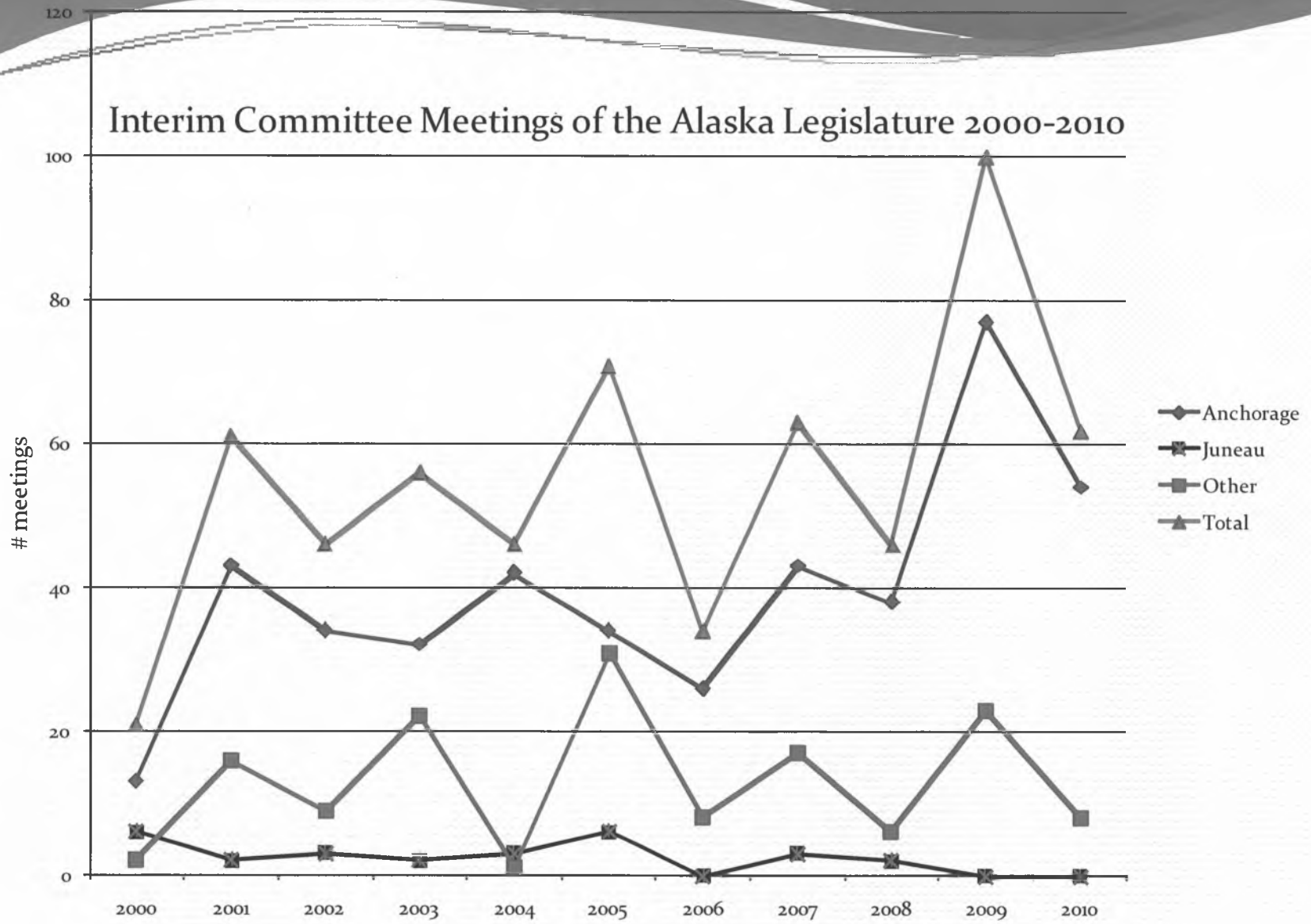
Reducing the Cost of Government

Specifically in the election pamphlet it was stated that "we save 30 days of per diem and expenses of operation of the legislature - paper, copy costs, transportation, etc."

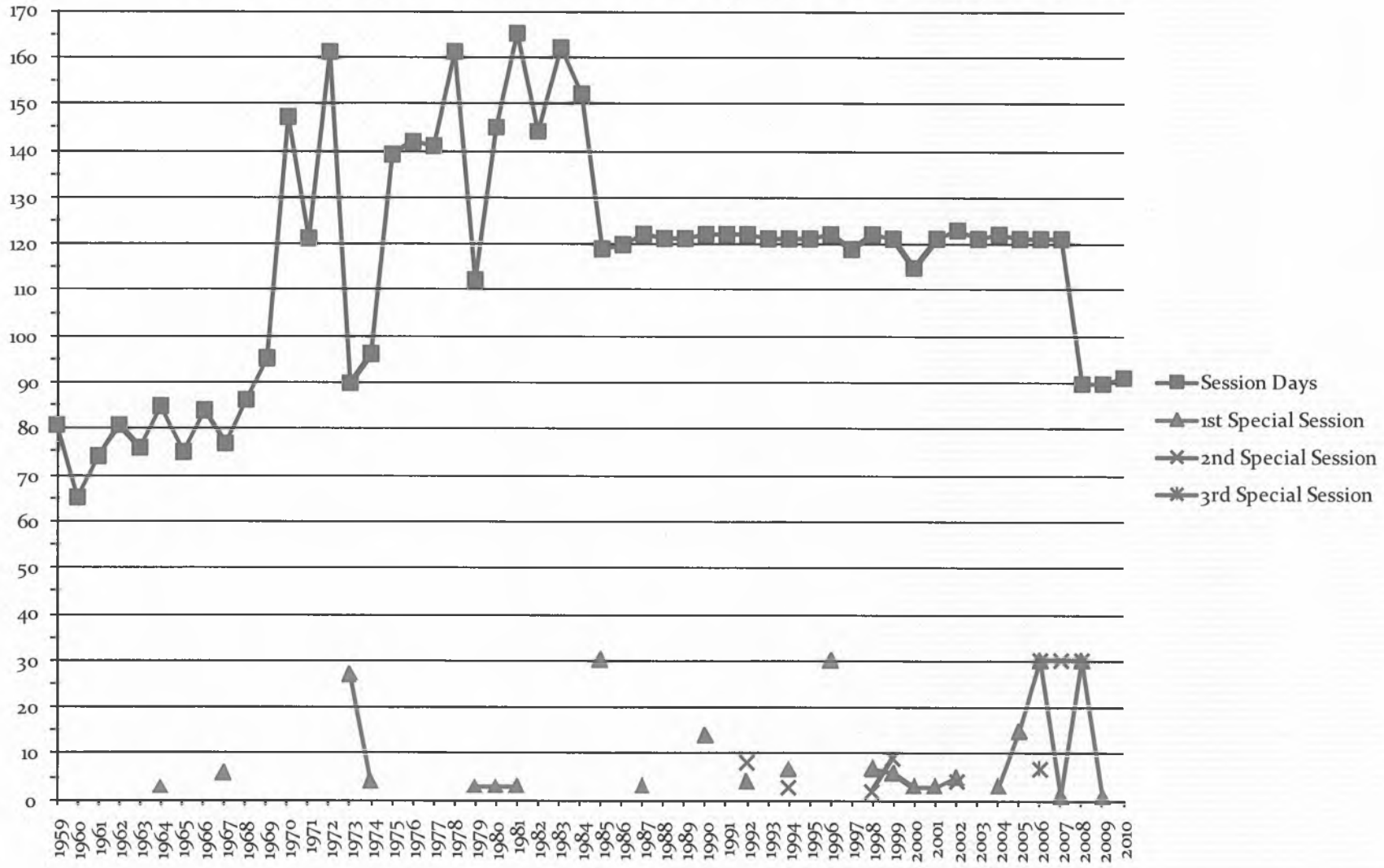
Actual session costs have been reduced, but the overall operating budget of the Legislature has increased.

Legislative salaries, session per diem, and travel expenses have increased, and much of it accrues throughout the year, not just during session.

Following our first 90-day regular session, there were two 30-day special sessions in 2008. There has also been an increase in traveling roadshow-style interim committee hearings.


Interim Committee Meetings of the Alaska Legislature 2000-2010
meetings
120
100
80
60
40
20
0
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
Anchorage
Juneau
Other
Total

Alaska Legislative Sessions Since Statehood – Days/Session



FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number	
Bill Version	**SB 18**
() Publish Date	

Identifier (file name)	SB18-LEG-SES-01-25-11	Dept. Affected	Legislature
Title	""An Act relating to the duration of regular sessions of the Legislature and providing for an effective date."	Appropriation	Leg Council, Operating Budget
		Allocation	Salaries and Allowances, Session, Legislative Operating Budget
Sponsor	Senator Stevens		
Requester	Senate State Affairs	OMB Component Number	776-782-796

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Analysis

SB 18 increases the number of days of the second session of a Legislature from 90 days to 120 days, beginning with the 28th Legislature which convenes in January 2013. The second session would convene in 2014.

When the session was reduced from 120 to 90 days, the cost savings were redesignated into the special session contingency account in the event that reducing the number of session days resulted in more or longer special sessions. It is the intent of Senate Leadership that funding in the special session contingency account be used to absorb the cost of the additional 30 days of regular session.

This will reduce the funding available for special sessions after a second session of a Legislature and would result in a supplemental request for additional funds to cover a special session if one were called.

Basically, the money expected to be "saved" was put aside in anticipation of increased special sessions and interim costs.

The fiscal note didn't say it won't cost anything. Rather that the costs will be absorbed by the existing budget. It has been built into the base. No new appropriation is necessary.

The "savings" represent about 2% of the Legislature's total operating budget.

The roughly $50 million spent to operate the Legislative ("People's") Branch of government is a drop in the bucket compared to the approx. $10 *billion* spent by the executive branch agencies.

Point #1

There is not a significant, if any, cost "savings" (reduction in the cost of government) by maintaining a 90-day legislative session.

Point #2

What about there being so many other states limiting the duration of their legislative sessions?

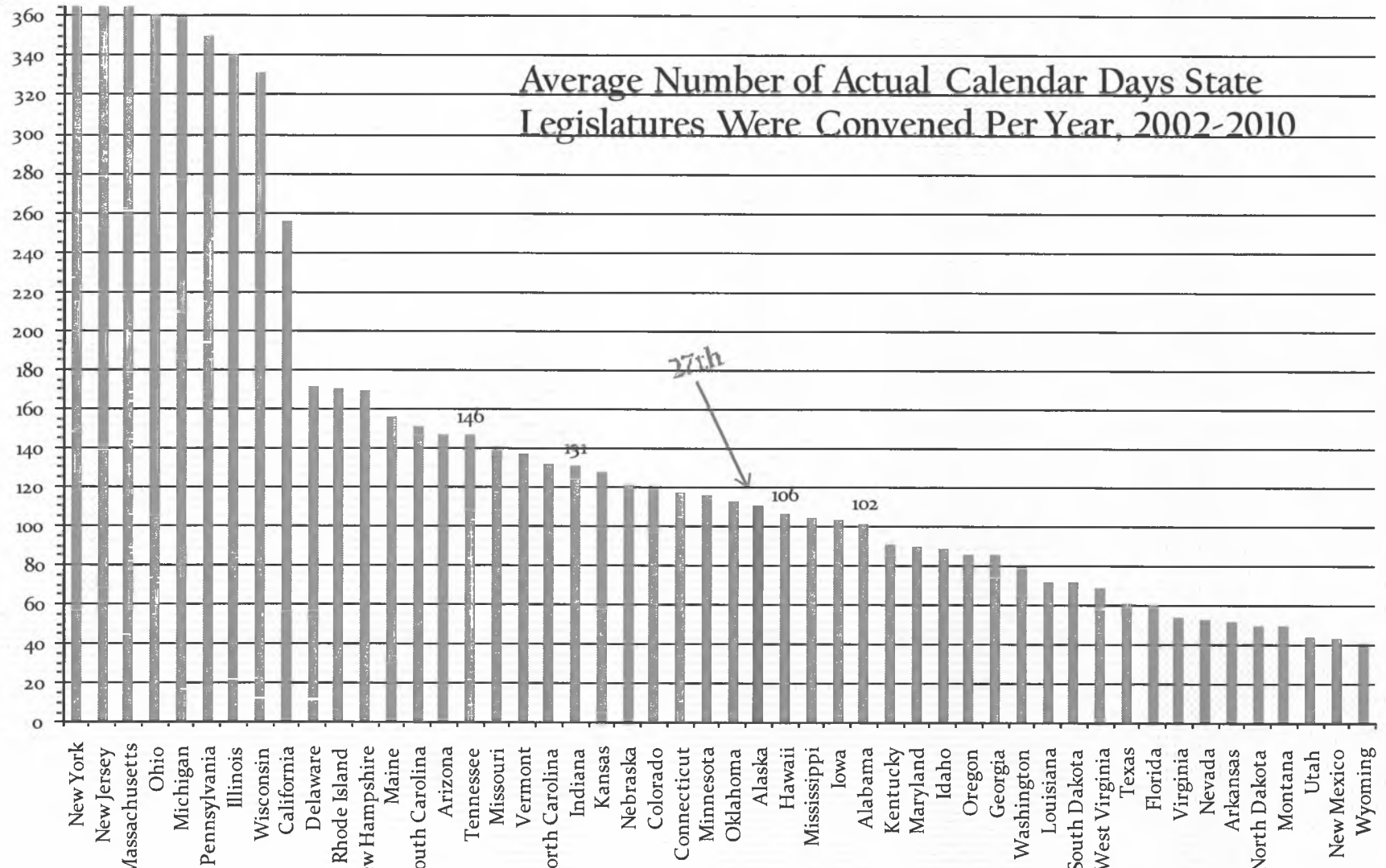
Very common question.

"27 OTHER STATES HAVE SESSIONS SHORTER THAN ALASKA'S

STATE	DAYS OF SESSION		POPULATION
1. ALABAMA	30/105	(odd/even years)	4,400,000 people
2. ALASKA	**121**	**ANNUALLY**	**660,000 PEOPLE**
3. ARKANSAS	60	(every other year)	2,800,000 people
4. FLORIDA	60	(annually)	17,400,000 people
5. GEORGIA	40	(annually)	8,800,000 people
6. HAWAII	60	(annually)	1,300,000 people
7. INDIANA	60/30	(odd/even years)	6,200,000 people
8. IOWA	100/110	(odd/even years)	3,000,000 people
9. KANSAS	0/90	(odd/even years)	2,700,000 people
10. KENTUCKY	30/60	(odd/even years)	4,100,000 people
11. LOUISIANA	60/85	(odd/even years)	4,500,000 people
12. MARYLAND	90	(annually)	5,600,000 people
13. MASSACHUSETTS	Jan. to Nov. 15	(every other year)	6.4 million people
14. MONTANA	**90**	**(every other year)**	**930,000 people**
15. NEBRASKA	90/60	(odd/even years)	1,700,000 people
16. NEVADA	120	(every other year)	2,300,000 people
17. NEW HAMPSHIRE	45	(annually)	1,300,000 people
18. NEW MEXICO	60/30	(odd/even years)	1,900,000 people
19. NORTH DAKOTA	**80**	**(every other year)**	**635,000 people**
20. OREGON	no time limit	(every other year)	3,600,000 people
21. SOUTH DAKOTA	**40/35**	**(odd/even years)**	**770,000 people**
22. TENNESSEE	90	(annually)	5,900,000 people
23. TEXAS	140	(every other year)	22,000,000 people
24. UTAH	45	(annually)	2,400,000 people
25. VIRGINIA	30/60	(odd/even years)	7,500,000 people
26. WASHINGTON	105/60	(odd/even years)	6,200,000 people
27. WEST VIRGINIA	60	(annually)	1,800,000 people
28. WYOMING	**40/20**	**(odd/even years)**	**506,000 people**

Methods By Which Legislative Sessions Are Limited

Constitution (28 states)	**Statute** (5 states)	**Chamber Rule** (3 states)	**Indirect Method** (3 states)	**No Limit** (11 states)
Arkansas	Alabama	Arizona	Iowa	Idaho
Colorado	Alaska	California	New Hampshire	Illinois
Connecticut	Indiana	Massachusetts	Tennessee	Michigan
Delaware	Maine			New Jersey
Florida	South Carolina			New York
Georgia				North Carolina
Hawaii				Ohio
Kansas				Pennsylvania
Kentucky				Rhode Island
Louisiana				Vermont
Maryland				Wisconsin
Minnesota				
Mississippi				
Missouri				
Montana				
Nebraska				
Nevada				
New Mexico				
North Dakota				
Oklahoma				
Oregon				
South Dakota				
Texas				
Utah				
Virginia				
Washington				
West Virginia				
Wyoming				


Average Number of Actual Calendar Days State Legislatures Were Convened Per Year, 2002-2010
360
340
320
300
280
260
240
220
200
180
160
140
120
100
80
60
40
20
0
27th
146
131
106
102
New York
New Jersey
Massachusetts
Ohio
Michigan
Pennsylvania
Illinois
Wisconsin
California
Delaware
Rhode Island
New Hampshire
Maine
South Carolina
Arizona
Tennessee
Missouri
Vermont
North Carolina
Indiana
Kansas
Nebraska
Colorado
Connecticut
Minnesota
Oklahoma
Alaska
Hawaii
Mississippi
Iowa
Alabama
Kentucky
Maryland
Idaho
Oregon
Georgia
Washington
Louisiana
South Dakota
West Virginia
Texas
Florida
Virginia
Nevada
Arkansas
North Dakota
Montana
Utah
New Mexico
Wyoming

Every state is different, unique and has its own reasons for choosing to operate its legislature the way it does.

Similarly, Alaska is known as a do-it-yourself type state, so in this case why not say..

Point #2

Who cares what the other states are doing?

We're in the middle of the road on this issue, and SB 18 moves us even closer to the middle.

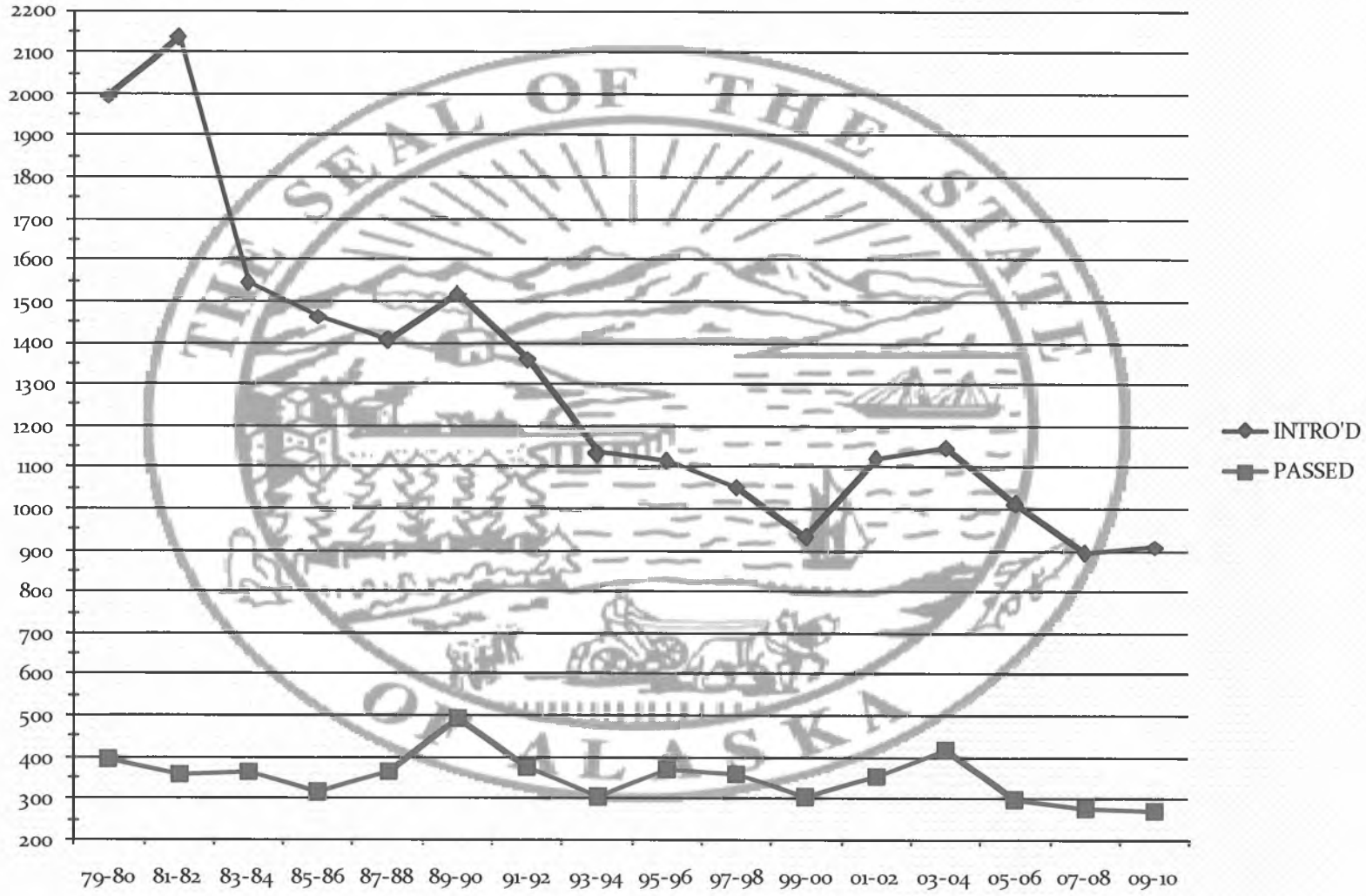
Point #3

But legislation was introduced 24 times since 1990 in an effort to shorten the session, and each attempt failed.

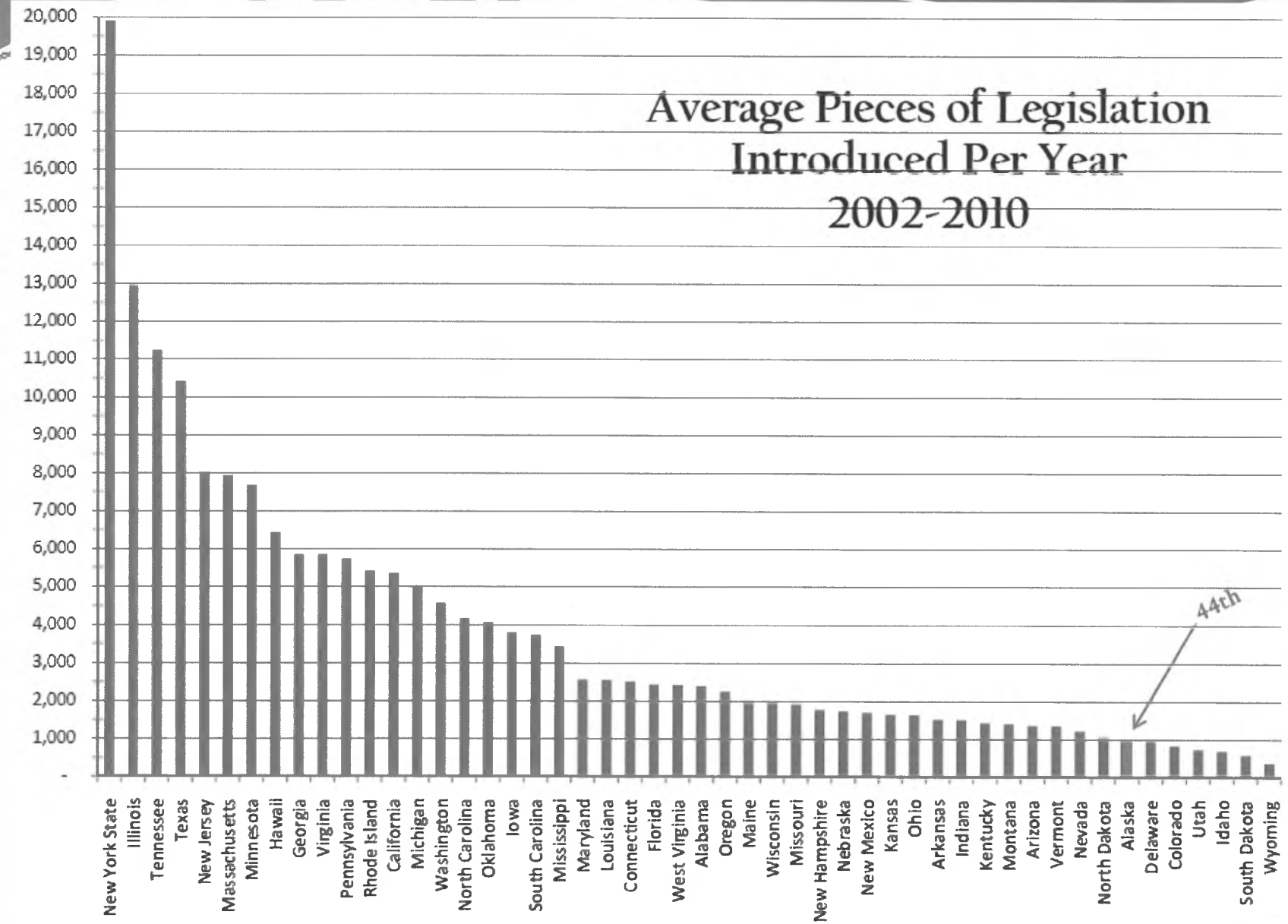
Legislation that has no likelihood of passing is introduced almost every day of session.

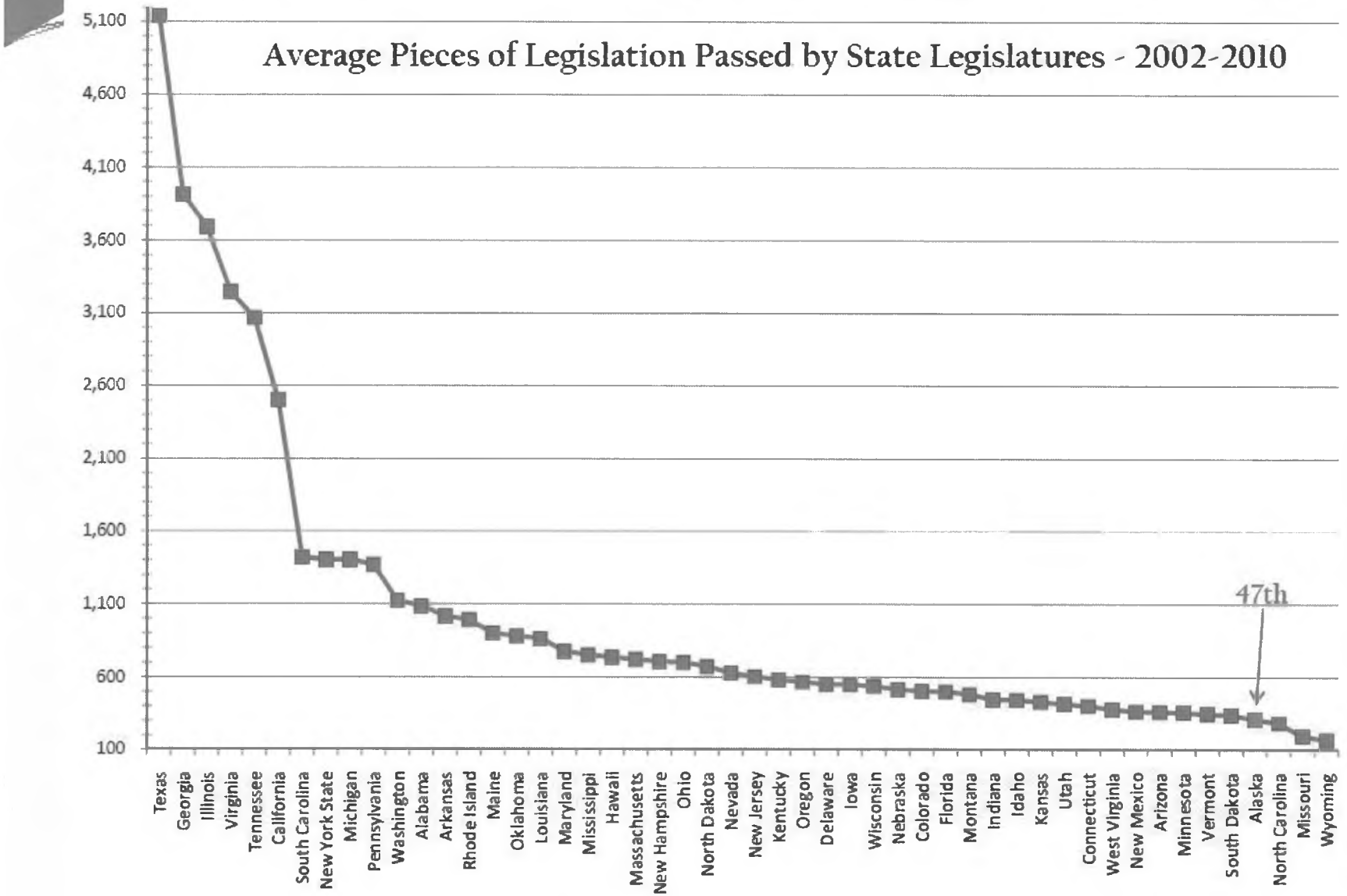
The Legislature has the prerogative to act or not act on any issue, and there are always more issues than there are actions.

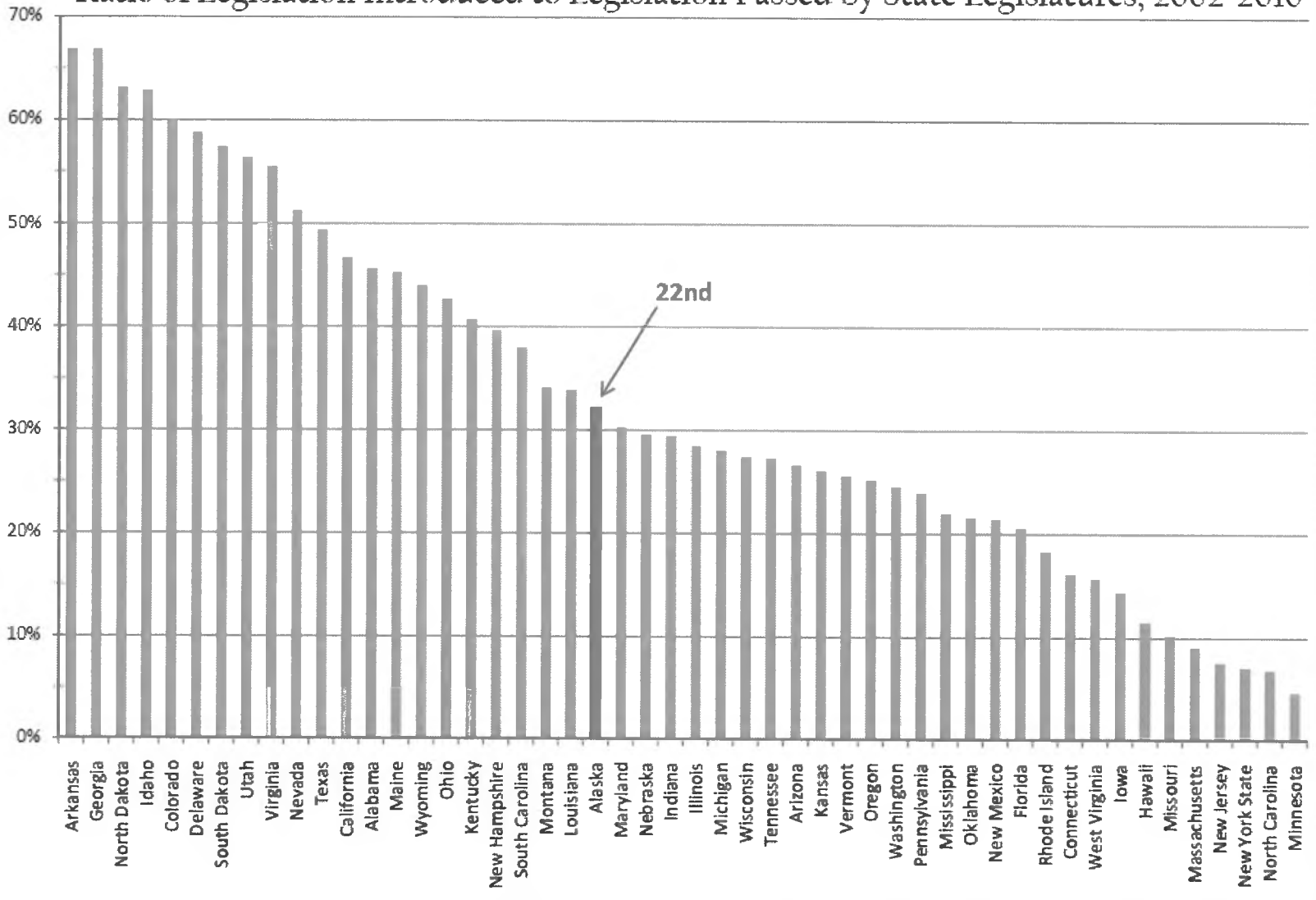
Alaska Legislation Introduced & Passed 1979-2010



Average Pieces of Legislation Introduced Per Year 2002-2010




Average Pieces of Legislation Passed by State Legislatures - 2002-2010
5,100
4,600
4,100
3,600
3,100
2,600
2,100
1,600
1,100
600
100
47th
Texas
Georgia
Illinois
Virginia
Tennessee
Callfornia
South Carolina
New York State
Michigan
Pennsylvania
Washington
Alabama
Arkansas
Rhode Island
Maine
Oklahoma
Louisiana
Maryland
Mississippi
Hawaii
Massachusetts
New Hampshire
Ohio
North Dakota
Nevada
New Jersey
Kentucky
Oregon
Delaware
Iowa
Wisconsin
Nebraska
Colorado
Florida
Montana
Indiana
Idaho
Kansas
Utah
Connecticut
West Virginia
New Mexico
Arizona
Minnesota
Vermont
South Dakota
Alaska
North Carolina
Missouri
Wyoming


Ratio of Legislation Introduced to Legislation Passed by State Legislatures, 2002-2010
70%
60%
50%
40%
30%
20%
10%
0%
22nd
Arkansas
Georgia
North Dakota
Idaho
Colorado
Delaware
South Dakota
Utah
Virginia
Nevada
Texas
California
Alabama
Maine
Wyoming
Ohio
Kentucky
New Hampshire
South Carolina
Montana
Louisiana
Alaska
Maryland
Nebraska
Indiana
Illinois
Michigan
Wisconsin
Tennessee
Arizona
Kansas
Vermont
Oregon
Washington
Pennsylvania
Mississippi
Oklahoma
New Mexico
Florida
Rhode Island
Connecticut
West Virginia
Iowa
Hawaii
Missouri
Massachusetts
New Jersey
New York State
North Carolina
Minnesota

Legislation that has no likelihood of passing is introduced almost every day of session.

Perennial Issues:

Abortion
Move the Capitol
Oil & Gas Taxation
Subsistence
Coastal Zone Management
School Truancy
Mining Taxes
Etc etc

Point #3

By the reasoning of this argument supporting BM#1, should any bill that fails to pass the Legislature after X number of attempts be automatically forwarded to the ballot box for a vote?

Point #3

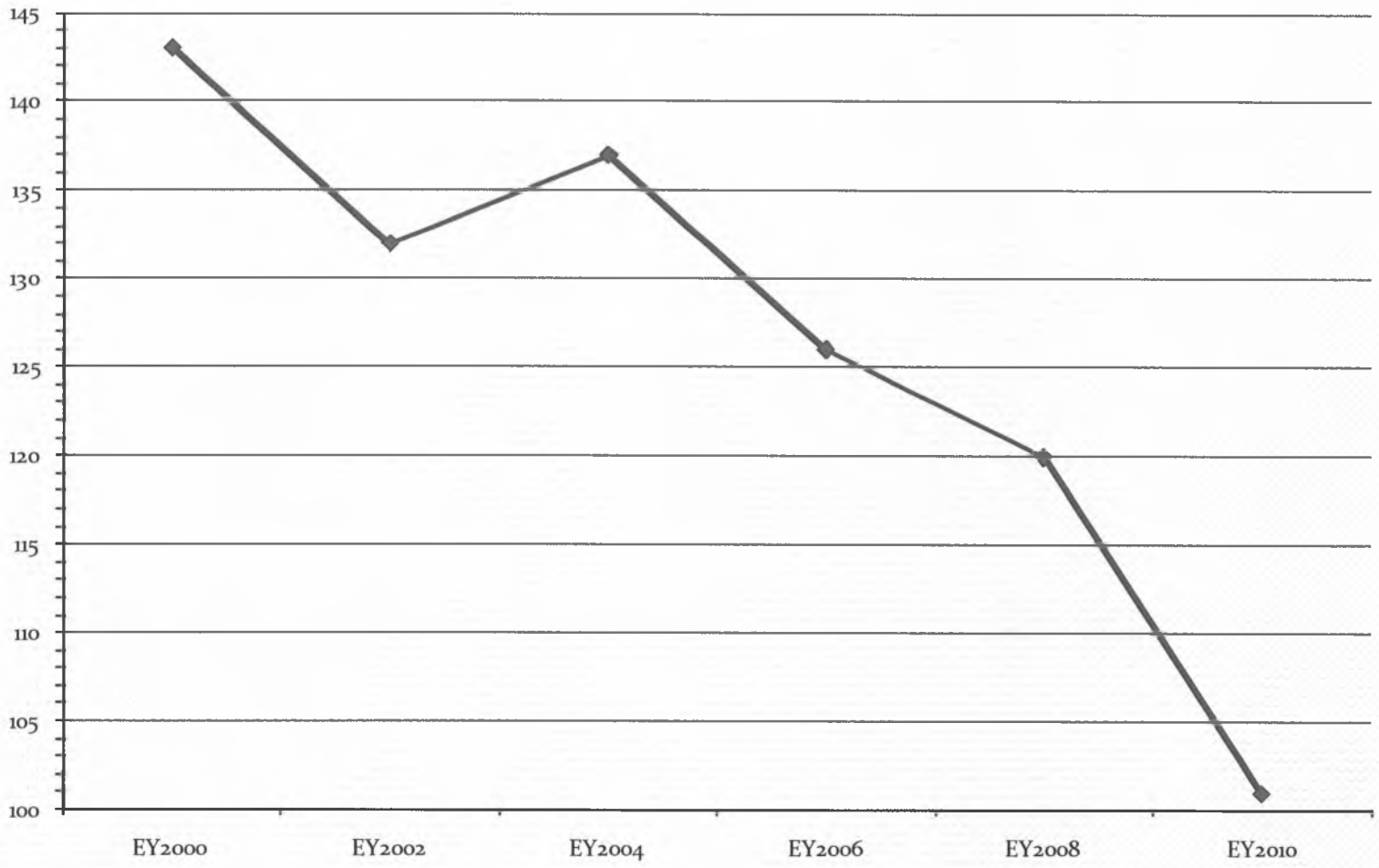
It is not a valid argument to say something should become law simply because the Legislature has consistently chosen not to make it a law on its own.

Point #4

A shorter session means less time away from home, away from family, away from work in the private sector, etc, and thus will incent more "competition" between quality individuals to run for office.

Total Candidates Filed For Alaska State House & Senate

2000-2010



Point #4

Since the 2006 vote to shorten the legislative sessions, the candidate pool has shrunken 20%; the opposite of what was argued in favor of passing BM#1 .

Other considerations to restore a 120-day session:

1. Public testimony & the deliberative process
2. Staff workloads
3. House Subcommittee Evaluation Survey
4. Balance of Power – Executive Branch

SB 18 Strikes A Compromise

90-Day First Session 120-Day Second Session

Senator Gary Stevens

SB

19

<TARGET><BILL>SB 19</BILL><SUBJECT>SB
19</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 2/21/11

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 19

SB 19-PASSENGER VEHICLE RENTAL TAX

"An Act excluding motorcycles and motor-driven cycles from the passenger vehicle rental tax."

and recommends:

[X] be **replaced** with **CS** SB 19 (FIN) *[ ] Same Title [X] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	**Fiscal**	**Indet.**	**Zero**	**FN #**
REV	X			

PREVIOUS FISCAL NOTE(S)				
Dept.	**Fiscal**	**Indet.**	**Zero**	**FN #**

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas			✓	
	EGAN	X			
	OLSON			✓	
	ELLIS	X			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:					

CS FOR SENATE BILL NO. 19(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATOR FRENCH

A BILL

FOR AN ACT ENTITLED

"An Act specifying the vehicle rental tax for motorcycles and motor-driven cycles; and providing for an effective date."

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

*** Section 1.** AS 43.52.030 is amended to read:

Sec. 43.52.030. Levy of recreational vehicle, motorcycle, and motor-driven cycle rental tax. There is imposed an excise tax on the charge for the lease or rental of a recreational vehicle, **motorcycle, or motor-driven cycle** in this state if the lease or rental of the recreational vehicle, **motorcycle, or motor-driven cycle** does not exceed a period of 90 consecutive days.

*** Sec. 2.** AS 43.52.040 is amended to read:

Sec. 43.52.040. Rate of recreational vehicle, motorcycle, and motor-driven cycle rental tax. The rate of the tax levied in AS 43.52.030 is three percent of the total fees and costs charged for the lease or rental of the recreational vehicle, **motorcycle, or motor-driven cycle**.

* **Sec. 3.** AS 43.52.060 is amended to read:

Sec. 43.52.060. Applicability of the tax. The provisions of AS 43.52.010 - 43.52.099 apply to a passenger **vehicle,** [OR] recreational vehicle**, motorcycle, or motor-driven cycle** whether or not the vehicle is registered and licensed in this state.

* **Sec. 4.** AS 43.52.099(2) is amended to read:

(2) "passenger vehicle" means a motor vehicle as defined in AS 28.90.990 that is driven or moved on a highway or other public right-of-way in the state, but does not include

(A) a commercial motor vehicle as that term is defined in AS 28.90.990;

(B) emergency or fire equipment that is necessary to the preservation of life or property;

(C) a farm vehicle that is controlled and operated by a farmer, used to transport agricultural products, farm machinery, or farm supplies to or from that farmer's farm, not used in the operations of a common or contract motor carrier, and used within 150 miles of the farmer's farm;

(D) a recreational vehicle;

(E) a taxicab;

(F) a rental truck; in this subparagraph, "rental truck" means a motor vehicle with a gross vehicle weight rating greater than 8,500 pounds that is designed, used, or maintained primarily for the transportation of personal property; [OR]

(G) a vehicle provided by an automobile dealer to a customer as replacement transportation during warranty, recall, or service contract repairs if the dealer does not receive compensation from the customer**; or**

(H) a motorcycle or a motor-driven cycle;

* **Sec. 5.** AS 43.52.099 is amended by adding new paragraphs to read:

(6) "motorcycle" has the meaning given in AS 28.90.990;

(7) "motor-driven cycle" has the meaning given in AS 28.90.990.

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

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **CSSB19(FIN)**
() Publish Date

Identifier (file name): CSSB19(FIN)-DOR-TAX-03-30-11
Title: Passenger Vehicle Rental Tax
Sponsor: Senator French
Requester: Senate Finance Committee

Dept. Affected: Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES	**0.0**	**(8.4)**	**(8.4)**	**(8.4)**	**(8.4)**	**(8.4)**	**(8.4)**

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Vehicle rental tax on motorcycle rentals was exempt in previous version. In this version, those rentals are taxed at 3%.

Prepared by: Johanna Bales, Deputy Director — Phone: 907-269-6628
Division: Tax Division — Date/Time: 3/30/11; 11:00am
Approved by: Ginger Blaisdell, Director Administrative Services Division — Date: 3/30/11; 11:41am
Department of Revenue

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. CSSB19(FIN)

Analysis

Bill Language:
This bill would reduce the tax rate on rental of motorcycles from 10% to 3%.

Revenues:
The state receives approximately $12,000 each year in vehicle rental tax from the rental of motorcycles in the state. Revenue would drop by approximately $8,400 to about $3,600 in total vehicle rental tax each year as a result of this legislation.

Expenditures:
The department can implement the provisions of the bill with existing resources.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 19
(S) Publish Date: 2/21/11

Identifier (file name): SB19-DOR-TAX-02-16-11
Title: Passenger Vehicle Rental Tax
Sponsor: Senator French
Requester: Senate Transportation

Dept. Affected: Revenue
Appropriation: Treasury and Taxation
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES		**(12.0)**	**(12.0)**	**(12.0)**	**(12.0)**	**(12.0)**	**(12.0)**

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
1178 Temporary Code							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

First version of fiscal note.

Prepared by: Johanna Bales, Deputy Director
Phone: 907-269-6628
Division: Tax Division
Date/Time: 2/16/11; 1:00pm
Approved by: Ginger Blaisdell, Director Administrative Services Division
Department of Revenue
Date: 2/16/11 1:32pm

Revised 12/2011 OMB

FISCAL NOTE #1

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 19

Analysis

Bill Language:
This bill would exempt motorcycles from the vehicle rental tax.

Revenues:
The state receives approximately $12,000 each year in vehicle rental tax from the rental of motorcycles in the state. Revenue would drop by approximately $12,000 each year as a result of this legislation.

Expenditures:
The department can implement the provisions of this bill with existing resources.

Adopted
3/30/11

27-LS0157\M
Luckhaupt
3/23/11

CS FOR SENATE BILL NO. 19(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATOR FRENCH

A BILL

FOR AN ACT ENTITLED

"An Act specifying the vehicle rental tax for motorcycles and motor-driven cycles; and providing for an effective date."

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

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Sec. 43.52.030. Levy of recreational vehicle, motorcycle, and motor-driven cycle rental tax. There is imposed an excise tax on the charge for the lease or rental of a recreational vehicle, **motorcycle, or motor-driven cycle** in this state if the lease or rental of the recreational vehicle, **motorcycle, or motor-driven cycle** does not exceed a period of 90 consecutive days.

* **Sec. 2.** AS 43.52.040 is amended to read:

Sec. 43.52.040. Rate of recreational vehicle, motorcycle, and motor-driven cycle rental tax. The rate of the tax levied in AS 43.52.030 is three percent of the total fees and costs charged for the lease or rental of the recreational vehicle, **motorcycle, or motor-driven cycle**.

* **Sec. 3.** AS 43.52.060 is amended to read:

Sec. 43.52.060. Applicability of the tax. The provisions of AS 43.52.010 - 43.52.099 apply to a passenger **vehicle,** [OR] recreational vehicle**, motorcycle, or motor-driven cycle** whether or not the vehicle is registered and licensed in this state.

* **Sec. 4.** AS 43.52.099(2) is amended to read:

(2) "passenger vehicle" means a motor vehicle as defined in AS 28.90.990 that is driven or moved on a highway or other public right-of-way in the state, but does not include

(A) a commercial motor vehicle as that term is defined in AS 28.90.990;

(B) emergency or fire equipment that is necessary to the preservation of life or property;

(C) a farm vehicle that is controlled and operated by a farmer, used to transport agricultural products, farm machinery, or farm supplies to or from that farmer's farm, not used in the operations of a common or contract motor carrier, and used within 150 miles of the farmer's farm;

(D) a recreational vehicle;

(E) a taxicab;

(F) a rental truck; in this subparagraph, "rental truck" means a motor vehicle with a gross vehicle weight rating greater than 8,500 pounds that is designed, used, or maintained primarily for the transportation of personal property; [OR]

(G) a vehicle provided by an automobile dealer to a customer as replacement transportation during warranty, recall, or service contract repairs if the dealer does not receive compensation from the customer**; or**

(H) a motorcycle or a motor-driven cycle;

* **Sec. 5.** AS 43.52.099 is amended by adding new paragraphs to read:

(6) "motorcycle" has the meaning given in AS 28.90.990;

(7) "motor-driven cycle" has the meaning given in AS 28.90.990.

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

State of Alaska

Department of Revenue

Administrative Services Division

SEAN PARNELL, GOVERNOR
333 Willoughby Avenue, 11th Floor
P.O. Box 110400
Juneau, Alaska 99811-0405
Phone: (907) 465-2300
Fax: (907) 465-2394

March 9, 2011

The Honorable Bert Stedman
Senate Finance Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801

Dear Senator Stedman,

During the March 8th hearing on SB 19 (exempting motorcycles from the vehicle rental tax), you asked for the following information:

Question: How many motorcycle rental businesses are in Alaska?
Answer: We have identified four motorcycle rental businesses.

Question: Why wasn't the tax collected?
Answer: At the time the vehicle rental tax was first implemented (January 1, 2004), we were not aware that motorcycles were rented in Alaska. We sent a letter to all known passenger and recreational vehicle rental places, but did not include a letter to motorcycle rental businesses. In August 2009, one of our investigators informed our auditor that one of the motorcycle sales places was also renting motorcycles. We initially assumed that motorcycles were not passenger vehicles and turned to the Department of Law to research the issue for us. The Department of Law informed us that the definition of "passenger vehicle" within the vehicle rental tax statutes includes motorcycles.

Question: What policies were taken by the Department to rectify the uncollected tax and what is the plan moving forward?
Answer: Once we determined that motorcycles were subject to the tax, we sent letters to all known motorcycle dealers and informed them that they are subject to the vehicle rental tax for all motorcycle rentals made since the inception of the vehicle rental tax. In early 2010, we identified approximately 4 companies that are renting motorcycles and have been working with these companies to bring them into compliance. As far as moving forward, we will continue to work with any company that has not complied with the vehicle rental tax. Those companies are assessed tax, interest, and penalties for failing to file and pay the tax. As with all other taxpayers, they have the right to appeal and each taxpayer will be reviewed on a case-by-case basis.

Other relevant information:
The vehicle rental tax went into effect on January 1, 2004. At that time, taxicabs, moving vans and trucks (such as U-Hauls), and vehicles rented while a consumer is having warranty work done on their owned vehicle were subject to the vehicle rental tax. During the 2004 legislative session, taxicabs were exempted from the definition of a "passenger vehicle". During the 2005 legislative session, moving

vans and trucks, and vehicles rented while having warranty work done on an owned vehicle were also exempted from the definition of "passenger vehicle." It is interesting to note that the Municipality of Anchorage specifically excludes motorcycles from their vehicle rental tax.

If you have further questions, please feel free to contact Johanna Bales at Johanna.bales@alaska.gov at (907) 269-6628.

Sincerely,

VBlaisdell

Ginger Blaisdell
Director

Senator Hollis French

Capitol Room 417
465-3892
465-6595 fax

MEMORANDUM

Date: 2/21/2011

To: Senator Bert Stedman, Co-Chair
Senate Finance Committee

From: Senator Hollis French

RE: Hearing Request for SB 19 – Passenger Vehicle Rental Tax

No changes have been made to SB 19 since it was introduced.

Senator Hollis French

Sponsor Statement

SB 19 – Passenger Vehicle Rental Tax

Senate Bill 19 will remove the 10% tax on motorcycle rentals. With our short summer and the economic benefits of independent tourism, the legislature should support this emerging industry.

Motorcycle tourism brings independent travelers to our small businesses and restaurants. While cruise ships ensure that large hotels are full, motorcycle travelers go off the beaten path, traveling to remote bed and breakfasts or staying in smaller hotels. In contrast to RV renters (who pay a smaller 3% rental tax), motorcycle riders are more likely to eat at restaurants, since it is difficult to cook a meal in one's motorcycle.

With a short rental season, plenty of challenges exist for Alaskan businesses that rent motorcycles. On top of the seven or eight winter months where rental income isn't earned, fleet storage adds to the cost of doing business in Alaska. These factors increase the price of rentals, making it difficult to draw in customers. Adding a 10% state tax makes renting motorcycles even more challenging for rental businesses.

Passing this legislation corrects the accidental inclusion of motorcycles to our existing rental vehicle tax. In 2003, the legislature passed a motor vehicle rental tax for rental cars. No talk of motorcycles was placed on the record at that time. Also illustrating that point, the Department of Revenue didn't even collect the tax until several years after the law became effective.

Please join me in supporting this legislation, to benefit independent tourism in Alaska.

Existing Statutes in Title 43 (Revenue and Taxation Title)

Sec. 43.52.010. Levy of passenger vehicle rental tax.

There is imposed an excise tax on the charge for the lease or rental of a passenger vehicle in this state if the lease or rental of the passenger vehicle does not exceed a period of 90 consecutive days.

Sec. 43.52.020. Rate of passenger vehicle rental tax.

The rate of the tax levied in AS 43.52.010 is 10 percent of the total fees and costs charged for the lease or rental of the passenger vehicle.

Sec. 43.52.030. Levy of recreational vehicle rental tax.

There is imposed an excise tax on the charge for the lease or rental of a recreational vehicle in this state if the lease or rental of the recreational vehicle does not exceed a period of 90 consecutive days.

Sec. 43.52.040. Rate of recreational vehicle rental tax.

The rate of the tax levied in AS 43.52.030 is three percent of the total fees and costs charged for the lease or rental of the recreational vehicle.

Sec. 43.52.050. Liability for payment of vehicle rental taxes.

(a) The taxes imposed by AS 43.52.010 - 43.52.099 shall be collected and paid to the department

(1) by the person who provides the leased or rented vehicle; and

(2) in the manner and at the times required by the department by regulation.

(b) The tax shall be stated as a separate item on the lease or rental contract or other document invoicing payment.

Sec. 43.52.060. Applicability of the tax.

The provisions of AS 43.52.010 - 43.52.099 apply to a passenger or recreational vehicle whether or not the vehicle is registered and licensed in this state.

Sec. 43.52.070. Relationship to municipal levies.

The taxes imposed by AS 43.52.010 - 43.52.099 are in addition to taxes that may be imposed on vehicle rentals by a municipality under AS 29.45.

Sec. 43.52.080. Administration of tax.

(a) The department shall administer the taxes imposed by this chapter and may adopt necessary regulations.

(b) The proceeds of the vehicle rental taxes imposed by AS 43.52.010 - 43.52.099 shall be deposited into a special vehicle rental tax account in the general fund.

(c) The legislature may appropriate the actual balance of the vehicle rental tax account for tourism development and marketing. This section is not intended to create a dedicated fund.

Sec. 43.52.090. Exemption.

The tax imposed in AS 43.52.010 - 43.52.099 does not apply to leases or rentals for official use to federal, state, or local government agencies or employees.

Sec. 43.52.099. Definitions.

In AS 43.52.010 - 43.52.099,

(1) "fees and costs" means all charges incurred by the renter before the tax imposed under AS 43.52.010 - 43.52.099 except

(A) fees from the sale of automobile liability insurance, loss damage waiver insurance, and personal accident insurance;

(B) parking tickets;

(C) sales or excise taxes;

(D) payment for damages to the vehicle during the rental period;

(E) concession fees paid to an airport;

(F) customer facility charges set by the commissioner of transportation and public facilities under AS 02.15.090 ; and

(G) customer facility maintenance charges set by the commissioner of transportation and public facilities under AS 02.15.090 ;

Sec. 43.52.099. Definitions (cont.)

(2) "passenger vehicle" means a motor vehicle as defined in AS 28.90.990 that is driven or moved on a highway or other public right-of-way in the state, but does not include

(A) a commercial motor vehicle as that term is defined in AS 28.90.990;

(B) emergency or fire equipment that is necessary to the preservation of life or property;

(C) a farm vehicle that is controlled and operated by a farmer, used to transport agricultural products, farm machinery, or farm supplies to or from that farmer's farm, not used in the operations of a common or contract motor carrier, and used within 150 miles of the farmer's farm;

(D) a recreational vehicle;

(E) a taxicab;

(F) a rental truck; in this subparagraph, "rental truck" means a motor vehicle with a gross vehicle weight rating greater than 8,500 pounds that is designed, used, or maintained primarily for the transportation of personal property; or

(G) a vehicle provided by an automobile dealer to a customer as replacement transportation during warranty, recall, or service contract repairs if the dealer does not receive compensation from the customer;

(3) "recreational vehicle" means

(A) a motor vehicle or trailer for recreational dwelling purposes;

(B) a motor home or other vehicle with a motor home body style;

(C) a one-piece camper vehicle; and

(D) any other self-propelled vehicle with living quarters;

(4) "tax" means the excise tax levied under AS 43.52.010 - 43.52.099 on the charge made for the rental of a passenger or recreational vehicle;

(5) "vehicle" means a device in, upon, or by which a person or property may be transported or drawn upon or immediately over a highway or vehicular way or area; "vehicle" does not include

(A) devices used exclusively upon stationary rails or tracks;

(B) mobile homes; or

(C) watercraft.

Existing Statutes in Title 28 (Motor Vehicle Title)

Chapter 28.90. GENERAL AND MISCELLANEOUS PROVISIONS

Sec. 28.90.990. Definitions for title.

(a) Unless otherwise specifically defined or unless the context otherwise requires, in this title and in regulations adopted under this title

(16) "motor vehicle" means a vehicle which is self-propelled except a vehicle moved by human or animal power;

(17) "motorcycle" means a vehicle having a seat or saddle for the use of the rider and designed to travel on not more than three wheels in contact with the ground; the term does not include a tractor;

(18) "motor-driven cycle" means a motorcycle, motor scooter, motorized bicycle, or similar conveyance with a motor attached and having an engine with 50 or less cubic centimeters of displacement;

Example itinerary of an Alaska motorcycle tour

The tour below will be offered twice during the summer of 2011. For more information about it, visit:
http://www.motoquesttours.com/guided-alaska-motorcycle-tours.php

Tour Price:

- Rider sharing twin room *: US$ 7,800
- Rider with own room *: US$ 9,800
- Couples *: US$ 11,300
- Own Bike with shared room: US$ 5,800
- Own Bike with own room: US$ 7,800
- * Includes basic bike rental

Northern Expedition Motorcycle Adventure

See wildlife, ride unmapped mining roads, and meet colorful "sourdough" locals. We will be staying in hotels, historic roadhouses and rugged work camps (that's all they have in Deadhorse!). Get your gear ready, we are headed north!

Day 1 - ***Anchorage***
Please arrive in Anchorage by mid-afternoon. Hotel check-in. Welcome Dinner at one of the finest restaurants in Alaska. Stay in Anchorage.

Day 2 - ***Anchorage to Trapper Creek***- *155 miles paved (20 miles dirt option)*
Visit the small town of Talkeetna or ride the mining roads of the Petersville Road. Stay in Trapper Creek area. Dinner in Trapper Creek.

Day 3 - ***Trapper Creek to Fairbanks*** - *251 miles paved*
Ride through the Alaska Range, and have a chance of seeing North America's tallest peak: Mt. McKinley. Stay in Fairbanks.

Day 4 - **Fairbanks to Central** - 128 miles (100 miles dirt)
We ride the Steese Highway to Central. Along the way, we will be exploring some historic mining roads, which branch off this dirt highway.

Day 5 - **Free Day in Central** (Up to 150 miles of dirt riding)
This day is up to you: Rest, read, relax, or explore around the area. You can ride to the native town of Circle City, located on the Yukon River (35 miles). You can also join our guides and explore some of the mining roads in the area. You may also check out a working gold mine! Stay in Central.

Day 6 - **Central to Yukon River** - 280 miles (170 miles dirt)
We will retrace our ride on the Steese Highway and head north to the Yukon River. This will be our longest day of riding and will take us to the banks of the famous Yukon River! Stay on banks of the Yukon River.

Day 7 - **Yukon to Coldfoot-** 133 miles (45 miles dirt)
We cross the Arctic Circle on this day. Though not a long day of touring, there is the town of Wiseman to explore in the Coldfoot area or perhaps fishing for grayling along the way.

Day 8 - **Coldfoot to Deadhorse-** 239 miles (200 miles dirt)
One of our longest days of touring, we will be riding the most northerly road in North America! We will cross the remote Brooks Range at Atigun Pass. Scenery is world-class, and the chance of seeing wildlife (from Grizzlies, Dall sheep, Caribou, to Moose) is high. Stay in Deadhorse.

Day 9 - **Transfer Day in Deadhorse**
Riders done with the trip may take the morning tour of Prudhoe Bay and the Arctic Ocean before flying back to Anchorage. (Alaska Airlines runs daily flights)
Riders arriving this day may take the Arctic Ocean Tour in the afternoon before joining us for a welcome dinner.

Day 10 - **Deadhorse to Coldfoot** - 239 miles (200 miles dirt)
We will be riding from the most northerly point on the road system in North America. We will cross the remote Brooks Range at Atigun Pass. Scenery is world-class, and the chance of seeing wildlife (from Grizzlies, Dall Sheep, Caribou, to Moose) is high. Stay in Coldfoot.

Day 11 - **Coldfoot to Manley Hot springs** - 240 miles (100 miles dirt)
Cross the Arctic Circle and the Yukon River, on your way to the historic mining town of Manley Hot springs. Stay in Manley Hotsprings.

Day 12 - **Free day in Manley Hotsprings.**
This day is up to you: Rest, relax, soak in the hot springs or explore around the area on your motorcycle with the guides. We have a chance to check out some of the mining roads in the area, exploring some fantastic areas. Other activities include Pike fishing or visiting a dog sled kennel. Stay in Manley Hotsprings.

Day 13 - **Manley Hot springs to Chatanika** - 182 miles, (80 miles dirt)
We will make the "run to Rampart" on the Yukon River, in search of Wyatt Earp's alleged Cabin! Stay in Chatanika. Explore an abandoned dredge, visit a native village. Stay in Chatanika.

Day 14 - **Chatanika to Paxson Area** - 195 miles paved
Ride through the Alaska Range at Isabel Pass. Enjoy spectacular scenery while riding the paved Richardson Highway. You can even stop in and say "hi" to Santa in North Pole! Stay in Paxson Area.

Day 15 - **Paxson area to Denali Highway** - 60 miles (59 miles dirt)
Today is our day to ride the dirt! The Denali Highway offers dramatic sweeping views of the Alaska Range, with its looming peaks and scenic glaciers. Ride epic mining roads off the Denali Highway. Stay on the Denali Highway.

Day 16 - **Gracious House to Anchorage** - 262 miles (50 miles dirt)
The Denali Highway: superb views of the Alaska Range from the south and chance to see Mt. McKinley from the Denali and Parks Highways. In Anchorage you're sure to enjoy the farewell party at our shop this evening. A catered dinner and hotel room within walking distance are also included for the night.

MotoQuest 4346 Spenard Road Anchorage, Alaska

February 4th, 2011

Dear Senator French,

Thank you for introducing Senate Bill 19.

I was born and raised in Alaska and own a company called Alaska Rider Tours (recently changed to MotoQuest). It has been in existence for 12 years. We provide organized motorcycle tours, self-guided motorcycle tours and motorcycle rentals for independent travelers.

The vehicle rental tax of 10% is inappropriate for the motorcycle rental industry.

1. Motorcycles are NOT cars:

The Anchorage Municipality defines this as such, why not the state? We have a lower carbon footprint. We do not cause roadway damage like cars. Our rental season is much shorter than cars and motor homes.

2. Why were we not notified of the TAX?

At the inception of this tax, none of the motorcycle rental operators were notified. Within the parameters of this tax, motorcycles fell into the passenger vehicle category, and therefore became part of this law. 80% of or our clients do not carry a passenger. When I went into the state revenue office to explain why we have not paid our taxes for the past 4 years, they exempted me with the comment "our lawyers weren't even thinking about motorcycle when we drafted the bill."

3. Seasonality:

In Alaska, the motorcycle industry has the shortest rental season in the world. We are operating in the red to this date, and now a TAX? We already charge $230 per day for our premium bike, and now we will price ourselves out of the market. We already charge more than double what other operators do in the lower 48.

4. Competition:

Rental operators conducting motorcycle tours in our state can bring up their own bikes during our short season, and compete with us without paying this tax!

5. Income to Mom and Pop:

We send many folks to the out-of-the-way mom and pop roadhouses, not on the Princess Radar. These places are hurting, and are very happy to have our business. I will be happy to organize a petition with them signing it.

Here is a list of lodges that we regularly visit. I invite you to contact them and discuss our long standing relationship with them, and the needed income we generate for these remote locations.

- Chatanika Lodge, Chatanika
- Copper Center Lodge, Copper Center
- Steese Roadhouse, Central
- Gracious Lodge, Denali Highway
- Sheep Mountain Lodge, Glenn Highway
- Magestic Valley Lodge, Glenn Highway
- Tangle River Inn, Paxson
- The Perch, Cantwell
- Manley Hotsprings Roadhouse, Manley Hotsprings
- Coldfoot Camp, Coldfoot
- Arctic Caribou Inn, Prudhoe Bay
- Land's End Resort, Homer
- Alaska Wildland Adventure, Cooper Landing
- Harbor View Inn, Valdez

6. Job Loss

As of now, I am running in the red. How can I shoulder this tax? It drives customers away from us. I have 10 employees during the summer months and pay state and federal taxes for them. Their jobs are in jeopardy.

7. To Whom it May Concern: What can you do? Please consider nullifying this tax for motorcycles! The municipality of Anchorage clearly defines motorcycle in a different category. Why NOT the State of Alaska? Can you help us change the law to NOT include motorcycles?

Senator French, I am a long standing resident and entrepreneur in Alaska...indeed, I have lived here longer than most, and want to continue living here. I am appalled at this TAX and thank you for your efforts in supporting and protecting the motorcycle rental industry in Alaska.

Sincerely,

Philip Freeman

Owner

MotoQuest

Alaska Motorcycle Adventures

P.O. Box 2033 Palmer, AK 99645
Telephone: (907) 376-4513
information@rentalaska.com
www.rentalaska.com

February 4, 2011

Honorable Senators and Representatives:

We are writing to you to ask for your support of Senate Bill 19 and House Bill 62 regarding Passenger Vehicle Rental Tax.

http://www.legis.state.ak.us/basis/get_bill.asp?session=27&bill=SB19
http://www.legis.state.ak.us/basis/get_bill.asp?session=27&bill=hb62

We are the owners of Alaska Motorcycle Adventures. A small business located in the Palmer, Alaska. We have been renting motorcycles in Alaska since 1994. Yes, 2011 will be our 18th summer providing a great service for Alaskan tourists that would choose to vacation elsewhere if it were not for the availability of motorcycle rentals.

In 2003, the Alaska legislature passed HB 271, a vehicle rental tax on passenger vehicles, without any knowledge or discussion of the motorcycle rental businesses that were operating at that time.

According to AS.28.90.990, motorcycles are not "passenger vehicles" just as farm vehicles are not "passenger vehicles". By not specifically addressing motorcycles and motorcycle rental business in 2003, the Alaska Legislature has allowed the Department of Revenue to make a very open interpretation of the "passenger vehicle rental tax" and this has had "unintended consequences" for our customers and businesses.

Please consider the following:

Alaska's motorcycle rental businesses were unknowingly omitted from all discussion concerning the Vehicle Rental Tax when was passed in 2003 under HB 271. The Alaska Legislature, the Senate Transportation Committee, and the Department of Revenue were completely unaware that our businesses existed, even though Alaska Motorcycle Adventures had been in business since 1994. We were completely unaware such a tax had been discussed and passed in HB 271.

Therefore, from 2004 – 2009 (SIX years) our customers were not taxed. In 2008, a Department of Revenue employee was driving on Spenard Road in Anchorage and saw the store front for one of the motorcycle rental companies (Alaska Rider Tours/MotoQuest). Soon after, most of us were contacted by DOR, and told to start collecting the 10% tax. In addition, the Department of Revenue requested the back taxes, from 2005 to 2009 - 5 years of taxes that we did not collect - something that

would have bankrupt every one of our small businesses! After much discussion, the back taxes were forgiven as we had never collected them and we were completely unaware we required to do so.

When HB 271 was discussed in 2003, motorhome and RV rental companies received word that such a tax was being considered. This group of locally owned businesses had a spokesperson present the facts of their rate and fee structure. As a result of their lobbying and inclusion in the discussion, the Vehicle Rental Tax on motor home and RV rentals was reduced to 3%. In addition, there are specific exemptions from the motorhome rental's "fees and costs" such as pots, pans, linens, GPSs, cell phones, child seats, etc. The RV per day rate structure is very similar to ours, yet our customers pay the 10%. Our rentals also include items such as helmets, riding jackets, GPS's, cell phones, tank bags and remote riding surcharges. Per the Department of Revenue, all of our customer's fees and costs are taxed at the 10% - NO EXEMPTIONS!

Below is a chart of examples from actual rentals in 2010. Please compare to the tax for a motorcycle rental to the tax for a same cost motorhome/RV rental:

Customer	Hometown	Total Rental Amount	VRT – Motorcycle @ 10%	VRT – RV / Motorhome @ 3%
Mr. and Mrs. P 2 Motorcycles / 11 days	Seward, Alaska	$3860.00	$386.00	$115.80
Mr. B 1 Motorcycle / 12 days	Groveland, Mass.	$2280.00	$228.00	$68.40
Mr. I 1 Motorcycle / 11 days	Denver, Colorado	$1765.00	$176.50	$52.95
Mr. K 1 Motorcycle / 6 days	Scottsdale, Arizona	$1230.00	$123.00	$36.90

Mr. E's Motorcycle Tours (Sweden) **
7 motorcycles - total Vehicle Rental Tax $1,435.00
$14,350.00 = Total Charge --- $1,4350.00 * 10% = $1,435.00 in Vehicle Rental Tax
Same rental for an motorhome/RV = $430.50 tax

**** MotoQuest (another Alaskan motorcycle rental company) provided an additional 5 motorcycles with a Vehicle Rental Tax of approximately $1000.00 to $1200.00. So, Mr. E's total Vehicle Rental Tax could have been over $2400.00 ($1435.00 + $1000.00 = $2435.00 – YIKES!)**

As you can see from our rate structure, the Vehicle Rental Tax is extremely high - especially when applied to a 6, 12 or 14 day rental. Please note that there is no tax cap that would help Mr. & Mrs. P of Seward, Alaska ($386.00 tax) or Mr. E. of Sweden ($1,435.00 tax) for their motorcycle rentals in Alaska.

In 2010, the Cruise industry's punitive and damaging head tax was reduced from $46.00 per person ($92.00 per couple) to $34.50 (69.00 per couple). Comparatively, we believe the original $92.00 per couple head tax for use of Alaskan facilities and marketing efforts was quite reasonable.

Also consider that our motorcycle rental customers put more dollars per tourist into the local economies than the motorhome rentals or cruise ship passengers do. Motorhome rental customers do not use the local hotels, restaurants and facilities that are frequented by our motorcycle rental customers. Our motorcycle rental customers frequent remote locations like Chicken, Wiseman, Tangle River, Paxson, McCarthy, Eagle, Gracious House, Central, Circle and the list goes on. Businesses in these locations rarely see an RV or motorhome and almost never see a cruise ship passenger!

In 2004, **HB347** was introduced to correct the unintended inclusion of Taxi cabs. This was passed into law and the exemption was granted. In 2005, **SB174** was introduced for the local moving van companies (i.e. U-Haul) to ask for an exemption and correct their unintended inclusion, because Alaskan residents should not be taxed to move their belongings. This was passed into law and the exemption was granted. These two Bills asking for changes and exemptions should be proof and verification to the current Transportation Committee and Alaska legislature that a few rental markets were not evaluated upon implementation of the Vehicle Rental Tax in 2003.

We believe that if the Transportation Committee and the Alaska legislature had been aware of our motorcycle rental businesses in 2003, they would have addressed the issue that motorcycles are not "passenger vehicles" and not left this to open interpretation by the Department of Revenue.

The unintended consequence of the excessive Vehicle Rental Tax is that our customers choose to rent the motorcycle(s) for fewer days to cover or reduce their rental tax. Or they choose not to visit Alaska at all! When we have fewer rental days, we need fewer employees, we buy fewer lattes and we spend fewer dollars in other Alaskan businesses. This hurts all of the small, locally owned businesses that are so vital to our Alaskan economy. A simple estimate for the gross receipts for all of the motorcycle rental companies would be approximately $500,000 for the summer of 2011. This would be only $50,000 in the Alaska State coffers - a very, very small amount of money! However, a very large amount of money when collected from a very small number of Alaskan tourists!

Thank you for your heartfelt consideration of passing into law HB 62 and SB 19. Please contact me if you need further information or have any questions.

Kind regards,
Nancy and Keith Hull
Owners, Alaska Motorcycle Adventures
(907) 376-4513

information@rentalaska.com
www.rentalaska.com

The House of Harley-Davidson 4334 Spenard Road Anchorage Alaska 99517

February 1, 2011

Senator Hollis French
State Senate
State of Alaska

Dear Senator French,

Thank you for introducing SB19 to exclude motorcycles from the passenger vehicle rental tax law. As we discussed before, I believe the law was originally written without the consideration of motorcycle rentals. However, as it is written, it does not specifically exclude them.

We are going into our third year as a Harley-Davidson motorcycle rental operator in Alaska. Like most other things, it is "different in Alaska". We have only three months in which we take care of 90% of our rental customers. To do so, we need to maintain a fleet of 12 to 15 new Harley-Davidson motorcycles. Just to break even, we have to charge twice as much or more as rental dealers in the lower 48. When you consider depreciation, it is easy to see this is not a very lucrative part of our business.

There is a lot of demand for this rental program in Alaska. The biggest complaint of course, is the price, and we do lose a lot of potential rental days each season because of it. We had over 200 rental customers in 2010 – most from the lower 48. The motorcycle rental customers spend more time and money while traveling in Alaska than those who rent cars or motor homes. They are likely to stop more often and spend more nights in hotel/motel rooms and restaurants throughout the state.

We add two seasonal employees for 6-months each summer to maintain our rental business. We also incur additional payroll expenses for our core employees to get the bikes ready, ridden for 500 miles and serviced in time for the start of the season. We are just now being invoiced for and receiving our new fleet for the 2011 season. Of course, the interest charges start immediately.

Because of customer requests and the desire of the Harley-Davidson Motor Company to have a rental operator in Alaska, we have agreed to continue with the program. However, if we incur additional expenses, we will have to consider giving it up.

Thank you for your time and support.

Sincerely,
Barry Matteson
Owner

SB

23

<TARGET><BILL>SB 23</BILL><SUBJECT>SB
23</SUBJECT><COMM>SFIN27</COMM></TARGET>

Adopted
4.4.11

27-LS0252\S
Bullock
4/1/11

CS FOR SENATE BILL NO. 23(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS ELLIS, McGuire, French, Davis

A BILL

FOR AN ACT ENTITLED

"An Act relating to transferable film production tax credits and film production tax credit certificates; requiring the legislative audit division to audit the Alaska film production incentive program; and providing for an effective date by amending the effective dates of secs. 3 and 4, ch. 63, SLA 2008."

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

* **Section 1.** AS 24.20.271 is amended to read:

Sec. 24.20.271. Powers and duties. The legislative audit division shall

(1) conduct a performance post-audit of boards and commissions designated in AS 44.66.010 and of those programs and activities of agencies subject to termination as determined in the manner set out in AS 44.66.020 and 44.66.030, and make the audit, together with a written report, available to the legislature not later than the first day of the regular session of the legislature convening in each year set out with reference to boards, commissions, or agency programs whose activities are subject to termination as prescribed in AS 44.66; the division shall notify the

legislature that the audit and report are available;

(2) audit at least once every three years the books and accounts of all custodians of public funds and all disbursing officers of the state;

(3) at the direction of the Legislative Budget and Audit Committee, conduct performance post-audits on any agency of state government;

(4) cooperate with state agencies by offering advice and assistance as requested in establishing or improving the accounting systems used by state agencies;

(5) require the assistance and cooperation of all state officials and other state employees in the inspection, examination, and audit of state agency books and accounts;

(6) have access at all times to the books, accounts, reports, or other records, whether confidential or not, of every state agency;

(7) ascertain, as necessary for audit verification, the amount of agency funds on deposit in any bank as shown on the books of the bank; no bank may be held liable for making information required under this paragraph available to the legislative audit division;

(8) complete studies and prepare reports, memoranda, or other materials as directed by the Legislative Budget and Audit Committee;

(9) have direct access to any information related to the management of the University of Alaska and have the same right of access as exists with respect to every other state agency;

(10) conduct an audit every two years of information found in the annual reports required under AS 42.05.211 and AS 42.06.220 regarding compliance by the Regulatory Commission of Alaska with the requirements of AS 42.05.175(a) - (e) and of the timeline extensions made by the commission under AS 42.05.175(f), and of other performance measures adopted by the commission;

(11) conduct audits of the Alaska film production incentive program (AS 44.33.231 - 44.33.239) for the periods September 2, 2008, through June 30, 2013; July 1, 2013, through June 30, 2018; and July 1, 2018, through June 30, 2023.

*** Sec. 2.** AS 43.98.030(a) is amended to read:

(a) In cooperation with the film office in the Department of Commerce, Community, and Economic Development, the department shall provide a transferable film production tax credit **certificate** to a producer, as defined in AS 44.33.239, for qualified production expenditures under AS 44.33.231 - 44.33.239.

*** Sec. 3.** AS 43.98.030(b) is amended to read:

(b) A tax credit **certificate** provided under (a) of this section may be sold, assigned, exchanged, conveyed, or otherwise transferred in whole or in part.

*** Sec. 4.** AS 43.98.030(c) is amended to read:

(c) A taxpayer acquiring a transferable **tax** credit **certificate** may use the credit or a portion of the credit to offset taxes imposed under AS 43.20 (Alaska Net Income Tax Act). **Except as provided in (e) of this section, any** [ANY] portion of the credit not used may be used at a later period or transferred under (b) of this section.

*** Sec. 5.** AS 43.98.030(e) is amended to read:

(e) A **transferable film production tax** credit **certificate** provided under (a) of this section, whether sold, assigned, exchanged, conveyed, or otherwise transferred, in whole or in part, must be used within **six** [THREE] years after being provided by the department.

*** Sec. 6.** AS 43.98.030(f) is amended to read:

(f) The **amount** [NUMBER] of tax credits provided [IN THE AGGREGATE] under this section may not exceed

(1) $100,000,000 **before July 1, 2018;**

(2) $200,000,000 in the aggregate.

*** Sec. 7.** AS 43.98.030 is amended by adding new subsections to read:

(g) The total amount of tax credits for a single production may not exceed 44 percent of the qualified production expenditures.

(h) A person acquiring two or more film production tax credit certificates provided under (a) of this section may combine the unused amounts of the credits for sale, assignment, exchange, conveyance, or other transfer. At the request of a person holding a film production tax credit, the department shall replace a certificate that represents the full amount of tax credit available with multiple certificates that each

represent a portion of the total tax credit available for the purpose of sale, assignment, exchange, conveyance, or other transfer under this subsection, or, on request, shall provide one tax credit certificate that represents the combined value of multiple tax credit certificates. A tax credit certificate provided by the department under this subsection must state the expiration date and the amount of each credit that is included in the certificate. Combining or splitting unused amounts of credits under this subsection does not change or extend the time period in which each credit that is included in the combination or split must be used.

*** Sec. 8.** AS 44.33.231(b) is amended to read:

(b) The film office shall make available to the legislature, within 30 days after the start of each regular session, a report of the activities conducted by the film office under AS 43.33.231 - 43.33.239. The report must include

(1) the number of applications received under AS 44.33.234;

(2) the number of applications approved by the film office; [AND]

(3) the number of, and amount of, tax credits disbursed under AS 44.33.232**; and**

(4) the total amount of qualified expenditures that were paid by productions qualifying for the film production tax credit to Alaska

(A) businesses; and

(B) residents as wages.

*** Sec. 9.** AS 44.33.231 is amended by adding a new subsection to read:

(d) The film office shall design a logo that represents the film office and must be included in a film qualifying for a film production tax credit under AS 44.33.231 - 44.33.239.

*** Sec. 10.** AS 44.33.233(a) is amended to read:

(a) A film production is eligible for a tax credit under AS 43.98.030, if the

(1) producer has $100,000 or more in qualified expenditures in a consecutive **36-month** [24-MONTH] period under AS 44.33.236;

(2) film office determines that the production is not contrary to the best interests of the state; and

(3) production is approved by the film office.

* **Sec. 11.** AS 44.33.233(b) is amended to read:

(b) In determining under (a) of this section whether a production is not contrary to the best interests of the state, the film office may consider

[(1)] the effect of the production on

(1) both the immediate and long-term prospects for the film industry in Alaska;

(2) [THE EFFECT OF THE PRODUCTION ON] the employment of Alaska residents; [AND]

(3) [THE EFFECT OF THE PRODUCTION ON] the economy of the state**; and**

(4) natural resource development in the state.

* **Sec. 12.** AS 44.33.234 is amended by adding a new subsection to read:

(c) Information submitted in an application under (a) of this section is confidential and is not subject to inspection or copying under AS 40.25.110 - 40.25.125.

* **Sec. 13.** AS 44.33.235(a) is amended to read:

(a) Subject to AS 43.98.030(f) **and (i) of this section**, the film office, in cooperation with the Department of Revenue, shall determine the amount of the tax credit under AS 43.98.030 available to a producer who has obtained a notice of qualification under AS 43.33.234(b), based on the qualified expenditures of the production under AS 44.33.236.

* **Sec. 14.** AS 44.33.235(b) is amended to read:

(b) The base amount of a tax credit awarded under this section is equal to 30 percent of the qualified expenditures of **a** [THE] production **other than a nonfiction production produced for television and 20 percent of the qualified expenditures for a nonfiction production produced for television**.

* **Sec. 15.** AS 44.33.235(c) is amended to read:

(c) In determining the amount of the tax credit, the **applicable** percentage provided by (b) of this section shall be increased by the film office based on the following criteria:

(1) an additional 10 percent of qualified expenditures that are wages

paid to Alaska residents;

(2) an additional **six** [TWO] percent of qualified expenditures made in a rural area; and

(3) an additional two percent of qualified expenditures made in the state between October 1 and March 30.

*** Sec. 16.** AS 44.33.235(d) is amended to read:

(d) After completion of the production, the producer shall provide the film office with a production cost report detailing the qualified expenditures of the production, with verification by an independent certified public accountant approved by the film office that the costs claimed in the report are qualified expenditures under AS 44.33.236 **and that there is no outstanding balance for a qualified expenditure that is due to a person in the state**.

*** Sec. 17.** AS 44.33.235 is amended by adding new subsections to read:

(i) To qualify for the tax credit under AS 43.98.030, a producer shall include,

(1) in the end credits of each qualified film, the film office logo designed under AS 44.33.231(d) and the words, "Filmed in Alaska with the Support of the State of Alaska and the Film Office, Alaska Department of Commerce, Community, and Economic Development"; or

(2) on each DVD or other media produced for distribution, a short Alaska promotional video or advertisement approved by the film office.

(j) The Department of Revenue may not provide a tax credit certificate under AS 43.98.030 to a producer that fails to meet the requirements in (i) of this section.

*** Sec. 18.** AS 44.33.236(a) is amended to read:

(a) Expenditures made by a production company in connection with a film production approved by the film office that shall be considered qualified expenditures must be directly related to the production and be incurred in the state. Only expenditures that are ordinary, reasonable, and not in excess of fair market value and that are for real or tangible property, fees, services, or state or municipal taxes shall be considered. Expenditures may include

(1) costs of set construction and operation;

(2) costs of wardrobes, make-up, accessories, and related services;

(3) costs associated with photography and sound synchronization;

(4) costs of lighting and related services and materials;

(5) costs of editing and related services;

(6) rental of facilities and equipment;

(7) leasing of vehicles;

(8) costs of food and lodging;

(9) costs of digital or tape editing, film processing, transfer of film to tape or digital format, **transfer of digital media to film or tape,** sound mixing, and special and visual effects;

(10) the total aggregate payroll for services performed in Alaska, including all salaries, wages, compensation, and related benefits provided to producers, directors, writers, actors, and other personnel that are directly attributable to services performed in Alaska;

(11) the costs of the use of an Alaska business for processing qualified payroll and related expenditures;

(12) costs of music, if performed, composed, or recorded by an Alaska musician, or released or published by an Alaska business;

(13) costs of intrastate travel, if provided by an Alaska business;

(14) costs relating to the design, construction, improvement, or repair of a film, video, television, or digital production or postproduction facility or related property, infrastructure, or equipment, except commercial exhibition facilities, as determined by the film office;

(15) costs of state or municipal taxes levied in Alaska on the lease or rental of passenger or recreational vehicles or the rental of rooms or other lodging; or

(16) other similar production expenditures as determined by the film office in cooperation with the Department of Revenue.

* **Sec. 19.** AS 44.33.239(7) is amended to read:

(7) "rural area" means a community with a population of 1,500 or less or a community with a population of **10,000** [5,500] or less that is not connected by road or rail to Anchorage or Fairbanks.

* **Sec. 20.** The uncodified law of the state of Alaska enacted in sec. 5(a), ch. 63, SLA 2008,

is amended to read:

(a) Subject to AS 43.98.030(f), enacted by sec. 1**, ch. 63, SLA 2008** [OF THIS ACT], secs. 3 and 7**, ch. 63, SLA 2008,** [OF THIS ACT] do not prevent the film office from determining a film production's qualified expenditures, awarding a tax credit, or reviewing a tax credit under the provisions repealed by secs. 3 and 4**, ch. 63, SLA 2008,** [OF THIS ACT] to a film production that has received a notice of qualification under AS 44.33.234(b), enacted by sec. 2**, ch. 63, SLA 2008** [OF THIS ACT], before **July 1, 2023** [JULY 1, 2013].

* **Sec. 21.** The uncodified law of the state of Alaska enacted in sec. 6, ch. 63, SLA 2008, is amended to read:

Sec. 6. NOTIFICATION. When the **amount** [NUMBER] of tax credits provided under AS 43.98.030(f), enacted by sec. 1**, ch. 63, SLA 2008** [OF THIS ACT], in the aggregate and the estimated amount of tax credits that could be claimed based on notices of qualification issued by the film office under AS 44.33.234(b), together equal **$200,000,000** [$100,000,000], the commissioner shall notify the presiding officers of each house of the legislature and the revisor of statutes in writing.

* **Sec. 22.** Section 7, ch. 63, SLA 2008, is amended to read:

Sec. 7. Section 3**, ch. 63, SLA 2008,** [OF THIS ACT] takes effect on the earlier of the following:

(1) July 1, **2023** [2013]; or

(2) the date of the commissioner of revenue's notification to the presiding officers of each house of the legislature and to the revisor of statutes under sec. 6**, ch. 63, SLA 2008** [OF THIS ACT].

* **Sec. 23.** Section 8, ch. 63, SLA 2008, is amended to read:

Sec. 8. Section 4 of this Act takes effect on the earlier of the following:

(1) July 1, **2024** [2014]; or

(2) one year after the date of the commissioner of revenue's notification to the legislature and to the revisor of statutes under sec. 6**, ch. 63, SLA 2008** [OF THIS ACT].

SENATE FINANCE COMMITTEE REPORT

DATE: 2/23/11

FURTHER:

DATE TURNED IN TO OFFICE: 4.4.11

Finance Committee considered SENATE BILL NO. 23

SB 23-FILM PRODUCTION TAX CREDIT

"An Act relating to transferable film production tax credits; and providing for an effective date by amending the effective dates of secs. 3 and 4, ch. 63, SLA 2008."

and recommends:

[✓] be **replaced** with **CS** SB 23 (FIN) *[ ] Same Title [✓] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
REV		✓		1
CED			✓	2

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	Egan	✓			
	McGuire	✓			
	Olson	✓			
	Ellis	✓			
CO-CHAIR:					
CO-CHAIR:					

CS FOR SENATE BILL NO. 23(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS ELLIS, McGuire, French, Davis

A BILL

FOR AN ACT ENTITLED

"An Act relating to transferable film production tax credits and film production tax credit certificates; requiring the legislative audit division to audit the Alaska film production incentive program; and providing for an effective date by amending the effective dates of secs. 3 and 4, ch. 63, SLA 2008."

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

*** Section 1.** AS 24.20.271 is amended to read:

Sec. 24.20.271. Powers and duties. The legislative audit division shall

(1) conduct a performance post-audit of boards and commissions designated in AS 44.66.010 and of those programs and activities of agencies subject to termination as determined in the manner set out in AS 44.66.020 and 44.66.030, and make the audit, together with a written report, available to the legislature not later than the first day of the regular session of the legislature convening in each year set out with reference to boards, commissions, or agency programs whose activities are subject to termination as prescribed in AS 44.66; the division shall notify the

New Text Underlined [DELETED TEXT BRACKETED]

legislature that the audit and report are available;

(2) audit at least once every three years the books and accounts of all custodians of public funds and all disbursing officers of the state;

(3) at the direction of the Legislative Budget and Audit Committee, conduct performance post-audits on any agency of state government;

(4) cooperate with state agencies by offering advice and assistance as requested in establishing or improving the accounting systems used by state agencies;

(5) require the assistance and cooperation of all state officials and other state employees in the inspection, examination, and audit of state agency books and accounts;

(6) have access at all times to the books, accounts, reports, or other records, whether confidential or not, of every state agency;

(7) ascertain, as necessary for audit verification, the amount of agency funds on deposit in any bank as shown on the books of the bank; no bank may be held liable for making information required under this paragraph available to the legislative audit division;

(8) complete studies and prepare reports, memoranda, or other materials as directed by the Legislative Budget and Audit Committee;

(9) have direct access to any information related to the management of the University of Alaska and have the same right of access as exists with respect to every other state agency;

(10) conduct an audit every two years of information found in the annual reports required under AS 42.05.211 and AS 42.06.220 regarding compliance by the Regulatory Commission of Alaska with the requirements of AS 42.05.175(a) - (e) and of the timeline extensions made by the commission under AS 42.05.175(f), and of other performance measures adopted by the commission;

(11) conduct audits of the Alaska film production incentive program (AS 44.33.231 - 44.33.239) for the periods September 2, 2008, through June 30, 2013; July 1, 2013, through June 30, 2018; and July 1, 2018, through June 30, 2023.

* **Sec. 2.** AS 43.98.030(a) is amended to read:

(a) In cooperation with the film office in the Department of Commerce, Community, and Economic Development, the department shall provide a transferable film production tax credit **certificate** to a producer, as defined in AS 44.33.239, for qualified production expenditures under AS 44.33.231 - 44.33.239.

*** Sec. 3.** AS 43.98.030(b) is amended to read:

(b) A tax credit **certificate** provided under (a) of this section may be sold, assigned, exchanged, conveyed, or otherwise transferred in whole or in part.

*** Sec. 4.** AS 43.98.030(c) is amended to read:

(c) A taxpayer acquiring a transferable **tax** credit **certificate** may use the credit or a portion of the credit to offset taxes imposed under AS 43.20 (Alaska Net Income Tax Act). **Except as provided in (e) of this section, any** [ANY] portion of the credit not used may be used at a later period or transferred under (b) of this section.

*** Sec. 5.** AS 43.98.030(e) is amended to read:

(e) A **transferable film production tax** credit **certificate** provided under (a) of this section, whether sold, assigned, exchanged, conveyed, or otherwise transferred, in whole or in part, must be used within **six** [THREE] years after being provided by the department.

*** Sec. 6.** AS 43.98.030(f) is amended to read:

(f) The **amount** [NUMBER] of tax credits provided [IN THE AGGREGATE] under this section may not exceed

(1) $100,000,000 **before July 1, 2018;**

(2) $200,000,000 in the aggregate.

*** Sec. 7.** AS 43.98.030 is amended by adding new subsections to read:

(g) The total amount of tax credits for a single production may not exceed 44 percent of the qualified production expenditures.

(h) A person acquiring two or more film production tax credit certificates provided under (a) of this section may combine the unused amounts of the credits for sale, assignment, exchange, conveyance, or other transfer. At the request of a person holding a film production tax credit, the department shall replace a certificate that represents the full amount of tax credit available with multiple certificates that each

represent a portion of the total tax credit available for the purpose of sale, assignment, exchange, conveyance, or other transfer under this subsection, or, on request, shall provide one tax credit certificate that represents the combined value of multiple tax credit certificates. A tax credit certificate provided by the department under this subsection must state the expiration date and the amount of each credit that is included in the certificate. Combining or splitting unused amounts of credits under this subsection does not change or extend the time period in which each credit that is included in the combination or split must be used.

*** Sec. 8.** AS 44.33.231(b) is amended to read:

(b) The film office shall make available to the legislature, within 30 days after the start of each regular session, a report of the activities conducted by the film office under AS 43.33.231 - 43.33.239. The report must include

(1) the number of applications received under AS 44.33.234;

(2) the number of applications approved by the film office; [AND]

(3) the number of, and amount of, tax credits disbursed under AS 44.33.232**; and**

(4) the total amount of qualified expenditures that were paid by productions qualifying for the film production tax credit to Alaska

(A) businesses; and

(B) residents as wages.

*** Sec. 9.** AS 44.33.231 is amended by adding a new subsection to read:

(d) The film office shall design a logo that represents the film office and must be included in a film qualifying for a film production tax credit under AS 44.33.231 - 44.33.239.

*** Sec. 10.** AS 44.33.233(a) is amended to read:

(a) A film production is eligible for a tax credit under AS 43.98.030, if the

(1) producer has $100,000 or more in qualified expenditures in a consecutive **36-month** [24-MONTH] period under AS 44.33.236;

(2) film office determines that the production is not contrary to the best interests of the state; and

(3) production is approved by the film office.

* **Sec. 11.** AS 44.33.233(b) is amended to read:

(b) In determining under (a) of this section whether a production is not contrary to the best interests of the state, the film office may consider

[(1)] the effect of the production on

(1) both the immediate and long-term prospects for the film industry in Alaska;

(2) [THE EFFECT OF THE PRODUCTION ON] the employment of Alaska residents; [AND]

(3) [THE EFFECT OF THE PRODUCTION ON] the economy of the state**; and**

(4) natural resource development in the state.

* **Sec. 12.** AS 44.33.234 is amended by adding a new subsection to read:

(c) Information submitted in an application under (a) of this section is confidential and is not subject to inspection or copying under AS 40.25.110 - 40.25.125.

* **Sec. 13.** AS 44.33.235(a) is amended to read:

(a) Subject to AS 43.98.030(f) **and (i) of this section**, the film office, in cooperation with the Department of Revenue, shall determine the amount of the tax credit under AS 43.98.030 available to a producer who has obtained a notice of qualification under AS 43.33.234(b), based on the qualified expenditures of the production under AS 44.33.236.

* **Sec. 14.** AS 44.33.235(b) is amended to read:

(b) The base amount of a tax credit awarded under this section is equal to 30 percent of the qualified expenditures of **a** [THE] production **other than a nonfiction production produced for television and 20 percent of the qualified expenditures for a nonfiction production produced for television**.

* **Sec. 15.** AS 44.33.235(c) is amended to read:

(c) In determining the amount of the tax credit, the **applicable** percentage provided by (b) of this section shall be increased by the film office based on the following criteria:

(1) an additional 10 percent of qualified expenditures that are wages

paid to Alaska residents;

(2) an additional **six** [TWO] percent of qualified expenditures made in a rural area; and

(3) an additional two percent of qualified expenditures made in the state between October 1 and March 30.

*** Sec. 16.** AS 44.33.235(d) is amended to read:

(d) After completion of the production, the producer shall provide the film office with a production cost report detailing the qualified expenditures of the production, with verification by an independent certified public accountant approved by the film office that the costs claimed in the report are qualified expenditures under AS 44.33.236 **and that there is no outstanding balance for a qualified expenditure that is due to a person in the state**.

*** Sec. 17.** AS 44.33.235 is amended by adding new subsections to read:

(i) To qualify for the tax credit under AS 43.98.030, a producer shall include,

(1) in the end credits of each qualified film, the film office logo designed under AS 44.33.231(d) and the words, "Filmed in Alaska with the Support of the State of Alaska and the Film Office, Alaska Department of Commerce, Community, and Economic Development"; or

(2) on each DVD or other media produced for distribution, a short Alaska promotional video or advertisement approved by the film office.

(j) The Department of Revenue may not provide a tax credit certificate under AS 43.98.030 to a producer that fails to meet the requirements in (i) of this section.

*** Sec. 18.** AS 44.33.236(a) is amended to read:

(a) Expenditures made by a production company in connection with a film production approved by the film office that shall be considered qualified expenditures must be directly related to the production and be incurred in the state. Only expenditures that are ordinary, reasonable, and not in excess of fair market value and that are for real or tangible property, fees, services, or state or municipal taxes shall be considered. Expenditures may include

(1) costs of set construction and operation;

(2) costs of wardrobes, make-up, accessories, and related services;

(3) costs associated with photography and sound synchronization;

(4) costs of lighting and related services and materials;

(5) costs of editing and related services;

(6) rental of facilities and equipment;

(7) leasing of vehicles;

(8) costs of food and lodging;

(9) costs of digital or tape editing, film processing, transfer of film to tape or digital format, **transfer of digital media to film or tape,** sound mixing, and special and visual effects;

(10) the total aggregate payroll for services performed in Alaska, including all salaries, wages, compensation, and related benefits provided to producers, directors, writers, actors, and other personnel that are directly attributable to services performed in Alaska;

(11) the costs of the use of an Alaska business for processing qualified payroll and related expenditures;

(12) costs of music, if performed, composed, or recorded by an Alaska musician, or released or published by an Alaska business;

(13) costs of intrastate travel, if provided by an Alaska business;

(14) costs relating to the design, construction, improvement, or repair of a film, video, television, or digital production or postproduction facility or related property, infrastructure, or equipment, except commercial exhibition facilities, as determined by the film office;

(15) costs of state or municipal taxes levied in Alaska on the lease or rental of passenger or recreational vehicles or the rental of rooms or other lodging; or

(16) other similar production expenditures as determined by the film office in cooperation with the Department of Revenue.

*** Sec. 19.** AS 44.33.239(7) is amended to read:

(7) "rural area" means a community with a population of 1,500 or less or a community with a population of **10,000** [5,500] or less that is not connected by road or rail to Anchorage or Fairbanks.

*** Sec. 20.** The uncodified law of the state of Alaska enacted in sec. 5(a), ch. 63, SLA 2008,

is amended to read:

(a) Subject to AS 43.98.030(f), enacted by sec. 1**, ch. 63, SLA 2008** [OF THIS ACT], secs. 3 and 7**, ch. 63, SLA 2008,** [OF THIS ACT] do not prevent the film office from determining a film production's qualified expenditures, awarding a tax credit, or reviewing a tax credit under the provisions repealed by secs. 3 and 4**, ch. 63, SLA 2008,** [OF THIS ACT] to a film production that has received a notice of qualification under AS 44.33.234(b), enacted by sec. 2**, ch. 63, SLA 2008** [OF THIS ACT], before **July 1, 2023** [JULY 1, 2013].

*** Sec. 21.** The uncodified law of the state of Alaska enacted in sec. 6, ch. 63, SLA 2008, is amended to read:

Sec. 6. NOTIFICATION. When the **amount** [NUMBER] of tax credits provided under AS 43.98.030(f), enacted by sec. 1**, ch. 63, SLA 2008** [OF THIS ACT], in the aggregate and the estimated amount of tax credits that could be claimed based on notices of qualification issued by the film office under AS 44.33.234(b), together equal **$200,000,000** [$100,000,000], the commissioner shall notify the presiding officers of each house of the legislature and the revisor of statutes in writing.

*** Sec. 22.** Section 7, ch. 63, SLA 2008, is amended to read:

Sec. 7. Section 3**, ch. 63, SLA 2008,** [OF THIS ACT] takes effect on the earlier of the following:

(1) July 1, **2023** [2013]; or

(2) the date of the commissioner of revenue's notification to the presiding officers of each house of the legislature and to the revisor of statutes under sec. 6**, ch. 63, SLA 2008** [OF THIS ACT].

*** Sec. 23.** Section 8, ch. 63, SLA 2008, is amended to read:

Sec. 8. Section 4 of this Act takes effect on the earlier of the following:

(1) July 1, **2024** [2014]; or

(2) one year after the date of the commissioner of revenue's notification to the legislature and to the revisor of statutes under sec. 6**, ch. 63, SLA 2008** [OF THIS ACT].

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 23
(S) Publish Date: 2/23/11

Identifier (file name): SB23-DOR-TAX-02-12-11
Title: Film Production Tax Credit
Sponsor: Senator Ellis
Requester: Senate Labor and Commerce

Dept. Affected: Revenue
Appropriation: Treasury and Taxation
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES		**0.0**	**0.0**	***	***	***	***

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

first version of fiscal note

Prepared by: Johanna Bales, Deputy Director
Division: Tax Division
Approved by: Ginger Blaisdell, Director Administrative Services Division
Department of Revenue

Phone: (907) 269-6628
Date/Time: 02-05-11; 9:04am
Date: 02-12-11; 8:42am

(Revised 1/27/2011 OMB)

FISCAL NOTE #1

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 23

Analysis

Bill Language:
This bill extends the current film production tax credit, which will expire effective July 1, 2013, to June 30, 2023. Under current law, the film production tax credit expires the earlier of July 1, 2013 or when total credits issued by the Film Office exceed $100,000,000 in the aggregate. This bill limits the total amount of credits allowed to be awarded to $100,000,000 before July 1, 2018 and an additional $100,000,000 before July 1, 2023 with total aggregate credits limited to $200,000,000.

Revenues:
This bill increases the total film production tax credit from $100,000,000 to $200,000,000 and extends the current film credit program another 10 years to June 30, 2023. The current program is set to expire July 1, 2013. It is difficult to determine the total affect on state revenues as a result of this bill. However, due to the limitations established in the bill, total decrease in corporate income tax revenue cannot exceed $100,000,000 as a result of this bill.

Expenditures:
The department can implement the provisions of the bill with existing resources.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: **SB 23**
(S) Publish Date: 2/23/11

Identifier (file name): SB023-CCED-DED-02-11-11
Title: Film Production Tax Credit
Sponsor: Senator Ellis
Requester: Senate Labor & Commerce

Dept. Affected: DCCED
Appropriation: Economic Development
Allocation: Economic Development
OMB Component Number: 801

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	0.0		0.0	0.0	0.0	0.0	0.0
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous (Fund Capitalization)							
TOTAL OPERATING	**0.0**		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES	**0.0**		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time	**0.0**		0	0	0	0	0
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by: Wanetta Ayers, Director — Phone: 269-4048
Division: Economic Development — Date/Time: 2/11/11 8:00 PM
Approved by: Susan K. Bell, Commissioner — Date: 2/11/2011
Commerce, Community and Economic Development

(Revised 1/27/2011 OMB)

FISCAL NOTE #2

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 23

Analysis

Senate Bill 23 would extend the film incentive program for 10 years. The legislation will provide an additional $100 million in tax credits for the first five years of the extension and $100 million for the final five years.
The department does not anticipate any additional operating costs as a result of this legislation.

LEGAL SERVICES

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

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

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

MEMORANDUM March 18, 2011

SUBJECT: Sectional summary for CSSB 23( ), Draft Version "X", relating to film production tax credits (Work Order No. 27-LS0252\X)

TO: Senator Johnny Ellis
Attn: Matthew Moser

FROM: Donald M. Bullock Jr.
Legislative Counsel

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

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

Section 1. Amends AS 43.98.030(a) to require the Department of Revenue to provide a certificate for a film production tax credit.

Section 2. Amends AS 43.98.030(b) to refer to the certificate provided under sec. 1 of the bill.

Section 3. Amends AS 43.98.030(c) to refer to the certificate provided under sec. 1 of the bill; adds a reference to AS 43.98.030(e) that limits the period in which the credit may be used.

Section 4. Amends AS 43.98.030(e) to refer to the certificate provided under sec. 1 of the bill; expands the period in which the credit may be used from three years to six years.

Section 5. Amends AS 43.98.030(f) to increase the total amount of film production tax credits that may be authorized.

Section 6. Adds AS 43.98.030(g) to AS 43.98.030 to authorize a person to combine film production tax credits for sale, assignment, exchange, conveyance, or other transfer. Authorizes the Department of Revenue to combine multiple tax credit certificates into a single certificate, or to divide a single tax credit certificate into multiple tax credit certificates. States that combining or splitting the tax credits does not change the period during which the credits must be used.

Section 7. Amends AS 44.33.231 to require the film office to design a logo that represents the film office, which is to be included in a film qualifying for the film production tax credit.

Section 8. Amends AS 44.33.233(a) to allow qualified expenditures to be incurred during a 36-month period rather than the current 24-month period.

Section 9. Adds AS 44.33.234(c) to AS 44.33.234 to make information on the application for a film production tax credit confidential.

Section 10. Amends AS 44.33.235(a) by adding a reference to AS 44.33.235(i) that is added by sec. 11 of the bill.

Section 11. Adds AS 44.33.235(i) to AS 44.33.235 to require that the film office logo and special film office acknowledgement text must be included in a qualified film, or that a short Alaska promotional video or advertisement must be included in a DVD or other media produced for distribution.

Section 12. Amends AS 44.33.236(a) by adding the cost of transferring digital media to film or tape as a qualified expenditure.

Section 13. Amends uncodified law to authorize the film office to determine a film production's qualified expenditures, award a tax credit, or review a tax credit that has been provided to a film production that has received a notice of qualification under AS 44.33.234(b) before July 1, 2023.

Section 14. Amends uncodified law that requires the commissioner of revenue to notify the presiding officers of each house of the legislature and the revisor of statutes in writing when the amount of tax credits provided under AS 43.98.030(f) and the estimated amount of tax credits that can be claimed, based on notices of qualification issued under AS 44.33.234(b), together equal $200,000,000.

Section 15. Amends uncodified law to extend the sunset date for the transferable film tax credit program to July 1, 2023, unless the amount of tax credits awarded under the program has reached the maximum amount of $200,000,000 before that time.

Section 16. Amends uncodified law to extend the period in which the film office, in cooperation with the Department of Revenue, may review, audit, and bring legal proceedings to recover any amount of a tax credit issued under AS 44.33.235.

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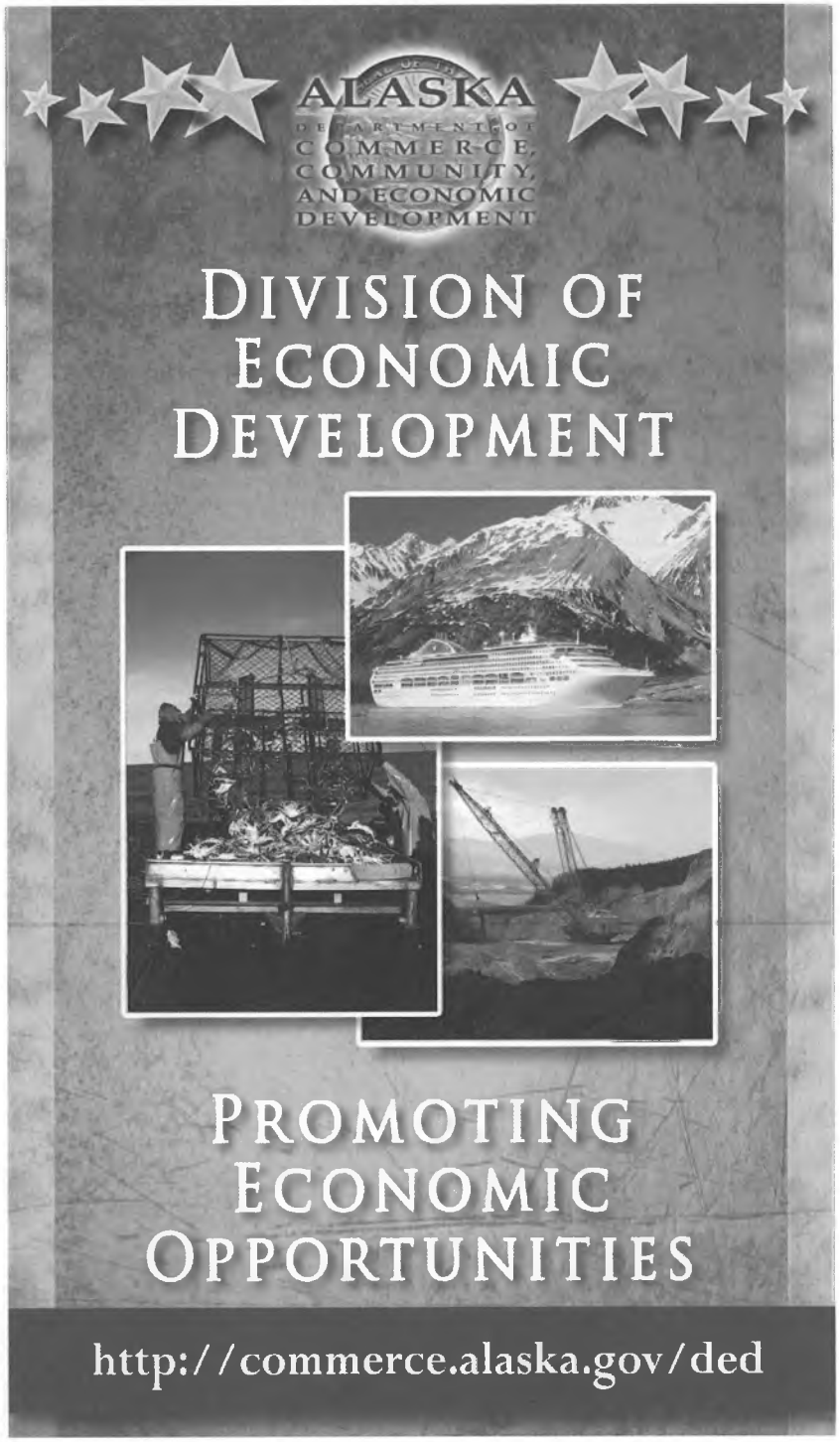

ALASKA

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ALASKA FILM OFFICE

PROGRAM OVERVIEW

SENATE FINANCE COMMITTEE

MONDAY, MARCH 21, 2011

Alaska Film Office

Statutory Authority:

The enabling legislation (AS 44.33.231-AS 44.33.239) instructs the Alaska Film Office to:

1. cooperate with organizations in the private sector for the expansion and development of the film production industries in the state;
2. promote Alaska as an appropriate location for film production;
3. provide production assistance through connecting film directors and makers, and producers with Alaska location scouts and contractors, including contractors providing assistance with permit applications;
4. certify Alaska film production internship training programs and promote the employment of program interns by eligible productions; and
5. in cooperation with the Department of Revenue, administer the Alaska Film Production Incentive Program.

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Alaska Film Office

Private Sector Collaboration:

- www.film.Alaska.gov
  - Incentive program information
  - Filming in Alaska
  - Buying tax credits
  - Crew, support service provider and talent listings
  - Alaska locations

- Engagement with industry organizations, trade associations, and allied groups

- Outreach through speaking engagements, targeted contacts, and fielding daily inquiries

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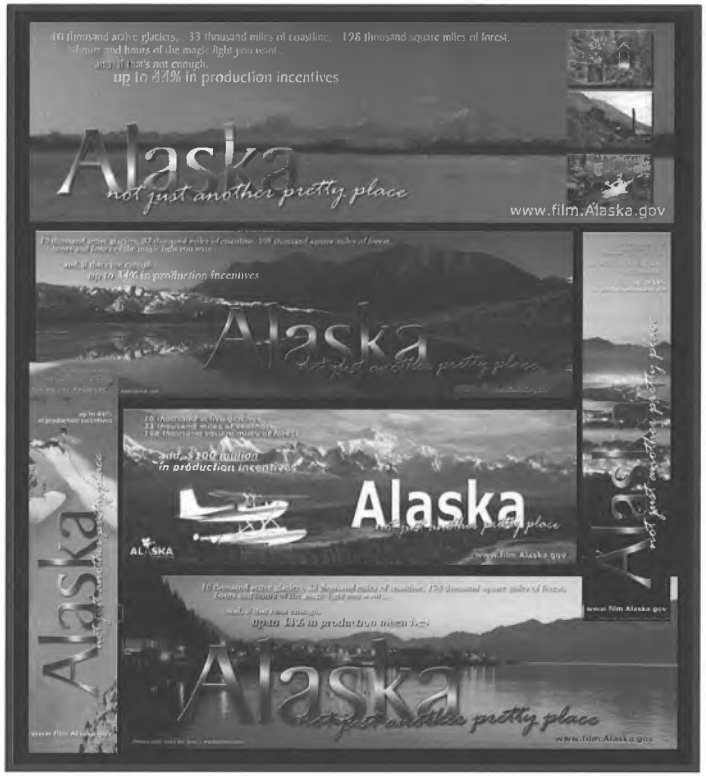
ALASKA FILM OFFICE

Promote Alaska:

- Print advertising in industry magazines and directories











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Alaska Film Office

Promote Alaska:

- www.film.alaska.gov

- Film Industry trade shows and events
  - AFCI Locations Trade Show
  - Incentives Symposium
  - American Film Market
  - Global Media Update

ALASKA FILM OFFICE

Promote Alaska:

- Program Brochure











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ALASKA FILM OFFICE

Promote Alaska:

- Program Brochure

Here is a summary of Alaska's Tax Credits:

TAX CREDIT	VALUE	REQUIREMENTS
Base Credit	30 percent	Production expenditures must be made in Alaska.
Alaska Hire	+ 10 percent	Wages paid to Alaska residents receive an additional 10 percent credit.
Seasonal	+ 2 percent	Production expenditures made between Oct. 1 and Mar. 30 receive an added 2 percent credit.
Rural Location	+ 2 percent	Production expenditures made in a rural area also receive an added 2 percent credit.
Maximum Possible Credit	**44 percent**	**Portions of a production with an Alaskan crew, filmed in rural Alaska between October and March.**

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Alaska Film Office

Provide Assistance:

AFO and DCCED Staff

- Respond to daily inquiries about filming in Alaska
- Conduct follow-up and outreach with contacts developed through advertising, trade show and other promotional activities
- Meet with producers and provide introductions to state and local contacts
- Explain the Incentive Program and assist producers with the application process
- Provide alternatives and creative solutions to production challenges
- Work with Alaskan businesses, community representatives and other stakeholders regarding prospective projects

ALASKA FILM OFFICE

Workforce Development:

The AFO is working with a variety of organizations to develop a skilled film industry workforce in Alaska:

- Dept of Labor: working to develop apprenticeships that would lead to technical careers in the film industry
- University of Alaska to provide the academic programs leading to certificates and degrees recognized by the film industry
- Private sector efforts to provide the on-the-job training
- Youth training programs
- Rural outreach efforts
- Skilled trades: provide workers with the training necessary to work in set construction, electrical/lighting and other specialized film industry jobs

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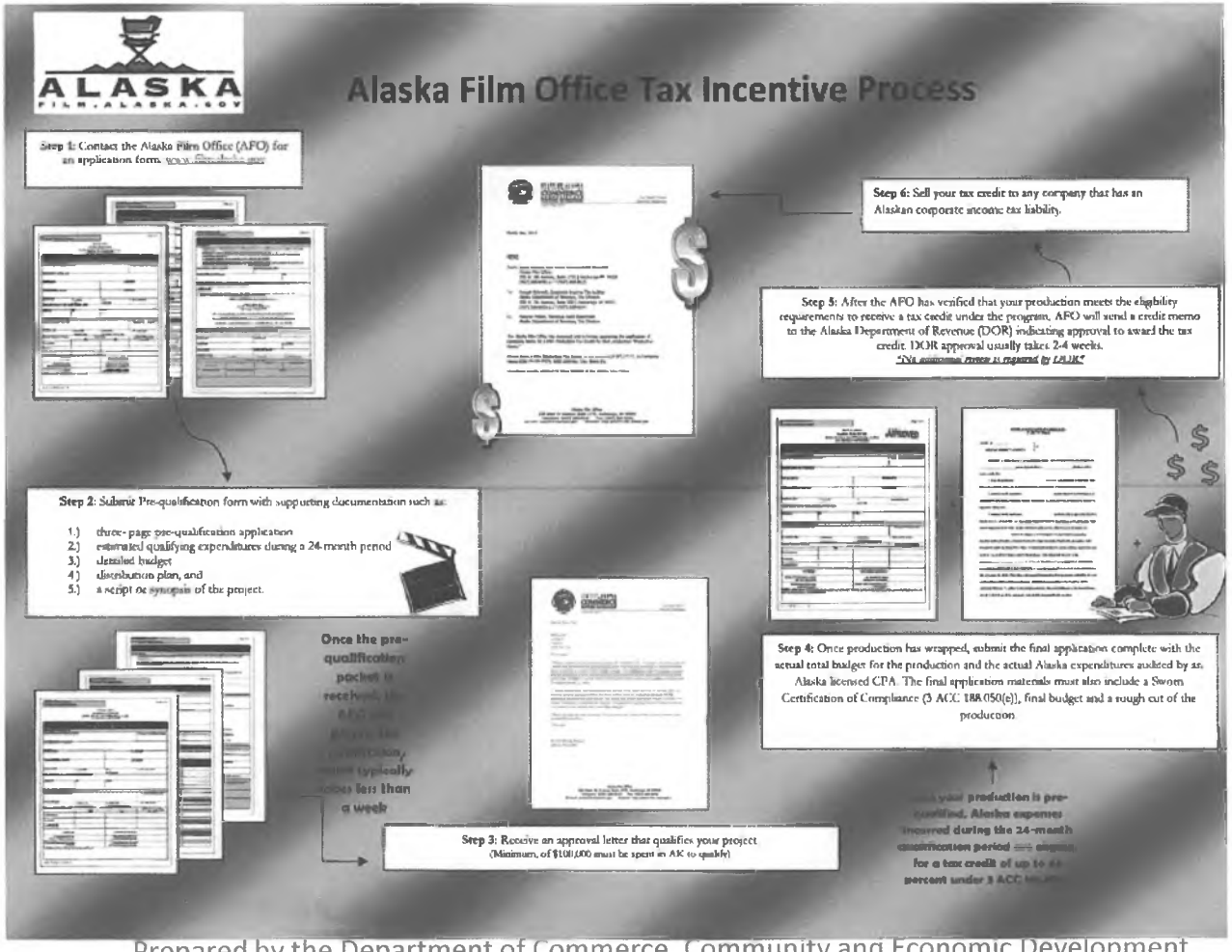
ALASKA FILM OFFICE

Co-administer the Alaska Film Production Incentive Program



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Alaska Film Office

Co-administer the Alaska Film Production Incentive Program

	FY09		FY10		FY11	
	#	$	#	$	#	$
Pre-qualifications Approved	6	$602.9	25	$28,461.7	22	$14,459.0
Tax Credit Applications	0	$0.0	4	$244.5	14	$6,025.3
Tax Credits Approved	0	$0.0	4	244.5	14	$6,025.3

Alaska Film Office

Co-administer the Alaska Film Production Incentive Program

	FY09 – FY11	
	#	$
Pre-qualifications Approved	52	$43,523,552
Tax Credit Applications	18	$6,269,830
Tax Credits Approved	18	$6,269,830

Alaska Film Office

Staffing and Budget

- Alaska Film Office Staff (1.5 FTE)
  - Dave Worrell
    Development Specialist II, Op A
  - Erin Gora
    Adminstrative Assistant II
- Additional Support
  - Curtis Thayer, DCCED Deputy Commissioner
  - Roberta Graham, Special Assistant to Commissioner Bell
  - Mark Kelsey, DCCED Communications Coordinator
  - Wanetta Ayers, DED Director

Alaska Film Office

Staffing and Budget

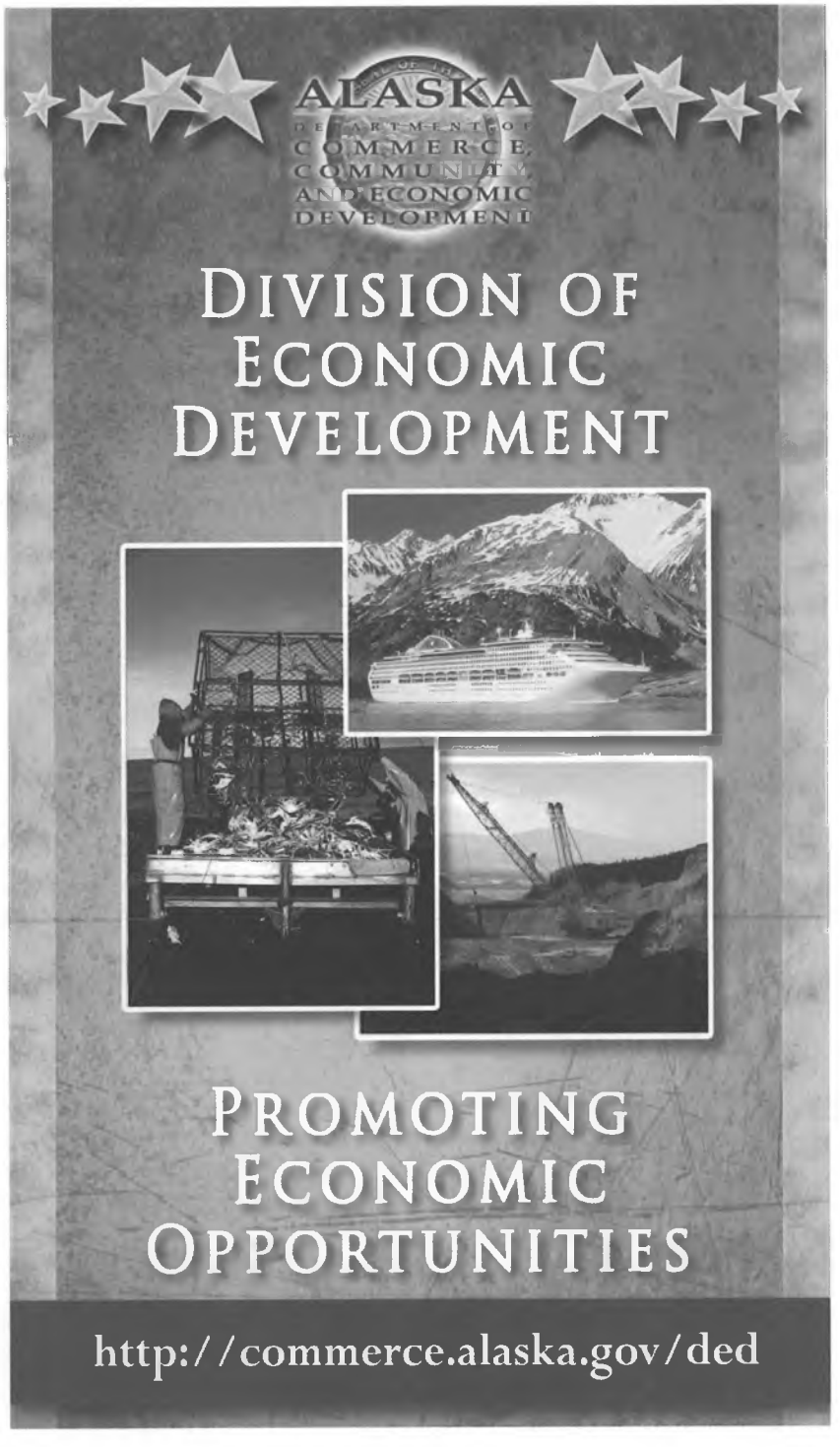
- FY11 Operating Budget

	$
Fiscal Note	$275.0
FY11 AFO Program Budget	$283.0
Additional Support Costs	Undetermined
Unallocated Overhead Costs	$27.8
TOTAL	> $310.8

Alaska Film Office

New Developments

- Increasing interest in production in Alaska
- Soundstage
- Workforce Training and Education



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ALASKA FILM OFFICE

PROGRAM OVERVIEW

SENATE FINANCE COMMITTEE

MONDAY, MARCH 21, 2011

SENATE BILL 23

Extending the Alaska Film and Television Production Tax Incentives

Senate Finance Committee

March 21, 2011

Goals of SB23 – Building on our success

- Continue the growth and success of Alaska's burgeoning film industry
- Offer a clear signal to the film and television production industry and Alaska businesses that Alaska is open for business
- Develop our workforce and train Alaskans. Productions have an economic interest in hiring and training Alaskans.




SINCE 2008
Approved Credits
18 productions have received tax credits
These productions filmed in Alaska for 910 Days and spent nearly $19 Million in Alaska
Pre-Approved Credits
28 productions are pre-qualified for incentives
If all of these productions are completed they will have an estimated Alaska spend of nearly $85 million dollars

Projected Potential Boost to Alaska's economy

$100 Million Dollars

A recent study by Ernst and Young showed for every $1 dollar the state spends on film incentives it generates $6 in economic activity.

Source: February 2011 Ernst and Young Report – Economic and fiscal impacts of the Michigan film tax credit

Since 2008- Who has Benefitted?

Wage earners

- Cast and crew
- Electricians
- Carpenters
- Truck Drivers
- Plumbers



Filming and production have taken place in 35 Alaska communities

Since 2008- Who has Benefitted?



Businesses large and small

- Construction Companies
- Air Service Providers
- Catering Companies
- Hotels
- Retailers
- Freight Companies
- Maintenance Firms
- Rental Companies
- Security Companies
- Tourism Businesses

Economic Impacts – Everybody Loves Whales

- A total of 1,300 Alaskans earned income directly related to Everybody Loves Whales
- Alaskans earned a total of $4 million in wages during the 58 day filming effort



Source: McDowell Group Report – Initial Assesment of the Impact of Everybody Loves Whales

Economic Impacts – Everybody Loves Whales

Filming of Everybody Loves Whales included spending with at least 80 different Alaska businesses

The total economic impact of filming Everybody Loves Whales was an estimated $16.5 million



Source: McDowell Group Report – Initial Assesment of the Impact of Everybody Loves Whales

Looking Ahead



- Many exciting projects on the horizon
- Train and develop an Alaska film and television workforce
- Other states are struggling

Senate bill 23 - Overview



- Simple extension
- Extends for 10 years the Alaska Film and Television Production Incentives
- Offers an additional $100 million dollars in tax incentives for each 5 year period


By Extending the incentives
• We can continue to bring new money in to our economy
• Keep our businesses busy and put Alaskans to work
• Diversify our economy and grow and develop this new and multi-million dollar business in our state

Rules Committee
•
Senate Finance Committee
•
Health & Social Services Committee
•
Community & Regional Affairs Committee
•
World Trade Special Committee
•
Committee on Committees

ALASKA STATE LEGISLATURE

While in Session
State Capitol, Rm. 119
Juneau, AK 99801
(907) 465-3704
Fax: (907) 465-2529
•
While in Anchorage
716 W. 4th Ave, Rm. 500
Anchorage, AK 99501
(907) 269-0169
Fax: (907) 269-0172

SENATOR JOHNNY ELLIS
RULES COMMITTEE CHAIR

Sponsor Statement

SB 23: Alaska Film Production Incentive Program Extension

Senate Bill 23 ensures Alaska's competitiveness with other states and countries by continuing the successful Alaska Film Production Incentive Program. Since its inception, the film incentive program has brought millions of production dollars to Alaska. Productions have also created hundreds of jobs and provided marketing and promotional opportunities for Alaskan businesses, products, and the tourism industry. The continuation of these incentives will create the economic stability required for the private sector to better plan and invest in Alaska's growing film industry infrastructure.

The law currently sunsets after five years or after $100 million in tax credits have been issued. The program offers an incentive of 30% on all qualified spending in Alaska, with an additional 10% for Alaskan hire, 2% for shooting in rural Alaska and 2% for working in the winter months. Eligible productions earn a transferrable tax credit certificate which they can sell to any company with an Alaska corporate income tax liability, offering tax relief to industries as varied as commercial fishing, mining and other business owners. Tax credits are issued only after the film production money has been spent in Alaska, the filming has been completed, and an independent CPA has verified all expenditures.

We have already seen the enormous benefits of "Everybody Loves Whales," a feature film project with an estimated $30 million production budget. On any given day of production, there were more than 100 Alaskans working both in front of and behind the camera. Over 1,000 Alaskans were employed as extras representing towns and villages across the state. Local businesses enjoyed a boost of more than 12,100 hotel nights, 8,800 car rental days and 7,900 security man-hours during what are typically the quietest months of the year.

Businesses that benefitted from this production included construction companies, towing companies, aerial charters, hardware stores, lumber yards, communication companies, landscaping, restoration companies, dumpster services and rentals, plumbing, heating, rental equipment companies, truck leasing, crane companies, paving companies, catering, cleaning, boat charters, diving companies, survey companies, engineering firms, printing, office supplies, motor-home rentals, shipping companies, airlines, hotels, and restaurants.

Although the legislation creating the film incentives passed in April of 2008, it took quite a while to get this new program up and running. The regulations took more than a year to write and implement,

and the current film office director wasn't hired until mid-2009. The first feature film project, "Everybody Loves Whales", didn't even begin filming until the fall of 2010. As has been reported recently in the press, some states with huge budget deficits have been cutting their film incentive programs. Alaska is fortunate that our finances are in good shape, and this only helps to make Alaska and our program all that more attractive to producers.

Senate Bill 23 would extend the film incentive program for 10 years. The legislation will provide an additional $100 million in tax credits for the first five years of the extension and $100 million for the final five years. Passage of Senate Bill 23 will continue to attract this new industry to Alaska. It will build on the jobs and business opportunities created by the existing film incentives and bring our state positive attention and substantial investment. It will continue to help in developing a strong and diversified economy that will entice our graduates to remain in Alaska instead of looking for jobs elsewhere.

LEGAL SERVICES

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

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

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

MEMORANDUM February 8, 2011

SUBJECT: Sectional summary (SB 23 (Work Order No. 27-LS0252\M))

TO: Senator Johnny Ellis
Attn: Matthew Moser

FROM: Alpheus Bullard
Legislative Counsel

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

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

Section 1. Doubles the amount of transferable film production tax credits that the Department of Revenue, in cooperation with the film office in the Department of Commerce, Community, and Economic Development, may provide a producer for certain qualified production expenditures. Limits the amount of credits that the Department of Revenue may provide before July 1, 2018, to $100,000,000.

Section 2. Permits a film production to be eligible for a tax credit if the producer has $100,000 or more in qualified expenditures in a consecutive 36-month period. At present, a producer must have $100,000 or more in qualified expenditures in a consecutive 24-month period.

Section 3. Makes certain information submitted to the film office by a producer confidential.

Section 4. Adds the cost of transferring digital media to film or tape to the list of expenditures that may qualify as a "qualified expenditure" in calculating a tax credit.

Section 5. Permits the film office to determine a film production's qualified expenditures, award a tax credit, or review a tax credit that has been provided to a film production that has received a notice of qualification under AS 44.33.234(b) before July 1, 2023.

Section 6. Requires the commissioner of revenue to notify the presiding officers of each house of the legislature and the revisor of statutes in writing when the amount of tax credits provided under AS 43.98.030(f) and the estimated amount of tax credits that can be claimed, based on notices of qualification issued under AS 44.33.234(b), together equal $200,000,000.

Section 7. Extends the sunset date for the transferable film tax credit program to July 1, 2023, if the amount of tax credits awarded under the program has not reached $200,000,000 before that time.

Section 8. Extends the period that the film office, in cooperation with the Department of Revenue, may review, audit, and bring legal proceedings to recover any amount of a tax credit issued under AS 44.33.235.

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Initial Assessment of

The Impact of "Everybody Loves Whales" on Alaska's Economy

Prepared for:

Anchorage Economic Development Corporation

Prepared by:

McDowell GROUP

Anchorage o Juneau

February 2011

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Executive Summary

The Anchorage Economic Development Corporation contracted with McDowell Group, an Alaska research and consulting company, to assess the economic impacts of the 2010 filming in Anchorage, Barrow, and Seward of the Universal Studios motion picture *Everybody Loves Whales.* The production, which included several well-known actors and hundreds of cast and crew, had high visibility during the months of shooting, but there is likely little understanding about the full economic impact it had on the economy and the large number of vendors whose businesses were directly affected during the two-month filming effort.

Summary of Findings

Alaska's film Industry

- Based on data provided by the Alaska Film Office, $14.9 million was spent in Alaska in FY2010 and FY2011 year-to-date on the production of feature films, documentaries, television programs, and commercials. It does not include *Everybody Loves Whales* or other production efforts this year that have not submitted spending data to the state for the state's film production tax credit.
- Filming or other production-related activities occurred in 35 Alaska communities over the past two years.

The U.S. Film Industry

- The motion picture industry's global box office revenue in 2009 totaled $29.9 billion (U.S. dollars), an increase of 7.6 percent from 2008. Approximately one-third of that amount came from the U.S. and Canada ($10.6 billion, up ten percent from 2008 and 20 percent from 2003).
- The U.S. film industry supported 2.4 million jobs and over $140 billion in total wages in 2008. This included 296,000 jobs in the core business of producing, marketing, manufacturing, and distributing motion pictures and television shows, and 453,000 jobs in related businesses including theaters, rental stores, television broadcast companies, cable companies, and online ventures.
- In 2008, there were over 95,000 businesses in total related to the film industry, which made more than $40 billion in purchases of goods ands services. The industry paid an estimated $15.7 billion in federal taxes.[1]

Film-Based Tourism

Alaska tourism marketers are attempting to capitalize on movie and television program-generated publicity by running ads during the programs featuring Alaska wildlife, scenery, and activities including fishing, kayaking, and rafting. While it is difficult to quantify the effect on visitor travel of this type of exposure, experience elsewhere in the country suggests there is potential for it to help stimulate tourism growth.

[1] *The Economic Contributions of the Motion Picture and Television Industry to the U.S. Economy,* 2009

Economic impact of Everybody Loves Whales

The total economic impact of the filming of *Everybody Loves Whales* on the Alaska economy was an estimated $16.5 million.[2] Of that amount, $6.2 million consisted of labor income (payroll and benefits). In other words, Alaska workers earned an extra $6.2 million because *Everybody Loves Whales* was filmed in the state, and the state as a whole generated $16.5 million more in output than otherwise would have been the case. Specific economic impacts include:

- A total of over 1,300 Alaskans earned income directly related to filming of *Everybody Loves Whales.* This includes 175 crew, 48 Alaska resident cast members (with speaking parts), and 1,100 extras. Based on hours worked and wages earned, the *Everybody Loves Whales* workforce translates into the annual equivalent of 110 jobs.

- Alaskans (actors, extras, and crew) earned a total of $4 million in wages during the 58-day filming effort, the equivalent of about $70,000 for each day of production in Alaska.

- Filming of *Everybody Loves Whales* included spending with at least 80 different Alaska businesses and organizations. This spending on goods and services totaled $7.7 million.

- A wide variety of businesses provided goods and services to the film production project, including hotels, rental car companies, restaurants, security firms, construction and engineering companies, realtors, boat charters, diving companies, sled dog operations, hardware stores, clothing stores, dumpster rental companies, plumbing and heating companies, caterers, grocery stores, seafood processing companies (ice), and dozens of other businesses.

- Including payroll earned by Alaska residents and purchases of goods and services from Alaska businesses, filming of *Everybody Loves Whales* directly accounted for $11.7 million in Alaska spending.

- Most of the economic impact of filming was in Anchorage, but Barrow also benefitted from the week of filming that was done there. Impacts also extended specifically to the Kenai Peninsula, as well, as a result of brief filming in Seward and the significant purchases of ice from area seafood processing companies.

- Production company spending in Alaska on goods and services, coupled with local spending of new payroll dollars generated by the film project, supported additional jobs and income throughout the Alaska economy. Including indirect and induced effects (the multiplier effect), the economic impact of filming *Everybody Loves Whales* equaled the annual-equivalent of 180 jobs and $6.2 million in labor income.

[2] These estimates are based on a preliminary analysis conducted prior to the filing of detailed financial documents required to obtain the film tax credit.

- Both the labor income and total output estimates are conservative to the extent they do not capture all of the spending by non-Alaskan cast and crew members. Spending on accommodations, transportation, and meals was captured, but incidental spending by non-resident cast and crew members while in Alaska was not. Anecdotally, at least some of the visiting cast and crew spent freely on visitor activities, entertainment, and cold-weather clothing while in Alaska.

Estimated Economic Impact of *Everybody Loves Whales*

	Direct	Indirect and Induced	Total
Employment	**110**	**70**	**180**
Labor Income	$4,000,000	$2,200,000	$6,200,000
Spending on Goods and Services	$7,700,000	$2,600,000	$10,300,000
Output	$11,700,000	$4,800,000	$16,500,000

- Including direct and indirect labor income, filming of *Everybody Loves Whales* generated approximately $107,000 in income for Alaskan workers for each day of filming.

- Total direct and indirect output (the sum of all direct and indirect payroll and non-payroll spending) related to filming *Everybody Loves Whales* in Alaska was approximately $16.5 million.

- Filming of *Everybody Loves Whales* created approximately $285,000 in economic activity for each day of filming in Alaska.

Methodology

Compared to other economic impact studies of this type, this study is unusual in its timing and, consequently, the amount of primary research required to gather the necessary information on direct spending related to filming of *Everybody Loves Whales*. Typically, studies are conducted after all of the accounting has been finalized and that information is available, either from the studio or production company itself or from state agencies that administer film tax credit or other incentive programs.

Eventually that detailed information regarding *Everybody Loves Whales* will be available from the Alaska Film Office, the state government entity that manages Alaska's tax film tax incentive programs, but in the interim, most of the information gathered for this study was collected from the various Alaska production services companies involved, and from direct contact with a large number of actual vendors. Most of the data used was collected directly from a vendor or production company, but in some cases the numbers were estimated based on conversations with industry professionals.

To calculate the multiplier effect of the direct spending – which included both wages and benefits to people hired to work on the film and direct vendor spending on everything from hotel rooms to security – the study team used IMPLAN[3], a well-known input/output modeling program. Both direct spending and multiplier spending is calculated for Alaska as a whole, although the vast majority of the spending and economic impact was in Anchorage.

[3] Minnesota IMPLAN Group, Inc.

Direct Economic Impacts of Everybody Loves Whales

Overview of the Movie

Everybody Loves Whales is set in 1988 and tells the story of a non-profit activist and a government employee working together to free three California gray whales trapped below the sea ice near Barrow, Alaska.[4] The movie is directed by Ken Kwapis, and the cast includes Drew Barrymore as the nonprofit aid worker, John Krasinski as a local reporter, Stephen Root as the Alaska governor, and Kristen Bell, Ted Danson, and Dermot Mulroney in supporting roles. Distributed by Universal Pictures, a division of NBC Universal and subsidiary of the conglomerate General Electric/Vivendi SA, the film is slated for a 2012 release.

Filming began in Alaska on September 16, 2010 and concluded in November 2010. The film was shot in 58 days, had 48 speaking parts, and about 1,100 extras. The first unit location was in Anchorage, where a replication of parts of Barrow was built in the Ship Creek area. The second unit filmed in and around Barrow. Additional re-shoots are set to film in late February or early March with a small contingent of cast and crew.

Preparation and Shooting

The casting company began searching for the 48 speaking part actors and 1,000-1,200 non-speaking extras in Barrow in May 2010. They subsequently traveled around the state, holding casting calls in Kotzebue, Nome, Fairbanks, Juneau, Sitka, Homer, Seldovia, and Bethel. A total of twenty casting sessions were also held in Anchorage and the Mat-Su Valley.

The roles of the extras equated to 2,600 "man days" for those hired (approximately 2,500 in Anchorage). The term "man days" is an industry term used to track the demand and use of extras; "man days" are not necessarily eight hour days and are often longer because of the compressed timelines of movie making. All extras were paid union wages.

Actors cast in speaking parts were paid Screen Actors Guild (SAG) union rates. About half the actors with speaking parts were from Anchorage and the other half came from other parts of the state. The majority of the speaking parts cast worked an average of one day. One of Alaska's Native corporations provided assistance to the production company by providing a database of shareholders who were interested in being cast in Alaska Native roles in the movie and artists who could create authentic Native artwork, clothing, and other elements of set design.

Crew members working with the actors and extras included hairdressers, makeup artists, and wardrobe experts, among a variety of other trade professionals. Supervisors for the various departments came from Los Angeles, but extra hairstylists and makeup people were hired locally. The specially outfitted hair, makeup, and wardrobe trailers were brought from California by barge.

[4] Internet Movie Database (IMDb)

The cast, extras, and crew were all fed by catering and craft services companies. Warm meals prepared by the catering chefs included two or three entrees, salads, rolls, desserts, etc. The catering company fed an average of 225 people a day (cast and crew). Separate from catering services, craft services provided snacks such as coffee, soups, cheese and crackers, juice, and nuts – snacks that could be eaten while working – throughout the work day.

The production company sent staff to shop locally for 1980's wardrobe items, furniture, and accessories. What they could not find in town, construction crews built from scratch. For example, they hired Inupiat seamstresses to fabricate native costumes and artwork. Local laundry and dry cleaning businesses were frequented to clean wardrobe as well as the crew's own clothing items.

Alaska Vendors

Everybody Loves Whales directly generated business for hundreds of Alaska vendors of goods and services. In total, at least $7.7 million was spent with Alaska businesses as part of the effort to film the movie. The major categories of vendor spending are detailed below.

Transportation

The small army involved in the filming of *Everybody Loves Whales* spent at least $1.2 million on Alaska transportation companies including more than $500,000 on car and motor home rentals (including rental car taxes), $160,000 on fuel, and at least $300,000 in transporting equipment and supplies.

Accommodations

One of the most obvious economic impacts of *Everybody Loves Whales* was the large demand it created for accommodations. An Anchorage hotel provided rooms to the cast and crew that totaled 12,100 room nights. Two Anchorage homes were also rented for six months each. During the production team's shooting in Seward and Barrow, local hotels provided rooms. Total spending on accommodations equaled $1.1 million.

Construction

Another large beneficiary of big-budget movie making is the construction industry. Local vendors that participated in construction efforts related to *Everybody Loves Whales* included engineering firms, crane rental companies, fence builders, pavers, and renovating and restoration construction companies. An estimated $850,000 was spent in Alaska on construction-related services.

Location Fees

At least 20 locations in Anchorage, Barrow, and Seward were leased or paid location fees during filming. Beneficiaries included the Municipality of Anchorage, Anchorage School District, Alaska Railroad, Merrill Field, the Alaska Sealife Center in Seward, the Anchorage Daily News, and several other private building owners. In all, at least $730,000 was paid for locations used in filming.

Security/Safety

Over $300,000 was spent on security and safety considerations, including over $200,000 for security on the sets and at the Port of Anchorage, and an estimated $100,000 for diving support and emergency services for scenes in and around the water (such as shooting at the Jewel Lake location). The production also paid about $13,000 for police and fire department support (off-duty personnel signed up for the overtime).

Wardrobe and Props

An estimated $200,000 was spent in the state, primarily in Anchorage, on wardrobe and costumes used in the movie. Alaska purchases for props and other items used on the various sets are estimated to have produced well over $400,000 in Alaska spending.

Production Services

The producers of *Everybody Loves Whales* used several Alaska-based film production companies to assist in the filming of the movie. These companies earned an estimated combined total of $350,000.

Ice and Miscellaneous

To produce the desired Barrow-like background in Anchorage, the production company spent an estimated $500,000 on ice purchased from several seafood processing companies – which extended their season by a few months for some workers. The ability to produce ice in such large quantities was reportedly a surprise for the movie makers who were not aware of Alaska's well-developed seafood processing industry and its industrial strength ice-making capacity. The production at first thought they would have to transport ice from a much farther distance at greater expense.

Other miscellaneous expenses to make *Everybody Loves Whales* included portable toilet rentals, electricity and other city utilities. Additionally, although much of the specialized equipment used to make movies was brought from outside Alaska, equipment rentals from Anchorage and other Alaska companies still totaled an estimated $1 million.

Alaska Resident Participation

Aside from all of the Alaska vendors that sold goods or services to the production, an estimated 1,300 Alaskans participated directly as either cast or crew. The Alaska-based crew averaged about 175 people per day over the two months of shooting – typically 12 hours or more per day – which is considered normal when filming a movie or television program. The hundreds of Alaskans hired to be in the film as extras or for brief speaking roles generally worked only a few days each. In total, Alaskans earned an estimated $4 million in wages and benefits.

Multiplier Effects of Everybody Loves Whales

Any infusion of new money into an economy, such as the wages and wide variety of vendor purchases associated with filming *Everybody Loves Whales*, circulates throughout the economy in additional rounds of spending and supports additional jobs and wages in the process. The total amount of this subsequent spending, hiring, and payment of wages is described as the multiplier effect.

One of the most frequently used methods for determining multiplier effects is the IMPLAN[5] input/output model, which uses historical relationships between industries to assess the effects changes within one industry will have on the overall local economy. Typically, more developed industries have larger multipliers because supply chains tend to deepen and expand over time. Alaska's film industry multipliers are considerably smaller than they would be in Los Angeles or Vancouver, for instance, because those cities have well developed supply chains to provide much of what is required to make movies and television shows.

To the extent the film industry was to grow and expand in Anchorage and Alaska, the multiplier effects of the industry could also be expected to grow. To illustrate this point, a Michigan study of the economic impacts of the film industry found a 2008 employment multiplier of 1.66 could grow to 1.90 by 2012.[6]

There are two types of multiplier effects:

Indirect impacts are those generated by the businesses and individuals in the local economy that provided goods or services to *Everybody Loves Whales*. For example, the jobs and payroll created at the hotel where the non-resident cast and crew stayed are part of the indirect impacts.

Induced impacts are those created as a result of the subsequent spending by people who earned wages working directly on *Everybody Loves Whales*. An example of this would be the groceries purchased by someone hired to build sets for the movie.

Total Employment

Although an estimated 1,300 Alaskans worked and earned money during the filming of *Everybody Loves Whales*, the annualized job count[7] is much smaller, since the 1,100 Alaskan cast members involved worked for very brief periods, on average, and had modest earnings. Direct employment was estimated to be 110 annualized jobs, which in turn generated 70 additional jobs for a total employment impact of 180 jobs.

[5] Minnesota IMPLAN Group, Inc. produces the IMPLAN data and software. IMPLAN was developed in the 1970s as part of an effort by the U.S. Forest Service to assess the potential impacts of various resource management plans on local communities.

[6] *The Economic Impact of Michigan's Motion Picture Production Industry and the Michigan Motion Picture Credit,* February 6, 2009.

[7] IMPLAN uses annualized job numbers from federal and state labor statistics. An annualized job is one that is held for twelve months of the year. To convert the brief periods of work into annual equivalent employment, total payroll for the two different categories – cast and crew – was divided by typical annual earnings in Alaska for those types of jobs. That calculation produced an annualized job count of 20 cast jobs and 90 crew jobs. The employment multiplier was then added to that direct job count to produce the final estimated employment impact of 180 jobs.

Total Labor Income

Total labor income (payroll and benefits) generated by *Everybody Loves Whales* was $6.2 million, including the $4 million spent by the production directly, and an additional $2.2 million generated as portions of the direct vendor spending and labor income was spent and re-spent in the Alaska and Anchorage economies.

Total Output

The filming of *Everybody Loves Whales* including total direct spending of $11.7 million, including wages and purchases of goods and services. When the multiplier effects are added to these direct expenditures, the total economic impact of *Everybody Loves Whales* in terms of total output[8] equaled $16.5 million.

Both the labor income and total output estimates are conservative to the extent they do not capture all of the spending by non-Alaskan cast and crew members. Spending on accommodations, transportation, and meals was captured, but incidental spending they may have done while in Alaska was not.

While not possible to measure this type of spending within the scope of this project, anecdotally, visiting cast and crew spent a significant amount on some of Alaska's unique visitor-industry experiences, including dog sled rides, fishing trips, and flight seeing. Cast and crew from outside Alaska also were reported to have spent freely on coats, boots, gloves and other cold-weather clothing. Although catered meals were provided for cast and crew, downtown restaurants reported a noticeable boost in sales that they attributed to the filming of *Everybody Loves Whales*. The timing of the increased business was also a benefit in that the summer visitor season was winding down in September when filming began.

Estimated Economic Impact of *Everybody Loves Whales*

	Direct	Indirect and Induced	Total
Employment	**110**	**70**	**180**
Labor Income	$4,000,000	$2,200,000	$6,200,000
Spending on Goods and Services	$7,700,000	$2,600,000	$10,300,000
Output	$11,700,000	$4,800,000	$16,500,000

[8] Output is defined in IMPLAN as the value of industry production. For service providers, this equates to sales, for retailers, their gross margin (rather than their gross sales), and for manufacturers, their sales plus or minus changes to their inventories.

Profile of Alaska's Film Industry

Based on data provided by the Alaska Film Office, $14.9 million was spent in Alaska in FY2010 and FY2011 year-to-date on the production of feature films, documentaries, television programs, and commercials. This tally includes productions that have submitted detailed accounting to the state for the state's film production tax credit. It does not include *Everybody Loves Whales* or other production efforts this year that have not submitted spending data. Filming or other production-related activities occurred in 35 Alaska communities.

Alaska Film Productions, FY 2010 and FY 2011 to Date*

Type	Fiscal Year	Qualified Spending	# Alaska Jobs Created	Total # Days Filming	Total # AK Filming Days	AK Communities Involved
Feature Film						
Beyond	2011	$6,602,752	38	20	20	Anchorage and surrounding areas
On the Ice	2011	$524,628	8	25	25	Anchorage, Barrow
The Proposal	2010	$179,407	15	52	2	Sitka
Documentary						
Survive and Thrive	2011	$109,217	-	7	7	Anchorage and Homer
Television Show						
Top Gear	2011	$260,798	12	52	6	Anchorage, Fairbanks, Healy, and various wilderness areas
Ice Road Truckers	2011	$2,692,293	9	65	65	Fairbanks, Anchorage, Coldfoot, Bettles, Eagle, Nuiqsut, Prudhoe Bay
Alaska State Troopers	2011	$100,676	0	88	88	Sitka, Nome, Gambell, Savoogna, Paxon, Fairbanks, Delta Junction, Soldotna, St. Marys, Bethel, Palmer, Wasilla, Cantell
Deadliest Catch	2011	$1,747,965	4	122	122	Anchorage, Dutch Harbor, Kodiak, Cold Bay, St. Paul, King Cove
R5Sons	2011	$421,049	5	129	123	-
Man vs. Wild	2011	$223,143	3	6	6	Anchorage, Seward
Ice Road Truckers	2010	$1,187,933	5	84	84	Fairbanks, Anchorage, Deadhorse, Coldfoot, Prudhoe Bay
Disaster on K2	2010	$122,153	17	7	7	Anchorage, Girdwood, Chugach Mountains
Grizzly Land	2010	$178,394	3	72	72	Homer, Katmai National Park, Hallo Bay
Alaska's Most Extreme	2010	$233,737	12	50	47	Anchorage, Bettles, Girdwood, Bethel, Glenallen, Haines, Homer, Juneau, Kaktovik, Palmer, Portage, Seward, Sitka, Soldotna, Talkeetna, Valdez, Wasilla, Willow
Commercial						
Prilosec Commercial	2011	$326,664	12	7	7	Anchorage, Fairbanks
Total		**$14,910,809**	**143**	**786**	**781**	

Source: Alaska Film Office

* Table does not include *Everybody Loves Whales* because spending data has not yet been submitted.

In 2009, Alaska had 34 companies with employees operating in the motion picture and sound recording business. Combined, these companies provided 367 jobs and paid $4.7 million in salaries.[9] An additional 112 sole proprietors (self-employed workers or companies without employees) earned $2 million.[10] The numbers have not changed significantly either up or down for the last five years.

By occupational classification, 52 Alaskans worked as camera operators in television, video, or motion picture productions in 2008.[11] An additional 26 worked as film and video editors, and 11 worked as sound engineering technicians. Many of the employees of motion picture and sound recording businesses are classified occupationally under more general categories such as administrative support workers, which explains why the number of people working in film-related occupations is significantly smaller than the number of jobs in the industry.

[9] Alaska Department of Labor and Workforce Development
[10] U.S. Census, Non-employer Statistics
[11] Alaska Department of Labor and Workforce Development, Occupational Database

Alaska Film Industry Infrastructure Needs

To the extent Alaska can deepen its supply chain in the film industry and develop a trained and experienced workforce, it can increase the impact the industry has on the state's economy. In other words, it can create bigger multiplier effects from the initial round of direct spending.

Hawaii's film office, for example, divides its history of film making into two parts: the first 70 years, then everything since 1968 when the television show "Hawaii Five-O" filmed its first of 12 seasons.[12] During the pre-Hawaii Five-O years, Hawaii provided beautiful locations and memorable settings, but little else. After Hawaii Five-O, the state had a production infrastructure that both helped attract additional films and helped increase the economic impact that movies and television shows had on the state's economy. The production facilities and experienced workforce created a legacy that includes television programs such as Magnum P-I and a modern version of Hawaii 5-O, but also a whole host of movies and a mature movie-making industry as an important part of the state's economy.

In Alaska, the most obvious enhancements to the state's movie-making infrastructure would include a sound stage, customized film-making equipment for lighting, filming, and support of cast and crew (specialized trailers for makeup, wardrobe, and catering, for example), and a trained and experienced workforce.

Sound Stage

A sound stage is a sound-proof building, ranging in size from a room or small building to 50,000 square feet. Soundstages are multi-purpose buildings that provide a customizable location for indoor filming in addition to offices, dressing and make-up rooms, mill shops (carpentry and set design), and various rooms to store props and other equipment. Soundstages allow sets to be built to exact specifications, sometimes negating the need for multiple physical filming locations. Production costs can be cut significantly by reducing the number of locations where filming is done.

Due to the extensive soundproofing required for a soundstage, and the fact that older buildings sometimes cannot bear the extra load, it is sometimes cheaper to build a new building designed to take the weight of soundproof walls and ceilings. The building must be able to take massive amounts of stress on its power, as it will be providing electricity to the cameras, lights, and sound equipment.

The primary benefit of sound stages is the increased flexibility they provide in a shooting schedule. Especially in a state like Alaska, where weather is often inclement and unpredictable, and with varying hours of daylight, the lack of sound stages can be a significant impediment to large productions. In the absence of sound stages, the *Everybody Loves Whales* production team used a variety of small sets and warehouses scattered throughout the city, which added to production costs and took extra time.

Light, Sound, and Other Customized Equipment

Research interviews for this study revealed that much of the customized equipment needed to film *Everybody Loves Whales* was barged to Alaska because it was not available locally. Specialized film-making equipment

[12] *Hawaii's Film & Television Legacy*, Hawaii Film Office

includes a vast array of grip (electrical) equipment and a variety of cranes and dollies (moving camera platforms). In addition, film making on this scale requires a fleet of specialized trailers for wardrobe, makeup, and catering, among other things.

Trained and Experienced Industry Professionals

A skilled, experienced workforce is a key element in attracting companies to an economy for any industry, including the film industry. A film-making workforce includes technical crew and specialized support service companies as well as the actual cast members and extras that appear on camera.

College and University Programs

Currently, Alaska does not have a dedicated film school or program, although efforts are underway at University of Alaska Fairbanks (UAF) to start a film degree program that will focus on providing students with the skills necessary to start a career in cinema and other media. The Journalism and Communications Department at the University of Alaska Anchorage (UAA) is also in discussions with a local film studio regarding the placement of interns on an upcoming production.

Crew Training

Having trained professionals in lighting, sound, and film production in place means a production does not have to transport and house the necessary professionals while in production. Among Alaska's current efforts to address the shortfall of trained crew members is a series of educational workshops provided by a nonprofit film advocacy group. Training is available at both the introductory and more advanced levels and a film degree or other specialized training is not required to participate in the workshops. So far, over 100 Alaskans have participated.

Obviously, the best way to get and keep a trained and experienced film crew workforce is to generate a regular stream of work in the industry and offer on-the-job training. As noted above, much of Hawaii's success in attracting both movie and television productions is traced back to the trained crew and infrastructure that was the legacy of Hawaii 5-O's successful 12-year run. Similarly, a major benefit to New Zealand from the filming of three *Lord of the Rings* movies there was the large supply of trained crew members that it generated.

Potential for Film-Induced Tourism

The Film Industry's Connection to Tourism

Research on "film tourism" is one of the newer areas of study in the tourism industry and falls into several broad categories, including:

1. How does a movie or television program impact decisions to travel?
2. What are the profiles of movie or television program tourists?
3. How can a state or region market destinations through their connections to movies and television?

In some cases, the link between a movie or television program and a destination's success as a tourist destination is obvious. For example, it is safe to assume the 1995 movie *Braveheart* was largely responsible for a 300 percent increase in visitors to the William Wallace Monument in Scotland in the years immediately following its release (William Wallace's stylized history was the subject of the movie). Similarly, the baseball field built in the middle of Iowa cornfields for the 1988 baseball movie *Field of Dreams* can safely trace the source of its more than one million tourist visits to the successful movie for which it was constructed.

Often the link is less obvious, but plausible. Tourism visits to Fort Hayes, Kansas increased by 25 percent after the 1990 movie *Dances with Wolves* was partly filmed there. Another example of this type is the 1991 movie *Thelma and Louise, which* featured Utah's Arches National Park prominently in its climactic scenes. The movie was released in the spring and that same year the park saw a 19 percent increase in visitors.[13]

Two movies among many that highlight Alaska's wilderness and natural beauty and raise awareness for the state are the 1991 film *White Fang*, and the 2007 film *Into the Wild*. More recently, *On the Ice*, one of 16 feature-length films selected to compete in the 2011 Sundance Film Festival, is set in and around Barrow and joins *Everybody Loves Whales* as a film that could generate tourism interest in Alaska's far north.

Another example is the 2009 film *The Proposal* starring Sandra Bullock. The film was set in Sitka, but was actually filmed in Massachusetts. The fact that the movie was set in an actual Alaska location generated name recognition for Sitka and likely some tourism interest (unlike the fictional town of Cicely, Alaska where the successful television program *Northern Exposure* was set though filmed in Washington.)

Alaska's spectacular natural scenery and iconic status as The Last Frontier create significant opportunity for film-induced tourism. People who visit the state because of a connection to movies or television may come to see a specific featured location or because they are more broadly attracted by mountain ranges, glaciers, wildlife, or expanses of wilderness of the type that first captured their imagination on the big or small screen.

[13] *Promoting Destinations via Film Tourism: An Empirical Identification of Supporting Marketing Initiatives*, Journal of Travel Research, May 2006.

Television Programs in Alaska

The last several years have brought growing interest in reality television series based in Alaska. "Deadliest Catch" and "Ice Road Truckers" tap into the Alaska mystique of extreme weather conditions and work environments and "Sarah Palin's Alaska" showcases the state's wildlife and rugged beauty as Alaska's former governor and 2008 vice presidential candidate travels around the state with her family.

"Gold Rush Alaska" documents a group of men from Oregon who prospect for gold in Southeast Alaska after they lose their jobs and businesses during the recession. "Out of the Wild: The Alaska Experiment" follows small groups of people with urban backgrounds as they try to live in back-country Alaska locations during fall and winter months.

Alaska tourism marketers are attempting to capitalize on the publicity by running ads during the programs featuring Alaska wildlife, scenery, and activities including fishing, kayaking, and rafting. Kathy Dunn, the Alaska Travel Industry Association's marketing director, has been quoted as saying, "Obviously, any time you put Alaska in front of people, no matter the context, it's a good thing."[14] As with movie-based tourism, it will be difficult to quantify the effect of this type of exposure with precision, but there is significant potential for it to help stimulate tourism growth.

[14] *Alaska Looks to Cash in on Palin, 'Deadliest Catch,"* Associated Press, December 29, 2010

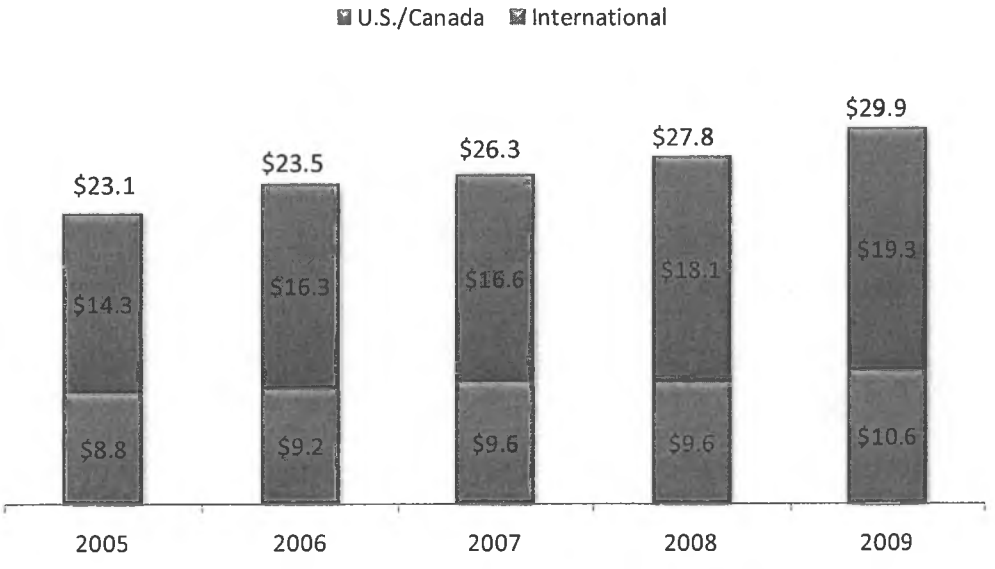
Overview of U.S. Motion Picture Production

According to the Motion Picture Association of American (MPAA), the motion picture industry's global box office revenue in 2009 was estimated to be $29.9 billion (U.S. dollars), an increase of 7.6 percent from 2008. Approximately one-third of that amount came from the U.S. and Canada ($10.6 billion, up ten percent from 2008 and 20 percent from 2003).

A total of 217.1 million different people bought movie tickets in the U.S. and Canada in 2009. On average, they bought 6.5 tickets during the year and purchased a total of 1.4 billion tickets. The arrival of 3D movies in 2008 is responsible for much of 2009's U.S./Canada growth (of the $1 billion increase, ninety percent came from 3D box office).

The movie industry was more resistant than most to the deep national recession. Domestic growth was minimal in 2008, but then resumed again in 2009, and international growth slowed in 2007 before quickly picking up again in 2008. The movie industry is also an important exporter for the U.S. economy, with a large positive balance of trade (exports minus imports).

Worldwide Box Office (U.S. $ Billions)



Source: Motion Picture Association of America

Substantial additional growth for the industry appears almost certain, given that the U.S. accounts for about 6 percent of the world's population, but approximately 50 percent of consumer dollars spent on movies and television. International growth is expected to be strong for the foreseeable future, likely far outpacing domestic growth.

Hollywood's Beginnings

The first full-length feature film was actually made in Australia. *The Story of the Kelly Gang*, was an 80-minute silent film made in 1906. It was not until 1911, after 16 films had already been made in Australia, that other countries began film production.

The first American film companies were established in New Jersey and New York. However, at the time, productions were shot in glass studios using natural sunlight, something that could not be guaranteed in the New Jersey-New York area. Los Angeles, on the other hand, had clear days, dry weather, a variety of natural landscapes – oceans, deserts, mountains, forests, and hills – and no enforcement of motion picture patents, making it the perfect place to develop the industry.

Present Day Film Industry

The United States has the oldest and largest film industry in the world, in terms of revenue, but other major film-making locations include India, Hong Kong, Egypt, and Nigeria. India's multi-lingual film industry is the world's largest, measured by ticket sales and number of films produced. Hong Kong is the film hub for the Chinese-speaking world and is unique for having little to no direct government support. Egypt has been called the "Hollywood of the East," and has recently branched out from restrictive religious taboos, allowing it to grow substantially. Nigeria is home to Africa's largest film industry and is second only to India in number of films produced.

While Los Angeles is often thought of as the center of the US film business industry, only one of the six major film studios, the Walt Disney Company, is fully based there. Sony Pictures Entertainment is also headquartered in California, but its parent company, Sony Corporation, is located in Tokyo. The other four film studios, Time Warner, News Corporation, Viacom, and General Electric/Vivendi SA, are all headquartered on the East Coast.

US Film Industry Jobs and Employment

According to a Motion Picture Association of American (MPAA) study[15], the U.S. film industry supported 2.4 million jobs and over $140 billion in total wages in 2008. The average salary in the industry was $55,600. The job counts include 296,000 jobs in the core business of producing, marketing, manufacturing, and distributing motion pictures and television shows, and 453,000 jobs in related businesses including theaters, rental stores, television broadcast companies, cable companies, and online ventures. In 2008, there were over 95,000 businesses in total related to the film industry, which made more than $40 billion in payments to more than 144,000 businesses. The industry paid an estimated $15.7 billion in federal taxes alone.

Domestic Competition for Filming Locations

While 60 percent of all movies and television shows are filmed in California or New York, filming occurs in all 50 states and Washington, D.C. In 2008, film industry employment grew by 8 percent in New Jersey, 31 percent in Georgia, 33 percent in Pennsylvania, and 45 percent in Massachusetts.

[15] *The Economic Contributions of the Motion Picture and Television Industry to the U.S. Economy*, 2009

In 2008, 208 movies were filmed in New York and 160 were filmed in California. More television shows were filmed in California, however (320 compared to 143 for New York). California's direct film industry employment was nearly 210,000 in 2008, and wages totaled $16.7 billion. New York's film industry job count was 87,000, with $7.6 billion in wages.

Obviously, Alaska's film industry is very small by comparison. In 2008, there was only one movie and three television shows filmed in the state. This resulted in 806 direct jobs and $11.1 million in estimated wages, according the MPAA study.

Hawaii, with the similar logistical challenge as Alaska of being remote from North America population centers, had nine movies and nine television shows filmed in 2008, bringing nearly 3,000 jobs and $96.2 million in wages[16] to the state. The growing number of television shows being filmed in and about Alaska holds promise for Alaska's film industry to become more like Hawaii's, with its long and steady history of television programs.

The Film Industry in Select States, 2008

State	Movies Filming	TV Shows Filming	Direct Jobs	Est. Wages
Alaska	**1***	**3**	**806**	**$11.1 million**
California	160	320	209,946	$16,700 million
Hawaii	9	9	2,998	$96.2 million
New York	208	143	86,637	$7,600 million
Massachusetts	13	14	11,524	$584.4 million
Michigan	35	8	15,161	$510 million
New Mexico	35	12	4,055	$146.8 million
Washington	11	2	11,290	$347.8 million

Source: Motion Picture Association of America

* *Into the Wild*

[16] One advantage Hawaii has is its supply of soundstages and studios, facilities Alaska is generally lacking.

Film Incentive Programs

It is outside the scope of this report to examine the costs and benefits of film incentive programs or to evaluate their role in drawing film production to Alaska. However, because these incentive programs are very much part of the national and international film-making landscape, they are briefly described here.

International Competition for Filming Locations of U.S. Productions

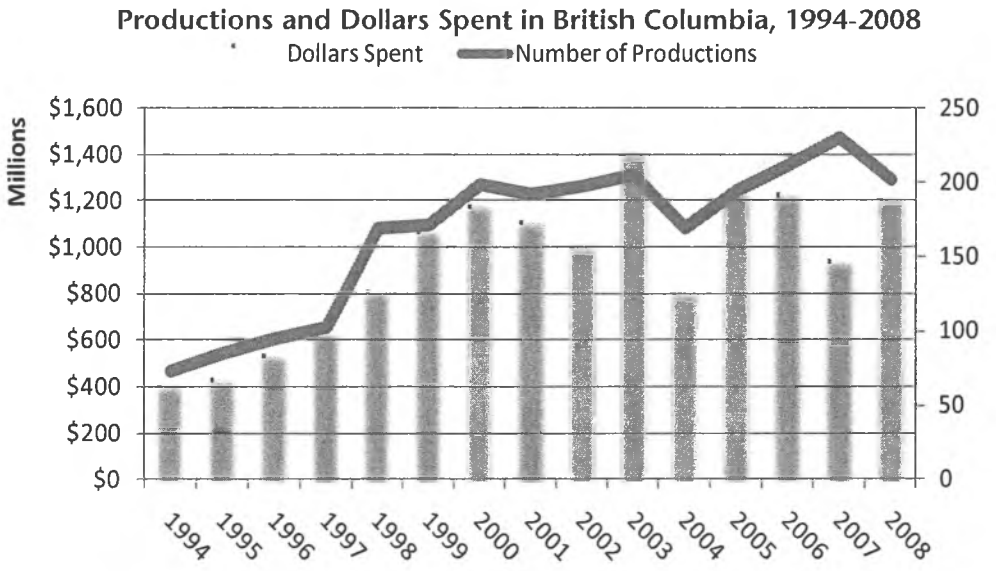
As of 2010, according to the MPAA, 39 states, Washington, D.C., and Puerto Rico have some type of film industry tax incentives program. Still, cheaper production costs have resulted in the filming of many U.S. movies in Canada, the United Kingdom, Australia, New Zealand, and Eastern European countries. Much of the time, the movies are actually set in the U.S., but filmed in these countries on sets designed to look like U.S. locations.

Canada

Canada's largest film studio centers are located in Vancouver, Toronto, and Montreal. Lower costs and tax breaks have helped create strong growth for Canada's film industry. Movie production incentives were first implemented in Canada in the late 1990s and include combinations of tax credits, cash rebates, grants, sales tax exemptions, lodging exemptions, free locations, and other miscellaneous perks. British Columbia and Vancouver in particular have seen dramatic growth in film production spending since implementing incentive programs. That success is of special relevance to Alaska since many of the films that are set in Alaska are filmed in British Columbia because of its similar geography.

Productions in British Columbia rose from less than 100 in 1996 to over 200 by 2003 (*refer to table on the next page).* Total dollars spent increased from around $500 million in 1996 to $1.4 billion in 2003. Dollars spent fell significantly in 2004 and have stayed below 2003 levels since, although the 2008 totals are impressive by any measure: $1.2 million in production spending (which was estimated to have generated 20,000 direct jobs and 15,000 indirect jobs).[17]

[17] British Columba Film Commission Production Statistics, 2008



Source: British Columbia Film Commission

Canada's success in using incentives to generate film industry growth was a contributing factor to similar efforts by Australia, New Zealand, and individual US states.

Australia

Australia's umbrella film-promotion organization, "Screen Australia," coordinates the Australian government's generous film subsidies and incentive programs. Some Australian states also offer additional incentives. Victoria, for example, has a grant system that provides cash rebates at the end of film production for a portion of filming costs. Cities sometimes provide incentives as well. Melbourne, which is part of the state of Victoria, offers city incentives in conjunction with federal incentives, but will not provide additional subsidization if Victoria has already done so.

According to Australia's Department of Foreign Affairs and Trade, "government funding represented 17 percent of the total funding for Australian produced and co-produced feature films in production." Most productions are filmed in and around Australia's two major cities, Sydney and Melbourne. Other cities could also handle the productions, but suffer from not having direct flights to and from Los Angeles.

New Zealand

New Zealand film production began in the 1920s, but stayed small until the 1970s. With the rise in prominence of feature films, directors, and actors connected to New Zealand, and the building of soundstages and studios, more productions were filmed here in the 1990s.

Tax incentives and subsidies were an important part of attracting major feature films in recent years including the *Lord of the Rings* trilogy, *Whale Rider*, the *Chronicles of Narnia* series, and *King Kong*. Due especially to the large production demands of the *Lord of the Rings*, and the hiring of many locals for crew and support, New Zealand now has a large film industry workforce of well-trained and skilled workers.

Alaska Efforts to Attract U.S. Film Production

Alaska Film Office

After being active in the 1980s and early 1990s, and then cut in the mid-1990s, the Alaska Film Office was reinstated in 2008 with the passage of the new incentives legislation. Part of the Alaska Department of Community, Commerce, and Economic Development, the film office's mission is to: 1) cooperate with the private sector for the expansion and development of the film production industries in Alaska; 2) promote Alaska as a film production location; 3) provide production assistance by furthering the relationships between film makers and producers with Alaska contractors; 4) certify Alaska film production internship training programs and promote the employment of program interns by eligible productions; and 5) administer the Alaska Film Production Incentive Program, in cooperation with the Alaska Department of Revenue.

As a relatively small organization, staffed by only a manager and administrative assistant, the film office is seeking ways to leverage its promotional and marketing efforts. These efforts include networking more closely with sister organizations such as the Alaska Seafood Marketing Institute and the Alaska Travel Industry Association to use their established connections and media infrastructures. The film office also intends to create additional promotional and marketing material, retool its website, and broaden its participation in future film location and industry conventions and trade shows.

Alaska Film Incentives Program

The Alaska Film Incentives is based on legislation passed in 2008 as part of an economic development initiative. The program is due to sunset in 2013. The film production incentive consists of transferable tax credit for qualifying production expenditures made in Alaska during a consecutive 24-month period. Projects that are eligible include films, documentaries, commercials and video promotion.

Interested productions must apply to the program. During pre-production, producers must submit an application that includes an estimated budget, a distribution plan, and a script or treatment of the project. Applicants who apply are eligible for up to 44 percent in transferable tax credit, including a base credit of 30 percent with 10 percent added for Alaskan hire, 2 percent added if filmed between October 1 and May 30, and another 2 percent added for filming in rural locations. In order to qualify, there must be a minimum of $100,000 spent in Alaska.

Upon completion of the production, and after an audit and review by the Alaska Film Office, the Alaska Department of Revenue issues a tax credit. The production can then sell its tax credit to any company that has corporate income tax liability in Alaska.

There are currently about 30 productions that have pre-qualified for the tax incentives. They include everything from the feature film, "Beyond," with a large Alaska spending impact, and the high-profile television programs "Deadliest Catch" and "Ice Road Truckers," to feature films with a much smaller impact in Alaska such as "The Proposal." Communities from throughout the state are represented and filming days range from two for "The Proposal" to over one hundred for the television programs "Deadliest Catch" and "R5Sons."

Tax Credits Issued in 2010-2011

In the last two fiscal years, Alaska film production spending has reached nearly $15 million and generated tax credits of nearly $5 million.

Alaskan Productions Tax Credits, Spending, and Credit/Spend by Fiscal Year

Fiscal Year	Tax Credits	Qualified Spending	Credit/Spend
2010	$244,547	$713,691	34.3%
2011 YTD	$4,664,869	$14,197,119	32.9%
Total	**$4,909,415**	**$14,910,810**	**32.9%**

Source: Alaska Film Office

Summary

By all measures, *Everybody Loves Whales* had a significant economic impact on Anchorage and a lesser, though noteworthy impact, on Barrow and other parts of the state. The production spent $7.7 million on goods and services with Alaska companies and an additional $4 million on payroll and benefits to Alaska residents who worked on the film as either cast or crew. Adding the indirect and induced effects to the direct spending generated an estimated total economic impact of $16.5 million.

The production generated an average of $285,000 for each of the 58 days of filming and included more than 1,300 Alaskans as either cast or crew. The timing of filming was also a benefit, considering that Alaska's strongly seasonal economy was just winding down from its summer peak when filming began in September.

With nearly $30 billion in global box office revenue, and substantially more growth expected, the industry has attracted the interest of most U.S. states and many countries eager for these types of economic benefits. It is outside the scope of this report to assess the effectiveness of the various incentive programs that have been created to attract film production, but there can be no question that the economic impact of the industry on an economy are substantial.

Testimony, March 21, 2011

Senate Bill 23

Senate Finance Committee

John Rense

My name is John Rense. I am the sector leader for engineering, construction and real estate for NANA Development Corporation.

Our passion is to expand our job base. We support Senate Bill 23 because it will promote investment in Alaska and create employment. Some of the jobs will be new, in a new industry in a State where diversifying the economy is important if not crucial. The bill will divert money that would otherwise be paid back in taxes, but that diversion creates an important flow back to the State's private economy.

I joined NANA in 1985. I came to help lead the Red Dog effort; at the time, the mine was still an un-permitted dream.

But by looking forward, we gained success in mining, oil and other business and today we have 2800 employees living in 70 Alaskan communities.

But we have learned you cannot rest. Economies are built on decade-long cycles and resource extraction can't do it all. We have to keep our eyes on the future.

We started looking at the film business several years ago when we were introduced to Evergreen Films, who had just opened a studio in Anchorage. Led by Mike Devlin, their move to Alaska was driven by our State's special social and physical presence.

I have to admit; at first we took the conversations lightly, thinking this was a business for other people, not us.

But what we found, once you cut through the glitz, is a very interesting economic story.

What are some characteristics?

- like natural resources, this is a platform industry. What I mean is it produces primary products including films, TV series and other programs. A fundamental revenue generator, it is a stand-alone industry. It requires support services similar to what we do today, like construction, food, hospitality, and security. It also creates specialized job opportunities not yet widespread in Alaska.

- another characteristic we like is its ability to find every nook and cranny. This industry has wide geographic application.

- we also find this industry goes way beyond whale movies. While the big productions get attention, there are hundreds of cable channels around the world trying to fill up 24

hours each day. There are documentaries and reality shows and national ads and more. There are many niches that an entrepreneur can headquarter and do in Alaska.

- we found an industry going through a fundamental change, with traditional film moving to digital formats and technological solutions. It's the way of the future, and it brings Alaska into the game in part because digital travels over the Internet. Perhaps we can stop sending our university students to California, and start doing this business here.

We started out as skeptics, and ended up investing in Evergreen Films. And we are willing to invest in other ways. NANA wants to invest in people via training, and in necessary infrastructure such as sound stages and specialized equipment.

This brings us to the tax credit concept. Investments in training and facilities are made at our risk, and are not tax credit eligible. But we need the credits to secure the industry we want to serve. The credits help equalize costs, encourage local film makers and attract outside productions.

We need this now, because the first film credit program expires in just two years. Like in any business, long term investment decisions require some level of certainty. The rapid increase in Alaskan film and TV productions proves the 2008 Film Production Tax Credit is working. Now we can start building for the long term.

Mr. Chairman, we are supporting Senate Bill 23 because we want to make a long-term commitment to the business. The legislation would provide credits for two, five-year periods under terms generally similar to the current law. A total of ten years, with a credit at the same $20 million/year average as in the current program – that's a $100 million cap for each 5 year period – this will give the industry assurance that the future is solid. This is a good proposal.

In conclusion, I will say that NANA is a conservative company. We spent a long time researching the film industry before we invested. What we see goes beyond the Hollywood stereotype. Films about Alaska should be made in Alaska. Unlike most states, Alaska is a wonderful global brand and with the right catalyst we can be a longtime industry participant. Thank you very much for the opportunity to comment.



Tax incentive program improves economy

By Heidi Bohi

Shortly after the movie "Everyone Loves Whales" began filming in September, Uptown Blossoms, a popular flower shop in midtown Anchorage, had its own brush with fame when the set decorator called to talk about flower needs for various scenes in the movie.

"When we first met him we were sort of nervous, but really he's just a person like you and me," shop owner Carol Trout says, adding that her business was recommended to the studio coordinators. "Wherever there was a need for flowers, we supplied them."

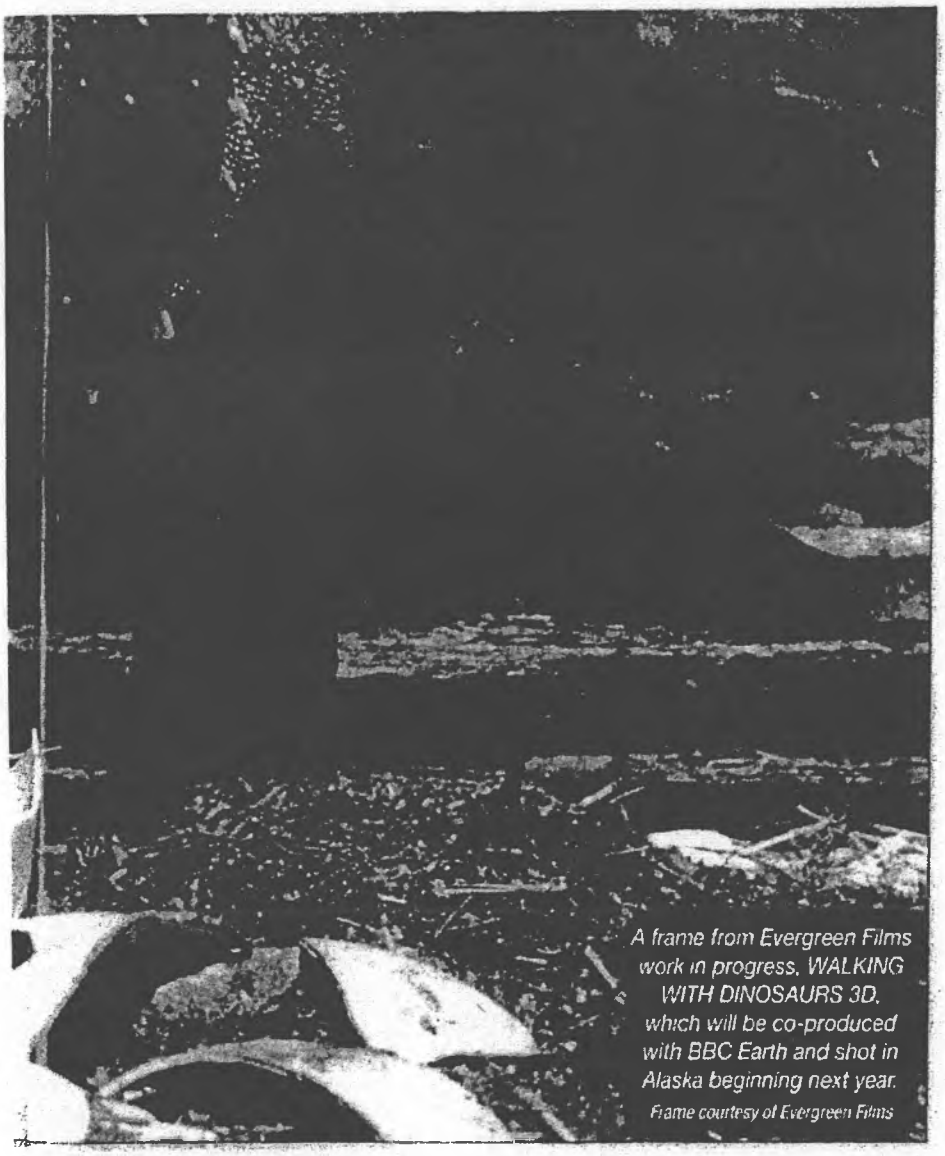
Set in Cold War era 1988, the film tells the true story of a small-town news reporter and a Greenpeace volunteer, played by Drew Barrymore, who enlist the help of rival superpowers to save three gray whales trapped under the ice of the Arctic Circle as they made their way to Mexico for the winter. The national media, environmental activists, and the United States and Soviet Union – then in the middle of the Cold War – quickly descended on Barrow in an effort to escort the whales into open water.

Trout says flower needs all had to be designed to reflect what was in style in the 1980s, and included centerpieces and arrangements for various scenes in the film. Some of the flower orders required working with the production person responsible for props any of the actors or actresses touched.

What it meant for Uptown Blossoms was about $4,000 in orders. Although Trout says her business is fortunate to have a steady stream of customers year-round, it was nice to have the extra bump.

Alaska's Newest Industry

Since beginning to offer financial incentives to studios that decide to film their movies in Alaska, as is the case with "Everybody Loves Whales," the State's resurrected Film Office is optimistically watching what is being dubbed as Alaska's newest industry. The hope is the economic development initiative will attract projects that mean millions of dollars in economic impact resulting from increased receipts for small and large businesses and local hire.



A frame from Evergreen Films work in progress, WALKING WITH DINOSAURS 3D, which will be co-produced with BBC Earth and shot in Alaska beginning next year.
Frame courtesy of Evergreen Films

which in the case of "Everyone Loves Whales," meant hiring 3,000 Alaskans statewide, though most were hired in the Anchorage area. Other businesses that stand to measurably benefit are airlines, hotels, freight handling and air cargo, along with smaller enterprises that include everything from courier businesses to seamstresses.

About 30 productions have been prequalified by the State Film Office, meaning studios have submitted applications, estimated budgets, distribution plans and script treatments for the projects. With $100 million available and a minimum spending requirement of $100,000, most projects qualify, including films, documentaries, commercials and video productions.

According to the legislation behind the Alaska Film Production Incentive Program, up to a 44 percent transferable tax credit is awarded within weeks once a rough-cut of the production is submitted and an Alaska-licensed CPA has audited the project. In addition to the 30 percent base rate, additional percentages are awarded for local hire, off-season production and filming in rural areas.

Although final numbers are still being tabulated to determine how much Alaska benefited from the recent production's use of local crew and services, after 10 weeks of watching those associated with the project frequent local restaurants, shops and hotels, Alaskans are seeing the potential contributions of the industry, especially during the off-season months. "Everybody Loves Whales" filmed for 12 hours a day, five days a week for almost three months. (It takes about one day to shoot two to four minutes of film.)

As the preferred hotel for 200 cast and crew, the Captain Cook cannot discuss its agreement with Universal Pictures, though it has been estimated the property had 12,100 bed nights booked from September to December, which is historically a slow time after the peak visitor season. Add meals and incidental expenses, along with side trips that crew took on their days off, and it is easy to see how a film project can quickly contribute to the state's economic development.

Evergreen Films

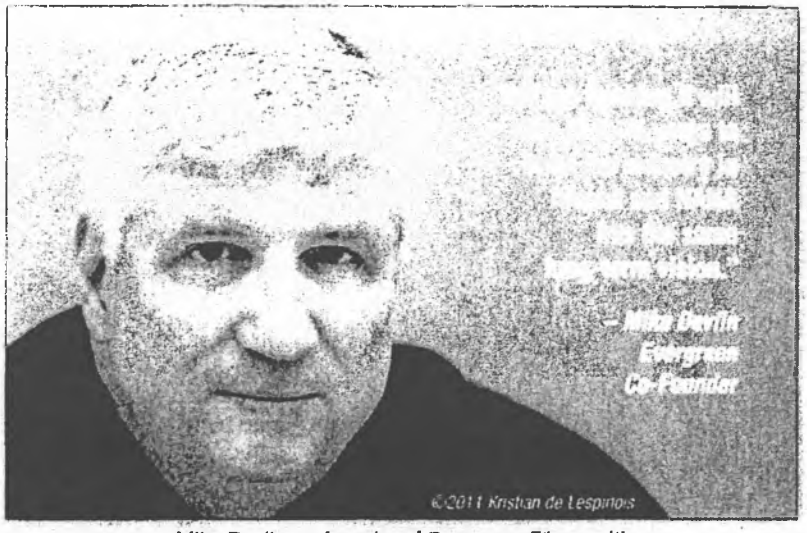
"It's been a long time since there was a new industry in Alaska trying to build from the ground up," said Kate Tesar, business development director for Evergreen Films.

Evergreen, though not associated with "Everyone Loves Whales," is one of the industry's most watched developments. The Anchorage-based production company continues to make substantial investments in Alaska and is positioning itself to take advantage of the growing industry.

It has several productions in the works, one which will likely be the Kate Shugak television series based on Alaska author Dana Stabenow's mystery novels, including "A Cold Day for Murder," which won the Mystery Writers of America's Edgar Award. Other titles that will be made into the series are "Whisper to the Blood," which made the New York Times bestseller list, and "A Night Too Dark," which is the 17th in the series.

Based in Anchorage with offices in Los Angeles, Calif., Evergreen was founded by Mike Devlin and Pierre De Lespinois. Devlin has a computer engineering background and Lespinois is an award-winning television and film director. Devlin fell in love with Alaska and decided to build his Anchorage Hillside film editing studio after selling his software company. The team also has a yacht in Seward with adaptations that can accommodate filming both on and under water.

Another of Evergreen's biggest market advantages is the company's state-of-the-art digital and 3D studios, including 3D camera systems, groundbreaking LIDAR scanning technology, photo-real 3D Computer Generated Imagery (CGI), and an integrated 3D post-production workflow. The technology allows them to create a realistic portrayal of any location. This technology will also be used in "Walking With Dinosaurs," the Alaska-scripted and -produced, live-action dinosaur feature. That production will highlight photo-realistic 3D dinosaurs immersed in real, live-action 3D environments. This will launch in 2013 with 20th Century Fox securing the distribution rights. Evergreen is partnering with BBC Earth to produce the $65 million feature film. Devlin says most of the live action for "Walking with Dinosaurs" will be filmed in Alaska to take advantage of the beautiful exteriors and the State's film incentives. The franchise model of the film means a new movie will be produced every two to three years. Evergreen and BBC are also partnering on the production of the $25 million feature film "Africa 3D."



Mike Devlin co-founder of Evergreen Films, with offices in Anchorage and Los Angeles.

NANA Partnering

Responsible for helping create the incentive legislation, Tesar says Evergreen is committed to developing the industry statewide so that many communities benefit from the economic boost. To that end, it recently partnered with NANA Development Corp., an Alaska Native corporation based in Anchorage, which offers infrastructure and services that will help grow the industry and employ more Alaskans, including NANA shareholders.

"We are thinking it will take 10 to 15 years to build the industry in Alaska and NANA has the same long-term vision," Devlin says. "Together, the two of us are making a mutual investment to build the industry – we focus on film, they focus on building the service industry, and we will involve them in every production we're doing."

By making a financial investment, NANA is about a one-third owner and the company's partner in films that are shot in the Arctic environment, meaning it is the preferred vendor for those services it offers. The partnership is expected to create a lot of opportunity for shareholders – whether they are hired to work on a film project, or they simply benefit from dividends resulting from this newest investment.

When Evergreen approached NANA in 2009, it was looking for corporate involvement in specific high-budget films. NANA was less interested in being involved in specific films and more likely to invest in the company as a whole, says Robin Kornfield, vice president of communication and marketing for NANA Development Corporation. Although being involved in the film industry is not an area NANA has experience in, as it researched the opportunity it quickly became apparent that many of the services it had built up over the past 38 years are the same ones required in film production, including remote camp services, food service, security, transportation and staffing services.

"We already provide many of the back-of-the-house things that make it possible for those in the front to get their work done," Kornfield says. "We realized it was a better fit than we thought when we first went in – with just one phone call the industry can access all the film support services it needs."

Although the idea of partnering with Evergreen may seem like a big stretch to the business community, Kornfield says that, in fact, the board of directors was not completely unfamiliar with the benefits of the film industry. The group travels to Vancouver, British Columbia, Canada, regularly for business associated with Red Dog Mine and is used to seeing film crews shooting in the middle of the street. "The prospect of doing something in Anchorage was not foreign to them at all," Kornfield says.

One big draw for NANA was that the film industry offers more opportunities in areas younger shareholders will be interested in such as computer graphics.

Although acting is an obvious opportunity for shareholders, Kornfield says, the greater opportunity is for them to be involved in the service industries, which is the backbone of the corporation's success. Although the partnership will evolve over time, Kornfield says NANA will do whatever it takes to make film support services available, and at the same time will offer these same services to other film production companies that come to Alaska.

"Every time a shareholder gets a paycheck – that's part of what we do," Kornfield says, adding that part of NANA's plan is to eventually develop a line of services specific to the film industry that shareholders can be trained in.

Partnerships like the NANA-Evergreen one embody the intent of the original incentive legislation, which was designed to develop new business opportunities in Alaska by pairing the supply with the demand. From there, Tesar says, the jobs and on-the-job training for Alaskans will follow.

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Web posted Friday, January 28, 2011

Lights, camera, Alaska! Tax credit could draw $100M

By Andrew Jensen
Alaska Journal of Commerce

Reality television struck gold in Alaska long ago, but a package of film tax credits passed in 2008 has the state ready to take its act to the big screen.



The Tweto family (from left), Ayla, Ariel, Jim and Ferno are featured in the reality TV show, "Flying Wild Alaska," a series on the Discovery Channel about Bush pilots. It is one of dozens of productions filmed in Alaska, many of which are taking advantage of the state's tax incentive. *AP Photo/Discovery Channel*

Two Hollywood films — "Beyond" starring Jon Voigt and "Everybody Loves Whales" starring Drew Barrymore — wrapped in 2010. An independent film shot in Barrow — "On the Ice" — by local director Andrew MacLean competed at the prestigious Sundance Film Festival this January.

"Everybody Loves Whales" has not yet submitted its final application for the tax credit, which will reveal how much the production spent in Alaska while shooting in Seward, Anchorage, Barrow and Fort Richardson. The movie had a reported $30 million budget and the production was one of the first to apply for the Alaska film credit in May 2009.

Completed projects ($14.9 million) and pre-approved projects ($88 million) push the potential spending in Alaska to more than $100 million.

"Beyond," which had a reported budget of $10 million, spent $6.6 million filming in Anchorage last fall and received a tax credit of $2.14 million, the largest to date. The tax credits, which have averaged about 32 percent of total Alaska spending, are issued based on how and where companies work.

The base credit is 30 percent of Alaska expenditures, with a total incentive of 44 percent available with a 10 percent Alaska hire credit, 2 percent seasonal credit for shooting between October and March, and another 2 percent for shooting in rural Alaska. The credits are transferrable, which means production companies can sell the credits to Alaska companies for reductions in their state corporate income taxes.

Alaska has no state sales or income tax, so the credits will exceed a company's tax liabilities. According to the state Film Office website, the credits can fetch 80 percent to 90 percent of their value and provide an additional cash stream for production companies.

The largest credit by percentage issued to date was 37.67 percent to the production of "Disaster on K2" completed in 2009. The documentary, which did some shooting in Nepal, took advantage of Alaska's scenery to recreate the 2008 expedition that left 11 of 15 climbers dead.

Since the introduction of the credits, 15 productions have wrapped after spending $14.9 million in Alaska. Tax credits have totaled $4.9 million to date.

There are now 29 active projects pre-approved for the credit, including "Everybody Loves Whales," with total proposed Alaska spending of about $88 million and $29.4 million in potential tax credits.

Alaska Film Office director Dave Worrell cautioned that it is unlikely all $88 million actually will be spent, but it indicates the growing interest in Alaska's film incentive program.

"As we see some productions happening, particularly feature films, it kind of feeds off of that," Worrell said. "People are a little hesitant to be the first on the block. Now

we've seen a couple feature films come in and be successful here, I think the word will get out that, yes you can make a movie in Alaska."

Worrell was particularly excited about "On the Ice," which was shot on a budget of $524,628 and earned a credit of $171,145. MacLean is a native of Barrow who attended film school in New York and shot his senior project "short" in his hometown.

The short also qualified for Sundance, and MacLean was encouraged to shoot it as a full-length feature.

"That's exactly what we want to see," Worrell said. "We want to see Alaskans telling Alaskans' story."

With 43 states (including Alaska) and every Canadian province having some kind of film incentives, Worrell said it was "critical" for the Legislature to pass the credits.

"With the global economy the way it is right now, films are having a hard time getting a green light," he said. "It's an indispensible part of the business now. If Alaska is going to be competitive, we have to have some kind of incentive."

Alaska has work do to, though, in having sufficient numbers of qualified crew and movie infrastructure if it wants to attract additional big budget studio films. A variety of tacks are being pursued from the Department of Labor and Workforce Development, to the University of Alaska system, the nonprofit Alaska Crew Training Inc. and the recent partnership between NANA Corp. and Evergreen Films.

Being able to shoot indoors is another need, Worrell said.

"Right now we have to rely on what Alaska has always relied on, our amazing locations," he said. "That right now is the huge draw for us. But filmmakers need something to keep their crew busy on rainy days. Having sound stages where they can do interiors will be a big help for the industry. We recognize this is something that has to pencil in, so it's a little bit of building slowly. We think there's interest and a market for Alaska, but a business case has to be made to build the infrastructure."

The incentive has benefitted the wide array of reality shows that were already home in Alaska such as "Deadliest Catch" and "Ice Road Truckers."

In its sixth season, "Deadliest Catch" spent $1.75 million in Alaska and received a $584,562 credit. The third and fourth seasons of "Ice Road Truckers" wrapped in 2010 with a total Alaska spend of $3.9 million and a credit of $1.3 million.

A slew of new reality programs also hit the air in 2010 and 2011, including "Alaska State Troopers," "Gold Rush: Alaska," "Flying Alaska Wild" and "Sarah Palin's Alaska." Other shows such as "Ax Men," "Man vs. Wild" and "Top Gear" dropped in to film episodes.

Deadliest Catch, now filming its seventh season, has been a ratings giant for Discovery Channel. It ranked No. 1 in the coveted 25-54 demographic for 14 straight weeks on cable last season, drawing a record average of 5.4 million viewers and 8.5 million for the final episode that recounted the untimely death of Cornelia Marie Capt. Phil Harris.

Ice Road Truckers has steadily drawn more than 3 million viewers; Gold Rush: Alaska attracted 3.7 million viewers for its Jan. 7 premier episode; Alaska State Troopers pulled 6.2 million total viewers for the debut of its second season.

The state tourism office is trying to capitalize on the Alaska fascination with new promos running during the shows, and Worrell noted the boom to New Zealand tourism after the "Lord of the Rings" was filmed there.

"Having Alaska visible on the big screen and small screen, it reminds people, 'that's someplace I've always wanted to go,'" Worrell said. "Maybe the constant presence of Alaska will spur that little extra and 'OK, this is the year I'm going to go.'"

Andrew Jensen can be reached at

andrew.jensen@alaskajournal.com.



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We're ready for our close-up, Mr. DeMille

COMPASS: ***Other points of view***

By SUSAN BELL

(01/05/11 19:08:04)

Alaska's film industry has received much notice lately thanks to two feature films that have recently finished production here. Alaskans love watching as Hollywood discovers our state. We love the economic impact, too -- including jobs, spending on hotel rooms, rental cars and other goods and services - that comes when hundreds of people become our neighbors, if only for a short time.

Through the leadership of Sen. Johnny Ellis, the concurrence of the Alaska Legislature, and the support of Gov. Parnell, the state's recently implemented film industry tax credit has been instrumental in spurring the growth of this new economic sector. The film industry has the potential to provide diversity and meaningful contributions to the state's economy. When the film tax incentive bill was passed in 2008, the law provided a base credit of 30 percent to companies that film in Alaska and spend at least $100,000 during a 24-month period. Additional credit could be earned for wages paid to Alaskans, as well as for productions made in rural areas or shot between Oct. 1 and March 30.

Tax credits have been a standard part of economic development strategy for years, as they stimulate additional investment and bring new businesses into the marketplace. Alaska offers similar incentives for mineral exploration, certain types of oil and gas production, and value-added salmon product development.

In the case of the film industry, attracting Hollywood north will help the state accomplish several outcomes:

- Encouraging and protecting a new industry in Alaska;
- Enhancing the economic viability of film projects attracted to Alaska;
- Boosting Alaska businesses and creating jobs for Alaskans; and
- Increasing interest in Alaska tourism from Outside audiences who are inspired to visit after watching movies filmed here.

From a competitive standpoint, it is important that we continue to build the physical infrastructure and human capital necessary to host major motion pictures and television programming. Growing this industry to the point that it is self-sustaining may take years to come to full fruition. But look what has already happened in the 30 months since the tax incentive was implemented:

- Two Alaska children are lead actors in two major feature films that will be released in 2012;
- Dozens of other Alaskans have earned speaking roles;
- Hundreds have signed on as extras, crew members, or both;

• Private industry is planning for a soundstage, a fundamental piece of infrastructure that will make Alaska more attractive to production companies;

• Films made by Alaskans are being screened at the prestigious Sundance Film Festival;

• Alaska's own film festival is growing rapidly;

• Film production management companies are starting to develop;

• Alaska cinematographers are working side by side with Hollywood's best directors of photography; and

• Alaska producers are busy working on films large and small.

What's next? We need to work hard to attract more productions and create paths of opportunity for Alaskans. The Department of Commerce, Community and Economic Development, which houses the Alaska Film Office, needs to ensure that a trained workforce is ready for action. We are working to develop job-training programs for as many Alaskans as possible, in conjunction with the private sector, other state agencies and the university system.

These aren't going to be overnight, "just add water" accomplishments. We're nurturing this industry with plans for it to develop and contribute to Gov. Parnell's vision for a legacy economy that provides opportunity for this generation and beyond. It is time. For years we have watched as other locations, pretending to be Alaska, stood in our spotlight and reaped the benefits of jobs, spending and invaluable promotional exposure. No more. Alaska is ready for its close-up.

Susan Bell is the commissioner of the state Department of Commerce, Community and Economic Development. Information about the state's film industry tax credits can be found at www.film.alaska.gov/incentive-program.htm.

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Boosters hope Alaska will be "Hollywood Far North"

Sat, Oct 2 2010

By Yereth Rosen

ANCHORAGE, Alaska (Reuters) - On a crisp autumn day, as office workers went about their business, one of Anchorage's major hotels became the temporary hub of what state leaders consider a promising new Alaska industry.

The lower level of the Hotel Captain Cook was occupied by a Hollywood film crew that converted rooms into movie sets, makeup and dressing areas and equipment-packed work sites.

In progress was filming for Universal Features' "Everybody Loves Whales," a movie starring Drew Barrymore and recounting a 1988 rescue mounted for three gray whales trapped in Arctic ice.

In a departure from past history, this Alaska-based movie is being filmed on location, rather than in a make-believe Alaska set constructed in British Columbia or elsewhere.

Alaska officials hope this and other projects will help diversify the state's economy from its precarious dependence on dwindling oil production.

"We wouldn't be 'Hollywood North.' Vancouver claims that. We'd be 'Hollywood Far North,'" said state Senator Johnny Ellis, an Anchorage Democrat and self-professed movie buff who authored 2008 legislation that established a special tax credit for big film projects and revived a state film office that had been eliminated during a past austerity push.

Ellis' measure entitles film companies spending $100,000 or more in Alaska to transferable credits of 30 percent of those costs, plus 10 percent of money spent hiring Alaskans. Extra credits are given for expenditures in rural areas or outside of the summer tourist season.

Film companies in the past have largely avoided Alaska, citing the state's high costs, remoteness and overall inconvenience.

But the tax incentive has made a difference, said David Linck, unit publicist for "Everybody Loves Whales," a project Ellis refers to as "Northern Exposure Meets Free Willy."

"It's dollars and cents," Linck said.

Filming will run through November, he said. It has been an economic boon to Alaska, with several key roles filled by Alaska Natives selected after casting calls in remote rural sites, he said.

Among those sharing in the bounty is Su Gamble, owner of a hair salon in an Anchorage strip mall the producers selected for three days of filming because of its retro-1980s look. Gamble herself was cast as an extra, an experience that still thrills her.

"It's such a blast that they chose my place, and they chose me," she said.

OSCAR HEADED NORTH?

She recounted the two hours crew members spent creating her 1980s big-hair look, proclaimed the film producer and crew "so sweet" and "so patient," and predicted an Academy Award for the project.

"Drew Barrymore's going to be the best actress for the year 2012," she said.

It will be several years before Alaska is able to develop its own industry support system, with skilled workers and specialized contractors, anywhere on par with what exists in British Columbia, said Mike Devlin, chief executive of Los Angeles-based Evergreen Films.

Still, each new project moves the state incrementally toward that standard, he said.

"Every film means some Alaskans are in on the production," he said.

Evergreen Films is so bullish on Alaska it has located a studio in Anchorage. The studio occupies a vast and elegant house perched in the mountains overlooking the city, glacier-fed Cook Inlet and a panorama of snowy mountains, including active volcanoes and Mount McKinley.

The studio doubles as Devlin's residence.

"I'd rather get up in the morning here than in L.A.," he quipped, taking in the view from a bank of windows.

Evergreen Films has produced nature documentaries, among other projects, and is working on a television series based on mystery novels by Alaska author Dana Stabenow.

Last month, NANA Corp., owned by Inupiat Eskimos from the state's northwestern region, announced it was investing in a joint venture with Evergreen. The project will "create jobs and economic growth," a NANA statement said.

Alaska already is experiencing a boomlet in reality-TV productions such as "The Deadliest Catch," the fishing series produced by the Discovery Channel, and former Gov. Sarah Palin's controversial series being produced by TLC.

"Alaska is the talk of the nation, in many ways, good and bad. But most of it good," Ellis said.

For some Alaskans, the desire to lure film projects goes beyond money.

Hollywood's habit of using non-Alaska sites to film Alaska stories -- even the iconic television series "Northern Exposure," which was filmed in Washington state -- has long been an irritant.

Some on-screen results made Alaskans cringe. Pine forests and wooded hillsides stood in for what was supposed to be open Arctic tundra. Asian actors portrayed Alaska Natives. And there were improbable story lines, like running gags about snake problems in the reptile-free far north.

The final insult, said Ellis, was learning that a major romantic comedy starring Sandra Bullock was being filmed in Massachusetts even though the story was set in Sitka, Alaska.

"That aggravated me, and it aggravated others," the senator said, referring to "the Proposal," released in 2009. "There's a long, sad history of Alaska losing out. But I hope we're starting to change that."

(Editing by Steve Gorman)

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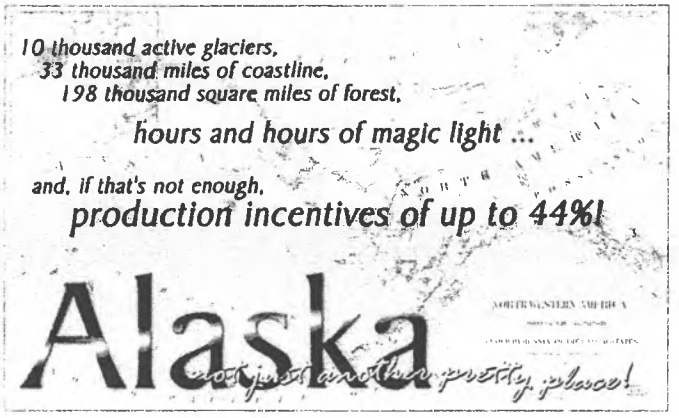
Here's Looking At You Alaska



Alaska's film and television industry has received a lot of attention lately due to the recently wrapped filming of "Everybody Loves Whales" and "Ghost Visions" along with several Alaska-specific television shows.

In addition to the pioneer of Alaska reality television, "Deadliest Catch", Alaska has been featured in "The Alaska Experiment", "Gold Rush Alaska", "Flying Wild Alaska", "Alaska State Troopers", "Ax Men", the recently debuted "Flying Wild Alaska" and many others.

Thanks to the Alaska Film Production Incentive Program, what may have been a small one time occurrence has started to take hold in Alaska and is on its way to becoming a full formed industry. The Alaska Film Production Incentive Program was created by legislation sponsored by Senator Johnny Ellis and supported by the legislature and the governor's office. Implemented by the state Department of Commerce, Community and Economic Development through the Alaska Film Office, the program offers eligible television and film productions tax credits from 30-44% depending on several factors including the time of the year the production is filmed, where in Alaska it is filmed and Alaska hire.

Alaska Film Industry Tax Credits are also helping Alaska businesses with their tax liabilities. Because film and television productions are unlikely to owe Alaska Corporate Income Taxes, producers sell their tax credits to Alaska businesses at a discount (usually 80 to 90 cents on the dollar). Those businesses receive full "face value" for those credits, thus saving 10% to 20% on their Alaska Corporate Income Taxes. The film office is building a list of interested companies, with more asking to be added regularly.

As of January 1, 2011, fourteen film industry tax credits have been approved for $2.14 million based on qualified Alaska spending of $6.6 million, and that is only the tip of the iceberg. Currently there are 30 productions pre-qualified for estimated tax credits of $29.5 million based on over $88.5 million of in-state spending if all projects complete production within their estimated budgets. That represents a large amount of money spent in state that in the past would have gone to other places like British Columbia, Maine or other states that have often stood in as Alaska.

The current program has a credit cap of $100 million and is set to expire July 1, 2013, but Senator Ellis has introduced legislation to extend the program by ten years and continue the $100 million incentive funding for each five year period.

TAX CREDIT	VALUE	REQUIREMENTS
Base Credit	30%	Production expenditures must be made in Alaska.
Alaska Hire	+ 10%	Wages paid to Alaska residents receive an additional 10% credit.
Seasonal	+ 2%	Production expenditures made between Oct. 1 and Mar. 30 receive an added 2% credit.
Rural Location	+ 2%	Production expenditures made in a rural area also receive an added 2% credit.
Maximum Possible Credit	**44%**	Portions of a production with an Alaskan crew, filmed in rural Alaska between October and March.

1st Quarter, 2011

AEDConnections

The Newsletter Of Anchorage Economic Development Corporation

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Diamond Investor Spotlight

GCI Goes Hollywood

Peerless cell phone coverage has its advantages. Ask the cast and production crew from the movie *Everybody Loves Whales* starring Drew Barrymore, John Krasinski, Dermot Mulroney and Ted Danson. GCI was the exclusive Alaska telecommunications company for the production providing cell phones, Internet, and office phones for the cast and crew of this major motion picture. The movie is based on an attempt to rescue three gray whales trapped by sea ice near Barrow in 1988.

Because of GCI's coverage across Alaska, they were a perfect fit, as the crew worked throughout the state. Actor Dermot Mulroney said in an online interview, "It's a huge cast with tons of scheduling. It's a real producers' movie, in a lot of ways, 'cause there's so many elements." The relationship provided GCI with daily challenges but also had its benefits.

GCI was given permission to shoot commercials on the set of the film in Anchorage. The commercials demonstrated a GCI cell phone helping a harried production assistant to navigate through the myriad challenges to be conquered during a shoot of a major motion picture.

An opportunity which led to a unique and humorous challenge for GCI.

While GCI's crew was shooting their spots, the movie production was taking place simultaneously at the same location. Complications arose when the film crew ate the snacks that were set out as a prop for one of the GCI commercials. The GCI crew didn't want to appear rude, when the movie production company was generously allowing them to film on the set, but they also needed the food for the shoot. In the end, the crew managed to save the food table without ruffling any feathers. Only in Hollywood, and now Alaska.

Rochelle Marshall, GCI director, commercial marketing, said the crew enjoyed the wonderful service from GCI. "I hope in some way, that we contributed to the success of the movie. We're proud to be a part of that."



AEDC
Anchorage Economic

THE WALL STREET JOURNAL.
WSJ.com

JANUARY 20, 2011, 11:00 AM ET

Sundance 2011: 'On the Ice' Spotlights Alaska

Plenty of independent films that play the Sundance Film Festival can boast of being shot in remote and exotic locations, but Andrew Okpeaha MacLean's coming-of-age drama "On the Ice" is probably the only film this year that required an AK47-wielding guard to monitor the set for wild animals.

Having grown up in Barrow, Alaska, the setting of "On the Ice," MacLean knew that bears were going to around and had his production coordinator on polar bear watch. "I wasn't overly concerned about it because we were such a big group of people and normally they'd stay clear of us," he said. "But if you get a juvenile or one that's especially hungry, they can get a lot more aggressive."



Poster for "On the Ice"

Based on MacLean's award-winning short "Sikumi," "On the Ice" follows the story of Iñupiaq teenagers Qalli and Aivaaq, who accidentally kill their friend James during a seal hunt. Scared and worried, the boys decide to ditch their friend's body and pretend he died in an accident. Qalli, the college-bound friend who actually pulled the knife, must deal with his guilt as Aivaaq beats himself up, his father gets suspicious, and he decides what kind of man he wants to become.

We recently spoke to MacLean about his debut narrative film, premiering this week at Sundance.

The Wall Street Journal: Did you write your short with the idea of turning it into a feature film?

Andrew Okpeaha MacLean: My short was first written as writing exercise. I had a pretty bad case of writer's block when I was working on a different script, so I took those characters and put them in a weird situation and wondered what would happen if they stumbled on a murder. As I started working on the short and started showing first the script, and then edited cuts to people, a lot of them had the response of wanting to know what happens next, or if this could be part of a larger story. So, by at the time the short was done, I was aware of the possibility of continuing the story.

Tell me about your background.

I was born in Fort Wainwright, an army base [in Alaska] and I grew up in Barrow and Fairbanks, the town near Fort Wainwright. It's a university town; my parents were both university professors.

When did you know you wanted to be a filmmaker?

About 10 years ago, I decided to apply to film school. I'd been living in Seattle for a few years after getting my undergrad degree at the University of Washington in theater. I was more in the theater world when I decided to move back home to Barrow. I moved for a number of different reasons, but part of it was that I wanted to reconnect and learn to speak Iñupiaq better because a lot my generation is losing the language skill.

When I was growing up there, there was no real system for teaching it — my generation is the first generation not to take it as our first language; we were the first generation to grow up with television and that might have been part of it. In fact, there was a pretty strong sentiment at the time that it was bad to teach kids anything other than English; my parent's generation was punished for speaking Iñupiaq at school.

So, I wanted to try to correct that and came home. While living at home, a cousin of mine who's very active in the community said to me, 'You've been doing theater, I did a play once in school — let's do plays together and let's do them in Iñupiaq. So we started adapting old stories and coming up with our own, and getting them translated with the help of our elders. Performing them was great — I felt really connected to my culture but we would put a lot of work into these shows and only four or five hundred people would come and then it would die. So I started thinking about film as something that has a lot more permanence and potential to reach people. I decided to apply to film school and looked for ones that didn't require film experience. I barely knew the front end of a camera from the back, and NYU is one of those schools and they accepted me and offered me a scholarship. Next thing you know, I was moving from Barrow to New York City.

Shooting in Alaska can be tricky given the absence and abundance of light, given the season. Did you have to shoot within a very specific time frame?

We shot in April and little bit of May... the timing was vital — that was one of the things that both caused us a lot of stress, but also propelled us into making it happen because we could only shoot during one season: spring. It was partly because of the temperature, but also for the combination of sea ice and light. In the summertime, the sea ice melts and the script called for a lot of ice — I mean, it's called 'On the Ice' — so we needed it. By the time the sea ice forms in the winter, it's completely dark all day long and remains dark out for several months. It's not until March that you start getting the 12 hours of sunlight, then darkness, so it shifts very rapidly from there. By the time we finished, we were in 24 hours in daylight. which was a lot of fun for the film crew.

Your cast consisted primarily of first-time actors — was it a challenge to find the right combination of players?

We did a fairly long casting process. My producer Cara [Marcous] and I flew all over arctic Canada and all around Alaska looking for potential actors, including Anchorage and Fairbanks and Nome and Point Hope and finished in Barrow — we went to at least 10 to 12 cities.

The actor who plays Qalli's dad is quite good.

We didn't even see him in the first round of auditions. Someone had told him about the auditions and we had casting information on our website. He sent us an email and I sent him a copy of the script — more specifically, the sides we were working from — and then called him and I directed him from the phone. He then taped himself and uploaded it to YouTube. I really liked what he did and I liked his look, and based on that, we flew him along with the top contenders from the casting process to Anchorage. We did a week-long intensive casting process that doubled as a basic acting workshop, so we were able to really put them through a lot of work and see how they would respond to different ways of working. At the same time, we able to start working on the characters with them. Everything really paid off later. That whole casting experience was key to getting the film done — we did casting before we had the money to shoot the film. Afterward, we got a grant from Princess Grace USA Foundation that allowed us to go and make the film.

There's a lot of original music in the film. Were the featured songs written prior to filming, or were they improvised?

No, that was written out. The dances at the very beginning of the film were traditional dances that are kind of in the public domain. There are a lot of those dances that are personal and owned by specific people and we would have needed permission to use those, but the two we used are fun dances for anybody to do. The Singspiration — a hymn that translated into Iñupiaq — was a song by the actual church choir up there, and the rap [the one of the characters performs at a party] was written pretty much by the actor and it's meant to be a moment of just freestyle improv — he's not supposed to be coming off as Lil Wayne. I just thought that that's an interesting aspect of the youth culture up there and was interested in how people express the culture through music. It's three very different ways of performing music and it's coming from three different sources — but they're all being kind of appropriated, being taken into the culture.

The Cordova Times

"Everybody Loves Whales" film crew coming to Barrow

Published on October 21st, 2010 9:14 am

By ALASKA NEWSPAPERS STAFF

Anchorage's Grace Olrun of the Casting Department is calling for Barrow Inupiat and non-Inupiat residents to register with her this weekend to portray the many rescuers and reporters who went out to the ice to help free the whales or report on the story. Filming will occur on Oct. 29, 30 and 31.

Registration will take about five minutes, no audition is required - some paperwork and a photo. Grace will be at the Tuzzy Library Friday, Oct. 22, from 1:30 to 5 pm and Saturday, Oct. 23, from noon to 5 p.m. to sign up adult residents. Filming on Saturday October 30 will last approximately 10 to 12 hours with a hot catered lunch with fellow cast and crew at mid-day.

Come be part of the largest feature film to ever come to Alaska. Help us Alaskans show how robust and giving Barrow is. Please contact Grace by email at cupikwarriorproductions@gmail.com to secure a part in the movie. Only 72 residents will be hired to be in the film, slots are filling up fast.

Grace Olrun, Casting Dept. for "Everybody Loves Whales"

Contact us about this article at editor@thecordovatimes.com

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HomerNews.com

Story last updated at 5:59 PM on Wednesday, January 12, 2011

Student filmmaker brings project home

BY MICHAEL ARMSTRONG
STAFF WRITER



Photo by Michael Armstrong

Homer News Katherine Brennan, cinematographer for "What May Be True."

New filmmakers making films on a tight budget often get creative. Some max out their credit cards, hoping the film will win awards at Sundance or other film festivals. Others get arts grants. Almost all recruit family and friends to help out. Katherine Brennan, a 2005 Homer High School graduate in her senior year at the Academy of Art University, San Francisco, has come up with a new twist.

Pay your own way to Alaska and help me with my film, she told friends from San Francisco, and I'll get you room and board for 10 days.

"I've been so lucky and so blessed to work with so many talented people," she said of the students and teachers she's met in San Francisco.

Brennan, 25, graduates this spring with a bachelor of fine arts in cinematography. She's the director of photography — the woman behind the camera — of "What May Be True," a 7 to 10 minute short film about "how people cope with betrayal," Brennan said.

Born and raised in Homer, Brennan, 25, is the daughter of Patricia Brennan and the late Hugh Brennan. In December and January she has been visiting family and friends in Homer and scouting locations for "What May Be True," to be filmed this June. One scene will be shot at the Homer Harbor and another in a forest. She also needs an office or room that can pass as a therapist's office.

"What May Be True" has about five or six acting roles, including the main character, Gabriella, a girl about 16, and a woman therapist about 40 to 50. On her film's website, Brennan describes the project as "a powerful story about a woman who goes through emotional and physical trauma and the journey that she goes through to overcome the after effects."

A small-town woman starting a career in film is just part of a growing film industry in Alaska. Under the Alaska Film Production Incentive Program, Alaska offers generous tax credits to motion picture companies filming in the state. Last week, Sen. Johnny Ellis, D-Anchorage, and Representatives Bob Herron, D-Bethel, and Chris Tuck, D-Anchorage, prefiled legislation to extend those tax credits past its sunset date of 2013 (see Business, p. 6).

"The recent film industry boom in Alaska has benefited Alaskans and local businesses across the state, and it could grow much more," Ellis said. "Extending these incentives shows film producers Alaska is serious about building this industry for the long run."

Brennan wants Homer to be part of that boom, particularly for its scenic setting. For "What May Be True," she wants to use the landscape as a strong part of the film.

"I think Homer has a lot of potential and doesn't get the attention it deserves beyond 'Deadliest Catch' and 'Sarah Palin's Alaska,'" she said.

As a cinematographer, Brennan would like to see more Alaskans — and more women — behind the lens. Alaska only has about 25 professional camera operators that she knows of, Brennan said. It's also hard to rent professional quality cameras. Brennan plans to shoot her film using a Canon 5D high-definition, single-lens reflex video camera, one of the more common high-end cameras used in the industry. She's been lucky that the Academy of Arts has so many cameras for students to use, she said.

"I feel like a gear head nerd with cameras and not cars," Brennan said.

After graduation and making "What May Be True," Brennan said she plans to work for a while here to get ahead on bills. Eventually she'd like to get an entry-level job in the film industry — which could mean moving to Los Angeles. Although the Academy of the Arts is an art school, she said her education feels more like going to trade school. It's a lot of hands-on, learn-the-craft work.

"Every day I am doing something with film or video production," Brennan said about the school.

It's an art where the education continues.

"You're going to be learning, no matter what profession you're in," she said.

Brennan has a website set up through IndieGoGo, a web service that allows filmmakers, writers, musicians and other artists to make a pitch for support. Artists describe their projects, what they need in cash and other support, and how contributors will be acknowledged. While Brennan's new San Francisco friends will be helping her out, she's also looking for some hometown help. Anything locals can do in providing meals, lodging and other support would be appreciated.

She also has a site on vimeo.com showing some of the films she photographed or was involved in.

Michael Armstrong can be reached at michael.armstrong@homernews.com.

Bush Pilot

Print

Alaska National Guard helps out with "Whales" shoot

Joshua Saul | Oct 12, 2010



An Alaska Army National Guardsman acting as a stand-in for the upcoming movie "Everybody Loves Whales" is seen climbing the ladder of a CH-54 Skycrane helicopter during filming at Bryant Army Airfield, October 4. Stand-ins are used as temporary replacements for stars providing the production crew a chance to rehearse before filming. Photo by Pfc. Karina Paraoan, Alaska National Guard Public Affairs Office

Here's the presser, and here's a story I wrote about the movie yesterday.

Alaska National Guard assists Hollywood in major movie production

CAMP DENALI, Alaska - The Alaska National Guard is working closely with production crews here in Alaska in the filming of a Universal Studios movie based on a whale rescue that captured the world's attention near the end of the Cold War.

The movie "Everybody Loves Whales," starring well known actors Drew Barrymore, Kristen Bell, Ted Danson, John Krasinski, Dermott Mulroney and Vinessa Shaw, brings together a Hollywood storyline with the true story of how people from around the globe came together in 1988 to free three gray whales trapped in arctic sea ice 18 miles northeast of Barrow.

The stranded whales were discovered Oct. 7, 1988 by an Alaska Inupiat hunter after changing weather conditions and shifting ice trapped them in shallow water before they began their journey south to warmer waters.



Alaska Army National Guard State Command Sgt. Maj. Gordon Choate prepares a pair of Army cold weather gloves to be worn by an Alaska National Guardsman as an extra in the upcoming movie "Everybody Loves Whales." A team of Alaska National Guardsmen work daily to assist the production team with the military scenes to ensure the accuracy, attention to detail and correct portrayal of the

At the forefront of this international incident, the Alaska National Guard was pivotal in its role to help free the whales utilizing a CH-54 Skycrane helicopter, while working closely with members of President Ronald Reagan's administration and with the former Soviet Union.

Twenty-two years later, Hollywood has come to Alaska and has asked the Alaska National Guard to assist them in the filming of the movie.

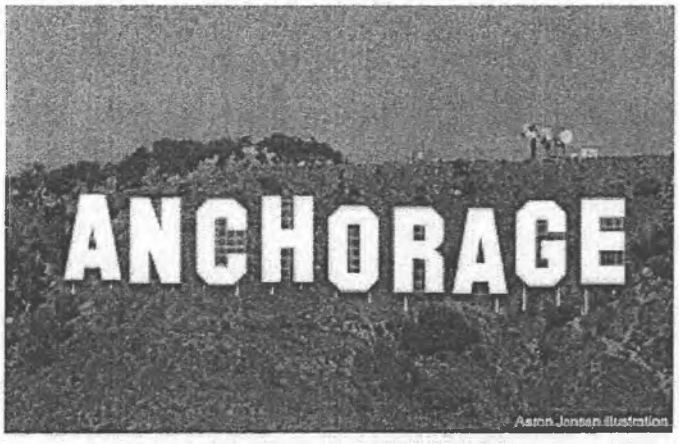
"We usually have a Department of Defense representative from our Los Angeles office providing the coordination, advice and daily assistance to the production company," said Vicente "Vince" Ogilvie, deputy director of entertainment media, office of the assistant secretary of defense for public affairs. "However, for "Everybody Loves Whales," that role is being provided by the Alaska National Guard."

Features

Print

Behind the scenes as Hollywood meets Alaska

Joshua Saul | Oct 11, 2010



Early on a Saturday morning in early October, inside an Anchorage middle school dressed up to play Barrow's high school, 140 extras sweated in bunny boots, parkas, and kuspuks. Extras playing Alaska Native villagers sat facing the front of the room, where a half-dozen somber whaling captains sat with two huge Panavision cameras behind them. I stood among the virtually all-white press corps clustered in behind the villagers: an Alaska reporter dressed up to play an out-of-state photographer.

When Drew Barrymore breezed onto the set, the extras burst into applause. Barrymore hid her face in her hands, feigning embarrassment, then told the Alaska Native extras they wouldn't like her after we heard her character arguing against the head whaling captain.

She was right. The scene being filmed -- a pivotal plot twist in "Everybody Loves Whales," a $30 million movie that recreates a real 1988 event -- portrayed a community meeting in Barrow held to decide whether three whales trapped in the ice should be killed and eaten or freed. Barrymore played a Greenpeace activist fighting for the whales' release while the Alaska Native extras professed to like the taste of whale and said they hate being told what to do by white environmentalists from the Lower 48.

When filming began, Barrymore argued with a handsome young whaling captain in a red bandanna and Sorel boots. The press corps pretended to jot notes and take photographs of the confrontation. The extras playing villagers followed the director's instructions to "be a little impolite." When Barrymore's character said it would be wrong to kill the whale and its "babies," the villagers shouted her down. They cheered on the whaling captain as he replied that whales are what he feeds his family, what his whole village feeds its babies.

"What you're saying is ridiculous. You're a white girl. Go back to California. This is Inupiat country," the captain said, drawing the loudest cheers of the scene. But Barrymore's character wasn't finished. You don't need to hunt, she said, not when you all get big stipends from the oil companies and have enough money to buy all the food you need.

"Those stipends last just a few months," the young captain shot back. "We have to hunt. One day that oil's going to run out. And when that happens, who will feed our children? Will you?"

Real Alaska conflict comes to the silver screen

The scene reflected a real conflict between the subsistence lifestyle practiced by some Alaska Natives and the sometimes condescending environmentalism of urban and Outside interests.

Subsistence is a touchy issue in Alaska. Urban sport hunters and rural subsistence hunters clash over hunting quotas, the wanton waste of caribou on the tundra near Point Hope resulted in criminal cases that were covered by the Alaska media, and the decision of an Alaska Native state legislator to overfish his subsistence permit

became a high-profile court case.

Usually that conflict is misunderstood or ignored by the outside media and entertainment industries, so a mainstream Hollywood movie that appreciates the complexities of the conflict is something new. The film's directors did show at least some awareness of the divisions that sometime define Alaska. At one point, the first assistant director walked back to two white extras playing Barrow villagers. You don't have to be as angry as everyone else when Barrymore makes her points, he told them, adding that as white villagers, they wouldn't necessarily be agreeing with the Natives.

At the risk of drawing too broad a conclusion from one scene, "Everybody Loves Whales" does seem to have a clearer take on Alaska issues than most Lower 48 films and news reports. And it nailed the scene right down to the coffee urn and Sailor Boy Pilot Bread set up as props.



The movie's realism is only enhanced by its extras, many of whom brought their own kuspuks and fur-lined parkas instead of waiting to be outfitted by the wardrobe department. One of the extras playing a whaling captain is even part of a real whaling crew way out on Little Diomede, just two miles from Russian soil. Sylvester Ayek, a well-known Alaska Native artist who hunts walrus from his home in Nome, was scheduled to play another of the whaling captains but was "demoted," as he laughingly put it, when he showed up late for the shoot on Saturday.

A day in the life of an extra

Being an extra is harder than it looks; not like digging ditches in permafrost, sure, but tiring and monotonous all the same. During my stint on set the first weekend in October I was assigned, coincidentally, to play a press photographer. I was handed a dated Nikon with a big Speedlight SB-16 flash. To round things out, I was outfitted with black snowpants, black boots, a green pullover and a green down vest. It was easy to look the part, but more difficult to keep from sweating like a polar bear in a sauna. My press pass read "Dean Wilson, U.P.I." Positioned between a Wasilla medical biller playing a news reporter and an Arctic Slope Regional Corp. communications manager playing a cameraman, I had a good view of the room.

Actor John Krasinski, who plays Jim Halpert on the popular television show "The Office," was the tallest man on set, standing about 6 feet 3 inches with an impressive pompadour adding to his height and enormous brown boots on his feet that looked to be about a size 14. Between takes, he checked NFL scores on his iPhone and argued about "the best football movie ever" with co-star Tim Blake Nelson, who in 2000 put on a brilliant performance as the simplest-minded of the crooks in the movie "O Brother Where Art Thou." Actress Kristen Bell -- gorgeous, blonde, and the size of a middle schooler -- fanned herself with a reporter's notebook and laughed with Krasinski even while makeup artists were sponging foundation onto their faces.

There were local notables on hand to play reporters, too. Channel 2 weekend anchor Rebecca Palsha and Channel 13 anchor Natasha Sweatte were in the crowd, along with former Channel 2 reporter Julie Hasquet, now the spokeswoman for U.S. Sen. Mark Begich. Accepting high-fives from Krasinski before almost every take was Ahmaogak Sweeney, the 10-year-old son of Kevin Sweeney, campaign manager for U.S. Sen. Lisa Murkowski. Dressed in a blue track jacket and carrying a tape recorder slung over his shoulder, Sweeney appears to hold the substantial kid role in the movie.

After the morning filming broke for lunch -- which included chicken masala and orange roughy -- but before the

extras returned to the set, two men beat on traditional drums while four women in bright kuspuks danced a Yupik blessing for the people in the middle-school cafeteria. Many of the extras were Yupik or Cupik instead of the northern Inupiat they were playing in the movie, but it makes sense when you consider the realities of geography: Barrow is 725 miles north of Anchorage, while Bethel, the air hub of the Yupik regions, is just 400 miles west.

Elders among the extras treated with respect

The film crew seemed aware of the great respect with which Alaska Natives treat their elders. When the herd of extras was held up in the school's halls, elders were asked multiple times if they would like a chair so they could sit down for the few minutes it would take to get the group moving. And elders were shuttled to the front of every line, whether they were at lunch waiting to serve themselves or in wardrobe waiting to return their parkas and boots.

The elders, like most everyone else, seemed to be enjoying the shoot. As much as the extras shouted down Barrymore's character, it's impossible to stay mad at perky Drew. Sunday morning, on the second day of shooting the scene, an elderly Alaska Native woman sitting in the front row hollered for everyone's attention so she could organize a greeting for Barrymore. When the actress walked onto the set, carrying a copy of Jonathan Safran Foer's non-fiction book "Eating Animals," the crowd of extras boomed out "Good morning, Drew!"

Drew blushed again, then answered "That's the nicest good morning I've ever had in my life."

Then it was back to the filming. The director coached the extras on how he wanted them to react to the arguments made by the young whaling captain and Barrymore's character, telling them "It shouldn't feel choreographed" and "Try not to know where the scene's going."

While the extras playing villagers feign anger and the extras playing press snap their flashbulbs, the rest of Alaska waits to see whether the finished movie turns out to a realistic portrait of a complicated state and the people who live there or a shallow vehicle for a cheesy romance that sidesteps the pressing issues that bubble up in the 49th state.

Contact Joshua Saul at jsaul(at)alaskadispatch.com .

Read more of the Dispatch

- *A tale of two Joes, Miller and Vogler*
- *Canada, U.K. discuss preserving HMS Investigator wreck*
- *After Michigan spill, familiar concerns about pipeline regulators*
- *At Yale Law School, Joe Miller discovers Federalist Society*
- *Deadliest catch now safest catch?*



Alaska NEWS

NANA gets into showbiz

By **Victoria Barber**
Sep 20th, 2010

Published in ***the Arctic Sounder***

Alaska is jumping on the movie business bandwagon, and Native corporation NANA is hoping to help lead the charge.

The company announced that it's invested "several million" to purchase 33 percent ownership of Evergreen Films, a high-tech Alaska production house with studios in Anchorage and Hollywood.

"Frankly this is a pretty exciting field," said Helvi Sandvik, president of NANA Development of NANA Regional Corp.

Sandvik said Evergreen approached NANA Development about a year ago with a proposal and business model. NANA has several subsidiaries that look likely to benefit from the partnership, including those that supply catering, construction and remote camp services. However, NANA doesn't have exclusive rights to those contracts.

Sandvik said that she also hopes NANA Development's stake in the film industry will open up an exciting new career field for shareholders.

"Really the sky is the limit. Sometimes it's a matter of helping people visualize what those opportunities may hold," Sandvik said.

Building a movie pipeline

NANA's announcement came just days before filming in Anchorage began on "Everybody Loves Whales," a movie starring Drew Barrymore and John Krasinski (star of "License to Wed" and the TV show "The Office"). The film is based on the true story of three grey whales stranded in the sea ice off Point Barrow in 1988.

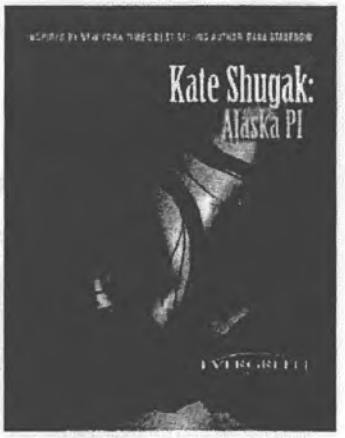
"Loves Whales" is the first high-profile movie to come out of the tax incentive program introduced by Sen. Johnny Ellis in 2008. Senate bill 230 rebuilt the Alaska Film Office and created a program that offers tax credit to movies, documentaries, commercials, and video projects that spend at least $100,000 in Alaska.

Stories about Alaska have long attracted filmmakers and movie-goers, in large part because of the state's spectacular and risk-filled landscapes. But before the incentive program, the vast majority of movies about Alaska were filmed far away.

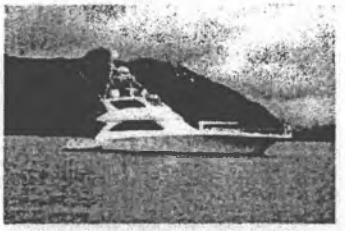
Recent thrillers "30 days of Night" and "The Fourth Kind," were set in Barrow and Nome but filmed in New Zealand and Bulgaria, respectively. The 2009 blockbuster "The Proposal," starring Sandra Bullock, was set in Sitka but filmed in Massachusetts.

That means the state is losing out on a lot of money that could be going to Alaskans, said Carolyne Robinson, owner and executive producer at Sprocketheads LLC, an Anchorage-based film company.

A major production like "The Proposal" spends, on average, about $100,000 a day, Robinson said. Not only does that pump money into local businesses - from hair salons to construction companies - it also creates jobs for young professionals who would otherwise have to leave state to work in that industry.



NANA Development has invested "several million" into minority ownership of Evergreen Films, an Alaska production house that is creating a TV series based on Dana Stabenow's popular series about a Native woman detective. (*Courtesy Photo, Evergreen Films*)



Evergreen is a production house seeking to rival high-tech production houses. Part of its outfit is the Strider, a Viking 74 Sport Fisher with mounted and underwater cameras. (*Courtesy Photo, Evergreen Films*)

"Think of this can of movie film as a barrel of oil," Robinson said, waving a reel at a recent meeting of Anchorage businesses. "We can build a new kind of pipeline."

Robinson said we'll be seeing more movies - and moolah - coming down the pipeline soon. An movie executive and an "international team" were scouting locations for another big film earlier this year. The trip included a dog sled ride at Iditarod champion Martin Buser's kennel. Details are still under wraps, Robinson said, but discussions are underway with leading men Viggo Mortensen, Liam Neeson and Jeff Bridges.

Pre-production might begin as early as this fall, and filming in early 2011. But that's not because of the scenery or any dog sled ride, Robinson said. In the end it's all due to the incentive program.

"The film executive told me flat out that they did a multi-country, multi-state comparison. And calculating in our film incentive program, the bottom line was - shoot in Alaska."

That was the same bottom line that decided the NANA board to invest, said a very un-star-struck sounding Sandvik.

"We're very analytical in everything we do. NANA has an incredible number or opportunities that are presented to us today. This was no different than any of the rest of those," Sandvik said.

New Hollywood North

Anchorage will never be Hollywood - and most Alaskans would agree, that's a good thing. But Mike Devlin, one of the founders of Evergreen Films, said Alaska might look instead to Vancouver as a portent of what's to come if all goes well.

Since "The X-Files" began filming in Vancouver in the early '90s, the Canadian city has built up the infrastructure to pull in over a billion dollars a year (British Columbia has sometimes been the stand-in for Alaska in the movies). The number of productions taking place there has earned it the nickname "Hollywood North."

Alaska still has a long way to go until it can rival that kind of success. It still lacks the things that are critical to the film industry, such as a CGI shop, trained personnel and sound stages (Robinson said Anchorage needs at least four).

Also, Alaskans would have to get used to how Hollywood works - fast. And with "a high level of customer service," Robinson said.

NANA's investment in Evergreen Films means they'll participate in building up that capacity. Evergreen is a high-tech studio that specializes in digital 3-D technology. The company is partnering with BBC Earth to produce "Dinosaurs 3-D" and released a few 3-D concert videos for bands including Phish and Dave Matthews.

"We can do Avatar class films, and we can do them for a much lower budget and we can them here in Alaska, which is very different than the way the world was 10 years ago," Devlin said.

Evergreen also films for television. The company has optioned Dana Stabenow's best-selling Kate Shugak mystery novels. The books' heroine is an Aleut woman who solves crimes on the last frontier with help from her Mutt, her half-wolf, half-dog partner.

But whether it's for big or small screen, Devlin said that the more Alaska can encourage high-quality, scripted shows, the more the state will reap the benefit of its inherent charisma for movie-goers.

"This will not be a short job. It'll be a 10-year job to build this industry. But it'll be a lot of fun," Devlin said.

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Producers scout Alaska for action film with big budget

'THE PEAK': Production of film, with climber rescuing family, hinges on economics, tax break.

By KYLE HOPKINS
khopkins@adn.com
(02/25/11 14:29:25)

Alaska movie-watchers: This one could be bigger than "Whales."

A team of action-movie producers is in Anchorage this week researching a feature film about mountain climbing that they hope to film in Alaska as early as next year.

The movie is tentatively titled "The Peak," and it would tell the fictional story of a girl and her woefully unprepared parents who crash in the mountains wearing tennis shoes and jeans. A skookum rescue climber attempts to save the family.

"We set it here because we want to make it here," producer David Greathouse said Thursday as the group prepared to scout potential production buildings in Anchorage.

It's unclear how much the film would cost. Another producer, Lucas Foster, estimated the budget in the "many tens of millions."

The price tag would far exceed the more than $30 million spent on "Everybody Loves Whales," said Foster, whose producer credits include "Bad Boys," "Law Abiding Citizen" and the Brad Pitt, Angelina Jolie shoot-'em-up "Mr. & Mrs. Smith."

The producers arrived in Alaska on Tuesday. They spent Wednesday flying by helicopter to Matanuska Glacier, Lake George and other locations as they prepare to tweak a long-simmering script about a dangerous mountain rescue.

"It's not like you've got to go to some place and try to help them imagine what it might be like with enough special effects and whatnot," said Colby Coombs, a founder of the Alaska Mountaineering School who traveled with the group. "The mountains do the talking."

Simon Crane, stunt coordinator on "Mr. & Mrs. Smith," "Salt" and the upcoming "Men in Black III," is set to direct, Foster said.

As the state Legislature considers extending or tweaking a generous tax subsidy that allows filmmakers to recover as much as 44 percent of their in-state spending, Alaska film-boosters are courting producers like Foster in hopes of landing another major production.

Like all big-budget films, there's no guarantee the mountain-climbing movie will be made -- or made in Alaska.

"As long as it makes economic sense to shoot it here, we'll shoot it here," Foster said over a pancake breakfast at the Hotel Captain Cook.

Alaska's tax incentive is a major factor in the decision, he said. The producer, a blunt-spoken man in a faded Yankees cap and black North Face jacket, literally gave the finger to the state of Michigan at the breakfast table to show what he thought of Michigan Gov. Rick Snyder's move to slash that state's film incentives.

When producers find a place to film that works, they come back, he said. If filming "The Peak" goes well in Alaska, the producer said, he'd consider shooting more movies here in the future.

"I can make an action movie that I was going to shoot in Louisiana in Alaska, if I want to," Foster said.

A RESCUE STORY

"The Peak," which also has been called "The Tooth" and may end up with another title altogether, is an action thriller. Filming could take 13 or 14 weeks, with pre- production beginning months earlier.

Filming is at least a year away and would likely take place in the summer, Foster said.

In the script, a journalist takes his wife and 11-year-old daughter into the mountains to write a feature or lifestyle story. Kind of a family vacation on the boss's dime, the producers said.

"He's a little bit of a jerk in the sense that he brings his family to a place that he really shouldn't have brought them," Foster said. "They're really sort of ill-equipped to be here."

An experienced mountain climber serves as the family's guide and becomes protective of the girl. "It's not her fault she has (idiot) parents," Foster said.

While flying home in a Bush plane, the journalist pushes for his pilot to fly higher and higher for photos. Disaster follows.

"(The plane) drills itself into the mountain; the fuselage breaks up," Foster said.

The mountain climber -- who the producers said would likely be played by a male movie star in his 30s or early 40s -- must lead a rescue team to the crash site.

"We're deciding whether we want to make those climbers PJs (parajumpers) or not. Park rangers. We're not sure yet, as we adjust the script to the reality that we're learning about," Foster said.

The climber tries to keep the isolated girl's spirits up, possibly in a series of a satellite phone conversations, and the story revolves around her connection with the rescue climber, the producers said.

The film has not been cast, they said.

SCOUTING TRIP

A recent draft of the script was set in the Himalayas. Foster and Greathouse, with line producer Bill Wilson and development executive Gregory Veeser, are researching Alaska in an effort to set the story here.

The producers are scouting locations similar to those in the story, talking with Alaskan mountain climbers and rescue experts and looking for potential soundstages in Anchorage.

"We really liked Talkeetna. That is a cool little town," Greathouse said.

Coombs, co-founder of the Talkeetna-based mountaineering school, flew with the group in a pair of R44 helicopters from Girdwood to visit glaciers, icebergs and Hatcher Pass, he said.

"What's different in Alaska compared to other places is you don't have to improvise," Coombs said. Want mountains and glaciers? They're right out the back door, he said.

The producers expect the action movie to appeal to international audiences.

"Our movies get seen by 80 million people around the world or more," said Foster, whose producer credits also include "Jumper," "Walking Tall" and "Crimson Tide."

"Our point of view is there hasn't really been a climbing movie that had an authenticity to it," he said. "The last climbing movie that was made, that was a major theatrical release in North America, was 20 years ago."

That film, "Vertical Limit," was well cast but unrealistic, the producers said.

"It had a guy jumping across a crevasse with two ice axes and slamming into the side of the mountain and saving himself," Greathouse said.

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Film added $16.5 million to state's economy

The Associated Press
(02/26/11 20:43:32)

A new report says the filming in Alaska of the Drew Barrymore-Ted Danson movie "Everybody Loves Whales" brought an estimated $16.5 million to the state economy. The report released Thursday by the Anchorage Economic Development Corp. said the film employed more than 1,300 Alaskans over the 58-day shoot last year. That number includes 48 cast members with speaking parts and about 1,100 extras.

The estimate also includes production company spending in Alaska.

The movie has applied for the state's film production tax credit.

The pending movie is a fictional retelling of a 1988 attempt to rescue California gray whales trapped under the ice near Barrow.

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Municipality of Anchorage

2011 State Legislative Program

(State Fiscal Year 2012)

Dan Sullivan, Mayor

who may have no way to supplement current income or cut costs. Current law provides sufficient fiscal protection without legislative repeal of the program: Cash assistance provided under the Alaska Senior Benefits Payment Program is explicitly subject to appropriation under AS 47.45.302(c). The program should not be made subject to sunset June 30, 2011. The sunset should be extended or repealed.

Energy

- ✓ **Natural Gas:** Support legislation that promotes natural gas development in the Cook Inlet, and modernizes aging Railbelt electrical transmission facilities.

- ✓ **Oil Production:** The MOA strongly supports all efforts to maximize oil production to maintain Trans Alaska Pipeline Service (TAPS) viability; and encourages a competitive analysis be performed to address the existing regulatory and fiscal framework to identify whether Alaska is globally positioned to attract maximum development.

Private Sector Development

- ✓ **Film Credits:** Because of the proven economic benefits that film production is providing Alaskan communities, MOA supports extension of the Alaska Film Production Incentive Program and full funding of the transferable film production tax credits for Alaska corporations.

- ✓ **Little Davis Bacon:** Consistent with the Alaska Municipal League priority, the MOA supports raising the limit from $2,000 to $50,000 on Little Davis Bacon projects.

Public Safety

- ✓ **Drug Legislation:** The MOA has identified the need for strong legislation that criminalizes the use of Tetrahydrocannabinol (THC) mimicking drugs or synthetic marijuana products, to include the incense commonly sold as "Spike", "Spice" or "K2."

- ✓ **Involuntary Commitment:** Amend AS 47.27.190 on Involuntary Commitment, Section (a) by adding language to make the statute more consistent with AS 47.37.180 on Emergency Commitment.

- ✓ **Prosecution Surcharge:** Under the philosophy that cost-causers should be cost-payers, add a surcharge for prosecution similar to that for law enforcement to allow law departments to capture at least a portion of the funds expended in the interest of public safety. Under AS 12.55.039, a surcharge is assessed to defendants in the amount of $75, $50, or $10, depending on the type of offense.

- ✓ **Indigent Defense Fee:** Make the indigent defense fee assessed to defendants post-conviction or plea a mandatory, not discretionary, fee to allow local jurisdictions to capture at least a portion of the funds expended

I have lived in Girdwood for the past 32+ years. I own and operate a business that has provided support for Alaskan film, TV, and commercial photography production for 2 1/2 decades.

I'm writing to you with concerns about HB 67 & SB 23, The "film production incentives bill".

I believe the existing film production incentives regulations need to be reexamined. Perhaps it is too early to say, but it is possible the current regulations maybe having some unintended effects. Perhaps the existing regulations need to be reviewed and further study is in order before this program is extended another 10 years.

My concerns are as follows-

Since the opening of the Alaskan Film Office my business revenues has fallen off over 75%. Part of the reason for this slow down may stem from the general economic state of the country however since the office has opened the call volume has all but dried up. Former clients are now calling the Alaska Film office for guidance and incentives information. The Film Office has disrupted the natural flow of information and business contacts. I now seem to be in competition with the State of Alaska. The State now provides services free of charge that previously I was able to make a living at.

The only time I have previously experienced anything of this nature was the when the last "film office" was in operation. Since the previous office shut its doors I had a thriving production support businesses. That business took a severe nose dive since the advent of the new film office and the film production incentives.

How could this be??

The incentives and the current regulations maybe having some unintended effects.

The film production subsidies are first of all crafted to attract feature film business that would probably not come to Alaska without them. The subsidies seem to ignore the smaller productions that have always come to Alaska without incentives. If the spend limits were lowered to say 50K then it is my belief we would see more of the productions that belong up in Alaska and want to come to Alaska and that the current infrastructure can support. These smaller productions typically are inclined to hire a larger percentage of Alaskans for their support crew. They also rent their production equipment locally. They additionally are more likely to venture further a field in Alaska thus providing benefits statewide and to smaller communities. This has been the bread and butter of Alaskan film production and it is very likely, with the help of incentives, we would see more of it. Lower the spend limit to encourage more commercials and small productions. Tighten the regulations to protect Alaskan jobs and businesses.

With the help of the film incentives and the current regulations the larger, longer productions get subsidies to bring their crew personnel and equipment up from the lower 48. The out of state crews are willing to work for less and often on a flat rate with no overtime, etc. This maybe attractive to the travel and hospitality industry but it does nothing for the majority of legitimate Alaskan film support venders and businesses

The film incentives were intended to allow the Alaskan infrastructure to grow. At this point it is difficult for me to invest much in what is likely to be an artificial bubble, which is likely to deflate quickly if (when) the incentives are removed.

The Film Office needs to be prohibited from providing support information to potential productions. I do not want to be in competition with the state. They should only be facilitating and monitoring the incentives programs

The Film Office needs to be transparent. The Film Office should be required to immediately post all of the contacts that are made so that all Alaskan business has equal access to this information. Currently the film office is a black hole for all contact information. The Film Office claims that it is required to keep this contact information confidential to protect the interests of the out of state production companies. If these Production Companies are being subsidized with public funds it would seem that the public along with Alaskan business have a right to the contact information. Due to the lack of transparency and oversight no one knows how contracts are ultimately awarded.

Prior to the opening of the new film office, all film contacts that came into the state office were immediately passed on to the Alaskan film professionals. This system worked well and did not interfere or redirect the natural flow of business. It additionally provides the necessary transparency to this process. All the contacts that come into the state film office need to be passed on immediately. If the potential clients require secrecy then they should be doing their business through an Alaskan business in the first place. If a state office and public funds are being used then it needs to be a transparent process. If the production companies don't like it then they should not expect a hand out.

Going forward the current regulations need to be modified

No more subsidies for out of state workers, actors, directors, producers. Instead increase incentives for Alaskan resident hire and training and investment in infrastructure.

Eliminate incentives that allow out of state companies to ship their production equipment to Alaska. Why should public funds be used for this while existing Alaskan equipment is not being rented. Why would I invest in equipment knowing that the state is going to subsidize out of state companies to ship cheaper equipment up here.

Demand that the film office follow the directive outlined in the film incentive bill-

The Alaska Film Office was created by the 25th Legislature through SB 230. It was signed into law on June 4, 2008. The enabling legislation (AS 44.33.231-AS 44.33.239) instructs the Alaska Film Office to:

(1) cooperate with organizations in the private sector for the expansion and development of the film production industries in the state;
(2) promote Alaska as an appropriate location for film production;
(3) provide production assistance through connecting film directors and makers, and producers with Alaska location scouts and contractors, including contractors providing assistance with permit applications;
(4) certify Alaska film production internship training programs and promote the employment of program interns by eligible productions; and
(5) in cooperation with the Department of Revenue, administer the Alaska Film Production Incentive Program.

Directive # 3 clearly states the film office is provide production assistance through the Alaskan film professionals. The film office should not be allowed to provide any production service or direction of any kind, including permit applications, otherwise they are in direct competition with Alaskan businesses.

The Film Office claims that it has fulfilled these duties by linking to an on line service called reel Scout. However this service is not designed to meet the needs of Alaskan production, it is however an easy way for the film office to appear that they are fulfilling the 3rd directive.

I do believe that with some changes to the regulations that the Alaskan Film production incentive program could be beneficial to Alaskans and the industry. However, the devil is likely to be in the details so it is very important to get the details right before committing to another 10 years of this program.

John Markel
Alaska Film Locations, LLC
Box 891
Girdwood, Alaska 99587
783-2757

Senate Bill 23:

Letters of Support

EVERGREEN

March 16, 2011

Senator Johnny Ellis
Chairman, Senate Rules Committee
State Capitol, Rm. 119
Juneau, AK 99801-1182

Re: SB 23 relating to the extension of the film production tax credits and transferrable tax credits

Dear Senator:

On behalf of Evergreen Films, I would like to add our support for passage of SB 23. Evergreen Films is an Alaska-based film company with state-of-the art 3D production studios in both Anchorage and Los Angeles. We are focused on producing content that combines *AVATAR*-quality technological innovation with Pixar-quality storytelling. Evergreen is currently in pre-production on the feature film *WALKING WITH DINOSAURS 3-D*, a co-production with BBC Earth. We are shooting exteriors in Alaska this summer, with the film slated for worldwide release in 2013 by Twentieth Century Fox, a global leader in film marketing and distribution.

The extension of the current film incentives will be a primary factor as Evergreen Films and our Alaska business partners decide whether to proceed with further private infrastructure investments in the film industry. This legislation will also continue to attract other producers, and sends a strong message to local businesses and investors that a huge opportunity exists for growth in Alaska, as this new film industry is successfully developed for the long-term.

The economic impact and jobs experienced in Alaska with the small studio production, *EVERYBODY LOVES WHALES* (direct, indirect and induced spending was estimated at $16.5 million), is just the beginning of what could be a successful new business platform for Alaska. Signs of this are already appearing throughout the state. The Board of Regents recently approved a Bachelor of Arts Degree program in film at the University of Alaska, Fairbanks. Financial institutions in Alaska are exploring how to become involved in supporting the film industry. Alaska corporations, such as NANA Development Corporation, are developing film services companies. This June, high school students from the Lower Kuskokwim School District will be participating in a work-study program revolving around filmmaking. And most importantly, producers are currently scouting locations in Alaska for a number of future projects.

The positive message of stability created by the long-term extension and funding for the film incentive and tax credits, cannot be overstated in an industry where development, finance packaging, production and distribution of a film project can often take many years. Alaska is finally on film producer's radar and we are successfully competing with other film-friendly states. Passage of this pro-business legislation, which supports and fosters the new, non-resource based film industry, sends the message that our state is in this for the long haul.

Most sincerely,

Mike Devlin, CEO

Cc: Senate Finance Committee

1120 East Huffman Road, Suite 24
PMB 595
Anchorage, AK 99515
(907) 522-6272

AEDC
Anchorage Economic

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Dennis Mitchell
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Larry Cash
Mary K. Hughes
Susie Gorski
Tennys Owens
Wanetta Ayers
William Donn

Senator Burt Stedman, Co-Chair
Senator Lyman Hoffman, Co-Chair
Senate Finance
State Capitol
Juneau, Alaska 99801

March 4, 2011

Dear Senators Stedman and Hoffman:

I write to you today in support of SB 23, "An Act relating to transferable film production tax credits; and providing for an effective date by amending the effective dates of secs. 3 and 4, ch. 63, SLA 2008", which will encourage diversification of the Alaska economy through an extension of the Alaska Film Industry Tax Credit.

The mission of the Anchorage Economic Development Corporation (AEDC) is to grow and diversify the Anchorage economy and although AEDC's mission is narrowly focused on Anchorage, we know that a more robust, diversified state economy is an integral part of achieving our mission. An expanded Alaska film industry does just that.

This fact is supported by the economic impacts study of Everybody Loves Whales that AEDC recently released. The study found that an estimated $16.5 million was spent in the state with $11.7 million accounting for wages and the purchases of goods and services from Alaska businesses. The additional $4.8 million represents production company spending in Alaska, coupled with local spending of new payroll dollars generated by the project.

The study also estimates that more than 1,300 Alaskans earned income directly related to the filming of "Whales." This includes 175 crew, 48 cast members with speaking parts and about 1,100 movie extras. Based on hours worked and wages earned, the production workforce translates into the equivalent of 110 full time jobs and a total of $4 million spent on Alaska wages. And these jobs weren't just in Anchorage, but in multiple areas of the state.

One of the things heard multiple times from producers was that they want to shoot their films in Alaska, but will go to other states or countries that offer the most competitive environment for total cost of production. With this program, Alaska is

one of those places. But, in order to grow and expand this new industry, many infrastructure needs such as a sound stage and a resident labor pool are needed. Without certainty of the program continuing past the original sunset date, the financing of such hard assets and programs are a very hard sell. By passing this legislation and extending the program, we will work to overcome those concerns and to develop a new and growing industry in Alaska, rather than a one-time flash in the pan.

Sincerely,

Bill Popp
President & CEO

GENERAL TEAMSTERS LOCAL 959
STATE OF ALASKA

Affiliated with the International Brotherhood of Teamsters
Rick Boyles, Secretary-Treasurer
520 E. 34th Ave., Suite 102, Anchorage, Alaska 99503
Phone (907) 565-8122 • Fax (907) 565-8199

RECEIVED
MAR - 8 2011

March 8, 2011

Senator Burt Stedman
Co-Chair, Senate Finance Committee
State Capitol Room 516
Juneau, AK 99801

Re: SB 23 Alaska Film Incentive Program Extension

Dear Senator Stedman:

On behalf of our approximately 6000 Teamster members, I would like to thank you for your proactive approach to incentivizing the Alaska Film Industry. Your legislation, which was passed overwhelmingly by the legislature in 2008, has been a success from the onset.

In March 2008, prior to the passage and implementation of SB 230, Paramount Studios-DreamWorks produced some background shots for a Star Trek movie. The shoot lasted approximately one week and employed five of our members, who worked approximately 190 man-hours.

Since the passage of the tax incentive, we have seen a substantional increase in the number of jobs in the film industry. One of the larger productions, "Everybody Loves Whales", employed at peak approximately forty Teamster members who worked approximately 20,000 man-hours. Many of these workers earned nearly $35,000 each for their work over a three to four month period. We continue to have Teamsters employed on other shoots as well.

I would also like to note that the film incentive program has not just increased jobs for union members, but non-union workers as well. We have found that some of the smaller productions have not been signatory to a labor agreement, but they also

generate dollars into our economy- Alaskans working in Alaska on Alaskan jobs.

We would note, however, that training workers in this field of industry would assist in assuring that more of the technical jobs are done by Alaskans. For example, in addition to van drivers, cast drivers, steak beds, and generator trucks, there are also set dressers, grips, set electricians, production crews, construction crews, and special effects teams, to name a few. I am currently working with our Training Trust director and industry representatives to focus our program specifically toward some of the film industry needs, and I am sure others are as well. Working together to assure a well-rounded training program will go far in assuring that Alaskan workers with new skills will be working in this new and exciting industry in our state.

In summary, we will assist where necessary in support SB 23. This legislation is an excellent example of an incentive program that has increased the number of Alaskan jobs and improved our overall economy in a very brief period of time. Your approval of the continuation can only further improve those numbers and the ongoing economic growth of our state.

Sincerely,

GENERAL TEAMSTERS LOCAL 959

Rick Boyles
Secretary-Treasurer

c: Senator Lyman Hoffman, via facsimile to 907-465-4523
Senator Danny Olson, via facsimile to 907-465-4821
Senator Dennis Egan, via facsimile to 907-465-2108
Senator Joe Thomas, via facsimile to 907-465-5241
Senator Johnny Ellis, via facsimile to 907-465-2529
Senator Lesil McGuire, via facsimile to 907-465-6592
Barbara Huff Tuckness, President, Teamsters Local 959

via facsimile to 907-465-3922

Sen Stedman SB23.030811

February 11, 2011

Senator Johnny Ellis
Chair, Senate Rules Committee
State Capitol, 119
Juneau, AK 99801

Re: Film Incentive Credit SB23/HB67

Dear Senator Ellis:

The Juneau Convention & Visitors Bureau (JCVB) supports SB23/HB67. We understand the importance of creating jobs and diversifying the economy for Alaska and for Alaskans.

As a destination marketing organization with over 275 business members, we appreciate the economic impact that the visitor industry (both leisure and business) brings to our community. As has been demonstrated with "Everybody Loves Whales," the film industry is an economic stimulator that relies heavily on the hospitality industry and brings much-needed business to hotels, restaurants, catering, and transportation services.

As stated in the bill, the film incentive program creates transferable tax credits for eligible corporate tax payers. The subsequent tax relief this brings to a variety industries is another form of economic stimulus for our state.

We support the objective of SB23/HB67 to make Alaska more competitive in attracting film production business, to create new jobs and generate business opportunities.

Sincerely,

Lorene Palmer

Lorene Palmer
President/CEO

Juneau Convention & Visitors Bureau
One Sealaska Plaza, Ste. 305
Juneau, AK 99801
(907) 586-1737

Anchorage Convention & Visitors Bureau

524 West Fourth Avenue, Anchorage, Alaska 99501-2212 | Phone: 907.276.4118 | Fax: 907.278.5559 | ExploreAnchorage.net

February 17, 2011

Senator Johnny Ellis
Chair, Senate Rules Committee
Alaska State Senate
State Capitol, Room 119
Juneau, AK 99801-1182

Dear Senator Ellis:

It is with pleasure I present you with the enclosed Anchorage Convention & Visitors Bureau (ACVB) Resolution 2011-01 in support of SB 23/HB 67, Extension of Alaska Film Production Incentive Program. Our Board of Directors unanimously approved the film efforts in Alaska and go on record supporting the incentive program, providing a written resolution. As you know, the economic impact resulting from film productions will flow into our Alaska communities, presenting new business opportunities resulting in a positive impact on our economy.

We appreciate the groundbreaking efforts you began in 2007, resulting in the current program in place, and look forward to our state reaping these benefits for years to come. Thank you for your continued support of this program and your commitment to bring new industry to Alaska.

ACVB wholeheartedly supports SB 23/HB 67 and the opportunity to bring the film industry to Alaska through this incentive program.

Sincerely,

Julie Saupé

Julie Saupe
President & CEO

Anchorage Convention & Visitors Bureau

524 West Fourth Avenue, Anchorage, Alaska 99501-2212 | Phone: 907.276.4118 | Fax: 907.278.5559 | Explore Anchorage.net

ANCHORAGE CONVENTION & VISITORS BUREAU BOARD OF DIRECTORS

RESOLUTION 2011-01

A Resolution in support of SB 23/HB 67 - Extension of Alaska Film Production Incentive Program

WHEREAS, since its inception in 2008 Alaskan communities have benefitted greatly from the Alaska Film Production Incentive program as a result of productions large and small filming in Alaska with the positive financial impacts from the film production felt across the community; and,

WHEREAS, film and television projects also offer millions of dollars worth of marketing and promotion for Alaska businesses, products and Alaska tourist destinations; and,

WHEREAS, SB 23/ HB 67 seeks to continue the success of the Alaska Film Production Incentive Program by extending the opportunities created in Alaska for economic development and diversification; and,

WHEREAS, as some other states are struggling with budget deficits and have been cutting their film incentives, Alaska is in a uniquely strong fiscal position to capitalize on this opportunity in the short and medium term by signaling our commitment to keep Alaska open for the film and television business; and,

WHEREAS, SB 23/ HB 67 seeks to continue the positive economic development of the Alaska Film Production Incentive Program by creating a climate that fosters the growth of the television and film production industry and encourages the incremental capital investments necessary to support this multi-million dollar industry; and,

WHEREAS, SB 23 / HB 67 extends the Film Production Tax Incentive Program for 10 years, offering $100 million in transferable tax credits in the first 5 years of the extension and $100 million in credits for the final 5 years of the extension; and,

WHEREAS, tax credits will be issued after the production has completed filming in Alaska and only after a thorough audit of those Alaska expenses by an independent auditor.

NOW THEREFORE be it resolved that the Board of Directors of the Anchorage Convention & Visitors Bureau strongly supports the continuation and extension of the film incentive program via SB 23/ HB 67.

Maggie Kelly
Chairman for the Board of Directors

Julie Saupe
President & CEO

KODIAK
CHAMBER
OF COMMERCE

100 E. Marine Way, Suite 300, Kodiak Alaska 99615 • (907) 486-5557 • FAX: (907) 486-7605
www.kodiak.org • Email: chamber@kodiak.org

28 February 2011

Senator Johnny Ellis
Chair Senate Rules Committee
State Capitol, 119
Juneau, AK 99801-1182

RE: Senate Bill 23 Film Production Tax Credit

Dear Senator Ellis:

On behalf of the Kodiak Chamber of Commerce , I would like to offer our support for Senate Bill 23, the extension of the Alaska Film Production Tax Incentive Program. Since its inception in 2008 the Film Production Tax Incentive program has created jobs for Alaskans and economic opportunities for Alaska businesses small and large. Film and television projects offer invaluable marketing and promotion for Alaska tourism, products and businesses. Continuing and extending this program offers a clear signal to the multi-billion dollar film and television industry that Alaska is open for business

Financial incentives have changed the way filming decisions are made. Alaska faces aggressive and long established film incentives from provincial governments in Canada and 45 other states. These regions understand the economic benefits that this industry can bring to our businesses and communities.

We support the extension of the Alaska Film Production Tax Incentive program for ten years with $100 million available in incentives during the first five years and $100 million in incentives for the final five years. Senate Bill 23 will continue the economic diversification and economic development success of the film tax incentives while also providing a clear signal that offers Alaska businesses the opportunity to better plan for and capitalize on Alaska's newest multi-million dollar industry.

For all of these reasons, the Kodiak Chamber of Commerce fully supports the Film Credit Tax Credit Bill and thanks the Alaska State Legislature for working towards a more prosperous Alaska.

Sincerely,

Trevor Brown
Executive Director
Kodiak Chamber of Commerce

MUNICIPALITY OF ANCHORAGE

Office of the Mayor

Phone: 907-343-7100
FAX: 907-343-7180

Mayor Dan Sullivan

March 15, 2011

The Honorable Johnny Ellis
Alaska State Legislature
State Capitol
Juneau, AK 99801

Re: Senate Bill 23

Dear Senator Ellis,

Thank you for introducing Senate Bill 23, *"An Act relating to transferable film production tax credits; and providing for an effective date by amending the effective dates of secs. 3 and 4, ch. 63, SLA 2008."*

I fully support the passage of SB 23 that would extend the Alaska Film Tax Incentive program for 10 years. The early success of the incentive program created jobs and stimulated our local economies, and it should be continued. With other countries and states competing for opportunities, it is important to show the film industry that Alaska is a stable place to do business.

Please contact Sara Gill, Intergovernmental Affairs Director, if you have questions. She can be reached at 343-7117 or GillSN@muni.org.

Sincerely,

Dan Sullivan
Mayor

March 11, 2011

Senator Johnny Ellis
State Capitol Rm. 119
Juneau, AK 99801-1182

Re: SB 23 – Extension of film production tax credits

Dear Senator Ellis:

On behalf of General Communication, Inc. (GCI), I add the company's support for SB 23 which extends the film production incentive program and film tax credits in Alaska.

GCI was involved in the recent production of EVERYBODY LOVES WHALES. As a major sponsor of this film we observed first-hand the impact this small studio production had on the economies of Anchorage and Barrow.

Some economic impacts can be easily measured – such as those in the recently released report by the Anchorage Economic Development Corporation (AEDC) – but it's more difficult to quantify the effect on a business such as ours. From a corporate perspective, our association with the film engendered good will with Alaskans, who recognize the need to build economic opportunities within the State.

It's our goal to repeat the positive experience we had working with the producers on EVERYBODY LOVES WHALES. In fact, we will be partnering with the producers of THE PEAK, a major motion picture with a much higher budget, and look forward to working with other producers throughout the years as they bring their film business to Alaska.

The cache of working with a feature film in Alaska provides GCI an excellent marketing tool, and just as a high tide lifts all ships, we expect that any Alaskan business that provides goods and services would likewise see a financial boost.

GCI wholeheartedly supports SB 23 and the continuation of the film production incentive program and tax credits.

Sincerely,

Paul Landes
Senior Vice President of Consumer Services
General Communications, Inc.

cc: All House members

Brian Rogers, Chancellor
(907) 474-7112
(907) 474-6725 fax
uaf.chancellor@alaska.edu
www.uaf.edu

Bob Shefchik, Executive Officer
(907) 474-7489
(907) 474-7475 fax
rrshefchik@alaska.edu

UNIVERSITY OF ALASKA FAIRBANKS

Office of the Chancellor

320 Signers' Hall, P.O. Box 757500, Fairbanks, Alaska 99775-7500

March 16, 2011

Representative Bob Herron
Representative Chris Tuck
Senator Johnny Ellis
Members of the Interior Delegation
Alaska State Capitol
Juneau, AK 99801-1182

Delivered via electronically

Dear Senators and Representatives,

Preparing Alaskans for Alaska jobs; that is a big part of what we do at the University of Alaska Fairbanks (UAF) and why we support expanding the Alaska Film Production Tax Incentive Program. UAF has just added a film major to our list of bachelor degrees and we are committed to preparing our students for a growing film industry in Alaska. Senate Bill 23 and House Bill 67 will help diversify Alaska's economy and UAF is excited to be a part of training the people who help make that happen.

The University of Alaska Fairbanks has actively been working with film industry partners long before the tax-incentive program was established to broaden the skills of our students and provide opportunities for on-the-job training. We have supplied talent, crew, logistical support, and even equipment for Discovery Channel, Sundance Institute, Universal Pictures, CNN, the History Channel, BBC, and dozens of smaller film production companies from all over the world.

Our students have worked with industry from television commercials to feature films. Since the establishment of the Alaska Film Production Tax Incentive Program, the number of these opportunities has dramatically risen. One of the impetuses for the new film major is to help prepare homegrown talent for an industry that is expanding here.

These incentives have changed the way filming decisions are made. Alaska faces aggressive and long established film incentives from Canada and 45 other states. They understand the economic benefits that this industry can bring to their businesses and communities.

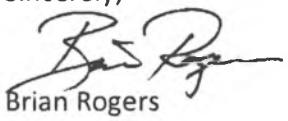
UAF is an Equal Opportunity Employer/Affirmative Action Educational Institution

The National Science Foundation has funded UAF Film students for work with the International Polar Year, recognized by the Legislature for their broadcasts from Iraq as embedded journalists, and have been cast in roles as actors from Barrow to Anchorage. We have been proud partners and associates in two films screened at Sundance, and others that have been seen in International Film Festivals the world over. Enrollment in UAF Film Courses has grown 60% in the past four years, and continues to grow.

We support the extension of the Alaska Film Production Tax Incentive program for ten years with $100 million available in incentives during the first five years and $100 million in incentives for the final five years. Senate Bill 23 and House Bill 67 will provide a clear signal that offers Alaska businesses the opportunity to better plan for and capitalize on Alaska's newest multi-million dollar industry.

For all of these reasons, UAF fully supports the Film Credit Tax Credit Bill and thanks the Alaska State Legislature for working towards a more prosperous Alaska.

Sincerely,



Brian Rogers



March 16, 2011

The Honorable Johnny Ellis
Alaska State Senate

Dear Senator Ellis -

I am writing in support of SB 23, the film incentive bill, and want to add my voice to the many who favor extending the program for 10 years as well as increasing the amount available to tax credits by an additional $100 million.

My company, Kaladi Brothers Coffee Co., had a front row seat to the making of *Everybody Loves Whales.* Whether it was all-Alaskan coffee, lattes, cappuccinos or chai tea, we had the privilege of serving our products to the cast and crew for nearly four months. Our coffee cups and our baristas were on the set every day, and our home roasted coffee kept the production rolling. We donated our time and our product 24 hours a day / 7 days a week not because we wanted the recognition, but because we believed in doing everything we could to encourage productions like *Whales* to choose Alaska as a film location. We knew that good word of mouth back in Hollywood about Alaska's hospitality [and good coffee] would go along way toward convincing other productions that Alaska could host their needs. By encouraging more feature films, we believed it would be good for the long-term economic development of the state.

As was recently reported in a study done for the Anchorage Economic Development Corporation, because of *Everybody Loves Whales*, the state as a whole saw $16.5 million more in output between August and November 2010 than otherwise would have been the case. That's just the economic impact of this one movie! I can imagine a time when Alaska will host three or four or five movies a year.

Of course, as you so well understand, no feature film or television show would film here if not for the tax credit incentives. Alaska must be competitive with other states and do whatever it can to attract more feature films, television shows and documentaries to the state. And so I applaud your vision and your effort to extend the tax credits with hope that it will be supported and passed by the legislature this session.

Sincerely,

Dale Tran
Chief Operating Officer
Kaladi Brothers Coffee

JUNEAU CHAMBER OF COMMERCE

3100 Channel Drive, Suite 300 • Juneau AK 99801• (907) 463-3488 • Fax (907) 463-3489
E-mail: juneauchamber@gci.net • jcc@alaska.com • Web site: http://www.juneauchamber.com

Board Members

Tim McLeod, *President*
AEL&P
Bob Martin, *Past Pres.*
Goldbelt
Sheldon Winters, *Pres. Elect*
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Jeremy Hansen
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Elgee Rehfeld Mertz
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Kelly Shattuck
Shattuck & Grummett
Wade Bryson
Subway of Juneau

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Platinum Members
AEL&P
Alaska Lathe
Alaska Marine Lines
Alaska Pacific Bank
Alaska USA FCU
Alaskan Brewing Company
Bartlett Regional Hospital
BP Alaska
CBJ (Manager's Office)
Capital Office Supply
Coeur Alaska, Inc.
Coogan Construction
Copy Express
Elgee Rehfeld & Mertz
Exxon Mobil
First National Bank of Alaska
Hecla Greens Creek Mining
Goldbelt, Inc.
Huna Totem
Shattuck & Grummett
Taku Oil
True North FCU
UAS
Wells Fargo Bank of Alaska
Wostmann and Associates

Senator Johnny Ellis
Chair Senate Rules Committee
State Capitol, 119
Juneau, AK 99801-1182

RE: Senate Bill 23 Film Production Tax Credit

Dear Senator Ellis:

On behalf of the Juneau Chamber of Commerce, we would like to offer our support for Senate Bill 23, the extension of the Alaska Film Production Tax Incentive Program.

Since its inception in 2008, the Film Production Tax Incentive program has created jobs for Alaskans and economic opportunities for Alaska businesses small and large. Film and television projects offer invaluable marketing and promotion for Alaska tourism, products and businesses. Continuing and extending this program offers a clear signal to the multi-billion dollar film and television industry that Alaska is open for business

The fact is, financial incentives have changed the way filming decisions are made. Across the U.S. forty-five states currently have incentive programs of some type in place; demonstrating recognition by those states of the economic benefit this industry offers its labor force, area businesses and communities. Internationally, Alaska faces aggressive and long established film incentives from provincial and federal governments in Canada and around the globe. In order to stay competitive in this global industry Alaska needs to send a clear message.

We support the extension of the Alaska Film Production Tax Incentive program for ten years with $100 million available in incentives during the first five years and $100 million in incentives for the final five years. Senate Bill 23 will continue the successful economic diversification and development it has already shown while providing Alaska businesses opportunities to properly plan for and capitalize on Alaska's newest multi-million dollar industry.

For all of these reasons, the Juneau Chamber of Commerce fully supports the Film Credit Tax Credit Bill and thanks the Alaska State Legislature for working towards a more prosperous Alaska.

Sincerely,

Cathie Roemmich, CEO

Juneau Chamber of Commerce



Maya Salganek
Asst. Professor/Director Film Studies
University of Alaska Fairbanks
PO Box 755700
Fairbanks, AK 99775-5700
(907) 474-5950
maya@alaska.edu

Senator Johnny Ellis
Chair, Senate Rules Committee
State Capitol, 119
Juneau, AK 99801

February 7, 2011

Honorable Senator Ellis,

Thank you for taking the initiative to introduce Senate Bill 23 to the current legislative session. Extending the film production tax credits for an additional ten years will allow the State to continue developing this industry in a comprehensive fashion. Establishing a workforce, infrastructure, and proving our talents is part of the long-term strategy.

The University of Alaska Fairbanks has actively been working with film industry partners since 2007 to broaden the skills of our students and provide opportunities for on-the-job training. We have supplied talent, crew, logistical support, and even equipment for Discovery channel, Sundance Institute, Universal Pictures, CNN, the History Channel, BBC, and dozens of smaller film production companies from all over the world. Our students have worked with industry from television commercials to feature films.

UAF Film students have been funded by the National Science Foundation for work with the International Polar Year, recognized by the Legislature for their broadcasts from Iraq as embedded journalists, and have been cast in roles as actors from Barrow to Anchorage. We have been proud partners and associates in two films screened at Sundance, and others that have been seen in International Film Festivals the world over. Enrollment in UAF Film Courses has grown 60% in the past four years, and continues to grow.

The Alaska State Film Tax Incentives are the first step in attracting established film companies, producers, directors, and talent to Alaska. In so doing, they are providing local Alaskans opportunities to not only work on the set, but also provide services in direct support of productions. From hotels and restaurants to transportation and equipment, ripples are cast wide when a film comes to town.

It takes several years to develop a film production from concept to screen. We have really only seen two years to prove what could be done in our state with the incentive program in place. Once the timeline is extended, more filmmakers will commit to developing their projects here and we will see a surge in productivity and revenue as a result.

The film industry is a green, renewable, and lucrative industry to attract to our state. The benefits of tax incentive programs have been proven; New Mexico, North Carolina, New Orleans, and Michigan have seen substantial revenue growth due to the film industry presence.

Fortunately for us, Alaska is ALASKA! Filmmakers want to share its beauty with the world. Let's help them do that, keep the revenue in state, give Alaskans the jobs, and share our stories with the world.

Thank you for your service to this Great State.

Sincerely,



Maya Salganek
Assistant Professor, Theatre & Director, Film Studies
University of Alaska Fairbanks

Submitted by: Chair of the Assembly
Prepared by: Municipal Clerk's Office
For reading: February 15, 2011

CLERK'S OFFICE
APPROVED
Date: 2-15-11

ANCHORAGE, ALASKA
AR No. 2011-54

A RESOLUTION IN SUPPORT OF THE SB 23/HB 67 - AN EXTENSION OF ALASKA FILM PRODUCTION INCENTIVE PROGRAM.

WHEREAS, since its inception in 2008 Anchorage has benefitted greatly from the Alaska Film Production Incentive program as a result of productions large and small filming in Anchorage with the positive financial impacts from productions felt across the community and state; and,

WHEREAS, the film and television industry offers an opportunity to diversify our economy and creates jobs and opportunities for business large and small; and

WHEREAS, local businesses that have benefited from recent film and television productions have included construction companies, towing companies, hardware stores, lumber yards, communication companies, landscaping, restoration companies, dumpster services and rentals, plumbing, heating, rental equipment companies, truck leasing, crane companies, paving companies, catering, cleaning, boat charters, diving companies, survey companies, engineering firms, printing, office supplies, motor-home rentals, shipping companies, airlines, hotels, and restaurants; and

WHEREAS, film and television projects also offer millions of dollars worth of marketing and promotion for Alaska businesses, products and Alaska tourist destinations; and,

WHEREAS, SB 23/HB 67 seeks to continue the success of the Alaska Film Production Incentive Program by extending the opportunities created in Alaska for economic development and diversification; and,

WHEREAS, as some other states are struggling with budget deficits and have been cutting their film incentives, Alaska is in a uniquely strong fiscal position to capitalize on this opportunity in the short and medium term by signaling our commitment to keep Alaska open for the film and television business; and,

WHEREAS, SB 23/HB 67 seeks to continue the positive economic development of the Alaska Film Production Incentive Program by creating a climate that fosters the growth of the television and film production industry and encourages the incremental capital investments necessary to support this multi-million dollar industry; and,

WHEREAS, SB 23/HB 67 extends the Film Production Tax Incentive Program for 10 years, offering $100 million in transferable tax credits in the first 5 years of the extension and $100 million in credits for the final 5 years of the extension; and,

WHEREAS, tax credits will be issued after the production has completed filming in Alaska and only after a thorough audit of those Alaska expenses by an independent Alaska auditor now, therefore,

THE ANCHORAGE ASSEMBLY RESOLVES: that the Anchorage Municipal Assembly strongly supports the continuation and extension of the film incentive program via SB 23/HB 67.

PASSED AND APPROVED by the Anchorage Assembly this 15th day of February, 2011.

Chair of the Assembly

ATTEST:

Municipal Clerk



Captain Cook

Phone (907) 276-6000
Sales Fax (907) 343-2207
Catering Fax (907) 343-2211
Reservations Fax (907) 343-2298
Accounting Office Fax (907) 343-2262

February 9, 2011

Senator Johnny Ellis
Chair Senate Rules Committee
State Capitol, 119
Juneau, AK 99801-1182

Re: Senate Bill 23 Film Production Tax Credit

Dear Senator Ellis:

On behalf of The Hotel Captain Cook, I would like to offer our support for Senate Bill 23, the extension of the Alaska Film Production Tax Incentive Program. Since its inception in 2008 the Film Production Tax incentive program has created jobs for Alaskan and economic opportunities for Alaska businesses small and large. Film and television projects offer invaluable marketing and promotion for Alaska tourism, products and businesses. Continuing and extending this program offers a clear signal to the multi-billion dollar film and television industry that Alaska is open for business.

The fact is financial incentives have changed the way filming decisions are made. Alaska faces aggressive and long established film incentives from provincial and federal governments in Canada. 45 other states currently have a program of some type, as they understand the economic benefits that this industry can bring to our businesses and communities.

We support the extension of the Alaska Film Production Tax Incentive program for ten years with $100 million available in incentives during the first five years and $100 million in incentives for the final five years. Senate Bill 23 will continue the economic diversification and economic development success of the film tax incentives while also providing a clear signal that offers Alaska businesses the opportunity to better plan for and capitalize on Alaska's newest multi-million dollar industry.

For all of these reasons, The Hotel Captain Cook fully supports the Film Credit Tax Credit Bill and thanks the Alaska State Legislature for working towards a more prosperous Alaska.

Sincerely,

Walter J. Hickel Jr.
Chairman and C.E.O.

FAIRBANKS
Economic Development
CORPORATION

301 Cushman St., Suite 301, Fairbanks, AK 99701

February 9, 2011

Re: Support for SB 23/HB 67

Representative Bob Herron
Representative Chris Tuck
Senator Johnny Ellis
State Capitol
Juneau, AK 99801-1182

Re: HB 67/SB 23-Extension of AK Film Production Incentive Program

The Fairbanks Economic Development Corporation supports SB 23/HB67 and your efforts to continue to diversify the economy by extending the AK Film Production Incentive Program. Fairbanks has attracted the interest of producers over the years, with projects ranging from INTO THE WILD to documentaries and commercials. It is our hope that by extending current film incentives, we will have the opportunity to enjoy the positive economic impacts experienced in other areas of the state that secured locations for studio productions.

We understand that this is still a fledgling industry for Alaska. The Dept. of Commerce, Community and Economic Development are currently developing a full-scale marketing plan and strategy in under discussion for possible public-private marketing opportunities at film-related venues in the future.

Our members come from all areas of the business sector in Fairbanks and can provide many of the services needed to support a film production. In addition, the impact on tourism-related businesses as an area serves as a location for a film production is well documented.

We support the economic development brought about by the current film incentive program. By extending and expanding the program, Alaskans can continue to benefit from new jobs and the business opportunities that come with welcoming this multi-million dollar industry to our state.

Sincerely,

Jim Dodson
President & CEO
Fairbanks Economic Development Corporation

Cc: FBX delegation

Phone: (907) 452-2185
1-888-476-FEDC
www.investfairbanks.com
Fax (907) 451-9534

SWAMC
Southwest Alaska Municipal Conference
3300 Arctic Boulevard, Suite 203 Anchorage, AK 99503 p: 907.562.7380 www.swamc.org
Alaska Peninsula
Aleutian Chain
Bristol Bay
Kodiak Island
Pribilof Islands

February 14, 2011

Senator Johnny Ellis
State Capitol, Rm. 119
Juneau, AK 99801

SUPPORT OF SB 23: Alaska Film Incentive Program Extension

Dear Senator Ellis,

At its recent monthly meeting, the Board of Directors of the Southwest Alaska Municipal Conference (SWAMC) voted its support in favor of SB 23 to extend the Alaska Film Incentive Program. The Board feels that this program has offered many economic benefits to the residents of Alaska, and it has the potential to do more.

With estimates ranging from $2-3 delivered to local economies for every dollar spent by the film industry, that represents a good return on investment for Alaskans, especially in some of the more rural and economically challenged areas of the state.

We hope to see the level of film activity increase in Alaska, and SWAMC is heartened that a portion of the tax credit program is geared toward spurring more economic development in our rural areas. We hope the bill sponsors and those within the Alaska Film Office will continue to encourage more filming and production in rural Alaska, where our scenery is unmatched.

SWAMC's Board of Directors feel that an extension of the program may develop the certainty and help spur the necessary infrastructure for the film industry to continue to prosper in the state. We must remember, however, that this program is about more than films, and several types of productions qualify for the incentive that could bring more dollars into all areas of Alaska.

Thank you for the opportunity to comment, and thank you for introducing this legislation.

Sincerely,
SOUTHWEST ALASKA MUNICIPAL CONFERENCE

Andy Varner
Executive Director

AVIS

We try harder.

Alaska Rent A Car, Inc.

Avis System Licensee
P.O. Box 190028
Anchorage, Alaska 99519-0028

Tel: (907) 243-4700
Fax: (907) 249-9247
E-mail: avis@avisalaska.com

February 11, 2011

Senator Johnny Ellis
Chair Senate Rules Committee
State Capital, 119
Juneau, Alaska 99801

Re: SB 23 Film Production Tax Credit

Dear Senator Ellis:

We are writing to express our support for Senate Bill 23, the extension of the Film Production Tax Credit. We applaud your efforts for not only this current effort but also for the groundbreaking work you accomplished to get the original legislation in place.

Alaska Rent A Car, Inc (Avis) and our 110 statewide employees benefit from the film production companies that bring their film/commercial shoots to Alaska. We are just a small example of the various types of businesses that benefit from the film industry.

One point not to be overlooked is the additional revenues that come into the state and various municipalities from similar organizations as Avis. The revenue generated by the 10% State Vehicle Rental Tax is collected by all car rental companies and passed along to the State of Alaska. Various municipal vehicle rental taxes/hotel bed tax/general sales taxes are also collected by Avis and others and used to support local governments and their citizens. We can all grasp the idea that productions coming to the state spend money in the state, and businesses enjoy this influx of new business... but we must also remind others that taxes collected are an economic boon to various governmental bodies.

Alaska has always strived to diversify its base economy. The long-term commitment to the film industry is one such tool the state can use. A long-term commitment will drive further needed investment by the private sector, create employment, create new or strengthen existing businesses, and lead to further interest in Alaska (business and tourism); all which means great things for this state.

Again, we applaud your efforts to bring a new industry to Alaska. The employee owners of Alaska Rent A Car, Inc. are fully behind the efforts of the Alaska State Legislature to pass SB 23.

Sincerely,

Gary Zimmerman
General Manager

Mikunda,
Cottrell & Co.
Certified Public Accountants & Consultants

RSM McGladrey Network
An Independently Owned Member

Offices in Anchorage & Kenai

February 15, 2011

Senator Johnny Ellis
Chair Senate Rules Committee
State Capitol, 119
Juneau, AK 99801-1182

RE: Senate Bill 23 Film Production Tax Credit

Dear Senator Ellis:

Mikunda Cottrell would like to offer our support for Senate Bill 23, the extension of the Alaska Film Production Tax Incentive Program. Since its inception in 2008 the Film Production Tax Incentive program has created jobs for Alaskans and economic opportunities for Alaska businesses small and large. Film and television projects offer invaluable marketing and promotion for Alaska tourism, products, and businesses. Continuing and extending this program offers a clear signal to the multi-billion dollar film and television industry that Alaska is open for business.

The fact is, financial incentives have changed the way filming decisions are made. Alaska faces aggressive and long established film incentives from provincial and federal governments in Canada. 45 other states currently have a program of some type as they understand the economic benefits that this industry can bring to our businesses and communities.

Mikunda Cottrell supports the extension of the Alaska Film Production Tax Incentive program for ten years with $100 million available in incentives during the first five years and $100 million in incentives for the final five years. Senate Bill 23 will continue the economic diversification and economic development success of the film tax incentives while also providing a clear signal that offers Alaska businesses the opportunity to better plan for and capitalize on Alaska's newest multi-million dollar industry.

For all of these reasons, Mikunda Cottrell fully supports the Film Credit Tax Credit Bill and would like to thank the Alaska State Legislature for working towards a more prosperous Alaska.

Sincerely,

Jim Hasle, CPA, President and Managing Shareholder
Mikunda, Cottrell & Co.

February 11, 2011

Senator Johnny Ellis
Chair, Senate Rules Committee
State Capitol, 119
Juneau, AK 99801

Re: Film Incentive Credit SB23/HB67

Dear Senator Ellis:

The Juneau Convention & Visitors Bureau (JCVB) supports SB23/HB67. We understand the importance of creating jobs and diversifying the economy for Alaska and for Alaskans.

As a destination marketing organization with over 275 business members, we appreciate the economic impact that the visitor industry (both leisure and business) brings to our community. As has been demonstrated with "Everybody Loves Whales," the film industry is an economic stimulator that relies heavily on the hospitality industry and brings much-needed business to hotels, restaurants, catering, and transportation services.

As stated in the bill, the film incentive program creates transferable tax credits for eligible corporate tax payers. The subsequent tax relief this brings to a variety industries is another form of economic stimulus for our state.

We support the objective of SB23/HB67 to make Alaska more competitive in attracting film production business, to create new jobs and generate business opportunities.

Sincerely,

Lorene Palmer

Lorene Palmer
President/CEO

Juneau Convention & Visitors Bureau
One Sealaska Plaza, Ste. 305
Juneau, AK 99801
(907) 586-1737

February 9, 2011

REAL ESTATE DEPARTMENT
TEL 907.265.2670
FAX 907 265.2450

The Honorable Johnny Ellis
Chair, Senate Rules Committee
State Capitol, 119
Juneau, Alaska 99801

Re: Senate Bill 23 – Alaska Film Production Incentive Program Extension

Dear Senator Ellis:

The Alaska Railroad Corporation (ARRC) supports Senate Bill 23, which extends the Alaska Film Production Tax Incentive Program. During 2010, ARRC worked with the Alaska Film Office by offering ARRC property on very short notice because the initial filming site for the film "Everybody Loves Whales" fell through. Unless a new site was found, the filming would have been moved to Canada.

The film company not only used ARRC property for the primary "Barrow" scene, which involved extensive development and construction, it also used our newly renovated Historic Freight Shed for several film sets, feeding the crew, make-up and wardrobe. ARRC's property provided a perfect venue for this film. Numerous Alaskans were put to work in the construction activity in addition to the actors. Local workers were involved in building sets, providing equipment rentals, transportation and meals. Local businesses benefited from the increased level of dollars spent in the community. It was a group effort and everyone worked hard to welcome the film industry. I believe this effort helped to put Alaska on the map as a state that has the ability to support the film industry.

During the same period, the filming of "Ghost Visions" used ARRC property for a portion of a feature film. This film also used the property of an ARRC tenant, where several segments of the movie were filmed.

Film and television projects offer invaluable marketing and promotion for Alaska tourism, products and businesses. Continuing and extending this program offers a clear signal to the multi-billion dollar film and television industry that Alaska is open for business.

For all of these reasons, ARRC fully supports the Film Credit Tax Credit Bill and thanks the Alaska State Legislature for working to develop a new industry in Alaska.

Sincerely,

James W. Kubitz

James W. Kubitz
Vice President, Real Estate and Facilities



Dear Senator Ellis,

Thank you for sponsoring Senate Bill 23/House Bill 67. We are in full support of the Film Tax Incentive legislation. We were one of the many fortunate businesses to benefit from film crews coming to Alaska this past year. Besides the obvious tourism advantage, we know that the film crews spent huge sums of money in Alaska. We had some folks come to take tours and buy merchandise. Beyond the direct spending in our state, the exposure Alaska receives is truly priceless. We have gotten messages expressing awe from all over the world with many people deciding to finally make that "Dream Trip" to Alaska.

We appreciate your being involved in perpetuating this CLEAN, RENEWABLE Resource development.

Happy Trails,
Kathy Chapoton and Martin Buser

Alaska Film Group

a non-profit trade association

February 15, 2011

Senator Johnny Ellis
Chair Senate Rules Committee
State Capitol, 119
Juneau, AK 99801

RE: Senate Bill 23 Film Production Tax Credit

Dear Senator Ellis:

On behalf of the ALASKA FILM GROUP and our statewide membership, I would like to offer our support for Senate Bill 23, extending the Alaska Film Tax Credit Incentive Program for ten years.

Since it's inception in 2008, Alaskan jobs in the film industry have increased and Alaska businesses have seen their bottom lines improve. In addition, film and television projects to our state offer invaluable marketing and promotion for Alaska tourism....all contributing factors to the diversification of Alaska's economy.

Many ALASKA FILM GROUP crewmembers worked on two recent feature films, "Everybody Loves Whales" and "Ghost Vision". They traveled from Fairbanks, Homer, Juneau, Girdwood, Kenai and Palmer to participate. Vendor members from rental car companies, hotels, shipping companies to film rental houses were contracted to provide services. Seeing this unfold from our efforts leading up to passage of SB230 in 2008 to where we are now has been truly amazing. Our membership has grown nearly 40% from enactment in 2008 to present day.

Forty-five other states currently have incentive programs of some type in place; demonstrating recognition by those states of the economic benefit this industry offers its labor force, area businesses and communities. Internationally, we face stiff competition from provincial and Federal Governments in Canada and around the globe. In order to remain competitive in this global industry Alaska needs to send a clear message.

We support the extension of the Alaska Film Production Tax Credit program for 10 years with $100 million available in incentives during the first five years and $100 million available in the final five years. This allows Producers to plan with expectations the program will still be in place; and for local business investors interested in building infrastructure to be assured they can amortize their investment over a period of time.

The ALASKA FILM GROUP fully supports the Film Tax Credit Bill and sincerely thanks the Alaska State Legislature for creating a program that benefits all Alaskans.

Sincerely,
ALASKA FILM GROUP

Bob Crockett
President

P.O. Box 92008 • Anchorage, Alaska 99509 • Tel 907 561-6445 • www.alaskafilmgroup.org • afg@alaskafilmgroup.org

Senator Johnny Ellis
Chair Senate Rules Committee
State Capitol, 119
Juneau, AK 99801-1182

15 February 2011

RE: Senate Bill 23 Film Production Tax Credit

Dear Senator Ellis:

On behalf of **Ascending Path and Glacier Productions LLC**, I would like to offer our support for Senate Bill 23, the extension of the Alaska Film Production Tax Incentive Program.

As a board member of the Alaska Film Group and the owner of a company which received a lucrative contract with Icebreaker Films/"Everybody Loves Whales", I personally experienced the benefit of this valuable incentive program. In 2010 my wife and I put 3 Alaskan employees on salary to run our small tourism business while she and I dedicated our time to *Whales*.

Because of the Film Incentive Program, my small Alaskan company was able to negotiate a licensing agreement with a LA based entertainment services company so Alaska can provide the accounting and payroll services that Hollywood producers are accustomed. Alaska has some growing pains in order to become a financially sustainable location for feature films, but I have confidence in the private sectors ability to accommodate, if the State commits to this Incentive.

Since its inception in 2008, the Film Production Tax Incentive program has created jobs for Alaskans and economic opportunities for Alaska businesses small and large. Film and television projects offer invaluable marketing and promotion for Alaska tourism, products and businesses. Continuing and extending this program offers a clear signal to the multi-billion dollar film and television industry that Alaska is open for business

The fact is, financial incentives have changed the way filming decisions are made. Across the U.S. forty-five states currently have incentive programs of some type in place; demonstrating recognition by those states of the economic benefit this industry offers its labor force, area businesses and communities. Internationally, Alaska faces aggressive and long established film incentives from provincial and federal governments in Canada and around the globe. In order to stay competitive in this global industry Alaska needs to send a clear message.

We support the extension of the Alaska Film Production Tax Incentive program for ten years with $100 million available in incentives during the first five years and $100 million in incentives for the final five years. Senate Bill 23 will continue the successful economic diversification and development it has already shown while providing Alaska businesses opportunities to properly plan for and capitalize on Alaska's newest multi-million dollar industry.

For all of these reasons, **Ascending Path and Glacier Productions LLC** fully supports the Film Credit Tax Credit Bill and thanks the Alaska State Legislature for working towards a more prosperous Alaska.

Sincerely,

Matt Szundy

Owner

Ascending Path and Glacier Productions LLC

February 14, 2011

Senator Johnny Ellis
Chair Senate Rules Committee
State Capitol, 119
Juneau, AK 99801-1182

RE: Senate Bill 23 Film Production Tax Credit

Dear Senator Ellis:

I would like to offer my support for Senate Bill 23, the extension of the Alaska Film Production Tax Incentive Program. Since its inception in 2008 the Film Production Tax Incentive program has created jobs for Alaskans and economic opportunities for Alaska businesses small and large. Film and television projects offer invaluable marketing and promotion for Alaska tourism, products and businesses. Continuing and extending this program offers a clear signal to the multi-billion dollar film and television industry that Alaska is open for business.

The fact is, financial incentives have changed the way filming decisions are made. Alaska faces aggressive and long established film incentives from provincial and federal governments in Canada. 45 other states currently have a program of some type as they understand the economic benefits that this industry can bring to our businesses and communities.

I support the extension of the Alaska Film Production Tax Incentive program for ten years with $100 million available in incentives during the first five years and $100 million in incentives for the final five years. Senate Bill 23 will continue the economic diversification and economic development success of the film tax incentives while also providing a clear signal that offers Alaska businesses the opportunity to better plan for and capitalize on Alaska's newest multi-million dollar industry.

For all of these reasons, I fully support the Film Credit Tax Credit Bill and would like to thank the Alaska State Legislature for working towards a more prosperous Alaska.

Sincerely,

Angela M. Pinsonneault

Angela M. Pinsonneault, CPA, CSOX

Brice Habeger
www.bricehabeger.com
A Salt 'N Buttery Prods.
2225 Great Western St., Apt. A
Douglas, Ak 99824
907.321.3251

Re: Letter of Support for SB23: Alaska Film Incentive Program Extension

February 08, 2011

Dear Senator Ellis,

I'm writing in support of SB23. First off, I would again like to thank you for your support of the statewide film industry with your promotion and the passage of SB230. Over the last year, the state has seen millions of dollars pumped into the local economy as a direct result of that bill.

As an Alaskan and as a filmmaker, I support the extension of the tax incentive. To me, it is a way to grow the economy of Alaska by capitalizing on its natural beauty with minimal spending by the state. As the legislation currently stands, the state returns $1 to the production for every $3 that is brought into the economy. This is math that works in favor of Alaskans.

Since returning to Alaska in 2008 and testifying in support of SB230, I've started my own business and have taken a vested interest in the film industry here. My growth as a skilled tradesmen didn't end when I graduated from Columbia College in Chicago. I've shared my knowledge with the community by teaching lighting classes to high school students and involving myself in local unpaid productions with other filmmakers, as well as projects at the church I attend. I'm an active member of the AFG, and as a member of the Digital Cinema Society, I keep current with production trends in the industry world wide.

As a business owner and a freelancer, I've worked on various projects that come to Juneau, example: worked on an ACS commercial; as well as work with local clients, example: currently working with University of Alaska Southeast. In addition, I did scouting work locally for *Everybody Loves Whales* and traveled to Anchorage to work as a grip on *Ghostvision.*

The extension of the tax incentive would create an environment for myself and others to continue increasing the size our skill sets as well as our tool belts, but not because of eating well, rather it would be a result of working on many top level productions and building up our tools to match the level of any professional working in Hollywood. With the passage of this extension, I believe that we can continue the growth of a well trained and highly skilled Alaskan work force, as well as encourage the private sector to construct necessary infrastructure, such as a sound stage.

Thank you for your time.

Regards,

Brice Habeger

Josh McIntyre
4301 MacAlister Drive
Anchorage, AK 99502
jmcintyre@mcc-cpa.com

February 10, 2011

The Honorable Senator Johnny Ellis
State Capitol, 119
Juneau, AK 99801

Dear Senator Ellis:

I live in District 28-N, in Anchorage. I am Certified Public Accountant in Alaska, and a graduate of the University of Alaska, Anchorage. I am writing to you in support of Senate Bill Number 23.

Since its inception in 2008 the Film Production Tax Incentive program has created jobs for Alaskans and economic opportunities for Alaska businesses small and large. Film and television projects offer invaluable marketing and promotion for Alaska tourism, products and businesses. Continuing and extending this program offers a clear signal to the multi-billion dollar film and television industry that Alaska is open for business.

Financial incentives have changed the way filming decisions are made. Alaska faces aggressive and long established film incentives from provincial and federal governments in Canada. 45 other states currently have programs of some type as they understand the economic benefits that this industry can bring to our businesses and communities.

I support the extension of the Alaska Film Production Tax Incentive program for ten years with $100 million available in incentives during the first five years and $100 million in incentives for the final five years. Senate Bill 23 will continue the economic diversification and economic development success of the film tax incentives while also providing a clear signal that offers Alaska businesses the opportunity to better plan for and capitalize on Alaska's newest multi-million dollar industry.

Sincerely,

Josh McIntyre

Matthew Moser

From: Ron Hedge [hronbo@acsalaska.net]
Sent: Friday, February 11, 2011 10:31 AM
To: Sen. Johnny Ellis
Subject: sb23

Senator Ellis,
I'm writing to support you and your efforts with SB 23. For a little over 3 months I worked as a " propmaker" for Icebreaker Films in Anchorage for the movie "Everybody Loves Whales" I normally work as a cabinetmaker/woodworker and as a consultant on a variety of residential and commercial construction projects. I delayed scheduled projects in order to work on "the show" and I'm glad I did.

The first thing I was told when I got hired was that the reason why this particular movie was being filmed in Alaska was that the production company was saving $11 million in permits and fees . That's not chump change, and it definitely made an impression on the movie's makers. Towards the end of production I asked if the logistical problems and weather conditions would effect their decision in the future and I was told "we would come back in a heartbeat if it made us money", and was told that they only have good things to say.

I worked side by side with workers that were imported from North Carolina, which I soon learned was #3 in movie and television production and known as Hollywood East. They also claimed to be the advance crew here to "train Alaskans" to work in the movie industry. The Alaskan artists and craftspersons I worked with more than answered that challenge and I dare say taught the crewmembers from outside a few things as well.

Good luck with your endeavors,
Ron Hedge

From: Mark Sabel [mailto:mark.sabel@gmail.com]
Sent: Thursday, February 10, 2011 2:50 PM
To: Sen. Johnny Ellis
Subject: SB23

Dear Senator Ellis:

In the 1990s to early 2000s I was a fixture in the Capitol. I worked shooting TV news for all three Anchorage stations and later shot video for the Governor's Office. Being so familiar with you, I spotted you as soon as you walked over to visit the "Everybody Loves Whales" filming. I was a crew member on the movie from before the first day of shooting until after it wrapped. I worked very long hours, but my paychecks were big.

The movie would never have come to Alaska if not for the Film Incentive. Talk about an 'economic engine'! The production brought a lot of money from Outside to Alaska and provided people like me great employment. Alaska needs much more of the same. I strongly support Senate Bill 23.

Sincerely,

MARK SABEL



Senator Johnny Ellis

Chair, Senate Rules Committee

State Capitol, 119

Juneau, AK 99801

Dear Senator Ellis,

I am writing to show my support for Senate Bill 23.

Without this important incentive program it would have been much more difficult to raise funding for our feature film, 'The Doppelganger Principle.' With the exception of our star, Ed Asner, all cast and crew will be pulled from the talent we have here in Alaska. Further, since our investors are local, as well, all revenues from our film go right back into our local economy.

The tax incentive program has kick-started a long undeveloped industry here. Not only are we seeing big-budget feature films coming in with many jobs for Alaskans, but some of our own young film makers are now encouraged to try to ply their craft here, rather than make the usual pilgrimage Outside. I was recently invited to take part in a new web-series, 'Alaska Film Makers,' a continuing web-accessed program reporting on what is happening in our local film community. This is all quite heartening.

As the first-ever elected Alaska representative of the Screen Actors Guild, I have recently been able to help add several new members to our ranks. I fully expect that our membership in Alaska will double before the end of this year. Perhaps even more rewarding, as I now sit on the SAGIndie National Committee, we have been able to show local film makers how to develop their work as a SAG signatory project..

Good things are happening here as a direct result of this program. Extending it should be a no-brainer.

Let's not blow it!

Ron Holmstrom, Director
Doppelganger Productions, LLC
645 G St. Ste 100-616
Anchorage, Alaska 99501
907-748-5729

ECONOMIC
DEVELOPMENT
DISTRICT

January 31, 2011

Senator Johnny Ellis
Chair, Senate Rules Committee
State Capitol, 119
Juneau, AK 99801

RE: Senate Bill 23

Dear Senator Ellis:

On behalf of Prince William Sound Economic Development District, I would like to offer our support of Senate Bill 23, the Alaska Film Tax Incentive legislation. Since these incentives were created in 2008, millions of film production dollars have been spent in Alaska, creating many jobs and business opportunities across our beautiful and unique state. (It's very annoying to see a film about the Alaska experience that was filmed in British Columbia or Wyoming!)

We support the extension of Alaska Film Tax Incentive program for ten years with $100 million available in incentives during the first five years and $100 million for the following five years. These incentives will establish a positive statement to the film and television industry that Alaska is a welcoming environment for production, marketing and promotion.

Sincerely,

Sue Cogswell, Executive Director

ARDOR

To
Senator Johnny Ellis
Chair, Senate Rules Committee
State Capital, 119
Juneau, AK 99684

Dear Senator Ellis,

I am an adjunct instructor of physics live here at Unalakleet and teach online physics class for UAF-NW Campus, Nome. I am writing you because I want to share my thoughts on Alaska's new emerging film industries with you. The film industries should make films about Alaska those shot here in Alaska, not somewhere else. It would promote our Alaskan image around the world. It is good for our local business and tourism industries. As you know many of our jobs depend on the tourism business.

So, I am humbly letting you know I am in favor of **SB23** bill. This bill extent tax incentives for the film industries to make film about Alaska not in BC, Canada or Washington or elsewhere but in Alaska.

Thank you.
Sincerely,

Mosaddeque Reza
(House District 39)
P.O. Box 347
Unalakleet. AK 99684
Phone: (907) 624- 3158

Dated: Unalakleet. AK
02/07/2011

Hello,

I wanted to take time out of my day to write my very first letter to my State legislature.

I am a life-long Alaskan, invested in my community - my great-grandparents immigrated in 1917, landing in Douglas, then relocating to Spenard in 1954; my daughter currently goes to O'Malley elementary, and my wife works for the Anchorage School District.

I have been active in the arts community for over 25 years, and have seen, and felt, the ups and downs of the economy's impact on the arts.

Recently, I have been given the opportunity to take part in two major motion pictures that were filmed here in Anchorage: Everybody Loves Whales, and Ghost Visions (aka Beyond)

While my contribution to the film was small, the economic and social impact to the community was tremendous - and very positive.

I am encouraging you to extend your support for Senate Bill 23 and House Bill 67, which will extend the Alaska Film Tax Incentive program.

Oregon is a wonderful example of how tax incentives can bring the film and TV industry into a community, and help drive the economy by offsetting failing-industry income dollars.

Our state needs to be known for more than just oil, seafood, and gold:
we need an image and income that will last through the ups-and-downs of non-renewable resources.

I believe that the Film Tax Incentive can play a part in Alaska's future, and I ask that you, too, play a part.

Leif Sawyer
6251 East 112th Ave
Anchorage, AK 99516

http://imdb.me/LeifSawyer

From: Donald Schwall [mailto:buzzschwall@buzzoplex.net]
Sent: Monday, February 07, 2011 10:54 AM
To: Sen. Johnny Ellis
Subject: film work

Sir,
I must tell you what a great experience the film "Everybody Loves Whales" was. I have been a stage hand in Anchorage for fifteen years and have worked on a number of commercial and film projects. But this level of work has not come my way and the training and experience is still appreciated.
Thank you and your associates for that opportunity. I sincerely hope this initiative will continue.
Thanks
Buzz

Buzz Schwall
buzzschwall@buzzoplex.net
www.buzzoplex.net

-----Original Message-----
From: Daryl Hoflich [mailto:darylh@gci.net]
Sent: Saturday, January 29, 2011 4:48 PM
To: Sen. Johnny Ellis
Subject: In support of state film incentives

Please keep the film incentive program going to support this new and renewable sector of our economy.

Sincerely - Daryl Hoflich



Maya Salganek
Asst. Professor/Director Film Studies
University of Alaska Fairbanks
PO Box 755700
Fairbanks, AK 99775-5700
(907) 474-5950
maya@alaska.edu

Senator Johnny Ellis
Chair, Senate Rules Committee
State Capitol, 119
Juneau, AK 99801

February 7, 2011

Honorable Senator Ellis,

Thank you for taking the initiative to introduce Senate Bill 23 to the current legislative session. Extending the film production tax credits for an additional ten years will allow the State to continue developing this industry in a comprehensive fashion. Establishing a workforce, infrastructure, and proving our talents is part of the long-term strategy.

The University of Alaska Fairbanks has actively been working with film industry partners since 2007 to broaden the skills of our students and provide opportunities for on-the-job training. We have supplied talent, crew, logistical support, and even equipment for Discovery channel, Sundance Institute, Universal Pictures, CNN, the History Channel, BBC, and dozens of smaller film production companies from all over the world. Our students have worked with industry from television commercials to feature films.

UAF Film students have been funded by the National Science Foundation for work with the International Polar Year, recognized by the Legislature for their broadcasts from Iraq as embedded journalists, and have been cast in roles as actors from Barrow to Anchorage. We have been proud partners and associates in two films screened at Sundance, and others that have been seen in International Film Festivals the world over. Enrollment in UAF Film Courses has grown 60% in the past four years, and continues to grow.

The Alaska State Film Tax Incentives are the first step in attracting established film companies, producers, directors, and talent to Alaska. In so doing, they are providing local Alaskans opportunities to not only work on the set, but also provide services in direct support of productions. From hotels and restaurants to transportation and equipment, ripples are cast wide when a film comes to town.

It takes several years to develop a film production from concept to screen. We have really only seen two years to prove what could be done in our state with the incentive program in place. Once the timeline is extended, more filmmakers will commit to developing their projects here and we will see a surge in productivity and revenue as a result.

The film industry is a green, renewable, and lucrative industry to attract to our state. The benefits of tax incentive programs have been proven; New Mexico, North Carolina, New Orleans, and Michigan have seen substantial revenue growth due to the film industry presence.

Fortunately for us, Alaska is ALASKA! Filmmakers want to share its beauty with the world. Let's help them do that, keep the revenue in state, give Alaskans the jobs, and share our stories with the world.

Thank you for your service to this Great State.

Sincerely,



Maya Salganek
Assistant Professor, Theatre & Director, Film Studies
University of Alaska Fairbanks

Matthew Moser

From: Corrie Young [corrieyoung@me.com]
Sent: Tuesday, February 08, 2011 3:51 PM
To: Sen. Johnny Ellis
Subject: Support SB 23 (HB 67) - Alaska Film Industry Incentives

Dear Senator Ellis:

I support Alaska's growing film industry and acknowledge the positive economic impact it has in our state. Therefore, I wholeheartedly support SB 23 and HB67.

Sincerely,

a 4th generation Alaskan,
Corrie Young
Anchorage, Alaska

SB

25

<TARGET><BILL>SB 25</BILL><SUBJECT>SB
25</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 2/24/12

FURTHER: Rules/T.cal

DATE TURNED IN TO OFFICE: 4/11/12

Finance Committee considered SPONSOR SUBSTITUTE FOR SENATE BILL NO. 25

SB 25-AIDEA SUSTAINABLE ENERGY PROGRAM

"An Act establishing the sustainable energy transmission and supply development program in the Alaska Industrial Development and Export Authority."

and recommends:

[X] be **replaced** with **CS** SSSB 25 (FIN) *[ ] Same Title [X] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____ Letter of Intent

[ ] further referral to _____ Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
SFIN/CED	X			3

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
CED			X	2

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	EGAN	✓			
	McGuire	✓			
	Olson			✓	
	Ellis	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓			

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **CSSSSB 25(FIN)**
Fiscal Note Number:
Publish Date:

Identifier (file name): CSSSSB 25(FIN)/Fund Cap/DCCED
Dept. Affected: Fund Capitalization
Title: AIDEA Sustainable Energy Program
Appropriation: Sustainable Energy Transmission and Supply Dev. Fund
Allocation:
Sponsor: Sen. McGuire
Requester: Senate Finance
OMB Component Number:

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous	125,000.0						
TOTAL OPERATING	**125,000.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	125,000.0						
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**125,000.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This fiscal note sets the amount of capitalization for the Sustainable Energy Transmission and Supply Dev. Fund.

Prepared by: Darwin Peterson — Phone: 907-465-3873
Division: Senate Finance Committee — Date/Time: 4/10/12 3:24pm
Approved by: Senator Hoffman, Co-Chair — Date: 4/10/2012
Senator Stedman, Co-Chair

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSSSB 25(L&C)**
Fiscal Note Number: 2
(S) Publish Date: 2/24/12

Identifier (file name): SB025-DCCED-AIDEA-02-10-12
Dept. Affected: DCCED

Title: AIDEA Participation in Energy Projects
Appropriation: Alaska Industrial Development & Export Authority

Allocation: Alaska Industrial Development & Export Authority

Sponsor: Senator Lesil McGuire
Requester: Senate Labor & Commerce
OMB Component Number: 1234

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	0.0		0.0	0.0	0.0	0.0	0.0
Travel	0.0		0.0	0.0	0.0	0.0	0.0
Services	0.0		0.0	0.0	0.0	0.0	0.0
Commodities	0.0		0.0	0.0	0.0	0.0	0.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Revised to reflect the changes in the Sponsor Substitute.

Prepared by: Mark Davis, Deputy Director Investments, Finance, and Analysis
Phone: 907-771-3080
Division: Alaska Development & Export Authority
Date/Time: 2/15/12 3:30 PM
Approved by: JoEllen Hanrahan, Director Administrative Services
Commerce, Community, and Economic Development
Date: 2/15/2012

(Revised 11/28/2011 OMB)

FISCAL NOTE #2

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSSSB 25(L&C)

Analysis

SB 25 adds legislative intent language to re-capitalize AIDEA with $250 million for FY 13 and FY14 that would be used to fund a new loan and loan guarantee program to finance energy projects. This fiscal note represents the zero operating expenses required to administer this fund.

The bill accomplishes these goals by: (1) an appropriation of $250,000,000 for FY13 and FY14 to carry out the agency's statutory purposes; (2) setting up a new loan fund in AIDEA; (3) making changes to AIDEA's general powers to add energy projects as a development goal; (4) amending AIDEA's powers so that it can make direct loans or offer loan or bond guarantees for qualified energy projects s; and (5) amending the definitional section of the agency's statutes to add and define the term "energy project".

CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 25(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS MCGUIRE, Davis, Giessel, Menard, Wagoner, Dyson, Huggins, Ellis, Thomas

A BILL

FOR AN ACT ENTITLED

"An Act establishing the sustainable energy transmission and supply development program in the Alaska Industrial Development and Export Authority; relating to the interest rates of the Alaska Industrial Development and Export Authority; and relating to taxes paid on interests in property owned by the Alaska Industrial Development and Export Authority and to the local contribution for public education funding related to that property."

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

* **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

SHORT TITLE. This Act may be known as the Alaska Sustainable Strategy for Energy Transmission and Supply (ASSETS) Act.

* **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE INTENT. The legislature intends to appropriate, during fiscal years 2013 and 2014, amounts that total $250,000,000 to carry out the purposes of this Act.

* **Sec. 3.** AS 14.17.410(b) is amended to read:

(b) Public school funding consists of state aid, a required local contribution, and eligible federal impact aid determined as follows:

(1) state aid equals basic need minus a required local contribution and 90 percent of eligible federal impact aid for that fiscal year; basic need equals the sum obtained under (D) of this paragraph, multiplied by the base student allocation set out in AS 14.17.470; district adjusted ADM is calculated as follows:

(A) the ADM of each school in the district is calculated by applying the school size factor to the student count as set out in AS 14.17.450;

(B) the number obtained under (A) of this paragraph is multiplied by the district cost factor described in AS 14.17.460;

(C) the ADMs of each school in a district, as adjusted according to (A) and (B) of this paragraph, are added; the sum is then multiplied by the special needs factor set out in AS 14.17.420(a)(1) and the high school vocational education factor set out in AS 14.17.420(a)(3);

(D) the number obtained for intensive services under AS 14.17.420(a)(2) and the number obtained for correspondence study under AS 14.17.430 are added to the number obtained under (C) of this paragraph;

(E) notwithstanding (A) - (C) of this paragraph, if a school district's ADM adjusted for school size under (A) of this paragraph decreases by five percent or more from one fiscal year to the next fiscal year, the school district may use the last fiscal year before the decrease as a base fiscal year to offset the decrease, according to the following method:

(i) for the first fiscal year after the base fiscal year determined under this subparagraph, the school district's ADM adjusted for school size determined under (A) of this paragraph is calculated as the district's ADM adjusted for school size, plus 75 percent of the difference in the district's ADM adjusted for school size between the base fiscal year and the first fiscal year after the base fiscal year;

(ii) for the second fiscal year after the base fiscal year determined under this subparagraph, the school district's ADM adjusted for school size determined under (A) of this paragraph is calculated as the district's ADM adjusted for school size, plus 50 percent of the difference in the district's ADM adjusted for school size between the base fiscal year and the second fiscal year after the base fiscal year;

(iii) for the third fiscal year after the base fiscal year determined under this subparagraph, the school district's ADM adjusted for school size determined under (A) of this paragraph is calculated as the district's ADM adjusted for school size, plus 25 percent of the difference in the district's ADM adjusted for school size between the base fiscal year and the third fiscal year after the base fiscal year;

(F) the method established in (E) of this paragraph is available to a school district for the three fiscal years following the base fiscal year determined under (E) of this paragraph only if the district's ADM adjusted for school size determined under (A) of this paragraph for each fiscal year is less than the district's ADM adjusted for school size in the base fiscal year;

(G) the method established in (E) of this paragraph does not apply to a decrease in the district's ADM adjusted for school size resulting from a loss of enrollment that occurs as a result of a boundary change under AS 29;

(2) the required local contribution of a city or borough school district is the equivalent of a four mill tax levy on the full and true value of the taxable real and personal property in the district**, excluding property owned by the Alaska Industrial Development and Export Authority that is exempt from city or borough tax,** as of January 1 of the second preceding fiscal year, as determined by the Department of Commerce, Community, and Economic Development under AS 14.17.510 and AS 29.45.110, not to exceed 45 percent of a district's basic need for the preceding fiscal year as determined under (1) of this subsection.

*** Sec. 4.** AS 14.17.410(c) is amended to read:

(c) In addition to the local contribution required under (b)(2) of this section, a

city or borough school district in a fiscal year may make a local contribution of not more than the greater of

(1) the equivalent of a two mill tax levy on the full and true value of the taxable real and personal property in the district**, excluding property owned by the Alaska Industrial Development and Export Authority that is exempt from city or borough tax,** as of January 1 of the second preceding fiscal year, as determined by the Department of Commerce, Community, and Economic Development under AS 14.17.510 and AS 29.45.110; or

(2) 23 percent of the district's basic need for the fiscal year under (b)(1) of this section.

*** Sec. 5.** AS 14.17.490(b) is amended to read:

(b) A city or borough school district is not eligible for additional funding authorized under (a) of this section unless, during the fiscal year in which the district receives funding under (a) of this section, the district received a local contribution equal to at least the equivalent of a four mill tax levy on the full and true value of the taxable real and personal property in the district**, excluding property owned by the Alaska Industrial Development and Export Authority that is exempt from city or borough tax,** as of January 1 of the second preceding fiscal year as determined by the Department of Commerce, Community, and Economic Development under AS 14.17.510 and AS 29.45.110.

*** Sec. 6.** AS 44.88.010(a) is amended to read:

(a) The legislature finds, determines, and declares that

(1) there exist areas of the state in which seasonal and nonseasonal unemployment exist;

(2) this unemployment is a serious menace to the health, safety, and general welfare, not only to the people in those areas, but also to the people of the entire state;

(3) the state lacks the basic manufacturing, industrial, **energy,** export, small business, and business enterprises and the other facilities referred to in this subsection necessary to permit adequate development of its natural resources and the balanced growth of its economy;

(4) the establishment and expansion of industrial, manufacturing, **energy,** export, small business, and business enterprises in **the state** [ALASKA] and the other facilities referred to in this subsection are essential to the development of the natural resources and the long-term economic growth of the state, and will directly and indirectly alleviate unemployment in the state;

(5) the expansion of export trade is vital to the health and growth of the state's economy;

(6) many **state** [ALASKA] businesses could benefit from additional financial and technical assistance with respect to the exportation of their products and services;

(7) the [UNITED STATES] Export-Import Bank **of the United States** has been mandated by the Export-Import Bank Act Amendments of 1983 to provide technical assistance and export financing support to small businesses in cooperation with state export finance agencies;

(8) Alaska-based exporters can be effectively assisted through the establishment, as part of the Alaska Industrial Development and Export Authority, of an export financing program designed to work with the [U.S.] Export-Import Bank **of the United States** and other federal, state, and private institutions;

(9) the achievement of the goal of full employment, and of establishment and continuing operation and development of industrial, manufacturing, **energy,** export, small business, and business enterprises in the state will be accelerated and facilitated by the creation of an instrumentality of the state with powers to incur debt, to own and operate facilities, to make and insure loans to finance and to assist private lenders to make loans to finance the establishment, operation, and development of industrial, manufacturing, **energy,** export, small business, and business enterprises;

(10) it is in the public interest to promote the prosperity and general welfare of all citizens of the state by

(A) stimulating commercial and industrial growth and expansion by encouraging an increase of private investment by banks, investment houses, insurance companies, and other financial institutions, including pension and retirement funds, to help satisfy the need for economic

expansion;

(B) encouraging the production of raw materials and goods for export, the expansion of exports and raw materials and goods, and the rendering of services abroad by residents of the state through the establishment of a program that provides financial assistance in cooperation with federal, state, and private institutions for these purposes in the form provided in this chapter;

(C) creating the Alaska Industrial Development and Export Authority with the powers necessary to accomplish the objectives stated in this paragraph, including the power to issue taxable and tax-exempt bonds and to acquire ownership interests in projects as provided in this chapter;

(11) it is in the state's interest to import private capital to create new economic activity which would not otherwise take place in the state.

* **Sec. 7.** AS 44.88.010(b) is amended to read:

(b) It is declared to be the policy of the state, in the interests of promoting the health, security, and general welfare of all the people of the state, and a public purpose, to increase job opportunities and otherwise to encourage the economic growth of the state, including the development of its natural resources, through the establishment and expansion of manufacturing, industrial, **energy,** export, small business, and business enterprises and the other facilities referred to in (a) of this section by creating the Alaska Industrial Development and Export Authority with the powers, duties, and functions as provided in this chapter.

* **Sec. 8.** AS 44.88.155(d) is amended to read:

(d) A loan participation purchased by the authority with assets of the enterprise development account or with proceeds of bonds secured by assets of the enterprise development account

(1) may not exceed $20,000,000; however, in the case of a loan participation for **qualified energy development** [A POWER TRANSMISSION INTERTIE], the loan participation may exceed $20,000,000 with legislative approval;

(2) may not be purchased unless

(A) the project applicant is not, or, if the applicant is not a

single proprietorship, all members of the business enterprise or enterprises constituting the project applicant are not, in default on another loan made by the state or by a public corporation of the state; and

(B) at least 10 percent of the principal amount of the loan is retained by the loan originator**, or the loan is for financing improvements in energy efficiency**;

(3) may not be purchased if the loan to be purchased exceeds 75 percent of the appraised value of the collateral offered as security for the loan unless the amount of the loan in excess of this limit is federally insured or guaranteed or is insured by a qualified mortgage insurance company, except that the loan to be purchased under this paragraph may not exceed the total of loan proceeds used to refinance an existing debt plus the cost of new construction, expansion, or acquisition unless the proceeds from the additional amounts of the loan to be purchased are restricted to uses approved by the authority to finance commercial activity in the state by a business enterprise;

(4) may not be purchased if the participation in the loan to be purchased is for a term longer than the following, except that a loan under (A) or (C) of this paragraph may not have a term longer than three-quarters of the authority's estimate of the life of the collateral offered as security for the loan:

(A) 40 years from the date the loan is made in the case of a loan participation for a project described in AS 44.88.900(9)(E);

(B) 50 years from the date the loan is made in the case of a loan participation for **qualified energy development** [A POWER TRANSMISSION INTERTIE];

(C) 25 years from the date the loan is made in the case of a loan participation for other projects;

(5) may be made only if the participation in the loan to be purchased contains amortization provisions; the amortization provisions

(A) must be complete and satisfactory to the authority and require periodic payments by the borrower;

(B) may allow the loan originator to amortize the portion of the

loan retained by the loan originator using a shorter amortization schedule than the amortization schedule for the portion of the loan held by the authority if

(i) in the authority's opinion, the project financed can support the increased debt service; and

(ii) the accelerated amortization schedule is required to induce the originator to make the loan;

(6) may be made only if the participation in the loan to be purchased is in the form and contains the terms and provisions with respect to insurance, repairs, alterations, payment of taxes and assessments, default reserves, delinquency charges, default remedies, acceleration of maturity, secondary liens, and other matters the authority prescribes; and

(7) may be made only if the participation in the loan to be purchased is secured as to repayment by a mortgage or other security instrument in the manner the authority determines is feasible to assure timely repayment under the loan documents entered into with the borrower.

*** Sec. 9.** AS 44.88.155(g) is amended to read:

(g) Notwithstanding any other provision of this section, the authority may waive or modify the requirements of this section as it considers appropriate and prudent in order to finance a project if the authority intends to own the project or in order to finance **qualified energy development** [A POWER TRANSMISSION INTERTIE PROJECT].

*** Sec. 10.** AS 44.88.159(a) is amended to read:

(a) The interest rate on **a loan purchased from the proceeds of tax-exempt bonds secured by the sustainable energy transmission and supply development fund (AS 44.88.710) under AS 44.88.700 - 44.88.740 or** a loan participation purchased from the proceeds of tax-exempt bonds or expected by the authority to be purchased from the proceeds of tax-exempt bonds **under AS 44.88.155** shall be determined under the regulations adopted by the authority under AS 44.88.085(g)(2)(C) and shall be not less than the cost of funds to the authority. In this subsection, "cost of funds" means the true interest cost expressed as a rate on tax-exempt bonds of the authority plus an additional percentage as determined by the

authority to represent the allocable expenses of operation, costs of issuance, and loan servicing costs.

*** Sec. 11.** AS 44.88.159(b) is amended to read:

(b) The interest rate on **a loan purchased from the proceeds of taxable bonds secured by the sustainable energy transmission and supply development fund (AS 44.88.710) under AS 44.88.700 - 44.88.740 or** a loan participation purchased from the proceeds of taxable bonds **under AS 44.88.155** or expected by the authority to be purchased from the proceeds of taxable bonds **under AS 44.88.155** shall be determined under the regulations adopted by the authority under AS 44.88.085(g)(2)(C) and shall be not less than the cost of funds to the authority. In this subsection, "cost of funds" means the true interest cost expressed as a rate on taxable bonds, plus an additional percentage as determined by the authority to represent the allocable expenses of operation, costs of issuance, and loan servicing costs.

*** Sec. 12.** AS 44.88.159(d) is amended to read:

(d) The provisions of this section apply only to a loan participation purchased under AS 44.88.155 - 44.88.159 **or to a loan made under AS 44.88.700 - 44.88.740**.

*** Sec. 13.** AS 44.88.159(e) is amended to read:

(e) The interest rate on **a loan made under AS 44.88.700 - 44.88.740 or** a loan participation purchased directly from the assets of the authority shall be determined under the regulations adopted by the authority under AS 44.88.085(g)(2)(C) and shall be not less than the total of a percentage as determined by the authority to represent the allocable expenses of operation and costs of loan origination and servicing, plus the cost of funds. In this subsection,

(1) "comparable financial security" means a type or category of financial security the authority identifies in the regulations adopted by the authority under AS 44.88.085(g)(2)(C) that has a term and financial conditions comparable to the term and financial conditions of a loan participation **or a loan made under AS 44.88.700 - 44.88.740** and for which a regularly published, nationally recognized market index is available;

(2) "cost of funds" means the earnings, expressed as an annual interest

rate, the authority would receive on a comparable financial security, and, for a loan participation **or a loan made under AS 44.88.700 - 44.88.740** with a fixed interest rate, the cost of funds must equal or exceed the minimum interest rate;

(3) "minimum interest rate" means the five-year return on investment funds of the authority, expressed as an annual interest rate, achieved by all internal and external investment managers of the authority combined.

*** Sec. 14.** AS 44.88.159(f) is amended to read:

(f) In determining an interest rate under the regulations adopted by the authority under AS 44.88.085(g)(2)(C), the authority may determine to disregard the minimum interest rate required under (a), (b), or (e) of this section for a loan participation purchased by the authority **or a loan made under AS 44.88.700 - 44.88.740** to resolve lending limits or reserve restrictions imposed on the financial institution and may instead determine to retain the interest rate existing at the time the authority **makes the loan or** purchases **the authority's loan participation** [A PORTION OF THE LOAN].

*** Sec. 15.** AS 44.88.159(g) is amended to read:

(g) The authority may, in the regulations adopted by the authority under AS 44.88.085(g)(2)(C), establish a program to pay to borrowers of loan participations determined by the authority to meet sufficient job creation, rural development, **renewable energy development,** or other economic development criteria incentive rate rebates of not more than one percent of the interest rate charged on the authority's portion of a loan participation. The following standards apply to the program:

(1) the payment of an incentive rate rebate may reduce the interest rate to a rate that is less than the minimum interest rate required under (a), (b), or (e) of this section;

(2) the authority may not commit to pay an incentive rate rebate for a proposed loan participation if the total of the amount of the proposed loan participation plus the combined outstanding balance of all loan participations for which the authority has committed to pay incentive rate rebates would exceed five percent of the total of the amount of the proposed loan participation plus the combined outstanding balance of all loan participations of the authority;

(3) an incentive rate rebate may not accrue for more than five years after the date the loan participation is purchased;

(4) the authority may establish a separate account for the incentive rate rebate program.

* **Sec. 16.** AS 44.88 is amended by adding new sections to read:

Article 7A. Sustainable Energy Transmission and Supply.

Sec. 44.88.700. Sustainable energy transmission and supply development program. The sustainable energy transmission and supply development program is created in the authority to promote and provide financing for qualified energy development in the state to alleviate unemployment and contribute to the state's economic welfare, economic diversity, and economic development.

Sec. 44.88.710. Alaska Industrial Development and Export Authority sustainable energy transmission and supply development fund. The Alaska Industrial Development and Export Authority sustainable energy transmission and supply development fund is established in the authority. The development fund consists of appropriations made to the development fund by the legislature, money or other assets transferred to the development fund by the authority, and unrestricted loan repayments, interest, or other income earned on loans, investments, or assets of the development fund. The development fund is not an account in the revolving loan fund established in AS 44.88.060, and the authority shall account for the development fund separately from the revolving fund. The authority may create additional accounts in the development fund. Subject to agreements made with the holders of the authority's bonds or with other persons, the authority may transfer amounts in an account in the development fund to another account in the development fund. Amounts deposited in the development fund may be pledged to the payment of bonds of the authority or expended for the purposes of AS 44.88.700 - 44.88.740. The authority has the powers and responsibilities established in AS 37.10.071 with respect to the investment of amounts held in the development fund.

Sec. 44.88.720. Use of fund balance. Subject to the requirements of AS 44.88.710 - 44.88.740, the authority may use money in the Alaska Industrial Development and Export Authority sustainable energy transmission and supply

development fund to assist in the construction, improvement, rehabilitation, and expansion of qualified energy development.

Sec. 44.88.730. Qualified energy development; powers and duties of the authority. (a) Subject to the limitations of AS 44.88.740, for qualified energy development, the authority may

(1) use the Alaska Industrial Development and Export Authority sustainable energy transmission and supply development fund to finance qualified energy development, insure project obligations, guarantee loans or bonds, and establish reserves;

(2) acquire real or personal property by purchase, transfer, or foreclosure when the acquisition is necessary to protect the authority's interest in financing;

(3) defer principal payments or capitalize interest on qualified energy development financing;

(4) subject to AS 36.30.085(e), enter into lease agreements, sales-lease-back agreements, build-operate-transfer, and operate-transfer agreements, or any similar project financing agreement for a qualified energy development;

(5) enter into agreements with government entities for the transfer and control of infrastructure, facilities, rights-of-way, and studies;

(6) contract for services with a professional advisor, including an attorney, bond counsel, engineer, or other technical expert necessary to fulfill the purposes of the program;

(7) subject to AS 44.88.090, borrow money and issue bonds; and

(8) pay off the principal of and interest on bonds issued by a municipality to acquire, construct, improve, or equip a public utility if the municipality continues to pay the authority the bond payments due under the terms of the bonds; the authority shall retain the payments from the municipality in a sinking fund, and the municipality may apply to use the funds for qualified energy development.

(b) The authority shall adopt regulations to implement AS 44.88.700 - 44.88.740, including

(1) an application process for acquiring financing under this section;

(2) qualifications for qualified energy development projects applying for financing under this section; and

(3) fiscal controls and accounting procedures for the development fund.

Sec. 44.88.740. Limitations on financing. (a) Unless the authority has obtained legislative approval by law, the authority may not finance or participate in financing of

(1) more than one-third of the capital cost of qualified energy development; or

(2) a loan guarantee that exceeds $20,000,000.

(b) Financing under AS 44.88.730 is limited to the life of qualified energy development, which may not be more than

(1) 30 years; or

(2) 50 years for a transmission line or hydroelectric qualified energy development.

*** Sec. 17.** AS 44.88.900 is amended by adding new paragraphs to read:

(15) "development fund" means the sustainable energy transmission and supply development fund created in AS 44.88.710;

(16) "qualified energy development" means a project in the state that involves

(A) transmission, generation, conservation, storage, or distribution of heat or electricity;

(B) liquefaction, regasification, distribution, storage, or use of natural gas;

(C) distribution or storage of refined petroleum products.

*** Sec. 18.** Sections 2 and 8, ch. 10, SLA 2010, are repealed.

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

REVISOR'S INSTRUCTION. References to "this chapter" in AS 44.88 apply to sec. 16 of this Act and so should not be changed.

ALASKA STATE LEGISLATURE

Session
State Capitol Building, Room 125
Juneau, Alaska 99801-1182
Phone (907) 465-2995
Fax (907) 465-6592

Interim
716 West Fourth Avenue, Suite 430
Anchorage, Alaska 99501
Phone (907) 269-0250
Fax (907) 269-0249

SENATOR LESIL MCGUIRE

Changes to CS SS SB 25 (27-LS0290\X) in CS SS SB 25 (27-LS0290\S)

Please note that this analysis is not an authoritative interpretation of changes to the bill. The bill itself is the best statement of its contents.

The following page and line references are to the S version of CS SS SB 25

Description: The proposed CS makes five changes to the X version of CS SB 25. The changes described below were made to clarify the treatment of "energy projects" financed under the proposed SETS program (AS 44.88.700-740) from the definition of "project" in existing AIDEA statutes by renaming "energy projects" "*qualified energy developments*." The definition of "*qualified energy development*" was refined and section 5, authorizing a moral obligation of the state was removed. Interests in projects owned by AIDEA were exempted from municipal taxation for the purposes of calculating the local contribution required for public education funding and an additional power to cooperate with a municipal utility on financing.

Title The following changes were made to the Title of the bill:

1. Inserted new language reflecting the change creating a new section 3.

Section 1 The following changes were made to section 1:

1. No changes.

Section 2 The following changes were made to section 2:

1. No changes.

New Sect. 3 A new section 3 was added to the bill that made the following change:

1. Amended AS 14.17.410(b) to exempt an interest in property owned by the Alaska Industrial Development and Export Authority from the full and true value of the taxable real and personal property in a district.
2. The sections were then renumbered accordingly.

New Sect. 4 A new section 4 was added to the bill that made the following change:

1. Amended AS 14.17.410(c) to exempt an interest in property owned by the Alaska Industrial Development and Export Authority from the full and true value of the taxable real and personal property in a district.
2. The sections were renumbered accordingly.

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SENATOR LESIL MCGUIRE

New Sect. 5 A new section 5 was added to the bill that made the following change:

1. Amended AS 14.17.490(b) to exempt an interest in property owned by the Alaska Industrial Development and Export Authority from the full and true value of the taxable real and personal property in a district.
2. The sections were renumbered accordingly.

Section 6 The following changes were made to new section 6/old section 3:

1. No changes

Section 7 The following changes were made to new section 7/old section 4:

1. No changes.

Deletion Section 5 (page 4 lines 1-15 of the X version) was removed from the bill:

1. The subsequent sections were renumbered accordingly.

Section 8 The language in section 8 retains the language found in section 6 of the X version with the following changes:

1. Replaced "energy project" with "qualified energy development" on page 6, line 28 and page 7, line 23.

Section 9 The language in section 9 retains the language found in section 7 of the X version with the following change:

1. Replaced "energy project" with "qualified energy development" on page 8, line 20.

Section 10 The language in section 10 retains the language found in section 8 of the X version with no changes.

Section 11 The language in section 9 retains the language found in section 9 of the X version with no changes.

Section 12 The language in section 9 retains the language found in section 10 of the X version with the following change:

1. Deleted the word "energy" preceding "loan" on page 9, line 17.

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Section 13 The language in section 13 retains the language found in section 11 of the X version with the following changes:

1. Deleted the word "energy" preceding "loan" on page 9, line 19.
2. Deleted the word "energy" preceding "loan" on page 9, line 28.
3. Deleted the word "energy" preceding "loan" on page 10, line 12.

Section 14 The language in section 14 retains the language found in section 12 of the X version with the following change:

1. Deleted the word "energy" preceding "loan" on page 10, line 11.

Section 15 The language in section 15 retains the language found in section 13 of the X version with no changes.

Section 16 The language in section 14 retains the language found in section 14 of the X version with the following changes:

1. Replaced "energy projects" with "qualified energy development" on page 11, line 9-10.
2. Replaced "energy projects" with "qualified energy development" on page 12, line 2.
3. Replaced "energy projects" with "qualified energy development" on page 12, line 3.
4. Replaced "energy projects" with "qualified energy development" on page 12, line 7-8.
5. Replaced "energy projects" with "qualified energy development" on page 12, line 13-14.
6. Replaced "energy projects" with "qualified energy development" on page 12, line 17.
7. **Inserted New Subsection (8)** granting AIDEA the power to pay off the principal and interest on bonds issued by a municipal public utility and retain the payments from the utility in a sinking fund.
8. Replaced "energy projects" with "qualified energy development" on page 13, line 1.
9. Replaced "energy projects" with "qualified energy development" on page 13, line 8-9.

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SENATOR LESIL MCGUIRE

Sect. 16 (Cont.)

10. Replaced "energy project" with "qualified energy development" on page 13, line 11-12.
11. Replaced "energy project" with "qualified energy development" on page 13, line 14-15.

Section 17 Section 17 retains the language previously found in section 15 of the X version with the following changes:

1. Replaced "energy project" with "qualified energy development" on page 13 line 19.
2. Inserted "conservation" preceding "storage" on page 13, line 21.
3. Removed the conversion of natural gas, coal or biomass to liquids (page 11, line 8), the processing, refining, or upgrading of oil (page 11, line 9) and enhanced oil recovery or carbon sequestration (page 11, line 11) from the definition of "qualified energy development."

New Sect. 18 Added a new section 16 repealing Sections 2 and 8 of ch. 10, SLA 2010 (the language exempting an integrated transportation and port facility owned by the authority from taxation and the sunset of the exemption.)

Section 19 Section 19 retains the language previously found 16 of the X version.

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

April 2, 2012

Senator Bert Stedman, Co-Chair, Senate Finance Committee
Senator Lyman Hoffman, Co-Chair, Senate Finance Committee
Alaska State Capitol
Juneau, Alaska 99801-1182

Dear Senators Stedman and Hoffman:

Alaska Power Association (APA) is the statewide trade association representing utilities that supply power to a majority of Alaskans from Barrow to Unalaska, through the Interior and Southcentral, and down the Inside Passage.

APA supports Senate Bill 25, establishing a $250 million energy loan program at the Alaska Industrial Development and Export Authority (AIDEA).

In furtherance of the goals set forth in recent years by the legislature though the Alaska Sustainable Energy Act, state energy policy, and the renewable energy program, the Alaska electric utility sector needs sources of capital for power supply infrastructure — both generation and transmission. The energy loan program envisioned by Senate Bill 25 will help ensure that our state's electric utilities have access to affordable financing to keep us moving forward with much needed infrastructure statewide. Additionally, the AIDEA program under Senate Bill 25 will have the tangible benefit of keeping interest payments for power supply loans within Alaska instead of going to lenders in other states, as is currently the case.

APA and its members urge the legislature to pass Senate Bill 25.

Sincerely,

Marilyn Leland
Executive Director

cc: Senator Lesil McGuire

ALASKA STATE LEGISLATURE

Session
State Capitol Building, Room 125
Juneau, Alaska 99801-1182
Phone (907) 465-2995
Fax (907) 465-6592

Interim
716 West Fourth Avenue, Suite 430
Anchorage, Alaska 99501
Phone (907) 269-0250
Fax (907) 269-0249

SENATOR LESIL MCGUIRE

SPONSOR STATEMENT FOR SENATE BILL 25: A.S.S.E.T.S
Alaska's Sustainable Strategy for Energy Transmission and Supply

"An Act relating to participation by the Alaska Industrial Development and Export Authority in energy projects."

Alaskans once again find themselves confronting the familiar paradox of high oil prices, which deliver windfall revenues to the treasury while burdening Alaskan communities with increased energy costs. Recognizing this, the Legislature made energy policy a priority issue and focused state resources on finding solutions. To date, we have invested millions in making our schools, homes, and public facilities more energy efficient. We have started work on an in-state gas pipeline and reinvigorated activity in Cook Inlet with targeted tax incentives and regulatory changes. We have begun developing the Susitna hydroelectric project, encouraged exploration for geothermal energy, and opened the door for emerging technologies like biomass, wind, and even small nuclear facilities.

Although each of these energy initiatives contributes to a more sustainable future for Alaska, the recent declining throughput in the trans-Alaska pipeline reminds us of how precarious our present condition is. Declining oil production and increasing demands on the treasury challenge us as policymakers to craft new strategies that to do more with less and to find sustainable ways to use Alaska's resources to grow our local economy. That is why I have introduced Senate Bill 25, *Alaska's Sustainable Strategy for Energy Transmission and Supply ("*ASSETS").

With ASSETS I am proposing that the State recapitalize the Alaska Industrial Development and Export Authority (AIDEA) and expand AIDEA's existing authority to finance, or facilitate the financing of, energy infrastructure projects. AIDEA is already invested in energy projects such as the Snettisham hydroelectric project, which has provided low-cost, renewable power to Juneau for years. With a stronger balance sheet and greater access to credit markets, AIDEA could help finance or facilitate the financing of energy projects in Alaska. Senate bill 25 creates a new fund within AIDEA: the sustainable energy transmission and supply development fund (SETS) and proposes $250,000,000 be invested in the fund.

Senate Bill 25 also expands the powers of AIDEA to finance, or facilitate the financing of energy projects through the SETS fund by granting the authority the ability to:

1. Insure project obligations and guarantee loans or bonds for projects.
2. Defer principle payments and capitalize interest.

3. Offer financing terms of up to 30 years for energy projects or 50 years for transmission and hydroelectric projects.
4. Enter into lease agreements, sales-lease-back agreements, build-operate-transfer agreements and other agreements to finance energy projects.
5. Offer a reduced interest rate for renewable projects, projects in rural areas or projects that promote economic development.

These additional powers will provide flexible terms that can reduce the ultimate cost of energy to consumers and enable projects to move forward toward construction. However, SB 25 also requires legislative approval is required for investments that are more than one-third of a project's capital costs or if a loan guarantee exceeds $20 million. By subjecting certain investments to legislative approval, SB 25 maintains an appropriate level of due diligence for projects.

By making credit available we empower communities and give utilities an alternative to the traditional grant model that too often underfunds projects and leads to delays. Relying on credit also ensures that project sponsors have some skin in the game and a stake in a project's success or failure. Most importantly, we start to put some of Alaska's assets to work growing the economy within our state. Currently, Alaska's savings accounts are invested in stocks and bonds that drive economic activity outside Alaska. ASSETS suggests instead that some of those savings be invested here in Alaska through AIDEA, not as blank checks to development projects but as loans for energy infrastructure.

With ASSETS, Alaska has the chance to break the colony model and sustainably grow its economy. As each loan is repaid, the capital becomes available to recycle into new loans. The recently completed Railbelt Integrated Resource Plan alone identified more than $5 billion in infrastructure that will need to be financed. Without ASSETS, debt interest payments made by Alaskan utilities will continue to leave the state. With ASSETS, on the other hand, Alaska will actually make money. AIDEA currently pays a dividend to the treasury of between $20 and $30 million per year. A larger balance sheet would increase AIDEA's earnings and thus its annual dividend to the state.

Together, the Legislature's commitment to fiscal prudence and its focus on energy issues lay the foundation for a bright future for our state. By putting more of our assets to work locally, we can create opportunities, develop our resources and create a sustainable economy for generations to come.

February 7, 2012

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Juneau, Alaska 99801-1182
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Changes to SS SB 25 (27-LS0290\D) in CS SS SB 25 (27-LS0290\E)

Please note that this analysis is not an authoritative interpretation of changes to the bill. The bill itself is the best statement of its contents.

The following references are to the D version of SS SB 25

Title The following changes were made to the Title of the bill:
1. No changes.

Section 1 The following changes were made to section 1:
1. No changes.

Section 2 The following changes were made to section 2:
1. No changes.

Section 3 The following changes were made to section 3:
1. No changes

Section 4 The following changes were made to Section 4:
1. No changes.

Section 5 The following changes were made to Section 5:
1. No changes.

Section 6 The following changes were made to Section 6:
1. No changes.

Section 7 The following changes were made to Section 7:
1. No changes.

Section 8 The following changes were made to **NEW** Section 8:
1. Inserted new section 8 amending AS 44.88.159(a) to clarify that the interest rates on a loan participation for an energy project are consistent with current practice.

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SENATOR LESIL MCGUIRE

Section 9 The following changes were made to **NEW** Section 9:

1. Inserted new section 9 amending AS 44.88.159(b) to clarify that the interest rates on a loan purchased with the proceeds of taxable bonds for an energy project are consistent with current practice.

Section 10 Section 10 retains the language previously found in section 8:

1. No changes.

Section 11 The following changes were made to **NEW** section11:

1. Inserted new section amending AS 44.85.159(e) to clarify that the interest rates, financial securities, cost of funds and minimum interest rates for energy projects financed through the SETS program are consistent with current practice.

Section 12 The following changes were made to **NEW** Section 12:

1. Inserted a new section amending AS 44.88.159(g) to clarify that loans for an energy project qualify for the incentive rate provisions of AS 44.88.085(g)(2)(C) consistent with current practice.

Section 13 Section 13 retains the language previously found in section 9:

1. No changes.

Section 14 Section 14 retains the language previously found in section 10 with the following changes:

1. To **sec. 44.88.730(3)** deleted the words "subject to lender approval" because the language was unnecessary given that AIDEA is the lender.
2. To **sec. 44.88.730** added new (7) clarifying that AIDEA can borrow money or issue bonds subject to AS 44.88.090 to carry out the purposes of this section.

Section 15 Section 15 retains the language previously found in section 11 with the following changes:

1. Inserted "heat or" before "electricity" in the definition of an energy project to clarify that projects which generate heat are included in the definition of an energy project.

Section 16 Section 16 retains the language previously found in section.

Alaska's Sustainable Strategy for Energy Transmission & Supply

A.S.S.E.T.S

Committee Substitute for Sponsor Substitute for Senate Bill 25 (27-LS0290\X)

Senator Lesil McGuire (District N)

March 28, 2012

Disclaimer

* The following presentation contains slides which present estimates of capital spending based on projects identified in reports prepared for or by the Alaska Energy Authority. This presentation should not be considered an endorsement of any particular project, fuel source, or combination of projects identified by the authority and/or its contractors.

Legislative History: 2008

1. The Legislature responded to high oil prices and the subsequent impact on residents by:
    1. Establishing the Home Weatherization/Energy Rebate Programs (Ch. 73, SLA 08)
    2. Establishing the Renewable Energy Grant Fund (Ch. 31, SLA 08)
    3. Offering Energy Assistance (Ch. 2 4SSLA 08)
    4. Establishing Special Committees on Energy (Senate Resolve 8)



Senate Energy and Resources Committees in Tanana 2009.

Agenda

* Description of the problem A.S.S.E.T.S is intended to address:
  * Legislative history (2008-2012)
  * Highlights from selected reports: capital
  * Highlights from selected reports: financing
* Introduction to SB 25
  * Sections of the bill.
  * Powers and limitations for S.E.T.S
  * AIDEA

Legislative History 2009-2010

1. Senate Bipartisan Working Group held hearings across Alaska to develop draft energy programs and policy recommendations.
2. The Legislature passed the Omnibus Energy Bill (SB 220 - Ch. 83 SLA 10) that addresses a wide range of energy issues, ranging from energy efficiency for public facilities to an emerging energy technology fund and from heating assistance to the leasing of state land for renewable energy projects.



Senate Energy and Resources Committees in Ruby. A draft of the Senate's Energy Programs and Policy Recommendations is available at: www.energy.aksenate.org

Legislative History: Summary

1. The Senate Bipartisan Working Group has aggressively led on energy issues through the establishment of sound policies based on public input and the investment of material state resources in energy projects.
2. Significant challenges remain and SB 25 is an additional component of the comprehensive strategy the Bipartisan Working Group has developed to address the energy needs of Alaskans.



Run of the river hydrokinetic turbine. Ruby Alaska 2009.

The Problem

Significant capital investment will be required to develop the energy infrastructure Alaska needs.

Alaska Energy Pathway; Toward Energy Independence

AEA July 2010

out into regions as defined by existing regional native corporations.

Table 1. Capital Cost Rollup.

Capital Cost Rollup							
Native Corporation	Immediate (0-10 Years)	Short-Term (1 - 3 Years)	Mid-Term (2-10 years)	Long-Term (5 -15 Years)	Stretch-Goal (15+ years)	Capital Cost per Region	Capital Cost per Capita
Arctic, Incorporated	$9,883,000	$18,961,000	$41,925,000	$18,456,000	$14,698,000	$103,923,000	$34,710
Aleut Corporation	$24,104,000	$34,481,000	$359,690,000	$20,209,300	$0	$438,484,300	$59,918
Arctic Slope Regional Corp.	$22,252,000	$29,020,000	$0	$47,349,461	$0	$98,621,461	$14,636
Bering Straits Native Corp.	$30,862,000	$49,560,000	$158,950,000	$41,132,382	$0	$280,504,382	$29,952
Bristol Bay Native Corporation	$24,011,000	$65,871,000	$220,744,000	$63,078,468	$1,467,000	$375,171,468	$51,589
Calista Corporation	$81,189,800	$65,706,000	$160,031,000	$116,208,706	$1,277,000	$424,414,506	$17,263
Chugach Alaska Corporation	$23,126,000	$41,150,000	$37,617,000	$23,741,592	$0	$125,634,592	$17,894
Doyon, Limited	$23,079,800	$50,777,000	$104,062,500	$30,258,596	$18,142,447	$226,320,143	$32,349
Koniag, Incorporated	$30,288,100	$28,451,000	$63,861,000	$902,449	$3,088,760	$126,549,309	$13,789
NANA Regional Corporation	$23,487,000	$29,195,000	$46,339,847	$53,288,779	$3,607,000	$155,915,626	$21,858
Sealaska Corporation	$222,371,900	$98,123,000	$162,172,408	$57,809,096	$2,505,248	$542,981,052	$8,040
Rural Region Totals	$514,631,800	$511,297,000	$1,355,392,755	$472,432,829	$44,785,455	$2,898,519,839	$27,453
Railbelt Region	$1,485,000,000	$940,000,000	$2,631,000,000	$2,959,000,000	$760,000,000	$7,290,000,000	$16,200
Statewide Totals	$1,999,631,800	$1,451,297,000	$3,986,392,755	$3,431,432,829	$804,785,455	$10,188,519,839	$43,853

- Projected "immediate" (0-10 years) capital spending of **$1.999 billion** for energy projects statewide (p. 25).

Source: http://www.akenergyauthority.org/alaska-energy-plan.html

Railbelt Integrated Resource Plan (RIRP)

AEA February 2010

Table 1-4
Summary of Results – Economics

Case	Cumulative Present Value Cost ($000,000)	Average Wholesale Power Cost (¢ per kWh)	Renewable Energy in 2025 (%)	Total Capital Investment ($000,000)
Scenarios				
Scenario 1A	$13,625	17.26	62.32%	$9,087
Scenario 1B	$13,625	17.26	62.32%	$9,087
Scenario 2A	$20,162	19.75	42.64%	$14,111
Scenario 2B	$21,109	20.68	65.83%	$18,805
Sensitivities				
1A/1B Without DSM/EE Measures	$14,507	17.40	67.10%	$8,603
1A/1B With Double DSM	$12,546	15.89	65.15%	$8,861
1A/1B With Committed Units Included	$14,109	17.87	46.84%	$8,090
1A/1B Without CO2 Costs	$11,206	14.20	49.07%	$8,381
1A/1B With Higher Gas Prices	$14,064	17.82	61.95%	$9,248
1A/1B Without Chakachamna	$14,332	18.16	38.06%	$7,719
1A/1B With Chakachamna Capital Costs Increased by 75%	$14,332	18.16	38.06%	$7,719
1A/1B With Susitna (Lower Low Watana Non-Expandable Option) Forced	$15,228	19.29	61.01%	$12,421
1A/1B With Susitna (Low Watana Non Expandable Option) Forced	$15,040	19.05	63.01%	$15,057
1A/1B With Susitna (Low Watana Expandable Option) Forced	$15,346	19.44	63.01%	$15,588
1A/1B With Susitna (Low Watana Expansion Option) Forced	$14,854	18.82	66.90%	$14,069
1A/1B With Susitna (Watana Option) Forced	$15,683	19.87	70.97%	$13,211
1A/1B With Susitna (High Devil Canyon Option) Forced	$14,795	18.74	66.92%	$11,633
1A/1B With Modular Nuclear	$13,841	17.53	60.51%	$9,105
1A/1B With Tidal	$13,712	17.37	65.52%	$9,679
1A/1B With Lower Coal Fuel and Lower Coal Capital Costs	$13,625	17.26	62.32%	$9,087
1A/1B With Tax Credits for Renewables	$12,954	16.41	67.56%	$9,256

Table 1-6
Summary of Proposed Transmission Projects

Project No.	Transmission Projects	Type	Cost ($000)
A	Bernice Lake – International	New Build (230 kV)	227,500
B	Soldotna – Quartz Creek	R&R (230 kV)	126,500
C	Quartz Creek – University	R&R (230 kV)	165,000
D	Douglas – Teeland	R&R (230 kV)	62,500
E	Lake Lorraine – Douglas	New Build (230 kV)	80,000
F	Douglas – Healy	Upgrade (230 kV)	30,000
G	Douglas – Healy	New Build (230 kV)	252,000
H	Eklutna – Fossil Creek	Upgrade (230 kV)	65,000
I	Healy – Gold Hill	R&R (230 kV)	180,500
J	Healy – Wilson	Upgrade (230 kV)	32,000
K	Soldotna – Diamond Ridge	R&R (115 kV)	66,000
L	Lawing – Seward	Upgrade (115 kV)	15,450
M	Eklutna – Lucas	R&R(115 kV/230 kV)	12,300
N	Lucas – Teeland	R&R (230 kV)	51,100
O	Fossil Creek – Plant 2	Upgrade (230 kV)	13,650
P	Pt. Mackenzie – Plant 2	R&R (230 kV)	32,400
Q	Bernice Lake – Soldotna	Rebuild (115 kV)	24,000
R	Bernice Lake – Beaver Creek – Soldotna	Rebuild (115 kV)	24,000
S	Susitna Transmission Additions	New Build (230 kV)	57,000

- Projected capital spending estimates range from **$13.625 billion to $21.109 billion** (p. 1-17, 1-19)

Source:

http://www.akenergyauthority.org/regionalintegratedresourceplan.html

Southeast Integrated Resource Plan (SEIRP)

AEA December 2011

Table 1-2 Refined Screened Potential Hydro Project List

PROJECT NAME	LOCATION	CATEGORY	CAPACITY (MW)	CAPITAL COST ($ MILLIONS)	CAPITAL COST $/KW	ANNUAL ENERGY (MWH)
SEAPA						
Anita - Kunk Lake	Wrangell	Storage	8.60	90.54-135.82	10,528-15,793	28,100
Cascade Creek	Petersburg	Storage	70.00	146.35-219.53	2,091-3,136	202,300
Connell Lake	Ketchikan	Storage	1.70	5.40-10.80	3,176-6,353	10,600
Lake Shelokum	Wrangell	Storage	10.00	39.00-91.00	3,900-9,100	40,000
Mahoney Lake	Ketchikan	Storage	9.60	34.50-51.76	3,594-5,392	46,066
Orchard Lake	Meyers Chuck	Storage	10.00	34.20-79.80	3,420-7,980	56,000
Ruth Lake	Petersburg	Storage	20.00	84.54-126.82	4,227-6,341	70,700
Scenery Creek	Petersburg	Storage	30.00	128.98-193.48	4,299-6,449	128,700
Sunrise Lake	Wrangell	Storage	4.00	16.64-24.96	4,160-6,240	13,500
Thoms Lake	Wrangell	Storage	7.50	110.11-135.17	14,681-18,023	24,200
Triangle Lake	Metlakatla	Storage	3.50	12.63-18.95	3,609-5,414	13,100
Tyee New Dam Construction	Wrangell	Storage	1.40	36.60-85.4	26,143-61,000	9,100
Tyee New Third Turbine	Wrangell	Storage	10.00	13.20-30.80	1,320-3,080	-
Virginia Lake	Wrangell	Storage	12.00	103.21-154.81	8,601-12,901	43,800
Baranoff Island						
Takatz Lake	Sitka	Storage	27.70	117.04-175.56	4,225-6,338	106,900
Chichagof Island						
Crooked Creek and Jim's Lake	Elfin Cove	Storage/Run-of-River	0.16	1.48-2.22	9,250-13,875	666
Indian River	Tenakee Springs	Run-of-river	0.25	2.02-3.02	8,080-12,080	916
Water Supply Creek	Hoonah	Run-of-river	0.40	5.49-8.23	13,725-20,575	1,480

PROJECT NAME	LOCATION	CATEGORY	CAPACITY (MW)	CAPITAL COST ($ MILLIONS)	CAPITAL COST $/KW	ANNUAL ENERGY (MWH)
Juneau Area						
Lake Dorothy Expansion	Juneau	Storage	28.00	71.40-166.60	2,550-5,950	96,000
Sweetheart Lake	Juneau	Storage	30.00	82.82-124.08	2,761-4,136	136,000
Upper Lynn Canal						
Connelly Lake	Haines	Storage	12.00	36.80-55.20	3,067-4,600	39,762
Schubee Lake	Skagway	Storage	4.90	36.00-54.00	7,347-11,020	25,000
Walker Lake	Chilkat Valley	Run-of-river	1.00	6.08-9.12	6,080-9,120	2,750
West Creek	Skagway	Storage	25.00	112.00-168.00	4,480-6,720	76,600

- The low end capital cost estimates contained in the *refined screened potential hydro project* table (p. 1-15,16) identify **$1.327 billion** in potential expenditures.
- The capital cost estimates in the *results of transmission interconnection economic evaluation* table (p. 1-19) identify **$1.424 billion** in potential expenditures.
- The SEIRP *results of integrated cases – regional summary* table (p. 1-37) estimates capital spending for the *optimal hydro/transmission case* at **$1.407 billion.**

Source:

http://www.akenergyauthority.org/southeastIRP.html

10

Summary: Capital Estimates

* Alaska Energy Pathway (AEA 2010) near term:
  * $1.999 billion.
* Railbelt Integrated Resource Plan (AEA 2010) long term:
  * $13.625 - $21.109 billion.
* Southeast Integrated Resource Plan (AEA 2011) long term:
  * $1.407 billion

* ***Takeaway: there will be substantial spending on energy infrastructure in Alaska over the next five to ten years.***

Financing: Legislative Intent

LAWS OF ALASKA

2011

FIRST SPECIAL SESSION

Source
HCS CSSB 46(FIN)

Chapter No.

AN ACT

Making and amending appropriations, including capital appropriations, savings deposits in the form of appropriations to the statutory budget reserve fund, and other appropriations; making appropriations to capitalize funds; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1

"It is the intent of the legislature that the state's capital investment into energy generation projects not exceed 50% of the total investment required to fully complete those projects."

Page 136, Chapter 5 SSLA 11

Financing

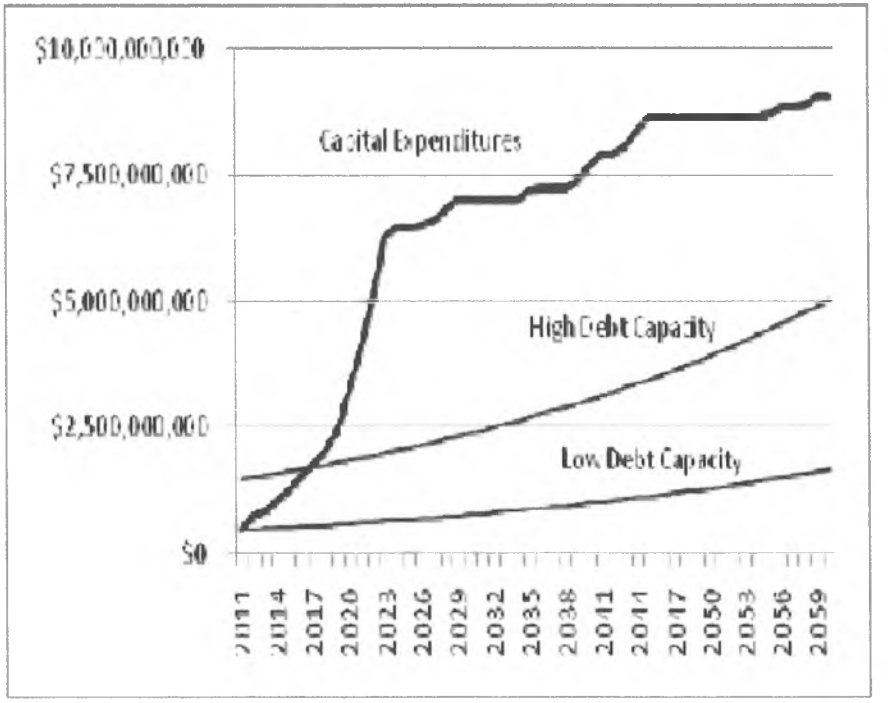
Alaska Energy Pathway: AEA July 2010

"The largest identified challenge is how to finance projects that have been identified as economic. There is a financial gap between the projected capital expenditures and the debt capacity of the Railbelt utilities. This gap is apparent in Figure 1, excerpted from the Railbelt IRP document. The debt capacity curve indicates a low capacity of $1 billion and a high capacity of $2.5 billion. These debt capacities leave a Financing Gap from $4.5 billion to $6.5 billion for the Railbelt electric infrastructure alone.

There are three options to close the financial gap:

1. *Reduce capital expenditures by reducing the number and size of projects.*
2. *Increase debt capacity by building a healthy economic base, **obtaining favorable financing terms such as loan guarantees, low interest rates or grant assistance.***
3. *Obtain grant funding from state, federal or other outside sources."*

Figure 1-9
Required Cumulative Capital Investment (Scenarios 1A/1B) Relative to Railbelt Utility Debt Capacity



Source: SNW Report included in Appendix C.

Source: http://www.akenergyauthority.org/alaska-energy-plan.html

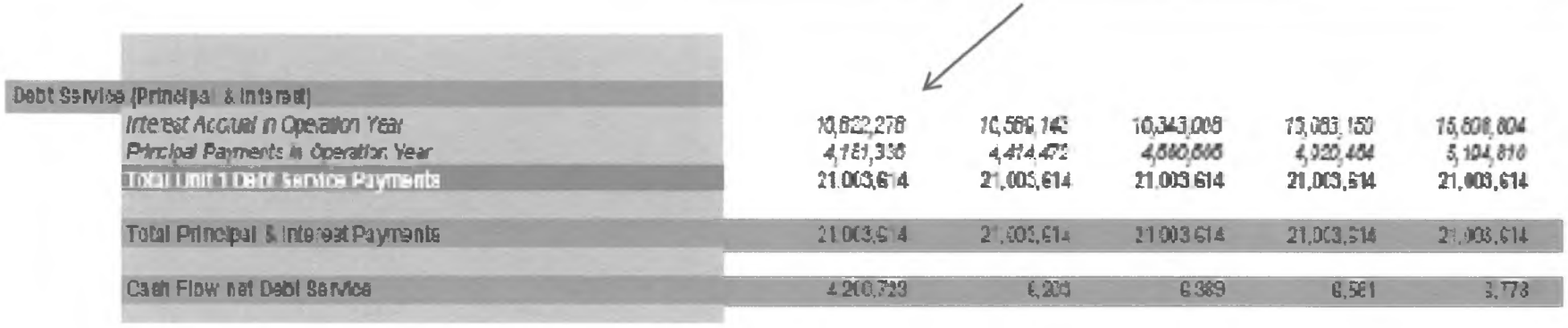
Financing: continued

Southeast Integrated Resource Plan: Appendix B AEA July 2010

Selected Inputs into the model:

* Project Cost: $250,000,000
* Long Term Debt: $306,890,758
* Interest Rate: 5.5%
* Generation: 25 MW
* Capacity Factor: 65%
* Project Life: 50 years

Debt Service	Operation Year 1
Interest Accrual in Operation Year	$16,822,278
Principal Payments in Operation Year	$4,181,330
Total Principal & Interest Payments	$21,003,614
Debt Service as % of Revenue	78.1%



Debt Service (Principal & Interest)					
Interest Accrual in Operation Year	16,822,278	16,589,142	16,343,009	16,083,150	15,808,804
Principal Payments in Operation Year	4,181,336	4,414,472	4,660,605	4,920,464	5,194,810
Total Unit 1 Debt Service Payments	21,003,614	21,003,614	21,003,614	21,003,614	21,003,614
Total Principal & Interest Payments	21,003,614	21,003,614	21,003,614	21,003,614	21,003,614
Cash Flow net Debt Service	4,200,729	6,209	6,389	6,561	3,778

Source: Southeast Integrated Resource Plan; Appendix B: http://www.akenergyauthority.org/SEIRP/12-23-2011_Vol3_SoutheastAlaskaIRP.pdf

Summary: Financing

* The legislature has expressed the intent that state funding for generation projects not exceed 50% of the total investment required for the projects; necessitating financing.

* AK Energy Pathway: "*The largest identified challenge is how to finance projects that have been identified as economic.*"

* Financing costs represent a significant portion of the revenues of any energy project.

* ***Takeaway: financing is an important part of project development and a challenge in Alaska.***

Senate Bill 25: A.S.S.E.T.S

Alaska's Sustainable Strategy for Energy Transmission and Supply

1. Sections
    1. Creates a new *Sustainable Energy Transmission and Supply* (SETS) development program and fund within the Alaska Industrial Development and Export Authority (AIDEA) [sections 14 & 15]
    2. Proposes the SETS fund be capitalized with $250,000,000 [section 2]
    3. Makes conforming changes to AIDEA's mission by including **energy** in the legislative findings of AIDEA's enabling statutes AS 44.88.010(a) [section 3].
    4. Makes changes to AIDEA's loan participation program AS 44.88.155(d) [section 6].
    5. Allows for an incentive interest rate for "renewable energy development" in addition to the existing rural and economic development criteria [section 13].

SB 25: Powers and Limitations of SETS

1. Section 10 a new *Sustainable Energy Transmission and Supply* (SETS) development program and fund within the Alaska Industrial Development and Export Authority (AIDEA). Some of the powers granted to AIDEA are to use the SETS fund to:
    1. To finance qualified projects, insure project obligations, guarantee loans or bonds and establish reserves.; and
    2. Defer principal payments or capitalize interest on project financing; and
    3. Enter into project financing agreements; and
    4. Finance projects up to a term of 30 years or 50 years for a hydroelectric or transmission project; but
    5. AIDEA must obtain legislative approval if it finances:
        1. More than one-third of the capital cost of an energy project; or
        2. Guarantees a loan that exceeds $20 million.

Why AIDEA?

AIDEA's obligations are **not** obligations of the State.

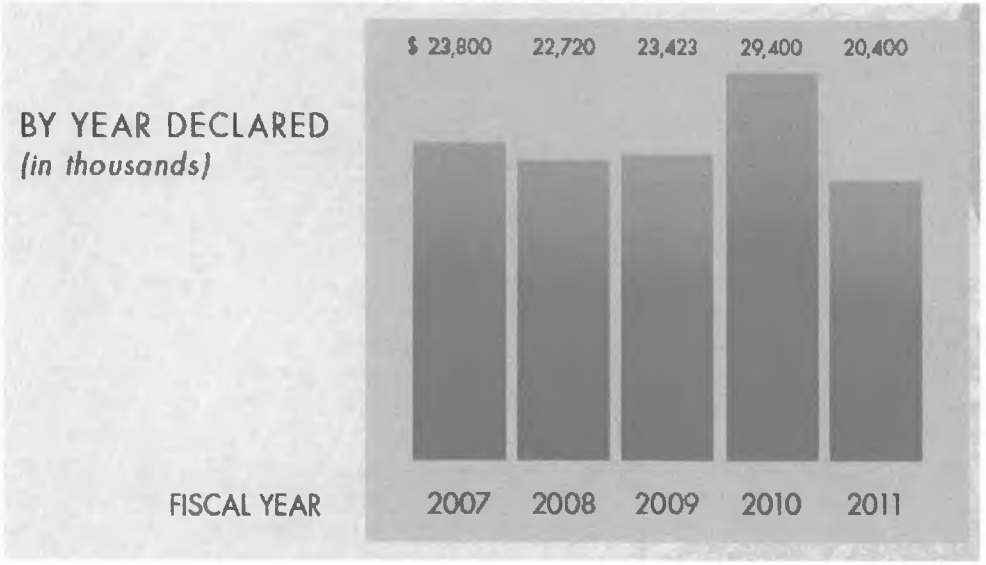
Sec. 44.88.120. Nonliability on bonds.

* (a) Neither the members of the authority nor a person executing the bonds are liable personally on the bonds or are subject to personal liability or accountability by reason of the issuance of the bonds.
* (b) The bonds issued by the authority **do not constitute an indebtedness or other liability of the state** or of a political subdivision of the state, except the authority, but shall be payable solely from the income and receipts or other funds or property of the authority. The authority **may not pledge the faith or credit of the state or of a political subdivision of the state,** except the authority, to the payment of a bond and the issuance of a bond by the authority does not directly or indirectly or contingently obligate the state or a political subdivision of the state to apply money from, or levy or pledge any form of taxation whatever to the payment of the bond.

AIDEA pays a dividend.



Source: AIDEA Annual Report 2011



Since inception, AIDEA has paid $324,500,000 in dividends to the state of Alaska and has net assets of nearly $1 billion. AIDEA was capitalized with the transfer of $384,500,000 in general funds and loans beginning in 1981.

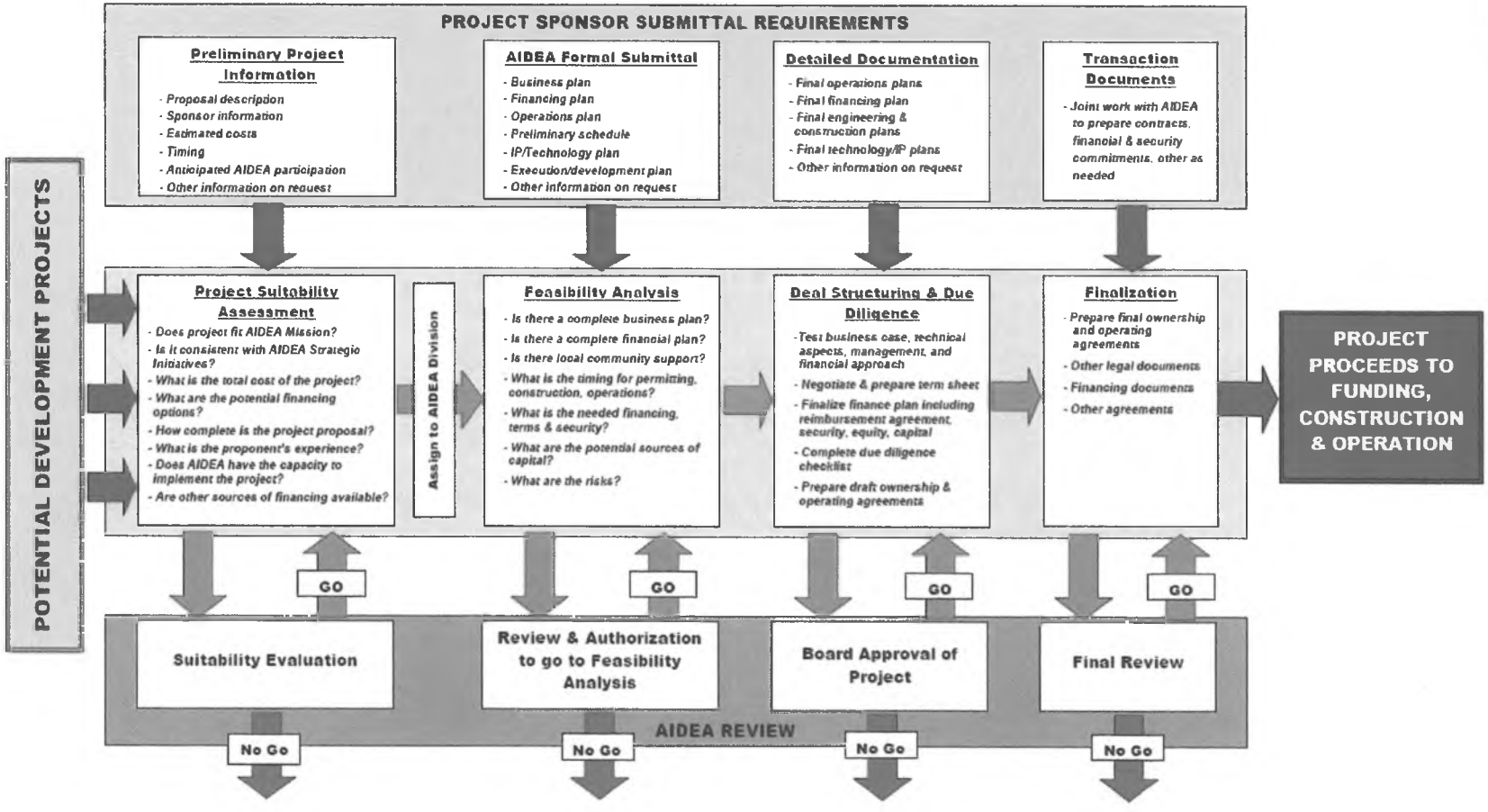
AIDEA has a strong credit rating.

The most recent ratings report for AIDEA (Standard and Poor's, December 13, 2010) reaffirmed AIDEA's "AA-" rating due to:

1. "A pledged portfolio of private activity economic development loans;
2. A currently low loan delinquency rate;
3. Projected cash flows and debt service coverage that meet Standard and Poor's requirements for the 'AA' category for state revolving fund programs;
4. Strong legal covenants, including an additional bonds test requiring either in excess of 1.50x annual debt service, or the maintenance of unrestricted surplus equal to $200 million or principal outstanding and never less than $100 million; and
5. Covenants to maintain what we view as good liquidity in the authority's unrestricted cash equivalents balance."

AIDEA has a developed process for evaluating and initiating financing decisions.

AIDEA DEVELOPMENT RELATED PROJECT INTAKE, ANALYSIS & DECISION MAKING PROCESS



How SETS will work within AIDEA



Step 1: the state of Alaska establishes SETS and capitalizes the fund.

Step 2: AIDEA uses SETS to finance an energy project.

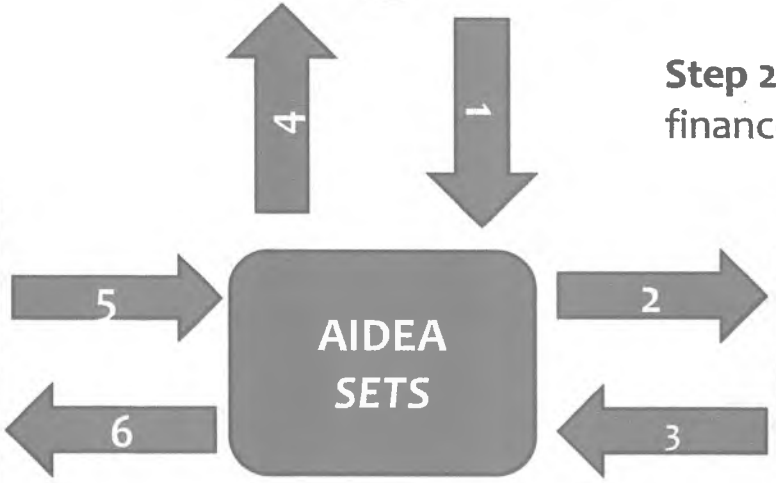


Step 3: the energy project repays the loan/investment from AIDEA.

Step 4: AIDEA pays dividends to the state.



Step 5 & 6: AIDEA can access the financial markets to make more credit available through SETS.



Summary

1. Senate Bill 25 creates a sustainable strategy for energy transmission and supply by putting some of Alaska's financial assets to work within the state in order to fund energy projects.
2. The strategy is sustainable because each investment is an asset that will generate revenues for AIDEA and the state and earnings that can be reinvested in future projects.
3. Senate Bill 25 is **not** the answer to Alaska's energy challenges. The high costs, vast distances and small populations will often require direct state participation in energy projects for generations to come.
4. However, Senate Bill 25 does provide a tool that will help facilitate the development of energy projects in Alaska and is complimentary to the work the legislature and the Governor have done to date to address the energy needs of Alaska.

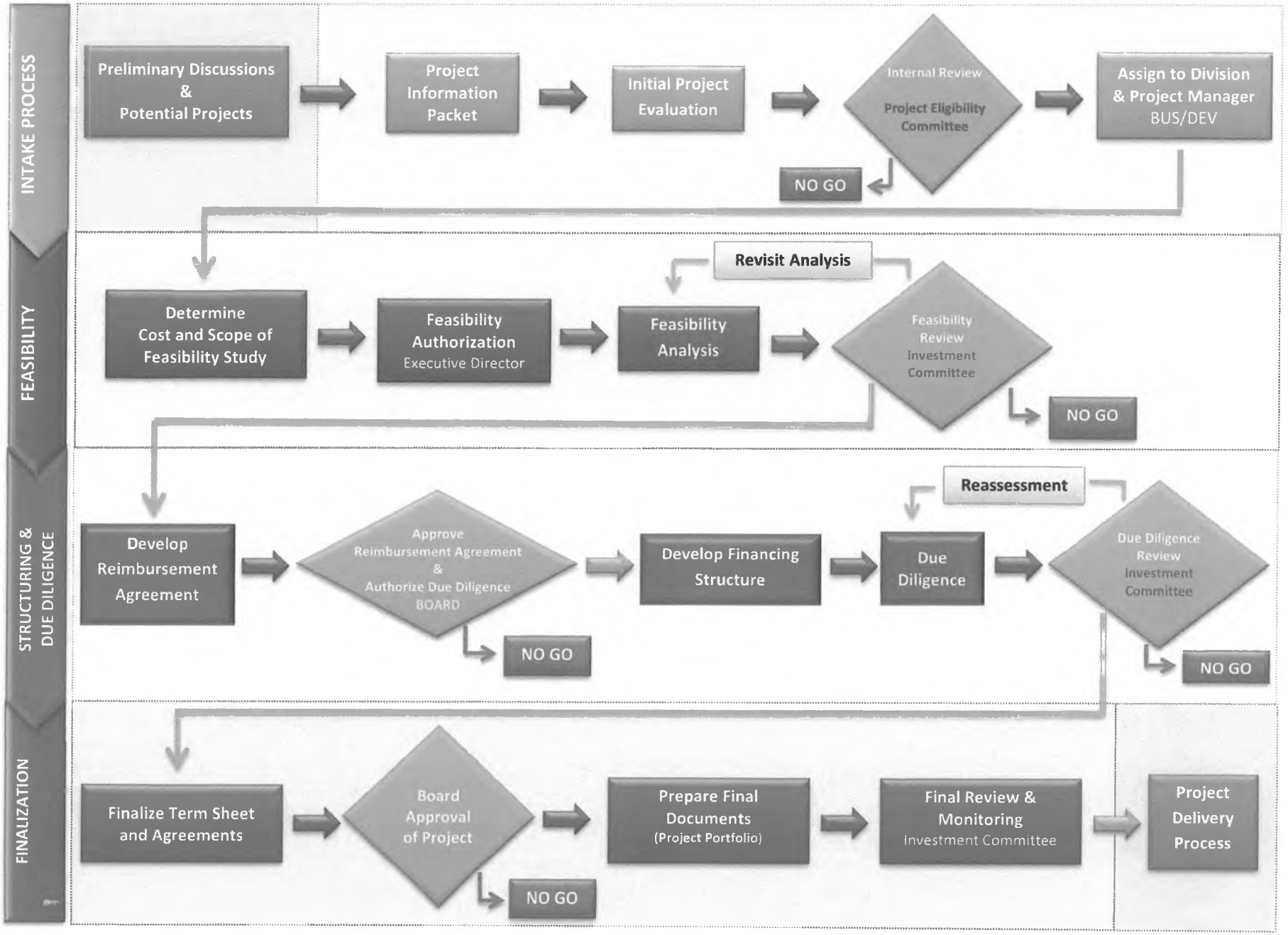
Questions?

Contact: Senator Lesil McGuire

907-465-2995

Senator_Lesil_McGuire@Legis.state.ak.us

AIDEA - Development Project Flow Chart



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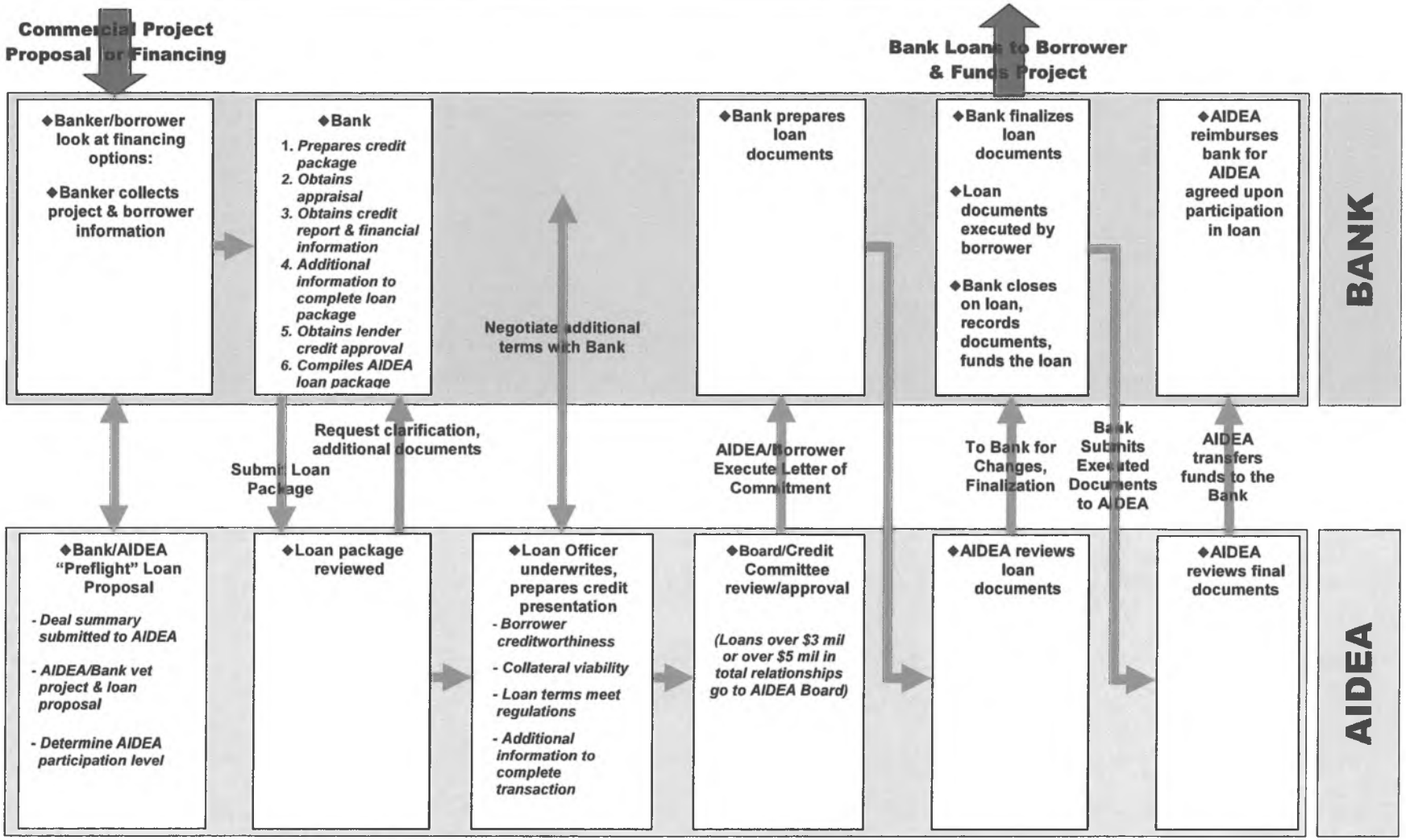
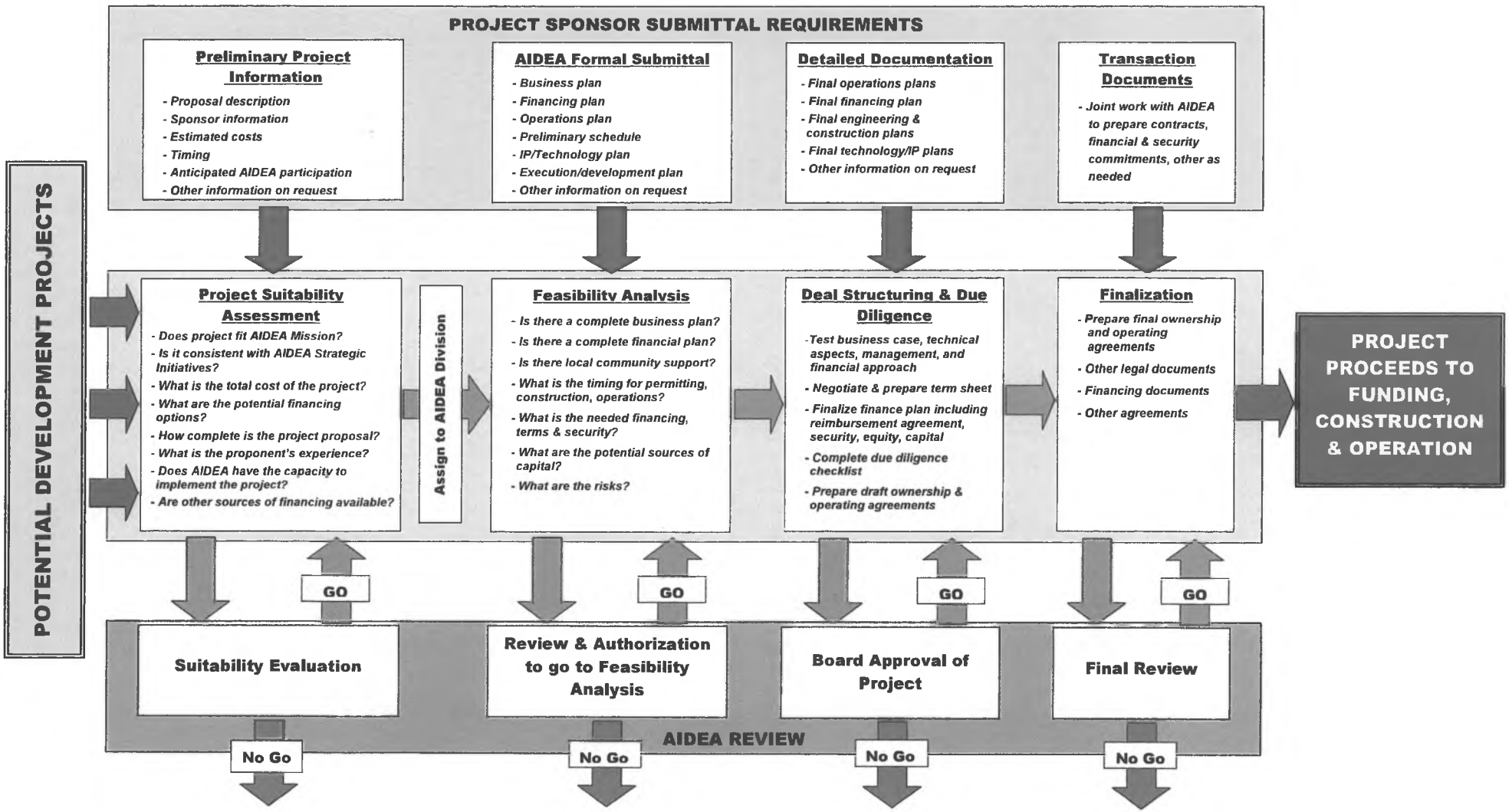
AIDEA PARTICIPATION LOAN UNDERWRITING



AIDEA DEVELOPMENT RELATED PROJECT INTAKE, ANALYSIS & DECISION MAKING PROCESS



LEGAL SERVICES

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

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

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

MEMORANDUM February 10, 2012

SUBJECT: Sectional summary of SSSB 25 (Work Order No. 27-LS0290\D)

TO: Senator Lesil McGuire
Attn: Michael Pawlowski

FROM: Lisa Moritz Kirsch
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, please note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill -- the bill itself is the best statement of its contents.

Section 1. Gives the bill a short title.

Section 2. States intent to appropriate in future years.

Section 3. Amends the legislative findings and policy in the chapter that created the Alaska Industrial Development and Export Authority (AIDEA) to include energy enterprises and amends language for consistency.

Section 4. Adds the term "energy" to the list of enterprises in the policy declaration.

Section 5. Replaces "power transmission intertie" with "an energy project" and amends language for consistency.

Section 6. Replaces "power transmission intertie" with "energy project." Adds loans for improvements in energy efficiency to the list of loans that may be purchased by AIDEA.

Section 7. Replaces "power transmission intertie" with "an energy project."

Section 8. Adds references to new sections creating the sustainable energy transmission and supply development fund.

Section 9. Adds renewable energy development to the list of the types of projects that may qualify for payment for loan participation.

Section 10. Creates the sustainable energy transmission and supply program.

Section 11. Defines "development fund" and "energy project" for chapterAS 44.88.

Section 12. Instruct the revisor that the existing references to "this chapter" in AS 44.88 will apply to the new article 7A created in section 10.

LMK:ljw
12-110.ljw

STANDARD &POOR'S

Global Credit Portal
RatingsDirect®

December 13, 2010

Alaska Industrial Development and Export Authority; State Revolving Funds/Pools

Primary Credit Analyst:
James Breeding, Dallas (1) 214-871-1407; james_breeding@standardandpoors.com

Secondary Contact:
David G Hitchcock, New York (1) 212-438-2022; david_hitchcock@standardandpoors.com

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Alaska Industrial Development and Export Authority; State Revolving Funds/Pools

Credit Profile

US$14.47 mil revolv fd bnds (Private Activity - Non-Amt) ser 2010B dtd 12/22/2010 due 04/01/2031

Long Term Rating	AA-/Stable	New

Rationale

Standard & Poor's Ratings Services assigned its 'AA-' rating to the Alaska Industrial Development and Export Authority's revolving fund bonds, series 2010B and affirmed its 'AA-' rating on the authority's revolving fund bonds outstanding.

The ratings reflect our opinion of:

- A pledged portfolio of private activity economic development loans;
- A currently low loan delinquency rate;
- Projected cash flows and debt service coverage that meet Standard & Poor's requirements for the 'AA' category for state revolving fund programs;
- Strong legal covenants, including an additional bonds test requiring either in excess of 1.50x annual debt service, or the maintenance of unrestricted surplus equal to $200 million or principal outstanding and never less than $100 million; and
- Covenants to maintain what we view as good liquidity in the authority's unrestricted cash equivalents balance.

The bonds are a general obligation (GO) of the authority for which the full faith and credit of the authority's revolving fund are pledged. The authority intends to issue the series 2010B bonds to fund a loan for the construction of a wastewater facility that will serve a state prison near Wasilla.

The authority has a number of programs through which it carries out its economic development activities. It conducts the majority of its business through its revolving fund, the net income and assets of which serve as the source of repayment on the bonds. As of June 30, 2010, the revolving fund had total assets of $1.2 billion, of which $1.09 billion were available to contribute toward satisfying obligations on revolving fund bonds outstanding. Total available assets included $383.8 million of unrestricted cash and investments. Other assets consist of $377.7 million in loans that had been purchased by the authority through a loan participation program, and $326.1 million of projects owned directly by the authority under its development finance program, including $224 million for an ore transportation system and $45.8 million for a clean coal generating project, which has suspended operations.

Overall financial trends for the authority have been positive, with historical annual debt service cash basis coverage in the last five years ranging from 4.00x in fiscal 2006 to 9.0x in fiscal 2010, including $31.8 million of revenue from three directly owned development projects. Coverage by loan repayments alone was more than 5.0x in 2010. At fiscal year-end June 30, 2010, less than 1% of revolving fund loans were delinquent. The authority projects debt service coverage of 7.36x in fiscal 2011 by all revenues, and 3.10x by loan revenues alone. It currently projects debt service to peak in 2014 at $14.4 million and to be covered by authority-projected revenues 6.43x, and 2.74x by loan revenues alone, commensurate with our 'AA' category rating level after being stress tested using Monte Carlo

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modeling techniques.

We anticipate debt service coverage to remain strong based on the authority's currently limited additional debt plans. The authority has $330 million in existing bond authorization for various specific projects around the state. It has indicated no immediate plans to bond for additional revolving fund loans or projects.

Legal provisions provide operational and asset-based protection to existing debt by limiting the issuance of additional parity debt unless certain provisions are met. Operationally, annual net income must produce 1.5x annual debt service in any year in which the authority has debt outstanding. Alternatively, the authority may maintain an unrestricted surplus equivalent to the lesser of $200 million or principal outstanding of bonded indebtedness. Regardless of which of the above tests apply to authority debt, the authority further pledges that at no time will it maintain a balance of the lesser of $50 million in unrestricted cash equivalents or 25% of the amount outstanding of revolving fund bonds. Allowed short-term investments were previously expanded to include 'AAA' rated money market investment funds and 'A-1' or higher rated commercial paper in addition to cash and U.S. Treasuries. All cash and cash equivalent investments must have maturity schedules of one year or less.

Outlook

The stable outlook reflects Standard & Poor's expectation of adequate debt service coverage and active program management. The outlook is also supported by the strong performance in the authority's underlying loan pool. We could lower the rating if the state's significant economic development projects fail to produce adequate revenue or experience significantly high loan delinquencies, or if there was a significant change in the reserves maintained by the authority.

Loan Participation Program

Through the enterprise development program, the authority purchases participations in loans made by financial institutions to their customers. Currently, the authority's loan portfolio consists of 283 loans with principal outstanding of $401.8 million. Revenues from loan repayments represent approximately 40% of total annual cash flows available for debt service. Loan performance is in our view strong, with a very low delinquency rate of less than 1.0%. The loan portfolio has good borrower diversity with 25% of borrowers in the tourism sector, 20% in retail, 16% in office or warehousing, and 13% in office or business condos. The 10 largest borrowers comprised 30% of loans, with the largest loan to the Anchorage Community Development LLC at $22.9 million for an office/warehouse. Geographically, the portfolio is more concentrated, with 59% of loans to borrowers in the Anchorage area. This does not include the revolving fund's $224 million direct investment and ownership in the DeLong Mountain Transportation System in support of lead/zinc mining activities in northwestern Alaska. Loan parameters and policies are good and include the following provisions:

- Participation is not to exceed 90% of the loan amount or $20 million, whichever is lesser.
- Total loan to value is not to exceed 75%.
- The term on the authority's portion of the loan may be up to 25 years when the loan is secured by real property, and up to 15 years when secured by personal property, but in either case, not more than 75% of the remaining economic life of the collateral.

Economic Development Account

Through the economic development program, the authority has the ability to own and operate facilities for economic development purposes in the state. These projects represented $326.1 million of net book value at June 30, 2010, and generated $31.8 million of net annual cash flow in fiscal 2010, or 31% of total cash flows available for debt service. Some of the major projects conducted under this program are the following:

- DeLong Mountain Transportation System (DMTS) is a 52-mile industrial haul road and shallow draft port to transport ore. The DMTS is operated by Teck Alaska Incorporated and guaranteed by Teck Resources Ltd. ('BBB' issuer credit rating) and serves the mining district that includes the Red Dog Mine, the world's largest zinc/lead producer. The authority's revolving fund interest in DMTS consists of direct ownership valued at $223.9 million as of June 30, 2010, which the authority projects will bring in a minimum of $17.7 million of net revenues per year.
- Federal Express Aircraft Maintenance Facility is a wide-body aircraft hanger at the Ted Stevens Anchorage International Airport. The authority owns the hanger and leases the space to the FedEx Corporation for $2.99 million per year. The authority's current net investment for the revolving fund in the hanger was valued at $11.5 million as of June 30, 2010. FedEx's current lease expires in March 2015.
- Ownership of the Ketchikan Shipyard, which was originally developed by the state Department of Transportation and Public Facilities, was transferred to the authority in 1997. The authority subsequently entered an operating agreement with the Alaska Ship and Drydock. The value of the shipyard stood at $35.6 million at June 30, 2010. Payments from the shipyard are uncertain and are determined on a percentage of revenues basis, with revenues first applied to reimbursing the authority for administrative costs, then to a repairs and replacements fund, and then to the authority and to other contributing local governments.
- The authority reports its Skagway Ore Terminal is substantially complete with a direct investment of $9.4 million, although completion may require further investment. The authority projects annual revenues of $3.1 million from this project.

Investment Portfolio

Interest earnings and amortized principal from the revolving fund's $383.8 million (June 30, 2010) unrestricted investment portfolio are also pledged to bond repayment and bolster coverage considerably, albeit with significant variance. In some years, investment earnings represent as much as 34% of annual cash flows, although in 2010 earnings were a lower 13.7% of pledged income. An additional $18.9 million of revolving fund investments were restricted and not available for bond debt service. Asset management is conducted both internally (23% of assets) and externally (77%) and is governed by the authority's investment policy as well as restrictions in state statute. The authority reports that as of June 30, 2010, 42% of its investment portfolio consisted of either U.S. Treasuries or U.S. guaranteed agencies or securities rated 'AAA', while an additional 25% was in government-sponsored securities, 4% was rated 'AA', 16% 'A', 10% 'BBB', and 1% 'BB'. At June 30, 2010, 26% was invested in U.S. Treasuries, 6% in U.S. agencies and government-supported entities, and 6% in cash. In addition, 30% was invested in corporate securities, 30% in mortgage-backed securities, 1% in asset-backed securities, and 1% in municipal bonds. The authority's internal investment policy objective is safety and liquidity, and limits investments to those of investment-grade credit quality ('BBB-' and higher) and precludes investment of more than five percent of the portfolio in unrated securities. Duration is limited to two years for internally managed portfolios. For externally

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managed assets, the authority's goal is safety and return.

Related Criteria And Research

USPF Criteria: Long-Term Municipal Pools, Oct. 19, 2006

Ratings Detail (As Of December 13, 2010)

Alaska Indl Dev & Export Auth state revolv fd		
Long Term Rating	AA-/Stable	Affirmed
Alaska Indl Dev & Export Auth revolv fd rfdg bnds dtd 06/20/2002 due 04/01/2007-2014		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

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LEGISLATIVE RESEARCH SERVICES

Alaska State Legislature
Division of Legal and Research Services
State Capitol, Juneau, AK 99801

(907) 465-3991 phone
(907) 465-3908 fax
research@legis.state.ak.us

Memorandum

TO: Senator Lesil McGuire

FROM: Susan Haymes, Legislative Analyst

DATE: December 5, 2011

RE: State Investment in the Seward Grain Terminal and the Alaska Seafood International Manufacturing Facility
LRS Report 12.059

You asked about the state's investment in the Seward grain terminal and the Alaska Seafood International manufacturing facility. Specifically, you asked for a history of each project including the lessons learned from the state's experience.

The state of Alaska invested $8 million in the Seward grain terminal and over $50 million in the Alaska Seafood International (ASI) manufacturing facility. Both projects were failures. The Seward grain terminal was never built, while the ASI facility never became fully operational and eventually closed after several attempts at restructuring. Both projects were attempts to diversify the state's economy and to create jobs for Alaskans. While the desire to diversify the economy is natural, especially given the state's reliance on the oil industry, attempts at instantaneous diversification have been problematic. Both of these projects failed primarily because of their large scale, although other issues such as changes in the administration and legislative priorities led to a decline in support. In the case of the Seward grain terminal, the construction of a competing grain terminal, and an unexpected and precipitous decline in barley prices also contributed to the project's failure.

Seward Grain Terminal

In the 1970s and 1980s, the state of Alaska invested millions of dollars to develop a large-scale agricultural industry. The state was flush with oil revenue and Governor Jay Hammond supported the development of an agricultural industry in Alaska as a way to broaden the economic base of the state, stabilize food costs, provide alternative job opportunities, and improve rural life. In a 1975 study, the Federal-State Land Use Planning Commission for Alaska recommended the development of a large-scale demonstration project to test the feasibility of grain production in the state. As a result, in 1978, the Delta Barley project (known as Delta I) was initiated and, in 1979, the Alaska Agricultural Action Council (AAAC) was created to manage the Delta project and recommend future projects to the legislature.[1] Delta was designed to produce feed grain for the in-state livestock industry and eventually for export markets. Alaska's livestock industry could not be price-competitive with imported meat products unless the industry had a reliable source of feed grain available at a competitive price. Barley was selected as the main crop because it matures at cool temperatures and has a short growing cycle.[2]

A grain terminal at port was considered not only a necessity to the success of a grain export industry, but also to the development of a livestock industry in Alaska. To ensure the existence of a reliable source of feed grain at a competitive price, the supply had to be large enough so that local demand would not force the price of barley upward. Before farmers could increase production, however, they needed assurance that there was a market for any surplus barley. A tidewater grain terminal would provide the means to export the surplus barley to Asian markets, thereby providing the necessary safety valve by assuring a market for all the barley the farmers could grow. A secondary function of the terminal would be to reduce grain costs to Kenai Peninsula and Kodiak livestock producers by reducing the costs of transporting grain to those areas.[3] The AAAC

[1] The AAAC was created as a separate agency and included the commissioners of the Departments of Natural Resources (DNR) and Commerce and Economic Development (DCED), two private citizens, and the special projects coordinator from the Governor's office who served as chair. The DNR retained authority over land disposal as directed by the state constitution and related statutes. We note that DCED is now called the Department of Commerce, Community and Economic Development (DCCED).

[2] Alaska Agricultural Action Committee, "First Report to the Legislature on the Development of a Plan for Alaska Agricultural Development," February 1982.

[3] David Teal, "Seward Grain Terminal," House Legislative Research Report 83.034, March 8, 1983.

estimated that a minimum of 250,000 acres needed to be available for barley production to make for a viable livestock industry and export trade.[4]

Selection of Seward as the Site for a Grain Terminal

Once the decision was made that an export grain terminal was needed, the question became where to locate such a facility. After two years of study and debate, the AAAC selected Seward as the grain terminal site. The decision, however, was not without its detractors. A 1979 report, "Transportation and Grain Assessment for the Delta Agricultural Project" considered five potential candidates for the grain port–Anchorage, Haines, Seward, Valdez, and Whittier.[5] The report did not clearly recommend a site, but discussed transportation costs associated with each city, and concluded that overall, Anchorage and Seward had the most favorable attributes. Seward and Anchorage were accessible by both rail and truck transport, and could serve agricultural development from both the Nenana and Delta areas. In contrast, Valdez was served by truck only and Whittier by rail only and neither were accessible to the Nenana markets. Seward also had the benefit of a continuous ice-free, deep water port and reduced sailing time compared to the Anchorage alternative.

In a 1980 report, the Alaska Agricultural Action Council Transportation Committee focused on solely the Anchorage and Seward alternatives but again made no firm recommendation. The report noted that because of the uncertainty regarding volumes through a port facility, the investment should be kept at a minimum, and therefore the existing loading facilities in Seward were attractive. On the other hand, the additional $2.00 per ton rail cost to move the grain to Seward was a mitigating factor, so Anchorage might be more cost-effective.

In early February 1981, legislation was introduced (HB 49 and SB 162) that appropriated $8.2 million for a grain terminal, loading facilities and railroad cars.[6] Later that month, the AAAC Transportation Committee recommended Anchorage as the location for the grain terminal, if the cost of site preparation and facility construction were within $2 million of the estimated costs to build at Seward. The decision was based on the lower cost of transporting grain from Delta and Nenana to Anchorage. At the same time, the Alaska Railroad, which owned the Port of Seward, noted its interest in development of the terminal. The Committee eliminated Valdez and Whittier primarily because of the absence of multiple transportation corridors, which eliminated all possibility of competition between transportation modes.

In March 1981, after the Alaska Railroad agreed to absorb the cost of the conveyor and ship loading system, saving $2 million, and reducing the rate differential between Anchorage and Seward from $2.00 a ton to as low as $.50 a ton, the AAAC reversed its decision and recommended Seward as the preferred location for the grain terminal.[7]

Meanwhile, in June the Senate adopted the conference committee report on SB 162. The House adjourned one week later without voting on the conference committee report. On July 6, the Attorney General ruled that the appropriations bill had passed and that the effective date was 90 days after it was signed by the governor. On July 16, the Senate president signed the bill and sent it to the House. The Speaker of the House did not sign the conference committee report but signed a bill that was identical except for the effective date. The AAAC signed a contract for construction of the foundation of the terminal and purchased 20 rail cars with payment to be deferred until after the effective date. On August 24, 1981, Governor Hammond signed the appropriations bill.

On August 27, 1981, Representative Ramona Barnes and others filed suit to stop construction of the Seward grain terminal, contending that SB 162 had not become law with the governor's signature because the bill had not passed the House. Representative Barnes argued the question involved a separation of powers between the two branches of government; however, she had also made it clear that the AAAC had overstepped its legislative mandate by choosing to construct the grain

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[4] The state disposed of the rights to 60,000 acres of agricultural land in the Delta I lottery. The state auctioned an additional 25,000 acres as part of the Delta II land disposal. The goal was to have 500,000 acres in production by 1990.

[5] Haines was eliminated from extensive analysis because 1) access was limited to trucks; 2) a significant portion of the road to Haines from Delta was unpaved; and 3) the distance from Delta to Haines is the longest of the five sites.

[6] Chapter 120, SLA 1981. In the legislation, $6.5 million was appropriated for a grain terminal, an additional $700,000 was appropriated for a grain sub-terminal and elevator facility between Fairbanks and Delta Junction, and $1 million for railroad hopper cars.

[7] Anne DeVries, "Seward Grain Terminal," House Legislative Research Report 82-031, March 4, 1982.

terminal in Seward and not Anchorage.[8] The Court issued a provisional ruling that the appropriation bill had not passed and a temporary restraining order to stop construction. Appealing to the Supreme Court, the state admitted that contracts were signed before the bill was signed by the governor. In October 1981, the Supreme Court refused to hear the case. In November, the Attorney General again determined that SB 162 was in effect. Also, in November, the City of Valdez entered the lawsuit as a plaintiff intervener and challenged the AAAC's choice of Seward as the site for the grain terminal. On July 13, 1982, the Superior Court ruled in the state's favor; funds were made available for construction of the terminal. Although issues were resolved in a settlement agreement signed in January 1983, the delay in the project allowed other events to intercede and helped to derail the project.

Competing Project: Valdez Grain Terminal

At the same time the AAAC was beginning its site selection process, the city of Valdez began aggressively pursuing an export grain terminal. Valdez was interested in a grain terminal for the "backhaul" that barley would give to trucking operations between Valdez and interior Alaska. According to Mark Lewis, then City Manager of Valdez, a grain export terminal would lower the cost of freight into and out of Valdez because trucks delivering freight to the interior could then carry grain on the haul back to Valdez.[9] In 1979, the city first approached the AAAC to formally request the export terminal be built in Valdez, and hinted that the city might pay a portion of the costs for the terminal. In a January 8, 1981 letter, Mr. Lewis proposed to waive all dock and wharf fees for a period of five years if the terminal was built in Valdez. On March 23, 1981, the Valdez Port Director claimed Valdez could store and handle grain at a price not to exceed $4 per ton for the next 15 years. The AAAC noted that the offer should not be taken seriously because it was much lower than comparable charges in the Pacific Northwest. After not getting far with the AAAC, Valdez proceeded with plans to build a grain export terminal concurrently with the Seward terminal. In the fall of 1981, Valdez voters approved a $10,000,000 bond issue to construct a grain storage and handling facility for the export of grain produced in Delta. The City Council awarded the bonds in February 1982, and the facility was completed in December 1982 with a capacity for about 14,000 tons of grain.[10] No grain, however, was ever exported using the Valdez grain terminal.

The construction of the Valdez grain terminal appears to have been a significant factor in the decision to stop construction of the Seward facility. Soon after taking office, Governor Sheffield appointed new members to the AAAC, which met on January 13, 1983, to recommend that construction on the terminal cease because an export market was not available and alternatives were available which "preclude the economic wisdom of completion now."[11] Commission member Peter McDowell, then director of Office of Management and Budget, stated that a major issue for the administration was whether the state should directly compete with the Valdez grain terminal, a private sector and local government project. The two agricultural members of the AAAC noted that the cost of shipping grain to Valdez could be prohibitively expensive for farmers, and further that the decision to terminate the Seward project appeared to be more political than economic.[12] Clearly, there was an issue whether the Valdez terminal made economic sense in the development of a grain industry; however, by this time the new administration and many legislators no longer supported the state's investment in the agricultural industry.

Interagency Conflicts and Changes in Administration

Prior to the AAAC, the Department of Natural Resources (DNR) had managed all agricultural programs. Although DNR retained its authority over state lands, the AAAC was created as a special projects entity in the governor's office to oversee the

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[8] Representative Ramon Barnes, "Agriculture: A Choice Must Be," Position Paper, March 19, 1982.

[9] Ann Cony, "Valdez Joins Suit Over Grain Terminal," *Anchorage Daily News*, September 23, 1981.

[10] The completed facility had one-half of the capacity originally envisioned. In addition, the building site was chosen poorly, and the terminal needed approximately $500,000 in dredging to allow barges close enough to load grain. Memorandum from House Community and Regional Affairs staff to Representative Barbara Lacher, "Valdez Grain Terminal Summary," May 12, 1983.

[11] The *Anchorage Daily News* reported that the AAAC's decision was a done deal before the meeting because on January 11, 1983, two days before the January 13 meeting, the state signed a settlement agreement to resolve the remaining issues in the Barnes lawsuit, and as part of the settlement agreed to close the Seward grain terminal. As a result a second public meeting was held a week later, which the governor attended. The decision, however, remained the same. Steve Seplocha, "Senator: Secret Pact Axed Terminal," *Anchorage Daily News*, May 20, 1983.

[12] The city of Valdez and its partner in the terminal, Alaska Grain, had lobbied Representative Barnes and other lawmakers to support the Valdez terminal over the Seward site. Memorandum from House Community and Regional Affairs staff to Representative Barbara Lacher, "Valdez Grain Terminal Summary," May 12, 1983.

Delta barley project and to pursue new agriculture projects. Agricultural supporters argued that the economic future of the industry depended on the continuous and rapid expansion of agricultural lands and the development of infrastructure projects such as the grain export terminal. Thus, the development of an agricultural industry depended to a large extent on cooperation between AAAC and DNR. Tensions between the two agencies became apparent as the AAAC began implementing Delta I. The AAAC became frustrated with the perceived lack of cooperation among DNR staff to disperse land for agricultural use in a timely manner. In an analysis of Alaska agricultural policy implementation, the authors conclude that much of the tension between DNR and the AAAC resulted from conflicting objectives. The DNR's responsibility was comprehensive management including planning and disposal of all state lands, while AAAC's responsibility was to get land into agricultural production quickly.[13] The AAAC had difficulty accepting the complexity of existing statutes and regulations that underscored many actions of DNR and, at the same time, DNR's regulations did impede AAAC's actions.

Furthermore, most resource decisions by DNR required coordination with other state agencies such as the Alaska Department of Fish and Game (ADF&G). The shift of decision-making to AAAC also undermined this inter-departmental cooperation. All of these problems were highlighted during the Delta II land disposal. Getting more land into production was seen as critical to the export grain market as well as the livestock industry. The Delta II land sale was postponed due to ADF&G concerns regarding the free-ranging bison herd and crop damage, and conflicts over timber and agriculture. Staff of ADF&G publicly opposed the Delta west land sale and urged their commissioner to reverse his endorsement of the project. The Delta II east sale finally occurred; however, the governor postponed indefinitely the Delta II west sale due in part to inter-agency conflicts and the public perception that the Delta east sale was not handled well.

To proceed with any degree of success, a government-induced agricultural industry, or any large government project, requires strong and consistent support from the legislature, the governor, and the affected bureaucracy. In this case, the attempts by the AAAC to implement Delta I and II led to resistance from DNR and other established departments. Initially, agricultural projects had strong public and legislative support. Alaska, however, had no sizeable political base that supported agriculture, and as projects were delayed and setbacks occurred, support diminished quickly.

In addition, as an entity in the governor's office, AAAC's power to implement stemmed from the strong individual connection between its chairman and the governor. When a new governor took office in 1982, he appointed new members to the AAAC who immediately took action to cancel the Seward grain terminal project. No additional appropriations were ever made to fund the construction and the terminal elevator was never realized.

Grain Prices

In 1981 and 1982, the barley harvest was less than expected due to a multitude of problems ranging from early snowstorms, crop depredation from bison, lack of grain drying and storage facilities, and grasshopper infestations. Farmers were able to meet in-state demand but there was little barley for an export market, which led to declining support for the construction of the Seward grain terminal and the development of an export market. The production of barley in Alaska reached its peak in 1984; unfortunately at the same time the commodity prices for small grains declined dramatically. The drop in international prices made imported grain cheaper than barley produced in Alaska. In short, too little barley was being produced to export, and prices were too low for that to be an economical solution. As debt mounted, the number of farmers in Delta began decreasing.[14] At the same time, the state was facing increasing fiscal constraints due to declining oil prices in the 1980s.

Even if the Seward grain terminal had been constructed, the potential for success of an in-state livestock and export barley industry is debatable. The decline in commodity prices in 1984, coupled with the difficulty in creating a large-scale agricultural industry essentially out of nothing, would have been difficult to overcome.

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[13] C.R. Engelbrecht and W.C. Thomas, "Agricultural Policy Implementation in Alaska," *Agricultural Administration and Extension*, 26 (1987) pp. 75-90.

[14] Division of Legislative Audit, "A Special Report on the Department of Natural Resources Delta Agricultural Project," Audit Number 10-4248-86-S, August 15, 1986.

Alaska Seafood International Manufacturing Facility

Alaska's commercial fisheries are currently worth $1.5 billion to fishermen and have a wholesale value of $3.6 billion. Alaska's fisheries support a large processing industry with over 500 licensed processors, more than half of which are catcher-processor vessels that both harvest and process seafood. The remaining processors are located shoreside, and of those about 30 handle most of the harvest. The majority of processing in Alaska consists of *primary processing*, which usually involves heading, gutting and freezing. In contrast, most *secondary processing,* which adds value to the product by creating skinless/boneless fillets, fish patties, and other products, occurs outside of the state. The Alaska Seafood International (ASI) manufacturing facility was to represent Alaska's entry into the secondary processing industry, thus creating jobs and revenue for Alaskans.

Howard Benedict, president of Alaska Seafood Center, began promoting a large-scale Anchorage seafood processing facility in the 1980s.[15] Mr. Benedict organized a small group of private investors and approached the Alaska industrial Development and Export Authority (AIDEA) about the state's interest in investing in such a project. In 1992, Alaska lawmakers introduced legislation (HB 417), which provided AIDEA the authority to issue bonds for up to $50 million for an Anchorage seafood processing facility. The bill's sponsors decided to delay action on the bill to allow time for Alaska Seafood Center to find additional investors for the project and to develop a business plan. The following year legislation was again introduced and passed that provided AIDEA with bonding authority not to exceed $50 million to construct and own a seafood manufacturing facility to be located in Anchorage (ch 27 SLA 93).[16] Mr. Benedict testified that the Center had lined up additional financing from a New York investment bank, and a market for all of the products appeared to be available. He further testified the facility would provide approximately 200 jobs during the construction phase and 450 year-round jobs once the facility was operational. The Center would not compete with existing primary processors, but would make major, year-round purchases from Alaska's primary processors for use in secondary processing. The "ready-to-heat" products would then be shipped to domestic and international markets. Mr. Benedict noted the company was not seeking a subsidy, but would repay AIDEA as it would commercial lenders. He further noted the project would bring $100 to $115 million in outside money to the state.[17] The Department of Commerce and Economic Development (DCED) also supported the project because of its value in creating jobs, diversifying seafood exports, and providing a 45 million pound public cold storage facility.[18]

When asked why the project was not located in Dillingham or Dutch Harbor, Mr. Benedict explained that already the facility would experience a $2.5 million disadvantage per year per 100 million pounds of production for being located in Alaska. To overcome this disadvantage, the facility would be equipped with the latest in processing technology to increase efficiencies, and the City of Anchorage had agreed to provide electricity at a rate that was 38 percent below Seattle's cost. Construction of the facility in another part of the state would not have the transportation advantage provided by the Anchorage Airport, and the cost of power outside of Anchorage would put the cost of electricity totally out of the economic picture.

Construction and Early Years

Several years passed before Mr. Benedict secured a large investor for the project. In 1996, the Alaska Seafood Center joined with Central Investment Holdings (CIH), a Taiwan investment company, to form Alaska Seafood International. In November 1998, AIDEA and ASI signed an agreement whereby AIDEA would provide interim financing for construction of the facility.[19] The 184,000 square foot plant–the largest seafood processing facility in the country–was built to turn 80-100 million pounds of fish a year into "ready to heat" seafood meals. On September 23, 1999, AIDEA purchased the completed facility with its own funds without use of the bonding authority provided by the legislature in 1993. After six months of delay, ASI claimed it was ready to start operations in December 1999, with plans to start shipping products to customers by the end of January.

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[15] Mr. Benedict, previously a Connecticut real estate developer, moved to Alaska in 1981. He founded the Alaska Seafood Center, the precursor to ASI.

[16] In 1993, Senator Johnny Ellis introduced SB 16 to provide AIDEA with the authority to issue bonds for an Anchorage seafood facility. Later in the session, the language from SB 16 was included in SB 171 and passed the legislature.

[17] Senate Finance Committee meeting minutes on SB 16, April 5, 1993. The minutes can be accessed at *www.legis.state.ak.us/basis/get_single_minute.asp?ch=S&beg_line=0416&end_line=0665&session=18&comm=FIN&date=19930405&time=0810.*

[18] Department of Commerce and Economic Development (DCED) Position Paper signed by then Commissioner Paul Fuhs on March 16, 1993.

[19] The total cost for the project was $125 million. The AIDEA provided $50 million for construction and long-term financing of the processing building, land and power plant, private sector investment financed equipment, the cold storage facility, working capital and provided other required funds.

The company had hired only ten workers, but planned to add more as production increased. At the time, there was some speculation as to how many customers ASI actually had and how much raw fish they had for processing. ASI reassured the state and other investors that the company had found a market and had purchased millions of pounds of frozen fish which was waiting in the adjacent cold storage facility.[20]

Nonetheless, many in the seafood industry questioned whether ASI could ship seafood to Anchorage, process it, and transport the product to national and international markets, while selling it cheaply enough to compete with similar seafood products produced out of the state. According to Stephanie Madsen, then vice president of Pacific Seafood Processors Association, other processors had looked at value-added product and found that it was not economically feasible to produce in Alaska. Other seafood processors called the venture too ambitious and questioned its success because of the formidable distance from the fishing grounds to Anchorage and outside suppliers.

The plant never became operational or produced any product for market in early 2000 due to the loss of operating cash. According to AIDEA and ASI, in February 2000, due to a change in political parties in Taiwan, CIH was directed to withdraw money from foreign investments. Central Investment Holdings was the largest private investor in the plant and provided the operating cash for the business. With the loss of operating cash, the plant was idle or operated at a very low capacity, and AIS began seeking a new equity investor.[21] We note that AIS never explained why the company did not begin processing the millions of pounds of already purchased seafood for its customers in December and January.

Three Restructuring Plans

The AIDEA began working with ASI on the first of three restructuring plans that would be attempted to keep the company afloat. During the summer of 2000, AIDEA had been reluctant to provide more money unless the operation could meet certain conditions, which included finding a new investor with seafood experience. At the same time, a number of legislators wrote to AIDEA in support of providing additional funding for ASI. Representative Gail Phillips, among others, argued too much private and public money had been invested to just walk away. Wilson Hughes, then AIDEA board chairman, noted that weighing whether giving the seafood company additional funds made good business sense, as opposed to political sense, was essential.[22]

In October 2000, the AIDEA board narrowly voted to lend $6.5 million in cash and rent concessions to ASI. The vote was 3-2, with representatives from DCED and the Department of Revenue voting against the proposal. The plan included the AIDEA contribution of $6.5 million in exchange for 22.5 percent ownership of the venture; the private investment group headed by Howard Benedict would slip from 38 percent to 5 percent ownership and Mr. Benedict would lose his board seat; AIDEA would seek a new investor with food-processing expertise to contribute $5 million for a five percent ownership; and CIH would contribute $10.5 million in new money and own the remainder of Alaska Seafood International. The plant was to restart production of fish portions and meals in January of 2001.[23]

The vote allowed the restructuring efforts to continue and, in January 2001, ASI announced the company's finances had been restructured, resulting in $14 million in new cash and a fresh commitment from the Taiwanese. The AIDEA became a 25.4 percent owner in ASI in exchange for $2.5 million and forgiveness or deferral of $8 million in rent. Jeff Bush of DCED, who had previously voted against the deal that made AIDEA an owner, became chairman of the new, nine-member board. Mr. Bush acknowledged the company had significant issues but thought the venture could be salvaged. The company needed not only a new line of credit to buy raw processing materials, including fish, seasonings, and packing materials, but also needed to reformulate a sales and marketing plan to generate orders.[24] Under the restructuring plan, the Benedict investors were left with less than one percent of ownership in ASI.

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[20] Tony Hopfinger, "Seafood Center Set to Open," *Anchorage Daily News*, December 11, 1999.

[21] "Alaska Seafood International – Seafood Manufacturing Facility Final Fact Sheet," AIDEA, July 18, 2005; and Wesley Loy, "Seafood Factory Loses Investor," *Anchorage Daily News*, June 20, 2000. The AIDEA Fact Sheet can be accessed at *www.aidea.org/PDF%20files/ASIfactSheet.pdf*.

[22] Associated Press, "Agency Urged to Provide More Aid to Struggling Seafood Plant," *Juneau Empire*, August 15, 2000.

[23] Wesley Loy, "Seafood Factory Gets $6.5 Million Reprieve," *Anchorage Daily News*, October 25, 2000.

[24] Wesley Loy, "ASI Plant Gets New Board," *Anchorage Daily News*, March 3, 2001.

A series of lawsuits followed filed by Howard Benedict, the company's founder; a marketing firm; and a Kodiak fish processor. The AIDEA continued to recruit a new investor and to restart production. According to news reports at the time, relations between the Benedict investors and CIH were strained, and new management at CIH did not like the investment and couldn't understand why their predecessors made it in the first place.[25]

In May of 2001, ASI announced a second restructuring of the company's finances. At this time, a new investor, Sunrise Capital, a New York-based investment firm that specialized in turning around troubled companies, assumed a 51 percent interest and management control of ASI. At the same time, ownership shares of the other investors decreased, so AIDEA had to assume a 29 percent equity share. A new CEO, Russell Schreck, was appointed and Sunrise pledged to line up operating cash to buy raw fish. In all, Sunrise pledged $32.5 million to revive the plant. Joseph Julian, a principal with Sunrise in New York, commented that ASI's original concept was good, just poorly executed.[26] Mr. Schreck replaced senior managers with a management team experienced in food manufacturing and fisheries. He also established a sales staff in markets in the lower 48, the first time sales representatives had been hired. Several new buyers signed contracts and the company's prospects seemed to be improving.[27] The company filled a number of large orders for Sam's Clubs and Albertson's grocery stores under The Great Alaska Seafood Co. brand. By August 2002, however, all of the orders had been filled and only 40 workers remained.[28] While Sunrise had shown ASI could be a viable concept with sales to large retailers, the lack of steady customers and supply problems doomed the company again.

The third restructuring occurred in the fall of 2002. According to AIDEA, staff alerted the board that ASI was facing liquidity problems and advised that it could be time to begin an orderly wind-up of the company. Under direction from the Governor's office, however, AIDEA agreed to a third restructuring of ASI in October 2002. This restructuring provided additional capital to carry the company through June 2003. As part of the deal, AIDEA invested $2.5 million by acquiring adjacent property valued at $2.6 million, and agreed to purchase additional shares in the company up to $500,000, which was to be paid in monthly installments of $100,000.[29] At this point, AIDEA had invested $50 million in ASI and owned title to the company's building and land, had another 20 percent stake in the company through unpaid rent, as well as the land parcel valued at $2.6 million.[30] In the spring of 2003, AIDEA's new board and management informed ASI that after the last installment of $100,000 was paid in June 2003, ASI could expect no further contributions from AIDEA.

The new management at ASI recast the company as a smaller, less ambitious operation, and for the first time the company had a steady customer in BJ's Wholesale Club, an east coast retailer similar to Costco. The one customer, however, was not enough to keep the company going and ASI conceded they had neither the money nor the sales to sustain operations for more than a year. The company employed about 50 people and the small operation, set up inefficiently on either end of the building, took up only about 20 percent of the 184,000 square foot facility.[31]

The End and Lessons Learned

As ASI's debt mounted, in May 2003, the company again asked the governor for help. Specifically, ASI asked for $100,000 a month to pay utility, insurance and other costs for upkeep of the building and asked the state to defer the $360,000 monthly rent payments for nine-months. In addition, ASI asked for some of the $50 million allocated for the salmon industry marketing and revitalization plan.[32] In June 2003, ASI secured additional capital from Sunrise and Grandway Investments

[25] Wesley Loy, "Founder Sues Fish Factory-ASI Suit is One of Several Against Stalled Start-Up," *Anchorage Daily News*, March 14, 2001.

[26] Wesley Loy, "Seafood Factory Revives-New CEO Expects Production at Alaska Seafood International to Begin by July," *Anchorage Daily News*, May 18, 2001.

[27] Associated Press, "Business Picks Up for Seafood Plant," *Juneau Empire*, January 2, 2002.

[28] James McPherson, "Chicken Expert Takes Aim at Fish Plant," *Alaska Journal of Commerce*, August 12, 2002.

[29] "Alaska Seafood International – Seafood Manufacturing Facility Final Fact Sheet," AIDEA, July 18, 2005.

[30] James McPherson, "State Sinks Another $2.5 Million Into ASI Plant," *Alaska Journal of Commerce*, October 21, 2002.

[31] Wesley Loy, "Big Seafood Factory Thinks Small," *Anchorage Daily News*, March 22, 2003.

[32] Associated Press, "Troubled Seafood Plant Asks Governor for Help," *Alaska Journal of Commerce*, May 27, 2003.

International Corporation. The AIDEA declined the presumptive right to purchase additional membership under the agreement. The infusion of cash did not help, and in September 2003, ASI voted to dissolve the company.

The demise of ASI resulted in significant financial losses to the state and other creditors. Doug Bell, president of ASI, said that secured creditors were owed about $20 million and unsecured creditors were owed at least $1 million. Many were never paid as ASI's equipment, meager cash reserves and seafood supplies were not nearly enough to pay secured creditors. Officials at the AIDEA estimated the state had invested about $53 million in the venture.[33]

The AIDEA regained possession of the building and was responsible for oversight of the facility. The ASI conducted a public sale of the processing equipment and other personal property for approximately $3 million, which was used in part to satisfy past due property taxes owed by ASI to the Municipality of Anchorage. The AIDEA wrote off at least half of the investment as a loss and, in 2005, sold the facility to Anchorage Community Development for $24.5 million.

The overriding criticism from the beginning of the ASI venture was simply that it was too large. Constructed as the largest fish manufacturing facility in the country, the company had to immediately produce product for numerous customers on a large scale to sustain the operation. Instead, ASI from the outset had management problems and difficulty finding customers and maintaining a steady supply of fish for product. As ASI president Doug Bell said, the venture "just started on too grand a scheme instead of starting small and building." The original model of starting large-scale with the intent of immediately taking a big bite of the processed seafood business proved to be a mistake.[34]

Others noted that politics exacerbated the problems. Mike Barry, AIDEA board chairman in 2005, reflected that the AIDEA board would better serve the public by being more independent of politics. He suggested this could be accomplished by adding two more independent directors on rotating terms. He noted that this was not a reflection on the present governor's relationship with the board, but that "There are always going to be lobbyists and special interests that will try to take advantage of opportunities, and the public, to be protected from that, has to have a more independent board than we have today." He also emphasized that numerous people in the fishing industry had warned the project was ill-advised but those voices had been ignored.[35] Under the second restructuring, Sunrise had some success operating a smaller scale facility, but by that time mounting debt made any venture unsustainable.

We hope this is helpful. If you have questions or need additional information, please let us know.

[33] Wesley Loy, "Troubled Seafood Plant Closes Doors," *Anchorage Daily News*, October 1, 2003.

[34] Wesley Loy, "Troubled Seafood Plant Closes Doors," *Anchorage Daily News*, October 1, 2003.

[35] Margaret Bauman, "Seafood Plant Sale Finalized Under Revised Terms," *Alaska Journal of Commerce*, June 12, 2005.

Copper Valley Electric Association

Vision: To reduce or eliminate our dependence on fossil fuel and stabilize the Cooperative's cost of generation with regional, sustainable resources

Mission: To provide exceptional customer service through safe, reliable, cost-effective electric service and programs

January 2012

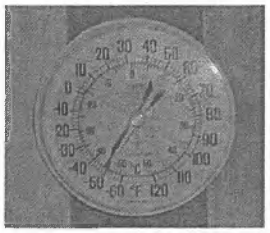
About CVEA

- CVEA provides electric service to over 3,800 business and residential customers in the Copper River Basin and Valdez regions of the state
- CVEA covers a large area: 160 miles north to south and 100 miles east to west; we provide service from Valdez to Kenny Lake to Sourdough to Sheep Mountain
- Dependent on fossil fuel (50% of the annual generation requirement)
- CVEA does not participate in the Power Cost Equalization program
- CVEA is not interconnected electrically to any other utility

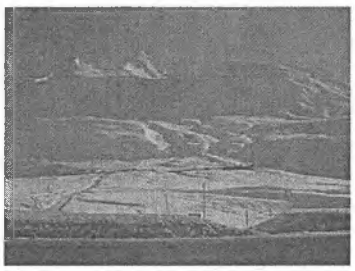
CVEA Assets

- 45 Alaskan employees
- Over 500 miles of distribution and transmission line
- 8 substations
- Solomon Gulch hydro, Cogen Plant, 2 Diesel Plants
- SCADA system with remote control of all four generating plants from one main station
- Density of 9 customers per mile

The Winter of 2011-2012

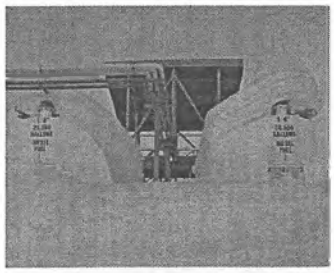


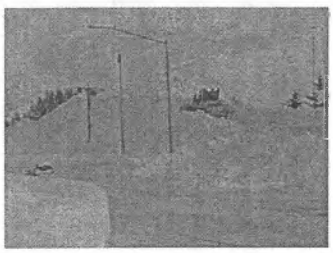
In the Copper Basin we get COLD!

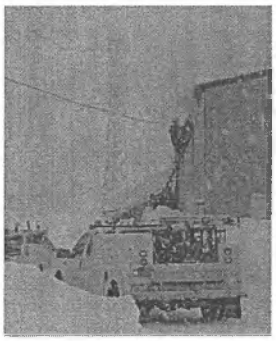




In Valdez we get SNOW!







Major Undertakings

- Build Allison Creek
- Move transmission line out of avalanche zone in Thompson Pass
- Implement 2011 Rate Study
- Evaluate mid-system hydro opportunity
- Participate in Regional Energy Plan
- Find ways to deal with fuel costs

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Jim Manning, President Board of Directors
Robert A. Wilkinson, Chief Executive Officer
P.O. Box 45, Glennallen, AK 99588
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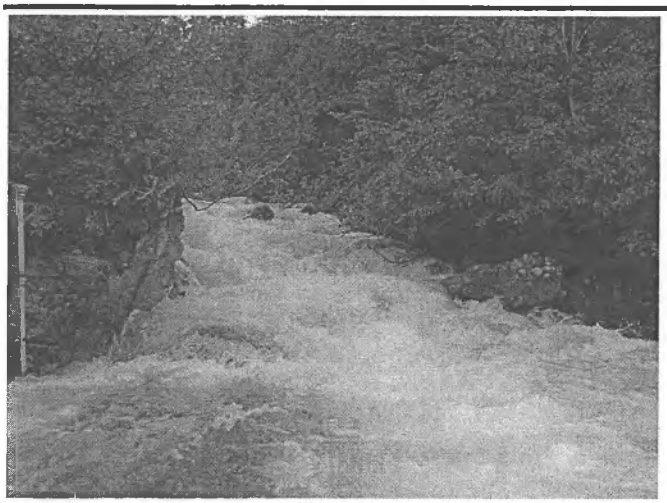
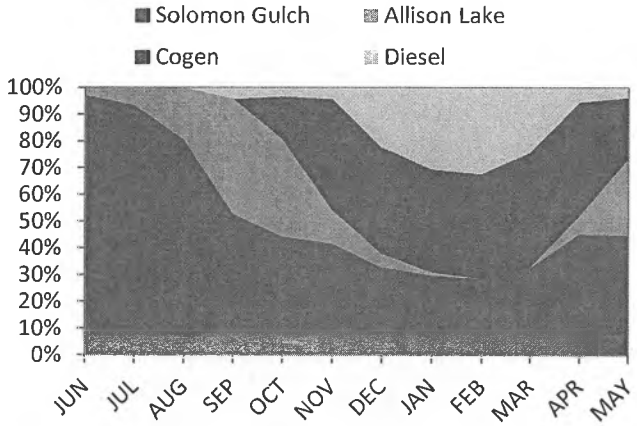


2011 Progress & Milestones

- CVEA chose Run of River alternative in October 2010
- Retooled engineering and environmental effort in early 2011
- Formed Aquatic Resources Task Force to focus on fish issues
- FERC review of preliminary draft application for license, found complete
- Filed application for original license on August 29, 2011
- FERC noticed application for filing on August 30, 2011
- FERC found application acceptable for filing on December 9, 2011
- Final design underway, procurement strategy being developed
- Plan of Finance development is ongoing

Renewable Energy Benefits

- Allison Creek will displace 1.1 million gallons of fuel annually when it is commissioned in 2015
- Allison Creek will eliminate 13,000 tons per year (TPY) of carbon dioxide, 9 TPY of carbon monoxide, 39 TPY of nitrogen oxide, and 6 TPY of sulfur dioxide annually
- At current fuel cost ($.25/kwh) Allison Creek will lower annual power cost by $1.44 million per year



Seasonal Effect - Summer vs. Winter



Project Economics

- In 2010 dollars, the project is expected to cost $39 million
- $14 million of project financing is in place including a $10 million State grant obtained in 2011
- CVEA estimates the first year cost of power to be 16¢/kwh
- This cost assumes borrowing $25 million at 7%
- A 1% reduction in interest rates would reduce power cost by .6¢; every $1 million in grant funds received reduces power cost by .5¢

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Thomas Mack
John MacKinnon
Stephanie Madsen
Sam Mazzeo
Ron McPheters
James Mery
Denise Michels
Hans Neidig
Judy Patrick
Charlie Powers
Mike Satre
Mary Sattler
Keith Silver
Lorali Simon
John Sturgeon
Dan Sullivan
Peter Taylor
Michael Terminel
Jan Trigg

Ex-Officio Members
Senator Mark Begich
Senator Lisa Murkowski
Congressman Don Young
Governor Sean Parnell

February 17, 2012

Senator Dennis Egan, Chair
Senate Labor and Commerce Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801

Re: SB25, AIDEA Sustainable Energy Program

Dear Senator Egan:

On behalf of the Resource Development Council for Alaska, Inc., (RDC), I am writing in support of SB25, which expands the authority of AIDEA to make loans to energy projects and establishes a dedicated fund for the purpose of capitalizing

RDC is a statewide, non-profit, membership-funded organization founded in 1975. The RDC membership is comprised of individuals and companies from Alaska's oil and gas, mining, timber, tourism, and fisheries industries, as well as Alaska Native corporations, local communities, organized labor, and industry support firms. RDC's purpose is to link these diverse interests together to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

Energy production and transmission projects are vital to grow our economy and provide the needed energy for resource development projects and community development. SB25 builds on the success of AIDEA in providing a means for in-state financing of a portion of the capital needs for energy projects. This bill provides a new financing strategy to do more with less, a welcome tool in helping capitalize needed projects in a climate of declining revenues and increasing demands on the treasury.

We encourage the Committee to vote in favor of this bill. Thank you for your consideration.

Sincerely,

Rick Rogers
Executive Director

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503-2035
Phone: 907-276-0700 Fax: 907-276-3887 Email: resources@akrdc.org Website: akrdc.org

ASSOCIATED GENERAL CONTRACTORS of ALASKA

8005 Schoon Street • Anchorage, Alaska 99518
Telephone (907) 561-5354 • Fax (907) 562-6118

3750 Bonita Street • Fairbanks, Alaska 99706
Telephone (907) 452-1809 • Fax (907) 456-8599

February 11, 2012

Senator Lesil McGuire
State Capitol, Room 125
Juneau, AK 99801-1182

Re: SB 25

Dear ~~Senator McGuire~~ Lesil:

On behalf of the Associated General Contractors of Alaska, a construction trade association of over 650 business members, representing the majority of the construction industry in Alaska, thank you for your sponsorship of SB 25.

SB 25 would establish and capitalize a revolving loan program within AIDEA and give them the authority to finance energy projects.

This model departs from the more traditional Alaska model of outright grants for projects, by making credit available for project owners and sponsors. This assures that others have a stake in the success of the project. It also assures that there be more eyes of due diligence on the investment thus minimizing the risk to AIDEA and the State.

The availability and cost of energy is one of the largest expenses in Alaskan households. Energy, along with transportation, is also the greatest impediment to resource development. As you know, our hope of keeping a healthy economy in Alaska for our citizens depends on development of our resources.

While we'll never return to those halcyon days of cheap energy, as a State we can make wise investments that will help to hold down the inevitable future increases in energy costs for our residents.

Thank you for sponsoring SB 25.

Sincerely,

John MacKinnon
Executive Director
Associated General Contractors of Alaska

Copper Valley Electric

Copper Valley Electric Association, Inc.

P.O. Box 45 • Glennallen, Alaska 99588 • www.cvea.org
Telephone: 907-822-3211 • Facsimile: 907-822-5586 • Valdez: 907-835-4301

February 13, 2012

email: wilkinson@cvea.org

Senator Lesil McGuire
Alaska State Legislature
120 4th Street, State Capitol, Room 3
Juneau, Alaska 99801-1182

SUBJECT: Senate Bill 25 Letter of Support

Dear Senator McGuire:

Copper Valley Electric Association enthusiastically supports your recently introduced sponsor substitute for SB 25 establishing the Sustainable Energy Transmission and Supply Development Program within the Alaska Industrial Development & Export Authority.

CVEA is the certificated electric utility serving Valdez and the Copper River Basin along 260 miles of the Richardson and Glenn Highways. I refer you to the attached brochure which provides background about the cooperative and summary information about the Allison Creek Run of the River Hydroelectric Project that we are currently developing.

With the growing number of energy infrastructure projects contemplated or in the development stage throughout our State, the financing program under SB 25 fills a significant void in state energy policy. Presently, many electric utilities and other energy project developers are able to secure funding for reconnaissance, feasibility and other preliminary studies through the Renewable Energy Fund but no source of construction funding exists for viable medium sized projects such as the $40 million Allison Creek Hydro.

Large grants are becoming increasingly scarce and on the federal level are almost non-existent. Reliance on sufficient, reasonably priced credit will certainly increase. For energy projects such as CVEA's, we must rely on specialized lending institutions out of State. Our payments go to banks in the Washington, DC area, when those dollars could be retained in Alaska for reinvestment.

SB 25 will go a very long way toward resolving the dual issues of tailored credit sources and of keeping our money in-state while providing for Alaskans' long term energy needs, in most cases with renewable resources. SB 25 is tailored to the needs of the electric industry and other energy providers in the following ways:

- meaningful funding ($250 million authorized)
- meaningful amounts available for individual projects (up to one third of capital costs, or $20 million)
- longer amortization (up to 50 years for hydro or transmission projects)
- AIDEA ability to defer principal payments, permit capitalized interest, and interest rebate incentives of up to one percent for renewable energy projects

As the Legislature knows, much of Alaska electric power supply infrastructure is aging and in need of replacement, at the very time renewable and alternative energy technology offers cleaner and more efficient ways to generate and transmit this vital resource. Moreover, continued dependence on fossil fuel sources drains valuable resources from communities which instead could be used to support development of renewable energy. At CVEA we applaud your initiative to provide a program to support this difficult and costly transition away from oil in favor of renewable energy. SB 25 could not have come at a more opportune time. CVEA urges lawmakers to enact this law without delay.

Sincerely,

Robert A. Wilkinson
Chief Executive Officer

Attachment

GVEA

Golden Valley Electric Association

Your Touchstone Energy® Cooperative

March 9, 2012

Senator Lesil McGuire
State Capitol Building
120 4th Street, Room 3
Juneau, Alaska 99801

Re: Senate Bill 25

Dear Senator McGuire:

Golden Valley Electric Association (GVEA) would like to express its support for the passage of Senate Bill 25, "An Act establishing the sustainable energy transmission and supply development program in the Alaska Industrial Development and Export Authority."

The expansion, rehabilitation and replacement of energy generation and distribution infrastructure are critical if we are to grow the state's economy. SB 25 proposes to help address these needs by expanding the power of AIDEA to finance, or facilitate the financing of, energy projects. This increased authority is paired with additional flexibility that may be necessary as the state's energy players develop new options. The ability for the state to assist with the financing of more energy infrastructure means the interest paid by Alaska communities would be retained in-state and made available for additional Alaska investments.

GVEA appreciates the time and effort you and your staff have dedicated to the introduction and advancement of this legislation. If passed and signed into law, it will do much to restore the state's ability to support commercially viable energy projects.

As SB 25 proceeds through the committee process, please do not hesitate to contact me if I may be of assistance to you.

Sincerely,

Brian Newton
President and CEO

ALASKA PARTNERSHIP
FOR ECONOMIC DEVELOPMENT

A RESOLUTION OF THE ALASKA PARTNERSHIP FOR ECONOMIC DEVELOPMENT BOARD OF DIRECTORS SUPPORTING SENATE BILL NUMBER 25; "AN ACT ESTABLISHING THE SUSTAINABLE ENERGY TRANSMISSION AND SUPPLY DEVELOPMENT PROGRAM IN THE ALASKA INDUSTRAIL DEVELOPMENT AND EXPORT AUTHORITY: AND PROVIDING FOR AN EFFECTIVE DATE."

Resolution #12-11_____

Whereas; the Alaska Regional Development Organizations (ARDOR) was established by the Alaska Legislature in 1988; and

Whereas; the ARDOR's statutory mandate is to encourage the formation of regions development organizations to prepare and implement regional development strategies; and

Whereas; the ARDOR's represent a diverse network of public, private and economic development groups that drive local initiatives and advance economic diversification through partnerships with state and local governments; and

Whereas; the ARDOR's established the Alaska Partnership for Economic Development, (APED), in 2009, to advance economic development and address initiatives affecting development and to help develop a state-wide comprehensive strategic plan; and

Whereas; the ARDOR/APED programs have established partnerships with more than 300 local, regional, private, municipal and public organizations to pool resources, decrease duplication and foster new businesses; and

Whereas; the APED now comes in support of the following legislation being considered by the Alaska State Legislature:

NOW THEREFORE BE IT RESOLVED; the Alaska Partnership for Economic Development supports ***Senate Bill Number 25;*** **"AN ACT ESTABLISHING THE SUSTAINABLE ENERGY TRANSMISSION AND SUPPLY DEVELOPMENT PROGRAM IN THE ALASKA INDUSTRAIL DEVELOPMENT AND EXPORT AUTHORITY: AND PROVIDING FOR AN EFFECTIVE DATE."**

BE IT FURTHER RESOLVED that a copy of this resolution be sent to the SENATOR MCGUIRE, the prime sponsor of SB25.

APPROVED THIS 24th DAY of FEBRUARY 2012.

_2/24/2012_
President Date

ATTEST:

_2/24/2012_
Secretary Date

GVEA

Golden Valley Electric Association

Your Touchstone Energy® Cooperative

March 9, 2012

Senator Lesil McGuire
State Capitol Building
120 4th Street, Room 3
Juneau, Alaska 99801

Re: Senate Bill 25

Dear Senator McGuire:

Golden Valley Electric Association (GVEA) would like to express its support for the passage of Senate Bill 25, "An Act establishing the sustainable energy transmission and supply development program in the Alaska Industrial Development and Export Authority."

The expansion, rehabilitation and replacement of energy generation and distribution infrastructure are critical if we are to grow the state's economy. SB 25 proposes to help address these needs by expanding the power of AIDEA to finance, or facilitate the financing of, energy projects. This increased authority is paired with additional flexibility that may be necessary as the state's energy players develop new options. The ability for the state to assist with the financing of more energy infrastructure means the interest paid by Alaska communities would be retained in-state and made available for additional Alaska investments.

GVEA appreciates the time and effort you and your staff have dedicated to the introduction and advancement of this legislation. If passed and signed into law, it will do much to restore the state's ability to support commercially viable energy projects.

As SB 25 proceeds through the committee process, please do not hesitate to contact me if I may be of assistance to you.

Sincerely,

Brian Newton
President and CEO

Associated Builders and Contractors, Inc.

Alaska Chapter

March 26, 2012

Senator Lesil McGuire
Alaska State Senate
State Capitol, Room 125

RE: CSSSSB 25(L&C)

Dear Senator McGuire:

On behalf of the Associated Builders and Contractors of Alaska (ABC of Alaska), a construction trade organization that represents the merit shop construction industry in Alaska, I submit this letter of support for CSSSSB 25(L&C).

ABC of Alaska supports policy initiatives that will assist in lowering the long term cost of energy in Alaska communities. The high cost of energy is causing financial hardship for many Alaska families and has a profound impact on business in our state. It is imperative to the health of our overall economy to have access to reliable, affordable energy. Reducing the high cost of energy will foster economic development and growth for our state.

The passage of SB 25 will extend AIDEA's existing authority to finance, or facilitate the financing of energy infrastructure projects through Alaska. We think that this is a positive departure from the current path that the State of Alaska has been on in awarding grants to entities and local communities to fund energy infrastructure projects. By making credit available, communities and project sponsors assume a greater stake in the project's success or failure. As each loan is repaid, the capital becomes available to recycle into new loans, creating a financing mechanism to assist with Alaska's aging infrastructure, as well as provide for new energy projects aimed at lowering overall energy costs in our state.

The Alaska State Legislature has made energy policy a priority issue and has focused a significant amount of state resources on finding solutions to the problems that plague our communities, businesses, and families. ABC of Alaska believes that SB 25will provide an additional tool for Alaska communities and energy project sponsors working towards affordable energy solutions.

Thank you for your consideration of this matter.

Sincerely,

Suzanne Armstrong

Suzanne Armstrong
President
ABC of Alaska, Inc.

1900 W. Benson Blvd. Suite 201 • Anchorage, AK 99517 • Tel (907) 565-5600 • Email: info@abcalaska.org

SB

27

<TARGET><BILL>SB 27</BILL><SUBJECT>SB
27</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/1/11

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 27

SB 27-FLAME RETARDANTS AND TOXIC CHEMICALS

"An Act relating to flame retardants and to the manufacture, sale, and distribution of products containing flame retardants; relating to bioaccumulative toxic chemicals; and providing for an effective date."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[√] adopt **previous CS** SB 27 (HSS) *[ ] Same Title [√] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DEC	✓			
DHS			✓	
DPS			✓	

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
Joe J Thomas	Thomas	✓			
	EGAN	✓			
	OLSON			✓	
	ELLIS	✓			
CO-CHAIR:	Stedman			✓	
CO-CHAIR:					

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **CS SB 027 (HSS)**
Fiscal Note Number:
Publish Date:

Identifier (file name): SB027CS(HSS)-DEC-SWM-02-21-12
Title: Flame Retardants and Toxic Chemicals
Sponsor: Senator Wielechowski
Requester: Senate Finance Committee

Dept. Affected: Environmental Conserv
Appropriation: Environmental Health
Allocation: Solid Waste Management
OMB Component Number: 2344

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	89.4		107.3	107.3	107.3	107.3	107.3
Travel	5.0		5.0	5.0	5.0	5.0	5.0
Services	30.0		30.0	30.0	30.0	30.0	30.0
Commodities	8.5		1.0	1.0	1.0	1.0	1.0
Capital Outlay	0.0		0.0	0.0	0.0	0.0	0.0
Grants, Benefits	0.0		0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0		0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**132.9**	**0.0**	**143.3**	**143.3**	**143.3**	**143.3**	**143.3**
FUND SOURCE			(Thousands of Dollars)				
1002 Federal Receipts	0.0		0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0		0.0	0.0	0.0	0.0	0.0
1004 GF	132.9		143.3	143.3	143.3	143.3	143.3
1007 I/A Rcpts (Other)	0.0		0.0	0.0	0.0	0.0	0.0
1037 GF/MH (UGF)	0.0		0.0	0.0	0.0	0.0	0.0
1178 temp code (UGF)	0.0		0.0	0.0	0.0	0.0	0.0
TOTAL	**132.9**	**0.0**	**143.3**	**143.3**	**143.3**	**143.3**	**143.3**
POSITIONS							
Full-time	**1.0**		**1.0**	**1.0**	**1.0**	**1.0**	**1.0**
Part-time	0.0		0.0	0.0	0.0	0.0	0.0
Temporary	0.0		0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This fiscal note has been revised to correct a typo, incorrectly including one part-time position. The part-time position has been removed. This fiscal note differs (reduced) from the initial fiscal note put forth by the department in 2011 because the CS SB 27 (HSS) removed several requirements from DEC. Additionally, this fiscal note has been entered into the 2012 form and has been revised to reflect updated personal service costs.

Prepared by: Kristin Ryan, Director — Phone (907) 269-7645
Division: Environmental Health — Date/Time 12/9/11 9:55 AM
Approved by: Lynn Kent, Deputy Commissioner — Date 2/21/2012

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CS SB 027 (HSS)

Analysis

The prohibition and regulation of products containing flame retardants will require a public campaign to educate the public about the risks associated with brominated flame retardants and evaluation and analysis of alternative flame retardants. One position, an Environmental Program Specialist IV, will handle both the toxicology analysis and the information to the public. The position will be filled for 10 months the first year to allow for classification and recruitment time, and for 12 months each year thereafter.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB027(HSS)**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB027CS(HSS)-DHSS-EPI-01-13-12
Title: Flame Retardants and Toxic Chemicals
Sponsor: Sen. Wielechowski
Requester: Senate Finance Committee

Dept. Affected: Health and Social Services
Appropriation: Public Health
Allocation: Epidemiology
OMB Component Number: 296

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

CSSB027 (HSS) removed two sections in the original bill that required DHSS involvement: Sections 18.31.670 (Review by departments) and 18.31.680 (List of toxic chemicals).

Prepared by: Ward Hurlburt, MD, MPH - Chief Medical Officer / Director — Phone 269-6680
Division: Public Health — Date/Time 12/29/11 1:00 PM
Approved by: Nancy Rolfzen, Assistant Commissioner — Date 1/13/2012
DHSS Finance & Management Services

(Revised 11/18/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB027(HSS)

Analysis

This bill, which addresses flame retardants, requires the Department of Environmental Conservation under Section 18.31.610 to consult with the Department of Health and Social Services (DHSS) prior to prohibiting by regulation the manufacture, sale, and distribution of flame retardant materials under specified circumstances. This limited involvement of DHSS that would involve the Division of Public Health would result in no fiscal impact and would be accomplished with existing resources.

In the original bill, DEC would seek consultation from DHSS in two situations when: (1) proposing to prohibit a flame retardant under Section 18.31.610; and (2) establishing a list every three years of persistent bioaccumulative toxic chemicals that occur or are used in products used by human beings, under Section 18.31.680. Additionally, DHSS and DEC would perform a one-time review of brominated flame retardants under Section 18.31.670. These previous provisions would have resulted in increased costs to the Division of Public Health of $26.0 for 0.25 FTE of a Health Program Manager III and $0.5 for office supplies. However, as mentioned, with the removal of Sections 18.31.670 and 18.31.680 from the original bill, the fiscal impact of the revised bill on DHSS is reduced to zero.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB027**
Fiscal Note Number:
() Publish Date:

Identifier (file name)	SB027CS(HSS)-DPS-FLS-12-28-11	Dept. Affected	Public Safety
Title	"An Act relating to flame retardants and to the manufac- ture, sale...bioaccumulative toxic chemicals..."	Appropriation	Fire and Life Safety
		Allocation	Fire and Life Safety Operations
Sponsor	Senator Wielechowski		
Requester	(S) FIN	OMB Component Number	2883

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated on new fiscal note form.

Prepared by	Kelly Howell	Phone	(907) 269-5591
Division	Office of the Commissioner	Date/Time	12/28/11 7:59 AM
Approved by	Joe Masters, Commissioner Department of Public Safety	Date	12/15/2011

(Revised 11/28/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB027

Analysis

If passed, this legislation requires the state fire marshal ensure the flame retardant alternative satisfies applicable fire safety standards.

Passage of this legislation will have no fiscal impact on the Division of Fire and Life Safety.

ALASKA STATE LEGISLATURE

Session

State Capitol, Rm. 101
Juneau, AK 99801
(907) 465-2435
Fax: (907) 465-6615

Interim

716 W. 4th Ave, Ste. 540
Anchorage, AK 99501
(907) 269-0120
Fax: (907) 269-0122

Senator_Bill_Wielechowski@legis.state.ak.us



Chair
State Affairs Committee

Co-chair
Joint Armed Services Committee

Vice Chair
Resources Committee
Judiciary Committee

Member
Administrative Regulation Review

SENATOR BILL WIELECHOWSKI

SB 27
SPONSOR STATEMENT

> "Still one thing more, fellow-citizens -- a wise and frugal Government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government, and this is necessary to close the circle of our felicities."
>
> Thomas Jefferson, First Inaugural Address, March 4, 1801[1]

SB 27 will support Safer Homes and Healthier Families by banning the use of polybrominated fire retardants (PBDEs) in mattresses, upholstered furniture and the plastic housing of electronics. In addition, it will give the Department of Environmental Conservation the authority to prohibit the use of other toxic flame retardants when safer alternatives exist. It will also move Alaska a step forward in protecting people from a variety of toxins by allowing the Department to participate with other states in learning about and sharing information on toxins.

PBDEs are persistent toxins that are included in furniture and electronics found in households to enhance flame retardancy. These toxins bio-accumulate, becoming more concentrated in humans and animals high in the food chain. Fetuses and infants are at particular risk as accumulated toxins are transferred from mother to child in utero and through breast milk. Pre-natal exposure may have lifelong health impacts that are not manifested until decades later.

Alaskans are particularly vulnerable for three reasons: 1) we spend a lot of time indoors with little ventilation, increasing our exposure to and ingestion of the microscopic particles of toxins found in household dust that are released from our furniture and electronics; 2) we eat subsistence foods that may concentrate toxins; and 3) through a process known as global distillation, toxins such as PBDEs are carried in the atmosphere for great distances from points of manufacture and concentrate in cold climates.

The impact and legacy of 30 years of producing and using these chemicals is yet to be fully realized and revealed. Alaska should join the 12 other states that have stepped forward to protect their citizens without delay in the face of federal inaction.

---

[1] http://avalon.law.yale.edu/19th_century/jefinau1.asp, emphasis added.

ALASKA STATE LEGISLATURE

Session

State Capitol, Rm. 101
Juneau, AK 99801
(907) 465-2435
Fax: (907) 465-6615

Interim

716 W. 4th Ave, Ste. 540
Anchorage, AK 99501
(907) 269-0120
Fax: (907) 269-0122

Senator_Bill_Wielechowski@legis.state.ak.us

Chair
State Affairs Committee

Co-chair
Joint Armed Services Committee

Vice Chair
Resources Committee
Judiciary Committee

Member
Administrative Regulation Review

SENATOR BILL WIELECHOWSKI

CS SB 27 (HSS)

Sectional Analysis

Section 1. Adds a new article on toxic chemicals in products.

Sec. 18.31.600. Prohibits a person from manufacturing, selling, or distributing certain products that contain a specified percentage of the brominated flame retardants pentaBDE, octaBDE, or decaBDE. Prohibits a person from manufacturing, selling, or distributing a product that the Department of Environmental Conservation prohibits under sec. 18.31.610.

Sec. 18.31.610. Authorizes the department to prohibit the manufacture, sale, and distribution of certain products that contain a flame retardant that is not already prohibited under sec. 18.31.600(a) - (c) if the department makes certain determinations regarding public health, the environment, and alternatives to the flame retardant. Requires the department to consult with the Department of Health and Social Services (DHSS). Requires the state fire marshal to determine whether an alternative satisfies fire safety standards.

Sec. 18.31.620. Lists five exemptions from the prohibitions in sec. 18.31.600.

Sec. 18.31.630. Requires a person who manufactures products whose sale and distribution are prohibited by sec. 18.31.600 to inform its retailers in the state of the prohibition and the penalty.

Sec. 18.31.640. Authorizes the department to request that the manufacturer of a product it suspects of being sold in violation of sec. 18.31.600 either (1) provide the department with a sworn certificate indicating the sale does not violate sec. 18.31.600, or (2) notify its retailers in the state that the sale is prohibited and provide the department with a list of the retailers notified.

Sec. 18.31.650. Establishes a civil penalty for violating sees. 18.31.600 - 18.31.640.

Sec. 18.31.660. Requires the department to participate in a multistate chemicals clearinghouse to build capacity to identify and promote safer chemicals and products; avoid duplication and enhance efficiency and effectiveness; and ensure access to high quality and authoritative information on chemicals.

Sec. 18.31.670. Authorizes the department to adopt regulations to implement the new sections.

Sec. 18.31.690. Defines terms for the new sections.

Section 2. Authorizes the department to begin adopting regulations for these provisions.

Section 3. Directs the Revisor of Statutes to make a conforming change to the existing statutes in AS 18.31.

Section 4. Gives participation in the chemicals clearinghouse and bill sec. 2 an immediate effective date.

Section 5. Gives the Act (except chemical clearinghouse participation and and sec. 2) an effective date of January 1,2013.

Prepared by Karla Hart, 2/28/11

SB 27 - An Act Relating to Flame Retardants

CS FOR SENATE BILL NO. 27(HSS) Before the Senate Finance Committee

Q. Why do we need this bill?

A. To protect the health of Alaskans by reducing our exposure to PBDEs .

Q. What are PBDEs?

A. Polybrominated diphenyl ethers (PBDEs) are a class of chemicals added to foams, electrical appliances and other materials to reduce flammability. PBDEs are easily released from products as microscopic dust, which can be ingested, inhaled and absorbed. These toxic chemicals remain in the environment for extended periods of time, build up in fatty tissues, and concentrate as they move up the food chain. PBDEs are neurotoxins that can act as endocrine disruptors and impact thyroid hormone regulation.

FACT. Alaskans are especially at risk from PBDEs because:

- Seasonally, we spend a lot of time indoors, increasing exposure to PBDE dust in households.
- Cold climates concentrate toxins, including PBDEs, that are carried in global air currents.
- Alaskans eat wild foods that concentrate PBDEs – marine mammals and some fish species are of special concern.

Q. What Alaskans are most at risk from PBDEs?

A. Children. PBDEs are transferred from mother to child during pregnancy and nursing. Exposure to small concentrations of toxins at critical stages of development can have permanent effects on development. A growing body of literature associates PBDEs with neurodevelopmental impairments, thyroid disruption and other adverse effects on humans.

Q. Why isn't the Environmental Protection Agency imposing a ban?

A. They can't. They don't have adequate authority under current law. As a result, states are taking action to protect their residents from PBDEs, including Washington, Oregon, California and Hawaii.

Q. Will a ban compromise fire safety?

A. No. Changes in product design have reduced the need for chemical flame retardants and resorcinol bis diphenyl phosphate (RDP), identified as a safer alternative, has passed the scrutiny of the Washington state fire marshall.

Q. Will a PBDE ban hurt Alaskan businesses?

A. No. Existing bans on PBDEs include Washington, Oregon, 11 other states , the entire Walmart/Sam's Club retail chain, and the European Union. Products that are free of PBDEs are now widely available. One major Alaska furniture retailer has surveyed his suppliers and reports that the products his stores carry are already free of PBDEs. The Western Home Furnishings Association, with 1,000 members, reports no complaints with implementation of the PBDE bans in Washington, Oregon, Hawaii and California. The Washington Retail Association also reports no difficulties with implementation of the Washington ban.

Supporters of an Alaska ban on PBDEs include:

- Alaska Fire Chief's Association
- Association of Village Council Presidents
- The Arc of Anchorage
- Nome Eskimo Community
- Alaska Professional Fire Fighters
- Alaska Inter-Tribal Council
- Alaska Nurses Association
- Alaska Conservation Alliance
- Native Village of Savoonga
- Kristin Cox, Naturopathic Doctor
- Dr. Lauren Heine, Clean Production Action
- Karen McLane, Nome Health Care Provider
- Roxanne Chan, Spring Wind Acupuncture
- Marc Esslinger, Firefighter/Paramedic
- Peter Brigham, U.S. burn injury community
- Dr. Frank Von Hippel, University of Alaska Anchorage

Q. How much is it going to cost?

A. About 20 cents per Alaskan per year - $139,000.

Although Alaska faces human and environmental risks from an array of airborne, waterborne, household and industrial toxins, the State's Division of Environmental Health has no toxicologist. The DEC fiscal note for this bill includes one toxicologist who would leverage resources and exchange knowledge with other toxicologists through the Interstate Chemicals Clearinghouse to better enable Alaska to respond quickly to health threats from other toxic chemicals. DHSS and DPS fiscal notes are zero.

From the office of Senator Wielechowski, prepared 3/14/11

Chairman Stedman
Senate Finance Committee
Capitol Building
Juneau

February 21, 2012

Mr. Chairman:

I just want to express a few thoughts on a bill you're considering, SB 27, dealing with the composition of fire retardant materials that some claim unknowingly affect our daily environment and consequently, our health.

I've got a lot of friends who are environmental advocates and most of the time I agree with them but this time I think maybe they are going too far too fast.

As you know, fire is a huge, terrible issue in Alaska, especially in rural Alaska. I'm really not convinced this bill addresses the real solution to our problem here. I think we need to focus our time, energy and money on prevention and awareness and co-ordinate our concerns on this issue with a focus on a national solution to ingredients included in consumer products Our market is too small to have an impact and they'll just cut us off and things could be even worse.

Matt Collins

3201 W. 71st Ave.
Anchorage, Ak. 99502

2/22/12

Alaska State Senate
Finance Committee
Capitol Bldg.
Juneau, Alaska 99801

Dear Senate Finance:

I understand your committee is considering passing SB 27, a bill that would ban the use of a chemical essential for effective fire retardant in building materials and consumer products.

It is my understanding the use of this chemical is being addressed by the federal EPA. It seems silly to me that we are considering creating a state standard that we have little or no expertise in before the EPA, taking into consideration solid scientific evidence, addresses the issue on a national level. Then, after the national experts create a standard, is when we should address how that accommodates Alaska.

The bill is premature. Please don't pass it yet.

Kyle Farrell

436 E. 11th Ave. #26
Anchorage, Ak. 99501

Alaska Senate Finance Committee
State Capitol Building
Juneau, Alaska 99801

February 21, 2012

Honorable Committee Members:

I'm considering remodeling my home. My contractor tells me the legislature is considering passing a bill, SB 27, that will change the composition of fire retardant components in building materials and end up increasing the cost of construction.

I understand the issue is being addressed by the federal EPA and new national standards developed if in fact it is necessary.

I don't understand why we feel we need to pass SB 27, or legislation like it, until the new federal standards are established. We should wait so we don't have to go through this all over again.

Seems like passing it now is a waist of time and money.

Neil Tolpuiano

1431 North Bluff Dr.
Anchorage, Alaska 99501

February 19, 2012

Chairman
Alaska State Senate Finance Committee
Juneau, Alaska 99801

Dear Finance Committee

In regard to SB 27, the bill banning a chemical essential to effective fire retardant materials and products.

I don't understand why we in Alaska, who, because of our extreme weather conditions, face extraordinary residential fire challenges that endanger us more than any other state in the country, would even consider legislation that would increase our chance of survival.

Please don't pass this bill.

Clayton Dale

4938 E. 43rd. Ave. #B2
Anchorage, Ak. 99548

February 20, 2012

Sen. Stedman
Chairman
Senate Finance Committee
Capitol Building
Juneau, Alaska 99501

Mr. Chairman & member of the Finance Committee,

SB 27 will put Alaska out in front of the rest of the country when it comes to the composition of fire retardant components included in a myriad of products, both consumer and commercial, sold in Alaska.

I understand the health concerns proponents have raised and share them if they are in fact real. The issue is being addressed on the national level by the EPA and also voluntarily by manufacturers. Their proposed solution is due sometime next year.

I think this bill is premature.

Thank you.

Brian Ross

9715 Independence Dr. #B203
Anchorage, Ak. 99507

February 21, 2012

Alaska State Senate Finance Committee
Room 520
State Capitol
Juneau, Alaska 99801

Dear Alaska State Senate Finance Committee Members:

We would like to express our opposition to SB 27. The EPA and industry have already reached an agreement to phase out old fire retardant products and safely transition to the next generation of fire safety products. As burn physicians and former presidents of the American Burn Association, we have come to recognize the absolute necessity of flame retardants. The truth is that fire retardants save lives. They add minutes to a would-be victim's escape time. The relationship between time of exposure and the extent of the injury is well known. The greater the surface are burns, the higher the mortality. We are committed to saving lives and preventing burns any way possible. Thus we are deeply concerned about any reckless and unscientific attempt to weaken standards and put millions of people at risk for serious burn injuries and death. Any individual state bill that would immediately ban fire safety protections without the development and proper implementation of alternatives is dangerous.

Devastating fires affect every person in every industry. According to a recent UC Davis study, some 2 million fires occur each year in the United States alone. These fires result in about 5,000 deaths, 54,000 hospitalizations and 1.4 million injuries, including 300 to 400 child deaths. The medical community sees the trauma of burns and the lifelong effect on the lives of victims on a daily basis. The brave firefighters and EMT's that are the first to respond to a scene depend on flame retardants to allow valuable seconds for rescue. The business community will be forced to change their manufacturing process and will incur much higher costs, leading smaller enterprises to bankruptcy. Universities and school systems will face a significantly larger risk for hundreds of thousands of students. Industries simply cannot afford to ban a life-saving product without developing alternatives.

The EPA agreement sets forth a rational, effective transition to newer alternatives, while allowing critical services such as police, fire and airlines to continue to use existing fire safety products that are critically important to saving lives. Manufacturers have already announced the production of environmentally-friendly fire retardants which minimize the use of raw materials, energy, byproducts and waste. We believe that fire safety manufacturers will hold fast to their decision to safely phase out existing products, and we commend them for their proactive development of new technologies.

As we make this transition, we must ensure that there is no unsafe lapse in fire protection. Therefore, we oppose any preemptive state bans as we believe the timeline that has been worked out with the EPA is the most appropriate. A national solution considers the interest of all Americans rather than just those of individual states, and this is the only way to safely progress in national fire protection.

Thank you for your time and effort concerning this extremely important matter, and we hope that you will join us as we continue to hold our nation to the highest fire protection standard.

Sincerely,

Roger E. Salisbury, MD
Westchester Medical Center
Taylor Care Center Executive Offices- Rm 139
Valhalla, NY 10595

David Heimbach, MD, FACS

Past President American Burn Association

Past President International Society for Burn Injury

Alan Dimick, M.D., FACS
Past President, American Burn Association

Alaska Nurses Association (AaNA)
2010 Resolution #7
Resolution on Polybrominated Diphenylethers (PBDEs)
10/17/2010

Whereas, PBDEs are toxic, endocrine-disrupting flame retardant chemicals added to plastics, foam products and textiles; and

Whereas, prenatal exposures to PBDEs at levels commonly found in households have been shown in studies to be associated with adverse neurodevelopmental effects in young children; and

Whereas, people living in North America have levels of PDBEs that are 10-40 times higher than individuals living in Europe or Japan and people living in northern regions are particularly vulnerable to PBDE exposure; and

Whereas, safer and economically viable alternatives are available and are already being used by some manufacturers of computers and other products; and

Whereas, the American Public Health Association and International Association of Fire Fighters have urged the phase-out of PDBEs and other harmful chemicals when safe alternatives are readily available;

Therefore be it resolved, that the Alaska Nurses Association supports the passage of SB295.

____X___approved _____rejected

American Public Health Association
800 I Street, NW • Washington, DC 20001-3710
(202) 777-APHA • Fax: (202) 777-2534
comments@apha.org • http://www.apha.org

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Preventing Human Exposure to Polybrominated diphenyl ether (PBDE) Flame Retardants to Protect Public Health

Policy Date: 11/9/2004
Policy Number: 2004-05

This policy, acknowledging that polybrominated diphenyl ether (PBDE) flame retardant compounds are widely used and chemically similar to PCBs, and noting more recent recognition that PBDEs are environmentally persistent, rapidly bioaccumulate in human tissue including breast milk and function as developmental neurotoxicants in animals, urges proactive steps to reduce human exposure citing especially APHA policy (#200011) encouraging "precautionary action to prevent potential harm to reproductive health, infants, and children, even if some cause and effect relationships have not been established with scientific certainty."1

More specifically, PBDEs are commonly used flame retardants found in foam products, textiles, electrical equipment, building materials and transportation. Penta-BDE, octa-BDE and deca-BDE are three of the most common commercial classes, with varying numbers of bromine atoms per molecule. Chemically, they look very much like PCBs, which were banned in 1976 due to their high toxicity and persistence and now conclusive evidence that they cause neurodevelopmental problems in children.2 Aside from their fire-retardant properties, PBDES are potent toxins that persist in the environment and bioaccumulate in the food chain and in human tissues.3 Like PCBs, PBDEs are lipophilic and have been found in fish, bird eggs and marine mammals as well as in human milk, fat and blood. While PCB levels in fish and breast milk have slowly declined since being banned, PBDE levels are increasing at an exponential rate. A 100-fold increase in total PBDEs was noted in Lake Ontario trout between 1978 and 1998.4 Body burdens of PBDEs in San Francisco Bay Harbor seals increased by a factor of 100 between 1989 and 1998.5 Total PBDE levels in human milk, blood and tissues have increased by a factor of 100 during the past 30 years, doubling about every five years.6 PBDE levels in U.S. women's breast milk are typically 10-100 times higher than levels in European women7,8 and are now approaching concentrations at which health effects have been observed in laboratory animals.9-17 Although human data on health effects are still lacking for PBDEs, ample data on toxicity are available from animal studies. These studies document that PBDEs are toxic to the brain, reproductive system and liver and disrupt thyroid function.18 Effects on thyroid function provide a plausible mechanism for PBDEs' possible adverse effects on child development. Human studies already document adverse effects on intelligence and psychomotor skills in children with disruptions in thyroid levels in the womb through the second year of life.19-22 One study found that workers exposed to PBDEs experienced higher prevalence of hypothyroidism.23 Concurrent exposure to both PBDEs and PCBs, as from consuming some fatty fish, may present an increased risk since some researchers have found additive or synergistic effects between the two chemicals.24

PBDEs have been detected in household dust,25 food, and in air drawn from a warm TV,26 but the major human exposure pathways have yet to be identified. PBDEs with fewer bromines, such as penta, have the highest potential for bioaccumulation and are typically the most common classes found in humans, fish and other wildlife. Scientists, however, have increasingly been finding deca-BDEs and other higher brominated congeners in biota.27-29 Moreover, it is clear that deca can debrominate and convert to the more bioavailable forms in the environment and potentially during metabolism as well, making them a greater health risk than originally thought.

Global PBDE production totaled 150 million pounds in 1999, over 50 percent of which was used in the Americas.30 Deca-BDE is the most widely used class of BDE at 80 percent of worldwide production.31 Like PCBs, PBDEs flame retardants are now ubiquitous in the environment. The European Chemicals Bureau estimates that 75 percent of penta-BDE emissions will end up in soil and 24.9 percent in surface water and sediment.32 Measured levels of PBDEs in U.S. sewage sludge are 40 times that of European sludge.33

Eliminating most uses of PBDE flame retardants is possible, and a prudent step to protect public health. Concerns about rising levels of PBDEs in the breast milk of Swedish women led to efforts by industrial users in both Sweden and Germany to phase out the use of these chemicals. These actions have led to a decline in PBDE levels in breast milk of Swedish women.34 The European Union has enacted a ban on penta and octa-BDEs and is considering a ban on deca-BDEs as well. The states of California, Hawaii, New York, and Maine have enacted phase-outs of penta and octa-BDEs. Minnesota, Massachusetts, Michigan, Washington and Maryland have proposed similar state-level phase-outs.

Alternatives to the use of PBDE flame retardants are available and cost effective. Alternatives include: product redesign to

eliminate the need for added chemicals; use of naturally flame retardant materials like wool and leather or plastics containing sulfur; and use of less toxic alternatives.35 The German Environmental Agency selected red phosphorus, ammonium polyphosphate and aluminum trihydroxide as alternatives with the least adverse environmental impact.36

Some computer and electronics manufacturers like Apple, Ericsson, IBM, Intel, Motorola, Panasonic, Phillips, and Sony are using alternatives. For example, Motorola now uses a halogen-free laminate that is cost effective, while meeting fire safety standards.37 Toshiba has replaced BFR-containing plastic casings in electronic parts with inherently flame-resistant polyphenylene sulfide. IKEA furniture, Crate and Barrel and Eddie Bauer are requesting PBDE-free polyurethane foam from their manufacturer Hickory Springs.

Although global manufacturers of these compounds continue to produce, as well as export, their products to the United States, one of the two U.S. manufacturers of PBDEs, Great Lakes Chemical, has already announced that they will phase out production of penta and octa-BDEs by 2005. The remaining U.S. manufacturer, Albemarle, continues to manufacture deca-BDE. By calling for a reasonable time frame for phase-out of deca-BDEs, impacts on businesses and workers could be minimized. Phasing out these compounds and substituting safer alternatives protects U.S. manufacturers of PBDEs and companies that use them in their products from potential liability and helps maintain a European market for products requiring flame retardant properties. Since exposure to PBDEs may include an inhalation route of exposure, phasing out the manufacture of these chemicals should better protect the health of workers in industries dealing with PBDEs.

A PBDE phase-out may result in job loss for existing production workers. APHA policy statement 9304 acknowledges potential worker impacts and calls for assistance to workers who are displaced by technological changes.38 New research further supports the need for Work Environment Impact Assessments prior to chemical phase-outs/bans in order to prevent the shifting of risks to workers within the affected industry.39 A PBDE phase-out also provides economic opportunities for workers in industries which make safer alternatives to PBDE flame retardants.40

In light of the aforementioned emerging science on the inherent toxicity and persistence of PBDEs, evidence of adverse health effects on animals and the prevalence and rising levels in fish, biota and human breast milk, immediate action is needed to prevent further environmental contamination and to protect public health.

Therefore, The American Public Health Association hereby:

1. Resolves: That APHA urge state and federal governments to require the use of PBDE flame retardants be phased out in all products manufactured and sold in the United States by a date certain; and
2. Resolves: That APHA urge state and federal governments, in enacting such phase-outs, to consider policies that alleviate short-term economic impacts on the PBDE production workforce, and to also consider economic benefits to workers in industries making safer alternatives; and
3. Resolves: That APHA urge state and federal governments to provide financial incentives for development and use of alternative flame retardants or preferably changes in product design to increase fire resistance without use of chemicals, to assure fire safety, while protecting the public from toxic exposures; that alternative flame retardants be adequately tested for toxicity; and that environmental and health safety must be assured prior to use; and
4. Resolves: That APHA urge state and federal governments to require labeling of chemical flame retardants used in products; and
5. Resolves: That APHA urge state, federal and local governments to regulate the safe disposal of products containing brominated flame retardants and to prohibit land application of sewage sludge until testing can assure that such material does not contain measurable levels of PBDEs; and
6. Resolves: That APHA urge the U.S. Centers for Disease Control and Prevention to expand the national biomonitoring program to include PBDEs and to increase the number of people studied; and
7. Resolves: That APHA urge Congress to increase funding for research on PBDE flame retardants, including monitoring levels of PBDEs in fish, sediments, human milk, blood and tissue, and additional research into exposure routes and human health effects from these exposures.

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Myron P. Naneng, Sr., President
Steven R. Street, Director

Association of Village Council Presidents
Department of Cultural and Environmental Sciences
PO Box 219 • Bethel AK 99559
Phone (907) 543-7300 • Fax: (907) 543-5732

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Pitka's Point
Platinum
Quinhagak
Red Devil
Russian Mission
Scammon Bay
Sleetmute
St. Mary's
Stony River
Tuluksak
Tuntutuliak
Tununak
Umkumiut

February 18, 2011

Senator Bill Wielechowski
State Capitol
Juneau, AK 99801

Dear Senator Bill Wielechowski:

As President of the Association of Village Council Presidents we are writing you in support of SB 27, a bill that would prohibit the manufacture and sale of toxic retardants in common consumer products. The Association of Village Council Presidents is a tribally-governed organization advocating on behalf of 56 Federally Recognized tribal governments throughout the Calista region. We recognized increasing evidence that flame retardants, such as polybrominated diphenyl ethers (PBDEs) named in SB 27 are being found in the Arctic. We are concerned about PBDEs leaving a lasting toxic legacy in people and the environment.

PBDEs are potent toxins that persist in the environment and bioaccumulation in the food chain and in human tissues. They can travel long distances and move readily between the water, soil, and air. PBDEs are associated with a variety of negative toxic effects including memory impairment, learning and behavioral problems, the disruption of thyroid hormone balance and reproductive health issues. In Alaska, PBDEs have been detected in seabird eggs, marine mammals, otters, and polar bears. The presence of such chemicals in wildlife is cause of concern, no only for the survival and well-being of wildlife but for the human consequences of bioaccumulative exposure through the food we eat.

We need to enact legislation to phase out PBDEs from consumer product. Fortunately, fire safety can be achieved without the use of toxic chemical because there are safe, economical, and effective alternatives to PBDEs currently in widespread use.

Eliminating most uses of PBDE flame retardants is possible and an important step to protecting public health.

Thank you for sponsoring this bill.

Sincerely,

Myron Naneng, President
ASSOCIATION OF VILLAGE COUNCIL PRESIDENTS

ALASKA FIRE CHIEF'S ASSOCIATION

2358 Bradway Road, North Pole, Alaska 99705
Phone: (907) 488-3400 FAX: (907) 488-6118

March 4, 2011

Representative Lindsey Holmes
State Capitol Room 405
Juneau AK, 99801

Senator Bill Wielechowski
State Capitol Room 101
Juneau AK, 99801

Reference: HB 63 & SB 27

On behalf of the Alaska Fire Chiefs Association I am writing to give our support for HB 63 and SB 27; **TITLE:** "An Act relating to flame retardants and to the manufacture, sale, and distribution of products containing flame retardants; relating to bioaccumulative toxic chemicals; and providing for an effective date."

Polybrominated Fire Retardants (PBDEs) have been proven to be toxic chemicals and hazardous not only to residents in homes with PBDEs but to Fire Firefighters who may be called to fight fires in structures where these chemicals are present.

We support the passage of HB 63 and SB 27.

Sincerely,

Jeff Tucker, President
Alaska Fire Chiefs Association

the Arc of anchorage
2211 Arca Drive • Anchorage, Alaska 99508

(907) 277-6677
Fax (907) 272-2161
TTY (907) 258-2232
E-mail: info@arc-anchorage.org
www.arc-anchorage.org

February 16, 2011

Senator Bill Wielechowski
State Capitol
Juneau, AK 99801

Dear Senator Wielechowski:

The Arc of Anchorage would like to thank you for introducing SB 27, *"An Act relating to flame retardants and to the manufacture, sale, and distribution of products containing flame retardants; relating to bioaccumulative toxic chemicals; and providing for an effective date."* The Arc of Anchorage is a private not-for-profit organization that serves people with developmental disabilities and mental health issues so they can lead rich and productive lives. The Arc looks forward to a day when it is no longer needed because all preventable disabilities have been prevented, but we need legislative help to address prevention.

Learning and developmental disabilities influence the quality of life for affected children and their families, and also impose a heavy financial burden on the state through required Special Education, increased health care costs, lost work time for parents, and a lifelong loss of work productivity for severely affected children. Scientific evidence has demonstrated that some chemicals, including decaBDE, can cause learning and developmental disorders. We must not expose our children to toxicants that we know or suspect can harm their developing brains and bodies. We know safe alternatives can replace the need for these toxic chemicals without compromising fire safety.

Developing children are more susceptible to toxic exposures than adults. When certain exposures occur at certain times, sometimes even at very low doses, the development of children's brains, other organs, and reproductive, hormonal, and immune systems can be permanently altered. Recent evidence has shown children who had higher cord blood concentrations of polybrominated diphenyl ethers (PBDEs) scored lower on tests of mental and motor development at 1–4 and 6 years of age. This work was initiated based on a large body of research indicating that prenatal PBDE exposure has the potential to disrupt neurodevelopment.

PBDE residues, particularly highly brominated PBDEs such as deca-BDE, have been found consistently in tissue samples of both new mothers and their newborn infants, as well as in mothers' breast milk. Ingestion of contaminated milk is one of the two major routes of PBDE exposure in children, and there are concerns about the high concentrations ingested, given the

susceptibility of newborns. This trend has been found to occur around the globe. Yupik women from the Yukon Kuskokwim Delta of Alaska have the highest known concentrations of PBDEs in human populations in the Arctic.

Children rely on adults to keep them safe from harm. Therefore, it is up to us to do everything we can to keep them safe and to minimize their exposures to toxics. SB 27 is important legislation that will help protect children from needless exposures to this persistent, toxic chemical.

Thank you,

Patti J. Saunders

Patti Saunders
Director of Development
The Arc of Anchorage

ALASKA PROFESSIONAL FIRE FIGHTERS
International Association of Fire Fighters, AFL-CIO, CLC
P.O Box 111222, Anchorage, AK 99511-1222

March 3, 2011

To: Honorable Senators and Representatives of the Alaska Legislature
RE: The Alaska Professional Fire Fighters Associations' position on PBDE's

Dear Legislator –

The Alaska Professional Fire Fighters Association (AKPFFA) is submitting this letter in support of HB63 / SB27 and urges passage of this important public health and environmental measure. We believe passage of this measure is a step in the right direction for improving the health and safety of our firefighters and the community.

Our organization represents 7 affiliated local fire fighter unions and more than 480 affiliated members of the International Association of Fire Fighters (IAFF). We are concerned with providing the safest working environment for our firefighters, and the need to maintain the highest safety standards; a big step towards achieving these goals can be made by banning the use of polybrominated diphenyl ethers (PBDE's).

The elimination of PBDE's is not about compromising fire standards. A fire safety committee comprised of fire professionals will review alternatives identified by the Department of Ecology and the Department of Health as "safer", ensuring that any alternative will meet the same fire standards. This bill is about protecting firefighters and others exposed to these chemicals from the potentially dangerous health implications. Unlike other flame retardants, when PBDE's burn they release dense fumes and black smoke that reduce visibility and a highly corrosive gas known as hydrogen bromide. Many studies involving firefighter's exposure from these chemicals penetrating protective gear have found that firefighters have a much greater risk of contracting cancer, heart and lung disease, and other debilitating diseases. While we clearly support the use of flame retardant chemicals, there are alternatives already in use that do not contain bromine or chlorine making it safer for firefighters than those that contain PBDE's.

Major manufacturing corporations like Dell, Hewlett-Packard, and IKEA have already moved away from the use of PBDE's in their products. These industry leaders are demonstrating that alternative flame retardant technologies for achieving fire safety standards do exist and are readily available for other manufactured products.

The AKPFFA joins the Alaska State Fire Chiefs Association and the IAFF along with numerous health and environmental groups in supporting this important piece of legislation.

Sincerely,

Tom Wescott
President AKPFFA
tomwescott@gmail.com
907-748-644

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS®

HAROLD A. SCHAITBERGER
General President

THOMAS H. MILLER
General Secretary-Treasurer

March 1, 2010

Mark Drygas, President
Alaska Professional Fire Fighters Association
PO Box 111222
Anchorage, AK 99511-1222

Dear President Drygas:

The International Association of Fire Fighters is concerned about health and safety of our members as well as the health and safety of all our citizens. Accordingly, the IAFF believes that the passage of legislation addressing brominated flame retardants (Polybrominated diphenylethers (PBDEs) including Penta-, Octa-, and Deca-BDEs) is a step in the right direction for improving the health and safety of our fire fighters and the citizens who are exposed to these toxic substances. Accordingly, we support the efforts of the Alaska State Legislature on this issue.

Before going ahead, I believe it is important for you to understand what our organization is and whom we represent at these hearings. The IAFF is an international union affiliated with the AFL-CIO and the Canadian Labour Congress. At the present time, we represent over 296,000 paid professional fire service employees in the United States and Canada. The membership of the IAFF is employed by various parties that include the federal government, states, counties, municipalities, fire districts, airports, industrial manufacturers, and so on.

The profession of fire fighting is and has always been a hazardous occupation. Every year the IAFF reviews the deaths and injuries occurring in the fire service, and each year the hazards of fire fighting continue to exist and display ever-varied forms. Fire fighter line-of-duty fatalities have ranked fire fighting among other publicized hazardous occupations in the private sector, such as mining and construction.

One of the primary applications of PBDE's is as a flame retardant applied onto or in many common household goods (furniture foam; plastic cabinets; computers and small appliance; consumer electronics; wire insulation; and back coatings for draperies and upholstery) to reduce and retard the amount of flame spread. While these chemicals inhibit the formation and spread of flames, they do not completely prevent fires. However, unlike other flame retardants, when PBDE's burn they release dense fumes and black smoke that reduce visibility and a highly corrosive gas known as hydrogen bromide. In addition, PBDE's produce highly toxic byproducts of incomplete combustion. Although use of flame retardants may save lives and property, there have been unintended consequences. There is evidence that PBDEs persist in the environment and accumulate in living organisms, as well as toxicological testing that indicates these chemicals may cause liver toxicity, thyroid toxicity, and

neurodevelopmental toxicity. Many studies involving fire fighters exposed to these and other toxic gases during active fire fighting, overhaul, and long term exposure from these chemicals penetrating protective gear, have found that fire fighters have a much greater risk of contracting cancer, heart and lung disease, and other debilitating diseases. While we support the concept of flame retardant chemicals, there are alternatives that do not contain bromine or chlorine and are much safer for fire fighters than PBDE's.

The IAFF salutes those companies that have stopped using brominated flame retardants (such as Dell, Hewlett-Packard, Ikea and many others) and are now using safer alternative fire retardants. These companies demonstrate that alternative flame-retardant technologies for achieving fire safety standards do exist and are readily available for other manufactured products.

Three years ago, as the result of a successful political action initiative led by the Washington State Council of Fire Fighters, Washington State banned PBDEs effective in 2008, pending a study of alternatives.

Maine became the second U.S. state to ban PBDEs, thanks to an initiative led by the Professional Fire Fighters of Maine. The Maine bill specifically targets deca-BDEs and phases them out by the year 2010. Other States examining the PBDE issue include California, Connecticut, Hawaii, Illinois, Maryland, Michigan, Minnesota, Montana, New York and now Alaska. We are certainly appreciative to the Alaska Professional Fire Fighters Association to also address this important issue with legislation for the safety our fire fighters and our citizens.

Further, the IAFF with the assistance of the National Association of State Fire Marshals (NASFM) worked with the National Institute for Standards and Technology and organized a scientific workshop on the potential health effects to fire fighters of flame retardants in the aftermath of a fire. This meeting was held in September of last year. Technical experts from the government and private sector representing the fire services, health sciences, fire science, environmental sciences, and product manufacturers explored our state of knowledge about and stimulated open discussion by the meeting participants on:

- Approaches to reducing the flammability of building products and the rate of fire spread in buildings;
- The composition and nature of products formed during and after an actual building fire, and how they are affected by the presence of a fire retardant;
- Quantification of the concentration of the fire products;
- Routes of exposure by emergency responders and clean-up crews to hazardous fire products;

- The possible relationship between acute and chronic health effects on emergency responders exposed to fire products, and the type and amount of fire retardant involved in the fire; and

- Knowledge gaps and the identification of a possible future research agenda.

Finally, the IAFF has worked with the manufacturing industry on this issue to further protect our membership. Chemtura, one of the nation's largest manufacturers of Deca-BDE (Decabrom), has been in opposition to the legislation. However, Chemtura and the IAFF have now agreed to jointly support federal legislation that would establish:

- A time table to ban the production or importation of Decabrom for US consumption;

- A time table to ban the sale of finished products containing Decabrom; and

- A mechanism to compel compliance and enforcement of the respective bans.

Due in part to that effort, the US Environmental Protection Agency announced on December 17, 2009, that the two U.S. producers of decabromodiphenyl ether (decaBDE), Albemarle Corporation and Chemtura Corporation, and the largest U.S. importer, ICL Industrial Products, Inc., have committed to end production, importation, and sales of decaBDE for most uses in the United States by December 31, 2012, and to end all uses by the end of 2013. EPA has long been concerned about these fire retardants' impact on human health and the environment. Again, their studies have shown that decaBDE persists in the environment, potentially causes cancer and may impact brain function.

Any measure that takes a potentially dangerous chemical away from the fire fighters' workplace will enhance fire fighter safety, and as a result, public safety. Let me conclude by addressing the perception of public safety and fire fighter and citizen exposures to toxic products. During the last year's holiday shopping season, there was uproar around the world about 90 ppm of the flame retardant antimony that was found in Zhou Zhou toy hamsters, a popular Christmas toy. What didn't make the news is that currently:

- 30,000 ppm of flame retardants is found in nursing pillows, high chairs, and stroller foam;

- 75,000 ppm of antimony is found in TV enclosures; and

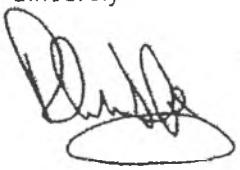
- 150,000 ppm of DecaBDE is found in plastic enclosures.

The amount of antimony in the toy hamsters was determined not to migrate out and cause a health problem for children. However the flame retardants in baby products,

furniture and TV enclosures do migrate into dust and as I have discussed can contribute to toxic exposures to citizens and fire fighters. That is why the IAFF and our state and provincial associations, including the Alaska Professional Fire Fighters Association have been addressing these exposures and we are working with federal, state and provincial governments as well as the industry to remove many of these chemicals from common products.

The International Association of Fire Fighters and the Alaska Professional Fire Fighters Association once again appreciate the Alaska State Legislature's proposal to address fire fighter exposures to toxic materials and we support such efforts to protect our members.

Sincerely



Richard M. Duffy
Assistant the General President
Occupational Health, Safety and Medicine

cc: Ricky Walsh, IAFF District Vice President



NATIVE VILLAGE OF SAVOONGA • P.O. BOX 120, SAVOONGA, AK 99769 • PHONE 984-6414 • FAX 984-6027

March 11, 2010

To: Honorable Senators and Representatives of the Alaska Legislature

From: Native Village of Savoonga

Regarding: Support of HB 385 and SB 295

Dear Legislator:

The Native Village of Savoonga is submitting this letter in support of HB 385 and SB 295, legislation to phase out the manufacturing, sale, and distribution of products that contain polybrominated biphenyl ethers (PBDEs). We believe that action on this class of persistent toxic chemicals is necessary to protect the health and well-being of our people and future generations. We must do everything we can to protect the health of our children who are especially vulnerable because exposure to these chemicals can harm their developing brain and their ability to learn. We know that there is also increasing evidence that links exposure to PBDEs with other serious health problems such as permanent developmental disorders, reproductive harm, thyroid disease, and certain types of cancer.

We are aware that PBDEs are transported on wind and ocean currents into our region and are accumulating in the north/Artic at an alarming rate. PBDEs are now found in our traditional foods, including fish, seabird eggs, and marine mammals. Our people are also at risk because of the presence of PBDEs in products that we use in our homes and that we may be experiencing higher exposures because our homes are closed in for a greater part of the year than in lower latitudes. We are concerned that in a recent study of the Arctic Monitoring and Assessment Program, Yupik women from the Yukon-Kuskokwim Delta had the highest levels of PBDEs of any human population of the circumpolar Arctic. It is necessary to take action to prevent exposures to PBDEs and other persistent, bioaccumulative and toxic chemicals.

We urge you to take this opportunity to pass this important piece of legislation in order to protect our health and the health of all Alaskans. Thank you for your attention to our

concerns.

Sincerely, Vera Tommingson Vice President

For Kenneth Kingeekuk

President, IRA Council, Native Village of Savoonga

From: Roxanne Chan [mailto:chan.rox@gmail.com]
Sent: Wednesday, March 17, 2010 12:46 AM
To: chan.rox@gmail.com
Subject: support for SB 295

Senator Bettye Davis and Members of the Committee
Senate Health and Social Services Committee
State Capitol
Juneau, AK 99801-1182

March 16, 2010

Dear Chair Davis and Members of the Senate Health and Social Services Committee:

Thank you for taking the opportunity to hear testimony on SB 295, an important bill to phase out octa-, penta-, and decaBDE from certain uses, for which safer, effective alternatives are in widespread, successful use. I am unable to attend the hearing scheduled on Wednesday, March 17, 2010 but appreciate the opportunity to submit written support of this bill. I urge that the Committee support this bill.

My name is Roxanne Chan and I am a Registered Nurse and Licensed Acupuncturist currently residing in Anchorage. Since moving to Alaska in 2005, I have had the opportunity to practice nursing in communities such as Barrow, Nome,Â and Anchorage. I also recently had the opportunity to participate in a biomonitoring study where my blood was tested for PBDEs.

In October of 2009, the report *Hazardous Chemicals in Health Care: A Snapshot of Chemicals in Doctors and Nurses* (

http://www.psr-la.org/files/hazardous-chemicals-in-health-care.pdf). was released documenting the levels of different chemicals of twelve doctors and eight nurses from around the country including myself and a physician from Alaska. My results showed that I have at least 19 different PBDEs in my body including the ones this bill aims to phase out.

As someone who is generally aware of chemical exposure from consumer products, I was alarmed to see my results showing that these chemicals were found in my blood. PBDEs have been linked to a wide range of health problems and it made me wonder if my exposure to chronic low levels due to consumer products could result in adverse health in the future.

As I am sure you are aware, a central tenant of health care isâ€"put simplyâ€"first, do not harm. Allowing chemicals on the market which are correlated to adverse health effects is contrary to this principal. Reducing chemical exposures, through policy measures such as SB 295, is an important primary prevention measure to help improve the health of our state overall.

I hope that you will join me and others in supporting SB 295, an important step in reducing Alaskans exposure to toxic chemicals and creating an environment where people can be healthier.

Sincerely,

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Roxanne Chan, RN, LAc

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Roxanne Chan, Licensed Acupuncturist
Spring Wind Acupuncture
610 W. 2nd Ave, Suite 100
Anchorage, AK 99501
tel: (907) 440-8660
fax: 1-866-747-3256
www.springwindacupuncture.com

From: Karen McLane [mailto:gusskimo@yahoo.com]
Sent: Saturday, March 20, 2010 9:17 AM
To: Senator_Bettye_Davis@legis.state.ak.us; Senator_Joe_Paskvan@legis.state.ak.us; Senator_Fred_Dyson@legis.state.ak.us; Senator_Johnny_Ellis@legis.state.ak.us; Senator_Joe_Thomas@legis.state.ak.us; Senator_Bill_Wielechowski@legis.state.ak.us
Subject: Senate Bill 295 support

Dear Senators,

I am writing regarding this important piece of legislation that Sen Wielechowski has submitted for approval. I live in Nome and have for most of my life. My family moved here when I was 4 years old and I graduated from Nome Beltz High School in 1984. I continued my education to the Masters level in Nursing Science and am now back in Nome teaching Community Health Aides so we can have medical services in our remotest villages. As health care providers we are acutely aware of the health hazards that toxins have in our environment and how they get there.

We have the highest rates of cancers in Alaska. I have seen many, many thyroid cancers and gastrointestinal types of cancers as well. It is my belief that toxins in our Native people's environment play a part in these high rates as does tobacco use.

SB 295 would require the phase out of polybrominated diphenyl ethers (PBDEs). PBDEs are toxic flame retardant chemicals added to plastics, foam products, and textiles to make them difficult to burn. The EPA is concerned that certain PBDEs are persistent, bioaccumulative, and toxic to both humans and the environment. The American Public Health Association and International Association of Fire Fighters have urged the phase out of PBDEs. Safer and economically viable alternatives are available and are already being used by some manufacturers of computers and other products.

Please think about the affects this particular toxin has on the health of our people and vote to phase it out of use.

Thank you for your help,

Karen McLane FNP-BC
P.O. Box 1169
Nome, AK 99762
(907) 304-3768
gusskimo@yahoo.com

From: Simon, Clover [mailto:Clover.Simon@ppgnw.org]
Sent: Friday, March 19, 2010 5:46 PM
To: Senator_Bettye_Davis@legis.state.ak.us; Senator_Joe_Paskvan@legis.state.ak.us; Senator_Fred_Dyson@legis.state.ak.us; Senator_Johnny_Ellis@legis.state.ak.us; Senator_Joe_Thomas@legis.state.ak.us
Subject: Senate Bill 295

Senators:

On behalf of Planned Parenthood of the Great Northwest, our thousands of supporters in Alaska and the more than 9,000 women and men we provide services to I am writing to urge you to support and pass SB 295. Providing Alaskans with a safe environment in which to raise their children is paramount to our mission and will help ensure that when families do plan to have children they will be the healthiest possible. With safe alternatives that still provide excellent fire protection there is no reason not to pass this important legislation. PPGNW is a proud member of the Healthy Families Alliance with many other agencies across Alaska, formed to promote fundamental reform to current chemical laws to protect children, workers, communities and the environment. As PPGNW 'goes green' in our health centers we hope that we can help promote cleaner, toxic free environments for everyone in the State. This bill is the first step.

PBDEs are toxic, endocrine-disrupting flame retardant chemicals added to plastics, foam products, and textiles. They leach from household products and we are exposed through foods, indoor air, and household dust.

A brand new study conducted by researchers at Columbia University showed that prenatal exposure to PBDEs at levels commonly found in households is associated with adverse neurodevelopmental effects in young children. The researchers found that "children with higher concentrations of PBDEs in their umbilical cord blood at birth scored lower on tests of mental and physical development between the ages of one and six. Developmental effects were particularly evident at four years of age, when verbal and full IQ scores were reduced 5.5 to 8.0 points for those with the highest prenatal exposures. "

Thank you for hearing this important legislation and please do not hesitate to contact me directly if you would like further information on our position.

Clover

Clover Simon, MSW
Planned Parenthood of the Great Northwest
VP of Alaska
4050 Lake Otis Pkwy Suite 205
Anchorage AK 99508
907.770.9705 (office)
907.240.7449 (cell)

Please note the Anchorage administrative offices have moved, find our new address above*

Donate Online PPGNW is a 501(c)(3) not-for-profit organization. We rely on the generous support of donors to safeguard reproductive rights, healthcare, and education.

ALASKA INTER-TRIBAL COUNCIL
Advocating for Tribal Governments Across Alaska

445 East 5th Avenue
Anchorage, AK 99501

907.563.9334
907.563.9337 *fax*
www.aitc.org

February 17, 2011

Senator Bill Wielechowski
State Capitol
Juneau, AK 99801

Dear Senator Bill Wielechowski:

The Alaska Inter-Tribal Council is writing in support of SB 27, a bill that would prohibit the manufacture and sale of toxic flame retardants in common consumer products. The Alaska Inter-Tribal Council is a tribally-governed organization advocating on behalf of 232 Federally Recognized tribal governments throughout Alaska. We recognize increasing evidence that flame retardants, such as polybrominated diphenyl ethers (PBDEs) named in SB 27, are being found in the Arctic. We are concerned about PBDEs leaving a lasting toxic legacy in people and the environment.

PBDEs are potent toxins that persist in the environment and bioaccumulate in the food chain and in human tissues. They can travel long distances and move readily between the water, soil and air. PBDEs are associated with a variety of negative toxic effects including memory impairment, learning and behavioral problems, the disruption of thyroid hormone balance and reproductive health issues. In Alaska, PBDEs have been detected in seabird eggs, marine mammals, otters, and polar bears. The presence of such chemicals in wildlife is cause of concern, not only for the survival and well-being of wildlife, but for the human consequences of bioaccumulative exposure through the food we eat.

We need to enact legislation to phase out PBDEs from consumer products. Fortunately, fire safety can be achieved without the use of toxic chemicals because there are safe, economical, and effective alternatives to PBDEs currently in widespread use.

Eliminating most uses of PBDE flame retardants is possible and an important step to protecting public health.

Thank you for sponsoring this bill,

David Harrison

David Harrison
Executive Director
Alaska Inter-Tribal Council

From: Marc! <marcslinger@yahoo.com>
Date: February 19, 2011 12:57:20 PM AKST
To: "Sen. Bill Wielechowski" <Senator_Bill_Wielechowski@legis.state.ak.us>
Subject: SB 27

Dear Representative Wielechowski,

Thank you for your support in the prevention of toxic exposures! As a member of the Anchorage Fire Department, I proudly protect and serve our community without hesitation. Thank you for doing your part and protecting not only us as public servants, but everyone in our state, current and future.

Support SB 27.

With much gratitude,
Marc Esslinger
Firefighter/Paramedic

Representative Lindsey Holmes
State Capitol
Juneau, AK 99801

February 18, 2011

Dear Representative Holmes;

I am writing to you in support of HB 63, which would ban polybrominated fire retardants in consumer products, while giving the Department of Environmental Conservation additional powers and encouraging cooperation with other states in such activities. Rather than elaborating on the rationale for this legislation, which is effectively presented in your sponsor statement, I'll describe the issue of PBDE toxicity as it relates to the burn injury community. This is in order because the brominated flame retardant (BFR) chemical industry often seeks our support when their products are challenged by such legislation

I support HB 63 in my role as a founding director (in 1985) and emeritus Board member of the Federation of Burn Foundations (FBF), and as a former major committee chair, honoree (twice) and member of the Board of Trustees of the American Burn Association (ABA).

It is understandable that anyone who treats severely burned patients or works closely with both care providers and survivors, as I have for 35 years, would be inclined to support any action which might save a life or prevent such an injury. That was my own position until four years ago, when I first became aware of the increasing public health and environmental threat posed by the accumulating presence of toxic frame retardant chemicals in the environment and human tissue, --along with the lack of any data supporting their effectiveness. Many of us in the ABA share such concerns,

I have also felt a special responsibility to monitor fire and burn injury statistics, as the ABA member trusted with updating the Association's annual burn incidence fact sheet. In tracking the steady decline in fire and burn death and injury over the past 30 years, I have noted the many reasons for those trends. These include numerous safety efforts, such as smoke alarms, more public education, stronger building codes and safer designs of cigarettes, cigarette lighters and candles. Unlike PBDEs, none of these influences on fire casualties have negative side effects, and they have had a far greater positive impact than any that can be claimed for these chemicals.

Other recent changes in society which are not motivated by fire safety have also helped reduce fire casualties. These include the major decline in smoking, the transition in cooking from the stove to the microwave and our growing reliance on restaurants and fast food outlets.

For these reasons, I strongly encourage support for HB 63 in this session of your legislature.

Sincerely,

Peter A. Brigham, MSW
346 Trevor Lane
Bala Cynwyd, PA 19004

adn.com
Anchorage Daily News

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Bill to ban PBDEs would protect Alaskans

COMPASS: ***Other points of view***

By FRANK VON HIPPEL

(02/20/11 17:16:56)

The Alaska State Legislature is considering a bill backed by Sen. Bill Wielechowski and Rep. Lindsay Holmes that would ban the import of furniture and electronics containing a class of toxic flame retardants known as PBDEs (polybrominated diphenyl ethers).

PBDEs are man-made chemicals produced for the manufacture of fire-resistant products. As products break down or release PBDEs into the atmosphere, the PBDEs find their way into the environment. PBDEs are highly persistent; they may remain unchanged for many decades or break down into daughter compounds that are also toxic.

Unfortunately, they are fat soluble and bioaccumulate in the fatty tissues of exposed animals. As these animals are consumed by predators, the PBDEs biomagnify up the food web, resulting in the highest levels in the top carnivores. Many of these top carnivores, such as fish and marine mammals, are important subsistence foods in Alaska.

People are exposed to PBDEs in multiple ways, including through the ingestion of fatty foods as well as contact with household dust. PBDEs have been found in human breast milk and in the blood of mothers and their babies. A Centers for Disease Control and Prevention study found that over 93% of Americans had detectable levels of PBDEs in their bodies, some at levels that are associated with health problems in laboratory animals. PBDEs have been found to disrupt the hormone system of numerous animals and have widespread effects on neurodevelopment and reproductive development.

The laboratory animals chosen for these studies have proven to be excellent models for human medical research time and time again. The hormone system of other vertebrates is almost exactly the same as the hormone system of humans. Therefore, disruption of hormone pathways in laboratory animals indicates that PBDEs likely cause similar developmental and health effects in humans.

PBDEs interfere with thyroid hormone, which regulates many aspects of development, and male and female sex steroids, which regulate sexual development and behavior. For example, PBDE exposure may cause undescended testes in newborn boys and reduced testosterone and sperm counts in men. Some PBDEs may be carcinogens. Although we do not fully understand the mechanisms by which PBDEs disrupt multiple hormone pathways, the evidence is sufficient to take a prudent approach and ban their import to Alaska where feasible.

Washington became the first state to ban all forms of PBDEs in 2007, with key support coming from firefighter associations. Firefighters advocated against PBDEs because when products containing PBDEs burn, they release highly toxic dioxins and furans. Associations of nurses and doctors also supported the legislation.

Maine, Oregon, Vermont, Rhode Island, Illinois and Massachusetts also have banned some or all of the PBDEs, and similar legislation is under consideration in other states. Similar bans are in effect in Canada and most European nations.

The Washington law required that safer and technically feasible alternatives to PBDEs be identified before the ban would go into effect. These alternatives, which meet fire-safety standards, were identified by Washington state agencies in December 2008; the identification of alternative flame

retardants allowed restrictions on the use of PBDEs in electrical products and furniture to take effect Jan. 1, 2011.

Many companies have taken a proactive approach in phasing out PBDE use. For example, Intel, IBM and Ericsson no longer produce products with PBDEs, and Hewlett-Packard, Sony, Motorola, Panasonic, NEC, Samsung and Toshiba are all working to phase out PBDEs.

Alaskans experience unusual levels of PBDE exposure for three reasons: The Arctic is a global sink for persistent pollutants that settle out of the atmosphere in cold temperatures; Alaskans who rely on a subsistence diet eat fish and marine mammals that accumulate PBDEs because of their position at the top of the food web; and we spend most of the winter sealed in our homes, where we are exposed to household dust containing PBDEs.

Therefore, Alaska has extraordinary cause to ban the importation of products containing these chemicals. We cannot control the atmospheric deposition of PBDEs into the Arctic or their delivery by ocean currents, but we can control their importation in consumer products.

Frank von Hippel is a professor of biological sciences at the University of Alaska Anchorage.

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OCEANA | Protecting The World's Oceans

175 South Franklin Street, Suite 418 +1.907.586.4050
Juneau, AK 99801 USA www.oceana.org

April 6, 2011

Senator Lyman Hoffman
Chairman, Senate Finance Committee
State Capitol, Room 532
Juneau, AK 99801

Dear Chairman Hoffman and Committee Members:

We strongly urge you to pass Senate Bill 27, an act relating to the manufacture, sale, and distribution of flame retardants and bioaccumulative toxic chemicals, out of the Senate Finance Committee. This legislation will help protect the health and safety of Alaskans and our precious marine resources by curbing the spread of Polybromodiphenyl ethers (PBDEs).

PBDEs fall into a class of pollutants known as persistent organic pollutants (POPs) that includes chemicals such as PCBs and DDT. POPs have gained widespread recognition in the past few decades for their toxicity and for the health risks they pose to both humans and wildlife. PBDEs, like many other POPs, are dangerous for three important reasons: they are able to travel long distances via atmospheric and ocean currents; once released into the environment they are extremely difficult, if not impossible, to remove; and they bioaccumulate, or increase in concentration, as they move up the food web.

Research conducted by the National Oceanic and Atmospheric Administration (NOAA) in 2009 found that PBDEs are prevalent on nearly every coast line in the United States. PBDEs have been found in sediments and soils as well fish, shellfish, seals, sea lions, whales, porpoises, polar bears, and numerous land and sea birds. (NOAA, 2009) Several studies have documented high concentrations of PBDEs in humans in the United States, and over the last three decades, those concentrations seem to be increasing. NOAA's research found that those concentrations were anywhere from 10 to 100 times higher than concentrations found in Europe and Asia. (NOAA, 2009)

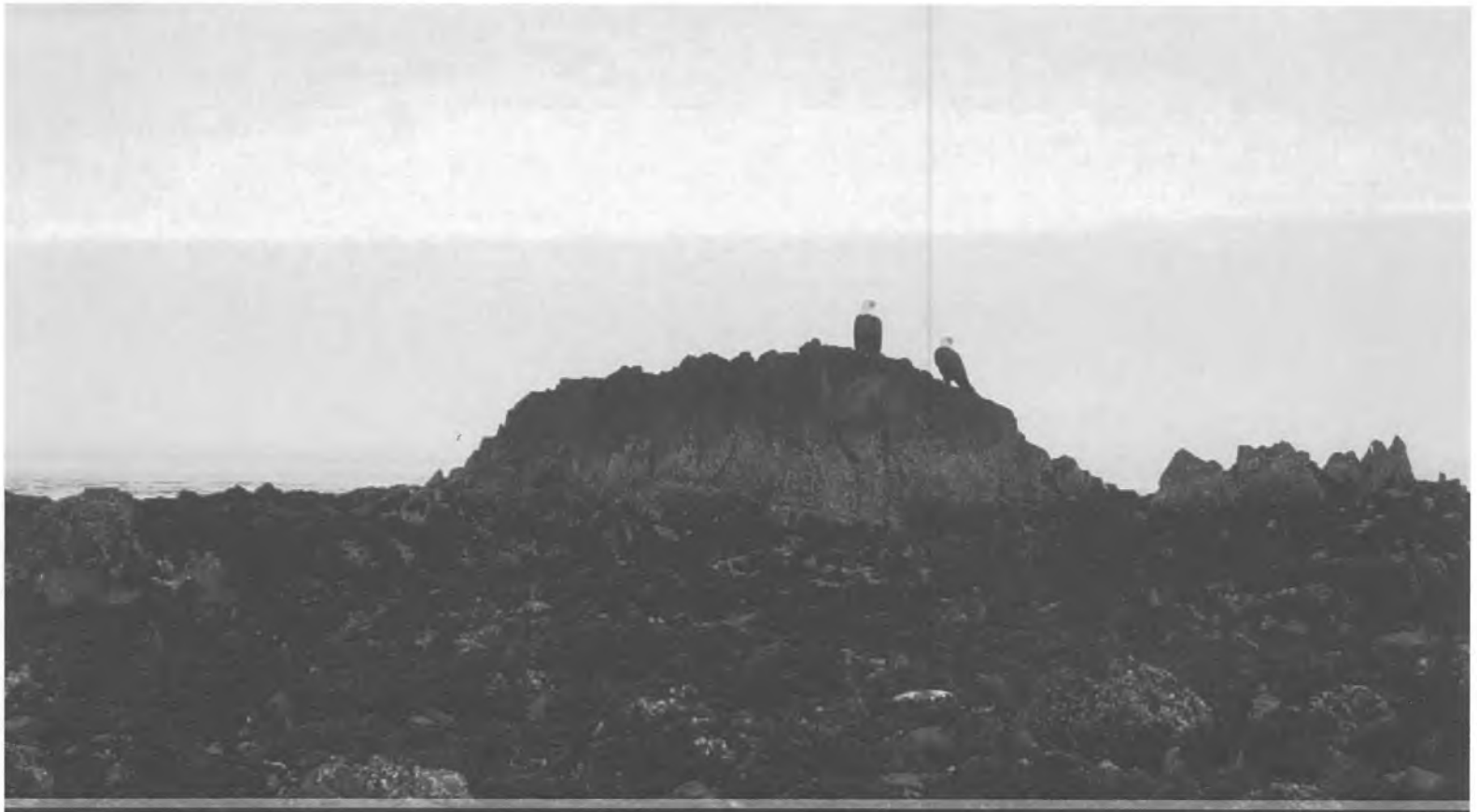
In Alaska, where many of us consume large quantities of fish and shellfish, and in some regions high-fat marine mammals, we are particularly at risk for exposure not only through the household goods in our homes, but also through the foods that we eat. PBDEs are a great cause for concern for Alaskans who rely heavily on fish and other marine animals to supplement and often sustain our diets,.

In order to protect the health and safety of Alaskans, as well as our valuable marine resources, the Senate Finance Committee should pass SB 27.

Sincerely,

Susan Murray
Senior Director, Pacific
Oceana

Reference: National Oceanic and Atmospheric Administration. 2009. An Assessment of Polybrominated Diphenyl Ethers (PBDEs) in Sediments and Bivalves of the U.S. Coastal Zone.



NOAA NATIONAL STATUS & TRENDS

MUSSEL WATCH PROGRAM

An Assessment of Polybrominated Diphenyl Ethers (PBDEs) in Sediments and Bivalves of the U.S. Coastal Zone



Mention of trade names or commercial products does not constitute endorsement or recommendation for their use by the United States government.

Citation for this Report

Kimbrough, K. L., W. E. Johnson, G. G. Lauenstein, J. D. Christensen and D. A. Apeti. 2009. An Assessment of Polybrominated Diphenyl Ethers (PBDEs) in Sediments and Bivalves of the U.S. Coastal Zone. Silver Spring, MD. NOAA Technical Memorandum NOS NCCOS 94. 87 pp.

An Assessment of Polybrominated Diphenyl Ethers (PBDEs) in Sediments and Bivalves of the U.S. Coastal Zone

K. L. Kimbrough, W. E. Johnson, G. G. Lauenstein, J. D. Christensen and D. A. Apeti.
Center for Coastal Monitoring and Assessment
NOAA/NOS/NCCOS
1305 East-West Highway
Silver Spring, Maryland 20910



Background

NOAA's Mussel Watch Program was designed to monitor the status and trends of chemical contamination of U.S. coastal waters, including the Great Lakes. The Program began in 1986 and is one of the longest running, continuous coastal monitoring programs that is national in scope. NOAA established Mussel Watch in response to a legislative mandate under Section 202 of Title II of the Marine Protection, Research and Sanctuaries Act (MPRSA) (33 USC 1442). In addition to monitoring contaminants throughout the Nation's coastal shores, Mussel Watch stores samples in a specimen bank so that trends can be determined retrospectively for new and emerging contaminants of concern.

In recent years, flame retardant chemicals, known as polybrominated diphenyl ethers (PBDEs), have generated international concern over their widespread distribution in the environment, their potential to bioaccumulate in humans and wildlife, and concern for suspected adverse human health effects. The Mussel Watch Program, with additional funding provided by NOAA's Oceans and Human Health Initiative, conducted a study of PBDEs in bivalve tissues and sediments.

This report, which represents the first national assessment of PBDEs in the U.S. coastal zone, shows that they are widely distributed. PBDE concentrations in both sediment and bivalve tissue correlate with human population density along the U.S. coastline. The national and watershed perspectives given in this report are intended to support research, local monitoring, resource management, and policy decisions concerning these contaminants.



Acknowledgements

The Mussel Watch Team would like to thank those who through their hard work made this document possible. As a result of their efforts, this report has been greatly enhanced.

Ken Buja	National Oceanic and Atmospheric Administration
Theresa Goedeke	National Oceanic and Atmospheric Administration
Treda Smith-Grayson	U.S. Environmental Protection Agency
Chris Jeffrey	Consolidated Safety Services, Inc.
Tom McDonald	Texas A&M University
Kevin McMahon	National Oceanic and Atmospheric Administration
Terry McTigue	National Oceanic and Atmospheric Administration
Keith Maruya	Southern California Coastal Water Resources Project
Tony Pait	National Oceanic and Atmospheric Administration
Oren Perez	Aster Engineering, Inc.
Juan Ramirez	TDI-Brooks International, Inc.
Heather Stapleton	Nicholas School of the Environment and Earth Sciences, Duke University
David Whitall	National Oceanic and Atmospheric Administration



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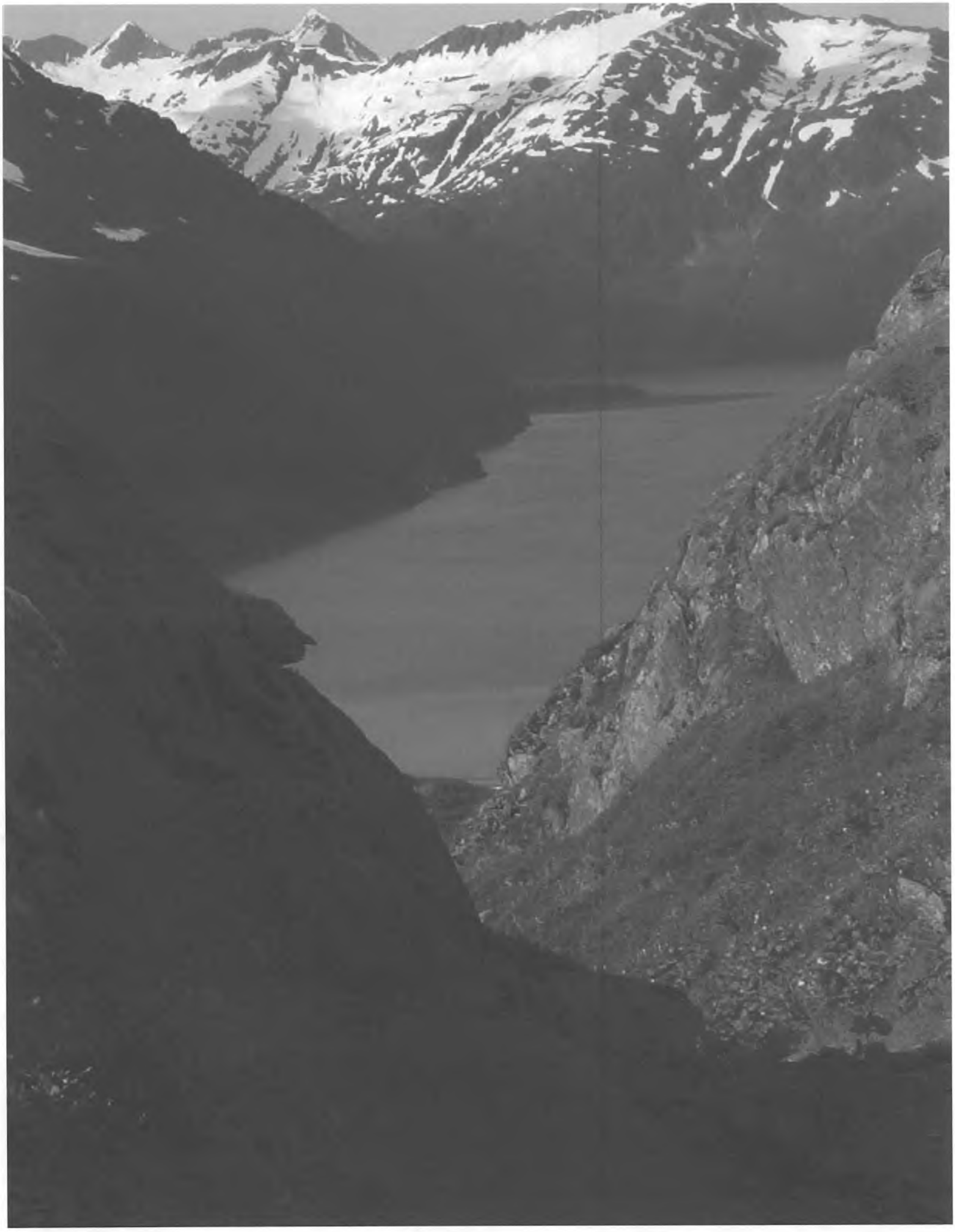



Mussel Watch Program Background

- Approximately 300 active monitoring sites are located in the continental U.S., Alaska, Puerto Rico, and Hawaii.
- Stations are 10 to 100 km apart along the entire U.S. coastline.
- Approximately 150 contaminants are monitored in resident bivalve populations including: polycyclic aromatic hydrocarbons (69), polychlorinated biphenyls (40), organotins (4), metals and metalloids (15), and historic and contemporary use pesticides and selected transformation products (20).
- Special assessments are used to determine the environmental impacts of new contaminants, extreme events, and oil spills.

Program Background

NOAA's Mussel Watch Program monitors the status and trends of chemical contamination of U.S. coastal waters. The Program began in 1986 and is one of the longest running, continuous coastal monitoring programs that is national in scope. The Program is based on annual collection and analysis of oysters and mussels. These bivalves are stationary organisms that filter particles from water; thus, contaminant levels in their tissue are a good indicator of local contamination. Mussel Watch data are useful for characterizing the environmental impact of new and emerging contaminants, measuring effects of extreme events (hurricanes and oil spills), and for assessing the effectiveness of legislation, management decisions, and remediation of coastal contamination. As a result of monitoring all major estuaries for chemical contamination, Mussel Watch results can be used to identify geographic areas of concern and potential human exposures to elevated levels in seafood.

NOAA established Mussel Watch in response to a legislative mandate under Section 202 of Title II of the Marine Protection, Research and Sanctuaries Act (MPRSA) (33 USC 1442), which called on the Secretary of Commerce to, among other activities, initiate a continuous monitoring program "to assess the health of the marine environment, including monitoring of contaminant levels in biota, sediment and the water column." As part of the NOAA Authorization Act of 1992, the overall approach and activities of NOAA's National Status and Trends Program (NS&T), including Mussel Watch, were codified under provisions of the National Coastal Monitoring Act (Title V of the MPRSA).

In 1986, the inaugural year of the Mussel Watch Program, 145 sites were sampled. Today, Mussel Watch is comprised of approximately 300 monitoring sites, where about 150 chemical contaminants, chosen through consultation with experts and scientists from academia and government, are measured. Many of these contaminants are listed as Environmental Protection Agency (EPA) Priority Pollutants (Keith and Teillard, 1979). Legislation has been passed to regulate most of the organic contaminants analyzed by the Mussel Watch Program



Program Goal

To support ecosystem-based management through an integrated nationwide program of environmental monitoring, assessment, and research to describe the status and trends of contaminants in our Nation's estuaries and coasts.

(http://NSandT.noaa.gov). The majority are toxic to aquatic organisms, and some are taken up and stored in animal tissues with the potential to be transferred through food webs to humans.

This report utilizes Mussel Watch PBDE measurements of mussels, oysters, and sediment to provide a summary of national PBDE levels, and is intended for use by resource managers, policy makers, scientists, legislators, and concerned citizens. The bivalve mollusks measured included species of the genus *Mytilus* (blue mussels), species of the genus *Dreissena* (zebra mussels), and species of the genus *Crassostrea* (oyster). Some of these species are edible, but no PBDE threshold levels for the protection of human health have been promulgated by the U.S. Food and Drug Administration. This report compares the status of PBDEs at the national level to those found locally or regionally. Comparisons can be used to determine if the concentrations are high relative to the rest of the Nation. Site specific measurements can be found in Appendix 1. More detailed program information can be accessed at http://NSandT.noaa.gov.

Highlight

Many Mussel Watch sites are coincident with the 1976-1978 EPA Mussel Watch sites.

Program staff consulted with state officials, academic professionals and others when sites were established.

Some sites are located in or near NOAA-managed areas (National Estuarine Research Reserves, National Marine Sanctuaries).

Sites were selected in shellfish beds large enough for repeated sampling.

Samples are only collected from natural substrates; caged mussels are not used.





▼ Chemical Description

- Production of PBDEs in the U.S. began in the 1970s and peaked in the late 1990s.
- PBDEs are ubiquitous in the U.S. coastal environment.
- In the U.S., PBDE levels in humans have been rising over the past 30 years and are generally 10-100 times higher than levels measured in Europe and Asia. Current concentrations in humans may be leveling off or decreasing.

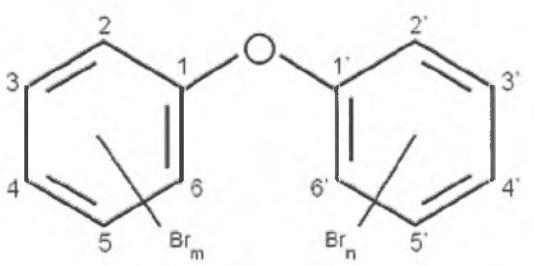

Figure 1. Chemical structure of polybrominated diphenyl ethers.

Polybrominated diphenyl ethers are persistent man-made aromatic chemicals composed of two phenyl rings linked by an oxygen bridge (ether linkage). Bromine atoms can replace up to ten hydrogen atoms on the phenyl rings (Figure 1). Theoretically, 209 unique PBDE structures (congeners) are possible. Congeners with the same number of bromine atoms are referred to as a homologue, and thus, there are ten homologues ranging from mono- to decaBDE. For example, a PBDE with ten bromines, is called decaBDE; five bromines is a pentaBDE (Tables 1 and 2).

The chemical structure of PBDEs are similar to that of polychlorinated biphenyls (PCBs), another class of globally distributed environmental contaminants that the U.S. banned from production in 1976 (ATSDR, 2001). PBDEs have been referred to as the new PCBs. Consumer product manufacturers have begun using alternative flame retardants; but, in the short term, the current load of PBDEs in buildings, vehicles, and consumer products assures continued release and exposure for years to come.

Manufacture and Regulation

The industrial production of brominated diphenyl ethers primarily yields a mixture of tetra, penta, hexa, hepta, octa, nona, and deca homologues in various percentages (Siddiqi et al., 2003). Three generic commercial formulations: Penta, Octa, and DecaBDE, were produced (ATSDR, 2004) under a variety of product names (e.g., DE-71, Bromkal 70-5DE, DE-79, Bromkal 790-8DE, Saytex 102E, and Bromkal 82-0DE). Commercial formulations are mixtures of specific homologues. The relative homologue composition of these three generic formulations is shown in Table 1. The predominant congeners found in the environment are the main congeners found in commercial mixtures.

Flame retardants save lives by inhibiting ignition and subsequent burning of consumer products. Laws and regulations require that consumer products meet minimum fire safety standards. Hence, human exposure to products containing flame retardant chemicals is practically unavoidable.

Production of PBDEs in the U.S. began in the 1970s and peaked in late 1990s (Hardy, 2002a). Global demand for brominated flame retardants doubled during the 1990s (Alaee et al., 2003). In 2004, the European Union (EU) banned the use of PentaBDE and OctaBDE commercial mixtures (BSEF, 2006) and the U.S. chemical manufacturers voluntarily ceased production. Subsequently, the EU banned DecaBDE in 2008, but it continues to be produced and used in the U.S.

Commercial PentaBDE was used mainly in polyurethane foam (mattresses and padding beneath carpets and furniture). Commercial OctaBDE was predominantly used in casings for electronic products (computers, monitors, plastics). Commercial PentaBDE, OctaBDE, and DecaBDE mixtures were also used in nylon, textiles, and adhesives. Today, commercial DecaBDE is used primarily in TV casings.

Chemical Description

Table 1. Percent composition of commercial PBDE flame retardant mixtures. Commercial products contain more than one homologue in a specific range (WHO, 1994).

Product	Mono	Di	Tri	Tetra	Penta	Hexa	Hepta	Octa	Nona	Deca
Penta				24-38	50-60	4-8				
Octa						10-12	44	31-35	10-11	<1
Deca									<3	>97

Table 2. Unique PBDE congeners measured in this Mussel Watch Program assessment.

Mono	Di	Tri	Tetra	Penta	Hexa	Hepta	Octa	Nona	Deca
BDE-1	BDE-7	BDE-17	BDE-47	BDE-85	BDE-138	BDE-181	Not measured for this study		
BDE-2	BDE-8	BDE-25	BDE-49	BDE-99	BDE-153	BDE-183			
BDE-3	BDE-10	BDE-28	BDE-66	BDE-100	BDE-154	BDE-190			
	BDE-11	BDE-30	BDE-75	BDE-116	BDE-155				
	BDE-12	BDE-32	BDE-77	BDE-118	BDE-166				
	BDE-13	BDE-33		BDE-119					
	BDE-15	BDE-35		BDE-126					
		BDE-37							

Exposure and Toxicity

Human exposure to PBDEs occurs through inhalation of contaminated household (Jones-Otazo et al., 2005) and workplace dust (Julander et al., 2005), and eating contaminated food (Schecter et al., 2006; Hale et al., 2001; Hayward et al., 2007).

Women in the U.S. were found to have some of the highest levels of PBDEs in breast milk (Schecter et al., 2003; Norén and Meronyté, 2000), blood (Schecter et al., 2005; Sjödin et al., 2008), and body fat (Johnson-Restrepo et al., 2005a; She et al., 2002). Levels in the U.S. have been rising over the past 30 years, but appear to be leveling off or decreasing (Sjödin et al., 2008). Generally, in the U.S., levels in human samples are 10-100 fold higher than levels measured in Europe, Asia, and New Zealand. Recent evidence suggests that PBDEs can be transferred from mother to fetus and from breast milk to infants (Hooper et al., 2000).

Occupational exposure may be important for some workers. The highest reported concentrations of PBDEs in human blood serum were measured in workers at an electronic waste dismantling facility in China (Qu et al., 2007).

There is a growing body of research describing the toxicology of PBDEs in animals and humans. Thorough reviews on the subject include Darnerud et al., 2001; Hardy, 2002b; and Darnerud, 2003. Toxicological studies in animals indicate that liver, thyroid, and neurobehavioral development may be impaired by these contaminants. The human health effects from exposure to PBDEs are not well documented; however, based on the structural similarity of PBDEs to PCBs, there is reason for concern. The most sensitive populations are likely to be pregnant women, developing fetuses, and infants (McDonald, 2002). Human prenatal and neonatal exposure to PBDEs is being carefully studied

and a recent report suggests an association of reduced thyroxine levels with prenatal exposure to PBDEs and PCBs (Herbstman et al., 2008).

Environmental Fate and Transport

PBDEs are widely distributed in marine sediments (Wurl and Obbard, 2005; Oros et al., 2005; Allchin et al., 1999) and biota (Environment Canada, 2006; Hites, 2004; de Wit et al., 2004). The major sources of PBDEs to the environment are homes and household dust (Stapleton et al., 2005; Jones-Otazo et al., 2005; Butt et al., 2004), releases during the manufacturing and use of commercial products, and releases during the recycling and disposal of products containing PBDEs. Subsequently, PBDEs may be distributed throughout the environment by atmospheric transport (Stranderg et al., 2001), runoff, industrial point sources, and sewage outflows (Litten et al., 2003). PBDEs are detected in remote places, such as the Arctic (Ikonomou et al., 2002; de Wit et al., 2004), representing further evidence of atmospheric transport and deposition. Other diffuse PBDE pathways include leaching from aging consumer products, incineration of municipal waste, land application of sewage sludge as biosolids, industrial discharge, and accidental spills (EPA, 2008; Hale et al., 2001; ATSDR, 2004).

Relatively high concentrations of PBDEs have been detected in sediments and biota in areas close to industrial sources (Shen et al., 2006; Liu et al., 2005). At high temperatures, PBDEs may form a volatile mixture of polybrominated dibenzodioxins (PBDD) and polybrominated dibenzofurans (PBDF), making the incineration of municipal waste containing plastic and upholstery a source of atmospheric PBDEs, dioxins, and furans (ATSDR, 2004).

PBDEs have low vapor pressures, very low water solubility, and high octanol-water partition coefficients (log K_{ow}) values (Environment Canada, 2006); therefore, they behave like many other persistent organic contaminants that accumulate in biota and sediment. In the environment they are more likely to be associated with particles than dissolved in the water.

In addition to being found in fish (Johnson and Olson, 2001; Hites et al., 2004) and shellfish (Hoenicke et al., 2007; Booij et al., 2002; Oros et al., 2005), PBDEs have been measured in foxes, grizzly bears (Christensen et al., 2005), seals (Ikonomou et al., 2008; Ikonomou et al., 2002), sea lions (Stapleton et al., 2006), polar bears (Verreault et al., 2005; Kannan et al., 2005), porpoises, whales (Weijs et al., 2009; Ross, 2006), land and sea birds (Lindberg et al., 2004; McKinney et al., 2006; Voorspoels et al., 2006; Jaspers et al., 2005; Verreault et al., 2005; Bustnes et al., 2008), and bird eggs (Herzke et al., 2005; Braune et al., 2007).

Since the 1970s, levels of PBDEs in sediments and wildlife, including aquatic species, have increased substantially (Ikonomou et al., 2002). Studies of PBDEs in marine foodwebs (Wan et al., 2008; Xia et al., 2008; Bragigand et al., 2006; Johnston-Restrepo et al., 2005a; Haglund et al., 1997) provide evidence of biomagnification. PBDEs in the environment may be transformed by debromination processes (removal of bromine atoms), including photo-transformation during exposure to sunlight (Stapleton and Dodder, 2008).

SB

30

<TARGET><BILL>SB 30</BILL><SUBJECT>SB
30</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/7/11

FURTHER:

DATE TURNED IN TO OFFICE: 1/27/12

Finance Committee considered SENATE BILL NO. 30

SB 30-RETURN OF SEIZED PROPERTY

"An Act providing for the release of certain property in the custody of a law enforcement agency to the owner under certain conditions."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[✓] adopt **previous CS** SB 30 (20.JUD) *[ ] Same Title [✓] New Title*

[ ] attached amendment(s)

[ ] adopt _____ Letter of Intent

[ ] further referral to _____ Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DPS			X	
LAW		X		

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	EGAN	✓			
	OLSON	✓			
	ELLIS	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓			

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB030**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB030CS(2d JUD)-DPS-DET-12-28-11
Title: "An Act providing for the release of certain property."
Sponsor: Senator Dyson
Requester: (S) FIN

Dept. Affected: Public Safety
Appropriation: Alaska State Troopers
Allocation: AST Detachments
OMB Component Number: 2325

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated on new fiscal note form.

Prepared by: Kelly Howell — Phone: (907) 269-5591
Division: Office of the Commissioner — Date/Time: 12/28/11 8:01 AM
Approved by: Joe Masters, Commissioner, Department of Public Safety — Date: 12/15/2011

(Revised 11/28/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB030

Analysis

This bill amends AS 12.36 by adding a new section regarding the return of property in the custody of a law enforcement agency. This legislation specifies that the owner of property in the custody of a law enforcement agency may request that the agency return the property. Further, that within 10 days of the request and following reasonable notice to all involved parties, a request for a court hearing shall be made.

Currently it is the standard practice of the department to return seized personal property as soon as possible. This legislation will not have a significant impact on the workload of the department.

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **SB 30**
Fiscal Note Number:
Publish Date:

Identifier (file name): SB030CS(2d JUD) LAW-CRIM-12-13-11
Title: An Act providing for the release of property in the custody of a law enforcement agency to the owner.
Sponsor: SENATORS DYSON
Requester: (S) FINANCE

Dept. Affected: Law
Appropriation: Criminal
Allocation: Criminal Justice Litigation
OMB Component Number: 2202

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	***	***	***	***	***	***	***

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		***	***	***	***	***	***	***

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated for new fiscal year form.

Prepared by: Eileen Donahue, Division Operations Manager — Phone: 465-5427
Division: Administrative Services — Date/Time: 12/13/11 4:45PM
Approved by: John J. Burns, Attorney General — Date: 12/13/2011
Department of Law

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB 30

Analysis

SB 30 would adopt a procedure for the owner of property to request the Office of Victims' Rights to investigate whether property in the custody of law enforcement should be returned to them. The Victims' Advocate may, after an investigation, request that a hearing about the property be held. This note is indeterminate because the department may be required to represent law enforcement agencies at the hearings proposed in the bill. At this time we are not sure how many of these proceedings will occur. The issues raised may be complex, particularly if defense counsel opposes the return.

SENATOR FRED DYSON

SPONSOR STATEMENT

CS SB 30 (2d JUD)

An Act providing for the release of certain property in the custody of a law enforcement agency to a crime victim under certain conditions and relating to requests for that release by the Office of Victims' Rights

CS SB 30 (2d JUD) introduces within the Alaska Code of Criminal Procedure a process for victims of property crime to petition the court for relief in recovering their property held as evidence.

Too often victims of theft and robbery are victimized a second time by bureaucracy. This is particularly true in cases of property crimes where demonstrable loss occurs to the victim's person or business as a result of property being held for a protracted period of time by a law enforcement agency, usually at the direction of prosecution, defense counsel and/or other interested parties.

The law as currently written, provides discretionary authority to the prosecution for release of property, but does not clearly provide a right of hearing for a property owner to directly petition the court in those circumstances when crime victims, prosecution and defense cannot come to agreement on return of property to the crime victim.

Victims of property theft often face the added burden of replacing stolen property. Small business owners who suffer property loss may face bankruptcy if the loss results in the inability to consummate a sale, continue their business operations, or the stolen property is uninsured or underinsured.

Property recovered by a law enforcement agency may be held as evidence for a protracted period of time. Property owners deserve protections in the law to ensure their property is held as evidence only as long as necessary for the prosecution and defense to physically retain the item, without jeopardizing the case.

CS SB 30 (2d JUD) will provide property owners in the Alaska Code of Criminal Procedure, a clearly identifiable process to petition the court through the Office of Victims' Rights for the recovery of their property in those circumstances where they are otherwise not able to reach agreement with interested parties on the return of property.

Contact: Chuck Kopp, Staff to Senator Dyson (907)465-6580

During Session (January - May): Alaska State Capitol • Juneau, Alaska 99801 • (800) 342-2199 • (907) 465-2199 • (907) 465-4587 (fax)
During Interim (June-December): 10928 Eagle River Road, Suite 238 • Eagle River, Alaska 99577 • (907) 694-6683 • (907) 694-1015 (fax)
senator.fred.dyson@legis.state.ak.us • www.akrepublicans.org

CSSB 30 (2d JUD) Witness List

Victor Kester, Director, Office of Victims Rights – (907)272-2620
Les Syren, Attorney, Syren Law Offices, Anchorage – (907)903-1022
Eric Derleth, Trial Attorney, Soldotna – (907)262-9164
Dennis DeWitt, Alaska State Home Builders Association – (907)586-2565

ALASKA STATE SENATE

SENATOR FRED DYSON

SECTION ANALYSIS – CS SB30 (2d JUD)

Section 1

1. Provides that a crime victim who is the owner of property in the custody of a law enforcement agency may request the agency for the return of their property through the Office of Victims' Rights (OVR).
2. OVR will file the request with the agency after conducting an investigation into the request to make an initial determination if the crime victim is entitled to return of the property being claimed under the requirements of proposed 12.36.070(c): the crime victim provides satisfactory proof of ownership, and the party that objects to the return of the property fails to prove that the property must be retained by the agency for evidentiary purposes.
3. Once OVR makes such a determination, they will request on behalf of the crime victim that the agency return the property.
4. Within 10 days after receipt of request and following reasonable notice to prosecution, defense and other interested parties, the agency will request a hearing before the court to determine if the property shall be released to the crime victim.
5. The court of jurisdiction is identified in cases involving a pending criminal case and in situations where no criminal case is pending.
6. Establishes the burden of proof to be a *preponderance of the evidence,* for both the crime victim showing ownership and the objecting party proving the property must be retained by the agency.
7. Establishes that if the court orders the return of the property to the crime victim, the court may impose reasonable conditions on the return to maintain the evidentiary integrity of the property.
8. Identifies the term *crime victim* as having the meaning given to *victim* in AS 12.55.185, the Code of Criminal Procedure.

Section 2

1. Establishes within Title 24, Chapter 65 *Office of Victims' Rights* the authority of OVR to request a law enforcement agency for return of property on behalf of a crime victim claiming property after conducting an investigation as proscribed in AS 12.36.070(c).
2. Provides that the victims' advocate may use any of the powers granted to the advocate under Title 24, Chapter 65.

During Session (January - May): Alaska State Capitol • Juneau, Alaska 99801 • (800) 342-2199 • (907) 465-2199 • (907) 465-4587 (fax)

During Interim (June-December): 10928 Eagle River Road, Suite 238 • Eagle River, Alaska 99577 • (907) 694-6683 • (907) 694-1015 (fax)

senator.fred.dyson@legis.state.ak.us • www.akrepublicans.org

ALASKA STATE SENATE

SENATOR FRED DYSON

CS SB30(2d JUD) - EXPLANATION OF CHANGES

The substantive changes to SB 30 since introduction on 01/19/11 are as follows:

1. The use of the term *owner* was changed to *crime victim* out of a concern that bill language would allow for defendants to misuse the *return of property hearing* process, and detract from the intention of the bill, to promote victims' rights by returning property to crime victims.
2. The introduction of the Office of Victims' Rights to the return of property process was done to alleviate a concern that bill language may inadvertently open the door to a significant number of requests for return of property hearings from crime victims, and that a required intermediary step be considered to vet the requests to make a pre-determination concerning eligibility of crime victims to have their property returned to them.
3. Original bill language permitted property owners to directly request from a law enforcement agency the return of their property. For reasons mentioned in #2, the current version provides that the Office of Victims' Rights files a request with the law enforcement agency on behalf of the crime victim for return of property.
4. Original bill language required the law enforcement agency to prove that the agency or another interested party is authorized to retain possession of the property. Judiciary committee members and the Office of Public Defender recommended that *the party that objects to the return of the property* should be the entity with the burden of proof that the property should be retained and not returned to the crime victim.
5. Dept of Law requested the following changes in cooperation with the bill sponsor –
    a. Clarification of court jurisdiction when the property in question is part of a criminal case, and when it is not part of a criminal case.
    b. An evidentiary standard of proof be established to guide the Court with decisions of whether the burden of proof is met by the parties. The standard is *a preponderance of the evidence.*
    c. The party who objects to the return of property to a crime victim shall state the reason on the record.
    d. Clarifies the *reasonable conditions* the court may impose on the return of property to crime victims to maintain the evidentiary integrity of the property.
6. The term *crime victim* is defined as the meaning given to *victim* in AS 12.55.185, Alaska Code of Criminal Procedure.
7. Consistent with the changes identified in #2, the current version of SB 30 establishes within Title 24, Chapter 65 – Office of Victims' Rights, the authority of OVR to request a law enforcement agency for return of property on behalf of a crime victim.

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SENATOR FRED DYSON

CS SB 30 (2d JUD) NOTES

1. Alaska Statutes - Title 12 *Code of Criminal Procedure*, Chapter 36 *Disposition of Recovered or Seized Property*, Sec. 20 *Return of Property*, provides the legal process for return of property.

2. 12.36.020(a) identifies those circumstances when a law enforcement agency may **not** return property to an owner.

3. 12.36.020(b) provides for the return of property to owners *at the discretion of the prosecuting attorney* where photographs are used as evidence in place of the property, stating *the prosecuting attorney **may** release the property to the owner upon presentation of satisfactory proof of ownership.*

4. 12.36.020(c) states that wrongfully taken or damaged property that is *not* properly photographed and authenticated under 12.45.086 *Photographic evidence of property wrongfully taken or damaged,* and used as evidence in a criminal or children's court proceeding, is to be returned to the owner *within 60 days after the final disposition of the case.*

5. 12.36.020(c) is problematic for two reasons. First, it is the crime victim who suffers unjustly if the property was not properly photographed and authenticated; and second, final disposition of the case may be protracted for a long period of time. The return of property to its rightful owner may be hindered by concerns of prosecution, defense, and/or other interested parties.

6. 12.45.086 *Photographic evidence of property wrongfully taken or damaged,* defines the process for admissibility of photographs as evidence in criminal and children's court proceedings. This section states that properly submitted photographs are to be regarded to the same extent as if the property itself was introduced as evidence. This sounds good, but in practice falls short of its intent. 12.45.086(c) seems to recognize this problem by singling out only the theft of commercial fishing gear as being property that *shall be returned to the owner as soon as possible*. Nearly all thefts of property from businesses should be returned to the rightful owners ASAP.

7. CS SB 30 (2d JUD) seeks to restore victims to a pre-offense condition by *providing directly to the crime victim the right of a court hearing to recover possession of the crime victim's property*, and requiring that the party who objects to the return of the property prove to the court that their interest in the property overrides the crime victim's interest in having it returned.

8. CS SB 30 (2d JUD) provides that property owners who are *crime victims* must make a request for hearing through the Office of Victims' Rights (OVR) whose purpose is to vet the requests to determine if certain conditions are met in the law to allow for an owner claiming property to request a hearing.

9. 12.36.090 *Definitions* of "law enforcement agency" includes the Office of District Attorney, Department of Law, as this is a public agency having one of its principal functions being the enforcement of the criminal law.

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ALASKA STATE HOMEBUILDERS ASSOCIATION

February 22, 2011

Senator Fred Dyson
Alaska State Capitol
Juneau, Alaska 99801-1182

Re: SB 30 in support

Senator

We write you in support of SB-30 (An Act providing for the release of property in the custody of a law enforcement agency to the owner under certain conditions)

We agree to the supporting of SB-30 as representatives of the ASHBA (Alaska State Home Building Association), with a membership of 700 plus professionals operating and working in the construction industry. The organization views this form of legislation as beneficial to those individuals, or companies that are violated through theft, or the court systems as a means to acquire their property, and be able to utilize while the situation is resolved through the legal process.

This legislation will benefit all parties living in the state of Alaska, and will surly be well received through its passing.

If you are in need of any members being available to telephonically testify, or require any additional assistance please do not hesitate to ask.

Thank you for sponsoring SB-30

Dave Owens President ASHBA	Alan Wilson Co-Chair ASHBA Legislative Committee	Paul Michelsohn Jr. Co-Chair ASHBA Legislative Committee

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NFIB

The Voice of Small Business®

ALASKA

March 1, 2011

Senator Fred Dyson
Alaska State Senator
State Capitol Building
Juneau, Alaska 99801-1182

RE Senate Bill 30

Dear Senator Dyson,

On behalf of the National Federation of Independent Business/Alaska, I wish to express our support for Senate Bill 30. The National Federation of Independent Business is the largest small-business advocacy group in Alaska.

SB 30 would provide a mechanism for businesses that have had property stolen to gain assistance in recovering the items that are often critical to the continuation of a person's business.

While often there is not a problem retrieving property from authorities that are prosecuting a case, there are times when small businesses find that they are not considered as important as other issues. SB 30 provides the person assistance from the office of victims' rights to help recover stolen property being held by a law enforcement agency.

While the problem of retrieving stolen property is not always a problem, small businesses have found themselves fighting the government who has bottomless resources. The legal cost and loss of business are a very heavy burden to small businesses.

We believe that CSSB 30 is a reasonable solution to a potentially devastating problem for small businesses.

Sincerely yours,

Dennis L. DeWitt
Alaska State Director

SB

34

<TARGET><BILL>SB 34</BILL><SUBJECT>SB
34</SUBJECT><COMM>SFIN27</COMM></TARGET>

STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT
Division of Economic Development

Sean Parnell, Governor
Susan K. Bell, Commissioner
Wanetta Ayers, Director

TO: Senator Stedman

DATE: Tuesday, March 15, 2011

FROM: Wanetta Ayers

RE: Follow-up Questions on SB34

Thank you for the opportunity to respond to questions that arose during the March 10th meeting of the Senate Finance Committee during the hearing on SB34.

Can loans made under SB34 be stacked?
Yes. SB34 refers to loans in the plural, so multiple loans up to the maximum loan amount are allowable as long as the borrower meets the additional collateral requirements to secure any subsequent loans.

Are loans under SB34 recourse or non-recourse loans?
All of the loans issued by the Division are recourse loans. However, the Division works diligently with borrowers to avoid foreclosure. The Collections staff is very adept at achieving work outs that satisfy the loan requirements and leave the borrower whole.

What would be considered acceptable collateral and how has this been determined in the past?
Page 4, line 11 is standard language with regard to collateral requirements. Collateral is determined to be acceptable if it is in acceptable condition, has a determined market value, lien perfection is achievable, and there are no limiting factors. Limiting factors could be considerations regarding its location, possible environmental concerns, flood plain status, and similar concerns. The most common types of collateral accepted include real estate, aircraft, vessels, equipment, gear and inventory. The Division assigns a ratio to mitigate any of the limitation or risk factors associated with a particular type of collateral. Inventory is generally assigned a very low ratio of 25%, if it is accepted at all. The nature of the inventory will be taken into consideration. All of the foregoing is part of the due diligence that the lending staff regularly undertakes to determine if/how a loan application should advance to a credit decision.

Why was the loan fund summary discontinued and what was does the department need to continue this service?
In the past, this information was provided as part of a Division budget overview. The budget overview presentation was revised and submitted on a Department-wide basis. The Division will provide an update for yearend FY10 and year-to-date for FY11 no later than March 21. I believe the committee has a summary spreadsheet that provides some, but not all of this historical information.

Additional Information Based on Comments

Typical Default Rates
The Division has achieved an outstanding track record with regard to minimizing loan defaults and delinquencies. With regard to comparative default rates, a number of sources cite 4% as an average (Businessweek, WSJ). The SBA microloan program has a reported a 5 to 12 % rate, depending on the state. In Wisconsin, the average default rate was 9.26% and the median default rate was 5.58% (multiple loans administered by many agencies and NGOs). According to the Micro Capital Monitor, the 2006 average was 4.76% for U.S. micro lending. It is, perhaps, worth noting that according to 13 CFR 307.16 (d) an EDA funded RLF may have a default rate of 20% before a fund review is conducted and no specific action is mandated until the rate meets or exceeds 30%.

Clean-up of Inactive Loan Funds
The Division has historically continued to carry loan funds on its reports if there is any likelihood of a payment or other transaction. Loan Servicing reports include funds for which no active lending has occurred for many years, but some payment or interagency transaction may have occurred in the prior year. We welcome the discussion of streamlining this presentation of loan fund activity to focus on only those funds where active lending is occurring.

If I can provide any additional information, please let me know.

Senator Bill Wielechowski
c/o Municipal Clerks Office
632 W. 6th Ave. Suite 250
Anchorage, AK 99501

ANCHORAGE DOWNTOWN PARTNERSHIP, Ltd.
333 West 4th Avenue, Suite 317
Anchorage, AK 99501
Tel. 907-279-5650
Fax 907-279-5651

March 9, 2011

Re: Letter of support for SB34 "An Act establishing the Alaska small business revolving loan fund; relating to the fund and loans from the fund; and providing for an effective date."

Dear Senator Wielechowski,

Anchorage Downtown Partnership, Ltd. is an organization that represents over 900 business and property owners in downtown Anchorage, Alaska. Our mission is to increase cleanliness, occupancy rates, investment values and lease income; to decrease crime; to stimulate economic development; and improve the quality of life in downtown Anchorage.

We are writing to you today to express our support for SB34 "An Act establishing the Alaska small business revolving loan fund; relating to the fund and loans from the fund; and providing for an effective date."

A small business revolving loan fund – or microloan fund – is precisely what many of our stakeholders have been searching for, particularly over the past few years. Despite the state of the national economy, the Anchorage economy has fared quite well and many of our member businesses actually experienced growth in demand for their goods or services, growth that many were unable to meet because they lacked the capital to ramp up the operations.

Examples among our stakeholders include: an architecture firm whose business grew during the past few years as federal, state, and local capital projects came to fruition, a hotel owner who was poised to renovate and upgrade his small hotel to meet the growing demand for "boutique" hotels. In both cases, these businesses were poised to grow to meet the demands for their particular product or service. And in both cases, they were unable to secure the capital needed to grow their businesses.

Creating a microloan fund to be administered by the Department of Commerce, Community, and Economic Development will benefit Alaska small businesses tremendously, including many of our downtown stakeholders. Providing faster access to capital for growing or expanding businesses that have been unable to secure loans through traditional means is precisely what small businesses need.

Thank you for bringing this bill forward. On behalf of our organization and the 900+ business and property owners we represent, we strongly support SB34 and look forward to its passage.

Sincerely,



Christopher M. Schutte
Executive Director
Anchorage Downtown Partnership, Ltd.

Department of Commerce, Community, and Economic Development

Division of Economic Development

Loan Servicing Report

as of January 31, 2011

	Division of Economic Development Funds						Funds Serviced for Other Agencies					
	Commercial Fishing	Fisheries Enhancement	Capstone Avionics	Historic Districts	Mining	Alternative Energy	Small Business Economic Development	Bulk Fuel Bridge Grant	Alcohol	Rural Development Initiative Fund	Rural Development Fisheries Revitalization	Summary
Loan Servicing Summary												
Total Loans and Other Accounts	2,006	315	7	2	1	4	67	32	0	30	12	2,476
Total Principal Amount Outstanding ($ 000s)	76,110.6	94,774.3	424.5	50.5	381.7	14.7	6,658.9	1,716.2	0.0	2,933.4	1,061.0	184,125.8
Average Loan Amount	37.9	300.9	60.6	25.3	381.7	3.7	99.4	53.6	0	97.8	88.4	-
Performance Statistics												
Delinquent	2.7%	1.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.6%	0.0%	1.6%
Foreclosure	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10.8%	0.0%	0.2%

ALASKA STATE LEGISLATURE

Session

State Capitol, Rm. 101
Juneau, AK 99801
(907) 465-2435
Fax: (907) 465-6615

Interim

716 W. 4th Ave, Ste. 540
Anchorage, AK 99501
(907) 269-0120
Fax: (907) 269-0122

Senator_Bill_Wielechowski@legis.state.ak.us



Chair
State Affairs Committee

Co-chair
Joint Armed Services Committee

Vice Chair
Resources Committee
Judiciary Committee

Member
Administrative Regulation Review

SENATOR BILL WIELECHOWSKI

Sponsor Statement: SB 34

An Act Establishing the Alaska Small Business Revolving Loan Fund

The purpose of SB 34 is to promote additional economic development in Alaska by helping small businesses to secure needed capital for start-up or expansions,

- Alaska's loan fund would be modeled after the federal Small Business Administration's "Microloan Program."

- Only 2 states do not participate in the federal program. Alaska is one. The program is not available here because an intermediary lender is required, and no lenders meeting SBA qualifications have been identified.

- This bill would create a Small Business Revolving Loan Fund within the Dept of Commerce, Community, and Economic Development. All earnings and loan repayments would be retained in the fund for future loans and all operating expenses would be paid from fund earnings.

- Loan applicants must be Alaska residents and provide a reasonable amount of non-state matching funds. Loans are capped at $50,000 for 1 individual and $100,000 for 2 or more. Loans would bear an interest rate of prime plus 1%, with a minimum of 6% and a maximum of 8%.

Please join me in supporting this important legislation.

S.B. 34:

Alaska Small Business Revolving Loan Fund

Prime Sponsors
(Bipartisan)

Senators

Menard, Ellis, Paskvan, McGuire, Thomas, and Wielechowski

Purpose:

To promote
economic development
by helping small businesses
in Alaska to access
critically needed capital

The Need

- Nationally, the number of small businesses able to obtain adequate financing has steadily decreased in the last several years.
- In 2008, 78% of small businesses reported adequate access to capital.
- This declined to 62% in 2009 and 59% in 2010.

(National Small Business Association)

Fewer Loans

- In 2009, new small business loans fell 33% to $192 billion, the lowest total since 2000. (Federal Financial Institutions Examination Council)

- Small business use of nearly every financing mechanism has decreased -- from traditional bank loans to credit cards to vendor loans. (NSBA)

Credit Crunch

- 80% of business owners – 4 out of 5 – report that their company has been impacted by the credit crunch.

Why is this a problem?

- Small firms tend to drive job growth, particularly during recoveries. They employ roughly half of all American workers and account for about 60% of job creation.

- Businesses less than 2 years old are especially vital. Over the past 20 years, start-ups have accounted for roughly 25% of job creation. When capital flows more freely, small businesses add new jobs.

Is Alaska Different?

- Probably not, according to experts. In fact, Alaska's higher business costs could exacerbate the problem.

- Support for small businesses is as important here as elsewhere.

Given this …

- Perhaps we should listen to Fed Chairman Ben Bernanke, who recently said:

- "Making credit accessible to sound small businesses is crucial to our economic recovery and so should be front and center among our current policy challenges." (June 9, 2010)

One Answer: Micro-Loans

- **The Small Business Revolving Loan Fund Senate Bill 34 proposes is modeled after a program currently operated by the federal Small Business Administration.**

An Unmet Need

- 46 other states have "micro-loan" programs

- Alaska does not because an intermediary lender is required and no lenders meeting SBA qualifications have been indentified to date in the state

A Little History

- Last year, Governor Parnell introduced HB 412 to create a state micro-loan program.
- The bill passed the House unanimously on April 13 but stalled in the Senate.
- Over the interim, we tried unsuccessfully to ascertain whether the Governor intended to re-introduce the bill.

Senate Bill 34

- As a result, a bipartisan group of Senators decided to introduce SB 34.

- This bill differs from HB 412 in that the maximum loan amount has been slightly increased in response to comments from small business owners and new federal guidelines.

Senate Bill 34, cont.

- The Senate bill also requires applicants for loans over $35,000 to prove they have been turned-down from a local financial institution before requesting a state loan.

- It also requires that applicants provide a minimum 20% match for the loan.

Loan Eligibility

- Applicants must be Alaska residents and their businesses must be located in Alaska.

- They must provide sufficient collateral to secure the loan.

(Nationally, micro loans have a very low default rate – less than 5%. DCCED expects an even lower rate in Alaska. Overall, their default rate is .6%)

Loan Terms

- The loans would bear an interest rate of prime plus 1%, with a floor of 6% and a cap of 8%.

- The maximum term would be 6 years.

Loan Terms, cont.

- Loans could not exceed $50,000 for 1 individual and $100,000 for 2 or more individuals.

- The program would be housed within the Department of Commerce, Community and Economic Development.

Other Programs

This program would complement two existing programs administered by the Division of Economic Development:

1. **The Small Business Economic Development Revolving Loan Fund**
2. **The Rural Development Initiative Fund**

Economic Development Fund (SBEDRLF)

- This program relies on funding from the federal EDA and is targeted at communities experiencing economic hardship.

- Funds are primarily used for long-term financing and numerous federal requirements must be met.

Rural Development Fund (RDIF)

- Created with state funds, primarily for long-term financing.
- Only available in communities of 5,000 or less (if not connected by road or rail to Anchorage or Fairbanks) or communities of less than 2,000 (if connected).

Alaska
Small Business Loans

- Would provide relatively short-term, low-interest loans to Alaska small businesses

- Could be used for working capital, purchasing machinery, equipment, inventory and leasehold improvements.

Statewide Eligibility

- Loans would be available in all regions of the state.
- The application process would be streamlined and fees would be modest: $100 to apply and a 1% origination fee.

Capitalization

- The fund would be capitalized with $3.5 million.
- All earnings and loan repayments would be retained by the fund for future loans.
- And operating expenses would be paid from fund earnings.

Potential Fund Sources

- Two possibilities:

    1. General funds (likely)
    2. State Small Business Credit Initiative funding through the U.S. Treasury (less likely)

Small Business Credit Initiative

- New federal program created by the Small Business Jobs Act of 2010
- $1.5 billion appropriated to "strengthen state programs that support lending to small businesses and small manufacturers"
- Formula-driven program

Small Business Credit Initiative, cont.

- Alaska's share = More than $13 million
- State has filed letter of intent to apply
- Application deadline : June 27, 2011

Revolving Loan Funds:
Self-Sustaining

- Assumptions: 20 loans in first year
- Average loan = $35,000
- 25 in second year and every year thereafter
- By FY'17, all principle pushed out
- Fund starts earning money and re-lending

Widespread Support For Micro-Loans

Business groups from across the state recognize the need for a micro-lending program, such as that proposed by S.B. 34.

Bristol Bay Economic Development Corporation

"By far, the most challenging aspect of starting a small business in our region is lack of capital; even when it involves a very small amount of money. Traditional sources of capital such as banks and other financial institutes are not viable sources of capital for small entrepreneurs in rural Alaska."

H. Robin Samuelsen
Chief Executive

Anchorage Economic Development Corporation

"This modest investment by the state of Alaska could yield significant benefits for communities in every region of the state. The sizes of the loan are quite modest, as are the corresponding fees and interest rates charged. The infusion of capital this program offers will help both existing businesses and start-up businesses to bridge short-term funding gaps, purchase new equipment, expand services and employ more Alaska citizens."

Bill Popp
President and CEO

Alaska Small Business Development Center

"Micro-lending is an opportunity for many small businesses who typically do not find lending options with banks due to the small amount of their loan request. Many lending institutions prefer loan applications with values of $100,000 or more. ... The approval of micro-lending bills will significantly impact and support many small businesses throughout Alaska..."

Debi Fowler

Associate State Director

Southwest Alaska Municipal Conference

"In Southwest Alaska, a revolving loan fund could help small boat owners or smaller fish processors with equipment purchases. It could assist bed and breakfast owners with upgrades to their homes and business. Or it could provide much needed capital to mechanics, day care providers, and a host of other small business startups and entrepreneurs."

Andy Varner
Executive Director

Small Business Owner

"As a small business owner, I depend on credit to place orders for inventory, expansion, advertising and payroll during slow times. Availability of this credit has allowed many businesses to weather economic slow downs in the past and even to emerge stronger when the economy recovers. This recession is different: all forms of available credit have dried up, especially those for small business."

Ted Ragains

Alaska Bankers Association

- SB 34 even has the **support of the Alaska Bankers Association**.

- The sponsors of this legislation worked closely with them to resolve any concerns they had.

Closing Thoughts

- Small loans, many under $15,000
- Alaska residents only
- Quick pay-back
- The difference between success and failure, especially when credit is tight
- Possible federal funding
- Self-sustaining, including operating costs

LEGAL SERVICES

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

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FAX (907) 465-2029
Mail Stop 3101

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

MEMORANDUM February 10, 2011

SUBJECT: Sectional summary of CSSB 34(L&C) establishing the Alaska small business revolving loan fund
(Work Order No. 27-LS0204\I)

TO: Senator Bill Wielechowski
Attn: Michelle Sydeman

FROM: Theresa Bannister
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1. Gives the new material a short title. Places this in uncodified law.

Section 2. States legislative intent for the bill.

Section 3. Establishes the new Alaska Small Business Revolving Loan Fund.

Sec. 44.33.950 creates the new fund in the general fund. Allows the Department of Commerce, Community, and Economic Development to use money in the fund to carry out the purposes of the new fund provisions. Identifies the money and payments that make up the fund. Authorizes the legislature to make appropriations from the fund to administer the new fund provisions.

Sec. 44.33.955 lists the powers and duties of the department relating to the fund.

Sec. 44.33.960 sets out the eligibility requirements for applicants for loans from the fund, including (1) providing 20 percent of the money to be used on the project, and (2) proving that the applicant was turned down for a loan or that another loan is contingent on the fund loan. Indicates how an applicant meets the residency requirements.

Sec. 44.33.965 sets the monetary limits on loans to individuals and to two or more individuals. Sets a maximum term for fund loans and allows for extensions. Sets maximum and minimum interest rates for fund loans. Requires loans to be secured by collateral. Prohibits loans to individuals with established past due child support obligations.

Sec. 44.33.970 establishes a special foreclosure expense account and indicates when the department may use the money in the account.

Sec. 44.33.975 directs the department to dispose of property acquired through loan default or foreclosure. Requires the method of disposal to serve the state's best interest. Allows for amortization of payments.

Sec. 44.33.990 defines terms for the new provisions.

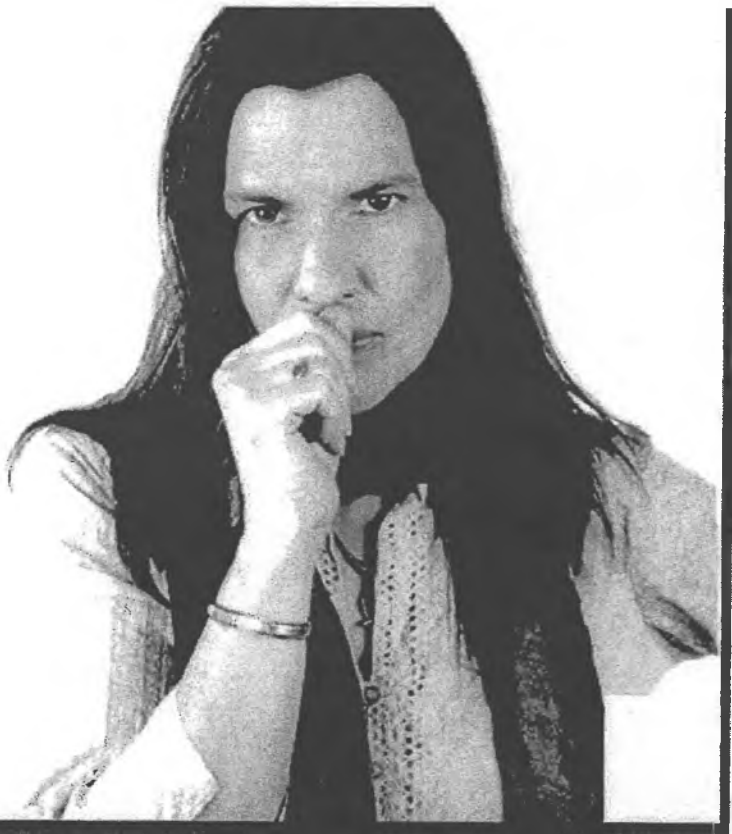
Section 4. Authorizes the department to begin the regulation adoption process for the new loan fund immediately. But the regulations may not take effect before July 1, 2011.

Section 5. Gives bill sec. 3 an immediate effective date.

Section 6. Aside from the start-up regulation authority, sets a general effective date for the bill of July 1, 2011.

If I may be of further assistance, please advise.

TLB:plm
11-073.plm

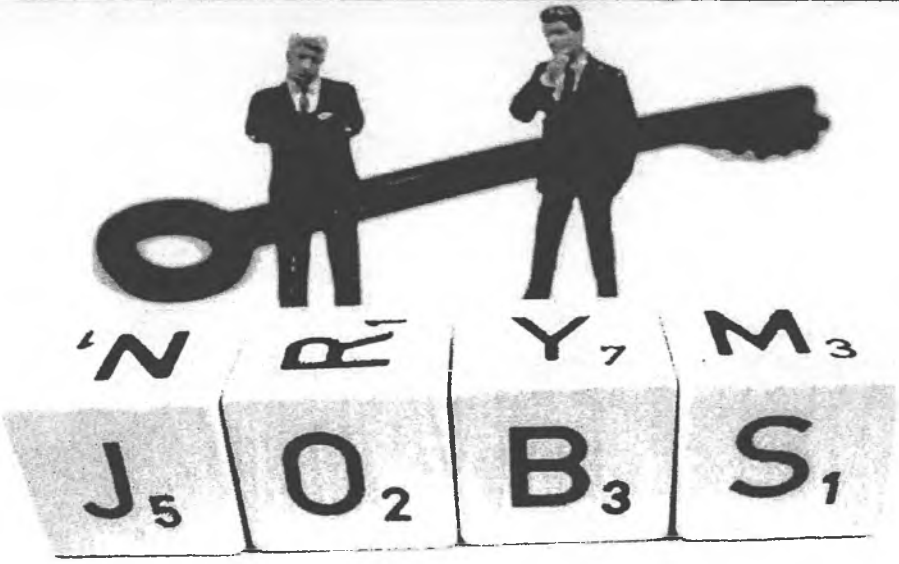




2010 Mid-Year Economic Report

NSBA
National Small Business Association®





Small-Business Financing

As NSBA repeatedly has said over the last two years, small-business access to capital is a growing problem. When asked what are the most significant challenges facing their business, nearly one-third (29 percent) said lack of available capital—that's up from 24 percent just six months ago.

The prospect of getting financed for a small business—even in a growing economy—is very difficult simply due to the fact that many small businesses lack the assets necessary for a traditional bank loan, making them a riskier lending option for banks. Unfortunately, the number of small businesses able to obtain adequate financing for their business has steadily decreased in the last few years. Today, only 59 percent of small businesses are able to obtain adequate financing for their business. That number has dropped from 78 percent in August 2008, 67 percent in December 2008, 62 percent in July 2009, and 61 percent in December 2009. Although a majority are able to secure financing, it cannot be glossed over that 41 percent—which translates into more than 12 million—of the nation's small businesses are not able to get adequate financing.

NSBA has been asking small-business owners if their business had been impacted by the credit crunch since early 2008. In February 2008, 55 percent responded that it had. In August 2008 that number jumped to 67 percent, and continued to rise to 69 percent in December 2008 and hit a high of 80 percent in July 2009. Despite a slight easing in December 2009 down to 78 percent, the number today is back up at its highest point. Eighty percent—four out of five—of small-business owners report that their company has been impacted by the credit crunch.

The availability of capital is a critical component to business growth and job creation for small businesses. Since 1993, when NSBA began asking these questions, there has been a direct correlation between access to capital and job growth—when capital flows more freely, small businesses add new jobs.

Among small-business owners for whom capital availability has been a problem, 44 percent state that they have been unable to grow or expand the business, and 20 percent state that they have been forced to reduce their number of employees. Perhaps even more worrisome is the growth in small businesses that report they are unable to increase inventory to meet demand—up from seven percent in December 2009 to 12 percent today. This means that, although growth opportunities exist for these businesses, they are being held back by a lack of capital.

In the last six months, there has been a decrease in small-business use of nearly every financing mechanism, from traditional bank loans to credit cards to vendor credit. The number of small businesses using no financing options remained steady at 21 percent—virtually no change from the December 2009 results.

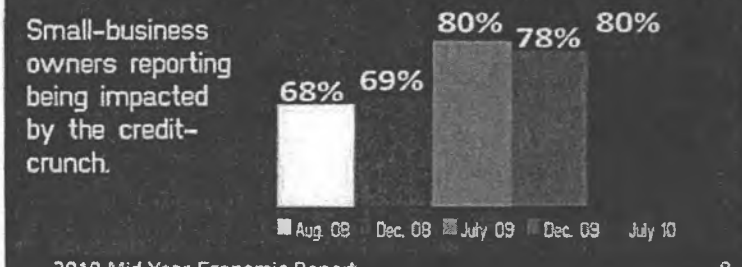
Prior to the December 2009 survey, credit cards had been the number one source of financing for small-business owners, Today, however, they have dropped to the number three slot, just behind traditional bank loans at number one and earnings of the business at number two. Although reports have shown a higher rate of approvals among credit card applicants, many small businesses are hesitant to take on credit-card debt given the volatility associated with them.

Loans

While the number of small businesses relying on traditional bank loans jumped to 53 percent in July 2009—up from 44 percent in December 2008—only 43 percent small-business owners today are using bank loans. That number was higher just six months ago with 46 percent of small-business owners using bank loans. In addition to banks' unwillingness to loan to small businesses, the fact that terms continue to worsen for small businesses is likely part of the reason small-business owners have been seeking fewer bank loans. Twenty-four percent of small-business owners reported less favorable terms on their loans in the last year, and only two percent report that

What types of financing has your company used within the past 12 months to meet your capital needs?

	Aug. 08	Dec. 08	July 09	Dec. 09	July 10



the terms of their loans have become more favorable.

Although lower demand for loans from small-business owners who are typically hesitant to take on additional debt in a distressed economy may be a part of the equation, the decrease in loans is more likely related to the terms and availability of such loans. Many banks appear unable or unwilling to lend affordable capital to any small businesses that doesn't meet their extremely high definition of a "creditworthy" small business.

Underscoring this fact, the April 2010 Federal Reserve Board (the Fed) Senior Loan Officer Survey reported that, although banks have begun slightly easing standards on large firm loans, little has changed for small firms. Among large banks, 19.4 percent eased their standards on loans to large firms while only 3.4 percent did the same for small business. Compounding matters, there was even a net tightening on loan terms to small businesses from smaller banks—the very banks that small businesses typically turn to as they are the last remaining institutions still willing to make character-based loans. The reason cited for this tightening was completely unrelated to the businesses themselves, and rather was due to a less favorable economic outlook and the banks' decreased tolerance for risk.

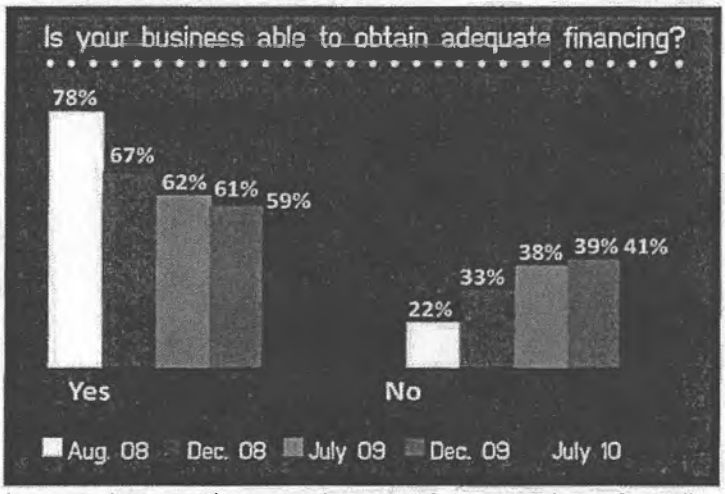
The implications of the collapsed housing market continue to haunt the small-business community. In August 2008, 12 percent of small-business owners leveraged their business loans with a second home mortgage. That number has been steadily decreasing since that time and is now at an all-time low of six percent.

Credit Cards

Given the events of the last year, in which interest rates on credit cards remained high, credit-card limits were arbitrarily cut, and credit-card accounts were eliminated entirely by the credit-card companies, it is not surprising that the gradual decrease in credit-card usage has continued. Although the number of small-businesses relying on credit cards has dropped slightly, they still account for one of the largest sources of financing for NSBA's members.

In the last year, a major piece of legislation was passed, the Credit CARD Act, which went into effect in early-2010 and put a stop to some of the most egregious practices of the credit-card industry. Unfortunately that legislation didn't expressly include the cards used exclusively or primarily for small-business use despite the best efforts of NSBA and some key advocates on Capitol Hill. Credit-card companies and large banks railed against the legislation and an amendment to extend the protections to small businesses, warning that the legislation and the small-business inclusion amendment would make credit cards wildly more expensive and difficult to qualify for across the board.

Now four months after the implementation date, that simply



has not happened. Granted, a significant number of small businesses (48 percent) report that the terms on their credit cards have in fact gotten worse in the last several months, however that number actually decreased since the December 2009 report when 64 percent reported worsening terms in recent months. Given that many banks have voluntarily adjusted their standard operating procedures to extend the legislative protections to both personal and business credit cards, this is a clear indication that the legislation did NOT cause wholesale cost increases in credit cards as opponents to the bill projected. Furthermore, the survey indicates that the law is working, as fewer small-business owners reported that the terms of their credit card had worsened.

The interest rates small-business owners are subject to continue to be high, though not as a direct result of the legislation. The average interest rate small businesses pay is 16 percent. Half of small businesses (50 percent) pay more than 15 percent in interest rates on their credit cards. Nearly one-quarter (23 percent) of all small-business owners are currently paying 20 percent or more in interest rates. This has not been a notable change since the December 2009 report.

One particularly problematic trend that began in late-2008 was credit-card companies arbitrarily reducing the credit limit on a card—or shutting down the card entirely. For a small-business owner carrying a balance, this unexpected reduction results in a diminished credit score, as the owner suddenly is utilizing more of his/her available credit. With banks increasingly reliant on personal credit scores in their underwriting practices, this credit score hit can be quite problematic. Compounding matters, these reductions are typically due simply to the fact that, as a small business, they are viewed as a more risky credit option.

When asked in December 2008, 28 percent of small-business owners responded that they had experienced a decrease in their line(s) of credit or a credit-card limit in the past six months. Today, 36 percent—up slightly from 35 percent in December 2009—of small-business owners were subject to such a decrease in the last six months.

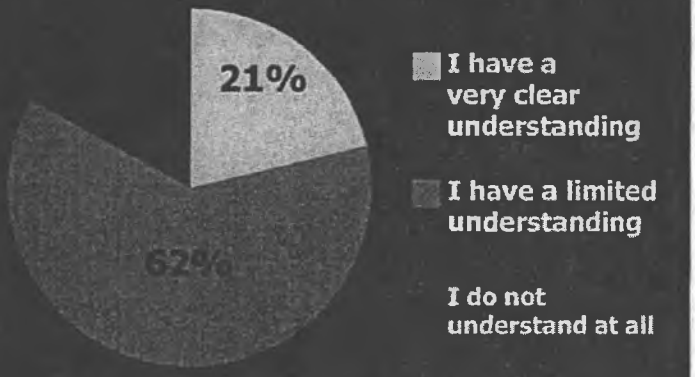


"There is a direct correlation between access to capital and job growth. Unless small-business owners are able to secure financing, we will continue to see high unemployment."

Which one of the following issues do you believe Congress and President Obama's administration should address first?

	July 10	Dec. 09
Reducing the tax burden	36%	43%
Increase small business access to capital	23%	18%
Reducing the regulatory burden on businesses	14%	15%
Health care reform	10%	7%
Rising fuel prices and addressing the nations' dependence on oil	3%	4%
Credit card reform	3%	3%
Improving education to provide a qualified domestic workforce	1%	1%

How well would you say you understand how the new health care reform law is going to impact your business?



Public Policy

Just months away from the mid-term elections with some key pieces of legislation having been passed—health care reform and financial regulatory reform to name a few—lawmakers find themselves still facing high unemployment and a struggling small-business community. Despite all the rhetoric about the importance of small business to the U.S. economy, too little has been done address the many issues bogging down America's small-business owners. Small business has played a critical role in past economic recoveries; however they continue to be hit with increasing difficulty accessing capital, putting the brakes on any growth opportunities.

Small-business owners continue to rank "reducing the tax burden" as the top issue Congress and the administration should address. However in the last six months, there was a notable drop from 43 percent to 36 percent among those that ranked taxes their top issue. In that same time, the number of small businesses that ranked "access to capital" as the top issue Congress and the administration should address rose 5 points to 23 percent. Reducing the regulatory burden on small businesses and health care reform came in third and fourth, respectively.

Health Care Reform

Despite the passage of broad health care reform—legislation which NSBA ultimately opposed due to its inability to truly address rising costs—small business owners continue to report dire consequences of rising health insurance costs. When asked how they have coped with rising health care costs, 24 percent, up from 20 percent in December 2009, were forced to reduce their workforce. That means one in four small businesses, in this terrible economy with high unemployment, is having to lay-off workers due to health insurance costs.

There exists a significant amount of confusion among small-business owners about how the new health care law will impact their business. When asked if their business will qualify for the small-business health care tax credit, only 10 percent said yes. The majority—52 percent—said they weren't sure whether or not they were eligible for the tax credit. In more broad terms, small businesses were asked to rate their understanding of the new law, and only 21 percent said they have a clear understanding while 79 percent said they have a limited or no understanding at all of how their business will be impacted. Given that this survey is among



CONCLUSION

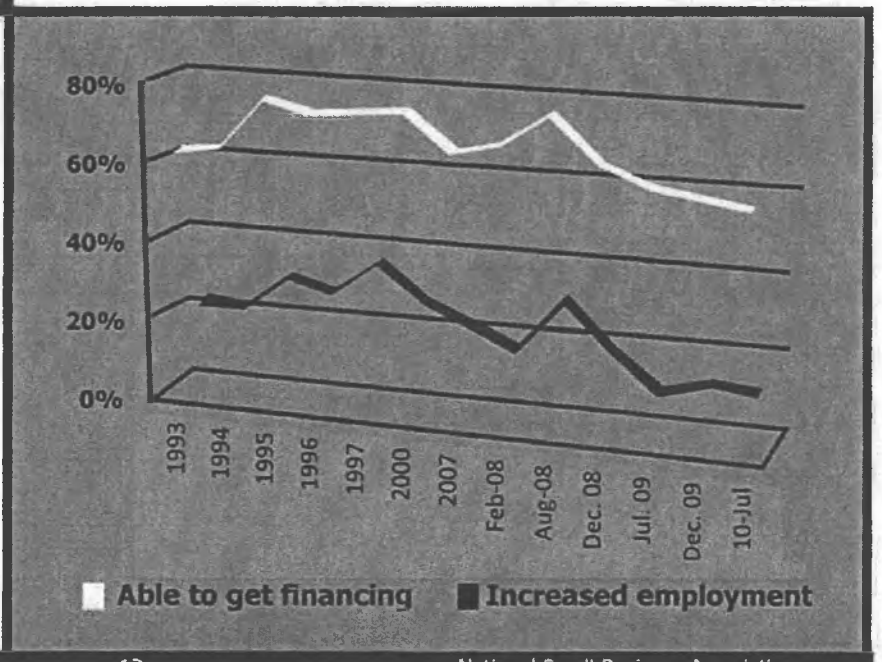
Small employers comprise 99.7 percent of all employer firms in the U.S. One in two workers in the private workforce run or work for a small business, and one in four individuals in the total U.S. population is part of the small business community (equaling 23 percent of the population.) Firms with fewer than 500 employees accounted for 64 percent of net new jobs between 1993 and the third quarter of 2008. Thirty-two percent of those gains came from the creation of new, small firms.

According to the Pew Research Center, small businesses are widely seen as having a positive impact on the country. Small business ranked number one with 71 percent of respondents having positive views. Large corporations, on the other hand, earned a 64 percent negative rating. Just 25 percent say the federal government has a positive effect on the way things are going in the country and banks and other financial institutions only earned a 22 percent positive rating.

According to SBA's Small Business Economic Indicators for 2003, when the economy gained momentum after the previous downturn in the early 1990s, firms with fewer than 500 employees increased their net employment in the first year after the recession, while large firms continued to shrink. From March 2000 to March 2001, small firms added 1.15 million net new jobs while large firms lost 0.15 million net new jobs.

NSBA believes more can, and must be done to ensure entrepreneurship remains a viable, attainable option for every American.

Amid all the financial concerns small-business owners face, the fact that Congress would approve this new, massively burdensome 1099 reporting requirement is unfathomable.



Alaska Bankers Association

February 14, 2011

Senator Bill Wielechowski
AK State Capitol, Room #101
Juneau, AK 99801

Dear Senator Wielechowski:

The Alaska Bankers Association consists of the following eight member banks: Alaska Pacific Bank, Denali State Bank, First Bank Ketchikan, First National Bank Alaska, KeyBank, Mt. McKinley Bank, Northrim Bank, and Wells Fargo Bank.

The Alaska Bankers Association would like to express our thanks for working with us to amend Senate Bill 34; the Small Business Revolving Loan Fund. The addition of the "turn down" language for loans over $35,000 is of particular importance. We are satisfied with the changes made in the Senate Labor & Commerce Committee and are now in support of the bill.

As Craig Dahl, President of Alaska Pacific Bank, indicated in his testimony, the Alaska banks are actively engaged in making loans to the small business community. While the nation's headlines spoke to bank's not making loans, the banks watched loan demand slow or stop all together depending on the market. However, at no time during the last two plus years have any of the community banks in Alaska stopped lending in any of their portfolios.

To give you a sense of recent loan volume over the last two years, we have acquired a range of lending from several of our members. The following data represents the 2009 and 2010 new business loans under $100,000 made by First National Bank, Northrim Bank and Alaska Pacific Bank.

2009		2010	
1,060	$34,146,278	1,035	$37,796,775

This data represents three of our eight member banks in Alaska.

All banks, not just in Alaska, have excess liquidity and are looking forward to increased loan demand. If a viable business proposal walks into any of the Alaskan institutions, the proposal is going to receive a fair review. We want to make the loan as bad as the borrower wants it.

Again, thank you for working with the Alaska Bankers Association to craft a committee substitute that works for all of us.

Sincerely,

Joe Beedle
President, Alaska Bankers Association

3111 C Street • P.O. Box 241489
Anchorage, Alaska 99524-1489

PHONE: 907/261-3306
FAX: 907/562-1758

Mat-Su Resource Conservation & Development

"Fostering Responsible Resource Conservation and Economic Development in the Matanuska-Susitna Borough"

February 2, 2011

Senator Bill Wielechowski
Room 101,State Capitol Building
Juneau, Alaska 99801-1182

Dear Senator Wielechowski;

As the ARDOR in the Matanuska-Susitna Borough our goal is to assist in creating jobs, expanding the local economy, conserve natural resources and enhance the quality of life for the residents and institutions of the Matanuska-Susitna Borough.

One of the economic development tools we are in need of not only in the Mat-Su Borough but throughout the State is an effective Micro-Loan program that meets the broad needs of entrepreneurs in both rural and urban Alaska.

As an Economic Development practitioner I fully support the development of a broad reaching Micro-Loan program that allows Small Businesses access to much needed capital.

Sincerely,

Marty Metiva
Executive Director

1700 East Bogard Rd Suite 203A • Wasilla, Alaska 99654 •
Phone: 907-373-1062 ext 108 • Fax: 907-373-1064 • matsurcd@mtaonline.net

NRCS

ALASKA PARTNERSHIP FOR ECONOMIC DEVELOPMENT
GROWING, SUSTAINING AND DIVERSIFYING ALASKA'S ECONOMY

ARDOR

SWAMC
Southwest Alaska Municipal Conference
3300 Arctic Boulevard, Suite 203 Anchorage, AK 99503 p: 907.562.7380 f: 888.356.1206 www.swamc.org
Alaska Peninsula
Aleutian Chain
Bristol Bay
Kodiak Island
Pribilof Islands

February 2, 2011

Dear Senator Wielechowski,

This letter is written in support of SB 34, a bill aimed at creating a micro revolving loan fund for the State of Alaska. Access to startup and working capital is a key component of starting new enterprises and creating jobs in Alaska, and many rural Alaskans do not have access to this type of capital.

In Southwest Alaska, a revolving loan fund could help boat owners or smaller fish processors with equipment purchases. It could assist bed and breakfast owners with upgrades to their homes and business. Or it could provide much-needed construction capital to mechanics, day care providers, and a host of other small business startups and entrepreneurs.

Alaska is one of only four states in the nation that do not have a microloan program and this bill would resolve that and fill an unmet need that would help small businesses, which is why SWAMC supports it.

Our organization believes SB 34 is a valuable bill with great potential. I hope it can help add to Alaska's efforts to support our small businesses and entrepreneurs.

Sincerely,
SOUTHWEST ALASKA MUNICIPAL CONFERENCE

Andy Varner

Executive Director

PRINCE WILLIAM SOUND
ECONOMIC
DEVELOPMENT
DISTRICT

Chenega Bay
Cordova
Tatitlek
Valdez
Whittier

February 1, 2011

To Whom It May Concern:

On behalf of Prince William Sound Economic Development District, I would like to offer our support for Senate Bill No. 34 to establish an Alaska Small Business Revolving Loan Fund. This would be extremely helpful to those in our state who wish to open a new business.

SB34 would provide loans for working capital, equipment, construction or other purposes needed to start a business in Alaska.

We, therefore, support Senate Bill No. 34.

Sue Cogswell, Executive Director

Sue Cogswell

ALASKA REGIONAL DEVELOPMENT ORGANIZATION
3207 Spenard Rd. Suite 207 • Anchorage, Alaska 99503 Phone (907) 222-2440 • FAX (907) 222-2411 • Cell (907) 223-7672 • Email pwsedd@dcl.net

ARDOR

This letter is written in support of Senate Bill 34, a bipartisan effort to create and maintain a Small Business Revolving Loan Fund for residents of the State of Alaska.

There is a need in Alaska for a funding source to support the needs of entrepreneurs who wish to initiate a small business and borrow a portion of their initial investment for it. Applicants would provide the remainder of funds from their own sources and would be responsible for repaying the amount borrowed at a reasonable rate of interest.

For residents of the Yukon Kuskokwim Delta, this program would provide an opportunity currently unavailable to them to establish their business idea and access needed capital for a startup or a business expansion.

Your support of this bill would provide a needed source of funds for potential small business entrepreneurs in Alaska who are currently underserved and without other resources to draw upon.

Thank you for your consideration of this request.

Carl Berger, Executive Director
Lower Kuskokwim Economic Development Council
Bethel, AK

THE WALL STREET JOURNAL.
WSJ.com

JULY 12, 2010, 10:05 AM ET

Bernanke Urges Small-Business Lending

Federal Reserve Chairman **Ben Bernanke** urged banks and regulators Monday to seek out ways to ensure that small businesses get the credit they need to create jobs.

"Making credit accessible to sound small businesses is crucial to our economic recovery and so should be front and center among our current policy challenges," Bernanke said in prepared remarks to the Fed's forum on restoring credit to small businesses.



Reuters

Fed Chairman Ben Bernanke

Declaring small businesses as "central" to tackling unemployment, the Fed chief said not enough is being done to ensure that financially sound companies can obtain loans.

Fed officials have become increasingly worried about the stubbornly high unemployment. The jobless rate edged down to 9.5% in June from 9.7% the previous month. But the economy shed jobs for the first time this year, with nonfarm payrolls falling 125,000 last month.

"The formation and growth of small businesses depends critically on access to credit," Bernanke said in the text of his remarks. "Unfortunately, those businesses report that credit conditions remain very difficult."

The forum is the culmination of a fact-finding mission the Fed launched in February to identify how to improve credit access for small firms, which account for about 60% of job creation.

Fed officials have hosted more than 40 meetings around the country with small businesses, bankers and community leaders to identify obstacles that have contributed to a continued contraction in lending.

Bernanke cited data showing that outstanding loans to small businesses have declined to less than $670 billion in the first quarter of 2010 from about $710 billion in the second quarter of 2008.

While major banks eased loan conditions for big firms during the first quarter, lending standards remained tight among the local banks that small businesses rely on, according to the quarterly Fed survey. Similarly, a survey by the **National Federation of Independent Business** found that the proportion of firms reporting tighter credit conditions over the past three months remained "extremely elevated," Bernanke said.

Some lenders participating in the meetings viewed the current lending standards a return to more normal conditions following a period of lax standards. But Bernanke said "it seems clear" that some creditworthy borrowers and having trouble getting credit, even when strong cash flow is compensating for a loss in collateral.

"The challenge ahead for lenders will be to determine how to assess the credit quality of businesses in an uncertain and difficult economic environment," he said.

Lending to creditworthy borrowers is in their interest, Bernanke said, since "that's how they earn their profits."

Meanwhile, he said regulators should continue to work with lenders to help improve credit availability to sound small firms.

The Fed has been encouraging banks to ensure that credit-worthy small businesses can get the credit they need. Reacting to complaints that its own bank examiners are contributing to overly tight standards, the central bank is also conducting training programs with examiners to drive home the message that encouraging loans to small businesses that can repay is positive for the banking system.

Still, Bernanke cautioned against "one-size-fits-all solutions," saying that the meetings confirmed that each small business has a unique combination of local economic conditions and relationships with creditors and customers.

He didn't make any comments on the outlook for monetary policy.

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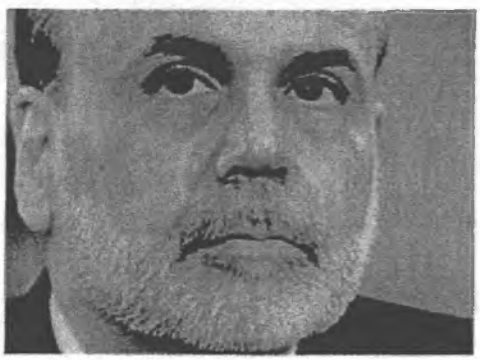
WASHINGTON, July 12, 2010

Bernanke: Small Businesses Denied Credit

Federal Reserve Chairman Steps Up Pressure on Banks to Lend More to Smaller Firms



Federal Reserve Chairman Ben Bernanke testifies on Capitol Hill in Washington, Wednesday, June 9, 2010. **(AP Photo/J. Scott Applewhite)**

(AP) Big companies are building up cash and are expected to report strong earnings starting this week. Not so for small businesses that can't get loans - or hire freely until they do.

The gap helps explain why the economic rebound isn't stronger and could even stall. Federal Reserve Chairman Ben Bernanke stepped up pressure Monday on banks to break the logjam and lend more to smaller firms, which employ at least half of American workers.

Small business owners are relying on personal credit cards or raiding retirement accounts to stay afloat, the Fed chairman said.

Bernanke and other regulators have urged banks for months to lend more to smaller companies. Lawmakers have complained that small businesses that want loans are having trouble getting them. Banks have countered by saying demand remains weak.

The Fed does have authority to create programs to increase lending, such as providing low-cost loans to banks. But economic conditions would probably have to weaken considerably before the Fed would propose such a move. One such program set up during the 2008 financial crisis was recently closed.

The Fed chief's latest comments came as legislative efforts to spur small-business lending have languished, and as the recovery has lost momentum. Bernanke spoke at a Fed conference held to explore ways to loosen lending to small companies.

"Making credit accessible to sound small businesses is crucial to our economic recovery," Bernanke said. "More must be done."

Some small business leaders say they would hire more if only they had easier access to loans. One of them is Marilyn Landis of Basic Business Concepts Inc. of Pittsburgh, which compiles financial documents for other small businesses.

Landis says she would like to hire one or two more people for her 10-person firm and wants to expand into New England. Yet even though she says she's never missed a payment, Landis says her line of credit was cut about 18 months ago.

She relies on credit cards to pay for everything from supplies to payrolls. Without additional credit, she says, "It is impossible to expand, and I can't hire."

Nearly one-third of small business borrowers report difficulty arranging credit, the National Federation of Independent Businesses says.

By contrast, big businesses, which start reporting their second-quarter earnings this week, have enjoyed easier access to loans and low interest rates.

Analysts expect companies in the Standard & Poor's 500 to report a 42 percent jump in profit by one measure, S&P says. For the current quarter, which ends Sept. 30, they expect a 31 percent rise.

The big companies also benefit from something available to fairly few small businesses: plenty of cash.

In March, cash at S&P 500 companies hit a record $837 billion - about a year and a half's worth of profits. And S&P senior analyst Howard Silverblatt says he expects cash to rise to a new record for the April-to-June quarter when figures are released later this summer.

Yet even as the economy has improved, lending to small businesses has declined. It's dropped from around $710 billion in the second quarter 2008 to less than $670 billion in the first quarter of this year.

The Fed and other regulators have urged banks to step up lending to creditworthy small businesses. Despite the push, such lending is still tight.

The impact on the economy is severe because small businesses tend to drive job growth during recoveries. They employ roughly half of all Americans and account for about 60 percent of job creation, Bernanke said.

And newer small businesses - those less than two years old - are especially vital. Over the past 20 years, these startups accounted for roughly a quarter of all job creation, even though they employed less than 10 percent of the work force, he added.

The Obama administration in early May sent Congress a proposal to create a $30 billion program to unfreeze credit for small businesses. The fund would provide money to small and medium-sized banks to encourage them to lend to small businesses. The legislation has yet to pass the Senate.

Bernanke said it's hard to tell whether the problem is banks refusing to lend to small businesses or a lack of demand from those companies. Each company faces different economic conditions and complex relationships with customers, suppliers and creditors, Bernanke said.

Some lenders say they have restored more traditional standards after a period of lax lending that contributed to the financial crisis.

Several big banks say they're already lending more to small businesses. Bank of America lent $19.4 billion to small and medium-sized businesses in the first three months of 2010, an increase of nearly $3 billion from last year. JPMorgan Chase and Citigroup have pledged to lend more, too.

Combined, though, the dollar amounts are relatively tiny compared with how much banks would lend in a healthy economy, said Robert DeYoung, a finance professor at the University of Kansas.

"These numbers would be dwarfed by the increase in lending after the economy starts recovering, and the economy hasn't really started to recover," DeYoung said.

Banks will be able to increase lending significantly, DeYoung said, only after businesses feel confident enough to take on more debt. Prodding banks to lend before then raises the risk that they'll make bad loans, he said.

"I wish I could conclude this wrap-up with a list of the three or four things we could do to immediately unlock small business lending," Fed Governor Elizabeth Duke said at the

conference. "But the problems are numerous and complex, and they will require creativity and persistence to solve."

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Bloomberg

Small Business Can't Get Loans From Bailed-Out Banks in U.S.

By Bob Ivry - Sep 16, 2010

Chip Besse figured he could hire a dozen people once he got a $1.1 million small-business loan.

Wells Fargo & Co. turned him down.

U.S. taxpayers helped the San Francisco-based bank weather the 2008 financial crisis with a $25 billion loan and $9.5 billion of debt guarantees. By July 2009, when Besse wanted to buy and expand a Colorado snowmobile-rental business, Wells Fargo wasn't sharing the wealth, he said.

Besse, 29, had little success with 16 other lenders in 2008 and 2009. His list included New York-based JPMorgan Chase & Co., which agreed to provide less than 70 percent of what he wanted, and Charlotte, North Carolina-based Bank of America Corp., which Besse said kept him hopeful for a month before rejecting his application.

"I was furious," he said. "A lot of bankers are trying to justify their jobs and they waste everyone's time."

Besse, a Philadelphia native, was a partner in a London private equity firm with a credit score of 769 out of 850 and $185,000 in a checking account. His search for a loan shows how difficult it is for small companies, which the Small Business Administration says created 64 percent of net new jobs over the past 15 years, to get credit -- even from banks that accepted billions in taxpayer-funded bailouts.

Trading, Not Lending

The U.S. government helped Wells Fargo, JPMorgan Chase and Bank of America back to health with $189.3 billion in loans under the Troubled Asset Relief Program and debt guarantees through the Federal Deposit Insurance Corp. The rest of the country: not so much. That's in part because of policies the Federal Reserve has instituted to help banks, said Peter Morici, an economist and professor at the Smith School of Business at the University of Maryland in College Park.

"We've created a system that encourages bankers to trade, not lend," Morici said.

A record 41 percent of small business owners say they can't get adequate financing, up from 22 percent two years ago, according to a July report by the National Small Business Association, a 150,000-member advocacy group founded in 1937 that has surveyed entrepreneurs since 1992. New small-business loans fell 33 percent last year from 2008 to $191.6 billion, the lowest total since 2000, according to the Federal Financial Institutions Examination Council.

Outstanding loans declined 16 percent as of June 30 compared with 2009, based on the council's data. Tighter credit makes it tougher for entrepreneurs such as Besse to hire some of the 14.9 million Americans who are out of work.

No Data

Spokespeople for the three big banks that Besse approached said they didn't track their small-business lending until last year, the middle of the longest economic downturn since the 1930s. It's therefore impossible to gauge their recent volume against their performance before the credit contraction began.

JPMorgan Chase increased new small-business loans 36 percent to $4.5 billion in the first half of 2010 over the same period last year. Bank of America lent $8.2 billion, a 1 percent increase, the company said.

Wells Fargo lent $6.6 billion; it has no comparable number for 2009, according to Marc L. Bernstein, head of the bank's Business Direct and Small Business Segment. Banks define small businesses as those with annual revenue of less than $20 million.

Little Demand

The three banks said they're lending as much as they safely can in an environment with few creditworthy small businesses and soft demand.

"The last thing we want the banking system to be is excessively liberal in its lending standards," said Bert Ely, a banking industry analyst in Alexandria, Virginia.

Entrepreneurs and their advocates counter that lending guidelines have become so strict that many business owners have given up trying to get credit.

"If the government had used the same lending criteria on the big banks that the big banks are using on us, the banks never would have gotten the TARP money," said Carl Calhoun, who tapped $400,000 in home equity to finance his St. Petersburg, Florida-based mattress company,

Commercial Bedding Co., after he couldn't find a lender.

The credit crunch for small businesses has drawn the attention of President Barack Obama and Fed Chairman Ben S. Bernanke, who have both called for more lending.

With the U.S. unemployment rate stuck at more than 9.5 percent for the past year, the U.S. Senate today passed legislation that would provide $30 billion in loans to banks with less than $10 billion in assets. The bill, which now must go to the House for a final vote, includes incentives for the banks to extend credit to small businesses, along with tax breaks for eligible companies.

'Still Struggling'

"At a time when small business owners are still struggling to make payroll and they're still holding off hiring, we put together a plan that would give them some tax relief and make it easier for them to take out loans," Obama said yesterday.

While they won't disclose their investing strategies, JPMorgan Chase and Bank of America were among four banks that reported a "perfect quarter" in the first three months of this year. That means they made money trading every day. Wells Fargo wouldn't reveal how its trading desk fared.

The Fed's low-interest-rate policy makes it easy for banks to lend to the U.S. government rather than small businesses, said David Rosenberg, chief economist and strategist for Toronto-based Gluskin Sheff & Associates Inc., which manages $5.4 billion.

Safe Yields

Banks, which can borrow at the overnight rate of about 0.20 percent, can get safe yields of more than 2.5 percent buying 10- year Treasury bonds and other almost risk-free U.S. obligations, Rosenberg said.

Banks held a record $1.597 trillion of Treasury and government agency securities on Sept. 1, according to the Fed, 44 percent more than at the start of the recession in December 2007. The 10-year Treasury yield was 2.72 percent yesterday.

"The biggest risk in buying Treasuries is that interest rates will rise, and the Fed has repeatedly said short-term rates would remain close to zero as far as the eye can see," Rosenberg said.

Lowering interest rates has been part of the Fed's effort to facilitate small-business lending, said David W. Skidmore, a spokesman for the central bank in Washington.

Strengthening Banks

"Easier monetary policy encourages banks to lend to small businesses and other borrowers since the rates banks receive on alternative investments are lower," Skidmore said. "And we have focused on strengthening the nation's banks so that they can resume normal lending as quickly as possible."

The Term Asset-Backed Securities Loan Facility, a Fed lending program established in November 2008, helped finance more than 850,000 small business loans, he said.

One option the central bank has to spur lending is cutting the 0.25 percent interest it pays banks on reserve accounts it holds for them, Bernanke said on Aug. 27. The central bank's emergency lending and asset purchases since September 2008 have swelled those accounts to more than $1 trillion, according to Fed data, a more than 20-fold jump since the bankruptcy of Lehman Brothers Holdings Inc.

Senior loan officers at big banks reported loosening credit guidelines for small businesses this year for the first time since 2006, according to a July survey by the Fed. Still, small business owners complain that banks have reduced credit lines and increased interest charges.

'Zero, Zippo'

"Bailing out Wall Street has done zero, zippo, nothing to help small business and create jobs," said Dale R. Kluga, 50, president of Cobra Capital LLC, a finance company in Darien, Illinois, that funds about $40 million worth of equipment for small businesses.

Besse said he was eager to run his own outfit, so he left Clearbrook Capital Partners LLP when he found Grand Adventures LLC in Winter Park, Colorado. The company rents snowmobiles and arranges tours.

"It was a lifestyle decision," he said. "I was thinking, how can I not work so much and have fun? Something where I can watch my kids grow up and be a part of the community."

Since he had an account with Bank of America, he said he applied there first for a loan.

Jefferson George, a Bank of America spokesman -- like all representatives of banks Besse applied to -- declined to comment on Besse's case specifically.

Bear Stearns

Besse approached Bank of America in June 2008, as financial institutions were tightening credit in the wake of the near- failure of Bear Stearns Cos. Since then, Bank of America's lending to

businesses with less than $20 million in annual revenue has fallen, according to regulatory filings. It had $15.9 billion in such loans outstanding at the end of June, down 12 percent from the same date last year and 20 percent from two years ago.

Though Bank of America said in a July 27 press release that it had loaned $45.4 billion in the first half of 2010 to small and mid-size businesses, about 80 percent of the loans went to companies with more than $20 million in sales.

"There's very weak demand from the smallest businesses," said Kathie Sowa, Bank of America's small-business credit executive, who is based in Sacramento, California.

Demand only appears to have slackened because entrepreneurs are frustrated with lenders and have given up asking for money, said Galen Gondolfi, a senior loan counselor at Justine Petersen, a nonprofit microlender in St. Louis.

"I can tell you straight out: Small businesses are not getting the financing they need," Gondolfi said. "We are experiencing unabated demand."

Incomplete Statistics

Statistics on lending to small business aren't always complete. Data collected by the Small Business Administration include only loans backed by the agency. The Federal Financial Institutions Examination Council, established in 1979 and consisting of the Fed, the FDIC and other bank regulators, tallies outstanding loans with original amounts of $1 million or less.

Loans backed by the SBA so far this year are down 14 percent compared with roughly the same period in 2007, according to the agency's data. They increased 47 percent to $12.3 billion over last year, when the U.S. economy was contracting. SBA loans went to less than 1 percent of small businesses in 2009, according to data compiled by Bloomberg.

Besse took his quest for a loan to Wells Fargo in June 2008. After the bank's underwriters said they wanted him to have experience in the snowmobile business, he went to work for the company he wanted to buy, he said.

In July 2009, Wells Fargo turned him down.

Went Snowmobiling

"I had a relationship with them," Besse said. "They came out to Winter Park in January and went snowmobiling. They promised so many things and didn't deliver anything."

Wells Fargo's Bernstein said the bank made $13 billion in new small-business loans last year,

followed by $6.6 billion in the first half of 2010.

"We do everything we can to say yes," Bernstein said in an interview. He declined to discuss Besse's individual case.

Besse said a loan officer from JPMorgan Chase "moved faster than anyone else and operated the most honorably" and ended up offering a loan for $750,000 -- less than Besse needed.

The bank was looking to pare back risk, Besse said the loan officer told him.

Banks need cash cushions to insulate themselves against losses from the property bubble that they haven't yet written off, said Christopher Whalen, co-founder of Torrance, California-based Institutional Risk Analytics.

Buybacks Possible

Such losses equal about one-third of the amount they've already written off as unrecoverable, Whalen said. For Bank of America, JPMorgan Chase and Wells Fargo, the total amount would be about $50 billion, he said, based on the banks' regulatory filings.

Bank of America and JPMorgan Chase may be on the hook for as much as $78 billion in home loans they sold to buyers during the housing boom such as government-controlled Fannie Mae and Freddie Mac, according to an Aug. 17 report by Washington-based Compass Point Research & Trading LLC. Mortgage buyers can demand reimbursement for loans that violate underwriting guidelines or involve fraud.

Jerry Dubrowski, a spokesman for Bank of America, said credit quality is improving and he wouldn't forecast charge- offs. Thomas Kelly, a JPMorgan Chase spokesman, said the bank is ready and willing and will continue to lend. Wells Fargo's credit losses peaked in the third quarter of 2009 and the bank expects them to continue to decline, Chief Financial Officer Howard I. Atkins said Sept. 13.

Banks Under Pressure

Besse finally got an $850,000 loan from Collegiate Peaks Bank of Salida, Colorado. Collegiate Peaks, with four branches and $164 million in assets, borrowed $2 million in TARP funds, about .002 percent of the $95 billion in TARP money that went to Bank of America, JPMorgan Chase and Wells Fargo.

Banks with less than $10 billion in assets make 60 percent of the country's small-business loans, according to the Independent Community Bankers of America. They're under pressure to

make fewer loans now, said Bob Hahn, chief executive officer of Community Valley Bank in El Centro, California, where the jobless rate is 30.3 percent, the highest in the U.S.

Small banks are failing at a rate of one every two days, according to FDIC data, and they're facing greater regulatory scrutiny because of that, Hahn said.

"We're being told to raise more capital or shrink assets," said Hahn, whose bank has two branches and $60 million in assets. "What's the primary asset of a community bank? Loans. That's where the pressure is coming from."

'Financially Savvy'

Besse's snowmobile business got credit in part because it had sufficient cash flow and the snowmobiles could be sold off in the event of missed payments, said Kim Palmer, the SBA lending manager at Collegiate Peaks.

"Chip is very financially savvy and has accomplished a great deal for someone his age and we saw this as a way to establish a relationship with someone like that," Palmer said.

Besse hired 12 new employees by adding a guided back- country skiing business he called Powder Addiction.

Shawn Edmondson, 36, a husband and father of two boys, 9 and 7, was a carpenter in the area when work "slowed way down" because customers couldn't get loans to renovate their homes, he said. He estimated that his 2008 income was $15,000.

Besse hired him last year as a ski guide. Edmondson said he earned about $200 in salary and tips every day on the slopes, surpassing his full-year 2008 pay in the six-month ski season.

"We don't make a lot, but this is income that keeps us afloat," Edmondson said. "We can pay our mortgage and stay on top of things."

To contact the reporter on this story: Bob Ivry in New York at bivry@bloomberg.net.

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Micro-Loan Program

SBA Program Office

The Microloan Program provides small, short-term loans to small business concerns as well as not-for-profit child-care centers. SBA makes funds available to specially designated intermediary lenders, which are nonprofit community-based organizations with experience in lending as well as management and technical assistance; these intermediaries make loans to eligible borrowers. The maximum loan amount is $35,000; the average loan is about $13,000.

How Funds May Be Used

Microloans may be used for working capital or the purchase of inventory, supplies, furniture, fixtures, machinery and/or equipment. Proceeds cannot be used to pay existing debts or to purchase real estate.

Technical Assistance

Each intermediary is required to provide business training and technical assistance to its micro-borrowers. Those applying for microloan financing may be required to fulfill training and/or planning requirements before a loan application is considered.

Terms, Interest Rates, and Fees

Loan terms vary according to the size of the loan, the planned use of funds, the requirements of the intermediary lender, and the needs of the small business borrower. The maximum term allowed for a microloan is six years. Interest rates vary, depending on the intermediary lender and costs to the intermediary from the U.S. Treasury. Generally, these rates will be between 8 and 13 percent.

Collateral

Each intermediary lender has its own lending and credit requirements. Generally, intermediaries require some type of collateral and the personal guarantee of the business owner.

For More Information

Small businesses interested in applying for a microloan should contact an intermediary in their area; all credit decisions are made on the local level. The Microloan Program is available in selected locations in most states. A list of approved Microloan intermediaries in your area can be found here.

- **For Borrowers**
  - SBA's Role
  - **Guaranteed Loan Programs**
    - 7(a) Loan Program
    - CDC/504 Loan Program
    - **Micro-Loan Program**
    - Disaster Assistance Loan Program
  - Bonding Program
  - Venture Capital
  - Application Process
  - Resources
- For Prospective Lenders

U.S. DEPARTMENT OF THE TREASURY

Economic Policy
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Financial Markets, Financial Institutions, and Fiscal Service
Financial Sanctions
International
Small Business Programs
Small and Disadvantaged Business Utilization
Small Business Lending Fund
State Small Business Credit Initiative
Tax Policy
Terrorism and Illicit Finance
Data and Charts Center
FAQs

Resource Center

State Small Business Credit Initiative (SSBCI)

Overview

On September 27, 2010, President Obama signed into law the Small Business Jobs Act o 2010 (the "Act"). The Act created the State Small Business Credit Initiative, which was funded with $1.5 billion to strengthen state programs that support lending to small businesses and small manufacturers. The State Small Business Credit Initiative is expect to help spur up to $15 billion in lending to small businesses. Under the State Small Business Credit Initiative, participating states will use the federal funds for programs that leverage private lending to help finance small businesses and manufacturers that are creditworthy, but are not getting the loans they need to expand and create jobs. The State Small Business Credit Initiative will allow states to build on successful models for state sm business programs, including collateral support programs, Capital Access Programs (CAP and loan guarantee programs. Existing and new state programs are eligible for support under the State Small Business Credit Initiative.

Who May Apply?

The State Small Business Credit Initiative is open to any state of the United States (and th District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of Northern Mariana Islands, Guam, American Samoa, and the United States Virgin Islands) that establishes a new, or has an existing, capital access or state credit support program that meets the eligibility requirements in the Act. In certain circumstances, municipalities may have an opportunity to apply to the Treasury Department for State Small Business Credit Initiative funding.

Key Deadlines

- Notice of Intent to Apply. The first step in the application process is for applicants file a "Notice of Intent to Apply" with the Treasury Department no later than 5:00 pr EST on November 26, 2010. The Notice of Intent form is available on this page under "Resources."
- Application package. The second step is to file a completed application package r later than 5:00 pm EST on June 27, 2011. The application form and required attachments are made available on this page under "Resources."

SB

38

<TARGET><BILL>SB 38</BILL><SUBJECT>SB
38</SUBJECT><COMM>SFIN27</COMM></TARGET>

buckconsultants A Xerox Company

February 4, 2011

VIA EMAIL

Mr. Pat Shier
Director
Division of Retirement and Benefits
State of Alaska
333 Willoughby Avenue
6th Floor State Office Building
Juneau, AK 99811-0208

RE: Fiscal Note for Senate Bill No. 38

Dear Pat:

As requested, we are providing the following information for a Fiscal Note for a bill regarding the addition of a one-time lump sum payment of $100,000 to the spouse (or dependent children) of a Peace Officer/Firefighter who dies due to occupational causes. This bill affects both the State of Alaska Public Employees' Retirement System Defined Benefit Plan (PERS DB) and the State of Alaska Public Employees' Retirement System Defined Contribution Retirement Plan (PERS DCR). We have assumed that the bill will become effective as of July 1, 2010. Our results are based on the draft 2010 actuarial valuation results.

The tables below show the cost of the bill for Fiscal Years 2013 through 2017. Dollars are in thousands.

PERS DB Plan	FY13	FY14	FY15	FY16	FY17
Increase in Normal Cost Amount	$98	$101	$104	$107	$111
Increase in Past Service Cost Amortization Payment	$42	$43	$45	$46	$48
Total Increase in Annual Employer Contribution Amount	$140	$144	$149	$153	$159

PERS DCR Plan	FY13	FY14	FY15	FY16	FY17
Increase in Normal Cost Amount	$34	$36	$38	$39	$41
Increase in Past Service Cost Amortization Payment	$1	$1	$1	$1	$1
Total Increase in Annual Employer Contribution Amount	$35	$37	$39	$40	$42

1200 17th Street, Suite 1200 • Denver, CO 80202
720.359.7700 • 720.359.7701 (fax)

Summary for Analysis Continuation Section of Fiscal Note

The data, assumptions, plan provisions and methods used for the DB plan costs are described in the draft actuarial valuation reports as of June 30, 2010. The assets for both plans are based on the June 30, 2010 information provided by Christina Maiquis. We have assumed that the bill will become effective July 1, 2010.

The tables below summarize the change in the unfunded accrued liability. Dollars are in thousands.

PERS DB Plan	Current DB Plan	DB Plan After SB 38
Accrued Liability	$18,132,492	$18,133,139
Actuarial Value of Assets	11,157,464	11,157,464
Total Unfunded Accrued Liability	$6,975,028	$6,975,675

PERS DCR Plan	Current DCR Plan	DCR Plan After SB 38
Accrued Liability	$8,038	$8,048
Actuarial Value of Assets	13,568	13,568
Total Unfunded Accrued Liability	$(5,530)	$(5,520)

Please let us know if you need any further information.

Sincerely,

David H. Slishinsky

David H. Slishinsky, A.S.A.
Principal and Consulting Actuary

/kr

c: Ms. Teresa Kesey, State of Alaska
Ms. Kathy Lea, State of Alaska
Ms. Michelle DeLange, Buck Consultants
Mr. Chris Hulla, Buck Consultants
Ms. Kyla Kaltenbach, Buck Consultants

Senate Finance Committee
SB38 Hearing, February 1, 2012
Questions and Answers

Senator Stedman - Please provide a grid/table, by tiers, showing the death/survivor benefits already available to members of the PERS retirement system. How are the benefits to Tier IV different from the other tiers? What benefits are available to a new Tier IV member?

- See attachment "Occupational Death2" to see benefits by tier.
- Please note that DCR death benefit is the choice of; (1) 50% of compensation at the time of death **or** (2) the lump sum of employees and employer contributions in the employee's DCR account.

Senator Olson - Asked how quickly are the benefits available to the survivors? What is quickly available to survivors/spouses after death?

- The division processes death benefits within 3 days of notification.
- The Basic Life Insurance is available one week of the division receiving a copy of the death certificate.

Senator Egan - Where did the $647,000 in the fiscal note come from?

Buck Consultants estimates one death a year. Since the deaths will continue past the timeframe of the fiscal note, Buck also calculated the estimated change in the liability going forward for the life of the plan. That change is the $647,000 Sen. Egan is speaking of.

Current DB Plan Liability:	$6,975,028,000
New DB Liability:	$6,975,675,000
Difference:	$647,000

The $647,000 represents the present day value of the expected benefits we would pay over the life time of the plan. Currently we have two occupational P/F deaths, one in the DB plan and one in the DCR plan.

Also see the February 4, 2011 letter from Buck Consultants.

Miscellaneous Questions:

How would SB 38 impact those in Tier I, II, III, IV and a brand new hire?

SB38 would provide an additional $100,000 benefit to the current death benefits already available to peace officers and firefighters.

Senate Finance Committee
SB38 Hearing, February 1, 2012
Questions and Answers

How does this compare with worker's comp?

Death benefits under workers compensation is established by Sec. 23.30.215. To summarize:

- There is an immediate benefit of up to $10,000 for funeral expenses based on whether there is a widow or widower and the number of dependent children, and
- Monthly benefits are based on employees' salaries.

Sec. ⏩23.30.215⏪. Compensation for death.

(a) If the injury causes death, the compensation is known as a death benefit and is payable in the following amounts to or for the benefit of the following persons:

(1) reasonable and necessary funeral expenses not exceeding $10,000;

(2) if there is a widow or widower or a child or children of the deceased, the following percentages of the spendable weekly wages of the deceased:

(A) 80 percent for the widow or widower with no children;

(B) 50 percent for the widow or widower with one child and 40 percent for the child;

(C) 30 percent for the widow or widower with two or more children and 70 percent divided equally among the children;

(D) 100 percent for an only child when there is no widow or widower;

(E) 100 percent, divided equally, if there are two or more children and no widow or widower;

(3) if the widow or widower remarries, the widow or widower is entitled to be paid in one sum an amount equal to the compensation to which the widow or widower would otherwise be entitled in the two years commencing on the date of remarriage as full and final settlement of all sums due the widow or widower;

(4) if there is no widow or widower or child or children, then for the support of father, mother, grandchildren, brothers, and sisters, if dependent upon the deceased at the time of injury, 42 percent of the spendable weekly wage of the deceased to such beneficiaries, share and share alike, not to exceed $20,000 in the aggregate;

(5) $5,000 to a surviving widow or widower, or equally divided among surviving children of the deceased if there is no widow or widower.

(b) In computing death benefits, the spendable weekly wage of the deceased shall be computed under AS 23.30.220 and shall be paid in accordance with AS 23.30.155 and subject to

the weekly maximum limitation in the aggregate as provided in AS 23.30.175 , but the total weekly compensation may not be less than $75 for a widow or widower nor less than $25 weekly to a child or $50 for children.

(c) All questions of dependency shall be determined as of the time of the injury, or death.

(d) Compensation under this chapter to aliens not residents, or about to become nonresidents, of the United States or Canada is the same in amount as provided for residents, except that dependents in a foreign country are limited to widow or widower and child or children, or if there is no widow or widower and child or children, to surviving father or mother whom the employee has supported, either wholly or in part, for a period of one year before the date of injury. The board, at its option, or upon the application of the insurance carrier, may commute all future installments of compensation to be paid to an alien dependent who is not a resident of the United States or Canada by paying or causing to be paid to the alien dependent one-half of the commuted amount of the future installments of compensation as determined by the board.

(e) Death benefits payable to a widow or widower in accordance with (a) of this section shall abate as that person ceases to be entitled and does not inure to persons subject to continued entitlement. In the event a child ceases to be entitled, that child's share shall inure to the benefit of the surviving spouse subject to adjustment as provided in (f) of this section.

(f) Except as provided in (g) of this section, the death benefit payable to a widow or widower shall terminate 12 years following death of the deceased employee.

(g) The provisions of (f) of this section do not apply to a widow or widower who at the time of death of the deceased worker is permanently and totally disabled. The death benefits payable to a widow or widower are not subject to reduction under (f) of this section after the widow or widower has attained the age of 52 years.

(h) In the event a deceased worker is survived by children of a former marriage not living with the surviving widow or widower, then those children shall receive the amount being paid under a decree of child support; the difference between this amount and the maximum benefit payable under this section shall be distributed pro rata to the remainder of those entitled.

Occupational Death

Tier I	Tier II	Tier III	Tier IV
Peace Officer/ Firefighter	**Peace Officer/ Firefighter**	**Peace Officer/ Firefighter**	**Peace Officer/ Firefighter**
PERS Continuing monthly benefit receive the greater of: • 50% of compensation at the time of death ; • **or** 75% of the retirement benefit had they continued to work until normal retirement; **or** • a one-time lump sum of PERS contribution balance • + $1000+$100 for every year of service • Health insurance is available for surviving spouses and eligible dependents	PERS Continuing monthly benefit receive the greater of: • 50% of compensation at the time of death; • **or** 75% of the retirement benefit had they continued to work until normal retirement ; **or** • a one-time lump sum of PERS contribution balance • + $1000+$100 for every year of service • Health insurance is available for surviving spouses if age 60 and eligible dependents	PERS Continuing monthly benefit receive the greater of: • 50% of compensation at the time of death; • **or** 75% of the retirement benefit had they continued to work until normal retirement ; **or** • a one-time lump sum of PERS contribution balance • + $1000+$100 for every year of service • Health insurance is available to surviving spouses if age 60 and eligible dependents	PERS Continuing monthly benefit of: • 50% of compensation at the time of death; **or** • lump sum of employees and employer contributions in employees account • No health insurance is available to surviving spouses and eligible dependents • *Employer* continues to make employee and employer contributions to the occ. death trust for survivor

Prepared by the Division of Retirement and Benefits

February 3, 2012

All Others	All Others	All Others	All Others
40% of compensation at the time of death or lump sum same as P/F Health insurance same as P/F	40% of compensation at the time of death or lump sum same as P/F Health insurance same as P/F	40% of compensation at the time of death or lump sum same as P/F Health insurance same as P/F	40% of compensation at the time of death or lump sum same as P/F No health insurance available

Conversion to Normal Retirement Peace Officers/Firefighters and All Others

Tier I	Tier II	Tier III	Tier IV
Survivors allowance receives what member would have received in normal retirement had they continued to work. Health insurance available to surviving spouse and eligible dependents.	Survivors allowance receives what member would have received in normal retirement had they continued to work. Health insurance available to surviving spouse at age 60 and eligible dependents.	Survivors allowance receives what member would have received in normal retirement had they continued to work. Health insurance available to surviving spouse at age 60 and eligible dependents.	Member has access to DCR account. Surviving spouse can purchase health insurance.

Prepared by the Division of Retirement and Benefits

February 3, 2012

Additional Benefits Available to State of Alaska Employees Only

Basic Life Insurance-$7,000

Travel Accident $100,000

Last Check and leave cash-out (Division of Finance)

Workers' Compensation (Division of Risk Management)

Deferred Compensation Balance if participating

Select Benefits available to State of Alaska employees and employees in participating political subdivisions

SBS Balance

*Optional Life Insurance (yearly salary caps at $60,000 for all bargaining units and political subdivision employees except for supervisory and confidential employees caps at $100,000) doubles if accidental death

*Select Life up to $48,000

*AD&D $100,000

*Select Survivor Benefits

*Indicates member must elect to purchase

Prepared by the Division of Retirement and Benefits

February 3, 2012

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **SB038**
Fiscal Note Number:
Publish Date:

Identifier (file name): SB038-DOA-DRB-11-28-11
Title: Police and Firefighter Death Benefits
Sponsor: Senators Meyer, Ellis, French, McGuire, Menard, Egan
Requester: Senate Finance

Dept. Affected: Department of Administration
Appropriation: Centralized Administrative Services
Allocation: Division of Retirement and Benefits
OMB Component Number: 64

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous			175.0	181.0	188.0	193.0	201.0
TOTAL OPERATING	**0.0**	**0.0**	**175.0**	**181.0**	**188.0**	**193.0**	**201.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF			175.0	181.0	188.0	193.0	201.0
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**175.0**	**181.0**	**188.0**	**193.0**	**201.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Update for session

Prepared by: Jim Puckett, Director — Phone: 465-4471
Division: Retirement and Benefits — Date/Time: 11/28/11 12:00 AM
Approved by: John Cramer, Deputy Commissioner — Date: 12/13/2011
Department of Administration

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB038

Analysis

This bill affects both the PERS Defined Benefit and Defined Contribution plans. The results are based on the 2010 actuarial valuation.

Numbers given above reflect increases in the Annual Employer Contribution Amount due to increase in Normal Cost amount and Past Service Cost amount to the PERS plans. Employer rates in the PERS are set at 22% of eligible payroll by statute (AS 39.35.255). Increases to the Annual Employer Contribution Amount are therefore paid from the State General Fund (AS 39.35.280). Because changes affect years beyond the fiscal note horizon the additional effect on the unfunded liability is as follows: increase of $647,000 in the Defined Benefit Retirement Plan (PERS Tiers I, II, III).

Buck Consultants was supplied the following information from the Division of Retirement and Benefits for their analysis:

We are currently paying 1 occupational death benefit under firefighter occupation in the Defined Benefit Plan.
We are currently paying 1 occupational death benefit under the peace officer occupation in the Defined Contribution Plan.
We are currently paying 6 occupational death benefits with service that is/was not peace officer/firefighter occupation in the Defined Benefit Plan.

LEGAL SERVICES

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

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

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

MEMORANDUM February 10, 2011

SUBJECT: Sectional Summary of SB 38 (Work Order No. 27-LS0371\A)

TO: Senator Kevin Meyer
Attn: Christine Marasigan

FROM: Dan Wayne
Legislative Counsel

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

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

Section 1. Describes when payment of the one-time $100,000 occupational death benefit established in Sec. 2 of the draft bill would be made, and provides that the payment may not be made to anyone but a surviving spouse or a dependent child of a peace officer or firefighter who was a member of the *defined benefit* retirement plan of the Public Employees' Retirement System.

Sec. 2. Establishes a $100,000 one-time occupational death benefit in the *defined benefit* retirement plan of the Public Employees' Retirement System. The benefit would be payable to the surviving spouse or, if there is no surviving spouse who is eligible to receive payment, to the dependent children, of a peace officer or firefighter whose death is an occupational death under AS 39.35.430. The benefit would be in addition to other occupational benefits for which the surviving spouse or dependent children may be eligible. A surviving spouse or dependent child whose action was a substantial cause of the death would be ineligible.

Sec. 3. Exempts the $100,000 one-time occupational death benefit from post-retirement pension adjustment under AS 39.35.475.

Sec. 4. Describes when payment of the one-time $100,000 occupational death benefit established in Sec. 5 of the draft bill would be made, and provides that the payment may not be made to anyone but a surviving spouse or a dependent child of a peace officer or firefighter who was a member of the *defined contribution* retirement plan of the Public Employees' Retirement System.

Sec. 5. Establishes a $100,000 one-time occupational death benefit in the *defined contribution* retirement plan of the Public Employees' Retirement System. The benefit would be payable to the surviving spouse or, if there is no surviving spouse who is eligible to receive payment, to the dependent children, of a peace officer or firefighter whose death is an occupational death under AS 39.35.892. The benefit would be in addition to other occupational benefits for which the surviving spouse or dependent children may be eligible. A surviving spouse or dependent child whose action was a substantial cause of the death would be ineligible.

DCW:plm
11-075.plm

ALASKA PROFESSIONAL FIRE FIGHTERS
International Association of Fire Fighters, AFL-CIO, CLC
P.O Box 111222, Anchorage, AK 99511-1222

Honorable Kevin Meyer
Alaska State Senate
State Capital Room 103
Juneau AK 99801

Senator Meyer:

My name is Tom Wescott and I am the President of the Alaska Professional Firefighters Association. The AKPFFA represents roughly 500 firefighters from Kotzebue to Ketchikan and on behalf of these men/women I am writing you today to encourage our Alaska State Legislators to support Senate Bill 38.

Senate Bill 38 provides a onetime occupational death benefit to public safety employees who die in the line of duty. It goes without saying that no one is enthusiastic about using this type of benefit. Unfortunately, we know that occasionally those in public service are called to make the ultimate sacrifice in the line of duty. The benefit provided by SB 38 will allow families to get through the grieving process without having to worry about immediate financial matters. No one can put a price on a life but this benefit will provide a small gesture of thanks to the family of a fallen public safety officer as they began to deal with the loss of their loved one.

Once again I would ask everyone's full support of Senate Bill 38 as a way of supporting our public safety employees' family upon their passing while performing a heroic act.

Sincerely,

Thomas A. Wescott
President
Alaska Professional Fire Fighters Association
PO Box 111222
Anchorage, AK 99511

Public Safety Employees Association, Inc.

"Representing Alaska's Finest"

A.F.S.C.M.E. Local 83

February 11, 2011

Christine Marasigan
State Capitol Room 103
Juneau AK, 99801

Dear Ms. Marasigan:

The Public Safety Employee's Association Local 803 is a public employee union that represents more the 700 public safety employees throughout Alaska. Our members work as Alaska State Troopers, Airport Police in Fairbanks and Anchorage, Deputy Fire Marshalls in the Department of Public Safety, and municipal police officers and staff employed at the City of Ketchikan, the City of Sitka, the City of Juneau, the City of Fairbanks, the City of Soldotna, and the City of Unalaska.

PSEA wants to submit this letter of support for SB 38, the Line of Duty Death Benefit for peace officers currently in the PERS system, introduced by Senator Meyer. PSEA supports this bill because it protects our members and other peace officers that risk their lives every day protecting all Alaskans. PSEA also supports this bill because it will help families and survivors of peace officers in the most tragic of situations. Finally, PSEA supports this bill because it has a relatively small fiscal impact, and it is a benefit that we all hope, God willing, is not ever necessary.

Please pass on this letter of support to members of the Senate Labor and Commerce Committee. Please also pass on our thanks to the Committee and staff for your consideration of this important legislation. If you have any further questions, please contact me or President Rob Cox at this email, or by phone at 907-337-1979.

Sincerely yours,

Jake Metcalfe
Executive Director
PSEA/AFSCME Local 803

Rob Cox
PSEA President

4300 Boniface Parkway, Suite 116, Anchorage, Alaska 99504
Phone (907) 337-1979 FAX (907) 337-1753 E-Mail psea@psea.net

Anchorage Police Department employees Association

Phone (907) 561-7500
500 W International Airport RD Anchorage
P.O. Box 230330
Alaska 99523

February 10, 2011

Honorable Members of the Alaska State Legislator:

The Anchorage Police Department Employee's Association (APDEA) represents approximately 500 front line police employees. The APDEA unconditionally supports both Senate Bill 38 and House Bill 84. Both of these bills provide for a one time line-of-duty death benefit for our state's public safety employees.

In 2010, officers killed nationwide in the line of duty increased 37% over 2009. In Alaska, from Anchorage to Hoonah, our law enforcement agencies and communities felt this increase in violence against officers. On average, a police officer is killed in the line of duty every 53 hours. Sadly, on January 24th, 2011 - the very same day I was visiting your offices in Juneau, there were eleven police officers shot nationwide, several of whom were killed outright. These facts are troubling and support the growing concern among law enforcement professionals that the trend will worsen as some elements of our society, containing the criminal and disenfranchised, will look for increasingly bold ways to lash out against order.

On the personal side, these deaths damage the officer's organization, their communities and their families. The average officer killed is 38 years old with 12 years of police experience. These officers are killed during hours of limited visibility, the majority in ambushes and usually they are alone. These deaths leave families devastated with varying degrees of benefits and support.

If approved, Senate Bill 38 and House Bill 84 would provide some stability for those public safety families left behind after a tragic event. These bills would provide some "breathing room" for families unprepared for this sudden loss. Particularly in Alaska, where some of our smaller and remote communities have not suffered through the loss of a public safety employee, this bill reminds all Alaskans that we are united.

I urge the Members of the Alaska State Senate and House of Representatives to approve this measure.

Sincerely,

Derek Hsieh
President
APDEA

SB

42

<TARGET><BILL>SB 42</BILL><SUBJECT>SB
42</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/22/11

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 42

SB 42-POWER PROJECT; ALASKA ENERGY AUTHORITY

"An Act relating to the procurement of supplies, services, professional services, and construction for the Alaska Energy Authority; establishing the Alaska Railbelt energy fund and relating to the fund; relating to and repealing the Railbelt energy fund; relating to the quorum of the board of the Alaska Energy Authority; relating to the powers of the Alaska Energy Authority regarding employees and the transfer of certain employees of the Alaska Industrial Development Export Authority to the Alaska Energy Authority; relating to acquiring or constructing certain projects by the Alaska Energy Authority; relating to the definition of 'feasibility study' in the Alaska Energy Authority Act; and providing for an effective date."

and recommends:

[X] be **replaced** with **CS** SB 42 (FIN) *[ ] Same Title [X] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
CED	X			
CED	X			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	[illegible]	✓			
	ELLIS	✓			
	OLSON			✓	
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓			

CS FOR SENATE BILL NO. 42(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

"An Act relating to the quorum of the Alaska Energy Authority; relating to the powers and duties of the Alaska Energy Authority; relating to the acquisition or construction of a Susitna River power project by the Alaska Energy Authority; relating to the definition of 'feasibility study' in the Alaska Energy Authority Act; providing legislative approval for certain loans from the power project fund; and providing for an effective date."

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

*** Section 1.** AS 44.83.040(a) is amended to read:

(a) The chair and vice-chair of the Alaska Industrial Development and Export Authority shall serve as officers of the Alaska Energy Authority. The powers of the Alaska Energy Authority are vested in the directors, and **four** [THREE] directors of the authority constitute a quorum. Action may be taken and motions and resolutions adopted by the Alaska Energy Authority at a meeting by the affirmative vote of a majority of the directors. The directors of the Alaska Energy Authority serve without

compensation, but they shall receive the same travel pay and per diem as provided by law for board members under AS 39.20.180.

* **Sec. 2.** AS 44.83.080 is amended to read:

Sec. 44.83.080. Powers of the authority. In furtherance of its corporate purposes, the authority has the following powers in addition to its other powers:

(1) to sue and be sued;

(2) to have a seal and alter it at pleasure;

(3) to make and alter bylaws for its organization and internal management;

(4) to adopt regulations governing the exercise of its corporate powers;

(5) to improve, equip, operate, and maintain power projects and bulk fuel, waste energy, energy conservation, energy efficiency, and alternative energy facilities and equipment;

(6) to issue bonds to carry out any of its corporate purposes and powers, including the establishment or increase of reserves to secure or to pay the bonds or interest on them, and the payment of all other costs or expenses of the authority incident to and necessary or convenient to carry out its corporate purposes and powers;

(7) to sell, lease as lessor or lessee, exchange, donate, convey, or encumber in any manner by mortgage or by creation of any other security interest, real or personal property owned by it, or in which it has an interest, when, in the judgment of the authority, the action is in furtherance of its corporate purposes;

(8) to accept gifts, grants, or loans from, and enter into contracts or other transactions regarding them, with any person;

(9) to deposit or invest its funds, subject to agreements with bondholders;

(10) to enter into contracts with the United States or any person and, subject to the laws of the United States and subject to concurrence of the legislature, with a foreign country or its agencies, for the construction, financing, operation, and maintenance of all or any part of a power project or bulk fuel, waste energy, energy conservation, energy efficiency, or alternative energy facilities or equipment, either

inside or outside the state, and for the sale or transmission of power from a project or any right to the capacity of it or for the security of any bonds of the authority issued or to be issued for the project;

(11) to enter into contracts with any person and with the United States [,] and, subject to the laws of the United States and subject to the concurrence of the legislature, with a foreign country or its agencies for the purchase, sale, exchange, transmission, or use of power from a project, or any right to the capacity of it;

(12) to apply to the appropriate agencies of the state, the United States, and a foreign country and any other proper agency for the permits, licenses, or approvals as may be necessary, to **acquire, construct,** maintain**,** and operate power projects in accordance with the licenses or permits, and to obtain, hold, and use the licenses and permits in the same manner as any other person or operating unit;

(13) to enter into contracts or agreements with respect to the exercise of any of its powers, and do all things necessary or convenient to carry out its corporate purposes and exercise the powers granted in this chapter;

(14) to recommend to the legislature

(A) the pledge of the credit of the state to guarantee repayment of all or any portion of revenue bonds issued to assist in construction of power projects;

(B) an appropriation from the general fund

(i) for debt service on bonds or other project purposes; or

(ii) to reduce the amount of debt financing for the project;

(15) to carry out the powers and duties assigned to it under AS 42.45;

(16) to make grants or loans to any person and enter into contracts or other transactions regarding the grants or loans;

(17) to promote energy conservation, energy efficiency, and alternative energy through training and public education**;**

(18) to acquire a Susitna River power project, whether by construction, purchase, gift, or lease, including the acquisition of property rights

and interests by eminent domain under AS 09;

(19) to perform feasibility studies and engineering and design with respect to power projects.

*** Sec. 3.** AS 44.83 is amended by adding a new section to read:

Sec. 44.83.085. Susitna River power project annual report. The authority shall prepare, not later than the first day of each regular session of the legislature, an annual report summarizing the status of the Susitna River power project and shall notify the legislature that the report is available.

*** Sec. 4.** AS 44.83.396(a) is amended to read:

(a) A power project that was acquired or constructed **under AS 44.83.080(18) or** as part of the former energy program for Alaska is owned, and shall be administered, by the authority.

*** Sec. 5.** AS 44.83.990(3) is amended to read:

(3) "feasibility study"

(A) means a study conducted for the purpose of establishing the economic and environmental practicality of completing a proposed power project [UNDER FORMER AS 44.83.181];

(B) includes engineering and design work to meet the requirements for submission of a license application for a proposed new project to the Federal Energy Regulatory Commission;

*** Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE APPROVAL OF LOANS FROM THE POWER PROJECT FUND. (a) Provided the Alaska Energy Authority approves a loan for the Haida Energy, Inc., Reynolds Creek hydroelectric project, the legislature authorizes the Alaska Energy Authority to loan an amount not to exceed $11,000,000 from the power project fund (AS 42.45.010) for the Haida Energy, Inc., Reynolds Creek hydroelectric project in addition to the loan authorized by sec. 6, ch. 70, SLA 2010.

(b) Provided the Alaska Energy Authority approves a loan for the Cordova Electric Cooperative Humpback Creek hydroelectric project, the legislature authorizes the Alaska Energy Authority to loan an amount not to exceed $5,000,000 from the power project fund

(AS 42.45.010) for the Cordova Electric Cooperative Humpback Creek hydroelectric project.

(c) Subsections (a) and (b) of this section constitute legislative approval under AS 42.45.010(j) for a loan from the fund that exceeds $5,000,000.

*** Sec. 7.** This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **CSSB 42(FIN)**
() Publish Date

Identifier (file name) SB42-CCED-AIDEA-04-15-11
Dept. Affected: DCCED

Title: Powers of Alaska Energy Authority
Appropriation: Alaska Industrial Development & Export Authority
Allocation: Alaska Industrial Development & Export Authority

Sponsor: Rules by Request of the Governor
Requester: Senate Finance Committee
OMB Component Number: 1234

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	1,125.0		1,181.3	1,240.3	1,302.3	1,367.4	***
Travel	0.0		0.0	0.0	0.0	0.0	***
Services	0.0		0.0	0.0	0.0	0.0	***
Commodities	0.0		0.0	0.0	0.0	0.0	***
Capital Outlay	0.0		0.0	0.0	0.0	0.0	***
Grants							
Miscellaneous							
TOTAL OPERATING	**1,125.0**	**0.0**	**1,181.3**	**1,240.3**	**1,302.3**	**1,367.4**	***
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1007 I/A Receipts	1,125.0		1,181.3	1,240.3	1,302.3	1,367.4	***
Other (please identify)							
TOTAL	**1,125.0**	**0.0**	**1,181.3**	**1,240.3**	**1,302.3**	**1,367.4**	***

Estimate of any current year (FY2011) cost

POSITIONS

Full-time	**8**		8	8	8	8	***
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

This Fiscal Note estimates employee costs for Susitna Project Office and assumes that new staff are AIDEA employees contracted to the Alaska Energy Authority. This revised fiscal note includes, for informational purposes, the estimated Personal Services costs to AIDEA for the years noted for the eight positions.

Prepared by: Amy Adler — Phone: 771-3013
Division: Alaska Energy Authority — Date/Time: 4/15/11 4:00 PM
Approved by: Susan K. Bell, Commissioner — Date: 4/15/2011
Commerce, Community and Economic Development

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. CSSB 42(FIN)

Analysis

This legislation expands the Alaska Energy Authority's powers to allow AEA to acquire a Susitna River power project.

This fiscal note reflects the costs to AIDEA for the increase in personal services related to AEA's establishment of a project office in pursuit of constructing and owning the Susitna Hydro project.

PERSONAL SERVICES: $1,125.0 - Increased to include 8 staff for the first year as follows:
Project Manager Rg 27
Environmental Manager Rg 26
Administrative Assistant Rg 12
Project Accountant Rg 18
Financial/Budget Analyst Rg 24
Public Outreach/Legislation Liaison Rg 23
Procurement Manager Rg 24
Data System Specialist Rg 20

The funding source is an increase to I/A receipts from the Alaska Energy Authority.

See also the related Fiscal Note for the costs to AEA Statewide Project Development component to establish a project office for the Susitna Hydro project.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **CSSB 42 (FIN)**
() Publish Date

Identifier (file name) SB42-CCED-AEA-04-15-11
Title: Powers of Alaska Energy Authority
Sponsor: Rules by Request of the Governor
Requester: Senate Finance Committee

Dept. Affected: DCCED
Appropriation: Alaska Energy Authority
Allocation: Statewide Project Development Alternative Energy and Efficiency
OMB Component Number: 2888

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	0.0		0.0	0.0	0.0	0.0	***
Travel	0.0		0.0	0.0	0.0	0.0	***
Services	1,350.0		1,413.5	1,476.1	1,538.1	1,606.8	***
Commodities	0.0		0.0	0.0	0.0	0.0	***
Capital Outlay	413.0		5.0	5.0	5.0	5.0	***
Grants							
Miscellaneous							
TOTAL OPERATING	**1,763.0**	**0.0**	**1,418.5**	**1,481.1**	**1,543.1**	**1,611.8**	***
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1061 CIP Receipts	1,763.0		1,418.5	1,481.1	1,543.1	1,611.8	***
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**1,763.0**	**0.0**	**1,418.5**	**1,481.1**	**1,543.1**	**1,611.8**	***

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

This Fiscal Note estimates employee costs for Susitna Project Office and assumes that new staff are AIDEA employees contracted to the Alaska Energy Authority.

Prepared by: Amy Adler — Phone: 771-3013
Division: Alaska Energy Authority — Date/Time: 4/15/11 4:00 PM
Approved by: Susan K. Bell, Commissioner — Date: 4/15/2011
Commerce, Community, and Economic Development

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. CSSB 42 (FIN)

Analysis

This legislation expands the Alaska Energy Authority's powers to allow AEA to acquire a Susitna River power project.

This fiscal note reflects the costs to AEA to establish a project office in pursuit of constructing and owning the Susitna Hydro project.

CONTRACTUAL: $1,350.0

$1,125.0 Contractual Services for 8 staff (AIDEA employees) for the first year as follows:

Project Manager - Rg 27
Environmental Manager - Rg 26
Administrative Assistant - Rg 12
Project Accountant - Rg 18
Financial/Budget Analyst - Rg 24
Public Outreach/Legislation Liaison - Rg 23
Procurement Manager - Rg 24
Data System Specialist - Rg 20

Note: Personal Services Costs are reflected in the related Fiscal Note for the AIDEA component.

$225.0 Contractual Services for Building lease, and G&A costs for Project Office. Cost estimates include a cost associated with contract labor personnel.

$ 189.0	Annual Lease - 4,500 sq. ft. (250'/pp x 14 +1000') x $3.50 per sq. ft./mo. x 12 mo.'s.
$ 36.0	G&A Expense: $3.6 per person - $3.6 x 10 (8 staff + 2 contractors).
$ 225.0	

EQUIPMENT/FURNITURE: $413.0 - Increase for first year Project Office set up costs. This cost estimate assumes all equipment and furniture purchases in the first year as well as one time only moving expenses and tenant improvements.

$ 28.0	IT Equipment $2.0 per person x 14 (8 staff + 6 contractors). Assumes all equipment purchases in first year for project office (including contract labor needs).
$ 385.0	Tenant Improvement $315.0 ($70 x 4,500 sq. ft.); Moving Expenses $21.0; and Furniture $49.0
$ 413.0	

Note: Tenant Improvement costs will vary depending on building configuration and may also be negotiated as part of a long term lease.

*** Costs for FY 2017 indeterminate

CS SB 42(FIN) Work Draft E
April 15, 2011
Sectional Analysis

Section 1: Would increase from 3 to 4 the quorum requirement for meetings of the AEA board of directors in reaction to statutory amendments made in 2010. Those amendments increased the size of the AIDEA board from 5 to 7. The AIDEA board serves as the board of AEA. The proposed amendment would correct the quorum for meetings of AEA's board of directors.

Section 2: Would expand AEA's powers to allow AEA to apply for permits and licenses to acquire and construct new projects, to construct or otherwise acquire a power project on the Susitna River, to conduct feasibility studies of new power projects. This authority would enable AEA to initiate the FERC licensing process for the Watana hydroelectric project on the Susitna River. Authorizes AEA to acquire property rights by eminent domain under AS 09.

Section 3: Would require AEA to submit to the legislature an annual report summarizing the status of the Susitna River power project.

Section 4: Would provide that AEA must exercise for new power projects, existing statutory authority regarding the management of AEA owned power projects. AS 44.83.396 addresses how AEA administers the power project and contracts for operators, and includes provisions providing for AEA to contract with qualified utilities for the operation of a power project. The statutory provisions are currently limited to power projects from the pre-1993, "former energy program for Alaska."

Section 5: Would amend the definition of "feasibility study" under AS 44.83.990(3) so that the term is not limited to only pre-1993 power projects.

Section 6: Would provide legislative approval for AEA to make two power project loans. The first loan is for up to $11,000,000 for the Haida Energy, Inc. Reynolds Creek hydroelectric project. This authorization would be in addition to the legislative approval given for a $9,000,000 loan for the project under sec. 6, ch. 70, SLA 2010; for a total approved power project loan of up to $20,000,000. The second loan is for $5,000,000 for the Cordova Electric Cooperative Humpback Creek hydroelectric project. Under AS 42.45.010(j), the legislature must approve the project and power project loan amount if the cumulative state monetary support from loans, grants, and bonds for the project equals or exceeds $5,000,000.

Section 7: Would provide for an immediate effective date.

Adopted 4/16/11

27-GS1822\E
Kane
4/15/11

CS FOR SENATE BILL NO. 42(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

"An Act relating to the quorum of the Alaska Energy Authority; relating to the powers and duties of the Alaska Energy Authority; relating to the acquisition or construction of a Susitna River power project by the Alaska Energy Authority; relating to the definition of 'feasibility study' in the Alaska Energy Authority Act; providing legislative approval for certain loans from the power project fund; and providing for an effective date."

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

*** Section 1.** AS 44.83.040(a) is amended to read:

(a) The chair and vice-chair of the Alaska Industrial Development and Export Authority shall serve as officers of the Alaska Energy Authority. The powers of the Alaska Energy Authority are vested in the directors, and **four** [THREE] directors of the authority constitute a quorum. Action may be taken and motions and resolutions adopted by the Alaska Energy Authority at a meeting by the affirmative vote of a majority of the directors. The directors of the Alaska Energy Authority serve without

compensation, but they shall receive the same travel pay and per diem as provided by law for board members under AS 39.20.180.

* **Sec. 2.** AS 44.83.080 is amended to read:

Sec. 44.83.080. Powers of the authority. In furtherance of its corporate purposes, the authority has the following powers in addition to its other powers:

(1) to sue and be sued;

(2) to have a seal and alter it at pleasure;

(3) to make and alter bylaws for its organization and internal management;

(4) to adopt regulations governing the exercise of its corporate powers;

(5) to improve, equip, operate, and maintain power projects and bulk fuel, waste energy, energy conservation, energy efficiency, and alternative energy facilities and equipment;

(6) to issue bonds to carry out any of its corporate purposes and powers, including the establishment or increase of reserves to secure or to pay the bonds or interest on them, and the payment of all other costs or expenses of the authority incident to and necessary or convenient to carry out its corporate purposes and powers;

(7) to sell, lease as lessor or lessee, exchange, donate, convey, or encumber in any manner by mortgage or by creation of any other security interest, real or personal property owned by it, or in which it has an interest, when, in the judgment of the authority, the action is in furtherance of its corporate purposes;

(8) to accept gifts, grants, or loans from, and enter into contracts or other transactions regarding them, with any person;

(9) to deposit or invest its funds, subject to agreements with bondholders;

(10) to enter into contracts with the United States or any person and, subject to the laws of the United States and subject to concurrence of the legislature, with a foreign country or its agencies, for the construction, financing, operation, and maintenance of all or any part of a power project or bulk fuel, waste energy, energy conservation, energy efficiency, or alternative energy facilities or equipment, either

inside or outside the state, and for the sale or transmission of power from a project or any right to the capacity of it or for the security of any bonds of the authority issued or to be issued for the project;

(11) to enter into contracts with any person and with the United States [,] and, subject to the laws of the United States and subject to the concurrence of the legislature, with a foreign country or its agencies for the purchase, sale, exchange, transmission, or use of power from a project, or any right to the capacity of it;

(12) to apply to the appropriate agencies of the state, the United States, and a foreign country and any other proper agency for the permits, licenses, or approvals as may be necessary, to **acquire, construct,** maintain**,** and operate power projects in accordance with the licenses or permits, and to obtain, hold, and use the licenses and permits in the same manner as any other person or operating unit;

(13) to enter into contracts or agreements with respect to the exercise of any of its powers, and do all things necessary or convenient to carry out its corporate purposes and exercise the powers granted in this chapter;

(14) to recommend to the legislature

(A) the pledge of the credit of the state to guarantee repayment of all or any portion of revenue bonds issued to assist in construction of power projects;

(B) an appropriation from the general fund

(i) for debt service on bonds or other project purposes; or

(ii) to reduce the amount of debt financing for the project;

(15) to carry out the powers and duties assigned to it under AS 42.45;

(16) to make grants or loans to any person and enter into contracts or other transactions regarding the grants or loans;

(17) to promote energy conservation, energy efficiency, and alternative energy through training and public education**;**

(18) to acquire a Susitna River power project, whether by construction, purchase, gift, or lease, including the acquisition of property rights

and interests by eminent domain under AS 09;

(19) to perform feasibility studies and engineering and design with respect to power projects.

* **Sec. 3.** AS 44.83 is amended by adding a new section to read:

Sec. 44.83.085. Susitna River power project annual report. The authority shall prepare, not later than the first day of each regular session of the legislature, an annual report summarizing the status of the Susitna River power project and shall notify the legislature that the report is available.

* **Sec. 4.** AS 44.83.396(a) is amended to read:

(a) A power project that was acquired or constructed **under AS 44.83.080(18) or** as part of the former energy program for Alaska is owned, and shall be administered, by the authority.

* **Sec. 5.** AS 44.83.990(3) is amended to read:

(3) "feasibility study"

(A) means a study conducted for the purpose of establishing the economic and environmental practicality of completing a proposed power project [UNDER FORMER AS 44.83.181];

(B) includes engineering and design work to meet the requirements for submission of a license application for a proposed new project to the Federal Energy Regulatory Commission;

* **Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE APPROVAL OF LOANS FROM THE POWER PROJECT FUND. (a) Provided the Alaska Energy Authority approves a loan for the Haida Energy, Inc., Reynolds Creek hydroelectric project, the legislature authorizes the Alaska Energy Authority to loan an amount not to exceed $11,000,000 from the power project fund (AS 42.45.010) for the Haida Energy, Inc., Reynolds Creek hydroelectric project in addition to the loan authorized by sec. 6, ch. 70, SLA 2010.

(b) Provided the Alaska Energy Authority approves a loan for the Cordova Electric Cooperative Humpback Creek hydroelectric project, the legislature authorizes the Alaska Energy Authority to loan an amount not to exceed $5,000,000 from the power project fund

(AS 42.45.010) for the Cordova Electric Cooperative Humpback Creek hydroelectric project.

(c) Subsections (a) and (b) of this section constitute legislative approval under AS 42.45.010(j) for a loan from the fund that exceeds $5,000,000.

*** Sec. 7.** This Act takes effect immediately under AS 01.10.070(c).

Hydroelectric Project Risk Analysis & the Bradley Lake Funding Model

Summary Report

SNW

1420 Fifth Avenue, Suite 4300
Seattle, Washington
98101

Phone: (206) 628-2882

Fax: (206) 343-2103

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INTRODUCTION

The State of Alaska is analyzing the Susitna and Chakachamna hydroelectric projects for possible development. Both projects would require the investment of substantial resources and capital to move to the construction phase, including time and costs associated with an environmental review and the Federal permitting and licensing process. As part of the information gathering process, SNW has been asked to perform the following specific work tasks:

1. List and, if possible, assess the potential risks from an investor's perspective of the Susitna and Chakachamna hydroelectric projects.
2. Research, compare and contrast the Bradley Lake project and its original funding mechanisms to a potential similar project today.

Context for the Risk Assessment Component of This Report

Currently, there are several large hydroelectric facilities being constructed around the world. Many of these projects are being built in the BRIC nations (Brazil, Russia, India and China), where there are fewer permitting and environmental challenges to overcome. Nearly all projects of the size and scope of Susitna and Chakachamna currently being developed internationally are structured with some amount of government assistance or government guaranty, and many also include an equity investor participant. Some examples include China's Three Gorges, BC Canada's Toba Montrose, BC Canada's Waneta Expansion, Thailand/Laos' Pak Chom and Ban Koum projects (similar size/costs), and Brazil's Santo Antonio. The Waneta Expansion project financing is typical of the structures used to develop large hydro electric facilities; a more detailed description follows:

Waneta Expansion Project Description

Fortis Inc., an electric utility holding company, has entered into a partnership with Columbia Basin Trust (CBT) and Columbia Power Corporation (CPC), both 100% owned corporations of the Government of British Columbia, to construct a $900 million 335 megawatt hydroelectric generating facility on the Pend d'Oreille River, near Trail, British Columbia. The partnership calls for Fortis to own and operate 51% of the non-regulated portion of the facility and the CBT/CP group to own and operate the other 49% of the Waneta Expansion Project. The energy generated by the project will be sold to BC Hydro under a long-term power purchase contract. The surplus capacity will be sold to FortisBC under a long-term capacity purchase agreement. Fortis' portion of the initial financing costs are expected to be covered through credit facilities and then through long-term debt and equity take-out financing. The CPC portion is being funded through a $500 million commitment to be used as equity funding for joint venture power projects. Construction on the Waneta Expansion Project is expected to last four and a half years.

One important distinction between the large generation projects being constructed globally and the projects under consideration in Alaska is that the projects being built globally have access to large populations via transmission grids. This ability to both serve the immediate power consumption needs within the facility's service area and have access to other markets via a transmission system improves the baseline feasibility of a power generation facility and creates the option to develop excess capacity, which can be sold at market rates. Without state or federal support, Alaska's isolated geographic location eliminates the ability to build capacity which, when added to the current generation capabilities within the railbelt, exceeds existing demand.

It is the isolated geographic location of the railbelt customer base, in combination with the scope and complexity of the Chakachamna and Susitna projects, that lead us to conclude that neither of these facilities can be completed through a project finance vehicle (i.e., the security for the financing would be exclusively revenue from the sale of project-generated power). In our view, these projects will require State funding, which could be directly via capital investment and/or indirectly through some form of credit support or backstop, in order to obtain securities market access. It is also our view that it is reasonable for the State to consider investing in railbelt generation assets with the objective of developing a long-term stable source of base load power at a cost that will promote economic stability and growth within the railbelt region. Nevertheless, the process the State should go through in determining whether to invest additional time and resources into either the Susitna or Chakachamna project is analogous to the diligence that an equity investor would perform prior to the commitment of capital.

The following section identifies many of the risks inherent to an investment in either the Susitna or Chakachamna project. SNW is not qualified to advise AEA on the susceptibility of Susitna or Chakachamna to most of the risks identified. Many of these risks are focused on engineering or geological elements specific to the projects, and we are not an engineering firm. For this reason, we have confined our work to just the identification and explanation of risks, and for the most part have withheld any opinion as to whether either of the projects is more or less susceptible to a particular risk. The State, with its engineering and geotechnical resources and significant history with each of these proposed facilities, is in the best position to risk-weight the projects. Our objective is to help to identify as many of the project risks as possible and provide some framework to assist AEA with its risk assessment.

FINANCING CRITERIA: DISTINGUISHING RISK

Through a review of publicly available websites and documents footnoted or sourced throughout this report, we have evaluated and categorized some of the different risks associated with the two selected projects. As with the analysis of any project finance type structure, an investor will rely on a project feasibility study to outline the various engineering risk factors and risk mitigation efforts that are being undertaken throughout the stages of project development. SNW has not specifically studied nor are we suited to evaluate the two projects with respect to the different types of geological, volcanic, environmental risks, etc. from an engineering perspective. However, it is these risks that primarily distinguish Susitna and Chakachamna from one another.

Some potential risk factors are discussed below:

Overall Project Timeline

Both Susitna and Chakachamna are expected to take multiple years to permit and construct. The phased execution of the projects over multiple years has the effect of amplifying the elements of construction risk and reducing the overall confidence in project feasibility. Specifically with regard to Susitna and Chakachamna, the remote location of the projects will also be a factor in timely completion of the projects and therefore project feasibility. A large risk factor associated with either project is the unknown site or geological issues that could materialize during the construction phase. All other factors being equal, a shorter project permitting process and construction timeline is likely to result in less project risk.

Permitting and Licensing

There will be significant permitting risk, at both the Federal and local/State level. Projects of this scope and size would expect strong environmental opposition to the facility, transmission lines, roads (even if only

temporary), and/or railroads. Any project financing would occur only after all permits/licenses were issued and all court challenges were exhausted, so investment of capital leading to the permitting of either project will be substantial. Any risk assessment of the projects under consideration based on permitting and licensing should be done while simultaneously considering the feasibility of construction and the long-term operating viability of the project.

Development/Pre-construction

There is a significant portion of pre-construction development work that needs to be completed, at a sizable cost. These expenditures are rarely risks that investors will carry. Pre-construction costs would have to be paid by the State or an independent developer.

Construction Risk

Both the Chakachamna and Susitna projects are subject to a variety of construction risks. The three primary credit concerns relating to construction include (1) the cost of the project, (2) the schedule for the project, and (3) the quality of the completed project. Each can negatively impact the availability of funding and/or the date that the project comes on-line and begins producing revenue.

Project cost risk is influenced by a whole host of risks inherent to both projects in various degrees. As noted above, the duration of construction can amplify the risk of many of these cost factors. Some of the risk elements that can influence project cost are:

Inflation Risk. The risk that the future cost of materials and/or labor will exceed estimates.

Supply Risk. The risk that materials required for construction will be unavailable due to competing construction demand and/or the inability to deliver materials to the job site due to a remote location or problems along the supply route.

Labor Risk. The risk that there will be either a shortage of the labor required to move the project forward on schedule or a work stoppage delaying completion.

Engineering Risk. The risk that the project will encounter unanticipated and/or under-estimated construction challenges. While we are not an engineering firm, it is our understanding that many large project cost overruns are caused by unforeseen underground conditions. The scope and nature of underground work at both Susitna and Chakachamna should be carefully assessed and factored into overall project feasibility.

Contractor Risk. The risk that a contractor will fail to perform on its contractual obligations. This risk can be mitigated by allocating construction risks among the various project participants through the use of design/build contracts and the implementation of fixed price/fixed schedule agreements, and by including price incentives and disincentives in construction contracts. Nevertheless, it is impossible to completely insulate a project from contractor risk, and the overall complexity of the project including project sighting and engineering should be factored into the risk assessment.

Geological Risk Factors

There are significant potential geological risks associated with the two projects, which have been identified and discussed in the following documents:

Susitna Project, Watana and High Devil Canyon – RCC Dam Cost Evaluation, prepared by R&M Consultants, Hatch Acres, and Jack Linnard Consulting (which sourced two other studies including *1982 Feasibility Study* (Acres), and *1983 License Application* (Harza Ebasco 1983)).

Chakachamna Hydroelectric Project – Interim Feasibility Assessment Report, prepared by Bechtel Civil & Minerals Inc., 1983.

Both projects entail significant project risk and it is our opinion that the risks associated with both projects would require substantial financial backing in the form of credit support from the State to be feasible. For Chakachamna, the potential implications of Mt. Spurr volcanic activity, the close proximity of the Castle Mountain fault, and the geological nature of the lake tap would be significant areas of concern for investors. From a capital markets perspective, and not based on any engineering expertise, it is our opinion that the seismic and geological risk factors connected to the Susitna project seem to be considerably less than Chakachamna, nevertheless Susitna will demand extensive seismic and geological analysis prior to obtaining outside capital funding.

Environmental (Fish, Plant, Wildlife) Risk Factors

Both projects will incur environmental issues in the form of fish passage, changes in water quality and temperature, vegetation removal, wildlife habitat loss or alteration, and reservoir fluctuations. These risks may not be limited to the construction period. Post-construction environment risk could materialize due to an unanticipated environmental impact. Again, based solely on our capital markets perspective, the design of the Chakachamna project, which will necessitate the diversion of water flow from one drainage to another, appears to have the increased potential for environmental risk, particularly the potential for post-construction environmental damage and possible corresponding operating risk.

Regulatory/Legal Risk Factors

While there are significant federal hurdles associated with the permitting of a hydro project (of any size), there have been some recent positive legal developments out of Washington, D.C. The U.S. Department of Energy, Department of Interior, and the Army Corps of Engineers recently signed a Memorandum of Understanding intended to promote the development of hydropower in the United States. The MOU is intended to increase cooperation among the different agencies and to integrate policies and procedures at the federal level. This potentially creates efficiencies through the regulatory approval process and an improvement in the time frame in which required approvals are obtained.

Notwithstanding the above, it would be a mistake to proceed with either project under the assumption that there is no political risk. While politically stable, the United States has a long history of changing rules and regulations due to a political shift in governance or general public sentiment.

Technology Risk

Hydro is a tried and true technology capable of providing very stable base load power, but it is capital-intensive. The possibility of technological improvements in other sources of base load power leading to greater output, lower environmental impact, and reduced generation and transmission costs would be a factor for any investor. This risk factor can be mitigated through the structure of the Power Purchase Agreement.

BRADLEY LAKE COMPARISON ANALYSIS

Description and History

The Bradley Lake Hydroelectric Project is located in south-central Alaska at the southern end of the Kenai Peninsula. The project includes a 610–feet-long, 125–feet-high concrete-faced and rock-filled gravity dam, a 3.5-mile power tunnel and a steel-lined penstock. The project has 126 megawatts of installed capacity. Two

20-mile, 115-kilovolt transmission lines connect the project to a transmission system on the Kenai Peninsula. The project provides electric power to the most populous areas of Alaska, including the Kenai Peninsula, the Municipality of Anchorage, the Matanuska-Susitna Borough, and the Fairbanks area. Under a Power Sale Agreement, AEA has sold 100% of the capacity to the following purchasers:

- Chugach Electric Association, Inc. (30.4%);
- Municipality of Anchorage (25.9%);
- Alaska Electric Generation & Transmission Cooperative, Inc. (25.8%) acting on behalf of Homer Electric Association, Inc. (12.0%) and Matanuska Electric Association, Inc. (13.8%);
- Golden Valley Electric Association, Inc. (16.9%); and
- City of Seward (1.0%).[1]

The power generation potential of Bradley Lake was first studied by the U.S. Corps of Engineers and presented in a report dated March 1955. The project was authorized by Congress in 1962, but, despite its feasibility, federal funds were not available for its construction. The Alaska Energy Authority (then Alaska Power Authority) assumed responsibility for the project in 1982. Preliminary plans and field investigations started in 1982. In April 1984, AEA submitted a license application to the Federal Energy Regulatory Commission. The FERC license is the primary regulatory approval governing project development. The license to construct the project was issued on December 31, 1985, under the Energy Program for Alaska. In addition to the FERC license, AEA applied for and received 170 federal, State and local permits and licenses required to support construction and operations. A number of studies and investigations were performed to ascertain the geologic and geotechnical conditions of the site and structures. Seismic design considerations and the results of the investigations were reviewed and found prudent by the projects' technical review board and the FERC board of consultants.[2] In addition, a number of environmental studies were done, including studies of the effects of the project on wildlife, fish and winter ice conditions.[3] Construction of the project commenced on June 17, 1986, with site preparation work. Construction was suspended, however, after the completion of Phase I in May 1987 due to the pending negotiations of a satisfactory power sales agreement. In December 1987, AEA and the railbelt utilities entered into a Power Sales Agreement, and legislation was introduced in January 1988 to exempt the Bradley Lake power sales agreements from review by the Alaska Public Utilities Commission.[4] Construction of the project resumed on March 12, 1988, and the project was declared in commercial operation on September 1, 1991. From the project's completion in 1991 through 2009, the project has had an average annual output of 386.4 million kilowatt hours.

Original Financing

Project cost in the amount of $357.2 million (including reserves, capitalized interest, and cost of debt issuance) was funded long-term by (1) appropriations from the State in the initial aggregate amount of $175 million (later reduced to $163.6 million), (2) proceeds from the sale of AEA's bonds issued in the amount of $165.3 million, and (3) approximately $28.3 million of interest earnings during construction. A portion of the

[1] Alaska Energy Authority Bradley Lake Hydroelectric Project Fact Sheet (2010)
[2] Alaska Energy Authority Power Revenue Bonds, Second Series Official Statement (1990)
[3] "Throwing the switch at Bradley Lake," Alaska Business Monthly (1991)
[4] "Throwing the switch at Bradley Lake," Alaska Business Monthly (1991)

State appropriations funding was provided by the Railbelt Energy Fund, which was established from the Power Development Fund and seeded with appropriations for the canceled Susitna Hydroelectric Project.[5]

AEA issued approximately $267.5 million of Variable Rate Demand Bonds during the project construction phase to be used for construction cost. The Variable Rate Demand Bonds were sized in an amount that, together with interest earnings, would be sufficient to completely cover construction of the project. This approach created the ability to earn the maximum amount of interest earnings during construction. The Variable Rate Demand Bonds were general obligations of AEA and were secured by bank letters of credit and a capital reserve fund under an Indenture of Trust from AEA to the Bank of New York. Following construction, the Variable Rate Demand Bonds were redeemed using a combination of State-appropriated funds and the proceeds of long-term, fixed rate bonds issued in the amount of $165.3 million. The initial bond sales were issued in very flat yield curve environments, with interest rates ranging from 6.1% on the short end to 7.25% on the long end.[6] The original financing plan for the project is outlined in the table below:

FINANCING PLAN FOR BRADLEY LAKE

Available Funds	
Long-Term Bond Issuances	$ 165,260,157
State Appropriations	163,605,157 *
Interest Earnings from VRDBs	28,375,379
Total	$ 357,240,693
Application of Funds	
Project Construction	$ 312,500,000
Capitalized Interest	17,418,182
Capital Reserve Fund	13,392,890
Renewal and Contingency Fund	5,000,000
Bond Insurance Premiums	1,302,839
Bond Issuance Expenses	3,339,175
Operating Reserve Account	625,000
Net Original Issue Discount	3,662,607
Total	$ 357,240,693

* The original appropriation was in the amount of $175,080,000, but $11,474,843 was refunded to the State after construction.

[5] "Allure of the Railbelt Energy Fund," Alaska Business Monthly (1990)

[6] Electronic Municipal Market Access and Alaska Energy Authority Power Revenue Bonds, Second Series Official Statement (1990)

The Variable Rate Demand Bonds were refunded through two long-term issuances, the first in 1989 in the amount of $105 million and the second in 1990 in the amount of $60,259,015. The sources and uses for the permanent financing of the project are outlined in the table below.

	1st Series Revenue Bonds	2nd Series Revenue Bonds	Total
Sources			
Principal Amount of Bonds	$ 105,001,142	$ 60,259,015	$ 165,260,157
Existing Funds*	100,000	227,848,767	227,948,767
Total	$ 105,101,142	$ 288,107,782	$ 393,208,924
Uses			
Redemption of Variable Rate Demand Bonds	$ 76,600,000	$ 190,900,000	$ 267,500,000
Deposit to Construction Fund	-	82,300,919	82,300,919
Deposit to Interest Account	12,245,356	3,840,138	16,085,494
Deposit to Capital Reserve Fund	8,423,148	4,969,742	13,392,890
Deposit to Renewal and Contingency Reserve Fund	1,524,466	3,475,534	5,000,000
Deposit to Operating Reserve Account	-	625,000	625,000
Bond Insurance Premium	798,839	504,000	1,302,839
Underwriting Discount and Costs of Issuance	2,030,445	1,308,730	3,339,175
Net Original Issue Discount	3,478,888	183,719	3,662,607
Total	$ 105,101,142	$ 288,107,782	$ 393,208,924

Comparison of Current Financing Environment

The project was an innovative deal at the time that it was originally built and financed, and was the first instance of a state agency financing a power project on a long-term basis.[7] While the current financing environment is very different from that of 25 years ago, when the project was developed, the size, scope and success of the project makes it a relevant standard to analyze when considering a comparable large scale hydroelectric project. For this comparison, we have focused on highlighting the key components of the original financing relative to what could be expected in today's market. These components include:

- Arbitrage and investment earnings
- Rate environment and pricing
- Equity
- Security
- Power sales agreement
- Regulatory review and waivers
- Financing terms and conditions

Arbitrage and Investment Earnings: During the construction phase of the Bradley Lake project $267.5 million of Variable Rate Demand Bonds were utilized as interim funding and were later repaid through the

[7] Alaska House Judiciary Committee, Action Narrative, January 26, 1988. Tape 88 Side 1.

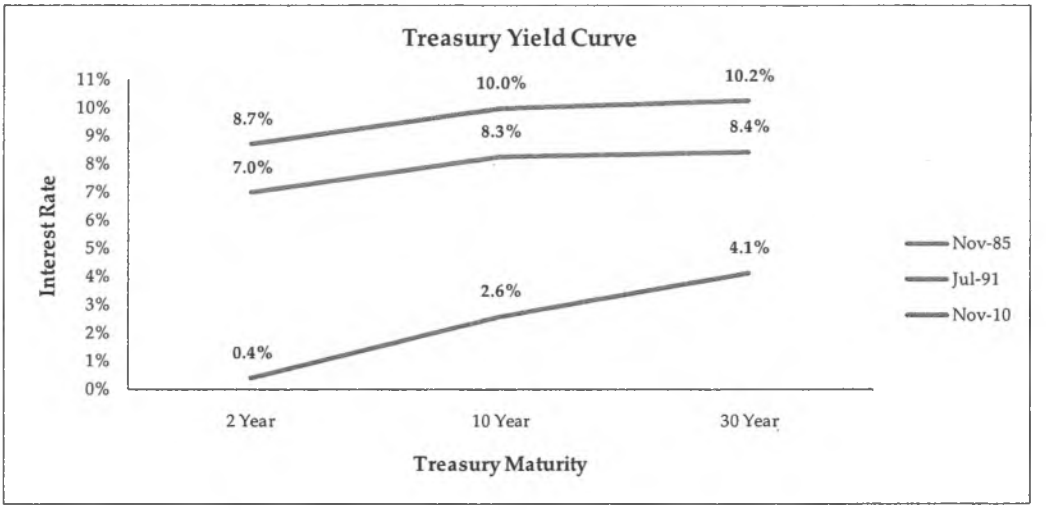
combination of State appropriations, which, in effect, acted as equity in the transaction, and long-term fixed rate revenue bonds, which would be backed by the power sale agreement. One significant aspect of variable rate demand bonds issued at the time is that, because they were issued prior to the Tax Reform Act of 1986, unspent proceeds from the bonds could be invested at a higher, taxable rate of interest. This interest rate arbitrage was used as additional source of capital for the project. Investment earnings on this arbitrage over the life of the Bradley Lake variable rate demand bonds equaled $28.3 million or approximately 9.0% of the total project costs. The 1986 Tax Act eliminated any ability to use tax-exempt bond proceeds to earn interest arbitrage, so interest rate arbitrage would not be available for a similar transaction today.

Rate Environment and Pricing: The 1980s saw a declining interest rate environment with relatively flat yield curves. While rates did not decrease in a linear fashion, due to some volatility in the decade, the overall rate decrease was fairly dramatic. For example, the 10-year treasury rate went from almost 15% in 1981 to around 8% in 1989, while the 2-year treasury rate went from almost 16% to around 8% over the same period. Long-term rates were in the 10% range in 1985 when the variable rate demand bonds were issued. The permanent take-out bonds were issued on a serial basis, with interest rates ranging from 6.10% on the short end to 7.25% on the long end. This environment is very different from the one we are currently experiencing, with historically low rates and a very steep yield curve. Rates on the 2-year treasury are currently 0.38%, while the 30-year treasury is around 4.12%.

The combination of historically high long-term tax exempt interest rates and a declining interest rate environment made variable rate bonds during the construction phase of Bradley Lake a good choice. As noted above, prior to being expended on the project, proceeds of bonds issued during the construction phase were invested above the variable rate cost of capital, creating interest earnings that exceeded the interest cost of the construction financing. The Bradley Lake funding structure took full advantage of the arbitrage strategy by borrowing for the full amount of the project, including the amount that was expected to be loaned by the State.

Additionally, the use of variable rate bonds served to minimize borrowing cost during construction. As bond proceeds were expended and therefore no longer able to be invested to create arbitrage earnings, the cost of interest was minimized since, in the typical upward-sloping yield curve environment, short-term variable rates were lower than long-term fixed rates. The combination of arbitrage earnings and low rates once bond proceeds were spent served to lower the funding cost of the project during the construction phase.

The Bradley Lake funding cost was additionally benefitted by falling rates during the construction period. As construction wrapped up, the variable rate bonds were refinanced with long-term fixed rate bonds in a lower interest rate environment than the long-term rate environment that existed when the project was started, as illustrated in the table below.



Interest rate risk is always a concern for project feasibility. Rising rates during project construction can substantially jeopardize project feasibility. By utilizing variable rate funding during the construction phase of the project, Bradley Lake was exposed to rate risk; however, this was a calculated risk, since the project was started in a high interest rate environment. Variable rate funding could also be a tool utilized to finance either Susitna or Chakachamna to provide extremely low-cost capital during the construction phase. Of course, the projects would be exposed to interest rate risk until the long-term fixed rate funding is secured. Contrary to 1985, today's long-term interest rates are historically low, creating an incentive to use fixed rate funding during the construction phase and eliminate the risk of rising rates.

While eliminating rate risk, fixed rate funding would likely result in additional cost in the form of negative arbitrage, or the inability to invest construction proceeds at or above the long-term borrowing rate, during the construction phase. Since negative arbitrage would only exist during the construction phase, it should be considered as an additional cost that, at least in the current rate environment, is outweighed by the risk of rising rates.

Equity: Another key component of the Bradley Lake funding structure was the large percentage of equity that was provided through appropriations from the State. State appropriations for the project ended up accounting for approximately 50% of the total project costs. The State's participation in the Bradley Lake project allowed the substantial capital cost of the project to be spread over a period of time that exceeded what would have been available through the bond market.

Security: The Variable Rate Demand Bonds were backed by a letter of credit as well as a general obligation of AEA. The permanent take out bonds were backed by revenues of the power sale agreement, the general obligation and full faith and credit of AEA as well as a moral obligation of the State. In today's environment, an investor would expect to see at least this level of credit support for a deal of this size and complexity.

Power Sales Agreement: The power sale agreement is simply the business deal between the power generator and the power purchaser and can be used to shift risk from the generator/developer to the power purchaser. The power sale agreement in the Bradley Lake project was heavily negotiated by the various parties and at one point was actually the cause of a significant construction delay on the project.[8] As the main source of payment and security, the power sale agreement was integral in arranging the permanent financing. A unique attribute

[8] Throwing the Switch at Bradley, Alaska Business Monthly (1991)

of the Bradley Lake power sale agreement was that the agreed payments continued for an additional 20 years after bonds used to fund the project were scheduled to be retired. This structure was designed to repay the State for the considerable capital that was contributed to the project but also served to extend the time frame for amortizing the cost the project.[9] SNW believes that this aspect of the Bradley Lake contract has applicability to future generating projects within the railbelt.

Regulatory Review and Waivers: While no one would argue that the Bradley Lake project was fast tracked, given the time spent on analysis and the rigorous regulation process that was required, two key waivers were obtained in the process. The first was a special federal exemption that allowed the project to use tax-exempt financing despite the fact that it would serve three contiguous counties. Normally, private activity bonds for electric facilities are exempt only if the facilities are used by a utility serving no more than two contiguous counties. Secondly, the sale and purchase agreement was exempt from APUC review, which removed a great deal of uncertainty within the investor community and seems to have been instrumental in moving the project forward at a critical juncture in time.[10] While these specific waivers may not be necessary for a similar project in today's environment, it is important to remember that a project of this size and scope has the potential to require various agencies and levels of the public sector to work together to achieve success.

Financing Terms

The tables below outline the key terms and conditions achieved in the Bradley Lake financings compared to what might be achievable for a similar project today.

[9] Alaska House Judiciary Committee, Action Narrative, January 26, 1988; tape 88 side 1

[10] Alaska House Judiciary Committee, Action Narrative, January 26, 1988; tape 88 side 1

INITIAL CONSTRUCTION FINANCING

FUNDING MECHANISMS	ORIGINAL BRADLEY LAKE PROJECT	POTENTIAL PROECT TODAY
Construction Costs	$312,500,000	Dependent on project
Equity (State Allocation)	$175,000,000	Likely to be greater than 50% or more of total project cost
Interim Financing	Variable Rate Demand Bonds	State funding potentially in combination with conventional bond funding
Amount of Bonds	$267,500,000	Dependent on project
Date Issued	11/20/1985	Dependent on project
Use of Funds	Construction	Permitting, licensing, construction
Security	General Obligation of the Authority, Letter of Credit and Capital Reserve	Dependent on project; however, for a large scale project, investors would expect to see significant credit support
Financing Costs		Dependent on project
Interest Rate	Variable Rate	Dependent on security, interest rate environment, tax-status, size, credit rating
Letter of Credit	Required	Possible requirement
Capital Reserve	Required	Necessary requirement
Completion Bonds	Allowed without compliance	-

PERMANENT TAKE-OUT FINANCING

FUNDING MECHANISMS	ORIGINAL BRADLEY LAKE PROJECT	POTENTIAL PROECT TODAY
Bond Resolution	Maximum of $175,000,000	-
Par Amount Issued	$165,260,157 $105,001,142 Series 1 $60,259,015 Series 2	-
Credit Rating	Moody's Aaa (enhanced) S&P AAA (enhanced)	-
Type	Negotiated / Tax Exempt	-
Underwriters	John Nuveen & Co; Goldman Sachs; Merrill Lynch; Paine Webber; and Lehman Brothers	-
Dates Issued	9/1/1989 Series 1 7/15/1990 Series 2	-
Use of Funds	Refund VRDB and capitalize reserve funds	-
Financing Costs		-
Interest Rate		-
Security for Bonds	Direct and general obligations and full faith and credit of the Authority and revenues received from operation of the project under Power Purchase Agreement	-
Insurance	Yes and provided by MBIAC	-
Power Purchase Agreement	Five utilities purchase 100% of Annual Project Costs, including debt service and annual reserves	Likely different structure than Bradley Lake, but there will need to be a strong PPA in place between the project owner and the railbelt utilities
Power Purchase Default	If insufficient funds available because of payment default of Power Purchaser, ADA may increase each other Power Purchaser's share of costs up to 25%	Step-up provision in the PPA will be a necessary security structure feature; however, it could be structured differently than Bradley Lake
Capital Reserve Fund	Equal to Maximum Aggregate Debt Service	Required, but could be structured differently than Bradley Lake
State Obligation	Moral obligation of the State to restore Capital Reserve Fund	Will depend on PPA structure, but State pledge of any kind would benefit the credit
Completion Bonds	Allowed on parity	Yes, typically up to 10% of original bonds issued to fund the project
Additional Bonds	May be issued on parity for the cost of acquisition and construction of any capital improvement related to the project with approval from the project	Dependent upon type of debt. It is not typical to allow additional bonds for a project revenue bond structure however system debt would permit additional bonds

	management committee as well as proof that the additional bonds will not hinder debt service payments on the original bonds	subject to meeting certain financial thresholds. Bradley Lake is a hybrid additional bonds provision.
Consultant Engineer	Report estimating the projected costs and revenue requirements for a 10-year period as well as opinions on the project	Required
Renewal and Contingency Reserve Fund	Yes	Required
Operating Reserve Account	Yes	Required
Optional Redemption	102% (7/1/00-6/30/01) 101% (7/1/01-6/30/02) 100% (7/1/02 – thereafter)	Will depend on debt type. Taxable bonds would typically not permit optional redemption, while tax-exempt bonds would allow for optional redemption.
Notice of Redemption	At least 30 days but no more than 60 days	-

State Financial Assistance

As identified in previous reports[11] discussing potential financing structures for large generation assets, State financial assistance in a form similar to the Bradley Lake project model will be a necessary tool for either of the potential hydroelectric projects being evaluated. State financial assistance offers a number of advantages not available through traditional utility enterprise bond funding or project finance. State funding, whether in the form of a grant or loan, can be utilized to defer higher cost conventional revenue bond funding. Obviously a grant from the State provides the cheapest form of capital, but even when structured as a loan, State assistance can dramatically lower the overall cost of capital. State funding in the form of a loan has three significant advantages when compared to revenue bonds or a loan from a commercial lender:

Repayment flexibility. State funding can be utilized to extend debt repayment beyond the terms available in the public or commercial debt capital markets. Additionally, a State loan can easily be restructured or deferred to achieve system rate objectives.

Credit support/risk mitigation. State funding can be used to mitigate project construction risk to investors. This is particularly relevant for projects with extended construction timelines, such as the Susitna or Chakachamna hydro projects. Risk mitigation is also relevant in situations where permitting is an issue or a new technology is being used. As discussed earlier, investors will not accept the significant construction and permitting risks inherent with large-scale projects without some form of support from the State.

Potential interest cost benefit. State funding can provide a lower cost source of capital. The State's high investment grade credit rating allows it to borrow for less than even the most secure utility enterprise, and this lower borrowing cost can be passed on to the project. Alternatively, the State can use cash reserves to invest in a large-scale generation project like Susitna or Chakachamna. By using a funding model similar to Bradley Lake's, this capital investment can be returned to the State over an extended period of time. Extending the return of capital to a term that more closely matches the useful

[11] Regional Integrated Resource Plan – Financial Analysis Summary Report, 2/3/2010

life of the asset lowers the rates and charges for utility customers and spreads the capital cost of the project over a larger customer base.

CONCLUSION

In conclusion, SNW does not believe that it is possible to differentiate between the Susitna and Chakachamna projects on the basis of capital markets access. As we have underscored in this report, the scope of both projects, combined with the unique nature of the railbelt region, will necessitate a funding structure for either project that is supported by State credit or a State capital commitment. We think that it is likely that we would reach this same conclusion for any project with similar complexity and cost developed within the railbelt. There are engineering, geotechnical and seismic factors specific to each of the projects that would be relevant for the State to consider in risk weighting the projects prior to investing additional time and resources in further development. We've highlighted some of those risks in this report but do not have the technical expertise to advise AEA on the importance of these risks.

Finally, we believe that elements of the Bradley Lake funding model have applicability to funding new large hydroelectric facilities within the railbelt. Market conditions and the legal constraints under which any new project would be funded are dramatically different than when Bradley Lake was funded, so the Bradley Lake structure cannot be replicated as a whole. However, the ability to collaborate with the State to mitigate certain risks and spread the capital cost over an extended period of time will be critical to funding a multi-billion dollar project.

Public Involvement Opportunities in the FERC Licensing ILP and ALP Hydroelectric Licensing Processes

Licensing a hydroelectric project under the Federal Energy Regulatory Commission's (FERC) licensing procedures is a multi-year process that provides considerable opportunity for public input and participation. The licensing process is based on federal laws and regulations that require several years worth of extensive planning, environmental studies, resource agency and native American consultation, community meetings and opportunities for public comment. There are numerous opportunities for engaging the public in this lengthy process of studying, preparing, and evaluating a licensing proposal.

Of the Commission's three available licensing processes, both the Integrated Licensing Process (ILP) and Alternative Licensing Process (ALP) mandate specific requirements for informing and consulting with members of the public, citizen groups and other non-governmental organizations (NGOs). Increased public involvement is one of the goals of the ILP and ALP processes over the earlier "Traditional" Licensing Process (TLP) that had been in place for many decades. The ALP and TLP require written support from agencies and NGO's to get approval from FERC, while the ILP is the default process that requires no special approvals. While the TLP offers some flexibility in terms of stakeholder outreach it would not be a good fit for a Project like Watana because it would not provide the opportunities for stakeholders to participate in the study process and the ability for the public to participate are less than those of the ILP or ALP. Because the ILP provides a structured formal sequence for all licensing steps, all participants are enabled to play key roles from the very beginning of the process. The ALP is a bit more informal, but has similar steps to the ILP in allowing opportunities for public participation; the only real difference is that the timeframes for each step can vary and will not necessarily be known in advance to the public and other potential interested parties. Both the ILP and ALP were designed by the Commission to involve a wider range of participants at an earlier stage in the licensing process versus the previous TLP.

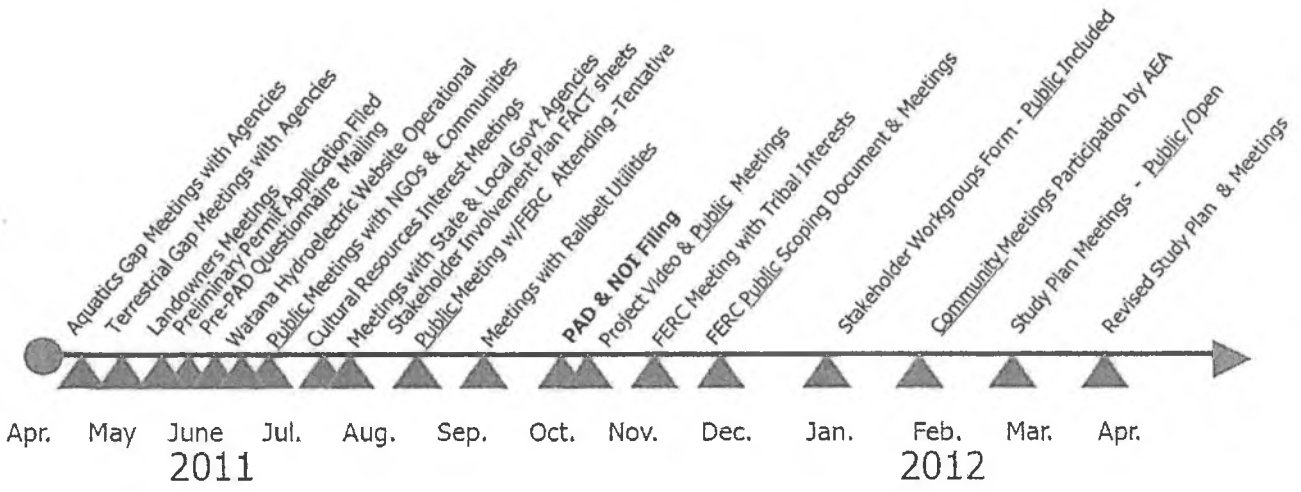
In general, the public has tremendous opportunities for input from the outset of any of the FERC licensing processes, beginning with consultation that takes place before the licensee publishes its Notice of Intent (NOI) to even file for a license. For the Watana Hydroelectric Project, some of the main pre-PAD public activities that would be important are outlined in the following timeline that assumes filing of a NOI and PAD in fall of 2011.

Timeframe:	**Activity:**
April – June 2011	Landowner meetings AEA Web site operational (to be update regularly) Pre-PAD Questionnaire mailings Hydro mailing list Community and interest organization informational meetings
July – September 2011	Public meetings with FERC (to describe process) Stakeholder Involvement Plan – Communication plan Project Fact Sheet AEA Web site (continually update)
October – December 2011	PAD & NOI filed Public information sheets

FERC meeting with Tribal Interests
FERC Public Scoping Document & Meetings
FERC website, mailing list, written comments
AEAWeb site (continually updated)

January – March 2012

Stakeholder workgroups formed
Community meetings
Study Plan meetings
Revised Study Plan & meetings
FERC website, mailing list, written comments
AEAWeb site (continually update)



Public Participation Opportunities Common to all FERC Licensing Processes

In general, all of FERC's licensing processes involve two distinct parts: Pre-Application activities, which can be divided into other phases; and Post-Filing activities which are led by FERC. The first Pre-Application activity phase includes preparation and filing with FERC by the applicant of a NOI to file an application for a license and a Pre-Application Document (PAD). As part of the PAD, applicants are required to not only consult with the public and all interested parties, but also to develop and maintain licensing mailing lists of all interested parties who wish to receive information regarding the Project licensing. Under any of the FERC processes, anyone who wishes to be included can add their name and contact information to the mailing lists that will eventually be used for a variety of required notifications by the applicant, FERC, and other agencies. In both Pre-Application and Post-Filing phases license applicants, agencies and FERC and any member of the public can access FERC's web-based e-library system that will hold the Commission's complete records filed under a specific FERC Project number (or docket number). Any party can search and download documents, write and file letters and other documents themselves. Interested parties can even subscribe to an email service that will inform them of new filings as they come in. Lastly, any interested party can formally intervene in a Project proceeding through FERC's e-library if they wish to be able to seek formal rehearing or ultimately appeal the Commission's findings in a Federal court.

Most all modern licensing efforts also include a Project specific website hosted by the applicant where documents, meeting notices and other information are made available. AEA is currently in the final

stages of developing a new Website specifically for the Watana Project complete with listserv capabilities where interested parties can sign up for emails to stay abreast of current activities in the licensing process. Additionally, the PAD and license application filings are required to be sent to public libraries under any of the FERC licensing processes. All of FERC processes require applicants and FERC to place public notices in regional newspapers at the time of most major filings and prior to public meetings. In summary, members of the public can:

- Get placed on mailing lists and access licensing information through each stage of the process.
- Provide written comments to FERC and all other parties at any time documenting concerns with, or support for the Project.
- Provide oral comments and ask questions of Commission staff and the applicant at public scoping meetings, site visits, and in other meetings.
- Submit study requests and participate in workgroups during study plan development (varies by FERC licensing process).

Public Involvement Opportunities under the ILP and ALP

The PAD provides FERC and potential interested parties with existing, relevant and reasonably available information pertaining to the Project to help identify potential impacts, issues and related information needs, to develop study requests and study plans.

Under the ILP regulations, within 120 days of the date the NOI is filed, FERC holds initial meetings with all potentially-affected tribes or other Native American interests; issues a public notice that the NOI and PAD have been filed; prepares and issues a Scoping Document 1 (SD1) that discusses the project and related issues; and holds public meetings and site visit. FERC scoping meetings are typically held over a several day period with daytime and evening meetings in several locations in the Project area. Each meeting provides the opportunity for the public to view formal presentations and learn more about the Project plans and licensing process. The meetings provide opportunities for interested parties to give verbal testimony that is transcribed by a court recorder. The transcribed comments are made available to the public on FERC's eLibrary. Written comments may also be submitted during the scoping meetings or at any time in the licensing proceeding. Thirty days after the last scoping meeting, all interested parties may file comments with FERC on the NOI, PAD, and SD1.

FERC's scoping process in an ALP will normally take place later than under the ILP unless requested by the applicant and stakeholders, in which case it would be similar to the ILP process although the requirement for meeting with the potentially-affected tribes and other Native American groups is not set on a specific timeline under the ALP regulations. The advantage of the ILP for the public is that all parties will have certainty they can participate at a set point, early in the process and that will allow them a chance to get engaged in all of the subsequent licensing stages rather than entering the process after most decisions regarding studies and other commitments have been made.

Under the ILP, within 195 days after the PAD is filed, the applicant must file a Proposed Study Plan that includes detailed plans for each study it proposes to perform. Within 90 days, the applicant must hold at least one study plan meeting open to all interested participants, and interested parties may file comments on the Proposed Study Plan. Thirty days later, the applicant must file a Revised Study Plan, and 30 days after that FERC must issue a Study Plan Determination, which orders the applicant to perform the studies described by FERC in the Determination. The process for the ALP is less formal and does not have the pre-determined, prescribed steps and timelines, so it is often more difficult for interested parties to know when they can participate. In an ALP the public can provide similar input to study plans

and get involved in the process and would have the best chance for involvement if they join into the ALP collaborative licensing groups that are set up early in the process.

The ILP and ALP generally provide for two seasons of field studies. At the conclusion of both field seasons under the ILP, the applicant files a Study Report with FERC that describes the applicant's progress in performing the studies, and identifies any variances and modifications, including new studies. All interested parties have an opportunity to meet with the applicant to discuss each report and file comments with FERC before FERC makes a determination regarding the proposed modifications. The final Pre-Application activity phase commences when the applicant files either a Draft License Application (DLA) or a Preliminary Licensing Proposal (PLP), which must be filed no later than 150 days before the applicant must file its Final License Application (FLA). The ALP follows a similar sequence but may include an applicant-prepared Environmental Assessment also available for public comment. Interested parties have 90 days to file comments on the DLA or PLP under either process. Lastly, a Final License Application is prepared under both ILP and ALP that documents how the applicant has collaborated with federal and state agencies, tribes and the public regarding the measures.

Post-Filing activities commence once the applicant files its Final License Application. During the Post-Application activities FERC will: 1) determine if the application is complete and request additional information from the applicant if needed; 2) prepare an Environmental Assessment or Environmental Impact Statement (EIS) consistent with the National Environmental Policy Act once the application is complete; and 3) make a decision on issuance of the license, including license terms and conditions. In this process the public is notified and allowed participation through direct mailings from the applicant's mailing list, through posting in FERC's e-library, and through public meetings and newspaper notices.

Development of a Stakeholder Involvement Plan

While not specifically required under an ALP or ILP, a stakeholder involvement plan is essential to successful licensings as it is widely known that it is better to engage potentially interested parties early, rather than have them join into the process late with their concerns. A stakeholder involvement plan is developed prior to filing of the PAD and typically addresses the following items:

- A Communications Plan that clearly describes the procedures for information sharing including:
  - Providing comments
  - Public & working meetings (notices, minutes, etc)
  - Document distribution protocols
  - Study requests procedures
- Identifies potential stakeholders early on
- Develops a Strategic/Media Relations Plan
- Provides means to get early conversations going with key stakeholders
- Provides potential "polling" opportunities (PAD questionnaire)
- Develops a framework to obtain rapport with all stakeholders
- Benchmark potential mitigation measures and highlights Project benefits
- Provides framework for how a Web page should be structured
- Lays out a plan for how public meetings, open houses, and site visits should be organized and ran.
- Describes when and how direct mailings should be used.
- Lays out a plan for engaging the media to get newspaper & other media outlet coverage
- Addresses the need and outlines how Project managers can attend and participate in other regular community or agency meetings

ALASKA
ENERGY AUTHORITY



Railbelt Large Hydro Evaluation

Preliminary Decision Document

November 23, 2010

Prepared By
Alaska Energy Authority

ALASKA ENERGY AUTHORITY

November 23, 2010

Executive Director's Statement:

The Alaska Energy Authority (AEA) has been appropriated $10 million in State funds to start planning and designing a large hydroelectric project. Our first goal has been to identify the project to pursue that would give the State the best chance of success to be built and meet the State's goal to produce 50% of Alaska's electrical energy from renewable resources by 2025. It has been generally understood that a multi-billion dollar hydroelectric project will require State participation and financial assistance.

In the Preliminary Decision Document AEA has focused its efforts on the Susitna River and Chakachamna hydroelectric projects. This document provides a risk analysis comparison of the two projects by summarizing the known information and risks of the two projects and identifies the Susitna Hydroelectric project as the recommended primary project for the State to pursue. The Chakachamna project is recommended to be studied as an alternative to Susitna. Alternative projects need to be evaluated as part of the FERC licensing process, unless or until it is determined that there is reason to reject it as an alternative. As an alternative project, AEA recommends allocating the minimum necessary State funds to study the Chakachamna project thereby using the maximum amount available to further advance the Susitna project.

AEA will hold public workshops in February to educate and receive input from the public on the Preliminary Decision Document and the recommended approach to meet the Alaska's 50% renewable energy goal by 2025. After December, please refer to our webpage, www.akenergyauthority.org for workshop schedule. In the meantime, I encourage interested parties to submit written comments to AEA by the any of the following methods:

Email: largehydro@aidea.org

Fax: 907-771-3044 Attn: Large Hydro Project

Address: Large Hydro Project
Alaska Energy Authority
813 West Northern Lights Blvd
Anchorage, AK 99503

AEA looks forward to your comments on the Preliminary Decision Document.

Sincerely,

ALASKA ENERGY AUTHORITY

Michael C. Harper
Acting Executive Director

Railbelt Large Hydro Evaluation

Preliminary Decision Document

November 23, 2010

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Terms and Acronyms

AEA	Alaska Energy Authority
ALP	Alternative License Process
APA	Alaska Power Authority
cfs	cubic feet per second
Chakachamna Project	Chakachamna Hydroelectric Project
FERC	Federal Energy Regulatory Commission
FPA	Federal Power Act
GWhrs	Gigawatt hours
HB	House Bill
ILP	Integrated License Process
IRP	Integrated Resource Plan
KWhrs	Kilowatt hours
MW	Megawatt
NOI	Notice of Intent
NP	National Park
PAD	Preliminary Application Document
Railbelt	The region of Alaska served by the railroad, stretching from Seward to Fairbanks
RIRP	Regional Integrated Resource Plan
SNW	Seattle Northwest Securities
Susitna Project	Susitna Hydroelectric Project, Low Watana Non-expandable Alternative
TBM	tunnel boring machine
TLP	Traditional License Process

Executive Summary

There are two proposed major hydroelectric projects in the Alaska Railbelt Region: the Susitna Hydroelectric Project, Low Watana Non-expandable Alternative (Susitna Project) and the Chakachamna Hydroelectric Project (Chakachamna Project). The purpose of this document is to identify which of these is most likely to successfully meet the long term energy needs of the railbelt at reasonable cost. This preliminary evaluation also considers the possibility to permit a project in its presently proposed configuration and to be able to do so in a reasonable time frame.

The 2010 AEA Regional Integrated Resource Plan (RIRP) is a 50-year long range plan that identifies combinations of generations and transmission capital improvement projects in the railbelt region (Black and Veatch 2010). The RIRP documented the need for a large amount of new annual generation for the railbelt within the next 10 to 15 years. The type of generation constructed will be influenced by declining Cook Inlet natural gas production, legislative environment, financing, and ability to permit or license and construct a project in a timely manner.

The 2010 Alaska legislature passed House Bill (HB) 306 which declares a State energy policy. This bill directs the State to receive 50 percent of its electrical generation from renewable and alternative energy sources by 2025. The only way to achieve this goal is for a new large hydroelectric project to be built in the railbelt region. The project sites, one on the Susitna River at Watana and one at Lake Chakachamna, are shown on Figure 1-1. The energy generated by one of these two projects would provide roughly one fourth (Chakachamna) to roughly one half (Susitna) of the current electrical energy demand.

Alaska Energy Authority received funding from the Alaska Legislature in 2010 for the preliminary planning, design, permitting and field work for the Susitna and Chakachamna Projects, as well as Glacier Fork Hydroelectric Project and other hydroelectric projects along the Railbelt. Most of the funds were allocated to the Susitna and Chakachamna Projects. There are a variety of alternatives on the Susitna River as documented in the HDR Report (2009). The Susitna Project chosen for this comparison is the Low Watana Non-expandable alternative. It was chosen because it offers a combination of greater winter storage capacity while still maintaining a low overall cost and low cost of power generated.

Permitting and licensing of a large hydroelectric project is regulated by the Federal Energy Regulatory Commission (FERC) and is a lengthy, complex and costly process. For this reason, the two projects must be evaluated at an early stage to determine if either has a fault that would prevent it from being licensed and constructed. As substantial research has already been done on each project, this document summarizes existing information on the projects, and uses this information for evaluation and comparison. Additional detailed information is available in the referenced documents. By using existing information to choose a primary project, resources can be concentrated on its development, with the goal of satisfying future railbelt energy demand and compliance with the legislative intent that the State receives 50 percent of its electric generation from renewable and alternative energy sources by 2025.

The ultimate goal of developing a project is to provide a cost-effective and long-term energy source to the railbelt region. Therefore, the cost, potential environmental impact, engineering issues and energy production potential of both projects were evaluated. This evaluation highlights key elements of each project that affect the cost of resulting energy, timeliness of energy contribution, and long term environmental and the projects' socioeconomic operational effects.

The results of this comparison show that the Susitna Project should be the Alaska's primary hydroelectric project; the Chakachamna Project should be considered as an alternative. Although the design, permitting and construction of the Susitna Project would cost approximately 50 percent more than it would for the Chakachamna Project the Susitna Project would produce more than twice the annual amount of energy as the Chakachamna Project. In addition, risk of cost overruns with the Chakachamna Project would be much greater than with the Susitna Project because of the extensive underground work required and its location in steep terrain.

The environmental impact of the Chakachamna Project would also be greater because it would require a cross-basin water transfer in a river system with salmon migration. Significant salmon runs travel to and through Lake Chakachamna. To allow enough environmental flow to protect fisheries, energy from the Project would have to be substantially reduced.

Additional conclusions that can be drawn from the comparison of the two projects include:

- As indicated above, in terms of energy production, the Susitna Project would produce more than two times the amount of the Chakachamna Project. The Susitna Project would have the added advantage of sufficient storage for significant energy production in the winter.

- The licensing, permitting and construction process for the Chakachamna Project would take roughly 3.5 years longer than for the Susitna Project because of the complex environmental studies required for the cross basin transfer and the time for the tunnel construction.

- The State would need to contribute substantial equity and be the licensee for either project. The ability to finance the projects is equal in either case.

- There are relatively less long term operational uncertainties for the Susitna Project.

- Both projects have some seismic risk; however the dams and powerhouses could be designed to withstand major seismic events as long as a fault does not pass through the structure. The Chakachamna Project has a relatively greater risk of damage to the power tunnel or fish passageway during a seismic event or volcanic eruption.

- The Susitna Project would be a larger construction project and have greater impacts on electrical rates than the Chakachamna Project along the railbelt and Statewide, in the form of lower rates in the long term.

- The Susitna Project would allow the State to achieve the State Energy policy goal of 50 percent renewable by 2025. The Chakachamna Project would not accomplish this goal by itself.

Overall, the Susitna Project would have a relatively lower cost of energy, fewer likely environmental effects, could start sooner, a reduced licensing/permitting schedule, less construction and long term operational risk, and greater positive impacts on the Alaskan economy than the Chakachamna Project.

A year of field studies at Lake Chakachamna would not be sufficient to determine an definitive environmental flow, would not predict project energy outcomes, or substantially change the economic factors that make the Susitna Project more desirable. Thus, Chakachamna Project field work should not proceed in 2011. Instead it may be prudent to perform some additional studies to confirm conceptual size optimization and cost.

Much of the information in this document came from reports prepared by HDR (HDR 2010), R&M Consultants/Hatch Associates Consultants (R&M Consultants/Hatch Associates Consultants 2010), and Seattle-Northwest Securities Corporation (SNW 2010). In addition, R&M Consultants/Hatch Associates provided Operational Uncertainty evaluation in Chapter 9. The referenced documents should be read for the full assumptions. Referenced documents and other important documents regarding these projects are available on the Alaska Energy Authority's Railbelt Large Hydro webpage.

Chapter 1

Project Descriptions

Each of the potential projects is described in the following section.

1.1 Susitna River Hydroelectric Project (Low Watana Non-expandable Alternative)

A two dam scheme was developed for the Susitna River Hydroelectric Project initially by the Corps of Engineers in the late 1970's for which a feasibility study was completed by Acres American Inc. for the Alaska Power Authority (APA) in 1982 (Acres 1982) and a license application was filed with FERC. An amended license was prepared in 1985 (Harza Ebasco 1985) and the project was cancelled in early 1986. Extensive site work including surveying, deep rock drilling as well as soil drilling and sampling was conducted at the Watana site. In addition environmental studies including fish and wildlife studies were conducted throughout the basin and included instream flow studies in the side channel sloughs downstream of Portage Creek.

In the two dam scheme developed in the Acres feasibility study (Acres 1982) the upper dam was at Watana (Figure 1-1) and was to be an 885 foot high earthfill embankment with a 1040 MW underground powerhouse. It was to be constructed first. The amended license (Harza Ebasco 1985) proposed to develop the project in three stages instead of two with an expandable 700 foot high embankment at Watana as the first phase with an installed capacity of less than 500 MW.

A number of hydroelectric generation alternatives were studied recently on the Susitna River (HDR 2009), of which the Low Watana Non-Expandable Alternative is the selected Susitna Project discussed in this document. The Low Watana Alternative, a 700 foot high dam with a 600 MW powerhouse was chosen because the best combination of winter storage, less environmental impact and low overall cost in addition to meeting the 50 percent renewable goal by 2025. The expandable version of a dam at this location was not chosen because it is more expensive initially relative to power output and the ultimate raised dam would have more environmental impacts related to terrestrial habitat as well as other technical challenges. The location of the Susitna Project as chosen for this review is the same location as the Watana dam in the two dam scheme as proposed in the 1980's (Acres 1982, Harza Ebasco 1985).

The Susitna Project would be located approximately half-way between Anchorage and Fairbanks. It would create a dam on the Susitna River at river mile 184 above the mouth of the Susitna River. The dam would be located within a steep sided river valley approximately 15 miles upstream of Devil's Canyon. The 700 foot high dam would have a 557 foot difference between tail water and maximum pond elevation, with a maximum pond level of 2014 feet. The reservoir would be 39 miles long and a maximum of 2 miles wide. Installed capacity would be 600 MW with the average annual generation determined to be 2600 GWhrs (HDR 2009). A final decision has not been made on the type of dam or the type of powerhouse (underground or surface) that would be used. The location of the Project is shown in Figure 1-1.

1.2 Chakachamna Hydroelectric Project

The Chakachamna Project was studied in detail in the 1980's as reported in the Bechtel report (Bechtel 1983). The project developed in that report consisted of an intake under the lake, and a 12 mile tunnel to an underground powerhouse on the McArthur River. At that location, the best alternative had a small regulating dam on the Chakachatna River and was estimated to produce 1,300 GWhrs of electricity annually although the report indicated that the maximum power could be generated by eliminating environmental flows and producing 1664 GWhrs of electricity annually with an installed capacity of 400MW. This latter alternative was identified to have adverse impacts on the fishery resources which use the Chakachatna River. Chapter 4 of this document; Preliminary Energy Estimate, further addresses the energy potential of the Chakachamna Project in light of environmental flows in the Chakachatna River.

The 1983 report (Bechtel 1983) also included an extensive environmental study which included environmental hydrology, aquatic biology, terrestrial vegetation and wildlife as well as human resources.

The Chakachamna Hydroelectric Project (Chakachamna Project) currently has a Preliminary Application before FERC (FERC No. 12660). In its Pre-Application Document (PAD) filed with FERC, the applicant, TDX Power described the Project to have 300 MW installed capacity and generate 1300 GWhrs hours of annual energy (TDX Power 2009).

The Chakachamna Project is located approximately 85 miles west of Anchorage at the south base of Mt. Spurr. Chakachamna Lake drains into the Chakachatna River, which flows downstream through a complicated system, ultimately flowing into Cook Inlet. That flow is partially joined to the McArthur River flow by way of the Noaukta Slough. The Chakachamna Project is essentially the same as the original scheme in the Bechtel study and involves diverting water from Chakachamna Lake through an 11 mile tunnel to an underground power plant near the McArthur River. The power plant would discharge its tailrace flow to the McArthur River and the flow would not rejoin the Chakachatna River until a point much further downstream, reducing flow in a portion of the Chakachatna River, and the Noaukta Slough and Middle River as well. The location of the Project is shown in Figure 1-1. The Project and vicinity are shown in Figure 1-2. The current scheme does not have a dam on the Chakachatna River as it exits the lake.

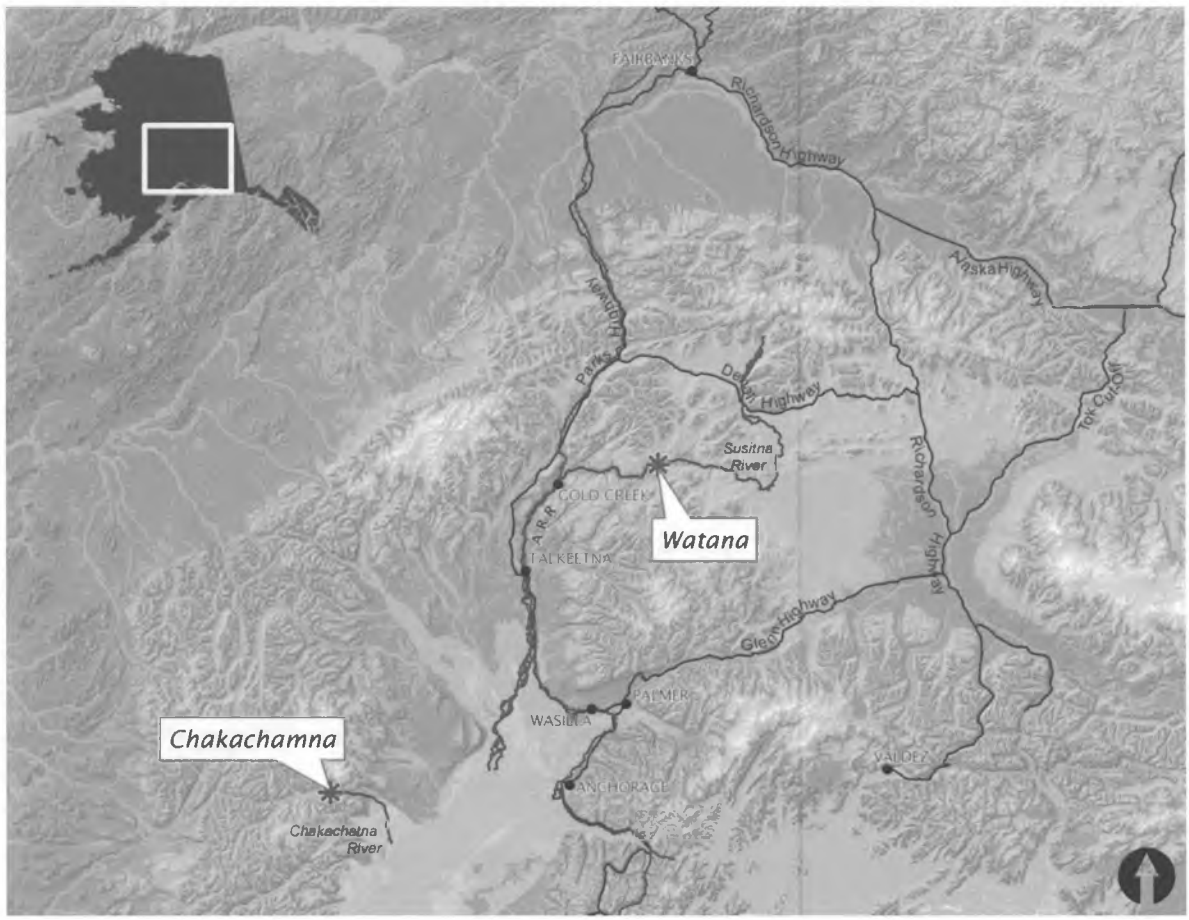

Figure 1-1 **Locations of the Susitna Project (Low Watana Alternative) and the Chakachamna Project**

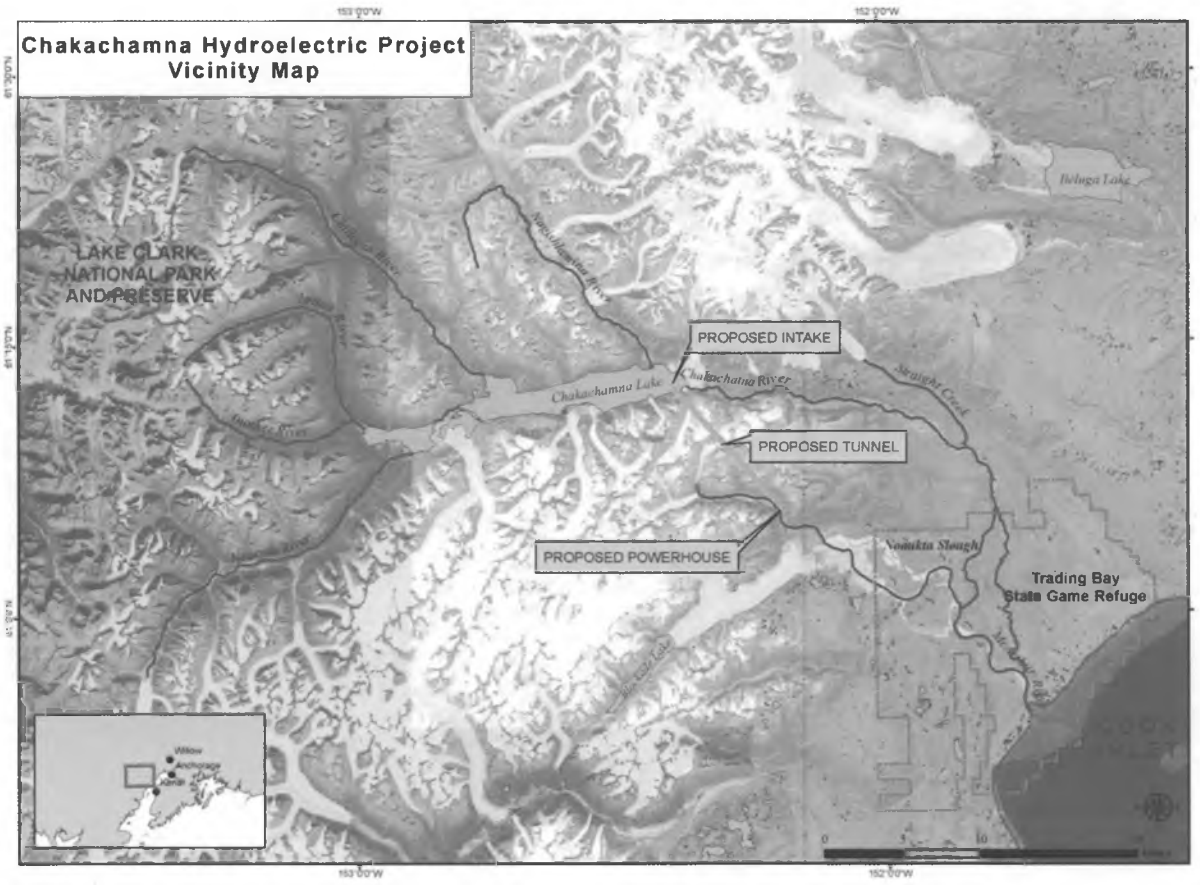

Figure 1-2 **Vicinity of the Chakachamna Project**

Chapter 2

Engineering Issues

Engineering issues associated with each potential project are discussed in the following section.

2.1 Access

2.1.1 Susitna Project

The Susitna Project could be accessed both from the Denali Highway by a new road and from Gold Creek (existing railroad bridge over the Susitna River) by a new rail line. Access via two modes of transportation provides the Project with advantages; the most significant of which is that the road could be built quickly, allowing early on site construction work. The rail link would allow materials from outside the State to be transported directly to the site by rail without having to off load to trucks.

2.1.2 Chakachamna Project

The Chakachamna site requires access from tidewater to the lake, the tunnel adits, and the McArthur River powerhouse location. Construction of a large dock to handle heavy equipment at Tyonek would be necessary. Access routes needed for construction and operation would be challenging. The construction access road could not cross the Trading Bay Game Refuge, and would therefore require crossing the braided Chakachatna River delta and wetland, as well as traversing high on steep mountain slopes to access the area near the lake

2.1.3 Access Comparison

Both projects would require roads and/or railroad to be constructed to handle very large and heavy equipment. Constructing access into both projects is likely to require two years. The advantages of access to the Susitna Project are that a major bridge is not required and that the routes cross less steep terrain compared to the Chakachamna Project. The bridge (or two) over the Chakachatna River will be large, expensive structure(s) with capacity to handle the heavy equipment. It is questionable whether a road built to handle heavy equipment could be constructed to the fish passageway location. If a road could not be constructed to handle a tunnel boring machine, drill and blast construction of the fish passageway would be required.

2.2 Transmission

2.2.1 Susitna Project

The Susitna Project would connect to the north-south intertie near Gold Creek. The cost of that transmission from the Susitna power plant to the intertie is included in the Susitna Project cost

estimate. A conceptual study of the transmission needs in the railbelt if the Susitna Project was constructed was completed by EPS (EPS 2009). Upgrades to the existing intertie and substations would be required to transmit energy to Anchorage and Fairbanks.

2.2.2 Chakachamna Project

The Chakachamna Project transmission costs were estimated in today's dollars based on the original 1980's scheme. The cost of the transmission from the power plant to the Beluga Power plant was included in the cost estimate. It is believed a triple circuit would be required for the segment of the powerplant to Beluga, as well as additional changes in the railbelt transmission system. If the Chakachamna Project was constructed, transmission upgrades from Beluga plant to the intertie and an upgrade of the intertie upgraded would likely be necessary.

2.2.3 Transmission Comparison

Transmission line construction beyond the two projects will be needed. Because the Susitna Project will be located centrally between Anchorage and Fairbanks, it will require less total length of new line construction, but because of the larger power output will require more actual circuits. Chakachamna Project will likely require some new line construction from Beluga to Anchorage and changes if energy is to be transmitted north to Fairbanks. Overall there is not a significant difference between the two projects due to transmission needs.

2.3 Geologic Hazards

2.3.1 Susitna Project

The design earthquake for the Susitna Project would likely be a based on consideration of a Denali fault event somewhere in the range of magnitude 8.0, a local crustal earthquake and a subduction zone earthquake with a magnitude of roughly 8.5. The original Project design considered all of these earthquakes in the design. Excellent recent data exist on the Magnitude 7.9, 2002 Denali fault earthquake. A review of the earthquake design requirements for a Susitna Project was made by R&M Consultants (R&M 2009).

Subsurface conditions at the Susitna Project site are well known due to considerable rock drilling in the 1980's at the site. At the time, it was considered feasible to construct both diversion tunnels, power tunnels and an underground powerhouse.

There have been recent earthfill dams designed for large earthquakes, the most significant being the Seven Oaks Dam in Orange County, California, which is designed for a magnitude 8 earthquake from a distance of 1.2 miles away.

2.3.2 Chakachamna Project

The design earthquake for the Chakachamna Project would likely be from the Castle Mountain fault, which is approximately 6 miles from the power plant location. Proximity to the fault would likely mean that smaller connecting faults would be encountered during tunneling, which

could cause delays and increased cost during construction. Subsurface geologic conditions along the tunnel alignment are not known. The frequency of any significant faulting and associated zones of fractured rock are not known, and could affect tunnel construction.

The Chakachamna Project also has other geologic hazards due to its proximity to Mount Spurr and Barrier Glacier. The most recent eruption at Mount Spurr was in 1992. If the volcano were to erupt again, ash fall and mud flows have the potential to block or partially block the powertunnel intake, fish passageway, or natural outflow of the lake. Facilities would need to be located or designed to minimize risk from an eruption. Also, at Lake Chakachamna, Barrier Glacier, which partially dams the lake, is a geologic risk. The glacier does not appear to be currently moving, is covered with debris, and has an ice core. A partial release of the lake occurred in 1971 when the outlet was eroded. The lake level dropped 10 to 15 feet. Facilities would need to be designed to accommodate a change in the glacier, which could cause the lake level to go up or down and substantially affect Project energy production and fish passage.

2.3.3 Geologic Hazards Comparison

Overall geologic hazards are somewhat greater at the Chakachamna site due to the close proximity of the castle Mountain fault and Mount Spurr.

2.4 Estimates of Probable Project Development Costs

A comparison of cost estimates for development of both project are provided in the following Section.

2.4.1 Susitna Project

2.4.1.1 Cost Estimate History

In 1982 to 1983, a detailed cost estimate to develop the complete Watana/Devil Canyon project was prepared. This estimate was revised in1985 to 1986, and again in March 2009. The latest estimate, prepared in November, 2009, is for a Low Watana Non-Expandable alternative. The estimate for this project in 2008 dollars is $4.5 billion as detailed in Table 2-1 below.

Table 2-1 Susitna, Low Watana Project Cost Summary

FERC Line #	Line Item Name	Low Watana (2008 Dollars Millions)
71A	Engineering, Environment, and Regulatory (7%)	$ 236
330	Land and Land Rights	$ 121
331	Power Plant Structure Improvements	$ 115
332.1-.4	Reservoir, Dams and Tunnels	$ 1,538
332.5-.9	Waterways	$ 590

Table 2-1 Susitna, Low Watana Project Cost Summary

FERC Line #	Line Item Name	Low Watana (2008 Dollars Millions)
333	Waterwheels, Turbines and Generators	$ 297
334	Accessory Electrical Equipment	$ 41
335	Misc Power Plant Equipment	$ 21
336	Roads, Rails and Air Facilities	$ 232
350-390	Transmission Features	$ 224
399	Other Tangible Property	$ 16
63	Main Construction Camp	$ 180
71B	Construction Management, 4%	$ 135
Total Subtotal		**$ 3,746**
Total Contingency		**$ 749**
Total (Millions of Dollars, rounded)		**$ 4,500**

2.4.2 Chakachamna Project

2.4.2.1 Cost Estimate History

In 1982, a detailed cost estimate was prepared for developing the Chakachamna Project. In 2008 and 2009, re-evaluations of this original estimate were made to take into account potential new alternative arrangements. In 2010, the detailed 1982 was updated with unit prices modified to be consistent with the estimated costs for the Susitna Project. The estimate for the Chakachamna Project in 2008 dollars is $2.9 billion, as detailed in Table 2-2 below.

Table 2-2 Chakachamna Project Cost Summary Table

FERC Line #	Line Item Name	Chakachamna (2008 Dollars Millions)
71A	Engineering, Environment, and Regulatory (7%)	$ 151
330	Land and Land Rights	$ 75
331	Power Plant Structure Improvements	$ 105
332.1-.4	Reservoir, Dams and Tunnels	$ 1,147
332.5-.9	Waterways	$ 123
333	Waterwheels, Turbines and Generators	$ 181
334	Accessory Electrical Equipment	$ 20

Table 2-2 Chakachamna Project Cost Summary Table

FERC Line #	Line Item Name	Chakachamna (2008 Dollars Millions)
335	Misc Power Plant Equipment	$ 15
336	Roads, Rails and Air Facilities	$ 172
350-390	Transmission Features	$ 232
399	Other Tangible Property	$ 0
63	Main Construction Camp	$ 90
71B	Construction Management, 4%	$ 86
Total Subtotal		**$ 2,400**
Total Contingency		**$ 480**
Total (Millions of Dollars, rounded)		**$ 2,880**

2.4.3 Cost Comparison

Although capital cost is greater for the Susitna Project, the evaluation in Chapter 9 will show that the cost to repay the financing of the project relative to energy production will be lower for the Susitna Project. Since the financing cost is a major portion of the energy cost, and since operation and maintenance and utility cost will be roughly equal regardless of the power source, overall, the Susitna Project cost per unit of energy will be relatively lower.

Detailed Susitna costs can be found at Susitna Hydroelectric Project Alternatives Design Report 2009 located on the AEA Railbelt Large Hydro webpage.

Detailed Chakachamna costs can be found at Susitna and Chakachamna – Preliminary Decision Document 2010 located on the AEA Railbelt Large Hydro webpage.

Chapter 3

Environmental Issues

Development of a hydroelectric project would face a variety of issues over the design lifetime. The design lifetime for a modern hydroelectric facility is anticipated to be greater than 100 years. The following discussion is not all inclusive but highlights the likely major areas of concern regarding both projects. Botanical and cultural resource issues are not discussed in this document since they have not been fully explored and tend to have less overall impact on whether a project is licensed and constructed.

3.1 Fisheries

3.1.1 Susitna Project

Fish resources have the highest potential to be impacted by the project. Most of the potential impacts would occur in the reservoir and the middle Susitna River downstream of the reservoir. There would be impacts due to changes in water quality, thermal regime, suspended sediment load, reservoir draw-down fluctuations, impoundment zone inundation, flow regime, and fish habitat. Not all impacts to fish populations would be negative. For example, an increase in winter water temperatures could lead to the enhancement of overwintering habitat and thus greater fish survival; however, the cooler spring water temperatures could slow fish growth.

The majority of the salmon production occurs in tributaries outside the area of anticipated effects. Devil Canyon acts as an effective passage barrier to upstream migration of salmon. Radio telemetry studies of Susitna drainage conducted by ADF&G (Yanusz et. al., 2007) observed no sockeye salmon moving above Portage Creek near the entrance to Devils Canyon. A few (less than 100) adult Chinook salmon have been observed above the Devil Canyon dam site (FERC Amend Nov 1985). Electrofishing surveys conducted by ADF&G in 2003 (Johnson, 2010) documented Chinook salmon rearing in Kosina Creek and the Oshetna River, both located above the Watana Dam site.

In the Watana impoundment zone, approximately 40 river miles of the Susitna River would be inundated and transformed into reservoir habitat. An additional 15 miles of four named tributary streams (including Kosina Creek) and numerous smaller unnamed tributaries and eight small lakes would be inundated. There are nine species of fish occurring in the proposed impoundment zones: Arctic grayling would lose approximately nine miles of spawning habitat and would not likely populate the impoundment zone (ENTRIX 1985). River habitat would be transformed into lake/reservoir habitat that may be occupied by a different array of fish species. Lake drawn down may limit spawning of species dependent upon these areas for reproduction. Table 3-1 shows the possible fisheries impact of the Susitna Project.

3.1.2 Chakachamna Project

Chakachamna Project has fish issues of concern to resource agencies. Since this document is a summary, only the three that most affect project economics and licensing ability will be discussed.

3.1.2.1 Lake Level Fluctuations

Chakachamna Lake and the surrounding tributaries support abundant salmon and freshwater fisheries resources. Five significant tributaries and numerous minor drainages empty from the surrounding mountains into Kenibuna and Chakachamna Lakes. Of these, the Chilligan and Igitna Rivers provide significant sockeye salmon spawning habitat. The lake tributary streams also provide habitat for Dolly Varden.

Studies in 1982 showed significant numbers of adult sockeye salmon milling along the north shore of Chakachamna Lake and spawning was suspected but not confirmed. Chakachamna Lake also provides habitat for resident lake trout, Dolly Varden, and round whitefish. Life histories of lake trout, Dolly Varden, and whitefish have not been investigated in Chakachamna Lake.

Under the proposed operational structure (base case), the lake level would fluctuate approximately 60 feet from the normal maximum pool elevation of 1,142 feet to the normal minimum pool elevation of 1,082 feet. If sockeye salmon spawn along lake shoals, it is likely that their spawning timing would coincide with the maximum pool elevation. The resulting eggs might subsequently be exposed and killed when the lake level drops to the minimum pool elevations in March or April. Similarly, lake trout spawning areas may be affected by the winter lake drop in lake level.

An additional impact relating to lake level drop is the potential for down-cutting of the channel between Kenibuna and Chakachamna Lakes and the fluvial fans of lake tributaries such as the Chilligan River. If down cutting occurs and as a result effects the level of Kenibuna lake (within Lake Clark National Park) then project can not be licensed by FERC. Down cutting may also effect fish passage into the tributaries particularly during periods of low lake level.

3.1.2.2 Reduced Flows into the Chakachatna River

The proposed operation of the Chakachamna Hydroelectric Project involves diverting a portion of the natural flow out of Lake Chakachamna to the powerhouse located in the McArthur River valley. In the base case, the average flow in the Chakachatna River will be reduced by approximately 50 to 80 percent from June through November.

The Chakachatna River provides a migration corridor, spawning habitat, and rearing habitat for salmon. The lower Chakachatna River splits into three branches: Middle River, which flows southeast to Cook Inlet, the Chakachatna River, which flows south and joins the McArthur River near its mouth, and a third braided section called Noaukta Slough which joins the middle part of the McArthur River. Hydrologic ties to the Chakachatna and McArthur rivers appear important in supporting the lower elevation wetlands north of Noaukta Slough and in the Trading Bay State

Game Refuge. Reduced river flow may cause floodplains, wetlands, and riparian habitats to dry. Drying of these wetland would effect fish populations in the Trading Bay State Game Refuge.

3.1.2.3 False Attraction

Transfer of water from Chakachamna Lake to the upper McArthur River may cause false attraction of adult salmon to the powerhouse tailrace during their spawning migration. The tailrace is proposed to be located approximately 15 miles up the McArthur River from the Noaukta Slough (Chakachatna River) confluence. The mixture of Chakachamna Lake water from the tailrace may confuse salmon migration and could prevent or delay the movement of salmon to spawning areas in Chakachamna Lake and its tributaries.

Critical months for salmon passage into and out of the lake occur between May and September, when a majority of the lake's discharge will be diverted to the upper McArthur River. Adult salmon return to their natal spawning areas by using olfactory cues (chemical "smells"). For Lake Chakachamna sockeye salmon, these cues are imprinted at the smolt stage when juvenile salmon migrate from spawning and rearing areas in the lake out the Chakachatna River to salt water. Because the majority of the Lake Chakachamna water is being discharged from the powerhouse into the McArthur River a substantial number of the adult salmon may be falsely attracted to the powerhouse in the McArthur River.

3.1 Wildlife Impacts

3.1.1 Susitna Project

There are currently no known listed endangered species in the project area. The most significant effect on wildlife would be on the species that live in the spruce forested valley walls. Impacts on each species would be different based on species abundance and use of the habitat; however, major threats common to most species have been identified. Downstream of the Watana reservoir there may be an increase in preferred moose browse, thus increasing the moose population (Harza Ebasco 1985b). The Susitna Project development would impact mink and otter in the middle river by increasing the winter turbidities which would reduce the value of the mainstem as feeding habitat. Open water in the winter would have a positive effect on mink and otter (Harza Ebasco 1985b). Other impacts to animals downstream of the reservoir would be negligible (Harza Ebasco 1985b).

A summary of the potential environmental impacts of the Susitna Project is provided in Table 3.1 below.

Table 3-1 Potential Environmental Impacts of the Low Watana Hydroelectric Project on the Susitna River

Impacts	Issues
Reservoir - Impacts	
River Habitat & Fisheries Impacts	Approximately 40 river miles of the main stem of the Susitna River and 15 miles of tributary streams will be converted from riverine to reservoir environment. Arctic grayling are the most abundant fish species in the impound zone and will have the greatest

	impacts with the loss of approximately nine miles of spawning habitat. A significant portion of lower Kosina Creek used by rearing Chinook salmon will be lost to inundation.
Fish passage	Fish passage may be blocked for a small number of Chinook salmon that travel above the site.
Drawdown impacts	The annual drawdown and refilling of the reservoir will affect an estimated 10 miles of river that will alternate between river and reservoir habitat.
Terrestrial Impacts	An estimated 20,000 acres of habitat will be flooded. Reservoir may alter traditional migration routes.
Downstream Impacts	
Flow change impacts to fish	Lower summer flows may reduce access to side channel fish habitats and reduce the amount of rearing habitat for salmonids. Increased winter time flows may provide more rearing habitat benefiting overwinter survival. Dampening of flows may alter streambed movement and affect side channel habitats.
Temperature impacts to fish	Lower than natural water temperatures in spring/early summer may cause a delay in the onset of favorable summer rearing conditions for salmonids. Warmer than normal fall water temperatures may extend the summer rearing period later into fall. Overwinter survival for salmonids may be benefited by warmer water temperatures and a delay in ice formation. Higher main stem discharges in winter may maintain higher rates of warm groundwater upwelling in side sloughs affecting incubation of salmon eggs.

3.1.2 Chakachamna Project

Wildlife impacts from the Chakachamna Project have not been studied in detail. Reduction of salmon traveling to Lake Chakachamna tributaries would reduce the food source for bears and eagle in Lake Clark National Park. Drying of Trading Bay State Game Refuge would potentially alter wildlife habitat effecting birds and mammals in the refuge.

Increased flow down the McArthur River may cause some increased flooding and wetlands south of Trading Bay State Game Refugee. The net effect of the changes in food source and habitat over a large area (Lake Clark NP, Trading Bay, and McArthur River) has not been studied.

3.2 Environmental Flow

3.2.1 Susitna Project

Environmental flow requirements are met by water being used for energy production passing through the generating units and then being released into the natural stream channel. The effect of environmental flows is to change the timing of the energy production but not necessarily the average annual amount of generation.

A preferred environmental flow regime in the 1980's was developed to have high late summer flows for maintenance of rearing habitat for Chinook salmon juveniles. However, peak summer flows would be reduced and winter flows (within limits) would be increased to generate more power. A comparison of the 1980 selected environmental flow and of the existing Susitna River flows are shown in Figure 3-1 below.

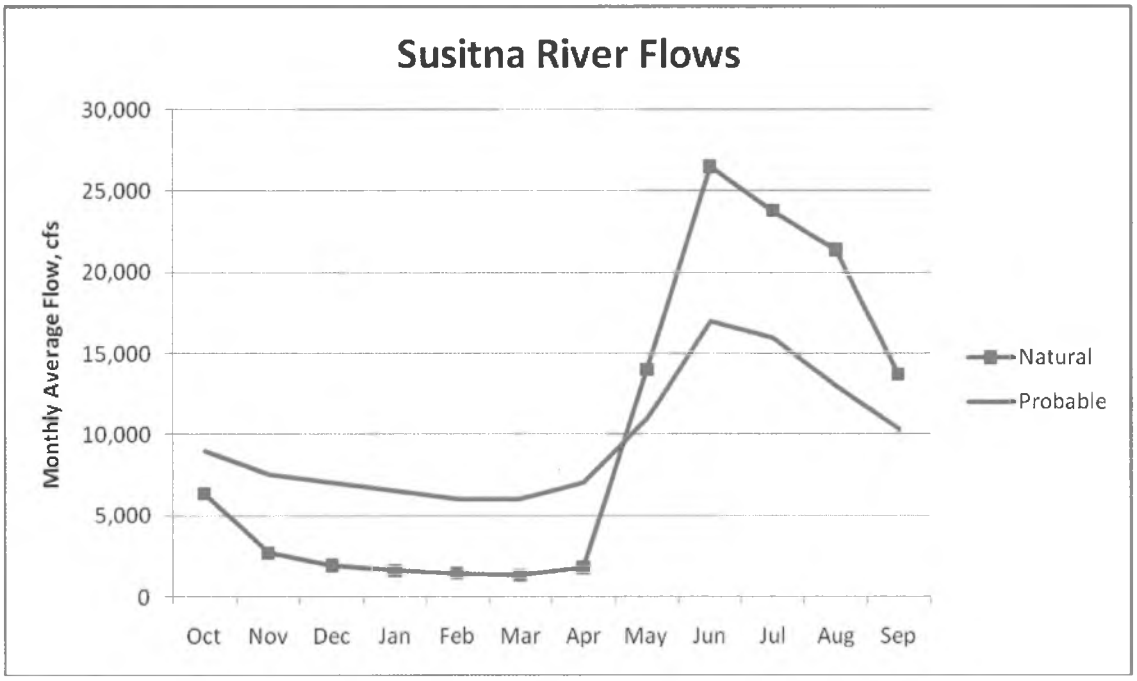

Figure 3-1. Susitna River monthly mean flow at Gold Creek.

3.2.2 Chakachamna Project

The preliminary environmental flow recommendations suggested for the Chakachatna River in the PAD are based on the Montana Method (Tennant 1972) as presented in the Bechtel report on the project in 1983. The Bechtel report assumed environmental flows during the months of April to September of 1094 cfs or lake inflow, whichever was less. During the months of October through March, the minimum environmental flow was assumed to be 365 cfs or lake inflow, whichever was less. These amounts of discharge are rated as "fair to degrading" flows in the Montana Method. This method was developed for and has primarily been used on rivers in the lower 48 states, which show little similarity to the glacially driven and highly seasonal flows of the Chakachatna River. Winter time flows using this method drop below historic average monthly flows, potentially resulting in freeze-out of spawning beds located outside the main river or in side channel areas. Summertime flows provided may not be sufficient to attract adult spawners confused by the discharges into the McArthur drainage or to provide for upstream passage through the canyon area located below Chakachamna Lake. Additionally, this environmental flow method does not take into consideration the groundwater hydrology feeding wetlands of the Trading Bay Game Refuge.

While it is outside of the scope of this document to complete the environmental flow analysis needed to adequately address all of the environmental issues in the Chakachamna watershed, Table 3-2 below provides an estimate of environmental flows that may be more likely to be viewed favorably by permitting agencies. It should be noted, however, that these flows have not been reviewed or endorsed by any permitting agencies. Determination of environmental flows for the project will ultimately be the result of a detailed analysis of instream flow data by conducted by a multiagency review team over a multi year time period.

Table 3-2 Estimate of Probable Environmental Flows

Month	Historic Natural Flow (cfs)	Base Case Flow (cfs)	Minimum Probable Flow (cfs)	Notes
October	2468	402	1,250	50% of mean monthly flow: provides water to Noaukta Slough to attract adult coho spawners and protect historic side channel spawning habitats.
November	1206	365	600	50% of mean monthly flow: provides water to Noaukta Slough to attract adult coho spawners and protect historic side channel spawning habitats.
December	813	363	600	75% of mean monthly flow: protects incubation in Chakachatna/Noaukta Slough spawning beds.
January	613	365	500	100% of mean monthly flow: protects incubation in Chakachatna/Noaukta Slough spawning beds.
February	505	357	500	100% of mean monthly flow: protects incubation in Chakachatna/Noaukta Slough spawning beds.
March	445	358	500	100% of mean monthly flow to protect incubation in Chakachatna/Noaukta Slough spawning beds.
April	441	582	500	100% of mean monthly flow: protects incubation in Chakachatna/Noaukta Slough spawning beds.
May	1042	1,094	750	75% of mean monthly flow: protects juvenile rearing in Chakachatna/Noaukta Slough areas and provides for outmigration of smolts from lake.
June	5,875	1,094	2,000	33% of mean monthly flow: provides water for outmigration of smolts from lake and feeds groundwater to Trading Bay Refuge wetlands.
July	11,944	1,421	4,000	33% of mean monthly flow: provides water to attract spawning adults to Chakachatna/Noaukta as opposed to McArthur, provides adequate flow for adult passage through canyon below lake outlet, and feeds groundwater to Trading Bay Refuge wetlands.
August	11,996	5,599	4,000	33% of mean monthly flow: provides water to attract spawning adults to Chakachatna/Noaukta as opposed to McArthur, provides adequate flow for adult passage through canyon below lake outlet, and feeds groundwater to Trading Bay Refuge wetlands.
September	6,042	2,164	2,000	33% of mean monthly flow: provides water to attract spawning adults to Chakachatna/Noaukta as opposed to McArthur, provides adequate flow for adult passage through canyon below lake outlet, and feeds groundwater to Trading Bay Refuge wetlands.

3.2.3 Environmental Flow Analysis

To evaluate the effect of increased minimum environmental flow requirements in the Chakachatna River and/or the effect of lake level fluctuations, two alternatives to the base case were also evaluated. Environmental issues surrounding project operations generally revolve around three main issues: 1) habitat affected by flows in the bypass reach; 2) upstream and downstream fish passage; and 3) habitat affected by lake level fluctuations. The alternatives to the Base case evaluated were:

- **Alternative #1 – Base case with probable environmental flow.** Alternative 1 is the same as the base case except that:
  - Environmental flow requirements are revised as described in Table 3-2 above.
  - The lake level fluctuations are not restricted.
- **Alternative #2 – Base case with probable environmental flow & minimization of lake fluctuation**. Alternative 2 is the same as the base case except that:
  - Environmental flow requirements are revised as described in Table 3-2 above.
  - The maximum lake level fluctuation would be 15 feet below the weir outlet.

A comparison of potential environmental impacts resulting from each alternative are presented in Table 3-3.

Table 3-3 Comparison of Potential Environmental Impacts Resulting from Chakachamna Lake Hydro Alternatives

Issue	Base Case	Alternative 1	Alternative 2
Lake Level Fluctuation			
Impacts to shoal spawning areas for sockeye salmon and lake trout	Significant impacts to incubating eggs due to draw down	Significant impacts	Least significant case but impacts may still occur
Access to inlet streams (Chilligan and Igitna) for sockeye spawners	Not likely to be impacted	Could be impacted due to drawn down	Not likely to be impacted
Adult salmon passage into lake	Minor to moderate, passage via natural outlet 87% of time	Significant, dependent upon using fish tunnel 91% of the time	Minor to moderate passage via natural outlet 87% of time
Smolt outmigration from lake	Unknown, smolts 100% dependent on fish passage tunnel	Unknown, smolts 100% dependent on fish passage tunnel	Unknown, smolts 100% dependent on fish passage tunnel
Chakachatna / McArthur Issues			
False attraction of Chakachamna sockey spawners to the McArthur powerhouse	Likely to occur	Least likely case but may still occur	Least likely case but may still occur
Noauktna Slough and Chakachatna side channel spawning and rearing habitats	Moderate impacts possible from winter freeze-out	Lower impacts than Base Case	Lower impacts than Base Case
Trading Bay Wildlife Refuge			
Groundwater fed wetland habitats	Moderate impacts	Lower impacts than Base Case	Lower impacts than Base Case

Under the Base Case and Alternative 1 the lake level would fluctuate approximately 60 feet from the normal maximum pool elevation of 1,142 feet to the normal minimum pool elevation of 1,082 feet. Spawning of adult salmon and Lake Trout may be effected and down cutting to tributaries may occur.

Lake level affects adult salmon passage into the lake in Alternative 1, where the natural outlet is not available to spawning adults 91 percent of the time. In this alternative, fish will be dependant upon using the two mile long fish passage tunnel. There is uncertainty whether fish will be willing to use the tunnel. In all cases the fish passage tunnel will be required for smolt outmigration.

In Alternative 2, the lake level is minimized to 15 feet below the outlet. While this amount of drawdown may exceed natural lake level fluctuation, it is the scenario offering the least impact to lake habitats.

For Chakachamna, limiting lake fluctuation (Alternative 2) to minimize the affect on upstream spawning will decrease the amount of runoff that can be captured, thereby decreasing the average annual generation. Figure 3-2 shows the post-project lake elevation by month for the base case and the two alternatives.

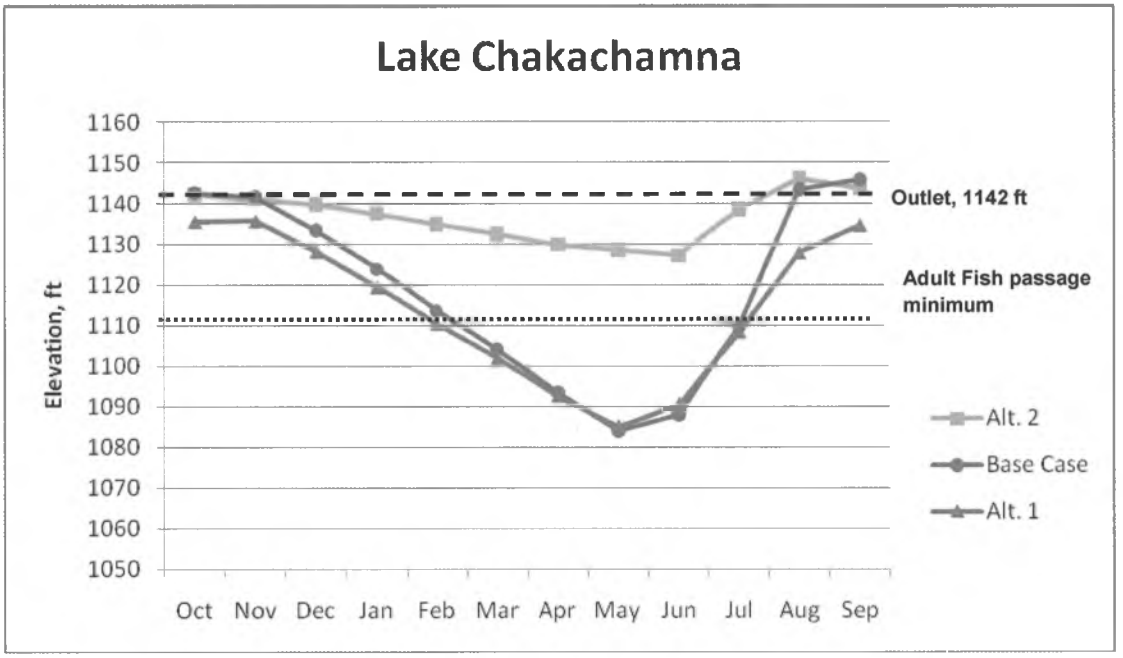

Figure 3-2 Chakachamna Lake Elevation by Month

Flows in the Chakachatna River during Project operation will be comprised of environmental flow releases and spill as shown in Figure 3-3. Since the powerhouse discharges return to the McArthur River, the net flows in the Chakachatna River are reduced in all cases.

Detailed Chakachamna environmental discussion can be found at Susitna and Chakachamna – Preliminary Decision Document, Environmental-Energy-Cost November 12, 2010 located on the AEA Railbelt Large Hydro webpage.

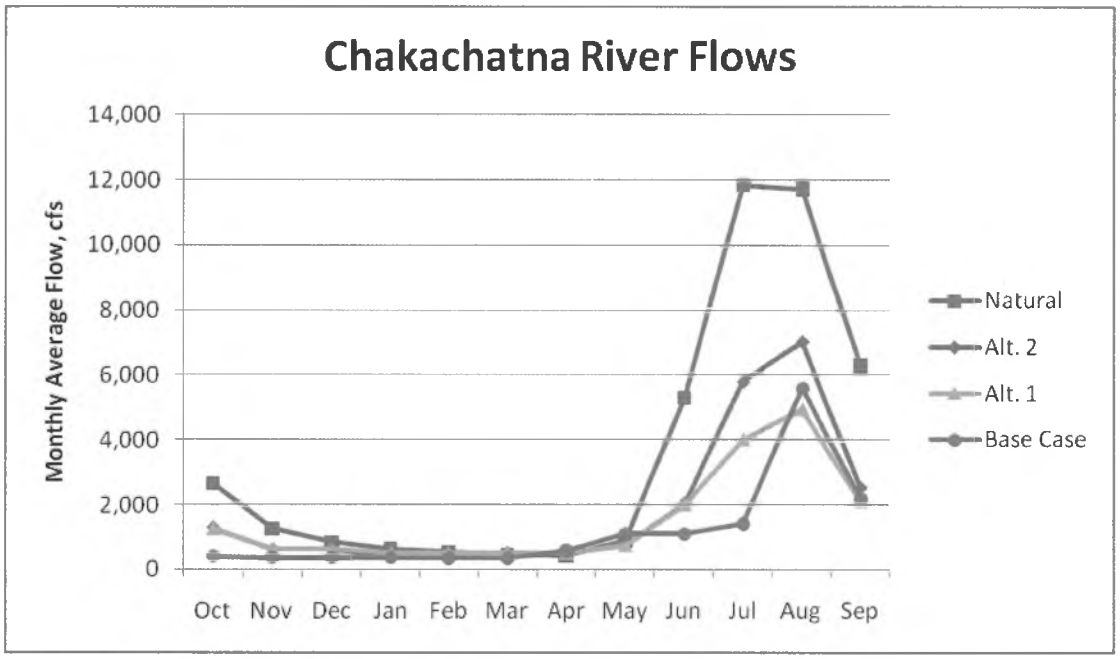

Figure 3-3 Chakachatna River Flows (Downstream of Lake) by Month

Chapter 4

Preliminary Energy Estimate

4.1 Evaluation of Average Annual Energy and Firm Winter Capacity

The amount of energy that can be produced from hydroelectric projects is a function of the amount of available water and, in the case of storage projects, how the available water can be regulated (systematically released). In addition to the average annual energy, the firm capacity attainable during winter months is of particular importance. For hydroelectric projects, the firm capacity is almost always lower than the installed generation capacity for a project. For the purposes of this study work, firm capacity is defined as:

"The amount of power the project can generate on a continuous basis from November 1 through April 30 with 98 percent reliability."

It should be noted that this is only one manner of regulation. The water can be regulated in a variety of different means in order to achieve other objectives, such as peaking, spinning reserve, or backup capacity. Major assumptions used to develop the estimates average annual energy and winter plant capacity are presented below.

4.1.1 Susitna Model Assumptions and Data Sources

This potential project consists of the construction of a large storage reservoir on the Susitna River at the Watana site with a 700-foot-high dam and a four-unit powerhouse with a total installed capacity of 600 MW. This "Low Watana non-expandable" alternative is described in detail in *Susitna Hydroelectric Project, Conceptual Alternative Design Report (*HDR Alaska 2009b).

4.1.2 Chakachamna Model Assumptions and Data Sources

This potential project consists of the inter basin transfer of water from a lake tap near the outlet of Chakachamna Lake through an approximately 10.8-mile-long tunnel to an underground powerhouse that would discharge to the McArthur River. The powerhouse would have a total generating capacity of 300 MW. The Base case (as proposed) and two alternatives were evaluated. Alternatives, described in Section 3.1.3, show how alternative operational constraints on the project would affect project energy. These alternatives are as follows:

- **Base Case** for analysis was the project as described in the PAD (TDX Power 2009). This project used environmental flow recommendations for the Chakachatna River based on the Montana Method (Tennant 1972).

- **Alternative #1 – Base Case with Probable Environmental Flow.** Alternative 1 is the same as the Base Case except that higher environmental flows are required.

- **Alternative #2 – Base Case with Probable Environmental Flow & Minimization of Lake Fluctuation.** Alternative 2 is the same as the Base Case except that higher environmental flows are required and lake level drop would be limited.

4.2 Results

Firm capacities and average annual energy estimates are presented in Table 4-1.

Table 4-1 Firm Capacity and Average Annual Energy Estimates

Alternative	98% Winter Capacity (MW)	Average Annual Energy Production (GWhrs)
Susitna	245	2,600
Chakachamna, Base Case	170	1,300
Chakachamna, Alternative 1	140	1,100
Chakachamna , Alternative 2	30	860

The energy distribution by month for each of the above alternatives is shown in Figure 4-1 below.

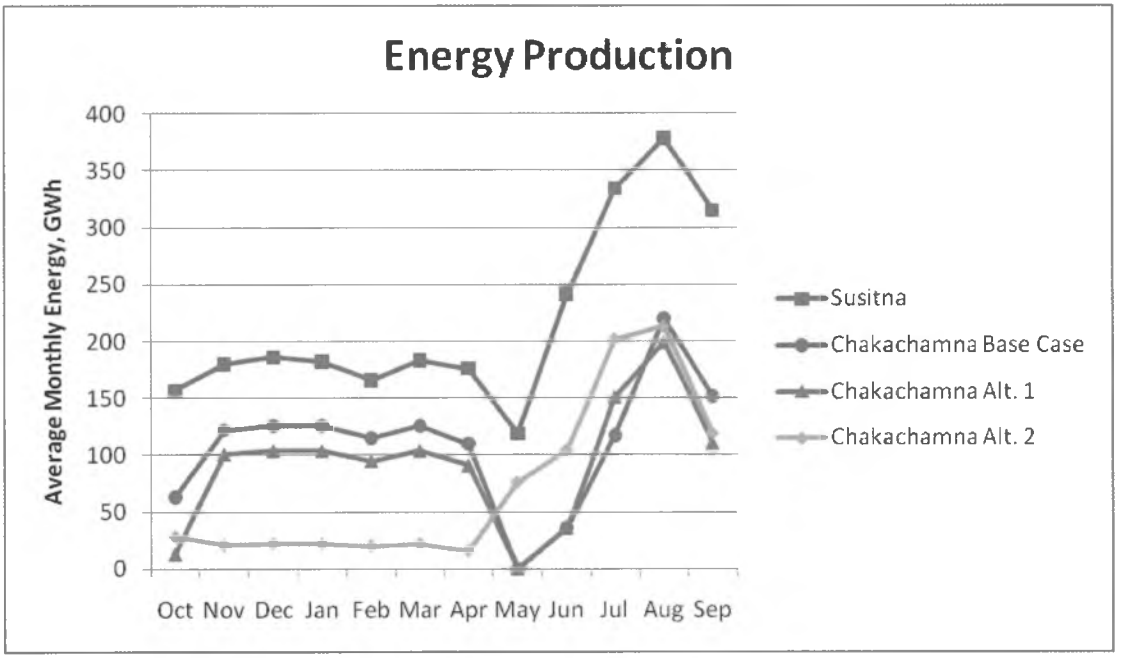

Figure 4-1 Energy Distribution by Month

As can be seen by these results, the firm winter capacity and average annual energy production estimates can vary significantly based upon the assumed environmental constraints placed upon the project. For the Chakachamna Project, increased environmental flow requirements (Alternatives 1 and 2) reduce the amount of water that is available for generation, thereby

lowering the annual energy. Reduced use of reservoir storage greatly limits the amount of energy that can be produced during the winter months (Alternative 2).

Detailed Chakachamna environmental discussion can be found at Susitna and Chakachamna – Preliminary Decision Document, Environmental-Energy-Cost November 12, 2010 located on the AEA Railbelt Large Hydro webpage.

For the Susitna Project, environmental flow requirements are met by water passing through the generating units and then being released into the natural stream channel. The effect of changed environmental flows is to change the timing of the energy production but not necessarily the average annual amount of generation.

Chapter 5 Permitting

5.1 Overview – Regulatory Processes

While pursuant to the Federal Power Act (FPA), the Federal Energy Regulatory Commission (FERC) has exclusive authority to issue licenses for most non-federal hydropower projects, there are several federal and state agencies that are authorized under several federal statutes to submit mandatory and recommended terms and conditions to be included in a FERC-issued license.

- **FERC's licensing process options** – Applicants may propose to use one of three options: the Integrated (ILP), Alternative (ALP), or Traditional (TLP). The default is the ILP, unless FERC approves use of either the ALP or TLP.
- **Pre-filing consultation** – extensive pre-filing meetings and exchange of information required.
- **Federal Energy Regulatory Commission – Application for License** required; Draft submitted for review & comments; Final filed.
- **Federal and State resource agencies consultation & terms & conditions** – File mandatory & recommended terms and conditions; most become License Articles and require compliance.
- **Numerous other State & Federal approvals & permits are required** – Applicants are required to provide evidence of consultation with agencies in an Application for License, and provide copies of permits and/or approvals.

Please also see R&M Consultants/Hatch Associates Consultants report (2010) for a detailed presentation of the various agencies and their authorities who would shape the content of any issued license.

5.2 Regulatory Issues – Chakachamna Project

TDX received its first Preliminary Permit on November 14, 2006. The purpose of a Preliminary Permit is to reserve priority to conduct studies for a period of three years, and if the effort results in filing an Application for License. A successive (second) permit was issued on February 25, 2010. This permit expires on January 31, 2013. FERC noted in issuing the permit that "a successive permit can warrant a greater standard of Commission oversight." "If the permittee fails to make significant progress toward developing a license application, the permit may be subject to cancellation."

On July 17, 2009, TDX filed its Notice of Intent to File an Application for License (NOI), Request to Use a Traditional Licensing Process (TLP), and Pre-Application Document (PAD). By letter dated July 27, 2009, FERC requested that they consider which licensing process it wishes to use and to refile its request noting that there would not be a need to refile the PAD. TDX met with FERC on August 5, 2009 to discuss the proceeding. On September 21, 2009, TDX requested to rescind its PAD. TDX stated that "this Project may be best served by an Integrated Licensing Process (ILP). TDX stated its intent to implement a field season in 2010 and to hold a study plan review and workshop in February 2010. TDX has a website for the Project and there is no evidence that work is proceeding as noted in their September 21, 2009, correspondence to the FERC. Nor has any further information been filed with the Commission. Under TDX's current development schedule, a third FERC Permit would be necessary.

5.2.1 Licensing Schedule

Once the pre-filing process restarts the schedule could be:

- Prepare and File Final Application for License – 4.5 years
- FERC Processing and License Issuance – 2.5 years

5.3 Regulatory Issues – Susitna / Low Watana Project

At present, there is no FERC Preliminary Permit in effect. While a FERC Permit is not required, it would be prudent for an entity representing the State to secure priority to study the Project. As discussed above, the Alaska Power Authority (APA), now known as AEA prepared and filed an application for license in February 1983. That application was withdrawn and APA revised the Project schedule to realize benefits identified with a three, as opposed to two-year construction schedule in 1985. In 1986, APA abandoned pursuit of a FERC license for numerous reasons, including financial feasibility.

In 2008, AEA began an update of the project, including preparation of the Railbelt IRP to evaluate the ability of the Susitna Project, and other resources, to meet long term demand in the Railbelt Region.

5.3.1 Licensing Schedule

Table 5-1 shows a Licensing, Engineering and Construction Schedule Comparison for the two projects. For the Susitna Project, based on information available at this time, the FERC schedule could be:

- Prepare and File Final Application for License – 3.5 years
- FERC Processing and License Issuance – 2 years

5.4 Total Project Development Timeline

Table 5-1 provides a Development Schedule Comparison for the two projects. Based on information available at this time, the comparative total schedule from start of the FERC process, in the case of the Chakachamna a restart of their pre-filing process, could be:

Table 5-1 Development Schedule Comparison

Major Task	Chakachamna	Susitna Low Watana
FERC Pre-filing Process	4.5 years	3.5 years
FERC Processing – DC	2.5 years	2.0 years
FERC Processing - Portland	2.0 years	1.0 years
Construction through Start up	5.5 years	4.5 years
TOTALS	**14.5 YEARS**	**11 YEARS**

Detailed Susitna and Chakachamna Licensing and permitting information is found at Susitna-Low Watana & Chakachamna Projects, Large Hydro Evaluation of Two Projects, Preliminary Decision Document, Environmental & Regulatory Issues November 14, 2010 located on the AEA Railbelt Large Hydro webpage.

Chapter 6

Development Schedule

The following tables (Table 6-1 and Table 6-2) show the major tasks associated with hydro project development, and the estimated preliminary schedule for completion for the Chakachamna Project compared to the estimated preliminary schedule for completion for the Susitna Project. Special considerations and assumptions for each are listed below.

Table 6-1 Considerations / Assumptions

Chakachamna Project	Susitna Project
▪ TBM est. 14-16 months to order and deliver to site ▪ 4.5 year pre-filing process assumes studies underway in 2011 (one year behind schedule in TDX PAD, 2009) ▪ 2.5 years for FERC Processing and License Issuance, and 5.5 year construction schedule based on PAD (Appendix 2-1) ▪ FERC-PRO processing and some procurement must be accomplished before field work can begin ▪ Longer construction schedule due to significant underground work, with higher risk profile and greater uncertainty ▪ Project "access" to require 2 yrs to construct ▪ Chakachamna has higher risk that the schedule to Project Startup will extend beyond 14.5 years.	▪ Significant, extensive and valid environmental studies performed in 1980's to be updated and used to develop FERC documents ▪ Significant geotechnical investigations performed previously ▪ FERC-PRO processing and some procurement must be accomplished before field work can begin ▪ More surface features and work carries more schedule certainty, less risk ▪ Project "access" to require 2 yrs to construct ▪ Engineering schedule based on "Low Watana Non-Expandable Development" (HDR, 2009) ▪ Susitna has lower risk that the schedule to Project Startup will extend beyond 11 years.

Table 6-2 Licensing, Engineering, and Construction Schedule Comparison

	Regulatory / Environmental Major Tasks			Engineering / Construction Major Tasks		
	Preliminary Permit	**Chakachamna**	**Susitna**		**Chakachamna**	**Susitna**
Pre-License Issuance	Scoping Draft Application Final Application	4.5 yrs	3.5 yrs	Feasibility Engineering Design Specifications, Drawings & Bid Documents		
	FERC Processing (DHAC) License Order Issued	2.5 yrs	2 yrs			
Post-License Issuance	License & Permits Compliance			FERC Processing (Portland Regional Office) Procurement	2 yrs	1 yr
				Construction Testing & Commissioning Project Startup	5.5 yrs	4.5 yrs
Reg/Env Estimated Schedule		**7 yrs**	**5.5 yrs**	**Eng/Const Estimated Schedule**	**7.5 yrs**	**5.5 yrs**
				ESTIMATED TOTAL TO STARTUP	**14-15 years**	**11 years**

Chapter 7

Financial

Based on project risk for investors, the two projects, Susitna and Chakachamna, are similar. Project financing for either project, where the costs of the project is paid for solely by the sale of power produced from the project, is assumed to be unavailable. Without State participation these project are unlikely to proceed. State participation of whatever form it takes place will enable these projects to occur and lower the cost of the energy to ratepayers.

Large projects have financing that is structured on some amount of government participation. Government participation is normally required because of the following risks generally associated with large hydroelectric projects make project financing unattainable:

- **Timeline**: Project may take 10-20 years prior to first power sales. Private investors do not like to spend substantial funds for an extended time when the payoff is a long time or may not occur.
- **Licensing and Permitting Risk**: Significant funds can be spent only for the project to have long delays in licensing and in operation constraints placed on project.
- **Construction Risk**: Estimating the cost of a project many years out has risk of the prices changing for materials and labor. In addition, the demand for a product can change.

The "Bradley Model" has been discussed as a way that a new large hydroelectric facility can be financed for construction with State assistance. Licensed and constructed in the 1980's and early 1990's it is Alaska's largest hydroelectric project. Bradley Lake Hydroelectric Project (Bradley Project) is located southeast of Homer, Alaska and is a 125-foot high concrete faced rock filled gravity dam. The project has 126MW of installed capacity and produces approximately 9 percent of the railbelt's annual energy. The state paid for licensing and much of the cost of the project. Approximately 50 percent of the project's licensing and construction cost was paid by the State. The railbelt utilities purchase all the power for the projects and pay all the costs of the project (bond financing, Operations and maintenance). Once the debt service is retired then the utilities will continue to pay the State the same amount as the debt service.

Detailed information on State participation and Bradley financing is available at Hydroelectric Project Risk Analysis & the Bradley Lake Funding Model Summary Report, November 15, 2010 located on AEA's website at the Railbelt Large Hydro webpage.

Chapter 8

Cost of Power

The cost of power from the Susitna and Chakachamna Projects is addressed in this chapter. A simple calculation of the cost of power, which assumes 50 percent State equity in either project, a financing rate of 6 percent, and annual energy from sections above results in the generation costs shown in Table 8-1 below.

Table 8-1 Cost of Power Comparison

Project	Finance Amount (50%)	Rate	Term (years)	Annual Energy (GWhrs)	Cost per kWhr
Susitna	2,250,000,000	6%	30	2600	$0.063
Chakachamna Alt 1	1,440,000,000	6%	30	1100	$0.09
Chakachamna Alt 2	1,440,000,000	6%	30	860	$0.12

This simple table gives an idea of how the two projects compare in the cost of power. Interest during construction is excluded from this comparison.

The estimated construction cost of Chakachamna Alternative 1 would need to decrease by 30 percent to have a comparable cost of power with the Susitna Project. Or, assuming no changes in the cost the energy of the Chakachamna Project, annual energy would need to be 1600 GWhrs. This could only be achieved by having zero environmental flow.

An alternative way of analyzing cost comparisons is to estimate State contributions needed if generation costs are held at $0.06 kWhr. From this perspective, the State required contribution would be $2.35 B for the Susitna Project (2,600 GWhrs) and $1.96 B for the Chakachamna Project (1100 GWhrs) or $2.17 B (860 GWhrs). Assuming state participation would be based on providing $.06 cost per kWh, the Susitna project would cost 20% more than Chakachamna project Alternative 1; however, it will provide approximately 136% more energy and compared to Alternative 2, an 8% greater cost with 200% more energy.

Chapter 9

Operational Uncertainty

Table 9-1 presents a summary of the comparative operational uncertainties associated with developing the Chakachamna and Susitna Projects.

Table 9-1 Operational Uncertainties Issue Comparison

Issue and likelihood of occurrence within next 100 years	Chakachamna Project	Susitna Project
	Issue Notes/Requirements	**Issue Notes/Requirements**
Earthquake Risk		
Immediate damage due to fault movement Studies show 700-year return period for significant earthquakes (magnitude 6 to 7), last such earthquake approximately 650 years ago.	Castle Mountain fault, approximately 11 miles from the lake, magnitude 7+, displacements of up to 6 ft, only 4500 ft from powerhouse site. Infrastructure near the fault include; powerhouse and bridge over Chakachatna River. Power tunnel intersects numerous smaller faults. Seismic event may cause localized collapse in the fault zone if not lined. Lack of information about whether movement could occur on any of these smaller faults.	Castle Mountain Fault located 65 miles from powerhouse, intake, lake, magnitude 7+, Denali Fault located 45 miles , magnitude 8.0, Inter-plate subduction zone located 40 miles, magnitude 9.2 Dam could experience high seismic loads (known seismic zone, EQ design case should consider loading)
Secondary effects	Landslide and avalanche potential into lake and onto access road.	Potential landslides and avalanches along access roads.
Hydrological Risk		
Generation	USGS record at site 11 years of data, correlation with 4 streams. Understanding of the hydrology There is potential during events such as floods or glacial activity for down cutting of the glacial moraine at the end of the lake which could reduce head and storage in the project Smaller basin will cause greater deviations from average hydrological flow and energy generation. Drought (Not sure if needed, see above) Tunnel roughness may increase with time due to wear which will reduce generation.	USGS record at site 54 years of data on Susitna River. Understanding of the hydrology vis a vis climate change effects.
Climate Change		
Glacier recession	Increase in flows as the glaciers melt (>100 yrs), followed by reduced and more "flashy" flows at the project.	Increase flow for a period with glacier recession (>100 yrs) followed by decreased flow.
Volcanism		

Table 9-1 Operational Uncertainties Issue Comparison

Issue and likelihood of occurrence within next 100 years	Chakachamna Project	Susitna Project
	Issue Notes/Requirements	**Issue Notes/Requirements**
Effects on Project Facilities and Features	Mt Spurr is located immediately adjacent to the project, Redoubt volcano is approx. 50 miles to the west. Explosive eruption at Mt. Redoubt 2009 Previous eruption on Mt. Spurr was a side blowout. Debris flows similar to those that occurred in 1953 and 1992 eruptions of Crater Peak could dam Chakachatna River. The debris dams might erode progressively or may burst abruptly. Lava flows could dam the Chakachatna River and raise Chakachamna Lake. Large floods would be produced by surging and melting of glacial ice during an eruption. Glacier movement (melting at base) is probable. Ice flow on Barrier Glacier may surge, dam the lake, raise water level and erode through, typically below the glacier in material. Access road may become blocked or destroyed by mud or erosion (high flows in river from melting glacier or glacial dam breakout). Effects on river bridges from debris flow Ash effects on transmission Poison gas cloud could affect the powerhouse (unlikely with distance & powerhouse location) Communications may be disrupted by volcano.	Mt Wrangell is located to the more than a hundred miles to the East and is closer to Watana. Mt Wrangell is in a non-eruptive active state at present but with history of 9 reported possible eruptions since 1760, most recently 1930; steaming at present. Ash could reach the Watana project and transmission lines depending on wind conditions. Pyroclastic flows are unlikely to affect Watana due to distance and intervening terrain.
Tunnelling and Foundation Conditions		
Dam	Small structure on rock foundation. Material of the natural dam, believed to be moraine, could contain significant quantities of ice, lahar material, or volcanic ash that could affect the permanence of the natural dam.	Geotechnical exploration indicates favorable foundation conditions on bedrock. Foundation (permafrost). Melting permafrost in the rock could lead to increased permeability of foundation that may require additional grouting associated with project site.

Table 9-1 Operational Uncertainties Issue Comparison

Issue and likelihood of occurrence within next 100 years	Chakachamna Project	Susitna Project
	Issue Notes/Requirements	Issue Notes/Requirements
		River diversion tunnels. Large spillway.
Power tunnel(s)	Extensive underground construction will be expensive to shut down for inspection and repair if necessary. Very hard rock along tunnel alignment – more than 35,000 psi, which is extremely hard and could present difficulty for a tunnel boring machine resulting in slow progress.	Competent rock conditions for dam and tunnel construction, studies date to 1982. Very short power tunnel(s) – 1.0 mile max, and shallow and surface power tunnel, therefore less risk of delay in construction. Limited number of geotechnical fault zones to pass through, due to location and short length of tunnels, provided "Fingerbuster" and "Fin" zones are avoided.
Glacier Activity		
Dam and Intake	Unpredictability regarding the interaction of glaciers with the volcanic activity, including possible melting at the base of the ice that would cause glacial pulses or surges. An advance of Barrier Glacier at the Chakachamna Lake outlet, initiated by heat from below the ice, could dam the outlet and raise the lake level. When the ice nose decayed, a large volume of water would be released that could erode the lake outlet and lower the lake below its present level. There is potential during events such as floods, glacial activity for down cutting of the glacial moraine at the end of the lake which could reduce head and storage in the project. Lowering the lake would reduce the submergence of the power inlet below what is acceptable. Breakout in 1971 one of Alaska's largest recorded floods.	N/A
Powerhouse	Blockade Glacier has been identified as a source of outburst floods on McArthur River	N/A
Surging Glaciers	Four glaciers in the Chakachamna study area have been identified as surging glaciers. They include Pothole Glacier and Harpoon Glacier in the Nagishlamina River Valley and Capps Glacier on the eastern slope of Mt Spurr.	N/A

Table 9-1 Operational Uncertainties Issue Comparison

Issue and likelihood of occurrence within next 100 years	Chakachamna Project	Susitna Project
	Issue Notes/Requirements	**Issue Notes/Requirements**
Outburst Glaciers	Glacier damming of the Nagishlamina Valley by a surging glacier may result in outburst conditions at the outlet from Chakachamna Lake. A sudden influx of water into Chakachamna Lake could produce significant changes including lowering of the lake outlet.	N/A
Other		
Intake	Lake tap would need fish screens Volcano eruption may affect power tunnel intake.	N/A
Access Road	Landslide, avalanche danger part of the route.	Avalanche danger over a portion of the route.
Transmission Line	42 miles of new transmission line to Beluga Sub Station. Submarine cable across Cook Inlet subject to marine environment risks such as currents, scour, dragging anchors.	58 miles of new transmission line.
Operation & Maintenance		
Operations & Maintenance	Long tunnel intersecting numerous faults susceptible to rock-falls over time and maintenance requirements Rock entrained in tunnel flow could damage turbines Long tunnel has higher risk of collapse, blockage Long tunnel will require planned outages for inspection and maintenance over life of project, higher risk of interruption.	Multiple short tunnels allows for more regular inspection and maintenance without prolonged outages and impact to operations
Load Stability		
Powerhouse location with respect to load centers	Off the end of the railbelt load center, not easy to stabilize (brown-out/black-out).	Location between Anchorage and Fairbanks means project is closer to center of load, easier to stabilize grid using reactive potential.
Hydrological Risk - Water Shortage		
Drought	Small catchment mainly fed by meltwater from glaciers, which make this site more susceptible to water shortages and less dependable as a source of energy.	Catchment is less susceptible to drought.

Chapter 10

Summary and Conclusions

This document compared two large hydroelectric projects to determine which would better meet the needs of the railbelt population and the State of Alaska now and into the future. The following table shows a comparison summary of the two projects.

Table 10-1 Comparison Summary

Criteria	Susitna (Low Watana) Project	Chakachamna Project
Engineering (Cost)	$4.5B	$2.9
Environmental	Same basin, modified flows, little to no salmon present.	Cross basin drainage, substantial concern regarding fisheries and Trading Bay State Game Refuge.
Energy	2,600 GWhrs annual average. About 50% of existing railbelt annual electrical energy. Meets and exceeds State energy policy without other projects.	Most likely to be less than 1,100 GWhrs annual average. About 20% of existing railbelt annual electrical energy. Does not provide substantial winter power.
Start-up Date	Approximately 11 years	Approximately 15 years
Licensing/Permitting	Substantial site knowledge likely to reduce licensing/permitting delays.	Significant unknowns on environment, geology, and hydrology likely to slow process
Finance	Requires State financial support	Requires State financial support
Cost of Energy	Simple calculation using cost & energy numbers above, 50% State equity, and 6% interest yields $0.06 /khr	Simple calculation using cost & energy numbers above, 50% State equity, and 6% interest yields $0.09-0.12 /khr
Operational Uncertainty	Less long term operational risk from seismic. Central location helps to stabilize grid.	Greater long term operational risk from seismic events, volcano eruption, & glacial changes. Energy more variable on an annual basis. Harder to stabilize.
Notes	River system has potential to expand generation by going upstream, downstream, or raise dam height. Transmission lines could connect to other areas of the State.	

The Susitna Project would produce more energy and at a lower cost per MW. Historically the flow has varied little year to year so that the amount of energy can be better estimated. Most of the Project is anticipated to be above ground so that geotechnical unknowns that influence construction cost risk are minimized. Produced energy during summer would be greater than desired so that flows would remain high for salmon downriver. However, the reservoir area would give the Project the ability to still generate substantial power during the winter critical months.

The Chakachamna Project would not be able to divert flow as was used for estimating energy in the early 1980's. The reduced flow would have substantial effects on the Trading Bay State Game Refuge down river and would cause false attraction to return adult salmon so that they are not able to find their way to the lake. In addition, the smolt salmon in the lake need substantial outlet flow to enable them to find the exit to the lake. Drawing down the lake during the winter would cause mortality of shallow spawners and may prevent salmon from ascending up the rivers at the head of the lake during early summer. If the Project is operated to provide significant environmental flows and restrict the lake drawdown then the cost of energy increases significantly and would produce minimal energy during the critical winter months. Because of the complex two drainage system hydrology and rich fisheries determining the environmental flow and conditions will require many years and millions of dollars. The substantial number of multi-year studies would delay the licensing and start-up date.

The Susitna Project is thought to be a licensable project without a fatal flaw. Geotechnical information indicates bedrock is suitable for construction. Environmental information indicates that impacts would be minimal. The Chakachamna Project has many fisheries concerns that will restrict the Project operation, increase the cost, and decrease the energy output of the Project. Some of the issues may not be able to be mitigated.

The Susitna Project provides a lower cost per unit of energy, the least environmental impact, a greater total amount of energy, and the anticipated startup date is sooner.

Based on the projects economics and impacts Susitna Project (Low Watana non-expandable alternative) should be the primary Project to pursue with Chakachamna Project as the alternative.

Chapter 11

Recommendations

We recommend that field studies and engineering evaluations be conducted on the Susitna Project preparing for a Final Decision Document scheduled to be released on November 15, 2011. In addition, we also recommend that a FERC license application be initiated on January 1, 2012 for the selected Project. In order for the process to move forward it is recommended that a Preliminary Permit be filed with FERC for the selected Project by December 31, 2011.

Specific studies to be completed in 2011 include:

- A complete review of the 1985 Susitna environmental study plan and the conduct of critical studies from that plan. Changes to the river system and the environment need to be documented.
- Field work to verify Susitna environmental conditions.
- A detailed cost estimate of the Chakachamna Project including changes to the Project introduced by environment constraints such as downstream flow releases (size optimization).
- A final determination of the type dam to be used at the Susitna site and the access plan and a revised cost estimate of the overall scheme.
- Detailed engineering studies on transmission needs, design drawings, and geotechnical review.

It is anticipated based on the schedule discussion in preceding Section 6.0 that the data gathered in the 2011 field season can be used for both the primary and alternative project. The FERC Preliminary Permit for the Susitna Project should be filed by December 2011.

Chapter 12

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12.1 Reference Lists

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ALASKA
ENERGY AUTHORITY



ALASKA POWER ASSOCIATION
R E S O L U T I O N

A Resolution in Support of Expanded Powers for the Alaska Energy Authority

The Alaska Legislature has adopted a goal of 50 percent renewable energy by 2025. The only way this goal can be met is with the construction of a major hydropower facility for the Railbelt or other very large generation projects, the cost of which would be well beyond the financial ability of any of the individual Alaska electric utilities.

Therefore, the state will need to be an integral partner in the funding and construction of any such projects. The logical state entity for this partnership is the Alaska Energy Authority (AEA), but it is, at present, limited by its statutory authority.

Alaska Power Association supports the expansion of statutory powers of the AEA that would, at a minimum, allow the agency to acquire, construct or own any interest in an electric project or any right to capacity of an electric project or to perform feasibility studies, design and engineering with respect to power.

(Adopted Feb. 2011)

Association Members
Alaska Electric and Energy Co-op
Alaska Electric Light & Power
Alaska Power & Telephone
Alaska Railbelt Energy Authority JAA
Alaska Village Electric Cooperative
Anchorage Municipal Light & Power
Aurora Energy
Barrow Utilities & Electric Co-op
Chugach Electric Association
Copper Valley Electric Association
Copper Valley Telephone Co-op
Cordova Electric Cooperative
Doyon Utilities
City of Galena
Golden Valley Electric Association
Homer Electric Association
INN Electric Cooperative
Inside Passage Electric Co-op
Kodiak Electric Association
Kotzebue Electric Association
Kwaan Electric Transmission Intertie Cooperative
Matanuska Electric Association
McGrath Light and Power
Metlakatla Power & Light
Middle Kuskokwim Electric Co-op
Naknek Electric Association
Nome Joint Utility System
North Slope Borough
Nushagak Cooperative
OTZ Telephone Cooperative
City of Seward
Southeast Alaska Power Agency
Tanalian Electric Cooperative
Tanana Power Company
TDX Power
Unalakleet Valley Electric Co-op
Yakutat Power

Anchorage office
703 W. Tudor Road,
Suite 200
Anchorage, Alaska
99503
907-771-5700
1-877-992-7322
Juneau office
302C Assembly
Building
211 Fourth Street
Juneau, Alaska 99801
907-463-3636

alaskapower.org

STATE CAPITOL
PO Box 110001
Juneau, Alaska 99811-0001
907-465-3500
fax: 907-465-3532

550 West 7th Avenue #1700
Anchorage, Alaska 99501
907-269-7450
fax: 907-269-7463
www.gov.alaska.gov
Governor@alaska.gov

Governor Sean Parnell
STATE OF ALASKA

January 14, 2011

The Honorable Gary Stevens
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Stevens,

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill that would authorize the Alaska Energy Authority (AEA) to move forward on pursuing a large hydroelectric project to supply much needed energy to Interior and Southcentral Alaska. The bill would authorize AEA to acquire, construct, own, and operate new power projects; create a new Alaska Railbelt energy fund as a fund of AEA; repeal the existing Railbelt energy fund (AS 37.05.520) after the balance of the existing fund is appropriated and transferred into the new fund or appropriated and expended for other purposes; address quorum requirements of the AEA board; and allow for the adoption of regulations to govern the procurement of supplies, services, professional services, and construction.

Alaska's State Energy Policy target is to reach 50 percent of its electricity generation through renewable energy by 2025. To achieve this goal, we must move aggressively and invest now to develop capacity for a major hydroelectric project on the Susitna River. This legislation allows AEA to continue with environmental and feasibility studies positioning the State to seek preliminary approval from the Federal Energy Regulatory Commission for a project that will provide half of Southcentral's electricity demand.

Alaska must invest now to create new opportunities for economic development and jobs for Alaskans. A Susitna Dam hydroelectric project will provide an important and much needed supply of renewable energy for Alaskan homes and businesses while creating jobs for Alaskans. A sectional analysis is provided with this packet.

I urge your prompt and favorable action on this important measure.

Sincerely,

Sean Parnell
Governor

Enclosure

Fiscal Note Numbers:
Support for Fiscal Note Computations (Thousands of Dollars).
Prepared by Alaska Energy Authority
Updated January 25, 2011

					FN 1 of 2	FN 2 of 2				
	Component:	**AIDEA**	**AIDEA Facilities**	**AIDEA RDU**	**AEA Statewide Project Devel., AEE**	**AEA Statewide Project Devel., AEE**	**AEA Rural Energy Ops**	**AEA PCE**	**AEA Owned Facilities**	**AEA RDU**
	Component Number:	**(1234)**	**(2361)**	**Total**	**(2888)**	**(2888)**	**(2600)**	**(2602)**	**(2599)**	**Total**
	Operating Expenditures:									
71000	Personal Services	(5,578.7)		(5,578.7)	5,638.7	1,125.0				6,763.7
72000	Travel			0.0						0.0
73000	Contractual	341.6		341.6	(2,311.1)	238.0	(2,329.3)	(160.0)	(25.0)	(4,587.4)
74000	Supplies			0.0						0.0
75000	Land & Structures/Equipment			0.0		413.0				413.0
77000	Grants & Claims			0.0						0.0
78000	Miscellaneous			0.0						0.0
	Total Operating	(5,237.1)	0.0	(5,237.1)	3,327.6	1,776.0	(2,329.3)	(160.0)	(25.0)	2,589.3
	Funding Source									
1002	Federal Receipts			0.0						0.0
1004	General Fund			0.0	1,388.4		(816.7)	(160.0)		411.7
1007	I/A Receipts	(5,379.9)	142.8	(5,237.1)	341.6					341.6
1061	CIP Receipts			0.0	1,512.6	1,776.0	(1,512.6)			1,776.0
1062	Power Project Fund			0.0						0.0
1074	Bulk Fuel Revolving Loan Fun			0.0	60.0					60.0
1102	AIDEA Receipts	142.8	(142.8)	0.0						0.0
1107	AEA Corporate Receipts			0.0	25.0				(25.0)	0.0
1108	Statutory Desig. Program Rcpts			0.0						0.0
1173	Miscellaneous Earnings			0.0						0.0
1210	Renewable Energy Fund			0.0						0.0
	Total	(5,237.1)	0.0	(5,237.1)	3,327.6	1,776.0	(2,329.3)	(160.0)	(25.0)	2,589.3
	Positions									
	Transfer	(42.0)		(42.0)	42.0					42.0
	New positions	1.0		1.0	1.0	8.0				9.0
	Net position change	(41.0)		(41.0)	43.0	8.0				51.0
	Total positions			**35.0**						**51.0**

Analysis:

ALASKA INDUSTRIAL DEVELOPMENT & EXPORT AUTHORITY - AIDEA

Personal Services: TOTAL $(5,578.7)

$ (5,578.7) Decrease in personal services costs with transfer of 42 employees to Alaska Energy Authority.

$ - Request one new position for AIDEA - Accountant IV, Range 20, to accommodate anticipated increased work load. Estimated cost is $110.0
No net increase in AIDEA Receipts requested - Cost offset by receipts from AEA for facilities costs. See net change in receipts for AIDEA Facilities Component.
Net reduction in position count to AIDEA is 41.

Contractual Services: TOTAL $341.6

$ 341.6 Contractual cost of AEA Employees providing shared services (Operations Department) to AIDEA.

$ (5,237.1) Net Change to Expenditures

ALASKA INDUSTRIAL DEVELOPMENT & EXPORT AUTHORITY - Facilities Maintenance

Currenty AIDEA absorbs the building operating costs . This fiscal note estimates the impact to AEA and AIDEA if AEA reimbursed AIDEA for their pro rata share.

Facility Operating Cost = $3.4 per PCN per year x 42 employees = $142.8

Contractual Services: No net impact to expenditure line. Reimbursement of actual costs impacts only the revenue source.

Impact to Fund Source: Reduces AIDEA receipts and Increases I/A receipts. Tranfer AIDEA receipt authority to operations component

ALASKA ENERGY AUTHORITY - Statewide Project Development, Alternative Energy and Efficiency
FN 1 of 2

Personal Services: TOTAL $ 5,638.7

Increase in personal services costs with transfer of approximately 42 employee from AIDEA. All employee costs will be accounted for in one component - Statewide Project Development, AEE. This transfer reduces contractual services in several AEA components and increases personal services in this component.

$	160.0	Approximately 2 FTE's providing support to the AEA PCE Component - GF funds.
$	2,207.5	Approximately 16 FTE's providing support to the AEA Rural Energy Operations Component - GF and CIP receipts.
$	2,320.0	Approximately 17 FTE's providing support to the AEA Statewide Project Development & AEE Component - GF and CIP receipts.
$	891.2	Approximately 7 FTE's who are defined as shared service. This includes 6 positions that report to the Deputy Director of Operations and one engineer that works on both AIDEA and AEA projects.
$	5,578.7	
$	60.0	Request one new position for AEA - Loan Officer R20. Request additional BF receipts of $60.0 with remaining funds through current funding levels.
$	5,638.7	

Contractual Services: TOTAL $ (2,311.1)

$	(2,320.0)	Decrease Contractual Services and transfer cost to Personal Services. Approximately 17 FTE's.
$	(285.1)	Operations - Shared Services. Decrease Contractual Services and transfer cost to Personal Services.
$	142.8	Facility Operating Cost = $3.4 per PCN per year x 42 employees = $142.8
$	151.2	G&A Cost Currently paid by AIDEA = $3.6 per PCN per year x 42 employees = $151.2
$	(2,311.1)	

$	**3,327.6**	Net change to expenditures

ALASKA ENERGY AUTHORITY - Statewide Project Development, Alternative Energy and Efficiency
FN 2 of 2

Personal Services: TOTAL $ 1,125.0

Increased to include 8 staff for the first year as follows:

$	210.0	Project Manager Rg 27
$	175.0	Environmental Manager Rg 26
$	70.0	Administrative Assistant Rg 12
$	100.0	Project Accountant Rg 18
$	155.0	Financial/Budget Analyst Rg 24
$	140.0	Public Outreach/Legislative Liaison Rg 23
$	155.0	Procurement Manager Rg 24
$	120.0	Data Systems Specialist Rg 20
$	1,125.0	

Contractual Services: TOTAL $ 238.0

$	189.0	Annual Lease - 4,500 sq. ft. x $3.50 per sq. ft./mo. X 12 mo.'s
$	13.0	Utilities - $1.3 per person x 10 (8 staff + 2 contractors)
$	36.0	G&A Expense: $3.6 per person - $3.6 x 10 (8 staff + 2 contractors)
$	238.0	

Equipment/Furniture: TOTAL $ 413.0

$	28.00	IT Equipment $2.0 per person per year x 14 (8 staff + 6 contractors). Assumes all equipment purchases in 1st yr for project office (including contract labor needs).
$	385.00	Tenant Improvement $315.0 ($70 x 4,500 sq ft); Moving Expenses $21.0 and Furniture 49.0
$	413.00	

ALASKA ENERGY AUTHORITY - Rural Energy Operations

Personal Services: No Impact.

Contractual Services: TOTAL $ (2,329.3)

$	(2,207.5)	Reduce cost contractual costs of employee services and transfer out to Statewide component. Approximately 16 FTE's.
$	(121.8)	Reduce contractual costs of Operations employees who provide shared services. Transfer cost to Statewide component personal services.
$	(2,329.3)	

ALASKA ENERGY AUTHORITY - Power Cost Equalization

Personal Services: No Impact.

Contractual Services: TOTAL $ (160.0)

$	(160.0)	Reduce cost contractual costs of employee services and transfer out to Statewide component. Approximately 2 FTE's.
$	(160.0)	

ALASKA ENERGY AUTHORITY - Owned Facilities

Personal Services: No Impact.

Contractual Services: TOTAL $ (25.0)

$	(25.0)	Reduce cost contractual costs of employee services and transfer out to Statewide component. Approximately 15% of 1 FTE.
$	(25.0)	

Summary of Net Increase in GF Request for AEA:

$	76.9	Shared Services - IT Support not previously paid for by AEA
$	40.8	Shared Services -HR Support not previously paid for by AEA
$	294.0	O/H Facility Operating Cost/G&A not previously paid for by AEA
$	411.7	

CSSB 42(RES)
Sectional Analysis

Section 1: Would expressly authorize the legislature to appropriate amounts in the Railbelt energy fund to capitalize the new Railbelt energy fund, called the Alaska Railbelt energy fund, created by Section 3 of the bill. This would allow amounts to be appropriated and transferred from the existing Railbelt Energy fund into the new fund.

Section 2: Would place in the exempt service the executive director and other staff of AEA.

Section 3: Would establish the new Railbelt energy fund, called the Alaska Railbelt energy fund of AEA. The legislature may appropriate money from the fund for feasibility studies, license, permit, acquire or construct, or to make grants for power projects and electric transmission lines and interties that serve the Railbelt region.

Section 4: Would increase from 3 to 4 the quorum requirement for meetings of the AEA board of directors in reaction to statutory amendments made in 2010. Those amendments increased the size of the AIDEA board from 5 to 7. The AIDEA board serves as the board of AEA. The proposed amendment would correct the quorum for meetings of AEA's board of directors.

Section 5: Would empower AEA to hire employees and advisors in the exempt service. This power to hire employees would be equivalent to powers the Alaska Industrial Development and Export Authority (AIDEA) currently possesses.

Section 6: Would expand AEA's powers to allow AEA to acquire, construct, and conduct feasibility studies, engineering and design of new power projects.

Sections 7: Would empower AEA, if approved by law, to establish subsidiary corporations to support the acquisition, construction, ownership, and operation of power projects, and thereby potentially limit potential liability of AEA or strengthen the financial viability of a project.

Section 8: Would enable an AEA subsidiary to exercise powers currently granted to AEA under AS 44.83.090. For example, an AEA subsidiary would be exempt from regulation by the Regulatory Commission of Alaska (RCA) to the same extent as AEA is exempt (but utilities contracting with the AEA subsidiary would not be exempted, and RCA would still need to approve power sales agreements between the AEA subsidiary and the Railbelt utilities).

Section 9: Would provide that AEA must exercise for new power projects, existing statutory authority managing power projects. This obligation is currently limited to power projects from the pre-1993, "former energy program for Alaska."

Section 10: Would make AS 44.83.396 apply to AEA subsidiaries that own power projects . AS 44.83.393 addresses how AEA administers the power project and contracts for operators, and includes provisions providing for AEA to contract with qualified utilities for the operation of the project. The amendment in Section 10 will impose these same duties on a subsidiary of AEA formed for a power project.

Section 11: Would amend the definition of "feasibility study" under AS 44.83.990(3) so that the term is not limited to only pre-1993 power projects.

Section 12: Would repeal the existing Railbelt energy fund, AS 37.05.520. This repeal would become effective under Sections 16 and 17 when the balance of the fund is appropriated to AEA for deposit into the new Alaska Railbelt energy fund (created by Section 3), or appropriated for other authorized purposes.

Section 13 would provide "approval by law" for AEA to form a subsidiary corporation for the Watana Hydroelectric Power Project, as required by AS 44.83.085, to be enacted by Section 7 of the bill.

Section 14: Would provide transitional provisions to address the status of existing employees who perform AEA functions with the Alaska Industrial Development Export Authority. AEA has not possessed the statutory authority to hire its own staff since the reorganization of AEA affected by 1993 legislation (ch. 18, SLA 1993). Since the 1993 legislation, AEA programs have been implemented by AIDEA employees. AEA's executive director, for example, is an employee of AIDEA, but is independent from the executive director of AIDEA. Sections 2 and 5 would authorize AEA to hire its own employees, and thereby assume greater control over the implementation of AEA programs. Section 13 provides for the transition of these employees from AIDEA to AEA.

Section 15: Would instruct the revisor of statutes to amend the statutory heading of AS 44.83.040 to reflect that the section would also address AEA employees.

Section 16: Would make the repeal of the existing Railbelt energy fund, AS 37.05.520, contingently effective when an appropriation that becomes law appropriates the unexpended and unobligated balance of the fund to AEA for deposit into the new Alaska Railbelt energy fund (created by Section 3), or for other authorized purposes. The section also requires the Commissioner or the Department of Administration to notify the lieutenant governor and revisor of statutes when the conditions are met.

Section 17 would make the repeal effective on the date after the date the appropriation referenced in Section 16 becomes effective.

Section 18: Would provide for an immediate effective date, excepting the contingent effective date for repeal of the existing Railbelt energy fund.

Prepared by Department of Law
March 22, 2011

CSSB 42(RES)
Sectional Analysis

Sections 1, 3, 12, 16 and 17: Collectively, creates a new Railbelt energy fund called the Alaska Railbelt Energy Fund, as a fund of AEA and repeals the existing Railbelt energy fund. **Section 1** would expressly authorize the legislature to appropriate amounts in the Railbelt energy fund to capitalize the new Railbelt energy fund, called the Alaska Railbelt energy fund. This would allow amounts to be appropriated and transferred from the existing Railbelt Energy fund into the new fund. **Section 3** would establish the new Railbelt energy fund, called the Alaska Railbelt energy fund of AEA. The legislature may appropriate money from the fund for feasibility studies, license, permit, acquire or construct, or to make grants for power projects and electric transmission lines and interties that serve the Railbelt region.

Section 12: Would repeal the existing Railbelt energy fund. **Section 16** Would make the repeal of the existing Railbelt energy fund, AS 37.05.520, contingently effective when an appropriation that becomes law appropriates the unexpended and unobligated balance of the fund to AEA for deposit into the new Alaska Railbelt energy fund (created by Section 3), or for other authorized purposes., and requires the Commissioner or the Department of Administration to notify the lieutenant governor and revisor of statutes when the conditions are met. **Section 17** would make the repeal effective on the date after the date the appropriation referenced in Section 16 becomes effective.

Sections 2 and 5: Would empower AEA to hire employees and advisors in the exempt service. This power to hire employees would be equivalent to powers the Alaska Industrial Development and Export Authority (AIDEA) currently possesses.

Sections 14 and 15: Are transitional sections related to AEA hiring employees. **Section 14:** would address the status of existing employees who perform AEA functions with the Alaska Industrial Development Export Authority. AEA has not possessed the statutory authority to hire its own staff since the reorganization of AEA affected by 1993 legislation (ch. 18, SLA 1993). Since the 1993 legislation, AEA programs have been implemented by AIDEA employees. AEA's executive director, for example, is an employee of AIDEA, but is independent from the executive director of AIDEA. The bill would authorize AEA to hire its own employees, and thereby assume greater control over the implementation of AEA programs. **Section 15:** would instruct the revisor of statutes to amend the statutory heading of AS 44.83.040 to reflect that the section would also address employees.

Section 4: Would increase from 3 to 4 the quorum requirement for meetings of the AEA board of directors in reaction to statutory amendments made in 2010. Those amendments increased the size of the AIDEA board from 5 to 7. The AIDEA board serves as the board of

AEA. The proposed amendment would correct the quorum for meetings of AEA's board of directors.

Sections 6, 9, and 11: Would expand AEA's powers to allow AEA to acquire, construct, and conduct feasibility studies, engineering and design of new power projects. **Section 6** would amend the powers of AEA to add provisions related to new power projects. **Sections 9 and 11** would empower AEA to exercise for new power projects, existing statutory authority managing power projects which are currently limited to power projects from the pre-1993, "former energy program for Alaska." AS 44.83.396 (amended by **Section 9** of the bill) addresses how AEA administers the power project and contracts for operators. AS 44.83.990(3) (amended by **Section 11**) would define "feasibility study" so that it is not limited to only pre-1993 power projects.

Sections 7, 8, 10, and 13: Would empower AEA, if approved by law, to establish subsidiary corporations to support the acquisition, construction, ownership, and operation of power projects. **Section 7** would empower AEA to create subsidiary corporations for new power projects, and thereby potentially limit potential liability of AEA or strengthen the financial viability of a project. **Sections 8 and 10** of the bill would enable an AEA subsidiary to exercise powers currently granted to AEA. **Section 8** would amend AS 44.83.090 to exempt an AEA subsidiary from regulation by the Regulatory Commission of Alaska to the same extent as AEA is exempt (but would not exempt utilities contracting with the AEA subsidiary). **Section 10** would make AS 44.83.396 apply to AEA subsidiaries that own power projects . AS 44.83.393 addresses how AEA administers the power project and contracts for operators, and includes provisions providing for AEA to contract with qualified utilities for the operation of the project. The amendment in Section 10 will impose these same duties on a subsidiary of AEA formed for a power project. **Section 13** would provide "approval by law" for AEA to form a subsidiary corporation for the Watana Hydroelectric Power Project, as required by AS 44.83.085, to be enacted by Section 7 of the bill.

Section 18: Would provide for an immediate effective date, excepting the contingent effective date for repeal of the existing Railbelt energy fund.

Prepared by Department of Law
March 22, 2011

CSSB 42(RES)
COMPARISON: RCA REGULATION/AEA MANAGEMENT

Prepared by Department of Law
March 22, 2011

Statutory Bases For AEA Management:

1. AS 44.83.090(b) – AEA is not subject to jurisdiction by RCA, but that does not diminish RCA jurisdiction over utilities that purchase power from AEA projects. Absent another exemption, RCA must approve a power sales agreement before a utility could purchase from an AEA power project. AS 42.05.431(b).

    a. AEA exemption from RCA jurisdiction is similar to treatment given other political subdivisions.

        AS 42.05.711(b) – a public utility owned by and operated by a political subdivision is not subject to RCA regulation under AS 42.05 (with limited exceptions) unless: (a) the governing body elects to be subject to AS 42.05, or (b) the political subdivision would directly compete with another utility.

2. AS 44.83.090(a) – mandates provisions that must be included in AEA power sales agreements. The contract must provide for payment of operating and maintenance costs, interest and amortization of bond debt, AEA monitoring of project, full disclosure of all cost factors so rates will be determined on basis of true cost data; periodic revision of rates based upon accurate cost data; security and default provisions. Here, AEA does not make a "profit" under power sales agreements.

    AS 44.83.396(e) – mandates that AEA when it contracts for operation of a power project, review and approve annual budgets for operation and maintenance, and assure that the project is being operated efficiently and in a manner consistent with national standards for industry and agreements with bondholders.

Statutory Bases For RCA Regulation/Exemption

1. The statutory mandates on AEA under AS 44.83.090(a) and AS 44.83.396(e) largely duplicate what RCA could do under economic regulation.

    a. AS 42.05.381 & AS 42.05.431(a) require rates be just and reasonable, and not discriminatory. Rates are based upon costs.

b. AS 42.05.291 & AS 42.05.511 provide authority for RCA to investigate management, services and facilities for efficiency, safety, etc.

c. The statutory mandates on AEA alleviate the need for what would include duplicative RCA regulation, plus the legislature may provide oversight over AEA.

2. AS 42.05.431(b) – A wholesale power agreement between public utilities is subject to prior approval by RCA. This provision applies to utilities purchasing from AEA, absent another exemption.

    a. An example of exemption - AS 42.05.431(c) – provides that wholesale power and related agreements arising out of certain, specifically described projects which AEA owns or originally owned, are not subject to RCA review or approval until all long-term debt for the project is paid off.

    b. The exemption eliminated time necessary for RCA review and approval, and potential litigation.

    c. The exemption applies only to Bradley Lake Hydroelectric Project, and the original Four Dam Pool Hydroelectric Project (currently Lake Tyee and Swan Lake owned by the SEAPA joint action agency).

3. AS 42.05.431(b) – After RCA approves a wholesale power agreement and the agreement is in effect, RCA may not invalidate a sale under that contract. If sales under the contract make rates unjust or unreasonable, RCA can order parties to the agreement to negotiate or exercise dispute resolution mechanisms in the contract.

    a. Valid, approved power sales agreements will almost certainly be necessary to support financing a project.

4. AS 42.05.431(a) – includes provisions that municipal and cooperative utilities may include rate covenants in bond and debt instruments, and RCA may not reject a rate necessary to satisfy debt covenants relating to rates.

    a. This provision reduce scope of economic regulation and thereby offers assurances to creditors that the utility's debt will be repaid.

    b. Application of this or similar provisions will likely be necessary for AEA financing of large projects.

CSSB 42(RES) – FERC Oversight
(Prepared by the Alaska Department of Law)

FERC Oversight in Licensing Procedures	RCA Oversight
1. The FERC process evaluates the broad public interest. a. Environmental issues, including fish, wildlife & botanical resources, and water use and quality. b. Socio-economic and cultural impacts. c. Recreational resources. d. Project description and operating details. e. Economic and cost of power.	1. RCA approves power sales agreements. a. Rate under contract must be "just and reasonable." b. Decision based on cost of power & reliability factors similar to those FERC uses in licensing. c. After a power sales agreement is approved i. RCA may not invalidate power sales under an approved contract, and ii. RCA does not economically regulate operations under the contract, but may order renegotiation or dispute resolution.
2. The cost of power factors FERC evaluates in determining whether to grant a license include: a. Construction and operational plans. b. Whether the project can be operated efficiently. c. The local need for power. d. The projected cost of power. e. Comparison of the lowest cost, reasonable alternative source of power.	2. RCA Statutory Regulation. a. Non-economic regulation includes potential investigation of services and facilities of public utility that are unreasonable, unsafe, inadequate, insufficient, or unreasonably discriminatory. b. Economic regulation includes: i. Approval of rates if "just and reasonable," and "non-discriminatory." ii. Potential investigation of utility management for inefficient or unreasonable practices.
3. License conditions FERC imposes will impact the cost of power: a. FERC will impose license conditions (e.g., environmental conditions) which usually increase the cost of power. b. License conditions are mandatory. c. RCA economic regulation would not eliminate license conditions, regardless of impact on power rates.	
4. Post licensing activities. a. FERC will review and enforce compliance with license conditions, including dam safety. b. FERC reviews and approves license amendments, e.g. to improve efficiency of project. c. FERC oversight might impact efficiency and costs, but is not focused upon economic regulation.	

CSSB 42(RES) – FERC Oversight
(Prepared by the Alaska Department of Law)

Impact of Imposing Rate Regulation on Ability to Obtain Financing.

1. Financing a project at reasonable, economic rates requires minimizing risk of non-payment of the debt.

2. If "rate regulation" is imposed to eliminate the obligation of ratepayers to pay certain expenses (e.g., for cost overruns), another person or entity must pay.
    a. Placing payment risk on lenders or bond holders will likely either (i) preclude financing, or (ii) increase the cost of financing (increased costs which would pass through to ratepayers).
    b. Placing payment risk on utilities would generally redirect the obligation to the same persons - - from ratepayers to members for cooperatives, and from ratepayers to tax-payers for municipal utilities.
    c. Future legislatures could choose to appropriate more funds to the project to cover cost overruns, and protect ratepayers.

3. RCA statutes protect lenders and bond holders of municipal and cooperative utilities, assuring that rates RCA approves will cover debt payments.

SB

46

<TARGET><BILL>SB 46</BILL><SUBJECT>SB
46</SUBJECT><COMM>SFIN27</COMM></TARGET>



Responsible Cruising in Alaska

Senate Finance Committee

Room 532, Capitol Building

Juneau, Alaska 99801

March 17, 2011

RE: Tourism Marketing Funding

SB 46 Capital Budget

Senators:

In the Commerce section of SB 46 is a proposal (50611, P.21) to fund $7 million dollars for the Alaska Travel Industry Association, (ATIA). I urge you to reject this capital expenditure for a number of reasons:

- ATIA has not demonstrated success or a viable funding plan.
- ATIA has many advertising missions, but no measures of impact.
- ATIA is cruise-centric, rather than focus on independent air travelers who rent cars, hotel rooms, buy meals and fly to Bush Alaska.
- ATIA has not increased its industry funding ($2.7 m) for three years.
- The FY11 state subsidy was $16 million, 85% of ATIA's budget.
- ATIA opposes all taxes on the cruise industry, yet want 'sustainable' yearly funding by tapping tourism tax revenues.
- ATIA should be treated as the state does ASMI seafood marketing, which presently enjoys 20% state funding, not 85%.

Thank you for your attention to the issue of financing tourism marketing.

Chip Thoma, RCA President

Box 21884 Juneau, Alaska 99802 (907) 586-2117 chipt@alaska.net

Rob Earl

From: Aaron Kennedy [aaron_kennedy@lksd.org]
Sent: Thursday, March 17, 2011 4:24 PM
To: Rob Earl
Subject: Fwd: FW: The demise of SpringBoard

Honorable Representative Herron and Senator Hoffman:

My name is Aaron Kennedy and I currently teach high school math and robotics in Kwethluk, Alaska. I have been teaching here for three years.
During my time here, I have struggled to cover all the appropriate material in my math classes AND make them interesting and relevant. Our robotics class has given me an opportunity to focus on application and using skills learned in other subjects.

Perhaps the best example of how important robotics is the story of a student that I have in math and robotics. In my three years, Jaymon has dropped out multiple times. However, this year he decided to take robotics and has worked hard at it. Since the Christmas break, he has not missed a day of school. All the teachers recognize a difference.
Instead of failing all of his classes, he is now passing almost all of his classes. The enjoyment that he gets out of the class and the reward of going to the local competition in Bethel has made him a better student.

Jaymon may be an extreme example, but virtually all of the students participating in robotics have demonstrated some improvement in the past few months. It is critical to keep programs like these running in our schools. Our school and school district (LKSD) receive a lot of help from the Juneau Economic Development Council's (JEDC) Springboard STEM Initiative.

It is my understanding that this program has been funded through the Department of Defense, and that all DoD funding has been eliminated from the current DoD re-authorization. We need the state to pick up the slack and help fund this effective and valuable initiative. Please fund SpringBoard's programs through the capital budget.

Thank you for your time and consideration in this matter.

Sincerely,

Aaron Kennedy
Ket'acik and Aapalluk Memorial School
Kwethluk, Alaska

United States Department of the Interior

FISH AND WILDLIFE SERVICE
Alaska Maritime National Wildlife Refuge
95 Sterling Highway, Suite 1
Homer, Alaska 99603

March 17, 2011

Honorable Senator Bert Stedman
Honorable Senator Lyman Hoffman
Honorable Members of the Alaska Senate Finance Committee

Dear Senator Stedman, Senator Hoffman and other committee members:

Please accept this brief written submission to your committee on behalf of the Alaska Maritime National Wildlife Refuge. The refuge headquarters is in Homer, Alaska in the wonderful Islands and Ocean Visitor Center. The Islands and Ocean Visitor Center houses two organizations: the Kachemak Bay Research Reserve with its staff of state employees and the Alaska Maritime National Wildlife Refuge, with its staff of federal employees. Besides office facilities for both organizations, the center also includes a large exhibit hall and a small theatre. We enjoy a vibrant and successful partnership in the building. The Islands and Ocean Visitor Center also serves over 50,000 visitors each year who come to learn about the marine environment, the work of the two organizations housed in the center, and the remarkable fish and wildlife resources of Alaska.

As you make decisions about the possible construction of a natural gas pipeline to Homer, I want you to be aware of the current energy use of our facilities in Homer. The Fish and Wildlife Service manages three buildings in Homer. All three depend on fuel oil as the primary heat source and each could potentially be converted to natural gas. Our Islands and Ocean Visitor Center is 39,500 square feet. From October 1, 2009 through September 30, 2010, we consumed 25,392 gallons of fuel oil for that building. During the same time period, at our 4,992 square foot warehouse building, we used 1,543 gallons of fuel oil. We used 776 gallons of fuel oil at our 1131 square foot storage shed on Bunnell Street during that period.

Thank you for considering our energy usage as you make decisions about energy infrastructure needs and opportunities in and around Homer.

Sincerely,

Steve Delehanty
Refuge Manager

cc: Terry Thompson, Kachemak Bay Research Reserve

South Peninsula Hospital

Support Services
4300 Bartlett Street
Homer, AK 99603
907-235-0351 ~ 907-235-0253 fax

Testimony for Public Hearing: March 17, 2011

TO: Members of the Senate Finance Committee

Over the past year there has been considerable discussion of a gas line from Anchor Point to the City of Homer. South Peninsula Hospital, located in Homer, Alaska, requests that you support the $10.5 million dollar appropriation to see that this gas line becomes a reality for the people and businesses of the southern Kenai Peninsula.

This line would best be described as a transmission line rather than a distribution line. Distribution would take place in the various localities such as Kachemak City or the City of Homer. The City of Homer has done due diligence over the last year to put elements in place to assist with the distribution of the resource.

This line will benefit the region in terms of reducing energy costs. There are only limited options available to area residents and enabling natural gas flow would help to encourage competitive energy prices. Energy, the most expensive commodity on the peninsula, could come in line with the energy costs of Anchorage where fuel is considerably less expensive. Adding another source of energy would encourage economic development as the overall cost of energy would likely decrease with a new source coming to the area. New businesses would be encouraged to come to the southern peninsula and existing businesses would have a greater ability to expand.

The operational savings to large public facilities could be enormous. Specifically to us at South Peninsula Hospital, the savings would be tremendous. Our initial estimate is well over $200,000 in annual operating savings that our facility could see once we transition to gas.

We ask the members of the committee to please support the efforts to bring gas to the southern Kenai Peninsula. This action would be a very meaningful way to impact the quality of life and cost of living for many residents of Alaska.

Sincerely,

Larry D. Shirts.
Director of Supports Services
South Peninsula Hospital

TESTIMONY / SB 46

THANK YOU CO-CHAIRS STEDMAN AND HOFFMAN AND MEMBERS OF THE SENATE FINANCE COMMITTEE. I APPRECIATE THE OPPORTUNITY TO COMMENT ON SB 46, THE CAPITAL BUDGET SUBMITTED BY GOVERNOR PARNELL. FOR THE RECORD, MY NAME IS WALT WREDE. I AM THE CITY MANAGER FOR THE CITY OF HOMER.

THE GOVERNOR'S CAPITAL BUDGET DOES NOT INCLUDE FUNDING FOR PHASE II OF THE SOUTH KENAI PENINSULA NATURAL GAS PIPELINE. THIS GAS TRANSMISSION LINE WOULD BRING NATURAL GAS FROM ANCHOR POINT SOUTH 23 MILES TO HOMER AND KACHEMAK CITY. PHASE I OF THIS PROJECT WAS FUNDED LAST YEAR BY THE LEGISLATURE AND INCLUDED A PRESSURE REDUCING STATION IN ANCHOR POINT AND APPROXIMATELY 3,200 FEET OF LOW PRESSURE TRANSMISSION LINE. THE PROJECT WOULD HAVE SUBSTANTIAL REGIONAL BENEFITS FOR HOMER AND THE ENTIRE SOUTHERN KENAI PENINSULA. IT HAS VERY BROAD SUPPORT WHICH INCLUDES THE KENAI PENINSULA BOROUGH, THE KENAI PENINSULA BOROUGH SCHOOL DISTRICT, THE KENAI PENINSULA ECONOMIC DEVELOPMENT DISTRICT, THE CITY OF HOMER, AND KACHEMAK CITY, TO NAME JUST A FEW. THIS PROJECT WILL STIMULATE ECONOMIC DEVELOPMENT IN THE AREA AND WILL RESULT IN A LOWER COST OF LIVING AND LOWER COST OF DOING BUSINESS.

HOMER IS WITHIN THE ENSTAR NATURAL GAS SERVICE AREA AND HAS BEEN ATTEMPTING TO OBTAIN GAS SERVICE FOR THIRTY YEARS. THIS PROJECT WILL CONNECT HOMER TO THE REST OF THE SOUTHCENTRAL NATUAL GAS DISTRIBUTION SYSTEM. THE STATE OF ALASKA HAS A LONG HISTORY OF FUNDING AND PROVIDING SUPPORT FOR BASIC INFRASTRUCTURE AND ENERGY PROJECTS THAT BENEFIT ITS PEOPLE AND THE ECONOMY. WE URGE YOU TO SUPPORT THIS PROJECT AND ADD IT TO THE CAPITAL BUDGET THIS YEAR.

THE GOVERNOR'S BUDGET ALSO CONTAINS AN INADEQUATE AMOUNT OF FUNDING FOR THE HARBOR MATCHING GRANT PROGRAM AND FOR THE DRINKING WATER AND WASTEWATER PROGRAMS. DOCKS, HARBORS, AND WATER AND SEWER INFRASTRUCTURE SUPPORT BASIC PUBLIC SERVICES AND ARE VITAL TO A VIBRANT AND DIVERSE ECONOMY. THE CITY OF HOMER BELIEVES THAT WE SHOULD BE INVESTING MORE IN THIS INFRASTRUCTURE NOT LESS AND WE URGE THE COMMITTEE TO SUPPLEMENT THE AMOUNTS OFFERED BY GOVERNOR PARNELL FOR THESE PROGRAMS.

THANKS AGAIN FOR THE OPPORTUNITY TO COMMENT.

WALT WREDE / CITY MANAGER / HOMER 235.8121 / WWREDE@CI.HOMER.AK.US

Walt Wrede

March 17, 2011

Attn: Senate Finance Committee
State of Alaska

Re: Homer Gas Line Extension

Although I have recently served as a member of the Energy Task Force, as it was formed by the City of Homer, my testimony today is given simply as a concerned resident of Homer and a thirty five year member of the local business community.

For the first time in the history of the Lower Kenai Peninsula there exists the opportunity to bring natural gas to Homer and Kachemak City. It is my understanding that the extension of the current pipeline from Anchor Point to this area would require additional funding of $10.05M. It should be noted that this project would not only be an investment in the infrastructure of these two communities, it would also immediately bring utility savings of literally hundreds of thousands of dollars per year to the Borough, the City of Homer, Kachemak City, the local business community and private homeowners. Additionally it would be a key component in facilitating continued growth in all of these segments of the Lower Kenai Peninsula both now and well into the future.

While I am certain you are faced with a multitude of requests from groups and individuals alike as you work through the State budget for the coming year, I can not believe that many, if any, requests are more reasonable or more pressing than this proposed pipeline extension. I appreciate your continued review of this project and will look forward to your final positive resolution.

Best regards,

Mike Pate

J. Michael Pate
1850 Highland Drive
Homer, Alaska 99603

2011 Legislature - Capital Budget
Project Compare by House District - Senate CS3 Structure

Numbers and Language
Differences
District by Impact

House District: 1 Ketchikan

		[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Total to SCS3 Total	
Department of Transportation and Public Facilities					
AP	**Ketchikan - Court Office Building Elevator Controls**	0	120,000	120,000	>999 %
	1004 Gen Fund (UGF)	0	120,000	120,000	>999 %
Emergency Projects					
AL	**Ketchikan - South Tongass Highway Repair**	0	200,000	200,000	>999 %
	1004 Gen Fund (UGF)	0	200,000	200,000	>999 %
*** House District Totals		0	320,000	320,000	>999 %
Funding Summary					
	Unrestricted General (UGF)	0	320,000	320,000	>999 %

Rpt 1d

2011 Legislature - Capital Budget
Project Compare by House District - Senate CS3 Structure

Numbers and Language
Differences
District by Impact

House District: 5 Cordova/Southeast Islands

		[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Total to SCS3 Total	
Department of Transportation and Public Facilities					
Airport Improvement Program					
AL	**Gustavus - Airport Runway Safety Area**	**0**	**2,250,000**	**2,250,000**	**>999 %**
	1002 Fed Rcpts (Fed)	0	2,250,000	2,250,000	>999 %
Surface Transportation Program					
AL	**Hyder - Salmon River Road Rehabilitation**	**0**	**1,300,000**	**1,300,000**	**>999 %**
	1002 Fed Rcpts (Fed)	0	1,300,000	1,300,000	>999 %
Emergency Projects					
AL	**Haines - Haines Highway MP 19 Repairs**	**0**	**89,700**	**89,700**	**>999 %**
	1004 Gen Fund (UGF)	0	89,700	89,700	>999 %
AL	**Hyder - Salmon River Levee Rehabilitation**	**0**	**472,000**	**472,000**	**>999 %**
	1004 Gen Fund (UGF)	0	472,000	472,000	>999 %
*** House District Totals		**0**	**4,111,700**	**4,111,700**	**>999 %**
Funding Summary					
	Unrestricted General (UGF)	0	561,700	561,700	>999 %
	Federal Receipts (Fed)	0	3,550,000	3,550,000	>999 %

2011 Legislature - Capital Budget
Project Compare by House District - Senate CS3 Structure

Numbers and Language
Differences
District by Impact

House District: 6 Interior Villages

		[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Total to SCS3 Total	
Department of Transportation and Public Facilities					
Emergency Projects					
AL	**Tatalina River Bridge Repair**	**0**	**15,000**	**15,000**	**>999 %**
	1004 Gen Fund (UGF)	0	15,000	15,000	>999 %
AL	**Taylor Highway Repair**	**0**	**810,000**	**810,000**	**>999 %**
	1004 Gen Fund (UGF)	0	810,000	810,000	>999 %
*** House District Totals		**0**	**825,000**	**825,000**	**>999 %**
Funding Summary					
	Unrestricted General (UGF)	0	825,000	825,000	>999 %

2011 Legislature - Capital Budget
Project Compare by House District - Senate CS3 Structure

Numbers and Language
Differences
District by Impact

House District: 7-11 Fairbanks Areawide

		[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Total to SCS3 Total	
Department of Transportation and Public Facilities					
Surface Transportation Program					
AL	**Fairbanks - South Cushman - Mitchell Expressway to Sanduri Street**	0	1,660,000	1,660,000	>999 %
	1002 Fed Rcpts (Fed)	0	1,660,000	1,660,000	>999 %
*** House District Totals		0	1,660,000	1,660,000	>999 %
Funding Summary					
	Federal Receipts (Fed)	0	1,660,000	1,660,000	>999 %

2011 Legislature - Capital Budget
Project Compare by House District - Senate CS3 Structure

Numbers and Language
Differences
District by Impact

House District: 13-16 Mat-Su Areawide

		[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Total to SCS3 Total	
Department of Transportation and Public Facilities					
Airport Improvement Program					
AL	**Talkeetna - Airport Improvement**	**0**	**5,000,000**	**5,000,000**	**>999 %**
	1002 Fed Rcpts (Fed)	0	5,000,000	5,000,000	>999 %
AL	**Talkeetna - Airport Pavement Rehabilitation**	**0**	**5,700,000**	**5,700,000**	**>999 %**
	1002 Fed Rcpts (Fed)	0	5,700,000	5,700,000	>999 %
Surface Transportation Program					
AL	**Richardson Hwy Reconstruction MP 148-159, Sourdough to Haggard Creek**	**0**	**30,000,000**	**30,000,000**	**>999 %**
	1002 Fed Rcpts (Fed)	0	30,000,000	30,000,000	>999 %
*** House District Totals		**0**	**40,700,000**	**40,700,000**	**>999 %**
Funding Summary					
	Federal Receipts (Fed)	0	40,700,000	40,700,000	>999 %

2011 Legislature - Capital Budget
Project Compare by House District - Senate CS3 Structure

Numbers and Language
Differences
District by Impact

House District: 33-35 Kenai Areawide

		[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Total to SCS3 Total	
Department of Labor and Workforce Development					
AP	**AVTEC Economic Development Administration Distance Training Partnerships Grant**	0	226,500	226,500	**>999 %**
	1002 Fed Rcpts (Fed)	0	226,500	226,500	>999 %
*** House District Totals		0	226,500	226,500	**>999 %**
Funding Summary					
	Federal Receipts (Fed)	0	226,500	226,500	>999 %

2011 Legislature - Capital Budget
Project Compare by House District - Senate CS3 Structure

Numbers and Language Differences
District by Impact

House District: 37 Bristol Bay/Aleutians

		[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Total to SCS3 Total	
Department of Transportation and Public Facilities					
Airport Improvement Program					
AL	**Cold Bay - Airport Pavement Rehabilitation**	0	5,300,000	5,300,000	**>999 %**
	1002 Fed Rcpts (Fed)	0	5,300,000	5,300,000	>999 %
*** House District Totals		**0**	**5,300,000**	**5,300,000**	**>999 %**
Funding Summary					
	Federal Receipts (Fed)	0	5,300,000	5,300,000	>999 %

2011 Legislature - Capital Budget
Project Compare by House District - Senate CS3 Structure

Numbers and Language
Differences
District by Impact

House District: 1-40 Statewide

		[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Total to SCS3 Total	
Department of Fish and Game					
AP	**Intensive Management Implementation Study**	**0**	**1,750,000**	**1,750,000**	**>999 %**
	1004 Gen Fund (UGF)	0	1,750,000	1,750,000	>999 %
AP	**Wolf, Moose, and Community Harvest Study**	**0**	**475,000**	**475,000**	**>999 %**
	1004 Gen Fund (UGF)	0	475,000	475,000	>999 %
Department of Natural Resources					
AP	**Alaska Cadastral Project**	**0**	**50,000**	**50,000**	**>999 %**
	1002 Fed Rcpts (Fed)	0	50,000	50,000	>999 %
Department of Public Safety					
AP	**Alaska Public Safety Information Network Migration**	**0**	**1,356,550**	**1,356,550**	**>999 %**
	1004 Gen Fund (UGF)	0	1,356,550	1,356,550	>999 %
Department of Revenue					
AHFC Weatherization and Home Energy Rebate Programs					
AL	**AHFC Weatherization Program**	**31,500,000**	**76,500,000**	**45,000,000**	**142.9 %**
	1002 Fed Rcpts (Fed)	1,500,000	1,500,000	0	
	1004 Gen Fund (UGF)	30,000,000	25,000,000	-5,000,000	-16.7 %
	1197 AK Cap Fnd (UGF)	0	50,000,000	50,000,000	>999 %
AL	**AHFC Home Energy Rebate Program**	**20,000,000**	**25,000,000**	**5,000,000**	**25.0 %**
	1004 Gen Fund (UGF)	20,000,000	25,000,000	5,000,000	25.0 %

2011 Legislature - Capital Budget
Project Compare by House District - Senate CS3 Structure

Numbers and Language
Differences
District by Impact

House District: 1-40 Statewide

		[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Total to SCS3 Total	
Department of Transportation and Public Facilities					
AL	**Transportation GO Bonds Refunding with General Funds**	0	0	0	
	1004 Gen Fund (UGF)	0	150,050,000	150,050,000	>999 %
	1008 G/O Bonds (Other)	0	-150,050,000	-150,050,000	<-999 %
*** House District Totals		51,500,000	105,131,550	53,631,550	104.1 %
Funding Summary					
	Unrestricted General (UGF)	50,000,000	253,631,550	203,631,550	407.3 %
	Other State Funds (Other)	0	-150,050,000	-150,050,000	<-999 %
	Federal Receipts (Fed)	1,500,000	1,550,000	50,000	3.3 %

2011 Legislature - Capital Budget
Project Compare by House District - Senate CS3 Structure

Numbers and Language Differences
District by Impact

House District: All Districts

		[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Total to SCS3 Total	
*** All Districts Totals		51,500,000	158,274,750	106,774,750	207.3 %
Funding Summary					
	Unrestricted General (UGF)	50,000,000	255,338,250	205,338,250	410.7 %
	Other State Funds (Other)	0	-150,050,000	-150,050,000	<-999 %
	Federal Receipts (Fed)	1,500,000	52,986,500	51,486,500	>999 %

2011 Legislature - Capital Budget
Statewide Totals - Senate CS3 Structure

Numbers and Language

	[1] GovAmd+	[2] GovSup	[3] Gov Total	[4] SCS3 Total	[5] Gov to SCS3
Total	**1,969,471.1**	**47,949.8**	**2,017,420.8**	**2,795,684.9**	**778,264.0**
Funding Sources					
1002 Fed Rcpts (Fed)	1,075,383.0	51,486.5	1,126,869.5	1,125,767.9	-1,101.6
1003 G/F Match (UGF)	104,234.9	0.0	104,234.9	86,514.9	-17,720.0
1004 Gen Fund (UGF)	270,035.1	-2,411.8	267,623.3	1,392,617.7	1,124,994.4
1005 GF/Prgm (DGF)	3,400.0	0.0	3,400.0	3,400.0	0.0
1008 G/O Bonds (Other)	0.0	0.0	0.0	-150,050.0	-150,050.0
1012 Rail Enrgy (UGF)	65,731.1	0.0	65,731.1	65,700.0	-31.1
1017 Group Ben (Other)	570.8	0.0	570.8	570.8	0.0
1024 Fish/Game (Other)	750.0	0.0	750.0	750.0	0.0
1026 HwyCapital (Other)	18,322.6	0.0	18,322.6	18,322.6	0.0
1027 IntAirport (Other)	17,236.8	0.0	17,236.8	17,236.8	0.0
1029 PERS Trust (Other)	661.5	0.0	661.5	661.5	0.0
1034 Teach Ret (Other)	272.1	0.0	272.1	272.1	0.0
1037 GF/MH (UGF)	3,145.0	0.0	3,145.0	0.0	-3,145.0
1042 Jud Retire (Other)	6.9	0.0	6.9	6.9	0.0
1045 Nat Guard (Other)	21.9	0.0	21.9	21.9	0.0
1050 PFD Fund (DGF)	366.5	0.0	366.5	266.5	-100.0
1052 Oil/Haz Fd (DGF)	100.0	-1,125.0	-1,025.0	100.0	1,125.0
1061 CIP Rcpts (Other)	6,040.2	0.0	6,040.2	3,230.0	-2,810.2
1063 NPR Fund (Fed)	5,399.7	0.0	5,399.7	5,399.7	0.0
1075 Cln Wtr Fd (Other)	1,826.3	0.0	1,826.3	1,826.3	0.0
1092 MHTAAR (Other)	1,750.0	0.0	1,750.0	0.0	-1,750.0
1100 Drk Wtr Fd (Other)	4,071.9	0.0	4,071.9	4,071.9	0.0
1105 PF Gross (Other)	150.0	0.0	150.0	150.0	0.0
1108 Stat Desig (Other)	14,155.0	0.0	14,155.0	14,155.0	0.0
1112 IntAptCons (Other)	19,212.9	0.0	19,212.9	19,212.9	0.0
1139 AHFC Div (UGF)	16,976.5	0.0	16,976.5	16,300.0	-676.5
1140 AIDEA Div (UGF)	29,400.0	0.0	29,400.0	29,400.0	0.0
1147 PublicBldg (Other)	3,000.0	0.0	3,000.0	3,000.0	0.0

Computed Column Definitions: [3]=[1]+[2], [5]=[4]-[3]

2011 Legislature - Capital Budget
Statewide Totals - Senate CS3 Structure

Numbers and Language

	[1] GovAmd+	[2] GovSup	[3] Gov Total	[4] SCS3 Total	[5] Gov to SCS3
Funding Sources (continued)					
1153 State Land (DGF)	3,700.0	0.0	3,700.0	3,700.0	0.0
1173 GF MisEarn (UGF)	205.3	0.0	205.3	205.3	0.0
1185 Elect Fund (Other)	100.0	0.0	100.0	100.0	0.0
1195 SpecVehRct (DGF)	250.0	0.0	250.0	250.0	0.0
1197 AK Cap Fnd (UGF)	0.0	0.0	0.0	50,000.0	50,000.0
1202 Anat Fnd (DGF)	35.0	0.0	35.0	55.0	20.0
1206 CPV Tax (Other)	3,018.2	0.0	3,018.2	12,739.0	9,720.8
1207 RCS Impact (Other)	600.0	0.0	600.0	0.0	-600.0
1210 Ren Energy (DGF)	25,000.0	0.0	25,000.0	36,620.2	11,620.2
1211 Gamble Tax (UGF)	7,000.0	0.0	7,000.0	33,000.0	26,000.0
1213 AHCC (UGF)	267,342.0	0.0	267,342.0	0.0	-267,342.0
1221 Legal Serv (DGF)	0.0	0.0	0.0	110.0	110.0
Funding Summary					
Unrestricted General (UGF)	764,069.9	-2,411.8	761,658.1	1,673,737.9	912,079.8
Designated General (DGF)	32,851.5	-1,125.0	31,726.5	44,501.7	12,775.2
Other State Funds (Other)	91,767.0	0.0	91,767.0	-53,722.4	-145,489.4
Federal Receipts (Fed)	1,080,782.7	51,486.5	1,132,269.2	1,131,167.6	-1,101.6

Computed Column Definitions: [3]=[1]+[2], [5]=[4]-[3]

2011 Legislature - Capital Budget
Agency Summary - Senate CS3 Structure

Numbers and Language

Agency	[1] GovAmd+	[2] GovSup	[3] Gov Total	[4] SCS3 Total	[5] Gov to SCS3
Agency Budgets					
Administration	65,663.0	0.0	65,663.0	65,663.2	0.2
Community & Economic Dev	206,081.9	650.0	206,731.9	824,973.3	618,241.4
Corrections	7,400.0	0.0	7,400.0	7,400.0	0.0
Education & Early Dev	50,174.5	0.0	50,174.5	158,700.7	108,526.1
Environmental Conservation	78,370.1	-2,250.0	76,120.1	79,788.1	3,668.0
Fish and Game	26,325.0	0.0	26,325.0	28,550.0	2,225.0
Governor	100.0	0.0	100.0	100.0	0.0
Health & Social Services	67,499.1	0.0	67,499.1	68,104.1	605.0
Labor & Workforce Dev	1,710.0	226.5	1,936.5	4,436.5	2,500.0
Law	15,250.0	0.0	15,250.0	1,250.0	-14,000.0
Military & Veterans Affairs	30,905.8	0.0	30,905.8	30,905.8	0.0
Natural Resources	32,658.0	50.0	32,708.0	34,588.2	1,880.2
Public Safety	8,278.0	-7,643.4	634.5	9,634.5	9,000.0
Revenue	84,478.5	0.0	84,478.5	186,669.5	102,191.0
Transportation & Public Fac	1,055,435.4	56,916.7	1,112,352.1	1,129,280.1	16,928.0
University of Alaska	69,500.0	0.0	69,500.0	90,854.0	21,354.0
Alaska Court System	6,500.0	0.0	6,500.0	9,986.8	3,486.8
Total	**1,806,329.5**	**47,949.8**	**1,854,279.2**	**2,730,884.9**	**876,605.6**
Statewide Items					
Fund Capitalization	163,141.6	0.0	163,141.6	64,800.0	-98,341.6
Total	**163,141.6**	**0.0**	**163,141.6**	**64,800.0**	**-98,341.6**
Statewide Total	**1,969,471.1**	**47,949.8**	**2,017,420.8**	**2,795,684.9**	**778,264.0**
Funding Summary					
Unrestricted General (UGF)	764,069.9	-2,411.8	761,658.1	1,673,737.9	912,079.8
Designated General (DGF)	32,851.5	-1,125.0	31,726.5	44,501.7	12,775.2
Other State Funds (Other)	91,767.0	0.0	91,767.0	-53,722.4	-145,489.4
Federal Receipts (Fed)	1,080,782.7	51,486.5	1,132,269.2	1,131,167.6	-1,101.6

Computed Column Definitions: [3]=[1]+[2], [5]=[4]-[3]

Rpt 2b

2011 Legislature - Capital Budget
Agency Summary - Senate CS3 Structure

Numbers and Language

Agency	[1] GovAmd+	[2] GovSup	[3] Gov Total	[4] SCS3 Total	[5] Gov to SCS3
Non-Additive Items					
Fund Transfers	25,000.0	0.0	25,000.0	30,620.2	5,620.2
Total	**25,000.0**	**0.0**	**25,000.0**	**30,620.2**	**5,620.2**

Computed Column Definitions: [3]=[1]+[2], [5]=[4]-[3]

2011 Legislature - Capital Budget
House District Summary - Senate CS3 Structure

Numbers and Language
District by Impact

House District		[1] GovAmd+	[2] GovSup	[3] Gov Total	[4] SCS3 Total	[5] Gov to SCS3
1	Ketchikan	12,353.2	320.0	12,673.2	51,771.1	39,098.0
2	Sitka/Petersburg/Wrangell	11,828.9	0.0	11,828.9	59,156.7	47,327.8
3-4	Juneau Areawide	42,147.5	0.0	42,147.5	73,898.3	31,750.8
5	Cordova/Southeast Islands	33,992.0	4,111.7	38,103.7	68,931.1	30,827.4
1-5	Southeast Region	15,356.0	350.0	15,706.0	29,455.0	13,749.0
6	Interior Villages	89,512.1	825.0	90,337.1	114,945.5	24,608.4
7-11	Fairbanks Areawide	64,116.9	1,660.0	65,776.9	129,503.1	63,726.2
12	Richardson/Glenn Highways	49,965.0	0.0	49,965.0	51,435.4	1,470.4
13-16	Mat-Su Areawide	49,366.7	40,700.0	90,066.7	102,625.0	12,558.3
17-32	Anchorage Areawide	232,197.3	-8,700.0	223,497.3	423,904.5	200,407.2
33-35	Kenai Areawide	17,783.2	226.5	18,009.7	119,688.0	101,678.4
12-35	Southcentral Region	72,731.1	0.0	72,731.1	111,548.3	38,817.2
36	Kodiak	7,887.2	0.0	7,887.2	41,955.4	34,068.2
37	Bristol Bay/Aleutians	55,456.3	5,300.0	60,756.3	79,082.4	18,326.1
38	Bethel	62,948.5	0.0	62,948.5	148,479.0	85,530.5
36-38	Southwest Region	35.0	0.0	35.0	17,665.0	17,630.0
39	Bering Straits	42,406.7	0.0	42,406.7	57,856.0	15,449.3
40	Arctic	61,799.7	0.0	61,799.7	85,550.8	23,751.1
1-40	Statewide	1,047,587.9	3,156.6	1,050,744.4	1,028,234.2	-22,510.2
Statewide Total		**1,969,471.1**	**47,949.8**	**2,017,420.8**	**2,795,684.9**	**778,264.0**
Funding Summary						
	Unrestricted General (UGF)	764,069.9	-2,411.8	761,658.1	1,673,737.9	912,079.8
	Designated General (DGF)	32,851.5	-1,125.0	31,726.5	44,501.7	12,775.2
	Other State Funds (Other)	91,767.0	0.0	91,767.0	-53,722.4	-145,489.4
	Federal Receipts (Fed)	1,080,782.7	51,486.5	1,132,269.2	1,131,167.6	-1,101.6

Computed Column Definitions: [3]=[1]+[2], [5]=[4]-[3]

Rot 2C

Multi-year Agency Summary

Numbers and Language

Agency	[1] Capital FY2012 Senate CS3 Sec1 Cap 3	[2] Capital FY2012 Senate CS3 Sec4Energy 3	[3] Capital FY2012 Senate CS3 Sec7Cruise 3	[4] Capital FY2012 Senate CS3 Sec10School 3	[5] Capital FY2012 Senate CS3 FY12Lang 3	[6] Capital FY2012 Senate CS3 FY11SupCap 3	[7] Total Cap	[8] Operating FY2012 Senate Sen OpinCap	[9] Operating FY2012 Senate Sen SupinCap	[10] Bill Total
Agency Budgets										
Administration	65,663.2	0.0	0.0	0.0	0.0	0.0	65,663.2	0.0	0.0	65,663.2
Community & Economic Dev	386,755.3	347,408.2	55,739.0	29,671.1	5,399.7	0.0	824,973.3	0.0	0.0	824,973.3
Corrections	7,400.0	0.0	0.0	0.0	0.0	0.0	7,400.0	0.0	0.0	7,400.0
Education & Early Dev	6,025.0	0.0	0.0	152,675.7	0.0	0.0	158,700.7	0.0	0.0	158,700.7
Environmental Conservation	79,788.1	0.0	0.0	0.0	0.0	0.0	79,788.1	0.0	0.0	79,788.1
Fish and Game	28,550.0	0.0	0.0	0.0	0.0	0.0	28,550.0	0.0	0.0	28,550.0
Governor	100.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0	100.0
Health & Social Services	68,104.1	0.0	0.0	0.0	0.0	0.0	68,104.1	0.0	0.0	68,104.1
Labor & Workforce Dev	4,210.0	0.0	0.0	0.0	0.0	226.5	4,436.5	486.0	0.0	4,922.5
Law	1,250.0	0.0	0.0	0.0	0.0	0.0	1,250.0	0.0	0.0	1,250.0
Military & Veterans Affairs	30,905.8	0.0	0.0	0.0	0.0	0.0	30,905.8	0.0	0.0	30,905.8
Natural Resources	34,538.2	0.0	0.0	0.0	0.0	50.0	34,588.2	0.0	0.0	34,588.2
Public Safety	8,278.0	0.0	0.0	0.0	0.0	1,356.5	9,634.5	0.0	0.0	9,634.5
Revenue	79,669.5	107,000.0	0.0	0.0	0.0	0.0	186,669.5	0.0	0.0	186,669.5
Transportation & Public Fac	1,076,363.4	0.0	0.0	0.0	0.0	52,916.7	1,129,280.1	0.0	0.0	1,129,280.1
University of Alaska	90,854.0	0.0	0.0	0.0	0.0	0.0	90,854.0	0.0	0.0	90,854.0
Alaska Court System	9,986.8	0.0	0.0	0.0	0.0	0.0	9,986.8	0.0	0.0	9,986.8
Legislature	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**1,978,441.4**	**454,408.2**	**55,739.0**	**182,346.8**	**5,399.7**	**54,549.8**	**2,730,884.9**	**486.0**	**0.0**	**2,731,370.9**
Statewide Items										
Fund Capitalization	0.0	0.0	0.0	0.0	64,800.0	0.0	64,800.0	0.0	0.0	64,800.0
Debt Service	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	49,000.0	49,000.0
Total	**0.0**	**0.0**	**0.0**	**0.0**	**64,800.0**	**0.0**	**64,800.0**	**0.0**	**49,000.0**	**113,800.0**
Statewide Total	**1,978,441.4**	**454,408.2**	**55,739.0**	**182,346.8**	**70,199.7**	**54,549.8**	**2,795,684.9**	**486.0**	**49,000.0**	**2,845,170.9**

Computed Column Definitions: [7]=[1]+[2]+[3]+[4]+[5]+[6], [10]=[7]+[8]+[9]

Rpt 3

Multi-year Agency Summary

Numbers and Language

Agency	ID=> [1] Budget=> Capital Year=> FY2012 Structure=> Senate CS3 Column=> Sec1 Cap_3	[2] Capital FY2012 Senate CS3 Sec4Energy_3	[3] Capital FY2012 Senate CS3 Sec7Cruise_3	[4] Capital FY2012 Senate CS3 Sec10School_3	[5] Capital FY2012 Senate CS3 FY12Lang_3	[6] Capital FY2012 Senate CS3 FY11SupCap_3	[7] Total Cap	[8] Operating FY2012 Senate Sen OpinCap	[9] Operating FY2012 Senate Sen SupinCap	[10] Bill Total
Funding Summary										
Unrestricted General (UGF)	822,589.9	410,288.0	43,000.0	182,346.8	62,400.0	153,113.2	1,673,737.9	486.0	49,000.0	1,723,223.9
Designated General (DGF)	7,881.5	36,620.2	0.0	0.0	0.0	0.0	44,501.7	0.0	0.0	44,501.7
Other State Funds (Other)	83,588.6	0.0	12,739.0	0.0	0.0	-150,050.0	-53,722.4	0.0	0.0	-53,722.4
Federal Receipts (Fed)	1,064,381.4	7,500.0	0.0	0.0	7,799.7	51,486.5	1,131,167.6	0.0	0.0	1,131,167.6
Non-Additive Items										
Fund Transfers	0.0	0.0	0.0	0.0	30,620.2	0.0	30,620.2	383,800.0	500,000.0	914,420.2
Total	**0.0**	**0.0**	**0.0**	**0.0**	**30,620.2**	**0.0**	**30,620.2**	**383,800.0**	**500,000.0**	**914,420.2**

Computed Column Definitions: [7]=[1]+[2]+[3]+[4]+[5]+[6], [10]=[7]+[8]+[9]

SENATE FINANCE COMMITTEE REPORT
First Committee of Referral

DATE: 1/19/11

FURTHER:

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 46

SB 46 BUDGET: CAPITAL, SUPP. & OTHER APPROPS

"An Act making and amending appropriations, including capital appropriations and other appropriations; making appropriations to capitalize funds; and providing for an effective date."

and recommends:

[X] be **replaced** with **CS** SB46 (FIN) *] Same Title [X] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[X] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	GRAY	✓			
	McGuire	✓			
	OLSON	✓			
	ELLIS	X			
CO-CHAIR:	HOFFMAN	✓			
CO-CHAIR:	STEDMAN	✓			

27-GS1740\S
Kurtz
5/10/11

CS FOR SENATE BILL NO. 46(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SPECIAL SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

"An Act making and amending appropriations, including capital appropriations, savings deposits in the form of appropriations to the statutory budget reserve fund, and other appropriations; making appropriations to capitalize funds; and providing for an effective date."

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

(SECTION 1 OF THIS ACT BEGINS ON PAGE 2)

* **Section 1.** The following appropriation items are for capital projects and grants from the general fund or other funds as set out in section 2 of this Act by funding source to the agencies named for the purposes expressed and lapse under AS 37.25.020, unless otherwise noted.

	Appropriation	General	Other
Allocations	Items	Funds	Funds
* * * * *	* * * * *		
* * * * * **Department of Administration** * * * * *			
* * * * *	* * * * *		
Atwood Building and Linny Pacillo Parking Garage Improvements (HD 17-32)	2,800,000	2,800,000	
Classification System Conversion (HD 1-40)	500,000	500,000	
Combined Retirement System Upgrade (HD 1-40)	350,000		350,000
Motor Vehicles Automatic Queuing System (HD 1-40)	200,000	200,000	
Retirement and Benefits Disaster Recovery System (HD 1-40)	796,200		796,200
Retirement and Benefits Document Management System (HD 1-40)	387,000		387,000
Statewide Administrative Systems Replacement Final Phase (HD 1-40)	47,380,000	47,380,000	
Statewide Network Connectivity Upgrades (HD 1-40)	3,000,000	3,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Statewide Deferred		**10,250,000**	**7,250,000**	**3,000,000**
Maintenance Projects				
Enterprise Technology Services Anchorage Facilities Deferred Maintenance (HD 17-32)	490,000			
Enterprise Technology Services Fairbanks Facilities Deferred Maintenance (HD 7-11)	245,000			
Facilities IP Phone Upgrade and Deferred Maintenance (HD 1-40)	1,000,000			
Non-Public Building Fund Deferred Maintenance (HD 3-4)	500,000			
Public Building Fund Anchorage Facilities Deferred Maintenance (HD 17-32)	500,000			
Public Building Fund Juneau Facilities Deferred Maintenance (HD 3-4)	4,515,000			
State of Alaska Telecommunication System Deferred Maintenance year 2 of 5 (HD 1-40)	3,000,000			
* * * * *			* * * * *	
* * * * * **Department of Commerce, Community and Economic Development** * * * * *				
* * * * *			* * * * *	
Alaska Industrial		6,000,000	6,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Development & Export Authority - Ketchikan Shipyard Expansion and Improvement (HD 1)				
Tourism Economic Impact Study (HD 1-40)		100,000	100,000	
Community Block Grants Program		**6,571,000**	**71,000**	**6,500,000**
Community Development Block Grants (HD 1-40)	3,571,000			
Community Service Block Grants (RurAL CAP) (HD 1-40)	3,000,000			
Community Development and Assistance Program		**1,810,000**	**100,000**	**1,710,000**
Alaska Sustainable Salmon Fund Program (HD 1-40)	1,030,000			
Cooperating Technical Partners (CTP) Program (HD 1-40)	80,000			
Floodplain & Erosion Management Program (HD 1-40)	400,000			
Hazard Mitigation Assistance Grants (HD 1-40)	300,000			
Grants to Municipalities (AS 37.05.315)				

It is the intent of the legislature that the Department of Commerce, Community and Economic Development eliminate the requirement for narrative and financial quarterly reporting for any grant of $50,000 or less. It is further intended that the department make a single upfront

	Allocations	Appropriation Items	General Funds	Other Funds
payment for any grant of $50,000 or less, conditioned on the department first receiving a signed certification from the recipient agreeing to use the full grant amount for its intended purpose, to return all unexpended funds to the state for deposit into the general fund upon project completion, and to follow all other terms of the departments grant agreement.				
Akiak - Heavy Equipment Purchase (HD 38)		850,000	850,000	
Anchorage - 121st Avenue Storm Drain Construction (HD 17-32)		1,200,000	1,200,000	
Anchorage - 32nd Avenue Upgrade (HD 17-32)		4,100,000	4,100,000	
Anchorage - 73rd Avenue & 74th Avenue Road Water Line Extension (HD 17-32)		1,300,000	1,300,000	
Anchorage - 75th Avenue & Margaret Circle Area Drainage (HD 17-32)		3,000,000	3,000,000	
Anchorage - 88th Avenue Upgrade - Spruce Brook Street to Elmore Road (HD 17-32)		3,000,000	3,000,000	
Anchorage - 9th Avenue Phase II Reconstruction (HD 17-32)		3,600,000	3,600,000	
Anchorage - Abbott Loop Elementary School Library Furniture (HD 17-32)		7,500	7,500	
Anchorage - Abbott Loop Elementary School Playground Equipment Upgrades (HD 17-32)		25,000	25,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage - Airport Heights Elementary School Building Wide Cable TV Connections (HD 17-32)		75,000	75,000	
Anchorage - Airport Heights Elementary School Equipment (HD 17-32)		20,000	20,000	
Anchorage - Alexander Avenue Drainage Improvements (HD 17-32)		250,000	250,000	
Anchorage - Aquarian Charter School Lighting (HD 17-32)		100,000	100,000	
Anchorage - Area Road and Drainage Rehabilitation (HD 17-32)		1,400,000	1,400,000	
Anchorage - Arlberg Avenue Extension - Winner Creek Area Access (HD 17-32)		3,500,000	3,500,000	
Anchorage - AVAIL High School Classroom Furniture and Books (HD 17-32)		14,500	14,500	
Anchorage - Bancroft Subdivision Area Road and Drainage Rehabilitation (HD 17-32)		500,000	500,000	
Anchorage - Bartlett High School Boy's Locker Replacement (HD 17-32)		320,000	320,000	
Anchorage - Bartlett High School Interactive Display		208,000	208,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Technology (HD 17-32)				
Anchorage - Bartlett High School Musical Instruments (HD 17-32)		80,000	80,000	
Anchorage - Bartlett High School Restrooms Flush Valves Replacement (HD 17-32)		39,150	39,150	
Anchorage - Baxter Elementary School Technology Program (HD 17-32)		15,000	15,000	
Anchorage - Bayshore Elementary School Interactive Display Technology Purchase and Installation (HD 17-32)		55,000	55,000	
Anchorage - Begich Middle School Certifications (HD 17-32)		15,600	15,600	
Anchorage - Begich Middle School Musical Instruments (HD 17-32)		25,000	25,000	
Anchorage - Begich Middle School Physics Equipment (HD 17-32)		6,200	6,200	
Anchorage - Begich Middle School Wind Turbine Conduit and Improvements (HD 17-32)		40,000	40,000	
Anchorage - Campbell		40,000	40,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Elementary School Classroom Projectors (HD 17-32)				
Anchorage - Campbell Elementary School Playground Equipment and Safety Surface Upgrades (HD 17-32)		250,000	250,000	
Anchorage - Central Middle School of Science Music Program Upgrade (HD 17-32)		18,000	18,000	
Anchorage - Chester Valley Elementary School Gym Floor Protective Cover (HD 17-32)		17,500	17,500	
Anchorage - Chester Valley Elementary School Instructional Materials and Software (HD 17-32)		25,000	25,000	
Anchorage - Chester Valley Elementary School Technology Improvements (HD 17-32)		20,000	20,000	
Anchorage - Chinook Elementary School Storage Cubicles Purchase and Installation (HD 17-32)		25,000	25,000	
Anchorage - Chinook Elementary School Window Replacement (HD 17-32)		120,000	120,000	
Anchorage - Chugach		30,000	30,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Optional Elementary School Technology Upgrade (HD 17-32)				
Anchorage - Clark Middle School Medical Laboratory Equipment (HD 17-32)		15,000	15,000	
Anchorage - Clark Middle School Musical Instrument Purchase (HD 17-32)		20,000	20,000	
Anchorage - Creekside Park Elementary School Classroom Equipment (HD 17-32)		25,000	25,000	
Anchorage - Creekside Park Elementary School Playground Remodel and Upgrade (HD 17-32)		25,000	25,000	
Anchorage - Creekside Park Elementary School Technology Upgrades (HD 17-32)		10,000	10,000	
Anchorage - Crossroads Landscape Upgrade (HD 17-32)		5,000	5,000	
Anchorage - Denali Montessori School Multimedia Equipment (HD 17-32)		19,000	19,000	
Anchorage - Digital Police Video Systems (HD 17-32)		1,392,000	1,392,000	
Anchorage - Dimond High		50,000	50,000	

	Allocations	Appropriation Items	General Funds	Other Funds
School Engineering Academy Expansion (HD 17-32)				
Anchorage - Dimond High School Ventilation System Upgrade (HD 17-32)		50,000	50,000	
Anchorage - East High School Library Improvements (HD 17-32)		10,000	10,000	
Anchorage - East High School Technology Upgrades (HD 17-32)		56,000	56,000	
Anchorage - Fairview Elementary School Computer Laptop Cart (HD 17-32)		40,000	40,000	
Anchorage - Fire Department Battery Powered Extrication Equipment (HD 17-32)		59,100	59,100	
Anchorage - Fire Department CPR Equipment (HD 17-32)		140,000	140,000	
Anchorage - Fire Department Investigator Vehicle Purchase (HD 17-32)		55,000	55,000	
Anchorage - Fish Creek Trail Construction (HD 17-32)		325,000	325,000	
Anchorage - Flooding and Glaciation Matching Program (HD 17-32)		5,000,000	5,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage - Football Stadium Improvements (HD 17-32)		1,000,000	1,000,000	
Anchorage - Furrow Creek Culvert Upgrades - Clippership Court and Mariner Drive (HD 17-32)		400,000	400,000	
Anchorage - Girdwood School Furniture Replacement (HD 17-32)		50,000	50,000	
Anchorage - Gladys Wood Elementary School Interactive Display Technology (HD 17-32)		65,000	65,000	
Anchorage - Gladys Wood Elementary School Partial Walls and Classroom Storage Construction (HD 17-32)		48,000	48,000	
Anchorage - Goldenview Middle School Stage Rigging Replacement (HD 17-32)		50,000	50,000	
Anchorage - Government Hill Elementary School Achievement Recognition Program (HD 17-32)		10,700	10,700	
Anchorage - Hanshew Middle School Gym Renovation (HD 17-32)		50,000	50,000	
Anchorage - Hanshew Middle		176,000	176,000	

	Allocations	Appropriation Items	General Funds	Other Funds
School Library Upgrade (HD 17-32)				
Anchorage - Hillside Drainage Improvements (HD 17-32)		300,000	300,000	
Anchorage - Hillside Road and Drainage System Rehabilitation (HD 17-32)		280,000	280,000	
Anchorage - Homestead Elementary School Improvements (HD 17-32)		175,000	175,000	
Anchorage - Intersection Safety and Congestion Relief Matching Program (HD 17-32)		5,000,000	5,000,000	
Anchorage - Kasuun Elementary School Computer Lab Equipment Upgrade (HD 17-32)		50,000	50,000	
Anchorage - Kasuun Elementary School English Language Equipment (HD 17-32)		5,000	5,000	
Anchorage - Kasuun Elementary School Sound System (HD 17-32)		28,000	28,000	
Anchorage - Kincaid Elementary School AV Equipment for Classrooms (HD 17-32)		11,000	11,000	
Anchorage - Klatt		62,000	62,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Elementary School Classroom Technology (HD 17-32)				
Anchorage - Klatt Elementary School Interactive Display Technology Purchase and Installation (HD 17-32)		62,000	62,000	
Anchorage - Lake Hood Elementary School Classroom Technology (HD 17-32)		50,000	50,000	
Anchorage - McLaughlin School Classroom Technology Improvements (HD 17-32)		20,000	20,000	
Anchorage - Mears Middle School Engineering Program Expansion (HD 17-32)		30,000	30,000	
Anchorage - Mears Middle School Gym Lighting Upgrade (HD 17-32)		35,000	35,000	
Anchorage - Mirror Lake Middle School Computer Upgrades (HD 13-16)		120,000	120,000	
Anchorage - Mountain View Area Traffic and Pedestrian Safety Improvements (HD 17-32)		100,000	100,000	
Anchorage - Mountain View Elementary School Library		17,500	17,500	

	Allocations	Appropriation Items	General Funds	Other Funds
Improvements (HD 17-32)				
Anchorage - Mountain View Elementary School Playground Equipment and Safety Surface (HD 17-32)		340,000	340,000	
Anchorage - Mountain View Elementary School Technology Upgrade (HD 17-32)		22,000	22,000	
Anchorage - Mountain View Library Branch Library Upgrades (HD 17-32)		25,000	25,000	
Anchorage - Muldoon Community Park (HD 17-32)		1,500,000	1,500,000	
Anchorage - Muldoon Elementary School Computers (HD 17-32)		36,000	36,000	
Anchorage - Muldoon Elementary School Interactive Display Technology (HD 17-32)		132,000	132,000	
Anchorage - North Star Elementary School Interactive Teaching System (HD 17-32)		50,000	50,000	
Anchorage - North Star Elementary School Library Upgrades (HD 17-32)		25,000	25,000	
Anchorage - Northeast Anchorage Road and Drainage Improvements (HD 17-32)		533,000	533,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage - Northern Lights Boulevard Sidewalk Construction (HD 17-32)		920,000	920,000	
Anchorage - Northwood ABC Elementary School Interactive Display Technology (HD 17-32)		50,000	50,000	
Anchorage - Northwood Drive Pavement Rehabilitation - Raspberry Road to Strawberry Road (HD 17-32)		1,700,000	1,700,000	
Anchorage - Nunaka Valley Elementary School Improvements (HD 17-32)		191,000	191,000	
Anchorage - Nunaka Valley Elementary School Technology Upgrade (HD 17-32)		75,000	75,000	
Anchorage - Ocean View Elementary School Interactive Display Technology Purchase and Installation (HD 17-32)		45,000	45,000	
Anchorage - Pavement Rehabilitation Matching Program (HD 17-32)		6,000,000	6,000,000	
Anchorage - Pedestrian Safety and Rehabilitation Matching Program (50/50 local match) (HD 17-32)		1,000,000	1,000,000	
Anchorage - Pine Street &		4,000,000	4,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
4th Avenue Area Storm Reconstruction - DeBarr Road to Boniface Parkway (HD 17-32)				
Anchorage - Polaris K-12 School Direct Digital Controls Recalibration (HD 17-32)		10,000	10,000	
Anchorage - Polaris School Science Equipment (HD 17-32)		27,000	27,000	
Anchorage - Polaris School Variable Speed Drive Replacement (HD 17-32)		30,000	30,000	
Anchorage - Police Department Citizen's Policy Academy Support (HD 17-32)		56,150	56,150	
Anchorage - Police Department Tasers (HD 17-32)		47,300	47,300	
Anchorage - Port of Anchorage Expansion (HD 17-32)		20,000,000	20,000,000	
It is the intent of the legislature that the Municipality of Anchorage submit quarterly progress reports to the president of the senate and the speaker of the house of representatives on the Port of Anchorage expansion project detailing all cost overruns and any significant project scope changes.				
Anchorage - Project 80s Buildings and Infrastructure (HD 17-32)		9,872,000	9,872,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage - Ptarmigan Elementary School Technology Upgrade (HD 17-32)		173,700	173,700	
Anchorage - Reconstruct Egavik Drive & Denali Street Area Storm Drainage (HD 17-32)		3,000,000	3,000,000	
Anchorage - Repair Anchorage Neighborhood Parks (HD 17-32)		500,000	500,000	
Anchorage - Rogers Park Elementary Northern Lights Boulevard Overpass Safety Upgrades (HD 17-32)		100,000	100,000	
Anchorage - Rogers Park Elementary School Equipment Upgrade (HD 17-32)		50,000	50,000	
Anchorage - Romig Middle School Furniture Upgrade (HD 17-32)		65,000	65,000	
Anchorage - Romig Middle School Interactive Display Technology (HD 17-32)		50,000	50,000	
Anchorage - Romig Middle School Library Furniture Upgrade (HD 17-32)		60,000	60,000	
Anchorage - Romig Middle School Scoreboard and Clock Purchase (HD 17-32)		30,000	30,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage - Russian Jack Elementary School Computers (HD 17-32)		20,000	20,000	
Anchorage - Russian Jack Elementary School Student Response System (HD 17-32)		12,000	12,000	
Anchorage - Sand Lake Elementary School Ice Rink Renovation (HD 17-32)		50,000	50,000	
Anchorage - Sand Lake Watershed Drinking Water Studies (HD 17-32)		250,000	250,000	
Anchorage - SAVE High School Technology Upgrade (HD 17-32)		39,000	39,000	
Anchorage - Scenic Park Elementary School Furniture and Technology Update (HD 17-32)		22,100	22,100	
Anchorage - School District Alaska Native Cultural Materials (HD 17-32)		50,000	50,000	
Anchorage - Self Contained Breathing Apparatus Replacement (HD 17-32)		175,000	175,000	
Anchorage - Service High School Entry Doors (HD 17-32)		20,000	20,000	
Anchorage - Service High School Repair Leak (HD 17-32)		15,000	15,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage - South High School Purchase and Install Interactive Display Technology (HD 17-32)		235,000	235,000	
Anchorage - Spring Hill Elementary School Server and Computers (HD 17-32)		30,000	30,000	
Anchorage - Spring Hill Elementary School Site Upgrades (HD 17-32)		36,000	36,000	
Anchorage - Steller Secondary School Interactive Display Technology (HD 17-32)		50,000	50,000	
Anchorage - Susitna Elementary School CCTV and Security System Upgrade (HD 17-32)		175,000	175,000	
Anchorage - Susitna Elementary School Interactive Display Technology (HD 17-32)		75,000	75,000	
Anchorage - Susitna Elementary School Technology Upgrade (HD 17-32)		75,000	75,000	
Anchorage - Taku Elementary School Art Equipment Upgrade (HD 17-32)		7,000	7,000	
Anchorage - Traffic		500,000	500,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Calming and Safety Improvements (HD 17-32)				
Anchorage - Trailside Elementary School Computer Lab Software (HD 17-32)		10,000	10,000	
Anchorage - Tudor Elementary School Conference Room Furniture (HD 17-32)		17,000	17,000	
Anchorage - Tudor Elementary School Fire Alarm Replacement (HD 17-32)		175,000	175,000	
Anchorage - Tudor Elementary School Flushometer Replacement (HD 17-32)		20,000	20,000	
Anchorage - Turnagain Elementary School Interactive Display Technology (HD 17-32)		40,000	40,000	
Anchorage - University Lake Park Safety and Community Enhancements (HD 17-32)		50,000	50,000	
Anchorage - Waldron Subdivision Tract Purchase (HD 17-32)		4,000,000	4,000,000	
Anchorage - Wendler Middle School Computer Upgrades (HD 17-32)		70,000	70,000	
Anchorage - Wendler Middle		10,000	10,000	

	Allocations	Appropriation Items	General Funds	Other Funds
School Direct Digital Controls Recalibration (HD 17-32)				
Anchorage - West High School Cafeteria Upgrade (HD 17-32)		50,000	50,000	
Anchorage - West High School Classroom Furniture (HD 17-32)		75,000	75,000	
Anchorage - West High School Distance Learning Computer Technology (HD 17-32)		400,000	400,000	
Anchorage - West High School Interactive Display Technology (HD 17-32)		50,000	50,000	
Anchorage - Whaley Center CCTV Cameras (HD 17-32)		15,000	15,000	
Anchorage - Whaley Center Nurse's Office Upgrade (HD 17-32)		15,000	15,000	
Anchorage - William Tyson Elementary School Gym Improvements (HD 17-32)		35,000	35,000	
Anchorage - William Tyson Elementary School Office Technology Improvements (HD 17-32)		20,000	20,000	
Anchorage - William Tyson Elementary School Track Installation (HD 17-32)		50,000	50,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage - Williwaw Elementary School Interactive Display Technology (HD 17-32)		70,000	70,000	
Anchorage - Willow Crest Elementary School Education Equipment (HD 17-32)		7,400	7,400	
Anchorage - Willow Crest Elementary School Interactive Display Technology (HD 17-32)		18,000	18,000	
Anchorage - Willow Crest Elementary School Playground Upgrade (HD 17-32)		100,000	100,000	
Anchorage - Winterberry K-8 Science Equipment (HD 17-32)		16,000	16,000	
Anchorage - Wonder Park Elementary School Lighting Upgrade (HD 17-32)		30,000	30,000	
Anchorage - Wonder Park Elementary School Planning (HD 17-32)		50,000	50,000	
Anchorage - Wonder Park Elementary School Playground Equipment and Safety Surface (HD 17-32)		150,000	150,000	
Anchorage - Wonder Park Elementary School Sound		30,000	30,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Baffles (HD 17-32)				
Angoon - Road Restoration (HD 5)		1,288,600	1,288,600	
Bethel - LED Streetlights (HD 38)		350,000	350,000	
Bethel - Police Department Emergency Power Generator (HD 38)		246,000	246,000	
Bethel - Police Dispatch System (HD 38)		328,800	328,800	
Bettles - Road Grader Purchase (HD 6)		426,600	426,600	
Bristol Bay Borough - Port Expansion (HD 37)		2,000,000	2,000,000	
Chevak - Glycol Rehabilitation Project (HD 39)		470,000	470,000	
Coffman Cove - Community Clinic (HD 1)		600,000	600,000	
Cordova - Breakwater Extension and Boat Ramp (HD 5)		1,400,000	1,400,000	
Cordova - Hospital Maintenance and Equipment (HD 5)		2,000,000	2,000,000	
Craig - Community Streets Improvement (HD 5)		1,700,000	1,700,000	
Denali Borough - Cantwell School Asbestos Removal and Reconstruction (HD 7-11)		30,000	30,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Dillingham - Snag Point Sewer Line Emergency Relocation (HD 37)		1,000,000	1,000,000	
Emmonak - Courthouse and Safety Building (HD 39)		1,100,000	1,100,000	
Fairbanks North Star Borough - Carlson Activity Center Improvements Phase 2 (HD 7-11)		3,500,000	3,500,000	
Fairbanks North Star Borough - Natural Gas Distribution Study (HD 7-11)		500,000	500,000	
Fairbanks North Star Borough - Noel Wien Library Upgrades (HD 7-11)		6,000,000	6,000,000	
Fairbanks North Star Borough - North Star Fire Station Expansion (HD 7-11)		92,250	92,250	
Fairbanks North Star Borough - Parks and Recreation Facility Improvements (HD 7-11)		1,950,000	1,950,000	
Fairbanks North Star Borough - Pioneer Park Deferred Maintenance (HD 7-11)		400,000	400,000	
Fairbanks North Star Borough - Road Service Area Funding (HD 7-11)		5,000,000	5,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Fairbanks North Star Borough - School Technology Upgrades (HD 7-11)		110,000	110,000	
Fairbanks North Star Borough - Tanana Lakes Infrastructure (HD 7-11)		1,000,000	1,000,000	
Fairbanks North Star Borough - Wood Stove Conversion Program (HD 7-11)		3,000,000	3,000,000	
Fairbanks Northstar Borough - Arctic Winter Games Host Society (HD 7-11)		1,000,000	1,000,000	
Fort Yukon - Solid Waste Disposal Facility (HD 6)		521,900	521,900	
Galena - GILA Steam Plant Fire Safety, Generator Maintenance and Energy Improvements (HD 6)		1,476,800	1,476,800	
Gambell - Heavy Equipment Purchase (HD 39)		248,500	248,500	
Golovin - Heavy Equipment (HD 39)		350,300	350,300	
Goodnews Bay - Building, Landfill, and Community Improvements (HD 38)		181,300	181,300	
Haines - High School Gymnasium Floor Replacement (HD 5)		250,000	250,000	
Hughes - Vehicle Purchase		89,300	89,300	

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 6)				
Juneau - Airport Snow Removal Equipment Facility (HD 3-4)		1,000,000	1,000,000	
Juneau - Auke Bay Harbor Improvements (HD 3-4)		5,000,000	5,000,000	
Juneau - Centennial Hall Roof Replacement and Emergency Improvements (HD 3-4)		1,000,000	1,000,000	
Juneau - Juneau Arts & Culture Center Lighting Upgrades (HD 3-4)		50,000	50,000	
Juneau - School District Technology Upgrade (HD 3-4)		200,000	200,000	
Kaltag - New Clinic Match Funding (HD 6)		150,000	150,000	
Kenai - City Streets Paving Improvements (HD 33-35)		1,000,000	1,000,000	
Kenai - Kenai River Bluff Stabilization (HD 33-35)		1,750,000	1,750,000	
Kenai Peninsula Borough - Bear Creek Fire Service Area Community Multi-Use Facility (HD 33-35)		3,800,000	3,800,000	
Ketchikan Gateway Borough - Mariculture Research Facility (HD 1)		300,000	300,000	
Ketchikan Gateway Borough -		1,030,000	1,030,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Recreation Center Roof Replacement and Facility Improvements (HD 1)				
King Cove - Izembek Land Exchange EIS (HD 37)		300,000	300,000	
Klawock - Water and Sewer Upgrade (HD 5)		1,276,000	1,276,000	
Kodiak - Baranof Park Improvements (HD 36)		2,000,000	2,000,000	
Kodiak Island Borough - Anton Larsen Dock (HD 36)		2,000,000	2,000,000	
Kodiak Island Borough - Long Term Care Facility Planning & Design (HD 36)		1,275,000	1,275,000	
Kodiak Island Borough - Women's Bay Tsunami Emergency Shelter Construction (HD 36)		1,025,000	1,025,000	
Matanuska-Susitna Borough - Port MacKenzie Rail Extension (HD 13-16)		20,000,000	20,000,000	
Matanuska-Susitna Borough - School District Storage Building (HD 12)		75,000	75,000	
Matanuska-Susitna Borough - School District Technology Upgrade (HD 13-16)		100,000	100,000	
Matanuska-Susitna Borough - School District Wireless Access (HD 13-16)		500,000	500,000	
Matanuska-Susitna Borough -		190,000	190,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Willow Road Service Area Upgrade (HD 13-16)				
New Stuyahok - Construct Volunteer Fire Department (HD 37)		985,700	985,700	
Nome - Volunteer Fire Department Equipment (HD 39)		75,000	75,000	
North Slope Borough - Village Clinic Morgue Additions (HD 40)		2,000,000	2,000,000	
Northwest Arctic Borough - Deering Heavy Equipment (HD 40)		250,000	250,000	
Northwest Arctic Borough - Kivalina Water and Sanitation Engineering Feasibility Study (HD 40)		150,000	150,000	
Northwest Arctic Borough - Kobuk Electrical Line and Pole Maintenance (HD 40)		150,000	150,000	
Northwest Arctic Borough - Noatak Storage Shed and Heavy Equipment (HD 40)		125,000	125,000	
Northwest Arctic Borough - Noorvik Storage Shed and Shop (HD 40)		300,000	300,000	
Nunapitchuk - Public Safety Renovation and Equipment (HD 38)		855,000	855,000	
Old Harbor - Airport		1,500,000	1,500,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Improvements (HD 36)				
Palmer - Airport Navigational Aids (HD 13-16)		8,300	8,300	
Palmer - Fire Training Center Station Floor (HD 13-16)		20,000	20,000	
Pelican - Fuel Dock and Utility District (HD 2)		300,000	300,000	
Petersburg - Commercial Vehicle Drive Down (HD 2)		1,810,000	1,810,000	
Petersburg - Crane Dock Improvements (HD 2)		500,000	500,000	
Petersburg - Elderly Housing Facility Roof Replacement (HD 2)		370,000	370,000	
Petersburg - Police Station Repair (HD 2)		100,000	100,000	
Petersburg - Rifle Range Repair and Improvements (HD 2)		25,000	25,000	
Petersburg - Sons of Norway Hall Renovation and Repair (HD 2)		150,000	150,000	
Port Lions - City Dock and Ferry Terminal Replacement (HD 36)		8,000,000	8,000,000	
Saint George - Breakwater Construction and Dredging (HD 37)		2,500,000	2,500,000	
Saint Mary's - Water Line		172,800	172,800	

	Allocations	Appropriation Items	General Funds	Other Funds
Replacement (HD 39)				
Saint Mary's - Water Line Replacement and Improvements (HD 39)		140,400	140,400	
Saint Paul - Harbor Master Office (HD 37)		669,300	669,300	
Seldovia - City Business Center Environmental (HD 33-35)		125,000	125,000	
Seward - CDQ Fishing Fleet Relocation Study (HD 33-35)		400,000	400,000	
Sitka - Cross Trail Improvements (HD 2)		41,000	41,000	
Soldotna - Redoubt Avenue Street Improvement Project (HD 33-35)		2,079,000	2,079,000	
Thorne Bay - Davidson Landing Improvements (HD 1)		250,000	250,000	
Toksook Bay - Boardwalk Improvement (HD 38)		397,500	397,500	
Unalakleet - New Public Safety Building (HD 39)		3,400,000	3,400,000	
Unalaska - Wastewater Treatment Plant Improvements (HD 37)		4,000,000	4,000,000	
Upper Kalskag - Multi-Facility Building Renovation (HD 38)		969,100	969,100	
Wasilla - Airport Access		3,100,000	3,100,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Road (HD 13-16)				
Wasilla - Main Street Couplet (HD 13-16)		5,000,000	5,000,000	
Whittier - Shotgun Cove Road Phase III (HD 17-32)		400,000	400,000	
Whittier - Snow Blower (HD 17-32)		700,000	700,000	
Wrangell - Boat Yard Improvements (HD 2)		3,700,000	3,700,000	
Wrangell - Cassiar Street Improvements (HD 2)		2,000,000	2,000,000	
Grants to Municipalities (AS 37.05.315) - Public Library Construction				
It is the intent of the legislature that the following Grants to Municipalities (AS 37.05.315) satisfy the highest ranked public library construction projects identified by the Alaska Library Association and received by the Department of Commerce, Community and Economic Development under the FY2012 Public Library Construction and Major Expansion Matching Grant program (AS 14.56.355).				
Ketchikan - New Public Library (HD 1)		6,000,000	6,000,000	
Kodiak - New Library Construction (HD 36)		6,900,000	6,900,000	
Skagway - Library Construction and Expansion Project (HD 5)		667,000	667,000	
Soldotna - Joyce K. Carver Library Expansion (HD 33-35)		3,400,000	3,400,000	
Grants to Named Recipients (AS 37.05.316)				

	Allocations	Appropriation Items	General Funds	Other Funds
It is the intent of the legislature that the Department of Commerce, Community and Economic Development eliminate the requirement for narrative and financial quarterly reporting for any grant of $50,000 or less. It is further intended that the department make a single upfront payment for any grant of $50,000 or less, conditioned on the department first receiving a signed certification from the recipient agreeing to use the full grant amount for its intended purpose, to return all unexpended funds to the state for deposit in the general fund upon project completion, and to follow all other terms of the departments grant agreement.				
Abused Women's Aid In Crisis, Inc. (AWAIC) - Equipment Repair and Replacement (HD 17-32)		229,700	229,700	
Alaska Botanical Garden - Construct On-Site Work Facility with Horticultural Research and Propagation Site (HD 17-32)		750,000	750,000	
Alaska Brain Injury Network, Inc. - Curriculum Development and Service Delivery System Planning (HD 17-32)		200,000	200,000	
Alaska Children's Services - Cottages Renovation (HD 17-32)		127,200	127,200	
Alaska Historical Society - Statehood Documentary Educational Distribution (HD 1-40)		48,000	48,000	
Alaska Humanities Forum - Education, Economy, and Workforce Development		465,000	465,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Programs (HD 1-40)				
Alaska Legal Services Corporation - Civil Legal Services (HD 1-40)		110,000	110,000	
Alaska Manufacturing Extension Partnership - State Matching Support (HD 1-40)		400,000	400,000	
Alaska Moose Federation Conservation Fund, Inc. - Expand Statewide Moose Salvage Program (HD 12-35)		775,800	775,800	
Alaska Moose Federation Conservation Fund, Inc. - Rescue and Relocate Orphaned Moose Calves (HD 12-35)		1,441,500	1,441,500	
Alaska Museum of Natural History - Facility Renovations and Improvements (HD 17-32)		150,000	150,000	
Alaska Native Heritage Center - Education and Administration Facilities Expansion (HD 17-32)		2,000,000	2,000,000	
Alaska Native Tribal Health Consortium - Anchorage Long Term Care Facility (HD 17-32)		20,000,000	20,000,000	
Alaska Primary Care Association - Patient		875,000	875,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Centered Medical Home Transition Support (HD 1-40)				
Alaska Public Telecommunications, Inc. - Upgrade Facility and Production Technology (HD 17-32)		499,500	499,500	
Alaska State Hospital and Nursing Home Association - Perioperative Curriculum Design (HD 1-40)		65,000	65,000	
Alaska Zoo - Purchase Vehicle Upgrades and Replacements (HD 17-32)		268,000	268,000	
Alaska Zoo - Signage and Grounds Upgrades (HD 17-32)		161,000	161,000	
Aleutian Peninsula Broadcasting, Inc. - Radio Station Repairs and Upgrades (HD 37)		100,000	100,000	
American Legion of Alaska - Statewide Youth Sports Field Development and Enhancement (HD 1-40)		3,000,000	3,000,000	
Anchor Arms Inc. - Upgrade and Renovate Safe Harbor (HD 17-32)		500,000	500,000	
Anchorage Alumni Foundation Kappa Alpha Psi		100,000	100,000	

	Allocations	Appropriation Items	General Funds	Other Funds
- After School Program (HD 17-32)				
Anchorage Community Land Trust - Mountain View Blighted Property Improvement (HD 17-32)		1,000,000	1,000,000	
Anchorage Economic Development Corporation - Southcentral Alaska Economic Development Grant (HD 17-32)		95,000	95,000	
Anchorage Park Foundation - Abbott-O-Rabbit Little League Upgrades (HD 17-32)		400,000	400,000	
Anchorage Park Foundation - Anchorage Neighborhood Parks Renovation (HD 17-32)		1,000,000	1,000,000	
Anchorage Park Foundation - Anchorage Veteran's Memorial Renovation (HD 17-32)		250,000	250,000	
Anchorage Park Foundation - Kincaid Park Singletrack Trail (HD 17-32)		30,000	30,000	
Anchorage Park Foundation - Kiwanis Fish Creek Park Renovation (HD 17-32)		37,500	37,500	
Anchorage Park Foundation - Minnesota Park Renovation (HD 17-32)		159,000	159,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage Park Foundation - Mulcahy Ice Rinks Project (HD 17-32)		250,000	250,000	
Anchorage Park Foundation - Nunaka Valley North Park Renovation (HD 17-32)		42,000	42,000	
Anchorage Park Foundation - Sand Lake Park Renovation (HD 17-32)		115,000	115,000	
Anchorage Park Foundation - Shady Birch Park Renovation (HD 17-32)		37,500	37,500	
Anchorage Park Foundation - Sitka Park Renovation (HD 17-32)		42,000	42,000	
Anchorage Park Foundation - Trail Rehabilitation (HD 17-32)		35,000	35,000	
Anchorage Park Foundation - Valley Street Park Trail Work and Community Clean-Up (HD 17-32)		40,000	40,000	
Anchorage Park Foundation - Wickersham Park Renovation (HD 17-32)		42,000	42,000	
Anchorage Park Foundation - Windsong Park Renovation (HD 17-32)		62,000	62,000	
Anchorage Park Foundation - Wolverine Park Renovation (HD 17-32)		42,000	42,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Arctic Power - Arctic National Wildlife Refuge Program (HD 1-40)		160,000	160,000	
Arctic Winter Games Team Alaska - State Participation Grant (HD 1-40)		315,000	315,000	
Association of Village Council Presidents - Repository and Administrative Building Planning and Design (HD 38)		3,550,000	3,550,000	
Association of Village Council Presidents - Yuut Yaqungviat, LLC - Alaska Rural Aviation Training Program Equipment (HD 38)		170,000	170,000	
Blood Bank Of Alaska - Facilities And Services Expansion Project (HD 17-32)		8,200,000	8,200,000	
Boys & Girls Club Alaska - North East Club Teen Center Technology and Equipment Upgrades (HD 17-32)		10,000	10,000	
Boys & Girls Clubs Alaska - Akiak Club Technology Upgrades (HD 38)		3,000	3,000	
Boys & Girls Clubs Alaska		30,000	30,000	

	Allocations	Appropriation Items	General Funds	Other Funds
- Kotzebue Club Facility and Technology Upgrades (HD 40)				
Boys & Girls Clubs Alaska - Mountain View Club Teen Center Technology and Equipment Upgrades (HD 17-32)		21,000	21,000	
Boys & Girls Clubs Alaska - Mountain Village Club Program Equipment (HD 39)		10,000	10,000	
Boys & Girls Clubs Alaska - Nome Club Technology Upgrades (HD 39)		8,000	8,000	
Boys & Girls Clubs Alaska - Selawik Club Technology Upgrades (HD 40)		5,000	5,000	
Boys & Girls Clubs Alaska - St. Mary's Club Technology Upgrades (HD 39)		3,000	3,000	
Boys & Girls Clubs Alaska - Woodland Park Club Sprinkler Installation (HD 17-32)		200,000	200,000	
Bristol Bay Area Health Corporation - Facility Expansion (HD 37)		2,000,000	2,000,000	
Bristol Bay Native Association - Safety Equipment Purchase -		845,000	845,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Manokotak, Aleknagik and Togiak (HD 37)				
Calypso Farm and Ecology Center - School Garden Project (HD 7-11)		66,750	66,750	
Camp Fire USA Alaska Council - Vehicle Purchase (HD 17-32)		35,000	35,000	
Catholic Social Services - Purchase of Replacement Property for Clare House (HD 17-32)		300,000	300,000	
Chena-Goldstream Volunteer Fire Department - Underground Water Tanks (HD 7-11)		40,000	40,000	
Children's Meal Mission, Inc. - Meals For Children (HD 17-32)		60,000	60,000	
Community of Elfin Cove Non-Profit Corporation - Boardwalk Repairs (HD 2)		105,000	105,000	
Cook Inlet Tribal Council - Dena'ina House Demonstration Education Project Completion (HD 17-32)		3,000,000	3,000,000	
Covenant House Alaska - Facility Construction (HD 17-32)		3,100,000	3,100,000	
Eagle IRA Council -		90,000	90,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Clinic Replacement Project (HD 6)				
Ester Volunteer Fire Department - Engine Equipment Purchase (HD 7-11)		150,000	150,000	
Fairbanks Community Food Bank - Capstone Micro Turbine Purchase and Installation (HD 7-11)		175,000	175,000	
Fairbanks Dog Park, Inc - Dog Park Improvements (HD 7-11)		25,000	25,000	
Fairbanks Soil & Water Conservation District - Invasive Weeds Project (HD 7-11)		10,000	10,000	
Federation of Community Councils, Inc. - Anchorage Community Patrols Equipment (HD 17-32)		80,000	80,000	
Federation of Community Councils, Inc. - Fairview Community Planning and Revitalization Strategy Development (HD 17-32)		20,000	20,000	
Federation of Community Councils, Inc. - Mountain View Neighborhood Crime Watch (HD 17-32)		5,000	5,000	
Federation of Community		10,000	10,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Councils, Inc. - Mountain View Spring Clean-Up (HD 17-32)				
Federation of Community Councils, Inc. - Neighborhoods USA 2011 Conference (HD 17-32)		70,000	70,000	
Federation of Community Councils, Inc. - Nunaka Valley Community Patrol (HD 17-32)		14,000	14,000	
Federation of Community Councils, Inc. - Recreational Upgrades to Abbott Loop Community Park (HD 17-32)		50,000	50,000	
Federation of Community Councils, Inc. - Scenic Foothills Safe and Secure Parks Project (HD 17-32)		63,000	63,000	
Filipino Community, Inc. - Building Repairs (HD 3-4)		50,000	50,000	
Friends of the Children - Fairbanks Mentoring Program Pilot Project (HD 7-11)		2,000,000	2,000,000	
Georgeson Botanical Garden Society - Research Survival Program (HD 7-11)		50,000	50,000	
Great Alaska Council, Boy Scouts of America -		120,000	120,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Outdoor Experience Project (HD 17-32)				
Great Alaska Council, Boy Scouts of America - Outdoor Programs (HD 17-32)		406,700	406,700	
Greater Copper Valley Communications, Inc. - Backup Generator and Communication Link (HD 6)		101,000	101,000	
Holy Cross Tribal Council - Community Services Center Match Funding (HD 6)		300,000	300,000	
Hope Community Resources, Inc. - Statewide Facility Improvements and Upgrades (HD 1-40)		763,000	763,000	
Institute of the North - Arctic Infrastructure and Advocacy Initiative (HD 1-40)		315,000	315,000	
Institute of the North - Pacific Northwest Economic Region (PNWER) Arctic Caucus Planning (HD 1-40)		150,000	150,000	
Inuit Circumpolar Council Alaska - Alaska's Traditional Knowledge Science Development Project (HD 1-40)		75,000	75,000	

	Allocations	Appropriation Items	General Funds	Other Funds
John R. Noyes Post VFW 9978 - Facility Renovation and Repairs (HD 17-32)		35,000	35,000	
Juneau Cooperative Christian Ministries - Glory Hole Shelter Energy Efficiency and Heating Improvements (HD 3-4)		50,000	50,000	
Juneau Family Health and Birth Center - Electronic Health Record Software System (HD 3-4)		50,000	50,000	
Juneau Pioneer Home Foundation - Juneau Pioneer Home Planning and Design (HD 3-4)		10,000	10,000	
Juneau Youth Services - Emergency Shelter Repairs (HD 3-4)		85,000	85,000	
Juneau Youth Services - Vehicle Purchase (HD 3-4)		51,000	51,000	
Kaagwaantaan Inc. - Alaska Native Brotherhood Hall Renovations (HD 2)		150,000	150,000	
KBRW Silakkuagvik Communications, Inc. - Radio Station Equipment Upgrades (HD 40)		68,000	68,000	
Kenaitze Indian Tribe - Dena'ina Health and Wellness Center (HD 33-35)		5,000,000	5,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Ketchikan Indian Corporation - Southern Southeast Alaska Vocational Training School (HD 1)		600,000	600,000	
Kodiak Maritime Museum - Harbor Gateway Project (HD 36)		298,000	298,000	
Laborer's International Union of North America Local 341 - Training Facility Construction and Upgrade (HD 17-32)		4,000,000	4,000,000	
Life Alaska Donor Services, Inc - Donor Program (HD 1-40)		55,000	55,000	
Mao Tosi's Alaska Pride - Leadership Program (HD 17-32)		100,000	100,000	
Mid-Valley Seniors Inc. - Mid-Valley Senior Center Roof Replacement (HD 13-16)		150,000	150,000	
Most Worshipful Prince Hall Grand Lodge - Grand Lodge Improvements (HD 17-32)		125,000	125,000	
Native Village of Unalakleet (Unalakleet IRA) - Assisted Living Facility (HD 39)		300,000	300,000	
Neighbor Works Anchorage -		100,000	100,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Community Engagement and Resident Services Expansion (HD 17-32)				
Neighbor Works Anchorage - Homeownership Center (HD 17-32)		200,000	200,000	
Newtok Traditional Council - Metarvik Evacuation Shelter and Access Road (HD 38)		2,500,000	2,500,000	
Nordic Ski Club of Fairbanks - Trail Maintenance and Grooming Equipment Purchase (HD 7-11)		31,500	31,500	
North Star Council on Aging, Inc. - Recovery Project (HD 7-11)		150,000	150,000	
North Star Imagination Library - Literacy Initiative Project (HD 7-11)		10,000	10,000	
Norton Sound Health Corporation - Long Term Care Facility Replacement (HD 39)		7,000,000	7,000,000	
Nunapitchuk IRA Council - Community Improvements (HD 38)		100,000	100,000	
Perseverance Theatre, Inc - Audio System Upgrade and		33,000	33,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Replacement (HD 3-4)				
Pleasant Valley Community Association - Community Center (HD 7-11)		50,000	50,000	
REACH, Inc. - Facility Upgrades (HD 3-4)		40,100	40,100	
ROSSIA, Inc. - Repair and Restoration of Juneau Historic Site (HD 3-4)		50,000	50,000	
Rural Alaska Community Action Program, Inc. - Child Development Center Construction (HD 17-32)		800,000	800,000	
Rural Deltana Volunteer Fire Dept. - Purchase Rescue Vehicle (HD 12)		100,000	100,000	
Russian Jack Springs Junior Golf Association DBA First Tee of Alaska - Youth Development Program (HD 17-32)		100,000	100,000	
Salcha Fire and Rescue, Inc. - Fire and Rescue Station (HD 12)		75,000	75,000	
Sealaska Heritage Institute - Sealaska Heritage Institute Center (HD 3-4)		2,500,000	2,500,000	
Senior Citizens of Interior Alaska - Senior Center Improvements (HD 12)		15,000	15,000	
Shiloh Community Housing		92,000	92,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Incorporated - Young Adult Transitional Housing Project (HD 17-32)				
Soldotna Area Senior Citizens, Inc. - Floor Covering (HD 33-35)		27,300	27,300	
Southcentral Foundation - Wellness Warriors Auditorium Construction (HD 17-32)		1,966,000	1,966,000	
Southeast Alaska Independent Living - Adaptive Vehicle (HD 3-4)		13,500	13,500	
Southeast Alaska Solid Waste Authority - Planning and Development Grant (HD 1-5)		125,000	125,000	
Southeast Island School District - Hollis School Vehicle (HD 1)		42,000	42,000	
Southeast Regional Resource Center, Inc. - Heating System Replacement (HD 3-4)		70,000	70,000	
Southwest Alaska Vocational and Education Center - King Salmon AFB Gymnasium Rehabilitation (HD 37)		471,100	471,100	
Special Olympics Alaska - Training Center and Campus Improvements (HD 17-32)		2,000,000	2,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Steese Area Volunteer Fire Department - Fire Equipment (HD 7-11)		169,500	169,500	
Sunshine Community Health Center - Health Clinic Construction (HD 13-16)		420,000	420,000	
The Arc of Anchorage - Safety and Deferred Maintenance (HD 17-32)		580,000	580,000	
The HUB Youth Center - After School Program (HD 3-4)		30,000	30,000	
The Salvation Army - Anchorage Corps Community Center Construction (HD 17-32)		1,500,000	1,500,000	
Tolsona Fire Department - ALMR Office Building Upgrade (HD 12)		50,000	50,000	
Tolsona Fire Department - Personal Protection Equipment (HD 12)		50,000	50,000	
Tolsona Fire Department - Response Vehicles (HD 12)		50,000	50,000	
Tundra Women's Coalition - Child Advocacy Center Equipment (HD 38)		31,700	31,700	
Tundra Women's Coalition - Shelter Vehicle Replacement (HD 38)		27,500	27,500	
Wellspring Revival		38,000	38,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Ministries - Heating Upgrades (HD 7-11)				
World Trade Center Alaska - International Trade Partnership Project (HD 1-40)		300,000	300,000	
Wrangell Cooperative Association - Chief Shakes Tribal House Renovation (HD 2)		500,000	500,000	
Yukon River Drainage Fisheries Association - Yukon River Chinook Salmon Management Plan (HD 1-40)		300,000	300,000	
Yukon-Kuskokwim Health Corporation - Qungasvik Youth Sobriety Project (HD 1-40)		1,624,800	1,624,800	
Yukon-Kuskokwim Health Corporation - Regional Prematernal Home (HD 38)		10,500,000	10,500,000	
Yuut Elitnaurviat The People's Learning Center - Dormitory (HD 38)		4,700,000	4,700,000	
Grants to Named Recipients (AS 37.05.316) - Deferred Maintenance and Enhancements to Hatchery Facilities Statewide				
Cook Inlet Aquaculture Association - Trail Lakes		865,000	865,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Hatchery Maintenance and Upgrade (HD 12-35)				
Cook Inlet Aquaculture Association - Tutka Bay Hatchery Maintenance and Upgrade (HD 12-35)		591,000	591,000	
Douglas Island Pink and Chum, Inc. - Snettisham Hatchery Maintenance and Upgrade (HD 1-5)		1,250,000	1,250,000	
Kodiak Regional Aquaculture Association - Kitoi Bay Hatchery Maintenance and Upgrade (HD 36)		1,308,000	1,308,000	
Kodiak Regional Aquaculture Association - Lake Nutrient Enrichment Project (HD 36)		720,000	720,000	
Kodiak Regional Aquaculture Association - Pillar Creek Hatchery Maintenance and Upgrade (HD 36)		767,000	767,000	
Northern Southeast Regional Aquaculture Association - Hidden Falls Hatchery Maintenance and Upgrade (HD 1-5)		1,044,000	1,044,000	
Prince William Sound Aquaculture Corporation - Cannery Creek Hatchery Maintenance and Upgrade (HD 12-35)		2,224,000	2,224,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Prince William Sound Aquaculture Corporation - Gulkana Hatchery Maintenance and Upgrade (HD 12-35)		838,000	838,000	
Prince William Sound Aquaculture Corporation - Main Bay Hatchery Maintenance and Upgrade (HD 12-35)		2,113,000	2,113,000	
Seward - Alutiq Pride Shellfish Hatchery Upgrade (HD 33-35)		250,000	250,000	
Grants to Unincorporated Communities (AS 37.05.317)				
It is the intent of the legislature that the Department of Commerce, Community and Economic Development eliminate the requirement for narrative and financial quarterly reporting for any grant of $50,000 or less. It is further intended that the department make a single upfront payment for any grant of $50,000 or less, conditioned on the department first receiving a signed certification from the recipient agreeing to use the full grant amount for its intended purpose, to return all unexpended funds to the state for deposit in the general fund upon project completion, and to follow all other terms of the departments grant agreement.				
Dot Lake Village - Equipment Purchase (HD 6)		85,000	85,000	
Mentasta Lake - Health Care Clinic Match (HD 6)		300,000	300,000	
Stony River - Sanitation Improvement Project (HD 6)		192,000	192,000	
Tetlin - Biomass Energy Project (HD 6)		200,000	200,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Tuntutuliak - Public Safety Vehicle (HD 38)		9,800	9,800	
Tuntutuliak - Public Works Equipment (HD 38)		109,500	109,500	
Tununak - Heavy Equipment (HD 38)		250,000	250,000	
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* * * * * **Department of Corrections** * * * * *				
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Annual Facilities Maintenance and Repairs (HD 1-40)		1,000,000	1,000,000	
Community Jails Repairs, Renovations, and Equipment (HD 1-40)		150,000	150,000	
Implementation of a Medical Information System (HD 1-40)		1,000,000	1,000,000	
Seward - Spring Creek Correctional Center Seward Land Transfer (HD 33-35)		250,000	250,000	
Deferred Maintenance		**5,000,000**	**5,000,000**	
Projects				
Bethel - Yukon-Kuskokwim Correctional Center Projects (HD 38)	420,000			
Eagle River - Combined Hiland Mountain Correctional Center Projects (HD 17-32)	760,000			
Fairbanks - Fairbanks	915,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Correctional Center Projects (HD 7-11)				
Juneau - Lemon Creek Correctional Center Project (HD 3-4)	135,000			
Kenai - Wildwood Correctional Center Project (HD 33-35)	890,000			
Ketchikan - Correctional Center Project (HD 1)	145,000			
Nome - Anvil Mountain Correctional Center Projects (HD 39)	715,000			
Palmer - Matanuska-Susitna Correctional Center Projects (HD 13-16)	22,000			
Seward - Spring Creek Correctional Center Project (HD 33-35)	398,000			
Sutton - Palmer Correctional Center Projects (HD 12)	600,000			
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* * * * * **Department of Education and Early Development** * * * * *				
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Abandoned School Site Assessments (HD 1-40)		125,000	125,000	
State Library, Archives and Museum Facility Construction (HD 3-4)		5,000,000	5,000,000	
Deferred Maintenance				

	Allocations	Appropriation Items	General Funds	Other Funds
Stratton Library Roof and Siding Replacement (HD 1-40)		900,000	900,000	
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* * * * * **Department of Environmental Conservation** * * * * *				
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Clean Water Capitalization Grant - Subsidy Funding (HD 1-40)		1,826,274		1,826,274
Drinking Water Capitalization Grant - Subsidy Funding (HD 1-40)		4,071,900		4,071,900
PSP Testing Equipment - High Performance Liquid Chromatography Analyzer (HD 17-32)		205,300	205,300	
Spill Prevention - Best Available Technology Analysis (HD 1-40)		100,000	100,000	
Village Safe Water and Wastewater Infrastructure Projects		**51,566,664**	**8,766,664**	**42,800,000**
Expansion, Upgrade, and Replacement of Existing Service (HD 1-40)	21,774,913			
First Time Service Projects (HD 1-40)	29,791,751			
Municipal Water, Sewage, and Solid Waste Facilities Grants (AS 46.03.030)		**21,817,963**	**21,817,963**	
Haines - Asbestos Cement	535,224			

	Allocations	Appropriation Items	General Funds	Other Funds
Pipe Replacement (HD 5)				
Kenai - Water Transmission Mains Phase 3 (HD 33-35)	1,603,710			
Ketchikan - Water and Sewer Improvements (HD 1)	3,476,250			
Ketchikan - Water and Sewer Main Replacement (HD 1)	2,616,824			
Kodiak - Ultraviolet Secondary Water Treatment Facility (HD 36)	3,616,200			
Palmer - Southwest Water Utility Extension, Phase 2B Increase (HD 13-16)	2,575,000			
Sitka - Ultraviolet Water Disinfection Facility (HD 2)	3,587,500			
Soldotna - Well House B Reconstruction (HD 33-35)	717,255			
Unalaska - Water Treatment Plant (HD 37)	3,090,000			
Deferred Maintenance				
Environmental Health Laboratory Building Deferred Maintenance (HD 17-32)		200,000	200,000	
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* * * * * **Department of Fish and Game** * * * * *				
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Campbell Creek Estuary Conservation Project (HD 17-32)		500,000		500,000

	Allocations	Appropriation Items	General Funds	Other Funds
Critical Information Technology Infrastructure Maintenance (HD 1-40)		400,000	400,000	
Facilities, Vessels, and Aircraft Maintenance, Repair, and Upgrades (HD 1-40)		700,000	700,000	
Intensive Management Implementation Study (HD 1-40)		1,750,000	1,750,000	
Pacific Coastal Salmon Recovery Fund (HD 1-40)		12,000,000		12,000,000
Pacific Salmon Treaty Chinook Fishery Mitigation (HD 1-40)		7,500,000		7,500,000
Sport Fish Recreational Boating Access (HD 1-40)		3,000,000		3,000,000
State Game Refuge Access and Development (HD 13-16)		720,000	180,000	540,000
Westward Region DIDSON Sonar Purchase (HD 36)		105,000	105,000	
Wolf, Moose, and Community Harvest Study (HD 1-40)		475,000	475,000	
Statewide Facility Deferred Maintenance Projects		**1,400,000**	**1,400,000**	
Cordova Dock and Uplands Improvements (HD 5)	650,000			
Fairbanks Regional Office Repairs and Upgrades (HD 7-11)	750,000			

	Allocations	Appropriation Items	General Funds	Other Funds
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	* * * * * **Office of the Governor** * * * * *			
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Polling Place Accessibility Assistance under the Federal Help America Vote Act (HAVA) (HD 1-40)		100,000		100,000
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	* * * * * **Department of Health and Social Services** * * * * *			
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Alaska eHealth Network - Health Information Exchange Deployment (HD 1-40)		2,400,000	2,400,000	
Alaska Veterans and Pioneers Home Storage Unit (HD 13-16)		885,000	885,000	
Electronic Benefit Transfer System Equipment (HD 1-40)		50,000	50,000	
Electronic Health Record Incentive Payments (HD 1-40)		36,518,800		36,518,800
Emergency Medical Services Ambulances and Equipment Statewide - Code Blue Project Match (HD 1-40)		425,000	425,000	
Field Operations Call System for Vulnerable Alaskans (HD 1-40)		255,200	130,200	125,000
Health Insurance		1,000,000	1,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Portability and Accountability Act Compliance (HD 1-40)				
HIPAA Updated Electronic Transaction Standards (HD 1-40)		4,100,000	500,000	3,600,000
International Classification of Diseases (ICD-10) Implementation (HD 1-40)		5,100,000	600,000	4,500,000
Juvenile Offender Management Information System Testing Automation (HD 1-40)		25,000	25,000	
McLaughlin Youth Center Safety and Security Phase 1 Completion (HD 17-32)		4,275,000	4,275,000	
Medicaid Management Information System Completion (HD 1-40)		3,283,800	1,003,380	2,280,420
Senior and Disability Services System Upgrade (HD 1-40)		2,700,000	1,350,000	1,350,000
Pioneer Homes Deferred Maintenance, Renovation, Repair and Equipment		**4,000,000**	**4,000,000**	
Alaska Veterans and Pioneers Home (HD 13-16)	1,282,766			
Anchorage Pioneer Home (HD 17-32)	879,640			
Juneau Pioneer Home (HD	803,844			

	Allocations	Appropriation Items	General Funds	Other Funds
3-4)				
Ketchikan Pioneer Home (HD 1)	1,033,750			
Non-Pioneer Home Deferred Maintenance, Renovation, Repair and Equipment		**3,086,339**	**3,000,000**	**86,339**
Alaska Psychiatric Institute (HD 17-32)	423,015			
Anchorage Public Health Laboratory (HD 17-32)	119,848			
Bethel Youth Facility (HD 38)	104,202			
Dillingham Health Center (HD 37)	8,270			
Johnson Youth Center (HD 3-4)	115,780			
Juneau Public Health Center (HD 3-4)	57,890			
Ketchikan Public Health Center (HD 1)	297,723			
Ketchikan Regional Youth Facility (HD 1)	780,898			
Matanuska-Susitna Youth Facility (HD 13-16)	24,810			
McLaughlin Youth Center (HD 17-32)	1,038,023			
Sitka Public Health Center (HD 2)	115,780			
Statewide Deferred Maintenance, Renovation, Repair and Equipment (HD	100			

	Allocations	Appropriation Items	General Funds	Other Funds
1-40)				
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* * * * * **Department of Labor and Workforce Development** * * * * *				
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AVTEC Maritime Vessel Simulator Projection System Upgrade (HD 33-35)		210,000	210,000	
Fairbanks Pipeline Training Center Construction and Equipment Purchase (HD 7-11)		3,000,000	3,000,000	
Deferred Maintenance				
AVTEC Deferred Maintenance (HD 33-35)		1,000,000	1,000,000	
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* * * * * **Department of Law** * * * * *				
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Information Technology Projects (HD 1-40)		1,250,000	1,250,000	
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* * * * * **Department of Military and Veterans Affairs** * * * * *				
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Catastrophic Disaster Response Planning and Equipment (HD 1-40)		4,980,000	4,980,000	
National Guard Counterdrug Support (HD 1-40)		100,000		100,000
State Homeland Security Grant Programs (HD 1-40)		9,500,000		9,500,000
Army Guard Facilities Projects		**3,750,000**	**100,000**	**3,650,000**

	Allocations	Appropriation Items	General Funds	Other Funds
Fairbanks - Extend Organizational Maintenance Shop (HD 7-11)	1,500,000			
Fort Richardson - Camp Carroll Fire Sprinkler System Installation (HD 17-32)	500,000			
Fort Richardson - Camp Denali Fire Sprinkler System Design (HD 17-32)	250,000			
Wasilla - Alcantra Complex Barracks Design and Construction (HD 13-16)	1,500,000			
Federal Energy Projects		**490,000**	**10,000**	**480,000**
Fort Richardson - Bryant Airfield Solar Energy Collection System Design (HD 17-32)	250,000			
Juneau LED Exterior Lighting (HD 3-4)	10,000			
Kenai LED Exterior Lighting (HD 33-35)	10,000			
Ketchikan LED Exterior Lighting (HD 1)	10,000			
Kodiak LED Exterior Lighting (HD 36)	10,000			
Nome Hangar Solar Panel Installation (HD 39)	200,000			
Military and Veterans Affairs Deferred Maintenance Projects		**12,085,800**	**4,000,000**	**8,085,800**

	Allocations	Appropriation Items	General Funds	Other Funds
Bethel Armory Deferred Maintenance (HD 38)	35,000			
Brevig Mission Armory Deferred Maintenance (HD 39)	5,000			
Elim Armory Deferred Maintenance (HD 39)	5,000			
Fairbanks Armory Deferred Maintenance (HD 7-11)	100,000			
Fort Richardson - Bryant Airfield Armory Deferred Maintenance (HD 17-32)	2,895,000			
Fort Richardson - Camp Carroll Armory Deferred Maintenance (HD 17-32)	1,090,000			
Fort Richardson - Camp Denali Armory Deferred Maintenance (HD 17-32)	1,048,800			
Juneau Armory Deferred Maintenance (HD 3-4)	10,000			
Kenai Armory Deferred Maintenance (HD 33-35)	20,000			
Ketchikan Armory Deferred Maintenance (HD 1)	75,000			
Kotzebue Armory Deferred Maintenance (HD 40)	55,000			
Koyukuk Armory Deferred Maintenance (HD 6)	40,000			
Military Youth Academy Deferred Maintenance, Renewal and Replacement	3,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 17-32)				
Nome Armory Deferred Maintenance (HD 39)	950,000			
Sitka Armory Deferred Maintenance (HD 2)	475,000			
Statewide Armory Deferred Maintenance (HD 1-40)	120,000			
Wasilla - Alcantra Armory Deferred Maintenance (HD 13-16)	2,162,000			
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* * * * * **Department of Natural Resources** * * * * *				
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Abandoned Mine Lands Reclamation Federal Program (HD 1-40)		2,000,000		2,000,000
Assessment of In-State Gas Energy Potential Phase 2 of 3 (HD 1-40)		500,000	500,000	
Canada Thistle Infestations Eradication and Control (HD 17-32)		125,000	125,000	
Channel Islands Marine Park Debris Removal and Improvements (HD 3-4)		50,000	50,000	
Cooperative Water Resource Program (HD 1-40)		855,000		855,000
Copper River Fire Facility Modular Replacements (HD 12)		400,000	400,000	
Eagle Beach Snow Grooming		14,200	14,200	

	Allocations	Appropriation Items	General Funds	Other Funds
Equipment (HD 3-4)				
Federal and Local Government Funded Forest Resource and Fire Program Projects (HD 1-40)		1,800,000		1,800,000
Foothills Oil and Gas Development Infrastructure Investigations Phase 2 of 3 (HD 1-40)		370,000	370,000	
Forest Legacy Federal Grant Program (HD 1-40)		1,000,000		1,000,000
Gas Pipeline Corridor Geologic Hazards and Resources - Final Phase (HD 1-40)		200,000	200,000	
Haines Fire Facility Modular Replacements (HD 5)		100,000	100,000	
Historical Alaskan Leaders Documentary (HD 1-40)		500,000	500,000	
Homestead Trail Road Safety and Drainage Improvements (HD 17-32)		50,000	50,000	
Juneau Historic Sites Renovation and Habitability (HD 3-4)		250,000	250,000	
Land and Water Conservation Fund Federal Grant Program (HD 1-40)		3,000,000		3,000,000
Land Sales - New Subdivision Development		3,700,000	3,700,000	

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 1-40)				
Lower Kasilof River Drift Boat Takeout, Phase 1 of 2 (HD 33-35)		2,000,000	2,000,000	
Mastodon Trail (HD 7-11)		85,000	85,000	
Matanuska-Susitna Borough Hydrogeology Assessment Phase 3 of 3 (HD 13-16)		345,000	345,000	
National Coastal Wetland Grant (HD 17-32)		1,000,000		1,000,000
National Historic Preservation Fund (HD 1-40)		750,000	150,000	600,000
National Recreational Trail Grants Federal Program (HD 1-40)		1,500,000		1,500,000
Peters Creek Flooding and Erosion Control Project (HD 13-16)		116,000	116,000	
Rare Earth Elements and Strategic Minerals Assessment (HD 1-40)		498,000	498,000	
Replace Pesticide Storage Facility-Plant Materials Center (HD 13-16)		180,000	180,000	
Snowmobile Trail Development Program and Grants (HD 1-40)		250,000	250,000	
South Denali Visitor Center Design and Construction (HD 13-16)		3,000,000	3,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Unified Permit Project and Document Management (HD 1-40)		2,500,000	2,500,000	
Forest Access Roads Program		**3,000,000**	**3,000,000**	
Firewood and Timber Access (HD 1-40)	800,000			
Nelson Logging Road (HD 2)	2,200,000			
Completion of Recorder's Office Digital Image Conversion and Implementation of Electronic Recording		**400,000**	**400,000**	
Complete Conversion of Recorded Media to Digital Images (HD 1-40)	300,000			
Complete Implementation of Electronic Recording (HD 1-40)	100,000			
Natural Resources Facilities Deferred Maintenance Projects		**4,000,000**	**4,000,000**	
Parks and Outdoor Recreation Deferred Maintenance - Chugach Area (HD 17-32)	351,000			
Parks and Outdoor Recreation Deferred Maintenance - Kenai Area (HD 33-35)	356,000			
Parks and Outdoor	131,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Recreation Deferred Maintenance - Kodiak Area (HD 36)				
Parks and Outdoor Recreation Deferred Maintenance - Mat-Su Area (HD 13-16)	290,000			
Parks and Outdoor Recreation Deferred Maintenance - Northern Region (HD 7-11)	356,000			
Parks and Outdoor Recreation Deferred Maintenance - Southeast Area (HD 1-5)	356,000			
Parks and Outdoor Recreation Deferred Maintenance - Wood Tikchik Area (HD 36-38)	35,000			
Parks and Outdoor Recreation Statewide Emergency Repairs (HD 1-40)	200,000			
Statewide Forestry Facilities Deferred Maintenance (HD 1-40)	1,925,000			
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* * * * * **Department of Public Safety** * * * * *				
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Aircraft and Vessel Repair and Maintenance (HD 1-40)		850,000	850,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Alaska State Trooper Law Enforcement Equipment Replacement (HD 1-40)		500,000	500,000	
Alaska State Troopers Records Management System (HD 1-40)		775,000	775,000	
Alaska Wildlife Trooper Law Enforcement Equipment Replacement (HD 1-40)		500,000	500,000	
Anchorage Aircraft Hangar Improvements (HD 17-32)		1,000,000	1,000,000	
Data Exchange with MAJIC Agencies Phase 2 (HD 1-40)		800,000	800,000	
Marine Fisheries Patrol Improvements (HD 1-40)		2,000,000		2,000,000
Phase 3 - Mobile Solutions, Online Fire and Life Safety Plan Review System (HD 1-40)		165,500	165,500	
Village Public Safety Officer (VPSO) Equipment Replacement (HD 1-40)		337,500	337,500	
Statewide Facilities Maintenance, Repairs, and Improvements		**1,350,000**	**1,350,000**	
Anchorage Aircraft Hangar Air Compressor (HD 17-32)	75,000			
Dillingham Post Facility Improvements (HD 37)	6,500			
Fairbanks - Post Facility Interior and Exterior	39,600			

	Allocations	Appropriation Items	General Funds	Other Funds
Repair and Renovation (HD 7-11)				
Ketchikan - Post Improvements (HD 1)	24,500			
Kodiak - Post Facilities Repair and Improvements (HD 36)	25,000			
Public Safety Academy Repair and Improvements (HD 1-40)	874,700			
Rural Trooper Housing Repair and Improvements (HD 1-40)	60,500			
Soldotna Post Facility Interior and Exterior Repair and Renovation (HD 33-35)	145,200			
Statewide Facilities Repair and Renovation (HD 1-40)	99,000			
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* * * * * **Department of Revenue** * * * * *				
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Child Support Services Computer Replacement Project Phase 2 (HD 1-40)		212,000	72,100	139,900
Payment Card Industry Data Security Standards Statewide Compliance (HD 1-40)		2,000,000	2,000,000	
Permanent Fund Dividend Division Computer		266,500	266,500	

	Allocations	Appropriation Items	General Funds	Other Funds
Replacement Project - Phase 5 (HD 1-40)				
Permanent Fund Integrated Investment Accounting and Reporting Software Analysis (HD 1-40)		150,000		150,000
Tax Revenue Management System (HD 1-40)		34,700,000	34,700,000	
Alaska Housing Finance Corporation				
AHFC Building System Replacement Program (HD 1-40)		1,500,000	1,500,000	
AHFC Competitive Grants for Public Housing (HD 1-40)		1,100,000	350,000	750,000
AHFC Energy Efficiency Monitoring Research (HD 1-40)		1,000,000	1,000,000	
AHFC Federal and Other Competitive Grants (HD 1-40)		4,500,000	1,500,000	3,000,000
AHFC Fire Protection Systems - Phase 3 (HD 1-40)		2,200,000	2,200,000	
AHFC Housing and Urban Development Capital Fund Program (HD 1-40)		3,200,000		3,200,000
AHFC Housing and Urban Development Federal HOME Grant (HD 1-40)		4,000,000	750,000	3,250,000

	Allocations	Appropriation Items	General Funds	Other Funds
AHFC Security Systems Replacement/Upgrades (HD 1-40)		500,000	500,000	
AHFC Senior Citizens Housing Development Program (HD 1-40)		4,500,000	4,500,000	
AHFC Statewide ADA Improvements (HD 1-40)		500,000	500,000	
AHFC Statewide Project Improvements (HD 1-40)		2,000,000	2,000,000	
AHFC Supplemental Housing Development Program (HD 1-40)		11,341,000	11,341,000	
AHFC Housing Loan Program		**6,000,000**	**6,000,000**	
AHFC Teacher, Health and Public Safety Professionals Housing (HD 1-40)	5,000,000			
AHFC Village Public Safety Officers Housing (HD 1-40)	1,000,000			
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* * * * * **Department of Transportation and Public Facilities** * * * * *				
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Alaska Aviation Safety Program (HD 1-40)		2,750,000	750,000	2,000,000
Alaska Marine Highway System - Vessel and Terminal Overhaul and Rehabilitation (HD 1-40)		8,000,000	8,000,000	
Chena Small Tracts Road		100,000	100,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Bicycle & Pedestrian Facility (HD 7-11)				
Connecting Communities to Alaska's Highway System (HD 1-40)		2,000,000	2,000,000	
Connecting Remote Communities Program (HD 1-40)		500,000	500,000	
Fairbanks Metropolitan Area Transportation System (FMATS) - Transportation Improvement Program (HD 7-11)		10,000,000	10,000,000	
Infrastructure and Erosion Control Design and Environmental Permitting (HD 1-40)		300,000	300,000	
Local Service Roads and Trails Program (HD 1-40)		500,000	500,000	
Muldoon Road and Glenn Highway Interchange Study (HD 17-32)		1,000,000	1,000,000	
Municipal Harbor Facility Grant Fund (AS 29.60.800) (HD 1-40)		6,500,000	6,500,000	
Northern Region - Material Site Planning and Reconnaissance (HD 7-11)		700,000	700,000	
Statewide - Project Design Initiative (HD 1-40)		7,000,000	2,000,000	5,000,000

It is the intent of the legislature that when any named project that either increases vehicular

	Allocations	Appropriation Items	General Funds	Other Funds
capacity or has a construction cost exceeding $20,000,000 is added to the Statewide Transportation Improvement Plan (STIP), the Department of Transportation and Public Facilities provides written notification to the legislature. The notification should contain a brief project summary to include title, short description of work, geographic location, cost and estimated construction completion date.				
Statewide - Rural Airport Emergency Medical Evacuation Lights Battery Replacement (HD 1-40)		46,000	46,000	
Statewide Digital Mapping Initiative - Arctic Coast Region and Arctic Port Reconnaissance (HD 1-40)		2,000,000	1,000,000	1,000,000
Alaska Marine Highway System - Ward Cove Lay-up Improvements		**3,900,000**	**3,900,000**	
Upland Buildings and Warehouse Functional Replacement (HD 1-40)	3,400,000			
Feasibility Study - Joint Moorage Facility for AMHS Ferries and NOAA Research Vessels (HD 1-40)	500,000			
Roads to Resources		**10,500,000**	**10,500,000**	
Foothills West District (HD 40)	8,000,000			
Ambler Mining District (HD 40)	1,250,000			
Western Access Project (HD 39)	1,250,000			
Highways and Facilities		**20,672,600**	**850,000**	**19,822,600**

	Allocations	Appropriation Items	General Funds	Other Funds
Americans with Disabilities Act Compliance Projects (HD 1-40)	500,000			
Capital Improvement Program Equipment Replacement (HD 1-40)	1,500,000			
State Equipment Fleet Replacement (HD 1-40)	18,322,600			
Whittier Tunnel - Jet Fan Repairs and Communication System Upgrade (HD 17-32)	350,000			
Statewide Federal Programs		**145,750,000**	**61,350,000**	**84,400,000**
Commercial Vehicle Enforcement Program (HD 1-40)	400,000			
Cooperative Reimbursable Projects (HD 1-40)	17,000,000			
Federal Contingency Projects (HD 1-40)	20,000,000			
Federal Emergency Projects (HD 1-40)	10,000,000			
Federal Transit Administration Grants (HD 1-40)	9,000,000			
Federal-Aid Aviation State Match (HD 1-40)	11,900,000			
Federal-Aid Highway State Match (HD 1-40)	47,200,000			
Highway Safety Grants Program (HD 1-40)	8,000,000			
Other Federal Program	750,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Match (HD 1-40)				
Statewide Safety Program (HD 1-40)	20,000,000			
Public Transit Programs State Match (HD 1-40)	1,500,000			
Airport Improvement Program		**339,509,799**		**339,509,799**
Alaska International Airport System - Reimbursable Services Authority (HD 1-40)	4,000,000			
Alaska International Airport System - System Master Plan (HD 1-40)	400,000			
Angoon - Airport Environmental Impact Statement (HD 5)	2,500,000			
Bethel - Airport Runway/ Taxiway/Commercial Apron Pavement Rehabilitation (HD 38)	13,700,000			
Bethel - Airport Snow Removal Equipment Building (HD 38)	6,500,000			
Bethel - South General Aviation Apron and Taxiway Pavement Reconstruction (HD 38)	5,000,000			
Birchwood - Airport Pavement Rehabilitation (HD 13-16)	3,100,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Coldfoot - Airport Improvements (HD 6)	10,500,000			
Deadhorse - Airport Rehabilitation (HD 40)	30,400,000			
Dillingham - Airport Improvement - Runway Safety Area Expansion (HD 37)	26,500,000			
Fairbanks International Airport - Aircraft Rescue Firefighting Facility Upgrades (HD 7-11)	16,700,000			
Fairbanks International Airport - Equipment (HD 7-11)	920,000			
Golovin - Runway and Apron Improvements (HD 39)	11,850,000			
Gulkana - Apron and Taxiway Pavement Rehabilitation (HD 6)	1,730,000			
Homer - Terminal Apron Taxiway Pavement Rehabilitation (HD 33-35)	3,200,000			
Kotzebue - Airport and Runway Safety Area Improvements (HD 40)	9,500,000			
Kotzebue - Apron Expansion (HD 40)	480,000			
Kwigillingok - Airport Rehabilitation (HD 38)	1,500,000			
Manley - Airport Relocation	1,625,000			

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 6)				
Nanwalek and Port Graham - Airport Master Plan (HD 33-35)	1,000,000			
Platinum - Airport extension (HD 38)	3,500,000			
Point Hope - Airport Rehabilitation (HD 40)	6,715,000			
Sitka - Rocky Gutierrez Airport Runway Overlay (HD 2)	500,000			
Statewide - Aviation Preconstruction (HD 1-40)	18,000,000			
Statewide - Aviation Systems Plan Update (HD 1-40)	2,500,000			
Statewide - Various Airports Aeronautical Surveys (HD 1-40)	2,000,000			
Statewide - Various Airports Minor Surface Improvements (HD 1-40)	10,000,000			
Statewide - Various Airports Snow Removal and Safety Equipment (HD 1-40)	10,000,000			
Ted Stevens Anchorage International Airport - Advanced Project Design and Planning (HD 17-32)	3,000,000			
Ted Stevens Anchorage International Airport -	1,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Annual Improvements (HD 17-32)				
Ted Stevens Anchorage International Airport - Bag Sorting Scanner Replacement (HD 17-32)	1,700,000			
Ted Stevens Anchorage International Airport - Concourse C Carpet Replacement (HD 17-32)	400,000			
Ted Stevens Anchorage International Airport - E21 Gate / Sallyport (HD 17-32)	1,024,000			
Ted Stevens Anchorage International Airport - Environmental Compliance (HD 17-32)	1,000,000			
Ted Stevens Anchorage International Airport - Equipment (HD 17-32)	8,860,000			
Ted Stevens Anchorage International Airport - Facility Improvements, Renovations and Upgrades (HD 17-32)	4,600,000			
Ted Stevens Anchorage International Airport - Field Maintenance Facility Floor Sloping (HD 17-32)	1,800,000			
Ted Stevens Anchorage	30,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
International Airport - Glycol Storm Water Treatment Facility (HD 17-32)				
Ted Stevens Anchorage International Airport - Information Technology Improvements (HD 17-32)	2,485,500			
Ted Stevens Anchorage International Airport - Jet Bridge Replacements (HD 17-32)	2,800,000			
Ted Stevens Anchorage International Airport - Lake Hood Annual Improvements (HD 17-32)	1,052,632			
Ted Stevens Anchorage International Airport - Lake Hood Strip Improvements (HD 17-32)	1,300,000			
Ted Stevens Anchorage International Airport - Lake Hood Strip Runway Protection Zone Land Acquisition (HD 17-32)	1,000,000			
Ted Stevens Anchorage International Airport - Master Plan-Part 150 Noise Compatibility Study (HD 17-32)	716,667			
Ted Stevens Anchorage	1,926,000			

	Allocations	Appropriation Items	General Funds	Other Funds
International Airport - North Terminal Exterior Paint (HD 17-32)				
Ted Stevens Anchorage International Airport - North Terminal Gate N7 (HD 17-32)	2,000,000			
Ted Stevens Anchorage International Airport - North Terminal Lobby Improvements (HD 17-32)	2,000,000			
Ted Stevens Anchorage International Airport - Residential Sound Insulation Program (RSIP) (HD 17-32)	18,600,000			
Ted Stevens Anchorage International Airport - Runway 7L Rehabilitation (HD 17-32)	5,000,000			
Ted Stevens Anchorage International Airport - Runway Deicer Storage (HD 17-32)	400,000			
Ted Stevens Anchorage International Airport - Taxiway E and M Reconstruction (HD 17-32)	15,000,000			
Ted Stevens Anchorage International Airport - Terminal Seating (HD	1,700,000			

	Allocations	Appropriation Items	General Funds	Other Funds
17-32)				
Unalaska - Runway Safety Area and Pavement Rehabilitation (HD 37)	25,700,000			
Whittier - Airport Master Plan (HD 17-32)	125,000			
Surface Transportation Program		**486,635,000**		**486,635,000**
Alaska Disparity Study (HD 1-40)	650,000			
Alaska Marine Highway System - Ferry Vessel Refurbishment (HD 1-40)	15,000,000			
Alaska Marine Highway System - Fleet Condition Survey Update (HD 1-40)	200,000			
Alaska Marine Highway System - M/V Columbia Repower and Ship Systems Improvements (HD 1-40)	25,000,000			
Alaska Marine Highway System - Pelican Ferry Terminal Renovation (HD 2)	3,000,000			
American Association of State Highway and Transportation Officials Technical Programs Support (HD 1-40)	100,000			
Americans with Disabilities Act - Transition Plan for Rights of Way (HD 1-40)	500,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Air Quality Public and Business Awareness Education Campaign (HD 17-32)	300,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Arterial Roadway Dust Control (HD 17-32)	200,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Dowling Road Extension West Reconstruction (HD 17-32)	22,000,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - O'Malley Road Reconstruction (HD 17-32)	4,000,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Ridesharing and Transit Marketing (HD 17-32)	720,000			
Bethel - Tundra Ridge Road Improvements (HD 38)	1,200,000			
Congestion Mitigation and Air Quality (CMAQ) - PM 2.5 Reductions (HD 7-11)	6,500,000			
Copper River Highway -	11,465,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Million Dollar Bridge #0206 (HD 12)				
Dalton Highway - Milepost 11 to 18 Reconstruction (HD 6)	25,000,000			
Dalton Highway - Milepost 197 to 209 (HD 6)	10,000,000			
Dalton Highway - Milepost 267 Holden Creek Bridge Repair or Replacement (HD 6)	5,000,000			
Dalton Highway - Milepost 9 to 11 Reconstruction - 9 Mile Hill (HD 6)	3,000,000			
Fairbanks Metropolitan Area Transportation System (FMATS) - Coordinator's Office (HD 7-11)	330,000			
Fairbanks Metropolitan Area Transportation System (FMATS) - Gold Hill Road Bicycle and Pedestrian Facility (HD 7-11)	1,100,000			
Fairbanks Metropolitan Area Transportation System (FMATS) - North Pole Bike Path Rehabilitation and Connections (HD 7-11)	455,000			
Fairbanks Metropolitan Area Transportation System (FMATS) - Sign	1,365,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Replacement (HD 7-11)				
Fairbanks - Air Quality Planning Project (HD 7-11)	200,000			
Fairbanks - Potter Road Surfacing (HD 7-11)	250,000			
Galena - Campion Road Erosion Protection (HD 6)	9,000,000			
Gambell - Evacuation Road Repairs and Extension (HD 39)	11,000,000			
Geographic Information System (GIS) Development (IWAYS) (HD 1-40)	1,000,000			
Glenn and Parks Highways Corridor ITS Project (HD 13-16)	1,500,000			
Glenn Highway - Milepost 172 to 189 Rehabilitation (HD 12)	10,000,000			
Hatcher Pass - Scenic Overlook and Trailhead Construction (HD 13-16)	1,000,000			
Homer - East End Road Rehabilitation - Milepost 3.7 to 12.2 (HD 33-35)	3,500,000			
Intelligent Transportation Systems Border Infrastructure (HD 1-40)	1,250,000			
Juneau - Auke Lake Trail and Wayside (HD 3-4)	1,200,000			
Juneau - Brotherhood Bridge	17,500,000			

	Allocations	Appropriation Items	General Funds	Other Funds
and Industrial Boulevard Improvements (HD 3-4)				
Juneau - Fritz Cove Road Rehabilitation and Repair (HD 3-4)	4,000,000			
Juneau - Glacier Highway - Widen and Resurface Eagle Beach to Bessie Creek (HD 3-4)	11,300,000			
Juneau - Mendenhall Valley Street Dust Control (HD 3-4)	2,000,000			
Ketchikan - North Tongass Highway - Totem Bight to Whipple Creek (HD 1)	3,500,000			
Ketchikan - South Tongass Highway Widening - Saxman to Surf Street (HD 1)	1,000,000			
Livengood - Livengood Creek Bridge Replacement (HD 6)	1,400,000			
Matanuska-Susitna - Trunk Road Reconstruction (HD 13-16)	10,000,000			
New Seward Highway - Rabbit Creek to 36th Avenue (HD 17-32)	2,000,000			
Ninilchik - Village Bridge Replacement (HD 33-35)	2,200,000			
Nome - Nome-Council Road - Milepost 4 to 16 (HD 39)	4,500,000			
Northern Region - National	32,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Highway System and Non-National Highway System Pavement and Bridge Refurbishment (HD 1-40)				
Nulato - Airport Road Improvements (HD 6)	4,500,000			
Parks Highway - Milepost 239 to 263 Reconstruction - Nenana Canyon to Bear Creek (HD 7-11)	27,000,000			
Prince of Wales Island - Klawock to Hollis Pavement Rehabilitation and Culvert Replacement (HD 5)	20,000,000			
Revise Alaska Traffic, Environmental, and Right-of-Way Manuals and Standard Specifications (HD 1-40)	500,000			
Richardson Highway - Milepost 201 Phelan Creek Bridge Replacement (HD 12)	6,000,000			
Richardson Highway - Milepost 228 - One Mile Creek Bridge Replacement (HD 12)	7,500,000			
Richardson Highway - Milepost 345 Moose Creek Railroad Crossing (HD 12)	14,000,000			
Richardson Highway - Milepost 357 - Fairbanks	3,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
New Weigh Station (HD 7-11)				
Safe Routes to Schools (HD 1-40)	1,000,000			
Seward Highway - Anchorage to Portage Glacier Road ITS Project (HD 17-32)	750,000			
Seward Highway - Dowling to Tudor Reconstruction (HD 17-32)	20,000,000			
Seward Highway - Milepost 104 to 115 Passing Lanes - Indian to Potter (HD 17-32)	15,000,000			
Sitka - Halibut Point Road Resurfacing, Drainage Improvements and Bridge Replacement (HD 2)	4,000,000			
Southeast Region - National Highway System and Non-National Highway System Pavement and Bridge Refurbishment (HD 1-5)	5,000,000			
Statewide - Air Quality Mobile Source Modeling (HD 1-40)	1,200,000			
Statewide - Bicycle/ Pedestrian Facilities Rehabilitation and Improvements (HD 1-40)	500,000			
Statewide - Civil Rights	200,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Program (HD 1-40)				
Statewide - Comprehensive Highway Safety Plan (HD 1-40)	400,000			
Statewide - Highway Data Equipment Acquisition and Installation (HD 1-40)	1,500,000			
Statewide - Highway Fuel Tax Enforcement (HD 1-40)	100,000			
Statewide - National Highway Institute and Transit Institute Training (HD 1-40)	750,000			
Statewide - National Highway System Weight Restriction Remediation (HD 1-40)	10,000,000			
Statewide - Planning Work Program (HD 1-40)	8,000,000			
Statewide - Research Program (HD 1-40)	1,700,000			
Statewide - Scenic Byways Grants (HD 1-40)	750,000			
Statewide - Seismic Retrofit - Bridges (HD 1-40)	2,000,000			
Statewide - Urban Planning Program (HD 12-35)	1,500,000			
Statewide - Weigh-in-Motion Equipment (HD 1-40)	2,000,000			
Surface Transportation	45,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Preconstruction (HD 1-40)				
It is the intent of the legislature that when any named project that either increases vehicular capacity or has a construction cost exceeding $20,000,000 is added to the Statewide Transportation Improvement Plan (STIP), the Department of Transportation and Public Facilities provides written notification to the legislature. The notification should contain a brief project summary to include title, short description of work, geographic location, cost and estimated construction completion date.				
Top of the World Highway - Milepost 0 to 13 - Rehabilitation (HD 6)	12,200,000			
Whittier - Maintenance and Operations (HD 17-32)	2,200,000			
Deferred Maintenance		**28,000,000**	**28,000,000**	
Alaska Marine Highway System Deferred Maintenance (HD 1-40)	3,000,000			
Aviation Deferred Maintenance (HD 1-40)	3,500,000			
Harbors Deferred Maintenance (HD 1-40)	1,500,000			
Highways Deferred Maintenance (HD 1-40)	16,900,000			
Statewide Facilities Deferred Maintenance (HD 1-40)	3,100,000			
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* * * * * **University of Alaska** * * * * *				
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Annual Renewal and Repurposing (HD 1-40)		2,000,000	2,000,000	
Federal Receipt Authority		30,000,000		30,000,000

	Allocations	Appropriation Items	General Funds	Other Funds
for Capital Projects (HD 1-40)				
Juneau Campus Mining Workforce Development (HD 3-4)		154,000	154,000	
UAA Sports Arena (HD 17-32)		17,000,000	17,000,000	
UAS - Banfield Hall Dormitory Addition (HD 3-4)		4,000,000	4,000,000	
University Honors College Student Support (HD 17-32)		200,000	200,000	
Deferred Maintenance				
Deferred Maintenance and Renewal and Repurposing (HD 1-40)		37,500,000	37,500,000	
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* * * * * **Alaska Court System** * * * * *				
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Anchorage Campus Court Renovation (HD 17-32)		4,000,000	4,000,000	
Court Security Projects (HD 1-40)		1,231,600	1,231,600	
Electronic Filing System (HD 1-40)		1,830,000	1,830,000	
Nesbett Courthouse Renovation (HD 17-32)		425,200	425,200	
Deferred Maintenance Projects		**2,500,000**	**2,500,000**	
Anchorage Nesbett Courthouse (HD 17-32)	1,326,800			

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage Snowden Administrative Building (HD 17-32)	110,100			
Kenai Courthouse (HD 33-35)	283,000			
Palmer Courthouse (HD 13-16)	780,100			

(SECTION 2 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 2.** The following sets out the funding by agency for the appropriations made in sec. 1 of this Act.

Funding Source	Amount
Department of Administration	
1004 Unrestricted General Fund Receipts	58,130,000
1005 General Fund/Program Receipts	3,000,000
1017 Group Health and Life Benefits Fund	570,800
1029 Public Employees Retirement Trust Fund	661,500
1034 Teachers Retirement Trust Fund	272,100
1042 Judicial Retirement System	6,900
1045 National Guard Retirement System	21,900
1147 Public Building Fund	3,000,000
*** Total Agency Funding ***	$65,663,200
Department of Commerce, Community and Economic Development	
1002 Federal Receipts	6,880,000
1003 General Fund Match	571,000
1004 Unrestricted General Fund Receipts	351,809,300
1061 Capital Improvement Project Receipts	1,330,000
1140 Alaska Industrial Development and Export Authority Dividend	26,000,000
1202 Anatomical Gift Awareness Fund	55,000
1221 Civil Legal Services Fund	110,000
*** Total Agency Funding ***	$386,755,300
Department of Corrections	
1004 Unrestricted General Fund Receipts	7,400,000
*** Total Agency Funding ***	$7,400,000
Department of Education and Early Development	
1004 Unrestricted General Fund Receipts	6,025,000
*** Total Agency Funding ***	$6,025,000
Department of Environmental Conservation	
1002 Federal Receipts	42,300,000
1003 General Fund Match	8,766,664

1004	Unrestricted General Fund Receipts	22,017,963
1052	Oil/Hazardous Release Prevention & Response Fund	100,000
1075	Alaska Clean Water Fund	1,826,274
1100	Alaska Drinking Water Fund	4,071,900
1108	Statutory Designated Program Receipts	500,000
1173	GF Miscellaneous Earnings	205,300
*** Total Agency Funding ***		$79,788,101
Department of Fish and Game		
1002	Federal Receipts	22,790,000
1003	General Fund Match	180,000
1004	Unrestricted General Fund Receipts	4,830,000
1024	Fish and Game Fund	750,000
*** Total Agency Funding ***		$28,550,000
Office of the Governor		
1185	Election Fund	100,000
*** Total Agency Funding ***		$100,000
Department of Health and Social Services		
1002	Federal Receipts	48,460,559
1003	General Fund Match	5,195,122
1004	Unrestricted General Fund Receipts	14,448,458
*** Total Agency Funding ***		$68,104,139
Department of Labor and Workforce Development		
1004	Unrestricted General Fund Receipts	4,210,000
*** Total Agency Funding ***		$4,210,000
Department of Law		
1004	Unrestricted General Fund Receipts	1,250,000
*** Total Agency Funding ***		$1,250,000
Department of Military and Veterans Affairs		
1002	Federal Receipts	21,815,800
1003	General Fund Match	4,030,000
1004	Unrestricted General Fund Receipts	5,060,000

*** Total Agency Funding ***		$30,905,800
Department of Natural Resources		
1002	Federal Receipts	10,100,000
1003	General Fund Match	150,000
1004	Unrestricted General Fund Receipts	18,283,200
1005	General Fund/Program Receipts	400,000
1108	Statutory Designated Program Receipts	1,655,000
1153	State Land Disposal Income Fund	3,700,000
1195	Special Vehicle Registration Receipts	250,000
*** Total Agency Funding ***		$34,538,200
Department of Public Safety		
1002	Federal Receipts	2,000,000
1004	Unrestricted General Fund Receipts	6,278,000
*** Total Agency Funding ***		$8,278,000
Department of Revenue		
1002	Federal Receipts	10,339,900
1003	General Fund Match	72,100
1004	Unrestricted General Fund Receipts	52,541,000
1050	Permanent Fund Dividend Fund	266,500
1105	Permanent Fund Gross Receipts	150,000
1139	Alaska Housing Finance Corporation Dividend	16,300,000
*** Total Agency Funding ***		$79,669,500
Department of Transportation and Public Facilities		
1002	Federal Receipts	869,695,125
1003	General Fund Match	65,150,000
1004	Unrestricted General Fund Receipts	72,846,000
1026	Highways Equipment Working Capital Fund	18,322,600
1027	International Airports Revenue Fund	17,236,750
1061	Capital Improvement Project Receipts	1,900,000
1108	Statutory Designated Program Receipts	12,000,000
1112	International Airports Construction Fund	19,212,924

*** Total Agency Funding ***		$1,076,363,399
University of Alaska		
1002	Federal Receipts	30,000,000
1004	Unrestricted General Fund Receipts	60,854,000
*** Total Agency Funding ***		$90,854,000
Alaska Court System		
1004	Unrestricted General Fund Receipts	9,986,800
*** Total Agency Funding ***		$9,986,800
* * * * * Total Budget * * * * *		$1,978,441,439

(SECTION 3 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 3.** The following sets out the statewide funding for the appropriations made in sec. 1 of this Act.

Funding Source		Amount
Unrestricted General Funds		
1003	General Fund Match	84,114,886
1004	Unrestricted General Fund Receipts	695,969,721
1139	Alaska Housing Finance Corporation Dividend	16,300,000
1140	Alaska Industrial Development and Export Authority Dividend	26,000,000
1173	GF Miscellaneous Earnings	205,300
Total Unrestricted General Funds		$822,589,907
Designated General Funds		
1005	General Fund/Program Receipts	3,400,000
1050	Permanent Fund Dividend Fund	266,500
1052	Oil/Hazardous Release Prevention & Response Fund	100,000
1153	State Land Disposal Income Fund	3,700,000
1195	Special Vehicle Registration Receipts	250,000
1202	Anatomical Gift Awareness Fund	55,000
1221	Civil Legal Services Fund	110,000
Total Designated General Funds		$7,881,500
Other Non-Duplicated Funds		
1017	Group Health and Life Benefits Fund	570,800
1024	Fish and Game Fund	750,000
1027	International Airports Revenue Fund	17,236,750
1029	Public Employees Retirement Trust Fund	661,500
1034	Teachers Retirement Trust Fund	272,100
1042	Judicial Retirement System	6,900
1045	National Guard Retirement System	21,900
1105	Permanent Fund Gross Receipts	150,000
1108	Statutory Designated Program Receipts	14,155,000

Total Other Non-Duplicated Funds		$33,824,950
Federal Funds		
1002	Federal Receipts	1,064,381,384
Total Federal Funds		$1,064,381,384
Duplicated Funds		
1026	Highways Equipment Working Capital Fund	18,322,600
1061	Capital Improvement Project Receipts	3,230,000
1075	Alaska Clean Water Fund	1,826,274
1100	Alaska Drinking Water Fund	4,071,900
1112	International Airports Construction Fund	19,212,924
1147	Public Building Fund	3,000,000
1185	Election Fund	100,000
Total Duplicated Funds		$49,763,698

(SECTION 4 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 4.** The following appropriation items are for capital projects and grants from the general fund or other funds as set out in section 5 of this Act by funding source to the agencies named for the purposes expressed and lapse under AS 37.25.020, unless otherwise noted.

It is the intent of the legislature that the following appropriations and projects are needed to carry out the state's energy policy described in AS 44.99.115. As the energy policy states, the legislature recognizes the immense diversity of the state's geography, cultures, and resource availability and the need to identify and assist with development of the most cost-effective, long-term sources of energy for each community statewide. Therefore, the legislature intends that the package of appropriations and projects listed below are all necessary to achieve a statewide balance in addressing the state's diverse energy needs.

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *			* * * * *	
* * * * * **Department of Commerce, Community and Economic Development** * * * * *				
* * * * *			* * * * *	
Alaska Industrial Development & Export Authority - Coal to Liquids Certification Project (HD 1-40)		500,000	500,000	
Alaska Energy Authority - Homer Area Natural Gas Pipeline (HD 33-35)		10,053,000	10,053,000	
Alaska Energy Authority - Metlakatla Indian Community Metlakatla-Ketchikan Intertie (HD 1-5)		10,500,000	10,500,000	
Alaska Energy Authority -		17,630,000	17,630,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Nuvista Light & Power Chikuminuk Hydroelectric and Alternative Energy Project (HD 36-38)				
Alaska Energy Authority - Southeast Energy Fund (HD 1-5)		10,000,000	10,000,000	
Alaska Energy Authority - Susitna Hydroelectric Energy Plan (HD 12-35)		65,700,000	65,700,000	
Alaska Energy Authority - Energy Programs		**16,330,000**	**10,330,000**	**6,000,000**
Alaska Energy Plan Implementation (HD 1-40)	1,000,000			
Bulk Fuel Upgrades (HD 1-40)	5,000,000			
Electrical Emergencies Program (HD 1-40)	330,000			
Rural Power System Upgrades (HD 1-40)	10,000,000			
Alaska Energy Authority - Round IV Renewable Energy Project Grants (AS 42.45.045)		**36,620,231**	**36,620,231**	
Inside Passage Electric Cooperative, Inc. - Hoonah Heat Recovery Project (HD 5)	475,000			
University of Alaska Center for Energy and Power - Pilgrim Hot Springs	1,330,467			

	Allocations	Appropriation Items	General Funds	Other Funds
Geothermal Assessment (HD 39)				
Northwest Inupiat Housing Authority - Upper Kobuk River Biomass (HD 40)	250,000			
Southeast Island School District - Thorne Bay School Wood Fired Boiler Project (HD 1)	300,000			
G&K, Inc. - Cold Bay Electric Utility Wind Energy Project (HD 37)	99,075			
Kodiak Electric Association, Inc. - Terror Lake Hydroelectric Project (HD 36)	3,751,840			
Kootznoowoo, Inc. - Thayer Lake Hydroelectric Project (HD 5)	1,060,500			
Alaska Power & Telephone Company - Upper Tanana Biomass CHP Project (HD 6)	380,000			
TDX Power, Inc. - Bethel Renewable Energy Project (HD 38)	213,690			
Chugach Electric Association, Inc. - Battle Creek Diversion Project (HD 33-35)	500,000			
Alaska Village Electric	237,500			

	Allocations	Appropriation Items	General Funds	Other Funds
Cooperative, Inc. - Old Harbor Hydroelectric (HD 36)				
Lake & Peninsula Borough - Port Heiden Wind Turbine Project (HD 37)	250,000			
Golden Valley Electric Association - Eva Creek Wind Turbine Purchase (HD 7-11)	1,463,200			
Alaska Electric Light & Power Company - Snettisham Transmission Line Avalanche Mitigation (HD 3-4)	2,000,000			
Pelican - Hydroelectric Upgrade Project (HD 2)	1,896,836			
Tenakee Springs - Indian River Hydroelectric Project (HD 5)	203,000			
University of Alaska Center for Energy and Power - Organic Rankine Cycle Field Testing (HD 6)	472,787			
Lake & Peninsula Borough - Wood Boilers (HD 36)	369,900			
Chitina Electric, Inc. - Fivemile Creek Hydroelectric Project (HD 6)	277,000			
Ormat Nevada, Inc. - Mount	1,999,972			

	Allocations	Appropriation Items	General Funds	Other Funds
Spurr Geothermal Project (HD 33-35)				
Napaskiak Electric Utility - Wind Power and Heat Recovery (HD 38)	61,225			
Alaska Village Electric Cooperative - St. Marys/ Pitkas Point Wind Construction (HD 39)	275,554			
Louden Tribal Council - Renewable Energy Feasibility Study (HD 6)	100,000			
Chugach Electric Association, Inc. - Transmission to Renewable Energy Resources (HD 33-35)	600,000			
Interior Regional Housing Authority - Wood Heating Feasibility Assessments (HD 6)	154,477			
Lime Village Traditional Council - Photovoltaic System Retrofit (HD 6)	25,000			
Craig - Biomass Fuel Dryer Project (HD 5)	350,000			
Independence Power, LLC - Fourth of July Creek Hydroelectric Project (HD 33-35)	136,500			
Kotzebue - Paper and Wood	85,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Waste to Energy (HD 40)				
Village of Atmautluak - Wind Renewable Energy (HD 38)	100,000			
Alaska Village Electric Cooperative, Inc. - Stebbins Wind Feasibility (HD 39)	137,750			
Elfin Cove - Hydroelectric Project (HD 2)	347,000			
Ketchikan - Whitman Lake Hydroelectric Project (HD 1)	700,000			
Alaska Village Electric Cooperative, Inc. - Eek Wind Feasibility (HD 38)	142,500			
Organized Village of Kwethluk - Wind Feasibility (HD 38)	145,000			
Sitka - Japonski Island Boathouse Heat Pump (HD 2)	125,000			
Alaska Village Electric Cooperative, Inc. - Marshall Wind Feasibility (HD 6)	111,150			
Nelson Lagoon Electrical Cooperative - Wind Energy Project (HD 37)	99,075			
North Slope Borough - Atqasuk Transmission Line	210,000			

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 40)				
Alaska Village Electric Cooperative, Inc. - Kaltag Solar Construction (HD 6)	90,000			
Alaska Village Electric Cooperative, Inc. - Scammon Bay Wind Feasibility (HD 39)	142,500			
Chugach Electric Association, Inc. - Stetson Creek Diversion and Cooper Lake Dam Facilities (HD 33-35)	576,080			
New Koliganek Village Council - Wind and Heat Recovery Feasibility Study (HD 37)	105,050			
North Slope Borough - Wainwright Wind Turbine Design (HD 40)	298,000			
North Slope Borough - Kaktovik Wind Diesel (HD 40)	132,000			
North Slope Borough - Point Hope Wind Turbine Design (HD 40)	298,000			
North Slope Borough - Point Lay Wind Generation Design (HD 40)	298,000			
Kenai Hydro, LLC - Grant Lake Hydroelectric Facility	1,184,000			

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 33-35)				
Alaska Village Electric Cooperative, Inc. - Selawik Hybrid Wind Diesel System Turbine Upgrade (HD 40)	85,000			
Alaska Power Company - Reynolds Creek Hydroelectric Project (HD 5)	2,000,000			
AVTEC - Hydroelectric Training Facility (HD 33-35)	67,500			
Alaska Village Electric Cooperative, Inc. - Koyuk Wind Feasibility (HD 39)	142,500			
Chefornak - Wind Feasibility (HD 38)	136,750			
Alaska Village Electric Cooperative, Inc. - Elim Wind Feasibility (HD 39)	142,500			
Akutan - Geothermal Development Project (HD 37)	2,695,000			
Akiachak Native Community - Wind Feasibility and Conceptual Design (HD 38)	110,000			
ORPC Alaska, LLC - Cook Inlet Tidal Generation Project (HD 33-35)	2,000,000			
Alaska Power Company - Connelly Lake Hydroelectric	468,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Project (HD 5)				
False Pass - Wind Energy Project (HD 37)	69,075			
Native Village of Eyak - Biomass Feasibility Study (HD 5)	75,000			
Eklutna, Inc. - Hunter Creek Hydroelectric Project (HD 13-16)	84,000			
Port Graham Village Council - Biomass Waste Heat Demonstration Project (HD 33-35)	75,000			
Matanuska-Susitna Borough - Susitna Valley High School Wood Heat (HD 13-16)	750,000			
Copper River School District - Kenny Lake School Wood Fired Boiler (HD 6)	565,485			
Alaska Power Company - Schubee Lake Hydroelectric Project (HD 5)	80,000			
Bering Pacific Engineering - Eska Creek Hydroelectric Project (HD 12)	37,000			
Metlakatla Indian Community - Metlakatla-Ketchikan Intertie (HD 1-5)	1,180,000			
Haines - Excursion Inlet	93,593			

	Allocations	Appropriation Items	General Funds	Other Funds
Hydro Project (HD 5)				
Native Village of Cantwell - Jack River Hydro Project (HD 7-11)	30,000			
Wrangell - Electric Vehicle Feasibility Study (HD 2)	25,000			
Sitka - Centennial Hall and Library Renewable Energy Feasibility Study (HD 2)	30,000			
Sitka - Wastewater Treatment Plant Renewable Energy Feasibility Study (HD 2)	20,000			
Inside Passage Electric Cooperative - Tenakee Inlet Geothermal Resource Study (HD 5)	599,200			
Metlakatla Indian Community - Triangle Lake Hydroelectric Project (HD 5)	500,000			
Alaska Energy Authority - ARCTEC Energy Projects		**96,500,000**	**96,500,000**	
AEA - Anchorage to Quartz Creek Transmission Line Maintenance and Repair (HD 17-32)	25,000,000			
AEA - Battle Creek Diversion (HD 33-35)	15,000,000			
AEA - Cook Inlet Gas Gathering System Remodel	2,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 12-35)				
AEA - Daves Creek to Seward Transmission Line Completion (HD 33-35)	1,500,000			
AEA - Girdwood and Substation Improvements (HD 17-32)	4,000,000			
AEA - Homer Electric Association Soldotna to Nikiski Transmission Upgrade (HD 33-35)	25,000,000			
AEA - Quartz Creek to Soldotna Transmission Maintenance and Repair (HD 33-35)	10,000,000			
AEA - Seward Power Plant Integration (HD 33-35)	4,000,000			
AEA - Soldotna to Quartz Creek Transmission Study, Design and Permitting (HD 33-35)	5,000,000			
AEA - Teeland to Healy Substation Improvements and Repair (HD 7-11)	5,000,000			
Alaska Energy Authority - Energy Generation Projects				
It is the intent of the legislature that the state's capital investment into energy generation projects not exceed 50% of the total investment required to fully complete those projects.				
AEA - Akiak Community Electrical Generation System Upgrade (HD 38)		4,000,000	4,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
AEA - Copper Valley Electric Association Allison Creek Hydroelectric Project (HD 12-35)		10,000,000	10,000,000	
AEA - Golden Valley Electric Association Eva Creek Wind Farm (HD 7-11)		10,000,000	10,000,000	
AEA - Gustavus Electric Company Falls Creek Hydroelectric Debt Reimbursement (HD 5)		1,300,000	1,300,000	
AEA - Ketchikan Whitman Lake Hydroelectric Project (HD 1)		8,025,000	8,025,000	
AEA - Kodiak Electric Association Terror Lake Hydroelectric Facility Expansion (HD 36)		3,750,000	3,750,000	
AEA - Mount Spurr Geothermal Project Development (HD 12-35)		18,000,000	18,000,000	
AEA - Sitka Blue Lake Hydroelectric Project Expansion (HD 2)		28,500,000	28,500,000	
* * * * *		* * * * *		
* * * * * **Department of Revenue** * * * * *				
* * * * *		* * * * *		
Alaska Housing Finance Corporation				
Alaska Gasline Development Corporation - Year 2		5,500,000	5,500,000	

		Appropriation	General	Other
	Allocations	Items	Funds	Funds
In-State Gas Project (HD 12-35)				
AHFC Weatherization and Home Energy Rebate Programs		**101,500,000**	**100,000,000**	**1,500,000**
AHFC Weatherization Program (HD 1-40)	76,500,000			
AHFC Home Energy Rebate Program (HD 1-40)	25,000,000			

(SECTION 5 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 5.** The following sets out the funding by agency for the appropriations made in sec. 4 of this Act.

Funding Source	Amount
Department of Commerce, Community and Economic Development	
1002 Federal Receipts	6,000,000
1004 Unrestricted General Fund Receipts	238,588,000
1012 Railbelt Energy Fund	65,700,000
1140 Alaska Industrial Development and Export Authority Dividend	500,000
1210 Renewable Energy Grant Fund	36,620,231
*** Total Agency Funding ***	$347,408,231
Department of Revenue	
1002 Federal Receipts	1,500,000
1004 Unrestricted General Fund Receipts	55,500,000
1197 Alaska Capital Income Fund	50,000,000
*** Total Agency Funding ***	$107,000,000
* * * * * Total Budget * * * * *	$454,408,231

(SECTION 6 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 6.** The following sets out the statewide funding for the appropriations made in sec. 4 of this Act.

Funding Source	Amount
Unrestricted General Funds	
1004 Unrestricted General Fund Receipts	294,088,000
1012 Railbelt Energy Fund	65,700,000
1140 Alaska Industrial Development and Export Authority Dividend	500,000
1197 Alaska Capital Income Fund	50,000,000
Total Unrestricted General Funds	$410,288,000
Designated General Funds	
1210 Renewable Energy Grant Fund	36,620,231
Total Designated General Funds	$36,620,231
Other Non-Duplicated Funds	
Total Other Non-Duplicated Funds	$0
Federal Funds	
1002 Federal Receipts	7,500,000
Total Federal Funds	$7,500,000
Duplicated Funds	
Total Duplicated Funds	$0

(SECTION 7 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 7.** The following appropriation items are for capital project grants to upgrade commercial passenger vessel services and infrastructure, enhance passenger safety and support cruise ship visitor activities from the Commercial Vessel Passenger Tax Account (AS 43.52.230) or other funds as set out in section 8 of this Act to the agencies named for the purposes expressed and lapse under AS 37.25.020, unless otherwise noted.

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *			* * * * *	
* * * * * **Department of Commerce, Community and Economic Development** * * * * *				
* * * * *			* * * * *	
Grants to Municipalities (AS 37.05.315) - Cruise Ship-Related Grant Projects				
Homer - Cruise Ship Dock and Passenger Facility Improvements (HD 33-35)		6,000,000		6,000,000
Hoonah - Berthing Facility (HD 5)		14,000,000	13,000,000	1,000,000
Juneau - Cruise Ship Dock Improvements (HD 3-4)		10,000,000	10,000,000	
Ketchikan - Berths I & II Replacement Project (HD 1)		10,000,000	10,000,000	
Kodiak - Pedestrian Pathway Planning and Design (HD 36)		384,000		384,000
Kodiak - Pier and Downtown Pedestrian Improvements (HD 36)		1,600,000		1,600,000
Seward - Cruise Ship Boardwalk Extension (HD		25,000		25,000

	Allocations	Appropriation Items	General Funds	Other Funds
33-35)				
Seward - Harbor Restrooms Improvements (HD 33-35)		130,000		130,000
Sitka - Commercial Passenger Vessel and Visitors Facility Improvements (HD 2)		3,000,000		3,000,000
Skagway - City Dock Improvements (HD 5)		10,000,000	10,000,000	
Grants to Named Recipients (AS 37.05.316)				
Marine Exchange of Alaska - Alaska Vessel Tracking System Upgrades and Expansion (HD 1-40)		600,000		600,000

(SECTION 8 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 8.** The following sets out the funding by agency for the appropriations made in sec. 7 of this Act.

Funding Source	Amount
Department of Commerce, Community and Economic Development	
1004 Unrestricted General Fund Receipts	7,100,000
1140 Alaska Industrial Development and Export Authority Dividend	2,900,000
1206 Commercial Passenger Vessel Tax	12,739,000
1211 Cruise Ship Gambling Tax	33,000,000
*** Total Agency Funding ***	$55,739,000
* * * * * Total Budget * * * * *	$55,739,000

(SECTION 9 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 9.** The following sets out the statewide funding for the appropriations made in sec. 7 of this Act.

Funding Source		Amount
Unrestricted General Funds		
1004	Unrestricted General Fund Receipts	7,100,000
1140	Alaska Industrial Development and Export Authority Dividend	2,900,000
1211	Cruise Ship Gambling Tax	33,000,000
Total Unrestricted General Funds		$43,000,000
Designated General Funds		
Total Designated General Funds		$0
Other Non-Duplicated Funds		
1206	Commercial Passenger Vessel Tax	12,739,000
Total Other Non-Duplicated Funds		$12,739,000
Federal Funds		
Total Federal Funds		$0
Duplicated Funds		
Total Duplicated Funds		$0

(SECTION 10 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 10.** The following appropriation items are for capital projects and grants from the general fund or other funds as set out in section 11 of this Act by funding source to the agencies named for the purposes expressed and lapse under AS 37.25.020, unless otherwise noted.

It is the intent of the legislature that the following appropriations be considered as a single comprehensive K-12 education infrastructure investment program for fiscal year 2012.

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *			* * * * *	
* * * * * **Department of Commerce, Community and Economic Development** * * * * *				
* * * * *			* * * * *	
Grants to Municipalities (AS 37.05.315)				
Anchorage - East High School Field Improvements (HD 17-32)		2,400,000	2,400,000	
Anchorage - Service High School Field Turf (HD 17-32)		2,100,000	2,100,000	
Anchorage - West Anchorage High School and Romig Middle School Redevelopment Funding (HD 17-32)		3,000,000	3,000,000	
Fairbanks North Star Borough - Barnette Magnet School Renovation and Reconstruction (HD 7-11)		9,500,000	9,500,000	
Galena - Galena City School District Shop (HD		1,106,100	1,106,100	

	Allocations	Appropriation Items	General Funds	Other Funds
6)				
Kodiak Island Borough - Emergency School Generators (HD 36)		2,182,000	2,182,000	
Matanuska-Susitna Borough - School District Network Wiring and Infrastructure Improvements (HD 13-16)		2,000,000	2,000,000	
Northwest Arctic Borough - Northwest Magnet School and Kotzebue High School Residential Program (HD 40)		4,000,000	4,000,000	
Sitka - School District Vocational Education Facility (HD 2)		1,433,000	1,433,000	
Grants to Named Recipients (AS 37.05.316)				
Dimond High School Alumni Projects, Inc. - Track Replacement (HD 17-32)		1,950,000	1,950,000	
* * * * *			* * * * *	
* * * * * **Department of Education and Early Development** * * * * *				
* * * * *			* * * * *	
Major Maintenance Grant Fund (AS 14.11.007)		**73,240,050**	**73,240,050**	
St. Mary's Complex Renovation Completion (HD 39)	105,954			
Valley Park Elementary School Roof Replacement	1,211,170			

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 1)				
Nome Elementary Boiler Replacement (HD 39)	545,838			
Alakanuk Emergency Electrical Service Repairs (HD 39)	89,621			
Pelican High School Mechanical Upgrades (HD 2)	150,628			
Annette Island School District Phone System Replacement (HD 5)	95,422			
Arctic Village K-12 School Soil Remediation (HD 6)	5,517,065			
Kake District-wide Lighting Upgrades (HD 5)	59,215			
Tri-Valley K-12 School Gymnasium and Locker Room Roof Replacement (HD 7-11)	691,312			
St. Mary's Backup Generators Replacement (HD 39)	1,133,912			
Scammon Bay K-12 School Generator and Fuel Tank Relocation (HD 39)	1,696,152			
Sand Point K-12 School Gym Floor and Bleacher Replacement (HD 37)	151,540			
Pitka's Point K-8 School Renovation (HD 39)	8,360,235			
Yakutat Elementary Kitchen Renovation Completion (HD	52,172			

	Allocations	Appropriation Items	General Funds	Other Funds
5)				
Kaltag K-12 School Mechanical And Electrical Upgrades (HD 6)	2,365,365			
Jack Egnaty Sr. K-12 School Roof Replacement, Sleetmute (HD 6)	1,142,184			
Tununak K-12 School Major Maintenance (HD 38)	19,166,462			
Andrew K. Demoski K-12 School Renovation, Nulato (HD 6)	11,819,009			
Anchorage District-wide Roof Replacements and Structural Upgrades (HD 17-32)	6,492,500			
Buckland K-12 School Heating System Improvements (HD 40)	292,408			
Tenakee K-12 School Roof Replacement (HD 5)	520,001			
Nunapitchuk Wastewater Upgrades (HD 38)	1,045,500			
Bethel Campus Water Sewer Line and Utilidor Repairs (HD 38)	2,499,850			
Metlakatla Elementary School Underground Fuel Tank Replacement (HD 5)	360,285			
Valdez High School Fire Alarm and Sprinkler	694,943			

	Allocations	Appropriation Items	General Funds	Other Funds
Replacement (HD 12)				
Nenana K-12 School Major Maintenance (HD 6)	1,354,111			
Akutan K-12 School Siding Replacement (HD 37)	63,822			
Nenana K-12 School ADA Upgrades and Erosion Control (HD 6)	713,158			
Ketchikan District-wide Electric Boiler Installation (HD 1)	3,432,996			
Craig Alternative Wood Heat Project (HD 5)	161,172			
Sand Point K-12 School Pool Maintenance (HD 37)	73,895			
Mekoryuk Wastewater Upgrades (HD 38)	858,707			
Hermon Hutchens Elementary Fire Alarm, Clock, and Intercom Replacement (HD 12)	323,446			
School Construction Grant Fund (AS 14.11.005)		**76,635,615**	**76,635,615**	
The legislature intends that the following three appropriations to Kuinerrarmiut Elitnaurviat K-12 School, Napaskiak K-12 School, and Kivalina K-12 School address the recommendations made by the court in Kasayulie v. State, 3AN-97-3782 CIV (Sept. 1, 1999).				
Kuinerrarmiut Elitnaurviat K-12 School Renovation/ Addition, Quinhagak (HD 38)	28,489,312			
Napaskiak K-12 School	33,421,589			

	Allocations	Appropriation Items	General Funds	Other Funds
Replacement (HD 38)				
Kivalina K-12 School Renovation/ Addition (HD 40)	14,724,714			

This allocation is contingent upon the community of Kivalina moving to a permanent new location where the new school can safely be constructed.

Deferred Maintenance			
Mt. Edgecumbe High School Deferred Maintenance (HD 1-40)	2,800,000	2,800,000	

(SECTION 11 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 11.** The following sets out the funding by agency for the appropriations made in sec. 10 of this Act.

Funding Source	Amount
Department of Commerce, Community and Economic Development	
1004 Unrestricted General Fund Receipts	29,671,100
*** Total Agency Funding ***	$29,671,100
Department of Education and Early Development	
1004 Unrestricted General Fund Receipts	152,675,665
*** Total Agency Funding ***	$152,675,665
* * * * * Total Budget * * * * *	$182,346,765

(SECTION 12 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 12.** The following sets out the statewide funding for the appropriations made in sec. 10 of this Act.

Funding Source	Amount
Unrestricted General Funds	
1004 Unrestricted General Fund Receipts	182,346,765
Total Unrestricted General Funds	$182,346,765
Designated General Funds	
Total Designated General Funds	$0
Other Non-Duplicated Funds	
Total Other Non-Duplicated Funds	$0
Federal Funds	
Total Federal Funds	$0
Duplicated Funds	
Total Duplicated Funds	$0

(SECTION 13 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 13.** The following appropriations are for supplemental capital projects and grants from the general fund or other funds as set out in section 14 of this Act by funding source to the agencies named for the purposes expressed. They lapse under AS 37.25.020, unless otherwise noted.

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *			* * * * *	
* * * * * **Department of Labor and Workforce Development** * * * * *				
* * * * *			* * * * *	
AVTEC Economic Development Administration Distance Training Partnerships Grant (HD 33-35)		226,500		226,500
* * * * *			* * * * *	
* * * * * **Department of Natural Resources** * * * * *				
* * * * *			* * * * *	
Alaska Cadastral Project (HD 1-40)		50,000		50,000
* * * * *			* * * * *	
* * * * * **Department of Transportation and Public Facilities** * * * * *				
* * * * *			* * * * *	
Ketchikan - Court Office Building Elevator Controls (HD 1)		120,000	120,000	
Airport Improvement Program		**18,250,000**		**18,250,000**
Cold Bay - Airport Pavement Rehabilitation (HD 37)	5,300,000			
Gustavus - Airport Runway	2,250,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Safety Area (HD 5)				
Talkeetna - Airport Improvement (HD 13-16)	5,000,000			
Talkeetna - Airport Pavement Rehabilitation (HD 13-16)	5,700,000			
Surface Transportation Program		**32,960,000**		**32,960,000**
Fairbanks - South Cushman - Mitchell Expressway to Sanduri Street (HD 7-11)	1,660,000			
Hyder - Salmon River Road Rehabilitation (HD 5)	1,300,000			
Richardson Hwy Reconstruction MP 148-159, Sourdough to Haggard Creek (HD 13-16)	30,000,000			
Emergency Projects		**1,586,700**	**1,586,700**	
Haines - Haines Highway MP 19 Repairs (HD 5)	89,700			
Hyder - Salmon River Levee Rehabilitation (HD 5)	472,000			
Ketchikan - South Tongass Highway Repair (HD 1)	200,000			
Tatalina River Bridge Repair (HD 6)	15,000			
Taylor Highway Repair (HD 6)	810,000			

(SECTION 14 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 14.** The following sets out the funding by agency for the appropriations made in sec. 13 of this Act.

Funding Source	Amount
Department of Labor and Workforce Development	
1002 Federal Receipts	226,500
*** Total Agency Funding ***	$226,500
Department of Natural Resources	
1002 Federal Receipts	50,000
*** Total Agency Funding ***	$50,000
Department of Transportation and Public Facilities	
1002 Federal Receipts	51,210,000
1004 Unrestricted General Fund Receipts	1,706,700
*** Total Agency Funding ***	$52,916,700
* * * * * Total Budget * * * * *	$53,193,200

(SECTION 15 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 15.** The following sets out the statewide funding for the appropriations made in sec. 13 of this Act.

Funding Source	Amount
Unrestricted General Funds	
1004 Unrestricted General Fund Receipts	1,706,700
Total Unrestricted General Funds	$1,706,700
Designated General Funds	
Total Designated General Funds	$0
Other Non-Duplicated Funds	
Total Other Non-Duplicated Funds	$0
Federal Funds	
1002 Federal Receipts	51,486,500
Total Federal Funds	$51,486,500
Duplicated Funds	
Total Duplicated Funds	$0

(SECTION 16 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 16.** BOND DEFEASANCE. (a) The amount necessary for the defeasance of Municipality of Anchorage Lease Revenue Refunding Bonds, Correctional Facility, Series 2005, not to exceed $25,000,000, is appropriated from the general fund to the Department of Administration for the payment of future obligations and fees for the Municipality of Anchorage Lease Revenue Refunding Bonds, Correctional Facility, Series 2005 (Anchorage Jail).

(b) The amount necessary for the defeasance of State of Alaska Certificates of Participation Alaska Psychiatric Institute, Series 2002, the Seafood and Food Safety Laboratory Facility, Series 2003A, and the State Virology Laboratory Facility, Series 2005B, not to exceed $24,000,000, is appropriated from the general fund to the state bond committee for the defeasance of future obligations and fees for the State of Alaska Certificates of Participation Alaska Psychiatric Institute, Series 2002, the Seafood and Food Safety Laboratory Facility, Series 2003A, and the State Virology Laboratory Facility, Series 2005B.

* **Sec. 17.** FEDERAL AND OTHER PROGRAM RECEIPTS. (a) Federal receipts, designated program receipts as defined in AS 37.05.146(b)(3), information services fund program receipts as defined in AS 44.21.045(b), receipts of the University of Alaska as described in AS 37.05.146(b)(2), receipts of commercial fisheries test fishing operations under AS 37.05.146(c)(21), corporate receipts of the Alaska Housing Finance Corporation, corporate receipts of the Alaska Aerospace Corporation, Exxon Valdez oil spill trust receipts as defined in AS 37.05.146(b)(4), and receipts of the Alaska Fire Standards Council under AS 37.05.146(b)(5), that exceed the amounts appropriated by this Act are appropriated conditioned on compliance with the program review provisions of AS 37.07.080(h).

(b) If federal or other program receipts as defined in AS 37.05.146 and in AS 44.21.045(b) exceed the estimates appropriated by this Act, the appropriations from state funds for the affected program may be reduced by the excess if the reductions are consistent with applicable federal statutes.

(c) If federal or other program receipts as defined in AS 37.05.146 and in AS 44.21.045(b) fall short of the estimates appropriated by this Act, the affected appropriation is reduced by the amount of the shortfall in receipts.

* **Sec. 18.** FUND CAPITALIZATION. (a) The sum of $60,000,000 is appropriated from the general fund to the Alaska Gasline Inducement Act reimbursement fund (AS 43.90.400(a))

for the natural gas pipeline project construction inducement under AS 43.90.110(a)(1).

(b) The sum of $2,400,000 is appropriated from the general fund to the emerging energy technology fund (AS 42.45.375).

(c) The amount of federal receipts from the financial assistance award for emerging energy technology by the Denali Commission established under P.L. 105-277, estimated to be $2,400,000, is appropriated to the emerging energy technology fund (AS 42.45.375) for capital projects.

* **Sec. 19.** FUND TRANSFERS. (a) The sum of $2,500,000 is appropriated from the general fund to the alternative energy conservation revolving loan fund (AS 45.88.010).

(b) The sum of $30,620,231 is appropriated from the general fund to the renewable energy grant fund (AS 42.45.045(a)).

(c) The sum of $30,000,000 is appropriated from the general fund to the Alaska Housing Capital Corporation account.

(d) It is the intent of the legislature that the appropriation made in (c) of this section bring the total balance of the Alaska Housing Capital Corporation account to $400,000,000 and that the $400,000,000 in the account be used to fund postsecondary scholarship programs at a later date.

* **Sec. 20.** INSURANCE CLAIMS. The amounts to be received in settlement of insurance claims for losses and the amounts to be received as recovery for losses are appropriated from the general fund to the

(1) state insurance catastrophe reserve account (AS 37.05.289(a)); or

(2) appropriate state agency to mitigate the loss.

* **Sec. 21.** NATIONAL PETROLEUM RESERVE - ALASKA IMPACT GRANT PROGRAM. (a) The amount received by the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530(a)) under 42 U.S.C. 6506a(*l*) or former 42 U.S.C. 6508 by August 31, 2011, estimated to be $5,399,679, is appropriated from that fund to the Department of Commerce, Community, and Economic Development for capital project grants under the National Petroleum Reserve - Alaska impact grant program to the following municipalities in the amounts stated:

MUNICIPALITY	PROJECT	ALLOCATION
(1) North Slope Borough	Permit tracking system	$ 242,000

(2) North Slope Borough	Lagoon and Kuk Inlet	109,000
(3) City of Barrow	Local government operations and maintenance	1,600,000
(4) North Slope Borough	Meade River school counselor	270,177
(5) North Slope Borough	Land management and enforcement continuation	750,000
(6) North Slope Borough	School counselor program	282,502
(7) North Slope Borough	Mayor's job program	300,000
(8) City of Nuiqsut	Youth center operations and maintenance	194,000
(9) City of Nuiqsut	Local government operations and maintenance	595,000
(10) City of Atqasuk	Local government operations and youth program	300,000
(11) City of Barrow	City archival project	60,000
(12) North Slope Borough	Workforce development for essential services	452,000
(13) City of Wainwright	Wainwright local government operations	245,000

(b) If the amount received by the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530(a)) under 42 U.S.C. 6506a(*l*) or former 42 U.S.C. 6508 by August 31, 2011, is less than the sum of the allocations made in (a) of this section, the Department of Commerce, Community, and Economic Development shall work with the municipalities listed in (a) of this section to reduce the sum of the allocations made in (a) of this section to equal the amount received.

* **Sec. 22.** DEPARTMENT OF HEALTH AND SOCIAL SERVICES. (a) An amount equal to federal receipts received directly by tribes for the Low Income Home Energy Assistance Program during the fiscal year ending June 30, 2011, less federal receipts received directly by tribes for the Low Income Home Energy Assistance Program during the fiscal year ending June 30, 2012, not to exceed $3,373,000, is appropriated from the general fund to the

Department of Health and Social Services, public assistance, energy assistance program, for grants to tribes for energy assistance under AS 47.25.626 for the fiscal year ending June 30, 2012.

(b) If federal receipts appropriated in sec. 1 of this Act to the Department of Health and Social Services, public assistance, energy assistance program, for the fiscal year ending June 30, 2012, are not available to the state in the amount appropriated, the appropriation of federal receipts is reduced by the unavailable amount, and the difference between the amount of federal receipts appropriated in sec. 1 of this Act and the amount received, not to exceed $4,627,000, is appropriated from the general fund to the Department of Health and Social Services, public assistance, for the energy assistance program for the fiscal year ending June 30, 2012.

* **Sec. 23.** DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT. The sum of $486,000 is appropriated from the general fund to the Department of Labor and Workforce Development, Alaska Workforce Investment Board, to offer, in cooperation with the Department of Commerce, Community, and Economic Development, grants as authorized by AS 23.15.820(b) for training Alaskans in the film and television industry.

* **Sec. 24.** DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES. (a) The unexpended and unobligated balance, estimated to be $2,000,000, of the appropriation made in sec. 1, ch. 82, SLA 2006, page 86, line 32, through page 87, line 3 (Department of Transportation and Public Facilities, Parks Highway Frontage Road realignment at Seward meridian - $2,000,000) is reappropriated to the Department of Transportation and Public Facilities for Parks Highway Frontage Road and intersection improvements at Trunk Road.

(b) Section 14(*l*), ch. 14, SLA 2009, is amended to read:

(*l*) The sum of $4,250,000 is appropriated from the Alaska capital income fund (AS 37.05.565) to the Department of Transportation and Public Facilities for construction of a new Ketchikan airport ferry to replace the M/V Bob Ellis**, mooring and transfer facility repairs, and M/V Oral Freeman construction costs incurred before January 1, 2002**.

(c) Section 19, ch. 29, SLA 2008, page 186, line 8, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND	OTHER FUNDS

Transportation Projects	**271,700,000**	**150,050,000**	**121,650,000**
[GENERAL OBLIGATION BONDS]			**[271,700,000]**

(d) Section 20, ch. 29, SLA 2008, page 189, line 8, is amended to read:

1004	**Unrestricted General Fund Receipts**	**150,050,000**
1008	General Obligation Bonds	**121,650,000**
		[271,700,000]

(e) Section 21, ch. 29, SLA 2008, page 190, line 5, is amended to read:

1004	**Unrestricted General Fund Receipts**	**150,050,000**
Total General Funds		**$150,050,000**
		[$0]

(f) Section 21, ch. 29, SLA 2008, page 190, line 11, is amended to read:

1004	**Unrestricted General Fund Receipts**	**150,050,000**
1008	General Obligation Bonds	**165,000,000**
		[315,050,000]

*** Sec. 25.** HOUSE DISTRICT 2. (a) Section 1, ch. 3, FSSLA 2005, page 66, lines 23 - 28, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Petersburg: North Harbor Deferred Maintenance**, Replacement,** and Transfer (HD 2)	2,500,000	2,500,000

In order to expend this appropriation, the City of Petersburg must enter into an agreement with the Department of Transportation and Public Facilities and accept full responsibility for ownership and maintenance of the North Harbor by January 1, 2006.

(b) Section 4, ch. 15, SLA 2009, page 46, lines 24 - 25, is amended to read:

	APPROPRIATION ITEMS	OTHER FUNDS
Wrangell - **Street,** [STIKINE AVENUE] Sidewalk**, and Infrastructure Improvements** [EXTENSION] (HD 2)	390,000	390,000

*** Sec. 26.** HOUSE DISTRICT 5. (a) The unexpended and unobligated balance, estimated to

be $200,000, of the appropriation made in sec. 13, ch. 29, SLA 2008, page 120, lines 14 - 16, as amended by sec. 41(b), ch. 43, SLA 2010 (Craig, fish processing capacity and community cold storage) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Craig for reimbursement of 2008 and 2009 expenditures for Craig cold storage.

(b) Section 7, ch. 43, SLA 2010, page 24, lines 18 - 19, is amended to read:

	ALLOCATIONS
Haines - Lilly Lake Transmission Line **and Crystal Cathedral Water System Tie-In** (HD 5)	1,117,550

* **Sec. 27.** HOUSE DISTRICT 6. (a) The unexpended and unobligated balances, estimated to be a total of $23,041, of the appropriations made in sec. 8(a), ch. 1, SSSLA 2002, page 96, line 30 (Slana League, community projects and improvements - $27,263) and sec. 8(a)(26), ch. 159, SLA 2004 (Slana League, community projects and improvements - $58,830) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Northway Village Council for community projects, equipment, and improvements.

(b) The unexpended and unobligated balance, estimated to be $40,000, of the appropriation made in sec. 1, ch. 3, FSSLA 2005, page 18, lines 25 - 27 (Marshall, community center renovation - $40,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Marshall for community projects, equipment, and improvements.

* **Sec. 28.** HOUSE DISTRICTS 7 - 11. (a) Section 7, ch. 43, SLA 2010, page 36, lines 3 - 5, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Chena Small Tracts Road **Bicycle and Pedestrian Facility** [MULTI-USE PATH DESIGN AND PLANNING]	150,000	150,000

(HD 7-11)

(b) The unexpended and unobligated balances, estimated to be a total of $107,107, of the appropriations made in sec. 1, ch. 82, SLA 2006, page 36, lines 12 - 16 (Fairbanks North Star Borough, FNSB School District, Lathrop High School stadium bleachers purchase - $99,000) and sec. 13, ch. 29, SLA 2008, page 123, lines 14 - 17 (Fairbanks North Star Borough, North Pole Middle School replacement of chalk boards - $30,000) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Fairbanks North Star Borough for deferred maintenance of the Stampede Room in the Pioneer Museum at Pioneer Park.

(c) The unexpended and unobligated balance, estimated to be $50,000, of the appropriation made in sec. 1, ch. 82, SLA 2006, page 35, lines 15 - 18 (Fairbanks North Star Borough, Steamboat Landing Freeman Road culvert project - $50,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Fairbanks Soil and Water Conservation District for the Chena Slough project.

(d) The unexpended and unobligated balance, estimated to be $19,851, of the appropriation made in sec. 10, ch. 43, SLA 2010, page 93, lines 20 - 22 (Juneau, Arctic Winter Games bid planning and submission - $50,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Fairbanks North Star Borough for the Arctic Winter Games.

(e) The unexpended and unobligated balance, estimated to be $61,600, of the appropriation made in sec. 1, ch. 30, SLA 2007, page 13, lines 25 - 28 (Cold Climate Housing Research Center, wood-fire CHP demonstration project - $100,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Cold Climate Housing Research Center for a thermal storage tank for a wood stove demonstration project.

(f) The unexpended and unobligated balance, estimated to be $461,000, of the appropriation made in sec. 13, ch. 43, SLA 2010, page 136, lines 29 - 32 (Morris Thompson Cultural and Visitors Center, Gateway exhibit completion - $500,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Morris Thompson Cultural and Visitors Center for operations and

Gateway exhibit completion for the fiscal years ending June 30, 2012, June 30, 2013, and June 30, 2014.

(g) The unexpended and unobligated balances, estimated to be a total of $52,080, of the appropriations made in sec. 1, ch. 61, SLA 2001, page 53, lines 6 - 8, as amended by sec. 46(a), ch. 82, SLA 2006 (Fairbanks North Star Borough, Two Rivers Elementary School gymnasium improvements) and sec. 46(c), ch. 82, SLA 2006 (Fairbanks North Star Borough, Two Rivers Elementary School gym improvements) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Pleasant Valley Community Association for construction of a community center.

* **Sec. 29.** HOUSE DISTRICT 12. (a) The unexpended and unobligated balance, estimated to be $800,000, of the appropriation made in sec. 10, ch. 43, SLA 2010, page 87, lines 27 - 29 (Delta Junction - school district wood chip heating system project - $800,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Delta-Greely School District for the school district wood chip heating system project.

(b) The unexpended and unobligated balance, estimated to be $750,000, of the appropriation made in sec. 4, ch. 15, SLA 2009, page 47, lines 11 - 12, and allocated on page 48, lines 15 - 16 (cruise ship-related projects, Valdez, Hazlet Drive sidewalk - $750,000) is reappropriated to the Department of Transportation and Public Facilities to improve the pedestrian environment and access along Hazlet Drive in Valdez and adjacent cruise ship dock upland areas and parks, which may include decorative street lighting, interpretive signage, trails, benches, landscaping, or other aesthetic amenities.

* **Sec. 30.** HOUSE DISTRICTS 13 - 16. (a) The unexpended and unobligated balances, estimated to be a total of $1,835,000, of the appropriations made in sec. 1, ch. 82, SLA 2006, page 34, lines 19 - 22 (Wasilla, Palmer-Wasilla water improvements, phase 3, and Bumpus Well No. 2 - $500,000), sec. 46, ch. 29, SLA 2008 (Wasilla, Garden Terrace water main extension project), and sec. 13, ch. 29, SLA 2008, page 139, lines 7 - 9, and allocated on page 140, lines 27 - 28 (Wasilla, Mission Hills water extension - $724,500) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Wasilla for a downtown water station.

(b) The unexpended and unobligated balance, estimated to be $1,586,191, of the appropriation made in sec. 42(f), ch. 3, FSSLA 2005 (Matanuska-Susitna Borough, Point MacKenzie port development and associated rail line improvements) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Matanuska-Susitna Borough for Point MacKenzie port development and associated rail line improvements.

(c) The unexpended and unobligated balance, estimated to be $66,900, of the appropriation made in sec. 1, ch. 61, SLA 2001, page 56, lines 9 - 11 (Matanuska Susitna Borough, Hatcher Pass water and electric distribution - $175,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Matanuska Susitna Borough for construction of the Hatcher Pass ski area.

* **Sec. 31.** HOUSE DISTRICT 15. The unexpended and unobligated balance, estimated to be $20,000, of the appropriation made in sec. 1, ch. 30, SLA 2007, page 35, lines 26 - 28 (Upper Susitna Seniors, Inc., outside storage building - $20,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Upper Susitna Seniors, Inc., for a support structure for the senior center and an emergency shelter.

* **Sec. 32.** HOUSE DISTRICTS 17 - 32. (a) Section 10, ch. 43, SLA 2010, page 73, lines 9 - 14, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Anchorage - Kasuun Elementary School **Computer Lab Equipment and Software** [DIGITAL PROJECTORS] (HD 17-32)	20,000	20,000
Anchorage - Kasuun Elementary School **Computer Lab Equipment and Software** [LAPTOP COMPUTERS]	25,000	25,000

(HD 17-32)

(b) Section 13, ch. 29, SLA 2008, page 107, lines 11 - 13, is amended to read:

	APPROPRIATION ITEMS	OTHER FUNDS
Anchorage - Fire Department Station 5 **New Construction** [RENOVATION] (HD 17-32)	4,500,000	4,500,000

(c) The unexpended and unobligated balance, estimated to be $20,000, of the appropriation made in sec. 13, ch. 11, SLA 2008, page 62, lines 29 - 33 (Anchorage Parks Foundation, safety improvements: I Street stairway access to Valley of the Moon Park - $20,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Anchorage Parks Foundation for renovation of Minnesota Park.

(d) The unexpended and unobligated balance, estimated to be $500,000, of the appropriation made in sec. 10, ch. 29, SLA 2008, page 78, lines 4 - 6 (Department of Transportation and Public Facilities, northern access to university medical district study - $2,000,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Municipality of Anchorage for updates to the U-Med District Plan, a parking utilization study, and associated costs to manage the planning process.

(e) The unexpended and unobligated balance, estimated to be $46,000, of the appropriation made in sec. 13, ch. 29, SLA 2008, page 103, lines 10 - 15 (Anchorage, Salvation Army Clitheroe Center, retrofit facility for secure treatment of chronic substance abusers - $435,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Municipality of Anchorage for renovations or retrofits to the Salvation Army's Clitheroe Center and Secure Treatment Unit, including design, construction, and installation of a water filtration system.

(f) The unexpended and unobligated balance, estimated to be $29,850, of the appropriation made in sec. 10, ch. 43, SLA 2010, page 84, lines 6 - 8 (Anchorage, Taku Elementary School wireless Internet access - $30,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under

AS 37.05.315 to the Municipality of Anchorage for Taku Elementary School technology upgrades.

(g) Section 10, ch. 43, SLA 2010, page 70, lines 26 - 27, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Anchorage - Fire Station #9 Remodel **or Reconstruction** (HD 17-32)	5,000,000	5,000,000

* **Sec. 33.** HOUSE DISTRICTS 33 - 35. (a) The unexpended and unobligated balance, not to exceed $761,650, of the appropriation made in sec. 1, ch. 82, SLA 2006, page 4, lines 12 - 15, as amended by sec. 50(a), ch. 43, SLA 2010 (Kenai Peninsula Economic Development District, Cook Inlet tidal power analysis) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Kenai for Kenai industrial park development.

(b) The unexpended and unobligated balance of the appropriation made in sec. 1, ch. 82, SLA 2006, page 4, lines 12 - 15, as amended by sec. 50(a), ch. 43, SLA 2010 (Kenai Peninsula Economic Development District, Cook Inlet tidal power analysis) remaining after the appropriation made in (a) of this section, not to exceed $125,000, is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Kenai Peninsula Economic Development District for the Kenai Peninsula Construction Academy facility.

(c) The unexpended and unobligated balance of the appropriation made in sec. 1, ch. 82, SLA 2006, page 4, lines 12 - 15, as amended by sec. 50(a), ch. 43, SLA 2010 (Kenai Peninsula Economic Development District, Cook Inlet tidal power analysis) remaining after the appropriations made in (a) and (b) of this section, not to exceed $75,000, is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Kenai Peninsula Economic Development District for facility and utility upgrades.

(d) The unexpended and unobligated balance of the appropriation made in sec. 1, ch. 82, SLA 2006, page 4, lines 12 - 15, as amended by sec. 50(a), ch. 43, SLA 2010 (Kenai Peninsula Economic Development District, Cook Inlet tidal power analysis) remaining after

the appropriations made in (a) - (c) of this section, not to exceed $100,000, is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Kenai for Kenai Spur Road bike path repairs.

(e) The unexpended and unobligated balance of the appropriation made in sec. 1, ch. 82, SLA 2006, page 4, lines 12 - 15, as amended by sec. 50(a), ch. 43, SLA 2010 (Kenai Peninsula Economic Development District, Cook Inlet tidal power analysis) remaining after the appropriations made in (a) - (d) of this section, not to exceed $570,000, is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Soldotna for a traffic light at Birch Street.

(f) The unexpended and unobligated balance, not to exceed $150,000, of the appropriation made in sec. 1, ch. 3, FSSLA 2005, page 25, lines 5 - 7 (Kenai Peninsula Borough, North Spur Highway extension - $300,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Kenai Peninsula Borough for tanker and pumper replacements for the Nikiski Fire Service Area.

(g) The unexpended and unobligated balance, not to exceed $150,000, of the appropriation made in sec. 1, ch. 3, FSSLA 2005, page 25, lines 5 - 7 (Kenai Peninsula Borough, North Spur Highway extension - $300,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Kenai Peninsula Borough for the North Peninsula Recreation Service Area community playground.

(h) If the amount available for appropriation in (f) and (g) of this section is less than $300,000, the appropriations made in (f) and (g) of this section shall be reduced in proportion to the amount of the shortfall.

*** Sec. 34.** HOUSE DISTRICTS 35 - 36. (a) The unexpended and unobligated balance, estimated to be $18,851, of the appropriation made in sec. 1, ch. 3, FSSLA 2005, page 25, lines 13 - 16 (Kenai Peninsula Borough, Seward elementary gym floor and carpet replacement - $170,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Kenai Peninsula Borough for SMART boards for William H. Seward Elementary School.

(b) The unexpended and unobligated balance, estimated to be $1,992,000, of the

appropriation made in sec. 4, ch. 15, SLA 2009, page 45, lines 24 - 26 (Seward, dredging cruise ship berthing basins and approaches - $4,500,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Seward for construction of a new water storage tank and improving restrooms in the Seward harbor area.

(c) The unexpended and unobligated balance, estimated to be $118,200, of the appropriation made in sec. 13, ch. 43, SLA 2010, page 140, lines 5 - 8 (Senior Citizens of Kodiak, Inc., fire sprinkler system replacement - $118,200) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to Senior Citizens of Kodiak, Inc., for fire sprinkler system emergency replacement debt reimbursement incurred before July 1, 2010.

(d) The unexpended and unobligated balances, estimated to be a total of $2,000,000, of the appropriations made in sec. 10, ch. 29, SLA 2008, page 35, lines 13 - 16 (Alaska Community Foundation, Jesse Lee Home stabilization project - $500,000) and sec. 13, ch. 43, SLA 2010, page 116, lines 12 - 15 (Alaska Community Foundation, Jesse Lee Home restoration - $1,500,000) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Friends of Jesse Lee Home for the Jesse Lee Home stabilization project.

* **Sec. 35.** HOUSE DISTRICT 36. Section 10, ch. 43, SLA 2010, page 103, lines 30 - 31, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Old Harbor - City Dock Reconstruction **and Old Harbor Airport Extension Project** (HD 36)	3,100,000	3,100,000

* **Sec. 36.** HOUSE DISTRICT 37. (a) The unexpended and unobligated balance, estimated to be $150,000, of the appropriation made in sec. 10, ch. 43, SLA 2010, page 105, lines 22 - 24 (Saint George, purchase vacuum sewage pumper truck - $150,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Saint George for community facilities, equipment

upgrades, and community infrastructure development.

(b) Section 13, ch. 29, SLA 2008, page 131, lines 29 - 31, is amended to read:

	APPROPRIATION ITEMS	OTHER FUNDS
Sand Point - School Loop Road Reconstruction Phase I **and Other Local Road Improvements** (HD 37)	1,000,000	1,000,000

*** Sec. 37.** HOUSE DISTRICT 38. Section 34(c), ch. 15, SLA 2009, as amended by sec. 54, ch. 43, SLA 2010, is amended to read:

(c) The unexpended and unobligated balances, estimated to be a total of $462,500, of the appropriations made in sec. 8(a)(15), ch. 159, SLA 2004 (Kongiganak, community projects and improvements - $27,770), sec. 8(a), ch. 1, SSSLA 2002, page 96, line 17 (Kongiganak, community projects and improvements - $55,496), sec. 8(b)(28), ch. 159, SLA 2004 (Napaskiak, community projects and improvements - $6,326), sec. 131, ch. 139, SLA 1998, page 99, lines 19 - 20 (Nunapitchuk, motor grader snowblade - $15,500), sec. 1, ch. 135, SLA 2000, page 53, lines 28 - 30 (Nunapitchuk, washeteria renovation - water improvements - $50,000), sec. 15(b), ch. 61, SLA 2001, page 78, line 19 (Nunapitchuk, capital projects and improvements - $26,322), sec. 1, ch. 1, SSSLA 2002, page 81, lines 30 - 31 (Nunapitchuk, solid waste dumpsite upgrade - $25,000), sec. 8(a), ch. 1, SSSLA 2002, page 96, line 24 (Oscarville, community projects and improvements - $88,107), sec. 71(c), ch. 1, SSSLA 2002 (Oscarville, community facilities and equipment), sec. 8(a)(19), ch. 159, SLA 2004 (Oscarville, community projects and improvements - $58,651), sec. 1, ch. 61, SLA 2001, page 63, lines 12 - 13 (Tuntutuliak, jail house completion - $16,466), sec. 67(b), ch. 61, SLA 2001 (Tuntutuliak, construction of a post office), sec. 8(a), ch. 1, SSSLA 2002, page 97, line 2 (Tuntutuliak, community projects and improvements - $54,518), sec. 8(a)(31), ch. 159, SLA 2004 (Tuntutuliak, community projects and improvements - $7,881), and sec. 8(b)(38), ch. 159, SLA 2004 (Platinum, community projects and improvements - $26,900) are reappropriated to the Department of Commerce, Community, and Economic Development for

payment as a grant under AS 37.05.316 to the Association of Village Council Presidents for a demonstration project to use wood as a heating source for the fiscal year ending June 30, **2012** [2011].

* **Sec. 38.** HOUSE DISTRICT 39. The unexpended and unobligated balance, estimated to be $100,000, of the appropriation made in sec. 1, ch. 30, SLA 2007, page 54, lines 11 - 12 (Emmonak, city street lighting - $100,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Emmonak for the purchase of heavy equipment.

* **Sec. 39.** REAPPROPRIATION OF LEGISLATIVE APPROPRIATIONS. (a) Section 56(b), ch. 43, SLA 2010, is amended to read:

(b) The unexpended and unobligated balance, not to exceed $750,000, of the appropriation made in sec. 1, ch. 12, SLA 2009, page 44, line 29 (Budget and Audit Committee - $19,501,800) is reappropriated to the Legislative Council to conduct for the legislature an independent third-party scientific and multidisciplinary study of the potential large mine development in the Bristol Bay drainage for the fiscal **years** [YEAR] ending June 30, 2011**, June 30, 2012, and June 30, 2013**.

(b) The unexpended and unobligated balance, estimated to be $900,000, of the appropriation made in sec. 1, ch. 41, SLA 2010, page 47, line 11 (legislative operating budget - $11,800,100) is reappropriated to the Legislative Budget and Audit Committee for operating expenses for the fiscal year ending June 30, 2012.

(c) The unexpended and unobligated balance, estimated to be $2,680,000, of the appropriation made in sec. 1, ch. 41, SLA 2010, page 46, line 33 (Legislative Council - $36,425,700) is reappropriated to the Legislative Council to begin scoping, planning, and implementing a system-wide redesign of the Bill Action Status and Inquiry System (BASIS), an integrated document management system, and a consolidation of the legislature's internal and external websites.

(d) The unexpended and unobligated balance, estimated to be $8,275,000, of the appropriation made in sec. 1, ch. 41, SLA 2010, page 46, line 27 (Budget and Audit Committee - $18,911,100) is reappropriated to the Legislative Budget and Audit Committee to begin scoping, planning, and implementing an enhanced content management platform to integrate appropriation data, tracking, and reporting with the legislature's Bill Action Status

and Inquiry System (BASIS) and for other purposes of the committee.

*** Sec. 40.** DEPARTMENT OF ADMINISTRATION. Section 10, ch. 11, SLA 2008, page 57, lines 15 - 18, is amended to read:

	APPROPRIATION ITEMS	OTHER FUNDS
Statewide Administrative Systems Replacement Phase 2 [- FINANCIALS AND PROCUREMENT SYSTEM] (HD 1-40)	41,000,000	-41,000,000

*** Sec. 41.** DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT. Section 19, ch. 43, SLA 2010, page 154, lines 23 - 24, is amended to read:

	APPROPRIATION ITEMS	OTHER FUNDS
2010 Education Project Fund [SCHOOL CONSTRUCTION GRANT FUND (AS 14.11.005)]	**128,500,000**	**128,500,000**

*** Sec. 42.** DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT. Section 7, ch. 43, SLA 2010, page 28, lines 23 - 24, is amended to read:

	APPROPRIATION ITEMS	OTHER FUNDS
AVTEC Culinary Academy Equipment**, Student Cafeteria Remodeling, and Facility Demolition** (HD 33-35)	500,000	500,000

*** Sec. 43.** DEPARTMENT OF NATURAL RESOURCES. The unexpended and unobligated balance, estimated to be $456,317, of the appropriation made in sec. 1, ch. 82, SLA 2006, page 77, lines 9 - 11 (Bristol Bay energy development investigations - $750,000) is reappropriated to the Department of Natural Resources for Alaska Peninsula energy development.

*** Sec. 44.** DEPARTMENT OF PUBLIC SAFETY. The sum of $1,356,550 is appropriated from the general fund to the Department of Public Safety for Alaska Public Safety

information network migration.

* **Sec. 45.** DEPARTMENT OF REVENUE. The unexpended and unobligated balance, not to exceed $1,238,900, of the appropriation made in sec. 1, ch. 41, SLA 2010, page 39, line 27, and allocated on lines 31 - 32 (Department of Natural Resources, natural gas commercialization - $1,550,000) is reappropriated to the Department of Revenue, natural gas commercialization, for the fiscal year ending June 30, 2012.

* **Sec. 46.** DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES. Section 7, ch. 43, SLA 2010, page 47, lines 8 - 10, is amended to read:

	ALLOCATIONS
Fairbanks - South Cushman - Mitchell Expressway to **Sanduri Street** [VAN HORN] (HD 7-11)	1,710,000

* **Sec. 47.** STATUTORY BUDGET RESERVE FUND. (a) The sum of $500,000,000 is appropriated from the general fund to the statutory budget reserve fund (AS 37.05.540).

(b) The sum of $500,000,000 is appropriated from the general fund to the statutory budget reserve fund (AS 37.05.540).

* **Sec. 48.** CONTINGENCIES. (a) Each of the appropriations made in sec. 4 of this Act is contingent on passage by the Twenty-Seventh Alaska State Legislature and enactment into law of every appropriation, without reduction of any appropriation, made in sec. 4 of this Act.

(b) The appropriation made in sec. 16(a) of this Act is contingent on the state bond committee's certifying the amount required for the defeasance of the callable bonds.

(c) The appropriations made in sec. 24(c) - (f) of this Act are contingent on the state bond committee's certifying to the office of management and budget that the entire $121,650,000 of State of Alaska Series 2009A general obligation bond proceeds to the Department of Transportation and Public Facilities have been expended.

* **Sec. 49.** NONSEVERABILITY. Notwithstanding AS 01.10.030, in the event that a court of competent jurisdiction finds the contingency in sec. 48(a) of this Act is invalid, then the contingency in sec. 48(a) of this Act is not severable from the appropriations made in sec. 4 of

this Act if

(1) the governor has vetoed, whether by striking or reducing, any appropriation in sec. 4 of this Act; and

(2) the legislature, by action or inaction, has failed to override all vetoes of, including reductions to, appropriations made in sec. 4 of this Act in the time and manner allowed under art. II, sec. 16, Constitution of the State of Alaska.

*** Sec. 50.** LAPSE. (a) The appropriations made in secs. 18, 19(a), 19(b), 19(c), 20(1), and 47 of this Act are for the capitalization of funds and do not lapse.

(b) The appropriations made in secs. 21, 24, 27(a), 28(c), 28(e), 28(g), 29, 31, 32(c), 33(b), 33(c), 34(c), 34(d), 39(c), 39(d), 43, and 44 of this Act are for capital projects and lapse under AS 37.25.020.

(c) The appropriations made in sec. 16 of this Act lapse June 30, 2020.

(d) A grant awarded in this Act to a named recipient under AS 37.05.316 is for a capital project, unless specifically identified in this Act as an operating grant, and lapses under AS 37.25.020 unless otherwise stated or designated for a fiscal year.

(e) The appropriation made in sec. 23 of this Act lapses June 30, 2015.

*** Sec. 51.** RETROACTIVITY. Section 44 of this Act is retroactive to January 1, 2011.

*** Sec. 52.** Sections 13, 25, 26(b), 28(a), 32(a), 32(b), 32(g), 35, 36(b), 37, 39(a), 40 - 46, and 51 of this Act take effect May 17, 2011.

*** Sec. 53.** Sections 16, 24, 26(a), 27, 28(b) - (g), 29 - 31, 32(c) - (f), 33, 34, 36(a), 38, 39(b) - (d), 47(a), 48(b), and 48(c) of this Act take effect June 30, 2011.

*** Sec. 54.** Except as provided in secs. 52 and 53 of this Act, this Act takes effect July 1, 2011.

2011 Legislature - Capital Budget
House District Summary - Senate CS3 Structure

Numbers and Language
District by Impact

House District		[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Tota to SCS3 Tota	
1	Ketchikan	51,451.1	51,771.1	320.0	0.6 %
2	Sitka/Petersburg/Wrangell	59,156.7	59,156.7	0.0	
3-4	Juneau Areawide	73,898.3	73,898.3	0.0	
5	Cordova/Southeast Islands	64,819.4	68,931.1	4,111.7	6.3 %
1-5	Southeast Region	29,455.0	29,455.0	0.0	
6	Interior Villages	114,120.5	114,945.5	825.0	0.7 %
7-11	Fairbanks Areawide	127,843.1	129,503.1	1,660.0	1.3 %
12	Richardson/Glenn Highways	51,435.4	51,435.4	0.0	
13-16	Mat-Su Areawide	61,925.0	102,625.0	40,700.0	65.7 %
17-32	Anchorage Areawide	423,904.5	423,904.5	0.0	
33-35	Kenai Areawide	119,461.5	119,688.0	226.5	0.2 %
12-35	Southcentral Region	111,548.3	111,548.3	0.0	
36	Kodiak	41,955.4	41,955.4	0.0	
37	Bristol Bay/Aleutians	73,782.4	79,082.4	5,300.0	7.2 %
38	Bethel	148,479.0	148,479.0	0.0	
36-38	Southwest Region	17,665.0	17,665.0	0.0	
39	Bering Straits	57,856.0	57,856.0	0.0	
40	Arctic	85,550.8	85,550.8	0.0	
1-40	Statewide	974,602.6	1,028,234.2	53,631.6	5.5 %
Statewide Total		**2,688,910.1**	**2,795,684.9**	**106,774.8**	**4.0 %**
Funding Summary					
	Unrestricted General (UGF)	1,468,399.7	1,673,737.9	205,338.2	14.0 %
	Designated General (DGF)	44,501.7	44,501.7	0.0	
	Other State Funds (Other)	96,327.6	-53,722.4	-150,050.0	-155.8 %
	Federal Receipts (Fed)	1,079,681.1	1,131,167.6	51,486.5	4.8 %

Rpt 1c

2011 Legislature - Capital Budget
Agency Summary - Senate CS3 Structure

Numbers and Language

Agency	[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Tota to SCS3 Tota	
Agency Budgets				
Administration	65,663.2	65,663.2	0.0	
Community & Economic Dev	824,973.3	824,973.3	0.0	
Corrections	7,400.0	7,400.0	0.0	
Education & Early Dev	158,700.7	158,700.7	0.0	
Environmental Conservation	79,788.1	79,788.1	0.0	
Fish and Game	26,325.0	28,550.0	2,225.0	8.5 %
Governor	100.0	100.0	0.0	
Health & Social Services	68,104.1	68,104.1	0.0	
Labor & Workforce Dev	4,210.0	4,436.5	226.5	5.4 %
Law	1,250.0	1,250.0	0.0	
Military & Veterans Affairs	30,905.8	30,905.8	0.0	
Natural Resources	34,538.2	34,588.2	50.0	0.1 %
Public Safety	8,278.0	9,634.5	1,356.5	16.4 %
Revenue	136,669.5	186,669.5	50,000.0	36.6 %
Transportation & Public Fac	1,076,363.4	1,129,280.1	52,916.7	4.9 %
University of Alaska	90,854.0	90,854.0	0.0	
Alaska Court System	9,986.8	9,986.8	0.0	
Total	**2,624,110.1**	**2,730,884.9**	**106,774.8**	**4.1 %**
Statewide Items				
Fund Capitalization	64,800.0	64,800.0	0.0	
Total	**64,800.0**	**64,800.0**	**0.0**	
Statewide Total	**2,688,910.1**	**2,795,684.9**	**106,774.8**	**4.0 %**
Funding Summary				
Unrestricted General (UGF)	1,468,399.7	1,673,737.9	205,338.2	14.0 %
Designated General (DGF)	44,501.7	44,501.7	0.0	
Other State Funds (Other)	96,327.6	-53,722.4	-150,050.0	-155.8 %
Federal Receipts (Fed)	1,079,681.1	1,131,167.6	51,486.5	4.8 %

Rpt 1 b

2011 Legislature - Capital Budget
Agency Summary - Senate CS3 Structure

Numbers and Language

Agency	[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Tota to SCS3 Tota
Non-Additive Items			
Fund Transfers	30,620.2	30,620.2	0.0
Total	**30,620.2**	**30,620.2**	**0.0**

2011 Legislature - Capital Budget
Statewide Totals - Senate CS3 Structure

Numbers and Language

	[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Tota to SCS3 Tota	
Total	2,688,910.1	2,795,684.9	106,774.8	4.0 %
Funding Sources				
1002 Fed Rcpts (Fed)	1,074,281.4	1,125,767.9	51,486.5	4.8 %
1003 G/F Match (UGF)	86,514.9	86,514.9	0.0	
1004 Gen Fund (UGF)	1,237,279.5	1,392,617.7	155,338.2	12.6 %
1005 GF/Prgm (DGF)	3,400.0	3,400.0	0.0	
1008 G/O Bonds (Other)	0.0	-150,050.0	-150,050.0	<-999 %
1012 Rail Enrgy (UGF)	65,700.0	65,700.0	0.0	
1017 Group Ben (Other)	570.8	570.8	0.0	
1024 Fish/Game (Other)	750.0	750.0	0.0	
1026 HwyCapital (Other)	18,322.6	18,322.6	0.0	
1027 IntAirport (Other)	17,236.8	17,236.8	0.0	
1029 PERS Trust (Other)	661.5	661.5	0.0	
1034 Teach Ret (Other)	272.1	272.1	0.0	
1042 Jud Retire (Other)	6.9	6.9	0.0	
1045 Nat Guard (Other)	21.9	21.9	0.0	
1050 PFD Fund (DGF)	266.5	266.5	0.0	
1052 Oil/Haz Fd (DGF)	100.0	100.0	0.0	
1061 CIP Rcpts (Other)	3,230.0	3,230.0	0.0	
1063 NPR Fund (Fed)	5,399.7	5,399.7	0.0	
1075 Cln Wtr Fd (Other)	1,826.3	1,826.3	0.0	
1100 Drk Wtr Fd (Other)	4,071.9	4,071.9	0.0	
1105 PF Gross (Other)	150.0	150.0	0.0	
1108 Stat Desig (Other)	14,155.0	14,155.0	0.0	
1112 IntAptCons (Other)	19,212.9	19,212.9	0.0	
1139 AHFC Div (UGF)	16,300.0	16,300.0	0.0	
1140 AIDEA Div (UGF)	29,400.0	29,400.0	0.0	
1147 PublicBldg (Other)	3,000.0	3,000.0	0.0	
1153 State Land (DGF)	3,700.0	3,700.0	0.0	
1173 GF MisEarn (UGF)	205.3	205.3	0.0	

Rpt 1a

2011 Legislature - Capital Budget
Statewide Totals - Senate CS3 Structure

Numbers and Language

	[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Tota to SCS3 Tota	
Funding Sources (continued)				
1185 Elect Fund (Other)	100.0	100.0	0.0	
1195 SpecVehRct (DGF)	250.0	250.0	0.0	
1197 AK Cap Fnd (UGF)	0.0	50,000.0	50,000.0	>999 %
1202 Anat Fnd (DGF)	55.0	55.0	0.0	
1206 CPV Tax (Other)	12,739.0	12,739.0	0.0	
1210 Ren Energy (DGF)	36,620.2	36,620.2	0.0	
1211 Gamble Tax (UGF)	33,000.0	33,000.0	0.0	
1221 Legal Serv (DGF)	110.0	110.0	0.0	
Funding Summary				
Unrestricted General (UGF)	1,468,399.7	1,673,737.9	205,338.2	14.0 %
Designated General (DGF)	44,501.7	44,501.7	0.0	
Other State Funds (Other)	96,327.6	-53,722.4	-150,050.0	-155.8 %
Federal Receipts (Fed)	1,079,681.1	1,131,167.6	51,486.5	4.8 %

2011 Legislature - Capital Budget
Statewide Totals - Senate CS3 Structure

Numbers and Language

	[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Tota to SCS3 Tota	
Total	**2,688,910.1**	**2,795,684.9**	**106,774.8**	**4.0 %**
Funding Sources				
1002 Fed Rcpts (Fed)	1,074,281.4	1,125,767.9	51,486.5	4.8 %
1003 G/F Match (UGF)	86,514.9	86,514.9	0.0	
1004 Gen Fund (UGF)	1,237,279.5	1,392,617.7	155,338.2	12.6 %
1005 GF/Prgm (DGF)	3,400.0	3,400.0	0.0	
1008 G/O Bonds (Other)	0.0	-150,050.0	-150,050.0	<-999 %
1012 Rail Enrgy (UGF)	65,700.0	65,700.0	0.0	
1017 Group Ben (Other)	570.8	570.8	0.0	
1024 Fish/Game (Other)	750.0	750.0	0.0	
1026 HwyCapital (Other)	18,322.6	18,322.6	0.0	
1027 IntAirport (Other)	17,236.8	17,236.8	0.0	
1029 PERS Trust (Other)	661.5	661.5	0.0	
1034 Teach Ret (Other)	272.1	272.1	0.0	
1042 Jud Retire (Other)	6.9	6.9	0.0	
1045 Nat Guard (Other)	21.9	21.9	0.0	
1050 PFD Fund (DGF)	266.5	266.5	0.0	
1052 Oil/Haz Fd (DGF)	100.0	100.0	0.0	
1061 CIP Rcpts (Other)	3,230.0	3,230.0	0.0	
1063 NPR Fund (Fed)	5,399.7	5,399.7	0.0	
1075 Cln Wtr Fd (Other)	1,826.3	1,826.3	0.0	
1100 Drk Wtr Fd (Other)	4,071.9	4,071.9	0.0	
1105 PF Gross (Other)	150.0	150.0	0.0	
1108 Stat Desig (Other)	14,155.0	14,155.0	0.0	
1112 IntAptCons (Other)	19,212.9	19,212.9	0.0	
1139 AHFC Div (UGF)	16,300.0	16,300.0	0.0	
1140 AIDEA Div (UGF)	29,400.0	29,400.0	0.0	
1147 PublicBldg (Other)	3,000.0	3,000.0	0.0	
1153 State Land (DGF)	3,700.0	3,700.0	0.0	
1173 GF MisEarn (UGF)	205.3	205.3	0.0	

Rpt 1a

2011 Legislature - Capital Budget
Statewide Totals - Senate CS3 Structure

Numbers and Language

	[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Tota to SCS3 Tota	
Funding Sources (continued)				
1185 Elect Fund (Other)	100.0	100.0	0.0	
1195 SpecVehRct (DGF)	250.0	250.0	0.0	
1197 AK Cap Fnd (UGF)	0.0	50,000.0	50,000.0	>999 %
1202 Anat Fnd (DGF)	55.0	55.0	0.0	
1206 CPV Tax (Other)	12,739.0	12,739.0	0.0	
1210 Ren Energy (DGF)	36,620.2	36,620.2	0.0	
1211 Gamble Tax (UGF)	33,000.0	33,000.0	0.0	
1221 Legal Serv (DGF)	110.0	110.0	0.0	
Funding Summary				
Unrestricted General (UGF)	1,468,399.7	1,673,737.9	205,338.2	14.0 %
Designated General (DGF)	44,501.7	44,501.7	0.0	
Other State Funds (Other)	96,327.6	-53,722.4	-150,050.0	-155.8 %
Federal Receipts (Fed)	1,079,681.1	1,131,167.6	51,486.5	4.8 %

2011 Legislature - Capital Budget
Agency Summary - Senate CS3 Structure

Numbers and Language

Agency	[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Tota to SCS3 Tota	
Agency Budgets				
Administration	65,663.2	65,663.2	0.0	
Community & Economic Dev	824,973.3	824,973.3	0.0	
Corrections	7,400.0	7,400.0	0.0	
Education & Early Dev	158,700.7	158,700.7	0.0	
Environmental Conservation	79,788.1	79,788.1	0.0	
Fish and Game	26,325.0	28,550.0	2,225.0	8.5 %
Governor	100.0	100.0	0.0	
Health & Social Services	68,104.1	68,104.1	0.0	
Labor & Workforce Dev	4,210.0	4,436.5	226.5	5.4 %
Law	1,250.0	1,250.0	0.0	
Military & Veterans Affairs	30,905.8	30,905.8	0.0	
Natural Resources	34,538.2	34,588.2	50.0	0.1 %
Public Safety	8,278.0	9,634.5	1,356.5	16.4 %
Revenue	136,669.5	186,669.5	50,000.0	36.6 %
Transportation & Public Fac	1,076,363.4	1,129,280.1	52,916.7	4.9 %
University of Alaska	90,854.0	90,854.0	0.0	
Alaska Court System	9,986.8	9,986.8	0.0	
Total	**2,624,110.1**	**2,730,884.9**	**106,774.8**	**4.1 %**
Statewide Items				
Fund Capitalization	64,800.0	64,800.0	0.0	
Total	**64,800.0**	**64,800.0**	**0.0**	
Statewide Total	**2,688,910.1**	**2,795,684.9**	**106,774.8**	**4.0 %**
Funding Summary				
Unrestricted General (UGF)	1,468,399.7	1,673,737.9	205,338.2	14.0 %
Designated General (DGF)	44,501.7	44,501.7	0.0	
Other State Funds (Other)	96,327.6	-53,722.4	-150,050.0	-155.8 %
Federal Receipts (Fed)	1,079,681.1	1,131,167.6	51,486.5	4.8 %

2011 Legislature - Capital Budget
Agency Summary - Senate CS3 Structure

Numbers and Language

Agency	[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Tota to SCS3 Tota
Non-Additive Items			
Fund Transfers	30,620.2	30,620.2	0.0
Total	30,620.2	30,620.2	0.0

2011 Legislature - Capital Budget
House District Summary - Senate CS3 Structure

Numbers and Language
District by Impact

House District		[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Tota to SCS3 Tota	
1	Ketchikan	51,451.1	51,771.1	320.0	0.6 %
2	Sitka/Petersburg/Wrangell	59,156.7	59,156.7	0.0	
3-4	Juneau Areawide	73,898.3	73,898.3	0.0	
5	Cordova/Southeast Islands	64,819.4	68,931.1	4,111.7	6.3 %
1-5	Southeast Region	29,455.0	29,455.0	0.0	
6	Interior Villages	114,120.5	114,945.5	825.0	0.7 %
7-11	Fairbanks Areawide	127,843.1	129,503.1	1,660.0	1.3 %
12	Richardson/Glenn Highways	51,435.4	51,435.4	0.0	
13-16	Mat-Su Areawide	61,925.0	102,625.0	40,700.0	65.7 %
17-32	Anchorage Areawide	423,904.5	423,904.5	0.0	
33-35	Kenai Areawide	119,461.5	119,688.0	226.5	0.2 %
12-35	Southcentral Region	111,548.3	111,548.3	0.0	
36	Kodiak	41,955.4	41,955.4	0.0	
37	Bristol Bay/Aleutians	73,782.4	79,082.4	5,300.0	7.2 %
38	Bethel	148,479.0	148,479.0	0.0	
36-38	Southwest Region	17,665.0	17,665.0	0.0	
39	Bering Straits	57,856.0	57,856.0	0.0	
40	Arctic	85,550.8	85,550.8	0.0	
1-40	Statewide	974,602.6	1,028,234.2	53,631.6	5.5 %
Statewide Total		**2,688,910.1**	**2,795,684.9**	**106,774.8**	**4.0 %**
Funding Summary					
	Unrestricted General (UGF)	1,468,399.7	1,673,737.9	205,338.2	14.0 %
	Designated General (DGF)	44,501.7	44,501.7	0.0	
	Other State Funds (Other)	96,327.6	-53,722.4	-150,050.0	-155.8 %
	Federal Receipts (Fed)	1,079,681.1	1,131,167.6	51,486.5	4.8 %

Rpt 1c

2011 Legislature - Capital Budget
Project Compare by House District - Senate CS3 Structure

Numbers and Language
Differences
District by Impact

House District: 1 Ketchikan

		[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Total to SCS3 Total	
Department of Transportation and Public Facilities					
AP	**Ketchikan - Court Office Building Elevator Controls**	0	120,000	120,000	**>999 %**
	1004 Gen Fund (UGF)	0	120,000	120,000	>999 %
Emergency Projects					
AL	**Ketchikan - South Tongass Highway Repair**	0	200,000	200,000	**>999 %**
	1004 Gen Fund (UGF)	0	200,000	200,000	>999 %
*** House District Totals		**0**	**320,000**	**320,000**	**>999 %**
Funding Summary					
	Unrestricted General (UGF)	0	320,000	320,000	>999 %

Rpt 1d

2011 Legislature - Capital Budget
Project Compare by House District - Senate CS3 Structure

Numbers and Language
Differences
District by Impact

House District: 5 **Cordova/Southeast Islands**

		[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Total to SCS3 Total	
Department of Transportation and Public Facilities					
Airport Improvement Program					
AL	**Gustavus - Airport Runway Safety Area**	0	2,250,000	2,250,000	>999 %
	1002 Fed Rcpts (Fed)	0	2,250,000	2,250,000	>999 %
Surface Transportation Program					
AL	**Hyder - Salmon River Road Rehabilitation**	0	1,300,000	1,300,000	>999 %
	1002 Fed Rcpts (Fed)	0	1,300,000	1,300,000	>999 %
Emergency Projects					
AL	**Haines - Haines Highway MP 19 Repairs**	0	89,700	89,700	>999 %
	1004 Gen Fund (UGF)	0	89,700	89,700	>999 %
AL	**Hyder - Salmon River Levee Rehabilitation**	0	472,000	472,000	>999 %
	1004 Gen Fund (UGF)	0	472,000	472,000	>999 %
*** House District Totals		0	4,111,700	4,111,700	>999 %
Funding Summary					
	Unrestricted General (UGF)	0	561,700	561,700	>999 %
	Federal Receipts (Fed)	0	3,550,000	3,550,000	>999 %

2011 Legislature - Capital Budget
Project Compare by House District - Senate CS3 Structure

Numbers and Language Differences
District by Impact

House District: 6 Interior Villages

		[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Total to SCS3 Total	
Department of Transportation and Public Facilities					
Emergency Projects					
AL	**Tatalina River Bridge Repair**	**0**	**15,000**	**15,000**	**>999 %**
	1004 Gen Fund (UGF)	0	15,000	15,000	>999 %
AL	**Taylor Highway Repair**	**0**	**810,000**	**810,000**	**>999 %**
	1004 Gen Fund (UGF)	0	810,000	810,000	>999 %
*** House District Totals		**0**	**825,000**	**825,000**	**>999 %**
Funding Summary					
	Unrestricted General (UGF)	0	825,000	825,000	>999 %

2011 Legislature - Capital Budget
Project Compare by House District - Senate CS3 Structure

Numbers and Language Differences
District by Impact

House District: 7-11 Fairbanks Areawide

		[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Total to SCS3 Total	
Department of Transportation and Public Facilities					
Surface Transportation Program					
AL	**Fairbanks - South Cushman - Mitchell Expressway to Sanduri Street**	**0**	**1,660,000**	**1,660,000**	**>999 %**
	1002 Fed Rcpts (Fed)	0	1,660,000	1,660,000	>999 %
*** House District Totals		**0**	**1,660,000**	**1,660,000**	**>999 %**
Funding Summary					
	Federal Receipts (Fed)	0	1,660,000	1,660,000	>999 %

2011 Legislature - Capital Budget
Project Compare by House District - Senate CS3 Structure

Numbers and Language
Differences
District by Impact

House District: 13-16 Mat-Su Areawide

		[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Total to SCS3 Total	
Department of Transportation and Public Facilities					
Airport Improvement Program					
AL	**Talkeetna - Airport Improvement**	**0**	**5,000,000**	**5,000,000**	**>999 %**
	1002 Fed Rcpts (Fed)	0	5,000,000	5,000,000	>999 %
AL	**Talkeetna - Airport Pavement Rehabilitation**	**0**	**5,700,000**	**5,700,000**	**>999 %**
	1002 Fed Rcpts (Fed)	0	5,700,000	5,700,000	>999 %
Surface Transportation Program					
AL	**Richardson Hwy Reconstruction MP 148-159, Sourdough to Haggard Creek**	**0**	**30,000,000**	**30,000,000**	**>999 %**
	1002 Fed Rcpts (Fed)	0	30,000,000	30,000,000	>999 %
*** House District Totals		**0**	**40,700,000**	**40,700,000**	**>999 %**
Funding Summary					
	Federal Receipts (Fed)	0	40,700,000	40,700,000	>999 %

2011 Legislature - Capital Budget
Project Compare by House District - Senate CS3 Structure

Numbers and Language
Differences
District by Impact

House District: 33-35 Kenai Areawide

		[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Total to SCS3 Total	
Department of Labor and Workforce Development					
AP	**AVTEC Economic Development Administration Distance Training Partnerships Grant**	**0**	**226,500**	**226,500**	**>999 %**
	1002 Fed Rcpts (Fed)	0	226,500	226,500	>999 %
*** House District Totals		**0**	**226,500**	**226,500**	**>999 %**
Funding Summary					
	Federal Receipts (Fed)	0	226,500	226,500	>999 %

2011 Legislature - Capital Budget
Project Compare by House District - Senate CS3 Structure

Numbers and Language
Differences
District by Impact

House District: 37 Bristol Bay/Aleutians

		[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Total to SCS3 Total	
Department of Transportation and Public Facilities					
Airport Improvement Program					
AL	**Cold Bay - Airport Pavement Rehabilitation**	0	5,300,000	5,300,000	**>999 %**
	1002 Fed Rcpts (Fed)	0	5,300,000	5,300,000	>999 %
*** House District Totals		0	5,300,000	5,300,000	**>999 %**
Funding Summary					
	Federal Receipts (Fed)	0	5,300,000	5,300,000	>999 %

2011 Legislature - Capital Budget
Project Compare by House District - Senate CS3 Structure

Numbers and Language
Differences
District by Impact

House District: 1-40 Statewide

		[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Total to SCS3 Total	
Department of Fish and Game					
AP	**Intensive Management Implementation Study**	**0**	**1,750,000**	**1,750,000**	**>999 %**
	1004 Gen Fund (UGF)	0	1,750,000	1,750,000	>999 %
AP	**Wolf, Moose, and Community Harvest Study**	**0**	**475,000**	**475,000**	**>999 %**
	1004 Gen Fund (UGF)	0	475,000	475,000	>999 %
Department of Natural Resources					
AP	**Alaska Cadastral Project**	**0**	**50,000**	**50,000**	**>999 %**
	1002 Fed Rcpts (Fed)	0	50,000	50,000	>999 %
Department of Public Safety					
AP	**Alaska Public Safety Information Network Migration**	**0**	**1,356,550**	**1,356,550**	**>999 %**
	1004 Gen Fund (UGF)	0	1,356,550	1,356,550	>999 %
Department of Revenue					
AHFC Weatherization and Home Energy Rebate Programs					
AL	**AHFC Weatherization Program**	**31,500,000**	**76,500,000**	**45,000,000**	**142.9 %**
	1002 Fed Rcpts (Fed)	1,500,000	1,500,000	0	
	1004 Gen Fund (UGF)	30,000,000	25,000,000	-5,000,000	-16.7 %
	1197 AK Cap Fnd (UGF)	0	50,000,000	50,000,000	>999 %
AL	**AHFC Home Energy Rebate Program**	**20,000,000**	**25,000,000**	**5,000,000**	**25.0 %**
	1004 Gen Fund (UGF)	20,000,000	25,000,000	5,000,000	25.0 %

2011 Legislature - Capital Budget
Project Compare by House District - Senate CS3 Structure

Numbers and Language
Differences
District by Impact

House District: 1-40 Statewide

		[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Total to SCS3 Total	
Department of Transportation and Public Facilities					
AL	**Transportation GO Bonds Refunding with General Funds**	0	0	0	
	1004 Gen Fund (UGF)	0	150,050,000	150,050,000	>999 %
	1008 G/O Bonds (Other)	0	-150,050,000	-150,050,000	<-999 %
*** House District Totals		**51,500,000**	**105,131,550**	**53,631,550**	**104.1 %**
Funding Summary					
	Unrestricted General (UGF)	50,000,000	253,631,550	203,631,550	407.3 %
	Other State Funds (Other)	0	-150,050,000	-150,050,000	<-999 %
	Federal Receipts (Fed)	1,500,000	1,550,000	50,000	3.3 %

2011 Legislature - Capital Budget
Project Compare by House District - Senate CS3 Structure

Numbers and Language Differences
District by Impact

House District: All Districts

		[1] SCS2 Total	[2] SCS3 Total	[2] - [1] SCS2 Total to SCS3 Total	
*** All Districts Totals		51,500,000	158,274,750	106,774,750	207.3 %
Funding Summary					
	Unrestricted General (UGF)	50,000,000	255,338,250	205,338,250	410.7 %
	Other State Funds (Other)	0	-150,050,000	-150,050,000	<-999 %
	Federal Receipts (Fed)	1,500,000	52,986,500	51,486,500	>999 %

2011 Legislature - Capital Budget
Statewide Totals - Senate CS3 Structure

Numbers and Language

	[1] GovAmd+	[2] GovSup	[3] Gov Total	[4] SCS3 Total	[5] Gov to SCS3
Total	1,969,471.1	47,949.8	2,017,420.8	2,795,684.9	778,264.0
Funding Sources					
1002 Fed Rcpts (Fed)	1,075,383.0	51,486.5	1,126,869.5	1,125,767.9	-1,101.6
1003 G/F Match (UGF)	104,234.9	0.0	104,234.9	86,514.9	-17,720.0
1004 Gen Fund (UGF)	270,035.1	-2,411.8	267,623.3	1,392,617.7	1,124,994.4
1005 GF/Prgm (DGF)	3,400.0	0.0	3,400.0	3,400.0	0.0
1008 G/O Bonds (Other)	0.0	0.0	0.0	-150,050.0	-150,050.0
1012 Rail Enrgy (UGF)	65,731.1	0.0	65,731.1	65,700.0	-31.1
1017 Group Ben (Other)	570.8	0.0	570.8	570.8	0.0
1024 Fish/Game (Other)	750.0	0.0	750.0	750.0	0.0
1026 HwyCapital (Other)	18,322.6	0.0	18,322.6	18,322.6	0.0
1027 IntAirport (Other)	17,236.8	0.0	17,236.8	17,236.8	0.0
1029 PERS Trust (Other)	661.5	0.0	661.5	661.5	0.0
1034 Teach Ret (Other)	272.1	0.0	272.1	272.1	0.0
1037 GF/MH (UGF)	3,145.0	0.0	3,145.0	0.0	-3,145.0
1042 Jud Retire (Other)	6.9	0.0	6.9	6.9	0.0
1045 Nat Guard (Other)	21.9	0.0	21.9	21.9	0.0
1050 PFD Fund (DGF)	366.5	0.0	366.5	266.5	-100.0
1052 Oil/Haz Fd (DGF)	100.0	-1,125.0	-1,025.0	100.0	1,125.0
1061 CIP Rcpts (Other)	6,040.2	0.0	6,040.2	3,230.0	-2,810.2
1063 NPR Fund (Fed)	5,399.7	0.0	5,399.7	5,399.7	0.0
1075 Cln Wtr Fd (Other)	1,826.3	0.0	1,826.3	1,826.3	0.0
1092 MHTAAR (Other)	1,750.0	0.0	1,750.0	0.0	-1,750.0
1100 Drk Wtr Fd (Other)	4,071.9	0.0	4,071.9	4,071.9	0.0
1105 PF Gross (Other)	150.0	0.0	150.0	150.0	0.0
1108 Stat Desig (Other)	14,155.0	0.0	14,155.0	14,155.0	0.0
1112 IntAptCons (Other)	19,212.9	0.0	19,212.9	19,212.9	0.0
1139 AHFC Div (UGF)	16,976.5	0.0	16,976.5	16,300.0	-676.5
1140 AIDEA Div (UGF)	29,400.0	0.0	29,400.0	29,400.0	0.0
1147 PublicBldg (Other)	3,000.0	0.0	3,000.0	3,000.0	0.0

Computed Column Definitions: [3]=[1]+[2], [5]=[4]-[3]

Rpt 2a

2011 Legislature - Capital Budget
Statewide Totals - Senate CS3 Structure

Numbers and Language

	[1] GovAmd+	[2] GovSup	[3] Gov Total	[4] SCS3 Total	[5] Gov to SCS3
Funding Sources (continued)					
1153 State Land (DGF)	3,700.0	0.0	3,700.0	3,700.0	0.0
1173 GF MisEarn (UGF)	205.3	0.0	205.3	205.3	0.0
1185 Elect Fund (Other)	100.0	0.0	100.0	100.0	0.0
1195 SpecVehRct (DGF)	250.0	0.0	250.0	250.0	0.0
1197 AK Cap Fnd (UGF)	0.0	0.0	0.0	50,000.0	50,000.0
1202 Anat Fnd (DGF)	35.0	0.0	35.0	55.0	20.0
1206 CPV Tax (Other)	3,018.2	0.0	3,018.2	12,739.0	9,720.8
1207 RCS Impact (Other)	600.0	0.0	600.0	0.0	-600.0
1210 Ren Energy (DGF)	25,000.0	0.0	25,000.0	36,620.2	11,620.2
1211 Gamble Tax (UGF)	7,000.0	0.0	7,000.0	33,000.0	26,000.0
1213 AHCC (UGF)	267,342.0	0.0	267,342.0	0.0	-267,342.0
1221 Legal Serv (DGF)	0.0	0.0	0.0	110.0	110.0
Funding Summary					
Unrestricted General (UGF)	764,069.9	-2,411.8	761,658.1	1,673,737.9	912,079.8
Designated General (DGF)	32,851.5	-1,125.0	31,726.5	44,501.7	12,775.2
Other State Funds (Other)	91,767.0	0.0	91,767.0	-53,722.4	-145,489.4
Federal Receipts (Fed)	1,080,782.7	51,486.5	1,132,269.2	1,131,167.6	-1,101.6

Computed Column Definitions: [3]=[1]+[2], [5]=[4]-[3]

2011 Legislature - Capital Budget
Agency Summary - Senate CS3 Structure

Numbers and Language

Agency	[1] GovAmd+	[2] GovSup	[3] Gov Total	[4] SCS3 Total	[5] Gov to SCS3
Agency Budgets					
Administration	65,663.0	0.0	65,663.0	65,663.2	0.2
Community & Economic Dev	206,081.9	650.0	206,731.9	824,973.3	618,241.4
Corrections	7,400.0	0.0	7,400.0	7,400.0	0.0
Education & Early Dev	50,174.5	0.0	50,174.5	158,700.7	108,526.1
Environmental Conservation	78,370.1	-2,250.0	76,120.1	79,788.1	3,668.0
Fish and Game	26,325.0	0.0	26,325.0	28,550.0	2,225.0
Governor	100.0	0.0	100.0	100.0	0.0
Health & Social Services	67,499.1	0.0	67,499.1	68,104.1	605.0
Labor & Workforce Dev	1,710.0	226.5	1,936.5	4,436.5	2,500.0
Law	15,250.0	0.0	15,250.0	1,250.0	-14,000.0
Military & Veterans Affairs	30,905.8	0.0	30,905.8	30,905.8	0.0
Natural Resources	32,658.0	50.0	32,708.0	34,588.2	1,880.2
Public Safety	8,278.0	-7,643.4	634.5	9,634.5	9,000.0
Revenue	84,478.5	0.0	84,478.5	186,669.5	102,191.0
Transportation & Public Fac	1,055,435.4	56,916.7	1,112,352.1	1,129,280.1	16,928.0
University of Alaska	69,500.0	0.0	69,500.0	90,854.0	21,354.0
Alaska Court System	6,500.0	0.0	6,500.0	9,986.8	3,486.8
Total	**1,806,329.5**	**47,949.8**	**1,854,279.2**	**2,730,884.9**	**876,605.6**
Statewide Items					
Fund Capitalization	163,141.6	0.0	163,141.6	64,800.0	-98,341.6
Total	**163,141.6**	**0.0**	**163,141.6**	**64,800.0**	**-98,341.6**
Statewide Total	**1,969,471.1**	**47,949.8**	**2,017,420.8**	**2,795,684.9**	**778,264.0**
Funding Summary					
Unrestricted General (UGF)	764,069.9	-2,411.8	761,658.1	1,673,737.9	912,079.8
Designated General (DGF)	32,851.5	-1,125.0	31,726.5	44,501.7	12,775.2
Other State Funds (Other)	91,767.0	0.0	91,767.0	-53,722.4	-145,489.4
Federal Receipts (Fed)	1,080,782.7	51,486.5	1,132,269.2	1,131,167.6	-1,101.6

Computed Column Definitions: [3]=[1]+[2], [5]=[4]-[3]

2011 Legislature - Capital Budget
Agency Summary - Senate CS3 Structure

Numbers and Language

Agency	[1] GovAmd+	[2] GovSup	[3] Gov Total	[4] SCS3 Total	[5] Gov to SCS3
Non-Additive Items					
Fund Transfers	25,000.0	0.0	25,000.0	30,620.2	5,620.2
Total	**25,000.0**	**0.0**	**25,000.0**	**30,620.2**	**5,620.2**

Computed Column Definitions: [3]=[1]+[2], [5]=[4]-[3]

2011 Legislature - Capital Budget
House District Summary - Senate CS3 Structure

Numbers and Language
District by Impact

House District		[1] GovAmd+	[2] GovSup	[3] Gov Total	[4] SCS3 Total	[5] Gov to SCS3
1	Ketchikan	12,353.2	320.0	12,673.2	51,771.1	39,098.0
2	Sitka/Petersburg/Wrangell	11,828.9	0.0	11,828.9	59,156.7	47,327.8
3-4	Juneau Areawide	42,147.5	0.0	42,147.5	73,898.3	31,750.8
5	Cordova/Southeast Islands	33,992.0	4,111.7	38,103.7	68,931.1	30,827.4
1-5	Southeast Region	15,356.0	350.0	15,706.0	29,455.0	13,749.0
6	Interior Villages	89,512.1	825.0	90,337.1	114,945.5	24,608.4
7-11	Fairbanks Areawide	64,116.9	1,660.0	65,776.9	129,503.1	63,726.2
12	Richardson/Glenn Highways	49,965.0	0.0	49,965.0	51,435.4	1,470.4
13-16	Mat-Su Areawide	49,366.7	40,700.0	90,066.7	102,625.0	12,558.3
17-32	Anchorage Areawide	232,197.3	-8,700.0	223,497.3	423,904.5	200,407.2
33-35	Kenai Areawide	17,783.2	226.5	18,009.7	119,688.0	101,678.4
12-35	Southcentral Region	72,731.1	0.0	72,731.1	111,548.3	38,817.2
36	Kodiak	7,887.2	0.0	7,887.2	41,955.4	34,068.2
37	Bristol Bay/Aleutians	55,456.3	5,300.0	60,756.3	79,082.4	18,326.1
38	Bethel	62,948.5	0.0	62,948.5	148,479.0	85,530.5
36-38	Southwest Region	35.0	0.0	35.0	17,665.0	17,630.0
39	Bering Straits	42,406.7	0.0	42,406.7	57,856.0	15,449.3
40	Arctic	61,799.7	0.0	61,799.7	85,550.8	23,751.1
1-40	Statewide	1,047,587.9	3,156.6	1,050,744.4	1,028,234.2	-22,510.2
Statewide Total		**1,969,471.1**	**47,949.8**	**2,017,420.8**	**2,795,684.9**	**778,264.0**
Funding Summary						
	Unrestricted General (UGF)	764,069.9	-2,411.8	761,658.1	1,673,737.9	912,079.8
	Designated General (DGF)	32,851.5	-1,125.0	31,726.5	44,501.7	12,775.2
	Other State Funds (Other)	91,767.0	0.0	91,767.0	-53,722.4	-145,489.4
	Federal Receipts (Fed)	1,080,782.7	51,486.5	1,132,269.2	1,131,167.6	-1,101.6

Computed Column Definitions: [3]=[1]+[2], [5]=[4]-[3]

Rpt 2C

Multi-year Agency Summary

Numbers and Language

Agency	ID=> [1] Capital FY2012 Senate CS3 Sec1 Cap 3	[2] Capital FY2012 Senate CS3 Sec4Energy 3	[3] Capital FY2012 Senate CS3 Sec7Cruise 3	[4] Capital FY2012 Senate CS3 Sec10School 3	[5] Capital FY2012 Senate CS3 FY12Lang 3	[6] Capital FY2012 Senate CS3 FY11SupCap 3	[7] Total Cap	[8] Operating FY2012 Senate Sen OpinCap	[9] Operating FY2012 Senate Sen SupinCap	[10] Bill Total
Agency Budgets										
Administration	65,663.2	0.0	0.0	0.0	0.0	0.0	65,663.2	0.0	0.0	65,663.2
Community & Economic Dev	386,755.3	347,408.2	55,739.0	29,671.1	5,399.7	0.0	824,973.3	0.0	0.0	824,973.3
Corrections	7,400.0	0.0	0.0	0.0	0.0	0.0	7,400.0	0.0	0.0	7,400.0
Education & Early Dev	6,025.0	0.0	0.0	152,675.7	0.0	0.0	158,700.7	0.0	0.0	158,700.7
Environmental Conservation	79,788.1	0.0	0.0	0.0	0.0	0.0	79,788.1	0.0	0.0	79,788.1
Fish and Game	28,550.0	0.0	0.0	0.0	0.0	0.0	28,550.0	0.0	0.0	28,550.0
Governor	100.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0	100.0
Health & Social Services	68,104.1	0.0	0.0	0.0	0.0	0.0	68,104.1	0.0	0.0	68,104.1
Labor & Workforce Dev	4,210.0	0.0	0.0	0.0	0.0	226.5	4,436.5	486.0	0.0	4,922.5
Law	1,250.0	0.0	0.0	0.0	0.0	0.0	1,250.0	0.0	0.0	1,250.0
Military & Veterans Affairs	30,905.8	0.0	0.0	0.0	0.0	0.0	30,905.8	0.0	0.0	30,905.8
Natural Resources	34,538.2	0.0	0.0	0.0	0.0	50.0	34,588.2	0.0	0.0	34,588.2
Public Safety	8,278.0	0.0	0.0	0.0	0.0	1,356.5	9,634.5	0.0	0.0	9,634.5
Revenue	79,669.5	107,000.0	0.0	0.0	0.0	0.0	186,669.5	0.0	0.0	186,669.5
Transportation & Public Fac	1,076,363.4	0.0	0.0	0.0	0.0	52,916.7	1,129,280.1	0.0	0.0	1,129,280.1
University of Alaska	90,854.0	0.0	0.0	0.0	0.0	0.0	90,854.0	0.0	0.0	90,854.0
Alaska Court System	9,986.8	0.0	0.0	0.0	0.0	0.0	9,986.8	0.0	0.0	9,986.8
Legislature	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**1,978,441.4**	**454,408.2**	**55,739.0**	**182,346.8**	**5,399.7**	**54,549.8**	**2,730,884.9**	**486.0**	**0.0**	**2,731,370.9**
Statewide Items										
Fund Capitalization	0.0	0.0	0.0	0.0	64,800.0	0.0	64,800.0	0.0	0.0	64,800.0
Debt Service	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	49,000.0	49,000.0
Total	**0.0**	**0.0**	**0.0**	**0.0**	**64,800.0**	**0.0**	**64,800.0**	**0.0**	**49,000.0**	**113,800.0**
Statewide Total	**1,978,441.4**	**454,408.2**	**55,739.0**	**182,346.8**	**70,199.7**	**54,549.8**	**2,795,684.9**	**486.0**	**49,000.0**	**2,845,170.9**

Computed Column Definitions: [7]=[1]+[2]+[3]+[4]+[5]+[6], [10]=[7]+[8]+[9]

RDT 3

Multi-year Agency Summary

Numbers and Language

Agency	ID=> [1] Budget=> Capital Year=> FY2012 Structure=> Senate CS3 Column=> Sec1 Cap_3	[2] Capital FY2012 Senate CS3 Sec4Energy_3	[3] Capital FY2012 Senate CS3 Sec7Cruise_3	[4] Capital FY2012 Senate CS3 Sec10School_3	[5] Capital FY2012 Senate CS3 FY12Lang_3	[6] Capital FY2012 Senate CS3 FY11SupCap_3	[7] Total Cap	[8] Operating FY2012 Senate Sen OpinCap	[9] Operating FY2012 Senate Sen SupinCap	[10] Bill Total
Funding Summary										
Unrestricted General (UGF)	822,589.9	410,288.0	43,000.0	182,346.8	62,400.0	153,113.2	1,673,737.9	486.0	49,000.0	1,723,223.9
Designated General (DGF)	7,881.5	36,620.2	0.0	0.0	0.0	0.0	44,501.7	0.0	0.0	44,501.7
Other State Funds (Other)	83,588.6	0.0	12,739.0	0.0	0.0	-150,050.0	-53,722.4	0.0	0.0	-53,722.4
Federal Receipts (Fed)	1,064,381.4	7,500.0	0.0	0.0	7,799.7	51,486.5	1,131,167.6	0.0	0.0	1,131,167.6
Non-Additive Items										
Fund Transfers	0.0	0.0	0.0	0.0	30,620.2	0.0	30,620.2	383,800.0	500,000.0	914,420.2
Total	**0.0**	**0.0**	**0.0**	**0.0**	**30,620.2**	**0.0**	**30,620.2**	**383,800.0**	**500,000.0**	**914,420.2**

Computed Column Definitions: [7]=[1]+[2]+[3]+[4]+[5]+[6], [10]=[7]+[8]+[9]

Adopted 4/22/11

27-GS1740\T
Kane
4/20/11

CS FOR SENATE BILL NO. 46(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SPECIAL SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

"An Act making and amending appropriations, including capital appropriations, savings deposits in the form of appropriations to the statutory budget reserve fund, and other appropriations; making appropriations to capitalize funds; and providing for an effective date."

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

(SECTION 1 OF THIS ACT BEGINS ON PAGE 2)

* **Section 1.** The following appropriation items are for capital projects and grants from the general fund or other funds as set out in section 2 of this Act by funding source to the agencies named for the purposes expressed and lapse under AS 37.25.020, unless otherwise noted.

	Appropriation	General	Other
Allocations	Items	Funds	Funds
* * * * *	* * * * *		
* * * * * **Department of Administration** * * * * *			
* * * * *	* * * * *		
Atwood Building and Linny Pacillo Parking Garage Improvements (HD 17-32)	2,800,000	2,800,000	
Classification System Conversion (HD 1-40)	500,000	500,000	
Combined Retirement System Upgrade (HD 1-40)	350,000		350,000
Motor Vehicles Automatic Queuing System (HD 1-40)	200,000	200,000	
Retirement and Benefits Disaster Recovery System (HD 1-40)	796,200		796,200
Retirement and Benefits Document Management System (HD 1-40)	387,000		387,000
Statewide Administrative Systems Replacement Final Phase (HD 1-40)	47,380,000	47,380,000	
Statewide Network Connectivity Upgrades (HD 1-40)	3,000,000	3,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Statewide Deferred		**10,250,000**	**7,250,000**	**3,000,000**
Maintenance Projects				
Enterprise Technology Services Anchorage Facilities Deferred Maintenance (HD 17-32)	490,000			
Enterprise Technology Services Fairbanks Facilities Deferred Maintenance (HD 7-11)	245,000			
Facilities IP Phone Upgrade and Deferred Maintenance (HD 1-40)	1,000,000			
Non-Public Building Fund Deferred Maintenance (HD 3-4)	500,000			
Public Building Fund Anchorage Facilities Deferred Maintenance (HD 17-32)	500,000			
Public Building Fund Juneau Facilities Deferred Maintenance (HD 3-4)	4,515,000			
State of Alaska Telecommunication System Deferred Maintenance year 2 of 5 (HD 1-40)	3,000,000			
* * * * *			* * * * *	
* * * * * **Department of Commerce, Community and Economic Development** * * * * *				
* * * * *			* * * * *	
Alaska Industrial		6,000,000	6,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Development & Export Authority - Ketchikan Shipyard Expansion and Improvement (HD 1)				
Tourism Economic Impact Study (HD 1-40)		100,000	100,000	
Community Block Grants Program		**6,571,000**	**71,000**	**6,500,000**
Community Development Block Grants (HD 1-40)	3,571,000			
Community Service Block Grants (RurAL CAP) (HD 1-40)	3,000,000			
Community Development and Assistance Program		**1,810,000**	**100,000**	**1,710,000**
Alaska Sustainable Salmon Fund Program (HD 1-40)	1,030,000			
Cooperating Technical Partners (CTP) Program (HD 1-40)	80,000			
Floodplain & Erosion Management Program (HD 1-40)	400,000			
Hazard Mitigation Assistance Grants (HD 1-40)	300,000			
Grants to Municipalities (AS 37.05.315)				

It is the intent of the legislature that the Department of Commerce, Community and Economic Development eliminate the requirement for narrative and financial quarterly reporting for any grant of $50,000 or less. It is further intended that the department make a single upfront

	Allocations	Appropriation Items	General Funds	Other Funds
payment for any grant of $50,000 or less, conditioned on the department first receiving a signed certification from the recipient agreeing to use the full grant amount for its intended purpose, to return all unexpended funds to the state for deposit into the general fund upon project completion, and to follow all other terms of the departments grant agreement.				
Akiak - Heavy Equipment Purchase (HD 38)		850,000	850,000	
Anchorage - 121st Avenue Storm Drain Construction (HD 17-32)		1,200,000	1,200,000	
Anchorage - 32nd Avenue Upgrade (HD 17-32)		4,100,000	4,100,000	
Anchorage - 73rd Avenue & 74th Avenue Road Water Line Extension (HD 17-32)		1,300,000	1,300,000	
Anchorage - 75th Avenue & Margaret Circle Area Drainage (HD 17-32)		3,000,000	3,000,000	
Anchorage - 88th Avenue Upgrade - Spruce Brook Street to Elmore Road (HD 17-32)		3,000,000	3,000,000	
Anchorage - 9th Avenue Phase II Reconstruction (HD 17-32)		3,600,000	3,600,000	
Anchorage - Abbott Loop Elementary School Library Furniture (HD 17-32)		7,500	7,500	
Anchorage - Abbott Loop Elementary School Playground Equipment Upgrades (HD 17-32)		25,000	25,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage - Airport Heights Elementary School Building Wide Cable TV Connections (HD 17-32)		75,000	75,000	
Anchorage - Airport Heights Elementary School Equipment (HD 17-32)		20,000	20,000	
Anchorage - Alexander Avenue Drainage Improvements (HD 17-32)		250,000	250,000	
Anchorage - Aquarian Charter School Lighting (HD 17-32)		100,000	100,000	
Anchorage - Area Road and Drainage Rehabilitation (HD 17-32)		1,400,000	1,400,000	
Anchorage - Arlberg Avenue Extension - Winner Creek Area Access (HD 17-32)		3,500,000	3,500,000	
Anchorage - AVAIL High School Classroom Furniture and Books (HD 17-32)		14,500	14,500	
Anchorage - Bancroft Subdivision Area Road and Drainage Rehabilitation (HD 17-32)		500,000	500,000	
Anchorage - Bartlett High School Boy's Locker Replacement (HD 17-32)		320,000	320,000	
Anchorage - Bartlett High School Interactive Display		208,000	208,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Technology (HD 17-32)				
Anchorage - Bartlett High School Musical Instruments (HD 17-32)		80,000	80,000	
Anchorage - Bartlett High School Restrooms Flush Valves Replacement (HD 17-32)		39,150	39,150	
Anchorage - Baxter Elementary School Technology Program (HD 17-32)		15,000	15,000	
Anchorage - Bayshore Elementary School Interactive Display Technology Purchase and Installation (HD 17-32)		55,000	55,000	
Anchorage - Begich Middle School Certifications (HD 17-32)		15,600	15,600	
Anchorage - Begich Middle School Musical Instruments (HD 17-32)		25,000	25,000	
Anchorage - Begich Middle School Physics Equipment (HD 17-32)		6,200	6,200	
Anchorage - Begich Middle School Wind Turbine Conduit and Improvements (HD 17-32)		40,000	40,000	
Anchorage - Campbell		40,000	40,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Elementary School Classroom Projectors (HD 17-32)				
Anchorage - Campbell Elementary School Playground Equipment and Safety Surface Upgrades (HD 17-32)		250,000	250,000	
Anchorage - Central Middle School of Science Music Program Upgrade (HD 17-32)		18,000	18,000	
Anchorage - Chester Valley Elementary School Gym Floor Protective Cover (HD 17-32)		17,500	17,500	
Anchorage - Chester Valley Elementary School Instructional Materials and Software (HD 17-32)		25,000	25,000	
Anchorage - Chester Valley Elementary School Technology Improvements (HD 17-32)		20,000	20,000	
Anchorage - Chinook Elementary School Storage Cubicles Purchase and Installation (HD 17-32)		25,000	25,000	
Anchorage - Chinook Elementary School Window Replacement (HD 17-32)		120,000	120,000	
Anchorage - Chugach		30,000	30,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Optional Elementary School Technology Upgrade (HD 17-32)				
Anchorage - Clark Middle School Medical Laboratory Equipment (HD 17-32)		15,000	15,000	
Anchorage - Clark Middle School Musical Instrument Purchase (HD 17-32)		20,000	20,000	
Anchorage - Creekside Park Elementary School Classroom Equipment (HD 17-32)		25,000	25,000	
Anchorage - Creekside Park Elementary School Playground Remodel and Upgrade (HD 17-32)		25,000	25,000	
Anchorage - Creekside Park Elementary School Technology Upgrades (HD 17-32)		10,000	10,000	
Anchorage - Crossroads Landscape Upgrade (HD 17-32)		5,000	5,000	
Anchorage - Denali Montessori School Multimedia Equipment (HD 17-32)		19,000	19,000	
Anchorage - Digital Police Video Systems (HD 17-32)		1,392,000	1,392,000	
Anchorage - Dimond High		50,000	50,000	

	Allocations	Appropriation Items	General Funds	Other Funds
School Engineering Academy Expansion (HD 17-32)				
Anchorage - Dimond High School Ventilation System Upgrade (HD 17-32)		50,000	50,000	
Anchorage - East High School Library Improvements (HD 17-32)		10,000	10,000	
Anchorage - East High School Technology Upgrades (HD 17-32)		56,000	56,000	
Anchorage - Fairview Elementary School Computer Laptop Cart (HD 17-32)		40,000	40,000	
Anchorage - Fire Department Battery Powered Extrication Equipment (HD 17-32)		59,100	59,100	
Anchorage - Fire Department CPR Equipment (HD 17-32)		140,000	140,000	
Anchorage - Fire Department Investigator Vehicle Purchase (HD 17-32)		55,000	55,000	
Anchorage - Fish Creek Trail Construction (HD 17-32)		325,000	325,000	
Anchorage - Flooding and Glaciation Matching Program (HD 17-32)		5,000,000	5,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage - Football Stadium Improvements (HD 17-32)		1,000,000	1,000,000	
Anchorage - Furrow Creek Culvert Upgrades - Clippership Court and Mariner Drive (HD 17-32)		400,000	400,000	
Anchorage - Girdwood School Furniture Replacement (HD 17-32)		50,000	50,000	
Anchorage - Gladys Wood Elementary School Interactive Display Technology (HD 17-32)		65,000	65,000	
Anchorage - Gladys Wood Elementary School Partial Walls and Classroom Storage Construction (HD 17-32)		48,000	48,000	
Anchorage - Goldenview Middle School Stage Rigging Replacement (HD 17-32)		50,000	50,000	
Anchorage - Government Hill Elementary School Achievement Recognition Program (HD 17-32)		10,700	10,700	
Anchorage - Hanshew Middle School Gym Renovation (HD 17-32)		50,000	50,000	
Anchorage - Hanshew Middle		176,000	176,000	

	Allocations	Appropriation Items	General Funds	Other Funds
School Library Upgrade (HD 17-32)				
Anchorage - Hillside Drainage Improvements (HD 17-32)		300,000	300,000	
Anchorage - Hillside Road and Drainage System Rehabilitation (HD 17-32)		280,000	280,000	
Anchorage - Homestead Elementary School Improvements (HD 17-32)		175,000	175,000	
Anchorage - Intersection Safety and Congestion Relief Matching Program (HD 17-32)		5,000,000	5,000,000	
Anchorage - Kasuun Elementary School Computer Lab Equipment Upgrade (HD 17-32)		50,000	50,000	
Anchorage - Kasuun Elementary School English Language Equipment (HD 17-32)		5,000	5,000	
Anchorage - Kasuun Elementary School Sound System (HD 17-32)		28,000	28,000	
Anchorage - Kincaid Elementary School AV Equipment for Classrooms (HD 17-32)		11,000	11,000	
Anchorage - Klatt		62,000	62,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Elementary School Classroom Technology (HD 17-32)				
Anchorage - Klatt Elementary School Interactive Display Technology Purchase and Installation (HD 17-32)		62,000	62,000	
Anchorage - Lake Hood Elementary School Classroom Technology (HD 17-32)		50,000	50,000	
Anchorage - McLaughlin School Classroom Technology Improvements (HD 17-32)		20,000	20,000	
Anchorage - Mears Middle School Engineering Program Expansion (HD 17-32)		30,000	30,000	
Anchorage - Mears Middle School Gym Lighting Upgrade (HD 17-32)		35,000	35,000	
Anchorage - Mirror Lake Middle School Computer Upgrades (HD 13-16)		120,000	120,000	
Anchorage - Mountain View Area Traffic and Pedestrian Safety Improvements (HD 17-32)		100,000	100,000	
Anchorage - Mountain View Elementary School Library		17,500	17,500	

	Allocations	Appropriation Items	General Funds	Other Funds
Improvements (HD 17-32)				
Anchorage - Mountain View Elementary School Playground Equipment and Safety Surface (HD 17-32)		340,000	340,000	
Anchorage - Mountain View Elementary School Technology Upgrade (HD 17-32)		22,000	22,000	
Anchorage - Mountain View Library Branch Library Upgrades (HD 17-32)		25,000	25,000	
Anchorage - Muldoon Community Park (HD 17-32)		1,500,000	1,500,000	
Anchorage - Muldoon Elementary School Computers (HD 17-32)		36,000	36,000	
Anchorage - Muldoon Elementary School Interactive Display Technology (HD 17-32)		132,000	132,000	
Anchorage - North Star Elementary School Interactive Teaching System (HD 17-32)		50,000	50,000	
Anchorage - North Star Elementary School Library Upgrades (HD 17-32)		25,000	25,000	
Anchorage - Northeast Anchorage Road and Drainage Improvements (HD 17-32)		533,000	533,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage - Northern Lights Boulevard Sidewalk Construction (HD 17-32)		920,000	920,000	
Anchorage - Northwood ABC Elementary School Interactive Display Technology (HD 17-32)		50,000	50,000	
Anchorage - Northwood Drive Pavement Rehabilitation - Raspberry Road to Strawberry Road (HD 17-32)		1,700,000	1,700,000	
Anchorage - Nunaka Valley Elementary School Improvements (HD 17-32)		191,000	191,000	
Anchorage - Nunaka Valley Elementary School Technology Upgrade (HD 17-32)		75,000	75,000	
Anchorage - Ocean View Elementary School Interactive Display Technology Purchase and Installation (HD 17-32)		45,000	45,000	
Anchorage - Pavement Rehabilitation Matching Program (HD 17-32)		6,000,000	6,000,000	
Anchorage - Pedestrian Safety and Rehabilitation Matching Program (50/50 local match) (HD 17-32)		1,000,000	1,000,000	
Anchorage - Pine Street &		4,000,000	4,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
4th Avenue Area Storm Reconstruction - DeBarr Road to Boniface Parkway (HD 17-32)				
Anchorage - Polaris K-12 School Direct Digital Controls Recalibration (HD 17-32)		10,000	10,000	
Anchorage - Polaris School Science Equipment (HD 17-32)		27,000	27,000	
Anchorage - Polaris School Variable Speed Drive Replacement (HD 17-32)		30,000	30,000	
Anchorage - Police Department Citizen's Policy Academy Support (HD 17-32)		56,150	56,150	
Anchorage - Police Department Tasers (HD 17-32)		47,300	47,300	
Anchorage - Port of Anchorage Expansion (HD 17-32)		20,000,000	20,000,000	

It is the intent of the legislature that the Municipality of Anchorage submit quarterly progress reports to the president of the senate and the speaker of the house of representatives on the Port of Anchorage expansion project detailing all cost overruns and any significant project scope changes.

Anchorage - Project 80s Buildings and Infrastructure (HD 17-32)		9,872,000	9,872,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage - Ptarmigan Elementary School Technology Upgrade (HD 17-32)		173,700	173,700	
Anchorage - Reconstruct Egavik Drive & Denali Street Area Storm Drainage (HD 17-32)		3,000,000	3,000,000	
Anchorage - Repair Anchorage Neighborhood Parks (HD 17-32)		500,000	500,000	
Anchorage - Rogers Park Elementary Northern Lights Boulevard Overpass Safety Upgrades (HD 17-32)		100,000	100,000	
Anchorage - Rogers Park Elementary School Equipment Upgrade (HD 17-32)		50,000	50,000	
Anchorage - Romig Middle School Furniture Upgrade (HD 17-32)		65,000	65,000	
Anchorage - Romig Middle School Interactive Display Technology (HD 17-32)		50,000	50,000	
Anchorage - Romig Middle School Library Furniture Upgrade (HD 17-32)		60,000	60,000	
Anchorage - Romig Middle School Scoreboard and Clock Purchase (HD 17-32)		30,000	30,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage - Russian Jack Elementary School Computers (HD 17-32)		20,000	20,000	
Anchorage - Russian Jack Elementary School Student Response System (HD 17-32)		12,000	12,000	
Anchorage - Sand Lake Elementary School Ice Rink Renovation (HD 17-32)		50,000	50,000	
Anchorage - Sand Lake Watershed Drinking Water Studies (HD 17-32)		250,000	250,000	
Anchorage - SAVE High School Technology Upgrade (HD 17-32)		39,000	39,000	
Anchorage - Scenic Park Elementary School Furniture and Technology Update (HD 17-32)		22,100	22,100	
Anchorage - School District Alaska Native Cultural Materials (HD 17-32)		50,000	50,000	
Anchorage - Self Contained Breathing Apparatus Replacement (HD 17-32)		175,000	175,000	
Anchorage - Service High School Entry Doors (HD 17-32)		20,000	20,000	
Anchorage - Service High School Repair Leak (HD 17-32)		15,000	15,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage - South High School Purchase and Install Interactive Display Technology (HD 17-32)		235,000	235,000	
Anchorage - Spring Hill Elementary School Server and Computers (HD 17-32)		30,000	30,000	
Anchorage - Spring Hill Elementary School Site Upgrades (HD 17-32)		36,000	36,000	
Anchorage - Steller Secondary School Interactive Display Technology (HD 17-32)		50,000	50,000	
Anchorage - Susitna Elementary School CCTV and Security System Upgrade (HD 17-32)		175,000	175,000	
Anchorage - Susitna Elementary School Interactive Display Technology (HD 17-32)		75,000	75,000	
Anchorage - Susitna Elementary School Technology Upgrade (HD 17-32)		75,000	75,000	
Anchorage - Taku Elementary School Art Equipment Upgrade (HD 17-32)		7,000	7,000	
Anchorage - Traffic		500,000	500,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Calming and Safety Improvements (HD 17-32)				
Anchorage - Trailside Elementary School Computer Lab Software (HD 17-32)		10,000	10,000	
Anchorage - Tudor Elementary School Conference Room Furniture (HD 17-32)		17,000	17,000	
Anchorage - Tudor Elementary School Fire Alarm Replacement (HD 17-32)		175,000	175,000	
Anchorage - Tudor Elementary School Flushometer Replacement (HD 17-32)		20,000	20,000	
Anchorage - Turnagain Elementary School Interactive Display Technology (HD 17-32)		40,000	40,000	
Anchorage - University Lake Park Safety and Community Enhancements (HD 17-32)		50,000	50,000	
Anchorage - Waldron Subdivision Tract Purchase (HD 17-32)		4,000,000	4,000,000	
Anchorage - Wendler Middle School Computer Upgrades (HD 17-32)		70,000	70,000	
Anchorage - Wendler Middle		10,000	10,000	

	Allocations	Appropriation Items	General Funds	Other Funds
School Direct Digital Controls Recalibration (HD 17-32)				
Anchorage - West High School Cafeteria Upgrade (HD 17-32)		50,000	50,000	
Anchorage - West High School Classroom Furniture (HD 17-32)		75,000	75,000	
Anchorage - West High School Distance Learning Computer Technology (HD 17-32)		400,000	400,000	
Anchorage - West High School Interactive Display Technology (HD 17-32)		50,000	50,000	
Anchorage - Whaley Center CCTV Cameras (HD 17-32)		15,000	15,000	
Anchorage - Whaley Center Nurse's Office Upgrade (HD 17-32)		15,000	15,000	
Anchorage - William Tyson Elementary School Gym Improvements (HD 17-32)		35,000	35,000	
Anchorage - William Tyson Elementary School Office Technology Improvements (HD 17-32)		20,000	20,000	
Anchorage - William Tyson Elementary School Track Installation (HD 17-32)		50,000	50,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage - Williwaw Elementary School Interactive Display Technology (HD 17-32)		70,000	70,000	
Anchorage - Willow Crest Elementary School Education Equipment (HD 17-32)		7,400	7,400	
Anchorage - Willow Crest Elementary School Interactive Display Technology (HD 17-32)		18,000	18,000	
Anchorage - Willow Crest Elementary School Playground Upgrade (HD 17-32)		100,000	100,000	
Anchorage - Winterberry K-8 Science Equipment (HD 17-32)		16,000	16,000	
Anchorage - Wonder Park Elementary School Lighting Upgrade (HD 17-32)		30,000	30,000	
Anchorage - Wonder Park Elementary School Planning (HD 17-32)		50,000	50,000	
Anchorage - Wonder Park Elementary School Playground Equipment and Safety Surface (HD 17-32)		150,000	150,000	
Anchorage - Wonder Park Elementary School Sound		30,000	30,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Baffles (HD 17-32)				
Angoon - Road Restoration (HD 5)		1,288,600	1,288,600	
Bethel - LED Streetlights (HD 38)		350,000	350,000	
Bethel - Police Department Emergency Power Generator (HD 38)		246,000	246,000	
Bethel - Police Dispatch System (HD 38)		328,800	328,800	
Bettles - Road Grader Purchase (HD 6)		426,600	426,600	
Bristol Bay Borough - Port Expansion (HD 37)		2,000,000	2,000,000	
Chevak - Glycol Rehabilitation Project (HD 39)		470,000	470,000	
Coffman Cove - Community Clinic (HD 1)		600,000	600,000	
Cordova - Breakwater Extension and Boat Ramp (HD 5)		1,400,000	1,400,000	
Cordova - Hospital Maintenance and Equipment (HD 5)		2,000,000	2,000,000	
Craig - Community Streets Improvement (HD 5)		1,700,000	1,700,000	
Denali Borough - Cantwell School Asbestos Removal and Reconstruction (HD 7-11)		30,000	30,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Dillingham - Snag Point Sewer Line Emergency Relocation (HD 37)		1,000,000	1,000,000	
Emmonak - Courthouse and Safety Building (HD 39)		1,100,000	1,100,000	
Fairbanks North Star Borough - Carlson Activity Center Improvements Phase 2 (HD 7-11)		3,500,000	3,500,000	
Fairbanks North Star Borough - Natural Gas Distribution Study (HD 7-11)		500,000	500,000	
Fairbanks North Star Borough - Noel Wien Library Upgrades (HD 7-11)		6,000,000	6,000,000	
Fairbanks North Star Borough - North Star Fire Station Expansion (HD 7-11)		92,250	92,250	
Fairbanks North Star Borough - Parks and Recreation Facility Improvements (HD 7-11)		1,950,000	1,950,000	
Fairbanks North Star Borough - Pioneer Park Deferred Maintenance (HD 7-11)		400,000	400,000	
Fairbanks North Star Borough - Road Service Area Funding (HD 7-11)		5,000,000	5,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Fairbanks North Star Borough - School Technology Upgrades (HD 7-11)		110,000	110,000	
Fairbanks North Star Borough - Tanana Lakes Infrastructure (HD 7-11)		1,000,000	1,000,000	
Fairbanks North Star Borough - Wood Stove Conversion Program (HD 7-11)		3,000,000	3,000,000	
Fairbanks Northstar Borough - Arctic Winter Games Host Society (HD 7-11)		1,000,000	1,000,000	
Fort Yukon - Solid Waste Disposal Facility (HD 6)		521,900	521,900	
Galena - GILA Steam Plant Fire Safety, Generator Maintenance and Energy Improvements (HD 6)		1,476,800	1,476,800	
Gambell - Heavy Equipment Purchase (HD 39)		248,500	248,500	
Golovin - Heavy Equipment (HD 39)		350,300	350,300	
Goodnews Bay - Building, Landfill, and Community Improvements (HD 38)		181,300	181,300	
Haines - High School Gymnasium Floor Replacement (HD 5)		250,000	250,000	
Hughes - Vehicle Purchase		89,300	89,300	

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 6)				
Juneau - Airport Snow Removal Equipment Facility (HD 3-4)		1,000,000	1,000,000	
Juneau - Auke Bay Harbor Improvements (HD 3-4)		5,000,000	5,000,000	
Juneau - Centennial Hall Roof Replacement and Emergency Improvements (HD 3-4)		1,000,000	1,000,000	
Juneau - Juneau Arts & Culture Center Lighting Upgrades (HD 3-4)		50,000	50,000	
Juneau - School District Technology Upgrade (HD 3-4)		200,000	200,000	
Kaltag - New Clinic Match Funding (HD 6)		150,000	150,000	
Kenai - City Streets Paving Improvements (HD 33-35)		1,000,000	1,000,000	
Kenai - Kenai River Bluff Stabilization (HD 33-35)		1,750,000	1,750,000	
Kenai Peninsula Borough - Bear Creek Fire Service Area Community Multi-Use Facility (HD 33-35)		3,800,000	3,800,000	
Ketchikan Gateway Borough - Mariculture Research Facility (HD 1)		300,000	300,000	
Ketchikan Gateway Borough -		1,030,000	1,030,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Recreation Center Roof Replacement and Facility Improvements (HD 1)				
King Cove - Izembek Land Exchange EIS (HD 37)		300,000	300,000	
Klawock - Water and Sewer Upgrade (HD 5)		1,276,000	1,276,000	
Kodiak - Baranof Park Improvements (HD 36)		2,000,000	2,000,000	
Kodiak Island Borough - Anton Larsen Dock (HD 36)		2,000,000	2,000,000	
Kodiak Island Borough - Long Term Care Facility Planning & Design (HD 36)		1,275,000	1,275,000	
Kodiak Island Borough - Women's Bay Tsunami Emergency Shelter Construction (HD 36)		1,025,000	1,025,000	
Matanuska-Susitna Borough - Port MacKenzie Rail Extension (HD 13-16)		20,000,000	20,000,000	
Matanuska-Susitna Borough - School District Storage Building (HD 12)		75,000	75,000	
Matanuska-Susitna Borough - School District Technology Upgrade (HD 13-16)		100,000	100,000	
Matanuska-Susitna Borough - School District Wireless Access (HD 13-16)		500,000	500,000	
Matanuska-Susitna Borough -		190,000	190,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Willow Road Service Area Upgrade (HD 13-16)				
New Stuyahok - Construct Volunteer Fire Department (HD 37)		985,700	985,700	
Nome - Volunteer Fire Department Equipment (HD 39)		75,000	75,000	
North Slope Borough - Village Clinic Morgue Additions (HD 40)		2,000,000	2,000,000	
Northwest Arctic Borough - Deering Heavy Equipment (HD 40)		250,000	250,000	
Northwest Arctic Borough - Kivalina Water and Sanitation Engineering Feasibility Study (HD 40)		150,000	150,000	
Northwest Arctic Borough - Kobuk Electrical Line and Pole Maintenance (HD 40)		150,000	150,000	
Northwest Arctic Borough - Noatak Storage Shed and Heavy Equipment (HD 40)		125,000	125,000	
Northwest Arctic Borough - Noorvik Storage Shed and Shop (HD 40)		300,000	300,000	
Nunapitchuk - Public Safety Renovation and Equipment (HD 38)		855,000	855,000	
Old Harbor - Airport		1,500,000	1,500,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Improvements (HD 36)				
Palmer - Airport Navigational Aids (HD 13-16)		8,300	8,300	
Palmer - Fire Training Center Station Floor (HD 13-16)		20,000	20,000	
Pelican - Fuel Dock and Utility District (HD 2)		300,000	300,000	
Petersburg - Commercial Vehicle Drive Down (HD 2)		1,810,000	1,810,000	
Petersburg - Crane Dock Improvements (HD 2)		500,000	500,000	
Petersburg - Elderly Housing Facility Roof Replacement (HD 2)		370,000	370,000	
Petersburg - Police Station Repair (HD 2)		100,000	100,000	
Petersburg - Rifle Range Repair and Improvements (HD 2)		25,000	25,000	
Petersburg - Sons of Norway Hall Renovation and Repair (HD 2)		150,000	150,000	
Port Lions - City Dock and Ferry Terminal Replacement (HD 36)		8,000,000	8,000,000	
Saint George - Breakwater Construction and Dredging (HD 37)		2,500,000	2,500,000	
Saint Mary's - Water Line		172,800	172,800	

	Allocations	Appropriation Items	General Funds	Other Funds
Replacement (HD 39)				
Saint Mary's - Water Line Replacement and Improvements (HD 39)		140,400	140,400	
Saint Paul - Harbor Master Office (HD 37)		669,300	669,300	
Seldovia - City Business Center Environmental (HD 33-35)		125,000	125,000	
Seward - CDQ Fishing Fleet Relocation Study (HD 33-35)		400,000	400,000	
Sitka - Cross Trail Improvements (HD 2)		41,000	41,000	
Soldotna - Redoubt Avenue Street Improvement Project (HD 33-35)		2,079,000	2,079,000	
Thorne Bay - Davidson Landing Improvements (HD 1)		250,000	250,000	
Toksook Bay - Boardwalk Improvement (HD 38)		397,500	397,500	
Unalakleet - New Public Safety Building (HD 39)		3,400,000	3,400,000	
Unalaska - Wastewater Treatment Plant Improvements (HD 37)		4,000,000	4,000,000	
Upper Kalskag - Multi-Facility Building Renovation (HD 38)		969,100	969,100	
Wasilla - Airport Access		3,100,000	3,100,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Road (HD 13-16)				
Wasilla - Main Street Couplet (HD 13-16)		5,000,000	5,000,000	
Whittier - Shotgun Cove Road Phase III (HD 17-32)		400,000	400,000	
Whittier - Snow Blower (HD 17-32)		700,000	700,000	
Wrangell - Boat Yard Improvements (HD 2)		3,700,000	3,700,000	
Wrangell - Cassiar Street Improvements (HD 2)		2,000,000	2,000,000	
Grants to Municipalities (AS 37.05.315) - Public Library Construction				
It is the intent of the legislature that the following Grants to Municipalities (AS 37.05.315) satisfy the highest ranked public library construction projects identified by the Alaska Library Association and received by the Department of Commerce, Community and Economic Development under the FY2012 Public Library Construction and Major Expansion Matching Grant program (AS 14.56.355).				
Ketchikan - New Public Library (HD 1)		6,000,000	6,000,000	
Kodiak - New Library Construction (HD 36)		6,900,000	6,900,000	
Skagway - Library Construction and Expansion Project (HD 5)		667,000	667,000	
Soldotna - Joyce K. Carver Library Expansion (HD 33-35)		3,400,000	3,400,000	
Grants to Named Recipients (AS 37.05.316)				

	Allocations	Appropriation Items	General Funds	Other Funds
It is the intent of the legislature that the Department of Commerce, Community and Economic Development eliminate the requirement for narrative and financial quarterly reporting for any grant of $50,000 or less. It is further intended that the department make a single upfront payment for any grant of $50,000 or less, conditioned on the department first receiving a signed certification from the recipient agreeing to use the full grant amount for its intended purpose, to return all unexpended funds to the state for deposit in the general fund upon project completion, and to follow all other terms of the departments grant agreement.				
Abused Women's Aid In Crisis, Inc. (AWAIC) - Equipment Repair and Replacement (HD 17-32)		229,700	229,700	
Alaska Botanical Garden - Construct On-Site Work Facility with Horticultural Research and Propagation Site (HD 17-32)		750,000	750,000	
Alaska Brain Injury Network, Inc. - Curriculum Development and Service Delivery System Planning (HD 17-32)		200,000	200,000	
Alaska Children's Services - Cottages Renovation (HD 17-32)		127,200	127,200	
Alaska Historical Society - Statehood Documentary Educational Distribution (HD 1-40)		48,000	48,000	
Alaska Humanities Forum - Education, Economy, and Workforce Development		465,000	465,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Programs (HD 1-40)				
Alaska Legal Services Corporation - Civil Legal Services (HD 1-40)		110,000	110,000	
Alaska Manufacturing Extension Partnership - State Matching Support (HD 1-40)		400,000	400,000	
Alaska Moose Federation Conservation Fund, Inc. - Expand Statewide Moose Salvage Program (HD 12-35)		775,800	775,800	
Alaska Moose Federation Conservation Fund, Inc. - Rescue and Relocate Orphaned Moose Calves (HD 12-35)		1,441,500	1,441,500	
Alaska Museum of Natural History - Facility Renovations and Improvements (HD 17-32)		150,000	150,000	
Alaska Native Heritage Center - Education and Administration Facilities Expansion (HD 17-32)		2,000,000	2,000,000	
Alaska Native Tribal Health Consortium - Anchorage Long Term Care Facility (HD 17-32)		20,000,000	20,000,000	
Alaska Primary Care Association - Patient		875,000	875,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Centered Medical Home Transition Support (HD 1-40)				
Alaska Public Telecommunications, Inc. - Upgrade Facility and Production Technology (HD 17-32)		499,500	499,500	
Alaska State Hospital and Nursing Home Association - Perioperative Curriculum Design (HD 1-40)		65,000	65,000	
Alaska Zoo - Purchase Vehicle Upgrades and Replacements (HD 17-32)		268,000	268,000	
Alaska Zoo - Signage and Grounds Upgrades (HD 17-32)		161,000	161,000	
Aleutian Peninsula Broadcasting, Inc. - Radio Station Repairs and Upgrades (HD 37)		100,000	100,000	
American Legion of Alaska - Statewide Youth Sports Field Development and Enhancement (HD 1-40)		3,000,000	3,000,000	
Anchor Arms Inc. - Upgrade and Renovate Safe Harbor (HD 17-32)		500,000	500,000	
Anchorage Alumni Foundation Kappa Alpha Psi		100,000	100,000	

	Allocations	Appropriation Items	General Funds	Other Funds
- After School Program (HD 17-32)				
Anchorage Community Land Trust - Mountain View Blighted Property Improvement (HD 17-32)		1,000,000	1,000,000	
Anchorage Economic Development Corporation - Southcentral Alaska Economic Development Grant (HD 17-32)		95,000	95,000	
Anchorage Park Foundation - Abbott-O-Rabbit Little League Upgrades (HD 17-32)		400,000	400,000	
Anchorage Park Foundation - Anchorage Neighborhood Parks Renovation (HD 17-32)		1,000,000	1,000,000	
Anchorage Park Foundation - Anchorage Veteran's Memorial Renovation (HD 17-32)		250,000	250,000	
Anchorage Park Foundation - Kincaid Park Singletrack Trail (HD 17-32)		30,000	30,000	
Anchorage Park Foundation - Kiwanis Fish Creek Park Renovation (HD 17-32)		37,500	37,500	
Anchorage Park Foundation - Minnesota Park Renovation (HD 17-32)		159,000	159,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage Park Foundation - Mulcahy Ice Rinks Project (HD 17-32)		250,000	250,000	
Anchorage Park Foundation - Nunaka Valley North Park Renovation (HD 17-32)		42,000	42,000	
Anchorage Park Foundation - Sand Lake Park Renovation (HD 17-32)		115,000	115,000	
Anchorage Park Foundation - Shady Birch Park Renovation (HD 17-32)		37,500	37,500	
Anchorage Park Foundation - Sitka Park Renovation (HD 17-32)		42,000	42,000	
Anchorage Park Foundation - Trail Rehabilitation (HD 17-32)		35,000	35,000	
Anchorage Park Foundation - Valley Street Park Trail Work and Community Clean-Up (HD 17-32)		40,000	40,000	
Anchorage Park Foundation - Wickersham Park Renovation (HD 17-32)		42,000	42,000	
Anchorage Park Foundation - Windsong Park Renovation (HD 17-32)		62,000	62,000	
Anchorage Park Foundation - Wolverine Park Renovation (HD 17-32)		42,000	42,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Arctic Power - Arctic National Wildlife Refuge Program (HD 1-40)		160,000	160,000	
Arctic Winter Games Team Alaska - State Participation Grant (HD 1-40)		315,000	315,000	
Association of Village Council Presidents - Repository and Administrative Building Planning and Design (HD 38)		3,550,000	3,550,000	
Association of Village Council Presidents - Yuut Yaqungviat, LLC - Alaska Rural Aviation Training Program Equipment (HD 38)		170,000	170,000	
Blood Bank Of Alaska - Facilities And Services Expansion Project (HD 17-32)		8,200,000	8,200,000	
Boys & Girls Club Alaska - North East Club Teen Center Technology and Equipment Upgrades (HD 17-32)		10,000	10,000	
Boys & Girls Clubs Alaska - Akiak Club Technology Upgrades (HD 38)		3,000	3,000	
Boys & Girls Clubs Alaska		30,000	30,000	

	Allocations	Appropriation Items	General Funds	Other Funds
- Kotzebue Club Facility and Technology Upgrades (HD 40)				
Boys & Girls Clubs Alaska - Mountain View Club Teen Center Technology and Equipment Upgrades (HD 17-32)		21,000	21,000	
Boys & Girls Clubs Alaska - Mountain Village Club Program Equipment (HD 39)		10,000	10,000	
Boys & Girls Clubs Alaska - Nome Club Technology Upgrades (HD 39)		8,000	8,000	
Boys & Girls Clubs Alaska - Selawik Club Technology Upgrades (HD 40)		5,000	5,000	
Boys & Girls Clubs Alaska - St. Mary's Club Technology Upgrades (HD 39)		3,000	3,000	
Boys & Girls Clubs Alaska - Woodland Park Club Sprinkler Installation (HD 17-32)		200,000	200,000	
Bristol Bay Area Health Corporation - Facility Expansion (HD 37)		2,000,000	2,000,000	
Bristol Bay Native Association - Safety Equipment Purchase -		845,000	845,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Manokotak, Aleknagik and Togiak (HD 37)				
Calypso Farm and Ecology Center - School Garden Project (HD 7-11)		66,750	66,750	
Camp Fire USA Alaska Council - Vehicle Purchase (HD 17-32)		35,000	35,000	
Catholic Social Services - Purchase of Replacement Property for Clare House (HD 17-32)		300,000	300,000	
Chena-Goldstream Volunteer Fire Department - Underground Water Tanks (HD 7-11)		40,000	40,000	
Children's Meal Mission, Inc. - Meals For Children (HD 17-32)		60,000	60,000	
Community of Elfin Cove Non-Profit Corporation - Boardwalk Repairs (HD 2)		105,000	105,000	
Cook Inlet Tribal Council - Dena'ina House Demonstration Education Project Completion (HD 17-32)		3,000,000	3,000,000	
Covenant House Alaska - Facility Construction (HD 17-32)		3,100,000	3,100,000	
Eagle IRA Council -		90,000	90,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Clinic Replacement Project (HD 6)				
Ester Volunteer Fire Department - Engine Equipment Purchase (HD 7-11)		150,000	150,000	
Fairbanks Community Food Bank - Capstone Micro Turbine Purchase and Installation (HD 7-11)		175,000	175,000	
Fairbanks Dog Park, Inc - Dog Park Improvements (HD 7-11)		25,000	25,000	
Fairbanks Soil & Water Conservation District - Invasive Weeds Project (HD 7-11)		10,000	10,000	
Federation of Community Councils, Inc. - Anchorage Community Patrols Equipment (HD 17-32)		80,000	80,000	
Federation of Community Councils, Inc. - Fairview Community Planning and Revitalization Strategy Development (HD 17-32)		20,000	20,000	
Federation of Community Councils, Inc. - Mountain View Neighborhood Crime Watch (HD 17-32)		5,000	5,000	
Federation of Community		10,000	10,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Councils, Inc. - Mountain View Spring Clean-Up (HD 17-32)				
Federation of Community Councils, Inc. - Neighborhoods USA 2011 Conference (HD 17-32)		70,000	70,000	
Federation of Community Councils, Inc. - Nunaka Valley Community Patrol (HD 17-32)		14,000	14,000	
Federation of Community Councils, Inc. - Recreational Upgrades to Abbott Loop Community Park (HD 17-32)		50,000	50,000	
Federation of Community Councils, Inc. - Scenic Foothills Safe and Secure Parks Project (HD 17-32)		63,000	63,000	
Filipino Community, Inc. - Building Repairs (HD 3-4)		50,000	50,000	
Friends of the Children - Fairbanks Mentoring Program Pilot Project (HD 7-11)		2,000,000	2,000,000	
Georgeson Botanical Garden Society - Research Survival Program (HD 7-11)		50,000	50,000	
Great Alaska Council, Boy Scouts of America -		120,000	120,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Outdoor Experience Project (HD 17-32)				
Great Alaska Council, Boy Scouts of America - Outdoor Programs (HD 17-32)		406,700	406,700	
Greater Copper Valley Communications, Inc. - Backup Generator and Communication Link (HD 6)		101,000	101,000	
Holy Cross Tribal Council - Community Services Center Match Funding (HD 6)		300,000	300,000	
Hope Community Resources, Inc. - Statewide Facility Improvements and Upgrades (HD 1-40)		763,000	763,000	
Institute of the North - Arctic Infrastructure and Advocacy Initiative (HD 1-40)		315,000	315,000	
Institute of the North - Pacific Northwest Economic Region (PNWER) Arctic Caucus Planning (HD 1-40)		150,000	150,000	
Inuit Circumpolar Council Alaska - Alaska's Traditional Knowledge Science Development Project (HD 1-40)		75,000	75,000	

	Allocations	Appropriation Items	General Funds	Other Funds
John R. Noyes Post VFW 9978 - Facility Renovation and Repairs (HD 17-32)		35,000	35,000	
Juneau Cooperative Christian Ministries - Glory Hole Shelter Energy Efficiency and Heating Improvements (HD 3-4)		50,000	50,000	
Juneau Family Health and Birth Center - Electronic Health Record Software System (HD 3-4)		50,000	50,000	
Juneau Pioneer Home Foundation - Juneau Pioneer Home Planning and Design (HD 3-4)		10,000	10,000	
Juneau Youth Services - Emergency Shelter Repairs (HD 3-4)		85,000	85,000	
Juneau Youth Services - Vehicle Purchase (HD 3-4)		51,000	51,000	
Kaagwaantaan Inc. - Alaska Native Brotherhood Hall Renovations (HD 2)		150,000	150,000	
KBRW Silakkuagvik Communications, Inc. - Radio Station Equipment Upgrades (HD 40)		68,000	68,000	
Kenaitze Indian Tribe - Dena'ina Health and Wellness Center (HD 33-35)		5,000,000	5,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Ketchikan Indian Corporation - Southern Southeast Alaska Vocational Training School (HD 1)		600,000	600,000	
Kodiak Maritime Museum - Harbor Gateway Project (HD 36)		298,000	298,000	
Laborer's International Union of North America Local 341 - Training Facility Construction and Upgrade (HD 17-32)		4,000,000	4,000,000	
Life Alaska Donor Services, Inc - Donor Program (HD 1-40)		55,000	55,000	
Mao Tosi's Alaska Pride - Leadership Program (HD 17-32)		100,000	100,000	
Mid-Valley Seniors Inc. - Mid-Valley Senior Center Roof Replacement (HD 13-16)		150,000	150,000	
Most Worshipful Prince Hall Grand Lodge - Grand Lodge Improvements (HD 17-32)		125,000	125,000	
Native Village of Unalakleet (Unalakleet IRA) - Assisted Living Facility (HD 39)		300,000	300,000	
Neighbor Works Anchorage -		100,000	100,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Community Engagement and Resident Services Expansion (HD 17-32)				
Neighbor Works Anchorage - Homeownership Center (HD 17-32)		200,000	200,000	
Newtok Traditional Council - Metarvik Evacuation Shelter and Access Road (HD 38)		2,500,000	2,500,000	
Nordic Ski Club of Fairbanks - Trail Maintenance and Grooming Equipment Purchase (HD 7-11)		31,500	31,500	
North Star Council on Aging, Inc. - Recovery Project (HD 7-11)		150,000	150,000	
North Star Imagination Library - Literacy Initiative Project (HD 7-11)		10,000	10,000	
Norton Sound Health Corporation - Long Term Care Facility Replacement (HD 39)		7,000,000	7,000,000	
Nunapitchuk IRA Council - Community Improvements (HD 38)		100,000	100,000	
Perseverance Theatre, Inc - Audio System Upgrade and		33,000	33,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Replacement (HD 3-4)				
Pleasant Valley Community Association - Community Center (HD 7-11)		50,000	50,000	
REACH, Inc. - Facility Upgrades (HD 3-4)		40,100	40,100	
ROSSIA, Inc. - Repair and Restoration of Juneau Historic Site (HD 3-4)		50,000	50,000	
Rural Alaska Community Action Program, Inc. - Child Development Center Construction (HD 17-32)		800,000	800,000	
Rural Deltana Volunteer Fire Dept. - Purchase Rescue Vehicle (HD 12)		100,000	100,000	
Russian Jack Springs Junior Golf Association DBA First Tee of Alaska - Youth Development Program (HD 17-32)		100,000	100,000	
Salcha Fire and Rescue, Inc. - Fire and Rescue Station (HD 12)		75,000	75,000	
Sealaska Heritage Institute - Sealaska Heritage Institute Center (HD 3-4)		2,500,000	2,500,000	
Senior Citizens of Interior Alaska - Senior Center Improvements (HD 12)		15,000	15,000	
Shiloh Community Housing		92,000	92,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Incorporated - Young Adult Transitional Housing Project (HD 17-32)				
Soldotna Area Senior Citizens, Inc. - Floor Covering (HD 33-35)		27,300	27,300	
Southcentral Foundation - Wellness Warriors Auditorium Construction (HD 17-32)		1,966,000	1,966,000	
Southeast Alaska Independent Living - Adaptive Vehicle (HD 3-4)		13,500	13,500	
Southeast Alaska Solid Waste Authority - Planning and Development Grant (HD 1-5)		125,000	125,000	
Southeast Island School District - Hollis School Vehicle (HD 1)		42,000	42,000	
Southeast Regional Resource Center, Inc. - Heating System Replacement (HD 3-4)		70,000	70,000	
Southwest Alaska Vocational and Education Center - King Salmon AFB Gymnasium Rehabilitation (HD 37)		471,100	471,100	
Special Olympics Alaska - Training Center and Campus Improvements (HD 17-32)		2,000,000	2,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Steese Area Volunteer Fire Department - Fire Equipment (HD 7-11)		169,500	169,500	
Sunshine Community Health Center - Health Clinic Construction (HD 13-16)		420,000	420,000	
The Arc of Anchorage - Safety and Deferred Maintenance (HD 17-32)		580,000	580,000	
The HUB Youth Center - After School Program (HD 3-4)		30,000	30,000	
The Salvation Army - Anchorage Corps Community Center Construction (HD 17-32)		1,500,000	1,500,000	
Tolsona Fire Department - ALMR Office Building Upgrade (HD 12)		50,000	50,000	
Tolsona Fire Department - Personal Protection Equipment (HD 12)		50,000	50,000	
Tolsona Fire Department - Response Vehicles (HD 12)		50,000	50,000	
Tundra Women's Coalition - Child Advocacy Center Equipment (HD 38)		31,700	31,700	
Tundra Women's Coalition - Shelter Vehicle Replacement (HD 38)		27,500	27,500	
Wellspring Revival		38,000	38,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Ministries - Heating Upgrades (HD 7-11)				
World Trade Center Alaska - International Trade Partnership Project (HD 1-40)		300,000	300,000	
Wrangell Cooperative Association - Chief Shakes Tribal House Renovation (HD 2)		500,000	500,000	
Yukon River Drainage Fisheries Association - Yukon River Chinook Salmon Management Plan (HD 1-40)		300,000	300,000	
Yukon-Kuskokwim Health Corporation - Qungasvik Youth Sobriety Project (HD 1-40)		1,624,800	1,624,800	
Yukon-Kuskokwim Health Corporation - Regional Prematernal Home (HD 38)		10,500,000	10,500,000	
Yuut Elitnaurviat The People's Learning Center - Dormitory (HD 38)		4,700,000	4,700,000	
Grants to Named Recipients (AS 37.05.316) - Deferred Maintenance and Enhancements to Hatchery Facilities Statewide				
Cook Inlet Aquaculture Association - Trail Lakes		865,000	865,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Hatchery Maintenance and Upgrade (HD 12-35)				
Cook Inlet Aquaculture Association - Tutka Bay Hatchery Maintenance and Upgrade (HD 12-35)		591,000	591,000	
Douglas Island Pink and Chum, Inc. - Snettisham Hatchery Maintenance and Upgrade (HD 1-5)		1,250,000	1,250,000	
Kodiak Regional Aquaculture Association - Kitoi Bay Hatchery Maintenance and Upgrade (HD 36)		1,308,000	1,308,000	
Kodiak Regional Aquaculture Association - Lake Nutrient Enrichment Project (HD 36)		720,000	720,000	
Kodiak Regional Aquaculture Association - Pillar Creek Hatchery Maintenance and Upgrade (HD 36)		767,000	767,000	
Northern Southeast Regional Aquaculture Association - Hidden Falls Hatchery Maintenance and Upgrade (HD 1-5)		1,044,000	1,044,000	
Prince William Sound Aquaculture Corporation - Cannery Creek Hatchery Maintenance and Upgrade (HD 12-35)		2,224,000	2,224,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Prince William Sound Aquaculture Corporation - Gulkana Hatchery Maintenance and Upgrade (HD 12-35)		838,000	838,000	
Prince William Sound Aquaculture Corporation - Main Bay Hatchery Maintenance and Upgrade (HD 12-35)		2,113,000	2,113,000	
Seward - Alutiq Pride Shellfish Hatchery Upgrade (HD 33-35)		250,000	250,000	
Grants to Unincorporated Communities (AS 37.05.317)				

It is the intent of the legislature that the Department of Commerce, Community and Economic Development eliminate the requirement for narrative and financial quarterly reporting for any grant of $50,000 or less. It is further intended that the department make a single upfront payment for any grant of $50,000 or less, conditioned on the department first receiving a signed certification from the recipient agreeing to use the full grant amount for its intended purpose, to return all unexpended funds to the state for deposit in the general fund upon project completion, and to follow all other terms of the departments grant agreement.

Dot Lake Village - Equipment Purchase (HD 6)	85,000	85,000	
Mentasta Lake - Health Care Clinic Match (HD 6)	300,000	300,000	
Stony River - Sanitation Improvement Project (HD 6)	192,000	192,000	
Tetlin - Biomass Energy Project (HD 6)	200,000	200,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Tuntutuliak - Public Safety Vehicle (HD 38)		9,800	9,800	
Tuntutuliak - Public Works Equipment (HD 38)		109,500	109,500	
Tununak - Heavy Equipment (HD 38)		250,000	250,000	
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* * * * * **Department of Corrections** * * * * *				
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Annual Facilities Maintenance and Repairs (HD 1-40)		1,000,000	1,000,000	
Community Jails Repairs, Renovations, and Equipment (HD 1-40)		150,000	150,000	
Implementation of a Medical Information System (HD 1-40)		1,000,000	1,000,000	
Seward - Spring Creek Correctional Center Seward Land Transfer (HD 33-35)		250,000	250,000	
Deferred Maintenance		**5,000,000**	**5,000,000**	
Projects				
Bethel - Yukon-Kuskokwim Correctional Center Projects (HD 38)	420,000			
Eagle River - Combined Hiland Mountain Correctional Center Projects (HD 17-32)	760,000			
Fairbanks - Fairbanks	915,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Correctional Center Projects (HD 7-11)				
Juneau - Lemon Creek Correctional Center Project (HD 3-4)	135,000			
Kenai - Wildwood Correctional Center Project (HD 33-35)	890,000			
Ketchikan - Correctional Center Project (HD 1)	145,000			
Nome - Anvil Mountain Correctional Center Projects (HD 39)	715,000			
Palmer - Matanuska-Susitna Correctional Center Projects (HD 13-16)	22,000			
Seward - Spring Creek Correctional Center Project (HD 33-35)	398,000			
Sutton - Palmer Correctional Center Projects (HD 12)	600,000			
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* * * * * **Department of Education and Early Development** * * * * *				
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Abandoned School Site Assessments (HD 1-40)		125,000	125,000	
State Library, Archives and Museum Facility Construction (HD 3-4)		5,000,000	5,000,000	
Deferred Maintenance				

	Allocations	Appropriation Items	General Funds	Other Funds
Stratton Library Roof and Siding Replacement (HD 1-40)		900,000	900,000	
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* * * * * **Department of Environmental Conservation** * * * * *				
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Clean Water Capitalization Grant - Subsidy Funding (HD 1-40)		1,826,274		1,826,274
Drinking Water Capitalization Grant - Subsidy Funding (HD 1-40)		4,071,900		4,071,900
PSP Testing Equipment - High Performance Liquid Chromatography Analyzer (HD 17-32)		205,300	205,300	
Spill Prevention - Best Available Technology Analysis (HD 1-40)		100,000	100,000	
Village Safe Water and Wastewater Infrastructure Projects		**51,566,664**	**8,766,664**	**42,800,000**
Expansion, Upgrade, and Replacement of Existing Service (HD 1-40)	21,774,913			
First Time Service Projects (HD 1-40)	29,791,751			
Municipal Water, Sewage, and Solid Waste Facilities Grants (AS 46.03.030)		**21,817,963**	**21,817,963**	
Haines - Asbestos Cement	535,224			

	Allocations	Appropriation Items	General Funds	Other Funds
Pipe Replacement (HD 5)				
Kenai - Water Transmission Mains Phase 3 (HD 33-35)	1,603,710			
Ketchikan - Water and Sewer Improvements (HD 1)	3,476,250			
Ketchikan - Water and Sewer Main Replacement (HD 1)	2,616,824			
Kodiak - Ultraviolet Secondary Water Treatment Facility (HD 36)	3,616,200			
Palmer - Southwest Water Utility Extension, Phase 2B Increase (HD 13-16)	2,575,000			
Sitka - Ultraviolet Water Disinfection Facility (HD 2)	3,587,500			
Soldotna - Well House B Reconstruction (HD 33-35)	717,255			
Unalaska - Water Treatment Plant (HD 37)	3,090,000			
Deferred Maintenance				
Environmental Health Laboratory Building Deferred Maintenance (HD 17-32)		200,000	200,000	
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* * * * * **Department of Fish and Game** * * * * *				
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Campbell Creek Estuary Conservation Project (HD 17-32)		500,000		500,000

	Allocations	Appropriation Items	General Funds	Other Funds
Critical Information Technology Infrastructure Maintenance (HD 1-40)		400,000	400,000	
Facilities, Vessels, and Aircraft Maintenance, Repair, and Upgrades (HD 1-40)		700,000	700,000	
Pacific Coastal Salmon Recovery Fund (HD 1-40)		12,000,000		12,000,000
Pacific Salmon Treaty Chinook Fishery Mitigation (HD 1-40)		7,500,000		7,500,000
Sport Fish Recreational Boating Access (HD 1-40)		3,000,000		3,000,000
State Game Refuge Access and Development (HD 13-16)		720,000	180,000	540,000
Westward Region DIDSON Sonar Purchase (HD 36)		105,000	105,000	
Statewide Facility Deferred Maintenance Projects		**1,400,000**	**1,400,000**	
Cordova Dock and Uplands Improvements (HD 5)	650,000			
Fairbanks Regional Office Repairs and Upgrades (HD 7-11)	750,000			
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* * * * * **Office of the Governor** * * * * *				
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Polling Place Accessibility Assistance under the Federal Help America Vote		100,000		100,000

	Allocations	Appropriation Items	General Funds	Other Funds
Act (HAVA) (HD 1-40)				
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* * * * * **Department of Health and Social Services** * * * * *				
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Alaska eHealth Network - Health Information Exchange Deployment (HD 1-40)		2,400,000	2,400,000	
Alaska Veterans and Pioneers Home Storage Unit (HD 13-16)		885,000	885,000	
Electronic Benefit Transfer System Equipment (HD 1-40)		50,000	50,000	
Electronic Health Record Incentive Payments (HD 1-40)		36,518,800		36,518,800
Emergency Medical Services Ambulances and Equipment Statewide - Code Blue Project Match (HD 1-40)		425,000	425,000	
Field Operations Call System for Vulnerable Alaskans (HD 1-40)		255,200	130,200	125,000
Health Insurance Portability and Accountability Act Compliance (HD 1-40)		1,000,000	1,000,000	
HIPAA Updated Electronic Transaction Standards (HD 1-40)		4,100,000	500,000	3,600,000

	Allocations	Appropriation Items	General Funds	Other Funds
International		5,100,000	600,000	4,500,000
Classification of Diseases (ICD-10) Implementation (HD 1-40)				
Juvenile Offender Management Information System Testing Automation (HD 1-40)		25,000	25,000	
McLaughlin Youth Center Safety and Security Phase 1 Completion (HD 17-32)		4,275,000	4,275,000	
Medicaid Management Information System Completion (HD 1-40)		3,283,800	1,003,380	2,280,420
Senior and Disability Services System Upgrade (HD 1-40)		2,700,000	1,350,000	1,350,000
Pioneer Homes Deferred Maintenance, Renovation, Repair and Equipment		**4,000,000**	**4,000,000**	
Alaska Veterans and Pioneers Home (HD 13-16)	1,282,766			
Anchorage Pioneer Home (HD 17-32)	879,640			
Juneau Pioneer Home (HD 3-4)	803,844			
Ketchikan Pioneer Home (HD 1)	1,033,750			
Non-Pioneer Home Deferred Maintenance, Renovation, Repair and Equipment		**3,086,339**	**3,000,000**	**86,339**

	Allocations	Appropriation Items	General Funds	Other Funds
Alaska Psychiatric Institute (HD 17-32)	423,015			
Anchorage Public Health Laboratory (HD 17-32)	119,848			
Bethel Youth Facility (HD 38)	104,202			
Dillingham Health Center (HD 37)	8,270			
Johnson Youth Center (HD 3-4)	115,780			
Juneau Public Health Center (HD 3-4)	57,890			
Ketchikan Public Health Center (HD 1)	297,723			
Ketchikan Regional Youth Facility (HD 1)	780,898			
Matanuska-Susitna Youth Facility (HD 13-16)	24,810			
McLaughlin Youth Center (HD 17-32)	1,038,023			
Sitka Public Health Center (HD 2)	115,780			
Statewide Deferred Maintenance, Renovation, Repair and Equipment (HD 1-40)	100			
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*** * * * * Department of Labor and Workforce Development * * * * ***				
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AVTEC Maritime Vessel Simulator Projection		210,000	210,000	

	Allocations	Appropriation Items	General Funds	Other Funds
System Upgrade (HD 33-35)				
Fairbanks Pipeline Training Center Construction and Equipment Purchase (HD 7-11)		3,000,000	3,000,000	
Deferred Maintenance				
AVTEC Deferred Maintenance (HD 33-35)		1,000,000	1,000,000	
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* * * * * **Department of Law** * * * * *				
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Information Technology Projects (HD 1-40)		1,250,000	1,250,000	
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* * * * * **Department of Military and Veterans Affairs** * * * * *				
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Catastrophic Disaster Response Planning and Equipment (HD 1-40)		4,980,000	4,980,000	
National Guard Counterdrug Support (HD 1-40)		100,000		100,000
State Homeland Security Grant Programs (HD 1-40)		9,500,000		9,500,000
Army Guard Facilities		**3,750,000**	**100,000**	**3,650,000**
Projects				
Fairbanks - Extend Organizational Maintenance Shop (HD 7-11)	1,500,000			
Fort Richardson - Camp Carroll Fire Sprinkler System Installation (HD	500,000			

	Allocations	Appropriation Items	General Funds	Other Funds
17-32)				
Fort Richardson - Camp Denali Fire Sprinkler System Design (HD 17-32)	250,000			
Wasilla - Alcantra Complex Barracks Design and Construction (HD 13-16)	1,500,000			
Federal Energy Projects		**490,000**	**10,000**	**480,000**
Fort Richardson - Bryant Airfield Solar Energy Collection System Design (HD 17-32)	250,000			
Juneau LED Exterior Lighting (HD 3-4)	10,000			
Kenai LED Exterior Lighting (HD 33-35)	10,000			
Ketchikan LED Exterior Lighting (HD 1)	10,000			
Kodiak LED Exterior Lighting (HD 36)	10,000			
Nome Hangar Solar Panel Installation (HD 39)	200,000			
Military and Veterans Affairs Deferred Maintenance Projects		**12,085,800**	**4,000,000**	**8,085,800**
Bethel Armory Deferred Maintenance (HD 38)	35,000			
Brevig Mission Armory Deferred Maintenance (HD 39)	5,000			
Elim Armory Deferred	5,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Maintenance (HD 39)				
Fairbanks Armory Deferred Maintenance (HD 7-11)	100,000			
Fort Richardson - Bryant Airfield Armory Deferred Maintenance (HD 17-32)	2,895,000			
Fort Richardson - Camp Carroll Armory Deferred Maintenance (HD 17-32)	1,090,000			
Fort Richardson - Camp Denali Armory Deferred Maintenance (HD 17-32)	1,048,800			
Juneau Armory Deferred Maintenance (HD 3-4)	10,000			
Kenai Armory Deferred Maintenance (HD 33-35)	20,000			
Ketchikan Armory Deferred Maintenance (HD 1)	75,000			
Kotzebue Armory Deferred Maintenance (HD 40)	55,000			
Koyukuk Armory Deferred Maintenance (HD 6)	40,000			
Military Youth Academy Deferred Maintenance, Renewal and Replacement (HD 17-32)	3,000,000			
Nome Armory Deferred Maintenance (HD 39)	950,000			
Sitka Armory Deferred Maintenance (HD 2)	475,000			
Statewide Armory Deferred	120,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Maintenance (HD 1-40)				
Wasilla - Alcantra Armory Deferred Maintenance (HD 13-16)	2,162,000			
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* * * * * **Department of Natural Resources** * * * * *				
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Abandoned Mine Lands Reclamation Federal Program (HD 1-40)		2,000,000		2,000,000
Assessment of In-State Gas Energy Potential Phase 2 of 3 (HD 1-40)		500,000	500,000	
Canada Thistle Infestations Eradication and Control (HD 17-32)		125,000	125,000	
Channel Islands Marine Park Debris Removal and Improvements (HD 3-4)		50,000	50,000	
Cooperative Water Resource Program (HD 1-40)		855,000		855,000
Copper River Fire Facility Modular Replacements (HD 12)		400,000	400,000	
Eagle Beach Snow Grooming Equipment (HD 3-4)		14,200	14,200	
Federal and Local Government Funded Forest Resource and Fire Program Projects (HD 1-40)		1,800,000		1,800,000
Foothills Oil and Gas		370,000	370,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Development Infrastructure Investigations Phase 2 of 3 (HD 1-40)				
Forest Legacy Federal Grant Program (HD 1-40)		1,000,000		1,000,000
Gas Pipeline Corridor Geologic Hazards and Resources - Final Phase (HD 1-40)		200,000	200,000	
Haines Fire Facility Modular Replacements (HD 5)		100,000	100,000	
Historical Alaskan Leaders Documentary (HD 1-40)		500,000	500,000	
Homestead Trail Road Safety and Drainage Improvements (HD 17-32)		50,000	50,000	
Juneau Historic Sites Renovation and Habitability (HD 3-4)		250,000	250,000	
Land and Water Conservation Fund Federal Grant Program (HD 1-40)		3,000,000		3,000,000
Land Sales - New Subdivision Development (HD 1-40)		3,700,000	3,700,000	
Lower Kasilof River Drift Boat Takeout, Phase 1 of 2 (HD 33-35)		2,000,000	2,000,000	
Mastodon Trail (HD 7-11)		85,000	85,000	
Matanuska-Susitna Borough		345,000	345,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Hydrogeology Assessment Phase 3 of 3 (HD 13-16)				
National Coastal Wetland Grant (HD 17-32)		1,000,000		1,000,000
National Historic Preservation Fund (HD 1-40)		750,000	150,000	600,000
National Recreational Trail Grants Federal Program (HD 1-40)		1,500,000		1,500,000
Peters Creek Flooding and Erosion Control Project (HD 13-16)		116,000	116,000	
Rare Earth Elements and Strategic Minerals Assessment (HD 1-40)		498,000	498,000	
Replace Pesticide Storage Facility-Plant Materials Center (HD 13-16)		180,000	180,000	
Snowmobile Trail Development Program and Grants (HD 1-40)		250,000	250,000	
South Denali Visitor Center Design and Construction (HD 13-16)		3,000,000	3,000,000	
Unified Permit Project and Document Management (HD 1-40)		2,500,000	2,500,000	
Forest Access Roads Program		**3,000,000**	**3,000,000**	
Firewood and Timber Access	800,000			

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 1-40)				
Nelson Logging Road (HD 2)	2,200,000			
Completion of Recorder's Office Digital Image Conversion and Implementation of Electronic Recording		**400,000**	**400,000**	
Complete Conversion of Recorded Media to Digital Images (HD 1-40)	300,000			
Complete Implementation of Electronic Recording (HD 1-40)	100,000			
Natural Resources Facilities Deferred Maintenance Projects		**4,000,000**	**4,000,000**	
Parks and Outdoor Recreation Deferred Maintenance - Chugach Area (HD 17-32)	351,000			
Parks and Outdoor Recreation Deferred Maintenance - Kenai Area (HD 33-35)	356,000			
Parks and Outdoor Recreation Deferred Maintenance - Kodiak Area (HD 36)	131,000			
Parks and Outdoor Recreation Deferred Maintenance - Mat-Su Area	290,000			

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 13-16)				
Parks and Outdoor Recreation Deferred Maintenance - Northern Region (HD 7-11)	356,000			
Parks and Outdoor Recreation Deferred Maintenance - Southeast Area (HD 1-5)	356,000			
Parks and Outdoor Recreation Deferred Maintenance - Wood Tikchik Area (HD 36-38)	35,000			
Parks and Outdoor Recreation Statewide Emergency Repairs (HD 1-40)	200,000			
Statewide Forestry Facilities Deferred Maintenance (HD 1-40)	1,925,000			
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* * * * * **Department of Public Safety** * * * * *				
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Aircraft and Vessel Repair and Maintenance (HD 1-40)		850,000	850,000	
Alaska State Trooper Law Enforcement Equipment Replacement (HD 1-40)		500,000	500,000	
Alaska State Troopers Records Management System (HD 1-40)		775,000	775,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Alaska Wildlife Trooper Law Enforcement Equipment Replacement (HD 1-40)		500,000	500,000	
Anchorage Aircraft Hangar Improvements (HD 17-32)		1,000,000	1,000,000	
Data Exchange with MAJIC Agencies Phase 2 (HD 1-40)		800,000	800,000	
Marine Fisheries Patrol Improvements (HD 1-40)		2,000,000		2,000,000
Phase 3 - Mobile Solutions, Online Fire and Life Safety Plan Review System (HD 1-40)		165,500	165,500	
Village Public Safety Officer (VPSO) Equipment Replacement (HD 1-40)		337,500	337,500	
Statewide Facilities Maintenance, Repairs, and Improvements		**1,350,000**	**1,350,000**	
Anchorage Aircraft Hangar Air Compressor (HD 17-32)	75,000			
Dillingham Post Facility Improvements (HD 37)	6,500			
Fairbanks - Post Facility Interior and Exterior Repair and Renovation (HD 7-11)	39,600			
Ketchikan - Post Improvements (HD 1)	24,500			
Kodiak - Post Facilities Repair and Improvements	25,000			

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 36)				
Public Safety Academy Repair and Improvements (HD 1-40)	874,700			
Rural Trooper Housing Repair and Improvements (HD 1-40)	60,500			
Soldotna Post Facility Interior and Exterior Repair and Renovation (HD 33-35)	145,200			
Statewide Facilities Repair and Renovation (HD 1-40)	99,000			
* * * * *		* * * * *		
* * * * * **Department of Revenue** * * * * *				
* * * * *		* * * * *		
Child Support Services Computer Replacement Project Phase 2 (HD 1-40)		212,000	72,100	139,900
Payment Card Industry Data Security Standards Statewide Compliance (HD 1-40)		2,000,000	2,000,000	
Permanent Fund Dividend Division Computer Replacement Project - Phase 5 (HD 1-40)		266,500	266,500	
Permanent Fund Integrated Investment Accounting and Reporting Software Analysis (HD 1-40)		150,000		150,000

	Allocations	Appropriation Items	General Funds	Other Funds
Tax Revenue Management System (HD 1-40)		34,700,000	34,700,000	
Alaska Housing Finance Corporation				
AHFC Building System Replacement Program (HD 1-40)		1,500,000	1,500,000	
AHFC Competitive Grants for Public Housing (HD 1-40)		1,100,000	350,000	750,000
AHFC Energy Efficiency Monitoring Research (HD 1-40)		1,000,000	1,000,000	
AHFC Federal and Other Competitive Grants (HD 1-40)		4,500,000	1,500,000	3,000,000
AHFC Fire Protection Systems - Phase 3 (HD 1-40)		2,200,000	2,200,000	
AHFC Housing and Urban Development Capital Fund Program (HD 1-40)		3,200,000		3,200,000
AHFC Housing and Urban Development Federal HOME Grant (HD 1-40)		4,000,000	750,000	3,250,000
AHFC Security Systems Replacement/Upgrades (HD 1-40)		500,000	500,000	
AHFC Senior Citizens Housing Development Program (HD 1-40)		4,500,000	4,500,000	

	Allocations	Appropriation Items	General Funds	Other Funds
AHFC Statewide ADA Improvements (HD 1-40)		500,000	500,000	
AHFC Statewide Project Improvements (HD 1-40)		2,000,000	2,000,000	
AHFC Supplemental Housing Development Program (HD 1-40)		11,341,000	11,341,000	
AHFC Housing Loan Program		**6,000,000**	**6,000,000**	
AHFC Teacher, Health and Public Safety Professionals Housing (HD 1-40)	5,000,000			
AHFC Village Public Safety Officers Housing (HD 1-40)	1,000,000			
* * * * *			* * * * *	
* * * * * **Department of Transportation and Public Facilities** * * * * *				
* * * * *			* * * * *	
Alaska Aviation Safety Program (HD 1-40)		2,750,000	750,000	2,000,000
Alaska Marine Highway System - Vessel and Terminal Overhaul and Rehabilitation (HD 1-40)		8,000,000	8,000,000	
Chena Small Tracts Road Bicycle & Pedestrian Facility (HD 7-11)		100,000	100,000	
Connecting Communities to Alaska's Highway System (HD 1-40)		2,000,000	2,000,000	
Connecting Remote		500,000	500,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Communities Program (HD 1-40)				
Fairbanks Metropolitan Area Transportation System (FMATS) - Transportation Improvement Program (HD 7-11)		10,000,000	10,000,000	
Infrastructure and Erosion Control Design and Environmental Permitting (HD 1-40)		300,000	300,000	
Local Service Roads and Trails Program (HD 1-40)		500,000	500,000	
Muldoon Road and Glenn Highway Interchange Study (HD 17-32)		1,000,000	1,000,000	
Municipal Harbor Facility Grant Fund (AS 29.60.800) (HD 1-40)		6,500,000	6,500,000	
Northern Region - Material Site Planning and Reconnaissance (HD 7-11)		700,000	700,000	
Statewide - Project Design Initiative (HD 1-40)		7,000,000	2,000,000	5,000,000

It is the intent of the legislature that when any named project that either increases vehicular capacity or has a construction cost exceeding $20,000,000 is added to the Statewide Transportation Improvement Plan (STIP), the Department of Transportation and Public Facilities provides written notification to the legislature. The notification should contain a brief project summary to include title, short description of work, geographic location, cost and estimated construction completion date.

Statewide - Rural Airport	46,000	46,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Emergency Medical Evacuation Lights Battery Replacement (HD 1-40)				
Statewide Digital Mapping Initiative - Arctic Coast Region and Arctic Port Reconnaissance (HD 1-40)		2,000,000	1,000,000	1,000,000
Alaska Marine Highway System - Ward Cove Lay-up Improvements		**3,900,000**	**3,900,000**	
Upland Buildings and Warehouse Functional Replacement (HD 1-40)	3,400,000			
Feasibility Study - Joint Moorage Facility for AMHS Ferries and NOAA Research Vessels (HD 1-40)	500,000			
Roads to Resources		**10,500,000**	**10,500,000**	
Foothills West District (HD 40)	8,000,000			
Ambler Mining District (HD 40)	1,250,000			
Western Access Project (HD 39)	1,250,000			
Highways and Facilities		**20,672,600**	**850,000**	**19,822,600**
Americans with Disabilities Act Compliance Projects (HD 1-40)	500,000			
Capital Improvement Program Equipment Replacement (HD 1-40)	1,500,000			

	Allocations	Appropriation Items	General Funds	Other Funds
State Equipment Fleet Replacement (HD 1-40)	18,322,600			
Whittier Tunnel - Jet Fan Repairs and Communication System Upgrade (HD 17-32)	350,000			
Statewide Federal Programs		**145,750,000**	**61,350,000**	**84,400,000**
Commercial Vehicle Enforcement Program (HD 1-40)	400,000			
Cooperative Reimbursable Projects (HD 1-40)	17,000,000			
Federal Contingency Projects (HD 1-40)	20,000,000			
Federal Emergency Projects (HD 1-40)	10,000,000			
Federal Transit Administration Grants (HD 1-40)	9,000,000			
Federal-Aid Aviation State Match (HD 1-40)	11,900,000			
Federal-Aid Highway State Match (HD 1-40)	47,200,000			
Highway Safety Grants Program (HD 1-40)	8,000,000			
Other Federal Program Match (HD 1-40)	750,000			
Statewide Safety Program (HD 1-40)	20,000,000			
Public Transit Programs State Match (HD 1-40)	1,500,000			
Airport Improvement		**339,509,799**		**339,509,799**

	Allocations	Appropriation Items	General Funds	Other Funds
Program				
Alaska International Airport System - Reimbursable Services Authority (HD 1-40)	4,000,000			
Alaska International Airport System - System Master Plan (HD 1-40)	400,000			
Angoon - Airport Environmental Impact Statement (HD 5)	2,500,000			
Bethel - Airport Runway/ Taxiway/Commercial Apron Pavement Rehabilitation (HD 38)	13,700,000			
Bethel - Airport Snow Removal Equipment Building (HD 38)	6,500,000			
Bethel - South General Aviation Apron and Taxiway Pavement Reconstruction (HD 38)	5,000,000			
Birchwood - Airport Pavement Rehabilitation (HD 13-16)	3,100,000			
Coldfoot - Airport Improvements (HD 6)	10,500,000			
Deadhorse - Airport Rehabilitation (HD 40)	30,400,000			
Dillingham - Airport Improvement - Runway	26,500,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Safety Area Expansion (HD 37)				
Fairbanks International Airport - Aircraft Rescue Firefighting Facility Upgrades (HD 7-11)	16,700,000			
Fairbanks International Airport - Equipment (HD 7-11)	920,000			
Golovin - Runway and Apron Improvements (HD 39)	11,850,000			
Gulkana - Apron and Taxiway Pavement Rehabilitation (HD 6)	1,730,000			
Homer - Terminal Apron Taxiway Pavement Rehabilitation (HD 33-35)	3,200,000			
Kotzebue - Airport and Runway Safety Area Improvements (HD 40)	9,500,000			
Kotzebue - Apron Expansion (HD 40)	480,000			
Kwigillingok - Airport Rehabilitation (HD 38)	1,500,000			
Manley - Airport Relocation (HD 6)	1,625,000			
Nanwalek and Port Graham - Airport Master Plan (HD 33-35)	1,000,000			
Platinum - Airport extension (HD 38)	3,500,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Point Hope - Airport Rehabilitation (HD 40)	6,715,000			
Sitka - Rocky Gutierrez Airport Runway Overlay (HD 2)	500,000			
Statewide - Aviation Preconstruction (HD 1-40)	18,000,000			
Statewide - Aviation Systems Plan Update (HD 1-40)	2,500,000			
Statewide - Various Airports Aeronautical Surveys (HD 1-40)	2,000,000			
Statewide - Various Airports Minor Surface Improvements (HD 1-40)	10,000,000			
Statewide - Various Airports Snow Removal and Safety Equipment (HD 1-40)	10,000,000			
Ted Stevens Anchorage International Airport - Advanced Project Design and Planning (HD 17-32)	3,000,000			
Ted Stevens Anchorage International Airport - Annual Improvements (HD 17-32)	1,000,000			
Ted Stevens Anchorage International Airport - Bag Sorting Scanner Replacement (HD 17-32)	1,700,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Ted Stevens Anchorage International Airport - Concourse C Carpet Replacement (HD 17-32)	400,000			
Ted Stevens Anchorage International Airport - E21 Gate / Sallyport (HD 17-32)	1,024,000			
Ted Stevens Anchorage International Airport - Environmental Compliance (HD 17-32)	1,000,000			
Ted Stevens Anchorage International Airport - Equipment (HD 17-32)	8,860,000			
Ted Stevens Anchorage International Airport - Facility Improvements, Renovations and Upgrades (HD 17-32)	4,600,000			
Ted Stevens Anchorage International Airport - Field Maintenance Facility Floor Sloping (HD 17-32)	1,800,000			
Ted Stevens Anchorage International Airport - Glycol Storm Water Treatment Facility (HD 17-32)	30,000,000			
Ted Stevens Anchorage International Airport -	2,485,500			

	Allocations	Appropriation Items	General Funds	Other Funds
Information Technology Improvements (HD 17-32)				
Ted Stevens Anchorage International Airport - Jet Bridge Replacements (HD 17-32)	2,800,000			
Ted Stevens Anchorage International Airport - Lake Hood Annual Improvements (HD 17-32)	1,052,632			
Ted Stevens Anchorage International Airport - Lake Hood Strip Improvements (HD 17-32)	1,300,000			
Ted Stevens Anchorage International Airport - Lake Hood Strip Runway Protection Zone Land Acquisition (HD 17-32)	1,000,000			
Ted Stevens Anchorage International Airport - Master Plan-Part 150 Noise Compatibility Study (HD 17-32)	716,667			
Ted Stevens Anchorage International Airport - North Terminal Exterior Paint (HD 17-32)	1,926,000			
Ted Stevens Anchorage International Airport - North Terminal Gate N7	2,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 17-32)				
Ted Stevens Anchorage International Airport - North Terminal Lobby Improvements (HD 17-32)	2,000,000			
Ted Stevens Anchorage International Airport - Residential Sound Insulation Program (RSIP) (HD 17-32)	18,600,000			
Ted Stevens Anchorage International Airport - Runway 7L Rehabilitation (HD 17-32)	5,000,000			
Ted Stevens Anchorage International Airport - Runway Deicer Storage (HD 17-32)	400,000			
Ted Stevens Anchorage International Airport - Taxiway E and M Reconstruction (HD 17-32)	15,000,000			
Ted Stevens Anchorage International Airport - Terminal Seating (HD 17-32)	1,700,000			
Unalaska - Runway Safety Area and Pavement Rehabilitation (HD 37)	25,700,000			
Whittier - Airport Master Plan (HD 17-32)	125,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Surface Transportation Program		**486,635,000**		**486,635,000**
Alaska Disparity Study (HD 1-40)	650,000			
Alaska Marine Highway System - Ferry Vessel Refurbishment (HD 1-40)	15,000,000			
Alaska Marine Highway System - Fleet Condition Survey Update (HD 1-40)	200,000			
Alaska Marine Highway System - M/V Columbia Repower and Ship Systems Improvements (HD 1-40)	25,000,000			
Alaska Marine Highway System - Pelican Ferry Terminal Renovation (HD 2)	3,000,000			
American Association of State Highway and Transportation Officials Technical Programs Support (HD 1-40)	100,000			
Americans with Disabilities Act - Transition Plan for Rights of Way (HD 1-40)	500,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Air Quality Public and Business Awareness Education Campaign (HD 17-32)	300,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Arterial Roadway Dust Control (HD 17-32)	200,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Dowling Road Extension West Reconstruction (HD 17-32)	22,000,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - O'Malley Road Reconstruction (HD 17-32)	4,000,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Ridesharing and Transit Marketing (HD 17-32)	720,000			
Bethel - Tundra Ridge Road Improvements (HD 38)	1,200,000			
Congestion Mitigation and Air Quality (CMAQ) - PM 2.5 Reductions (HD 7-11)	6,500,000			
Copper River Highway - Million Dollar Bridge #0206 (HD 12)	11,465,000			
Dalton Highway - Milepost 11 to 18 Reconstruction (HD 6)	25,000,000			
Dalton Highway - Milepost	10,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
197 to 209 (HD 6)				
Dalton Highway - Milepost 267 Holden Creek Bridge Repair or Replacement (HD 6)	5,000,000			
Dalton Highway - Milepost 9 to 11 Reconstruction - 9 Mile Hill (HD 6)	3,000,000			
Fairbanks Metropolitan Area Transportation System (FMATS) - Coordinator's Office (HD 7-11)	330,000			
Fairbanks Metropolitan Area Transportation System (FMATS) - Gold Hill Road Bicycle and Pedestrian Facility (HD 7-11)	1,100,000			
Fairbanks Metropolitan Area Transportation System (FMATS) - North Pole Bike Path Rehabilitation and Connections (HD 7-11)	455,000			
Fairbanks Metropolitan Area Transportation System (FMATS) - Sign Replacement (HD 7-11)	1,365,000			
Fairbanks - Air Quality Planning Project (HD 7-11)	200,000			
Fairbanks - Potter Road Surfacing (HD 7-11)	250,000			
Galena - Campion Road	9,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Erosion Protection (HD 6)				
Gambell - Evacuation Road Repairs and Extension (HD 39)	11,000,000			
Geographic Information System (GIS) Development (IWAYS) (HD 1-40)	1,000,000			
Glenn and Parks Highways Corridor ITS Project (HD 13-16)	1,500,000			
Glenn Highway - Milepost 172 to 189 Rehabilitation (HD 12)	10,000,000			
Hatcher Pass - Scenic Overlook and Trailhead Construction (HD 13-16)	1,000,000			
Homer - East End Road Rehabilitation - Milepost 3.7 to 12.2 (HD 33-35)	3,500,000			
Intelligent Transportation Systems Border Infrastructure (HD 1-40)	1,250,000			
Juneau - Auke Lake Trail and Wayside (HD 3-4)	1,200,000			
Juneau - Brotherhood Bridge and Industrial Boulevard Improvements (HD 3-4)	17,500,000			
Juneau - Fritz Cove Road Rehabilitation and Repair (HD 3-4)	4,000,000			
Juneau - Glacier Highway -	11,300,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Widen and Resurface Eagle Beach to Bessie Creek (HD 3-4)				
Juneau - Mendenhall Valley Street Dust Control (HD 3-4)	2,000,000			
Ketchikan - North Tongass Highway - Totem Bight to Whipple Creek (HD 1)	3,500,000			
Ketchikan - South Tongass Highway Widening - Saxman to Surf Street (HD 1)	1,000,000			
Livengood - Livengood Creek Bridge Replacement (HD 6)	1,400,000			
Matanuska-Susitna - Trunk Road Reconstruction (HD 13-16)	10,000,000			
New Seward Highway - Rabbit Creek to 36th Avenue (HD 17-32)	2,000,000			
Ninilchik - Village Bridge Replacement (HD 33-35)	2,200,000			
Nome - Nome-Council Road - Milepost 4 to 16 (HD 39)	4,500,000			
Northern Region - National Highway System and Non-National Highway System Pavement and Bridge Refurbishment (HD 1-40)	32,000,000			
Nulato - Airport Road Improvements (HD 6)	4,500,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Parks Highway - Milepost 239 to 263 Reconstruction - Nenana Canyon to Bear Creek (HD 7-11)	27,000,000			
Prince of Wales Island - Klawock to Hollis Pavement Rehabilitation and Culvert Replacement (HD 5)	20,000,000			
Revise Alaska Traffic, Environmental, and Right-of-Way Manuals and Standard Specifications (HD 1-40)	500,000			
Richardson Highway - Milepost 201 Phelan Creek Bridge Replacement (HD 12)	6,000,000			
Richardson Highway - Milepost 228 - One Mile Creek Bridge Replacement (HD 12)	7,500,000			
Richardson Highway - Milepost 345 Moose Creek Railroad Crossing (HD 12)	14,000,000			
Richardson Highway - Milepost 357 - Fairbanks New Weigh Station (HD 7-11)	3,000,000			
Safe Routes to Schools (HD 1-40)	1,000,000			
Seward Highway - Anchorage to Portage Glacier Road	750,000			

	Allocations	Appropriation Items	General Funds	Other Funds
ITS Project (HD 17-32)				
Seward Highway - Dowling to Tudor Reconstruction (HD 17-32)	20,000,000			
Seward Highway - Milepost 104 to 115 Passing Lanes - Indian to Potter (HD 17-32)	15,000,000			
Sitka - Halibut Point Road Resurfacing, Drainage Improvements and Bridge Replacement (HD 2)	4,000,000			
Southeast Region - National Highway System and Non-National Highway System Pavement and Bridge Refurbishment (HD 1-5)	5,000,000			
Statewide - Air Quality Mobile Source Modeling (HD 1-40)	1,200,000			
Statewide - Bicycle/ Pedestrian Facilities Rehabilitation and Improvements (HD 1-40)	500,000			
Statewide - Civil Rights Program (HD 1-40)	200,000			
Statewide - Comprehensive Highway Safety Plan (HD 1-40)	400,000			
Statewide - Highway Data Equipment Acquisition and	1,500,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Installation (HD 1-40)				
Statewide - Highway Fuel Tax Enforcement (HD 1-40)	100,000			
Statewide - National Highway Institute and Transit Institute Training (HD 1-40)	750,000			
Statewide - National Highway System Weight Restriction Remediation (HD 1-40)	10,000,000			
Statewide - Planning Work Program (HD 1-40)	8,000,000			
Statewide - Research Program (HD 1-40)	1,700,000			
Statewide - Scenic Byways Grants (HD 1-40)	750,000			
Statewide - Seismic Retrofit - Bridges (HD 1-40)	2,000,000			
Statewide - Urban Planning Program (HD 12-35)	1,500,000			
Statewide - Weigh-in-Motion Equipment (HD 1-40)	2,000,000			
Surface Transportation Preconstruction (HD 1-40)	45,000,000			

It is the intent of the legislature that when any named project that either increases vehicular capacity or has a construction cost exceeding $20,000,000 is added to the Statewide Transportation Improvement Plan (STIP), the Department of Transportation and Public Facilities provides written notification to the legislature. The notification should contain a brief project summary to include title, short description of work, geographic location, cost and

	Allocations	Appropriation Items	General Funds	Other Funds
estimated construction completion date.				
Top of the World Highway - Milepost 0 to 13 - Rehabilitation (HD 6)	12,200,000			
Whittier - Maintenance and Operations (HD 17-32)	2,200,000			
Deferred Maintenance		**28,000,000**	**28,000,000**	
Alaska Marine Highway System Deferred Maintenance (HD 1-40)	3,000,000			
Aviation Deferred Maintenance (HD 1-40)	3,500,000			
Harbors Deferred Maintenance (HD 1-40)	1,500,000			
Highways Deferred Maintenance (HD 1-40)	16,900,000			
Statewide Facilities Deferred Maintenance (HD 1-40)	3,100,000			
* * * * *		* * * * *		
* * * * * **University of Alaska** * * * * *				
* * * * *		* * * * *		
Annual Renewal and Repurposing (HD 1-40)		2,000,000	2,000,000	
Federal Receipt Authority for Capital Projects (HD 1-40)		30,000,000		30,000,000
Juneau Campus Mining Workforce Development (HD 3-4)		154,000	154,000	
UAA Sports Arena (HD		17,000,000	17,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
17-32)				
UAS - Banfield Hall Dormitory Addition (HD 3-4)		4,000,000	4,000,000	
University Honors College Student Support (HD 17-32)		200,000	200,000	
Deferred Maintenance				
Deferred Maintenance and Renewal and Repurposing (HD 1-40)		37,500,000	37,500,000	
* * * * *		* * * * *		
* * * * * **Alaska Court System** * * * * *				
* * * * *		* * * * *		
Anchorage Campus Court Renovation (HD 17-32)		4,000,000	4,000,000	
Court Security Projects (HD 1-40)		1,231,600	1,231,600	
Electronic Filing System (HD 1-40)		1,830,000	1,830,000	
Nesbett Courthouse Renovation (HD 17-32)		425,200	425,200	
Deferred Maintenance Projects		**2,500,000**	**2,500,000**	
Anchorage Nesbett Courthouse (HD 17-32)	1,326,800			
Anchorage Snowden Administrative Building (HD 17-32)	110,100			
Kenai Courthouse (HD 33-35)	283,000			
Palmer Courthouse (HD	780,100			

		Appropriation	General	Other
	Allocations	Items	Funds	Funds
13-16)				

(SECTION 2 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 2.** The following sets out the funding by agency for the appropriations made in sec. 1 of this Act.

Funding Source	Amount
Department of Administration	
1004 Unrestricted General Fund Receipts	58,130,000
1005 General Fund/Program Receipts	3,000,000
1017 Group Health and Life Benefits Fund	570,800
1029 Public Employees Retirement Trust Fund	661,500
1034 Teachers Retirement Trust Fund	272,100
1042 Judicial Retirement System	6,900
1045 National Guard Retirement System	21,900
1147 Public Building Fund	3,000,000
*** Total Agency Funding ***	$65,663,200
Department of Commerce, Community and Economic Development	
1002 Federal Receipts	6,880,000
1003 General Fund Match	571,000
1004 Unrestricted General Fund Receipts	351,809,300
1061 Capital Improvement Project Receipts	1,330,000
1140 Alaska Industrial Development and Export Authority Dividend	26,000,000
1202 Anatomical Gift Awareness Fund	55,000
1221 Civil Legal Services Fund	110,000
*** Total Agency Funding ***	$386,755,300
Department of Corrections	
1004 Unrestricted General Fund Receipts	7,400,000
*** Total Agency Funding ***	$7,400,000
Department of Education and Early Development	
1004 Unrestricted General Fund Receipts	6,025,000
*** Total Agency Funding ***	$6,025,000
Department of Environmental Conservation	
1002 Federal Receipts	42,300,000
1003 General Fund Match	8,766,664

1004	Unrestricted General Fund Receipts	22,017,963
1052	Oil/Hazardous Release Prevention & Response Fund	100,000
1075	Alaska Clean Water Fund	1,826,274
1100	Alaska Drinking Water Fund	4,071,900
1108	Statutory Designated Program Receipts	500,000
1173	GF Miscellaneous Earnings	205,300
*** Total Agency Funding ***		$79,788,101
Department of Fish and Game		
1002	Federal Receipts	22,790,000
1003	General Fund Match	180,000
1004	Unrestricted General Fund Receipts	2,605,000
1024	Fish and Game Fund	750,000
*** Total Agency Funding ***		$26,325,000
Office of the Governor		
1185	Election Fund	100,000
*** Total Agency Funding ***		$100,000
Department of Health and Social Services		
1002	Federal Receipts	48,460,559
1003	General Fund Match	5,195,122
1004	Unrestricted General Fund Receipts	14,448,458
*** Total Agency Funding ***		$68,104,139
Department of Labor and Workforce Development		
1004	Unrestricted General Fund Receipts	4,210,000
*** Total Agency Funding ***		$4,210,000
Department of Law		
1004	Unrestricted General Fund Receipts	1,250,000
*** Total Agency Funding ***		$1,250,000
Department of Military and Veterans Affairs		
1002	Federal Receipts	21,815,800
1003	General Fund Match	4,030,000
1004	Unrestricted General Fund Receipts	5,060,000

*** Total Agency Funding ***		$30,905,800
Department of Natural Resources		
1002	Federal Receipts	10,100,000
1003	General Fund Match	150,000
1004	Unrestricted General Fund Receipts	18,283,200
1005	General Fund/Program Receipts	400,000
1108	Statutory Designated Program Receipts	1,655,000
1153	State Land Disposal Income Fund	3,700,000
1195	Special Vehicle Registration Receipts	250,000
*** Total Agency Funding ***		$34,538,200
Department of Public Safety		
1002	Federal Receipts	2,000,000
1004	Unrestricted General Fund Receipts	6,278,000
*** Total Agency Funding ***		$8,278,000
Department of Revenue		
1002	Federal Receipts	10,339,900
1003	General Fund Match	72,100
1004	Unrestricted General Fund Receipts	52,541,000
1050	Permanent Fund Dividend Fund	266,500
1105	Permanent Fund Gross Receipts	150,000
1139	Alaska Housing Finance Corporation Dividend	16,300,000
*** Total Agency Funding ***		$79,669,500
Department of Transportation and Public Facilities		
1002	Federal Receipts	869,695,125
1003	General Fund Match	65,150,000
1004	Unrestricted General Fund Receipts	72,846,000
1026	Highways Equipment Working Capital Fund	18,322,600
1027	International Airports Revenue Fund	17,236,750
1061	Capital Improvement Project Receipts	1,900,000
1108	Statutory Designated Program Receipts	12,000,000
1112	International Airports Construction Fund	19,212,924

*** Total Agency Funding ***		$1,076,363,399
University of Alaska		
1002 Federal Receipts		30,000,000
1004 Unrestricted General Fund Receipts		60,854,000
*** Total Agency Funding ***		$90,854,000
Alaska Court System		
1004 Unrestricted General Fund Receipts		9,986,800
*** Total Agency Funding ***		$9,986,800
* * * * * Total Budget * * * * *		$1,976,216,439

(SECTION 3 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 3.** The following sets out the statewide funding for the appropriations made in sec. 1 of this Act.

Funding Source		Amount
Unrestricted General Funds		
1003	General Fund Match	84,114,886
1004	Unrestricted General Fund Receipts	693,744,721
1139	Alaska Housing Finance Corporation Dividend	16,300,000
1140	Alaska Industrial Development and Export Authority Dividend	26,000,000
1173	GF Miscellaneous Earnings	205,300
Total Unrestricted General Funds		$820,364,907
Designated General Funds		
1005	General Fund/Program Receipts	3,400,000
1050	Permanent Fund Dividend Fund	266,500
1052	Oil/Hazardous Release Prevention & Response Fund	100,000
1153	State Land Disposal Income Fund	3,700,000
1195	Special Vehicle Registration Receipts	250,000
1202	Anatomical Gift Awareness Fund	55,000
1221	Civil Legal Services Fund	110,000
Total Designated General Funds		$7,881,500
Other Non-Duplicated Funds		
1017	Group Health and Life Benefits Fund	570,800
1024	Fish and Game Fund	750,000
1027	International Airports Revenue Fund	17,236,750
1029	Public Employees Retirement Trust Fund	661,500
1034	Teachers Retirement Trust Fund	272,100
1042	Judicial Retirement System	6,900
1045	National Guard Retirement System	21,900
1105	Permanent Fund Gross Receipts	150,000
1108	Statutory Designated Program Receipts	14,155,000

Total Other Non-Duplicated Funds		$33,824,950
Federal Funds		
1002	Federal Receipts	1,064,381,384
Total Federal Funds		$1,064,381,384
Duplicated Funds		
1026	Highways Equipment Working Capital Fund	18,322,600
1061	Capital Improvement Project Receipts	3,230,000
1075	Alaska Clean Water Fund	1,826,274
1100	Alaska Drinking Water Fund	4,071,900
1112	International Airports Construction Fund	19,212,924
1147	Public Building Fund	3,000,000
1185	Election Fund	100,000
Total Duplicated Funds		$49,763,698

(SECTION 4 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 4.** The following appropriation items are for capital projects and grants from the general fund or other funds as set out in section 5 of this Act by funding source to the agencies named for the purposes expressed and lapse under AS 37.25.020, unless otherwise noted.

It is the intent of the legislature that the following appropriations and projects are needed to carry out the state's energy policy described in AS 44.99.115. As the energy policy states, the legislature recognizes the immense diversity of the state's geography, cultures, and resource availability and the need to identify and assist with development of the most cost-effective, long-term sources of energy for each community statewide. Therefore, the legislature intends that the package of appropriations and projects listed below are all necessary to achieve a statewide balance in addressing the state's diverse energy needs.

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *			* * * * *	
* * * * * **Department of Commerce, Community and Economic Development** * * * * *				
* * * * *			* * * * *	
Alaska Industrial Development & Export Authority - Coal to Liquids Certification Project (HD 1-40)		500,000	500,000	
Alaska Energy Authority - Nuvista Light & Power Chikuminuk Hydroelectric and Alternative Energy Project (HD 36-38)		17,630,000	17,630,000	
Alaska Energy Authority - Southeast Energy Fund (HD 1-5)		10,000,000	10,000,000	
Alaska Energy Authority -		65,700,000	65,700,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Susitna Hydroelectric Energy Plan (HD 12-35)				
Alaska Energy Authority - Energy Programs		**16,330,000**	**10,330,000**	**6,000,000**
Alaska Energy Plan Implementation (HD 1-40)	1,000,000			
Bulk Fuel Upgrades (HD 1-40)	5,000,000			
Electrical Emergencies Program (HD 1-40)	330,000			
Rural Power System Upgrades (HD 1-40)	10,000,000			
Alaska Energy Authority - Energy Projects				

It is the intent of the Legislature that the state's capital investment into any of these energy projects not exceed 50% of the total investment required to fully complete each project. The Alaska Energy Authority (AEA) should evaluate each of the energy projects in this section using criteria similar to that established for the renewable energy grant fund (AS 42.45.045) by the Renewable Energy Fund Advisory committee. If during their evaluation, AEA determines that an appropriation below exceeds the 50% state funding threshold, the authority shall submit to the legislature recommendations for reductions or reappropriation by February 1, 2012.

AEA - Akiak Community Electrical Generation System Upgrade (HD 38)	4,000,000	4,000,000	
AEA - Anchorage to Quartz Creek Transmission Line Maintenance and Repair (HD 17-32)	25,000,000	25,000,000	
AEA - Battle Creek Diversion (HD 33-35)	15,000,000	15,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
AEA - Cook Inlet Gas Gathering System Remodel (HD 12-35)		2,000,000	2,000,000	
AEA - Copper Valley Electric Association Allison Creek Hydroelectric Project (HD 12-35)		10,000,000	10,000,000	
AEA - Daves Creek to Seward Transmission Line Completion (HD 33-35)		1,500,000	1,500,000	
AEA - Girdwood and Substation Improvements (HD 17-32)		4,000,000	4,000,000	
AEA - Golden Valley Electric Association Eva Creek Wind Farm (HD 7-11)		10,000,000	10,000,000	
AEA - Gustavus Electric Company Falls Creek Hydroelectric Debt Reimbursement (HD 5)		1,300,000	1,300,000	
AEA - Homer Area Natural Gas Pipeline (HD 33-35)		10,053,000	10,053,000	
AEA - Homer Electric Association Soldotna to Nikiski Transmission Upgrade (HD 33-35)		25,000,000	25,000,000	
AEA - Ketchikan Whitman Lake Hydroelectric Project (HD 1)		8,025,000	8,025,000	
AEA - Kodiak Electric Association Terror Lake		3,750,000	3,750,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Hydroelectric Facility Expansion (HD 36)				
AEA - Metlakatla Indian Community Metlakatla-Ketchikan Intertie (HD 1-5)		10,500,000	10,500,000	
AEA - Mount Spurr Geothermal Project Development (HD 12-35)		18,000,000	18,000,000	
AEA - Quartz Creek to Soldotna Transmission Maintenance and Repair (HD 33-35)		10,000,000	10,000,000	
AEA - Seward Power Plant Integration (HD 33-35)		4,000,000	4,000,000	
AEA - Sitka Blue Lake Hydroelectric Project Expansion (HD 2)		28,500,000	28,500,000	
AEA - Soldotna to Quartz Creek Transmission Study, Design and Permitting (HD 33-35)		5,000,000	5,000,000	
AEA - Teeland to Healy Substation Improvements and Repair (HD 7-11)		5,000,000	5,000,000	
Alaska Energy Authority - Round IV Renewable Energy Project Grants (AS 42.45.045)		**36,620,231**	**36,620,231**	
Inside Passage Electric Cooperative, Inc. - Hoonah	475,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Heat Recovery Project (HD 5)				
University of Alaska Center for Energy and Power - Pilgrim Hot Springs Geothermal Assessment (HD 39)	1,330,467			
Northwest Inupiat Housing Authority - Upper Kobuk River Biomass (HD 40)	250,000			
Southeast Island School District - Thorne Bay School Wood Fired Boiler Project (HD 1)	300,000			
G&K, Inc. - Cold Bay Electric Utility Wind Energy Project (HD 37)	99,075			
Kodiak Electric Association, Inc. - Terror Lake Hydroelectric Project (HD 36)	3,751,840			
Kootznoowoo, Inc. - Thayer Lake Hydroelectric Project (HD 5)	1,060,500			
Alaska Power & Telephone Company - Upper Tanana Biomass CHP Project (HD 6)	380,000			
TDX Power, Inc. - Bethel Renewable Energy Project (HD 38)	213,690			

	Allocations	Appropriation Items	General Funds	Other Funds
Chugach Electric Association, Inc. - Battle Creek Diversion Project (HD 33-35)	500,000			
Alaska Village Electric Cooperative, Inc. - Old Harbor Hydroelectric (HD 36)	237,500			
Lake & Peninsula Borough - Port Heiden Wind Turbine Project (HD 37)	250,000			
Golden Valley Electric Association - Eva Creek Wind Turbine Purchase (HD 7-11)	1,463,200			
Alaska Electric Light & Power Company - Snettisham Transmission Line Avalanche Mitigation (HD 3-4)	2,000,000			
Pelican - Hydroelectric Upgrade Project (HD 2)	1,896,836			
Tenakee Springs - Indian River Hydroelectric Project (HD 5)	203,000			
University of Alaska Center for Energy and Power - Organic Rankine Cycle Field Testing (HD 6)	472,787			
Lake & Peninsula Borough - Wood Boilers (HD 36)	369,900			

	Allocations	Appropriation Items	General Funds	Other Funds
Chitina Electric, Inc. - Fivemile Creek Hydroelectric Project (HD 6)	277,000			
Ormat Nevada, Inc. - Mount Spurr Geothermal Project (HD 33-35)	1,999,972			
Napaskiak Electric Utility - Wind Power and Heat Recovery (HD 38)	61,225			
Alaska Village Electric Cooperative - St. Marys/ Pitkas Point Wind Construction (HD 39)	275,554			
Louden Tribal Council - Renewable Energy Feasibility Study (HD 6)	100,000			
Chugach Electric Association, Inc. - Transmission to Renewable Energy Resources (HD 33-35)	600,000			
Interior Regional Housing Authority - Wood Heating Feasibility Assessments (HD 6)	154,477			
Lime Village Traditional Council - Photovoltaic System Retrofit (HD 6)	25,000			
Craig - Biomass Fuel Dryer Project (HD 5)	350,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Independence Power, LLC - Fourth of July Creek Hydroelectric Project (HD 33-35)	136,500			
Kotzebue - Paper and Wood Waste to Energy (HD 40)	85,000			
Village of Atmautluak - Wind Renewable Energy (HD 38)	100,000			
Alaska Village Electric Cooperative, Inc. - Stebbins Wind Feasibility (HD 39)	137,750			
Elfin Cove - Hydroelectric Project (HD 2)	347,000			
Ketchikan - Whitman Lake Hydroelectric Project (HD 1)	700,000			
Alaska Village Electric Cooperative, Inc. - Eek Wind Feasibility (HD 38)	142,500			
Organized Village of Kwethluk - Wind Feasibility (HD 38)	145,000			
Sitka - Japonski Island Boathouse Heat Pump (HD 2)	125,000			
Alaska Village Electric Cooperative, Inc. - Marshall Wind Feasibility (HD 6)	111,150			

	Allocations	Appropriation Items	General Funds	Other Funds
Nelson Lagoon Electrical Cooperative - Wind Energy Project (HD 37)	99,075			
North Slope Borough - Atqasuk Transmission Line (HD 40)	210,000			
Alaska Village Electric Cooperative, Inc. - Kaltag Solar Construction (HD 6)	90,000			
Alaska Village Electric Cooperative, Inc. - Scammon Bay Wind Feasibility (HD 39)	142,500			
Chugach Electric Association, Inc. - Stetson Creek Diversion and Cooper Lake Dam Facilities (HD 33-35)	576,080			
New Koliganek Village Council - Wind and Heat Recovery Feasibility Study (HD 37)	105,050			
North Slope Borough - Wainwright Wind Turbine Design (HD 40)	298,000			
North Slope Borough - Kaktovik Wind Diesel (HD 40)	132,000			
North Slope Borough - Point Hope Wind Turbine Design (HD 40)	298,000			

	Allocations	Appropriation Items	General Funds	Other Funds
North Slope Borough - Point Lay Wind Generation Design (HD 40)	298,000			
Kenai Hydro, LLC - Grant Lake Hydroelectric Facility (HD 33-35)	1,184,000			
Alaska Village Electric Cooperative, Inc. - Selawik Hybrid Wind Diesel System Turbine Upgrade (HD 40)	85,000			
Alaska Power Company - Reynolds Creek Hydroelectric Project (HD 5)	2,000,000			
AVTEC - Hydroelectric Training Facility (HD 33-35)	67,500			
Alaska Village Electric Cooperative, Inc. - Koyuk Wind Feasibility (HD 39)	142,500			
Chefornak - Wind Feasibility (HD 38)	136,750			
Alaska Village Electric Cooperative, Inc. - Elim Wind Feasibility (HD 39)	142,500			
Akutan - Geothermal Development Project (HD 37)	2,695,000			
Akiachak Native Community - Wind Feasibility and Conceptual Design (HD 38)	110,000			

	Allocations	Appropriation Items	General Funds	Other Funds
ORPC Alaska, LLC - Cook Inlet Tidal Generation Project (HD 33-35)	2,000,000			
Alaska Power Company - Connelly Lake Hydroelectric Project (HD 5)	468,000			
False Pass - Wind Energy Project (HD 37)	69,075			
Native Village of Eyak - Biomass Feasibility Study (HD 5)	75,000			
Eklutna, Inc. - Hunter Creek Hydroelectric Project (HD 13-16)	84,000			
Port Graham Village Council - Biomass Waste Heat Demonstration Project (HD 33-35)	75,000			
Matanuska-Susitna Borough - Susitna Valley High School Wood Heat (HD 13-16)	750,000			
Copper River School District - Kenny Lake School Wood Fired Boiler (HD 6)	565,485			
Alaska Power Company - Schubee Lake Hydroelectric Project (HD 5)	80,000			
Bering Pacific Engineering - Eska Creek Hydroelectric Project (HD 12)	37,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Metlakatla Indian Community - Metlakatla-Ketchikan Intertie (HD 1-5)	1,180,000			
Haines - Excursion Inlet Hydro Project (HD 5)	93,593			
Native Village of Cantwell - Jack River Hydro Project (HD 7-11)	30,000			
Wrangell - Electric Vehicle Feasibility Study (HD 2)	25,000			
Sitka - Centennial Hall and Library Renewable Energy Feasibility Study (HD 2)	30,000			
Sitka - Wastewater Treatment Plant Renewable Energy Feasibility Study (HD 2)	20,000			
Inside Passage Electric Cooperative - Tenakee Inlet Geothermal Resource Study (HD 5)	599,200			
Metlakatla Indian Community - Triangle Lake Hydroelectric Project (HD 5)	500,000			
* * * * *		* * * * *		
* * * * * **Department of Revenue** * * * * *				
* * * * *		* * * * *		
Alaska Housing Finance Corporation				

		Appropriation	General	Other
	Allocations	Items	Funds	Funds
Alaska Gasline Development Corporation - Year 2 In-State Gas Project (HD 12-35)		5,500,000	5,500,000	
AHFC Weatherization and Home Energy Rebate Programs		**51,500,000**	**50,000,000**	**1,500,000**
AHFC Weatherization Program (HD 1-40)	31,500,000			
AHFC Home Energy Rebate Program (HD 1-40)	20,000,000			

(SECTION 5 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 5.** The following sets out the funding by agency for the appropriations made in sec. 4 of this Act.

Funding Source	Amount
Department of Commerce, Community and Economic Development	
1002 Federal Receipts	6,000,000
1004 Unrestricted General Fund Receipts	238,588,000
1012 Railbelt Energy Fund	65,700,000
1140 Alaska Industrial Development and Export Authority Dividend	500,000
1210 Renewable Energy Grant Fund	36,620,231
*** Total Agency Funding ***	$347,408,231
Department of Revenue	
1002 Federal Receipts	1,500,000
1004 Unrestricted General Fund Receipts	55,500,000
*** Total Agency Funding ***	$57,000,000
* * * * * Total Budget * * * * *	$404,408,231

(SECTION 6 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 6.** The following sets out the statewide funding for the appropriations made in sec. 4 of this Act.

Funding Source		Amount
Unrestricted General Funds		
1004	Unrestricted General Fund Receipts	294,088,000
1012	Railbelt Energy Fund	65,700,000
1140	Alaska Industrial Development and Export Authority Dividend	500,000
Total Unrestricted General Funds		$360,288,000
Designated General Funds		
1210	Renewable Energy Grant Fund	36,620,231
Total Designated General Funds		$36,620,231
Other Non-Duplicated Funds		
Total Other Non-Duplicated Funds		$0
Federal Funds		
1002	Federal Receipts	7,500,000
Total Federal Funds		$7,500,000
Duplicated Funds		
Total Duplicated Funds		$0

(SECTION 7 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 7.** The following appropriation items are for capital project grants to upgrade commercial passenger vessel services and infrastructure, enhance passenger safety and support cruise ship visitor activities from the Commercial Vessel Passenger Tax Account (AS 43.52.230) or other funds as set out in section 8 of this Act to the agencies named for the purposes expressed and lapse under AS 37.25.020, unless otherwise noted.

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *			* * * * *	
* * * * * **Department of Commerce, Community and Economic Development** * * * * *				
* * * * *			* * * * *	
Grants to Municipalities (AS 37.05.315) - Cruise Ship-Related Grant Projects				
Homer - Cruise Ship Dock and Passenger Facility Improvements (HD 33-35)		6,000,000		6,000,000
Hoonah - Berthing Facility (HD 5)		14,000,000	13,000,000	1,000,000
Juneau - Cruise Ship Dock Improvements (HD 3-4)		10,000,000	10,000,000	
Ketchikan - Berths I & II Replacement Project (HD 1)		10,000,000	10,000,000	
Kodiak - Pedestrian Pathway Planning and Design (HD 36)		384,000		384,000
Kodiak - Pier and Downtown Pedestrian Improvements (HD 36)		1,600,000		1,600,000
Seward - Cruise Ship Boardwalk Extension (HD		25,000		25,000

	Allocations	Appropriation Items	General Funds	Other Funds
33-35)				
Seward - Harbor Restrooms Improvements (HD 33-35)		130,000		130,000
Sitka - Commercial Passenger Vessel and Visitors Facility Improvements (HD 2)		3,000,000		3,000,000
Skagway - City Dock Improvements (HD 5)		10,000,000	10,000,000	
Grants to Named Recipients (AS 37.05.316)				
Marine Exchange of Alaska - Alaska Vessel Tracking System Upgrades and Expansion (HD 1-40)		600,000		600,000

(SECTION 8 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 8.** The following sets out the funding by agency for the appropriations made in sec. 7 of this Act.

Funding Source		Amount
Department of Commerce, Community and Economic Development		
1004	Unrestricted General Fund Receipts	7,100,000
1140	Alaska Industrial Development and Export Authority Dividend	2,900,000
1206	Commercial Passenger Vessel Tax	12,739,000
1211	Cruise Ship Gambling Tax	33,000,000
*** Total Agency Funding ***		$55,739,000
* * * * * Total Budget * * * * *		$55,739,000

(SECTION 9 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 9.** The following sets out the statewide funding for the appropriations made in sec. 7 of this Act.

Funding Source		Amount
Unrestricted General Funds		
1004	Unrestricted General Fund Receipts	7,100,000
1140	Alaska Industrial Development and Export Authority Dividend	2,900,000
1211	Cruise Ship Gambling Tax	33,000,000
Total Unrestricted General Funds		$43,000,000
Designated General Funds		
Total Designated General Funds		$0
Other Non-Duplicated Funds		
1206	Commercial Passenger Vessel Tax	12,739,000
Total Other Non-Duplicated Funds		$12,739,000
Federal Funds		
Total Federal Funds		$0
Duplicated Funds		
Total Duplicated Funds		$0

(SECTION 10 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 10.** The following appropriation items are for capital projects and grants from the general fund or other funds as set out in section 11 of this Act by funding source to the agencies named for the purposes expressed and lapse under AS 37.25.020, unless otherwise noted.

It is the intent of the legislature that the following appropriations be considered as a single comprehensive K-12 education infrastructure investment program for fiscal year 2012.

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *			* * * * *	
* * * * * **Department of Commerce, Community and Economic Development** * * * * *				
* * * * *			* * * * *	
Grants to Municipalities (AS 37.05.315)				
Anchorage - East High School Field Improvements (HD 17-32)		2,400,000	2,400,000	
Anchorage - Service High School Field Turf (HD 17-32)		2,100,000	2,100,000	
Anchorage - West Anchorage High School and Romig Middle School Redevelopment Funding (HD 17-32)		3,000,000	3,000,000	
Fairbanks North Star Borough - Barnette Magnet School Renovation and Reconstruction (HD 7-11)		9,500,000	9,500,000	
Galena - Galena City School District Shop (HD		1,106,100	1,106,100	

	Allocations	Appropriation Items	General Funds	Other Funds
6)				
Kodiak Island Borough - Emergency School Generators (HD 36)		2,182,000	2,182,000	
Matanuska-Susitna Borough - School District Network Wiring and Infrastructure Improvements (HD 13-16)		2,000,000	2,000,000	
Northwest Arctic Borough - Northwest Magnet School and Kotzebue High School Residential Program (HD 40)		4,000,000	4,000,000	
Sitka - School District Vocational Education Facility (HD 2)		1,433,000	1,433,000	
Grants to Named Recipients (AS 37.05.316)				
Dimond High School Alumni Projects, Inc. - Track Replacement (HD 17-32)		1,950,000	1,950,000	
* * * * *			* * * * *	
* * * * * **Department of Education and Early Development** * * * * *				
* * * * *			* * * * *	
Major Maintenance Grant Fund (AS 14.11.007)		**73,240,050**	**73,240,050**	
St. Mary's Complex Renovation Completion (HD 39)	105,954			
Valley Park Elementary School Roof Replacement	1,211,170			

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 1)				
Nome Elementary Boiler Replacement (HD 39)	545,838			
Alakanuk Emergency Electrical Service Repairs (HD 39)	89,621			
Pelican High School Mechanical Upgrades (HD 2)	150,628			
Annette Island School District Phone System Replacement (HD 5)	95,422			
Arctic Village K-12 School Soil Remediation (HD 6)	5,517,065			
Kake District-wide Lighting Upgrades (HD 5)	59,215			
Tri-Valley K-12 School Gymnasium and Locker Room Roof Replacement (HD 7-11)	691,312			
St. Mary's Backup Generators Replacement (HD 39)	1,133,912			
Scammon Bay K-12 School Generator and Fuel Tank Relocation (HD 39)	1,696,152			
Sand Point K-12 School Gym Floor and Bleacher Replacement (HD 37)	151,540			
Pitka's Point K-8 School Renovation (HD 39)	8,360,235			
Yakutat Elementary Kitchen Renovation Completion (HD	52,172			

	Allocations	Appropriation Items	General Funds	Other Funds
5)				
Kaltag K-12 School Mechanical And Electrical Upgrades (HD 6)	2,365,365			
Jack Egnaty Sr. K-12 School Roof Replacement, Sleetmute (HD 6)	1,142,184			
Tununak K-12 School Major Maintenance (HD 38)	19,166,462			
Andrew K. Demoski K-12 School Renovation, Nulato (HD 6)	11,819,009			
Anchorage District-wide Roof Replacements and Structural Upgrades (HD 17-32)	6,492,500			
Buckland K-12 School Heating System Improvements (HD 40)	292,408			
Tenakee K-12 School Roof Replacement (HD 5)	520,001			
Nunapitchuk Wastewater Upgrades (HD 38)	1,045,500			
Bethel Campus Water Sewer Line and Utilidor Repairs (HD 38)	2,499,850			
Metlakatla Elementary School Underground Fuel Tank Replacement (HD 5)	360,285			
Valdez High School Fire Alarm and Sprinkler	694,943			

	Allocations	Appropriation Items	General Funds	Other Funds
Replacement (HD 12)				
Nenana K-12 School Major Maintenance (HD 6)	1,354,111			
Akutan K-12 School Siding Replacement (HD 37)	63,822			
Nenana K-12 School ADA Upgrades and Erosion Control (HD 6)	713,158			
Ketchikan District-wide Electric Boiler Installation (HD 1)	3,432,996			
Craig Alternative Wood Heat Project (HD 5)	161,172			
Sand Point K-12 School Pool Maintenance (HD 37)	73,895			
Mekoryuk Wastewater Upgrades (HD 38)	858,707			
Hermon Hutchens Elementary Fire Alarm, Clock, and Intercom Replacement (HD 12)	323,446			
School Construction Grant Fund (AS 14.11.005)		**76,635,615**	**76,635,615**	

The legislature intends that the following three appropriations to Kuinerrarmiut Elitnaurviat K-12 School, Napaskiak K-12 School, and Kivalina K-12 School address the recommendations made by the court in Kasayulie v. State, 3AN-97-3782 CIV (Sept. 1, 1999).

Kuinerrarmiut Elitnaurviat K-12 School Renovation/ Addition, Quinhagak (HD 38)	28,489,312			
Napaskiak K-12 School	33,421,589			

	Allocations	Appropriation Items	General Funds	Other Funds
Replacement (HD 38)				
Kivalina K-12 School Renovation/ Addition (HD 40)	14,724,714			

This allocation is contingent upon the community of Kivalina moving to a permanent new location where the new school can safely be constructed.

Deferred Maintenance			
Mt. Edgecumbe High School Deferred Maintenance (HD 1-40)	2,800,000	2,800,000	

(SECTION 11 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 11.** The following sets out the funding by agency for the appropriations made in sec. 10 of this Act.

Funding Source	Amount
Department of Commerce, Community and Economic Development	
1004 Unrestricted General Fund Receipts	29,671,100
*** Total Agency Funding ***	$29,671,100
Department of Education and Early Development	
1004 Unrestricted General Fund Receipts	152,675,665
*** Total Agency Funding ***	$152,675,665
* * * * * Total Budget * * * * *	$182,346,765

(SECTION 12 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 12.** The following sets out the statewide funding for the appropriations made in sec. 10 of this Act.

Funding Source	Amount
Unrestricted General Funds	
1004 Unrestricted General Fund Receipts	182,346,765
Total Unrestricted General Funds	$182,346,765
Designated General Funds	
Total Designated General Funds	$0
Other Non-Duplicated Funds	
Total Other Non-Duplicated Funds	$0
Federal Funds	
Total Federal Funds	$0
Duplicated Funds	
Total Duplicated Funds	$0

(SECTION 13 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 13.** FEDERAL AND OTHER PROGRAM RECEIPTS. (a) Federal receipts, designated program receipts as defined in AS 37.05.146(b)(3), information services fund program receipts as defined in AS 44.21.045(b), receipts of the University of Alaska as described in AS 37.05.146(b)(2), receipts of commercial fisheries test fishing operations under AS 37.05.146(c)(21), corporate receipts of the Alaska Housing Finance Corporation, corporate receipts of the Alaska Aerospace Corporation, Exxon Valdez oil spill trust receipts as defined in AS 37.05.146(b)(4), and receipts of the Alaska Fire Standards Council under AS 37.05.146(b)(5), that exceed the amounts appropriated by this Act are appropriated conditioned on compliance with the program review provisions of AS 37.07.080(h).

(b) If federal or other program receipts as defined in AS 37.05.146 and in AS 44.21.045(b) exceed the estimates appropriated by this Act, the appropriations from state funds for the affected program may be reduced by the excess if the reductions are consistent with applicable federal statutes.

(c) If federal or other program receipts as defined in AS 37.05.146 and in AS 44.21.045(b) fall short of the estimates appropriated by this Act, the affected appropriation is reduced by the amount of the shortfall in receipts.

* **Sec. 14.** FUND CAPITALIZATION. (a) The sum of $60,000,000 is appropriated from the general fund to the Alaska Gasline Inducement Act reimbursement fund (AS 43.90.400(a)) for the natural gas pipeline project construction inducement under AS 43.90.110(a)(1).

(b) The sum of $2,400,000 is appropriated from the general fund to the emerging energy technology fund (AS 42.45.375).

(c) The amount of federal receipts from the financial assistance award for emerging energy technology by the Denali Commission established under P.L. 105-277, estimated to be $2,400,000, is appropriated to the emerging energy technology fund (AS 42.45.375) for capital projects.

* **Sec. 15.** FUND TRANSFERS. (a) The sum of $2,500,000 is appropriated from the general fund to the alternative energy conservation revolving loan fund (AS 45.88.010).

(b) The sum of $30,620,231 is appropriated from the general fund to the renewable energy grant fund (AS 42.45.045(a)).

* **Sec. 16.** INSURANCE CLAIMS. The amounts to be received in settlement of insurance claims for losses and the amounts to be received as recovery for losses are appropriated from

the general fund to the

(1) state insurance catastrophe reserve account (AS 37.05.289(a)); or

(2) appropriate state agency to mitigate the loss.

* **Sec. 17.** NATIONAL PETROLEUM RESERVE - ALASKA IMPACT GRANT PROGRAM. (a) The amount received by the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530(a)) under 42 U.S.C. 6506a(*l*) or former 42 U.S.C. 6508 by August 31, 2011, estimated to be $5,399,679, is appropriated from that fund to the Department of Commerce, Community, and Economic Development for capital project grants under the National Petroleum Reserve - Alaska impact grant program to the following municipalities in the amounts stated:

MUNICIPALITY	PROJECT	ALLOCATION
(1) North Slope Borough	Permit tracking system	$ 242,000
(2) North Slope Borough	Lagoon and Kuk Inlet	109,000
(3) City of Barrow	Local government operations and maintenance	1,600,000
(4) North Slope Borough	Meade River school counselor	270,177
(5) North Slope Borough	Land management and enforcement continuation	750,000
(6) North Slope Borough	School counselor program	282,502
(7) North Slope Borough	Mayor's job program	300,000
(8) City of Nuiqsut	Youth center operations and maintenance	194,000
(9) City of Nuiqsut	Local government operations and maintenance	595,000
(10) City of Atqasuk	Local government operations and youth program	300,000
(11) City of Barrow	City archival project	60,000
(12) North Slope Borough	Workforce development for essential services	452,000
(13) City of Wainwright	Wainwright local government	245,000

operations

(b) If the amount received by the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530(a)) under 42 U.S.C. 6506a(*l*) or former 42 U.S.C. 6508 by August 31, 2011, is less than the sum of the allocations made in (a) of this section, the Department of Commerce, Community, and Economic Development shall work with the municipalities listed in (a) of this section to reduce the sum of the allocations made in (a) of this section to equal the amount received.

* **Sec. 18.** DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT. The sum of $486,000 is appropriated from the general fund to the Department of Labor and Workforce Development, Alaska Workforce Investment Board, to offer, in cooperation with the Department of Commerce, Community, and Economic Development, grants as authorized by AS 23.15.820(b) for training Alaskans in the film and television industry.

* **Sec. 19.** DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES. (a) The unexpended and unobligated balance, estimated to be $2,000,000, of the appropriation made in sec. 1, ch. 82, SLA 2006, page 86, line 32, through page 87, line 3 (Department of Transportation and Public Facilities, Parks Highway Frontage Road realignment at Seward meridian - $2,000,000) is reappropriated to the Department of Transportation and Public Facilities for Parks Highway Frontage Road and intersection improvements at Trunk Road.

(b) Section 14(*l*), ch. 14, SLA 2009, is amended to read:

(*l*) The sum of $4,250,000 is appropriated from the Alaska capital income fund (AS 37.05.565) to the Department of Transportation and Public Facilities for construction of a new Ketchikan airport ferry to replace the M/V Bob Ellis**, mooring and transfer facility repairs, and M/V Oral Freeman construction costs incurred before January 1, 2002**.

* **Sec. 20.** HOUSE DISTRICT 2. (a) Section 1, ch. 3, FSSLA 2005, page 66, lines 23 - 28, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Petersburg: North Harbor Deferred Maintenance**, Replacement,** and Transfer (HD 2)	2,500,000	2,500,000

In order to expend this appropriation, the City of Petersburg must enter into an agreement with the Department of Transportation and Public Facilities and accept full responsibility for ownership and maintenance of the North Harbor by January 1, 2006.

(b) Section 4, ch. 15, SLA 2009, page 46, lines 24 - 25, is amended to read:

	APPROPRIATION ITEMS	OTHER FUNDS
Wrangell - **Street,** [STIKINE AVENUE] Sidewalk**, and Infrastructure Improvements** [EXTENSION] (HD 2)	390,000	390,000

*** Sec. 21.** HOUSE DISTRICT 5. (a) The unexpended and unobligated balance, estimated to be $200,000, of the appropriation made in sec. 13, ch. 29, SLA 2008, page 120, lines 14 - 16, as amended by sec. 41(b), ch. 43, SLA 2010 (Craig, fish processing capacity and community cold storage) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Craig for reimbursement of 2008 and 2009 expenditures for Craig cold storage.

(b) Section 7, ch. 43, SLA 2010, page 24, lines 18 - 19, is amended to read:

	ALLOCATIONS
Haines - Lilly Lake Transmission Line **and Crystal Cathedral Water System Tie-In** (HD 5)	1,117,550

*** Sec. 22.** HOUSE DISTRICT 6. (a) The unexpended and unobligated balances, estimated to be a total of $23,041, of the appropriations made in sec. 8(a), ch. 1, SSSLA 2002, page 96, line 30 (Slana League, community projects and improvements - $27,263) and sec. 8(a)(26), ch. 159, SLA 2004 (Slana League, community projects and improvements - $58,830) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Northway Village Council for community projects, equipment, and improvements.

(b) The unexpended and unobligated balance, estimated to be $40,000, of the appropriation made in sec. 1, ch. 3, FSSLA 2005, page 18, lines 25 - 27 (Marshall,

community center renovation - $40,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Marshall for community projects, equipment, and improvements.

* **Sec. 23.** HOUSE DISTRICTS 7 - 11. (a) Section 7, ch. 43, SLA 2010, page 36, lines 3 - 5, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Chena Small Tracts Road **Bicycle and Pedestrian Facility** [MULTI-USE PATH DESIGN AND PLANNING] (HD 7-11)	150,000	150,000

(b) The unexpended and unobligated balances, estimated to be a total of $107,107, of the appropriations made in sec. 1, ch. 82, SLA 2006, page 36, lines 12 - 16 (Fairbanks North Star Borough, FNSB School District, Lathrop High School stadium bleachers purchase - $99,000) and sec. 13, ch. 29, SLA 2008, page 123, lines 14 - 17 (Fairbanks North Star Borough, North Pole Middle School replacement of chalk boards - $30,000) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Fairbanks North Star Borough for deferred maintenance of the Stampede Room in the Pioneer Museum at Pioneer Park.

(c) The unexpended and unobligated balance, estimated to be $50,000, of the appropriation made in sec. 1, ch. 82, SLA 2006, page 35, lines 15 - 18 (Fairbanks North Star Borough, Steamboat Landing Freeman Road culvert project - $50,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Fairbanks Soil and Water Conservation District for the Chena Slough project.

(d) The unexpended and unobligated balance, estimated to be $19,851, of the appropriation made in sec. 10, ch. 43, SLA 2010, page 93, lines 20 - 22 (Juneau, Arctic Winter Games bid planning and submission - $50,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Fairbanks North Star Borough for the Arctic Winter Games.

(e) The unexpended and unobligated balance, estimated to be $61,600, of the

appropriation made in sec. 1, ch. 30, SLA 2007, page 13, lines 25 - 28 (Cold Climate Housing Research Center, wood-fire CHP demonstration project - $100,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Cold Climate Housing Research Center for a thermal storage tank for a wood stove demonstration project.

(f) The unexpended and unobligated balance, estimated to be $461,000, of the appropriation made in sec. 13, ch. 43, SLA 2010, page 136, lines 29 - 32 (Morris Thompson Cultural and Visitors Center, Gateway exhibit completion - $500,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Morris Thompson Cultural and Visitors Center for operations and Gateway exhibit completion for the fiscal years ending June 30, 2012, June 30, 2013, and June 30, 2014.

(g) The unexpended and unobligated balances, estimated to be a total of $52,080, of the appropriations made in sec. 1, ch. 61, SLA 2001, page 53, lines 6 - 8, as amended by sec. 46(a), ch. 82, SLA 2006 (Fairbanks North Star Borough, Two Rivers Elementary School gymnasium improvements) and sec. 46(c), ch. 82, SLA 2006 (Fairbanks North Star Borough, Two Rivers Elementary School gym improvements) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Pleasant Valley Community Association for construction of a community center.

* **Sec. 24.** HOUSE DISTRICT 12. (a) The unexpended and unobligated balance, estimated to be $800,000, of the appropriation made in sec. 10, ch. 43, SLA 2010, page 87, lines 27 - 29 (Delta Junction - school district wood chip heating system project - $800,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Delta-Greely School District for the school district wood chip heating system project.

(b) The unexpended and unobligated balance, estimated to be $750,000, of the appropriation made in sec. 4, ch. 15, SLA 2009, page 47, lines 11 - 12, and allocated on page 48, lines 15 - 16 (cruise ship-related projects, Valdez, Hazlet Drive sidewalk - $750,000) is reappropriated to the Department of Transportation and Public Facilities to improve the pedestrian environment and access along Hazlet Drive in Valdez and adjacent cruise ship

dock upland areas and parks, which may include decorative street lighting, interpretive signage, trails, benches, landscaping, or other aesthetic amenities.

* **Sec. 25.** HOUSE DISTRICTS 13 - 16. (a) The unexpended and unobligated balances, estimated to be a total of $1,835,000, of the appropriations made in sec. 1, ch. 82, SLA 2006, page 34, lines 19 - 22 (Wasilla, Palmer-Wasilla water improvements, phase 3, and Bumpus Well No. 2 - $500,000), sec. 46, ch. 29, SLA 2008 (Wasilla, Garden Terrace water main extension project), and sec. 13, ch. 29, SLA 2008, page 139, lines 7 - 9, and allocated on page 140, lines 27 - 28 (Wasilla, Mission Hills water extension - $724,500) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Wasilla for a downtown water station.

(b) The unexpended and unobligated balance, estimated to be $1,586,191, of the appropriation made in sec. 42(f), ch. 3, FSSLA 2005 (Matanuska-Susitna Borough, Point MacKenzie port development and associated rail line improvements) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Matanuska-Susitna Borough for Point MacKenzie port development and associated rail line improvements.

(c) The unexpended and unobligated balance, estimated to be $66,900, of the appropriation made in sec. 1, ch. 61, SLA 2001, page 56, lines 9 - 11 (Matanuska Susitna Borough, Hatcher Pass water and electric distribution - $175,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Matanuska Susitna Borough for construction of the Hatcher Pass ski area.

* **Sec. 26.** HOUSE DISTRICT 15. The unexpended and unobligated balance, estimated to be $20,000, of the appropriation made in sec. 1, ch. 30, SLA 2007, page 35, lines 26 - 28 (Upper Susitna Seniors, Inc., outside storage building - $20,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Upper Susitna Seniors, Inc., for a support structure for the senior center and an emergency shelter.

* **Sec. 27.** HOUSE DISTRICTS 17 - 32. (a) Section 10, ch. 43, SLA 2010, page 73, lines 9 - 14, is amended to read:

	APPROPRIATION	GENERAL

	ITEMS	FUND
Anchorage - Kasuun	20,000	20,000
Elementary School **Computer Lab**		
Equipment and Software		
[DIGITAL PROJECTORS]		
(HD 17-32)		
Anchorage - Kasuun	25,000	25,000
Elementary School **Computer Lab**		
Equipment and Software		
[LAPTOP COMPUTERS]		
(HD 17-32)		

(b) Section 13, ch. 29, SLA 2008, page 107, lines 11 - 13, is amended to read:

	APPROPRIATION ITEMS	OTHER FUNDS
Anchorage - Fire Department	4,500,000	4,500,000
Station 5 **New Construction**		
[RENOVATION] (HD 17-32)		

(c) The unexpended and unobligated balance, estimated to be $20,000, of the appropriation made in sec. 13, ch. 11, SLA 2008, page 62, lines 29 - 33 (Anchorage Parks Foundation, safety improvements: I Street stairway access to Valley of the Moon Park - $20,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Anchorage Parks Foundation for renovation of Minnesota Park.

(d) The unexpended and unobligated balance, estimated to be $500,000, of the appropriation made in sec. 10, ch. 29, SLA 2008, page 78, lines 4 - 6 (Department of Transportation and Public Facilities, northern access to university medical district study - $2,000,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Municipality of Anchorage for updates to the U-Med District Plan, a parking utilization study, and associated costs to manage the planning process.

(e) The unexpended and unobligated balance, estimated to be $46,000, of the

appropriation made in sec. 13, ch. 29, SLA 2008, page 103, lines 10 - 15 (Anchorage, Salvation Army Clitheroe Center, retrofit facility for secure treatment of chronic substance abusers - $435,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Municipality of Anchorage for renovations or retrofits to the Salvation Army's Clitheroe Center and Secure Treatment Unit, including design, construction, and installation of a water filtration system.

(f) The unexpended and unobligated balance, estimated to be $29,850, of the appropriation made in sec. 10, ch. 43, SLA 2010, page 84, lines 6 - 8 (Anchorage, Taku Elementary School wireless Internet access - $30,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Municipality of Anchorage for Taku Elementary School technology upgrades.

(g) Section 10, ch. 43, SLA 2010, page 70, lines 26 - 27, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Anchorage - Fire Station #9 Remodel **or Reconstruction** (HD 17-32)	5,000,000	5,000,000

*** Sec. 28.** HOUSE DISTRICTS 33 - 35. (a) The unexpended and unobligated balance, not to exceed $761,650, of the appropriation made in sec. 1, ch. 82, SLA 2006, page 4, lines 12 - 15, as amended by sec. 50(a), ch. 43, SLA 2010 (Kenai Peninsula Economic Development District, Cook Inlet tidal power analysis) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Kenai for Kenai industrial park development.

(b) The unexpended and unobligated balance of the appropriation made in sec. 1, ch. 82, SLA 2006, page 4, lines 12 - 15, as amended by sec. 50(a), ch. 43, SLA 2010 (Kenai Peninsula Economic Development District, Cook Inlet tidal power analysis) remaining after the appropriation made in (a) of this section, not to exceed $125,000, is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Kenai Peninsula Economic Development District for the Kenai Peninsula Construction Academy facility.

(c) The unexpended and unobligated balance of the appropriation made in sec. 1, ch. 82, SLA 2006, page 4, lines 12 - 15, as amended by sec. 50(a), ch. 43, SLA 2010 (Kenai Peninsula Economic Development District, Cook Inlet tidal power analysis) remaining after the appropriations made in (a) and (b) of this section, not to exceed $75,000, is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Kenai Peninsula Economic Development District for facility and utility upgrades.

(d) The unexpended and unobligated balance of the appropriation made in sec. 1, ch. 82, SLA 2006, page 4, lines 12 - 15, as amended by sec. 50(a), ch. 43, SLA 2010 (Kenai Peninsula Economic Development District, Cook Inlet tidal power analysis) remaining after the appropriations made in (a) - (c) of this section, not to exceed $100,000, is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Kenai for Kenai Spur Road bike path repairs.

(e) The unexpended and unobligated balance of the appropriation made in sec. 1, ch. 82, SLA 2006, page 4, lines 12 - 15, as amended by sec. 50(a), ch. 43, SLA 2010 (Kenai Peninsula Economic Development District, Cook Inlet tidal power analysis) remaining after the appropriations made in (a) - (d) of this section, not to exceed $570,000, is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Soldotna for a traffic light at Birch Street.

(f) The unexpended and unobligated balance, not to exceed $150,000, of the appropriation made in sec. 1, ch. 3, FSSLA 2005, page 25, lines 5 - 7 (Kenai Peninsula Borough, North Spur Highway extension - $300,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Kenai Peninsula Borough for tanker and pumper replacements for the Nikiski Fire Service Area.

(g) The unexpended and unobligated balance, not to exceed $150,000, of the appropriation made in sec. 1, ch. 3, FSSLA 2005, page 25, lines 5 - 7 (Kenai Peninsula Borough, North Spur Highway extension - $300,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Kenai Peninsula Borough for the North Peninsula Recreation Service Area community playground.

(h) If the amount available for appropriation in (f) and (g) of this section is less than $300,000, the appropriations made in (f) and (g) of this section shall be reduced in proportion to the amount of the shortfall.

* **Sec. 29.** HOUSE DISTRICTS 35 - 36. (a) The unexpended and unobligated balance, estimated to be $18,851, of the appropriation made in sec. 1, ch. 3, FSSLA 2005, page 25, lines 13 - 16 (Kenai Peninsula Borough, Seward elementary gym floor and carpet replacement - $170,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Kenai Peninsula Borough for SMART boards for William H. Seward Elementary School.

(b) The unexpended and unobligated balance, estimated to be $1,992,000, of the appropriation made in sec. 4, ch. 15, SLA 2009, page 45, lines 24 - 26 (Seward, dredging cruise ship berthing basins and approaches - $4,500,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Seward for construction of a new water storage tank and improving restrooms in the Seward harbor area.

(c) The unexpended and unobligated balance, estimated to be $118,200, of the appropriation made in sec. 13, ch. 43, SLA 2010, page 140, lines 5 - 8 (Senior Citizens of Kodiak, Inc., fire sprinkler system replacement - $118,200) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to Senior Citizens of Kodiak, Inc., for fire sprinkler system emergency replacement debt reimbursement incurred before July 1, 2010.

(d) The unexpended and unobligated balances, estimated to be a total of $2,000,000, of the appropriations made in sec. 10, ch. 29, SLA 2008, page 35, lines 13 - 16 (Alaska Community Foundation, Jesse Lee Home stabilization project - $500,000) and sec. 13, ch. 43, SLA 2010, page 116, lines 12 - 15 (Alaska Community Foundation, Jesse Lee Home restoration - $1,500,000) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Friends of Jesse Lee Home for the Jesse Lee Home stabilization project.

* **Sec. 30.** HOUSE DISTRICT 36. Section 10, ch. 43, SLA 2010, page 103, lines 30 - 31, is amended to read:

	APPROPRIATION	GENERAL

	ITEMS	FUND
Old Harbor - City Dock Reconstruction **and Old Harbor Airport Extension Project** (HD 36)	3,100,000	3,100,000

*** Sec. 31.** HOUSE DISTRICT 37. (a) The unexpended and unobligated balance, estimated to be $150,000, of the appropriation made in sec. 10, ch. 43, SLA 2010, page 105, lines 22 - 24 (Saint George, purchase vacuum sewage pumper truck - $150,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Saint George for community facilities, equipment upgrades, and community infrastructure development.

(b) Section 13, ch. 29, SLA 2008, page 131, lines 29 - 31, is amended to read:

	APPROPRIATION ITEMS	OTHER FUNDS
Sand Point - School Loop Road Reconstruction Phase I **and Other Local Road Improvements** (HD 37)	1,000,000	1,000,000

*** Sec. 32.** HOUSE DISTRICT 38. Section 34(c), ch. 15, SLA 2009, as amended by sec. 54, ch. 43, SLA 2010, is amended to read:

(c) The unexpended and unobligated balances, estimated to be a total of $462,500, of the appropriations made in sec. 8(a)(15), ch. 159, SLA 2004 (Kongiganak, community projects and improvements - $27,770), sec. 8(a), ch. 1, SSSLA 2002, page 96, line 17 (Kongiganak, community projects and improvements - $55,496), sec. 8(b)(28), ch. 159, SLA 2004 (Napaskiak, community projects and improvements - $6,326), sec. 131, ch. 139, SLA 1998, page 99, lines 19 - 20 (Nunapitchuk, motor grader snowblade - $15,500), sec. 1, ch. 135, SLA 2000, page 53, lines 28 - 30 (Nunapitchuk, washeteria renovation - water improvements - $50,000), sec. 15(b), ch. 61, SLA 2001, page 78, line 19 (Nunapitchuk, capital projects and improvements - $26,322), sec. 1, ch. 1, SSSLA 2002, page 81, lines 30 - 31 (Nunapitchuk, solid waste dumpsite upgrade - $25,000), sec. 8(a), ch. 1, SSSLA

2002, page 96, line 24 (Oscarville, community projects and improvements - $88,107), sec. 71(c), ch. 1, SSSLA 2002 (Oscarville, community facilities and equipment), sec. 8(a)(19), ch. 159, SLA 2004 (Oscarville, community projects and improvements - $58,651), sec. 1, ch. 61, SLA 2001, page 63, lines 12 - 13 (Tuntutuliak, jail house completion - $16,466), sec. 67(b), ch. 61, SLA 2001 (Tuntutuliak, construction of a post office), sec. 8(a), ch. 1, SSSLA 2002, page 97, line 2 (Tuntutuliak, community projects and improvements - $54,518), sec. 8(a)(31), ch. 159, SLA 2004 (Tuntutuliak, community projects and improvements - $7,881), and sec. 8(b)(38), ch. 159, SLA 2004 (Platinum, community projects and improvements - $26,900) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Association of Village Council Presidents for a demonstration project to use wood as a heating source for the fiscal year ending June 30, **2012** [2011].

* **Sec. 33.** HOUSE DISTRICT 39. The unexpended and unobligated balance, estimated to be $100,000, of the appropriation made in sec. 1, ch. 30, SLA 2007, page 54, lines 11 - 12 (Emmonak, city street lighting - $100,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Emmonak for the purchase of heavy equipment.

* **Sec. 34.** REAPPROPRIATION OF LEGISLATIVE APPROPRIATIONS. (a) Section 56(b), ch. 43, SLA 2010, is amended to read:

(b) The unexpended and unobligated balance, not to exceed $750,000, of the appropriation made in sec. 1, ch. 12, SLA 2009, page 44, line 29 (Budget and Audit Committee - $19,501,800) is reappropriated to the Legislative Council to conduct for the legislature an independent third-party scientific and multidisciplinary study of **statutory and permitting requirements and processes related to** [THE POTENTIAL] large mine development in **the state** [THE BRISTOL BAY DRAINAGE] for the fiscal **years** [YEAR] ending June 30, 2011**, June 30, 2012, June 30, 2013, and June 30, 2014**.

(b) The unexpended and unobligated balance, estimated to be $900,000, of the appropriation made in sec. 1, ch. 41, SLA 2010, page 47, line 11 (legislative operating budget - $11,800,100) is reappropriated to the Legislative Budget and Audit Committee for operating

expenses for the fiscal year ending June 30, 2012.

(c) The unexpended and unobligated balance, not to exceed $450,000, of the appropriation made in sec. 1, ch. 41, SLA 2010, page 46, line 33 (Legislative Council - $36,425,700) is reappropriated to the Legislative Council to conduct for the legislature an independent third-party scientific and multidisciplinary study of statutory and permitting requirements and processes related to large mine development in the state for the fiscal years ending June 30, 2011, June 30, 2012, June 30, 2013, and June 30, 2014.

(d) The unexpended and unobligated balance, after the appropriation made in (c) of this section, estimated to be $2,230,000, of the appropriation made in sec. 1, ch. 41, SLA 2010, page 46, line 33 (Legislative Council - $36,425,700) is reappropriated to the Legislative Council to begin scoping, planning, and implementing a system-wide redesign of the Bill Action Status and Inquiry System (BASIS), an integrated document management system, and a consolidation of the legislature's internal and external websites.

(e) The unexpended and unobligated balance, estimated to be $8,275,000, of the appropriation made in sec. 1, ch. 41, SLA 2010, page 46, line 27 (Budget and Audit Committee - $18,911,100) is reappropriated to the Legislative Budget and Audit Committee to begin scoping, planning, and implementing an enhanced content management platform to integrate appropriation data, tracking, and reporting with the legislature's Bill Action Status and Inquiry System (BASIS) and for other purposes of the committee.

* **Sec. 35.** STATUTORY BUDGET RESERVE FUND. (a) The sum of $300,000,000 is appropriated from the general fund to the statutory budget reserve fund (AS 37.05.540).

(b) The sum of $200,000,000 is appropriated from the general fund to the statutory budget reserve fund (AS 37.05.540).

* **Sec. 36.** CONTINGENCY. Each of the appropriations made in sec. 4 of this Act is contingent on passage by the Twenty-Seventh Alaska State Legislature and enactment into law of every appropriation, without reduction of any appropriation, made in sec. 4 of this Act.

* **Sec. 37.** NONSEVERABILITY. Notwithstanding AS 01.10.030, if the contingency found in sec. 36 of this Act is held to be invalid, then the contingency is not severable from the appropriations made in sec. 4 of this Act.

* **Sec. 38.** LAPSE. (a) The appropriations made in secs. 14, 15, 16(1), and 35 of this Act are

for the capitalization of funds and do not lapse.

(b) The appropriations made in secs. 17, 19, 22(a), 23(c), 23(e), 23(g), 24, 26, 27(c), 28(b), 28(c), 29(c), 29(d), 34(d), and 34(e) of this Act are for capital projects and lapse under AS 37.25.020.

(c) A grant awarded in this Act to a named recipient under AS 37.05.316 is for a capital project, unless specifically identified in this Act as an operating grant, and lapses under AS 37.25.020 unless otherwise stated or designated for a fiscal year.

(d) The appropriation made in sec. 18 of this Act lapses June 30, 2015.

* **Sec. 39.** Sections 19 - 34 and 35(a) of this Act take effect June 30, 2011.

* **Sec. 40.** Except as provided in sec. 39 of this Act, this Act takes effect July 1, 2011.

2011 Legislature - Capital Budget
House District Summary - Senate Structure

Numbers and Language
District by Impact

House District		[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Tota to SCS2 Tota	
1	Ketchikan	52,412.4	51,451.1	-961.3	-1.8 %
2	Sitka/Petersburg/Wrangell	68,443.1	59,156.7	-9,286.3	-13.6 %
3-4	Juneau Areawide	91,494.4	73,898.3	-17,596.1	-19.2 %
5	Cordova/Southeast Islands	86,325.2	64,819.4	-21,505.8	-24.9 %
1-5	Southeast Region	19,455.0	29,455.0	10,000.0	51.4 %
6	Interior Villages	154,847.9	114,120.5	-40,727.4	-26.3 %
7-11	Fairbanks Areawide	174,549.1	127,843.1	-46,706.0	-26.8 %
12	Richardson/Glenn Highways	60,259.4	51,435.4	-8,824.1	-14.6 %
13-16	Mat-Su Areawide	89,130.5	61,925.0	-27,205.5	-30.5 %
17-32	Anchorage Areawide	427,345.1	423,904.5	-3,440.6	-0.8 %
33-35	Kenai Areawide	123,326.9	119,461.5	-3,865.4	-3.1 %
12-35	Southcentral Region	111,548.3	111,548.3	0.0	
36	Kodiak	46,142.4	41,955.4	-4,186.9	-9.1 %
37	Bristol Bay/Aleutians	75,123.4	73,782.4	-1,341.0	-1.8 %
38	Bethel	149,102.4	148,479.0	-623.4	-0.4 %
36-38	Southwest Region	17,665.0	17,665.0	0.0	
39	Bering Straits	67,028.9	57,856.0	-9,173.0	-13.7 %
40	Arctic	85,550.8	85,550.8	0.0	
1-40	Statewide	974,582.5	974,602.6	20.2	
Statewide Total		**2,874,332.8**	**2,688,910.1**	**-185,422.7**	**-6.5 %**
Funding Summary					
	Unrestricted General (UGF)	1,651,842.4	1,468,399.7	-183,442.7	-11.1 %
	Designated General (DGF)	46,481.7	44,501.7	-1,980.0	-4.3 %
	Other State Funds (Other)	96,327.6	96,327.6	0.0	
	Federal Receipts (Fed)	1,079,681.1	1,079,681.1	0.0	

2011 Legislature - Capital Budget
Project Compare by House District - House Structure

Numbers and Language Differences
District by Impact

House District: 1 Ketchikan

		[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Total to SCS2 Total	
Department of Education and Early Development					
Major Maintenance Grant Fund (AS 14.11.007)					
AL	**Ketchikan District-wide Major Maintenance**	**769,066**	**0**	**-769,066**	**-100.0 %**
	1004 Gen Fund (UGF)	769,066	0	-769,066	-100.0 %
AL	**Ketchikan High School Stage Lighting System Replacement**	**192,273**	**0**	**-192,273**	**-100.0 %**
	1004 Gen Fund (UGF)	192,273	0	-192,273	-100.0 %
Department of Environmental Conservation					
Municipal Water, Sewage, and Solid Waste Facilities Grants (AS 46.03.030)					
AL	**Ketchikan - Water and Sewer Improvements**	**1,658,287**	**3,476,250**	**1,817,963**	**109.6 %**
	1004 Gen Fund (UGF)	1,658,287	3,476,250	1,817,963	109.6 %
AL	**Ketchikan - Water and Sewer Main Replacement**	**4,434,787**	**2,616,824**	**-1,817,963**	**-41.0 %**
	1004 Gen Fund (UGF)	4,434,787	2,616,824	-1,817,963	-41.0 %
*** House District Totals		**7,054,413**	**6,093,074**	**-961,339**	**-13.6 %**
Funding Summary					
	Unrestricted General (UGF)	7,054,413	6,093,074	-961,339	-13.6 %

2011 Legislature - Capital Budget
Project Compare by House District - House Structure

Numbers and Language
Differences
District by Impact

House District: 2 Sitka/Petersburg/Wrangell

		[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Total to SCS2 Total	
Department of Education and Early Development					
Major Maintenance Grant Fund (AS 14.11.007)					
AL	**Thorne Bay K-12 School Fire Suppression System Replacement**	**672,162**	**0**	**-672,162**	**-100.0 %**
	1004 Gen Fund (UGF)	672,162	0	-672,162	-100.0 %
AL	**Port Alexander and Thorne Bay K-12 School Roof Replacement**	**2,813,518**	**0**	**-2,813,518**	**-100.0 %**
	1004 Gen Fund (UGF)	2,813,518	0	-2,813,518	-100.0 %
AL	**Port Alexander K-12 School Domestic Water System Pipe Replacement**	**52,933**	**0**	**-52,933**	**-100.0 %**
	1004 Gen Fund (UGF)	52,933	0	-52,933	-100.0 %
AL	**Thorne Bay K-12 School Underground Storage Tank Replacement**	**317,670**	**0**	**-317,670**	**-100.0 %**
	1004 Gen Fund (UGF)	317,670	0	-317,670	-100.0 %
AL	**Thorne Bay K-12 School Mechanical Control Upgrades**	**872,778**	**0**	**-872,778**	**-100.0 %**
	1004 Gen Fund (UGF)	872,778	0	-872,778	-100.0 %
AL	**Thorne Bay and Port Protection Gymnasium Lighting Upgrades**	**403,831**	**0**	**-403,831**	**-100.0 %**
	1004 Gen Fund (UGF)	403,831	0	-403,831	-100.0 %
AL	**Petersburg Elementary Exterior Upgrades**	**629,402**	**0**	**-629,402**	**-100.0 %**
	1004 Gen Fund (UGF)	629,402	0	-629,402	-100.0 %
AL	**Petersburg District-wide Boiler Upgrades**	**1,947,161**	**0**	**-1,947,161**	**-100.0 %**
	1004 Gen Fund (UGF)	1,947,161	0	-1,947,161	-100.0 %
AL	**Rae C. Stedman Elementary Lunchroom Renovation**	**1,201,906**	**0**	**-1,201,906**	**-100.0 %**
	1004 Gen Fund (UGF)	1,201,906	0	-1,201,906	-100.0 %
AL	**Petersburg District-wide Digital HVAC Controls**	**374,970**	**0**	**-374,970**	**-100.0 %**
	1004 Gen Fund (UGF)	374,970	0	-374,970	-100.0 %

2011 Legislature - Capital Budget
Project Compare by House District - House Structure

Numbers and Language
Differences
District by Impact

House District: 2 Sitka/Petersburg/Wrangell

	[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Total to SCS2 Total	
*** House District Totals	9,286,331	0	-9,286,331	-100.0 %
Funding Summary				
Unrestricted General (UGF)	9,286,331	0	-9,286,331	-100.0 %

2011 Legislature - Capital Budget
Project Compare by House District - House Structure

Numbers and Language
Differences
District by Impact

House District: 3-4 Juneau Areawide

		[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Total to SCS2 Total	
Department of Education and Early Development					
Major Maintenance Grant Fund (AS 14.11.007)					
AL	**Marie Drake Building Renovation**	**9,325,210**	**0**	**-9,325,210**	**-100.0 %**
	1004 Gen Fund (UGF)	9,325,210	0	-9,325,210	-100.0 %
AL	**Mendenhall River Community School Renovation**	**2,801,500**	**0**	**-2,801,500**	**-100.0 %**
	1004 Gen Fund (UGF)	2,801,500	0	-2,801,500	-100.0 %
AL	**Juneau District Maintenance Facility Renovation**	**1,504,370**	**0**	**-1,504,370**	**-100.0 %**
	1004 Gen Fund (UGF)	1,504,370	0	-1,504,370	-100.0 %
AL	**Dzantik'i Heeni Middle School Renovation**	**3,965,000**	**0**	**-3,965,000**	**-100.0 %**
	1004 Gen Fund (UGF)	3,965,000	0	-3,965,000	-100.0 %
University of Alaska					
AP	**UAS - Banfield Hall Dormitory Addition**	**4,000,000**	**4,000,000**	**0**	
	1004 Gen Fund (UGF)	2,000,000	4,000,000	2,000,000	100.0 %
	1048 Univ Rcpt (DGF)	2,000,000	0	-2,000,000	-100.0 %
*** House District Totals		**21,596,080**	**4,000,000**	**-17,596,080**	**-81.5 %**
Funding Summary					
	Unrestricted General (UGF)	19,596,080	4,000,000	-15,596,080	-79.6 %
	Designated General (DGF)	2,000,000	0	-2,000,000	-100.0 %

2011 Legislature - Capital Budget
Project Compare by House District - House Structure

Numbers and Language
Differences
District by Impact

House District: 5 Cordova/Southeast Islands

		[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Total to SCS2 Total	
Department of Education and Early Development					
Major Maintenance Grant Fund (AS 14.11.007)					
AL	**Haines Vocational Education Building Mechanical Upgrades**	**365,477**	**0**	**-365,477**	**-100.0 %**
	1004 Gen Fund (UGF)	365,477	0	-365,477	-100.0 %
AL	**Metlakatla High School Kitchen Renovation**	**628,292**	**0**	**-628,292**	**-100.0 %**
	1004 Gen Fund (UGF)	628,292	0	-628,292	-100.0 %
AL	**Kake Elementary School Ventilation System Upgrade**	**303,242**	**0**	**-303,242**	**-100.0 %**
	1004 Gen Fund (UGF)	303,242	0	-303,242	-100.0 %
AL	**Metlakatla Elementary School Renovation**	**10,254,908**	**0**	**-10,254,908**	**-100.0 %**
	1004 Gen Fund (UGF)	10,254,908	0	-10,254,908	-100.0 %
AL	**Klukwan K-12 School Major Maintenance**	**3,480,269**	**0**	**-3,480,269**	**-100.0 %**
	1004 Gen Fund (UGF)	3,480,269	0	-3,480,269	-100.0 %
AL	**Metlakatla High School Annex Renovation**	**844,164**	**0**	**-844,164**	**-100.0 %**
	1004 Gen Fund (UGF)	844,164	0	-844,164	-100.0 %
AL	**Klawock K-12 School Underground Storage Tank Replacement**	**178,516**	**0**	**-178,516**	**-100.0 %**
	1004 Gen Fund (UGF)	178,516	0	-178,516	-100.0 %
AL	**Hoonah Schools Major Maintenance**	**333,685**	**0**	**-333,685**	**-100.0 %**
	1004 Gen Fund (UGF)	333,685	0	-333,685	-100.0 %
AL	**Angoon Schools Mechanical Upgrades**	**1,125,011**	**0**	**-1,125,011**	**-100.0 %**
	1004 Gen Fund (UGF)	1,125,011	0	-1,125,011	-100.0 %
AL	**Yakutat Schools Mechanical System Upgrades**	**2,817,168**	**0**	**-2,817,168**	**-100.0 %**
	1004 Gen Fund (UGF)	2,817,168	0	-2,817,168	-100.0 %
AL	**Yakutat Swimming Pool Lighting and Mechanical Upgrades**	**266,246**	**0**	**-266,246**	**-100.0 %**
	1004 Gen Fund (UGF)	266,246	0	-266,246	-100.0 %

2011 Legislature - Capital Budget
Project Compare by House District - House Structure

Numbers and Language
Differences
District by Impact

House District: 5 Cordova/Southeast Islands

		[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Total to SCS2 Total	
Department of Education and Early Development (continued)					
Major Maintenance Grant Fund (AS 14.11.007) (continued)					
AL	**Port Protection K-12 Gymnasium Relocation and Foundation**	**124,583**	**0**	**-124,583**	**-100.0 %**
	1004 Gen Fund (UGF)	124,583	0	-124,583	-100.0 %
AL	**Yakutat High School Exterior Upgrades**	**784,207**	**0**	**-784,207**	**-100.0 %**
	1004 Gen Fund (UGF)	784,207	0	-784,207	-100.0 %
*** House District Totals		**21,505,768**	**0**	**-21,505,768**	**-100.0 %**
Funding Summary					
	Unrestricted General (UGF)	21,505,768	0	-21,505,768	-100.0 %

2011 Legislature - Capital Budget
Project Compare by House District - House Structure

Numbers and Language Differences
District by Impact

House District: 1-5 Southeast Region

	[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Total to SCS2 Total	
Department of Commerce, Community and Economic Development				
Alaska Energy Authority - Energy Projects				
AP AEA - Southeast Energy Fund	0	10,000,000	10,000,000	>999 %
1004 Gen Fund (UGF)	0	10,000,000	10,000,000	>999 %
*** House District Totals	0	10,000,000	10,000,000	>999 %
Funding Summary				
Unrestricted General (UGF)	0	10,000,000	10,000,000	>999 %

2011 Legislature - Capital Budget
Project Compare by House District - House Structure

Numbers and Language
Differences
District by Impact

House District: 6 Interior Villages

		[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Total to SCS2 Total	
Department of Education and Early Development					
Major Maintenance Grant Fund (AS 14.11.007)					
AL	**Copper Center Elementary School Renovation**	1,223,198	0	-1,223,198	-100.0 %
	1004 Gen Fund (UGF)	1,223,198	0	-1,223,198	-100.0 %
AL	**Tanacross K-8 School Building Renovation**	3,614,868	0	-3,614,868	-100.0 %
	1004 Gen Fund (UGF)	3,614,868	0	-3,614,868	-100.0 %
AL	**Huslia High School Renovation**	6,151,177	0	-6,151,177	-100.0 %
	1004 Gen Fund (UGF)	6,151,177	0	-6,151,177	-100.0 %
AL	**Kuspuk District-wide Heating System Upgrades**	9,353,733	0	-9,353,733	-100.0 %
	1004 Gen Fund (UGF)	9,353,733	0	-9,353,733	-100.0 %
AL	**Venetie Generator Building Renovation**	761,973	0	-761,973	-100.0 %
	1004 Gen Fund (UGF)	761,973	0	-761,973	-100.0 %
AL	**Chalkyitsik Water Tank Replacement**	986,196	0	-986,196	-100.0 %
	1004 Gen Fund (UGF)	986,196	0	-986,196	-100.0 %
AL	**Cruikshank K-12 School Soil Remediation and Fuel Tank Replacement, Beaver**	1,549,825	0	-1,549,825	-100.0 %
	1004 Gen Fund (UGF)	1,549,825	0	-1,549,825	-100.0 %
AL	**Northway K-12 School Building Renovation**	1,130,371	0	-1,130,371	-100.0 %
	1004 Gen Fund (UGF)	1,130,371	0	-1,130,371	-100.0 %
AL	**Fort Yukon K-12 School Soil Remediation and Tank Farm Replacement**	8,721,316	0	-8,721,316	-100.0 %
	1004 Gen Fund (UGF)	8,721,316	0	-8,721,316	-100.0 %
AL	**Eagle K-12 School Building Renovation**	4,453,353	0	-4,453,353	-100.0 %
	1004 Gen Fund (UGF)	4,453,353	0	-4,453,353	-100.0 %
AL	**Venetie Soil Remediation and Fuel Tank Replacement**	1,787,546	0	-1,787,546	-100.0 %
	1004 Gen Fund (UGF)	1,787,546	0	-1,787,546	-100.0 %
AL	**Stevens Village K-12 School Soil Remediation and Fuel Tank Replacement**	993,858	0	-993,858	-100.0 %
	1004 Gen Fund (UGF)	993,858	0	-993,858	-100.0 %

2011 Legislature - Capital Budget
Project Compare by House District - House Structure

Numbers and Language
Differences
District by Impact

House District: 6 Interior Villages

	[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Total to SCS2 Total	
*** House District Totals	40,727,414	0	-40,727,414	-100.0 %
Funding Summary				
Unrestricted General (UGF)	40,727,414	0	-40,727,414	-100.0 %

2011 Legislature - Capital Budget
Project Compare by House District - House Structure

Numbers and Language
Differences
District by Impact

House District: 7-11 Fairbanks Areawide

		[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Total to SCS2 Total	
Department of Education and Early Development					
Major Maintenance Grant Fund (AS 14.11.007)					
AL	**Ryan Middle School Renovation Phase II**	**35,178,952**	**0**	**-35,178,952**	**-100.0 %**
	1004 Gen Fund (UGF)	35,178,952	0	-35,178,952	-100.0 %
AL	**Galena Sydney Huntington High School Floor Upgrade**	**117,941**	**0**	**-117,941**	**-100.0 %**
	1004 Gen Fund (UGF)	117,941	0	-117,941	-100.0 %
AL	**Cantwell K-12 School Sprinkler Installation and Fire Alarm Upgrade**	**675,490**	**0**	**-675,490**	**-100.0 %**
	1004 Gen Fund (UGF)	675,490	0	-675,490	-100.0 %
AL	**Anderson K-12 School Siding Replacement**	**596,840**	**0**	**-596,840**	**-100.0 %**
	1004 Gen Fund (UGF)	596,840	0	-596,840	-100.0 %
AL	**Denali Borough Door Replacement, 3 Schools**	**709,598**	**0**	**-709,598**	**-100.0 %**
	1004 Gen Fund (UGF)	709,598	0	-709,598	-100.0 %
AL	**North Pole Middle School Roof and Clerestories Replacement**	**2,720,611**	**0**	**-2,720,611**	**-100.0 %**
	1004 Gen Fund (UGF)	2,720,611	0	-2,720,611	-100.0 %
AL	**Pearl Creek Elementary Septic System Replacement and Plumbing Systems Renovation**	**475,329**	**0**	**-475,329**	**-100.0 %**
	1004 Gen Fund (UGF)	475,329	0	-475,329	-100.0 %
AL	**North Pole High School Vocational Wing Renovation**	**2,540,989**	**0**	**-2,540,989**	**-100.0 %**
	1004 Gen Fund (UGF)	2,540,989	0	-2,540,989	-100.0 %
AL	**Woodriver Elementary Gymnasium Renovation**	**1,100,868**	**0**	**-1,100,868**	**-100.0 %**
	1004 Gen Fund (UGF)	1,100,868	0	-1,100,868	-100.0 %
AL	**Weller Elementary Septic System Replacement**	**228,523**	**0**	**-228,523**	**-100.0 %**
	1004 Gen Fund (UGF)	228,523	0	-228,523	-100.0 %
AL	**Fairbanks Administrative Center Air Conditioning Units Replacement**	**1,093,859**	**0**	**-1,093,859**	**-100.0 %**
	1004 Gen Fund (UGF)	1,093,859	0	-1,093,859	-100.0 %

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Project Compare by House District - House Structure

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Differences
District by Impact

House District: 7-11 Fairbanks Areawide

		[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Total to SCS2 Total	
Department of Education and Early Development (continued)					
Major Maintenance Grant Fund (AS 14.11.007) (continued)					
AL	**Arctic Light Elementary Lighting Renovation**	**1,266,992**	**0**	**-1,266,992**	**-100.0 %**
	1004 Gen Fund (UGF)	1,266,992	0	-1,266,992	-100.0 %
*** House District Totals		**46,705,992**	**0**	**-46,705,992**	**-100.0 %**
Funding Summary					
	Unrestricted General (UGF)	46,705,992	0	-46,705,992	-100.0 %

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Differences
District by Impact

House District: 12 Richardson/Glenn Highways

		[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Total to SCS2 Total	
Department of Education and Early Development					
Major Maintenance Grant Fund (AS 14.11.007)					
AL	**Chistochina Elementary School Renovation**	**722,270**	**0**	**-722,270**	**-100.0 %**
	1004 Gen Fund (UGF)	722,270	0	-722,270	-100.0 %
AL	**Delta High School Back-Up Generator**	**994,018**	**0**	**-994,018**	**-100.0 %**
	1004 Gen Fund (UGF)	994,018	0	-994,018	-100.0 %
AL	**Valdez High School Roof Replacement**	**4,274,370**	**0**	**-4,274,370**	**-100.0 %**
	1004 Gen Fund (UGF)	4,274,370	0	-4,274,370	-100.0 %
AL	**Valdez District-wide Technology Upgrades**	**2,016,340**	**0**	**-2,016,340**	**-100.0 %**
	1004 Gen Fund (UGF)	2,016,340	0	-2,016,340	-100.0 %
AL	**Salcha Elementary Roof Building Envelope Replacement and Upgrade**	**817,062**	**0**	**-817,062**	**-100.0 %**
	1004 Gen Fund (UGF)	817,062	0	-817,062	-100.0 %
*** House District Totals		**8,824,060**	**0**	**-8,824,060**	**-100.0 %**
Funding Summary					
	Unrestricted General (UGF)	8,824,060	0	-8,824,060	-100.0 %

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Numbers and Language
Differences
District by Impact

House District: 13-16 Mat-Su Areawide

		[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Total to SCS2 Total	
Department of Education and Early Development					
Major Maintenance Grant Fund (AS 14.11.007)					
AL	**Butte, Cottonwood Creek, Pioneer Peak and Snowshoe Elementary Wash Fountain Replacements**	**97,798**	**0**	**-97,798**	**-100.0 %**
	1004 Gen Fund (UGF)	97,798	0	-97,798	-100.0 %
AL	**Palmer Middle School Lockers Replacement**	**179,909**	**0**	**-179,909**	**-100.0 %**
	1004 Gen Fund (UGF)	179,909	0	-179,909	-100.0 %
AL	**Big Lake Elementary Classroom Wing Renovation**	**1,687,001**	**0**	**-1,687,001**	**-100.0 %**
	1004 Gen Fund (UGF)	1,687,001	0	-1,687,001	-100.0 %
AL	**Matanuska-Susitna Borough District-wide Lighting Upgrades**	**1,917,166**	**0**	**-1,917,166**	**-100.0 %**
	1004 Gen Fund (UGF)	1,917,166	0	-1,917,166	-100.0 %
AL	**Matanuska-Susitna Borough Boiler Systems Replacements**	**6,307,453**	**0**	**-6,307,453**	**-100.0 %**
	1004 Gen Fund (UGF)	6,307,453	0	-6,307,453	-100.0 %
AL	**Matanuska-Susitna Borough HVAC Systems Renovations**	**16,342,013**	**0**	**-16,342,013**	**-100.0 %**
	1004 Gen Fund (UGF)	16,342,013	0	-16,342,013	-100.0 %
AL	**Matanuska-Susitna Borough Administration Building Generator and Related Electrical Replacement**	**519,434**	**0**	**-519,434**	**-100.0 %**
	1004 Gen Fund (UGF)	519,434	0	-519,434	-100.0 %
AL	**Houston Middle School Lockers Replacement**	**154,747**	**0**	**-154,747**	**-100.0 %**
	1004 Gen Fund (UGF)	154,747	0	-154,747	-100.0 %
*** House District Totals		**27,205,521**	**0**	**-27,205,521**	**-100.0 %**
Funding Summary					
	Unrestricted General (UGF)	27,205,521	0	-27,205,521	-100.0 %

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Numbers and Language
Differences
District by Impact

House District: 17-32 Anchorage Areawide

		[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Total to SCS2 Total	
Department of Commerce, Community and Economic Development					
Grants to Named Recipients (AS 37.05.316)					
AP	**Blood Bank Of Alaska - Facilities And Services Expansion Project**	0	8,200,000	8,200,000	**>999 %**
	1004 Gen Fund (UGF)	0	8,200,000	8,200,000	>999 %
AP	**Special Olympics Alaska - Training Center and Campus Improvements**	0	2,000,000	2,000,000	**>999 %**
	1004 Gen Fund (UGF)	0	2,000,000	2,000,000	>999 %
Department of Education and Early Development					
Major Maintenance Grant Fund (AS 14.11.007)					
AL	**Inlet View Elementary School Design**	253,120	0	-253,120	**-100.0 %**
	1004 Gen Fund (UGF)	253,120	0	-253,120	-100.0 %
AL	**Anchorage District-wide Electrical Upgrades**	2,450,000	0	-2,450,000	**-100.0 %**
	1004 Gen Fund (UGF)	2,450,000	0	-2,450,000	-100.0 %
AL	**Gladys Wood Elementary School Design**	1,050,000	0	-1,050,000	**-100.0 %**
	1004 Gen Fund (UGF)	1,050,000	0	-1,050,000	-100.0 %
AL	**Anchorage District-wide Fire Alarm Upgrades**	1,459,500	0	-1,459,500	**-100.0 %**
	1004 Gen Fund (UGF)	1,459,500	0	-1,459,500	-100.0 %
AL	**Anchorage District-wide Mechanical Upgrades**	4,553,500	0	-4,553,500	**-100.0 %**
	1004 Gen Fund (UGF)	4,553,500	0	-4,553,500	-100.0 %
AL	**Anchorage District-wide Code/Sprinkler Upgrades**	2,877,000	0	-2,877,000	**-100.0 %**
	1004 Gen Fund (UGF)	2,877,000	0	-2,877,000	-100.0 %
AL	**Anchorage District-wide General Building Renovations**	997,500	0	-997,500	**-100.0 %**
	1004 Gen Fund (UGF)	997,500	0	-997,500	-100.0 %
*** House District Totals		13,640,620	10,200,000	-3,440,620	-25.2 %

2011 Legislature - Capital Budget
Project Compare by House District - House Structure

Numbers and Language
Differences
District by Impact

House District: 17-32 Anchorage Areawide

	[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Total to SCS2 Total	
*** House District Totals (continued)				
Funding Summary				
Unrestricted General (UGF)	13,640,620	10,200,000	-3,440,620	-25.2 %

2011 Legislature - Capital Budget
Project Compare by House District - House Structure

Numbers and Language
Differences
District by Impact

House District: 33-35 Kenai Areawide

		[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Total to SCS2 Total	
Department of Education and Early Development					
Major Maintenance Grant Fund (AS 14.11.007)					
AL	**Kenai Peninsula Borough District-wide Window Replacements**	**1,678,023**	**0**	**-1,678,023**	**-100.0 %**
	1004 Gen Fund (UGF)	1,678,023	0	-1,678,023	-100.0 %
AL	**Kenai Peninsula Borough District-wide Security Systems**	**1,537,409**	**0**	**-1,537,409**	**-100.0 %**
	1004 Gen Fund (UGF)	1,537,409	0	-1,537,409	-100.0 %
AL	**Kenai Peninsula Borough District-wide Locker Replacements**	**650,000**	**0**	**-650,000**	**-100.0 %**
	1004 Gen Fund (UGF)	650,000	0	-650,000	-100.0 %
*** House District Totals		**3,865,432**	**0**	**-3,865,432**	**-100.0 %**
Funding Summary					
	Unrestricted General (UGF)	3,865,432	0	-3,865,432	-100.0 %

2011 Legislature - Capital Budget
Project Compare by House District - House Structure

Numbers and Language
Differences
District by Impact

House District: 36 Kodiak

		[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Total to SCS2 Total	
Department of Commerce, Community and Economic Development					
Alaska Energy Authority - Energy Projects					
AP	**AEA - Kodiak Electric Association Terror Lake Hydroelectric Facility Expansion**	**7,500,000**	**3,750,000**	**-3,750,000**	**-50.0 %**
	1004 Gen Fund (UGF)	7,500,000	3,750,000	-3,750,000	-50.0 %
Grants to Municipalities (AS 37.05.315)					
AP	**Kodiak Island Borough - Anton Larsen Dock**	**0**	**2,000,000**	**2,000,000**	**>999 %**
	1004 Gen Fund (UGF)	0	2,000,000	2,000,000	>999 %
AP	**Kodiak Island Borough - Emergency School Generators**	**0**	**2,182,000**	**2,182,000**	**>999 %**
	1004 Gen Fund (UGF)	0	2,182,000	2,182,000	>999 %
AP	**Kodiak Island Borough - High School and Vocational Education Improvements**	**15,500,000**	**0**	**-15,500,000**	**-100.0 %**
	1004 Gen Fund (UGF)	15,500,000	0	-15,500,000	-100.0 %
AP	**Kodiak Island Borough - Long Term Care Facility Planning & Design**	**0**	**1,275,000**	**1,275,000**	**>999 %**
	1004 Gen Fund (UGF)	0	1,275,000	1,275,000	>999 %
AP	**Kodiak Island Borough - Women's Bay Tsunami Emergency Shelter Construction**	**0**	**1,025,000**	**1,025,000**	**>999 %**
	1004 Gen Fund (UGF)	0	1,025,000	1,025,000	>999 %
AP	**Port Lions - City Dock and Ferry Terminal Replacement**	**0**	**8,000,000**	**8,000,000**	**>999 %**
	1004 Gen Fund (UGF)	0	8,000,000	8,000,000	>999 %
Grants to Named Recipients (AS 37.05.316)					
AP	**Kodiak Maritime Museum - Harbor Gateway Project**	**0**	**298,000**	**298,000**	**>999 %**
	1004 Gen Fund (UGF)	0	298,000	298,000	>999 %

2011 Legislature - Capital Budget
Project Compare by House District - House Structure

Numbers and Language
Differences
District by Impact

House District: 36 Kodiak

		[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Total to SCS2 Total	
Department of Commerce, Community and Economic Development (continued)					
Grants to Named Recipients (AS 37.05.316) - Deferred Maintenance and Enhancements to Hatchery Facilities Statewide					
AP	**Kodiak Regional Aquaculture Association - Lake Nutrient Enrichment Project**	0	720,000	720,000	>999 %
	1004 Gen Fund (UGF)	0	720,000	720,000	>999 %
Department of Education and Early Development					
Major Maintenance Grant Fund (AS 14.11.007)					
AL	**Kodiak Island Borough District-wide Underground Storage Tank Replacement**	276,161	0	-276,161	-100.0 %
	1004 Gen Fund (UGF)	276,161	0	-276,161	-100.0 %
AL	**Akhiok School Sewer Line Repair**	52,785	0	-52,785	-100.0 %
	1004 Gen Fund (UGF)	52,785	0	-52,785	-100.0 %
AL	**Newhalen Kitchen Renovation**	107,996	0	-107,996	-100.0 %
	1004 Gen Fund (UGF)	107,996	0	-107,996	-100.0 %
*** House District Totals		23,436,942	19,250,000	-4,186,942	-17.9 %
Funding Summary					
	Unrestricted General (UGF)	23,436,942	19,250,000	-4,186,942	-17.9 %

2011 Legislature - Capital Budget
Project Compare by House District - House Structure

Numbers and Language
Differences
District by Impact

House District: 37 Bristol Bay/Aleutians

	[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Total to SCS2 Total	
Department of Education and Early Development				
Major Maintenance Grant Fund (AS 14.11.007)				
AL Twin Hills K-8 School Major Maintenance	**1,341,001**	**0**	**-1,341,001**	**-100.0 %**
1004 Gen Fund (UGF)	1,341,001	0	-1,341,001	-100.0 %
*** House District Totals	**1,341,001**	**0**	**-1,341,001**	**-100.0 %**
Funding Summary				
Unrestricted General (UGF)	1,341,001	0	-1,341,001	-100.0 %

2011 Legislature - Capital Budget
Project Compare by House District - House Structure

Numbers and Language
Differences
District by Impact

House District: 38 Bethel

		[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Total to SCS2 Total	
Department of Commerce, Community and Economic Development					
Grants to Municipalities (AS 37.05.315)					
AP	**Goodnews Bay - Community Building Improvements and Upgrades**	**34,800**	**0**	**-34,800**	**-100.0 %**
	1004 Gen Fund (UGF)	34,800	0	-34,800	-100.0 %
AP	**Goodnews Bay - Community Dumpsite Improvements**	**46,500**	**0**	**-46,500**	**-100.0 %**
	1004 Gen Fund (UGF)	46,500	0	-46,500	-100.0 %
AP	**Goodnews Bay - Community Playground Construction**	**100,000**	**181,300**	**81,300**	**81.3 %**
	1004 Gen Fund (UGF)	100,000	181,300	81,300	81.3 %
Department of Education and Early Development					
Major Maintenance Grant Fund (AS 14.11.007)					
AL	**Nunapitchuk Fire Alarm Repair / Replacement**	**623,423**	**0**	**-623,423**	**-100.0 %**
	1004 Gen Fund (UGF)	623,423	0	-623,423	-100.0 %
*** House District Totals		**804,723**	**181,300**	**-623,423**	**-77.5 %**
Funding Summary					
	Unrestricted General (UGF)	804,723	181,300	-623,423	-77.5 %

2011 Legislature - Capital Budget
Project Compare by House District - House Structure

Numbers and Language
Differences
District by Impact

House District: 39 Bering Straits

		[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Total to SCS2 Total	
Department of Education and Early Development					
Major Maintenance Grant Fund (AS 14.11.007)					
AL	**Hooper Bay K-12 School Electrical Upgrades**	**41,758**	**0**	**-41,758**	**-100.0 %**
	1004 Gen Fund (UGF)	41,758	0	-41,758	-100.0 %
AL	**Shaktoolik K-12 School Renovation**	**8,337,551**	**0**	**-8,337,551**	**-100.0 %**
	1004 Gen Fund (UGF)	8,337,551	0	-8,337,551	-100.0 %
AL	**Bering Strait District-wide Fuel Tank Demolition**	**793,656**	**0**	**-793,656**	**-100.0 %**
	1004 Gen Fund (UGF)	793,656	0	-793,656	-100.0 %
*** House District Totals		**9,172,965**	**0**	**-9,172,965**	**-100.0 %**
Funding Summary					
	Unrestricted General (UGF)	9,172,965	0	-9,172,965	-100.0 %

2011 Legislature - Capital Budget
Project Compare by House District - House Structure

Numbers and Language
Differences
District by Impact

House District: 1-40 Statewide

		[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Total to SCS2 Total	
Department of Administration					
AP	**Statewide Administrative Systems Replacement Final Phase**	47,379,818	47,380,000	182	
	1004 Gen Fund (UGF)	47,379,818	47,380,000	182	
Department of Commerce, Community and Economic Development					
Grants to Named Recipients (AS 37.05.316)					
AP	**Life Alaska Donor Services, Inc - Donor Program**	35,000	55,000	20,000	57.1 %
	1202 Anat Fnd (DGF)	35,000	55,000	20,000	57.1 %
*** House District Totals		47,414,818	47,435,000	20,182	
Funding Summary					
	Unrestricted General (UGF)	47,379,818	47,380,000	182	
	Designated General (DGF)	35,000	55,000	20,000	57.1 %

2011 Legislature - Capital Budget
Project Compare by House District - House Structure

Numbers and Language Differences
District by Impact

House District: All Districts

		[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Total to SCS2 Total	
*** All Districts Totals		282,582,080	97,159,374	-185,422,706	-65.6 %
Funding Summary					
	Unrestricted General (UGF)	280,547,080	97,104,374	-183,442,706	-65.4 %
	Designated General (DGF)	2,035,000	55,000	-1,980,000	-97.3 %

2011 Legislature - Capital Budget
Agency Summary - Senate Structure

Numbers and Language

Agency	[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Tota to SCS2 Tota	
Agency Budgets				
Administration	65,663.0	65,663.2	0.2	
Community & Economic Dev	808,503.3	824,973.3	16,470.0	2.0 %
Corrections	7,400.0	7,400.0	0.0	
Education & Early Dev	360,593.6	158,700.7	-201,892.9	-56.0 %
Environmental Conservation	79,788.1	79,788.1	0.0	
Fish and Game	26,325.0	26,325.0	0.0	
Governor	100.0	100.0	0.0	
Health & Social Services	68,104.1	68,104.1	0.0	
Labor & Workforce Dev	4,210.0	4,210.0	0.0	
Law	1,250.0	1,250.0	0.0	
Military & Veterans Affairs	30,905.8	30,905.8	0.0	
Natural Resources	34,538.2	34,538.2	0.0	
Public Safety	8,278.0	8,278.0	0.0	
Revenue	136,669.5	136,669.5	0.0	
Transportation & Public Fac	1,076,363.4	1,076,363.4	0.0	
University of Alaska	90,854.0	90,854.0	0.0	
Alaska Court System	9,986.8	9,986.8	0.0	
Total	**2,809,532.8**	**2,624,110.1**	**-185,422.7**	**-6.6 %**
Statewide Items				
Fund Capitalization	64,800.0	64,800.0	0.0	
Total	**64,800.0**	**64,800.0**	**0.0**	
Statewide Total	**2,874,332.8**	**2,688,910.1**	**-185,422.7**	**-6.5 %**
Funding Summary				
Unrestricted General (UGF)	1,651,842.4	1,468,399.7	-183,442.7	-11.1 %
Designated General (DGF)	46,481.7	44,501.7	-1,980.0	-4.3 %
Other State Funds (Other)	96,327.6	96,327.6	0.0	
Federal Receipts (Fed)	1,079,681.1	1,079,681.1	0.0	

2011 Legislature - Capital Budget
Agency Summary - Senate Structure

Numbers and Language

Agency	[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Tota to SCS2 Tota
Non-Additive Items			
Fund Transfers	30,620.2	30,620.2	0.0
Total	**30,620.2**	**30,620.2**	**0.0**

2011 Legislature - Capital Budget
Statewide Totals - Senate Structure

Numbers and Language

	[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Tota to SCS2 Tota	
Total	2,874,332.8	2,688,910.1	-185,422.7	-6.5 %
Funding Sources				
1002 Fed Rcpts (Fed)	1,074,281.4	1,074,281.4	0.0	
1003 G/F Match (UGF)	86,514.9	86,514.9	0.0	
1004 Gen Fund (UGF)	1,420,722.2	1,237,279.5	-183,442.7	-12.9 %
1005 GF/Prgm (DGF)	3,400.0	3,400.0	0.0	
1012 Rail Enrgy (UGF)	65,700.0	65,700.0	0.0	
1017 Group Ben (Other)	570.8	570.8	0.0	
1024 Fish/Game (Other)	750.0	750.0	0.0	
1026 HwyCapital (Other)	18,322.6	18,322.6	0.0	
1027 IntAirport (Other)	17,236.8	17,236.8	0.0	
1029 PERS Trust (Other)	661.5	661.5	0.0	
1034 Teach Ret (Other)	272.1	272.1	0.0	
1042 Jud Retire (Other)	6.9	6.9	0.0	
1045 Nat Guard (Other)	21.9	21.9	0.0	
1048 Univ Rcpt (DGF)	2,000.0	0.0	-2,000.0	-100.0 %
1050 PFD Fund (DGF)	266.5	266.5	0.0	
1052 Oil/Haz Fd (DGF)	100.0	100.0	0.0	
1061 CIP Rcpts (Other)	3,230.0	3,230.0	0.0	
1063 NPR Fund (Fed)	5,399.7	5,399.7	0.0	
1075 Cln Wtr Fd (Other)	1,826.3	1,826.3	0.0	
1100 Drk Wtr Fd (Other)	4,071.9	4,071.9	0.0	
1105 PF Gross (Other)	150.0	150.0	0.0	
1108 Stat Desig (Other)	14,155.0	14,155.0	0.0	
1112 IntAptCons (Other)	19,212.9	19,212.9	0.0	
1139 AHFC Div (UGF)	16,300.0	16,300.0	0.0	
1140 AIDEA Div (UGF)	29,400.0	29,400.0	0.0	
1147 PublicBldg (Other)	3,000.0	3,000.0	0.0	
1153 State Land (DGF)	3,700.0	3,700.0	0.0	
1173 GF MisEarn (UGF)	205.3	205.3	0.0	

2011 Legislature - Capital Budget
Statewide Totals - Senate Structure

Numbers and Language

	[1] SCS1 Total	[2] SCS2 Total	[2] - [1] SCS1 Tota to SCS2 Tota	
Funding Sources (continued)				
1185 Elect Fund (Other)	100.0	100.0	0.0	
1195 SpecVehRct (DGF)	250.0	250.0	0.0	
1202 Anat Fnd (DGF)	35.0	55.0	20.0	57.1 %
1206 CPV Tax (Other)	12,739.0	12,739.0	0.0	
1210 Ren Energy (DGF)	36,620.2	36,620.2	0.0	
1211 Gamble Tax (UGF)	33,000.0	33,000.0	0.0	
1221 Legal Serv (DGF)	110.0	110.0	0.0	
Funding Summary				
Unrestricted General (UGF)	1,651,842.4	1,468,399.7	-183,442.7	-11.1 %
Designated General (DGF)	46,481.7	44,501.7	-1,980.0	-4.3 %
Other State Funds (Other)	96,327.6	96,327.6	0.0	
Federal Receipts (Fed)	1,079,681.1	1,079,681.1	0.0	

2011 Legislature - Capital Budget
House District Summary - Senate Structure

Numbers and Language
District by Impact

House District		[1] Sec1 Cap_2	[2] Sec4Energy_2	[3] Sec7Cruise_2	[4] Sec10School_2	[5] SCS2Language	[6] SCS2 Total
1	Ketchikan	27,781.9	9,025.0	10,000.0	4,644.2	0.0	51,451.1
2	Sitka/Petersburg/Wrangell	23,629.3	30,943.8	3,000.0	1,583.6	0.0	59,156.7
3-4	Juneau Areawide	61,898.3	2,000.0	10,000.0	0.0	0.0	73,898.3
5	Cordova/Southeast Islands	32,366.8	7,204.3	24,000.0	1,248.3	0.0	64,819.4
1-5	Southeast Region	7,775.0	21,680.0	0.0	0.0	0.0	29,455.0
6	Interior Villages	87,927.6	2,175.9	0.0	24,017.0	0.0	114,120.5
7-11	Fairbanks Areawide	101,158.6	16,493.2	0.0	10,191.3	0.0	127,843.1
12	Richardson/Glenn Highways	50,380.0	37.0	0.0	1,018.4	0.0	51,435.4
13-16	Mat-Su Areawide	59,091.0	834.0	0.0	2,000.0	0.0	61,925.0
17-32	Anchorage Areawide	378,962.0	29,000.0	0.0	15,942.5	0.0	423,904.5
33-35	Kenai Areawide	35,614.5	77,692.1	6,155.0	0.0	0.0	119,461.5
12-35	Southcentral Region	10,348.3	101,200.0	0.0	0.0	0.0	111,548.3
36	Kodiak	29,680.2	8,109.2	1,984.0	2,182.0	0.0	41,955.4
37	Bristol Bay/Aleutians	70,175.9	3,317.3	0.0	289.3	0.0	73,782.4
38	Bethel	58,088.4	4,909.2	0.0	85,481.4	0.0	148,479.0
36-38	Southwest Region	35.0	17,630.0	0.0	0.0	0.0	17,665.0
39	Bering Straits	43,753.0	2,171.3	0.0	11,931.7	0.0	57,856.0
40	Arctic	59,478.0	1,656.0	0.0	19,017.1	5,399.7	85,550.8
1-40	Statewide	838,072.6	68,330.0	600.0	2,800.0	64,800.0	974,602.6
Statewide Total		**1,976,216.4**	**404,408.2**	**55,739.0**	**182,346.8**	**70,199.7**	**2,688,910.1**
Funding Summary							
	Unrestricted General (UGF)	820,364.9	360,288.0	43,000.0	182,346.8	62,400.0	1,468,399.7
	Designated General (DGF)	7,881.5	36,620.2	0.0	0.0	0.0	44,501.7
	Other State Funds (Other)	83,588.6	0.0	12,739.0	0.0	0.0	96,327.6
	Federal Receipts (Fed)	1,064,381.4	7,500.0	0.0	0.0	7,799.7	1,079,681.1

Computed Column Definitions: [6]=[1]+[2]+[3]+[4]+[5]

2011 Legislature - Capital Budget
Agency Summary - Senate Structure

Numbers and Language
Non Mental Health Transactions

Agency	[1] Sec1 Cap 2	[2] Sec4Energy 2	[3] Sec7Cruise 2	[4] Sec10School 2	[5] SCS2Language	[6] SCS2 Total	[7] GovAmd+	[8] Gov to SCS2
Agency Budgets								
Administration	65,663.2	0.0	0.0	0.0	0.0	65,663.2	65,663.0	0.2
Community & Economic Dev	386,755.3	347,408.2	55,739.0	29,671.1	5,399.7	824,973.3	206,081.9	618,891.4
Corrections	7,400.0	0.0	0.0	0.0	0.0	7,400.0	7,400.0	0.0
Education & Early Dev	6,025.0	0.0	0.0	152,675.7	0.0	158,700.7	50,174.5	108,526.1
Environmental Conservation	79,788.1	0.0	0.0	0.0	0.0	79,788.1	78,370.1	1,418.0
Fish and Game	26,325.0	0.0	0.0	0.0	0.0	26,325.0	26,325.0	0.0
Governor	100.0	0.0	0.0	0.0	0.0	100.0	100.0	0.0
Health & Social Services	68,104.1	0.0	0.0	0.0	0.0	68,104.1	65,704.1	2,400.0
Labor & Workforce Dev	4,210.0	0.0	0.0	0.0	0.0	4,210.0	1,710.0	2,500.0
Law	1,250.0	0.0	0.0	0.0	0.0	1,250.0	15,250.0	-14,000.0
Military & Veterans Affairs	30,905.8	0.0	0.0	0.0	0.0	30,905.8	30,905.8	0.0
Natural Resources	34,538.2	0.0	0.0	0.0	0.0	34,538.2	32,308.0	2,230.2
Public Safety	8,278.0	0.0	0.0	0.0	0.0	8,278.0	8,278.0	0.0
Revenue	79,669.5	57,000.0	0.0	0.0	0.0	136,669.5	72,728.5	63,941.0
Transportation & Public Fac	1,076,363.4	0.0	0.0	0.0	0.0	1,076,363.4	1,054,385.4	21,978.0
University of Alaska	90,854.0	0.0	0.0	0.0	0.0	90,854.0	69,500.0	21,354.0
Alaska Court System	9,986.8	0.0	0.0	0.0	0.0	9,986.8	6,500.0	3,486.8
Total	**1,976,216.4**	**404,408.2**	**55,739.0**	**182,346.8**	**5,399.7**	**2,624,110.1**	**1,791,384.5**	**832,725.6**
Statewide Items								
Fund Capitalization	0.0	0.0	0.0	0.0	64,800.0	64,800.0	163,141.6	-98,341.6
Total	**0.0**	**0.0**	**0.0**	**0.0**	**64,800.0**	**64,800.0**	**163,141.6**	**-98,341.6**
Statewide Total	**1,976,216.4**	**404,408.2**	**55,739.0**	**182,346.8**	**70,199.7**	**2,688,910.1**	**1,954,526.1**	**734,384.0**
Funding Summary								
Unrestricted General (UGF)	820,364.9	360,288.0	43,000.0	182,346.8	62,400.0	1,468,399.7	752,874.9	715,524.8
Designated General (DGF)	7,881.5	36,620.2	0.0	0.0	0.0	44,501.7	32,851.5	11,650.2
Other State Funds (Other)	83,588.6	0.0	12,739.0	0.0	0.0	96,327.6	90,017.0	6,310.6
Federal Receipts (Fed)	1,064,381.4	7,500.0	0.0	0.0	7,799.7	1,079,681.1	1,078,782.7	898.4

Computed Column Definitions: [6]=[1]+[2]+[3]+[4]+[5], [8]=[6]-[7]

2011 Legislature - Capital Budget
Agency Summary - Senate Structure

Numbers and Language
Non Mental Health Transactions

Agency	[1] Sec1 Cap_2	[2] Sec4Energy_2	[3] Sec7Cruise_2	[4] Sec10School_2	[5] SCS2Language	[6] SCS2 Total	[7] GovAmd+	[8] Gov to SCS2
Non-Additive Items								
Fund Transfers	0.0	0.0	0.0	0.0	30,620.2	30,620.2	25,000.0	5,620.2
Total	**0.0**	**0.0**	**0.0**	**0.0**	**30,620.2**	**30,620.2**	**25,000.0**	**5,620.2**

Computed Column Definitions: [6]=[1]+[2]+[3]+[4]+[5], [8]=[6]-[7]

2011 Legislature - Capital Budget
Statewide Totals - Senate Structure

Numbers and Language
Non Mental Health Transactions

	[1] Sec1 Cap_2	[2] Sec4Energy_2	[3] Sec7Cruise_2	[4] Sec10School_2	[5] SCS2Language	[6] SCS2 Total	[7] GovAmd+	[8] Gov to SCS2
Total	**1,976,216.4**	**404,408.2**	**55,739.0**	**182,346.8**	**70,199.7**	**2,688,910.1**	**1,954,526.1**	**734,384.0**
Funding Sources								
1002 Fed Rcpts (Fed)	1,064,381.4	7,500.0	0.0	0.0	2,400.0	1,074,281.4	1,073,383.0	898.4
1003 G/F Match (UGF)	84,114.9	0.0	0.0	0.0	2,400.0	86,514.9	104,234.9	-17,720.0
1004 Gen Fund (UGF)	693,744.7	294,088.0	7,100.0	182,346.8	60,000.0	1,237,279.5	262,661.6	974,617.9
1005 GF/Prgm (DGF)	3,400.0	0.0	0.0	0.0	0.0	3,400.0	3,400.0	0.0
1012 Rail Enrgy (UGF)	0.0	65,700.0	0.0	0.0	0.0	65,700.0	65,731.1	-31.1
1017 Group Ben (Other)	570.8	0.0	0.0	0.0	0.0	570.8	570.8	0.0
1024 Fish/Game (Other)	750.0	0.0	0.0	0.0	0.0	750.0	750.0	0.0
1026 HwyCapital (Other)	18,322.6	0.0	0.0	0.0	0.0	18,322.6	18,322.6	0.0
1027 IntAirport (Other)	17,236.8	0.0	0.0	0.0	0.0	17,236.8	17,236.8	0.0
1029 PERS Trust (Other)	661.5	0.0	0.0	0.0	0.0	661.5	661.5	0.0
1034 Teach Ret (Other)	272.1	0.0	0.0	0.0	0.0	272.1	272.1	0.0
1042 Jud Retire (Other)	6.9	0.0	0.0	0.0	0.0	6.9	6.9	0.0
1045 Nat Guard (Other)	21.9	0.0	0.0	0.0	0.0	21.9	21.9	0.0
1050 PFD Fund (DGF)	266.5	0.0	0.0	0.0	0.0	266.5	366.5	-100.0
1052 Oil/Haz Fd (DGF)	100.0	0.0	0.0	0.0	0.0	100.0	100.0	0.0
1061 CIP Rcpts (Other)	3,230.0	0.0	0.0	0.0	0.0	3,230.0	6,040.2	-2,810.2
1063 NPR Fund (Fed)	0.0	0.0	0.0	0.0	5,399.7	5,399.7	5,399.7	0.0
1075 Cln Wtr Fd (Other)	1,826.3	0.0	0.0	0.0	0.0	1,826.3	1,826.3	0.0
1100 Drk Wtr Fd (Other)	4,071.9	0.0	0.0	0.0	0.0	4,071.9	4,071.9	0.0
1105 PF Gross (Other)	150.0	0.0	0.0	0.0	0.0	150.0	150.0	0.0
1108 Stat Desig (Other)	14,155.0	0.0	0.0	0.0	0.0	14,155.0	14,155.0	0.0
1112 IntAptCons (Other)	19,212.9	0.0	0.0	0.0	0.0	19,212.9	19,212.9	0.0
1139 AHFC Div (UGF)	16,300.0	0.0	0.0	0.0	0.0	16,300.0	16,300.0	0.0
1140 AIDEA Div (UGF)	26,000.0	500.0	2,900.0	0.0	0.0	29,400.0	29,400.0	0.0
1147 PublicBldg (Other)	3,000.0	0.0	0.0	0.0	0.0	3,000.0	3,000.0	0.0
1153 State Land (DGF)	3,700.0	0.0	0.0	0.0	0.0	3,700.0	3,700.0	0.0
1173 GF MisEarn (UGF)	205.3	0.0	0.0	0.0	0.0	205.3	205.3	0.0

Computed Column Definitions: [6]=[1]+[2]+[3]+[4]+[5], [8]=[6]-[7]

2011 Legislature - Capital Budget
Statewide Totals - Senate Structure

Numbers and Language
Non Mental Health Transactions

	[1] Sec1 Cap_2	[2] Sec4Energy_2	[3] Sec7Cruise_2	[4] Sec10School_2	[5] SCS2Language	[6] SCS2 Total	[7] GovAmd+	[8] Gov to SCS2
Funding Sources (continued)								
1185 Elect Fund (Other)	100.0	0.0	0.0	0.0	0.0	100.0	100.0	0.0
1195 SpecVehRct (DGF)	250.0	0.0	0.0	0.0	0.0	250.0	250.0	0.0
1202 Anat Fnd (DGF)	55.0	0.0	0.0	0.0	0.0	55.0	35.0	20.0
1206 CPV Tax (Other)	0.0	0.0	12,739.0	0.0	0.0	12,739.0	3,018.2	9,720.8
1207 RCS Impact (Other)	0.0	0.0	0.0	0.0	0.0	0.0	600.0	-600.0
1210 Ren Energy (DGF)	0.0	36,620.2	0.0	0.0	0.0	36,620.2	25,000.0	11,620.2
1211 Gamble Tax (UGF)	0.0	0.0	33,000.0	0.0	0.0	33,000.0	7,000.0	26,000.0
1213 AHCC (UGF)	0.0	0.0	0.0	0.0	0.0	0.0	267,342.0	-267,342.0
1221 Legal Serv (DGF)	110.0	0.0	0.0	0.0	0.0	110.0	0.0	110.0
Funding Summary								
Unrestricted General (UGF)	820,364.9	360,288.0	43,000.0	182,346.8	62,400.0	1,468,399.7	752,874.9	715,524.8
Designated General (DGF)	7,881.5	36,620.2	0.0	0.0	0.0	44,501.7	32,851.5	11,650.2
Other State Funds (Other)	83,588.6	0.0	12,739.0	0.0	0.0	96,327.6	90,017.0	6,310.6
Federal Receipts (Fed)	1,064,381.4	7,500.0	0.0	0.0	7,799.7	1,079,681.1	1,078,782.7	898.4

Computed Column Definitions: [6]=[1]+[2]+[3]+[4]+[5], [8]=[6]-[7]

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

Senator Bert Stedman, Co-Chair
State Capitol, Room 516
Juneau, AK 99801-1182
(907) 465- 3873 - Phone
(907) 465-3922 - Fax
Senator_Bert_Stedman@legis.state.ak.us

Official Business

Senator Lyman Hoffman, Co-Chair
State Capitol, Room 518
Juneau, AK 99801-1182
Phone - (907) 465- 4453
Fax - (907) 465- 4523
Senator_Lyman_Hoffman@legis.state.ak.us

AGENDA

Monday, April 11, 2011
3:00 PM

SB 46-BUDGET: CAPITAL

2011 Legislature - Capital Budget
Statewide Totals - Senate Structure

Numbers and Language
Non Mental Health Transactions

	[1] Sec1 Capital	[2] Sec4 Capital+	[3] Sec7 Energy	[4] Sec10 Cruise	[5] Sec13 Schools	[6] SenCS Total	[7] GovAmd+	[8] Gov to SenCS
Total	1,856,516.3	100,584.8	464,676.6	55,739.0	397,557.7	2,875,074.4	1,954,526.1	920,548.3
Funding Sources								
1002 Fed Rcpts (Fed)	1,063,381.4	1,000.0	10,641.6	0.0	0.0	1,075,023.0	1,073,383.0	1,640.0
1003 G/F Match (UGF)	84,114.9	0.0	2,400.0	0.0	0.0	86,514.9	104,234.9	-17,720.0
1004 Gen Fund (UGF)	573,864.9	93,384.8	348,814.8	7,100.0	397,557.7	1,420,722.2	262,661.6	1,158,060.6
1005 GF/Prgm (DGF)	200.0	3,200.0	0.0	0.0	0.0	3,400.0	3,400.0	0.0
1012 Rail Enrgy (UGF)	0.0	0.0	65,700.0	0.0	0.0	65,700.0	65,731.1	-31.1
1017 Group Ben (Other)	570.8	0.0	0.0	0.0	0.0	570.8	570.8	0.0
1024 Fish/Game (Other)	750.0	0.0	0.0	0.0	0.0	750.0	750.0	0.0
1026 HwyCapital (Other)	18,322.6	0.0	0.0	0.0	0.0	18,322.6	18,322.6	0.0
1027 IntAirport (Other)	17,236.8	0.0	0.0	0.0	0.0	17,236.8	17,236.8	0.0
1029 PERS Trust (Other)	661.5	0.0	0.0	0.0	0.0	661.5	661.5	0.0
1034 Teach Ret (Other)	272.1	0.0	0.0	0.0	0.0	272.1	272.1	0.0
1042 Jud Retire (Other)	6.9	0.0	0.0	0.0	0.0	6.9	6.9	0.0
1045 Nat Guard (Other)	21.9	0.0	0.0	0.0	0.0	21.9	21.9	0.0
1048 Univ Rcpt (DGF)	2,000.0	0.0	0.0	0.0	0.0	2,000.0	0.0	2,000.0
1050 PFD Fund (DGF)	266.5	0.0	0.0	0.0	0.0	266.5	366.5	-100.0
1052 Oil/Haz Fd (DGF)	100.0	0.0	0.0	0.0	0.0	100.0	100.0	0.0
1061 CIP Rcpts (Other)	3,230.0	0.0	0.0	0.0	0.0	3,230.0	6,040.2	-2,810.2
1063 NPR Fund (Fed)	5,399.7	0.0	0.0	0.0	0.0	5,399.7	5,399.7	0.0
1075 Cln Wtr Fd (Other)	1,826.3	0.0	0.0	0.0	0.0	1,826.3	1,826.3	0.0
1100 Drk Wtr Fd (Other)	4,071.9	0.0	0.0	0.0	0.0	4,071.9	4,071.9	0.0
1105 PF Gross (Other)	150.0	0.0	0.0	0.0	0.0	150.0	150.0	0.0
1108 Stat Desig (Other)	14,155.0	0.0	0.0	0.0	0.0	14,155.0	14,155.0	0.0
1112 IntAptCons (Other)	19,212.9	0.0	0.0	0.0	0.0	19,212.9	19,212.9	0.0
1139 AHFC Div (UGF)	16,300.0	0.0	0.0	0.0	0.0	16,300.0	16,300.0	0.0
1140 AIDEA Div (UGF)	26,000.0	0.0	500.0	2,900.0	0.0	29,400.0	29,400.0	0.0
1147 PublicBldg (Other)	0.0	3,000.0	0.0	0.0	0.0	3,000.0	3,000.0	0.0
1153 State Land (DGF)	3,700.0	0.0	0.0	0.0	0.0	3,700.0	3,700.0	0.0

Computed Column Definitions: [6]=[1]+[2]+[3]+[4]+[5], [8]=[6]-[7]

2011 Legislature - Capital Budget
Statewide Totals - Senate Structure

Numbers and Language
Non Mental Health Transactions

	[1] Sec1 Capital	[2] Sec4 Capital+	[3] Sec7 Energy	[4] Sec10 Cruise	[5] Sec13 Schools	[6] SenCS Total	[7] GovAmd+	[8] Gov to SenCS
Funding Sources (continued)								
1173 GF MisEarn (UGF)	205.3	0.0	0.0	0.0	0.0	205.3	205.3	0.0
1185 Elect Fund (Other)	100.0	0.0	0.0	0.0	0.0	100.0	100.0	0.0
1195 SpecVehRct (DGF)	250.0	0.0	0.0	0.0	0.0	250.0	250.0	0.0
1202 Anat Fnd (DGF)	35.0	0.0	0.0	0.0	0.0	35.0	35.0	0.0
1206 CPV Tax (Other)	0.0	0.0	0.0	12,739.0	0.0	12,739.0	3,018.2	9,720.8
1207 RCS Impact (Other)	0.0	0.0	0.0	0.0	0.0	0.0	600.0	-600.0
1210 Ren Energy (DGF)	0.0	0.0	36,620.2	0.0	0.0	36,620.2	25,000.0	11,620.2
1211 Gamble Tax (UGF)	0.0	0.0	0.0	33,000.0	0.0	33,000.0	7,000.0	26,000.0
1213 AHCC (UGF)	0.0	0.0	0.0	0.0	0.0	0.0	267,342.0	-267,342.0
1221 Legal Serv (DGF)	110.0	0.0	0.0	0.0	0.0	110.0	0.0	110.0
Funding Summary								
Unrestricted General (UGF)	700,485.1	93,384.8	417,414.8	43,000.0	397,557.7	1,651,842.4	752,874.9	898,967.5
Designated General (DGF)	6,661.5	3,200.0	36,620.2	0.0	0.0	46,481.7	32,851.5	13,630.2
Other State Funds (Other)	80,588.6	3,000.0	0.0	12,739.0	0.0	96,327.6	90,017.0	6,310.6
Federal Receipts (Fed)	1,068,781.1	1,000.0	10,641.6	0.0	0.0	1,080,422.7	1,078,782.7	1,640.0

Computed Column Definitions: [6]=[1]+[2]+[3]+[4]+[5], [8]=[6]-[7]

2011 Legislature - Capital Budget
Agency Summary - Senate Structure

Numbers and Language
Non Mental Health Transactions

Agency	[1] Sec1 Capital	[2] Sec4 Capital+	[3] Sec7 Energy	[4] Sec10 Cruise	[5] Sec13 Schools	[6] SenCS Total	[7] GovAmd+	[8] Gov to SenCS
Agency Budgets								
Administration	1,733.2	63,929.8	0.0	0.0	0.0	65,663.0	65,663.0	0.0
Community & Economic Dev	370,040.2	0.0	342,135.0	55,739.0	42,989.1	810,903.3	206,081.9	604,821.4
Corrections	6,250.0	1,150.0	0.0	0.0	0.0	7,400.0	7,400.0	0.0
Education & Early Dev	5,900.0	125.0	0.0	0.0	354,568.6	360,593.6	50,174.5	310,419.0
Environmental Conservation	79,788.1	0.0	0.0	0.0	0.0	79,788.1	78,370.1	1,418.0
Fish and Game	25,625.0	700.0	0.0	0.0	0.0	26,325.0	26,325.0	0.0
Governor	100.0	0.0	0.0	0.0	0.0	100.0	100.0	0.0
Health & Social Services	65,704.1	0.0	0.0	0.0	0.0	65,704.1	65,704.1	0.0
Labor & Workforce Dev	4,210.0	0.0	0.0	0.0	0.0	4,210.0	1,710.0	2,500.0
Law	0.0	1,250.0	0.0	0.0	0.0	1,250.0	15,250.0	-14,000.0
Military & Veterans Affairs	25,925.8	4,980.0	0.0	0.0	0.0	30,905.8	30,905.8	0.0
Natural Resources	27,238.2	7,300.0	0.0	0.0	0.0	34,538.2	32,308.0	2,230.2
Public Safety	5,628.0	2,650.0	0.0	0.0	0.0	8,278.0	8,278.0	0.0
Revenue	77,669.5	2,000.0	57,000.0	0.0	0.0	136,669.5	72,728.5	63,941.0
Transportation & Public Fac	1,059,863.4	16,500.0	0.0	0.0	0.0	1,076,363.4	1,054,385.4	21,978.0
University of Alaska	90,854.0	0.0	0.0	0.0	0.0	90,854.0	69,500.0	21,354.0
Alaska Court System	9,986.8	0.0	0.0	0.0	0.0	9,986.8	6,500.0	3,486.8
Total	**1,856,516.3**	**100,584.8**	**399,135.0**	**55,739.0**	**397,557.7**	**2,809,532.8**	**1,791,384.5**	**1,018,148.3**
Statewide Items								
Fund Capitalization	0.0	0.0	65,541.6	0.0	0.0	65,541.6	163,141.6	-97,600.0
Total	**0.0**	**0.0**	**65,541.6**	**0.0**	**0.0**	**65,541.6**	**163,141.6**	**-97,600.0**
Statewide Total	**1,856,516.3**	**100,584.8**	**464,676.6**	**55,739.0**	**397,557.7**	**2,875,074.4**	**1,954,526.1**	**920,548.3**
Funding Summary								
Unrestricted General (UGF)	700,485.1	93,384.8	417,414.8	43,000.0	397,557.7	1,651,842.4	752,874.9	898,967.5
Designated General (DGF)	6,661.5	3,200.0	36,620.2	0.0	0.0	46,481.7	32,851.5	13,630.2
Other State Funds (Other)	80,588.6	3,000.0	0.0	12,739.0	0.0	96,327.6	90,017.0	6,310.6
Federal Receipts (Fed)	1,068,781.1	1,000.0	10,641.6	0.0	0.0	1,080,422.7	1,078,782.7	1,640.0

Computed Column Definitions: [6]=[1]+[2]+[3]+[4]+[5], [8]=[6]-[7]

2011 Legislature - Capital Budget
Agency Summary - Senate Structure

Numbers and Language
Non Mental Health Transactions

Agency	[1] Sec1 Capital	[2] Sec4 Capital+	[3] Sec7 Energy	[4] Sec10 Cruise	[5] Sec13 Schools	[6] SenCS Total	[7] GovAmd+	[8] Gov to SenCS
Non-Additive Items								
Fund Transfers	0.0	0.0	30,620.2	0.0	0.0	30,620.2	25,000.0	5,620.2
Total	**0.0**	**0.0**	**30,620.2**	**0.0**	**0.0**	**30,620.2**	**25,000.0**	**5,620.2**

Computed Column Definitions: [6]=[1]+[2]+[3]+[4]+[5], [8]=[6]-[7]

2011 Legislature - Capital Budget
House District Summary - Senate Structure

Numbers and Language
Non Mental Health Transactions
District by Impact

House District		[1] Sec1 Capital	[2] Sec4 Capital+	[3] Sec7 Energy	[4] Sec10 Cruise	[5] Sec13 Schools	[6] SenCS Total
1	Ketchikan	27,781.9	0.0	9,025.0	10,000.0	5,605.5	52,412.4
2	Sitka/Petersburg/Wrangell	23,629.3	0.0	30,943.8	3,000.0	10,870.0	68,443.1
3-4	Juneau Areawide	56,883.3	5,015.0	2,000.0	10,000.0	17,596.1	91,494.4
5	Cordova/Southeast Islands	32,366.8	0.0	7,204.3	24,000.0	22,754.0	86,325.2
1-5	Southeast Region	7,419.0	356.0	11,680.0	0.0	0.0	19,455.0
6	Interior Villages	86,450.8	0.0	3,652.7	0.0	64,744.4	154,847.9
7-11	Fairbanks Areawide	96,357.6	1,301.0	19,993.2	0.0	56,897.3	174,549.1
12	Richardson/Glenn Highways	49,980.0	400.0	37.0	0.0	9,842.4	60,259.4
13-16	Mat-Su Areawide	58,801.0	290.0	834.0	0.0	29,205.5	89,130.5
17-32	Anchorage Areawide	363,621.0	5,141.0	29,000.0	0.0	29,583.1	427,345.1
33-35	Kenai Areawide	35,258.5	356.0	77,692.1	6,155.0	3,865.4	123,326.9
12-35	Southcentral Region	10,348.3	0.0	101,200.0	0.0	0.0	111,548.3
36	Kodiak	16,231.2	131.0	11,859.2	1,984.0	15,936.9	46,142.4
37	Bristol Bay/Aleutians	70,175.9	0.0	3,317.3	0.0	1,630.3	75,123.4
38	Bethel	62,088.4	0.0	909.2	0.0	53,476.9	116,474.5
36-38	Southwest Region	0.0	35.0	17,630.0	0.0	0.0	17,665.0
39	Bering Straits	42,503.0	1,250.0	2,171.3	0.0	53,732.6	99,656.9
40	Arctic	55,627.7	9,250.0	1,656.0	0.0	19,017.1	85,550.8
1-40	Statewide	760,992.6	77,059.8	133,871.6	600.0	2,800.0	975,324.1
Statewide Total		**1,856,516.3**	**100,584.8**	**464,676.6**	**55,739.0**	**397,557.7**	**2,875,074.4**
Funding Summary							
	Unrestricted General (UGF)	700,485.1	93,384.8	417,414.8	43,000.0	397,557.7	1,651,842.4
	Designated General (DGF)	6,661.5	3,200.0	36,620.2	0.0	0.0	46,481.7
	Other State Funds (Other)	80,588.6	3,000.0	0.0	12,739.0	0.0	96,327.6
	Federal Receipts (Fed)	1,068,781.1	1,000.0	10,641.6	0.0	0.0	1,080,422.7

Computed Column Definitions: [6]=[1]+[2]+[3]+[4]+[5]

Adopted 4/11/11

27-GS1740\I
Kane
4/11/11

CS FOR SENATE BILL NO. 46(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

"An Act making and amending appropriations, including capital appropriations and other appropriations; making appropriations to capitalize funds; and providing for an effective date."

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

(SECTION 1 OF THIS ACT BEGINS ON PAGE 2)

* **Section 1.** The following appropriation items are for capital projects and grants from the general fund or other funds as set out in section 2 of this Act by funding source to the agencies named for the purposes expressed and lapse under AS 37.25.020, unless otherwise noted.

	Allocations	Appropriation Items	General Funds	Other Funds
	* * * * *	* * * * *		
	* * * * * **Department of Administration** * * * * *			
	* * * * *	* * * * *		
Combined Retirement System Upgrade (HD 1-40)		350,000		350,000
Motor Vehicles Automatic Queuing System (HD 1-40)		200,000	200,000	
Retirement and Benefits Disaster Recovery System (HD 1-40)		796,200		796,200
Retirement and Benefits Document Management System (HD 1-40)		387,000		387,000
	* * * * *		* * * * *	
* * * * * **Department of Commerce, Community and Economic Development** * * * * *				
	* * * * *		* * * * *	
Alaska Industrial Development & Export Authority - Ketchikan Shipyard Expansion and Improvement (HD 1)		6,000,000	6,000,000	
Tourism Economic Impact Study (HD 1-40)		100,000	100,000	
Community Block Grants		**6,571,000**	**71,000**	**6,500,000**

	Allocations	Appropriation Items	General Funds	Other Funds
Program				
Community Development Block Grants (HD 1-40)	3,571,000			
Community Service Block Grants (RurAL CAP) (HD 1-40)	3,000,000			
Community Development and Assistance Program		**1,810,000**	**100,000**	**1,710,000**
Alaska Sustainable Salmon Fund Program (HD 1-40)	1,030,000			
Cooperating Technical Partners (CTP) Program (HD 1-40)	80,000			
Floodplain & Erosion Management Program (HD 1-40)	400,000			
Hazard Mitigation Assistance Grants (HD 1-40)	300,000			
Grants to Municipalities (AS 37.05.315)				

It is the intent of the legislature that the Department of Commerce, Community and Economic Development eliminate the requirement for narrative and financial quarterly reporting for any grant of $50,000 or less. It is the intent of the legislature that as long as the department receives a signed certification from the grant recipient that they will comply with all other terms of the grant agreement and that the full grant amount will be used for the purpose for which it is intended, that the department make a single upfront payment for any grant of $50,000 or less.

Akiak - Heavy Equipment Purchase (HD 38)	850,000	850,000	
Akiak - Upgrade Community	4,000,000	4,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Electrical Generation System (HD 38)				
Anchorage - 121st Avenue Storm Drain Construction (HD 17-32)		1,200,000	1,200,000	
Anchorage - 32nd Avenue Upgrade (HD 17-32)		4,100,000	4,100,000	
Anchorage - 73rd Avenue & 74th Avenue Road Water Line Extension (HD 17-32)		1,300,000	1,300,000	
Anchorage - 75th Avenue & Margaret Circle Area Drainage (HD 17-32)		3,000,000	3,000,000	
Anchorage - 88th Avenue Upgrade - Spruce Brook Street to Elmore Road (HD 17-32)		3,000,000	3,000,000	
Anchorage - 9th Avenue Phase II Reconstruction (HD 17-32)		3,600,000	3,600,000	
Anchorage - Abbott Loop Elementary School Library Furniture (HD 17-32)		7,500	7,500	
Anchorage - Abbott Loop Elementary School Playground Equipment Upgrades (HD 17-32)		25,000	25,000	
Anchorage - Airport Heights Elementary School Building Wide Cable TV Connections (HD 17-32)		75,000	75,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage - Airport Heights Elementary School Equipment (HD 17-32)		20,000	20,000	
Anchorage - Alexander Avenue Drainage Improvements (HD 17-32)		250,000	250,000	
Anchorage - Aquarian Charter School Lighting (HD 17-32)		100,000	100,000	
Anchorage - Area Road and Drainage Rehabilitation (HD 17-32)		1,400,000	1,400,000	
Anchorage - Arlberg Avenue Extension - Winner Creek Area Access (HD 17-32)		3,500,000	3,500,000	
Anchorage - AVAIL High School Classroom Furniture and Books (HD 17-32)		14,500	14,500	
Anchorage - Bancroft Subdivision Area Road and Drainage Rehabilitation (HD 17-32)		500,000	500,000	
Anchorage - Bartlett High School Boy's Locker Replacement (HD 17-32)		320,000	320,000	
Anchorage - Bartlett High School Interactive Display Technology (HD 17-32)		208,000	208,000	
Anchorage - Bartlett High School Musical Instruments (HD 17-32)		80,000	80,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage - Bartlett High School Restrooms Flush Valves Replacement (HD 17-32)		39,150	39,150	
Anchorage - Baxter Elementary School Technology Program (HD 17-32)		15,000	15,000	
Anchorage - Bayshore Elementary School Interactive Display Technology Purchase and Installation (HD 17-32)		55,000	55,000	
Anchorage - Begich Middle School Certifications (HD 17-32)		15,600	15,600	
Anchorage - Begich Middle School Musical Instruments (HD 17-32)		25,000	25,000	
Anchorage - Begich Middle School Physics Equipment (HD 17-32)		6,200	6,200	
Anchorage - Begich Middle School Wind Turbine Conduit and Improvements (HD 17-32)		40,000	40,000	
Anchorage - Campbell Elementary School Classroom Projectors (HD 17-32)		40,000	40,000	
Anchorage - Campbell		250,000	250,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Elementary School Playground Equipment and Safety Surface Upgrades (HD 17-32)				
Anchorage - Central Middle School of Science Music Program Upgrade (HD 17-32)		18,000	18,000	
Anchorage - Chester Valley Elementary School Gym Floor Protective Cover (HD 17-32)		17,500	17,500	
Anchorage - Chester Valley Elementary School Instructional Materials and Software (HD 17-32)		25,000	25,000	
Anchorage - Chester Valley Elementary School Technology Improvements (HD 17-32)		20,000	20,000	
Anchorage - Chinook Elementary School Storage Cubicles Purchase and Installation (HD 17-32)		25,000	25,000	
Anchorage - Chinook Elementary School Window Replacement (HD 17-32)		120,000	120,000	
Anchorage - Chugach Optional Elementary School Technology Upgrade (HD 17-32)		30,000	30,000	
Anchorage - Clark Middle		15,000	15,000	

	Allocations	Appropriation Items	General Funds	Other Funds
School Medical Laboratory Equipment (HD 17-32)				
Anchorage - Clark Middle School Musical Instrument Purchase (HD 17-32)		20,000	20,000	
Anchorage - Creekside Park Elementary School Classroom Equipment (HD 17-32)		25,000	25,000	
Anchorage - Creekside Park Elementary School Playground Remodel and Upgrade (HD 17-32)		25,000	25,000	
Anchorage - Creekside Park Elementary School Technology Upgrades (HD 17-32)		10,000	10,000	
Anchorage - Crossroads Landscape Upgrade (HD 17-32)		5,000	5,000	
Anchorage - Denali Montessori School Multimedia Equipment (HD 17-32)		19,000	19,000	
Anchorage - Digital Police Video Systems (HD 17-32)		1,392,000	1,392,000	
Anchorage - Dimond High School Engineering Academy Expansion (HD 17-32)		50,000	50,000	
Anchorage - Dimond High School Ventilation System		50,000	50,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Upgrade (HD 17-32)				
Anchorage - East High School Library Improvements (HD 17-32)		10,000	10,000	
Anchorage - East High School Technology Upgrades (HD 17-32)		56,000	56,000	
Anchorage - Fairview Elementary School Computer Laptop Cart (HD 17-32)		40,000	40,000	
Anchorage - Fire Department Battery Powered Extrication Equipment (HD 17-32)		59,100	59,100	
Anchorage - Fire Department CPR Equipment (HD 17-32)		140,000	140,000	
Anchorage - Fire Department Investigator Vehicle Purchase (HD 17-32)		55,000	55,000	
Anchorage - Fish Creek Trail Construction (HD 17-32)		325,000	325,000	
Anchorage - Flooding and Glaciation Matching Program (HD 17-32)		5,000,000	5,000,000	
Anchorage - Football Stadium Improvements (HD 17-32)		1,000,000	1,000,000	
Anchorage - Furrow Creek		400,000	400,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Culvert Upgrades - Clippership Court and Mariner Drive (HD 17-32)				
Anchorage - Girdwood School Furniture Replacement (HD 17-32)		50,000	50,000	
Anchorage - Gladys Wood Elementary School Interactive Display Technology (HD 17-32)		65,000	65,000	
Anchorage - Gladys Wood Elementary School Partial Walls and Classroom Storage Construction (HD 17-32)		48,000	48,000	
Anchorage - Goldenview Middle School Stage Rigging Replacement (HD 17-32)		50,000	50,000	
Anchorage - Government Hill Elementary School Achievement Recognition Program (HD 17-32)		10,700	10,700	
Anchorage - Hanshew Middle School Gym Renovation (HD 17-32)		50,000	50,000	
Anchorage - Hanshew Middle School Library Upgrade (HD 17-32)		176,000	176,000	
Anchorage - Hillside Drainage Improvements (HD		300,000	300,000	

	Allocations	Appropriation Items	General Funds	Other Funds
17-32)				
Anchorage - Hillside Road and Drainage System Rehabilitation (HD 17-32)		280,000	280,000	
Anchorage - Homestead Elementary School Improvements (HD 17-32)		175,000	175,000	
Anchorage - Intersection Safety and Congestion Relief Matching Program (HD 17-32)		5,000,000	5,000,000	
Anchorage - Kasuun Elementary School Computer Lab Equipment Upgrade (HD 17-32)		50,000	50,000	
Anchorage - Kasuun Elementary School English Language Equipment (HD 17-32)		5,000	5,000	
Anchorage - Kasuun Elementary School Sound System (HD 17-32)		28,000	28,000	
Anchorage - Kincaid Elementary School AV Equipment for Classrooms (HD 17-32)		11,000	11,000	
Anchorage - Klatt Elementary School Classroom Technology (HD 17-32)		62,000	62,000	
Anchorage - Klatt		62,000	62,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Elementary School Interactive Display Technology Purchase and Installation (HD 17-32)				
Anchorage - Lake Hood Elementary School Classroom Technology (HD 17-32)		50,000	50,000	
Anchorage - McLaughlin School Classroom Technology Improvements (HD 17-32)		20,000	20,000	
Anchorage - Mears Middle School Engineering Program Expansion (HD 17-32)		30,000	30,000	
Anchorage - Mears Middle School Gym Lighting Upgrade (HD 17-32)		35,000	35,000	
Anchorage - Mirror Lake Middle School Computer Upgrades (HD 13-16)		120,000	120,000	
Anchorage - Mountain View Area Traffic and Pedestrian Safety Improvements (HD 17-32)		100,000	100,000	
Anchorage - Mountain View Elementary School Library Improvements (HD 17-32)		17,500	17,500	
Anchorage - Mountain View Elementary School Playground Equipment and		340,000	340,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Safety Surface (HD 17-32)				
Anchorage - Mountain View Elementary School Technology Upgrade (HD 17-32)		22,000	22,000	
Anchorage - Mountain View Library Branch Library Upgrades (HD 17-32)		25,000	25,000	
Anchorage - Muldoon Community Park (HD 17-32)		1,500,000	1,500,000	
Anchorage - Muldoon Elementary School Computers (HD 17-32)		36,000	36,000	
Anchorage - Muldoon Elementary School Interactive Display Technology (HD 17-32)		132,000	132,000	
Anchorage - North Star Elementary School Interactive Teaching System (HD 17-32)		50,000	50,000	
Anchorage - North Star Elementary School Library Upgrades (HD 17-32)		25,000	25,000	
Anchorage - Northeast Anchorage Road and Drainage Improvements (HD 17-32)		533,000	533,000	
Anchorage - Northern Lights Boulevard Sidewalk Construction (HD 17-32)		920,000	920,000	
Anchorage - Northwood ABC		50,000	50,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Elementary School Interactive Display Technology (HD 17-32)				
Anchorage - Northwood Drive Pavement Rehabilitation - Raspberry Road to Strawberry Road (HD 17-32)		1,700,000	1,700,000	
Anchorage - Nunaka Valley Elementary School Improvements (HD 17-32)		191,000	191,000	
Anchorage - Nunaka Valley Elementary School Technology Upgrade (HD 17-32)		75,000	75,000	
Anchorage - Ocean View Elementary School Interactive Display Technology Purchase and Installation (HD 17-32)		45,000	45,000	
Anchorage - Pavement Rehabilitation Matching Program (HD 17-32)		6,000,000	6,000,000	
Anchorage - Pedestrian Safety and Rehabilitation Matching Program (50/50 local match) (HD 17-32)		1,000,000	1,000,000	
Anchorage - Pine Street & 4th Avenue Area Storm Reconstruction - DeBarr Road to Boniface Parkway (HD 17-32)		4,000,000	4,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage - Polaris K-12 School Direct Digital Controls Recalibration (HD 17-32)		10,000	10,000	
Anchorage - Polaris School Science Equipment (HD 17-32)		27,000	27,000	
Anchorage - Polaris School Variable Speed Drive Replacement (HD 17-32)		30,000	30,000	
Anchorage - Police Department Citizen's Policy Academy Support (HD 17-32)		56,150	56,150	
Anchorage - Police Department Tasers (HD 17-32)		47,300	47,300	
Anchorage - Port of Anchorage Expansion (HD 17-32)		20,000,000	20,000,000	

It is the intent of the legislature that the Municipality of Anchorage submit quarterly progress reports to the president of the senate and the speaker of the house of representatives on the Port of Anchorage expansion project detailing all cost overruns and any significant project scope changes.

Anchorage - Project 80s Buildings and Infrastructure (HD 17-32)		9,872,000	9,872,000	
Anchorage - Ptarmigan Elementary School Technology Upgrade (HD 17-32)		173,700	173,700	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage - Reconstruct Egavik Drive & Denali Street Area Storm Drainage (HD 17-32)		3,000,000	3,000,000	
Anchorage - Repair Anchorage Neighborhood Parks (HD 17-32)		500,000	500,000	
Anchorage - Rogers Park Elementary Northern Lights Boulevard Overpass Safety Upgrades (HD 17-32)		100,000	100,000	
Anchorage - Rogers Park Elementary School Equipment Upgrade (HD 17-32)		50,000	50,000	
Anchorage - Romig Middle School Furniture Upgrade (HD 17-32)		65,000	65,000	
Anchorage - Romig Middle School Interactive Display Technology (HD 17-32)		50,000	50,000	
Anchorage - Romig Middle School Library Furniture Upgrade (HD 17-32)		60,000	60,000	
Anchorage - Romig Middle School Scoreboard and Clock Purchase (HD 17-32)		30,000	30,000	
Anchorage - Russian Jack Elementary School Computers (HD 17-32)		20,000	20,000	
Anchorage - Russian Jack		12,000	12,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Elementary School Student Response System (HD 17-32)				
Anchorage - Sand Lake Elementary School Ice Rink Renovation (HD 17-32)		50,000	50,000	
Anchorage - Sand Lake Watershed Drinking Water Studies (HD 17-32)		250,000	250,000	
Anchorage - SAVE High School Technology Upgrade (HD 17-32)		39,000	39,000	
Anchorage - Scenic Park Elementary School Furniture and Technology Update (HD 17-32)		22,100	22,100	
Anchorage - School District Alaska Native Cultural Materials (HD 17-32)		50,000	50,000	
Anchorage - Self Contained Breathing Apparatus Replacement (HD 17-32)		175,000	175,000	
Anchorage - Service High School Entry Doors (HD 17-32)		20,000	20,000	
Anchorage - Service High School Repair Leak (HD 17-32)		15,000	15,000	
Anchorage - South High School Purchase and Install Interactive Display Technology (HD 17-32)		235,000	235,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage - Spring Hill Elementary School Server and Computers (HD 17-32)		30,000	30,000	
Anchorage - Spring Hill Elementary School Site Upgrades (HD 17-32)		36,000	36,000	
Anchorage - Steller Secondary School Interactive Display Technology (HD 17-32)		50,000	50,000	
Anchorage - Susitna Elementary School CCTV and Security System Upgrade (HD 17-32)		175,000	175,000	
Anchorage - Susitna Elementary School Interactive Display Technology (HD 17-32)		75,000	75,000	
Anchorage - Susitna Elementary School Technology Upgrade (HD 17-32)		75,000	75,000	
Anchorage - Taku Elementary School Art Equipment Upgrade (HD 17-32)		7,000	7,000	
Anchorage - Traffic Calming and Safety Improvements (HD 17-32)		500,000	500,000	
Anchorage - Trailside Elementary School Computer		10,000	10,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Lab Software (HD 17-32)				
Anchorage - Tudor Elementary School Conference Room Furniture (HD 17-32)		17,000	17,000	
Anchorage - Tudor Elementary School Fire Alarm Replacement (HD 17-32)		175,000	175,000	
Anchorage - Tudor Elementary School Flushometer Replacement (HD 17-32)		20,000	20,000	
Anchorage - Turnagain Elementary School Interactive Display Technology (HD 17-32)		40,000	40,000	
Anchorage - University Lake Park Safety and Community Enhancements (HD 17-32)		50,000	50,000	
Anchorage - Waldron Subdivision Tract Purchase (HD 17-32)		4,000,000	4,000,000	
Anchorage - Wendler Middle School Computer Upgrades (HD 17-32)		70,000	70,000	
Anchorage - Wendler Middle School Direct Digital Controls Recalibration (HD 17-32)		10,000	10,000	
Anchorage - West High		50,000	50,000	

	Allocations	Appropriation Items	General Funds	Other Funds
School Cafeteria Upgrade (HD 17-32)				
Anchorage - West High School Classroom Furniture (HD 17-32)		75,000	75,000	
Anchorage - West High School Distance Learning Computer Technology (HD 17-32)		400,000	400,000	
Anchorage - West High School Interactive Display Technology (HD 17-32)		50,000	50,000	
Anchorage - Whaley Center CCTV Cameras (HD 17-32)		15,000	15,000	
Anchorage - Whaley Center Nurse's Office Upgrade (HD 17-32)		15,000	15,000	
Anchorage - William Tyson Elementary School Gym Improvements (HD 17-32)		35,000	35,000	
Anchorage - William Tyson Elementary School Office Technology Improvements (HD 17-32)		20,000	20,000	
Anchorage - William Tyson Elementary School Track Installation (HD 17-32)		50,000	50,000	
Anchorage - Williwaw Elementary School Interactive Display Technology (HD 17-32)		70,000	70,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage - Willow Crest Elementary School Education Equipment (HD 17-32)		7,400	7,400	
Anchorage - Willow Crest Elementary School Interactive Display Technology (HD 17-32)		18,000	18,000	
Anchorage - Willow Crest Elementary School Playground Upgrade (HD 17-32)		100,000	100,000	
Anchorage - Winterberry K-8 Science Equipment (HD 17-32)		16,000	16,000	
Anchorage - Wonder Park Elementary School Lighting Upgrade (HD 17-32)		30,000	30,000	
Anchorage - Wonder Park Elementary School Planning (HD 17-32)		50,000	50,000	
Anchorage - Wonder Park Elementary School Playground Equipment and Safety Surface (HD 17-32)		150,000	150,000	
Anchorage - Wonder Park Elementary School Sound Baffles (HD 17-32)		30,000	30,000	
Angoon - Road Restoration (HD 5)		1,288,600	1,288,600	
Bethel - LED Streetlights		350,000	350,000	

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 38)				
Bethel - Police Department Emergency Power Generator (HD 38)		246,000	246,000	
Bethel - Police Dispatch System (HD 38)		328,800	328,800	
Bettles - Road Grader Purchase (HD 6)		426,600	426,600	
Bristol Bay Borough - Port Expansion (HD 37)		2,000,000	2,000,000	
Chevak - Glycol Rehabilitation Project (HD 39)		470,000	470,000	
Coffman Cove - Community Clinic (HD 1)		600,000	600,000	
Cordova - Breakwater Extension Feasibility and Design (HD 5)		1,400,000	1,400,000	
Cordova - Hospital Maintenance and Equipment (HD 5)		2,000,000	2,000,000	
Craig - Community Streets Improvement (HD 5)		1,700,000	1,700,000	
Denali Borough - Cantwell School Asbestos Removal and Reconstruction (HD 7-11)		30,000	30,000	
Dillingham - Snag Point Sewer Line Emergency Relocation (HD 37)		1,000,000	1,000,000	
Emmonak - Courthouse and		1,100,000	1,100,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Safety Building (HD 39)				
Fairbanks North Star Borough - Carlson Activity Center Improvements Phase 2 (HD 7-11)		3,500,000	3,500,000	
Fairbanks North Star Borough - Noel Wien Library Upgrades (HD 7-11)		6,000,000	6,000,000	
Fairbanks North Star Borough - North Star Fire Station Expansion (HD 7-11)		92,250	92,250	
Fairbanks North Star Borough - Parks and Recreation Facility Improvements (HD 7-11)		1,950,000	1,950,000	
Fairbanks North Star Borough - Pioneer Park Deferred Maintenance (HD 7-11)		400,000	400,000	
Fairbanks North Star Borough - Road Service Area Funding (HD 7-11)		5,000,000	5,000,000	
Fairbanks North Star Borough - School Technology Upgrades (HD 7-11)		110,000	110,000	
Fairbanks North Star Borough - Tanana Lakes Infrastructure (HD 7-11)		1,000,000	1,000,000	
Fairbanks Northstar Borough - Arctic Winter Games Host		1,000,000	1,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Society (HD 7-11)				
Fort Yukon - Solid Waste Disposal Facility (HD 6)		521,900	521,900	
Gambell - Heavy Equipment Purchase (HD 39)		248,500	248,500	
Golovin - Heavy Equipment (HD 39)		350,300	350,300	
Goodnews Bay - Community Building Improvements and Upgrades (HD 38)		34,800	34,800	
Goodnews Bay - Community Dumpsite Improvements (HD 38)		46,500	46,500	
Goodnews Bay - Construct Community Playground (HD 38)		100,000	100,000	
Haines - High School Gymnasium Floor Replacement (HD 5)		250,000	250,000	
Hughes - Vehicle Purchase (HD 6)		89,300	89,300	
Juneau - Airport Snow Removal Equipment Facility (HD 3-4)		1,000,000	1,000,000	
Juneau - Auke Bay Harbor Improvements (HD 3-4)		5,000,000	5,000,000	
Juneau - Centennial Hall Roof Replacement and Emergency Improvements (HD 3-4)		1,000,000	1,000,000	
Juneau - Juneau Arts &		50,000	50,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Culture Center Lighting Upgrades (HD 3-4)				
Juneau - School District Technology Upgrade (HD 3-4)		200,000	200,000	
Kaltag - New Clinic Match Funding (HD 6)		150,000	150,000	
Kenai - City Streets Paving Improvements (HD 33-35)		1,000,000	1,000,000	
Kenai - Kenai River Bluff Stabilization (HD 33-35)		1,750,000	1,750,000	
Kenai Peninsula Borough - Bear Creek Fire Service Area Community Multi-Use Facility (HD 33-35)		3,800,000	3,800,000	
Ketchikan Gateway Borough - Mariculture Research Facility (HD 1)		300,000	300,000	
Ketchikan Gateway Borough - Recreation Center Roof Replacement and Facility Improvements (HD 1)		1,030,000	1,030,000	
King Cove - Izembek Land Exchange EIS (HD 37)		300,000	300,000	
Klawock - Water and Sewer Upgrade (HD 5)		1,276,000	1,276,000	
Kodiak - Baranof Park Improvements (HD 36)		2,000,000	2,000,000	
Matanuska-Susitna Borough - Port MacKenzie Rail		20,000,000	20,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Extension (HD 13-16)				
Matanuska-Susitna Borough - School District Storage Building (HD 12)		75,000	75,000	
Matanuska-Susitna Borough - School District Technology Upgrade (HD 13-16)		100,000	100,000	
Matanuska-Susitna Borough - School District Wireless Access (HD 13-16)		500,000	500,000	
Matanuska-Susitna Borough - Willow Road Service Area Upgrade (HD 13-16)		190,000	190,000	
New Stuyahok - Construct Volunteer Fire Department (HD 37)		985,700	985,700	
Nome - Volunteer Fire Department Equipment (HD 39)		75,000	75,000	
North Slope Borough - Village Clinic Morgue Additions (HD 40)		2,000,000	2,000,000	
Northwest Arctic Borough - Deering Heavy Equipment (HD 40)		250,000	250,000	
Northwest Arctic Borough - Kivalina Water and Sanitation Engineering Feasibility Study (HD 40)		150,000	150,000	
Northwest Arctic Borough - Kobuk Electrical Line and		150,000	150,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Pole Maintenance (HD 40)				
Northwest Arctic Borough - Noatak Storage Shed and Heavy Equipment (HD 40)		125,000	125,000	
Northwest Arctic Borough - Noorvik Storage Shed and Shop (HD 40)		300,000	300,000	
Nunapitchuk - Public Safety Renovation and Equipment (HD 38)		855,000	855,000	
Old Harbor - Airport Improvements (HD 36)		1,500,000	1,500,000	
Palmer - Airport Navigational Aids (HD 13-16)		8,300	8,300	
Palmer - Fire Training Center Station Floor (HD 13-16)		20,000	20,000	
Pelican - Fuel Dock and Utility District (HD 2)		300,000	300,000	
Petersburg - Commercial Vehicle Drive Down (HD 2)		1,810,000	1,810,000	
Petersburg - Crane Dock Improvements (HD 2)		500,000	500,000	
Petersburg - Elderly Housing Facility Roof Replacement (HD 2)		370,000	370,000	
Petersburg - Police Station Repair (HD 2)		100,000	100,000	
Petersburg - Rifle Range Repair and Improvements		25,000	25,000	

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 2)				
Petersburg - Sons of Norway Hall Renovation and Repair (HD 2)		150,000	150,000	
Saint George - Breakwater Construction and Dredging (HD 37)		2,500,000	2,500,000	
Saint Mary's - Water Line Replacement (HD 39)		172,800	172,800	
Saint Mary's - Water Line Replacement and Improvements (HD 39)		140,400	140,400	
Saint Paul - Harbor Master Office (HD 37)		669,300	669,300	
Seldovia - City Business Center Environmental (HD 33-35)		125,000	125,000	
Seward - CDQ Fishing Fleet Relocation Study (HD 33-35)		400,000	400,000	
Sitka - Cross Trail Improvements (HD 2)		41,000	41,000	
Soldotna - Redoubt Avenue Street Improvement Project (HD 33-35)		2,079,000	2,079,000	
Thorne Bay - Davidson Landing Improvements (HD 1)		250,000	250,000	
Toksook Bay - Boardwalk Improvement (HD 38)		397,500	397,500	
Unalakleet - New Public		3,400,000	3,400,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Safety Building (HD 39)				
Unalaska - Wastewater Treatment Plant Improvements (HD 37)		4,000,000	4,000,000	
Upper Kalskag - Multi-Facility Building Renovation (HD 38)		969,100	969,100	
Wasilla - Airport Access Road (HD 13-16)		3,100,000	3,100,000	
Wasilla - Main Street Couplet (HD 13-16)		5,000,000	5,000,000	
Whittier - Shotgun Cove Road Phase III (HD 17-32)		400,000	400,000	
Whittier - Snow Blower (HD 17-32)		700,000	700,000	
Wrangell - Boat Yard Improvements (HD 2)		3,700,000	3,700,000	
Wrangell - Cassiar Street Improvements (HD 2)		2,000,000	2,000,000	
Grants to Municipalities (AS 37.05.315) - Public Library Construction				
It is the intent of the legislature that the following Grants to Municipalities (AS 37.05.315) satisfy the highest ranked public library construction projects identified by the Alaska Library Association and received by the Department of Commerce, Community and Economic Development under the FY2012 Public Library Construction and Major Expansion Matching Grant program (AS 14.56.355).				
Ketchikan - New Public Library (HD 1)		6,000,000	6,000,000	
Kodiak - New Library Construction (HD 36)		6,900,000	6,900,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Skagway - Library Construction and Expansion Project (HD 5)		667,000	667,000	
Soldotna - Joyce K. Carver Library Expansion (HD 33-35)		3,400,000	3,400,000	
Grants to Named Recipients (AS 37.05.316)				

It is the intent of the legislature that the Department of Commerce, Community and Economic Development eliminate the requirement for narrative and financial quarterly reporting for any grant of $50,000 or less. It is the intent of the legislature that as long as the department receives a signed certification from the grant recipient that they will comply with all other terms of the grant agreement and that the full grant amount will be used for the purpose for which it is intended, that the department make a single upfront payment for any grant of $50,000 or less.

Abused Women's Aid In Crisis, Inc. (AWAIC) - Equipment Repair and Replacement (HD 17-32)	229,700	229,700	
Alaska Botanical Garden - Construct On-Site Work Facility with Horticultural Research and Propagation Site (HD 17-32)	750,000	750,000	
Alaska Brain Injury Network, Inc. - Curriculum Development and Service Delivery System Planning (HD 17-32)	200,000	200,000	
Alaska Children's Services - Cottages Renovation (HD	127,200	127,200	

	Allocations	Appropriation Items	General Funds	Other Funds
17-32)				
Alaska eHealth Network - Phase II Health Information Exchange Deployment (HD 1-40)		2,400,000	2,400,000	
Alaska Historical Society - Statehood Documentary Educational Distribution (HD 1-40)		48,000	48,000	
Alaska Humanities Forum - Education, Economy, and Workforce Development Programs (HD 1-40)		465,000	465,000	
Alaska Laborers Training Trust - Training Facility Construction and Upgrade (HD 17-32)		4,000,000	4,000,000	
Alaska Legal Services Corporation - Civil Legal Services (HD 1-40)		110,000	110,000	
Alaska Manufacturing Extension Partnership - State Matching Support (HD 1-40)		400,000	400,000	
Alaska Moose Federation - Expand Statewide Moose Salvage Program (HD 12-35)		775,800	775,800	
Alaska Moose Federation - Rescue and Relocate Orphaned Moose Calves (HD 12-35)		1,441,500	1,441,500	

	Allocations	Appropriation Items	General Funds	Other Funds
Alaska Museum of Natural History - Facility Renovations and Improvements (HD 17-32)		150,000	150,000	
Alaska Native Heritage Center - Education and Administration Facilities Expansion (HD 17-32)		2,000,000	2,000,000	
Alaska Native Tribal Health Consortium - Anchorage Long Term Care Facility (HD 17-32)		20,000,000	20,000,000	
Alaska Primary Care Association - Patient Centered Medical Home Transition Support (HD 1-40)		875,000	875,000	
Alaska PRIDE - Leadership Program (HD 17-32)		100,000	100,000	
Alaska Public Telecommunications, Inc. - Upgrade Facility and Production Technology (HD 17-32)		499,500	499,500	
Alaska State Hospital and Nursing Home Association - Perioperative Curriculum Design (HD 1-40)		65,000	65,000	
Alaska Zoo - Purchase Vehicle Upgrades and Replacements (HD 17-32)		268,000	268,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Alaska Zoo - Signage and Grounds Upgrades (HD 17-32)		161,000	161,000	
Aleutian Peninsula Broadcasting, Inc. - Radio Station Repairs and Upgrades (HD 37)		100,000	100,000	
American Legion of Alaska - Statewide Youth Sports Field Development and Enhancement (HD 1-40)		3,000,000	3,000,000	
Anchor Arms Inc. - Upgrade and Renovate Safe Harbor (HD 17-32)		500,000	500,000	
Anchorage Alumni Foundation Kappa Alpha Psi - After School Program (HD 17-32)		100,000	100,000	
Anchorage Community Land Trust - Mountain View Blighted Property Improvement (HD 17-32)		1,000,000	1,000,000	
Anchorage Economic Development Corporation - Southcentral Alaska Economic Development Grant (HD 17-32)		95,000	95,000	
Anchorage Park Foundation - Abbott-O-Rabbit Little League Upgrades (HD 17-32)		400,000	400,000	
Anchorage Park Foundation -		1,000,000	1,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage Neighborhood Parks Renovation (HD 17-32)				
Anchorage Park Foundation - Anchorage Veteran's Memorial Renovation (HD 17-32)		250,000	250,000	
Anchorage Park Foundation - Kincaid Park Singletrack Trail (HD 17-32)		30,000	30,000	
Anchorage Park Foundation - Kiwanis Fish Creek Park Renovation (HD 17-32)		37,500	37,500	
Anchorage Park Foundation - Minnesota Park Renovation (HD 17-32)		159,000	159,000	
Anchorage Park Foundation - Mulcahy Ice Rinks Project (HD 17-32)		250,000	250,000	
Anchorage Park Foundation - Nunaka Valley North Park Renovation (HD 17-32)		42,000	42,000	
Anchorage Park Foundation - Sand Lake Park Renovation (HD 17-32)		115,000	115,000	
Anchorage Park Foundation - Shady Birch Park Renovation (HD 17-32)		37,500	37,500	
Anchorage Park Foundation - Sitka Park Renovation (HD 17-32)		42,000	42,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage Park Foundation - Trail Rehabilitation (HD 17-32)		35,000	35,000	
Anchorage Park Foundation - Valley Street Park Trail Work and Community Clean-Up (HD 17-32)		40,000	40,000	
Anchorage Park Foundation - Wickersham Park Renovation (HD 17-32)		42,000	42,000	
Anchorage Park Foundation - Windsong Park Renovation (HD 17-32)		62,000	62,000	
Anchorage Park Foundation - Wolverine Park Renovation (HD 17-32)		42,000	42,000	
Arctic Power - Arctic National Wildlife Refuge Program (HD 1-40)		160,000	160,000	
Arctic Winter Games Team Alaska - State Participation Grant (HD 1-40)		315,000	315,000	
Association of Village Council Presidents - Repository and Administrative Building Planning and Design (HD 38)		3,550,000	3,550,000	
Association of Village Council Presidents - Yuut		170,000	170,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Yaqungviat, LLC - Alaska Rural Aviation Training Program Equipment (HD 38)				
Boys & Girls Club Alaska - North East Club Teen Center Technology and Equipment Upgrades (HD 17-32)		10,000	10,000	
Boys & Girls Clubs Alaska - Akiak Club Technology Upgrades (HD 38)		3,000	3,000	
Boys & Girls Clubs Alaska - Kotzebue Club Facility and Technology Upgrades (HD 40)		30,000	30,000	
Boys & Girls Clubs Alaska - Mountain View Club Teen Center Technology and Equipment Upgrades (HD 17-32)		21,000	21,000	
Boys & Girls Clubs Alaska - Mountain Village Club Program Equipment (HD 39)		10,000	10,000	
Boys & Girls Clubs Alaska - Nome Club Technology Upgrades (HD 39)		8,000	8,000	
Boys & Girls Clubs Alaska - Selawik Club Technology Upgrades (HD 40)		5,000	5,000	
Boys & Girls Clubs Alaska - St. Mary's Club		3,000	3,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Technology Upgrades (HD 39)				
Boys & Girls Clubs Alaska - Woodland Park Club Sprinkler Installation (HD 17-32)		200,000	200,000	
Bristol Bay Area Health Corporation - Facility Expansion (HD 37)		2,000,000	2,000,000	
Bristol Bay Native Association - Safety Equipment Purchase - Manokotak, Aleknagik and Togiak (HD 37)		845,000	845,000	
Calypso Farms - School Garden Project (HD 7-11)		66,750	66,750	
Camp Fire USA Alaska Council - Vehicle Purchase (HD 17-32)		35,000	35,000	
Catholic Social Services - Purchase of Replacement Property for Clare House (HD 17-32)		300,000	300,000	
Chena-Goldstream Volunteer Fire Department - Underground Water Tanks (HD 7-11)		40,000	40,000	
Children's Meal Mission, Inc. - Meals For Children (HD 17-32)		60,000	60,000	
Community of Elfin Cove		105,000	105,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Non-Profit Corporation - Boardwalk Repairs (HD 2)				
Cook Inlet Tribal Council - Dena'ina House Demonstration Education Project Completion (HD 17-32)		3,000,000	3,000,000	
Covenant House Alaska - Facility Construction (HD 17-32)		3,100,000	3,100,000	
Eagle IRA Council - Clinic Replacement Project (HD 6)		90,000	90,000	
Ester Volunteer Fire Department - Engine Equipment Purchase (HD 7-11)		150,000	150,000	
Fairbanks Community Food Bank - Capstone Micro Turbine Purchase and Installation (HD 7-11)		175,000	175,000	
Fairbanks Dog Park, Inc - Dog Park Improvements (HD 7-11)		25,000	25,000	
Fairbanks Soil & Water Conservation District - Invasive Weeds Project (HD 7-11)		10,000	10,000	
Federation of Community Councils, Inc. - Anchorage Community Patrols		80,000	80,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Equipment (HD 17-32)				
Federation of Community Councils, Inc. - Develop Community Planning and Revitalization Strategy (HD 17-32)		20,000	20,000	
Federation of Community Councils, Inc. - Neighborhoods USA 2011 Conference (HD 17-32)		70,000	70,000	
Federation of Community Councils, Inc. - Nunaka Valley Community Patrol (HD 17-32)		14,000	14,000	
Federation of Community Councils, Inc. - Recreational Upgrades to Abbott Loop Community Park (HD 17-32)		50,000	50,000	
Filipino Community, Inc. - Building Repairs (HD 3-4)		50,000	50,000	
Friends of the Children - Fairbanks Mentoring Program Pilot Project (HD 7-11)		2,000,000	2,000,000	
Georgeson Botanical Garden Society - Research Survival Program (HD 7-11)		50,000	50,000	
Great Alaska Council, Boy Scouts of America - Outdoor Experience Project		120,000	120,000	

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 17-32)				
Great Alaska Council, Boy Scouts of America - Outdoor Programs (HD 17-32)		406,700	406,700	
Greater Copper Valley Communications, Inc. - Backup Generator and Communication Link (HD 6)		101,000	101,000	
Holy Cross Tribal Council - Community Services Center Match Funding (HD 6)		300,000	300,000	
Hope Community Resources, Inc. - Statewide Facility Improvements and Upgrades (HD 1-40)		763,000	763,000	
Institute of the North - Arctic Infrastructure and Advocacy Initiative (HD 1-40)		315,000	315,000	
Institute of the North - Pacific Northwest Economic Region (PNWER) Arctic Caucus Planning (HD 1-40)		150,000	150,000	
Inuit Circumpolar Council - Alaska's Traditional Knowledge Science Development Project (HD 1-40)		75,000	75,000	
Joel's Place - Heating		38,000	38,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Upgrades (HD 7-11)				
Juneau Cooperative Christian Ministries - Glory Hole Shelter Energy Efficiency and Heating Improvements (HD 3-4)		50,000	50,000	
Juneau Family Health and Birth Center - Electronic Health Record Software System (HD 3-4)		50,000	50,000	
Juneau Pioneer Home Foundation - Juneau Pioneer Home Planning and Design (HD 3-4)		10,000	10,000	
Juneau Youth Services - Emergency Shelter Repairs (HD 3-4)		85,000	85,000	
Juneau Youth Services - Vehicle Purchase (HD 3-4)		51,000	51,000	
Kaagwaantaan Inc. - Alaska Native Brotherhood Hall Renovations (HD 2)		150,000	150,000	
KBRW Silakkuagvik Communications, Inc. - Radio Station Equipment Upgrades (HD 40)		68,000	68,000	
Kenaitze Indian Tribe - Dena'ina Health and Wellness Center (HD 33-35)		5,000,000	5,000,000	
Ketchikan Indian Community - Southern Southeast Alaska		600,000	600,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Vocational Training School (HD 1)				
Life Alaska Donor Services, Inc - Donor Program (HD 1-40)		35,000	35,000	
Mid-Valley Seniors Inc. - Mid-Valley Senior Center Roof Replacement (HD 13-16)		150,000	150,000	
Most Worshipful Prince Hall Grand Lodge - Grand Lodge Improvements (HD 17-32)		125,000	125,000	
Mountain View Community Council - Mountain View Community Clean-Up (HD 17-32)		10,000	10,000	
Mountain View Community Council - Mountain View Neighborhood Crime Watch (HD 17-32)		5,000	5,000	
Native Village of Unalakleet (Unalakleet IRA) - Assisted Living Facility (HD 39)		300,000	300,000	
Neighbor Works Anchorage - Community Engagement and Resident Services Expansion (HD 17-32)		100,000	100,000	
Neighbor Works Anchorage - Homeownership Center (HD		200,000	200,000	

	Allocations	Appropriation Items	General Funds	Other Funds
17-32)				
Newtok Traditional Council - Evacuation Shelter and Access Road (HD 38)		2,500,000	2,500,000	
Nordic Ski Club of Fairbanks - Trail Maintenance and Grooming Equipment Purchase (HD 7-11)		31,500	31,500	
North Star Council on Aging, Inc. - Recovery Project (HD 7-11)		150,000	150,000	
North Star Imagination Library - Literacy Initiative Project (HD 7-11)		10,000	10,000	
Norton Sound Health Corporation - Long Term Care Facility Replacement (HD 39)		7,000,000	7,000,000	
Nunapitchuk IRA Council - Community Playground Construction (HD 38)		100,000	100,000	
Perseverance Theatre, Inc - Audio System Upgrade and Replacement (HD 3-4)		33,000	33,000	
Pleasant Valley Community Association - Community Center (HD 7-11)		50,000	50,000	
REACH, Inc. - Facility Upgrades (HD 3-4)		40,100	40,100	

	Allocations	Appropriation Items	General Funds	Other Funds
ROSSIA, Inc. - Repair and Restoration of Juneau Historic Site (HD 3-4)		50,000	50,000	
Rural Alaska Community Action Program, Inc. - Child Development Center Construction (HD 17-32)		800,000	800,000	
Rural Deltana Volunteer Fire Dept. - Purchase Rescue Vehicle (HD 12)		100,000	100,000	
Salcha Fire and Rescue, Inc. - Fire and Rescue Station (HD 12)		75,000	75,000	
Scenic Foothills Community Council - Safe and Secure Parks Project (HD 17-32)		63,000	63,000	
Sealaska Heritage Institute - Sealaska Heritage Institute Center (HD 3-4)		2,500,000	2,500,000	
Senior Citizens of Interior Alaska - Senior Center Improvements (HD 12)		15,000	15,000	
Shiloh Community Housing Incorporated - Young Adult Transitional Housing Project (HD 17-32)		92,000	92,000	
Soldotna Area Senior Citizens, Inc. - Floor Covering (HD 33-35)		27,300	27,300	
Southcentral Foundation - Wellness Warriors		1,966,000	1,966,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Auditorium Construction (HD 17-32)				
Southeast Alaska Independent Living - Adaptive Vehicle (HD 3-4)		13,500	13,500	
Southeast Alaska Solid Waste Authority - Planning and Development Grant (HD 1-5)		125,000	125,000	
Southeast Island School District - Hollis School Vehicle (HD 1)		42,000	42,000	
Southeast Regional Resource Center, Inc. - Heating System Replacement (HD 3-4)		70,000	70,000	
Southwest Alaska Vocational and Education Center - King Salmon AFB Gymnasium Rehabilitation (HD 37)		471,100	471,100	
Steese Area Volunteer Fire Department - Fire Equipment (HD 7-11)		169,500	169,500	
Sunshine Community Health Center - Health Clinic Construction (HD 13-16)		420,000	420,000	
The Arc of Anchorage - Safety and Deferred Maintenance (HD 17-32)		580,000	580,000	
The First Tee of Alaska - Youth Development Program		100,000	100,000	

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 17-32)				
The HUB Youth Center - After School Program (HD 3-4)		30,000	30,000	
The Salvation Army - Anchorage Corps Community Center Construction (HD 17-32)		1,500,000	1,500,000	
Tolsona Fire Department - ALMR Office Building Upgrade (HD 12)		50,000	50,000	
Tolsona Fire Department - Personal Protection Equipment (HD 12)		50,000	50,000	
Tolsona Fire Department - Response Vehicles (HD 12)		50,000	50,000	
Tundra Women's Coalition - Child Advocacy Center Equipment (HD 38)		31,700	31,700	
Tundra Women's Coalition - Shelter Vehicle Replacement (HD 38)		27,500	27,500	
VFW Post 9978 - Facility Renovation and Repairs (HD 17-32)		35,000	35,000	
World Trade Center Alaska - International Trade Partnership Project (HD 1-40)		300,000	300,000	
Wrangell Cooperative Association - Chief Shakes		500,000	500,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Tribal House Renovation (HD 2)				
Yukon River Drainage Fisheries Association - Yukon River Chinook Salmon Management Plan (HD 1-40)		300,000	300,000	
Yukon-Kuskokwim Health Corporation - Qungasvik Youth Sobriety Project (HD 1-40)		1,624,800	1,624,800	
Yukon-Kuskokwim Health Corporation - Regional Prematernal Home (HD 38)		10,500,000	10,500,000	
Yuut Elitnaurviat The People's Learning Center - Dormitory (HD 38)		4,700,000	4,700,000	
Grants to Named Recipients (AS 37.05.316) - Deferred Maintenance and Upgrade to Hatchery Facilities Statewide				
Cook Inlet Aquaculture Association - Trail Lakes Hatchery Maintenance and Upgrade (HD 12-35)		865,000	865,000	
Cook Inlet Aquaculture Association - Tutka Bay Hatchery Maintenance and Upgrade (HD 12-35)		591,000	591,000	
Douglas Island Pink and Chum, Inc. - Snettisham		1,250,000	1,250,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Hatchery Maintenance and Upgrade (HD 1-5)				
Kodiak Regional Aquaculture Association - Kitoi Bay Hatchery Maintenance and Upgrade (HD 36)		1,308,000	1,308,000	
Kodiak Regional Aquaculture Association - Pillar Creek Hatchery Maintenance and Upgrade (HD 36)		767,000	767,000	
Northern Southeast Regional Aquaculture Association - Hidden Falls Hatchery Maintenance and Upgrade (HD 1-5)		1,044,000	1,044,000	
Prince William Sound Aquaculture Corporation - Cannery Creek Hatchery Maintenance and Upgrade (HD 12-35)		2,224,000	2,224,000	
Prince William Sound Aquaculture Corporation - Gulkana Hatchery Maintenance and Upgrade (HD 12-35)		838,000	838,000	
Prince William Sound Aquaculture Corporation - Main Bay Hatchery Maintenance and Upgrade (HD 12-35)		2,113,000	2,113,000	
Seward - Alutiq Pride		250,000	250,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Shellfish Hatchery Upgrade (HD 33-35)				
Grants to Unincorporated Communities (AS 37.05.317)				
It is the intent of the legislature that the Department of Commerce, Community and Economic Development eliminate the requirement for narrative and financial quarterly reporting for any grant of $50,000 or less. It is the intent of the legislature that as long as the department receives a signed certification from the grant recipient that they will comply with all other terms of the grant agreement and that the full grant amount will be used for the purpose for which it is intended, that the department make a single upfront payment for any grant of $50,000 or less.				
Dot Lake Village - Equipment Purchase (HD 6)		85,000	85,000	
Mentasta Lake - Health Care Clinic Match (HD 6)		300,000	300,000	
Stony River - Sanitation Improvement Project (HD 6)		192,000	192,000	
Tetlin - Biomass Energy Project (HD 6)		200,000	200,000	
Tuntutuliak - Public Safety Vehicle (HD 38)		9,800	9,800	
Tuntutuliak - Public Works Equipment (HD 38)		109,500	109,500	
Tununak - Heavy Equipment (HD 38)		250,000	250,000	
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* * * * * **Department of Corrections** * * * * *				
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Implementation of a Medical Information System		1,000,000	1,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 1-40)				
Seward - Spring Creek		250,000	250,000	
Correctional Center Seward				
Land Transfer (HD 33-35)				
Deferred Maintenance		**5,000,000**	**5,000,000**	
Projects				
Bethel - Yukon-Kuskokwim Correctional Center Projects (HD 38)	420,000			
Eagle River - Combined Hiland Mountain Correctional Center Projects (HD 17-32)	760,000			
Fairbanks - Fairbanks Correctional Center Projects (HD 7-11)	915,000			
Juneau - Lemon Creek Correctional Center Project (HD 3-4)	135,000			
Kenai - Wildwood Correctional Center Project (HD 33-35)	890,000			
Ketchikan - Correctional Center Project (HD 1)	145,000			
Nome - Anvil Mountain Correctional Center Projects (HD 39)	715,000			
Palmer - Matanuska-Susitna Correctional Center Projects (HD 13-16)	22,000			
Seward - Spring Creek	398,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Correctional Center Project (HD 33-35)				
Sutton - Palmer Correctional Center Projects (HD 12)	600,000			
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* * * * * **Department of Education and Early Development** * * * * *				
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State Library, Archives and Museum Facility Construction (HD 3-4)		5,000,000	5,000,000	
Deferred Maintenance				
Stratton Library Roof and Siding Replacement (HD 1-40)		900,000	900,000	
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* * * * * **Department of Environmental Conservation** * * * * *				
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Clean Water Capitalization Grant - Subsidy Funding (HD 1-40)		1,826,274		1,826,274
Drinking Water Capitalization Grant - Subsidy Funding (HD 1-40)		4,071,900		4,071,900
PSP Testing Equipment - High Performance Liquid Chromatography Analyzer (HD 17-32)		205,300	205,300	
Spill Prevention - Best Available Technology Analysis (HD 1-40)		100,000	100,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Village Safe Water and Wastewater Infrastructure Projects		**51,566,664**	**8,766,664**	**42,800,000**
Expansion, Upgrade, and Replacement of Existing Service (HD 1-40)	21,774,913			
First Time Service Projects (HD 1-40)	29,791,751			
Municipal Water, Sewage, and Solid Waste Facilities Grants (AS 46.03.030)		**21,817,963**	**21,817,963**	
Haines - Asbestos Cement Pipe Replacement (HD 5)	535,224			
Kenai - Water Transmission Mains Phase 3 (HD 33-35)	1,603,710			
Ketchikan - Water and Sewer Improvements (HD 1)	1,658,287			
Ketchikan - Water and Sewer Main Replacement (HD 1)	4,434,787			
Kodiak - Ultraviolet Secondary Water Treatment Facility (HD 36)	3,616,200			
Palmer - Southwest Water Utility Extension, Phase 2B Increase (HD 13-16)	2,575,000			
Sitka - Ultraviolet Water Disinfection Facility (HD 2)	3,587,500			
Soldotna - Well House B Reconstruction (HD 33-35)	717,255			
Unalaska - Water Treatment	3,090,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Plant (HD 37)				
Deferred Maintenance				
Environmental Health Laboratory Building Deferred Maintenance (HD 17-32)		200,000	200,000	
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* * * * * **Department of Fish and Game** * * * * *				
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Campbell Creek Estuary Conservation Project (HD 17-32)		500,000		500,000
Critical Information Technology Infrastructure Maintenance (HD 1-40)		400,000	400,000	
Pacific Coastal Salmon Recovery Fund (HD 1-40)		12,000,000		12,000,000
Pacific Salmon Treaty Chinook Fishery Mitigation (HD 1-40)		7,500,000		7,500,000
Sport Fish Recreational Boating Access (HD 1-40)		3,000,000		3,000,000
State Game Refuge Access and Development (HD 13-16)		720,000	180,000	540,000
Westward Region DIDSON Sonar Purchase (HD 36)		105,000	105,000	
Statewide Facility Deferred Maintenance Projects		**1,400,000**	**1,400,000**	
Cordova Dock and Uplands Improvements (HD 5)	650,000			
Fairbanks Regional Office	750,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Repairs and Upgrades (HD 7-11)				
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* * * * * **Office of the Governor** * * * * *				
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Polling Place Accessibility Assistance under the Federal Help America Vote Act (HAVA) (HD 1-40)		100,000		100,000
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* * * * * **Department of Health and Social Services** * * * * *				
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Alaska Veterans and Pioneers Home Storage Unit (HD 13-16)		885,000	885,000	
Electronic Health Record Incentive Payments (HD 1-40)		36,518,800		36,518,800
Emergency Medical Services Ambulances and Equipment Statewide - Code Blue Project Match (HD 1-40)		425,000	425,000	
Electronic Benefit Transfer System Equipment (HD 1-40)		50,000	50,000	
Field Operations Call System for Vulnerable Alaskans (HD 1-40)		255,200	130,200	125,000
Health Insurance Portability and Accountability Act		1,000,000	1,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Compliance (HD 1-40)				
HIPAA Updated Electronic Transaction Standards (HD 1-40)		4,100,000	500,000	3,600,000
International Classification of Diseases (ICD-10) Implementation (HD 1-40)		5,100,000	600,000	4,500,000
Juvenile Offender Management Information System Testing Automation (HD 1-40)		25,000	25,000	
McLaughlin Youth Center Safety and Security Phase 1 Completion (HD 17-32)		4,275,000	4,275,000	
Medicaid Management Information System Completion (HD 1-40)		3,283,800	1,003,380	2,280,420
Senior and Disability Services System Upgrade (HD 1-40)		2,700,000	1,350,000	1,350,000
Pioneer Homes Deferred Maintenance, Renovation, Repair and Equipment		**4,000,000**	**4,000,000**	
Alaska Veterans and Pioneers Home (HD 13-16)	1,282,766			
Anchorage Pioneer Home (HD 17-32)	879,640			
Juneau Pioneer Home (HD 3-4)	803,844			
Ketchikan Pioneer Home	1,033,750			

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 1)				
Non-Pioneer Home Deferred Maintenance, Renovation, Repair and Equipment		**3,086,339**	**3,000,000**	**86,339**
Alaska Psychiatric Institute (HD 17-32)	423,015			
Anchorage Public Health Laboratory (HD 17-32)	119,848			
Bethel Youth Facility (HD 38)	104,202			
Dillingham Health Center (HD 37)	8,270			
Johnson Youth Center (HD 3-4)	115,780			
Juneau Public Health Center (HD 3-4)	57,890			
Ketchikan Public Health Center (HD 1)	297,723			
Ketchikan Regional Youth Facility (HD 1)	780,898			
Matanuska-Susitna Youth Facility (HD 13-16)	24,810			
McLaughlin Youth Center (HD 17-32)	1,038,023			
Sitka Public Health Center (HD 2)	115,780			
Statewide Deferred Maintenance, Renovation, Repair and Equipment (HD 1-40)	100			

	Allocations	Appropriation Items	General Funds	Other Funds
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* * * * * **Department of Labor and Workforce Development** * * * * *				
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AVTEC Maritime Vessel Simulator Projection System Upgrade (HD 33-35)		210,000	210,000	
Fairbanks Pipeline Training Center Construction and Equipment Purchase (HD 7-11)		3,000,000	3,000,000	
Deferred Maintenance				
AVTEC Deferred Maintenance (HD 33-35)		1,000,000	1,000,000	
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* * * * * **Department of Military and Veterans Affairs** * * * * *				
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National Guard Counterdrug Support (HD 1-40)		100,000		100,000
State Homeland Security Grant Programs (HD 1-40)		9,500,000		9,500,000
Army Guard Facilities		**3,750,000**	**100,000**	**3,650,000**
Projects				
Fairbanks - Extend Organizational Maintenance Shop (HD 7-11)	1,500,000			
Fort Richardson - Camp Carroll Fire Sprinkler System Installation (HD 17-32)	500,000			
Fort Richardson - Camp Denali Fire Sprinkler	250,000			

	Allocations	Appropriation Items	General Funds	Other Funds
System Design (HD 17-32)				
Wasilla - Alcantra Complex Barracks Design and Construction (HD 13-16)	1,500,000			
Federal Energy Projects		**490,000**	**10,000**	**480,000**
Fort Richardson - Bryant Airfield Solar Energy Collection System Design (HD 17-32)	250,000			
Juneau LED Exterior Lighting (HD 3-4)	10,000			
Kenai LED Exterior Lighting (HD 33-35)	10,000			
Ketchikan LED Exterior Lighting (HD 1)	10,000			
Kodiak LED Exterior Lighting (HD 36)	10,000			
Nome Hangar Solar Panel Installation (HD 39)	200,000			
Military and Veterans Affairs Deferred Maintenance Projects		**12,085,800**	**4,000,000**	**8,085,800**
Bethel Armory Deferred Maintenance (HD 38)	35,000			
Brevig Mission Armory Deferred Maintenance (HD 39)	5,000			
Elim Armory Deferred Maintenance (HD 39)	5,000			
Fairbanks Armory Deferred Maintenance (HD 7-11)	100,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Fort Richardson - Bryant Airfield Armory Deferred Maintenance (HD 17-32)	2,895,000			
Fort Richardson - Camp Carroll Armory Deferred Maintenance (HD 17-32)	1,090,000			
Fort Richardson - Camp Denali Armory Deferred Maintenance (HD 17-32)	1,048,800			
Juneau Armory Deferred Maintenance (HD 3-4)	10,000			
Kenai Armory Deferred Maintenance (HD 33-35)	20,000			
Ketchikan Armory Deferred Maintenance (HD 1)	75,000			
Kotzebue Armory Deferred Maintenance (HD 40)	55,000			
Koyukuk Armory Deferred Maintenance (HD 6)	40,000			
Military Youth Academy Deferred Maintenance, Renewal and Replacement (HD 17-32)	3,000,000			
Nome Armory Deferred Maintenance (HD 39)	950,000			
Sitka Armory Deferred Maintenance (HD 2)	475,000			
Statewide Armory Deferred Maintenance (HD 1-40)	120,000			
Wasilla - Alcantra Armory Deferred Maintenance (HD	2,162,000			

	Allocations	Appropriation Items	General Funds	Other Funds
13-16)				
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	* * * * * Department of Natural Resources * * * * *			
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Abandoned Mine Lands Reclamation Federal Program (HD 1-40)		2,000,000		2,000,000
Assessment of In-State Gas Energy Potential Phase 2 of 3 (HD 1-40)		500,000	500,000	
Canada Thistle Infestations Eradication and Control (HD 17-32)		125,000	125,000	
Channel Islands Marine Park Debris Removal and Improvements (HD 3-4)		50,000	50,000	
Cooperative Water Resource Program (HD 1-40)		855,000		855,000
Eagle Beach Snow Grooming Equipment (HD 3-4)		14,200	14,200	
Federal and Local Government Funded Forest Resource and Fire Program Projects (HD 1-40)		1,800,000		1,800,000
Foothills Oil and Gas Development Infrastructure Investigations Phase 2 of 3 (HD 1-40)		370,000	370,000	
Forest Legacy Federal Grant Program (HD 1-40)		1,000,000		1,000,000
Gas Pipeline Corridor		200,000	200,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Geologic Hazards and Resources - Final Phase (HD 1-40)				
Haines Fire Facility Modular Replacements (HD 5)		100,000	100,000	
Historical Alaskan Leaders Documentary (HD 1-40)		500,000	500,000	
Homestead Trail Road Safety and Drainage Improvements (HD 17-32)		50,000	50,000	
Juneau Historic Sites Renovation and Habitability (HD 3-4)		250,000	250,000	
Land and Water Conservation Fund Federal Grant Program (HD 1-40)		3,000,000		3,000,000
Land Sales - New Subdivision Development (HD 1-40)		3,700,000	3,700,000	
Lower Kasilof River Drift Boat Takeout, Phase 1 of 2 (HD 33-35)		2,000,000	2,000,000	
Mastodon Trail (HD 7-11)		85,000	85,000	
Matanuska-Susitna Borough Hydrogeology Assessment Phase 3 of 3 (HD 13-16)		345,000	345,000	
National Coastal Wetland Grant (HD 17-32)		1,000,000		1,000,000
National Historic Preservation Fund (HD		750,000	150,000	600,000

	Allocations	Appropriation Items	General Funds	Other Funds
1-40)				
National Recreational Trail Grants Federal Program (HD 1-40)		1,500,000		1,500,000
Peters Creek Flooding and Erosion Control Project (HD 13-16)		116,000	116,000	
Rare Earth Elements and Strategic Minerals Assessment (HD 1-40)		498,000	498,000	
Replace Pesticide Storage Facility-Plant Materials Center (HD 13-16)		180,000	180,000	
Snowmobile Trail Development Program and Grants (HD 1-40)		250,000	250,000	
South Denali Visitor Center Design and Construction (HD 13-16)		3,000,000	3,000,000	
Forest Access Roads Program		**3,000,000**	**3,000,000**	
Firewood and Timber Access (HD 1-40)	800,000			
Nelson Logging Road (HD 2)	2,200,000			
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* * * * * **Department of Public Safety** * * * * *				
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Alaska State Trooper Law Enforcement Equipment Replacement (HD 1-40)		500,000	500,000	
Alaska State Troopers		775,000	775,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Records Management System (HD 1-40)				
Alaska Wildlife Trooper Law Enforcement Equipment Replacement (HD 1-40)		500,000	500,000	
Marine Fisheries Patrol Improvements (HD 1-40)		2,000,000		2,000,000
Phase 3 - Mobile Solutions, Online Fire and Life Safety Plan Review System (HD 1-40)		165,500	165,500	
Village Public Safety Officer (VPSO) Equipment Replacement (HD 1-40)		337,500	337,500	
Statewide Facilities Maintenance, Repairs, and Improvements		**1,350,000**	**1,350,000**	
Anchorage Aircraft Hangar Air Compressor (HD 17-32)	75,000			
Dillingham Post Facility Improvements (HD 37)	6,500			
Fairbanks - Post Facility Interior and Exterior Repair and Renovation (HD 7-11)	39,600			
Ketchikan - Post Improvements (HD 1)	24,500			
Kodiak - Post Facilities Repair and Improvements (HD 36)	25,000			
Public Safety Academy	874,700			

	Allocations	Appropriation Items	General Funds	Other Funds
Repair and Improvements (HD 1-40)				
Rural Trooper Housing Repair and Improvements (HD 1-40)	60,500			
Soldotna Post Facility Interior and Exterior Repair and Renovation (HD 33-35)	145,200			
Statewide Facilities Repair and Renovation (HD 1-40)	99,000			
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* * * * * **Department of Revenue** * * * * *				
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Child Support Services Computer Replacement Project Phase 2 (HD 1-40)		212,000	72,100	139,900
Permanent Fund Dividend Division Computer Replacement Project - Phase 5 (HD 1-40)		266,500	266,500	
Permanent Fund Integrated Investment Accounting and Reporting Software Analysis (HD 1-40)		150,000		150,000
Tax Revenue Management System (HD 1-40)		34,700,000	34,700,000	
Alaska Housing Finance Corporation				
AHFC Building System Replacement Program (HD		1,500,000	1,500,000	

	Allocations	Appropriation Items	General Funds	Other Funds
1-40)				
AHFC Competitive Grants for Public Housing (HD 1-40)		1,100,000	350,000	750,000
AHFC Energy Efficiency Monitoring Research (HD 1-40)		1,000,000	1,000,000	
AHFC Federal and Other Competitive Grants (HD 1-40)		4,500,000	1,500,000	3,000,000
AHFC Fire Protection Systems - Phase 3 (HD 1-40)		2,200,000	2,200,000	
AHFC Housing and Urban Development Capital Fund Program (HD 1-40)		3,200,000		3,200,000
AHFC Housing and Urban Development Federal HOME Grant (HD 1-40)		4,000,000	750,000	3,250,000
AHFC Security Systems Replacement/Upgrades (HD 1-40)		500,000	500,000	
AHFC Senior Citizens Housing Development Program (HD 1-40)		4,500,000	4,500,000	
AHFC Statewide ADA Improvements (HD 1-40)		500,000	500,000	
AHFC Statewide Project Improvements (HD 1-40)		2,000,000	2,000,000	
AHFC Supplemental Housing Development Program (HD		11,341,000	11,341,000	

	Allocations	Appropriation Items	General Funds	Other Funds
1-40)				
AHFC Housing Loan Program		**6,000,000**	**6,000,000**	
AHFC Teacher, Health and Public Safety Professionals Housing (HD 1-40)	5,000,000			
AHFC Village Public Safety Officers Housing (HD 1-40)	1,000,000			
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* * * * * **Department of Transportation and Public Facilities** * * * * *				
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Alaska Aviation Safety Program (HD 1-40)		2,750,000	750,000	2,000,000
Alaska Marine Highway System - Vessel and Terminal Overhaul and Rehabilitation (HD 1-40)		8,000,000	8,000,000	
Chena Small Tracts Road Bicycle & Pedestrian Facility (HD 7-11)		100,000	100,000	
Fairbanks Metropolitan Area Transportation System (FMATS) - Transportation Improvement Program (HD 7-11)		10,000,000	10,000,000	
Muldoon Road and Glenn Highway Interchange Study (HD 17-32)		1,000,000	1,000,000	
Municipal Harbor Facility Grant Fund (AS 29.60.800)		6,500,000	6,500,000	

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 1-40)				
Statewide - Project Design Initiative (HD 1-40)		7,000,000	2,000,000	5,000,000
It is the intent of the legislature that no new transportation capacity enhancement project or road project costing more than $1,000,000 be initiated by the Department of Transportation and Public Facilities with this appropriation prior to the department receiving project specific approval from the legislature.				
Statewide - Rural Airport Emergency Medical Evacuation Lights Battery Replacement (HD 1-40)		46,000	46,000	
Alaska Marine Highway System - Ward Cove Lay-up Improvements		**3,900,000**	**3,900,000**	
Upland Buildings and Warehouse Functional Replacement (HD 1-40)	3,400,000			
Feasibility Study - Joint Moorage Facility for AMHS Ferries and NOAA Research Vessels (HD 1-40)	500,000			
Highways and Facilities		**20,672,600**	**850,000**	**19,822,600**
Americans with Disabilities Act Compliance Projects (HD 1-40)	500,000			
Capital Improvement Program Equipment Replacement (HD 1-40)	1,500,000			
State Equipment Fleet Replacement (HD 1-40)	18,322,600			
Whittier Tunnel - Jet Fan	350,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Repairs and Communication System Upgrade (HD 17-32)				
Statewide Federal Programs		**145,750,000**	**61,350,000**	**84,400,000**
Commercial Vehicle Enforcement Program (HD 1-40)	400,000			
Cooperative Reimbursable Projects (HD 1-40)	17,000,000			
Federal Contingency Projects (HD 1-40)	20,000,000			
Federal Emergency Projects (HD 1-40)	10,000,000			
Federal Transit Administration Grants (HD 1-40)	9,000,000			
Federal-Aid Aviation State Match (HD 1-40)	11,900,000			
Federal-Aid Highway State Match (HD 1-40)	47,200,000			
Highway Safety Grants Program (HD 1-40)	8,000,000			
Other Federal Program Match (HD 1-40)	750,000			
Statewide Safety Program (HD 1-40)	20,000,000			
Public Transit Programs State Match (HD 1-40)	1,500,000			
Airport Improvement Program		**339,509,799**		**339,509,799**
Alaska International Airport System -	4,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Reimbursable Services Authority (HD 1-40)				
Alaska International Airport System - System Master Plan (HD 1-40)	400,000			
Angoon - Airport Environmental Impact Statement (HD 5)	2,500,000			
Bethel - Airport Runway/Taxiway/Commercial Apron Pavement Rehabilitation (HD 38)	13,700,000			
Bethel - Airport Snow Removal Equipment Building (HD 38)	6,500,000			
Bethel - South General Aviation Apron and Taxiway Pavement Reconstruction (HD 38)	5,000,000			
Birchwood - Airport Pavement Rehabilitation (HD 13-16)	3,100,000			
Coldfoot - Airport Improvements (HD 6)	10,500,000			
Deadhorse - Airport Rehabilitation (HD 40)	30,400,000			
Dillingham - Airport Improvement - Runway Safety Area Expansion (HD 37)	26,500,000			
Fairbanks International	16,700,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Airport - Aircraft Rescue Firefighting Facility Upgrades (HD 7-11)				
Fairbanks International Airport - Equipment (HD 7-11)	920,000			
Golovin - Runway and Apron Improvements (HD 39)	11,850,000			
Gulkana - Apron and Taxiway Pavement Rehabilitation (HD 6)	1,730,000			
Homer - Terminal Apron Taxiway Pavement Rehabilitation (HD 33-35)	3,200,000			
Kotzebue - Airport and Runway Safety Area Improvements (HD 40)	9,500,000			
Kotzebue - Apron Expansion (HD 40)	480,000			
Kwigillingok - Airport Rehabilitation (HD 38)	1,500,000			
Manley - Airport Relocation (HD 6)	1,625,000			
Nanwalek and Port Graham - Airport Master Plan (HD 33-35)	1,000,000			
Platinum - Airport extension (HD 38)	3,500,000			
Point Hope - Airport Rehabilitation (HD 40)	6,715,000			
Sitka - Rocky Gutierrez	500,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Airport Runway Overlay (HD 2)				
Statewide - Aviation Preconstruction (HD 1-40)	18,000,000			
Statewide - Aviation Systems Plan Update (HD 1-40)	2,500,000			
Statewide - Various Airports Aeronautical Surveys (HD 1-40)	2,000,000			
Statewide - Various Airports Minor Surface Improvements (HD 1-40)	10,000,000			
Statewide - Various Airports Snow Removal and Safety Equipment (HD 1-40)	10,000,000			
Ted Stevens Anchorage International Airport - Advanced Project Design and Planning (HD 17-32)	3,000,000			
Ted Stevens Anchorage International Airport - Annual Improvements (HD 17-32)	1,000,000			
Ted Stevens Anchorage International Airport - Bag Sorting Scanner Replacement (HD 17-32)	1,700,000			
Ted Stevens Anchorage International Airport - Concourse C Carpet	400,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Replacement (HD 17-32)				
Ted Stevens Anchorage International Airport - E21 Gate / Sallyport (HD 17-32)	1,024,000			
Ted Stevens Anchorage International Airport - Environmental Compliance (HD 17-32)	1,000,000			
Ted Stevens Anchorage International Airport - Equipment (HD 17-32)	8,860,000			
Ted Stevens Anchorage International Airport - Facility Improvements, Renovations and Upgrades (HD 17-32)	4,600,000			
Ted Stevens Anchorage International Airport - Field Maintenance Facility Floor Sloping (HD 17-32)	1,800,000			
Ted Stevens Anchorage International Airport - Glycol Storm Water Treatment Facility (HD 17-32)	30,000,000			
Ted Stevens Anchorage International Airport - Information Technology Improvements (HD 17-32)	2,485,500			
Ted Stevens Anchorage	2,800,000			

	Allocations	Appropriation Items	General Funds	Other Funds
International Airport - Jet Bridge Replacements (HD 17-32)				
Ted Stevens Anchorage International Airport - Lake Hood Annual Improvements (HD 17-32)	1,052,632			
Ted Stevens Anchorage International Airport - Lake Hood Strip Improvements (HD 17-32)	1,300,000			
Ted Stevens Anchorage International Airport - Lake Hood Strip Runway Protection Zone Land Acquisition (HD 17-32)	1,000,000			
Ted Stevens Anchorage International Airport - Master Plan-Part 150 Noise Compatibility Study (HD 17-32)	716,667			
Ted Stevens Anchorage International Airport - North Terminal Exterior Paint (HD 17-32)	1,926,000			
Ted Stevens Anchorage International Airport - North Terminal Gate N7 (HD 17-32)	2,000,000			
Ted Stevens Anchorage International Airport -	2,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
North Terminal Lobby Improvements (HD 17-32)				
Ted Stevens Anchorage International Airport - Residential Sound Insulation Program (RSIP) (HD 17-32)	18,600,000			
Ted Stevens Anchorage International Airport - Runway 7L Rehabilitation (HD 17-32)	5,000,000			
Ted Stevens Anchorage International Airport - Runway Deicer Storage (HD 17-32)	400,000			
Ted Stevens Anchorage International Airport - Taxiway E and M Reconstruction (HD 17-32)	15,000,000			
Ted Stevens Anchorage International Airport - Terminal Seating (HD 17-32)	1,700,000			
Unalaska - Runway Safety Area and Pavement Rehabilitation (HD 37)	25,700,000			
Whittier - Airport Master Plan (HD 17-32)	125,000			
Surface Transportation Program		**486,635,000**		**486,635,000**
Alaska Disparity Study (HD	650,000			

	Allocations	Appropriation Items	General Funds	Other Funds
1-40)				
Alaska Marine Highway System - Ferry Vessel Refurbishment (HD 1-40)	15,000,000			
Alaska Marine Highway System - Fleet Condition Survey Update (HD 1-40)	200,000			
Alaska Marine Highway System - M/V Columbia Repower and Ship Systems Improvements (HD 1-40)	25,000,000			
Alaska Marine Highway System - Pelican Ferry Terminal Renovation (HD 2)	3,000,000			
American Association of State Highway and Transportation Officials Technical Programs Support (HD 1-40)	100,000			
Americans with Disabilities Act - Transition Plan for Rights of Way (HD 1-40)	500,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Air Quality Public and Business Awareness Education Campaign (HD 17-32)	300,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Arterial	200,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Roadway Dust Control (HD 17-32)				
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Dowling Road Extension West Reconstruction (HD 17-32)	22,000,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - O'Malley Road Reconstruction (HD 17-32)	4,000,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Ridesharing and Transit Marketing (HD 17-32)	720,000			
Bethel - Tundra Ridge Road Improvements (HD 38)	1,200,000			
Congestion Mitigation and Air Quality (CMAQ) - PM 2.5 Reductions (HD 7-11)	6,500,000			
Copper River Highway - Million Dollar Bridge #0206 (HD 12)	11,465,000			
Dalton Highway - Milepost 11 to 18 Reconstruction (HD 6)	25,000,000			
Dalton Highway - Milepost 197 to 209 (HD 6)	10,000,000			
Dalton Highway - Milepost 267 Holden Creek Bridge	5,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Repair or Replacement (HD 6)				
Dalton Highway - Milepost 9 to 11 Reconstruction - 9 Mile Hill (HD 6)	3,000,000			
Fairbanks Metropolitan Area Transportation System (FMATS) - Coordinator's Office (HD 7-11)	330,000			
Fairbanks Metropolitan Area Transportation System (FMATS) - Gold Hill Road Bicycle and Pedestrian Facility (HD 7-11)	1,100,000			
Fairbanks Metropolitan Area Transportation System (FMATS) - North Pole Bike Path Rehabilitation and Connections (HD 7-11)	455,000			
Fairbanks Metropolitan Area Transportation System (FMATS) - Sign Replacement (HD 7-11)	1,365,000			
Fairbanks - Air Quality Planning Project (HD 7-11)	200,000			
Fairbanks - Potter Road Surfacing (HD 7-11)	250,000			
Galena - Campion Road Erosion Protection (HD 6)	9,000,000			
Gambell - Evacuation Road Repairs and Extension (HD	11,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
39)				
Geographic Information System (GIS) Development (IWAYS) (HD 1-40)	1,000,000			
Glenn and Parks Highways Corridor ITS Project (HD 13-16)	1,500,000			
Glenn Highway - Milepost 172 to 189 Rehabilitation (HD 12)	10,000,000			
Hatcher Pass - Scenic Overlook and Trailhead Construction (HD 13-16)	1,000,000			
Homer - East End Road Rehabilitation - Milepost 3.7 to 12.2 (HD 33-35)	3,500,000			
Intelligent Transportation Systems Border Infrastructure (HD 1-40)	1,250,000			
Juneau - Auke Lake Trail and Wayside (HD 3-4)	1,200,000			
Juneau - Brotherhood Bridge and Industrial Boulevard Improvements (HD 3-4)	17,500,000			
Juneau - Fritz Cove Road Rehabilitation and Repair (HD 3-4)	4,000,000			
Juneau - Glacier Highway - Widen and Resurface Eagle Beach to Bessie Creek (HD 3-4)	11,300,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Juneau - Mendenhall Valley Street Dust Control (HD 3-4)	2,000,000			
Ketchikan - North Tongass Highway - Totem Bight to Whipple Creek (HD 1)	3,500,000			
Ketchikan - South Tongass Highway Widening - Saxman to Surf Street (HD 1)	1,000,000			
Livengood - Livengood Creek Bridge Replacement (HD 6)	1,400,000			
Matanuska-Susitna - Trunk Road Reconstruction (HD 13-16)	10,000,000			
New Seward Highway - Rabbit Creek to 36th Avenue (HD 17-32)	2,000,000			
Ninilchik - Village Bridge Replacement (HD 33-35)	2,200,000			
Nome - Nome-Council Road - Milepost 4 to 16 (HD 39)	4,500,000			
Northern Region - National Highway System and Non-National Highway System Pavement and Bridge Refurbishment (HD 1-40)	32,000,000			
Nulato - Airport Road Improvements (HD 6)	4,500,000			
Parks Highway - Milepost 239 to 263 Reconstruction - Nenana Canyon to Bear	27,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Creek (HD 7-11)				
Prince of Wales Island - Klawock to Hollis Pavement Rehabilitation and Culvert Replacement (HD 5)	20,000,000			
Revise Alaska Traffic, Environmental, and Right-of-Way Manuals and Standard Specifications (HD 1-40)	500,000			
Richardson Highway - Milepost 201 Phelan Creek Bridge Replacement (HD 12)	6,000,000			
Richardson Highway - Milepost 228 - One Mile Creek Bridge Replacement (HD 12)	7,500,000			
Richardson Highway - Milepost 345 Moose Creek Railroad Crossing (HD 12)	14,000,000			
Richardson Highway - Milepost 357 - Fairbanks New Weigh Station (HD 7-11)	3,000,000			
Safe Routes to Schools (HD 1-40)	1,000,000			
Seward Highway - Anchorage to Portage Glacier Road ITS Project (HD 17-32)	750,000			
Seward Highway - Dowling to Tudor Reconstruction (HD	20,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
17-32)				
Seward Highway - Milepost 104 to 115 Passing Lanes - Indian to Potter (HD 17-32)	15,000,000			
Sitka - Halibut Point Road Resurfacing, Drainage Improvements and Bridge Replacement (HD 2)	4,000,000			
Southeast Region - National Highway System and Non-National Highway System Pavement and Bridge Refurbishment (HD 1-5)	5,000,000			
Statewide - Air Quality Mobile Source Modeling (HD 1-40)	1,200,000			
Statewide - Bicycle/Pedestrian Facilities Rehabilitation and Improvements (HD 1-40)	500,000			
Statewide - Civil Rights Program (HD 1-40)	200,000			
Statewide - Comprehensive Highway Safety Plan (HD 1-40)	400,000			
Statewide - Highway Data Equipment Acquisition and Installation (HD 1-40)	1,500,000			
Statewide - Highway Fuel Tax Enforcement (HD 1-40)	100,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Statewide - National Highway Institute and Transit Institute Training (HD 1-40)	750,000			
Statewide - National Highway System Weight Restriction Remediation (HD 1-40)	10,000,000			
Statewide - Planning Work Program (HD 1-40)	8,000,000			
Statewide - Research Program (HD 1-40)	1,700,000			
Statewide - Scenic Byways Grants (HD 1-40)	750,000			
Statewide - Seismic Retrofit - Bridges (HD 1-40)	2,000,000			
Statewide - Urban Planning Program (HD 12-35)	1,500,000			
Statewide - Weigh-in-Motion Equipment (HD 1-40)	2,000,000			
Surface Transportation Preconstruction (HD 1-40)	45,000,000			

It is the intent of the legislature that no new transportation capacity enhancement project or road project costing more than $1,000,000 be initiated by the Department of Transportation and Public Facilities with this allocation prior to the department receiving project specific approval from the legislature.

Top of the World Highway - Milepost 0 to 13 - Rehabilitation (HD 6)	12,200,000			
Whittier - Maintenance and	2,200,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Operations (HD 17-32)				
Deferred Maintenance		**28,000,000**	**28,000,000**	
Alaska Marine Highway System Deferred Maintenance (HD 1-40)	3,000,000			
Aviation Deferred Maintenance (HD 1-40)	3,500,000			
Harbors Deferred Maintenance (HD 1-40)	1,500,000			
Highways Deferred Maintenance (HD 1-40)	16,900,000			
Statewide Facilities Deferred Maintenance (HD 1-40)	3,100,000			
* * * * *		* * * * *		
* * * * * **University of Alaska** * * * * *				
* * * * *		* * * * *		
Annual Renewal and Repurposing (HD 1-40)		2,000,000	2,000,000	
Federal Receipt Authority for Capital Projects (HD 1-40)		30,000,000		30,000,000
Juneau Campus Mining Workforce Development (HD 3-4)		154,000	154,000	
UAA Sports Arena (HD 17-32)		17,000,000	17,000,000	
UAS - Banfield Hall Dormitory Addition (HD 3-4)		4,000,000	4,000,000	
University Honors College		200,000	200,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Student Support (HD 17-32)				
Deferred Maintenance				
Deferred Maintenance and Renewal and Repurposing (HD 1-40)		37,500,000	37,500,000	
* * * * *		* * * * *		
* * * * * **Alaska Court System** * * * * *				
* * * * *		* * * * *		
Anchorage Campus Court Renovation (HD 17-32)		4,000,000	4,000,000	
Court Security Projects (HD 1-40)		1,231,600	1,231,600	
Electronic Filing System (HD 1-40)		1,830,000	1,830,000	
Nesbett Courthouse Renovation (HD 17-32)		425,200	425,200	
Deferred Maintenance Projects		**2,500,000**	**2,500,000**	
Anchorage Nesbett Courthouse (HD 17-32)	1,326,800			
Anchorage Snowden Administrative Building (HD 17-32)	110,100			
Kenai Courthouse (HD 33-35)	283,000			
Palmer Courthouse (HD 13-16)	780,100			

(SECTION 2 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 2.** The following sets out the funding by agency for the appropriations made in sec. 1 of this Act.

Funding Source		Amount
Department of Administration		
1005	General Fund/Program Receipts	200,000
1017	Group Health and Life Benefits Fund	570,800
1029	Public Employees Retirement Trust Fund	661,500
1034	Teachers Retirement Trust Fund	272,100
1042	Judicial Retirement System	6,900
1045	National Guard Retirement System	21,900
*** Total Agency Funding ***		$1,733,200
Department of Commerce, Community and Economic Development		
1002	Federal Receipts	6,880,000
1003	General Fund Match	571,000
1004	Unrestricted General Fund Receipts	329,714,500
1061	Capital Improvement Project Receipts	1,330,000
1140	Alaska Industrial Development and Export Authority Dividend	26,000,000
1202	Anatomical Gift Awareness Fund	35,000
1221	Civil Legal Services Fund	110,000
*** Total Agency Funding ***		$364,640,500
Department of Corrections		
1004	Unrestricted General Fund Receipts	6,250,000
*** Total Agency Funding ***		$6,250,000
Department of Education and Early Development		
1004	Unrestricted General Fund Receipts	5,900,000
*** Total Agency Funding ***		$5,900,000
Department of Environmental Conservation		
1002	Federal Receipts	42,300,000
1003	General Fund Match	8,766,664
1004	Unrestricted General Fund Receipts	22,017,963
1052	Oil/Hazardous Release Prevention & Response Fund	100,000

1075	Alaska Clean Water Fund	1,826,274
1100	Alaska Drinking Water Fund	4,071,900
1108	Statutory Designated Program Receipts	500,000
1173	GF Miscellaneous Earnings	205,300
*** Total Agency Funding ***		$79,788,101
Department of Fish and Game		
1002	Federal Receipts	22,790,000
1003	General Fund Match	180,000
1004	Unrestricted General Fund Receipts	1,905,000
1024	Fish and Game Fund	750,000
*** Total Agency Funding ***		$25,625,000
Office of the Governor		
1185	Election Fund	100,000
*** Total Agency Funding ***		$100,000
Department of Health and Social Services		
1002	Federal Receipts	48,460,559
1003	General Fund Match	5,195,122
1004	Unrestricted General Fund Receipts	12,048,458
*** Total Agency Funding ***		$65,704,139
Department of Labor and Workforce Development		
1004	Unrestricted General Fund Receipts	4,210,000
*** Total Agency Funding ***		$4,210,000
Department of Military and Veterans Affairs		
1002	Federal Receipts	21,815,800
1003	General Fund Match	4,030,000
1004	Unrestricted General Fund Receipts	80,000
*** Total Agency Funding ***		$25,925,800
Department of Natural Resources		
1002	Federal Receipts	10,100,000
1003	General Fund Match	150,000
1004	Unrestricted General Fund Receipts	11,383,200

1108	Statutory Designated Program Receipts	1,655,000
1153	State Land Disposal Income Fund	3,700,000
1195	Special Vehicle Registration Receipts	250,000
*** Total Agency Funding ***		$27,238,200
Department of Public Safety		
1002	Federal Receipts	2,000,000
1004	Unrestricted General Fund Receipts	3,628,000
*** Total Agency Funding ***		$5,628,000
Department of Revenue		
1002	Federal Receipts	10,339,900
1003	General Fund Match	72,100
1004	Unrestricted General Fund Receipts	50,541,000
1050	Permanent Fund Dividend Fund	266,500
1105	Permanent Fund Gross Receipts	150,000
1139	Alaska Housing Finance Corporation Dividend	16,300,000
*** Total Agency Funding ***		$77,669,500
Department of Transportation and Public Facilities		
1002	Federal Receipts	868,695,125
1003	General Fund Match	65,150,000
1004	Unrestricted General Fund Receipts	57,346,000
1026	Highways Equipment Working Capital Fund	18,322,600
1027	International Airports Revenue Fund	17,236,750
1061	Capital Improvement Project Receipts	1,900,000
1108	Statutory Designated Program Receipts	12,000,000
1112	International Airports Construction Fund	19,212,924
*** Total Agency Funding ***		$1,059,863,399
University of Alaska		
1002	Federal Receipts	30,000,000
1004	Unrestricted General Fund Receipts	58,854,000
1048	University of Alaska Restricted Receipts	2,000,000
*** Total Agency Funding ***		$90,854,000

Alaska Court System		
1004	Unrestricted General Fund Receipts	9,986,800
***	Total Agency Funding ***	$9,986,800
* * * * *	Total Budget * * * * *	$1,851,116,639

(SECTION 3 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 3.** The following sets out the statewide funding for the appropriations made in sec. 1 of this Act.

Funding Source		Amount
Unrestricted General Funds		
1003	General Fund Match	84,114,886
1004	Unrestricted General Fund Receipts	573,864,921
1139	Alaska Housing Finance Corporation Dividend	16,300,000
1140	Alaska Industrial Development and Export Authority Dividend	26,000,000
1173	GF Miscellaneous Earnings	205,300
Total Unrestricted General Funds		$700,485,107
Designated General Funds		
1005	General Fund/Program Receipts	200,000
1048	University of Alaska Restricted Receipts	2,000,000
1050	Permanent Fund Dividend Fund	266,500
1052	Oil/Hazardous Release Prevention & Response Fund	100,000
1153	State Land Disposal Income Fund	3,700,000
1195	Special Vehicle Registration Receipts	250,000
1202	Anatomical Gift Awareness Fund	35,000
1221	Civil Legal Services Fund	110,000
Total Designated General Funds		$6,661,500
Other Non-Duplicated Funds		
1017	Group Health and Life Benefits Fund	570,800
1024	Fish and Game Fund	750,000
1027	International Airports Revenue Fund	17,236,750
1029	Public Employees Retirement Trust Fund	661,500
1034	Teachers Retirement Trust Fund	272,100
1042	Judicial Retirement System	6,900
1045	National Guard Retirement System	21,900
1105	Permanent Fund Gross Receipts	150,000

1108	Statutory Designated Program Receipts	14,155,000
Total Other Non-Duplicated Funds		$33,824,950
Federal Funds		
1002	Federal Receipts	1,063,381,384
Total Federal Funds		$1,063,381,384
Duplicated Funds		
1026	Highways Equipment Working Capital Fund	18,322,600
1061	Capital Improvement Project Receipts	3,230,000
1075	Alaska Clean Water Fund	1,826,274
1100	Alaska Drinking Water Fund	4,071,900
1112	International Airports Construction Fund	19,212,924
1185	Election Fund	100,000
Total Duplicated Funds		$46,763,698

(SECTION 4 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 4.** The following appropriation items are for capital projects and grants from the general fund or other funds as set out in section 5 of this Act by funding source to the agencies named for the purposes expressed and lapse under AS 37.25.020, unless otherwise noted.

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *		* * * * *		
* * * * * **Department of Administration** * * * * *				
* * * * *		* * * * *		
Atwood Building and Linny Pacillo Parking Garage Improvements (HD 17-32)		2,800,000	2,800,000	
Classification System Conversion (HD 1-40)		500,000	500,000	
Statewide Administrative Systems Replacement Final Phase (HD 1-40)		47,379,818	47,379,818	
Statewide Network Connectivity Upgrades (HD 1-40)		3,000,000	3,000,000	
Statewide Deferred Maintenance Projects		**10,250,000**	**7,250,000**	**3,000,000**
Enterprise Technology Services Anchorage Facilities Deferred Maintenance (HD 17-32)	490,000			
Enterprise Technology Services Fairbanks Facilities Deferred Maintenance (HD 7-11)	245,000			
Facilities IP Phone	1,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Upgrade and Deferred Maintenance (HD 1-40)				
Non-Public Building Fund Deferred Maintenance (HD 3-4)	500,000			
Public Building Fund Anchorage Facilities Deferred Maintenance (HD 17-32)	500,000			
Public Building Fund Juneau Facilities Deferred Maintenance (HD 3-4)	4,515,000			
State of Alaska Telecommunication System Deferred Maintenance year 2 of 5 (HD 1-40)	3,000,000			
* * * * *		* * * * *		
* * * * * **Department of Corrections** * * * * *				
* * * * *		* * * * *		
Annual Facilities Maintenance and Repairs (HD 1-40)		1,000,000	1,000,000	
Community Jails Repairs, Renovations, and Equipment (HD 1-40)		150,000	150,000	
* * * * *			* * * * *	
* * * * * **Department of Education and Early Development** * * * * *				
* * * * *			* * * * *	
Abandoned School Site Assessments (HD 1-40)		125,000	125,000	

	Allocations	Appropriation Items	General Funds	Other Funds
	* * * * *	* * * * *		
	* * * * * **Department of Fish and Game** * * * * *			
	* * * * *	* * * * *		
Facilities, Vessels, and Aircraft Maintenance, Repair, and Upgrades (HD 1-40)		700,000	700,000	
	* * * * *	* * * * *		
	* * * * * **Department of Law** * * * * *			
	* * * * *	* * * * *		
Information Technology Projects (HD 1-40)		1,250,000	1,250,000	
	* * * * *		* * * * *	
	* * * * * **Department of Military and Veterans Affairs** * * * * *			
	* * * * *		* * * * *	
Catastrophic Disaster Response Planning and Equipment (HD 1-40)		4,980,000	4,980,000	
	* * * * *	* * * * *		
	* * * * * **Department of Natural Resources** * * * * *			
	* * * * *	* * * * *		
Copper River Fire Facility Modular Replacements (HD 12)		400,000	400,000	
Unified Permit Project and Document Management (HD 1-40)		2,500,000	2,500,000	
Completion of Recorder's Office Digital Image Conversion and Implementation of		**400,000**	**400,000**	

	Allocations	Appropriation Items	General Funds	Other Funds
Electronic Recording				
Complete Conversion of Recorded Media to Digital Images (HD 1-40)	300,000			
Complete Implementation of Electronic Recording (HD 1-40)	100,000			
Natural Resources		**4,000,000**	**4,000,000**	
Facilities Deferred Maintenance Projects				
Parks and Outdoor Recreation Deferred Maintenance - Chugach Area (HD 17-32)	351,000			
Parks and Outdoor Recreation Deferred Maintenance - Kenai Area (HD 33-35)	356,000			
Parks and Outdoor Recreation Deferred Maintenance - Kodiak Area (HD 36)	131,000			
Parks and Outdoor Recreation Deferred Maintenance - Mat-Su Area (HD 13-16)	290,000			
Parks and Outdoor Recreation Deferred Maintenance - Northern Region (HD 7-11)	356,000			
Parks and Outdoor	356,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Recreation Deferred Maintenance - Southeast Area (HD 1-5)				
Parks and Outdoor Recreation Deferred Maintenance - Wood Tikchik Area (HD 36-38)	35,000			
Parks and Outdoor Recreation Statewide Emergency Repairs (HD 1-40)	200,000			
Statewide Forestry Facilities Deferred Maintenance (HD 1-40)	1,925,000			
* * * * *		* * * * *		
* * * * * **Department of Public Safety** * * * * *				
* * * * *		* * * * *		
Aircraft and Vessel Repair and Maintenance (HD 1-40)		850,000	850,000	
Anchorage Aircraft Hangar Improvements (HD 17-32)		1,000,000	1,000,000	
Data Exchange with MAJIC Agencies Phase 2 (HD 1-40)		800,000	800,000	
* * * * *		* * * * *		
* * * * * **Department of Revenue** * * * * *				
* * * * *		* * * * *		
Payment Card Industry Data Security Standards Statewide Compliance (HD 1-40)		2,000,000	2,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *			* * * * *	
* * * * * **Department of Transportation and Public Facilities** * * * * *				
* * * * *			* * * * *	
Connecting Communities to Alaska's Highway System (HD 1-40)		2,000,000	2,000,000	
Connecting Remote Communities Program (HD 1-40)		500,000	500,000	
Infrastructure and Erosion Control Design and Environmental Permitting (HD 1-40)		300,000	300,000	
Local Service Roads and Trails Program (HD 1-40)		500,000	500,000	
Northern Region - Material Site Planning and Reconnaissance (HD 7-11)		700,000	700,000	
Statewide Digital Mapping Initiative - Arctic Coast Region and Arctic Port Reconnaissance (HD 1-40)		2,000,000	1,000,000	1,000,000
Roads to Resources		**10,500,000**	**10,500,000**	
Foothills West District (HD 40)	8,000,000			
Ambler Mining District (HD 40)	1,250,000			
Western Access Project (HD 39)	1,250,000			

(SECTION 5 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 5.** The following sets out the funding by agency for the appropriations made in sec. 4 of this Act.

Funding Source	Amount
Department of Administration	
1004 Unrestricted General Fund Receipts	58,129,818
1005 General Fund/Program Receipts	2,800,000
1147 Public Building Fund	3,000,000
*** Total Agency Funding ***	$63,929,818
Department of Corrections	
1004 Unrestricted General Fund Receipts	1,150,000
*** Total Agency Funding ***	$1,150,000
Department of Education and Early Development	
1004 Unrestricted General Fund Receipts	125,000
*** Total Agency Funding ***	$125,000
Department of Fish and Game	
1004 Unrestricted General Fund Receipts	700,000
*** Total Agency Funding ***	$700,000
Department of Law	
1004 Unrestricted General Fund Receipts	1,250,000
*** Total Agency Funding ***	$1,250,000
Department of Military and Veterans Affairs	
1004 Unrestricted General Fund Receipts	4,980,000
*** Total Agency Funding ***	$4,980,000
Department of Natural Resources	
1004 Unrestricted General Fund Receipts	6,900,000
1005 General Fund/Program Receipts	400,000
*** Total Agency Funding ***	$7,300,000
Department of Public Safety	
1004 Unrestricted General Fund Receipts	2,650,000
*** Total Agency Funding ***	$2,650,000
Department of Revenue	

1	1004 Unrestricted General Fund Receipts	2,000,000
2	*** Total Agency Funding ***	$2,000,000
3	**Department of Transportation and Public Facilities**	
4	1002 Federal Receipts	1,000,000
5	1004 Unrestricted General Fund Receipts	15,500,000
6	*** Total Agency Funding ***	$16,500,000
7	* * * * * Total Budget * * * * *	$100,584,818

8 (SECTION 6 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 6.** The following sets out the statewide funding for the appropriations made in sec. 4 of this Act.

Funding Source	Amount
Unrestricted General Funds	
1004 Unrestricted General Fund Receipts	93,384,818
Total Unrestricted General Funds	$93,384,818
Designated General Funds	
1005 General Fund/Program Receipts	3,200,000
Total Designated General Funds	$3,200,000
Other Non-Duplicated Funds	
Total Other Non-Duplicated Funds	$0
Federal Funds	
1002 Federal Receipts	1,000,000
Total Federal Funds	$1,000,000
Duplicated Funds	
1147 Public Building Fund	3,000,000
Total Duplicated Funds	$3,000,000

(SECTION 7 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 7.** The following appropriation items are for capital projects and grants from the general fund or other funds as set out in section 8 of this Act by funding source to the agencies named for the purposes expressed and lapse under AS 37.25.020, unless otherwise noted.

It is the intent of the legislature that the following appropriations and projects are needed to carry out the state's energy policy described in AS 44.99.115. As the energy policy states, the legislature recognizes the immense diversity of the state's geography, cultures, and resource availability and the need to identify and assist with development of the most cost-effective, long-term sources of energy for each community statewide. Therefore, the legislature intends that the package of appropriations and projects listed below are all necessary to achieve a statewide balance in addressing the state's diverse energy needs.

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *			* * * * *	
* * * * * **Department of Commerce, Community and Economic Development** * * * * *				
* * * * *			* * * * *	
Alaska Industrial Development & Export Authority - Coal to Liquids Certification Project (HD 1-40)		500,000	500,000	
Alaska Energy Authority - Energy Programs		**16,330,000**	**10,330,000**	**6,000,000**
Alaska Energy Plan Implementation (HD 1-40)	1,000,000			
Bulk Fuel Upgrades (HD 1-40)	5,000,000			
Electrical Emergencies Program (HD 1-40)	330,000			
Rural Power System	10,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Upgrades (HD 1-40)				
Alaska Energy Authority - Energy Projects				
AEA - Anchorage to Quartz Creek Transmission Line Maintenance and Repair (HD 17-32)		25,000,000	25,000,000	
AEA - Battle Creek Diversion (HD 33-35)		15,000,000	15,000,000	
AEA - Cook Inlet Gas Gathering System Remodel (HD 12-35)		2,000,000	2,000,000	
AEA - Daves Creek to Seward Transmission Line Completion (HD 33-35)		1,500,000	1,500,000	
AEA - Girdwood and Substation Improvements (HD 17-32)		4,000,000	4,000,000	
AEA - Mount Spurr Geothermal Project Development (HD 12-35)		18,000,000	18,000,000	
AEA - Quartz Creek to Soldotna Transmission Maintenance and Repair (HD 33-35)		10,000,000	10,000,000	
AEA - Seward Power Plant Integration (HD 33-35)		4,000,000	4,000,000	
AEA - Soldotna to Quartz Creek Transmission Study, Design and Permitting (HD 33-35)		5,000,000	5,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
AEA - Susitna Hydroelectric Energy Plan (HD 12-35)		65,700,000	65,700,000	
AEA - Teeland to Healy Substation Improvements and Repair (HD 7-11)		5,000,000	5,000,000	
Alaska Energy Authority - Round IV Renewable Energy Project Grants (AS 42.45.045)		**36,620,231**	**36,620,231**	
Inside Passage Electric Cooperative, Inc. - Hoonah Heat Recovery Project (HD 5)	475,000			
University of Alaska Center for Energy and Power - Pilgrim Hot Springs Geothermal Assessment (HD 39)	1,330,467			
Northwest Inupiat Housing Authority - Upper Kobuk River Biomass (HD 40)	250,000			
Southeast Island School District - Thorne Bay School Wood Fired Boiler Project (HD 1)	300,000			
G&K, Inc. - Cold Bay Electric Utility Wind Energy Project (HD 37)	99,075			
Kodiak Electric Association, Inc. - Terror	3,751,840			

	Allocations	Appropriation Items	General Funds	Other Funds
Lake Hydroelectric Project (HD 36)				
Kootznoowoo, Inc. - Thayer Lake Hydroelectric Project (HD 5)	1,060,500			
Alaska Power & Telephone Company - Upper Tanana Biomass CHP Project (HD 6)	380,000			
TDX Power, Inc. - Bethel Renewable Energy Project (HD 38)	213,690			
Chugach Electric Association, Inc. - Battle Creek Diversion Project (HD 33-35)	500,000			
Alaska Village Electric Cooperative, Inc. - Old Harbor Hydroelectric (HD 36)	237,500			
Lake & Peninsula Borough - Port Heiden Wind Turbine Project (HD 37)	250,000			
Golden Valley Electric Association - Eva Creek Wind Turbine Purchase (HD 7-11)	1,463,200			
Alaska Electric Light & Power Company - Snettisham Transmission Line Avalanche Mitigation (HD	2,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
3-4)				
Pelican - Hydroelectric Upgrade Project (HD 2)	1,896,836			
Tenakee Springs - Indian River Hydroelectric Project (HD 5)	203,000			
University of Alaska Center for Energy and Power - Organic Rankine Cycle Field Testing (HD 6)	472,787			
Lake & Peninsula Borough - Wood Boilers (HD 36)	369,900			
Chitina Electric, Inc. - Fivemile Creek Hydroelectric Project (HD 6)	277,000			
Ormat Nevada, Inc. - Mount Spurr Geothermal Project (HD 33-35)	1,999,972			
Napaskiak Electric Utility - Wind Power and Heat Recovery (HD 38)	61,225			
Alaska Village Electric Cooperative - St. Marys/Pitkas Point Wind Construction (HD 39)	275,554			
Louden Tribal Council - Renewable Energy Feasibility Study (HD 6)	100,000			
Chugach Electric Association, Inc. -	600,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Transmission to Renewable Energy Resources (HD 33-35)				
Interior Regional Housing Authority - Wood Heating Feasibility Assessments (HD 6)	154,477			
Lime Village Traditional Council - Photovoltaic System Retrofit (HD 6)	25,000			
Craig - Biomass Fuel Dryer Project (HD 5)	350,000			
Independence Power, LLC - Fourth of July Creek Hydroelectric Project (HD 33-35)	136,500			
Kotzebue - Paper and Wood Waste to Energy (HD 40)	85,000			
Village of Atmautluak - Wind Renewable Energy (HD 38)	100,000			
Alaska Village Electric Cooperative, Inc. - Stebbins Wind Feasibility (HD 39)	137,750			
Elfin Cove - Hydroelectric Project (HD 2)	347,000			
Ketchikan - Whitman Lake Hydroelectric Project (HD 1)	700,000			
Alaska Village Electric	142,500			

	Allocations	Appropriation Items	General Funds	Other Funds
Cooperative, Inc. - Eek Wind Feasibility (HD 38)				
Organized Village of Kwethluk - Wind Feasibility (HD 38)	145,000			
Sitka - Japonski Island Boathouse Heat Pump (HD 2)	125,000			
Alaska Village Electric Cooperative, Inc. - Marshall Wind Feasibility (HD 6)	111,150			
Nelson Lagoon Electrical Cooperative - Wind Energy Project (HD 37)	99,075			
North Slope Borough - Atqasuk Transmission Line (HD 40)	210,000			
Alaska Village Electric Cooperative, Inc. - Kaltag Solar Construction (HD 6)	90,000			
Alaska Village Electric Cooperative, Inc. - Scammon Bay Wind Feasibility (HD 39)	142,500			
Chugach Electric Association, Inc. - Stetson Creek Diversion and Cooper Lake Dam Facilities (HD 33-35)	576,080			
New Koliganek Village	105,050			

	Allocations	Appropriation Items	General Funds	Other Funds
Council - Wind and Heat Recovery Feasibility Study (HD 37)				
North Slope Borough - Wainwright Wind Turbine Design (HD 40)	298,000			
North Slope Borough - Kaktovik Wind Diesel (HD 40)	132,000			
North Slope Borough - Point Hope Wind Turbine Design (HD 40)	298,000			
North Slope Borough - Point Lay Wind Generation Design (HD 40)	298,000			
Kenai Hydro, LLC - Grant Lake Hydroelectric Facility (HD 33-35)	1,184,000			
Alaska Village Electric Cooperative, Inc. - Selawik Hybrid Wind Diesel System Turbine Upgrade (HD 40)	85,000			
Alaska Power Company - Reynolds Creek Hydroelectric Project (HD 5)	2,000,000			
AVTEC - Hydroelectric Training Facility (HD 33-35)	67,500			
Alaska Village Electric Cooperative, Inc. - Koyuk	142,500			

	Allocations	Appropriation Items	General Funds	Other Funds
Wind Feasibility (HD 39)				
Chefornak - Wind Feasibility (HD 38)	136,750			
Alaska Village Electric Cooperative, Inc. - Elim Wind Feasibility (HD 39)	142,500			
Akutan - Geothermal Development Project (HD 37)	2,695,000			
Akiachak Native Community - Wind Feasibility and Conceptual Design (HD 38)	110,000			
ORPC Alaska, LLC - Cook Inlet Tidal Generation Project (HD 33-35)	2,000,000			
Alaska Power Company - Connelly Lake Hydroelectric Project (HD 5)	468,000			
False Pass - Wind Energy Project (HD 37)	69,075			
Native Village of Eyak - Biomass Feasibility Study (HD 5)	75,000			
Eklutna, Inc. - Hunter Creek Hydroelectric Project (HD 13-16)	84,000			
Port Graham Village Council - Biomass Waste Heat Demonstration Project (HD 33-35)	75,000			
Matanuska-Susitna Borough -	750,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Susitna Valley High School Wood Heat (HD 13-16)				
Copper River School District - Kenny Lake School Wood Fired Boiler (HD 6)	565,485			
Alaska Power Company - Schubee Lake Hydroelectric Project (HD 5)	80,000			
Bering Pacific Engineering - Eska Creek Hydroelectric Project (HD 12)	37,000			
Metlakatla Indian Community - Metlakatla-Ketchikan Intertie (HD 1-5)	1,180,000			
Haines - Excursion Inlet Hydro Project (HD 5)	93,593			
Native Village of Cantwell - Jack River Hydro Project (HD 7-11)	30,000			
Wrangell - Electric Vehicle Feasibility Study (HD 2)	25,000			
Sitka - Centennial Hall and Library Renewable Energy Feasibility Study (HD 2)	30,000			
Sitka - Wastewater Treatment Plant Renewable Energy Feasibility Study (HD 2)	20,000			
Inside Passage Electric	599,200			

	Allocations	Appropriation Items	General Funds	Other Funds
Cooperative - Tenakee Inlet Geothermal Resource Study (HD 5)				
Metlakatla Indian Community - Triangle Lake Hydroelectric Project (HD 5)	500,000			
Grants to Municipalities (AS 37.05.315)				
Fairbanks North Star Borough - Natural Gas Distribution Study (HD 7-11)		500,000	500,000	
Fairbanks North Star Borough - Wood Stove Conversion Program (HD 7-11)		3,000,000	3,000,000	
Galena - GILA Steam Plant Safety and Energy Improvements (HD 6)		1,476,800	1,476,800	
Homer - Homer Area Natural Gas Pipeline (HD 33-35)		10,053,000	10,053,000	
Ketchikan - Whitman Lake Hydroelectric Project (HD 1)		8,025,000	8,025,000	
Sitka - Blue Lake Hydroelectric Project Expansion (HD 2)		28,500,000	28,500,000	
Grants to Named Recipients (AS 37.05.316)				

	Allocations	Appropriation Items	General Funds	Other Funds
Copper Valley Electric Association, Inc. - Allison Creek Hydroelectric Project (HD 12-35)		10,000,000	10,000,000	
Golden Valley Electric Association - Eva Creek Wind Farm (HD 7-11)		10,000,000	10,000,000	
Gustavus Electric Co. - Falls Creek Hydroelectric Debt Reimbursement (HD 5)		1,300,000	1,300,000	
Homer Electric Association, Inc. - Soldotna to Nikiski Transmission Upgrade (HD 33-35)		25,000,000	25,000,000	
Kodiak Electric Association, Inc. - Terror Lake Hydroelectric Facility Expansion (HD 36)		7,500,000	7,500,000	
Metlakatla Indian Community - Metlakatla-Ketchikan Intertie (HD 1-5)		10,500,000	10,500,000	
Nuvista Light & Power - Chikuminuk Hydroelectric and Alternative Energy Project (HD 36-38)		17,630,000	17,630,000	
* * * * *		* * * * *		
* * * * * **Department of Revenue** * * * * *				
* * * * *		* * * * *		
Alaska Housing Finance				

	Allocations	Appropriation Items	General Funds	Other Funds
Corporation				
Alaska Gasline Development Corporation - Year 2 In-State Gas Project (HD 12-35)		5,500,000	5,500,000	
AHFC Weatherization and Home Energy Rebate Programs		**51,500,000**	**50,000,000**	**1,500,000**
AHFC Weatherization Program (HD 1-40)	31,500,000			
AHFC Home Energy Rebate Program (HD 1-40)	20,000,000			

(SECTION 8 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 8.** The following sets out the funding by agency for the appropriations made in sec. 7 of this Act.

Funding Source	Amount
Department of Commerce, Community and Economic Development	
1002 Federal Receipts	6,000,000
1004 Unrestricted General Fund Receipts	233,314,800
1012 Railbelt Energy Fund	65,700,000
1140 Alaska Industrial Development and Export Authority Dividend	500,000
1210 Renewable Energy Grant Fund	36,620,231
*** Total Agency Funding ***	$342,135,031
Department of Revenue	
1002 Federal Receipts	1,500,000
1004 Unrestricted General Fund Receipts	55,500,000
*** Total Agency Funding ***	$57,000,000
* * * * * Total Budget * * * * *	$399,135,031

(SECTION 9 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 9.** The following sets out the statewide funding for the appropriations made in sec. 7 of this Act.

Funding Source		Amount
Unrestricted General Funds		
1004	Unrestricted General Fund Receipts	288,814,800
1012	Railbelt Energy Fund	65,700,000
1140	Alaska Industrial Development and Export Authority Dividend	500,000
Total Unrestricted General Funds		$355,014,800
Designated General Funds		
1210	Renewable Energy Grant Fund	36,620,231
Total Designated General Funds		$36,620,231
Other Non-Duplicated Funds		
Total Other Non-Duplicated Funds		$0
Federal Funds		
1002	Federal Receipts	7,500,000
Total Federal Funds		$7,500,000
Duplicated Funds		
Total Duplicated Funds		$0

(SECTION 10 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 10.** The following appropriation items are for capital project grants to upgrade commercial passenger vessel services and infrastructure, enhance passenger safety and support cruise ship visitor activities from the Commercial Vessel Passenger Tax Account (AS 43.52.230) or other funds as set out in section 11 of this Act to the agencies named for the purposes expressed and lapse under AS 37.25.020, unless otherwise noted.

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *			* * * * *	
* * * * * **Department of Commerce, Community and Economic Development** * * * * *				
* * * * *			* * * * *	
Grants to Municipalities (AS 37.05.315) - Cruise Ship-Related Grant Projects				
Homer - Cruise Ship Dock and Passenger Facility Improvements (HD 33-35)		6,000,000		6,000,000
Hoonah - Berthing Facility (HD 5)		14,000,000	13,000,000	1,000,000
Juneau - Cruise Ship Dock Improvements (HD 3-4)		10,000,000	10,000,000	
Ketchikan - Berths I & II Replacement Project (HD 1)		10,000,000	10,000,000	
Kodiak - Pedestrian Pathway Planning and Design (HD 36)		384,000		384,000
Kodiak - Pier and Downtown Pedestrian Improvements (HD 36)		1,600,000		1,600,000
Seward - Cruise Ship Boardwalk Extension (HD		25,000		25,000

	Allocations	Appropriation Items	General Funds	Other Funds
33-35)				
Seward - Harbor Restrooms Improvements (HD 33-35)		130,000		130,000
Sitka - Commercial Passenger Vessel and Visitors Facility Improvements (HD 2)		3,000,000		3,000,000
Skagway - City Dock Improvements (HD 5)		10,000,000	10,000,000	
Grants to Named Recipients (AS 37.05.316)				
Marine Exchange of Alaska - Alaska Vessel Tracking System Upgrades and Expansion (HD 1-40)		600,000		600,000

(SECTION 11 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 11.** The following sets out the funding by agency for the appropriations made in sec. 10 of this Act.

Funding Source		Amount
Department of Commerce, Community and Economic Development		
1004	Unrestricted General Fund Receipts	7,100,000
1140	Alaska Industrial Development and Export Authority Dividend	2,900,000
1206	Commercial Passenger Vessel Tax	12,739,000
1211	Cruise Ship Gambling Tax	33,000,000
*** Total Agency Funding ***		$55,739,000
* * * * * Total Budget * * * * *		$55,739,000

(SECTION 12 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 12.** The following sets out the statewide funding for the appropriations made in sec. 10 of this Act.

Funding Source		Amount
Unrestricted General Funds		
1004	Unrestricted General Fund Receipts	7,100,000
1140	Alaska Industrial Development and Export Authority Dividend	2,900,000
1211	Cruise Ship Gambling Tax	33,000,000
Total Unrestricted General Funds		$43,000,000
Designated General Funds		
Total Designated General Funds		$0
Other Non-Duplicated Funds		
1206	Commercial Passenger Vessel Tax	12,739,000
Total Other Non-Duplicated Funds		$12,739,000
Federal Funds		
Total Federal Funds		$0
Duplicated Funds		
Total Duplicated Funds		$0

(SECTION 13 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 13.** The following appropriation items are for capital projects and grants from the general fund or other funds as set out in section 14 of this Act by funding source to the agencies named for the purposes expressed and lapse under AS 37.25.020, unless otherwise noted.

It is the intent of the legislature that the following appropriations be considered as a single comprehensive K-12 education infrastructure investment program for fiscal year 2012.

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *			* * * * *	
* * * * * **Department of Commerce, Community and Economic Development** * * * * *				
* * * * *			* * * * *	
Grants to Municipalities (AS 37.05.315)				
Anchorage - East High School Field Improvements (HD 17-32)		2,400,000	2,400,000	
Anchorage - Service High School Field Turf (HD 17-32)		2,100,000	2,100,000	
Anchorage - West Anchorage High School and Romig Middle School Redevelopment Funding (HD 17-32)		3,000,000	3,000,000	
Fairbanks North Star Borough - Barnette Magnet School Renovation and Reconstruction (HD 7-11)		9,500,000	9,500,000	
Galena - Galena City School District Shop (HD		1,106,100	1,106,100	

	Allocations	Appropriation Items	General Funds	Other Funds
6)				
Kodiak Island Borough - High School and Vocational Education Improvements (HD 36)		15,500,000	15,500,000	
Matanuska-Susitna Borough - School District Network Wiring and Infrastructure Improvements (HD 13-16)		2,000,000	2,000,000	
Northwest Arctic Borough - Northwest Magnet School and Kotzebue High School Residential Program (HD 40)		4,000,000	4,000,000	
Sitka - School District Vocational Education Facility (HD 2)		1,433,000	1,433,000	
Grants to Named Recipients (AS 37.05.316)				
Dimond High School Alumni Association - Track Replacement (HD 17-32)		1,950,000	1,950,000	
* * * * *			* * * * *	
* * * * * **Department of Education and Early Development** * * * * *				
* * * * *			* * * * *	
Major Maintenance Grant Fund (AS 14.11.007)		**275,132,938**	**275,132,938**	
St. Mary's Complex Renovation Completion (HD 39)	105,954			
Valley Park Elementary	1,211,170			

	Allocations	Appropriation Items	General Funds	Other Funds
School Roof Replacement (HD 1)				
Nome Elementary Boiler Replacement (HD 39)	545,838			
Alakanuk Emergency Electrical Service Repairs (HD 39)	89,621			
Pelican High School Mechanical Upgrades (HD 2)	150,628			
Annette Island School District Phone System Replacement (HD 5)	95,422			
Arctic Village K-12 School Soil Remediation (HD 6)	5,517,065			
Kake District-wide Lighting Upgrades (HD 5)	59,215			
Tri-Valley K-12 School Gymnasium and Locker Room Roof Replacement (HD 7-11)	691,312			
St. Mary's Backup Generators Replacement (HD 39)	1,133,912			
Scammon Bay K-12 School Generator and Fuel Tank Relocation (HD 39)	1,696,152			
Sand Point K-12 School Gym Floor and Bleacher Replacement (HD 37)	151,540			
Pitka's Point K-8 School Renovation (HD 39)	8,360,235			
Yakutat Elementary Kitchen	52,172			

	Allocations	Appropriation Items	General Funds	Other Funds
Renovation Completion (HD 5)				
Kaltag K-12 School Mechanical And Electrical Upgrades (HD 6)	2,365,365			
Jack Egnaty Sr. K-12 School Roof Replacement, Sleetmute (HD 6)	1,142,184			
Tununak K-12 School Major Maintenance (HD 38)	19,166,462			
Andrew K. Demoski K-12 School Renovation, Nulato (HD 6)	11,819,009			
Anchorage District-wide Roof Replacements and Structural Upgrades (HD 17-32)	6,492,500			
Buckland K-12 School Heating System Improvements (HD 40)	292,408			
Tenakee K-12 School Roof Replacement (HD 5)	520,001			
Nunapitchuk Wastewater Upgrades (HD 38)	1,045,500			
Bethel Campus Water Sewer Line and Utilidor Repairs (HD 38)	2,499,850			
Metlakatla Elementary School Underground Fuel Tank Replacement (HD 5)	360,285			
Valdez High School Fire	694,943			

	Allocations	Appropriation Items	General Funds	Other Funds
Alarm and Sprinkler Replacement (HD 12)				
Nenana K-12 School Major Maintenance (HD 6)	1,354,111			
Akutan K-12 School Siding Replacement (HD 37)	63,822			
Nenana K-12 School ADA Upgrades and Erosion Control (HD 6)	713,158			
Ketchikan District-wide Electric Boiler Installation (HD 1)	3,432,996			
Craig Alternative Wood Heat Project (HD 5)	161,172			
Sand Point K-12 School Pool Maintenance (HD 37)	73,895			
Mekoryuk Wastewater Upgrades (HD 38)	858,707			
Hermon Hutchens Elementary Fire Alarm, Clock, and Intercom Replacement (HD 12)	323,446			
Ryan Middle School Renovation Phase II (HD 7-11)	35,178,952			
Galena Sydney Huntington High School Floor Upgrade (HD 7-11)	117,941			
Haines Vocational Education Building Mechanical Upgrades (HD 5)	365,477			

	Allocations	Appropriation Items	General Funds	Other Funds
Inlet View Elementary School Design (HD 17-32)	253,120			
Metlakatla High School Kitchen Renovation (HD 5)	628,292			
Hooper Bay K-12 School Electrical Upgrades (HD 39)	41,758			
Copper Center Elementary School Renovation (HD 6)	1,223,198			
Anchorage District-wide Electrical Upgrades (HD 17-32)	2,450,000			
Gladys Wood Elementary School Design (HD 17-32)	1,050,000			
Shaktoolik K-12 School Renovation (HD 39)	8,337,551			
Kake Elementary School Ventilation System Upgrade (HD 5)	303,242			
Tanacross K-8 School Building Renovation (HD 6)	3,614,868			
Metlakatla Elementary School Renovation (HD 5)	10,254,908			
Chistochina Elementary School Renovation (HD 12)	722,270			
Klukwan K-12 School Major Maintenance (HD 5)	3,480,269			
Twin Hills K-8 School Major Maintenance (HD 37)	1,341,001			
Huslia High School Renovation (HD 6)	6,151,177			

	Allocations	Appropriation Items	General Funds	Other Funds
Metlakatla High School Annex Renovation (HD 5)	844,164			
Anchorage District-wide Fire Alarm Upgrades (HD 17-32)	1,459,500			
Klawock K-12 School Underground Storage Tank Replacement (HD 5)	178,516			
Cantwell K-12 School Sprinkler Installation and Fire Alarm Upgrade (HD 7-11)	675,490			
Kenai Peninsula Borough District-wide Window Replacements (HD 33-35)	1,678,023			
Delta High School Back-Up Generator (HD 12)	994,018			
Hoonah Schools Major Maintenance (HD 5)	333,685			
Angoon Schools Mechanical Upgrades (HD 5)	1,125,011			
Nunapitchuk Fire Alarm Repair / Replacement (HD 38)	623,423			
Anchorage District-wide Mechanical Upgrades (HD 17-32)	4,553,500			
Kuspuk District-wide Heating System Upgrades (HD 6)	9,353,733			
Butte, Cottonwood Creek,	97,798			

	Allocations	Appropriation Items	General Funds	Other Funds
Pioneer Peak and Snowshoe Elementary Wash Fountain Replacements (HD 13-16)				
Thorne Bay K-12 School Fire Suppression System Replacement (HD 2)	672,162			
Anderson K-12 School Siding Replacement (HD 7-11)	596,840			
Venetie Generator Building Renovation (HD 6)	761,973			
Port Alexander and Thorne Bay K-12 School Roof Replacement (HD 2)	2,813,518			
Valdez High School Roof Replacement (HD 12)	4,274,370			
Chalkyitsik Water Tank Replacement (HD 6)	986,196			
Yakutat Schools Mechanical System Upgrades (HD 5)	2,817,168			
Ketchikan District-wide Major Maintenance (HD 1)	769,066			
Ketchikan High School Stage Lighting System Replacement (HD 1)	192,273			
Cruikshank K-12 School Soil Remediation and Fuel Tank Replacement, Beaver (HD 6)	1,549,825			
Yakutat Swimming Pool Lighting and Mechanical	266,246			

	Allocations	Appropriation Items	General Funds	Other Funds
Upgrades (HD 5)				
Northway K-12 School Building Renovation (HD 6)	1,130,371			
Kenai Peninsula Borough District-wide Security Systems (HD 33-35)	1,537,409			
Palmer Middle School Lockers Replacement (HD 13-16)	179,909			
Port Alexander K-12 School Domestic Water System Pipe Replacement (HD 2)	52,933			
Denali Borough Door Replacement, 3 Schools (HD 7-11)	709,598			
Fort Yukon K-12 School Soil Remediation and Tank Farm Replacement (HD 6)	8,721,316			
Bering Strait District-wide Fuel Tank Demolition (HD 38)	793,656			
North Pole Middle School Roof and Clerestories Replacement (HD 7-11)	2,720,611			
Thorne Bay K-12 School Underground Storage Tank Replacement (HD 2)	317,670			
Marie Drake Building Renovation (HD 3-4)	9,325,210			
Anchorage District-wide Code/Sprinkler Upgrades	2,877,000			

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 17-32)				
Big Lake Elementary Classroom Wing Renovation (HD 13-16)	1,687,001			
Port Protection K-12 Gymnasium Relocation and Foundation (HD 5)	124,583			
Yakutat High School Exterior Upgrades (HD 5)	784,207			
Matanuska-Susitna Borough District-wide Lighting Upgrades (HD 13-16)	1,917,166			
Eagle K-12 School Building Renovation (HD 6)	4,453,353			
Thorne Bay K-12 School Mechanical Control Upgrades (HD 2)	872,778			
Thorne Bay and Port Protection Gymnasium Lighting Upgrades (HD 2)	403,831			
Matanuska-Susitna Borough Boiler Systems Replacements (HD 13-16)	6,307,453			
Kodiak Island Borough District-wide Underground Storage Tank Replacement (HD 36)	276,161			
Petersburg Elementary Exterior Upgrades (HD 2)	629,402			
Matanuska-Susitna Borough HVAC Systems Renovations	16,342,013			

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 13-16)				
Matanuska-Susitna Borough Administration Building Generator and Related Electrical Replacement (HD 13-16)	519,434			
Kenai Peninsula Borough District-wide Locker Replacements (HD 33-35)	650,000			
Akhiok School Sewer Line Repair (HD 36)	52,785			
Venetie Soil Remediation and Fuel Tank Replacement (HD 6)	1,787,546			
Valdez District-wide Technology Upgrades (HD 12)	2,016,340			
Mendenhall River Community School Renovation (HD 3-4)	2,801,500			
Anchorage District-wide General Building Renovations (HD 17-32)	997,500			
Newhalen Kitchen Renovation (HD 36)	107,996			
Houston Middle School Lockers Replacement (HD 13-16)	154,747			
Pearl Creek Elementary Septic System Replacement and Plumbing Systems Renovation (HD 7-11)	475,329			

	Allocations	Appropriation Items	General Funds	Other Funds
North Pole High School Vocational Wing Renovation (HD 7-11)	2,540,989			
Petersburg District-wide Boiler Upgrades (HD 2)	1,947,161			
Rae C. Stedman Elementary Lunchroom Renovation (HD 2)	1,201,906			
Juneau District Maintenance Facility Renovation (HD 3-4)	1,504,370			
Salcha Elementary Roof Building Envelope Replacement and Upgrade (HD 12)	817,062			
Petersburg District-wide Digital HVAC Controls (HD 2)	374,970			
Stevens Village K-12 School Soil Remediation and Fuel Tank Replacement (HD 6)	993,858			
Woodriver Elementary Gymnasium Renovation (HD 7-11)	1,100,868			
Weller Elementary Septic System Replacement (HD 7-11)	228,523			
Fairbanks Administrative Center Air Conditioning Units Replacement (HD	1,093,859			

	Allocations	Appropriation Items	General Funds	Other Funds
7-11)				
Arctic Light Elementary Lighting Renovation (HD 7-11)	1,266,992			
Dzantik'i Heeni Middle School Renovation (HD 3-4)	3,965,000			
School Construction Grant Fund (AS 14.11.005)		**76,635,615**	**76,635,615**	

The legislature intends the following three appropriations to Kuinerrarmiut Elitnaurviat K-12 School, Napaskiak K-12 School, and Kivalina K-12 School to satisfy the recommendations made by the court in Kasayulie v. State, 3AN-97-3782 CIV (Sept. 1, 1999).

Kuinerrarmiut Elitnaurviat K-12 School Renovation/Addition, Quinhagak (HD 38)	28,489,312			
Napaskiak K-12 School Replacement (HD 39)	33,421,589			
Kivalina K-12 School Renovation/ Addition (HD 40)	14,724,714			
Deferred Maintenance				
Mt. Edgecumbe High School Deferred Maintenance (HD 1-40)		2,800,000	2,800,000	

(SECTION 14 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 14.** The following sets out the funding by agency for the appropriations made in sec. 13 of this Act.

Funding Source	Amount
Department of Commerce, Community and Economic Development	
1004 Unrestricted General Fund Receipts	42,989,100
*** Total Agency Funding ***	$42,989,100
Department of Education and Early Development	
1004 Unrestricted General Fund Receipts	354,568,553
*** Total Agency Funding ***	$354,568,553
* * * * * Total Budget * * * * *	$397,557,653

(SECTION 15 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 15.** The following sets out the statewide funding for the appropriations made in sec. 13 of this Act.

Funding Source	Amount
Unrestricted General Funds	
1004 Unrestricted General Fund Receipts	397,557,653
Total Unrestricted General Funds	$397,557,653
Designated General Funds	
Total Designated General Funds	$0
Other Non-Duplicated Funds	
Total Other Non-Duplicated Funds	$0
Federal Funds	
Total Federal Funds	$0
Duplicated Funds	
Total Duplicated Funds	$0

(SECTION 16 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 16.** FEDERAL AND OTHER PROGRAM RECEIPTS. (a) Federal receipts, designated program receipts as defined in AS 37.05.146(b)(3), information services fund program receipts as defined in AS 44.21.045(b), receipts of the University of Alaska as described in AS 37.05.146(b)(2), receipts of commercial fisheries test fishing operations under AS 37.05.146(c)(21), corporate receipts of the Alaska Housing Finance Corporation, corporate receipts of the Alaska Aerospace Corporation, Exxon Valdez oil spill trust receipts as defined in AS 37.05.146(b)(4), and receipts of the Alaska Fire Standards Council under AS 37.05.146(b)(5), that exceed the amounts appropriated by this Act are appropriated conditioned on compliance with the program review provisions of AS 37.07.080(h).

(b) If federal or other program receipts as defined in AS 37.05.146 and in AS 44.21.045(b) exceed the estimates appropriated by this Act, the appropriations from state funds for the affected program may be reduced by the excess if the reductions are consistent with applicable federal statutes.

(c) If federal or other program receipts as defined in AS 37.05.146 and in AS 44.21.045(b) fall short of the estimates appropriated by this Act, the affected appropriation is reduced by the amount of the shortfall in receipts.

* **Sec. 17.** FUND CAPITALIZATION. (a) The sum of $60,000,000 is appropriated from the general fund to the Alaska Gasline Inducement Act reimbursement fund (AS 43.90.400(a)) for the natural gas pipeline project construction inducement under AS 43.90.110(a)(1).

(b) The sum of $2,400,000 is appropriated from the general fund to the emerging energy technology fund (AS 42.45.375).

(c) The amount of federal receipts from the financial assistance award for emerging energy technology by the Denali Commission established under P.L. 105-277, estimated to be $2,400,000, is appropriated to the emerging energy technology fund (AS 42.45.375) for capital projects.

* **Sec. 18.** FUND TRANSFERS. (a) The sum of $2,500,000 is appropriated from the general fund to the alternative energy conservation revolving loan fund (AS 45.88.010).

(b) The sum of $30,620,231 is appropriated from the general fund to the renewable energy grant fund (AS 42.45.045(a)).

* **Sec. 19.** INSURANCE CLAIMS. The amounts to be received in settlement of insurance claims for losses and the amounts to be received as recovery for losses are appropriated from

the general fund to the

(1) state insurance catastrophe reserve account (AS 37.05.289(a)); or

(2) appropriate state agency to mitigate the loss.

*** Sec. 20.** NATIONAL PETROLEUM RESERVE - ALASKA IMPACT GRANT PROGRAM. (a) The amount received by the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530(a)) under 42 U.S.C. 6506a(*l*) or former 42 U.S.C. 6508 by August 31, 2011, estimated to be $5,399,679, is appropriated from that fund to the Department of Commerce, Community, and Economic Development for capital project grants under the National Petroleum Reserve - Alaska impact grant program to the following municipalities in the amounts stated:

MUNICIPALITY	PROJECT	ALLOCATION
(1) North Slope Borough	Permit tracking system	$ 242,000
(2) North Slope Borough	Lagoon and Kuk Inlet	109,000
(3) City of Barrow	Local government operations and maintenance	1,600,000
(4) North Slope Borough	Meade River school counselor	270,177
(5) North Slope Borough	Land management and enforcement continuation	750,000
(6) North Slope Borough	School counselor program	282,502
(7) North Slope Borough	Mayor's job program	300,000
(8) City of Nuiqsut	Youth center operations and maintenance	194,000
(9) City of Nuiqsut	Local government operations and maintenance	595,000
(10) City of Atqasuk	Local government operations and youth program	300,000
(11) City of Barrow	City archival project	60,000
(12) North Slope Borough	Workforce development for essential services	452,000
(13) City of Wainwright	Wainwright local government	245,000

operations

(b) If the amount received by the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530(a)) under 42 U.S.C. 6506a(*l*) or former 42 U.S.C. 6508 by August 31, 2011, is less than the sum of the allocations made in (a) of this section, the Department of Commerce, Community, and Economic Development shall work with the municipalities listed in (a) of this section to reduce the sum of the allocations made in (a) of this section to equal the amount received.

* **Sec. 21.** DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT. The sum of $486,000 is appropriated from the general fund to the Department of Labor and Workforce Development, Alaska Workforce Investment Board, to offer, in cooperation with the Department of Commerce, Community, and Economic Development, grants as authorized by AS 23.15.820(b) for training Alaskans in the film and television industry for the fiscal year ending June 30, 2012.

* **Sec. 22.** DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES. (a) The unexpended and unobligated balance, estimated to be $2,000,000, of the appropriation made in sec. 1, ch. 82, SLA 2006, page 86, line 32, through page 87, line 3 (Department of Transportation and Public Facilities, Parks Highway Frontage Road realignment at Seward meridian - $2,000,000) is reappropriated to the Department of Transportation and Public Facilities for Parks Highway Frontage Road and intersection improvements at Trunk Road.

(b) Section 14(*l*), ch. 14, SLA 2009, is amended to read:

(*l*) The sum of $4,250,000 is appropriated from the Alaska capital income fund (AS 37.05.565) to the Department of Transportation and Public Facilities for construction of a new Ketchikan airport ferry to replace the M/V Bob Ellis**, mooring and transfer facility repairs, and M/V Oral Freeman construction costs incurred before January 1, 2002**.

* **Sec. 23.** HOUSE DISTRICT 2. (a) Section 1, ch. 3, FSSLA 2005, page 66, lines 23 - 28, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Petersburg: North Harbor Deferred Maintenance**, Replacement,** and	2,500,000	2,500,000

Transfer (HD 2)

In order to expend this appropriation, the City of Petersburg must enter into an agreement with the Department of Transportation and Public Facilities and accept full responsibility for ownership and maintenance of the North Harbor by January 1, 2006.

(b) Section 4, ch. 15, SLA 2009, page 46, lines 24 - 25, is amended to read:

	APPROPRIATION ITEMS	OTHER FUNDS
Wrangell - **Street,** [STIKINE AVENUE] Sidewalk**, and Infrastructure Improvements** [EXTENSION] (HD 2)	390,000	390,000

*** Sec. 24.** HOUSE DISTRICT 5. The unexpended and unobligated balance, estimated to be $200,000, of the appropriation made in sec. 13, ch. 29, SLA 2008, page 120, lines 14 - 16, as amended by sec. 41(b), ch. 43, SLA 2010 (Craig, fish processing capacity and community cold storage) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Craig for reimbursement of 2008 and 2009 expenditures for Craig cold storage.

*** Sec. 25.** HOUSE DISTRICT 6. (a) The unexpended and unobligated balances, estimated to be a total of $23,041, of the appropriations made in sec. 8(a), ch. 1, SSSLA 2002, page 96, line 30 (Slana League, community projects and improvements - $27,263) and sec. 8(a)(26), ch. 159, SLA 2004 (Slana League, community projects and improvements - $58,830) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Northway Village Council for community projects, equipment, and improvements.

(b) The unexpended and unobligated balance, estimated to be $40,000, of the appropriation made in sec. 1, ch. 3, FSSLA 2005, page 18, lines 25 - 27 (Marshall, community center renovation - $40,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Marshall for community projects and equipment improvements.

*** Sec. 26.** HOUSE DISTRICTS 7 - 11. (a) Section 7, ch. 43, SLA 2010, page 36, lines 3 - 5, is amended to read:

	APPROPRIATION	GENERAL

	ITEMS	FUND
Chena Small Tracts Road **Bicycle and Pedestrian Facility** [MULTI-USE PATH DESIGN AND PLANNING] (HD 7-11)	150,000	150,000

(b) The unexpended and unobligated balances, estimated to be a total of $107,107, of the appropriations made in sec. 1, ch. 82, SLA 2006, page 36, lines 12 - 16 (Fairbanks North Star Borough, FNSB School District, Lathrop High School stadium bleachers purchase - $99,000) and sec. 13, ch. 29, SLA 2008, page 123, lines 14 - 17 (Fairbanks North Star Borough, North Pole Middle School replacement of chalk boards - $30,000) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Fairbanks North Star Borough for deferred maintenance of the Stampede Room in the Pioneer Museum at Pioneer Park.

(c) The unexpended and unobligated balance, estimated to be $50,000, of the appropriation made in sec. 1, ch. 82, SLA 2006, page 35, lines 15 - 18 (Fairbanks North Star Borough, Steamboat Landing Freeman Road culvert project - $50,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Fairbanks Soil and Water Conservation District for the Chena Slough project.

(d) The unexpended and unobligated balance, estimated to be $19,851, of the appropriation made in sec. 10, ch. 43, SLA 2010, page 93, lines 20 - 22 (Juneau, Arctic Winter Games bid planning and submission - $50,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Fairbanks North Star Borough for the Arctic Winter Games.

(e) The unexpended and unobligated balance, estimated to be $61,600, of the appropriation made in sec. 1, ch. 30, SLA 2007, page 13, lines 25 - 28 (Cold Climate Housing Research Center, wood-fire CHP demonstration project - $100,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Cold Climate Housing Research Center for a thermal storage tank for a wood stove demonstration project.

(f) The unexpended and unobligated balance, estimated to be $461,000, of the

appropriation made in sec. 13, ch. 43, SLA 2010, page 136, lines 29 - 32 (Morris Thompson Cultural and Visitors Center, Gateway exhibit completion - $500,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Morris Thompson Cultural and Visitors Center for operations and Gateway exhibit completion for the fiscal years ending June 30, 2012, June 30, 2013, and June 30, 2014.

(g) The unexpended and unobligated balances, estimated to be a total of $52,080, of the appropriations made in sec. 1, ch. 61, SLA 2001, page 53, lines 6 - 8, as amended by sec. 46(a), ch. 82, SLA 2006 (Fairbanks North Star Borough, Two Rivers Elementary School gymnasium improvements) and sec. 46(c), ch. 82, SLA 2006 (Fairbanks North Star Borough, Two Rivers Elementary School gym improvements) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Pleasant Valley Community Association for construction of a community center.

* **Sec. 27.** HOUSE DISTRICT 12. The unexpended and unobligated balance, estimated to be $800,000, of the appropriation made in sec. 10, ch. 43, SLA 2010, page 87, lines 27 - 29 (Delta Junction - school district wood chip heating system project - $800,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Delta-Greely School District for the school district wood chip heating system project.

* **Sec. 28.** HOUSE DISTRICTS 13 - 16. (a) The unexpended and unobligated balances, estimated to be a total of $1,835,000, of the appropriations made in sec. 1, ch. 82, SLA 2006, page 34, lines 19 - 22 (Wasilla, Palmer-Wasilla water improvements, phase 3, and Bumpus Well No. 2 - $500,000), sec. 46, ch. 29, SLA 2008 (Wasilla, Garden Terrace water main extension project), and sec. 13, ch. 29, SLA 2008, page 139, lines 7 - 9, and allocated on page 140, lines 27 - 28 (Wasilla, Mission Hills water extension - $724,500) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Wasilla for a downtown water station.

(b) The unexpended and unobligated balance, estimated to be $1,586,191, of the appropriation made in sec. 42(f), ch. 3, FSSLA 2005 (Matanuska-Susitna Borough, Point MacKenzie port development and associated rail line improvements) is reappropriated to the

Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Matanuska-Susitna Borough for Point MacKenzie port development and associated rail line improvements.

(c) The unexpended and unobligated balance, estimated to be $66,900, of the appropriation made in sec. 1, ch. 61, SLA 2001, page 56, lines 9 - 11 (Matanuska Susitna Borough, Hatcher Pass water and electric distribution - $175,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Matanuska Susitna Borough for construction of the Hatcher Pass ski area.

*** Sec. 29.** HOUSE DISTRICT 15. The unexpended and unobligated balance, estimated to be $20,000, of the appropriation made in sec. 1, ch. 30, SLA 2007, page 35, lines 26 - 28 (Upper Susitna Seniors, Inc., outside storage building - $20,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Upper Susitna Seniors, Inc., for a support structure for the senior center and an emergency shelter.

*** Sec. 30.** HOUSE DISTRICTS 17 - 32. (a) Section 10, ch. 43, SLA 2010, page 73, lines 9 - 14, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Anchorage - Kasuun Elementary School **Computer Lab Equipment and Software** [DIGITAL PROJECTORS] (HD 17-32)	20,000	20,000
Anchorage - Kasuun Elementary School **Computer Lab Equipment and Software** [LAPTOP COMPUTERS] (HD 17-32)	25,000	25,000

(b) Section 13, ch. 29, SLA 2008, page 107, lines 11 - 13, is amended to read:

	APPROPRIATION	OTHER

	ITEMS	FUNDS
Anchorage - Fire Department	4,500,000	4,500,000
Station 5 **New Construction**		
[RENOVATION] (HD 17-32)		

(c) The unexpended and unobligated balance, estimated to be $20,000, of the appropriation made in sec. 13, ch. 11, SLA 2008, page 62, lines 29 - 33 (Anchorage Parks Foundation, safety improvements: I Street stairway access to Valley of the Moon Park - $20,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Anchorage Parks Foundation for renovation of Minnesota Park.

(d) The unexpended and unobligated balance, estimated to be $500,000, of the appropriation made in sec. 10, ch. 29, SLA 2008, page 78, lines 4 - 6 (Department of Transportation and Public Facilities, northern access to university medical district study - $2,000,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Municipality of Anchorage for updates to the U-Med District Plan, a parking utilization study, and associated costs to manage the planning process.

(e) The unexpended and unobligated balance, estimated to be $46,000, of the appropriation made in sec. 13, ch. 29, SLA 2008, page 103, lines 10 - 15 (Anchorage, Salvation Army Clitheroe Center, retrofit facility for secure treatment of chronic substance abusers - $435,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Municipality of Anchorage for renovations or retrofits to the Salvation Army's Clitheroe Center and Secure Treatment Unit, including design, construction, and installation of a water filtration system.

(f) The unexpended and unobligated balance, estimated to be $29,850, of the appropriation made in sec. 10, ch. 43, SLA 2010, page 84, lines 6 - 8 (Anchorage, Taku Elementary School wireless Internet access - $30,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Municipality of Anchorage for Taku Elementary School technology upgrades.

(g) Section 10, ch. 43, SLA 2010, page 70, lines 26 - 27, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Anchorage - Fire Station #9 Remodel **or Reconstruction** (HD 17-32)	5,000,000	5,000,000

* **Sec. 31.** HOUSE DISTRICTS 33 - 35. (a) The unexpended and unobligated balance, not to exceed $761,650, of the appropriation made in sec. 1, ch. 82, SLA 2006, page 4, lines 12 - 15, as amended by sec. 50(a), ch. 43, SLA 2010 (Kenai Peninsula Economic Development District, Cook Inlet tidal power analysis) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Kenai for Kenai industrial park development.

(b) The unexpended and unobligated balance of the appropriation made in sec. 1, ch. 82, SLA 2006, page 4, lines 12 - 15, as amended by sec. 50(a), ch. 43, SLA 2010 (Kenai Peninsula Economic Development District, Cook Inlet tidal power analysis) remaining after the appropriation made in (a) of this section, not to exceed $125,000, is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Kenai Peninsula Economic Development District for the Kenai Peninsula Construction Academy facility.

(c) The unexpended and unobligated balance of the appropriation made in sec. 1, ch. 82, SLA 2006, page 4, lines 12 - 15, as amended by sec. 50(a), ch. 43, SLA 2010 (Kenai Peninsula Economic Development District, Cook Inlet tidal power analysis) remaining after the appropriations made in (a) and (b) of this section, not to exceed $75,000, is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Kenai Peninsula Economic Development District for facility and utility upgrades.

(d) The unexpended and unobligated balance of the appropriation made in sec. 1, ch. 82, SLA 2006, page 4, lines 12 - 15, as amended by sec. 50(a), ch. 43, SLA 2010 (Kenai Peninsula Economic Development District, Cook Inlet tidal power analysis) remaining after the appropriations made in (a) - (c) of this section, not to exceed $100,000, is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Kenai for Kenai Spur Road bike path repairs.

(e) The unexpended and unobligated balance of the appropriation made in sec. 1, ch. 82, SLA 2006, page 4, lines 12 - 15, as amended by sec. 50(a), ch. 43, SLA 2010 (Kenai Peninsula Economic Development District, Cook Inlet tidal power analysis) remaining after the appropriations made in (a) - (d) of this section, not to exceed $570,000, is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Soldotna for a traffic light at Birch Street.

(f) The unexpended and unobligated balance, not to exceed $150,000, of the appropriation made in sec. 1, ch. 3, FSSLA 2005, page 25, lines 5 - 7 (Kenai Peninsula Borough, North Spur Highway extension - $300,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Kenai Peninsula Borough for tanker and pumper replacements for the Nikiski Fire Service Area.

(g) The unexpended and unobligated balance, not to exceed $150,000, of the appropriation made in sec. 1, ch. 3, FSSLA 2005, page 25, lines 5 - 7 (Kenai Peninsula Borough, North Spur Highway extension - $300,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Kenai Peninsula Borough for the North Peninsula Recreation Service Area community playground.

(h) If the amount available for appropriation in (f) and (g) of this section is less than $300,000, the appropriations made in (f) and (g) of this section shall be reduced in proportion to the amount of the shortfall.

* **Sec. 32.** HOUSE DISTRICTS 35 - 36. (a) The unexpended and unobligated balance, estimated to be $18,851, of the appropriation made in sec. 1, ch. 3, FSSLA 2005, page 25, lines 13 - 16 (Kenai Peninsula Borough, Seward elementary gym floor and carpet replacement - $170,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Kenai Peninsula Borough for SMART boards for William H. Seward Elementary School.

(b) The unexpended and unobligated balance, estimated to be $1,992,000, of the appropriation made in sec. 4, ch. 15, SLA 2009, page 45, lines 24 - 26 (Seward, dredging cruise ship berthing basins and approaches - $4,500,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under

AS 37.05.315 to the City of Seward for construction of a new water storage tank and improving restrooms in the Seward harbor area.

(c) The unexpended and unobligated balance, estimated to be $118,200, of the appropriation made in sec. 13, ch. 43, SLA 2010, page 140, lines 5 - 8 (Senior Citizens of Kodiak, Inc., fire sprinkler system replacement - $118,200) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to Senior Citizens of Kodiak, Inc., for fire sprinkler system emergency replacement debt reimbursement incurred before July 1, 2010.

(d) The unexpended and unobligated balances, estimated to be a total of $2,000,000, of the appropriations made in sec. 10, ch. 29, SLA 2008, page 35, lines 13 - 16 (Alaska Community Foundation, Jesse Lee Home stabilization project - $500,000) and sec. 13, ch. 43, SLA 2010, page 116, lines 12 - 15 (Alaska Community Foundation, Jesse Lee Home restoration - $1,500,000) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Friends of Jesse Lee Home for the Jesse Lee Home stabilization project.

*** Sec. 33.** HOUSE DISTRICT 36. Section 10, ch. 43, SLA 2010, page 103, lines 30 - 31, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Old Harbor - City Dock Reconstruction **and Old Harbor Airport Extension Project** (HD 36)	3,100,000	3,100,000

*** Sec. 34.** HOUSE DISTRICT 37. (a) The unexpended and unobligated balance, estimated to be $150,000, of the appropriation made in sec. 10, ch. 43, SLA 2010, page 105, lines 22 - 24 (Saint George, purchase vacuum sewage pumper truck - $150,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Saint George for community facilities, equipment upgrades, and community infrastructure development.

(b) Section 13, ch. 29, SLA 2008, page 131, lines 29 - 31, is amended to read:

	APPROPRIATION	OTHER

	ITEMS	FUNDS
Sand Point - School Loop Road Reconstruction Phase I **and Other Local Road Improvements** (HD 37)	1,000,000	1,000,000

*** Sec. 35.** HOUSE DISTRICT 38. Section 34(c), ch. 15, SLA 2009, as amended by sec. 54, ch. 43, SLA 2010, is amended to read:

(c) The unexpended and unobligated balances, estimated to be a total of $462,500, of the appropriations made in sec. 8(a)(15), ch. 159, SLA 2004 (Kongiganak, community projects and improvements - $27,770), sec. 8(a), ch. 1, SSSLA 2002, page 96, line 17 (Kongiganak, community projects and improvements - $55,496), sec. 8(b)(28), ch. 159, SLA 2004 (Napaskiak, community projects and improvements - $6,326), sec. 131, ch. 139, SLA 1998, page 99, lines 19 - 20 (Nunapitchuk, motor grader snowblade - $15,500), sec. 1, ch. 135, SLA 2000, page 53, lines 28 - 30 (Nunapitchuk, washeteria renovation - water improvements - $50,000), sec. 15(b), ch. 61, SLA 2001, page 78, line 19 (Nunapitchuk, capital projects and improvements - $26,322), sec. 1, ch. 1, SSSLA 2002, page 81, lines 30 - 31 (Nunapitchuk, solid waste dumpsite upgrade - $25,000), sec. 8(a), ch. 1, SSSLA 2002, page 96, line 24 (Oscarville, community projects and improvements - $88,107), sec. 71(c), ch. 1, SSSLA 2002 (Oscarville, community facilities and equipment), sec. 8(a)(19), ch. 159, SLA 2004 (Oscarville, community projects and improvements - $58,651), sec. 1, ch. 61, SLA 2001, page 63, lines 12 - 13 (Tuntutuliak, jail house completion - $16,466), sec. 67(b), ch. 61, SLA 2001 (Tuntutuliak, construction of a post office), sec. 8(a), ch. 1, SSSLA 2002, page 97, line 2 (Tuntutuliak, community projects and improvements - $54,518), sec. 8(a)(31), ch. 159, SLA 2004 (Tuntutuliak, community projects and improvements - $7,881), and sec. 8(b)(38), ch. 159, SLA 2004 (Platinum, community projects and improvements - $26,900) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Association of Village Council Presidents for a demonstration project to use wood as a heating source for the fiscal year ending June 30, **2012** [2011].

*** Sec. 36.** HOUSE DISTRICT 39. The unexpended and unobligated balance, estimated to be $100,000, of the appropriation made in sec. 1, ch. 30, SLA 2007, page 54, lines 11 - 12 (Emmonak, city street lighting - $100,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Emmonak for the purchase of heavy equipment.

*** Sec. 37.** REAPPROPRIATION OF LEGISLATIVE APPROPRIATIONS. (a) Section 56(b), ch. 43, SLA 2010, is amended to read:

(b) The unexpended and unobligated balance, not to exceed $750,000, of the appropriation made in sec. 1, ch. 12, SLA 2009, page 44, line 29 (Budget and Audit Committee - $19,501,800) is reappropriated to the Legislative Council to conduct for the legislature an independent third-party scientific and multidisciplinary study of **statutory and permitting requirements and processes related to** [THE POTENTIAL] large mine development in **the state** [THE BRISTOL BAY DRAINAGE] for the fiscal **years** [YEAR] ending June 30, 2011**, June 30, 2012, June 30, 2013, and June 30, 2014**.

(b) The unexpended and unobligated balance, estimated to be $900,000, of the appropriation made in sec. 1, ch. 41, SLA 2010, page 47, line 11 (legislative operating budget - $11,800,100) is reappropriated to the Legislative Budget and Audit Committee for operating expenses for the fiscal year ending June 30, 2012.

(c) The unexpended and unobligated balance, not to exceed $450,000, of the appropriation made in sec. 1, ch. 41, SLA 2010, page 46, line 33 (Legislative Council - $36,425,700) is reappropriated to the Legislative Council to conduct for the legislature an independent third-party scientific and multidisciplinary study of statutory and permitting requirements and processes related to large mine development in the state for the fiscal years ending June 30, 2011, June 30, 2012, June 30, 2013, and June 30, 2014.

(d) The unexpended and unobligated balance, after the appropriation made in (c) of this section, estimated to be $2,230,000, of the appropriation made in sec. 1, ch. 41, SLA 2010, page 46, line 33 (Legislative Council - $36,425,700) is reappropriated to the Legislative Council to begin scoping, planning, and implementing a system-wide redesign of the Bill Action Status and Inquiry System (BASIS), an integrated document management system, and a consolidation of the legislature's internal and external websites.

(e) The unexpended and unobligated balance, estimated to be $8,275,000, of the appropriation made in sec. 1, ch. 41, SLA 2010, page 46, line 27 (Budget and Audit Committee - $18,911,100) is reappropriated to the Legislative Budget and Audit Committee to begin scoping, planning, and implementing an enhanced content management platform to integrate appropriation data, tracking, and reporting with the legislature's Bill Action Status and Inquiry System (BASIS).

* **Sec. 38.** STATUTORY BUDGET RESERVE FUND. (a) The sum of $300,000,000 is appropriated from the general fund to the statutory budget reserve fund (AS 37.05.540).

(b) The sum of $200,000,000 is appropriated from the general fund to the statutory budget reserve fund (AS 37.05.540).

* **Sec. 39.** CONTINGENCY. (a) Each of the appropriations made in sec. 7 of this Act is contingent on passage by the Twenty-Seventh Alaska State Legislature in the First Regular Session and enactment into law of every appropriation made in sec. 7 of this Act.

(b) The appropriations made in sec. 4 of this Act are contingent on the fiscal year 2012 year-to-date average price of Alaska North Slope crude oil exceeding $150 a barrel on October 1, 2011.

* **Sec. 40.** LAPSE. (a) The appropriations made in secs. 17, 18, 19(1), and 38 of this Act are for the capitalization of funds and do not lapse.

(b) The appropriations made in secs. 20, 22, 25(a), 26(c), 26(e), 26(g), 27, 29, 30(c), 31(b), 31(c), 32(c), 32(d), 37(d), and 37(e) of this Act are for capital projects and lapse under AS 37.25.020.

(c) A grant awarded in this Act to a named recipient under AS 37.05.316 is for a capital project, unless specifically identified in this Act as an operating grant, and lapses under AS 37.25.020 unless otherwise stated or designated for a fiscal year.

* **Sec. 41.** Sections 22 - 37 and 38(a) of this Act take effect June 30, 2011.

* **Sec. 42.** Except as provided in sec. 41 of this Act, this Act takes effect July 1, 2011.

SB

51

<TARGET><BILL>SB 51</BILL><SUBJECT>SB
51</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/1/11

FURTHER:

DATE TURNED IN TO OFFICE: 01/27/12

Finance Committee considered SPONSOR SUBSTITUTE FOR SENATE BILL NO. 51

SB 51-STATE VENDING LICENSES

"An Act relating to the operation of vending facilities on public property."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[✓] adopt **previous CS** SSSB 51 (L&C) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____ Letter of Intent

[ ] further referral to _____ Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
LWF			✓	

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	Egan				
	Olson			✓	
	Ellis	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman			✓	

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSSSB051(L&C)**
Fiscal Note Number:
Publish Date:

Identifier (file name): SB051CSSSSB(L&C)-DOLWD-CS-12-29-11
Title: State Vending Licenses
Sponsor: Senator Davis
Requester: Senate Finance

Dept. Affected: Labor and Workforce Development
Appropriation: Vocational Rehabilitation
Allocation: Client Services
OMB Component Number: 1828

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated for 2012.

Prepared by: Cheryl A. Walsh, Director — Phone: 465-6926
Division: Division of Vocational Rehabilitation — Date/Time: 12/8/11 8:00 AM
Approved by: Click Bishop, Commissioner — Date: 12/29/2011
Department of Labor and Workforce Development

FISCAL NOTE

STATE OF ALASKA **BILL NO.** CSSSSB051(L&C)
2012 LEGISLATIVE SESSION

Analysis

The proposed legislation will remove individuals with significant disabilities from participating in the Business Enterprise Program (BEP) and will change the method of how vendors are licensed at a facility from a permit to a contract.

There is no fiscal impact to the department anticipated as a result of this legislation.

Alaska State Legislature

Interim: (May - Dec.)
716 W. 4th Ave
Anchorage, AK 99501
Phone: (907) 269-0144
Fax: (907) 269-0148

Session: (Jan. - May)
State Capitol, Suite 30
Juneau, AK 99801-1182
Phone: (907) 465-3822
Fax: (907) 465-3756
Toll free: (800) 770-3822

Senator_Bettye_Davis@legis.state.ak.us
http://www.akdemocrats.org

Senator Bettye Davis

Senate Bill 51, 27-LS0079 -"An Act relating to the operation of vending facilities on public property."

Sponsor Statement

SB 51 restores to blind persons first priority for a contract to operate a vending facility on state and other public property. This bill amends the Alaska Chance Act of 1976 to require that the State Division of Vocational Rehabilitation Business Enterprise Program provide the same first priority to the blind on state and other public property as it does on federal property enforced under the Randolph-Sheppard Act of 1936. The Alaska Chance Act for the first time added disabled persons in addition to the blind in preference for vending licenses on public facilities. This loss of first priority and expansion of beneficiaries has thwarted the spirit and letter of the Randolph-Sheppard Act. The resulting decrease in vending opportunities for blind merchants in Alaska exacerbated their already extraordinarily high unemployment rates among all types and severities of the disabled and the population in general.

SB 51 recognizes that the blind are dissimilarly situated compared to other disabled persons who do not suffer the same degree of impairment and unemployment as an economic matter. Although the State has combined management and training opportunities for both the blind and other persons with disabilities under one Business Enterprise Program of the Division of Vocational Rehabilitation, this bill requires that it must give first priority to the blind for vending contracts on state, federal or other public property.

SB 51 comports with original legislative intent and gives first priority to the blind imposed under AS 23.15.100 prior to changes in 1974 and 2006 which added persons with disabilities and severe disabilities who currently compete with the blind for licenses on vending facilities on public property. It requires that the Division attempt to find and notify blind persons of vending opportunities as they arise on public property. These public properties may include among others court houses, military bases, state and federal office buildings, and other public properties.

Typically, blind individuals who receive Randolph-Sheppard contracts act as managers of large vending or cafeteria facilities, subcontracting with food service organizations to provide meals and/or vending services on a day to day basis. They also may independently operate lobby concession stands, or vending machine banks. In October, 2009 Alaska's Business Enterprise Program had only six sites operating in federal facilities under Randolph-Sheppard, and six sites operating in state facilities under the Chance Act. This bill should greatly expand opportunities for employment and vending locations for the blind.

LEGAL SERVICES

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

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

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

MEMORANDUM March 18, 2011

SUBJECT: Sectional summary of CSSSSB 51( ), relating to the operation of vending facilities on public property
(Work Order No. 27-LS0079\B)

TO: Senator Bettye Davis
Attn: Tom Obermeyer

FROM: TB
Theresa Bannister
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1. Amends a section dealing with powers and duties of the division of vocational rehabilitation (Agency). Removes references to persons with severe disabilities from the provisions dealing with the operation of vending facilities on public property.

Section 2. Directs the agency to issue a license for the operation of vending facilities on public property to blind persons who meet certain criteria, including criteria established by agency regulations. Requires these regulations to provide blind persons with first priority for a contract to operate a vending facility on public property.

Section 3. Adds new subsections to the section on the issuance of licenses for vending facilities on public property.

Sec. 23.15.133(c). Allows the agency to contract with a person who is not blind to operate a vending facility until the agency can locate a blind person who qualifies to operate the vending facility.

Sec. 23.15.133(d). When there is a vacancy in the operation of a vending facility on state property, requires the agency to attempt to contact blind persons directly about operating the vending facility. Directs the agency to work with private organizations to contact blind persons. This requirement is in addition to any other procurement requirements of AS 36.30 (the state procurement code). Newspaper advertising is not sufficient.

Sec. 23.15.133(e). Allows a blind person operating a vending facility to operate another vending facility if the agency cannot find a blind person to operate the other vending facility.

Section 4. Deletes a reference to persons with severe disabilities from a provision relating to hearings on agency actions that relate to vending facilities.

Section 5. Amends the definition of "licensee" to remove the reference to a person with a severe disability.

Section 6. Repeals a section relating to vending facilities operated by persons with severe disabilities.

Section 7. Indicates that the Act applies to vending facility licenses issued, and vending facility contracts entered into, on or after the effective date of this Act.

Section 8. States that the Act does not affect a contract entered into before the effective date of this Act.

If I may be of further assistance, please advise.

TLB:ljw
11-180.ljw

Alaska State Legislature

Interim: (May - Dec.)
716 W. 4th Ave
Anchorage, AK 99501
Phone: (907) 269-0144
Fax: (907) 269-0148

Session: (Jan. - May)
State Capitol, Suite 30
Juneau, AK 99801-1182
Phone: (907) 465-3822
Fax: (907) 465-3756
Toll free: (800) 770-3822

Senator_Bettye_Davis@legis.state.ak.us
http://www.akdemocrats.org

Office of Senator Bettye Davis

Explanation of Changes

CS for Sponsor Substitute for Senate Bill 51(L&C), 27-LS0079\I

The Committee Substitute for Sponsor Substitute for SB 51(L&C), 27-LS0079\I returns the language to that of the original draft. It removes from the Sponsor Substitute the recent inclusion of municipal and school property in the definition of "public property." It was determined after diligent inquiry that the inclusion of municipal and school property, particularly school property, would greatly reduce revenues needed in school programs supported by vending revenues.

The intent of SB 51 and language in this Committee Substitute remains to give statutory priority in vending licenses to the blind in state and federal buildings under the current definition of public property which is managed by the Business Enterprise Program in the Division of Vocational Rehabilitation in the Department of Labor and Workforce Development.

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LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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

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

MEMORANDUM September 2, 2010

SUBJECT: Bill relating to the operation of vending facilities on public property (Work Order No. 27-LS0079\A)

TO: Senator Bettye Davis
Attn: Tom Obermeyer

FROM: Theresa Bannister
Legislative Counsel

This memo accompanies a draft of the bill described above.

1. Equal protection. Although I had earlier mentioned that the limitation of vending facility license priority to blind persons might raise an equal protection question, I no longer believe that to be the case. Since this appears to be an economic matter, under federal law the scrutiny is minimal; all that is needed is that it needs to be is rationally related to a legitimate state interest, and the selection by the legislature of one type of persons with disabilities (here, blind persons) to receive the benefit does not appear to present a problem.[1] Under state equal protection requirements, as an economic matter, minimum scrutiny merely requires showing that the state's objectives are legitimate and that the legislation bears a substantial relationship to its purpose.[2]

2. Direct notification of blind persons. Can the agency use its vocational rehabilitation records to contact blind persons directly, or are they confidential? How do you want the agency to work with a private organization to contact blind persons directly?

If I may be of further assistance, please advise.

TLB:plm
10-296.plm

Enclosure

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[1] See New Hampshire v. Department of Education, 2003 U.S. Dist. LEXIS, 92 - 95 (D.N.H. 2003), aff'd in part and vacated in part New Hampshire v. Ramsey, 366 F.3d 1, 2004 U.S. App. LEXIS 8475 (1st Cir. N.H. 2004).

[2] See Glover v. State Department of Transportation, Alaska Marine Highway System, 175 P.3d 1240, 1257 (Alaska 2008).

Article
2. State Vocational Rehabilitation Committee (§§ 23.15.220 — 23.15.320)
3. Employment Agencies (§§ 23.15.330 — 23.15.520)
4. Alaska Workforce Investment Board (§§ 23.15.550 — 23.15.585)
5. State Training and Employment Program (§§ 23.15.620 — 23.15.660)
6. Alaska Technical and Vocational Education (§§ 23.15.820 — 23.15.850)

Article 1. Vocational Rehabilitation.

Section
10. Administration of vocational rehabilitation
20. Powers and duties of commissioner
30. Appointment of administrative officers
40. Division of vocational rehabilitation established
50. Director of vocational rehabilitation
60. Agreements under Social Security Act
80. Eligibility for vocational rehabilitation service
90. Priority as to eligibility
100. Powers and duties; vending facilities
110. Extension of services outside state
120. Cooperation with federal government
125. Assistive technology loan guarantee and interest subsidy program
130. Vocational rehabilitation small business enterprise revolving fund
132. Vending facilities
133. Vendors' licenses
134. Active participation by licensees with severe disabilities
135. Committee of blind vendors
136. Group insurance for certain licensees
150. Custodian of funds
160. Gifts
170. Maintenance not assignable
180. Hearings
190. Misuse of lists and records
200. Limitation on political activity
210. Definitions

Administrative Code. — For vocational rehabilitation, see 8 AAC 98.

Collateral references. — 79 Am. Jur. 2d, Welfare Laws, §§ 32-37.

51B C.J.S., Labor Relations, § 1044; 81 C.J.S., Social Security and Public Welfare, §§ 102-106.

Sec. 23.15.010. Administration of vocational rehabilitation. The commissioner shall administer the vocational rehabilitation program. (§ 37-9-6 ACLA 1949; am § 2 ch 169 SLA 1955; am § 2 ch 144 SLA 1957; am § 1 ch 79 SLA 1960; am § 16 ch 58 SLA 1999)

Sec. 23.15.020. Powers and duties of commissioner. (a) The commissioner may cooperate with a federal agency, as provided and required by federal law for vocational rehabilitation.

(b) The commissioner shall comply with the federal laws and the conditions necessary to secure the full benefit of the federal vocational rehabilitation laws, and shall do all things necessary to entitle the state to receive the benefits of the federal laws.

(c) The commissioner may do all the things and adopt the regulations that are necessary to carry out the federal laws and the purposes of AS 23.15.010 — 23.15.210. (§ 37-9-6 ACLA 1949; am § 2 ch 169 SLA 1955; am § 2 ch 144 SLA 1957; am § 1 ch 79 SLA 1960; am § 17 ch 58 SLA 1999)

Sec. 23.15.030. Appointment of administrative officers. The commissioner may appoint administrative officers and delegate to them the authority necessary to carry out AS 23.15.010 — 23.15.210. (§ 37-9-6 ACLA 1949; am § 2 ch 169 SLA 1955; am § 2 ch 144 SLA 1957; am § 1 ch 79 SLA 1960; am § 18 ch 58 SLA 1999)

Sec. 23.15.040. Division of vocational rehabilitation established. The division of vocational rehabilitation is established under the commissioner to carry out AS 23.15.010 — 23.15.210. (§ 37-9-6 ACLA 1949; am § 2 ch 169 SLA 1955; am § 2 ch 144 SLA 1957; am § 18 ch 208 SLA 1975; am § 19 ch 58 SLA 1999)

Sec. 23.15.050. Director of vocational rehabilitation. The commissioner shall appoint a director of the division of vocational rehabilitation. The director has the

administrative authority delegated by the commissioner and necessary to carry out AS 23.15.010 — 23.15.210 and the regulations and policies adopted by the commissioner. (§ 37-9-6 ACLA 1949; am § 2 ch 144 SLA 1957; am §§ 2, 3 ch 79 SLA 1960; am § 9 ch 96 SLA 1967; am § 19 ch 208 SLA 1975; am § 20 ch 58 SLA 1999)

Sec. 23.15.060. Agreements under Social Security Act. (a) The commissioner may enter into necessary agreements on behalf of the state with the Secretary of Health and Human Services to carry out the provisions of the federal Social Security Act, as amended, and as it is subsequently amended, relating to the making of determinations of disability under Title II and Title XVI of that Act.

(b) The Department of Revenue shall act as the custodian of funds paid by the federal government to the state, shall comply with agreements entered into under the Social Security Act, and shall disburse the funds in accordance with instructions from the director of the division of vocational rehabilitation. (§ 37-9-6 ACLA 1949; am § 2 ch 169 SLA 1955; am § 2 ch 144 SLA 1957; am § 20 ch 208 SLA 1975; am § 1 ch 5 SLA 1978; am § 21 ch 58 SLA 1999)

Cross references. — For federal law relating to eligibility under Titles II and XVI of the Social Security Act, see 42 U.S.C. 422 and 1382.

Sec. 23.15.070. Personnel policies [Repealed, § 84 ch 58 SLA 1999.]

Sec. 23.15.080. Eligibility for vocational rehabilitation service. (a) Vocational rehabilitation service shall be provided directly or through a public or private instrumentality to an individual with a disability who

(1) is a resident of the state at the time of application for the service and whose vocational rehabilitation the agency determines after full investigation can be satisfactorily achieved; or

(2) is eligible for the service under an agreement with another state or with the federal government.

(b) In determining the types and extent of vocational rehabilitation services to be provided to an individual with a disability, the agency shall take into consideration any similar benefits that may be available to the individual under other programs. However, the agency may not take other benefits into consideration when doing so would significantly delay the provision of needed services to the individual with a disability. The agency need not take other benefits into consideration when they are for

(1) diagnostic and related services, including transportation and subsistence in connection with those services;

(2) counseling, guidance, and referral;

(3) training, including personal and vocational adjustment training, and necessary training materials;

(4) services to members of families of individuals with disabilities;

(5) job placement; and

(6) services necessary to assist individuals with disabilities to maintain suitable employment. (§ 37-9-7(1) ACLA 1949; am § 3 ch 144 SLA 1957; am § 2 ch 5 SLA 1978; am § 4 ch 25 SLA 2006)

Effect of amendments. — The 2006 amendment, effective May 10, 2006, substituted "an individual with a disability" for "a handicapped individual" in the introductory language of subsection (a) and twice in the introductory language of subsection (b), and substituted "individuals with disabilities" for "handicapped individuals" in paragraphs (b)(4) and (b)(6).

Sec. 23.15.090. Priority as to eligibility. If vocational rehabilitation service cannot be provided for all eligible individuals with disabilities who apply, the agency shall

provide by regulation for determining the order to be followed in selecting those to whom the services will be provided. (§ 37-9-7(2) ACLA 1949; am § 3 ch 144 SLA 1957; am § 5 ch 25 SLA 2006)

Effect of amendments. — The 2006 amendment, effective May 10, 2006, substituted "individuals with disabilities" for "handicapped individuals."

Sec. 23.15.100. Powers and duties; vending facilities. (a) In carrying out AS 23.15.010 — 23.15.210, the agency shall

(1) take the action it considers necessary or appropriate to carry out the purposes of AS 23.15.010 — 23.15.210 and adopt regulations in conformity with these purposes;

(2) determine the eligibility of applicants for vocational rehabilitation service;

(3) submit to the governor annual reports of activities and expenditures and, before each regular session of the legislature, estimates of sums required for carrying out AS 23.15.010 — 23.15.210 and estimates of the amounts to be made available for this purpose from all sources;

(4) cooperate with public and private departments, agencies, and institutions in providing for the vocational rehabilitation of individuals with disabilities, studying the problems involved in providing this rehabilitation, and establishing, developing, and providing, in conformity with the purposes of AS 23.15.010 — 23.15.210, the programs, facilities, and services that may be necessary or desirable;

(5) survey the potential for providing vending facilities on public property and, when feasible, establish vending facilities operated by blind persons and persons with severe disabilities on public property;

(6) license blind persons and persons with severe disabilities in accordance with AS 23.15.133 for the operation of vending facilities on public property, with blind persons having first priority for operation of the vending facilities;

(7) provide the training and supervision necessary to enable blind persons and persons with severe disabilities to operate vending facilities;

(8) provide the equipment and initial stock necessary to enable blind persons and persons with severe disabilities to operate vending facilities.

(b) In carrying out AS 23.15.010 — 23.15.210, the agency may

(1) enter into agreements with other states to provide for the vocational rehabilitation of residents of the states concerned;

(2) establish and operate rehabilitation facilities and workshops and make grants to public and other nonprofit organizations for these purposes;

(3) supervise the operation of vending stands and other small businesses established under AS 23.15.010 — 23.15.210 to be conducted by individuals with severe disabilities;

(4) make studies, investigations, demonstrations, and reports, and provide training and instruction, including the establishment and maintenance of the research fellowships and traineeships with the stipends and allowances that are considered necessary, in matters relating to vocational rehabilitation; and

(5) adopt regulations necessary for carrying out the provisions of AS 23.15.010 — 23.15.210. (§ 37-9-8(1) (2) ACLA 1949; am § 4 ch 144 SLA 1957; am § 1 ch 75 SLA 1976; am §§ 1, 10 ch 69 SLA 1982; am § 6 ch 25 SLA 2006)

Cross references. — For present law covering the subject matter of former (b)(5) of this section, see AS 23.15.133.

Effect of amendments. — The 2006 amendment, effective May 10, 2006, substituted "individuals with disabilities" for "handicapped individuals" in paragraph (a)(4) and substituted "persons with severe disabilities" for "severely handicapped persons" in paragraphs (a)(5), (a)(6), (a)(7), (a)(8), and substituted "persons with severe disabilities" for "severely handicapped individuals" in (b)(3).

Sec. 23.15.110. Extension of services outside state. Vocational rehabilitation service may be extended to the continental United States to all individuals eligible under

AS 23.15.010 — 23.15.210. The director may place professional or clerical personnel or both inside the continental United States to carry out the purposes of AS 23.15.010 — 23.15.210. (§ 37-9-8(3) ACLA 1949; am § 4 ch 144 SLA 1957; am § 22 ch 208 SLA 1975)

Sec. 23.15.120. Cooperation with federal government. (a) The agency shall cooperate with the federal government in carrying out the purposes of federal laws pertaining to vocational rehabilitation, including the licensing of blind persons to operate vending stands on federal property, and may adopt the methods of administration that are found by the federal government to be necessary for the proper and efficient operation of agreements or plans for vocational rehabilitation. The agency may comply with the conditions that are necessary to obtain the full benefits of the federal laws for the state and its residents.

(b) Upon designation by the governor, the agency may perform functions and services for the federal government relating to individuals under a physical or mental disability, in addition to those provided in (a) of this section. (§ 37-9-9 ACLA 1949; am § 5 ch 144 SLA 1957)

Sec. 23.15.125. Assistive technology loan guarantee and interest subsidy program. (a) An assistive technology loan guarantee fund is established in the agency. The fund consists of money appropriated to it. The agency may solicit and accept available public and private money for distribution from the fund.

(b) Subject to (c) and (d) of this section, the agency may use money in the fund established under this section to guarantee 90 percent of the principal amount of a loan or to subsidize the interest rate of a loan guaranteed by the agency for appropriate assistive technology that is best suited for enabling a person with a disability to

(1) obtain or maintain employment; or

(2) live more independently.

(c) The agency may guarantee a loan or subsidize the interest rate of a loan guaranteed under this section if

(1) the loan is made to a person with a disability or a member of the person's family to obtain assistive technology for the person with a disability within the limitations of (b) of this section;

(2) the loan is originated and serviced by a state or federally chartered financial institution located in the state;

(3) before a loan guarantee or subsidy is requested from a lending institution, the agency determines that the person requesting the loan guarantee or subsidy is not able to obtain the needed assistive technology from a less costly source;

(4) the lending institution determines that the person or the family of a child reasonably can be expected to repay the loan given their expected income or other resources; and

(5) for a loan to modify a vehicle to provide transportation for a person with a disability, the applicant has been steadily employed for the 90 days immediately preceding the date of the loan application.

(d) The director shall establish an assistive technology loan committee within the agency. The committee shall consist of the director, or the director's designee, a representative of a financial institution who is experienced with consumer loans, and at least one but not more than three persons with disabilities. The committee shall

(1) establish guidelines for providing loans under this section, including guidelines relating to the maximum amounts and duration of loans and guidelines to ensure that persons with disabilities who live in rural or remote areas of the state have adequate access to loans under this section;

(2) annually establish the percentage of money in the fund that may be used for subsidizing the interest rates on loans guaranteed under this section; and

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(3) make reports and recommendations to the legislature on the operation of the loan program.

(e) In this section,

(1) "assistive technology" means durable equipment, adaptive aids, and assistive devices;

(2) "person with a disability" means an individual having a physical or mental disability. (§ 1 ch 65 SLA 1995; am § 7 ch 25 SLA 2006)

Effect of amendments. — The 2006 amendment, effective May 10, 2006, deleted "a handicapped individual or" preceding "an individual" in paragraph (e)(2).

Sec. 23.15.130. Vocational rehabilitation small business enterprise revolving fund. (a) There is created in the state treasury a revolving fund designated as the vocational rehabilitation small business enterprise revolving fund. The fund shall be administered by the director.

(b) Receipts from the net proceeds of vending facilities on public property, other than vending facilities operated by a licensee, shall be paid into the fund.

(c) The commissioner of administration shall separately account for receipts under (b) of this section that are paid into the vocational rehabilitation small business enterprise revolving fund. The annual estimated receipts of the fund may be used by the legislature to make appropriations to the department to aid licensees in operating vending machine facilities.

(d) In this section "net proceeds" means the gross receipts from operating a vending facility less the costs of operation and a fair return to the operator, to be determined by the agency. (ACLA 1949, § 37-9-10, as enacted by § 6 ch 144 SLA 1957; am § 3 ch 75 SLA 1976; am § 2 ch 69 SLA 1982; am § 45 ch 138 SLA 1986)

Sec. 23.15.132. Vending facilities. (a) A vending facility may not be established on public property that is under the jurisdiction of the state except as authorized by the commissioner.

(b) A vending facility authorized by the commissioner shall be selected and located after consulting with the persons responsible for the maintenance and operation of the property to be served by the vending facility. A contract for the operation of the vending facility by a licensee shall be executed by the agency and must contain provisions ensuring that the licensee shall charge reasonable prices and that the vending facility shall provide high quality merchandise. (§ 3 ch 69 SLA 1982; am § 32 ch 40 SLA 2008)

Effect of amendments. — The 2008 amendment, effective May 23, 2008, deleted "of education and early development" following "commissioner" at the end of subsection (a) and in the first sentence of subsection (b).

Opinions of attorney general. — A coffee/pop fund operated by state employees to purchase coffee and soda pop for themselves is not a "vending facility" within the meaning of this section. April 12, 1988 Op. Att'y Gen.

Sec. 23.15.133. Vendors' licenses. (a) The agency shall issue a license for the operation of a vending facility on public property to a blind person or a person with a severe disability who is a resident of the state at the time of application and who qualifies for a license under

(1) 20 U.S.C. 107 — 107f (Randolph-Sheppard Act); or

(2) regulations adopted by the agency providing for licensing of blind persons or persons with severe disabilities.

(b) A license issued under this section does not expire. However, a license may be revoked if the agency finds that the licensee is not operating the facility in accordance with regulations adopted by the agency. (§ 3 ch 69 SLA 1982; am § 8 ch 25 SLA 2006)

Effect of amendments. — The 2006 amendment, effective May 10, 2006, substituted "a person with a severe disability" for "severely handicapped person" in the introductory language of subsection (a), corrected

a statutory reference in paragraph (a)(1), and substituted "persons with severe disabilities" for "severely handicapped persons" in paragraph (a)(2).

Sec. 23.15.134. Active participation by licensees with severe disabilities. The agency shall adopt regulations that ensure the opportunity for active participation by a licensee with severe disabilities in the administration of vending facilities operated by licensees with severe disabilities. The opportunity for active participation provided under this section must be at least as extensive as the opportunity for active participation provided for a blind licensee under AS 23.15.135. (§ 3 ch 69 SLA 1982; am § 9 ch 25 SLA 2006)

Effect of amendments. — The 2006 amendment, effective May 10, 2006, substituted "licensee with severe disabilities" for "severely handicapped licensee" and "licensees with severe disabilities" for "severely handicapped licensees" in the first sentence.

Sec. 23.15.135. Committee of blind vendors. (a) The Committee of Blind Vendors consisting of all blind licensees is established. The agency shall conduct a biennial election of a president, vice-president, secretary, and treasurer of the committee and may conduct elections to fill vacancies in office at any time.

(b) The commissioner shall assure active participation by the Committee of Blind Vendors in administrative, policy, and program development decisions concerning vending facilities operated by blind licensees. The agency shall, with active participation by the Committee of Blind Vendors,

(1) adopt regulations providing for the licensing of blind persons for the operation of vending facilities on public property;

(2) consider and respond to grievances of blind licensees;

(3) develop and administer a statewide system for the transfer and promotion of blind licensees;

(4) develop training and retraining programs for blind licensees and for blind persons interested in obtaining a license to operate a vending facility;

(5) organize meetings and conferences for blind licensees;

(6) adopt regulations necessary to assure that vending facilities operated by blind licensees are administered by the agency in a substantially equivalent manner whether a vending facility is located on state or federal property;

(7) designate public property as appropriate for the location of a vending facility operated by a blind licensee.

(c) To ensure the opportunity for active participation in decisions that affect the administration of vending facilities operated by blind licensees the agency shall, before each meeting of the Committee of Blind Vendors, provide the committee with written information on matters to be considered. The agency shall provide the committee with reasons in writing for decisions and actions of the agency that do not conform to recommendations submitted by the committee. (§ 3 ch 69 SLA 1982; am § 33 ch 40 SLA 2008)

Effect of amendments. — The 2008 amendment, effective May 23, 2008, deleted "of education and early development" following "commissioner" in the first sentence of subsection (b).

Sec. 23.15.136. Group insurance for certain licensees. The agency shall purchase group insurance coverage under AS 39.30.090 for licensees holding current operating agreements. The employer share of the insurance premium shall be paid from the vocational rehabilitation small business enterprise revolving fund. (§ 1 ch 38 SLA 1990)

Sec. 23.15.140. Vocational Rehabilitation Fund. [Repealed, § 2 ch 23 SLA 1968.]

Sec. 23.15.1 custodian of al enacted by § 6

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Sec. 23.15.2 the administra to influence or interfering witl purpose. An off not be obliged contribution fo to discharge or

Sec. 23.15.2 (1) "active p Vendors or a li

Sec. 23.15.150. Custodian of funds. The Department of Revenue is designated custodian of all vocational rehabilitation funds in the state. (ACLA 1949, § 37-9-12, as enacted by § 6 ch 144 SLA 1957)

Sec. 23.15.160. Gifts. The commissioner may accept a gift or donation from a public or a private source that is offered unconditionally for carrying out AS 23.15.010 — 23.15.210. The commissioner may accept a conditional gift if, in the judgment of the agency, the conditions are proper and consistent with AS 23.15.010 — 23.15.210. (ACLA 1949, § 37-9-13, as enacted by § 6 ch 144 SLA 1957; am § 3 ch 23 SLA 1968; am § 22 ch 58 SLA 1999)

Sec. 23.15.170. Maintenance not assignable. The right of an individual with a disability to maintenance under AS 23.15.010 — 23.15.210 is not transferable or assignable at law or in equity. (ACLA 1949, § 37-9-14, as amended by § 6 ch 144 SLA 1957; am § 10 ch 25 SLA 2006)

Effect of amendments. — The 2006 amendment, effective May 10, 2006, substituted "an individual with a disability" for "a handicapped individual."

Sec. 23.15.180. Hearings. (a) An individual applying for or receiving vocational rehabilitation who is aggrieved by the action or inaction of the agency is entitled to a fair hearing by the agency, in accordance with regulations.

(b) A blind person or a person with a severe disability aggrieved by a decision or action of the agency under AS 23.15.133 — 23.15.135 shall receive a hearing on request in accordance with AS 44.62.330 — 44.62.630 (Administrative Procedure Act). A blind person may also file a complaint in accordance with 20 U.S.C. 107d-1 for arbitration of a grievance. (ACLA 1949, § 37-9-15, as amended by § 6 ch 144 SLA 1957; am § 4 ch 69 SLA 1982; am § 11 ch 25 SLA 2006)

Effect of amendments. — The 2006 amendment, effective May 10, 2006, substituted "a person with a severe disability" for "severely handicapped person" in the first sentence of subsection (b).

Sec. 23.15.190. Misuse of lists and records. Except for purposes directly connected with the administration of the vocational rehabilitation program and in accordance with regulations, a person may not solicit, disclose, receive, or make use of, or authorize, knowingly permit, participate in, or acquiesce in the use of a list of, names of, or information concerning, persons applying for or receiving vocational rehabilitation, directly or indirectly, derived from the records, papers, files, or communications of the state or an agency of the state, or acquired in the course of the performance of official duties. An officer or employee violating this provision is subject to discharge or suspension. (ACLA 1949, § 37-9-16, as amended by § 6 ch 144 SLA 1957)

Sec. 23.15.200. Limitation on political activity. An officer or employee engaged in the administration of the vocational rehabilitation program may not use official authority to influence or permit the use of the vocational rehabilitation program for the purpose of interfering with an election or affecting the results of an election or for a partisan political purpose. An officer or employee may not solicit or receive, and an officer or employee may not be obliged to contribute or render, a service, assistance, subscription, assessment, or contribution for a political purpose. An officer or employee violating this section is subject to discharge or suspension. (ACLA 1949, § 37-9-17, as amended by § 6 ch 144 SLA 1957)

Sec. 23.15.210. Definitions. In AS 23.15.010 — 23.15.210,

(1) "active participation" means a process through which the Committee of Blind Vendors or a licensee is provided the opportunity to exert a major influence in program

policies, standards, and procedures affecting the operation of vending facilities, with the commissioner having final responsibility;

(2) "agency" means the division of vocational rehabilitation;

(3) "blind person" means a person whose central visual acuity does not exceed [illegible] in the better eye with correcting lenses, or whose visual acuity, if better than [illegible] is accompanied by a limit to the field of vision in the better eye to such a degree that its widest diameter subtends an angle of not greater than 20 degrees; an examination by an ophthalmologist or by an optometrist is necessary before a person is found to be blind;

(4) "director" means the director of the division of vocational rehabilitation;

(5) "individual having a physical or mental disability" means an individual who has a physical or mental condition that materially limits, contributes to limiting, or, if not corrected, will probably result in limiting the individual's activities or functioning;

(6) "individual with a disability" means an individual having a physical or mental disability that for that individual constitutes or results in a substantial barrier to employment and who can reasonably be expected to benefit in terms of employability from the provision of vocational rehabilitation services;

(7) "licensee" means a blind person or a person with a severe disability licensed by the division of vocational rehabilitation under 20 U.S.C. 107 — 107b and 107d — 107f (Randolph-Sheppard Act), AS 23.15.133, and regulations adopted under federal or state law;

(8) "person with a severe disability" means a person who has one or more physical or mental disabilities that seriously limit the person's functional capacities in terms of regular employment and whose vocational rehabilitation requires multiple vocational rehabilitation services over an extended period of time;

(9) "public property" means real or personal property owned or leased by the state or federal government or an agency of the state or federal government;

(10) "vending facility" means a vending machine, cafeteria, snack bar, shelter, cart, or counter where food, tobacco, newspapers, periodicals, and other articles are offered for sale to the general public and dispensed automatically or manually whether prepared on or off the premises; and excludes a facility in a hospital, school, or other institution where food or other articles are offered for sale only to patients, inmates, and persons enrolled in or employed by the institution;

(11) "vocational rehabilitation service" means goods and services, including diagnostic and related services, necessary to enable an individual with a disability to engage in gainful employment;

(12) "workshop" means a rehabilitation facility engaged in a production or service operation that is operated for the primary purpose of providing gainful employment or professional services to persons with disabilities as an interim step in the rehabilitation process for those who cannot readily be absorbed in the competitive labor market or during times when employment opportunities for them in the competitive labor market do not exist. (§ 37-9-5 ACLA 1949; am § 1 ch 169 SLA 1955; am § 1 ch 144 SLA 1957; am § 23 ch 208 SLA 1975; am § 2 ch 75 SLA 1976; am §§ 3-6 ch 5 SLA 1978; am §§ 5-8 ch 69 SLA 1982; am § 84 ch 58 SLA 1999; am § 12 ch 25 SLA 2006; am § 34 ch 40 SLA 2008)

Revisor's notes. — This section was reorganized in 1984 to place the defined terms in alphabetical order.

Effect of amendments. — The 2006 amendment, effective May 10, 2006, substituted "not greater" for "no greater" in paragraph (3), substituted "individual with a disability" for "handicapped individual" and "barrier" for "handicap" in paragraph (6), substituted "blind person or a person with a severe disability" for "blind or severely handicapped person" in paragraph (7), inserted paragraph (8), deleted former paragraph (10) which defined "severely handicapped person," substituted "an individual with a disability" for "a handicapped individual" in paragraph (11), substituted "persons with disabilities" for "the handicapped" in paragraph (12), and renumbered paragraphs to properly reflect alphabetical order.

The 2008 amendment, effective May 23, 2008, deleted "of education and early development" following "commissioner" in paragraph (1).

Opinions of attorney general. — A coffee/pop fund operated by state employees to purchase coffee

and soda pop for themselves is not a "vending facility" within the meaning of AS 23.15.132. April 12, 1988 Op. Att'y Gen.

NOTES TO DECISIONS

Quoted in Bignell v. Wise Mechanical Contractors, 651 P.2d 1163 (Alaska 1982).

Article 2. State Vocational Rehabilitation Committee.

Section	
220.	Purpose
230.	Appointment of committee
240.	Selection and term of chair
250.	Compensation and expenses
260.	Meetings
270.	Cooperation with other committees and agencies
280.	Appointment of advisors
290.	Employ people with disabilities week
300.	Manner of handling funds
310.	Gifts
315.	Fees
320.	Annual report to governor

Legislative history reports. — For governor's transmittal letter for ch. 57, SLA 2010 (SB 83), establishing the State Vocational Rehabilitation Committee in place of the former Governor's Committee on Employment of People with Disabilities, see 2009 Senate Journal 77 — 78.

Sec. 23.15.220. Purpose. The purpose of AS 23.15.220 — 23.15.320 is to create a State Vocational Rehabilitation Committee for Alaska to carry on a continuing program to promote the employment of people of the state with disabilities by creating statewide interest in the rehabilitation and employment of people with disabilities, and by obtaining and maintaining cooperation with public and private groups and individuals in this field. (§ 1 ch 23 SLA 1960; am § 1 ch 7 SLA 1989; am § 1 ch 57 SLA 2010)

Effect of amendments. — The 2010 amendment, effective June 10, 2010, substituted "State Vocational Rehabilitation Committee" for "Governor's Committee on Employment of People with Disabilities".

Collateral references. — Accommodation requirement under state legislation forbidding job discrimination on account of handicap. 76 ALR4th 310.

Handicap as job disqualification under state legislation forbidding job discrimination on account of handicap. 78 ALR4th 265.

Damages and other relief under state legislation forbidding job discrimination on account of handicap. 78 ALR4th 435.

What constitutes handicap under state legislation forbidding job discrimination on account of handicap. 82 ALR4th 26.

When must specialized testing, training, or other work procedures be provided for benefit of qualified disabled employee or applicant to fulfill employer's reasonable accommodation requirement. 127 ALR Fed. 559.

Action under Americans with Disabilities Act (42 U.S.C.A. §§ 12101 et seq.), to remedy alleged harassment or hostile work environment. 162 ALR Fed. 603.

Sec. 23.15.230. Appointment of committee. The governor shall appoint the members of the State Vocational Rehabilitation Committee for staggered terms not exceeding three years. The composition of the committee must be consistent with the requirements of 29 U.S.C. 725 and 3003, as amended. A member may be reappointed, and a vacancy shall be filled by the governor. (§ 2 ch 23 SLA 1960; am § 5 ch 168 SLA 1990; am § 2 ch 57 SLA 2010)

Cross references. — For transitional provision relating to the continued service of members of the former Governor's Committee on Employment of People with Disabilities as members of the State Vocational Rehabilitation Committee, as the committee is recomposed under this section, see § 5, ch. 57, SLA 2010, in the 2010 Temporary and Special Acts.

Effect of amendments. — The 2010 amendment, effective June 10, 2010, rewrote the section.

Sec. 23.15.240. Selection and term of chair. The members of the committee shall select a chair from among the voting members of the committee, subject to disapproval by

LEGISLATIVE RESEARCH REPORT

SEPTEMBER 27, 2010

REPORT NUMBER 11.032

BUSINESS ENTERPRISE PROGRAM FOR THE BLIND

PREPARED FOR SENATOR BETTYE DAVIS

BY TIM SPENGLER, LEGISLATIVE ANALYST

You asked how many states are in compliance with the federal Randolph-Sheppard Act, which provides employment opportunities for blind individuals through the establishment and operation of vending facilities on federal property.[1] Additionally, you wanted to know the results of a 2008 federal audit of the Alaska Division of Vocational Rehabilitation, Business Enterprise Program, regarding the state's compliance with the act. Briefly, only Wyoming is not in compliance with the act and Alaska has yet to receive results from the 2008 audit.

Through the Randolph-Sheppard Act programs, individuals who are blind are given priority in the contracting for vending facilities on federal property. Typically, blind individuals who receive Randolph-Sheppard contracts act as managers of vending facilities, subcontracting with food service organizations to provide meals and/or vending services on a day-to day basis. Administered by state licensing agencies through the U.S. Department of Education's Rehabilitation Services Administration, Randolph-Sheppard Act programs are often labeled "business enterprise programs," as is the case in Alaska.

Alaska's Business Enterprise Program includes both the Randolph-Sheppard component and a similar state-created program, which was initiated with the Chance Act of 1976.[2] The Chance Act created a program similar to the Randolph-Sheppard Act but for blind *and* severely disabled individuals on *state and other property.* As of October 2009, Alaska's Business Enterprise Program had six sites operating in federal facilities, under Randolph-Sheppard, and six sites operating in state facilities, under the Chance Act. We include, as Attachment A, details on these 12 operations.[3]

Daniel Fry, management and program specialist, Randolph-Sheppard Programs, U.S. Department of Education, Rehabilitation Services Administration (RSA), informs us that while Randolph-Sheppard programs are not mandatory, every state except Wyoming chooses to participate.[4] Mr. Fry relates that

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[1] Public Law (P.L.) 74-732, as amended by P.L.83-565, and P.L. 93-516; 20 USC 107 et seq.

[2] Section 1 ch 75 SLA 1976. AS 23.15.100 through 23.15.210 pertain to blind and severely disabled vendors.

[3] A 13th vending site—at the Palmer Hospital—has been added to the programs within the last year.

[4] Daniel Fry, management and program specialist, Randolph-Sheppard Programs, U.S. Department of Education, Office of Special Education and Rehabilitation Services, Rehabilitation Services Administration, can be reached at (202) 245-7308.

state programs are periodically audited by the RSA and a number are working on some form of improvement plan, based on RSA recommendations.[5]

The Rehabilitation Services Administration, in June of 2008, audited by conducting an on-site review, the State of Alaska's Business Enterprise Program. To date, however, Alaska has not received the results of the audit. Mr. Fry acknowledges that his agency has been unable to complete reviews in a timely fashion due to a large backlog of audits coupled with staffing shortages. He informs us that the RSA (now nearly fully staffed) is uncertain at this juncture when or if Alaska will receive a report regarding the 2008 audit. The agency may wait until Alaska is next audited (Mr. Fry was unable to estimate when this would occur) to produce a written report.

Mr. Fry suggests that if a dispute arises on a particular Randolph-Sheppard issue, an individual could contact his or her state's program coordinator to see if a resolution can be achieved. In Alaska, Pamela Geary is the business enterprise program coordinator.[6] If such an intervention does not prove successful, and there is evidence of an egregious breach of the Randolph-Sheppard Act, the RSA can be contacted and may become involved.

For another perspective, we contacted Mark Maurer, president of the National Federation of the Blind (NFB).[7] Mr. Mauer concurs with Mr. Fry that Wyoming is the only state without a Randolph-Sheppard Act program, and that states are often in the process of tweaking their programs to increase effectiveness. He is unaware of any major issues regarding Alaska's program during his 23 years as president of the NFB.

We hope you find this information to be useful. Please let us know if you have questions or need additional information.

[5] According to Mr. Fry, there is no federal provision that speaks to a blind individual being a vendor in multiple locations, which was of interest to you.

[6] Pamela Geary, Alaska's BEP coordinator, can be reached at (907) 269-3568. We spoke with Mark Dale, administrative manager for vocational rehabilitation, and Ms. Geary's supervisor. He asserts that the state is operating its program in a prudent, fair, and efficient way. Mr. Dale will send us a copy of any federal audit report that the program receives, which we will then pass along to your office.

[7] Mark Maurer, president, National Federation of the Blind, can be reached at (410) 659-9314.

Attachment A

Business Enterprise Program Vendors, State of Alaska, Business Enterprise Program, October 12, 2009

BUSINESS ENTERPRISE PROGRAM VENDORS
STATE OF ALASKA
BUSINESS ENTERPRISE PROGRAM

Effective 10/13/2009

FEDERAL FACILITIES: RANDOLPH-SHEPPARD (6 sites)				
BUILDING & LOCATION	**BUSINESS NAME**	**NAME**	**BUSINESS PHONE #**	**TYPE OF BUSINESS**
FORT RICHARDSON, ANCHORAGE Gold Rush Inn Wilderness Inn		CLELAND, BOBBIE with teaming partner Blackstone Consulting	(907) 240-4516	Military Dining Facility
U.S. POST OFFICE AIRPORT FACILITY ANCHORAGE	*DEBBIE'S FOOD CACHE*	GRACE, DEBBIE	(907) 563-0368	Vending Machines
U.S. FISH & WILDLIFE ANCHORAGE	*RUFOUS CAFÉ*	BENNETT, ANDREW	(907) 244-2210	Snack Bar
FT. WAINWRIGHT, FAIRBANKS 5 Dining Facilities Hospital		LAFEVER, HARVEY with teaming partner Blackstone Consulting	(907) 356-7814	Military Dining Facility
FEDERAL BUILDING ANCHORAGE	*BILL'S MINI CACHE*	MISNER, BILL	(907) 279-9730	Dry Stand
ALASKA NATIVE MEDICAL CENTER ANCHORAGE	*JIMES*	SWARTZ, JAMES	(907) 250-6471	Snack Bar
ALASKA STATE FACILITIES: CHANCE ACT		(6 sites)		
STATE COURTHOUSE ANCHORAGE	*PENTAGON NORTH FOOD SERVICES*	RENAUD, RICK	(907) 250-1684	Snack Bar
STATE OFFICE BUILDING JUNEAU	*CLAUDIA'S CACHE*	CRISS, CLAUDIA	(907) 586-3200	Snack Bar
FOURTH AVENUE JAIL ANCHORAGE	*JOE'S FOOD SERVICE*	LEGNER, JOE	(907) 398-0911	Snack Bar
STATE COURTHOUSE FAIRBANKS	*BELLE' ROSE ESPRESSO*	LUKE, HARRY	(907) 452-9249	Snack Bar
NATIONAL GUARD ARMORY FT. RICHARDSON, ANCHORAGE	*THE CANTEEN*	UNDER 1-YEAR CONTACT 11/01/09-10/31/10	(907) 428-0519	Cafeteria
ATWOOD BUILDING ANCHORAGE	*JOE'S FOOD SERVICE*	JOE LEGNER	(907) 748-0160	Vending Machines
BEP Coordinator contact information: Pamela Geary pamela.geary@alaska.gov		(907) 269-3568 1251 Muldoon Rd. Suite 103, Anchorage, AK 99504	1-888-274-5614	

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America's blind unemployment stands at 70 percent Advocates blame

Journal Record, The (Oklahoma City), Jul 6, 1999 by Lori Johnston Associated Press

ATLANTA -- In a labor market so tight that many employers are begging for workers, 70 percent of blind Americans who want a job can't find one, and advocates blame discrimination, a drop in Braille literacy and, perhaps most important, the computer mouse.

While the nation's overall unemployment rate is at a 29-year low of 4.2 percent, the level of joblessness among the blind has remained stagnant for about a decade, according to the U.S. Labor Department.

"The Americans with Disabilities Act seems to have had no impact on this," said Barbara Pierce, spokeswoman for the National Federation of the Blind at the group's annual convention in Atlanta. The act, passed in 1990, bans discrimination based on disability and requires employers to take "reasonable" steps to accommodate disabled people.

In addition to the 70 percent of the blind who are unemployed, 30 percent of those who are working are considered underemployed in relation to their qualifications, according to the Labor Department.

Over the years, technology has made things much easier for blind people. Converting text to Braille, once a painstaking process, can now be done by computers, and some office equipment is available with Braille-embossed buttons.

But other technology has hurt the employment chances of the 750,000 blind Americans.

Many blind people once worked as receptionists, taking dictation and answering the phone for managers and executives.

But voice mail and e-mail have changed the job description, requiring more computer skills.

And software that requires the user to move around the screen with a mouse and click on icons is nearly impossible for blind people to learn.

Peg Halverson, who has been out of a job for the past two years, said she could use software that includes graphics if someone would put it in a blind-friendly format that relies mostly on keystroke commands and speaks out loud to the user to alert him or her to what is on the screen.

"I want to be employed. I want to contribute to society," said Halverson, 44. "I'm thinking, `I have a business degree, I have basically 20 years of administrative experience, and I can't even get a customer service job.'"

Pierce said software makers that convert point-and-click programs so that the blind can use them are a couple of years behind the rest of the fast-moving computer industry.

Advocates said another problem has been a decline in the number of blind children learning Braille. During the past 30 years, the percentage of blind children learning Braille in the United States has fallen from about 50 percent to less than 10 percent, according to the federation.

The reason: a push during the past two decades to get blind children out of special schools and "mainstream" them with other youngsters.

The federation backs mainstreaming, but according to Ms. Pierce, many school systems saw it as a chance to cut costs by hiring fewer teachers for disabled students and rolling back Braille instruction to only once or twice a week.

Another big obstacle for blind people trying to find jobs is employers' attitudes, advocates said. Many managers think blind people are helpless and can't be effective workers. "This is pity- based discrimination," Pierce said.

Advocates said there is technology to help the blind in many jobs.

Some companies may balk when told that a blind employee will require a $3,000 Braille embosser that works like a computer printer that would cost less than $500. However, Ms. Pierce said, there are state, federal and private programs that help employers pay for such equipment.

At the convention, blind people are attending workshops on writing resumes, interviewing and dealing with discrimination.

Lynn Mattioli, a hospital dietitian in Baltimore, said she doesn't try to avoid the subject of her blindness during job interviews. Instead, she tells employers exactly how she proposes to overcome her disability and get the job done.

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Employment Statistics for People Who Are Blind or Visually Impaired: U.S.

This document is being archived because the information it contains is not recent data and may be outdated. See Featured Resources for Employment Statistics for the most recent employment data pertaining to people with vision loss.

What are these statistics?

This set of statistics starts with the broadest grouping as background, that is, the entire U.S. population. It then narrows down, step by step, to focus on the employment status of relevant groupings of people who are blind (legally blind); those who are visually impaired (other people with serious difficulty seeing that cannot be corrected with ordinary glasses); and, for comparison, the general public with no serious visual or other impairment. Also shown are statistics for broad age groups *within* the vision groupings.

Where are these statistics from?

Most of the data come from a 1994-95 national survey conducted by the federal government's National Center for Health Statistics. That study provides details about employment status of legally blind and other visually impaired adults that are not available from other national studies. The specific definitions and methods of the study are explained in a report by AFB research staff (Kirchner et al., 1999).

How are the statistics organized here?

Each numbered set, from 1 to 10, deals with a different grouping. For example, one set refers to blind and visually impaired people grouped together, whereas another set refers only to people who are legally blind and the next set refers only to people who are visually impaired, excluding those who are legally blind.

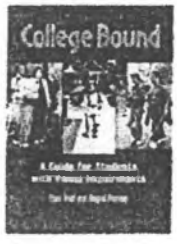
Within each set—starting with #4—the lettered items differ by referring, A, to the number and percentage of people who *are* employed, and B, to the number and percentage who are *not* employed.

The employment data are also provided in a question and answer format. The questions and answers section follows after the numbered items.

CareerConnect
For Job Seekers
For Employers
For Professionals
For Mentors
For Family and Friends
For Teens
Success Stories
CareerConnect Multimedia
Navigation Guide
CareerConnect FAQ
NIB CareerNet®
Webcast Presentations

Related Links:
Job Listings
Assistive Technology

College Bound:
A Guide for Students with Visual Impairments



1. Total Population of the United States

About 262 million (1994-95).

2. A. Estimated number of blind & visually impaired people of all ages, *including* institutionalized and homeless people

7 to 10 million (1994-5).

2. B. Estimated number of blind & visually impaired people who live in households (i.e., *excluding* institutionalized and homeless) of all ages

6 to 8 million (1994-5).

Note: Only people who live in households, including those who live alone, are covered by surveys used for statistics on employment. The range of estimates exists because various national studies use different definitions and methods.

3. Estimated number and percentage of household-based blind & visually impaired people who are of working age, defined as 18 through 69 years old

About 2 to 3 million (1994-95) or 35-40% of all blind & visually impaired household-based people.

4. A. Employed: estimated number and percentage of working age (18 to 69 years old) blind & visually impaired people who are employed

1 to 1.3 million people or 40-45% (1994-95).

4. B. Not Employed: estimated number and percentage of working age (18 to 69 years old) blind & visually impaired people who are not employed

1 to 1.7 million people or 55-60% (1994-95).

5. A. Employed: estimated number and percentage of legally blind people of working age (18 to 69 years old) who are employed

About 160,000 people or 30% (1994-95).

5. B. Not employed: estimated number and percentage of legally blind people of working age (18 to 69 years old) who are not employed

About 375,000 people or 70% (1994-95).

6. A. Employed: estimated number and percentage of visually impaired (excluding legally blind) people of working age (18 to 69 years old) who are employed

About 1.1 million people or 45% (1994-95).

6. B. Not employed: estimated number and percentage of visually impaired (excluding legally blind) people of

working age (18 - 69 years old) who are not employed

About 1.4 million people or 55% (1994-95).

7. A. Employed: estimated number and percentage of blind & visually impaired people of working age, by age category, who are employed:

- Ages 18 through 54 years—About 868,000 people or 54% (1994-95)
- Ages 55 through 69 years—About 217,000 people or 22% (1994-95)

7. B. Not employed: estimated number and percentage of blind & visually impaired people of working age, by age category, who are not employed:

- Ages 18 through 54 years—About 740,000 people or 46% (1994-95)
- Ages 55 through 69 years#8212;About 769,000 people or 78% (1994-95)

8. A. Employed: estimated number and percentage of legally blind people of working age, by age category, who are employed:

- Ages 18 through 54 years—About 145,000 people or 42% (1994-95)
- Ages 55 through 69 years—About 17,000 people or 9% (1994-95)

8. B. Not employed: estimated number and percentage of legally blind people of working age, by age category, who are not employed:

- Ages 18 through 54 years—About 200,000 people or 58% (1994-95)
- Ages 55 through 69 years—About 171,000 people or 91% (1994-95)

9. A. Employed: estimated number and percentage of visually impaired people (excluding legally blind) of working age, by age category, who are employed:

- Ages 18 through 54 years—About 733,000 people or 59% (1994-95)
- Ages 55 through 69 years—About 149,000 people or 20% (1994-95)

9. B. Not employed: estimated number and percentage of visually impaired people (excluding legally blind) of working age, by age category, who are not employed:

- Ages 18 through 54 years—About 509,000 people or 41% (1994-95)
- Ages 55 through 69 years—About 598,000 people or 80% (1994-95)

10. A. Employed: estimated number and percentage of the general population with no serious impairments, of working age, who are employed:

- Ages 18 through 54 years—About 97,649,000 people or 82% (1994-95)
- Ages 55 through 69 years—About 1,453,000 people or 54% (1994-95)

10. B. Not employed: estimated number and percentage of the general population with no serious impairments, of working age, who are not employed:

- Ages 18 through 54 years—About 21,435,000 people or 18% (1994-95)
- Ages 55 through 69 years—About 9,756,000 people or 46% (1994-95)

Employment Statistics Questions and Answers

What percentage of working-age adults who are visually impaired (not including those who are legally blind) are employed in the U.S.?

Please note that this older estimate is provided pending the availability of more current information. In 1994-95, approximately 46% of working-age adults (ages 18-69) who were visually impaired but not legally blind were employed.

Definition and scope: This estimate includes adults aged 18-69 years, who have a vision loss with a visual acuity better than 20/200, and a visual field of better than 20 degrees.

Data source: National Center for Health Statistics (1998), National Health Interview Survey--Disability Supplement, 1994-95, www.cdc.gov/nchs/nhis.htm.

What percentage of working-age adults who are legally blind are employed?

Please note that this older estimate is provided pending the availability of more current information. In 1994-95, approximately 32% of working-age adults who were legally blind were employed.

Definition and scope: This estimate included adults 18-69

years of age who were legally blind. Legal blindness is a level of vision loss that has been defined by law to determine eligibility for benefits. It refers to central visual acuity of 20/200 or less in the better eye with the best possible correction, or a visual field of 20 degrees or less.

Data source: National Center for Health Statistics (1998), National Health Interview Survey--Disability Supplement, 1994-95, www.cdc.gov/nchs/nhis.htm. For further information, see Kirchner, C., Schmeidler, E., & Todorov, A. (1999). Looking at employment through a lifespan telescope: Age, health, and employment status of people with serious visual impairment. Mississippi State: Mississippi State University, Rehabilitation Research and Training Center on Blindness and Low Vision.

When age is taken into account, what percentage of working-age adults who are visually impaired (not including those who are legally blind) are employed in the U.S.?

Please note that this older estimate is provided pending the availability of more current information. In 1994-95, over three-fifths of visually impaired individuals in the "prime working years" of 22-50 years old were employed. About two-fifths of those 50-59 years old, and one-fifth of those 60 and older, were employed.

Definition and scope: This estimate includes adults aged 18-69 years, who have a vision loss with a visual acuity better than 20/200, and a visual field of better than 20 degrees.

Data source: National Center for Health Statistics (1998), National Health Interview Survey--Disability Supplement, 1994-95, www.cdc.gov/nchs/nhis.htm. For further information, see Kirchner, C., Schmeidler, E., & Todorov, A. (1999). Looking at employment through a lifespan telescope: Age, health, and employment status of people with serious visual impairment. Mississippi State: Mississippi State University, Rehabilitation Research and Training Center on Blindness and Low Vision.

When age is taken into account, what percentage of legally blind adults are employed?

Please note that this older estimate is provided pending the availability of more current information. In 1995, almost one-half of legally blind individuals in the 22-50-year-old range were employed. By contrast, fewer than one-quarter of legally blind people ages 50-59 years, and one-tenth of those older than 60 years, were employed.

Definition and scope: This estimate included adults 18-69 years of age who were legally blind. Legal blindness is a level of vision loss that has been defined by law to determine eligibility for benefits. It refers to central visual acuity of 20/200 or less in the better eye with the best

possible correction, or a visual field of 20 degrees or less.

Data source: National Center for Health Statistics (1998), National Health Interview Survey--Disability Supplement, 1994-95, www.cdc.gov/nchs/nhis.htm. For further information, see Kirchner, C., Schmeidler, E., & Todorov, A. (1999). Looking at employment through a lifespan telescope: Age, health, and employment status of people with serious visual impairment. Mississippi State: Mississippi State University, Rehabilitation Research and Training Center on Blindness and Low Vision.

What is the explanation for the discrepancy in the rates of employment between younger (ages 22-50) and older (ages 50-59) visually impaired and legally blind working-age adults?

The lower employment rates for older adults raise the following possibilities:

1. The younger workers have had better access to education.
2. There is age discrimination against older workers.
3. There are more economic disincentives to employment for those closer to retirement age.
4. Adults who have lost their vision late in life have fewer of the skills they would need as employees to cope with their visual impairments.
5. Health problems that might prevent employment increase with age.

Definition and scope: This explanation included adults 18-69 years of age with vision loss, including those who are legally blind. The term vision loss refers to individuals who are visually impaired and, thus, have trouble seeing, even when wearing glasses or contact lenses. These visually impaired individuals have a visual acuity better than 20/200, and a visual field of better than 20 degrees. The term vision loss also refers to individuals who are legally blind or unable to see at all. Legal blindness is a level of vision loss that has been defined by law to determine eligibility for benefits. It refers to central visual acuity of 20/200 or less in the better eye with the best possible correction, or a visual field of 20 degrees or less.

Data source: National Center for Health Statistics (1998), National Health Interview Survey--Disability Supplement, 1994-95, www.cdc.gov/nchs/nhis.htm. For further information, see Kirchner, C., Schmeidler, E., & Todorov, A. (1999). Looking at employment through a lifespan telescope: Age, health, and employment status of people with serious visual impairment. Mississippi State: Mississippi State University, Rehabilitation Research and Training Center on Blindness and Low Vision.

When health is taken into account, how does it affect the rates of employment among visually impaired and blind working-age adults?

Health has a major effect on rates of employment. For visually impaired adults under the age of 55, of those who were in "excellent" or "very good" health, 83% were employed, the same as the percentage for sighted adults. If, however, visually impaired adults under age 55 were in "poor" health, only 20% were employed.

The situation is similar for legally blind adults. Of those under 55 years old who reported "excellent" health, 60% were employed, in comparison to a 5% employment rate for those in "poor" health.

Please note that this older estimate is provided pending the availability of more current information.

Definition and scope: This explanation included adults 18-69 years of age with vision loss, including those who are legally blind. The term vision loss refers to individuals who are visually impaired and, thus, have trouble seeing, even when wearing glasses or contact lenses. These visually impaired individuals have a visual acuity better than 20/200, and a visual field of better than 20 degrees. The term vision loss also refers to individuals who are legally blind or unable to see at all. Legal blindness is a level of vision loss that has been defined by law to determine eligibility for benefits. It refers to central visual acuity of 20/200 or less in the better eye with the best possible correction, or a visual field of 20 degrees or less.

Data source: National Center for Health Statistics (1998), National Health Interview Survey--Disability Supplement, 1994-95, www.cdc.gov/nchs/nhis.htm. For further information, see Kirchner, C., Schmeidler, E., & Todorov, A. (1999). Looking at employment through a lifespan telescope: Age, health, and employment status of people with serious visual impairment. Mississippi State: Mississippi State University, Rehabilitation Research and Training Center on Blindness and Low Vision.

What is the explanation for the discrepancy in the rates of employment between individuals who are blind or visually impaired and those who are sighted?

Seventy-four percent of the sighted working-age public are employed, compared to approximately 46% of working-age adults who are blind or visually impaired. However, the sighted public, as a group, is both younger and in better health than are people who are visually impaired or legally blind, and these two factors have major effects on rates of employment. Please note that the older estimate this explanation is based upon is provided pending the availability of more current information. More current information most likely resembles these older employment estimates.

Definitions

Legal Blindness is a clinical measure that, in the U.S., means a person's central visual acuity is 20/200 or less in

the better eye, when using the best correction that can be provided by ordinary eyeglasses, or he/she has a visual field of 20 degrees or less.

For the data used here, survey respondents reported if they were legally blind, after having responded "Yes" when asked whether they have "serious difficulty seeing, even with glasses." Others with "**serious visual impairment**" were respondents who answered "yes" to the question about serious difficulty seeing, and "no" to legal blindness.

"**Employment**" is based on responses to a survey question asking whether the person had worked at a job or business in the two weeks prior to the interview, or—for those who said "no"—whether they had a job but were on vacation, sick or on layoff. "**Not employed**" includes people who were actively looking for work as well as those who, for various reasons, were not actively looking for work, although they may have been interested in working.

Reference

Kirchner, C., Schmeidler E., Todorov, A., (1999) *Looking at Employment Through a Lifespan Telescope: Age, Health and Employment Status of People with Serious Visual Impairment*, Mississippi State, MS: Rehabilitation Research and Training Center on Blindness and Low Vision.

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Unemployment Rates and Reasons Dissing the Blind

by James S. Nyman



From the Editor: The following remarks were delivered by Dr. James Nyman at the annual White Cane Banquet of the Omaha Chapter of the National Federation of the Blind of Nebraska, Saturday, November 8, 2008. After teaching for a number of years at the university level, Jim Nyman became director of Nebraska Services for the Blind in 1974, a post in which he continued until his retirement in 1998. He reports the first Federationist he met was Jacobus tenBroek. Here are Dr. Nyman's remarks:

In 1994, on our way to visit a friend in South Africa, my wife and I stopped over for a day in Athens. I had looked forward for a long time to visiting this birthplace of western philosophy. Shortly before we arrived there, some Greek archeologists announced they believed they had excavated the prison cell where Socrates had died after drinking a cup of hemlock, a poisonous concoction derived from the hemlock plant. He had been condemned to death for corrupting the youth of Athens by seeking the truth. With some difficulty we found the excavation site on Mount Phillipapou, and I had my wife photograph me standing where Socrates died for the truth. Socrates had discovered that the search for truth sometimes leads into the dens of politics with, in his case, deadly consequences. It has been said that, in politics, truth is often the first casualty. Well, tonight I hope to rescue truth from the hazards of politics but still find it in a topic that is vitally important to blind persons. Unless I am singularly lucky, I may find myself following in the footsteps of Socrates, treading on the same dangerous ground. When I conclude my remarks, don't be offended if I decline any beverage you may offer me.

What is this truth I am seeking? You will probably have guessed that it has something to do with the unemployment rate for blind people. You would be right in part, but I will also be looking for the reasons that explain that rate--whatever it turns out to be. I have to confess up-front that I don't have a definite answer to either question. We have all heard that the unemployment rate for blind people is 70 percent or more. We have heard that percentage repeated many times, and it has achieved the status of a great truth. This is a shocking number, and it may be that the shock itself puts it beyond questioning. If repetition is the measure of truth, we may already have found what I said I was seeking. On the other hand, we might be well advised to heed the ironic caution of a very wise philosopher named Ludwig Wittgenstein, who suggested that this procedure is, "As if someone were to buy several copies of the morning paper to assure himself that what it said was true."

If we can't rely on repetition as the measure of truth, we will have to adopt some other method in the search. The nineteenth-century British statesman Benjamin Disraeli observed that there are three kinds of lies: lies, damned lies, and statistics. If I were to suggest that the repeated claim of a 70 percent unemployment rate is either a lie or a damned lie, I suspect I would have very quickly passed

from the search for truth into the realm of politics and the cup of hemlock would have been handed to me forthwith. So I suppose I will have to fall back on statistics to pursue the truth.

We can start with some official statistics. Each month the U. S. Department of Labor issues a report on the unemployment rate for the previous month. Over the past few years that rate has ranged from 4.2 percent to 6.1 percent. If we accept 70 percent as an accurate figure for the unemployment rate of blind people, the ratio between the Labor Department rate for the general population and the claimed rate for the blind would be anywhere from 11.5 to 16.7 times higher for the blind. In Nebraska the unemployment rate has hovered around 3.5 percent for the past few years, so the ratio would be about twenty times higher in our state. Typically, when individuals and organizations invoke the much higher rate for the blind, it is either implicitly or explicitly equated with the official unemployment rate. Before we can accept this identification, we need to know what the official rate involves.

The concept appears to be simple enough: "Unemployment rate means the ratio of unemployed to the total civilian labor force expressed as a percent." It gets a bit more complicated when we explore the meaning of some of the terms that go into this computation. The Department provides definitions for five terms that are involved:

1. civilian noninstitutional population includes everyone over sixteen except those in institutions and the military;
2. the civilian labor force includes everyone in the civilian population who is either employed or unemployed;
3. employed means working as an employee or in a business, farm, or profession;
4. unemployed is anyone who is available for work and has made specific efforts to obtain a job; and
5. unemployment rate is the percentage of unemployed persons in the labor force.

To simplify and clarify: the civilian labor force is the fraction of the civilian noninstitutionalized population who are either employed or unemployed. At the end of 2007 this was 62.8 percent. In order to be included in the calculation of the unemployment rate, an individual must meet four requirements: he or she must first be sixteen years or older; second, have no employment; third, be available for work; and fourth, have made specific efforts to find employment during the period of reporting. When it is claimed that 70 percent of blind people of working age are unemployed, are we asserting that seven out of every ten blind people satisfy these four requirements of the Labor Department's strict meaning of unemployed, within the civilian labor force? If not, we need to find a more illuminating way to express the shocking truth about the low level of participation of the blind in remunerative employment.

An initial formulation that does not rely on the guidelines for statistical reporting might read: "Seventy percent of people over sixteen who are blind in the civilian noninstitutionalized population are not currently employed. This formulation suggests that 30 percent of blind people of working age are, in fact, employed and are therefore counted in the civilian labor force. This contrasts with the 62.8 percent of the overall civilian population who were in the labor force at the end of 2007. This rate of participation is approximately double that of the blind. What of the 70 percent who are claimed as unemployed?

A glance at statistics for the civilian population helps to illuminate the question. By simply subtracting the 62.8 percent from the total civilian population, we are left with 37.2 percent who are not presently in the labor force. We can reasonably assume that, due to medical and age-related complications associated with blindness in addition to the usual reasons, blind people are absent from the civilian labor force at a somewhat higher rate than that of the general population. Those reasons include such factors as continued education, especially in the younger age range; family

responsibilities; early retirement; disinclination to work; discouragement during job-seeking; and, for a fortunate few, sufficient wealth to eliminate the need for remunerative employment.

Given that 30 percent of blind people are employed and more than 37.2 percent are simply absent from the labor force, we can now ask what percentage can be counted as unemployed. We can only speculate, but 32.8 percent is the absolute maximum and not the 70 percent that is claimed. If we employed the same formula to compute the Department of Labor official unemployment rate as advocates use to calculate the 70 percent figure, we would arrive at the startling conclusion that the monthly unemployment rate had fluctuated between 41.4 percent and 43.3 percent rather than the 4.2 percent and 6.1 percent that has been reported. This, of course, includes the 37.2 percent of the civilian population who simply did not work. One can just imagine the shock waves that would run through Wall Street and the political world if this were reported. Nevertheless, the method used to arrive at this figure would be precisely parallel with that used by advocates to calculate the 70 percent unemployment rate for the blind; that is, it includes all those who are absent from the labor force by choices unrelated to work.

Combining the 30 percent of employed blind persons and the 37.2 percent or more of those absent from the labor force, we arrive at a figure of more than 67.2 percent of those who cannot be counted as unemployed. Less than 32.8 percent appears to be the remainder. Is this, then, the true unemployment rate of the blind? If we now return to the Labor Department statistical reporting standard, the answer will have to be no.

What is the status of this lower percentage? You will recall that, in order to meet the strict standards of the Department of Labor, individuals are counted as "unemployed" only if they are not employed, as defined but "had made specific efforts to find employment." They must also be available for employment, but I will address the question of availability a bit later in my remarks. Meanwhile, for present purposes, "specific efforts to find employment" can include a set of activities as minimal as checking job listings in the local newspaper or on some Internet site, following up on an employment lead, arranging an interview, sending out a résumé, making a cold call, conferring with a rehabilitation counselor, checking with friends and acquaintances in a network of associates, participating in a job training program at a community college, or attending a job fair. While some of this activity will be recorded in documents of one sort or another, it is otherwise a matter of conjecture what portion of these individuals has engaged in one or more of the "specific efforts" enumerated. A full 100 percent would be a generous estimate. Anything less than that would further reduce the percentage who could be counted as unemployed, even under the looser guidelines.

Since being available for employment is one of the Labor Department's criteria for being counted as unemployed, when medical complications and age are considered, the number of blind people who are available for employment is further diminished. While age and medical conditions are not an absolute bar to employment, we know that a higher proportion of the blind experience these additional complications. I cannot quantify the impact of these factors on employment statistics, but the effect is to reduce the unemployment rate significantly below the 32.8 percent that I said was the absolute maximum. If I were not a very modest man, I think I might claim at this point that I had, in the span of a few minutes, cut the unemployment rate for the blind by more than one half. But, it will take more than statistical wizardry to make a substantive difference in the lives of those who fall into the ranks of the unemployed. While it may be politically less dramatic than 70 percent, even the lower percentage is unacceptably high. The lower number, however, should allow us to focus on the fact that it is not a global percentage that we need to reduce, but rather the lives of many individuals that we need to improve.

To recapitulate the analysis: 30 percent of the blind of working age are employed, and around 40 percent are neither seeking employment nor available for work, so that 30 percent or fewer are technically unemployed. This change of perspective should permit us to focus our attention on the particular factors that explain the unacceptably low rate of participation in the labor force. It puts us in a better position to formulate individual plans and general policies to attack the problem.

Dissing the Blind

For simplification I have identified a half dozen factors that, singly or in some combination, are involved in most cases of unemployment. Since each of these factors begins with the three letters D-I-S, I call this "Dissing the blind." Thus we have 1. discrimination, 2. disincentives, 3. distance, 4. discouragement, 5. disinclination, and 6. disability. We can only hope that the complexity of particular situations will not leave us in the position of the unfortunate centipede in the poem:

The centipede was happy quite,
Until the toad, in fun, said, "Pray:
Which leg comes after which?"
Which brought its mind to such a pitch,
It lay distracted in a ditch.

1. Discrimination: As blind people we are fortunate if we get from one end of a day to the other without experiencing some form of discrimination. It is a pervasive phenomenon with many manifestations. Any time we confront some form of differential treatment, even if it is intended to benefit us, it reflects an underlying attitude that places us in a class outside ordinary membership in the human community. No single approach can effectively cope with the many forms that discrimination takes. The National Federation of the Blind has evolved many strategies to reduce or eliminate the impact of this differential treatment by legislation, litigation, and public education.

Obtaining legislative action has proved relatively easy over the past forty years with the adoption of White Cane Laws in most states and passing of civil rights legislation at the federal level with Section 504 of the 1973 Rehabilitation Act, the Americans with Disabilities Act, and laws pertaining to the education of disabled children enacted in the past thirty years. Unfortunately, the mechanisms enforcing these laws are so cumbersome and lawyer-driven that blind and otherwise disabled people are fortunate if the resolution of particular cases isn't posthumous or doesn't extend into old age. Court rulings have so diminished the value of antidiscrimination laws that Congress found it necessary to adopt and the president to sign the Americans with Disabilities Amendment Act to return to the original intent of the law. Ironically, a constitutional amendment in Nebraska, the Civil Rights Initiative, intended to end both preferential treatment and discrimination, in its very language discriminates against the disabled. The operative section of the proposition reads: "The state shall not discriminate against, or grant preferential treatment to, any individual or group on the basis of race, sex, color, ethnicity, or national origin in the operation of public employment, public education, or public contracting." It is far from clear what this language means, but one thing is evident: disabilities do not even merit a mention in the enumeration of classes of affected people.

Clearly it is not easy to change a whole culture and the attitudes that govern behavior toward disabled people. Optimists may claim that over the past half century great strides have been made, but evidence for this claim is fragmentary at best. Persuasion and occasional favorable rulings can resolve individual cases in employment, education, and access to public benefits, but discrimination is a continuing reality that blind individuals and the blind as a group must confront.

Forty years ago, when I was seeking employment as a college teacher, I recall at least two rejection letters that flatly stated that a blind person could not manage the responsibilities of a faculty member.

We are not likely to encounter such open declarations in today's atmosphere of social consciousness, but the more subtle forms are probably more difficult to combat. Because those who discriminate rarely leave a trail of evidence to document the discrimination, it is difficult to quantify the scale of actual discrimination. One thing is certain: the accumulation of anecdotal evidence cannot all be dismissed as the product of a paranoid imagination. The National Federation of the Blind, by public education, legislation, litigation, negotiation, and innovation, has succeeded in having some of the barriers to employment identified and lowered. Unfortunately, barriers have proved more amenable to modification than the underlying attitudes that lead to their erection in the first place.

2. Disincentives: In 1968, when we organized a new affiliate of the National Federation of the Blind in Illinois, I served as the legislative representative, becoming an official registered lobbyist in the state. One of the first undertakings I carried out was to write a letter to all the members of the Illinois Congressional delegation, urging them to support an increase in the earnings allowance for blind recipients of Social Security Disability Insurance (SSDI). The NFB has long argued that restrictions in the earnings limitations discouraged blind people from seeking employment since, when the limit was reached, recipients would experience a sudden drop in income and loss of medical benefits.

The more things change, the more they stay the same. When Supplemental Security Income (SSI) was implemented in 1974, an even more restrictive earnings limitation was applied. Until 1996 the earnings limitation for blind SSDI recipients was linked to those for Social Security recipients between the ages of sixty-five and seventy. In that year that coupling was eliminated, and, while the earnings limits increased at an accelerated rate for older people, it lagged significantly for the blind. In 2008 this disparity is between $18,840 for the blind and $36,120 for older people: a total of $17,280, or $1,440 a month. On May 15 the House of Representatives passed the Blind Persons Earnings Fairness Act, which would gradually re-couple earnings limitations for blind and senior recipients. If this is finally adopted by both House and Senate, one of the significant disincentives to seeking employment will have been greatly reduced.

When Medicare became a part of SSDI benefits in 1965, the argument became more compelling. Many blind beneficiaries needed medical services for other conditions covered by Medicare. Under these circumstances it is understandable that fear of losing medical benefits associated with the SSDI program has been one of the greatest disincentives to seeking employment. To counteract these obvious disincentives, the period of eligibility for medical benefits has been extended for ninety-three months so that the threat of losing these benefits immediately after cash benefits are terminated no longer exists. Nevertheless, fears have a tendency to outlive the facts, so it is incumbent on the Social Security Administration, rehabilitation personnel, and advocates to impress the facts on potential job seekers. Some positive incentives besides extended medical coverage have been incorporated into SSDI to reduce or eliminate disincentives, including discounting work-related expenses and imposing no limitations on earnings during a trial work period of nine months to a year. If parity is reached with the earnings limits for older recipients, a moderate income and living standard with some security against the devastation of medical costs will have been achieved. These measures and others have significantly reduced the disincentives to seeking and obtaining employment.

3. Distance: Let's take a fanciful journey into the next generation. Everyone will be driving smart cars. To be more precise, smart cars will be driving everyone. Earlier this year, at the annual showcase of the electronics industry in Las Vegas, an experimental vehicle was demonstrated. With global positioning technology and other systems for controlling the movements of the vehicle, all the passenger needed to do was enter a destination into the GPS and sit back and wait until the car arrived.

Many aspects of ordinary life are impaired by the limited options that confront a blind person. Social, economic, recreational, entertainment, religious, educational, and family participation can involve the necessity of devising alternatives for simply getting there. At best public transportation is a poor option, except in the largest metropolitan areas. The private automobile has come to dominate social existence, including work, to the point that in some settings blindness can virtually immobilize an individual. The lack of imagination and resources among those who operate public transportation systems makes it clear that no solution to the problem of simply getting there, wherever there might be, is likely to come from that quarter. If a quarter century turns out to be an accurate projection for the introduction of smart cars, I will be just a little over a hundred years old and probably not seeking employment, but it would represent the elimination of one of the serious obstacles to the employment of blind people. But employment is only part of life, and the other dimensions would also be greatly enhanced. I said it would be a fanciful journey, but some of the younger members of the audience may live to see it realized.

4. Discouragement: Anyone who has experienced repeated failures to obtain employment may feel discouraged and drop out of the labor force. The likelihood of experiencing repeated failure if one is blind is many times greater than it is for members of the general public. I know of no way to quantify the fraction of unemployed blind people who are simply discouraged and have withdrawn from the job search. Workshops by consultants, books and articles by experts, job fairs, and individual counseling can lay out many brilliant strategies for job seeking, but the realities of discrimination and indifference more often than not reduce these to exercises in futility. Meanwhile, discouragement and withdrawal from the job search continue to swell the ranks of unemployed blind people and account for a significant fraction of the unemployment rate. Repeated assertions of the 70 percent unemployment rate can hardly be encouraging to these individuals.

5. Disinclination: Some people in this world would prefer not to work. Some of them are blind. If people are blind in this society, there is a pretty good chance they can qualify for a variety of public supports: SSDI, Medicare, SSI, public housing, food stamps, and other benefits. If an individual settles into a comfort zone in this framework, a disinclination to work can be sustained. I recall suggesting to Robert Newman that he create a scenario of a blind character for his Thought Provoker in which an individual found a comfort zone of adequate resources and a lifestyle that nurtured a disinclination to work. The vehemence of reaction to this scenario suggests that our well-known commitment to the work ethic will minimize this factor. No matter how much we may deplore this rejection of the work ethic, most of us know someone who prefers this lifestyle. Technically, anyone who is so inclined is not counted under the Labor Department strict standard for being unemployed, but he or she would satisfy the more general notion of unemployment. Fear of rejection or discouragement after repeated failures may explain the attitude, but the reality must be acknowledged. I know no way to quantify the contribution of this phenomenon to the unemployment of blind people.

6. Disability: In 1917 Nebraska adopted a definition of blindness that still provides the statutory meaning of this visual condition. The definition reads: "The term blind includes all persons whose sight is so defective as to seriously limit their ability to engage in the ordinary vocations and activities of life." The misleading aspect of this definition is that it directly links the degree of defectiveness with the limitations on ability to engage in vocational and other activities. Unfortunately, this perception is deeply ingrained in popular beliefs about the relationship between visual acuity and ability to function in the world, including the world of work. This statutory definition, however, is open to a different interpretation, one that suggests that limitations can be overcome. In the familiar formulation of Kenneth Jernigan: "If a blind person has proper training and opportunity, blindness can be reduced to a physical nuisance." The critical qualification, of course, is, "with proper training in the alternative techniques of blindness." When positive attitudes drive and sustain the motivation to employ the alternative techniques, then blindness is significantly reduced as a factor. It is not an

accident that individuals who complete a training program in the orientation center in Lincoln have an employment rate of around 90 percent. Further evidence for the value of training in the alternative techniques is provided by Dr. Ruby Ryles of Louisiana Tech and Dr. Fred Schroeder, who have documented that 90 percent of employed blind people are proficient Braille readers. In the modern economy Braille literacy and computer literacy combined are indispensable skills. Without such training it is difficult to see how individuals could, in the strict requirements of Labor Department statistics, be said to be available for employment.

While it is only a guess, I am willing to wager that the unemployment rate could be cut in half again if proper training in alternative techniques and the adoption of positive attitudes were available to all blind people nationally.

Conclusion

I began by saying that I was seeking the truth about the rate of unemployment of blind people. The conventional wisdom and political rhetoric suggest that this rate is 70 percent. When viewed in light of Labor Department guidelines, this asserted rate is more a matter of politics than an accurate description of reality. But official statistics only hint at a serious problem. It is more illuminating to examine the reasons for the low rate of participation in the labor force. In other words, the problem is not how we can reduce a statistical unemployment rate, but how we can increase participation in the remunerative labor force.

I have suggested that discrimination, disincentives, distance, discouragement, disinclination, and disability account for most of the absence from the work place. Administrative and judicial remedies may affect discrimination in limited ways, but public education activities by the National Federation of the Blind and the examples of blind individuals will do more to effect changes in the social attitudes underlying discrimination. However, as the saying goes, "Don't hold your breath!" Much has been done to reduce the disincentives associated with SSDI, SSI, and Medicare, but the impact of these benefits must be communicated by the Social Security Administration, advocacy organizations, and rehabilitation agencies. We need to do a better job of education and counseling. Transportation will continue to be a significant problem for blind people to resolve, requiring a combination of individual ingenuity and initiative and some public action. Perhaps in the next generation technology may make the convenience of the private automobile as available to the blind as it is to everyone else. Discouragement stemming from repeated failures and disinclination to work may be overcome when success replaces failure. Encouragement by advocates and professionals can sustain efforts toward employment, but, as they say, "Nothing succeeds like success." Finally, disability is the most pervasive and the most remediable factor that explains the low rate of participation of the blind in the labor force. It is a sad truth that the vast majority of blind people have not had the opportunity for proper training in the alternative skills of blindness and the sustaining attitudes that would render them successful job seekers and workers.

If we are guided by the Biblical injunction, "Seek the truth, and the truth shall set you free," rather than contributing to the creation and perpetuation of myths and misconceptions about a 70 percent unemployment rate, we may indeed find the truth we have been seeking. Well, what is this truth that can set us free? It turns out not to be all that mysterious and, I hope, not at all hazardous to the seeker. I would say that this is the truth that the National Federation of the Blind has pursued since its founding in 1940. It is the truth that blindness can be managed in the social and physical environment by proper training, adopting a positive philosophical attitude, and persuading others to understand this truth. Little by little, but a little too slowly, this truth is beginning to prevail.

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Sunday, March 16, 2008

Forbes: Blind people in the workplace

In media terms, a significant aspect of David Paterson, who legally blind, ascending to the NY governor's job is the flurry of news and feature stories about life with blindness in general. *Forbes* looked at the business angle of blind people in the workplace in a March 14 story, talking to some corporate executives who are blind.

But the story also lays out the specifics of the high unemployment rate for blind people. The American Foundation for the Blind (AFB) reports a 70% unemployment rate among blind adults of employment age. However, AFB explains in the *Forbes* story what accounts for some of this. For example, many people become blind later in life and decide to quit working because they aren't too far from retirement. "It's hard to persuade people who are newly blinded in their 50s and 60s to get back into rehabilitation and training so they can go back to work," Carl Augusto, AFB president, says in the article.

However, for young blind people the future is rosier. "The younger generation of blind workers is different than their older counterparts, says Augusto. They are employed at the same rate as sighted people. Schools are preparing them better for careers, and they're taking advantage of technology."

But discrimination against blind people in hiring still exists and accounts for the high unemployment rate. "The single largest factor is discrimination and bias," says Steven Rothstein, president of Perkins School for the Blind in Massachusetts. "There's a belief among employers that people who are blind can't do jobs."

The story also included the experiences of Barry Honig, who is blind and president of Honig International, a Manhattan-based executive search and management consulting firm, and Al Gayzagian, a blind Harvard graduate who struggled for three years to find a job, but found one as a typist and then rose to the level of senior financial officer at John Hancock.

The *Forbes* story, by Tara Weiss, does a good job of giving a nuanced report about the positive and negative aspects affecting blind people who try to obtain employment.

Posted by BA Haller at 7:36 PM

[with] TV blog
Abilities Magazine in Canada
Ability Maine
AbledBody
Accessible Twitter
Advocado Press
Alliance for Inclusion in the Arts
Assistive Technology News
Attitude TV in New Zealand
Autism Acceptance Project
AuTube
BBC's Ouch!
Bloom magazine
Breath & Shadow, a Journal of Disability Culture and Literature
Center for an Accessible Society
Chloe Magazine
Collective Voices
Crip Confessions
Deaf News Today
Deaf Performing Artists Network (D-PAN)
Deaf Women in Film
Dis-a-Buzz
Disability & Media Alliance Project
Disability Arts online
Disability Blogroll
Disability Culture Watch
Disability Films
Disability Friendly Colleges guide
Disability in Entertainment & Arts Link
Disability Matters online radio show
Disability Media
Disability Media Initiative
Disability Resource Exchange
Disability Rights Promotion International Media Monitoring
Disability Scoop
Disability Studies programs in North America
Disability Studies Quarterly
Disaboom
DISLABELEDtv
disTHIS! Film Series
Don't play me pay me campaign
DREDF Disability & Media Alliance Project (D-MAP)
Endeavor Freedom TV
Funky Flamingo TV
FWD/Forward (feminists with disabilities) for a way forward
Had to Be Productions
How's Your News?
I AM PWD
In Touch: News for Blind People
Inclusion Daily Express
Independence Today
It's Our Story
Kids as Self Advocates
Laura & Wagner Media Center
Lights! Camera! Access! in Canada
Many Worlds Network
Media&Disability.net
MediAbility in Sweden

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Lighthouse for the Blind - St. Louis Earns National Industries for the Blind Award for Sustaining and Increasing Employment for People Who Are Blind

We are proud to provide employment opportunities for people who are blind, said John Thompson, President of Lighthouse for the Blind-Saint Louis

ST. LOUIS, MO, January 27, 2011 /Missouri PR News/ -- Lighthouse for the Blind - St. Louis was recently honored for its efforts to increase employment retention, growth, and upward mobility for people who are blind in 2010.

The award was presented by National Industries for the Blind (NIB) in recognition of Lighthouse for the Blind - St. Louis' success and commitment to increasing employment and economic opportunities for people who are blind.

"We are proud to provide employment opportunities for people who are blind," said John Thompson, President. "Over 90% of our direct labor force, including our supervisors, are legally blind and represent a loyal, dedicated and capable workforce. We are honored to serve as an example in the community of the capabilities of people who are blind. We are please to provide quality products, on time and at competitive prices to the federal government as well as commercial customers."

The 2010 Employment Award winners receive cash payments from a $1 million fund created to recognize and encourage NIB associated agencies that grow or sustain employment for people who are blind. Emphasis is also placed on efforts to increase upward mobility in the workplace and job placements.

With a 70 percent unemployment rate for working aged Americans who are blind, all efforts to create jobs for this population help to change this statistic and provide economic and personal freedom for people who are blind.

"It is an honor for me to recognize agencies such as Lighthouse for the Blind - St. Louis that are dedicated to creating jobs and high-growth career opportunities for people who are blind," said Kevin A. Lynch, president and CEO of NIB. "I truly appreciate their efforts to reduce the unemployment rate for this population."

Also known as LHB Industries, the Lighthouse was founded in 1933 and today maintains offices and manufacturing facilities that currently employ more than 60 legally blind persons at two locations in Saint Louis County.

The Lighthouse manufactures, assembles, warehouses and sells high-quality products to government and commercial customers nationwide including first aid kits, medical kits, catheters, aerosol and liquid paints, aerosol and liquid cleaning products and many others.

For more information, contact Abby Barnett at toll-free 800.542.3697, or 314.423.4333 ext.130, or visit the website http://www.lhbindustries.com.

At National Industries for the Blind (NIB), our mission is to enhance the opportunities for economic and personal independence of persons who are blind by creating, sustaining and improving employment opportunities. NIB and 90 associated agencies serve as the largest employer for people who are blind. These employees make and sell SKILCRAFT products and services to the federal government and Department of Defense through the AbilityOne Program, established by the Javits-Wagner-O'Day Act. www.NIB.org.

The Lighthouse for the Blind is a privately chartered, 501(c)3 non-profit corporation established in 1933. Through the manufacture and sale of products to various government agencies as well as commercial customers and individuals, we are able to further our mission of assisting individuals who are legally blind maintain dignity and independence by making available employment, education and support services. We are committed to providing a supportive environment where our employees can count on developing new and productive skills that will assist them in reaching amazing levels of independence. For more information, please visit us online at www.lhbindustries.com.

SB

53

<TARGET><BILL>SB 53</BILL><SUBJECT>SB
53</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/30/11

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 53

SB 53-COMMISSION ON THE STATUS OF WOMEN

"An Act reestablishing the Alaska Commission on the Status of Women; and relating to the purpose and powers of the Alaska Human Relations Commission."

and recommends:

[✓] be **replaced** with **CS** SB 53 (FIN) [✓] *Same Title* [ ] *New Title*

[ ] adopt **previous CS** _____ (_____) [ ] *Same Title* [ ] *New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
Gov	✓			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	EGAN	✓			
	McGuire	✓			
	OLSON			✓	
	Ellis	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman			✓	

CS FOR SENATE BILL NO. 53(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS DAVIS, Ellis, McGuire

A BILL

FOR AN ACT ENTITLED

"An Act reestablishing the Alaska Commission on the Status of Women; and relating to the purpose and powers of the Alaska Human Relations Commission."

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

*** Section 1.** AS 44.19 is amended by adding new sections to read:

Article 6. Alaska Commission on the Status of Women.

Sec. 44.19.628. Creation and membership of commission. (a) The Alaska Commission on the Status of Women is established in the Office of the Governor.

(b) The commission consists of two members of the executive branch and seven public members, appointed by the governor, who serve at the pleasure of the governor. All members shall be residents of the state. At least one public member shall be a person who manages a household that includes the person's spouse and at least one child and who is not otherwise employed, and at least one public member shall be a single mother who is the head of a household that includes at least one child.

(c) The governor shall appoint members on a nonpartisan and

New Text Underlined [DELETED TEXT BRACKETED]

nondiscriminatory basis. In making the appointments, the governor shall consider

(1) recommendations made by civic organizations, women's organizations, educational and vocational groups, employer groups, labor unions, church groups, homemakers' clubs and organizations, and other groups having an interest in the welfare and status of women;

(2) the statewide geographical representation of the commission;

(3) minority and low-income representation;

(4) the representation of senior citizens, persons with disabilities, and persons from a variety of occupational categories; and

(5) the representation of persons with different marital statuses and persons with various numbers of children.

(d) The commission shall elect one of its members as chair. The chair may appoint other officers as necessary.

Sec. 44.19.629. Terms of office; compensation. (a) The term of office of a member of the commission is three years. Terms shall be staggered. A member may not serve more than six consecutive years.

(b) A vacancy shall be filled in the same manner as the original appointment. A person appointed to a vacancy serves for the unexpired portion of a term.

(c) Public members of the commission do not receive compensation for their services but are entitled to per diem and travel allowances authorized by law for other boards and commissions.

Sec. 44.19.630. Meetings. (a) A majority of the members constitutes a quorum for conducting business and exercising the powers of the commission. The commission shall meet at the call of the chair, at the request of the majority of the members, or at a regularly scheduled time as determined by a majority of the members.

(b) The commission shall meet in each region of the state on a rotating basis and may not hold consecutive meetings in the same region of the state. For the purposes of this subsection, the regions of the state are Southcentral Alaska, Southeast Alaska, Kenai Peninsula, Western Alaska (including Kodiak), Interior Alaska, and Northern Alaska.

Sec. 44.19.631. Powers and duties of the commission. (a) The purpose of the commission is to improve the status of women in the state by conducting research, by serving as a referral service for information and education to help women avail themselves of existing resources to meet their needs, and by making and implementing recommendations on the opportunities, needs, problems, and contributions of women in the state, including

(1) education;

(2) homemaking;

(3) civil and legal rights; and

(4) labor and employment.

(b) To accomplish this purpose, the commission may

(1) act as a clearinghouse and coordinating body for governmental and nongovernmental information relating to the status of women;

(2) cooperate with public and private agencies in joint efforts to study and resolve problems relating to the status of women in the state;

(3) accumulate and compile information concerning discrimination against women;

(4) disseminate the results of research and compilation of data acquired under (3) of this subsection by publication and other methods, such as public hearings, conferences, and seminars;

(5) study and analyze all facts relating to Alaska laws, regulations, and guidelines with respect to equal protection for women under the state constitution;

(6) recommend legislative and administrative action on equal treatment and opportunities for women;

(7) encourage women to use their capabilities and to assume leadership roles;

(8) encourage the development of regional and municipal women's councils or commissions; and

(9) accept, on behalf of the state, contributions of services, materials, or money to assist in meeting the cost of carrying out AS 44.19.628 - 44.19.631.

(c) When conducting research, acting as a referral service, serving as a forum

for ideas, or developing recommendations related to the welfare of women, the commission shall solicit and consider information and views from a variety of constituencies to represent the broad spectrum of diversity that exists with respect to possible approaches for meeting the needs of women in the state.

(d) On the request of the commission, an executive branch department shall cooperate with the commission in the performance of its duties under this section. The commission may use legal, technical, secretarial, and administrative services as may be provided by the governor.

(e) The commission shall prepare and publish an annual report on the status of women in the state, the commission's proceedings for the previous calendar year, and its recommendations and proposals for change. The commission shall provide the governor and legislature with copies of the report by the 15th day of each regular legislative session.

*** Sec. 2.** AS 44.19.608 is repealed.

*** Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to read:

MEMBERS OF THE ALASKA COMMISSION ON THE STATUS OF WOMEN; STAGGERED TERMS. Notwithstanding AS 44.19.629, added by sec. 1 of this Act, the terms of the initially appointed members of the Alaska Commission on the Status of Women, established under AS 44.19.628, enacted by sec. 1 of this Act, shall be set in the manner provided by AS 39.05.055(7).

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version **SB 53**
Fiscal Note Number
Publish Date

Identifier (file name) SB053-OOG-WC-1-4-12
Title "An Act reestablishing the Alaska Commission on the Status of Women...
Sponsor Senator Davis
Requester (S) FIN

Dept. Affected Office of the Governor
Appropriation Commission and Special Offices
Allocation Women's Commission
OMB Component Number

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	271.2		280.2	289.5	299.1	309.0	316.7
Travel	25.3		25.3	25.3	25.3	25.3	25.3
Services	159.3		159.3	159.3	159.3	159.3	159.3
Commodities	7.2		7.2	7.2	7.2	7.2	7.2
Capital Outlay	52.4						
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**515.4**	**0.0**	**472.0**	**481.3**	**490.9**	**500.8**	**508.5**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	515.4		472.0	481.3	490.9	500.8	508.5
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
Other	(please identify)							
TOTAL		**515.4**	**0.0**	**472.0**	**481.3**	**490.9**	**500.8**	**508.5**

POSITIONS							
Full-time	3.0		3	3	3	3	3
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This fiscal note is updated to reflect the current fiscal year.

Prepared by Guy Bell, Administrative Director — Phone 465-3876
Division Division of Administrative Services — Date/Time 1/4/12 8:45 AM
Approved by Guy Bell, Administrative Director — Date 1/4/2012
Division of Administrative Services

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB 53
2012 LEGISLATIVE SESSION

Analysis

Fiscal Note assumes:

3 Commission staff:
Program Manager Rg. 24
Research Analyst Rg. 18
Admin. Assist. Rg. 15

7 public members with geographic representation: 3 Anchorage/valley, 1 Juneau, 1 Nome, 1 Ketchikan, 1 Fairbanks

4 face-to-face meetings annually. Additional meetings as required via teleconference.

2 Anchorage meetings (one winter, one summer)
transportation: $2,451 x 2 = $4,902
lodging: $1,448 + $800 = $2,248
M&IE: $720 x 2 = $1,440

1 Juneau meeting (during legislative session)
tranportation: $4,999
lodging: $1,680
M&IE: $1,440

1 Fairbanks meeting (during summer)
transportation: $4,724
lodging: $2,400
M&IE: $1,440

All meetings assume full commission and 2 staff attendance, and further assume 2 Executive Branch members' travel costs paid by employing agencies.

Contractual includes core services charges, communications, advertising, printing, office space lease, and postage.

Initial equipment costs reflect set-up of office work stations, computers, phones, fax, copier, etc.

Adopted 2/2/12

27-LS0107\M
Martin
1/31/12

CS FOR SENATE BILL NO. 53(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS DAVIS, Ellis, McGuire

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(4) disseminate the results of research and compilation of data acquired under (3) of this subsection by publication and other methods, such as public hearings, conferences, and seminars;

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Good morning, Chairman Hoffman and Members of the Senate Finance Subcommittee;

Thank you for hearing SB53 in Finance Committee this morning. I was on the line to testify on behalf of the 7,500 girls and adult volunteers of Girl Scouts of Alaska this morning, but my line was not unmuted so I'm sending written testimony instead.

The reestablishment of the Alaska Commission on the Status of Women is of great interest and benefit to the next generation of women, Alaska's girls. Perhaps it should even be Alaska Commission on the Status of Women and Girls.

As you heard, the wage gap between men and women in Alaska is of grave concern. I'd like to offer some other vital issues this Commission could make a difference for.

Leadership. Women are 50% of the population and more than 50% of college graduates, yet women in decision making leadership positions do not reflect those numbers. In fact, nationally, women represent only 17% of elected leadership positions, and even less corporate board seats or CEO offices. The courageous women we have in leadership positions here in Alaska are valuable, but they are not enough. This country, this state deserves more leadership, we deserve gender balanced leadership.

Girl Scouts own research reflects that girls and boys think of leadership differently, and real life experiences show that when leadership is gender balanced, we all do better. A recent study of the Fortune 500 shows that American corporations whose boards are at least one-quarter women outperform other companies by 53% on return on equity, 42% on return on sales, and 66% on return on invested capital (Catalyst/Chubb Corporation 2007). And in fact the country of Norway in 2003 enacted legislation requiring that women hold at least 40% of board seats in publicly traded Norwegian companies. In 2010, *Newsweek* named Norway as "the only Western industrialized state to escape the global economic meltdown relatively unscathed. It bears a healthy banking sector, record-low unemployment, and one of the hottest sovereign wealth funds around." All this to say that things work best when we engage all of our potential instead of only half of it for leadership, when we have gender balanced leadership.

And yet, 61% of girls are either deeply ambivalent about leadership or say that it's not important to them. Negative influences abound, including peer pressure to not stand out, unhealthy images in the media about beauty, a lack of mentors, little support for girls with an interest in science, technology, engineering and math (STEM), and bullying. This cycle of discouragement that begins in grade school goes on to have far-reaching impact on our society.

We can do better for our girls. Alaska Commission on the Status of Women could assist in balancing leadership in our state, and thus improving our economy and state overall for the next generation.

A similar story exists in science, technology, engineering, and math (STEM) careers regarding women's representation. A new study by Girl Scouts Research Institute tells us that 73% of teen girls ARE interested in STEM subjects, but do not take the final step of making STEM career choices. This is especially concerning because STEM jobs have a higher pay scale than many others, and women are not benefitting from that. Engineering, for example, a critical field of study and career choice for a state as rich in natural resources as ours is, and yet only 3% of all

girls are currently interested in being engineers, and only 32% of girls who identify themselves as interested in STEM. Here in Alaska you can get a degree in any kind of engineering there is, and yet our companies often have to look Outside for engineering candidates. We are not tapping 50% of our potential resources to meet that need, our girls. Alaska has a chapter of Society of Women Engineers, but that is not enough. Their members, women engineers, are hard at work being successful in their fields, and cannot bear the burden of closing this gap alone. Neither can Girl Scouts.

For all these reasons, Girl Scouts, as we celebrate 100 years, have designated 2012 as the Year of the Girl to call attention to these issues and change the paradigm for the next generation. Girl Scouts of Alaska enthusiastically supports SB53 to restore the Alaska Commission on the Status of Women, an appropriate and effective move to improve our state during the Year of the Girl.

girl scouts 100
1912-2012

Marge Stoneking
CEO
Girl Scouts of Alaska
907-248-2250
1-800-478-7448

Inspiring Girls to Lead
www.girlscoutsalaska.org

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2. Choose "Complete List Alphabetized"
3. Choose "Girl Scouts of Alaska"
4. Contribute

Testimony on SB53 – Reestablishment of the Alaska Women's Commission

Senate Finance Committee, January 20, 2012

I remember when the Alaska Women's Commission shut its doors during Governor Hickel's administration. Governor Hickel replaced it with the Alaska Family Commission. A few months later, in March 1996, there was a women's conference in Centennial Hall and hundreds of women came from around the state.

On the last day, a group of women met in the center of the hall as the janitors cleaned up around us. Several women had been to the 5th United Nations Women's Conference in Beijing, and were anxious to share what they had learned before they returned to their homes all over the state.

On that afternoon, we also talked about what we could do now that the Women's Commission was gone. How would women communicate with each other across this vast state? How would we let women know what resources were available to them? We decided to establish a website, and we called it the Alaska Women's Network. It still exists and is a great resource. I was one of the founding board members, and served as President until just a few years ago.

What we learned at the Alaska Women's Network is that women need a central place to find information. AWN has a lot of information, but it is passive and does not generate new resources for the women of our state.

I have a historical reference here. This is the Women's Legal Rights Handbook published by the Alaska Women's Commission in 1990. Marie Darlin, a longtime community activist in Juneau, gave it to me years ago for safe keeping. Maybe she knew a day would come when the Commission would be resurrected.

Governor Parnell has made reducing violence against Alaskan women one of his top priorities with the Choose Respect campaign. This 31 year old booklet covers Criminal Law and Violence Against Women in plain English with a Glossary in the back. It also covers adoption, name changes, and other legal matters that might come up for a woman in Alaska. At one time, I had another Alaska Women's Commission report. It was a study of why girls dropped out of school.

In addition to updating old studies, an Alaska Women's Commission could take a hard look at the wage gap for women in this state. It is against federal law to pay a woman less than a man for the same job, but no matter how you cut it, women all over Alaska make less money than men in the same jobs. I hope that military service is the exception, but I don't know that for a fact. The Juneau Economic

Development Council's 2011 report on Juneau and Southeast Economic Indicators laid out the wage disparity in every civilian field and at every education level.

The report says that nationally men earned 29% more than their female counterparts in 2009. In Alaska, men earned 37% more for full time year round employment. In Juneau, which is seen as a government town where one would expect wage parity for women, men earned 42% more than their female counterparts.

While many women, including myself, reacted with surprise and indignation at these figures when they came out in the Juneau Empire in April, where could we go with that? Who could dig into those numbers and find out if federal wage laws were being broken or, to be kind, were not understood by employers. I began to study pay equity and I have reams of material, but no authority to enforce the law.

By the way, Representative Munoz told me that her grandmother, Thelma Engstrom, introduced legislation in the Alaska Territorial Legislature in 1946 for pay equity between men and women. That was 66 years ago

It is a fact that far too many women earn less than men for the same jobs in this state. That is illegal, it is not fair, and it impacts our economy. It is a fact that Alaska leads the country in violence by men against women. It is a fact that the cost of living in Alaska is high, and low income women can get stuck in dangerous relationships because they cannot afford to take care of themselves and their children. So they stay.

Pay equity and prevention of violence again women are two of my passions, but an Alaska Women's Commission would provide information and education, conduct research to find out what women need, and make and implement recommendations for the women of this state on a wide range of issues.

Last night, a friend told me that women make up 67% of the University of Alaska Southeast student body. 67%.

Who's going to tell those women that if they become an engineer or an architect in Juneau, the man in the next cubicle will most likely be paid 96% more than they'll get. Their women friends who choose finance or insurance, however, will have male co-workers who make 213% more. Their best bet in Alaska is to take up fishing. There is just a 2% pay differential if they get a boat and a commercial fishing license.

Would you advise these bright young women to stay in Alaska and earn less than their potential, or move to another state where they have a fair shot at equal pay? Alaska ranks 41st in the country in the male to female earnings ratio. California ranks second. As these UAS women are walking to class in 12

degree weather, sunshine and fair pay might sound pretty good to them, to say nothing of the women at UAF and UAA.

Alaska has the dubious distinction of record high sexual and physical abuse of women. Choose Respect is a priority for our current Governor, but what if the next Governor's priorities lie elsewhere? Each Governor comes into the office with his or her own ideas of what Alaska needs.

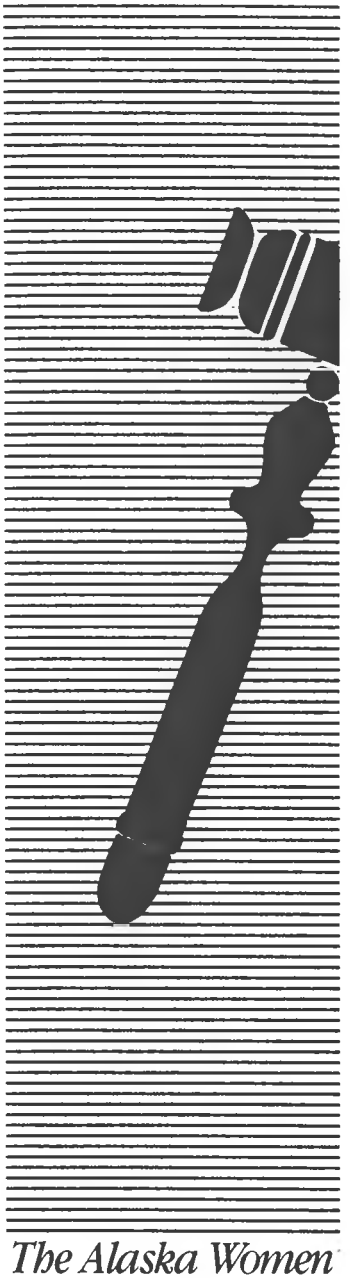
While Senate Bill 53 doesn't address it, I would respectfully suggest that the Alaska Women's Commission be safeguarded in statute from the philosophical or personal world view of the powers that be. Leaders come and go, we women stay.

I ask you to support Senate Bill 53 to improve the status of the women of this great state in all aspects of our lives. No non-profit can do the caliber of work an official Women's Commission can do if it is fully funded and supported by the Governor and the Legislature.

Thank you.

Barbara Belknap
4481 Abby Way
Juneau, Alaska
780-8602

Women's Legal Rights Handbook



The Alaska Women

ALASKA WOMEN'S COMMISSION

3601 "C" STREET, SUITE 742
ANCHORAGE, ALASKA 99503
(907) 561-4227

Commissioners:
Joy Green-Armstrong, Chair, Anchorage
Loretta Bullard, Vice Chair, Nome
Elizabeth J. Barry, Anchorage
Florence Esmailka, Ruby
Linda L. Freed, Kodiak
Kathleen Harrington, Anchorage
Rebecca Napoleon, Hooper Bay
Wendy Redman, Fairbanks
Paula Sampson, Juneau
Lary Schafer, Huslia

Executive Director
Ruth Lister

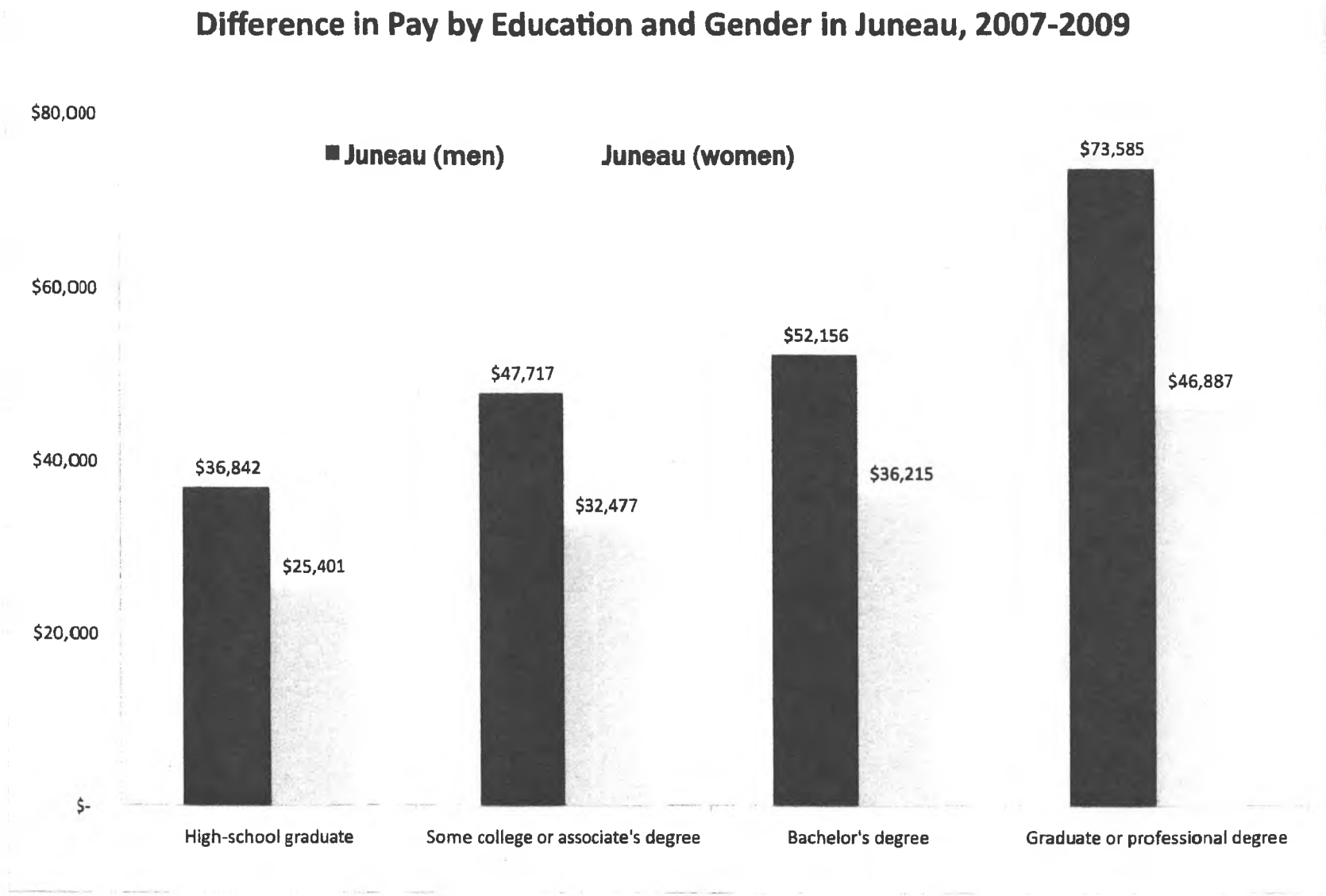
State of Alaska
Steve Cowper, Governor
Stephen McAlpine, Lt. Governor

Occupation Analysis

JEDC also looked at differences in wages in selected occupations. Finance and Insurance occupations had the greatest difference. Men in that industry earned 213 percent more than women in 2009 for full time work. Healthcare practitioner and technical occupations also had a difference of more than 200 percent. Private education and mining had the greatest wage equity, with wage differences between zero and two percent.

Percent Higher Wages Earned by Men in Juneau over Women for Full Time Year Round Employment, by Occupation 2009

Occupation or Industry	Percent Higher Earnings
Finance and insurance	213%
Healthcare practitioner and technical occupations	204%
Architecture and engineering occupations	96%
Food preparation and serving related occupations	77%
Health care and social assistance	68%
Sales and related occupations	58%
Office and administrative support occupations	55%
Management occupations	51%
Professional, scientific, and technical services	50%
Legal occupations	43%
All Occupations	**42%**
Computer and mathematical occupations	34%
Public administration	32%
Construction	30%
Protective service occupations	25%
Community and social services occupations	23%
Building and grounds cleaning and maintenance occupations	19%
Life, physical, and social science occupations	17%
Personal care and service occupations	15%
Agriculture, forestry, fishing and hunting, and mining	2%
Private Educational Services	0%

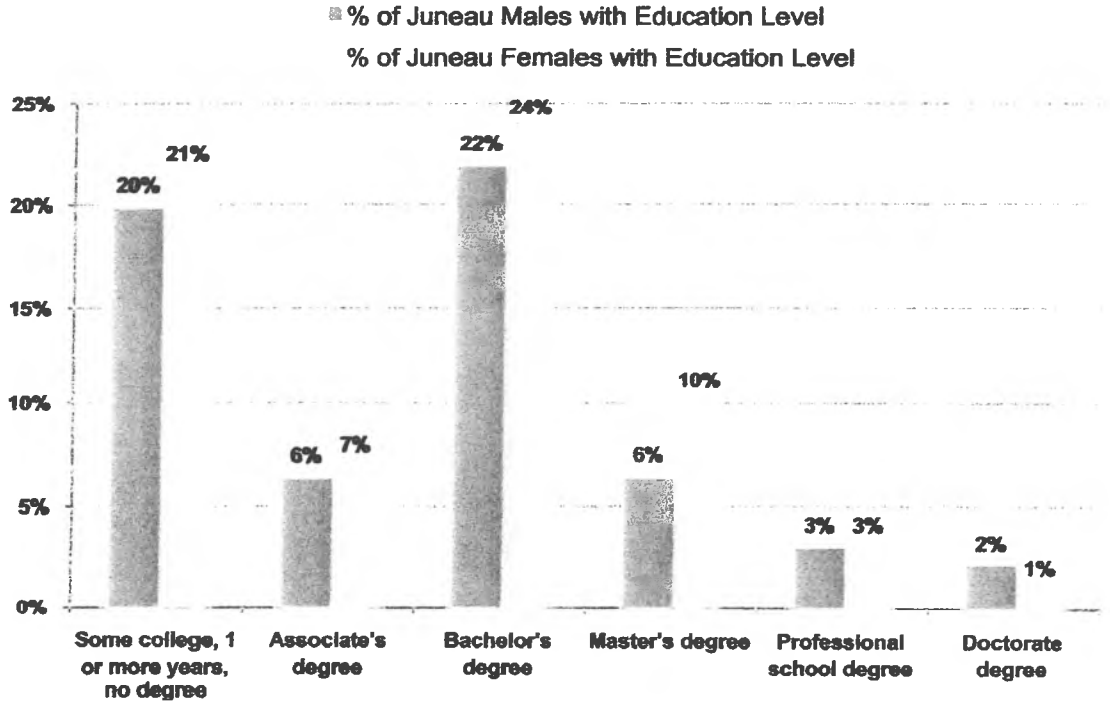

Difference in Pay by Education and Gender in Juneau, 2007-2009
$80,000
$60,000
$40,000
$20,000
$-
Juneau (men)
Juneau (women)
$36,842
$25,401
$47,717
$32,477
$52,156
$36,215
$73,585
$46,887
High-school graduate
Some college or associate's degree
Bachelor's degree
Graduate or professional degree

Education Analysis

JEDC ran an education analysis of Juneau males and females. Woman in Juneau are slightly better educated than their male counterparts in nearly every education category. Juneau women hold more Associate's degrees, Bachelor's degrees, and Master's degrees. Men have one percent more PhD's than Juneau women (over the age of 25).

	Count of Degrees		Percentage of those Holding Degrees	
Level of Education	Juneau Males	Juneau Females	Juneau Males	Juneau Females
High School Degree or higher	9,807	10,089	97%	96%
Bachelors or higher	3,395	3,925	34%	37%
Graduate Degree or higher	1,201	1,443	12%	14%

Level of Education of Juneau Males and Females Over the Age of 25, 2009



JEDC

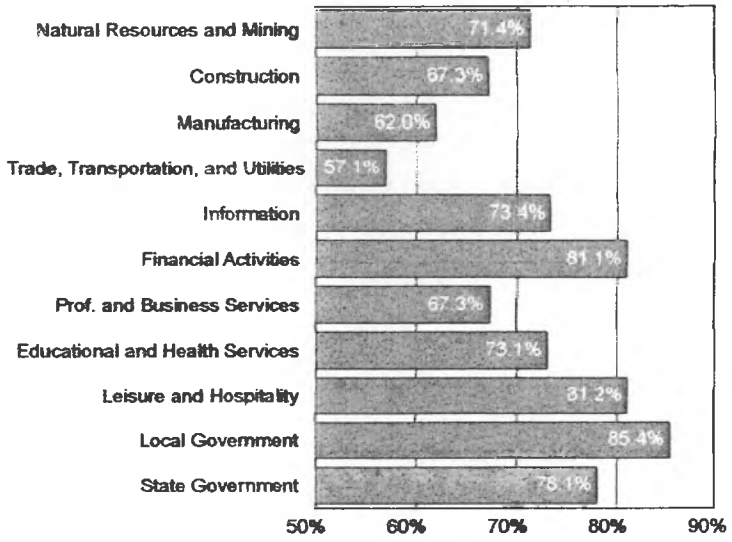
rower gap in pay. Women made $31,102 in 2010, 85 percent of men's average earnings of $36,439. There were 28,470 women working in local government in 2010, making up 58 percent of workers in the industry.

Men outearn throughout state

Women earned less than men in every borough and census area in Alaska in 2010, as shown in Exhibit 7. The ratio of women's earnings to men's in each borough or census area often depended on the region's dominant industries.

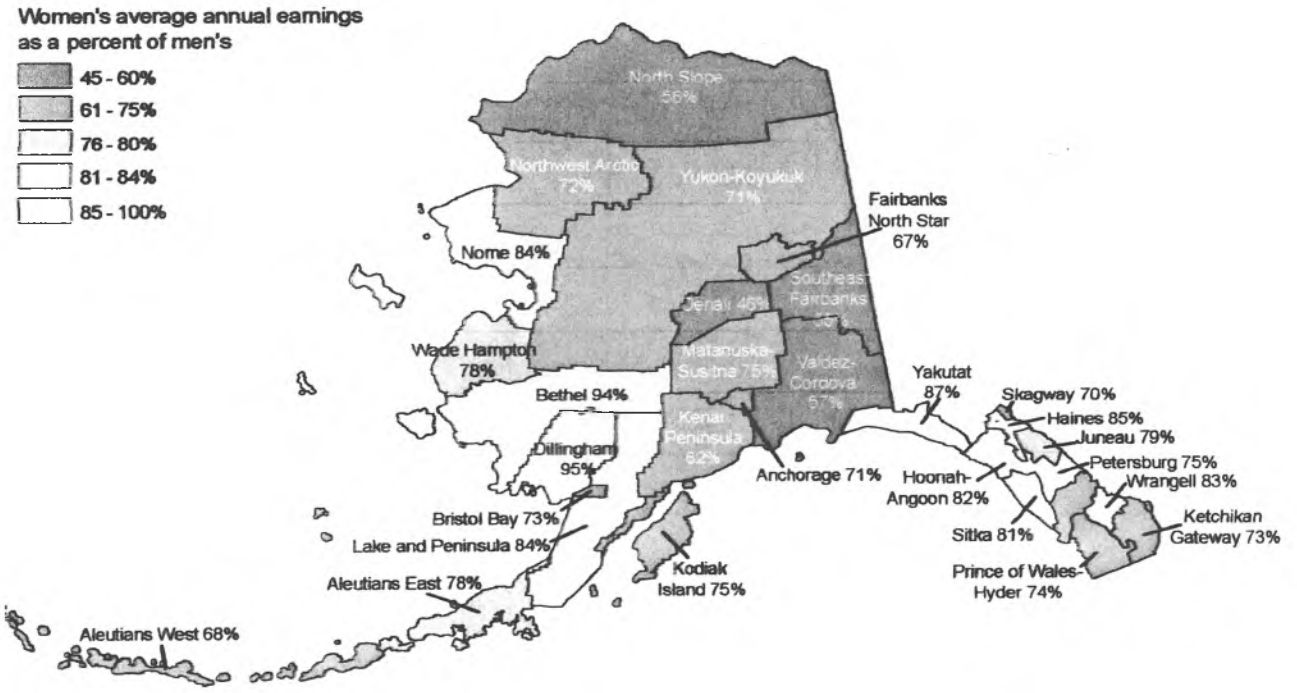
For example, in Bethel and Dillingham, where local government is the largest employer, women made over 90 percent of what men made, on average. At the other end of the spectrum, women in boroughs and census areas where natural resources and mining were major employers made significantly less on average than men.

Ratio of Women's to Men's Earnings 6
By industry, Alaska, 2010



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

Earnings Gap is Wider in Some Parts of the State 7
Alaska, 2010



Note: For area-level aggregations, if workers held multiple jobs during the year, their employment and earnings were assigned to the area,employer, and industry where they earned the majority of their wages in 2010.
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

state: In 2008, Washington, D.C. had the nation's smallest wage gap, at 88%, well ahead of California, where women earned 84.9% of what men earned. The median of 75.9% is shared by the states of Connecticut, Kentucky, New Mexico, and Pennsylvania. Women fared worst relative to men in Wyoming, where women's earnings represented only 64.3% of men's earnings, the widest gap of any state.

Women and their families cannot sustain a wage gap that persists this deep in this economy. There is no doubt that more is necessary both to strengthen equal pay laws, which have been weakened over time by courts, and to require the federal government to be more proactive in preventing and battling wage discrimination. In particular, the Paycheck Fairness Act, which has already passed the House of Representatives, would serve these goals

IV. The Paycheck Fairness Act Would Fight Pay Discrimination Based on Gender

Introduced in both the House (H.R. 12) and the Senate (S. 182) and passed by the House last year, the Paycheck Fairness Act would address discriminatory pay practices, an important source of the wage gap. The Act builds upon the Equal Pay Act of 1963, which made it illegal for employers to pay unequal wages to men and women who perform substantially equal work. Among other things:

- The Paycheck Fairness Act allows victims of wage discrimination based on gender to receive full compensatory and punitive damages, as opposed to only liquidated damages and back pay awards, putting gender-based wage discrimination on equal footing with discrimination based on race and ethnicity.
- The Act would make it easier for parties that have been discriminated against to work together through a class action suit by automatically considering members part of the class unless they choose to opt out, in keeping with the Federal Rules of Civil Procedure.
- The Act would close loopholes in how discrimination is counted by clarifying that a gender differential in pay within a company need not be within the same facility to count as discrimination, and by tightening the rules concerning defense of a gendered pay differential that employers claim is not due to sex.

Table 1: Median Earnings for Full-Time, Year-Round Workers by Sex and State[24]

	FEMALE	MALE	FEMALE/MALE EARNINGS RATIO
District of Columbia	$50,519	$57,393	88%
California	40,521	47,758	84.9
Arizona	34,556	41,524	83.2
Maryland	44,188	53,189	83
New York	40,490	48,882	82.8
Vermont	34,424	41,778	82.4
Georgia	34,513	42,391	81.4
Hawaii	36,709	45,577	80.5
Florida	32,506	40,672	79.9
Maine	32,613	40,908	79.7
North Carolina	32,397	40,875	79.3
New Jersey	44,343	55,980	79.2
Delaware	37,049	46,898	79
Oregon	33,959	43,226	78.6
Texas	32,530	41,539	78.3
Massachusetts	43,452	55,555	78.2
Colorado	36,618	47,270	77.5
Montana	29,634	38,440	77.1
Nevada	34,724	45,178	76.9
Tennessee	31,091	40,458	76.8
Minnesota	37,281	48,637	76.7
Iowa	31,903	41,677	76.5
Connecticut	44,625	58,838	75.9
Kentucky	31,089	40,977	75.9
New Mexico	30,623	40,359	75.9
Pennsylvania	35,265	46,455	75.9
South Carolina	31,063	40,998	75.8
South Dakota	28,431	37,493	75.8
Missouri	31,820	42,106	75.6
Nebraska	30,885	40,860	75.6
Oklahoma	30,123	39,860	75.6
Virginia	37,859	50,203	75.4
Arkansas	27,487	36,839	74.6
Ohio	33,628	45,214	74.4
Wisconsin	33,640	45,266	74.3
Rhode Island	36,536	49,265	74.2
Alabama	30,681	41,411	74.1
Kansas	32,066	43,346	74
Mississippi	27,697	37,436	74
Washington	37,932	51,272	74
Illinois	36,968	50,022	73.9
Alaska	37,861	51,500	73.5
Michigan	35,260	48,720	72.4
Idaho	29,730	41,461	71.7
North Dakota	29,589	41,249	71.7
New Hampshire	36,946	51,655	71.5
Indiana	31,935	44,906	71.1
Utah	31,183	45,028	69.3
Louisiana	29,147	43,326	67.3
West Virginia	27,472	40,941	67.1
Wyoming	31,204	48,555	64.3

Alaska State Legislature

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Committee
Chair
•
Senate
Education Committee
Vice-Chair

Legislative Council
Vice-Chair
•
Senate
Transportation
Committee
•
Senate
Labor & Commerce
Committee

Senator_Bettye_Davis@legis.state.ak.us
http://www.aksenate.org/

Senator Bettye Davis

SPONSOR STATEMENT

SB53 – REESTABLISHMENT OF THE ALASKA COMMISSION ON THE STATUS OF WOMEN

Senate Bill 53 "An Act reestablishing the Alaska Commission on the Status of Women; and relating to the purpose and powers of the Alaska Human Relations Commission."

Senate Bill 53 reestablishes the Alaska Commission on the Status of Women – a nine member body devoted to improving the status of women. The Alaska Commission on the Status of Women was originally created in 1978; renewed and renamed to the Alaska Women's Commission in 1983; then combined with the Alaska Human Relations Commission in 1993. While the Alaska Human Relations Commission continues to exist in statute, it has never been funded and was declared inactive in 1996.

Staggering statistics for women in Alaska show the extreme need to reestablish the Commission to exclusively focus on major issues facing women. Alaska has the highest rates of sexual assault and domestic violence in the nation and historically, women are more likely to be poor than men. Poverty rates for unmarried female householders with children are particularly high and have consistently been two or three times as high as overall male and female poverty rates since 1996. Survey data compiled by the American Community Survey shows that of 26,518 families in Alaska with a female head of household, 22.6 percent live below the poverty level. The gender wage gap persists in Alaska and across a wide spectrum of occupations and industries. In 2009, according to the Alaska Department of Labor, Alaskan women on average earned only 66.6% of what men earned. And, although more women than men in Alaska hold a bachelor's degree or higher, data shows that men's median annual earnings are higher in every education level. Alaskan women, in particular women of color, experience health care disparities and women living in rural Alaska have worse-than average disparities on access and utilization of services.

Reestablishing the Alaska Commission on the Status of Women will help Alaskans focus on these critical areas that have negatively impacted women and children for decades. Throughout the Commission's existence, the Commission conducted many public hearings and trainings, developed manuals on violence against women, education and welfare, conducted research to help women avail themselves of existing resources to meet their needs and implemented recommendations on the opportunities, needs, problems and contributions of women in the areas of education, homemaking, civil and legal rights, and labor and employment. The Commission developed a comprehensive statewide plan that identified the needs of children and youth and made recommendations to enhance the quality of life for women and children, as well as produced annual reports which described in detail the accomplishments of the commission in those years. We need innovative, forward thinking and a commission that exclusively concentrates on ensuring equality for women.

Session: (January – April)
State Capitol, Room #30, Juneau, AK 99801-1182 Phone: (907) 465-3822 · Fax: (907) 465-3756 · Toll Free: (800) 770-3822
Interim: (April – December)
716 West 4th Avenue, Anchorage, AK 99501-2133 · Phone: (907) 269-0144 · Fax: (907) 269-0148

Number of Resources Requested

Annual Report: A review of the major accomplishments of the Women's Commission since January 1, 1982 to December 31, 1982.	1982	2,481	Profiles in Change: Alaska Native Land Claims Act. Alaskan Women's Statistical Brief: Statistics relating to the state's economic, social and political development.	1983	162
Directory of Alaskan Organizations. Statewide directory of	1983	37	Report on the Economic Status of Alaska's Native Women. Results of the study on the economic status of Alaska Native women with recommended actions to improve their economic status.	1983	2
Family Equity in Taxes: A Study of the Economic Consequences of Alaska's Tax Structure. Results of research on	1987	64	Study of the Report on the Economic Status of Alaska Native Women: Summary of above report.	1983	19
Getting a Grievance: A Primer for Women in Public Life. A basic planning guide for women who are involved with legislation.	1986	24	POSTERS:		
Power in Place: Does the Juneau Empire Do Fair Reporting of Women? An analysis of the Juneau Empire's coverage of	1986	28	Profile - a Sheet Overview		34
Report of the Alaska Statutes for Sex Discrimination. Analysis of the Alaska Statutes for discrimination on the basis of	1982	17	Be What You Want To Be		25
Report of the Governor's 1984 Statewide Conference for Women. Report of the conference held in Anchorage	1985	30	Women: Alaska Women's Commission		44
Status of Women's Rights in Alaska: A Report to the Governor's Council on Alaska Women's Issues. Report on the	1985	41	Women in Alaska History: A Timeline of Famous Alaskan Women		89
Women in Alaska: 1970 - 1985. An historical bibliography of books, articles, reports, and press releases about Alaska Women in history.	1985	41	BROCHURES & FACT SHEETS:		
Alaska Women: A Statistical Profile of Alaska women based upon the 1980 Census. Statistical reference document.	1984	46	Highlights of the Alaska Women's Commission. Historical summary of events, activities and actions of the Women's Commission.	1987	176
Review by Labor Utilizing Speaker Report. Summary of the major problems women face and how to make effective responses.	1984	9	Summary of Family Equity at Issue: A Study on the Economic Consequences of Divorce on Women and Children.	1987	147
Women's Legal Rights in Alaska. Outline legal rights affecting women in Alaska. Out of print.	1984	55	Alaska Women & Education. A Primer on Title IX and Alaska Courts. A concise and reliable reference guide.	1985	194
			Alaska Women & Economics. Summary information on insurance discrimination in Alaska and the nation.	1985	35
			Alaska Women & Freedom. Summary of federal actions legislation and public policy issues and decisions affecting women in Alaska and the nation.	1985	47
			Alaska Women's Commission. Describes the purpose of the Commission and its current activities.	1984	48
			Alaska Women & Politics. Summary information on the economic, educational, and family status of Alaska women.	1984	103
			Women's Legal Rights in Alaska. Summary information on rights of women participants in politics in Alaska and in the nation.	1984	37

ALASKA WOMEN'S COMMISSION
900 W. 5TH STREET, SUITE 742
ANCHORAGE, AK 99503

Members of Commission:
Paula Ziegler, chair
Juneau
Joy Green-Armstrong, vice chair
Anchorage
Loretta Bullard, Nome
Merrill Hallfurich, Fairbanks
Linda L. Freed, Kodiak
Elisabeth (Pat) Kennedy, Anchorage
Rebecca Napoleon, Hooper Bay
Betty Ramage, Anchorage
Wendy Redman, Fairbanks
Susan Smalley, Kenai
Executive Director
Ruth Lister

State of Alaska
Steve Cowper, Governor
Stephen McAlpine, Lt. Governor

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ALASKA WOMEN'S COMMISSION

Annual Report 1989 - JANUARY 1990

STEVE COWPER
GOVERNOR

PHONE
(907) 561-4227

STATE OF ALASKA
OFFICE OF THE GOVERNOR

ALASKA WOMEN'S COMMISSION
3601 C STREET - SUITE 742
ANCHORAGE, ALASKA 99503

January 25, 1990

The Alaska Women's Commission is pleased to present our 1989 annual report, outlining the tasks we completed and the goals we reached during the last year.

First among them was the re-establishment of the Commission for another four years. With the firm mandate we received from the Governor and the legislature, we were able to spend two meetings in extensive long-range planning to insure that those four years are full of productive activity aimed at the betterment of the economic, political, social and educational condition of Alaska women and their families.

Revision of the Women's Legal Rights Handbook was successfully completed, and its distribution accomplished as effectively as possible within a limited budget.

Important outreach to rural women took place in Nome and Bethel; we hope to augment this during the coming year, and an important contribution to that goal will be aided by the federal grant we received to hold a conference on substance abuse in rural Alaska, with a special emphasis on women.

Other outreach of significance we were able to make this year was to welfare recipients and female high school drop-outs. We hope to follow up with research designed to provide assistance to both these groups.

A new decade lies before Alaska and its citizens, containing both roses and thorns. The Alaska Women's Commission is dedicated to seeing that those citizens who are female share equally in the former and not disproportionately in the latter.

Sincerely,

Paula Sampson
Chair

Members of the Commission

Paula Sampson, chair, Juneau

Joy Green-Armstrong, vice chair, Anchorage

Michelle Brown, Anchorage

Loretta Bullard, Nome

Florence Esmailka, Ruby

Linda L. Freed, Kodiak

Rebecca Napoleon, Hooper Bay

Wendy Redman, Fairbanks

Lary Schafer, Huslia

Susan Smalley, Kenai

LETTER FROM THE DIRECTOR

The Alaska Women's Commission has undergone some important changes in 1989. The passage of legislation to continue the Commission was difficult. Concerns raised by women who testified or women who talked to staff have impacted the direction of our work. In particular it is clear that there are many women in Alaska who are striving to get off welfare, helping a family member who has a serious health problem, recovering from sexual abuse or domestic violence, living in poverty, lacking adequate job skills, needing appropriate treatment for addiction to drugs or alcohol, or lacking adequate child care or housing. These and other basic issues must be solved to enable women to be in a position to make choices about their lives.

Women also testified in hearings before the Commission about feeling unsupported in their choice to be a homemaker or start a home business or work part-time while raising a family. The Commission has looked at strategies to support women in these choices and has incorporated these issues into our long term plan as well as our FY90 activities.

Thus, while the process of gaining legislation for continuing the Women's Commission was difficult, it also provided us with a lot of information from across the state on what are women's concerns and on what changes women need to address these concerns.

The new Women's Legal Rights Handbook, an updated Directory of Women's Organizations, a women's calendar, meetings for welfare recipients in Bethel, Anchorage and Kenai to address their needs, research on young women who drop out of school, and award of a federal grant for a substance abuse conference for rural women are the major accomplishments of the past year. It has been a productive year and I look forward to continuing the Commission's work to improve the status of Women in Alaska.

Sincerely,

Ruth Lister

Ruth Lister
Executive Director

COMMISSION STAFF

Ruth Lister,
Executive Director

Evelyn Tucker,
Information Officer

Lauren Bruce
Research Assistant

Billie Harvey
Title V Information Assistant

PURPOSE OF THE COMMISSION

The Alaska Women's Commission is dedicated to the achievement of equal legal, economic, social and political status for women in Alaska.

Nine public members and one representative from the Attorney General's office are appointed by the Governor to staggered three year terms. They represent a wide range of backgrounds, interests and geographic areas. Meetings are held three times per year and are open to the public..

The Commission is a statewide network for study and action on a variety of issues. Current priorities include legislation, employment, civil and legal rights and issues relating to the family.

WOMEN'S COMMISSION LIVES

Governor Cowper signed SB 8, the bill extending the life of the Alaska Women's Commission, into law on April 20th. This legislation extends the Commission's life until June 30, 1993.

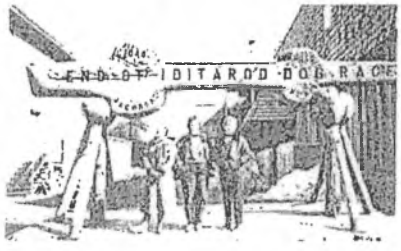
The original version of SB 8, as submitted by Senator Fahrenkamp, would have reinstated the Alaska Women's Commission under basically the same terms it had operated under prior to "sunsetting". The Legislature amended this bill (SB 8) in some significant ways. The amendments shorten the terms Commissioners serve from five years to three and limit the length of appointments to a maximum of six consecutive years.

The original bill required that one of the Commissioners be a homemaker. SB 8 amends it by deleting the term homemaker and inserting in its place a "person who manages a household that includes the person's spouse and at least one child and who is not otherwise employed".



Ruth Lister and Evelyn Tucker work on the Long Term Plan for the Women's Commission.

The amended bill is consistent with the original which directs the Governor to make appointments on a nonpartisan and nondiscriminatory basis and to give consideration to the recommendations made by "civic organizations, women's organizations, educational and vocational groups, employer groups, labor unions, church groups, homemakers' clubs and organizations, and other groups having an interest in the welfare and status of women".



**Commissioners meet in Nome:
Paula Sampson, Linda Freed, Susan Smalley.**

The original bill also directed the governor to consider statewide geographical representation of the Commission and minority and low-income representation when making appointments. The legislature added the following groups: senior citizens, the disabled, people from a variety of occupational categories, people with different marital statuses, and people with various numbers of children.

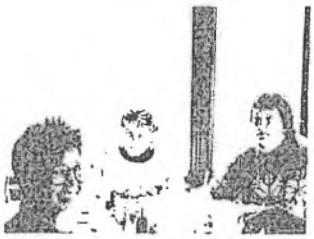
Finally, the amendments to SB 8 also provide the following direction: "When conducting research, acting as a referral service, serving as a forum for ideas, and developing recommendations related to the welfare of women, the commission shall solicit and consider information and views from a variety of constituencies in order to represent the broad spectrum of diversity that exists with respect to possible approaches for meeting women's needs in the state".

LONG TERM PLAN

In 1988 the Alaska Women's Commission started work on a long term plan. Issues of concern to women were identified as well as present and ideal status. Women's organizations statewide were asked to comment on these issues and suggest strategies for accomplishing change.

In May of 1989 the Commission reviewed these comments as well as other issues proposed by both women's organizations and individuals who have contacted our office.

At that time, the Commission divided the issues from the draft plan into two major categories: survival and equity. Many women are concerned about survival needs such as food and housing for themselves and their children. Other women are able to focus on equity issues such as equal representation in local and state government, equal access to opportunity in the work place, sex equity in education, etc. Women affected by survival issues must have these addressed before they can even be concerned about equity issues. Some issues such as health care and substance abuse services affect both groups of women. The Commission will balance its focus between survival and equity issues over the next several years. The survival issues identified were: health care, basic education, housing, legal services, child care, child custody, child support, and domestic violence/sexual assault services. The equity issues identified were: employment, family leave, entrepreneurship, affirmative action, part-time and flexible work, demographic balance on boards and commissions, sex discrimination in the law, sex equity in education, and support of lifestyle decisions.



Rebecca Napoleon, Susan Smalley, Linda Freed.

Different categories of women who are affected by these issues were listed by the Commission. For example, the groups affected under support of lifestyle decisions were listed as homemakers, divorcing women, single parents, rural women, employed women and pregnant women. Groups affected under part-time and flexible work were homemakers, teens, employed women, single parents and seniors. At their recent meeting in October the Commission completed the long term plan by finalizing strategies for action for each issue. While we anticipate that new strategies will be added when projects are implemented, this is an excellent starting point for our work.

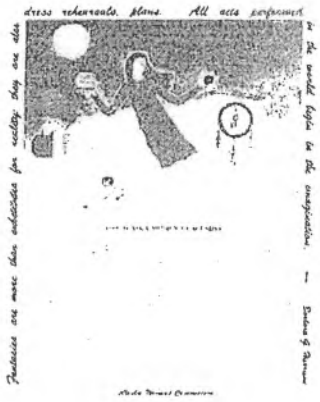
WELFARE REFORM: ANNUAL REPORT

The Women's Commission sponsored forums for welfare recipients to learn about the federal Family Support Act and to provide a means for welfare recipients to impact the proposed state plan to implement the Act. A total of four meetings were held, two in Anchorage, one in Bethel and one in Kenai. Recipients responded positively to having a safe and confidential opportunity to be heard. For most, the isolation and fear created by being on public assistance and living in poverty have been overwhelming.

At the first Anchorage meeting the Commission brought Carol Sasaki, director of a national organization called HOME (Helping Ourselves Means Employment with Education) through a Carl Perkins grant from the Department of Education. Recipients addressed questions on childcare, education and training needs, child support, barriers to self sufficiency, and entrepreneurship. Recipients expressed a strong desire to get off welfare. They were clear about the kind of help they needed to get jobs that are not low paying or lacking medical insurance. The Commission reported their findings to the Family Support Task Force and published a preliminary report which included recommendations.

At the second Anchorage meeting, women reviewed key issues in the draft state plan, talked about their responses, and learned how to give written and oral public testimony. About a dozen recipients came to the public hearings on Welfare Reform.

The Commission will continue to meet with recipients and to work with them and state agencies to create programs that meet their needs for obtaining self sufficiency.



THE CALENDAR AND DIRECTORY

In February of 1989 the Commission published a revised Directory of Women's Organizations in Alaska. This useful booklet lists Women's Organizations statewide and by community. The Directory was last revised in 1984.

Early in 1989 the Commission also produced a women's full color poster calendar. The calendar lists annual meetings of women's organizations, conferences and workshops of interest to women in communities around the state. The calendar was mailed to women's organizations and groups, health aides, Native organizations and schools. It was very well received.

LEGAL RIGHTS HANDBOOK REVISED AND UPDATED

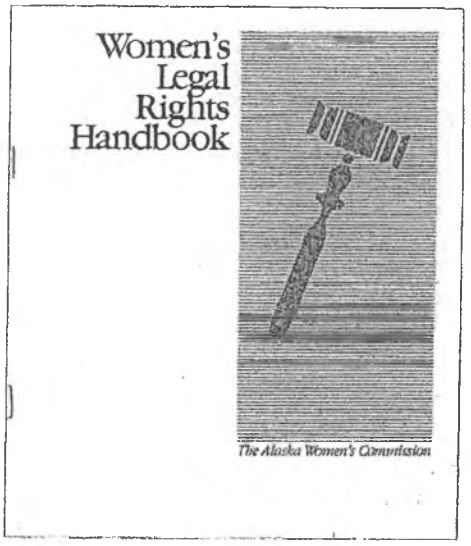
In September the Commission released a newly revised and updated **Women's Legal Rights Handbook**. Commission staff worked with attorneys and other reviewers to revise, update and in some cases rewrite sections of the text. They also added a new chapter entitled "Legal Representation" which advises women about selecting and working with an attorney or representing themselves if they can not afford a lawyer.

The Chapters on "Employment" and "Divorce and Dissolution" were rewritten and substantially enlarged. "Employment" now contains sections on: State and Federal Laws Regarding Discrimination; Wage Discrimination; Sexual Harassment; Pregnancy, Childbearing, and Family Leave; People with Disabilities; and Local, State, and Federal Anti-discrimination Agencies.

The Divorce and Dissolution chapter now covers: Residency; Property Division; Tax Consequences; Alimony; Attorney Fees; Child Support; Child Support Enforcement Program; Child Custody; Uniform Child Custody Jurisdiction Act; Modifications; and Visitation.

The Commission would like to acknowledge the contributions of many different women from throughout the state who helped revise sections and review drafts. This revision of the Handbook would not have been possible without their assistance.

Because of budget limitations, the Commission printed fewer copies than it has in the past. The Commission distributed copies to Women's Organizations, Domestic Violence Programs, Public Defenders, Alaska Legal Services, District Attorneys, Health Aides, Native Organizations, Senior Centers, and individuals. Initial copies free; each additional copy is $1.50 plus postage.



COMMISSION RECEIVES GRANT

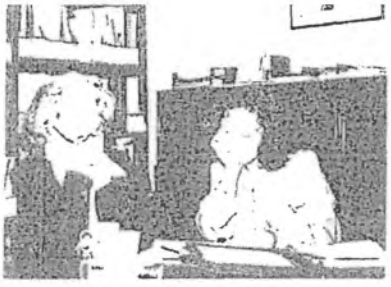
PLANS SUBSTANCE ABUSE CONFERENCE FOR RURAL WOMEN



Evelyn Tucker and Mary Stachelrodt discuss the substance abuse conference.

In September the Commission received a federal grant from the Office of Substance Abuse Prevention to produce a statewide conference on substance abuse issues for rural women. The conference will focus on women taking a leadership role in the prevention of substance abuse in their communities as a result of their commitment to families and children.

"Leadership in Sobriety" will be held as a retreat at the Meier Lake Conference Center, a rustic facility located on a lake approximately 40 miles north of Anchorage. The conference will run March 20-23 and will accommodate 60 to 80 women from throughout the state. Participants will include women who are providers of human services, policy makers in their communities, and those who have a personal interest in substance abuse issues. The budget includes scholarships and travel stipends for 24 women from around the state. Regional health corporations will be asked to select two women from their region to attend.



Billie Harvey and Mary Stachelrodt go over the conference mailing list.

The Commission will identify women from rural communities whose work and interest in the field of substance abuse qualifies them as experts. They will provide workshops and group session for the conference. One "outside expert", Phyllis Chelsea from Alkali Lake, has been invited to be the main presenter. Otherwise the Commission's intention is to identify and nurture its own substance abuse experts in rural Alaska.

"Leadership in Sobriety" will give rural women the opportunity to examine how substance abuse affects them and their families. The Conference will provide a forum to explore the relationships between substance abuse, domestic violence, sexual abuse, depression, and suicide. Lastly the conference will give women the opportunity to share the positive strategies they have developed in their personal and private battles with substance abuse.

1989 REPORT

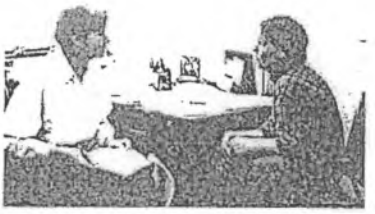
YOUNG WOMEN OF ALASKA SPEAK OUT

The Commission Completes Research on Why Teens Drop Out

In December, 1989, research was completed on a study about why young women drop out of school. The Women's Commission interviewed 115 teens and tape recorded their comments and ideas.

The estimated drop-out rate for Alaska is approximately 33%, matching the national average. Young women comprise almost half of the total number of drop-outs.

The unique aspect of this study is that it affords the reader an opportunity to hear the thoughts and feelings of young women who have gone through the experience of failing in school or having school/parents/teachers fail them and have dropped out as a result.



Ruth Lister and Lauren Bruce review the Drop Out report.



Elizabeth Peratrovich

ELIZABETH PERATROVICH CHOSEN FOR WOMEN'S HALL OF FAME

The Alaska Women's Commission selected Elizabeth Peratrovich (1911-1958) as the 1989 inductee to the Alaska Women's Hall of Fame. She was selected for her work to insure passage of anti-discrimination legislation in the Alaska Territorial Legislature. In the 1940s Elizabeth Peratrovich and her husband Roy led a determined fight for passage of a bill that extended civil rights to all Alaskan citizens. They were successful in 1945 when the Alaska Territorial Legislature passed a law that provided for "full and equal accommodations, facilities, and privileges to all citizens in places of public accommodation within the jurisdiction of the Territory of Alaska."

Elizabeth Peratrovich will be formally inducted into the Alaska Women's Hall of Fame at a reception in March as part of this year's Women's History Month events. The Women's Hall of Fame was established by Governor Cowper in 1986 to honor women who have made contributions to Alaska and who have provided visible role models for tomorrow's leaders. It is dedicated to the late Lisa Rudd.

COMMISSION PRESENTATIONS

Prior to the passage of SB8, much of the Commission's time was spent speaking to groups and individuals in favor of the Commission. In addition the Commission made presentations to a variety of audiences on key issues the Commission is supporting. A total of 944 people attended these presentations, forums, and meetings. The following is a summary of presentations the Commission made at forums, meetings, and conferences in 1989:

Alaska Network on Domestic Violence and Sexual Assault
Alaska Women's Lobby
Alaska Women's Political Caucus
Alaska Women's Resource Center
Annual School on Addiction Studies
Association of Public Administrators
Association of University Women
Bartlett Club
Business and Professional Women's Club
Chugiak High School
Department of Education Sex Equity Training for Trainers
Displaced Homemaker Meetings for Region X
Emmonak High School
Kodiak Women's Resource Center
National Women Legislators Conference
Public Service Alaska Conference
re:commitment, a conference on equity in Alaskan Schools
Small Business Association
Valley Women's Resource Center
University of Alaska, Women and Social Policy Class

Forums and Meetings the Commission Sponsored

Legislative Alliance for Women (12x)
Meetings on Divorce/Dissolution and Child Custody (5x)
Pro-life and Pro-choice Meetings (2x)
Substance Abuse Conference Planning Meetings (2x)
Welfare Reform Public Forums (4)



Photo by Jerry Peverell

Rebecca Napoleon, from Hooper Bay speaks to the students of Emmonak High School about what it takes to be a successful student, both in high school and in college.

Media Contacts

TV News interviews on:
- Divorce/Dissolution
- Parental Leave
- Welfare Reform

Press Releases on Women's Hall of Fame
Women's History Profiles on TV (PSAs)
Press Releases and Reviews of the Women's Legal Rights Handbook

Publications Requested

Annual Report. A review of the major accomplishments of the Women's Commission from January 1, 1988 to December 31, 1988.	1988	570
Commitment or Complacency: An assessment of sex equity in Alaska's educational institutions with recommendations for future action. Out of print.	1986	requested
Directory of Women's Organizations. Statewide directory of women's organizations.	1989	1,070
Family Equity at Issue: A study of the economic consequences of Divorce on Women and Children. Results of research on economics of divorce in Alaska.	1987	68
Making a Difference: A Primer for Women in Public Life. A handbook for political involvement. Includes information on campaign planning, voter contact, and working with volunteers.	1986	15
Profiles in Change: Names, Notes, and Quotes for Alaskan Women. Stories about Alaskan Women who have contributed to the state's economic, social and political development. Out of print.	1983	requested
Report on the Economic Status of Alaskan Native Women. Results of the study on the economic status of Alaskan Native women.	1989	5
Status Report. Alaska Women's Commission's Newsletter.	1989	5,270
Women's Legal Rights Handbook. Outlines legal rights affecting women in Alaska.	1989	2,478
Posters		
1989 Poster/Calendar		2,000
Women in Alaska: A Timeline of Famous Alaskan Women		78

Referrals

The Alaska Women's Commission received over 600 calls from women seeking information or a referral. In 1989 approximately one third of the calls were regarding divorce. Approximately one third were from women who wanted to start their own business. Roughly 10% involved asserting legal rights. The remaining calls were from women seeking information in such areas as health care, counseling, assistance with welfare, information on the commission, employment, education, women in history, and legislation.

BULK RATE
U.S. POSTAGE
PAID
Permit No. 691
Anchorage, AK

ANCHORAGE WOMEN'S COMMISSION
3601 "C" STREET, SUITE 742
ANCHORAGE, AK 99503

Members of Commission:
Paula Ziegler, chair
Juneau
Joy Green-Armstrong, vice chair
Anchorage
Michelle Brown
Anchorage
Loretta Bullard, Nome
Florence Esmailka, Ruby
Linda L. Freed, Kodiak
Rebecca Napoleon, Hooper Bay
Wendy Redman, Fairbanks
Lary Schaler, Husfa
Susan Smalley, Kenai
Executive Director
Ruth Lister

State of Alaska
Steve Cowper, Governor
Stephen McAlpine, Lt. Governor

ADDRESS CORRECTION REQUESTED

January 17, 2012

To:

The Honorable Bert Stedman
Co-Chair Senate Finance Committee
Alaska State Legislature
State Capital, Room 516
Juneau, AK 99801-1182

The Honorable Lyman Hoffman
Co-Chair Senate Finance Committee
Alaska State Legislature
State Capital, Room 518
Juneau, AK 99801-1182

I am concerned about SB 53 COMMISSION ON THE STATUS OF WOMEN. While it is true that single women with children are more at risk of poverty, we do not need this Commission to discern this. The UN Commission on the Status of Women (CSW) has become a magnet for radical policies that hinder and exploit women.

In 2010, the theme of the United Nations Commission on the Status of Women was Sexual Rights. Last year, the theme was Youth Revolutions. Reporting at this conference, were legal organizations that target Christian denominations in litigation.

Radical sex education exploits women and children and throws them into risky sexual situations. CSW is aware that education is the key to changing the next generation. Diane Schneider, representing the National Education Association (NEA) on a CSW panel said that "oral sex, masturbation, and orgasms need to be taught in education." She also said students should not be able to "opt out" of such classes, meaning parents would not be able to object having their child in the class. Her comments also targeted traditional marriage, heterosexuals, and mothers that want to "stay at home" as outdated.

Every year, the University of Kansas Commission on the Status of Women puts on a production of *The Vagina Monologues* which even feminists consider anti-men and anti-traditional male/female relationships.

The UN CSW includes Iran as one of its 45 members. Iran has blamed women for earthquakes and approves of jailing them for having a suntan. Should

we take seriously, a commission that includes those who consistently violate human rights. Two weeks after Iran was elected to the UN CSW, the UN CSW passed a resolution condemning Israel's treatment of Palestinian women. This was the only country addressed by the UN CSW even though women suffer greatly in Arabic countries.

I think it would be unfortunate to let one commission speak for all women. Many of its view are contrary to many people's beliefs. We need to invigorate our economy and provide opportunities for women and men so their families are provided for. The CSW often provides misinformation.

Sincerely,

Jennifer Grimwood
Cordova, Alaska
Eagle Forum Alaska
beautifulfoundationsef@gmail.com

SB

58

<TARGET><BILL>SB 58</BILL><SUBJECT>SB
58</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 2/17/11

FURTHER:

DATE TURNED IN TO OFFICE: 4.6.11

Finance Committee considered SENATE BILL NO. 58

SB 58-INCREASING NUMBER OF SUPERIOR CT JUDGES

"An Act increasing the number of superior court judges designated for the third judicial district; and providing for an effective date."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)

Dept.	Fiscal	Indet.	Zero	FN #
COR			✓	
SFIN/DRS			✓	

PREVIOUS FISCAL NOTE(S)

Dept.	Fiscal	Indet.	Zero	FN #
CRT	✓			1
CRT	✓			2
ADM	✓			3
ADM	✓			4
LAW	✓			7
GOV			✓	8

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas			✓	
	EGAN			✓	
	McGuire	✓			
	OLSON			✓	
	ELLIS	✓			
CO-CHAIR:	Hoffman			✓	
CO-CHAIR:	STEDMAN			✓	

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number 1
Bill Version SB 58
(S) Publish Date 2/17/11

Identifier (file name)
Title An Act Relating to the Number of Superior Court Judges
Sponsor Senate Rules Committee
Requester Alaska Supreme Court

Dept. Affected
Appropriation Alaska Court System
Allocation Trial Courts
OMB Component Number 768

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	888.4		888.4	888.4	888.4	888.4	888.4
Travel	10.0		10.0	10.0	10.0	10.0	10.0
Services	37.6		20.0	20.0	20.0	20.0	20.0
Commodities	79.6		12.0	12.0	12.0	12.0	12.0
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**1,015.6**	**0.0**	**930.4**	**930.4**	**930.4**	**930.4**	**930.4**
CAPITAL EXPENDITURES	**425.2**						
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	1,440.8		930.4	930.4	930.4	930.4	930.4
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**1,440.8**	**0.0**	**930.4**	**930.4**	**930.4**	**930.4**	**930.4**

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time	**8.0**		**8.0**	**8.0**	**8.0**	**8.0**	**8.0**
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

This fiscal note is different from the court's earlier note in that it is on an updated fiscal note form and it has an amended analysis. Neither the bill version nor the fiscal impact has changed.

Prepared by Doug Wooliver, Administrative Attorney
Division Alaska Court System
Approved by Doug Wooliver for Christine Johnson, Administrative Director
Alaska Court System

Phone 907-463-4750
Date/Time 2/3/2011 @ 10:30 am
Date 2/3/2011

FISCAL NOTE #1

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 58

Analysis

Senate Bill 58 adds two new superior court judges to the Anchorage Bench. The Judges will be assigned civil caseloads. This fiscal note reflects the cost of the new judges along with their accompanying staff and one-time office-related expenses. This note also reflects the capital remodel costs necessary to accommodate two new superior court judges in the Nesbett Courthouse. These remodel costs are also included in the Alaska Court System's capital budget request as part of the court's long-term capital goals. Should the court's capital budget request be fully funded those costs would be removed from this note.

FISCAL NOTE #1

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 58

Analysis

Alaska Court System
Fiscal Note Calculations for SB058

Personal Services	
Superior Court Judge - Anchorage (2)	514,200
In-Court Clerk - Anchorage, Range 12A (2)	125,200
Law Clerk - Anchorage, Range 13D (2)	123,800
Administrative Assistant - Anchorage, Range 12A (2)	125,200
Subtotal Personal Services	888,400
Travel	
Judicial Conferences/Other	10,000
WAN Fees, Software & Licensing	37,600
Supplies (desk, computer, courtroom electronics, and chair) for four PFT positions	79,600
Fiscal Note Total (Operating Expenses)	1,015,600
Breakdown by Expense Category:	
Personal Services Total	888,400
Travel Total	10,000
Services Total	37,600
Commodities Total	79,600
Total Operating Expenses	1,015,600
Capital Expenditures	
Remodel Nesbett Courthouse to Accommodate Judges & Staff	
Total Capital Expenses	425,200

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number 2
Bill Version SB 58
(S) Publish Date 2/17/11

Identifier (file name)
Title An Act Relating to the Number of Superior Court Judges
Sponsor Senate Rules Committee
Requester Alaska Supreme Court

Dept. Affected Alaska Judicial Council
Appropriation
Allocation
OMB Component Number

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel	9.0	0.8	0.8	0.8	0.8	0.8	0.8
Services	14.1	1.2	1.2	1.2	1.2	1.2	1.2
Commodities	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**23.2**	**1.9**	**1.9**	**1.9**	**1.9**	**1.9**	**1.9**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	23.2	1.9	1.9	1.9	1.9	1.9	1.9
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**23.2**	**1.9**	**1.9**	**1.9**	**1.9**	**1.9**	**1.9**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version.

Prepared by Larry Cohn, Executive Director
Division Alaska Judicial Council
Approved by

Phone 907-279-2526 ext. 1
Date/Time 2/1/11 4:30 p.m.
Date

FISCAL NOTE #2
Alaska Judicial Council

Analysis

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 58

SB 58 adds two new superior court judges in the Third Judicial District. This fiscal note assumes that these positions will be filled separately, either because they will be in different venues or because the court may not have the facilities to proceed immediately on two new positions in a single venue. The Judicial Council's initial costs of filling these vacancies include funds needed to solicit applicants, to conduct investigations into their qualifications, and to convene a meeting to interview applicants and nominate the most qualified to the governor for appointment. A breakdown of costs is as follows:

Travel	Council members' travel to two meetings		9,000
Contractual	Printing, mailing, survey hosting, data analysis, advertising, miscellaneous		14,100
Commodities	Paper		100
		Total	23,200

If the Alaska Court System is able and willing to fill the two new positions simultaneously, and if the positions are in the same venue, the Judicial Council will coordinate its solicitation and screening of judicial applicants to achieve lower costs. In that case, the Council's funding request would be as follows:

Travel	Council members' travel to one meeting		5,500
Contractual	Printing, mailing, survey hosting, data analysis, advertising, miscellaneous		7,900
Commodities	Paper		100
		Total	13,500

An average superior court judge serves for twelve years. Costs associated with filling these positions in the future are amortized over the next twelve years.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 3
Bill Version: SB 58
(S) Publish Date: 2/17/11

Identifier (file name): SB058-DOA-PDA-1-29-11
Title: An Act increasing the number of superior court judges.....
Sponsor: Senate Rules Committee
Requester: Senate Judiciary

Dept. Affected: Administration
Appropriation: Legal and Advocacy Services
Allocation: Public Defender Agency
OMB Component Number: 1631

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	181.7		181.7	181.7	181.7	181.7	181.7
Travel	4.1		4.1	4.1	4.1	4.1	4.1
Services	30.2		30.2	30.2	30.2	30.2	30.2
Commodities	3.0		3.0	3.0	3.0	3.0	3.0
Capital Outlay	13.4		1.3	1.3	1.3	1.3	1.3
Grants							
Miscellaneous							
TOTAL OPERATING	**232.4**	**0.0**	**220.3**	**220.3**	**220.3**	**220.3**	**220.3**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	232.4		220.3	220.3	220.3	220.3	220.3
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**232.4**	**0.0**	**220.3**	**220.3**	**220.3**	**220.3**	**220.3**

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time	**2.0**		2	2	2	2	2
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by: Quinlan Steiner, Director — Phone: 907 334-4414
Division: Public Defender Agency — Date/Time: 1/28/11 4:30 PM
Approved by: John Cramer, Deputy Commissioner — Date: 1/29/11 , 12:15 PM
Department of Administration

(Revised 1/27/2011 OMB)

FISCAL NOTE #3

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 58

Analysis

This bill provides for two new superior court judges in Anchorage. These positions are expected to handle a civil caseload of Child in Need of Aid (CINA) matters. The additional judicial positions are expected to increase weekly court room appearances and will increase the workload associated with all civil cases as the Agency attempts to prepare its cases in a timely manner to meet the demand of increased court hearings.

The civil division has six attorneys who are required to appear before the current ten superior court judges handling CINA matters. The Agency anticipates the need for a single attorney position in the civil division with the additional support of a law office assistant to meet the anticipated workload increase.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 4
Bill Version: SB 58
(S) Publish Date: 2/17/11

Identifier (file name): SB058-DOA-OPA-1-29-11
Title: An Act increasing the number of superior court judges.....
Sponsor: Senate Rules Committee
Requester: Senate Judiciary

Dept. Affected: Administration
Appropriation: Legal and Advocacy Services
Allocation: Office of Public Advocacy
OMB Component Number: 43

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	181.7		181.7	181.7	181.7	181.7	181.7
Travel	4.1		4.1	4.1	4.1	4.1	4.1
Services	30.2		30.2	30.2	30.2	30.2	30.2
Commodities	3.0		3.0	3.0	3.0	3.0	3.0
Capital Outlay	13.4		1.3	1.3	1.3	1.3	1.3
Grants							
Miscellaneous							
TOTAL OPERATING	**232.4**	**0.0**	**220.3**	**220.3**	**220.3**	**220.3**	**220.3**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	232.4		220.3	220.3	220.3	220.3	220.3
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**232.4**	**0.0**	**220.3**	**220.3**	**220.3**	**220.3**	**220.3**

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time	**2.0**		2	2	2	2	2
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by: Rachel Levitt, Acting Director
Phone: 907 269-3504
Division: Office of Public Advocacy
Date/Time: 1/29/11, 12:00 p.m.
Approved by: John Cramer, Deputy Commissioner
Department of Administration
Date: 1/29/2011, 12:15:00 PM

(Revised 1/27/2011 OMB)

FISCAL NOTE #4

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 58

Analysis

This bill will create two new Superior Court judge positions in the Third Judicial District. The agency has been advised that these two judges will be handling Anchorage Child in Need of Aid (CINA) matters. Currently, there are ten Anchorage Superior Court judges handling CINA matters. The addition of two new Superior Court judges will considerably increase the number of CINA cases heard on a weekly basis.

The Office of Public Advocacy currently has five full time staff attorneys in Anchorage who represent parents in CINA matters. These attorneys are within a staff section with a total of eight attorneys and two support staff (one law office assistant and one paralegal). The addition of two more judges will greatly increase the demands on these attorneys and staff to prepare for and appear in court for CINA matters. In order to adequately address the increased demands on the agency, the agency will need one additional attorney and one additional law office assistant.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number 7
Bill Version **SB 58**
(S) Publish Date 2/17/11

Identifier (file name): SB058-LAW-CIV-01-29-11
Dept. Affected Law
Title An Act increasing the number of superior court judges designated for the third judicial district; and providing for an
Appropriation Civil
Allocation Child Protection
Sponsor Rules
Requester (S) Judiciary
OMB Component Number 2961

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	192.3		192.3	192.3	192.3	192.3	192.3
Travel	1.1		1.1	1.1	1.1	1.1	1.1
Services	26.7		26.7	26.7	26.7	26.7	26.7
Commodities	4.0		4.0	4.0	4.0	4.0	4.0
Capital Outlay	0.9		0.9	0.9	0.9	0.9	0.9
Grants							
Miscellaneous							
TOTAL OPERATING	**225.0**	**0.0**	**225.0**	**225.0**	**225.0**	**225.0**	**225.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	225.0		225.0	225.0	225.0	225.0	225.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**225.0**	**0.0**	**225.0**	**225.0**	**225.0**	**225.0**	**225.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time	**1.0**		1	1	1	1	1
Part-time	0.5		0.5	0.5	0.5	0.5	0.5
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by Eileen Donahue, Division Operations Manager
Phone 465-5427
Division Administrative Services
Date/Time 1/29/11 10:30 AM
Approved by John J. Burns, Attorney General
Date 1/29/2011
Department of Law

(Revised 1/27/2011 OMB)

FISCAL NOTE #7

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 58

Analysis

This bill adds two new civil judges in Anchorage. Currently a significant portion of cases before the Anchorage judges are CINA (child in need of aid) cases. The addition of two new judges would increase the capacity of the court system to handle CINA cases, but would require an additional attorney in the Anchorage Child Protection Section to utilize the improved capacity to reduce delays inherent in the current system. To the extent the judges increase the capacity of the court system to process criminal cases, the criminal division of the department would similarly experience increased workloads. The Child Protection Section would need at least 1 FTE attorney position and a .5 support position to meet the increased demand on time and resources.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number 8
Bill Version **SB 58**
(S) Publish Date 2/17/11

Identifier (file name) SB058-OOG-DOE-1-28-11
Title "An Act increasing the number of superior court judges designated for the third judicial district.."
Sponsor Rules Committee
Requester Senate Judiciary Committee

Dept. Affected OOG
Appropriation Elections
Allocation Elections
OMB Component Number 21

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by Gail Fenumiai, Director — Phone 465-2644
Division Division of Elections — Date/Time 1/28/2011, 4:55pm
Approved by Linda Perez, Administrative Director — Date 1/28/2011
Office of the Governor

(Revised 1.27.2011 OMB)

FISCAL NOTE #8

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 58

Analysis

This legislation has no impact for the Division of Elections.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version **SB 58**
() Publish Date 1/31/2011

Identifier (file name) SB58-DOC-OC-03-10-11
Title "An Act increasing the number of superior court judges
Sponsor Rules Committee
Requester Senate Finance Committee

Dept. Affected DOC
Appropriation Population Management
Allocation Statewide Probation & Parole
OMB Component Number 2826

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (Inter-Agency)							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

This is the first version of the bill.

Prepared by Leslie Houston, Director — Phone 465-3339
Division Dept. of Corrections - Administrative Services — Date/Time 3/10/11 9:00 AM
Approved by Joseph D. Schmidt, Commissioner — Date 3/10/2011
Dept. of Corrections

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB 58
2011 LEGISLATIVE SESSION

Analysis

The legislation adds two new civil superior court judges to the third judicial district.

This legislation does not have any fiscal impact on the Department of Corrections.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **SB 58**
() Publish Date

Identifier (file name)
Title: An Act increasing the number of superior court judges
Dept. Affected: Public Safety
Appropriation: Alaska State Troopers
Allocation: AST Detachments
Sponsor: Rules
Requester: Senate Finance Committee
OMB Component Number: 2325

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

No fiscal impact.

Prepared by: Darwin Peterson, Senate Finance Committee staff
Phone: 465-3873
Date/Time: 4/5/11 6:32 PM

Senator Bert Stedman, Co-Chair Senate Finance Committee
Senator Lyman Hoffman, Co-Chair Senate Finance Committee
Date: 4/5/2011

(Revised 1/27/2011 OMB)

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 58

Analysis

ALASKA COURT SYSTEM
State of Alaska
Office of the Administrative Director

820 West 4th Avenue
Anchorage, Alaska 99501-2005
(907) 264-8265
FAX (907) 264-8291

Doug Wooliver
Administrative Attorney

March 15, 2011

The Honorable Lyman Hoffman
Co-Chair Senate Finance Committee
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

Dear Senator Hoffman:

During the Senate Finance Committee hearing on SB 58 on Thursday, March 10th you asked for a three-year average of case filings per judge in both the superior and district courts for each court location. The attached spreadsheet shows the cases per judge for each of the last three fiscal years and a three-year average for each court location and for both superior and district courts. [1]

I hope this answers your questions. Please let me know if you would like additional information.

Sincerely,

Doug Wooliver
Administrative Attorney
Alaska Court System

cc: Senate Finance Committee Members

[1] The district court numbers represents all district court filings, including traffic filings.

Alaska Court System
Review of Judicial Resources for Superior Court Locations with Superior Court Judges - FY08 - FY10
3/15/2011

Location	Number of Superior Court Judges	FY08 Superior Court Filings/Superior Court Judge	FY09 Superior Court Filings/Superior Court Judge	FY10 Superior Court Filings/Superior Court Judge	3-Yr. Average (FY08-FY10) Superior Court Filings/Superior Court Judge
Anchorage	15	645	643	687	658
Juneau	2	532	511	570	538
Fairbanks	6	467	482	535	494
Kenai	3	445	441	505	464
Valdez[1]	0.4	395	450	480	442
Palmer	4	469	465	478	470
Bethel	2	440	460	427	442
Dillingham	1	350	282	351	328
Nome	1	425	405	330	387
Ketchikan	2	346	330	316	331
Kodiak	1	343	310	287	313
Sitka	1	337	272	285	298
Kotzebue	1	338	320	259	306
Barrow	1	203	211	223	212
Totals	40.4	507	503	532	514

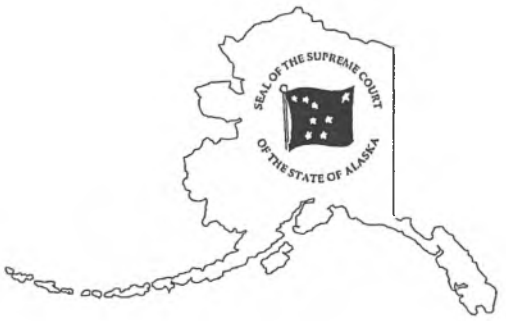
[1]At the district's request, the district court judge for the Valdez court is being classified as a part-time "Superior Court Judge - Pro Tem" & as a part-time "District Court Judge"

Alaska Court System
Review of Judicial Resources for District Court Locations with District Court Judges - FY08 - FY10
3/15/2011

Location	Number of District Court Judges & Magistrates	FY08 District Court Filings/District Court Judge & Magistrates	FY09 District Court Filings/District Court Judge & Magistrates	FY10 District Court Filings/District Court Judge & Magistrates	3-Yr. Average (FY08-FY10) District Court Filings/District Court Judge & Magistrates
Anchorage	15	3,670	3,772	4,001	3,814
Juneau	2	2,261	2,121	2,718	2,366
Fairbanks	4.5	3,487	3,454	3,880	3,607
Kenai	3	3,090	3,110	3,154	3,118
Valdez[1]	0.6	913	1,062	1,007	994
Palmer	4	5,236	5,040	5,428	5,234
Bethel	2	1,013	824	895	911
Dillingham	1	842	902	816	853
Nome	1	1,514	1,317	1,253	1,361
Ketchikan	2	1,366	1,346	1,219	1,310
Kodiak	1	2,273	2,065	1,653	1,997
Sitka	1	1,309	904	814	1,009
Kotzebue	1	1,284	1,031	916	1,077
Barrow	1	1,047	890	1,064	1,000
Homer	1	1,682	2,346	1,727	1,918
Totals	40.1	3,011	3,000	3,171	3,060

[1]At the district's request, the district court judge for the Valdez court is being classified as a part-time "Superior Court Judge - Pro Tem" & as a part-time "District Court Judge"

(Prepared by Rhonda McLeod, Alaska Court System)



ALASKA COURT SYSTEM
State of Alaska
Office of the Administrative Director

820 West 4th Avenue
Anchorage, Alaska 99501-2005
(907) 264-8265
FAX (907) 264-8291

Doug Wooliver
Administrative Attorney

March 15, 2011

The Honorable Lesil McGuire
Member, Senate Finance Committee
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

Dear Senator McGuire:

In both the Senate Judiciary Committee and the Senate Finance Committee hearings on SB 58 you expressed concern about the limited number of women judges in Alaska, particularly the limited number of women superior court judges. In response to your concerns Larry Cohn (Executive Director, Alaska Judicial Council) provided you with a brief history of the number of women who apply for judgeships and the number of women the Council forwards to the governor for possible appointment. In order to supplement the information provided by Mr. Cohn I am attaching a list of all the women judges who are currently serving in Alaska. Confirming your concerns, of the 40 superior court judges in Alaska, only 5 are women.

I included magistrates in my list because, though they are hired directly by the court system and not part of the judicial selection process that goes through the Council and the governor, they are judges and hear thousands of cases each year.

Sincerely,

Doug Wooliver
Administrative Attorney
Alaska Court System

cc: Senate Finance Committee Members

Women Judges in Alaska
January, 2011

Appellate Courts **2 of 8 (25%)**

Supreme Court 2 of 5 (40%)

(Fabe, Anchorage, 1996)
(Christen, Anchorage, 2009)

Court of Appeals 0 of 3 (0%)

Trial Courts **11 of 61 (18%)**

Superior Court 5 of 40 (13%)

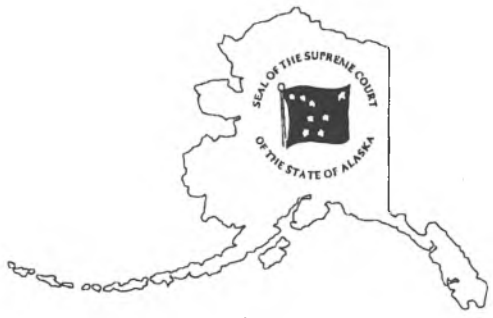
First District	1	(Patricia Collins, Juneau, 1999)
Second District	0	
Third District	4	(Sharon Gleason, Anchorage, 2001) (Kari Kristiansen, Palmer, 2006) (Vanessa White, Palmer, 2006) (Anna Moran, Kenai, 2007)
Fourth District	0	

District Court 6 of 21 (29%)

First District	0	
Second District	0	
Third District	5	(Cathy Easter, Anchorage, 2008) (Stephanie Rhoades, Anchorage, 1992) (Pamela Scott-Washington, Anchorage, 2010) (Margaret Murphy, Homer, 2005) (Sharon Illsley, Kenai, 2007)
Fourth District	1	(Jane Kauvar, Fairbanks, 1981)

Magistrates **25 of 43 (58%)**

First District	8	(Elaine Kookesh, Angoon – Kay Clark, Craig – Maureen DesRosiers, Hoonah – Amanda Schultz, Ketchikan – Darlene Whitehorn, Petersburg – Susan Reed, Skagway – Chris Ellis Wrangell – Mary Kay Havens, Yakutat)
Second District	3	(Mary Triber, Barrow – Brook Alowa, Kotzebue – Heide Ivanoff, Unalakleet)
Third District	7	(Carmen Clark, Anchorage – Tina Teaford, Anchorage – Kay Adams, Cordova – Jean Wilkinson, Glennallen – Jennifer Wells, Kenai – Jennifer King, Naknek – Jane Pearson, Unalaska)
Fourth District	7	(Tracy Blais, Delta Junction - Bethany Harbison, Fairbanks – Nikole Schick, Fairbanks – Alicemary Rasley, Fairbanks – Patty Burley, Bethel – Darlene Johnson-Edwards, Emmonak – Nancy Phillips, St. Mary's)



ALASKA COURT SYSTEM
State of Alaska
Office of the Administrative Director

820 West 4th Avenue
Anchorage, Alaska 99501-2005
(907) 264-8265
FAX (907) 264-8291

Doug Wooliver
Administrative Attorney

March 17, 2011

The Honorable Joe Thomas
Member, Senate Finance Committee
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

Dear Senator Thomas:

During the March 10th Senate Finance Committee hearing on SB 58 you asked for the percentage of Anchorage Child in Need of Aid cases that have had a contested issue and are now before a superior court judge rather than a standing master. There are currently 686 active CINA cases in the Anchorage Superior Court, 56 percent, or 388 cases, are being handled by a superior court judge and not a master.

I hope this answers your question; please let me know if you would like any additional information.

Sincerely,

Doug Wooliver
Administrative Attorney
Alaska Court System

cc: Senate Finance Committee Members



ALASKA COURT SYSTEM

Sponsor Statement
SB 58

The Alaska Supreme Court is asking for two new superior court judges in Anchorage. The judges will be assigned to civil cases.

Additional judges are needed because Anchorage superior court judges have the highest caseloads in the state and a combination of devoting more time to Child in Need of Aid (CINA) cases and an ever-increasing number of domestic relations cases where the parties choose to litigate their case without the assistance of attorneys has created a workload that is unsustainable.

Although some of the additional work comes from an increase in case filings, much is the result of improved practices that better meet the needs of those who come to court. This is particularly true with CINA cases.

One change that has impacted workload involves how CINA cases are assigned to judges. Prior practice was to have standing masters (specialists who hear cases and make recommendations to judges) preside over all phases of a case with the exception of contested hearings. If a hearing was contested it would be assigned to an available superior court judge who would resolve the contested issue and then return the case to the standing master. Although that practice saved superior court time, it led to other problems as the family was shuffled back and forth between judges.

The new practice begins the same as the old; a CINA case starts with a master until there is a contested issue. However, once that occurs the case is permanently assigned to a superior court judge; it does not return to the master. This eliminates the judge-shuffling and allows the judge and the family to get to know each other. All parties agree that familiarity improves both the process and the outcome for the families. However, this model results in superior court judges spending more of their time on these cases.

In addition to CINA cases, another prime driver behind the current workload is the prevalence of unrepresented litigants in domestic relations cases. Although we do not have historical statistics that track these cases, Alaska judges, like judges from across the country, have seen a significant increase over the past several years.

Judges cite a list of time-consuming challenges that arise when counsel is absent from one side or both sides. Frequent motion practice, arguments unrelated to the relevant legal issues, delays stemming from the failure to submit needed information and judicial time spent calculating child support awards are some of those challenges. However, even though these litigants take more time, their cases are as important as those where the parties have lawyers and the judiciary is committed to ensuring that they too can meaningfully access the court.

Adding two new judges will not significantly reduce the workload of the Anchorage superior court (Anchorage superior court judges will still be the busiest superior court judges in the state), but it will provide some relief as the court works to develop alternative ways to manage that workload. Thank you for considering this request.

ALASKA COURT SYSTEM
State of Alaska
Office of the Administrative Director

820 West 4th Avenue
Anchorage, Alaska 99501-2005
(907) 264-8265
FAX (907) 264-8291

Doug Wooliver
Administrative Attorney

March 4, 2011

The Honorable Bert Stedman
Co-Chair, Senate Finance Committee
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

Dear Senator Stedman:

You have in your committee SB 58 which was introduced by request of the Alaska Supreme Court and adds two new superior court judges to the Anchorage Superior Court. The companion bill in the House is HB 133 and a house member asked for a breakdown of the judicial caseloads for each of the superior court locations. Because I thought that your committee might be interested in this same information, I am sending it to you as well. The breakdown shows the number of superior court cases filed divided by the number of superior court judges for each superior court location. This information covers cases filed in FY 2010.

Location	Cases Filed	Number of Judges	Cases Per Judge
Anchorage	10,298	15	687
Juneau	1,140	2	570
Fairbanks	3,212	6	535
Kenai	1,515	3	505
Valdez	192	0.4	480
Palmer	1,910	4	478
Bethel	853	2	427
Dillingham	351	1	351
Nome	330	1	330
Ketchikan	632	2	316
Kodiak	287	1	287
Sitka	285	1	285
Kotzebue	259	1	259
Barrow	223	1	223

I hope you find this useful. Pleas let me know if you would like any additional information.

Sincerely,

Doug Wooliver
Administrative Attorney
Alaska Court System

SB

59

<TARGET><BILL>SB 59</BILL><SUBJECT>SB
59</SUBJECT><COMM>SFIN27</COMM></TARGET>

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: **CSSB 59(L&C)**
(S) Publish Date: 2/2/11

Identifier (file name) SB059-CCED-CBPL-01-28-11
Title: Extending Board of Dental Examiners
Sponsor: Senate Labor & Commerce
Requester: Senate Labor & Commerce

Dept. Affected: DCCED
Appropriation: CBPL
Allocation: Board of Dental Examiners
OMB Component Number: 2360

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services		127.9	127.9	127.9	127.9	127.9	127.9
Travel		26.9	26.9	26.9	26.9	26.9	26.9
Services		45.1	45.1	45.1	45.1	45.1	45.1
Commodities		1.0	1.0	1.0	1.0	1.0	1.0
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**200.9**	**200.9**	**200.9**	**200.9**	**200.9**	**200.9**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
1156 Receipt Support Services		200.9	200.9	200.9	200.9	200.9	200.9
TOTAL	**0.0**	**200.9**	**200.9**	**200.9**	**200.9**	**200.9**	**200.9**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version

Prepared by: Don Habeger, Division Director
Division: Corporations, Business and Professional Licensing
Approved by: Susan K. Bell, Commissioner
Commerce, Community & Economic Development

Phone: 465-2536
Date/Time: 1/29/11 3:30 PM
Date: 1/29/2011

(Revised 1/27/2011 OMB)

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. CSSB 59(L&C)

SB 59 extends the Dental Board to June 30, 2016. In accordance with AS 08.03.020 funding extends one year following the termination date allowing the Board to conclude its affairs. The FY2012 funding is included in the Operating Budget request and costs shown are an average of direct costs for a biennial licensing period.

Travel expenses represent transportation and per diem for the 9 member board and 1 staff to meet at least 4 times each year in accordance with AS 08.36.040.

The program is required to cover costs with licensing fees under AS 08.01.065, and revenue generated by board fees are anticipated to cover its full operating costs. New funds are not required to implement this bill.

SB

62

<TARGET><BILL>SB 62</BILL><SUBJECT>SB
62</SUBJECT><COMM>SFIN27</COMM></TARGET>

Alaska Legal Services Corporation

Serving Alaska Communities and Families for over 40 years

Who we are:

- Alaska Legal Services Corporation (ALSC) is a private, non-profit law firm that provides free legal services to seniors and low-income Alaskans.

Our Mission:

- To provide meaningful access to justice in resolving civil legal problems for low-income clients, thus promoting family stability and reducing the legal consequences of poverty.

Who We Serve:

- ❖ Alaskans below 125% of the Alaska poverty ceiling
- ❖ Seniors --- over 600 per year
- ❖ Children --- nearly 1/2 of those assisted have children in their households
- ❖ Domestic Violence Victims --- over 400 cases per year
- ❖ Rural residents --- 38% of all clients served resided in rural communities
- ❖ Veterans---preventing homelessness and assuring access to healthcare

Community Need:

- An estimated 88,000 Alaskans live below the poverty ceiling. At present, there is only one ALSC attorney for every 4,000 Alaskans living in poverty.
- In 2009, ALSC received over 3,400 inquiries and 2,834 applications for legal help.
- We turned away over 500 families that could have been helped if we had the resources.
- Many more did not apply, knowing our resource limitations.

Providing Statewide Access To Justice With Offices In:

Anchorage	Bethel	Dillingham	Fairbanks	Juneau
Kenai	Ketchikan	Kotzebue	Nome	Palmer

Strong Local Support:

- Nearly all of our offices enjoy local financial support. Each office sets its own case acceptance priorities based on local needs.

Our Services:

Legal Advice and Counseling	Court Representation	Advocacy
Community Legal Clinics	On-line Self-Help	Pro Bono program

Types of Cases:

Domestic Violence Protection	Foreclosures	Family Law
Wills & Healthcare Directives	Public Benefits	Consumer Protection
Housing Protection	Debtor Relief	
Health care Advocacy	Employment	
Probates & Estates		
Veteran's Benefits		

Access to Justice for Alaskans in Need

Alaska Legal Services Corporation

Serving Victims of Domestic Violence

Who we are:

- ALSC is a non-profit civil legal aid agency, providing free legal services to Alaska's poor. We are by far the largest provider of legal services to domestic violence victims in Alaska. We served over 400 families experiencing domestic violence last year alone. Children were present in 80% of these households.
- ALSC has provided legal assistance, including representation to domestic violence victims, for over 40 years, with a particular emphasis on service delivery in Alaska's rural areas.

Community need:

- In 2009, ALSC saw a 15% increase in requests for assistance from victims of abuse. Our ability to help is limited by available resources, forcing us to turn away over 500 families each year.
- The Governor's initiative funds stronger criminal efforts but relies on pro bono efforts to increase civil representation. The lack of dedicated funding for increased civil representation is a weak link in this initiative.

What we do:

- ALSC attorneys provide advice and/or representation aimed at increasing victims' safety and long term stability by keeping or securing housing, obtaining orders of protection and assisting with income maintenance issues such as securing child support and public benefits.

Why we do what we do:

- Alaska's rates of domestic violence and sexual assault are among the highest in the nation. A 2003 study seeking to explain a decline in domestic violence found the provision of civil legal services to victims significantly lowers the incidence of abuse and was the **only** service designed to help victims having this impact.
- Domestic Violence is the number one precursor to child abuse and neglect. Services to victims also protect children.
- Legal services address practical matters that make leaving abusive relationships a realistic alternative.

STATE OF ALASKA

DEPT. OF HEALTH & SOCIAL SERVICES

Alaska Commission on Aging

SEAN PARNELL, GOVERNOR

P.O. BOX 110693
JUNEAU, ALASKA 99811-0693
PHONE: (907) 465-3250
FAX: (907) 465-1398

April 9, 2011

Senator Lesil McGuire
Alaska Capitol, Room 125
Juneau, AK 99801-1182

Subject: Support for SB 62, Civil Legal Services Fund

Dear Senator McGuire:

The Alaska Commission on Aging (ACoA) is pleased to offer our strong support of SB 62, a bill to establish a mechanism to enhance funding for the Alaska Legal Services Corporation (ALSC) by allowing the Legislature to appropriate up to 25% of filing fees paid annually to the Alaska Court System in addition to annual appropriations approved from the General Fund. This bill is sponsored by you and co-sponsored by Senators French, Paskvan, Wielechowski, and Menard.

ALSC addresses the civil legal needs of low-income Alaskans by providing subsidized and no-cost legal representation. Currently, there are approximately 88,000 Alaskans who live below 125% of the poverty level who are eligible for these services, including Alaskan seniors. Over the years, state funding has declined while the number of low-income people in need of legal services has increased. This legislation is designed to help increase funding levels for ALSC appropriate for serving a growing number of Alaskans needing these services.

Legal assistance for seniors is provided statewide by ALSC and assures that seniors, especially those at greatest social and economic risk, have access to the civil justice system. According to ALSC, more than 600 older Alaskans receive legal services annually through this statewide nonprofit organization that does not include community outreach activities to seniors. Examples of ALSC assistance provided to seniors include help with consumer and family law such as establishing Miller Trusts, guardianships, conservatorships, and wills; assistance with housing issues including resolving renter-landlord disputes, foreclosures, and reverse mortgages; among other forms of legal assistance. Alaska Legal Services employs approximately twenty attorneys statewide. Due to funding limitations, they are only able to accept one in five cases of all people who call for help.

The ACoA supports SB 62 to improve access to civil legal representation for Alaska's most needy population. Access to legal information, advice, and assistance helps older Alaskans preserve financial and personal independence, maintain control of their finance and health care decisions, maintain appropriate family relationships, and protect personal assets and well-being. Thank you for sponsoring this important legislation. Please feel free to contact Denise Daniello, ACoA's executive director, by phone (465-4879) or email (denise.daniello@alaska.gov) should you have questions or require additional information.

Sincerely,

Sharon Howerton-Clark
Chair, Alaska Commission on Aging

Sincerely,

Denise Daniello
ACoA Executive Director

Cc: Senator Joe Paskvan
Senator Linda Menard
Senator Hollis French
Senator Bill Wielechowski

Advisory Board on Alcoholism
and Drug Abuse

abada
amhb

Alaska Mental Health Board

ALASKA MENTAL HEALTH BOARD
ADVISORY BOARD ON ALCOHOLISM AND DRUG ABUSE
431 NORTH FRANKLIN STREET, SUITE 200
JUNEAU, ALASKA 99801
(907) 465-8920

February 7, 2011

Senator Lesil McGuire
Alaska State Legislature
Capitol Building, Room 125
Juneau, Alaska 99801

Re: SB 62 – Civil Legal Services Fund

Dear Senator McGuire,

On behalf of the Alaska Mental Health Board and Advisory Board on Alcoholism and Drug Abuse, I would like to express our appreciation of your support for legal services for Alaska's indigent and vulnerable citizens. For individuals experiencing mental health and substance use disorders, the non-profit public interest firms are often the only source of legal assistance. Ensuring these firms' ability to serve their clients ensures that Alaskans with disabilities and families affected by substance abuse are able to access the legal system when in need.

Alaska Legal Services, the Disability Law Center, and the Alaska Network on Domestic Violence and Sexual Assault all provide services imperative to the health and safety of vulnerable Alaskans. Without the high quality services offered by their lawyers, paralegals, advocates and staff, many seniors, victims of violence and people experiencing disabilities would be left alone and without recourse when faced with unfair or unjust treatment.

The Boards' appreciate your advocacy on behalf of these agencies, but more importantly, on behalf of their clients and the entire justice system in Alaska.

Sincerely,

J. Kate Burkhart
Executive Director

Main Office
130 Seward St #209
Juneau, Alaska 99801
Phone: (907) 586-3650
Fax: (907) 463-4493
www.andvsa.org

ANDVSA
Alaska Network on Domestic Violence & Sexual Assault

Pro Bono Office
PO Box 6631
Sitka, Alaska 99835
Phone: (907) 747-7545
Fax: (907)747-7547

February 7, 2011

Senator Lesil McGuire
State Capitol – Room 125
Juneau, AK 99801

RE: Letter of Support for SB 62

Dear Senator McGuire:

On behalf of the Alaska Network on Domestic Violence & Sexual Assault and the women and children that we serve, we thank you for bringing forth SB 62 to provide a consistent funding stream for civil legal services.

Civil legal services are a critical piece to helping end domestic violence in Alaska. Studies have found that civil legal services are the most effective means of ending violence in victim's lives. Why? Because when a victim makes a decision to leave her abuser and goes to a friend's house or shelter, she is just beginning her journey to obtain safety and basic needs for her and her children. In order to succeed, she must meet the basic needs of economic support, protective orders for safety, gaining temporary custody of her children, and safe and permanent housing. Without the assistance of an attorney, victims can lose custody of their children, fail to receive economic support and increase their risk of greater violence. The result too often is that victims return to abusers for economic support and to monitor the interactions between the abuser, who gains custody, and the children.

While there are many attorneys in Alaska that volunteer time and resources to assisting victims, the demand for civil legal services far exceeds the available resources. The Network's Pro Bono program works closely with Alaska Legal Services Corporation to assist victims in finding attorneys, but they too are limited by availability of resources. SB 62 will insure that a consistent funding stream is available for the legislature, in their discretion, to appropriate to those organizations that serve low-income Alaskans. SB 62 will insure that these Alaskans are provided with services necessary to protect their guarantee of "equal rights, opportunities, and protection under the law" as declared by the Alaska Constitution.

Thank you for sponsoring this important piece of legislation.

Sincerely,

Peggy Brown, Executive Director
cc: Lisa Mariotti, Policy Director

Alaska State Legislature

Session:
State Capitol
Suite 125
Juneau, AK 99801
Phone: (907) 465-2995
Fax: (907) 465-6592

Interim:
716 W 4th Avenue, Suite 300
Anchorage, AK 99501-2133
Phone: (907) 269-0250
Fax: (907) 269-0249

Senator Lesil McGuire

SPONSOR STATEMENT for Senate Bill 62

"An Act allowing appropriations to the civil legal services fund from court filing fees."

This bill is designed to help fund civil legal services for low-income Alaskans. Senate Bill 62 will provide a mechanism for funding the Alaska Legal Services Corporation (ALSC), by allowing the legislature to appropriate up to 25 percent of filing fees paid to the Alaska Court System during the previous fiscal year into the Civil Legal Services Fund.

The Alaska Legal Services Corporation was established in 1966 to address the civil legal aid needs of low-income Alaskans. ALSC is not a state agency, but is instead a nonprofit charitable 501(c)(3) whose funding comes from a variety of state, federal, and private sources. Over the last several years ALSC funding has dwindled, from $4.2 million as of 1987 to less than $3.1 million as of 2010, while it struggles to serve a growing number of poverty-level applicants. Appropriations from the State of Alaska that were once as high as $1.2 million in FY84 are currently at $350,000. Senate Bill 62 aims to correct this lack of funding and helps ensure civil legal representation for Alaska's most needy population.

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version **SB062**
Fiscal Note Number
Publish Date

Identifier (file name) SB062-DOA-OPA-12-13-11
Title Civil Legal Services Fund
Sponsor Senator McGuire
Requester Senate Finance

Dept. Affected Administration
Appropriation Legal and Advocacy Services
Allocation Office of Public Advocacy
OMB Component Number 43

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	****	****	****	****	****	****	****

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		****	****	****	****	****	****	****

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Update for session

Prepared by Richard Allen, Director — Phone 907-269-3504
Division Office of Public Advocacy — Date/Time 12/13/11 2:15 p.m.
Approved by John Cramer, Deputy Commissioner — Date 12/13/2011
Department of Administration

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB062
2012 LEGISLATIVE SESSION

Analysis

The Office of Public Advocacy's enabling statute includes a provision that requires OPA to provide legal representation "to indigent parties in cases involving child custody in which the opposing party is represented by counsel provided by a public agency." AS 44.21.410(a)(4). This portion of OPA's enabling statute was the result of a 1979 Alaska Supreme Court decision, *Flores v. Flores*, 589 P.2d 893 (Alaska 1979).

In *Flores*, the Alaska Supreme Court determined that a parent has a constitutional right to counsel in a child custody action where the indigent parent's opponent is represented by a "public agency." Mr. Flores, the indigent parent's opponent, was represented by Alaska Legal Services Corporation (ALSC) in the underlying child custody matter. The majority opinion in *Flores* identified ALSC as a public agency for purposes of triggering the state's obligation to provide counsel to the other parent.

The Flores court did not define "public agency" or set forth criteria for determining whether an organization is a public agency for these purposes. Likewise, OPA's enabling statute fails to define the term "public agency."

If the Alaska Legal Services Corporation or similar organizations receive additional public funding to represent parties in child custody matters, this will trigger additional obligations by the Office of Public Advocacy to provide representation to indigent parties in those matters. Since the agency cannot determine in how many additional cases it may be appointed, it cannot accurately predict the fiscal impact on the agency.

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: SB 62
Fiscal Note Number:
Publish Date:

Identifier (file name): SB062-LAW-CIV-12-13-11
Dept. Affected: Law
Title: An Act allowing appropriations to the civil legal services from court filing fees.
Appropriation: Civil
Allocation: Commercial and Fair Business
Sponsor: SENATOR MCGUIRE
Requester: (S) FIN
OMB Component Number: 2717

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated for new fiscal year form.

Prepared by: Eileen Donahue, Division Operations Manager — Phone: 465-5427
Division: Administrative Services — Date/Time: 12/13/11 4:35 PM
Approved by: John J. Burns, Attorney General — Date: 12/13/2011
Department of Law

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB 62

Analysis

This bill would provide an additional source for the civil legal services fund established in AS 37.05.590: an amount from the general fund that is up to 25 percent of the filing fees received by the Alaska Court System during the previous fiscal year.

There is no anticipated fiscal impact to Department of Law.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB62-ACS-TC-01-31-12**
Fiscal Note Number:
() Publish Date:

Identifier (file name):
Title: Civil Legal Serives Fund
Sponsor: Senator McGuire
Requester:

Dept. Affected:
Appropriation: Alaska Court System
Allocation: Trial Courts
OMB Component Number: 768

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Note updated to reflect new fiscal year.

Prepared by: Doug Wooliver, Deputy Administrative Director — Phone: 907-463-4750
Division: Alaska Court System — Date/Time: 1/30/12 @ 3:15 pm
Approved by: Doug Wooliver for Christine Johnson, Administrative Director — Date: 1/30/2012
Alaska Court System

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB62-ACS-TC-01-31-12
2012 LEGISLATIVE SESSION

Analysis

Senate Bill 62 will have no impact on the Alaska Court System. All fines and fees collected by the court system are deposited in the general fund and are not retained by the court system.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: SB 62
(S) Publish Date: 2/11/11

Identifier (file name): SB062-LAW-CIV-02-04-11
Dept. Affected: Law
Title: An Act allowing appropriations to the civil legal services fund from court filing fees.
Appropriation: Civil
Allocation: Labor and State Affairs
Sponsor: Senator(s) McGuire
Requester: (S) JUD
OMB Component Number: 2718

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by: Eileen Donahue, Division Operations Manager
Phone: 465-5427
Division: Administrative Services
Date/Time: 2/4/11 2:30 PM
Approved by: John J. Burns, Attorney General
Date: 2/4/2011
Department of Law

(Revised 1/27/2011 OMB)

FISCAL NOTE #2

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 62

Analysis

This bill would provide an additional source for the civil legal services fund established in AS 37.05.590: an amount from the general fund that is up to 25 percent of the filing fees received by the Alaska Court System during the previous fiscal year.

There is no anticipated fiscal impact to Department of Law.

SB

66

<TARGET><BILL>SB 66</BILL><SUBJECT>SB
66</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/18/11

FURTHER:

DATE TURNED IN TO OFFICE: 4/14/11

Finance Committee considered SENATE BILL NO. 66

SB 66-AIDEA: NEW MARKETS TAX CREDIT PROGRAM

"An Act creating a new markets tax credit assistance guarantee and loan program within the Alaska Industrial Development and Export Authority; and providing for an effective date."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[X] adopt **previous CS** SB 66 (L & C) *[X] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____ Letter of Intent

[ ] further referral to _____ Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
CED			✓	1

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	Egan	✓			
	McGuire	✓			
	Olson			✓	
	Ellis	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stevens	✓			

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 66
(S) Publish Date: 1/24/11

Identifier (file name): 1747-CED-AIDEA-01-10-11
Title: AIDEA New Markets Tax Credit Assistance Guarantee
Sponsor: Rules Committee
Requester: Request of the Governor

Dept. Affected: DCCED
Appropriation: AIDEA
Allocation: AIDEA Operations
OMB Component Number: 1234

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

Prepared by: Sara Fisher-Goad, Deputy Director - Operations
Phone: 907-771-3012
Division: Alaska Industrial Development & Export Authority
Date/Time: 1/21/11 12:30 PM
Approved by: Susan K. Bell, Commissioner
Date: 1/21/2011
Commerce, Community & Economic Development

(Revised 12/29/2010 OMB)

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 66

Analysis

This bill establishes a new market tax credit assistance program within AIDEA and enables AIDEA to use money in its enterprise development account to fund guarantees and loans AIDEA would make under this program.

This legislation has no operational fiscal impact to AIDEA.

CSSB 66(L&C)

An Act creating a new markets tax credit assistance guarantee and loan program within the Alaska Industrial Development and Export Authority; and providing for an effective date.

Sectional Analysis

Section	Analysis
1	Amends AS 44.88.155(c) to allow assets of the enterprise development account to be used to fund a new markets tax credit assistance guarantee or loan
2	Amends AS 44.88 by adding a new article – New Markets Tax Credit Assistance Program. 44.88.700 allows AIDEA to issue guarantees and make loans to help finance projects funded through a federal new markets tax credit program. The assistance is limited to projects within Alaska for which tax credits are allocated by a qualified community development entity; the authority shall determine that the project will promote economic development; the authority may agree to certain restrictions and guidelines arising from the federal program. 44.88.710 provides that a guarantee does not create a debt or liability of the state; a guarantee may not be canceled except under its terms 44.88.715 establishes applicant qualifications 44.88.720 requires an applicant to provide certain information required by AIDEA in regulation including the potential submission of an economic benefit analysis prepared by a person acceptable to the authority. 44.88.730 establishes condition of a loan guarantee 44.88.740 requires financial institution holding a guarantee shall service the loan 44.88.750 allows AIDEA to make leverage loans if AIDEA determines an applicant is not able to obtain a leveraged loan from a financial institution 44.88.760 sets a cumulative $40 million limit under this program 44.88.770 provide AIDEA the authority to adopt regulations, establish terms and conditions, execute contracts, charge fees and interest rates, acquire property through purchase, transfer or foreclosure 44.88.799 defines terms used in the new article
3	Immediate effective date

Prepared by AIDEA March 18, 2011

AIDEA Alaska Industrial Development and Export Authority

ALASKA ENERGY AUTHORITY

Bill Hearing Information Sheet
Prepared by AIDEA
Senate Bill 66

"An Act creating a new markets tax credit assistance guarantee and loan program within the Alaska Industrial Development and Export Authority; and providing for an effective date."

This legislation will enable AIDEA to foster more economic development in Alaska, especially in areas with great need for new investment. This program requires both equity and debt financing and there is a scarcity of debt capital available. This legislation provides the mechanism for AIDEA to issue guarantees and make loans to assist in financing projects in these underserved and underdeveloped areas.

The federal New Markets Tax Credit (NMTC) Program permits taxpayers to receive a credit against Federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). Essentially, the program provides substantial tax credits to equity investors to projects, which also borrow funds from what is termed a leveraged lender. By combining tax credits on the equity side with favorable loan conditions on the debt side, the cost of financing a qualifying project can be reduced by between 20-30%.

The program offers these benefits to support investment in economically disadvantaged areas. Substantially all of the qualified equity investment must be used by the CDE to provide investments in low-income communities. The credit provided to the equity investor totals 39 percent of the cost of the investment and is claimed over a seven-year credit allowance period. In each of the first three years, the investor receives a credit equal to five percent of the total amount paid for the stock or capital interest at the time of purchase. For the final four years, the value of the credit is six percent annually. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period.

The program was reauthorized by Congress in December 2010 for an additional two years and has tax credits allocations worth $3.5 billion for each year. To date, the Fund has made 495 awards totaling $26 billion in allocation authority.

The program uses census tracts as the geographic unit and only projects in Qualified Census Tracts (QCT) are eligible for the NMTC tax credits. QCTs are those that meet at least one of the following requirements:

- Poverty rate greater than 20%, and/or
- Median income less than 80% of the state/metropolitan median.

There are two portions to financing through the NMTC program.

- The equity portion as described above; and

- The second is a loan usually from a bank that is called a leveraged lender under the program. It is this debt portion of the program that has suffered from the economic downturn because banks have been unwilling to lend and as a result there is a shortage of debt to complete many NMTC deals. While the NMTC program has been a success its current usage is limited by a lack of credit. The leveraged lender is limited to interest only payments for the seven years of the tax credit period. At the end of the seven years the loan is retired through a balloon payment or refinanced.

In order to work, NMTC funding, therefore, must have equity investors seeking tax credits and a willing leveraged lender. SB66 seeks to facilitate adequate participation by debt lenders to support the equity portions of this program.

SB66 will vitalize the NMTC program in Alaska by allowing AIDEA to provide loan guarantees to the leveraged lender in an NMTC deal. This AIDEA guarantee would incentivize participation by financial institutions. Before issuing a NMTC guarantee or a loan, the Authority will determine that the project will promote economic development in the state. In cases where the applicant can show that they have been unable to obtain a leveraged loan, under commercially reasonable terms, from two financial institutions then AIDEA may make a direct leveraged loan to the project.

The combined outstanding principal balance of AIDEA's loan guarantees and loans may not exceed $40 million.



New Markets Capital Company

Specialists in the New Markets Tax Credit Program

To: Ted Leonard; Michael Catsi; Mark Davis
From: Vincent Ravaschiere VR
Date: October 11, 2010
Re: Enhancing the Value of the Federal New Markets Tax Credit Program in Alaska

Introduction

Some weeks ago, you asked me for my thoughts, initially in draft form, on how the Alaska Industrial Development and Export Authority ("AIDEA" or the "Agency") could help stimulate and facilitate New Markets Tax Credit ("NMTC") transactions in the State of Alaska. In this regard, we had preliminary discussions regarding the possibility that AIDEA might act as the leveraged lender in NMTC transactions. You asked me to help determine how such a program might work, consider how AIDEA might protect itself from exposure in acting as a leveraged lender, and suggest other ways in which AIDEA might assist in making the NMTC program work in Alaska. Finally, you asked me to address several specific questions that relate to AIDEA acting as a NMTC leveraged lender.

In response, I submitted a draft memo to AIDEA on October 4, 2010 and attended a meeting to discuss these topics with you at AIDEA's offices on October 6, 2010. As part of that meeting, we met with representatives of Alaska Growth Capital, the only Alaska based NMTC allocatee, to hear and understand their views on how AIDEA could be helpful in promoting NMTC transactions in Alaska. Following that meeting, you asked me to revise my draft memo in light of our discussions and submit this final version to you.

Background

In December 2000, Congress enacted the New Markets Tax Credit Program as part of the Community Renewal Tax Relief Act of that same year. Intended to address the lack of investment capital available for business and other economic development activities in low income communities, the Program operates by providing a federal subsidy to many different project types developed in eligible areas. The Program is codified at Sec. 45D of the Internal Revenue Code and is administered by the Community Development Financial Institutions ("CDFI") Fund in the Department of the Treasury.

Once a year, through a highly competitive process, the credits are awarded to financial institutions that are certified by the CDFI Fund as Community Development Entities ("CDEs"). The CDEs then offer the credits to investors in exchange for equity capital, which is then used to subsidize below market financing for eligible projects. Except for rental housing, NMTCs can be used to subsidize almost any type of business or real estate project, including community facilities and other nonprofit uses such as schools, health clinics and cultural institutions. In addition, and under certain circumstances, even residential rental units can qualify for the subsidy if they are part of a mixed-use development.

Under the NMTC Program, it is possible for a project to obtain a loan at a below market rate of interest, or to obtain the equivalent of an equity subsidy of approximately 15% of total project cost. However, there is no guarantee as to either the type or level of subsidy available to a particular project. Both will depend upon the outcome of negotiations among and between the project developer, the CDE and the tax credit investor.

AIDEA Acting as a NMTC Leveraged Lender

The NMTC subsidy is delivered to specific projects via discrete transactions that generally require the participation of a lender to provide debt as a portion of the financing. (See attached Structure Chart.) Every dollar of debt provided to a NMTC transaction attracts approximately $.35 in federal equity subsidy, though the actual amount will vary from transaction to transaction. Recently, due to the financial crisis and the resulting lack of available credit, it has become increasingly difficult to find commercial lenders to participate in these transactions, thereby diminishing the use of the federal subsidy in Alaska and elsewhere.

The lack of leveraged lenders currently participating in the Program creates a need for AIDEA or some other source to fulfill that role. By creating a loan fund, or otherwise directing loans to NMTC transactions, AIDEA could stimulate the delivery of federal dollars to projects within Alaska, and do so in such a way as to exert its influence over which types of projects receive the subsidy. It is anticipated that this initiative would be at little or no cost to the State because the NMTC Program permits the leveraged lender to be paid a market rate of interest on the loan and then allows the repayment of the principal in full at the end of the seven year NMTC compliance period.

Specific Questions Regarding AIDEA's Possible Role as a NMTC Leveraged Lender

You have asked me to address the following specific questions regarding AIDEA's possible role as a NMTC leveraged lender:

1. What, if any, are the federal requirements for being a leveraged lender?

   There are no federal requirements of which I am aware for acting as a leveraged lender.

2. Are there any exemptions from federal requirements for public entities?

   N/A. See No. 1 above.

3. What are the benefits for AIDEA in being the leveraged lender?

   The benefits of AIDEA in being a NMTC leveraged lender are that AIDEA could stimulate the delivery of federal dollars to projects in Alaska while exercising its

influence on the types of projects that receive the federal subsidy. AIDEA could also earn a reasonable rate of return by making leveraged loans.

4. What are the disadvantages?

   The disadvantages are that such loans would entail credit risk, and that that risk would be compounded by the fact that the loans are nonrecourse over the seven year NMTC compliance period. In addition, as a leveraged lender, AIDEA would have only an indirect security interest in the underlying project asset. Also to be considered are the opportunity costs of utilizing AIDEA funds in NMTC projects rather than for other programs and purposes.

5. How can a leveraged lender minimize its risk when it has no recourse to the assets of the QALICB for seven years?

   Leveraged lenders can attempt to minimize their risk in a number of ways, including: (1) implementing appropriate underwriting standards and procedures; (2) acting as the servicing agent for the CDE loans; (3) obtaining a letter of credit to mitigate construction risk; (4) obtaining a priority interest in cash flow distributions and other proceeds that may be received; (5) obtaining additional collateral and guarantees, so long as they are not derived from the underlying project; (6) establishing the right to assume management control of the investment fund in the event problems arise. It is important to note, however, that most of these rights would have to be negotiated with the other parties to the transaction, including the equity investor and the CDE, who might not agree to them.

6. Are there other state development finance authorities that play the role of leveraged lender? If so, please provide a list.

   I have not done a 50 state review of the practices of state development finance authorities with regard to making leveraged loans. However, I understand that in connection with its own NMTC allocation, the New Jersey Economic Development Authority provides a subordinated leveraged loan product to facilitate its NMTC transactions.

Other Ways in Which AIDEA Might Help
Facilitate the NMTC Program in Alaska

The following are several other ideas about how AIDEA might help facilitate NMTC transactions within the State. First, AIDEA could examine its existing grant and loan programs to determine whether these programs can be modified in some way so as to facilitate their use in conjunction with the NMTC structure. Second, AIDEA could consider being the guarantor of all or a portion of independent leveraged loans, similar to the SBA loan guaranty program. Third, AIDEA might consider being a guarantor on the compliance indemnity, particularly with regard to targeted population transactions. Fourth, AIDEA might consider acting as the tax credit investor and then syndicating the tax credits to corporate taxpayers. Finally, it would be helpful if there were a procedure for the

expeditious designation of State economic incentive zones so as to help certain projects qualify for the Program.

The October 6, 2010 Meeting at AIDEA

We met at AIDEA's offices on October 6, 2010 to review the draft memo and further discuss how AIDEA could help stimulate and facilitate NMTC transactions in the State of Alaska. As part of that meeting, we met with representatives of Alaska Growth Capital to share our ideas with them and to hear their views on how AIDEA could help in promoting NMTC transactions. The meeting concluded with the understanding that AIDEA should stimulate and facilitate NMTC transactions by participating as both a guarantor of NMTC leveraged loans and as a lender of last resort to NMTC transactions if and when the existence of the AIDEA guarantee proves insufficient to cause a private financial institution to make the particular leveraged loan.

This conclusion was reached for two basic reasons. First, due in part to the lack of available credit in general, it is exceedingly difficult at the present time for NMTC projects to obtain leveraged loans from private financial institutions. Guaranteeing or providing leveraged loans should help alleviate a serious bottleneck that has developed and is preventing many eligible NMTC transactions from moving forward.

Second, of the various roles considered for AIDEA, acting as a gurantor or provider of leveraged loans was deemed to be the one most consistent with AIDEA's historic role in promoting economic development. One of AIDEA's three major program initiatives has been its loan participation program, in which the Agency works closely with the private sector to provide loans to economic development projects. Acting as a leveraged loan guarantor or provider, therefore, is closely related to AIDEA's experience in debt financing, and is consistent with the principle that AIDEA's approach should be to assist private financial institutions in providing that financing, stepping in directly only when the private sector does not respond.

In concluding, there was also discussion at the meeting of other ways in which AIDEA might help facilitate NMTC use in Alaska, specifically in the rural hubs. For example, there was some consideration given to AIDEA serving as a guarantor on the tax credit compliance indemnity, particularly with regard to targeted population transactions, where projects not located in NMTC qualified areas are nonetheless eligible for the credits because of the characteristics of the project's customers, employees or owners. Because obtaining the tax credit equity investment in these transactions has been problematic, this is an area in which in the future AIDEA may wish to consider playing a role.

Disclaimer

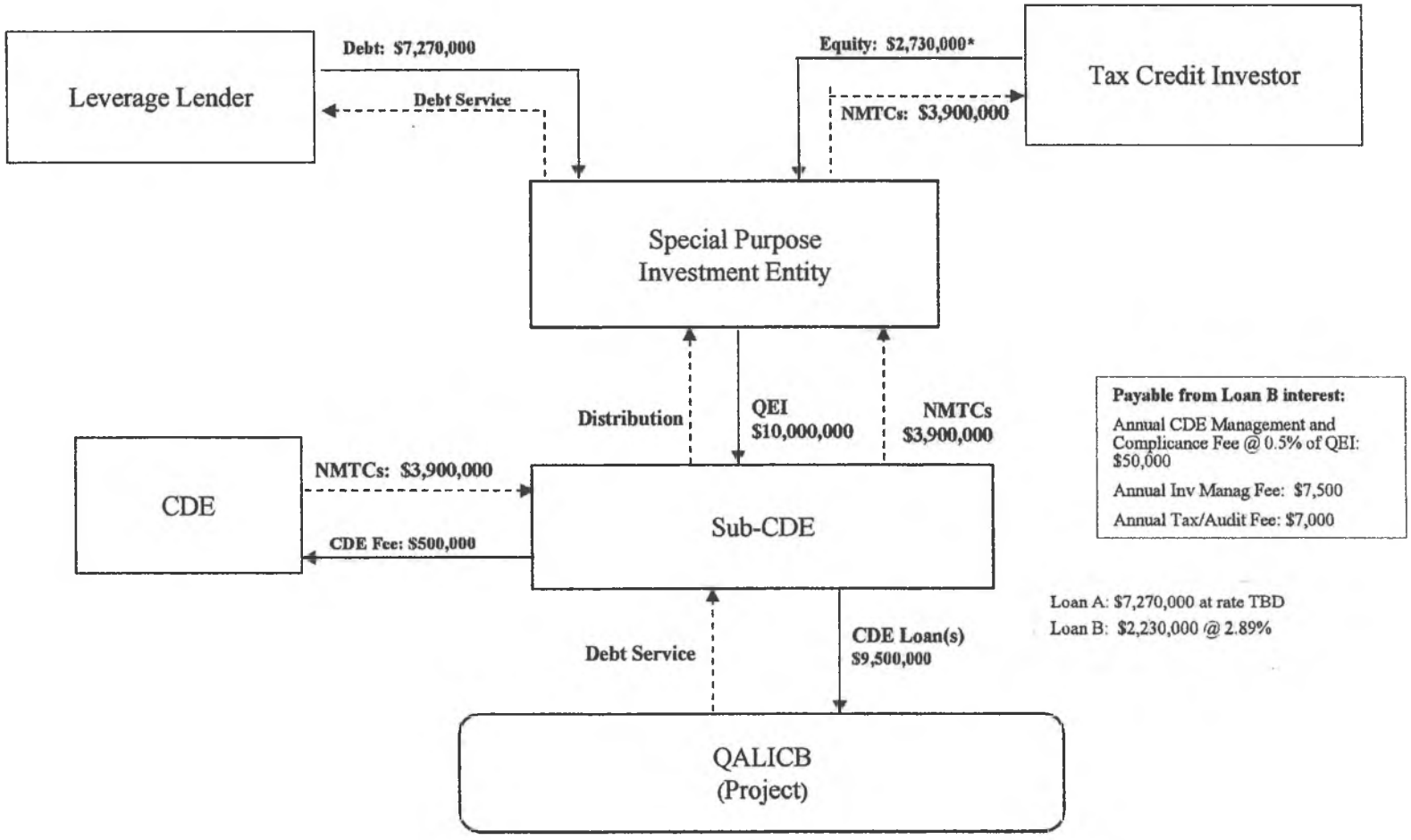
Please note that this memorandum is not intended to constitute legal, accounting or tax advice.

New Markets Capital Company

Specialists in the New Markets Tax Credit Program

Sample NMTC Structure Chart
$10,000,000 QEI

10/11/10



- Transaction costs not reflected.
- Numbers are approximate.

*Credits priced at $.70 for illustrative purposes only.



ALASKA GROWTH CAPITAL

An ASRC Company

February 03, 2011

The Honorable Bob Herron
Chair, Special Committee on Economic Development, Trade and Tourism
Alaska State Legislature
State Capitol Room 411
Juneau, Alaska 99801

Re: HB120, "An Act creating a new markets tax credit assistance guarantee and loan program within the Alaska Industrial Development and Export Authority; and providing for an effective date."

Dear Representative Herron:

I am writing on behalf of Alaska Growth Capital (AGC) to express support for HB120. This bill allows Alaska Industrial Development and Export Authority (AIDEA) to guarantee loans for use with US Treasury's New Markets Tax Credits (NMTC) program. We at Alaska Growth Capital are sure this bill will result in more economic development in Alaska.

Alaska Growth Capital has participated in the New Markets Tax Credit program since 2004. Since then, AGC has been awarded $90 million in NMTC allocation. Our most recent work in the NMTC program has been to leverage equity investments for projects that experience gaps in their financing. One of our major accomplishments has been the financing of Maniilaq Association's Elder Care Facility. This transaction utilized equity from New York Community Bank that allows the Elder Care Facility to offset expected losses during the first years after opening.

Lenders must accept limitations on loans made to NMTC projects, which drives away their desire to participate. To maximize community benefit, loans to an NMTC project must be interest-only for seven (7) years. During that time the lender must also sign a forbearance agreement preventing it from foreclosing on the loan. Finally, during that seven (7) year period, the lender's lien on property is indirect. These provisions benefit the community in which NMTC investments are occur but they are often too arduous for banks to accept without guarantees or additional forms of security.

3900 C Street, Suite 302 * Anchorage, AK 99503-5965 * (907) 339-6760 * (907) 339-6771 Fax

Competition for allocation of New Markets Tax Credits, the equity from investors and loans to make this program possible is intense, particularly for Alaskans. Projects in New York or Chicago have the benefit of being close to the major financial institutions. If a potential investor has questions, they can often "go down the street" to inspect the project and speak with staff. That is often impractical if the project is in rural Alaska and the investor is in New York.

Compounding this problem, NMTC program has seen fewer and fewer banks provide loans to projects. These loans are essential to realizing the economic benefits of New Markets Tax Credits; without them projects must self-leverage with existing cash. As a result, lending is scarce and thus expensive in this program. AIDEA's guarantee will lower the borrowing costs for projects, which can be the difference between projects that get built and projects that stay on the drawing board. Further, loans often provide faster and larger capital sources than fundraising campaigns. Passing HB120 will help to alleviate these problems and make Alaska more competitive for this important program.

I respectfully request you to schedule hearings on this piece of legislation and for your support. I am happy to answer any questions; should you or your committee have any please contact me at your convenience.

Sincerely,

Hugh Short, President/CEO
Alaska Growth Capital

SB

68

<TARGET><BILL>SB 68</BILL><SUBJECT>SB
68</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/7/11

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 68

SB 68-COMMERCIAL FISHING & AGRICULTURE BANK

"An Act relating to the examinations, board, loans, records, and lobbying contracts of the Alaska Commercial Fishing and Agriculture Bank; and providing for an effective date."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
CED	✓			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas			✓	
	ECAN	✓			
	McGuire	✓			
	OLSON			✓	
	ELLIS			✓	
CO-CHAIR:	Stedman			✓	
CO-CHAIR:					

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB 68**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB068-DCCED-DBS-02-08-12
Title: COMMERCIAL FISHING & AGRICULTURE BANK
Sponsor: Senator Coghill
Requester: Senate Finance

Dept. Affected: DCCED
Appropriation: Banking and Securities
Allocation: Banking and Securities
OMB Component Number: 2808

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel	0.0	0.0	5.8	0.0	0.0	5.8	0.0
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**5.8**	**0.0**	**0.0**	**5.8**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)			5.8			5.8	
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**5.8**	**0.0**	**0.0**	**5.8**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES			**22.2**			**22.2**	

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This fiscal note was readjusted to accurately reflect the one-time nature of the costs in FY14 and FY17.

Prepared by: Lorie L. Hovanec, Director — Phone: 907-269-6586
Division: Banking and Securities — Date/Time: 2/8/12 1:45 PM
Approved by: JoEllen Hanrahan, Director Administrative Services — Date: 2/8/2012
Commerce, Community, and Economic Development

(Revised 11/28/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB 68
2012 LEGISLATIVE SESSION

Analysis

Senate Bill 68 allows the Alaska Commercial Fishing and Agriculture Bank (CFAB) to make loans for capital investment of operating capital to a shore-based fish processor, a timber processor, or an agricultural processor or harvester with facilities located in Alaska. This bill amends sections of AS 44.81 related to board composition, loans, records, and lobbying contracts of CFAB. It also adds a new section, AS 44.81.275, which stipulates that the Department of Commerce, Community, and Economic Development conduct regular banking evaluations.

The Division of Banking and Securities examination staff will examine CFAB once every three years. The one week examination will include the evaluation of the bank's loan portfolio quality and the appropriateness and effectiveness of policies, practices, and management ability to carry out the bank's statutory purpose. Examiners will prepare a written Report of Examination and distribute it to CFAB and the legislative auditor.
The division will use existing examination staff to conduct the examination, so no additional costs are anticipated for personal services.

Actual examination expenses (examiner hours and travel) are reimbursed by CFAB, and go into the general fund. The division up-fronts travel costs and must include travel expenditures for CFAB examinations in its travel budget. Therefore, this fiscal note for travel every three years, beginning in FY 2014, is requested in the amount of $5.8.

Revenue will increase every three years by approximately $22.0, which is the estimated reimbursement of examination costs as detailed below.

Estimated Examiner Hours	$16.0
Estimated Travel Costs	$5.8
Total Estimated Cost to Conduct Examination	$22.0

January 31, 2012

Lela F. Klingert
President
Sent Via E-Mail and USPS

Senator John Coghill
State Capitol Room 504
Juneau AK, 99801

Re: SB68

Senator Coghill;

Following is the information requested by the Senate Finance Committee. This information is as of 12/31/11.

CFAB's Delinquency rate is 3.2%
Since the beginning of the current fiscal year (6/1/11) we have modified one (1) loan due to the borrower's inability to make their payment.
In addition 12 other loans were modified to allow for changes with regard to the borrowers or collateral. All of these loans are current.

As of 12/31/11 we have a total of 308 loans outstanding for a total dollar amount of $25.022.207.

Those loans break down as follows:

TYPE	Number #	Dollar Amt. $
Commercial Fishing	288	19,535,832
Agriculture	1	126,504
Processors	8	2,607,239
Tourism	11	2.752.633
All Loans	308	$25,022,207

Our lender, CoBank, advances us funds based on a ratio of 80% of each loan. For example if we made a loan of $100,000 they would advance us $80,000. So given CFAB's current capital base, and assuming all other things remain equal, we would be able to make up to a total of $100,000,000 in loans. CFAB's portfolio hit a high of about $80,000,000 in the mid 80's, however the total portfolio of loans has hovered around $32,000,000 or lower for over 10 years.

A concern has been expressed that if SB68 should pass that CFAB would run out of money to lend to the commercial fishing industry due to an excess of loans to the tourism industry. This is a valid concern, but one that is mitigated by several factors.

- First, CFAB is in a strong financial position with an average of $20,000,000 of capital on hand at any time.

- Second, CFAB partners with the National Bank for Cooperatives in Denver (CoBank) for any supplemental funding needs. The supplemental funds from CoBank are available on a four to one basis, allowing CFAB to meet up to $100 million in loan demand.

- An unfortunate third mitigating factor is that the demand for loans from the commercial fishing industry has remained relatively flat over the last several years. This appears to be due to the increased competition from government funding sources.

These three strong mitigating factors engender an absolute confidence that should SB68 pass CFAB will continue to meet all financing needs of the commercial fishing industry.

Respectfully,

Lela F. Klingert
President

2011 ANNUAL REPORT



ALASKA COMMERCIAL FISHING AND AGRICULTURE BANK



Margaret Adsit with Alaska Farmland Trust, CFAB President Lela Klingert, CFAB Board Member Paula Giauque, and Victoria Naegele with Agriculture in the Classroom on the occasion of their respective organizations receiving donations from CFAB.



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For more information contact:
Alaska Commercial Fishing and Agriculture Bank
3040 Lakeshore Drive
Anchorage, Alaska
(907) 276-2007 or (800) 544-2228

Executive Message to Members

Each year it is a challenge for me to write a message to CFAB's members that would prove useful in helping each of you to better understand, and perhaps better appreciate, the benefits of your cooperative. Reporting the financial side seems to be the least challenging part. The struggle comes in trying to summarize the less tangible benefits of CFAB.

OPERATING INCOME

A quick comparison of the FY2011 income total of $2.4 million with the FY2010 total of $3.6 million suggests a sharp decline in interest payments. That is not the case, however; the latter number was significantly enhanced by a large volume of previously non-accrued interest as a result of the distribution of EXXON VALDEZ payments. The total was reduced by slightly higher ($33,612 vs. $25,124) interest payments due to increased borrowings occasioned by a greater volume of loans to Members.

OPERATING EXPENSES

CFAB's operating expenses (or "overhead") increased to about $1,495,077, up from $1,378,700. There were several factors at work. Since CFAB is considered a "service" company the majority of its operating costs are its "people" costs (salaries and benefits). While salaries are generally controllable, other benefits, especially with respect to health care requirements, seem to be in a relentlessly upward cost spiral. In addition, the total expenses include several necessary but non-recurring costs that were accelerated and incurred in FY2011 to take advantage of tax deductions.

OTHER FACTORS AND RESULTS

In addition to "normal" operating items, there were some other events affecting CFAB's 2011 results. The largest such item ($512,370) reflects proceeds on claims acquired as part of normal collection activities many years ago. Another item of significance included a contribution to the CFAB Scholarship Fund, in addition to meaningful contributions to two agriculture-related entities (Alaska Agriculture in the Classroom and Alaska Farmland Trust. *See front inside cover*), as well as to a range of community organizations.

The net result of all of the foregoing was net income of $1,298,400 before taxes. Federal and State income tax obligations, totaling just over $268,000, further reduced the total, resulting in Net Proceeds of $1,012,298.

DISPOSITION OF NET PROCEEDS

For the 19th consecutive year the Board of Directors authorized payment of a dividend on the Class B Preferred Stock holdings of Members whose related loans had been paid in full by May 31. These dividends totaled $40,012.

The Board of Directors also approved allocation of a patronage refund totaling $716,293 to all eligible FY2011 Member-Patrons. As is the usual practice, 30% of the allocation will be distributed in cash by mid-September 2011 while the remainder will be retained as Allocated Members' Equity.

The remaining Net Proceeds, totaling $255,993, were transferred to CFAB's Unallocated Surplus account.

OTHER FINANCIAL MATTERS

Other actions and events also affected the total of Members' Equities - the issuance of Class B Preferred Stock in connection with new loans; the distribution of the balance of 2003 Retained Patronage totaling $202,659; the retirement of $135,900 of Class B Preferred Stock associated with loans that had been paid in full in past years; and some lesser items. The combined effect of those transactions, and the retention of Net Proceeds mentioned above, was an increase in total Members' Equities to over $19.2 million.

NEW LOAN ACTIVITY

The number of new loans in FY2011 increased slightly from that in FY2010. The average size of new loans was slightly higher as well. While we have no way of knowing for certain, we believe this is primarily the result of increased costs of vessels, permits, and IFQ's. The three-year comparison below excludes seasonal loans to processors as well as the refinancing of "old" CFAB loans.

Executive Message to Members

Number	Loan Totals
FY2009 48	$7,215,180
FY2010 47	$4,792,003
FY2011 58	$7,375,734

BOARD OF DIRECTORS

At the 2010 Annual Meeting CFAB Members reelected incumbent Directors Alan Otness and Paula Giauque, to three-year terms expiring in 2013. Also, during FY2011 the three-year term of Chris McDowell, one of CFAB's two Directors who are appointed by the Governor of Alaska, expired. Subsequent to the FY2011 year-end, Governor Parnell appointed Adam Galindo, an Anchorage businessman, to the vacant seat.

At CFAB's 2011 Annual Meeting there will be one Director Seat up for election. Prior to receiving this report you will have received a call for nominations. CFAB's nomination and election process is designed to attract the broadest possible participation. We urge every member to consider service as a Director. CFAB is YOUR cooperative, YOU are its owners, and we not only welcome your interest and involvement, we strongly encourage it.

DICK ELIASON

It is with sadness, but also with respect and fond memories, that we call attention to the April passing of Richard "Dick" Eliason of Sitka. A man with a diversified background, which included significant commercial fishing experience, Dick was committed to meaningful service to Alaska and to all of its residents. He served 22 years in the Alaska State Legislature – including a term as Senate President – where he was generally regarded as a true Statesman. Shortly after his retirement from the Legislature, Dick was appointed by Governor Walter Hickel to a 3-year term as a CFAB Director, and was twice reappointed to similar terms by Governor Tony Knowles. Dick served CFAB, its members, and his peers extremely well. He was dedicated and always well-prepared, and his broad experience – coupled with his consensus-building instincts – elicited the best efforts of those around him. We strongly and sincerely urge you to reflect on the ways that Dick Eliason, with others of like commitment, contributed to the valuable services offered by CFAB today.

ANNUAL MEETING

In November 2010, for the first time in many years, CFAB held its Annual Meeting offsite – in Seattle, Washington, during FISH EXPO. An important aspect of that meeting involved the approval by Members of revised CFAB Articles of Incorporation – that important document had not been amended since 1987, and CFAB had encountered, and undergone, many changes in the ensuing years.

We were pleased at the Member attendance at that 2010 meeting; significantly greater than has been traditionally experienced at Anchorage meetings. We are planning the 2011 Annual Meeting to be held offsite as well, to allow us to further assess Member interest and attendance. That Meeting will convene on Friday, November 18 (again, during Fish Expo) in the LEEWARD ROOM of the Hilton Hotel in Seattle. Members will receive Official Notices, and related materials, in due course. We urge you to take advantage of this additional opportunity to participate in your CFAB Membership, and to meet CFAB's Directors and staff.

30TH ANNIVERSARY CELEBRATION

In September of 2010 CFAB held a gathering of Members, industry peers and associates, and guests at our building. It was a belated celebration of CFAB's new office space as well as a celebration of CFAB's thirty years of operation. The turnout exceeded expectations as did the menu, which consisted entirely of Alaska-produced items assembled and prepared by Wes Masters of Masters Catering in Anchorage. I encourage you to visit CFAB's website to view some of the pictures from that event. It was rewarding that so many Members and friends shared in this special occasion with us.

Executive Message to Members

2011 *Scholarship Recipients*



CFAB President Lela Klingert with Scholarship Recipient Shane Hautanen and his father, CFAB member, Nelson Hautanen. Shane is attending Colorado State University.



Kevin Mann
Juneau
University of Alaska Anchorage



Cody Clark
Soldotna
University of Idaho



Jonah Yakunin
Anchor Point
University of Alaska Fairbanks



Zachary Aspelund
Naknek
University of Alaska Fairbanks

SCHOLARSHIP FUND

We reported in the 2010 Annual Report that CFAB was able to fulfill a longtime aspiration of Managements and Directors by establishing The CFAB Scholarship Fund. Earlier this year that Scholarship Fund awarded its first scholarships – each in the amount of $2,500 – to five students who represent various CFAB Member families. In total, applications were received from thirteen students, and every member of the selection committee was forced to struggle with the decision(s) involved. For me personally, it was immensely gratifying to see such impressive evidence of talented, committed, and involved young people spread throughout Alaska!

The winners of the scholarships were:

Cody Clark, Soldotna
Shane Hautanen, Anchorage
Zachary Ray Aspelund, Naknek
Kevin Mann, Juneau
Jonah Yakunin, Anchor Point

CONGRATULATIONS!!!!

Solicitations for applications for next year's scholarships will be mailed in early 2012.

OTHER MATTERS

In several recent Annual Reports, we have commented on various aspects of both the national and statewide economy, on developments within the Alaska commercial community, and in particular on some of the seemingly irrational trends in the granting of credit (of all kinds). With respect to the latter, the pendulum seems to continue to swing wildly, especially in the "Lower 48"; and, even though we in Alaska seem to be somewhat less affected, the results of broad credit instability certainly show up in the prices and availability of goods and services as well as in investment returns.

Executive Message to Members

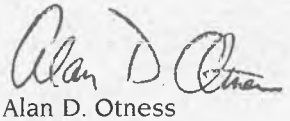
Those of us who read newspapers and other periodicals, who watch television, who browse the Internet, and who communicate with family, friends, and business counterparts – in other words, all of us – can assume a certain level of detachment in our observations of political turmoil and bloodletting, of home foreclosure trends, of unemployment trends, and of border security issues, etc., and breathe yet another prayer of thanks for the "joys of Alaska." But each of those phenomena, with the conscious or unconscious mindset it engenders, seems to have a way of intruding, and translating its effects into, our cherished way of life.

Although I offer the foregoing couple of paragraphs as broad and general commentary, the Alaska commercial fishing community is – as always – at the forefront of my mind. After nearly 25 years of close association with that community, the values of diversity, of aggressive industriousness, and of an entrepreneurial spirit have become ingrained. And certainly, to any observer or veteran of the "gear wars" of the '70s and '80s, Alaska commercial seafood harvesters have never appeared to hold the potential to become a renowned and harmonious choir! Nevertheless, during those decades as well as throughout more recent years, the harvester community seemed to exist in public and political eyes as a single and potent entity.

In my view, much has changed in recent years. Some fisheries have disappeared, but some fisheries (in an overall sense) have flourished economically. Various rationalization mechanisms have made it possible for investors to reap the benefits of a fishery without ever setting foot on a vessel. Narrower and more stringent – and more rigidly enforced – allocation, gear, and procedural rules and regulations have created demands for fulltime, all-out efforts during each opportunity. Costs have escalated much more rapidly than have gross returns. All of these factors, and more, have combined to establish an unprecedented urgency and intensity at all levels and in virtually every fishery.

At the national level, also, and in the broadest sense, we see similar developments. America today seems to be divided in so many ways, with rifts evident in politics, between and among economic classes, in schemes for access to health care, in educational opportunities, in the impacts of legal and illegal immigration, in tax policies and initiatives, etc. To this observer, it appears that the de facto social acceptance and general support of these divisions have served to support and intensify the growing factions within our fishing community.

In Alaska, the commercial fishing community no longer has the political and socio-economic power it once held and quite possibly took for granted. The demographics of the state have changed dramatically over the past 25 or more years, and those of the Alaska State Legislature have changed perhaps even more. There is growing pressure for access to various resources by a broader range of the citizenry, and there appears to be less appreciation for the tangible, and intangible, contributions of commercial fishing to coastal, and other rural communities. I am sometimes dismayed at the seemingly cavalier attitudes within the fishing community toward the challenges that are developing from those broader changes. The commercial fishing community must not lose its capacity to respond to those challenges, but that loss of capacity is inevitable if we adopt a posture of, "As long as I've got mine, it's all good!" One of the most significant hazards faced by most commercial harvesters is a vessel sinking. It is perhaps a good time to remind ourselves that when the bow of a vessel sinks, the stern inevitably follows close behind!



Alan D. Otness



Lela F. Klingert

Independent Auditor's Report



Mikunda, Cottrell & Co.
Certified Public Accountants & Consultants

RSM McGladrey Network
An Independently Owned Member

Offices in Anchorage & Kenai

Independent Auditor's Report

The Board of Directors

Alaska Commercial Fishing and Agriculture Bank

Anchorage, Alaska

We have audited the accompanying balance sheets of Alaska Commercial Fishing and Agriculture Bank as of May 31, 2011 and 2010, and the related statements of net proceeds, changes in capital and patronage, and cash flows for the years then ended. These financial statements are the responsibility of the Alaska Commercial Fishing and Agriculture Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alaska Commercial Fishing and Agriculture Bank as of May 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Mikunda, Cottrell & Co.

Anchorage, Alaska

August 31, 2011

Balance Sheets

		Years Ended May 31, 2011	2010
Assets:			
Cash	$	50,074	343,072
Loans and other receivables, net (note 3)		23,928,778	22,567,639
Accrued interest receivable		819,047	724,219
Investment in National Bank for Cooperatives		249,191	232,610
Assets acquired in liquidation of loans		8	11
Deferred tax asset (note 9)		534,746	548,924
Bank premises, furniture, and equipment, net (note 4)		1,622,423	1,679,859
Income taxes receivable		231,068	-
Other assets		25,703	22,381
Total assets	$	27,461,038	26,118,715
Liabilities:			
Accounts payable and accrued expenses		554,569	418,162
Member reserves		18,000	-
Accrued interest payable		12,228	11,540
Income taxes payable		-	287,921
Deferred tax liability		97,543	111,721
Notes payable (note 5)		6,295,032	5,556,909
Member notes payable (note 6)		672,841	306,661
Patronage refund distributable		214,888	305,156
Dividends payable - Class B preferred stock		40,012	38,851
Class B preferred stock retirement proceeds payable		123,600	159,200
Retained patronage distributable		202,658	202,659
Total liabilities		8,231,371	7,398,780
Capital:			
Share capital (note 7):			
Class B preferred stock, $100 par value. Authorized 400,000 shares; outstanding 26,448 and 26,997 shares		2,644,800	2,697,700
Class A membership stock, $10 par value. Authorized 10,000 shares; outstanding 751 and 745 shares		7,510	7,450
Total share capital		2,652,310	2,705,150
Unallocated surplus and other capital		14,820,198	14,555,006
Allocated undistributed patronage		1,757,159	1,459,779
Total capital		19,229,667	18,719,935
Commitments and contingent liabilities (notes 5,6,8 and 10)		-	-
Total liabilities and capital	$	27,461,038	26,118,715

See notes to financial statements

Statements of Net Proceeds

		Years Ended May 31,	
		2011	**2010**
Operating income:			
Loan revenues (note 3) -			
Interest and fees on loans and other receivables	$	2,412,172	3,642,417
Interest expense		(33,612)	(25,124)
Total operating income		2,378,560	3,617,293
Operating expenses:			
Salaries and benefits		958,129	900,385
Professional fees		97,297	138,679
Depreciation and amortization		95,906	70,069
Occupancy expense		87,182	76,401
Office operations		66,902	34,377
Advertising and promotion		66,397	38,116
Travel, lodging, and meals		52,887	45,039
Directors' fees		19,050	16,450
Telephone and postage		18,420	19,326
Miscellaneous		32,907	39,890
Total operating expenses		1,495,077	1,378,732
Non-operating income (expense):			
Loss on disposal of furniture and equipment		(53,303)	-
Gain on conversion of asset		512,370	-
Contributions		(44,150)	(500,000)
Total non-operating income (expense)		414,917	(500,000)
Income from operations before income taxes		1,298,400	1,738,561
Income tax expense (note 9)		286,102	462,052
Net proceeds	$	1,012,298	1,276,509

See notes to financial statements

Statements of Changes in Capital and Patronage

Years Ended May 31, 2011 and 2010

	Share Capital	Unallocated Surplus and Other Capital	Allocated Undistributed Patronage	Net Proceeds	Total Capital and Patronage
Balance at May 31, 2009	$ 2,905,800	14,306,079	966,713	-	18,178,592
Issuance of stock during the year:					
Class B preferred stock, 520 shares issued	52,000	-	-	-	52,000
Class A stock, 31 shares	310	2,790	-	-	3,100
Retirement of stock during the year:					
Class B preferred stock, 2,523 shares	(252,300)	24,700	-	-	(227,600)
Class A stock, 66 shares	(660)	10	-	-	(650)
Revocation of outstanding distributions	-	955	-	-	955
Net proceeds	-	-	-	1,276,509	1,276,509
Dividends declared - Class B preferred stock	-	-	-	(38,851)	(38,851)
Patronage refund declared	-	-	1,017,186	(1,017,186)	-
Patronage refund distributable	-	-	(305,156)	-	(305,156)
Miscellaneous distributions	-	-	(16,305)	-	(16,305)
Distribution declared - 2003 retained patronage	-	-	(202,659)	-	(202,659)
Unallocated surplus	-	220,472	-	(220,472)	-
Balance at May 31, 2010	2,705,150	14,555,006	1,459,779	-	18,719,935
Issuance of stock during the year:					
Class B preferred stock, 830 shares issued	83,000	-	-	-	83,000
Class A stock, 36 shares	360	3,240	-	-	3,600
Retirement of stock during the year:					
Class B preferred stock, 1,359 shares	(135,900)	5,000	-	-	(130,900)
Class A stock, 30 shares	(300)	30	-	-	(270)
Revocation of outstanding distributions	-	929	-	-	929
Net proceeds	-	-	-	1,012,298	1,012,298
Dividends declared - Class B preferred stock	-	-	-	(40,012)	(40,012)
Patronage refund declared	-	-	716,293	(716,293)	-
Patronage refund distributable	-	-	(214,888)	-	(214,888)
Miscellaneous distributions	-	-	(1,366)	-	(1,366)
Distribution declared - 2003 retained patronage	-	-	(202,659)	-	(202,659)
Unallocated surplus	-	255,993	-	(255,993)	-
Balance at May 31, 2011	$ 2,652,310	14,820,198	1,757,159	-	19,229,667

See notes to financial statements

Statements of Cash Flows

	Years Ended May 31, 2011	2010
Cash flows from operating activities:		
Net proceeds	$ 1,012,298	1,276,509
Adjustments to reconcile net proceeds to net cash provided by operating activities:		
Depreciation and amortization	95,906	70,069
Loss on disposal of furniture and equipment	53,303	-
Gain on conversion of asset	(512,370)	-
Foreclosure costs paid	(2,409)	(7,790)
(Increase) decrease in accrued interest receivable	(94,828)	172,735
Increase in income taxes receivable	(231,068)	-
Decrease (increase) in deferred tax asset	14,178	(84,463)
Increase in other assets	(3,322)	(1,451)
Increase in accounts payable and accrued expenses	136,407	83,426
Increase in member reserves	18,000	-
(Decrease) increase in income taxes payable	(287,921)	263,210
(Decrease) increase in deferred tax liability	(14,178)	84,463
Increase (decrease) in accrued interest payable	688	(6,354)
Net cash provided by operating activities	184,684	1,850,354
Cash flows from investing activities:		
Loan principal repayments, net of originations	(1,358,730)	2,805,725
Investment purchases, net of retirements	(16,581)	(31,349)
Purchases of bank premises, furniture, and equipment	(91,774)	(370,425)
Proceeds from conversion of asset	512,370	-
Proceeds from sale of assets acquired in liquidation of loans	3	1
Net cash (used) provided by investing activities	(954,712)	2,403,952
Cash flows from financing activities:		
Proceeds from issuance of notes payable	8,073,123	5,551,240
Principal payments on notes payable	(7,335,000)	(9,829,133)
Net increase in member notes payable	366,180	48,237
Class A membership stock issued	3,600	3,100
Class A membership stock retired	(270)	(650)
Class B preferred stock issued	83,000	52,000
Class B preferred stock dividend paid	(38,851)	(38,009)
Class B stock retired	(166,500)	(201,700)
Patronage refund distributed	(305,156)	(130,509)
Retained patronage distributed	(202,659)	(106,635)
Payments made for miscellaneous patronage refund distributed	(1,366)	(16,305)
Revocation of outstanding distributions	929	955
Net cash provided (used) by financing activities	477,030	(4,667,409)
Net decrease in cash	(292,998)	(413,103)
Cash at beginning of year	343,072	756,175
Cash at end of year	$ 50,074	343,072
Supplemental schedule of noncash and other activities:		
Interest paid	$ 71,324	61,479
Income taxes paid net of refunds	$ 510,555	198,842
Retained patronage distributable	$ 202,659	202,659
Patronage refund distributable	$ 214,888	305,156
Retirement - Class B preferred stock	$ 123,600	159,200
Dividends declared - Class B preferred stock	$ 40,012	38,851

See notes to financial statements

Notes to Financial Statements

May 31, 2011 and 2010

(1) General

The Alaska Commercial Fishing and Agriculture Bank (CFAB) was incorporated May 4, 1979 to promote growth of the Alaska agriculture, timber, and commercial fishing industries by providing debt financing to resident-owned businesses engaged in harvesting, processing, or marketing of these industries and to promote its own growth as a strong user-oriented institution through cooperative ownership and self governance. Effective in August 2000, CFAB's lending authority was statutorily expanded to include tourism and other resource-based activities in addition to its original lending areas.

The accounting and reporting policies of CFAB conform to accounting principles generally accepted in the United States of America. CFAB follows the accrual method of accounting. In preparing the financial statements, management of CFAB is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and revenue and expenses for the period. Actual results could differ from those estimates. The more significant accounting and reporting policies and estimates applied in the preparation of the accompanying financial statements are discussed in Note 2.

(2) Summary of Significant Accounting Policies

Cash and Cash Equivalents

For purposes of reporting cash flows, cash includes cash on hand and demand deposits at other financial institutions. Cash flows from loans are reported net.

Loans and Interest on Loans

Loans are stated at the amount of unpaid principal, reduced by deferred loan fees and an allowance for loan losses. The accrual of interest income is suspended on loans for which the payment of interest is contractually past due more than 90 days and/or otherwise considered by management to be worthy of nonaccrual. Upon placing a loan into nonaccrual status, any fiscal year-to-date unpaid interest is reversed by a charge against interest income. Subsequent payments received on a nonaccrual loan are credited to the loan's principal balance until sufficient payments are received to bring the loan current. When the circumstances that led to a loan being placed in nonaccrual status have been favorably resolved or otherwise changed, the loan is considered for restoration to normal accrual status. Nonaccrual loans are considered to be impaired under the provisions of FASB Accounting Standards Codification (ASC) 310.

Allowance for Loan Losses

The allowance for loan losses is maintained at an amount that management considers adequate to provide for estimated loan losses inherent in the loan portfolio. The allowance is based upon review and evaluation of individual loans, which consider numerous factors including type of loan, credit quality, collateral, industry conditions, prior loan loss experience, and management's estimate of future potential losses, as well as application of a potential loss factor consistent with CFAB's experience. Allowances for losses on loans are subjective and may be adjusted in the future depending on economic conditions.

Assets Acquired in Liquidation of Loans

Asssets acquired through or in lieu of loan foreclosure are initially recorded at fair value less estimated selling costs at the date of foreclosure. Any writedown to fair value at the time of transfer is charged to the allowance for loan losses. Management periodically performs valuations, and an allowance for losses is established by means of a charge to operations if the carrying value of a property exceeds the lower of its carrying amount or its fair value less estimated costs to sell.

Fair Value of Financial Instruments

CFAB's financial assets carried at fair value have been classified based on a hierarchy defined by ASC 820. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

- **Level 1** - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

- ***Level 2*** – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- ***Level 3*** – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect CFAB's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Impaired loans are measured at fair value on a non-recurring basis. These assets are classified as Level 3 where significant value drivers are unobservable. The fair value of impaired loans are determined using the fair value of each loan's collateral for collateral-dependent loans as determined, when possible, by an appraisal of the property, less estimated costs related to liquidation of the collateral. The appraisal amount may also be adjusted for current market conditions.

Bank Premises, Furniture, and Equipment

Bank premises, furniture, and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are charged to operations by use of the straight-line method over estimated useful lives of three to thirty-nine years. Expenditures for maintenance and repairs are charged to operating expenses as incurred. Expenditures for renewals or improvements that extend the life of an asset are capitalized at cost and depreciated as stated above. Upon sale, retirement, or other disposition of property, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded.

Income Taxes

Under the asset and liability method of ASC No. 740, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. Under ASC No. 740, the effect on deferred tax assets and liabilities of change in tax rates is recognized as income in the period that includes the enactment date. CFAB qualifies as a cooperative taxable under Subchapter T of the Internal Revenue Code.

CFAB adopted the provisions of Topic 740 of the FASB Accounting Standards Codification relating to accounting for uncertainty in income taxes. As a result of the implementation of ASC 740, CFAB made a comprehensive review of its portfolio of uncertain tax positions in accordance with recognition standards established by ASC 740. In this regard, an uncertain tax position represents CFAB's expected treatment of a tax position taken in a filed tax return, or planned to be taken in a future tax return, that has not been reflected in measuring income tax expense for financial reporting purposes. CFAB believes that it has appropriate support for the income tax positions taken and to be taken on its tax returns and that its accruals for tax liabilities are adequate for all open years based on an assessment of many factors, including past experience and interpretations of tax law applied to the facts of each matter. As a result of applying the provisions of ASC 740, there was no cumulative effect on retained earnings.

For the year ended May 31, 2011, there were no material changes to the total amount of unrecognized tax benefits. CFAB does not expect any significant increases or decreases for uncertain tax positions during the next 12 months.

CFAB files income tax returns in the U.S. and various state jurisdictions. The tax years 2007 through 2010 remain subject to examination by the tax jurisdictions.

CFAB's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. There is no interest or penalties accrued at May 31, 2011. As a result of this review, CFAB concluded that at this time there are no uncertain tax positions.

Member Reserves

Certain loan agreements between CFAB and members require the member to maintain financial reserves to cover maintenance and improvements to the underlying collateral during the life of the loan. The reserves are held by CFAB in cash accounts until requested for maintenance or improvements by the members.

Recent Accounting Pronouncements

In July 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-20. Disclosures About the Credit Quality of Financing Receivables and the Allowance for Credit Losses. The objective of ASU 2010-20 is to provide financial statement users with greater transparency about an entity's allowance for credit losses and the credit quality of its financing receivables through additional disclosure. This ASU is intended to

provide additional information to assist financial statement users in assessing an entity's credit risk exposures and evaluating the adequacy of its allowance for credit losses. ASU 2010-20 is effective for annual reporting periods ending on or after December 15, 2011.

Reclassifications

Certain amounts in the 2010 financial statements have been reclassified to conform to the 2011 presentation. This reclassification affects neither the net proceeds, nor the capital and patronage.

Subsequent Events

CFAB has evaluated subsequent events through August 31, 2011, the date on which the financial statements were issued.

(3) Loans and Other Receivables

CFAB's loan portfolio by major category is as follows at May 31:

	2011	2010
Seafood harvesters	$ 20,901,560	20,675,051
Tourism	2,818,289	2,981,202
Fish processors	2,770,730	1,394,813
Agriculture	130,001	135,676
Other receivables	31,797	39,397
	26,652,377	25,226,139
Less allowance for loan losses	(2,723,599)	(2,658,500)
	$ 23,928,778	22,567,639

In accordance with its statutory mandate and authority, CFAB's financing activity is limited to Alaska commercial fishing, agriculture, timber, tourism, and natural resource exploitation industries. This concentration of loans in resource-based industries results in an unusual level of risk exposure. At May 31, 2011 and 2010, respectively, approximately 89% and 87% of CFAB's loan portfolio was concentrated in the fishing industry.

During the ordinary course of business, CFAB receives requests to modify the existing terms and conditions of loans. As a result of requests received, CFAB modified $4,657,673 and $4,422,920 in loans during the years ended May 31, 2011 and 2010, respectively. No interest was forgiven on modified loans in the years ended May 31, 2011 and 2010. Of the loans modified by CFAB:

Loans totaling $2,029,450 and $2,908,807 for the years ended May 31, 2011 and 2010, respectively, involved payment of interest in full. The principal reamortized within the original loan terms.

Loans totaling $2,501,823 and $1,514,113 for the years ended May 31, 2011 and 2010, respectively, involved payment of interest in full. However, the principal reamortizations resulted in new and later final payment dates.

Loans totaling $126,400 and $0 for the years ended May 31, 2011 and 2010, respectively, involved no payment, or partial payment, of the interest due. Additionally, the principal reamortizations resulted in new and later final payment dates.

The loan portfolio includes $1,098,675 and $1,325,050 in loans classified as nonaccrual at May 31, 2011 and 2010, respectively.

CFAB recognizes no interest income on nonaccrual loans during the time the loans are maintained in nonaccrual status. Had CFAB's nonaccrual loans performed in accordance with their original terms, approximately $98,000 and $113,000 in additional interest income would have been recorded in the years ended May 31, 2011 and 2010, respectively.

For the years ended May 31, 2011 and 2010, the average balance of nonaccrual loans was approximately $1,171,700 and $994,571, respectively.

Activity in the allowance for loan losses is as follows during the years ended May 31:

	2011	2010
Balance at beginning of the year	$ 2,658,500	2,446,744
Recoveries on loans previously charged off	71,109	222,499
Less loan amounts charged off	(6,010)	(10,743)
Balance at end of the year	$ 2,723,599	2,658,500

Management periodically evaluates the allowance for loan losses and changes are recorded through adjustment to the current period provision for loan losses.

Loans to Directors: To qualify for election to the CFAB board of directors, an individual must be a current member of the Bank. A member of the Bank may be an individual who is a principal of a partnership that is a member of the Bank or an officer of a corporation, limited liability company, or other legal entity that is a member of the Bank. Loans to these directors or their interests totaled $2,307,801 and $2,659,947 at May 31, 2011 and 2010, respectively. During 2011 and 2010, respectively, loan advances totaled $948,265 and $1,617,000, and loan repayments totaled $1,300,411 and $1,569,824 on these loans.

At May 31, 2011, there were no unrecorded commitments to lend additional funds to borrowers whose loans have been modified.

(4) Bank Premises, Furniture, and Equipment

Bank premises, furniture, and equipment consist of the following at May 31:

	2011	2010
Land and building	$ 1,760,568	1,668,794
Furniture, fixtures, and equipment	215,411	312,478
	1,975,979	1,981,272
Less accumulated depreciation and amortization	(353,556)	(301,413)
	$ 1,622,423	1,679,859

Depreciation expense for the years ended May 31, 2011 and 2010 was $95,906 and $70,069, respectively.

(5) Notes Payable

Notes payable consists of the following at May 31:

	2011	2010
Line of credit of $13,000,000, with variable interest (2.17% at May 31, 2011) due January 1, 2012, collateralized by all CFAB assets	6,295,032	5,556,909

Interest expense reported is net of a patronage refund of $47,372 in 2011 and $89,569 in 2010. Interest expense amounting to $38,400 and $30,000 relates to the Bank's office building for 2011 and 2010, respectively. This interest is reported as occupancy expense in order to differentiate the expense associated with the office building.

(6) Member Notes Payable

Member notes payable are unsecured loans made to CFAB by CFAB members at fixed rates for periods ranging from 30 to 90 days. At May 31, 2011 and 2010, respectively, member notes were $672,841 and $306,661 and paid interest at 2.25%. Interest expense related to these notes amounted to $11,959 and $6,929 in 2011 and 2010, respectively.

(7) Capital

Share Capital

Preferential shareholders rights on dissolution follow in the order of Class B and Class A. The following rights apply to the two categories of stock:

Class B - No voting rights. However, at the discretion of the board of directors, a dividend may be paid to Class B stockholders whose loans are paid in full at fiscal year-end. Class B stock may only be held by members of CFAB. Each borrower is required to make a purchase of Class B stock in an amount equal to 2% of the total loan or $2,500, whichever is less. This investment remains in place until retired by the board of directors.

Class A - No dividend rights. Each member of CFAB must own one share of Class A stock. Each share of stock carries one vote. To vote, a member must be a current patron or have been a CFAB patron during the preceding two years or have minimum retained membership earnings and/or Class B stock with CFAB of $1,600.

(8) Employee Benefit Plan

CFAB has an employee benefit plan as defined under Section 401(k) of the Internal Revenue Code (Code) covering substantially all employees. An employee is allowed to contribute his or her earnings to the maximum limit allowed by the Code. Contributions by CFAB to the plan are at the discretion of the board of directors. Contributions by CFAB for the years ended May 31, 2011 and 2010 were $49,560 and $51,122, respectively.

(9) Income Taxes

The components of income tax expense are as follows:

	Current	Deferred	Total
2011:			
Federal	225,687	-	225,687
State	60,415	-	60,415
	$ 286,102	-	286,102
2010:			
Federal	$ 359,603	-	359,603
State	102,449	-	102,449
	$ 462,052	-	462,052

The actual tax expense differs from the "expected" tax expense for those years (computed by applying the U.S. Federal corporate tax rate of 34% to proceeds before income taxes) as follows:

	2011	2010
Computed "expected" income tax expense	$ 441,456	591,111
State tax expense	39,874	67,617
Charitable contribution carryforward	(10,861)	131,118
Depreciation expense	(12,788)	(80,473)
Allowance for loan loss	22,134	71,997
Patronage refunds and dividends declared	(243,540)	(345,843)
Nondeductible expenses	733	865
Changes in deferred tax asset valuation allowance	(17,325)	(58,973)
Other	66,419	84,633
Tax expense	$ 286,102	462,052

The components of and changes in the net deferred tax asset at May 31 were as follows:

	2009	Deferred (expense) benefit	2010	Deferred (expense) benefit	2011
Allowance for loan loss	$ 978,697	84,703	1,063,400	26,039	1,089,439
Other	87,495	173,210	260,705	10,739	271,444
	1,066,192	257,913	1,324,105	36,778	1,360,883
Valuation allowance	(601,731)	(173,450)	(775,181)	(50,956)	(826,137)
	$ 464,461	84,463	548,924	(14,178)	534,746

A valuation allowance on a deferred tax asset is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. CFAB has established a valuation allowance that reflects its expected taxable income and tax planning strategies.

Temporary differences that give rise to the significant portions of the deferred tax liability consist of depreciation and the basis differences in assets. The deferred tax benefit (expense) related to the deferred tax liability amounted to $14,178 and $(84,463) at May 31, 2011 and 2010, respectively.

(10) Commitments and Contingent Liabilities

Unused Lines of Credit

At May 31, 2011 and 2010, respectively, CFAB had commitments to members for unused credit lines of approximately $435,000 and $750,000.

Contingencies

CFAB is a litigant in several legal actions arising from normal business activities, related to delinquent loans and foreclosures. CFAB reserves for potential losses on delinquent loans as described in Note 2. There is no litigation unrelated to loan delinquencies and foreclosures.

Board of Directors and Staff

Board of Directors

Alan Otness, Chairman
Petersburg

Roseleen Moore, Vice Chairman
Homer

Dan Farren, Secretary-Treasurer
Homer

Stosh Anderson, Director
Kodiak

Paula Giauque, Director
Palmer

Chris McDowell, Director
Juneau

Robert L. Scott, Director
Kenai

Staff

Charlotte Calhoun
Credit Operations Assistant

Robert H. Clark
Vice President

Sandra Jobkar
Assistant Vice President

Lela F. Klingert
President

JoAnn Rodamaker
Senior Vice President

Rebecca Smith
Documentation Specialist

Godelieve C. Van Lint
Administrative Support Clerk

Karla VanderBie
Assistant Vice President

Steven Worley
Bookkeeper

Alaska Commercial Fishing and Agriculture Bank

Office Address:
3040 Lakeshore Drive, Anchorage

Mailing Address:
PO Box 92070, Anchorage, AK 99509-2070

Telephone:
(907) 276-2007 • (800) 544-2228 (Outside Anchorage)

E mail: cfabanch@gci.net

Website: cfabalaska.com

The wind and the wave
are always on the side
of the
ablest navigator.

— *Gibbon*

Stan Stephens
GLACIER & WILDLIFE CRUISES
VALDEZ, ALASKA

February 4, 2011

The Honorable John Coghill,
Capitol Office Bldg. – Rm 504
Juneau, Alaska 99801

Dear Senator Coghill,

I am writing to you to express my interest in SB68. We are holder of a tourism loan from CFAB. As a loan holder, I can say we are proud to be able to work with such a responsible lender. Since CFAB is owned by Alaska residents, it is available to serve Alaskan such as ourselves. I consider a direct benefit for the passage of SB68.

Originally, I understand that loans were made for agriculture, commercial fishing and other resource based operations. Their range of loans are basically the same at present, but now include loans to the tourism industry, helping another group of Alaskans.

Any of CFAB's members are eligible to hold 4 of CFAB's 5 elected Directors positions, regardless of the industry they serve. Apparently there are few agricultural loans at present, since most farmers now procure loans from established State-Federal programs. When SB68 is passed, those possibilities or serving as a Director, there is now an improved opportunity for us, as members to serve in that capacity, and that opportunity will be increased by 25%. Legislation from SB68 only affects CFAB operations, and will add value to the member's investments.

Passage of SB68 will only have positive effects for those of us who have loans, as CFAB members. I urge you to vote "YES" on SB68. Thank you.

Respectfully,

Stan Stephens
Stan Stephens Glacier and Wildlife Cruises
Valdez, Alaska

Phone: 907-835-4731 • Toll Free: 1-866-867-1297 • Web Site: www.stanstephenscruises.com
P.O. Box 1297, Valdez, AK 99686 • Email: info@stephenscruises.com • Fax: 907-835-3765

Example of CFAB Financing that would be possible as a result of the passage of SB68.

CFAB has received a request to finance the expansion of B4UDie Lodge that is located outside Dillingham in Western Alaska.

The lodge is owned by the ABC Corporation. ABC Corporation is an Alaska Corporation whose ownership is comprised as follows:

John Smith	15%	Residence	Los Angeles, CA
Susan Smith	15%	Residence	Los Angeles, CA
John Doe	15%	Residence	Seattle, WA
Mary Doe	15%	Residence	Seattle, WA
William Jones	15%	Residence	Anchorage, AK
Jane Jones	15%	Residence	Anchorage, AK
Jim Johnson	10%	Residence	Soldotna, AK

The ABC Corporation wants to borrow $300,000 to expand their lodge by building 4 new cabins; the lodge is located in the Tik Chik region. The lodge has operated in this area for 20 years. They employ 30 Alaskans during the months of May through Sept. From October to April they have two Alaskans employed as caretakers.

The ABC Corporation owns and pays property taxes on the lodge valued at $2,000,000 as well as 5 airplanes valued at $500,000. In addition they pay AK Corporate Income taxes.

Jim Johnson is the manager of the B4UDie Lodge, the remaining six owners are silent partners/investors and are not involved in the day to day operations of the lodge.

Given that the majority ownership (60%) of the Corporation is owned by non-residents under its current statute, CFAB would not be able to provide financing to the ABC Corporation even though the sole operation of the Corporation is in Alaska and the role of the non-resident owners is strictly as an investment in the Corporation bringing non-resident investment to Alaska and enhancing the economic development of the region.

Passage of SB68 allowing CFAB to finance non-resident owned Tourism and Resource Based businesses whose facilities are located in Alaska would allow CFAB to finance requests such as the example shown above and increasing the financing options to increase economic opportunities for Alaskans

ALASKA STATE LEGISLATURE

SENATOR JOHN COGHILL

State Capitol, Room 504, Juneau, AK 99801-1182 (907) 465-3719
3340 Badger Road Suite #290, North Pole, AK 99705 (907) 488-5725

SB 68 Alaska Commercial Fishing and Agriculture Bank
SPONSOR STATEMENT

Senate Bill 68 will strengthen the Commercial Fishing and Agriculture Bank (CFAB) and its ability to serve member-owners. CFAB was created by the legislature to fulfill a need for financing the agricultural and fishing permit industries.

Because it has been difficult to keep a resident farmer on the board of directors filled, SB 68 removes mandatory requirements to have a seat on the board designated for a resident farmer.

The bill removes dollar limitations for co-op members seeking loans for tourism-related activities and the development or exploitation of natural resources.

SB 68 will also allow CFAB to make loans for capital investment or operating capital to a shore-based fish processor, a timber processor, or an agricultural processor or harvester with facilities located in Alaska. This bill extends this allowance to tourism-related activities and the development or exploitation of natural resources as outlined in subsections (15) and (16)

The legislature supplied $32 million in seed money to CFAB to kick start the cooperative and since the coop was using dollars borrowed from the general fund, CFAB was prohibited by law from hiring a lobbyist because it was thought of as a quasi-governmental entity until it had paid the State back the full amount of the stock. CFAB fulfilled that obligation over a year before the required time, and is now an independent business, there is no need to prohibit them from having a lobbyist.

The bill also requires CFAB's financial records to be examined by the Department of Commerce Division of Banking at 36 month intervals and requires CFAB to reimburse the state for the cost of the audit.

ALASKA STATE LEGISLATURE

SENATOR JOHN COGHILL

State Capitol, Room 504, Juneau, AK 99801-1182 (907) 465-3719
3340 Badger Road Suite #290, North Pole, AK 99705 (907) 488-5725

Section 1. Removes the requirement that one member of the CFAB board of directors must be a resident farmer.

Sec. 2.

Subsection 4. Removes dollar limitations for loans being used for tourism within the state.

Subsec. 5. Removes dollar limitations for loans being used for tourism within the state.

Subsec. 6. Removes dollar limitations for loans being used for natural resource development.

Subsec. 7. Removes dollar limitations for loans being used for natural resource development.

Subsec. 8. Clarifies that a person receiving a loan for capital investment or operating capital to a shore-based fish processor, a timber processor, or an agricultural processor or harvester, must meet all requirements except for residency and resident ownership of company.

Subsec. 10. Adds new loans to non-residents for capital investment or operating capital to operate tourism activities under subsection 15 and development and exploitation of natural resources under subsection 16, to loans secured by liens subordinate to valid first liens and security agreements granted to another creditor.

Subsec. 12. Adds new loans to non-residents for capital investment or operating capital to an operator of tourism-related activities and facilities dedicated to the development or exploitation of natural resources, to provisions for CFAB to participate with another bank without the obligor being a member of CFAB.

Subsec. 13. Allows CFAB to purchase or participate in loans from other lenders for loans to non-residents whether or not an obligor is a member of the bank.

Subsec. 15. Adds a new subsection that allows for non-residents to receive loans for tourism-related activities, providing they meet all other requirements to receive a loan stated in CFAB statutes.

Subsec. 16. Adds a new subsection that allows for non-residents to receive loans dedicated to the development of natural resources, providing they meet all other requirements to receive a loan stated in CFAB statutes.

Sec. 3. Adds an audit by Department of Commerce, Community, and Economic Development, Division of Banking and Securities, as an exception to the confidentiality provision of CFAB's financial records.

Sec. 4. Establishes a new subsection into CFAB statutes allowing for a list of candidates for director of the bank to be given to voting members of the bank.

Sec. 5. Establishes a new section in CFAB statutes providing for a bank examination at intervals of not more than 36 months, a summary report of the examination, and requiring a fee to be paid by the bank for the examination.

Sec. 6. Repeals definition of "resident farmer" and repeals the prohibition of CFAB having a lobbyist.

Sec. 7. Establishes a section prohibiting any bank examination until one year after the effective date of this act.

Sec. 8. Establishes an immediate-effective-date provision to this act.

SB

70

<TARGET><BILL>SB 70</BILL><SUBJECT>SB
70</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/23/11

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 70

SB 70-ALASKA HEALTH BENEFIT EXCHANGE

"An Act establishing the Alaska Health Benefit Exchange; and providing for an effective date."

and recommends:

[V] be **replaced** with **CS** SB 70 (FIN) [V] *Same Title* [ ] *New Title*

[ ] adopt **previous CS** _____ (_____) [ ] *Same Title* [ ] *New Title*

[ ] attached amendment(s)

[ ] adopt _____ Letter of Intent

[ ] further referral to _____ Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DHS	V			
CFD			V	
CED	V			
ADM	V			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	V			
	EGAN	↘			
	OLSON			V	
	McGuire	V			
	ELLIS	V			
CO-CHAIR:	Hoffman	V			
CO-CHAIR:	Stedman			V	

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **CSSB070(L&C)**
Fiscal Note Number:
Publish Date:

Identifier (file name): SB070CS(L&C)-DHSS-PAFS-01-18-12
Title: Alaska Health Benefit Exchange
Sponsor: Sen. French
Requester: Senate Finance Committee

Dept. Affected: Health and Social Services
Appropriation: Public Assistance
Allocation: Public Assistance Field Services
OMB Component Number: 236

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	310.5						
Travel							
Services	24.0						
Commodities	1.2						
Capital Outlay	29.7						
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**365.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts	182.7						
1003	GF Match	182.7						
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**365.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time	3.0						
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated fiscal note to reflect current fiscal year.

Prepared by: Ron Kreher, Director — Phone: (907) 465-5835
Division: Public Assistance — Date/Time: 1/18/12 12:00 PM
Approved by: Nancy Rolfzen, Assistant Commissioner — Date: 1/18/2012
DHSS Finance & Management Services

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** CSSB070(L&C)
2012 LEGISLATIVE SESSION

Analysis

This legislation establishes a state health insurance exchange for consumers and small businesses in compliance with provisions of the Affordable Care Act. As part of its duties, the exchange will inform individuals about Medicaid, the Child Health Insurance Program (i.e. Denali KidCare), and any other applicable programs. If the exchange determines that the individual is eligible for a program, it must enroll the individual in that program. The legislation also gives the exchange the authority to enter into a contract for the performance of its duties with the Department of Health and Social Services.

Assumptions:
· The legislation will become effective 7/1/2012.
· The Insurance Exchange will contract with the Department of Health and Social Services, Division of Public Assistance (DHSS/DPA) to determine Medicaid and Denali KidCare eligibility for new enrollees.
· The exchange will pass necessary demographic and financial information to DHSS/DPA so that it can establish and maintain Medicaid eligibility for the new enrollees. This information will be passed to DHSS/DPA electronically.
· System enhancements will need to be made to DPA's Eligibility Information System (EIS) to receive data from the exchange and register it in EIS.
· Development and testing of the EIS system enhancements will take 9 months.
· The exchange will begin passing information to DPA's EIS in FY 2013.
· The costs of adding the new Medicaid expansion included in the Affordable Care Act are not included in the estimates.

FY 2013 Administration Costs: $365.4

Personal Services: Staff needed to develop and test the system enhancements in FY 2013:
$112.0 for salary and benefits for 1 Analyst/Programmer IV for 9 months
$198.5 for salary and benefits for 2 Analyst/Programmers III for 9 months
$310.5 - Total

Commodities:
$ 1.2 ($0.55 x 3 staff x .75 (9 months) = $1.2)

Contractual:
$ 24.0 costs for phones, office space, etc.

Capital Outlay:
$ 29.7 one time purchase for personal computers, software, workstations and associated costs for 3 staff
($9.9 x 3 = $29.7)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB 70**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB070-DCCED-INS-12-01-11
Title: Alaska Health Benefit Exchange
Sponsor: Senator French
Requester: Senate Finance

Dept. Affected: DCCED
Appropriation: Insurance
Allocation: Insurance
OMB Component Number: 354

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	0.0		0.0	0.0	0.0	0.0	0.0
Travel	0.0		0.0	0.0	0.0	0.0	0.0
Services	0.0		0.0	0.0	0.0	0.0	0.0
Commodities	0.0		0.0	0.0	0.0	0.0	0.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version updated to new form for the 2012 Legislative Session

Prepared by: Linda S. Hall, Director — Phone: 907-269-7900
Division: Insurance — Date/Time: 12/1/11 5:57 PM
Approved by: Susan K. Bell, Commissioner — Date: 12/30/2011
Commerce, Community, and Economic Development

(Revised 11/28/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB 70

Analysis

SB 70 would establish a health benefit exchange in order to facilitate the purchase and sale of individual and small employer health insurance plans in Alaska. The exchange would also provide consumer education and assistance. The exchange would be established as a public corporation within the Department of Commerce, Community and Economic Development, but it would be a separate legal entity.

An exchange board appointed by the Governor would have the responsibility and authority to develop and maintain the exchange which would include developing and maintaining a website for Alaskans to obtain information on insurance plans, to determine eligibility for and enroll eligible Alaskans in Medicaid or Denali Kidcare, to determine cost of coverage after any premium tax credit or cost sharing reduction and many other functions specified in the bill.

The bill does not create any additional duties or role for the Division of Insurance, since the development and maintenance of the exchange is the sole responsibility of the board. Therefore, no fiscal impact on the Division of Insurance is anticipated.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB 70**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB070-DCCED-AHBE-12-08-11
Title: Alaska Health Benefit Exchange
Sponsor: Senator French
Requester: Senate Finance

Dept. Affected: DCCED
Appropriation: Alaska Health Benefit Exchange
Allocation: Alaska Health Benefit Exchange Op
OMB Component Number:

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	1,280.1		1,280.1	1,280.1	1,280.1	1,280.1	1,280.1
Travel	121.0		30.3	30.3	30.3	30.3	30.3
Services	273.6		241.0	241.0	241.0	241.0	241.0
Commodities	30.0		0.0	0.0	0.0	0.0	0.0
Capital Outlay							
Grants, Benefits	120.0		120.0	120.0	120.0	120.0	120.0
Miscellaneous							
TOTAL OPERATING	**1,824.7**	**0.0**	**1,671.4**	**1,671.4**	**1,671.4**	**1,671.4**	**1,671.4**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	1,824.7		1,671.4	1,671.4	1,671.4	1,671.4	1,671.4
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**1,824.7**	**0.0**	**1,671.4**	**1,671.4**	**1,671.4**	**1,671.4**	**1,671.4**

POSITIONS							
Full-time	**12**		12	12	12	12	12
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This fiscal note has been amended to reflect higher FY13 Personal Services costs due to salary and benefit increases. Travel for years beyond FY13 have been reduced to reflect change from monthly Board meetings to quarterly. One-time support costs have been reduced in years beyond FY13. The fiscal note has been updated to the new form for the 2012 Legislative Session.

Prepared by: Jo Ellen Hanrahan, Director — Phone: 907-465-2506
Division: Administrative Services — Date/Time: 12/8/11 10:00 AM
Approved by: Susan K. Bell, Commissioner — Date: 12/30/2011
Commerce, Community, and Economic Development

(Revised 11/28/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB 70
2012 LEGISLATIVE SESSION

Analysis

SB 70 would establish a health benefit exchange in order to facilitate the purchase and sale of individual and small employer health insurance plans in Alaska. The exchange would also provide consumer education and assistance. The exchange would be established as a public corporation within the Department of Commerce, Community, and Economic Development, but it would be a separate legal entity. An exchange board appointed by the Governor would have the responsibility and authority to develop and maintain the exchange which would include developing and maintaining a website for Alaskans to obtain information on insurance plans, to determine eligibility for and enroll eligible Alaskans in Medicaid or Denali Kidcare, to determine cost of coverage after any premium tax credit or costs sharing reduction and many other functions specified in the bill.

Estimates have been developed for the required resources to meet the core functions to be performed including:

1) Personal Services - a staff of 12 including an executive director, accounting staff, web support and program staff.

2) Board Costs - first year travel costs based on monthly two day meetings until the exchange is fully operational, followed by quarterly meetings for subsequent years.

3) Services - including one-time and on-going work station supplies and equipment, telephone hotlines, phone systems, printing, leased space support contracts and core services costs.

4) Commodities - one-time for computers and supplies.

5) Grants to the Navigator program.

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **CSSB070**
Fiscal Note Number:
Publish Date:

Identifier (file name): SB070CS(FIN)-DOA-ETS-01-06-12
Title: Alaska Health Benefit Exchange
Sponsor: Senators French, Davis, Ellis
Requester: Senate Finance Committee

Dept. Affected: Administration
Appropriation: Enterprise Technology Services
Allocation: Enterprise Technology Services
OMB Component Number: 2082

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services	800.0		500.0	500.0	500.0	500.0	500.0
Commodities							
Capital Outlay	2,200.0						
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**3,000.0**	**0.0**	**500.0**	**500.0**	**500.0**	**500.0**	**500.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	3,000.0		500.0	500.0	500.0	500.0	500.0
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**3,000.0**	**0.0**	**500.0**	**500.0**	**500.0**	**500.0**	**500.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Update for session. No change in estimate.

Prepared by: Pat Shier — Phone: 465-5169
Division: Enterprise Technology Services — Date/Time: 01/06/12 @ 8:00 am
Approved by: John Cramer — Date: 1/6/2012
Deputy Commissioner, Department of Administration

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB070

Analysis

Request for: Platform Build-out for Alaska Health Insurance Exchange

The current available information regarding other state's planning efforts relative to Health Insurance Exchange legislation suggests that costs for a platform build-out vary depending on final platform design. A critical factor will be if the solution implemented is a stand-alone solution or leveraged, in part, on an existing, related solution already in production. As a result, ETS estimates and requests with this fiscal note $3,000.0 in FY2013 to plan for and build out the platform on which the health insurance exchange will operate. Of the $3,000.0, ETS anticipates $800.0 will be needed for purchase of bandwidth services and related costs. ETS is requesting an additional $500.0 per year over the next six (6) fiscal years for maintenance an operation of the platform solution.

CS FOR SENATE BILL NO. 70(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS FRENCH, Davis, Ellis

A BILL

FOR AN ACT ENTITLED

"An Act establishing the Alaska Health Benefit Exchange; and providing for an effective date."

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

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

INTENT. It is the intent of the legislature in this Act

(1) to facilitate the purchase and sale of qualified health plans in the individual market in this state;

(2) to establish a small business health options program exchange to assist qualified small employers in the state in enrolling employees in qualified health plans offered in the small group market;

(3) to provide consumer education and assist individuals with access to programs, credits, and cost-sharing reductions;

(4) to reduce the number of uninsured Alaskans by creating an organized,

transparent, and easy-to-navigate health insurance marketplace that offers a choice of high value health plans with low administrative costs for individuals and employers; and

(5) that the Alaska Health Benefit Exchange Board recommend to the legislature and the Office of the Governor methods to keep premium costs low and risk pools strong in the health insurance market place.

*** Sec. 2.** AS 21.54 is amended by adding new sections to read:

Article 2A. Alaska Health Benefit Exchange.

Sec. 21.54.200. Alaska Health Benefit Exchange. The Alaska Health Benefit Exchange is established as a public corporation of the state in the Department of Commerce, Community, and Economic Development but with separate and independent legal existence.

Sec. 21.54.210. Alaska Health Benefit Exchange Board. (a) The Alaska Health Benefit Exchange Board is established to manage the exchange.

(b) The board consists of eight members, including six members appointed by the governor, the commissioner of health and social services or the commissioner's designee, serving ex officio, and the director, serving ex officio, without the power to vote. The members of the board appointed by the governor are

(1) a representative of small business employers;

(2) a representative of the health care insurance business;

(3) a person with expertise in health plan finance;

(4) a person with expertise in health plan administration;

(5) an actuary or a person with a background in health care actuarial or economic principles; and

(6) a health care consumer representative.

(c) Except for the commissioner or the commissioner's designee and the director, who serve ex officio, each board member serves for a term of three years beginning on January 1 and until a successor has been appointed. A member is eligible for reappointment.

(d) The board shall select a member to serve as chair and a member to serve as vice-chair for a term and with duties and powers necessary to perform their functions.

(e) A majority of the board constitutes a quorum for transacting business.

(f) If a vacancy occurs, the governor shall make an appointment, effective immediately, for the balance of the unexpired term.

(g) Board members and the executive director hired under (j) of this section shall comply with the requirements of AS 39.50 (public official financial disclosure) and shall disclose an affiliation with an insurer, agent, broker, or other representative of an insurer, a health care provider, or a health care facility.

(h) Members of the board are entitled to per diem and transportation costs under AS 39.20.180.

(i) A member of the board of directors of the exchange may not be held civilly or criminally liable for an act or omission if the act or omission was in good faith and within the scope of the director's duties.

(j) The board shall employ an executive director to administer the exchange. The executive director shall perform duties as prescribed by the board and may employ a staff to assist in the performance of the duties of the executive director. The executive director and staff employed under this subsection are in the partially exempt service under AS 39.25.120.

Sec. 21.54.220. Duties and powers of the Alaska Health Benefit Exchange; limitation. (a) The Alaska Health Benefit Exchange Board shall

(1) facilitate the purchase and sale of qualified health plans;

(2) establish a small business health options program exchange to assist qualified small employers in the state in enrolling employees in a qualified health plan;

(3) provide for the operation of a toll-free telephone hotline to respond to requests for assistance;

(4) provide for enrollment periods under sec. 1311(c)(6), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act;

(5) maintain an Internet website through which enrollees and prospective enrollees of qualified health plans may obtain standardized comparative information on those plans;

(6) implement procedures for the certification, recertification, and

decertification of qualified health plans according to the determination of the division consistent with guidelines developed by the United States Secretary of Health and Human Services under sec. 1311(c), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act;

(7) assign a rating to each qualified health plan offered through the exchange according to the determination of the division in accordance with the criteria developed by the United States Secretary of Health and Human Services under sec. 1311(c)(3), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act;

(8) determine the level of coverage of each qualified health plan according to the determination of the division under regulations issued by the United States Secretary of Health and Human Services under sec. 1302(d)(2)(A), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act;

(9) use a standardized format for presenting health benefit options in the exchange, including the use of the uniform outline of coverage established under 42 U.S.C. 300gg et seq. (sec. 2715, Part A, subpart II, title XXVII, Public Health Service Act);

(10) in accordance with sec. 1413, P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, inform individuals of title XIX, Social Security Act eligibility requirements for the Medicaid program under 42 U.S.C. 1396 - 1396w-2, the Children's Health Insurance Program under 42 U.S.C. 1397aa - 1397mm (title XXI of the Social Security Act), or any applicable state or local public program; and, if the exchange determines that any individual is eligible for a program, enroll that individual in that program;

(11) establish and make available by electronic means a calculator to determine the actual cost of coverage after application of any premium tax credit under 26 U.S.C. 36B (Internal Revenue Code of 1986), and any cost-sharing reduction under sec. 1402, P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act;

(12) establish a small business health options program exchange

through which qualified employers may access coverage for their employees and which shall enable a qualified employer to specify a level of coverage so that any of its employees may enroll in any qualified health plan offered through the small business health options program exchange at the specified level of coverage;

(13) subject to sec. 1411, P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, grant a certification attesting that, for purposes of the individual responsibility penalty under 26 U.S.C. 5000A (Internal Revenue Code of 1986), an individual is exempt from the individual responsibility requirement or from the penalty imposed by that section because

(A) an affordable qualified health plan covering the individual is not available through the exchange or through the individual's employer; or

(B) the individual meets the requirements for another exemption from the individual responsibility requirement or penalty;

(14) provide the following information to the United States Secretary of the Treasury:

(A) the name and taxpayer identification number of each individual issued a certification under (13) of this subsection;

(B) the name and taxpayer identification number of each individual who was an employee but who was determined to be eligible for the premium tax credit under 26 U.S.C. 36B (Internal Revenue Code of 1986) because

(i) the employer did not provide minimum essential coverage; or

(ii) the employer provided the minimum essential coverage, but it was determined under 26 U.S.C. 36B(c)(2)(C) (Internal Revenue Code of 1986), to be unaffordable to the employee or not to provide the required minimum actuarial value; and

(C) the name and taxpayer identification number of each individual who

(i) notifies the exchange under sec. 1411(b)(4), P.L.

111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, that the individual has changed employers; and

(ii) ceases coverage under a qualified health plan during a plan year and the effective date of that cessation;

(15) provide to each employer the name of each employee of the employer described in (14)(B) of this subsection who ceases coverage under a qualified health plan during a plan year and the effective date of the cessation;

(16) perform duties required of the exchange by the United States Secretary of Health and Human Services or the United States Secretary of the Treasury related to determining eligibility for premium tax credits, reduced cost-sharing, or individual responsibility requirement exemptions;

(17) select entities qualified to serve as navigators as determined by the division in accordance with sec. 1311(i), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, and standards developed by the United States Secretary of Health and Human Services and award grants to enable navigators to

(A) conduct public education activities to raise awareness of the availability of qualified health plans;

(B) distribute fair and impartial information concerning enrollment in qualified health plans, the availability of premium tax credits under 26 U.S.C. 36B (Internal Revenue Code of 1986), and the availability of cost-sharing reductions under sec. 1402, P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act;

(C) facilitate enrollment in qualified health plans;

(D) provide referrals to the division for consumer assistance for a person with a grievance, complaint, or question regarding the person's health benefit plan or coverage, or a determination under that plan or coverage; and

(E) provide information in a manner that is culturally and linguistically appropriate to the needs of the population being served by the exchange;

(18) review the rate of premium growth within the exchange and outside the exchange as determined by the division and rely on the information developed by the division on whether to continue limiting qualified employer status to small employers;

(19) rely on policies and procedures developed by the division to minimize adverse selection among plans sold within the exchange and review policies within the exchange and outside the exchange to monitor the effect of adverse selection between the two marketplaces;

(20) credit the amount of any free choice voucher to the monthly premium of the plan in which a qualified employee is enrolled, in accordance with sec. 10108, P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, and collect the amount credited from the offering employer;

(21) consult with persons having an interest in the activities of the exchange, including

(A) health care insurers;

(B) health care consumers who are enrollees in qualified health plans;

(C) individuals and entities with experience in facilitating enrollment in qualified health plans;

(D) representatives of small businesses and self-employed individuals;

(E) the division in the Department of Health and Social Services responsible for administering Medicaid; and

(F) advocates for enrolling hard-to-reach populations;

(22) establish one or more advisory groups to consult with the board to provide expertise on and input into operations of the exchange; the membership of an advisory group may include health care providers, hospitals, and persons identified in (21) of this subsection;

(23) maintain an accurate accounting of all activities, receipts, and expenditures;

(24) submit an annual accounting report to the United States Secretary of Health and Human Services, the governor, the director and the legislature; the report must include the following information described by insurer by benefit plan:

(A) the number of covered persons;

(B) the number of covered persons receiving free choice vouchers and the amount of free choice vouchers credited;

(C) the number of individuals exempted from individual responsibility requirements by reason;

(D) the number of individuals eligible for premium tax credit;

(E) the number of employees who terminated coverage and the number of individuals obtaining coverage through the exchange who were covered under an employer health plan in the preceding six months; and

(F) other data specified by the director;

(25) cooperate with an investigation conducted by the division or the United States Secretary of Health and Human Services under the Secretary's authority under P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, and allow the division or the Secretary, in coordination with the Inspector General of the United States Department of Health and Human Services, to

(A) investigate the affairs of the exchange;

(B) examine the properties and records of the exchange;

(C) require periodic reports in relation to the activities undertaken by the exchange;

(26) allow a health care insurer to offer a plan that provides limited scope dental benefits under 26 U.S.C. 9832(c)(2)(A) (Internal Revenue Code of 1986), through the exchange, either separately or in conjunction with a qualified health plan, if the plan provides pediatric dental benefits under sec. 1302(b)(1)(J), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act;

(27) apply for planning and establishment grants made available to the exchange under sec. 1311, P.L. 111-148 (Patient Protection and Affordable Care Act),

as amended, and regulations adopted under that Act;

(28) rely on the division's determination relating to the potential for interstate compacts that would permit the sale and purchase of health care insurance across state borders and recommend particular compact arrangements for legislative approval; and

(29) submit to the director a plan of operation to ensure the fair, reasonable, and equitable administration of the exchange; the plan of operation becomes effective on approval in writing by the director, subject to the following:

(A) if the exchange fails to submit a suitable plan under this paragraph, the director may adopt reasonable regulations necessary or advisable to carry out the provisions of AS 21.54.200 - AS 21.54.270; the regulations adopted by the director under this subparagraph must continue in force until modified by the director or superseded by a plan submitted by the exchange and approved by the director;

(B) the plan of operation must

(i) establish procedures for the performance of the duties and powers of the exchange;

(ii) establish procedures for handling assets of the exchange;

(iii) establish the amount and method of reimbursing members of the board of directors;

(iv) establish regular places and times for meetings of the board of directors;

(v) establish procedures for records to be kept of all financial transactions of the exchange, its agents, and the board of directors;

(vi) contain any additional provisions necessary or proper for the execution of the powers and duties of the exchange.

(b) The exchange may

(1) enter into a contract for the performance of the exchange's duties with the Department of Health and Social Services or another entity that has

experience in individual and small group health insurance or benefit administration, or other experience relevant to the responsibilities to be assumed by the entity, except that the exchange may not contract for the performance of its duties with a health care insurer or an affiliate of a health care insurer;

(2) enter into information-sharing agreements with federal and state agencies and other state exchanges to carry out its duties if the agreements include adequate protections with respect to the confidentiality of the information to be shared and comply with all state and federal laws and regulations; and

(3) apply for and receive grants or donations from federal, state, local government, foundation, or private entities; the exchange shall make records of application for or receipt of grants or donations under this paragraph available to the public on the exchange's Internet website within 30 days after application or receipt.

(c) The exchange may not use money intended for the administrative and operational expenses of the exchange for staff retreats, promotional giveaways, or excessive executive compensation.

(d) Neither the exchange nor a health care insurer offering a health benefit plan through the exchange may charge an individual a fee or penalty for termination of coverage if the individual enrolls in another type of minimum essential coverage because

(1) the individual has become newly eligible for that coverage; or

(2) the individual's employer-sponsored coverage has become affordable under the standards of 26 U.S.C. 36B(c)(2)(C) (Internal Revenue Code of 1986).

Sec. 21.54.230. Health benefit plan certification. (a) The exchange may certify a health benefit plan as a qualified health plan if

(1) the plan provides the essential health benefits described in sec. 1302(a), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, except that the plan is not required to provide essential benefits that duplicate the minimum benefits of qualified dental plans if

(A) the exchange has determined that at least one qualified dental plan is available to supplement the plan's coverage; and

(B) the health care insurer makes prominent disclosure at the time it offers the plan, in a form approved by the exchange, that the plan does not provide the full range of essential pediatric benefits, and that qualified dental plans providing those benefits and other dental benefits not covered by the plan are offered through the exchange;

(2) the premium rates and contract language have been approved by the director;

(3) the plan provides at least a bronze level of coverage under AS 21.54.220(a)(7) unless the plan is certified as a qualified catastrophic plan, meets the requirements of P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, for catastrophic plans, and will only be offered to individuals eligible for catastrophic coverage;

(4) the cost-sharing requirements of the plan do not exceed the limits established under sec. 1302(c)(1), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, and, if the plan is offered through the small business health options program exchange, the deductible for the plan does not exceed the limits established under sec. 1302(c)(2), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act;

(5) the health care insurer offering the plan

(A) is licensed and in good standing to offer health insurance coverage in the state;

(B) offers at least one qualified health plan that provides a silver level of coverage under AS 21.54.220(a)(7) and at least one plan that provides a gold level of coverage through each small business health options program exchange and exchange for individual coverage in which the health care insurer participates;

(C) charges the same premium rate for each qualified health plan without regard to whether the plan is offered through the exchange and without regard to whether the plan is offered directly from the health care insurer or through an insurance producer;

(D) does not charge cancellation fees or penalties in violation of AS 21.54.220(d); and

(E) complies with the regulations developed by the United States Secretary of Health and Human Services under sec. 1311(d), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, and other requirements the exchange establishes;

(6) the plan meets the requirements of certification as adopted by regulation under AS 21.54.250 and by the United States Secretary of Health and Human Services under sec. 1311(c), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, which include minimum standards in the areas of marketing practices, network adequacy, essential community providers in underserved areas, accreditation, quality improvement, uniform enrollment forms, and descriptions of coverage and information on quality measures for health benefit plan performance; and

(7) the exchange determines that making the plan available through the exchange is in the interest of qualified individuals and qualified employers in this state.

(b) The exchange may not exclude a health benefit plan

(1) because the plan is a fee-for-service plan;

(2) by imposing premium price controls; or

(3) because the plan provides treatments necessary to prevent patients' deaths that the exchange determines are inappropriate or too costly.

(c) The exchange shall require each health care insurer seeking certification of a plan as a qualified health plan to

(1) submit to the exchange a justification for any premium increase before implementation of that increase; the health care insurer shall prominently post the justification information on the health care insurer's Internet website; the exchange shall consider the information submitted, along with the information and the recommendations provided to the exchange by the director under 42 U.S.C. 300gg-94 (sec. 2794(b), Part C, title XXVII, Public Health Service Act) when determining whether to allow the health care insurer to make plans available through the exchange;

(2) make available to the public in plain language, as defined in sec. 1311(e)(3)(B), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, and submit to the exchange, the United States Secretary of Health and Human Services, and the director accurate and timely disclosure of the following:

(A) claims payment policies and practices;

(B) periodic financial disclosures;

(C) data on enrollment;

(D) data on disenrollment;

(E) data on the number of claims that are denied;

(F) data on rating practices;

(G) information on cost-sharing and payments with respect to any out-of-network coverage;

(H) information on enrollee and participant rights under Title I of P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act; and

(I) other appropriate information as determined by the United States Secretary of Health and Human Services.

(3) permit individuals to learn, in a timely manner on the request of the individual, the amount of cost-sharing, including deductibles, copayments, and coinsurance, under the individual's plan or coverage that the individual would be responsible for paying with respect to the furnishing of a specific item or service by a participating provider; a minimum, that information must be made available to the individual through an Internet website and through other means for individuals without access to the Internet.

(d) The exchange may not exempt a health care insurer seeking certification of a qualified health plan from state licensure or solvency requirements, regardless of the type or size of the health care insurer, and shall apply the criteria of this section in a manner that ensures equality between or among health care insurers participating in the exchange.

(e) The provisions of AS 21.54.200 - 21.54.270 that are applicable to qualified

health plans also apply, to the extent relevant, to qualified dental plans, except as modified under (1) - (3) of this subsection or by regulations adopted by the exchange. Under this subsection,

(1) the health care insurer shall be licensed to offer dental coverage, but need not be licensed to offer other health benefits;

(2) the plan must be limited to dental and oral health benefits, without substantially duplicating the benefits typically offered by a health benefit plan without dental coverage and must include, at a minimum, the essential pediatric dental benefits prescribed by the United States Secretary of Health and Human Services under sec. 1302(b)(1)(J), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, and other dental benefits as the exchange or the Secretary may specify by regulation; and

(3) the health care insurer may jointly offer a comprehensive plan through the exchange in which the dental benefits are provided by a health care insurer through a qualified dental plan and the other benefits are provided by a health care insurer through a qualified health plan if the plans are priced separately and are also made available for purchase separately at the same price.

Sec. 21.54.240. Exchange funding; publication of costs of the exchange. (a) The exchange may charge assessments or user fees to a health care insurer offering a health benefit plan or otherwise generate funding necessary to support its operations provided under AS 21.54.200 - 21.54.270.

(b) The exchange shall publish the average costs of licensing, regulatory fees, and any other payments required by the exchange, and the administrative costs of the exchange, on its Internet website. That information must include information on money lost to waste, fraud, and abuse.

Sec. 21.54.250. Regulations. The division or the exchange may adopt regulations to implement their respective authority under the provisions of AS 21.54.200 - 21.54.270. Regulations adopted under this section may not conflict with or prevent the application of regulations adopted by the United States Secretary of Health and Human Services under P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act.

Sec. 21.54.260. Relation to other laws. Provisions of AS 21.54.200 - 21.54.270, and actions taken by the exchange under AS 21.54.200 - 21.54.270 may not be construed to preempt or supersede the authority of the director to regulate the business of insurance in the state. Except as expressly provided to the contrary in AS 21.54.200 - 21.54.270, all health care insurers offering qualified health plans in the state shall comply fully with all applicable health insurance laws of the state and regulations adopted and orders issued by the director.

Sec. 21.54.270. Definitions. In AS 21.54.200 - 21.54.270,

(1) "board" means the Alaska Health Benefit Exchange Board established AS 21.54.210;

(2) "exchange" means the Alaska Health Benefit Exchange established under AS 21.54.200;

(3) "health benefit plan" has the meaning given in AS 21.54.500, except that, notwithstanding AS 21.54.500, it does not include

(A) coverage only for accident or disability income insurance, or any combination of accident or disability income insurance;

(B) coverage issued as a supplement to liability insurance;

(C) liability insurance, including general liability insurance and automobile liability insurance;

(D) workers' compensation insurance or similar insurance;

(E) automobile medical payment insurance;

(F) credit-only insurance;

(G) coverage for on-site medical clinics;

(H) insurance coverage specified in federal regulations issued under the P.L. 104-191 (Health Insurance Portability and Accountability Act of 1996), under which benefits for health care services are secondary or incidental to other insurance benefits;

(I) the following benefits if they are provided under a separate policy, certificate, or contract of insurance or are otherwise not an integral part of the plan:

(i) limited scope dental or vision benefits;

(ii) benefits for long-term care, nursing home care, home health care, community-based care, or any combination of long-term care, nursing home care, home health care, or community based care;

(J) limited benefits specified in federal regulations issued under P. L. 104-191 (Health Insurance Portability and Accountability Act of 1996);

(K) the following benefits if the benefits are provided under a separate policy, certificate, or contract of insurance; there is no coordination between the provision of the benefits and any exclusion of benefits under any group health plan maintained by the same plan sponsor; and the benefits are paid with respect to an event without regard to whether benefits are provided with respect to an event under any group health plan maintained by the same plan sponsor:

(i) coverage for only a specified disease or illness; or

(ii) hospital indemnity or other fixed indemnity insurance;

(L) the following benefits if offered as a separate policy, certificate, or contract of insurance:

(i) Medicare supplemental health insurance as defined in 42 U.S.C. 1395ss(g)(1) (sec. 1882(g)(1) ch. 7, Subchapter XVIII, Part E, Social Security Act);

(ii) coverage supplemental to the coverage provided 10 U.S.C. 1071 - 1110a (Civilian Health and Medical Program of the Uniformed Services (CHAMPUS)); or

(iii) similar supplemental coverage provided to coverage under a group health plan;

(4) "qualified dental plan" means a limited scope dental plan that has been certified under AS 21.54.230(e);

(5) "qualified employer" means a small employer that elects to make its full-time employees and, at the option of the employer, some or all of its part-time employees, eligible for one or more qualified health plans offered through the small

business health options program exchange if the employer

(A) has its principal place of business in this state and elects to provide coverage through the small business health options program exchange to all of its eligible employees, wherever employed; or

(B) elects to provide coverage through the small business health options program exchange to all of its eligible employees who are principally employed in this state;

(6) "qualified health plan" means a health benefit plan that has in effect a certification that the plan meets the criteria for certification described in sec. 1311(c), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, and AS 21.54.230;

(7) "qualified individual" means an individual, including a minor, who

(A) is seeking to enroll in a qualified health plan offered to individuals through the exchange;

(B) resides in this state;

(C) at the time of enrollment, is not incarcerated, other than incarceration pending the disposition of charges; and

(D) for the entire period for which enrollment is sought, is and is reasonably expected to be a citizen or national of the United States or an alien lawfully present in the United States;

(8) "small business health options program exchange" means the small business health options exchange under AS 21.54.220(a)(12) and sec. 1321, P.L. 111-148, (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act;

(9) "small employer," notwithstanding AS 21.54.500, means an employer that employed an average of not more than 50 employees during the preceding calendar year; for purposes of this paragraph,

(A) a person treated as a single employer under 26 U.S.C. 414 (b), (c), (m), or (o) (Internal Revenue Code of 1986), shall be treated as a single employer;

(B) an employer and any predecessor employer shall be treated

as a single employer;

(C) all employees shall be counted, including a part-time employee and an employee who is not eligible for coverage through the employer;

(D) if an employer was not in existence throughout the preceding calendar year, the determination of whether that employer is a small employer shall be based on the average number of employees the employer is reasonably expected to employ on business days in the current calendar year; and

(E) an employer that makes enrollment in qualified health plans available to its employees through the small business health options program exchange and that would cease to be a small employer because of an increase in the number of its employees, shall continue to be treated as a small employer for purposes of AS 21.54.200 - 21.54.270 as long as the employer continuously makes enrollment through the small business health options program exchange available to its employees.

* **Sec. 3.** AS 39.25.120(c) is amended by adding a new paragraph to read:

(22) the executive director and employees of the Alaska Health Benefit Exchange Board employed under AS 21.54.210(j).

* **Sec. 4.** AS 39.50.200(a)(9) is amended to read:

(9) "public official" means

(A) a judicial officer;

(B) the governor or the lieutenant governor;

(C) a person hired or appointed in a department in the executive branch as

(i) the head or deputy head of the department;

(ii) the director or deputy director of a division;

(iii) a special assistant to the head of the department;

(iv) a person serving as the legislative liaison for the department;

(D) an assistant to the governor or the lieutenant governor;

(E) the chair or a member of a state commission or board;

(F) state investment officers and the state comptroller in the Department of Revenue;

(G) the chief procurement officer appointed under AS 36.30.010;

(H) the executive director of the Alaska Workforce Investment Board;

(I) each appointed or elected municipal officer; [AND]

(J) the members of the board of trustees, the executive director, and the investment officers of the Alaska Permanent Fund Corporation; **and**

(K) the executive director of the Alaska Health Benefit Exchange employed under AS 21.54.210;

* **Sec. 5.** AS 39.50.200(b) is amended by adding a new paragraph to read:

(64) the Alaska Health Benefit Exchange Board (AS 21.54.210).

* **Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITIONAL PROVISIONS. Notwithstanding AS 21.54.210(c), enacted by sec. 2 of this Act, the initial terms for members of the Alaska Health Benefit Exchange Board appointed by the governor are as follows:

(1) three members shall be appointed to serve for terms ending December 31, 2012;

(2) three members shall be appointed to serve for terms ending December 31, 2013.

* **Sec. 7.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: REGULATIONS. The Alaska Health Benefit Exchange Board established under AS 21.54.200, enacted by sec. 2 of this Act, and the director of insurance may adopt regulations necessary to implement their respective powers and duties created by this Act under AS 21.54.250, enacted by sec. 2 of this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the statutory changes.

* **Sec. 8.** Section 7 of this Act takes effect immediately under AS 01.10.070(c).

* **Sec. 9.** Except as provided in sec. 8 of this Act, this Act takes effect July 1, 2012.

ALASKA STATE LEGISLATURE

SENATOR HOLLIS FRENCH

April 1, 2011

Senator Bert Stedman
Co-Chair, Senate Finance Committee
State Capitol, Room 516
Juneau, AK 99801

Senator Stedman,

First, I would like to thank you and the other members of the Senate Finance Committee for your consideration of Senate Bill 70 on Monday, March 28. This letter addresses several questions that came up during that hearing.

What language is required to comply with federal law?

You asked which provisions of SB 70 were mandated by the Patient Protection and Affordable Care Act. What follows is a sectional analysis answering that question.

Section 1 of the legislation

The intent language in paragraphs 1 and 2 comes from section 1311(b)(1) of the PPACA.

The language in paragraphs 3-5 is not mandatory.

Section 2 of the legislation

Sec. 21.54.200 establishes the Alaska Health Benefit Exchange.

The PPACA leaves the choice of structures for the exchange – governmental agency or nonprofit – up to the states in section 1311(d)(1).

Sec. 21.54.210 establishes the Alaska Health Benefit Exchange board.

The PPACA does not mandate a particular exchange governance structure.

January-May: State Capitol • Juneau, Alaska 99801 • (907) 465-3892 • 1 (866) 465-3892 • Fax: (907) 465-6595
June-December: 716 West 4th Avenue • Anchorage, Alaska 99501 • (907) 269-0234 • Fax: (907) 269-0238
Senator_Hollis_French@legis.state.ak.us

Sec. 21.54.220 of the legislation relates to the duties and powers of the Alaska Health Benefit Exchange.

(a)(1) is mandated in section 1311 (b)(1)(A)

(a)(2) is mandated in section 1311(b)(1)(B)

(a)(3) is mandated in section 1311(d)(4)(C)

(a)(4) is mandated in section 1311 (c)(6)

(a)(5) is mandated in section 1311(d)(4)(C)

(a)(6) is mandated in section 1311(d)(4)(A)

(a)(7) is mandated in section 1311(d)(4)(D)

(a)(8) is mandated in section 1302(d)(2)(A)

(a)(9) is mandated in section 1311(d)(4)E)

(a)(10) is mandated in section 1311(d)(4)(F)

(a)(11) is mandated in section 1311 (d)(4)(G)

(a)(12) is mandated in section 1311(b)(1)(B)

(a)(13) is mandated in section 1311(d)(4)(H)

(a)(14) is mandated in section 1311(d)(4)(I)

(a)(15) is mandated in section 1311(d)(4)(J)

(a)(16) is mandated in section 1412(a)(1)

(a)(17) is mandated in section 1311(i)

(a)(18) is mandated in section 1311(e)(2)

(a)(19) is not mandatory

(a)(20) is mandated in section 10108(d)(2)

(a)(21) is mandated in section 1311(d)(6)

(a)(22) is not mandatory

(a)(23) is mandated in section 1313(a)

(a)(24) is mandated in part by section 1313(a)(1).

(a)(25) is mandated in section 1313(a)(2)

(a)(26) is mandated in section 1311(d)(2)(B)(ii)

(a)(27) is not mandatory

(a)(28) is not mandatory

(a)(29) is not mandatory

(b)(1) is not mandatory

(b)(2) is not mandatory

(b)(3) is not mandatory

(c) is mandated in section 1311(d)(5)

(d) is mandated in section 1312(d)(4)

Section 21.54.230 relates to Health Benefit Plan Certification.

(a)(1) is mandated by section 1302(b)(1)(J), 1302 (b)(4)(F) and 1311(d)(2)(ii)

(a)(2) is not mandatory

(a)(3) is mandated in section 1303(e), 1311(c)(3), and 1311(d)(2)

(a)(4) is mandated in section 1302(c)(1) and section 1302(c)(2)

(a)(5) is mandated in section 1301(a)(1)

(a)(6) is mandated in section 1311(c)(1)

(a)(7) is mandated in section 1311(e)(1)(B)

(b) is mandated in section 1311(e)(1)(B)(i through iii)

(c)(1) is mandated in section 1311(e)(2)

(c)(2) is mandated in 1311(e)(3)(A) and (B)

(c)(3) is mandated in 1311(e)(3)(C)

(d) is not mandatory

(e) is mandated in section 1302(b)(1)(J) and 1311(d)(2)(B)(ii)

Section 21.54.240 relates to exchange funding

(a) is mandated in section 1311(d)(5)(A)

(b) is mandated in section 1311(d)(7)

Section 21.54.250 relates to regulations; it is not mandatory

Section 21.54.260 relates to an exchange's relation to other laws; it is mandated by 1321(d)

Section 21.54.270 relates to definitions of terms used in this legislation

Section 3 of the legislation

The PPACA does not mandate the classification of employees in the partial exempt service

Section 4 of the legislation

The PPACA does not mandate that an Exchange's Executive Director is defined as a public official

Section 5 of the legislation

The PPACA does not mandate the exchange governance structure.

Section 6 of the legislation

The PPACA does not mandate the exchange governance structure, or the transitional provisions in this section given the bill's selection of board governance.

Section 7 of the legislation

The PPACA does not require states to grant regulatory authority.

Section 8-10 of the legislation relate to effective dates

The PPACA requires HHS to make a determination on Jan 1, 2013 regarding a state's exchange implementation status. Sec. 10 of the legislation fully implements the exchange starting on July 1, 2012, to ensure 6 months of operation prior to this federal determination, but the specific July 1, 2012 effective date is not mandated by the PPACA.

IHS Recipients

Senator Olson asked how this legislation would affect Indian Health Service (IHS) recipients. As mentioned during the March 28 hearing, health reform considers IHS coverage as benefits which satisfy the requirement to have insurance, so no penalty will be assessed if a beneficiary doesn't carry private insurance coverage. However, participation in the exchange – whether to acquire private health coverage, or get connected with other public programs, like Medicaid – will be an option for IHS beneficiaries.

If an IHS recipient chooses to purchase health insurance through the exchange, the individual is entitled to free medical services - without cost sharing or copayment requirements - if the recipient's household income falls below 300% of the poverty line. While the poverty line is adjusted annually, this year, for a family of four in Alaska, that level of income is $83,000.

During the committee meeting the exchange's enrollment periods were discussed, and it was put on the record that most Alaskans can buy or switch health insurance policies once per year. For IHS recipients, monthly open enrollment periods allow beneficiaries to more readily access health insurance policies, to supplement medical services provided by the Indian Health Service.

In closing, health programs operated by the Indian Health Service, Indian tribes, tribal organizations and Urban Indian organizations are the payer of last resort for services provided through those programs, when private coverage is also carried by an individual. The effect of this provision in the Affordable Care Act will bring needed funds into the IHS system when beneficiaries carry additional coverage, helping to finance health benefits provided to program recipients, while giving added flexibility for IHS beneficiaries.

Uncompensated Care in Alaska

Senator Thomas asked about the quantity of uncompensated care delivered in Alaska each year, to individuals who cannot pay for the care they receive. According to Families USA, total uncompensated health care delivered in Alaska to the uninsured amounted to $174.7 million during 2010. This is up from $124.8 million in 2005, demonstrating that our problem has been growing.

The dollar amounts are calculated based on the average payout for the uncompensated medical services provided, if private insurance had paid the bill.

Families USA is a national nonprofit, non-partisan organization dedicated to the achievement of high-quality, affordable health care for all Americans. For more information, the report can be accessed at this address:

http://www.familiesusa.org/assets/pdfs/Paying_a_Premium_rev_July_13731e.pdf

Dental Coverage

Senator McGuire asked about dental benefits under the Alaska Health Benefit Exchange.

In general, children's oral health benefits will be required as part of an essential health benefit package.

For adults, exchanges have to allow stand-alone dental plans within the exchange. However, these dental policies don't have to meet the actuarial levels as defined for health benefit plans.

To help consumers understand what they can expect from a health plan they select, exchange policies will be ranked by 'actuarial value' within the exchange. Actuarial value is defined as the percentage of total health costs, on average, that a policy will cover for any individual, taking into account all cost sharing provisions under the policy. For the most basic plans, the actuarial value must be greater than 60%, or otherwise the policy will be considered 'catastrophic' coverage. Dental benefits won't be categorized or judged by these standards.

The legislation doesn't currently require dental coverage for adults as a mandated health benefit. States do have an option of mandating benefits beyond the federal essential benefit package, but if they choose to do so, the state will be responsible for the cost of the additional benefit.

Opting Out of Health Reform

Senator McGuire asked about the federal requirement to have health coverage. While the question seemed more philosophical rather than logistical, I'd like to provide additional details about the Exchange's role in the 'opt-out' process.

The requirement that all Americans acquire some form of health coverage, with few exceptions, was passed by Congress in the Affordable Care Act. Starting in 2014, financial penalties will be assessed if individuals don't meet that requirement. Senate Bill 70 doesn't change this provision. However, the exchange does have an important role relating to a few 'opt-out' provisions, provided for under federal law.

The penalty for not having health insurance won't be levied if a person is part of a religion opposed to acceptance of benefits from a health insurance policy. Incarcerated individuals and individuals/families that earn less than the threshold where an income tax return must be filed will be exempted. Finally, anyone who will have to pay more than 8% of income for health insurance – after taking into account employer contributions and tax credits to make coverage affordable – will be exempt from the requirement to have health coverage. The health exchange will be charged with administering these exemptions in Alaska.

Those covered by Medicaid, S-CHIP programs, Medicare, TRICARE, or employer provided health insurance will be considered 'insured' for the purposes of the Affordable Care Act, as well, in addition to IHS beneficiaries, as described above.

Regional Exchanges

Senator Hoffman asked during the March 28 hearing about regional health insurance exchanges, and whether they were considered when crafting the legislation. The Affordable Care Act specifically allows for the creation of regional health exchanges, under Sec. 1311(f)(1).

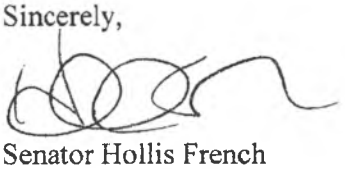
The act requires member states of any regional exchange to consent to such an arrangement, and would require all member states to pass enabling legislation.

A regional exchange, while potentially lowering costs, has added complexities when compared to a state based exchange. In addition to finding partner states who can agree on terms and conditions with Alaska, member states would have to come up with a regional structure that still honors state consumer protection laws, state dispute resolution practices, state mandated benefits, and state insurance oversight, all responsibilities that individual states continue to hold under the Affordable Care Act.

In short, a regional exchange was ruled out by my office during initial drafting of Senate Bill 70 as we felt it required action from the executive branch, which wasn't occurring at the time.

Thank you for consideration of the legislation, and don't hesitate to contact my office if additional questions come to mind.

Sincerely,



Senator Hollis French

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Sponsor Statement

SB 70 – Alaska Health Benefit Exchange

Competition improves quality, lowers cost and gives consumers a meaningful choice. The Alaska Health Benefit Exchange will make private health insurance companies more responsive to health care consumers in Alaska.

Buying health insurance can be difficult and complicated. This legislation helps consumers identify and enroll in a health insurance policy that will serve them well, regardless of what their future holds.

The Exchange will promote competition among plans by providing information to consumers on a leveled playing field. Today, individuals shopping for airline tickets can log onto the internet and in minutes view competing itineraries, sorted by route, schedule, carrier and price. In this same way, the web based portal created by this bill will allow health insurance consumers to compare carriers, cost-sharing, benefit design, and premium costs of different plans, all in a manner of minutes.

The legislation helps make health coverage affordable for Alaskans. The exchange will determine eligibility for health insurance tax credits, cost-sharing assistance, and medical assistance programs like Medicaid. Through the Small Business Health Options Program (SHOP), the exchange will connect small businesses with tax incentives and an insurance pooling mechanism, which can stabilize premiums and make coverage more affordable. Finally, the exchange establishes the mechanism to exempt people from the requirement to have health coverage, if affordable insurance products aren't available.

An exchange can open the door to innovative ways that keep health care costs down. For years, the idea of buying and selling health insurance across state lines has been cited as a competitive response to small insurance pools. This legislation will ask the Exchange board to consider interstate compacts, and if one makes sense for Alaskans, legislation can be proposed to make it happen.

Forty-nine other states are working towards the establishment of an exchange, and while other elements of health reform are controversial, the exchange idea is championed by Governors of both parties - even by those who are suing the federal government to stop reform.

"State exchanges are good from a conservative standpoint because they involve consumer choice and markets," said former US Senate Majority Leader Bill Frist, a Tennessee Republican, in an Associated Press article (1/22/11). "Each state can develop the exchange that best meets the needs of their people."

Finally, this legislation is Alaska's chance to create a health insurance exchange on our own terms. By 2014, the state is required to have a consumer-centered exchange that makes buying health insurance easier for individuals and small businesses. If we don't act now, the federal government will create and impose an exchange on us.

Please join me in supporting an Alaskan-based solution which puts Alaskans first.

Alaska State Legislature

Senator Hollis French

SB 70 – Explanation of Changes

The following changes were made in the Senate Labor and Commerce Committee:

- On page 2 of the CS, the legislation reworks the Exchange board. It replaces the original board of 13 voting members with a board of 7 voting members.

  Members of the board include:
  - HSS Commissioner, or their designee
  - A representative of small employers
  - A representative of the health care insurance business
  - A member with expertise in health plan financing
  - A member with expertise in health plan administration
  - A health care actuary, or someone with similar economic experience
  - A consumer representative

  In addition, the director of the Division of Insurance acts as a non-voting member.

- On Page 3 of the CS, new subsection (i) confirms that board members won't be civilly or criminally liable for an act or omission, if it was within the scope of the board member's duties and was done in good faith

- On Page 3 lines 18-20 *of the original draft,* (a)1 and (a)2 had some overlap. The new CS on page 3 only retains a(2), and as a result, renumbers (a)1 through (a)22.

- Page 3 line 31 – Page 4 line 4 require the Division of Insurance to implement procedures relating to health plan certification, recertification and decertification. Before, this was a responsibility of the Exchange board.

- Page 4 lines 5-9 require the Division of Insurance to rate each qualified health plan. Before, this was a responsibility of the Exchange board.

- Page 4 lines 10-14 require the Division of Insurance to determine the level of each qualifying plan. Before, this was a responsibility of the Exchange board.

- Page 6 lines 13-17 places the Navigator grant program under the Division of Insurance. Before, this program was a responsibility of the Exchange board.

- On page 6 line 26-28, the legislation directs complaints about health benefit plans to the Division of Insurance, and not the federal government like the old draft.

- Page 7 lines 1-4 require the Division of Insurance to review the rate of premium growth inside and outside the exchange, and to provide recommendations whether to expand the size of employers who can use the exchange. Before, this was a responsibility of the Exchange board.

- Page 7 lines 5-8 requires the Division of Insurance to develop policies and procedures to minimize adverse selection within the exchange, and between plans sold inside and outside the exchange. Before, this was a responsibility of the Exchange board.

- Page 7 lines 26-29 gives the board the authority to establish advisory groups to provide expertise and input about exchange operations. It doesn't specify the makeup of these advisory groups.

- Page 8 lines 1 – 13 establishes a new annual accounting report. The report reviews new enrollment, changes in enrollment, tax credits, and individual responsibility exemptions, broken down by insurer by benefit plan where applicable.

- Page 8 lines 14-23 now requires the exchange to cooperate with an investigation by the Division of Insurance. The legislation still requires cooperation with federal investigations.

- Page 9 lines 2-5 states that the exchange will rely on the Division of Insurance's determination relating to the potential for interstate compacts. The division will recommend particular compact arrangements for legislative approval.

- Page 9 lines 6-28 requires the exchange board to establish a plan of operation, which is reviewed and approved by the director of the Division of Insurance. If a suitable plan isn't developed, this new subsection allows for the director to adopt reasonable regulations to carry out the responsibilities of the exchange.

- Page 10, lines 10-12 requires public disclosure of grants or donations applied for or received by the exchange within 30 days of the application or receipt of funds, whichever is applicable.

- Page 14 lines 18-21 have been changed to clarify that user fees from health care insurers offering health benefit plans will be relied upon to finance the exchange.

- Page 14 lines 26-31 have been changed to give the Division of Insurance authority to adopt regulations to implement their authority under the legislation.

- Page 19 lines 26-31 have been changed in the section relating to transition regulations. The change gives the director of the Division of Insurance the ability to adopt regulations, but makes it clear that any regulations won't be in effect until the effective date of statutory changes.

- Page 20 line 1 has been modified to make the transitional provisions related to board terms effective on July 1, 2011. Before, the bill gave those transitional provisions an immediate effective date.

For more information about these changes, contact Andy Moderow in Senator French's office at 907-465-3892.

Section by Section Summary of SB 70 *3/23/11- Corresponds with version \I*

Below is a description of key components, section by section, in Senate Bill 70.

***Section 1** of the legislation, found on page 1 through page 2 line 5, provides intent language for this legislation.* It highlights the importance of **connecting individuals and small businesses with quality health insurance policies,** to **reduce the number of uninsured Alaskans.**

***Section 2** of the legislation, found on page 2 line 6 through page 18 line 14, establishes the Alaska Health Benefit Exchange.*

Section 21.54.200 (page 2 lines 8-11) sets up the health benefit exchange as a public corporation of the state, much like the permanent fund corporation.

Section 21.51.210 (Page 2 line 12 through Page 3 line 16) establishes the board which will manage the Alaska Health Benefit Exchange. The board consists of 8 members, with 7 voting members. The Commissioner of Health and Social Services, or their designee, will serve on the committee ex officio, and the Director of the Division of Insurance will hold a non-voting seat.

The remaining language in this section lays out disclosure requirements, procedures in case of a vacancy, and other technical aspects of the board. In addition, it authorizes the board to hire an Executive Director, who can hire staff to implement this legislation.

Section 21.54.220 (Page 3 line 17 to Page 10 line 21) outlines the powers and duties of the Alaska Health Benefit exchange.

(a)1 outlines the primary duty of the exchange, which is **to facilitate the purchase and sale of qualified health plans.** (Definitions of qualified individuals, employers and plans can be found on pages 15 and 16 of this bill.)

(a)2 and (a)12 both establish the **Small Business Health Options Program** (known as SHOP), which connects employees of small business with health coverage in a new 'pool.' In addition, SHOP connects small businesses that offer health coverage to employees with tax credits.

(a)3 provides for a **telephone call center to assist individuals.**

(a)4 requires that 'enrollment periods' are held annually to facilitate the changing of health insurance policies. These **open enrollment periods encourage competition** and allow individuals to move from one plan to another while reducing the potential for 'adverse selection.'

(a)5 provides for the **creation of an internet marketplace** to connect individuals with health insurance coverage.

(a)6 provides for certification and decertification of health plans sold through the exchange.

(a)7 and (a)8 requires the exchange to **compare health plans on metrics of quality and price**.

(a)9 requires the exchange to use a **standardized format of presenting health benefit options** in the exchange, to assist consumers with comparing products.

(a)10 requires the exchange to **determine potential eligibility for state or local medical assistance programs, such as Medicaid and Denali KidCare**. If qualified, **the exchange will assist with the enrollment process**.

(a)11 establishes a **tax credit calculator** to help individuals know the cost of health coverage, after assistance is applied.

(a)13 requires that **the exchange exempts Alaskans from the requirement to retain health insurance if certain criteria is met**. As an example, these exemptions will occur when an affordable insurance policy isn't available to an individual, after tax credits are applied.

(a)(14)(A) shares information about individuals exempted from the health insurance requirement. (a)(14)(B) shares information about employees who aren't offered affordable health coverage through employment. (a)(14)(C) shares information about employees who cease to have employer coverage due to a change in employment.

(a)15 notifies an employer when an employee receives premium assistance from the government, either because the employer doesn't offer a plan, or offers a plan which doesn't meet minimum standards or is unaffordable.

(a)16 explicitly states that the exchange will assist consumers by determining **eligibility for premium tax credits, reduced-cost sharing, or exemptions from the insurance mandate**.

(a)17 sets up the framework for **Navigator Grants**. These grants can be pursued by most organizations or trade groups for the purposes of helping the exchange fulfill its goals. **Navigator duties include enrollment assistance, information sharing, and assistance with dispute resolution.**

(a)18 requires the Division of Insurance to consider the rate of premium growth within and outside the exchange, in an effort to **evaluate the effect and benefit of incorporating larger employers within SHOP exchange**.

(a)19 asks the Division of Insurance to develop policy and procedures that **minimize adverse selection,** both inside the exchange and between plans sold within and outside the exchange.

(a)20 requires the exchange to provide credit for any **'free choice voucher' that an employer provides an employee for the purpose of covering premium costs.**

(a)21 requires the exchange to **consult with stakeholders.**

(a)22 allows the exchange to establish one or more advisory groups, to provide input into exchange operations.

(a)23 **outlines accounting requirements,** and (a)24 requires an annual accounting report to be submitted to federal and state stakeholders. (a)25 allows for cooperation with any investigation or audit by the Division of Insurance or Secretary of Health and Human Services.

(a)26 allows a health insurer to offer a limited dental plan as part of a qualified health plan, so long as pediatric dental benefits are included.

(a)27 requires the exchange to apply for planning and establishment grants for the Exchange. **Grants of up to $1 million have been awarded to each of 48 states** to date for planning.

(a)28 requests that the Division of Insurance offer recommendations about **potential interstate compacts that would permit the sale and purchase of health insurance across state lines.**

(a)29 requires that the Exchange board establish a plan of operation, and submit it to the director of the Division of Insurance for approval.

Proposed subsection (b)1, found on page 9 line 29, allows the exchange to contract out some of the responsibilities outlined in this legislation.

Proposed subsection (b)2 allows the exchange to share information with federal and state agencies, provided that confidentiality protections consistent with state and federal laws are upheld.

Proposed subsection (b)3 allows the exchange to receive grants to finance operations, and it requires prompt disclosure of any financial contributions.

Proposed subsection (c) prohibits certain expenses to keep costs down for consumers.

Subsection (d) ensures individuals won't be penalized if they change coverage because they are newly eligible for that coverage, or if employer sponsored coverage becomes affordable.

Proposed Section 21.54.230 of the legislation, found on page 10 line 22 through page 14 line 15, relates to health plan certification.

Subsection (a) outlines requirements of a qualified health plan, and the insurers offering such plans.

(a)(1) allows flexibility for an insurer to include or not include adult dental benefits, so long as one supplemental dental plan is included within the exchange.

(a)(2) requires that premium rates and plan language are approved.

(a)(3) requires plans to meet certain **quality guidelines in terms of the actuarial value** to a consumer, except in instances where catastrophic plans are sufficient to protect an individual from financial hardship.

(a)(4) meets **cost sharing and deductible assistance requirements** which protect consumers.

(a)(5) and (a)(6) require that an insurer in the exchange offer plans which meet certain quality metrics, and that they charge the **same rates for similar policies inside and outside the exchange**.

(a)(7) requires the exchange to determine that making the plan available through the exchange **is in the interest of employers and individuals**.

Subsection (b) specifies that an exchange cannot exclude a plan because it is fee-for-service, through price controls, or because a plan pays for lifesaving treatments.

Subsection (c)(1) **requires an insurer to justify any premium increase** prior to implementing the premium increase. This justification must be shared with the public, and the exchange will consider these premium increases when determining whether to certify plans.

Subsection (c)2 and (c)3 requires insurers to **provide the public with fiscal, claim, rating, and enrollment data**, in instances when disclosure is consistent with privacy laws. It requires insurers to release cost data, including cost sharing paid by the consumer, for a specific item or service under a health insurance policy.

Subsection (d) makes it clear that state insurance laws regarding solvency and licensing are still applicable to plans within the exchange, and that insurers are treated equally.

Subsection (e) relates to dental benefits under the law, and the flexibility of plans under reform in this area.

Proposed section 21.54.240, found on page 14 lines 16-23, relates to exchange funding. It requires the **exchange to finance itself after being established,** and requires this funding to come from insurers who offer health benefit plans through the exchange. The cost of this financing must be disclosed on the exchange website.

Proposed section 21.54.250, found on page 14 lines 24-29, allows the exchange board and Division of Insurance to adopt regulations.

Proposed section 21.54.260, found on page 14 line 30 to page 15 line 5, requires insurers to honor state health insurance laws as established.

Section 21.54.270, found on page 15 line 6 through page 18 line 14, provide definitions of some terms used in this act.

Section 3 of the legislation, found on page 18 lines 15-17, adds employees of the exchange to the list of partially exempt service.

Section 4 of the legislation, on page 18 line 18 through page 19 line 10, defines the Executive Director of the exchange as a public official.

Section 5 of the legislation, on page 19 lines 11-12, adds the Alaska Health Benefit Exchange Board to the list of state commissions or boards.

Section 6 of the legislation, on page 19 lines 13-21, outlines transitional provisions relating to board terms.

Section 7 of the legislation, on page 19 lines 22-29, gives the ability to draft regulations to the Exchange board and Division of Insurance, under the Administrative Procedure Act, though regulations won't take effect until the effective date of statutory changes.

Sections 8 of the legislation, on page 19 lines 30-31, provides for a July 1, 2011 effective date for the exchange board, the duties of the board, and the board's ability to make regulations.

Section 9 of the legislation, on page 20 line 1, make certain transitional provisions effective immediately.

Section 10 of the legislation, on page 20 line 2, makes the remainder of the act effective on July 1, 2012. This is when health plan certification would begin under the legislation.

adopted 02/03/12
Changes effective Date>

27-LS0286\E
Bailey
2/1/12

CS FOR SENATE BILL NO. 70(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS FRENCH, Davis, Ellis

A BILL

FOR AN ACT ENTITLED

"An Act establishing the Alaska Health Benefit Exchange; and providing for an effective date."

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

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

INTENT. It is the intent of the legislature in this Act

(1) to facilitate the purchase and sale of qualified health plans in the individual market in this state;

(2) to establish a small business health options program exchange to assist qualified small employers in the state in enrolling employees in qualified health plans offered in the small group market;

(3) to provide consumer education and assist individuals with access to programs, credits, and cost-sharing reductions;

(4) to reduce the number of uninsured Alaskans by creating an organized,

transparent, and easy-to-navigate health insurance marketplace that offers a choice of high value health plans with low administrative costs for individuals and employers; and

(5) that the Alaska Health Benefit Exchange Board recommend to the legislature and the Office of the Governor methods to keep premium costs low and risk pools strong in the health insurance market place.

*** Sec. 2.** AS 21.54 is amended by adding new sections to read:

Article 2A. Alaska Health Benefit Exchange.

Sec. 21.54.200. Alaska Health Benefit Exchange. The Alaska Health Benefit Exchange is established as a public corporation of the state in the Department of Commerce, Community, and Economic Development but with separate and independent legal existence.

Sec. 21.54.210. Alaska Health Benefit Exchange Board. (a) The Alaska Health Benefit Exchange Board is established to manage the exchange.

(b) The board consists of eight members, including six members appointed by the governor, the commissioner of health and social services or the commissioner's designee, serving ex officio, and the director, serving ex officio, without the power to vote. The members of the board appointed by the governor are

(1) a representative of small business employers;

(2) a representative of the health care insurance business;

(3) a person with expertise in health plan finance;

(4) a person with expertise in health plan administration;

(5) an actuary or a person with a background in health care actuarial or economic principles; and

(6) a health care consumer representative.

(c) Except for the commissioner or the commissioner's designee and the director, who serve ex officio, each board member serves for a term of three years beginning on January 1 and until a successor has been appointed. A member is eligible for reappointment.

(d) The board shall select a member to serve as chair and a member to serve as vice-chair for a term and with duties and powers necessary to perform their functions.

(e) A majority of the board constitutes a quorum for transacting business.

(f) If a vacancy occurs, the governor shall make an appointment, effective immediately, for the balance of the unexpired term.

(g) Board members and the executive director hired under (j) of this section shall comply with the requirements of AS 39.50 (public official financial disclosure) and shall disclose an affiliation with an insurer, agent, broker, or other representative of an insurer, a health care provider, or a health care facility.

(h) Members of the board are entitled to per diem and transportation costs under AS 39.20.180.

(i) A member of the board of directors of the exchange may not be held civilly or criminally liable for an act or omission if the act or omission was in good faith and within the scope of the director's duties.

(j) The board shall employ an executive director to administer the exchange. The executive director shall perform duties as prescribed by the board and may employ a staff to assist in the performance of the duties of the executive director. The executive director and staff employed under this subsection are in the partially exempt service under AS 39.25.120.

Sec. 21.54.220. Duties and powers of the Alaska Health Benefit Exchange; limitation. (a) The Alaska Health Benefit Exchange Board shall

(1) facilitate the purchase and sale of qualified health plans;

(2) establish a small business health options program exchange to assist qualified small employers in the state in enrolling employees in a qualified health plan;

(3) provide for the operation of a toll-free telephone hotline to respond to requests for assistance;

(4) provide for enrollment periods under sec. 1311(c)(6), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act;

(5) maintain an Internet website through which enrollees and prospective enrollees of qualified health plans may obtain standardized comparative information on those plans;

(6) implement procedures for the certification, recertification, and

decertification of qualified health plans according to the determination of the division consistent with guidelines developed by the United States Secretary of Health and Human Services under sec. 1311(c), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act;

(7) assign a rating to each qualified health plan offered through the exchange according to the determination of the division in accordance with the criteria developed by the United States Secretary of Health and Human Services under sec. 1311(c)(3), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act;

(8) determine the level of coverage of each qualified health plan according to the determination of the division under regulations issued by the United States Secretary of Health and Human Services under sec. 1302(d)(2)(A), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act;

(9) use a standardized format for presenting health benefit options in the exchange, including the use of the uniform outline of coverage established under 42 U.S.C. 300gg et seq. (sec. 2715, Part A, subpart II, title XXVII, Public Health Service Act);

(10) in accordance with sec. 1413, P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, inform individuals of title XIX, Social Security Act eligibility requirements for the Medicaid program under 42 U.S.C. 1396 - 1396w-2, the Children's Health Insurance Program under 42 U.S.C. 1397aa - 1397mm (title XXI of the Social Security Act), or any applicable state or local public program; and, if the exchange determines that any individual is eligible for a program, enroll that individual in that program;

(11) establish and make available by electronic means a calculator to determine the actual cost of coverage after application of any premium tax credit under 26 U.S.C. 36B (Internal Revenue Code of 1986), and any cost-sharing reduction under sec. 1402, P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act;

(12) establish a small business health options program exchange

through which qualified employers may access coverage for their employees and which shall enable a qualified employer to specify a level of coverage so that any of its employees may enroll in any qualified health plan offered through the small business health options program exchange at the specified level of coverage;

(13) subject to sec. 1411, P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, grant a certification attesting that, for purposes of the individual responsibility penalty under 26 U.S.C. 5000A (Internal Revenue Code of 1986), an individual is exempt from the individual responsibility requirement or from the penalty imposed by that section because

(A) an affordable qualified health plan covering the individual is not available through the exchange or through the individual's employer; or

(B) the individual meets the requirements for another exemption from the individual responsibility requirement or penalty;

(14) provide the following information to the United States Secretary of the Treasury:

(A) the name and taxpayer identification number of each individual issued a certification under (13) of this subsection;

(B) the name and taxpayer identification number of each individual who was an employee but who was determined to be eligible for the premium tax credit under 26 U.S.C. 36B (Internal Revenue Code of 1986) because

(i) the employer did not provide minimum essential coverage; or

(ii) the employer provided the minimum essential coverage, but it was determined under 26 U.S.C. 36B(c)(2)(C) (Internal Revenue Code of 1986), to be unaffordable to the employee or not to provide the required minimum actuarial value; and

(C) the name and taxpayer identification number of each individual who

(i) notifies the exchange under sec. 1411(b)(4), P.L.

111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, that the individual has changed employers; and

(ii) ceases coverage under a qualified health plan during a plan year and the effective date of that cessation;

(15) provide to each employer the name of each employee of the employer described in (14)(B) of this subsection who ceases coverage under a qualified health plan during a plan year and the effective date of the cessation;

(16) perform duties required of the exchange by the United States Secretary of Health and Human Services or the United States Secretary of the Treasury related to determining eligibility for premium tax credits, reduced cost-sharing, or individual responsibility requirement exemptions;

(17) select entities qualified to serve as navigators as determined by the division in accordance with sec. 1311(i), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, and standards developed by the United States Secretary of Health and Human Services and award grants to enable navigators to

(A) conduct public education activities to raise awareness of the availability of qualified health plans;

(B) distribute fair and impartial information concerning enrollment in qualified health plans, the availability of premium tax credits under 26 U.S.C. 36B (Internal Revenue Code of 1986), and the availability of cost-sharing reductions under sec. 1402, P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act;

(C) facilitate enrollment in qualified health plans;

(D) provide referrals to the division for consumer assistance for a person with a grievance, complaint, or question regarding the person's health benefit plan or coverage, or a determination under that plan or coverage; and

(E) provide information in a manner that is culturally and linguistically appropriate to the needs of the population being served by the exchange;

(18) review the rate of premium growth within the exchange and outside the exchange as determined by the division and rely on the information developed by the division on whether to continue limiting qualified employer status to small employers;

(19) rely on policies and procedures developed by the division to minimize adverse selection among plans sold within the exchange and review policies within the exchange and outside the exchange to monitor the effect of adverse selection between the two marketplaces;

(20) credit the amount of any free choice voucher to the monthly premium of the plan in which a qualified employee is enrolled, in accordance with sec. 10108, P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, and collect the amount credited from the offering employer;

(21) consult with persons having an interest in the activities of the exchange, including

(A) health care insurers;

(B) health care consumers who are enrollees in qualified health plans;

(C) individuals and entities with experience in facilitating enrollment in qualified health plans;

(D) representatives of small businesses and self-employed individuals;

(E) the division in the Department of Health and Social Services responsible for administering Medicaid; and

(F) advocates for enrolling hard-to-reach populations;

(22) establish one or more advisory groups to consult with the board to provide expertise on and input into operations of the exchange; the membership of an advisory group may include health care providers, hospitals, and persons identified in (21) of this subsection;

(23) maintain an accurate accounting of all activities, receipts, and expenditures;

(24) submit an annual accounting report to the United States Secretary of Health and Human Services, the governor, the director and the legislature; the report must include the following information described by insurer by benefit plan:

(A) the number of covered persons;

(B) the number of covered persons receiving free choice vouchers and the amount of free choice vouchers credited;

(C) the number of individuals exempted from individual responsibility requirements by reason;

(D) the number of individuals eligible for premium tax credit;

(E) the number of employees who terminated coverage and the number of individuals obtaining coverage through the exchange who were covered under an employer health plan in the preceding six months; and

(F) other data specified by the director;

(25) cooperate with an investigation conducted by the division or the United States Secretary of Health and Human Services under the Secretary's authority under P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, and allow the division or the Secretary, in coordination with the Inspector General of the United States Department of Health and Human Services, to

(A) investigate the affairs of the exchange;

(B) examine the properties and records of the exchange;

(C) require periodic reports in relation to the activities undertaken by the exchange;

(26) allow a health care insurer to offer a plan that provides limited scope dental benefits under 26 U.S.C. 9832(c)(2)(A) (Internal Revenue Code of 1986), through the exchange, either separately or in conjunction with a qualified health plan, if the plan provides pediatric dental benefits under sec. 1302(b)(1)(J), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act;

(27) apply for planning and establishment grants made available to the exchange under sec. 1311, P.L. 111-148 (Patient Protection and Affordable Care Act),

as amended, and regulations adopted under that Act;

(28) rely on the division's determination relating to the potential for interstate compacts that would permit the sale and purchase of health care insurance across state borders and recommend particular compact arrangements for legislative approval; and

(29) submit to the director a plan of operation to ensure the fair, reasonable, and equitable administration of the exchange; the plan of operation becomes effective on approval in writing by the director, subject to the following:

(A) if the exchange fails to submit a suitable plan under this paragraph, the director may adopt reasonable regulations necessary or advisable to carry out the provisions of AS 21.54.200 - AS 21.54.270; the regulations adopted by the director under this subparagraph must continue in force until modified by the director or superseded by a plan submitted by the exchange and approved by the director;

(B) the plan of operation must

(i) establish procedures for the performance of the duties and powers of the exchange;

(ii) establish procedures for handling assets of the exchange;

(iii) establish the amount and method of reimbursing members of the board of directors;

(iv) establish regular places and times for meetings of the board of directors;

(v) establish procedures for records to be kept of all financial transactions of the exchange, its agents, and the board of directors;

(vi) contain any additional provisions necessary or proper for the execution of the powers and duties of the exchange.

(b) The exchange may

(1) enter into a contract for the performance of the exchange's duties with the Department of Health and Social Services or another entity that has

experience in individual and small group health insurance or benefit administration, or other experience relevant to the responsibilities to be assumed by the entity, except that the exchange may not contract for the performance of its duties with a health care insurer or an affiliate of a health care insurer;

(2) enter into information-sharing agreements with federal and state agencies and other state exchanges to carry out its duties if the agreements include adequate protections with respect to the confidentiality of the information to be shared and comply with all state and federal laws and regulations; and

(3) apply for and receive grants or donations from federal, state, local government, foundation, or private entities; the exchange shall make records of application for or receipt of grants or donations under this paragraph available to the public on the exchange's Internet website within 30 days after application or receipt.

(c) The exchange may not use money intended for the administrative and operational expenses of the exchange for staff retreats, promotional giveaways, or excessive executive compensation.

(d) Neither the exchange nor a health care insurer offering a health benefit plan through the exchange may charge an individual a fee or penalty for termination of coverage if the individual enrolls in another type of minimum essential coverage because

(1) the individual has become newly eligible for that coverage; or

(2) the individual's employer-sponsored coverage has become affordable under the standards of 26 U.S.C. 36B(c)(2)(C) (Internal Revenue Code of 1986).

Sec. 21.54.230. Health benefit plan certification. (a) The exchange may certify a health benefit plan as a qualified health plan if

(1) the plan provides the essential health benefits described in sec. 1302(a), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, except that the plan is not required to provide essential benefits that duplicate the minimum benefits of qualified dental plans if

(A) the exchange has determined that at least one qualified dental plan is available to supplement the plan's coverage; and

(B) the health care insurer makes prominent disclosure at the time it offers the plan, in a form approved by the exchange, that the plan does not provide the full range of essential pediatric benefits, and that qualified dental plans providing those benefits and other dental benefits not covered by the plan are offered through the exchange;

(2) the premium rates and contract language have been approved by the director;

(3) the plan provides at least a bronze level of coverage under AS 21.54.220(a)(7) unless the plan is certified as a qualified catastrophic plan, meets the requirements of P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, for catastrophic plans, and will only be offered to individuals eligible for catastrophic coverage;

(4) the cost-sharing requirements of the plan do not exceed the limits established under sec. 1302(c)(1), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, and, if the plan is offered through the small business health options program exchange, the deductible for the plan does not exceed the limits established under sec. 1302(c)(2), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act;

(5) the health care insurer offering the plan

(A) is licensed and in good standing to offer health insurance coverage in the state;

(B) offers at least one qualified health plan that provides a silver level of coverage under AS 21.54.220(a)(7) and at least one plan that provides a gold level of coverage through each small business health options program exchange and exchange for individual coverage in which the health care insurer participates;

(C) charges the same premium rate for each qualified health plan without regard to whether the plan is offered through the exchange and without regard to whether the plan is offered directly from the health care insurer or through an insurance producer;

(D) does not charge cancellation fees or penalties in violation of AS 21.54.220(d); and

(E) complies with the regulations developed by the United States Secretary of Health and Human Services under sec. 1311(d), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, and other requirements the exchange establishes;

(6) the plan meets the requirements of certification as adopted by regulation under AS 21.54.250 and by the United States Secretary of Health and Human Services under sec. 1311(c), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, which include minimum standards in the areas of marketing practices, network adequacy, essential community providers in underserved areas, accreditation, quality improvement, uniform enrollment forms, and descriptions of coverage and information on quality measures for health benefit plan performance; and

(7) the exchange determines that making the plan available through the exchange is in the interest of qualified individuals and qualified employers in this state.

(b) The exchange may not exclude a health benefit plan

(1) because the plan is a fee-for-service plan;

(2) by imposing premium price controls; or

(3) because the plan provides treatments necessary to prevent patients' deaths that the exchange determines are inappropriate or too costly.

(c) The exchange shall require each health care insurer seeking certification of a plan as a qualified health plan to

(1) submit to the exchange a justification for any premium increase before implementation of that increase; the health care insurer shall prominently post the justification information on the health care insurer's Internet website; the exchange shall consider the information submitted, along with the information and the recommendations provided to the exchange by the director under 42 U.S.C. 300gg-94 (sec. 2794(b), Part C, title XXVII, Public Health Service Act) when determining whether to allow the health care insurer to make plans available through the exchange;

(2) make available to the public in plain language, as defined in sec. 1311(e)(3)(B), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, and submit to the exchange, the United States Secretary of Health and Human Services, and the director accurate and timely disclosure of the following:

(A) claims payment policies and practices;

(B) periodic financial disclosures;

(C) data on enrollment;

(D) data on disenrollment;

(E) data on the number of claims that are denied;

(F) data on rating practices;

(G) information on cost-sharing and payments with respect to any out-of-network coverage;

(H) information on enrollee and participant rights under Title I of P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act; and

(I) other appropriate information as determined by the United States Secretary of Health and Human Services.

(3) permit individuals to learn, in a timely manner on the request of the individual, the amount of cost-sharing, including deductibles, copayments, and coinsurance, under the individual's plan or coverage that the individual would be responsible for paying with respect to the furnishing of a specific item or service by a participating provider; a minimum, that information must be made available to the individual through an Internet website and through other means for individuals without access to the Internet.

(d) The exchange may not exempt a health care insurer seeking certification of a qualified health plan from state licensure or solvency requirements, regardless of the type or size of the health care insurer, and shall apply the criteria of this section in a manner that ensures equality between or among health care insurers participating in the exchange.

(e) The provisions of AS 21.54.200 - 21.54.270 that are applicable to qualified

health plans also apply, to the extent relevant, to qualified dental plans, except as modified under (1) - (3) of this subsection or by regulations adopted by the exchange. Under this subsection,

(1) the health care insurer shall be licensed to offer dental coverage, but need not be licensed to offer other health benefits;

(2) the plan must be limited to dental and oral health benefits, without substantially duplicating the benefits typically offered by a health benefit plan without dental coverage and must include, at a minimum, the essential pediatric dental benefits prescribed by the United States Secretary of Health and Human Services under sec. 1302(b)(1)(J), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, and other dental benefits as the exchange or the Secretary may specify by regulation; and

(3) the health care insurer may jointly offer a comprehensive plan through the exchange in which the dental benefits are provided by a health care insurer through a qualified dental plan and the other benefits are provided by a health care insurer through a qualified health plan if the plans are priced separately and are also made available for purchase separately at the same price.

Sec. 21.54.240. Exchange funding; publication of costs of the exchange. (a) The exchange may charge assessments or user fees to a health care insurer offering a health benefit plan or otherwise generate funding necessary to support its operations provided under AS 21.54.200 - 21.54.270.

(b) The exchange shall publish the average costs of licensing, regulatory fees, and any other payments required by the exchange, and the administrative costs of the exchange, on its Internet website. That information must include information on money lost to waste, fraud, and abuse.

Sec. 21.54.250. Regulations. The division or the exchange may adopt regulations to implement their respective authority under the provisions of AS 21.54.200 - 21.54.270. Regulations adopted under this section may not conflict with or prevent the application of regulations adopted by the United States Secretary of Health and Human Services under P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act.

Sec. 21.54.260. Relation to other laws. Provisions of AS 21.54.200 - 21.54.270, and actions taken by the exchange under AS 21.54.200 - 21.54.270 may not be construed to preempt or supersede the authority of the director to regulate the business of insurance in the state. Except as expressly provided to the contrary in AS 21.54.200 - 21.54.270, all health care insurers offering qualified health plans in the state shall comply fully with all applicable health insurance laws of the state and regulations adopted and orders issued by the director.

Sec. 21.54.270. Definitions. In AS 21.54.200 - 21.54.270,

(1) "board" means the Alaska Health Benefit Exchange Board established AS 21.54.210;

(2) "exchange" means the Alaska Health Benefit Exchange established under AS 21.54.200;

(3) "health benefit plan" has the meaning given in AS 21.54.500, except that, notwithstanding AS 21.54.500, it does not include

(A) coverage only for accident or disability income insurance, or any combination of accident or disability income insurance;

(B) coverage issued as a supplement to liability insurance;

(C) liability insurance, including general liability insurance and automobile liability insurance;

(D) workers' compensation insurance or similar insurance;

(E) automobile medical payment insurance;

(F) credit-only insurance;

(G) coverage for on-site medical clinics;

(H) insurance coverage specified in federal regulations issued under the P.L. 104-191 (Health Insurance Portability and Accountability Act of 1996), under which benefits for health care services are secondary or incidental to other insurance benefits;

(I) the following benefits if they are provided under a separate policy, certificate, or contract of insurance or are otherwise not an integral part of the plan:

(i) limited scope dental or vision benefits;

(ii) benefits for long-term care, nursing home care, home health care, community-based care, or any combination of long-term care, nursing home care, home health care, or community based care;

(J) limited benefits specified in federal regulations issued under P. L. 104-191 (Health Insurance Portability and Accountability Act of 1996);

(K) the following benefits if the benefits are provided under a separate policy, certificate, or contract of insurance; there is no coordination between the provision of the benefits and any exclusion of benefits under any group health plan maintained by the same plan sponsor; and the benefits are paid with respect to an event without regard to whether benefits are provided with respect to an event under any group health plan maintained by the same plan sponsor:

(i) coverage for only a specified disease or illness; or

(ii) hospital indemnity or other fixed indemnity insurance;

(L) the following benefits if offered as a separate policy, certificate, or contract of insurance:

(i) Medicare supplemental health insurance as defined in 42 U.S.C. 1395ss(g)(1) (sec. 1882(g)(1) ch. 7, Subchapter XVIII, Part E, Social Security Act);

(ii) coverage supplemental to the coverage provided 10 U.S.C. 1071 - 1110a (Civilian Health and Medical Program of the Uniformed Services (CHAMPUS)); or

(iii) similar supplemental coverage provided to coverage under a group health plan;

(4) "qualified dental plan" means a limited scope dental plan that has been certified under AS 21.54.230(e);

(5) "qualified employer" means a small employer that elects to make its full-time employees and, at the option of the employer, some or all of its part-time employees, eligible for one or more qualified health plans offered through the small

business health options program exchange if the employer

(A) has its principal place of business in this state and elects to provide coverage through the small business health options program exchange to all of its eligible employees, wherever employed; or

(B) elects to provide coverage through the small business health options program exchange to all of its eligible employees who are principally employed in this state;

(6) "qualified health plan" means a health benefit plan that has in effect a certification that the plan meets the criteria for certification described in sec. 1311(c), P.L. 111-148 (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act, and AS 21.54.230;

(7) "qualified individual" means an individual, including a minor, who

(A) is seeking to enroll in a qualified health plan offered to individuals through the exchange;

(B) resides in this state;

(C) at the time of enrollment, is not incarcerated, other than incarceration pending the disposition of charges; and

(D) for the entire period for which enrollment is sought, is and is reasonably expected to be a citizen or national of the United States or an alien lawfully present in the United States;

(8) "small business health options program exchange" means the small business health options exchange under AS 21.54.220(a)(12) and sec. 1321, P.L. 111-148, (Patient Protection and Affordable Care Act), as amended, and regulations adopted under that Act;

(9) "small employer," notwithstanding AS 21.54.500, means an employer that employed an average of not more than 50 employees during the preceding calendar year; for purposes of this paragraph,

(A) a person treated as a single employer under 26 U.S.C. 414 (b), (c), (m), or (o) (Internal Revenue Code of 1986), shall be treated as a single employer;

(B) an employer and any predecessor employer shall be treated

as a single employer;

(C) all employees shall be counted, including a part-time employee and an employee who is not eligible for coverage through the employer;

(D) if an employer was not in existence throughout the preceding calendar year, the determination of whether that employer is a small employer shall be based on the average number of employees the employer is reasonably expected to employ on business days in the current calendar year; and

(E) an employer that makes enrollment in qualified health plans available to its employees through the small business health options program exchange and that would cease to be a small employer because of an increase in the number of its employees, shall continue to be treated as a small employer for purposes of AS 21.54.200 - 21.54.270 as long as the employer continuously makes enrollment through the small business health options program exchange available to its employees.

* **Sec. 3.** AS 39.25.120(c) is amended by adding a new paragraph to read:

(22) the executive director and employees of the Alaska Health Benefit Exchange Board employed under AS 21.54.210(j).

* **Sec. 4.** AS 39.50.200(a)(9) is amended to read:

(9) "public official" means

(A) a judicial officer;

(B) the governor or the lieutenant governor;

(C) a person hired or appointed in a department in the executive branch as

(i) the head or deputy head of the department;

(ii) the director or deputy director of a division;

(iii) a special assistant to the head of the department;

(iv) a person serving as the legislative liaison for the department;

(D) an assistant to the governor or the lieutenant governor;

(E) the chair or a member of a state commission or board;

(F) state investment officers and the state comptroller in the Department of Revenue;

(G) the chief procurement officer appointed under AS 36.30.010;

(H) the executive director of the Alaska Workforce Investment Board;

(I) each appointed or elected municipal officer; [AND]

(J) the members of the board of trustees, the executive director, and the investment officers of the Alaska Permanent Fund Corporation; **and**

(K) the executive director of the Alaska Health Benefit Exchange employed under AS 21.54.210;

*** Sec. 5.** AS 39.50.200(b) is amended by adding a new paragraph to read:

(64) the Alaska Health Benefit Exchange Board (AS 21.54.210).

*** Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITIONAL PROVISIONS. Notwithstanding AS 21.54.210(c), enacted by sec. 2 of this Act, the initial terms for members of the Alaska Health Benefit Exchange Board appointed by the governor are as follows:

(1) three members shall be appointed to serve for terms ending December 31, 2012;

(2) three members shall be appointed to serve for terms ending December 31, 2013.

*** Sec. 7.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: REGULATIONS. The Alaska Health Benefit Exchange Board established under AS 21.54.200, enacted by sec. 2 of this Act, and the director of insurance may adopt regulations necessary to implement their respective powers and duties created by this Act under AS 21.54.250, enacted by sec. 2 of this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the statutory changes.

* **Sec. 8.** Section 7 of this Act takes effect immediately under AS 01.10.070(c).

* **Sec. 9.** Except as provided in sec. 8 of this Act, this Act takes effect July 1, 2012.

SB 70 Comments and Issues

1. Based on the successful experience of other small employer exchanges, it is vital that the Exchange collects all premiums from employers in the employer exchange and pays those to the insurers. Today the small employer writes one check to the insurer each month. It is simple. In the exchange, employees of employers will be able to pick their plan. This creates a complexity whereby the employer would have to write separate checks each month to different insurers. This is a complex new burden small employers will not want. The Connecticut and New York exchanges have proven they can administratively handle this task on behalf of employers and "keep it simple" administratively.

Here is suggested language:

> *(i)Provide consolidated billing and premium payment by employers including detailed information to employers on health plans and costs chosen by their employees;*
> *(ii)Establish an electronic interface and facilitate the flow of funds between insurers, employers, and employees, including subsidies and the use of "free choice vouchers;"*
> *(iii)Provide plan enrollment information to employers.*

2. Utah has established a mechanism whereby employers can contribute an amount on behalf of part-time and seasonal employees to the exchange, without setting up an employer insurance program. They say this is popular with employers. This way an employee can get contributions from multiple employers. Employers might be willing to make a fixed contribution, whereas they are not willing to obligate themselves to full coverage that they see as unaffordable for part-time or seasonal employees. However, overall the entire health system and all participants are better off if employers make even a small or modest contribution to employee health coverage.

Example from the Utah Exchange:

> *What is premium aggregation? Premium aggregation is a mechanism to pay insurance premiums with contributions from multiple sources. The unique feature of the Exchange allows employees aggregate the defined contribution from your employer, your premium contribution, and contributions from other sources, such as second employer, a spouse's employer, state assistance programs, etc.*

3. Will the Alaska Exchange be starting with the current definition of small group and limiting small employers to 50 employees or fewer? Or will you allow larger firms to buy insurance in the exchange, 51-100 or greater? One option is to allow the exchange to get up and running smoothly with employers with 50 or fewer employees (the present small group market definition) and to expand later after the exchange is past the startup phase. A related issue is whether self-employed can purchase from the small employer exchange (12 states currently allow this in their small group market).

4. We recommend based on lessons learned in other states with insurance pools and exchanges that insurance brokers/agents be used for the small employer exchange. Insurance agents are experienced, sell many products to small employers and are trusted advisors to small employers. While some have argued that exchanges could lower their costs by eliminating broker costs, this would create the unintended consequence of brokers steering all the low-risk employers to outside markets and undermining the stability of the exchange.

5. Given the Exchange is an independent agency and considerable funds will be flowing through the Exchange, an independent financial audit is a good idea.

6. Many experts have written on the topic of adverse selection and believe this is the Achilles' heel of insurance pools and exchanges, and why many have historically failed.

(1) One option is to have the Board study, review options and recommend measures to prevent or counter adverse selection.

(2) A second option is provided by the bill before the Montana Legislature that would create a level playing field between the insurance market outside the health insurance exchange and with the exchange pool.

Health plan design requirements inside the exchange—outside the exchange.

(1) Each health insurance issuer wishing to participate in the exchange may offer up to three different plan designs in each of the following benefit categories: platinum, gold, silver, and bronze (as defined in the federal act) in individual health insurance market and in the small employer group health insurance market.

2) All issuers participating in the exchange must offer at least one gold plan and one silver plan, both inside and outside the exchange, unless the issuer does not operate outside the exchange.

(3) If the issuer offers a bronze plan or a plan with an actuarial value of 60% or less to individuals or small employer groups outside the exchange, it must also offer at least one substantially similar "qualified" bronze plan option inside the exchange.

(4)

(a) All health insurance issuers that participate in the exchange and offer individual or small employer group preferred provider organization (PPO) health plans, other plans with incentives for using particular networks of providers, or managed care plans outside the exchange, must also offer such network-based plans inside the exchange.

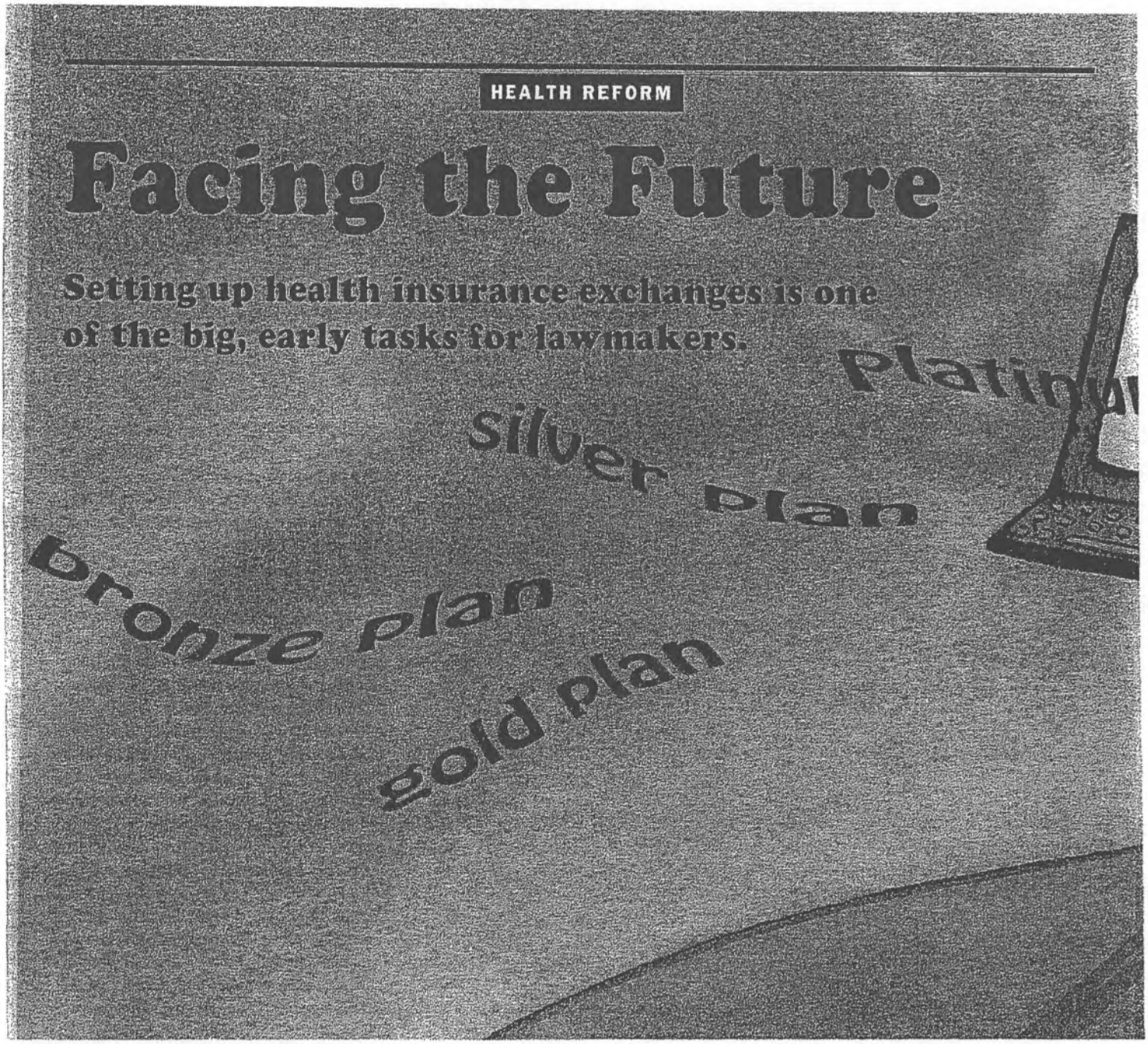
(b) Health insurer issuers must comply with the network adequacy rules promulgated under chapter 36, Part 2, or the network adequacy rules for PPOs that the commissioner shall adopt pursuant to 33-22-1707 for plans issued both inside and outside the exchange.

(c) Health insurance issuers must use the same network of providers for their health plans offered inside and outside the exchange.

HEALTH REFORM

Facing the Future

Setting up health insurance exchanges is one of the big, early tasks for lawmakers.



BY RACHEL BRAND

Ada May Roberts worried each year about renewing her health insurance. She feared being told the price had doubled or the insurance company would not renew her policy.

So every fall, the Massachusetts innkeeper spent hours with insurance salespeople, reading the fine print and filling out medical forms. Then she prayed she'd be covered.

All that changed three years ago. On the first day the Massachusetts Health Connector opened, Roberts typed her name, birthday and zip code into a website. In five minutes, she had a list of 22 plans—rated gold, silver or bronze. It took her only 10 minutes to buy health insurance. Since then, her rates have dropped $300 a month, and she never fears being kicked off.

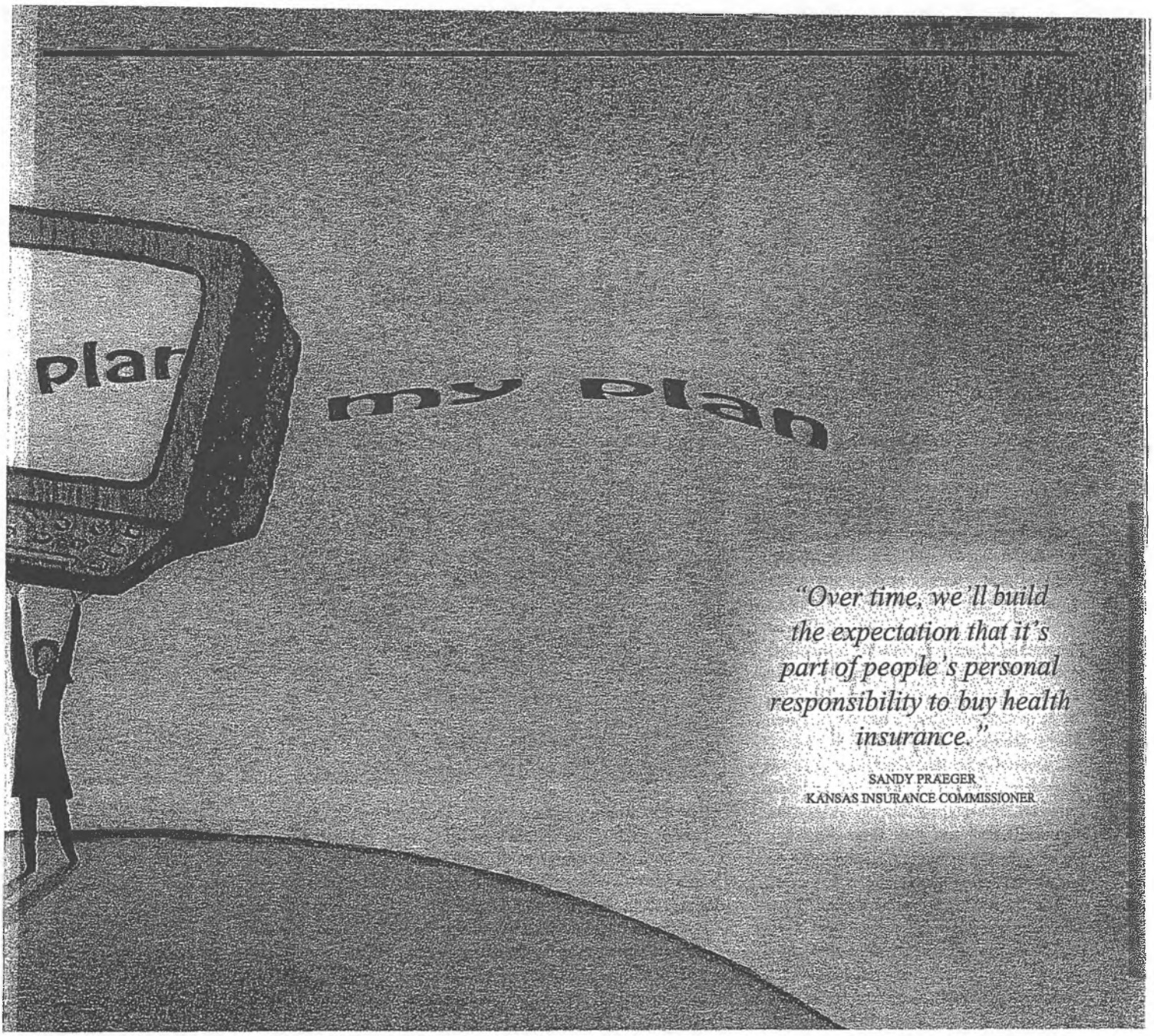
"I'm happy, happy, happy," says the 59-year-old. "The weight of uncertainty has been lifted. Massachusetts got it right."

Welcome to the future of health insurance. In three years, as many as 16 million people will buy inum through such online trading posts, and the number will swell to 31 million by 2020. Insurers won't be able to deny folks coverage because they are in poor health, and plans will be easy to compare.

But state lawmakers have lots to do before that day comes. They must decide whether to offer an exchange, who will run it, and how it will work with insurers.

Then they must launch the exchange into a fiscal environment that is anything but inviting. The overall cost of getting exchanges up and running is expected to be $4.4 billion nationwide, although some federal funds will offset the cost.

Rachel Brand is a freelance writer in Denver and a frequent contributor to State Legislatures.



IT'S THE LAW

A core tenet of federal health care reform passed in March is this: The federal government wants more people to have health insurance.

So in 2014, the government will help 19 million people become insured for the first time. Some will qualify for subsidies, others for an expanded Medicaid program. This help is specifically for people who are unemployed, self-employed or work for companies that don't offer coverage.

At the same time, it will be against the law not to have health insurance, except in some specific cases. People who flout the law will pay a penalty that varies by income.

Nobody knows how many people will use the carrots or respond to the sticks.

"Over time, we'll build the expectation that it's part of people's personal responsibility to buy health insurance," says Kansas Insurance Commissioner Sandy Praeger.

Regardless, exchanges will play a role. "If you are going to move into a world in which people buy insurance on their own," says Jon Kingsdale, former commissioner of the Massachusetts Connector, "you need a vehicle to make it relatively easy for them to do so."

ONLINE MARKETPLACE

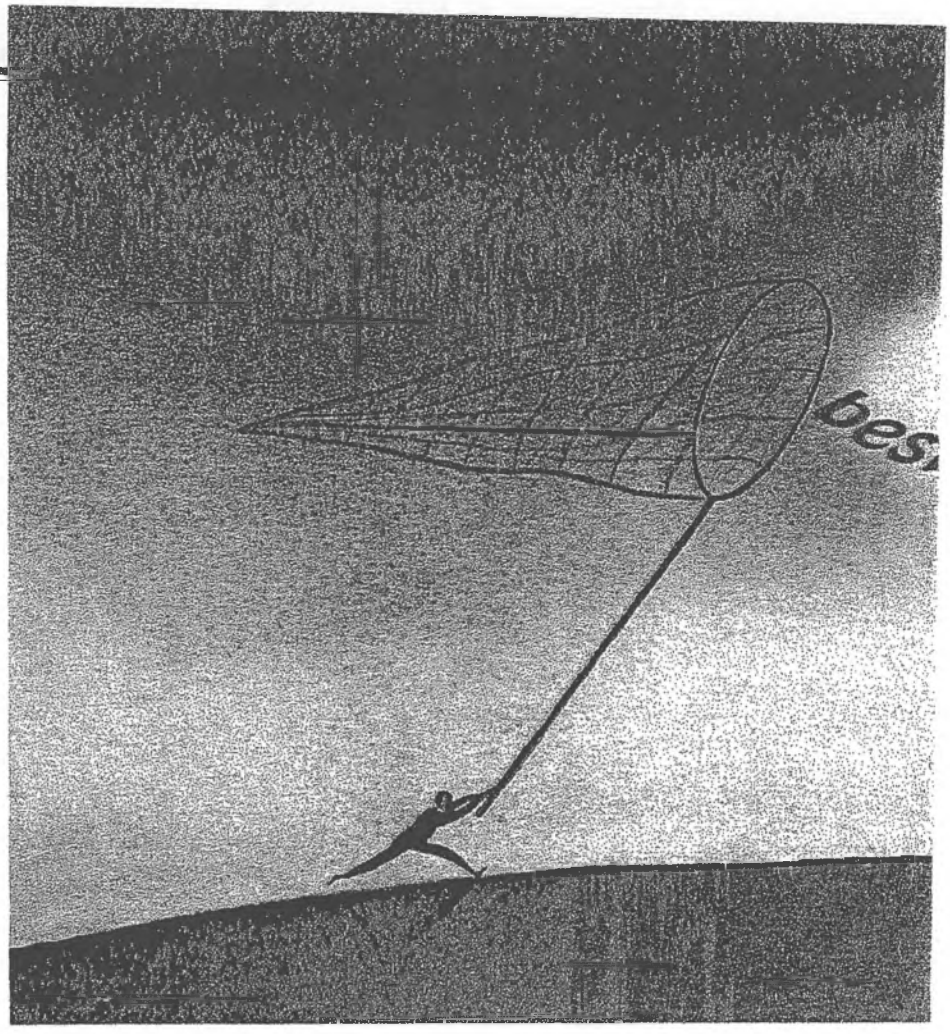
Exchanges are designed to make it easy to shop for and buy insurance. They're often compared to airline ticket websites such as Expedia.com. But exchanges go further.

Imagine if Expedia.com gave shoppers information on the quality of flights—their on-time frequency, customer service ratings and the quality of the food. Exchanges will provide such qualitative information about health plans.

They also will not sell plans that fail to meet minimum quality standards and benefit packages set out by the federal government.

"If you have not already begun to implement, you are behind. A lot of folks are waiting on the political winds, but I would hope your legislative leaders would dig in and get started."

UTAH HOUSE SPEAKER DAVE CLARK



They'll make it easy for consumers to shop by grouping health plans into tiers—bronze, silver, gold and platinum—based on how much of the cost customers take on. Health care reform also requires insurers to justify annual price increases to the exchange board.

Finally, exchanges will be the portal through which people determine if they are eligible for Medicaid, federal subsidies or other programs, such as CHIP, the Children's Health Insurance Program.That's a daunting information technology challenge in the next three years for the existing state IT infrastructure.

"But this is an opportunity to take highly fragmented, at times very inefficient and cumbersome eligibility systems, and bring them into the 21st century," says Kingsdale.

THE CLOCK IS TICKING

The timeline to set up exchanges is short–just three years. So state leaders considering exchanges—the alternative is to allow their citizens to use a federally established exchange—should pass authorizing legislation in 2011, experts say.

"If you have not already begun to implement, you are behind," says Utah House Speaker Dave Clark. "A lot of folks are waiting on the political winds, but I would hope your legislative leaders would dig in and get started."



HOUSE SPEAKER DAVE CLARK UTAH

Here are some key dates.

In September, many state leaders sent letters to the U.S. Department of Health and Human Services asking for $1 million to fund planning for exchanges.

Within months, the federal government is expected to announce details of much larger developmental grants, possibly tens of millions of dollars, to pay for information systems and other exchange-related infrastructure.

By January 2013, states will have to show the U.S. Department of Health and Human Services they have a "functioning" exchange. If not, state residents will be steered to a federally established exchange.

Exchanges open in January 2014.

"By 2013, states should be well along with having a designated organization and the administrative systems in place," says Richard Curtis, president of the Institute for Health Policy Solutions. He noted that even if exchanges are ready to go then, they will have to wait until complementary parts of health reform go into effect in 2014.

WHO'S LEADING?

Right now, only Massachusetts and Utah have functioning exchanges. Both will need changes to fit federal law.

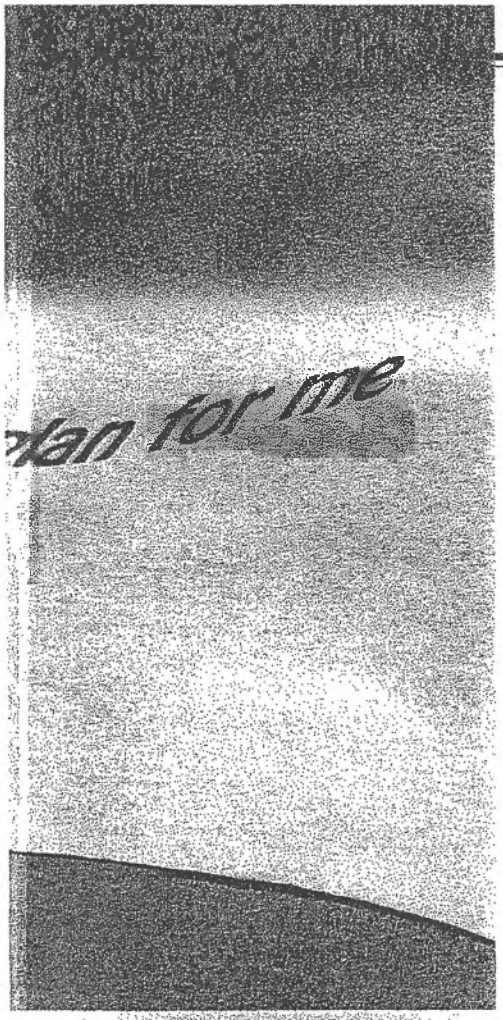
Other states are taking first steps. This fall, Colorado legislators are holding public meetings on the exchanges. In Iowa and Kansas, executive agency heads are working through early implementation issues.

California lawmakers in September passed legislation to authorize work on the exchange, lay down guiding principles and set up a governing structure. At press time, Governor Arnold Schwarzenegger had not signed the bills.

All this preamble is needed, because once they dig in to writing legislation, lawmakers must make some important, potentially controversial, decisions.

First, who will be in charge of the exchange? The options include a state agency, an independent governmental entity or a nonprofit.

Governance is crucial because an exchange





SENATOR
ELAINE ALQUIST
CALIFORNIA



SENATOR
BETTY BOYD
COLORADO

"We want people with knowledge of the health care marketplace to be on the board because the exchange is, in effect, selling insurance."

CALIFORNIA SENATOR ELAINE ALQUIST

behaves like a business, selling insurance, and a government—determining eligibility. It's e-commerce meets social services.

"Who runs it will determine the direction and flavor," says Kingsdale.

Existing state agencies might flavor the exchange with their own spices. Massachusetts' exchange is run in an independent agency governed by a nine-member board. California's proposed exchange would be run by an independent agency governed by a five-person board of health insurance experts, appointed by the governor's office and the Legislature. To avoid conflicts of interest, there would be no doctors or insurers on the board.

"We want people with knowledge of the health care marketplace to be on the board because the exchange is, in effect, selling insurance," says California Senator Elaine Alquist.

"We chose a small board because we want it to be able to reach consensus quickly and easily. Additionally, because the exchange will be competing in the private insurance market, it will need to make decisions quickly," she says, "but it is still important to have public hearings and to be accessible and accountable to the public."

Utah, by contrast, runs its exchange through the state Office of Consumer Health Services. Other states, such as Kansas and Colorado, are looking at using existing state agencies.

Colorado Senator Betty Boyd says she's "not sure I see another department being created in these fiscal times."

PICK AND CHOOSE?

One of the most controversial decisions legislators will need to make is whether an exchange can pick or, in legislative language, "selectively contract," with health plans.

Go back to the Expedia.com example. Imagine if it could pick a handful of airlines to work with and lock out the rest in the interest of negotiating a better deal for consumers.

Some say that would promote competition, others say the opposite.

Although federal law says exchanges can't dictate price to health insurers, states can go beyond minimum federal requirements on health plans in the best interest of consumers, says Curtis of the Institute for Health Policy Solutions.

"An exchange can say, 'Look, here are our criteria, and we want to see your competitive bids across the board,' " Curtis says. "This introduces two levels of competition, both to get into the exchange and among plans within the exchange."

California's legislation would let the exchange selectively contract with health plans, a provision California health plans strongly oppose.

"The governor's signature on these bills would harm Californians' access to health insurance," John Graham of the Pacific Research Institute wrote in a recent newspaper article. "Limited choice means higher costs."

California policy experts took this approach because they think it will allow them to get the best value for consumers.

"As a bulk purchaser, the exchange will have significant market clout in the individual market, and it should seek to get a good deal on price and on improving quality," says California's Alquist. "Part of the way we do this is by picking plans on the basis of value and quality compared to their competitors."

Kingsdale, who consulted on California's legislation, points out that "while there are no guarantees in life, using discretion in the service of bringing down price and creating value is a good thing."

Other legislators feel selective contracting could stymie market competition, or even shut down some plans.

Selective contracting "becomes a real problem if a state decides the only way individuals and small groups can purchase is through this state exchange," says Praeger of Kansas. "Then the ability to deny some plans access might put them out of business."

Utah's Clark says his state doesn't plan to allow selective contracting. "The [reform] legislation requires the insurance companies to justify premium increases. We have not found the need to interject ourselves into that."

BALANCING THE MARKETS

Finally, legislators must set up exchanges in ways that don't attract all only sicker patients, while healthier people buy insurance

"I believe that if a plan doesn't want to sell on the exchange, then they can't sell insurance in Iowa."

IOWA SENATOR JACK HATCH

on the open market. In insurance language, that's called "adverse selection," or a death spiral.

"This is a big issue," says Joan Henneberry, Colorado's Medicaid director. "It has to do with making sure the rules of engagement are the same in both markets.

"If you require all sorts of bells and whistles inside the exchange and nothing outside, you could have a market outside offering plans that are a lot less expensive with lighter benefits," she says. "The risk is all the people who really need insurance are going to buy it inside the exchange."

The risk of adverse selection is also built into the exchange by design. People receiving subsidies or government-paid health care must buy through the exchange, while wealthier people won't have to. (There's no requirement that individuals buy insurance through the exchange, just that they buy insurance.)



SENATOR JACK HATCH
IOWA

Iowa Senator Jack Hatch says his state may force all plans that sell individual and small group insurance to go through Iowa's exchange. "I believe that if a plan doesn't want to sell on the exchange, then they can't sell insurance in Iowa."

Since California's proposed plan will not take all comers, the legislation set up rules to protect the exchange. Any plan that sells in the exchange must sell all product categories—platinum to bronze—and sell the same products outside it. No carrier, for example, will be able to sell a catastrophic plan outside the exchange only.

IT'S COMPLICATED

If setting up a health insurance exchange sounds complex, that's because it is. Each answer leads to more questions.

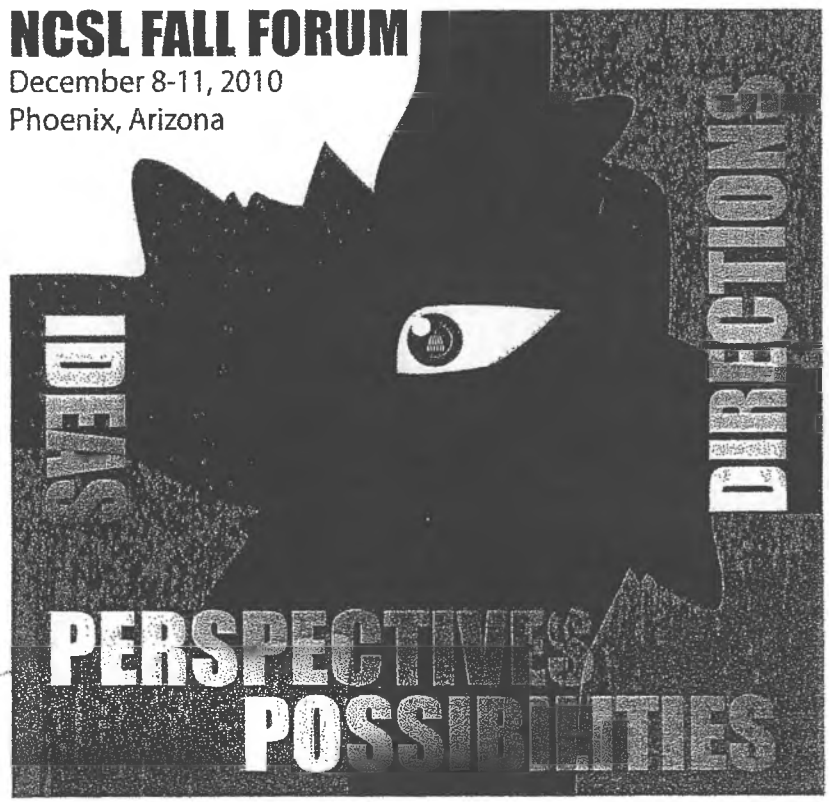
"It's like Jell-O," says Praeger. "You push down somewhere, and it pops up somewhere else."

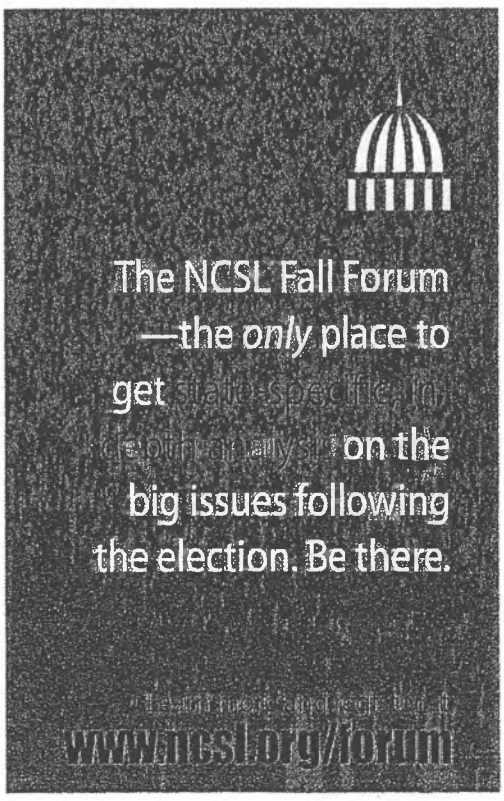
Fortunately, legislators can tap the expertise of colleagues in Massachusetts and Utah.

The National Association of Insurance Commissioners is working closely with the U.S. Department of Health and Human Services on exchange issues. The insurance commissioners organization and the National Academy of Social Insurance, a nonprofit devoted to the role of social insurance in promoting economic security, are each writing model legislation.

"Building this thing will be a mammoth task," says Iowa's Hatch. "But remember, it doesn't have to answer every question. It just has to provide a pathway for a consumer to make a decision about health insurance."

CHECK OUT an interview with the former head of the Massachusetts health insurance exchange and find more information on how states are implementing health care reform at www.ncsl.org/magazine.





DISABILITY LAW CENTER OF ALASKA

ANCHORAGE
3330 Arctic Boulevard
Suite 103
Anchorage, AK 99503
(907) 565-1002
FAX (907) 565-1000
1-800-478-1234
www.dlcak.org

February 8, 2011

Senator Dennis Egan
Chair, Senate Labor & Commerce Committee
Beltz 105
Juneau, Alaska 99801

Re: SB 70, Alaska Health Benefit Exchanges

Dear Senator Egan and Members of the Senate Labor & Commerce Committee:

My name is Mark Regan. I am Legal Director of the Disability Law Center of Alaska, which is the State-designated organization for protection and advocacy of Alaskans with disabilities. I would like to make three points this afternoon in support of the Labor & Commerce Committee's moving forward with Senate Bill 70, the bill that would establish a health benefit exchange that would help people find coverage in the individual and small group insurance markets.

The first point is that it is hard for people with disabilities who have chronic conditions to find private insurance in the individual and small group health insurance markets, and an Exchange can help them find the coverage they need on the same general terms as everyone else who needs to find individual or small-group health insurance.

The second point is there is nothing about an Exchange that requires the State of Alaska to enforce an individual mandate requiring citizens to have private health insurance coverage. SB 70 is a version of the National Association of Insurance Commissioners' model Act, which reflects federal requirements, but if the individual mandate in federal law survives the court challenges to it, enforcing the mandate will be a federal responsibility, not a State one.

Third, and finally, I want tentatively to suggest that even if the individual mandate is found unconstitutional by the U.S. Supreme Court, there is still likely to be a binding federal requirement that there be Exchanges in every State, whether operated by the State of Alaska or by a nonprofit entity set up by the federal government; and that it probably would be best for Alaskans with disabilities if the State does the operating.

<u>An Alaska Health Benefit Exchange is a good way for people to find health insurance</u>

First, an Exchange would make sure Alaskans with disabilities are in the same system as other people who need help finding affordable private coverage in the individual and small group health insurance markets. According to the Kaiser Commission's 2008-2009 data, 128,000 Alaskans were uninsured in that year, 19% of the total population, which is two percentage points higher than the country as a whole. Alaskans with disabilities sometimes have special trouble getting coverage because they have chronic conditions

MEMBER OF THE NATIONAL DISABILITY RIGHTS NETWORK

that would lead insurance companies either to reject them outright – through a "pre-existing condition exclusion" – or lead private insurance companies to price the coverage that would be available at a level people simply can't afford. But the high cost of coverage can be a problem for everyone. Even if you don't have a chronic condition, it can still be hard to afford coverage without assistance from someone, typically an employer, as anyone who has tried to pay the full cost of insurance under COBRA will remember. The existing individual and small group insurance market is a limited one and it is hard for people to find coverage through it.

An Exchange, like the Exchange contemplated in SB 70, is likely to be helpful in several important ways. People can use it to search for insurance policies that they otherwise wouldn't know about. Insurance companies can compete in terms of price and networks of doctors and other providers of medical services. Because there will be a lot of people participating – we hope – the average cost of coverage should be lower than it would be in a high-risk pool like the pools the State is now operating. Furthermore, the federal government will be assisting people of low- to- moderate incomes with subsidies for premium and cost-sharing payments they need to make, and those subsidies will be available mainly for coverage people would purchase through an Exchange. Again according to Kaiser Commission 2008-2009 data, 90,900 uninsured Alaskan adults had family incomes below 400% of the poverty income guidelines and so, other things being equal, would have been eligible for subsidies under the Act. So an Exchange would be available for people with disabilities on the same terms as everyone else, and the subsidies low-to-moderate income families might need would be available there too.

<u>An Alaska Health Benefit Exchange would not be enforcing a federal health insurance mandate</u>

Second, an Exchange would not be in the business of enforcing any federal requirement that people have insurance coverage. Note that the list of the Board's duties in section 2 of SB 70, proposed AS 21.54.220(a), does not include enforcing a penalty against anyone for not having health insurance coverage. In fact, it's the other way around, Instead of penalizing people, the Board's duties include helping people demonstrate that they would be <u>exempt</u> from any penalty of this sort [proposed AS 21.54.220(a)(14) and (15)], and administering a system through which federal subsidies would be made available so people could afford coverage [proposed AS 21.54.220(a)(17)]. If the individual mandate survives the court challenge to it, the responsibility for enforcing the mandate rests with the federal government, not the State.

That is because the federal health care overhaul's minimum coverage provision is a federal, not a State, requirement. Under the new federal law, employers and other providers of health care make enrollment reports to HHS, not to a State. [PPACA, § 1502(a); see 26 U.S.C. § 6055.] A person who appears not to have enrolled gets a "notice of nonenrollment," but this comes from the Treasury, not from a State. [PPACA, § 1502(c).] The "shared responsibility payment" penalty is a payment to the

federal government to be included with a person's federal tax return. [PPACA, § 1501; see 26 U.S.C. § 5000A(b)(2).] The Secretary of HHS, not a State, serves notice of the penalty. [§ 5000A(g)(1).] The procedure for collecting the penalty, and for defending against collection, is the same general procedure as federal tax procedure. [Id..] The restrictions on criminal prosecution and on liens and levies are restrictions on federal tax enforcement procedures, not on state activities. [§§ 5000A(g)(2)(A) and (B).] Whether or not someone gets a hardship exemption is to be determined by HHS, not by a State. [§ 5000A(e)(5).] There is simply no occasion on which the Alaska Health Benefit Exchange would ever directly impose or collect a penalty on someone who fails to meet the federal minimum coverage provision.

Nor would moving forward with an Exchange force the State of Alaska to drop any argument that the federal individual insurance mandate is unconstitutional. In fact, just about every State which is a plaintiff in the Florida v. U.S. lawsuit has taken steps towards investigating how an Exchange would work – getting Federal planning grants for doing this and considering legislation on the subject – and one State which is challenging the individual mandate, Utah, already has an Exchange statute on its books. (Part of the Utah statute setting up an Exchange on this subject is at Utah Code, § 63M-1-2504, and the website's URL is http://www.exchange.utah.gov/.) In fact, Utah not only has an Exchange statute on its books, but it has a "health care freedom act" that says that no citizen of Utah should be required to purchase health insurance. [Utah Code, § 63M-1-2505.5.] If Utah can move forward with an Exchange under those circumstances, so can Alaska.

An Alaska Health Benefit Exchange in state law would keep Alaskans in charge

Finally, there is a question about what federal law is likely to require States to do – or, more accurately, what Federal law is likely to require to be done in every State by someone, State or nonprofit – once the litigation about the individual mandate is over. In the Florida v. U.S. case, the plaintiffs (including the State of Alaska) raised a direct challenge to the federal Act's Exchange provisions, saying that those provisions commandeered State government into enforcing federal law. Judge Vinson actually rejected that challenge, saying States had an option under the Act: set up an Exchange that satisfies federal standards, or watch and wait while the federal government sets up an Exchange through a public nonprofit agency of its own.

Now, it is possible that if the challenge to the individual mandate succeeds at the U.S. Supreme Court, it will be clear that the Act's current standards for Exchanges would have to be modified. Maybe the whole idea of an individual and small group market where there would be "guaranteed issue" – they can't turn you down because you have a pre-existing condition – and "community rating" – they can't charge you more money simply because you have a chronic health condition – would have to be rethought. The reason for this is that the individual mandate prompts relatively healthy people to participate in the system, and unless relatively healthy people participate in the system along with

people with disabilities and chronic conditions, the average cost of a policy within that system would go way up. So if the mandate is unconstitutional, there would need to be a discussion of other ways to get people to participate in the system. No one can be sure exactly what Congress would decide to do if the U.S. Supreme Court were to throw out the individual mandate.

But the idea of many people participating in the individual and small group health insurance market, and finding out information about which policies would be best for them, and getting subsidies to help them afford insurance, is such a good one that Congress will likely try to encourage this even if the individual mandate disappears. Before the health insurance overhaul passed Congress, there were several suggestions about how to encourage people to participate in the market without actually penalizing them for not doing it. For example, there was a suggestion that people could choose not to have health insurance – but they'd have to promise that they wouldn't ask for any federal subsidies if they did decide to buy insurance, and they'd have to deal with pre-existing condition exclusions if it turned out that they needed insurance after all. It's not clear which of those different suggestions Congress might adopt. But it is quite possible that there would be an Exchange requirement in federal law, no matter what, with the same option for States that is in federal law now – a State could operate an Exchange, or, if the State decided not to operate an Exchange, the federal government would operate one through a nonprofit.

If those turn out to be the circumstances, I'd suggest that Alaskans' preference will be to have the State operate an Alaska Health Benefit Exchange, where the people running the system would be State people who likely would have good ideas about what is best for Alaskans. The alternative would be a federally sponsored nonprofit agency. So, if you want there to be an opportunity for Alaskan control over the Alaskan part of this problem, you should move forward with SB 70.

Thank you very much, again, for the opportunity to testify on this important issue.

Sincerely,

Mark Regan
Legal Director

February 8, 2011

RE: Hearing by (S) L&C Tuesday, February 8, 2011, 1:30 pm

Doris Robbins
1281 Overhill Dr.
Fairbanks AK 99709-6753
(907) 374-0597 - Cell: 907-687-2174

I support SB 70: *Alaska Health Benefit Exchange*

I understand that this hearing is regarding whether Alaskans will have an opportunity to set up a health benefit exchange which should provide clear options and some competition for health coverage or expenditures. The exchange would make clear information available to Alaskans of what their health care dollars buy.

Currently, Alaskans are not sure of what they are getting for their health dollars. The rules are murky and you never know when an insurer will end coverage or an unexpected medical bill will put you in financial jeopardy. This legislation should shine a light on what you are paying for, and set up options that will allow most Alaskans to know what they are getting without bait and switch tactics.

The exchange will act as a one-stop-shop for Alaskans to make choices that suit their needs and pocketbook. In addition, stipulations should be laid out clearly to show what is acceptable by us of insurance companies who want to do business in our state, as well as eventually providing competition across state lines. There should be no hidden fees, and all the rules on display to indicate what your health expenditures are buying for you.

In addition, while the governor has turned down federal cash for set-up costs, that was not "earmark" money. The available federal money has been taken by 48 other states, some suing against and some accepting the new federal health law. With the cooperation of our governor we can have the exchange start-up costs without dipping into the general fund. This is Alaska's deal and not connected to the federal health care law.

Do we act now to make changes or continue wading in our present expensive health care muddy water? If we do nothing the climate for paying for health care in Alaska will continue deteriorating as it slowly bankrupts us all whether we currently have coverage or not.

If we begin setting our own standards, we will bring more possibilities for all businesses to provide economical coverage for their employees, or allow individuals to get more for their independent health care dollars.

Please take the first step by sending SB 70 on to the next committee to get the conversation rolling. Then it is up to all Alaskans to speak out for an improved climate for medical coverage in this state.

Doris Robbins, speaking in my own behalf
Member of the Retired Public Employees of Alaska (RPEA)



February 8, 2011

Dear Senators:

Alaska's small businesses are being crushed under high healthcare costs, forcing both business owners and workers to pay a heavy price. SB 70, legislation establishing the Alaska Health Benefit Exchange, is under consideration in the Senate Labor and Commerce Committee. It will go a long way toward lowering costs and improving access for small business owners. Alaska can and should take the lead in establishing this marketplace now so small employers can get the relief they need in the form of lower costs and more choice. With fewer dollars going to insurance companies and more kept in the pockets of small business owners, they will be able to invest in their businesses and hire new employees, helping Alaska's economy grow.

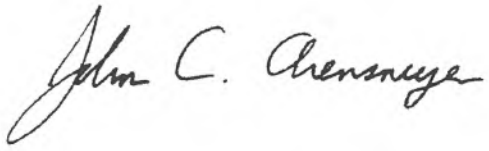
In the ongoing effort to ease this burden on small businesses, we urge you to stand up for Alaska's small business community and work to finalize this crucial legislation. Small employer exchanges have been established in Utah, Connecticut, New York City and Massachusetts. They have been supported by members of both parties and are proven to benefit small business owners and their employees. The idea of a small employer exchange has been around for a long time, and has broad support among business groups and members of Congress from both political parties.

A survey of Alaska small businesses we conducted found that only 21% pay for health insurance for their employees. Of those, 79% said they were struggling to do so. Moreover, nearly one-third (32%) of fishermen who are self-employed, a vital part of Alaska's economy, are uninsured. While insurance rates for small employers continue to climb, an exchange will help change this.

A well-run exchange will be the primary vehicle for making healthcare affordable and accessible for small businesses and their employees, as well as the state's self-employed entrepreneurs. It will allow small businesses to band together to purchase insurance, giving them the type of clout that large businesses enjoy when negotiating for coverage. Your leadership on this issue will guarantee the exchange is created the right way so small businesses receive the myriad benefits that a strong, robust exchange will provide. As important job creators in Alaska, small businesses need your quick action now more than ever.

Attached are some specific comments and issues based on our research of other successful exchanges.

Sincerely,



John Arensmeyer
Founder & CEO

adn.com
Anchorage Daily News

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Health care overhaul debate now shifts to states

By RICARDO ALONSO-ZALDIVAR
(01/22/11 11:15:06)

True or false: States suing to overturn core requirements of President Barack Obama's health care overhaul are refusing to carry out the law. If you said "true," you'd be wrong.

Republican state legislators and governors are working on how to deliver coverage to more than 30 million people now uninsured, as the law calls for, even as GOP attorneys general lead the legal battle to overturn the law's mandate that most Americans have health insurance.

The result? Perhaps the first practical opportunity for the two political parties to work together on an issue that divide them in Washington.

"I can be philosophically opposed and recognize that we can't be asleep at the switch," said Alabama state Rep. Greg Wren, a Republican playing a national role.

"I for one have no interest in ceding any regulatory or statutory authority to the federal government in this area and allowing our state to default while we pursue the litigation side," said Wren, co-chairman of a National Conference of State Legislatures task force on the health care remake.

The debate in the nation's capital seems headed for a stalemate this year because Senate Democrats have the votes to thwart House Republicans' efforts to repeal the law. Denying the Obama administration money to carry out the law isn't a sure strategy either; most of the money was woven tightly into the legislation Congress passed last year.

"We will see a lot of small battles in Congress, but the real center of gravity will shift to the states," said Mike Leavitt, former Republican governor of Utah and health secretary under President George W. Bush. "Bipartisanship is more vibrant in the states than it is in Washington. That doesn't mean it's plentiful, but at least it's alive."

States have to be ready to take on major responsibilities when the coverage expansion gets going in 2014. If not, the federal government will come in and run things.

States must set up and operate health insurance markets where an estimated 24 million people eventually will buy private coverage, most with the aid of federal subsidies. Also, states must open their Medicaid programs to a broader segment of low-income people.

The Medicaid expansion worries state officials. They're already struggling with the costs of the program, draining money from other services from education to law enforcement. Special added Medicaid payments that Washington funneled to the states in the economic downturn will end this year, worsening the crunch.

About 16 million newly eligible people eventually would get Medicaid under the law, and potentially several million more who are eligible today but not signed up could enroll as well. The law says the

federal government will pick up the full cost of those newly eligible for the first few years, but doesn't deal directly with covering the other group.

If state officials are unsure about the Medicaid expansion, they're intrigued about what they might be able to do with the new insurance markets, known as exchanges.

Consumers will be able to go online and pick a private plan from a range of coverage levels and options. Comparison shopping will be easier because benefits will be standardized.

Nearly every state has applied for an initial round of federal planning grants to explore how to design the markets.

"State exchanges are good from a conservative standpoint because they involve consumer choice and markets," said former Senate Majority Leader Bill Frist, a Tennessee Republican.

"What I would like to see is more flexibility given to states in the regulations that define how the legislation works," said Frist. "Each state can develop the exchange that best meets the needs of their people." Two models already exist: Utah's, which is light on regulation, and Massachusetts', where the state government is more directly involved.

Frist, a heart transplant surgeon, has teamed with Democrat Tom Daschle of South Dakota, also a former Senate leader, to try to change the health care debate by stepping back from the repeal fight and using the law as a foundation that can be improved. They expect to direct many of their recommendations to the states.

In New Jersey, Democratic Assemblyman Herb Conaway is hoping to be able to work with Republican Gov. Chris Christie to design their state's exchange. Conaway, a primary care doctor, heads the health committee and is the Democratic counterpart to Alabama's Wren in national planning efforts by state legislators.

"There will be tangible benefits that come to states for taking on these problems," said Conaway. "Done right, there is a benefit that comes to them from getting their people insured. An insured population uses resources more wisely, instead of going to the emergency room and getting treatment that costs four times as much."

Online:

National Conference of State Legislatures: http://tinyurl.com/6ca2rad

White House background on the health law: http://tinyurl.com/2dv65w5

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From the Houston Chronicle – January 23, 2011

chron
Viewpoints, Outlook

Let Texas control health insurance

By STATE REP. JOHN ZERWAS
HOUSTON CHRONICLE

While it is no secret that I oppose the federal health care reform bill, if we don't act now to create the Texas Health Insurance Connector, our state could be forced to cede regulatory control of a significant chunk of its health insurance market to the federal government. The desire to avoid such oversight has generated broad support for the connector, which I am proposing in House Bill 636. In addition to members of both political parties, a variety of groups that don't usually agree on issues have come forward to support keeping Texas in charge of its health insurance market through the passage of HB 636. Those groups include the Texas Association of Business, Texas Hospital Association, Texas Medical Association, Texas Restaurant Association and two Texas health insurance industry groups.

Why must we do this? Among the provisions of the federal health care reforms is a requirement that an organized health insurance market known as an American Health Benefit Exchange be established in every state to provide coverage for U.S. citizens or legal immigrants who do not have access to affordable employer-based coverage. Each state must demonstrate by 2013 that it will have the structure in place to operate its exchange or the federal government will establish and manage it for that state. The Texas Health Insurance Connector, a simplified health insurance market, would serve as our state's exchange.

Although I support the efforts by Texas Attorney General Greg Abbott and others to have the health care bill ruled unconstitutional, the connector proposal is more about what's best for Texas and less about what the federal government has passed. It's about ensuring that Texas maintains regulatory oversight over what could end up being a large segment of its health insurance market.

The exchange concept did not originate with Obamacare. The idea was first proposed in the 1970s, and the model is being used in such politically opposite

states as Utah and Massachusetts. Because of the federal government's 2013 deadline, our current legislative session may provide us the only opportunity to take action to keep the federal government out of our health-insurance market.

As proposed, the Texas connector will provide managed competition among health insurers with standard coverage available in five categories, making it easier to compare policies, providing uniform rules for pricing, and offering consumers the ability to select a policy that meets their coverage and budget needs. Through the connector, comparing and selecting health coverage could become as easy as shopping for your travel arrangements on one of the Internet-based travel services.

The connector would supplement the state's existing health-insurance market, not replace it. Since policies regulated by the state would continue to be sold outside of the connector market, the state could maintain consistent regulatory oversight both inside and outside the connector, thereby avoiding dual regulatory rules that would result from a federally managed exchange. Consistent regulations are critical to helping the state avoid adverse selection issues and limiting confusion among consumers.

To offer coverage within the connector, health plans must be accredited on clinical-quality measures while meeting other criteria regarding marketing rules, standard formats for presenting benefit options and network adequacy. Policies sold within the exchange will be required to offer a minimum level of essential benefits that cover hospitalization, medical and surgical care, emergency services, ambulatory patient care, maternity and newborn care, treatment for mental health and substance abuse disorders, prescription drugs, rehabilitation services and devices, laboratory services, pediatric care and prevention and wellness services.

Something must be done to rein in the cost of health insurance, and the goal of HB 636 is to bring the cost of coverage down by promoting competition and ensuring that Texas families and Texas employers have the right to choose their own coverage.

I believe the connector concept is one that's worth exploring, especially if it keeps Texans in charge of our state's health insurance market.

I invite you to join me in protecting our state's interest in managing how we select our health care.

Zerwas, a Republican from Richmond, represents Texas House District 28.

SB

76

<TARGET><BILL>SB 76</BILL><SUBJECT>SB
76</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT
First Committee of Referral

DATE: 2/2/11

FURTHER:

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED IN TO OFFICE: 4/20/11

Finance Committee considered SENATE BILL NO. 76

SB 76-SUPPLEMENTAL/CAPITAL/OTHER APPROPRIATIONS

"An Act making supplemental appropriations, capital appropriations, and other appropriations; amending appropriations; repealing appropriations; making appropriations to capitalize funds; and providing for an effective date."

and recommends:

[X] be **replaced** with **CS** SB 76 (FIN) *[ ] Same Title [X] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	Olson	✓			
	Olson	✓			
	Ellis	✓			
CO-CHAIR:		✓			
CO-CHAIR:		✓			

Adopted 4.20.11

27-GS1739\T
Kane
4/19/11

CS FOR SENATE BILL NO. 76(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SPECIAL SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

"An Act making supplemental appropriations, capital appropriations, and other appropriations; amending appropriations; making appropriations to capitalize funds; and providing for an effective date."

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

(SECTION 1 OF THIS ACT BEGINS ON PAGE 2)

* **Section 1.** The following appropriation items are for operating expenditures from the general fund or other funds as set out in section 2 of this Act to the agencies named for the purposes expressed for the fiscal year beginning July 1, 2010 and ending June 30, 2011, unless otherwise indicated.

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *		* * * * *		
* * * * * **Department of Administration** * * * * *				
* * * * *		* * * * *		
Centralized Administrative Services		**-38,700**	**3,800**	**-42,500**
Office of Administrative Hearings	50,000			
Administrative Services	-11,700			
DOA Information Technology Support	-6,100			
Finance	-18,400			
E-Travel	1,800			
Purchasing	-5,900			
Property Management	-2,600			
Central Mail	-1,500			
Retirement and Benefits	-44,300			
Leases		**-1,400**	**-1,400**	
Lease Administration	-1,400			
State Owned Facilities		**-4,800**		**-4,800**
Facilities Administration	-4,800			
Enterprise Technology Services		**-37,100**	**-37,100**	
State of Alaska Telecommunications System	-1,200			
Enterprise Technology	-35,900			

	Allocations	Appropriation Items	General Funds	Other Funds
Services				
Risk Management		**-2,400**		**-2,400**
Risk Management	-2,400			
Alaska Oil and Gas Conservation Commission		**-1,700**	**-1,700**	
Alaska Oil and Gas Conservation Commission	-1,700			
Legal and Advocacy Services		**1,290,500**	**1,180,600**	**109,900**
Office of Public Advocacy	1,004,200			
Public Defender Agency	286,300			
Motor Vehicles		**86,700**	**86,200**	**500**
Motor Vehicles	86,700			
* * * * *			* * * * *	
* * * * * **Department of Commerce, Community and Economic Development** * * * * *				
* * * * *			* * * * *	
Executive Administration		**-19,600**	**-6,100**	**-13,500**
Administrative Services	-19,600			
Community Assistance & Economic Development		**-98,200**	**-89,700**	**-8,500**
Community and Regional Affairs	-92,900			
Office of Economic Development	-5,300			
Investments		**-73,000**	**-73,000**	
Investments	-73,000			
Alaska Industrial Development and Export Authority		**110,000**		**110,000**
Alaska Industrial Development and Export Authority	110,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Alaska Seafood Marketing Institute		**-1,654,100**	**-1,654,100**	
Alaska Seafood Marketing Institute	-1,654,100			
Banking and Securities		**-39,000**	**-39,000**	
Banking and Securities	-39,000			
Insurance Operations		**-14,100**	**-14,100**	
Insurance Operations	-14,100			
Corporations, Business and Professional Licensing		**-115,600**	**-113,500**	**-2,100**
Corporations, Business and Professional Licensing	-115,600			
Regulatory Commission of Alaska		**-19,400**	**-19,400**	
Regulatory Commission of Alaska	-19,400			
* * * * *		* * * * *		
* * * * * **Department of Corrections** * * * * *				
* * * * *		* * * * *		
Administration and Support		**-18,200**	**-18,200**	
Administrative Services	-13,600			
Information Technology MIS	-2,400			
Research and Records	-2,200			
Population Management		**3,985,000**	**3,992,700**	**-7,700**
Correctional Academy	-3,400			
Facility-Capital Improvement Unit	-2,300			
Classification and Furlough	-6,000			
Out-of-State Contractual	330,600			
Institution Director's	3,602,600			

	Allocations	Appropriation Items	General Funds	Other Funds
Office				
Inmate Transportation	-1,800			
Anchorage Correctional Complex	-17,100			
Anvil Mountain Correctional Center	-7,100			
Combined Hiland Mountain Correctional Center	-12,400			
Fairbanks Correctional Center	-9,900			
Goose Creek Correctional Center	-4,000			
Ketchikan Correctional Center	-6,400			
Lemon Creek Correctional Center	-10,000			
Matanuska-Susitna Correctional Center	-5,800			
Palmer Correctional Center	-12,000			
Spring Creek Correctional Center	-14,600			
Wildwood Correctional Center	-520,500			
Yukon-Kuskokwim Correctional Center	-7,600			
Point MacKenzie Correctional Farm	-6,500			
Probation and Parole Director's Office	-4,000			
Statewide Probation and Parole	-46,100			

	Allocations	Appropriation Items	General Funds	Other Funds
Electronic Monitoring	-2,000			
Community Residential Centers	751,300			
Inmate Health Care		**3,967,900**	**3,967,900**	
Behavioral Health Care	-5,000			
Physical Health Care	3,972,900			
Offender Habilitation		**-6,000**	**-6,000**	
Sex Offender Management Program	-6,000			
* * * * *			* * * * *	
* * * * * **Department of Education and Early Development** * * * * *				
* * * * *			* * * * *	
Education Support Services		**186,500**	**189,800**	**-3,300**
Executive Administration	-1,700			
Administrative Services	-1,700			
Information Services	-5,200			
School Finance & Facilities	195,100			
Teaching and Learning Support		**-54,800**	**-43,600**	**-11,200**
Student and School Achievement	-49,500			
Teacher Certification	-1,800			
Child Nutrition	-3,500			
Mt. Edgecumbe Boarding School		**-2,500**	**-2,500**	
Mt. Edgecumbe Boarding School	-2,500			
Alaska Library and Museums		**-30,500**	**-29,800**	**-700**
Library Operations	-16,600			
Archives	-6,000			
Museum Operations	-7,900			

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *		* * * * *		
* * * * * **Department of Environmental Conservation** * * * * *				
* * * * *		* * * * *		
Administration		**58,000**	**16,300**	**41,700**
Administrative Services	-29,800			
State Support Services	87,800			
Environmental Health		**-211,300**	**-158,600**	**-52,700**
Environmental Health Director	-1,700			
Food Safety & Sanitation	-61,300			
Laboratory Services	9,600			
Drinking Water	-108,100			
Solid Waste Management	11,900			
Air Quality	-61,700			
Spill Prevention and Response		**-76,000**	**-54,100**	**-21,900**
Contaminated Sites Program	-33,600			
Industry Preparedness and Pipeline Operations	-25,100			
Prevention and Emergency Response	-15,300			
Response Fund Administration	-2,000			
Water		**-82,400**	**-45,000**	**-37,400**
Water Quality	-43,600			
Facility Construction	-38,800			
* * * * *		* * * * *		
* * * * * **Department of Fish and Game** * * * * *				
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Commercial Fisheries		**-130,700**	**-130,700**	
Southeast Region Fisheries Management	-3,800			

	Allocations	Appropriation Items	General Funds	Other Funds
Central Region Fisheries Management	-8,200			
AYK Region Fisheries Management	-122,700			
Westward Region Fisheries Management	-6,700			
Headquarters Fisheries Management	-6,700			
Commercial Fisheries Special Projects	17,400			
Sport Fisheries		**-334,000**	**-109,000**	**-225,000**
Sport Fisheries	-334,000			
Wildlife Conservation		**413,600**	**90,600**	**323,000**
Wildlife Conservation	89,300			
Wildlife Conservation Special Projects	320,700			
Hunter Education Public Shooting Ranges	3,600			
Administration and Support		**26,200**	**29,400**	**-3,200**
Commissioner's Office	500			
Administrative Services	20,900			
Fish and Game Boards and Advisory Committees	3,800			
State Subsistence	1,000			
Habitat		**17,900**	**15,600**	**2,300**
Habitat	17,900			
* * * * *			* * * * *	
* * * * * **Department of Health and Social Services** * * * * *				
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Alaska Pioneer Homes		**-56,900**	**-56,900**	
Alaska Pioneer Homes	-4,800			

	Allocations	Appropriation Items	General Funds	Other Funds
Management				
Pioneer Homes	-52,100			
Behavioral Health		**-63,100**	**-38,000**	**-25,100**
Alcohol Safety Action Program (ASAP)	-700			
Behavioral Health Administration	-25,600			
Alaska Psychiatric Institute	-36,800			
Children's Services		**237,600**	**-186,400**	**424,000**
Children's Services Management	-36,700			
Front Line Social Workers	-132,700			
Family Preservation	-70,000			
Foster Care Base Rate	120,000			
Foster Care Augmented Rate	100,000			
Subsidized Adoptions & Guardianship	260,000			
Infant Learning Program Grants	-3,000			
Health Care Services		**-43,300**	**-20,400**	**-22,900**
Health Facilities Survey	-4,600			
Medical Assistance Administration	-24,200			
Rate Review	-5,400			
Health Planning and Infrastructure	-9,100			
Juvenile Justice		**813,100**	**815,300**	**-2,200**
McLaughlin Youth Center	914,500			
Mat-Su Youth Facility	-4,300			
Kenai Peninsula Youth	-3,900			

	Allocations	Appropriation Items	General Funds	Other Funds
Facility				
Fairbanks Youth Facility	-11,900			
Bethel Youth Facility	-7,300			
Nome Youth Facility	-5,000			
Johnson Youth Center	-8,500			
Ketchikan Regional Youth Facility	-3,300			
Probation Services	-57,200			
Public Assistance		**9,023,900**	**1,796,400**	**7,227,500**
Alaska Temporary Assistance Program	4,500,000			
Child Care Benefits	-11,600			
General Relief Assistance	250,000			
Senior Benefits Payment Program	1,300,000			
Energy Assistance Program	2,497,000			
Public Assistance Administration	-17,500			
Public Assistance Field Services	531,000			
Fraud Investigation	-3,700			
Quality Control	-5,000			
Work Services	-8,500			
Women, Infants and Children	-7,800			
Public Health		**2,068,000**	**2,107,600**	**-39,600**
Injury Prevention/ Emergency Medical Services	-6,000			
Nursing	1,695,400			
Women, Children and Family Health	-20,400			

	Allocations	Appropriation Items	General Funds	Other Funds
Public Health Administrative Services	-11,600			
Preparedness Program	-4,200			
Certification and Licensing	-16,100			
Chronic Disease Prevention and Health Promotion	-19,200			
Epidemiology	-19,700			
Bureau of Vital Statistics	-10,000			
State Medical Examiner	295,500			
Public Health Laboratories	184,300			
Senior and Disabilities Services		**2,151,500**	**2,192,700**	**-41,200**
General Relief/Temporary Assisted Living	825,000			
Senior and Disabilities Services Administration	1,328,900			
Governor's Council on Disabilities and Special Education	-2,400			
Departmental Support Services		**-122,500**	**-55,800**	**-66,700**
Public Affairs	-4,300			
Quality Assurance and Audit	-7,200			
Commissioner's Office	1,300			
Administrative Support Services	-45,700			
Facilities Management	-6,300			
Information Technology Services	-60,300			
Medicaid Services		**85,662,200**	**11,379,900**	**74,282,300**
Behavioral Health Medicaid	9,067,500			

	Allocations	Appropriation Items	General Funds	Other Funds
Services				
Children's Medicaid Services	3,000,000			
Adult Preventative Dental Medicaid Services	214,000			
Health Care Medicaid Services	39,608,300			
Senior and Disabilities Medicaid Services	33,772,400			
* * * * *			* * * * *	
* * * * * **Department of Labor and Workforce Development** * * * * *				
* * * * *			* * * * *	
Commissioner and Administrative Services		**-61,200**	**-14,500**	**-46,700**
Management Services	-19,700			
Data Processing	-21,100			
Labor Market Information	-20,400			
Workers' Compensation		**-8,800**	**-8,800**	
Workers' Compensation	-7,100			
Second Injury Fund	-900			
Fishermens Fund	-800			
Labor Standards and Safety		**-18,100**	**-11,200**	**-6,900**
Wage and Hour Administration	-6,900			
Mechanical Inspection	-5,400			
Occupational Safety and Health	-5,800			
Employment Security		**-127,600**	**-5,300**	**-122,300**
Employment and Training Services	-68,600			
Unemployment Insurance	-59,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Business Partnerships		**-15,900**	**-4,900**	**-11,000**
Business Services	-15,900			
Vocational Rehabilitation		**-29,200**	**-4,900**	**-24,300**
Vocational Rehabilitation Administration	-6,700			
Client Services	-15,600			
Disability Determination	-7,300			
Assistive Technology	400			
Alaska Vocational Technical Center		**80,800**	**-9,600**	**90,400**
Alaska Vocational Technical Center	80,800			
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* * * * * **Department of Law** * * * * *				
* * * * *		* * * * *		
Criminal Division		**31,400**	**54,500**	**-23,100**
First Judicial District	-2,400			
Second Judicial District	-1,900			
Third Judicial District: Anchorage	-5,100			
Third Judicial District: Outside Anchorage	47,500			
Fourth Judicial District	-4,200			
Criminal Justice Litigation	0			
Criminal Appeals/Special Litigation	-2,500			
Civil Division		**4,809,400**	**4,703,900**	**105,500**
Deputy Attorney General's Office	705,300			
Child Protection	-40,500			

	Allocations	Appropriation Items	General Funds	Other Funds
Collections and Support	-1,200			
Commercial and Fair Business	-2,200			
Environmental Law	300,000			
Human Services	-500			
Labor and State Affairs	-2,300			
Legislation/Regulations	0			
Natural Resources	-1,100			
Oil, Gas and Mining	3,866,800			
Opinions, Appeals and Ethics	-1,100			
Regulatory Affairs Public Advocacy	-2,700			
Timekeeping and Litigation Support	-5,200			
Torts & Workers' Compensation	-4,400			
Transportation Section	-1,500			
Administration and Support		**-8,300**	**-7,700**	**-600**
Administrative Services	-8,300			
* * * * *			* * * * *	
* * * * * **Department of Military and Veterans Affairs** * * * * *				
* * * * *			* * * * *	
Military and Veteran's Affairs		**-74,000**	**-16,200**	**-57,800**
Office of the Commissioner	-20,700			
Homeland Security and Emergency Management	-21,000			
Army Guard Facilities Maintenance	-7,800			
Air Guard Facilities	-1,700			

	Allocations	Appropriation Items	General Funds	Other Funds
Maintenance				
Alaska Military Youth Academy	-22,800			
* * * * *		* * * * *		
* * * * * **Department of Natural Resources** * * * * *				
* * * * *		* * * * *		
Parks and Recreation Management		**59,700**	**18,900**	**40,800**
State Historic Preservation Program	25,500			
Parks Management	11,700			
Parks & Recreation Access	22,500			
Fire Suppression		**9,942,100**	**9,936,400**	**5,700**
Fire Suppression Preparedness	47,400			
Fire Suppression Activity	9,894,700			
Resource Development		**231,100**	**109,400**	**121,700**
Forest Management and Development	11,600			
Oil & Gas Development	10,900			
Geological Development	38,700			
Administrative Services	9,300			
Alaska Coastal and Ocean Management	7,300			
Petroleum Systems Integrity Office	1,000			
Information Resource Management	-16,800			
Large Project Permitting	-1,800			
Gas Pipeline Implementation	-285,500			

	Allocations	Appropriation Items	General Funds	Other Funds
Pipeline Coordinator	9,300			
Recorder's Office/Uniform Commercial Code	22,800			
Claims, Permits & Leases	372,200			
Land Sales & Municipal Entitlements	23,300			
Public Services Office	3,600			
Title Acquisition & Defense	50,000			
Water Development	35,600			
Mental Health Trust Lands Administration	75,000			
Director's Office/Mining, Land, & Water	-800			
Agricultural Development	-137,800			
North Latitude Plant Material Center	-4,900			
Agriculture Revolving Loan Program Administration	8,100			
State Public Domain & Public Access		**46,900**	**46,900**	
Citizen's Advisory Commission on Federal Areas	300			
RS 2477/Navigability Assertions and Litigation Support	46,600			
* * * * *		* * * * *		
* * * * * **Department of Public Safety** * * * * *				
* * * * *		* * * * *		
Fire and Life Safety		**-8,700**	**-8,400**	**-300**
Fire and Life Safety	-6,600			

	Allocations	Appropriation Items	General Funds	Other Funds
Operations				
Training and Education Bureau	-2,100			
Alaska Fire Standards Council		**-1,900**	**-1,900**	
Alaska Fire Standards Council	-1,900			
Alaska State Troopers		**-108,900**	**-108,900**	
Special Projects	-2,200			
Alaska State Troopers Director's Office	-900			
Alaska Bureau of Judicial Services	-3,400			
Narcotics Task Force	-1,400			
Alaska State Trooper Detachments	-68,900			
Alaska Bureau of Investigation	-6,300			
Alaska Bureau of Alcohol and Drug Enforcement	-3,900			
Alaska Wildlife Troopers	-14,300			
Alaska Wildlife Troopers Aircraft Section	-1,800			
Alaska Wildlife Troopers Marine Enforcement	-5,800			
Village Public Safety Officer Program		**400**	**400**	
VPSO Support	400			
Statewide Support		**-93,800**	**-108,800**	**15,000**
Commissioner's Office	-2,200			
Training Academy	-2,700			

	Allocations	Appropriation Items	General Funds	Other Funds
Administrative Services	-15,400			
Alcoholic Beverage Control Board	11,600			
Alaska Public Safety Information Network	-4,200			
Alaska Criminal Records and Identification	-62,400			
Laboratory Services	-18,500			
* * * * *		* * * * *		
* * * * * **Department of Revenue** * * * * *				
* * * * *		* * * * *		
Taxation and Treasury		**-75,800**	**-71,200**	**-4,600**
Tax Division	-46,300			
Treasury Division	-7,700			
Unclaimed Property	-2,000			
Permanent Fund Dividend Division	-19,800			
Child Support Services		**-60,600**	**-20,600**	**-40,000**
Child Support Services Division	-60,600			
Administration and Support		**-9,200**	**-5,400**	**-3,800**
Administrative Services	-9,200			
Alaska Mental Health Trust Authority		**-12,900**	**-12,900**	
Long Term Care Ombudsman Office	-12,900			
Alaska Permanent Fund Corporation		**18,500,000**		**18,500,000**
APFC Custody and Management Fees	18,500,000			

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *			* * * * *	
* * * * * **Department of Transportation & Public Facilities** * * * * *				
* * * * *			* * * * *	
Administration and Support		**-107,900**	**-113,700**	**5,800**
Contracting and Appeals	-2,800			
Equal Employment and Civil Rights	-7,500			
Internal Review	-6,000			
Transportation Management and Security	-3,100			
Statewide Administrative Services	-21,500			
Statewide Information Systems	-10,900			
Statewide Procurement	-5,800			
Central Region Support Services	1,400			
Northern Region Support Services	-1,600			
Southeast Region Support Services	-2,500			
Statewide Aviation	-9,500			
Program Development	-16,300			
Central Region Planning	9,600			
Northern Region Planning	-9,500			
Southeast Region Planning	-2,800			
Measurement Standards & Commercial Vehicle Enforcement	-19,100			
Design, Engineering and Construction		**62,600**	**-1,100**	**63,700**

	Allocations	Appropriation Items	General Funds	Other Funds
Statewide Public Facilities	27,300			
Statewide Design and Engineering Services	-42,900			
Central Design and Engineering Services	139,800			
Northern Design and Engineering Services	-72,000			
Southeast Design and Engineering Services	-50,200			
Central Region Construction and CIP Support	119,200			
Northern Region Construction and CIP Support	-39,900			
Southeast Region Construction	-18,700			
State Equipment Fleet		**480,100**		**480,100**
State Equipment Fleet	480,100			
Highways, Aviation and Facilities		**853,400**	**855,000**	**-1,600**
Central Region Facilities	85,400			
Northern Region Facilities	117,700			
Southeast Region Facilities	-2,500			
Central Region Highways and Aviation	-159,200			
Northern Region Highways and Aviation	404,700			
Southeast Region Highways and Aviation	-8,600			
Whittier Access and Tunnel	415,900			
International Airports		**-43,700**		**-43,700**

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage Airport Administration	-23,800			
Anchorage Airport Facilities	-8,100			
Anchorage Airport Field and Equipment Maintenance	-5,600			
Anchorage Airport Operations	-7,600			
Anchorage Airport Safety	-5,400			
Fairbanks Airport Administration	1,600			
Fairbanks Airport Operations	5,900			
Fairbanks Airport Safety	-700			
Marine Highway System		**-136,400**	**-130,500**	**-5,900**
Marine Engineering	-79,400			
Reservations and Marketing	-12,600			
Marine Shore Operations	-22,600			
Vessel Operations Management	-21,800			
* * * * *		* * * * *		
* * * * * **University of Alaska** * * * * *				
* * * * *		* * * * *		
University of Alaska		**4,500,000**		**4,500,000**
Anchorage				
Anchorage Campus	4,500,000			

(SECTION 2 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 2.** The following sets out the funding by agency for the appropriations made in sec. 1 of this Act.

Funding Source		Amount
Department of Administration		
1004	Unrestricted General Fund Receipts	1,096,600
1005	General Fund/Program Receipts	136,200
1007	Interagency Receipts	-300
1017	Group Health and Life Benefits Fund	-113,300
1023	FICA Administration Fund Account	-600
1029	Public Employees Retirement Trust Fund	-21,100
1034	Teachers Retirement Trust Fund	141,200
1037	General Fund / Mental Health	-700
1042	Judicial Retirement System	-25,100
1045	National Guard Retirement System	-25,400
1061	Capital Improvement Project Receipts	-1,600
1108	Statutory Designated Program Receipts	110,000
1147	Public Building Fund	-3,100
1162	Alaska Oil & Gas Conservation Commission Receipts	-1,700
*** Total Agency Funding ***		$1,291,100
Department of Commerce, Community and Economic Development		
1002	Federal Receipts	-3,400
1003	General Fund Match	-3,300
1004	Unrestricted General Fund Receipts	6,307,500
1005	General Fund/Program Receipts	-8,094,100
1007	Interagency Receipts	-15,600
1036	Commercial Fishing Loan Fund	-70,800
1061	Capital Improvement Project Receipts	-5,100
1070	Fisheries Enhancement Revolving Loan Fund	-1,700
1102	Alaska Industrial Development & Export Authority Receipts	110,000

1141	Regulatory Commission of Alaska Receipts	-19,400
1156	Receipt Supported Services	-126,600
1164	Rural Development Initiative Fund	-300
1170	Small Business Economic Development Revolving Loan Fund	-200
*** Total Agency Funding ***		$-1,923,000
Department of Corrections		
1002	Federal Receipts	-7,700
1004	Unrestricted General Fund Receipts	7,945,100
1005	General Fund/Program Receipts	-8,000
1037	General Fund / Mental Health	-700
*** Total Agency Funding ***		$7,928,700
Department of Education and Early Development		
1002	Federal Receipts	-10,700
1003	General Fund Match	-700
1004	Unrestricted General Fund Receipts	116,400
1005	General Fund/Program Receipts	-1,800
1007	Interagency Receipts	-4,000
1014	Donated Commodity/Handling Fee Account	-500
*** Total Agency Funding ***		$98,700
Department of Environmental Conservation		
1002	Federal Receipts	-47,800
1003	General Fund Match	1,800
1004	Unrestricted General Fund Receipts	-178,900
1005	General Fund/Program Receipts	-30,800
1007	Interagency Receipts	-7,200
1052	Oil/Hazardous Release Prevention & Response Fund	-43,200
1061	Capital Improvement Project Receipts	-16,000
1075	Alaska Clean Water Fund	-200
1093	Clean Air Protection Fund	900

1166	Commercial Passenger Vessel Environmental Compliance Fund	-400
1205	Berth Fees for the Ocean Ranger Program	10,100
*** Total Agency Funding ***		$-311,700
Department of Fish and Game		
1002	Federal Receipts	-145,400
1003	General Fund Match	4,200
1004	Unrestricted General Fund Receipts	-109,800
1005	General Fund/Program Receipts	1,500
1007	Interagency Receipts	-500
1018	Exxon Valdez Oil Spill Trust	-400
1024	Fish and Game Fund	-500
1061	Capital Improvement Project Receipts	-59,100
1108	Statutory Designated Program Receipts	303,000
*** Total Agency Funding ***		$-7,000
Department of Health and Social Services		
1002	Federal Receipts	70,248,100
1003	General Fund Match	10,707,000
1004	Unrestricted General Fund Receipts	6,776,400
1005	General Fund/Program Receipts	-28,600
1007	Interagency Receipts	-19,400
1037	General Fund / Mental Health	477,700
1061	Capital Improvement Project Receipts	-9,500
1092	Mental Health Trust Authority Authorized Receipts	1,300
1108	Statutory Designated Program Receipts	-6,700
1168	Tobacco Use Education and Cessation Fund	-3,300
1180	Alcohol and Other Drug Abuse Treatment & Prevention Fund	5,200
1212	Federal Stimulus: ARRA 2009	11,522,300
*** Total Agency Funding ***		$99,670,500

Department of Labor and Workforce Development		
1002	Federal Receipts	-174,600
1003	General Fund Match	-6,000
1004	Unrestricted General Fund Receipts	-20,500
1005	General Fund/Program Receipts	-9,800
1007	Interagency Receipts	-43,500
1031	Second Injury Fund Reserve Account	-900
1032	Fishermen's Fund	-800
1049	Training and Building Fund	-2,700
1054	State Training & Employment Program	-3,200
1108	Statutory Designated Program Receipts	99,500
1151	Technical Vocational Education Program Receipts	-1,800
1157	Workers Safety and Compensation Administration Account	-9,800
1172	Building Safety Account	-3,700
1212	Federal Stimulus: ARRA 2009	-2,200
*** Total Agency Funding ***		$-180,000
Department of Law		
1004	Unrestricted General Fund Receipts	4,754,800
1005	General Fund/Program Receipts	-1,400
1007	Interagency Receipts	89,000
1055	Inter-Agency/Oil & Hazardous Waste	-7,200
1141	Regulatory Commission of Alaska Receipts	-2,700
*** Total Agency Funding ***		$4,832,500
Department of Military and Veterans Affairs		
1002	Federal Receipts	-39,300
1003	General Fund Match	-6,800
1004	Unrestricted General Fund Receipts	-9,400
1007	Interagency Receipts	-2,800
1061	Capital Improvement Project Receipts	-15,700

*** Total Agency Funding ***		$-74,000
Department of Natural Resources		
1002	Federal Receipts	27,100
1003	General Fund Match	10,100
1004	Unrestricted General Fund Receipts	10,025,300
1005	General Fund/Program Receipts	37,000
1007	Interagency Receipts	18,400
1021	Agricultural Revolving Loan Fund	8,100
1055	Inter-Agency/Oil & Hazardous Waste	400
1061	Capital Improvement Project Receipts	28,500
1092	Mental Health Trust Authority Authorized Receipts	75,000
1105	Permanent Fund Gross Receipts	9,200
1108	Statutory Designated Program Receipts	9,600
1153	State Land Disposal Income Fund	29,000
1155	Timber Sale Receipts	2,100
*** Total Agency Funding ***		$10,279,800
Department of Public Safety		
1002	Federal Receipts	-100
1003	General Fund Match	-400
1004	Unrestricted General Fund Receipts	-217,400
1005	General Fund/Program Receipts	-9,800
1007	Interagency Receipts	-100
1061	Capital Improvement Project Receipts	-100
1108	Statutory Designated Program Receipts	15,000
*** Total Agency Funding ***		$-212,900
Department of Revenue		
1002	Federal Receipts	-194,700
1003	General Fund Match	-20,600
1004	Unrestricted General Fund Receipts	-55,100
1005	General Fund/Program Receipts	-3,600

1007	Interagency Receipts	-7,600
1016	CSSD Federal Incentive Payments	154,700
1037	General Fund / Mental Health	-10,800
1050	Permanent Fund Dividend Fund	-19,800
1066	Public School Trust Fund	-100
1105	Permanent Fund Gross Receipts	18,499,200
1169	Power Cost Equalization Endowment Fund	-100
*** Total Agency Funding ***		$18,341,500
Department of Transportation & Public Facilities		
1002	Federal Receipts	-600
1004	Unrestricted General Fund Receipts	770,200
1005	General Fund/Program Receipts	-75,300
1007	Interagency Receipts	-2,000
1026	Highways Equipment Working Capital Fund	478,400
1027	International Airports Revenue Fund	-47,900
1061	Capital Improvement Project Receipts	100
1076	Alaska Marine Highway System Fund	-85,200
1108	Statutory Designated Program Receipts	-100
1214	Whittier Tunnel Tolls	2,100
1215	Unified Carrier Registration Receipts	68,400
*** Total Agency Funding ***		$1,108,100
University of Alaska		
1002	Federal Receipts	4,500,000
*** Total Agency Funding ***		$4,500,000
* * * * * Total Budget * * * * *		$145,342,300

(SECTION 3 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 3.** The following sets out the statewide funding for the appropriations made in sec. 1 of this Act.

Funding Source		Amount
Unrestricted General Funds		
1003	General Fund Match	10,685,300
1004	Unrestricted General Fund Receipts	37,201,200
1037	General Fund / Mental Health	465,500
Total Unrestricted General Funds		$48,352,000
Designated General Funds		
1005	General Fund/Program Receipts	-8,088,500
1021	Agricultural Revolving Loan Fund	8,100
1031	Second Injury Fund Reserve Account	-900
1032	Fishermen's Fund	-800
1036	Commercial Fishing Loan Fund	-70,800
1049	Training and Building Fund	-2,700
1050	Permanent Fund Dividend Fund	-19,800
1052	Oil/Hazardous Release Prevention & Response Fund	-43,200
1054	State Training & Employment Program	-3,200
1066	Public School Trust Fund	-100
1070	Fisheries Enhancement Revolving Loan Fund	-1,700
1076	Alaska Marine Highway System Fund	-85,200
1141	Regulatory Commission of Alaska Receipts	-22,100
1151	Technical Vocational Education Program Receipts	-1,800
1153	State Land Disposal Income Fund	29,000
1155	Timber Sale Receipts	2,100
1156	Receipt Supported Services	-126,600
1157	Workers Safety and Compensation Administration Account	-9,800
1162	Alaska Oil & Gas Conservation Commission	-1,700

	Receipts	
1164	Rural Development Initiative Fund	-300
1166	Commercial Passenger Vessel Environmental Compliance Fund	-400
1168	Tobacco Use Education and Cessation Fund	-3,300
1169	Power Cost Equalization Endowment Fund	-100
1170	Small Business Economic Development Revolving Loan Fund	-200
1172	Building Safety Account	-3,700
1180	Alcohol and Other Drug Abuse Treatment & Prevention Fund	5,200
1205	Berth Fees for the Ocean Ranger Program	10,100
Total Designated General Funds		$-8,432,400
Other Non-Duplicated Funds		
1017	Group Health and Life Benefits Fund	-113,300
1018	Exxon Valdez Oil Spill Trust	-400
1023	FICA Administration Fund Account	-600
1024	Fish and Game Fund	-500
1027	International Airports Revenue Fund	-47,900
1029	Public Employees Retirement Trust Fund	-21,100
1034	Teachers Retirement Trust Fund	141,200
1042	Judicial Retirement System	-25,100
1045	National Guard Retirement System	-25,400
1092	Mental Health Trust Authority Authorized Receipts	76,300
1093	Clean Air Protection Fund	900
1102	Alaska Industrial Development & Export Authority Receipts	110,000
1105	Permanent Fund Gross Receipts	18,508,400
1108	Statutory Designated Program Receipts	530,300
1214	Whittier Tunnel Tolls	2,100

1215	Unified Carrier Registration Receipts	68,400
Total Other Non-Duplicated Funds		$19,203,300
Federal Funds		
1002	Federal Receipts	74,150,900
1014	Donated Commodity/Handling Fee Account	-500
1016	CSSD Federal Incentive Payments	154,700
1212	Federal Stimulus: ARRA 2009	11,520,100
Total Federal Funds		$85,825,200
Duplicated Funds		
1007	Interagency Receipts	4,400
1026	Highways Equipment Working Capital Fund	478,400
1055	Inter-Agency/Oil & Hazardous Waste	-6,800
1061	Capital Improvement Project Receipts	-78,500
1075	Alaska Clean Water Fund	-200
1147	Public Building Fund	-3,100
Total Duplicated Funds		$394,200

(SECTION 4 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 4.** The following appropriation items are for supplemental capital projects and grants from the general fund or other funds as set out in section 5 of this Act by funding source to the agencies named for the purposes expressed and lapse under AS 37.25.020, unless otherwise noted.

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *			* * * * *	
* * * * * **Department of Commerce, Community and Economic Development** * * * * *				
* * * * *			* * * * *	
Grants to Named Recipients				
(AS 37.05.316)				
Alaska Native Arts		300,000	300,000	
Foundation - Marketing				
Grant (HD 17-32)				
Inter-Island Ferry		350,000	350,000	
Authority (HD 1-5)				

(SECTION 5 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 5.** The following sets out the funding by agency for the appropriations made in sec. 4 of this Act.

Funding Source	Amount
Department of Commerce, Community and Economic Development	
1004 Unrestricted General Fund Receipts	650,000
*** Total Agency Funding ***	$650,000
* * * * * Total Budget * * * * *	$650,000

(SECTION 6 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 6.** The following sets out the statewide funding for the appropriations made in sec. 4 of this Act.

Funding Source	Amount
Unrestricted General Funds	
1004 Unrestricted General Fund Receipts	650,000
Total Unrestricted General Funds	$650,000
Designated General Funds	
Total Designated General Funds	$0
Other Non-Duplicated Funds	
Total Other Non-Duplicated Funds	$0
Federal Funds	
Total Federal Funds	$0
Duplicated Funds	
Total Duplicated Funds	$0

(SECTION 7 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 7.** DEPARTMENT OF ENVIRONMENTAL CONSERVATION. Section 4, ch. 30, SLA 2007, page 89, line 33, through page 90, line 4, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND	OTHER FUNDS
Comprehensive Oil and Gas	**2,750,000**	**1,375,000**	**1,375,000**
Infrastructure Risk Assessment Phase 1 (HD 1-40)	[5,000,000]	[2,500,000]	[2,500,000]

* **Sec. 8.** DEPARTMENT OF HEALTH AND SOCIAL SERVICES. (a) Section 16(b), ch. 41, SLA 2010, is amended to read:

(b) If the amount of federal receipts **appropriated in sec. 1, ch. 41, SLA 2010,** [FROM P.L. 111-5 (AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009) APPROPRIATED IN SEC. 1 OF THIS ACT] for state Medicaid programs **for an enhanced federal Medicaid assistance percentage rate** for the fiscal year ending June 30, 2011, is not available to the state in the amount appropriated, the appropriation of federal receipts is reduced by the unavailable amount, and the difference between the amount of federal receipts appropriated and the amount received is appropriated from the general fund to the Department of Health and Social Services for Medicaid programs for the fiscal year ending June 30, 2011.

(b) The sum of $167,065.58 is appropriated from the general fund to the Department of Health and Social Services for the purpose of paying a legal settlement entered into between the Department of Health and Social Services and Hope Community Resources, Inc., related to reimbursement rates for home and community-based services for the fiscal year ending June 30, 2011.

(c) The sum of $132,000 is appropriated from the general fund to the Department of Health and Social Services for the purpose of paying a legal settlement entered into between the Department of Health and Social Services and NANA Management Services related to a nursing home facility for the fiscal year ending June 30, 2011.

* **Sec. 9.** DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT. The sum of $75,000 is appropriated from the workers' safety and compensation administration account (AS 23.05.067) to the Department of Labor and Workforce Development, workers' compensation, for establishment of the workers' compensation medical fee schedule for the

fiscal year ending June 30, 2011.

*** Sec. 10.** DEPARTMENT OF LAW. (a) The sum of $253,176.86 is appropriated from the general fund to the Department of Law, civil division, deputy attorney general's office, for the purpose of paying judgments and settlements against the state for the fiscal year ending June 30, 2011.

(b) The amount necessary, after application of the amount appropriated in (c) of this section, to pay judgments awarded against the state on or before June 30, 2011, is appropriated from the general fund to the Department of Law, civil division, deputy attorney general's office, for the purpose of paying judgments against the state for the fiscal year ending June 30, 2011.

*** Sec. 11.** DEPARTMENT OF NATURAL RESOURCES. (a) Section 12, ch. 2, FSSLA 1999, as amended by sec. 30, ch. 135, SLA 2000, sec. 73(b), ch. 61, SLA 2001, sec. 47(b), ch. 1, SSSLA 2002, sec. 24(*l*), ch. 159, SLA 2004, sec. 34(a), ch. 82, SLA 2006, and sec. 31(a), ch. 29, SLA 2008, is amended to read:

Sec. 12. DEPARTMENT OF NATURAL RESOURCES. The unexpended and unobligated balance of the appropriation made in sec. 9, ch. 139, SLA 1998 (DNR appraisal of public school lands - $432,525) is reappropriated for the fiscal years ending June 30, 2000, June 30, 2001, June 30, 2002, June 30, 2003, June 30, 2004, June 30, 2005, June 30, 2006, June 30, 2007, June 30, 2008, June 30, 2009, June 30, 2010, [AND] June 30, 2011, **June 30, 2012, and June 30, 2013,** to the Department of Natural Resources for an appraisal of public school lands to determine the fair market value of the public school trust land where the land was redesignated as general grant land in 1978.

(b) Section 47(c), ch. 1, SSSLA 2002, as amended by sec. 24(m), ch. 159, SLA 2004, sec. 34(b), ch. 82, SLA 2006, and sec. 31(b), ch. 29, SLA 2008, is amended to read:

(c) The sum of $305,000 is appropriated from the public school trust fund (AS 37.14.110) to the Department of Natural Resources for the fiscal years ending June 30, 2002, June 30, 2003, June 30, 2004, June 30, 2005, June 30, 2006, June 30, 2007, June 30, 2008, June 30, 2009, June 30, 2010, [AND] June 30, 2011, **June 30, 2012, and June 30, 2013,** for an appraisal of public school lands to determine the fair market value of the public school trust land where the land was redesignated as

general grant land in 1978.

(c) Section 22(c), ch. 14, SLA 2009, is amended to read:

(c) Section 12**, ch. 14, SLA 2009,** [OF THIS ACT] lapses June 30, **2012** [2011].

*** Sec. 12.** DEPARTMENT OF PUBLIC SAFETY. Section 1, ch. 43, SLA 2010, page 3, lines 8 - 9, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Crime Lab Replacement (HD 17-32)	**70,750,000**	**70,750,000**
	[75,750,000]	[75,750,000]

*** Sec. 13.** DEPARTMENT OF REVENUE. (a) Section 36, ch. 43, SLA 2010, is amended to read:

Sec. 36. DEPARTMENT OF REVENUE. The amount necessary for the purpose, estimated to be $4,766,400, is appropriated from the general fund to the Department of Revenue, State Bond Committee, to pay expenses incident to the sale and issuance of general obligation bonds for library, education, and educational research facilities for the fiscal **years** [YEAR] ending June 30, 2011**, June 30, 2012, and June 30, 2013**.

(b) Section 13(b), ch. 14, SLA 2009, is amended to read:

(b) Section 9, ch. 1, 4SSLA 2008, is amended by adding a new subsection to read:

(c) The appropriation made in sec. 1(b)**, ch. 1, 4SSLA 2008, as amended by sec. 13(a), ch. 14, SLA 2009, lapses June 30, 2011** [OF THIS ACT DOES NOT LAPSE].

*** Sec. 14.** DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES. The unexpended and unobligated balances, not to exceed $4,000,000, of the appropriations made in sec. 22(a) and (b), ch. 41, SLA 2010 (Office of the Governor, distribution to state agencies to offset increased fuel and utility costs) and allocated to the Department of Transportation and Public Facilities under sec. 22(d)(1), ch. 41, SLA 2010, are reappropriated to the Department of Transportation and Public Facilities for Alaska marine highway system vessel and terminal overhaul and rehabilitation.

*** Sec. 15.** FUND CAPITALIZATION. The unexpended and unobligated balance on the effective date of this section of the income assets of the Alaska children's trust fund (AS 37.14.200(a)), estimated to be $204,000, is appropriated to the Alaska children's trust fund grant account (AS 37.14.205(a)) for the purposes allowed by AS 37.14.205(b).

*** Sec. 16.** STATE DEBT AND OTHER OBLIGATIONS. Section 32(n), ch. 41, SLA 2010, is amended to read:

(n) The sum of $50,047,900 is appropriated to the state bond committee for payment of debt service and [TRUSTEE] fees on outstanding international airports revenue bonds for the fiscal year ending June 30, 2011, from the following sources in the amounts stated:

SOURCE	AMOUNT
International Airports Revenue Fund	**$44,640,292**
(AS 37.15.430(a))	[$46,847,900]
Passenger facility charge	**5,200,000**
	[3,200,000]
Build America Bonds interest subsidy receipts	**207,608**

*** Sec. 17.** RATIFICATIONS OF CERTAIN EXPENDITURES. (a) The expenditures by the Department of Natural Resources for fire suppression for the fiscal year ending June 30, 2010, (AR 37313-10 Fire General Fund) are ratified in the amount of $23,458,478.12.

(b) The expenditures by the Department of Public Safety for highway safety for the fiscal year ending June 30, 2010, (AR 47834-10 Bureau of Highway Patrol RSA with DOT/PF) are ratified in the amount of $18,407.80 to reverse the negative account balance in the Alaska state accounting system in the amount listed for the AR number. The appropriation from which those expenditures were actually paid is amended by increasing the appropriation by $18,407.80.

*** Sec. 18.** STATUTORY BUDGET RESERVE FUND. The unobligated balance of the operating general fund (state accounting system fund number 11100) at the close of business on June 30, 2011, is appropriated to the budget reserve fund (AS 37.05.540(a)).

*** Sec. 19.** LAPSE. (a) The appropriation made in sec. 14 of this Act is for a capital project and lapses under AS 37.25.020.

(b) The appropriations made in secs. 15 and 18 of this Act are for the capitalization of

funds and do not lapse.

*** Sec. 20.** CONTINGENCY. The appropriation made in sec. 9 of this Act is contingent on passage by the Twenty-Seventh Alaska State Legislature in the First Regular Session and enactment into law of a version of HB 13.

*** Sec. 21.** This Act takes effect May 17, 2011.

Senate Slow Track Supplemental
April 19, 2011

	Gov Sec. No.	Department	Component or Capital	Description of Supplemental Need	Governor Supplemental Request						Senate Slow Track Supplemental					
					UGF	DGF	Other	Fed	Fund Source	Total Funds	UGF	DGF	Other	Fed	Fund Source	Total Funds
				Grand Total (excluding ratifications)	**54,655.1**	**(7,629.7)**	**19,409.9**	**90,290.8**		**156,726.1**	**53,783.6**	**(9,278.4)**	**19,389.9**	**71,151.6**	**0.0**	**135,046.7**
1	1	Administration	Administrative Hearings	Increase program receipts authority to allow agency to retain receipts collected from school districts, municipalities and other government entities for hearing officers and related work performed under current statutes. Without this authority to retain the receipts, the agency will be short funded and rates charged to other State agencies will remain higher than necessary. A similar request is in the FY2012 Governor budget.		50.0			GF/PR	50.0		50.0			GF/PR	50.0
2	1	Administration	Retirement and Benefits	A net-zero fund source reallocation is necessary based on the Retirement and Benefits cost allocation plan. This request will adjust the authorization levels for the Teachers Retirement System, the Judicial Retirement System, the National Guard and Naval Militia Retirement System and the Benefits System Receipts appropriations. A similar request is in the FY2012 Governor budget.					(100.0) Ben Sys 150.0 TRS (25.0) Jud Retire (25.0) Nat Guard	0.0					(100.0) Ben Sys 150.0 TRS (25.0) Jud Retire (25.0) Nat Guard	0.0
3	1	Administration	Office of Public Advocacy	This request will allow Office of Public Advocacy to receive and expend fees collected from clients for client services. These additional funds will be used for continued Guardianship programs. A similar request is in the FY2012 Governor budget.			110.0		SDPR	110.0			110.0		SDPR	110.0
4	1	Administration	Office of Public Advocacy	Increase operational caseload costs. The Office of Public Advocacy's (OPA) criminal case assignments increased by 35% and the agency's Child in Need of Aide (CINA) parental representation assignments increased by 39%. To date, the agency has continued to experience caseload increases. The need for a supplemental is attributable to the contractual case costs. The majority of these costs are for services provided in Public Defender Agency conflict cases. The impact of this request is being considered for a FY2012 budget amendment.	900.0					900.0	900.0					900.0
5	1	Administration	Public Defender Agency	Increased Operational Caseload Costs. The Public Defender Agency has experienced consistent caseload increases in all areas in the past several years. Additional funding is needed for unanticipated contract expenses for ongoing efforts to address backlog of appellate matters. The impact of this request is being considered for a FY2012 budget amendment.	300.0					300.0	300.0					300.0
6	1	Commerce, Community and Economic Development	AIDEA	System acquisition and development of software to track, monitor and report AIDEA program activities. This will assist AIDEA in making effective and timely decisions in regard to investments in loan and project development programs. This is a one-time increment.			110.0		AIDEA Rcpts	110.0			110.0		AIDEA Rcpts	110.0

Senate Slow Track Supplemental
April 19, 2011

	Gov Sec. No.	Department	Component or Capital	Description of Supplemental Need	Governor Supplemental Request						Senate Slow Track Supplemental					
					UGF	DGF	Other	Fed	Fund Source	Total Funds	UGF	DGF	Other	Fed	Fund Source	Total Funds
7	1	Commerce, Community and Economic Development	Alaska Seafood Marketing Institute	The Department of Administration, Division of Finance made a change to the ASMI financial statement presentation to address an audit issue in compliance with government accounting standards and maintain the State of Alaska's certificate of excellence for the Comprehensive Annual Financial Report. This change resulted in a cash flow issue for ASMI as the assessments that support a substantial portion of ASMI's budget are not collected until fiscal year end. To address the cash flow issue in the current year, and avoid a 50% reduction in ASMI domestic marketing activity for FY2011, this one-time adjustment will address the cash flow issue and allow ASMI to push forward industry assessments for spending in the next fiscal year. This will allow ASMI to budget based on actual receipts from the prior year and cash on hand.	6,400.0	(6,400.0)			GF/PR	0.0	6,400.0	(8,054.1)			GF/PR	(1,654.1)
8	1	Corrections	Out-of-State Contractual	Colorado contract increase from 900 to 1,000 beds due to continued inmate population growth - The out-of-state prisoner population was over 970 at the end of December 2010 and in-state population continues to average 100% of maximum capacity.	332.5					332.5	332.5					332.5
9	1	Corrections	Institution Director's Office	Personal services and commodities shortfalls due to continued inmate population growth - Daily average population through the end of December 2010 was 3,826 or 48 above the maximum daily capacity of 3,778, driving an increase in necessary correctional officer overtime, and an increased costs for food, clothing, bedding, etc. The impact of this is being considered for an FY2012 budget amendment.	3,504.4					3,504.4	3,171.9					3,171.9
10	1	Corrections	Institution Director's Office	ACOA arbitration agreement costs - Original calculations of the authority needed to fund the monetary terms of the ACOA bargaining agreement were not sufficient for FY2011. This funding is needed to cover personal services costs for existing correctional officers.	439.4				all	439.4	439.4				all	439.4
11	1	Corrections	Wildwood Correctional Center	The 64-bed expansion is delayed due to conversion of Building 15. These beds will be available in FY2012.	(498.0)	(8.0)			GF/PR	(506.0)	(498.0)	(8.0)			GF/PR	(506.0)
12	1	Corrections	Community Residential Centers	Community residential center contract increase - Contract amounts were increased based on several factors: the recent increase to the Consumer Price Index (CPI), an increase to the negotiated bed rate for Northstar and an increase in the number of contracted beds serving the Fairbanks area. The increase for CPI and negotiated bed rates are proposed in the FY2012 budget. The cost of the additional beds is being considered for an FY2012 amendment.	751.3					751.3	751.3					751.3
13	1	Corrections	Physical Health Care	Physical Health Care costs - The department is obligated to provide essential medical care to incarcerated individuals. Due to numerous position vacancies and staff absences, combined with 24/7 coverage requirements in most of the facilities, costs for premium pay and unbudgeted on-call non-permanent positions are in excess of available authority. Additionally, both the number and cost of catastrophic cases and other contracted services continues to rise. DOC is actively pursuing multiple cost containment measures, while continuing to meet standards of care for prison population. The impact of this supplemental will be considered for an FY2012 amendment.	4,011.5					4,011.5	4,011.5					4,011.5

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					UGF	DGF	Other	Fed	Fund Source	Total Funds	UGF	DGF	Other	Fed	Fund Source	Total Funds
14	1	Environmental Conservation	State Support Services	Increased lease costs for the Juneau office building. Statewide, lease costs for the department have increased 87% over the past seven years. The department has taken cost cutting measures to cover increased lease costs, but cannot absorb this increase that was brought to their attention late in December 2010. There is an increase for lease costs included in the FY2012 Governor's budget for the Anchorage office building. An increase for the Juneau office building is also being considered for an FY2012 amendment.		33.6	11.1	43.1	18.7 Oil/Haz Fd 11.1 Clean Air 3.4 CPVE 11.5 Ocn Rngr	87.8		33.6	11.1	43.1	18.7 Oil/Haz Fd 11.1 Clean Air 3.4 CPVE 11.5 Ocn Rngr	87.8
15	1	Fish and Game	Wildlife Conservation Special Projects	Increase Statutory Designated Program Receipts (SDPR) authority to a) accept a $236.0 grant from the National Fish and Wildlife Foundation (NFWF) for Phase 2 of the following project: Reducing Conflicts Between Grizzly Bears and Oil Development; and b) accept a $100.0 contract from the Western Governors' Association to identify, prioritize, and display in geographical information system (GIS) format, crucial wildlife habitats and corridors in the state of Alaska. Receipt of these funds were not anticipated when the FY2011 budget was prepared. It is anticipated that these projects will be completed in FY2011. Sufficient SDPR authority exists should the projects continue into FY2012.			336.0		336.0 SDPR	336.0			336.0		336.0 SDPR	336.0
16	1	Health and Social Services	Foster Care Base Rate	Increase federal economic stimulus funding authority (ARRA) to receivable levels claimed for foster care assistance available through Title IV-E of the Social Security Act. Federal reimbursement of foster care expenses fluctuate depending on the number of children eligible for assistance. The economic stimulus funding (ARRA) will not be available in FY2012 and is not included in the FY2012 budget.				120.0		120.0				120.0		120.0
17	1	Health and Social Services	Foster Care Augmented Rate	Increase federal economic stimulus funding authority (ARRA) to receivable levels claimed for foster care assistance available through Title IV-E of the Social Security Act. Federal reimbursement of foster care expenses fluctuate depending on the number of children eligible for assistance. The economic stimulus funding (ARRA) will not be available in FY2012 and is not included in the FY2012 budget.				100.0		100.0				100.0		100.0
18	1	Health and Social Services	Subsidized Adoptions/Guardians	Increase federal economic stimulus funding authority (ARRA) to receivable levels claimed for foster care and adoption assistance available through Title IV-E of the Social Security Act. Federal reimbursement of adoption expenses fluctuate depending on the number of children eligible for assistance. The economic stimulus funding (ARRA) will not be available in FY2012 and is not included in the FY2012 budget.				260.0		260.0				260.0		260.0
19	1	Health and Social Services	McLaughlin Youth Center	Funding for increased medical costs for youth. The division has experienced unanticipated medical costs, which include one cancer and one cardiac case. If this supplemental request is not approved, the division will have to cut other programs, i.e., probation services, community programs or youth courts to fund this gap.	450.0					450.0	450.0					450.0
20	1	Health and Social Services	McLaughlin Youth Center	Division of Juvenile Justice has experienced very little turnover and few vacancies since the beginning of the fiscal year and higher than anticipated premium pay costs . During the first five months of the fiscal year, McLaughlin Youth Center had very few vacancies; some components had no vacancies. A $500.0 increase is included in the FY2012 budget.	500.0					500.0	500.0					500.0

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	Gov Sec. No.	Department	Component or Capital	Description of Supplemental Need	UGF	DGF	Other	Fed	Fund Source	Total Funds	UGF	DGF	Other	Fed	Fund Source	Total Funds
21	1	Health and Social Services	Alaska Temporary Assistance Program (ATAP)	Additional federal authority is needed to receive the full funding anticipated to be available under the Temporary Assistance for Needy Families block grant. An increase is being considered in the FY2012 Governor Amended budget.				4,500.0		4,500.0				4,500.0		4,500.0
22	1	Health and Social Services	General Relief Assistance	A 6.3% increase in expenditure growth is projected for FY2011, which results in a shortfall of $250.0. The cost of the program has grown due to a significant increase in the number of burials and increased demand for assistance for emergency services as the result of economic changes. Currently, 91% of program expenditures are used to pay for funeral and burial expenses. A $250.0 increase is included in the FY2012 budget.	250.0					250.0	250.0					250.0
23	1	Health and Social Services	Senior Benefits Payment Program	In FY2011, a 10% increase in expenditures is projected due to caseload growth , which results in a shortfall of $1.3 million. The program has grown significantly as outreach efforts have made more seniors aware of these benefits. The increase for FY2012 is included in a Fiscal Note to legislation extending the Senior Benefits Payment Program.	1,300.0					1,300.0	1,300.0					1,300.0
24	1	Health and Social Services	Energy Assistance Program	Additional federal funding is anticipated to be distributed to the state for FY2011. $2.5 million in federal authority is needed to receive the full anticipated federal allocation for the Low Income Home Energy Assistance Program (LIHEAP). An increase is being considered in the FY2012 Governor Amended budget.				2,500.0		2,500.0				2,500.0		2,500.0
25	1	Health and Social Services	Public Assistance Admin	During the 2009 legislative session, $462,000 in ARRA funds were appropriated for administrative costs associated with increased caseloads and improved benefit processing efficiency. DPA was awarded $464,060 in ARRA for the SNAP program. The division will need an additional $2.1 in ARRA authorization to use the full amount of the federal award. The economic stimulus funding (ARRA) will not be available in FY2012 and is not included in the FY2012 budget.				2.1		2.1				2.1		2.1
26	1	Health and Social Services	Public Assistance Field Svcs	Increased funding is requested to fully implement the salary changes resulting from the recently completed Eligibility Technician class study. The salary analysis based on the study has resulted in range and step increases for approximately 60 positions. A $700.0 increase is included in the FY2012 budget.	300.0			300.0		600.0	300.0			300.0		600.0
27	1	Health and Social Services	Nursing	Federal funds budgeted for positions are uncollectible. This request will maintain the vacancy rate at 12.5%. The division has been able to stay within budget during recent years due to difficulty recruiting nurses, which has resulted in a high vacancy rate. Recent efforts to strengthen recruitment of public health nurses resulted in a decreased vacancy rate from 16% in July of 2006 to 11% in May of 2010. If this request is not approved, the division will need to maintain a 17% vacancy rate, which will require layoffs, closing of health centers, and reduced visits to villages. A $1,000.0 increase is included in the FY12 budget and additional funding is being considered in the FY2012 Governor Amended budget.	1,750.0					1,750.0	1,750.0					1,750.0

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	Gov Sec. No.	Department	Component or Capital	Description of Supplemental Need	UGF	DGF	Other	Fed	Fund Source	Total Funds	UGF	DGF	Other	Fed	Fund Source	Total Funds
28	1	Health and Social Services	State Medical Examiner	Reforms, begun in FY2010, helped stabilize funding for an increased caseload. However, actual cost increases exceeded estimates, resulting in a $300.0 projected shortfall for FY2011. The number of cases under the Medical Examiner's Office jurisdiction increased 28% from FY2009 to FY2010. Of the 3,300 deaths reported in Alaska during FY2010, the Medical Examiner's Office took jurisdiction in 60% of the cases (1,989), up from 46% in FY2009 (1,556/3,362). The number of cases examined or autopsied doubled from 377 (24%) to 754 (38%) cases. This trend is expected to continue. A $500.0 increase is included in the FY2012 budget.	300.0					300.0	300.0					300.0
29	1	Health and Social Services	Public Health Laboratories	During the past five years, the number of tests performed has nearly doubled from 77,000 to over 148,000. The complexity and cost of these tests have increased exponentially while the budget has remained stable. Additionally, overhead costs have increased more than 25% during the same period. Without additional funding, vital and life-saving testing, such as for tuberculosis, hepatitis, botulism, and rabies, may have to be curtailed or eliminated. A $100.0 increase was included in the FY2012 budget. Additional funding is being considered for an FY2012 amendment.	200.0					200.0	200.0					200.0
30	1	Health and Social Services	Gen'l Relief/Temp Assisted Living	The average cost per recipient in FY2009, for 898 unique recipients, was $7,058. In FY2010, an average of 494 individuals monthly and 961 unique individuals were served at an average expenditure of $7,447 per individual. The division anticipates serving on average minimum of 510 clients monthly during FY2011. The increased utilization is due to longer lengths of stay and higher compensation to providers necessitated by increased medical and behavioral needs of recipients. An increase is being considered in the FY2012 Governor Amended budget.	825.0					825.0	825.0					825.0
31	1	Health and Social Services	Senior/Disabilities Svcs Admin	Increased costs will be incurred to comply with the Centers for Medicare and Medicaid Services (CMS) approved Corrective Action Plan (CAP). The sweeping multi-faceted plan requires diverse expenditures: non-permanent staff to eliminate a significant assessment backlog, travel to complete required assessments, contractual costs for modifying the management information system, and additional supplies and equipment used by the additional employees. Without this funding, required work will not be performed, participants will be at risk, and new applicants will not be able to access the system. Non-compliance with federal requirements may result in non-renewal of waivers and civil litigation. An increase of $1,250.0 is included in the FY2012 budget.	1,400.0					1,400.0	1,400.0					1,400.0
32	1	Health and Social Services	Behavioral Hlth Medicaid Svcs	Growth in projected costs are due to the increases in enrollment and spending over the past eight months. Enrollment has increased 8.3%, from 103,802 in December 2009 to 112,440 in December 2010. Spending during FY2010 was at the upper end of the estimates, so the 2011 projections have increased to reflect this higher baseline. Projected spending for 2011 is 10.6% more than spending in 2010. Spending grew by 10.7% from 2009 to 2010. Projected increases have been included in the FY2012 budget.	556.4			4,061.1		4,617.5	556.4			4,061.1		4,617.5

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					UGF	DGF	Other	Fed	Fund Source	Total Funds	UGF	DGF	Other	Fed	Fund Source	Total Funds
33	1	Health and Social Services	Adult Prev Dental Medicaid Svcs	Growth in projected costs are due to the increases in enrollment and spending over the past eight months. Enrollment has increased 8.3%, from 103,802 in December 2009 to 112,440 in December 2010. Spending increased by 24.5% when comparing the first half of FY10 to the first half of FY11. Projected increases have been included in the FY2012 budget.	72.1			141.9		214.0	72.1			141.9		214.0
34	1	Health and Social Services	Health Care Medicaid Services	Growth in projected costs are due to the increases in enrollment and spending over the past eight months. Enrollment has increased 8.3%, from 103,802 in December 2009 to 112,440 in December 2010. In addition, spending during FY2010 was at the upper end of the estimates, so the 2011 projections have increased to reflect this higher baseline. Projected spending for 2011 is 8.0% more than spending in 2010. Spending grew by 15.2% from 2009 to 2010. Projected increases have been included in the FY2012 budget.	4,296.1			20,312.2		24,608.3	4,296.1			20,312.2		24,608.3
35	1	Health and Social Services	Senior/Disabilities Medicaid Svc	Growth in projected costs are due to the increases in enrollment and spending over the past eight months. Enrollment has increased 8.3%, from 103,802 in December 2009 to 112,440 in December 2010. In addition, spending during FY2010 was at the upper end of the estimates, so the 2011 projections have increased to reflect this higher baseline. Projected spending for 2011 is 16.7% more than spending in 2010. Spending grew by 14.6% from 2009 to 2010. Projected increases have been included in the FY2012 budget.	4,982.1			15,270.3		20,252.4	4,982.1			15,270.3		20,252.4
36	1	Health and Social Services	Senior/Disabilities Medicaid Svc	Increase funding to implement the new rate methodology for reimbursing providers for Medicaid Home and Community Based Services. A change to the rate system was advocated by the legislature, provider community, recipients and their advocates. Implementation of the new rate system is scheduled for March 1, 2011. $14,000.0 has been included in the FY2012 budget.	1,473.2			2,046.8		3,520.0	1,473.2			2,046.8		3,520.0
37	1	Labor and Workforce Development	AVTEC	Increases the FY2011 statutory designated authorization for Cook Inlet Tribal Council Health Professions Grant that is needed to support health professionals training program expenses. $300.0 in SD/PR is included in the FY2012 budget.			100.0		SDPR	100.0			100.0		SDPR	100.0
38	1	Law	Third JD: Outside Anchorage	Kenai prosecuting district attorneys - Two attorney positions were added in FY2011 with 75% funding approved, based on an assumption that hiring would take some time. The department was able to successfully recruit and fill these positions on 8/2/2010 and 9/1/2010. Full funding for these positions is included in the FY2012 budget.	50.0					50.0	50.0					50.0
39	1	Law	Dep. Attorney General's Office	Legal analysis and litigation on items not anticipated in the FY2011 budget - election matters, public record requests, Planned Parenthood, Nikishka Beach road access, and citation and regulatory changes	705.3					705.3	705.3					705.3
40	1	Law	Environmental Law	Nunamta v. State/Pebble Limited Partnership - Plaintiffs allege that the State committed constitutional violations around authorization of temporary land and water use during mineral exploration activities. Interagency Receipts are from the Department of Natural Resources for ongoing efforts related to this case.			300.0		I/A Rcpts	300.0			300.0		I/A Rcpts	300.0

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41	1	Natural Resources	Mining and Land Development	Litigation support to defend the permitting process on State land - To cover the costs of defending the state's permitting and planning process against litigation related to multiple projects, but centered on the Pebble Project. There is $500.0 included in the FY2012 budget.	328.2					328.2	328.2					328.2
42	1	Natural Resources	Land Acquisition and Title Defense	Oversight of Federal Land Transfers including Native Allotments and ANCSA Conveyances Federal funding from BLM which has paid for these services was eliminated due to federal budget cuts for federal fiscal year 2011. Funding is included in the FY2012 budget.	41.7					41.7	41.7					41.7
43	1	Natural Resources	Water Development	Permitting Water Use Applications Unrealizable federal and CIP funding authorization combined with program receipts not covering the cost of issuing water applications have caused a funding shortfall. This increment will help hire a vacant position to work on the backlog of permit applications. The FY2012 Governor's budget includes a $275.0 fund source change for this program.	22.0					22.0	22.0					22.0
44	1	Natural Resources	Mental Health Trust Lands Administration	Personal Services Costs The Trust Lands Office is vital to the funding of programs and services provided to Mental Health Trust beneficiaries; without adequate staffing, the lands cannot be managed to their fullest potential, which can result in reduced funding for the Trust. The Alaska Mental Health Board of Trustees approved a supplemental request in order to fund cost increases in personal services for the Executive Director, the Deputy Director and to fund a vacant half time position to continue work on the Southeast Land Exchange between the Trust and the U.S. Forest Service. Additional funding is being considered for an FY2012 amendment.			95.0		MHTAAR	95.0			75.0		MHTAAR	75.0
45	1	Natural Resources	RS 2477/Navigability Assertions and Litigation Support	Access Litigation and Recordable Disclaimer of Interest (RDI) Fees Increased costs for defending legal access to state lands and public trust rights, and increased number of cost recovery fees due to BLM with each recordable disclaimer of interest application. An FY2012 amendment is being considered for continuation of this request.	45.0					45.0	45.0					45.0
46	1	Natural Resources	Fire Suppression Activity	Fire Suppression Activity funding for firefighting activity during FY2011. Payment to BLM for their fire fighting efforts on state owned land in 2010 and for estimated costs to fight spring fires.	9,894.7					9,894.7	9,894.7					9,894.7
47	1	Public Safety	ABC Board	Volunteers of America compliance checks - The ABC Board will conduct compliance checks in coordination with Volunteers of America (VoA) youth members, and VoA has agreed to reimburse the wages of a Board investigator and the fees paid to the youths. Receipt authority is needed to accept these funds. This request will have no impact on FY2012.			15.0		SDPR	15.0			15.0		SDPR	15.0
48	1	Revenue	Child Support Services	Fund source change from federal receipts to federal incentive receipts due to the meeting or exceeding of federal performance standards during the prior federal fiscal year. This is a one-time request.				0.0	154.7 Fed Incent (154.7) Fed Repts	0.0				0.0	154.7 Fed Incent (154.7) Fed Repts	0.0

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49	1	Revenue	Permanent Fund Corporation	The Alaska Permanent Fund Corporation (APFC) requests a supplemental appropriation of $18,500.0 in Permanent Fund Receipts for additional investment management fees. Manager fees are calculated based on the market value of assets under management. In the FY12 budget, the Governor has proposed a language section appropriation so that the amount necessary for investment management fees will be available to cover manager fees.			18,500.0		Perm Fund Rcpts	18,500.0			18,500.0		Perm Fund Rcpts	18,500.0
50	1	Transportation and Public Facilities	Measurement Standards & Commercial Vehicle Enforcement	Correct the fund source for an Administrative Assistant II position in alignment with the fund code classification project. A fund source change is included in the FY2012 budget.		(68.4)	68.4		(68.4) GF/PR 68.4 UCR Rcpts	0.0		(68.4)	68.4		(68.4) GF/PR 68.4 UCR Rcpts	0.0
51	1	Transportation and Public Facilities	State Equipment Fleet	Increased costs related to credit card payments for fuel, parts, freight, and travel costs. These increased costs are all directly related to the price of fuel, which is compounded by the difficulties of maintaining equipment in rural communities. The FY2012 budget includes SEF increases of $2,890.0 in DOTPF regions.			500.0		Hwy Capital	500.0			500.0		Hwy Capital	500.0
52	1	Transportation and Public Facilities	Central Region Facilities	Repair of a failed septic system at the North Kenai Maintenance Station. This is a one-time request.	89.1					89.1	89.1					89.1
53	1	Transportation and Public Facilities	Northern Region Facilities	State Equipment Fleet equipment elevator repair. The Dept. of Labor, Mechanical Inspection Section, required that the single bottom hydraulic elevator cylinder needed to be replaced with a double bottom safety bulkhead cylinder design. This is a one-time request.	120.0					120.0	120.0					120.0
54	1	Transportation and Public Facilities	Northern Region Highways and Aviation	Fairbanks area ice storm additional operating and overtime costs. This is a one-time request.	431.1					431.1	431.1					431.1
55	1	University of Alaska	Anchorage Campus	Additional FY2011 Federal Receipt Authority to accept increase in Pell Grants. The FY2012 budget includes $3,520.0 for federal Pell Grants. Additional funding is being considered in the FY2012 Governor amendments.				4,500.0		4,500.0				4,500.0		4,500.0
56	6	Administration	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	(104.1)	84.5	(49.3)	0.0	86.2 GF/PR (13.3) Ben Sys (.6) FICA (21.1) PERS (8.8) TRS (.7) GF/MH (.1) Jud Retire (.4) Nat Guard (1.6) CIP Rcpts (3.1) Pub	(68.9)	(104.1)	84.5	(49.3)	0.0	86.2 GF/PR (13.3) Ben Sys (.6) FICA (21.1) PERS (8.8) TRS (.7) GF/MH (.1) Jud Retire (.4) Nat Guard (1.6) CIP Rcpts (3.1) Pub Bldg (1.7) AOGCC (.03) I/A Rcpts	(68.9)
57	6	Commerce, Community and Economic Development	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	(27.5)	(70.6)	(20.7)	(3.4)	(7.5) GF/PR (15.6) I/A Rcpts (16.6) ComFishLn (5.1) CIP Rcpts (1.7) FishEnLn (19.4) RCA Rcpts (24.9) RSS (.3) RDIF (.2)Small Bus	(122.2)	(27.5)	(70.6)	(20.7)	(3.4)	(7.5) GF/PR (15.6) I/A Rcpts (16.6) ComFishLn (5.1) CIP Rcpts (1.7) FishEnLn (19.4) RCA Rcpts (24.9) RSS (.3) RDIF (.2)Small Bus	(122.2)

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					UGF	DGF	Other	Fed	Fund Source	Total Funds	UGF	DGF	Other	Fed	Fund Source	Total Funds
58	6	Corrections	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	(264.2)			(7.7)		(271.9)	(264.2)			(7.7)		(271.9)
59	6	Education and Early Development	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	(51.6)	(1.8)	(4.0)	(11.2)	(1.8) GF/PR (4.0) I/A Rcpts	(68.6)	(51.6)	(1.8)	(4.0)	(11.2)	(1.8) GF/PR (4.0) I/A Rcpts	(68.6)
60	6	Environmental Conservation	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	(21.3)	(97.9)	(33.6)	2.2	1.8 GF Match (30.8) GF/PR (7.2) I/A Rcpts (61.9) Oil/Haz Fd (16.0) CIP Rcpts (.2) Clean Wtr (10.2) Clean Air (3.8) CPVE	(150.6)	(21.3)	(97.9)	(33.6)	2.2	1.8 GF Match (30.8) GF/PR (7.2) I/A Rcpts (61.9) Oil/Haz Fd (16.0) CIP Rcpts (.2) Clean Wtr (10.2) Clean Air (3.8) CPVE (1.4) Ocn Rngr	(150.6)
61	6	Fish and Game	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	11.1	1.5	(93.5)	(145.4)	4.2 GF Match 1.5 GF/PR (.5) I/A Rcpts (.4) EVOSS (.5) Fish/Game (59.1) CIP Rcpts (33.0) SDPR	(226.3)	11.1	1.5	(93.5)	(145.4)	4.2 GF Match 1.5 GF/PR (.5) I/A Rcpts (.4) EVOSS (.5) Fish/Game (59.1) CIP Rcpts (33.0) SDPR	(226.3)
62	6	Health and Social Services	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	(623.8)	(26.7)	(34.3)	(294.0)	(19.4) I/A Rcpts (9.5) CIP Rcpts 1.3 MHTAAR (6.7) SDPR	(978.8)	(623.8)	(26.7)	(34.3)	(294.0)	(19.4) I/A Rcpts (9.5) CIP Rcpts 1.3 MHTAAR (6.7) SDPR	(978.8)
63	6	Labor and Workforce Development	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	(26.5)	(23.1)	(44.0)	(167.2)	(.2) GFPR (43.5) I/A Rcpts (.9) Sec Injury (.8) Fish Fund (2.7) Trng Bldg (3.2) Empl Trng (.5) SDPR (1.8) VoTech (9.8) Workers Safe (3.7) Bldg Safe	(260.8)	(26.5)	(23.1)	(44.0)	(167.2)	(.2) GFPR (43.5) I/A Rcpts (.9) Sec Injury (.8) Fish Fund (2.7) Trng Bldg (3.2) Empl Trng (.5) SDPR (1.8) VoTech (9.8) Workers Safe (3.7) Bldg Safe	(260.8)
64	6	Law	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	(42.7)	(4.1)	(1.0)		(1.4) GF/PR (1.0) I/A Rcpts (2.7) RCA Rcpts	(47.8)	(42.7)	(4.1)	(1.0)		(1.4) GF/PR (1.0) I/A Rcpts (2.7) RCA Rcpts	(47.8)
65	6	Law	Department-wide	Correct Unrealizable Fund Sources in the FY2011 Non-Covered Year 1 Salary Increases Requested fund source changes for unrealizable fund sources for the Dept. of Law's non-covered salary increases (HB 421, CH 56) were inadvertently not submitted for approval. This corrects the error.	217.2		(217.2)		(210.0) I/A Rcpts (7.2) Oil/Haz Fd	0.0	217.2		(217.2)		(210.0) I/A Rcpts (7.2) Oil/Haz Fd	0.0

Senate Slow Track Supplemental
April 19, 2011

	Gov Sec. No.	Department	Component or Capital	Description of Supplemental Need	Governor Supplemental Request						Senate Slow Track Supplemental					
					UGF	DGF	Other	Fed	Fund Source	Total Funds	UGF	DGF	Other	Fed	Fund Source	Total Funds
66	6	Military and Veterans Affairs	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	(16.2)	0.0	(18.5)	(39.3)	(2.8) I/A Rcpts (15.7) CIP Rcpts	(74.0)	(16.2)	0.0	(18.5)	(39.3)	(2.8) I/A Rcpts (15.7) CIP Rcpts	(74.0)
67	6	Natural Resources	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	128.9	76.2	66.1	27.1	37.0 GF/PR 18.4 I/A Rcpts 8.1 Ag Loan .4 Oil/Haz Fd 28.5 CIP Rcpts 9.2 Perm Fund Rcpts 9.6 SDPR 29.0 LDIF 2.1 Timber	298.3	128.9	76.2	66.1	27.1	37.0 GF/PR 18.4 I/A Rcpts 8.1 Ag Loan .4 Oil/Haz Fd 28.5 CIP Rcpts 9.2 Perm Fund Rcpts 9.6 SDPR 29.0 LDIF 2.1 Timber	298.3
68	6	Public Safety	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	(162.5)	(9.8)	(0.2)	(0.1)	(9.8) GF/PR (.1) I/A Rcpts (.1) CIP Rcpts	(172.6)	(162.5)	(9.8)	(0.2)	(0.1)	(9.8) GF/PR (.1) I/A Rcpts (.1) CIP Rcpts	(172.6)
69	6	Revenue	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	(76.1)	(23.6)	(8.4)	(40.0)	(3.6) GF/PR (.1) PCE Endow (7.6) I/A Rcpts (.4) GF/MH (19.8) PFD Fund (.1) Pub School (.8) Perm Fund Rcpts (.1) PCE	(148.1)	(76.1)	(23.6)	(8.4)	(40.0)	(3.6) GF/PR (.1) PCE Endow (7.6) I/A Rcpts (.4) GF/MH (19.8) PFD Fund (.1) Pub School (.8) Perm Fund Rcpts (.1) PCE	(148.1)
70	6	Transportation and Public Facilities	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	(92.4)	(70.5)	(69.4)	(0.6)	(6.9) GF/PR (2.0) I/A Rcpts (21.6) Hwy Capital (47.9) Int Airport .1 CIP Rcpts (63.6) Marine Highway (.1) SDPR 2.1 Whit Tunnel	(232.9)	(92.4)	(70.5)	(69.4)	(0.6)	(6.9) GF/PR (2.0) I/A Rcpts (21.6) Hwy Capital (47.9) Int Airport .1 CIP Rcpts (63.6) Marine Highway (.1) SDPR 2.1 Whit Tunnel	(232.9)
71		Multiple Agencies	Multiple **$266.7 was added to DOR's Tax Division.**	Negative supplementals added by the legislature						0.0	(1,170.7)	(219.6)	0.0	(102.7)		(1,493.0)
72		Education and Early Development	Education Support Services	**3/17 AMD: New request.** Increased costs for legal services provided by the Department of Law for ongoing cases.	200.0					200.0	200.0					200.0
73	1	Law	Oil, Gas and Mining **Governor's original funding request was accepted.**	Oil, gas and mining legal cases - Timing of legal cases and securing the necessary experts and outside counsel to support the state's position is difficult to predict. Shortfalls are anticipated in the Strategic Reconfiguration case, and connected to oil and gas royalty issues and TAPS property tax proceedings. Continued funding for these cases and others are included in an FY2012 $5 million capital request.	3,870.0					3,870.0	3,870.0					3,870.0

Senate Slow Track Supplemental
April 19, 2011

	Gov Sec. No.	Department	Component or Capital	Description of Supplemental Need	Governor Supplemental Request UGF	DGF	Other	Fed	Fund Source	Total Funds	Senate Slow Track Supplemental UGF	DGF	Other	Fed	Fund Source	Total Funds
74	1	Transportation and Public Facilities	Whittier Access and Tunnel **Governor's 3/17 amendment was added.**	Tunnel operations are funded in large part through tunnel fees. This request will be based on the current hours of operation and cover a shortfall in revenue based on projected cruise ship dockings. The FY2012 budget includes an increase of $64.0 GF. **3/17 AMD:** An additional $373.9 is requested (in addition to the $39.9 originally requested), to cover the FY11 shortfall for the Whittier Access and Tunnel that occurred due to declining toll revenues.	413.8					413.8	413.8					413.8
75		Health and Social Services	Various Medicaid Services Allocations	Cover Medicaid Services Encounter Settlement payments generated through the Indian Health Services agencies.						0.0	0.0	0.0	0.0	32,450.0		32,450.0
				OPERATING TOTALS (#s Section)	**50,005.2**	**(6,504.7)**	**19,617.5**	**53,477.9**	**0.0**	**116,595.9**	**48,352.0**	**(8,432.4)**	**19,597.5**	**85,825.2**	**0.0**	**145,342.3**
CAPITAL APPROPRIATIONS																
76	3	Commerce, Community and Economic Development	Capital	Alaska Native Arts Foundation - Alaska Native Arts Marketing Grant- One time appropriation for grant to named recipient for marketing Alaska Native art.	300.0					300.0	300.0	0.0				300.0
77	3	Commerce, Community and Economic Development	Capital	Inter-Island Ferry Authority - One time appropriation to named recipient to maintain transportation service between Ketchikan and Prince of Wales Island for the rest of FY2011.	350.0					350.0	350.0					350.0
				CAPITAL TOTALS (#s Section)	**3,713.3**	**0.0**	**0.0**	**51,436.5**	**0.0**	**55,149.8**	**650.0**	**0.0**	**0.0**	**0.0**	**0.0**	**650.0**
LANGUAGE																
78	9	Environmental Conservation	Capital	Amend Section 4, ch. 30, SLA 2007, page 89, line 33 through page 90, line 4. The Comprehensive Oil and Gas Infrastructure Risk Assessment Phase I project is reduced from $5,000,000 to $2,750,000, as this is the amount needed to complete the project due to a change in scope and in the methodology employed. As a result, the study was confined to the North Slope, and did not include the level of detail initially envisioned. The department is in the process of implementing the recommendations from the risk assessment done under the revised scope of the project.	(1,125.0)	(1,125.0)			(1,125.0) Oil/Haz Fd	(2,250.0)	(1,125.0)	(1,125.0)			(1,125.0) Oil/Haz Fd	(2,250.0)
79	10(a)	Health and Social Services	Medicaid Services	Amend Section 16(b), ch. 41, SLA 2010, known as the "FMAP Backstop", to preserve Medicaid payments if federal reimbursement at stimulus percentages are not received.	14,881.2			(14,881.2)		0.0	14,881.2			(14,881.2)		0.0
80	10(b)	Health and Social Services	Senior and Disabilities Services Administration	Legal settlement to Hope Community Resources, Inc. for reimbursement rates for home and community-based services for the fiscal year ending June 30, 2011.	167.1					167.1	167.1					167.1
81	10(c)	Health and Social Services	Commissioner's Office	Legal settlement to NANA Management Services for services related to a nursing home facility for the fiscal year ending June 30, 2011.	132.0					132.0	132.0					132.0
82	12(a)	Law	Deputy Attorney General's Office **Accepted all but $155.0 of the Governor's request.**	Actual judgment and settlement costs incurred in the fiscal year ending June 30, 2011 received as of January 31, 2011 **3/17 AMD:** Adds 3 cases to list totaling $167.0. ($241.2 was original request).	408.2					408.2	253.2					253.2
83	12(b)	Law	Deputy Attorney General's Office	Judgment and settlement costs incurred in the fiscal year ending June 30, 2011, but not included in the previous section						0.0						0.0

Senate Slow Track Supplemental
April 19, 2011

					Governor Supplemental Request						Senate Slow Track Supplemental					
	Gov Sec. No.	Department	Component or Capital	Description of Supplemental Need	UGF	DGF	Other	Fed	Fund Source	Total Funds	UGF	DGF	Other	Fed	Fund Source	Total Funds
84	13(a)	Natural Resources	Land Acquisition and Title Defense	Amend Section 12, ch. 2, FSSLA 1999 Extend Lapse Date to June 30, 2013 for appraisal of public school lands to determine the fair market value due to Kasayulie v. State, 3AN-97-3782						0.0						0.0
85	13(b)	Natural Resources	Land Acquisition and Title Defense	Amend Section 47(c), ch. 1, SSSLA 2002 Extend Lapse Date to June 30, 2013 for appraisal of public school lands to determine the fair market value due to Kasayulie v. State, 3AN-97-3782						0.0						0.0
86	13(c)	Natural Resources	Gas Pipeline Implementation	Amend Section 22(c), ch. 14, SLA 2009 Extend lapse date to June 30, 2012 State Gas Pipeline Right-of-Way						0.0						0.0
87	14(b)	Public Safety	Capital	Amend Section 1, ch. 43, SLA 2010, page 3, lines 8 - 9 reduces the Crime Lab Replacement project from $75,750.0 to $70,750 - the project construction is coming in under budget.	(5,000.0)					(5,000.0)	(5,000.0)					(5,000.0)
88	15	Revenue	Treasury	Amend Section 36, ch. 43, SLA 2010, to extend the term year for the expenses of issuing general obligation bonds approved by the voters through the fiscal year ending June 30, 2013.						0.0						0.0
89	16	Transportation and Public Facilities	Capital	Repeals $4,000.0 of the FY2011 fuel allocation for DOTPF and appropriates it to Alaska Marine Highway System for vessel and terminal overhaul and rehabilitation.						0.0						0.0
90	18	State Debt and Other Obligations	International Airports Revenue Bonds	Amend Section 32(n), ch. 41, SLA 2010 This allows the Alaska International Airport System to restructure debt payments to include additional passenger facility charge (PFC) revenue and Build America Bonds (BABS) interest subsidy receipts.			(207.6)	207.6	(2,207.6) Int Airport Revenue Fund 2,000.0 PFC 207.6 BABS interest subsidy receipts	0.0			(207.6)	207.6	(2,207.6) Int Airport Revenue Fund 2,000.0 PFC 207.6 BABS interest subsidy receipts	0.0
91	20	Budget Reserve Fund		The unobligated balance of the operating general fund at the close of business June 30, 2011, is appropriated to the Budget Reserve Fund.						0.0						0.0
92	21	Repealers		Section 1(b), ch. 1, 4SSLA 2008 is repealed June 30, 2011 This repeals the resource rebate contingency appropriation. All claims appear to be settled.	(4,526.9)					(4,526.9)	(4,526.9)					(4,526.9)
93	22(a)	Lapse of Appropriations		to						0.0						0.0
94	22(b)	Lapse of Appropriations		The appropriation made in Section 14 is for capitalization of a fund and do not lapse.						0.0						0.0
95	23	Retroactivity		Section 14 is retroactive to June 30, 2009.						0.0						0.0
96	24	Effective Date		The effective date of the balance of the act is **May 17, 2011.**						0.0						0.0

Senate Slow Track Supplemental
April 19, 2011

	Gov Sec. No.	Department	Component or Capital	Description of Supplemental Need	Governor Supplemental Request UGF	DGF	Other	Fed	Fund Source	Total Funds	Senate Slow Track Supplemental UGF	DGF	Other	Fed	Fund Source	Total Funds
97		Fund Capitalization	Alaska Children's Trust Grant Account	Appropriate unobligated funds of Alaska Children's Trust earnings account to the grant account for projects that protect child abuse and neglect in Alaska.						0.0		204.0				204.0
98		Labor and Workforce Development	Workers' Compensation	**Contingency language associated with HB 13 fiscal note** for establishment of the Workers' Compensation Medical Fee Schedule for FY11.								75.0				75.0
				LANGUAGE SECTION TOTALS	**936.6**	**(1,125.0)**	**(207.6)**	**(14,623.6)**	**0.0**	**(15,019.6)**	**4,781.6**	**(846.0)**	**(207.6)**	**(14,673.6)**	**0.0**	**(10,945.6)**
FUND TRANSFERS LANGUAGE																
99		Fund Transfers	Regional and Large Passenger Vessel Accounts	Transfer available balance of Regional Cruise Vessel Account (estimated to be $3.26 million) to Commercial Passenger Vessel Fund main account						0.0						0.0
100		Fund Transfers	Large Passenger Vessel Gambling and Gaming Tax Account	Replace gambling tax swept to CBR and CPV fund						0.0						0.0
101		Fund Transfers	Statutory Budget Reserve Fund	Deposit portion of anticipated FY11 surplus to the SBR.						0.0						0.0
102		Fund Transfers	Power Cost Equalization Endowment	Deposit portion of anticipated FY11 surplus to PCE Endowment to enable a payout of 5% to fully fund the PCE program.						0.0						0.0
103		Fund Transfers	AMHS Vessel Replacement Fund	Funding required for construction of an Alaska Class Vessel						0.0						0.0
				FUND TRANSFERS SECTION TOTALS	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Ratifications																
104	19	Ratifications (see below)		(See below)						0.0						0.0
105	19(a)	Natural Resources	Fire Suppression Activity	AR 37313-10 Fire General Fund	23,458,478.1					23,458,478.1	23,458,478.1					
106	19(b)	Public Safety	Bureau of Highway Patrol	AR 47834-10 RSA with DOT/PF	18,407.8					18,407.8	18,407.8					

Multi-year Agency Summary - FY 2012 Conf Comm Structure

Language

Agency	ID=> Budget=> Year=> Column=>	[1] Operating FY2012 Sen FT Sup	[2] Operating FY2012 Sen ST Sup	[2] - [1] Operating FY2012 Sen FT Su to Sen ST Su		[4] Capital FY2012 Sen FT Sup	[5] Capital FY2012 Sen ST Supp	[5] - [4] Capital FY2012 Sen FT Su to Sen ST Su		[7] FT Sup T	[8] ST Sup T	[8] - [7] FT Sup T to ST Sup T	
Agency Budgets													
Environmental Conservation		0.0	0.0	0.0		-2,250.0	-2,250.0	0.0		-2,250.0	-2,250.0	0.0	
Health & Social Services		299.1	299.1	0.0		0.0	0.0	0.0		299.1	299.1	0.0	
Labor & Workforce Dev		0.0	75.0	75.0	>999 %	0.0	0.0	0.0		0.0	75.0	75.0	>999 %
Public Safety		0.0	0.0	0.0		-5,000.0	-5,000.0	0.0		-5,000.0	-5,000.0	0.0	
Transportation		-4,000.0	-4,000.0	0.0		4,000.0	4,000.0	0.0		0.0	0.0	0.0	
Total		**-3,700.9**	**-3,625.9**	**75.0**	**-2.0 %**	**-3,250.0**	**-3,250.0**	**0.0**		**-6,950.9**	**-6,875.9**	**75.0**	**-1.1 %**
Statewide Items													
Debt Service		0.0	0.0	0.0		0.0	0.0	0.0		0.0	0.0	0.0	
Fund Capitalization		204.0	204.0	0.0		0.0	0.0	0.0		204.0	204.0	0.0	
Special Appropriations		-4,285.7	-4,273.7	12.0	-0.3 %	0.0	0.0	0.0		-4,285.7	-4,273.7	12.0	-0.3 %
Total		**-4,081.7**	**-4,069.7**	**12.0**	**-0.3 %**	**0.0**	**0.0**	**0.0**		**-4,081.7**	**-4,069.7**	**12.0**	**-0.3 %**
Statewide Total		**-7,782.6**	**-7,695.6**	**87.0**	**-1.1 %**	**-3,250.0**	**-3,250.0**	**0.0**		**-11,032.6**	**-10,945.6**	**87.0**	**-0.8 %**
Funding Summary													
Unrestricted General (UGF)		6,894.6	6,906.6	12.0	0.2 %	-2,125.0	-2,125.0	0.0		4,769.6	4,781.6	12.0	0.3 %
Designated General (DGF)		204.0	279.0	75.0	36.8 %	-1,125.0	-1,125.0	0.0		-921.0	-846.0	75.0	-8.1 %
Other State Funds (Other)		-207.6	-207.6	0.0		0.0	0.0	0.0		-207.6	-207.6	0.0	
Federal Receipts (Fed)		-14,673.6	-14,673.6	0.0		0.0	0.0	0.0		-14,673.6	-14,673.6	0.0	
Non-Additive Items													
Fund Transfers		1,482,659.9	0.0	-1,482,659.9	-100.0 %	0.0	0.0	0.0		1,482,659.9	0.0	-1,482,659.9	-100.0 %
Total		**1,482,659.9**	**0.0**	**-1,482,659.9**	**-100.0 %**	**0.0**	**0.0**	**0.0**		**1,482,659.9**	**0.0**	**-1,482,659.9**	**-100.0 %**

Computed Column Definitions: [7]=[1]+[4], [8]=[2]+[5]

2011 Legislature - Operating Budget
Transaction Compare - Conf Comm Structure
Between Sen FT Sup and Sen ST Sup

Numbers and Language Differences

Agency: Department of Education and Early Development

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Education Support Services													
School Finance & Facilities													
3/17 AMD: Legal Services Provided by Department of Law	Sen ST Sup	Suppl	200.0	0.0	0.0	200.0	0.0	0.0	0.0	0.0	0	0	0
1004 Gen Fund (UGF) 200.0													
*** Allocation Difference ***			200.0	0.0	0.0	200.0	0.0	0.0	0.0	0.0	0	0	0
*** * Appropriation Difference * ***			200.0	0.0	0.0	200.0	0.0	0.0	0.0	0.0	0	0	0
*** * * Agency Difference * * ***			200.0	0.0	0.0	200.0	0.0	0.0	0.0	0.0	0	0	0

2011 Legislature - Operating Budget
Transaction Compare - Conf Comm Structure
Between Sen FT Sup and Sen ST Sup

Numbers and Language Differences

Agency: Department of Health and Social Services

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Medicaid Services													
Behavioral Health Medicaid Services													
Cover Medicaid Services Encounter Settlement payments generated through the Indian Health Services agencies	Sen ST Sup	Suppl	**4,450.0**	0.0	0.0	0.0	0.0	0.0	4,450.0	0.0	0	0	0
1002 Fed Rcpts (Fed) 4,000.0													
1212 Stimulus09 (Fed) 450.0													
*** Allocation Difference ***			4,450.0	0.0	0.0	0.0	0.0	0.0	4,450.0	0.0	0	0	0
Children's Medicaid Services													
Cover Medicaid Services Encounter Settlement payments generated through the Indian Health Services agencies	Sen ST Sup	Suppl	**3,000.0**	0.0	0.0	0.0	0.0	0.0	3,000.0	0.0	0	0	0
1002 Fed Rcpts (Fed) 3,000.0													
*** Allocation Difference ***			3,000.0	0.0	0.0	0.0	0.0	0.0	3,000.0	0.0	0	0	0
Health Care Medicaid Services													
Cover Medicaid Services Encounter Settlement payments generated through the Indian Health Services agencies	Sen ST Sup	Suppl	**15,000.0**	0.0	0.0	0.0	0.0	0.0	15,000.0	0.0	0	0	0
1002 Fed Rcpts (Fed) 15,000.0													
*** Allocation Difference ***			15,000.0	0.0	0.0	0.0	0.0	0.0	15,000.0	0.0	0	0	0
Senior and Disabilities Medicaid Services													
Cover Medicaid Services Encounter Settlement payments generated through the Indian Health Services agencies	Sen ST Sup	Suppl	**10,000.0**	0.0	0.0	0.0	0.0	0.0	10,000.0	0.0	0	0	0
1002 Fed Rcpts (Fed) 10,000.0													
*** Allocation Difference ***			10,000.0	0.0	0.0	0.0	0.0	0.0	10,000.0	0.0	0	0	0
**** Appropriation Difference ****			32,450.0	0.0	0.0	0.0	0.0	0.0	32,450.0	0.0	0	0	0
***** Agency Difference *****			32,450.0	0.0	0.0	0.0	0.0	0.0	32,450.0	0.0	0	0	0

2011 Legislature - Operating Budget
Transaction Compare - Conf Comm Structure
Between Sen FT Sup and Sen ST Sup

Numbers and Language Differences

Agency: Department of Labor and Workforce Development

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Workers' Compensation													
Workers' Compensation													
Supplemental FY11 funding to develop a medical fee schedule (HB 13)	Sen ST Sup	Cntngt	**75.0**	0.0	0.0	75.0	0.0	0.0	0.0	0.0	0	0	0
1157 Wrkrs Safe (DGF) 75.0													
*** Allocation Difference ***			**75.0**	0.0	0.0	75.0	0.0	0.0	0.0	0.0	0	0	0
*** * Appropriation Difference * ***			**75.0**	0.0	0.0	75.0	0.0	0.0	0.0	0.0	0	0	0
*** * * Agency Difference * * ***			**75.0**	0.0	0.0	75.0	0.0	0.0	0.0	0.0	0	0	0

2011 Legislature - Operating Budget
Transaction Compare - Conf Comm Structure
Between Sen FT Sup and Sen ST Sup

Numbers and Language Differences

Agency: Department of Law

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Civil Division													
Oil, Gas and Mining													
Oil, Gas and Mining Legal Cases	Sen ST Sup	Suppl	**3,870.0**	0.0	0.0	3,870.0	0.0	0.0	0.0	0.0	0	0	0
1004 Gen Fund (UGF) 3,870.0													
*** Allocation Difference ***			**3,870.0**	0.0	0.0	3,870.0	0.0	0.0	0.0	0.0	0	0	0
*** * Appropriation Difference * ***			**3,870.0**	0.0	0.0	3,870.0	0.0	0.0	0.0	0.0	0	0	0
*** * * Agency Difference * * ***			**3,870.0**	0.0	0.0	3,870.0	0.0	0.0	0.0	0.0	0	0	0

2011 Legislature - Operating Budget
Transaction Compare - Conf Comm Structure
Between Sen FT Sup and Sen ST Sup

Numbers and Language Differences

Agency: Department of Revenue

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Taxation and Treasury													
Tax Division													
FY11 Neg Sup: Petroleum Commercial Analyst Positions for Gasline and Production Tax Analysis	Sen FT Sup	Suppl	-266.7	-266.7	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
1004 Gen Fund (UGF) -266.7													
*** Allocation Difference ***			**266.7**	266.7	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
*** * Appropriation Difference * ***			**266.7**	266.7	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
*** * * Agency Difference * * ***			**266.7**	266.7	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0

2011 Legislature - Operating Budget
Transaction Compare - Conf Comm Structure
Between Sen FT Sup and Sen ST Sup

Numbers and Language Differences

Agency: Department of Transportation & Public Facilities

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Highways, Aviation and Facilities													
Whittier Access and Tunnel													
3/17 AMD: Tunnel Operations Costs	Sen ST Sup	Suppl	373.9	0.0	0.0	373.9	0.0	0.0	0.0	0.0	0	0	0
1004 Gen Fund (UGF) 373.9													
*** Allocation Difference ***			373.9	0.0	0.0	373.9	0.0	0.0	0.0	0.0	0	0	0
**** Appropriation Difference ****			373.9	0.0	0.0	373.9	0.0	0.0	0.0	0.0	0	0	0
***** Agency Difference *****			373.9	0.0	0.0	373.9	0.0	0.0	0.0	0.0	0	0	0

2011 Legislature - Operating Budget
Transaction Compare - Conf Comm Structure
Between Sen FT Sup and Sen ST Sup

Numbers and Language Differences

Agency: Special Appropriations

		Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Special Appropriations														
Judgments, Claims & Settlements														
Judgments and Settlements		Sen FT Sup	Suppl	241.2	0.0	0.0	241.2	0.0	0.0	0.0	0.0	0	0	0
1004 Gen Fund (UGF)	241.2													
Judgments & Settlements		Sen ST Sup	Suppl	253.2	0.0	0.0	253.2	0.0	0.0	0.0	0.0	0	0	0
1004 Gen Fund (UGF)	253.2													
*** Allocation Difference ***				12.0	0.0	0.0	12.0	0.0	0.0	0.0	0.0	0	0	0
*** * Appropriation Difference * ***				12.0	0.0	0.0	12.0	0.0	0.0	0.0	0.0	0	0	0
*** * * Agency Difference * * ***				12.0	0.0	0.0	12.0	0.0	0.0	0.0	0.0	0	0	0

2011 Legislature - Operating Budget
Transaction Compare - Conf Comm Structure
Between Sen FT Sup and Sen ST Sup

Numbers and Language Differences

Agency: Fund Transfers

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Designated Savings (UGF)													
AMHS Vessel Replacement Fund													
Remainder of funding required for construction of an Alaska class vessel	Sen FT Sup	Suppl	60,000.0	0.0	0.0	0.0	0.0	60,000.0	0.0	0.0	0	0	0
1004 Gen Fund (UGF) 60,000.0													
* Allocation Difference *			-60,000.0	0.0	0.0	0.0	0.0	-60,000.0	0.0	0.0	0	0	0
Power Cost Equalization Endowment													
Deposit portion of anticipated FY11 surplus to PCE Endowment to enable a payout of 5% to fully fund PCE	Sen FT Sup	Suppl	400,000.0	0.0	0.0	0.0	0.0	0.0	0.0	400,000.0	0	0	0
1004 Gen Fund (UGF) 400,000.0													
* Allocation Difference *			-400,000.0	0.0	0.0	0.0	0.0	0.0	0.0	-400,000.0	0	0	0
* * Appropriation Difference * *			-460,000.0	0.0	0.0	0.0	0.0	-60,000.0	0.0	-400,000.0	0	0	0
Undesignated Savings (UGF)													
Statutory Budget Reserve Fund													
Deposit portion of anticipated FY11 surplus to SBR	Sen FT Sup	Suppl	1,000,000.0	0.0	0.0	0.0	0.0	0.0	0.0	1,000,000.0	0	0	0
1004 Gen Fund (UGF) 1,000,000.0													
* Allocation Difference *			-1,000,000.0	0.0	0.0	0.0	0.0	0.0	0.0	-1,000,000.0	0	0	0
* * Appropriation Difference * *			-1,000,000.0	0.0	0.0	0.0	0.0	0.0	0.0	-1,000,000.0	0	0	0
OpSys DGF Transfers (non-add)													
Large Passenger Vessel Gambling and Gaming Tax Account													
Replace gambling tax swept to CBR and CPV fund, plus $3.26 million of regional impact fund appropriated to CPV fund	Sen FT Sup	Suppl	22,659.9	0.0	0.0	0.0	0.0	0.0	0.0	22,659.9	0	0	0
1004 Gen Fund (UGF) 22,659.9													
* Allocation Difference *			-22,659.9	0.0	0.0	0.0	0.0	0.0	0.0	-22,659.9	0	0	0
* * Appropriation Difference * *			-22,659.9	0.0	0.0	0.0	0.0	0.0	0.0	-22,659.9	0	0	0
* * * Agency Difference * * *			-1,482,659.9	0.0	0.0	0.0	0.0	-60,000.0	0.0	-1,422,659.9	0	0	0
* * * * All Agencies Difference * * * *			-1,445,412.3	266.7	0.0	4,530.9	0.0	-60,000.0	32,450.0	-1,422,659.9	0	0	0

STATE OF ALASKA

SEAN PARNELL, GOVERNOR

OFFICE OF THE GOVERNOR

OFFICE OF MANAGEMENT AND BUDGET

P.O. BOX 110020
JUNEAU, ALASKA 99811-0020
TELEPHONE: (907) 465-4660
FAX: (907) 465-3640

February 28, 2011

The Honorable Lyman Hoffman
Co-Chair, Senate Finance Committee
Alaska State Legislature
State Capitol, Room 518
Juneau, AK 99801-1182

The Honorable Bert Stedman
Co-Chair, Senate Finance Committee
Alaska State Legislature
State Capitol, Room 516
Juneau, AK 99801-1182

Re: FY2011 Supplemental Hearing Follow Up

Dear Co-Chair Hoffman and Co-Chair Stedman,

Thank you for the opportunity to present highlights of the Governor's FY2011 supplemental request before the Senate Finance committee on February 3. The enclosed information is in response to questions posed by the committee for distribution to the finance committee members.

Please provide more detail on the prison population growth by region. Is the Department of Corrections is looking at how other states are managing increased prison populations, higher costs (both of incarceration and medical costs), recidivism, and overall corrections management?

The enclosed letter from the Department of Corrections, dated February 24, 2011, is in response to these questions and includes four charts on prison population growth by region.

Please provide more information regarding the projected annual amount of "special" legal costs as requested by the Department of Law in the $5 million appropriation in the capital budget.

The $5,000.0 Oil, Gas, and Mining outside counsel request in the capital budget provides funding for tariff proceedings ($4,000.0) and taxes ($1,000.0). Previously the funding for outside counsel has been included in the operating budget as a one-time increment. However, the timing of these cases is not under the control of the Department of Law and if the cases are delayed, the funding lapses and the Department is required to request it in the next fiscal year. Delays have resulted in the Department returning $500.0 to the Governor's Office in FY09 and a re-appropriation of $884.0 last year.

The $5,000.0 request provides funding for outside counsel and expert witnesses in oil and gas matters. Matters currently being pursued by the Department of Law are listed on the enclosed 6-page summary.

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Please provide more information about the legal costs associated with the recent general election, and how much cost recovery had been collected from candidate Miller, based on the cost of his appeals.

The State has timely moved for a Rule 82 award of attorney's fees in the state superior court case. Rule 82 allows a prevailing party in a case resolved without trial to be awarded 20 percent of its attorney's fees incurred in the superior court case. The State has requested a 20 percent award in the amount of $16, 960.55. Miller has filed an opposition to that motion and the State filed its reply on February 4, 2011. Nothing has been awarded by the court at this point so there is no timeframe yet for reimbursement.

In the Alaska Supreme Court, it was ordered that each side would bear its own costs and attorney's fees. So, the State will not recover any monies for the appellate portion of the case. Attorney's fees relating to the federal court proceedings are not recoverable.

Please contact me if you have additional questions.

Sincerely,

Karen J. Rehfeld
Director

Enclosures:
1. Department of Corrections February 24, 2011 Letter and Charts
2. Department of Law, Oil, Gas and Mining Section Major Litigation spreadsheet – 1/28/2011

STATE OF ALASKA

SEAN PARNELL,
GOVERNOR

DEPARTMENT OF CORRECTIONS
OFFICE OF THE COMMISSIONER

P.O. Box 112000
Juneau, AK 99801
PHONE: (907) 465-4652
FAX: (907) 465-3390

February 24, 2011

The Honorable Bert Stedman
Alaska State Senate
State Capitol, Room 516
Juneau, Alaska 99801

The Honorable Lyman Hoffman
Alaska State Senate
State Capitol, Room 518

Dear Senator Stedman & Senator Hoffman:

Below you will find responses to questions raised in the Senate Finance Committee on the supplemental budget, specific to the Department of Corrections. We hope that the information below will fulfill the committee's inquiries.

More detail on prison population growth by region.

Please see attached graphs with detailed information on population rates by region from 2003 through 2011. *(4 graphs attached)*

Is DOC looking at how other states are managing increased prison populations, higher costs, recidivism and overall corrections management?

Yes. DOC is currently examining what the State of Texas has done to manage their prison populations and costs. The model that Texas used has proven to be successful and is illustrative of what Alaska is able to accomplish with leadership, vision and commitment to invest wisely today in best practices that have been shown to reduce prison growth and to cut state corrections spending.

The Texas Experience
In 2007, the famously "tough on crime" Texas legislature took dramatic, bipartisan action to control crime and corrections costs. This initiative was led by Republican Jerry Madden who was appointed by the majority leader as Chairman of the Corrections Committee. The then speaker of the house instructed Rep. Madden to develop new approaches to slow Texas' rapid prison growth. "Don't build

new prisons. They cost too much".[1] With that directive in mind, Rep. Madden, an engineer and graduate from West Point, gathered the data and the facts to develop a systematic approach to break the cycle of crime.

In 2007, Texas' prison population exceeded 100,000 persons.[2] At the start of 2007, the state's corrections department projected a shortfall of 17,000 prison beds over the next five years and recommended the construction of 4,000 new beds at a cost of more than $900 million. Texas legislators requested assistance from the Pew Center on the States' Public Safety Performance Project and its partner, the Council of State Governments Justice Center (CSG), to identify options to avert prison growth while protecting public safety.

Based on their nonpartisan research and the menu of policy options they prepared, the 2007 Texas legislature approved a plan that provided an historic investment of just over $241 million in treatment and diversion facilities and substance abuse treatment services (just over a quarter of what was being requested to build new prisons) both behind prison walls and in community-based programs.

The components of Texas' new approach included:

- Funding for probation officers to use for outpatient substance abuse treatment for offenders.
- Funding for a mental health Pre-Trial Diversion Program
- Expansion of in-custody substance abuse Therapeutic Communities (like ADOC's RSSAT program).
- A prison dedicated to providing DWI offenders with intensive substance abuse treatment.
- Use of Intermediate sanction facilities for probationers who violate probation conditions.
- Early school intervention programs
- The Nurse Family Partnership program

With these and other measures, the Texas legislature successfully averted construction of all of the previously planned prison beds through 2012.[3]

According to Rep. Madden, who spoke at the September Cost-Effective Justice Forum held in Anchorage, the Texas prison population completely leveled off as a result of these initiatives. No shortfall in capacity is predicted until 2013, when the system may need a relatively small number of prison beds compared to the previously predicted need for eight prisons. Moreover, following the adoption of these reforms, Texas' crime rate did not increase, but continued to fall.

DOC believes that if this model was used in Alaska, we too could have the result of reduced prison population growth and reduced spending.

---

[1] Anchorage Daily News editorial, *Be tough, be smart,* September 19, 2010.

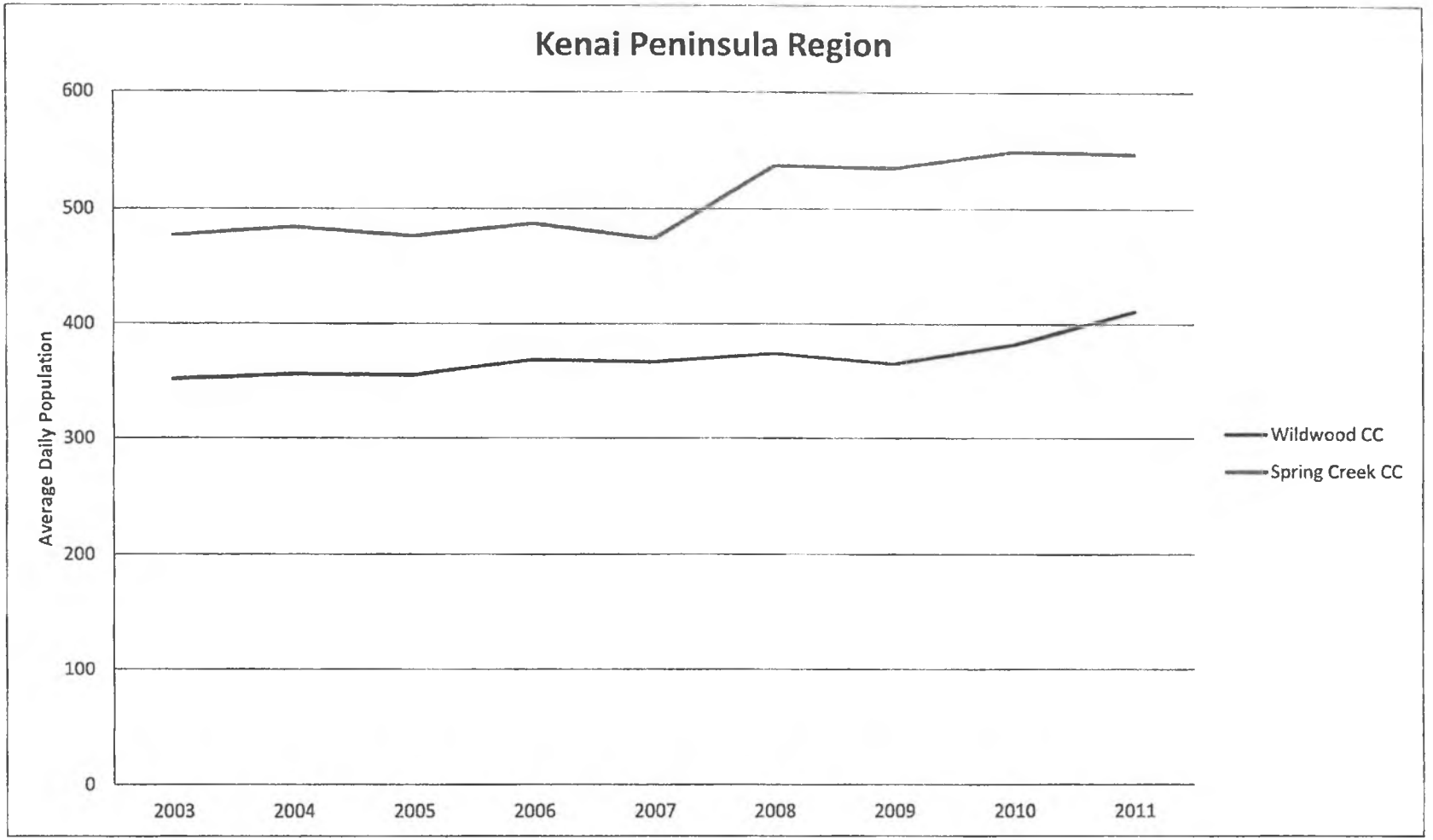
[2] Recent & Projected Growth of the Texas Prison Population, Justice Center (2007), The Council of State Governments, found at: http://justicereinvestment.org/files/texas-growth.pdf

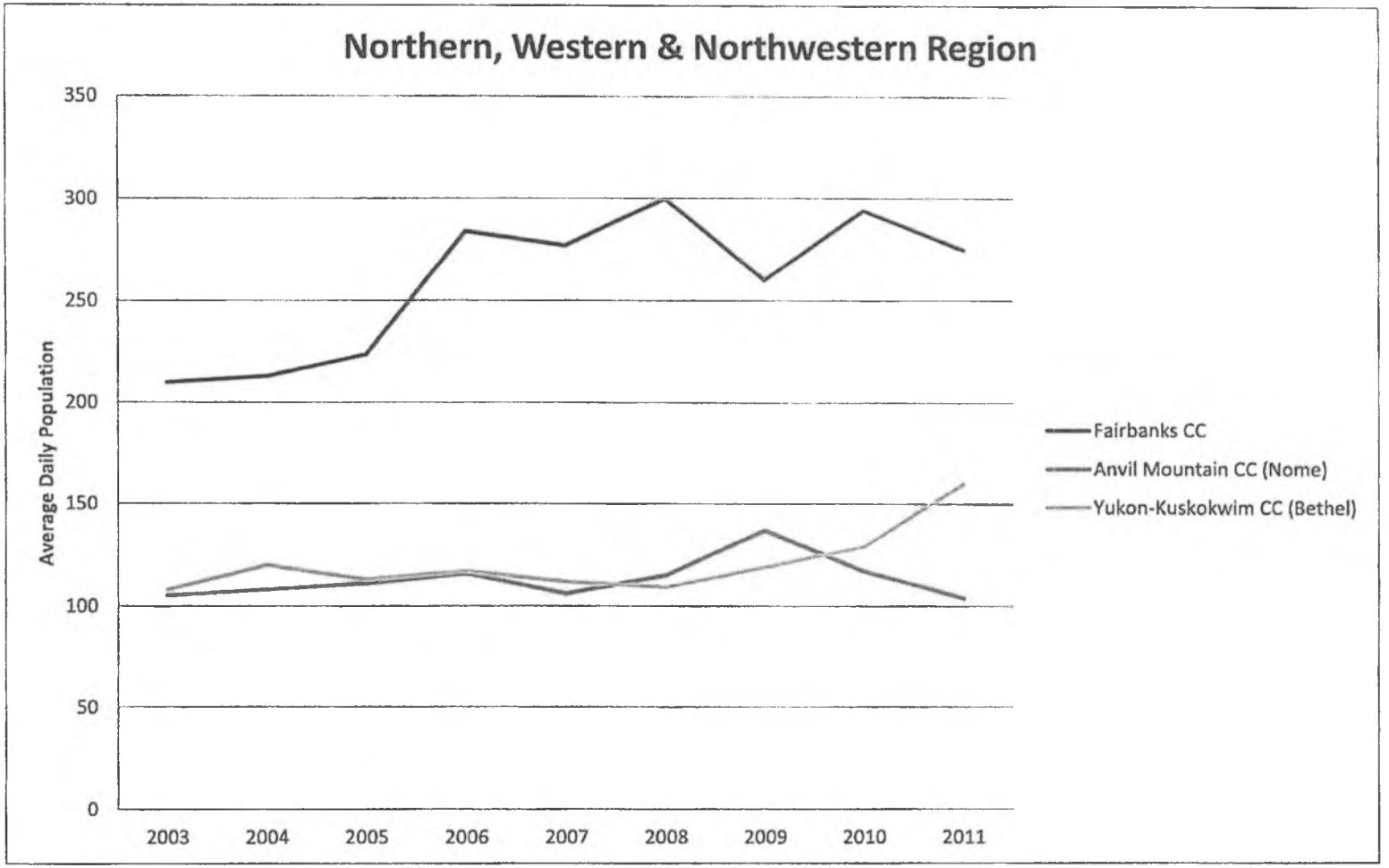
[3] The Texas "justice reinvestment" approach was a dramatic turn in Texas' criminal justice policies. The state legislature committed to ensuring accountability and the continued success of these new measures. Accordingly, the Texas legislature established the Criminal Justice Legislative Oversight Committee to monitor and evaluate the implementation of the new policies and programs and to evaluate their impact on state prison populations.

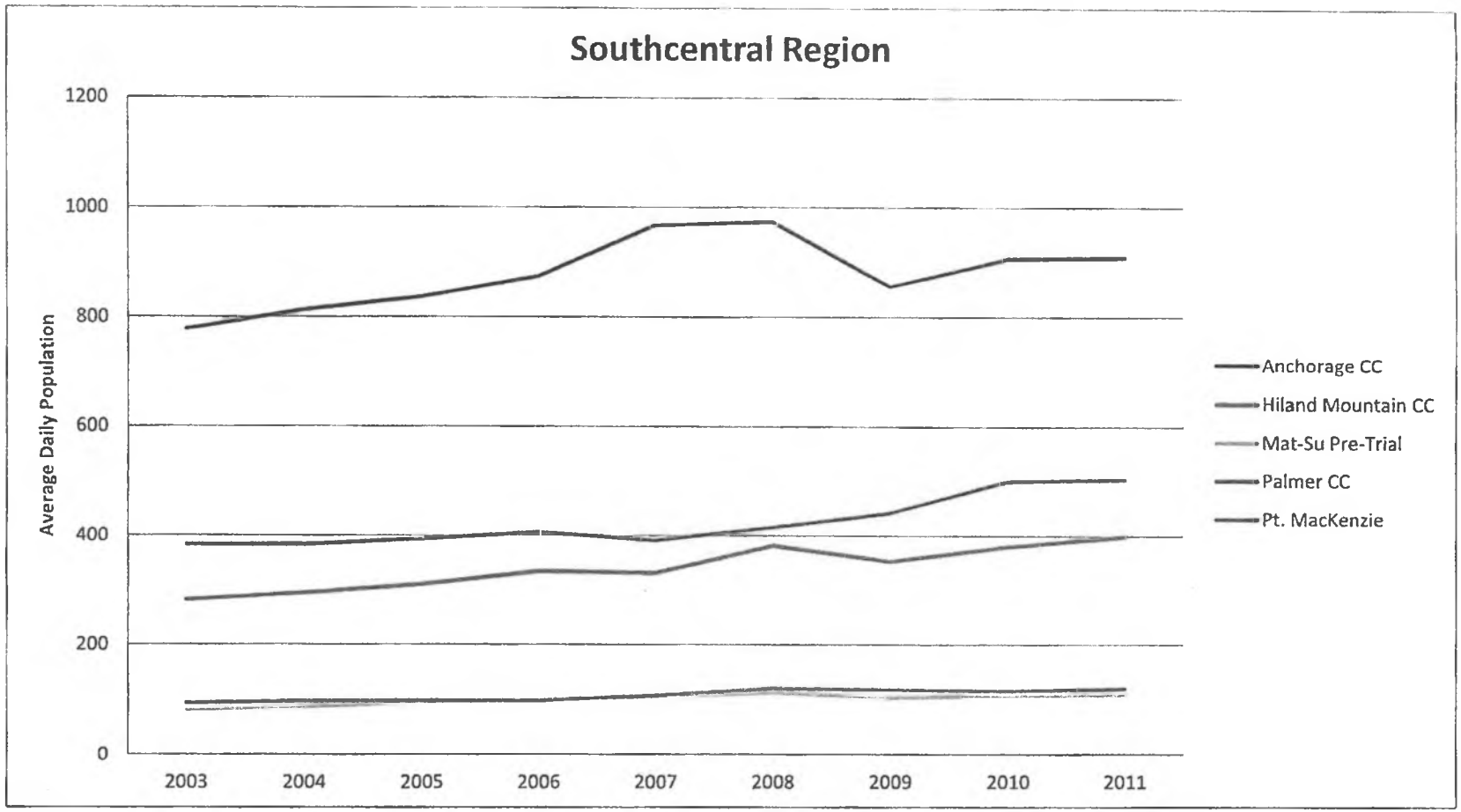
It is our hope that the information provided has been helpful to the committee. If you have any additional questions or need further information, please feel free to contact my office at any time.

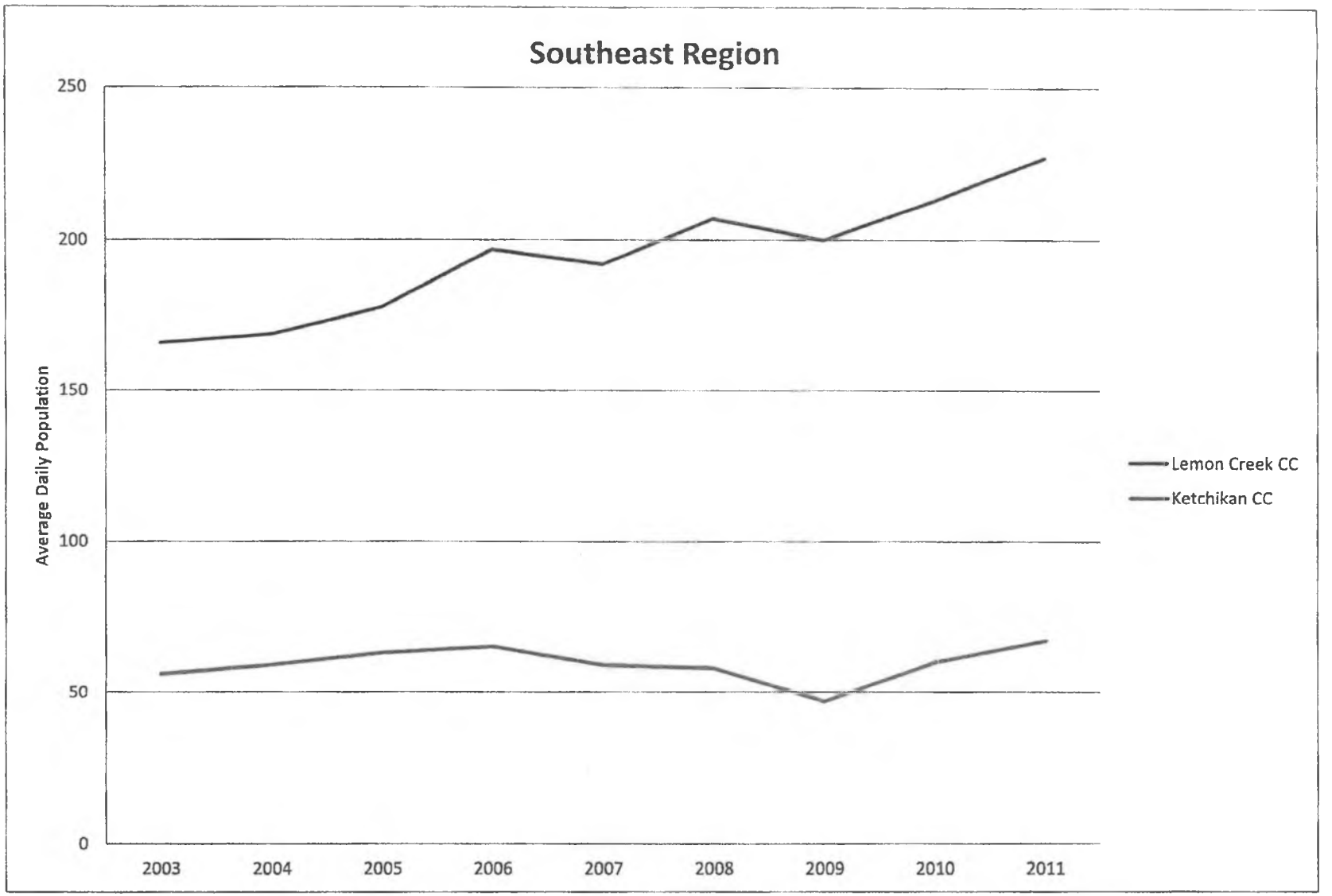
Sincerely,

Joseph Schmidt
Commissioner


Kenai Peninsula Region
Average Daily Population
600
500
400
300
200
100
0
2003
2004
2005
2006
2007
2008
2009
2010
2011
Wildwood CC
Spring Creek CC


Northern, Western & Northwestern Region
Average Daily Population
350
300
250
200
150
100
50
0
2003
2004
2005
2006
2007
2008
2009
2010
2011
Fairbanks CC
Anvil Mountain CC (Nome)
Yukon-Kuskokwim CC (Bethel)


Southcentral Region
Average Daily Population
1200
1000
800
600
400
200
0
2003
2004
2005
2006
2007
2008
2009
2010
2011
Anchorage CC
Hiland Mountain CC
Mat-Su Pre-Trial
Palmer CC
Pt. MacKenzie


Southeast Region
Average Daily Population
250
200
150
100
50
0
2003
2004
2005
2006
2007
2008
2009
2010
2011
Lemon Creek CC
Ketchikan CC

DEPARTMENT OF LAW OIL, GAS AND MINING SECTION 1/28/2011
MAJOR LITIGATION

Case	Approx. Start Date	Issue(s) and Status	Costs *	Value
TAPS 2005/2006 Interstate Tariffs	December 2004	**Issue:** FERC found 2005/2006 interstate rates too high -- ordered revised lower rates and refunds. State argues that FERC should have lowered rates further to the RCA level. **Status:** US Court of Appeals affirmed FERC on all counts. Deadline for appeals has not expired.	**DOL Expenditures as of 01/11:** $11,117,995 **Anticipated Future Costs:** $10,000 or less	Refunds have resulted in $600 million increased State royalties and production taxes for 2005 2006.
TAPS Interstate and Intrastate Tariffs Strategic Reconfiguration (SR)	December 2004	**Issue:** Were $100's of millions spent on pipeline capital project prudent expenditures? Project is currently about $500 million over budget at project approval. **Status:** State, shippers, and carriers are scheduled for concurrent FERC and RCA hearings starting in November 2011 in Anchorage. State's case (filed testimony and exhibits) January 21, 2011, with answering and reply testimony rounds through 2011.	**DOL Expenditures as of 01/11:** $5,053,098 **Anticipated Future Costs:** $10 million through hearing before the Federal Energy Regulatory Commission.	$15-20 million in refunds, $100's of millions impact on future royalty and production tax
TAPS 2009-2010 and 2010-Forward Intrastate Tariffs	October 2008	**Issue:** Are newly filed TAPS intrastate rates just & reasonable? **Status:** RCA hearing on rate issues anticipated sometime in 2012.	**DOL Expenditures as of 01/11:** $228,440 **Anticipated Future Costs:** * $500,000 through RCA decision.	$6-700,000 per year at present production levels.

* Costs from inception of case.

** Estimates will change as a result of scheduling and substantive decisions from the tribunal, decisions by client agencies, and positions taken by opposing parties. Some of the cases, such as tariff disputes, property tax litigation, and royalty reopeners recur every year and the new cases may be consolidated with existing cases. These estimates do not reflect costs for the new cases.

Case	Approx. Start Date	Issue(s) and Status	Costs	Value
TAPS 2009-Forward Interstate Tariffs	December 2008	**Issue:** Are newly filed TAPS interstate rates just and reasonable? **Status:** FERC hearing on cost pooling completed October 2010. Awaiting decision.	**DOL Expenditures as of 10/10:** $752,580 **Anticipated Future Costs:** $5,000 or less	State settled primary issues resulting in about $9 million in additional taxes and royalties.
Kuparuk Pipeline (KTC) Tariffs	The State filed a complaint December 1, 2008.	**Issue:** State challenges current rates as not just & reasonable. **Status:** The parties have reached an agreement in principle to settle.	**DOL Expenditures as of 10/10:** $428,432 **Anticipated Future Costs:** * $5,000 or less through settlement.	$100's of thousands per year
Tesoro Corporate Income Tax Case (1994-1998)	2004	**Issue**: Whether a company should have filed its tax returns on a unitary, combined basis and is subject to penalties. **Status:** Office of Administrative Hearings decision issued April 2008 and appealed by Tesoro to Superior Court. Oral argument held in September.	**DOL Expenditures as of 10/10:** $2,311,346 **Anticipated Future Costs:** $30,000 through a final decision at the Alaska Supreme Court.	Approx. $16 million.
Production Tax Case (Confidential, although the issue is a matter of public record)	Confidential	**Issue:** Whether DOR's decision to aggregate the Prudhoe Bay Unit (PBU) satellites with the PBU Initial Participating Area for purposes of the Economic Limit Factor (ELF) tax assessments under the former production tax in AS 43.55, was correct. **Status:** Confidential	**DOL Expenditures as of 10/10:** $31,508 **Anticipated Future Costs:** * $5,000 through a final decision at the Alaska Supreme Court. Final resolution of litigated issues expected in late 2012.	Confidential
Corporate Income Tax Case	Confidential	**Status**: Confidential	**Anticipated Future Costs:** $500,000	Confidential

* Costs from inception of case.

** Estimates will change as a result of scheduling and substantive decisions from the tribunal, decisions by client agencies, and positions taken by opposing parties. Some of the cases, such as tariff disputes, property tax litigation, and royalty reopeners recur every year and the new cases may be consolidated with existing cases. These estimates do not reflect costs for the new cases.

TAPS Property Tax Case (Nonconfidential)	June 2006 June 2007 June 2008 June 2009 June 2010	**Issue:** Whether DOR properly assessed property tax value of TAPS in 2007, 2008, 2009, and 2010. 2007-2009 cases consolidated for trial. **Status:** Eight week trial in September 2011 on consolidated 2007-2009 assessments. 2010 appeal awaiting scheduling for trial. State is defending same methodology Judge Gleason affirmed on trial of the 2006 TAPS valuation, which has been appealed to Alaska Supreme Court.	**DOL Expenditures as of 10/10:** $1,843,602 **Anticipated Future Costs:** * $1.6 million through trial on the 2007-2009 assessments and Alaska Supreme Court appeal of Judge Gleason's 2006 decision.	Decisions on appeal result in property tax revenue of $92 million for 2007, $124 million for 2008, $154 million for 2009, and $194 million for 2010. State directly receives approximately 45% of this property tax revenue with remainder apportioned among North Slope and Fairbanks Boroughs and City of Valdez. Superior court 2006 decision resulted in approx. $112 million in additional property tax revenues.
Point Thomson Unit	The DNR decision from which the producers appealed was issued in September 2005.	**Issue:** Whether DNR's decision to terminate the Point Thomson Unit (PTU) due to the producers' failure to develop the PTU, was correct. **Status:** The Alaska Supreme Court accepted Law's petition for review of Judge Gleason's decision reversing DNR's unit termination decision. Supreme Court briefing is currently stayed with status report on state of settlement negotiations due in early March. Related proceedings before AOGCC, the OAH, and the Supreme and Superior Courts are also stayed pending final decision in the unit termination appeal. Anticipate resolution in 2014 if the state wins petition and termination reinstated but if the case goes to trial de novo then 2018. Parties are engaged in settlement negotiations.	**DOL Expenditures as of 10/10:** $2,690,526 **Anticipated Future Costs:** * It could be as low as $3.5 million for lease terminations, appeals, and related proceedings if there is a remand to DNR, and as high as $10 million if there is a trial de novo.	Hundreds of millions in additional tax and royalty if the PTU is developed.

* Costs from inception of case.

** Estimates will change as a result of scheduling and substantive decisions from the tribunal, decisions by client agencies, and positions taken by opposing parties. Some of the cases, such as tariff disputes, property tax litigation, and royalty reopeners recur every year and the new cases may be consolidated with existing cases. These estimates do not reflect costs for the new cases.

Case	Approx. Start Date	Issue(s) and Status	Costs	Value
Royalties – BP	Late 2008	**Issue**: The State is preparing to assert a claim under the Royalty Settlement reopener provisions regarding capital construction funds and other tax benefits. **Status:** Preparing arbitration claim. Anticipate resolution 2012.	**DOL Expenditures as of 10/10:** $413,401 **Anticipated Future Costs:** $1,000,000 through arbitration.	$15-20 million
BP Interest on Retroactive Tariff Adjustments	Late 2009	**Issue:** A claim for interest on retroactive tariff adjustments. **Status:** The BP audit claim for 2004 through 2006 settled for approximately $10 million. 2007-2010 will be arbitrated. State has filed its opening arbitration brief. BP's is due mid-February 2011.	**DOL Expenditures as of 01/11:** $10,000 **Anticipated Future Costs:** * $50,000 through arbitration.	2004 through 2006 were settled for $10 million. It is anticipated that 2007 through 2010 will yield a similar amount.
BP Colville River Unit Audit	July 2010	**Issue:** Audit issues for 2008 through 2009. **Status:** DNR is preparing the audit with assistance from DOL. Anticipate resolution in 2012.	**DOL Expenditures as of 01/11:** $0 **Anticipated Future Costs:** If arbitrated $600,000 and if tried $1,000,000.	$1 million plus
BP Milne Point NPSL	Late 2010	**Issue:** Milne Point NPSL audit claim. **Status:** DNR is finalizing the audit and working with DOL on various procedural issues. Anticipate prosecution will begin by January 2011, if no settlement.	**DOL Expenditures as of 01/11:** $0 **Anticipated Future Costs:** $200,000	$20 million plus

* Costs from inception of case.

** Estimates will change as a result of scheduling and substantive decisions from the tribunal, decisions by client agencies, and positions taken by opposing parties. Some of the cases, such as tariff disputes, property tax litigation, and royalty reopeners recur every year and the new cases may be consolidated with existing cases. These estimates do not reflect costs for the new cases.

Case	Approx. Start Date	Issue(s) and Status	Costs	Value
ConocoPhillips Tri-Annual Reopener	December 7, 2010	**Issue:** ConocoPhillips reopened their settlement agreement and requested a reduction in royalty destination value of approximately $1.89 per barrel below current levels. The state reopened the RSA on the question of capital allowance for tankers and is seeking a reduction in the allowance. **Status:** The case is currently in the RSA specified negotiation period which will last until March 7. It proceeds to arbitration thereafter. DNR is meeting with ConocoPhillips on January 21, 2011.	**DOL Expenditures as of 01/11:** $40,000 **Anticipated Future Costs:** $2,000,000	$50,000,000 approximate
Anadarko and ConocoPhillips Royalty (Colville River Unit) 2004 – 2007	2010	**Issue:** Audit of new form leases which base value on the high three contracts North Slope wide. **Status:** In negotiation.	**DOL Expenditure:** $5,000 **Anticipated Future Costs:** If the case goes to trial $2,000,000	$1 million plus
Northstar Production Allocation Dispute	Late 2009	**Issue:** Dispute between the state and Murphy Exploration (Alaska) Inc. regarding allocation of production from the Northstar participating area between state and federal leases. **Status:** Preparing for hearing.	**DOL Expenditure as of 10/10:** $54,560 **Anticipated additional expenditure:** $150,000	$100 million plus

* Costs from inception of case.

** Estimates will change as a result of scheduling and substantive decisions from the tribunal, decisions by client agencies, and positions taken by opposing parties. Some of the cases, such as tariff disputes, property tax litigation, and royalty reopeners recur every year and the new cases may be consolidated with existing cases. These estimates do not reflect costs for the new cases.

Gas Pipeline	January 1, 2007	**Issue:** Implementation of AGIA Gas Pipeline, analysis of related state and federal legal issues including AGIA licensee reimbursements, represent state's interests before the FERC and federal agencies for gasline certification. Analysis of Canadian legal issues related to gas pipeline through Canada. **Status:** DOL continues to require assistance of outside counsel with FERC and gas pipeline expertise for AGIA implementation related to Precedent Agreement process and timely FERC Certification as well as Canadian regulatory questions.	**DOL Expenditures as of 10/10:** $1,217,061 Approx. $6.845 million Total to date **Anticipated Future Costs:** * The FY09-19 Gasline Operations Summary sets out DOL's anticipated costs for the next ten years. Please let me know if you need a copy of the Summary.	Timely legal analysis and assistance on gas pipeline issues that may have potential benefits or costs to the State in the billions of dollars.
Quality Bank	There have been a series of cases and decisions on this issue since 1979.	**Issue:** The producers and the State are disputing the method of monetarily accounting for commingling of different quality petroleum streams in TAPS. **Status:** The D.C. Cirsuit decision was issued 1/18/2011. Deadline for appeals has not expired.	**DOL Expenditures as of 10/10:** $734,025 (past 6 years) **Anticipated Future Costs:** * $5,000 or less. (This case has been in litigation since 1979.)	This case affects taxes and royalties to the State. However, the value to the State goes beyond absolute dollar amounts because insuring fair accounting for the value of the petroleum stream tendered to TAPS encourages continued investment in Alaska.

* Costs from inception of case.

** Estimates will change as a result of scheduling and substantive decisions from the tribunal, decisions by client agencies, and positions taken by opposing parties. Some of the cases, such as tariff disputes, property tax litigation, and royalty reopeners recur every year and the new cases may be consolidated with existing cases. These estimates do not reflect costs for the new cases.

Senate Fast Track Supplemental
(SB 76)
March 18, 2011

							Governor Supplemental Request						Senate Fast Track Supplemental					
	2	in or out	Gov Sec. No.	Department	Component or Capital	Description of Supplemental Need	UGF	DGF	Other	Fed	Fund Source	Total Funds	UGF	DGF	Other	Fed	Fund Source	Total Funds
1	1		1	Administration	Administrative Hearings	Increase program receipts authority to allow agency to retain receipts collected from school districts, municipalities and other government entities for hearing officers and related work performed under current statutes. Without this authority to retain the receipts, the agency will be short funded and rates charged to other State agencies will remain higher than necessary. A similar request is in the FY2012 Governor budget.		50.0			GF/PR	50.0		50.0			GF/PR	50.0
2	2		1	Administration	Retirement and Benefits	A net-zero fund source reallocation is necessary based on the Retirement and Benefits cost allocation plan. This request will adjust the authorization levels for the Teachers Retirement System, the Judicial Retirement System, the National Guard and Naval Militia Retirement System and the Benefits System Receipts appropriations. A similar request is in the FY2012 Governor budget.					(100.0) Ben Sys 150.0 TRS (25.0) Jud Retire (25.0) Nat Guard	0.0					(100.0) Ben Sys 150.0 TRS (25.0) Jud Retire (25.0) Nat Guard	0.0
3	3		1	Administration	ALMR	The department is requesting general funds to cover the cost for communities and non-governmental emergency service providers to use of the Alaska Land Mobile Radio infrastructure. Given the limited resources available to municipal and non-governmental emergency service providers, it is in the State's best interest to ensure that local emergency responders have full access to the system. A similar request is in the FY2012 Governor budget.	150.0	(150.0)			(150.0) GF/PR	0.0					(150.0) GF/PR	0.0
4	4		1	Administration	Office of Public Advocacy	This request will allow Office of Public Advocacy to receive and expend fees collected from clients for client services. These additional funds will be used for continued Guardianship programs. A similar request is in the FY2012 Governor budget.			110.0		SDPR	110.0			110.0		SDPR	110.0
5	5		1	Administration	Office of Public Advocacy	Increase operational caseload costs. The Office of Public Advocacy's (OPA) criminal case assignments increased by 35% and the agency's Child in Need of Aide (CINA) parental representation assignments increased by 39%. To date, the agency has continued to experience caseload increases. The need for a supplemental is attributable to the contractual case costs. The majority of these costs are for services provided in Public Defender Agency conflict cases. The impact of this request is being considered for a FY2012 budget amendment.	900.0					900.0	900.0					900.0
6	6		1	Administration	Public Defender Agency	Increased Operational Caseload Costs. The Public Defender Agency has experienced consistent caseload increases in all areas in the past several years. Additional funding is needed for unanticipated contract expenses for ongoing efforts to address backlog of appellate matters. The impact of this request is being considered for a FY2012 budget amendment.	300.0					300.0	300.0					300.0
7	7		1	Commerce, Community and Economic Development	AIDEA	System acquisition and development of software to track, monitor and report AIDEA program activities. This will assist AIDEA in making effective and timely decisions in regard to investments in loan and project development programs. This is a one-time increment.			110.0		AIDEA Rcpts	110.0			110.0		AIDEA Rcpts	110.0

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8	8		1	Commerce, Community and Economic Development	Alaska Seafood Marketing Institute	The Department of Administration, Division of Finance made a change to the ASMI financial statement presentation to address an audit issue in compliance with government accounting standards and maintain the State of Alaska's certificate of excellence for the Comprehensive Annual Financial Report. This change resulted in a cash flow issue for ASMI as the assessments that support a substantial portion of ASMI's budget are not collected until fiscal year end. To address the cash flow issue in the current year, and avoid a 50% reduction in ASMI domestic marketing activity for FY2011, this one-time adjustment will address the cash flow issue and allow ASMI to push forward industry assessments for spending in the next fiscal year. This will allow ASMI to budget based on actual receipts from the prior year and cash on hand.	6,400.0	(6,400.0)			GF/PR	0.0	6,400.0	[redacted]			GF/PR	(1,654.1)
9	9		1	Corrections	Out-of-State Contractual	Colorado contract increase from 900 to 1,000 beds due to continued inmate population growth - The out-of-state prisoner population was over 970 at the end of December 2010 and in-state population continues to average 100% of maximum capacity.	332.5					332.5	332.5					332.5
10	10		1	Corrections	Institution Director's Office	Personal services and commodities shortfalls due to continued inmate population growth - Daily average population through the end of December 2010 was 3,826 or 48 above the maximum daily capacity of 3,778, driving an increase in necessary correctional officer overtime, and an increased costs for food, clothing, bedding, etc. The impact of this is being considered for an FY2012 budget amendment.	3,504.4					3,504.4	[redacted]					3,171.9
11	11		1	Corrections	Institution Director's Office	ACOA arbitration agreement costs - Original calculations of the authority needed to fund the monetary terms of the ACOA bargaining agreement were not sufficient for FY2011. This funding is needed to cover personal services costs for existing correctional officers.	439.4				all	439.4	439.4				all	439.4
12	12		1	Corrections	Wildwood Correctional Center	The 64-bed expansion is delayed due to conversion of Building 15. These beds will be available in FY2012.	(498.0)	(8.0)			GF/PR	(506.0)	(498.0)	(8.0)			GF/PR	(506.0)
13	13		1	Corrections	Community Residential Centers	Community residential center contract increase - Contract amounts were increased based on several factors: the recent increase to the Consumer Price Index (CPI), an increase to the negotiated bed rate for Northstar and an increase in the number of contracted beds serving the Fairbanks area. The increase for CPI and negotiated bed rates are proposed in the FY2012 budget. The cost of the additional beds is being considered for an FY2012 amendment.	751.3					751.3	751.3					751.3
14	14		1	Corrections	Physical Health Care	Physical Health Care costs - The department is obligated to provide essential medical care to incarcerated individuals. Due to numerous position vacancies and staff absences, combined with 24/7 coverage requirements in most of the facilities, costs for premium pay and unbudgeted on-call non-permanent positions are in excess of available authority. Additionally, both the number and cost of catastrophic cases and other contracted services continues to rise. DOC is actively pursuing multiple cost containment measures, while continuing to meet standards of care for prison population. The impact of this supplemental will be considered for an FY2012 amendment.	4,011.5					4,011.5	4,011.5					4,011.5

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15		[redacted]		Education and Early Development	Education Support Services	**3/17 AMD: New request.** Increased costs for legal services provided by the Department of Law for ongoing cases.	200.0					200.0	[redacted]					0.0
16	15	[redacted]	1	Environmental Conservation	State Support Services	Increased lease costs for the Juneau office building. Statewide, lease costs for the department have increased 87% over the past seven years. The department has taken cost cutting measures to cover increased lease costs, but cannot absorb this increase that was brought to their attention late in December 2010. There is an increase for lease costs included in the FY2012 Governor's budget for the Anchorage office building. An increase for the Juneau office building is also being considered for an FY2012 amendment.		33.6	11.1	43.1	18.7 Oil/Haz Fd 11.1 Clean Air 3.4 CPVE 11.5 Ocn Rngr	87.8		33.6	11.1	43.1	18.7 Oil/Haz Fd 11.1 Clean Air 3.4 CPVE 11.5 Ocn Rngr	87.8
17	16	[redacted]	1	Fish and Game	Wildlife Conservation Special Projects	Increase Statutory Designated Program Receipts (SDPR) authority to a) accept a $236.0 grant from the National Fish and Wildlife Foundation (NFWF) for Phase 2 of the following project: Reducing Conflicts Between Grizzly Bears and Oil Development; and b) accept a $100.0 contract from the Western Governors' Association to identify, prioritize, and display in geographical information system (GIS) format, crucial wildlife habitats and corridors in the state of Alaska. Receipt of these funds were not anticipated when the FY2011 budget was prepared. It is anticipated that these projects will be completed in FY2011. Sufficient SDPR authority exists should the projects continue into FY2012.			336.0		336.0 SDPR	336.0			336.0		336.0 SDPR	336.0
18	17	[redacted]	1	Health and Social Services	Foster Care Base Rate	Increase federal economic stimulus funding authority (ARRA) to receivable levels claimed for foster care assistance available through Title IV-E of the Social Security Act. Federal reimbursement of foster care expenses fluctuate depending on the number of children eligible for assistance. The economic stimulus funding (ARRA) will not be available in FY2012 and is not included in the FY2012 budget.				120.0		120.0				120.0		120.0
19	18	[redacted]	1	Health and Social Services	Foster Care Augmented Rate	Increase federal economic stimulus funding authority (ARRA) to receivable levels claimed for foster care assistance available through Title IV-E of the Social Security Act. Federal reimbursement of foster care expenses fluctuate depending on the number of children eligible for assistance. The economic stimulus funding (ARRA) will not be available in FY2012 and is not included in the FY2012 budget.				100.0		100.0				100.0		100.0
20	19	[redacted]	1	Health and Social Services	Subsidized Adoptions/Guardians	Increase federal economic stimulus funding authority (ARRA) to receivable levels claimed for foster care and adoption assistance available through Title IV-E of the Social Security Act. Federal reimbursement of adoption expenses fluctuate depending on the number of children eligible for assistance. The economic stimulus funding (ARRA) will not be available in FY2012 and is not included in the FY2012 budget.				260.0		260.0				260.0		260.0
21	20	[redacted]	1	Health and Social Services	Children's Trust Programs	Appropriate unobligated funds of Alaska Children's Trust earnings account to the grant account for projects that protect child abuse and neglect in Alaska.		204.0				204.0	[redacted]					0.0

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22	21		1	Health and Social Services	McLaughlin Youth Center	Funding for increased medical costs for youth. The division has experienced unanticipated medical costs, which include one cancer and one cardiac case. If this supplemental request is not approved, the division will have to cut other programs, i.e., probation services, community programs or youth courts to fund this gap.	450.0					450.0	450.0					450.0
23	22		1	Health and Social Services	McLaughlin Youth Center	Division of Juvenile Justice has experienced very little turnover and few vacancies since the beginning of the fiscal year and higher than anticipated premium pay costs . During the first five months of the fiscal year, McLaughlin Youth Center had very few vacancies; some components had no vacancies. A $500.0 increase is included in the FY2012 budget.	500.0					500.0	500.0					500.0
24	23		1	Health and Social Services	Alaska Temporary Assistance Program (ATAP)	Additional federal authority is needed to receive the full funding anticipated to be available under the Temporary Assistance for Needy Families block grant. An increase is being considered in the FY2012 Governor Amended budget.				4,500.0		4,500.0				4,500.0		4,500.0
25	24		1	Health and Social Services	General Relief Assistance	A 6.3% increase in expenditure growth is projected for FY2011, which results in a shortfall of $250.0. The cost of the program has grown due to a significant increase in the number of burials and increased demand for assistance for emergency services as the result of economic changes. Currently, 91% of program expenditures are used to pay for funeral and burial expenses. A $250.0 increase is included in the FY2012 budget.	250.0					250.0	250.0					250.0
26	25		1	Health and Social Services	Senior Benefits Payment Program	In FY2011, a 10% increase in expenditures is projected due to caseload growth , which results in a shortfall of $1.3 million. The program has grown significantly as outreach efforts have made more seniors aware of these benefits. The increase for FY2012 is included in a Fiscal Note to legislation extending the Senior Benefits Payment Program.	1,300.0					1,300.0	1,300.0					1,300.0
27	26		1	Health and Social Services	Energy Assistance Program	Additional federal funding is anticipated to be distributed to the state for FY2011. $2.5 million in federal authority is needed to receive the full anticipated federal allocation for the Low Income Home Energy Assistance Program (LIHEAP). An increase is being considered in the FY2012 Governor Amended budget.				2,500.0		2,500.0				2,500.0		2,500.0
28	27		1	Health and Social Services	Public Assistance Admin	During the 2009 legislative session, $462,000 in ARRA funds were appropriated for administrative costs associated with increased caseloads and improved benefit processing efficiency. DPA was awarded $464,060 in ARRA for the SNAP program. The division will need an additional $2.1 in ARRA authorization to use the full amount of the federal award. The economic stimulus funding (ARRA) will not be available in FY2012 and is not included in the FY2012 budget.				2.1		2.1				2.1		2.1
29	28		1	Health and Social Services	Public Assistance Field Svcs	Increased funding is requested to fully implement the salary changes resulting from the recently completed Eligibility Technician class study. The salary analysis based on the study has resulted in range and step increases for approximately 60 positions. A $700.0 increase is included in the FY2012 budget.	300.0			300.0		600.0	300.0			300.0		600.0

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30	29		1	Health and Social Services	Nursing	Federal funds budgeted for positions are uncollectible. This request will maintain the vacancy rate at 12.5%. The division has been able to stay within budget during recent years due to difficulty recruiting nurses, which has resulted in a high vacancy rate. Recent efforts to strengthen recruitment of public health nurses resulted in a decreased vacancy rate from 16% in July of 2006 to 11% in May of 2010. If this request is not approved, the division will need to maintain a 17% vacancy rate, which will require layoffs, closing of health centers, and reduced visits to villages. A $1,000.0 increase is included in the FY12 budget and additional funding is being considered in the FY2012 Governor Amended budget.	1,750.0					1,750.0	1,750.0					1,750.0
31	30		1	Health and Social Services	State Medical Examiner	Reforms, begun in FY2010, helped stabilize funding for an increased caseload. However, actual cost increases exceeded estimates, resulting in a $300.0 projected shortfall for FY2011. The number of cases under the Medical Examiner's Office jurisdiction increased 28% from FY2009 to FY2010. Of the 3,300 deaths reported in Alaska during FY2010, the Medical Examiner's Office took jurisdiction in 60% of the cases (1,989), up from 46% in FY2009 (1,556/3,362). The number of cases examined or autopsied doubled from 377 (24%) to 754 (38%) cases. This trend is expected to continue. A $500.0 increase is included in the FY2012 budget.	300.0					300.0	300.0					300.0
32	31		1	Health and Social Services	Public Health Laboratories	During the past five years, the number of tests performed has nearly doubled from 77,000 to over 148,000. The complexity and cost of these tests have increased exponentially while the budget has remained stable. Additionally, overhead costs have increased more than 25% during the same period. Without additional funding, vital and life-saving testing, such as for tuberculosis, hepatitis, botulism, and rabies, may have to be curtailed or eliminated. A $100.0 increase was included in the FY2012 budget. Additional funding is being considered for an FY2012 amendment.	200.0					200.0	200.0					200.0
33	32		1	Health and Social Services	Genl Relief/Temp Assisted Living	The average cost per recipient in FY2009, for 898 unique recipients, was $7,058. In FY2010, an average of 494 individuals monthly and 961 unique individuals were served at an average expenditure of $7,447 per individual. The division anticipates serving on average minimum of 510 clients monthly during FY2011. The increased utilization is due to longer lengths of stay and higher compensation to providers necessitated by increased medical and behavioral needs of recipients. An increase is being considered in the FY2012 Governor Amended budget.	825.0					825.0	825.0					825.0
34	33		1	Health and Social Services	Senior/Disabilities Svcs Admin	Increased costs will be incurred to comply with the Centers for Medicare and Medicaid Services (CMS) approved Corrective Action Plan (CAP). The sweeping multi-faceted plan requires diverse expenditures: non-permanent staff to eliminate a significant assessment backlog, travel to complete required assessments, contractual costs for modifying the management information system, and additional supplies and equipment used by the additional employees. Without this funding, required work will not be performed, participants will be at risk, and new applicants will not be able to access the system. Non-compliance with federal requirements may result in non-renewal of waivers and civil litigation. An increase of $1,250.0 is included in the FY2012 budget.	1,400.0					1,400.0	1,400.0					1,400.0

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35	34		1	Health and Social Services	Behavioral Hlth Medicaid Svcs	Growth in projected costs are due to the increases in enrollment and spending over the past eight months. Enrollment has increased 8.3%, from 103,802 in December 2009 to 112,440 in December 2010. Spending during FY2010 was at the upper end of the estimates, so the 2011 projections have increased to reflect this higher baseline. Projected spending for 2011 is 10.6% more than spending in 2010. Spending grew by 10.7% from 2009 to 2010. Projected increases have been included in the FY2012 budget.	556.4			4,061.1		4,617.5	556.4			4,061.1		4,617.5
36	35		1	Health and Social Services	Adult Prev Dental Medicaid Svcs	Growth in projected costs are due to the increases in enrollment and spending over the past eight months. Enrollment has increased 8.3%, from 103,802 in December 2009 to 112,440 in December 2010. Spending increased by 24.5% when comparing the first half of FY10 to the first half of FY11. Projected increases have been included in the FY2012 budget.	72.1			141.9		214.0	72.1			141.9		214.0
37	36		1	Health and Social Services	Health Care Medicaid Services	Growth in projected costs are due to the increases in enrollment and spending over the past eight months. Enrollment has increased 8.3%, from 103,802 in December 2009 to 112,440 in December 2010. In addition, spending during FY2010 was at the upper end of the estimates, so the 2011 projections have increased to reflect this higher baseline. Projected spending for 2011 is 8.0% more than spending in 2010. Spending grew by 15.2% from 2009 to 2010. Projected increases have been included in the FY2012 budget.	4,296.1			20,312.2		24,608.3	4,296.1			20,312.2		24,608.3
38	37		1	Health and Social Services	Senior/Disabilities Medicaid Svc	Growth in projected costs are due to the increases in enrollment and spending over the past eight months. Enrollment has increased 8.3%, from 103,802 in December 2009 to 112,440 in December 2010. In addition, spending during FY2010 was at the upper end of the estimates, so the 2011 projections have increased to reflect this higher baseline. Projected spending for 2011 is 16.7% more than spending in 2010. Spending grew by 14.6% from 2009 to 2010. Projected increases have been included in the FY2012 budget.	4,982.1			15,270.3		20,252.4	4,982.1			15,270.3		20,252.4
39	38		1	Health and Social Services	Senior/Disabilities Medicaid Svc	Increase funding to implement the new rate methodology for reimbursing providers for Medicaid Home and Community Based Services. A change to the rate system was advocated by the legislature, provider community, recipients and their advocates. Implementation of the new rate system is scheduled for March 1, 2011. $14,000.0 has been included in the FY2012 budget.	1,473.2			2,046.8		3,520.0	1,473.2			2,046.8		3,520.0
40	39		1	Labor and Workforce Development	AVTEC	Increases the FY2011 statutory designated authorization for Cook Inlet Tribal Council Health Professions Grant that is needed to support health professionals training program expenses. $300.0 in SD/PR is included in the FY2012 budget.			100.0		SDPR	100.0			100.0		SDPR	100.0
41	40		1	Law	Third JD: Outside Anchorage	Kenai prosecuting district attorneys - Two attorney positions were added in FY2011 with 75% fimding approved, based on an assumption that hiring would take some time. The department was able to successfully recruit and fill these positions on 8/2/2010 and 9/1/2010. Full funding for these positions is included in the FY2012 budget.	50.0					50.0	50.0					50.0

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42	41		1	Law	Dep. Attorney General's Office	Legal analysis and litigation on items not anticipated in the FY2011 budget - election matters, public record requests, Planned Parenthood, Nikishka Beach road access, and citation and regulatory changes	705.3					705.3	705.3					705.3
43	42		1	Law	Environmental Law	Nunamta v. State/Pebble Limited Partnership - Plaintiffs allege that the State committed constitutional violations around authorization of temporary land and water use during mineral exploration activities. Interagency Receipts are from the Department of Natural Resources for ongoing efforts related to this case.			300.0		I/A Rcpts	300.0			300.0		I/A Rcpts	300.0
44	43		1	Law	Oil, Gas and Mining	Oil, gas and mining legal cases - Timing of legal cases and securing the necessary experts and outside counsel to support the state's position is difficult to predict. Shortfalls are anticipated in the Strategic Reconfiguration case, and connected to oil and gas royalty issues and TAPS property tax proceedings. Continued funding for these cases and others are included in an FY2012 $5 million capital request.	3,870.0					3,870.0						0.0
45	44		1	Natural Resources	Mining and Land Development	Litigation support to defend the permitting process on State land - To cover the costs of defending the state's permitting and planning process against litigation related to multiple projects, but centered on the Pebble Project. There is $500.0 included in the FY2012 budget.	328.2					328.2	328.2					328.2
46	45		1	Natural Resources	Land Acquisition and Title Defense	Oversight of Federal Land Transfers including Native Allotments and ANCSA Conveyances Federal funding from BLM which has paid for these services was eliminated due to federal budget cuts for federal fiscal year 2011. Funding is included in the FY2012 budget.	41.7					41.7	41.7					41.7
47	46		1	Natural Resources	Water Development	Permitting Water Use Applications Unrealizable federal and CIP funding authorization combined with program receipts not covering the cost of issuing water applications have caused a funding shortfall. This increment will help hire a vacant position to work on the backlog of permit applications. The FY2012 Governor's budget includes a $275.0 fund source change for this program.	22.0					22.0	22.0					22.0
48	47		1	Natural Resources	Mental Health Trust Lands Administration	Personal Services Costs The Trust Lands Office is vital to the funding of programs and services provided to Mental Health Trust beneficiaries; without adequate staffing, the lands cannot be managed to their fullest potential, which can result in reduced funding for the Trust. The Alaska Mental Health Board of Trustees approved a supplemental request in order to fund cost increases in personal services for the Executive Director, the Deputy Director and to fund a vacant half time position to continue work on the Southeast Land Exchange between the Trust and the U.S. Forest Service. Additional funding is being considered for an FY2012 amendment.			95.0		MHTAAR	95.0					MHTAAR	75.0
49	48		1	Natural Resources	RS 2477/Navigability Assertions and Litigation Support	Access Litigation and Recordable Disclaimer of Interest (RDI) Fees Increased costs for defending legal access to state lands and public trust rights, and increased number of cost recovery fees due to BLM with each recordable disclaimer of interest application. An FY2012 amendment is being considered for continuation of this request.	45.0					45.0	45.0					45.0

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50	49		1	Natural Resources	Fire Suppression Activity	Fire Suppression Activity funding for firefighting activity during FY2011. Payment to BLM for their fire fighting efforts on state owned land in 2010 and for estimated costs to fight spring fires.	9,894.7					9,894.7	9,894.7					9,894.7
51	50		1	Public Safety	ABC Board	Volunteers of America compliance checks - The ABC Board will conduct compliance checks in coordination with Volunteers of America (VoA) youth members, and VoA has agreed to reimburse the wages of a Board investigator and the fees paid to the youths. Receipt authority is needed to accept these funds. This request will have no impact on FY2012.			15.0		SDPR	15.0			15.0		SDPR	15.0
52	51		1	Revenue	Child Support Services	Fund source change from federal receipts to federal incentive receipts due to the meeting or exceeding of federal performance standards during the prior federal fiscal year. This is a one-time request.				0.0	154.7 Fed Incent (154.7) Fed Rcpts	0.0				0.0	154.7 Fed Incent (154.7) Fed Rcpts	0.0
53	52		1	Revenue	Permanent Fund Corporation	The Alaska Permanent Fund Corporation (APFC) requests a supplemental appropriation of $18,500.0 in Permanent Fund Receipts for additional investment management fees. Manager fees are calculated based on the market value of assets under management. In the FY12 budget, the Governor has proposed a language section appropriation so that the amount necessary for investment management fees will be available to cover manager fees.			18,500.0		Perm Fund Rcpts	18,500.0			18,500.0		Perm Fund Rcpts	18,500.0
54	53		1	Transportation and Public Facilities	Measurement Standards & Commercial Vehicle Enforcement	Correct the fund source for an Administrative Assistant II position in alignment with the fund code classification project. A fund source change is included in the FY2012 budget.		(68.4)	68.4		(68.4) GF/PR 68.4 UCR Rcpts	0.0		(68.4)	68.4		(68.4) GF/PR 68.4 UCR Rcpts	0.0
55	54		1	Transportation and Public Facilities	State Equipment Fleet	Increased costs related to credit card payments for fuel, parts, freight, and travel costs. These increased costs are all directly related to the price of fuel, which is compounded by the difficulties of maintaining equipment in rural communities. The FY2012 budget includes SEF increases of $2,890.0 in DOTPF regions.			500.0		Hwy Capital	500.0			500.0		Hwy Capital	500.0
56	55		1	Transportation and Public Facilities	Central Region Facilities	Repair of a failed septic system at the North Kenai Maintenance Station. This is a one-time request.	89.1					89.1	89.1					89.1
57	56		1	Transportation and Public Facilities	Northern Region Facilities	State Equipment Fleet equipment elevator repair. The Dept. of Labor, Mechanical Inspection Section, required that the single bottom hydraulic elevator cylinder needed to be replaced with a double bottom safety bulkhead cylinder design. This is a one-time request.	120.0					120.0	120.0					120.0
58	57		1	Transportation and Public Facilities	Northern Region Highways and Aviation	Fairbanks area ice storm additional operating and overtime costs. This is a one-time request.	431.1					431.1	431.1					431.1
59	58		1	Transportation and Public Facilities	Whittier Access and Tunnel	Tunnel operations are funded in large part through tunnel fees. This request will be based on the current hours of operation and cover a shortfall in revenue based on projected cruise ship dockings. The FY2012 budget includes an increase of $64.0 GF. **3/17 AMD:** An additional $373.9 is requested (in addition to the $39.9 originally requested), to cover the FY11 shortfall for the Whittier Access and Tunnel that occurred due to declining toll revenues.	413.8					413.8	[redacted]					39.9

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60	59		1	University of Alaska	Anchorage Campus	Additional FY2011 Federal Receipt Authority to accept increase in Pell Grants. The FY2012 budget includes $3,520.0 for federal Pell Grants. Additional funding is being considered in the FY2012 Governor amendments.				4,500.0		4,500.0				4,500.0		4,500.0
61	83		6	Administration	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	(104.1)	84.5	(49.3)	0.0	86.2 GF/PR (13.3) Ben Sys (.6) FICA (21.1) PERS (8.8) TRS (.7) GF/MH (.1) Jud Retire (.4) Nat Guard (1.6) CIP Rcpts (3.1) Pub Bldg (1.7) AOGCC (.03) I/A	(68.9)	(104.1)	84.5	(49.3)	0.0	86.2 GF/PR (13.3) Ben Sys (.6) FICA (21.1) PERS (8.8) TRS (.7) GF/MH (.1) Jud Retire (.4) Nat Guard (1.6) CIP Rcpts (3.1) Pub Bldg (1.7) AOGCC (.03) I/A Rcpts	(68.9)
62	84		6	Commerce, Community and Economic Development	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	(27.5)	(70.6)	(20.7)	(3.4)	(7.5) GF/PR (15.6) I/A Rcpts (16.6) ComFishLn (5.1) CIP Rcpts (1.7) FishEnLn (19.4) RCA Rcpts (24.9) RSS (.3) RDIF (.2)Small Bus	(122.2)	(27.5)	(70.6)	(20.7)	(3.4)	(7.5) GF/PR (15.6) I/A Rcpts (16.6) ComFishLn (5.1) CIP Rcpts (1.7) FishEnLn (19.4) RCA Rcpts (24.9) RSS (.3) RDIF (.2)Small Bus	(122.2)
63	85		6	Corrections	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	(264.2)			(7.7)		(271.9)	(264.2)			(7.7)		(271.9)
64	86		6	Education and Early Development	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	(51.6)	(1.8)	(4.0)	(11.2)	(1.8) GF/PR (4.0) I/A Rcpts	(68.6)	(51.6)	(1.8)	(4.0)	(11.2)	(1.8) GF/PR (4.0) I/A Rcpts	(68.6)
65	87		6	Environmental Conservation	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	(21.3)	(97.9)	(33.6)	2.2	1.8 GF Match (30.8) GF/PR (7.2) I/A Rcpts (61.9) Oil/Haz Fd (16.0) CIP Rcpts (.2) Clean Wtr (10.2) Clean Air (3.8) CPVE (1.4) Ocn	(150.6)	(21.3)	(97.9)	(33.6)	2.2	1.8 GF Match (30.8) GF/PR (7.2) I/A Rcpts (61.9) Oil/Haz Fd (16.0) CIP Rcpts (.2) Clean Wtr (10.2) Clean Air (3.8) CPVE (1.4) Ocn Rngr	(150.6)
66	88		6	Fish and Game	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	11.1	1.5	(93.5)	(145.4)	4.2 GF Match 1.5 GF/PR (.5) I/A Rcpts (.4) EVOSS (.5) Fish/Game (59.1) CIP Rcpts (33.0) SDPR	(226.3)	11.1	1.5	(93.5)	(145.4)	4.2 GF Match 1.5 GF/PR (.5) I/A Rcpts (.4) EVOSS (.5) Fish/Game (59.1) CIP Rcpts (33.0) SDPR	(226.3)

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							Governor Supplemental Request						Senate Fast Track Supplemental					
	2	In or out	Gov Sec. No.	Department	Component or Capital	Description of Supplemental Need	UGF	DGF	Other	Fed	Fund Source	Total Funds	UGF	DGF	Other	Fed	Fund Source	Total Funds
67	89		6	Health and Social Services	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	(623.8)	(26.7)	(34.3)	(294.0)	(19.4) I/A Rcpts (9.5) CIP Rcpts 1.3 MHTAAR (6.7) SDPR	(978.8)	(623.8)	(26.7)	(34.3)	(294.0)	(19.4) I/A Rcpts (9.5) CIP Rcpts 1.3 MHTAAR (6.7) SDPR	(978.8)
68	90		6	Labor and Workforce Development	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	(26.5)	(23.1)	(44.0)	(167.2)	(.2) GFPR (43.5) I/A Rcpts (.9) Sec Injury (.8) Fish Fund (2.7) Trng Bldg (3.2) Empl Trng (.5) SDPR (1.8) VoTech (9.8) Workers Safe (3.7) Bldg Safe	(260.8)	(26.5)	(23.1)	(44.0)	(167.2)	(.2) GFPR (43.5) I/A Rcpts (.9) Sec Injury (.8) Fish Fund (2.7) Trng Bldg (3.2) Empl Trng (.5) SDPR (1.8) VoTech (9.8) Workers Safe (3.7) Bldg Safe	(260.8)
69	91		6	Law	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	(42.7)	(4.1)	(1.0)		(1.4) GF/PR (1.0) I/A Rcpts (2.7) RCA Rcpts	(47.8)	(42.7)	(4.1)	(1.0)		(1.4) GF/PR (1.0) I/A Rcpts (2.7) RCA Rcpts	(47.8)
70	92		6	Law	Department-wide	Correct Unrealizable Fund Sources in the FY2011 Non-Covered Year 1 Salary Increases Requested fund source changes for unrealizable fund sources for the Dept. of Law's non-covered salary increases (HB 421, CH 56) were inadvertently not submitted for approval. This corrects the error.	217.2		(217.2)		(210.0) I/A Rcpts (7.2) Oil/Haz Fd	0.0	217.2		(217.2)		(210.0) I/A Rcpts (7.2) Oil/Haz Fd	0.0
71	93		6	Military and Veterans Affairs	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	(16.2)	0.0	(18.5)	(39.3)	(2.8) I/A Rcpts (15.7) CIP Rcpts	(74.0)	(16.2)	0.0	(18.5)	(39.3)	(2.8) I/A Rcpts (15.7) CIP Rcpts	(74.0)
72	94		6	Natural Resources	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	128.9	76.2	66.1	27.1	37.0 GF/PR 18.4 I/A Rcpts 8.1 Ag Loan .4 Oil/Haz Fd 28.5 CIP Rcpts 9.2 Perm Fund Rcpts 9.6 SDPR 29.0 LDIF 2.1 Timber	298.3	128.9	76.2	66.1	27.1	37.0 GF/PR 18.4 I/A Rcpts 8.1 Ag Loan .4 Oil/Haz Fd 28.5 CIP Rcpts 9.2 Perm Fund Rcpts 9.6 SDPR 29.0 LDIF 2.1 Timber	298.3
73	95		6	Public Safety	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	(162.5)	(9.8)	(0.2)	(0.1)	(9.8) GF/PR (.1) I/A Rcpts (.1) CIP Rcpts	(172.6)	(162.5)	(9.8)	(0.2)	(0.1)	(9.8) GF/PR (.1) I/A Rcpts (.1) CIP Rcpts	(172.6)

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	2	In or out	Gov Sec. No.	Department	Component or Capital	Description of Supplemental Need	Governor Supplemental Request UGF	DGF	Other	Fed	Fund Source	Total Funds	Senate Fast Track Supplemental UGF	DGF	Other	Fed	Fund Source	Total Funds
74	96		6	Revenue	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	(76.1)	(23.6)	(8.4)	(40.0)	(3.6) GF/PR (.1) PCE Endow (7.6) I/A Rcpts (.4) GF/MH (19.8) PFD Fund (.1) Pub School (.8) Perm Fund Rcpts (.1) PCE	(148.1)	(76.1)	(23.6)	(8.4)	(40.0)	(3.6) GF/PR (.1) PCE Endow (7.6) I/A Rcpts (.4) GF/MH (19.8) PFD Fund (.1) Pub School (.8) Perm Fund Rcpts (.1) PCE	(148.1)
75	97		6	Transportation and Public Facilities	Department-wide	FY2011 Over/Understated GGU/SU salary adjustments Errors were made in the FY2011 calculation of SU and GGU salary increases. This corrects the errors.	(92.4)	(70.5)	(69.4)	(0.6)	(6.9) GF/PR (2.0) I/A Rcpts (21.6) Hwy Capital (47.9) Int Airport .1 CIP Rcpts (63.6) Marine Highway (.1) SDPR 2.1 Whit Tunnel	(232.9)	(92.4)	(70.5)	(69.4)	(0.6)	(6.9) GF/PR (2.0) I/A Rcpts (21.6) Hwy Capital (47.9) Int Airport .1 CIP Rcpts (63.6) Marine Highway (.1) SDPR 2.1 Whit Tunnel	(232.9)
76	128			Multiple Agencies	Multiple	Negative supplementals added by the legislature						0.0	[illegible]	[illegible]	0.0	[illegible]		(1,759.7)
						OPERATING TOTALS (#s Section)	**50,005.2**	**(6,504.7)**	**19,617.5**	**53,477.9**	**0.0**	**116,595.9**	**43,641.4**	**(8,432.4)**	**19,597.5**	**53,375.2**	**0.0**	**108,181.7**

CAPITAL APPROPRIATIONS

77	61		3	Commerce, Community and Economic Development	Capital	Alaska Native Arts Foundation - Alaska Native Arts Marketing Grant- One time appropriation for grant to named recipient for marketing Alaska Native art.	300.0					300.0	300.0	0.0				300.0
78	62		3	Commerce, Community and Economic Development	Capital	Inter-Island Ferry Authority - One time appropriation to named recipient to maintain transportation service between Ketchikan and Prince of Wales Island for the rest of FY2011.	350.0					350.0	350.0					350.0
79	75		3	Transportation and Public Facilities	Capital	Hyder - Salmon River Levee Rehabilitation - This levee is considered by the Army Corps of Engineers to be in poor condition. It protects the town of Hyder from seasonal runoff and glacial lake flooding. The State is responsible for maintenance and repair, and the Salmon River levee is in major need of repair.	472.0					472.0	[illegible]					0.0
80	63		3	Labor and Workforce Development	Capital	AVTEC Economic Development Administration Distance Training Partnership Grant - increase from FY2007 federal grant authority to complete original plan. Although this has been a on-going appropriation, this grant will end in September 2012.				226.5		226.5				[illegible]		0.0
81	64		3	Public Safety	Capital	Alaska Public Safety Information Network (APSIN) Migration - move APSIN from the State of Alaska mainframe to a Microsoft and Intel server platform	1,356.6					1,356.6	[illegible]					0.0
82	66		3	Transportation and Public Facilities	Capital	Cold Bay - Airport Pavement Rehabilitation - The condition of the existing pavement has become hazardous and difficult to maintain.				5,300.0		5,300.0				[illegible]		0.0

							Governor Supplemental Request						Senate Fast Track Supplemental					
	2	in or out	Gov Sec. No.	Department	Component or Capital	Description of Supplemental Need	UGF	DGF	Other	Fed	Fund Source	Total Funds	UGF	DGF	Other	Fed	Fund Source	Total Funds
83	67		3	Transportation and Public Facilities	Capital	Gustavus - Airport Runway Safety Area - Gustavus Airport runway safety area is currently noncompliant with FAA standards for the size of the safety area surrounding a runway.				2,250.0		2,250.0						0.0
84	68		3	Transportation and Public Facilities	Capital	Talkeetna - Airport Improvement - expand commercial, general aviation, and transient aircraft parking. Current parking apron is at maximum capacity, and in order to utilize the upcoming construction season and not have to wait another 12 months, authorization needed before July 1.				5,000.0		5,000.0				0.0		0.0
85	69		3	Transportation and Public Facilities	Capital	Talkeetna - Airport Pavement Rehabilitation - The existing asphalt is over 20 years old and ranks far below (47.29) the expected Pavement Condition Index threshold of 70. New asphalt is needed on the runways, existing apron, and taxiways.				5,700.0		5,700.0				0.0		0.0
86	71		3	Transportation and Public Facilities	Capital	Fairbanks - South Cushman-Mitchell Expressway to Sanduri Street. The existing pavement surface is worn, cracked, rutted, and over 20 years old.				1,660.0		1,660.0				0.0		0.0
87	72		3	Transportation and Public Facilities	Capital	Hyder - Salmon River Road rehabilitation - Upgrade and pavement of road to reduce road operation and maintenance, as well as dust and mud in the community. Supplemental is being requested due to an increase in the engineer's estimate and to meet anticipated advertising in May, 2011.				1,300.0		1,300.0				0.0		0.0
88	73		3	Transportation and Public Facilities	Capital	Richardson Hwy Reconstruction MP 148-159 - Sourdough to Haggard Creek. This is a supplemental need is due to the roadway being narrow, sinuous, and settling in numerous areas. The pavement and foundation materials are showing signs of major distress.				30,000.0		30,000.0				0.0		0.0
89	76		3	Transportation and Public Facilities	Capital	Tatalina River Bridge repair - multiple deck planks are broken or missing, and traffic steered around the holes causing further damage.	15.0					15.0	0.0					0.0
90	77		3	Transportation and Public Facilities	Capital	Taylor Highway Repair - This request is to fund the federally ineligible expenses from the emergency flooding events of July/August 2010.	810.0					810.0						0.0
91	78		3	Transportation and Public Facilities	Capital	Haines Highway MP 19 Repairs - Funding for the removal of debris from the road and culverts, as well as immediate repairs to make this section of the highway safe after a large rock slide.	89.7					89.7	0.0					0.0
92	79		3	Transportation and Public Facilities	Capital	Ketchikan - South Tongass Highway repair - Funding for the removal of debris from road and roadside ditch, as well as perform immediate safety repairs on this section of the highway after large rock fall event in August 2010.	200.0					200.0	0.0					0.0
93	80		3	Transportation and Public Facilities	Capital	Ketchikan Court Office building elevator controls - This is a request to bring the building's elevators into compliance with current codes regarding fire service operation.	120.0					120.0						0.0
						CAPITAL TOTALS (#s Section)	**3,713.3**	**0.0**	**0.0**	**51,436.5**	**0.0**	**55,149.8**	**650.0**	**0.0**	**0.0**	**0.0**	**0.0**	**650.0**

LANGUAGE

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	2	In or out	Gov Sec. No.	Department	Component or Capital	Description of Supplemental Need	Governor Supplemental Request						Senate Fast Track Supplemental					
							UGF	DGF	Other	Fed	Fund Source	Total Funds	UGF	DGF	Other	Fed	Fund Source	Total Funds
94	100		9	Environmental Conservation	Capital	Amend Section 4, ch. 30, SLA 2007, page 89, line 33 through page 90, line 4. The Comprehensive Oil and Gas Infrastructure Risk Assessment Phase 1 project is reduced from $5,000,000 to $2,750,000, as this is the amount needed to complete the project due to a change in scope and in the methodology employed. As a result, the study was confined to the North Slope, and did not include the level of detail initially envisioned. The department is in the process of implementing the recommendations from the risk assessment done under the revised scope of the project.	(1,125.0)	(1,125.0)			(1,125.0) Oil/Haz Fd	(2,250.0)	(1,125.0)	(1,125.0)			(1,125.0) Oil/Haz Fd	(2,250.0)
95	101		10(a)	Health and Social Services	Medicaid Services	Amend Section 16(b), ch. 41, SLA 2010, known as the "FMAP Backstop", to preserve Medicaid payments if federal reimbursement at stimulus percentages are not received.	14,881.2			(14,881.2)		0.0	14,881.2			(14,881.2)		0.0
96	102		10(b)	Health and Social Services	Senior and Disabilities Services Administration	Legal settlement to Hope Community Resources, Inc. for reimbursement rates for home and community-based services for the fiscal year ending June 30, 2011.	167.1					167.1	167.1					167.1
97	103		10(c)	Health and Social Services	Commissioner's Office	Legal settlement to NANA Management Services for services related to a nursing home facility for the fiscal year ending June 30, 2011.	132.0					132.0	132.0					132.0
98	104		11	Labor and Workforce Development	Capital	SCOPE CHANGE: Amend Section 7, ch. 43, SLA 2010, page 28, lines 23 - 24 AVTEC Culinary Academy Equipment, **Student Cafeteria Remodeling, and Facility Demolition** (HD 33-35)						0.0						0.0
99	105		12(a)	Law	Deputy Attorney General's Office	Actual judgment and settlement costs incurred in the fiscal year ending June 30, 2011 received as of January 31, 2011 **3/17 AMD:** Adds 3 cases to list totaling $167.0. ($241.2 was original request).	408.2					408.2	[redacted]					241.2
100	106		12(b)	Law	Deputy Attorney General's Office	Judgment and settlement costs incurred in the fiscal year ending June 30, 2011, but not included in the previous section						0.0						0.0
101	107		13(a)	Natural Resources	Land Acquisition and Title Defense	Amend Section 12, ch. 2, FSSLA 1999 Extend Lapse Date to June 30, 2013 for appraisal of public school lands to determine the fair market value due to Kasayulie v. State, 3AN-97-3782						0.0						0.0
102	108		13(b)	Natural Resources	Land Acquisition and Title Defense	Amend Section 47(c), ch. 1, SSSLA 2002 Extend Lapse Date to June 30, 2013 for appraisal of public school lands to determine the fair market value due to Kasayulie v. State, 3AN-97-3782						0.0						0.0
103	109		13(c)	Natural Resources	Gas Pipeline Implementation	Amend Section 22(c), ch. 14, SLA 2009 Extend lapse date to June 30, 2012 State Gas Pipeline Right-of-Way						0.0						0.0
104	110		13(d)	Natural Resources	Capital	Amend Section 4, ch. 30, SLA 2007, page 97, lines 25 - 26 Increase federal receipt authority for the Alaska Cadastral Project				50.0		50.0				[redacted]		0.0
105	111		14(a)	Public Safety	Capital	Amend Section 7, ch. 43, SLA 2010, page 33, lines 4 - 7 reduces the Public Safety Academy - Land Acquisition & Construction project by the amount intended for veto, from $5,000.0 to $1,000.0.	(4,000.0)					(4,000.0)	[redacted]					

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							UGF	DGF	Other	Fed	Fund Source	Total Funds	UGF	DGF	Other	Fed	Fund Source	Total Funds
106	112		14(b)	Public Safety	Capital	Amend Section 1, ch. 43, SLA 2010, page 3, lines 8 - 9 reduces the Crime Lab Replacement project from $75,750.0 to $70,750 - the project construction is coming in under budget.	(5,000.0)					(5,000.0)	(5,000.0)					(5,000.0)
107	113		15	Revenue	Treasury	Amend Section 36, ch. 43, SLA 2010, to extend the term year for the expenses of issuing general obligation bonds approved by the voters through the fiscal year ending June 30, 2013.						0.0						0.0
108	114		16	Transportation and Public Facilities	Capital	Repeals $4,000.0 of the FY2011 fuel allocation for DOTPF and appropriates it to Alaska Marine Highway System for vessel and terminal overhaul and rehabilitation.						0.0						0.0
109	115		17	Fund Capitalization	Crime Victim Compensation Fund	Amend Section 27(c), ch. 41, SLA 2010 This corrects the term year for capitalizing the crime victim compensation fund for FY2011, from the year ending June 30, 2011 to June 30, 2009.						0.0						0.0
110	116		18	State Debt and Other Obligations	International Airports Revenue Bonds	Amend Section 32(n), ch. 41, SLA 2010 This allows the Alaska International Airport System to restructure debt payments to include additional passenger facility charge (PFC) revenue and Build America Bonds (BABS) interest subsidy receipts.			(207.6)	207.6	(2,207.6) Int Airport Revenue Fund 2,000.0 PFC 207.6 BABS interest subsidy receipts	0.0			(207.6)	207.6	(2,207.6) Int Airport Revenue Fund 2,000.0 PFC 207.6 BABS interest subsidy receipts	0.0
111	118		20	Budget Reserve Fund		The unobligated balance of the operating general fund at the close of business June 30, 2011, is appropriated to the Budget Reserve Fund.						0.0						0.0
112	119		21	Repealers		Section 1(b), ch. 1, 4SSLA 2008 is repealed June 30, 2011 This repeals the resource rebate contingency appropriation. All claims appear to be settled.	(4,526.9)					(4,526.9)	(4,526.9)					(4,526.9)
113	120		22(a)	Lapse of Appropriations		The appropriations made in Sections 6, 8, 10(d), 11 and 13 are for capital projects and lapse under AS 37.25.020.						0.0						0.0
114	121		22(b)	Lapse of Appropriations		The appropriation made in Section 14 is for capitalization of a fund and do not lapse.						0.0						0.0
115	122		23	Retroactivity		Section 14 is retroactive to June 30, 2009.						0.0						0.0
116	123		24	Effective Date		The effective date of the balance of the act is April 17, 2011.						0.0						0.0
117				Fund Capitalization	Alaska Children's Trust Grant Account	Appropriate unobligated funds of Alaska Children's Trust earnings account to the grant account for projects that protect child abuse and neglect in Alaska.						0.0		204.0				204.0
118				Revenue	Natuaral Gas Commercialization	**3/17 AMD:** Alaska Natural Gas Commercialization - This request reappropriates the unexpended and unobligated balance from FY11, estimated to be $1,238.9, into FY12 to accommodate negotiations and the												
119				Administration	Capital	**3/17 AMD:** Scope Change -Statewide Administrative Systems Replacement Phase 2 [- FINANCIALS AND PROCUREMENT SYSTEM] (HD 1-40), to accommodate funding of the ASSET portion of the payroll system.												
120				Education and Early Development	Capital	**3/17 AMD:** This technical change allows the school construction projects appropriated to the department and funded by general obligation bonds passed by the voters in November 2010 to be posted accurately in the State accounting system and still be in compliance with state and federal legal requirements.												

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121				Natural Resources	Capital	**3/17 AMD:** Adds new subsection to reappropriate the unexpended and unobligated balance, estimated to be $456,307, of the appropriation made in sec. 1, ch. 82, SLA 2006, page 77, lines 9-11 (Department of Natural Resources, Bristol Bay Energy Development Investigation - $750,000) to a new CIP which would include relevant geologic field studies in the upper Alaska Peninsula and lower Cook Inlet regions.												
122				Revenue	Alaska Housing Finance Corporation	**3/17 AMD:** NEW: Adds a new subsection to amend Sec. 29(c), Ch. 43, SLA 2010, removing the term year reference for the capital project appropriation for the in-state natural gas pipeline.												
123				Transportation and Public Facilities	Capital	**3/17 AMD:** Scope Change: Fairbanks: South Cushman - Mitchell Expressway to Sanduri Street [VAN HORN]. This name change extends the road pavement project from Van Horn Road to Sanduri Street , approximately 1,800 feet. Sanduri Street is where State maintenance responsibility ends.												
124				Public Safety	Capital	**3/17 AMD:** Retroactive Effective Date: Request F2011 capital supplemental request for the Alaska Public Safety Information Network Migration (APSIN) retroactive effective date of January 1, 2011.												
						LANGUAGE SECTION TOTALS	**936.6**	**(1,125.0)**	**(207.6)**	**(14,623.6)**	**0.0**	**(15,019.6)**	**4,769.6**	**(921.0)**	**(207.6)**	**(14,673.6)**	**0.0**	**(11,032.6)**
FUND TRANSFERS LANGUAGE							**(167.0)**						**0.0**					
117				Fund Transfers	Statutory Budget Reserve Fund	Deposit portion of anticipated FY11 surplus to the SBR.						0.0						1,000,000.0
118				Fund Transfers	Power Cost Equalization Endowment	Deposit portion of anticipated FY11 surplus to PCE Endowment to enable a payout of 5% to fully fund the PCE program.						0.0						400,000.0
119				Fund Transfers	AMHS Vessel Replacement Fund	Funding required for construction of an Alaska Class Vessel						0.0						60,000.0
						FUND TRANSFERS SECTION TOTALS	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1,460,000.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1,460,000.0**
						FAST TRACK SUPPLEMENTAL BILL TOTAL	**54,655.1**	**(7,629.7)**	**19,409.9**	**90,290.8**	**0.0**	**156,726.1**	**49,061.0**	**(9,353.4)**	**19,389.9**	**38,701.6**	**0.0**	**97,799.1**
Ratifications																		
92	117		19	Ratifications (see below)		(See below)						0.0						0.0
99	127		19(a)	Natural Resources	Fire Suppression Activity	AR 37313-10 Fire General Fund	23,458,478.1					23,458,478.1	23,458,478.1					
100	128		19(b)	Public Safety	Bureau of Highway Patrol	AR 47834-10 RSA with DOT/PF	18,407.8					18,407.8	18,407.8					

FY11 Negative Supplemental Proposals (Based Primarily on Increments and Fiscal Notes that Funded Positions)

Department	Allocation	Description of Transaction	Proposed GF Dec	Senate Supp (highlight indicates difference from Department response						LFD Notes	Dept. Okay?	Department Comments
				UGF	DGF	Other	Fed	Fund Source	Total Funds			
Administration	Alaska Public Offices Commission	Fiscal Note - Ch. 73, SLA 2010 (HB 36) Initiatives: Contributions/Procedures	(13.6)	0.0					0.0	Total one-time FN = $60.2 with 1 PPT $32.7 of this in Personal Services. PCN 02-0028 was filled on 12/9/10. Five months savings in P. S.	No	The funding for APOC is necessary and justified because while the permanent positions were being created two consecutive short term non-perms were created to do some of the work of the new positions which will leave APOC short funded. The remainder of the work required under HB36 and SB 284 was picked up by the current staff, this was possible because all positions were filled and staff worked extra hours. This was an election year making it necessary to have as many staff as possible for the increased workload, in effect, all positions were filled. This funding is necessary to fund the non-perm positions as well as funding for the lack of vacancies in support of the election.
Administration	Alaska Public Offices Commission	Fiscal Note - Ch. 36, SLA 2010 (SB 284) Initiatives: Contributions/Procedures	(26.2)	0.0					0.0	Total one-time FN = $131.2 with 1 PFT $78.7 of this in Personal Services. PCN 02-0030 was filled on 11/2/10. Four months savings in P. S.	No	(see above)
DCCED	Community & Regional Affairs	FY11 Inc - Funds for Local Government Specialists to provide technical assistance to at risk rural communities (no new positions)	(43.0)	(43.0)					(43.0)	Total Inc = $250.0 UGF (all shown in Personal Services but some funding was to be used for other line item expenditures. Two positions filled (one in Juneau/one in Kotzebue) Kotzebue position was not filled until 12/13/10. Five months savings	No	This increment was authorized to fund Local Government Specialists (LGS) that provide technical assistance to "at-risk" rural communities. A vacant position, transferred to DCRA from within the department, was filled on June 28, 2010 in Juneau. A second position authorized by the administration was established and filled in Kotzebue on December 13, 2010. To date in FY2011, the incumbents of these positions have made 17 on-site assistance trips to seven of the twenty three communities covered by these positions. To reach more of these communities, and address critical training needs, the funds will be used to present regional training and bring the community representatives into the classes. Without the use of these funds, these critical training needs will not be adequately addressed for this fiscal year.
DCCED	Community & Regional Affairs	FY11 IncOTI - Funds for Natural Resource Specialist II Position to provide communities with assistance for ANSCA 14c actions - 1 PFT	(25.3)	(25.3)					(25.3)	IncOTI - $97.0 Total ($76.0 P. S. + $15.0 Travel + $6.0 Commodities) Position filled on 11/1/10. Four months savings	No	This increment funded a Natural Resources Specialist position that started on November 1, 2010. The incumbent is working to become familiar with the ANCSA 14(c)(3) conveyance process. One major accomplishment is the review of existing Municipal Land Trust leases, document expiration dates, renewal clauses and begin processing upcoming lease renewals. Many of these land leases were executed in the 1980's and 1990's and if they expire before they are extended, the trustee will need to undergo a public notice and approval process prior to the lease being reissued. In the interim period, the state could be liable for activities occurring on these developed parcels where site control is not established. The funds are being used for travel to engage in negotiation discussions with more communities than originally planned, and to have public meetings for land disposals that have been requested by the communities.
DCCED	Economic Development (formerly Investments)	Fiscal Note - Ch. 120, SLA 2010 (HB 20) Fisheries Loans: Energy Efficiency/Amount	(54.2)		(54.2)			Comm Fish Ln (1036)	(54.2)	Total FN = $88.6 with 1 PFT $72.3 in Personal Services As of 2/16/11, position has not yet been established. Assume minimum of nine months savings	Yes	This bill, signed August 2010, included a position for assistance in providing low interest loans to qualified Alaskan harvesters who wish to upgrade their existing vessels and gear to improve energy efficiency. The creation of this position was delayed while there was an assessment of the optimal geographic location to accommodate both customer service and ensure adequate back-up of existing Loan Collection positions. The position is currently being established under the Division of Personnel, Department of Administration classification process.

FY11 Negative Supplemental Proposals (Based Primarily on Increments and Fiscal Notes that Funded Positions)

Department	Allocation	Description of Transaction	Proposed GF Dec	Senate Supp (highlight indicates difference from Department response)						LFD Notes	Dept. Okay?	Department Comments
				UGF	DGF	Other	Fed	Fund Source	Total Funds			
DCCED	Banking and Securities	Fiscal Note - Ch. 61, SLA 2010 (SB 279) Mortgage Lending	(32.5)		(32.5)			GF/PR	(32.5)	Total FN = $131.0 with 1 PFT $65.0 in Personal Services Filled in FY11 (date not yet provided)	No	The authorized position is currently being recruited. The primary reason for the delay was a timing issue caused by the requirement that the division draft new regulations to change its licensing of mortgage lenders to comply with new statutes that comply with new federal standards. While this occurred, the workload of setting up and modifying the mortgage lending program and examining the 400 plus licensees was handled by existing staff and overtime. The new regulation package is now complete and the recruitment process is occurring. Given the need to pay overtime, the loss of these funds will impact the divisions ability to continue implementing this program and accomplishing the Consumer Finance section responsibilities of licensing, renewals, investigation support, and examination of businesses.
DCCED	Corporations, Business & Professional Licensing	Fiscal Note - Ch. 49, SLA 2010 (SB 292) Pawnbrokers	(27.0)		(18.0)			Receipt Supported Services (1156)	(18.0)	Total FN = $38.0 With $36.0 in Personal Services. As of 2/16/11, position has not yet been established. Assume minimum of nine months savings	No	This bill has an effective date of July 2011. The division, through the use of existing staff overtime and a temporary employee, is developing regulations to implement new mandates for the pawnbroker profession. The division plans to hire the authorized position prior to July 1, 2011. In the meantime, the division is not able to absorb this work to date or the licensing/investigation function without the funds appropriated for the purpose of this program.
DCCED	Corporations, Business & Professional Licensing	Fiscal Note - Ch. 67, SLA 2010 (HB 315) Public Accounting	(83.7)		(83.7)			Receipt Supported Services (1156)	(83.7)	Total FN = $134.2 With $111.7 in Personal Services. As of 2/16/11, position has not yet been established. Assume minimum of nine months savings	No	This fiscal note funded an Executive Secretary at range 23 for the Alaska Board of Public Accountancy. Three primary issues have delayed hire of this position. First, the bill language required that regulations be drafted prior to hire. Second, a classification rate study needed to be completed by the Department of Administration Division of Personnel. Third, the rate study allocated the position to a range 19 which conflicts with the fiscal note language and intent of the Board. The plan, if approved by the Board, is to proceed with recruitment at the current allocation while awaiting the outcome of two current legislative bills that would adjust the allocation to a range 23. The Division has spent considerable personnel time in efforts to implement this position, to reduce these funds would cause an inappropriate allocation of other funds that exist to serve other division programs and priorities.
Education & Early Development	Student and School Achievement	Fiscal Note - Ch. 14, SLA 2010 (SB 221) Legis. Task Force on Higher Ed/Careers	(32.7)	(32.7)					(32.7)	Total FN = $100.0 with 1 PFT $87.3 of this in Personal Services. Position was filled on 11/15/20. Four and one-half months savings in P.S	Yes	The department has no comment on this reduction.
Education & Early Development	State System of Support	FY11 Increment - Add 3 PFT Content Specialists for Math, Science, and Reading	(105.3)	0.0					0.0	Base increment = $291.7 (all in Personal Services + 3 new PFT positions. Math position filled 9/2/10; Science position filled1/1/11; and Reading position was filled 10/1/10 but vacated again on 12/1/10. Total P. S. savings for approx. 13 mos. @ $8.1/month	No	The department used contractors until the positions were filled and is still using a contractor for the literacy/reading. Any savings would have been replaced by services of a contractor as they continue to build on the state system of support. The recruitment for the content specialist took time in that it was recruited nationwide and still had difficulty in recruitment.
DEC	Food Safety & Sanitation	Environmental Health Technician & Related Costs in Support of Permit and Inspection of New Shellfish Farms - Total $100.4 UGF w/ 1 PFT PCN	(32.9)	(16.0)					(16.0)	PS Total = $78.9 (5 months vacant) PCN 18-7829 Environmental Health Technician -Filled 12/2/2010	No	Immediately upon passing the budget bill, the Department moved a position from Wasilla to Ketchikan to fill the industry's needs. It took time to get the position moved, recruited for and hired. There was a delay in hinng because the food safety program has a high volume of work in the summer and the fall. During the time this position was being recruited for, the Division's Food Safety staff worked overtime to fill the needs, therefore if this funding is repealed there will not be sufficient funding to pay for the hired position for the remainder of the year.

FY11 Negative Supplemental Proposals (Based Primarily on Increments and Fiscal Notes that Funded Positions)

Department	Allocation	Description of Transaction	Proposed GF Dec	Senate Supp (highlight indicates difference from Department response)						LFD Notes	Dept. Okay?	Department Comments
				UGF	DGF	Other	Fed	Fund Source	Total Funds			
DEC	Food Safety & Sanitation	Environmental Health Officer & related Costs to focus on Retail Food Establishment Safety Inspections - Total $100.4 UGF w/ 1 PFT PCN	(52.6)	(32.6)					(32.6)	PS Total = $78.9 (8 months vacant) PCN 18-7830 Environmental Health Officer II/III has been established and the division has been recruiting for this position since 11/26/2010 with no success. It is currently posted on Workplace AK.	Yes at (11.5)	This assumes hiring an EHO II at a Step A which leaves the department with $26.3. If an EHO III at a step C/D is hired, assuming the department may be able to hire/promote someone in March at a higher proficiency level, $31.1 would be needed to cover the expense. To ensure sufficient funding to hire at the non-trainee level of this flex position, possibly including moving costs from out-of-state, the Department would require at least $41.1 in funding. EHO's are often hired from out of state because of the expertise level.
DEC	Drinking Water	Environmental Protection Agency Drinking Water Rule Implementation - 5 new PFT PCN's were requested to conduct the implementation, monitoring, reporting and enforcement work. Legislature approved $600.0 total ($300.0 UGF & $300 Fed) w/ no new PCN's	(150.0)	(75.0)			(75.0)		(150.0)	PS Total = $450.0 (8 months vacant) Five existing positions have been submitted to Division of Personnel for reclassification. No positions filled and recruitment will begin as soon as the classification process is complete.	No	The Department requested $600.0 and 5 positions in the FY2011 budget request. The legislature denied the positions but approved the funding with the understanding that in order to do the work associated with this increment the Department would have to rely heavily on contractual support, non-permanent employees and adjustments/over-time with existing staff which we have done. Therefore, the funding showing available is not available for repeal. The remaining funding will be used to fund the five positions currently in classification/recruitment and reduce the program's reliance on contractual support, non-perms and over-time.
DEC	Air Quality	Federal Environmental Protection Agency Permitting Requirements - 1 New PFT PCN needed for Outer Continental Shelf and Climate Change air quality activities. $150.0 UGF w/ 1 PFT PCN	(72.2)	(32.2)					(32.2)	PS Total = $108.3 (8 months vacant) PCN 18-7831 Environmental Program Specialist III/IV has been established. Recruitment is underway and currently posted to Workplace AK.	No	During the first half of the year, during this recruitment, the funding under this increment was used for contractual expenses in lieu of personal services. If this funding is reduced the position will not be hired this fiscal year as there would not be sufficient funding to fill the position.
DEC	Facility Construction	Federal Resources for Public Water Systems Operator Certification and Training - $240.0 Fed w/ 1 PFT PCN					(18.1)		(18.1)	PS Total = $87.0 (2.5 months vacant) PCN 18-7828 Grants Administrator II - Filled on 9/27/10	Yes	The 2.5 month delay was due to establishing the position and hiring. There will be no impact on the program if this federal authority is reduced for FY2011.
Fish & Game	AYK Region Fisheries Management	Salmon Research and Management Projects for AYK Region - $80.0 UGF for Database Management & 1 PPT PCN	(40.0)	0.0					0.0	Position was filled in January 2011. (6 months vacant) What is the PCN #?	No	The combined reduction for AYK Region is $156.7 Personal services for three new PCNs from two increments. To date, the Research Analyst I and Fisheries Biologist II have been filled, and the Fisheries Biologist IV Position Description (PD) is still pending review and approval by HR. There have been delays in writing and submitting the PDs to HR. The Regional Supervisor has been actively dealing with these new positions and also filling other vacant positions. Approximately $50.0 has already been spent on other personnel costs (additional months for seasonal positions) related to this project, with a plan to spend the remainder during the upcoming field season during the second half of the fiscal year.
Fish & Game	AYK Region Fisheries Management	Fishery Biologists II and IV for Salmon Research and Management Projects for AYK Region -$175.0 UGF & 2 PFT PCNs	(116.7)	(116.7)					(116.7)	PS Total = $175.0 (8 months vacant) Fishery Biologist Ii working in Yukon-Northern Area - currently vacant and recruiting for. Fishery Biologist IV working at regional level - still vacant and recruitment will follow the Fishery Biologist II.	Yes at (66.7)	(see above)
Fish & Game	Wildlife Conservation	Endangered Species Act Listings Coordination -$236.0 UGF to fund one existing Wildlife Biologist position & other related costs	(54.4)	0.0					0.0	PS Total = $81.6 (8 months vacant) Recruitment is currently underway. Used existing PCN -	No	(Note: The Appropriation column should list Wildlife Conservation instead of Commercial Fisheries.) Recruitment is currently underway for this position. The personal services funding from this position was used to support a 2nd position in the unit, the ESA Special Projects Coordinator position (11-T006). During FY2010, it was partially funded by the Division of Sport Fish. For FY2011, Sport Fish no longer requires services of the position and all ESA costs have been consolidated within Wildlife Conservation. This funding has been used, and continues to be needed for ESA issues.

FY11 Negative Supplemental Proposals (Based Primarily on Increments and Fiscal Notes that Funded Positions)

Department	Allocation	Description of Transaction	Proposed GF Dec	Senate Supp (highlight indicates difference from Department response						LFD Notes	Dept. Okay?	Department Comments
				UGF	DGF	Other	Fed	Fund Source	Total Funds			
Fish & Game	Fish & Game Boards and Advisory Committees	Regional Regulatory Program Assistant in Bethel - $84.6 UGF & 1 PFT PCN	(45.7)	0.0					0.0	PS Total = $68.6 (8 months vacant) Currently vacant and recruiting for PCN 11-0608 F&G Regional Pgm Assistant.	No	There were delays in writing and submitting the necessary Positions Description to Division of Personnel. There was one failed recruitment for this position with a second recruitment currently underway. The personal services funding Boards received for this position has been used to fund additional months for seasonal positions and some overtime to cover the duties of the section until the position is filled. An unscheduled joint board meeting and additional BOF meeting have used up all available funding of the section.
H&SS	Family Preservation	Funding and staff for the Independent Living Program to assist with youth with work school, job training, and life skills: $160.5 UGF & 2 pcns	(70.0)	(70.0)					(70.0)	OCS is currently recruiting (and interviewing) for the two positions. $70.0 removes 7 months of funding. Bethel pcn is 06-9301; Anc pcn is 06-9302	Yes	The department is currently recruiting for these two positions, and accepts the FY2011 budget reduction.
Labor	Alaska Vocational Technical Center	Grant Administrator to Pursue Non-General Funds to Support Operations - $83.6 total ($41.8 GF/PR & $41.8 Fed) w/ 1 PFT PCN	(9.6)		(9.6)		(9.6)		(19.2)	PS Total = $76.7 (3 months vacant) PCN 07-4568 Grant Administrator -Filled on 10/1/10	Yes	The department concurs with the LFD analysis and accepts the FY2011 budget reduction.
Law	Child Protection	Kenai Child Protection Attorney & related costs to relieve case overload in Kenai and Homer area -Total $200.0 UGF w/ 1 PFT PCN	(85.0)	(45.0)					(45.0)	PS Total Appropriated = $170.0 (50% recovered insupp) As of January 2011 this position had been offered twice but applicant circumstances changed. The department is actively recruiting and hopes to hire soon. During the first half of FY11, the department has reprogrammed a portion of the funding to assist with the backlog of restitution collections in the Collections and Support allocation. This funding has not crossed appropriation lines as both allocations are under the Civil Division appropriation. The department expects the position to be filled soon.	No	The department, with OMB approval, committed the savings identified by LFD to a "restitution surge" project. Law planned to request a supplemental to provide funding to address a backlog in collections from offenders and payments to victims that has been building in their Collections and Support Section. Instead of requesting supplemental funds, the department identified savings from delays in recruitment and hiring of new positions. They then created and hired 3 long-term non-permanent positions: 2 office assistants to open cases ($25,000 over 5 months); 1 Litigation Assistant to process disbursements to victims ($92.165 over 5 months). The department also sought $8,000 for database support. Total cost of the short term fix was estimated at $125,000. The department has started the surge and requests that these funds not be included in the proposed negative supplemental.
Law	Natural Resources	Endangered Species Issues Attorney & related costs to address the influx of ESA issues	(42.5)	0.0					0.0	PS Total = $170 (25% recovered in supp) This position filled 10/11/10	No	(see above)
DNR	Gas Pipeline Implementation	Professional and Support Staff for Capacity	(467.3)	(283.1)					(283.1)	PS Total - 618.1 (4 positions total) It appears these positions were overfunded by 171.4 (the budget detail for the positions totals $467.3 for the 4 positions, but the PS Line for the INC was 618.1) 2 positions on hold until the hiring of new AGIA Coordinator (coordinator to be hired within a couple weeks); LFD projecting 4th quarter hiring for the 2 positions(9 months vacant); Potential additional reduction due to vacant AGIA Coordinator position, but excluded from this analysis 1 position filled 1/16 (6 months vacant) 1 position filled 2/7(7 months vacant)	Yes at (283.1)	The Legislative Finance Division (LFD) notes state that it appears the four positions included in the increment are overfunded. The position cost for Management Plan for the four new positions is $441.6. The intent of the increment for $618.8 in personal services was to fund an additional Project Manager position that was transferred from the Commissioner's Office ($136.3) during FY2011 Management Plan as well as other personal services expenditures for existing positions in the component. The Gas Pipeline Implementation office combines the base budget and the Support Staff one-time item and uses them both to fund all positions. The total personal services funding for these two appropriations is $1,171.3. Based on the projected need for the remainder of the year, the component does not have adequate funding to allow the removal of $467.3. The anticipated surplus is $283.1.
DNR	Agricultural Development	Plant Health and Pytosanitary Certification	(61.1)	(61.1)					(61.1)	PS Total - $81.5 (1 position) Start date 3/22 (9 months vacant)	Yes	This increment funds PCN 10-3129 – Development Specialist I. The best use of the position had to be determined prior to recruiting for the position. The position has been filled, but the candidate will be unable to start until March 22, 2011. It is acceptable to remove $61.1 from the FY2011 budget.

FY11 Negative Supplemental Proposals (Based Primarily on Increments and Fiscal Notes that Funded Positions)

Department	Allocation	Description of Transaction	Proposed GF Dec	Senate Supp (highlight indicates difference from Department response)						LFD Notes	Dept. Okay?	Department Comments
				UGF	DGF	Other	Fed	Fund Source	Total Funds			
DNR	Agricultural Development	Fiscal Note - Alaska Grown Ag Products	(84.0)	(80.9)					(80.9)	PS Total - $126.1 (2 positions) 1 position filled 12/28 (6 months vacant) 1 position to be filled within 3 months (10 months vacant)	Yes at (80.9)	This increment funds one full-time position and one part-time position (PCN 10-3128 – Development Spec. I and PCN 10-3130 Natural Resource Spec I, respectively). The intent was that the part-time position would be hired once the full-time position was filled and the incumbent could make their own hire. The Development Spec. I was hired December 28, 2010 and will be filling the part-time position within three months. The amount being proposed for deduction from the FY2011 budget seems to assume that the part-time position will not be hired within three months, but at three months. It would be more appropriate to add 1.5 months of funding for the part time position to ensure adequate funding. Removing $80.9 as opposed to $84.0 would leave the division more flexibility.
DPS	AST Detachments	3 Trooper/Investigator positions to focus on domestic violence and sexual assault follow up investigations Palmer position filled Nov. 2010 Fairbanks position filled December 2010 Bethel position bid and hire takes effect March 2011	(120.8)	0.0					0.0	PS Total Appropriated = $255.8 (this would cover 36 months (3 positions @ 12 months). 19 months are filled. This supplemental action would recover funding for the vacant 17 months. Although NOT part of the Governor's $3 million dollar RSA package for DVSA, this funding was considered part of the Domestic Violence and Sexual Assault Initiative.	No	These new positions are part of the Governor's domestic violence and sexual assault initiative. The justification for the negative supplemental assumes 17 months of vacancy and 19 months filled for the combined three positions. This vacancy savings does not exist. From an operational standpoint, these new positions could not be filled until recruits completed field training and could be moved into independent trooper PCNs to free up more experienced troopers to move into the new investigator positions. Recruits in field training are often double-filling PCNs in the three field training locations of Soldotna, Palmer, and Fairbanks. During this time-period, five recruits were in this status. These double-filled PCNs are paid for by vacant PCNs elsewhere. At the same time, recruits at the Sitka Academy, who are coming up behind the recruits in FTEP, are also being paid with savings from vacant trooper positions around the state. There were about 17 recruits at the academy during this same time-period. The department requests these funds not be deleted.
DPS	Alaska Criminal Records and Identification	Fiscal Note - Ch. 18, SLA 2010 (SB 222) Sex Offenses; Offender Regis; Sentencing. One new full-time Criminal Justice Specialist position to manage an enhanced database and reporting mechanism necessitated by the enactment of SB 222.	(55.3)	(55.3)					(55.3)	PS Total Appropriated = $83.8 (8 vacant months recovered in supp) The department has had difficulty filling the position and is in the middle of a recruitment process.	Yes	The department concurs with the LFD analysis and accepts the FY2011 budget reduction.
Revenue	Tax Division	Petroleum Commercial Analyst Positions for Gasline & Production Tax Analysis - 4 PFT exempt PCN's were requested. Legislature approved $400.0 UGF and 2 PFT exempt PCN's.	(266.7)	(266.7)					(266.7)	PS Total = $400.0 (8 months vacant) PCN's 04-039 & 04-X040 have been established and the division is actively recruiting. After a delay due to the change in administration, they are now in the process of making hiring decisions.	No	(See the attached letter from the Department of Revenue.)
Revenue	Permanent Fund Dividend Division	Fiscal Note - Ch. 22, SLA 2010 (SB 171) Permanent Fund Dividend for Deceased - $91.5 UGF & 1 PFT PCN	(70.0)	0.0	0.0			GF/PR	0.0	PS Total = $84.0 (10 months vacant) PCN 04-6105 Analyst Programmer III has been established, however will not be filled until April 2011. SB171 was effective 1/1/11, a complete redesign and rewrite of the online application is now underway. The Pick.Cl	No	(See the attached letter from the Department of Revenue.)
Revenue	Long Term Care Ombudsman Office	Long Term Care Ombudsman Office Investigator -$132.5 total ($64.0 GF & $68.5 GF/PR) & 1 PFT PCN	(48.4)	(10.4)				GF/MH	(10.4)	PS Total = $82.9 (7months vacant) PCN 04-X030 has been established and a new hire will start on 2/1/2011.	No	(See the attached letter from the Department of Revenue.)

FY11 Negative Supplemental Proposals (Based Primarily on Increments and Fiscal Notes that Funded Positions)

Department	Allocation	Description of Transaction	Proposed GF Dec	Senate Supp (highlight indicates difference from Department response						LFD Notes	Dept. Okay?	Department Comments
				UGF	DGF	Other	Fed	Fund Source	Total Funds			
DOTPF	CR Highways and Aviation	Oversight of Street Sweeping and Permit Compliance - EPA	(141.0)	(141.0)					(141.0)	PS Total - 188.0 (2 positions) 25-3802 Environmental Imp Analyst is currently posted on Workplace Alaska through 2/18/11. 25-3803 Engineer Asst will be posted on Workplace Alaska no later than 2/25/11. LFD projecting hire for 4th quarter FY11 (9 months vacant)	Yes	1) Central Region Street Sweeping positions – The whole street sweeping EPA MS4 permit increased requirements for monitoring and performing contracts was new to the department this past year. The region addressed the need with existing staff as a trial, but has found that it is not a sustainable function without the additional positions. Both positions have been established in the Division of Personnel and one is out for recruitment now, with the second going out for recruitment in early March. The partial reduction should not have an impact on the region as the funds were for those positions; however, positions are still needed so adequate funding for remainder of year are needed and the funding and positions are needed on a continuing basis, i.e. into FY2012.
DOTPF	Marine Engineering	Marine Highway Planner Position	(72.0)	(50.4)	(21.6)				(72.0)	PS Total - $108(70% GF, 30% AMHS) Position starts March 1 (8 months vacant)	Yes	The AMHS Planner position was one of the first to get established going into the fiscal year. AMHS went through a lengthy recruitment process (an extension or two) both in-state and out-of-state. They have hired the Planner and she will be starting on March 1st. She and her family are relocating to Ketchikan (where the position is located) so the start date was somewhat delayed. Again, a partial one-time FY2011 reduction is not anticipated to have an impact as long as the funding for the remainder of the year is there and the funding and position carry on in to FY2012.
			(2,601.7)	(1,437.4)	(219.6)	0.0	(102.7)		(1,759.7)			

SB

80

<TARGET><BILL>SB 80</BILL><SUBJECT>SB
80</SUBJECT><COMM>SFIN27</COMM></TARGET>

Testimony of Lois Epstein, P.E., prepared for the AK Senate Finance Committee hearing on SB 80

March 26, 2012

loisepstein@gmail.com, 907 748-0448

Thank you, Senator Stedman, Senator Hoffman, and other Committee members, for the opportunity to testify. My name is Lois Epstein and I am a licensed engineer in Alaska. I am here today from Anchorage as a member of the public who is concerned that Southcentral Alaska not make an enormous mistake with huge financial consequences. I also serve on the AMATS Technical Advisory Committee (or TAC), however I am speaking today for myself.

While serving on the AMATS TAC, it became clear to me that the Committee's state and municipal representatives were not asking hard questions of the Knik Arm Bridge and Toll Authority (KABATA) while developing our federally-required Metropolitan Transportation Plan (MTP), so it's up to the legislature to ask those questions. Why else would it be acceptable for a technical committee to assume that daily traffic would be roughly the same in 2035 with a $16 roundtrip toll using KABATA's model vs. no toll as in the AMATS model, i.e., with both models showing around 36,000 Average Annual Daily Traffic (AADT)? Why else would the TAC ignore the fact in the draft plan that it's wholly unlikely that KABATA ever would receive a $300 million federal low-cost TIFIA loan? TIFIA loans – and there aren't many granted - go to areas with high population, serious congestion, and failing infrastructure; the proposed Knik Arm Bridge meets none of those criteria. And to respond to KABATA Board Chair Foster's statement today that the MTP used the same population numbers for the Mat-Su Borough as KABATA, that's because AMATS said it did not have the resources to adequately analyze KABATA's contractors' work.

As a further demonstration of the Parnell Administration's pro-bridge bias, it's extremely problematic that the Fiscal Note for SB 80 is zero for Alaska DOT "as long as projections for ridership…are fulfilled" without the note acknowledging the high end of the cost range if those projections are wrong.

The legislature also should be aware that the two-lane bridge scored very low in terms of the AMATS screening process for project importance, with a score of 12 out of a possible 30 points. Many higher-scoring and more worthy Anchorage-area transportation projects will not be constructed due to federal "fiscal constraint" requirements. Additionally, there have been a number of community council resolutions throughout the city opposing including the bridge in Anchorage's draft plan. These items should be of concern to Anchorage's elected representatives.

The March 2012 Dittman Poll in your packet commissioned by Alaska House Republicans and released last week showed 58% of respondents statewide said the proposed Knik Arm Bridge could "wait until later" or "it should never be built." A minority of only 37% said "now is a good time to build a Knik Arm Bridge."

I'd like to remind the legislature that this bridge has a notorious history outside the state as one of Alaska's two so-called "bridges to nowhere." Should SB 80 become law, the state would receive more bad publicity for the over $100 million in federal funds going to this project. Additionally and importantly, there would be liability up to $2.98 billion in availability payments for the state to make up toll shortfalls in its contract with the private partner. I encourage the Finance Committee to receive a written legal opinion on the liability question.

In contrast to what KABATA Board Chair Foster stated today, growth in the Mat-Su could be accommodated without major Glenn Highway expansion but there is not time today to speak to those relatively inexpensive options including congestion pricing, commuter rail, increased vanpools, telecommuting (not available in the earlier timeframe Foster spoke of regarding traffic doubling on the Glenn), satellite business offices in the Mat-Su, etc.

Perhaps the best reason not to move forward with SB 80 at this time is that the Legislative Budget and Audit Committee currently is working on an audit of the project as the co-chairs know because you serve on the Committee. The audit will review if the "traffic flow assumptions [are] based on reasonable projections" since if those projections are wrong, the state would need to make up several billion dollars in toll shortfalls over a period of several decades. A number of public and private analyses to date have shown serious problems with KABATA's contractor Wilbur Smith Associate's traffic and revenue projections – see the Toll Road News article in your packet showing an overestimate of toll revenues by an average of 118% for the first 5 years after projects open (Appendix A). The consequences of accepting KABATA's projections can be dire financially for both Anchorage and the Mat-Su, i.e., potentially doubling the transportation dollars needed annually for each – see "The Real Finances of the Knik Arm Bridge" report in your packet. For the good of Southcentral, I urge this Committee and the Senate as a whole not to pass SB 80 until LB and A's audit is complete.

Thank you very much for your attention to these comments. I am happy to answer any questions you may have.

STATE OF ALASKA
DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES
OFFICE OF THE COMMISSIONER

SEAN PARNELL, GOVERNOR

☐ Anchorage Office: 4111 Aviation Avenue
☐ Juneau Office: 3132 Channel Drive

P.O. Box 112500
JUNEAU, ALASKA 99811-2500

PHONE: (907) 465-3901
FAX: (907) 586-8365
WEB: dot.state.ak.us

April 7, 2011

The Honorable Joe Thomas
Alaska State Legislature
State Capitol, Room 514
Juneau, AK 99801-1182

Dear Senator Thomas:

In response to your letter dated March 8th, I appreciate the opportunity to provide you with information regarding the Department of Transportation and Public Facilities (DOT&PF) activities, both current and planned, for the Anchorage and Mat-Su Borough areas of the State. As you have noted in your letter, some of these projects have been included in the traffic analysis relative to the Knik Arm Crossing project. Your interest in how this project impacts the State's transportation infrastructure is evident in the thoroughness of your questions.

In response to a statement made in committee by Jeff Ottesen, you have asked which specific projects on the Glenn Highway the State could avoid (or delay) building if the Knik Arm Bridge was constructed. With the bridge predicted to carry 36,000 or more vehicles per day in 2035, at minimum the widening of the Glenn and Parks Highway by at least two lanes could be avoided. This is roughly estimated to cost $300 to $400 million.

You have also asked for vehicle traffic count numbers. The most recent (2009) annual average daily traffic (AADT) figures compiled by the department show 28,495 vehicles on the Glenn Highway at the Eklutna Flats location (prior to the intersection of the Glenn Highway with the Old Glenn Highway). At the bridge carrying the Glenn Highway over the Knik River, the 2009 AADT was 26,220 vehicles. Traffic projections for the Eklutna Flats location on the Glenn Highway have been done using the Highway to Highway traffic model (H2H). For the year 2035, the model predicts an AADT of 54,000 vehicles at the Eklutna location with 37,000 vehicles using the proposed Knik Arm Crossing. The modeling completed by Wilbur Smith Associates for KABATA predicts a 2035 AADT of 48,700 vehicles for the Eklutna Flats location with 36,000 vehicles using the Knik Arm Crossing.

You also ask for project information and cost estimates for the projects DOT&PF believes will be necessary to accommodate projected traffic flow for the Knik Arm Bridge. This information is set out below:

- Burma Road 2-Lanes $49 million
- South Big Lake Road 4-Lanes $45 million
- Pt. MacKenzie Road (6 mile section) $18 million
- Knik-Goose Bay MP 8 to MP 17 $27 million

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Other projects in the area, specifically upgrading Vine Road, the Parks Highway widening to Big Lake, and Knik-Goose Bay widening between Parks Highway and Vine Road are not included as they are needed urgently due to traffic volumes and population growth regardless of the bridge decision.

Maintenance costs are estimated at $7,500 per lane mile annually. Depending on the final design of these improvements, it is estimated that approximately 100 lane miles could be added to the transportation network in this area. This would require approximately $750,000 of additional annual maintenance expenditures.

You have asked how much it would cost the state in general funds and / or federal highway funds to pay for the construction of the projects necessary to support the estimated bridge traffic flow. The overall cost of these projects is $139 million. It would be up to the state Legislature to decide whether to appropriate state general funds or federal funds for the projects and on what timetable.

Phase 2 of the Knik Arm Crossing project involves the bridge/viaduct connection with Ingra-Gambell. This is expected to be needed in 2025 at the earliest depending on traffic volumes. The cost estimate prepared by KABATA for this effort is currently $248 million (in 2008 dollars). This work is part of the KABATA project commitments and it is expected to be funded from the toll receipts collected on the bridge. A toll agreement is currently being finalized between the department, KABATA and the Federal Highway Administration (FHWA). Since the Knik Arm Crossing project has been federalized (funded with Federal-aid funds through FHWA) surplus revenue generated by tolls must be used on Federal-aid eligible projects.

Some of the projects identified by Wilbur Smith as part of the planned regional network that may influence the estimated bridge traffic flow and their costs are:

- International Airport Road Extension $34.9 Million
- Abbott Loop Extension $37.5 Million
- Dowling Road Extension $115.0 Million

The full list of almost 40 projects can be found at: www.knikarmbridge.com/TIFIA.html#traffic

KABATA's Traffic and Toll Revenue Update Study prepared by Wilbur Smith Associates included many projects from the AMATS Transportation Improvement Plan and Long Range Transportation Plan. These selected projects were segregated based on expected timeframe for delivery. There were 12 projects listed in the study with 2012 date. All of those projects are complete except for two projects that are still active and under development. There were 18 projects that were included with a date of 2015. Cost estimates developed by AMATS for these 18 projects totaled $486.5 million with $419.8 of that identified as likely to be funded through their Federal Transportation Improvement Program, $46.7 million from bonds and $20 million from State general Funds. Finally, there were 13 projects listed with a date of 2030. Ten of these projects were from the AMATS LRTP with an estimated cost of $749 million. One of those projects, the Glenn Highway Seward Highway Connection project was estimated at $581 million. Three of the projects listed in the Wilbur Smith Associates study for 2030 were from the Mat-Su LRTP and did not include estimated costs.

It is difficult (and potentially inaccurate) to make a statement regarding how much funding will be needed each year from the Legislature since these projects listed in the AMATS LRTP do not carry a schedule nor is the cost estimate provided compiled at a precise enough detail. The information contained in the LRTP is designed to be a best estimate of priorities in the future and demonstrate a level of fiscal constraint based on a system-level estimate of costs and revenue sources that are reasonably expected to be available. The LRTP is intended to be strictly a planning document and not an accounting document. Nor did Wilbur Smith do any modeling that confirms whether each of these network improvements facilitate bridge traffic, have no effect, or in fact reduce bridge traffic. Such modeling is a significant undertaking, and was not part of their scope of work. Wilbur Smith Associates simply assumed that most of the planned network in the AMATS and Mat-Su long range transportation plans consistent with the network ADOT&PF used for the H2H traffic model.

In state fiscal year 2009 the department spent in excess of $108 million dollars (Federal and State funds) in the Anchorage area on transportation improvements. In state fiscal year 2010 the expenditures exceeded $127 million for the Anchorage area. The projects prioritized by the AMATS LRTP in 2007 that Wilbur Smith Associates identified as influencing the viability of the Knik Arm Crossing project total about $1.4 billion through 2030. That equates to approximately $69 million a year. It must be recognized that some of those projects will be funded and delivered by the Municipality as historically they have been proactive in identifying local funding. The projects discussed for the Mat-Su Borough total approximately $330-390 million over 20 years which comes to $16.5-19.5 million a year. Neither of those figures seems unreasonable or disproportionate considering the population growth, current congestion and safety issues or historic appropriations levels. Currently the Federal-aid funds received by the State exceed $400 million annually.

Your final question is how much and what percentage of federal funding it would take to pay for the projects needed to support the bridge traffic flow. The total cost of the projects not covered by toll revenue that influence bridge and general network traffic flow is $1,800 million ($1,400 million in Anchorage and $400 million in Mat-Su) to be constructed over a period of 20 years. Regular federal highway aid funding requires a 10% state match. This leaves $1,620 million that could be funded from regular highway aid dollars. Dividing $1,620 over a period of 20 years results in a hypothetical annual federal highway funding need for these projects of $81 million per year. The State currently receives $400 million in regular federal highway aid funding per year. Allocating $81 million per year for the regional network projects would amount to 20.25% a year of the overall amount.

The Knik Arm Crossing project and the transportation infrastructure improvements currently being considered by the department are not only about passenger vehicles traveling between Anchorage and the Mat-Su Borough. Multi-modal services for the Port of Anchorage and Port MacKenzie are also important links in this equation. Improved connectivity between these two ports and the interior regions of the State will reduce freight movement times and potentially drive increased economic development and job creation. The Knik Arm Crossing project is unique in the sense that it has the potential to generate a large enough revenue stream to pay its own way. No other public transportation system has that expectation yet the Knik Arm Crossing project will possibly exceed that expectation and generate additional revenue that could be used to fund other unrelated transportation projects.

In conclusion, the department feels that the current slate of potential projects for the region holds merit regardless of the disposition of the Knik Arm Crossing. They address identified needs in an environment of continued growth and do not appear to represent an unreasonable or disproportionate cost to the State. I trust that this provides satisfactory answers to your questions and I would be happy to discuss further if you desire.

Sincerely,

Marc Luiken
Commissioner

cc: Andrew Niemiec, Executive Director, Knik Arm Bridge and Toll Authority
Pat Kemp, Deputy Commissioner for Highways and Public Facilities, DOT&PF
Rob Campbell, Regional Director, Central Region, DOT&PF
Brenda Hewitt, Legislative Liaison, DOT&PF

"Reserve Fund" established by SB 80 still provides an unlimited State Guarantee

KABATA's financial descriptions in their "Letter of Interest" from their July 2011 TIFIA Loan Application (which was also included in KABATA's December 2011 TIGER Grant Application, available at KABATA's website at http://www.knikarmbridge.com/2011TIGER/TIFIALOI.pdf) has the following description on the bottom of page 4, under *Sources and Uses of Funds* for what are called "Availability Payments" made by KABATA to the "Private Partner":

> ***"Sources and Uses of Funds:***
>
> Financing for the Project will be achieved through an availability payment concession, whereby the private partner will design, build, finance, operate and maintain the Project under a concession of approximately 35 years after substantial completion in exchange for availability payments from KABATA. The availability payments will be paid from a Project reserve fund that will hold toll revenues as well as any appropriated funds. The Project reserve fund will set forth minimum reserve requirements that, if not met, will trigger a request for appropriation from the State of Alaska. KABATA shall set toll rates (See HB158 and HB159, and SB79 and SB80). The tolls will be collected by the private partner on behalf of KABATA and the State of Alaska. "

Mr. Jeff Stark, of the AG's office was accurate in his statements last Thursday before the House Finance Committee that the "Availability Payment" structure "gives certainty to the Private Partner". Unfortunately the only certainty is that the Private Partner will be paid regardless of whether or not toll revenues will ever exceed those "Availability Payments". While the specific language in SB80 that would have made any obligations of KABATA, "obligations of the State", was removed, KABATA's Federal Loan applications, and their proposed "Pro-Forma" show that if the actual traffic and revenue doesn't meet the highly optimistic forecasts of KABATA and Wilbur Smith & Associates, that $150 Million "Reserve Fund" will need to be "replenished" year after year.

The following pages are taken directly from KABATA's December 2011 TIGER Grant with "explainers".

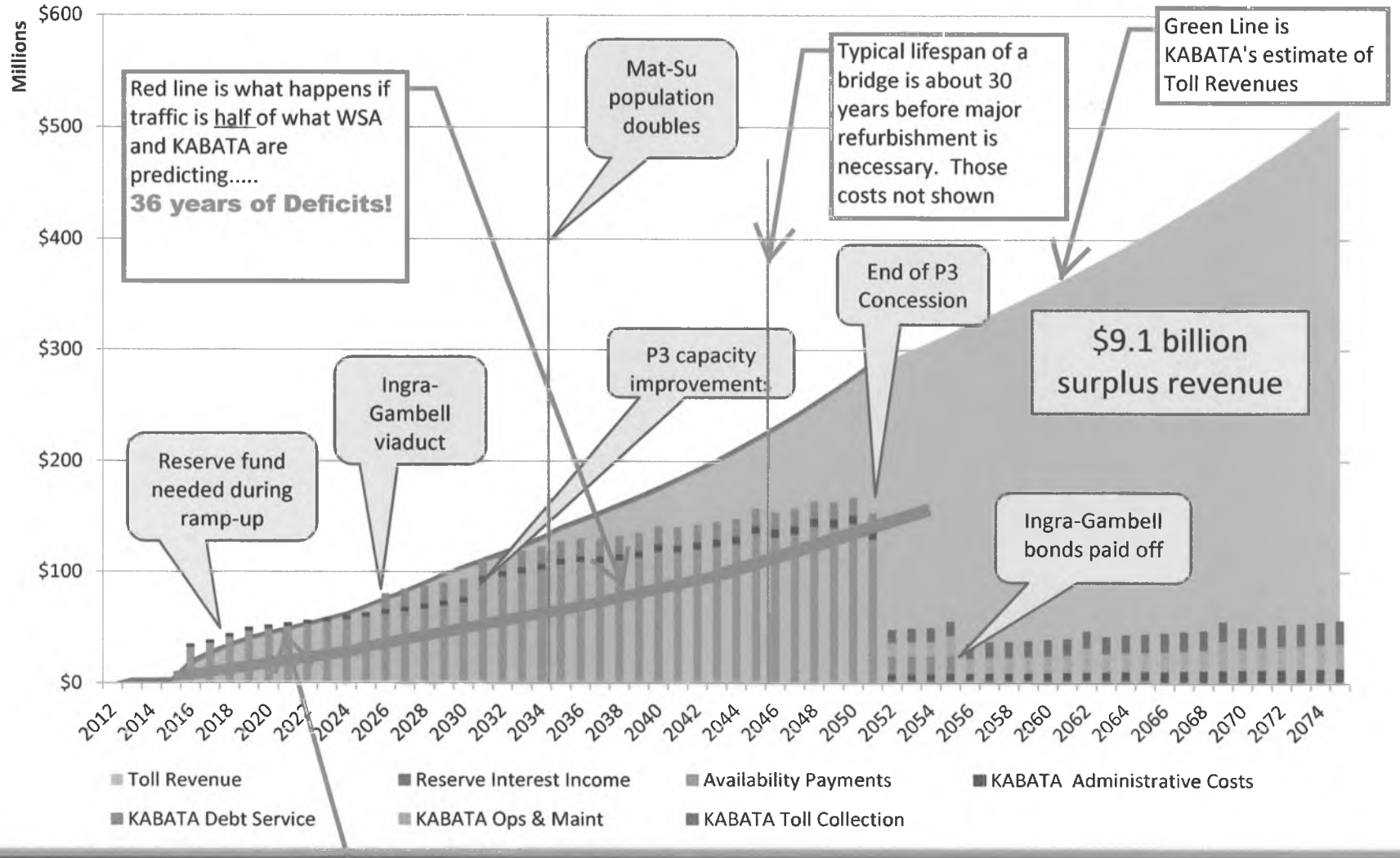
Page 8, Footnote 1, shows the $50 Million "trigger point" where if the toll revenues are insufficient, KABATA states that "**If ending balance** *(of the "Reserve Fund)* **falls below $50 million, the State will replenish the account back to $50 million."**

Page 7 shows that KABATA is not predicting positive cash flow until 2031. If only half of the traffic shows up, KABATA will be in the red during the entire 35 year life of the P3 Contract.

Refer to the attached information taken from KABATA's November 30, 2011 presentation to the legislature done in Wasilla AK.

These pages are excerpted from KABATA's Nov. 30, 2011 presentation to the Legislature in Wasilla.

60 Year Cost and Revenue Projection



Costs of Phase 1A, expansion from 2 to 4 lanes is NOT shown

www.knikarmbridge.com

KNIK ARM CROSSING

3/26/12

Needed Legislative Action

1) Amend statutes to reflect current market realities

Which apparently is that the P3 "Partners" are not willing to take on the risks of NOT having sufficient Toll Revenues, and therefore need this State Guarantee

2) Clarify KABATA's relationship with the State

Mechanism is clear: Pot of money has 2 basic sources (Tolls and appropriations by the state), and it pays out annual "Availability Payments" to the P3 Contractor

3) Create a reserve fund mechanism to cover KABATA's project obligations

4) Reduce Project cost by lowering the cost of capital

Pending Legislation
SB 80 and HB 158

- P3 contract obligations are state obligations, ~~subject to appropriation~~

Removed the language, but NOT the obligation. Mr. Stark from the AG's office testified in House Finance that the language would be in the RFP and in the contract with the P3 Partner

- Increases bond issuance capacity to $600 mm = PABs allocation

This, along with the RFP and Contract stating that the Legislature WILL Replenish, is where the State Guarantee is made.

- Creates authority for project reserve fund and replenishment mechanism via appropriation
- Confirms property tax exemption under a P3
- Passed out of House and Senate Transportation Committees, pending Finance Committees

Memo

Date: March 22, 2011.

To: Michael Foster, Knik Arm Bridge and Toll Authority

CC. Governor Sean Parnell, Commissioner Marc Luiken, Randall Ruaro

From: Professor Scott Goldsmith, Institute of Social and Economic Research, University of Alaska Anchorage

Subject: Distribution of Misinformation Regarding KABATA Population Predictions

Mr. Foster

Please stop implying that the KABATA population projections for the Matsu Borough, whatever they are, are "in line with other forecasts" including those of the Institute of Social and Economic Research (ISER). Also please stop characterizing the KABATA population prediction as essentially equal to the ISER projections as you did in the Anchorage Daily News (ADN) Compass piece published.on November 2, 2011 and in a recent e-mail to Anchorage community council presidents.

THE KABATA PREDICTION IS NOT WITHIN 1% OF THE ISER PROJECTION, as you have stated. THE ISER 2035 PROJECTION OF 170 THOUSAND IS 12% LOWER THAN YOUR STATED KABATA PREDICTION OF 191 THOUSAND.

I have compiled all the population projections for the Matsu Borough that I can find published since 2005 (see graph). They show a dramatic variation in population projected for the Borough for 2030. In fact the range is from about 130 thousand to 250 thousand—a difference of nearly 100 %. Clearly there has not been concensus among the experts on the expected growth of the Borough. So to say that the KABATA projections are "in line with other forecasts" is not correct.

Curiously, there are two projections missing from the graph because, although you mention them, they can not be found. One is the population projections used in the most recent Wilber Smith Update of the Traffic and Toll Revenues Study (2011) done for KABATA. Whatever those projections may be, to the best of my knowledge, they have never been made public. They certainly are not in the published report. As I have indicated elsewhere, it is impossible to assess the validity of the Wilber Smith analysis of traffic and tolls without even this basic information about what is driving their analysis.

The other missing projection is the Woods & Poole projection that you mention on the KABATA website on March 12 of this year, implying that it is "in line" with the KABATA projection. However that projection does not, to the best of my knowledge, appear on your website nor can it be found

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elsewhere in the public domain. Again it is impossible to judge the quality of that projection or even what it is without being able to see it.

The graph also shows that the ISER projection of Matsu Borough population for 2035 is 170 thousand. This is 12% or 20 thousand less than the KABATA prediction of 191 thousand reported in the ADN article (but not to be found anywhere in the Wilber Smith report, or as far as I can tell, on the KABATA website. So it is impossible to say if this prediction is for the entire Matsu Borough, or for the AMATS planning region which excludes a portion of the Borough area and population.). THE KABATA PREDICTION IS NOT, as you have stated, WITHIN 1% OF THE ISER PROJECTION. The difference between 170 and 191 thousand is not insignificant but rather equal to several Palmers.

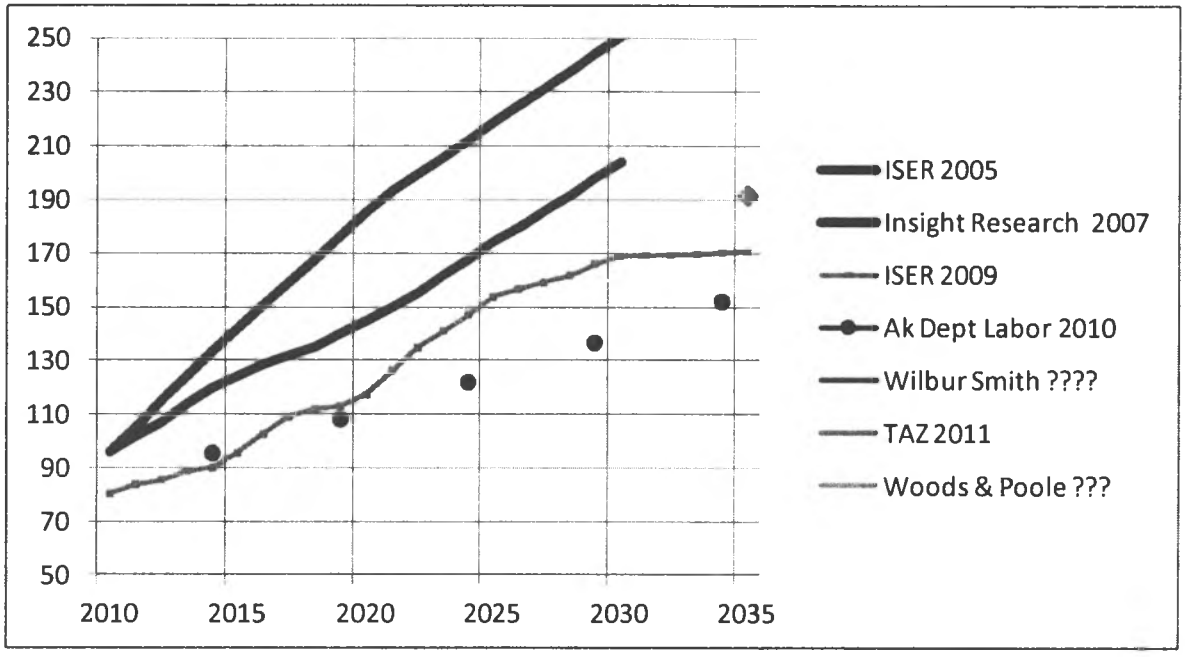
As the author of the ISER report, I stand by the ISER projection based on the assumptions, all publicly available in the written report, which drive the analysis. Although the ISER projection came in low compared to the 2010 census, I do not believe an upward shift in the entire projection is warranted for reasons I recently made clear to the AMATS technical staff. Further evidence that an arbitrary 11% upward adjustment is not warranted is the 2011 Alaska Department of Labor population figure for the Borough which indicates a SLOWER growth rate than the ISER projection.

You of course are free to use any numbers you want in the KABATA analyses. But do not hide the numbers and imply that they are the essentially the same as the ISER projection. Let people see and judge for themselves.

Finally, your statement in the March 2012 KABATA website that "these independent forecasts show that the Matsu borough population will double in the next 25 years" is incorrect. The Alaska Department of Labor projects an increase of only 76% (86 thousand in 2009 to 152 thousand in 2034).

Scott Goldsmith

Matanuska Susitna Borough Population Projections



ALASKA STATE LEGISLATURE

SENATOR JOE THOMAS

March 8, 2011

Commissioner Bryan Butcher
Department of Revenue
550 W 7th Ave, Suite 1820
Anchorage, AK 99501

Dear Commissioner Butcher,

I am writing to you in your position as a member of the board of the Knik Arm Bridge and Toll Authority as well as Commissioner of the Department of Revenue.

Before the Senate Finance Committee acts on SB 79 and SB 80, it is important that we understand the legislation's potential impact, if any, on the state's bond rating and ability to borrow for other projects.

It is my understanding that a decision by the Authority to issue bonds or enter into contracts or partnerships as authorized by the current statute, would not impact the state's credit rating or ability to take on other debt. However, if the Authority were not able to satisfy the financial obligations it makes, then the state's credit rating would be adversely affected.

Please confirm or correct my analysis of the potential impact of the existing law. Then, please explain how SB 79 and SB 80 would affect the state's financial situation. Specifically, does SB 80 increase the risk to Alaska's credit rating if toll revenue is inadequate and the state chooses not to appropriate additional money? How is the state's responsibility for ensuring the availability payment affected by the language on page 2, line 17 of SB 80 which states, "The monetary obligations incurred by the authority under the partnerships or contracts are obligations of the state, and satisfaction of those obligations from funds other than authority funds is subject to appropriation?" Would the result of the state's failure to meet its "moral obligation" to provide the annual availability payment, be an increase in the cost of borrowing money for other state activities?

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Senator.Joe.Thomas@legis.state.ak.us

Finally, as one of five voting members of the KABATA board, are you confident of the revenue projections and financial analysis in the Knik Arm Crossing Pro Forma Financial Plan and other documents the Authority submitted with its March 1 TIFIA letter of interest, and do you recommend that the legislature pass SB 79 and SB 80 as written?

Thank you for your assistance, Commissioner.

Regards,

Joe J. Thomas

Senator Joe Thomas

Cc: Knik Arm Bridge and Toll Authority Chairman Michael Foster and Members,
Knik Arm Bridge and Toll Authority Executive Director Andrew Niemiec,
Senate Finance Committee

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

SEAN PARNELL, GOVERNOR
333 Willoughby Avenue, 11th Floor
P.O. Box 110400
Juneau, Alaska 99811-0400
Phone: (907) 465-2300
Fax: (907) 465-2389

The Honorable Joe Thomas
Alaska State Senator
State Capitol, Room 514
Juneau, AK 99801-1182

March 30, 2010

Dear Senator Thomas:

This is in response to your March 8, 2011 letter regarding the proposed legislation, SB 79 and SB 80, intended to facilitate the financing of the Knik Arm Crossing.

Your analysis of the current law is essentially correct in that the Knik Arm Bridge and Toll Authority (KABATA) has no authority to obligate the State of Alaska and that the sole legal recourse of a bondholder of KABATA would be the assets and revenues of KABATA. However, it is likely that rating agencies and investors would take some note of the KABATA project even under the current law. Following is a discussion of two kinds of state support for a capital project and where the provisions of SB 80 fall.

MORAL OBLIGATION

The moral obligation structure is used when a more credit worthy entity wants to lend credit support to a less credit worthy entity. The moral obligation is created by mandating a specific structure in law. Specifically, requiring that a reserve dedicated to the liability be created, that the issuer of the reserve have a reporting requirement to the moral obligor, and that in the event of a deficiency in the reserve that a replenishment must be requested from the moral obligor. By creating this legal structure the moral obligor is inferring to investors that while they are not legally guaranteeing the debt, in the event of a shortfall that there will be an appropriation to replenish. If there is a failure of the moral obligor to replenish a reserve based on a moral obligation there would be negative credit ramification, and reduced access to capital. In essence, a moral obligation authority is creating a contingent liability on the moral obligor's balance sheet.

The State of Alaska currently has $1.17 billion of moral obligation debt that is comprised of about $100 million of Alaska Energy Authority utility revenue bonds, about $400 million of Student Loan Corporation bonds, and about $600 million of Alaska Municipal Bond Bank bonds. There has not been a payment under the moral obligation commitment of the state for any of these programs.

Moral obligation debt levels are monitored by rating analysts that review the state, and do go into the calculus of establishing the state's credit rating. As moral obligation debt is generally self supporting and not legal obligations of the State, it has less impact than more direct borrowing structures. A failure to fund a reserve that was established under moral obligation law and depleted due to payment deficiency would subject the state to negative credit rating action.

STATE SUPPORTED

The State Supported structure is used when the state wants to obligate its balance sheet on a subject to appropriation basis rather than a guaranteed basis. Subject to appropriation commitments are made where the State enters into leases or other contracts that obligate the state to pay on a subject to annual appropriation basis, and that lease or contract commitment is fractionalized and sold to third parties. The State of Alaska has most frequently used this structure for the construction of facilities through the issuance of State of Alaska certificates of participation (COP) or through a conduit as lease revenue bonds. The Alaska Seafood & Food Safety Lab was funded through COP and the Goose Creek Correctional Facility was funded through lease revenue bonds.

The State currently has $1.26 billion of state supported debt that is comprised of about $45 million of COPs, $865 million of school debt reimbursement commitment, $30 million of capital project reimbursement, and $315 million of lease revenue bonds. Payments are made annually appropriated for each of these obligations.

State supported debt levels are monitored by rating analysts that review the state and directly impact the state's credit capacity and rating. A failure to appropriate on state supported debt would be viewed as a default of the State of Alaska and result in credit downgrades and significant impediment to future capital market access.

SB 80

The SB 80 Section 1(a)(5)(B) proposed revision provides that monetary obligations under the partnerships or contracts of the Knik Arm Bridge and Toll Authority (KABATA) are obligations of the state and payable on a subject to appropriation basis. This language, in conjunction with other proposed amendment in SB 80, allow up to $600 million of KABATA bonds as well as an unlimited flexibility for private partner bonds to be issued as state supported debt based on a fractionalization of contract payments that are subject to appropriation obligations of the State of Alaska. If contracts are fractionalized and sold to third party investors, by either KABATA or their private partner, they will directly impact the state's debt capacity and credit. In this instance a failure to pay on the contract by the State of Alaska would result in credit downgrades and significant impediment to future capital market access.
The current authorization in SB 80 should be further defined to eliminate the ability of a private party to securitize monetary obligations of KABATA.

It should be clear that SB 80 is authorizing State of Alaska debt of up to $600 million. There can be acknowledgement of the revenue generating nature of the project and the anticipated self sufficiency that is anticipated based on expert analysis, but a firm recognition that the bill as drafted creates a direct line to the State of Alaska's balance sheet for the $600 million of KABATA bonds and unlimited authority for a private partner's bonds is important.

Finally, you asked about my confidence in the revenue projections and financial analysis provided by KABATA in its March 1 TIFIA letter of interest. KABATA has retained CITI, one of the largest and most successful financial services firms in the world, especially as it relates to government financing of infrastructure projects, to develop its financial models. KABATA retained Wilbur Smith, a firm that has advised on many successful projects to do its traffic and toll models. I am confident that the revenue projections and financial analysis are objective and done to the highest of professional standards. This is the type of work that will be accepted and relied upon by the institutional investors that may be interested in financing this project.

Sincerely,

Bryan Butcher
Commissioner

ALASKA STATE LEGISLATURE

SENATOR JOE THOMAS

March 11, 2011

Mr. Andrew Niemiec, executive director
Knik Arm Bridge and Toll Authority
550 West 7th Ave., Suite 1850
Anchorage, AK 99501

Dear Mr. Niemiec,

Thank you for meeting with me to discuss SB 79 and SB 80 and the Knik Arm Bridge project.

I understand the value of investment in our infrastructure and the importance of projects that create jobs and opportunity for economic development. I have been a consistent supporter of such projects. I also believe it is my responsibility as a legislator to ensure that we clearly understand the financial terms and implications of this legislation, especially because it makes a 35-50 year commitment to appropriate state funds if toll revenue is insufficient.

Due to the complexity and significance of the issues, I felt it would be most efficient to submit my questions to you in writing, so you can prepare a response that can be shared with other Senate Finance Committee members. These detailed questions should not be interpreted as opposition to the Knik Arm Bridge or to state financial involvement. I may, in fact, support the project if these concerns are adequately addressed.

Questions about the KABATA project and SB 79/80

1. SB 80 (page 5, lines 17-31) says the reserve fund, into which the state may deposit $150 million through SB 79 and into which all toll revenue will be deposited, can be used for a wide variety of expenses besides the annual availability payment. Uses include the authority's overhead and administrative costs, any indebtedness of the authority, termination payment obligations, improvement or expansion of the bridge, and construction and operation of projects of the authority or other public entities.

    - Why does KABATA need this broad spending authority if the purpose of the fund is to ensure the annual payment in order to attract lower cost financing?
    - What situations would trigger an obligation to make termination payments, and how large would those payments be?
    - If KABATA is not successful in entering into a contract with a private partner to build and operate the bridge, will the state have to refund money KABATA

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Senator.Joe.Thomas@legis.state.ak.us

received from the federal government, what would be the refund amount, and could the reserve fund be used for that purpose?

- Does the existing statute or SB 80 authorize KABATA to be involved in projects other than the Knik Arm Bridge?
- What other public entities and projects might be funded with the reserve?
- Would the state have to guarantee payment of monetary obligations KABATA may incur in connection with these new projects, in accordance with page 2, lines 17-20 of SB 80?
- What is the legislature's role in approving projects the authority may wish to undertake with excess reserves or earnings?

1. SB 80 (page 6, line 6) says income and interest earned by the fund can be transferred to other accounts and used for other purposes. Page 5, line 8 (current law) says, "The interest earned on or profit derived from these funds and reserves shall be the property of the authority." The state's $150 million deposit into the reserve fund should generate $5-10 million each year. In addition, up to $8 billion in toll revenue is anticipated by the authority and will earn significant interest.
    - Why are earnings not retained in the reserve fund, or deposited in the state General Fund if they exceed the amount needed to meet the reserve fund requirement?

2. SB 80 (page 6, line 4) prohibits using the fund for the design, construction, or operation of projects, if that would reduce the fund to less than the reserve fund requirement. The term "reserve fund requirement" is defined on lines 20-23 as an amount determined by the authority, but there are no guidelines for setting that amount.
    - Please explain what criteria the authority will use to determine if the reserve fund is sufficient.
    - Why does the bill not establish $150 million as the floor for use of the reserve fund for other purposes, or return excess reserves to the General Fund?

3. The authority anticipates that over $8 billion in excess toll revenue will be received by the reserve fund over sixty years, and that those funds will be available for transportation projects statewide.
    - Can the authority board of directors lower the toll to reduce or eliminate this excess revenue?
    - Would excess revenue return to the General Fund for appropriation by the legislature, and through what mechanism?

4. Would the existing "pledge of the state" in AS 19.75.251 limit future legislatures' ability to reappropriate fund earnings or excess reserves from the authority to other state programs?

5. A financial document supporting the March 1, 2011 TIFIA Letter of Interest contains a column entitled "State Replenish" with a footnote stating, "If ending balance falls below $50 million, the State will replenish the account back to $50 million." (page 7 Private Model – Availability Payment Structure – Current Market – State Reserve Fund)
    - What are the implications for the state if KABATA receives TIFIA credit based on that document?

6. KABATA has significant remaining federal funds.
    - What is the amount of remaining KABATA funds?
    - Can that money be used to cover future administrative costs, which the TIFIA LOI documents estimate will be $3 million/year adjusted for inflation, rather than using toll revenue backed by the state to pay administrative costs?

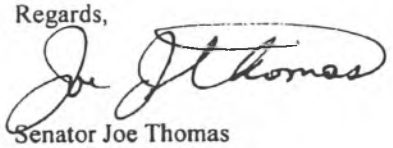
7. The March 1, 2011 TIFIA Letter of Interest includes a document entitled "Annual Employment Impact of Knik Arm Toll Bridge." This document anticipates 2,400 direct bridge construction jobs and 4,000-8,000 direct jobs after construction in fields such as "residential," "retail" and "office."
    - How many full-time and part-time jobs are anticipated in the actual operation and maintenance of the bridge and toll facilities, who will employ those workers, and what percentage are expected to be Alaska residents?
    - Has the authority taken into account the strong financial incentive for the private partner to keep labor costs to a minimum in the on-going operation of the bridge, which could encourage the use of out-of-state workers, perhaps in a week on/week off rotation?
    - Which provisions in the RFP will encourage use of Alaska subcontractors and Alaska workers in construction, maintenance, and operation of the bridge?

8. The March 1, 2011 TIFIA Letter of Interest includes a "pro forma financial plan" with 35 annual availability payments beginning at $36 million in 2016 and ending at $141 million in 2051. However, the KABATA board has the authority to enter into a contract with substantially different terms.
    - What would be the consequences of amending SB 80 to require legislative approval of the final contract, or to establish a maximum length and amount of the availability payments?

I understand the value of expanding the state's transportation network and opening new land to development, so I do not need an explanation of the benefits of the bridge. I would, however, very much appreciate a written response to the questions contained in this letter before SB 79 and SB 80 are considered by the Senate Finance Committee on which I serve.

Thank you for your assistance.

Regards,



Senator Joe Thomas

Cc: Knik Arm Bridge and Toll Authority Chairman Michael Foster and Members
Knik Arm Bridge and Toll Authority Executive Director Andrew Niemiec
Senate Finance Committee Co-chairmen Senator Lyman
Senate Finance Committee Co-chairmen Senator Bert Stedman

Senator Linda Menard

Session
State Capitol, Room 9
Juneau, Alaska 99801
Phone: (907) 465-6600
Fax: (907) 465-3805

Interim
600 E. Railroad Ave.
Wasilla, Alaska 99654
Phone: (907) 376-3370
Fax: (907) 376-3157

Alaska State Legisiature

CS for SB 80 – Knik Arm Bridge
Explanation of Changes

1. Sec. #1 of the original bill is deleted. This removes the obligation of the state language located on Page 2, beginning on Line 17.
2. The other sections of the original bill are renumbered in the CS, but the same in scope.
3. By these changes, the bill now:
    a. Increases KABATA's conduit bonding issuance authority from $500 million to $600 million.
    b. Provides KABATA the statutory ability to establish a reserve fund for the project to be housed in the Department of Revenue.
    c. Clarifies the tax exempt status of the bridge is like other state roads in Alaska.

Senator_Linda_Menard@legis.state.ak.us

Senator Linda Menard

Session
State Capitol, Room 9
Juneau, Alaska 99801
Phone: (907) 465-6600
Fax: (907) 465-3805

Interim
600 E. Railroad Ave.
Wasilla, Alaska 99654
Phone: (907) 376-3370
Fax: (907) 376-3157

Alaska State Legislature

Senate Bill 80 Sponsor Statement

Senate Bill 80 amends the Knik Arm Bridge and Toll Authority's enabling statute to provide for a successful procurement for the Knik Arm Crossing project and to generate the best value for the state. Passing this legislation **this session** is important to seeing the Knik Arm Crossing efficiently move toward a successful and low-cost procurement process and facilitate being open for traffic in 2015. The Knik Arm Crossing will be a significant addition to Alaska's infrastructure that will further facilitate the movement of goods and people in the state.

Senate Bill 80 was written in consultation with the Knik Arm Bridge and Toll Authority (KABATA), which was established in 2003 by the Alaska Legislature. The bill accomplishes many items KABATA has deemed necessary to have a successful public-private partnership procurement. Those items are:

- **Increase in KABATA's Bonding Authority from $500 million to $600 million**
    - The $600 million number represents the same amount authorized under Private Activity Bond (PABs) allocation from FHWA
    - Lowers the cost of capital for the project and ultimately lowers the cost to end users
    - Private partner is the borrower of any PABs issued.

- **Property tax relief** – clarify that the Crossing and associated facilities are exempt from state and local property taxes
    - Like any other transportation project in our State, the roads and bridges are not subject to property taxation.
    - Any private facilities developed outside the crossing will be taxable
    - Property tax exemption reduces the availability payment and reduces the toll
- **Contractual Monetary Obligations**
    - Identifies the *obligations of the State of Alaska* under a P3 process
    - The legislative language applies to "monetary liabilities" which may be incurred by KABATA under a P3 process

Senator_Linda_Menard@legis.state.ak.us

- Any P3 agreement needs to be approved by the KABATA Board of Directors, State AG's office, ADOT&PF
- Serves to lower the cost of debt and equity to finance the project
- Keeps the tolls affordable to the traveling public

Project reserve

- Creation of a reserve fund is to provide a backstop for toll revenue fluctuations.
- Serves to enhance the credit worthiness of the project and reduce overall project costs
- Will be repaid over the project life

All of the above language clarifications and additions serve to lower the cost of capital on this much needed infrastructure project and deliver the benefits in a timely and efficient manner.

Please help me by supporting this legislation so a long-term, long sought after project can be realized.

LEGAL SERVICES

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

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

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

MEMORANDUM February 3, 2011

SUBJECT: Sectional summary of SB 80 (Work Order 27-LS0430\B)

TO: Senator Linda Menard
Attn: Michael Rovito

FROM: Brian J. Kane BJK
Legislative Counsel

You have requested a sectional summary of SB 80, a bill relating to the Knik Arm Bridge and Toll Authority.

Please note that a sectional summary of a bill is not an authoritative interpretation of a bill. The bill itself is the best statement of its contents.

Section 1 of the bill amends the powers of the Knik Arm Bridge and Toll Authority to add that monetary obligations incurred under a public-private partnership or service contract are obligations of the state that are subject to appropriation.

Section 2 of the bill authorizes the authority to borrow money and lists the means by which the principal and interest on bonds of the authority may be paid.

Section 3 of the bill increases the aggregate amount of bonds the authority may issue to $600,000,000.

Section 4 of the bill restates a portion of what was originally part of AS 19.75.211(a) but was moved to subsection (e) due to drafting constraints. It adds a reference to private revenue under a public-private partnership.

Section 5 of the bill lists what deposits may be made into a reserve fund established under AS 19.75.221(h).

Section 6 of the bill states the purposes for which a reserve fund of the authority may be used and provides for various rules and reports regarding transfers from a reserve fund and amounts of money needed to be in a reserve fund.

Section 7 of the bill states that rights and interests in real and personal property, assets, income, and receipts held by a private person or enterprise under a public-private partnership agreement with the authority, except any rights and interests of the private

person in property serving a business, commercial, or other purpose not necessary to operate the facilities, properties, or projects of the authority, shall be exempt from all taxes and special assessments of the state or a political subdivision of the state.

Section 8 of the bill establishes the Knik Arm Crossing fund as a separate fund in the general fund and states that money from the fund shall be transferred from the fund to a reserve fund of the authority once a public-private partnership agreement is executed.

BJK:plm
11-050.plm


KNIK ARM CROSSING
PRELIMINARY DESIGN PHOTO RENDERING
N

STATE OF ALASKA

SEAN PARNELL, GOVERNOR

KNIK ARM BRIDGE AND TOLL AUTHORITY

550 West 7th Ave, Suite 1850
Anchorage, Alaska 99501
Phone: (907) 269-6698
FAX: (907) 269-6697
www.knikarmbridge.com

March 16, 2011

The Honorable Joe Thomas
Alaska State Legislature
State Capitol
Juneau, Alaska 99801

Re: SB 79 and 80

Dear Senator Thomas:

We appreciate your thoughtful questions and evident interest in the Knik Arm Bridge project. We take this opportunity to provide specific answers to your questions.

1. Your first item 1 includes the following questions.

- *Why does KABATA need this broad spending authority if the purpose of the fund is to ensure the annual payment in order to attract lower cost financing?*

  KABATA does not seek to, and SB 80 will not, expand KABATA's existing spending authority. AS 19.75.111(a)(1) limits KABATA's jurisdiction to "the Knik Arm Bridge and its appurtenant facilities." In the Record of Decision, the FHWA defined the Project to include the bridge and approximately 18 miles of connecting roadway. Future phases will include capacity improvements and a second connection in Anchorage to Ingra and Gambell Streets. We refer to these future appurtenant facilities collectively as "other KABATA project responsibilities."

  The purpose of establishing in SB 80 a broad set of uses of the project reserve fund is to make it abundantly clear to the private party and its lenders that their beneficial interest in the project reserve fund cannot prevent use of surplus funds for other purposes of benefit to the State. It is not to expand KABATA's statutory authority.

  To attract lower cost financing, the trust agreement governing the project reserve fund must set forth sources and uses of funds. The sources of funds in the project reserve will be the $150 million appropriation, toll revenue, and earnings

on deposited funds. The funds in the project reserve will be used according to an established order of priority for use. We anticipate that KABATA's normal overhead and administrative costs and the availability payments will receive top priority. Reserves also need to be built for project contingencies. The trust agreement will also establish the conditions under which KABATA may use surplus funds – i.e. funds not needed for these higher priority uses – for its other KABATA project responsibilities, for release of the $150 million (plus interest) back to the General Fund and for other eligible transportation purposes as decided by the State Legislature. During the procurement KABATA will develop the precise terms and conditions of the trust agreement for the project reserve fund, taking into consideration input from the proposers, their lenders and the ratings agencies.

- *What situations would trigger an obligation to make termination payments, and how large would those payments be?*

Concession agreements involving private financial investment always include termination payments if the concession is terminated before the end of the concession term. It is impossible to raise private debt and equity financing without termination payment provisions.

The amount of termination payments generally falls into three categories. The first category includes termination for convenience by the State or termination due to material uncured public party default. For this category, the payment is intended to compensate the private party for its lost business enterprise (similar to the constitutional requirement for just compensation upon condemnation of private property). It includes an amount sufficient to repay outstanding project debt, outstanding equity investment and the contractual rate of return on the equity investment.

The second category is termination due to uncured, material private party default. The termination payment typically results in loss of the private equity and coverage for less than all (e.g. 80 – 85%) of the outstanding project debt.

The third category is termination for stated reasons beyond either party's control. These can include continuation of excusable delays (e.g. due to earthquake) for an extended period of time, or a final court judgment halting the project or invalidating the public-private agreement. The termination compensation is basically calculated to return the private party to the position it was in before entering into the contract – i.e. the amount of its outstanding project debt, return of expended equity plus a rate of return on expended equity up to the date of termination (sometimes less than the rate stated in the proposal).

Although KABATA will need to take all termination possibilities into account in negotiating the public-private agreement, it is unlikely that any will occur. While the foregoing termination payments can be large, KABATA and the State will have received the value of the developed project in return. In addition, KABATA

would have the authority and capacity to issue toll revenue bonds to raise all or a portion of the money needed to make the termination payment.

It is rare that any termination compensation is provided if termination is due to the bankruptcy of the private party, and the public-private agreement will be structured to preclude or minimize the possibility.

- *If KABATA is not successful in entering into a contract with a private partner to build and operate the bridge, will the state have to refund money KABATA received from the federal government, what would be the refund amount, and could the reserve funds be used for that purpose?*

  Title 23 requires that the ADOT&PF pay back any Preliminary Engineering to FHWA if the project has not advanced to the Real Estate or Construction phase within 10 years from the date the project was authorized. Likewise, real estate funds must be paid back to FHWA if the Construction phase of work has not commenced within 20 years of the date the funding for real estate acquisition was made available. The funding for real estate acquisition has not yet been made available, but is imminent.

  The refund amount would depend upon the amount of federal funds expended at the time. To date, $57,043,987 of federal Title 23 highway funds have been obligated to the project and approximately $46 million have been expended (excluding State matching funds).

  In the unlikely event that FHWA requested that funds be repaid, they would not be paid from the project reserve fund. This is because under SB 80 the $150 million appropriation will not have been released to the project reserve fund. The appropriation is to be held by the Department of Revenue at least until a public-private partnership agreement is signed. Under the circumstances described, no signing will have occurred.

- *Does the existing statute or SB 80 authorize KABATA to be involved in projects other than the Knik Arm Bridge?*

  The existing statute limits KABATA's jurisdiction to "the Knik Arm Bridge and its appurtenant facilities." AS 19.75.111(a)(1). SB 80 does not change the scope of jurisdiction. For further discussion, see the response to the 1st question under this item 1.

- *What other public entities and projects might be funded with the reserve?*

  Federal law and regulations limit the permissible uses of surplus toll revenues from transportation projects funded in whole or in part with federal-aid highway funds to "any purpose for which Federal funds may be obligated by a State under this title [23]," including roads, bridges, trails, transit, ferries, etc. 23 U.S.C. §129(a)(3). The Knik Arm Crossing and the toll revenues from it are subject to

these laws and regulations. Therefore, surplus funds in the reserve could be used to fund or finance other KABATA project responsibilities (described above) and other federally eligible transportation purposes as determined by the State Legislature.

We believe, however, that surplus funds used to repay the $150 million appropriation, as well as a reasonable interest rate on the appropriation, could be returned to the General Fund free of these federal restrictions on use. KABATA will work with the Department of Revenue and the FHWA on arrangements that will facilitate this result.

- *Would the state have to guarantee payment of monetary obligations KABATA may incur in connection with these new projects, in accordance with page 2, lines 17-20 of SB 80?*

No. SB 80 creates no State guarantee of any monetary obligations of KABATA. To do so would be unconstitutional. Rather, SB 80 would mean that although a monetary obligation of KABATA under a public-private partnership agreement – including one for a future, new project – would be treated as a contractual obligation of the state, it could only be satisfied from State funds to the extent a future State Legislature chooses to appropriate funds needed to pay the obligation.

KABATA has no plans to enter into such a future public-private partnership agreement for meeting other KABATA project responsibilities and its statutory authority under AS 19.75 is limited to the Knik Arm Bridge and appurtenant facilities, constraining its ability to contract for other projects. When the time comes, KABATA's board would evaluate whether it is in the public interest to use such an agreement or some other method of contracting for meeting other KABATA project responsibilities.

- *What is the legislature's role in approving projects the authority may wish to undertake with excess reserves or earnings?*

The central reason KABATA is requesting that SB 80 authorize the use for other transportation purposes of reserve funds in excess of those needed to meet project financial obligations is to assure that KABATA's Board and the State Legislature have maximum freedom to decide when, where and how to use the excess funds. We do not want the private party or its lenders to restrict such uses.

Those future uses will be subject to commitments in the Record of Decision for the Knik Arm Crossing. Because AS 19.75 assigns to KABATA the other KABATA project responsibilities and the Record of Decisions and EIS for the Knik Arm Crossing call for these future capacity improvements, it can be expected that the KABATA Board will allocate such future surplus revenues first toward meeting these responsibilities.

The State Legislature will control use of excess revenues for Title 23 eligible transportation projects beyond the other KABATA project responsibilities, as explained at the 1st and 4th questions above.

1. Your second item 1 sets forth the following question.

- *Why are earnings not retained in the reserve fund, or deposited in the state General Fund if they exceed the amount needed to meet the reserve fund requirement.*

Interest earnings will be retained in the project reserve fund and will be subject to the same uses and priority of uses as all other funds in the reserve.

KABATA sized the $150 million appropriation request based on the assumption that earnings would be retained. The financial projections indicate that interest earnings on the $150 million appropriation will be needed in order to keep the project reserve fund at a level that will not require a request for an additional appropriation. Thus, retention of the earnings in the reserve fund until there are surplus funds will enhance the ability to attract low cost, highly rated financing for the project.

Once the reserve fund builds back up to the level that there are excess funds not needed for the project, then interest earnings, like all other surplus funds, will be freed up for other KABATA project responsibilities, repayment to the General Fund of the $150 million appropriation and interest thereon, and other eligible transportation purposes, as described in the 5th and 7th questions under the first item 1 above.

2. Your item 2 includes the following questions.

- *Please explain what criteria the authority will use to determine if the reserve fund is sufficient.*

KABATA's primary criterion will be to set the minimum reserve requirement at the lowest level consistent with obtaining the best financing terms for the project. KABATA's Board and staff will be working with our financial and legal advisors and will consider input from proposers, their lenders and rating agencies to determine this number.

For KABATA's financial plan, we have assumed a $50 million minimum reserve requirement. The financial plan is a pro forma model from the private perspective on the transaction. The minimum reserve requirement in the plan is a hypothetical floor for modeling purposes only, and is only indicative of the final structure for the project reserve fund.

We point out that the minimum reserve requirement is different from the maximum reserve requirement. The latter is the floor above which available funds would be treated as surplus funds that could be used for other KABATA

project responsibilities, for repaying to the General Fund the $150 million reserve appropriation, plus interest, and for other eligible transportation projects chosen by the State Legislature. For KABATA's financial planning purposes, we have assumed a $150 million maximum reserve requirement once the project achieves annual toll revenues at least equal to annual availability payments.

The minimum and maximum requirements will be refined as the project nears the close of financing.

- *Why does the bill not establish $150 million as the floor for use of the reserve fund for other purposes, or return excess reserves to the General Fund?*

  Like the minimum reserve requirement, KABATA's objective is to set the maximum reserve requirement, as described in the immediately preceding paragraph, as low as possible consistent with obtaining the best financing for the project. KABATA believes it is unwise to set a fixed amount as the floor in the bill because it will not be tested and verified by actual financial market conditions. The $150 million floor in the pro forma financing plan is a hypothetical threshold for modeling purposes only, and is only indicative of the final structure for the project reserve. If setting a floor higher than $150 million were to prove beneficial in reducing the overall cost of debt and equity financing for the project, the flexibility to do so would be advantageous to the State. Likewise, if setting a floor lower than $150 million can achieve optimal financing for the project, the flexibility to do so would be to the State's advantage.

2. Your item 3 includes the following questions.

- *Can the authority board of directors lower the toll to reduce or eliminate this excess revenue?*

  Yes, as provided by AS 19.75.111(a)(10). The board has the exclusive authority to set and collect tolls, as provided by AS 19.75.111(b)(6).

  KABATA expects that the public-private agreement and related financing agreements will require KABATA to follow toll rate and toll revenue covenants in order to meet coverage ratios for the availability payments.

- *Would excess revenue return to the General Fund for appropriation by the legislature, and through what mechanism?*

  For potential uses of excess revenue, please refer to the answers to the 5th and 7th questions under your first item 1 above.

  The mechanism for return of excess revenue (i.e. fund balances in excess of the maximum reserve fund requirement) presumably would be through the normal legislative process. Under SB 80 KABATA would make annual reports to the State Legislature and Governor on the status of the project reserve fund, giving the State Legislature the information it will need to decide on legislation to use

and apply the excess reserve funds to projects of their choosing. Consistent with SB 80, the reserve fund terms and conditions will explicitly authorize use of surplus funds for non-project purposes without need for consent of the private party or its lenders.

4. Your item 4 sets forth the following question.

- *Would the existing "pledge of the state" in AS 19.75.251 limit future legislatures' ability to reappropriate fund earnings or excess reserves from the authority to other state programs?*

No. The very purpose of authorizing use of surplus funds in the project reserve for non-project purposes is to assure that the State Legislature has maximum flexibility, consistent with federal regulations and the commitments in the Record of Decision and EIS, to decide on use of the surplus funds free from interference by the private party or its lenders.

5. Your item 5 sets forth the following question.

- *What are the implications for the state if KABATA receives TIFIA credit based on that document [the TIFIA Letter of Interest]?*

The TIFIA letter of interest is only an expression of interest and is not a binding commitment. KABATA submitted it to the TIFIA program for the benefit of the project and the eventual private party. KABATA would not be the borrower. The private party, if it chooses to use TIFIA, will be the borrower and negotiate its own terms and conditions with the FHWA, which administers the TIFIA program. KABATA will not be bound by the credit agreement between the private party and the FHWA.

Regardless of whether the private party uses TIFIA financing, as provided in SB 80, KABATA would request an appropriation if the reserve balance falls below the minimum reserve requirement. The amount of the appropriation would be the amount necessary to restore the fund balance to the minimum reserve requirement. For a further explanation of how the minimum reserve requirement will be set, see discussion at the 1st question under your item 2 above.

6. Your item 6 includes the following questions.

- *What is the amount of remaining KABATA funds?*

The remaining federal Title 23 highway funds previously appropriated but not obligated to the Project are $55,528,355. The State matches just over 9% of eligible costs, for total Title 23 funding of $61,040,294. The $55.5 million figure is included in the sources in the pro forma financing plan within the $112.6 million figure designated *Federal* under Public Funds.

- *Can the money [i.e. KABATA's remaining federal funds] be used to cover future administrative costs, which the TIFIA LOI documents estimate will be $3 million/year adjusted for inflation, rather than using toll revenue backed by the state to pay administrative costs?*

  KABATA's remaining federal funds can be used to cover KABATA administrative costs during construction only. Federal Title 23 funds cannot be used for operations and maintenance post construction.

7. Your item 7 includes the following questions.

- *How many full-time and part-time jobs are anticipated in the actual operation and maintenance of the bridge and toll facilities, who will employ those workers, and what percentage are expected to be Alaska residents?*

  It is estimated that the actual operations and maintenance of the bridge and toll facilities will require between 35 and 75 persons depending on the traffic volume and number of transactions/accounts under management. These workers will be employed by the private partner and/or their subcontractor(s).

  While there may be several supervisory management personnel from outside of Alaska representing the private partner, KABATA believes that all other employees, representing the vast majority (e.g. 95%) of project personnel, will be Alaska residents. KABATA will encourage Alaska hire to the extent allowed by law.

- *Has the authority taken into account the strong financial incentive for the private partner to keep labor costs to a minimum in the on-going operation of the bridge, which could encourage the use of out-of-state workers, perhaps in a week on/week off rotation?*

  Yes. It is very unlikely that rotational work by out-of-state workers would be cost-effective for the private party. The nature and scope of the work requires on-site personnel for bridge operations and for managing customer care for tolling operations. In addition, the travel costs for shuttling a work force in and out of the State would be prohibitive. Strong local hiring is the consistent result for other P3 projects in the United States.

- *Which provisions in the RFP will encourage use of Alaska subcontractors and Alaska workers in construction, maintenance, and operation of the bridge?*

  The RFP will encourage Alaska hire to the extent allowed by law.

  The overwhelming experience with other P3 projects in the United States is that proposers form consortia with substantial participation by local firms. Proposers obtain real advantages by doing so, including local knowledge, local connections, economies of scale and goodwill. As a practical matter, most of the approximately 5,000 FTE's needed to construct the bridge over 3-5 years will be

Alaska hire, including jobs in excavating, gravel trucking and placement, grading and paving, placing armor rock, etc.

8. Your item 8 sets forth the following question.

- *What would be the consequences of amending SB 80 to require legislative approval of the final contract, or to establish a maximum length and amount of the availability payments?*

KABATA wants to leave you with no doubt that a requirement for legislative approval of the final contract would so chill private sector interest in proposing that it would most likely lead to an unsuccessful procurement. The experience of other states like Pennsylvania, Florida and California is informative. In Pennsylvania, the legislature refused, for political reasons, to approve a P3 proposal for the Pennsylvania Turnpike after a successful P3 procurement was completed, sending shock waves through the industry. In Florida and California, this type of legislative provision completely stifled P3 procurements. Only after these states removed this requirement did the private sector take the P3 programs seriously and were these states able to successfully conduct P3 procurements (for the Port of Miami Tunnel project, the I-595 managed lanes project in Ft. Lauderdale, and the Presidio Parkway project in San Francisco).

Prospective private partners will spend in excess of $5 million in preparing proposals. They must prepare conceptual designs in order to assemble a competent, fully priced competitive proposal. They will have a substantially negotiated design-build contract, firm financing commitments, arrangements for operations and maintenance, etc. that all must be considered in preparing a proposal. Even if a stipend is paid, it will not fully compensate them for proposal and opportunity costs of committing scarce resources to a complex proposal process. Subjecting the proposal process to a political decision after substantial investment of money and time will not draw private sector interest. The private sector will not take this kind of political risk.

In short, the requirement for legislative approval of the P3 agreement would deal a major setback to the project.

Regarding a legislatively-mandated maximum length and/or maximum availability payment, while there is some precedent for this in other states, we believe the existing governance structure for KABATA under chapter 19.75 makes this unnecessary. The KABATA Board is composed of the commissioners of the ADOT&PF and the Department of Revenue, and three members from the general public appointed by the Governor and two State Legislators. The state's interests are well represented and well protected. The KABATA Board is under a fiduciary duty to obtain terms that it determines are advantageous to the state. They will make decisions within a disciplined framework, with consultation with and involvement of the ADOT&PF, the Department of Revenue, the Alaska

Department of Law and highly qualified financial, technical and legal consultants for KABATA.

If your office remains interested in a statutory limit for the term and/or the availability payment, we would like the opportunity to discuss it in more detail with you. The structure of those limitations must recognize market realities and the complex nature of these arrangements. Our interest is in obtaining the best results for the state.

Sincerely,

Andrew J. Niemiec
Executive Director

cc: Knik Arm Bridge and Toll Authority Chairman Michael Foster and Board Members
Senate Finance Committee Co-chairman Senator Lyman
Senate Finance Committee Co-chairman Senator Bert Stedman

ALASKA STATE LEGISLATURE

SENATOR JOE THOMAS

March 8, 2011

Commissioner Marc Luiken
Department of Transportation and Public Facilities
P.O. Box 112500
Juneau, AK 99811-2500

Dear Commissioner Luiken,

I am writing to you in your position as a member of the board of the Knik Arm Bridge and Toll Authority as well as Commissioner of the Department of Transportation and Public Facilities. Construction of the Knik Arm Bridge is a very significant transportation decision, and the expertise of your department is essential to evaluate Senate Bills 79 and 80, and to anticipate the impact of the bridge on our transportation system.

During the Senate Transportation Committee hearing on SB 79 and SB 80, Division of Program Development director Jeff Otteson testified in support of the legislation. Mr. Otteson stated that construction of the bridge would reduce the amount of money the state would otherwise have to spend on the Glenn Highway.

If this is the department position, please describe the Glenn Highway maintenance or expansion projects the department anticipates will not be undertaken if the bridge is built, and their estimated cost. I would like to know the department's current count of vehicles crossing the Glenn Highway bridge, your future traffic projections for the Glenn, and how they compare to the estimates in the Authority's February 25, 2011 Traffic and Toll Revenue Update Study prepared by WilburSmith Associates.

I would also appreciate an estimate of the cost of constructing, improving and maintaining the connecting roads carrying vehicles to the bridge, such as Knik Goose Bay Road, Burma Road, South Big Lake Road, and the phase 2 connection across Ship Creek to Ingra-Gambell, or other infrastructure the department thinks will be necessary to generate the bridge traffic anticipated in the toll revenue estimates or to respond to area development.

January – May: State Capitol – Juneau, Alaska 99801 – (907) 465-2327 – 1 (800) 336-7383 – Fax (907) 465-5241
June – December: 1292 Sadler Way Ste 203 – Fairbanks, Alaska 99701 – (907) 456-8161 – Fax (907) 456-8163
Senator.Joe.Thomas@legis.state.ak.us

I read in the Authority's February 25, 2011 Traffic and Toll Revenue Update Study prepared by WilburSmith Associates (page 16) that the traffic demand model assumed the traffic network would include, "All projects listed in the official transportation planning documents" which included the AMATS TIP, the STIP, the Mat-Su Borough Long Range Transportation Plan and the Anchorage Bowl 2025 Long-Range Transportation Plan. It has been my experience that there is often not sufficient funding to complete all projects appearing in those transportation planning documents as scheduled. If toll revenue is dependent on their timely completion, it will be essential to anticipate and plan for those costs.

Please confirm with WilburSmith which road projects they assumed in their model and estimate the amount of state and federal funds the legislature will need to appropriate each year to meet those expectations.

Finally, I would appreciate your assessment of the impact on other department projects, of directing that amount of federal funding to connecting roads. In other words, what percentage of Alaska's anticipated federal highway funding will be needed to complete the traffic network on which toll revenue is based, and will that reduce the amount available for roads in the Northern and Southeast Regions and elsewhere in the Central Region?

I realize that these are not simple calculations, but I believe it is important that the legislature has the information necessary to understand the implications before acting on legislation.

Thank you for your assistance, Commissioner.

Regards,

Joe J. Thomas

Senator Joe Thomas

Cc: Knik Arm Bridge and Toll Authority Chairman Michael Foster and Members,
Knik Arm Bridge and Toll Authority Executive Director Andrew Niemiec,
Senate Finance Committee

U.S. Department
of Transportation
Federal Highway Administration

Memorandum

SENT BY ELECTRONIC MAIL

Subject: **INFORMATION:** National Highway System Designation of the Knik Arm Crossing Project

Date: January 21, 2011

From: Original Signed by Gabe Rousseau for
Lucy Garliauskas
Director
Office of Human Environment

In Reply Refer To: HEPH-20

To: Mr. David Miller
Division Administrator
Juneau, AK

We have reviewed the request by the State of Alaska Department of Transportation and Public Facilities, dated August 13, 2010 for the proposed addition of the Knik Arm Crossing Project to the National Highway System (NHS), which will connect to the Port of Anchorage Intermodal Connector. Upon review of the supporting documentation, we concur that the proposed crossing and connection meets the secondary eligibility criteria, as defined under Appendix D of 23 CFR 470, as a significant investment in an intermodal facility. However, since the crossing is not yet built and will not be constructed for three to five years, it cannot be classified as an NHS intermodal connector at this time. It does qualify for addition as an Unbuilt NHS Route. We hereby approve your request and will adjust the NHS as follows:

- Add the proposed 9.8-mile segment of unbuilt facilities to the NHS, from the Port Of Anchorage Intermodal Connector to the Port of MacKenzie.

We will make the appropriate changes to the System and update the NHS maps for the State as stated, and upon notification of completion of construction, we will update the NHS classification from Unbuilt NHS Route to NHS Intermodal Connector. If you have any questions or comments, please call Kevin Adderly at (202) 366-5006.

cc: John Lohrey, AK Division

Knik Arm Crossing
Public-Private Partnership and Cost of Capital Overview

Availability Payment Structure

- Private partner responsible for finance, design, build, operate and maintain over life of agreement (e.g. 35 years)
- State makes regular annual payments to private partner that cover its:
  - Debt service
  - Operation and maintenance costs
  - Reasonable return on invested equity
- State owns facility and toll revenues
- State funds annual payments from:
  - Toll revenues
  - Then, if necessary, from reserve fund
  - Then, from appropriations (if necessary)
- Annual availability payment amount fixed, except:
  - A portion is indexed to CPI to account for increases in O&M costs
  - Increases if traffic significantly increases over time, to account for resulting increases in O&M costs
  - Reductions if private partner fails to meet contract standards for keeping facility available for public use and in good and safe condition
- Competition is lowest annual availability payment from State to private partner
- Off balance sheet financing for State

Reduces Cost of Capital

- Private partner's cost of capital a significant factor in amount of annual payments
- Credit that backs State's annual payment obligation is a material factor affecting availability and cost of capital
- Senior debt must receive investment grade credit rating for project to be eligible for low cost, federal loan ("TIFIA" financing)

SB 79 and SB 80 enhance project credit, ensuring an investment grade rating is achieved and that the developer can obtain the lowest cost of capital, thereby providing the lowest availability payment offers to the state

ASSOCIATED GENERAL CONTRACTORS of ALASKA

8005 Schoon Street • Anchorage, Alaska 99518
Telephone (907) 561-5354 • Fax (907) 562-6118

3750 Bonita Street • Fairbanks, Alaska 99706
Telephone (907) 452-1809 • Fax (907) 456-8599

March 23, 2012

Senator Bert Stedman
State Capitol, Room 516
Juneau, AK 99801-1182

Re: SB 80

Dear Senator ~~Stedman~~ Bert:

Developing and improving transportation infrastructure, such as constructing roads and bridges is critical to the expansion and development of our State's natural resources. Some projects by their location and nature have a statewide significance. The proposed Knik Arm Bridge will provide access to vast undeveloped acreage as well as an alternate route for the transport of people and goods along one of our busiest corridors. It is one of these projects of statewide significance.

The AGC supports a healthy economy and the economic development of Alaska. We look at infrastructure development as crucial for our economy and our future. We believe the Knik Arm Crossing is a project that embodies the sustainable economic development and job creation that we hold at the forefront.

With some of the more difficult federal approvals in hand, the project has gained some new momentum. The three shortlisted "teams" include many Alaskan companies that employ many Alaskans, some of whom you might know.

There is a vocal NIMBYattitude today, which only because of its volume seems pervasive. If that attitude was as loud in the past as it is today, we might not have such important infrastructure as the Parks, the Dalton or the Seward Highways, or even TAPS.

Thank you for considering SB 80 and I urge you to support this project.

Sincerely,

John MacKinnon
Executive Director
Associated General Contractors of Alaska

Knik Arm Bridge–State as Last Sucker?

http://www.alaskapolicyforum.org/2012/03/knik-arm-bridge-state-as-last-sucker/

Fiscal Policy — By Online Editor on March 19, 2012 at 2:31 PM

By: Jamie Kenworthy

There may be no better Alaskan example of a big spending government project misrepresented as a "public-private partnership" than the Knik Arm Bridge, Alaska's second and only surviving "Bridge to Nowhere". This study examines the financial aspects of the Bridge project and looks at the long term financial impact to the State of Alaska.

The Knik Arm Bridge has always been a wholly government-funded project seeking more government funding to get off the ground. Funded early on by an original $230 million Congressional earmark, with the state taking about half for other projects, the Knik Arm Bridge and Toll Authority (KABATA) has spent $60 million to date on studies and salaries.

In March, 2010 KABATA told the Anchorage Assembly that the private sector would assume the financial risk of making up the inevitable toll shortfall to pay off the bonds. In fact, KABATA had already applied for another government $300 million loan declaring that annual appropriations from the State would be needed to backfill the lack of toll revenue. (See p. 7 http://www.knikarmbridge.com/documents/TIFIAcoverandLOI.pdf)

With the toll shortfall, what might the state's liability be over 35 years of cumulative private contractor payments? In KABATA's latest federal loan application, it estimated this liability at $ 3 billion. (See p. 4 http://knikarmbridge.com/TIFIA/2011/12-2011-KABATA-Model-PABs.pdf) And this may even be on the low side.

A public records act request to the State Transportation Department revealed that the toll revenue forecast may be overestimated by a factor of two. When Scott Goldsmith's (University of Alaska, ISER) estimate of future population was modeled into vehicle trips by Ch2M Hill, it concluded 17,700 vehicles would use the Bridge daily in year 2035. However, KABATA's comparable number that it uses for its toll revenue projection is 36,000 trips a day. This is difficult to imagine because today there are less than 30,000 trips now between the Mat Su and Anchorage on the Glenn Highway.

This possible 103% overestimation of toll revenue by KABATA over the ISER-CH2MHill toll numbers is consistent with the study of a retired federal economist. This economist documented a 118% average overestimation error by the KABATA traffic and toll consultant, Wilbur Smith Associates, for the first five years a toll facility was open in all US projects. (See http://www.scribd.com/doc/79582705/RCA-Study-Wilbur-Smith-Traffic-amp-Revenue-Forecasts-012712.%3Cbr%20/%3E.)

The vast majority of the present MatSu commuters would continue to use the Glenn Highway since Palmer and Wasilla are closer to Anchorage via the Glenn than via the proposed Knik Arm Bridge. In addition, these commuters would not have to pay a $5 one-way toll rising 2.5% a year.

An independent estimate of the Knik Arm Bridge costs concludes that it would accumulate $1.1 Billion in deficits by 2035. (See http://knikbridgefacts.org/wp-content/uploads/2012/02/The-Real-Finances-of-the-Knik-Arm-Bridge-v3.pdf).

We will spare ourselves having to debate over population and traffic projections and just focus on which consultants are paid by KABATA and watch who is left holding the bag. If the private sector were willing to finance the project, it is more than likely the project would already have been financed. But there were no takers.

Instead, KABATA went to the legislature last year with two bills tapping the General Fund to provide another $150 million for the project and also to make any contract KABATA would sign with the private contractor "obligations of the state" – the inevitable blank check. As David Boaz of the free market-oriented Cato Institute observed of the Knik Bridge project: "Yes, the largest investment companies — and the largest construction companies — would be delighted to work on this project, if someone else would actually put up the money. " http://www.huffingtonpost.com/david-boaz/bridge-to-nowhere_b_984839.html

Clearly, the private sector is not interested in taking any risk on having sufficient toll revenue to pay off the Bridge bonds and operating costs. Rather, KABATA has promised the two losers of three short-listed consortia bidding for the expected $1.1 billion contract a "stipend" of $2 million each to submit a final proposal. Supposedly, KABATA will pay for the intellectual property of the losers' bids, but industry observers consider this amount excessive.

If the KABATA legislation (HB 158-159 and SB 79-80) passes this session of the legislature, the winning contractor will have 35 years of state-guaranteed "availability payments" that KABATA estimates will total $3 billion. Even this $3 billion assumes KABATA will get $350 million in federal TIFIA and TIGER loans and grants which it failed to get in the past three years.

The next phase in the battle of the Bridge is likely to take place over the approval of the Anchorage Metropolitan Transportation Plan (MTP) beginning with a public hearing April 10, 2012 at the Anchorage Assembly. The Knik Bridge remains in the MTP with the new transportation plan, unlike the existing one, overturning the Assembly's previous position that no further State or local funds would go to support the Bridge.

Unfortunately, readers of the new draft MTP would learn nothing of the size of the downside risk to the State on this $1.1 billion project. The draft "assumes" the KABATA bills will pass and that if the State has to make up what has been independently estimated as an average of $55 million a year in deficits, that none of this expected body blow to State transportation funds will impact funds going to South Central Alaska. (See pp. 6-29-31 http://www.muni.org/Departments/OCPD/Planning/AMATS/Documents/MTPChapter-6_123011.pdf

A diligent reader of the MTP would see only the sources and uses of funds to finance the $1.1 billion project. He would not see any of the overall financing costs and ballooning annual availability payments to the private contractor which go from $34 million in year 1 to $133 million in year 36. (p. 4 http://knikarmbridge.com/TIFIA/2011/12-2011-KABATA-Model-PABs.pdf)

The draft MTP shows an estimated $79 million in private equity from the contractor which may seem impressive. Not disclosed is that under the proposed state-guaranteed contract KABATA estimates a 12% compounded return of net cash flow to repay the contractor's equity. So that $77 million in private contractor equity would end up costing the state a KABATA-estimated $920 million before the bonds are paid off in 2050.

While the final RFP competition may only result in a compounded return to the contractor of, say 10%, the whole proposed deal structure begs an obvious question: Why would a state with a AA credit rating that can borrow long term at 4% guarantee a contract providing a contractor a 10-12 % compounded return? The State assumes all the risk, the private contractor assumes none. Only in the world of crony capitalism would this make sense.

The marketing of the Bridge project has been an ongoing exercise in the euphemisms necessary to mask a typical bottomless government liability. The proposed $150 million in additional State funds is just a loan that will be paid back according to the rosy trip forecast. A small print footnote to KABATA's 12/30/11 federal loan application notes that "if" – more likely "when"– the reserve fund dips below $50 million, it will trigger an automatic appropriation request to the legislature to have the fund "replenished" back to $50 million (see p. 8 in KABATA's latest Financial Plan http://knikarmbridge.com/TIFIA/2011/12-2011-KABATA-Model-PABs.pdf).

So, this reserve fund will apparently be automatically replenished by annual legislative appropriation, regardless of the state of Alaska's budget.

The fundamental misleading description of the selling of the "public-private partnership" project by KABATA is its assurance to the legislature that the contractor will "finance" the project. Technically, the contractor will take the State of Alaska-guaranteed contract to the credit agencies and the State's credit rating will likely be the evidence the contractor needs to provide the investment grade necessary for the firm to then go to the bond market for the funds to build the project. So in reality it's the proposed State guarantee on the KABATA contract – or the continually replenishing $150 million "reserve fund" by the State — that finances the project and not the balance sheet of the contractor which is put at risk.

The original legislation establishing KABATA made clear that the new agency could not pledge the State's credit or sell bonds without earning an investment grade. But in a 11/30/11 legislative briefing, KABATA now seeks to "clarify" that prohibition to make the bonds "obligations of the State" by amending the original statute "to reflect current market realities."

Senate Finance Chairman Bert Stedman (R-Sitka) is opposed to the State guarantee in the current bills but KABATA Board member Senator Linda Menard (R-Wasilla) is now rewriting the KABATA bills to overcome that objection. However, it is still likely that the continual replenishing of the $150 million reserve fund will remain in the bills to provide a backdoor State guarantee. Without the State holding the bag, it is unlikely KABATA will be able to put the RFP on the street this year.

Hopefully, both the Anchorage Assembly and the Alaska Legislature will pay close attention to the risk-free financial arrangement of this "public-private partnership" and recognize it for what it is. Public assumes the risk, private sector assumes the benefits.

(Jamie Kenworthy is the former Executive Director of the Alaska Science and Technology Foundation and has served on the Board and Audit Committee of a $60 million/year remote sensing defense contractor, the former Environmental Research Institute of Michigan. He lives in South Anchorage and has been the volunteer financial analyst opposing state support for the Knik Arm Bridge.)

Knik Arm Bridge and Toll Authority
Federalization of Sections 2-5, with TIFIA Optimization
Private Model - Availability Payment Structure - Rate at +0.50% above Market
Private Activity Bonds Only

Phase I

One difference between this Pro-Forma and Oct 2011, is this version has NO Capital Accretion Bonds

SOURCES AND USES

SOURCES	GOV PURPOSE	PRIVATE ACTIVITY BONDS	SHORT-TERM FINANCING	TIFIA (1)	EQUITY	TOTAL PRIVATE FINANCING	PUBLIC INVESTMENT	TOTAL
Current Interest Bonds	-	403,905,000	-	-	-	403,905,000	-	403,905,000
Capital Accretion Bonds	-	-	-	-	-	-	-	-
Short-Term Financing	-	-	-			-	-	-
TIFIA	-	-	-	307,855,021		307,855,021	-	307,855,021
Equity	-	-	-	-	79,495,439	79,495,439	-	79,495,439
Premium / Original Issue Discount	-	-	-	-	-	-	-	-
Public Funds Available						-	-	-
1) Federal	-	-	-	-	-	-	112,572,342	112,572,342
2) State Match	-	-	-	-	-	-	17,324,917	17,324,917
3) State Grant (Milestone Payment)	-	-	-	-	-	-	-	-
4) State Grant (Reserve Fund)	-	-	-	-	-	-	150,000,000	150,000,000
5) State Commerce Grant	-	-	-	-	-	-	15,000,000	15,000,000
6) Other	-	-	-	-	-	-	-	-
Total	-	403,905,000	-	307,855,021	79,495,439	791,255,460	294,897,259	1,086,152,719

USES

Deposit to Construction Fund	-	280,923,935	-	307,105,021	62,578,225	650,607,181	62,495,013	713,102,194
Deposit for Port MacKenzie Road Upgrade	-	-	-	-	-	-	15,000,000	15,000,000
Deposit for KABATA Development Costs	-	-	-	-	-	-	67,402,246	67,402,246
Deposit to State Reserve Fund	-	-	-	-	-	-	150,000,000	150,000,000
Repay Short-Term Financing	-	-	-	-	-	-	-	-
TIFIA Credit Subsidy (2)	-	-	-	-	10,000,000	10,000,000	-	10,000,000
Deposit to Capitalized Interest Fund	-	72,896,845	-	-	-	72,896,845	-	72,896,845
Deposit to Prepaid Interest Fund	-	-	-	-	5,367,812	5,367,812	-	5,367,812
Debt Service Reserve Fund	-	40,390,500	-	-	-	40,390,500	-	40,390,500
Bond Insurance Premium	-	-	-	-	-	-	-	-
Cost of Issuance	-	6,058,575	-	750,000	-	6,808,575	-	6,808,575
Underwriter's Discount	-	2,019,525	-	-	-	2,019,525	-	2,019,525
Other Transaction Costs (3)	-	1,615,620	-	-	1,549,402	3,165,022	-	3,165,022
Concession (Shortfall)/Surplus	-	-		-	-	-	-	-
Total	-	403,905,000	-	307,855,021	79,495,439	791,255,460	294,897,259	1,086,152,719

Equity Contribution (12% IRR)	79,495,439							
Construction Fund Surplus / (Shortfall)	9,949							
Equity as % of Financing, Including Public Funds	19.942%							
Equity as % of Financing, Excluding Public Funds	10.047%							
Delivery Date	12/1/12							
Rates as of	11/4/11							
Cap I Date	12/1/2015	12/1/2015						
Cap I Earnings Rate	0.50%	0.50%						
Bond Yield	-	6.385%						
Arbitrage Yield	-	6.385%		4.003%				5.292%
True Interest Cost	-	6.426%		4.003%				5.313%
Minimum Coverage	1.26x			1.26x				
Average Coverage	2.20x			1.41x				
Final Maturity	1/0/1900			12/1/2046				
Total Qualified Project Costs	923,565,063							
TIFIA 33% Limitation	307,855,021							

(1) TIFIA rate assumed at 4.00% (current market + 80bps)
(2) For subsidy cost of credit assistance
(3) Includes stipend, success fee, and upfront administrative costs to KABATA

Private Equity from P3 Contractor, See Page 5

In 2011 TIFIA application, Cover Ratio was 1.39, in 2011 TIGER Grant application, 1.29

In 5 different "Pro-Forma" spreadsheets produced by KABATA, the Cover Ratio number is the most consistent, ranging from 1.25 to 1.39

With Annotations from Bob French & Jamie Kenworthy
Un-Annotated version of this document available at KABATA's website:
http://knikarmbridge.com/TIFIA/2011/12-2011-KABATA-Model-PABs.pdf

Knik Arm Bridge and Toll Authority **Phase I**
Federalization of Sections 2-5, with TIFIA Optimization
Private Model - Availability Payment Structure - Rate at +0.50% above Market
Private Activity Bonds Only

ASSUMPTIONS

Derivation of DSRF Requirement	
Gov. Purpose	
10% of Par	-
Maximum Annual Debt Service	-
125% of Average Annual Debt Service	-
Minimum of 3 tests	-
PABs	
10% of Par	40,390,500
Maximum Annual Debt Service	61,738,657
125% of Average Annual Debt Service	42,381,352
Deposit	40,390,500
TIFIA Eligible Costs	
Project Costs	715,882,350
KABATA Debt Service Reserve Fund Deposit	40,390,500
KABATA Capitalized Interest Deposit	72,896,845
Bond Insurance	-
Cost of Issuance	6,808,575
Development Phase: Public Investment (1)	82,402,246
Underwriter's Discount	2,019,525
Upfront Payment	3,165,022
Total Elligible TIFIA Costs	923,565,063
Maximum Capacity Constraint	307,855,021
Actual TIFIA Loan Amount Used	307,855,021
2016 Initial Toll Rate	$5.00
2011 Initial Toll Rate (PV @ 2.50%)	$4.53
Annual Toll Rate Increase After 2016	2.500%
Costs of Issuance	
Bonds	1.500%
TIFIA	750,000
Underwriter's Discount	
Bonds	0.500%
Insurance (% of Total DS)	0.000%

(1) Includes $15 million commerce grant for Pt Mackenzie Rd upgrade
and $67.4 million KABATA development phase expenses

Phase I: Outstanding Debt and Equtiy ($000's)

Date	GP CIBs Debt	GP CABs Debt	Total GP Tax-Exempt Debt	PABs Debt	TIFIA Debt	Total Debt	Equity	Total Debt and Equity	Debt %	Equity%
12/1/16	-	-	-	403,905	318,511	722,416	120,258	842,674	85.729%	14.271%
12/1/17	-	-	-	403,905	331,390	735,295	126,535	861,830	85.318%	14.682%
12/1/18	-	-	-	403,905	344,790	748,695	127,794	876,489	85.420%	14.580%
12/1/19	-	-	-	403,905	358,730	762,635	127,592	890,228	85.667%	14.333%
12/1/20	-	-	-	403,905	365,916	769,821	133,480	903,301	85.223%	14.777%
12/1/21	-	-	-	403,905	365,816	769,721	139,820	909,541	84.627%	15.373%
12/1/22	-	-	-	403,905	365,716	769,621	146,500	916,121	84.009%	15.991%
12/1/23	-	-	-	403,905	365,616	769,521	153,884	923,406	83.335%	16.665%
12/1/24	-	-	-	403,445	365,516	768,961	161,705	930,666	82.625%	17.375%
12/1/25	-	-	-	401,110	365,416	766,526	170,084	936,610	81.840%	18.160%
12/1/26	-	-	-	397,115	365,316	762,431	178,987	941,418	80.987%	19.013%
12/1/27	-	-	-	390,925	365,216	756,141	188,540	944,681	80.042%	19.958%
12/1/28	-	-	-	382,625	365,116	747,741	198,483	946,224	79.024%	20.976%
12/1/29	-	-	-	370,835	365,016	735,851	209,203	945,054	77.863%	22.137%
12/1/30	-	-	-	356,610	364,916	721,526	220,611	942,137	76.584%	23.416%
12/1/31	-	-	-	339,060	364,816	703,876	233,059	936,935	75.125%	24.875%
12/1/32	-	-	-	319,020	364,716	683,736	246,419	930,155	73.508%	26.492%
12/1/33	-	-	-	295,330	364,616	659,946	233,653	893,599	73.853%	26.147%
12/1/34	-	-	-	295,330	364,516	659,846	226,964	886,810	74.407%	25.593%
12/1/35	-	-	-	284,265	364,416	648,681	207,626	856,307	75.753%	24.247%
12/1/36	-	-	-	284,265	364,316	648,581	184,978	833,560	77.809%	22.191%
12/1/37	-	-	-	284,265	364,216	648,481	190,634	839,115	77.282%	22.718%
12/1/38	-	-	-	251,625	364,116	615,741	196,477	812,219	75.810%	24.190%
12/1/39	-	-	-	214,925	364,016	578,941	202,636	781,577	74.073%	25.927%
12/1/40	-	-	-	174,300	363,916	538,216	208,689	746,905	72.059%	27.941%
12/1/41	-	-	-	127,735	363,816	491,551	215,005	706,557	69.570%	30.430%
12/1/42	-	-	-	76,295	363,716	440,011	221,560	661,571	66.510%	33.490%
12/1/43	-	-	-	19,485	363,616	383,101	220,126	603,227	63.509%	36.491%
12/1/44	-	-	-	-	288,901	288,901	226,626	515,527	56.040%	43.960%
12/1/45	-	-	-	-	221,434	221,434	233,529	454,963	48.671%	51.329%
12/1/46	-	-	-	-	149,735	149,735	241,571	391,306	38.265%	61.735%
12/1/47	-	-	-	-	76,264	76,264	250,646	326,910	23.329%	76.671%
12/1/48	-	-	-	-	-	-	178,785	178,785	-	100.000%
12/1/49	-	-	-	-	-	-	96,133	96,133	-	100.000%
12/1/50	-	-	-	-	-	-	0	0	-	100.000%

Knik Arm Bridge and Toll Authority **Phase I**
Federalization of Sections 2-5, with TIFIA Optimization
Private Model - Availability Payment Structure - Rate at +0.50% above Market
Private Activity Bonds Only

EBITDA

Date	Toll Revenue	Availability Payment	Interest Income Earnings	2.50% O&M	2.50% Tolling Operations	2.50% Renewal CapEx	Cash Available for Debt Service
Total	-	2,980,396,076	74,318,520	(119,247,079)	(191,932,714)	(109,321,804)	2,634,212,999
12/1/13	-	-	-	-	-	-	-
12/1/14	-	-	-	-	-	-	-
12/1/15	-	-	-	-	-	-	-
12/1/16	-	34,268,000	1,211,715	(1,861,725)	(1,704,000)	(867,505)	31,046,485
12/1/17	-	38,038,720	1,211,715	(2,165,827)	(1,905,000)	(868,374)	34,311,234
12/1/18	-	43,880,269	1,211,715	(2,020,124)	(2,091,000)	(876,619)	40,104,241
12/1/19	-	45,795,480	1,211,715	(2,145,107)	(2,263,000)	(878,383)	41,720,704
12/1/20	-	51,787,299	1,211,715	(2,107,097)	(2,412,000)	(879,333)	47,600,584
12/1/21	-	53,858,791	1,211,715	(2,397,298)	(2,553,000)	(1,186,478)	48,933,729
12/1/22	-	56,013,142	1,211,715	(2,273,668)	(2,699,000)	(1,187,486)	51,064,704
12/1/23	-	58,253,668	1,211,715	(2,565,983)	(2,853,000)	(2,404,138)	51,642,262
12/1/24	-	60,583,815	1,211,715	(2,412,134)	(3,014,000)	(2,404,364)	53,965,032
12/1/25	-	63,007,167	1,211,715	(2,707,185)	(3,209,000)	(2,405,465)	55,897,232
12/1/26	-	65,527,454	1,211,715	(2,559,033)	(3,411,000)	(2,398,129)	58,371,007
12/1/27	-	68,148,552	1,211,715	(2,771,252)	(3,623,000)	(2,399,297)	60,566,718
12/1/28	-	70,874,494	1,211,715	(2,714,878)	(3,844,000)	(1,177,536)	64,349,795
12/1/29	-	73,709,474	1,211,715	(3,145,128)	(4,077,000)	(1,178,775)	66,520,286
12/1/30	-	76,657,853	1,211,715	(2,779,103)	(4,300,000)	(1,180,051)	69,610,414
12/1/31	-	79,724,167	1,211,715	(3,119,068)	(4,521,000)	(1,914,812)	71,381,002
12/1/32	-	82,913,134	1,211,715	(3,055,620)	(4,752,000)	(1,916,166)	74,401,063
12/1/33	-	86,229,659	1,211,715	(3,539,869)	(4,995,000)	(1,917,560)	76,988,945
12/1/34	-	89,678,846	1,211,715	(3,241,707)	(5,248,000)	(2,005,203)	80,395,651
12/1/35	-	91,920,817	1,211,715	(3,393,322)	(5,547,000)	(3,750,337)	80,441,873
12/1/36	-	94,218,837	1,211,715	(3,439,126)	(5,810,000)	(4,823,693)	81,357,734
12/1/37	-	96,574,308	1,211,715	(3,984,154)	(6,086,000)	(4,825,262)	82,890,607
12/1/38	-	98,988,666	1,211,715	(3,648,569)	(6,375,000)	(4,826,879)	85,349,933
12/1/39	-	101,463,382	1,211,715	(3,951,142)	(6,675,000)	(4,742,338)	87,306,617
12/1/40	-	103,999,967	1,211,715	(3,734,881)	(6,991,165)	(3,000,399)	91,485,237
12/1/41	-	106,599,966	1,211,715	(4,484,201)	(7,322,305)	(2,172,044)	93,833,130
12/1/42	-	109,264,965	1,211,715	(4,106,497)	(7,669,130)	(2,283,067)	96,417,986
12/1/43	-	111,996,589	41,602,215	(4,447,045)	(8,032,383)	(2,284,941)	138,834,435
12/1/44	-	114,796,504	-	(4,356,582)	(8,412,841)	(2,286,872)	99,740,209
12/1/45	-	117,666,417	-	(4,889,477)	(8,811,320)	(2,288,860)	101,676,759
12/1/46	-	120,608,077	-	(4,621,899)	(9,228,673)	(6,464,809)	100,292,696
12/1/47	-	123,623,279	-	(5,005,188)	(9,665,794)	(8,843,749)	100,108,548
12/1/48	-	126,713,861	-	(4,903,372)	(10,123,619)	(8,845,922)	102,840,948
12/1/49	-	129,881,708	-	(5,680,450)	(10,603,130)	(8,848,159)	104,749,968
12/1/50	-	133,128,750	-	(5,019,368)	(11,105,353)	(8,988,800)	108,015,229
12/1/51							

These Availability Payments total $1.3 Billion through 2035

Note that Availability Payments are Balloon Payments, most successful P3's have Flat Availability Payments

Knik Arm Bridge and Toll Authority — In the "Real Cost" paper, this is reduced to 10% — **Phase I**
Federalization of Sections 2-5, with TIFIA Optimization
Private Model - Availability Payment Structure - Rate at +0.50% above Market
Private Activity Bonds Only

This is the Equity from the P3 Contractor

COVERAGE

Date	Cash Available for Debt Service	PABs Debt Service	Senior PABs Lien Coverage	TIFIA DS	Total Coverage	Total Coverage (inc. O&M)	Net Cashflow	PV of Net Cash Flow 12.0%
Total	2,634,212,999	(968,318,205)		(745,852,801)			920,041,992	79,495,439
12/1/13	-			-			-	-
12/1/14	-	-		-			-	-
12/1/15	-	-		-				-
12/1/16	31,046,485	(24,601,067)	1.26x	-	1.26x	1.26x	6,445,418	4,043,935
12/1/17	34,311,234	(25,723,722)	1.33x	-	1.33x	1.33x	8,587,512	4,795,222
12/1/18	40,104,241	(25,723,722)	1.56x	-	1.56x	1.56x	14,380,519	7,146,677
12/1/19	41,720,704	(25,723,722)	1.62x	-	1.62x	1.62x	15,996,983	7,075,481
12/1/20	47,600,584	(22,970,777)	2.07x	(14,747,642)	1.26x	1.26x	9,882,164	3,890,077
12/1/21	48,933,729	(24,031,152)	2.04x	(14,743,642)	1.26x	1.26x	10,158,935	3,559,120
12/1/22	51,064,704	(25,723,722)	1.99x	(14,739,642)	1.26x	1.26x	10,601,340	3,305,548
12/1/23	51,642,262	(26,183,722)	1.97x	(14,735,642)	1.26x	1.26x	10,722,899	2,975,659
12/1/24	53,965,032	(28,033,422)	1.93x	(14,731,642)	1.26x	1.26x	11,199,968	2,766,152
12/1/25	55,897,232	(29,562,195)	1.89x	(14,727,642)	1.26x	1.26x	11,607,395	2,551,422
12/1/26	58,371,007	(31,528,281)	1.85x	(14,723,642)	1.26x	1.26x	12,119,084	2,370,858
12/1/27	60,566,718	(33,276,785)	1.82x	(14,719,642)	1.26x	1.26x	12,570,291	2,188,615
12/1/28	64,349,795	(36,273,765)	1.77x	(14,715,642)	1.26x	1.26x	13,360,388	2,070,291
12/1/29	66,520,286	(37,996,649)	1.75x	(14,711,642)	1.26x	1.26x	13,811,995	1,904,833
12/1/30	69,610,414	(40,452,502)	1.72x	(14,707,642)	1.26x	1.26x	14,450,270	1,773,637
12/1/31	71,381,002	(41,857,912)	1.71x	(14,703,642)	1.26x	1.26x	14,819,449	1,618,860
12/1/32	74,401,063	(44,255,412)	1.68x	(14,699,642)	1.26x	1.26x	15,446,009	1,501,695
12/1/33	76,988,945	(19,070,573)	4.04x	(14,695,642)	2.28x	2.28x	43,222,730	3,739,950
12/1/34	80,395,651	(30,135,573)	2.67x	(14,691,642)	1.79x	1.79x	35,568,436	2,739,092
12/1/35	80,441,873	(18,363,519)	4.38x	(14,687,642)	2.43x	2.43x	47,390,712	3,248,055
12/1/36	81,357,734	(18,363,519)	4.43x	(14,683,642)	2.46x	2.46x	48,310,572	2,946,868
12/1/37	82,890,607	(51,003,519)	1.63x	(14,679,642)	1.26x	1.26x	17,207,446	934,164
12/1/38	85,349,933	(52,954,975)	1.61x	(14,675,642)	1.26x	1.26x	17,719,316	856,134
12/1/39	87,306,617	(54,509,155)	1.60x	(14,671,642)	1.26x	1.26x	18,125,820	779,437
12/1/40	91,485,237	(57,824,780)	1.58x	(14,667,642)	1.26x	1.26x	18,992,815	726,877
12/1/41	93,833,130	(59,691,681)	1.57x	(14,663,642)	1.26x	1.26x	19,477,807	663,437
12/1/42	96,417,986	(61,738,657)	1.56x	(14,659,642)	1.26x	1.26x	20,019,686	606,884
12/1/43	138,834,435	(20,743,731)	6.69x	(89,271,071)	1.26x	1.26x	28,819,633	777,544
12/1/44	99,740,209	-		(79,033,446)	1.26x	1.26x	20,706,763	497,207
12/1/45	101,676,759	-		(80,567,955)	1.26x	1.26x	21,108,804	451,104
12/1/46	100,292,696	-		(79,471,234)	1.26x	1.26x	20,821,463	396,016
12/1/47	100,108,548	-		(79,325,322)	1.26x	1.26x	20,783,226	351,805
12/1/48	102,840,948	-		-			102,840,948	1,549,329
12/1/49	104,749,968	-		-			104,749,968	1,404,494
12/1/50	108,015,229	-		-			108,015,229	1,288,959

P3 Contractor receives net cashflow

This $45,410,432 being taken out by the P3 Contractor BEFORE payment of Federal TIFIA loans is not allowed by present TIFIA guidelines KABATA claims that they are "grandfathered"

Knik Arm Bridge and Toll Authority **Phase I**
Federalization of Sections 2-5, with TIFIA Optimization
Private Model - Availability Payment Structure - Rate at +0.50% above Market
Private Activity Bonds Only

ANNUAL DEBT SERVICE

Date	GP Tax-Exempt CIB Annual DS	GP Tax-Exempt CAB Annual DS	GP Capi Interest Draws	Total GP Tax-Exempt Annual DS	PABS Tax-Exempt CIB Annual DS	Capi Interest Draws	Prepaid Interest Draws	PABs Annual DS	TIFIA Annual DS	Net Annual DS
Total	-	-	-	-	1,051,057,538	(77,171,165)	(5,568,168)	968,318,205	745,852,801	1,714,171,007
12/1/13	-	-	-	-	25,723,722	(25,723,722)	-	-	-	-
12/1/14	-	-	-	-	25,723,722	(25,723,722)	-	-	-	-
12/1/15	-	-	-	-	25,723,722	(25,723,722)	-	-	-	-
12/1/16	-	-	-	-	25,723,722	-	(1,122,655)	24,601,067	-	24,601,067
12/1/17	-	-	-	-	25,723,722	-	-	25,723,722	-	25,723,722
12/1/18	-	-	-	-	25,723,722	-	-	25,723,722	-	25,723,722
12/1/19	-	-	-	-	25,723,722	-	-	25,723,722	-	25,723,722
12/1/20	-	-	-	-	25,723,722	-	(2,752,944)	22,970,777	14,747,642	37,718,420
12/1/21	-	-	-	-	25,723,722	-	(1,692,569)	24,031,152	14,743,642	38,774,795
12/1/22	-	-	-	-	25,723,722	-	-	25,723,722	14,739,642	40,463,364
12/1/23	-	-	-	-	26,183,722	-	-	26,183,722	14,735,642	40,919,364
12/1/24	-	-	-	-	28,033,422	-	-	28,033,422	14,731,642	42,765,064
12/1/25	-	-	-	-	29,562,195	-	-	29,562,195	14,727,642	44,289,837
12/1/26	-	-	-	-	31,528,281	-	-	31,528,281	14,723,642	46,251,923
12/1/27	-	-	-	-	33,276,785	-	-	33,276,785	14,719,642	47,996,427
12/1/28	-	-	-	-	36,273,765	-	-	36,273,765	14,715,642	50,989,407
12/1/29	-	-	-	-	37,996,649	-	-	37,996,649	14,711,642	52,708,291
12/1/30	-	-	-	-	40,452,502	-	-	40,452,502	14,707,642	55,160,144
12/1/31	-	-	-	-	41,857,912	-	-	41,857,912	14,703,642	56,561,554
12/1/32	-	-	-	-	44,255,412	-	-	44,255,412	14,699,642	58,955,054
12/1/33	-	-	-	-	19,070,573	-	-	19,070,573	14,695,642	33,766,215
12/1/34	-	-	-	-	30,135,573	-	-	30,135,573	14,691,642	44,827,215
12/1/35	-	-	-	-	18,363,519	-	-	18,363,519	14,687,642	33,051,161
12/1/36	-	-	-	-	18,363,519	-	-	18,363,519	14,683,642	33,047,161
12/1/37	-	-	-	-	51,003,519	-	-	51,003,519	14,679,642	65,683,161
12/1/38	-	-	-	-	52,954,975	-	-	52,954,975	14,675,642	67,630,617
12/1/39	-	-	-	-	54,509,155	-	-	54,509,155	14,671,642	69,180,797
12/1/40	-	-	-	-	57,824,780	-	-	57,824,780	14,667,642	72,492,422
12/1/41	-	-	-	-	59,691,681	-	-	59,691,681	14,663,642	74,355,323
12/1/42	-	-	-	-	61,738,657	-	-	61,738,657	14,659,642	76,398,299
12/1/43	-	-	-	-	20,743,731	-	-	20,743,731	89,271,071	110,014,802
12/1/44	-	-	-	-	-	-	-	-	79,033,446	79,033,446
12/1/45	-	-	-	-	-	-	-	-	80,567,955	80,567,955
12/1/46	-	-	-	-	-	-	-	-	79,471,234	79,471,234
12/1/47	-	-	-	-	-	-	-	-	79,325,322	79,325,322
12/1/48	-	-	-	-	-	-	-	-	-	-
12/1/49	-	-	-	-	-	-	-	-	-	-
12/1/50	-	-	-	-	-	-	-	-	-	-
12/1/51	-	-	-	-	-	-	-	-	-	-
12/1/52	-	-	-	-	-	-	-	-	-	-
12/1/53	-	-	-	-	-	-	-	-	-	-
12/1/54	-	-	-	-	-	-	-	-	-	-
12/1/55	-	-	-	-	-	-	-	-	-	-
12/1/56	-	-	-	-	-	-	-	-	-	-
12/1/57	-	-	-	-	-	-	-	-	-	-
12/1/58	-	-	-	-	-	-	-	-	-	-
12/1/59	-	-	-	-	-	-	-	-	-	-
12/1/60	-	-	-	-	-	-	-	-	-	-
12/1/61	-	-	-	-	-	-	-	-	-	-

Knik Arm Bridge and Toll Authority **Phase I**
Federalization of Sections 2-5, with TIFIA Optimization
Private Model - Availability Payment Structure - Rate at +0.50% above Market
Private Activity Bonds Only

AVAILABILITY PAYMENT SURPLUS (SHORTFALL)

Date	Toll Revenue		Availability Payment	GP Total Annual DS	KABATA Administrative Costs	Net State Surplus (Shortfall)	PV @ 5.000%	Cumulative Deficit/Return
Total	4,525,935,828		(2,980,396,076)	-	(170,661,726)	1,374,878,025	269,685,989	
12/1/13	-		-					-
12/1/14	-		-					-
12/1/15	-		-					-
12/1/16	16,024,000	1.53	(34,268,000)	-	(2,945,406)	(21,189,406)	(17,391,132)	(21,189,406)
12/1/17	24,543,000	1.30	(38,038,720)	-	(3,028,146)	(16,523,866)	(12,908,417)	(37,713,272)
12/1/18	32,007,000	1.20	(43,880,269)	-	(3,113,227)	(14,986,495)	(11,143,297)	(52,699,767)
12/1/19	38,457,000	1.13	(45,795,480)	-	(3,200,716)	(10,539,195)	(7,458,875)	(63,238,963)
12/1/20	43,317,000	1.09	(51,787,299)	-	(3,290,682)	(11,760,981)	(7,922,490)	(74,999,944)
12/1/21	47,428,000	1.09	(53,858,791)	-	(3,383,196)	(9,813,987)	(6,292,394)	(84,813,930)
12/1/22	51,689,000	1.09	(56,013,142)	-	(3,478,330)	(7,802,473)	(4,761,622)	(92,616,403)
12/1/23	56,124,000	1.08	(58,253,668)	-	(3,576,159)	(5,705,827)	(3,314,314)	(98,322,231)
12/1/24	60,778,000	1.11	(60,583,815)	-	(3,676,761)	(3,482,575)	(1,925,430)	(101,804,806)
12/1/25	67,251,000	1.09	(63,007,167)	-	(3,780,212)	463,620	243,973	(101,341,186)
12/1/26	73,911,000	1.09	(65,527,454)	-	(3,886,597)	4,496,949	2,252,422	(96,844,236)
12/1/27	80,839,000	1.09	(68,148,552)	-	(3,995,997)	8,694,451	4,145,016	(88,149,785)
12/1/28	88,028,000	1.09	(70,874,494)	-	(4,108,499)	13,045,007	5,919,440	(75,104,779)
12/1/29	95,572,000	1.07	(73,709,474)	-	(4,224,192)	17,638,334	7,618,091	(57,466,445)
12/1/30	102,218,000	1.06	(76,657,853)	-	(4,343,167)	21,216,980	8,722,167	(36,249,465)
12/1/31	108,408,000	1.06	(79,724,167)	-	(4,465,517)	24,218,316	9,476,262	(12,031,149)
12/1/32	114,789,000	1.06	(82,913,134)	-	(4,591,339)	27,284,527	10,161,594	15,253,379
12/1/33	121,486,000	1.06	(86,229,659)	-	(4,720,732)	30,535,609	10,824,410	45,788,988
12/1/34	128,385,000	1.07	(89,678,846)	-	(4,853,798)	33,852,356	11,421,912	79,641,344
12/1/35	137,619,000	1.05	(91,920,817)	-	(4,990,642)	40,707,541	13,073,054	120,348,885
12/1/36	144,232,000	1.05	(94,218,837)	-	(5,131,373)	44,881,790	13,719,069	165,230,675
12/1/37	151,137,000	1.05	(96,574,308)	-	(5,276,100)	49,286,592	14,339,550	214,517,267
12/1/38	158,254,000	1.05	(98,988,666)	-	(5,424,939)	53,840,395	14,909,643	268,357,662
12/1/39	165,550,000	1.05	(101,463,382)	-	(5,578,007)	58,508,610	15,421,657	326,866,272
12/1/40	173,260,474	1.05	(103,999,967)	-	(5,735,426)	63,525,082	15,937,081	390,391,354
12/1/41	181,330,104	1.05	(106,599,966)	-	(5,878,811)	68,851,326	16,440,996	459,242,680
12/1/42	189,775,620	1.05	(109,264,965)	-	(6,025,781)	74,484,873	16,929,189	533,727,553
12/1/43	198,614,533	1.05	(111,996,589)	-	(6,176,426)	80,441,518	17,402,058	614,169,071
12/1/44	207,865,171	1.05	(114,796,504)	-	(6,330,837)	86,737,831	17,859,988	700,906,902
12/1/45	217,546,714	1.05	(117,666,417)	-	(6,489,108)	93,391,190	18,303,359	794,298,092
12/1/46	227,679,237	1.05	(120,608,077)	-	(6,651,335)	100,419,824	18,732,538	894,717,917
12/1/47	238,283,748	1.05	(123,623,279)	-	(6,817,619)	107,842,851	19,147,884	1,002,560,767
12/1/48	249,382,237	1.05	(126,713,861)	-	(6,988,059)	115,680,317	19,549,748	1,118,241,084
12/1/49	260,997,717	1.05	(129,881,708)	-	(7,162,761)	123,953,249	19,938,472	1,242,194,333
12/1/50	273,154,272	1.05	(133,128,750)	-	(7,341,830)	132,683,692	20,314,390	1,374,878,025
12/1/51								

2024 is the first year that KABATA estimates higher revenues than payments

Phase 2 with 4 lanes to open in 2030

KABATA is showing positive cash flow only after 2031

Traffic & Toll Forecasts by Wilbur Smith Associates stops at 2039. Note revenue rates apparently use a factor of 1.04657 from the previous year

Calculated Yearly increase in Revenue.

KABATA is counting on revenues from more than 18,000 AADT starting in 2022, but doesn't show any cost to expand from 2 lanes to 4 lanes until 2030

Knik Arm Bridge and Toll Authority **Phase I**
Federalization of Sections 2-5, with TIFIA Optimization
Private Model - Availability Payment Structure - Rate at +0.50% above Market
Private Activity Bonds Only

This is the $150 Million "Reserve Fund" that would be created by SB60 and HB158

STATE RESERVE FUND

Date	Beginning Balance	Excess Revenues	Interest @ 3.000%	State Replenish (1)	Draws on Reserve (2)	General Surplus Withdrawals (3)	Phase II Surplus Withdrawals	Ending Balance
Total		1,476,682,831	157,819,069	-	(101,804,806)	(1,532,697,095)	-	
12/1/13	150,000,000	-	4,500,000		-	-		154,500,000
12/1/14	154,500,000	-	4,635,000	-	-	-		159,135,000
12/1/15	159,135,000	-	4,774,050	-	-	-		163,909,050
12/1/16	163,909,050	-	4,917,272	-	(21,189,406)	-		147,636,915
12/1/17	147,636,915	-	4,429,107	-	(16,523,866)	-		135,542,157
12/1/18	135,542,157	-	4,066,265	-	(14,986,495)	-		124,621,926
12/1/19	124,621,926	-	3,738,658	-	(10,539,195)	-		117,821,389
12/1/20	117,821,389	-	3,534,642	-	(11,760,981)	-		109,595,050
12/1/21	109,595,050	-	3,287,851	-	(9,813,987)	-		103,068,914
12/1/22	103,068,914	-	3,092,067	-	(7,802,473)	-		98,358,509
12/1/23	98,358,509	-	2,950,755	-	(5,705,827)	-		95,603,437
12/1/24	95,603,437	-	2,868,103	-	(3,482,575)	-		94,988,965
12/1/25	94,988,965	463,620	2,849,669	-	-	-		98,302,254
12/1/26	98,302,254	4,496,949	2,949,068	-	-	-		105,748,271
12/1/27	105,748,271	8,694,451	3,172,448	-	-	-		117,615,170
12/1/28	117,615,170	13,045,007	3,528,455	-	-	-		134,188,631
12/1/29	134,188,631	17,638,334	4,025,659	-	-	(5,852,624)		150,000,000
12/1/30	150,000,000	21,216,980	4,500,000	-	-	(25,716,980)	-	150,000,000
12/1/31	150,000,000	24,218,316	4,500,000	-	-	(28,718,316)		150,000,000
12/1/32	150,000,000	27,284,527	4,500,000	-	-	(31,784,527)		150,000,000
12/1/33	150,000,000	30,535,609	4,500,000	-	-	(35,035,609)		150,000,000
12/1/34	150,000,000	33,852,356	4,500,000	-	-	(38,352,356)		150,000,000
12/1/35	150,000,000	40,707,541	4,500,000	-	-	(45,207,541)		150,000,000
12/1/36	150,000,000	44,881,790	4,500,000	-	-	(49,381,790)		150,000,000
12/1/37	150,000,000	49,286,592	4,500,000	-	-	(53,786,592)		150,000,000
12/1/38	150,000,000	53,840,395	4,500,000	-	-	(58,340,395)		150,000,000
12/1/39	150,000,000	58,508,610	4,500,000	-	-	(63,008,610)		150,000,000
12/1/40	150,000,000	63,525,082	4,500,000	-	-	(68,025,082)		150,000,000
12/1/41	150,000,000	68,851,326	4,500,000	-	-	(73,351,326)		150,000,000
12/1/42	150,000,000	74,484,873	4,500,000	-	-	(78,984,873)		150,000,000
12/1/43	150,000,000	80,441,518	4,500,000	-	-	(84,941,518)		150,000,000
12/1/44	150,000,000	86,737,831	4,500,000	-	-	(91,237,831)		150,000,000
12/1/45	150,000,000	93,391,190	4,500,000	-	-	(97,891,190)		150,000,000
12/1/46	150,000,000	100,419,824	4,500,000	-	-	(104,919,824)		150,000,000
12/1/47	150,000,000	107,842,851	4,500,000	-	-	(112,342,851)		150,000,000
12/1/48	150,000,000	115,680,317	4,500,000	-	-	(120,180,317)		150,000,000
12/1/49	150,000,000	123,953,249	4,500,000	-	-	(128,453,249)		150,000,000
12/1/50	150,000,000	132,683,692	4,500,000	-	-	(137,183,692)		150,000,000
12/1/51								

(1) If ending balance falls below $50 million, the State will replenish the account back to $50 million.
(2) In the event of a negative Draws on Reserve balance, the reserve fund will be tapped to make up this shortfall.
(3) If ending balance exceeds $150 million plus state replenishment, if any, the balance over such amount is available for release.

This "guarantee" that the State will replenish the account also appears on Page24.2 of this Pro-Forma, and on Page 7 and page 27.2 of KABATA's October 2011 TIGER Grant application, and on page 7 of KABATA's March 2011 TIFIA application

Remaining pages of this document are not printed, but are available for view at
http://knikarmbridge.com/TIFIA/2011/12-2011-KABATA-Model-PABs.pdf

18) Have you ever heard or read anything about a proposed bridge between Anchorage and the Mat-Su Borough called the Knik Arm Bridge?

Yes	84%
(skip to Q.21) No	16%
(skip to Q.21) Unsure	--

19) Based on what you know about the Knik Arm Bridge, would you say now is a good time to build a Knik Arm Bridge, should we wait until later, or should it never be built?

58% say that "Now" is not the right time to build the Knik Arm Bridge

Now is a good time	37%
(skip to Q.21) Wait until later	32%
(skip to Q.21) Never be built	26%
(skip to Q.21) Unsure	5%

20) Would you still feel that way even if the cost to the state could be over $150 million dollars?

KABATA's Dec 2011 "Pro-Forma" financial plan states the following on Page 8 about the $150 M "Reserve Fund" that would be created by HB159 and SB79. "1) If ending balance falls below $50 million, the State will replenish the account back to $50 million."

Yes	88%
No	8%
Unsure	4%

21) Overall, as far as the Pebble Mine project is concerned, do you believe it should continue through Alaska's environmental impact and permitting process to see if it can be developed safely, or should it be stopped before the permitting process is complete?

Current costs of the Knik Arm Bridge include $1.389 Million for FY 2012 in the Operating Budget. KABATA has spent about $55 Million out of the $114 Million of State and Federal funds that were set aside for KABATA's use in 2006 after the Federal Earmark was removed, which allows the remaining approximately $58 Million to be "re-purposed" to other transportation projects that are eligible for Federal Funding.

tinue process	49%
Stopped	43%
Unsure	8%

Split sample; 50% asked Set A, remaining 50% asked Set B

Set A

22a) On another topic, in 2008 the Legislature approved the Film Tax Credit Program to incentivize movie production in Alaska. 100 million dollars in state funds were approved for the program which pays up to 44% of the production costs of movies filmed in Alaska. The program is set to expire in 2013 and its renewal is currently being debated by the Legislature. Legislation has been introduced that would extend the program for ten more years, and also add 200 million dollars more in additional state funding.

What is your opinion, should the Film Tax Credit be renewed and expanded this year, or not?

Renew	49%
Should not renew	41%
(skip to Q.25) Unsure	10%

23a) ...and do you feel very, somewhat, or not very strongly about that?

Very strongly	44%
Somewhat strongly	44%
Not very strongly	12%
Unsure	--

24a) Why do you feel that way?

Verbatim Comments provided in Final Report

This is page 5 from the poll by Dittman Research entitled "Topline Results: Alaska Public Opinions & Perceptions, 2012 Legislative Session, and released in March 2012.

The Real Finances of the Knik Arm Bridge

Summary

In contrast to KABATA's predictions of surpluses, this analysis projects a *minimum* $2.5 Billion shortfall for the state in covering the cost of the proposed Bridge before the final contractor payment in 2050. The shortfall between when the Bridge would open in 2016 and 2035 is $1.1 Billion, or an average of $55 million a year. That is about what Anchorage and Mat Su have both received on average over the last ten years in federal and state dollars for all road and pedestrian projects.

KABATA goes out to 2075 to project a huge surplus. In reality, the project is so far "Under Water" in the early years it can never pay for the $672 million Phase 2 costs, so the Bridge will never pay off

Last month an independent study was released that documents that Wilbur Smith Associates, the traffic and toll consultant the Knik Arm Bridge and Toll Authority (KABATA) relies on for its financial plan, has a national track record of *overestimating* toll revenue by 2.27 times the actual revenue received in the first five years a facility is open. This finding is consistent with Wilbur Smith Associates (WSA) projecting *more than twice* the Bridge traffic by 2035 compared to the traffic counts modeled by Ch2MHill based on population estimates by Scott Goldsmith of UAA's ISER.

The huge expected toll shortfall projected in this realistic estimate makes any state guarantee on a Bridge contract or any commitment to *continually* replenish the $150 Million line of credit that KABATA is seeking from the legislature, to be a serious financial commitment of at least $2.5 Billion in State funds.

ANALYSIS

Common Assumptions between the KABATA estimate[1] and this *Realistic* estimate:

- Phase 1 Bridge cost of $713 M and same amount Bridge costs including O&M, tolling operations, capital expenditures, and administrative costs. With having to capitalize interest to pay for the toll shortfall and other bond issuance costs the total cost is $1,086,152,719 plus a cumulative $170 million in cumulative KABATA administrative costs until Phase 1 is paid off in 2050.
- Passage of HB 158-9 or SB 79-80 that provides an additional $150 million "Reserve Fund" to the project and a state guarantee on a KABATA estimated 36 years of availability payments of a cumulative $2.98 Billion for Phase 1 since KABATA obligations would become "obligations of the state."
- Same deal structure, that is a private partner putting in $79 million equity and receiving net cash flow for 36 years estimated to be $920 million in KABATA estimate or $767 million in this realistic estimate
- Same amount of senior debt and capital accretion bonds and same debt schedule to pay off those bonds and same 6.426% in total true interest cost
- One way car toll of $5 and $18 commercial vehicle in Year 1 with tolls rising 2.5% per year to a one way car toll of $12.16 and a $43.79 commercial toll in Year 36. So a commuter driving a car 200 days a year between Anchorage and Mat Su would pay $2000 in Year 1 and $4832 in Year 36.

Three Differing Assumptions between the KABATA estimate and this *Realistic* estimate

The three following changes drive a $2.5 Billion increase in the cost to the state of the guarantee to backstop the toll shortfall and meet the cumulative availability payments to the contractor that KABATA estimates at $2.98 Billion for Phase 1.

1. Loss of Federal Loans and Grants, Add $340 Million to State Cost

KABATA has been turned down for an over $300 Million federal TIFIA loan in 2007, 2010, and 2011 and at least two different TIGER grants for over $40 Million. Both programs are highly competitive with 10-20 times more money applied for than available. KABATA on 12/30/11 again sent in a preliminary application for a $308 million TIFIA loan. *KABATA's financial plan includes receipt of these funds.*

The $308 million TIFIA loan is particularly valuable to making the financial plan work since TIFIA loans bear a low interest rate and do not require repayment to start until five years after the Bridge opens.

Projects that win federal loans and grants usually show: private sector *risk taking*, flat as opposed to *ballooning annual payments* to the concessionaire, and a project which *solves* significant existing *congestion problems*. KABATA's application *fails* each of these key attributes and in addition shows the contractor taking out equity before the federal loan payments start which appears to contradict federal program guidelines.

Politically, the Knik Arm Bridge is *even more challenged.* In his 2011 infrastructure program speech to Congress, the President pledged "no more "Bridges to Nowhere." Last month Senator Coburn (R-OK) highlighted the recent release by the Federal Highway Administration (FHWA) of $15 Million in right of way money to KABATA, and the Senator rated the project # 6 in his list of Top 100 in his "Wastebook" of federal spending.

> Do you believe that <u>any</u> Federal Administration will provide over $353 Million in Federal Loans or Grants to the "Bridge to Nowhere"?

2. *Realistic* Toll Forecast, Add $2.3 Billion to State Cost

Revenue forecasts are based on population and employment projections, which in turn, drive trip and toll projections.

KABATA uses a Mat Su population or household forecast for 2030 that is 30% higher than the state demographer's December 2010 forecast or Scott Goldsmith's Institute of Social and Economic Research's (ISER's) 2009 forecast used for the Highway to Highway project[2]. Also, Wilbur Smith Associates, KABATA's traffic consultant, changed its traffic model between 2007 and 2011 so the same population number now generates 9% more trips and lowered the number of people per household from 2.7 from the 2010 Census to 2.5 in 2035 to appear to be consistent with ISER numbers. The result is higher toll revenue projections than realistic.

In doing the Highway to Highway traffic forecast, CH2M HILL, using Scott Goldsmith's population and employment data, projected 17,700 trips a day on the Bridge in 2035. KABATA's financial plan is based on a traffic forecast of 36,000 trips in 2035, <u>*more than double*</u>. Another forecast where the state Department of Transportation modeled ISER data (falsely labeled AMATS/ISER in the Anchorage Metropolitan Transportation Plan) said there would be 36,600 trips a day in 2035 but that forecast assumed no toll thereby inflating trip numbers.

Since KABATA's population forecast is an outlier and tolls reduce demand, a projected 18,000 daily trips in 2035 paying the higher $8.19 one way auto toll used in KABATA's pro forma seems the best, conservative, *realistic* estimate of toll revenue. It also makes sense to use the 18,000 figure for 2035 since that is about the maximum traffic that a restricted 2 lane highway can serve and KABATA's financial plan included only the cost of a 2 lane Bridge.

A *realistic* toll estimate reduces cumulative toll revenue 2016-2050 by half from $4.525 Billion to $2.263 Billion.

3. Lower Profit to Private Partner, Subtract $153 Million from State Cost

KABATA's financial plan projects that they will pay out a total of $920 Million (labeled as net cash flow) to the winning bidder for their $79 M equity in the project.

This 12% cumulative rate of return is excessive given that the state guarantee (subject to annual legislative appropriation) largely removes the financing risk to the project and leaves the concessionaire with only the customary construction cost risk. The state has traditionally paid no more than 10% when it asks the contractor to front project costs and competition among the three bidding teams and is likely to reduce this return on equity to 10%.

With typical Savings accounts paying less than 1% interest rates, does it make sense to give the P3 contractor 12%? Not if their annual payments are guaranteed by the State of Alaska.

CONCLUSIONS

Totaling the above three items adds an additional $2.5 billion to be paid out by the state over 36 years for Phase 1, which breaks down to be *$1.1 Billion* or an average of $55 million/year between 2016-2035 and $1.4 Billion in the years between 2036-2051. (3) *None of this additional amount would be covered by toll revenue.*

It is unclear how much of that $2.5 Billion would come out of state transportation funds for Anchorage which historically has received 28% of federal and state transportation funds or the Mat-Su which in recent years has received about the same amount of state and federal transportation dollars.

The Anchorage Metropolitan Transportation Plan (MTP) *assumes* KABATA's estimates of toll revenue and Bridge costs are accurate and *further assumes* that KABATA will receive over $300 Million in federal loans it has been turned down on to date. Most importantly, the MTP stated assumption is that *if* there is a toll shortfall that doesn't meet contracted availability payments, and the state must make good on its guarantee, that those funds will not decrease the amount going to Anchorage or Mat-Su or affect the overall state transportation budget.

So, to summarize this paper to *one critical question*: If as here estimated, the state must make up $1.1 Billion in toll shortfall revenues between 2016 to 2035 to meet contractor payments, *how much of that amount will come from Anchorage's or Mat-Su's federal and state transportation funding*?
Even though there are predicted cutbacks in federal funding, including earmarks, the Anchorage 2035 MTP Update counts on the ratio of state funding to federal funding *actually increasing* from 18% state money historically to 56%.state money in the 2035 MTP Update.

RECENT DEVELOPMENTS ADD TO BRIDGE RISKS & COSTS

Three recent developments will likely add to the cost of the project.

1. Bridge Span has increased from 8,200' to 9,200'

In response to U.S. Army Corps of Engineering concerns about the effect of the Bridge on additional siltation challenges in Cook Inlet, in November KABATA signed an agreement with the Corps to increase the Bridge span to 9,200'. While this will reduce a rock-constructed causeway by 1000', it also will require 4 more expensive additional Bridge pilings and spans. Using a rough estimate of the 35% design costs from the TIFIA application, an additional $15 million will be required which is not included in the $713 million Bridge cost which is an unchanged number from the earlier KABATA financial plan showing a 8,200' bridge.

2. KABATA's Financial Plan still assumes 2 lanes of cost, 4 lanes of revenue

Phase 2 had been defined as the expansion of the Bridge and approaches from 2 lanes to 4 lanes and adding the Anchorage connection to the Ingra-Gambell couplet. KABATA estimates the cost of Phase 2 at $673 Million.

Generally, a restricted access highway at around 18,000 trips a day needs to move to 4 lanes to accommodate any increase in traffic; for example, the Glenn Hwy traffic at Eklutna flats, the dividing line between Mat Su and Anchorage, is now about 28,000 trips a day.

The AMATS Technical Advisory Committee in August, 2011 heard my presentation that the KABATA Pro Forma Financial Plan submitted in February, 2011 to the federal government for a TIFIA loan had assumed 4-6 lanes of toll revenue in its toll projection to 2051 but its financial plan included only the cost of a 2 lane Bridge and northern approach roads.

The December, 2011 TIFIA preliminary grant application also includes the revenue from 18,700 trips a day in 2022 rising to 30,300 trips a day in 2030 when they estimate Phase 2 will be implemented at a cost of $672 million that is not included in this realistic or KABATA estimate. For those eight years between 2022-2030, how is it possible to include the revenue from 4 lanes while including only the cost of 2 lanes on the Bridge and the northern approach roads to connect with Knik Goose Bay Road?

In order to count the revenue from over 18,000 trips a day, the financial plan has to include the cost of 4 lanes from downtown Anchorage to Knik Goose Bay Road.

3. National Track Record of KABATA's consultant Wilbur Smith Associates: Revenue projections 127% greater than actual Toll Revenues

Drawing on a 2006 study of the National Transportation Research Board (a division of the National Academy of Sciences) and adding updated information from recent toll facilities, an independent economist last month documented that the track record of Wilbur Smith Associates (WSA) on US projects is to *overestimate revenue* by 2.27 times in the first five years a toll facility is open to project. That is, WSA projected 127% more revenue than actual performance.[3]

The 2012 study "*Wilbur Smith Associates' Traffic and Revenue Forecast: Plenty of Room for Error*" was developed by Terry Maynard, a retired federal economist. The WSA track record is slightly better

than the industry in projecting the first year revenue of projects and worse than industry averages after five years and later.

Maynard made the WSA's work on the Knik Arm Bridge one of his two "case studies" of questionable forecasting methodology and of the use of overly optimistic population data.

Two toll road projects that WSA provided the toll projections for have now gone bankrupt (the Greenville, SC Southern Connector and the San Diego Freeway) and two more have had changes in ownership and/or debt restructuring when insufficient toll revenues took revenue below required minimum bond cover ratios (the San Joaquin Hills Toll Road, CA and the Pocahontas Parkway, VA).

Jamie Kenworthy
February 15, 2012
jamiek@alaska.com

Note: Revisions from earlier posts of this paper reflect slight number changes between the Citigroup 10/17/2011 financial plan for KABATA's TIGER loan application and the 12/16/2011 Citigroup financial plan for KABATA's TIFIA loan application. Also included in this revision is discussion of the January 29, 2012 Maynard paper on the Wilbur Smith Associates' national track record.

Endnotes:

[1]KABATA cost estimate numbers are from the Citigroup financial plan done 12/16/11 for KABATA's TIFIA preliminary federal loan application, see http://knikarmbridge.com/TIFIA/2011/12-2011-KABATA-Model-PABs.pdf

[2] The history of this project's use of population estimates does not inspire confidence in KABATA's revenue forecasts which are based on their consultant trip and toll forecasts.
In 2007, Scott Goldsmith of ISER estimated that 204,400 people would live in the Mat Su in 2030. KABATA then hired the Insight Research Corporation of Dallas, Texas to come up with the number of 250,700 for the Mat Su in 2030, see p. 26 of http://www.knikarmbridge.com/documents/IndependentEconomicOverviewandDevelopmentForecast07022007.pdf.

[3] The full study is available at http://www.scribd.com/doc/79582705/RCA-Study-Wilbur-Smith-Traffic-amp-Revenue-Forecasts-012712. The 2006 NTRB of the National Academes of Science toll study is at http://onlinepubs.trb.org/onlinepubs/nchrp/nchrp_syn_364.pdf.

Two media stories summarize the poor track record of the traffic and toll projection industry; see http://www.tollroadsnews.com/node/5726 and http://www.denverpost.com/tollroads/ci_3876477

TOLLROADSnews
on toll roads, turnpikes, toll bridges, toll tunnels & road pricing

Wilbur Smith Assoc forecasting record slammed in report for Reston VA group (ENLARGED REPORT)

Posted on Fri, 2012-01-27 16:30 http://www.tollroadsnews.com/node/5726

cdmsmith
dulles toll road
maynard
rail
reston
traffic and revenue forecasts
wilbur smith associates

Wilbur Smith Associates (WSA) record of traffic and revenue forecasting is blasted in a study done by a retired federal government economist Terry Maynard for the Reston Citizens Association (CRA) in northern Virginia. The report supports a call for an independent review of the WSA/CDMSmith traffic and revenue forecast of the Dulles Toll Road.

The analysis titled Traffic and Revenue Forecasts: Plenty of Room for Error by Terry Maynard finds that forecasts of revenue by WSA as it then was (just recently merged to form CDMSmith) are on average 2.27 times - or 127% too high - as compared with subsequently realized toll revenues.

This is based on the first five years of 12 toll projects forecast.



The Full, 105 page report, available at
http://www.scribd.com/doc/79582705/RCA-Study-Wilbur-Smith-Traffic-amp-Revenue-Forecasts-012712
outlines how 2 toll roads that relied on WSA's traffic & revenue forecasts went Bankrupt, and another 2 toll roads needed complete re-financing.

Wilbur Smith Associates'
Traffic and Revenue Forecasts:
Plenty of Room for Error



In addition Maynard finds that WSA had a pattern of understating the sensitive profit maximizing toll initially, then subsequently raising those estimates.

Maynard says that WSA routinely uses the highest population and employment forecasts for forecasting traffic.

Despite poor forecasts tollroads stuck with WSA.

WSA estimates for Dulles Toll Road revenues are suspect, Maynard writes, because they are already using numbers overstating Fairfax County employment by 25%.

What it calls the "pattern of overestimates" in WSA forecasting suggests a "substantial risk" in proceeding with the MWAA financial plan, Maynard writes.

Risks are:

- lenders won't fund the project without state guarantees or at investment grade rates

- tolls much higher than those forecast will emerge

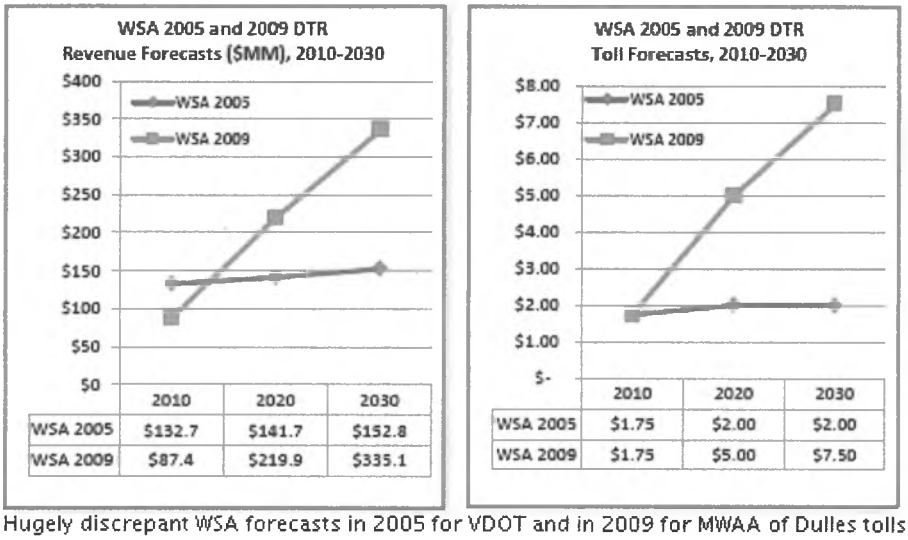
- corridor economic growth will be hampered by the high costs

- MWAA may default and face much higher costs than cited

Terry Maynard: "RCA has long been enthusiastic about Metrorail to Dulles via Reston, but we do not want a rail line at any price, especially one that forces Dulles Toll Road users to absorb most of the financial burden and area communities to absorb added traffic on already crowded local roads. The prospects are even worse if the WSA forecasts overestimate revenues as much as our research suggests. We hope that an independent forecast, combined with 'value engineering' for Phase 2 and restructuring the financial arrangements will lead to a better outcome for everyone."

2nd stage of Dulles Rail at stake

Future Dulles toll road revenues are being used as the security for selling the debt needed to fund a $5 billion Dulles Metrorail branch line from West Falls Church through Reston County to Dulles Airport and out into Loudoun County. Over half the capital cost is proposed to be covered by toll revenue bonds of the Dulles Toll Road issued by the Metropolitan Washington Airports Authority (MWAA) that has a 50 year franchise on the tollroad and is building the rail line.



Hugely discrepant WSA forecasts in 2005 for VDOT and in 2009 for MWAA of Dulles tolls

Half of the rail line is a done deal, financed and under construction but the second half remains to be approved and financed. The WSA/CDMSmith investment grade traffic and revenue study to be released any week now will be key to whether the project proceeds.

A cover letter addressed to Governor Bob McDonnell, FHWA administrator Victor Mendez and top officials of MWAA and the two local counties charges that "WSA has made many very large errors in its forecasts that have been costly to investors, bondholders, governments, and toll road users who have relied on them to approve construction of major toll road projects."

It continues: "we believe that it is imperative that a second, independent T&R forecast be completed by another forecasting group before any decision is made to move forward with the construction of Phase 2 of the Silver (Dulles Rail) Line."

The citizens association says that given Wilbur Smith's record of overestimating revenues and the unexplained discrepancies between the first two WSA studies the various parties to the Dulles project - FHWA, MWAA, the two counties Fairfax and Loudoun as well as Virginia DOT - should defer any further commitments until Wilbur Smith's forecasts have been checked against those of an independent forecaster.

VDOT is called to take the lead in having WSA's results checked out.

It calls on FHWA to develop a process of 'best practices' for traffic and revenue forecasts given that the problem of gross exaggeration of traffic and revenue (T&R) prospects is seen across the whole T&R forecasting business.

Recommendations

We believe the significant number of cases in which WSA has made major errors in its traffic and revenue (T&R) forecasts, including errors in its forecasts for the Dulles Toll Road, warrants a series of actions before MWAA, Fairfax County, and Loudoun County move to approve construction of Phase 2 of the Silver line. These recommendations involve actions by federal, state, local, and MWAA officials.

US Department of Transportation/Federal Highway Administration

- Do *not* approve TIFIA funding for the Metrorail funding partners until a second independent T&R forecast for the DTR has been prepared by Virginia and any material substantive differences between it and WSA's next forecast have been satisfactorily resolved.
- Longer term, oversee a process involving transportation T&R forecasting practitioners, toll facility operators, toll facility bond financing rating and issuing companies, and appropriate federal, state, and local government transportation officials to develop concrete and transparent national "best practice" standards for the forecasting of toll facility traffic demand and revenue forecasts. Make strict adherence to these "best practices" a requirement for federal funding. If necessary, pursue Congressional legislation to implement these "best practices."

Virginia Department of Transportation

- Conduct an independent T&R study from another T&R consultant to be completed before approval of Phase 2 of Metrorail construction.
- Resolve any substantive material differences between the outside T&R forecast and the new WSA T&R forecast before authorizing the use of state funds on Phase 2.

Dulles Metrorail Funding Partners (Fairfax County, Loudoun County, & MWAA)

- Do *NOT* approve work on Phase 2 of Metrorail until a second Virginia state-sponsored independent T&R forecast has been completed and material substantive issues between it and WSA's forecast have been resolved.
- Present the new (third) WSA DTR T&R forecast to the public as soon as possible for comment and feedback, and well before any consideration of approval of Phase 2 of Metrorail.
- Conduct a public outreach program to elicit community comment on toll, tax, and other issues raised by the possible construction of Phase 2, and adjust the current funding agreement accordingly.

Maynard devastating about track record of forecasting

A key finding of the Maynard Report (named after principal author Terry Maynard) is that "optimism bias" is endemic in the toll forecasting business, and that Wilbur Smith which does about half the industry's forecasts is typical of the industry - driven by sponsors to produce the exaggerated forecasts they want. It cites work by Robert Bain, Bent Flyvbjerg, NHCRP, and ourselves but goes into several forecasts with original work.

Bain using work he started at Standard and Poors found that of 100 tollroad forecasts worldwide the average actual traffic was 77% of forecast or an overestimate of about 30% for year 1 and only minor improvement after that.

NCHRP looked at 26 toll road forecasts in the US over the first five years and found worse results.

Writes Maynard: "The atrocious overestimates of revenue by all the forecasters reflected in this data highlight the difficulty in forecasting demand in the 'ramp-up' period of a new toll road. They are inadequate for planning future revenues, financing, and toll rates."

And there is little indication forecasts improve much over time.

On the Dulles Toll Road forecasting WSA starts with an inflated number for current employment in the major county served (900k vs 700k) and then inflates that faster than others with a higher growth rate (see graph nearby). Similarly on the Knik Arm bridge in Alaska WSA used exaggerated population and employment data, claiming to base them on numbers from a local University institute, which has denied its numbers are used.

Maynard picks up on what we reported (2011-04-11) as huge inconsistency in Dulles forecasting between WSA's modest projections of traffic and revenue for VDOT in 2005 and their highly bullish projections in 2009 for the new concessionaire MWAA. (see graphing of the inconsistency nearby)

Growth prospects declined in that period, and forecasts should have been lowered, not raised. WSA has never explained the basis for their large upward revisions.

"Our examination of vital population and employment input data used by WSA in its forecasts indicates it has almost always used the most optimistic data available to make its forecasts.

Appendix A: Revenue Forecast Error in NHCRP Data, WSA and Non-WSA, in Percent

Wilbur Smith Associates	Year Opened	Revenue Forecast Error					Average Error
		Year 1	Year 2	Year 3	Year 4	Year 5	
Harris County Toll Road Authority (Texas)/Hardy (6)	1983	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	302%
Harris County Toll Road Authority (Texas)/Sam Houston (6)	1983	[illegible]	25%	23%	20%	28%	30%
Orlando-Orange Expressway Authority/Central Florida Greenway North Segment	1989	38%	37%	23%	44%	30%	23%
Orlando-Orange Expressway Authority/Central Florida Greenway South	1990	[illegible]	[illegible]	[illegible]	[illegible]		162%
Oklahoma Turnpike Authority/ John Kilpatrick (3)	1991	[illegible]	279%	241%	218%	[illegible]	276%
Oklahoma Turnpike Authority/ Creek (3)	1992	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	77%
Transportation Corridor Agencies (California)/Foothill North (3)	1995	16%	8%	1%			8%
Transportation Corridor Agencies (California)/San Joaquin Hills (3)	1996	216%	[illegible]	[illegible]	[illegible]	[illegible]	119%
North Texas Tollway Authority/ George Bush Expressway (3)	1998	-14%	9%				-13%
Transportation Corridor Agencies (California)/Foothill Eastern (3)	1999	-16%	27%	20%			12%
Connector 2000 Association (South Carolina)/Greenville Connector (3)	2001	238%					238%
Pocahontas Parkway Association (Virginia)/Pocahontas Parkway (44,45)	2002	[illegible]	[illegible]	[illegible]			128%
	Average Error	134%	104%	108%	126%	122%	118%

Non-WSA Forecasts	Year Opened	Year 1	Year 2	Year 3	Year 4	Year 5	Average Error
Florida's Turnpike Enterprise/Sawgrass Expressway (6)	1986	462%	327%	213%	170%	160%	266%
North Texas Tollway Authority/Dallas North Tollway (6)	1986	35%	10%	6%	1%	1%	10%
Mid-Bay Bridge Authority (Florida)/ Choctawhatchee Bay Bridge (38,39)	1993	25%	5%	8%	-12%	-14%	-1%
Orlando-Orange Expressway Authority/Central Florida Greenway Southern Connector	1993	264%	173%				218%
Florida's Turnpike Enterprise/ Veteran's Expressway (3)	1994	100%	89%	60%	54%	76%	76%
Florida's Turnpike Enterprise/ Seminole Expressway (3)	1994	119%	72%	41%	28%	43%	61%
Osceola County (Florida)/Osceola County Parkway (3)	1995	669%	97%	160%	148%		268%
Toll Road Investment Partnership (Virginia)/Dulles Greenway (3)	1995	398%	302%	324%	288%	182%	299%
E-470 Public Highway Authority (Colorado)/E-470 (3)	1999	62%	60%		95%		72%
Florida's Turnpike Enterprise/Polk (3)	1999	28%	48%				36%
Santa Rosa Bay Bridge Authority (Florida)/Garcon Point Bridge (42,43)	1999	207%	82%	98%	112%	105%	121%
Northwest Parkway Public Highway Authority (Colorado)/Northwest Parkway	2004	65%	79%				72%
	Average Error	202%	112%	112%	98%	79%	127%

Annual performance within 10% of forecast is in bold.

Revenue Forecast Error = 1/(Revenues/Forecast) - 1 as presented in NHCRP 364 in Table 1 which reports (Revenues/Forecast).

"This includes its 2005 and 2009 forecasts for the Dulles Toll Road. In its 2005 study, it utilized population and employment forecasts provided by GMU CRA which characterized official MWCOG forecasts as understating the area's growth potential. Then, in 2009, it discarded the conclusions of the contractor it hired to do its socio-economic forecast, Linden Street Associates, Inc., of Alexandria, which had discounted the official MWCOG forecasts as overreaching.

"Instead, it used forecast data provided by Woods & Poole, Inc., another local demographic analysis shop, which was much more aggressive. As we have noted, in the one data point from those two studies we were able to check for Fairfax County—data from the US Census Bureau in 2010—the 2005 WSA forecast overstated county employment by 25% and the 2009 study overstated it by 52%. In both cases, all the population forecasts we examined were within a reasonable five percentage points of the US Census 2010 count."

Detroit

In Detroit Michigan Maynard writes that an independent study by Halcrow found that WSA had used population and employment projections that were "far too high" and traffic was likely to be "about half" of WSA forecasts. He has an appendix commenting on the Detroit-Windsor DRIC/NITC bridge project.

Maynard says some of WSA's numbers are wrong, and that Halcrow's modeling is more convincing because it performs well in backward testing - not attempted by WSA.

Full copy of Maynard report:

http://www.scribd.com/doc/79582705/RCA-Study-Wilbur-Smith-Traffic-amp-Revenue-Forecasts-012712

Maynard is contactable at:

terrmayn@yahoo.com

NOTE: we're fully open to any response from WSA or any other forecasters. So far no response from WSA to the invitation to defend their work.

ACTUAL REVENUE AS PERCENTAGE OF PROJECTED RESULTS OF OPERATION

Authority/Facility	Year of Opening	Year 1	Year 2	Year 3	Year 4	Year 5
Florida's Turnpike Enterprise/Sawgrass Expressway (6)	1986	17.8%	23.4%	32.0%	37.1%	38.4%
North Texas Tollway Authority/Dallas North Tollway (6)	1986, 1987	73.9%	91.3%	94.7%	99.3%	99.0%
Harris County Toll Road Authority (Texas)/Hardy (6)	1988	29.2%	27.7%	23.8%	22.8%	22.3%
Harris County Toll Road Authority (Texas)/Sam Houston (6)	1988, 1990	64.9%	70.7%	81.0%	83.2%	78.0%
Illinois State Toll Highway Authority/ Illinois North South Tollway (6)	1989	94.7%	104.3%	112.5%	116.9%	115.3%
Orlando-Orange Expressway Authority/ Central Florida Greenway North Segment (6)	1989	96.8%	85.7%	81.4%	69.6%	77.1%
Orlando-Orange Expressway Authority/ Central Florida Greenway South Segment (6)	1990	34.1%	36.2%	36.0%	50.0%	NA
Oklahoma Turnpike Authority/ John Kilpatrick (3)	1991	18.0%	26.4%	29.3%	31.4%	34.7%
Oklahoma Turnpike Authority/ Creek (3)	1992	49.0%	55.0%	56.8%	59.2%	65.5%
Mid-Bay Bridge Authority (Florida)/ Choctawhatchee Bay Bridge (38,39)	1993	79.8%	95.5%	108.9%	113.2%	116.7%
Orlando-Orange Expressway Authority/ Central Florida Greenway Southern Connector (6)	1993	27.5%	36.6%	NA	NA	NA
State Road and Tollway Authority (Georgia)/GA 400 (3)	1993	117.0%	133.1%	139.8%	145.8%	141.8%
Florida's Turnpike Enterprise/ Veteran's Expressway (3)	1994	50.1%	52.9%	62.5%	65.0%	56.8%
Florida's Turnpike Enterprise/ Seminole Expressway (3)	1994	45.6%	58.0%	70.7%	78.4%	70.1%
Transportation Corridor Agencies (California)/Foothill North (3)	1995	86.5%	92.3%	99.3%	NA[1]	NA[1]
Osceola County (Florida)/Osceola County Parkway (3)	1995	13.0%	30.7%	38.5%	40.4%	NA
Toll Road Investment Partnership (Virginia)/Dulles Greenway (3)	1995	20.1%	24.9%	23.6%	25.8%	35.4%
Transportation Corridor Agencies (California)/San Joaquin Hills (3)	1996	31.6%	47.5%	51.5%	52.9%	54.1%
North Texas Tollway Authority/ George Bush Expressway (3)	1998	152.2%	91.8%	NA	NA	NA
Transportation Corridor Agencies (California)/Foothill Eastern (3)	1999	119.1%	79.0%	79.2%	NA[1]	NA[1]
E-470 Public Highway Authority (Colorado)/E-470 (3)	1999	61.8%	59.6%	NA	95.4%[2]	NA[2]
Florida's Turnpike Enterprise/Polk (3)	1999	81.0%	67.5%	NA	NA	NA
Santa Rosa Bay Bridge Authority (Florida)/Garcon Point Bridge (42,43)	1999	32.6%	54.8%	50.5%	47.1%	48.7%
Connector 2000 Association (South Carolina)/Greenville Connector (3)	2001	29.6%	NA	NA	NA	NA
Pocahontas Parkway Association (Virginia)/Pocahontas Parkway (44,45)	2002	41.6%[4]	40.4%	50.8%	NA	NA
Northwest Parkway Public Highway Authority (Colorado)/Northwest Parkway (46,47)	2004	60.5%	56%[5]	NA	NA	NA

Sources are cited in parentheses.

Notes: Bold type reflects actual within 10% of projected. NA = traffic and revenue report not available or not provided.

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TOLLROADSnews is a journalistic venture of Peter Samuel, 102 West Third Street Unit 1, Frederick MD 21701 USA tel 301 631 1148 email editor@tollroadsnews.com.



THEN AND NOW: A HISTORY OF THE KNIK ARM CROSSING

KNIK ARM BRIDGE & TOLL AUTHORITY

Southcentral Alaska: 100 Years of Development

Over the last century, Southcentral Alaska has been characterized by drive, determination and development. At the heart of Southcentral is the Anchorage metropolitan area, a region that has experienced continual expansion since the early part of the 20th century.

An important transportation hub, Cook Inlet functioned as a shipping center for the state's mining industry. In 1914, the Alaska Engineering Commission established Ship Creek as a work and supply camp for construction of the Alaska Railroad, creating a town site that is now the city of Anchorage. The Matanuska-Susitna (Mat-Su) Borough also underwent great change and development, including the "New Deal," an agricultural colonization enacted by the federal government in the 1930s, and construction of the Glenn Highway as a way of accessing the colony.

The region continued to expand as the military established a strong presence in Alaska during the 1940s. Because control of Pacific transportation routes was so vital, Gen. Billy Mitchell told Congress in 1935, "I believe that in the future, whoever

Continued inside:



Ship Creek - 1915

Photographer Alberta Pyatt was an employee of Sydney Laurence in 1915 when both were early residents of Ship Creek. She captured this image in early summer.

(Anchorage Museum of History and Art.)

3/26/12

Continued from page 1

holds Alaska will hold the world. I think it is the most important strategic place in the world." Anchorage was then established as a major military hub, which brought an increased need for infrastructure. Construction of the Alaska-Canada Highway connected Alaska to the continental highway system and the Glenn Highway was extended to Glennallen, connecting the Anchorage/ Mat-Su area to this important road system.

Alaska was granted statehood in 1959. The discovery of oil in Prudhoe Bay in the 1960s spurred construction of both the Trans-Alaska Pipeline System and the 323-mile Parks Highway. Southcentral Alaska's population surged at this time as workers and their families flooded the region. Many eventually settled in Anchorage and Mat-Su.

The Anchorage metropolitan area now enjoys a more diverse economy with residents employed in a variety of retail, resource development, professional service and city, borough, state and federal occupations. Along with economic diversity comes economic stability. As more individuals move to the area it is imperative we connect Alaska's two largest population centers – Anchorage and Mat-Su – and provide a more direct route to the Interior.



Alaska Pacific University

Businesses Crowd the Tent City

Amid the tents were the Crest House, Anchorage Fish Market, The Panhandle, Montana Pool Room, White Road House and Riverside Hotel. (Alaska Pacific University)

An Early History of the Knik Arm Crossing

More than 80 years of transportation, land use and economic plans and studies for the Upper Cook Inlet region of Alaska have indicated a need to connect the Municipality of Anchorage with the Mat-Su Borough. As early as 1923, Alaska Railroad engineers made preliminary studies of a causeway to shorten the route to Fairbanks. By 1954, a multi-purpose proposal was made by a Seattle engineer for a combination causeway and tidal power plant stretching across Turnagain Arm and Knik Arm and connecting on Fire Island. Just one year later, the Anchorage Chamber of Commerce formed a committee to explore a causeway and commissioned Ivan Bloch and Associates to develop the "Preliminary Appraisal of the Proposed Knik Arm Causeway," a study that reviewed the economic and defense benefits of a Knik Arm crossing.

> ***"We wish to point out very strongly that to make the port 100 percent efficient, the causeway should also be built ... and the Chamber of Commerce could do Anchorage no greater service than to continue to push for it at every opportunity."***
>
> *Anchorage News, July 2, 1957*



Plate 1. Location map illustrating Seward's Success as related to Greater Anchorage

The Knik Arm Crossing Draws Closer to Reality

In 1970, the Alaska Department of Highways commissioned a study of the general subsurface conditions of Knik Arm to identify geological factors that might influence the location and design of a proposed highway crossing. The department hired consulting engineers to study existing data for technical issues associated with engineering a structure across Turnagain Arm. The study concluded that a bridge crossing was the most economically feasible alternative and had the least negative effect on the natural environment.

By 1983 the Alaska Department of Transportation (ADOT) prepared an Economic Feasibility Report concluding the Knik Arm crossing and approach roads were economically feasible under conservative assumptions and compared favorably with other state transportation and infrastructure investments. The Federal Highway Administration (FHWA) and ADOT evaluated alternative corridors for the best combination of positive features and documented their findings in the Final Corridor Alternatives Report created in support of the 1984 draft Environmental Impact Statement (EIS).

From a historical perspective, the most comprehensive study conducted for the Knik Arm Crossing project was a Draft Environmental Impact Statement (DEIS) prepared by ADOT in 1984 under Gov. Bill Sheffield. An Implementation Options Report by the ADOT was prepared the following year. It presented the design, financial and development options for implementing a Knik Arm crossing. Due to a lack of funding and the dramatic downturn in the state's economy between 1985 and 1990, the project was never advanced beyond the DEIS stage. However, with today's diversified economy and current and projected populations, we are now able to afford this important piece of Alaska infrastructure using tolls.

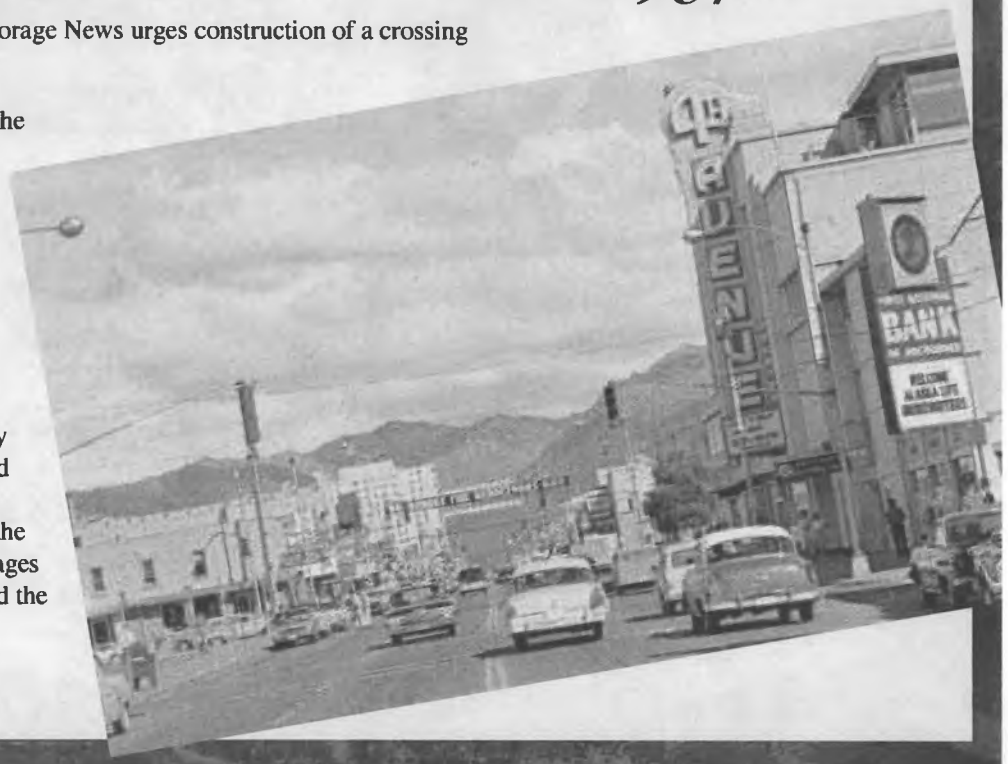
In 2003, the ADOT produced the Knik Arm Crossing Engineering Feasibility and Cost Estimate Update project that revised 1984 DEIS cost estimates using a general alignment deemed the "Hybrid Alignment." The update included a bridge crossing with connecting roads to the north and south. The state established the Knik Arm Bridge and Toll Authority (KABATA) that same year to begin work. By 2004, Congress appropriated funding for advanced planning efforts to include startup and staffing of KABATA, engineering and environmental studies and initiation of a new DEIS. Today we are closer than ever to reaching our goal and we can begin construction as soon as FHWA issues a Record of Decision (ROD).

Bridge Called 'Desirable' Back in 1957

An article published July 2, 1957 in the Anchorage News urges construction of a crossing over the Knik Arm:

"With the proposed Anchorage port again in the limelight we should not lose sight of the companion proposal which is the construction of a causeway across the narrow channel that connects the Anchorage mainland with the great Susitna valley and its adjacent country north and west."

The author goes on to state that "a land connection between Anchorage and the vast mainland of western and interior Alaska is very desirable from the standpoint of evacuation and dispersion." The article also refers to the 1955 Bloch report, saying "it shows very definitely the tremendous engineering and economic advantages that would come to a deep sea port here, should the causeway become a reality."



Move Over Jetsons: Seward's Success Project is Conceptualized

In 1970, Oklahoma-based Great Northern Corp. proposed construction of a climate-controlled residential plaza for 50,000 people. It was to be built just two miles from downtown Anchorage, across the Knik Arm of Cook Inlet. The plan was to construct commercial and residential malls, a sports area, churches, schools, medical facilities, hotels, recreation facilities and a transportation system – all within a completely controlled, 68-degree habitat.

An automated monorail system was planned to link the new city with Anchorage using a gondola-style aerial tramway. It was ambitiously designed to pass through the commercial mall areas, providing both passenger and freight service. Electric taxis, escalators and moving sidewalks would transport people within the habitat.





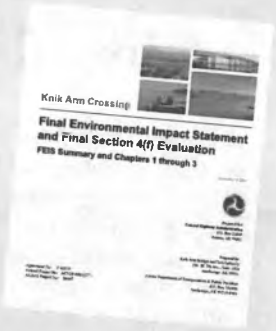


Seward's success commericial building



KNIK ARM CROSSING:

TWO STUDIES. THREE DECADES APART. SAME CONCLUSION.



1972 STUDY CONCLUSIONS*	2008 STUDY CONCLUSIONS**
Construction is feasible	Construction is feasible
Bridge is most suitable type of structure	Bridge is most suitable type of structure
Most favorable crossing site: 1.5 miles upstream from Cairn Point	Most favorable crossing site: 1.5 miles upstream from Cairn Point
Estimated total cost: $140 million. Inflated at just over 4%: $687 million in 2011 dollars.	Estimated total cost: $687 million. Deflated at just over 4%: $140 million in 1972 dollars.

*Alaska Department of Highways engineering study
**Final Environmental Impact Statement, prepared in accordance with the National Environmental Policy Act

Knik Arm Crossing: Bridge to Our Future Video Now Available

Want to see what the Knik Arm Crossing might actually look like, or even fly over as trucks and cars travel across Knik Arm using the bridge? Now you can. The new Knik Arm Crossing project video takes you on a first hand tour of the project – including an animated fly-by of the proposed bridge.

Visit our YouTube channel at www.youtube.com/alaskaKABATA to view the extended or the shorter video as well as individual clips of project information. You can also view it at www.knikarmbridge.com or on GCI's Channel 1 each Tuesday, Thursday and Saturday at 9 p.m., or by tuning into the Municipality of Anchorage's Channel 10.

Please contact KABATA at (907) 269-6698 for more information or to receive a copy of the DVD.



Knik Arm Bridge and Toll Authority 550 W. Seventh Ave., Suite 1850, Anchorage, AK 99501
www.knikarmbridge.com | (907) 269-6698 phone | (907 269-6697 fax

Knik Arm Crossing Day, 1981

"Representatives from the Anchorage Chamber of Commerce, Assembly and the Administration; the Mat-Su Borough, including the Mayors of the Borough and Wasilla; and leaders of the State Legislature flew across the Knik Arm on Saturday, March 21, 1981, to celebrate "Knik Crossing Day." Coordinated by the Anchorage Chamber of Commerce, the helicopter trip was a demonstration of support for the idea of building a crossing that would link Anchorage to Point MacKenzie and the lower Mat-Su Valley region. Most business and political leaders in this part of Alaska have agreed for more than 30 years that the concept is vital to the development and growth of the South Central region."—Greater Anchorage Today, the Monthly News Service of the Anchorage Chamber of Commerce, Vol. 17 No. 8, April 1981



The Knik Crossing Committee pictures above is Chaired by Roger Riddel and includes Jack Spake, Lou Dickinson, Eric Peterson, Conn Murray and Bob Penney.



Time out for refreshments (furnished by Sheffield Hotels, now the Westmark)



ERA Helicopters flight lands on Knik Arm beach-head.



From left, Senate President Jalmar Kertulla, House Minority leader Joe Hayes and Assembly Chairman Ben March survey site of Knik crossing near Point McKenzie.



This is what you will see as you drive back to Anchorage from your day of business with the legislature at the capital in Willow.

SB

83

<TARGET><BILL>SB 83</BILL><SUBJECT>SB
83</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 2/21/11

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 83

SB 83-TEACHER BOARD CERTIFICATION INCENTIVES

"An Act providing for payment and loan incentives to public school teachers for national board certification."

and recommends:

[ ] adopt previous CS SB 83 (EDC) [✓] *Same Title* [ ] *New Title*

[ ] adopt **previous CS** _____ (_____) [ ] *Same Title* [ ] *New Title*

[ ] attached amendment(s)

[ ] adopt _____ Letter of Intent

[ ] further referral to _____ Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
FED			✓	
FED	✓			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	EGAN	✓			
	McClure	✓			
	Olson			✓	
	Ellis	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman			✓	

ALASKA STATE SENATE

SEN. KEVIN MEYER
Alaska State Capitol
Juneau, Alaska 99801
Room 103
Phone: 907-465-4945
Fax: 907-465-3476

SEN. JOE THOMAS
Alaska State Capitol
Juneau, Alaska 99801
Room 514
Phone: 907-465-2327
Fax: 907-465-5241

SENATE EDUCATION COMMITTEE

Senators Kevin Meyer & Joe Thomas, Co-Chairs

Senate Bill 83

"An Act providing for payment and loan incentives to public school teachers for national board certification."

...teaching is work of the most demanding sort, for teachers must make dozens of decisions daily, command a wide body of knowledge and skill, learn to react instantly, and be disposed to act wisely in difficult situations. And while there are principles and precepts, skills and techniques, to guide the work, teaching is also an activity with artistic aspects, a craft calling for reflection and judgment.

----From *What Teachers Should Know and Be Able to Do*

Teaching is one of the most difficult and important jobs we have in our society. In order to have good schools, we must have good teachers.

Senate Bill 83 provides an incentive for teachers to ramp up their professional knowledge and skills by becoming nationally certified by the National Board of Professional Teaching Standards. Teachers would be provided with zero interest loans designed to pay the expense of enrolling in the program. Once certified they would receive a $1,000 annual stipend for the duration of their certification period (ten years).

If the teacher is serving in a low performing, high poverty area they would receive a $1,000 stipend for enrolling in the program, and $1,500 loan for the rest of the expense. They would also receive an additional $500 annually as long as they remained in a low performing, high poverty area.

Becoming nationally certified is a rigorous and demanding process, and can take up to three years. There are 25 different areas of certification (see page 7 of the packet), and teachers specialize in their specific subject area. The certification process focuses on five aspects of teaching: Students and their learning, the subjects being taught and how to teach them, managing and monitoring student learning, thinking systematically about the practice of teaching, and being members of the learning community.

We appreciate your support on this important bill.

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **SB083**
Fiscal Note Number:
Publish Date:

Identifier (file name): SB083CS(EDC)-EED-TLS-12-5-11
Title: "An Act providing for payment and loan incentives to public school teachers for national board certification."
Sponsor: Senate Education Committee
Requester: Senate Finance

Dept. Affected: Education & Early Development
Appropriation: Teaching and Learning Support
Allocation: Teacher Certification
OMB Component Number: 1240

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits	316.5		348.0	379.5	411.0	442.0	474.0
Miscellaneous							
TOTAL OPERATING	**316.5**	**0.0**	**348.0**	**379.5**	**411.0**	**442.0**	**474.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	316.5		348.0	379.5	411.0	442.0	474.0
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**316.5**	**0.0**	**348.0**	**379.5**	**411.0**	**442.0**	**474.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

FY13 Fiscal note form updated through FY18.

Prepared by: Cynthia Curran, Director — Phone: 465-2857
Division: Teaching and Learning Support — Date/Time: 12/5/11 3:36 PM
Approved by: Mike Hanley, Commissioner — Date: 12/5/2011

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB083

Analysis

SB83 provides for payments and loan incentives to public school teachers for national board certification. This includes a basic incentive payment of $1000 for teachers holding a current and valid national board certification and an additional $500 for teachers holding this certification in high poverty attendance areas that have received a low performance rating as determined by the department.

The count projects 162 teachers anticipated for FY13. The maximum incentive provided under this legislation if all teachers qualified for both incentives would be 162 teachers X $1,500 = $243,000. Each subsequent fiscal year projects an additional 21 teachers receiving the incentives to reflect the anticipated annual growth.

With an average growth rate of 21 teachers per year that would be actively seeking national board certification, not more than $1,000 would be provided annually to pay the national certification board on their behalf. 21 X $1,000 = $21,000. This projection is contained in each subsequent year through FY18.

Using the growth assumption/annual average of 21 teachers per year pursuing certification of professional teaching standards by a nationally recognized board, under the proposed Sec. 14.43.550-555 for the National Board Teacher Certification Loan Program, $2,500 would be provided as loans for eligible teachers. 21 X $2,500 = $52,500 per year.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB083**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB083CS(EDC)-EED-ACPE-12-14-11
Title: Teacher Board Certification Incentives
Sponsor: (S)EDC
Requester: (S)FIN

Dept. Affected: Education
Appropriation: ACPE
Allocation: Program Administration & Operations
OMB Component Number: 2738

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

New Fiscal Note Form

Prepared by: Diane Barrans, Executive Director — Phone: 465-6740
Division: Alaska Commission on Postsecondary Education — Date/Time: 12/14/11 3:30 PM
Approved by: Diane Barrans, Executive Director — Date: 12/14/2011
Alaska Commission on Postsecondary Education

(Revised 11/28/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB083

Analysis

This bill establishes payment and loan incentives intended to assist Alaska public school teachers seeking to earn national board certification. One component is the establishment and funding of a zero interest loan to otherwise eligible teachers who are actively pursuing national certification of professional teaching standards awarded by a nationally recognized board. The loan amount is set at $2,500 and the funds are to be paid directly to the national board from which the certification is being sought.

The Commission anticipates that, based on expected limited demand for the loan, servicing the loan can be accomplished with existing staff resources. Assuming the loans will be funded by an appropriation to the Department of Education and Early Development, no funding is requested for that purpose.

NBPTS
National Board for Professional Teaching Standards

Fields of Certification

NBPTS offers the following 25 certificate areas that cover 16 subject areas and are classified into seven student age categories. As a candidate you can opt for a generalist certificate or one that is subject-specific.

Certificates Currently Available

Art

Early and Middle Childhood
Early Adolescence through Young Adulthood

Career and Technical Education

Early Adolescence through Young Adulthood

English as a New Language

Early and Middle Childhood
Early Adolescence through Young Adulthood

English Language Arts

Early Adolescence
Adolescence and Young Adulthood

Exceptional Needs Specialist

Early Childhood through Young Adulthood

Generalist

Early Childhood
Middle Childhood

Health

Early Adolescence through Young Adulthood

Library Media

Early Childhood through Young Adulthood

Literacy: Reading – Language Arts

Early and Middle Childhood

Mathematics

Early Adolescence
Adolescence and Young Adulthood

Music

Early and Middle Childhood
Early Adolescence through Young Adulthood

Physical Education

Early and Middle Childhood
Early Adolescence through Young Adulthood

School Counseling

Early Childhood through Young Adulthood

Science

Early Adolescence

Adolescence and Young Adulthood

Social Studies – History

Early Adolescence

Adolescence and Young Adulthood

World Languages Other than English

Early Adolescence through Young Adulthood

Age Categories

- Early Childhood (Ages 3-8)
- Middle Childhood (Ages 7-12)
- Early & Middle Childhood (Ages 3-12)
- Early Childhood through Young Adulthood (Ages 3-18+)
- Early Adolescence (Ages 11-15)
- Adolescence and Young Adulthood (Ages 14-18+)
- Early Adolescence through Young Adulthood (Ages 11-18+)

NBPTS
National Board for Professional Teaching Standards

What is National Board Certification?

What Is National Board Certification?

National Board Certification is an advanced teaching credential. It complements, but does not replace, a state's teacher license. It is valid for 10 years, and renewal candidates must begin the renewal process during their eighth or ninth years as NBCTs.

National Board Certification is achieved upon successful completion of a voluntary assessment program designed to recognize effective and accomplished teachers who meet high standards based on what teachers should know and be able to do. National Board Certification is available nationwide for most preK–12 teachers. As part of the certification process, candidates complete 10 assessments that are reviewed by trained teachers in their certificate areas. The assessments include four portfolio entries that feature teaching practice and six constructed response exercises that assess content knowledge.

Why Standards for Accomplished Teaching?

Every child deserves an accomplished teacher — one who is qualified to equip students with the skills to succeed in the 21st century global community. NBPTS Standards and National Board Certification give teachers and schools the tools to define and measure teaching excellence. NBPTS Standards are based on the Five Core Propositions that form the foundation for what all accomplished teachers should know and be able to do and provide a reference that helps educators link teaching standards to teaching practice.

Five Core Propositions

Teachers are committed to students and their learning.
Teachers know the subjects they teach and how to teach those subjects to students.
Teachers are responsible for managing and monitoring student learning.
Teachers think systematically about their practice and learn from experience.
Teachers are members of learning communities.

What Are the Standards and Certificate Areas?

NBPTS developed standards for accomplished teaching in 16 different subject areas with students at various developmental levels. These standards were developed and validated by representative committees comprised of master teachers, disciplinary organizations and other education experts. Many school systems use the standards as the basis for ongoing teacher and school counselor professional development, and many colleges and universities incorporate them into their undergraduate and graduate teacher-education programs.

Based on these standards, NBPTS offers 25 certificates that are applicable to most teachers in American schools. For more information, see the chart at nbpts.org/certificates.

NBPTS
National Board for Professional Teaching Standards

The Five Core Propositions

This policy set forth our vision for accomplished teaching. The Five Core Propositions form the foundation and frame the rich amalgam of knowledge, skills, dispositions and beliefs that characterize National Board Certified Teachers (NBCTs).

1 Proposition 1: Teachers are Committed to Students and Their Learning

- ✓ NBCTs are dedicated to making knowledge accessible to all students. They believe all students can learn.
- ✓ They treat students equitably. They recognize the individual differences that distinguish their students from one another and they take account for these differences in their practice.
- ✓ NBCTs understand how students develop and learn.
- ✓ They respect the cultural and family differences students bring to their classroom.
- ✓ They are concerned with their students' self-concept, their motivation and the effects of learning on peer relationships.
- ✓ NBCTs are also concerned with the development of character and civic responsibility.

2 Proposition 2: Teachers Know the Subjects They Teach and How to Teach Those Subjects to Students.

- ✓ NBCTs have mastery over the subject(s) they teach. They have a deep understanding of the history, structure and real-world applications of the subject.
- ✓ They have skill and experience in teaching it, and they are very familiar with the skills gaps and preconceptions students may bring to the subject.
- ✓ They are able to use diverse instructional strategies to teach for understanding.

3 Proposition 3: Teachers are Responsible for Managing and Monitoring Student Learning.

- ✓ NBCTs deliver effective instruction. They move fluently through a range of instructional techniques, keeping students motivated, engaged and focused.
- ✓ They know how to engage students to ensure a disciplined learning environment, and how to organize instruction to meet instructional goals.
- ✓ NBCTs know how to assess the progress of individual students as well as the class as a whole.
- ✓ They use multiple methods for measuring student growth and understanding, and they can clearly explain student performance to parents.

4 Proposition 4: Teachers Think Systematically about Their Practice and Learn from Experience.

- ✓ NBCTs model what it means to be an educated person – they read, they question, they create and they are willing to try new things.
- ✓ They are familiar with learning theories and instructional strategies and stay abreast of current issues in American education.
- ✓ They critically examine their practice on a regular basis to deepen knowledge, expand their repertoire of skills, and incorporate new findings into their practice.

5 Proposition 5: Teachers are Members of Learning Communities.

NBCTs collaborate with others to improve student learning.
They are leaders and actively know how to seek and build partnerships with community groups and businesses.
They work with other professionals on instructional policy, curriculum development and staff development.
They can evaluate school progress and the allocation of resources in order to meet state and local education objectives.
They know how to work collaboratively with parents to engage them productively in the work of the school.

What Teachers Should Know and Be Able to Do

National Board for Professional Teaching Standards®

Introduction

In 1983, public concern about the state of American education was sharply heightened by the issuance of a federal report titled *A Nation at Risk*. The report provoked a wave of reform initiatives that engulfed the education community. Most of these programs, however, left out a critical element of the education equation: the classroom teacher.

If America is to have world-class schools, it must have a world-class teaching force. Many excellent teachers already work in the schools, but their work often goes unrecognized and unrewarded. As a consequence, many first-rate practitioners leave the schools, and others who could be exceptional teachers never consider teaching. Worse still, the knowledge and skills of the fine teachers who remain are often underutilized, their positive influence allowed only modest scope.

Three years after *A Nation at Risk*, in 1986, the Carnegie Task Force on Teaching as a Profession issued a pivotal report, *A Nation Prepared: Teachers for the 21st Century*. Its leading recommendation called for the establishment of a National Board for Professional Teaching Standards. The following year, this unique institution in the history of American education was born.

The National Board's mission is to advance the quality of teaching and learning by:

- maintaining high and rigorous standards for what accomplished teachers should know and be able to do,
- providing a national voluntary system certifying teachers who meet these standards, and
- advocating related education reforms to integrate National Board Certification in American education and to capitalize on the expertise of National Board Certified Teachers.

National Board Certification®, developed by teachers, with teachers, and for teachers, is a symbol of professional teaching excellence. Offered on a voluntary basis, it complements, not replaces, state licensing. While state licensing systems set entry-level standards for beginning teachers, National Board Certification has established advanced standards for experienced teachers.

Linked to these standards is a new generation of fair and trustworthy assessment processes that honor the complexities and demands of teaching. They focus on teacher work and the difficult issues that accomplished teachers confront on a regular basis. The NBPTS assessments for National Board Certification include having teachers construct a portfolio that represents an analysis of their classroom work and participate in exercises designed to tap the knowledge, skills, disposition and professional judgment that distinguish their practice.

At the time the National Board was founded in 1987, it was understood that a critical first task was the development of a policy that would spell out the National Board's vision of accomplished practice. In 1989, it issued its policy statement, *What Teachers Should Know And Be Able To Do*, which has served as a basis for all of the standards development work NBPTS has conducted. To this day, it remains the cornerstone of the system of National Board Certification and has served as a guide to school districts, states, colleges, universities and others with a strong interest in strengthening the initial and ongoing education of America's teachers. It also holds the promise of being a stimulus to self-reflection on the part of teachers at all levels of accomplishment as well as a catalyst for healthy debate and the forging of a new professional consensus on accomplished practice in each field of teaching.

What Teachers Should Know and Be Able to Do

National Board for Professional Teaching Standards®

What Teachers Should Know and Be Able to Do

In this policy, the National Board presents its view of what teachers should know and be able to do-its convictions about what it values and believes should be honored in teaching. This expression of ideals guides all of the National Board's standards and assessment processes.

The fundamental requirements for proficient teaching are relatively clear: a broad grounding in the liberal arts and sciences; knowledge of the subjects to be taught, of the skills to be developed, and of the curricular arrangements and materials that organize and embody that content; knowledge of general and subject-specific methods for teaching and for evaluating student learning; knowledge of students and human development; skills in effectively teaching students from racially, ethnically, and socioeconomically diverse backgrounds; and the skills, capacities and dispositions to employ such knowledge wisely in the interest of students.

This enumeration suggests the broad base for expertise in teaching but conceals the complexities, uncertainties and dilemmas of the work. The formal knowledge teachers rely on accumulates steadily, yet provides insufficient guidance in many situations. Teaching ultimately requires judgment, improvisation, and conversation about means and ends. Human qualities, expert knowledge and skill, and professional commitment together compose excellence in this craft.

The National Board has led the vanguard effort to develop professional standards for elementary and secondary school teaching. The National Board Certified Teachers® stand for professionalism in the schools. The National Board's responsibility is not only to ensure that teachers who become National Board Certified meet its professional standards of commitment and competence, but also to maintain standards and assessments that are so well regarded that America's accomplished teachers will decide to seek National Board Certification.

What Teachers Should Know and Be Able to Do

National Board for Professional Teaching Standards®

Policy Position (Five Core Propositions)

The National Board for Professional Teaching Standards seeks to identify and recognize teachers who effectively enhance student learning and demonstrate the high level of knowledge, skills, abilities and commitments reflected in the following five core propositions.

1. Teachers are committed to students and their learning.

Accomplished teachers are dedicated to making knowledge accessible to all students. They act on the belief that all students can learn. They treat students equitably, recognizing the individual differences that distinguish one student from another and taking account of these differences in their practice. They adjust their practice based on observation and knowledge of their students' interests, abilities, skills, knowledge, family circumstances and peer relationships.

Accomplished teachers understand how students develop and learn. They incorporate the prevailing theories of cognition and intelligence in their practice. They are aware of the influence of context and culture on behavior. They develop students' cognitive capacity and their respect for learning. Equally important, they foster students' self-esteem, motivation, character, civic responsibility and their respect for individual, cultural, religious and racial differences.

2. Teachers know the subjects they teach and how to teach those subjects to students.

Accomplished teachers have a rich understanding of the subject(s) they teach and appreciate how knowledge in their subject is created, organized, linked to other disciplines and applied to real-world settings. While faithfully representing the collective wisdom of our culture and upholding the value of disciplinary knowledge, they also develop the critical and analytical capacities of their students.

Accomplished teachers command specialized knowledge of how to convey and reveal subject matter to students. They are aware of the preconceptions and background knowledge that students typically bring to each subject and of strategies and instructional materials that can be of assistance. They understand where difficulties are likely to arise and modify their practice accordingly. Their instructional repertoire allows them to create multiple paths to the subjects they teach, and they are adept at teaching students how to pose and solve their own problems.

3. Teachers are responsible for managing and monitoring student learning.

Accomplished teachers create, enrich, maintain and alter instructional settings to capture and sustain the interest of their students and to make the most effective use of time. They also are adept at engaging students and adults to assist their teaching and at enlisting their colleagues' knowledge and expertise to complement their own. Accomplished teachers command a range of generic instructional techniques, know when each is appropriate and can implement them as needed. They are as aware of ineffectual or damaging practice as they are devoted to elegant practice.

They know how to engage groups of students to ensure a disciplined learning environment, and how to organize instruction to allow the schools' goals for students to be met. They are adept at setting norms for social interaction among students and between students and teachers. They understand how to motivate students to learn and how to maintain their interest even in the face of temporary failure.

What Teachers Should Know and Be Able to Do

National Board for Professional Teaching Standards®

Accomplished teachers can assess the progress of individual students as well as that of the class as a whole. They employ multiple methods for measuring student growth and understanding and can clearly explain student performance to parents.

4. Teachers think systematically about their practice and learn from experience.

Accomplished teachers are models of educated persons, exemplifying the virtues they seek to inspire in students - curiosity, tolerance, honesty, fairness, respect for diversity and appreciation of cultural differences - and the capacities that are prerequisites for intellectual growth: the ability to reason and take multiple perspectives to be creative and take risks, and to adopt an experimental and problem-solving orientation.

Accomplished teachers draw on their knowledge of human development, subject matter and instruction, and their understanding of their students to make principled judgments about sound practice. Their decisions are not only grounded in the literature, but also in their experience. They engage in lifelong learning which they seek to encourage in their students.

Striving to strengthen their teaching, accomplished teachers critically examine their practice, seek to expand their repertoire, deepen their knowledge, sharpen their judgment and adapt their teaching to new findings, ideas and theories.

5. Teachers are members of learning communities.

Accomplished teachers contribute to the effectiveness of the school by working collaboratively with other professionals on instructional policy, curriculum development and staff development. They can evaluate school progress and the allocation of school resources in light of their understanding of state and local educational objectives. They are knowledgeable about specialized school and community resources that can be engaged for their students' benefit, and are skilled at employing such resources as needed.

Accomplished teachers find ways to work collaboratively and creatively with parents, engaging them productively in the work of the school.

What Teachers Should Know and Be Able to Do

National Board for Professional Teaching Standards®

Supporting Statement

We each remember the great teachers who touched our lives, kindled our interest and pressed us to do our best. We hold powerful images of such teachers. They exhibited a deep caring and love for children. They conveyed a passion for the subjects they taught, captivating their students with that passion. They approached their work with creativity and imagination, striving constantly to improve. As committed professionals, they were proud to be teachers.

The images of teaching that we share are deceptive as well as compelling. They emphasize teaching's external aspects, not its inner workings. If we fondly recall the great teachers of our past, we also typically see teaching as a humble undertaking. It concerns itself with the least powerful age group in society. It involves such seemingly routine activities as arranging seatwork, lecturing, reviewing and responding to students' efforts, and disciplining their behavior.

Historically, there is an enduring constancy in the organization of schools, of classrooms and of teaching itself. Self-contained classrooms, whole-group, textbook-centered instruction, teaching as telling, learning as the passive acquisition of facts, standardized testing – these patterns of schooling are as familiar as chalk dust. They constitute an unintended national curriculum that, as an unrelieved diet, does not adequately serve the educational needs of a diverse and dynamic society. Good teachers, of course, depart in many ways from these routines.

These pervasive images underestimate teaching's complexities and freeze the enterprise into forms that overlook its non-routine nature and the importance of independent professional judgment in the life of the accomplished teacher. But teaching is work of the most demanding sort, for teachers must make dozens of decisions daily, command a wide body of knowledge and skill, learn to react instantly, and be disposed to act wisely in difficult situations. And while there are principles and precepts, skills and techniques, to guide the work, teaching is also an activity with artistic aspects, a craft calling for reflection and judgment.

Although complicated, teaching nonetheless evokes simple, reductionist analysis. Much of the discourse on teaching and learning pulls apart what must be joined in practice. Chroniclers of teaching, for example, often assign the teacher's primary loyalty to the student or to the subject, with elementary teachers often characterized as "student-centered" and secondary teachers seen as "subject-centered." This dichotomy is false. Sound teaching merges commitment to students with allegiance to knowledge at all grade levels. All teachers must uphold the claims of knowledge, yet strive to build spacious avenues from such knowledge to students' understanding.

There is likewise a tendency to frame teaching either in terms of imparting valuable knowledge or as encouraging the acquisition of skills. But knowledge and skill are not disjoint. Knowledge – in the form of specific facts and organizing principles – is necessary to the exercise of most skills, just as a range of skills is necessary to the acquisition and construction of knowledge. Knowledge and skill cannot be pulled apart, nor can one assume pride of place over the other.

Another commonplace fallacy is to distinguish "basic" from "higher-order" skills, and to regard mastery of the basics as a precondition to advanced forms of reasoning and functioning. Accomplished teachers realize that higher-order thinking is the hallmark of successful learning at all levels. Students, for example, cannot become good writers without engaging in complex problem-solving processes, nor can they effectively learn basic mathematics simply by memorizing rules for manipulating numbers. There can be no neat division of teaching labor along a basic-to-

advanced skills continuum. All teachers must concern themselves with higher-order skills, with the executive functions of reasoning, and with students' capacities to monitor their own learning.

To unify these dichotomies in practice however, requires skill, wisdom and judgment. Accomplished teachers constantly assess and adjust their practice to maintain fidelity to students and to subjects, to knowledge and to skills, and to basic and advanced functions. Professionalism in teaching entails the ongoing pursuit of these unities. Hence, teachers regularly find themselves confronting hard choices -- sometimes sacrificing one goal for another, sometimes making compromises.

While teaching demands crisp reasoning and few settings yield to only a single approach, teachers do not have free rein to select any approach that strikes them as felicitous. Rather, their choices are anchored in their own experience and in the settled ground of the knowledge base that defines both efficacious and flawed practice. Being able to apply steady, disciplined judgment and reflective scrutiny within the bounds set by this constantly expanding body of knowledge is the hallmark of professionalism in teaching. As such, these values will be found at the heart of the standards the National Board will promulgate.

On the Commitment to Professionalism in Teaching

As its title indicates, the National Board is committed to professional standards for teaching. The term "professional" is an honorific in our society, and denotes occupations characterized by certain attributes. Chief among these are a body of specialized, expert knowledge together with a code of ethics emphasizing service to clients. The knowledge base typically provides substantial, but not complete, guidance for professional practice. Professionals possess expert knowledge, but often confront unique, problematic situations that do not lend themselves to formulaic solutions. Professionals must cultivate the ability to cope with the unexpected and act wisely in the face of uncertainty.

Professionals deal with urgent human problems: matters of life and death, justice, hope and opportunity. Essential to their work is the trust of clients. What warrants such trust is the obligation, upheld within the community of professionals, to pursue an ethic of service and to employ special knowledge and expertise in the interests of their clients.

These general observations apply to teaching, but with important distinctions. While teachers employ their knowledge and skill on students, they also strive to empower students to continue the quest for understanding, so that one day the pupil may surpass the instructor. In this regard, teaching is the most democratic of professions. It aims to place within the hands, head and hearts of students the means for them to teach themselves.

The ethical dimensions of teaching also distinguish it from other professions. Unique demands arise because the client's attendance is compulsory and, more importantly, because the clients are children. Thus, elementary, middle and high school teachers are obligated to meet a stringent ethical standard. Other ethical demands derive from the teacher's role as a model of an educated person. Teaching is a public activity; a teacher works daily in the gaze of his or her students, and the extended nature of their lives together in schools places special obligations on the teacher's behavior. Students learn early to read and draw lessons from their teachers' characters. Teachers, consequently, must conduct themselves in a manner students might emulate. Their failure to practice what they preach does not long elude students, parents or peers. Practicing

with this additional dimension in mind calls for a special alertness to the consequences of manner and behavior. Standards for professional teaching ought, therefore, to emphasize its ethical nature.

What the National Board Will Value in Teaching

The rich amalgam of knowledge, skills, dispositions and beliefs that will characterize National Board Certified teachers are clustered under the five core propositions presented above. What follows is an elaboration of these principles that go to the heart of the National Board's perspective on accomplished teaching.

What Teachers Should Know and Be Able to Do

National Board for Professional Teaching Standards®

Proposition #1: Teachers are Committed to Students and Their Learning

Fundamental to the teacher's credo is the belief that all students can learn. Furthermore, they act on that belief. Accomplished teachers like young people and are dedicated to and skilled at making knowledge accessible to all students, even as they acknowledge their distinctive traits and talents. Success depends on teachers' belief in the dignity and worth of all human beings and in the potential that exists within each child. Teachers typically do not work one-on-one with students for extended periods of time because they are responsible for groups. But within this constraint, they are attentive to human variability and its influence on learning.

Teachers Recognize Individual Differences in Their Students and Adjust Their Practice Accordingly

To respond effectively to individual differences, teachers must know many things about the particular students they teach: Alex has a stutter, Maria loves science fiction, Toby is anxious about mathematics, Marcus is captivated by jazz. But accomplished teachers know much more - whom their students go home to at night, how they have previously performed on standardized tests, what sparks their interest. This kind of specific understanding is not trivial, for teachers use it constantly to decide how best to tailor instruction.

As diagnosticians of students' interests, abilities and prior knowledge, skillful teachers learn to "read" their students. When planning a unit on aging, for example, they will anticipate what concepts and activities certain students may find problematic. Watching a student work on a computer, they will look for signs of progress. By keeping a finger on the pulse of the class, teachers decide when to alter plans, work with individual students, or enrich instruction with additional examples, explanations or activities.

Proficient teachers learn from their experiences. They learn from listening to their students, from watching them interact with peers, and from reading what they write. The information they acquire about students in the course of instruction subsequently becomes part of their general knowledge of education. Such monitoring and learning is no easy feat. What teachers are able to see, hear and learn is colored by their own prior knowledge and experience. Thus teachers must, in their efforts to work with children different than themselves, monitor both what they see and hear, and what is not so close to the surface. They must strive to acquire a deep understanding of their students and the communities from which they come that shape students' outlooks, values and orientations toward schooling.

Teachers Have an Understanding of How Students Develop and Learn

In addition to particular knowledge of their students, teachers use their understanding of individual and social learning theory, and of child and adolescent development theory, to form their decisions about how to teach. They are familiar with the concepts generated by social and cognitive scientists that apply to teaching and learning. Moreover, they integrate such knowledge with their personal theories of learning and development generated from their own practice. For example, accomplished teachers know that old theories of a monolithic intelligence have given way to more complex theories of multiple intelligences. Current thinking no longer casts "intelligence" as a context-free, one-dimensional trait. Instead, it recognizes different kinds of intelligence - linguistic, musical, mathematical, spatial, kinesthetic, personal. This perspective also holds that there are variations in the sources of intelligence (e.g., practical experience versus formal study) and the forms of intelligence (e.g., procedural skills versus propositional knowledge).

Both their knowledge of these theories and their experiences in classrooms have taught teachers that each student has different strengths, perhaps even gifts. Teachers think about how to capitalize on these assets as they consider how best to nurture additional abilities and aptitudes.

Moreover, teachers recognize that behavior always takes place within a particular setting that, to some extent, defines the behavior. They know, for instance, that students who cannot flawlessly recite multiplication tables may still be able to multiply in other contexts (e.g., in calculating whether they have enough money for items at the grocery store). Accomplished teachers are aware that school settings sometimes obscure a clear vision of students' aptitudes and intelligences. Therefore, they strive to provide multiple contexts in which to promote and evaluate those abilities.

They also recognize the ways in which intelligence is culturally defined. That is, what is considered intelligent behavior is largely determined by the values and beliefs of the culture in which that behavior is being judged. Accomplished teachers recognize that in a multicultural nation students bring to the schools a plethora of abilities and aptitudes that are valued differently by the community, the school and the family. The knowledge, skills, abilities and dispositions that are nurtured in a Native American community in the state of Washington will differ from those valued in an Hispanic community in Florida. Likewise, those cultivated by a suburban community in Utah will differ from those developed in urban New York. Thus, teachers are attuned to the diversity that is found among students and develop an array of strategies for working with it. This includes providing educational experiences which capitalize on and enlarge the repertoires of learning and thinking that students bring to school.

Teachers Treat Students Equitably

As stewards for the interests of students, accomplished teachers are vigilant in ensuring that all pupils receive their fair share of attention, and that biases based on real or perceived ability differences, handicaps or disabilities, social or cultural background, language, race, religion, or gender do not distort relationships between themselves and their students. This, however, is not a simple proposition. Accomplished teachers do not treat all students alike, for similar treatment is not necessarily equivalent to equitable education. In responding to differences among students, teachers are careful to counter potential inequities and avoid favoritism. This requires a well-tuned alertness to such matters and is difficult, as we have only modest knowledge of human differences and how best to respond to them. Hence, accomplished teachers employ what is known about ineffectual and effective practice with diverse groups of students, while striving to learn more about how best to accommodate those differences.

Teachers' Mission Extends Beyond Developing the Cognitive Capacity of Their Students

Teachers are concerned with their students' self-concept, with their motivation, with the effects of learning on peer relationships, and with the development of character, aspiration and civic virtues. These aspects of the student – important as they are in their own right – are also essential to intellectual development. Proficient teachers consider students' potential in this broader sense when making decisions about what and how to teach.

Proposition #2: Teachers Know the Subjects They Teach and How to Teach Those Subjects to Students

If one cardinal precept of teaching is a commitment to the welfare and education of young people, the other is a commitment to subject matter. Accomplished teachers are dedicated to exposing students to the social, cultural, ethical and physical worlds in which they live, and they use the subjects they teach as entrees into those worlds. Thus, elementary teachers know about geography and its relationship to commerce and history. Foreign language teachers know how language and culture interact and fuse. But, it is not sufficient that teachers know the facts that fall into these different content domains. Understanding subject matter entails more than being able to recite lists of dates, multiplication tables, or rules of grammar.

Teachers Appreciate How Knowledge in Their Subjects is Created, Organized and Linked to Other Disciplines

Teachers in command of their subject understand its substance - factual information as well as its central organizing concepts - and the ways in which new knowledge is created, including the forms of creative investigation that characterize the work of scholars and artists.

Physics teachers know about the roles played by hypothesis generation and experimentation in physics; mathematics teachers know the modes of justification for substantiating mathematical claims; art teachers understand how visual ideas are generated and communicated; history teachers know how historians use evidence to interpret past events; and English teachers understand the relationships among reading, writing and oral language. Many special education teachers have a slightly different orientation - focusing on skill development as they work to help moderately and profoundly handicapped students achieve maximum independence in managing their lives.

Understanding the ways of knowing within a subject is crucial to the National Board Certified teacher's ability to teach students to think analytically. Critical thinking does not occur in the abstract, for the thinker is always reasoning about something. Proficient teachers appreciate the fundamental role played by disciplinary thinking in developing rich, conceptual subject-matter understandings. They are dedicated to exposing their students to different modes of critical thinking and to teaching students to think analytically about content.

Teachers represent the collective wisdom of our culture and insist on maintaining the integrity of the methods, substance and structures of disciplinary knowledge. In the face of pressures to portray knowledge in weak and diluted forms, they remain firm. Their role, however, is not just to reinforce the status quo. Rather, appreciative of the fact that there are multiple perspectives and interpretations in each discipline, accomplished teachers encourage students to question prevailing canons and assumptions to help them think for themselves.

It is sometimes assumed that elementary school teachers need not be equipped to approach their subjects critically. But all accomplished teachers, regardless of the ages of their students, are charged with teaching students about something, and in order to do so, they must appreciate its complexity and richness. Teachers must possess such knowledge if they are to help their students develop higher-order thinking skills - the hallmark of accomplished teaching at any level. Being able to engage elementary school children in the broad array of subjects they can profitably come to appreciate makes elementary school practice especially challenging. This does not imply

that fourth-grade teachers should have the same command of biology as high school biology teachers. However, it does mean that they have an understanding of science that allows them to present basic precepts to their students and introduce them to the joy of discovering - and thinking about - the natural world of which they are a part.

Teachers Command Specialized Knowledge of How to Convey a Subject to Students

Knowledge of subject matter is not synonymous with knowledge of how to reveal content to students so they might build it into their systems of thinking. Accomplished teachers possess what is sometimes called "pedagogical content knowledge." Such understanding is the joint product of wisdom about teaching, learning, students and content. It includes knowledge of the most appropriate ways to present the subject matter to students through analogies, metaphors, experiments, demonstrations and illustrations. Subject-specific knowledge also includes an awareness of the most common misconceptions held by students, the aspects that they will find most difficult, and the kinds of prior knowledge, experience and skills that students of different ages typically bring to the learning of particular topics. Proficient science teachers, for example, know that some students have misconceptions about gravity that can influence their learning, while proficient art and music teachers know that young children arrive at school at various stages of maturity with respect to eye-hand coordination. Teachers use this knowledge of their students to structure instruction that facilitates further development.

Thus, subject-specific pedagogical knowledge is not a bag of tricks, but a repertoire of representations that combines instructional techniques with subject matter in ways that take into account the mix of students and school contexts that confront the teacher. Such subject-specific teaching knowledge embodies a way of reasoning through and solving the problems that arise in the daily work of teachers - decisions ranging from what aspects of the subject matter to emphasize to decisions about how to pace instruction. In making these choices, teachers bring to bear their knowledge of students and learning and teaching and subject matter.

Professional teachers' instructional repertoires also include knowledge of available curricular resources such as primary sources, models, reproductions, textbook series, teachers' guides, videotapes, computer software and musical recordings. Their commitment to learning about new materials includes keeping abreast of technological developments that have implications for teaching; for example, how to engage students in the rapidly expanding field of computer technology, as well as how to use the computer to enhance their own teaching. Thus, able teachers keep current with the growing body of curricular materials - including literature available through their professional organizations - and constantly evaluate the usefulness of those materials based on their understanding of curriculum theory, of students, of subject matter, and of the school's and their own educational aims.

Teachers Generate Multiple Paths to Knowledge

Knowledgeable teachers are aware there is value in both structured and inductive learning. That is, while it is useful to teach students about the concepts and principles that scholars have generated in the various disciplines, it is also valuable to engage students in learning by discovery, where they themselves search for problems, patterns and solutions. Proficient teachers help students learn to pose problems and work through alternative solutions, in addition to teaching them about the answers that others have found to similar problems.

The posing and solving of problems on their own is central to the development of true understanding by students - moving far beyond the rote memorization of facts, the easy manipulation

of formulas or the facile playing of a musical scale. Teaching for understanding requires students to integrate aspects of knowledge into their habits of thinking, rather than simply store fragmented knowledge bits. It also means learning to think in a nonlinear way, approaching issues from different angles, weighing multiple criteria and considering multiple solutions. Thus, in the eyes of the proficient teacher, "knowledge" is not conceived narrowly as a lower-level form of understanding. Rather, knowledge is cast in the richest light - as a combination of skills, dispositions, propositions and beliefs - integrated and flexible, elaborate and deep. Furthermore, understanding involves the ability to apply such knowledge to problems never before encountered by teacher or student. Accomplished teachers appreciate that this is the kind of knowledge and understanding that counts, and that this type of learning cannot be rushed.

What Teachers Should Know and Be Able to Do

National Board for Professional Teaching Standards®

Proposition #3: Teachers are Responsible for Managing and Monitoring Student Learning

Professional teachers hold high expectations for all students and see themselves as facilitators of student learning. To fulfill these responsibilities, teachers must create, enrich and alter the organizational structures in which they work with young people. They also find ways to capture and sustain the interest of their students. Because time is a precious commodity in schools, teachers attempt to make the most efficient use of it. To accomplish these tasks, teachers seek to master the body of generic pedagogical knowledge.

Teachers Call on Multiple Methods to Meet Their Goals

Accomplished teachers know and can employ a variety of generic instructional skills -- how to conduct Socratic dialogues, how to lecture, how to oversee small cooperative learning groups. Although much of instruction is determined by the content to be taught, there are some commonalities about teaching methods that guide their practice. They are aware of what can reasonably be covered in a 45-minute roundtable discussion, when to hold back and let students figure out their own solutions, and what types of questions provoke the most thoughtful conversation. But it is not sufficient that teachers know about different modes of instruction; they must also know how to implement those strategies. Traditional distinctions between knowing and doing have obscured the fact that thought and action interpenetrate in teaching -- knowing about something and knowing how to do something are both forms of understanding central to teaching.

Because students vary in learning styles and because different settings afford differing learning opportunities, accomplished teachers know when and how to alter the social and physical organizational structure of the learning environment. It is not enough to be a master lecturer, for there are many times when lecturing is not an effective way to teach. An outdoor experiment, a mock trial or an economic simulation, for example, may be more appropriate. Alternatively, a playlet or a debate might be a more effective way to engage students in thinking and learning. Teachers know about the breadth of options available to them, such as innovative instructional formats that involve discovery learning, conceptual mapping, brainstorming, working with computers, as well as more traditional tried-and-true methods.

Teachers not only have the opportunity to vary instructional settings and to employ a range of instructional materials, they also have the opportunity to call on various human resources to custom-tailor the working environment for students. Accomplished teachers know how to mobilize students to tutor their peers and how to engage aides and volunteers as teaching assistants. In schools where staffing arrangements are not fixed and inflexible, teachers also have a good appreciation of their colleagues' skills and the circumstances in which their colleagues' talents can best complement their own. Professional teachers wisely enlist the knowledge and expertise of their fellow faculty members in a variety of ways as they seek to provide their students with as rewarding a learning experience as possible.

Accomplished teachers also know the strengths and weaknesses of these options, and their suitability or incompatibility for certain students and groups. The settings that a teacher chooses are not just matters of personal preference, but are grounded in the literature of teaching. Teaching, to the accomplished teacher, is an elegant web of alternative activities in which students are engaged with the content; sometimes with the teacher, sometimes with each other, sometimes alone.

What Teachers Should Know and Be Able to Do

National Board for Professional Teaching Standards®

Teachers Orchestrate Learning in Group Settings

Teachers know how to manage groups of students. They are responsible for setting forth the social norms by which students and teachers act and interact, helping students learn to adopt appropriate roles and responsibilities for their own learning and that of their peers. This includes teaching students to work independently without constant direct supervision by a teacher.

Accomplished teachers have developed systems for overseeing their classrooms so that students and teacher alike can focus on learning, not on controlling disruptive behavior. Discipline and management techniques vary, and no one system has been proven most effective. Hence, proficient teachers consider the desired learning results, their knowledge of their students and the social context, and their own prior experience in selecting management strategies.

Teachers also know that different instructional formats often require different norms of social interaction. Accomplished teachers can alternate among organizational arrangements and understand how different structures cast students and teachers in different roles. Applying their knowledge of the relative strengths and weaknesses of different structures, they weigh these considerations when deciding which instructional strategy and organizational structure will best enhance student learning. They also continually search for new forms of organization that may expand their repertoire and prove effective.

Teachers Place a Premium on Student Engagement

Facilitating student learning is not simply a matter of placing young people in educative environments, for teachers must also motivate them, capturing their minds and hearts and engaging them actively in learning. Thus, the National Board Certified teacher understands the ways in which students can be motivated and has strategies to monitor student engagement. The teacher's role in building upon student interests and in sparking new passions is central to building bridges between what students know and can do and what they are capable of learning.

Proficient teachers also know that motivating students is not always equivalent to making learning fun, for learning can be difficult work. Developing an acute sense of one's body in dance, for example, requires intense intellectual and physical concentration. Writing a short story requires drafting and re-drafting, editing and re-editing, occasionally submitting oneself to the critiques of peers and teachers. To practice effectively, teachers need to know how to encourage students even in the face of temporary failure and the inevitable doubts that students meet as they push themselves to new affective, intellectual and physical planes. With such learning comes the real joy in education, the satisfaction of accomplishment.

Teachers Regularly Assess Student Progress

While teachers are not always the central actors in their students' educational experiences, they are ultimately responsible for the creation and maintenance of those experiences and bear a considerable responsibility for what students learn at school. Proficient teachers, therefore, can judge the relative success of the activities they design. They can track what students are learning (or not learning), as well as what they, as teachers, are learning.

Assessment in teaching is not a simple task; teachers must monitor the successes and failures of individual students and evaluate their classes as collectives of learners. Additionally, they make judgments about themselves as teachers in relation to those students and classes. Although these judgments are interdependent of one another, they are not necessarily synonymous. One of the essential tensions of teaching is that teachers teach individual students, while managing groups.

What Teachers Should Know and Be Able to Do

National Board for Professional Teaching Standards®

Accomplished teachers do not treat a class as a monolith. They know that a class does not learn; individual students do. But individuals neither learn the same things, nor learn at the same pace.

Accomplished teachers use information about how the students in their classes are doing "on average" as a guide to making judgments about the relative success or failure of an instructional strategy. But they do not forget that there are few average students. They know that some students have moved far beyond that "average" evaluation, while others trail. And while they have to make decisions about what to do with the class as a whole, proficient teachers find ways to accommodate what they know about individual students and what they are learning in their plans for the whole group.

Accomplished teachers understand that the purposes, timing and focus of an evaluation affect its form. They are astute observers of students - their movements, their words and their minds. Teachers track student progress with a variety of evaluation methods, each with its own set of purposes, strengths and weaknesses. Their knowledge extends to creating their own, sometimes innovative, tools for evaluation, including portfolios, videotapes, demonstrations and exhibitions. In addition, they may use more traditional measures such as quizzes or exams. Sometimes teachers ask questions in the middle of a group discussion in order to assess how well students are following the presentation of information; or they may talk individually with students while they are engaged in independent work. At other times they watch their students' behavior as they read to each other or work in the laboratory.

Teachers frequently do not assign grades, for evaluation is not always for the purpose of recording grades; rather, it allows students and teachers to assess where they stand. Teachers also assess students to determine how much they have learned from a unit of instruction, be it a week on seeds, a semester of photography, or a year of athletic training. Student responses then contribute to teachers' decisions about whether to reteach, review or move on. By continually adding to their repertoire of methods for assessing what students have learned, as well as constantly monitoring student progress, accomplished teachers are able to provide constructive feedback to students, parents and themselves. Finally, such teachers help their students to engage in self-assessment, instilling in them a sense of responsibility for monitoring their own learning.

Teachers Are Mindful of Their Principal Objectives

Teachers also know about planning instruction - identifying and elaborating educational objectives, developing activities to help them meet their goals and drawing upon resources that will serve their purposes. Experienced teachers do not all plan alike. Some do not write elaborate plans prior to teaching, having automated their planning through years of experience in classrooms. Other teachers plan in detail (e.g., creating individual educational plans for special education students). No matter what form their final plans take - scribbles on a scrap of paper or lengthy and detailed outlines accomplished teachers can clearly articulate their goals for students.

Proposition #4: Teachers Think Systematically About Their Practice and Learn from Experience

As with most professions, teaching requires an open-ended capacity that is not acquired once and for all. Because they work in a field marked by many unsolved puzzles and an expanding research base, teachers have a professional obligation to be lifelong students of their craft, seeking to expand their repertoire, deepen their knowledge and skill, and become wiser in rendering judgments. Accomplished teachers are inventive in their teaching and, recognizing the need to admit new findings and continue learning, stand ready to incorporate ideas and methods developed by others that fit their aims and their students. What exemplifies excellence, then, is a reverence for the craft, a recognition of its complexities, and a commitment to lifelong professional development.

Teachers Are Continually Making Difficult Choices That Test Their Judgment

The demands of teaching often present stiff challenges that do not lend themselves to simple solutions. Conflicting objectives regularly require teachers to fashion compromises that will satisfy multiple parties. A Western Civilization teacher, for example, attempting to reconcile demands for coverage with demands for indepth understanding, will do what is necessary to race from Plato to NATO, yet set aside time to develop in students the understanding that history is evolutionary rather than a series of events strung together chronologically. Likewise, a third-grade teacher will find a way to introduce students to the idea that writing is a thinking process, while ensuring that students are learning the basics of spelling and grammar.

Teachers also face choices that force them to sacrifice one goal for another. For instance, teachers who are committed to teaching mathematics for conceptual understanding want to teach students to see number relationships in the real world, to represent them with appropriate symbols, and to use their knowledge of mathematical formulas and computational skills to manipulate those numbers. Such teaching requires giving students time to frame their own problems, find their own solutions, and compare those solutions with alternatives posed by their classmates. Students who have learned through experience that math class involves filling out worksheets and doing problem sets may dislike the uncertainty inherent in problems with multiple or no solutions; they may be troubled that their teacher now wants them to discuss the reasons why a particular solution makes sense. Abandoning speed and accuracy as the criterion of success may temporarily jeopardize students' performance on standardized tests, even as the teacher fosters growth in the depth of students' mathematical competence. In deciding to teach in this way, a teacher risks alienating students, parents and administrators who have their own strong ideas of what math class is supposed to look like and the kind of competence it is supposed to yield.

Such circumstances call on teachers to employ their professional knowledge of what makes for sound practice, with the interest of their students given paramount consideration. While more than one satisfactory path may be derived to balance non-complementary objectives, the teacher's decision will be grounded in established theory and reasoned judgment.

Teachers Seek the Advice of Others and Draw on Education Research and Scholarship to Improve Their Practice

Aware that experience is not always a good teacher, proficient teachers search out other opportunities that will serve to cultivate their own learning. As savvy students of their own teaching, they know the value of asking others to observe and offer a critique of their teaching. They also know the value of writing about their work and of soliciting reactions from parents and students.

Thus, masterful teachers develop specialized ways to listen to their students, colleagues and administrators, and reflect on their teaching in order that they might improve their practice.

Able teachers are also students of education scholarship and are cognizant of the settled and unsettled territory in their field. They stay abreast of current research and, when appropriate, incorporate new findings into their practice. They take advantage of teacher centers and special conferences and workshops. They might conduct and publish their own research, if so inclined, for testing of new approaches and hypotheses is a commonplace habit among adept teachers, even if a normally overlooked and undocumented one.

Wise teachers understand the legitimacy and limitations of the diverse sources that inform teaching and they continuously draw upon them to enrich their teaching. Their enthusiasm for, and commitment to, continued professional development exemplifies a disposition they hope to nurture in students. Hence, the thinking, reasoning and learning that characterize first-rate teaching are doubly valuable: not only are thoughtful teachers able to teach more efficiently and effectively, they are also models for the critical, analytic thinking that they strive to develop in our youth. Teachers who are themselves exemplars of careful reasoning - considering purposes, marshaling evidence and balancing outcomes - are more likely to communicate to students the value and manner of such reasoning. Moreover, they model other dispositions and traits as well, such as a commitment to creativity in their work and the disposition to take risks in exploring new intellectual, emotional, physical or artistic territories.

Proficient teachers, then, are models of educated persons. Character and competence contribute equally to their educative manner. They exemplify the virtues they seek to impart to students: curiosity and a love of learning; tolerance and open-mindedness; fairness and justice; appreciation for our cultural and intellectual heritages; respect for human diversity and dignity; and such intellectual capacities as careful reasoning, the ability to take multiple perspectives, to question received wisdom, to be creative, to take risks, and to adopt an experimental and problem-solving orientation.

What Teachers Should Know and Be Able to Do

National Board for Professional Teaching Standards®

Proposition #5: Teachers are Members of Learning Communities

Teaching most commonly is regarded as the daily conduct of lessons and the provision of learning experiences. But the work of teaching reaches beyond the boundaries of individual classrooms to wider communities of learning. In order to take advantage of the broad range of professional knowledge and expertise that resides within the school, accomplished teachers have a range of duties and tasks outside the direct instruction of students that contribute importantly to the quality of the school and to student learning.

There are two broad areas of responsibility. One involves participation in collaborative efforts to improve the effectiveness of the school. The second entails engaging parents and others in the community in the education of young people.

Teachers Contribute to School Effectiveness by Collaborating with Other Professionals

Teaching is often portrayed as the implementation of policy and curriculum developed by others -- as following orders. The National Board advocates a more proactive and creative role for teachers: engaging them in the analysis and construction of curriculum, in the coordination of instruction, in the professional development of staff and in many other school-site policy decisions fundamental to the creation of highly productive learning communities.

While state authorities and local school district leadership establish broad goals, objectives and priorities for the schools, professional teachers share responsibility with colleagues and administrators for decisions about what constitutes valuable learning for students. This includes their participation in critically analyzing the school curriculum, identifying new priorities and communicating necessary changes to the school community. Teachers' knowledge of curriculum and their students are essential to discharging these responsibilities effectively. But a readiness to work collaboratively on such matters and not blindly accept curricular conventions is also necessary.

Accomplished teachers attend to issues of continuity and equity of learning experiences for students that require school-wide collaboration across the boundaries of academic tracks, grade levels, special and regular instruction and disciplines. Such boundaries, constructed as much out of traditional patterns of school organization as out of instructional rationales, are often dysfunctional and damaging to student learning. National Board Certified teachers cultivate a critical spirit in appraising such schooling commonplaces, together with a willingness to work with administrators toward school-wide improvements that can include revision of organizational as well as instructional features of schooling.

The development of curriculum and the coordination of instruction are particularly important functions shared among teachers and administrators. Proficient teachers collaborate in planning the instructional program of the school to assure continuity of learning experiences for students. They possess the interpersonal skills needed to work on teams and a willingness to work together in the interest of the school community. Their understanding of the technical requirements of a well-coordinated curriculum enables them to participate in planning and decision-making within teams, departments or other educational units outside the classroom, laboratory or studio.

Consonant with their role in curriculum planning and coordination, teachers are aware of the learning goals and objectives established by state and local authorities. Professional practice requires that teachers be knowledgeable about their legal obligation to carry out public policy as

represented by state statute and regulation, school board directives, court decisions and other policies.

Accomplished teachers also participate in the coordination of services to students. Today's schools include a wide variety of educational specialists, and with increasing specialization has come the need for coordination, lest pupils' educational experiences become fragmented. The increased practice of "mainstreaming" special-needs students to assure that they are being educated in the least restrictive environment has meant that general and special education teachers need to work with one another. Compensatory education programs typically involve teaching pupils outside regular school settings. The various forms of English as a second language, bilingual and English-immersion programs often require cooperation among teachers of non- and limited-English-speaking youth. National Board Certified teachers are adept at identifying students who might benefit from such special attention and at working in tandem with specialists.

In addition to working on the improvement of school-wide curricula and the coordination of instruction, teachers work together to strengthen their teaching. Sometimes they observe each other teach; at other times they engage in discussions about teaching; and occasionally they collaborate in trying out new instructional strategies. While the particulars of how teachers choose to improve their instruction will vary according to the structure of opportunity and a teacher's dispositions and interests, the principle underlying such engagement is the continuous pursuit of teaching excellence in the company of peers.

Strong schools emphasize a process of continuous improvement. They are organized to find and solve problems and to locate, invent and experiment with different methods of instruction and school organization. Teachers within such schools work not only on professional development, but also on school-wide improvements. This expectation is part of what constitutes a professional orientation to teaching and part of what distinguishes the professional teacher.

The conventional image of the accomplished teacher as solo performer working independently with students is narrow and outdated. Committed career teachers assume responsibility in cooperation with their administrators for the character of the school's instructional program. They are team players willing to share their knowledge and skill with others and participate in the ongoing development of strong school programs. This participation may take many forms, such as mentoring novices, serving on school and district policy councils, demonstrating new methodologies, engaging in various forms of scholarly inquiry and artistic activity, or forming study groups for teachers.

Teachers Work Collaboratively with Parents

Teachers share with parents the education of the young. They communicate regularly with parents and guardians, listening to their concerns and respecting their perspective, enlisting their support in fostering learning and good habits, informing them of their child's accomplishments and successes, and educating them about school programs. Kindergarten teachers, for example, can help parents understand that reading stories to their children is more important to literacy development than completing worksheets on letters.

In the best of all worlds, teachers and parents are mutually reinforcing partners in the education of young people. But three circumstances complicate this partnership. First, the interests of parents and schools sometimes diverge, requiring teachers to make difficult judgments about how best to fulfill their joint obligations to their students and to parents. Second, students vary in the degree and kind of support they receive at home for their school work. The effects of

culture, language, and parental education, income and aspirations influence each learner. Teachers are alert to these effects and tailor their practice accordingly to enhance student achievement. However, when faced with an unavoidable conflict, the teacher must hold the interest of the student and the purposes of schooling paramount. Third, the behavior and mind-set of schools and families can be adversarial. Some parents are distrustful of the school's values, and the schools sometimes underestimate the family's potential to contribute to their children's intellectual growth. Students get caught in the middle, their allegiance to and affection for each party challenged by the other. Accomplished teachers develop skills and understandings to avoid these traditional pitfalls and work to foster collaborative relationships between school and family.

The changing family structure in our society creates new challenges as well, for there are now more youth with single parents, working parents and parents with inadequate income. Thus, creating home-school partnerships has become more difficult for teachers and parents in many communities. In attempting to work creatively and energetically with families in the interest of students' development, able teachers acquire knowledge and understanding of individual students' lives outside school. A teacher's foremost responsibility is to the intellectual development of our youth, but they are mindful of the broad range of children's needs, including the need for guidance and the strong presence of caring and nurturing adults. This is a difficult set of obligations to fulfill. On the one hand, teachers are prepared neither by training nor by role to serve as parent surrogates or social workers. The distinctive mission of teaching is to promote learning, a complex undertaking in itself. On the other hand, education's broad and humane purposes do not admit any narrow specialization. Students' physical, emotional, and social well-being cannot be separated from their intellectual growth.

Teachers Take Advantage of Community Resources

Professional teachers cultivate knowledge of their school's community as a powerful resource for learning. The opportunities are many for enriching projects, lessons, and study: observing the city council in action; collecting oral histories from senior citizens; studying the ecology of the local environment; visiting a nearby planetarium; drawing the local architecture; or exploring career options on-site. Any community -- urban or rural, wealthy or poor -- can be a laboratory for learning under the guidance of an effective teacher. Moreover, within all communities there are valuable resources such as other teachers and students, senior citizens, parents, business people, and local organizations that teachers can engage to assist, enhance and supplement their work with students. Teachers need not teach alone.

Teachers also cultivate knowledge about the character of the community and its effects on the school and students. They develop an appreciation of ethnic and linguistic differences, of cultural influences on students' aspirations and expectations, and of the effects of poverty and affluence. Cultural and other discontinuities between home and school frequently can confound teachers' efforts to promote learning. Conversely, the cultural diversity represented in many communities can serve as a powerful resource in teaching about other cultures, in encouraging tolerance and understanding of human differences, and in promoting civic ideals. Accomplished teachers seek to capitalize on these opportunities and to respond productively to students' diverse backgrounds.

There is a balance here. Schools and teachers cannot alleviate all the social problems that they encounter. Yet teachers confront the human condition daily in all its variety, splendor and misery. They must be humane, caring and responsive to students and their problems, while they maintain a focus on their distinctive professional responsibilities.

Conclusion

Accomplished teaching involves making difficult and principled choices, exercising careful judgment and honoring the complex nature of the educational mission. Teachers employ technical knowledge and skill, yet must be ever mindful of teaching's ethical dimensions. The primary mission is to foster the development of skills, dispositions and understanding, while responding thoughtfully to a wide range of human needs and conditions. Teachers owe joint allegiance to the forms and standards of knowledge within and across disciplines and to the students they serve.

They must acquire and employ a repertoire of instructional methods and strategies, yet remain critical and reflective about their practice, drawing lessons from experience. Teachers' professional responsibilities focus on instructing the students in their immediate care, while they participate as well in wider activities within the school and in partnership with parents and the community.

Teaching is often portrayed as an activity that conserves valued knowledge and skills by transmitting them to succeeding generations. It is that and more. Teachers also have the responsibility to question settled structures, practices, and definitions of knowledge; to invent and test new approaches; and, where necessary, to pursue change of organizational arrangements that support instruction. As agents of the public interest in a democracy, teachers through their work contribute to the dialogue about preserving and improving society, and they initiate future citizens into this ongoing public discourse. In the development of its assessment procedures and certification standards, the National Board has sought to represent these ideals faithfully and comprehensively.

Assertations about what teachers should know sometimes conceal inadequacies in the current state of knowledge. In this respect, teaching is not unlike other professions where practitioners confront unavoidable uncertainty in their work. However, the knowledge base for teaching is growing steadily. Professional consensus and research findings have begun to provide authoritative support for knowledge related to many of the tasks, responsibilities and results of teaching. But much remains to be learned.

The National Board draws on existing knowledge in developing its standards but also relies on the professional judgment of accomplished teachers and scholars in designing its assessment procedures. Recognizing that new knowledge about teaching is continually being formulated, the National Board continually reviews its work to reflect new findings and to update its standards and assessments as appropriate.

The National Board also considers the effects of school context on standards for teaching. The very existence of a National Board suggests common standards that prevail across teaching's many settings. However, teaching in an Alaskan village exacts demands different from teaching in Chicago. Teachers in both settings, though, blend and adapt their knowledge of teaching with their knowledge of the community in which they work to ensure effective student learning. For accomplished teachers, the wisdom of practice that they accrue depends on the settings in which they work, the communities they serve, and the students they encounter.

The assessment procedures developed by the National Board take context into account in a variety of ways. This is achieved by the use of assessment formats such as essays, videotaping and reflective commentaries. The National Board offers National Board Certification to all qualified

teachers irrespective of the teaching environments in which they work. But the opportunities available to teachers to acquire and exercise many of the professional capacities and responsibilities endorsed by the National Board vary markedly from community to community. Some schools feature strong professional cultures whose norms support collaboration, innovative teaching, a high degree of collegiality, and participation in a broad array of professional activities. Other schools provide few such opportunities, and some even discourage such activity. To address this tension, the National Board's assessments acknowledge that there are multiple paths to meeting the standards, which take into account the diversity of teaching contexts.

These are the touchstones that guide the development of the National Board's certification standards and assessments. Our view of the responsibilities of the National Board Certified Teacher is deliberately complex and demanding, for this is how we see the work of American professional teachers, who are challenged to create excellence in education for all our nation's youth.

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NBPTS

National Office
1525 Wilson Blvd, Suite 500
Arlington, VA 22209

26555 Evergreen Rd, Suite 400
Southfield, MI 48076

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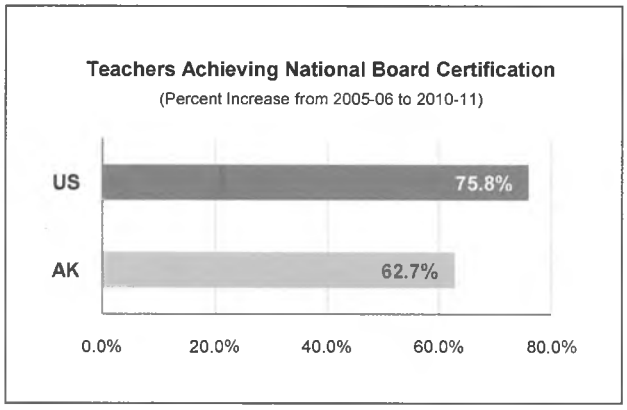
America's partner in growing great schools - 2011 Statistics for Alaska

In 2011, 6,266 teachers became National Board Certified Teachers (NBCTs) through NBPTS, bringing the total number of NBCTs nationwide to 97,291.



These accomplished teachers comprise approximately 3 percent of the national teaching force - more than half teach in high-need schools and 15 percent are certified in STEM-related areas. This year, 19 states had at least a 10 percent increase in the number of teachers earning certification over the prior year. Nineteen states have more than doubled the number of NBCTs in the past five years. In Washington and Wyoming, NBCT populations have more than quadrupled in the past five years. Research shows that students taught by Board Certified teachers consistently see the highest gains in achievement.

Here are the key 2011 statistics for Alaska.

Increase in Teachers Achieving National Board Certification*			
	Number in 2010-2011	% Increase	Total Number Certified
AK	14	11.6%	135
Total	6,266	6.9%	97,291

"As the nation focuses on building the strongest possible teaching workforce, National Board Certification is the gold standard in affirming excellence in the classroom. These highly qualified teachers are true 'nation builders,' and are the educators who are best positioned to lead the ground-up movement our schools need to reach their potential."

- Ron Thorpe, NBPTS president and CEO

Top Five School Districts Statewide (by total number certified)*		
School District	Number of New NBCTs	Total Number Certified
ANCHORAGE SCHOOL DISTRICT	6	59
FAIRBANKS NORTH STAR BOROUGH	6	34
MATANUSKA-SUSITNA BOROUGH	2	10
KENAI PENINSULA BOROUGH	0	5
SITKA SCHOOL DISTRICT	0	5

* Data reflects teachers' place of employment as self-reported in the NBPTS database. For more information on state data, contact Rita Pin Ahrens at rpahrens@nbpts.org

SB

84

<TARGET><BILL>SB 84</BILL><SUBJECT>SB
84</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/21/11

FURTHER:

DATE TURNED IN TO OFFICE: 4.6.11

Finance Committee considered SENATE BILL NO. 84

SB 84-VOC ED FUNDING/BASE STUDENT ALLOCATION

"An Act relating to funding for high school vocational education as a component of funding for public schools; increasing the base student allocation used in the public school funding formula; and providing for an effective date."

and recommends:

[√] be **replaced** with **CS** SB 84 (FIN) *[ ] Same Title [√] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____ Letter of Intent

[ ] further referral to _____ Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
SFIN	✓			
SFIN	✓			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	Egan	✓			
	McGuire	✓			
	Olson	✓			
	Ellis	X			
CO-CHAIR:	Hoffman				
CO-CHAIR:	Stedman	✓			

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version **CSSB 84 (FIN)**
() Publish Date

Identifier (file name)
Title "An Act relating to funding for high school vocational and
Sponsor Senate Finance Committee
Requester Senate Finance Committee

Dept. Affected DEED
Appropriation K-12 Support
Allocation AK Challenge Youth Academy
OMB Component Number 2837

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants	168.7						
Miscellaneous							
TOTAL OPERATING	**168.7**						
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	168.7						
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**168.7**						

Estimate of any current year (FY2011) cost 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by Darwin Peterson, Senate Finance Committee staff
Phone 465-3873
Date/Time 4/6/11 8:24 AM

Senator Bert Stedman, Co-Chair Senate Finance Committee
Date 4/6/2011
Senator Lyman Hoffman, Co-Chair Senate Finance Committee

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **CSSB 84 (FIN)**
() Publish Date

Identifier (file name)
Title: "An Act relating to funding for high school vocational and
Sponsor: Senate Finance Committee
Requester: Senate Finance Committee

Dept. Affected: DEED
Appropriation: K-12 Support
Allocation: Foundation Program
OMB Component Number: 141

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants	38,434.0						
Miscellaneous							
TOTAL OPERATING	**38,434.0**						
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	38,434.0						
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**38,434.0**						

Estimate of any current year (FY2011) cost 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by: Darwin Peterson, Senate Finance Committee staff
Phone: 465-3873
Date/Time: 4/6/11 8:17 AM

Senator Bert Stedman, Co-Chair Senate Finance Committee
Senator Lyman Hoffman, Co-Chair Senate Finance Committee
Date: 4/6/2011

(Revised 1/27/2011 OMB)

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. CSSB 84(FIN)

Analysis

School Finance schedule attached

Department of Education & Early Development
Prepared 3/4/2011

Prepared by School Finance

Fiscal Note #1
Bill No. CSSB 84(FIN) ver. T

School District	1.01 factor for Voc-Ed	$110 BSA Increase to $5,790	FY2012: Total State Aid Entitlement
Alaska Gateway	66,984	142,899	209,883
Aleutian Region	13,158	28,562	41,720
Aleutians East Borough	63,055	124,416	187,471
Anchorage	3,576,006	8,110,967	11,686,973
Annette Island	36,113	73,344	109,457
Bering Strait	352,640	713,603	1,066,243
Bristol Bay Borough	26,373	55,689	82,062
Chatham	28,878	57,804	86,682
Chugach	7,909	27,252	35,161
Copper River	65,391	137,821	203,212
Cordova	40,214	82,709	122,923
Craig	36,000	107,735	143,735
Delta/Greely	87,490	206,105	293,595
Denali Borough	37,480	115,539	153,019
Dillingham	59,693	131,130	190,823
Fairbanks N. Star Borough	1,171,952	2,855,016	4,026,968
Galena	40,156	377,577	417,733
Haines Borough	35,030	80,695	115,725
Hoonah	17,942	40,710	58,652
Hydaburg	9,797	21,971	31,768
Iditarod Area	51,606	112,646	164,252
Juneau Borough	440,358	1,035,715	1,476,073
Kake	13,043	28,292	41,335
Kashunamiut	49,385	103,466	152,851
Kenai Peninsula Borough	831,389	1,876,908	2,708,297
Ketchikan Gateway Borou	206,709	440,315	647,024
Klawock	19,024	44,279	63,303
Kodiak Island Borough	267,827	568,629	836,456
Kuspuk	73,421	146,081	219,502
Lake & Peninsula Borough	92,902	186,374	279,276
Lower Kuskokwim	672,583	1,396,217	2,068,800
Lower Yukon	373,316	749,566	1,122,882
Mat-Su Borough	1,315,264	3,116,080	4,431,344
Nenana	28,651	137,960	166,611
Nome	87,833	179,373	267,206
North Slope Borough	261,787	523,527	785,314
Northwest Arctic Borough	318,406	648,176	966,582
Pelican	2,362	4,613	6,975
Petersburg	57,188	131,532	188,720
Pribilof	19,310	37,610	56,920
Saint Mary's	29,334	62,954	92,288
Sitka Borough	124,572	294,719	419,291
Skagway	9,683	18,900	28,583
Southeast Island	41,124	87,569	128,693
Southwest Region	119,956	244,039	363,995
Tanana	9,454	19,914	29,368
Unalaska	54,341	108,803	163,144
Valdez	69,036	147,561	216,597
Wrangell	35,600	88,225	123,825
Yakutat	17,088	33,374	50,462
Yukon Flats	73,421	151,779	225,200
Yukon/Koyukuk	69,262	236,751	306,013
Yupiit	86,180	175,228	261,408
Mt. Edgecumbe High Sch	37,823	73,751	111,574
TOTAL	11,731,499	26,702,470	38,433,969

CS FOR SENATE BILL NO. 84(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE EDUCATION COMMITTEE

A BILL

FOR AN ACT ENTITLED

"An Act relating to funding for high school vocational and technical instruction as a component of funding for public schools; relating to the base student allocation; relating to education tax credits; providing for an effective date by amending the effective date in sec. 57, ch. 92, SLA 2010; and providing for an effective date."

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

*** Section 1.** AS 14.17.410(b) is amended to read:

(b) Public school funding consists of state aid, a required local contribution, and eligible federal impact aid determined as follows:

(1) state aid equals basic need minus a required local contribution and 90 percent of eligible federal impact aid for that fiscal year; basic need equals the sum obtained under (D) of this paragraph, multiplied by the base student allocation set out in AS 14.17.470; district adjusted ADM is calculated as follows:

(A) the ADM of each school in the district is calculated by applying the school size factor to the student count as set out in AS 14.17.450;

(B) the number obtained under (A) of this paragraph is multiplied by the district cost factor described in AS 14.17.460;

(C) the ADMs of each school in a district, as adjusted according to (A) and (B) of this paragraph, are added; the sum is then multiplied by the special needs factor set out in AS 14.17.420(a)(1) **and the high school vocational education factor set out in AS 14.17.420(a)(3)**;

(D) the number obtained for intensive services under AS 14.17.420(a)(2) and the number obtained for correspondence study under AS 14.17.430 are added to the number obtained under (C) of this paragraph;

(E) notwithstanding (A) - (C) of this paragraph, if a school district's ADM adjusted for school size under (A) of this paragraph decreases by five percent or more from one fiscal year to the next fiscal year, the school district may use the last fiscal year before the decrease as a base fiscal year to offset the decrease, according to the following method:

(i) for the first fiscal year after the base fiscal year determined under this subparagraph, the school district's ADM adjusted for school size determined under (A) of this paragraph is calculated as the district's ADM adjusted for school size, plus 75 percent of the difference in the district's ADM adjusted for school size between the base fiscal year and the first fiscal year after the base fiscal year;

(ii) for the second fiscal year after the base fiscal year determined under this subparagraph, the school district's ADM adjusted for school size determined under (A) of this paragraph is calculated as the district's ADM adjusted for school size, plus 50 percent of the difference in the district's ADM adjusted for school size between the base fiscal year and the second fiscal year after the base fiscal year;

(iii) for the third fiscal year after the base fiscal year determined under this subparagraph, the school district's ADM adjusted for school size determined under (A) of this paragraph is calculated as the district's ADM adjusted for school size, plus 25 percent of the difference in the district's ADM adjusted for school size between the

base fiscal year and the third fiscal year after the base fiscal year;

(F) the method established in (E) of this paragraph is available to a school district for the three fiscal years following the base fiscal year determined under (E) of this paragraph only if the district's ADM adjusted for school size determined under (A) of this paragraph for each fiscal year is less than the district's ADM adjusted for school size in the base fiscal year;

(G) the method established in (E) of this paragraph does not apply to a decrease in the district's ADM adjusted for school size resulting from a loss of enrollment that occurs as a result of a boundary change under AS 29;

(2) the required local contribution of a city or borough school district is the equivalent of a four mill tax levy on the full and true value of the taxable real and personal property in the district as of January 1 of the second preceding fiscal year, as determined by the Department of Commerce, Community, and Economic Development under AS 14.17.510 and AS 29.45.110, not to exceed 45 percent of a district's basic need for the preceding fiscal year as determined under (1) of this subsection.

*** Sec. 2.** AS 14.17.420(a) is amended to read:

(a) As a component of public school funding, a district is eligible for special needs **and high school vocational and technical instruction** funding and may be eligible for intensive services funding as follows:

(1) special needs funding is available to a district to assist the district in providing special education, gifted and talented education, vocational education, and bilingual education services to its students; a special needs funding factor of 1.20 shall be applied as set out in AS 14.17.410(b)(1);

(2) in addition to the special needs funding for which a district is eligible under (1) of this subsection, a district is eligible for intensive services funding for each special education student who needs and receives intensive services and is enrolled on the last day of the count period; for each such student, intensive services funding is equal to the intensive student count multiplied by 13**;**

(3) in addition to the special needs and intensive services funding

available under (1) and (2) of this subsection, high school vocational and technical instruction funding is available to assist districts in providing vocational and technical instruction to students who are enrolled in grades nine through 12; a high school vocational and technical instruction funding factor of 1.01 shall be applied as set out in AS 14.17.410(b)(1); in this paragraph, "vocational and technical instruction" excludes costs associated with

(A) administrative expenses; and

(B) instruction in general literacy, mathematics, and job readiness skills.

*** Sec. 3.** AS 14.17.440(a) is amended to read:

(a) Except as provided in AS 14.17.400(b), funding for state boarding schools established under AS 14.16.010 includes an allocation from the public education fund in an amount calculated by

(1) determining the ADM of state boarding schools by applying the school size factor to the student count as described in AS 14.17.450;

(2) multiplying the number obtained under (1) of this subsection by the special needs factor in AS 14.17.420(a)(1) **and the high school vocational education factor set out in AS 14.17.420(a)(3)** and multiplying that product by the base student allocation; and

(3) multiplying the product determined under (2) of this subsection by the district cost factor that is applicable to calculation of the state aid for the adjacent school district under AS 14.17.460.

*** Sec. 4.** AS 14.17.470 is amended to read:

Sec. 14.17.470. Base student allocation. The base student allocation is **$5,790** [$5,680].

*** Sec. 5.** AS 21.96.070(a) is amended to read:

(a) A taxpayer is allowed a credit against the tax due under AS 21.09.210 or AS 21.66.110 for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or

four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school; [AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association**; and**

(5) for education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government.

*** Sec. 6.** AS 43.20.014(a) is amended to read:

(a) A taxpayer is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school; [AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association**; and**

(5) for education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government.

*** Sec. 7.** AS 43.55.019(a) is amended to read:

(a) A producer of oil or gas is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school; [AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association**; and**

(5) for education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government.

*** Sec. 8.** AS 43.56.018(a) is amended to read:

(a) The owner of property taxable under this chapter is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school; [AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association**; and**

(5) for education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government.

* **Sec. 9.** AS 43.65.018(a) is amended to read:

(a) A person engaged in the business of mining in the state is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school; [AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association**; and**

(5) for education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government.

* **Sec. 10.** AS 43.75.018(a) is amended to read:

(a) A person engaged in a fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school; [AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association**; and**

(5) for education, research, rehabilitation, and facilities by an

institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government.

* **Sec. 11.** AS 43.77.045(a) is amended to read:

(a) In addition to the credit allowed under AS 43.77.040, a person engaged in a floating fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school; [AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association**; and**

(5) for education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government.

* **Sec. 12.** AS 21.96.070(a)(5), AS 43.20.014(a)(5), AS 43.55.019(a)(5), AS 43.56.018(a)(5), AS 43.65.018(a)(5), AS 43.75.018(a)(5), and AS 43.77.045(a)(5) are repealed January 1, 2021.

* **Sec. 13.** Section 57, ch. 92, SLA 2010, is amended to read:

Sec. 57. Except as provided in sec. 56 of this Act, this Act takes effect January 1, **2021** [2014].

* **Sec. 14.** This Act takes effect July 1, 2011.

Adopted
4.16.11

27-LS0465\T
Mischel
4/5/11

CS FOR SENATE BILL NO. 84(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE EDUCATION COMMITTEE

A BILL

FOR AN ACT ENTITLED

"An Act relating to funding for high school vocational and technical instruction as a component of funding for public schools; relating to the base student allocation; relating to education tax credits; providing for an effective date by amending the effective date in sec. 57, ch. 92, SLA 2010; and providing for an effective date."

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

* **Section 1.** AS 14.17.410(b) is amended to read:

(b) Public school funding consists of state aid, a required local contribution, and eligible federal impact aid determined as follows:

(1) state aid equals basic need minus a required local contribution and 90 percent of eligible federal impact aid for that fiscal year; basic need equals the sum obtained under (D) of this paragraph, multiplied by the base student allocation set out in AS 14.17.470; district adjusted ADM is calculated as follows:

(A) the ADM of each school in the district is calculated by applying the school size factor to the student count as set out in AS 14.17.450;

(B) the number obtained under (A) of this paragraph is multiplied by the district cost factor described in AS 14.17.460;

(C) the ADMs of each school in a district, as adjusted according to (A) and (B) of this paragraph, are added; the sum is then multiplied by the special needs factor set out in AS 14.17.420(a)(1) **and the high school vocational education factor set out in AS 14.17.420(a)(3)**;

(D) the number obtained for intensive services under AS 14.17.420(a)(2) and the number obtained for correspondence study under AS 14.17.430 are added to the number obtained under (C) of this paragraph;

(E) notwithstanding (A) - (C) of this paragraph, if a school district's ADM adjusted for school size under (A) of this paragraph decreases by five percent or more from one fiscal year to the next fiscal year, the school district may use the last fiscal year before the decrease as a base fiscal year to offset the decrease, according to the following method:

(i) for the first fiscal year after the base fiscal year determined under this subparagraph, the school district's ADM adjusted for school size determined under (A) of this paragraph is calculated as the district's ADM adjusted for school size, plus 75 percent of the difference in the district's ADM adjusted for school size between the base fiscal year and the first fiscal year after the base fiscal year;

(ii) for the second fiscal year after the base fiscal year determined under this subparagraph, the school district's ADM adjusted for school size determined under (A) of this paragraph is calculated as the district's ADM adjusted for school size, plus 50 percent of the difference in the district's ADM adjusted for school size between the base fiscal year and the second fiscal year after the base fiscal year;

(iii) for the third fiscal year after the base fiscal year determined under this subparagraph, the school district's ADM adjusted for school size determined under (A) of this paragraph is calculated as the district's ADM adjusted for school size, plus 25 percent of the difference in the district's ADM adjusted for school size between the

base fiscal year and the third fiscal year after the base fiscal year;

(F) the method established in (E) of this paragraph is available to a school district for the three fiscal years following the base fiscal year determined under (E) of this paragraph only if the district's ADM adjusted for school size determined under (A) of this paragraph for each fiscal year is less than the district's ADM adjusted for school size in the base fiscal year;

(G) the method established in (E) of this paragraph does not apply to a decrease in the district's ADM adjusted for school size resulting from a loss of enrollment that occurs as a result of a boundary change under AS 29;

(2) the required local contribution of a city or borough school district is the equivalent of a four mill tax levy on the full and true value of the taxable real and personal property in the district as of January 1 of the second preceding fiscal year, as determined by the Department of Commerce, Community, and Economic Development under AS 14.17.510 and AS 29.45.110, not to exceed 45 percent of a district's basic need for the preceding fiscal year as determined under (1) of this subsection.

* **Sec. 2.** AS 14.17.420(a) is amended to read:

(a) As a component of public school funding, a district is eligible for special needs **and high school vocational and technical instruction** funding and may be eligible for intensive services funding as follows:

(1) special needs funding is available to a district to assist the district in providing special education, gifted and talented education, vocational education, and bilingual education services to its students; a special needs funding factor of 1.20 shall be applied as set out in AS 14.17.410(b)(1);

(2) in addition to the special needs funding for which a district is eligible under (1) of this subsection, a district is eligible for intensive services funding for each special education student who needs and receives intensive services and is enrolled on the last day of the count period; for each such student, intensive services funding is equal to the intensive student count multiplied by 13;

(3) in addition to the special needs and intensive services funding

available under (1) and (2) of this subsection, high school vocational and technical instruction funding is available to assist districts in providing vocational and technical instruction to students who are enrolled in grades nine through 12; a high school vocational and technical instruction funding factor of 1.01 shall be applied as set out in AS 14.17.410(b)(1); in this paragraph, "vocational and technical instruction" excludes costs associated with

(A) administrative expenses; and

(B) instruction in general literacy, mathematics, and job readiness skills.

* **Sec. 3.** AS 14.17.440(a) is amended to read:

(a) Except as provided in AS 14.17.400(b), funding for state boarding schools established under AS 14.16.010 includes an allocation from the public education fund in an amount calculated by

(1) determining the ADM of state boarding schools by applying the school size factor to the student count as described in AS 14.17.450;

(2) multiplying the number obtained under (1) of this subsection by the special needs factor in AS 14.17.420(a)(1) **and the high school vocational education factor set out in AS 14.17.420(a)(3)** and multiplying that product by the base student allocation; and

(3) multiplying the product determined under (2) of this subsection by the district cost factor that is applicable to calculation of the state aid for the adjacent school district under AS 14.17.460.

* **Sec. 4.** AS 14.17.470 is amended to read:

Sec. 14.17.470. Base student allocation. The base student allocation is **$5,790** [$5,680].

* **Sec. 5.** AS 21.96.070(a) is amended to read:

(a) A taxpayer is allowed a credit against the tax due under AS 21.09.210 or AS 21.66.110 for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or

four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school; [AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association**; and**

(5) for education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government.

*** Sec. 6.** AS 43.20.014(a) is amended to read:

(a) A taxpayer is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school; [AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association**; and**

(5) for education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government.

*** Sec. 7.** AS 43.55.019(a) is amended to read:

(a) A producer of oil or gas is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school; [AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association**; and**

(5) for education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government.

*** Sec. 8.** AS 43.56.018(a) is amended to read:

(a) The owner of property taxable under this chapter is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school; [AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association**; and**

(5) for education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government.

* **Sec. 9.** AS 43.65.018(a) is amended to read:

(a) A person engaged in the business of mining in the state is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school; [AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association**; and**

(5) for education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government.

* **Sec. 10.** AS 43.75.018(a) is amended to read:

(a) A person engaged in a fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school; [AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association**; and**

(5) for education, research, rehabilitation, and facilities by an

institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government.

* **Sec. 11.** AS 43.77.045(a) is amended to read:

(a) In addition to the credit allowed under AS 43.77.040, a person engaged in a floating fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) for vocational education courses, programs, and facilities by a state-operated vocational technical education and training school; [AND]

(4) for a facility by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association**; and**

(5) for education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government.

* **Sec. 12.** AS 21.96.070(a)(5), AS 43.20.014(a)(5), AS 43.55.019(a)(5), AS 43.56.018(a)(5), AS 43.65.018(a)(5), AS 43.75.018(a)(5), and AS 43.77.045(a)(5) are repealed January 1, 2021.

* **Sec. 13.** Section 57, ch. 92, SLA 2010, is amended to read:

Sec. 57. Except as provided in sec. 56 of this Act, this Act takes effect January 1, **2021** [2014].

* **Sec. 14.** This Act takes effect July 1, 2011.

ALASKA STATE SENATE

SEN. KEVIN MEYER
Alaska State Capitol
Juneau, Alaska 99801
Room 103

Phone: 907-465-4945
Fax: 907-465-3476

SEN. JOE THOMAS
Alaska State Capitol
Juneau, Alaska 99801
Room 514

Phone: 907-465-2327
Fax: 907-465-5241

SENATE EDUCATION COMMITTEE

Senators Kevin Meyer & Joe Thomas, Co-Chairs

Senate Bill 84

"An Act relating to funding for high school vocational education as a component of funding for public schools; increasing the base student allocation used in the public school funding formula; and providing for an effective date."

The legislature shall by general law establish and maintain a system of public schools open to all children of the State, and may provide for other public educational institutions.

In our country we have accepted a daunting challenge—to provide a quality education to every single child in our nation. For Alaska this is an especially daunting task. The immensity of the state combined with the small scale of many communities poses challenges no other state faces, especially in the economic arena.

In 2008 the 25th Legislature saw fit to pass an annual $100 increase to the Base Student Allocation for three consecutive years to ensure stable and adequate funding of education. 2011 is the last of that three-year cycle. The legislature also revisited funding for intensive needs special education, and provided equitable funding for this program, and incorporated new district cost factors to provide equitable funding across the state. The foresight of the Legislature on these two issues is commendable, and should be emulated by future legislatures.

To that end we are introducing SB 84, which establishes incremental three-year increases in the BSA and sets aside funds for high school vocational education. This additional annual amount added to the BSA allows schools to keep up with the rising cost of educating our children. The incremental increases represent less than two percent a year, which is below the current inflation rate. This bill also sends a clear message to the school districts—this is the amount they will have to work with for the next three years. It allows them to act in fiscally responsible ways by giving them financial parameters for the next three years.

SB 84 also establishes a vocational education factor in the school funding formula. Currently vocational education is combined with bilingual, gifted and talented and special education. Legal mandates require districts to offer certain special education programs, and often those required programs take huge amounts of money, leaving little left over for vocational education.

Throwing money at the educational issues in our state will not solve our problems, but neither will allowing inflation to erode two to three percent of funding every year.

SB 84 is a moderate and responsible piece of legislation designed to provide funding, stability and predictability so school districts can concentrate on the essential work of improving educational outcomes.

We urge you to support this important bill.

BASE Student Allocation FY 1999 – FY 2011

2.45% average annual BSA increase in 12 years from July 1, 1998 to June 30, 2010

Year	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY99-FY11
BSA	4,010	4,010	4,010	4,010	4,010	4,169	4,576	4,919	5,380	5,380	5,480	5,580	5,680	----
$ Change	----	0	0	0	0	159	407	343	461	0	100	100	100	1,670
% Change	----	0	0	0	0	3.96%	9.76%	7.49%	9.37%	0	1.85%	1.82%	1.79%	29.4%
Anchorage Cost of Living Increase	1.0%	1.7%	2.8%	1.9%	2.7%	2.6%	3.1%	3.2%	2.2%	4.6%	1.2%	1.8%	----	28.8%

2.4% average annual Anchorage COL increase in 12 years from January 1, 1999 – December 31, 2010 (US Bureau of Labor Statistics)

ALASKA STATE SENATE

Sen. Kevin Meyer
Alaska State Capitol
Juneau, Alaska 99801
Room 103

Phone: 907-465-4945
Fax: 907-465-3476

Sen. Joe Thomas
Alaska State Capitol
Juneau, Alaska 99801
Room 514

Phone: 907-465-2327
Fax: 907-465-5241

SENATE EDUCATION COMMITTEE
Senators Kevin Meyer & Joe Thomas, Co-Chairs

Senate Bill 84
Vocational Education Factor

As proposed in SB 84, the vocational education factor is an addition to the current funding formula. It is calculated after the Adjusted Average Daily Membership and District Cost factor come into play.

Current Formula

Step 1	Adjust the ADM for school size
Step 1a	Review the Hold Harmless eligibility (in case of a greater than 5% decrease in ADM)
Step 2	Apply District Cost Factor
Step 3	Apply Special Needs, Vocational Education, Gifted and Talented and Bilingual Ed factors (1.20)
Step 4	Add Intensive Services Counts
Step 5	Add Correspondence Students Counts

Under SB 84

Step 1	Adjust the ADM for school size
Step 1a	Review the Hold Harmless eligibility (in case of a greater than 5% decrease in ADM)
Step 2	Apply District Cost Factor
Step 3	Apply Special Needs, Vocational Education, Gifted and Talented and Bilingual Ed factors (1.20)
Step 4	**Apply Vocational Education Factor (1.01)**
Step 5	Add Intensive Services Counts
Step 6	Add Correspondence Students Counts

FY12 BUDGET | 87.5% ISER | Intensive multiply by > 13 | BSA Amt.> $ 5,680

School District	PROJECTED ADM	PROJECT ED Corresp ADM	FY12 PROJECTED Total ADM	Adj for School Size ADM	Adjusted IF Eligible for Hold Harmless	District Cost Factor	Adjusted for Cost Factor	Special Needs Factor 1.20	VocEd Factor 1.01	Special Education Intensive	Adjust Intensive SPED x 13.00	Students + Intensive Special Education	District Corresp 80%	District Adjusted ADM	Basic Need	Required Local Effort	Federal Impact AID	Impact AID Percent	Deductible Impact AID 90%	State AID	FY2012 PROJ Adjusted Floor	Quality Schools	FY2012 *PROJECTED* TOTAL STATE ENTITLEMENT	State Aid & includes change to QS W minus Y
Alaska Gateway	356.00	42.00	398.00	629.27	629.27	1.557	979.77	1,175.72	1,187.48	6.00	78.00	1,265.48	33.60	1,299.08	7,378,774	0	362,165	100.00%	325,949	7,052,825	0	20,785	7,073,610	66,984
Aleutian Region	33.00	0.00	33.00	82.44	100.62	1.916	192.79	231.35	233.66	2.00	26.00	259.66	0.00	259.66	1,474,869	0	110,658	100.00%	99,592	1,375,277	0	4,155	1,379,432	13,158
Aleutians East Bo	262.00	0.00	262.00	445.22	480.46	1.920	922.48	1,106.98	1,118.05	1.00	13.00	1,131.05	0.00	1,131.05	6,424,364	670,543	1,017,728	47.62%	436,178	5,317,643	0	18,097	5,335,740	63,055
Anchorage	47612.00	868.00	48480.00	52317.38	52317.38	1.000	52,317.38	62,780.86	63,408.67	741.00	9,633.00	73,041.67	694.40	73,736.07	418,820,878	101,921,045	16,204,371	51.38%	7,493,225	309,406,608	0	1,179,777	310,586,385	3,576,006
Annette Island	278.00	0.00	278.00	407.31	407.31	1.298	528.69	634.43	640.77	2.00	26.00	666.77	0.00	666.77	3,787,254	0	1,683,038	100.00%	1,514,734	2,272,520	0	10,668	2,283,188	36,113
Bering Strait	1658.00	0.00	1658.00	2660.90	2660.90	1.939	5,159.49	6,191.39	6,253.30	18.00	234.00	6,487.30	0.00	6,487.30	36,847,864	0	10,147,327	100.00%	9,132,594	27,715,270	0	103,797	27,819,067	352,640
Bristol Bay Boro	164.00	0.00	164.00	263.48	265.70	1.451	385.53	462.64	467.27	3.00	39.00	506.27	0.00	506.27	2,875,614	890,821	186,466	67.83%	113,832	1,870,961	0	8,100	1,879,061	26,373
Chatham	157.00	1.00	158.00	266.32	277.93	1.519	422.18	506.62	511.69	1.00	13.00	524.69	0.80	525.49	2,984,783	0	169,113	100.00%	152,202	2,832,581	0	8,408	2,840,989	28,878
Chugach	55.00	225.00	280.00	125.28	130.72	1.470	192.16	230.59	232.90	0.00	0.00	232.90	180.00	412.90	2,345,272	0	140,604	100.00%	126,544	2,218,728	95,451	6,606	2,320,785	7,909
Copper River	419.75	51.50	471.25	701.30	736.05	1.300	956.87	1,148.24	1,159.72	4.00	52.00	1,211.72	41.20	1,252.92	7,116,586	0	221,381	100.00%	199,243	6,917,343	0	20,047	6,937,390	65,391
Cordova	326.00	0.00	326.00	464.28	483.72	1.216	588.20	705.84	712.90	3.00	39.00	751.90	0.00	751.90	4,270,792	863,865	15,706	49.78%	7,037	3,399,890	0	12,030	3,411,920	40,214
Craig	312.00	313.00	625.00	444.98	444.98	1.183	526.41	631.69	638.01	7.00	91.00	729.01	250.40	979.41	5,563,049	453,432	483,151	59.10%	256,988	4,852,629	0	15,671	4,868,300	36,000
Delta Greely	784.00	175.00	959.00	1026.42	1045.12	1.225	1,280.27	1,536.32	1,551.68	14.00	182.00	1,733.68	140.00	1,873.68	10,642,502	0	414,982	100.00%	373,484	10,269,018	0	29,979	10,298,997	87,490
Denali Borough	250.00	450.00	700.00	410.30	411.52	1.332	548.14	657.77	664.35	2.00	26.00	690.35	360.00	1,050.35	5,965,988	706,139	5,850	39.45%	2,077	5,257,772	0	16,806	5,274,578	37,480
Dillingham	502.00	4.50	506.50	653.70	653.70	1.336	873.34	1,048.01	1,058.49	10.00	130.00	1,188.49	3.60	1,192.09	6,771,071	610,186	478,436	49.89%	214,823	5,946,062	0	19,073	5,965,135	59,693
Fairbanks N. Star	14109.00	211.00	14320.00	16069.31	16069.31	1.067	17,145.95	20,575.14	20,780.89	385.00	5,005.00	25,785.89	168.80	25,954.69	147,422,639	28,802,618	11,177,580	61.45%	6,179,749	112,440,272	0	415,275	112,855,547	1,171,952
Galena	309.00	3400.00	3709.00	423.55	423.55	1.388	587.89	705.47	712.52	0.00	0.00	712.52	2,720.00	3,432.52	19,496,714	95,195	81,509	4.19%	3,074	19,398,445	0	54,920	19,453,365	40,156
Haines Borough	279.00	10.00	289.00	432.62	436.11	1.176	512.87	615.44	621.59	8.00	104.00	725.59	8.00	733.59	4,166,791	1,054,013	0	62.14%	0	3,112,778	0	11,737	3,124,515	35,030
Hoonah	115.00	0.00	115.00	193.55	193.55	1.356	262.45	314.94	318.09	4.00	52.00	370.09	0.00	370.09	2,102,111	192,122	279,238	35.19%	88,437	1,821,552	0	5,921	1,827,473	17,942
Hydaburg	53.00	0.00	53.00	90.07	98.58	1.454	143.34	172.01	173.73	2.00	26.00	199.73	0.00	199.73	1,134,466	44,518	188,273	16.97%	28,755	1,061,193	0	3,196	1,064,389	9,797
Iditarod Area	211.00	120.00	331.00	419.67	419.67	1.799	754.99	905.99	915.05	1.00	13.00	928.05	96.00	1,024.05	5,816,604	0	379,312	100.00%	341,381	5,475,223	0	16,385	5,491,608	51,606
Juneau Borough	4963.00	75.00	5038.00	5706.58	5706.58	1.129	6,442.73	7,731.28	7,808.59	119.00	1,547.00	9,355.59	60.00	9,415.59	53,480,551	13,760,632	0	54.01%	0	39,719,919	0	150,649	39,870,568	440,358
Kake	85.25	0.00	85.25	135.87	135.87	1.404	190.76	228.91	231.20	2.00	26.00	257.20	0.00	257.20	1,460,896	91,269	174,384	21.68%	34,026	1,335,601	0	4,115	1,339,716	13,043
Kashunamiut	318.15	0.00	318.15	454.08	454.08	1.591	722.44	866.93	875.60	5.00	65.00	940.60	0.00	940.60	5,342,608	0	2,014,807	100.00%	1,813,326	3,529,282	0	15,050	3,544,332	49,385
Kenai Peninsula I	8218.00	870.00	9088.00	10567.51	10567.51	1.151	12,163.20	14,595.84	14,741.80	125.00	1,625.00	16,366.80	696.00	17,062.80	96,916,704	24,075,846	0	55.03%	0	72,840,858	0	273,005	73,113,863	831,389
Ketchikan Gatew	2078.00	65.00	2143.00	2594.71	2633.99	1.148	3,023.82	3,628.58	3,664.87	22.00	286.00	3,950.87	52.00	4,002.87	22,736,302	5,281,288	0	56.29%	0	17,455,014	0	64,046	17,519,060	206,709
Klawock	132.00	0.00	132.00	218.88	219.63	1.268	278.49	334.19	337.53	5.00	65.00	402.53	0.00	402.53	2,286,370	171,756	566,883	44.34%	226,220	1,888,394	0	6,440	1,894,834	19,024
Kodiak Island Bo	2485.00	71.00	2556.00	3094.74	3094.74	1.266	3,917.94	4,701.53	4,748.55	28.00	364.00	5,112.55	56.80	5,169.35	29,361,908	4,493,422	1,785,568	43.27%	695,354	24,173,132	0	82,710	24,255,842	267,827
Kuspuk	329.00	0.00	329.00	608.95	632.67	1.698	1,074.27	1,289.12	1,302.01	2.00	26.00	1,328.01	0.00	1,328.01	7,543,097	0	1,331,353	100.00%	1,198,218	6,344,879	0	21,248	6,366,127	73,421
Lake & Peninsul	306.75	10.00	316.75	650.17	700.24	1.941	1,359.17	1,631.00	1,647.31	3.00	39.00	1,686.31	8.00	1,694.31	9,623,681	285,124	1,565,140	19.65%	276,513	9,062,044	0	27,109	9,089,153	92,902
Lower Kuskokwi	4034.60	0.00	4034.60	5988.94	5988.94	1.643	9,839.83	11,807.80	11,925.88	59.00	767.00	12,692.88	0.00	12,692.88	72,095,558	0	15,785,995	100.00%	14,207,396	57,888,162	0	203,086	58,091,248	672,583
Lower Yukon	1979.35	0.00	1979.35	3019.02	3019.02	1.809	5,461.41	6,553.69	6,619.23	15.00	195.00	6,814.23	0.00	6,814.23	38,704,826	0	10,629,217	100.00%	9,566,295	29,138,531	0	109,028	29,247,559	373,316
Mat-Su Borough	15754.00	1513.00	17267.00	18084.81	18084.81	1.064	19,242.24	23,090.69	23,321.60	292.00	3,796.00	27,117.60	1,210.40	28,328.00	160,903,040	24,167,203	0	50.59%	0	136,735,837	0	453,248	137,189,085	1,315,264
Nenana	204.00	900.00	1104.00	310.98	315.02	1.331	419.29	503.15	508.18	2.00	26.00	534.18	720.00	1,254.18	7,123,742	95,878	0	88.11%	0	7,027,864	0	20,067	7,047,931	28,651
Nome	691.00	10.00	701.00	871.63	894.99	1.436	1,285.21	1,542.25	1,557.67	5.00	65.00	1,622.67	8.00	1,630.67	9,262,206	989,747	49,568	49.28%	21,984	8,250,475	0	26,091	8,276,566	87,833
North Slope Bor	1572.00	0.00	1572.00	2181.27	2181.27	1.756	3,830.31	4,596.37	4,642.33	9.00	117.00	4,759.33	0.00	4,759.33	27,032,994	11,992,164	3,642,425	37.45%	1,227,679	13,813,151	0	76,149	13,889,300	261,787
Northwest Arctic	1760.00	0.00	1760.00	2605.15	2605.15	1.788	4,658.01	5,589.61	5,645.51	19.00	247.00	5,892.51	0.00	5,892.51	33,469,457	2,120,464	4,633,897	45.60%	1,901,751	29,447,242	0	94,280	29,541,522	318,406
Pelican	10.00	0.00	10.00	39.60	39.60	1.456	57.66	69.19	69.88	0.00	0.00	69.88	0.00	69.88	396,918	51,841	0	98.90%	0	345,077	88,223	1,118	434,418	2,362
Petersburg	452.00	0.00	452.00	648.86	688.41	1.215	836.42	1,003.70	1,013.74	14.00	182.00	1,195.74	0.00	1,195.74	6,791,803	1,175,774	0	62.64%	0	5,616,029	0	19,132	5,635,161	57,188
Pribilof	86.00	0.00	86.00	163.72	170.25	1.657	282.10	338.52	341.91	0.00	0.00	341.91	0.00	341.91	1,942,049	0	675,700	100.00%	608,130	1,333,919	0	5,471	1,339,390	19,310
Saint Mary's	160.00	0.00	160.00	256.20	270.00	1.590	429.30	515.16	520.31	4.00	52.00	572.31	0.00	572.31	3,250,721	34,834	0	41.32%	0	3,215,887	0	9,157	3,225,044	29,334
Sitka Borough	1264.00	36.00	1300.00	1553.43	1553.43	1.173	1,822.17	2,186.60	2,208.47	34.00	442.00	2,650.47	28.80	2,679.27	15,218,254	3,661,106	21,633	70.73%	13,771	11,543,377	0	42,868	11,586,245	124,572
Skagway	60.00	0.00	60.00	100.50	121.07	1.171	141.77	170.12	171.82	0.00	0.00	171.82	0.00	171.82	975,938	570,985	0	45.60%	0	404,953	0	2,749	407,702	9,683
Southeast Island	161.00	2.00	163.00	400.05	439.65	1.369	601.88	722.26	729.48	5.00	65.00	794.48	1.60	796.08	4,521,734	0	8,615	100.00%	7,754	4,513,980	0	12,737	4,526,717	41,124
Southwest Regio	630.45	0.00	630.45	1061.94	1061.94	1.653	1,755.39	2,106.47	2,127.53	7.00	91.00	2,218.53	0.00	2,218.53	12,601,250	0	3,492,814	100.00%	3,143,533	9,457,717	0	35,496	9,493,213	119,956
Tanana	42.00	0.00	42.00	73.68	79.27	1.749	138.64	166.37	168.03	1.00	13.00	181.03	0.00	181.03	1,028,250	31,075	25,766	100.00%	23,189	973,986	0	2,896	976,882	9,454
Unalaska	415.00	0.00	415.00	560.40	560.40	1.418	794.65	953.58	963.12	2.00	26.00	989.12	0.00	989.12	5,618,202	1,777,271	17,516	59.12%	9,320	3,831,611	0	15,826	3,847,437	54,341
Valdez	667.00	0.00	667.00	868.69	868.69	1.163	1,010.29	1,212.35	1,224.47	9.00	117.00	1,341.47	0.00	1,341.47	7,619,550	3,342,762	7,867	42.11%	2,982	4,273,806	0	21,464	4,295,270	69,036
Wrangell	312.00	100.00	412.00	449.16	456.72	1.140	520.66	624.79	631.04	7.00	91.00	722.04	80.00	802.04	4,555,587	677,799	1,149	49.21%	509	3,877,279	0	12,833	3,890,112	35,600
Yakutat	108.00	0.00	108.00	183.12	183.12	1.367	250.33	300.40	303.40	0.00	0.00	303.40	0.00	303.40	1,723,312	227,918	136,113	40.50%	49,613	1,445,781	0	4,854	1,450,635	17,088
Yukon Flats	247.60	0.00	247.60	492.33	521.41	2.060	1,074.10	1,288.92	1,301.81	6.00	78.00	1,379.81	0.00	1,379.81	7,837,321	0	722,614	100.00%	650,353	7,186,968	0	22,077	7,209,045	73,421
Yukon/Koyukuk	281.00	1041.00	1322.00	549.53	564.68	1.795	1,013.60	1,216.32	1,228.48	7.00	91.00	1,319.48	832.80	2,152.28	12,224,950	0	1,015,375	100.00%	913,838	11,311,112	0	34,436	11,345,548	69,262
Yupiit	457.00	0.00	457.00	733.01	745.10	1.692	1,260.71	1,512.85	1,527.98	5.00	65.00	1,592.98	0.00	1,592.98	9,048,126	0	2,666,352	100.00%	2,399,717	6,648,409	0	25,488	6,673,897	86,180
Mt. Edgecumbe I	400.00	0.00	400.00	471.60	471.60	1.173	553.19	663.83	670.47	0.00	0.00	670.47	0.00	670.47	3,808,270	0	633,424	100.00%	570,082	3,238,188	0	10,728	3,248,916	37,823
																							26,027,700	-
FY12 TOTALS	118,907.90	10,564.00	129,471.90	144,226.46	144,716.00		171,733.17	206,079.81	208,140.61	2,027.00	26,351.00	234,491.61	8,451.20	242,942.81	1,379,915,160	235,380,655	95,351,063		66,651,451	1,077,883,054	183,674	3,887,084	1,107,981,112	11,731,499

JEDC Juneau Economic Development Council

JEDC.org
612 West Willoughby Ave.
Suite A
Juneau, AK 99801
Phone 907-523-2300
Fax 907-463-3929

March 15, 2011

The Honorable Joe Thomas
Alaska Senate
State Capitol Room 514
Juneau AK, 99801

The Honorable Kevin Meyer
Alaska Senate
State Capitol Room 103
Juneau AK, 99801

Ref: SB 84, "An Act relating to funding for high school vocational education as a component of funding for public schools; increasing the base student allocation used in the public school funding formula; and providing for an effective date."

Dear Senators Meyer and Thomas:

The Juneau Economic Development Council (JEDC) applauds the Legislature's commitment to Alaska's K-12 public schools. JEDC is home to a statewide K-12 Science Technology, Engineering and Mathematics (STEM) initiative, working to increase student interest and competencies in STEM fields. With funding from the U.S. Department of Defense, the STEM program has directly benefited over 5,000 students, 323 teachers, in 23 school districts over the last four years.

We support the Senate Education Committee's proposal to increase the Base Student Allocation (BSA) within the Foundation formula and urge the Committee to increase the BSA to keep pace with inflation and meet those costs that are beyond a District's direct control – such as rising fuel oil prices. Erosion of schools' purchasing power is counter-productive, and highly unlikely to move schools faster towards the success we all hope for.

JEDC also supports attention to and increase in funding for vocational education, which we understand encompasses STEM courses as well as more traditional vocational education course options.

STEM skills reflect the changing job requirements in our increasingly global and technology-driven economy. These skills are required not only for professional sector jobs, but also, increasingly, infused in and required for mid-level occupations. The Alaska Department of Labor predicts that by 2018 there will be over 8,000 job openings in STEM-related jobs in Alaska (2,700 new STEM jobs and 5,400 more openings as workers retire). Jobs within health occupations add even more jobs to this total.

These jobs require the ability to apply math and science skills in a real world context. Unfortunately, Alaska high school graduates are often ill prepared for the caliber of work required in colleges and technical schools to access these jobs. For example, of the Alaskan students taking the ACT test in 2010,

- Only 47% were prepared for college level math; and
- Only 31% met college-ready benchmarks in science.

In short, vocational education, including STEM programs that include a robust hands-on element and links to real world challenges, opportunities and jobs, are increasingly important to our state's economic health.

We encourage the Committee to expand funding for vocational education into the middle school grades. The middle school years are pivotal in shaping a young person's attitudes towards jobs, future possibilities and their place in the world. Through JEDC's STEM initiative it is clear that for many students, STEM projects such as FIRST robotics and SeaPerch underwater ROV "build" are often a student's first introduction to building, tinkering, designing, redesigning, and messing around with science, technology, engineering and mathematics. It is important there be more hands-on, vocational and STEM opportunities for students in the middle school years.

Thank you for your thoughtful consideration and ongoing work on behalf of the students of Alaska.

Sincerely,

Kurt Fredriksson
Board Chair

Brian Holst
Executive Director

RESOLUTION of the Board of Directors in support of State of Alaska Senate Bill 84
"An Act relating to funding for high school vocational education as a component of funding for public schools; increasing the base student allocation used in the public school funding formula; and providing for an effective date."

Resolution 04-11

WHEREAS, U.S. jobs that demand technical training are growing five times faster than those requiring no technical training. *(National Math & Science Initiative)*

WHEREAS, by 2018, it is projected that 90% of U.S. occupations will require either a bachelor's degree or a combination of college-level technical courses and employer sponsored technical training. *(US Bureau of Labor Statistics)*

WHEREAS, since 2007, JEDC has developed a robust STEM program to support STEM education in 23 school districts across the State which includes teacher professional development, providing an array of summer and after-school enrichment programs, developing and subsidizing the cost of over 750 classroom science kits.

WHEREAS, providing designated funding for vocational education, which has a strong connection to STEM curriculum will further advance JEDC's objectives in the area of workforce development.

WHEREAS, forward funding increases in the per-student base level appropriation will assist school districts across the state to develop sound fiscal plans in an era of rapidly rising costs.

WHEREAS, Senate Bill 84 provides an increase to the per-student base level appropriation for education and provides funding for vocational education.

WHEREAS, Senate Bill 84 is a legislative priority for many school districts across the state, large and small, rural and urban.

NOW, THEREFORE, BE IT RESOLVED THAT:

On this 15th day of Marcy 2011, the Board of Directors of the Juneau Economic Development Council hereby authorizes JEDC to issue appropriate letters of support for Senate Bill 84.

Board President

3-17-2011
Date

Board Secretary

3-17-2011
Date

105 Cascade Creek Road
Sitka, Alaska 99835
February 27, 2011

The Honorable Joe Thomas
Alaska Senate
Co-Chair Senate Education
State Capitol, Room 514
Juneau, Alaska 99801

Dear Senator Thomas

I am writing to urge endorsement of SB 84 by the Education Committee and its forwarding to Finance and eventually the Senate floor. Like virtually all Alaska School Districts we in Sitka are facing major budget shortfalls this year. On a budget of just under $17 million, needed to simply maintain the present program, we are facing a deficit of $1.3 million. Without relief we are facing significant layoffs of teachers and significant increases in pupil-teacher ratios and possible deletion of whole academic programs. SB 84 by increasing the BSA by $110 for FY 2011-12 will help though not solve the problem especially when coupled with the proposal to create categorical funding for Vocational Education. Though we in the educational community have always been somewhat leery of categorical funding, we recognize that dollars going into the 20% Block Grant for Special ED, ESL, Gifted & Talented, & Vocational ED are being siphoned off almost exclusively by Special ED due to federal mandates and leaving Vocational Education seriously short funded; this at a time when it time when its importance is being increasingly recognized.

Thank you to you personally and the committee as a whole for introducing the legislation. It has our strong support.

Sincerely,

Thomas L. Conley

Thomas L. Conley, MD, FAAP
Sitka School Board Member

Klawock City School District

P.O. Box 9 Klawock, Alaska 99925 907-755-2220 Fax: 907-755-2913

Richard E. Carlson
Superintendent

Jim Holien
K -12 Principal

February 25, 2011

Senator Joe Thomas
State Capital Room 514
Juneau, AK 99801

Dear Senator Thomas:

On behalf of the Board of Education and Administration of the Klawock City School District, I would like to express our support for SB 84.

The passage of SB 84 would address three major concerns of our school district namely increasing the BSA, forward funding, and funding for vocational education.

As a small rural school district we are especially vulnerable to rising "fixed" costs. We are particularly concerned about the cost of energy. We have been recently told by our supplier to expect significant increases in the cost of heating fuel, propane, and gasoline. Clearly world events have a direct impact on our energy budget. In addition, insurance costs continue to increase. We realize that Klawock is not unique in this situation. However, due to the size of our budget (generally less than $3 million) we have an especially difficult time absorbing these costs.

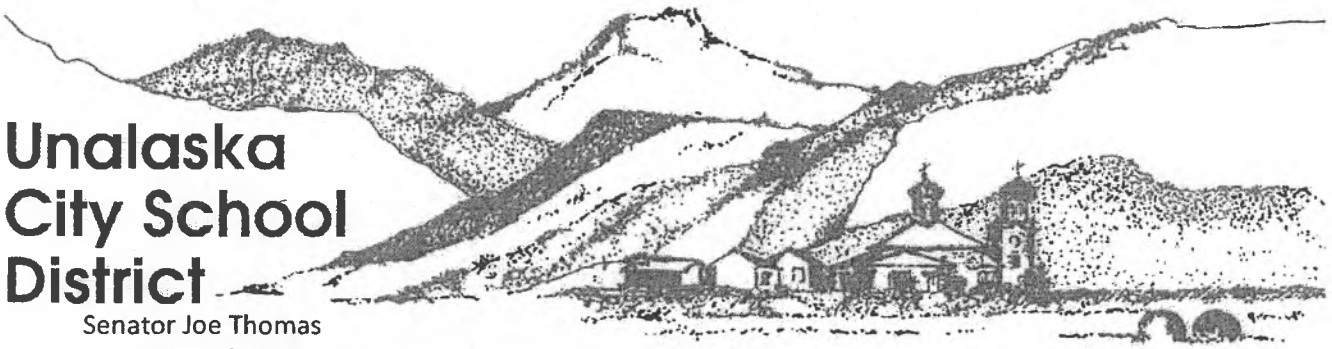
SB 84 also affords us the opportunity to do a better job of sound financial planning. Knowing the Base Student Allocation for the next three years provides school districts with needed information to strategically plan programs, budgets, and staffing, providing for a more efficiently run school district.

For years the Klawock City School District has struggled to keep a quality vocational education program alive. Fortunately due to dedicated staff, creative funding, and the commitment of the Board of Education, our students have been able to enjoy an excellent, though small program. SB 84 provides us with the opportunity to expand our program by increasing course offerings while staying committed to excellence.

SB 84 is an excellent piece of legislation that will decrease the financial burden caused by rising prices, allow for better planning of programs and resources, and allow students opportunities to participate in quality vocational education programs that will help them transition from secondary school to post-secondary training and the Alaska workforce. Therefore, we fully support SB 84.

Sincerely,

Richard E. Carlson
Superintendent



Unalaska City School District

Senator Joe Thomas
State Capitol Room 103
Juneau, AK 99801

February 22, 2011

Dear Senator Thomas,

I am writing on behalf of the Unalaska City School District (UCSD) Board of Education in support of Senate Bill 84. SB 84 provides a modest increase to the Base Student Allocation (BSA) for each of the next three fiscal years and funding for a separate grant program within the foundation formula for high school vocational education. This bill allows school districts to plan their budgets and programs for at least the next three years with greater certainty.

Knowing the education funding outlook for the next three years will enable UCSD to plan for the implementation of additional high school courses needed to meet the eligibility requirements for the Governor's Alaska Performance Scholarship (APS) program. Specifically, the District seeks to hire an additional high school teacher so that students have access to the rigorous core curriculum required for eligibility for the APS.

The vocational education funding component of SB 84 will enable UCSD to build capacity within its Career and Technical Education programs. UCSD would utilize the additional vocational education funding to upgrade equipment, technology, and shop and classroom facilities. The District would expand its Tech Prep Program to include career paths other than welding, which is the only Tech Prep program presently offered through a partnership with UAF.

Like many school districts throughout the state, UCSD is faced with significant budgetary challenges due to rapidly rising health insurance and utilities costs. The increases to education funding proposed in SB 84 would allow UCSD to meet these rising costs and implement programs that fulfill the Governor and legislature's mandates to keep students in school, provide rigorous curriculum, and prepare students to enter Alaska's workforce.

Sincerely,

John P. Conwell

John P. Conwell, Superintendent

Cc: Senator Lyman Hoffman
Representative Bryce Edgmon
AASB

P.O. Box 570, Unalaska, Alaska 99685 • (907) 581-3151 • Fax (907) 581-3152 • www.ucsd.net
John P. Conwell, Superintendent • Glenn Cole, Principal • Lorrie D. Scoles, Principal

Southwest Region School District

P.O. Box 90
574 Kenny Wren Road
Dillingham, AK 99576

(907) 842-5287 • Phone
(907) 842-5428 • Fax

Aleknagik

Clark's Point

Ekwok

Koliganek

Manokotak

New Stuyahok

Togiak

Twin Hills

February 22, 2011

Senator Joe Thomas
State Capitol Room 514
Juneau AK, 99801
Sen.Joe.Thomas@legis.state.ak.us

Dear Senator Thomas,

Southwest Region School District (SWRS)D, as well as other school districts across the State, is in need of a funding mechanism that allows for a proactive approach to annual budgeting, as well as one that provides adequate funding to meet the needs necessary to educate each of our 634 students. Thank you for your sponsorship of Senate Bill 84 that will raise the Base Student Allocation (BSA) gradually over the next three years. SWRSD also concurs with the Bill's effort to establish a separate grant program within the foundation formula to provide support of high school vocational education.

By creating a forward funding mechanism, SWRSD is able to anticipate future budget allocations during the budget planning process. As with any process that requires stakeholder input, the knowledge of the actual amount of the BSA allows the District to more accurately anticipate its revenues so that each community may provide comment on a more complete proposed budget. This also allows staffing patterns to be set well before the recruitment and selection process so that personnel resources may be more accurately identified.

The additional funds that are provided in SB84 will help to cover the continually rising costs of insurance and energy. As these non-instructional items' costs continue to rise, our instructional program is impacted either through shortages in staff or the reduction in teaching materials in the classroom.

Thank you for your attention in this matter.

Sincerely yours,

Lee Ann Andrew
Director of Administrative Services

Jack Foster
Superintendent

Kay Andrews
School Board President

djp

Cc: Senator Lyman Hoffman, Representative Bryce Edgmon, SWRS School Board, AASB-Carl Rose

Chugach School District

9312 Vanguard Drive, Suite 100
Anchorage, AK 99507-5355
(907) 522-7400 Phone
(907) 522-3399 Fax
chugachschools.com

The Honorable Joe Thomas
State Senate
Capitol Building, Room 103
Juneau, AK 99801

February 24, 2011

Dear Senator Thomas,

I am writing in your support for your important education-funding proposal, Senate Bill 84. I would encourage action on this important legislation raising the BSA from the current $5,680 per student to $5,790 in July 2011, and then to $5,905 in 2012 and to $6,025 in 2013. The increases will be affordable to the state and important to the quality and stability of public education. It will help stabilize the ability of school districts to plan for the future rather then guessing from year to year.

I also support the portion of Senate Bill 84 that proposes the state fund a separate grant program within the foundation formula for high school vocational education. This is an investment that will help keep students in school and be prepared for Alaska jobs upon graduation from high school.

Sincerely,

Charlene Arneson, President
Chugach School District Board of Education

CC: Senator Joe Thomas, co-chair, Education Committee

Sen. Joe Thomas

From: William Mcleod [wmcleod@dlgsd.org]
Sent: Wednesday, February 23, 2011 4:07 PM
To: Sen. Joe Thomas
Cc: Rep. Bryce Edgmon; Sen. Lyman Hoffman; dcsd@dlgsd.org
Subject: Support for SB84

Honorable Sen. Joe Thomas,

As superintendent of DCSD, I am asking for your support to increase the funding for Alaskan schools. As an educator I sincerely appreciate the past funding efforts from our state legislature and hope you continue to assist us. I know you are aware of the ever increasing costs in locations like Dillingham for such items as fuel for energy, rising insurance costs, the need to offer competitive compensation to attract and retain rural teachers, and things as simple as the cost of a loaf of bread. More importantly is the need we have to improve the academic performance of our kids. As a district faced with not meeting AYP, being a level 5 designated school, and recognizing we need to do a better job of meeting the SBA's of the Alaska standards we have begun major initiatives for improvement. We are moving to a standards based instructional program implementing research based best practices for our district. This year we have implemented the DEED recommended model for a universal screening assessment-Measured Academic Performance program, Response to Intervention, curriculum alignment to ensure we are teaching the AK Standards in all assessed areas, and volunteered as one of 16 school district participating in the new school improvement process known by the acronym of STEPP. One result of our efforts has been the identification that we need an additional reading specialist to help our teachers and kids with interventions for success. Without some increase in funding we will not be able to make even this modest effort to help our staff and kids. We are showing gains in our students using the processes I have noted and feel confident that your investment in the kids of Dillingham will not be wasted. We are showing positive results and with a little more help we can move our students ever closer to meeting the standards of Alaska.

Respectfully,

Bill McLeod,
Superintendent of Schools DCSD

Anchorage School District

5530 E. Northern Lights Blvd.
Anchorage, Alaska 99504-3135
(907) 742-4000

SCHOOL BOARD

John Stelner
President

Crystal Kennedy
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Kathleen Plunkett
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Jeannie Mackie
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Pat Higgins

Don Smith

SUPERINTENDENT

Carol Comeau

February 23, 2011

Senator Kevin Meyer
Majority Leader
State Capitol, Room 103
Juneau, AK 99801

Senator Joe Thomas
State Capitol, Room 514
Juneau, AK 99801

Dear Senators Meyer and Thomas:

On behalf of the Anchorage School District, I want to thank you for co-sponsoring Senate Bill 84. This legislation would insure that the Anchorage School District, and all other districts in the State, would be able to plan responsibly for the next three years, and would allow us to make much needed improvements to our Career and Technical/Vocational Education Programs. I applaud your leadership on this important issue.

The past three years of advance planning for education has allowed the Anchorage School District to advance their efforts in meeting our goal of graduating more of our high school students with a diploma, and reducing the drop-out rate. The efforts of the Joint Education Funding Task Force (JEFTF), chaired by Representative Mike Hawker and Senator Bert Stedman, have made a significant difference in our ability to plan ahead and we are grateful to the legislature and the governor for successful implementation of the three-year forward funding. Even with those significant increases, the Anchorage School District still had a $12 million budget gap in the general fund to maintain current programs, pay for negotiated salary and benefit increases, pay for increased utility and fuel costs. The gap was NOT necessitated by our use of the ARRA (federal stimulus funds), but rather the ongoing general fund costs.

We still have a long way to go to insure that our students are college and/or career ready when they leave the Anchorage School District. We are very appreciative of the legislature's strong support for increases to the Base Student Allocation (BSA), the Intensive Needs Factor, and to pupil transportation. We are also supportive of the phased-in Area Cost Differential for all districts, even though Anchorage does not receive any funding under this part of the education formula. The increases to the Intensive Needs factor has allowed the ASD to use our general fund resources for non-special education students and programs for the first time; we are very grateful for that as many of our over 900+ Intensive Needs students require extra-ordinary services to meet the requirements of their Individual Educational Plans (IEP's).

We support Senate Bill 84's three year increases to the BSA as a way to assist districts in meeting the costs of inflation, fuel and energy cost increases, and to

Anchorage School District

5530 E. Northern Lights Blvd.
Anchorage, Alaska 99504-3135
(907) 742-4000

SCHOOL BOARD

John Steiner
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Crystal Kennedy
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Kathleen Plunkett
Treasurer

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Clerk

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Pat Higgins

Don Smith

SUPERINTENDENT

Carol Comeau

allow us to retain important programs and staff who are key to increasing our graduation rate over time. We believe the proposed increases are reasonable for the State of Alaska in support of quality education. We know that we must increase the rigor of our course offerings in order to meet the challenges of the Alaska Performance Scholarship; we have a graduation task force reviewing our requirements and soliciting input in where to make needed changes. The additional funding will allow us to retain our effective teachers while keeping class sizes reasonable so our students receive quality education.

The Anchorage School District is also increasing our Career and Technical/Vocational Education offerings in order to better meet the needs of our non-college going student population. We have made great strides in this area at all of our comprehensive high schools, as well as at the King Career Center. We have strong partnerships with Alaska General Contractors, Alaska Works, and CITC at our Construction Academy at the King Career Center. We have incorporated upgrades to our high schools and middle schools in order to offer more CTE courses at home schools, as well as the King Career Center in our upcoming school bond election. Having additional funding to support the necessary teacher positions and the professional development required will go a long way to meeting the needs of our students in this vital area of 21st century education so all of our students are eligible for the Alaska Performance Scholarship for either college and/or career and technical training.

Again, I thank you for your leadership in bringing Senate Bill 84 forward. I urge the Senate Education Committee to hold hearings on the legislation and move it forward to Senate Finance and then hopefully to the floor for a vote of the Senate. At that point, I hope that a similar bill will have worked its way through the House for passage and eventual reconciliation in a joint conference committee.

Please do not hesitate to contact me at comeau_carol@asdk12.org or 907-742-4312.

Sincerely yours,

Carol Comeau

Carol Comeau
Superintendent

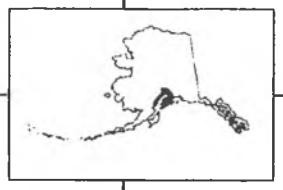
cc School Board members
Anchorage legislators
Governor Sean Parnell
Commissioner of DEED, Mike Hanley
Bruce Johnson, Executive Director, ACSA
Carl Rose, Executive Director, AASB

Sen. Joe Thomas

From: Sammy Crawford [scrawfor@alaska.net]
Sent: Friday, February 25, 2011 2:42 PM
To: Sen. Joe Thomas
Cc: Dave Jones
Subject: Support for SB 84

Subject: Support for SB 84

Dear Senator Thomas,
I want to offer my strong support for Senate Bill 84, an important education funding proposal. This legislation would make a huge different to our district for the following reasons:
1. It allows us to plan three years in advance, 2. it allows us to hire and retain the best teachers with certain funding, 3. it will allow us to keep programmatic staffing including our interventionists who work with children to make sure they meet the benchmarks by third grade, and 4. would allow us to continue our vocational ed programs and add to our successful construction academies.
Our district, the Kenai Peninsula Borough, has worked diligently to cut unnecessary costs. We have an energy incentive plan at each school in the district where students and staff work to decrease energy costs. We have rebid our copy contract to reduce paper copy costs. We took a tough look at our budget and eliminated unnecessary budgeted funds from several different areas. We still have no full time librarians in any of our 44 schools as a result of cost cutting measures in the past several years.
Our district is currently looking at a deficit of $3.5 million for next year - about 42 teachers.
We really appreciate your sponsorship of SB 84.
Sincerely,
Sammy Crawford
Kenai Peninsula Borough School Board



KENAI PENINSULA BOROUGH SCHOOL DISTRICT

Office of Superintendent
Dr. Steve Atwater, Superintendent of Schools
148 North Binkley Street Soldotna, Alaska 99669-7553
Phone (907) 714-8888 Fax (907) 262-9132

March 1, 2011

Senator Kevin Meyer
Alaska State Senate
State Capitol Building
Room 103
Juneau, Alaska 99801-1182

Senator Joe Thomas
Alaska State Senate
State Capitol Building
Room 514
Juneau, Alaska 99801-1182

Dear Senator Meyer and Senator Thomas,

I am writing on behalf of the Kenai Peninsula Borough School District (KPBSD) to comment on Senate Bill 84; thank you for your part in sponsoring this legislation. The KPBSD strongly supports passage of this bill and encourages the legislature to give it priority status so that it is considered well before the end of the legislative session. Our urgency for this consideration is due to the timing of our issuance of contracts.

KPBSD prides itself on being fiscally prudent and financially efficient. During the state's previous education fiscal plan that increased the Base Student Allocation (BSA) by $100 each year, we made significant improvements to our students' learning opportunities. We used this new money to expand our vocational offerings, add interventionists to help our struggling students and increase the number of counselors to help students from dropping out. We are preparing a brochure that highlights the positive effect of our improvements; I will share this with you when I am Juneau next week.

KPBSD's FY12 budget is based on rolling forward our existing level of service. With the BSA at its current level and our borough's contribution holding steady, we expect that our FY12 revenue will be 3.5 million dollars less than our budgeted expenditures. The proposed increase to the BSA that is included in SB84 will approximately cut this deficit in half.

I look forward to sharing the mentioned brochure with you and thank you for considering this encouragement to pass SB84.

Sincerely,

Steve Atwater, Ph.D.
Superintendent

cc: Kenai Peninsula Legislative Delegation

Sen. Joe Thomas

From: Tana Wood [ftwood@wildak.net]
Sent: Thursday, February 24, 2011 12:07 PM
To: Sen. Joe Thomas
Cc: aasb@aasb.org
Subject: SB84

Thank you for your support of education and the future of Alaska kids. As President of Delta Greely School Board, REAA #15, I urge passage of **SB84**. Not only will it provide much needed stability for planning and development purposes, it addresses the much needed support of High School vocational education. As we watch the dramatically increasing oil prices and other basic costs of operating a school, an increased BSA with the 3 year formula could not come at a more critical time. We strongly support this very vital legislation.

Thank you!
Tana Wood

Sen. Joe Thomas

From: Doris Robbins [drobbins@gci.net]
Sent: Sunday, February 20, 2011 11:22 PM
To: Sen. Joe Thomas
Cc: Sen. Bettye Davis
Subject: SB 84 VOC ED FUNDING/BASE STUDENT ALLOCATION

RE: Senate Bill 84 VOC ED FUNDING/BASE STUDENT ALLOCATION

Senator Thomas,

Thank you for supporting adequate funding for education. Cutting funding should not be a reaction when student performance does not instantly jump the next year after adequate funding is made available. Because there was more funding last year does not make up for all the compounded lack of resources over the years.

Children are not like cars: You can't pour more "gasoline" in one year and have that jumpstart the stalled vehicle. These little human "vehicles" have to have years of fertilizer, watering and proper pruning which builds on each year until the "plant" is mature and bears fruit.

It is not so different from plants that start out healthy and are later neglected. It is even better if you start working with "the little plants" at a very early start just after they can stand, say at about 3 or 4 years. Even if you give them a good first start, they will wither when you withhold adequate support (funds). They may never completely pull out of their withering just because you invest more dollars one year. They may instead forever bear the marks of neglect.

Look at the little stunted trees along the windswept areas of highway. You can see some that struggled to get through a hard period and survived and some have fallen. Think also of the trees in areas where they always had good growing in a rich soil and protected area. They stand proud and tall. That is not so different from our school children.

Please make sure the education funding level stays at the highest level possible. Also make sure that all children have the kind of education that meets their needs.

A good portion of children need to have Vocational Education. In fact, I am one who believes that all children need to have broad exposure to all kinds of learning. All children need to know how to do basic vocational and home economics skills that will aid them in taking care of themselves and their homes in the future. Some will discover that is an area where they do their best work and others will have some very useful skills that they will find handy all their lives.

Sincerely,

Doris Robbins

1281 Overhill Dr.
Fairbanks AK 99709-6753
(907) 374-0597

Sen. Joe Thomas

From: Kennedy_Crystal [Kennedy_Crystal@asdk12.org]
Sent: Friday, March 04, 2011 1:38 PM
To: Sen. Kevin Meyer; Sen. Joe Thomas
Cc: crose@aasb.org; jreeves@aasb.org
Subject: Support for SB84

Dear Chairman Meyer and Chairman Thomas,

Thank you very much for your introduction of SB 84. As the Vice President of the Anchorage School Board and the President of the Association of Alaska School Boards, I can testify to the fact that the increases to the BSA in SB84 will be of great benefit to the Anchorage School District as well as the other school districts in our state.

This week the Anchorage School Board passed a Six Year Fiscal Plan. Two projections in the plan show that if revenues to our district remain status quo or are increased by $100 to the BSA and by one and a half percent from our local tax base, the Anchorage School District will have a $54 - $101 million gap within six years in order to continue to deliver the services to our students that we currently do. Please keep in mind that Anchorage does not benefit from any implementation of the Cost Differential factor but must rely on an increase to the BSA for any relief to the effects of inflation on our educational programs.

Both from the perspective of the Anchorage School District and that of the Association of Alaska School Boards, the addition in SB 84 of targeted funding for vocational programs would be well received. The Association of Alaska School Boards has a resolution crafted and supported by our membership that promotes separate funding outside of the block grant that can be specifically focused on technical/ vocational improvements in our districts. Over the past few years the Anchorage School District has made significant strides in providing greater technical/vocational opportunities to our students and many districts are making similar efforts geared toward helping our students become more prepared for careers and post-secondary education. It is important to continue to improve and expand in our vocational offerings in all of Alaska's school districts and this bill will be very valuable toward that end.

The Anchorage School District has a graduation rate of 70% and has a drop out rate that has been under the 4% mark for the past several years. We have worked diligently to make those improvements and will continue to do so. Passage of SB 84 with the increases to the BSA and the vocational funding program will go a long way toward helping us meet those educational goals and allow our students to be more successful.

Thank you again!

Crystal Kennedy

Crystal Kennedy
Anchorage School Board member
907-696-2624

Alaska Association of School Business Officials (ALASBO)
3145 Pioneer Avenue
Juneau, AK 99801
907-500-9086
alasbo@gci.net

February 21, 2011

Alaska State Senate Education Committee
The Honorable Joe Thomas and the Honorable Kevin Meyer, Co-Chairs

Senators,

We are writing in support of a new multi-year plan to increase the base student allocation (BSA) in the K-12 foundation funding formula. This type of multi-year plan appears in **SB 84 – Base Student Allocation Increase and High School Vocational Education Funding.**

The Alaska Association of School Business Officials (ALASBO) represents school business professionals from across the state, many of whom are responsible for budgeting and financial planning for their districts.

The multi-year increases to the Base Student Allocation applied during the years FY09-FY11 had a profound effect on the focus of the budget dialogue in school districts across the state. Instead of concern primarily about budget cuts to keep our heads above water, stakeholders participating in the budget process were able to plan instructional programs over a multi-year period. Although education is a long-term project, we can see that these efforts are already beginning to bear fruit, to the benefit of Alaskan students.

ALASBO members also know very well that school districts need regular funding increases to function effectively, in order to keep up with the increases in health insurance, energy, wages, benefits and other costs that are a reality in our current economy.

We believe that a multi-year funding plan for the BSA is one of the most effective actions the Legislature can take to promote continued improvement to the quality of instruction across the state. We'd like to see our districts focus on instructional planning, rather than the debilitating distraction of pink slips and the uncertainty of cuts to promising programs each spring.

We urge your support for a new multi-year funding plan for the Base Student Allocation. Please contact ALASBO Executive Director Amy Lujan using the contact information above if we can provide further assistance to your efforts.

Sincerely,

Luke D. Fulp
ALASBO President

HAINES BOROUGH SCHOOLS
P.O. Box 1289
Haines, Alaska 99827-1289

March 11, 2011

Senator Kevin Meyer
Majority Leader
State Capitol, Room 103
Juneau, AK 99801

Senator Joe Thomas
State Capitol, Room 514
Juneau, AK
99801

Dear Senators Meyer and Thomas:

Thank you for coauthoring SB84. The provisions of this bill would insure our school district's ability to continue building our capacity to provide a higher quality and more relevant education for our students. The recommendations of the Joint Education Funding Task Force (JEFTF) that met in 2007 and were incorporated into law made a huge contribution to our ability to do our jobs. We have had three years in which we've been able to more accurately budget. Consequently, we spend more time dealing with educational issues rather then trying to anticipate different funding scenarios. This has been huge for us. We have been able to work our strategic plan. We've focused on improving our reading and math curriculum and instruction. We've added additions to our Career and Technical/Vocational Education program. We've improved services to our "high needs" students.

We know that keeping kids in school so they don't drop-out, but continue through and graduate, includes several crucial factors. First they need to have high quality, highly skilled teachers who care about them. Second, they need a strong core curriculum. Third, they need immediate and effective interventions to help them catch-up and keep-up when they are behind. And forth, they need options and relevance in their classes. All these things help them connect to school and experience the success they need that will result in their graduating.

With the rising cost of energy and the consequent increase in goods and services, being able to continue our efforts for our children depends on the provisions SB84 encompasses. We thank you for leading the way in addressing the important issues we face and offering what we feel is a good solution that will allow us to continue our important work in partnership with the legislature, our local government and our immediate community.

Thank you,

Michael Byer
Superintendent, Haines Borough School District

HAINES BOROUGH SCHOOLS

P.O. Box 1289

Haines, Alaska 99827

A Resolution Supporting the Passage of Senate Bill No. 84 Submitted by the Senate Education Committee on 2/4/11

"An Act relating to funding for high school vocational education as a component of funding for public schools; increasing the base student allocation used in the public school funding formula; and providing for an effective date."

Whereas, The Alaska Legislature in 2008 passed HB 273 that put into effect the recommendations of its own Joint Legislative Education Funding Task Force that were based on a reasoned and deliberate discussion of important issues to public education in the state; and

Whereas, these recommendations included 1) forward funding of districts with yearly additions to the BSA, 2) funding the actual costs of "intensive needs students," 3) providing a "hold harmless" provision for districts with dramatic enrollment decreases, and 4) implementation of the "District Cost Factor;" and

Whereas, this legislative support has greatly assisted districts to do early forward planning and provide better educational services to students; and

Whereas, the need for forward funding, vocational education and the other provisions within HB 273 continues on; and

Whereas, Senate Bill No. 84 addresses these important concerns and continues the crucial support already begun by the legislature for the next three years; and

Whereas, flat funding will cause reductions in educational services and further constrain our district's capacity to meet the diverse needs of all students, each of whom are essential for Alaska's future;

THEREFORE BE IT RESOLVED, we respectfully request that Senate Bill No. 84 be passed by the Alaska State Legislature and signed into law by Governor Sean Parnell.

PASSED AND APPROVED this 16th day of March 2011.

HAINES BOROUGH SCHOOL BOARD

Carol Kelly

Carol Kelly, President

Brian Clay
Sean Cone
Nelle Jurgeleit-Greene

Anne Marie Palmieri
Sarah Swinton
Stacie Turner

Royal Henderson, Student Representative

Michael Byer, Superintendent

Superintendent's Office
Phone (907) 766-6725
Fax (907) 766-6794

K-12 School Office
Phone (907) 766-6700
Fax (907) 766-6791

SEA LEVEL B & B

Jean L. Ellis
P.O. Box 1068
913 N. Nordic Drive
Petersburg, Alaska 99833
(907) 772-3240
jrellis@gci.net

March 17, 2011

Senator Joe Thomas
Co-Chair Senate Education Committee
Alaska State Legislature

Dear Senator Thomas,

I am writing in support of SB 84 Vocational Education Funding / Base Student Allocation. We in Petersburg have been experiencing declining student enrollment. Our school has stepped up to the challenge and is reducing staff and making fiscally sound changes to our program.

However two items that continue to increase are heating fuel costs and health insurance costs. Through contract negotiations we have significantly increased the medical deductible which lowered our insurance costs however they are increasing again for next year and continue to be a large portion of our budget. Our elementary school (Stedman Elementary) built in the late 60's has single pane windows and uninsulated walls. It is on the DEED CIP list however energy needs receive a low ranking under the current system so it remains far down the list. The high heating fuel costs are hitting us hard.

We are currently projecting a budget shortfall for 2012 of $177,000. An increase to the Base Student Allocation as proposed in SB 84 would not eliminate our shortfall but would be a significant help. Forward funding is extremely beneficial as it allows the School District to make decisions on staffing (job or no job) and programs in a timely manner.

The Vocational Education Funding portion of SB 84 is particularly important. In Petersburg we need more electricians, plumbers, cooks, welders, and the list goes on. We are shortchanging our community and our students by not offering more training in the vocational trades.

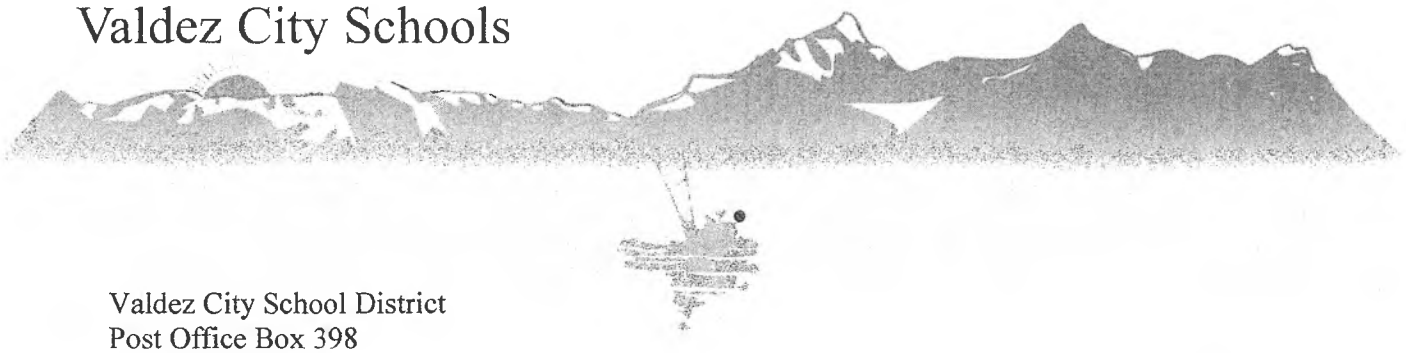
Petersburg is a great school with a very low drop out rate, high graduation rate, and high rate of students passing the HSGQE. However funding continues to be a real challenge, passage of SB 84 would greatly benefit our school district and community.

Thanks,

Jean L. Ellis

Jean L. Ellis, President
Petersburg School Board

Valdez City Schools



Valdez City School District
Post Office Box 398
Valdez, AK, 99686

March 10, 2011

Senator Joe Thomas
Mail Stop 3100
State Capitol, Room 514
Juneau, AK, 99801

Re: Support of Senate Bill 84

Dear Senator Thomas:

On behalf of the Valdez City School District Administration, Board of Education, and Staff Members we wish to thank you for your sponsorship of Senate Bill 84. This funding is helpful to our school district in many ways: 1. It allows us to strategically plan for the next three years; 2. It allows the continuation of many new and innovative programs for students; 3. It allows the VCSD to consider the expansion of current highly desired programs.

Over the last few years the VCSD has worked hard to expand and create additional learning opportunities for students. We currently have many programs that are unique to Valdez and we would like to be able to expand on those successes. We have forged a very strong collaboration with Prince William Sound Community College and we are able to offer many concurrent enrollment options for our students. We also are working together with industry professionals to not only prepare our students for college, but also prepare them of the workplace upon graduation.

The VCSD strongly supports Senate Bill 84 and we encourage swift passage to allow us to plan for the future.

Thank you,

Jacob Jensen, Superintendent
Valdez City School District

Daniel Walker, President
Valdez Board of Education

Murray Richmond

From: Ty Mase [tmase@lpsd.com]
Sent: Monday, March 14, 2011 7:32 AM
To: Sen. Kevin Meyer; Sen. Joe Thomas; Sen. Bettye Davis; Sen. Hollis French; Sen. Gary Stevens
Subject: SB 84
Attachments: 0clip_image002.png; 0clip_image004.png

[Image]

THE

LAKE AND PENINSULA

SCHOOL DISTRICT

101 Jensen Drive

P.O. Box 498

King Salmon, Alaska 99613

Phone (907) 246-4280 / Fax (907) 246-4473

[Image]

March 11, 2011

Alaska State Senate Education Committee

The Honorable Joe Thomas and the Honorable Kevin Meyer, Co-Chairs

Senators,

On behalf of the Lake and Peninsula School District I am writing in support of Senate Bill 84 - Base Allocation Increase and High School Vocational Education Funding. The multi-year increases applied during the past several years were very helpful in our strategic planning process. SB 84 proposes a similar multi-year plan.

Along with the ability to plan ahead financially, SB 84 also gives districts much needed funding increases that allow us to better respond to rising costs. In the past several years LPSD has experienced dramatic increases in medical insurance and utility costs. The yearly increase to the base allocation formula allows us to respond to such increases without cutting educational programs.

While the rest of the country is cutting teachers and educational systems are faltering, this is a positive step for Alaska. A sustainable, stronger education system is sure to be the result. On behalf of my Board and School District, I urge your support for multi-year funding of schools.

Sincerely,

Ty Mase
Superintendent

Ty Mase, Superintendent
Lake and Peninsula Borough School District P.O. Box 498 King Salmon, AK 99613
(907) 246-4280
(907) 246-4473 -fax

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Murray Richmond

From: Sen. Joe Thomas
Sent: Monday, March 14, 2011 11:36 AM
To: Murray Richmond
Subject: FW: SB 84 and CSSB 84

Importance: High

From: Comeau_Carol [mailto:Comeau_Carol@asdk12.org]
Sent: Monday, March 14, 2011 11:19 AM
To: Sen. Kevin Meyer; Sen. Johnny Ellis; Sen. Joe Thomas; Sen. Bettye Davis; Sen. Hollis French; Sen. Gary Stevens
Cc: School Board; Bruce Johnson (bjohnson@alaskaacsa.org)
Subject: SB 84 and CSSB 84
Importance: High

Dear Senators Meyer and Thomas and Senate Education Committee members:
I was unable to testify on SB 84 and CSSB 84 this morning due to an emergency death of one of our staff over the weekend. I did want to comment on this important proposed legislation.

First, and foremost, I want to thank all of you for your long-time support for public education; our students, staff, and families have truly benefitted from the past three years of increased funding in the Base Student Allocation, the Intensive Needs factor, and in Pupil Transportation. The increased funding has allowed us to fully pay for our over 900 Intensive Needs students from the increased funding, and not to have to divert other general education funding to provide these required intensive services. In addition, it has allowed us to keep up with the inflationary costs of education. By knowing our funding levels for three years, we were able to more effectively plan to our instructional programs and student needs, as well as negotiate reasonable collective bargaining agreements.

I urge you to support either SB 84 or CSSB 84 with the three years of incremental increases to the Base Student Allocation as well as the increase of a specific factor for career and technical education. For too long, our funding in the block grant which assists us with our bilingual eduation, special needs, gifted, and career and techical/vocational education funding has been used up with the needs of our bilingual (English Language Learners) and special needs students with little left to enhance our career and technical education. Our school board has prioritized career and technical education for the past three years, and we are seeing significant increases in student interest and participation in these courses. We have elements of C and TE in all three bond propositions on our April 5 ballot. We have added C and TE opportunities in our after school and summer school programs due to student interest. We believe that more funding in this vital area will assist us in providing more classes for our students, and thus increasing the graduation rate, and decreasing the drop out rate.

Again, we urge you to support SB 84 or the CSSB 84 in this legislative session. It will make a significant difference in the quality of education for our students.

Thank you,
Carol Comeau
Superintendent

Murray Richmond

From: Sen. Joe Thomas
Sent: Tuesday, March 15, 2011 11:29 AM
To: Murray Richmond
Subject: FW: Support for SB 84

From: Wendy Jacobsen [mailto:wjacobsen@cordovasd.org]
Sent: Tuesday, March 15, 2011 9:29 AM
To: Sen. Kevin Meyer; Sen. Joe Thomas
Subject: Support for SB 84

Senator Meyer and Senator Thomas,

Thank you for taking the time to consider support for SB 84. As a secondary special education teacher, I urge you to support SB 84. Often times the students I work with thrive in vocational educational programs and having specific funding for such programs would ensure that students who don't always thrive in traditional classes, can feel success and build employability skills through vocational education programs. I also urge you to support the increase in base allocation for student funding. Being able to anticipate student allocations for the next few years, will help administrators in the budget process. Please continue to support districts throughout Alaska by providing the funding that we need to continue to build and maintain successful programs for our students.

Thank You,
Wendy Jacobsen
Cordova

Murray Richmond

From: Sen. Joe Thomas
Sent: Tuesday, March 15, 2011 4:54 PM
To: Murray Richmond
Subject: FW: SB 84-BSA increase is needed for improvement to education

-----Original Message-----
From: Shelagh Sands [mailto:shelaghsands@gmail.com]
Sent: Sunday, March 13, 2011 10:51 AM
To: Sen. Gary Stevens; Sen. Hollis French; Sen. Bettye Davis; Sen. Joe Thomas; Sen. Kevin Meyer
Subject: SB 84-BSA increase is needed for improvement to education

Dear Senate Education Committee,

I am a parent of three children in Juneau. One is in college at Dartmouth College and two are in high school. I am also the President of the Arts For Kids board, which has tirelessly fought to keep the arts education in place in the Juneau School District. Our non-profit was instrumental in getting an elementary art program into our school district, after 25 years of having no elementary art across our district.

In looking at our school district, I see success. My son has gone to a very competitive college from Juneau Douglas Highschool. My children are doing well at this school also. This is because the parents, businesses and legislators have also fought tirelessly to keep funding education with inflation considered and cost of fuel considered.

To say that an increase in education money is not showing higher graduation rates, so why fund more money is foolhardy.

Our state must keep up with inflation rates and the rising cost of fuel alone, let alone the cost of drug counselors, high school counselors, art, physical fitness, and the four main core area of study,

If the legislators choose not to do this, then you will pay for incarceration rates, and adults that do not function in this society that is changing at a overwhelming rate. We want our kids to run the government in the future and we must continue to fund them to have this happen. Schools are continuing to look at ways to get test scores up. But you cannot go on test scores and graduation rates alone. You must look at the students that have succeeded and ask yourself why??? I feel it is because the legislature has continued to forward fund education, so our rates of success are not going down.

Simply put, you can feed a kid fruits and vegetables, which cost more than an unhealthy diet of cheerios and Mcdonalds. It simply cost alot to keep up with technology, abuse in the families, fitness and serving our children, that encompasses educating the whole child.

Please see that an increase to our district will keep all the programs that make a child happy and succeed. If this BSA is not increased our district will lose an art elementary specialist that services 2,000 children. This program alone is amazingly sucessful and creates learning with both sides of the brain. I could send lots of info that proves this. We will also loose a high school counselor. My son would never have made it to Dartmouth without a counselor that had time to help him in his high school carreer, but also help him get through the rigorous college application process. We will also loose our elementary EL program. You may think "oh, these smart kids will do fine without this," but studies show

that kids drop out of school that do not have their needs met with EL. These kids are considered special education because they have many needs to survive making it to adult life. I have raised three of these kids, and they have developed in a positive way due to this program.

Please make the right choice and forward fund education. We should have the best schools in the nation; since we don't, we need to let the educators try and still find success with a population base that is so diverse and facing so many issues.

Thank you for your work on this and continued effort on the part of our citizens.

Whenever I write to people I say that I am representing 200 voices because most people are afraid to contact the legislators. The average person on the street thinks that there voice is not heard and actually not worthwhile. They don't see that it matters. I have listened to 200 voices on my own that have relayed what I have said to you in this email.

Sincerely

Shelagh Sands a concerned parent.

Murray Richmond

From: Sen. Joe Thomas
Sent: Tuesday, March 15, 2011 4:54 PM
To: Murray Richmond
Subject: FW: SB 84 CTE support!

-----Original Message-----
From: Neel_Julye [mailto:Neel_Julye@asdk12.org]
Sent: Sunday, March 13, 2011 9:35 AM
To: Sen. Joe Thomas
Subject: SB 84 CTE support!

Dear Senator Thomas,

My name is Julye Neel and I am the Principal at Hanshew Middle School in Anchorage. I've learned that the Senate Education Committee is preparing to take public testimony on SB 84 increasing the Base Student Allocation and funding for vocational/career and technical-education. I'm so pleased to hear that.

This funding would support the work of educators with students through expanded CTE programs such as programs that currently exist successfully at Hanshew and our local Service Hgh School. Currently, Hanshew offers Applied Technology, directly preparing students for high school and the construction trades, Family Consumer Science directly preparing middle school students for Service High's Pro Start program, Business Education that prepares students for business courses such as accounting and marketing at the high school. We working on offering a course next year that prepares students for Service High's Bio Medical Academy. This purpose and goal would be to prepare students for the many career opportunities in the health field.

The increase in funding will support professional development for educators so that we can continue to support student and community interest. I believe that the CTE programs are relevant to students and their future more than ever before.

Thank you for your time and consideration. Please consider this an invitation to visit our school and learn more about the opportunities we are currently providing for students.

Sincerely,
Julye Neel
Hanshew Principal
Hanshew Middle School
Home of the HAWKS!

907-267-0203

Murray Richmond

From: Sen. Joe Thomas
Sent: Thursday, March 17, 2011 7:14 AM
To: Murray Richmond
Subject: FW: SB84 K-12 funding

From: Anne Kilkenny [mailto:annekilkenny@hotmail.com]
Sent: Wednesday, March 16, 2011 10:14 PM
To: Sen. Fred Dyson; Sen. Linda Menard; Sen. Kevin Meyer; Sen. Donny Olson; Sen. Dennis Egan; Sen. Joe Paskvan; Sen. Bettye Davis; Sen. Johnny Ellis; Sen. Hollis French; Sen. Lyman Hoffman; Sen. Charlie Huggins; Sen. Albert Kookesh; Sen. Bert Stedman; Sen. Gary Stevens; Sen. Cathy Giessel; Sen. Tom Wagoner; Sen. Bill Wielechowski; Sen. Joe Thomas; Sen. Lesil McGuire; Sen. John Coghill
Subject: SB84 K-12 funding

Senators,

I support SB84 but think that it needs to be amended to provide increases in the BSA of $170, 175 and 180 in FY2012, 13, and 14.

My reasons are:
1) The increase you are proposing doesn't even cover the increase the MatSu Borough District has incurred in health insurance expense this year.
2) Our schools need to do a better job of educating students in order to be competitive on the world market. You can't expect better performance without better funding.
3) The increase you are proposing (1.9%) is less than the 10 yr average for inflation of 2.8%. With the price of oil going up, expenses will increase, especially for rural districts which are disproportionately impacted by increases in the cost of diesel and transportation expenses.
4) We can afford it. House Finance passed a budget with a 5.2% increase in spending. A 5.2% increase in the BSA would be $295. Certainly, under those circumstances we can afford a 3% increase for k-12 education.
5) Due to borough ordinance which confiscates 50% of the year-end fund balance of the MSB School District, the MatSu Boro SD has no reserves into which it can dip to cover budget shortfalls.
6) If you can consider giving TWO BILLION DOLLARS to the oil companies with nothing in return, you can give $50 million more to our children who will be supporting more seniors than any other generation of Americans.
7) This is starvation funding. Our children deserve more than a 1.9% increase.
8) Without an increase the MatSu Boro Sch Distr will have to lay off about 35 teachers and class sizes will go up 4 to 6 students.

Thank you for consideration of my concerns,
Anne Kilkenny

Anne Kilkenny
P. O. Box 870163
Wasilla, Alaska USA
99687-0163

907-376-6225

Live Simply. Love Generously. Care Deeply. Speak Kindly. Leave the rest to God.

SB

86

<TARGET><BILL>SB 86</BILL><SUBJECT>SB
86</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/14/11

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 86

SB 86 PROTECTION OF VULNERABLE ADULTS/MINORS

"An Act relating to the protection of property of persons under disability and minors; relating to the crime of violating a protective order concerning certain vulnerable persons; relating to aggravating factors at sentencing for offenses concerning a victim 65 years or older; relating to the protection of vulnerable adults; amending Rule 12(h), Alaska Rules of Criminal Procedure; amending Rule 45(a), Alaska Rules of Criminal Procedure; amending Rule 65, Alaska Rules of Civil Procedure; amending Rule 17, Alaska Rules of Probate Procedure; amending Rule 9, Alaska Rules of Administration; and providing for an effective date."

and recommends:

[✓] adopt previous CS SB 86 (JUD) [ ] *Same Title* [✓] *New Title*

[ ] adopt **previous CS** _____ (_____) [ ] *Same Title* [ ] *New Title*

[ ] attached amendment(s)

[ ] adopt _____ Letter of Intent

[ ] further referral to _____ Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DHS			✓	
ADM			✓	
LAW			✓	
DPS	✓			
DPS			✓	
COR			✓	
CRT			✓	

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	Egan	✓			
	McGuire	✓			
	Olson			✓	
	Ellis	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓			

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB086(JUD)**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB086CS(JUD)-DHSS-SDSA-12-30-11
Title: Protection of Vulnerable Adults/Minors
Sponsor: Rules by Request of the Governor
Requester: Senate Finance Committee

Dept. Affected: Health and Social Services
Appropriation: Senior and Disabilities Services
Allocation: Sr. and Disabilities Services Admin
OMB Component Number: 2663

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated fiscal note to reflect the current fiscal year.

Prepared by: Duane Mayes, Director — Phone: 269-2083
Division: Senior and Disabilities Services — Date/Time: 12/30/11 4:00 PM
Approved by: Nancy Rolfzen, Assistant Commissioner — Date: 12/30/2011
DHSS Finance & Management Services

(Revised 11/18/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB086(JUD)

Analysis

This legislation provides additional protections to seniors and other vulnerable adults. The proposed changes in the vulnerable adult statutes add the concept of undue influence as a potential harm. This bill provides additional legal and investigatory tools to the department in order to respond to reports of harm and establish protective services to individuals who need them. There is no fiscal impact anticipated.

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **SB086**
Fiscal Note Number:
Publish Date:

Identifier (file name): SB086-DOA-OPA-12-12-2011
Title: Protection of Vulnerable Adults/Minors
Sponsor: Rules by Request of the Governor
Requester: Senate Finance

Dept. Affected: Administration
Appropriation: Legal and Advocacy Services
Allocation: Office of Public Advocacy
OMB Component Number: 43

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Update for session.

Prepared by: Richard Allen, Director — Phone: 907-269-3504
Division: Office of Public Advocacy — Date/Time: 11/28/2011 2:24 p.m.
Approved by: John Cramer, Deputy Commissioner — Date: 12/12/2011
Department of Administration

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB086

Analysis

This bill will enhance the legal protections against fraud and financial abuse available to elders and vulnerable adults. The Office of Public Advocacy wishes to highlight two portions of the bill that will provide new emergency procedures to protect vulnerable adults who may be served by the agency's Elder Fraud or Probate practices.

In Section 7, the bill creates two emergency judicial proceedings to stop and prevent financial exploitation of vulnerable adults. The first is a process for the appointment of temporary conservators. This will allow the court to impose emergency conservatorships to assist vulnerable individuals with their financial affairs to prevent imminent waste or fraudulent dissipation of their estates.

The second creates a process for the imposition of financial protective orders. Individual victims or other concerned parties will be able to apply for the protections of 20 day ex parte protective orders to stop or prevent financial exploitation. The initial ex parte order may be extended for up to six months after notice and a hearing at which the respondent may be heard.

This bill also provides for expanded reporting of financial abuse and enhanced penalties in criminal cases when there is an elderly victim. Additionally, the bill criminalizes violations of the financial protective orders.

The agency does not believe that this will result in significant cost increases to the agency. Accordingly, the Agency is submitting a zero impact fiscal note.

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **SB 86**
Fiscal Note Number:
Publish Date:

Identifier (file name)	SB086CS(JUD)-LAW-CIV-12-02-11	Dept. Affected	Law
Title	An Act relating to property of persons; crime of violating order; aggravating factors at sentencing; protection...	Appropriation	Civil
		Allocation	Human Services
Sponsor	(S) RLS by Request of the Governor		
Requester	(S) FIN	OMB Component Number	2962

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated for new fiscal year form.

Prepared by: Eileen Donahue, Division Operations Manager — Phone: 465-5427
Division: Administrative Services — Date/Time: 12/02/11 10:00AM
Approved by: John J. Burns, Attorney General — Date: 12/2/2011
Department of Law

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB 86

Analysis

This bill adopts 20-day and six-month protective orders for vulnerable adults who are victims of a financial fraud, and a temporary conservatorship process when the need exists during the pendency of a regular petition for conservatorship. The bill also expands the list of mandatory reporters of harm to a vulnerable adult, adds the harm of undue influence, and expands the investigative powers of the Office of Adult Protective Services, including the authority to issue subpoenas, conduct interviews and examine financial and health care records. The bill also amends the crime of violating a protective order by adding the crime of violating a protective order issued to protect a vulnerable adult under AS 13.26.180 or 13.26.209. Violating a protective order is a class A misdemeanor.

There is no anticipated fiscal impact to Department of Law.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB086**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB086CS(JUD)-DPS-DSS-12-30-11
Title: "An Act relating to the protection of property of persons under disability and minors; vulnerable adults..."
Sponsor: Senate Rules by Request of the Governor
Requester: (S) FIN

Dept. Affected: Public Safety
Appropriation: Statewide Support
Allocation: Records & Identification
OMB Component Number: 1190

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel	16.0						
Services	32.0						
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**48.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	48.0						
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**48.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated on new fiscal note form.

Prepared by: Kelly Howell — Phone: (907) 269-5591
Division: Office of the Commissioner — Date/Time: 12/30/11 8:31 AM
Approved by: Joe Masters, Commissioner — Date: 12/15/2011
Department of Public Safety

(Revised 11/28/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB086

Analysis

This bill treats AS 13 protective orders in the same manner as stalking, sexual assault, and domestic violence protective orders under AS 18 and will require the development of new protective order forms with substantial collaboration between DPS, the Alaska Court System, DHSS, the Office of Public Advocacy, and the Department of Revenue. The findings and orders for these new AS 13 protective orders will differ from the AS 18 orders in the existing protection order registry, which address violence and domestic violence situations.

Once the forms are developed, APSIN programming changes will be required to accomodate new fields and types of information required. A separate version of the APSIN central registry must be developed to accomodate these new orders. Note: these new orders do not meet the necessary criteria for entry into the national registry of protection, stalking and sexual assault orders (NCIC) because they do not necessarily involve physical violence.

Programming and analysis for APSIN changes will require 280 hours of contractual work @ $100/hr to evaluate and make recommendations regarding statewide implementation of new processes and procedures for entering and maintaining these new orders into existing APSIN. Additionally, 40 hours of contractual work (at $100/hr) will be required to integrate these new orders into APSIN.

Statewide training will then be required on the new forms and APSIN procedures. Statewide training costs are included.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB086**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB086CS(JUD)-DPS-DET-12-30-11
Title: "An Act relating to the protection of property of persons under disability and minors; vulnerable adults..."
Sponsor: Senate Rules by Request of the Governor
Requester: (S) FIN

Dept. Affected: Public Safety
Appropriation: Alaska State Troopers
Allocation: AST Detachments
OMB Component Number: 2325

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated on new fiscal note form.

Prepared by: Kelly Howell
Division: Office of the Commissioner
Approved by: Joe Masters, Commissioner
Department of Public Safety

Phone: (907) 269-5591
Date/Time: 12/30/11 8:33 AM
Date: 12/15/2011

(Revised 11/28/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB086

Analysis

This bill makes several changes to AS 13.26 and AS 47.24 concerning vulnerable adults. It adds fraud as a reason that might necessitate a converatorship, and as a basis for seeking an ex parte financial protective order. This bill also adds the concept of undue influence to the list of reportable harms and adds certain individuals as mandatory reporters of harm to vulnerable adults. Finally, this bill expands the investigatory authority of the Adult Protective Services Office.

Passage of this legislation will have no fiscal impact on the division.

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **CSSB86(JUD)**
Fiscal Note Number:
Publish Date:

Identifier (file name): CSSB086(JUD)-DOC-OC-12-22-2011
Dept. Affected: DOC
Title: "An Act relating to the protection of property of persons under disability and minors; relating to the crime of violating a
Appropriation: Admin & Support
Allocation: Commissioner's Office
Sponsor: Rules Committee by Request of the Governor
Requester: Senate Finance Committee
OMB Component Number: 694

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Several technical amendments were made to the bill. Updated to reflect current fiscal year.

Prepared by: Leslie Houston, Director
Division: Department of Corrections - Administrative Services
Phone: 907-465-3339
Date/Time: 12/22/11 3:45 PM
Approved by: Joseph D. Schmidt, Commissioner
Department of Corrections
Date: 12/22/2011

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB86(JUD)

Analysis

This legislation creates a crime of violating protective orders of victims 65 years or older. Violation of this law does not require a mandatory arrest and therefore would have little to no impact on the Department of Corrections.

There is no anticipated fiscal impact to the Department of Corrections.

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB86(JUD)

Analysis Continued

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **CSSB 86(JUD)**
Fiscal Note Number:
Publish Date:

Identifier (file name): 12 CSSB86(JUD)-ACS-TRC-1-14-12
Title:
Dept. Affected:
Appropriation: Alaska Court System
Allocation: Trial Courts
Sponsor: Senate Rules Committee
Requester: Governor
OMB Component Number: 768

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This note is updated to reflect a new fiscal year and changed section citatiions.

Prepared by: Doug Wooliver, Deputy Administrative Director
Division: Alaska Court System
Phone: 907-463-4750
Date/Time: 1-14-12 @ 11:00 am
Approved by: Doug Wooliver for Christine Johnson, Administrative Director
Alaska Court System
Date: 1/14/2012

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB 86(JUD)

Analysis

Committee Substitute for Senate Bill 86 (JUD) makes several changes to the statutes that govern protective proceedings. Two of those changes will likely impact the court system, though the extent of the impact is too speculative to support a fiscal note and, in any event, may not be felt immediately.

Sections 8 and 10 allow for temporary conservators to be appointed within 72 hours of the filing of the petition and section 10 further allows for ex parte protective orders when a person believes that an order is necessary to protect a vulnerable person from fraud.

The court's experience with temporary guardianships (AS 13.26.140) and ex parte protective orders in other contexts suggests that passage of this bill will result in more cases being filed that must be heard on short notice. If that increase becomes significant, and it likely will in the future, the court system may need to return to the legislature for additional funding. At this point, however, the number of conservatorship petitions filed each year is not great enough to warrant a fiscal note.

STATE OF ALASKA

SEAN PARNELL, GOVERNOR

DEPARTMENT OF REVENUE
Alaska Mental Health
Trust Authority

Office of the Long Term Care Ombudsman

3745 Community Park Loop. Suite 200
Anchorage AK 99508
Phone (907) 334-4480
Fax (907) 334-4486

January 13, 2012

Senator Bert Stedman
Senator Lyman Hoffman
Senate Finance Committee
State Capitol, Juneau AK 99801-1182

Re: SB 86

Dear Senators:

I am writing to voice my strong support for Senate Bill 86. I can tell you from firsthand experience how urgently our state needs the strengthened protections this bill offers for vulnerable adults.

The Long Term Care Ombudsman is authorized under AS 47.62 and AS 47.24 to investigate and resolve complaints made by or on behalf of older Alaskans in long term care facilities. In Fiscal Year 2011, our office received 824 complaints, a 70% increase in complaints as compared to FY 2010. Every week we conduct investigations in facilities all across Alaska, resulting in substantiations of abuse, neglect, exploitation, or violation of basic human rights.

Most frustrating for us are the cases of financial exploitation. Perpetrators can drain seniors' assets before the State has time to complete investigations and substantiate wrongdoing. Our current statutes do not give the State the authority it needs to freeze financial transactions for the protection of vulnerable seniors. I believe that SB 86 will remedy that problem. No senior should end up on a Medicaid waiver because his assets were stolen by unscrupulous individuals.

Thank you for giving SB 86 your careful consideration for the good of Alaska's most vulnerable citizens.

Sincerely,

Diana Weber

Diana Weber, MS
Long Term Care Ombudsman

STATE OF ALASKA

DEPARTMENT OF REVENUE
Alaska Mental Health
Trust Authority

SEAN PARNELL, GOVERNOR

Office of the Long Term Care Ombudsman

3745 Community Park Loop. Suite 200
Anchorage AK 99508
Phone (907) 334-4480
Fax (907) 334-4486

February 18, 2011

Senators French, Wielechowski, Paskvan, McGuire, and Coghill
Alaska State 27th Legislature
State Capitol
Juneau, AK

Re: SB 86 "Protection of vulnerable adults"

Dear Senators:

The Office of the Long Term Care Ombudsman investigates and resolves complaints made by, or on behalf of, older Alaskans in long term care facilities. In the first seven months of FY 2011, our office received 13 complaints alleging financial exploitation of seniors in assisted living or nursing homes. These cases can involve a family member or caregiver

- exerting undue influence over a senior's decision-making to access bank accounts.
- charging the senior for services and goods he or she did not receive.
- failing to provide a senior with needed care, so as to save the "family" inheritance, or
- forcing a senior to sign over deeds on houses or land.

While 13 cases may not seem significant, even a few instances of exploitation of seniors can lead to hundreds of thousands of dollars in lost assets.

The frustrating thing about these cases is that the exploitation happens so quickly that the State cannot step in fast enough to preserve the seniors' assets. Not only is it wrong for seniors to be taken advantage of in this way, but once the seniors' assets are gone, Medicaid or General Relief pick up the cost of the care. The State is essentially footing the bill for these losses.

I support SB 86, especially the provisions for financial protective orders, emergency conservatorships, and the addition of "undue influence" as a reportable harm. I hope you will give your support to this bill and protect our older Alaskans from financial predators.

Sincerely,

Diana Weber, MS
State of Alaska Long Term Care Ombudsman
3745 Community Park Loop, Suite 200
Anchorage, AK 99508

AARP Alaska
3601 C Street
Suite 1420
Anchorage, AK 99503

T 1-866-227-7447
F 907-341-2270
TTY 1-877-434-7598
www.aarp.org/ak

February 18, 2011

The Honorable Hollis French, Chair
Senate Judiciary Committee
Alaska State Capitol, Room 417
Juneau, AK 99801-1182

RE: SB 86 (Governor Parnell)--Support

Dear Chair French:

On behalf of the members of AARP in Alaska, we encourage you and your colleagues on the Senate Judiciary Committee to support SB 86, sponsored by the Senate Rules Committee at the request of Governor Parnell.

The aging of Alaska's population, particularly the growth in the numbers of our citizens over age 75, presents unique challenges for our criminal justice system.

The National Center on Elder Abuse indicates that 23.4% of substantiated reports of mistreatment of older adults were financial exploitation, another 17% was physical abuse, and 32.5% was caregiver neglect. Emotional/verbal/psychological abuse accounted for 23.6% of the substantiated reports and sexual abuse/other accounted for 3.6%.

Elder abuse occurs without reference to race, religion, income, education, place of residence, or living arrangement. It is real and, unfortunately, all too common.

Detecting and preventing elder abuse involves increasing awareness among the general public and professionals.

Although SB 86 addresses the problems of abuse and exploitation on minors, we will focus on the benefits that we perceive will help older Alaskans.

The bill identifies "mandated reporters." This is very significant and will undoubtedly stop people from "looking the other way" and will also protect them from reporting incidents that might involve supervisory staff over them.

SB 86 also creates vehicles for new emergency procedures to allow courts to immediately protect individuals from financial abuse with temporary conservators and financial protective orders.

Unfortunately there are incidents of trusted advisors like guardians, agents under durable power of attorney, and other fiduciaries who have also committed elder abuse. Adding the concept of "undue influence" should help address this issue.

SB 86 also requires cooperation with Adult Protective Services, DHSS training of investigators, and mandates release of relevant financial and health records necessary for an investigation.

Will SB 86 prevent all elder abuse? No. But it will go a long way in preventing it and punishing those who commit it. It's a strong bill that will help vulnerable older Alaskans, younger Alaskans with disabilities, and minors.

AARP requests an "AYE" vote on SB 86.

Should you have any questions about our position, please feel free to contact me (586-3637) or Patrick Luby, AARP Advocacy Director (907-762-3314).

Thank you for your consideration.

Sincerely,

Marie Darlin

Marie Darlin, Coordinator
AARP Capital City Task Force
415 Willoughby Avenue, Apt. 506
Juneau, AK 99801
586-3637 (voice)
463-3580 (fax)

CC: Vice-Chair Bill Wielechowski
Senator Joe Paskvan
Senator Lesil McGuire
Senator John Coghill
Governor Sean Parnell

STATE OF ALASKA

DEPT. OF HEALTH & SOCIAL SERVICES

Alaska Commission on Aging

SEAN PARNELL, GOVERNOR

P.O. BOX 110693
JUNEAU, ALASKA 99811-0693
PHONE: (907) 465-3250
FAX: (907) 465-1398

January 13, 2012

The Honorable Lyman Hoffman, Co-Chair
The Honorable Bert Stedman, Co-Chair
Senate Finance Committee
Alaska State Capitol, Rooms 518 & 516
Juneau, AK 99801-1182

Subject: Support for SB 86, Protection of Vulnerable Adults

Dear Chair Stedman & Chair Hoffman:

The Alaska Commission on Aging (ACoA) is pleased to offer our support of SB 86, a bill sponsored by the Senate Rules Committee at the request of Governor Parnell, to enhance protection of vulnerable older adults and persons with disabilities against acts of abuse and financial exploitation. As the number of older Alaskans continues to increase, especially those of the "oldest old" (age 85 and older), so has the number of substantiated reports of harm to Adult Protective Services (APS), the Office of Long-Term Care Ombudsman (OLTCO) and the Office of Elder Fraud and Assistance (OEFA). Legislation is needed to increase safeguards for vulnerable adults who are at increased risk of abuse and financial exploitation. Older people with dementia and other cognitive impairments, those who are confined to their beds, and isolated seniors are particularly vulnerable to elder mistreatment.

Reports of harm against older Alaskans are on the rise. There are several factors responsible that include more awareness of protection resources, a growing senior population, and more prevalent fraud and abuse. According to data from Adult Protective Services, there has been a 90% increase in the number of reports received from FY 2009 to FY 2011. Since cases are often underreported, particularly if the abuser is a family member, it is likely that the magnitude of the problem is far greater than what is reported. Similarly, the OLTCO (2012) reports a 70% increase in the number of complaints filed about treatment of seniors in long-term care facilities over the past year.

Financial exploitation of older adults is a growing problem that may be linked to current economic times. It is sometimes referred to as a "silent crime" or a "crime of opportunity" because there are few external signs and victims are often reluctant to report the offense. In other situations, the victim may be in the early stages of dementia and not realize what has transpired.

SB 86 is a strong bill that will help prevent abuse against vulnerable older Alaskans, Alaskans with disabilities, and minors. The legislation adds two new ways to protect seniors against financial exploitation (by allowing individuals at imminent risk of losing their resources the ability to apply for an emergency conservatorship as well as a 20-day financial protective order without an attorney); provides for a broader definition of "vulnerable adult;" adds mandated reporters (such as employees of nursing homes and other health care facilities, educators, and administrative staff of educational institutions), and expands the definition of reportable harm to include "undue influence" (when a trusted individual uses their position to exploit a vulnerable adult). SB 86 also requires

cooperation with Adult Protective Services, DHSS training of investigators, and mandates release of relevant financial and health records necessary for an investigation.

The cost of elder abuse is significant. When an elder is victimized and needs services from APS, the OLTCO, and law enforcement agencies or loses his/her life-long financial assets and becomes Medicaid-eligible, the State bears the costs to provide this assistance. More disturbing is the personal cost to elderly victims where abuse often compromises a person's independence and feeling of security and can lead to depression, hopelessness, or even suicide.

Thank you for your consideration and support of this legislation. Please feel free to contact Denise Daniello, ACoA's executive director, by phone (465-4879) or email (denise.daniello@alaska.gov) should you have questions or require additional information. Thank you.

Sincerely,

Sharon Howerton-Clark
Chair, Alaska Commission on Aging

Sincerely,

Denise Daniello
ACoA Executive Director

Cc: Senator Donald Olson
Senator Dennis Egan
Senator Joe Thomas
Senator Johnny Ellis
Senator Lesil McGuire
Mike Lesmann, Governor's DHSS Special Assistant

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES
DIVISION OF SENIOR AND DISABILITIES SERVICES

SEAN PARNELL, GOVERNOR

P.O. BOX 110680
JUNEAU, ALASKA 99811-0680
PHONE: (907) 465-3372
FAX: (907) 465-1170
TOLL FREE: (800) 465-3185

CSSB 86 (JUD) – EXPLANATION OF CHANGES

The following is a description of the changes that have occurred between the originally introduced bill and the version before the Senate Finance Committee. These changes were adopted in the Senate Judiciary Committee. The page references refer to the current bill version.

1. The first two sections of the bill are newly added.

2. Page 2, line 18; Sec. 3. AS 11.56.740(a) – Replaced "**AS 13.26.180"** with "**AS 13.26.207**".

3. Page 2, line 23; Sec. 4. AS 11.56.740(c) - Replaced "**AS 13.26.180**" with "**AS 13.26.207**".

4. Page 2, lines 24-26; Sec. 5. AS 12.55.155(c) – this is a new section.

5. Page 2, line 30; Sec. 6. AS 13.26.165 – Replaced "**make other**" with "**issue another**".

6. Page 3, lines 3-10; Sec. 6 AS 13.26.165(1) – this paragraph was restructured to take the phrases and create subparagraphs A, B and C.

7. Page 3, line 4; Sec. 6. AS 13.26.165(1)(A) – Replaced "**which**" with **"that**".

8. Page 3, line 5; Sec. 6. AS 13.26.165(1)(B) – Added "**the minor**" and replaced "**which**" with "**that**".

9. Page 3, lines 8 and 9; Sec. 6. AS 13.26.165(1)(C) – Deleted two instances of "**that**".

10. Page 3, line 18; Sec. 6. AS 13.26.165(2) - Replaced "**which**" with **"that**".

11. Page 4, lines 6-9; Sec. 9. AS 13.26.185 – this is a new section.

12. Page 4, line 10 – Page 7, line 24 – Provisions regarding temporary conservatorships, ex parte protective orders, temporary protective orders and permanent protective orders are restructured into separate sections and the sections are renumbered. **Temporary conservatorships are now in AS 13.26.206 (pages 4-5). Ex parte protective orders are now in AS 13.26.207. Temporary protective orders; conversions are now in AS 13.26.208 (pages 5-6). Modifications, compliance and forms and fees provisions are now in AS 13.26.209 (pages 6-7).**

13. Page 4, line 22; Sec 10. AS 13.26.206(a) – Following "**attorney**" inserted "**and other persons as ordered by the court.**"

14. Page 4, line 23; Sec. 10. AS 13.26.206(a) – Inserted "**appoint an attorney for a respondent who is unrepresented to be at the hearing and**".

15. Page 5, lines 4-9; Sec. 10. AS 13.26.207(a) - Following "**against**" inserted "**a person other than the protected person. A petition filed on behalf of a protected person by a person other than the protected person must be accompanied by proof of service of the petition on the protected person or the person's attorney unless service would cause an immediate threat of harm to the best interests of the protected person and the petition includes a written explanation of the harm.**"

16. Page 5, lines 25-28; Sec. 10. AS 13.26.207(c) – Replaced "**at the end of a six-month extension if granted by the court under (d) of this section, or upon the appointment of a temporary or permanent conservator or dismissal of the petition for the ex parte order,**" with "**unless dissolved earlier by the court at the request of the petitioner or respondent and after notice and, if requested, a hearing, or on the earlier appointment of a temporary or permanent conservator.**

17. Page 5, line 29; Sec. 10. AS 13.26.208 – Replaced "**Upon**" with "**On**".

18. Page 5, lines 30-31; Sec. 10. AS 13.26.208 – Replaced "**the**" with "**a**" and following "**order**" inserted "**issued under AS 13.26.207,**".

19. Page 5, line 31; Sec. 10. AS 13.26.208 – Replaced "**extend**" with "**convert**".

20. Page 6, line 1; Sec. 10. AS 13.26.208 – Following "**order**" inserted "**to a temporary order effective**".

21. Page 6, line 2; Sec. 10. AS 13.26.208 – Following "**provide**" inserted "**to the protected person and the respondent**".

22. Page 6, lines 2-3; Sec. 10. AS 13.26.208 – Deleted "**to the respondent**".

23. Page 6, line 6; Sec. 10. AS 13.26.208 – Replaced "**extend**" with "**convert**".

24. Page 6, line 7; Sec 10. AS 13.26.208 – Following "**order**" inserted "**to a temporary protective order effective**".

25. Page 6, lines 8-29; Sec. 10. AS 13.26.209 – Subsections a-d are all new subsections.

26. Page 6, line 30; Sec. 10. AS 13.26.209(e) – Replaced "**this section**" with "**AS 13.26.207-13.26.209**".

27. Page 7, lines 1-2; Sec. 10. AS 13.26.209(f) – Following "**party**" inserted "**that has received actual or legal notice of a protective order issued under AS 13.20.207-13.26.209**"

28. Page 7, line 3; Sec. 10. AS 13.26.209(f) - Replaced "**this section**" with "**AS 13.26.207-13.26.209**".

29. Page 7, lines 7-8; Sec. 10. AS 13.26.209(f) - Replaced "**this section**" with "**AS 13.26.207-13.26.209**".

30. Page 7, lines 9-10; Sec. 10. AS 13.26.209(f) – Following "**order.**" Inserted "**As used in this section, "actual or legal notice" means delivery by mail or facsimile at the most recently known place of residence or business of the third party.**"

31. Page 7, lines 15-16; Sec. 10. AS 13.26.209(g) – Replaced "**their use**" with "**use of the forms**" and replaced "**this section**" with "**AS 13.26.207-13.26.209**".

32. Page 7, lines 22-24; Sec. 10. AS 13.26.209(h) – Replaced "**this section**" with "**AS 13.26.207, for an application under AS 13.26.208, or for a request for modification of a protective order under AS 13.26.209(a).**"

33. Page 7, line 29; Sec. 11. AS 13.26.324(2) - Replaced "**theft and related offenses**" with "**offenses against property**".

34. Page 8, line 10; Sec. 12. AS 18.65.530(a)(2) - Replaced "**and**" with "**or**" .

35. Page 8, line 15; Sec. 13. AS 18.65.540(a) – Replaced "**AS 13.26.180,**" with "**AS 13.26.207-**".

36. Page 8, line 22; Sec. 14. AS 18.65.540(b) – Replaced "**AS 13.26.180, 13.26.209**" with **AS 13.26.207, 13.26.208**".

37. Page 8, line 23; Sec. 14. AS 18.65.540(b) – Following "**under**" inserted "**AS 13.26.209,**".

38. Page 8, line 24; Sec. 14. AS 18.65.540(b) – Replaced "**must**" with "**shall**".

39. Page 8, line 27-Page 9, line 7; Sec. 14. AS 44.21.415(g) - this is a new section.

40. Page 10, line 31, Sec 19. AS 47.24.010(d) – Replaced "**their**" with "**the person's**" and replaced "**nor does it**" with "**This section does not**".

41. Page 11, lines 10-11; Sec. 20. AS 47.24.010(e) – Inserted the amending language before the deletion instead of after the deletion.

42. Page 12, line 3; Sec 23. AS47.24.013(a) – Replaced "**regards**" with "**pertains to**".

43. Page 14, lines 2-5; Sec.29. AS 47.24.015(h) - this is a totally redrafted subsection.

44. Page 14, line 9; Sec. 29. AS 47.24.015(j) - Deleted (j) in the original bill and re-lettered the following subsections accordingly.

45. Page 13, line 24; Sec. 29. AS 47.24.015(m) - Replaced "**the following:**" and (1) – (4) with "**any person**"

46. Page 14, line 29; Sec. 30. AS 47.24.016(a) - Following "**guardian,**" inserted "**conservator,**"

47. Page 15, line 7-8; Sec. 30. AS 47.24.016(a)(1) - Replaced "**divorce or dissolution**" with "**divorce, [OR] dissolution, or legal separation**" .

48. Page 16, line 5; Sec. 33. AS 47.24.017(a) - Replaced "**guardian or**" with "**guardian, conservator, [OR]**".

49. Page 16, line 19; Sec. 34. AS 47.24.019(c) - Replaced "**a family member, caregiver, guardian, conservator, attorney-in-fact, trustee, or surrogate decision maker**" with "**any person.**

50. Page 16, line 21; Sec. 34. AS 47.24.019(c) - Replaced "**a family member, caregiver, guardian, conservator, attorney-in-fact, trustee, or surrogate decision maker**" with "**person**".

51. Page 17, line 7; Sec. 35. AS 47.24.050(b) - Following "**guardian,**" inserted "**conservator,**".

52. Page 17 line 10; Sec. 34. AS 47.24.050(b) - Following "**guardian,**" inserted "**conservator,**".

53. Page 18, line 1; Sec. 37. AS 47.24.900(2)(A) - Following "**intentional,**" inserted "**knowing,**" .

54. Page 18, line 18; Sec. 39. AS 47.24.900(4) - Replaced "**means**" with "**includes**".

55. Page 18, line 28; Sec. 40. AS 47.24.900(7)(B) - Following "**deception,**" inserted "**fraud,**" .

56. Page 18, lines 29-30; Sec. 40. AS 47.24.900(7) (B) - Following "**duty;**" inserted "**in this paragraph, "fraud" has the meaning given in AS 13.26.324(1) and (2);**"

57. Page 19, line 1; Sec. 41. AS 47.24.900(9) - Following "**intentional,**" inserted "**knowing,**".

58. Page 19, line 7; Sec. 41. AS 47.24.900(9) - Replaced "**means**" with "**includes**".

59. Page 19, lines 9-23; Sec. 42. AS 47.24.900(11) - Legal Services reformatted this section, but there was no substantial change.

60. Page 19, line 16; Sec. 42. AS 47.24.900(11)(B)(D) - Replaced "**(iv) freezing an account at a financial institution;**" with "**(D) staying financial transactions;**"

61. Page 20, line 3 Sec. 43. AS 47.24.900(15)(D) - Following "**loss**" inserted "**, waste, or dissipation**" .

62. Page 20, lines 16-18; Sec. 45. AS 47.24.900(18) – Redrafted the definition of "fiduciary duty".

63. Page 21, lines 13-15; Sec. 45. AS 47.24.900(21) - Replaced " **"undue influence" means a person of trust or confidence uses the person's role, relationship or authority to exploit**" with " **"undue influence" means the use by a person who stands in a position of trust or confidence of the person's role, relationship, or authority to wrongfully exploit**" .

64. Page 21, line 15; Sec. 45. AS 47.24.900(21) - Deleted "**deceptively**".

65. Page 21, lines 23-26; Sec. 46. Direct Court Rule Amendments 12(h) - Replaced all bold language with "**In deciding whether to grant the motion, the court shall consider the victim's circumstances and the effect that delay would have on the victim, particularly a victim of advanced age or extreme youth. The court shall place its findings on the record.**"

66. Page 22, line 5-6; Sec. 47. Direct Court Rule Amendments 45(a) - Following "**cases.**" inserted "**The court shall consider the circumstances of the victim, particularly a victim of advanced age or extreme youth, in setting the trial date.**"

67. Page 22, line 12; Sec. 48. Indirect Court Rule Amendments (a) – Following (a) inserted "**AS 13.26.207, 13.26.208, and**".

68. Page 22, line 13; Sec. 48. Indirect Court Rule Amendments (a) – Replaced "**7**" with "**10**" and replaced "**has**" with "**have**".

69. Page 22, line 15; Sec. 48. Indirect Court Rule Amendments (a) – Following "**parte**" inserted "**and temporary**" and following "**orders**" inserted "**and modifications of orders**".

70. Page 22, line 18; Sec. 48. Indirect Court Rule Amendments (b) – Replaced "**7**" with "**10**".

71. Page 22, lines 20-22; Sec. 48. Indirect Court Rule Amendments (b) – Replaced "**AS 13.26.209(a), enacted by sec. 7 of this Act**" with "**AS 13.26.207 for an application for a temporary order under AS 13.26.208, or for modification of a protective order under AS 13.26.209(a), enacted by sec. 10 of this Act**".

72. Page 22, line 23-Page 23, line 1; Sec. 48. Indirect Court Rule Amendments. Created new subsections (c), (d) and (e).

73. Page 23, lines 4-5; Sec. 49. Applicability. Replaced "**1,2,3, and 42**" with "**3-5, 46, and 47**" and following "**date**" inserted "**of secs. 3-5**".

74. Page 23, lines 8-15; Sec. 50. Revisor's Instructions. This section was moved to a different part of the bill to precede Conditional Effects.

75. Page 23, line 18- Page 24, line 1; Sec 51. Conditional Effect. This section was revised due to the restructuring and other changes in Section 10 of the bill.

76. Page 24, line 2; Sec 52. This is a new section stating "**Sections 16 and 20 of this Act take effect September 1, 2011.**"

77. Page 24, line 3; Sec. 53. Effective Date - Replaced "**immediately under AS 01.10.070(c).**" with "**July 1, 2011.**"

STATE OF ALASKA
DEPT. OF HEALTH AND SOCIAL SERVICES
DIVISION OF SENIOR AND DISABILITIES SERVICES

SEAN PARNELL, GOVERNOR

P.O. BOX 110680
JUNEAU, ALASKA 99811-0680
PHONE: (907) 465-3372
FAX: (907) 465-1170
TOLL FREE: (800) 465-3165

Sectional Analysis

CSSB 86 (JUD), "An Act relating to the protection of property of persons under disability and minors; relating to the crime of violating a protective order concerning certain vulnerable persons; relating to aggravating factors at sentencing for offenses concerning a victim 65 years or older; relating to the protection of vulnerable adults; making conforming amendments; amending Rules 12(h) and 45(a), Alaska Rules of Criminal Procedure, Rule 77, Alaska Rules of Civil Procedure, Rule 17, Alaska Rules of Probate Procedure, and Rule 9, Alaska Rules of Administration; and providing for an effective date."

Section 1 — inserts "vulnerable adult" in place of "elder or disabled adult" in AS 08.29.200(b) concerning reporting of harm required by licensed professional counselors. This change will make the statute consistent with similar definitional changes made by the bill. The term "vulnerable adult" more accurately defines and describes the citizens subject to protection.

Section 2 — inserts "vulnerable adult" in place of "elder or disabled adult" in AS 08.63.200(b) concerning reporting of harm required by marriage and family therapists. This change will make the statute consistent with similar definitional changes made by the bill. The term "vulnerable adult" more accurately defines and describes the citizens subject to protection.

Section 3 — makes the knowing violation or attempted violation of a financial protective order (introduced in section 10 of this legislation to protect vulnerable adults and elders) a crime.

Section 4 — amends AS 11.56.740(c), which defines "protective orders," by including financial protective orders issued under AS 13.26.207-13.26.209 to that definition. This change brings financial protective orders within the class of protective orders subject to sanction under the criminal code.

Section 5

amends AS 12.55.155(c) by adding a new paragraph (35) which makes the fact that a defendant knowingly directed criminal conduct at a person 65 years of age or older an aggravating factor at sentencing.

Section 6

amends AS 13.26.165(1) by substantively adding several new paragraphs and changes or additions in definitions to enhance protection of vulnerable persons in conservatorship proceedings as follows:

- amends AS 13.26.165 by deleting the words "make another" and inserting the words "issue another" regarding the authority of the court to issue a protection order for a protected person in conservatorship proceedings;
- creates new paragraph (A) to authorize the court to issue orders protecting a minor with money or property that needs protection or who otherwise needs protection and substitutes the word "that" for the word "which" in the authorizing language;
- creates a new paragraph (B) specifying that the authority of the court to issue protective orders extends to minors with business affairs that may be in jeopardy and substitutes the word "that" for the word "which" in the authorizing language;
- creates a new paragraph (C) ensuring that protection extends to any need to protect a minor's funds or obtain funds for a minor and deletes the unnecessary use of the word "that" twice in the authorizing language;
- amends AS 13.26.165(2)(A) by adding the word "fraud" to the illustrative list of reasons why a person may be found to be unable to effectively manage their own affairs and therefore may be in need of a conservator.

Section 7

amends AS 13.16.180(a) by adding "a person's attorney or other legal representative." to the list of persons who may petition for a conservatorship and further adds "or caregiver, the Department of Health and Social Services" to that list. This change is necessary to broaden the list of specific persons authorized to petition for a conservatorship in aid of a vulnerable adult and specifically to ensure that the Department of Health and Social Services is authorized to do so when necessary.

Section 8 — amends AS 13.26.180 by adding a new sub-section (c) to specifically authorize petitioners to request orders for temporary conservatorships upon showing that the person's money or property will be wasted or dissipated during the pendency of normal conservatorship proceedings. This change is necessary to ensure that the courts have express statutory authority to entertain and grant temporary conservatorships in urgent cases involving financial exploitation.

Section 9 — amends AS 13.26.185 to provide that that section does not apply to a petition or order for an ex parte protective order filed under AS 13.26.207 or a temporary protective order filed under AS 13.26.208

Section 10 — adds four new sections:

- New section AS 13.26.206 authorizes temporary conservatorships to provide immediate protection from imminent waste or dissipation of the person's money or property while the normal conservatorship proceedings are underway. The court is required to impose only the least restrictive orders necessary to protect the money or property from waste or dissipation. The temporary conservatorship expires as a matter of law when the full conservatorship is ordered or when the petition for conservatorship is dismissed.

- New section AS 13.26.207 authorizes a person to apply for an ex parte protection order against financial exploitation without the need for a lawyer, very similar to the authority and procedure presently authorized for domestic violence, sexual assault and stalking protection orders. The new section authorizes a third-party to file a petition on behalf of another where, for example, the vulnerable adult is incapacitated and unable to file for her or himself. The new section requires that notice of the proceedings be provided to the vulnerable adult and for service of any order issued to third-parties, such as financial institutions, at the nearest place of business, or by registering the order with the Department of Public Safety. The new section also requires the Alaska Court System to create appropriate forms for use by the public in filing for such orders and exempts such applications from court filing fees.

- New section AS 13.26.208 specifies that a party may apply and the court may convert a protective order to a temporary order effective for up to six months upon proper application, notice and hearing. That section further provides that if the court finds by a preponderance of

the evidence that the respondent has committed fraud against the victim that the court may convert the ex parte protective order to temporary protective order effective for up to six months.

- New section AS 13.26.209 specifies legal authority and procedures for applying to the court to modify an ex parte protective order issued under AS 13.26.207 or a protective order issued under AS 13.26.185 or a temporary protective order issued under AS 13.26.208.

Section 11 defines "fraud" and adds it to the list of terms defined in AS 13.26.324. The definition used is taken from that currently in statute at AS 44.21.415.

Section 12 excludes the crime of violating a protective order from the list of crimes subject to warrantless arrest in AS 18.65.530(a).

Section 13 adds financial protective orders to registry of protective orders maintained by Public Safety in AS 18.65.540(a).

Section 14 adds financial protective orders to AS 18.65.540(b), which requires peace officers to take reasonable steps to ensure that a protective order is entered into the registry within 24 hours after receipt.

Section 15 changes "theft and related offenses" to "offenses against property" in AS 44.21.415(g)(1)(B), which is part of the definition of "fraud" in the statutes governing the Office of Elder Fraud.

Section 16 adds undue influence to the list of reportable harms to a vulnerable adult. Employees of nursing homes, residential care or health care facilities and the staff of educational institutions are added to the list of mandated reporters in AS 47.24.010(a).

Section 17 requires a reporter to include the contact info of the vulnerable adult in AS 47.24.010(b).

Section 18 adds undue influence to the statute making a mandatory reporter who knowingly fails to report guilty of a class B misdemeanor (AS 47.24.010(c)).

Section 19 adds undue influence to the list of reportable harms and amends AS 47.24.010(d) to permit anyone to make a report of harm, including a mandatory reporter in the reporter's nonoccupational capacity.

Section 20 adds undue influence to the list of harms and amends AS 47.24.010(e) to require a public safety officer to report to APS within 24 hours of receiving a report of harm involving imminent risk of serious physical harm.

Section 21 adds undue influence and abandonment to the list of harms in AS 47.24.010(f), which states that a mandatory reporter's report of harm to the long-term care ombudsman or the department regarding an adult in an out-of-home care facility satisfies that reporter's duty to report under AS 47.24.010(a).

Section 22 adds two new subsections to AS 47.24.010: first, a mandatory reporter is not relieved of duty to report by reporting to supervisor. Second, if someone makes a reckless false report, that person is liable for actual damages suffered by the subject of the report.

Section 23 adds undue influence to AS 47.24.013(a), which requires the department to transfer a report of harm to the long-term care ombudsman if it involves a vulnerable adult aged 60 or older who has been allegedly harmed by a staff member or volunteer of an out-of-home care facility where the adult resides.

Section 24 adds undue influence to AS 47.24.013(b), which requires the department to investigate a report of harm involving a vulnerable adult who is younger than 60 years of age when the harm is alleged to have been committed by a staff member or volunteer of an out-of-home facility where the adult resides.

Section 25 changes the reference to "department" to "office of the department that handles adult protective services" in AS 47.24.013(c), which states what the long-term care ombudsman and the department must do when they receive a report of harm.

Section 26 adds undue influence to AS 47.24.013(d), which requires the long-term care ombudsman to give a report of harm and the result of the ombudsman's investigation to the department's central information and

referral service when the report of harm involves an adult who resides in an out-of-home care facility.

Section 27 adds undue influence to the statute that requires the department to start an investigation once it receives a report of harm that is not transferred from the long-term care ombudsman's office (AS 47.13.015(a)).

Section 28 adds undue influence to AS 47.24.015(c), which describes situations when the department must or must not terminate an investigation following a report of harm. Section 27 also changes the cross reference for the definition of fraud from AS 44.21.415 to AS 13.26.324.

Section 29 adds six new subsections to AS 47.24.015, which governs APS's investigatory power:

- (h) gives the department subpoena power to support its investigative authority, including the power to conduct interviews and examine any health care or financial records related to a vulnerable adult.
- (i) prohibits individuals from interfering with APS's investigation.
- (j) gives APS access to relevant records maintained by another division in DHSS.
- (k) allows APS to audio- or videotape an interview with a vulnerable adult if the adult has capacity and consents.
- (*l*) requires APS to train investigators of reports of harm.
- (m) defines "financial records."

Section 30 updates AS 47.24.016(a) regarding surrogate decision makers by adding new fiduciaries who may serve in that capacity – specifically, conservator, trustee, and surrogate for health care decisions under AS 13.52. It also deletes the requirement that in order for a spouse to be a surrogate decision maker, the spouse and vulnerable adult may not be living in separate domiciles. Section 29 also adds legal separation as a factor that would prohibit a spouse from being a surrogate decision maker for that spouse's vulnerable adult spouse.

Section 31 — adds undue influence to the statute that sets out the exceptions to when a person listed in AS 47.24.016(a) may serve as a surrogate decision maker (AS 47.24.016(b)).

Section 32 — adds a surrogate decision maker serving under AS 13.52.030 to AS 47.24.016(d), which describes when the department must cease providing protective service based on the consent of the surrogate decision maker.

Section 33 — adds conservator, trustee, and surrogate for health care decisions under AS 13.52.030 as individuals who may consent to the provision of protective services to a vulnerable adult and adds undue influence to the list of potential reports of harm.

Section 34 — allows the department under AS 47.24.019(c) to petition the superior court for an injunction restraining any person from interfering with the provision of protective services to a vulnerable adult.

Section 35 — amends AS 47.24.050 to add "undue influence" to the types of harm contained in confidential reports. Trustee and conservator are added to the list of individuals who may consent to release a confidential report and they are also added to the list of individuals who may not receive copies of a report if they are the alleged perpetrator. "Undue influence" is also added to the list of harms that are contained in reports of verified harms that occur in an institution that cares for vulnerable adults or that were the result of actions or inactions of a public home care provider.

Section 36 — clarifies that a person is not considered to be unduly influenced if they choose to consent to treatment by spiritual means only under AS 47.24.130.

Section 37 — redefines "abuse" in AS 47.24.900(2) to include the knowing infliction of emotional distress or fear, including coercion and intimidation.

Section 38 — redefines "caregiver" in AS 47.24.900(3) to include someone who provides some or all responsibility for the care of a vulnerable adult either voluntarily, by contract, by court order or as an employee of a business that provides care in an adult's home.

Section 39 defines "informed decision" as a decision made free from undue influence within the definition of "decision making capacity" in AS 47.24.900(4).

Section 40 redefines "exploitation" in AS 47.24.900(7) to include acts by a person in a position of trust with a vulnerable adult who obtains profit or advantage through undue influence, deception, fraud, intimidation or breach of fiduciary duty.

Section 41 redefines neglect in AS 47.24.900(9) to include the knowing or reckless failure by a caregiver to provide access to services or to carry out a treatment plan necessary to the health of a recipient. "Essential care or services include food, clothing, shelter, medical care and supervision.

Section 42 expands the definition of protective services in AS 47.24.900(11) to include services that obtain basic health care needs, financial assistance services, and protection from abuse, obtaining basic food, shelter and clothing, among others. Undue influence is added to the list of types of harm that may result in the provision of these services.

Section 43 amends the definition of "unable to consent" in AS 47.24.900(15) by adding the concept of "undue influence" and that the inability to consent includes a person's inability to perceive a loss of income or assets, eviction, and physical or mental harm.

Section 44 amends the definition of a vulnerable adult in AS 47.24.900(16) by more clearly defining what constitutes a physical or mental impairment.

Section 45 amends AS 47.24.900 by adding new paragraphs which contain definitions for the following terms:

- Deception
- Fiduciary duty
- Financial institution
- Person who stands in a position of trust or confidence
- Undue influence

Section 46 amends the uncodified law, Rule 12(h), Alaska Rules of Criminal Procedure. The court, when considering a motion for continuance of a trial date, shall consider the victim's circumstances and the effect of a continuance on the victim, particularly a victim of advanced age or extreme youth. The court's findings will be placed on the record.

Section 47 amends the uncodified law, Rule 45(a), Alaska Rules of Criminal Procedure. The courts, when considering a trial date, shall consider the victim's circumstances, particularly a victim of advanced age or extreme youth, in setting the trial date.

Section 48 amends the uncodified law by making five indirect court rule amendments enacted by Section 10 of the bill:

- amending Rule 17, Alaska Rules of Probate Procedure, to allow ex parte orders to be issued to protect persons subject to protective proceedings from financial exploitation.

- amending Rule 9, Alaska Rules of Administration, by not requiring filing fees for an ex parte protective order.

- amending Rule 77, Alaska Rules of Civil Procedure, by requiring a hearing within 72 hours of the filing of a petition for the appointment of a temporary conservator.

- amending Rule 77, Alaska Rules of Civil Procedure, by providing for a hearing on an application for a temporary protective order on 10 days notice.

- amending Rule 77, Alaska Rules of Civil Procedure, by providing for a hearing on a request for modification of a protective order on 20 days notice and for modification of an ex parte protective order on 3 days notice.

Section 49 amends the uncodified law by indicating that Sections 3-5, 46, and 47 of the bill apply to offenses committed on or after the effective date.

Section 50 amends the uncodified law by adding revisor's instructions to change the catch lines of AS 47.24.010 and AS 47.24.013.

Section 51 amends the uncodified law by adding a new section which indicates that the enactment of portions of Section 10 of the bill, having to do with ex parte orders, are contingent upon a two-thirds vote of each house on Section 48 of the bill, referencing court rule amendments.

Section 52 provides for an effective date of September 1, 2011 for sections 16 and 20 of the bill, the two sections that address mandatory reporters and the obligation of peace officers to report to the department within 24 hours.

Section 53 provides for an effective date of July1, 2011.

SB

87

<TARGET><BILL>SB 87</BILL><SUBJECT>SB
87</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/11/11

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 87

SB 87-GRANTS FOR SENIORS' MEDICAL CARE

"An Act establishing a program in the Department of Commerce, Community, and Economic Development for payment of grants to health care providers for care of patients who are 65 years of age or older."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
CED	✓			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	Egan	✓			
	McGuire	✓			
	Olson			✓	
	Ellis	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman			✓	

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version **SB 87**
() Publish Date

Identifier (file name)
Title Grants for Seniors' Medical Care
Sponsor Senate French
Requester Senate Finance Committee

Dept. Affected DCCED
Appropriation Community and Regional Affairs
Allocation Community and Regional Affairs
OMB Component Number 2879

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	180.5		180.5	180.5	180.5	180.5	180.5
Travel	15.0		15.0	15.0	15.0	15.0	15.0
Services	32.6		17.6	17.6	17.6	17.6	17.6
Commodities	6.0		1.0	1.0	1.0	1.0	1.0
Capital Outlay							
Grants	500.0		0.0	0.0	0.0	0.0	0.0
Miscellaneous							
TOTAL OPERATING	**734.1**	**0.0**	**214.1**	**214.1**	**214.1**	**214.1**	**214.1**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	734.1		214.1	214.1	214.1	214.1	214.1
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**734.1**	**0.0**	**214.1**	**214.1**	**214.1**	**214.1**	**214.1**

Estimate of any current year (FY2011) cost 0.0

POSITIONS

Full-time	**2.0**		2	2	2	2	2
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

This fiscal note appropriates $500.0 in General Funds for grants in FY12.

Prepared by Darwin Peterson, Senate Finance Committee staff
Phone 465-3873
Date/Time 4/4/11 8:35 AM

Senator Bert Stedman, Co-Chair, Senate Finance Committee
Date 4/4/2011
Senator Lyman Hoffman, Co-Chair Senate Finance Committee

Revised 1/27/2011 MB

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 87

Analysis

The following is an analysis of the potential cost to implement SB 87:

Personnel Services of $180.5 is for a Grant Administrator II and III to monitor and check that applicants served are in fact eligible.

Travel of $15.0 is estimated to cover the cost of travel for monitoring the grants, employee training, marketing and outreach.

Services cost of $32.6 fro FY12 include a onetime cost of $15.0 for regulations review and adoption, and an ongoing cost of $17.6 for information technology, telecommunications, postage, printing, and building lease costs.

Commodities of $6.0 consists of onetime set up costs and ongoing standard operating supplies.

$500.0 in grant funds for FY12.

ALASKA STATE LEGISLATURE

SENATOR HOLLIS FRENCH

April 1, 2011

Senator Bert Stedman
Co-Chair, Senate Finance Committee
State Capitol, Room 516
Juneau, AK 99801

Senator Stedman,

Thank you for hearing SB 87 on March 28, 2011 in the Senate Finance committee. We appreciate the detailed review by members of the committee.

During the discussion, Senator Olson asked whether access to dental care and prescription drug coverage would be improved under the legislation. The short answer is 'no.'

Under the bill a health care provider, on page 2 lines 27-29, is defined as including a physician, osteopath, physician assistant, nurse, physical therapist, occupational therapist, or chiropractor licensed in the state and qualified to provide primary care services. At this time, due to the nature of that definition, individuals who are licensed to provide dental care in Alaska aren't eligible to receive grants under the legislation.

On page 2 lines 5-6, the legislation requires a grant application to provide 'adequate proof that a grant is necessary to enable the applicant to provide increased primary care services to seniors.' Given the reference to services at the end of this section, supplementing payment for prescription drugs wouldn't be permissible under the current language.

If you or members of the committee have any questions on these points, please let my office know.

Sincerely,

Senator Hollis French

January-May: State Capitol • Juneau, Alaska 99801 • (907) 465-3892 • 1 (866) 465-3892 • Fax: (907) 465-6595
June-December: 716 West 4th Avenue • Anchorage, Alaska 99501 • (907) 269-0234 • Fax: (907) 269-0238
Senator_Hollis_French@legis.state.ak.us

Senator Hollis French

Sponsor Statement

SB 87 – Grants for Seniors' Medical Care

Our Medicare system is broken in Alaska. Too many seniors cannot find a primary care doctor. Physicians who do accept Medicare patients are losing money with each visit, as the cost of providing care exceeds the federal reimbursement rate.

We can't wait for the federal government to fix Medicare; instead, we need to act today. This legislation will immediately improve seniors' access to primary care services in Alaska.

SB 87 establishes a grant fund for health care providers serving Alaskans who are sixty-five years of age or over. The grants will be paid to medical providers that increase primary care access for Alaska's seniors. All health care providers - including physicians, nurse practitioners, and physician assistants - would be eligible for grants.

Access to primary care improves health outcomes and reduces medical costs. Instead of waiting for small ailments to become serious problems, primary care prevents expensive medical treatments. Instead of requiring an emergency room visit, primary care keeps our seniors healthy.

Without this bill, doctors can't afford to provide seniors with these crucial preventative services. For most primary care visits, a physician receives $60 less from Medicare than they receive from private health insurance. In some instances, physicians lose well over $100 per visit.

This legislation is an ounce of prevention that will prevent the need for a pound of cure. It makes fiscal sense. Our seniors have paid into the Medicare system all their life. I urge your support of this legislation, to make sure that our seniors receive the care that they deserve.

Senator Hollis French

Capitol Room 417
465-3892
465-6595 fax

M E M O R A N D U M

Date: March 15, 2011

To: Senator Bert Stedman, Co-Chair
Senate Finance Committee

From: Senator Hollis French

RE: Changes to Senate Bill 87

No changes have been made to SB 87 since it was introduced.

STATE OF ALASKA

DEPT. OF HEALTH & SOCIAL SERVICES

Alaska Commission on Aging

SEAN PARNELL, GOVERNOR

P.O. BOX 110693
JUNEAU, ALASKA 99811-0693
PHONE: (907) 465-3250
FAX: (907) 465-1398

March 5, 2011

The Honorable Dennis Egan, Chair
Senate Labor & Commerce Committee
Alaska State Capitol, Room 510
Juneau, AK 99801-1182

Subject: Support for SB 87, Medical Care for Seniors Grant Program

Dear Chair Egan:

The Alaska Commission on Aging (ACoA) is pleased to offer our support of SB 87, a bill sponsored by Senator French, to establish a grant program in the Department of Commerce, Community and Economic Development for eligible health care providers who serve older Alaskans insured by Medicare to improve their access to primary care services focusing on areas with a high percentage of medically underserved populations and in communities where seniors have been challenged to find a provider who accepts Medicare insurance.

Alaska continues to lead all states in the rate of growth of people age 65 and older; they number 52,263 according to 2009 estimates from the Alaska Department of Labor. Not only are Alaska seniors growing in number but they are living longer, many with chronic medical conditions and physical disabilities, and require more health care. At the same time, Alaska has a growing shortage of primary care physicians and other health care providers who are preparing for retirement.

In recent years, seniors living in Anchorage, the Mat-Su Borough, and Fairbanks have reported difficulty finding primary care physicians who will accept Medicare patients. Recently, ACoA conducted a statewide survey of seniors as part of our efforts to develop an assessment of senior needs that will be used in developing the new four-year plan for Alaska Senior Services, FY 2012-2015. More than 3,000 Alaskans age 50 years and older responded to the survey of whom 2,395 were age 65 years and older. Thirty-one percent of respondents 65 years and older reported having problems finding a primary care doctor. In examining the Medicare refusal issue by region, we found that access to primary health care is most likely to occur in the Anchorage area where one in four seniors responding to the survey reported this problem. Three other regions also reported this barrier to primary care – Fairbanks and the Interior; Southcentral and the Aleutians – where 16% of the respondents from each region noted trouble finding a primary care doctor in their community to care for them. In addition, survey respondents rated health care and financial security as the two priority concerns for seniors.

The ACoA supports SB 87 to improve access to primary health care for older Alaskan Medicare beneficiaries. Limited access to primary care puts older persons at greater risk of developing serious health conditions that could have been abated with timely medical care. Many older Alaskans are struggling to keep up with the rising costs of health care, which threatens their health and financial security. Thank you for your consideration and support of this legislation. Please feel free to contact Denise Daniello, ACoA's executive director, by phone (465-4879) or email (denise.daniello@alaska.gov) should you have questions or require additional information.

Sincerely,

Sharon Howerton-Clark
Chair, Alaska Commission on Aging

Sincerely,

Denise Daniello
ACoA Executive Director

Cc: Senator Joe Paskvan, Vice Chair
Senator Linda Menard
Senator Bettye Davis
Senator Cathy Giessel
Senator Hollis French, Bill Sponsor

How Hard Is It for Alaska's Medicare Patients to Find Family Doctors?

By Rosyland Frazier and Mark Foster

UA Research Summary No. 14 • March 2009
Institute of Social and Economic Research • University of Alaska Anchorage

In the past few years, Alaskans have been hearing reports that some primary-care doctors won't see new Medicare patients. Medicare pays these doctors only about two-thirds of what private insurance pays—and that's after a sizable increase in 2009. But most Americans 65 or older have to use Medicare as their main insurance, even if they also have private insurance. Just how widespread is the problem of Alaska's primary-care doctors turning away Medicare patients? ISER surveyed hundreds of doctors to find out—and learned that so far there's a major problem in Anchorage, a noticeable problem in the Mat-Su Borough and Fairbanks, and almost no problem in other areas.

Medicare is the federal health insurance program for older Americans and for some younger people with disabilities. At issue is what Medicare pays primary-care doctors for their services—not what it pays for other medical costs. Alaska's 50,000 Medicare enrollees are almost all in the "fee for service" plan, which pays doctors standard fees for their services.*

Why is it so worrisome if primary-care doctors won't see Medicare patients? These are the doctors who provide broad care, track patients' overall health, and coordinate care with specialists. That's very important for older people, who often have various medical problems and chronic conditions. And the number of Alaskans over 65 is growing fast—it's expected to double in the next 15 years.

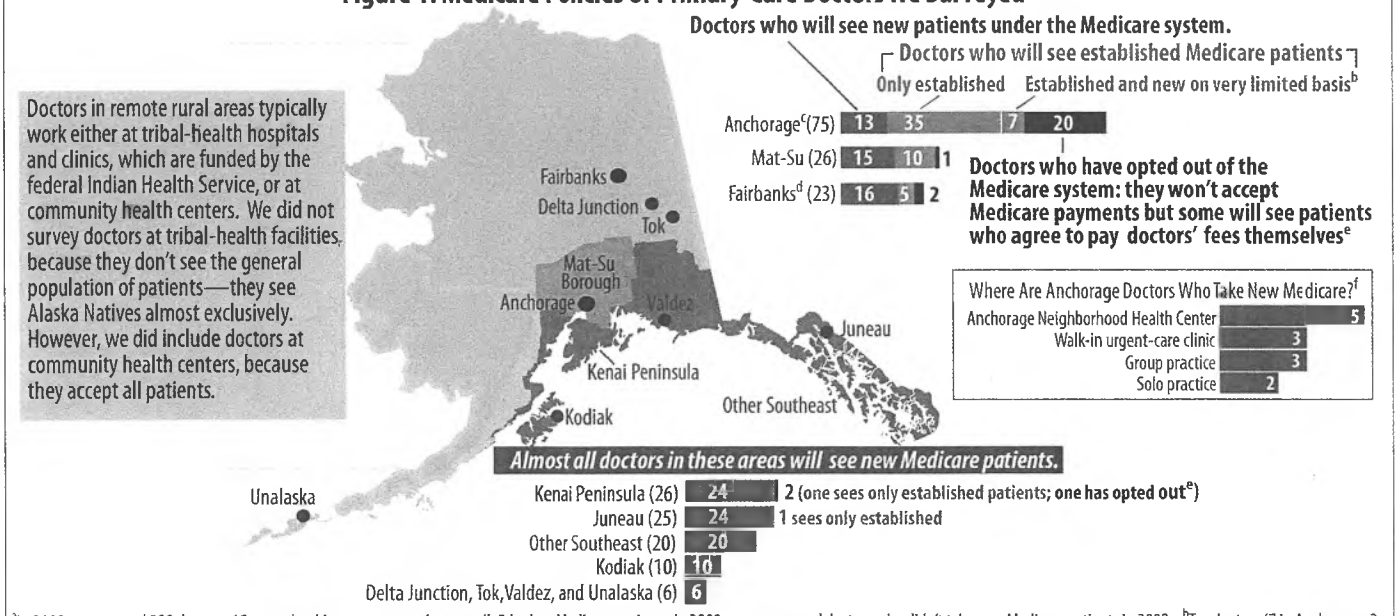
To learn how hard it is for older Alaskans to find primary-care doctors, in 2008 we tried to survey all those who could see the general population of Medicare patients. We were able to interview 229 doctors or their staffs—about 85% of those we tried to reach.

But Medicare payments for Alaska doctors increased in 2009, thanks to efforts of Alaska's U.S. senators. So we recently called back the doctors who had told us they weren't taking new Medicare patients. None of them had opened their doors to significant numbers of new Medicare patients. Four said they now see a very limited number of new Medicare patients, under special circumstances. Two doctors in a joint practice who still didn't see new Medicare patients had hired a nurse practitioner who did.

It's certainly also possible that without the 2009 increase, even more doctors would have decided not to see Medicare patients. Figure 1 shows what our 2008 and 2009 surveys found.

- *It's mainly doctors in Alaska's larger urban areas who are declining to see new Medicare patients.* But that's where the majority of older Alaskans live. Most doctors (even in Anchorage) will still see established patients—that is, patients they've seen in the past.
- *Almost all doctors in smaller communities take new Medicare patients.* Rural places have few doctors—so doctors probably feel more of an obligation to see all patients. For patients (Medicare or otherwise) in rural Alaska, the challenge is more likely to be recruiting and keeping doctors.
- *One in ten doctors we surveyed has opted out of the Medicare system.* Most are in Anchorage. They will not accept Medicare payments, but some will see patients who agree to pay the entire doctor's bill themselves.
- *The Anchorage Neighborhood Health Center,* which accepts all patients, saw twice as many Medicare patients in 2007 as in 2001. It has become the only choice for many of Anchorage's Medicare patients.
- *Medicare patients are not relying more on emergency rooms,* if figures for Providence Hospital's emergency room in Anchorage are typical. Numbers of Medicare patients there haven't changed much in the past several years.

Figure 1. Medicare Policies of Primary-Care Doctors We Surveyed[a]



[a]In 2008 we surveyed 229 doctors; 15 weren't taking any new patients at all; 3 had no Medicare patients. In 2009 we re-surveyed doctors who didn't take new Medicare patients in 2008. [b]Ten doctors (7 in Anchorage, 2 in Fairbanks, 1 in Mat-Su) accept a few new Medicare patients under special circumstances, but don't typically see new Medicare patients. [c]Includes Eagle River/Chugiak. [d]Includes North Pole. [e]See Figure 9. [f]See page 3.

*Nationwide, 21% of beneficiaries have enrolled in Medicare Advantage programs—which means they become members of private health plans, and Medicare then pays the plans a set monthly amount for each Medicare enrollee.

Survey of Primary-Care Doctors

We surveyed only primary-care doctors. So far there hasn't been any sign that specialists are declining to see Alaska's Medicare patients—not surprising, since Medicare tends to pay them closer to private-insurance rates.

We first had to determine how many doctors fit our survey criteria: those who currently practice general, family, or internal medicine at least 20 hours a week and who could see the average Medicare patient, if they chose to.

About 700 primary-care doctors are licensed in Alaska, but most aren't available to see the general population of Medicare patients. Hundreds work for government agencies, are in public health, or see only specific groups (Figure 2).

Among those who didn't fit our criteria are doctors working for tribal-health facilities that provide Indian Health Service programs for Alaska Natives. These doctors do see Alaska Native Medicare patients.

We estimated that 264 doctors were left, after we took out those who didn't fit our criteria. In 2008 we tried to reach all 264. We were able to talk with about 85%—229 doctors or their staffs. We asked them to tell us their policies for seeing Medicare patients and to rank reasons why they might be limiting or turning them away. The top reason they cited was "inadequate reimbursement"—that is, Medicare payments aren't enough to cover the costs of seeing patients.

We also followed up, in 2009, with doctors who had told us in 2008 that they weren't taking new Medicare patients. We reached all but two.

Figure 2. How Many Primary-Care Doctors Are Available to See Medicare Patients?
(Among Alaska Doctors Practicing General, Family, or Internal Medicine at Least 20 Hours per Week)



[a]We excluded pediatricians and obstetrician-gynecologists, who are often included in definitions of primary-care doctors, because they don't routinely see older patients. [b]About 42 doctors were not at the addresses and phone numbers in the medical directory. We tried but weren't able to find them, and we assume they have left the state or are not practicing [c]We excluded doctors working for tribal-health organizations, the military, the Veterans' Administration, and Planned Parenthood, because they don't see the general population of Medicare patients. Doctors who work for tribal-health facilities do see Alaska Native Medicare patients. [d]We interviewed either doctors or members of their staffs.

Medicare Versus Private Insurance

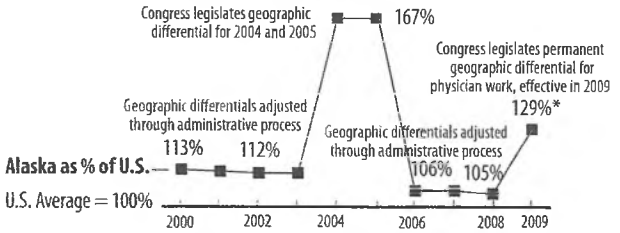
The federal Center for Medicare and Medicaid Services (CMS) calculates Medicare payments for doctors under a complex formula that takes into account geographic differences in costs around the country. Alaska's doctors have historically been paid more than the U.S. average for seeing Medicare patients.

The CMS formula actually includes three geographic differentials: one for "physician work" itself, one for doctors' costs of operating practices, and one for doctors' costs of carrying liability insurance.

In 2008, Congress set the Alaska geographic differential for "physician work" at 50% above the U.S. average, effective in 2009. Alaska's U.S. senators Lisa Murkowski and Ted Stevens were instrumental in gaining that increase for Alaska doctors. But combined with the other differentials—set by CMS—the overall Medicare geographic differential for Alaska doctors in 2009 is 29% above the U.S. average. Figure 3 shows the differential since 2000.

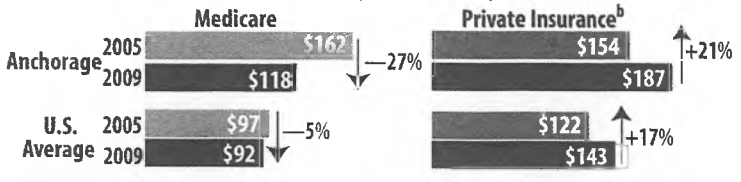
- *From 2000 to 2003, the geographic differential for Alaska doctors was about 12% above the U.S. average.* That differential was set entirely under CMS's administrative process.
- *In 2004 and 2005, the differential for Alaska doctors jumped to 67% above the U.S. average.* Ted Stevens, at that time Alaska's senior U.S. senator, spearheaded the legislation that led to the substantial but temporary increase. In those two years, Medicare paid Alaska doctors as much as private health insurance (Figure 4).
- *After that legislation expired, the Medicare differential dropped sharply,* to about 5% above the U.S. average from 2006 to 2008.
- *In 2009, the cost differential for Alaska doctors climbed to 29% above the U.S. average,* due to new federal legislation—as we just discussed. But Medicare still pays doctors less now than it did in 2005 (Figure 4).
- *Medicare pays about two-thirds of what private insurance pays, in Alaska and on average nationwide.* (But in the adjacent markets of Washington state, Medicare pays 68% to 75% of what private insurance pays.)
- *That nationwide gap helps explain why more Medicare patients are having trouble finding doctors.* Recent national surveys sponsored by the Medicare Payment Advisory Commission found that 17% of Medicare patients in the U.S. had "a big problem" finding family doctors in 2007, up from 13% in 2005. Alaska may be the harbinger of a national trend.

Figure 3. Medicare Geographic Cost Differential* for Alaska Doctors



*This is a weighted average of three geographic cost differentials the Center for Medicare and Medicaid Services uses in a complex formula that determines what doctors are paid. One of those is the differential for "physician work," and Congress set that at 150% of the U.S. average for Alaska doctors, effective in 2009. But the other differentials–for physicians' costs of operating their practices and for carrying liability insurance—are set by CMS and can vary from year to year.
Source: Center for Medicare and Medicaid Services; Medicare Payment Advisory Committee

Figure 4. Medicare and Private Insurance Payments[a] To Primary-Care Doctors, Anchorage and U.S. Average, 2005 and 2009
(New Patient, 30-Minute Visit)



[a]Figures include the amount Medicare or private insurance pays and the amount the patient pays. [b]Median payments
Source: Ingenix National Fee Analyzer

Where Are the Medicare Patients?

• *Nearly 70% of non-Natives over 65 live in Anchorage, the Mat-Su Borough, and the Fairbanks area.* Figure 5 shows only where older non-Natives live, because older Alaska Native patients have access to doctors through tribal-health care facilities. For them, the issue is not that doctors won't see them but that there may not be enough doctors, especially in rural areas.

Who Accepts Medicare Patients?

Besides the doctors who will see new or established patients, some doctors have made another choice: they've opted out of the Medicare system. They don't accept any Medicare payments (see Figure 9), but some will see Medicare patients who agree to pay the doctor's fee themselves. Patients who can do that have more choices. But for those who need Medicare to help pay the bill, the access problem is the worst in Anchorage.

• *We found only 13 primary-care doctors seeing the general population of new Medicare patients in Anchorage.* Of those, 3 were at walk-in, urgent-care clinics, which mostly just treat minor injuries and illnesses (Figure 1).

• *Five of the 13 Anchorage doctors seeing new Medicare patients in 2008 were at the Anchorage Neighborhood Health Center.* That's one of dozens of federally funded community health centers in Alaska. There are hundreds more across the U.S. These centers are open to everyone, but they are mainly for medically "under-served" groups of people—poor and uninsured, for instance—or areas of the country without adequate local medical care, like many of Alaska's rural communities.

• *The Anchorage Neighborhood Health Center is the main choice for growing numbers of Medicare patients.* Both the number of Medicare patients coming to the clinic and the percentage they make up of all patients doubled between 2001 and 2007 (Figure 6). That growth did flatten out in 2004 and 2005, when Medicare paid doctors at a level comparable to private insurance. But after that, the numbers climbed. (In Fairbanks, the community health center saw a similar percentage increase. In the Mat-Su Borough, a health center just opened in 2005, so data are limited.)

• *Until recently there was another choice for Anchorage's Medicare patients—the Alaska Family Medicine Residency Program*, where some family doctors get their final phase of training. These resident doctors see patients, and they had been accepting growing numbers of Medicare patients. But to make sure the residents see a variety of patients, the program has now capped the number of Medicare patients it accepts.

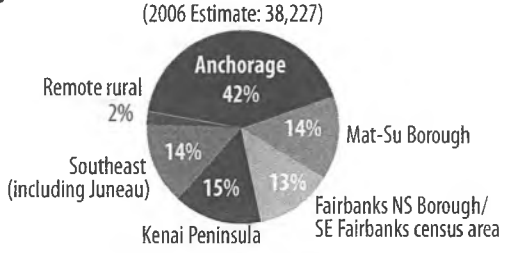
• *Anchorage's Medicare patients don't seem to be turning more to emergency rooms.* Data from Providence Hospital's emergency room show that visits by older patients have stayed mostly steady, with seasonal variations, since 2004 (Figure 7). But some health-care providers think that Medicare patients may be postponing care they need and coming in only when medical problems get much worse.

Medicare Payments to Doctors and to Health Centers

• *Medicare pays doctors and community health centers differently.* Some people believe that Medicare uniformly pays health centers more than it pays private doctors, making it more feasible for health centers to see Medicare patients. But the reality is more complex.

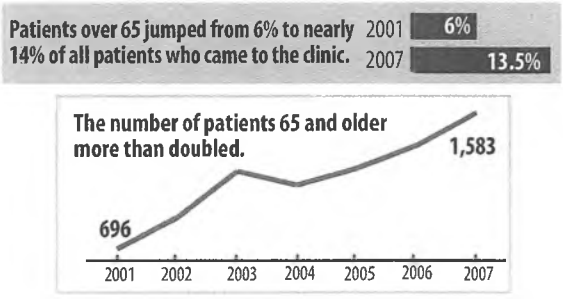
• *Medicare pays health centers the same fee for seeing Medicare patients for any visit, but private doctors more for longer, more complex visits.* Figure 8 compares payments for 30- and 60-minute visits with new patients, at doctors' offices and the Anchorage Neighborhood Health Center (ANHC). For a 30-minute visit, Medicare pays ANHC $119 and doctors about $95. But for a 60-minute visit, it still pays ANHC $119, but the doctors $189.

Figure 5. Where Do Non-Native Alaskans Over 65 Live?
(2006 Estimate: 38,227)



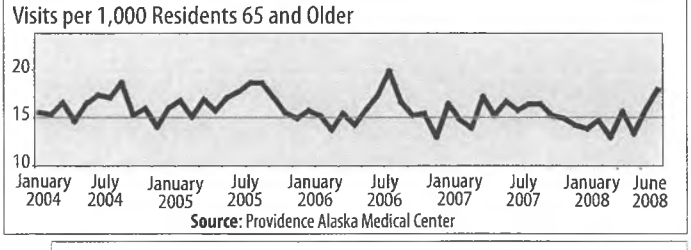
Source: Alaska Department of Labor, Research and Analysis section, 2006 bridge estimates

Figure 6. Growth in Number of Patients 65 and Older at Anchorage Neighborhood Health Center, 2001-2007



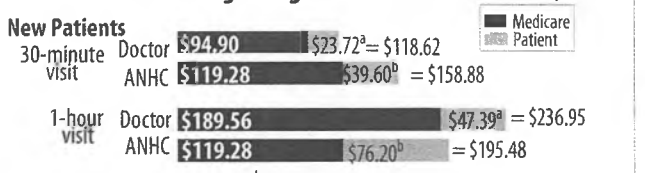
Source: Uniform Data System Reports, U.S. Department of Health and Human Services, Health Resources and Services Administration

Figure 7. Visits to Providence Hospital's Emergency Room in Anchorage, Patients 65 and Older, 2004 to 2008



Source: Providence Alaska Medical Center

Figure 8. Medicare and Patient Payments to Private Doctors and Anchorage Neighborhood Health Center, 2009



[a]Patient co-pay; 20% of total payment. [b]Facility fee charged to patient, but many are not able to pay full charge. Patients with incomes up to 200% of federal poverty line pay on a sliding fee scale.

Sources: Anchorage Neighborhood Health Center; Ingenix National Fee Analyzer

• *What Medicare patients pay at health centers and at doctors' offices is also determined in different ways.* Essentially, Medicare allows the health centers to take their own fees into account when determining what patients are charged. But Medicare doesn't allow doctors to use their own fees; instead, Medicare sets a maximum allowable charge for specific kinds of visits, and patients pay a portion of that (see Figure 9).

• *Neither ANHC nor the doctors' offices necessarily collect the amounts shown in Figure 8 as payments from patients.* At ANHC, patients with incomes up to 200% of the federal poverty line are charged on a sliding fee scale. Likewise, private doctors may not always be able to collect the patient's share. And both private doctors and ANHC report losing money when they see Medicare patients.

Doctors and the System

Primary-care doctors who see Medicare patients have three choices for getting paid. Figure 9 describes those choices among doctors we surveyed.

About 85% choose the standard Medicare process ("participating"). Another 4% still work with the Medicare system but charge patients somewhat more ("non-participating"). The final 11% have opted out of the Medicare system , but will still see patients who agree to foot the bill.

Patients also pay different amounts, depending on their doctors' policies. For a service with an allowable Medicare fee of $100, patients seeing doctors who accept that fee would pay $20—but only after Medicare paid the other $80. Patients seeing "non-participating" doctors would pay the doctors $109.25; Medicare would later reimburse the patients $76, so their final cost would be $33.25. Patients seeing doctors who have opted out of the Medicare system would pay a fee determined by the doctor—perhaps a negotiated fee, but still typically more than Medicare pays.

Figure 9. How Do Alaska Primary-Care Doctors Who See Medicare Patients Deal with the System?
(Among 211 Surveyed Who See New or Established Patients)

Most doctors accept standard Medicare fees and bill Medicare. They are called "participating." Medicare sets maximum allowable charges for various services. Participating doctors agree not to charge more than the allowable rate, and Medicare pays them 80% of that. The patients (and their secondary insurance, if they have any) pay the other 20%.

A few doctors (called non-participating) can charge up to 9% more than the allowable Medicare charge. But Medicare pays less and patients pay more. Here's how it works. The patient pays the entire bill, but the doctor submits a statement to Medicare so the patient is paid for the Medicare share. But instead of paying 80% of the charge, Medicare pays only 76%. The patients (and their secondary insurance, if they have any) pay the rest of the bill.



Some doctors don't accept Medicare payments for their fees. They are said to have "opted out." They will still see Medicare patients, but patients must agree to pay a fee the doctor sets. Medicare doesn't pay either doctors or patients, and patients can't bill any secondary health insurance they may have. Remember that patients pay only the fee for the doctor. They still use Medicare to help pay hospital and other medical costs. Doctors who opt out have to re-confirm their decision with Medicare every two years. They can also apply to come back into the system after two years.

Example: How Much Would Patients Pay for a Service with an Allowable Medicare Charge of $100?

	Participating Doctors Charge $100	Non-Participating Doctors Can Charge $109.25	Doctors Who Have Opted Out Can Set Their Own Fees
Medicare pays	$80	$76	$0
Patient pays	$20[a]	$33.25[a]	Entire doctor's fee[b]

[a]Patients can bill secondary insurance to help pay their share. [b]Patients can't bill secondary insurance to pay any amount.

Sources: American Academy of Family Physicians; Government Accountability Office

Conclusion

With few exceptions, Americans 65 or older who are retired have to use Medicare as their primary insurance—even if they also carry private health insurance or have retirement benefits that include health-care coverage. Any other insurance they have can *only* be used to help pay *their share of the allowable Medicare charge*. They can't use private insurance to pay doctors more than Medicare allows.

As more Alaskans turn 65, the access problem will get worse, unless something changes. Growing numbers of Medicare patients around the country are also reporting access problems. And the American College of Physicians has reported that a nationwide shortage of primary-care doctors is looming—which would make the problem even worse.

This summary talks about just a very narrow slice of the multitude of issues facing Medicare. It's one of the largest and fastest-growing federal programs, and President Obama has said reforming it will be part of his plan to improve the U.S. health-care system. How potential reforms might affect Medicare patients' access to family doctors isn't clear today.

Because Medicare is a federal program, the state's options for helping improve access are limited. But Alaskans are talking about various possibilities—like recruiting more doctors and offering them bonuses to see Medicare patients, and either establishing an Anchorage clinic for Medicare patients or expanding the Anchorage Neighborhood Health Center.

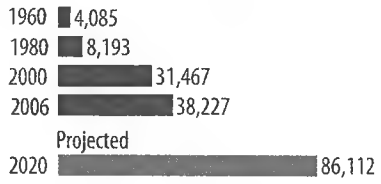
In a publication later this year, we'll look at the implications of various ways of trying to improve access for Medicare patients. We'll also report what family doctors themselves told us—how they make decisions about seeing Medicare patients and what might make them willing to see more.

Figure 10. Alaska Medicare Enrollment, 2005



Source: Alaska Department of Health and Social Services, Alaska Health Care Data Book 2007

Figure 11. Non-Native Alaskans 65 and Older



Sources: U.S. Bureau of the Census; ISER estimates based on census data; Alaska Department of Labor, Research Analysis, 2006 estimates and mid-range 2020 projections

Back-up materials for figures in this summary are available from ISER. Call the authors at 907-786-7710 with questions. We've also developed a basic model that doctors—or anyone else—can use to estimate how changing the balance between patients paying with Medicare and with private insurance could affect doctors' revenues. To try that model, go to ISER's Web site:

www.iser.uaa.alaska.edu

The authors thank the doctors and others in health care who took the time to help us. We especially thank doctors Leslie Bryant, Richard Neubauer, and Thomas Nighswander; Joan Fisher of the Anchorage Neighborhood Health Center; James Jordan of the Alaska State Medical Association; and Providence Alaska Medical Center, Providence Health and Services - Alaska.

This research is part of ISER's Understanding Alaska Choices research initiative, funded by the University of Alaska Foundation. Karen Perdue, associate vice president for health programs, University of Alaska, provided additional funds.

Editor: Linda Leask Graphics: Clemencia Merrill

ALASKA STATE LEGISLATURE

SENATOR HOLLIS FRENCH
REPRESENTATIVE LES GARA
REPRESENTATIVE LINDSEY HOLMES

March 29, 2010

To: Governor Parnell and All Members of the Alaska State Legislature

Re: Opportunity for State to Increase Access to Medical Care for Seniors

Dear Governor Parnell and Legislative Colleagues:

The recent Federal health legislation includes a provision sponsored by Senator Begich that we believe will help Alaska's seniors. It is aimed at helping Alaska solve the shortage of physicians (and other medical providers) available to seniors in many areas in Alaska. The State of Alaska will have to pass legislation to implement and take advantage of this federal provision. We hope you will consider joining us in working to pass legislation this session, though we understand the remaining time is short. At a minimum, we hope you will consider working with us so we are ready to act when the next session starts.

The Problem: While Medicare has generally provided good coverage for seniors in most places in the country, the federal re-imbursement rate formula used in Alaska under-compensates doctors, nurses and other medical providers in certain regions in the state, especially for primary care services, and for general office visits to both general practitioners and specialists.

Medicare in Alaska most severely under-compensates providers for "office visits". Since most "primary care" is offered at general office visits, and billed under Medicare's "office visit" codes, primary care providers suffer the greatest impact, and patients have the hardest time finding primary care providers to accept Medicare. Specialists, while often compensated more fairly for specialty services, are similarly undercompensated when they bill under Medicare's office visit codes, which they often must use for initial visits. Non-physician medical providers who use these codes face similar problems

Efforts to substantially revise the federal reimbursement rate have been blocked in Congress (Sen. Begich is a co-sponsor of S. 1776), though Congress did pass an important 10% increase in Medicare re-imbursement for Primary Care providers in the recent health care legislation, and expanded funding for health clinics, which have been an important provider of Medicare services in Alaska. These efforts will help ease the present problem.

January-May: State Capitol • Juneau, AK 99801-1182 • (907) 465-2647 • Fax (907) 465-3518
June-December: 716 W. 4th Avenue • Anchorage, AK 99501• (907) 269-0106• Fax (907) 269-0109
Representative_Les_Gara@legis.state.ak.us

Given the reality that a major federal re-imbursement change will continue to be difficult to pass, at least until more states face problems similar to Alaska's under Medicare, we (Reps. Gara and Holmes) began work with Senator Begich for a solution that allows states to supplement Medicare funding in areas where Alaskans were facing a medical care shortage. Historically, the federal Medicare statute has broadly prohibited states, patients or insurance companies from supplementing the Medicare reimbursement rate, and federal authorities have in the past been very strict in their interpretation of that ban. That left states like Alaska little room to help solve their Medicare problems.

The New Legislation: Senator Begich succeeded at gaining support for a provision that was added to the recent federal health care legislation. The amendment he offered provides that a state may establish a "grant" that directs payments to medical providers in areas of a state where there is a medical care shortage. The inclusion of this amendment overcomes federal agency arguments that states may not provide funds to doctors to enable them to treat Medicare patients. Any grant program, however, will likely have to be worded to benefit seniors, not just seniors who utilize Medicare. And, it must be implemented by an agency other than DHHS.

Attached is the new federal legislation, and a copy of proposed language we offer for your consideration.

Our proposed legislation establishes a grant program for medical providers who treat senior citizens in areas where seniors are currently being underserved. Grants would go, in priority, to providers who, with the grant funding, will most efficiently expand their treatment of Alaska's seniors. We would, of course, welcome ideas and welcome any efforts by others to look for their own solutions under this new federal legislation.

Sincerely,

Rep. Les Gara

Sen. Hollis French

Rep. Lindsey Holmes

AARP Alaska
3601 C Street
Suite 1420
Anchorage, AK 99503

T 1-866-227-7447
F 907-341-2270
TTY 1-877-434-7598
www.aarp.org/ak

February 28, 2011

The Honorable Dennis Egan, Chair
Senate Labor and Commerce Committee
Alaska State Capitol, Room 510
Juneau, AK 99801-1182

RE: SB 87 (French)—Support

Dear Chair Egan:

On behalf of the members of AARP in Alaska, we encourage you and your colleagues on the Senate Labor and Commerce Committee to support SB 87, authored by Senator Hollis French.

As you are well aware, Medicare beneficiaries report that they have trouble finding a primary care physician who will see them in many parts of our state. Community health centers and some urgent care clinics will see Medicare patients but few physicians in private practice will see new Medicare patients and many inform existing patients that, no matter how long they may have had a physician/patient relationship, upon their 65th birthday they will no longer see them.

SB 87 would create a mechanism for the State of Alaska to provide grants to providers who are willing to see Medicare beneficiaries. These grants would be a supplement to what Medicare is willing to pay a primary care provider.

Medicare beneficiaries have paid taxes while they were working. They also pay monthly premiums and a deducible and co-pays for services. Having paid their fair share, they should be able to see a primary care provider, especially for preventive services. It is unfortunate that they cannot. SB 87 would be one more method to assure that older Alaskans as well as younger Alaskans with disabilities, who are also on Medicare, would be able to see a provider on a regular basis.

AARP recommends an "AYE" vote on SB 87.

Should you have any questions about our position, please feel free to contact me (586-3637) or Patrick Luby, AARP Advocacy Director (907-762-3314).

Thank you for your consideration.

Sincerely,

Marie Darlin

Marie Darlin, Coordinator
AARP Capital City Task Force
415 Willoughby Avenue, Apt. 506
Juneau, AK 99801
586-3637 (voice)
463-3580 (fax)

CC: Vice-Chair Joe Paskvan
Senator Bettye Davis
Senator Linda Menard
Senator Cathy Giessel
Senator Hollis French

SB

90

<TARGET><BILL>SB 90</BILL><SUBJECT>SB
90</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 2/25/11

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 90

SB 90-BOARD OF PUBLIC ACCOUNTANCY SECRETARY

"An Act classifying and setting a monthly salary for the executive secretary of the Board of Public Accountancy."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
CED			✓	1

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas			✓	
	EGAN	✓			
	McGuire			✓	
	Olson			✓	
	Ellis	✓			
CO-CHAIR:	Hoffman			✓	
CO-CHAIR:	STEDMAN	✓			

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 90
(S) Publish Date: 2/25/11

Identifier (file name) SB090-CCED-CBPL-02-18-11
Dept. Affected: DCCED

Title: Board of Public Accountancy Secretary
Appropriation: Corporations, Business and Professional Licensing
Allocation: Corporations, Business and Professional Licensing

Sponsor: House Labor and Commerce
Requester: House Labor and Commerce
OMB Component Number: 2360

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial Version

Prepared by: Don Habeger, Director — Phone: 465-2536
Division: Corporations, Business and Professional Licensing — Date/Time: 2/18/11 9:00 AM
Approved by: Susan K. Bell, Commissioner — Date: 2/18/2011
Commerce, Community, and Economic Development

(Revised 1/27/2011 OMB)

FISCAL NOTE #1

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 90

Analysis

SB 90 will increase the salary range of the Executive Secretary of the Board of Public Accountancy from a range 19 to a range 23.

House Bill 315, which was passed by the legislature last session and signed into law on June 10, established an Executive Secretary for the Board of Public Accountancy. The funding level provided for an Executive Secretary in the partially exempt service, full-time position, Range 23. However, the salary range was ultimately determined based on internal alignment with job classes of positions providing similar support to other boards and with job classes of positions performing professional accounting work.

Since the funding level was already approved with the passage of HB 315, the agency submits a zero fiscal note.

Alaska State Legislature

State Capitol, Room 510
Juneau, Alaska 99801
Phone: (907) 465-4947
Fax: (907) 465-2108

Committee Members:
Senator Dennis Egan, Chair
Senator Joe Paskvan, V. Chair
Senator Bettye Davis
Senator Linda Menard
Senator Cathy Giessel

Senate Labor and Commerce Committee

Sponsor Statement
SB 90 – Board of Public Accountancy Secretary

In 2010, the Alaska State Legislature unanimously passed legislation creating an Executive Secretary position for the Alaska Board of Public Accountancy. Because the Board is charged with ensuring that appropriate standards of accounting competency and practice are established and enforced in the state, a capable and qualified Executive Secretary is necessary to protect the public interest. Setting the Executive Secretary pay at Range 23 will ensure that this newly created position is paid at a rate comparable to other states and commensurate with the requirements of the job.

The pay range was developed based on market standards for the accounting industry and is the range supported by the Alaska Board of Public Accountancy, the Alaska Society of CPAs, and CPAs throughout the state. As this position is paid for directly by the licensing fees of CPAs—not the State—their wide support signals that a Range 23 is the appropriate pay for the position. Indeed, the Range 23 money is already in the current budget, having been appropriated at the time the authorizing legislation passed.

In January 2011 the Department of Administration classified this position as a Range 19. Such a pay range is not adequate considering the expertise and leadership abilities required by the position. Certified Public Accountants (CPAs) are required to have extensive technical and practical knowledge of accountancy. Enforcement cases especially can be exceedingly complex, requiring staff to have broad professional knowledge, experience and leadership skills.

In the past, the Board has been hampered by lack of capable staff. It is crucial that the Board be able to recruit and retain an Executive Secretary with the relevant knowledge and leadership ability that will allow the Board to fulfill its mission. Senate Bill 90 would satisfy that need by setting the Executive Secretary's pay range at the appropriate, competitive level.

STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Sean Parnell, Governor
Susan K. Bell, Commissioner
Don Habeger, Director

Division of Corporations, Business and Professional Licensing

January 25, 2011

Ms. Becky Hultberg
Commissioner
Alaska Department of Administration
P.O. Box 110200
Juneau, Alaska 9981

RE: Alaska Board of Public Accountancy Position and Salary Range Draft Determination

Dear Commissioner Hultberg;

On January 19, 2011, the Alaska Department of Administration, Division of Personnel issued a draft determination for the salary range for the Executive Administrator position that was created during the 2010 legislative session by HB315. The draft determination for the position is a Range 19 (approximately $58,000 per year).

We understand that the Division of Personnel is bound to follow a prescribed process for making this determination, but believe they did not sufficiently consider important aspects of the responsibilities and requirements for the position which should be considered in order to determine the proper salary range for the position.

The Executive Administrator position was created in and all of the involved parties want it:

- The position is directly paid by licensing fees of Alaska CPA's.
- The fiscal note for HB 315 called for a Range 23.
- In developing the proposal for the bill, the estimate of costs for the new position were developed using a Range 23, based on market standards for our industry, given needed experience and expertise levels.
- These cost estimates were shared with Alaska CPA's through significant public outreach prior to the development of the bill, and creating the position was and is widely supported by the CPA community.
- The Alaska Society of CPA's, who represent the CPA's that pay the licensing fees to pay for this position, unanimously supported HB 315, and continues to strongly support the establishment of the position at a Range 23.
- The Alaska Legislature received numerous letters of support for the passage of HB 315 from CPA's throughout Alaska.
- The Alaska Board of Public Accountancy unanimously supported HB 315, and supports the establishment of the position at a Range 23.

The draft salary determination has not adequately considered the following factors, among others, that should be included in making the final determination.

The body of professional knowledge used by CPAs is vast, technical and comprehensive. Professional standards cover auditor and CPA professional and ethical conduct, federal and state taxation and compliance rules, accounting standards for for-profit, government, non-profit and a multitude of industry standards. Accountancy statutes and regulations are also complex. As a result, enforcement cases can be exceedingly complex, thereby requiring staff with a significant level of education, professional knowledge and experience in order to understand the significance of violations of professional standards. The Alaska Board has been hampered by lack of Board staff able to monitor some of the very complex enforcement cases it encounters. It is critical that the Board be able to recruit and retain an Executive Administrator with these skills. A Range 23 will allow for this to happen, a Range 19 will not.

The National Association of Boards of Accountancy significantly directs and makes changes to accountancy enforcement standards and proposed revisions to statutes and regulations in the States. They have become much more active over the past 10 years, and it is simply critical that the Alaska Board, like other boards, have adequate representation to ensure that proposals that have direct impact on protecting the public in Alaska consider our needs. We simply must be able to attract a person with the requisite experience and credentials to engage with NASBA and other state boards. Given salaries paid to the Executive Secretaries of other boards around the country, we believe that a Range 19 will not attract the level of professional that we need. Our understanding of what other Executive Secretaries are paid will result in this position being paid significantly less than others. This will greatly limit our ability to attract and retain the appropriate level of skills to work with NASBA.

The most important determinant of the State of Alaska's success through the Alaska Accountancy Board in carrying out its public protection responsibilities is the competency and dedication of the Executive Administrator and staff. The relevant knowledge and leadership ability of the Executive Administrator is particularly critical to the Accountancy Board fulfilling its mission of protecting the public. The Accountancy Board's authority, and hence its ability to protect the public, is diminished when it lacks staff with the requisite skills. While HB 315 purposely excluded the need for a licensee to hold the position, it and the regulations we created, call for someone with significant experience. We don't need someone who is licensed right out of college (like the nursing board) or with one or two years of experience. We hope to hire someone with a lifetime of experience in complex environments. In today's market for accountants, in which unlicensed, new professionals right out of college are paid $60,000 per year to start in the profession, the proposed salary will not attract a person with relevant knowledge and leadership.

We appreciate the work that you and your staff do for the State. Thank you for your consideration of this very important matter. Please let me know if you have any questions or if I can provide further information.

Sincerely,

Carla Bassler

Carla Bassler, CPA
Chair
Alaska Board of Public Accountancy

C: Representative Kurt Olson
Representative Mike Hawker
Susan Bell, Commissioner, DCED
Nicki Neal, Administrator, Division of Personnel and Labor Relations
Don Habeger, Administrator, Division of Corporations, Business and Professional Licensing
Melody Schneider, Alaska Society of CPA's

MEMORANDUM

State of Alaska
Department of Administration
Division of Personnel & Labor Relations

To: Nicki Neal
Director

Date: January 19, 2010

Thru: Pam Day
Classification Manager

Phone: 465-8482
Fax: 465-1029
Email: pam.day@alaska.gov

From: Keith Murry
Human Resource Specialist

Phone: 465-4074
Fax: 465-1029
Email: keith.murry@ alaska.gov

Subject: Executive Administrator, BPA Study

Preamble:
In response to the enactment of AS 08.04.055 the Division of Corporations, Business and Professional Licensing in the Department of Commerce, Community & Economic Development requested a new position to serve as the executive secretary of the Board of Public Accountancy.

Class Analysis:
The new position is responsible for providing administrative support to Board of Public Accountancy, providing professional guidance and assistance to individuals licensed, or seeking license, by the Board; and representing the Board to other state and federal agencies, local and national professional organizations, and local and national regulatory organizations.

The state's classification plan provides for the grouping of positions into job classes when they are sufficiently similar with respect to duties and responsibilities, degree of supervision exercised and received, and entrance requirements so that: 1) the same title can be used to clearly identify each position; 2) the same minimum qualifications for initial appointment can be established for all positions; 3) the same rate of basic pay can be fairly applied to all positions; and 4) employees in a particular class are considered an appropriate group for purposes of layoff and recall. Job classes should be constructed as broadly as is feasible as long as the tests of similarity are met.

The existing job classes covering Executive Administrators of occupational licensing boards are all single-position job classes in the partially exempt service defined by their role in supporting a specific board. The agency has requested the position being created be placed in the partially exempt service. House Bill 315 did not amend AS 39.25.120 (c) or specify the service for the position it authorized; therefore, placing the position in the partially exempt service will require action of the Personnel Board under AS 39.25.130. Until the Personnel Board takes action to extend the partially exempt service the position remains in the classified service. Whether the position is in the classified service or the partially exempt service the tests of similarity dealing with entrance requirements apply. The position's requirement for professional knowledge and

skill in public accountancy, and duties and responsibilities that are significantly different than those that define and distinguish the Accountant class series, supports establishing a new job class.

Class Title:
A class title should be the best descriptive title for the work. It is intended to concisely and accurately convey the kind and level of work performed and should be brief, easily recognized, gender neutral, and understood by potential applicants.

A class study conducted in 2003 included each of the Executive Administrators of occupational licensing boards and changed their class titles from Executive Secretaries. In keeping with this practice the new job class is titled "Executive Administrator, Board of Public Accountancy."

Minimum Qualifications:
The minimum qualifications established for a job class must relate to the knowledge, skills, and abilities needed to perform the work and must not create an artificial barrier to employment of individuals in protected classes. Required training should be limited to the basic formal training that customarily prepares individuals for work in the field. Experience requirements are intended to ensure new employees can successfully perform the work after a period of orientation or familiarization. Required experience should be directly related to the actual duties of positions in the class and should not be equivalent to the work to be performed.

In accordance with AS 08.04.070(h), the Board established the qualifications for the position in 12 AAC 04.145. The minimum qualifications have been established based on the final regulation filed by Lieutenant Governor Treadwell on January 5, 2011, and effective February 4, 2011.

Class Code:
A Class Code is assigned based on the placement of the job class in the classification schematic of Occupational Groups and Job Families. Occupational Groups are made up of related Job Families and encompass relatively broad occupations, professions, or activities. Job Families are groups of job classes and class series that are related as to the nature of the work performed and typically have similar initial preparation for employment and career progression.

Based on the requirement for professional knowledge and experience in accountancy, the class is aggregated to the Accounting and Fiscal job family (PB02) in the Administrative and Office Support Occupational Group.

AKPAY Code:
AKPAY Codes are assigned to job classes for use in legacy computer systems which cannot use the six-digit Class Codes. The new class is assigned AKPAY Code K0097

Fair Labor Standards Act
An employee in the position in this study is covered by the minimum wage and maximum hour provisions of the Fair Labor Standards Act of 1938, as Amended (FLSA). The primary duty of providing professional assistance to the Board of Public Accountancy: requires advanced knowledge in the field of accounting; is in the functional areas of budgeting, finance, purchasing, research, public relations, government relations, and legal and regulatory compliance; and

includes the exercise of discretion and independent judgment in matters of significance. When compensated on a salary basis, an employee in the position is exempt from the overtime and minimum wage requirements of the Act as both a professional and administrative employee.

Salary Analysis:

The salary range of a job class is determined based on internal consistency within the state's pay plans, in accordance with merit principles, with the goal of providing fair and reasonable compensation for services rendered and maintaining the principle of like pay for like work. In evaluating internal consistency, the difficulty, responsibility, knowledge, skills, and other characteristics of a job are compared with job classes of a similar nature, kind, and level in the same occupational group and job family or related job families.

In evaluating the salary range for the new class consideration was given to alignment with other Executive Administrator job classes and the professional accounting job classes.

The executive administrators all perform the typical duties of administering their board's activities (ensuring licensing laws are properly administered; interpreting such laws for applicants and the public; planning, attending, and writing minutes/summaries of board meetings; representing the board before the media, legislature, other state agencies, other state and national regulatory agencies and professional organizations; and conducting research and summarizing results for the board's consideration). The executive administrators that do not have a statutory requirement for professional licensure under their own board's occupational area and are not required to have special expertise in the occupation are at salary range 18.

The executive administrator class that requires special expertise in the occupation licensed and in the work of the licensed professionals (the Executive Administrator, Real Estate Commission) is aligned one range higher, at salary range 19.

The executive director with a statutory requirement for licensure (the Executive Director, Board of Nursing) also has additional duties not typical of other executive administrators (supervision of staff overseeing the chemical dependency program activities and the Certified Nurse Aide program activities, as well as coordination of a statewide group working to ensure an adequate number of nurses are available to work in Alaska). These additional responsibilities, along with consideration of other nursing class in the alignment, resulted in the job class being aligned at salary range 21. (The class is in the Nursing job family and its range was changed to 23 when that job family's ranges were adjusted under the Market Based Pay Policy.)

The Executive Secretary, Board of Public Accountancy is required to possess expertise in public accountancy and apply that expertise to effectively represent the Board, provide guidance to applicants and licensees, and assist in investigations of violations by licensees. The requirement for specialized expertise indicates the Executive Secretary, Board of Public Accountancy, should be aligned at salary range 19.

In the Accounting and Fiscal job family range 19 falls between the advanced professional Accountant (range 18) and the first program administration level Accountant (range 20). The scope of responsibilities in supporting the licensing board, level of independence in decision making, and nature of decisions and recommendations, along with the level of professional

knowledge and skill in accounting required to effectively perform, corroborates the alignment at range 19.

Conclusions:
The new job class "Executive Administrator, Board of Public Accountancy" is established, placed in the Accounting and Fiscal job family, and assigned salary range 19.

The new position submitted for this review is assigned PCN 08-2111 and allocated to the new job class.

The effective date of the above actions is 02/04/2011

Additional correspondence on the allocation of PCN 08-2111 is being distributed through the OPD system.

Attachment:
Final class specification

cc: Don Habeger
Director
Division of Corporations, Business and Professional Licensing
Department of Commerce, Community & Economic Development

Jo Ellen Hanrahan
Director
Division of Administrative Services
Department of Commerce, Community & Economic Development

Sharon Dick
Human Resource Manager
General Agencies HR Resource Center

AKCPA
ALASKA SOCIETY OF CPAs

February 1, 2011

Ms. Becky Hultberg
Alaska Department of Administration
P.O. Box 110200
Juneau, Alaska 99811

RE: Alaska Board of Public Accountancy Executive Administrator

Dear Commissioner Hultberg;

The Alaska Society of CPAs is discouraged and concerned by the recent developments surrounding the Alaska Board of Public Accountancy Position and Salary Range Draft Determination. As indicated in the letter from the Board of Public Accountancy, this position is imperative to the functioning of our board and our profession. Our members have struggled with the lack of leadership, knowledge and consistency associated with the turnover and limitations of the licensing examiner position.

The consideration of an appropriate pay range needs to be analyzed in conjunction with our profession, as the cost of this position will be funded entirely by those CPAs licensed in the State. If no such consideration is made we risk experiencing the same frustrations as the position will not attract the necessary qualified candidates or help ensure consistency, but will likely create greater problems and frustrations in our profession and continued challenges for the State in its public protection responsibilities. If you need additional industry information to complete your analysis, I assure you there are many within the CPA community willing to provide such information.

Thank you for your additional consideration of this matter.

Sincerely,

John Rodgers, CPA
AKCPA President

Cc: Representative Olson
Representative Hawker
Susan Bell, Commission, DCED
Nicki Neal, Administrator Division of Personnel & Labor Relations
Don Habeger, Administrator Division of Corporations, Business & Professional Licensing
Melody Schneider, Alaska Society of CPAs
Corissa Hondolero, CED
Carla Bassler, BOPA Chairman

SB 91

<TARGET><BILL>SB 91</BILL><SUBJECT>SB 91</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/1/11

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 91

SB 91-SPORT FISHING GUIDING SERVICES

"An Act amending the termination date of the licensing of sport fishing operators and sport fishing guides; and providing for an effective date."

and recommends:

[X] be **replaced** with **CS** SB 91 (FIN) [X] *Same Title* [ ] *New Title*

[ ] adopt **previous CS** _____ (_____) [ ] *Same Title* [ ] *New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	**Fiscal**	**Indet.**	**Zero**	**FN #**
DFG	X			

PREVIOUS FISCAL NOTE(S)				
Dept.	**Fiscal**	**Indet.**	**Zero**	**FN #**

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	Egan	✓			
	Olson			✓	
	Ellis	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓			

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **SB 91\A**
Fiscal Note Number:
Publish Date:

Identifier (file name): SB91-DFG-SFD-03-16-12
Title: SPORT FISHING GUIDING SERVICES
Sponsor: SENATOR MCGUIRE
Requester: Senate Finance Committee

Dept. Affected: Fish and Game
Appropriation: Sport Fisheries
Allocation: Sport Fisheries
OMB Component Number: 464

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services		290.0					
Travel		10.0					
Services		90.0					
Commodities		10.0					
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**400.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1024	Fish/Game (Other)		400.0					
TOTAL		**0.0**	**400.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated information to reflect the current fiscal year.

Prepared by: Charles O. Swanton, Director — Phone: 907-465-6184
Division: Sport Fisheries — Date/Time: 3/16/12 10:44PM
Approved by: Kevin Brooks, Administrative Services Director — Date: 3/16/2012
Department of Fish and Game

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB 91\A
2012 LEGISLATIVE SESSION

Analysis

Senate Bill 91 extends the termination date of the licensing program for sport fishing guide and sport fishing operators from January 1, 2012 to January 1, 2013. The division has budgeted $400.0 in the FY13 Governor's budget to administer the Sport Fish operator/guide/vessel program. The program generates average Fish and Game Fund revenues of $250.0, with the balance of the program expenditures funded with Sport Fishing license sale revenue.

CS FOR SENATE BILL NO. 91(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATOR MCGUIRE

A BILL

FOR AN ACT ENTITLED

"An Act amending the termination date of the licensing of sport fishing operators and sport fishing guides; and providing for an effective date."

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

*** Section 1.** Section 8, ch. 70, SLA 2004, as amended by sec. 3, ch. 61, SLA 2009, sec. 1, ch. 48, SLA 2010, and sec. 1, ch. 13, SLA 2011, is amended to read:

Sec. 8. AS 16.05.340(a)(26); AS 16.40.260, 16.40.270, 16.40.280, 16.40.290, 16.40.299; AS 25.27.244(s)(2)(A)(xviii), and 25.27.244(s)(2)(A)(xix) are repealed January 1, **2017** [2013].

*** Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).

27-LS0550\M
Bullard
3/16/12

Adopted 3/20/2012

CS FOR SENATE BILL NO. 91(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATOR MCGUIRE

A BILL

FOR AN ACT ENTITLED

"An Act amending the termination date of the licensing of sport fishing operators and sport fishing guides; and providing for an effective date."

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

*** Section 1.** Section 8, ch. 70, SLA 2004, as amended by sec. 3, ch. 61, SLA 2009, sec. 1, ch. 48, SLA 2010, and sec. 1, ch. 13, SLA 2011, is amended to read:

Sec. 8. AS 16.05.340(a)(26); AS 16.40.260, 16.40.270, 16.40.280, 16.40.290, 16.40.299; AS 25.27.244(s)(2)(A)(xviii), and 25.27.244(s)(2)(A)(xix) are repealed January 1, **2017** [2013].

*** Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).

New Text Underlined [DELETED TEXT BRACKETED]

STATE OF ALASKA

SEAN PARNELL, GOVERNOR

DEPARTMENT OF FISH AND GAME
OFFICE OF THE COMMISSIONER

P.O. BOX 115526
JUNEAU, AK 99811-5526
PHONE: (907) 465-4100
FAX: (907) 465-2332

March 21, 2012

Senator Bert Stedman, Co-Chair
Senate Finance Committee
State Capitol, Room 516
Juneau, AK 99801-1182

Co-Chairman Senator Bert Stedman:

At the hearing on Monday, March 19th for Senate Bill 91, regarding sport fishing guide licenses, Senator Olson requested information on the penalties associated with the sport fishing guide license and reporting program.

The statutes regarding the sport fishing guide license and reporting program are contained within AS 16.40.250 – AS 16.40.299. The provisions within these statutes contain the requirements for sport fishing operator licenses, sport fishing guide licenses, reports, and the penalties associated with failing to meet these requirements. The penalty for failing to be licensed and having license documents in your possession, completing logbook requirements, submitting the logbook, and displaying guide boat decals or annual stickers are considered violations and the fines range from $100 to $200.

Also found within these statutes is language concerning a licensed sport fishing operator or guide who aids in violating a sport fishing statute or regulation. If a licensed sport fishing operator or sport fishing guide aids in the commission of a violation of AS 16.05 – AS 16.40 or a regulation adopted under those statutes, the penalty is considered a misdemeanor and upon conviction is punishable by a fine of not more than $1,000, or by imprisonment for not more than six months, or both. Examples of such violations include sport fishing without a license, failing to adhere to bag and possession limits, and sport fishing in closed waters.

If you need any additional information on the penalties associated with the sport fishing guide license and reporting program, or if you have any more questions, please let me know.

Sincerely,

Ben Mulligan
Legislative Liaison

ALASKA STATE LEGISLATURE

Session
State Capitol Building, Room 125
Juneau, Alaska 99801-1182
Phone (907) 465-2995
Fax (907) 465-6592

Interim
716 West Fourth Avenue, Suite 430
Anchorage, Alaska 99501
Phone (907) 269-0250
Fax (907) 269-0249

SENATOR LESIL MCGUIRE

SPONSOR STATEMENT FOR SENATE BILL 91

"An Act amending the termination date of the licensing of sport fishing operators and sport fishing guides; and providing for an effective date."

Senate Bill 91 will ensure the continuation of Alaska's sport fish guide licensing and reporting program. Legislation authorizing the program was passed in 2004 and the program has proven beneficial to both the sport fishing industry and resource managers. With more than 1.8 million clients, 88% of whom are nonresidents, taking more than 460,000 guided fishing trips in Alaska annually; guided sport fishing has become an integral part of Alaska's tourism economy. In fact, a study commissioned by the Alaska Department of Fish and Game estimated that nonresident spending on sport fishing was more than $650 million in 2007.

Since the program's inception, an average of 1,670 sport fishing business licenses and 1,981 sport fishing guide licenses have been sold annually. 90% of license holders are Alaska residents and the professionalization of the sport fishing guide industry has benefitted both the industry and the resource. The data collected through the program provides the information state and federal managers need to sustainably manage sport fish populations. The program also allows Alaska to receive an exemption from the National Saltwater Angler Registry; a federal program that would begin levying fees for registration in 2011.

Recognizing the importance of the program, the Alaska legislature extended the program's termination date for one year in 20010; SB 91 proposes to amend the program's associated termination language in existing statutes in order to allow this valuable program to continue serving Alaskans and their valuable fishery resources.

Brief for SB 294: SPORT FISH GUIDE LICENSES
(Reauthorization of Program/Repeal of Sunset)
March 10, 2010

Alaska Department of Fish and Game Contacts:
Charlie Swanton- Charles.Swanton@alaska.gov; phone: 465-6184 or 321-0955
Jennifer Yuhas - Jennifer.Yuhas@alaska.gov; phone: 465-6137 or 388-7951.

Background:

- Original legislation passed in May, 2004; effective January 1, 2005.

- Proposed by the Department for three main reasons:
  1. Information on guide numbers and their fishing activities was either not available or limited in many parts of the state;
  2. Establish minimum standards to operate a business or contract as a guide (safety, liability insurance, US Coast Guard license, etc.) as a means to increase professionalism and reduce speculative entry; and
  3. Provide comprehensive and credible data on guided sport fishing activities to regulatory agencies: Alaska Board of Fisheries (BOF), International Pacific Halibut Commission (IPHC), and North Pacific Fisheries Management Council (NPFMC).

Legislation:

Sec.16.40.260 Sport fishing operator license;
Sec.16.40.270 Sport fishing guide license;
Sec.16.40.280 Reports;
Sec.16.40.290 Penalties for violations.

These legislative sections include licensing provisions and fees (AS. 16.05.340(a)) for sport fishing business owners ($100), sport fishing guides working for the business ($50), and business owners who are also a guide (owner/operator combo $100). The mandatory reporting requirements, logbooks, are for both fresh and saltwater guide activities (freshwater logbooks were instituted in 2005). The penalties for sport fish guiding violations by business owners and guides include possible revocation of their license.

Companion Regulations:

5 AAC 75.075 Sport fishing services and sport fishing guide services; license requirements; regulation of activities.

5 AAC 75.076. Sport fishing services and sport fishing guides reporting requirements.

5 AAC 75.077. Sport fishing guide vessel registration requirements.

Present Benefits and Utility:

- A comprehensive list of all sport fishing guides working in salt water is part of the data requirements that will allow Alaska to receive an exemption from participating in the National Saltwater Angler Registry (up to $25/saltwater angler in 2011).

- The logbook data for saltwater anglers has been used extensively within the IPHC and NPFMC for rule making on Pacific Halibut.

- Both freshwater and saltwater logbook harvest data has been presented and utilized by the Alaska Board of Fisheries. Harvest estimate verification studies are being conducted comparing logbook, statewide sport fish harvest survey, and dock side creel programs.

Participation Statistics:

- An average of **1,647 sport fishing business licenses** (including owner/operator combo) have been sold (2005-2009); 90% of owners are Alaskan residents.

- An average of **1,882 sport fishing guide licenses** have been sold (2005-2009); 73% of guides are Alaskan residents.

- Based on logbook data, over **2.1 million clients took 536,960 guided fishing trips** (from 2005 through 2009); 67% of clients fished in saltwater, 33% fished in freshwater and 88% of all clients were nonresidents.

- An average of **1,334 vessels in saltwater** were used for guided fishing trips (2005-2009).

Electronic Reporting (Modernization initiative):

- One of Commissioner Lloyd's initiatives is modernization and timely reporting of recreational harvest data. We have been actively working on this task:

    - In July, 2009 we developed a scannable saltwater logbook form which will reduce the time lag when logbook data is available from 2 to 3 months to 1 to 2 weeks. This new form will be employed for saltwater forms statewide in 2010. Ten public meetings were held across the state to explain this new format and received nearly unanimous support from user groups and public.

    - In April, 2010 the point of sale hunting and fishing licensing program will be launched at all ADF&G regional offices. This program will be made available to all license vendors shortly thereafter.

    - We will convert the freshwater logbook to a scannable format starting in 2011.

LAWS OF ALASKA

2004

Source
SCS CSHB 452(RES)

Chapter No.
_____

AN ACT

Relating to licensing and regulation of sport fishing operators and sport fishing guides; relating to licensing and registration of sport fishing vessels; authorizing the Department of Fish and Game and the Alaska Commercial Fisheries Entry Commission to release records and reports to the Department of Natural Resources and the Department of Public Safety; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1

AN ACT

Relating to licensing and regulation of sport fishing operators and sport fishing guides; relating to licensing and registration of sport fishing vessels; authorizing the Department of Fish and Game and the Alaska Commercial Fisheries Entry Commission to release records and reports to the Department of Natural Resources and the Department of Public Safety; and providing for an effective date.

---

* **Section 1.** AS 16.05.340(a) is amended by adding a new paragraph to read:

(26) Fishing services licenses

(A) Sport fishing operator license $100

(B) Sport fishing guide license 50

(C) Sport fishing operator and sport fishing guide combined license 100

* **Sec. 2.** AS 16.05 is amended by adding a new section to read:

Sec. 16.05.395. Sport fishing vessel registration. For calendar year 2005 and subsequent calendar years, a person may not use a vessel to provide sport fishing services under AS 16.40.260 - 16.40.299 unless the vessel is registered with the department and proof of registration is attached to and clearly visible on the vessel while the vessel is used to provide sport fishing services. The department shall register vessels used to provide sport fishing services, and provide proof of registration, without charge. The department may adopt regulations as the department finds necessary to implement this section.

*** Sec. 3.** AS 16.05.420 is amended to read:

Sec. 16.05.420. License, tag, [AND] permit, and registration violations. (a) A false statement of a material fact in an application for a license, tag, [OR] permit, **and sport fishing vessel registration** issued under AS 16.05.330 - 16.05.430 voids the license, tag, [OR] permit, **or registration** for which the application is made.

(b) A person may not make a false statement, or omit a material fact, in an application for a license, tag, [OR] permit, **or sport fishing vessel registration** issued under AS 16.05.330 - 16.05.430. A person who without any culpable mental state makes a false statement as to the person's identity or residency in an application for a license, tag, [OR] permit, **or sport fishing vessel registration** issued under AS 16.05.330 - 16.05.430 is guilty of a violation and upon conviction is punishable by a fine of not more than $300. A person who knowingly violates this subsection is guilty of a class A misdemeanor.

(c) A person to whom a license, [OR] tag, **or sport fishing vessel registration** has been issued under this chapter may not alter, change, loan, or transfer the license, [OR] tag, **or sport fishing vessel registration**. A person may not use a license, [OR] tag, **or sport fishing vessel registration** that has been issued under this chapter to another person.

*** Sec. 4.** AS 16.05.490(a) is amended to read:

(a) As a condition to delivery or landing of fish or engaging in commercial fishing in the state, a license is required for a commercial vessel [, INCLUDING A VESSEL USED IN CHARTER SERVICE FOR THE RECREATIONAL TAKING OF FISH AND SHELLFISH].

* **Sec. 5.** AS 16.05.815(a) is amended to read:

(a) Except as provided in (b) and (c) of this section, records required by regulations of the department concerning the landings of fish, shellfish, or fishery products, and annual statistical reports of fishermen, buyers, and processors required by regulation of the department are confidential and may not be released by the department or by the Alaska Commercial Fisheries Entry Commission except as set out in this subsection. The department may release the records and reports set out in this subsection to the Alaska Commercial Fisheries Entry Commission. The department and the Alaska Commercial Fisheries Entry Commission may release the records and reports set out in this subsection to the recipients identified in this subsection if the recipient, other than a recipient under (5) - (9) of this subsection, agrees to maintain the confidentiality of the records and reports. The department and the Alaska Commercial Fisheries Entry Commission may release

(1) any of the records and reports to the National Marine Fisheries Service and the professional staff of the North Pacific Fishery Management Council as required for preparation and implementation of the fishery management plans of the North Pacific Fishery Management Council within the exclusive economic zone;

(2) any of the records and reports to the professional staff of the Pacific States Marine Fisheries Commission who are employed in the Alaska Fisheries Information Network project for the purpose of exchanging information with users authorized by the department;

(3) any of the records and reports to the Department of Revenue to assist the **department** [DEPARTMENT OF REVENUE] in carrying out its statutory responsibilities;

(4) records or reports of the total value purchased by each buyer to a municipality that levies and collects a tax on fish, shellfish, or fishery products if the municipality requires records of the landings of fish, shellfish, or fishery products to be submitted to it for purposes of verification of taxes payable;

(5) such records and reports as necessary to be in conformity with a court order;

(6) on request, the report of a person to the person whose fishing

activity is the subject of the report, or to a designee of the person whose fishing activity is the subject of the report;

(7) on request, annual statistical reports of a fisherman, buyer, or processor to the fisherman, buyer, or processor whose activity is the subject of the report, or to a designee of the fisherman, buyer, or processor whose activity is the subject of the report;

(8) **any of the records and reports** [FISH TICKETS, FISH TICKET INFORMATION, SALTWATER CHARTER LOGBOOKS, SALTWATER CHARTER LOGBOOK INFORMATION, AND ANNUAL STATISTICAL REPORTS OF FISHERMEN, BUYERS, AND PROCESSORS AND INFORMATION IN THOSE REPORTS] to the Department of Public Safety **for law enforcement purposes**;

(9) fish tickets, fish ticket information, and annual statistical reports of fishermen, buyers, and processors and information in those reports to the law enforcement personnel of the National Marine Fisheries Service and the National Oceanic and Atmospheric Administration for the purpose of enforcing fishery laws in waters of this state and in waters of the exclusive economic zone adjacent to this state;

(10) fish tickets and fish ticket information regarding halibut to the International Pacific Halibut Commission; [AND]

(11) any of the records and reports to the child support enforcement agency created in AS 25.27.010, or the child support enforcement agency of another state, for child support purposes authorized under law**; and**

(12) any of the records and reports to the Department of Natural Resources to assist the department in carrying out its statutory responsibilities in regard to sport fishing operations and sport fishing guides within the Kenai River Special Management Area under AS 41.21.500 - 41.21.514.

*** Sec. 6.** AS 16.40 is amended by adding new sections to read:

Article 6. Sport Fishing Services.

Sec. 16.40.260. Sport fishing operator license. (a) The department shall issue an annual sport fishing operator license to a person who

(1) holds a current business license under AS 43.70 to provide services

to sport fishermen;

(2) presents proof satisfactory to the department of a general liability insurance policy or marine protection and indemnity insurance policy, covering the services provided by the person and the person's employees to sport fishermen, that provides coverage of at least $100,000 for each incident, and $300,000 for all incidents in a year;

(3) pays the license fee prescribed by AS 16.05.340(a); and

(4) satisfies all additional requirements adopted in regulation by the Board of Fisheries.

(b) A person may not provide sport fishing services unless the person holds a current sport fishing operator license and has current insurance coverage as required in (a)(2) of this section.

(c) A person who holds a current sport fishing operator license may contract to provide sport fishing guide services to a sport fisherman through an employee who holds a current sport fishing guide license under AS 16.40.270.

(d) A person who holds a current sport fishing operator license may not directly provide sport fishing guide services to a sport fisherman unless the person also holds a current sport fishing guide license under AS 16.40.270(b).

(e) A person who holds a sport fishing operator license may not aid in the commission of a violation of AS 16.05 - AS 16.40 or a regulation adopted under AS 16.05 - AS 16.40, including regulations relating to the proper method to release fish, by a sport fishing guide who is employed by the person or by a sport fisherman who is a client of the person.

Sec. 16.40.270. Sport fishing guide license. (a) A natural person may obtain an annual sport fishing guide license if the person

(1) is a citizen of the United States, Canada, or Mexico, or is a resident alien;

(2) is certified in first aid by the American Red Cross or a similar organization;

(3) holds a license to carry passengers for hire issued by the United States Coast Guard if the person operates a vessel in the provision of sport fishing

guide services and the license is required by the United States Coast Guard for the area in which the fishing guide provides fishing guide services;

(4) holds a current sport fishing license from this state;

(5) pays the license fee prescribed by AS 16.05.340(a); and

(6) satisfies all additional requirements adopted in regulation by the Board of Fisheries.

(b) A natural person may obtain an annual sport fishing operator and sport fishing guide combined license if the person satisfies the requirements for a sport fishing operator license under AS 16.40.260 and for a sport fishing guide license under this section and pays the license fee prescribed by AS 16.05.340(a).

(c) A person may not provide sport fishing guide services unless the person

(1) holds a current sport fishing guide license; and

(2) holds a current sport fishing operator license or is an employee of a person who holds a current sport fishing operator license.

(d) A sport fishing guide may provide sport fishing guide services only to persons who have engaged the services of the sport fishing operator by whom the sport fishing guide is employed. A sport fishing guide may not contract directly with a person to provide sport fishing guide services to a person unless the sport fishing guide also holds a current sport fishing operator license.

(e) While engaged in providing sport fishing guide services, a sport fishing guide shall have readily available for inspection

(1) a current sport fishing guide license;

(2) the current licenses, tags, and permits that are required to engage in the sport fishery for which the sport fishing guide services are being provided;

(3) a driver's license or similar identification card that is issued by a state or federal agency and that bears a photograph of the fishing guide; and

(4) proof of

(A) employment as a sport fishing guide by a person who holds a current sport fishing operator license; or

(B) current licensure as a sport fishing operator.

(f) A sport fishing guide may not

(1) aid in the commission of a violation of AS 16.05 - AS 16.40 or a regulation adopted under AS 16.05 - AS 16.40 by a client of the sport fishing guide; or

(2) permit the commission by a client of the sport fishing guide of a violation of AS 16.05 - AS 16.40 or a regulation adopted under AS 16.05 - AS 16.40 that the sport fishing guide knows or reasonably believes is being or will be committed without

(A) attempting to prevent it, short of using force; and

(B) reporting the violation.

Sec. 16.40.280. Reports. (a) The department may collect information from sport fishing guides, including

(1) the name and license number of each vessel licensed under AS 16.05.490 that is used in providing sport fishing guide services;

(2) the amount of fishing effort, catch, and harvest by clients of a sport fishing guide;

(3) the locations fished during the provision of sport fishing guide services; and

(4) other information that the department or board requires by regulation.

(b) A person who holds a license issued under AS 16.40.260 or 16.40.270 shall comply with the reporting requirements in this section and reporting requirements adopted in regulation by the department or board. The department and the board may adopt by regulation requirements for timely submission of reports required under this section or under regulations adopted by the department or board.

(c) A person who is required to complete reports under this section may not provide false information or omit material facts in a report.

(d) A person who is required to complete reports under this section may not be issued a new license under AS 16.40.260 or 16.40.270 unless the department has received all reports required under this section for the preceding year.

(e) Information collected under this section is confidential to the extent provided under AS 16.05.815.

(f) The department or board may adopt regulations under AS 44.62

(Administrative Procedure Act) that it considers necessary to implement this section.

Sec. 16.40.290. Penalty. (a) Except as provided in (b) and (c) of this section, a person who knowingly violates AS 16.40.260 - 16.40.299 or a regulation adopted under AS 16.40.260 - 16.40.299 is guilty of a class A misdemeanor.

(b) A person who, without any culpable mental state, violates AS 16.40.270(e) is guilty of a violation.

(c) A person who knowingly violates AS 16.40.270(e) or who knowingly fails to comply with a requirement for timely submission of reports required by a regulation adopted under AS 16.40.280(b) is, for a

(1) first offense in a three-year period, guilty of a violation; and

(2) second or subsequent offense in a three-year period, guilty of a class B misdemeanor.

(d) In addition to any other penalty provided by law, a court may revoke the sport fishing guide license of a person who is convicted under (a) or (c)(2) of this section.

(e) In this section, "knowingly" has the meaning given in AS 11.81.900.

Sec. 16.40.299. Definitions. In AS 16.40.260 - 16.40.299,

(1) "sport fishing guide" means a person who is licensed to provide sport fishing guide services to persons who are engaged in sport fishing;

(2) "sport fishing guide services" means assistance, for compensation or with the intent to receive compensation, to a sport fisherman to take or to attempt to take fish by accompanying or physically directing the sport fisherman in sport fishing activities during any part of a sport fishing trip; "sport fishing guide services" does not include

(A) sport fishing services; or

(B) services provided by an assistant, deckhand, or similar person who works directly under the supervision of and on the same vessel as a sport fishing guide;

(3) "sport fishing services" means the indirect provision of assistance, for compensation or with the intent to receive compensation, to a person engaged in sport fishing in taking or attempting to take fish or shellfish by a business that

employs a sport fishing guide to provide sport fishing guide services to the person during any portion of a sport fishing trip; "sport fishing services" does not include

(A) an activity for which a sport fishing guide license is required; or

(B) booking and other ancillary services provided by a tour broker or agent to a sport fishing services operator.

*** Sec. 7.** AS 25.27.244(s)(2)(A) is amended by adding new sub-subparagraphs to read:

(xviii) sport fishing operator license under AS 16.40.260;

(xix) sport fishing guide license under AS 16.40.270;

*** Sec. 8.** AS 16.05.340(a)(26); AS 16.40.260, 16.40.270, 16.40.280, 16.40.290, 16.40.299; AS 25.27.244(s)(2)(A)(xviii), and 25.27.244(s)(2)(A)(xix) are repealed January 1, 2010.

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

TRANSITION; REGULATIONS. The Board of Fisheries and the Department of Fish and Game each may proceed to adopt regulations necessary to implement the changes made by secs. 1, 3, 4, 5, and 6 of this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the statutory changes.

*** Sec. 10.** Sections 2 and 9 of this Act take effect immediately under AS 01.10.070(c).

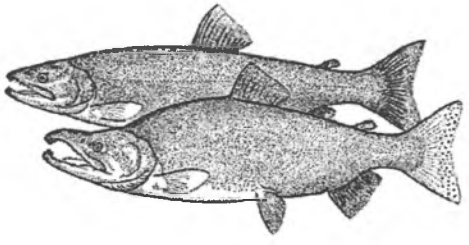
*** Sec. 11.** Except as provided in sec. 10 of this Act, this Act takes effect January 1, 2005.

2012 Freshwater Sport Fish Guide Logbook and Vessel Registration

_____
LOGBOOK NO.

_____
BUSINESS NAME

_____
ADF&G BUSINESS OWNER'S LICENSE NO.



Please follow the instructions carefully as they have changed.

State of Alaska Department of Fish & Game
Division of Sport Fish

LOGBOOK INSPECTION

Upon request from any representative of the Department or any peace officer of the state, a person is required to present this Alaska Department of Fish and Game Freshwater Sport Fishing Guide Logbook for inspection.

Monday to Sunday Activity During the week of:	Postmarked or Received by ADF&G (Mondays):
January 1 – April 1	April 9
April 2 – April 8	April 16
April 9 – April 15	April 23
April 16 – April 22	April 30
April 23 – April 29	May 7
April 30 – May 6	May 14
May 7 – May 13	May 21
May 14 – May 20	May 28
May 21 – May 27	June 4
May 28 – June 3	June 11
June 4 – June 10	June 18
June 11 – June 17	June 25
June 18 – June 24	July 2
June 25 – July 1	July 9
July 2 – July 8	July 16
July 9 – July 15	July 23
July 16 – July 22	July 30
July 23 – July 29	August 6
July 30 – August 5	August 13
August 6 – August 12	August 20
August 13 – August 19	August 27
August 20 – August 26	September 3
August 27 – September 2	September 10
September 3 – September 9	September 17
September 10 – September 16	September 24
September 17 – September 23	October 1
September 24 – September 30	October 8
October 1 – October 7	October 15
October 8 – October 14	October 22
October 15 – October 21	October 29
October 22 – October 28	November 5
October 29 – November 4	November 12
November 5 – November 11	November 19
November 12 – November 18	November 26
November 19 – November 25	December 3
November 26 – December 2	December 10
December 3 – December 9	December 17
December 10 – December 16	December 24
December 17 – December 23	December 31
December 24 – December 31	January 7, 2013

LOGBOOK NO.

2012 FRESHWATER SPORT FISH
Logbook Sign-Out

SPORT FISH BUSINESS INFORMATION

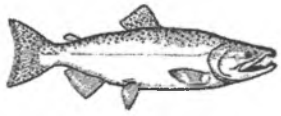
Must have a <u>current</u> ADF&G Business License Number

NAME OF PERSON TO WHOM THIS LOGBOOK WAS ISSUED

SPORT FISHING BUSINESS NAME

ADF&G LICENSE NUMBER OF BUSINESS *(NOT A "GUIDE ONLY" LICENSE)*

CONTACT PHONE NUMBER



Do you plan to use a <u>vessel</u> while providing sport fishing guided services in freshwater?

No ☐ Yes ☐ (If yes, list vessels on pg. iii)

INSTRUCTIONS TO ADF&G REPRESENTATIVE

Please forward the white copy of this form to:

Sport Fish Research & Technical Services
333 Raspberry Rd., Anchorage, AK 99518

ADF&G area offices **<u>will</u>** keep the pink copy on file.

Do **NOT** issue a logbook unless the applicant has the following:

- 2012 ADF&G Business License;
- Current AK Boat Number issued by DMV **OR** current U.S.C.G. Vessel Documentation number, if applicable.

None of the required information can be "pending." This form must be complete and accurate to the best of your knowledge.

Incomplete forms will be returned to you for follow-up and completion, resulting in a processing delay.

<u>DID YOU PROVIDE A SITE CODE LIST ?</u>

ADF&G REPRESENTATIVE (PRINT)

AREA OFFICE DATE OF ISSUE

LOGBOOK NO.

2012 FRESHWATER SPORT FISH GUIDE
Vessel Registration

NOTE TO ADF&G REPRESENTATIVE

Confirm that the vessel information requested on the bottom of this page is complete. Every vessel that this business is intending to operate while providing sport fishing guided services, must be recorded.

Attach the white (top) copy of this page to the sign-out sheet, whether or not there are registered vessels. Mail the sign-out sheet and the vessel registration page to the Anchorage ADF&G RTS office at 333 Raspberry Rd., Anchorage, AK 99518-1565.

REGISTERING YOUR VESSEL(S)

For each vessel you plan to use to conduct sport fishing guided activities, please fill out the information below.

If a vessel is newly purchased, leased or borrowed at anytime during the guiding season, it must have a current AK Boat Number **or** a U.S.C.G. documentation number. If a vessel is added during the season, call the local ADF&G office or (907) 267-2369.

For purposes of vessel registration, vessels are defined as: **rafts, canoes, kayaks, motorized and nonmotorized water vehicles.**

Registration Exemption: Personal Float Tubes.

MULTIPLE LOGBOOKS?

Note logbook number where vessel information has been provided:

AK BOAT NO. OR U.S.C.G. VESSEL DOC. NO.	PRIMARY AK DRAINAGE/COMMUNITY THE VESSEL WILL OPERATE OUT OF IN 2012

Continue on another sheet if you have more vessels. Transfer the business name and logbook number onto that extra sheet.

2012 FRESHWATER SPORT FISH GUIDE

Logbook Instructions

VESSEL REGISTRATION

The following applies to all **powered and non-powered** vessels being used to conduct sport fishing guided activities:

- Must be currently licensed with the Alaska Division of Motor Vehicles (DMV) and hold a current AK Registration number or hold a current U.S.Coast Guard (U.S.C.G.) Vessel Documentation number.
- Must be registered with the Alaska Department of Fish and Game (ADF&G) and display an ADF&G vessel decal with the current year tag.
- Vessels borrowed or purchased in-season must adhere to the above criteria and display ADF&G sport fish guide vessel decals.

Upon registration, each vessel is issued two charter vessel decals and current year tabs.

See page iii for instructions on vessels that are added midseason.

VESSEL DECALS/YEAR TABS

One set of ADF&G decals will be issued per registered vessel. Decals must be displayed and visible on each side of the vessel. Decals do not have to be applied directly to the hull of the vessel. Decals can be adhered to wood, fiberglass or plexiglas® which in turn is secured to each side of the vessel. Decals can be transferred from one vessel to another, as long as the receiving vessel has a current AK registration number from DMV **or** a U.S.C.G. documentation number and has been registered with ADF&G. Decals are designed to withstand several years of use. Annual tabs will be issued as vessels are registered. Annual year tabs are to be adhered directly to the decal in the designated area.

RESPONSIBILITY OF OWNER & GUIDE

It is the responsibility of the **guide** to ensure that daily trip activity is accurately recorded as described on page v - vii.

It is the responsibility of the **business owner** (owner of the sport fish owner/operators license) to ensure that all data for fishing activities from January 1, 2012 through December 31, 2012 is submitted to ADF&G according to the schedule on the inside the front cover.

WHAT A GUIDE MUST HAVE IN POSSESSION WHILE GUIDING

While engaged in providing sport fish guide services, a sport fishing **guide** shall have the following readily available for inspection upon request of a representative of the Department or a peace officer of the state:

- Valid ADF&G sport fishing guide license;
- Copy of the current ADF&G sport fishing operator's (business owner) license of the guide's employer;
- Valid Alaska sport fishing license, tags, stamps or permits that are required to engage in the sport fishery for which guide services are being provided;
- Identification card issued to the sport fishing guide by a state or federal agency that bears a photo of the sport fishing guide (e.g. driver's license);
- Other agencies may have additional requirements (e.g. U.S.C.G.). It is the guides responsibility to determine what those requirements are.

2012 FRESHWATER SPORT FISH GUIDE

Logbook Instructions

WHEN TO COMPLETE A LOGBOOK

Client Information: The sport fish license number must be recorded for all paying clients, "comped" anglers, and crew that fished during any part of the trip. A **"comped"** angler is an angler who is **not paying** for this trip; it can include family, friends or other acquaintances.

The logbook must be completed at the end of each day of fishing or at the end of each trip within a day as described below through the last trip of the season.

The guide that leads the trip is required to complete this logbook per the schedule described below.

VESSEL USED

Returning to a lodge, camp, dock or mooring location:

Complete the logbook before offloading any fish from the vessel. If no fish were kept, complete the logbook before offloading any clients.

Returning to a boat ramp, launching site, or other client drop off location:

Complete the logbook before the vessel or guide departs the launching /landing site **AND** before offloading any fish from the vessel.

If no fish were kept, complete the logbook before the guide departs the launch/landing site.

NO VESSEL USED

Aircraft, highway vehicles, walk-in, ATVs, etc.

Complete the logbook before the guide leaves the fishing site. Fishing site is defined as the location where the fishing activity took place. Refer to the list of unique freshwater site codes provided with the logbook.

MULTIPLE TRIPS PER DAY

Each trip of multiple trips in a day should be logged on a separate logbook sheet. Complete the logbook at the end of each trip, as described above.

MULTIPLE DAY TRIPS

Complete the logbook at day's end for each day of the trip. Use a separate logbook data sheet for each day of that trip.

MULTIPLE SITES FISHED

If multiple sites were fished on the same day, write down each site fished prior to leaving that fishing site per the instructions above. Each site would have the same date and would require a new logbook page.

RETURN THE LOGBOOK REPORTS WEEKLY

Fishing activity that occurs prior to April 1, 2012 is due to ADF&G by April 9, 2012; all activity, thereafter, must be received by ADF&G offices **EVERY WEEK** as detailed in the schedule provided on the inside of the front cover of this book.

All 2012 logbook data must be received by January 15, 2013.

PINK COPIES ARE TO REMAIN IN THE LOGBOOK.

For fishing activity that occurs in the early winter of 2013, please call the local ADF&G office for logbook instructions if the 2013 logbooks are not yet available.

2012 FRESHWATER SPORT FISH GUIDE

Logbook Instructions

LOGBOOK ASSIGNMENTS/TRANSFERS

Logbooks are issued to individual licensed businesses. Due to the variety of ways that freshwater businesses conduct operations, the number of logbooks issued to a unique business will vary.

The business owner or their representative must determine how many logbooks that business will be required to have in order to comply with the recording requirements outlined in the instructions. For example, an operation that conducts business from a lodge with 6 guides may need more logbooks than a single owner/operator with one vessel that is trailered.

A logbook is assigned by ADF&G to the business; the business owner can distribute individual logbooks to a vessel or to a guide. It is up to the discretion of the business owner to distribute logbooks to employed guides in any manner that facilitates the timely recording of trip information as described previously in the instructions.

Remember: it is the responsibility of the **guide** to complete daily trip activity in the logbook. It is the responsibility of the **business owner** to ensure that all data is submitted to ADF&G in a timely manner.

2012 FRESHWATER SPORT FISH GUIDE

How to Fill Out the Logbook

ADF&G Sport Fish Guide License Number - The current guide license number issued by ADF&G to the guide for a specific year. Only one guide license number should appear on each logsheet page.

Date Fished- The date for each trip taken. If multiple trips to multiple different fishing sites were taken on the same day, that date and unique trip information would appear on as many data sheets as there were unique trips. Although the date would be the same, client information and trip specifics may differ. If there were more than six clients, continue on a separate logsheet with the trip information and individual angler license information carried over to the next page.

River/Stream/Lake (Specify) - The name of the site where fishing activity occurred.

Site Code - Refer to the site code list provided with the logbook for the site code associated with the river, stream or lake where fishing activity occurred. Write the site code down as it appears on this list. If no site code exists for your fishing site, use the code for Other Streams or Other Lakes.

Page Number - On each logsheet, record the page no. if multiple pages were necessary to fit in all the client information. Note the total no. of pages used for that trip.

Other Species Write-In - On the line denoted with an *, write in the name of the "other" species kept or released. Use the last blank column on the right to record this "other" species of fish as long as it does not already have an existing column. If more than one "other" species is kept or released, use an existing column, cross out the existing species of fish not present at this fishing site and write in the name of that second species.

Once a species has been written in, that column becomes dedicated to that species for the remainder of that logsheet.

Examples of Other Species: *pink (or humpy) salmon, chum (or dog) salmon, burbot, and whitefish.*

How to Fill Out the Logbook (cont'd)

Residency - In the columns to the left of each sport fish license number, **circle:**

- **R** for **Resident** or **N** for **Nonresident**.

Sport Fish License Number - Record the current Alaska Sport Fishing License number, resident PID (permanent license number) or DAV (disabled AK veteran license number) of **each client, comped angler, and crew that fished**. A **"comped"** angler is an angler who is **not paying** for this charter; it can include family, friends or other acquaintances.

Record anglers under 16 years of age as **"Youth angler 1 (YA1), Youth angler 2 (YA2)"** etc., uniquely identifying them as 1, 2 or 3 for as many as fished on each trip.

Record the license numbers of those clients that **actively** fished during any part of the trip regardless of whether they caught anything. Use one line per angler, recording the license number and all activity on that line.

Crew Status and "Comped" Anglers should be noted to the right of each angler sport fish license number, if applicable, **circle:**

- **X** if angler is **"Comped"** (nonpaying) or
- **C** if angler is **Crew member**

RECORDING SALMON AND OTHER SPECIES

Fish Kept & Released - Record the total number of fish kept **(K)** in the white row and released **(R)** in the gray row by each angler during that trip. Each angler's license number has a dedicated line assigned on each logbook sheet. If the same angler goes on more than one trip on the same day, that angler's license number will appear on as many logsheets as were used.

PROXY FISHING INSTRUCTIONS

If a paying client is also proxy fishing for a beneficiary, that client **must** have the fishing license of the person for whom he/she is fishing. Write down the license number of the recipient of the fish (beneficiary), followed by a **(P)** to indicate proxy, e.g. **10123456-P**.

Use two lines on the logbook data sheet, one for the angler's license number and one for the beneficiary's license number. Indicate **(R)** for Resident in the adjacent column; beneficiaries and those fishing for them **must** be residents of Alaska.

For permanent licenses (residents only), write down the entire license number, including the preceding alpha character, which can be a **P, D, T or Z**, i.e. **Z50148-P**.

CONTACT INFORMATION

For questions or to register a vessel, please contact:

- Division of Sport Fish, Guide Licensing and Logbook Program in Anchorage, Alaska at (907) 267-2369 or (907) 267-2390.

Alaska Department of Fish & Game

2012 Freshwater Sport Fish Trip Logbook

RETURN TO: 333 RASPBERRY ROAD, ANCHORAGE, AK 99518-1565 • QUESTIONS: (907) 267-2369

LOGBOOK NO. _____

TRIP INFORMATION

2012 ADF&G GUIDE LICENSE #: _____

DATE FISHED: _____ _____, 2012
(Month) (Day)

_____
RIVER / STREAM / LAKE (SPECIFY)

_____
SITE CODE *(REFER TO SITE CODE LIST)*

PAGE NO. _____ OF _____

TOTAL NO. OF PAGES FOR THIS TRIP ↑

_____
*WRITE IN OTHER SPECIES HERE

Angler Residency (Circle One)		Sport Fish License Number of each Client, Nonpaying angler, and Crew THAT FISHED AND Record all those anglers under 16 as "Youth Angler" (YA1, YA2etc.)	Comped (Circle One if applicable)	Crew	KEPT / RELEASED	SALMON			TROUT				OTHER				
Resident	NonResident					KING	COHO	SOCKEYE	CUTTHROAT	RAINBOW	STEELHEAD	LAKE TROUT	DOLLY VARDEN/ ARCTIC CHAR	ARCTIC GRAYLING	NORTHERN PIKE	SHEEFISH	*
R	N		X	C	K					KEPT							
					R					RELEASED							
R	N		X	C	K					KEPT							
					R					RELEASED							
R	N		X	C	K					KEPT							
					R					RELEASED							
R	N		X	C	K					KEPT							
					R					RELEASED							
R	N		X	C	K					KEPT							
					R					RELEASED							
R	N		X	C	K					KEPT							
					R					RELEASED							

CERTIFICATION: I certify that the information provided herein is accurate and true. Falsification or omission of information on this form is punishable under AS 11.56.210(a) and 5 AAC 75.076.

X GUIDE SIGNATURE

CONTINUE ON NEXT PAGE IF MORE THAN 6 ANGLERS.
CHECK IF TRIP INFORMATION IS CONTINUED ON NEXT PAGE: ☐

State of Alaska
Department of Fish & Game
Division of Sport Fish

2012 Saltwater Charter Logbook and Vessel Registration

Vessel Name: _____

Vessel AK. #
or
U.S.C.G. #: _____

Federal rules require that the Charter Halibut Permit (CHP) number(s) be recorded on the logbook before the beginning of any trip during which halibut are caught and retained.

CHP #:	CHP HOLDER:
_____	_____
_____	_____
_____	_____
_____	_____

Please follow the INSTRUCTIONS carefully as they have changed

LOGBOOK INSPECTION

This logbook must be presented for inspection, upon request, to any representative of the Department of Fish and Game, peace officer of the state, or law enforcement representative of the National Marine Fisheries Service.

Monday to Sunday Activity During the week of:	Postmarked or Received by ADF&G (Mondays):
January 1 – April 1	April 9
April 2 – April 8	April 16
April 9 – April 15	April 23
April 16 – April 22	April 30
April 23 – April 29	May 7
April 30 – May 6	May 14
May 7 – May 13	May 21
May 14 – May 20	May 28
May 21 – May 27	June 4
May 28 – June 3	June 11
June 4 – June 10	June 18
June 11 – June 17	June 25
June 18 – June 24	July 2
June 25 – July 1	July 9
July 2 – July 8	July 16
July 9 – July 15	July 23
July 16 – July 22	July 30
July 23 – July 29	August 6
July 30 – August 5	August 13
August 6 – August 12	August 20
August 13 – August 19	August 27
August 20 – August 26	September 3
August 27 – September 2	September 10
September 3 – September 9	September 17
September 10 – September 16	September 24
September 17 – September 23	October 1
September 24 – September 30	October 8
October 1 – October 7	October 15
October 8 – October 14	October 22
October 15 – October 21	October 29
October 22 – October 28	November 5
October 29 – November 4	November 12
November 5 – November 11	November 19
November 12 – November 18	November 26
November 19 – November 25	December 3
November 26 – December 2	December 10
December 3 – December 9	December 17
December 10 – December 16	December 24
December 17 – December 23	December 31
December 24 – December 31	January 7, 2013

INSTRUCTIONS FOR ADF&G REPRESENTATIVE:

Please forward the **white** copy of this form to: **Sport Fish RTS, 333 Raspberry Rd., Anchorage, AK 99518-1565.**

DO NOT REMOVE THE PINK COPY. THE PINK COPY MUST STAY IN THE LOGBOOK.

DO NOT ISSUE A LOGBOOK UNLESS THE APPLICANT HAS THE FOLLOWING:

- **2012 ADF&G Sport Fish Business License**
- **Current AK Vessel Number issued by DMV or Current U.S.C.G. Vessel Documentation No.**

NONE OF THE ABOVE CAN BE "PENDING"

2012 ADF&G Sport Fish Business Owner and Guide License applications are available at all ADF&G offices or online at: **http://www.adfg.alaska.gov/index.cfm?adfg=prolicenses.forms**

AK Vessel Registration information is available from Alaska Div. of Motor Vehicles at (907) 269-5551 or online at: **http://www.doa.alaska.gov/dmv/reg/boat.htm**

2012 Saltwater Sport Fish Charter Logbook Sign-Out AND Vessel Registration

Must be completed

SPORT FISH BUSINESS INFORMATION:

Name of Sport Fishing Business: _____

ADF&G Sport Fish Business License Number : 2012- _____

SPORT FISHING CHARTER VESSEL REGISTRATION:

- **DMV issued AK No. or U.S.C.G. Vessel Documentation No.:** _____

  (A logbook WILL NOT be issued without a current AK or U.S.C.G. number)

- **Vessel Name:** _____

  (Vessel name and AK No. or U.S.C.G. # must appear on the cover)

- **Primary Alaska Saltwater port from which this vessel will operate during 2012:**

  _____

DEPARTMENT USE ONLY

- **Did you issue a Stat. Area Map?** **YES** ☐ **NO** ☐ **If No, Explain:**
- **ADF&G Representative:** ***(print)*** _____
- **Area Office:** _____ **Date of Issue:** _____

INSTRUCTIONS FOR COMPLETING THE 2012 SALTWATER TRIP LOGBOOK PAGES

WHEN TO COMPLETE A LOGBOOK

A Charter Vessel Fishing Trip is Defined as the time period between the first deployment of fishing gear into the water from a vessel with one or more paying charter vessel clients onboard and the offloading of one or more paying charter vessel clients or any harvested fish from that vessel.

A trip that consists of no paying clients, that is, all anglers are "comped", and the guide is NOT receiving any tips or other compensation, would NOT be considered a chartered trip and a logbook data sheet should not be completed and submitted to the Alaska Dept. of Fish and Game. A licensed guide may be present during a private fishing trip but must NOT be compensated by the angler(s) or by any licensed fishing service or any other party.

Before a Trip Begins (see definition above), the Guide must Record:

- The 2012 sport fishing license number, permanent identification number (PID) or disabled veteran (DAV) license number for anyone that will fish during any part of the trip, including paying and non-paying (comped) anglers and crew.
- The first and last name of each angler in the space provided below their license number.
- The word "Youth" in the fishing license space along with the first and last name on the name line for all anglers under the age of 16. Multiple youth anglers on a trip should be recorded as Youth 1, Youth 2 etc.

Complete the logbook through the last charter trip of the season in the following manner:

Returning to a Dock:

- Complete and sign the logbook data page before offloading any fish from the vessel. If no fish were kept, complete the logbook data page before offloading any clients.

No Docking Facilities (e.g., trailered vessels):

- Complete and sign the logbook data page before the vessel or guide departs the launch/landing site AND before offloading any fish from the vessel.
- If no fish were kept, complete the logbook data page before the vessel or guide departs the launch/landing site.

No Vessel Used (aircraft, highway vehicles, walk-in, ATVs, etc.):

- Complete and sign the logbook data page before the guide leaves the fishing site. Fishing site is defined as the location where fishing activity took place.

Multiple Trips per Day:

Use a separate logbook data page for each trip if multiple trips where taken during the same day. Complete the logbook data page at the end of each trip as described above.

Multiple Day Trips:

Complete a logbook page at the end of each day on which sport fishing guide services were provided. Use a separate page for each day of the trip. Record the port or community of offloading at the end of the multiple-day trip, not the port or location where the vessel anchored or moored each night.

For example, for a five-day trip with only three days of guided fishing, three logbook pages should be submitted, all with the same port of offloading.

RETURN THE LOGBOOK DATA PAGES WEEKLY

Fishing activity that occurs prior to April 1, 2012 is due to ADF&G by April 9, 2012; all activity thereafter must be received by ADF&G **EVERY WEEK** as detailed in the schedule provided on the inside of the front cover of this book. Logbook data pages can be submitted to any regional or area ADF&G office or mailed to the address printed on the back of each logbook page.

INSTRUCTIONS FOR COMPLETING THE 2012 SALTWATER TRIP LOGBOOK PAGES

RESPONSIBILITY OF OWNER & GUIDE

It is the responsibility of the guide to ensure that daily trip activity is accurately recorded as described in these instructions.

It is the responsibility of the business owner (owner of the sport fish business license) to ensure that all data for fishing activities from January 1, 2012 through December 31, 2012 is submitted to ADF&G in the manner previously described.

VESSEL REGISTRATION

All vessels used in sport fishing guide activities must be registered with ADF&G. All vessels must have a current AK registration number issued by the Division of Motor Vehicles (DMV) or a current U.S.C.G. documentation number prior to registering with ADF&G. **If the vessel has an AK number, the AK number must be displayed during guided fishing operations.**

VESSEL DECALS/RENEWAL TAGS

One set of ADF&G decals will be issued per registered vessel. Decals must be applied and visible on both sides of the vessel. Decals do not have to be applied directly to the hull of the vessel. Decals can be adhered to wood, fiberglass or "Plexiglas", which in turn is secured to both sides of the vessel. Decals can be transferred from one vessel to another; as long as the receiving vessel has a current AK registration number from DMV or a current U.S.C.G. documentation number and has been registered with ADF&G. Annual stickers or tags will be issued as vessels are registered and must be adhered directly to the decal in the designated area. Lost decals and tags can be replaced free of charge at any ADF&G office.

TRANSFERRING A LOGBOOK

A logbook is issued to a specific business for a specific vessel. All active vessels must be registered and issued a current year logbook from a local ADF&G office.

Logbooks may not be transferred between businesses. Only the business issued a logbook may use that logbook. If a vessel belonging to a licensed guide business is borrowed by another business, the borrowing business must acquire their own logbook.

If a business substitutes a different vessel for the primary vessel the original logbook can be used on the substitute vessel for up to **seven (7) consecutive days**. A temporary vessel used for a longer period of time must be issued a new logbook. ADF&G must be notified (see contact information on page vii) with the substitute vessel registration information.

All vessels engaged in fishing with clients on board must be registered and display the vessel decals.

WHAT A GUIDE MUST HAVE IN POSSESSION WHILE GUIDING

While providing sport fishing guide services, a sport fishing guide shall have the following readily available for inspection by request of a representative of the Department, a peace officer of the state, or law enforcement representative of the National Marine Fisheries Service:

- Valid sport fishing guide license issued by ADF&G;
- Copy of the current ADF&G sport fishing business license of the guide's employer;
- Valid Alaska sport fishing license, tags, stamps or permits that are required to engage in the sport fishery for which guide services are being provided;
- Identification card issued to the sport fishing guide by a state or federal agency that bears a photo of the sport fishing guide. The identification card MUST match the name on the guide license.

INSTRUCTIONS FOR COMPLETING THE 2012 SALTWATER TRIP LOGBOOK PAGES

TRIP INFORMATION	
Date	Record the month and day for each trip taken. If two or more trips were taken on the same day, that date will appear on all sheets for that day.
Hour Trip Ended	Record the hour in which the trip ended with the offloading of clients and fish. Round to the nearest hour only: trips ending at or after 5:00 pm but before 5:31pm would be logged as 5 pm and trips ending from 5:31pm to 6:00 pm would be logged as 6 pm. Do not indicate minutes. Fill in the circle for AM or PM.
Guide License Number	The 2012 guide license number issued by ADF&G to the guide that led the fishing trip.
Charter Halibut Permit (CHP) Number and multiple Permits	Record the primary Charter Halibut Permit (CHP) number used for the trip on the logbook data page in the space provided. Write the entire number as it appears on the permit followed by the alpha character, **i.e. 1234A**. If more than one CHP is used during a trip, check the box next to the primary CHP number. Complete a separate page for each CHP used during a trip. Unique trip information for each CHP, along with individual angler and catch information must be recorded for each CHP used. Angler license numbers along with kept and released information would be recorded only ONCE per trip. Record all CHP number(s) and CHP Holder(s) names on the front cover of the logbook.
Guided Angler Fish (GAF) Permit Number **(New in 2012 – see page vii for information on the Federal GAF program)**	**DO NOT** record a **GAF** Permit Number until NOAA Fisheries provides notice of the effective date of federal **GAF** halibut regulations. **GAF** halibut will be authorized and available for use ONLY AFTER implementation of federal regulations. IF **GAF** regulations are implemented in 2012, NOAA Fisheries will provide notice to operators on when to begin reporting **GAF** halibut in the logbook. Until such time DO NOT record **GAF** halibut. When GAF regulations go into effect, record the number of GAF halibut kept for each trip on the logbook page and record the number of the GAF permit used on each logbook page.
Port or Community of Off-Loading	The port or community where clients and/or fish were off-loaded at the conclusion of the trip. On a multi-day trip, indicate the community where fish and clients will be off-loaded when the trip is finished.
Primary Stat Area Fished	Report the 6-digit stat area code where most of the fish were caught or targeted. Record the stat area for salmon and/or bottomfish, depending on whether the gear and fishing methods were effectively targeting salmon, bottomfish, or both. Report only stat areas from maps provided with the logbook for this purpose.
No. of Boat Hours Fished	The number of boat hours for which at least one rod/line was fished. Record only the number of hours spent fishing, NOT hours spent running to or from fishing areas. Round to the nearest whole hour.
INDIVIDUAL ANGLER INFORMATION	
Sport Fish License No.	Before a guided sport fishing trip begins (see definition on page iii), record the 2012 Alaska Sport Fishing License number, resident PID (permanent identification number) or DAV (disabled veteran license number) of **each client, comped angler, and crew member** that will be fishing. **See Youth Angler instructions below.**
Residency	Fill in the circle to indicate AK Resident OR Non-Resident for all anglers, including crew and "comped" anglers.
Crew and "Comped" angler status	**If applicable**, next to each angler license number: ➢ fill in the circle if the angler is a **Crew member,** ➢ fill in the circle if the angler is **"Comped"** (the guide service is not compensated for the angler). A **crew member includes** the licensed guide leading the fishing trip as well as any person who, for compensation or the intent to receive compensation, provides assistance to clients on board the vessel.
Angler Name	Angler's first and last name **MUST** be printed **below the angler's license number.**
Youth Anglers	For **anglers** under the age of 16, write the word **"YOUTH"** in the fishing license space AND record the first and last name on the name line. If more than one youth angler is on a trip, record them as Youth 1, Youth 2, etc.
Angler Signatures in 2C	Federal rules require that **all** anglers who harvest (keep) halibut in **IPHC 2C** must sign the logbook to verify that their information and number of halibut reported kept are correct. A signature is also required of youth anglers.
Continuing Trip Information	Complete the Page ☐ of ☐ if more than one page is required for this trip, for example, if two pages are required to list all anglers, they would be numbered Page 1 of 2 and Page 2 of 2.
Guide Signature	The licensed guide who led the trip with clients on board MUST sign at the bottom of each page.

INSTRUCTIONS FOR COMPLETING THE 2012 SALTWATER TRIP LOGBOOK PAGES

RECORDING CATCH INFORMATION	
Recording Catch Information	Indicate the number of fish **Kept** (retained) and **Released** (let go) by species or group. Leave the fields BLANK if no fish were kept or released.
EXAMPLE 1: One target Salmon	If bottomfish were caught while targeting salmon **only**, record the number of bottomfish in the appropriate columns in the bottomfish section. **The stat area and hours fished should be recorded on the salmon target species line under Trip Information.** If salmon were targeted but no salmon were caught, record the stat area and boat hours fished on the salmon target species line under **Trip Information.**
EXAMPLE 2: One target Bottomfish (incl. Halibut)	If salmon were caught while targeting bottomfish **only**, record the number of salmon in the appropriate columns in the salmon section. **The stat area and hours fished should be recorded on the bottomfish target species line under Trip Information.** If bottomfish were targeted but no bottomfish were caught, record the stat area and boat hours fished on the bottomfish target species line under **Trip Information.**
EXAMPLE 3: Two targets Salmon and Bottomfish	Record the maximum number of boat hours spent fishing simultaneously for both salmon AND bottomfish on both the salmon and bottomfish target species lines under **Trip Information.** For example, if mooching or jigging for 7 hours record 7 hours in the salmon effort row, and 7 hours in the bottomfish effort row.

Special Instructions and Definitions	
Charter Halibut Permit (CHP) by Trip and for the Season	Federal regulations require that if one or more anglers are catching and retaining halibut in Area 2C or Area 3A, the guide MUST have a valid charter halibut permit (CHP) for the appropriate regulatory area on board the vessel at all times. Record the **primary** charter halibut permit number used during a **trip** on each page. If more than one CHP is used during a trip, check the box next to the primary CHP number. Complete a separate page for each CHP used during a trip. Unique trip information for each CHP, along with individual angler and catch information must be recorded for each CHP used. Angler License numbers along with kept and released information would be recorded only ONCE per trip. **All** CHP number(s) and CHP Holder(s) used during the fishing season MUST appear on the **front cover** of the logbook with the primary CHP number used during a trip appearing on the individual trip sheet. **A CHP number needs to appear only once on the cover, but recorded on the trip sheet each time it is used.**
(GAF) Guided Angler Fish **(New in 2012 – see page vii for information on the Federal GAF program)**	**DO NOT** record the number of **GAF halibut kept** until NOAA Fisheries provides notice of the effective date of federal **GAF** halibut regulations. Record **GAF halibut kept** ONLY AFTER implementation of federal regulations. IF **GAF** regulations are implemented in 2012, NOAA Fisheries will provide notice to operators on when to begin reporting **GAF** halibut in the logbook. Until such time DO NOT record **GAF** halibut kept. When **GAF** regulations go into effect, record the number of **GAF** halibut kept for each client on each trip within the logbook. If GAF halibut were kept along with Non-GAF halibut, record the number of each within the appropriate category. **NOTE:** record the number of Non-GAF halibut kept AND released.
2C/3A Operators (operators who fish both 2C and 3A for Halibut)	Federal regulations prohibit retention of halibut from Area 2C and Area 3A during the same charter vessel fishing trip. Contact NOAA for additional federal halibut regulations; see page vii for contact information.
Angler Signature	Federal regulations require that every angler (including youth) who keeps halibut caught in IPHC **Area 2C** must sign on the angler signature line directly beneath the angler's first and last name on the front side of each page.
"Shakers"	King salmon under 28" in Southeast Alaska must be released upon capture, unless caught in designated terminal harvest areas, or allowed by emergency order.
Pelagic Rockfish	Includes black, dark and dusky rockfish (commonly called "black bass"), yellowtail, widow and blue rockfish. These species of rockfish are uniformly gray, green, brown, or black (see rockfish ID chart in your regulation booklet).
Yelloweye Rockfish	"Commonly called "red snapper." Adults primarily orange with a pale yellow line running along the lateral line, juveniles with two bold white lateral stripes. Have yellow eyes. Can grow to 36 inches in length.
Other Non-pelagic Rockfish	Includes quillback, copper, silvergray, China, tiger, and other rockfish species.
Sablefish (Black Cod)	Sablefish, commonly known as black cod, have a streamlined, elongated body, black to dark gray above fading to gray or white in the belly, with two dorsal fins and small teeth. Larger fish found in deep water, can grow to 40 inches.
Salmon Shark	This is a single species, *Lamna ditropis*. These sharks are large, firm, dark brown or black on top, with white bellies with dark blotches. **Do not include spiny dogfish ("sand shark") or sleeper sharks ("mud sharks") in this category.**
All Other Fish	DO NOT record any OTHER fish kept that does not fit into any currently listed category of fish.

INSTRUCTIONS FOR COMPLETING THE 2012 SALTWATER TRIP LOGBOOK PAGES

PROXY FISHING INSTRUCTIONS

If an angler is also proxy fishing for a beneficiary, that angler MUST have the fishing license or PID/DAV of the person for whom he/she is fishing. Write down the license number of the recipient of the fish (beneficiary), the beneficiary's first and last name, followed by the word **"Proxy"** on the signature line.

Halibut my not be taken by proxy fishing.

Use two records on the logbook data sheet, one for the angler's license number and name and the other record for the beneficiary's license number and name. Mark AK Resident in the adjacent column for both. Beneficiaries and those fishing for them **must** both be residents of Alaska.

For **permanent** licenses (residents only), write down the entire license number, including the preceding alpha character, which can be a **P, D, T** or **Z**, e.g. **Z50148.**

2012 FEDERAL GAF PROPOSAL:

On July 22, 2011, NOAA Fisheries proposed regulations to authorize guided angler fish (GAF) for the Charter halibut fisheries. GAF will be available for use ONLY AFTER publication and implementation of final regulation by NOAA Fisheries. NOAA will provide notice to operators as soon as possible if such regulations are implemented during 2012. Information will also be available on the NOAA Fisheries Alaska Region web site at: http://alaskafisheries.noaa.gov/sustainablefisheries/halibut/sport.htm

NOAA CONTACT INFORMATION:

There are numerous differences between State and Federal regulations that govern charter fishing in 2C and 3A, which all operators must be aware of, and operate under. For Additional information on federal charter logbook requirements for halibut, call NOAA Fisheries Office for Law Enforcement (907) 586-7225.

You must comply with the federal halibut regulations described at:

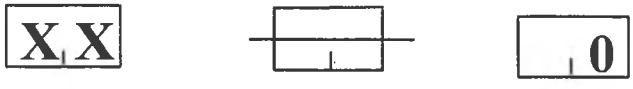
http://alaskafisheries.noaa.gov/regs/summary.htm and http://www.iphc.int

A summary of the charter halibut fishery federal regulations is available at:

http://alaskafisheries.noaa.gov/sustainablefisheries/halibut/sport.htm

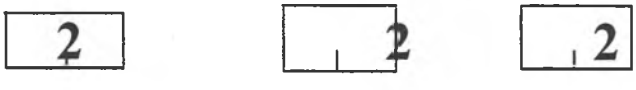
LOGPAGE CLARITY: 2012 logbook sheets are designed to be read by an optical scanner. Your cooperation and neatness in reporting minimizes data entry time and cost, and makes the information available sooner.

1. **Use clear and legible handwriting. Print: DO NOT use cursive.**
2. **Use a black ink pen; do NOT use a pencil or other color pen.**
3. **Do not write in the margins.**
4. **Do not write 0's (zero) if a client DID NOT keep or release any fish during a trip, leave the kept and released fields blank.**



NO NO NO

5. **Contain trip information within the boxes and lines provided. Stay within the "bracketed" space allowed:**



NO NO YES

Single digits should appear in the right hand column.

6. **Keep data pages and logbook as clean as possible.**

ADF&G Contact Information:

Division of Sport Fish, Guide Licensing and Logbook Program in Anchorage, Alaska at (907) 267-2369, or 267-2390 or email: dfg.dsf.guides@alaska.gov

Alaska Department of Fish & Game

2012 Saltwater Sport Fishing Charter Trip Logbook Page

120000 – 01
LOGBOOK PAGE

RETURN TO: 333 RA... HORAGE, ALASKA 99518-1565 • QUES

TRIP INFORMATI...

The hour in which the trip ENDED.

Both salmon and bottomfish were targeted. This was a 7 hour trip, 3 hours were spent targeting salmon, 4 hours were spent targeting bottomfish.

Complete this se... dditional pages for trips with ... same trip.

DATE FISHED: 7 / 12 2012 — Month / Day — 6 Hour Trip Ended — ○ AM ● PM

Bottomfish: 112120 Primary Statistical Area — 3 Hours Fished — 4 Hours Fished

2012 GUIDE LICENSE NUMBER: (assigned to you by ADF&G) 12828

COMMUNITY OR PORT WHERE TRIP ENDED: (where fish or clients were off-loaded from vessel) JUNEAU

CHARTER HALIBUT PERMIT (CHP) NUMBE... (assigned to you by NOAA) 1234A

Check box if more than one CHP is used on this trip: ☐ ☑

The complete CHP number MUST be provided. This operator is using more than one CHP on this trip.

GUIDED ANGLER FISH (GAF) NUMBER: (assigned to you by NOAA)

SEE INSTRUCTIONS ON PAGES V-VII

INDIVIDUAL ANGLER AND CATCH INFORMATION

Complete one row below for each angler who fished this trip. Record sport fishing license number, printed name AND Alaska residency status for all anglers. Write "YOUTH" in license number field for anglers under 16.

	AK Resident / Non-Resident	Comped / Crew	Kept / Released	SALMON: King (28" & larger)	King (under 28")	Coho	Sockeye	Other Salmon	BOTTOMFISH: Halibut	GAF Halibut	Lingcod	Pelagic Rockfish	Yelloweye Rockfish	Nonpelagic Rockfish (excluding Yelloweye)	Sablefish (Black Cod)	Salmon Shark
1. License Number: 2042845	○ ●	○ ○	K						1			1			3	
First Name / Last Name: LARRY LURE			R						1							
Signature: Larry Lure																
2. License Number: 2232255	○ ●	○ ○	K										1			
First Name / Last Name: IGOT HALIBUT			R													
Signature: Igot Halibut																
3. License Number: 2359967	● ○	● ○	K	2					1					4		
First Name / Last Name: DOUG DRIFT			R											1		
Signature: Doug Drift																
4. License Number: YOUTH	● ○	○ ○	K													1
First Name / Last Name: BRYAN BAITER			R						2							
Signature: Bryan Baiter																
5. License Number: 2955002	● ○	○ ○	K													
First Name / Last Name: FRANK FISHER			R	3												
Signature: Proxy																
6. License Number:	○ ○	○ ○	K													
First Name / Last Name:			R													
Signature:																

This angler must provide a signature if halibut were kept in 2C.

Next to EVERY fishing license number: Fill in the circle for Nonresident or Resident.

Fill in the circle if the angler is "Comped" or nonpaying. Fill in "Crew" if the angler is a crew member. Doug Drift: is a "comped" resident angler.

Youth angler kept a halibut and must sign on the signature line.

This license holder had another angler proxy fish for him. Record the beneficiary's license number, first and last name, and write "PROXY" on the signature line.

The guide must sign the bottom of every logsheet for each trip he/she was in charge of.

Form 11-540 (01-2012)

CERTIFICATION: I certify that the information provided herein is accurate and true. Falsification or omission of information on this form is punishable under AS 11.56.210(a) and 5 AAC 75.076.

X Gloria Guidess

PAGE 1 OF 1

Alaska Department of Fish & Game

2012 Saltwater Sport Fishing Charter Trip Logbook Page

RETURN TO: 333 RASPBERRY ROAD, ANCHORAGE, ALASKA 99518-1565 • QUESTIONS: CALL (907) 267-2369

120000 – 01
LOGBOOK PAGE

TRIP INFORMATION

Complete this section for every trip. Continue on additional pages for trips with more than six anglers in the same trip.

DATE FISHED: ___ / ___ 2012 ○ AM ○ PM
Month / Day / Hour Trip Ended

2012 GUIDE LICENSE NUMBER:
(assigned to you by ADF&G)

CHARTER HALIBUT PERMIT (CHP) NUMBER:
(assigned to you by NOAA)
Check box if more than one CHP is used on this trip: ☐

FOR OFFICE USE ONLY
Total Anglers

TARGETED SPECIES / LOCATION FISHED:
(where most fish species were caught)

Salmon: Primary Statistical Area / Hours Fished

Bottomfish: Primary Statistical Area / Hours Fished

COMMUNITY OR PORT WHERE TRIP ENDED:
(where fish or clients were off-loaded from vessel)

GUIDED ANGLER FISH (GAF) NUMBER:
(assigned to you by NOAA)

INDIVIDUAL ANGLER AND CATCH INFORMATION

Complete one row below for each angler who fished this trip.
Record sport fishing license number, printed name AND Alaska residency status for all anglers.
Write "YOUTH" in license number field for anglers under 16.

	AK Resident	Non-Resident	Comped Crew	Kept / Released	SALMON: King (28" & larger)	SALMON: King (under 28")	SALMON: Coho	SALMON: Sockeye	SALMON: Other Salmon	BOTTOMFISH: Halibut	BOTTOMFISH: GAF Halibut	BOTTOMFISH: Lingcod	BOTTOMFISH: Pelagic Rockfish	BOTTOMFISH: Yelloweye Rockfish	BOTTOMFISH: Nonpelagic Rockfish (excluding Yelloweye)	BOTTOMFISH: Sablefish (Black Cod)	BOTTOMFISH: Salmon Shark
1. License Number ___ First Name / Last Name ___ Signature ___	○	○	○	○	K▸												
					R▸												
2. License Number ___ First Name / Last Name ___ Signature ___	○	○	○	○	K▸												
					R▸												
3. License Number ___ First Name / Last Name ___ Signature ___	○	○	○	○	K▸												
					R▸												
4. License Number ___ First Name / Last Name ___ Signature ___	○	○	○	○	K▸												
					R▸												
5. License Number ___ First Name / Last Name ___ Signature ___	○	○	○	○	K▸												
					R▸												
6. License Number ___ First Name / Last Name ___ Signature ___	○	○	○	○	K▸												
					R▸												

Form 11-540 (01-2012)

CERTIFICATION: I certify that the information provided herein is accurate and true. Falsification or omission of information on this form is punishable under AS 11.56.210(a) and 5 AAC 75.076.

X GUIDE SIGNATURE

PAGE ___ OF ___

----------(Fold here)----------

Fold and Insert into a Business Envelope and mail to the following address:

Alaska Department of Fish and Game
Division of Sport Fish – RTS
Logbook Program

333 Raspberry Road
Anchorage, AK 99518-1599

UP TO 4 PAGES CAN BE MAILED FOR THE COST OF ONE FIRST CLASS STAMP.

----------(Fold here)----------

Fishery Data Series No. 11-31

Participation, Effort, and Harvest in the Sport Fish Business/Guide Licensing and Logbook Programs, 2010

by

Dora Sigurdsson

and

Bob Powers

July 2011

Alaska Department of Fish and Game

Divisions of Sport Fish and Commercial Fisheries



Symbols and Abbreviations

The following symbols and abbreviations, and others approved for the Système International d'Unités (SI), are used without definition in the following reports by the Divisions of Sport Fish and of Commercial Fisheries: Fishery Manuscripts, Fishery Data Series Reports, Fishery Management Reports, and Special Publications. All others, including deviations from definitions listed below, are noted in the text at first mention, as well as in the titles or footnotes of tables, and in figure or figure captions.

Weights and measures (metric)

centimeter	cm
deciliter	dL
gram	g
hectare	ha
kilogram	kg
kilometer	km
liter	L
meter	m
milliliter	mL
millimeter	mm

Weights and measures (English)

cubic feet per second	ft^3/s
foot	ft
gallon	gal
inch	in
mile	mi
nautical mile	nmi
ounce	oz
pound	lb
quart	qt
yard	yd

Time and temperature

day	d
degrees Celsius	°C
degrees Fahrenheit	°F
degrees kelvin	K
hour	h
minute	min
second	s

Physics and chemistry

all atomic symbols	
alternating current	AC
ampere	A
calorie	cal
direct current	DC
hertz	Hz
horsepower	hp
hydrogen ion activity (negative log of)	pH
parts per million	ppm
parts per thousand	ppt, ‰
volts	V
watts	W

General

Alaska Administrative Code	AAC
all commonly accepted abbreviations	e.g., Mr., Mrs., AM, PM, etc.
all commonly accepted professional titles	e.g., Dr., Ph.D., R.N., etc.
at	@
compass directions:	
east	E
north	N
south	S
west	W
copyright	©
corporate suffixes:	
Company	Co.
Corporation	Corp.
Incorporated	Inc.
Limited	Ltd.
District of Columbia	D.C.
et alii (and others)	et al.
et cetera (and so forth)	etc.
exempli gratia (for example)	e.g.
Federal Information Code	FIC
id est (that is)	i.e.
latitude or longitude	lat. or long.
monetary symbols (U.S.)	$, ¢
months (tables and figures): first three letters	Jan,...,Dec
registered trademark	®
trademark	™
United States (adjective)	U.S.
United States of America (noun)	USA
U.S.C.	United States Code
U.S. state	use two-letter abbreviations (e.g., AK, WA)

Mathematics, statistics

all standard mathematical signs, symbols and abbreviations	
alternate hypothesis	H_A
base of natural logarithm	e
catch per unit effort	CPUE
coefficient of variation	CV
common test statistics	(F, t, χ^2, etc.)
confidence interval	CI
correlation coefficient (multiple)	R
correlation coefficient (simple)	r
covariance	cov
degree (angular)	°
degrees of freedom	df
expected value	E
greater than	>
greater than or equal to	≥
harvest per unit effort	HPUE
less than	<
less than or equal to	≤
logarithm (natural)	ln
logarithm (base 10)	log
logarithm (specify base)	$\log_2$, etc.
minute (angular)	'
not significant	NS
null hypothesis	H_O
percent	%
probability	P
probability of a type I error (rejection of the null hypothesis when true)	α
probability of a type II error (acceptance of the null hypothesis when false)	β
second (angular)	"
standard deviation	SD
standard error	SE
variance	
population	Var
sample	var

FISHERY DATA SERIES NO. 11-31

PARTICIPATION, EFFORT, AND HARVEST IN THE SPORT FISH BUSINESS/GUIDE LICENSING AND LOGBOOK PROGRAMS, 2010

by

Dora Sigurdsson

and

Bob Powers

Division of Sport Fish Research and Technical Services, Anchorage

Alaska Department of Fish and Game
Division of Sport Fish, Research and Technical Services
333 Raspberry Road, Anchorage, Alaska, 99518-1599

July 2011

ADF&G Fishery Data Series was established in 1987 for the publication of Division of Sport Fish technically oriented results for a single project or group of closely related projects, and in 2004 became a joint divisional series with the Division of Commercial Fisheries. Fishery Data Series reports are intended for fishery and other technical professionals and are available through the Alaska State Library and on the Internet: http://www.adfg.alaska.gov/sf/publications/. This publication has undergone editorial and peer review.

Dora Sigurdsson and Bob Powers
Alaska Department of Fish and Game, Division of Sport Fish, Research and Technical Services
333 Raspberry Road, Anchorage, AK 99518-1599, USA

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ADF&G ADA Coordinator, P.O. Box 115526, Juneau, AK 99811-5526
U.S. Fish and Wildlife Service, 4401 N. Fairfax Drive, MS 2042, Arlington, VA 22203
Office of Equal Opportunity, U.S. Department of the Interior, 1849 C Street NW MS 5230, Washington DC 20240

The department's ADA Coordinator can be reached via phone at the following numbers:
(VOICE) 907-465-6077, (Statewide Telecommunication Device for the Deaf) 1-800-478-3648,
(Juneau TDD) 907-465-3646, or (FAX) 907-465-6078

For information on alternative formats and questions on this publication, please contact:
ADF&G Division of Sport Fish, Research and Technical Services, 333 Raspberry Road, Anchorage AK 99518 (907) 267-2375.

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ABSTRACT

In 2010, 1,452 sport fishing businesses and 3,034 guides licensed under the Alaska Department of Fish and Game guide and business licensing program, signifying intent to provide sport fishing services in Alaska. Of the 1,452 sport fishing businesses registered in 2010, 1,323 were combination owner/guide licenses. Based on the 2010 physical addresses of both the businesses and guides, 88% of the businesses were residents of Alaska, and 12% were from other residency strata (defined as nonresidents), 72% of the guides were residents and 28% were nonresidents.

Of the 2,257 saltwater logbooks issued in 2010, 1,848 were activated, and of the 2,299 freshwater logbooks issued in 2010, 1,476 were activated. Of those businesses that submitted logbook information in 2010, 59% offered saltwater services, and 41% offered freshwater guided services. In 2010, logbook records show that 1,172 saltwater vessels were active. Of those active saltwater vessels, 55% were active in Southeast Alaska and 45% were active in Southcentral Alaska.

A total of 48,742 saltwater charter trips and 246,054 saltwater angler days of fishing occurred in 2010. Of the statewide saltwater trips, 81% of the saltwater angler days were nonresidents, 15% were residents and 4% were crew, comped fishing (nonpaying anglers) or unknown residency. In freshwater, 37,791 trips and 113,239 angler days occurred in 2010. Of the statewide freshwater trips, 88% of the angler days were nonresidents, 10% were residents, and 2% were crew, comped fishing or unknown residency.

2010 saltwater salmon harvests show that coho and king salmon made up 65% and 14% of the total salmon harvest respectively statewide. Saltwater bottomfish harvests in 2010 show that Pacific halibut were the predominant species with 58% of the total saltwater bottomfish harvest statewide. In freshwater, coho salmon were the predominant harvested species, followed by sockeye and then king salmon.

Key words: Sport fishing, guide and business registration, freshwater logbook, saltwater logbook, participation, effort, harvest, sport fishing vessel, Pacific halibut, salmon, bottomfish, Southeast Alaska, Southcentral Alaska

BACKGROUND

The Alaska Department of Fish and Game (ADF&G) Division of Sport Fish (DSF) has operated a program since 1998 to register and license both sport fishing guides and sport fishing guide businesses. Saltwater information on sport fishing participation, effort, and harvest has been collected since 1998. Freshwater information on fishing participation, effort and harvest has been collected since 2005. This report briefly summarizes the approach, history, and results of this program for 2010.

GUIDE AND BUSINESS REGISTRATION AND LICENSING

The activities of the guided sport fishing industry in Alaska have significantly increased in recent years with implications to fish allocation and management decisions. Resolution of related issues was hampered by a lack of information regarding the industry and its impact on fishery resources in many parts of Alaska. The sport fishing guide and business registration and licensing programs were designed to provide a comprehensive system to better define this diverse industry throughout Alaska. A brief history of the statewide registration and licensing process follows.

Beginning in May 1995 the owner(s) of any business that engaged in sport fish guiding of anglers anywhere in Alaska were required to register their business information, employees acting as sport fishing guides for the business, and list all vessels used for guiding. In 1997, sport fishing guides were required to register and provide information about the employing business (Dean 2001; Dean and Howe 1999).

In 1998, the Alaska Board of Fisheries (BOF) adopted new statewide sport fishing guide registration regulations and definitions during their February Statewide Finfish meeting in

Girdwood, Alaska (5 AAC 75.075: *Sport Fishing Services and Sport Fishing Guide Services; License Requirements; Regulations of Activities)*. It should be stressed that this was a registration process, not a licensing process. No fees were required and businesses and guides were allowed to provide services in any area of the state, assuming other regulatory requirements were met. In 1998, ADF&G continued to register guide businesses and guides, but stopped registering charter vessels, because the Commercial Fisheries Entry Commission (CFEC) implemented a licensing program for all vessels to be used for guided sport fishing. From 1998 through 2004, ADF&G continued to register sport fishing businesses and sport fishing guides.

On May 11, 2004, the Alaska Legislature adopted House Bill 452 (HB 452), that established licensing requirements for sport fishing guide business owners and sport fishing guides on a statewide basis. This bill was created to establish minimum professional standards required of both freshwater and saltwater sport fish guides and business owners before a license could be obtained. The standards were established to protect consumers and to promote the viability and legitimacy of a professional sport fish guide industry. Businesses providing sport fish guided services were now required to obtain a State of Alaska Occupational Business License and hold liability insurance with a minimum of $300,000 coverage for all incidents in a year (AS 16.40.260). Licensed sport fishing guides were required (1) to be citizens of the United States, Canada, or Mexico, (2) hold a current first aid card, (3) have a current year Alaska sport fishing license and (4) have a valid U.S. Coast Guard operator's license if they were to operate a motorized vessel in navigable waters. License application forms and the information collected have remained consistent in design since 2006 (Sigurdsson and Powers 2009).

LOGBOOKS

In February, 1998 the BOF adopted regulations (5 AAC 75.076) requiring logbooks for saltwater charter vessels statewide. Information on the amounts and locations of charter activity and actual participation and harvest by individual vessels and businesses was needed by the BOF for allocation and management of Chinook salmon *Oncorhynchus tshawytscha*, rockfish *Sebastes* spp., and lingcod *Ophiodon elongatus*, and by the North Pacific Fisheries Management Council (NPFMC) for allocation of Pacific halibut *Hippoglossus stenolepis*. To meet these information needs ADF&G implemented a saltwater sport fishing charter vessel logbook program for DSF Region I, Southeast Alaska (Southeast), and Region II, Southcentral Alaska (Southcentral; Table 1; Figure 1).

In 1999, the NPFMC was considering proposals to limit the guided sport halibut harvest. Their concerns were: (1) that growth in this fishery was reallocating resources away from the individual fishing quota (IFQ) commercial longline fishery, and (2) that in some areas there was overcapitalization and localized depletion of the halibut resource. NPFMC endorsed a two-prong approach to resolve the perceived impact of increased guided charter halibut fishing. The first was establishment of guideline harvest limits (GHL) for International Pacific Halibut Commission (IPHC) Areas 2C and 3A (Figure 2), and the second was a process to establish local area management plans for halibut fisheries in coastal communities.

Since 1998, the logbook design has undergone annual revisions, driven primarily by changes or improvements in the collection of halibut, lingcod and rockfish data through the logbook program, Statewide Harvest Survey (SWHS), and expanded port sampling programs. House Bill 452, adopted in 2004, not only established new licensing requirements, but also established a logbook reporting requirement for all freshwater businesses in addition to the existing saltwater

reporting requirements. For various reasons, both technical and policy-based, information on halibut harvests was not collected from 2002 through 2005. The collection of halibut data was resumed in 2006. In addition, the 2006 logbook was redesigned to require reporting of angler license numbers and the harvest and release numbers by angler in an effort to improve reporting and facilitate evaluation of the quality of logbook data.

The data from logbooks are compiled to show where fishing effort occurs, the extent of participation, and the species and numbers of fish kept and released by individual clients. This information is used for regulation and the development and management of fisheries, for project evaluation, and for formulation of department policies and priorities that reflect angler needs, concerns, and preferences. It also provides ADF&G with a tool to promote management of Alaska's resources for sustained yield.

Table 1.–Division of Sport Fish regions and management areas.

Regions	
SE	Southeast Alaska
SC	Southcentral Alaska
AYK	Arctic-Yukon-Kuskokwim
Areas	
Southeast Alaska	
A	Ketchikan
B	Prince of Wales Island
C	Kake, Petersburg, Wrangell, Stikine
D	Sitka
E	Juneau
F	Haines-Skagway
G	Glacier Bay
H	Yakutat
Southcentral Alaska	
J	North Gulf Coast/Prince William Sound
K	Knik Arm Drainage
L	Anchorage
M	Susitna River Drainage
N	West Side Cook Inlet
P	Kenai Peninsula
Q	Kodiak
R	Naknek River Drainage/Alaska Peninsula Area
S	Kvichak River Drainage
T	Nushagak, Wood River and Togiak
Arctic-Yukon-Kuskokwim	
I	Upper Copper River Drainage
U	Tanana River Drainage
V	Kuskokwim River/Kuskokwim Bay Drainages
W	Norton Sound/Seward Peninsula
X	Northwest Alaska
Y	Yukon River Drainage
Z	North Slope/Brooks Range

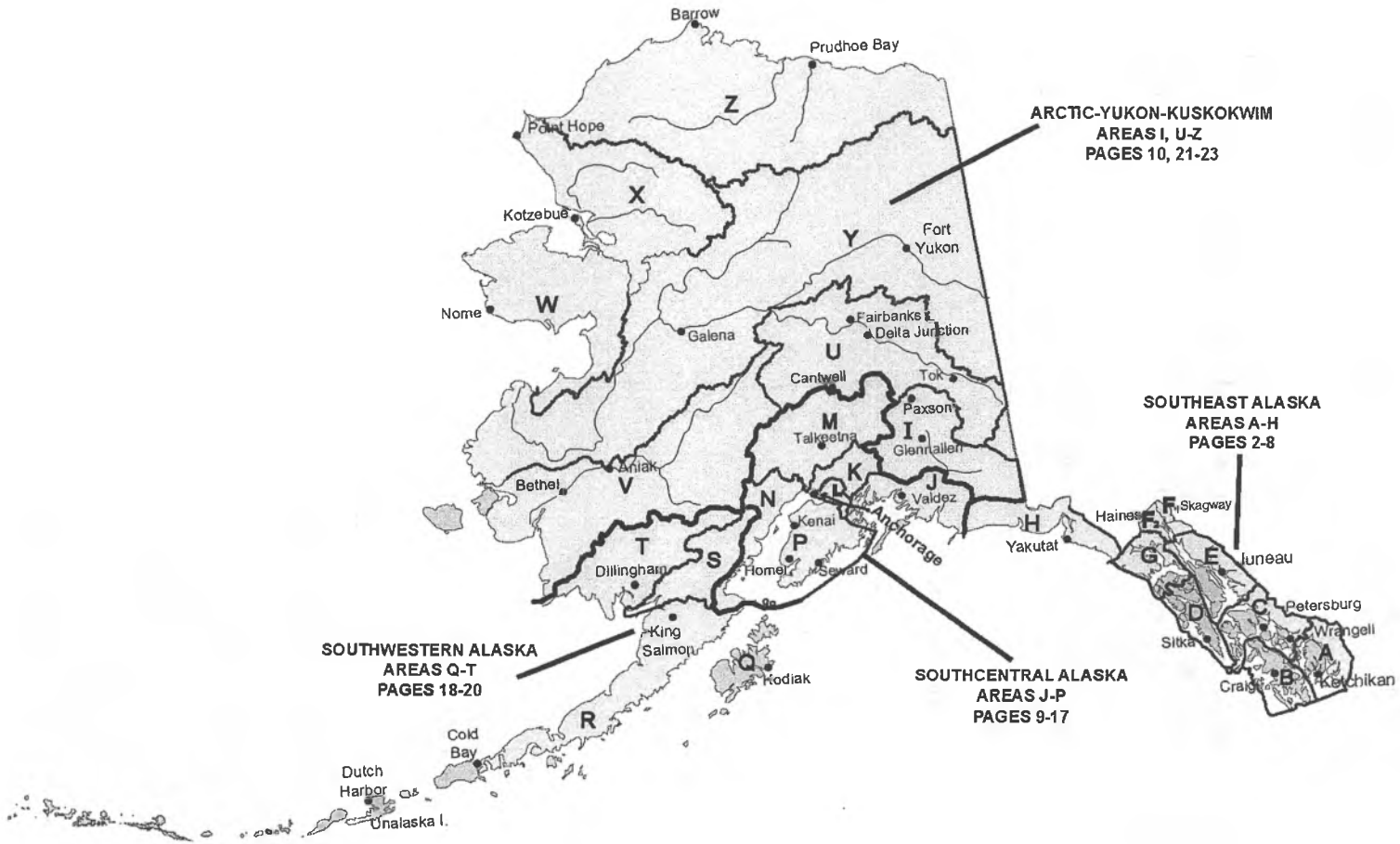

Figure 1.–Map of Alaska and Division of Sport Fish regions and management areas.

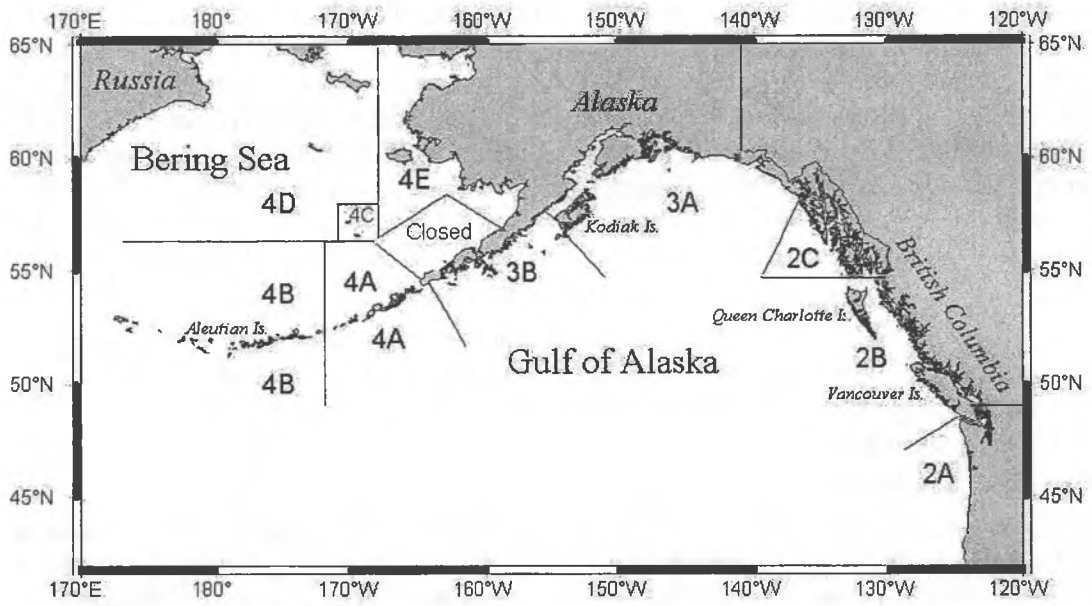

Figure 2.–International Pacific Halibut Commission (IPHC) regulatory areas.

Currently, a logbook record is required for every chartered or guided trip taken with clients, defined as an outing with one group of clients that ends when the clients and their fish (if fish were kept) are offloaded. Each trip is associated with an individual licensed business and guide.

VESSEL REGISTRATION

In addition to establishing a licensing program and statewide freshwater logbook requirement, HB 452 included establishment of a vessel registration program to be conducted by ADF&G as part of the logbook program to monitor the number of vessels used in the guided marine and freshwater fisheries. All boats used in marine or freshwater are referred to as "charter or guide boats" regardless of their size or the manner in which they are used. All vessels used in the charter guide industry were required to be registered with ADF&G.

METHODS

GUIDE AND BUSINESS LICENSING

Businesses and guides can be licensed to provide sport fishing guided services if they meet the minimum qualifications specified in regulation (AS 16.40.260 and AS 16.40.270).

Beginning in 2006, each January the Division of Sport Fish mailed renewal license applications to each sport fishing guide and sport fishing business that was licensed in the previous year. In addition, guides and businesses could obtain a license in person at local ADF&G offices or through the Internet.

The license application could be used in three ways (Appendix A):

- To license a business only,
- To license a guide only,
- To license a combination business and guide (an owner/operator where the owner also conducted the guiding).

The license application collected business owner or guide name, permanent mailing information, permanent and inseason phone number if applicable. Additionally, the name of the business, name of the business owner, occupational business license number, insurance company information and insurance binder or policy number and effective dates were required. A guide is required to be a citizen of the United States, Canada, or Mexico, hold a current first aid card and have a current year Alaska sport fishing license along with any tags or permits required for specific fisheries. If a guide planned to operate a motorized vessel on navigable waters with clients on board, the guide was required to have a current U.S. Coast Guard Operator's License and provide that number and expiration date on the license application.

Unique license numbers were assigned according to how licensing occurred. License numbers did not remain the same in subsequent years. If an operator or guide licensed at an ADF&G office, a pre-numbered application was used and that number became the license number for that year. Renewal or internet license applications are numbered sequentially by the computer database that processed the information

Once the license applications were reviewed for completeness and accuracy, DSF mailed a wallet-sized license to each guide or business. Those applicants who licensed by going to an ADF&G office received a copy of their license, which allowed them to operate immediately. Those who applied on the Internet or with the renewal application, were required to wait until they received their license in the mail prior to operating or providing guiding services.

LOGBOOK DATA COLLECTION

Logbook reporting is a mandatory process governed by regulation (AS 16.40.280). As such, the reporting process was considered to be a census of all charter/guided trips. Logbooks were available and issued from ADF&G area offices located statewide, in addition to a vendor located in Seward.

The statewide logbook has remained consistent in design since 2006, with few annual changes occurring in logbook layout. In 2006, both the freshwater and saltwater logbooks were redesigned to require reporting of angler license numbers and the harvest and release numbers by angler in an effort to improve reporting and facilitate evaluation of the quality of logbook data. Some of the annual design changes in the saltwater logbook were driven primarily by changes or improvements in the collection of halibut and rockfish data, and by requests from the NPFMC for information needed for allocation of halibut. Some changes were made to improve or simplify the use of the forms based on operator input, and to improve the capture of client and crew harvest information. Other than a few minor design changes, both the saltwater and freshwater logbooks collected the same information during all five years.

Saltwater Logbook Forms

A saltwater logbook consisted of the cover page, schedule of reporting deadlines, one logbook check out sheet to show the business to which the logbook was issued and to register the saltwater vessel, a set of instructions for filling out the information on the logbook sheets, and 50 data sheets to record trip information (Appendix B). Data collected on each of the 50 pages consisted of:

- Date that fishing took place;
- Time that trip started;

- ADF&G guide license number for the guide leading the trip;
- Port or community where fishing began;
- Port or community where trip ended,
- Primary statistical area fished while targeting salmon or bottomfish;
- Crew, client, and "comped" angler's current ADF&G sport fishing license or PID (permanent fishing license) number, the word "YOUTH" for anglers under 16;
- First and last name of each client and youth angler;
- Client residency(Alaska resident/nonresident of Alaska);
- Indication if crew fished or if angler was "comped";
- Signature of angler who kept halibut while fishing in 2C only (southeast);
- A breakdown by fish species kept and released by each individual angler.

During a saltwater charter trip, the operator must decide if his/her gear or fishing methods are effectively targeting bottomfish, salmon or both. A 6-digit statistical code where most of the fish were caught or targeted is logged for each trip. Statistical maps were provided to the operator upon logbook issuance.

Saltwater species information collected included kept and released information for "large" Chinook (king salmon) 28" and longer and for "small" Chinook (king salmon) less than 28". Also recorded were coho *O. kisutch*, sockeye *O. nerka*, halibut, lingcod, pelagic rockfish, yelloweye, and other nonpelagic rockfish, salmon shark *Lamna ditropis*, sablefish and a category for the number of all other species not already listed (Appendix B).

To determine the number of businesses and guides that were "active" in the industry, a cross reference of business and guide licenses is made to the logbooks to determine if actual guided trips were provided. If ADF&G received at least one logbook data page that reported targeted effort, the charter operation turning in the form was considered an "active" bottomfish or salmon charter operator with an "active" vessel.

Freshwater Logbook Forms

A freshwater logbook consisted of the cover page, schedule of reporting deadlines, one logbook check out sheet to show the business to which the logbook was issued, a freshwater vessel registration page that collects the unique AK # assigned by the Department of Motor Vehicles (DMV) or a United States Coast Guard (USCG) documentation number and primary drainage, a set of instructions for filling out the information on the logbook sheets, and 50 data sheets to record trip information (Appendix C). Data collected on each of the 50 pages consisted of:

- ADF&G guide license number,
- Date that fishing took place,
- Specific name of river, stream or lake fished,
- Site code of site fished as referenced within a list provided with each logbook,
- Number of logbook pages used for a specific trip,
- Name of any other species kept,
- Crew, client, and "comped" angler's current ADF&G sport fishing license number, and a youth angler designation for anglers under 16 years of age.

- Client residency,
- A breakdown by fish species kept and released by each individual angler.

Upon acquiring a freshwater logbook, the operator registers all vessels that may be used during the course of the fishing season. Freshwater vessel registration requires that the vessel already have a unique AK # assigned by DMV or a USCG documentation number. Freshwater vessels primarily have AK #'s. The operator must provide the AK # and indicate the primary freshwater drainage where the vessel will operate.

The freshwater logbook does not collect targeted species information like the saltwater logbook, it collects information on species kept and released regardless of what was targeted or sought after. A trip is counted if a logbook data page is submitted with effort information regardless of catch. Freshwater trips are assigned a region of the state based on the name of the site fished, each freshwater site is assigned a unique regional alpha code followed by a numeric code within the region in which it is located (Table 1).

Freshwater information collected were: kept and released numbers for king, coho, and sockeye salmon, cutthroat *O. clarkii*, rainbow and steelhead trout *O. mykiss*, lake trout *Salvelinus namaycush*, Dolly Varden *S. malma*, Arctic grayling *Thymallus arcticus*, northern pike *Esox lucius*, sheefish *Stenodus leucichthys* and a category for the number of all other fish not already listed.

Business operators are allowed to and even encouraged to pick up as many logbooks as they anticipated needing during the course of the season. The ability to acquire as many logbooks as are needed prevents them from having to make multiple trips to an ADF&G office. As a result, numerous businesses ended up getting more logbooks than were eventually used. Because of this, ADF&G differentiates between the number of logbooks issued versus the number that are actually used or activated.

Vessel Registration

Vessel registration information was collected when a saltwater or freshwater logbook was issued to a business (Appendix D1 and D2). Registration information included the Department of Motor Vehicles (DMV) number or the U.S. Coast Guard vessel documentation number. Upon completion of vessel registration with ADF&G, each vessel was provided with two decals and year tags to indicate that the vessel is to be used in the guide industry (Appendix D3 and D4). Decals must be applied and visible on both sides of the vessel.

LOGBOOK OUTREACH, VALIDATION AND VERIFICATION

In December 2005, the Commissioner of the ADF&G issued a statement that mandated and detailed strategies for assuring the accuracy of the reporting of Pacific halibut harvest for the saltwater charter logbook through outreach and validation.

Outreach

An outreach program was initiated to reach as many operators as possible to field questions and to ensure compliance with the reporting requirements. The outreach program was conducted on-site (in the field) by ADF&G employees and off-site from the Anchorage ADF&G office.

On-site Logbook Inspections

Logbook outreach occurred in parts of the Southeast and Southcentral regions in conjunction with existing creel survey and port sampling programs. "Courtesy logbook inspections" were

conducted as time allowed by ADF&G creel and port sampling technicians during their regular dockside checks of the primary fisheries from May through September. In addition, management staff continued with periodic checks of charter logbooks while in the field. Logbooks were inspected to make sure that they were filled out correctly, and staff answered any questions about how they should be filled out. These checks were not intended for enforcement or for evaluating the accuracy of data but rather as another opportunity to encourage compliance and completeness and as an indicator of how important logbook data are to ADF&G.

Off-site Logbook Review

The goal of the outreach program was to ensure compliance with all reporting requirements, by emphasizing education early in the season. Off-site outreach was conducted by the Division of Sport Fish, Research and Technical Services (RTS) staff in the Anchorage office. All logbook trip data was subject to a reporting deadline. Logbook data pages were required to be completed and returned to ADF&G on a weekly basis as specified in the instructions of both the saltwater and freshwater logbooks. Timely submission was a requirement to facilitate recall and to allow ADF&G staff to review each data page for completeness and legibility. All logbook data sheets were received by RTS in Anchorage where ADF&G data entry staff date-stamped each data page with the date received, reviewed each page for incomplete, illegible or erroneous information, and conducted phone calls to business owners and guides for follow up and clarification. Calls early in the season were intended to alleviate repeat errors in reporting which were thought to result in fewer calls being necessary later in the fishing season.

As logbook data sheets were received, RTS staff conducted reviews by monitoring all data for completion and legibility prior to data entry. In the event that some of the logbook data sheets required verification from the operator or guide, staff would place phone calls.

Phone calls to the business owners and guides significantly improved the quality of the data, minimized reoccurring mistakes by the guide, increased compliance, and contributed to the outreach portion of this program. Logbook data entry staff contacted charter operators to resolve logbook reporting issues and to improve future reporting. These calls were intended to improve data quality and reinforce the message to the guide industry that logbook data are important and are consistently being reviewed.

Number of follow-up calls to Operators by year.				
2006	2007	2008	2009	2010
3,011	1,415	2,160	780	830

Follow up phone calls have become a valuable outreach tool and will continue to be a standard procedure in the future.

Validation

In-season Saltwater Logbook Editing

Computer routines have been written to check and validate the following saltwater data fields during the fishing season as logbook data pages are returned.

- Validate the guide license is filled in and valid.
- Validate the date is filled in and in 2010.

- Validate the port of landing is entered and is in the valid port site table.
- If hours are listed verify a statistical area is listed for the appropriate effort.
- Verify the statistical area listed is a valid statistical area.
- If there is harvest verify the appropriate statistical area is filled in.
- If a statistical area is filled out verify the appropriate hours field in filled in.
- Verify a statistical area is filled in (both can't be blank).
- Verify hours are filled in (both can't be blank).
- Validate possible incorrect stat areas that appear to be valid;
    - If data entry mistakenly enters the hours info in the statistical area the first statistical area that starts with the same number will be auto populated and accepted as valid.
- Check to see which log pages were turned in more than 7 days after the due date.
- Verify logbooks are checked out to a business and not a guide.
- Check all records with more than 12 hours listed.
- Check for duplicate logbook pages.
- Check trips that don't have paying angler records.
- Verify the date fished is not greater than the date the log page is received by ADF&G.

Post-season Saltwater Logbook Editing

At the end of the fishing season, computer routines check and validate the above listed items in addition to the following saltwater data fields in preparation for developing summaries (Appendix E).

- All of the in-season edits are re-run.
- Check to make sure fish kept are within the limits for the area fished.
- Validate and review excessively large numbers of released fish based on frequency distribution analysis.

In-season Freshwater Logbook Editing

Computer routines have been written to check and validate the following freshwater data fields during the fishing season as logbook data pages are returned.

- Validate the guide license number is filled in and valid.
- Validate the date is filled in and in 2010.
- Validate the site code is entered and is in the valid site code table.
- Check to make sure there are paying clients (not comped or crew) on the trip.
- Check to see which log pages were turned in more than 7 days after the due date.
- Check for duplicate logbook pages.
- Verify the date fished is not greater than the date the log page is received by ADF&G.
- Verify logbooks are checked out to a business and not a guide.
- Verify Kenai River trips weren't taken on Sunday or Monday in May – July.
- Check trip records that don't have angler records.

Post-season Freshwater Logbook Editing

At the end of the fishing season, computer routines check and validate the above listed items in addition to the following freshwater data fields in preparation for developing summaries (Appendix F).

- All of the in-season edits are re-run.
- Check to make sure fish kept are within the limits for the site fished.
- Check to make sure the fish caught are valid species for the site fished.
- Validate excessively large numbers of released fish based on frequency distribution analysis.
- Recode 'Other' site codes to correct values if they exist in the site code table.
- Recode sites with 'System' in the description to a more specific site code if available.
- Check records with 6 clients to verify the next page isn't part of the same trip.

Verification

Logbook data were compared to actual counts of harvested fish (verified) and to reported harvest data (unverified) from onsite interviews. These comparisons are ongoing and are part of a more comprehensive evaluation of logbook data quality (Meyer and Powers *Unpublished*).

Two unique methods will be used to conduct post-season verification of logbook data:

1. A freshwater and saltwater comparison will be made between logbook data and guided trip information collected from the Alaska Statewide Harvest Survey (SWHS; Jennings et al. 2010).
2. The data collected from the logbooks was compared to the data collected in the saltwater creel programs administered through ADF&G. Saltwater creel programs include the *Assessment of Recreational Halibut and Groundfish Harvest in Southcentral Alaska* program in Homer, *Haines Marine Sport Fishery Harvest in Southeast Alaska* (Chapell 2010), and *Harvest estimates for selected marine sport fisheries in Southeast Alaska* (Wendt and Jaenicke *In prep*).

RESULTS

GUIDE AND BUSINESS LICENSING

In 2010, 1,452 sport fishing businesses and 3,034 sport fishing guides were licensed with ADF&G to provide sport fishing services in Alaska. The total number of businesses and guides includes all saltwater and freshwater operators. Of the 1,452 sport fishing businesses licensed in 2010, 1,323 were combination owner/guide licenses. Physical addresses of both the businesses and guides in 2010 indicated that 88% of the businesses reported Alaska residency, and 12% were from other residency strata (defined as nonresidents), 72% of the guides were residents and 28% were nonresidents.

The licensed businesses and guides were subtotaled by region for Southeast, Southcentral, and Other Alaska, including the Arctic-Yukon-Kuskokwim area and nonresident license applicants. In 2010 26% of the licensed businesses had physical addresses in Southeast, 57% in Southcentral, 5% had permanent addresses in other parts of Alaska, and 12% had nonresident addresses based on their license applications. In 2010, 16% of those that licensed as guides only

had permanent addresses in Southeast, 38% in Southcentral, 5% in other parts of Alaska and 41% had nonresident addresses based on their license applications (Table 2).

Based on the submission of logbook data pages with trip information in 2006, 777 businesses provided saltwater services, 503 provided freshwater services and 140 businesses provided both freshwater and saltwater services. In 2007, 786 businesses provided saltwater services, 513 provided freshwater services and 132 businesses provided both freshwater and saltwater services. In 2008, 766 businesses provided saltwater services, 508 provided freshwater services and 122 businesses provided both freshwater and saltwater services (Sigurdsson and Powers 2010). In 2009, 690 businesses provided saltwater services, 474 provided freshwater services and 112 businesses provided both freshwater and saltwater services. In 2010, 660 businesses provided saltwater services, 430 provided freshwater services and 116 businesses provided both freshwater and saltwater services (Table 3 and Table 4).

Table 2.–Number of licensed businesses and guides by region, 2006–2010.

Region[b]	2006	2007	2008	2009	2010
Licensed Businesses[a]					
SE	38	39	43	34	32
SC	62	70	66	65	68
Other Alaska	5	2	2	2	4
Resident Total	105	111	111	101	104
Other U.S.	25	18	23	21	25
Foreign	0	0	0	0	0
Nonresident Total	25	18	23	21	25
Total	130	129	134	122	129
Combination Licenses[c]					
SE	432	422	414	371	351
SC	891	909	887	812	764
Other Alaska	71	74	75	68	62
Resident Total	1,394	1,405	1376	1,251	1,177
Other U.S.	153	160	149	155	146
Foreign	0	0	0	0	0
Nonresident Total	153	160	149	155	146
Total	1,547	1,565	1,525	1,406	1,323
Licensed Guides[d]					
SE	346	334	319	272	269
SC	732	777	765	678	662
Other Alaska	66	75	80	87	78
Resident Total	1144	1,186	1,164	1,037	1,009
Other U.S.	761	780	831	705	702
Foreign	2	0	2	1	0
Nonresident Total	763	780	833	706	702
Total	1,907	1,966	1,997	1,743	1,711

Note: Data are current as of 05/24/2011.

[a] Business only licenses do not include the owner as a guide.

[b] Region assigned based on physical address indicated at time of licensing.

[c] Combination licenses that include the business and the business owner as the guide.

[d] Guide license only, no business license.

Table 3.–Number of active saltwater businesses and guides by region, 2006–2010.

	Active Businesses[a]					Active Guides[b]				
Region[c]	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
SE	439	430	429	387	373	881	872	860	738	730
SC	479	488	459	416	403	772	765	739	661	633
Total[d]	917	918	888	802	776	1,603	1,600	1,561	1,355	1,325

Note: Data are current as of 05/24/2011.

[a] Active Business counts are based on the business number listed on the signout sheet of a logbook (this can be a business only or a combined business/guide license) and the submission of at least one log page from the logbook.

[b] Active Guide counts are based on the guide number written on each log page (this can be a guide only or a combined business/guide license) and the submission of at least one log page showing that guide license number.

[c] Region is based on the port of offloading, salmon and bottomfish statistical area.

[d] Total is not additive because a business or guide could operate in both regions. Includes businesses and guides that offered both saltwater and freshwater services.

Table 4.–Number of active freshwater businesses and guides by region, 2006–2010.

	Active Businesses[a]					Active Guides[b]				
Region[c]	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
SE	69	72	70	63	69	173	176	178	143	151
SC	526	528	512	476	433	1,220	1,270	1,302	1,090	1,051
AYK	71	68	69	67	62	194	224	222	203	200
Total[d]	643	645	630	586	546	1,518	1,579	1,633	1,375	1,348

Note: Data are current as of 05/24/2011

[a] Active Business counts are based on the business number listed on the signout sheet of a logbook (this can be a business only or a combined business/guide license) and the submission of at least one log page from the logbook.

[b] Active Guide counts are based on the guide number written on each log page (this can be a guide only or a combined business/guide license) and the submission of at least one log page showing that guide license number.

[c] Region is based on the site code provided for the site fished on each logbook page.

[d] Total is not additive because a business or guide could operate in multiple regions. Includes businesses and guides that offered both freshwater and saltwater services.

VESSELS

Saltwater

The number of vessels registered to provide saltwater sport fishing charter services was 1,671 in 2006, 1,666 in 2007, 1,601 in 2008, a 1,444 in 2009, and 1,389 in 2010 (Table 5). A vessel, though registered, is not considered "active" unless that vessel was used on one or more guided trip(s) as indicated by the submission of a logbook data page. Of the 1,671 saltwater vessels registered in 2006, 1,368 were active, of the 1,666 vessels registered in 2007, 1,409 were active, in 2007, of the 1,601 registered vessels, 1,353 were active, in 2009, 1,444 saltwater vessels that were registered, 1216 were active, and in 2010, of the 1,389 registered saltwater vessels, 1,172 were actually active. Based on the primary port of operation indicated at registration and port of offloading, 644 saltwater vessels operated in Southeast and 528 operated in Southcentral in 2010, the lowest number recorded in the last five years (Table 5).

Table 5.–Number of registered and active saltwater vessels by region, 2006–2010.

	Registered Vessels[a]					Active Vessels[b]				
Region	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
SE	926	918	905	807	778	747	768	757	670	644
SC	745	748	697	637	611	622	641	596	547	528
Total[c]	1,671	1,666	1,601	1,444	1,389	1,368	1,409	1,353	1,216	1,172

Note: Data are current as of 05/24/11.

[a] Region is based on primary port of operation listed on the sign-out sheet

[b] Region is based on primary port of off loading, salmon and bottomfish statistical area.

[c] Total is not additive because vessels can operate in both regions.

Logbook data indicate that vessels will target all possible species; bottomfish, salmon and both during the course of a fishing season (Table 6).

Table 6.–Number of active saltwater vessels that made at least one trip in each target category, by region, 2006–2010.

		Target[a]			No Statistical
Year	Region[b]	Salmon	Bottomfish	Both	Area Reported
2006	SE	631	495	637	5
	SC	383	551	486	6
	Total	1,014	1,046	1,123	11
2007	SE	637	494	676	49
	SC	377	576	495	32
	Total	1,014	1,070	1,171	81
2008	SE	622	534	648	55
	SC	325	546	441	22
	Total	947	1,080	1,089	77
2009	SE	538	417	586	27
	SC	269	497	402	17
	Total	807	914	988	44
2010	SE	514	401	567	63
	SC	245	476	385	43
	Total	759	877	952	106

Note: Data are current as of 05/24/2011.

[a] Target is based on salmon and bottomfish statistical areas.

[b] Region is based on primary port of off loading, salmon and bottomfish statistical area.

Freshwater

Based on the primary drainage and sites fished, many more freshwater vessels operate in Southcentral than in other regions between 2006 and 2010 (Table 7).

Table 7.–Number of registered freshwater vessels by year and region[a], 2006–2010.

Year	SE	SC	AYK	Unknown[b]	Total[c]
2006	148	1,717	221	2	2,086
2007	131	1,668	240	2	2,040
2008	122	1,743	262	2	2,128
2009	97	1,642	236	2	1,976
2010	96	1,607	206	4	1,912

Note: Data are current as of 05/24/2011.

[a] Region is based on primary drainage listed on the vessel registration sheet. If region could not be determined based on primary drainage, then the area fished was used.

[b] Insufficient information available during registration and on fishing activity.

[c] Total not additive because a vessel could be registered and operate in more than one region.

TRIPS

Saltwater

Logbook data indicate that 65,671 saltwater charter trips were conducted statewide in 2006, 67,152 trips were conducted in 2007, 62,005 trips were conducted in 2008, 48,506 saltwater trips were conducted in 2009, and 48,742 in 2010. During all five years, a majority of the trips that targeted salmon only, occurred in Southeast Alaska, whereas, the majority of trips that targeted bottomfish only, occurred in Southcentral Alaska. During the same five years, operators in Southeast conducted significantly more trips in which both salmon and bottomfish were targeted on the same trip. If a statistical area fished was not provided or indicated, no targeted species was assigned (Table 8).

Table 8.–Number of saltwater trips by targeted species by region, 2006–2010.

		Species Targeted[a]				
Year	Region[b]	Salmon	Bottomfish	Both	No Statistical Area Reported	Total
2006	SE	14,309	6,146	18,628	5	39,088
	SC	3,481	15,555	7,537	10	26,583
	Total	17,790	21,701	26,165	15	65,671
2007	SE	12,759	6,144	20,633	63	39,599
	SC	2,876	16,489	8,145	43	27,553
	Total	15,635	22,633	28,778	106	67,152
2008	SE	11,338	7,368	18,634	108	37,448
	SC	2,135	15,733	6,617	72	24,557
	Total	13,473	23,101	25,251	180	62,005
2009	SE	8,789	4,842	14,498	45	28,174
	SC	2,008	12,604	5,699	21	20,332
	Total	10,797	17,446	20,197	66	48,506
2010	SE	7,613	5,368	14,740	99	27,820
	SC	2,024	13,219	5,591	88	20,922
	Total	9,637	18,587	20,331	187	48,742

Note: Data are current as of 05/24/2011.

[a] Species targeted is based on the provision of salmon and/or bottomfish statistical areas.

[b] Region is based on the port of offloading, salmon and bottomfish statistical area.

Freshwater

In 2006, 46,781 freshwater guided fishing trips were taken, 48,697 were taken in 2007, and 48,501 were taken in 2008, and 37,554 freshwater trips occurred in 2009. In 2010, 37,791 freshwater trips were conducted statewide, 83% of those trips took place in Southcentral, 11% in the Arctic-Yukon-Kuskokwim (AYK) area, and 6% in Southeast (Table 9).

Table 9.–Number of freshwater trips by region, 2006–2010.

Year	SE	SC	AYK	Total
2006	3,040	39,479	4,262	46,781
2007	3,241	40,557	4,899	48,697
2008	3,113	40,587	4,801	48,501
2009	2,400	31,305	3,849	37,554
2010	2,459	31,267	4,065	37,791

Note: Data are current as of 05/24/2011.

[a] Region is based on the area code of the site code listed on each logbook page.

LOGBOOK TRIP EFFORT AND HARVEST

Statewide saltwater charter trips decreased significantly in 2009 after an increase between 2006 and 2007, and a slight decrease in 2008 (Table 10). Saltwater angler days have steadily decreased from 2006 to 2009 with a very slight increase in 2010 (Table 10). For freshwater guided fishing statewide, the number of trips and angler days fished appeared to remain steady from 2006 to 2008 until 2009 and 2010 when a notable decrease in freshwater trips and angler days occurred (Table 10).

SALTWATER

In 2010, 82% of the saltwater logbooks that were issued were activated (effort or catch reported). From 2006 through 2010, the saltwater logbook collected information on client residency. Records show that in 2010, 87% of the angler days of effort in the saltwater charter salmon fishery were conducted by nonresident anglers, compared with 10% by residents and 3% by crew, comped anglers or those of unknown residency. Records also indicate that for 2010, 79% of the angler days of effort in the saltwater charter bottomfish fishery were conducted by nonresident anglers, 16% by residents and 5% by crew fishing, comped anglers or those of unknown residency (Tables 11-12).

In 2010 coho and king salmon made up 65% and 14% respectively of the harvest statewide, with the remaining 21% consisting of a combination of other salmon (Table 11).

Based on the number of angler days fished in 2010, 65% of the salmon participation took place in Southeast, and 35% in Southcentral. Within that same period, 40% of the bottomfish participation took place in Southeast, and 60% occurred in Southcentral (Table 12).

Of the bottomfish harvested in 2010, halibut were the most harvested species at 264,467 fish, consisting of 58% of the total bottomfish harvest statewide. Statewide, 19% of the halibut harvest occurred in Southeast and 81% occurred in Southcentral (Table 12). It should be noted that in Southeast, IPHC area 2C, anglers fishing from a charter vessel were limited to one halibut per day, whereas in Southcentral, IPHC area 3A, guided anglers were allowed two halibut per day in 2010.

FRESHWATER

In 2010, 64% of the freshwater logbooks that were issued were activated. In 2010, 8% of the freshwater participation occurred in Southeast, 84% occurred in Southcentral, and 8% took place in the Alaska-Yukon-Kuskokwim (AYK) or interior Alaska (Table 13).

Angler days of effort in 2010 indicate that 88% of the anglers in the freshwater guided fishery were nonresident anglers, 10% were residents and 2% were crew fishing, comped anglers or those of unknown residency. In Southeast, 94% of the guided/chartered fishing was conducted by nonresident anglers, 88% were nonresidents in Southcentral, and 90% of the anglers in AYK were nonresidents.

In 2010, coho, sockeye and king salmon were the predominant salmon species, making up 50%, 33% and 13% respectively of the harvest statewide, with the remaining 4% consisting of a combination of other fish (Table 13).

Table 10.–Saltwater and freshwater trips and angler days by region, 2006–2010.

		Saltwater[a]		Freshwater[b]	
Year	Region	Trips	Angler Days	Trips	Angler Days
2006	SE	39,088	154,549	3,040	11,470
2006	SC	26,583	175,695	39,479	124,931
	AYK	0	0	4,262	11,006
	Total	65,671	330,244	46,781	147,407
2007	SE	39,599	158,551	3,241	11,610
2007	SC	27,553	163,964	40,557	126,444
	AYK	0	0	4,899	12,266
	Total	67,152	322,515	48,697	150,320
2008	SE	37,448	150,789	3,113	10,730
2008	SC	24,557	146,717	40,587	126,596
	AYK	0	0	4,801	11,833
	Total	62,005	297,506	48,501	149,159
2009	SE	28,174	110,285	2,400	8,066
2009	SC	20,332	119,611	31,305	94,387
	AYK	0	0	3,849	8,909
	Total	48,506	229,896	37,554	111,362
2010	SE	27,820	110,911	2,459	8,913
2010	SC	20,922	135,143	31,267	94,910
	AYK	0	0	4,065	9,416
	Total	48,742	246,054	37,791	113,239

Note: Data are current as of 05/24/2011.

[a] Saltwater region is based on the port of offloading, salmon and bottomfish statistical area.

[b] Freshwater region is based on the area code of the site code listed on each logbook page.

Table 11.–Saltwater salmon effort and harvest by region and angler type, 2010.

Region[a]	Type of Angler	Angler Days[b]	King salmon		Coho	Sockeye	Other Salmon
			Large	Small			
SE	Resident	1,937	936	18	1,544	5	411
	Nonresident	87,025	25,579	767	94,346	729	42,705
	Comped	444	160	6	396	1	164
	Crew	571	39	1	235	0	94
	Unknown	316	44	3	335	2	144
	Total	90,293	26,758	795	96,856	737	43,518
SC	Resident	11,781	911	232	14,145	177	905
	Nonresident	34,035	3,407	833	46,311	968	4,507
	Comped	541	45	12	521	54	22
	Crew	3,028	151	34	1,656	27	98
	Unknown	258	11	6	350	10	22
	Total	49,643	4,525	1,117	62,983	1,236	5,554
Total	Resident	13,718	1,847	250	15,689	182	1,316
	Nonresident	121,060	28,986	1,600	140,657	1,697	47,212
	Comped	985	205	18	917	55	186
	Crew	3,599	190	35	1,891	27	192
	Unknown	574	55	9	685	12	166
	Total	139,936	31,283	1,912	159,839	1,973	49,072

Note: Data are current as of 05/24/2011.

[a] Region is based on the port of offloading, salmon and bottomfish statistical area.

[b] Angler days totals all anglers who fished on a day when a salmon statistical area was entered, plus angler days where an angler harvested a salmon when a bottomfish statistical area was provided.

Table 12.–Saltwater bottomfish effort and harvest by region and angler type, 2010.

Region[a]	Type of Angler	Angler Days[b]	Halibut	LingCod	Rockfish			Sablefish	Shark
					Pelagic	Yelloweye	Non-Pelagic		
SE	Resident	1,900	1,185	276	1,090	308	447	12	0
	Nonresident	81,971	49,396	4,342	57,852	14,473	20,101	3,894	8
	Comped	513	286	53	265	101	117	10	0
	Crew	591	86	8	231	28	36	8	0
	Unknown	244	127	8	102	27	57	3	0
	Total	85,219	51,080	4,687	59,540	14,937	20,758	3,927	8
SC	Resident	31,473	54,170	3,639	11,949	2,829	2,155	21	8
	Nonresident	85,528	143,959	9,902	37,418	6,729	7,025	123	10
	Comped	1,373	2,171	184	703	134	118	5	1
	Crew	8,429	12,361	526	2,005	410	361	4	0
	Unknown	458	726	83	235	53	50	0	0
	Total	127,261	213,387	14,334	52,310	10,155	9,709	153	19
Total	Resident	33,373	55,355	3,915	13,039	3,137	2,602	33	8
	Nonresident	167,499	193,355	14,244	95,270	21,202	27,126	4,017	18
	Comped	1,886	2,457	237	968	235	235	15	1
	Crew	9,020	12,447	534	2,236	438	397	12	0
	Unknown	702	853	91	337	80	107	3	0
	Total	212,480	264,467	19,021	111,850	25,092	30,467	4,080	27

Note: Data are current as of 05/24/2011.

[a] Region is based on the port of offloading, bottomfish and salmon statistical area.

[b] Angler days totals all anglers who fished on a day when a bottomfish statistical area was entered, plus angler days where an angler harvested a bottomfish when a salmon statistical area was provided.

Table 13.–Freshwater effort and harvest by species, region and angler type, 2010.

Region[a]	Type of Angler	Angler Days	King	Coho	Sockeye	Cutthroat	Rainbow	Steelhead	Lake Trout	Grayling	Dolly Varden	Pike	Sheefish
SE	Resident	316	0	323	28	0	1	3	0	0	12	0	0
	Nonresident	8,358	35	6,710	1,143	13	5	1	0	0	211	0	0
	Comped	41	1	84	3	0	0	0	0	0	0	0	0
	Crew	126	7	70	69	0	0	0	0	0	2	0	0
	Unknown	72	0	51	7	0	0	0	0	0	0	0	0
	Total	8,913	43	7,238	1,250	13	6	4	0	0	225	0	0
SC	Resident	9,628	1,437	3,286	1,847	0	35	0	3	15	82	1	0
	Nonresident	83,332	8,950	34,223	26,746	1	316	7	86	193	1218	264	0
	Comped	359	48	110	65	0	0	0	1	0	7	0	0
	Crew	777	24	293	221	0	2	2	3	4	16	0	0
	Unknown	814	97	173	267	0	6	0	0	19	19	0	0
	Total	94,910	10,556	38,085	29,146	1	359	9	93	231	1,342	265	0
AYK	Resident	785	308	72	118	0	1	0	0	40	85	75	7
	Nonresident	8,464	974	2,043	523	0	17	0	1	185	628	100	55
	Comped	14	2	5	0	0	0	0	0	0	1	0	0
	Crew	83	0	2	11	0	0	0	0	0	10	1	3
	Unknown	70	11	30	16	0	0	0	0	1	0	0	0
	Total	9,416	1,295	2,152	668	0	18	0	1	226	724	176	65
Total	Resident	10,729	1,745	3,681	1,993	0	37	3	3	55	179	76	7
	Nonresident	100,154	9,959	42,976	28,412	14	338	8	87	378	2,057	364	55
	Comped	414	51	199	68	0	0	0	1	0	8	0	0
	Crew	986	31	365	301	0	2	2	3	4	28	1	3
	Unknown	956	108	254	290	0	6	0	0	20	19	0	0
	Total	113,239	11,894	47,475	31,064	14	383	13	94	457	2,291	441	65

Note: Data are current as of 05/24/11.

[a] Region is based on the area code of the site code listed on each logbook page.

DISCUSSION

GUIDE AND BUSINESS LICENSING

The 2006 through 2010 ADF&G guide and business licensing process differed from the registration process prior to 2005 in terms of the approach used, fees, and the information collected on license applications. The current licensing approach reflects changes made in 2005 to initiate the new minimum requirements established by HB 452. Guides and businesses offering guided fishing services are now held to a higher standard of compliance than previous to 2005. Violations of the guide licensing statutes or regulations adopted under HB 452 are either violations or misdemeanors, and courts are authorized to revoke the license of the guide or business under certain conditions, such as repeated convictions within a three-year period.

ADF&G no longer collects the information collected in earlier years on the type (saltwater vs. freshwater) and location (regions/subareas) of services. The 2006-2010 licensing processes have been similar and provide a basis for establishing a long-term database of licensed businesses and guides. Charter/guide business and guide licensing still reflects the intent to operate, while actual activity is confirmed by the submission of logbook trip data.

LOGBOOKS

ADF&G initiated a mandatory saltwater charter logbook program in 1998. The BOF adopted regulations requiring annual registration of sport fishing guides and businesses, and logbook reporting. The logbook and registration/licensing program was intended to provide information on actual participation and harvest by individual vessels and businesses.

Recent emphasis from ADF&G management staff and NPFMC on more timely saltwater data spurred discussions on how to hasten logbook data availability. Up until 2010, logbook data entry involved collecting logbook sheets from the guide, entering the logbook data into a logbook database, and editing the data. This process could take RTS from six to eight weeks. Discussions included the possibility of an electronic submission option that would provide data to ADF&G and NPFMC staff in a more timely manner. Any option for a logbook change would have to include a design that is appealing and easy for the guide industry to use, such that they would perceive it as beneficial to a process that they already consider "burdensome." Electronic reporting options were, at first, appealing to fulfill both management needs and halibut management needs for more timely information. Further discussions concluded that electronic reporting would still necessitate the use of a paper version of the logbook due to enforcement and trip recording requirements. Data would still need to be verified for errors, be entered accurately into a database, and be available for onsite inspection. There are currently no options for going "paperless", and no perceived benefit to managers or the industry that would result from the process. The "paperless" approach would require a change in regulation for reporting requirements along with extensive research into the cost of electronic reporting. The discussion for going "paperless" will continue however.

Upon further discussion and research, an alternative approach was considered. In 2009, ADF&G programmers researched the option of developing a system that would electronically scan the image of a redesigned logbook data page. Scanned images would minimize data entry time but allow for data entry personnel to fix images flagged as unrecognizable, thus maintaining data accuracy and quality. This option is not any more "burdensome" to the industry and would

likely make the weekly reporting requirement more palatable knowing that the data would be more immediately available.

In 2010, the saltwater logbook data page design change incorporated the ability to use the new scanning software. Due to first year design "glitches" and software troubleshooting, the 2010 saltwater data was not available in as timely a manner as originally hoped. A program review with office assistants and discussions with the project analyst programmer resulted in adjustments to the design format and software to be implemented for 2011.

For 2011, ADF&G and National Marine Fisheries Service (NMFS) will be working collaboratively to modify the logbook requirements associated with the federal Charter Halibut Program (CHP), a program that establishes limited access to the guided halibut fishery.

Preliminary results from verification studies comparing the accuracy of logbook harvest data with the statewide harvest survey estimates, and onsite creel programs are favorable. Logbook data will continue to be compared to counts from those two programs. Comparisons are ongoing and are part of a more comprehensive evaluation of logbook data quality. Logbook halibut data has been used extensively. Saltwater and freshwater logbook data have also been used for a variety of regulatory analyses for state managed species.

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Southeast and Southcentral regional and area staff, especially numerous front counter personnel, have been critical to the success of the ADF&G sport fishing guide and business licensing and logbook program. The above staff along with Bob Chadwick and Mike Jaenicke from Southeast, Scott Meyer, Matt Miller and Tom Vania from Southcentral, and Tom Taube from Fairbanks have also provided valuable comments during the process of licensing and logbook form design.

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Kirk Brogdon of the division's Research and Technical Services section deserves considerable credit for designing and implementing efficient information management systems for data capture, cleaning, storage, and reporting.

Kathy Kush should be acknowledged for her incredible skills in streamlining the licensing process and making sure that all license applications are processed in a timely manner that has allowed the guides and businesses to start operation without delay.

Margaret Nussbaum, Diane Novinska, Raili Kedzior, and Andrea Hamby deserve credit for receiving, editing, scanning, entering, and filing the licensing and logbooks forms. With their perseverance, we met reporting deadlines that seemed nearly impossible with available staffing and workloads.

We also acknowledge the cooperation of the thousands of sport fishing guides and sport fishing businesses that licensed and completed their logbooks in a timely and compliant manner.

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APPENDIX A
SPORT FISH BUSINESS OWNER/GUIDE LICENSE APPLICATION

2010 SPORT FISH BUSINESS OWNER/ GUIDE LICENSE APPLICATION

Alaska Department of Fish and Game / Division of Sport Fish - RTS
333 Raspberry Road, Anchorage, Alaska 99518-1565
Telephone: (907) 267-2369 or (907) 267-2390
http://www.sf.adfg.state.ak.us/statewide/Guides/guide.cfm

License #

This TEMPORARY LICENSE is good for 21 business days from date signed by Dept. Representative

FEES CHECK ONE:
All fees are nonrefundable

- ☐ $50.00 Guide Only License
- ☐ $100.00 Business Only License
- ☐ $100.00 Combined Business/Guide License*
  **An agent for this business cannot apply as a guide on a combination license*
- ☐ $50.00 Guide Only Upgrade to Combination Business/Guide License

METHOD OF PAYMENT:

- ☐ Check # : _____
  Make checks payable to " State of Alaska "
- ☐ Money Order #: _____
- ☐ Cash *(Anchorage, Juneau, Fairbanks offices ONLY)*
- ☐ Credit Card *(Anchorage, Juneau, Fairbanks offices ONLY)*

APPLICATION MUST BE STAMPED BY ADF&G TO BE VALID

INSTRUCTIONS TO COMPLETE FORM ON REVERSE

SECTION A. ALL APPLICANTS COMPLETE THIS SECTION

Name of Business Owner or Guide: _____ (Last / First / MI)

Permanent Mailing Address : _____ (PO Box or Street Address / City / State / Zip)

Telephone Number: (___) _____ In season Telephone Number: (___) _____

Mail License Here (if different than above): _____ (PO Box or Street Address / City / State / Zip)

SECTION B. TO BE FILLED OUT BY THE BUSINESS OWNER OR THEIR AGENT

BUSINESS INFORMATION:

Name of Business: _____

Name of Business Owner: _____

Alaska Div. of Occupational Business License Number: _____ Expiration Date: *Mo/Date/Yr*

INSURANCE: *See detailed insurance requirements on back.*

Name of Insurance Company: _____

Policy/Binder #: _____ Effective Dates: From: _____ To: _____

Remember to get a logbook for your business at the nearest ADF&G office prior to commencement of guiding activities.

TEMPORARY LICENSE ONLY

SECTION C. TO BE FILLED OUT BY GUIDE OR THEIR AGENT

Are you a citizen of the United States, Canada, Mexico or resident alien? Yes ☐ No ☐

Basic First Aid Information: Certifying agency: _____ Exp. Date: *Mo / Yr*

2010 Alaska Sport Fishing License # (not your Guide License #): _____ Date of Birth: *Mo/Date/Yr*

U.S. COAST GUARD OPERATOR'S LICENSE: *(See explanation on back)*

Do you plan to operate a motorized vessel in Navigable Waters? Yes ☐ No ☐ **If yes,** complete the next line.

U.S.C.G. License # or Merchant Mariner Credential Doc #: _____ Exp.Date: *Mo/Date/Yr*

SIGNATURE OF BUSINESS OWNER/AGENT or GUIDE:

I hereby certify that all information is true and correct and that I understand this information is subject to public disclosure. (NOTE: Making a false statement or omitting a material fact, is subject to a maximum penalty of $10,000 or 1 year imprisonment, or both, per AS 11.56.210.)

X _____ **Circle one:** Applicant or Agent **Date:** _____

This temporary license must be signed and stamped by an ADF&G employee and in your possession before guiding activities begin.

Name of ADF&G Representative *(print)*: _____ **Place of Issue:** _____

Signature: _____ **Date:** _____

COPY TO APPLICANT

Appendix A1.–Sport fish business owner/guide license application, 2010.

-continued-

INSTRUCTIONS FOR THE 2010 SPORT FISH BUSINESS OWNER/ GUIDE LICENSE APPLICATION

Attention: ***The following will apply without exception:***

1. **All applicable sections of the license application must be complete and legible prior to ADF&G validation. No "pending", "unknowns," or blanks will be accepted.**
2. **Incomplete license applications will be returned resulting in a processing delay.**
3. **A signature is required.**
4. **This is a license application only. A *permanent* license will be mailed within 21 business days.**
5. **There may be requirements by other state and federal agencies to operate as a guide in Alaska.**

INSTRUCTIONS:

SECTION A: ALL applicants must complete this section.

SECTION B: BUSINESS OWNER OR THEIR AGENT: Complete this section if you are the owner/agent of the sport fishing business. This section should be filled out even if the owner does not intend to personally guide clients. An agent for this business **CANNOT** apply as a guide on the same application. A separate license application must be submitted.

LIABILITY INSURANCE REQUIREMENT: General liability or marine protection that covers at least $100,000 for each incident and $300,000 for all incidents in a year. Insurance must cover **ALL** periods of time when the owner or owner's employees are providing sport fishing services to clients. Insurance must be current, **NOT** pending.

IMPORTANT NOTICE TO BUSINESS OWNERS

State regulation (5 AAC 75.075) requires that all operators providing sport fishing guide services in Alaska must apply annually for a license with the Department of Fish and Game **before** guiding services begin. Business owners are required to register all charter vessels with ADF&G and acquire a logbook prior to commencement of guiding activities. ***Guides hired by an operator must keep a copy of the ADF&G business license in their possession while guiding.***

SECTION C: GUIDES: Complete this section if you intend to guide for a sport fish operation owned by someone other than you or if you are the business owner who also intends to guide (owner/operator).

U.S. COAST GUARD OPERATOR'S LICENSE: A licensed sport fish guide **must** have, at minimum, a Limited OUPV for Western Waters in Alaska or 6-pak U.S.C.G. operator's license in their possession while operating a motorized vessel with clients or transporting clients in a motorized vessel on navigable waters. Navigable waters are determined by the U.S. Coast Guard (907) 271-6736.

Note: Effective April 20, 2009 the U.S.C.G. began issuing the Merchant Mariner Credentials (MMC). Applicants must provide the U.S.C.G. license number, expiration date and date of birth (DOB).

IMPORTANT NOTICE TO GUIDES

State regulation (5 AAC 75.075) requires that all licensed guides providing sport fishing guide services in Alaska must apply annually for a license with the Department of Fish and Game ***before*** guiding activities begin.

WHAT A GUIDE MUST HAVE IN POSSESSION WHILE GUIDING

A sport fish business owner or guide should be able to present all documents required for licensing upon request by a representative of the department of fish and game, or any peace officer of the state. While engaged in providing sport fishing guide services, a sport fishing guide shall have the following readily available for inspection:

- A current sport fishing guide license;
- A copy of the current ADF&G sport fishing business license of the guide's employer;
- A current Alaska sport fishing license, tags, stamps or permits that are required to engage in the sport fishery for which the guide services are providing;
- An identification card issued to the sport fishing guide by a state or federal agency that bears a photo of the sport fishing guide.

APPENDIX B
SALTWATER LOGBOOK FORM

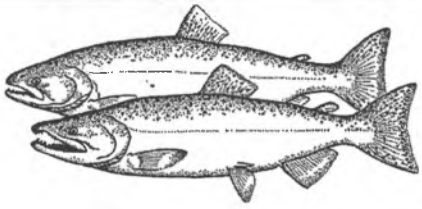
State of Alaska
Department of Fish & Game
Division of Sport Fish

2010 Saltwater Charter Logbook and Vessel Registration

Vessel Name: _____

Vessel AK. #
or
U.S.C.G # : _____

THIS LOGBOOK MUST REMAIN WITH THIS VESSEL



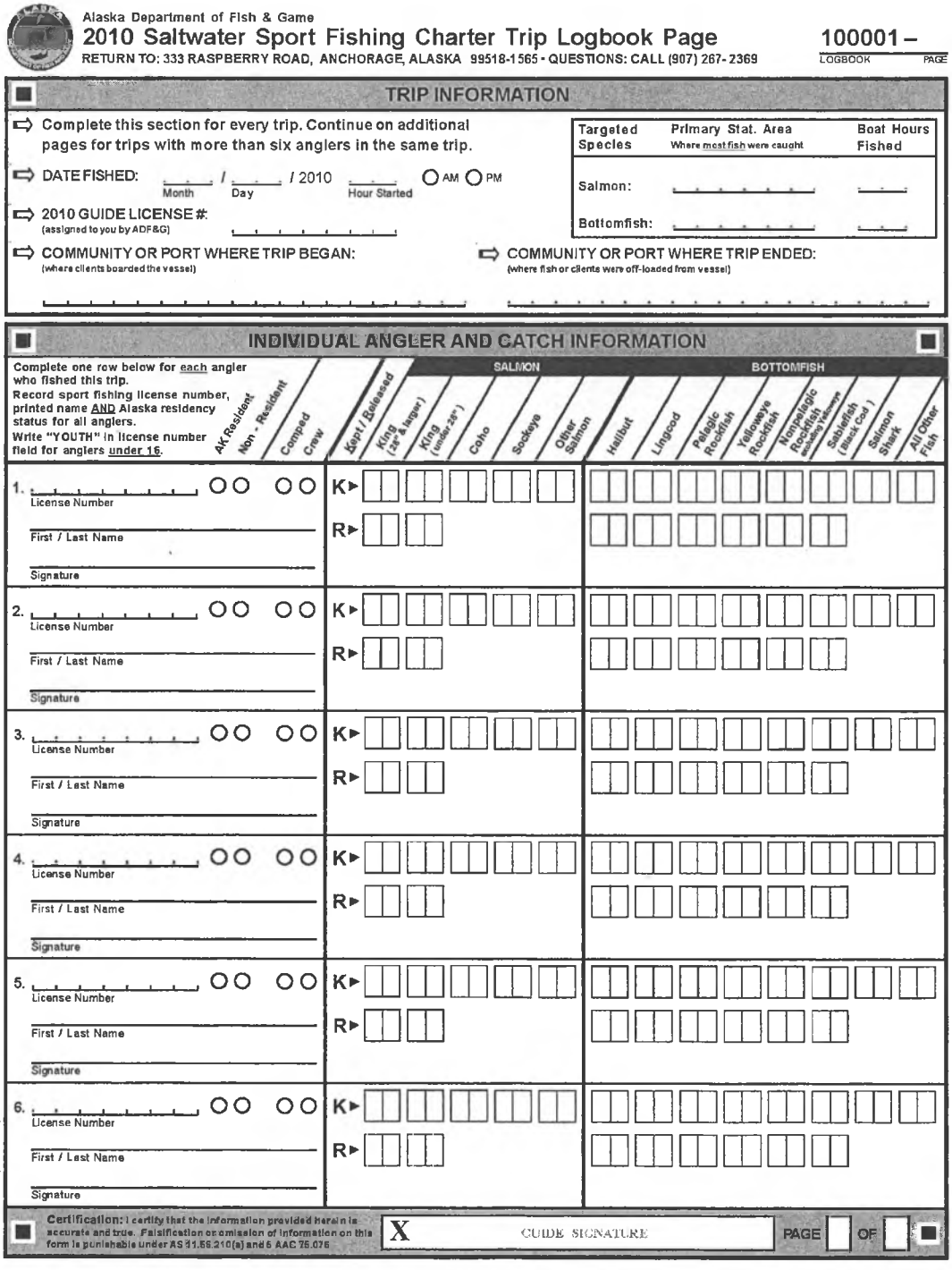
Please follow the INSTRUCTIONS carefully as they have changed

LOGBOOK INSPECTION

Upon request from any representative of the Department or any peace officer of the state, a person is required to present this *Alaska Department of Fish and Game Saltwater Sportfishing Charter Vessel Logbook* for inspection.

Appendix B1.–Saltwater charter logbook form, 2010.

-continued-



Alaska Department of Fish & Game

2010 Saltwater Sport Fishing Charter Trip Logbook Page

RETURN TO: 333 RASPBERRY ROAD, ANCHORAGE, ALASKA 99518-1565 - QUESTIONS: CALL (907) 267-2369

100001 – LOGBOOK PAGE

TRIP INFORMATION

Complete this section for every trip. Continue on additional pages for trips with more than six anglers in the same trip.

DATE FISHED: ___ (Month) / ___ (Day) / 2010 ___ (Hour Started) AM PM

2010 GUIDE LICENSE #: (assigned to you by ADF&G)

COMMUNITY OR PORT WHERE TRIP BEGAN: (where clients boarded the vessel)

COMMUNITY OR PORT WHERE TRIP ENDED: (where fish or clients were off-loaded from vessel)

Targeted Species	Primary Stat. Area Where most fish were caught	Boat Hours Fished
Salmon:		
Bottomfish:		

INDIVIDUAL ANGLER AND CATCH INFORMATION

Complete one row below for each angler who fished this trip.
Record sport fishing license number, printed name AND Alaska residency status for all anglers.
Write "YOUTH" in license number field for anglers under 16.

	AK Resident	Non-Resident	Comped Crew	Kept / Released	SALMON: King (28" & larger)	SALMON: King (under 28")	SALMON: Coho	SALMON: Sockeye	SALMON: Other Salmon	BOTTOMFISH: Halibut	BOTTOMFISH: Lingcod	BOTTOMFISH: Pelagic Rockfish	BOTTOMFISH: Yelloweye Rockfish	BOTTOMFISH: Nonpelagic Rockfish (excluding Yelloweye)	BOTTOMFISH: Sablefish (Black Cod)	BOTTOMFISH: Salmon Shark	BOTTOMFISH: All Other Fish
1. License Number / First / Last Name / Signature				K ▸													
				R ▸													
2. License Number / First / Last Name / Signature				K ▸													
				R ▸													
3. License Number / First / Last Name / Signature				K ▸													
				R ▸													
4. License Number / First / Last Name / Signature				K ▸													
				R ▸													
5. License Number / First / Last Name / Signature				K ▸													
				R ▸													
6. License Number / First / Last Name / Signature				K ▸													
				R ▸													

Certification: I certify that the information provided herein is accurate and true. Falsification or omission of information on this form is punishable under AS 11.56.210(a) and 5 AAC 75.075

X GUIDE SIGNATURE

PAGE ___ OF ___

Form 11-540 (01-2010)

Appendix B1.–Page 2 of 2.

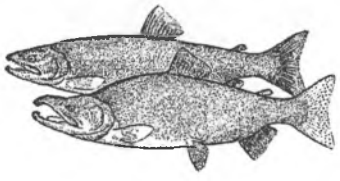
APPENDIX C
FRESHWATER LOGBOOK FORMS

2010 Freshwater Sport Fish Guide Logbook and Vessel Registration

LOGBOOK NO.

BUSINESS NAME

ADF&G BUSINESS OWNER'S LICENSE NO.



Please follow the instructions carefully as they have changed.

State of Alaska Department of Fish & Game
Division of Sport Fish

LOGBOOK INSPECTION

Upon request from any representative of the Department or any peace officer of the state, a person is required to present this Alaska Department of Fish and Game Freshwater Sport Fishing Guide Logbook for inspection.

Appendix C1.–Freshwater guide logbook from, 2010.

-continued-

Alaska Department of Fish & Game

2010 Freshwater Sport Fish Trip Logbook

RETURN TO: 333 RASPBERRY ROAD, ANCHORAGE, AK 99518-1566 • QUESTIONS: (907) 267-2369

LOGBOOK NO. _____

TRIP INFORMATION

2010 ADF&G GUIDE LICENSE #: _____

DATE FISHED: _____ (Month) _____ (Day) 2010

_____ RIVER / STREAM / LAKE (SPECIFY)

_____ SITE CODE *(REFER TO SITE CODE LIST)*

PAGE NO. _____ OF _____

TOTAL NO. OF PAGES FOR THIS TRIP ↑

_____ * WRITE IN OTHER SPECIES HERE

Angler Residency (Circle One) Resident	NonResident	Sport Fish License Number of each Client, Nonpaying angler, and Crew THAT FISHED AND Record all those anglers under 16 as "Youth Angler" (YA1, YA2etc.)	Comped (Circle One if applicable)	Crew	KEPT / RELEASED	SALMON: KING	SALMON: COHO	SALMON: SOCKEYE	TROUT: CUTTHROAT	TROUT: RAINBOW	TROUT: STEELHEAD	TROUT: LAKE TROUT	OTHER: DOLLY VARDEN	OTHER: ARCTIC GRAYLING	OTHER: NORTHERN PIKE	OTHER: SHEEFISH	*
R	N		X	C	K					KEPT							
					R					RELEASED							
R	N		X	C	K					KEPT							
					R					RELEASED							
R	N		X	C	K					KEPT							
					R					RELEASED							
R	N		X	C	K					KEPT							
					R					RELEASED							
R	N		X	C	K					KEPT							
					R					RELEASED							
R	N		X	C	K					KEPT							
					R					RELEASED							

CERTIFICATION: I certify that the information provided herein is accurate and true. Falsification or omission of information on this form is punishable under AS 11.56.210(a) and 5 AAC 75.076.

X GUIDE SIGNATURE

CONTINUE ON NEXT PAGE IF MORE THAN 6 ANGLERS.
CHECK IF TRIP INFORMATION IS CONTINUED ON NEXT PAGE: ☐

Appendix C1.–Page 2 of 2.

APPENDIX D
VESSEL REGISTRATION FORMS, DECALS AND TAGS

INSTRUCTIONS FOR ADF&G REPRESENTATIVE:

Please forward the **white** copy of this form to: **Sport Fish RTS, 333 Raspberry Rd., Anchorage, AK 99518-1565.**

DO NOT REMOVE THE PINK COPY. THE PINK COPY MUST STAY IN THE LOGBOOK.

DO NOT ISSUE A LOGBOOK UNLESS THE APPLICANT HAS THE FOLLOWING:

- **2010 ADF&G Sport Fish Business License**
- **Current AK Vessel Number issued by DMV or Current U.S.C.G. Vessel Documentation No.**

NONE OF THE ABOVE CAN BE "PENDING"

2010 ADF&G Sport Fish Business Owner and Guide License applications are available at all ADF&G offices or online at: http://www.admin.adfg.state.ak.us/license/

AK Vessel Registration information is available from Alaska Div. of Motor Vehicles at (907) 269-5551 or online at: http://www.doa.alaska.gov/dmv/reg/boat.htm

2010 Saltwater Sport Fish Charter Logbook Sign-Out AND Vessel Registration

Must be completed

SPORT FISH BUSINESS INFORMATION:

Name of Sport Fishing Business: _____

Sport Fish Business Owner License Number (ADF&G #): 2010- _____

SPORT FISHING CHARTER VESSEL REGISTRATION:

- **DMV issued AK No. or Vessel U.S.C.G. Documentation No.:**
  No. : _____ *(A logbook WILL NOT be issued without a current AK or U.S.C.G. number)*
- **Vessel Name:** _____
  (Vessel name and AK No. or U.S.C.G. # must appear on the cover)
- **Primary Alaska Saltwater port from which this vessel will operate during 2010:**
  _____
- **Will you be fishing both 2C and 3A?** (See map on pg. vii) **YES** ☐ **NO** ☐
  If YES, you must complete a logbook page for each IPHC area fished during a trip. See instructions on page vi.

DEPARTMENT USE ONLY

- **Did you issue a Stat. Area Man?** **YES** ☐ **NO** ☐ **If No, Explain:**
- **ADF&G Representative:** *(print)* _____
- **Area Office:** _____ **Date of Issue:** _____

ii

Appendix D1.–Saltwater sport fish charter logbook sign-out and vessel registration form, 2010.

LOGBOOK NO.

2010 FRESHWATER SPORT FISH

Logbook Sign-Out

SPORT FISH BUSINESS INFORMATION

Must have a current ADF&G Business License Number

NAME OF PERSON TO WHOM THIS LOGBOOK WAS ISSUED

SPORT FISHING BUSINESS NAME

ADF&G LICENSE NUMBER OF BUSINESS *(NOT A "GUIDE ONLY" LICENSE)*

CONTACT PHONE NUMBER



Do you plan to fish from a vessel while providing sport fishing guided services in freshwater?

No ☐ Yes ☐ (If yes, list vessels on pg. iii)

INSTRUCTIONS TO ADF&G REPRESENTATIVE

Please forward the white copy of this form to:

Sport Fish Research & Technical Services
333 Raspberry Rd., Anchorage, AK 99518

ADF&G area offices **will** keep the pink copy on file.

Do NOT issue a logbook unless the applicant has the following:

- **2010** ADF&G Business License;
- **Current** AK Boat Number issued by **DMV OR current U.S.C.G.** Vessel Documentation number, **if applicable**.

None of the required information can be "pending." This form must be complete and accurate to the best of your knowledge. **Incomplete** forms will be returned to you for follow-up and completion, resulting in a processing delay.

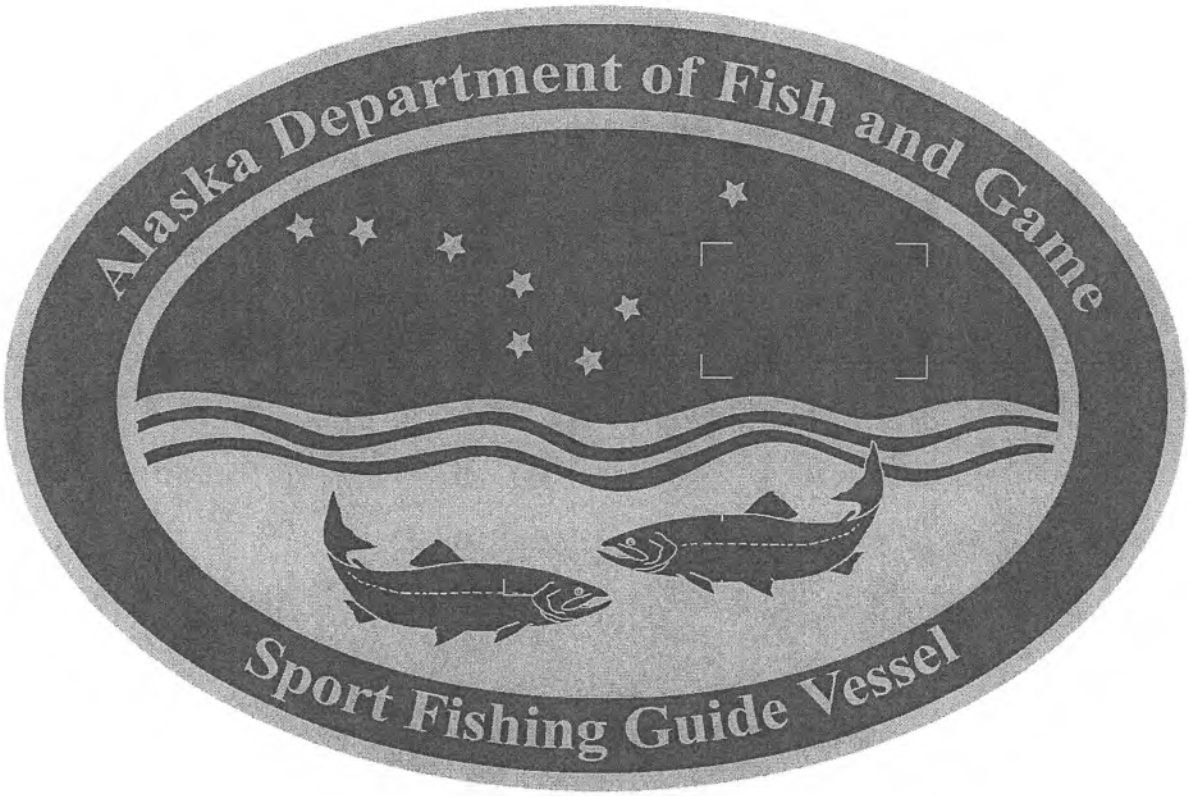
REMEMBER TO PROVIDE A SITE CODE LIST

ADF&G REPRESENTATIVE (PRINT)

AREA OFFICE DATE OF ISSUE

FW_Cover_Instr10.pmd 2 11/12/2009, 7:19 AM

Appendix D2.–Freshwater sport fish guide vessel registration form, 2010



Appendix D3.–Vessel decal, 2010.



Appendix D4.–Vessel tab, 2010.

APPENDIX E
SALTWATER EDITING RESULTS

Appendix E1.–Saltwater editing results, 2010.

Edit	Number Occurrences
No guide license number	0
Invalid guide license number	1
Missing date	0
Invalid date (not in correct year)	0
Invalid port of offloading	0
Invalid port of origin	1
Missing salmon statistical area	42
Missing bottomfish statistical area	78
Invalid salmon statistical area	5
Invalid bottomfish statistical area	5
Salmon harvest no salmon statistical area	1,152
Bottomfish harvest no bottomfish statistical area	2,010
Salmon statistical area listed, no hours listed	354
Bottomfish statistical area listed, no hours listed	446
No statistical area listed	201
No hours listed	128
Possible invalid salmon statistical area	0
Possible invalid bottomfish statistical area	0
Log pages turned in late[a]	3,364
Log book wasn't checked out to a business	0
Salmon or bottomfish hours are greater than 12	40
Duplicate log pages	0
Trip records without angler records	0
Date fished greater than date received by ADF&G	4
Trips	48,742

[a] Allows a 7 day grace period

APPENDIX F
FRESHWATER EDITING RESULTS

Appendix F1.–Freshwater editing results, 2010.

Edit	Number Occurrences
No guide license number	3
Invalid guide license number	22
Missing date	0
Invalid date (not in correct year)	0
Missing site code	6
Invalid site code	0
No paying clients	0
Log pages turned in late[a]	7,648
Duplicate log pages	0
Date fished greater than date received by ADF&G	46
Log book wasn't checked out to a business	0
Kenai River trips on Sunday or Monday	134
Trip records without angler records	0
Trips	37,791

[a] Allows a 7 day grace period

APPENDIX G
FRESHWATER LOGBOOK SUMMARIES BY AREA AND PORT OF OFFLOADING

Appendix G2.–Freshwater logbook participation by area and site, Southeast Alaska, 2010.

Area	Site	Trips	Businesses[a]	Guides[a]	Angler Days					
					Resident	Non-Res	Comped	Unknown	Crew	Total
A	Lakes	19	4	5	0	63	0	0	0	63
A	Streams	169	7	13	1	563	0	4	0	568
B	Other Lakes	14	4	4	0	30	0	0	0	30
B	Other Streams	64	8	11	2	136	0	0	1	139
B	Thorne River and Lake	15	5	7	1	41	0	0	0	42
C	Streams	53	7	8	3	196	0	0	2	201
D	Baranof Island Lakes and Streams	214	10	28	13	742	0	6	1	762
D	Chichagof Island Lakes and Streams	43	7	13	8	148	1	2	0	159
D	Nakwasina Sound Streams (Baranof Island)	25	6	9	2	84	0	0	0	86
D	Other Lakes and Streams	22	9	13	3	78	1	0	1	83
D	Politofski Creek (Baranof Island)	8	4	4	0	21	1	0	1	23
D	Salmon Creek (Baranof Island)	9	4	6	0	23	0	0	0	23
D	Sitkoh Creek and Lake (Chichagof Island)	12	5	8	3	39	0	0	0	42
E	Admiralty Island Streams (Admiralty Island)	139	6	27	6	560	3	11	3	583
E	Other Streams	208	5	12	5	914	1	6	0	926
G	Mud Bay Creek (Chichagof Island)	12	5	5	1	49	0	2	2	54
G	Other Streams	65	6	11	13	311	0	9	3	336
G	Trail River (Chichagof Island)	17	6	6	0	91	0	0	17	108
H	East Alsek River	95	4	7	2	401	0	0	6	409
H	Other Lakes and Streams	326	10	20	61	1,090	29	5	33	1,218
H	Situk River (above weir)	373	6	14	98	812	1	4	31	946
H	Situk River (below weir)	55	7	12	11	108	0	2	19	140
H	Tsiu River	427	5	20	81	1,538	4	17	6	1,646
	Other Lakes and Streams in Southeast	75	4	6	2	320	0	4	0	326
	Total Southeast	2,459	69	151	316	8,358	41	72	126	8,913

Note: Responses with less than 4 businesses are not reported separately, to protect confidentiality of respondents. Data are current as of 05/26/2011.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G3.–Freshwater logbook participation by area and site, Southcentral Alaska, 2010.

Area	Site	Trips	Businesses[a]	Guides[a]	Angler Days					
					Resident	Non-Res	Comped	Unknown	Crew	Total
J	Delight Lake	11	5	5	1	51	0	0	0	52
J	Eyak River	50	4	6	15	161	0	5	11	192
J	Other Lakes and Streams	36	7	9	15	147	0	0	0	162
K	Lakes and Streams	359	11	17	467	823	16	6	54	1,366
M	Alexander Lake	11	5	5	2	26	0	0	0	28
M	Chulitna River	39	4	7	0	102	0	0	0	102
M	Chunilna Creek (Clear Creek)	58	5	8	12	236	1	0	0	249
M	Deshka River (Kroto Creek)	298	10	12	408	706	11	5	19	1,149
M	Fish Lake Creek and Fish Lakes (Yentna Drainage)	33	6	12	2	98	0	0	0	100
M	Indian Creek (into Yentna near Fish Lakes)	136	6	20	9	416	3	0	6	434
M	Lake Creek	1,374	18	52	271	3,545	19	0	28	3,863
M	Little Willow Creek	27	6	7	22	69	0	0	6	97
M	Montana Creek	10	4	4	7	12	0	0	0	19
M	Other Lakes - Chulitna/East Susitna Drainage	13	4	4	9	32	0	0	0	41
M	Other Streams - Chulitna / East Susitna Drainage	58	10	12	76	157	4	0	0	237
M	Other Lakes and Streams - West Susitna Drainage	69	8	14	52	196	0	7	1	256
M	Talachulitna Creek	44	5	8	2	100	0	1	0	103
M	Talachulitna River	501	10	29	60	1,368	0	5	43	1,476
M	Talkeetna River	153	7	11	93	513	0	33	5	644
M	Willow Creek	47	6	6	28	70	0	0	0	98
M	Yentna River	86	6	15	30	182	5	0	2	219
M	Yentna River Drainage (Remainder)	957	18	48	46	2,735	0	1	35	2,817
N	Big River	74	8	8	17	263	0	0	0	280
N	Big River Lakes	674	28	35	122	2,463	4	11	16	2,616
N	Chuitna River	31	7	10	2	122	0	1	0	125
N	Coal Creek (into Beluga Lake)	15	6	8	0	51	0	0	1	52
N	Crescent Lake	110	11	18	24	342	0	6	0	372
N	Kamishak River	72	6	17	6	212	0	0	5	223
N	Kustatan River	215	24	32	96	815	0	0	3	914
N	Other Sites (South of North Forelands)	102	12	19	7	392	1	0	0	400
N	Other Sites between North Forelands and Susitna Drainage	5	4	4	0	20	0	0	0	20
N	Wolverine Creek mouth (by Big River Lakes)	526	21	30	118	1,824	0	10	1	1,953

-continued-

Appendix G2.–Page 2 of 4.

Area	Site	Trips	Businesses[a]	Guides[a]	Angler Days					
					Resident	Non-Res	Comped	Unknown	Crew	Total
P	Anchor River	56	8	11	7	106	0	4	3	120
P	Deep Creek	44	4	5	13	162	2	0	2	179
P	Kasilof River reach not specified	19	10	11	4	59	0	0	0	63
P	Kasilof River above Highway	54	11	14	20	126	1	7	0	154
P	Kasilof River below Highway	1,784	85	134	904	4,831	39	50	12	5,836
P	Kenai River - Cook Inlet to Soldotna Bridge	5,886	173	260	3,340	16,836	100	149	45	20,470
P	Kenai River - reach not specified	117	31	34	40	332	0	1	0	373
P	Kenai River - Moose River to Skilak outlet	1,231	82	118	682	3,134	14	48	4	3,882
P	Kenai River - Skilak Inlet to Kenai Lake	2,258	41	87	960	5,773	29	118	52	6,932
P	Kenai River - Soldotna Bridge to Moose River	865	67	90	288	2,578	16	26	4	2,912
P	Ninilchik River	39	4	5	11	135	0	1	2	149
P	Other Lakes	30	9	10	10	85	0	1	6	102
P	Other Streams	64	15	19	22	244	0	1	0	267
P	Quartz Creek	41	8	13	1	71	0	4	0	76
P	Russian River	83	10	17	10	167	0	4	1	182
Q	Afognak River (Litnik Stream)	31	5	6	3	102	0	0	7	112
Q	American River	24	4	4	1	54	0	0	0	55
Q	Ayakulik River (sometimes called Red River)	125	4	10	7	352	0	0	0	359
Q	Dog Salmon Creek (Frazer River)	114	8	15	12	414	4	4	1	435
Q	Karluk Lagoon and River below Weir (to .5 m above lagoon)	36	4	10	2	159	0	0	0	161
Q	Karluk Lake and River above Weir	31	6	9	1	167	0	0	7	175
Q	Olds River	25	8	8	3	53	0	0	2	58
Q	Other Remote Streams	226	17	25	36	729	7	4	9	785
Q	Roadside Lakes	35	4	6	0	121	0	1	0	122
Q	Roadside Streams	77	7	8	13	223	0	4	1	241
Q	Saltery River	407	8	18	61	1,213	2	13	73	1,362
Q	Uganik River	78	4	7	12	230	0	0	28	270
Q	Zachar Bay Streams	18	4	5	5	56	0	1	0	62
R	American Creek	460	21	52	38	1,168	22	5	40	1,273
R	Becharof System	61	10	22	7	151	0	0	7	165
R	Brooks Lake	14	7	10	0	35	0	0	0	35

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Area	Site	Trips	Businesses[a]	Guides[a]	Angler Days					
					Resident	Non-Res	Comped	Unknown	Crew	Total
R	Brooks River	282	21	74	20	726	1	4	0	751
R	Contact Creek	48	11	22	9	109	4	1	0	123
R	Egegik River (Becharof System)	113	6	23	1	421	0	2	3	427
R	Naknek River (dwnstream frm Rapids Camp incl trib)	183	8	20	29	412	0	5	2	448
R	Naknek River (Rapids Camp upstream to Naknek Lk,incl trib)	542	12	42	93	1,250	0	4	3	1,350
R	Naknek River and Tributaries	486	21	64	99	1,245	4	6	8	1,362
R	Other Lakes	62	11	21	11	186	0	0	0	197
R	Other Streams	1,001	24	61	42	2,445	0	6	0	2,493
R	Swikshak River	18	4	8	0	65	0	0	0	65
R	Ugashik System	109	13	34	4	284	0	1	13	302
S	Alagnak (Branch) River	1,337	19	84	44	2,778	6	18	22	2,868
S	Alexey Lake	6	4	4	3	16	0	0	0	19
S	Battle River	76	10	21	10	227	0	0	40	277
S	Copper River (Lake Iliamna Area)	366	10	34	38	928	1	3	5	975
S	Funnel Creek	39	9	21	2	103	0	0	0	105
S	Gibraltar River	71	6	15	3	165	0	0	0	168
S	Kijik Lake	9	6	8	2	30	3	0	0	35
S	Kukaklek River (Big Ku) (into Alagnak)	98	8	22	3	223	0	0	0	226
S	Kulik River	406	13	43	65	1,016	1	2	0	1,084
S	Kvichak River	1,081	23	88	87	2,546	8	14	3	2,658
S	Lake Clark	49	8	14	10	135	7	2	1	155
S	Lake Iliamna	133	6	15	18	307	0	14	0	339
S	Little Kulik (into Nanuktuk Creek)	18	7	11	0	47	0	0	0	47
S	Lower Talarik Creek	46	7	19	2	127	0	0	0	129
S	Moraine Creek	370	19	65	22	860	0	0	2	884
S	Nanuktuk Creek	59	10	22	2	135	1	1	0	139
S	Newhalen River	62	6	16	1	230	0	0	0	231
S	Nonvianuk Lake	20	4	8	5	39	0	0	0	44
S	Nonvianuk River (into Alagnak)	63	7	15	6	136	0	1	4	147
S	Other Lakes and Streams	19	5	7	0	46	0	4	0	50
S	Tazimina Lakes	13	5	7	1	30	0	0	1	32

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Area	Site	Trips	Businesses[a]	Guides[a]	Angler Days					
					Resident	Non-Res	Comped	Unknown	Crew	Total
S	Tazimina River	78	4	13	4	182	2	0	0	188
T	Agulowak River	442	8	33	77	749	0	32	0	858
T	Agulukpak River	210	7	33	5	395	0	11	0	411
T	Aleknagik Lake	43	4	9	1	80	0	7	0	88
T	Mulchatna River	40	6	7	19	79	0	0	6	104
T	Nushagak River - Black Point upstream to Sonar Site	578	22	66	97	1,610	6	19	85	1,817
T	Nushagak River - sonar site to outlet of Mulchatna	662	26	84	190	1,869	10	15	19	2,103
T	Nushagak River - upstream from mouth of Mulchatna River	342	7	24	6	623	0	1	0	630
T	Nushagak River System (incl. Harris Creek, King Salmon R.)	73	11	16	0	186	0	0	6	192
T	Nuyakuk River (Tikchik-Nuyakuk Lake System)	140	5	17	1	268	4	2	10	285
T	Other Lakes and Streams	311	5	26	7	596	0	3	1	607
T	Togiak River System	397	7	45	28	768	1	75	1	873
T	Wood River	62	4	12	4	113	0	18	0	135
T	Wood River Lakes System	137	7	24	6	309	0	6	0	321
	Other Lakes and Streams in Southcentral	40	4	4	19	123	0	0	0	142
	Total Southcentral	31,267	433	1,051	9,628	83,332	359	814	777	94,910

Note: Responses with less than 4 businesses are not reported separately, to protect confidentiality of respondents. Data are current as of 05/26/2011.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G4.–Freshwater logbook participation by area and site, AYK Alaska, 2010.

Area	Site	Trips	Businesses[a]	Guides[a]	Angler Days					
					Resident	Non-Res	Comped	Unknown	Crew	Total
I	Copper River	29	5	6	77	28	0	2	1	108
I	Gulkana River (Highway to Copper River)	44	5	6	23	122	0	1	5	151
I	Gulkana River (West Fork to Highway)	81	7	12	62	189	0	5	1	257
I	Klutina River	407	13	25	360	890	7	18	11	1,286
I	Other Streams	21	6	8	16	52	0	0	0	68
U	Other Lakes	25	4	5	31	39	0	0	0	70
U	Other Streams	369	7	16	69	932	2	9	19	1,031
V	Aniak River	348	6	22	2	615	2	11	0	630
V	Goodnews River	446	6	18	24	817	1	19	1	862
V	Holitna River	179	4	23	5	393	0	0	2	400
V	Kanektok River (Quinhagak, Chosen)	952	6	44	16	1,808	1	4	1	1,830
V	Kuskokwim River drainages below Aniak R; incl. Aniak R. drainages	213	10	23	26	611	0	0	8	645
V	Other Lakes and Streams	63	7	16	2	127	0	1	4	134
V	Other streams - Kuskokwim drainages above Aniak	22	6	9	1	49	0	0	7	57
W	Streams	273	6	14	20	525	1	0	3	549
Y	Lakes and Streams	567	5	19	40	1,060	0	0	19	1,119
	Other Lakes and Streams in AYK	26	4	4	11	207	0	0	1	219
	Total AYK	4,065	62	200	785	8,464	14	70	83	9,416

Note: Responses with less than 4 businesses are not reported separately, to protect confidentiality of respondents. Data are current as of 05/26/2011.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G5.–Freshwater logbook participation by region, statewide, 2010.

Region	Trips	Businesses[a]	Guides[a]	Angler Days					
				Resident	Non-Res	Comped	Unknown	Crew	Total
Southeast	2,459	69	151	316	8,358	41	72	126	8,913
Southcentral	31,267	433	1,051	9,628	83,332	359	814	777	94,910
Arctic-Yukon-Kuskokwim	4,065	62	200	785	8,464	14	70	83	9,416
Total	37,791	546	1,348	10,729	100,154	414	956	986	113,239

Note: Data are current as of 05/26/2011.

[a] Regional and statewide business and guide totals aren't additive because a business and/or guide can operate in multiple sites and areas.

Appendix G6.–Freshwater logbook angler days and species kept by area and site, Southeast Alaska, 2010.

Area	Site	Angler Days	Salmon			Trout				Dolly Varden	Grayling	Northern Pike	Sheefish
			King	Coho	Sockeye	Cutthroat	Rainbow	Steelhead	Lake				
A	Lakes	63	0	0	0	0	0	0	0	0	0	0	0
A	Streams	568	0	86	0	0	0	0	0	11	0	0	0
B	Other Lakes	30	0	54	0	0	0	0	0	0	0	0	0
B	Other Streams	139	0	37	8	0	0	0	0	15	0	0	0
B	Thorne River and Lake	42	0	13	0	0	0	0	0	10	0	0	0
C	Streams	201	0	13	2	0	0	0	0	1	0	0	0
D	Baranof Island Lakes and Streams	762	0	57	4	2	5	0	0	13	0	0	0
D	Chichagof Island Lakes and Streams	159	0	0	0	0	0	0	0	0	0	0	0
D	Nakwasina Sound Streams (Baranof Island)	86	0	0	0	0	0	0	0	0	0	0	0
D	Other Lakes and Streams	83	0	19	0	0	0	0	0	0	0	0	0
D	Politofski Creek (Baranof Island)	23	0	0	0	0	0	1	0	0	0	0	0
D	Salmon Creek (Baranof Island)	23	0	0	0	0	0	0	0	0	0	0	0
D	Sitkoh Creek and Lake (Chichagof Island)	42	0	0	0	0	0	0	0	0	0	0	0
E	Admiralty Island Streams (Admiralty Island)	583	0	0	0	0	0	0	0	6	0	0	0
E	Other Streams	926	0	26	0	0	0	0	0	57	0	0	0
G	Mud Bay Creek (Chichagof Island)	54	0	0	0	0	0	0	0	30	0	0	0
G	Other Streams	336	0	6	0	0	0	0	0	12	0	0	0
G	Trail River (Chichagof Island)	108	0	0	0	0	0	0	0	0	0	0	0
H	East Alsek River	409	0	557	202	0	0	0	0	0	0	0	0
H	Other Lakes and Streams	1,218	34	1,930	21	10	1	0	0	28	0	0	0
H	Situk River (above weir)	946	9	449	847	0	0	3	0	35	0	0	0
H	Situk River (below weir)	140	0	45	164	1	0	0	0	3	0	0	0
H	Tsiu River	1,646	0	3,931	0	0	0	0	0	0	0	0	0
	Other Lakes and Streams in Southeast	326	0	15	2	0	0	0	0	4	0	0	0
	Total Southeast	8,913	43	7,238	1,250	13	6	4	0	225	0	0	0

Note: Responses with less than 4 businesses are not reported separately, to protect confidentiality of respondents. Data are current as of 05/26/2011.

Appendix G7.–Freshwater logbook angler days and species kept by area and site, Southcentral Alaska, 2010.

Area	Site	Angler Days	Salmon			Trout				Dolly Varden	Northern		
			King	Coho	Sockeye	Cutthroat	Rainbow	Steelhead	Lake		Grayling	Pike	Sheefish
J	Delight Lake	52	0	134	0	0	0	0	0	2	0	0	0
J	Eyak River	192	0	345	72	0	0	0	0	1	0	0	0
J	Other Lakes and Streams	162	0	211	0	1	0	0	0	5	0	0	0
K	Lakes and Streams	1,366	146	1,143	5	0	8	0	0	0	0	0	0
M	Alexander Lake	28	0	0	0	0	0	0	0	0	0	60	0
M	Chulitna River	102	3	0	0	0	0	0	0	0	0	0	0
M	Chunilna Creek (Clear Creek)	249	7	65	2	0	1	0	0	0	0	0	0
M	Deshka River (Kroto Creek)	1,149	450	608	0	0	15	0	0	0	0	7	0
M	Fish Lake Creek and Fish Lakes (Yentna Drainage)	100	5	40	16	0	0	0	0	0	0	145	0
M	Indian Creek (into Yentna near Fish Lakes)	434	17	808	12	0	1	0	0	0	0	13	0
M	Lake Creek	3,863	524	1,930	174	0	27	0	0	0	1	4	0
M	Little Willow Creek	97	0	85	0	0	6	0	0	0	0	0	0
M	Montana Creek	19	0	1	0	0	0	0	0	0	0	0	0
M	Other Lakes - Chulitna/East Susitna Drainage	41	0	3	20	0	0	0	1	0	18	0	0
M	Other Streams - Chulitna / East Susitna Drainage	237	92	38	0	0	6	0	0	0	0	0	0
M	Other Lakes and Streams - West Susitna Drainage	256	33	188	2	0	1	0	0	0	0	0	0
M	Talachulitna Creek	103	4	24	61	0	0	0	0	2	0	0	0
M	Talachulitna River	1,476	227	541	190	0	0	0	0	14	3	0	0
M	Talkeetna River	644	121	141	376	0	0	0	0	0	0	0	0
M	Willow Creek	98	0	0	0	0	0	0	0	0	0	0	0
M	Yentna River	219	43	121	1	0	0	0	0	0	0	0	0
M	Yentna River Drainage (Remainder)	2,817	160	1,389	199	0	4	0	2	1	9	10	0
N	Big River	280	0	462	284	0	0	0	0	0	0	0	0
N	Big River Lakes	2,616	0	4,726	2,112	0	0	0	0	10	0	0	0
N	Chuitna River	125	2	165	1	0	0	0	0	1	0	0	0
N	Coal Creek (into Beluga Lake)	52	9	45	20	0	0	0	0	5	0	0	0
N	Crescent Lake	372	0	120	564	0	0	0	2	55	59	0	0
N	Kamishak River	223	0	333	0	0	0	0	0	12	0	0	0
N	Kustatan River	914	6	2,421	57	0	0	0	0	13	0	0	0
N	Other Sites (South of N Forelands)	400	0	565	16	0	0	0	0	44	0	0	0
N	Other Sites between N Forelands and Susitna Drainage	20	0	6	0	0	0	0	0	0	0	7	0

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Area	Site	Angler Days	Salmon			Trout				Dolly Varden	Northern		
			King	Coho	Sockeye	Cutthroat	Rainbow	Steelhead	Lake		Grayling	Pike	Sheefish
N	Wolverine Creek mouth (by Big River Lakes)	1,953	0	887	3,481	0	0	0	0	2	0	0	0
P	Anchor River	120	3	7	0	0	0	0	0	4	0	0	0
P	Deep Creek	179	1	81	0	0	0	0	0	59	0	0	0
P	Kasilof River reach not specified	63	18	3	0	0	0	0	0	1	0	0	0
P	Kasilof River above Highway	154	12	67	20	0	1	0	0	3	0	0	0
P	Kasilof River below Highway	5,836	1,920	763	119	0	35	0	0	65	0	0	0
P	Kenai River - Cook Inlet to Soldotna Bridge	20,470	2,697	7,273	1,210	0	34	0	0	68	0	0	0
P	Kenai River - reach not specified	373	34	65	100	0	5	0	0	6	0	0	0
P	Kenai River - Moose River to Skilak outlet	3,882	133	1,793	2,842	0	39	0	1	47	0	0	0
P	Kenai River - Skilak Inlet to Kenai Lake	6,932	0	228	2,784	0	42	0	0	56	0	0	0
P	Kenai River - Soldotna Bridge to Moose River	2,912	675	480	985	0	16	0	0	10	0	0	0
P	Ninilchik River	149	17	30	0	0	0	0	0	0	0	0	0
P	Other Lakes	102	0	0	0	0	2	0	3	0	8	0	0
P	Other Streams	267	2	152	9	0	0	0	0	2	1	0	0
P	Quartz Creek	76	0	0	0	0	0	0	0	1	0	0	0
P	Russian River	182	0	4	133	0	0	0	0	0	0	0	0
Q	Afognak River (Litnik Stream)	112	0	210	80	0	0	0	0	0	0	0	0
Q	American River	55	4	3	0	0	0	0	0	12	0	0	0
Q	Ayakulik River (sometimes called Red River)	359	0	199	44	0	0	0	0	25	0	0	0
Q	Dog Salmon Creek (Frazer River)	435	0	306	782	0	1	0	0	64	0	0	0
Q	Karluk Lagoon and River below weir[a]	161	0	96	57	0	0	0	0	75	0	0	0
Q	Karluk Lake and River above weir	175	0	4	7	0	0	2	0	31	0	0	0
Q	Olds River	58	1	12	0	0	0	0	0	5	0	0	0
Q	Other remote Streams	785	2	659	552	0	0	7	0	66	0	0	0
Q	Roadside lakes	122	0	15	0	0	0	0	0	29	0	0	0
Q	Roadside streams	241	0	50	4	0	0	0	0	26	0	0	0
Q	Saltery River	1,362	0	227	1,305	0	0	0	0	168	2	0	0
Q	Uganik River	270	0	31	7	0	1	0	0	2	0	0	0
Q	Zachar Bay streams	62	0	82	0	0	0	0	0	7	0	0	0
R	American Creek	1,273	0	0	0	0	1	0	1	48	0	0	0
R	Becharof System	165	2	27	10	0	0	0	0	9	1	0	0

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Area	Site	Angler Days	Salmon			Trout				Dolly Varden	Northern		
			King	Coho	Sockeye	Cutthroat	Rainbow	Steelhead	Lake		Grayling	Pike	Sheefish
R	Brooks Lake	35	0	0	0	0	0	0	0	0	0	0	0
R	Brooks River	751	1	0	8	0	5	0	0	0	0	0	0
R	Contact Creek	123	0	0	0	0	1	0	0	36	7	0	0
R	Egegik River (Becharof System)	427	0	1,071	120	0	0	0	1	8	0	0	0
R	Naknek River[b]	448	155	213	120	0	0	0	0	0	0	0	0
R	Naknek River[c]	1,350	46	358	1,603	0	9	0	0	2	1	0	0
R	Naknek River and Tributaries	1,362	234	389	400	0	6	0	0	26	0	0	0
R	Other Lakes	197	15	137	164	0	0	0	29	27	0	0	0
R	Other Streams	2,493	443	1,357	772	0	0	0	0	42	0	0	0
R	Swikshak River	65	0	169	0	0	0	0	0	0	0	0	0
R	Ugashik System	302	4	58	3	0	0	0	0	14	0	0	0
S	Alagnak (Branch) River	2,868	246	609	2,522	0	14	0	31	7	24	0	0
S	Alexey Lake	19	0	0	0	0	0	0	0	0	0	1	0
S	Battle River	277	0	0	0	0	0	0	0	0	0	0	0
S	Copper River (Lake Iliamna Area)	975	0	9	79	0	0	0	0	0	0	0	0
S	Funnel Creek	105	0	0	0	0	0	0	0	0	0	0	0
S	Gibraltar River	168	0	0	10	0	0	0	0	0	0	0	0
S	Kijik Lake	35	0	0	0	0	0	0	1	0	0	0	0
S	Kukaklek River (Big Ku) (into Alagnak)	226	0	0	44	0	0	0	0	0	0	0	0
S	Kulik River	1,084	0	0	0	0	2	0	4	0	0	0	0
S	Kvichak River	2,658	3	599	2,363	0	39	0	0	11	13	0	0
S	Lake Clark	155	0	0	25	0	0	0	0	0	14	6	0
S	Lake Iliamna	339	0	9	163	0	0	0	0	0	0	0	0
S	Little Kulik (into Nanuktuk Creek)	47	0	0	16	0	0	0	0	0	0	0	0
S	Lower Talarik Creek	129	0	32	6	0	0	0	0	0	0	0	0
S	Moraine Creek	884	0	0	0	0	9	0	0	0	0	0	0
S	Nanuktuk Creek	139	0	0	0	0	0	0	0	0	0	0	0
S	Newhalen River	231	0	10	533	0	0	0	5	0	2	0	0
S	Nonvianuk Lake	44	0	0	0	0	0	0	1	0	0	0	0
S	Nonvianuk River (into Alagnak)	147	0	0	6	0	2	0	4	0	0	0	0
S	Other Lakes and Streams	50	0	0	1	0	0	0	0	0	0	0	0

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Area	Site	Angler Days	Salmon			Trout				Dolly Varden	Northern		
			King	Coho	Sockeye	Cutthroat	Rainbow	Steelhead	Lake		Grayling	Pike	Sheefish
S	Tazimina Lakes	32	0	0	0	0	0	0	0	0	0	0	0
S	Tazimina River	188	0	0	14	0	0	0	3	0	5	0	0
T	Agulowak River	858	0	5	1,127	0	5	0	0	3	10	2	0
T	Agulukpak River	411	0	0	3	0	0	0	0	0	0	2	0
T	Aleknagik Lake	88	0	2	54	0	0	0	0	4	0	0	0
T	Mulchatna River	104	0	55	1	0	5	0	0	2	8	0	0
T	Nushagak River - Black Point upstream to sonar site	1,817	605	243	18	0	8	0	0	3	0	0	0
T	Nushagak River - sonar site to outlet of Mulchatna	2,103	883	1,226	11	0	2	0	0	13	3	3	0
T	Nushagak River - upstream from mouth of Mulchatna R.	630	19	166	0	0	2	0	0	31	13	0	0
T	Nushagak River System[d]	192	15	0	20	0	2	0	0	17	2	0	0
T	Nuyakuk River (Tikchik-Nuyakuk Lake System)	285	0	33	23	0	0	0	1	1	12	3	0
T	Other Lakes and Streams	607	38	183	31	0	0	0	3	2	0	0	0
T	Togiak River System	873	477	597	2	0	1	0	0	16	0	0	0
T	Wood River	135	0	34	154	0	1	0	0	6	0	0	0
T	Wood River Lakes System	321	0	12	10	0	0	0	0	0	15	2	0
	Other Lakes and Streams in Southcentral	142	2	97	5	0	0	0	0	15	0	0	0
	Total Southcentral	94,910	10,556	38,085	29,146	1	359	9	93	1,342	231	265	0

Note: Responses with less than 4 businesses are not reported separately, to protect confidentiality of respondents. Data are current as of 05/26/2011.

[a] Karluk Lagoon and River below weir (to .5 mile above lagoon).

[b] Naknek River (downstream from Rapids Camp, including tributaries).

[c] Naknek River (Rapids Camp upstream to Naknek Lake, including tributaries).

[d] Nushagak River System (including Harris Creek and King Salmon River).

Appendix G8.–Freshwater logbook angler days and species kept by area and site, AYK Alaska, 2010.

Area	Site	Angler Days	Salmon			Trout				Dolly Varden	Northern		
			King	Coho	Sockeye	Cutthroat	Rainbow	Steelhead	Lake		Grayling	Pike	Sheefish
I	Copper River	108	82	1	21	0	0	0	0	0	0	0	0
I	Gulkana River (Highway to Copper River)	151	60	0	7	0	0	0	0	0	0	0	0
I	Gulkana River (West Fork to Highway)	257	125	0	7	0	0	0	0	0	0	0	0
I	Klutina River	1,286	563	0	356	0	1	0	0	184	6	0	0
I	Other Streams	68	18	0	0	0	0	0	0	0	0	0	0
U	Other Lakes	70	0	0	0	0	10	0	0	1	41	124	0
U	Other Streams	1,031	6	95	0	0	0	0	0	0	2	0	0
V	Aniak River	630	10	47	3	0	0	0	0	24	4	12	5
V	Goodnews River	862	76	552	63	0	6	0	0	39	0	0	0
V	Holitna River	400	76	33	0	0	0	0	0	50	2	14	19
V	Kanektok River (Quinhagak, Chosen)	1,830	163	598	210	0	1	0	0	42	11	0	0
V	Kuskokwim River drainages below Aniak R[a]	645	6	14	0	0	0	0	0	10	21	0	0
V	Other Lakes and Streams	134	0	1	1	0	0	0	0	1	0	0	0
V	Other Streams - Kuskokwim drainages above Aniak R.	57	0	14	0	0	0	0	1	0	0	2	0
W	Streams	549	36	559	0	0	0	0	0	151	6	0	0
Y	Lakes and Streams	1,119	74	238	0	0	0	0	0	20	133	24	7
	Other Lakes and Streams in AYK	219	0	0	0	0	0	0	0	202	0	0	34
	Total AYK	9,416	1,295	2,152	668	0	18	0	1	724	226	176	65

Note: Responses with less than 4 businesses are not reported separately, to protect confidentiality of respondents. Data are current as of 05/26/2011.

[a] Kuskokwim River drainages below Aniak River; includes drainages of the Aniak River.

Appendix G9.–Freshwater logbook angler days and species kept by region, Statewide, 2010.

Region	Angler Days	Salmon			Trout				Dolly Varden	Northern Grayling	Northern Pike	Sheefish
		King	Coho	Sockeye	Cutthroat	Rainbow	Steelhead	Lake				
Southeast	8,913	43	7,238	1,250	13	6	4	0	225	0	0	0
Southcentral	94,910	10,556	38,085	29,146	1	359	9	93	1,342	231	265	0
Arctic-Yukon-Kuskokwim	9,416	1,295	2,152	668	0	18	0	1	724	226	176	65
Total	113,239	11,894	47,475	31,064	14	383	13	94	2,291	457	441	65

Note: Data are current as of 05/26/2011.

Appendix G10.–Freshwater logbook angler days and species released by area and site, Southeast Alaska, 2010.

Area	Site	Angler Days	Salmon			Trout				Dolly Varden	Grayling	Northern Pike	Sheefish
			King	Coho	Sockeye	Cutthroat	Rainbow	Steelhead	Lake				
A	Lakes	63	0	0	0	550	1	0	0	0	0	0	0
A	Streams	568	0	58	1	102	297	4	0	120	0	0	0
B	Other Lakes	30	0	26	38	5	1	0	0	60	0	0	0
B	Other Streams	139	2	11	37	10	4	2	0	306	0	0	0
B	Thorne River and Lake	42	0	1	0	13	4	1	0	49	0	0	0
C	Streams	201	39	103	33	94	14	59	0	171	0	0	0
D	Baranof Island Lakes and Streams	762	0	11	1	263	130	7	0	2,011	0	0	0
D	Chichagof Island Lakes and Streams	159	0	15	0	41	0	12	0	944	0	0	0
D	Nakwasina Sound Streams (Baranof Island)	86	0	0	0	0	0	0	0	312	0	0	0
D	Other Lakes and Streams	83	0	10	0	5	121	11	0	205	0	0	0
D	Politofski Creek (Baranof Island)	23	0	0	0	0	9	11	0	4	0	0	0
D	Salmon Creek (Baranof Island)	23	0	0	0	19	64	4	0	63	0	0	0
D	Sitkoh Creek and Lake (Chichagof Island)	42	0	0	0	246	127	0	0	79	0	0	0
E	Admiralty Island Streams (Admiralty Island)	583	0	4	0	11	0	1	0	2,832	0	0	0
E	Other Streams	926	1	49	0	20	0	11	0	3,714	0	0	0
G	Mud Bay Creek (Chichagof Island)	54	0	2	0	1	0	0	0	674	0	0	0
G	Other Streams	336	0	34	3	98	0	0	0	1,476	0	0	0
G	Trail River (Chichagof Island)	108	0	39	0	1	0	0	0	93	0	0	0
H	East Alsek River	409	0	2,890	220	0	0	0	0	0	0	0	0
H	Other Lakes and Streams	1,218	5	5,957	8	88	0	251	0	131	0	0	0
H	Situk River (above weir)	946	0	481	832	0	2	1,378	0	71	0	0	0
H	Situk River (below weir)	140	0	28	59	0	0	46	0	19	0	0	0
H	Tsiu River	1,646	0	26,626	0	0	0	1	0	14	0	0	0
	Other Lakes and Streams in SE	326	0	0	80	0	0	0	0	158	0	0	0
	SE Total	8,913	47	36,345	1,312	1,567	774	1,799	0	13,506	0	0	0

Note: Responses with less than 4 businesses are not reported separately, to protect confidentiality of respondents. Data are current as of 05/26/2011.

Appendix G11.–Freshwater logbook angler days and species released by area and site, Southcentral Alaska, 2010.

Area	Site	Angler Days	Salmon			Trout				Dolly Varden	Northern		
			King	Coho	Sockeye	Cutthroat	Rainbow	Steelhead	Lake		Grayling	Pike	Sheefish
J	Delight Lake	52	0	4	0	0	0	0	0	2	0	0	0
J	Eyak River	192	0	269	18	2	0	0	0	326	0	0	0
J	Other Lakes and Streams	162	0	185	0	64	0	0	0	38	0	0	0
K	Lakes and Streams	1,366	14	43	3	0	63	0	0	3	1	0	0
M	Alexander Lake	28	0	0	0	0	0	0	0	0	0	557	0
M	Chulitna River	102	0	0	21	0	371	0	0	0	40	0	0
M	Chunilna Creek (Clear Creek)	249	13	192	5	0	24	0	0	17	36	0	0
M	Deshka River (Kroto Creek)	1,149	83	87	0	0	62	0	0	0	1	28	0
M	Fish Lake Creek and Fish Lakes (Yentna Drainage)	100	1	11	8	0	0	0	0	1	0	32	0
M	Indian Creek (into Yentna near Fish Lakes)	434	49	79	0	0	7	0	0	0	0	4	0
M	Lake Creek	3,863	748	1,215	232	0	4,321	0	0	8	1,129	10	0
M	Little Willow Creek	97	0	7	0	0	35	0	0	1	1	0	0
M	Montana Creek	19	0	1	0	0	30	0	0	0	2	0	0
M	Other Lakes - Chulitna/East Susitna Drainage	41	0	0	11	0	11	0	3	3	63	0	0
M	Other Streams - Chulitna / East Susitna Drainage	237	39	117	0	0	46	0	0	1	326	0	0
M	Other Lakes and Streams - West Susitna Drainage	256	61	356	2	0	36	0	0	19	48	0	0
M	Talachulitna Creek	103	10	126	163	0	99	0	0	50	47	1	0
M	Talachulitna River	1,476	567	710	96	0	767	0	0	365	353	4	0
M	Talkeetna River	644	88	132	254	0	37	0	0	22	28	0	0
M	Willow Creek	98	0	1	0	0	1,019	0	0	4	70	0	0
M	Yentna River	219	35	75	1	0	8	0	0	1	0	12	0
M	Yentna River Drainage (Remainder)	2,817	598	2,444	279	0	3,429	0	16	1,113	834	33	0
N	Big River	280	0	56	433	0	0	0	0	2	0	0	0
N	Big River Lakes	2,616	0	936	2,690	0	1	0	0	41	0	0	0
N	Chuitna River	125	16	189	0	0	115	0	0	11	0	0	0
N	Coal Creek (into Beluga Lake)	52	2	34	6	0	8	0	0	16	10	0	0
N	Crescent Lake	372	7	18	151	0	10	0	25	834	347	0	0
N	Kamishak River	223	0	473	14	0	2	4	0	780	14	0	0
N	Kustatan River	914	0	506	81	0	0	0	0	209	0	0	0
N	Other Sites (South of North Forelands)	400	1	729	6	0	0	0	16	664	0	0	0
N	Other Sites between N. Forelands and Susitna Drainage	20	0	0	0	0	19	0	5	30	1	126	0

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Area	Site	Angler Days	Salmon			Trout				Dolly Varden	Grayling	Northern Pike	Sheefish
			King	Coho	Sockeye	Cutthroat	Rainbow	Steelhead	Lake				
N	Wolverine Creek mouth (by Big River Lakes)	1,953	0	252	2,862	0	0	0	0	0	0	0	0
P	Anchor River	120	11	14	0	0	2	36	0	332	0	0	0
P	Deep Creek	179	21	7	0	0	3	22	0	165	0	0	0
P	Kasilof River reach not specified	63	11	0	0	0	0	4	0	7	0	0	0
P	Kasilof River above Highway	154	7	5	0	0	10	1	0	68	0	0	0
P	Kasilof River below Highway	5,836	1,143	40	8	0	48	116	1	717	0	0	0
P	Kenai River - Cook Inlet to Soldotna Bridge	20,470	1,008	323	231	0	4,392	0	0	3,035	0	0	0
P	Kenai River - reach not specified	373	5	0	30	0	613	0	0	466	0	0	0
P	Kenai River - Moose River to Skilak outlet	3,882	62	267	1,181	0	15,638	0	0	10,674	31	8	0
P	Kenai River - Skilak Inlet to Kenai Lake	6,932	6	151	2,367	0	22,673	0	58	21,218	10	0	0
P	Kenai River - Soldotna Bridge to Moose River	2,912	309	40	156	0	3,089	0	0	654	0	0	0
P	Ninilchik River	149	144	2	0	0	1	2	0	32	0	0	0
P	Other Lakes	102	0	0	0	0	354	0	0	6	92	0	0
P	Other Streams	267	0	819	0	0	254	5	0	313	18	0	0
P	Quartz Creek	76	0	0	10	0	64	0	0	791	7	0	0
P	Russian River	182	0	1	105	0	325	0	0	87	0	0	0
Q	Afognak River (Litnik Stream)	112	0	26	9	0	9	2	0	6	0	0	0
Q	American River	55	5	0	0	0	0	0	0	89	0	0	0
Q	Ayakulik River (sometimes called Red River)	359	161	1,401	351	0	0	62	0	687	0	0	0
Q	Dog Salmon Creek (Frazer River)	435	1	149	701	0	11	2	0	248	0	0	0
Q	Karluk Lagoon and River [a]	161	12	51	62	0	0	4	0	291	0	0	0
Q	Karluk Lake and River above Weir	175	0	145	65	0	0	661	0	1,803	0	0	0
Q	Olds River	58	4	13	0	0	0	0	0	16	0	0	0
Q	Other Remote Streams	785	27	562	820	0	63	51	0	438	0	0	0
Q	Roadside Lakes	122	0	26	7	0	2	0	0	485	0	0	0
Q	Roadside Streams	241	0	64	12	0	1	0	0	139	0	37	0
Q	Saltery River	1,362	1	82	919	6	25	0	0	4,470	2	0	0
Q	Uganik River	270	1	197	3	0	172	4	0	2,483	0	0	0
Q	Zachar Bay Streams	62	0	26	0	0	0	0	0	76	0	0	0
R	American Creek	1,273	0	0	76	0	5,154	0	3	15,610	255	1	0
R	Becharof System	165	5	34	85	0	150	0	0	1,508	300	4	0

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Area	Site	Angler Days	Salmon			Trout				Dolly Varden	Northern		
			King	Coho	Sockeye	Cutthroat	Rainbow	Steelhead	Lake		Grayling	Pike	Sheefish
R	Brooks Lake	35	0	0	1	0	185	0	12	0	0	4	0
R	Brooks River	751	0	5	929	0	4,071	11	2	47	5	1	0
R	Contact Creek	123	29	1	6	0	128	0	0	886	537	0	0
R	Egegik River (Becharof System)	427	1	1,384	80	0	1	0	0	21	0	0	0
R	Naknek River[b]	448	220	197	74	0	144	0	0	33	2	0	0
R	Naknek River[c]	1,350	303	365	1,557	0	4,592	0	1	913	178	36	30
R	Naknek River and Tributaries	1,362	270	173	223	0	2,539	0	752	3,503	719	70	0
R	Other Lakes	197	0	159	110	0	213	0	7	188	0	20	0
R	Other Streams	2,493	1,655	6,033	1,168	0	514	26	0	3,671	43	0	0
R	Swikshak River	65	0	248	0	0	0	0	0	0	0	0	0
R	Ugashik System	302	74	339	137	0	0	0	10	2,215	183	0	0
S	Alagnak (Branch) River	2,868	1,424	1,065	2,841	0	2,461	0	242	199	858	11	0
S	Alexey Lake	19	0	0	0	0	9	0	0	0	52	43	0
S	Battle River	277	0	0	253	0	1,102	0	2	4	81	0	0
S	Copper River (Lake Iliamna Area)	975	0	2	576	0	6,904	0	0	19	7	75	0
S	Funnel Creek	105	0	0	31	0	827	0	1	22	3	0	0
S	Gibraltar River	168	1	0	72	0	1,040	0	0	5	10	0	0
S	Kijik Lake	35	0	0	0	0	0	0	35	36	119	0	0
S	Kukaklek River (Big Ku) (into Alagnak)	226	0	0	21	0	1,346	0	13	5	23	4	0
S	Kulik River	1,084	0	0	253	0	11,932	0	423	10	18	0	0
S	Kvichak River	2,658	22	636	5,437	0	6,342	0	0	134	2,221	366	0
S	Lake Clark	155	0	0	14	0	4	0	88	67	583	307	0
S	Lake Iliamna	339	0	20	401	0	1,266	0	0	2,018	4	0	0
S	Little Kulik (into Nanuktuk Creek)	47	0	0	27	0	272	0	0	44	0	0	0
S	Lower Talarik Creek	129	0	32	85	0	665	0	0	0	13	0	0
S	Moraine Creek	884	0	0	403	0	7,449	0	8	21	312	0	0
S	Nanuktuk Creek	139	0	0	76	0	1,372	0	0	234	36	0	0
S	Newhalen River	231	0	2	265	0	203	0	89	8	290	0	0
S	Nonvianuk Lake	44	0	0	1	0	111	0	206	0	0	0	0
S	Nonvianuk River (into Alagnak)	147	8	0	33	1	980	0	252	2	1	0	0
S	Other Lakes and Streams	50	0	0	13	0	470	0	0	93	70	50	0

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Area	Site	Angler Days	Salmon			Trout				Dolly Varden	Northern Grayling	Northern Pike	Sheefish
			King	Coho	Sockeye	Cutthroat	Rainbow	Steelhead	Lake				
S	Tazimina Lakes	32	0	0	0	0	77	0	0	5	72	0	0
S	Tazimina River	188	0	1	37	0	705	0	2	48	864	0	0
T	Agulowak River	858	0	32	1,079	0	2,505	0	0	902	1,580	193	1
T	Agulukpak River	411	0	0	54	0	1,479	0	0	56	548	580	0
T	Aleknagik Lake	88	0	5	8	0	7	0	0	212	0	120	0
T	Mulchatna River	104	12	630	7	0	147	0	1	186	209	2	0
T	Nushagak River - Black Point upstream to Sonar Site	1,817	3,139	423	22	0	63	0	0	0	1	2	0
T	Nushagak River - sonar site to outlet of Mulchatna	2,103	2,322	2,291	3	0	12	0	0	8	79	6	0
T	Nushagak River - upstream from mouth of Mulchatna R.	630	42	178	11	0	2,344	0	0	2,391	1,782	0	0
T	Nushagak River System[d]	192	10	0	59	0	398	0	0	727	1,722	1	0
T	Nuyakuk River (Tikchik-Nuyakuk Lake System)	285	8	356	94	0	384	0	18	110	3,182	9	0
T	Other Lakes and Streams	607	323	1,233	125	0	339	0	669	176	610	103	0
T	Togiak River System	873	2,028	1,408	31	0	441	0	8	562	41	28	0
T	Wood River	135	0	8	65	0	17	0	0	190	10	1	0
T	Wood River Lakes System	321	0	1	326	0	313	0	0	319	346	751	0
	Other Lakes and Streams in SC	142	1	17	1	0	14	0	0	99	0	0	0
	SC Total	94,910	17,168	30,936	31,543	73	129,960	1,013	2,968	91,864	21,480	3,640	31

Note: Responses with less than 4 businesses are not reported separately, to protect confidentiality of respondents. Data are current as of 05/26/2011.

[a] Karluk Lagoon and River below weir (to .5 mile above lagoon).

[b] Naknek River (downstream from Rapids Camp, including tributaries).

[c] Naknek River (Rapids Camp upstream to Naknek Lake, including tributaries).

[d] Nushagak River System (including Harris Creek and King Salmon River).

Appendix G12.–Freshwater logbook angler days and species released by area and site, AYK Alaska, 2010.

Area	Site	Angler Days	Salmon			Trout				Dolly Varden	Northern Grayling	Pike	Sheefish
			King	Coho	Sockeye	Cutthroat	Rainbow	Steelhead	Lake				
I	Copper River	108	247	0	5	0	0	0	0	0	0	0	0
I	Gulkana River (Highway to Copper River)	151	66	0	34	0	15	0	0	0	171	0	0
I	Gulkana River (West Fork to Highway)	257	139	0	14	0	35	0	0	0	38	0	0
I	Klutina River	1,286	924	0	117	0	25	0	0	91	28	0	0
I	Other Streams	68	30	0	0	0	57	0	0	1	129	0	0
U	Other Lakes	70	0	0	0	0	12	0	3	0	142	267	0
U	Other Streams	1,031	31	54	0	0	0	0	0	0	5,930	51	0
V	Aniak River	630	443	492	30	0	2,388	0	0	4,947	1,444	269	45
V	Goodnews River	862	339	3,937	93	0	649	0	2	3,017	259	0	0
V	Holitna River	400	173	32	66	0	0	0	0	622	690	1,365	175
V	Kanektok River (Quinhagak, Chosen)	1,830	612	1,600	767	0	2,606	0	1	5,282	769	11	0
V	Kuskokwim R. drainages below Aniak River[a]	645	35	295	14	0	2,309	0	0	2,722	2,045	4	3
V	Other Lakes and Streams	134	4	217	13	0	528	0	30	223	80	0	0
V	Other streams - Kuskokwim drainages above Aniak River	57	46	39	11	0	8	0	44	51	183	65	0
W	Streams	549	185	1,515	0	0	0	0	0	1,472	1,102	19	0
Y	Lakes and Streams	1,119	287	1,888	121	0	0	0	0	961	7,579	4,513	145
	Other Lakes and Streams in AYK	219	0	0	0	0	0	0	0	158	41	8	462
	AYK Total	9,416	3,561	10,069	1,285	0	8,632	0	80	19,547	20,630	6,572	830

Note: Responses with less than 4 businesses are not reported separately, to protect confidentiality of respondents. Data are current as of 05/26/2011.

[a] Kuskokwim River drainages below Aniak River; includes drainages of the Aniak River.

Appendix G13.–Freshwater logbook angler days and species released by region, Statewide, 2010.

Region	Angler Days	Salmon			Trout				Dolly Varden	Northern Grayling	Pike	Sheefish
		King	Coho	Sockeye	Cutthroat	Rainbow	Steelhead	Lake				
Southeast	8,913	47	36,345	1,312	1,567	774	1,799	0	13,506	0	0	0
Southcentral	94,910	17,168	30,936	31,543	73	129,960	1,013	2,968	91,864	21,480	3,640	31
Arctic-Yukon-Kuskokwim	9,416	3,561	10,069	1,285	0	8,632	0	80	19,547	20,630	6,572	830
Total	113,239	20,776	77,350	34,140	1,640	139,366	2,812	3,048	124,917	42,110	10,212	861

Note: Data are current as of 05/26/2011.

APPENDIX H
SALTWATER LOGBOOK SUMMARIES BY AREA

Appendix H1.–Saltwater logbook salmon participation, effort, kept and released by area and port of offloading, Southeast Alaska, 2010.

						King						
						Large		Small		Coho	Sockeye	Other Salmon
Area	Port of Offloading	Businesses[a]	Vessels[a]	Trips	Angler Days	Kept	Released	Kept	Released	Kept	Kept	Kept
A	Clover Pass	5	6	116	481	65	1	0	21	1,132	14	919
A	Ketchikan	71	91	4,143	16,444	1,533	154	325	1,703	8,578	44	15,744
A	Knudson Cove	18	19	865	3,731	219	34	24	556	1,589	22	3,561
A	Salmon Falls	5	13	205	663	130	54	2	120	1,132	1	970
A	Other	11	23	664	1,464	213	31	34	301	1,650	9	1,367
B	Coffman Cove	6	7	156	645	30	5	4	37	656	0	26
B	Craig	30	56	1,330	4,457	1,655	199	58	74	7,660	10	538
B	Klawock	9	18	435	1,352	349	23	21	47	2,193	12	309
B	Thorne Bay	8	11	293	1,039	52	17	2	111	1,044	2	882
B	Whale Pass	4	6	37	141	0	0	0	0	21	0	6
B	Other	24	67	3,081	12,528	3,426	342	52	776	15,218	38	4,496
C	Kake	4	4	27	128	0	0	0	0	22	0	0
C	Petersburg	29	36	686	2,503	172	17	9	23	598	0	100
C	Wrangell	11	11	189	748	88	8	2	41	143	0	11
D	Port Alexander	7	8	133	462	90	25	3	4	250	150	55
D	Sitka	95	156	7,296	29,721	16,044	3,757	147	1,157	35,862	196	4,434
D	Other	9	20	411	1,311	235	44	2	98	1,753	0	364
E	Angoon	5	11	245	935	119	11	3	28	1,768	0	358
E	Auke Bay	30	39	1,844	7,849	337	39	46	188	2,469	21	2,183
E	Juneau	21	34	389	1,333	41	6	3	34	373	3	156
E	Other	10	22	766	3,108	104	21	13	75	1,473	8	1,301
F1	Skagway	5	5	359	1,325	157	60	5	822	1	0	5
G	Bartlett Cove	9	12	67	266	14	6	0	1	31	3	39
G	Elfin Cove	16	29	1,122	4,306	823	148	6	89	3,695	5	925
G	Gustavus	15	27	1,326	5,372	322	61	7	74	1,914	158	975
G	Hoonah	17	19	346	1,612	11	8	8	7	115	0	91
G	Pelican	5	9	210	716	231	47	12	27	686	2	21
G	Other	7	8	180	2,708	134	49	3	45	2,260	35	3,613
H	Yakutat	7	11	646	2,643	111	14	4	6	2,361	4	28
	Other Southeast	5	8	253	920	53	8	0	248	209	0	41
	Total Southeast	373	644	27,820	110,911	26,758	5,189	795	6,713	96,856	737	43,518

Note: Participation (number of businesses, vessels, trips and angler days) was determined by number of trips, not targeted species. Responses with less than 4 businesses are not reported separately, to protect confidentiality of respondents. Data are current as of 05/25/2011.

[a] Business and vessel regional and total counts are not additive as they can offload at multiple ports.

Appendix H2.–Saltwater logbook salmon participation, effort, kept, and released by area and port of offloading, Southcentral Alaska, 2010.

						King						
					Angler	Large		Small		Coho	Sockeye	Other Salmon
Area	Port of Offloading	Businesses[a]	Vessels[a]	Trips	Days	Kept	Released	Kept	Released	Kept	Kept	Kept
J	Chenega Bay	5	5	46	224	1	0	1	0	155	0	28
J	Cordova	5	5	84	363	2	0	1	0	66	0	44
J	Port Ashton	5	5	17	101	4	0	2	0	142	0	3
J	Valdez	38	42	1,232	6,618	30	10	13	3	8,139	96	192
J	Whittier	25	27	684	3,819	0	0	4	1	1,428	100	276
N	Other	4	5	46	185	0	0	0	0	0	0	0
P	Anchor Point	38	41	1,502	8,443	132	11	27	10	171	5	93
P	Deep Creek	69	93	3,197	18,663	200	11	25	11	53	1	15
P	Homer	118	134	5,637	43,252	1,855	75	442	46	2,927	284	1,342
P	Ninilchik	20	24	443	2,369	49	1	11	13	9	0	3
P	Seldovia	7	7	110	489	13	1	4	1	20	1	39
P	Other	11	23	372	1,230	112	3	3	1	231	5	3
P	Seward	73	110	4,423	36,167	601	51	140	48	40,323	302	2,194
Q	Anton Larsen Bay	4	4	8	30	9	0	0	0	8	0	6
Q	Kodiak	34	36	1,041	5,185	859	18	158	7	1,759	83	421
Q	Larsen Bay	8	15	461	1,725	155	85	76	32	2,747	6	27
Q	Port Lions	9	12	213	855	146	3	23	0	742	21	145
Q	Raspberry Island	5	5	79	307	69	4	37	4	142	0	11
Q	Ugak Bay	4	5	69	287	3	0	5	0	148	0	3
Q	Other	29	43	867	3,092	282	16	142	149	3,011	188	178
R	Other	11	15	178	604	2	0	0	0	97	7	5
	Other Southcentral	4	8	213	1,135	1	0	3	0	665	137	526
	Total Southcentral	403	528	20,922	135,143	4,525	289	1,117	326	62,983	1,236	5,554

Note: Participation (number of businesses, vessels, trips and angler days) was determined by number of trips, not targeted species. Responses with less than 4 businesses are not reported separately, to protect confidentiality of respondents. Data are current as of 05/25/2011.

[a] Business and vessel regional and total counts are not additive as they can offload at multiple ports.

Appendix H3.–Saltwater logbook salmon participation, effort, kept and released by region, statewide, 2010.

					King						
					Large		Small		Coho	Sockeye	Other Salmon
Region	Businesses[a]	Vessels[a]	Trips	Angler Days	Kept	Released	Kept	Released	Kept	Kept	Kept
SE	373	644	27,820	110,911	26,758	5,189	795	6,713	96,856	737	43,518
SC	403	528	20,922	135,143	4,525	289	1,117	326	62,983	1,236	5,554
Total	776	1,172	48,742	246,054	31,283	5,478	1,912	7,039	159,839	1,973	49,072

Note: Participation (number of businesses, vessels, trips and angler days) was determined by number of trips, not targeted species. Responses with less than 4 businesses are not reported separately, to protect confidentiality of respondents. Data are current as of 05/25/2011.

[a] Business and vessel regional and total counts are not additive as they can offload at multiple ports.

Appendix H4.–Saltwater logbook bottomfish participation, effort, kept and released by area and port of offloading, Southeast Alaska, 2010.

Area	Port of Offloading	Businesses[a]	Vessels[a]	Trips	Angler Days	Halibut		Lingcod		Rockfish						Sablefish	Shark
										Pelagic		Yelloweye		Non-Pelagic			
						Kept	Released	Kept	Released	Kept	Released	Kept	Released	Kept	Released	Kept	Kept
A	Clover Pass	5	6	116	481	399	59	11	3	184	2	56	0	41	0	0	0
A	Ketchikan	71	91	4,143	16,444	3,001	1,269	100	259	1,046	284	1,163	92	3,271	321	28	0
A	Knudson Cove	18	19	865	3,731	210	35	4	9	23	36	20	1	41	0	1	0
A	Salmon Falls	5	13	205	663	336	89	8	20	50	1	50	2	148	16	7	0
A	Other	11	23	664	1,464	374	49	19	9	233	11	114	1	303	20	7	0
B	Coffman Cove	6	7	156	645	523	305	11	7	21	0	48	0	147	2	4	0
B	Craig	30	56	1,330	4,457	2,905	1,094	490	411	3,545	218	1,287	27	1,433	245	28	3
B	Klawock	9	18	435	1,352	1,110	580	188	288	1,816	125	212	37	872	403	0	0
B	Thorne Bay	8	11	293	1,039	435	202	65	71	273	11	150	7	461	3	6	0
B	Whale Pass	4	6	37	141	91	81	0	0	6	0	1	0	14	0	0	0
B	Other	24	67	3,081	12,528	7,360	1,446	1,117	1,181	9,207	986	2,452	154	3,728	1,266	44	0
C	Kake	4	4	27	128	96	3	3	3	110	1	31	0	0	1	0	0
C	Petersburg	29	36	686	2,503	1,563	3,362	6	44	397	61	68	13	144	35	19	1
C	Wrangell	11	11	189	748	232	82	5	5	19	0	13	0	22	1	1	0
D	Port Alexander	7	8	133	462	219	142	26	79	195	33	88	2	38	4	26	0
D	Sitka	95	156	7,296	29,721	13,143	5,176	1,230	6,051	31,437	1,555	7,281	685	6,114	318	246	3
D	Other	9	20	411	1,311	650	459	7	54	236	441	116	11	231	9	0	0
E	Angoon	5	11	245	935	582	232	3	5	240	16	64	0	332	9	29	0
E	Auke Bay	30	39	1,844	7,849	2,069	1,678	7	18	648	8	58	5	745	20	1,675	0
E	Juneau	21	34	389	1,333	276	334	2	8	146	44	31	6	119	40	4	0
E	Other	10	22	766	3,108	1,997	940	57	112	2,887	21	366	17	609	29	1,756	0
F1	Skagway	5	5	359	1,325	5	1	0	0	1	0	0	0	0	16	0	0
G	Bartlett Cove	9	12	67	266	142	328	3	19	23	13	1	1	7	2	0	0
G	Elfin Cove	16	29	1,122	4,306	2,240	2,513	181	1,592	3,620	570	719	119	1,047	138	41	0
G	Gustavus	15	27	1,326	5,372	3,849	6,193	153	373	699	81	253	12	281	42	0	0
G	Hoonah	17	19	346	1,612	634	2,297	1	3	14	9	11	2	15	7	0	0
G	Pelican	5	9	210	716	314	223	18	22	191	22	113	7	43	4	0	0
G	Other	7	8	180	2,708	2,581	3,390	37	47	60	56	17	19	41	63	5	1
H	Yakutat	7	11	646	2,643	3,359	885	922	366	1,895	94	97	0	349	11	0	0
	Other Southeast	5	8	253	920	385	375	13	54	318	46	57	11	162	4	0	0
	Total Southeast	373	644	27,820	110,911	51,080	33,822	4,687	11,113	59,540	4,745	14,937	1,231	20,758	3,029	3,927	8

Note: Participation (number of businesses, vessels, trips and angler days) was determined by number of trips, not targeted species. Responses with less than 4 businesses are not reported separately, to protect confidentiality of respondents. Data are current as of 05/25/2011.

[a] Business and vessel regional and total counts are not additive as they can offload at multiple ports.

Appendix H5.–Saltwater logbook bottomfish participation, effort, kept, and released by area and port of offloading, Southcentral Alaska, 2010.

										Rockfish							
	Port of				Angler	Halibut		Lingcod		Pelagic		Yelloweye		Non-Pelagic		Sablefish	Shark
Area	Offloading	Businesses[a]	Vessels[a]	Trips	Days	Kept	Released	Kept	Released	Kept	Released	Kept	Released	Kept	Released	Kept	Kept
J	Chenega Bay	5	5	46	224	367	0	23	4	407	14	15	0	20	4	0	0
J	Cordova	5	5	84	363	304	86	47	19	255	166	93	1	62	6	0	0
J	Port Ashton	5	5	17	101	144	73	31	9	104	0	12	0	4	2	0	0
J	Valdez	38	42	1,232	6,618	6,920	5,448	1,999	1,347	2,339	139	1,763	229	460	30	20	10
J	Whittier	25	27	684	3,819	4,497	3,269	571	307	689	191	568	13	482	17	16	1
N	Other	4	5	46	185	321	119	1	4	0	0	0	0	0	1	0	0
P	Anchor Point	38	41	1,502	8,443	16,035	18,442	316	209	218	15	111	3	69	13	0	0
P	Deep Creek	69	93	3,197	18,663	35,551	44,491	33	48	75	2	26	5	23	8	8	1
P	Homer	118	134	5,637	43,252	79,070	106,842	3,355	1,549	9,907	910	1,228	43	1,809	119	33	1
P	Ninilchik	20	24	443	2,369	4,389	5,475	61	35	14	8	37	2	21	1	0	0
P	Seldovia	7	7	110	489	877	1,073	34	8	11	9	33	2	1	0	0	0
P	Other	11	23	372	1,230	1,945	4,671	1	8	12	0	3	1	0	0	0	0
P	Seward	73	110	4,423	36,167	47,274	22,000	5,489	2,216	25,644	1,523	4,722	83	3,642	287	74	3
Q	Anton Larsen Bay	4	4	8	30	49	19	2	0	40	19	0	0	0	0	0	0
Q	Kodiak	34	36	1,041	5,185	7,133	3,902	1,423	160	8,518	952	435	7	2,435	134	0	0
Q	Larsen Bay	8	15	461	1,725	2,391	6,102	57	90	695	145	268	18	118	28	0	0
Q	Port Lions	9	12	213	855	989	272	43	12	357	36	11	0	13	0	1	0
Q	Raspberry Island	5	5	79	307	392	410	10	3	88	47	2	0	0	0	0	0
Q	Ugak Bay	4	5	69	287	165	85	6	6	321	786	3	0	16	76	0	0
Q	Other	29	43	867	3,092	2,760	3,220	714	433	1,332	1,666	279	14	389	347	0	3
R	Other	11	15	178	604	849	831	26	1	101	61	8	1	58	17	1	0
	Other Southcentral	4	8	213	1,135	965	257	92	43	1,183	19	538	38	87	13	0	0
	Total Southcentral	403	528	20,922	135,143	213,387	227,087	14,334	6,511	52,310	6,708	10,155	460	9,709	1,103	153	19

Note: Participation (number of businesses, vessels, trips and angler days) was determined by number of trips, not targeted species. Responses with less than 4 businesses are not reported separately, to protect confidentiality of respondents. Data are current as of 05/25/2011.

[a] Business and vessel regional and total counts are not additive as they can offload at multiple ports.

Appendix H6.–Saltwater logbook bottomfish participation, effort, kept, and released by region, statewide, 2010.

									Rockfish							
				Angler	Halibut		Lingcod		Pelagic		Yelloweye		Non-Pelagic		Sablefish	Shark
Region	Businesses[a]	Vessels[a]	Trips	Days	Kept	Released	Kept	Released	Kept	Released	Kept	Released	Kept	Released	Kept	Kept
SE	373	644	27,820	110,911	51,080	33,822	4,687	11,113	59,540	4,745	14,937	1,231	20,758	3,029	3,927	8
SC	403	528	20,922	135,143	213,387	227,087	14,334	6,511	52,310	6,708	10,155	460	9,709	1,103	153	19
Total	776	1,172	48,742	246,054	264,467	260,909	19,021	17,624	111,850	11,453	25,092	1,691	30,467	4,132	4,080	27

Note: Participation (number of businesses, vessels, trips and angler days) was determined by number of trips, not targeted species. Responses with less than 4 businesses are not reported separately, to protect confidentiality of respondents. Data are current as of 05/25/2011.

[a] Business and vessel regional and total counts are not additive as they can offload at multiple ports.

UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 110
Juneau, Alaska 99801-1172
(907) 586-2820
(907) 463-2545 Fax
E-Mail: ufa@ufa-fish.org
www.ufa-fish.org

March 19, 2012

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senate Finance Committee
Alaska State Legislature
State Capitol, Room 3
Juneau AK 99801-1182

RE: Support for Senate Bill 91

Dear Senators Hoffman, Stedman, and Committee Members,

United Fishermen of Alaska (UFA) represents 37 Alaska commercial fishing organizations from fisheries throughout Alaska and the federal waters off our shores. Altogether our member organizations and individual memberships represent thousands of professional Alaska commercial fishermen.

UFA supports renewal of the licensing of sport fishing operators and sport fishing guides as included in SB 91, and continuation of the logbook program for guided fisheries. Alaska's worldwide reputation for excellence in fisheries management is based in large part on timely and accurate reporting of all harvests, and is also affected by the professionalism of individuals that host our guided visitors. Continuation of these programs is essential to the long term health of fishery resources for all participants.

Based on this level of importance, we also recommend that the committee consider renewing the program for more than the one year that is in the current version of SB 91.

Thank you for your consideration.

Sincerely,

Mark Vinsel
Executive Director

CC: Senator Lesil McGuire

SB

92

<TARGET><BILL>SB 92</BILL><SUBJECT>SB
92</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/7/11

FURTHER:

DATE TURNED IN TO OFFICE: 4.4.11

Finance Committee considered SENATE BILL NO. 92

SB 92-DENTISTS/DENTAL HYGIENISTS/ASSISTANTS

"An Act relating to dental hygienists, dentists, dental assistants, dental hygiene, and dentistry."

and recommends:

[✓] be **replaced** with **CS** SB 92 (FIN) *[✓] Same Title [ ] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____ Letter of Intent

[ ] further referral to _____ Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

FIN

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
CED	✓			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	Egan	✓			
	McGuire	✓			
	Olson			X	
	Ellis	✓			
CO-CHAIR:	Huffman	✓			
CO-CHAIR:		✓			

CS FOR SENATE BILL NO. 92(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATOR EGAN

A BILL

FOR AN ACT ENTITLED

"An Act relating to dental hygienists, dentists, dental assistants, dental hygiene, and dentistry."

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

* **Section 1.** AS 08.32.010 is amended to read:

Sec. 08.32.010. License required. Except as provided in AS 08.32.095, a person may not practice, offer or attempt to practice, or advertise or announce as being prepared or qualified to practice dental hygiene without a license [AND A CURRENT CERTIFICATE OF REGISTRATION].

* **Sec. 2.** AS 08.32 is amended by adding a new section to read:

Sec. 08.32.014. Qualifications for license. (a) An applicant for a license to practice dental hygiene shall

(1) provide evidence to the board that the applicant

(A) has successfully completed an academic program in dental hygiene of at least two years duration that, at the time of graduation, is

accredited by the Commission on Dental Accreditation of the American Dental Association and is approved by the board;

(B) has passed a written theory examination of the American Dental Association Joint Commission on National Dental Examinations or an equivalent examination approved by the board;

(C) has successfully passed a state or regional dental hygiene clinical examination approved by the board;

(D) has not had a license to practice dental hygiene revoked, suspended, or voluntarily surrendered in this state or another state;

(E) is not the subject of an adverse decision based on a complaint, investigation, review procedure, or other disciplinary proceeding within the five years immediately preceding application or of an unresolved complaint, investigation, review procedure, or other disciplinary proceeding undertaken by a state, territorial, local, or federal dental licensing jurisdiction;

(F) is not the subject of an unresolved or adverse decision based on a complaint, investigation, review procedure, or other disciplinary proceeding undertaken by a state, territorial, local, or federal dental licensing jurisdiction or law enforcement agency that relates to criminal or fraudulent activity, dental malpractice, or negligent dental care and that adversely reflects on the applicant's ability or competence to practice as a dental hygienist or on the safety or well-being of patients;

(G) is not the subject of an adverse report from the National Practitioner Data Bank or the American Association of Dental Examiners Clearinghouse for Board Actions that relates to criminal or fraudulent activity or dental malpractice;

(H) is not impaired to an extent that affects the applicant's ability to practice as a dental hygienist;

(I) has not been convicted of a crime that adversely reflects on the applicant's ability or competency to practice as a dental hygienist or that jeopardizes the safety or well-being of a patient; and

(2) meet the other qualifications for a license established by the board

by regulation.

(b) An applicant for a license to practice dental hygiene may be interviewed in person by the board or a designee of the board. The interview must be recorded. If the application is denied on the basis of the interview, the denial shall be stated in writing, with the reasons for it, and the record shall be preserved.

* **Sec. 3.** AS 08.32.030 is amended to read:

Sec. 08.32.030. Licensure by credentials. The board may provide for the licensing without examination of a dental hygienist who

(1) meets the criteria of **AS 08.32.014** [AS 08.32.020(a)];

(2) **submits proof of continued competence as specified in regulations adopted by the board;**

(3) is currently licensed to practice dental hygiene in another state or territory of the United States; and

(4) [HAS SUCCESSFULLY PASSED A STATE OR REGIONAL DENTAL HYGIENE CLINICAL EXAMINATION THAT THE BOARD HAS DETERMINED IS AT LEAST EQUIVALENT IN SCOPE, QUALITY, AND DIFFICULTY TO THE ALASKA CLINICAL EXAMINATION;

(3) HAS BEEN IN ACTIVE CLINICAL DENTAL HYGIENE PRACTICE AVERAGING NOT LESS THAN 700 HOURS A YEAR FOR EACH OF THE TWO YEARS IMMEDIATELY PRECEDING APPLICATION FOR STATE LICENSURE;

(4) HAS NOT FAILED THE CLINICAL DENTAL HYGIENE EXAMINATION OF THIS STATE;

(5) HAS NOT PREVIOUSLY HAD A LICENSE TO PRACTICE DENTAL HYGIENE ISSUED BY ANY STATE OR REGION REVOKED;

(6) HAS COMPLETED NOT LESS THAN 14 HOURS OF CONTINUING EDUCATION RELATED TO CLINICAL HYGIENE IN THE TWO YEARS BEFORE FILING AN APPLICATION WITH THE BOARD; THE CONTINUING EDUCATION REQUIRED UNDER THIS PARAGRAPH MUST BE APPROVED BY THE BOARD, THE AMERICAN DENTAL ASSOCIATION, THE ACADEMY OF GENERAL DENTISTRY, OR THE AMERICAN DENTAL

HYGIENISTS' ASSOCIATION;

(7)] pays the fees **established** [REQUIRED] under **AS 08.01.065** [AS 08.32.097; AND

(8) IS NOT THE SUBJECT OF AN UNRESOLVED COMPLAINT, REVIEW PROCEDURE, OR DISCIPLINARY PROCEEDING UNDERTAKEN BY A DENTAL OR DENTAL HYGIENE LICENSING JURISDICTION].

* **Sec. 4.** AS 08.32.070 is amended to read:

Sec. 08.32.070. Licensing [REGISTRATION AND LICENSING] of dental hygienists. The board shall **issue** [REGISTER] each successful applicant [AND ISSUE THE APPLICANT] a license upon payment of all required fees.

* **Sec. 5.** AS 08.32.071 is amended to read:

Sec. 08.32.071. Renewal of license [REGISTRATION]. At least 60 days before expiration of a **dental hygienist's license** [LICENSEE'S REGISTRATION CERTIFICATE], the Department of Commerce, Community, and Economic Development shall **notify the** [MAIL A FORM FOR RENEWAL OF REGISTRATION TO EACH] licensed dental hygienist. Each licensee who wishes to renew a **dental hygienist's license shall submit a completed license renewal form,** [REGISTRATION CERTIFICATE SHALL COMPLETE THE FORM AND RETURN IT WITH] the appropriate fee, and evidence of continued professional competence as required by the board. The Department of Commerce, Community, and Economic Development shall, as soon as practicable, issue a **dental hygienist license** [REGISTRATION CERTIFICATE] valid for a stated number of years. [EACH LICENSEE SHALL KEEP THE REGISTRATION CERTIFICATE BESIDE OR ATTACHED TO THE LICENSEE'S LICENSE.] Failure to receive **notification from the department under this section** [THE REGISTRATION FORM] does not exempt a licensee from renewing **the licensee's dental hygienist license** [REGISTRATION].

* **Sec. 6.** AS 08.32.081 is amended to read:

Sec. 08.32.081. Lapse and reinstatement of license. A licensed dental hygienist who does not pay the renewal [REGISTRATION] fee **under AS 08.32.071** forfeits the hygienist's license. The board may reinstate the license without examination within two years of the date on which payment was due upon written

application, proof of continued professional competence, and payment of all unpaid renewal fees and any penalty fee established under AS 08.01.100(b).

* **Sec. 7.** AS 08.32.085(a) is amended to read:

(a) The board shall issue a restorative function endorsement to a **licensed** dental hygienist [WHO IS LICENSED UNDER THIS CHAPTER] if the licensee furnishes evidence satisfactory to the board that the licensee has

(1) successfully completed a **course offered by or under the auspices of a** program accredited by the Commission on Dental Accreditation of the American Dental Association or other **equivalent** course **or program** [OF INSTRUCTION] approved by the board; and

(2) passed the Western Regional Examining Board's restorative examination or other equivalent examination approved by the board within the five years preceding the licensee's endorsement application, or the licensee is licensed**, certified, or otherwise permitted** in another state or United States territory to perform restorative functions.

* **Sec. 8.** AS 08.32.095(a) is amended to read:

(a) A person enrolled as a [FULL-TIME] student in an accredited [SCHOOL OF] dental hygiene **program** may perform dental hygiene procedures as part of a course of study without a license if

(1) the procedures are performed under the

(A) general [DIRECT] supervision of a member of the faculty who is licensed under AS 08.36, **and under the direct or indirect supervision of a member of the faculty who is licensed under this chapter;** or

(B) [UNDER THE] direct **or indirect** supervision of a **member of the faculty who** [TEAM OF LICENSED FACULTY DENTISTS, AT LEAST ONE OF WHOM] is licensed under AS 08.36; and

(2) the clinical program has received written approval from the board.

* **Sec. 9.** AS 08.32.110(a) is amended to read:

(a) The role of the dental hygienist is to assist members of the dental profession in providing oral health care to the public. A person licensed to practice the

profession of dental hygiene in the state may,

(1) **under the general supervision of a licensed dentist,**

(A) perform preliminary charting and triage to formulate a dental hygiene assessment and dental hygiene treatment plan;

(B) remove calcareous deposits, accretions, and stains from the exposed surfaces of the teeth beginning at the epithelial attachment by scaling and polishing techniques;

(C) remove marginal overhangs;

(D) use local periodontal therapeutic agents;

(E) perform nonsurgical periodontal therapy;

(F) [(2) APPLY TOPICAL PREVENTIVE AGENTS;

(3) APPLY PIT AND FISSURE SEALANTS;

(4) PERFORM ROOT PLANING AND PERIODONTAL SOFT TISSUE CURETTAGE;

(5)] perform other dental operations and services delegated by a licensed dentist if the dental operations and services are not prohibited by (c) of this section;

(G) [AND (6)] if certified by the board [AND UNDER THE DIRECT, INDIRECT, OR GENERAL SUPERVISION OF A LICENSED DENTIST], administer local anesthetic agents**; and**

(2) if certified by the board and under the direct or indirect supervision of a licensed dentist, administer and monitor nitrous oxide-oxygen conscious sedation.

*** Sec. 10.** AS 08.32.110(c) is amended to read:

(c) This section does not authorize delegation of

(1) **dental diagnosis, comprehensive** [DIAGNOSING,] treatment planning, and writing prescriptions for drugs; writing authorizations for restorative, prosthetic, or orthodontic appliances;

(2) operative or surgical procedures on hard or soft tissues [EXCEPT AS ALLOWED IN (a)(4) OF THIS SECTION]; or

(3) other procedures that require the professional competence and skill

of a dentist.

* **Sec. 11.** AS 08.32.110(e) is amended to read:

(e) This section does not prohibit a **licensed** dental hygienist

(1) with an endorsement issued under AS 08.32.085 from performing the activities authorized under AS 08.32.085; [OR]

(2) who has entered into a collaborative agreement approved by the board under AS 08.32.115 from performing the activities authorized under the collaborative agreement**; or**

(3) from performing a dental operation, procedure, or service a dentist may delegate to a dental assistant under AS 08.36.346.

* **Sec. 12.** AS 08.32.115(a) is amended to read:

(a) If the collaborative agreement is approved by the board under (d) of this section, a **licensed** dental hygienist with a minimum of 4,000 documented hours of clinical experience within the five years preceding application for the board's approval may enter into a collaborative agreement with a **licensed** dentist [LICENSED UNDER AS 08.36] in which the licensed dentist authorizes the **licensed** dental hygienist to perform one or more of the following:

(1) oral health promotion and disease prevention education;

(2) removal of calcareous deposits, accretions, and stains from the surfaces of teeth;

(3) application of topical preventive or prophylactic agents, including fluoride varnishes and pit and fissure sealants;

(4) polishing and smoothing restorations;

(5) removal of marginal overhangs;

(6) preliminary charting and triage **to formulate a dental hygiene assessment and dental hygiene treatment plan**;

(7) **the exposure and development of** radiographs;

(8) use of local periodontal therapeutic agents; and

(9) performance of nonsurgical periodontal therapy, with or without the administration of local anesthesia, subsequent to a licensed dentist's authorization or diagnosis as specified in the licensed hygienist's collaborative agreement.

* **Sec. 13.** AS 08.32.115(d) is amended to read:

(d) The board may approve a collaborative agreement between a licensed dentist and a **licensed** dental hygienist. However, the board may not approve more than five collaborative agreements with a licensed dentist, not including any collaborative agreements that have been terminated. A **licensed** dental hygienist shall notify the board of the termination of a collaborative agreement with a licensed dentist.

* **Sec. 14.** AS 08.32.160 is amended to read:

Sec. 08.32.160. Grounds for discipline, suspension, or revocation of license. The board may revoke or suspend the license of a dental hygienist, or may reprimand, censure, or discipline a licensee, if, after a hearing, the board finds that the licensee

(1) used or knowingly cooperated in deceit, fraud, or intentional misrepresentation to obtain a license**, certificate,** or **endorsement** [REGISTRATION];

(2) engaged in deceit, fraud, or intentional misrepresentation in the course of providing or billing for professional services or engaging in professional activities;

(3) advertised professional services in a false or misleading manner;

(4) has been convicted of a felony or other crime that affects the licensee's ability to continue to practice competently and safely;

(5) failed to comply with this chapter, with a regulation adopted under this chapter or under AS 08.36, or with an order of the board;

(6) continued to practice after becoming unfit due to

(A) professional incompetence;

(B) addiction or dependence on alcohol or other drugs that impairs the licensee's ability to practice safely;

(C) physical or mental disability;

[(D) FAILURE TO KEEP INFORMED OF OR USE CURRENT PROFESSIONAL THEORIES AND PRACTICES;]

(7) engaged in lewd or immoral conduct in connection with the delivery of professional service to patients;

(8) performed clinical procedures [FOR COMPENSATION] without being under the supervision of a licensed dentist;

(9) did not conform to professional standards in delivering dental hygiene services to patients regardless of whether actual injury to the patient occurred.

*** Sec. 15.** AS 08.32.180 is amended by adding a new subsection to read:

(b) Notwithstanding AS 08.01.075(a)(8), the board may impose a civil fine not to exceed $25,000 for each violation of this chapter or a regulation adopted under this chapter.

*** Sec. 16.** AS 08.32.187(a) is amended to read:

(a) This chapter applies to a person who practices, or offers or attempts to practice, as a dental hygienist in the state except

(1) a dental hygienist in the military service in the discharge of official duties;

(2) a dental hygienist in the employ of the United States Public Health Service, United States Department of Veterans Affairs, **United States Indian Health** [ALASKA NATIVE] Service, or another agency of the federal government, in the discharge of official duties;

(3) a dental hygienist licensed in another state **or jurisdiction** who is teaching or demonstrating clinical techniques at a meeting, seminar, or limited course of instruction sponsored by a dental or dental auxiliary society or association or by an accredited dental or dental auxiliary educational institution;

(4) a dental hygienist employed in the state by an Indian health program, as that term is defined in 25 U.S.C. 1603, while providing dental hygiene services to a person the Indian health program is entitled to serve under 25 U.S.C. 450 et seq. (Indian Self-Determination and Education Assistance Act), as amended, and 25 U.S.C. 1601 et seq. (Indian Health Care Improvement Act), as amended.

*** Sec. 17.** AS 08.32.190 is amended by adding new paragraphs to read:

(6) "licensed dental hygienist" means a dental hygienist licensed under this chapter;

(7) "licensed dentist" means a dentist licensed under AS 08.36.

* **Sec. 18.** AS 08.36.010(a) is amended to read:

(a) There is created the Board of Dental Examiners consisting of nine members. Six members shall be licensed dentists who have been engaged in the practice of dentistry in the state for five years immediately preceding appointment, two members shall be dental hygienists licensed under AS 08.32 who have been engaged in the practice of dental hygiene in the state for five years immediately preceding appointment, and one member shall be a public member **who does not have a direct financial interest in the health care industry**.

* **Sec. 19.** AS 08.36.010 is amended by adding new subsections to read:

(c) Each member shall take an oath of office. The president or secretary elected under AS 08.36.030 may administer oaths. The oath shall be filed and preserved in the department.

(d) The board shall adopt a seal.

* **Sec. 20.** AS 08.36.030 is amended to read:

Sec. 08.36.030. Election of officers. (a) The board shall elect **from among its members**

(1) a president **who is a licensed dentist or licensed dental hygienist;** and

(2) a secretary**.**

(b) Officers elected under (a) of this section [FROM AMONG ITS MEMBERS, EACH TO] serve for a term not to exceed two years.

* **Sec. 21.** AS 08.36.070 is amended to read:

Sec. 08.36.070. General powers. (a) The board shall

(1) provide for the examination of applicants and **the credentialing and licensure of** [ISSUE LICENSES TO] those applicants it finds qualified;

(2) **maintain a registry of** [REGISTER] licensed dentists**,** [AND] licensed dental hygienists**, and certified dental assistants** who are in good standing;

(3) affiliate with the American Association of Dental **Boards** [EXAMINERS] and pay annual dues to the association;

(4) hold hearings and order the disciplinary sanction of a person who

violates this chapter, AS 08.32, or a regulation of the board;

(5) supply forms for applications, licenses, permits, certificates, and other papers and records;

(6) enforce the provisions of this chapter and AS 08.32 and adopt or amend the regulations necessary to make the provisions of this chapter and AS 08.32 effective;

(7) adopt regulations ensuring that renewal of **a license or certificate under this chapter or a license, certificate, or endorsement under AS 08.32** [REGISTRATION] is contingent upon proof of continued professional competence [BY A LICENSED DENTIST OR LICENSED DENTAL HYGIENIST];

(8) [PROVIDE THE DEPARTMENT WITH THE REQUIREMENTS FOR PROOF OF CONTINUED PROFESSIONAL COMPETENCE AND REQUEST THE DEPARTMENT TO MAKE THESE REQUIREMENTS AVAILABLE TO EACH LICENSED DENTIST AND LICENSED DENTAL HYGIENIST AT LEAST ONE YEAR BEFORE THE DATE ON WHICH THE DENTIST OR DENTAL HYGIENIST MUST RENEW REGISTRATION;

(9)] at least annually, cause to be published **on the Internet and** in a newspaper of general circulation in each major city in the state a summary of disciplinary actions the board has taken during the preceding calendar year;

(9) [(10)] issue permits or certificates to licensed dentists, licensed dental hygienists, and dental assistants who meet standards determined by the board for specific procedures that require specific education and training [;

(11) REGULATE THE REENTRY INTO PRACTICE OF INACTIVE DENTISTS AND DENTAL HYGIENISTS;

(12) REQUIRE, AS A CONDITION OF A LICENSE OR LICENSE RENEWAL ISSUED BY THE BOARD, THAT AN APPLICANT OR LICENSEE HAS, AT THE TIME OF LICENSING OR RENEWAL AND MAINTAINS THROUGHOUT THE PERIOD OF A LICENSE, CURRENT CERTIFICATION IN CARDIOPULMONARY RESUSCITATION TECHNIQUES, EXCEPT THAT THE BOARD MAY WAIVE THIS REQUIREMENT UNDER AN AGREEMENT WITH THE APPLICANT OR LICENSEE IF THE APPLICANT OR LICENSEE

DOCUMENTS, TO THE SATISFACTION OF THE BOARD, THE EXISTENCE OF A PHYSICAL IMPAIRMENT THAT RESULTS IN AN INABILITY TO BE CERTIFIED IN CARDIOPULMONARY RESUSCITATION TECHNIQUES AND THE AGREEMENT SPECIFIES THAT THE APPLICANT OR LICENSEE WILL ENSURE THAT ANOTHER PERSON WHO IS CERTIFIED IN CARDIOPULMONARY RESUSCITATION TECHNIQUES WILL BE IN THE SAME ROOM AS THE APPLICANT OR LICENSEE WHENEVER THE APPLICANT OR LICENSEE IS PRACTICING DENTISTRY ON A LIVING PATIENT WHO IS ALSO PRESENT; THE BOARD MAY INCLUDE IN THE AGREEMENT AN EXPIRATION DATE OR PROVIDE THAT THE AGREEMENT REMAINS IN EFFECT UNTIL REVIEWED BY THE BOARD].

(b) The board may

(1) order a licensed dentist or licensed dental hygienist to submit to a reasonable physical or mental examination if the dentist's or the dental hygienist's physical or mental capacity to practice safely is at issue; [AND]

(2) authorize **a designee of the board or the board's investigator** [ITS REPRESENTATIVE] to inspect the practice facilities or patient or professional records of a dentist at reasonable times and in a reasonable manner to monitor compliance with this chapter and with AS 08.32**; and**

(3) delegate the board's powers to act, hear, and decide matters as authorized by AS 44.62.

*** Sec. 22.** AS 08.36 is amended by adding a new section to read:

Sec. 08.36.073. Investigator. After consulting with the board, the department shall employ a person who is not a member of the board as the investigator for the board. The investigator shall

(1) conduct investigations into alleged violations of this chapter and into alleged violations of regulations and orders of the board;

(2) at the request of the board, conduct investigations based on complaints filed with the department or with the board; and

(3) be directly responsible and accountable to the board, except that only the department has authority to terminate the investigator's employment and the

department shall provide day-to-day and administrative supervision of the investigator.

*** Sec. 23.** AS 08.36.075(a) is amended to read:

(a) **The** [SUBJECT TO (b) OF THIS SECTION, THE] board shall establish standards **that comply with applicable federal law** for the registration**, use,** and inspection of dental radiological equipment, including standards for record keeping relating to the control panels and the use of the equipment. The **board may charge a fee for dental radiological equipment registered under this section** [INSPECTION STANDARDS ADOPTED BY THE BOARD MUST REQUIRE THAT AN INSPECTION BE PERFORMED BY A PERSON WHO HAS QUALIFICATIONS EQUIVALENT TO THE QUALIFICATIONS ESTABLISHED AS OF SEPTEMBER 7, 1998, IN THE "APPLICANT PROFILE AND JOB QUALIFICATION SUMMARY" FOR A STATE RADIOLOGICAL HEALTH SPECIALIST I].

*** Sec. 24.** AS 08.36.091 is amended to read:

Sec. 08.36.091. Records and reports. The board shall maintain

(1) a record of its proceedings;

(2) a **registry** [REGISTER] containing the name, office and home addresses, and other information considered necessary by the board [,] of each person licensed as a dentist or dental hygienist **or certified as a dental assistant**, [AND] a **registry** [REGISTER] of the licenses**, certificates, and endorsements** revoked by the board, and information on the status of each licensee **and each certified dental assistant**.

*** Sec. 25.** AS 08.36.100 is amended to read:

Sec. 08.36.100. License required. Except as provided in AS 08.36.238, a person may not practice, or attempt to practice, dentistry without a license [AND A CURRENT CERTIFICATE OF REGISTRATION].

*** Sec. 26.** AS 08.36.110 is amended to read:

Sec. 08.36.110. Qualifications for license. An applicant for a license to practice dentistry shall

(1) provide certification to the board that the applicant

(A) is a graduate of a dental school that, at the time of graduation, is **approved** [ACCREDITED] by the **board** [COMMISSION ON ACCREDITATION OF THE AMERICAN DENTAL ASSOCIATION];

(B) [HOLDS A CERTIFICATE FROM THE AMERICAN DENTAL ASSOCIATION JOINT COMMISSION ON NATIONAL DENTAL EXAMINATIONS THAT THE APPLICANT] has successfully passed **a** [THE] written **examination approved** [EXAMINATIONS GIVEN] by the **board** [COMMISSION];

(C) has not had a license to practice dentistry revoked, suspended, or voluntarily surrendered in this state or another state;

(D) is not the subject of an adverse decision based upon a complaint, investigation, review procedure, or other disciplinary proceeding within the five years immediately preceding application, or of an unresolved complaint, investigation, review procedure, or other disciplinary proceeding, undertaken by a state, territorial, local, or federal dental licensing jurisdiction [OR A DENTAL SOCIETY];

(E) is not the subject of an unresolved or an adverse decision based upon a complaint, investigation, review procedure, or other disciplinary proceeding, undertaken by a state, territorial, local, or federal dental licensing jurisdiction [, DENTAL SOCIETY,] or law enforcement agency that relates to criminal or fraudulent activity, dental malpractice, or negligent dental care and that adversely reflects on the applicant's ability or competence to practice dentistry or on the safety or well-being of patients;

(F) is not the subject of an adverse report from the National Practitioner Data Bank or the American Association of Dental **Boards** [EXAMINERS] Clearinghouse for Board Actions that relates to criminal or fraudulent activity, or dental malpractice;

(G) is not impaired to an extent that affects the applicant's ability to practice dentistry;

(H) has not been convicted of a crime that adversely reflects on the applicant's ability or competency to practice dentistry or that jeopardizes

the safety or well-being of a patient;

(2) pass, to the satisfaction of the board, written, clinical, and other examinations administered or approved by the board; and

(3) meet the other qualifications for a license established by the board by regulation.

* **Sec. 27.** AS 08.36.110 is amended by adding a new subsection to read:

(b) An applicant for licensure shall be interviewed in person by the board or by a member of the board before a license is issued. The interview must be recorded. If the application is denied on the basis of the interview, the denial shall be stated in writing, with the reasons for it, and the record shall be preserved.

* **Sec. 28.** AS 08.36.234(a) is repealed and reenacted to read:

(a) The board may waive the examination requirement and license by credentials if the dentist applicant meets the requirements of AS 08.36.110, submits proof of continued competence as required by regulation, pays the required fee, and has

(1) an active license from a board of dental examiners established under the laws of a state or territory of the United States issued after thorough examination; or

(2) passed an examination as specified by the board in regulations.

* **Sec. 29.** AS 08.36.234(b) is amended to read:

(b) A dentist applying for licensure without [CLINICAL] examination is responsible for providing to the board all materials required by [THIS SECTION OR BY] the board to implement this section to establish eligibility for a license without [CLINICAL] examination. In addition to the grounds for revocation of a license under AS 08.36.315, the board may revoke a license issued without [A CLINICAL] examination upon evidence of misinformation or substantial omission.

* **Sec. 30.** AS 08.36.238(a) is amended to read:

(a) A person enrolled as a [FULL-TIME] student in an accredited school of dentistry may perform procedures as part of a course of study without a license if

(1) the procedures are performed under the direct supervision of a member of the faculty who is licensed under this chapter, or under the direct

supervision of a team of licensed faculty dentists, at least one of whom is licensed under this chapter; and

(2) the clinical program has received written approval from the board.

* **Sec. 31.** AS 08.36.250(a) is amended to read:

(a) At least 60 days before expiration of a **license issued under this chapter** [LICENSEE'S REGISTRATION CERTIFICATE], the department shall **notify the** [MAIL A FORM FOR RENEWAL OF REGISTRATION TO EACH] licensed dentist. A licensee who wishes to renew a license shall **submit a completed license renewal form.** [COMPLETE THE FORM AND RETURN IT WITH] the appropriate fee, and evidence of continued professional competence as required by the board. The department shall, as soon as practicable, issue a **new license** [REGISTRATION CERTIFICATE] valid for a stated number of years. [A LICENSEE SHALL KEEP THE REGISTRATION CERTIFICATE BESIDE OR ATTACHED TO THE LICENSEE'S LICENSE.] Failure to receive **notification from the department under this subsection** [THE REGISTRATION FORM] does not exempt a licensee from renewing **a license to practice dentistry under this chapter** [REGISTRATION].

* **Sec. 32.** AS 08.36.250 is amended by adding a new subsection to read:

(c) A licensed dentist who does not pay the license renewal fee forfeits the dentist's license. The board may reinstate the license without examination within two years after the date on which payment was due upon written application, proof of continued professional competence, and payment of all unpaid renewal fees and any penalty fee established under AS 08.01.100(b).

* **Sec. 33.** AS 08.36.315 is amended to read:

Sec. 08.36.315. Grounds for discipline, suspension, or revocation of license. The board may revoke or suspend the license of a dentist, or may reprimand, censure, or discipline a dentist, or both, if the board finds after a hearing that the dentist

(1) used or knowingly cooperated in deceit, fraud, or intentional misrepresentation to obtain a license;

(2) engaged in deceit, fraud, or intentional misrepresentation in the course of providing or billing for professional dental services or engaging in professional activities;

(3) advertised professional dental services in a false or misleading manner;

(4) received compensation for referring a person to another dentist or dental practice;

(5) has been convicted of a felony or other crime that affects the dentist's ability to continue to practice dentistry competently and safely;

(6) engaged in the performance of patient care, or permitted the performance of patient care by persons under the dentist's supervision, **regardless of whether actual injury to the patient occurred,**

(A) that **did** [DOES] not conform to minimum professional standards of dentistry [REGARDLESS OF WHETHER ACTUAL INJURY TO THE PATIENT OCCURRED]; **or**

(B) when the dentist, or a person under the supervision of the dentist, did not have the permit or certificate required under AS 08.32 or this chapter;

(7) failed to comply with this chapter, with a regulation adopted under this chapter, or with an order of the board;

(8) continued to practice after becoming unfit due to

(A) professional incompetence;

(B) [FAILURE TO KEEP INFORMED OF OR USE CURRENT PROFESSIONAL THEORIES OR PRACTICES;

(C)] addiction or dependence on alcohol or other drugs that **impair** [IMPAIRS] the dentist's ability to practice safely;

(C) [(D)] physical or mental disability;

(9) engaged in lewd or immoral conduct in connection with the delivery of professional service to patients;

(10) permitted a dental hygienist or dental assistant who is employed by the dentist or working under the dentist's supervision to perform a dental procedure in violation of AS 08.32.110 or **AS 08.36.346** [AS 08.36.070(a)(10)];

(11) failed to report to the board a death that occurred on the premises used for the practice of dentistry within 48 hours**;**

(12) falsified or destroyed patient or facility records or failed to maintain a patient or facility record for at least seven years after the date the record was created.

* **Sec. 34.** AS 08.36.344(a) is amended to read:

(a) The board shall issue a restorative function certificate to a dental assistant if the dental assistant furnishes evidence satisfactory to the board that the dental assistant has

(1) successfully completed a **course offered by or under the auspices of a** program accredited by the Commission on Dental Accreditation of the American Dental Association or other **equivalent** course **or program** [OF INSTRUCTION] approved by the board; and

(2) passed the Western Regional Examining Board's restorative examination or other equivalent examination approved by the board within the five years preceding the dental assistant's certificate application, or the dental assistant has legal authorization from another state or jurisdiction to perform restorative functions.

* **Sec. 35.** AS 08.36 is amended by adding a new section to read:

Sec. 08.36.347. Exemption from certificate requirement. (a) A person enrolled in a program or course of study may perform dental assisting procedures as part of that program or course of study without a certificate if the procedures are performed

(1) under the direct supervision of a member of the faculty who is licensed under this chapter or AS 08.32; and

(2) as part of a clinical program that has received written approval from the board.

(b) A person performing dental assisting procedures under (a) of this section is subject to all other provisions of this chapter and statutes and regulations that apply to the practice of dental assisting by a certified dental assistant.

* **Sec. 36.** AS 08.36.350(a) is amended to read:

(a) This chapter applies to a person who practices, or offers or attempts to practice, dentistry in the state except

(1) a dental surgeon or dentist in the military service in the discharge

of official duties;

(2) a dentist in the employ of the United States Public Health Service, United States Department of Veterans Affairs, **United States Indian Health** [ALASKA NATIVE] Service, or other agency of the federal government, in the discharge of official duties;

(3) [A PHYSICIAN OR SURGEON;

(4) A DENTIST PROVIDING CARE IN AN ISOLATED AREA BY AUTHORITY OF A PERMIT ISSUED UNDER AS 08.36.271;

(5)] a dentist licensed in another state who is teaching or demonstrating clinical techniques at a meeting, seminar, or limited course of instruction sponsored by a dental or dental auxiliary society or association or by an accredited dental or dental auxiliary educational institution;

(4) [(6)] a dentist licensed in another state who provides emergency care to an injured or ill person who reasonably appears to the dentist to be in immediate need of emergency aid in order to avoid serious harm or death if the care is provided without remuneration**;**

(5) a dentist employed in the state by an Indian health program, as that term is defined in 25 U.S.C. 1603, while providing dental services to a person the Indian health program is entitled to serve under 25 U.S.C. 450 et seq. (Indian Self-Determination and Education Assistance Act), as amended, and 25 U.S.C. 1601 et seq. (Indian Health Care Improvement Act), as amended.

* **Sec. 37.** AS 08.36 is amended by adding a new section to read:

Sec. 08.36.367. Ownership of a dental office or facility. (a) Only a person who holds a valid license issued under this chapter may own, operate, or maintain a dental practice, office, or clinic. This restriction does not apply to

(1) a labor organization or a nonprofit organization formed by or on behalf of a labor organization for the purpose of providing dental services;

(2) an institution of higher education recognized by the board;

(3) a local government;

(4) an institution or program accredited by the Commission on Dental Accreditation of the American Dental Association to provide education and training;

(5) a nonprofit corporation organized under state law to provide dental services to rural areas and medically underserved populations of migrant, rural community, or homeless individuals under 42 U.S.C. 254b or 254c or health centers qualified under 42 U.S.C. 1396d(*l*)(2)(B) operating in compliance with other applicable state and federal law;

(6) a nonprofit charitable corporation described in 26 U.S.C. 501(c)(3) (Internal Revenue Code) and determined by the board to be providing dental services by volunteer licensed dentists to populations with limited access to dental care at no charge or a substantially reduced charge.

(b) For the purpose of owning or operating a dental practice, office, or clinic, an entity described in (a) of this section shall

(1) name a licensed dentist as its dental director, who shall be subject to the provisions of AS 08.36.315 and 08.36.317 in the capacity of dental director; the dental director, or an actively licensed dentist designated by the director, shall have responsibility for the entity's practice of dentistry; and

(2) maintain current records of the names of licensed dentists who supervise dental hygienists, dental assistants, and other personnel involved in direct patient care who are employed by the entity; the records must be available to the board upon written request.

(c) Nothing in this chapter precludes a person or entity not licensed by the board from

(1) ownership or leasehold of any tangible or intangible assets used in a dental office or clinic, including real property, furnishings, equipment, and inventory, but not including dental records of patients related to clinical care;

(2) employing or contracting for the services of personnel other than licensed dentists; or

(3) management of the business aspects of a dental office or clinic that do not include the practice of dentistry.

(d) If all of the ownership interests of a dentist or dentists in a dental office or clinic are held by an administrator, executor, personal representative, guardian, conservator, or receiver of the estate of a former shareholder, member, or partner, the

administrator, executor, personal representative, guardian, conservator, or receiver may retain the ownership interest for a period of 24 months following the creation of the ownership interest. The board shall extend the ownership period for an additional 24 months upon 30 days' notice and may grant additional extensions upon reasonable request.

(e) In this section, "labor organization" means an organization, not for pecuniary profit, constituted wholly or partly to bargain collectively or deal with employers, including the state and its political subdivisions, concerning grievances, terms or conditions of employment, or other mutual aid or protection in connection with employees that has existed for at least three years and that has a constitution and bylaws.

*** Sec. 38.** AS 08.36.370 is amended by adding new paragraphs to read:

(7) "certified dental assistant" means a person who holds a current coronal polishing certificate or restorative function certificate issued by the board;

(8) "licensed dental hygienist" means a dental hygienist licensed under AS 08.32;

(9) "licensed dentist" means a dentist licensed under this chapter.

*** Sec. 39.** AS 08.32.020, 08.32.035, 08.32.040, 08.32.060, 08.32.097, 08.32.100, 08.32.120, 08.32.130, 08.32.140, 08.32.190(2); AS 08.36.075(b), 08.36.075(c), 08.36.075(d), 08.36.075(e), 08.36.114, 08.36.230, 08.36.244, 08.36.246, 08.36.247, 08.36.248, 08.36.260, 08.36.271, and 08.36.290 are repealed.

*** Sec. 40.** The uncodified law of the State of Alaska is amended by adding a new section to read:

REVISOR'S INSTRUCTION. The revisor of statutes shall change the catch line of AS 08.36.250 from "Renewal of registration" to "License renewal, lapse, and reinstatement."

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **CSSB 92 (L&C)**
() Publish Date

Identifier (file name) SB092-CCED-CBPL-03-01-11
Dept. Affected: DCCED

Title: An Act relating to dental hygienists, dentists, dental assistants, dental hygiene, and dentistry.
Appropriation: Corporations, Business and Professional Licensing
Allocation: Corporations, Business and Professional Licensing

Sponsor: Senator Dennis Egan
Requester: Senate Finance
OMB Component Number: 2360

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	87.6	87.6	87.6	87.6	87.6	87.6	87.6
Travel	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Services	18.1	18.1	8.1	8.1	8.1	8.1	8.1
Commodities	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Capital Outlay	5.5	5.5	0.0	0.0	0.0	0.0	0.0
Grants							
Miscellaneous							
TOTAL OPERATING	**114.2**	**114.2**	**98.7**	**98.7**	**98.7**	**98.7**	**98.7**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES	**114.2**	**114.2**	**98.7**	**98.7**	**98.7**	**98.7**	**98.7**

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
1156 Receipt Support Services	114.2	114.2	98.7	98.7	98.7	98.7	98.7
TOTAL	**114.2**	**114.2**	**98.7**	**98.7**	**98.7**	**98.7**	**98.7**

Estimate of any current year (FY2011) cost 0.0

POSITIONS

Full-time	1	1	1	1	1	1	1
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Previous fiscal note was determined to have no financial impact on the division, but upon committee discussion it was determined that a full-time Investigator would be required.

Prepared by: Don Habeger, Director — Phone: 465-2536
Division: Corporations, Business and Professional Licensing — Date/Time: 3/4/2011 5:15PM
Approved by: Susan K. Bell, Commissioner — Date: 3/4/2011
Commerce, Community, and Economic Development

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. CSSB 92 (L&C)

Analysis

Senate Bill 92 amends the licensing requirements for dental hygienists. The enactment of this legislation will require a full-time Investigator III for a total cost of $114.2.

The following is a detailed cost analysis:

Personal Services - $87.6 consists of one full-time Investigator III position, Range 18 to conduct investigations into alleged violations and be directly responsible and accountable to the board.

Travel - $2.0 for investigative work consistent with the duties outlined in the legislation.

Services - $18.1 cost for lease space, professional services, communications and utilities.

Commodities - Standard cost of $1.0 for supplies normally consumed or expended.

Capital Outlay - Standard one time set up cost of $5.5 include furniture, computer, telephone, ect.

Under the self-sufficiency statute of AS 08.01.065, regulatory programs are required to pay the cost of regulation through licensing fees. The funding source in establishing this position is Receipt Supported Services funded entirely from licensing fees.

Adopted 4.4.11

27-LS0403\E
Bullard
4/1/11

CS FOR SENATE BILL NO. 92(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATOR EGAN

A BILL

FOR AN ACT ENTITLED

"An Act relating to dental hygienists, dentists, dental assistants, dental hygiene, and dentistry."

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

*** Section 1.** AS 08.32.010 is amended to read:

Sec. 08.32.010. License required. Except as provided in AS 08.32.095, a person may not practice, offer or attempt to practice, or advertise or announce as being prepared or qualified to practice dental hygiene without a license [AND A CURRENT CERTIFICATE OF REGISTRATION].

*** Sec. 2.** AS 08.32 is amended by adding a new section to read:

Sec. 08.32.014. Qualifications for license. (a) An applicant for a license to practice dental hygiene shall

(1) provide evidence to the board that the applicant

(A) has successfully completed an academic program in dental hygiene of at least two years duration that, at the time of graduation, is

accredited by the Commission on Dental Accreditation of the American Dental Association and is approved by the board;

(B) has passed a written theory examination of the American Dental Association Joint Commission on National Dental Examinations or an equivalent examination approved by the board;

(C) has successfully passed a state or regional dental hygiene clinical examination approved by the board;

(D) has not had a license to practice dental hygiene revoked, suspended, or voluntarily surrendered in this state or another state;

(E) is not the subject of an adverse decision based on a complaint, investigation, review procedure, or other disciplinary proceeding within the five years immediately preceding application or of an unresolved complaint, investigation, review procedure, or other disciplinary proceeding undertaken by a state, territorial, local, or federal dental licensing jurisdiction;

(F) is not the subject of an unresolved or adverse decision based on a complaint, investigation, review procedure, or other disciplinary proceeding undertaken by a state, territorial, local, or federal dental licensing jurisdiction or law enforcement agency that relates to criminal or fraudulent activity, dental malpractice, or negligent dental care and that adversely reflects on the applicant's ability or competence to practice as a dental hygienist or on the safety or well-being of patients;

(G) is not the subject of an adverse report from the National Practitioner Data Bank or the American Association of Dental Examiners Clearinghouse for Board Actions that relates to criminal or fraudulent activity or dental malpractice;

(H) is not impaired to an extent that affects the applicant's ability to practice as a dental hygienist;

(I) has not been convicted of a crime that adversely reflects on the applicant's ability or competency to practice as a dental hygienist or that jeopardizes the safety or well-being of a patient; and

(2) meet the other qualifications for a license established by the board

by regulation.

(b) An applicant for a license to practice dental hygiene may be interviewed in person by the board or a designee of the board. The interview must be recorded. If the application is denied on the basis of the interview, the denial shall be stated in writing, with the reasons for it, and the record shall be preserved.

*** Sec. 3.** AS 08.32.030 is amended to read:

Sec. 08.32.030. Licensure by credentials. The board may provide for the licensing without examination of a dental hygienist who

(1) meets the criteria of **AS 08.32.014** [AS 08.32.020(a)];

(2) **submits proof of continued competence as specified in regulations adopted by the board;**

(3) is currently licensed to practice dental hygiene in another state or territory of the United States; and

(4) [HAS SUCCESSFULLY PASSED A STATE OR REGIONAL DENTAL HYGIENE CLINICAL EXAMINATION THAT THE BOARD HAS DETERMINED IS AT LEAST EQUIVALENT IN SCOPE, QUALITY, AND DIFFICULTY TO THE ALASKA CLINICAL EXAMINATION;

(3) HAS BEEN IN ACTIVE CLINICAL DENTAL HYGIENE PRACTICE AVERAGING NOT LESS THAN 700 HOURS A YEAR FOR EACH OF THE TWO YEARS IMMEDIATELY PRECEDING APPLICATION FOR STATE LICENSURE;

(4) HAS NOT FAILED THE CLINICAL DENTAL HYGIENE EXAMINATION OF THIS STATE;

(5) HAS NOT PREVIOUSLY HAD A LICENSE TO PRACTICE DENTAL HYGIENE ISSUED BY ANY STATE OR REGION REVOKED;

(6) HAS COMPLETED NOT LESS THAN 14 HOURS OF CONTINUING EDUCATION RELATED TO CLINICAL HYGIENE IN THE TWO YEARS BEFORE FILING AN APPLICATION WITH THE BOARD; THE CONTINUING EDUCATION REQUIRED UNDER THIS PARAGRAPH MUST BE APPROVED BY THE BOARD, THE AMERICAN DENTAL ASSOCIATION, THE ACADEMY OF GENERAL DENTISTRY, OR THE AMERICAN DENTAL

HYGIENISTS' ASSOCIATION;

(7)] pays the fees **established** [REQUIRED] under **AS 08.01.065** [AS 08.32.097; AND

(8) IS NOT THE SUBJECT OF AN UNRESOLVED COMPLAINT, REVIEW PROCEDURE, OR DISCIPLINARY PROCEEDING UNDERTAKEN BY A DENTAL OR DENTAL HYGIENE LICENSING JURISDICTION].

* **Sec. 4.** AS 08.32.070 is amended to read:

Sec. 08.32.070. Licensing [REGISTRATION AND LICENSING] of dental hygienists. The board shall **issue** [REGISTER] each successful applicant [AND ISSUE THE APPLICANT] a license upon payment of all required fees.

* **Sec. 5.** AS 08.32.071 is amended to read:

Sec. 08.32.071. Renewal of license [REGISTRATION]. At least 60 days before expiration of a **dental hygienist's license** [LICENSEE'S REGISTRATION CERTIFICATE], the Department of Commerce, Community, and Economic Development shall **notify the** [MAIL A FORM FOR RENEWAL OF REGISTRATION TO EACH] licensed dental hygienist. Each licensee who wishes to renew a **dental hygienist's license shall submit a completed license renewal form,** [REGISTRATION CERTIFICATE SHALL COMPLETE THE FORM AND RETURN IT WITH] the appropriate fee, and evidence of continued professional competence as required by the board. The Department of Commerce, Community, and Economic Development shall, as soon as practicable, issue a **dental hygienist license** [REGISTRATION CERTIFICATE] valid for a stated number of years. [EACH LICENSEE SHALL KEEP THE REGISTRATION CERTIFICATE BESIDE OR ATTACHED TO THE LICENSEE'S LICENSE.] Failure to receive **notification from the department under this section** [THE REGISTRATION FORM] does not exempt a licensee from renewing **the licensee's dental hygienist license** [REGISTRATION].

* **Sec. 6.** AS 08.32.081 is amended to read:

Sec. 08.32.081. Lapse and reinstatement of license. A licensed dental hygienist who does not pay the renewal [REGISTRATION] fee **under AS 08.32.071** forfeits the hygienist's license. The board may reinstate the license without examination within two years of the date on which payment was due upon written

application, proof of continued professional competence, and payment of all unpaid renewal fees and any penalty fee established under AS 08.01.100(b).

* **Sec. 7.** AS 08.32.085(a) is amended to read:

(a) The board shall issue a restorative function endorsement to a **licensed** dental hygienist [WHO IS LICENSED UNDER THIS CHAPTER] if the licensee furnishes evidence satisfactory to the board that the licensee has

(1) successfully completed a **course offered by or under the auspices of a** program accredited by the Commission on Dental Accreditation of the American Dental Association or other **equivalent** course **or program** [OF INSTRUCTION] approved by the board; and

(2) passed the Western Regional Examining Board's restorative examination or other equivalent examination approved by the board within the five years preceding the licensee's endorsement application, or the licensee is licensed**, certified, or otherwise permitted** in another state or United States territory to perform restorative functions.

* **Sec. 8.** AS 08.32.095(a) is amended to read:

(a) A person enrolled as a [FULL-TIME] student in an accredited [SCHOOL OF] dental hygiene **program** may perform dental hygiene procedures as part of a course of study without a license if

(1) the procedures are performed under the

(A) general [DIRECT] supervision of a member of the faculty who is licensed under AS 08.36, **and under the direct or indirect supervision of a member of the faculty who is licensed under this chapter;** or

(B) [UNDER THE] direct **or indirect** supervision of a **member of the faculty who** [TEAM OF LICENSED FACULTY DENTISTS, AT LEAST ONE OF WHOM] is licensed under AS 08.36; and

(2) the clinical program has received written approval from the board.

* **Sec. 9.** AS 08.32.110(a) is amended to read:

(a) The role of the dental hygienist is to assist members of the dental profession in providing oral health care to the public. A person licensed to practice the

profession of dental hygiene in the state may,

(1) **under the general supervision of a licensed dentist,**

(A) perform preliminary charting and triage to formulate a dental hygiene assessment and dental hygiene treatment plan;

(B) remove calcareous deposits, accretions, and stains from the exposed surfaces of the teeth beginning at the epithelial attachment by scaling and polishing techniques;

(C) remove marginal overhangs;

(D) use local periodontal therapeutic agents;

(E) perform nonsurgical periodontal therapy;

(F) [(2) APPLY TOPICAL PREVENTIVE AGENTS;

(3) APPLY PIT AND FISSURE SEALANTS;

(4) PERFORM ROOT PLANING AND PERIODONTAL SOFT TISSUE CURETTAGE;

(5)] perform other dental operations and services delegated by a licensed dentist if the dental operations and services are not prohibited by (c) of this section;

(G) [AND (6)] if certified by the board [AND UNDER THE DIRECT, INDIRECT, OR GENERAL SUPERVISION OF A LICENSED DENTIST], administer local anesthetic agents**; and**

(2) if certified by the board and under the direct or indirect supervision of a licensed dentist, administer and monitor nitrous oxide-oxygen conscious sedation.

*** Sec. 10.** AS 08.32.110(c) is amended to read:

(c) This section does not authorize delegation of

(1) **dental diagnosis, comprehensive** [DIAGNOSING,] treatment planning, and writing prescriptions for drugs; writing authorizations for restorative, prosthetic, or orthodontic appliances;

(2) operative or surgical procedures on hard or soft tissues [EXCEPT AS ALLOWED IN (a)(4) OF THIS SECTION]; or

(3) other procedures that require the professional competence and skill

of a dentist.

*** Sec. 11.** AS 08.32.110(e) is amended to read:

(e) This section does not prohibit a **licensed** dental hygienist

(1) with an endorsement issued under AS 08.32.085 from performing the activities authorized under AS 08.32.085; [OR]

(2) who has entered into a collaborative agreement approved by the board under AS 08.32.115 from performing the activities authorized under the collaborative agreement**; or**

(3) from performing a dental operation, procedure, or service a dentist may delegate to a dental assistant under AS 08.36.346.

*** Sec. 12.** AS 08.32.115(a) is amended to read:

(a) If the collaborative agreement is approved by the board under (d) of this section, a **licensed** dental hygienist with a minimum of 4,000 documented hours of clinical experience within the five years preceding application for the board's approval may enter into a collaborative agreement with a **licensed** dentist [LICENSED UNDER AS 08.36] in which the licensed dentist authorizes the **licensed** dental hygienist to perform one or more of the following:

(1) oral health promotion and disease prevention education;

(2) removal of calcareous deposits, accretions, and stains from the surfaces of teeth;

(3) application of topical preventive or prophylactic agents, including fluoride varnishes and pit and fissure sealants;

(4) polishing and smoothing restorations;

(5) removal of marginal overhangs;

(6) preliminary charting and triage **to formulate a dental hygiene assessment and dental hygiene treatment plan**;

(7) **the exposure and development of** radiographs;

(8) use of local periodontal therapeutic agents; and

(9) performance of nonsurgical periodontal therapy, with or without the administration of local anesthesia, subsequent to a licensed dentist's authorization or diagnosis as specified in the licensed hygienist's collaborative agreement.

* **Sec. 13.** AS 08.32.115(d) is amended to read:

(d) The board may approve a collaborative agreement between a licensed dentist and a **licensed** dental hygienist. However, the board may not approve more than five collaborative agreements with a licensed dentist, not including any collaborative agreements that have been terminated. A **licensed** dental hygienist shall notify the board of the termination of a collaborative agreement with a licensed dentist.

* **Sec. 14.** AS 08.32.160 is amended to read:

Sec. 08.32.160. Grounds for discipline, suspension, or revocation of license. The board may revoke or suspend the license of a dental hygienist, or may reprimand, censure, or discipline a licensee, if, after a hearing, the board finds that the licensee

(1) used or knowingly cooperated in deceit, fraud, or intentional misrepresentation to obtain a license**, certificate,** or **endorsement** [REGISTRATION];

(2) engaged in deceit, fraud, or intentional misrepresentation in the course of providing or billing for professional services or engaging in professional activities;

(3) advertised professional services in a false or misleading manner;

(4) has been convicted of a felony or other crime that affects the licensee's ability to continue to practice competently and safely;

(5) failed to comply with this chapter, with a regulation adopted under this chapter or under AS 08.36, or with an order of the board;

(6) continued to practice after becoming unfit due to

(A) professional incompetence;

(B) addiction or dependence on alcohol or other drugs that impairs the licensee's ability to practice safely;

(C) physical or mental disability;

[(D) FAILURE TO KEEP INFORMED OF OR USE CURRENT PROFESSIONAL THEORIES AND PRACTICES;]

(7) engaged in lewd or immoral conduct in connection with the delivery of professional service to patients;

(8) performed clinical procedures [FOR COMPENSATION] without being under the supervision of a licensed dentist;

(9) did not conform to professional standards in delivering dental hygiene services to patients regardless of whether actual injury to the patient occurred.

*** Sec. 15.** AS 08.32.180 is amended by adding a new subsection to read:

(b) Notwithstanding AS 08.01.075(a)(8), the board may impose a civil fine not to exceed $25,000 for each violation of this chapter or a regulation adopted under this chapter.

*** Sec. 16.** AS 08.32.187(a) is amended to read:

(a) This chapter applies to a person who practices, or offers or attempts to practice, as a dental hygienist in the state except

(1) a dental hygienist in the military service in the discharge of official duties;

(2) a dental hygienist in the employ of the United States Public Health Service, United States Department of Veterans Affairs, **United States Indian Health** [ALASKA NATIVE] Service, or another agency of the federal government, in the discharge of official duties;

(3) a dental hygienist licensed in another state **or jurisdiction** who is teaching or demonstrating clinical techniques at a meeting, seminar, or limited course of instruction sponsored by a dental or dental auxiliary society or association or by an accredited dental or dental auxiliary educational institution;

(4) a dental hygienist employed in the state by an Indian health program, as that term is defined in 25 U.S.C. 1603, while providing dental hygiene services to a person the Indian health program is entitled to serve under 25 U.S.C. 450 et seq. (Indian Self-Determination and Education Assistance Act), as amended, and 25 U.S.C. 1601 et seq. (Indian Health Care Improvement Act), as amended.

*** Sec. 17.** AS 08.32.190 is amended by adding new paragraphs to read:

(6) "licensed dental hygienist" means a dental hygienist licensed under this chapter;

(7) "licensed dentist" means a dentist licensed under AS 08.36.

* **Sec. 18.** AS 08.36.010(a) is amended to read:

(a) There is created the Board of Dental Examiners consisting of nine members. Six members shall be licensed dentists who have been engaged in the practice of dentistry in the state for five years immediately preceding appointment, two members shall be dental hygienists licensed under AS 08.32 who have been engaged in the practice of dental hygiene in the state for five years immediately preceding appointment, and one member shall be a public member **who does not have a direct financial interest in the health care industry**.

* **Sec. 19.** AS 08.36.010 is amended by adding new subsections to read:

(c) Each member shall take an oath of office. The president or secretary elected under AS 08.36.030 may administer oaths. The oath shall be filed and preserved in the department.

(d) The board shall adopt a seal.

* **Sec. 20.** AS 08.36.030 is amended to read:

Sec. 08.36.030. Election of officers. **(a)** The board shall elect **from among its members**

(1) a president **who is a licensed dentist or licensed dental hygienist;** and

(2) a secretary**.**

(b) Officers elected under (a) of this section [FROM AMONG ITS MEMBERS, EACH TO] serve for a term not to exceed two years.

* **Sec. 21.** AS 08.36.070 is amended to read:

Sec. 08.36.070. General powers. (a) The board shall

(1) provide for the examination of applicants and **the credentialing and licensure of** [ISSUE LICENSES TO] those applicants it finds qualified;

(2) **maintain a registry of** [REGISTER] licensed dentists**,** [AND] licensed dental hygienists**, and certified dental assistants** who are in good standing;

(3) affiliate with the American Association of Dental **Boards** [EXAMINERS] and pay annual dues to the association;

(4) hold hearings and order the disciplinary sanction of a person who

violates this chapter, AS 08.32, or a regulation of the board;

(5) supply forms for applications, licenses, permits, certificates, and other papers and records;

(6) enforce the provisions of this chapter and AS 08.32 and adopt or amend the regulations necessary to make the provisions of this chapter and AS 08.32 effective;

(7) adopt regulations ensuring that renewal of **a license or certificate under this chapter or a license, certificate, or endorsement under AS 08.32** [REGISTRATION] is contingent upon proof of continued professional competence [BY A LICENSED DENTIST OR LICENSED DENTAL HYGIENIST];

(8) [PROVIDE THE DEPARTMENT WITH THE REQUIREMENTS FOR PROOF OF CONTINUED PROFESSIONAL COMPETENCE AND REQUEST THE DEPARTMENT TO MAKE THESE REQUIREMENTS AVAILABLE TO EACH LICENSED DENTIST AND LICENSED DENTAL HYGIENIST AT LEAST ONE YEAR BEFORE THE DATE ON WHICH THE DENTIST OR DENTAL HYGIENIST MUST RENEW REGISTRATION;

(9)] at least annually**,** cause to be published **on the Internet and** in a newspaper of general circulation in each major city in the state a summary of disciplinary actions the board has taken during the preceding calendar year;

(9) [(10)] issue permits or certificates to licensed dentists, licensed dental hygienists, and dental assistants who meet standards determined by the board for specific procedures that require specific education and training [;

(11) REGULATE THE REENTRY INTO PRACTICE OF INACTIVE DENTISTS AND DENTAL HYGIENISTS;

(12) REQUIRE, AS A CONDITION OF A LICENSE OR LICENSE RENEWAL ISSUED BY THE BOARD, THAT AN APPLICANT OR LICENSEE HAS, AT THE TIME OF LICENSING OR RENEWAL AND MAINTAINS THROUGHOUT THE PERIOD OF A LICENSE, CURRENT CERTIFICATION IN CARDIOPULMONARY RESUSCITATION TECHNIQUES, EXCEPT THAT THE BOARD MAY WAIVE THIS REQUIREMENT UNDER AN AGREEMENT WITH THE APPLICANT OR LICENSEE IF THE APPLICANT OR LICENSEE

DOCUMENTS, TO THE SATISFACTION OF THE BOARD, THE EXISTENCE OF A PHYSICAL IMPAIRMENT THAT RESULTS IN AN INABILITY TO BE CERTIFIED IN CARDIOPULMONARY RESUSCITATION TECHNIQUES AND THE AGREEMENT SPECIFIES THAT THE APPLICANT OR LICENSEE WILL ENSURE THAT ANOTHER PERSON WHO IS CERTIFIED IN CARDIOPULMONARY RESUSCITATION TECHNIQUES WILL BE IN THE SAME ROOM AS THE APPLICANT OR LICENSEE WHENEVER THE APPLICANT OR LICENSEE IS PRACTICING DENTISTRY ON A LIVING PATIENT WHO IS ALSO PRESENT; THE BOARD MAY INCLUDE IN THE AGREEMENT AN EXPIRATION DATE OR PROVIDE THAT THE AGREEMENT REMAINS IN EFFECT UNTIL REVIEWED BY THE BOARD].

(b) The board may

(1) order a licensed dentist or licensed dental hygienist to submit to a reasonable physical or mental examination if the dentist's or the dental hygienist's physical or mental capacity to practice safely is at issue; [AND]

(2) authorize **a designee of the board or the board's investigator** [ITS REPRESENTATIVE] to inspect the practice facilities or patient or professional records of a dentist at reasonable times and in a reasonable manner to monitor compliance with this chapter and with AS 08.32**; and**

(3) delegate the board's powers to act, hear, and decide matters as authorized by AS 44.62.

* **Sec. 22.** AS 08.36 is amended by adding a new section to read:

Sec. 08.36.073. Investigator. After consulting with the board, the department shall employ a person who is not a member of the board as the investigator for the board. The investigator shall

(1) conduct investigations into alleged violations of this chapter and into alleged violations of regulations and orders of the board;

(2) at the request of the board, conduct investigations based on complaints filed with the department or with the board; and

(3) be directly responsible and accountable to the board, except that only the department has authority to terminate the investigator's employment and the

department shall provide day-to-day and administrative supervision of the investigator.

*** Sec. 23.** AS 08.36.075(a) is amended to read:

(a) **The** [SUBJECT TO (b) OF THIS SECTION, THE] board shall establish standards **that comply with applicable federal law** for the registration**, use,** and inspection of dental radiological equipment, including standards for record keeping relating to the control panels and the use of the equipment. The **board may charge a fee for dental radiological equipment registered under this section** [INSPECTION STANDARDS ADOPTED BY THE BOARD MUST REQUIRE THAT AN INSPECTION BE PERFORMED BY A PERSON WHO HAS QUALIFICATIONS EQUIVALENT TO THE QUALIFICATIONS ESTABLISHED AS OF SEPTEMBER 7, 1998, IN THE "APPLICANT PROFILE AND JOB QUALIFICATION SUMMARY" FOR A STATE RADIOLOGICAL HEALTH SPECIALIST I].

*** Sec. 24.** AS 08.36.091 is amended to read:

Sec. 08.36.091. Records and reports. The board shall maintain

(1) a record of its proceedings;

(2) a **registry** [REGISTER] containing the name, office and home addresses, and other information considered necessary by the board [,] of each person licensed as a dentist or dental hygienist **or certified as a dental assistant**, [AND] a **registry** [REGISTER] of the licenses**, certificates, and endorsements** revoked by the board, and information on the status of each licensee **and each certified dental assistant**.

*** Sec. 25.** AS 08.36.100 is amended to read:

Sec. 08.36.100. License required. Except as provided in AS 08.36.238, a person may not practice, or attempt to practice, dentistry without a license [AND A CURRENT CERTIFICATE OF REGISTRATION].

*** Sec. 26.** AS 08.36.110 is amended to read:

Sec. 08.36.110. Qualifications for license. An applicant for a license to practice dentistry shall

(1) provide certification to the board that the applicant

(A) is a graduate of a dental school that, at the time of graduation, is **approved** [ACCREDITED] by the **board** [COMMISSION ON ACCREDITATION OF THE AMERICAN DENTAL ASSOCIATION];

(B) [HOLDS A CERTIFICATE FROM THE AMERICAN DENTAL ASSOCIATION JOINT COMMISSION ON NATIONAL DENTAL EXAMINATIONS THAT THE APPLICANT] has successfully passed **a** [THE] written **examination approved** [EXAMINATIONS GIVEN] by the **board** [COMMISSION];

(C) has not had a license to practice dentistry revoked, suspended, or voluntarily surrendered in this state or another state;

(D) is not the subject of an adverse decision based upon a complaint, investigation, review procedure, or other disciplinary proceeding within the five years immediately preceding application, or of an unresolved complaint, investigation, review procedure, or other disciplinary proceeding, undertaken by a state, territorial, local, or federal dental licensing jurisdiction [OR A DENTAL SOCIETY];

(E) is not the subject of an unresolved or an adverse decision based upon a complaint, investigation, review procedure, or other disciplinary proceeding, undertaken by a state, territorial, local, or federal dental licensing jurisdiction [, DENTAL SOCIETY,] or law enforcement agency that relates to criminal or fraudulent activity, dental malpractice, or negligent dental care and that adversely reflects on the applicant's ability or competence to practice dentistry or on the safety or well-being of patients;

(F) is not the subject of an adverse report from the National Practitioner Data Bank or the American Association of Dental **Boards** [EXAMINERS] Clearinghouse for Board Actions that relates to criminal or fraudulent activity, or dental malpractice;

(G) is not impaired to an extent that affects the applicant's ability to practice dentistry;

(H) has not been convicted of a crime that adversely reflects on the applicant's ability or competency to practice dentistry or that jeopardizes

the safety or well-being of a patient;

(2) pass, to the satisfaction of the board, written, clinical, and other examinations administered or approved by the board; and

(3) meet the other qualifications for a license established by the board by regulation.

*** Sec. 27.** AS 08.36.110 is amended by adding a new subsection to read:

(b) An applicant for licensure shall be interviewed in person by the board or by a member of the board before a license is issued. The interview must be recorded. If the application is denied on the basis of the interview, the denial shall be stated in writing, with the reasons for it, and the record shall be preserved.

*** Sec. 28.** AS 08.36.234(a) is repealed and reenacted to read:

(a) The board may waive the examination requirement and license by credentials if the dentist applicant meets the requirements of AS 08.36.110, submits proof of continued competence as required by regulation, pays the required fee, and has

(1) an active license from a board of dental examiners established under the laws of a state or territory of the United States issued after thorough examination; or

(2) passed an examination as specified by the board in regulations.

*** Sec. 29.** AS 08.36.234(b) is amended to read:

(b) A dentist applying for licensure without [CLINICAL] examination is responsible for providing to the board all materials required by [THIS SECTION OR BY] the board to implement this section to establish eligibility for a license without [CLINICAL] examination. In addition to the grounds for revocation of a license under AS 08.36.315, the board may revoke a license issued without [A CLINICAL] examination upon evidence of misinformation or substantial omission.

*** Sec. 30.** AS 08.36.238(a) is amended to read:

(a) A person enrolled as a [FULL-TIME] student in an accredited school of dentistry may perform procedures as part of a course of study without a license if

(1) the procedures are performed under the direct supervision of a member of the faculty who is licensed under this chapter, or under the direct

supervision of a team of licensed faculty dentists, at least one of whom is licensed under this chapter; and

(2) the clinical program has received written approval from the board.

* **Sec. 31.** AS 08.36.250(a) is amended to read:

(a) At least 60 days before expiration of a **license issued under this chapter** [LICENSEE'S REGISTRATION CERTIFICATE], the department shall **notify the** [MAIL A FORM FOR RENEWAL OF REGISTRATION TO EACH] licensed dentist. A licensee who wishes to renew a license shall **submit a completed license renewal form.** [COMPLETE THE FORM AND RETURN IT WITH] the appropriate fee, and evidence of continued professional competence as required by the board. The department shall, as soon as practicable, issue a **new license** [REGISTRATION CERTIFICATE] valid for a stated number of years. [A LICENSEE SHALL KEEP THE REGISTRATION CERTIFICATE BESIDE OR ATTACHED TO THE LICENSEE'S LICENSE.] Failure to receive **notification from the department under this subsection** [THE REGISTRATION FORM] does not exempt a licensee from renewing **a license to practice dentistry under this chapter** [REGISTRATION].

* **Sec. 32.** AS 08.36.250 is amended by adding a new subsection to read:

(c) A licensed dentist who does not pay the license renewal fee forfeits the dentist's license. The board may reinstate the license without examination within two years after the date on which payment was due upon written application, proof of continued professional competence, and payment of all unpaid renewal fees and any penalty fee established under AS 08.01.100(b).

* **Sec. 33.** AS 08.36.315 is amended to read:

Sec. 08.36.315. Grounds for discipline, suspension, or revocation of license. The board may revoke or suspend the license of a dentist, or may reprimand, censure, or discipline a dentist, or both, if the board finds after a hearing that the dentist

(1) used or knowingly cooperated in deceit, fraud, or intentional misrepresentation to obtain a license;

(2) engaged in deceit, fraud, or intentional misrepresentation in the course of providing or billing for professional dental services or engaging in professional activities;

(3) advertised professional dental services in a false or misleading manner;

(4) received compensation for referring a person to another dentist or dental practice;

(5) has been convicted of a felony or other crime that affects the dentist's ability to continue to practice dentistry competently and safely;

(6) engaged in the performance of patient care, or permitted the performance of patient care by persons under the dentist's supervision, **regardless of whether actual injury to the patient occurred,**

(A) that **did** [DOES] not conform to minimum professional standards of dentistry [REGARDLESS OF WHETHER ACTUAL INJURY TO THE PATIENT OCCURRED]; **or**

(B) when the dentist, or a person under the supervision of the dentist, did not have the permit or certificate required under AS 08.32 or this chapter;

(7) failed to comply with this chapter, with a regulation adopted under this chapter, or with an order of the board;

(8) continued to practice after becoming unfit due to

(A) professional incompetence;

(B) [FAILURE TO KEEP INFORMED OF OR USE CURRENT PROFESSIONAL THEORIES OR PRACTICES;

(C)] addiction or dependence on alcohol or other drugs that **impair** [IMPAIRS] the dentist's ability to practice safely;

(C) [(D)] physical or mental disability;

(9) engaged in lewd or immoral conduct in connection with the delivery of professional service to patients;

(10) permitted a dental hygienist or dental assistant who is employed by the dentist or working under the dentist's supervision to perform a dental procedure in violation of AS 08.32.110 or **AS 08.36.346** [AS 08.36.070(a)(10)];

(11) failed to report to the board a death that occurred on the premises used for the practice of dentistry within 48 hours**;**

(12) falsified or destroyed patient or facility records or failed to maintain a patient or facility record for at least seven years after the date the record was created.

*** Sec. 34.** AS 08.36.344(a) is amended to read:

(a) The board shall issue a restorative function certificate to a dental assistant if the dental assistant furnishes evidence satisfactory to the board that the dental assistant has

(1) successfully completed a **course offered by or under the auspices of a** program accredited by the Commission on Dental Accreditation of the American Dental Association or other **equivalent** course **or program** [OF INSTRUCTION] approved by the board; and

(2) passed the Western Regional Examining Board's restorative examination or other equivalent examination approved by the board within the five years preceding the dental assistant's certificate application, or the dental assistant has legal authorization from another state or jurisdiction to perform restorative functions.

*** Sec. 35.** AS 08.36 is amended by adding a new section to read:

Sec. 08.36.347. Exemption from certificate requirement. (a) A person enrolled in a program or course of study may perform dental assisting procedures as part of that program or course of study without a certificate if the procedures are performed

(1) under the direct supervision of a member of the faculty who is licensed under this chapter or AS 08.32; and

(2) as part of a clinical program that has received written approval from the board.

(b) A person performing dental assisting procedures under (a) of this section is subject to all other provisions of this chapter and statutes and regulations that apply to the practice of dental assisting by a certified dental assistant.

*** Sec. 36.** AS 08.36.350(a) is amended to read:

(a) This chapter applies to a person who practices, or offers or attempts to practice, dentistry in the state except

(1) a dental surgeon or dentist in the military service in the discharge

of official duties;

(2) a dentist in the employ of the United States Public Health Service, United States Department of Veterans Affairs, **United States Indian Health** [ALASKA NATIVE] Service, or other agency of the federal government, in the discharge of official duties;

(3) [A PHYSICIAN OR SURGEON;

(4) A DENTIST PROVIDING CARE IN AN ISOLATED AREA BY AUTHORITY OF A PERMIT ISSUED UNDER AS 08.36.271;

(5)] a dentist licensed in another state who is teaching or demonstrating clinical techniques at a meeting, seminar, or limited course of instruction sponsored by a dental or dental auxiliary society or association or by an accredited dental or dental auxiliary educational institution;

(4) [(6)] a dentist licensed in another state who provides emergency care to an injured or ill person who reasonably appears to the dentist to be in immediate need of emergency aid in order to avoid serious harm or death if the care is provided without remuneration**;**

(5) a dentist employed in the state by an Indian health program, as that term is defined in 25 U.S.C. 1603, while providing dental services to a person the Indian health program is entitled to serve under 25 U.S.C. 450 et seq. (Indian Self-Determination and Education Assistance Act), as amended, and 25 U.S.C. 1601 et seq. (Indian Health Care Improvement Act), as amended.

* **Sec. 37.** AS 08.36 is amended by adding a new section to read:

Sec. 08.36.367. Ownership of a dental office or facility. (a) Only a person who holds a valid license issued under this chapter may own, operate, or maintain a dental practice, office, or clinic. This restriction does not apply to

(1) a labor organization or a nonprofit organization formed by or on behalf of a labor organization for the purpose of providing dental services;

(2) an institution of higher education recognized by the board;

(3) a local government;

(4) an institution or program accredited by the Commission on Dental Accreditation of the American Dental Association to provide education and training;

(5) a nonprofit corporation organized under state law to provide dental services to rural areas and medically underserved populations of migrant, rural community, or homeless individuals under 42 U.S.C. 254b or 254c or health centers qualified under 42 U.S.C. 1396d(*l*)(2)(B) operating in compliance with other applicable state and federal law;

(6) a nonprofit charitable corporation described in 26 U.S.C. 501(c)(3) (Internal Revenue Code) and determined by the board to be providing dental services by volunteer licensed dentists to populations with limited access to dental care at no charge or a substantially reduced charge.

(b) For the purpose of owning or operating a dental practice, office, or clinic, an entity described in (a) of this section shall

(1) name a licensed dentist as its dental director, who shall be subject to the provisions of AS 08.36.315 and 08.36.317 in the capacity of dental director; the dental director, or an actively licensed dentist designated by the director, shall have responsibility for the entity's practice of dentistry; and

(2) maintain current records of the names of licensed dentists who supervise dental hygienists, dental assistants, and other personnel involved in direct patient care who are employed by the entity; the records must be available to the board upon written request.

(c) Nothing in this chapter precludes a person or entity not licensed by the board from

(1) ownership or leasehold of any tangible or intangible assets used in a dental office or clinic, including real property, furnishings, equipment, and inventory, but not including dental records of patients related to clinical care;

(2) employing or contracting for the services of personnel other than licensed dentists; or

(3) management of the business aspects of a dental office or clinic that do not include the practice of dentistry.

(d) If all of the ownership interests of a dentist or dentists in a dental office or clinic are held by an administrator, executor, personal representative, guardian, conservator, or receiver of the estate of a former shareholder, member, or partner, the

administrator, executor, personal representative, guardian, conservator, or receiver may retain the ownership interest for a period of 24 months following the creation of the ownership interest. The board shall extend the ownership period for an additional 24 months upon 30 days' notice and may grant additional extensions upon reasonable request.

(e) In this section, "labor organization" means an organization, not for pecuniary profit, constituted wholly or partly to bargain collectively or deal with employers, including the state and its political subdivisions, concerning grievances, terms or conditions of employment, or other mutual aid or protection in connection with employees that has existed for at least three years and that has a constitution and bylaws.

* **Sec. 38.** AS 08.36.370 is amended by adding new paragraphs to read:

(7) "certified dental assistant" means a person who holds a current coronal polishing certificate or restorative function certificate issued by the board;

(8) "licensed dental hygienist" means a dental hygienist licensed under AS 08.32;

(9) "licensed dentist" means a dentist licensed under this chapter.

* **Sec. 39.** AS 08.32.020, 08.32.035, 08.32.040, 08.32.060, 08.32.097, 08.32.100, 08.32.120, 08.32.130, 08.32.140, 08.32.190(2); AS 08.36.075(b), 08.36.075(c), 08.36.075(d), 08.36.075(e), 08.36.114, 08.36.230, 08.36.244, 08.36.246, 08.36.247, 08.36.248, 08.36.260, 08.36.271, and 08.36.290 are repealed.

* **Sec. 40.** The uncodified law of the State of Alaska is amended by adding a new section to read:

REVISOR'S INSTRUCTION. The revisor of statutes shall change the catch line of AS 08.36.250 from "Renewal of registration" to "License renewal, lapse, and reinstatement."

STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Sean Parnell, Governor
Susan K. Bell, Commissioner

MEMORANDUM

TO: Senator Stedman, Co-Chair
Senator Hoffman, Co-Chair
Senate Finance Committee

DATE: April 1, 2011

FROM: Don Habeger, Division Director
Corporations, Business and Professional Licensing

RE: Department Response to Questions regarding SB 92: Dental Practice

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In response to the Committee's questions on SB92 – Dental Practice, regarding investigative case number comparison the Division of Corporation, Business and Professional Licensing has the following information to offer.

Time period for case numbers for the Medical Board and the Dental Board is January 1, 2009 through March 30, 2011:

- Dental Board cases are: Total cases = 40: 19 have been closed; 21 open status, of these none involve AAG or litigation.

- Medical Board cases are: Total cases = 162: 85 have been closed; 77 open status, of these 4 are with AAG and 4 are in litigation.

Notes: Open status may include the following: initial notification of an alleged violation, intakes, receiving of formal complaint, fact gathering (interviews, records review, etc.); expert witness review and advice as to case merits; board subcommittee review for case merits; accusations filing, Consent Agreements, and presentation to Boards and Commissions for final action.

Currently there are 21 open matters concerning Dental and Dental Hygienist. The open matter includes complaints and intakes. Intakes are when Investigations receive a telephone call or letter alleging a complaint against a licensed practitioner. Investigations respond by sending out a complaint packet and once it is returned, turn the intake into a complaint. It does not turn into an "open" investigation, until we have evidence of a violation. Of the 21 only 5 are considered "open" investigations, the rest are in the intake or complaint stages. This process, although discussed specifically in relation to the Dental Board's investigation activity, is similar for all boards and commissions.

Please let me know if you have any further questions or concerns.

Southcentral Foundation

March 7, 2011

David Logan, DDS
Legislative Chairman
Alaska Dental Society
9170 Jewel Lake Road #203
Anchorage, AK 99502

Dear Dr. Logan:

Thank you for your email suggesting language to further amend Section 16 of SB 92. Southcentral Foundation (SCF) agrees with you that the language in the bill as introduced, adding an exemption under AS 08.32.187(a) for certain dental hygienists, needs additional work. Your suggestion was that it read:

> (4) a dental hygienist employed in the state by an Alaska Native organization that is recognized by and eligible to receive services from the United States Department of the Interior, Bureau of Indian Affairs, while providing dental hygiene services to a member of a tribe that is recognized by the United States Secretary of the Interior under 25 U.S.C. 479a (Federally Recognized Indian Tribe List Act of 1994).

You asked SCF to identify any problems it might have with that language and it is happy to do so.

Operation of health programs by Alaska Native tribes and tribal organizations is governed by two laws: the Indian Self-Determination and Education Assistance Act (ISDEAA), Pub. L. 93-638, (codified as amended at 25 U.S.C. 450 *et seq*), and the Indian Health Care Improvement Act (IHCIA), Pub. L. 94-437, (codified as amended 25 U.S.C. 1601 *et seq.*). The ISDEAA specifies which tribal entities are allowed to operate services of the Indian Health Service (IHS). These entities include tribes, tribal organizations, and inter-tribal consortia. There is no process by which the Department of Interior, Bureau of Indian Affairs, recognized "Alaska Native Organizations," as the language above suggests, and the definition of tribe in the latter clause is inconsistent with the definition of tribe in either the ISDEAA or IHCIA.

This is a matter of great concern to SCF, and very likely many other tribal organizations throughout the State, since the proposed language would exclude all of the regional tribal health organizations and would also narrow who may be served significantly over that authorized under applicable Federal law, specifically the ISDEAA and IHCIA.

SCF appreciates the interests that the Alaska Dental Society is attempting to address, however,

and wants to help find the correct language. A really simple version could read:

> (4) a dental hygienist employed in the state by an Indian health program, as that term is defined at 25 U.S.C. 1603(12), while providing dental hygiene services to a person that the Indian health program is entitled to serve under the Indian Self-Determination and Education Assistance Act, Pub. L. 93-638, as amended, and the Indian Health Care Improvement Act, Pub. L. 94-437, as amended.

An alternative version that would spell out the provisions somewhat more could read:

> (4) a dental hygienist
>
> > (A) employed in the state by
> > (i) the Indian Health Service;
> > (ii) an Indian tribe or tribal organization that operates any health program, service, function, activity, or facility funded, in whole or part, by the [Indian Health] Service through, or provided for in, a contract or compact with the Service under the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450 et seq.); or
> > (iii) any Indian tribe or tribal organization to which the Secretary [of Health and Human Services] provides funding pursuant to section 23 of the Act of June 25, 110 (25 U.S.C. 47) (commonly known as the "Buy Indian Act"); and
> >
> > (B) while providing dental hygiene services to a person that the Indian health program is entitled to serve under the Indian Self-Determination and Education Assistance Act, Pub. L. 93-638, as amended, and the Indian Health Care Improvement Act, Pub. L. 94-437, as amended.

SCF encloses the definitions of terms used in either of these versions for your reference since whatever we might agree on, the language will have to be sent to Legislative Counsel for final drafting. As you can see in these definitions, the complexities of Indian health programs are many.

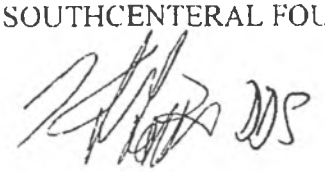
SCF appreciates the effort to clearly define the new exemption, but also needs to assure that the exemption does not inadvertently limit the population SCF and other Indian health programs may serve under their compact with the Indian Health Service. Accordingly, SCF also changed the last part of your proposed amendment. SCF did not try to detail every section of the IHCIA that addresses who can be served in an Indian health program. This is a complex matter in which

that addresses who can be served in an Indian health program. This is a complex matter in which one must refer to multiple sections of the law and Federal regulations. SCF is concerned that that level of detail would bog down the limitation on who can be served to the point that the Legislature would exclude that language entirely.

SCF looks forward to continuing to work with you, other stakeholders, and the Legislature on this important piece of legislation.

Sincerely,

SOUTHCENTERAL FOUNDATION



Kevin Gottlieb, DDS
Vice President/Chief of Staff

enclosure

APPLICABLE LEGAL DEFINITIONS

Under 25 U.S.C. 1603(12), "Indian health program" means:

> (A) any health program administered directly by the [Indian Health] Service;
> (B) any tribal health program; and
> (C) any Indian tribe or tribal organization to which the Secretary [of Health and Human Services] provides funding pursuant to section 23 of the Act of June 25, 110 (25 U.S.C. 47) (commonly known as the "Buy Indian Act").

"Tribal health program" is defined in 25 U.S.C. 1603(25) as meaning

> an Indian tribe or tribal organization that operates any health program, service, function, activity, or facility funded, in whole or part, by the [Indian Health] Service through, or provided for in, a contract or compact with the Service under the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450 et seq.).

"Tribal organization" is defined in the IHCIA, at 25 U.S.C. 1603(26) by reference to "the term in section 4 of the [ISDEAA] (25 U.S.C. 450b)." "Indian Tribe" is defined in 25 U.S.C. 1603(14), as follows:

> The term "Indian tribe" means any Indian tribe, band, nation, or other organized group or community, including any Alaska Native village or group or regional or village corporation as defined in or established pursuant to the Alaska Native Claims Settlement Act (85 State. 688), which is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians.

LEGAL SERVICES

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

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

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

MEMORANDUM March 23, 2011

SUBJECT: Sectional summary of CSSB 92(L&C)
(Work Order No. 27-LS0403\D)

TO: Senator Dennis Egan
Chair of the Senate Labor and Commerce Committee
Attn: Dana Owen

FROM: Alpheus Bullard 193
Legislative Counsel

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

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

Section 1. Removes a requirement that a person practicing dental hygiene, or who is offering to practice dental hygiene, must have a current certificate of registration.

Section 2. Establishes the qualifications necessary for licensure as a dental hygienist.

Section 3. Amends the qualifications necessary for a dental hygienist to be licensed by credentials.

Section 4. Edits the dental hygiene licensing provision to provide that successful applicants for licensure will no longer be registered by the Board of Dental Examiners (board) (see sec. 25 for a parallel provision applicable to dentists).

Sections 5 - 6. Conform the "renewal of license" and "lapse and reinstatement of license" provisions to the bill's removal of the registration requirement for dental hygienists.

Section 7. Allows a dental hygienist who has completed a course offered by or under the auspices of a program accredited by the Commission on Dental Accreditation of the American Dental Association or other equivalent course or program to receive a restorative function endorsement from the board.

Section 8. Changes the levels of supervision required for a dental hygiene student performing dental hygiene procedures. Makes the section applicable to all students enrolled in dental hygiene programs.

Sections 9 - 11. Change the permitted scope of practice for a dental hygienist and clarify what practices and procedures may not be delegated to a dental hygienist by a dentist.

Section 12. Clarifies what practices and procedures a dental hygienist, who has entered into a collaborative agreement with a dentist, may be authorized by the dentist to perform.

Section 13. Makes stylistic changes.

Section 14. Permits the board to sanction a dental hygienist who used or knowingly cooperated in deceit, fraud, or intentional misrepresentation to obtain a certificate or endorsement and amends the other grounds for discipline, suspension, or revocation of a dental hygienist's license.

Section 15. Gives the board the authority to impose a civil fine of up to $25,000 for a violation of AS 08.32 or a regulation adopted under the chapter.

Section 16. Amends the list of dental hygienists to whom the provisions of AS 08.32 do not apply.

Section 17. Provides new definitions applicable to AS 08.32 for "licensed dental hygienist" and "licensed dentist."

Section 18. Adds a qualification for the public member of the board.

Section 19. Requires the members of the board to take an oath. Requires the board to adopt a seal.

Section 20. Requires the president of the board to be a dentist or dental hygienist.

Section 21. Amends the powers of the board.

Section 22. Requires the Department of Commerce, Community, and Economic Development to employ an investigator for the board.

Section 23. Requires the board to establish standards for dental radiological equipment that comply with applicable federal law. Permits the board to charge a fee for equipment registered under the section. Removes a requirement that inspections of radiologic equipment be performed by a person with certain qualifications.

Section 24. Requires the board to maintain a registry of persons licensed as dentists or dental hygienists and persons certified as dental assistants, and a registry of licenses, certificates, and endorsements revoked by the board.

Section 25. Edits the dentist licensing provision to provide that successful applicants for a license will no longer be registered by the board (see sec. 4 for a parallel provision applicable to dental hygienists).

Section 26. Amends the qualifications for a license to practice dentistry in the state.

Section 27. Requires that an applicant for licensure as a dentist must be interviewed in person by the board.

Sections 28 - 29. Amend what is necessary for a dental hygienist to be licensed by credentials.

Section 30. Permits all persons enrolled as students in an accredited school of dentistry to perform dental procedures without a license if certain conditions are met.

Section 31. Conforms the "renewal of registration" provision to the bill's removal of the registration requirement for dentists.

Section 32. Provides that a dentist who does not pay the license renewal fee forfeits the dentist's license. Permits the board to reinstate a license upon certain conditions.

Section 33. Amends the grounds for discipline, suspension, or revocation of a license to practice dentistry.

Section 34. Permits a dental assistant who has completed a course offered by or under the auspices of a program accredited by the Commission on Dental Accreditation of the American Dental Association or other equivalent course or program to receive a restorative function endorsement from the board.

Section 35. Adds a new provision allowing persons enrolled in a program or course of study to perform dental assisting procedures as part of that course of study or program without a certificate if certain conditions are met.

Section 36. Adds a new section that provides who may own, operate, or maintain a dental practice, office, or clinic.

Section 37. Provides new definitions applicable to AS 08.36 for "certified dental assistant," "licensed dental hygienist," and "licensed dentist."

Section 38. Repeals AS 08.32.020, 08.32.035, 08.32.040, 08.32.060, 08.32.097, 08.32.100, 08.32.120, 08.32.130, 08.32.140, 08.32.190(2); AS 08.36.075(b), 08.36.075(c), 08.36.075(d), 08.36.075(e), 08.36.114, 08.36.230, 08.36.244, 08.36.246, 08.36.247, 08.36.248, 08.36.260, 08.36.271, 08.36.290, 08.36.350(a)(3), and 08.36.350(a)(4).

Section 39. Instructs the revisor of statutes to change the catch line for AS 08.36.250.

TLAB:ljw
11-187.ljw

SENATOR DENNIS EGAN

CSSB 92 (L&C)
"An Act relating to dental hygienists, dentists, dental assistants, dental hygiene, and dentistry."

SPONSOR STATEMENT

CSSB92 (L&C) clarifies the statutes for dental hygienists, dentists and the board of dental examiners.

The dental statutes set the requirements to obtain and renew a dental license, specify the grounds for discipline and set the requirements for training of a dental assistant.

The dental hygiene statutes also set the requirements to obtain and renew a dental hygiene license, list the procedures that a dental hygienist may perform and specify the grounds for discipline.

The board meets at least four times a year and consists of nine members appointed by the governor. Six members are dentists, two members are dental hygienists and one member is from the general public. The statutes governing the board of dental examiners specify the makeup of the board, the times the board shall meet and the powers of the board.

The board adopts regulations to carry out the laws governing the practice of dentistry and dental hygiene in Alaska. It makes final licensing decisions and takes disciplinary action against people who violate the licensing laws.

While incremental changes have been made to these statutes from time to time, it has been many years since anyone comprehensively reviewed them. CSSB 92 (L&C) represents the work of a committee of dentist and dental hygienists who seek to bring the laws governing those professions into line with current standards and practice.

ALASKA SENATE
STATE CAPITOL • JUNEAU, ALASKA 99801-1182 • (907) 465-4947 • FAX (907) 465-2108
SENATOR.DENNIS.EGAN@LEGIS.STATE.AK.US

Alaska State Legislature

State Capitol, Room 510
Juneau, Alaska 99801
Phone: (907) 465-4947
Fax: (907) 465-2108

Committee Members:
Senator Dennis Egan, Chair
Senator Joe Paskvan, V. Chair
Senator Bettye Davis
Senator Linda Menard
Senator Cathy Giessel

Senate Labor and Commerce Committee

CSSB 92 (L&C) DENTISTS/DENTAL HYGIENISTS/ASSISTANTS

Changes from the Original Bill

Sec. 1. No change.

Sec. 2. Clarifies that the educational program requirement for a license be at least two years and accredited at the time of graduation.

Sec. 3. Re-establishes that fees will be set by the Department of Commerce, Community and Economic Development (maintains the status quo).

Sec. 4. No change.

Sec. 5. Expands the means by which the department must notify a license holder that the license will soon expire. The original bill required mailing; the CS does not specify a method, thereby allowing electronic communications.

Sec. 6. No change.

Sec. 7 and 8. Clarify that an accredited program is what is meant, not a school; programs are accredited, not schools.

Sec. 9. Clarifies that (a)(1)(A) refers to a treatment plan for dental hygiene.

Sec. 10. Adds the word "comprehensive" to the term treatment plan to conform to standard usage within the profession.

Sec. 11. No change.

Sec. 12. Clarifies that (a)(6) refers to a treatment plan for dental hygiene.

Sec. 13 – 15. No change.

Sec. 16. Adds language intended to except dental hygienists working for Alaska Native organizations. NOTE: *This language overlooks current practice in rural areas where such clinics serve people who are not Alaska Natives. The Senate L&C Committee proposes an amendment that will clarify that current practice would be allowed under the bill.*

Sec. 17 – 19. No change.

Sec. 20. A new section specifying that the president of the board must be either a licensed dentist or dental hygienist.

Sec. 21 – 33 (old 20 – 32). No change.

Sec. 34 (old 33). Clarifies that an accredited program is what is meant, not a school; programs are accredited, not schools.

Sec. 35 (old 34). Removes the requirement that a student dental assistant be enrolled in an accredited program.

Sec. 36 (old 35). Extends the time certain persons may retain ownership interest in a clinic or dental office after the death of a previous owner.

Sec. 37 – 39 (old 36 – 38). No change.

SB

94

<TARGET><BILL>SB 94</BILL><SUBJECT>SB
94</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/25/11

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 94

SB 94-SECOND VERSE OF ALASKA'S STATE SONG

"An Act adding a second verse to the official Alaska state song."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
SFIN			✓	

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	[illegible]	✓			
	McGuire	✓			
	[illegible]	✓			
	[illegible]	✓			
CO-CHAIR:		✓			
CO-CHAIR:	[illegible]	✓			

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version **SB 94**
() Publish Date

Identifier (file name)
Title SB 94 - Second Verse of Alaska's State Song
Dept. Affected All
Appropriation
Allocation

Sponsor Senate Finance Committee
Requester Senate Finance Committee
OMB Component Number

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by Darwin Peterson, Senate Finance Committee staff
Phone 465-3873
Date/Time 3/31/11 5:50 PM

Senator Bert Stedman, Co-Chair Senate Finance Committee
Date 3/31/2011
Senator Lyman Hoffman, Co-Chair Senate Finance Committee

(Revised 1/27/2011 OMB)

ALASKA STATE LEGISLATURE

Senate
Health & Social
Services
Committee
Chair
•
Senate
Education Committee
Vice-Chair

Senator_Bettye_Davis@legis.state.ak.us
http://www.aksenate.org

Senate
Labor & Commerce
Committee
Member
•
Legislative Council
Member
•
Joint Armed
Services
Member

Senate Bill 94 Sponsor Statement

Senate Bill 94 would add a second verse to The Alaska's Flag Song. The late Carol Beery Davis wrote a beautiful second verse, which gives recognition to Alaska Natives and to Benny Benson, who designed the Alaskan flag.

Similar bills have been introduced in the past. Last year The Alaska's Flag Song was performed with both verses as the Senate gaveled in on the first day of session. Also last year, the Senator from District G introduced SB 43. It passed the Senate, but stalled in the House.

This year is the year to join me in supporting a long overdue addition of the second verse to the Alaska Flag Song. By passing this bill you will be recognizing history, our progress as a state and our first people.

Session: (Jan. - May)
State Capitol, Suite 30, Juneau, AK 99801-1182 Phone: (907) 465-3822 • Fax: (907) 465-3756 • Toll free: (800) 770-3822
Interim: (May - Dec.)
716 West 4th Ave., Suite 400, Anchorage, AK 99501 Phone: (907) 269-0144 • Fax: (907) 269-0148

Senator Bettye Davis
VOTE FORM

Bill # SB 94 Second Verse of Alaska's State Song

	SIGN HERE		SIGN HERE
Sen. John Coghill		Sen. Lesil McGuire	
Sen. Bettye Davis		Sen. Linda Menard	
Sen. Fred Dyson		Sen. Kevin Meyer	
Sen. Dennis Egan		Sen. Donald Olson	
Sen. Johnny Ellis		Sen. Joe Paskvan	
Sen. Hollis French		Sen. Bert Stedman	
Sen. Cathy Giessel		Sen. Gary Stevens	
Sen. Lyman Hoffman		Sen. Joe Thomas	
Sen. Charlie Huggins		Sen. Thomas Wagoner	
Sen. Albert Kookesh		Sen. Bill Wielechowski	

Bill # SB 94 Second Verse of Alaska's State Song

"An Act adding a second verse to the official Alaska state song." BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA: Section 1. AS 44.09.040 is amended to read: **Sec. 44.09.040. State song.** The song "Alaska's Flag," with music composed by Elinor Dusenbury and words **to the first verse** by Marie Drake **and words to the second verse by Carol Beery Davis,** is the official song of the state. The words of the second verse are as follows:

A native lad chose our Dipper's stars
for Alaska's flag that there be no bars
among our cultures. Be it known
through years our natives' past has grown
to share our treasures, hand in hand,
to keep Alaska our Great Land.
We love the northern midnight sky,
our mountains, lakes and the streams nearby;
Our Great North Star with its steady light
will guide our cultures clear and bright
with Nature's flag to Alaskans dear -
The simple flag of a last Frontier.

SB 99 BACKGROUND MATERIAL

A Resolution to Support the Second Stanza of the Alaska Flag Song

Resolution #87-01

WHEREAS, Denakkanaaga' Inc. represents all the Elders of the Athabascan region, and

WHEREAS, the term "Natives" means anybody born to a person of this country or state, and

WHEREAS, the second stanza would pay homage to Alaskan Natives,

NOW THEREFORE BE IT RESOLVED that the Denakkanaaga' Inc. supports the proposal of adding the second stanza of the Alaska Flag Song to honor all Native Alaskans.

Certification

I hereby certify that this resolution was duly passed by the Denakkanaaga' Inc. Board of Directors on June 4, 1987, at Northway, Alaska.

Secretary/Treasurer
Denakkanaaga' Inc.

6/87-70.4

SB 94
BACKGROUND
MATERIAL

Why a second verse for 'Alaska Flag Song'?

Editor's Note: A copy of the following letter to Betty Kjara, secretary of Pioneers of Alaska Auxiliary No. 8 in Fairbanks, was submitted for publication.

Dear Be[illegible]:

I have received your letter dated March 27, in which you objected to the adoption of the second verse of the "Alaska Flag Song."

I would like to explain to you why I introduced HB 117 and why I hope you will change your decision to oppose the bill.

No one loves the flag song any more than I do. For many years, I have sung it for groups, meetings, conventions, commencements and even for Gov. Bill Egan's memorial service here in Juneau. I offer the second verse out of deep respect for the first verse and for its recognition of Alaska's history. I believe the second verse complements the first verse and gives recognition not to one ethnic group, but to all Alaskans and their ability to work together in a unified and harmonious way.

The addition of a second verse has been discussed for many years by various groups. At one time, funds were inserted into the House's version of the budget to hold a contest for selecting a second verse. Carol Beery Davis was asked to write another verse to the flag song to recognize the contribution of Native Alaskans, who were here long before you or I, or even the Pioneers. She did so, and offered it as a gift to the State of Alaska. I was asked to support its adoption and to introduce a bill to make it officially recognized by the state. I did so, and it has passed the House.

In order to understand the special significance of this verse, you must know about Carol Beery Davis, a former poet laureate of Alaska. She is a 60-year resident of Juneau. Her husband, Trevor, was born here 84 years ago, and is the only living member of the original selection committee for the design of Alaska's flag, which selected Benny Benson's North Star and Big Dipper (to whom the second verse refers in lines 1 and 2). Carol has written dozens of books about Alaska, including "The Alaska Flag Song" book which is credited with helping to make the song so well-known. I have enclosed a copy of this book. She now personally both Elinor Dusenbury and Marie Drake, the two women who decided to write the song and offer it to the state, just as Carol [illegible] done.

oneer, is still contributing to her loved state by offering this beautiful verse, a tribute to unity of all Alaskans:

"A Native lad chose the Dipper's stars
For Alaska's flag that there be no bars
Among our cultures..."

She is recognizing history and our progress as a state:

"Be it known
through years, the Natives' past has grown.
To share life's treasures, hand in hand,
To keep Alaska our Great Land."

She is focusing our attention on the natural beauty of our land and reminds us of the treasures of its beauty:

"We love the northern, midnight sky,
The mountains, lakes, and streams nearby.
The great North Star with its steady light
Will guide all cultures, clear and bright,
With nature's flag to Alaskans dear,
The simple flag of a last frontier."

It is hard for me to understand why anyone who has read these words could object to them. It is impossible for me to understand how anyone who knows who Carol Beery Davis is and the contributions she has made to art, music and literature in Alaska could object to her offering this beautiful gift.

Why did this legislator propose HB 117? Out of respect for a beautiful Alaskan lady who has offered a beautiful verse to a beautiful song about a great state.

Sincerely,
Rep. Fran Ulmer
Juneau

SB 94 BACKGROUND MATERIAL

HB 117

Incorporated
1983

Denákkanaaga

201 First Ave., Fairbanks, Alaska 99701
Phone (907) 452-8251 Ext. 289

August 31, 1984

The Honorable Fran Ulmer
1700 Angus Way
Juneau, Alaska 99801

Dear Representative Ulmer:

Attached is a copy of Resolution 87-01 passed at the Denakkanaaga', Inc. Elders Conference, held June 2-4, 1987 in Northway, Alaska. There were about 300 elders and youth that attended this conference.

We believe this resolution speaks clearly how the Elders feel about the Second stanza of the "Alaska Flag Song".

We are asking for your support on behalf of the Athabascan Elders.

Sincerely,

Don Lee

Don Lee
Executive Director

DL/as
Attachment

SB

95

<TARGET><BILL>SB 95</BILL><SUBJECT>SB
95</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/25/11

FURTHER:

DATE TURNED IN TO OFFICE: 4/13/11

Finance Committee considered SENATE BILL NO. 95

SB 95-FRANK PALMER FERRY TERMINAL

"An Act naming the ferry terminal located at Auke Bay in Juneau the Frank Palmer Ferry Terminal."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
SFIN/DOT			X	

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	Egan	✓			
	McGuire	✓			
	Olson			✓	
	Elkins	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓			

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **SB 95**
() Publish Date

Identifier (file name)
Title: Frank Palmer Ferry Terminal
Sponsor: Senator Dennis Egan
Requester: Senate Finance Committee

Dept. Affected: DOT&PF
Appropriation: Statewide Facility M&O
Allocation: SMO
OMB Component Number: 604

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by: Darwin Peterson, Senate Finance Committee staff
Phone: 465-3873
Date/Time:

Senator Bert Stedman, Co-Chair Senate Finance Committee
Date: 4/12/2011
Senator Lyman Hoffman, Co-Chair Senate Finance Committee

(Revised 1/27/2011 OMB)

SENATOR DENNIS EGAN

SB 95

Frank Palmer Ferry Terminal

Frank Palmer was an icon who worked for nearly five decades at the Auke Bay Ferry Terminal. Palmer, who died last year at the age of 69, first began pulling trailers off the Alaska Marine Highway System's ferries in 1962, the year service from Prince Rupert started. Since then, Palmer drove trucks and met ferries for Lynden Incorporated, Orme Transfer, Douglas Trucking (of which he was also a co-owner), and Alaska Marine Trucking. No matter which company he was working for, Palmer's reliable presence at the Auke Bay Ferry Terminal was a constant.

He was well known as a man who could skillfully get large vehicles on and off of ferries with ease. Although most of them are completely unaware, the list of Alaskans whose lives were touched indirectly by Palmer as he helped move their goods on and off of ferries is long.

Frank Palmer grew up in Auke Bay and for the entirety of his working life (47 years) he was a staple at the Auke Bay Ferry Terminal. Through his decades of work loading and unloading ferries, he was an integral part of the marine highway system that serves as the road that connects the communities of Southeast Alaska.

It would be a fitting and appropriate tribute to a man so intertwined with the Auke Bay Ferry Terminal to rename it the Frank Palmer Ferry Terminal.

ALASKA SENATE
STATE CAPITOL • JUNEAU, ALASKA 99801-1182 • (907) 465-4947 • FAX (907) 465-2108
SENATOR.DENNIS.EGAN@LEGIS.STATE.AK.US

JuneauEmpire.com

Frank Palmer

Sunday, March 07, 2010

Story last updated at 3/7/2010 - 2:52 am

Frank Palmer
Juneau Empire

Juneau resident Frank Edward Palmer died Feb. 28, 2010, when he drowned while swimming in the ocean during a family vacation in Kauai, Hawaii. His beloved wife, Patti, adored son Billie, cherished grandson Bill, and dear friends, Bud and Joy Hansen, were with him. He was 69.

He was born March 3, 1940, in Tacoma, Wash., to Clayburn F. "Bill" and Nona Palmer and grew up along the shores of Auke Bay. He attended elementary and high schools in Juneau, playing organized baseball and basketball throughout his youth, and he was a member of the Juneau Crimson Bear 1958 State Championship basketball team.

In his youth, he enjoyed fishing and hunting and relished learning those skills from his father. Except for attending college in North Dakota and a short stint in the Air Force, he spent most of his life in Alaska, which he loved. His passion for the outdoors enhanced his excitement for his annual hunting trip to Swan Island with his buddies and fishing with family and friends.

His work passion was the trucking industry, and he was widely known for his expert ability to spot and remove large vans from the Alaska ferries. All his working life, he worked with or for trucking companies. He worked for Orme Transfer, was part owner in Douglas Trucking for many years, and later worked for Lynden Transport and Alaska Marine Lines. The familiar sight of Frank traveling up and down Egan Highway in his truck, will be sorely missed.

"Frank was a beloved husband, father, grandfather, brother and friend," his family wrote. "His love for his family and friends is cherished by all who knew him, and his great spirit and zest for life will live on forever."

He was preceded in death by his parents.

He is survived by his wife, Patti Palmer; son, Bill Palmer; step-daughters, Kate and Leslie Becker, and Karen Ford Powell; step-sons, Randy and Rick Ford; grandson, Bill Palmer; granddaughters, Katie, Linda and Lisa Palmer, of Juneau, and Greta Olson, Margot and Hazel Liebrecht, of Portland, Ore.; sister, Marlene Palmer Ciraulo and husband, Joe, of Issaquah, Wash.; brother, Earl "Bosco" Palmer and wife, Sheila, of Shelton, Wash.; uncle, Earl L. Palmer and aunt, Geraldine Palmer, of Tacoma; and many nieces and nephews, as well as an endless group of friends.

A memorial service is planned for 2 p.m. March 20 at the Chapel by the Lake, followed by a celebration of Frank's life at the Sandbar. In lieu of flowers, the family is setting up a trust fund for the grandkids in his memory. The family can be contacted c/o Patti Palmer, P. O. Box 240204, Douglas, AK 99824-0204.

Arrowhead Transfer, Inc.
Arrowhead LP Gas
1517 Sawmill Creek Road
Sitka, AK 99835-9704
(907) 747-8647 phone
(907) 747-6433 fax

February 24, 2011

To Whom It May Concern:

I understand that there is a resolution to consider naming the Juneau Ferry Terminal after Frank Palmer.

Our Company and its people would be thrilled to see Frank honored in this way. It would be wonderful for his family and for all of us who knew and respected him.

I doubt that records have been kept, but it would be reasonable to assume that no one driver has ever moved or ever will move more equipment on to and off of Alaska Marine Highway System vessels than Frank.

Arrowhead Transfer, Inc. would be in strong support of this resolution.

Respectfully submitted,

G. S. Harang

Gordon S. Harang, President
Arrowhead Transfer, Inc.

100 Mount Roberts St.
Juneau, AK 99801-7700
(907) 586-3960 phone
(907) 586-3356 fax

7857 N Tongass Highway
Ketchikan, AK 99901
(907) 225-4313 phone
(907) 247-4313 fax

Post Office Box 788
Petersburg, AK 99833-0788
(907) 772-2288 phone
(907) 772-9318 fax

Post Office Box 349
Wrangell, AK 99929-0349
(907) 874-3314 phone
(907) 874-3315 fax

Post Office Box 707
Craig, AK 99921-0707
(907) 826-3419 phone
(907) 826-3916 fax

Post Office Box 584
Kake, AK 99830-0584
(907) 785-3156 phone
(907) 785-3150 fax

LYNDEN

Friends of Frank Palmer:

I understand that there is consideration of naming the Juneau Ferry terminal after Frank Palmer. This is a wonderful tribute to a great man and I strongly endorse the idea.

Frank began pulling Lynden Trailers off the Alaska Ferry's in 1962, when the 1st. vessels began operating from Prince Rupurt. He began driving for Orme Transfer, then as an owner of Douglas trucking (when Orme went out of business) and finally for Alaska Marine Trucking, a Lynden Company. He met ferries in Juneau, at all hours of the day and night, in any type of weather, safely, reliably and professionally for 47 years.

Frank is well known by AMHS personnel for 5 decades, as the guy who was always there, and who could thread a needle with a tractor trailer.

Thank you for your consideration of our long term friend and fellow Lynden professional, Frank Palmer.

Jim Jansen
CEO
Lynden Inc.

March 21, 2011

Senator Dennis Egan
State Capitol
Room 510
Juneau, AK 99801-1182

ALASKA MARINE TRUCKING

RE: HB 95
Dear Senator Egan:

We are writing to express our support for renaming the Auke Bay Ferry Terminal after Frank Palmer.

Besides being a local business owner for 25 years, Frank was our co-worker, our mentor and our friend. The importance of the Alaska Marine Highway system to the commerce of Southeast Alaska was always in the forefront of his thoughts. Frank was well known to personnel at the Alaska Marine Highway Auke Bay Terminal and to vessel crews. He made himself available to help many passengers' equipment on and off the Marine Highways vessels over his long tenure meeting the ferry.

Thank you for initiating this bill.

Sincerely,
The Crew at Alaska Marine Trucking

100 Mt. Roberts Street
Juneau, Alaska 99801
(907) 586-3790
Fax: (907) 463-3298

3295 Tongass Avenue
Ketchikan, Alaska 99901
(907) 225-7660
Fax: (907) 225-6291

3 1/2 Mile Mitkof Hwy.
Petersburg, Alaska 99833
(907) 772-3278
Fax: (907) 772-9318

ALASKA MARINE TRUCKING

February 24th, 2011

To Whom It May Concern;

I have been in communication with the office of Senator Dennis Egan to provide information and support his efforts to name the Auke Bay Ferry Terminal after a dear friend of mine, Frank Palmer. Those of us that were blessed to work with him feel that this gesture would be a fitting tribute to this man and his family. A man that has meant so much to this community and other communities throughout Southeast Alaska serviced by the Alaska Marine Highway.

It would be impossible to even guess the number of trailers he pulled off and put on the ferries over the course of his 47 plus years in transportation here in Juneau. Think of the lives he touched either directly or indirectly by being the one there at all hours of the day or night moving the mail, moving the freight and moving our lives.

Frank Palmer was a special person who was perfectly matched for the career he chose, and especially loved working the ferries of the Alaska Marine Highway. Thank you for considering this honor for my friend.

Eric W Badger

Eric Badger

Port Manager Alaska Marine Trucking

George W. Davidson PE, LS (retired)
2616 Douglas Hwy. #206
Juneau, Alaska 99801
Home 907-789-7529
Cell 907-321-3565
gdavid8174@aol.com

March 15, 2011

To Whom It May Concern

Re: SB 95 -- "An Act naming the ferry terminal located at Auke Bay in Juneau the Frank Palmer Ferry Terminal."

It is with great personal pleasure that I write in support of this bill and the proposed name change from the Auke Bay Ferry Terminal to the Frank Palmer Ferry Terminal.

I knew Frank since the early 1960s and considered him a good friend. In 1969 my wife and I purchased a home "out beyond the ferry terminal" on Lena Loop Road. Thus my life and the life of my wife and 3 daughters began each day and ended each day with a trip past the Auke Bay Ferry Terminal. Over the years since, my family and I have used the ferry system far more than the average Southeast citizen. We traveled regularly on the ferries using them for access to places like Anchorage, Mat-Su, Tok, Haines & Skagway. Our trips north number in the hundreds. The trips were for pleasure but also for business and education. All this travel required that I spend many hours at the ferry terminal waiting to be loaded or waiting to pick up family or friends arriving.

During all this time at the terminal there was one thing that was a constant and that was Frank Palmer. Be it 3 in the morning or 3 in the afternoon -- be it raining, snowing, blowing or (occasionally) sunny -- Frank was always there. He was always pleasant and never too busy to say hello with a hand shake or a good natured headlock. It seems that not only when we were traveling on the ferry but also when just driving by -- there was Frank pulling in with a load or pulling out with one.

When traveling one would see different AMHS employees at the terminal depending on their shift but Frank was always there. Watching him was always interesting as he had the skills to load those trailers quickly into the tightest places. I learned the difficulty of his task and appreciated his skills by having had to personally load horse trailers on and off the ferries -- sometimes by backing up or backing down a steep ramp -- doing so gave me a great appreciation for Frank's skills.

It seemed impossible to think about the Auke Bay Ferry Terminal without thinking about Frank Palmer. He was a good person with great skills and a pleasant manner that set standards for all of us to strive for in life. Your support for this name change will be appreciated.

Sincerely,

George W. Davidson PE, LS
Juneau, Alaska

March 18, 2011

Senator Dennis Egan
State Capitol, Room 510
Juneau, AK 99801-1182

Re: SB 95 - Frank Palmer Ferry Terminal

Dear Senator Egan,

I am writing to express my appreciation for your introduction of this bill. Frank Palmer was my brother, his two passions in his life were his family and driving trucks. Other than his yearly hunting trip, Frank rarely left Juneau, in part because of his dedication to his job. In the times that I was able to ride with him as he worked, I saw the flawless talent he had for loading and unloading the ferries. His love and commitment to his job was seen everyday by those around him.

The ferry captains and dock workers could never say enough about the job he did for them. Once the ferry was loaded if needed, he would move the containers around to ensure that the ferry was balanced if they needed him to. He would remain until the ferry was not only loaded, but ready to leave, ensuring that he could make any last minute changes that they asked of him. He was never too busy to help the dock workers move the equipment and other heavy containers when the weather wouldn't let them do it with their machines. If passengers or other truck drivers had problems loading or unloading he was always there to help them on their way.

Frank's love and dedication to not only his job, but to the community of Juneau goes without saying. Ask most anyone, and they could tell you about Frank Palmer waving as he moved his big AML truck down the road, and if you need help, didn't matter what, just ask and he was there to help.

The renaming of the ferry terminal in his name would be a great honor, and in many ways fitting, since Frank grew up across from it. He loved the water and working the ferries was his life. Thank you again for sponsoring this bill.

Sincerely,

Bosco Palmer

Earl 'Bosco' Palmer
22 SE Ashley Rd
Shelton, WA 98584

CARLA B. SEIBEL
15825 Glacier Highway
Juneau, AK 99801

Home: 907-789-9035
Cell: 907-321-3306

March 28, 2011

The Honorable Dennis Egan
Alaska State Legislature
State Capitol, Room 510
Juneau AK, 99801

Re: SB 95

Dear Senator Egan:

I would like to express total support for Senate Bill 95, naming the ferry terminal located at Auke Bay in Juneau the Frank Palmer Ferry Terminal."

For nearly fifty years, Frank faithfully met nearly every ferry—day and night—to skillfully load and unload containers. His kindness, skills, and work ethic were reflected in the admiration of not only his fellow truck drivers but also by the ferry employees.

One of the real joys of arriving back in Juneau on the ferry was seeing Frank in his tractor truck, ready to unload and load those many containers that kept Juneau businesses supplied with inventory.

I applaud you for recognizing the talents and goodness of Frank.

Sincerely,

Carla B. Seibel

Senator Dennis Egan
State Capitol Room 510
Juneau, Alaska 99801

March 21, 2011

Dear Senator Egan,

I want to thank you for sponsoring SB 95 Frank Palmer Ferry Terminal. Frank Palmer was a tireless advocate of the AMH System, defending it against any and all criticism.

During his 35 years as an owner of Douglas Trucking, Frank Palmer met 99% of the AMH Ferries that stopped in Juneau, pulling on and off vans of freight and mail at all times of the day and night. He would voluntarily help AMH personnel in every way possible to keep the ships on schedule.

Frank would often pull stalled vehicles off or on the ships, or snow bound vehicles out of the stuck positions with his own company tractor, never asking for anything in return, even when the extra stress on his vehicle caused mechanical problems.

I cannot think of anyone better to be honored by having his name attached the Auke Bay Ferry Terminal.

Respectfully,

Gerald Kuelbs

Gerald Kuelbs

Chester Carson

From: medjed@ptialaska.net
Sent: Monday, March 21, 2011 11:57 AM
To: Chester Carson
Cc: agsstaku@gmail.com
Subject: Frank Palmer, Naming

Andrew W. & Janet L. Pekovich
P.O. Box 210287
Auke Bay, Alaska 99821
Phone: (907) 789-7581
E-mail: medjed@ptialaska.net

March 21, 2011

Chairman, Senate Transportation Committee
C/o Senator Dennis Egan
State Capitol, Room 510
Juneau, Alaska 99801-1182

RE: Proposed Naming of
Juneau's Auke Bay Ferry Terminal

Dear Chairman & Committee Members:

It is my understanding that Senator Egan has sponsored a bill to name the State's Auke Bay Terminal after Frank Palmer. As a 70 year resident of Juneau I would like convey our **whole-hearted support for this action**.

Frank was a high-school classmate, teammate and friend. Although as life typically has it we took different paths after graduation, it was clear from the response to his death that he was admired by so many. This included not only his classmates, peers (including those her competed with), the many young drivers he mentored, visitors using the marine transportation system he came to the aid of, and just as important those operating the marine transportation system which held him in such high regard. Frank, like his father before him, and who in the 50's was our little league and American Legion coach, had a positive affect on so many. The proposed naming of terminal for Frank seems even more appropriate in light of the fact that in the 50's the Palmers resided just across the street from what is now the ferry terminal.

Please accept my apology for having had to direct this though Senator Eagen's Office.

Sincerely,

Andrew Pekovich

Chester Carson

From: Jim Weber [reischl1950@hotmail.com]
Sent: Wednesday, March 16, 2011 10:51 AM
To: Chester Carson
Subject: Frank Palmer Ferry Terminal

Dear Senator Egan:

I am writing to you to show my overwhelming support toward renaming the Auke Bay ferry terminal in Juneau in honor of my good friend and business associate Frank Palmer.

I knew Frank Palmer for over 20 years and know him to be a highly valuable member of the community and a gold plated asset to the trucking industry in Southeastern Alaska. I worked for Lynden Transport in various locations throughout Alaska over roughly 17 years. 6 of those years were spent domiciled in Juneau in charge of Lynden's daily activities throughout all of Southeastern.

Frank Palmer at that time was an owner of Douglas Transfer in Juneau and had been for many years. Frank came through the ranks along with Pat Orme through Orme Transfer. Douglas Trucking was Lynden's Juneau agent. The most famous and well liked of all the Douglas hands was certainly Frankie. No one could match the expert driving ability that Frank had going on and off any ferry under the most adverse weather and technical conditions.

Often times Frank would be called out ship side to untangle the messiest car deck transportation problems one has ever encountered. All AMHS masters, Tow Boat masters, First Mates and deck hands knew Frank Palmer because of his friendly spirit, attitude and driving ability. Frank was a man with a wonderful imagination and humorous, always ready to get the job done no matter under what conditions or time of the day. Palmer had a heart of gold.

I strongly support Senator Egan effort in proposing renaming the Auke Bay Ferry terminal to show Frank Palmer Ferry Terminal. It is an honor truly befitting a gentleman of Juneau and the transportation industry.

Sincerely,
/s/ Jim Weber
former 15 year resident of Juneau
2755 W. Riverdell drive
Wasilla, Alaska 99654

SB

96

<TARGET><BILL>SB 96</BILL><SUBJECT>SB
96</SUBJECT><COMM>SFIN27</COMM></TARGET>

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSSB 96(CRA)
(S) Publish Date: 3/23/11

Identifier (file name) SB096-DEC-FC-03-11-11
Title: Application of Village Safe Water Act
Sponsor: Senator Kookesh
Requester: Senate Community and Regional Affairs Committee

Dept. Affected: Environmental Conserv
Appropriation: Division of Water
Allocation: Facility Construction
OMB Component Number: 637

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	0.0		0.0	0.0	0.0	0.0	0.0
Travel	0.0		0.0	0.0	0.0	0.0	0.0
Services	0.0		0.0	0.0	0.0	0.0	0.0
Commodities	0.0		0.0	0.0	0.0	0.0	0.0
Capital Outlay	0.0		0.0	0.0	0.0	0.0	0.0
Grants	0.0		0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0		0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CHANGE IN REVENUES							
FUND SOURCE			(Thousands of Dollars)				
1002 Federal Receipts	0.0		0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0		0.0	0.0	0.0	0.0	0.0
1004 GF	0.0		0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0		0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0		0.0	0.0	0.0	0.0	0.0
Other (please identify)	0.0		0.0	0.0	0.0	0.0	0.0
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost 0.0

POSITIONS							
Full-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Part-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by: Lynn J. Tomich Kent, Director
Division: Water
Approved by: Dan Easton
Deputy Commissioner

Phone: (907) 269-7599
Date/Time: 3/11/11 8:00 AM
Date: 3/11/2011

(Revised 1/27/2011 OMB)

FISCAL NOTE #1

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. CSSB 96(CRA)

Analysis

There are no fiscal impacts on the Department of Environmental Conservation's Water programs from this proposed legislation.

SENATOR ALBERT M. KOOKESH
ALASKA STATE LEGISLATURE SENATE DISTRICT C

State Capitol, Room 11
Juneau AK, 99801-1182
907-465-3473
888-288-3473
FAX 907-465-2827

SPONSOR STATEMENT

CSSB 96 (C&RA): "An Act relating to the Village Safe Water Act"

This bill makes the following changes to the Village Safe Water Act:

1. Raises the maximum population eligible for funding from 600 to 1000 for villages and first-class cities. This would allow those municipalities which are still facing clean water and sanitation issues to receive VSW grants despite their population growth. First Class cities Sand Point, King Cove, Hoonah and Klawock would become eligible for VSW grants.

2. Adds home rule municipalities whose population is below 1000 residents. This would allow Nenana (a Home Rule city) and the borough of Yakutat to become eligible to apply for VSW funding.

3. Changes the definition of village from "unincorporated community" to a village listed in 43 U.S.C. 1610 or 15 (ANCSA). This would make it mandatory for an applicant to have a structured government in place.

These changes to the Village Safe Water Act would direct the program funding to those regions of Alaska it was intended to help. Many villages in Alaska lack basic sanitation needs including safe sources of drinking water or hygienic means of sewage disposal.

The Department of Environmental Conservation is in full support of this bill. I urge your support the passing of this bill.

Explanation of Changes

The original intent of this bill was to change the statutory language to add "home rule cities" to the Village Safe Water (VSW) program so the city of Nenana would be eligible for the program. Since introduction there were three changes that occurred to the bill;

- Increasing the maximum population from 600 to 1,000. This recommendation came from the DEC, it was recommended because there are a number of cities that are close to the maximum and a couple that are barely over the limit.
- Adding "home rule municipality" was also a recommendation of DEC and that would enable both the City of Nenana and Yakutat city and Borough to be eligible.
- Changing the definition of village from "unincorporated community" to U.S.C. 1610 or 15 (ANCSA). This was also a recommendation from the DEC, it makes it mandatory for a structured government to be in place, to be eligible for the grant.

These recommendations were added by the DEC/VSW to expand the services they provide.

City of Nenana
PO Box 70, Nenana, Alaska 99760
907-832-5501, 907-832-5503-fax
http://www.nenana.org

Sen. Kookesh
State Capitol Room 11
Juneau AK, 99801

7-Feb-11

Re: Request for Statutory Language Change

Dear Senator,

The City of Nenana requests that legislation be submitted for approval to add a section to AS 46.07.080 as identified below.

Current Language

AS 46.07.080 Definitions
In this chapter

1) "commissioner' means the commissioner of environmental conservation.
2) "village" means an unincorporated community that has between 25 and 600 people residing within a two-mile radius, a second class city, or a first class city with not more than 600 residents.

We request that the second section be revised as follows

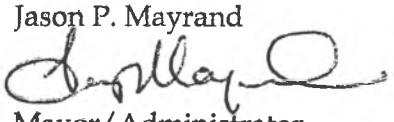
2) "village' means an unincorporated community that has between 25 and 600 people residing within a two-mile radius, a second class city, or a first class <u>or home rule city</u> with not more than 600 residents.

The City makes this request in order for the community to be specifically eligible for Village Safe Water capital improvement programs.

Nenana has previously applied and been approved for a grant from VSW for an extensive renovation of our failing water and sewer system. At some point after the grant was awarded, it was brought to our attention that it was a mistake as Nenana, being a Home Rule City, was not eligible under the current language. We therefore request that this language change be submitted so as to restore our grant eligibility.

Please contact me with any questions you or your office may have. I am happy to share the history and background information with you and your colleges.

Sincerely,
Jason P. Mayrand



Mayor/Administrator
City of Nenana

Cc; Rep. Dick, Sen. Coghill

CITY OF KLAWOCK
ALASKA

PO Box 469
Klawock AK 99925

Phone# (907)755-2261
(907)755-2262
Fax# (907)755-2403

"Site of the First Salmon Cannery in Alaska"

March 16, 2011

Honorable Senator Kookesh
State Capital Room 11
Juneau, AK 99801

Re: Support for SB96

Dear Senator Kookesh,

I am writing this letter on behalf of the community of Klawock to express our support for SB96. The change in the language of SB96 to a population of 1,000 residents would make Klawock eligible for the Village Safe Water Act funds.

By making Klawock eligible for the Village Safe Water Act program, we will be able to more effectively address the issue of our aging infrastructure. In small villages around the State there exists a real need to fund projects that address our aging infrastructure. By addressing these needs we will be able to enhance the health and welfare of the people of Klawock.

Thank you for introducing this language change and for your support.

Sincerely,

Donald Marvin
Mayor of Klawock

Sen. Kookesh
State Capitol Room 11
Juneau AK, 99801

Re: Support for SB 96

Dear Senator,

The Nenana Native Council expresses its support for adoption of a language change to add Home Rule organized communities to the Statute.

Making the community eligible for inclusion in this program will enable us to greatly enhance the health and welfare of the members of the community.

Thank you for your support.

Sincerely,

Robin Campbell

Robin Campbell
Tribal Administrator
Nenana Native Council

NENANA CITY PUBLIC SCHOOLS

P.O. BOX 00010
NENANA, ALASKA 99760
907-832-5464
FAX 907-832-2008

Sen. Kookesh
State Capitol Room 11
Juneau AK, 99801

March 15, 2011

Re: Support for SB 96

Dear Senator,

The Nenana School District expresses its support for adoption of a language change to add Home Rule organized communities to the Statute.

Making the community eligible for inclusion in this program will enable us to greatly enhance the health and welfare of the members of the community.

Thank you for your support.

Sincerely,

Eric Gebhart
Superintendent

Sen. Kookesh
State Capitol Room 11
Juneau AK, 99801

Re: Support for SB 96

Dear Senator,

The Nenana Native Council expresses its support for adoption of a language change to add Home Rule organized communities to the Statute.

Making the community eligible for inclusion in this program will enable us to greatly enhance the health and welfare of the members of the community.

Thank you for your support.

Sincerely,

Robin Campbell

Robin Campbell
Tribal Administrator
Nenana Native Council



CITY & BOROUGH of YAKUTAT
P.O. Box 160
Yakutat, Alaska 99689
Phone (907) 784-3323
Fax (907) 784-3281

March 18, 2011

Senator Albert Kookesh,
Alaska State Legislature
Juneau, Alaska

VIA FAX (907) 465-2827
Re: SB 96

Dear Senator Kookesh;

The City and Borough of Yakutat would like to lend its support to SB 96 in that legislation's attempt to stabilize funding under the Village Safe Water Act.

Significant, temporary, population fluctuations occur in the State of Alaska as a result of development decisions made by one or more of the many large land owners who characterize property ownership in Alaska in general and Southeast in particular. Seldom are those fluctuations a reflection of core village society and economics.

The changes suggested by SB 96 will help address temporary population "bubbles" as well as guarantee continuity of project work from one building season to the next.

Thank you for your good work and continued concern for your constituency.

Sincerely,

Frank L. "Skip" Ryman
Manager, City and Borough of Yakutat

SB 97

<TARGET><BILL>SB 97</BILL><SUBJECT>SB 97</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 3/11/11

FURTHER:

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 97

SB 97-COMMUNITY REVENUE SHARING/EDUC FUNDING

"An Act authorizing additional appropriations for public education and for community revenue sharing based on the price of Alaska North Slope crude oil, and adjusting the formula for payments to communities."

and recommends:

[X] be **replaced** with **CS** CS SB 97 (FIN) *[ ] Same Title [X] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)

Dept.	Fiscal	Indet.	Zero	FN #
SFIN/CED		X		
SFIN/EED		X		

PREVIOUS FISCAL NOTE(S)

Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	[illegible]	✓			
	Olson	✓			
	Ellis	X			
	Hoffman	✓			
CHAIR:	[illegible]				

CS FOR SENATE BILL NO. 97(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

"An Act authorizing additional appropriations for public education and for community revenue sharing based on the price of Alaska North Slope crude oil, and adjusting the formula for payments to communities; and providing for an effective date."

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

*** Section 1.** AS 14.17 is amended by adding a new section to read:

Sec. 14.17.305. Additional education funding based on oil prices. (a) The legislature may appropriate to the Department of Education and Early Development for distribution during the following fiscal year as state aid to public school districts, according to the district average daily membership adjusted under AS 14.17.410(b)(1)(A) - (D), an additional amount equal to $5,000,000 multiplied by the amount, rounded to the nearest whole dollar, that the average price of Alaska North Slope crude oil for each fiscal year exceeds the trigger price for oil for each fiscal year calculated under (b) of this section.

(b) For the purpose in (a) of this section, the legislative finance division shall

calculate the trigger price of oil for each fiscal year by

(1) determining the amount appropriated from the unrestricted general fund for the fiscal year, excluding the amount appropriated

(A) for community revenue sharing under AS 29.60.855(d);

(B) for additional state aid to public schools under this section; and

(C) to the budget reserve fund (AS 37.05.540(a));

(2) estimating the price of oil necessary to fund the appropriations under (1) of this subsection using the most recent oil price and production figures available from the Department of Revenue;

(3) rounding the price of oil estimated under (2) of this subsection to the nearest whole dollar; and

(4) adding $2 to the estimated price of oil under (3) of this subsection.

(c) This section does not create a dedicated fund.

*** Sec. 2.** AS 29.60.850(b) is amended to read:

(b) Each fiscal year, the legislature may appropriate to the community revenue sharing fund an amount equal to 20 percent of the money received by the state during the previous calendar year under AS 43.55.011(g). The amount may not exceed

[(1) $60,000,000; OR

(2)] the amount that, when added to **two-thirds of** the fund balance on June 30 of the previous fiscal year, equals $180,000,000.

*** Sec. 3.** AS 29.60.855(a) is amended to read:

(a) The department shall calculate the basic amount used for determining the basic community revenue sharing payment for a fiscal year by applying the following formula: the amount available for payments for that fiscal year under AS 29.60.850(c) **and (d) of this section**, minus 60,000,000, divided by 60,000,000, plus one, multiplied by 384,000. However, if the amount calculated is less than $220,000, the basic amount for that fiscal year is $220,000.

*** Sec. 4.** AS 29.60.855 is amended by adding a new subsection to read:

(d) The legislature may appropriate an additional amount to the Department of Commerce, Community, and Economic Development for community revenue sharing

payments equal to $5,000,000 multiplied by the amount that the average price of Alaska North Slope crude oil, rounded to the nearest whole dollar, for each fiscal year exceeds the trigger price for oil for the fiscal year calculated under this subsection, subject to the following:

(1) the legislative finance division, using the most recent oil price and production figures available from the Department of Revenue, shall calculate the trigger price of oil for each fiscal year by

(A) determining the amount appropriated from the unrestricted general fund for the fiscal year, excluding the amount appropriated

(i) for community revenue sharing under AS 29.60.855(d);

(ii) for additional state aid to public schools under AS 14.17.305; and

(iii) to the budget reserve fund (AS 37.05.540(a));

(B) estimating the price of oil necessary to fund the appropriations under (A) of this paragraph;

(C) rounding the price of oil estimated under (B) of this paragraph to the nearest whole dollar; and

(D) adding $2 to the estimated price of oil under (C) of this paragraph;

(2) the amount appropriated under this subsection shall be distributed under (a) of this section during the immediately following fiscal year;

(3) this subsection does not create a dedicated fund.

*** Sec. 5.** This Act takes effect July 1, 2012.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version **CSSB 97**
() Publish Date

Identifier (file name)
Title "An act authorizing additional appropriation for public education

Dept. Affected DCCED
Appropriation Community and Regional Affairs
Allocation Community and Regional Affairs

Sponsor Senate Finance Committee
Requester Senate Finance Committee

OMB Component Number 2879

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**	**	**	**	**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**	**0.0**	**	**	**	**	**

Estimate of any current year (FY2011) cost 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by Darwin Peterson, Senate Finance Committee staff
Phone 465-3873
Date/Time 3/30/11 10:32 AM

Senator Bert Stedman, Co-Chair Senate Finance Committee
Date 3/30/2011
Senator Lyman Hoffman, Co-Chair Senate Finance Committee

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version **CSSB 97**
() Publish Date

Identifier (file name)
Title "An act authorizing additional appropriation for public education
Sponsor Senate Finance Committee
Requester Senate Finance Committee

Dept. Affected DEED
Appropriation K-12 Support
Allocation Foundation Program
OMB Component Number 141

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**	**	**	**	**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**	**0.0**	**	**	**	**	**

Estimate of any current year (FY2011) cost 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by Darwin Peterson, Senate Finance Committee staff
Phone 465-3873
Date/Time 3/30/11 10:32 AM

Senator Bert Stedman, Co-Chair Senate Finance Committee
Date 3/30/2011
Senator Lyman Hoffman, Co-Chair Senate Finance Committee

(Revised 1/27/2011 OMB)

Goal: Increase Community Revenue Sharing when there is a GF Surplus

Dollars in millions unless otherwise noted

1 Enter price of oil from March through June in Plan sheet to determine avg price for the year (highlighted in col A)

2 Enter supplemental spending in Plan sheet to determine FY11 surplus

3 The numbers chosen for 1 and 2 determine the breakeven price of oil

4 Enter the spread between breakeven and trigger price of oil

5 Enter the amount of supplemental revenue sharing for each dollar the avg price exceeds the trigger price

$110.00	1,153.2		$ 2.00	5.00					
$92.74									
A	B	C	D	E	F	G	H	I	J
Average Price of Oil for the Fiscal Year	Surplus after Supplemental Spending shown above (from 2-year Plan)	Breakeven Price of Oil (depends on spending shown in 2-year plan)	Trigger Price (enter amount above Breakeven Price)	Supplemental Revenue Sharing (enter $million for each dollar avg price is above trigger price)	Base Revenue Sharing under Current Law	Total Revenue Sharing Available under Proposed Trigger	Supplemental Revenue Sharing as a Percent of Surplus	Basic Amount of Revenue Sharing under Proposed Trigger	Increase in Basic Amount (from Current Law)
$ 75	(1,591.8)	$ 87	$ 89	0.0	60.0	60.0	0.0%	0.384	0.000
$ 76	(1,482.0)	$ 87	$ 89	0.0	60.0	60.0	0.0%	0.384	0.000
$ 77	(1,372.2)	$ 87	$ 89	0.0	60.0	60.0	0.0%	0.384	0.000
$ 78	(1,262.4)	$ 87	$ 89	0.0	60.0	60.0	0.0%	0.384	0.000
$ 79	(1,152.6)	$ 87	$ 89	0.0	60.0	60.0	0.0%	0.384	0.000
$ 80	(1,042.8)	$ 87	$ 89	0.0	60.0	60.0	0.0%	0.384	0.000
$ 81	(901.4)	$ 87	$ 89	0.0	60.0	60.0	0.0%	0.384	0.000
$ 82	(760.0)	$ 87	$ 89	0.0	60.0	60.0	0.0%	0.384	0.000
$ 83	(618.6)	$ 87	$ 89	0.0	60.0	60.0	0.0%	0.384	0.000
$ 84	(477.2)	$ 87	$ 89	0.0	60.0	60.0	0.0%	0.384	0.000
$ 85	(335.8)	$ 87	$ 89	0.0	60.0	60.0	0.0%	0.384	0.000
$ 86	(184.2)	$ 87	$ 89	0.0	60.0	60.0	0.0%	0.384	0.000
$ 87	(32.6)	$ 87	$ 89	0.0	60.0	60.0	0.0%	0.384	0.000
$ 88	119.0	$ 87	$ 89	0.0	60.0	60.0	0.0%	0.384	0.000
$ 89	270.6	$ 87	$ 89	0.0	60.0	60.0	0.0%	0.384	0.000
$ 90	422.2	$ 87	$ 89	5.0	60.0	65.0	1.2%	0.416	0.032
$ 91	585.2	$ 87	$ 89	10.0	60.0	70.0	1.7%	0.448	0.064
$ 92	748.2	$ 87	$ 89	15.0	60.0	75.0	2.0%	0.480	0.096
$ 93	911.2	$ 87	$ 89	20.0	60.0	80.0	2.2%	0.512	0.128
$ 94	1,074.2	$ 87	$ 89	25.0	60.0	85.0	2.3%	0.544	0.160
$ 95	1,237.2	$ 87	$ 89	30.0	60.0	90.0	2.4%	0.576	0.192
$ 96	1,411.6	$ 87	$ 89	35.0	60.0	95.0	2.5%	0.608	0.224
$ 97	1,586.0	$ 87	$ 89	40.0	60.0	100.0	2.5%	0.640	0.256
$ 98	1,760.4	$ 87	$ 89	45.0	60.0	105.0	2.6%	0.672	0.288
$ 99	1,934.8	$ 87	$ 89	50.0	60.0	110.0	2.6%	0.704	0.320
$ 100	2,109.2	$ 87	$ 89	55.0	60.0	115.0	2.6%	0.736	0.352

FY11 and FY12 Fiscal Summary
Unrestricted General Funds Only

Revised 3/11/11

		FY11	FY12		FY11&12
1	Fall 2010 Forecast	5,395.2	5,732.4	enter oil price for rest of FY11	11,127.6
2	Update (enter oil price)	2,187.3		$110.00	2,187.3
3	**Available Revenue**	**7,582.5**	**5,732.4**	**$92.74**	**13,314.9**
4	**Spending**				
5	Agency Operations	3,711.6	3,838.8	House	7,550.3
6	Statewide Operating Items	1,036.4	1,155.0	House	2,191.4
7	**Total Operating**	**4,747.9**	**4,993.8**		**9,741.7**
8	Capital Projects	549.7	691.7	Governor (less $19 million)	549.7
9	**Total Before Transfers**	**5,297.6**	**5,685.5**		**10,983.1**
10	**Available before Transfers**	**2.284.8**	**46.9**		**2.331.8**
11	**2010 Session Transfers**				0.0
12	PEF Savings	16.7	0.0		16.7
13	Railbelt Energy Fund		0.0		0.0
14	AHCC Savings	0.0	0.0		0.0
15	Other Operating Transfers	10.6	0.0		10.6
16	Power Project Fund	10.0	0.0		10.0
17	Renewable Energy Fund	25.0	0.0		25.0
18	**Subtotal**	**62.2**	**0.0**		**62.2**
19					**0.0**
20	**Total Budget w/ Transfers**	**5,359.8**	**5,685.5**		**11,045.3**
21	**Available after 2010 Transfers**	**2.222.6**	**46.9**		**2,269.6**
24	**2011 Session Appropriations**				**0.0**
25	Supplemental Operating	50.5	50.0	FY11 is Gov + FMAP	100.5
26	Transfers				
27	PEF Savings	0.0	(33.3)	House	(33.3)
28	Railbelt Energy Fund	0.0	(65.7)	Gov	(65.7)
29	AHCC Savings	0.0	(292.3)	Gov Amd	(292.3)
30	Other Operating Transfers	82.7	9.9		92.6
31	Power Equalization Endowment	400.0	0.0		400.0
32	Renewable Energy Fund	0.0	25.0	Gov	25.0
33	Other	0.0			0.0
34	**Total**	**533.2**	**(306.5)**		**226.8**
35	**Deposit to SBR**	**1,000.0**			
36	**Available before Appropriations totaled on line 46**	**689.4**	**353.4**		**1.042.8**
38	**Potential Appropriations**				
39					0.0
40	Fiscal Notes	20.0		a guess	20.0
41	Governor's Capital Amendments				0.0
42	Senate Capital Projects				0.0
43	House Capital Projects				0.0
44	Savings				0.0
45	Sup Community Revenue Sharing	20.0		assumes passage of SB97	
46	K-12 Supplemental Aid	20.0		assumes passage of SB97	
47	Other	600.0			600.0
48	**Total**	**660.0**	**0.0**		**660.0**
49	**Total Budget**	**6,553.1**	**5,379.0**		**11,932.1**
50	**Surplus**	**29.4**	**353.4**		**382.8**

Goal: Increase Community Revenue Sharing when oil prices are high

Options:

1. **Deposit money in the fund**
   only one third of the fund balance is distributed each year so the option is relatively expensive and does not adjust to the price of oil
2. **Appropriate money to DCCED to be distributed on a per capita basis under AS 29.60.860**
   not a statutory fix
3. **Revise law to include a temporary trigger so the amount distributed increases with the price of oil**
   statutory but temporary, amount computed by formula and is dependent on the price of oil each year

The table below is for option 3, with trigger points and the amount added by the trigger determined by these cells

Dollars in millions unless otherwise noted

		$ 30.00	$ 92.50		0.622		$ 89	Trigger Point			
		0.4%	0.1%		227	20%	2.00	Additional Distribution ($ millions)			
A	B	C	D	E	F	G	H	I	J	K	L
Approximate Price of Oil associated with the Level of Profit in Column B	Profit per Barrel of Oil	Progressive Tax Rate under AS 43.55.011(g)(1)	Progressive Tax Rate under AS 43.55.011(g)(2)	Progressive Tax Rate	Approximate Revenue due to Progressive Tax	Approximate Amount Available for Revenue Sharing under Current Law	Additional Revenue Sharing Available under Proposed Trigger	Total Revenue Sharing Available under Proposed Trigger	Revenue Sharing as a Percent of Revenue due to Progressive Taxation of Oil	Basic Amount of Revenue Sharing under Proposed Trigger	Increase in Basic Amount (from Current Law)
$ 85	$ 55	10.0%		10.0%	1,249	60.0	-	60.0	4.8%	0.384	0.000
$ 86	$ 56	10.4%		10.4%	1,322	60.0	-	60.0	4.5%	0.384	0.000
$ 87	$ 57	10.8%		10.8%	1,398	60.0	-	60.0	4.3%	0.384	0.000
$ 88	$ 58	11.2%		11.2%	1,475	60.0	-	60.0	4.1%	0.384	0.000
$ 89	$ 59	11.6%		11.6%	1,554	60.0	-	60.0	3.9%	0.384	0.000
$ 90	$ 60	12.0%		12.0%	1,635	60.0	2.0	62.0	3.8%	0.397	0.013
$ 91	$ 61	12.4%		12.4%	1,717	60.0	4.0	64.0	3.7%	0.410	0.026
$ 92	$ 62	12.8%		12.8%	1,802	60.0	6.0	66.0	3.7%	0.422	0.038
$ 93	$ 63	13.2%		13.2%	1,888	60.0	8.0	68.0	3.6%	0.435	0.051
$ 94	$ 64	13.6%		13.6%	1,976	60.0	10.0	70.0	3.5%	0.448	0.064
$ 95	$ 65	14.0%		14.0%	2,066	60.0	12.0	72.0	3.5%	0.461	0.077
$ 96	$ 66	14.4%		14.4%	2,158	60.0	14.0	74.0	3.4%	0.474	0.090
$ 97	$ 67	14.8%		14.8%	2,251	60.0	16.0	76.0	3.4%	0.486	0.102
$ 98	$ 68	15.2%		15.2%	2,347	60.0	18.0	78.0	3.3%	0.499	0.115
$ 99	$ 69	15.6%		15.6%	2,444	60.0	20.0	80.0	3.3%	0.512	0.128
$ 100	$ 70	16.0%		16.0%	2,543	60.0	22.0	82.0	3.2%	0.525	0.141
$ 101	$ 71	16.4%		16.4%	2,644	60.0	24.0	84.0	3.2%	0.538	0.154
$ 102	$ 72	16.8%		16.8%	2,746	60.0	26.0	86.0	3.1%	0.550	0.166
$ 103	$ 73	17.2%		17.2%	2,851	60.0	28.0	88.0	3.1%	0.563	0.179
$ 104	$ 74	17.6%		17.6%	2,957	60.0	30.0	90.0	3.0%	0.576	0.192
$ 105	$ 75	18.0%		18.0%	3,065	60.0	32.0	92.0	3.0%	0.589	0.205
$ 106	$ 76	18.4%		18.4%	3,175	60.0	34.0	94.0	3.0%	0.602	0.218
$ 107	$ 77	18.8%		18.8%	3,286	60.0	36.0	96.0	2.9%	0.614	0.230
$ 108	$ 78	19.2%		19.2%	3,400	60.0	38.0	98.0	2.9%	0.627	0.243
$ 109	$ 79	19.6%		19.6%	3,515	60.0	40.0	100.0	2.8%	0.640	0.256
$ 110	$ 80	20.0%		20.0%	3,632	60.0	42.0	102.0	2.8%	0.653	0.269
$ 111	$ 81	20.4%		20.4%	3,751	60.0	44.0	104.0	2.8%	0.666	0.282
$ 112	$ 82	20.8%		20.8%	3,872	60.0	46.0	106.0	2.7%	0.678	0.294
$ 113	$ 83	21.2%		21.2%	3,995	60.0	48.0	108.0	2.7%	0.691	0.307
$ 114	$ 84	21.6%		21.6%	4,119	60.0	50.0	110.0	2.7%	0.704	0.320
$ 115	$ 85	22.0%		22.0%	4,245	60.0	52.0	112.0	2.6%	0.717	0.333
$ 116	$ 86	22.4%		22.4%	4,374	60.0	54.0	114.0	2.6%	0.730	0.346
$ 117	$ 87	22.8%		22.8%	4,503	60.0	56.0	116.0	2.6%	0.742	0.358
$ 118	$ 88	23.2%		23.2%	4,635	60.0	58.0	118.0	2.5%	0.755	0.371
$ 119	$ 89	23.6%		23.6%	4,769	60.0	60.0	120.0	2.5%	0.768	0.384
$ 120	$ 90	24.0%		24.0%	4,904	60.0	62.0	122.0	2.5%	0.781	0.397
$ 121	$ 91	24.4%		24.4%	5,041	60.0	64.0	124.0	2.5%	0.794	0.410
$ 122	$ 92	24.8%		24.8%	5,180	60.0	66.0	126.0	2.4%	0.806	0.422
$ 123	$ 93	25.0%	0.0%	25.0%	5,250	60.0	67.0	127.0	2.4%	0.813	0.429
$ 123	$ 93	25.0%	0.1%	25.1%	5,278	60.0	68.0	128.0	2.4%	0.819	0.435
$ 124	$ 94	25.0%	0.2%	25.2%	5,335	60.0	70.0	130.0	2.4%	0.832	0.448
$ 125	$ 95	25.0%	0.3%	25.3%	5,392	60.0	72.0	132.0	2.4%	0.845	0.461
$ 126	$ 96	25.0%	0.4%	25.4%	5,449	60.0	74.0	134.0	2.5%	0.858	0.474
$ 127	$ 97	25.0%	0.5%	25.5%	5,505	60.0	76.0	136.0	2.5%	0.870	0.486
$ 128	$ 98	25.0%	0.6%	25.6%	5,562	60.0	78.0	138.0	2.5%	0.883	0.499
$ 129	$ 99	25.0%	0.7%	25.7%	5,619	60.0	80.0	140.0	2.5%	0.896	0.512
$ 130	$ 100	25.0%	0.8%	25.8%	5,676	60.0	82.0	142.0	2.5%	0.909	0.525
$ 131	$ 101	25.0%	0.9%	25.9%	5,733	60.0	84.0	144.0	2.5%	0.922	0.538
$ 132	$ 102	25.0%	1.0%	26.0%	5,789	60.0	86.0	146.0	2.5%	0.934	0.550
$ 133	$ 103	25.0%	1.1%	26.1%	5,846	60.0	88.0	148.0	2.5%	0.947	0.563
$ 134	$ 104	25.0%	1.2%	26.2%	5,903	60.0	90.0	150.0	2.5%	0.960	0.576
$ 135	$ 105	25.0%	1.3%	26.3%	5,960	60.0	92.0	152.0	2.6%	0.973	0.589

ALASKA MUNICIPAL LEAGUE
Alaska Conference of Mayors

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MAR 14 2011

March 14, 2011

Senator Bert Stedman
Senator Lyman Hoffman
Senate Finance
Juneau, Alaska 99811

Dear Senators Stedman and Hoffman,

This is just a quick note to thank you both for your introduction of SB97. While we understand there may be changes and/or even pushback, we certainly appreciate your willingness to help municipalities as they realize the financial ramifications that high oil prices bring with regards to their ability to provide basic services.

I think you would agree that municipalities are much healthier than they were before Revenue Sharing was reinstated by the leadership of your committee (and specifically, the two of you). All of the municipalities acknowledge and realize that you have done much to improve their condition and quality of life.

The rising cost of fuel, however, makes every dollar worth far less than it was previously. Also, as municipalities often see mandatory property tax exemption bills introduced, other means of revenue must be identified to make up the difference.

Again, we appreciate your willingness to introduce this bill and promise to do all possible to see this bill succeed. We will be in contact with you and take your lead as to what you might need from us.

Thank you so much for your support for Alaska's municipalities.

Sincerely,

Kathie Wasserman

Kathie Wasserman
Executive Director

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version **SB 97**
() Publish Date

Identifier (file name): SB097-EED-ESS-3-20-11
Title "An Act authorizing additional appropriation for public education and for community revenue sharing based on the price of..."
Sponsor Senate Finance Committee
Requester Senate Finance Committee

Dept. Affected EED
Appropriation K-12 Support
Allocation Foundation Program
OMB Component Number 141

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants	22,000.0						
Miscellaneous							
TOTAL OPERATING	**22,000.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	22,000.0						
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**22,000.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

This is the initial version.

Prepared by Elizabeth Nudelman, Director Phone 465-8679
Division School Finance Date/Time 3/20/11 4:36 PM
Approved by Mike Hanley, Commissioner Date 3/20/2011

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 97

Analysis

Senate Bill 97 would provide additional funding for public education, allocated on the adjusted average daily membership and to communities through the Community Revenue Sharing program based on the price of oil that exceeds $89 a barrel on July 1 of the fiscal year multiplied by $2,000,000.

The fiscal note assumes a July 1 oil price of $100 per barrel and the cost is calculated as follows:

$100 - $89 = 11 * $2,000,000 = $22 million.

Under this estimate, the cost of SB97 is $22 million for public education. The Department of Education & Early Development does not expect any additional costs to administer the program.

Under this estimate, the total cost of SB97 with an oil price of $100 on July 1 is $44 million - $22 million for public education and $22 million for communities.

If the program were implemented as of March 17, 2011, with the closing price of oil at $114 per barrel, the total cost would be $100 million - $50 million for education and $50 million for communities.

$114 - $89 = 25 * $2,000,000 = $50 million.

Listed below are the calculations for what the appropriation to public education would be at various oil price levels.

Price of Oil on July 1	Amount Over $89	Multiplier	Total Amount For Education
95	6	2,000,000	12,000,000
100	11	2,000,000	22,000,000
105	16	2,000,000	32,000,000
110	21	2,000,000	42,000,000
115	26	2,000,000	52,000,000
120	31	2,000,000	62,000,000
125	36	2,000,000	72,000,000

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **SB 97**
() Publish Date

Identifier (file name) SB097-CCED-DCRA-03-19-11
Title: Community Revenue Sharing Formula
Sponsor: Senate Finance Committee
Requester: Senate Finance Committee

Dept. Affected: DCCED
Appropriation: Community and Regional Affairs
Allocation: Community and Regional Affairs
OMB Component Number: 2879

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants	22,000.0						
Miscellaneous							
TOTAL OPERATING	**22,000.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	22,000.0						
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**22,000.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial Version

Prepared by: Scott Ruby, Director — Phone: 269-4569
Division: Community and Regional Affairs — Date/Time: 3/20/11 4:30 PM
Approved by: Susan K. Bell, Commissioner — Date: 3/20/2011
Commerce, Community, and Economic Development

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 97

Analysis

Senate Bill 97 would provide additional funding for public education allocated on the adjusted average daily membership and to communities through the Community Revenue Sharing program based on the price of oil that exceeds $89 a barrel on July 1 of the fiscal year multiplied by $2,000,000.

The Department of Commerce, Community, and Economic Development administers the Community Revenue Sharing Program and does not expect any additional costs to administer the program.

The fiscal note assumes a July 1 oil price of $100 per barrel and the costs is calculated as follows:
$100 - $89 = 11 * $2,000,000 = $22 million

Under this estimate, the total cost of SB97 with an oil price of $100 on July 1 is $44 million - $22 million for education and $22 million for communities.

If the program were implemented as of March 17, 2011, with the closing price of oil at $114 per barrel, the total cost would be $100 million - $50 million for education and $50 million for communities.
$114 - $89 = 25 * $2,000,000 = $50 million.

Listed below is the calculation of the cost of the Community Revenue Sharing program at various oil prices.

Price of Oil on July 1	Amount above $89	Multiplier	Total Amount *
95	6	2,000,000	12,000,000
100	11	2,000,000	22,000,000
105	16	2,000,000	32,000,000
110	21	2,000,000	42,000,000
115	26	2,000,000	52,000,000
120	31	2,000,000	62,000,000
125	36	2,000,000	72,000,000

*the total amount would be doubled to include the allocations under Education and Community Revenue Sharing.

SB

99

<TARGET><BILL>SB 99</BILL><SUBJECT>SB
99</SUBJECT><COMM>SFIN27</COMM></TARGET>

ALASKA STATE LEGISLATURE

Senator Joe Paskvan

Co-Chair, Resources
Vice Chair, Labor & Commerce
Vice Chair, State Affairs
Member, Judiciary
Member, Joint Armed Services

Senate District E
Fairbanks and Fort Wainwright

State Capitol Building, Room 115
Juneau, Alaska 99801-1182

Phone (907) 465-3709
Fax (907) 465-4714
sen.joe.paskvan@legis.state.ak.us
http://paskvan.aksenate.org/

Sponsor Statement

SB 99: Heating Fuel Energy Relief

"An Act relating to a heating fuel energy relief program; and providing for an effective date."

The residents of Alaska who rely on heating oil to keep warm during the long Alaskan winter need a specific short-term solution that meets their unique needs, in addition to the many other promising long-term solutions that are currently being considered and implemented.

Senate Bill 99 puts a solution in place in case the price of heating oil rises as rapidly as it has declined. In recent years, many Alaskans' discretionary income has evaporated, consumer debt has risen sharply, and the cost of heating oil is still beyond the ability of many Alaskans to pay. A sharp rise in heating oil now, while beneficial to the State budget, would economically devastate individual Alaskans, business owners, and their families.

Senate Bill 99 will require the State of Alaska to offset home and commercial heating costs *when the price of a barrel of crude rises to a point where the State of Alaska is enjoying budget surpluses*. If – *and only if* – the price of heating oil triggers the measures outlined in Senate Bill 99, it is reasonable to ask the people of Alaska to pay $2.50 per gallon while the state pays the balance from its surplus directly to the home heating oil dealers.

With that temporary solution in place, Alaskans can focus attention on long-term solutions that will restore optimism about our economic future, protect our families and businesses, and allow us to concentrate on our #1 priority – renewable and sustainable energy solutions for the State of Alaska.

Senate Bill 99 is easily administered. The dealers of home heating oil, as part of their current reporting requirements, send the State of Alaska a monthly breakdown of the quantities of the various petroleum products they sell, including home heating oil. The quantities of heating oil are easily verifiable and objectively determinable.

Senate Bill 99 is efficient. It does not create a bureaucracy of paperwork or require massive government employment to operate effectively. Rather than distributing checks or debit cards to tens of thousands of individuals, the State would make a payment directly to heating oil dealers. It is a relatively simple way to utilize a surplus in the State's bank account, due to the high cost of crude, to reduce the cost of heating oil for the Alaskans who need it most.

Senate Bill 99 requires the consumer price of heating oil to increase each of the next three years, reinforcing the need for Alaskans to conserve and plan for long-term solutions.

I urge your support of this legislation.

DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

DIVISION OF COMMUNITY AND REGIONAL AFFAIRS

REPORT TO THE DIRECTOR

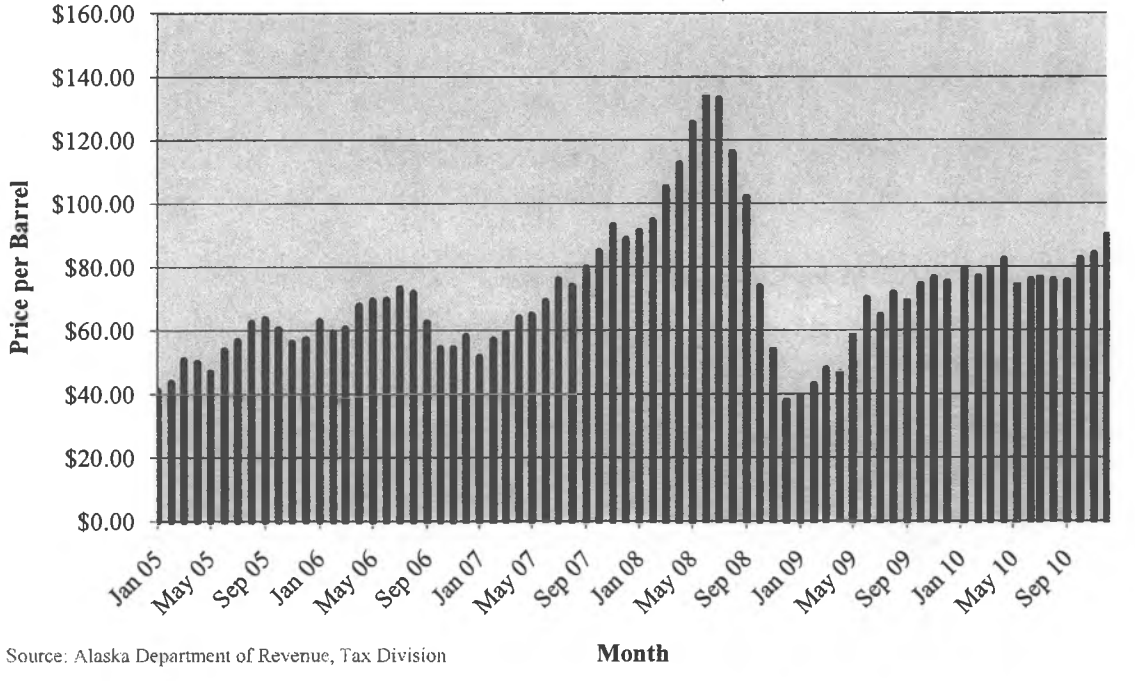
CURRENT COMMUNITY CONDITIONS:

FUEL PRICES ACROSS ALASKA

JANUARY 2011 UPDATE

INTRODUCTION

Figure 1. Alaska North Slope Crude: January 2005 to December 2010



Source: Alaska Department of Revenue, Tax Division

In December 2008, the price of Alaska North Slope (ANS) crude dropped to $37.70, its lowest price since June 2004. During the latter half of 2009 and most of 2010, oil prices remained stable. However, in the the last few months of 2010, ANS crude oil prices rose from $75.27 in September to $89.75 in December, its highest price since September 2008. Although this was the highest price in over two years, it was still markedly lower than the price in June 2008, when ANS crude oil reached a record average monthly price of $133.78 per barrel (Figure 1).

The national average price of gasoline peaked at $4.11 per gallon in mid-July 2008 and dropped to $1.65 per gallon by the end of December 2008. In early June 2009, the price rose to $2.54 per gallon and remained mostly level until December of 2010, when the price once again rose above $3.00 per gallon. As of the last week of January 2011, the average price is $3.11 per gallon.

National average heating fuel prices are only tracked from October to March. Those prices peaked at an all-time high of $3.85 per gallon in March 2008. However, by December 2008, the prices had fallen to $2.33, similar to the average heating fuel prices in 2006 and 2007 before prices spiked.[1] Prices remained at that level from January to March of 2009. Since then, prices have risen. This winter, the average price was $2.96 when tracking began again in October 2010. In January of 2011, the average price was $3.43.

In January 2011, the Division of Community and Regional Affairs (DCRA) repeated a statewide survey of retail heating fuel and gasoline prices in a cross-section of 100 select Alaska communities, first initiated during 2005 (*Community Conditions: Fuel Prices Across Alaska*). This report, *Current Community Conditions: Fuel Prices Across Alaska, January 2011 Update*, summarizes fuel survey findings, discusses changes in fuel prices during the recent past, lists fuel prices in each community on the date of contact, and provides a current and historical perspective on fluctuating fuel prices.

METHODOLOGY

The DCRA Research and Analysis Section and Local Government Assistance Section developed a survey and selected a community sample during 2005. Communities were strategically selected to represent differing socioeconomic conditions in rural Alaska regions, including the Interior, Gulf Coast, Northern, Northwest, Southeast, Southwest, and Western regions (Figure 2). Selected communities had generally been recipients of an Alaska Energy Authority bulk fuel project.

To accurately and consistently track longitudinal changes in fuel prices, the 2005 survey and community sample were used to collect 2006, 2007, 2008, 2009, 2010, and 2011 fuel information – the communities and core questionnaire items have remained the same since 2005.

DCRA Research and Analysis staff conducted the survey between January 18 and January 24, 2011. In total, local fuel retailers serving 100 communities were contacted (via telephone) and asked to provide current per gallon prices on heating fuel (#1) and gasoline (Figure 2). All fuel price quotes reflect prices at the vendors' pump stations. Survey results are one-time

[1] Source: United States Department of Energy, Energy Information Administration. Note: Heating fuel prices are only recorded from October to March. Gasoline prices are recorded year-round.

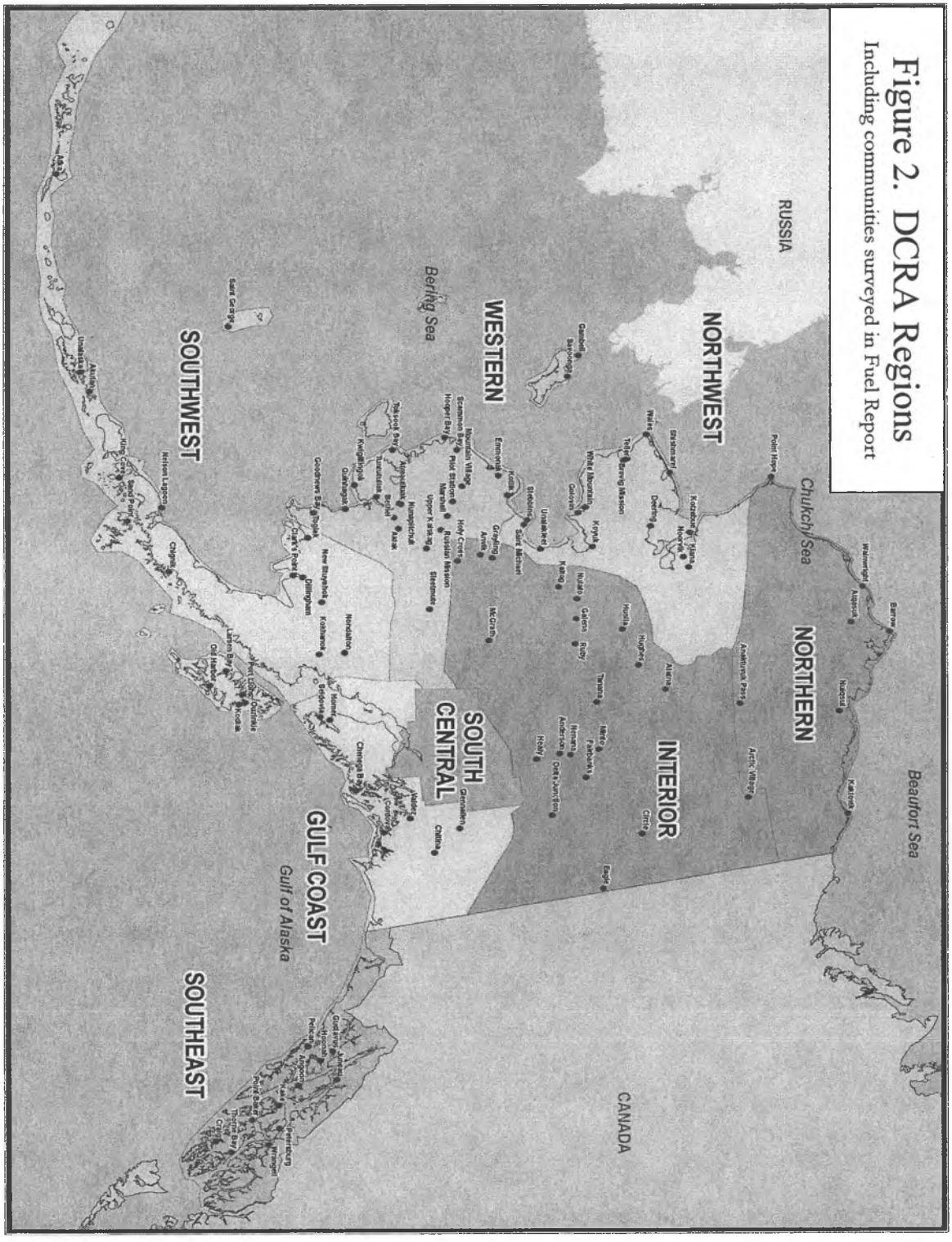


Figure 2. DCRA Regions
Including communities surveyed in Fuel Report
RUSSIA
NORTHWEST
WESTERN
SOUTHWEST
NORTHERN
INTERIOR
SOUTH CENTRAL
GULF COAST
SOUTHEAST
Chukchi Sea
Beaufort Sea
Bering Sea
Gulf of Alaska
CANADA

measurements and representative of retail fuel prices on the particular day of contact. Heating fuel and gasoline prices may have changed between the time of contact and the publication of this report.

CURRENT FUEL PRICES ACROSS ALASKA

Table 1. January 2011: Heating Fuel #1 Prices per Gallon across Alaska

	Gulf Coast	Interior	Northern	Northwest	Southeast	Southwest	Western
High	$6.16	$10.00	$2.60	$8.06	$5.09	$6.80	$6.26
Low	$3.30	$3.45	$1.40	$4.03	$3.59	$3.16	$4.27
Average	$4.19	$4.94	$1.83	$5.65	$4.16	$4.91	$5.46

Average heating fuel prices per gallon vary by region (Table 1). Alaska communities in the Northwest Region reported the highest average heating fuel retail price at $5.65 per gallon, while Northern communities reported the lowest average retail price at $1.83 per gallon. The North Slope Borough subsidizes residential heating fuel costs in six of its seven communities. Excluding the Northern Region, Southeast communities experienced the lowest heating fuel prices, at an average of $4.16 per gallon. This is because of its relatively short distance to fuel distribution centers and year-round marine access, which is also true for communities in the Gulf Coast Region, which has the next-lowest average price. Although the Southwest Region has year-round marine access, its greater distance from distribution centers causes higher prices. In other parts of the state, many rural communities are located off the road system and have limited waterway transportation. Such isolation contributes to higher fuel costs. In the Northern, Northwest, and Western regions, most communities depend on a few bulk fuel barge deliveries per year. Sometimes, fuel must be flown into the community.

Table 2. January 2011: Northern Region Heating Fuel (#1) and Gasoline Retail Prices

Community	Community Retailer	Heating Fuel Retail Price		Gasoline Retail Price
		Residential	Commercial	
Anaktuvuk Pass	Nunamiut Corporation	$1.55	$9.25	$8.10
Atqasuk	Atqasuk Corporation	$1.40	$4.90	$4.10
Barrow	BUEC, Inc	Natural Gas	Natural Gas	$4.25
Kaktovik	Kaktovik Inupiat Corporation	$2.60	$6.95	$4.00
Nuiqsut	Kuukpik Corporation	$2.30	$6.70	$5.00
Point Hope	Tigara Corporation	$1.64	$6.35	$4.83
Wainwright	Olgoonik Corporation	$1.50	$7.30	$5.89

Of noteworthy importance, the North Slope Borough (Northern Region) has village corporations that distribute fuel to residents throughout the Northern Region and, within the community, charge only a delivery fee on a per gallon basis. The North Slope Borough does not subsidize heating fuel for commercial use. Consequently, the retail price of heating fuel for commercial entities is significantly higher than for residences (Table 2). One Northern Region community, Barrow, heats with natural gas, although Nuiqsut is in the process of converting to natural gas. A new pipeline will transport natural gas from the Alpine Oil Field on the North Slope to the community.

To accurately summarize statewide heating fuel prices, it is appropriate to exclude Northern Region communities because of the North Slope Borough subsidy for residential use heating fuel and natural gas connections. On average, excluding the seven Northern communities, heating fuel retailed for $4.98 per gallon across the remaining surveyed Alaska communities. The Arctic Village Traditional Council in Arctic Village (Interior Region) reported the highest heating fuel retail price at $10 per gallon (see Appendix). In contrast, the City of Akutan (Southwest Region) reported the lowest heating fuel retail price at $3.16 per gallon.

Table 3. January 2011: Gasoline Prices per Gallon across Alaska

	Gulf Coast	Interior	Northern	Northwest	Southeast	Southwest	Western
High	$6.56	$10.00	$8.10	$8.00	$5.18	$7.25	$6.62
Low	$3.37	$3.67	$4.00	$4.55	$3.40	$3.41	$5.09
Average	$4.47	$5.27	$5.17	$5.99	$4.15	$5.26	$5.92

As Table 3 illustrates, average gasoline prices per gallon varied across Alaska by region. Communities in the Northwest Region reported the highest average gasoline retail price at $5.99 per gallon, while Southeast Region communities reported the lowest average retail price at $4.15 per gallon. Statewide retail prices indicated significant variation in gasoline retail price. Specifically, the Arctic Village Traditional Council in Arctic Village (Interior Region) reported the highest gasoline prices at $10 per gallon. North Pacific in Valdez (Gulf Coast Region) reported the lowest gasoline retail price at $3.37 per gallon. On average, gasoline retailed for $5.29 per gallon across the 99 surveyed Alaska communities.[2]

In the Gulf Coast and Interior regions, some communities lie on the road system, and others do not. This causes heating fuel prices to differ between the two groups (Table 4). This contrast is stronger in the Interior, where the average prices for heating oil and gasoline for communities off the road system were $1.97 and $1.89 higher, respectively, than the average prices for communities on the road system. In the Gulf Coast Region, where many of the communities can be served year-round by road or barge, the average price was $0.88 higher (heating fuel) and $1.09 (gasoline) higher for communities off the road system than the average price for communities on the road system.

[2] Gasoline is not sold in Ouzinkie.

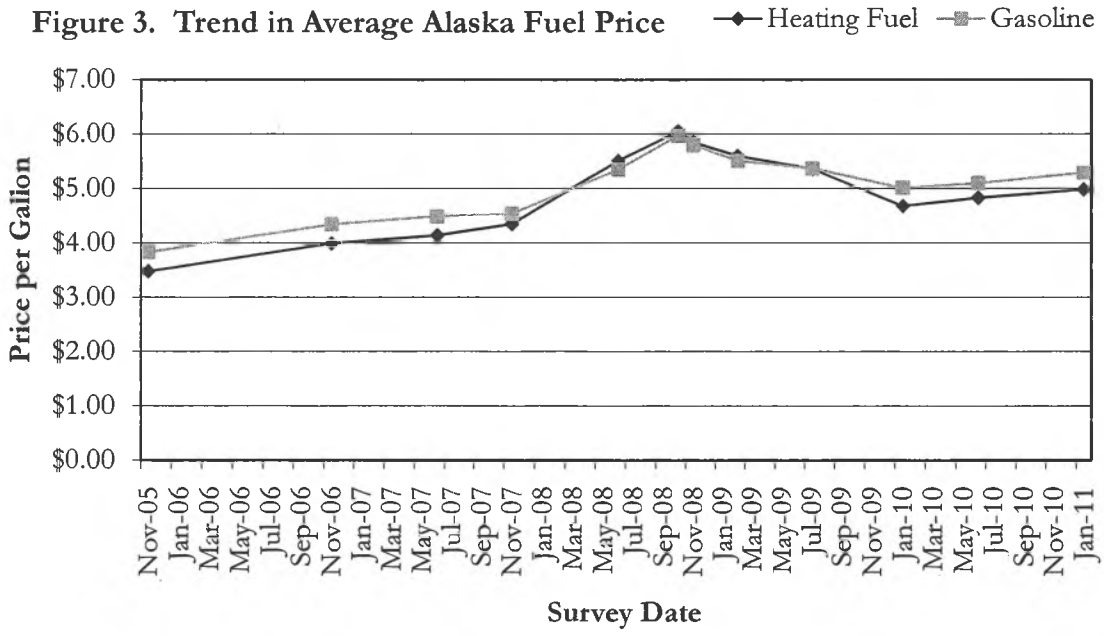
Table 4. January 2011: On the Road System and Off the Road System: Prices in the Gulf Coast and Interior Regions

Gulf Coast	On Road System	Off Road System	Interior	On Road System	Off Road System
Heating Fuel:			Heating Fuel:		
High	$3.73	$6.16	High	$4.15	$10.00
Low	$3.56	$3.30	Low	$3.45	$4.10
Average	$3.61	$4.49	Average	$3.66	$5.63
Gasoline:			Gasoline:		
High	$4.13	$6.56	High	$4.95	$10.00
Low	$3.37	$3.46	Low	$3.67	$4.75
Average	$3.78	$4.87	Average	$4.10	$5.99

CHANGE IN FUEL PRICES ACROSS ALASKA

Alaska fuel prices have continued to increase (Figure 3). Excluding Northern communities, the statewide average per gallon heating fuel price rose from $4.85 in June 2010 to $4.98 in January 2011. This $0.13 per gallon price change represented a 3% increase in the statewide average heating fuel price per gallon. Prices in the Northern (+13%), Southeast (+13%), Gulf Coast (+7%), Western (+6%), and Southwest (+1%) regions increased from June 2010 to January 2011. Prices in the Interior (-2%) and Northwest (-1%) regions declined (Figure 4).

Figure 3. Trend in Average Alaska Fuel Price



The statewide average gasoline price also increased from June 2010 to January 2011, rising from $5.10 to $5.29 per gallon (Figure 3). This $0.19 per gallon average price increase represents a 4% increase in the statewide average price per gallon of gasoline. Gasoline prices per gallon in the Northwest (+9%), Gulf Coast (+8%), Southeast (+5%), Western (+4%), Northern (+2%), and Southwest (+1%) regions all increased. Prices in the Interior Region (-1%) decreased from June 2010 to January 2011 (Figure 5).

Figure 4. Heating Fuel Prices by Region

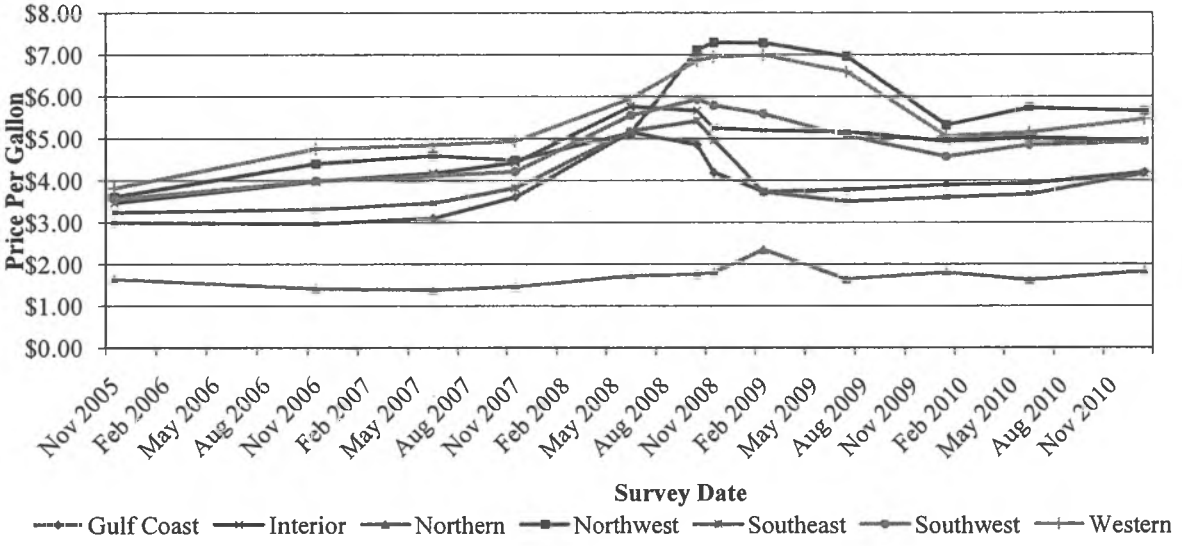
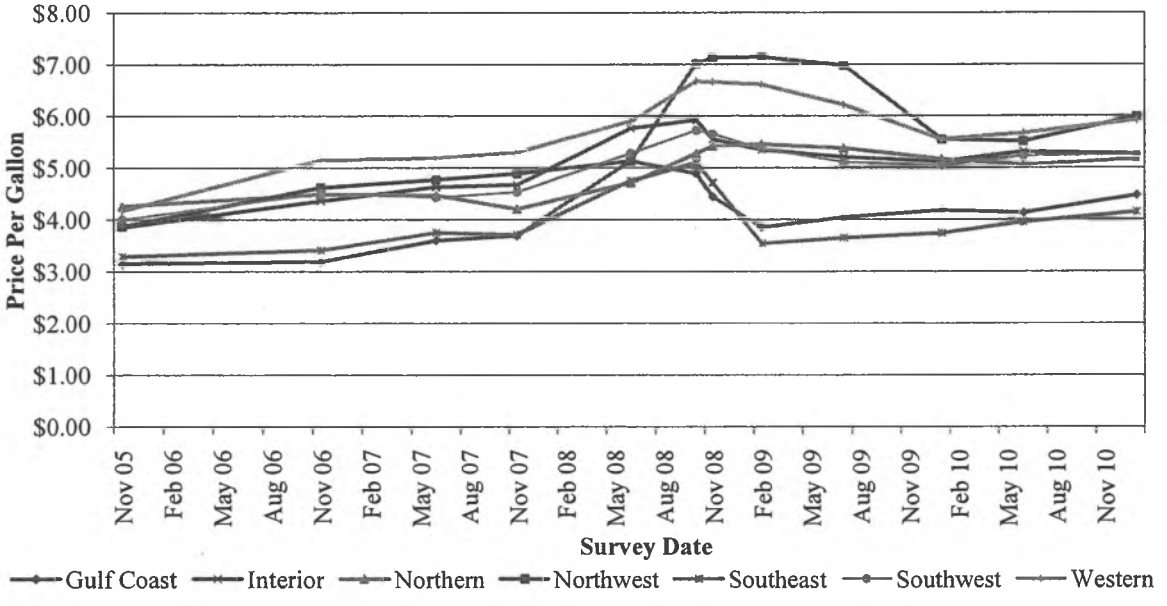


Figure 5. Gasoline Prices by Region



SUMMARY

During January 2011, current retail heating fuel (#1) and gasoline prices were collected from 100 select communities across Alaska. Heating fuel retail prices per gallon ranged from $3.16 (Akutan) to $10.00 (Arctic Village), and the statewide average price was $4.98 per gallon. Gasoline retail prices per gallon ranged from $3.37 (Valdez) to $10.00 (Arctic Village), and the statewide average price was $5.29. In general, average heating fuel and gasoline prices are lower than their peak in the summer of 2008. They have, however, increased by 3% and 4%, respectively, since June 2010. Although fuel prices are lower than in 2008, they are still significantly higher than in 2005. Since November 2005, the statewide average cost of heating fuel has increased 43% from $3.48, and the statewide average cost of gasoline has increased 38% from $3.83.

These increased fuel and energy costs, combined with high unemployment rates, limited local economies, and local governments struggling to provide basic local services, continue to present rural Alaska communities and households with challenging circumstances.

Appendix: Community Heating Fuel and Gasoline January 2011

Community	Region	Community Retailer: (entity selling fuel)	Heating Fuel #1 01/2011 Retail: (selling price per gallon - $$)	Percent (%) +/- Statewide Heating Fuel Average ($4.98*):	Percent +/- 06/2010 Retail: (selling price per gallon)	Gasoline 01/2011 Retail Price: (selling price per gallon - $$)	Percent (%) +/- Statewide Gasoline Average ($5.29):	Percent +/- 06/2010 Retail: (selling price per gallon)
Chenega Bay	Gulf Coast	Chenega Bay Utility	$6.16	24%	6%	$6.56	24%	14%
Chitina ®	Gulf Coast	Chitina Services	$3.57	-28%	6%	$3.80	-28%	3%
Cordova	Gulf Coast	Hovers Mover	$3.68	-26%	7%	$4.20	-21%	17%
Glennallen ®	Gulf Coast	Crowley	$3.57	-28%	6%	$3.80	-28%	3%
Homer ®	Gulf Coast	Homer Run Oil	$3.56	-29%	24%	$4.13	-22%	11%
Kodiak	Gulf Coast	Petro Marine	$3.30	-34%	2%	$3.46	-35%	3%
Larsen Bay	Gulf Coast	City of Larsen Bay	$5.74	15%	23%	$6.50	23%	30%
Old Harbor	Gulf Coast	City of Old Harbor	$4.97	0%	3%	$4.89	-8%	N/A
Ouzinkie †	Gulf Coast	Ouzinkie Native Corporation	$3.61	-28%	4%	N/A	N/A	N/A
Port Lions	Gulf Coast	Kizhuyak Oil Sales	$4.12	-17%	0%	$4.05	-23%	-6%
Seldovia	Gulf Coast	Seldovia Fuel and Lube	$4.33	-13%	4%	$4.46	-16%	0%
Valdez ®	Gulf Coast	North Pacific	$3.73	-25%	-11%	$3.37	-36%	-11%
Alatna	Interior	Alatna Traditional Council	$6.50	31%	0%	$7.50	42%	7%

Community	Region	Community Retailer: (entity selling fuel)	Heating Fuel #1 01/2011 Retail: (selling price per gallon - $$)	Percent (%) +/- Statewide Heating Fuel Average ($4.98*):	Percent +/- 06/2010 Retail: (selling price per gallon)	Gasoline 01/2011 Retail Price: (selling price per gallon - $$)	Percent (%) +/- Statewide Gasoline Average ($5.29):	Percent +/- 06/2010 Retail: (selling price per gallon)
Anderson ®	Interior	Nenana Heating	$3.79	-24%	5%	$3.70	-30%	0%
Anvik	Interior	Deloyges, Inc.	$4.50	-10%	0%	$5.00	-5%	0%
Arctic Village	Interior	Arctic Village Traditional	$10.00	101%	-9%	$10.00	89%	0%
Circle § ®	Interior	Village of Circle (Gas)	N/A	N/A	N/A	$4.70	-11%	2%
Delta Junction ®	Interior	Delta Fuel	$3.49	-30%	13%	$3.67	-31%	3%
Eagle ®	Interior	Telegraph Hill Services	$3.75	-25%	0%	$4.60	-13%	2%
Fairbanks ®	Interior	Alaska Petroleum	$3.45	-31%	7%	$3.68	-30%	5%
Galena	Interior	Crowley Marine Services	$5.35	7%	8%	$5.53	5%	3%
Grayling	Interior	HYL Grayling Fuel Company	$4.75	-5%	0%	$5.50	4%	0%
Healy ®	Interior	Fisher Fuel	$3.45	-31%	15%	$3.69	-30%	13%
Holy Cross	Interior	Holy Cross Oil Company	$4.47	-10%	-29%	$5.00	-5%	-17%
Hughes	Interior	Hughes City Council	$8.55	72%	0%	$8.00	51%	7%
Huslia	Interior	Huslia Gas & Oil	$5.00	0%	18%	$5.00	-5%	0%
Kaltag	Interior	Kaltag Cooperative	$4.75	-5%	0%	$5.00	-5%	0%

Community	Region	Community Retailer: (entity selling fuel)	Heating Fuel #1 01/2011 Retail: (selling price per gallon - $$)	Percent (%) +/- Statewide Heating Fuel Average ($4.98*):	Percent +/- 06/2010 Retail: (selling price per gallon)	Gasoline 01/2011 Retail Price: (selling price per gallon - $$)	Percent (%) +/- Statewide Gasoline Average ($5.29):	Percent +/- 06/2010 Retail: (selling price per gallon)
McGrath	Interior	Crowley	$6.49	30%	3%	$6.09	15%	-28%
Minto ®	Interior	North Fork Store	$4.15	-17%	6%	$4.95	-6%	9%
Nenana ®	Interior	Nenana Heating	$3.58	-28%	3%	$3.84	-27%	4%
Nulato	Interior	City of Nulato	$4.50	-10%	0%	$4.75	-10%	0%
Ruby	Interior	Dineega Fuel Company	$4.10	-18%	-9%	$4.75	-10%	3%
Tanana	Interior	Tanana Tribal Council	$4.25	-15%	-6%	$5.71	8%	-2%
Anaktuvuk Pass	Northern	Nunamiut Corporation	$1.55	-69%	0%	$8.10	53%	0%
Atqasuk	Northern	Atqasuk Corporation	$1.40	-72%	0%	$4.10	-22%	0%
Barrow	Northern	Eskimos Inc.	Natural Gas	N/A	N/A	$4.25	-20%	-11%
Kaktovik	Northern	Kaktovik Inupiat Corporation	$2.60	-48%	29%	$4.00	-24%	-1%
Nuiqsut	Northern	Kuukpik Corporation	$2.30	-54%	N/A	$5.00	-5%	8%
Point Hope	Northern	Tigara Corporation	$1.64	-67%	0%	$4.83	-9%	0%
Wainwright	Northern	Olgoonik Corporation	$1.50	-70%	-9%	$5.89	11%	19%
Brevig Mission	Northwest	Brevig Mission Native Store	$4.79	-4%	3%	$5.51	4%	7%

Community	Region	Community Retailer: (entity selling fuel)	Heating Fuel #1 01/2011 Retail: (selling price per gallon - $$)	Percent (%) +/- Statewide Heating Fuel Average ($4.98*):	Percent +/- 06/2010 Retail: (selling price per gallon)	Gasoline 01/2011 Retail Price: (selling price per gallon - $$)	Percent (%) +/- Statewide Gasoline Average ($5.29):	Percent +/- 06/2010 Retail: (selling price per gallon)
Deering	Northwest	Deering IRA	$5.20	4%	20%	$5.72	8%	22%
Gambell	Northwest	ANICA (Gambell Native Store)	$7.20	45%	-27%	$7.51	42%	35%
Golovin	Northwest	Golovin Public Utilities	$4.55	-9%	-7%	$4.60	-13%	-6%
Kiana	Northwest	City of Kiana	$6.18	24%	3%	$6.70	27%	3%
Kotzebue	Northwest	Crowley	$5.13	3%	11%	$5.37	1%	10%
Koyuk	Northwest	Koyuk Native Corporation	$5.17	4%	19%	$5.69	8%	38%
Noorvik	Northwest	Morris Trading Post	$6.00	20%	18%	$6.45	22%	19%
Saint Michael	Northwest	Saint Michael Fuel Company	$8.06	62%	-3%	$8.00	51%	0%
Savoonga	Northwest	ANICA (Savoonga Native Store)	$5.19	4%	0%	$5.51	4%	0%
Shishmaref	Northwest	Shishmaref Native Store	$5.53	11%	-4%	$5.93	12%	8%
Stebbins	Northwest	Tapraq Fuel Company	$5.61	13%	-22%	$5.92	12%	5%
Teller	Northwest	Teller Native Fuel Business	$4.78	-4%	-31%	$5.19	-2%	-4%
Unalakleet	Northwest	Unalakleet Native Corporation	$5.07	2%	5%	$5.41	2%	12%
Wales	Northwest	Wales Native Store	$7.98	60%	0%	$7.73	46%	0%

Community	Region	Community Retailer: (entity selling fuel)	Heating Fuel #1 01/2011 Retail: (selling price per gallon - $$)	Percent (%) +/- Statewide Heating Fuel Average ($4.98*):	Percent +/- 06/2010 Retail: (selling price per gallon)	Gasoline 01/2011 Retail Price: (selling price per gallon - $$)	Percent (%) +/- Statewide Gasoline Average ($5.29):	Percent +/- 06/2010 Retail: (selling price per gallon)
White Mountain	Northwest	White Mountain Native Store	$4.03	-19%	-50%	$4.55	-14%	4%
Angoon	Southeast	Angoon Oil and Gas	$4.60	-8%	7%	$4.53	-14%	8%
Craig	Southeast	Petro Marine	$3.59	-28%	14%	$3.64	-31%	7%
Gustavus	Southeast	Gustavus Dray	$3.97	-20%	17%	$3.87	-27%	8%
Hoonah	Southeast	Hoonah Trading	$4.39	-12%	9%	$4.29	-19%	7%
Juneau	Southeast	Delta West. (HF) Fred Meyer (Gas)	$3.69	-26%	24%	$3.43	-35%	6%
Kake	Southeast	Kake Tribal Fuel	$4.89	-2%	19%	$4.97	-6%	8%
Pelican	Southeast	Pelican Fuel Dock	$5.09	2%	13%	$5.18	-2%	11%
Petersburg	Southeast	Petro Marine	$3.73	-25%	17%	$3.40	-36%	-9%
Point Baker	Southeast	Point Baker Trading Post	$4.00	-20%	1%	$4.10	-22%	0%
Thorne Bay ☼	Southeast	Petro (HF) Bayview (Gas)	$3.59	-28%	14%	$3.92	-26%	3%
Wrangell	Southeast	Wrangell Oil	$4.25	-15%	35%	$4.33	-18%	5%
Akutan	Southwest	City of Akutan	$3.16	-37%	10%	$3.95	-25%	14%
Atka	Southwest	Atka Native Store	$6.80	37%	0%	$6.55	24%	9%

Community	Region	Community Retailer: (entity selling fuel)	Heating Fuel #1 01/2011 Retail: (selling price per gallon - $$)	Percent (%) +/- Statewide Heating Fuel Average ($4.98*):	Percent +/- 06/2010 Retail: (selling price per gallon)	Gasoline 01/2011 Retail Price: (selling price per gallon - $$)	Percent (%) +/- Statewide Gasoline Average ($5.29):	Percent +/- 06/2010 Retail: (selling price per gallon)
Chignik	Southwest	City of Chignik (HF); Trident (Gas)	$3.65	-27%	20%	$3.82	-28%	2%
Clark's Point	Southwest	City of Clark's Point	$6.00	20%	0%	$6.00	13%	0%
Dillingham	Southwest	Delta Western	$4.67	-6%	-18%	$5.03	-5%	-10%
King Cove	Southwest	Peter Pan Seafood	$3.57	-28%	3%	$4.32	-18%	10%
Kokhanok	Southwest	Kokhanok Tribal Council	$6.75	36%	0%	$7.25	37%	0%
Nelson Lagoon	Southwest	Nelson Lagoon Enterprises	$4.48	-10%	0%	$4.90	-7%	0%
New Stuyahok	Southwest	New Stuyahok Village Corp.	$5.18	4%	2%	$6.73	27%	0%
Nondalton	Southwest	City of Nondalton	$5.80	16%	2%	$6.70	27%	-4%
Saint George	Southwest	Delta Fuel Company	$5.56	12%	-3%	$5.94	12%	0%
Sand Point	Southwest	TDX Svcs (HF); Trident (Gas)	$4.41	-11%	19%	$3.86	-27%	-1%
Togiak	Southwest	Togiak Village Corporation	$4.85	-3%	0%	$5.21	-2%	0%
Unalaska	Southwest	Delta Western	$3.88	-22%	-20%	$3.41	-36%	-5%
Akiak	Western	Kokarmiut Corporation	$5.00	0%	8%	$5.90	12%	-14%
Atmautluak	Western	Atmautluak Limited	$5.56	12%	7%	$5.67	7%	4%

Community	Region	Community Retailer: (entity selling fuel)	Heating Fuel #1 01/2011 Retail: (selling price per gallon - $$)	Percent (%) +/- Statewide Heating Fuel Average ($4.98*):	Percent +/- 06/2010 Retail: (selling price per gallon)	Gasoline 01/2011 Retail Price: (selling price per gallon - $$)	Percent (%) +/- Statewide Gasoline Average ($5.29):	Percent +/- 06/2010 Retail: (selling price per gallon)
Bethel	Western	Crowley	$4.82	-3%	0%	$5.34	1%	4%
Emmonak	Western	Emmonak Corp. Tank Farm	$5.15	3%	0%	$5.94	12%	0%
Goodnews Bay	Western	Mumtram Pikkai Village Corp.	$4.27	-14%	4%	$5.09	-4%	11%
Hooper Bay	Western	Crowley Marine	$6.26	26%	-5%	$6.61	25%	-1%
Kotlik	Western	Kotlik Yupik Enterprises	$5.60	13%	13%	$6.22	18%	23%
Kwigillingok	Western	KWIK Marina Inc.	$4.80	-4%	0%	$5.40	2%	3%
Marshall	Western	Maserculiq Inc.	$5.50	10%	24%	$6.13	16%	17%
Mountain Village	Western	Azachorak Fuel	$6.12	23%	21%	$6.23	18%	8%
Nunapitchuk	Western	Nunapitchuk Ltd.	$5.46	10%	6%	$5.92	12%	5%
Pilot Station	Western	Pilot Station Native Corporation	$5.84	17%	19%	$6.25	18%	1%
Quinhagak	Western	Qanirtuuq Corporation	$5.15	3%	4%	$5.77	9%	1%
Russian Mission	Western	Russian Mission Corporation	$4.95	-1%	-10%	$5.65	7%	-6%
Scammon Bay	Western	Askinuk Corporation	$5.90	18%	-2%	$5.90	11%	8%
Sleetmute	Western	Henry Hill Store	$6.02	21%	-1%	$6.40	21%	2%

Community	Region	Community Retailer: (entity selling fuel)	Heating Fuel #1 01/2011 Retail: (selling price per gallon - $$)	Percent (%) +/- Statewide Heating Fuel Average ($4.98*):	Percent +/- 06/2010 Retail: (selling price per gallon)	Gasoline 01/2011 Retail Price: (selling price per gallon - $$)	Percent (%) +/- Statewide Gasoline Average ($5.29):	Percent +/- 06/2010 Retail: (selling price per gallon)
Toksook Bay	Western	Nunakauiak Yupik Corporation	$6.19	24%	32%	$6.62	25%	14%
Tuntutuliak	Western	Qinarmiut Corporation	$5.65	13%	3%	$6.00	13%	19%
Upper Kalskag	Western	City of Upper Kalskag	$5.50	10%	0%	$5.50	4%	0%

* Heating fuel average does not include Northern communities, whose residential fuel is subsidized by the North Slope Borough.
® Community is on the road system; this only applies to communities in the Gulf Coast and Interior regions.
† Ouzinkie Native Corporation does not sell gasoline; residents travel to Kodiak to purchase gasoline.
§ The heating fuel vendor in Central, where Circle residents previously bought fuel, is not currently operating; residents must now travel to Fairbanks to purchase heating fuel.
☼ Petro Alaska closed its Thorne Bay location in 2008. Heating fuel deliveries for Thorne Bay residents are now provided by Petro Alaska in Craig.

Previous editions of *Current Community Conditions: Fuel Prices Across Alaska* may be found on DCRA's website:
http://commerce.alaska.gov/dcra/researchanalysis/RApublications.htm

Department of Commerce, Community, and Economic Development

Susan Bell, Commissioner

Division of Community and Regional Affairs

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Components of Alaska Fuel Costs: An Analysis of the Market Factors and Characteristics that Influence Rural Fuel Prices

Prepared for:
Alaska State Legislature
Senate Finance Committee

Prepared by:

Nick Szymoniak
Ginny Fay
Alejandra Villalobos-Melendez

Institute of Social and Economic Research
University of Alaska Anchorage
907-786-5402
ginnyfay@uaa.alaska.edu

In collaboration with:
Justine Charon
Mark Smith
Pacific Fishing Assets

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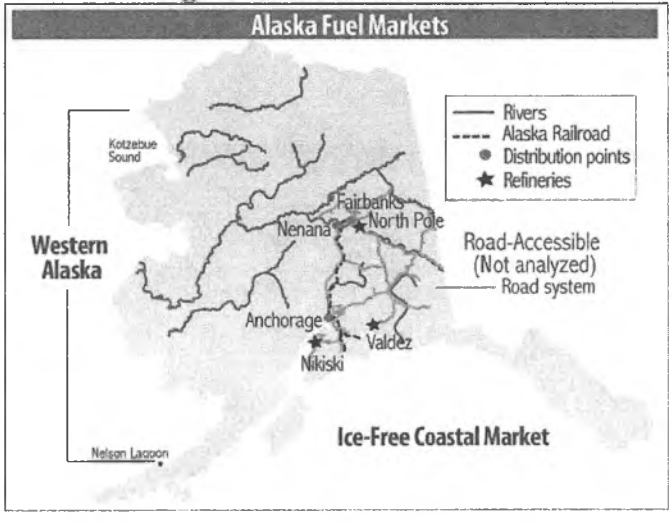
EXECUTIVE SUMMARY

Many Alaskans face extremely high, volatile fuel prices. Little is publicly known about the actual structure of Alaska's rural fuel markets and what drives prices at the community level. The Alaska State Senate Finance Committee asked economists at the University of Alaska Anchorage, Institute of Social and Economic Research (ISER) to investigate rural Alaska fuel markets and identify policy options that could be considered for legislative action to reduce fuel prices. This study is *both* an update *and* an evolution of previous ISER *Components of Fuel Costs* studies.[1] It does not include road-accessible communities.

Western Alaska Fuel Market

The Western Alaska fuel "market" is comprised of North Aleutian villages beginning with Nelson Lagoon proceeding north along the coast to Kotzebue Sound. Also included are ports of call on tributary rivers, the most prominent being the Yukon and Kuskokwim Rivers (Figure 1).

Figure 1. Alaska Fuel Markets



Three major competitors historically served the Western Alaska fuel distribution market, Crowley Marine Services, Yukon Fuel Company, and Delta Western. Crowley bought Yukon Fuel in 2005 and Ruby Marine, LLC (currently serving Yukon River customers) began operation in 2007, making a current total of three competitors.

While it is possible to fly fuel to most locations, it can only be done cost effectively to communities within a few hundred miles of Kenai or Fairbanks refineries and then only in quantities of less than five thousand gallons. Marine transportation remains the most cost-effective way to deliver fuel to most Western Alaska communities. Due to the shallow waters

[1]Wilson, Meghan, Ben Saylor, Nick Szymoniak, Steve Colt and Ginny Fay, 2008. *Components of Delivered Fuel Prices in Alaska.* Prepared for the Alaska Energy Authority, Anchorage: University of Alaska Anchorage Institute of Social and Economic Research. Available at: http://www.iser.uaa.alaska.edu/Publications/Finalfuelpricedelivered.pdf and Wilson, Meghan, Ben Saylor, Nick Szymoniak, Steve Colt and Ginny Fay, 2009. *Components of Delivered Fuel Prices in Alaska January 2009 Update.* Prepared for the Alaska State Legislature, Senate Finance Committee. University of Alaska Anchorage Institute of Social and Economic Research. Available at: http://www.iser.uaa.alaska.edu/Publications/fuelpricedeliveredupdate.pdf

of most ports of call, only a tug and barge combination is a viable method for delivery. Seasonal ice and remoteness are major factors influencing fuel transportation costs.

The competitive landscape in the marine delivery market has changed significantly over the last fifteen years. In the mid 1990s, Yukon Fuel's activity was primary on the Yukon River, and Delta Western and Crowley served the rest of the Western Alaska market. Beginning in the late 1990s and after a failed attempt to buy Yukon Fuel, Delta Western started to exit the small delivery market to focus on linehaul and tank farm operations. Also, during the late 1990s Yukon Fuel started an aggressive pricing program to expand its service territory. This plan was successful and took Yukon Fuel's small-delivery volume from seven million gallons in 1995 to nineteen million gallons in 2002. This increase in volume came from securing former Crowley customers and by picking up old Delta Western customers.

During this time both Crowley and Yukon Fuel charged some customers rates below cost, trying to secure additional market share. The strategy was to try to gain efficiencies and economies of scale that would lower the costs for all deliveries. One part of the plan benefited customers with larger tank farms.

By 2002 this strategy had increased Yukon Fuel's market share but resulted in relatively low profitability. In 2005, Yukon Fuel was sold to Crowley. As a direct result of very low profits, the market saw almost no reinvestment in equipment that would be expected to occur in a healthy market.

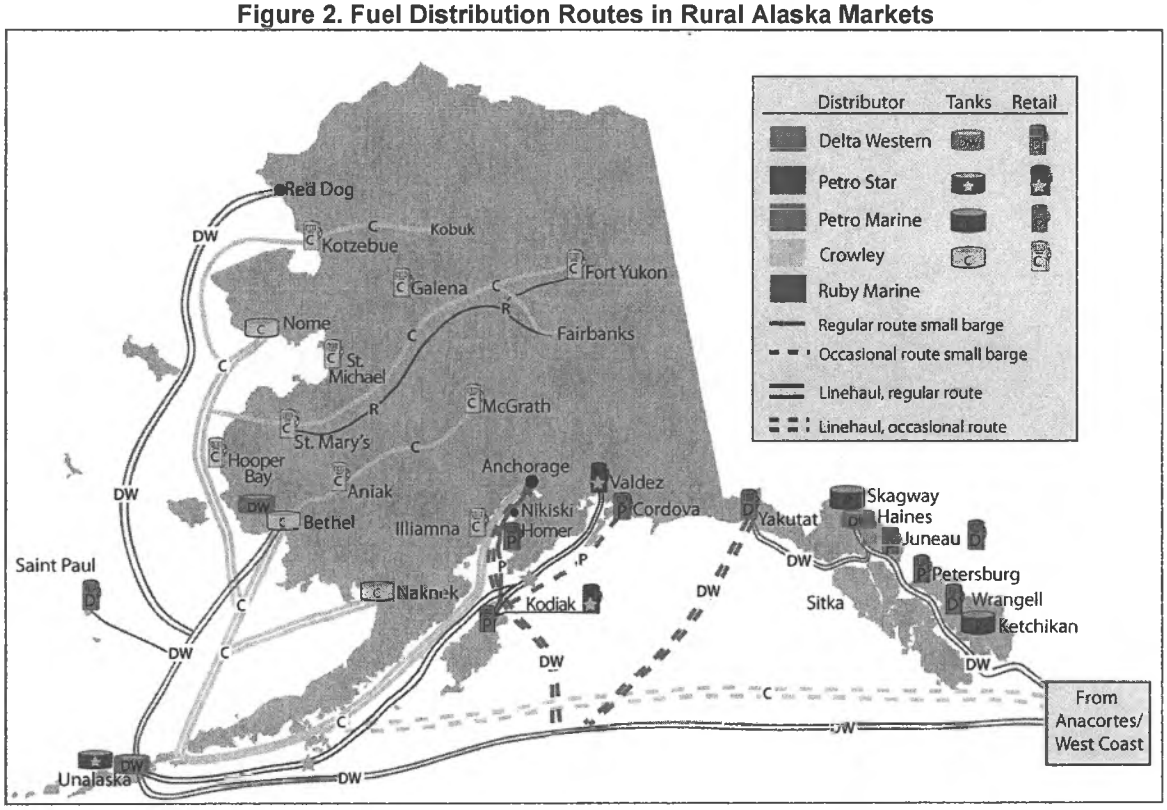
Since Yukon Fuel's purchase in 2005 prices have been increasing. However, evidence of prices remaining at depressed levels is the continued absence of Delta Western in the majority of the market. Delta Western has the capital and operational knowledge to compete for fuel sales in small Western Alaska communities yet they have had a relativity small role in the market from 2006 to 2009. When comparing current fuel delivery prices to fuel delivery prices from more than five years ago it must be factored in that prices from that time period were not sustainable, as evidenced by the sale of Yukon Fuel and the lack of participation by Delta Western.

There are many physical movements to transport fuel from the refinery to the end user's tanks.

1. Fuel is purchased from the refinery and shipped via a linehaul barge (the term used to reflect a large ocean-going barge) or trucked, as is the case for the upper Yukon River.
2. Fuel is put into a tank farm at a regional terminal or fuel hub or a smaller barge for storage.
3. Fuel is loaded from the terminal/fuel hub into smaller barges for delivery of fuel to each smaller community's local tank farm.
4. Local tank farms sell fuel to individual customers either at the tank farm or by truck distribution.

Figure 2 shows the fuel distribution routes of the major distributors in both the Western Alaska and ice-free coastal fuel markets.

Figure 2. Fuel Distribution Routes in Rural Alaska Markets



The estimated average cost of delivering fuel from Cook Inlet to Western Alaska communities is approximately $1.00 per gallon. These costs can easily increase by $0.20 per gallon for docking and fuel off-loading deficiencies that increase the time, safety, and environmental risks of fuel handling. Another estimated average of $1.60 in costs occurs once the fuel is delivered to communities, to cover the cost of fuel storage tanks, working capital of holding fuel until sold, and tank-farm operations such as fuel sales. If, in our hypothetical example, the refinery price of fuel was $2.00, the final average cost of transporting and selling the fuel in the "average" community served by the small barge fleet would be $4.60. More risky or challenging delivery circumstances would increase these costs.

This analysis found no evidence of excessive charges by fuel distributors. Most of the variation in fuel prices appears to be variations in retail price-setting practices at the community level. Potential reasons for variations in prices include differences in fuel sale operating hours and costs; differences in safety and environmental compliance implementation levels; differences in collections for tank-farm repair and replacement and operation and maintenance practices; differences in the cost of debt for bulk fuel loans; and mark-ups to collect revenues for other community purposes. Information on retail mark-up practices is proprietary, and most of the communities we contacted would not provide the requested information.

Ice-Free Coastal Alaska Fuel Market

The fuel markets of the Ice-Free Coastal Alaska (IFCA) region have a different logistic and price structure than the fuel markets in Western Alaska and fuel markets on the Alaska road system. The IFCA region spans Southeast Alaska, Prince William Sound, the Kodiak area, the Alaska Peninsula, and the Aleutian Islands. The major characteristics of fuel markets in the IFCA region are:

1. Ice-free ports allow for year round delivery, reducing communities' storage requirements.
2. Fuel distributors are more likely to operate retail stores than they are in Western Alaska and more likely to face less competition than on the Alaska road system.
3. If the fuel distributer sells to an independent retailer, the sale is less likely to be under a contract with a predetermined pricing formula, which is typical in Western Alaska.

Fuel in IFCA is typically less expensive than fuel in Western Alaska but more expensive than fuel on the Alaska road system. The costs of transporting, storing, and retailing fuel in the ICFA are also all less than the costs of similar activities in Western Alaska but higher than costs on the Alaska road system.

Three companies distribute most of the fuel in the IFCA region: Harbor Enterprises (Petro Marine, Petro Express, and Shoreside Petroleum), Delta Western, and Petro Star. The only communities served by more than one of these fuel distributers are Dutch Harbor, Kodiak, Ketchikan, and Juneau. In the other IFCA communities it appears all fuel is supplied by only one fuel distributor.

Vertically integrated fuel markets eliminate clear transaction points along the supply chain that reveal the cost of each segment to move fuel from the refinery to the end user. Further, many ICFA community submarkets only have one distributor. A sole distributor in a market is a price setter, and this price does not necessarily reflect the cost of distributing fuel. This erodes the relationship between distributors' selling prices and their costs.

The price of fuel sold under contract, as in Western Alaska, is determined by a formula, accounting for the refinery lift price and the cost of transporting fuel to the community. As a result, Western Alaska landed wholesale fuel prices fluctuate with refinery gate and world oil prices.[2] No formula exists for most fuel sales in the IFCA region, since most fuel is not sold under contract. The lack of a fuel contract does not in itself increase fuel prices, but it does significantly reduce the transparency of fuel distributors' costs.

Most communities in Southeast Alaska have fuel supplied by one of the large three distributors. The independent fuel retailers have little control over the price of fuel they purchase from the fuel distributor because most fuel is not sold under a contractually determined price. Independent retailers do not pick the source refineries, the brand of fuel purchased, whether it is purchased on contract from a refinery, or the way it is delivered to the

[2] For more information on refinery and world crude oil markets and prices see, Wilson, Meghan, Ben Saylor, Nick Szymoniak, Steve Colt and Ginny Fay, 2008, *Components of Delivered Fuel Prices in Alaska*, prepared for Alaska Energy Authority, Institute of Social and Economic Research, University of Alaska Anchorage, June. Available at: http://www.iser.uaa.alaska.edu/Publications/Finalfuelpricedelivered.pdf

community. As a result, the price the independent fuel retailer pays for fuel is determined entirely by the fuel distributor. The only component of the cost that is not determined by the fuel distributor is the retail markup.

The fuel distributors know the amount of the retail markup of independent fuel retailers, because it is simply the price of the fuel they sold the retailer, subtracted from the retailer's posted price. Knowing the retailer's markup allows the distributor to essentially determine the retail price of an independent fuel retailer. The distributor can set the wholesale price of the fuel it sells to the retailer at exactly the known retail markup, subtracted from the desired final retail price. This allows a fuel distributor to exert monopoly pricing power in a market where it is the only fuel distributor but not the only fuel retailer. The retail fuel price is further influenced by the fuel distributor, because often neither the independent fuel retailer nor the community has fuel-purchase contracts with the distributor.

In the IFCA region fuel distributors do not sell their fuel on contracts that include a pricing formula. Instead, they usually have full freedom to set their price at their retail stores or in sales to other retailers. There is no legal commitment to sell their fuel at a predetermined price or with a predetermined transportation charge. In addition, it appears that in some community submarkets, especially in Southeast Alaska, there are only distributors selling at their own retail outlets and no one else competing to supply fuel at the wholesale or retail level. This creates a fuel-distribution monopoly in those community submarkets. The exception to this is Juneau, which has two distributors as well as multiple independent retailers.

IFCA fuel markets facilitate natural monopolies because significant economies of scale exist and potential competitors face a high cost of entering the market. Economies of scale exist because many of the costs of distributing fuel, such as barges and storage tanks, are relatively fixed. The result is decreasing "per gallon" costs of distributing fuel as the amount of fuel that a company distributes increases. For example, one fuel distributor could import two million gallons of fuel on a linehaul tanker cheaper than two fuel distributors can import one million gallons each on smaller fuel barges. A single large, fuel distributor in a region is probably able to distribute fuel at a lower cost than multiple smaller distributors. This naturally leads to consolidation to the point where the entire IFCA market is only served by a small number of distributors, in this case three.

While consolidating fuel distributors may lower *costs* of fuel, it does not necessarily lower *prices* paid by the consumers. Instead, a sole fuel distributor would be capable of exercising its market power and charging a price higher than would be expected in a competitive market.

Without access to proprietary information, it is unclear whether fuel distributors in the IFCA region generate a larger than expected return on investment (profit) or charge monopolistic prices. The structure of fuel markets in the IFCA allows for fuel distributors to price fuel higher than they could in a competitive market. However, the State of Alaska Attorney General's Office recently investigated—with access to proprietary information— that question, and the resulting report indicates that fuel distributors in the ICFA region are not exercising

their market power and pricing fuel significantly higher than would be expected in a fully competitive market.[3]

IFCA fuel markets with only one distributor may also be exposed to a higher risk of fuel price shocks. In a competitive market, a fuel distributer wants to avoid purchasing fuel at the peak of a short-term fuel price increase. If it did, and a competitor was able to purchase fuel at a lower price, the distributor would have to reduce its fuel selling price below its purchase price to maintain market share.

The fact that Western Alaska and the IFCA rural fuel markets are less than competitive means retail fuel customers absorb the full impacts of high and volatile fuel prices— because fuel distributors can pass on these costs. Recent higher prices for fuel delivered to Western Alaska communities seem to result from the sudden convergence of several factors:

- Higher crude oil prices
- Price recovery among fuel distributors, after earlier competition for market share pushed prices below sustainable levels
- Repair and replacement of aging tugs and barges, including federally required use of double-hulled tankers
- Construction of new fuel tank farms in many communities, with business plans that require pricing to include costs of tank repair and replacement.

Community Fuel Survey Results

ISER surveyed 10 communities around Alaska in 2008, 2009, and 2010 to get information on local fuel prices. The major findings of the third round of community surveys are:

- Increases in fuel prices persisted from January 2009 to January 2010, despite the lower cost of crude oil during most of 2009.
- Fuel prices in rural Alaska vary significantly and are inconsistent across communities at the retail level.
- Some communities have much larger retail price mark ups than others.
- For some communities, delivery costs and retail markup are a large portion of the fuel price.
- Getting reliable local information on fuel sales and practices remains a challenge.
- Residents of surveyed communities are frustrated because they have limited options for coping with high fuel prices.

From January 2009 (date of last update) to January 2010, crude oil prices decreased on average 37%. Refinery gate prices in Anchorage increased 13% for gasoline and decreased 7% for diesel for heating (DF#1). In Anacortes, refinery gate prices decreased 7% for gasoline and 54% for diesel for heating (Ultra Low Sulfur, DF#1). On average across the surveyed communities, retail prices for gasoline decreased 6% and diesel for heating decreased 13%. Nonetheless, only five of the study communities surveyed paid lower prices for gasoline and

[3] Alaska Department of Law, Rural Fuel Pricing In Alaska: A Supplement to the 2008 Attorney General's Gasoline Pricing Investigation, February 2010.
See also: 2008 Alaska Gasoline Pricing Investigation; Attorney General's Report, January, 2009, at: http://www.law.state.ak.us/pdf/press/2008GasolinePricingReport.pdf.

diesel for heating (DF#1).Because the crude oil and refinery components of costs comprise a relatively small portion of final fuel prices (less than 50% in Western Alaska), these declines result in much smaller declines in retail prices, even if passed on fully to customers.

Policy Options

The conventional interventions are unlikely to produce optimal results. There is currently sufficient competition—or threat of new market entrants—to keep businesses minimizing costs. Regulation of fuel prices would be administratively burdensome, and most likely result in higher prices, because fuel distributors would be free to replace aging capital with a more certain return on investment. Fuel price subsidies remove market signals that encourage people to conserve when prices increase. That said, maintaining and funding the Low Income Home Energy Assistance Program to offset to a base amount of fuel costs is critical, especially during price spikes that result in families paying close to 50% of their incomes for home energy use. Improvements and consolidation of state bulk fuel loan programs, and expansion of their fuel sales and management training components, would address retail-pricing issues. Also, continued funding of municipal assistance would reduce the need for fuel price markups to support other community services. Continued funding of the weatherization program provides both short- and long-term relief by reducing the amount of fuel purchased by households, though the high fixed costs of transporting and storing fuel will be distributed over fewer gallons. Infrastructure improvements, such as replacing marine headers and interconnecting clustered communities with transmission lines and roads, may provide the most long-term benefits to lowering energy prices and maintaining rural communities.

INTRODUCTION

Many Alaskans face extremely high, volatile fuel prices. Little is publicly known about the actual structure of Alaska's rural fuel markets and what drives prices at the community level. The Alaska State Senate Finance Committee asked economists at the University of Alaska Anchorage, Institute of Social and Economic Research (ISER) to investigate rural Alaska fuel markets and identify any fuel market inefficiencies that could be considered for legislative action to reduce fuel prices.

This study is *both* an update *and* an evolution of previous ISER *Components of Fuel Costs* studies.[4] It updates the most recent *Components of Fuel Costs* study by collecting and reporting the most recent fuel prices in the ten previously surveyed rural communities. It is an evolution of the previous investigations, providing greater detail and scope on rural fuel markets. (It does not include fuel markets in road-accessible communities.) In addition, at the request of the Alaska Senate Finance Committee we present potential policy options and their potential impacts for addressing the cost of fuel in rural Alaska.

Fuel is sold in rural Alaska communities through two distinct markets. The first market area includes the (seasonally) ice-bound portion of Western Alaska. The presence of winter ice exerts tremendous influence on marine and river navigation to these non-road-accessible areas. The second market area is comprised of the ice-free coastal regions. Results are presented first for ice-influenced Western Alaska and then for the ice-free coastal area. An update of the previous ten community analyses follows. The final section is a summary and discussion of potential policy options.

To conduct this analysis, ISER researchers collaborated with a number of Alaska's fuel market participants including refineries, distributors, retailers, fuel purchasing cooperatives, and government agencies involved in community fuel purchases. Participation in this study by previously active players in the Western Alaska fuel market provided new access to information on that market. We did not have the same level of participation in the ice-free coastal market so were unable to provide an equivalent level of detail.

WESTERN ALASKA FUEL MARKET

This section includes background and detailed cost information regarding the downstream fuel market in Western Alaska. This region's referenced "market" is comprised of North Aleutian villages beginning with Nelson Lagoon proceeding north along the coast to Kotzebue Sound. Also included are ports of call on tributary rivers, the most prominent being the Yukon and Kuskokwim Rivers (see Figure 1). It draws on more than 30 years of combined experience of former owner/operators and executives at major fuel distribution companies and independent research done to evaluate market opportunities.[5] The numbers used in this report reflect the best estimates and memories of historical costs but should not be considered exact without confirming data with current fuel distribution companies.

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[4] See footnote 1.

[5] The majority of this Western Alaska section was researched and written by Justin Charon and Mark Smith who worked for Crowley Marine Services and Yukon Fuel.

Three major competitors historically served the Western Alaska fuel distribution market, Crowley Marine Services, Yukon Fuel Company, and Delta Western. Crowley bought Yukon Fuel in 2005 and Ruby Marine, LLC (currently serving Yukon River customers) began operation in 2007, making a current total of three competitors.

While it is possible to fly fuel to most locations, it can only be done cost effectively to communities within a few hundred miles of Kenai or Fairbanks and then only in quantities of less than five thousand gallons. With current aviation fuel prices, the most competitive air deliveries have a transportation component of ~$1.25 per gallon per hundred air miles. The price is even higher for the many villages with airports unable to accommodate the 4,900 gallon DC-6 transport planes operated by Everts Air Cargo.

Marine transportation remains the most cost-effective way to deliver fuel to most Western Alaska communities. Due to the shallow waters of most ports of call, only a tug and barge combination is a viable method for delivery.

The competitive landscape in the marine delivery market has changed significantly over the last fifteen years. In the mid 1990s, Yukon Fuel's activity was primary on the Yukon River, and Delta Western and Crowley served the rest of the Western Alaska market. Beginning in the late 1990s, and after a failed attempt to buy Yukon Fuel, Delta Western started to exit the small delivery market to focus on linehaul and tank-farm operations. Also, during the late 1990s Yukon Fuel started an aggressive pricing program to expand its service territory. This plan was successful and took Yukon Fuel's small-delivery volume from seven million gallons in 1995 to nineteen million gallons in 2002. This increase in volume came from securing former Crowley customers and by picking up old Delta Western customers.

During this time both Crowley and Yukon Fuel charged some customers rates below cost trying to secure additional market share. The strategy was to try to gain efficiencies and economies of scale that would lower the costs for all deliveries. One part of the plan benefited customers with larger tank farms— such as the Alaska Village Electric Cooperative (AVEC)— in a major way. Most customers only had enough tanks for eight months of storage, meaning they all needed fuel first thing in the spring and as late as possible in the fall. In order to meet that demand, more sets of equipment were needed than if the deliveries could have been scheduled more systematically. As a result, there was too much equipment in the market during the mid-summer months. Given the high fixed costs, taking the equipment out of service did not help. Instead, very low-priced fuel was sold to AVEC and others who had 12 months of storage and could take mid-summer deliveries.

By 2002 this strategy had increased Yukon Fuel's market share but resulted in relatively low profitability. The company changed directions and began dropping accounts that were losing money, or increasing prices to reach a break-even point. This resulted in small-boat volume dropping from nineteen million gallons in 2002 to twelve million gallons in 2005. Also, during this time the effects of the Denali Commission's new tank farms began to change the demand for midsummer deliveries, as more customers had twelve months of storage capacity—making spring deliveries less critical. In 2005, Yukon Fuel was sold to Crowley.

As a direct result of very low profit, the market saw almost no reinvestment in equipment, such as would be expected to occur in a healthy market. Yukon Fuel's fleet was over 40 years old and well beyond its useful life of 27 years.[6] Under healthy market conditions, assets would be replaced on a systematic basis, with the average asset age close to half the useful life of the asset, 13.5 years in this case.[7]

Since Yukon Fuel's purchase in 2005 prices have been increasing. But evidence of prices remaining at depressed levels is found in the continued absence of Delta Western in the majority of the market. Delta Western has the capital and operational knowledge to compete for fuel sales in small Western Alaska communities, yet it had a relativity small role in the market from 2006 to 2009. As profitability returns to the market place, expect to see Delta Western build a greater presence. The fact that Crowley has actively been building new tugs and barges to operate in Western Alaska is a sign of economic improvement or long-term view of the market. Another positive sign is that in 2006 Ruby Marine was formed and began competing with Crowley for fuel sales on the Yukon River. Ruby Marine is owned and operated by a former executive of Yukon Fuel, and it competes with Crowley in that market.

When comparing current fuel delivery prices to fuel delivery prices from more than five years ago, it must be factored in that prices from that time period were not sustainable, as evidenced by the sale of Yukon Fuel and the lack of participation by Delta Western.

Fuel Movement Process

There are many physical movements to transport fuel from the refinery to the end user's tanks:

1. Fuel is purchased from the refinery and shipped via a linehaul barge (the term used for large ocean-going barges) or trucked, as is the case for the upper Yukon River.
2. Fuel is put into a tank farm at a regional terminal or fuel hub or a smaller barge for storage.
3. Fuel is loaded from the terminal/fuel hub into smaller barges for delivery of fuel to each smaller community's local tank farm.
4. Local tank farms sell fuel to individual customers, either at the tank farm or by truck distribution.

Fuel Purchasing

Process Description

None of the distribution companies in Western Alaska possess refinery capabilities, so the fuel movement process begins when the distribution company purchases fuel from a refinery.[8] The Alaska refineries providing the most of the fuel to Western Alaska are located in Valdez (Petro Star), North Pole (Flint Hills), and Nikiski (Tesoro). Additionally, Tesoro, Flint Hills and Chevron terminals in Anchorage can off-load to fuel delivery barges. The Cook Inlet area serves Western Alaska from either Nikiski or Anchorage. The product is sold "free on board"

[6] Office of Management and Budget, Circular No A-76 Appendix 3 item 1930.
[7] In the case with a 27 year life, 1/27 of the fleet should be getting replaced each year.
[8] Most of the fuel distribution companies have had some experience over the years with bringing in international tank ships with fuel products. The per-ship quantities are large (10 million+ gallons) and this method is common for Dutch Harbor seafood processors and the Red Dog Mine in Northwest Alaska. We know of no other tankers actually bringing fuel into this market.

or FOB[9] at the refinery or Port of Anchorage dock.[10] The Yukon River is supplied by fuel trucked to the Port of Nenana from a North Pole refinery.

Typical Costs

Unlike retail markets in Anchorage, wholesale barge prices are indexed to major markets with Los Angeles (LA) or Anacortes typically used. Los Angeles, in particular, is a major port where arbitrage ties the U.S. West coast with the world market represented by Singapore. Two major companies maintain Los Angeles and Anacortes pricing indexes, OPIS[11] and Platts.[12] Both yield similar results in "price discovery," by canvassing commercial customers daily to establish going rates.

Typical Cook Inlet Diesel #1[13] costs are LA Platts Jet plus approximately $0.06 per gallon. Over the last ten years, refineries at times offered prices based on other related products and city indexes, but LA remains the most common reference. On the rare occasions when pricing has been made public, different fuel distribution companies all post similar prices for similar volume purchases. Even when considering different indexes and different companies, the range of prices likely varies only +/- $0.02 per gallon when averaged over the last ten years. In other words, the Lower 48 refinery market is competitive.

Linehaul Transportation

Process Description

The next stage of delivery is transporting the product from Cook Inlet to Western Alaska. It is not cost-effective to take smaller delivery equipment (typical barge capacity of 275,000 gallons) to Cook Inlet to pick up fuel. Instead a larger linehaul barge is used (typical capacity of 2.5 million to 3.5 million gallons) to bring the fuel closer to the market place. The linehaul barge then delivers fuel to the smaller barges and terminals with tank farms. Linehaul equipment being positioned in Alaska for the summer season usually carries fuel from west coast refineries on the trip north. Delta Western also brings fuel directly from the west coast to Dutch Harbor[14] but the majority of fuel to the Western Alaska market is transported from Cook Inlet.

Several industrial customers who own tank farms large enough to accommodate a fuel load of over a million gallons receive their fuel directly from the linehaul barge. The largest of this type is Teck Alaska at the Red Dog mine, which takes ~18 million gallons per year. Another example is the Western Alaska Fuel Group (WAFG), which includes the large utilities in Nome, Dillingham, Naknek, and Kotzebue. The WAFG takes approximately 7 million gallons total. The role of the fuel distribution companies is largely to coordinate the buying and

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[9] FOB stands for "Free On Board", and is used in conjunction with a port of loading. Indicating "FOB port" means that the seller pays for transportation of the goods to the port of shipment, plus loading costs. The buyer pays the costs of marine freight transport, insurance, unloading, and transportation from the arrival port to the final destination. The passing of risks occurs when the goods pass the ship's rail at the port of shipment.

[10] Tesoro did sell some fuel FOB Bethel in 1998 but discontinued that option.

[11] Oil Price Information Services, www.opisnet.com

[12] Platts, www.platts.com

[13] Diesel #1 (DF1) is commonly used as heating fuel throughout most of rural Alaska. This is same fuel the refineries sell as Jet fuel (Jet A), and in many tank farms it is stored as Jet A until sold as DF1. Because Diesel #2 (DF2) is more common through the rest of the U.S., DF2 is often used as the index price with an adder for the higher priced DF1.

[14] Mike O'Shea, Delta Western, personal communication, January 2010.

delivery process, so the gross margins[15] for these industrial customers are very thin (estimates of $0.04-0.06 per gal). The major motivation for the fuel distribution companies to sell to the large industrial companies is not the margin but the economies of scale and to maximize linehaul equipment utilization.

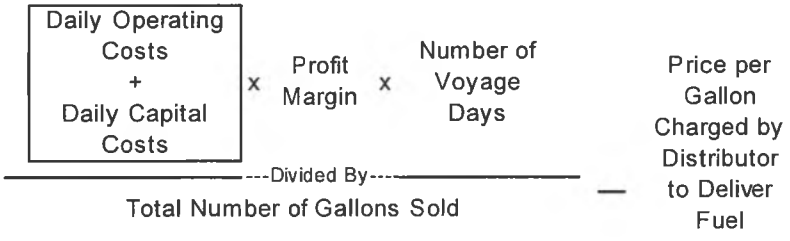
Each of the fuel distribution companies handles linehaul services differently. Crowley Marine Services largely meets its needs internally by having a division of the company that owns linehaul equipment and charging itself a quasi-market price. Delta Western had a sister company (Sea Coast Towing), which handled its needs until 2005, when Sea Coast Towing was sold to K-Sea Transportation. K-Sea Transportation continues to provide service to Delta Western under charter agreements. Yukon Fuel largely out-sourced all of its linehaul needs. One of Yukon Fuel's major linehaul providers was Sirius Maritime, which was also sold to K-Sea Transportation in 2007.

The current landscape of linehaul providers in Western Alaska consists of Crowley and K-Sea Transportation. This is unlikely to change without a major change in market conditions.

Typical Costs

Economies of scale are the biggest factor in linehaul pricing. The providers as a whole have been fairly efficient in keeping prices to the rough formula shown in Figure 3.

Figure 3. Fuel Distributor's Charge Formula



This formula favors the largest volumes and the shortest routes. The traffic between Valdez and Dutch Harbor, for instance, provides significant economies of scale and customers along the route benefit from this more efficient supply line. On the other end of the spectrum are customers on the North Slope. That route takes several weeks to transit and the barges must wait several days for lightering-barges to off-load the larger barges over the course of several days. The current rates range from a few cents per gallon between Valdez and Anchorage to over 40 cents per gallon for transportation to the Beaufort Sea.

Another consideration in pricing the seasonal gallons delivered to Western Alaska and the North Slope is the fact that the ports of call are very far from the home ports of the linehaul fleet. Whereas a trip from Puget Sound to Ketchikan may take a few days, the trip from Puget Sound to Barrow takes a few weeks. Because of the cost of mobilization, the only cost-effective linehaul scenario is to deploy a tug and barge pair, known as a "set," for the five to six month ice-free season. Current fuel distributors estimate the fixed cost of a tug and barge set at $2.5 million for the season. Vessel

[15] Selling price less cost of the fuel. This ignores taxes and operating expenses.

delivery operations may be by charter or by a subsidiary. In addition to these fixed costs, the costs of tug fuel and other miscellaneous items for a six-to-seven trip season between Cook Inlet and the Bering Sea ports is another $3.5 million. A typical linehaul barge carries three million gallons of fuel, for a total of eighteen million gallons for a six-trip season. This results in approximately $0.19 per gallon in cost for transportation only. An alternative metric is the cost per "useful" day of the linehaul that starts with the ice opening of the Kuskokwim River approximately June 1 and ends approximately October 1 when deliveries are wrapping up. The applicable math is $3.5 million divided by 120 days, for a daily rate of almost $30,000.

Linehaul costs increased after the late 1990s and will continue to do so. The Oil Pollution Act of 1990 (OPA 90)[16] requires that all single-hull barges over 1,600 tons (smaller barges are exempt in Western Alaska) be replaced by double-hull barges by 2015. In the late 1990s, Western Alaska saw linehaul rates of less than $0.09 per gallon due to a surplus of single-hull barges in the market.[17] From 2000 to 2005, rates increased to the $0.13-0.15 per gallon range, and much of the equipment used was still single-hull. On October 29, 2009, K-Sea Transportation announced it would accelerate the retirement of its single-hull linehaul barges. That news, plus a poor market for fuel delivery, led to the share price of the company declining by half in two days—thus the company lost half its market capitalization. This suggests that K-Sea Transportation is not making excessive profit in the linehaul market.

Given that the cost of a new double-hull barge is more than three times the value of an older single-hull barge, we expect the linehaul cost of shipping fuel from Cook Inlet to Western Alaska to rise inevitably, from the current $0.19-$0.22 per gal to over $0.25 per gallon or higher in the near future.

Trucking

Process Description

In the case of the Yukon River, fuel is trucked to the Nenana terminal from a North Pole refinery. This is a straightforward process with costs of less than $0.05 per gallon. There are a number of trucking companies active in this market. From the Tanana River at Nenana, fuel is shipped to the Yukon River, supplying fuel to communities as far downstream as Mountain Village and as far upstream as Fort Yukon.

Terminal Operations

Process Description

The distinction between a regular tank farm and a "terminal" lies in the ease with which the tank farm can accept fuel and reload it to other barges at a later date. Generally, that means the tank farm needs the capacity to accept linehaul barges. The tank farms in that class in Western Alaska are Dillingham, Naknek, Bethel, Nome, and Kotzebue. Of those, only Nome and Naknek can handle a fully loaded linehaul barge. The draft (depth) limitations of the other ports require the linehaul to off-load to smaller barges first, lightening the linehaul and enabling them to complete the transit to port. For instance, the controlling depth for river transit into the port of Bethel is 12 feet, requiring typically loaded linehaul barges with drafts

[16] http://epw.senate.gov/opa90.pdf

[17] Note that one company providing these low rates, Newport Petroleum, went out of business. These rates were likely a contributing factor.

of 18 to 20 feet to lighter off one-third of their cargo. Any time fuel needs to be transferred it adds to the costs of delivery.

Not all fuel being delivered to Western Alaska goes through a terminal. The fuel off-loaded from the linehaul to the small barges often goes directly to the customer. In general, the delivery strategy is to avoid terminal use whenever possible. However, it is not possible to avoid using a terminal for all gallons, because that would require a much larger fleet of equipment in order to transfer and deliver all the fuel from a linehaul. That equipment could not be fully utilized because of the short ice free season. This, in turn, would drive up the cost of small barge operations.

Typical Costs

With nearly all terminals in Western Alaska, the tank farm also stores locally used community fuels in addition to serving as a regional fuel hub. The costs associated with those needs are discussed in a later section entitled "Variation in Retail Markups in Western Alaska". The costs described here are in addition to those normal local operating costs:

1. The barge fleet runs 24 hours a day and is also subject to tides and weather. So when a fuel delivery is scheduled outside a normal work day, a tank farm employee must come to work to accept the fuel. A linehaul offload can take as long as 24 hours and requires multiple people/shifts to work the shore-side end of the delivery. These incremental costs are in the range of $0.04-$0.06 per gallon.
2. In several cases in Western Alaska, a distribution company owning the terminal must pay the city, which owns the dock, a per gallon fee. This fee is usually in the range of $0.02-$0.04 per gallon.
3. When only one fuel distribution company owns a terminal at a location, it is common for that the owner company to make space available to other distribution companies. This terminal fee, which is in addition to the fee described in number two above, typically ranges from $0.07 - $0.15 per gallon.

Small Lighterage Delivery

Process Description

The most difficult and challenging part of the delivery process is getting the fuel from a linehaul or terminal to the specific community. The smaller tugs and barges that carry fuel from linehaul barges or terminals to the delivery point are sometimes referred to as "lighterage" equipment. A typical coastal set carries about 275,000 gallons fully loaded. A barge contains many separate compartments, in order to haul several types of fuel at the same time. All risk of a fuel spill is borne by the fuel distribution company until the fuel passes through the customer's header pipe upon delivery. The time it takes to get to each community varies not only by distance from the terminal but also by a host of other operational challenges. These challenges are discussed in detail in the June 2008 "Components of Fuel Costs" report (available at www.iser.uaa.alaska.edu).

Typical Costs

The cost structure for the fuel distribution lighterage fleet is complex. The first factor to consider is capital cost. A new set (tug and barge) for coastal operations costs about $6 million. That set could deliver between 2.5 million to 3.5 million gallons over 120 to 135 days, depending where it is put into service.

A costal set of equipment would have direct operating costs of about $750,000 per year. Those costs are largely made up of labor, running fuel, insurance, and regulatory compliance. In this estimate, fuel makes up $100,000 of annual operating costs (approximately 40,000 gallons of fuel at $2.50 per gallon). An increase in the price of barge fuel of one dollar results in an operating cost increase of about 5%, or $40,000. Labor is a large portion of these costs—about 40% or $300,000—and has grown significantly in the last five years. Industry rates for labor from deck hands to captains range from $225 to $550 per day, respectively. The tax and benefits burden rate is a minimum of 45% on top of the daily pay rates. These wage rates reflect the premium for the high skills required to operate in these challenging delivery environments.

Another challenge faced by the fuel distribution company is that these costs are largely fixed.[18] In order to break even, the set of equipment must be fully utilized. A coastal tug and barge combo can handle a maximum of approximately three million gallons in a shipping season. Table 1 shows a simple cost structure of operating a fully utilized coastal tug and barge set for one year. It assumes a 10% return on capital investment.

Table 1. Annual Barge Costs

Capital Costs	$	600,000
Operating Costs	$	750,000
Total Costs	**$**	**1,350,000**
Gallons Delivered		3,000,000
Cost per Gallon	**$**	**0.45**

Delivering three million gallons of fuel with one tug and barge set would be considered excellent utilization and can only be accomplished if the equipment is making shorter trips close to a terminal. More often than not, a set will work in several different areas over a season. Rather than charge everyone the same price, rate tables are developed based on actual experience and average delivery times.

The final landed wholesale prices charged in communities vary significantly because distances and travel times vary significantly between terminals and different communities. These wholesale price variations reflect delivery cost variations. Delivering fuel to more remote communities requires a longer trip, resulting in the barge being unable to deliver its potential maximum of three million gallons per season. There are other loading conditions that can prevent a barge from maximum capacity (e.g., it must carry running fuel for the tug). The example given in Table 2 assumes the 275,000 gallon barge is delivering 250,000 gallons to communities that require a 15-day round trip per delivery.

[18] Analysis conducted at YFC showed small boat operations had a fixed costs of 70% and variable cost of 30%,

Table 2. Barge Cost per Trip

Annual Barge Cost	$	1,350,000
Operating Days		135
Daily Cost	$	10,000
Trip Length (days)		15
Cost per Trip	$	150,000
Gallons per Trip		250,000
Cost per Gallon	**$**	**0.60**

The example in Table 2 is for a coastal tug and barge set operating in a more efficient area of the market. Areas such as the Yukon and Upper Kuskokwim rivers have operating seasons that are about 30 days shorter due to a longer ice season, and barges often deliver less than two million gallons per year—a 50% reduction from easier to serve coastal areas. Extremely difficult deliveries in rivers around Kotzebue Sound, the rivers of Bristol Bay, or communities such as Huslia require very time-consuming deliveries with very low volumes. As seen in Table 3, those changes drive the cost up to $0.77 per gallon for the tug and barge set.

Table 3. Alternative Barge Cost per Trip

Annual Barge Cost	$	1,350,000
Operating Days		105
Daily Cost	$	12,857
Trip Length (days)		15
Cost per Trip	$	192,857
Gallons per Trip		250,000
Cost per Gallon	**$**	**0.77**

Some rivers have an additional price variable because barges commonly carry deck freight. Freight has a higher delivery charge per ton than a ton of fuel,[19] but requires that other equipment, such as forklifts, be on board, slowing down the trip. Given the lower margins on fuel, it is likely that deck freight subsidizes fuel margins in some markets during years with large freight projects.

Based on the best information available, the estimated range of costs for Western Alaska small barge deliveries is $0.40-$0.80 per gallon for most locations.

Other Costs of Delivery

There are a host of other costs outside of the direct costs of transportation. These include working capital and administration. These costs contribute significantly to the costs of delivering fuel, but it can be difficult to attribute some of these costs to specific gallons of fuel delivered. As a result, they are often spread over all of the gallons delivered. These other costs are discussed briefly below.

Working Capital

While fuel distributors are in possession of fuel, it ties up large amounts of cash that could be invested elsewhere. This opportunity cost of cash is calculated as the working capital cost of transporting fuel, and it increases as the length of time increases between the time the refinery

[19] A ton of fuel is about 294 gallons.

is paid for the fuel and when the final customer pays for the delivered fuel. The fuel distribution company gets relatively short payment terms from the refinery, which adds to the distributor's costs. The potential impact of these short terms can be illustrated in an example, which assumes a term of 15 days.[20] The fuel takes about 10 days to get from the refinery to a terminal, and it could be another 30 days before it gets to the customer. So the delivery process takes as much as 40 days for Western Alaska. Add to the delivery process an invoice collection time to the customer of 30 days,[21] and the amount of time the fuel distribution company must cover the costs for the fuel purchases increases to 55 days (10+30+30=55). Assuming a fuel cost of $2.20 and an interest rate of 8%, this working capital cost is $0.026 per gallon.[22]

Administration

There are many administrative functions that are critical to the fuel delivery process, including spill response preparedness, safety, sales, dispatch and collections. These costs are spread over all the gallons in the system and are estimated at $0.05-$0.10 per gallon.

Safety and Environmental

The fuel delivery business is highly regulated by many government agencies. Keeping up-to-date on changes and reporting takes several full-time employees. OPA 90 requires that all fuel distributors have spill clean-up plans in place. In Western Alaska, the non-profit organization Chadux provides spill preparedness, response, and training services. All fuel distributors in the region are Chadux members.

Sales

The sales solicitation process starts in the winter. Distributors contact known customers to see if they will be using the supplier for the year. Usually several contacts are made before the distributor secures a confirmed order. The sales department stays in contact with the customer as the delivery date gets closer. Orders change frequently. The sales department also works with the larger customers who request bids. This is a time-consuming process that requires several full-time employees.

Dispatch

Coordinating linehaul barges meeting the small boats and keeping all the equipment working (critical to being able to make a profit) is a difficult task. This also takes several well-trained employees.

Collections

A large number of customers pay their fuel bills with government assistance such as bulk fuel loans or revenue sharing. Helping customers through the process and getting payment is another difficult process.

Marine Delivery Cost Build

Fuel distribution companies charge for delivering fuel to local community tank farms. The customer is quoted a single price that reflects the costs to deliver fuel. The customer's final

[20] Each refinery has a different policy and it has varied over the last 10 years.
[21] Some customers are on COD basis while others have terms.
[22] $2.20 x 8% divided by 365 days x 55 days

delivered price combines the distributor's transportation charge with the price the distributor paid for the fuel at the refinery. The reported price of fuel at the refinery is usually pegged to a major index such as OPIS or Platts.

Table 4 pulls estimates from previous examples to construct the distribution cost structure for a hypothetical community. If LA Platts Jet fuel was $2.00 per gallon when the distributor purchased it, then the wholesale price would be $2.98 per gallon. This does not include any applicable taxes.

Table 4. Distribution Cost Structure Example (per gallon)

Purchase differential	$	0.06
Linehaul	$	0.19
Terminal use	$	0.03
Small barge operations	$	0.60
Working capital	$	0.03
Administration	$	0.07
Total Distribution Cost	**$**	**0.98**

This cost structure depends on the location. The fuel distribution company can make small adjustments to this structure to reflect the costs of the customer's order. Use caution in assuming this is the general cost of each site—because Alaska is a very large place with extreme variations in cost structure.

Variation in Delivered Prices

The variations in the price that distributors charge for delivered fuel to different communities cannot always be explained by the barging costs alone. The price may vary between two communities because of the timing of when the distributor lifted the fuel at the refinery, or other factors that change the transportation charge directly.

The community/retailer has no influence on world crude oil prices or the market for refined fuel. However, for every $10 per barrel crude oil price change there is an approximately $0.24/gallon price change in refined product. The oil market has been extremely volatile over the last few years. Communities that receive fuel even a few weeks apart could have a cost difference of $0.50/gallon. Some communities try to time the market to purchase fuel when they think the prices will be the lowest. These efforts are largely unsuccessful and do not help with fuel costs over time. What communities could do to control the impact of volatile refinery lift prices, caused by volatile crude oil prices, is use financial instruments to hedge against price increases. The use of these instruments is discussed in the sections on Ice-Free Coastal Alaska and Policy Options. However, this is a sophisticated strategy out of the realm of the technical capabilities of most Alaska communities.

The transportation charge is the component of the delivered fuel price that the fuel distributor charges to transport fuel for the community. In Western Alaska, it is generally negotiated from fuel contract to fuel contract and reflects the fuel distributor's costs and risks of delivering fuel to each customer. Two villages that may be close together on the map may have very different delivery challenges. Missing header or pipelines and docking issues are not uncommon. This

could represent a $0.10-0.15 per gallon difference in the price the fuel distribution company charges a community.

There are usually multiple fuel purchases in each community. The electric utility, the fuel retailer, the school district, and the government buildings may all purchase fuel directly from the fuel distributor and the fuel distributor may charge each entity a different price. The price differences are generally based on the quantity ordered and whether the order was placed far enough in advance to coordinate the least expensive delivery. A multitude of other characteristics of customers can be expected to influence the sales price, such as whether customers pays their bills promptly or whether they can be depended on to meet the delivery barge—however, fuel distributors claim to not charge premiums for these things.

Most retail fuel buyers must have the cash on hand to purchase fuel during the shipping season when the fuel distributor's barge is in the area. If a community does not have enough money or is late applying for a loan, it may not have the cash to pay for the fuel when the barge arrives. In these cases, the distributor must do a special barge trip later in the year to deliver fuel, which forces the transportation costs to be spread over fewer gallons and thus increasing the cost of fuel. In an even worse scenario, if a community is unable to purchase fuel during the barge-shipping season, it is forced to fly in fuel after the rivers freeze. The cost of flying fuel is much higher than the cost of barge delivery. A similar scenario occurs if a community buys an inadequate supply of fuel for the winter season because it didn't have sufficient funds during the barge delivery season. The community is then forced to fly in fuel before spring breakup.

Cost to Retail Fuel in Western Alaska

Once the fuel reaches the tank farm by barge, it is stored until purchased by the end customer. In order to make it through the winter, tank farms need eight to nine months of fuel in storage. Having such large storage requirements is expensive both in terms of the capital costs for the tanks and the working capital for the fuel inside the tanks.

Fuel distribution companies own terminal tank farms in hub Western Alaska communities.[23] Crowley is the only fuel distribution company with small local tank farms off the road system; it has eight of these sites. The rest of the 150 small tank farms in Western Alaska are owned by local entities, usually the city or local tribal entity.[24] Since there is no common ownership, tank farms—even ones in close proximity—are operated differently. Each community usually has several tanks farms. The electrical generation provider has tanks for its own needs, the school districts have their own tanks, and finally, there is a tank farm for retail sales.

The pricing of fuel begins with the price charged by the fuel distribution company. When new fuel arrives, prices are adjusted. For the fuel distribution companies that own tank farms, the new price is most often based on the weighted average of the previous fuel in the tanks and the incoming product. This leads to very different pricing in each community, due to varying amounts of last year's fuel remaining in the tanks. After adjusting the fuel price for existing

[23] The exceptions are in Nome where Bonanza Fuel owns one of two terminals and in Dillingham where Alliance Fuel owns one of two terminals.
[24] Assuming about 50 villages with three tank farms in each village.

fuel on hand, tank farm costs must be added to the price. For the most sophisticated sellers, a target margin is added on to the cost-build of the tanks to determine the final price of fuel.

Fixed Capital Costs

The condition of tanks in many locations is poor and often out of compliance with state and federal environmental regulations, although that situation is improving with Denali Commission assistance and increased regulatory enforcement. In 1998, the Denali Commission was formed to help bring up the standards of these tank farms. The purpose of the program is to replace environmentally unsound storage tanks that were not properly maintained because repair and replacement (R&R) funds were either not collected or saved to replace the tanks. Since 1999, the commission has competed projects in about 100 locations of the 175 statewide identified as in need of repair or replacement.[25]

While the Denali Commission requires a community to draft an approved business plan outlining the R&R and O&M collection and expects the community to follow the business plan, there are no provisions to ensure that occurs. It is unclear how many communities collect R&R and O&M funds. A community that does not maintain its tanks or set aside revenue for future R&R will have lower fuel costs than a community that does. This is true of all communities, not just those receiving a Denali Commission tank farm.

Tank farms in each community were built at different times, and the farms are different sizes, which makes comparisons difficult. Using Denali Commission cost estimates,[26] a 350,000-gallon tank farm costs between $2.6 million and $2.9 million to build. A responsibly designed tank farm would have at least a ten-month storage capacity.[27] This means a 350,000-gallon tank farm could have sales of 420,000 gallons per year. Assuming a 10% return on capital, the owner would need to add $0.61 per gallon to the price to cover the cost of the tank.[28] Larger tank farms have a clear advantage, since the construction cost per gallon decreases and there are more gallons over which to spread the costs.

As mentioned previously, not factoring in the cost of capital and resulting underinvestment (and under pricing) of the capital value of the storage tanks was a contributing factor to the widespread problem of tank farms that were out of compliance. Larger companies and the fuel distribution companies are held to a higher standard for environmental compliance and fund these investments privately, resulting in higher prices.

Working Capital Costs

A tank farm owner must have eight to ten months of fuel on hand in the fall. In the springtime the inventory on hand is small and then starts to work its way back up. This results in an average inventory level of about half the tank's capacity. So in this example that would result in an additional $0.10 per gallon needing to be added to the price.[29]

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[25] https://www.denali.gov/dcpdb/index.cfm?fuseAction=IndicatorDisplay.ShowBulkFuelProgress

[26] Denali Commission. Final Denali Commission Project Costs Containment Assessment Projects in Various Alaska Villages. April 2002.

[27] The Denali Commission uses even a higher number of 13 months storage capacity.

[28] $2.6M x 10% divided by 420,000 gallons

[29] 350K gallons of storage is 175,000 of average inventory. Assuming the price of $2.98/gallon used in the marine example that is $521,000 of average working capital investment. If the borrowing cost were 8% that is $42,000 in interest each year. Spreading the interest costs over all 420,000 gallons results in a $10/gallon cost.

Operation Costs

Tank farm costs are similar in nature to marine delivery costs in that labor, insurance, and regulatory compliance make up a large part. They are also very fixed in nature. For smaller tank farms in the 200,000 to 800,000 gallons per year size range, we estimate annual operating costs of $350,000 to $400,000. Given that these costs are fixed, this significantly favors the larger tank farms that only need to add $0.50/gallon to cover expenses. In contrast, the 200,000-gallon facility would need to add $2.00/gallon to cover these operating costs. It should also be noted that when a facility exceeds 420,000 gallons in capacity, it falls under increased state environmental regulations, which also affects the cost structure. Assuming operating costs of $350,000, if a tank farm sells 420,000 gallons, the cost increases $0.83 per gallon.

Summary for Costs

$2.98 Fuel purchased from the fuel distribution company
$0.61 Tank farm capital cost
$0.10 Working Capital
$0.83 Tank farm operations
$4.52 per gallon before tax

Again, note that this summary is for example purposes only. Because capital and operating costs are fixed, small changes in a community's annual volume can significantly change the cost structure.

Other community costs include facility compliance training for operators in proper spill management and other safety training. This training is expensive and time-consuming. Different communities tend to have different levels of training and compliance.

Some communities have tank farms that are open long hours every day, while others might be open only a few hours a day or not every day. Some locations include charges for trucking home heating fuel in the price, while others add it separately or do not have a delivery option. Service differences could account for up to $0.30/gallon variations in prices.

In some communities, the city or local tribal entity may own the tank farm and prices are set as part of a "larger financial picture." One community may charge high prices to fund community services, while another may charge very low prices and fund the difference from other city revenue.[30] Since these operations may be co-mingled with other services, determining the margin from fuel sales may be difficult. What is known, however, is that each spring most communities do not have much money with which to buy new fuel supplies.

Variation in Retail Markups in Western Alaska

It appears the majority of the fuel price variability—after accounting for the effects of volatile world crude oil prices—is the result of local fuel retailer practices. The reasons for the price

[30] The Alaska Energy Authority training manual for operating community tank farms states that: "The use of business funds to subsidize other operations (such as street maintenance, fire and police) is OK only if all of the fuel business's costs, including long-term repair and renewal, also are being included in the price." page 2.

variability are as diverse as the communities themselves. For every community, there appears to be a different set of circumstances that influence the retail price of fuel. These factors are also constantly changing within and across communities.

Cost of Debt

A significant portion of many communities retail fuel price is debt costs. When a community does not collect sufficient revenue from fuel sales to cover its costs and to purchase fuel the following year, it must use a loan to finance the next fuel purchase. Fuel distributors used to allow a community to purchase fuel on credit, but this practice has been largely abandoned or scaled back due to the increasing risk of default resulting from higher prices. Fuel distributors have reported that their credit collection costs increase with the price of fuel, but they charge no credit risk premium to communities that have struggled paying off credit the in past. Instead, the extra cost of this risk is spread across communities.

Also, the state and federal governments have taken on more of this financial risk through fuel loan programs. The Alaska Energy Authority manages the state Bulk Fuel Revolving Loan Fund and program. The purpose of the Bulk Fuel Revolving Loan Fund is to assist small rural communities, utilities, or fuel retailers to purchase emergency, semi-annual or annual bulk fuel supplies. Each community is allowed a maximum loan of $750,000. The first year the interest rate on the fuel loan is zero; the second year it is 5%; and the third year it is an average municipal bond rate. Some communities complain that the loan application process is cumbersome, and that the time to receive the loan puts the community at risk of not securing funds in time to pay fuel bills. Applying for the loan also increases the retailer's administrative costs.

The Bulk Fuel Bridge Loan program is a state program administered under contract by Rural Alaska Fuel Services (RAFS). RAFS is a not-for-profit organization that was initially capitalized by the Denali Commission to provide operation and maintenance training in communities receiving bulk fuel tank farms financed by the commission. The commission provided the first two years of operating funding and capitalization for RAFS. RAFS offers its fuel sales operation management and training as a part of the bulk fuel bridge loan program.

The Bulk Fuel Bridge Loan program targets distressed communities that do not qualify for an AEA bulk fuel loan. These communities do not have enough cash to purchase the fuel for the upcoming season and are not sufficiently credit worthy to qualify for the AEA Bulk Fuel Revolving Loan Program. RAFS pays the distributor for the community's fuel and then works with the community to develop a plan to repay the loan, as well as any existing debt, so the community can qualify for a Bulk Fuel Revolving Loan Fund loan in the future—or better yet, price fuel accurately to collect sufficient revenue to pay for future fuel deliveries without loans.

The RAFS bridge loan has no interest charges. It is mandated that RAFS provide training and guidance on retail operating and price setting to ensure that the community is able to pay back the loan and purchase fuel in the future. In order to receive this training from RAFS, a community must first fail to collect enough revenue from fuel sales enough times to become ineligible for an AEA loan. By the time that happens, the community may be deep in debt and must significantly raise the price of its fuel to pay it off. There is also a reverse incentive in this

loan system, because the only way fuel retailers can obtain the training and zero-interest financing they need to address their problems is by first letting the problems get worse.

Accurately Pricing Fuel

Pricing fuel properly requires a significant amount of accounting sophistication, to price it in a manner that recovers all costs while also generating a reasonable return or profit. Rural fuel retail bookkeeping is a complicated task, and many communities struggle to retain qualified employees. Interviews with rural fuel experts indicate that many communities struggle to price fuel properly. Some common problems are listed here.

Problems with fuel inventory

It can be difficult matching the recorded inventory of fuel written in the books with the actual amount fuel in the tanks. It is vital for local owners to know how much fuel remains when they're ordering fuel for the next year. If the existing inventory is not known, the community risks not ordering enough or ordering too much fuel the following shipping season.

Getting expenses right

All expenses associated with retailing fuel must be accounted for so they can be included in the price of fuel. This allows for accurate cost recovery when fuel is sold. Expenses commonly include tank farm O&M, tank farm R&R, administration and operating costs (including salaries for employees), and insurance.

Pricing

The price of fuel should include all costs associated with storing and retailing fuel, as well as generate enough revenue to purchase fuel the next shipping season. This means that current fuel prices should be raised if the price is expected to be higher next year. Fuel retailers often have difficulty accounting for all associated costs and properly distributing them over the number of gallons of fuel sold.

Accounting for revenue

Simply collecting enough revenue to purchase fuel the following year is not the only task facing retailers; they must also ensure that the collected revenue is retained and identified for purchasing the next fuel shipment. Inadequate accounting can result in the funds being spent during the course of the year. This is the case when fuel and other revenues are held in the same account and that account is used to purchase inventory for the grocery store or for other community purchases and services.

Fuel-price training is vital for the success of rural fuel retailers and is provided by two relatively autonomous providers: The Denali Commission bulk fuel farm upgrade program and Rural Alaska Fuel Services. The fuel purchasing cooperative Northstar Gas also provides less formal guidance.

Retail fuel price training is provided in connection with bulk fuel farms constructed by the Denali Commission. The commission historically funded this training through the State of Alaska's Department of Labor and Workforce Development (DLWD). The Alaska Energy Authority applies for this training money, hires a contractor to teach the course, and facilitates the training course. This training course was not offered last year due to lack of state financing,

and its future is in doubt. The DLWD fund can only be used if the training creates new jobs, as opposed to retaining jobs. Since the fuel training program cannot prove that it creates new jobs, it is not eligible for the DLWD funds. Interviews with trainers indicate that the training program is successful if there is both follow up and continual training, as there is a high turnover rate for fuel retail operator positions.

The goal of RAFS operation management and training is to get the community fuel retailer in a financial standing that allows it to purchase each year's fuel with cash. Communities in need of a RAFS fuel loan generally either have not been charging enough for the fuel— preventing them from building necessary cash reserves for future orders—or failing to save the money they do collect on fuel sales for future fuel purchases.

ICE-FREE COASTAL ALASKA FUEL MARKET

The fuel markets of the Ice-Free Coastal Alaska (IFCA) region have a very different logistic and price structure than the fuel markets in Western and Arctic Alaska and fuel markets on the Alaska road system. The IFCA region includes Southeast Alaska, Prince William Sound, the Kodiak area, the Alaska Peninsula and the Aleutian Islands. The major characteristics of fuel markets in the IFCA region are:

1. Ice-free ports allow for year-round delivery, reducing communities' storage requirements.
2. Fuel distributors are more likely to operate retail stores than they are in Western Alaska and more likely to face less competition than on the Alaska road system.
3. If fuel the fuel distributor sells to an independent retailer, the sale is less likely to be sold under a contract with a predetermined pricing formula, which is typical in Western Alaska.

Fuel in IFCA is typically less expensive than fuel in Western Alaska but more expensive than fuel on the Alaska road system. The costs of transporting, storing, and retailing fuel in the ICFA are also all less than costs of similar activities in Western Alaska but higher than on the Alaska road system.

Vertically integrated fuel markets eliminate clear transaction points along the supply chain that reveal the cost of each segment to move fuel from the refinery to the end user. Further, many ICFA community sub-markets only have one distributor. A sole distributor in a market is a price setter, and this price does not necessarily reflect the cost of distributing fuel. This erodes the relationship between distributors' selling prices and their costs.

The price of fuel sold under contract, as in Western Alaska, is determined by a formula, accounting for the refinery lift price and the cost of transporting fuel to the community. As a result, Western Alaska landed wholesale fuel prices fluctuate with refinery gate and world oil prices.[31] No formula exists for most fuel sales in the IFCA region, as most fuel is not sold under contract. The lack of a fuel contract does not in itself increase fuel prices, but it does significantly reduce the transparency of fuel distributors' costs.

The Western Alaska section of this report benefited from contributions of experts from the fuel distribution industry in that market. No similar expert on the IFCA fuel distribution industry contributed to this section on the IFCA market. Current industry employees and agents supplied generous amounts of information on the structure of ICFA fuel markets. But information on the level we were able to get for Western Alaska fuel markets is generally considered a trade secret or proprietary information. Despite the lack of specific and detailed information on fuel cost components in the IFCA region, the following description of the structure of the IFCA fuel market provides insight into why fuel prices in IFCA are what they are.

[31] For more information on refinery and world crude oil markets and prices see, Wilson, Meghan, Ben Saylor, Nick Szymoniak, Steve Colt and Ginny Fay, 2008, *Components of Delivered Fuel Prices in Alaska*, prepared for Alaska Energy Authority, Institute of Social and Economic Research, University of Alaska Anchorage, June.

Fuel Supply

Within the IFCA region, each fuel distributor and subregion has different supply chains. These supply chains are also relatively fluid, as they change depending on the location of the community, price differences of many refineries, and the current location of the fuel barge fleet. The supply chain for a typical IFCA community is:

1. Fuel is purchased from the refinery and shipped via a linehaul tanker or barge. Fuel for Southeast Alaska typically comes from the south, while communities in the area from Prince William Sound to the Aleutian Islands also receive fuel from Alaska refineries and foreign refineries in Asia.
2. Fuel is off loaded into a regional terminal tank farm or "fuel hub."
3. Fuel is loaded from the fuel hub tank farm into smaller barges that go to each community to deliver fuel to the local tank farm.
4. Local tank farms sell fuel to individual customers either at a retail station at the tank farm or by truck distribution.

In Southeast Alaska most fuel is imported from refineries in California, Washington, and British Columbia. Most of the fuel Petro Marine sells in Southeast Alaska south of Juneau is distributed out of Ketchikan, its regional fuel hub. Table 5 shows the amount of gasoline and distillate fuel oil (diesel and heating fuel) that is barged into and out of major Southeast Alaska ports. The U.S. Army Corp of Engineers data does not include information on all Southeast ports. It is also reported that Skagway received eleven million gallons of naptha. Petro Marine operates a fuel farm in Skagway, and it is likely that this fuel was transported inland to serve Petro Marine's Yukon Territory fuel brand North 60°.

Table 5. 2007 Fuel Shipments to Southeast Alaska ports (thousands of gallons)[32,33]

	Distallate Fuel Oil			Gasoline		
	Reciepts	Shipments	Net	Reciepts	Shipments	Net
Craig	1,391	-	1,391	2,149	-	2,149
Elfin Cove	57	-	57	49	-	49
Hoonah	1,657	622	1,035	849	314	535
Juneau	16,483	2,758	13,724	20,327	1,679	18,648
Kake	211	-	211	240	-	240
Ketchikan	20,576	18,714	1,862	20,804	12,022	8,782
Metlakatla	296	-	296	293	-	293
Pelican	76	-	76	62	-	62
Petersburg	4,068	-	4,068	2,031	65	1,966
Sitka	3,385	-	3,385	4,142	3	4,139
Skagway	591	-	591	1,610	0	1,609
Wrangell	946	-	946	811	1	810

Analysis of the Corp of Engineers' Waterborne Statistics suggests that in 2007, 36 million gallons of gasoline and 34 million gallons of distillate fuel oil were imported into Alaska through Revillagigedo Channel. The data also suggests that eight million gallons of gasoline and six million gallons of distillate fuel oil were shipped into Southeast Alaska through Icy Strait from Alaska refineries from the north.

[32] U.S. Army Corp of Engineers. Waterborne Commerce of the United States. Available at: http://www.iwr.usace.army.mil/ndc/index.htm

[33] ISER Calculations

Much of the fuel for the ICFA west of Southeast Alaska is distributed from the ports of Anchorage, Nikiski, and Valdez (Table 6). These three ports are primarily fuel exporters, but Anchorage and Nikiski also import significant amounts of fuel, especially gasoline. In this regard, Anchorage and Nikiski act as both fuel exporters and fuel hubs for the IFCA. Dutch Harbor is the only pure fuel hub in this subregion.

Table 6. 2007 Fuel Shipments to Southcentral and Western Alaska ice-free ports (thousands of gallons)[34,35]

	Gasoline			Distillate Fuel Oil		
	Receipts	Shipments	Net	Receipts	Shipments	Net
Anchorage	76,026	44,261	31,765	2,087	44,426	(42,339)
Atka	58	-	58	62	-	62
Cordova	1,658	-	1,658	2,738	-	2,738
Dillingham	5,437	1,426	4,012	1,798	123	1,675
Egegik	38	-	38	119	-	119
Homer	48,613	1,298	47,315	2,711	126	2,586
King Cove	297	2,195	(1,899)	2,394	802	1,591
Kodiak	8,484	-	8,484	13,702	-	13,702
Nikiski	33,382	60,641	(27,259)	14,009	300,056	(286,047)
Seldovia	188	-	188	230	-	230
Seward	-	-	-	-	-	-
Unalaska	6,608	4,860	1,748	61,676	14,270	47,406
Valdez	-	73,782	(73,782)	1,029	21,110	(20,082)
Whittier	-	-	-	38	-	38

Most IFCA communities receive fuel shipments throughout the year. Communities with large fuel markets generally receive at least one fuel shipment per week, while smaller communities may receive a fuel delivery every few months. This reduces the amount of fuel storage capacity required by a community. Frequent deliveries also reduce the retail cost of fuel, by spreading the fixed cost of storage over more gallons of fuel. In communities with just seasonal barge access—such as those in Western Alaska—the entire annual cost of storage must be spread over one or two deliveries of fuel.

The frequency of fuel deliveries in ICFA communities is limited by the cost of shipping fuel on barges. Economies of scale exist, making it cheaper to linehaul ship large amounts of fuel at a time. This means that when shipping fuel in barges or tankers, the shipping cost per gallon of fuel decreases as more gallons of fuel are delivered. Sailing a barge to a community from a refinery or storage hub costs about the same regardless of how full the barge. Filling the barge to capacity reduces the shipping costs, as the fixed costs are spread over more gallons of fuel. In addition, the cost per gallon to ship fuel decreases as the size of the barge or tanker increases. The result is that the cheapest way to transport fuel is by moving as much as possible at a time, resulting in larger, more infrequent deliveries.

[34] US Army Corp of Engineers. Waterborne Commerce of the United States. Available at: http://www.iwr.usace.army.mil/ndc/index.htm
[35] ISER Calculations

Shipping larger quantities at a time, however, must be balanced against storage costs. As a result, the optimal frequency of fuel deliveries finds a balance between shipping and storage costs. The logistic model most frequently employed in IFCA involves using large barges or tankers to transport fuel from the refinery to a fuel hub, where it is stored and transferred into smaller barges for deliveries throughout the region. The fuel is transported into the region as cheaply as possible and the amount of needed storage is minimized. Ketchikan is the fuel hub for Southeast Alaska, receiving fuel shipped from refineries in the Lower 48 and Canada. Dutch Harbor is the fuel hub for the Aleutian Island and Alaska Peninsula submarkets.

The fuel hub model is ideal for minimizing shipping and storage costs, but results in a lag between when fuel is lifted from the refineries to when it is sold to the final consumer. Rapidly changing world oil prices can drastically change the value of a distributor's inventory of fuel between the time it is lifted and the time it is retailed. Distributors must choose to price their fuel either to reflect the cost incurred to purchase the fuel or the cost to replace the fuel at current market prices. The lack of contract-based prices allows fuel distributors to price their inventory either way, at any time.

Distributors

Three companies distribute most of the fuel in the IFCA region, Harbor Enterprises (Petro Marine, Petro Express, and Shoreside Petroleum), Delta Western, and Petro Star. The only communities served by more than one of these fuel distributers are Dutch Harbor, Kodiak, Ketchikan and Juneau (Table7). In the other IFCA communities it appears all the fuel is supplied by only one fuel distributor. The only significant independent fuel retailers appear to be Anderes Oil in Ketchikan and Taku Oil in Juneau.

Table 7. Communities Served by Fuel Distributors[36,37,38,39]

	Petro Marine	Delta Western	Petro Star	Independent Source
Ketchikan	X			Anderes Oil
Petersburg	X			
Thorne Bay	X			
Kake	X			
Wrangell		X		
Sitka	X			
Juneau	X	X		Taku Oil
Craig	X			
Haines		X		
Skagway	X			
Yakutat		X		
Cordova	X			
Valdez			X	
Kodiak	X		X	
Dutch Harbor		X	X	

[36] Petro Marine Services, www.petromarineservices.com
[37] Delta Western, www.deltawestern.com
[38] Petro Star, www.petrostar.com
[39] Communication with regional fuel retailers

Petro Marine is the largest distributor of fuel in the IFCA. Petro Marine is a wholly-owned subsidiary of Harbor Enterprises, Incorporated of Seward, Alaska. Petro Marine distributes fuel throughout Southeast Alaska, Prince William Sound, the Kenai Peninsula, and Kodiak Island. Petro Marine distributes fuel to company-owned retail stores, independent retailers carrying the Petro Marine/Express brand, and independent fuel retailers using their own brand name. Harbor Enterprises previously distributed fuel in Dutch Harbor, but exited the market in the mid 1990s.

Petro Marine's fuel for Southeast Alaska is purchased from refineries in Washington, California, or British Columbia. The fuel is shipped into Alaska on linehaul barges capable of carrying 2.5 to 3.4 million gallons of fuel. These linehaul barges generally unload in Ketchikan, Juneau, and Skagway. Linehaul barges typically do not visit smaller communities. Instead, fuel from linehaul barges is stored in Ketchikan until a smaller barge can distribute the fuel to smaller communities throughout the Southeast. Such smaller barges have a capacity of one million gallons of fuel.

Petro Marine also purchases fuel from the Tesoro and Flint Hills refineries. This fuel is lifted either from the bulk fuel storage farm at the Port of Anchorage or directly from the Tesoro refinery in Nikiski. This fuel is used for all of Petro Marine's markets in Homer, Kodiak Island, and, at times, Southeast Alaska and the southern coast of the Alaska Peninsula. The Petro Marine barge servicing this area has a capacity of two million gallons. K-Sea Transportation operates all of Petro Marine's fuel barges though the smaller barges are owned by Petro Marine.

Delta Western has the largest distribution area of any distributor in Alaska. It distributes fuel from Wrangell in Southeast Alaska to Dutch Harbor in the Aleutians to Red Dog Mine in Northwest Alaska. Delta Western purchases most of its fuel from West Coast refineries, but will at times purchases fuel from Alaska refineries and refineries in Asia. Delta Western distributes fuel in Southeast Alaska with a 1.7 million gallon linehaul barge that transfers fuel directly from West Coast refineries to Southeast communities. Delta Western also transports fuel from West Coast refineries to Dutch Harbor and other markets in Western Alaska in linehaul barges. Its largest barge servicing this route is a 3.4 million gallon, double-hull barge. K-Sea Transportation also operates barges carrying fuel for Delta Western.

The third large distributor in the IFCA region is Petro Star. Petro Star, a subsidiary of Arctic Slope Regional Corporation, is a vertically integrated fuel company, owning refineries in North Pole and Valdez. Petro Star distributes fuel in Valdez, Kodiak, Dutch Harbor, and St. Paul. Petro Star does not own its own fleet of tankers and barges. Instead, it contracts with Crowley Marine Services to transport its fuel to markets.

Market Conditions

Every community in Southeast Alaska has fuel supplied by one of the three large distributors, and they appear to distribute most of the fuel in IFCA. The only significant exceptions appear to be Taku Oil in Juneau and Anderes Oil in Ketchikan. Most of the fuel in Southeast Alaska is either retailed by the fuel distributor itself or sold to an independent fuel retailer. The independent fuel retailers have little control over the price of fuel they purchase from the fuel

distributor, because most fuel is not sold under a contractually determined price. Independent retailers do not choose the source refineries, the brand of fuel purchased, whether it is purchased on contract from a refinery, or the way it is delivered to the community. As a result, the price the independent fuel retailer pays for fuel is determined entirely by the fuel distributor. The only component of the cost that is not determined by the fuel distributor is the retail markup.

But the fuel distributors know the amount of the retail markup of independent fuel retailers, because it is simply the price of the fuel they sold the retailer, subtracted from the retailer's posted price. Knowing the retailer's markup allows the distributor to essentially determine the retail price of an independent fuel retailer—by setting the wholesale price of the fuel sold to the retailer at exactly the known retail markup, less the desired final retail price. This would allow a fuel distributor to exert monopoly pricing power in a market where it is the only fuel distributor but not the only fuel retailer.

The retail fuel price is further influenced by the fuel distributors because often neither the independent fuel retailer nor the community has fuel-purchase contracts with the fuel distributor. As previously mentioned, these fuel-purchase contracts are common in Western Alaska. In Western Alaska the fuel purchaser and fuel distributor agree on a contract price, based on an index of refinery prices at the time fuel leaves the refinery, or the fuel is "lifted," plus a transportation premium. This premium is comprised of the cost of delivery, including return on capital investment plus a profit reflecting the risk of the operation. Fuel distributors bid for the contract based on their costs of transporting fuel.

In the IFCA region fuel, distributors do not sell their fuel on contracts that include a pricing formula. Instead, they usually have full freedom to set their price at their retail stores or in sales to other retailers. There is no legal commitment to sell their fuel at a predetermined price or with a predetermined transportation charge. In addition, it appears that in some community submarkets, especially in Southeast Alaska, there are only distributors selling at their own retail outlets and no one else competing to supply fuel at the wholesale or retail level. This creates a fuel distribution monopoly in those community submarkets. The exception to this is Juneau, which has two distributors as well as multiple independent retailers.

IFCA fuel markets facilitate natural monopolies because significant economies of scale exist and potential competitors face a high cost of entering the market. Economies of scale exist because many of the costs of distributing fuel, such as barges and storage tanks, are relatively fixed. The result is decreasing "per gallon" costs of distributing fuel as the amount of fuel that a company distributes increases. For example, one fuel distributor could import two million gallons of fuel on a linehaul tanker cheaper than two fuel distributors can import one million gallons each on smaller fuel barges. A single large, fuel distributor in a region is probably able to distribute fuel at a lower cost than multiple smaller distributors. This naturally leads to consolidation to the point where the entire IFCA market is only served by a small number of distributors, in this case three.

While consolidating fuel distributors may lower *costs* of fuel, it does not necessarily lower *prices* paid by the consumers. Instead, a sole fuel distributor would be capable of exercising its market power and charging a price higher than would be expected in a competitive market.

Without access to proprietary information, it is unclear whether fuel distributors in the IFCA region generate a larger than expected return on investment (profit) or charge monopolistic prices. The structure of fuel markets in the IFCA allows for fuel distributors to price fuel higher than they could in a competitive market. However, a recent investigation by the State of Alaska Attorney General's Office suggests that fuel distributors in the ICFA region are not exercising their market power and pricing fuel significantly higher than would be expected in a competitive market.

IFCA fuel markets with only one distributor may also be exposed to a higher risk of fuel price shocks. In a competitive market, a fuel distributor wants to avoid purchasing fuel at the peak of a short-term fuel price increase. If it did, and a competitor was able to purchase fuel at a lower price, the distributor would have to reduce its fuel selling price below its purchase price to maintain market share. In a market with only one fuel distributor, the distributor's prices do not need to reflect the cost of bringing new fuel into the market, allowing it to pass on the full cost of the fuel purchased.

Fuel distributors in competitive markets must compete for market share with other distributors who may have purchased fuel on a different day at a lower price and must lower their prices to match their competitors. They avoid the financial losses associated with finding themselves with a higher priced fuel inventory in two ways: 1) contracts with refineries and 2) financial tools. An unintended effect of fuel distributors' protecting themselves with these tools is a more stable price for consumers.

Most of the gasoline in the U.S. is sold under contract. The contract between the distributor and the refinery generally guarantees that the distributor has access to a certain quantity of fuel at a predetermined price. The contract price is determined by either a fixed rate or a formula that relates it to spot or futures markets. Contracted fuel prices are slightly more expensive then spot prices under normal market conditions, but most distributors in competitive markets pay this premium and utilize them to insulate themselves from price and supply shocks.

It appears (the actual fuel purchasing procedure is proprietary) that the fuel distributors in the IFCA region purchase fuel on spot markets and do not utilize fuel contracts. Petro Star is the exception, as it is a vertically integrated company, owning the refining, distribution, and retail components. When a supply shock occurs and a spot market price spike ensues, the refinery price also spikes. The distributors are rarely in significant danger of losing market share or of not being able to move their high priced inventory, because they operate in many non-competitive community submarkets. Their customers do not have the option to purchase fuel from a company purchasing lower-priced contract fuel. In this situation, the end user and not the fuel distributor carries the price rise risk burden.

Another method of insulating a fuel distributor from price spikes is participation in financial markets buying and selling futures and options contracts. Futures and options markets are

structurally different but both can be utilized to hedge against price spikes or drops. Most commonly they are used to protect fuel distributors from the risk of the price of fuel dropping after a large purchase of inventory. In this case, the fuel distributor may have to sell the fuel for less than it was purchased for in order to compete with other sellers. The loss incurred on the sale of the physical product can be made up for by profits made by hedging in the financial markets, by "betting" that the price of fuel will decrease.

Fuel intensive industries generally use financial markets in order to hedge against the increased business costs associated with price increases. A common example is an airline company that bets in the financial market that fuel prices will increase. If prices do in fact increase, then the airline will lose money by flying people with higher priced fuel but will still have earnings in financial markets that offset the operational losses. Alternatively, if prices decrease, they will lose money in the financial market but the losses will be offset by higher revenues resulting from flying people with less expensive fuel. Without financial markets, the airline will make more money when prices go down but risk losing money when prices increase. Financial instruments can ensure more steady revenues. Though financial markets are primarily used by fuel intensive industries, they can also be used by a small fuel distributor to protect against the financial risk of purchasing fuel on the spot market.

Using fuel purchase contracts and financial markets to protect against fuel price volatility generally comes at a significant transaction cost. This cost is generally accepted in most markets as a premium paid to ensure supply and price stability. Using fuel contracts and financial markets in Alaska would create an additional cost to be passed on to the consumer in the final price of fuel. The result would be reduced price shocks and risks that prices may increase substantially, but at the cost of prices that are generally slightly higher. The net difference between what customers pay for fuel in a less competitive market in which they shoulder the risk of price shocks and what they would pay in a more competitive market with financial hedging and options is uncertain.

Fuel Pricing

Fuel distributors in IFCA typically sell fuel in either their own retail stations or to independent retailers without a contract determined pricing formula. This leaves the fuel distributors a large degree of freedom to set prices. Researchers were unable to obtain the proprietary pricing policies of ICFA fuel distributors, but analysis of existing data provides some clues into how prices are structured.

The Fisheries Economic Data Program has collected monthly marine diesel prices from over a dozen IFCA communities since 1999. An analysis of this data provides an indication as to how fuel is priced in IFCA. A comparison with the State of Alaska Community Fuel Price Survey indicates that the price of marine diesel fuel and heating fuel in a community is highly correlated in this region (see Figures 4-7). Marine diesel and home heating fuel are typically the same fuel sold to different users. The relationship between their prices are not exact but are sufficiently correlated to allow marine diesel to act as a proxy.

Figure 4. Price Comparison of Heating Fuel and Marine Diesel: Kodiak[40,41]

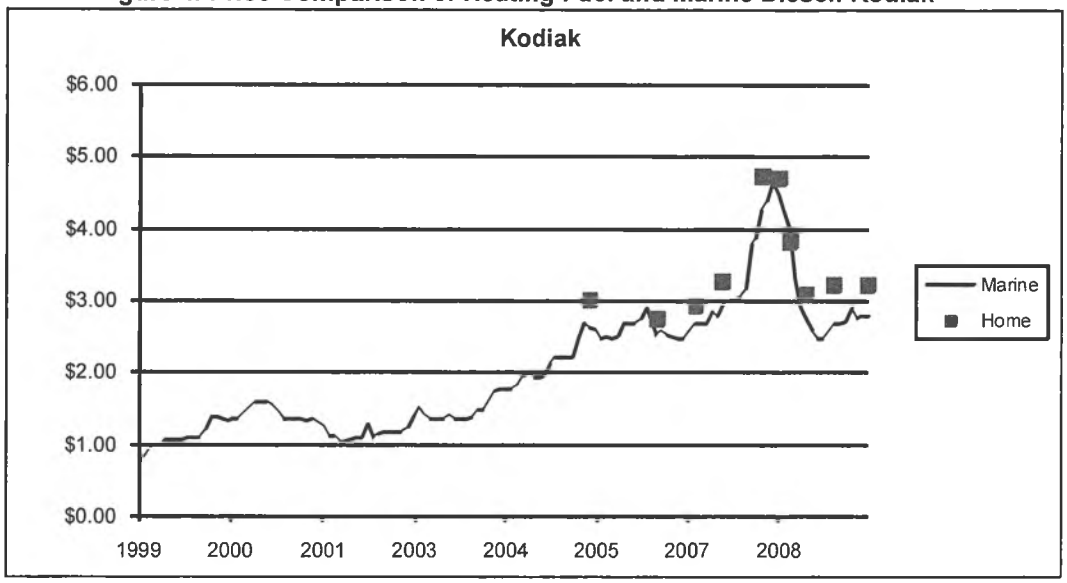
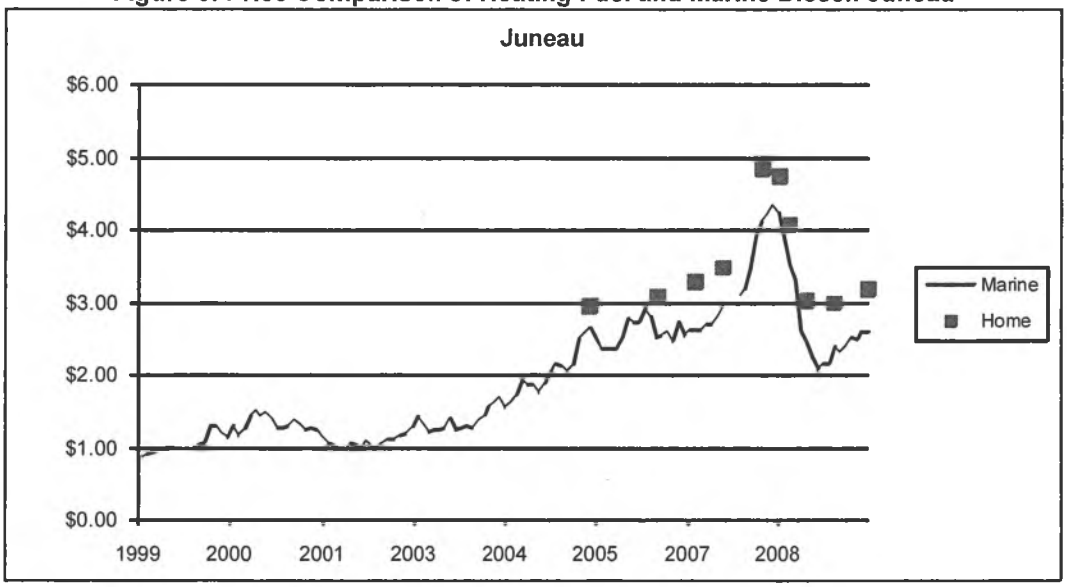


Figure 5. Price Comparison of Heating Fuel and Marine Diesel: Juneau



[40] Fisheries Economic Data Program, Monthly Marine Fuel Prices. Available at: http://www.psmfc.org/efin/data/fuel.html
[41] State of Alaska, Division of Community and Regional Affairs. *Current Community Conditions: Fuel Prices Across Alaska. January 2010 Update.* Available at: http://www.commerce.state.ak.us/dca/pub/Fuel_Report_Jan_2010_final.pdf

Figure 6. Price Comparison of Heating Fuel and Marine Diesel: Dutch Harbor

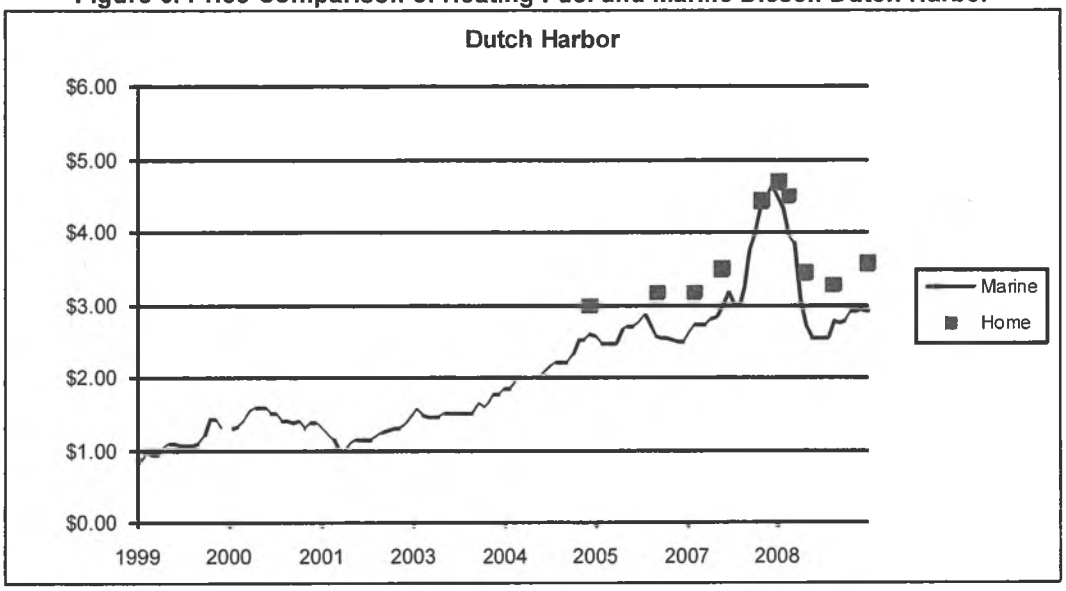
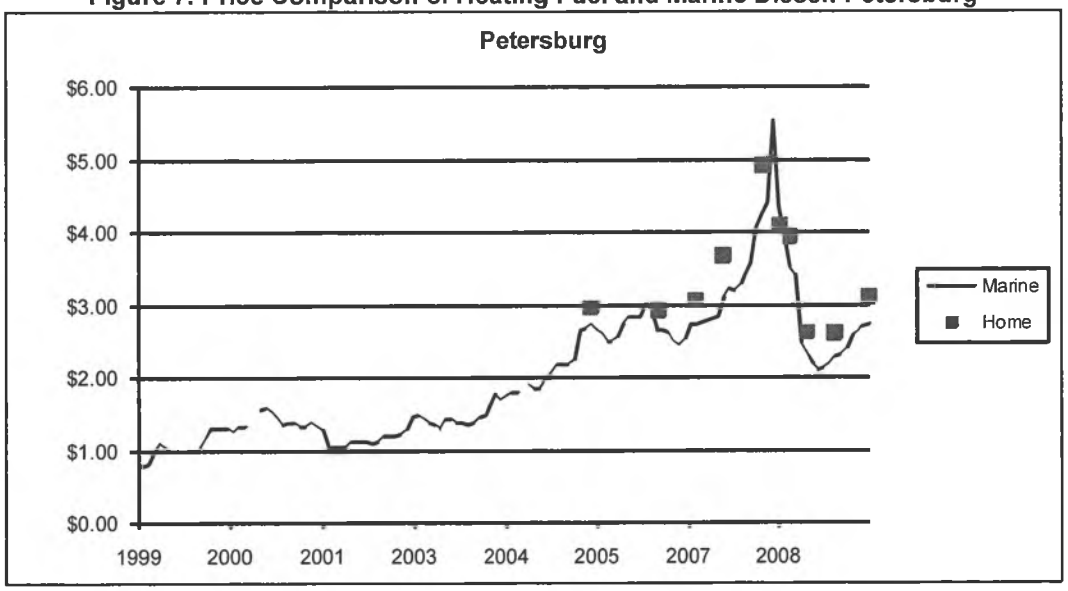


Figure 7. Price Comparison of Heating Fuel and Marine Diesel: Petersburg

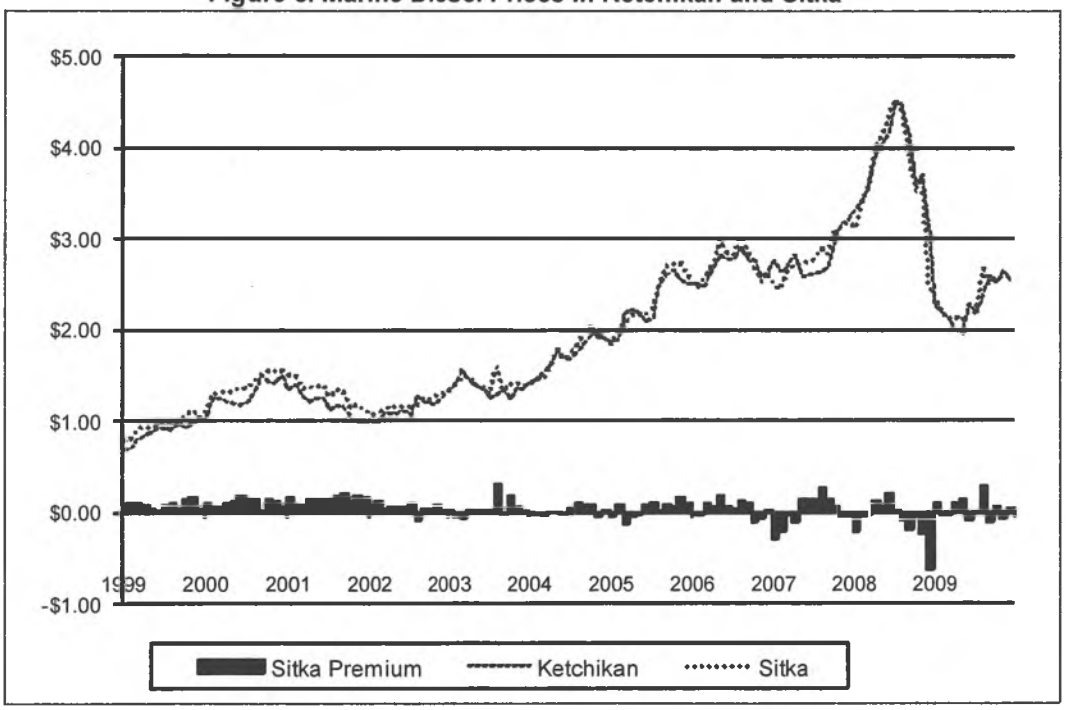


In Southeast Alaska it appears that the retail price of fuel is not solely based on the cost of supplying fuel to a community. It is unclear exactly how prices are determined, but a comparison of marine diesel costs for Sitka and Ketchikan reveal that these two markets tend to have similarly priced fuel (Figure 8). If fuel prices were based on costs, we would expect Sitka to have consistently higher fuel prices, as these two fuel community submarkets appear to have clearly different cost structures. All of Sitka's fuel is first transported to Ketchikan by linehaul barges and stored in Ketchikan fuel tanks until a smaller fuel barge transfers it to

Sitka. The cost of fuel in Sitka includes all the costs of getting fuel to Ketchikan, plus the additional barge costs and storage costs in Sitka.

Before 2005, fuel prices were more stable and Sitka appeared to be paying an average of $0.08 more per gallon. This is the price difference that would reasonably be expected if prices were based primarily on the cost of distribution. Since 2005, the price differential between Sitka and Ketchikan decreased to an average of $0.01 per gallon, although no major change in cost structure is apparent.

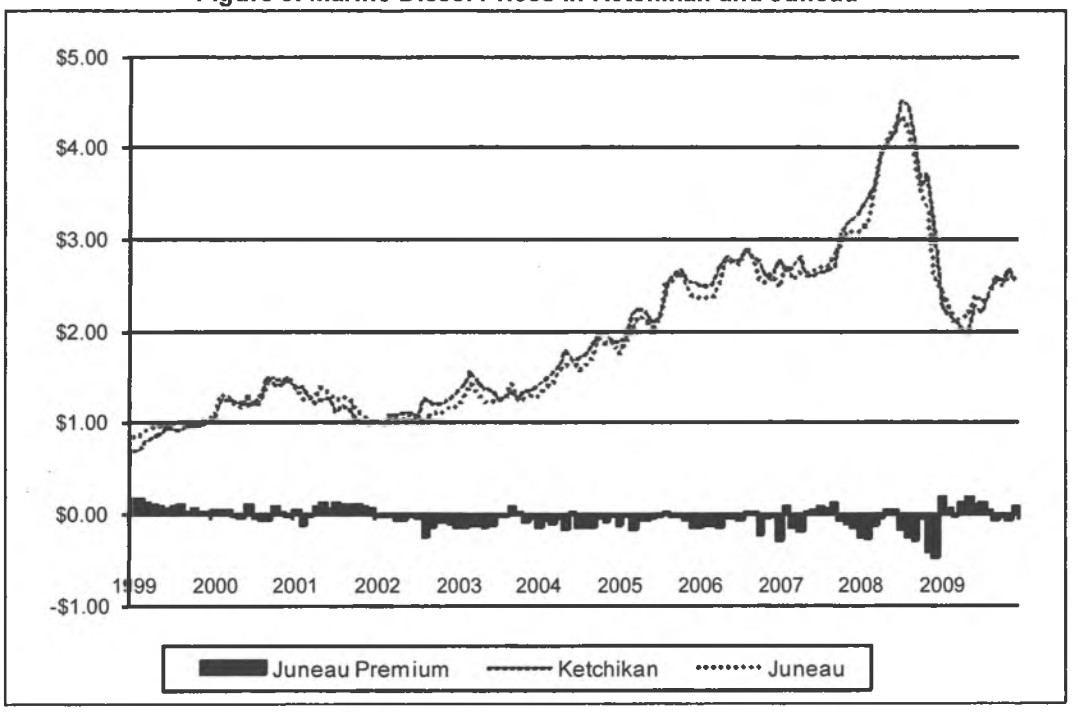
Figure 8. Marine Diesel Prices in Ketchikan and Sitka[42]



The relationship between the fuel price in Juneau and Ketchikan followed a similar pattern. Prior to 2005, fuel prices were an average of $0.02 less per gallon in Juneau. After 2005, fuel prices were an average of $0.06 cents cheaper per gallon in Juneau (Figure 9). Again, no known changes in the costs of distributing fuel are apparent, suggesting that fuel prices in Southeast Alaska are somewhat independent of costs.

[42] Fisheries Economic Data Program, Monthly Marine Fuel Prices. Available at: http://www.psmfc.org/efin/data/fuel.html

Figure 9. Marine Diesel Prices in Ketchikan and Juneau[43]



This analysis suggests that prices are not established only on the basis of community specific costs. This could be the result of two pricing strategies by fuel distributors. First, fuel distributors are setting prices based on what individual community submarkets can bear, regardless of the actual costs to distribute fuel to that submarket. Second, fuel distributors may not be allocating the costs of distributing fuel in the region to specific community submarkets. As a result, prices in different community submarkets may reflect more the total costs of distributing fuel in the region than they do the specific costs of distributing fuel to that specific community. Fuel prices are most likely based on a combination of both strategies. In addition, the fact that individual community submarket prices may not be based solely on direct costs does not necessarily mean that distributors are earning exceptionally high margins and profits. The cost of analysis to calculate purely cost-based retail prices is likely high and not a "necessary" cost of doing business in a less than competitive market.

Further analysis of the marine diesel price data suggests that changes in the price of fuel in Southeast Alaska significantly lag behind changes in the price of fuel at the refinery. Price lags are common in all fuel markets, but the magnitude of this lag suggests that fuel prices are based on the cost the distributor paid when they purchased the fuel at the refinery, not the cost to replace the fuel at current market prices. This means that the fuel distributors are not taking on any fuel price risks. If they were, pricing at "replacement costs," or the current cost of fuel on the world market, they would be at risk of prices dropping between the time they purchase the fuel and the time they sell it, resulting in them selling the fuel for less than they paid for it. By basing the final price of fuel on the initial cost to procure it from the refineries, the

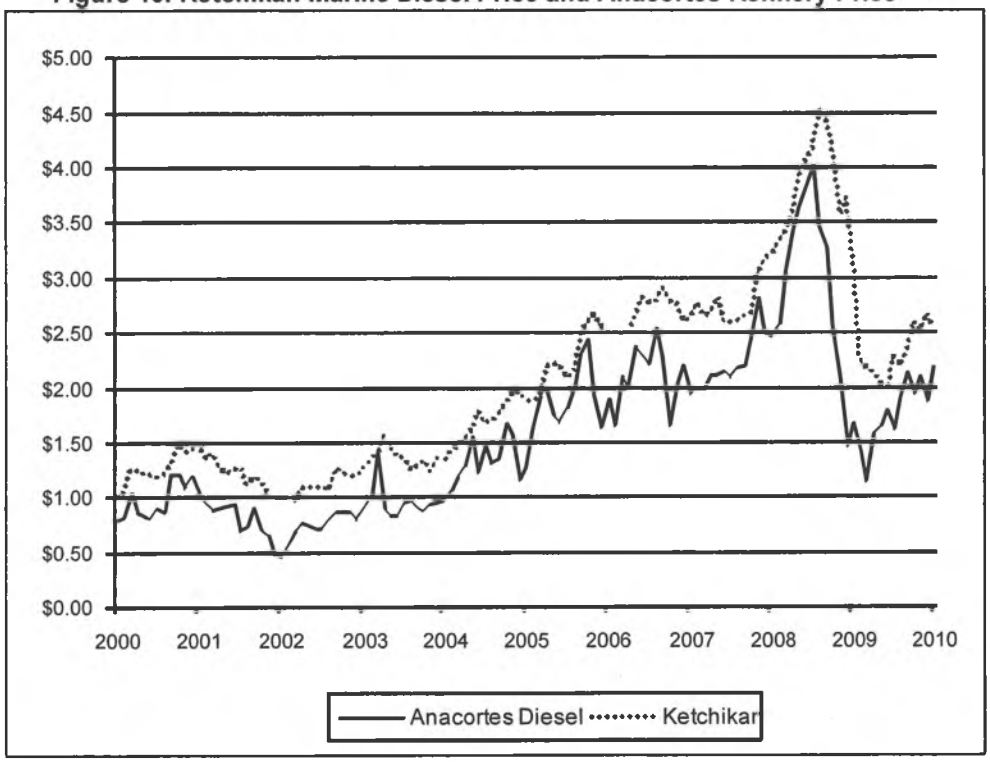
[43] Fisheries Economic Data Program, Monthly Marine Fuel Prices. Available at: http://www.psmfc.org/efin/data/fuel.html

distributors avoid exposing themselves to any financial risk if the price changes. Again, this is a "luxury" usually only available in less than fully competitive markets.

The long supply chain of fuel markets in the ICFA region can mean that the lag between changes in the world market price for fuel are not reflected in ICFA fuel prices for weeks or even months.

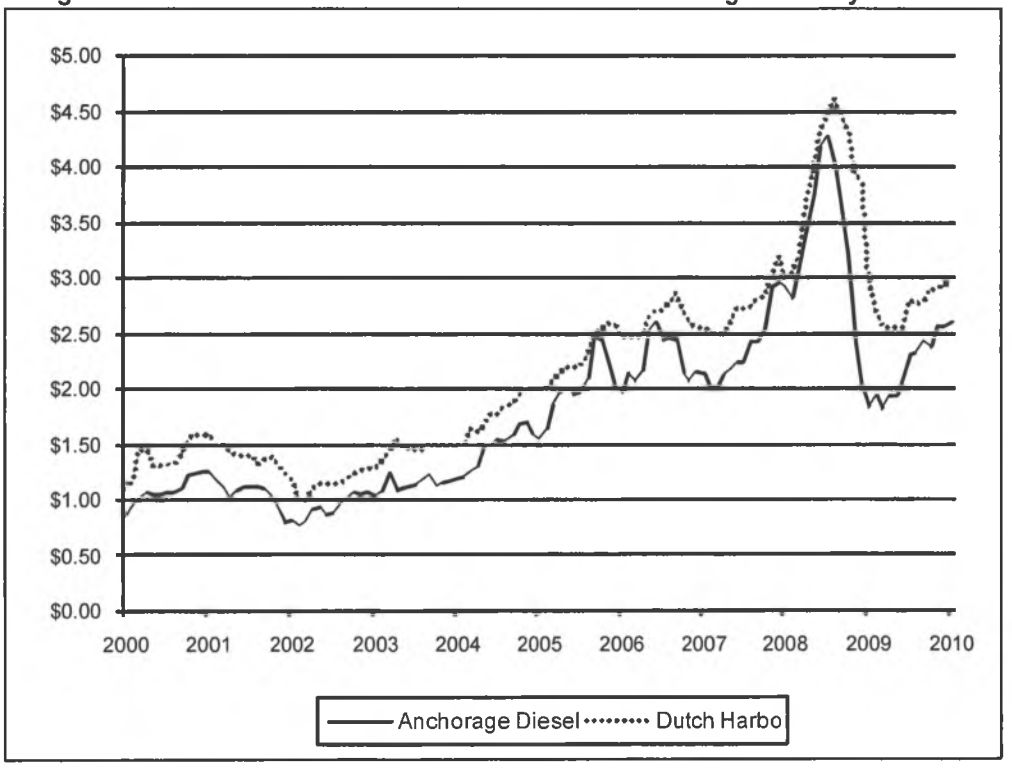
Figure 10 compares the price of Anacortes diesel and Ketchikan marine fuel. Figure 11 compares the price of Anchorage diesel and Kodiak marine fuel. A lag in the time it takes for changes in the refinery price to appear in the retail price is visually apparent. Anacortes diesel is the blended price of ultra-low sulfur diesel and regular diesel at the Anacortes refinery. Anchorage diesel is the price of regular diesel at the Anchorage rack at the Port of Anchorage.

Figure 10. Ketchikan Marine Diesel Price and Anacortes Refinery Price[44,45]



[44] OPIS Standard Rack Prices Weekly for Anacortes, monthly average price for all diesel price
[45] Fisheries Economic Data Program, Monthly Marine Fuel Prices. Available at: http://www.psmfc.org/efin/data/fuel.html

Figure 11. Dutch Harbor Marine Diesel Price and Anchorage Refinery Price[46,47]



The exact length of the price lag is not clear with the level of data available, but statistical analysis indicates that prices in Ketchikan and Dutch Harbor lagged behind Anacortes and Anchorage refineries, respectively, by about two months. A statistical analysis, which also includes Kodiak and Juneau, compared the correlation between refinery prices and retail prices of fuel lagged zero, one, two, three, and four months. For example, a one month lag would be February retail prices reflecting January refinery prices; a two month lag would be March retail prices reflecting January refinery prices. The results indicate that refinery prices are most correlated with retail prices with a one or two month lag (Table 8).

Table 8. Correlation between Rack Prices and Retail Prices with Lags

	Rack	No Lag	1 Month	2 Month	3 Month	4 Month
Dutch Harbor	Anchorage	0.958	0.979	0.980	0.966	0.939
Kodiak	Anchorage	0.964	0.984	0.981	0.962	0.932
Juneau	Anacortes	0.937	0.973	0.973	0.952	0.919
Ketchikan	Anacortes	0.929	0.965	0.974	0.961	0.928

The analysis of rack prices and retail prices also revealed that margins have increased over time. Figure 12 and Table 9 show the margin for each community and the closest rack prices with no lag. Figure 13 and Table 10 show the margins with a two month lag. Both approaches clearly illustrate that margins have increased over time, as well as the variance in the amount

[46] OPIS Standard Rack Prices Weekly for Anacortes, monthly average price for all diesel price
[47] Fisheries Economic Data Program, Monthly Marine Fuel Prices. Available at: http://www.psmfc.org/efin/data/fuel.html

of the margin. Both the increased margin and variance seem to correspond to increases in oil prices. It also appears that refinery rack prices decline more slowly than they increase.

Figure 12. Fuel Margins with No Time Lag

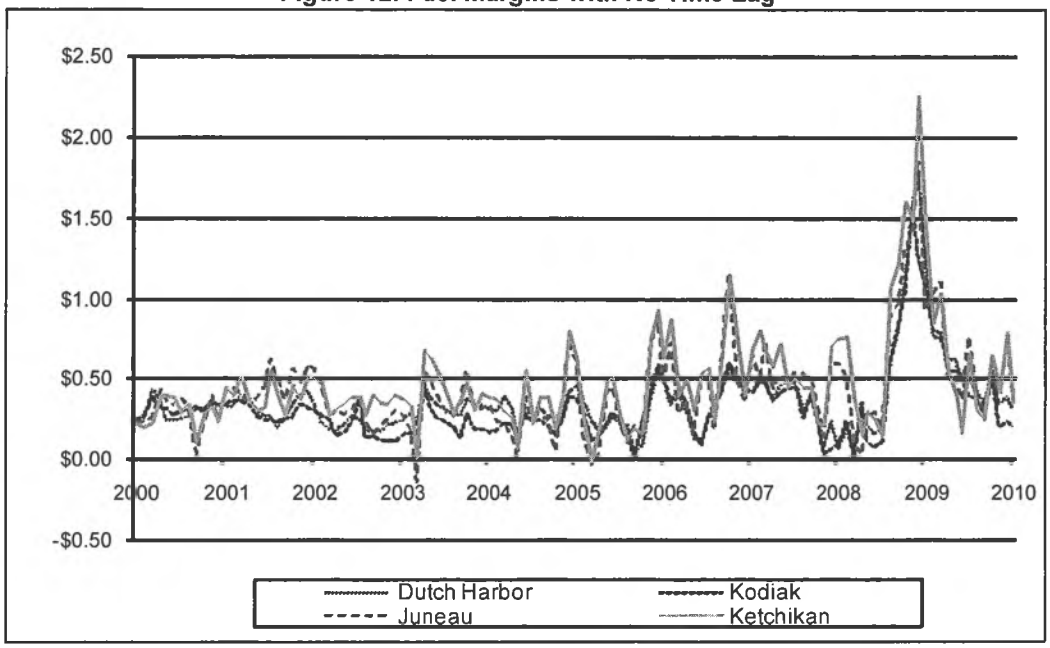


Figure 13. Fuel Margins with Two Month Time Lag

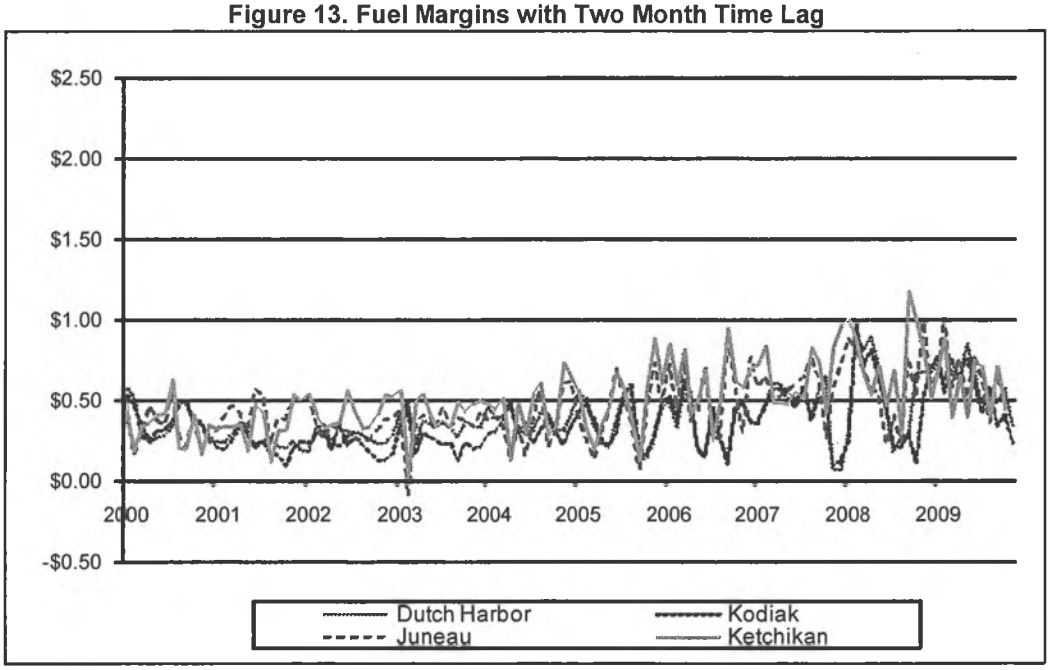


Table 9. Average Fuel Margin with No Time Lag

	2000 to 2004	2005 to 2010	2000 to 2010
Dutch Harbor	$0.29	$0.43	$0.36
Kodiak	$0.25	$0.40	$0.33
Juneau	$0.33	$0.53	$0.43
Ketchikan	$0.37	$0.59	$0.48

Table 10. Average Fuel Margins with Two Month Time Lag

	2000 to 2004	2005 to 2010	2000 to 2010
Dutch Harbor	$0.27	$0.46	$0.39
Kodiak	$0.27	$0.43	$0.35
Juneau	$0.35	$0.55	$0.45
Ketchikan	$0.39	$0.61	$0.50

It is unclear what caused the increased margin between refinery and retail prices. It may have been caused by an increase in the costs to transport and distribute fuel, or by an increase in profit margin. Some increase in the distribution costs is expected, as transporting fuel is a fuel intensive industry and the costs will increase with the cost of fuel. It is clear that some change in the structure of fuel prices has taken place in the last few years beyond an increase in the refined price of fuel. It may be that capital replacement lagged in the IFCA similar to the way it did in Western Alaska, and this necessary "catch up" is reflected in recent prices.

COMMUNITY FUEL SURVEY RESULTS

The major findings of the third round of community surveys are:

- Increases in fuel prices persisted from January 2009 to January 2010, despite the lower cost of crude oil during most of 2009.
- Fuel prices in rural Alaska vary significantly and are inconsistent across communities at the retail level.
- Some communities have much larger retail price markups than others.
- For some communities, delivery costs and retail markups are a large portion of the fuel price.
- Getting reliable local information on fuel sales and practices remains a challenge.
- Residents of surveyed communities are frustrated because they have limited options for coping with high prices.

From January 2009 (date of last update) to January 2010, crude oil prices decreased on average 37%. Refinery gate prices in Anchorage increased 13% for gasoline and decreased 7% for diesel for heating (DF#1). In Anacortes, refinery gate prices decreased 7% for gasoline and 54% for diesel for heating (Ultra Low Sulfur, DF#1). On average across the surveyed communities, retail prices for gasoline decreased 6% and diesel for heating decreased 13%. Nonetheless, only five of the surveyed communities paid lower prices for gasoline and diesel for heating (DF#1). But because the crude oil and refinery components of costs comprise a relatively small portion of final fuel prices (less than 50% in Western Alaska), these declines result in much smaller declines in retail prices, even if passed on fully to customers.

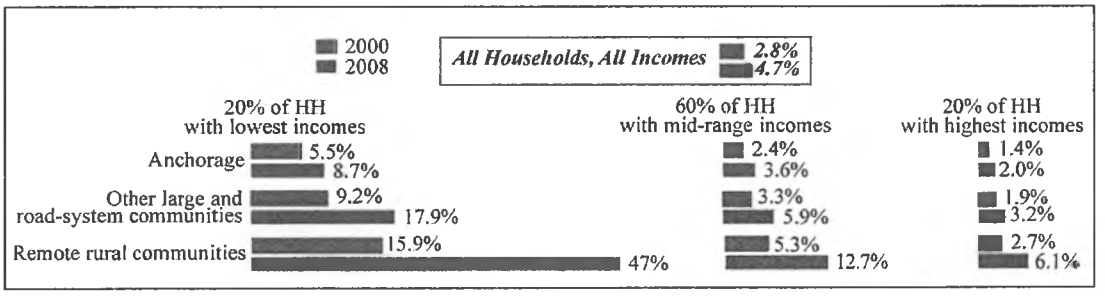
POLICY OPTIONS

The fuel delivery and storage processes in rural Alaska, and especially Western Alaska, are labor and capital intensive and have a very limited number of gallons over which to spread the costs. As a result, there are no easy solutions. This section identifies current programs and some additional policy options and their potential impacts. This discussion is by no means exhaustive.

Weatherization, Conservation and Energy Efficiency

From an individual household perspective, reducing fuel use provides immediate savings. From a regional and community perspective, some of the savings to an individual household would be offset by the need to spread the fixed costs of delivery and storage across fewer gallons. Purchasing smaller quantities of fuel is a protection against the impacts of volatile fuel prices on household budgets (Figure 14).[48] Continued state investment in programs such as weatherization, conservation, and energy efficiency can reduce the impact of high and uncertain fuel prices in both the short and long term.

Figure 14. Estimated median share of income Alaska households spend for home energy use, 2000 and 2008



State Bulk Fuel Loans

The state offers two bulk fuel loans programs. The Alaska Energy Authority administers a revolving bulk fuel loan, and the Division of Community and Regional Affairs, through a contract with Rural Alaska Fuel Services (RAFS), offers the Bulk Fuel Bridge Loan program. These programs have been effective in insuring that communities have access to the necessary cash to buy fuel. These programs offer loans with either no interest or a low, subsidized interest rate. If the fuel distribution companies or private banks were funding this credit, the interest costs would be higher and passed on in higher fuel prices per gallon. In addition, offering fuel on credit significantly increases the working capital requirements of fuel distributors, which would need to be recovered in fuel prices. By shouldering the financing risk, lowering fuel distributor working capital costs, and eliminating or lowering interest costs, these programs reduce fuel market transaction costs.

Consolidating the bulk fuel revolving loan and RAFS bulk fuel program would improve operational efficiency, which could free administrative costs to be shifted to loan capitalization. The Bulk Fuel Bridge Loan program appears to be both a more effective and

[48] Haley, Sharman, Ben Saylor, and Nick Szymoniak, 2008, *Estimated Household Costs for Home Energy Use*, May 2008, Web Note No. 1, Revised June 24, 2008.

efficient program. It is more effective because as a condition of receiving a state subsidized loan, the community/borrower receives fuel sales operations and management training, to help the community learn how to collect sufficient revenue to purchase fuel without a loan in the future. It appears to be more efficiently administered, through a contract with a not-for-profit organization.

As it currently structured, a community is not eligible for a RAFS loan until rejected for a Bulk Fuel Revolving Fund loan, and every year the community must reapply for loans. Originally, receiving a RAFS loan was a three-year process and RAFS worked with a community/borrower to be debt-free at the end of three years. The current loan system encourages chronic debt financing of fuel and provides no support or training to develop sound management and pricing of fuel sales. Coupling subsidized fuel loans with business and accounting training provides the tools for future self-sufficient fuel sales operations. These same business and accounting skills are valuable and transferable assets in rural Alaska.

However, if the programs are not consolidated, the process for applying for a loan could still be streamlined by moving to one shared application and by making a loan application good for a three-year period. Each interim year the community/borrower would complete a shortened version of the application. This would lower administrative costs and reduce the risk of loans not being approved in time to purchase fuel. But since this would make it easier to obtain loans each year, it might encourage habitual use of the AEA bulk fuel loan. This problem could be addressed by expanding the RAFS training program.

Municipal Assistance and Revenue Sharing and Energy Assistance

The dual problems of high energy costs and low incomes can distress communities and local organizations that provide public services (local governments, public utilities, and village corporations). The state can provide financial assistance to local governments to help address the financial burden and stress of high fuel costs. Municipal Assistance and Revenue Sharing and the Community Energy Assistance program can help local governments provide public services when high energy prices consume much of their budgets. State Revenue Sharing funds were vetoed for FY04; no additional appropriations were made to the program until FY 10, when three years of funding were appropriated. These years without Revenue Sharing coincide with years of rising and volatile fuel prices.

In addition to helping local governments fund public services and operations, revenue sharing may also help stabilize fuel prices. There is anecdotal evidence of local governments, tribal councils, or local village corporations selling fuel at higher mark up to raise revenues to provide other local public services. They may do this because they have a small tax bases or it is administratively easier to collect revenue on fuel sales than on other services (e.g., washeteria, water and sewer). Revenue sharing can provide communities with a stable revenue source, reducing the need to collect revenue by increasing fuel prices. By contrast, a community energy assistance program that allocates funds to communities based on their price of fuel would create an incentive for communities to increase prices.

Fuel Cooperatives

There have been fuel cooperatives in the market for more than 10 years.[49] Fuel cooperatives hope to reduce the price of fuel by increasing the market share of the fuel buyer and thus increase their leverage in negotiating rates. Fuel cooperatives have also been suggested to reduce administrative costs by allowing the fuel distributor to only do business with one entity instead of many. A fuel cooperative can also assist communities by providing business support to help ensure that each community has the cash on hand to purchase fuel each year. This could reduce the risk of needing special barge trips later in the year or extra financial costs associated with using loans to purchase fuel.

Despite the possible benefits of fuel cooperatives, in actual practice they have had mixed results, as they face significant challenges in rural fuel markets. Some of the challenges include: credit risk, cost shifting, and reduced competition.

Credit Risk

In the past, the fuel cooperative would purchase all the fuel for the group. If one member of the cooperative failed to pay the cooperative, this threatened to take the whole organization under. This was the case with Wave Fuels through much of the mid-2000s, until the model was changed. Starting then, the cooperative did not own the fuel and only provided marketing services.

Cost Shifting

The market is already highly concentrated among organized buying groups. Customers such as AVEC, North Star Gas, and various school districts make up the bulk of the gallons sold in the market. Given that the industry is not excessive in profit, any further consolidation of fuel buying would most likely yield no concessions from the fuel distribution companies. Without excess profits, any price concessions given to larger buying groups mean the fuel distribution companies must raise prices for another group of customers to maintain a reasonable margin for its operations as a whole. This cost shifting results in a zero sum gain for the market as a whole. In general, it is the smaller, less sophisticated segments of the market that tend to lose out with cost shifting. This is already occurring to some extent, with larger buyers generally paying lower prices. But increased consolidation would likely exacerbate the situation.

Reduced Competition

If a new or larger fuel cooperative was created and purchased all its fuel from only one distributor, the likely effect is that since only Crowley has the necessary equipment to service the whole group, the only bid would come from Crowley. While this may seem counterintuitive, the end result is to decrease competition because it removes from the market smaller volumes that smaller operators and/or new operators could service. This realization resulted in the market actually going in the other direction. AVEC, the largest fuel purchaser for small communities, allowed its volume to split in the last bidding cycle to allow a new market entrant, Ruby Marine, a chance to bid in the market area it services.[50] Northstar Gas also attempts to purchase fuel from multiple distributors, though the only market not served entirely by Crowley is Bethel. In Bethel Northstar Gas purchases its fuel from Delta Western.

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[49] Wave Fuels reorganized as North Star Gas.

[50] Ruby Marine was the successful bidder.

Infrastructure Improvements

Opportunities exist for lowering the cost of fuel by making investments in infrastructure projects that the private sector or local governments would otherwise not make. These projects are expensive, but further investigation may reveal the costs are outweighed by the associated social benefits.

Community Connections

Investment in roads and power lines connecting communities may present the most important potential option for reducing energy costs (indeed, all costs) in rural Alaska and in promoting the development of economic activity in rural communities. For example, if two communities are connected by a road, then only one bulk fuel farm and one barge delivery is required. The associated fixed costs are shared by both communities and spread over more gallons of fuel. A truck can transport fuel from one community to the other as needed. Additionally, a power line connecting the two communities would reduce the need for multiple power plants. The remaining power plant will have a larger and potentially more stable load, allowing it to operate at higher efficiencies. Renewable energy systems could be scaled to potentially be more economically viable.

A research project could assess the capital and operational costs of road and transmission expansion between communities. This should focus on community clusters, as opposed to connection to the road system as an initial opportunity. This would mitigate local opposition, since connections will be limited, but still allow for economies of scale and reductions in other capital investments that will offset the cost of roads and wires. The cost of constructing roads and power lines in rural Alaska is high but the benefits would surely expand beyond lower fuel and energy costs. While not all communities would welcome these connections, there are likely a sufficient number that would welcome the opportunity to test this sustainability model.

Denali Commission Tank Farms

In over 100 communities with previously inadequate fuel storage capabilities, the Denali Commission has constructed new fuel storage capacity. These new storage facilities are environmentally sound, reducing the risk of environmental costs associated with a spill. The increased storage capability also reduces the amount of expensive fuel that needs to be flown in due to inadequate storage. However, in order for the new Denali Commission tank farms to be sustainable into the future, some entity needs to ensure that business plans associated with each new tank farm are followed. Otherwise two things can happen: 1) The tank farm falls out of compliance or minimum safety standards due to lack of maintenance. 2) Prices become unfairly competitive to surrounding villages. This does not represent a true competitive advantage, but instead, neglect.

Marine Facilities

The state could invest in improvements that would lower the cost of delivering fuel, such as consolidated and safe marine headers in each community or a terminal that could take large international fuel tankers. The Denali Commission recently partnered with the U.S. Army Corp

of Engineers to investigate potential improvements to barge landings in the Alaska.[51] Improvements to barge landings could reduce the environmental risk of delivering fuel, reduce fuel costs by shortening the time it takes to deliver fuel, and increase competition by making it easier to deliver fuel for newcomers into the market. Before improving barge landings for the sake of fuel costs, a cost analysis should be performed as the cost of fuel may increase if the cost of the projects is greater than their savings. However, it may be difficult to value the environmental benefits of reduced spill risk.

By improving and consolidating marine headers the state could reduce the cost of delivering fuel to small communities served by barges. Currently, in some communities each fuel entity has a separate marine header. This requires that for the barge to deliver to each entity it must pull up to a separate area of the beach. In communities where deliveries are constrained by tides this can add significantly to delivery times.

Further, the state could reduce marine transportation costs by investing in improved maritime support. Any actions to reduce risk or decrease delivery times in the transportation industry could result in lower transportation differentials. Currently Alaska lags behind the rest of the U.S. in ocean and river charting, aids to navigation (e.g., lights, buoys, channel markers), and dredging of critical channels that constrict draft and related efficiency. The lack of these critical maritime tools adds costs and risks to carriers.

Fuel Price Risk Management

In recent years the price of petroleum and its refined products has become increasingly more volatile. Volatile prices create financial risk for participants in the fuel market. In rural Alaska fuel markets, it appears that the entire fuel price risk falls on the final consumer.

Fuel distributors in rural Alaska bear none of the financial risk, as they are able to pass on the entire price of the refined products. When fuel is purchased on contract, as it generally is in Western Alaska, the contract stipulates that the price the distributors sells to the community is based on the price of the refined product at the time it was purchased plus a transportation differential. If the price of fuel increases or decreases while during transport, it does not impact the fuel distributor's sales price. In ICFA, where fuel is less likely to be purchased under a contract determined pricing formula, communities still bear the full risk of volatile fuel prices, as the distributor has no competition and is able to pass on the full purchase cost of the fuel, even if world market prices have fallen since the fuel was lifted at the refinery.

By bearing the full risk of fuel price volatility, rural communities do not necessarily pay higher prices. They do not, however, pay stable prices. When a community in Western Alaska enters into a fuel contract in early spring, the fuel distributor provides a quote for the expected delivered price of fuel. If prices are higher at the time the distributor purchases fuel from the refinery, the community will have more expensive fuel than expected. When a community does not know how much its fuel will cost, it is difficult to financially plan for the year, especially when fuel prices constitute such a large portion of household income. IFCA communities have the same exposure to price risk, but the risk is less because frequent

[51] Denali Commission, Barge Landing Report Executive Summary. http://denali.gov/index.php?option=com_docman&task=doc_download&gid=283&Itemid=101

deliveries mean that the next shipment results in another round of prices. Unlike Western Alaska communities, IFCA communities are not locked in at one price for an entire year.

A state sponsored fuel price hedging service would not reduce the price of fuel a community pays, but it would create certainty about the price of fuel a community would pay. A state sponsored financial institute could purchase financial instruments in the spring when communities are putting fuel contracts to bid. These instruments, such as the purchase of a futures contract to buy fuel at a future date at specific prices, could be used to ensure that communities know how much fuel will cost when it arrives during the summer. If a community participates in the financial program it may be locked into fuel either more or less expensive than it would be otherwise. On average, fuel would actually be slightly more expensive as purchasing futures contracts would involve a small premium. The benefit would be that the community would know exactly how much cash it needs to have on hand when the barge arrives and its residents would know exactly how much their heating bill and electricity would be the following year. Everyone would know how much they have to save, and whether they will have enough money to make other investments or purchases (e.g., a new outboard or a trip to Anchorage).

A similar policy option would be to require more transparency on the fuel invoices that communities pay when they purchase fuel from distributors under contract. Currently, distributors disclose the cost of the refined product at the refinery but, unless asked, do not supply the lift date of the fuel. There is also no clear chain of custody that ensures that the fuel purchased by the community was actually lifted on the day the distributor claims. It is not expected that the fuel distributors are unfairly reporting the refinery lift price of the fuel they sell, but this research could not find evidence of accounting practices that could prove that they were not. The state could implement standards that would require increased accounting transparency for fuel purchased under contract. This would have little impact on prices unless fuel distributors are inaccurately reporting refinery prices and lift dates.

Community Assistance

Direct Subsidization

Direct subsidies can take three forms: a price subsidy, baseline subsidy, and income subsidy. Each type of subsidy tends to have different impacts on market efficiencies, benefactor well being and perceived benefactor well being. While it appears there is little the state can do to actually reduce the cost of fuel in rural communities the state has the option to offer energy relief with subsidies and has done so in the past.

Price Subsidy

The Power Cost Equalization program is an example of a price subsidy. It reduces the price of electricity for residences and community facilities in communities with high electricity costs. Consumers use more of a commodity with price subsidies than when paying the full cost. The PCE program caps the amount of electricity a residential customer can use at 500 kWh per month in an effort to reduce overuse.

The price of fuel is already indirectly subsidized in rural communities. The Denali Commission tank farms, and AEA and RAFS fuel loans and training programs, all indirectly reduce the cost

of fuel by offering services and capital to fuel retailers below actual costs. The state could use a subsidy to directly reduce the cost of fuel in rural communities in any number of ways. The state could create a maximum price cap for fuel and pay the difference between actual cost and the desired price, or it could simply reduce the price of every gallon by a certain amount for all communities. Either method would distort market price signals; economic theory suggests people would purchase more fuel than economically efficient. A price cap would cause more price distortion than a fixed price reduction, as communities with the highest cost fuel would have no incentive to purchase less fuel than communities with cheaper fuel.

A price subsidy tends to be appealing to the affected communities (and their political leaders) because their residents no longer feel the "sting" of price signals. When people do not pay a price for fuel that is representative of the high cost of supplying it, they are not likely to complain about fuel prices, though the underlying problems of high costs and low incomes go unaddressed. A price subsidy is akin to treating the symptom instead of the disease.

Baseline Subsidy

A baseline subsidy, for lack of a better term, refers to the type of subsidy where a certain quantity of good necessary to basic survival is given free to households. The aim is to give the household a sufficient "survival" supply of the good. The Venezuelan state-owned oil company CITGO heating fuel program that gave 100 gallons of heating fuel to each household in rural Alaska in past winters is a good example of a baseline subsidy.

The state could duplicate this type of subsidy and purchase a number of gallons of heating fuel for each household in rural Alaska. Customers could purchase fuel and the retailer could simply bill the state for a set number of gallons for each customer. This would not likely result in significant over-use of fuel, as households would have to pay full price for all additional fuel. This type of subsidy would ensure that every household has a critical minimum amount of heating fuel, regardless of the household's income or the price of fuel.

Large amounts of fuel purchased by the state government would reduce incentives for local retailers and distributors to keep fuel prices low. Communities might actually have an incentive to increase the price of fuel, if the state were paying for a large share of it. If the retailer artificially increases the price per gallon by one dollar, then every gallon purchased by the state brings in one new dollar to the local economy. Anecdotal evidence exists that some communities may have increased the price of fuel in anticipation of CITGO purchasing fuel for residents. This increases the cost of the program for CITGO, but the increased costs results in increased new money in the community.

Income Subsidy

An income subsidy provides cash for households to purchase fuel. The federally funded Low Income Heating Assistance Program (LIHEAP) is an example of an income subsidy. The program provides a direct income transfer to low income households to assist with their heating costs. Beginning in the spring of 2008 the State of Alaska began to financially supplement and expand LIHEAP with the legislatively created Alaska Heating Assistance Program. The $1,200 "energy rebate" included in the 2008 Alaska Permanent Fund Dividend check is another example of an income subsidy. Though this was not tied to income and may have offset higher energy prices, it freed up income for "quality of life" purchases (such as

airline tickets to Hawaii) that some income groups might otherwise have needed for energy costs.

Economists generally prefer income subsidies over price subsidies, as they preserve price signals. That means households receiving the subsidy still have incentive to conserve heating fuel and purchase an economically efficient amount. Every dollar of assistance they do not spend on heating fuel, they are free to spend on something else, so they weight the value of additional heating fuel against the value of another good.

An income subsidy equal to a price or baseline subsidy increases the benefactors' sense of well-being the most, as they are still free to spend the money in the manner they feel is best. The price signal still stings when they purchase fuel, so while they are better off, they still feel that high fuel prices are a problem. An income subsidy only makes a person more able to pay for fuel. It does not ease the impact of spending $6.50 per gallon for fuel when they used to only pay $2.25, for example. Income subsidies are the most efficient way to solve the economic problem associated with high fuel costs and low incomes, but they are ineffective at alleviating the associated social and political pressure associated with high prices.

Regulation

As a result of the utility-like nature of fuel deliveries, there has been talk of price regulation for many years. Assuming the regulations were based on some approved rate of return on assets, there are a number of issues to be considered.

1. Competitive Forces Reduction. When prices are regulated there is less incentive for competitors to try to win market share. In fact, regulation over the last ten years would have likely cost consumers $90 million.[52]
2. Burden of Regulation. The entrance of Ruby Marine into the market illustrates that a small operator can overcome the barriers to entry. Complying with a regulated market is going to require specialized manpower and is going to favor the larger operators who can afford to hire these specialists.
3. Service Area Reduction. Currently, fuel companies serve unprofitable locations and try to make up the loss in other places. There is a chance regulation could result in fuel companies discontinuing unprofitable service to some locations. This would force these locations to fly in fuel at a much higher cost to the customer.
4. Efficiency Moral Hazard. Currently the fuel distribution companies are motivated to use the least amount of equipment to deliver the most amount of fuel. If their return is based on investment (assets) then a likely reaction will be to increase the number of assets. It would be nearly impossible to determine if a company was 'overinvesting' in delivery equipment.

Increasing Competition

There is typically only one tank farm in a community, so it is not uncommon to hear the assertion that competition is needed to reduce prices. An example of this occurred in Bethel during 2003. Yukon Fuel purchased the 10 million gallon facility from the local operator in 2000. The exact purchase amount is proprietary, but based on Denali Commission price

[52] The Western Alaska small delivery market is about 30 million gallons. The price was undervalued by about $0.30 per gallon. (30 million x $.3 x 10 years) per Charon and Smith.

guidelines the cost would be approximately $25 million. The market size was about 12 million gallons per year. The cost to run a facility this size is about $1.5 million per year. So the basic cost structure, excluding working capital and corporate overhead, would be:

$0.20/gallon Capital Costs ($25 million x 10% / 12 million gallons)
$0.13/gallon Operating Costs ($1.5 million / 12 million gallons)
$0.33/gallon Total

In 2003, Crowley built a new 5 million gallon tank farm. Using Denali Commission prices, this represents an investment of $12.5 million. Assuming Yukon Fuel could scale expenses by only 30%, its new operating costs would have been about $1 million per year. Assuming Crowley's smaller facility was a little less expensive to operate, operating expenses of $750,000 per year are assumed.

The new cost structure for the communities combined facilities was:

$0.31/gallon Capital Costs ($25 million+$12.5 million) x 10% /12 million gallons
$0.14/gallon Operating Costs ($1 million+$.750 million / 12 million gallons)
$0.45/gallon Total

Starting in 2003, prices to consumers at both tank farms began to increase over index costs. When costs and market size are fixed, adding capital into the marketplace may have the opposite effect as was the intention. This is especially true when costs are not linear but decline with size, as is the case with tank farms.

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GLOSSARY OF TERMS

Diesel #1: Also known as DF1 or Jet A. Diesel #1 is commonly used as heating fuel throughout most of northern rural AK. Diesel #1 has a lower gel temperature than Diesel #2 which is sold for heating fuel in warmer climates. Diesel #1 is same fuel the refineries sell as Jet fuel (Jet A), and in many tank farms it is stored as Jet A until sold as DF1.

Diesel #2: Is commonly used throughout the US. In Alaska it is used for marine and highway diesel as well as heating fuel in warmer regions. Diesel #2 is preferred over #1 where it is warm enough as it has a higher energy content.

Distillate Fuel Oil: A generic name for a refined petroleum product. It can refer to diesel, heating fuel or jet fuel.

Economies of Scale: Economies of scale exist when the per unit cost decreases as the number of units increase. This is typically the result of large fixed costs that are independent of quantity. As the number of units are increased, the fixed costs are spread of more units, bring down the fixed cost per unit.

FIFO, or First In First Out: An inventory accounting technique which each addition to the existing stock of inventory retains the price it was purchased at when it is sold. The oldest inventory in stock is the first to sell.

Fixed Cost: A cost of doing business that does not increase as more business is done. For example, the lease a store pays does not increase if it sells more or less product.

Fuel Distributor: Transports fuel from refineries to fuel retail stores in Alaska communities. Some distributors actually own the fuel and resell it and others just act as a contracted transporter.

Fuel Hub: A community with a large storage capacity. Fuel is delivered to the fuel hub from the refinery on a linehaul barge. Smaller barges lift fuel from the fuel hub and distribute to communities in the region. The fuel can also be a called or serve as a fuel terminal.

Fuel Retailer: Fuel retailers sell fuel to final consumers. They can be gas stations, marine fuel docks or heating fuel deliverers.

Futures Contract: A futures contract is an agreement to purchase or sell fuel at a predetermined price. Futures contracts can be used to hedge against an undesirable change in the price of a commodity or to profit on speculation of future prices of a commodity.

Ice Free Coastal Alaska: The region along Alaska's southern coast. Ice Free Coastal Alaska communities have year round ice free ports and are not on the Alaska road system.

Independent Retailer: Independent retailers are retailers that are not owned by a fuel distributer, refiner or oil company. Independent retailers can either carry their own brand or carry the brand of a distributor.

Jobber: A fuel wholesaler that purchases fuel from wholesale racks and transports to third party retailers. A jobber may or may not own its own retail store.

LIFO, or Last In First Out: An inventory accounting technique which each addition to the existing stock of inventory retains the price it was purchased at when it is sold. The newest inventory in stock is the first to sell.

Lift: The act of purchasing fuel from a refinery. A lift date is the day the fuel was physically transferred from the refinery to the barge or fuel truck.

Lighter: To use smaller tugs and barges to transport fuel from linehaul barges or fuel terminals into smaller communities or shallow ports. The smaller barges are sometimes called the lighterage fleet.

Linehaul Barge: A large ocean going barge used to transport fuel in bulk from the refinery into a fuel hub. Linehaul barges are the largest barge in a fuel distributor's fleet and generally don't deliver fuel to communities that are not fuel hubs.

Market Share: The percent of total sales of a certain good that one seller supplies. When fuel retailers maintain steady price differences they often are able to also maintain steady market shares.

Naphtha: A generic name for a refined petroleum product. It is heavier than natural gas liquids but lighter than kerosene.

Natural Monopoly: In economics, a natural monopoly occurs when, due to the economies of scale of a particular industry, the maximum efficiency of production and distribution is realized through a single supplier. Electric utilities are a common example of a natural monopoly.

OPA 90 (Oil Pollution Act of 1990): A bill signed into law in response to the Exxon Valdez oil spill in Prince William Sound. OPA 90 mandates that all fuel shippers have spill response plans and that all single hull tankers and barges be fazed out by 2015.

OPIS (Oil Price Information Service): A for fee services that supplies information on wholesale rack prices for petroleum fuel.

Option Contract: An option contract gives the purchaser of a contract the right but not the obligation to purchase or sell a commodity at a particular price in the future. A purchaser of an option contract generally must pay a fee for the right to buy or sell at a predetermined price.

Platts: A provider of energy and energy price information.

Price Setter: A company with monopolistic supply with the power to set the price of a good in a market.

Rack Price: Price at which the majors and independent refineries sell branded or unbranded gasoline to jobber/wholesalers. It is related to the commodity spot price, but adjusted for transportation, overhead, and profit.

Refinery: A plant used to separate the various components present in crude oil and convert them into usable products or feedstock for other processes.

Spot Market: A market where commodities are sold for cash and delivered immediately.

Tank Farm: A collection of fuel tanks that store enough fuel to last a community between fuel deliveries.

Terminal: A large tank farm capable of handling a full linehaul barge full of fuel. Terminals often serve as a fuel hub for a region, storing fuel from a linehaul barge until a smaller barge can transport it to neighboring communities.

Vertically Integrated Company: A company that owns multiple links in the supply chain of an industry. An example is an oil company that owns refineries, distributors and retail stores. Since every link is owned by the same company the fuel never experiences a sale as it moves from the oil fields to the gas station.

Western Alaska: The area of Alaska that is not on the road system and without access to year round marine access due to seasonal icing. It includes North Aleutian villages beginning with Nelson Lagoon proceeding north along the coast to Kotzebue Sound. Also included are ports of call on tributary rivers, the most prominent being the Yukon and Kuskokwim.

Working Capital: The fuel owned by a distributor. The fuel ties up cash while the distributor waits to sell it. This cash could be used for other investments and while the cash is owned by the distributor it must earn a similar return. The result is increasing prices the longer a distributor must hold fuel before selling.

APPENDIX A. RESULTS OF COMMUNITY FUEL PRICE SURVEY JANUARY 2010

Rural communities across Alaska continue to face high fuel prices. People in these remote, cold places need large quantities of fuel for heat, electricity, and transportation. The estimated household cost for energy in remote rural Alaska increased significantly since 2000—increasing from approximately 16% of total household income in 2000 to 47% in 2008 for the lowest income rural households. Compared to Anchorage, energy costs are a higher portion of income for all income levels in remote rural Alaska.[53] High energy costs exacerbate the issues of a shortage of cash paying jobs, limited local economic bases, and local governments struggling to provide basic services to residents and businesses.[54] Even though the crude oil components of the retail price for fuel were generally lower in 2009, rural communities continue to pay higher prices for fuel. Of the eleven[55] communities surveyed for this report, six communities paid the same or higher prices for fuel; only in five communities fuel prices decreased.

Transportation costs are a critical factor affecting fuel prices in Alaska rural communities. Fuel sold in these communities is transported by air, barge, truck or a combination of these methods which increase the price as many communities must purchase their fuel prior to "freeze up" in the cold winter months in order to allow time for delivery to remote villages. Other factors affecting fuel prices are limited and costly storage, small market size and financing costs associated with holding large inventories.

The surveyed communities are:

1. Alatna/Allakaket[3]
2. Angoon
3. Bethel
4. Chitina
5. False Pass
6. Fort Yukon
7. Lime Village
8. Mountain Village
9. Unalakleet
10. Yakutat

In the previous editions of this report, Alatna and Allakaket were treated as one community because they are very similar, fuel for both communities is delivered to Allakaket, and retail fuel prices were generally the same. As we continue to identify more of the components of fuel

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[53] Ben Saylor, Sharman Haley, and Nick Szymoniak, *Estimated Household Cost for Home Energy Use*, May 2008, Note No. 1 Revised June 24, 2008.
http://www.iser.uaa.alaska.edu/publications/webnote/LLFuelcostupdatefinal.pdf
Ben Saylor, Sharman Haley, *Effects of Rising Utility Costs on Household Budgets, 2000-2006*, March 2007. See http://www.iser.uaa.alaska.edu/publications/risingutilitycosts_final.pdf

[54] Division of Advocacy – Report to the Commissioner. January 2007. *Current Community Conditions – Fuel Prices across Alaska Fall – Winter 2006 Update.*

[55] We surveyed the same communities as in the previous studies but this time surveyed Alatna and Allakaket separately.

prices some differences in their price structure have become more apparent. Therefore, in this report they appear in the same section but we have identified some of the differences. At the end of this section updated methodology information is included.

Figure 1. Map of Eleven Case Study Communities



The major findings of the third round of community surveys are:

- Increases in fuel prices persisted from January 2009 to January 2010 despite the lower cost of crude oil during most of 2009.
- Fuel prices in rural Alaska vary. We surveyed the same communities as in the previous studies but this time surveyed Alatna and Allakaket separately.
- Fuel prices vary significantly and are inconsistent across communities at the retail level.
- Some communities have much larger retail price mark ups than others.
- For some communities delivery costs and retail markup are very large portion of the fuel price.
- Availability and reliability of local information remains a challenge.
- A general sentiment in these communities towards their fuel cost situation is frustration, as they have limited options to cope with high fuel prices.

From January 2009 (date of last update) to January 2010, crude oil prices decreased on average 37%. Refinery gate prices in Anchorage[56] increased 13% for gasoline and decreased 7% for diesel for heating (DF#1). In Anacortes,[57] refinery gate prices decreased 7% for gasoline and 54% for diesel for heating (Ultra Low Sulfur, DF#1). On average across the surveyed communities, retail prices for gasoline decreased 6% and diesel for heating decreased 13%. Nonetheless, only five of eleven communities paid lower prices for gasoline and diesel for heating (DF#1).

In January 2010, retail prices in rural communities vary significantly. Alatna and Allakaket paid the highest price for gasoline and diesel for heating (DF#1) at $7 and $6.50 per gallon, respectively. Chitina paid the lowest price for gasoline at $3.80 per gallon, and False Pass paid the lowest price for diesel for heating (DF#1) at $3.45 per gallon. Most of the key factors affecting delivered fuel prices have been identified; however these factors do not fully explain variations in retail fuel prices in rural Alaska communities. For instance between January 2009 and January 2010, in Alatna the crude oil and refining components decrease from 35% to 30% for gasoline and retail price remain the same. The diesel for heating price also remained despite the crude oil and refining components increasing from 35% to 52%.

Obtaining local data from these communities continues to be difficult. We called repeatedly and sometimes were never able to contact the most knowledgeable person—this is especially true in publicly owned and operated fuel outlets. Some communities do not seem to systematically track their fuel sales and inventories. The willingness to share information that is available also varies. Some communities are willing to share their information in an effort to educate the public of their situation. Others are reluctant to give any information because they feel nothing can be done to remedy the high prices or that the information is proprietary. Because of these challenges, the information used for the communities' analysis was gathered from varied sources such as distributors, governmental offices and retailers. Despite these limitations, in the following pages we provide a detailed description of the eleven communities surveyed.

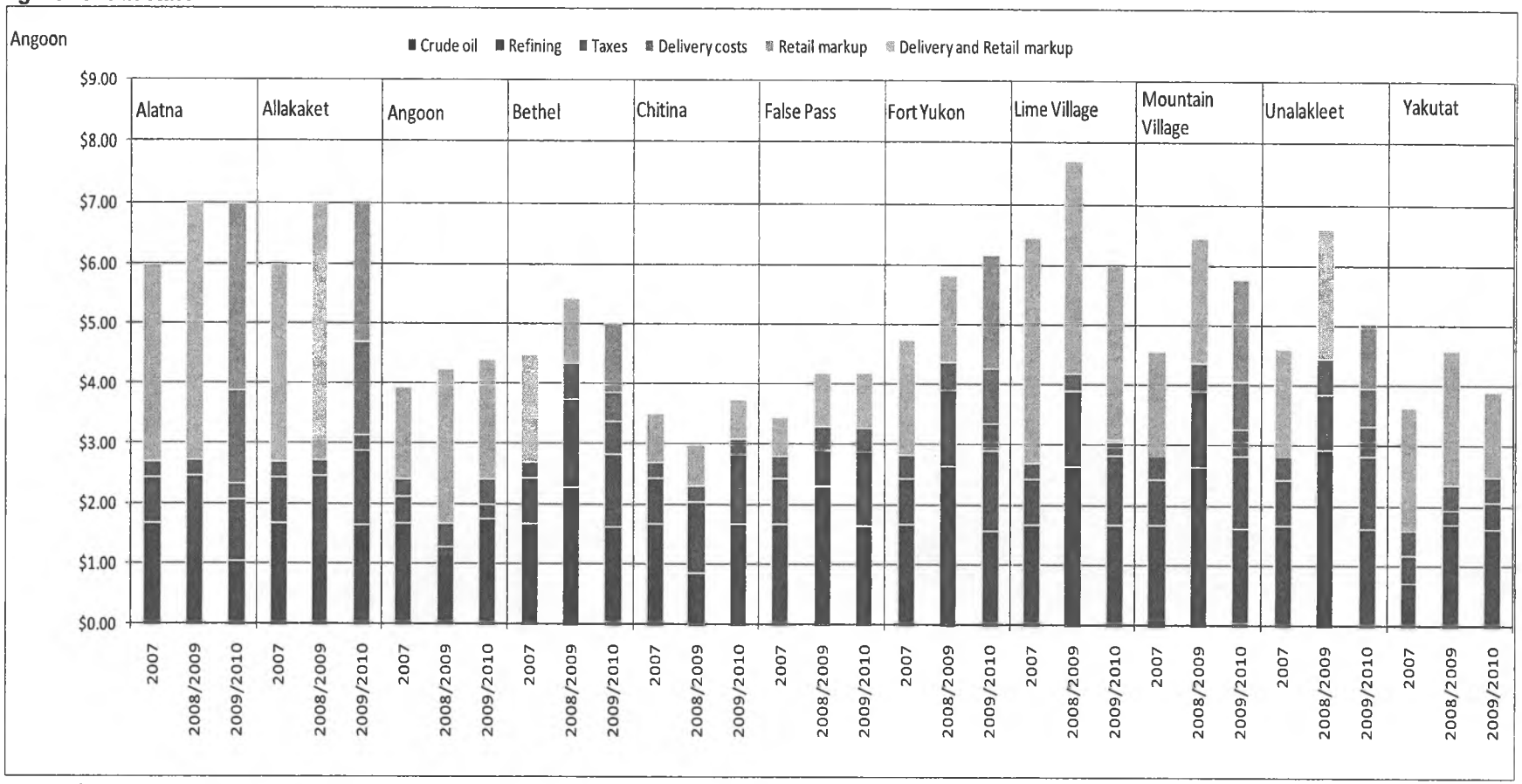
Table 1 provides a summary matrix of the factors affecting fuel prices in the eleven case study communities. The table includes previous and current prices of fuel (gasoline, diesel for heating (DF) #1 and diesel fuel #2) as well as updated local tax and recent delivery information. Unless otherwise noted, other data are from the original 2007 study and the January 2009 update and has not been updated. Figures 2 and 3 provide summary comparisons of fuel prices in 2007, 2008/2009 and 2009/2010. These figures are followed by community summaries and figures.

[56] Estimate using Anchorage refinery gate prices. The "refining" component is calculated as the difference between the OPIS wholesale rack price and the EIA reported U.S. crude price.
[57] Estimate using Anacortes refinery gate prices (calculated as described in footnote 1)

Table 1. Community Analysis

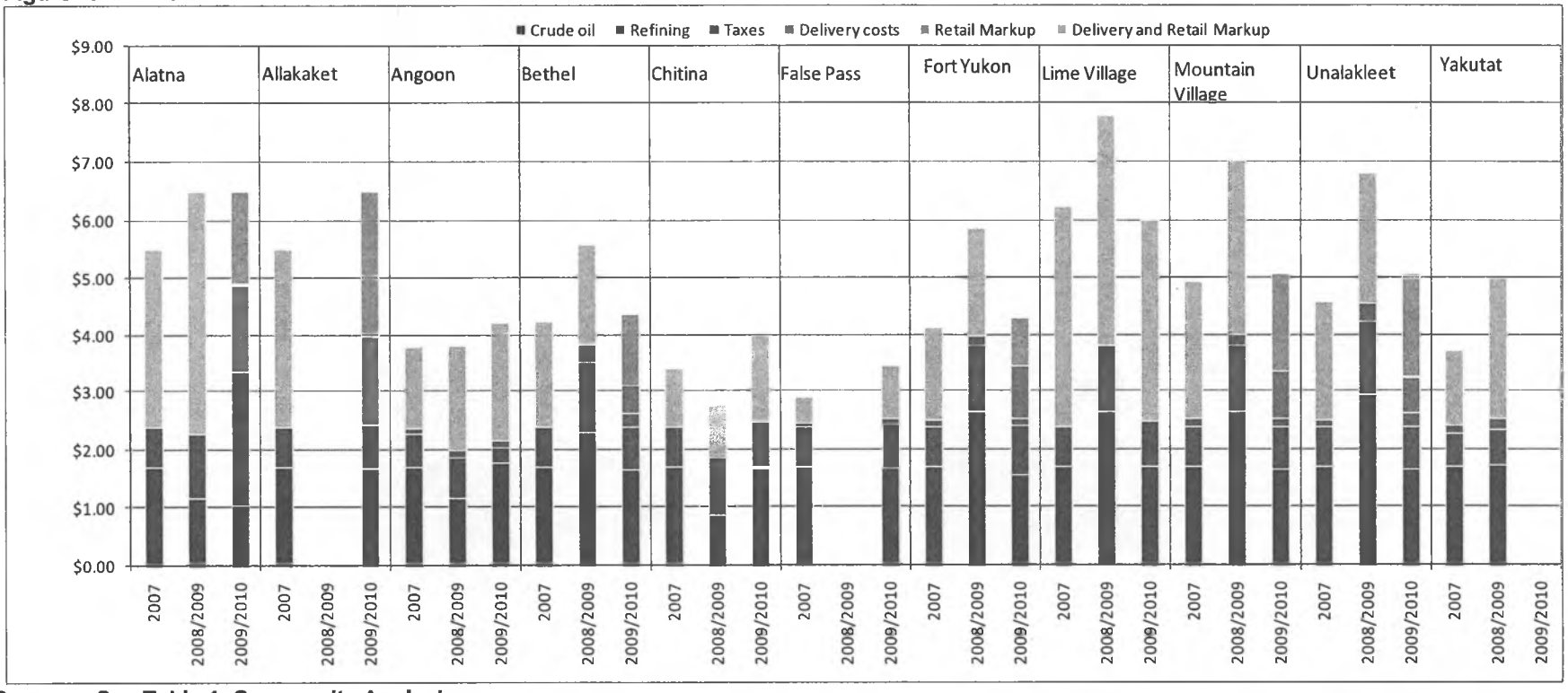
Components of Fuel Prices Analysis Ten Community Case Study Results											
	Community										
	Alatna	Allakaket	Angoon	Bethel	Chitina	False Pass	Fort Yukon	Lime Village	Mountain Village	Unalakleet	Yakutat
Population	22	137	442	5803	117	41	585	19	782	725	608
Fall 2007 Prices											
Crude (Sep 2007)	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70
Refining Cost (Sep 2007)											
gasoline	0.75	0.75	0.46	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.46
diesel # 1	0.69	0.69	0.57	0.69	0.69	0.69	0.69	0.69	0.69	0.69	0.57
diesel # 2	0.81	0.81	0.57	0.81	0.81	0.81	0.81	0.81	0.81	0.81	0.57
Retail (Nov 2007)											
gasoline	6.00	6.00	3.96	4.52	3.52	3.49	4.79	6.50	4.60	4.65	3.67
diesel # 1	5.50	5.50	3.79	4.25	3.41	2.90	4.12	6.25	4.92	4.58	3.72
diesel # 2	NA	NA	NA	4.54	NA	2.85	3.65	NA	NA	4.58	NA
Winter 2008-2009 Prices											
Crude (Estimated Month of delivery)	1.16	1.16	1.16	2.31	0.88	2.33	2.67	2.67	2.67	2.96	1.72
Refining Cost (Estimated Month of delivery)											
gasoline	1.32	1.32	0.15	1.49	1.20	0.61	1.28	1.28	1.28	0.94	0.23
#1 diesel	1.11	1.11	0.71	1.21	0.98	1.02	1.14	1.14	1.14	1.29	0.62
#2 diesel	1.11	1.11	0.71	1.21	0.98	0.98	1.14	1.14	1.14	1.29	0.62
Retail (Jan 2009)											
gasoline	7.00	7.00	4.27	5.48	3.03	4.23	5.85	7.75	6.50	6.64	4.64
diesel # 1	6.50	NA	3.82	5.58	2.79	NA	5.87	7.80	7.02	6.81	4.98
diesel # 2	NA	NA	NA	NA	NA	4.18	5.86	NA	7.28	6.49	4.85
Crude (Estimated Month of delivery)	Nov-08	Nov-08	Nov-08	Sep-08	Dec-08	Mar-08	Aug-08	Aug-08	Aug-08	Jun-08	Oct-08
Most recent fuel delivery	Dec-08	Dec-08	Jan-09	Oct-08	Jan-09	Apr-08	Sep-08	Sep-08	Sep-08	Jul-08	Dec-08
Winter 2009-2010 Prices											
Crude (Estimated Month of delivery)	1.06	1.67	1.77	1.65	1.69	1.67	1.59	1.69	1.65	1.65	1.65
Refining Cost (Estimated Month of delivery)											
gasoline	1.04	1.24	0.26	1.21	1.18	1.24	1.35	1.18	1.21	1.21	0.46
#1 diesel	2.29	0.77	0.26	0.75	0.81	0.77	0.83	0.81	0.75	0.75	0.32
#2 diesel	2.25	0.77	0.26	0.75	0.81	0.77	0.83	0.81	0.75	0.75	0.32
Retail (Jan 2010; except Allakaket & False Pass Oct 2009)											
gasoline	7.00	7.00	4.42	5.03	3.80	4.23	6.18	6.00	5.79	5.07	3.94
diesel # 1	6.50	6.5	4.22	4.37	3.99	3.45	4.29	6.00	5.07	5.07	
diesel # 2	NA	NA	NA	4.71	NA	2.70	NA	NA	NA	NA	4.29
Crude (Estimated Month of delivery)	Mar-09	Oct-09	Nov-09	Aug-09	Dec-09	Oct-09	Sep-09	Dec-09	Aug-09	Aug-09	Aug-09
Most recent fuel delivery	Apr-09	Nov-09	Jan-10	Sep-09	Jan-10	Nov-09	Oct-09	Jan-10	Sep-09	Sep-09	Oct-09
Sources:											
U.S.Energy Information Administration: Weekly United States Spot Price FOB Weighted by Estimated Import Volume (Dollars per Barrel)											
http://tonto.eia.doe.gov/dnav/pet/hist/wtotusaw.htm											
Oil Price Information Service: Wholesale Rack Prices for Anchorage											
Note: Anacortes refinery price data was used for Angoon and Yakutat. Anchorage refinery price data was used for all other communities.											

Figure 2. Gasoline



Sources: See Table 1, Community Analysis.

Figure 3. Diesel Fuel

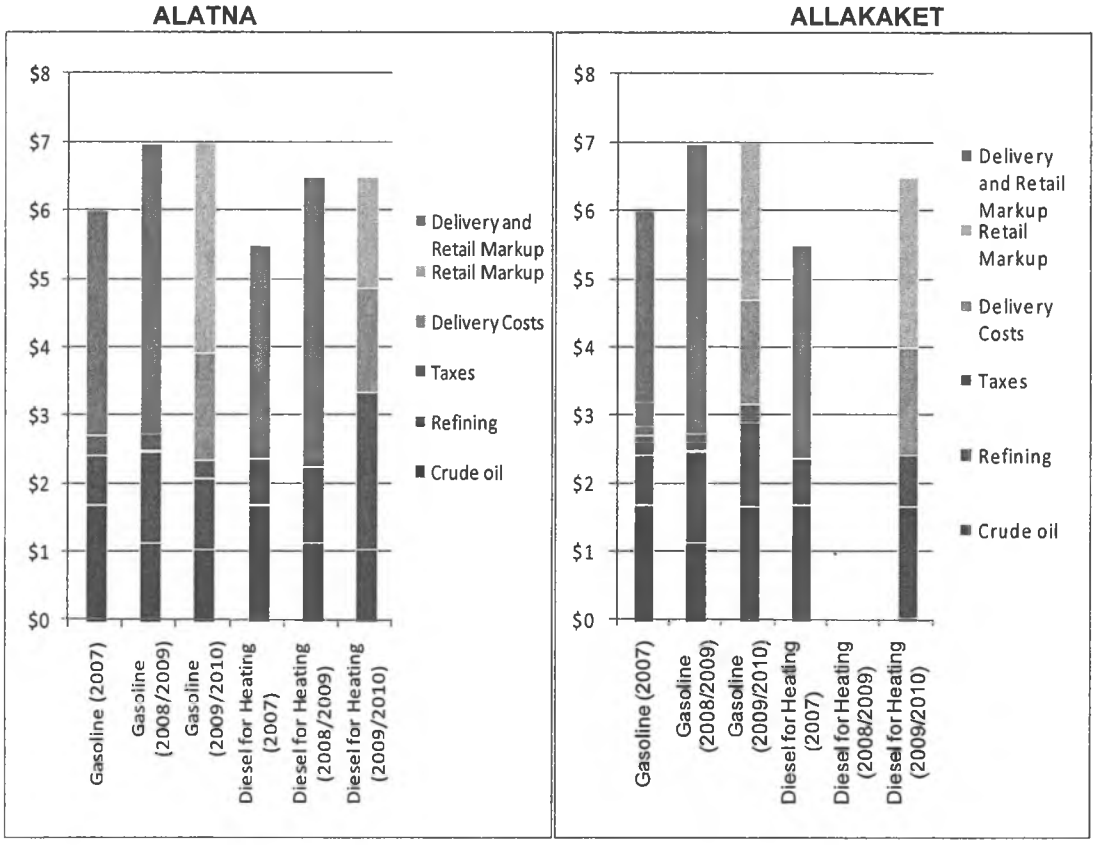


Sources: See Table 1, Community Analysis.

Alatna/Allakaket

The neighbor communities of Allakaket and Alatna are located in northern Alaska, above the Arctic Circle, across from each other on the Koyukuk River. Alatna has a population[1] of 22 and Allakaket of 137. Both communities receive their fuel by airplane (from Fairbanks), because fuel barges cannot navigate the upper Koyukuk River. Fuel is trucked from Allakaket to Alatna when the river is frozen.

In November 2007, gasoline retailed for $6.00 per gallon and diesel for heating (DF #1) was $5.50 per gallon in Alatna and Allakaket. In January 2009, gasoline retailed for $7.00 per gallon for both communities and diesel for heating (DF#1) was $6.50 per gallon for Alatna. In January 2010, the price of gasoline and diesel for heating remained at the same price of $7.00 and $6.50 per gallon, respectively in both communities. There is no local sales tax in either community. Several factors tend to increase or ameliorate the "other" components of prices in these locations:



Increasing factors:

- Only method of transportation is by air. The communities no longer purchase their fuel from Everts Air. Therefore, there is only one supplier of fuel, Brooks Fuel Inc. that delivers fuel to these communities.
- Due to the small populations, delivered quantities are small hence the delivery charge is spread across fewer gallons, raising the price per gallon.
- Barriers to entry in air transportation are low compared with those in barging allowing potential for competition. However, competition is hindered by the small village's purchasing power and the lack of supplier interest.
- Alatna gets fuel about six times a year and only when the river is frozen. Allakaket receives fuel about once a month year round. The last shipment of fuel to Alatna was April 2009 and to Allakaket was November 2009.

Ambivalent factors:

- In Alatna fuel is sold by the Village Council. In Allakaket, fuel is sold by the city government.
- Alatna's storage capacity is about 20,000 gallons and the tanks are located in Allakaket; but this does not seem to be a constraint on deliveries, because the quantity delivered in 2009 was 18,000 gallons. Allakaket received about 36, 000 gallons of fuel in 2009.

Crude oil prices were significantly higher during fall 2007 accounting for $1.70 of the final retail refined product price as compared to $1.16 in November 2008—a $0.54 or 32% decline per gallon. Despite this decline in crude oil prices, the price of gasoline increased $1.00 or 17% per gallon and diesel #1 increased $1.00 or 18% per gallon. By fall 2009, crude oil price decrease for Alatna to $1.06 or 9%; and for Allakaket crude oil price increase $1.67 or 44%, but retail prices for both gasoline and diesel for heating remain the same as in November 2008, $7.00 and $6.50 respectively at both communities.

Angoon

Angoon is located on Admiralty Island in Southeast Alaska, southwest of Juneau. Angoon has a current population of 442; the population has decreased over the past few years. Fuel is barged to Angoon by Petro Marine.

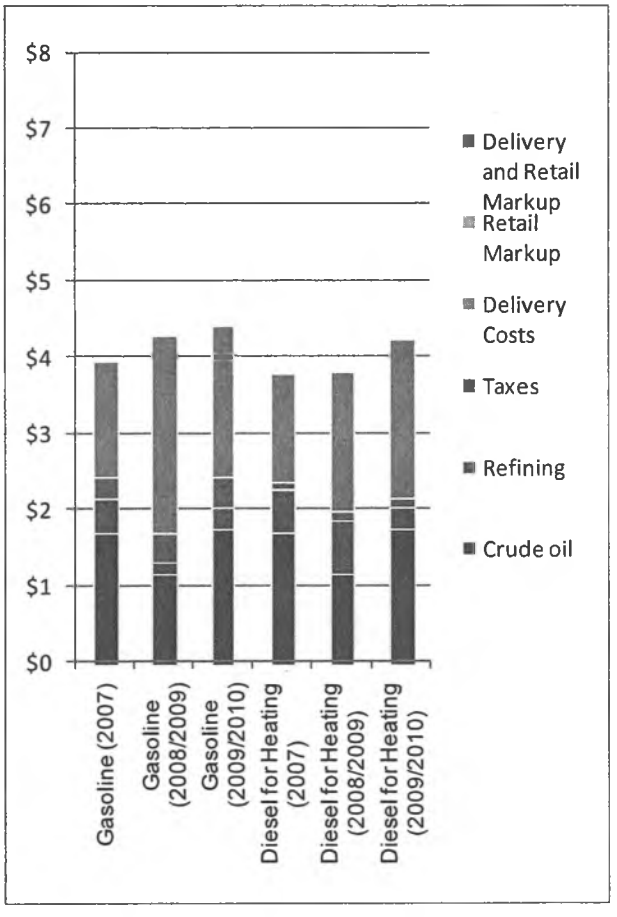
In November 2007, gasoline retailed for $3.96 per gallon and heating oil (DF #1) for $3.79 per gallon. In January 2009, gasoline retailed for $4.27 per gallon and diesel for heating (DF #1) for $3.82. In January 2010, prices continue to increase; gasoline retailed for $4.42 and diesel for heating (DF#1) for $4.22. Angoon has a local tax of 3% that is not included in these cited fuel prices. Factors tending to increase or ameliorate these "other" costs include:

Ambivalent factors:

- Only fuel delivery method is by barge from Petro Marine about every three weeks. Most recent shipment was January, 2010.
- Fuel is sold in the community by a private entity, Angoon Oil and Gas.

Decreasing factors:

- Ice-free port in Southeast Alaska, roughly 900 miles from both Anacortes and Anchorage.
- Fuel can be delivered any time; typically there are eight deliveries per year.
- Tlingit/Haida Energy program is helping to provide fuel in community.



Crude oil prices were significantly higher during fall 2007, accounting for $1.70 of the final retail refined product price as compared to $1.16 in December 2008—a $0.54 or 32% decline per gallon. By November 2009, crude oil prices increased above September 2007 levels by $0.61 or 53% per gallon. Despite the crude oil price decline between fall 2007 and December 2008, gasoline prices in January 2009 were $0.31 or 8% per gallon higher than fall 2007.One year later, in January 2010, gasoline price declined $0.15 or 3.5% per gallon. Diesel #1 increased $0.03 or less than a 1% between November 2007 and January 2009 and $0.40 or $11% by January 2010.

Bethel

Bethel is located at the mouth of the Kuskokwim River and has a population of 5,803. All fuel for Bethel is barged on the Kuskokwim River. It is a regional fuel distribution hub with a storage capacity of almost 15 million gallons.

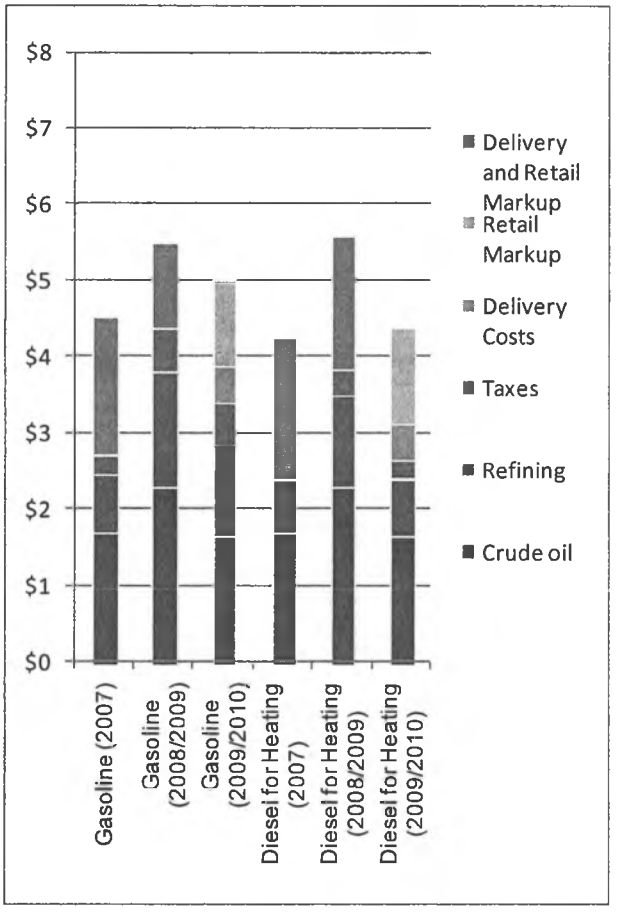
In November 2007, gasoline retailed for $4.52 per gallon and diesel for heating (DF #1) for $4.25 per gallon. In January 2009, gasoline retailed for $5.48 per gallon and diesel for heating (DF #1) for $5.58 per gallon. In January 2010, retail prices decreased to $5.03 for gasoline and $$4.37 for diesel for heating. Bethel has a 6% sales tax that is included in the price of fuel. Factors affecting the costs include:

Increasing factors:

- Port and river both freeze in winter.

Ambivalent factors:

- Large fuel hub community and large storage facility owned by Crowley Marine Services. Costs for Bethel are spread across more gallons because of its status as a fuel hub. We do not know what portions of fuel stored in the community is distributed to other regional communities versus goes to Bethel residents.
- Can receive multiple shipments per year about 6 to 8 from May to September/October when the river is not frozen. The most recent fuel delivery was September 2009.



In contrast to Alatna, Allakaket and Angoon, Bethel's October 2008 fuel delivery coincided with higher crude oil prices as compared to fall 2007. The estimated September 2008 crude oil component of final retail fuel prices was $2.31 as compared with $1.70 per gallon, a $0.61 or 36% increase. In addition, the September 2008 refinery gate fuel price was $0.74 per gallon higher on gasoline and $0.52 per gallon higher on diesel for heating than in fall 2007. In August 2009, crude oil prices decreased $0.66 or 28.5% compared to September 2008. The price per gallon of gasoline increased $0.96 or 21% than fall 2007. It later decreased $0.45 or 8% in August 2009. Diesel for heating increased by $1.33 per gallon or 31%, higher than fall 2007. It then decreased by $1.21 or 22% in August 2009.

Chitina

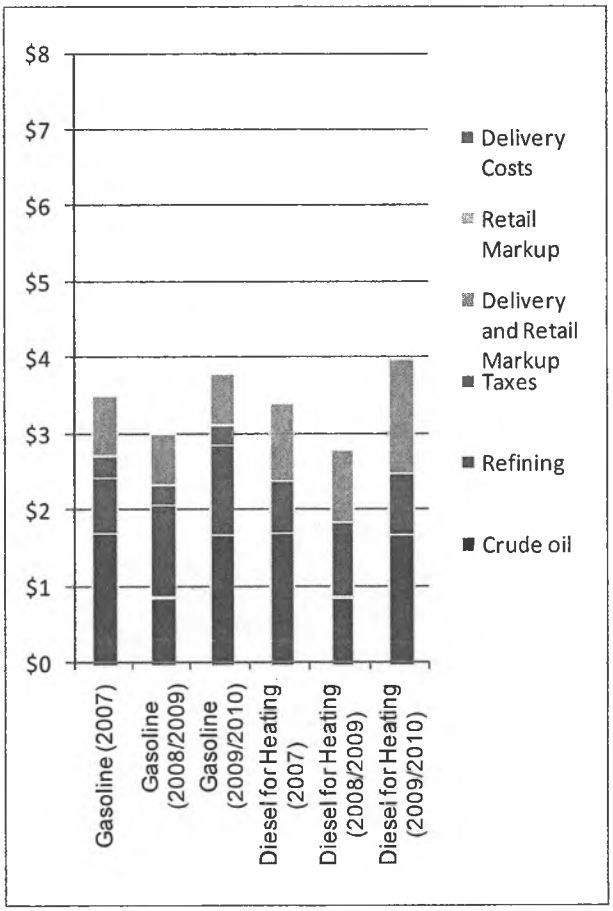
Chitina is on the road system in Southcentral Alaska. Chitina and has a population of 117. All fuel in Chitina is transported by road from Anchorage via Glenallen.

Gasoline retailed for $3.52 per gallon and diesel for heating (DF #1) was $3.41 per gallon in November 2007. The price in January 2009 for gasoline was $3.03 per gallon and $2.79 per gallon for heating fuel (DF #1). One year later, in January 2010, the retail price for gasoline increased to $3.80 and for heating fuel to $3.99 per gallon. Chitina does not have a local tax. Various factors tend to increase or decrease the "other costs" components:

Decreasing factors:

- On the road system only 247 miles from Anchorage.
- Can receive fuel any time; not weather dependent. Fuel comes by truck. The most recent fuel delivery was January 2010.

Similar to Angoon, Chitina had fuel deliveries in January 2009 when crude oil prices had dropped. Crude oil prices were significantly higher during fall 2007 accounting for $1.70 of the final retail refined product price as compared to $0.88 in December 2008—a $0.82 or 48% decline per gallon. In January 2010, crude oil prices increased 92% to September 2007 levels of $1.69 per gallon. The retail price of gasoline decreased $0.49 or 14% from November 2007 to January 2009. It rose by $0.77 or 25% per gallon in January 2010. The price of diesel for heating (DF #1) declined $0.62 or 18% from November 2007 to January 2009, and it significantly increased $1.20 or 43% per gallon for heating fuel by January 2010.



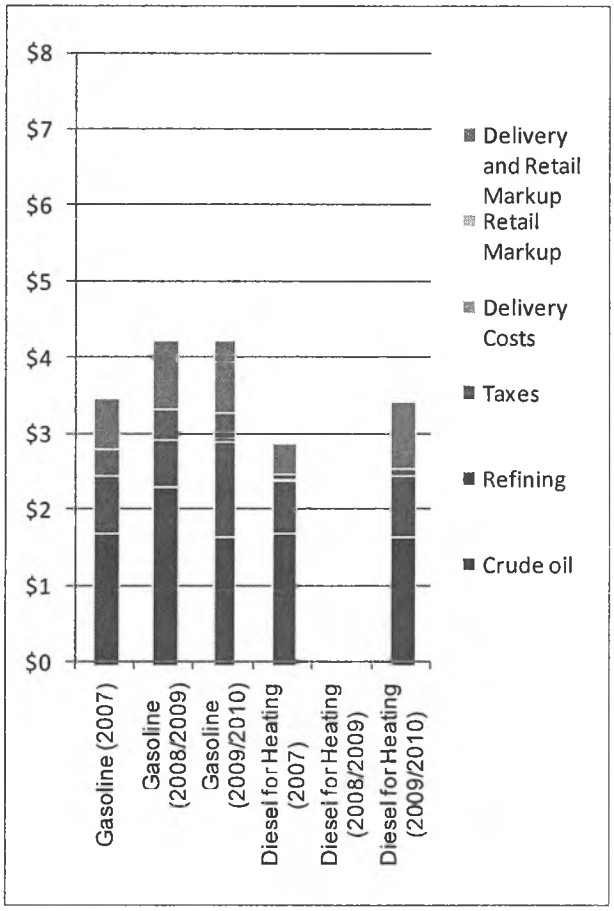
False Pass

False Pass is on Unimak Island in the Aleutian Chain. It has a year-round population of about 41, the population increases when fishermen and fish processors arrive for the fishing season. All fuel for False Pass is barged.

In November 2007, gasoline retailed for $3.49 per gallon and fuel oil (DF #2) for $2.85 per gallon. In January 2009, gasoline retailed for $4.23 per gallon and fuel oil (DF#2) for $4.18 per gallon. In October 2009, retail price for gasoline continues to be $4.23 per gallon and fuel oil (DF#2) decreased to $2.70. The community has a 3% sales tax that is not included in the fuel price. Several factors tend to increase or hold down costs:

Decreasing factors:

- Only receives one delivery per year but has a large storage capacity to serve many commercial fisherman and fish processors in the area.
- Storage facility is owned by Peter Pan Seafood. Large throughput due to fishing fleet and location near multiple fishing grounds.
- Fuel is sold by a private entity, Peter Pan Seafoods.
- Can only receive fuel directly from linehaul barge.
- Ice-free port.
- Relatively close to large ports (Dutch Harbor and Anchorage).
- Small marine distance from larger facilities.



Most recent delivery was November 2009. The April 2008 delivery was prior to the July peak in crude oil prices but still higher than fall 2007 when the crude oil component of delivered fuel prices was an estimated $1.70 rather than the March 2008 $2.33, a $0.63 per gallon or 37% increase. The price of gasoline increased $0.74 per gallon or 21%; fuel oil (DF #2) increased $1.33 per gallon or 47%. Compared to the other communities surveyed, the fall 2007 False Pass diesel fuel price was a comparatively low price. In October 2009, crude oil prices decreased $0.66 or 28% per gallon since March 2008, and there was no change in retail price for gasoline and a $1.48 or 35% decrease per gallon on fuel oil (DF#2).

Fort Yukon

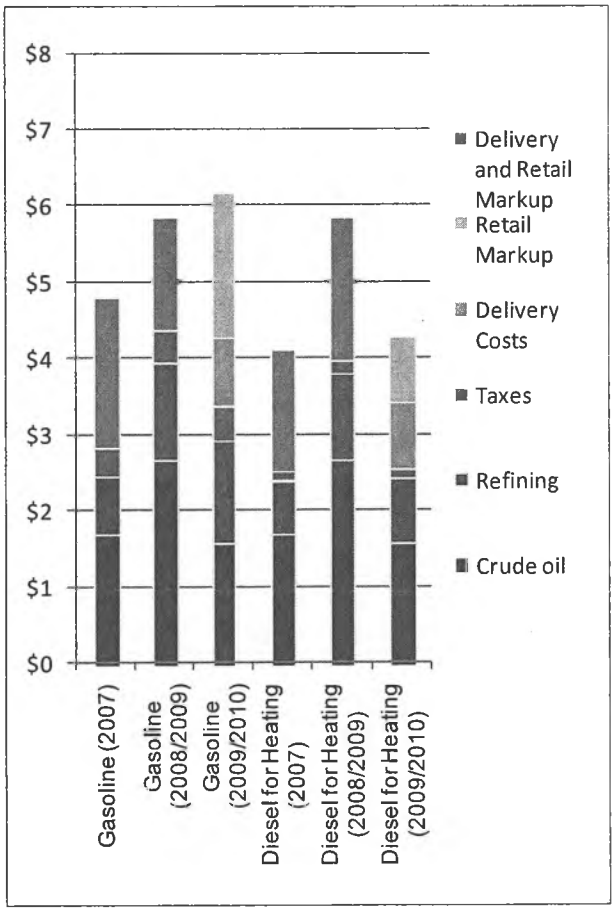
Fort Yukon is on the upper Yukon River northeast of Fairbanks and has a population of 585. All fuel for Fort Yukon is barged upriver from Nenana by Crowley Marine Services. Ruby Marine also services this area of the river.

Gasoline retailed for $4.79 per gallon and heating fuel (DF #1) for $4.12 per gallon in November 2007. In January 2009, gasoline retailed for $5.85 per gallon and heating fuel (DF #1) for $5.87 per gallon. In January 2010, gasoline retailed for $6.18 and heating fuel (DF#1) for $4.29. The community has a 3% tax not included in the price of fuel. Costs can largely be attributed to several factors:

Increasing factors:

- River and port freeze up during winter.
- Fuel barged 400 river miles upriver from Nenana.

Fort Yukon's estimated most recent fuel delivery was October 2009. In August 2008, crude oil prices accounted for $2.67 per gallon of refined fuel prices as compared to $1.70 in fall 2007—a $0.97 per gallon or 57% increase. By September 2009, the crude oil price had significantly decrease to $1.59 – a $1.08 or 40% less than in August 2008. In January 2009, the price of gasoline was $1.06 per gallon higher or 22% higher and diesel for heating #1 was $1.75 per gallon or 42.5% higher than in November 2007. In January 2010, retail price for gasoline increased $0.33 or 6% and diesel for heating #1 decreased $1.58 or 27%.



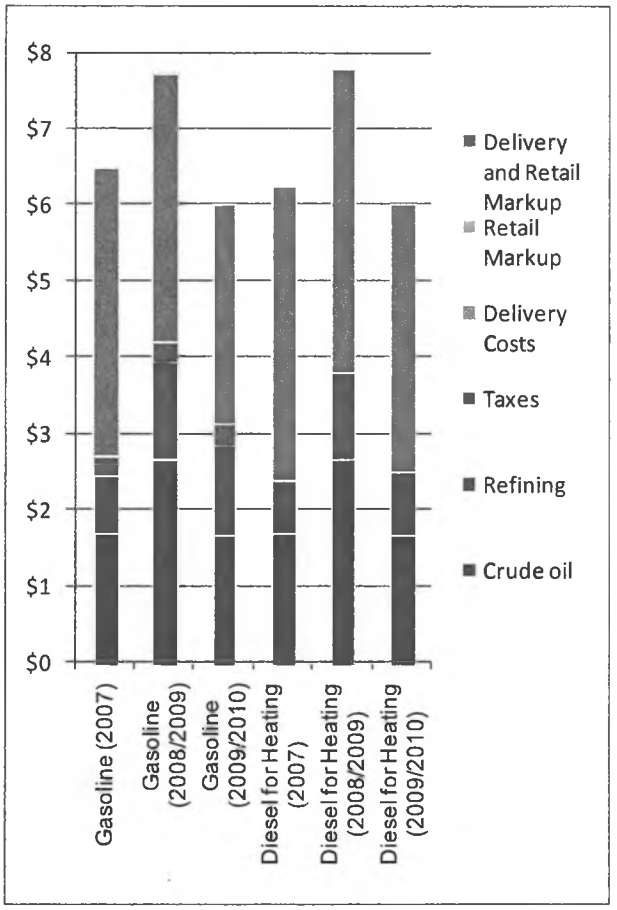
Lime Village

Lime Village is on the Stony River in the Kuskokwim Delta of western Alaska. It has an estimated total population of 19; the population has declined over the past few years due to lack of jobs and the school closing. All fuel for Lime Village is delivered by air.

In November 2007, gasoline retailed for $6.50 per gallon and fuel for heating (DF #1) for $6.25 per gallon. In January 2009, gasoline retailed for $7.75 per gallon and fuel for heating (DF #1) for $7.80 per gallon. In January 2010, both gasoline and diesel for heating prices decrease to $6.00 per gallon each. The community does not have a local tax. Several things account for these costs:

Increasing factors:

- All fuel has to come by air, because barges cannot navigate the Stony River to Lime Village
- Very short runway for airplanes; can only handle small shipments per trip.
- Fuel was barged from Bethel to Sleetmute and then transferred to planes for delivery to Lime Village. Most recently, Sound Aviation delivers fuel purchased in the retail Anchorage market. In an effort to keep transportation cost to a minimum fuel is only delivered when Lime Village residents are flying to and from Anchorage.
- Storage facility is publicly owned, but is very small (only 1,800 gallon capacity for the community).
- Small population means delivery charges are spread over fewer gallons. Each fuel shipment is between 150 and 200 gallons. The community's diminish purchasing power has caused them to be without fuel for periods of time.



Ambivalent factors:

- Fuel is sold by the Traditional Council.
- Can receive fuel shipments any time of the year. It receives about 6 to 8 shipments of fuel per year.

Lime Village's most recent fuel delivery was January 2010. Crude oil component of fuel prices increased from $1.70 in fall 2007 to $2.67 per gallon in August 2008, a $0.97 per gallon or 57% increase. In December 2009, crude oil prices decrease to $0.98 or 38%. Gasoline prices increased $1.25 per gallon or 19% from November 2007 to January 2009 and decreased $1.75 or 22.5% per gallon in January 2010. Similarly, the price of diesel for heating #1 increased $1.55 per gallon or 25% from November 2007 to January 2009 and later decrease to $1.80 or 23% in January 2010.

Mountain Village

Mountain Village is on the Yukon River in Northwest Alaska, close to Norton Sound and the Bering Sea. About 782 people live there. Most fuel for Mountain Village is barged down the Yukon River from Nenana, but occasionally deliveries are lightered from ocean-going vessels at the mouth of the Yukon and shipped upstream.

In November 2007 gasoline retailed for $4.60 per gallon and diesel for heating (DF #1) for $4.92 per gallon. In January 2009, gasoline retailed for $6.50 per gallon and diesel for heating (DF #1) for $7.02 per gallon. In January 2010, retail price for gasoline was $5.79 per gallon and diesel for heating (DF#1) for $5.07. The community has a 3% tax that is not included in the fuel price. Several things tend to influence costs:

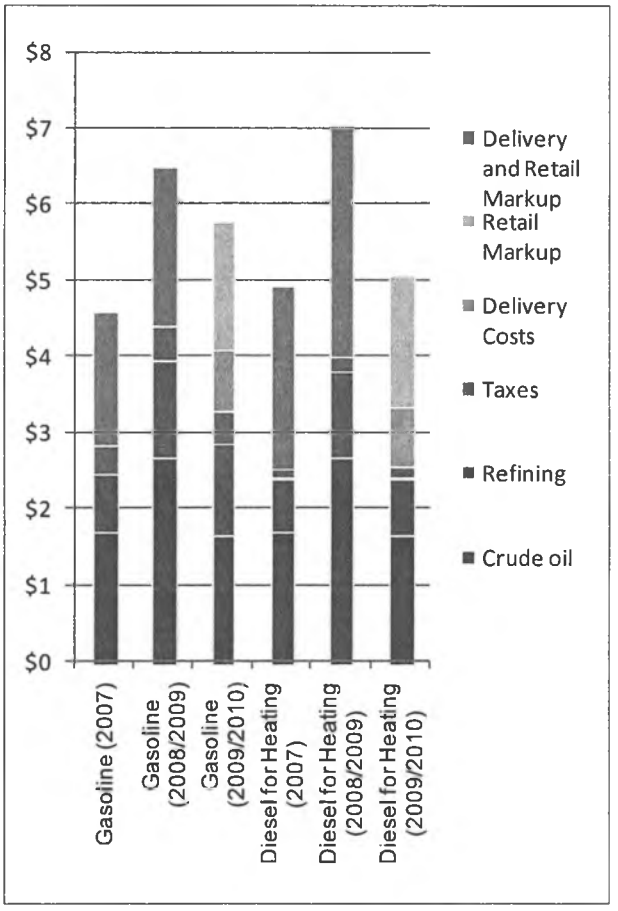
Increasing factors:

- Can only deliver during times of the year when river is not frozen. Mountain Village receives fuel two times a year, once in the spring and once in the fall.
- Fuel has to be transported in a shallow draft barge; Nenana is main hub port, roughly 1,200 miles upriver.

Ambivalent factors:

- Fuel is sold by the city government.
- Publicly-owned storage facility, with a capacity of 200,000 gallons.

Mountain Village received its most recent fuel delivery in September 2009.In August 2008, crude oil prices accounted for about $2.67 per gallon of refined fuel prices as compared to $1.70 in fall 2007—a $0.97 per gallon or 57% increase. Crude oil prices then decreased $1.02 or 38% per gallon in August 2009. In January 2009 the price of gasoline was $1.90 per gallon or 40% higher than in November 2007.It later decreased $0.71 or 11%. For diesel for heating (DF #1), the price increased $2.10 or 43% from November 2007 to January 2009. It later decreased $1.95 or 28% per gallon in January 2010.



Unalakleet

Unalakleet is in northwestern Alaska, on Norton Sound. Unalakleet has an estimated population of 725 residents. All fuel is first barged to Nome in a line-haul vessel and then transported to Unalakleet in a shallow draft lighterage vessel.

Gasoline retailed for $4.65 per gallon and fuel oil (DF #2) for $4.58 per gallon in November 2007. In January 2009, gasoline retailed for $6.64 per gallon and fuel oil (DF #2) for $6.81 per gallon. In January 2010, retail prices decreased to $5.07 per gallon for both gasoline and fuel oil (DF#2). The community has a 5% tax included in the price of fuel. Several things tend to add to or hold down those other costs:

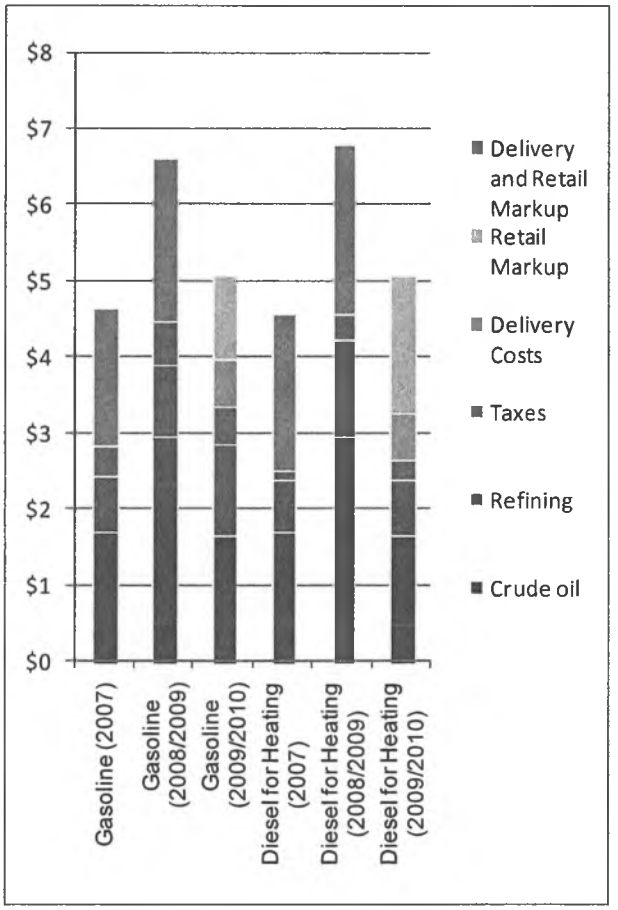
Increasing factors:

- Norton Sound freezes in winter; deliveries only during ice-free months.
- Barge is the only method of fuel delivery.
- Fuel is transported from Nome in a lighterage vessel and pumped directly to a storage facility.
- Community receives three or more shipments per year during ice-free months.
- Publicly-owned storage facility with a capacity of 420,000 gallons.

Ambivalent factors:

- Fuel is sold by Unalakleet Native Corporation.

Most recent delivery was September 2009.
In June 2008, the crude oil component of fuel prices reached $2.96 per gallon as compared to $1.70 in fall 2007, a $1.26 or 74% increase. In August 2009, the crude oil price decreased $1.31 or 44% per gallon. Gasoline prices increased $1.99 or 43% per gallon between November 2007 and January 2009. The retail price of gasoline decreased $1.57 or 24% per gallon by January 2010. Diesel #2 increased $2.23 or 47% per gallon between November 2007 and January 2009; its price later decrease about $1.74 or 26% per gallon by January 2010.



Yakutat

Yakutat is in Southeast Alaska, on the Gulf of Alaska north of the capital city of Juneau. Yakutat has an estimated population of 608 residents. All fuel is barged to Yakutat by Delta Western, which also owns a 6.5 million gallon storage facility in the community.

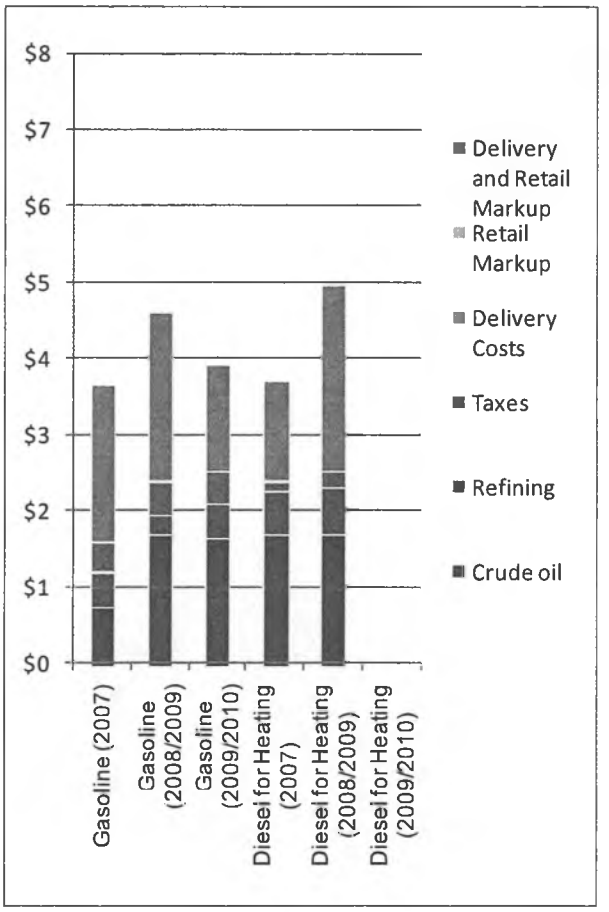
In November 2007, gasoline retailed for $3.67 per gallon and fuel for heating (DF #1) for $3.72 per gallon. In January 2009, gasoline retailed for $4.64 per gallon, diesel for heating (DF #1) for $4.98 per gallon and fuel oil (DF#2) was $4.85 per gallon. In January 2010, retail price for gasoline was $3.94 per gallon, and fuel oil (DF#2) was $4.29 per gallon. The community has a 4% tax included in the price of fuel. Aspects that influence the "other costs" of fuel prices are:

Ambivalent factors:

- Fuel is sold by the Village Council.

Decreasing factors:

- Fuel transportation method is by barge, but no river barging is required and Yakutat can receive shipments from either Anchorage or Seattle, allowing for more potential fuel sources and thus, competition.
- Ice-free port allows year-round fuel deliveries.
- Large storage facility maintained by one transportation company. Large volume of fuel throughput due to Alaska Airlines' twice daily service to the community.
- Deeper harbor accessible by larger shipments.



Yakutat's most recent fuel delivery was in October 2009. Crude oil prices accounted for $1.70 of the final retail refined product price as compared to $1.72 in December 2008. In August 2009, crude oil prices had decreased by $0.07 or 4% per gallon. From November 2007 to January 2009 retail prices for gasoline increased 0.97 or 26% per gallon, and by January 2010 prices decreased $0.70 or 15% per gallon. Between November 2007 and January 2009 heating fuel (DF#1) increased $1.26 or 34% per gallon. And between January 2009 and January 2010 the price for fuel oil (DF#2) increased $0.43 or 37% per gallon.

Method

Data on the price of fuel and the components of that price were collected for the ten communities in November 2007. In January 2009 a second update on fuel price data was collected for the ten communities that confirmed many of the characteristics of fuel purchases and sales remained the same as in fall 2007, and recorded any significant changes. In this third update, fuel price data was collected between the November 2009 and January 2010. The methods and questions about fuel prices used were the same for the November 2007 and January 2009 update. In this January 2010 update, in order to provide a more accurate portrayal of these communities part of the methodology has been refined but remained consistent with the previous reports. The first report on the components of delivered fuel costs in Alaska released in June 2008 can be viewed on the ISER webpage: (http://www.iser.uaa.alaska.edu/Publications/Finalfuelpricedelivered.pdf). And the second update released in January 2009 can be viewed at (http://www.iser.uaa.alaska.edu/Publications/fuelpricedeliveredupdate.pdf).A research summary with interactive maps and maps of fuel delivery to each study community can be viewed at: http://www.iser.uaa.alaska.edu/Home/ResearchAreas/fuelcosts2.html

In the November 2007 analysis, crude oil and refinery gate prices were relatively stable and communities had received their winter fuel supplies. As a result, we did not ask for specific fuel delivery dates for each community. Given the dramatic escalation of crude oil prices peaking in July 2008 (~$140/ barrel) and the crash in prices over the fall (~$34 in January 2009), the timing of when communities ordered and received fuel and how they priced remaining inventories most likely had a significant impact on retail prices. However, most of the survey respondents did not have sufficient information on these details. Given the variability in both delivery timings and rapidly changing prices, for the January 2009 update we recorded the most recent fuel delivery date and collected crude oil and refinery gate prices for that month. While we did not know community fuel tank inventories at the time of delivery or the lags between orders and deliveries among the communities, this simple approach attempts to determine the extent to which rapidly changing crude oil and refinery gate prices affect delivered retail fuel prices. For this January 2010 update, we used the same methodology of recording the disclosed most recent delivery and arbitrarily lagged crude oil and refining cost one month to allow for differences in pricing between delivery and ordering and transportation. Angoon and Yakutat were lagged two months as supported by our findings.

We also used different data sources for crude oil and refinery rack wholesale prices. In the initial report, we used Refiner Acquisition Cost of Crude Oil for PADD 5 (West Coast), and Refiner Petroleum Product Prices by Sales Type, Sales for Resale, Alaska, both from the U.S. Energy Information Administration. However, these data series at the time of writing for the January 2009 were complete only through October, 2008. Therefore, we used the best available data available through January 2009: weekly spot prices for U.S. crude oil from EIA, and wholesale rack prices for Anchorage from the Oil Price Information Service. For consistency, we changed the 2007 numbers in the matrix and charts to use the same datasets. We believe this approach allows for a fair comparison of figures for 2007 to the same data for 2008/2009. In this update we continued to use the same methodology: weekly spot prices for U.S. crude oil from EIA, and wholesale rack prices for Anchorage and Anacortes from the Oil Price

Information Service. A notable change is that because Angoon and Yakutat have the unique ability to purchase fuel from Anacortes, for this report we use the Anacortes ultra low sulfur #1 and #2 refining cost estimates from the Oil Price Information Service (all three years have been updated to reflect this change).

LEGISLATIVE RESEARCH REPORT

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CRUDE OIL AND RETAIL HEATING FUEL PRICES IN ALASKA

PREPARED FOR SENATOR JOE PASKVAN

BY CHUCK BURNHAM, LEGISLATIVE ANALYST

CRUDE OIL AND RETAIL FUEL OIL PRICES IN ALASKA 2

Table 1: Monthly Average Price Comparison: Alaska North Slope Crude, NYMEX Light Sweet Crude, and Alaska Number 2 Distillate Retail, January 2004-March 2011 4

Figure 1: Comparison of Price Changes for ANS Spot, NYMEX Light Sweet, and Alaska Fuel Oil, January 2004-March 2011 7

FUEL OIL USE IN ALASKA 8

Table 2: Household Heating Oil Use and Estimated Consumption in Alaska, 2009 9

You asked us to update a previous report by this agency on the price history for crude oil commodities and retail heating oil prices in Alaska. Specifically, for the period beginning January 2004 through the present, you wanted a comparison of monthly average prices for Alaska North Slope (ANS) crude oil, "light sweet" crude oil traded on the New York Mercantile Exchange (NYMEX), and retail heating oil in the City of Fairbanks. You also asked what volume of home heating oil is sold in the interior, rural, and statewide areas of Alaska.[1]

To the extent that specific data are available, we present the information you requested below. Unfortunately, we were unable to locate a source for monthly average residential heating oil prices in

[1] Our most recent previous report on this topic, LRS Report 09.136, is available online at *http://archives2.legis.state.ak.us/PublicImageServer.cgi?lra/2009/09-136m.pdf.*

Fairbanks.[2] Instead, we discuss the Alaska statewide monthly average prices for "Number 2 distillate," which is a grade of fuel oil commonly used for residential heating purposes.[3]

Briefly, our updated research generally leads us to conclusions in line with those of our previous report on this topic. Specifically, we found that the main driver of variability in heating oil prices in Alaska communities is the underlying cost of crude oil. With that said, a great deal of the price variability among communities is driven by costs related to transportation and storage of fuel oil. This is especially true in remote rural communities not directly accessible by road.[4]

With these prime drivers of variability in mind, it is nonetheless clear that there exists substantial variability in "downstream" components of retail fuel oil prices that do not appear to be uniformly related to crude oil prices or any other easily identifiable cause. These downstream components include, for example, costs and profits for refiners, transporters, distributers, and retailers.

Due to the proprietary nature of certain information, downstream costs are generally difficult to analyze and, therefore, when retail prices are high, these components often earn scrutiny from consumers and policymakers. Typically, increases in crude oil prices bring about higher downstream costs as well. This makes sense insofar as the operating costs for businesses involved in downstream activities rise with the price of oil, since petroleum products power certain refineries, barges and delivery trucks, and provide power and heating for associated facilities. However, the positive correlation between prices for crude oil and the downstream components of fuel oil prices is not uniform. From this perspective, circumstances such as those that existed in mid-to-late 2008, when rapidly decreasing crude oil prices did not result in similarly steep decreases in retail prices, can be particularly difficult to explain.

Crude Oil and Retail Fuel Oil Prices in Alaska

Table 1 compares average monthly commodity prices for ANS and NYMEX light sweet crude oils and the average monthly retail price in Alaska for No. 2 distillate heating oil from January 2004 through March 2011. We summarize the main points of comparison contained in Table 1 as follows:

- The average monthly price of a barrel of ANS crude oil varied from $33.10 in January 2004 to an all-time high of $133.78 in June 2008, a range of about 300 percent. The overall average price for the 87-month time period in question was $67.67 per barrel; therefore, the $115.11 average price for ANS crude in March 2011 was over 70 percent higher than monthly averages over the last seven-plus years;
- The average monthly price of a barrel of NYMEX light sweet crude oil experienced volatility similar to that of ANS crude, varying from $34.22 in January 2004 to its all-time high of $134.02 in June 2008;

[2] We found no government or industry sources for community-specific fuel oil price information.

[3] We use the terms "No. 2 distillate," "fuel oil," and "heating oil" interchangeably. "Number 1 distillate" is also used for home heating, typically in smaller portable "space heaters" or fixed high-efficiency stoves such as those manufactured by the Toyotomi USA ("Toyo") corporation. Unless otherwise noted, all information on heating oil consumption and costs is from the U.S. Department of Energy, Energy Information Administration (EIA). The EIA publishes information on a wide variety of energy-related topics on its website at *http://www.eia.doe.gov/*.

[4] Both this agency and the Institute of Social and Economic Research (ISER) at the University of Alaska Anchorage have previously compiled information on the drivers of petroleum prices in Alaska. The archives of Legislative Research are available online at *http://w3.legis.state.ak.us/laa/research/public.cgi*. The ISER's 2008 report "Components of Delivered Fuel Prices in Alaska," is available at *http://www.iser.uaa.alaska.edu/Publications/*.

- In December 2004, the spread between NYMEX and ANS oil prices reached a high of 18 percent. Since that time, however, the difference between the two prices has typically been much lower than that. Between December 2004 and December 2008, average prices for NYMEX light sweet were about four percent higher than those of ANS crude. Recent prices have narrowed the price spread to just 0.9 percent for the entire time period in question. In March 2011, ANS crude sold for approximately 10.5 percent more than NYMEX light sweet; and
- The average monthly price of No. 2 distillate heating oil in Alaska ranged from $1.30 in January 2004 to a high of $4.47 in July 2008—a variation of about 245 percent. Although heating oil prices for March 2011 have not yet been published, based on increased prices over the past two months over the $3.22 per gallon cost in January, we expect the March statewide average price to come in at roughly $3.77 per gallon. That price is approximately 51 percent higher than the average monthly price for the entire time period in question.

Figure 1 (following Table 1) illustrates the relationship between ANS and NYMEX light sweet spot prices and the retail price of heating oil in Alaska. As you can see, these prices share a clear relationship; however, the correlation is not uniform. For instance, as oil costs increased dramatically in mid-2007 and early 2008, the spread between crude oil and retail prices at first shrank, then remained fairly steady through spring 2008 when the spread increased substantially as crude oil prices hit all-time highs. The difference between the prices of crude oil and heating oil continued to increase through October as oil prices plummeted. Again, with the information available to us, we are unable to completely explain this degree of volatility and variability in downstream costs.[5]

[5] We discuss the challenges of analyzing these costs with regard to gasoline prices in detail in Legislative Research Report 09.053. In that report we summarized the limitations we faced as follows: "Information on profits for individual petroleum refineries in Alaska and elsewhere is considered proprietary. Using the data available to us, we attempted a number of approaches to estimate the operating costs and profits of refineries . . . Unfortunately, those efforts were largely unsuccessful. Key points of crucial information unavailable to us include crude oil acquisition costs disaggregated by refinery, operating costs, and precise . . . output figures.

Table 1: Monthly Average Price Comparison: Alaska North Slope Crude, NYMEX Light Sweet Crude, and Alaska Number 2 Distillate Retail, January 2004-March 2011

Month	ANS Spot[1] (per barrel)	NYMEX Light Sweet[2] (per barrel)	Difference NYMEX over ANS	ANS Month to Month Percent Change	NYMEX Month to Month Percent Change	Alaska Average No. 2 Distillate[3] (per gallon)	Distillate Month to Month Percent Change
Jan-04	*$33.10*	*$34.22*	3.4%	N/A	N/A	*$1.30*	N/A
Feb-04	$33.66	$34.50	2.5%	1.7%	0.8%	$1.31	0.8%
Mar-04	$35.50	$36.72	3.4%	5.5%	6.4%	$1.37	4.6%
Apr-04	$35.43	$36.62	3.4%	-0.2%	-0.3%	$1.44	4.9%
May-04	$39.07	$40.28	3.1%	10.3%	10.0%	$1.57	9.3%
Jun-04	$36.73	$38.05	3.6%	-6.0%	-5.5%	$1.57	0.0%
Jul-04	$39.44	$40.81	3.5%	7.4%	7.3%	$1.63	3.8%
Aug-04	$43.12	$44.88	4.1%	9.3%	10.0%	$1.61	-1.4%
Sep-04	$42.71	$45.94	7.6%	-1.0%	2.4%	$1.61	0.3%
Oct-04	$48.56	$53.09	9.3%	13.7%	*15.6%*	$1.82	*13.0%*
Nov-04	$42.15	$48.48	15.0%	-13.2%	-8.7%	$1.81	-0.4%
Dec-04	$36.66	$43.26	*18.0%*	-13.0%	-10.8%	$1.70	-6.2%
Jan-05	$41.12	$46.85	13.9%	12.2%	8.3%	$1.68	-1.0%
Feb-05	$43.59	$48.05	10.2%	6.0%	2.6%	$1.77	5.0%
Mar-05	$50.63	$54.63	7.9%	*16.2%*	13.7%	$1.92	8.9%
Apr-05	$49.75	$53.22	7.0%	-1.7%	-2.6%	$2.04	6.2%
May-05	$46.77	$49.87	6.6%	-6.0%	-6.3%	$2.01	-1.5%
Jun-05	$53.67	$56.42	5.1%	14.8%	13.1%	$2.00	-0.7%
Jul-05	$56.67	$59.03	4.2%	5.6%	4.6%	$2.03	1.3%
Aug-05	$62.40	$64.99	4.2%	10.1%	10.1%	$2.18	7.7%
Sep-05	$63.47	$65.55	3.3%	1.7%	0.9%	$2.43	11.2%
Oct-05	$60.37	$62.27	3.1%	-4.9%	-5.0%	$2.50	3.1%
Nov-05	$56.11	$58.34	4.0%	-7.1%	-6.3%	$2.30	-8.2%
Dec-05	$57.17	$59.45	4.0%	1.9%	1.9%	$2.20	-4.4%
Jan-06	$62.85	$65.54	4.3%	9.9%	10.2%	$2.18	-0.5%
Feb-06	$59.26	$61.93	4.5%	-5.7%	-5.5%	$2.23	2.2%
Mar-06	$60.61	$62.97	3.9%	2.3%	1.7%	$2.25	0.9%
Apr-06	$67.74	$70.16	3.6%	11.8%	11.4%	$2.34	4.1%
May-06	$69.32	$70.96	2.4%	2.3%	1.1%	$2.60	11.2%
Jun-06	$69.50	$70.97	2.1%	0.3%	0.0%	$2.61	0.2%
Jul-06	$73.10	$74.46	1.9%	5.2%	4.9%	$2.58	-1.1%
Aug-06	$71.74	$73.08	1.9%	-1.9%	-1.9%	$2.66	3.2%
Sep-06	$62.33	$63.90	2.5%	-13.1%	-12.6%	$2.61	-1.9%
Oct-06	$54.27	$59.14	9.0%	-12.9%	-7.4%	$2.28	-12.7%
Nov-06	$54.26	$59.40	9.5%	0.0%	0.4%	$2.24	-1.7%
Dec-06	$58.13	$62.09	6.8%	7.1%	4.5%	$2.36	5.1%
Jan-07	$51.52	$54.35	5.5%	-11.4%	-12.5%	$2.26	-4.1%
Feb-07	$57.00	$59.39	4.2%	10.6%	9.3%	$2.21	-2.3%
Mar-07	$59.01	$60.74	2.9%	3.5%	2.3%	$2.24	1.4%
Apr-07	$63.92	$64.04	0.2%	8.3%	5.4%	$2.38	6.3%

Table 1: Monthly Average Price Comparison: Alaska North Slope Crude, NYMEX Light Sweet Crude, and Alaska Number 2 Distillate Retail, January 2004-March 2011 (contd.)							
Month	ANS Spot[1] (per barrel)	NYMEX Light Sweet[2] (per barrel)	Difference NYMEX over ANS	ANS Month to Month Percent Change	NYMEX Month to Month Percent Change	Alaska Average No. 2 Distillate[3] (per gallon)	Distillate Month to Month Percent Change
May-07	$64.76	$63.53	-1.9%	1.3%	-0.8%	$2.45	2.9%
Jun-07	$69.11	$67.53	-2.3%	6.7%	6.3%	$2.48	1.1%
Jul-07	$75.93	$74.15	-2.3%	9.9%	9.8%	$2.53	2.0%
Aug-07	$73.83	$72.36	-2.0%	-2.8%	-2.4%	$2.56	1.4%
Sep-07	$79.72	$79.63	-0.1%	8.0%	10.0%	$2.56	-0.2%
Oct-07	$84.77	$85.66	1.0%	6.3%	7.6%	$2.76	8.0%
Nov-07	$92.98	$94.63	1.8%	9.7%	10.5%	$3.03	9.7%
Dec-07	$88.64	$91.74	3.5%	-4.7%	-3.1%	$3.01	-0.7%
Jan-08	$91.16	$92.93	1.9%	2.8%	1.3%	$3.01	0.1%
Feb-08	$94.42	$95.35	1.0%	3.6%	2.6%	$3.08	2.4%
Mar-08	$105.06	$105.42	0.3%	11.3%	10.6%	$3.38	9.5%
Apr-08	$112.37	$112.46	0.1%	7.0%	6.7%	$3.66	8.3%
May-08	$125.41	$125.46	0.0%	11.6%	11.6%	$4.00	9.3%
Jun-08	***$133.78***	***$134.02***	0.2%	6.7%	6.8%	$4.31	7.8%
Jul-08	$132.87	$133.48	0.5%	-0.7%	-0.4%	***$4.47***	3.6%
Aug-08	$115.98	$116.69	0.6%	-12.7%	-12.6%	$4.22	-5.5%
Sep-08	$101.86	$103.76	1.9%	-12.2%	-11.1%	$3.90	-7.7%
Oct-08	$73.65	$76.72	4.2%	-27.7%	***-26.1%***	$3.25	-16.6%
Nov-08	$53.94	$57.44	6.5%	-26.8%	-25.1%	$2.61	***-19.9%***
Dec-08	$37.70	$42.04	11.5%	-30.1%	-26.8%	N/A	N/A
Jan-09	$37.38	$41.92	12.2%	-0.9%	-0.3%	$2.16	N/A
Feb-09	$41.20	$39.26	-4.7%	10.2%	-6.3%	N/A	N/A
Mar-09	$47.49	$48.06	1.2%	15.3%	22.4%	$1.95	N/A
Apr-09	$46.06	$49.95	8.4%	-3.0%	3.9%	$2.14	10.0%
May-09	$57.93	$59.21	2.2%	25.8%	18.5%	$2.26	5.4%
Jun-09	$69.36	$69.70	0.5%	19.7%	17.7%	$2.51	11.1%
Jul-09	$63.87	$64.29	0.7%	-7.9%	-7.8%	$2.36	-5.7%
Aug-09	$70.97	$71.14	0.2%	11.1%	10.7%	$2.55	8.1%
Sep-09	$69.55	$69.47	-0.1%	-2.0%	-2.3%	$2.55	0.0%
Oct-09	$74.49	$75.82	1.8%	7.1%	9.1%	$2.55	0.0%
Nov-09	$76.04	$78.15	2.8%	2.1%	3.1%	$2.55	0.0%
Dec-09	$74.04	$74.60	0.8%	-2.6%	-4.5%	$2.55	0.0%
Jan-10	$79.48	$78.40	-1.4%	7.3%	5.1%	$2.55	0.0%
Feb-10	$76.51	$76.45	-0.1%	-3.7%	-2.5%	$2.79	9.2%
Mar-10	$79.39	$81.29	2.4%	3.8%	6.3%	$2.88	3.4%
Apr-10	$81.61	$84.58	3.6%	2.8%	4.0%	$2.97	2.8%
May-10	$72.76	$74.12	1.9%	-10.8%	-12.4%	$2.96	-0.2%
Jun-10	$75.13	$75.41	0.4%	3.2%	1.7%	$2.89	-2.3%
Jul-10	$76.30	$76.38	0.1%	1.6%	1.3%	$2.88	-0.4%
Aug-10	$75.61	$76.67	1.4%	-0.9%	0.4%	$2.90	0.8%
Sep-10	$74.78	$75.55	1.0%	-1.1%	-1.5%	$2.94	1.5%
Oct-10	$81.89	$81.95	0.1%	9.5%	8.5%	$3.04	3.3%
Nov-10	$83.51	$84.32	1.0%	2.0%	2.9%	$3.07	1.0%

Table 1: Monthly Average Price Comparison: Alaska North Slope Crude, NYMEX Light Sweet Crude, and Alaska Number 2 Distillate Retail, January 2004-March 2011 (contd.)

Month	ANS Spot[1] (per barrel)	NYMEX Light Sweet[2] (per barrel)	Difference NYMEX over ANS	ANS Month to Month Percent Change	NYMEX Month to Month Percent Change	Alaska Average No. 2 Distillate[3] (per gallon)	Distillate Month to Month Percent Change
Dec-10	$89.28	$89.23	-0.1%	6.9%	5.8%	$3.13	2.1%
Jan-11	$92.13	$89.58	-2.8%	3.2%	0.4%	$3.22	2.6%
Feb-11	$94.95	$89.74	-5.5%	3.1%	0.2%	N/A	N/A
Mar-11	$115.11	$102.98	***-10.5%***	21.2%	14.8%	N/A	N/A
Averages	$67.67	$69.10	3.0%	$0.02	1.7%	$2.50	1.7%

Notes: Lows and highs for each column are in bold and shaded in blue and yellow, respectively.

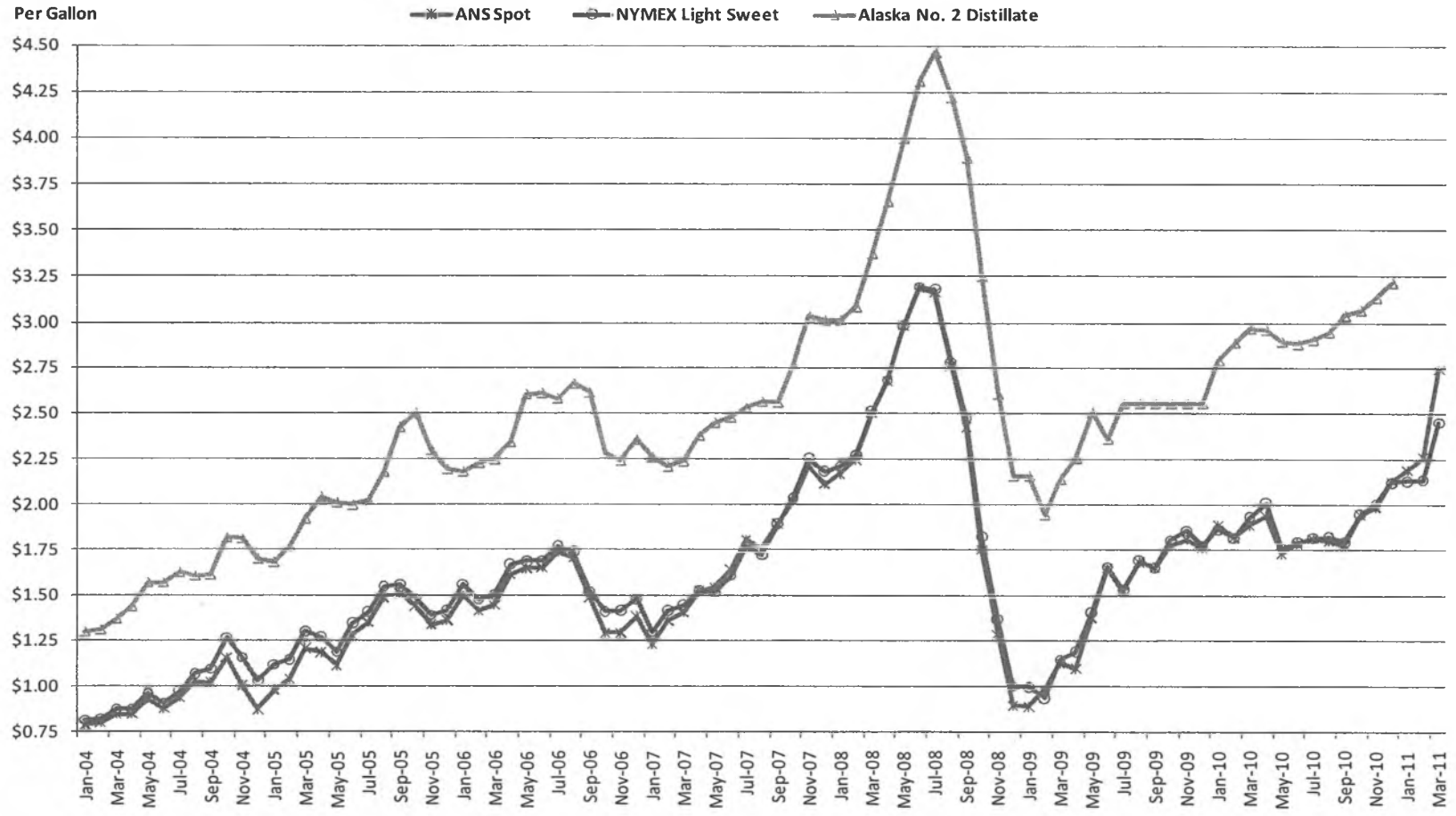
1) "ANS Spot" is the commodity price for Alaska North Slope crude oil.

2) "NYMEX light sweet" is the commodity price for the low-sulfur, easily refined grade of crude oil traded on the New York Mercantile Exchange.

3) "Alaska Average No. 2 Distillate" is the statewide average retail price for "number 2" residential heating oil."

Sources: ANS Spot--Alaska Department of Revenue, Tax Division (*http://www.tax.alaska.gov/programs/oil/dailyoil/dailyoil.aspx*); NYMEX Light Sweet and Alaska Average No. 2 Distillate--U.S. Department of Energy, Energy Information Administration *(http://www.eia.gov/*).

FIGURE 1: COMPARISON OF PRICE CHANGES FOR ANS SPOT, NYMEX LIGHT SWEET, AND ALASKA FUEL OIL, JANUARY 2004-MARCH 20011



Notes: 1) "ANS Spot" is the commodity price for Alaska North Slope crude oil; 2) "NYMEX light sweet" is the commodity price for the low-sulfur, easily refined grade of crude oil traded on the New York Mercantile Exchange; 3) "Alaska Average No. 2 Distillate" is the statewide average retail price for "number 2" residential heating oil."
Sources: ANS Spot--Alaska Department of Revenue, Tax Division; NYMEX Light Sweet and Alaska Average No. 2 Distillate-U.S. Department of Energy, Energy Information Administration (*http://www.tax.alaska.gov/programs/oil/dailyoil/dailyoil.aspx*).

FUEL OIL USE IN ALASKA

According to the U.S. Census Bureau, in 2009, approximately 79,298 Alaska households, or about one-third of households statewide, used heating oil as their primary heating source.[6] This marks a slight decrease from the proportion of households heated with fuel oil in 2006. Statewide figures are skewed, however, by the population of the Anchorage and the Matanuska Susitna (Mat-Su) Boroughs, which collectively hold over half of Alaska households, and where natural gas is widely available for home heating. Excluding those boroughs, about 68 percent of the remaining Alaska households used heating fuel as their primary heating source in 2009. This also marks a decrease from 2006, a year in which about 71 percent of households outside of the Anchorage/Mat-Su area used fuel oil for heat. Census data show that as fuel oil use decreased between 2006 and 2009, the use of other home heating sources increased. Among the largest such increases occurred in the Fairbanks-North Star Borough, where the use of wood for home heating increased by nearly 90 percent over that four-year period.

Although we do not have data that definitively confirm the reasons that some Alaska households have decreased or eliminated their dependence on oil for heat, it appears likely that spikes in oil prices, particularly in 2008, motivated some homeowners to install less expensive sources of home heating. Nonetheless, large majorities of households outside of Anchorage and the Mat-Su remain dependant on oil for heat. This is particularly true in the Fairbanks area and in Rural Alaska, where about 80 percent of homes use oil heat.[7] Consequently, should oil prices remain near historically high levels, household finances and local economies in these areas are likely to suffer as a result.

We located no one source for community-specific fuel oil consumption in Alaska. Instead, we calculated average household consumption by using 2009 statewide fuel oil consumption figures from EIA data and divided that figure by the number of households that used oil as the primary heat source in a given geographic area. Our estimates assume a constant level of consumption statewide and make no allowances for climactic effects, variations in use related to heating oil costs, or other factors. As such, our calculations, the results of which are shown in Table 2, should be viewed only as rough estimates.

[6] The U.S. Census Bureau's "American Fact Finder" is the online interface for data collected through the American Community Survey (ACS). According to the Bureau, the ACS "is a survey that is sent to a small percentage of our population on a rotating basis. These data previously were collected only in census years in conjunction with the decennial census. Since the ACS is conducted every year, rather than once every ten years, it will provide more current data throughout the decade." Please note, however, that the ACS relies on survey samples that are small relative to the full decennial census. As a result the margins of error for ACS data are higher than those of the census, particularly in areas with small populations such as rural Alaska. Therefore, estimates of households and heating fuel sources should be viewed as rough estimates. We expect that more robust data will become available as information from the 2010 Census are released throughout this year. The American Fact Finder is available at *http://factfinder.census.gov*.

[7] "Rural Alaska" households in this context are those contained in U.S. Census Bureau Public Use Microdata Area (PUMA) 400. Specifically, this PUMA contains the boroughs/census areas of Aleutians East, Aleutians West, Bethel, Dillilngham, Kodiak Island, Lake and Peninsula, Nome, North Slope, Northwest Arctic, Prince of Wales-Outer Ketchikan Skagway-Hoonah-Angoon, Yakutat, Yukon-Koyukuk, Wade Hampton, and Wrangell-Petersburg. The Denali, Fairbanks-North Star, Southeast Fairbanks, and Valdez-Cordova boroughs comprise PUMA 300.

TABLE 2: HOUSEHOLD HEATING OIL USE AND ESTIMATED CONSUMPTION IN ALASKA, 2009

Location	Households	Households Heated with Fuel Oil		Estimated Fuel Oil Consumption[1]
		Number	Percent	
Alaska	234,779	79,298	33.8%	64,596,000
Anchorage/Mat-Su Boroughs	125,558	5,618	4.5%	4,576,412
Alaska excluding Anchorage/Mat-Su	109,221	73,680	67.5%	60,019,588
Fairbanks-North Star Borough	32,211	23,657	73.4%	19,270,947
PUMA 300[(a)]	61,124	44,432	72.7%	36,194,223
PUMA 400[(b)]	28,494	21,552	75.6%	17,556,218

Notes: Location-specific fuel oil consumption figures do not sum to statewide totals becuase the Fairbanks-North Star Borough is also included in PUMA 300.

1) We calculated average household consumption using the total statewide fuel oil consumption figures for 2009 and dividing that figure proportionally by the number of households that used fuel oil as their primary heat source in that year. Our estimates assume a constant level of consumption statewide and make no allowances for climactic effects, variations in use related to heating oil costs, or other factors. As such, our calculations should be viewed only as rough estimates.

a) "PUMAs" are Public Use Microdata Areas used by the U.S. Census Bureau to group populations in non-overlapping pools. PUMA 300 includes the Denali, Fairbanks-North Star, Southeast Fairbanks, and Valdez-Cordova boroughs.

b) PUMA 400 contains most of what are typically considered Alaska's rural communities. Specifically included are the boroughs/census areas of Aleutians East, Aleutians West, Bethel, Dillilngham, Kodiak Island, Lake and Peninsula, Nome, North Slope, Northwest Arctic, Prince of Wales-Outer Ketchikan Skagway-Hoonah-Angoon, Yakutat, Yukon-Koyukuk, Wade Hampton, and Wrangell-Petersburg.

Sources: Number of households and their primary heating sources, U.S. Census Bureau, "American Fact Finder," 2009 *American Community Survey* data tables; available at *http://factfinder.census.gov*.

Statewide fuel oil consumption data are from the U.S. Department of Energy, Energy Information Administration; *http://www.eia.doe.gov/*.

We hope you find this information to be useful. Please let us know if you have questions or need additional information.

SB 100

<TARGET><BILL>SB 100</BILL><SUBJECT>SB 100</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/6/11

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 100

SB 100-PERS TERMINATION COSTS

"An Act relating to employer contributions to the Public Employees' Retirement System of Alaska; relating to requirements that employers who terminate some or all participation in the Public Employees' Retirement System of Alaska pay termination costs; and making the changes retroactive."

and recommends:

[X] be **replaced** with **CS** SB 100 (FIN) *[X] Same Title [ ] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
ADM	X			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	Egan	X			
	McGuire	✓			
	Olson			✓	
	Ellis	X			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman			✓	

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version **SB100**
Fiscal Note Number
() Publish Date

Identifier (file name) SB100-DOA-DRB-3-27-12
Title PERS Termination Costs
Sponsor Senators Paskvan and Menard
Requester Senate Finance

Dept. Affected Department of Administration
Appropriation Centralized Administrative Services
Allocation Division of Retirement and Benefits
OMB Component Number 64

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	86.6			1,143.0	1,180.0	1,221.0	1,266.0
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**86.6**	**0.0**	**0.0**	**1,143.0**	**1,180.0**	**1,221.0**	**1,266.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	86.6			1,143.0	1,180.0	1,221.0	1,266.0
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**86.6**	**0.0**	**0.0**	**1,143.0**	**1,180.0**	**1,221.0**	**1,266.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Update for committee

Prepared by Jim Puckett, Director — Phone 465-4471
Division Division of Retirement and Benefits — Date/Time 3/23/12 3:45 PM
Approved by John Cramer, Deputy Commissioner — Date 3/23/2012
Department of Administration

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB100

Analysis

This bill acts to repeal AS 39.35.625 and AS 39.35.958(f) and annuls regulation 2 AAC 35.235 which require employers who eliminate participation in the Public Employee' Retirement System (PERS) for some or all of their employees to pay the costs associated with changes in vesting and retirement behavior due to the termination process (termination costs). Both changes lead to liability for benefits occurring earlier than calculated by the Division Actuary during valuation of the plan. The termination costs represent an unfunded liability to the system.

In addition to termination costs, AS 39.35.625 requires employers to pay continuing contributions towards the unfunded liability at the past service rate established each year times the salaries of the eliminated positions. Contributions are required from the employer until the past service liability is extinguished. The past service rate for FY 12 is 22.48% and for FY 13 is 24.16%.

The termination costs and the ongoing requirement for contributions toward the unfunded liability are in addition to the requirements for employer contributions in AS 39.35.255.

For employers who have terminated all participation with the PERS, this bill would require payment of 22% of the total base salaries of all covered employees as of the fiscal year ending June 30, 2008 until the plan does not have a past service liability, regardless of the actual past service rate calculated by the actuary.

Employers who eliminate participation for some but not all of their employee will pay no termination costs and make no contribution toward the unfunded liability unless their total base salaries fall below the total salaries the employer reported to the PERS as of June 30, 2008. The liability created by the termination will not be paid by the employer who took the action but will be placed upon all the employers in the plan. Since employer contributions are capped at 22% with the State of Alaska General Fund paying the remainder of the contributions due to fully fund the PERS for the year, the costs are ultimately shifted to the State of Alaska.

The estimated costs, in thousands, to the State as determined by the Division actuary, Buck Consultants, are as follows:

PERS DB Plan	FY 15	FY16	FY17	FY18	FY19
Increase in Normal Cost	$(457.0)	$(472.0)	$(488.0)	$(506.0)	$(525.0)
Increase in Past Service Cost Amortization Payment	$1,600.0	$1,652.0	$1,709.0	$1,772.0	$1,839.0
Total Increase in Annual Employer Contribution Amt.	$1,143.0	$1,180.0	$1,221.0	$1,266.0	$1,314.0

Results shown above are based on the 2010 actuarial valuation for PERS. Assuming the bill becomes effective July 1, 2012, increase costs will be first reflected in the FY 15 rates. Future terminated employees have been assumed to follow a similar pattern as past terminated employees for which termination costs have been completed. If future experience of terminating groups from PERS increases, the costs shown above will also increase.

Due to the retroactive provisions contains in Sections 9 and 10 of the bill, five PERS employers will be reimbursed for termination costs already paid to the plan. Total cost of reimbursement is $86,582.00 and will incur in FY 13.

CS FOR SENATE BILL NO. 100(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS PASKVAN, Menard

A BILL

FOR AN ACT ENTITLED

"An Act relating to employer contributions to the Public Employees' Retirement System of Alaska; relating to requirements that employers who terminate some or all participation in the Public Employees' Retirement System of Alaska pay termination costs; and making the changes retroactive."

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

* **Section 1.** AS 39.35.255 is amended by adding a new subsection to read:

(i) After an employer's participation in the plan terminates with regard to some or all of the employer's employees who are active members of the system, the employer remains obligated to make contributions under (a) of this section until the plan does not have a past service liability.

* **Sec. 2.** AS 39.35.625 is repealed and reenacted to read:

Sec. 39.35.625. Termination costs. An employer that terminates participation in the plan of more than 20 percent of the employer's paid employees within any one-year period shall pay for a termination cost study that is directly related to the costs of

that termination.

*** Sec. 3.** AS 39.35.958(c) is amended to read:

(c) When an employer's participation in the plan **terminates** [IS TERMINATED, OR WHEN AN EMPLOYER TERMINATES COVERAGE OF A DEPARTMENT, GROUP, OR OTHER CLASSIFICATION OF EMPLOYEES UNDER AS 39.35.957(c)], the administrator shall assess the employer a termination cost that the administrator determines is actuarially required to fully fund the costs to the plan for employees whose coverage is terminated, including the cost of providing the employer's share of retiree health benefits under AS 39.35.880, occupational disability and occupational death benefits under AS 39.35.890 and 39.35.892, and pension benefits elected under AS 39.35.890(h)(2).

*** Sec. 4.** AS 39.35.958(e) is amended to read:

(e) An employer **whose** [TERMINATING] participation in the plan **terminates** shall pay termination costs determined **under (c) of this section** [BY THE ADMINISTRATOR], or enter into a payment plan acceptable to the administrator, within 60 days after the employer receives notice of its termination costs from the administrator. Termination costs not paid within the prescribed time limit or in accordance with the approved payment plan shall be collected by the administrator in accordance with AS 39.35.610(b). Termination of participation by an employer in the plan does not bar future participation by the employer if the employer has paid in full its prior termination costs.

*** Sec. 5.** AS 39.35.958(f) is repealed and reenacted to read:

(f) An employer that terminates participation in the plan of more than 20 percent of the employer's paid employees within any one-year period shall pay for a termination cost study that is directly related to the costs of that termination.

*** Sec. 6.** 2 AAC 35.235 is annulled.

*** Sec. 7.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. Notwithstanding sec. 8 of this Act, secs. 3 and 4 of this Act do not apply to AS 39.35.958, for termination costs paid before the effective date of this Act for payroll periods or partial payroll periods that occur before the effective date of this Act.

*** Sec. 8.** The uncodified law of the State of Alaska is amended by adding a new section to read:

RETROACTIVITY. Sections 1 and 2 of this Act are retroactive to July 1, 2008, secs. 3 - 5 of this Act are retroactive to June 7, 2007, and sec. 6 of this Act is retroactive to January 13, 2010.

ADOPTED 4/9/12

27-LS0272\E
Wayne
4/3/12

CS FOR SENATE BILL NO. 100( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATORS PASKVAN, Menard

A BILL

FOR AN ACT ENTITLED

"An Act relating to employer contributions to the Public Employees' Retirement System of Alaska; relating to requirements that employers who terminate some or all participation in the Public Employees' Retirement System of Alaska pay termination costs; and making the changes retroactive."

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

*** Section 1.** AS 39.35.255 is amended by adding a new subsection to read:

(i) After an employer's participation in the plan terminates with regard to some or all of the employer's employees who are active members of the system, the employer remains obligated to make contributions under (a) of this section until the plan does not have a past service liability.

*** Sec. 2.** AS 39.35.625 is repealed and reenacted to read:

Sec. 39.35.625. Termination costs. An employer that terminates participation in the plan of more than 20 percent of the employer's paid employees within any one-year period shall pay for a termination cost study that is directly related to the costs of

that termination.

*** Sec. 3.** AS 39.35.958(c) is amended to read:

(c) When an employer's participation in the plan **terminates** [IS TERMINATED, OR WHEN AN EMPLOYER TERMINATES COVERAGE OF A DEPARTMENT, GROUP, OR OTHER CLASSIFICATION OF EMPLOYEES UNDER AS 39.35.957(c)], the administrator shall assess the employer a termination cost that the administrator determines is actuarially required to fully fund the costs to the plan for employees whose coverage is terminated, including the cost of providing the employer's share of retiree health benefits under AS 39.35.880, occupational disability and occupational death benefits under AS 39.35.890 and 39.35.892, and pension benefits elected under AS 39.35.890(h)(2).

*** Sec. 4.** AS 39.35.958(e) is amended to read:

(e) An employer **whose** [TERMINATING] participation in the plan **terminates** shall pay termination costs determined **under (c) of this section** [BY THE ADMINISTRATOR], or enter into a payment plan acceptable to the administrator, within 60 days after the employer receives notice of its termination costs from the administrator. Termination costs not paid within the prescribed time limit or in accordance with the approved payment plan shall be collected by the administrator in accordance with AS 39.35.610(b). Termination of participation by an employer in the plan does not bar future participation by the employer if the employer has paid in full its prior termination costs.

*** Sec. 5.** AS 39.35.958(f) is repealed and reenacted to read:

(f) An employer that terminates participation in the plan of more than 20 percent of the employer's paid employees within any one-year period shall pay for a termination cost study that is directly related to the costs of that termination.

*** Sec. 6.** 2 AAC 35.235 is annulled.

*** Sec. 7.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. Notwithstanding sec. 8 of this Act, secs. 3 and 4 of this Act do not apply to AS 39.35.958, for termination costs paid before the effective date of this Act for payroll periods or partial payroll periods that occur before the effective date of this Act.

*** Sec. 8.** The uncodified law of the State of Alaska is amended by adding a new section to read:

RETROACTIVITY. Sections 1 and 2 of this Act are retroactive to July 1, 2008, secs. 3 - 5 of this Act are retroactive to June 7, 2007, and sec. 6 of this Act is retroactive to January 13, 2010.

Senator Joe Paskvan

Alaska State Senate • District E • Fairbanks • Ft Wainwright

Sponsor Statement
Senate Bill 100
PERS Termination Costs

Senate Bill 100 addresses the future financial stability of all PERS employers - the State, municipalities, school districts and the University of Alaska - and their ability to efficiently and effectively manage the delivery of programs and services.

Due to a variety of historical circumstances and decisions, the PERS defined benefit system evolved from being fully funded to being underfunded by billions of dollars. A solution embraced by all parties to address the unfunded liability was incorporated into Senate Bill 125 and was passed by the legislature in 2008. SB 125 set into law that the PERS system is a consolidated system and that the combined defined benefit (DB) and defined contribution (DC) salary base would be required to pay down the unfunded obligation, which in turn would provide for sustainable, predictable and affordable employer rates.

Paying off the unfunded obligation is predicated upon a stable, reasonably growing, system-wide salary base. A concern at the time SB 125 was adopted was that employers might en-masse elect to convert PERS salaried positions to contracted positions to reduce or avoid their PERS cost, thus shrinking the PERS salary base needed to pay off the unfunded obligation. To address this concern, it was agreed that employers would pay the *greater of* 22 percent on their combined DB and DC salary base, or, 22 percent on their total payroll for the period ending 6/30/2008. This effectively set the minimum contribution, or floor, that an employer would pay once PERS converted to a consolidated system.

Additional language relating to termination studies was added at the time to prevent employers from intentionally reducing their fair share contribution toward paying off the unfunded obligation. The application of the termination studies law is the cause for concern and the introduction of SB 100.

Current law requires an employer who terminates participation of a department, group, or other classification of employees to pay the following bills:

1. the cost associated with obtaining a termination study from the PERS actuary;

2. the actuarial cost to the employer for future benefits due employees whose coverage is terminated; and

3. the past service cost, annually, on each position terminated until the unfunded obligation is paid off decades from now.

In Juneau:
State Capitol, Juneau, AK 99801
(907) 465-3709 Office • (907) 465-4714 Fax

senator_joe_paskvan@legis.state.ak.us

In Fairbanks:
1292 Sadler Way, Ste. 308 Fairbanks, AK 99701
(907) 451-4347 Office • (907) 451-4348 Fax

Enforcement of the termination studies law is making it difficult for employers to manage their delivery of services, discriminates against small municipalities even though their impact is immaterial, and is costly and nearly impossible to implement in an equitable manner. These mandated termination studies fail to recognize that we do *not* have a single-agent, multiple employer system in which different employers pay different net rates. SB 125 provided for one integrated system of accounting; the unfunded obligation is to be shared among all employers, with each paying a single, uniform contribution rate of 22 percent.

All agree that the unfunded obligation must be paid off. All agree that the entire PERS salary base - both DB and DC - is needed to pay off the unfunded obligation, and that it must be sustained and have reasonable growth. The fear that employers would act in a manner jeopardizing the payment of the unfunded obligation has not materialized; in fact, the system-wide salary base has grown steadily. The law providing for termination studies is not needed and is repealed through SB 100.

SB 100 maintains the 6/30/2008 floor as the base salary amount upon which PERS payments must be calculated as this is the most efficient, cost effective and equitable method of ensuring the unfunded obligation is paid off.

Bill Number: SB 100

Version: 27-LS0272\D

Sponsor(s): Senator Paskvan

Title: "An Act relating to employer contributions to the Public Employees' Retirement System of Alaska; relating to requirements that employers who terminate some or all participation in the Public Employees' Retirement System of Alaska pay termination costs; and making the changes retroactive."

This legislation is effective July 1, 2008 for Sections 1-3 and 6; June 7, 2007 for Sections 4, 5 and 7; January 13, 2010 for Section 8.

Analysis of Repeals

The bill acts to repeal AS 39.35.625 effective July 1, 2008, AS 39.35.958(f) effective June 7, 2007 and annuls regulation 2 AAC 35.235 as of its adoption date, January 13, 2010.

- Repealing AS 39.35.625 removes the requirement for the employer to pay ongoing contributions toward the past service liability of the PERS; eliminates a termination cost study and the ability to establish a payment plan to pay termination costs. Repealed retroactive to July 1, 2008.

  The termination study calculates the unanticipated and unfunded costs resulting from both vesting behavioral changes that occur because of the termination. Employees in the defined benefit plan who are not vested with 5 years of paid up PERS service become vested and eligible for pension, and depending on tier, medical benefits after termination of coverage. This action creates unfunded liability.

  Currently, the plan experience demonstrates members who are close to retirement age will work at least two years past normal retirement. This experience is part of the assumptions used to value the plan each year. Termination of coverage changes this behavior resulting in members drawing retirement at the soonest eligible point. This unanticipated change creates unfunded liability.

  Employers are required by AS 39.35.625 to continue payment towards the unfunded liability based on the salary of the terminated position(s) multiplied by the past service rate for the system. The past service rate for FY 11 is 18.63%. The rate increases to 22.48% in FY 12. These payments toward the unfunded liability would stop with repeal.

  Repeal of AS 39.35.625 results in a cost shift of liability from the employer to the State of Alaska.

- Repeal of AS 39.35.958(f) removes the requirement for the employer to pay for a termination study to determine the costs associated with the termination. Repealed retroactive to June 7, 2007.

- 2 AAC 35.235 is a regulation that clarifies the termination costs as defined in AS 39.35.625 and AS 39.35.625. Repealed as of adoption date of January 13, 2010

  Retroactive repeal dates presents administrative problems for the division as payments have been made by employers to Buck Consultants. The division may need an appropriation to refund the costs back to employers depending on a determination of the Dept. of Law regarding the appropriate use of the trust funds for this purpose.

Analysis of Sections

Section 1. Amends AS 39.35.255 which governs contributions required by employers by adding a new subsection (i) stating the employer remains obligated to make contributions of 22% based on the total base salaries of the greater of the active employees in the plan, or the total base salaries of all covered employees as of fiscal year ending June 30, 2008 in the event of a termination. The contribution floor for active employees established in AS 39.35.255(a) will not be triggered until the overall employer salaries fall below the June 30, 2008 thresh hold. As salaries increase in the future, it will become less likely that the removal of single or a moderate number of positions will result in an employer falling beneath the contribution floor.

Section 2. Amends AS 39.35.615(i) to remove the requirement for an employer seeking future coverage of terminated employees to be current in payments for costs resulting from the termination study before coverage is granted. Costs arising from the termination study have been removed with the repeal of AS 39.35.625.

Memorandum

To: Mike Barnhill, Deputy Commissioner, DOA
From: Larry Semmens, Soldotna City Manager
Date: February 11, 2011
Subject: Termination Study Impacts

You asked that I summarize my concerns regarding termination studies. My concerns are in the areas of equity, materiality, accuracy, and enforcement.

There is a much higher likelihood of the provisions of 39.35.625 applying to a small municipality than a large employer. Adjusting staffing levels for budgetary purposes can easily result in the termination of a group, department or other classification (group) in a small municipality. A large employer could eliminate many positions, thus having a material dollar impact on PERS contributions but not trigger the provisions of either .625 or .255 (2008 floor). Since small municipalities are often challenged fiscally, these provisions make it very difficult to effectively manage staffing levels. Staff costs are usually 75% or more of total budget making staffing the only area to effectively deal with revenue shortfall. Small municipalities are affected materially but the impact on the system is immaterial. Large employers that stay above the 2008 floor can make many position cuts without incu rring the cost of either termination studies or past service cost on the salary of a group that has no continuing salary. Thus the termination provisions have minimal impact on the large employers. Shouldn't all employers be treated equally by application of the 2008 salary floor in section .255 rather than subjecting small employers to termination costs in section .625?

Regarding past service liability, when total payroll of an employer is up from 2008, one could argue that the PERS has not been negatively impacted by that employer eliminating a group. However DRB doesn't consider this. If the employers total payroll exceeds the 2008 floor they should be considered to have met the responsibility to pay the past service liability. I think the 2008 floor is the fairest way to deal with past service liability.

If .625 is brought into play there are many variables which have to be given consideration:

1. When a position is eliminated it doesn't always mean the person in the position was terminated from employment, furthermore, they could get a PERS position in the future which would negate the termination cost that was previously assessed. If a group of several employees is involved it would seem that those still employed would be exempt from the termination study and from past service cost payments. I think you refer to this as double counting. It will be very complicated to keep up with.
2. Paying the past service rate on the salary of a terminated group for the next 30 years could easily exceed any possible actual past service liability generated by the group. **If all of the group were Tier IV there would be almost no past service liability generated, but the employer is obligated to pay the**

past service liability generated, but the employer is obligated to pay the past service rate on the salary of the terminated group until the unfunded liability is paid off. This is not reasonable. Consider that if the employees affected were short term DB employees the past service liability would also be low. If Buck is calculating normal cost correctly any employee hired since Buck was employed should have little or no past service liability.

3. The methodology of Buck's calculation does not consider all relevant facts. The Ketchikan example is a good one. The subject was Tier I, 59 years old with 34 years in the system. My thought is the person is generating an actuarial surplus since he didn't retire at 30 years of service. Buck doesn't consider this in their calculation. Instead they ignore these facts and calculate the present value of the benefits which will be paid out 'early' based on the assumption that the subject is going to work well beyond age 55. Buck knows that only a fraction will continue to work beyond retirement age, but I don't think they apply any probability factor to their calculation of the termination cost. Instead they simply calculate the present value cost of the person retiring compared to what it would have cost at some point in the future. It would be interesting to query the data to find out how many Tier I's with 34 years keep on working to whatever age Buck assumed this person was going to be if he didn't retire when he did. Consider that every time someone retires at age 55, or at any age younger than Buck's assumed age, there is a hit to the system that Buck apparently has not considered. The conclusion to be drawn is that the total liability they are reporting is grossly understated. They calculated that the system took a hit of $123,000 when the Ketchikan person retired. This is not reasonable for this set of facts and should be carefully considered in light of the liability estimates they have made.

Another big issue is that DRB believes the State is exempt from compliance with section .625 because the State doesn't have a participation agreement with PERS. This is a thin argument which is clearly not equitable to the other members of the plan. This means that the entity that has over half of the total payroll of the system and therefore over half of the past service liability that drives the past service cost rate, can eliminate departments, groups or other classifications without paying the costs. The impact of this is born by the other members of PERS. The thought that the State's actions only impact the State is not correct. When the State does not properly contribute to PERS according to the same rule every other employer has to follow, the system doesn't get the funds the actuary is anticipating and the result is higher rates for longer periods. All employers are going to participate in rectifying this. Note that the past service rate is going above 22% in FY 2012. I wonder how much of this is caused by the State not contributing according to the actuarial assumptions.

As I mentioned, I think the State is underfunding PERS with contract employees that do not meet the IRS test of independent contractors and by employing retired PERS members in long term temporary positions that would normally be filled with a PERS employee. The State does this because they have to in order to hire competent staff. Why shouldn't municipalities be allowed the same ability to manage?

I continue to argue against requiring a termination study, but if one is required all relevant facts need to be considered. Currently the methodology of the calculation is designed to deliver the highest possible termination cost.

I hope that you and your staff will recognize:

1. that .625 termination studies are making it difficult to manage staffing levels,
2. that application of the requirement discriminates against small municipalities even though their impact is immaterial, and
3. that enforcement is going to be costly and nearly impossible to do equitably.

With two auditors that have apparently only accomplished 12 field audits since 2003, it seems unlikely that the State is properly staffed to deal with the workload that this law imposes. Employers do not understand the requirements, do not consider the requirements or alternatives available to them when dealing with staffing changes, and consequently will often be out of compliance with the law.

In conclusion I reiterate that a simple requirement such as maintaining and enforcing the 2008 floor as the base salary amount on which PERS payments must be calculated will be equitable and easy to administer and enforce. Such a requirement will have minimal impact on the PERS compared to the cost of properly enforcing the current law.

Senator Paskvan's bill accomplishes this so I am in support of the bill.

If you have any questions of me I am available at your convenience.

PERS III:
The Termination Studies

Prepared By:
Michael E. Lamb, CPA, CGFM
Chief Financial Officer
Fairbanks North Star Borough
P.O. Box 71267
Fairbanks, AK 99707-1267
(907) 459-1370
(V6 – 11/12/2010)

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    3) Termination studies negatively impact our decision, and our ability to accept grants because of the potential future liability.
    4) As administered, there are no offsets taken into account for salary increases in one area, for decreases in other areas.
    5) Over time, more and more resources will go toward paying down the unfunded obligation than go to the delivery of services.
    6) An employer will pay more toward the unfunded obligation every pay period on positions that no longer exist than they will for existing paid positions.
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PERS Termination Studies

What Is The Issue?

PERS says: If you reduce your employee count because you made a decision to alter or suspend one of your programs or services, we just might send you three bills*. It doesn't matter to us (PERS) why the reduction occurred, nor, does it matter that you are a small employer that could end up having to reduce your programs and services because you owe us hundreds of thousands of dollars, to millions of dollars.

One bill we (PERS) will send you will be for the cost of doing a termination study. The second bill will be what the study says you owe the System, due to the employee change(s) you made. The big bill we'll send you, number three, is the one that may require you to pay the past service cost (PSC) on each position we said you needed to opt out of PERS. Just to be clear, you will be required to pay the PSC (currently 18.63%) on the salary(s) we said you needed to opt out until the unfunded obligation goes away, maybe 30 years from now.

The future financial stability of PERS employers, and their ability to efficiently and effectively manage the delivery of their programs and services, is being directly impacted and undermined by how PERS interprets 2 AAC 35.235.

What Employers Are Subject To The Termination Study Regulation?

All PERS employers: the State, boroughs, cities, school districts, and the university system. There are no statutory exclusions for any PERS employer. We are all -- subject to the negative compounding effect that the 2 AAC 35.235 imposes.

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* **2 AAC 35.235. Calculation of termination costs**: ***(a) An employer that proposes to terminate coverage of a department, group, or other classification of employees*** under AS 39.35.615 or 39.35.957, or terminate participation of the employer under AS 39.35.620 or 39.35.958, ***must have a termination study completed by the plan actuary*** to determine the actuarial cost to the employer for future benefits due employees whose coverage is terminated.
(b) In addition to the costs calculated in (a) ... the employer under AS 39.35.620 or 39.35.958, ***is required to pay to the plan until the past service liability of the plan is extinguished an amount calculated by applying the current past service rate adopted by the board to salaries of the terminated employees as required by AS 39.35.625*** (a). ***This payment shall be made each payroll period*** or the employer may enter into a payment plan acceptable to the administrator for each fiscal year.

What Is The Abbreviated History That Led To The Studies?

Due to a variety of historical circumstances and decisions, the PERS and TRS defined benefit systems evolved from being fully funded to being in a state of being billions of dollars underfunded.

The main questions became: Whose debt is it, and how will "we" pay the unfunded obligation down? Great consideration and weight were given the concepts of predictable, affordable, and stable rates.

In the end, the resolution embraced by all parties as acceptable (meaning most affected parties were equally unhappy), and generally incorporated into SB 125:

- set in law that the PERS system is a consolidated system,
- set in law that there would be a flat maximum PERS employer combined normal rate and past service cost rate of 22%,
- set in law that the State would pay the difference in the actuarially determined combined rate and the 22%,
- set in law that PERS employers would pay 22% on defined contribution (DC) salaries as well, with the difference between the 22% and specific DC benefits (approximately 10%) would go toward paying down the DB unfunded obligation,
- and set in law that the State would pay all of the past service cost rate for the TRS system.

If That Was The History, Then Why The Termination Studies?

The combined DB and DC salary base will be required to pay down the unfunded obligation, and sustain predictable, affordable, and stable employer rates. This understanding takes into account that over time the defined benefit (DB) salaries would decrease, due to the establishment of the defined contribution (DC) plan, PERS Tier IV.

Paying off the unfunded obligation is predicated upon a stable and a reasonably growing salary base. A concern at the time SB 125 was adopted was that PERS employers might en-masse elect to convert PERS salaried positions to contracted positions to avoid/reduce their PERS cost.

If enough employers made enough wholesale major changes in the way they deliver their programs and services by converting from a salary based labor force to contract based labor force, the salary base to pay off the PERS unfunded obligation would shrink. Shrinking the PERS salary base jeopardizes the ability to pay off the unfunded obligation.

How Did SB 125 Address The Salary Base Shrinkage Concern?

PERS employers pay 22% on the total of their current combined DB and DC salaries, ***or, pay the greater of 22% times the payroll period that ended on 6/30/08.*** This basically ***set the minimum contribution*** amount that a PERS employer would pay, once PERS converted to a consolidated system. ***This provision sets a future, per pay period, contribution floor for all PERS employers, and it was, and is, appropriate and fair. This provision deals with an employer's need to modify their programs!***

However, other language was added to deal with employers that might try to purposely reduce their benefit costs, and therefore, reduce their fair share contribution toward paying off the unfunded obligation.

So, The Concern Was A Shrinking Salary Base. Has It Shrunk?

No. ***In fact, it has grown steadily.*** The fear that employers would act in a manner that jeopardized payment of the unfunded obligation has not materialized. The table below clearly shows a strong salary base growth, not a decline.

PERS Defined Benefit Salaries Only (in thousands)									Defined Benefit and Defined Contribution Salaries		
Report Date	6/30/1999	6/30/2000	6/30/2001	6/30/2002	6/30/2003	6/30/2004	6/30/2005	6/30/2006	6/30/2007	6/30/2008	6/30/2009
FY Applies	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Total DB Salaries	1,283,549	1,321,480	1,360,401	1,402,686	1,460,783	1,472,987	1,586,891	1,676,318	1,689,969	1,657,186	1,662,781
Total DC Salaries									115,329	221,931	340,360
Salary Base That Pays Unfunded	1,283,549	1,321,480	1,360,401	1,402,686	1,460,783	1,472,987	1,586,891	1,676,318	1,805,298	1,879,117	2,003,141
Annual Increase over PY		37,931	38,921	42,285	58,097	12,204	113,904	89,427	128,980	73,819	124,024
Annual % Increase over PY		3.0%	2.9%	3.1%	4.1%	0.8%	7.7%	5.6%	7.7%	4.1%	6.6%
% Increase 6/30/06 - 6/30/09											19.5%

6/30/09 Salaries	2,003,141
FY 6/30/06 Salaries	1,676,318
Salary Growth	326,823
Divided By FY 6/30/06 Salaries	1,676,318
Equals % Growth	19.5%

Take note: The underlying fear that certain employers would shrink the salary base has simply not happened! ***The termination language was a solution to a problem that never materialized****, and it's not needed.* But even worse, the negative consequences, ***the additional charges and payments that result from what PERS interprets as being required from the termination language, were never contemplated or intended, and they are destructive***.

What Are Some Termination Study Fact Pattern Examples?

City of Ketchikan:

Terminated Position(s): Eight employees of Gateway Center for Human Services.

Positions(s) Funding Source: Grants, patient fees, and sales taxes.

Reason for Termination(s): In addition to reduced federal and state grant funding, the City Council determined that it was no longer appropriate for the City of Ketchikan to operate a health care clinic. The mental health and substance abuse treatment services offered by Gateway Center for Human Services were not typical local government services and the City was ill equipped to deliver the services in a cost effective and efficient manner.

Termination Cost:

1) $ 5,000 to Buck for the termination study,
2) 10,364 to the State for liability increase to the System
3) 2,235,421 = ($399,968/yr) x (18.63% PSC rate) x (30 years) = estimate

$ 2,250,785

Observations:

The City Council was forced to alter its services as a direct result of reductions in critical grant funding, and the questioned appropriateness of the City continuing this program. The loss of grant funding levels has led to a potential $2.3 million obligation. The City plans to divert resources, approximately $74,514/year, from its Hospital Sales Tax Fund to make the annual past service cost payments, thus negatively impacting future hospital funding and possibly other paid positions.

What about communities that rely on law enforcement grants, domestic violence grants, fire fighting grants, Homeland Security grants, education grants, etc.? Will entities need to stop accepting critical grants out of fear that the grant will end sometime in the future, and then, they'll have to pay benefits on salaries they no longer get grant funding for?

City of Craig:

Terminated Position(s): Five and a half employees were transferred to the City to staff the Craig Clinic, a primary health care clinic (2 DB and 3.5 DC employees).

Positions(s) Funding Source: Fees for services with shortfall covered by general government funds.

Reason for Termination(s): In 2000, the City of Craig assumed operation of a clinic. Two prior operators of the clinic had abruptly halted their operation of the clinic, citing the inability to collect revenues sufficient to cover their operating costs. The City Council directed staff to develop a plan to keep the clinic open.

Financially, the clinic was a mixed bag for the City of Craig. Some years revenues exceeded expenses, in other years expenses exceeded revenues. The trend for the past four years was one of operating losses. The City never wanted to be in the clinic business, and got out of it as soon as it could, while still ensuring that the service would continue to be available locally. In April, 2010, the City of Craig turned over operation of the clinic to a private non-profit corporation. The City is not paying the new clinic operator to run the clinic, nor is the operator paying the City to run the clinic.

Termination Cost:

1) $? to Buck for the termination studies
2) ? to the State for liability increase to the System
3) 2,065,694 = ($396,600/yr) x (18.63% PSC rate) x (30 years) = estimate $2,065,694 plus unknown study and termination liability costs

Observations: This was not a "municipal service" that was "contracted out" to the private sector, nor was this a service the City decided to contract out to avoid PERS costs. It was a medically necessary service that the City provided on a temporary basis between 2000 and 2010. In short, the clinic was an operation not suited for the City. For community based health and safety reasons, the City took over for a temporary period. Staff were not long term PERS participants, but a combination of Tier III and IV members, and therefore, the City could not have built up any huge obligation to the DB system for the two DB employees. But, the City is faced with possibly having to pay into the System over $2 million for those temporary clinic positions. Where will the funding come from? The PSC rate (18.63%) times 5.5 employees salaries ($68,756/year) equates to possibly terminating another employee in order to have enough funds to pay the System.

Other Issues for the City of Craig:

Not as a consequence of, but, at about the same time that the City stopped operating the Clinic, the City of Craig's EMS Coordinator applied for a transfer from the EMS Department to the Police Department, to work as a dispatcher. The City Administrator is considering refilling the EMS Coordinator position with a part time employee, rather than a full-time employee. He asked PERS staff if this transition, in their view, might also trigger some sort of payment to the PERS system. PERS staff stated that it might, and said they would need to make a determination on the matter.

City of Skagway:

Terminated Position(s): Single position, Fire Chief

Positions(s) Funding Source: General government funds

Reason for Termination(s): Skagway changed its Fire Chief position from paid to volunteer due to budget reasons. The fire department will have a paid administrator position instead. Extract from State e-mail: "As a volunteer, *the position is no longer eligible for PERS. Therefore, you must amend your participation agreement to exclude the Fire Chief." "Even if the Fire Chief position is vacant, the termination study must still be done."*

Termination Cost:

1) $ 2,500 to Buck for the termination study,
2) 17,470 to the State for liability increase to the System
3) 416,643 = ($74,547/yr) x (18.63% PSC rate) x (30 years) = estimate $436,613

- ***Observations:*** Here was a PERS employee that only worked for Skagway for 4.73 years. Skagway didn't even have this person employed long enough for this employee to become vested if the person had worked as a PERS employee only for Skagway. Yet, Skagway will have to pay huge sums in the future as though they were that person's sole PERS employer, and as if, the entire benefits due that employee were created during their years of service at Skagway; but that's not the case! Skagway's future payments will cover past service costs for other employers, costs that should be paid (under a single-agent, multiple employer system) by the other employer(s), not by Skagway. This was one of the very issues (one employer's decisions financially affecting another employer) that was the basis for going to a consolidated system. Extract from State e-mail: "Benefits due to terminated employees must be funded by the employer..." "In addition to this cost, you will continue to make contributions toward the unfunded liability for this position (Tiers I, II and III) each pay period by the amount determined by applying the past service rate times the salary of the individual you are removing, or the salary of the person that last held the position. The current past service rate is 18.19%. The past service rate changes every fiscal year."

Ketchikan Gateway Borough:

Terminated Position(s): Single position, Borough Manager

Positions(s) Funding Source: General government funds

Reason for Termination(s): 34+ year PERS employee that wanted to draw retirement. The Assembly wanted to keep the manager, so it changed the position from employee to contracted.

Termination Cost:

1) $ 2,500 to Buck for the termination study,
2) 12,392 to the State for liability increase to the System
3) 676,269 = ($121,000/yr) x (18.63% PSC rate) x (30 years) = estimate $691,161

Observations: Here was a PERS employee that only worked for the KGB for less than three years of their over 34 years in the System. For a little over 27 years the person was employed by the State. The employee and the employee's employers paid into the System four years beyond when that employee had reached 30 years of employment, able to retire with full benefits. This also means the employee did not draw on the System for over four years that they could have, had they retired at 30 years. And yet, KGB still owed money to the System for this person. KGB didn't even have this person employed long enough to vest, yet, it could possibly have to pay $700,000 into the System for this employee? It is interesting that although this person and the employers paid into the System for 34 years, KGB might have to pay into the System for another 30 years, and therefore the System will have received just under 65 years of contributions to fund this person's retirement! Something just does not seem right about this!!

City of Palmer:

Terminated Position(s): City Manager

Positions(s) Funding Source: General Fund

Reason for Termination(s): Change in managers with newly hired manager wishing to retain current retirement status.

Termination Cost:

1) $ 2,500 to Buck for the termination study,
2) 12,483 to the State for liability increase to the System
3) 582,212 = ($104,171/yr) x (18.63% PSC rate) x (30 years) = estimate

$ 597,195

Observations: The termination costs are based on the wages of the last individual holding the position being removed from PERS. In the City of Palmer's case, the former manager had approximately 17 years in the PERS system equally distributed between the State of Alaska, Fairbanks North Star Borough and the City of Palmer. The last employer is the entity with the financial burden even though only three years of service were provided to the City.

City of Cordova:

Terminated Position(s): Police Chief

Positions(s) Funding Source: General Fund

Reason for Termination(s): Change in Police Chief with new proposed Chief wishing to retain current retirement status. Previous Chief was employed for two years. Proposed new Chief is a retired State Trooper.

Termination Cost:

1) $?? to Buck for the termination study,
2) ?? to the State for liability increase to the System
3) 381,768 = ($68,307/yr) x (18.63% PSC rate) x (30 years) = est. $ 381,767 + one-time cost to be determined to PERS

Observations: The termination costs are based on the wages of the last individual holding the position being removed from PERS. In the City of Cordova's case, this individual came from Louisiana, had approximately two years in the PERS system, was not vested, and moved back to Louisiana. The City began a search and determined that the best candidate for the position was a retired State Trooper. The City had no knowledge of the changes in PERS rules and proceeded to ask the State what needed to be done to remove the Chief position from PERS. The City was informed about the changes in the process that includes the termination study and liability payments. The City was unable to fund those amounts, the City is currently operating with an Interim Chief (Temporary employee) while hoping the Legislature will remove the termination study and liability during the 2011 legislative session.

2 AAC 35.235 says that an employer ***"... must have a termination study completed by the plan actuary to determine the actuarial cost to the employer for future benefits due employees whose coverage is terminated."*** In this case, there is absolutely no additional cost to the PERS System as a result of the Louisiana individual's termination, yet the City is being charged anyway.

The result of the new PERS rule is that a highly qualified Alaska State Trooper can go to work in any other state without impact to his/her Alaska retirement, and without impact to his/her non-Alaska employer. However, if the Trooper wants to work in Alaska they must give up their retirement while working in Alaska, or their Alaska employer must pay excessive costs to PERS for a study and liability expense. The consequence of this is that the most qualified employees are being driven out of Alaska if they want to continue to work.

What Are Some Of The Unintended Termination Study Consequences?

1) Equitable and consistent application of the State's termination law does not seem to be occurring, nor likely can it ever occur given the uniqueness of all PERS employers' positions. A law like this that has such a material financial impact on PERS employers should at a minimum be able to be fairly, equitably, and consistently applied to all PERS employers. Looking at which entities have had termination studies done, and what drove those studies to be done, versus studies not done and the reasons behind them not being done, there is a clear and valid question as to is there really any equal treatment under the law?

How is the State complying with these termination laws, how has it applied the termination laws unto itself, as the administrator of the PERS System? You may also wonder: How many termination studies has the State had conducted on itself? When thinking about what the answer should be, keep in mind that the State is the largest PERS employer, with about 50% of the salary base, about $1 billion per year. Keep in mind that the State opens and closes offices all the time, and contracts out work which it cannot hire salaried staff to do. So again, how many studies? According to the State, none have been done for State positions! ***Further, according to the State, they don't even know how they'd administer the law, these regulations, unto themselves.***

Does it seem like an equitable and consistent application of the law when the entity that drafted the regulations, and has the largest salary base in the System, doesn't even apply the regulations to itself, and yet, it imposes them on others?

2) There is an inescapably inequitable impact to small PERS employers. This State law, or its application by PERS creates a clear and unconscionable inequitable impact on small PERS employers, versus larger PERS employers. Many smaller communities only have "one" employee for a program or service. If they lose a grant, or simply are faced with budget constraints and they have to cut a person, say a nurse in a school, they'd be required to have a termination study done, then pay all of the related costs because they actually cut a "function or a group." However, applying the law to a larger PERS employer that loses some grant money or is faced with budget constraints does not result in the same impact from the loss of the only nurse. The larger employer has more than one nurse, so they are not required to do a termination study.

So, the small employer gets financially punished with the requirement to opt that position (function/group of one) out of PERS. Then they get hit with all of the related termination costs that the large employer doesn't get. Even though they both paid, say, $50,000 a year for those nurse employees they had to lay off, one gets a bill for the

salaries they aren't paying, and the other one doesn't get a bill. Both are not paying an equal $50,000 into the PERS system!

Imagine now that the large employer cut five nurses and therefore, reduced by $250,000 the salary used to pay down the unfunded obligation. The small employer impacted the System by $50,000, the large employer by $250,000. No termination study or past service costs for the large employer, the small employer, they're (excuse the language) screwed. Going back to consequence #1 just made above, does this seem like a fair and equitable application of the law, or the intent of the law? Obviously, no. But worse, there is clearly not a fair and equitable financial impact on these two different employers for taking the exact same action, for the exact same reason, with the exact same impact on the System? The little PERS employer gets financially punished for taking the same action as the larger employer!

3) Termination studies negatively impact our decision, and our ability to accept grants because of the potential future liability. Grant funded positions may become subject to the termination studies, once the positions are terminated due to grant funding ending. Employers will find themselves paying the past service cost rate on former grant funded position salaries with other revenues. Essentially, if you accept a grant it is possible, depending upon the circumstances, that once those grant funded positions are ended that you'll need to use other dollars to pay the PSC on those former grant funded salaries that you're no longer paying. This will force diverting dollars from the actual delivery of other necessary services and programs to paying benefits on grant salaries no longer being paid until the unfunded obligation is gone. This result clearly raises the question of whether or not an entity should accept any grants that might have new positions attached to them. Look at the City of Ketchikan set of facts. Shall we talk about public safety grants, shall we talk about Homeland Security grants, shall we talk about Emergency Medical Services grants, shall we talk about air quality grants, shall we talk about, say ARRA grant funded positions at our schools and the university system?

4) As administered, there are no offsets taken into account for salary increases in one area, for decreases in other areas. In other words, the ability for entities to adjust their programs and services to meet their constituent's needs is negatively impacted. If an employer needs to cut in Area A, and add in Area B, that employer could find itself paying the PSC rate times the salary(s) it is no longer paying in Area A because it shifted its employees to Area B where there is more need, whether driven by local need or a mandate. An employer could keep/maintain the exact same salary base, but, by

stopping some service completely and simply moving those employees to an existing or a new service, they could get hit with a demand for a termination study as that group is no longer providing that program or service (such as your only EMS Coordinator going to the Police Department). As currently administered, the PERS program only really allows for an upwards spiraling increase in PERS salaries, and those total salary dollars will be subject to either the statutory 22%, or, the PSC rate on opted out salaries.

5) Over time, more and more resources will go toward paying down the unfunded obligation than go to the delivery of services such as fire protection, law enforcement, teaching, recreational services, landfill services, library services, flood control services, emergency response services, and the list goes on from here. Once you start shifting employee resources from one area of responsibility to another, you start a negative downward spiraling in your programs and services. If an employer, for example, lost their grant funding for a healthcare program that had 6 staff that averaged $50,000 per year, they could possibly have to cut another position to cover the termination costs. The math is: $50k x 6 employees x 18.63% PSC rate = $57k/year in past service costs on salaries no longer being paid. To get the $57k an employer could very well need to lay off another employee. Over time, there is a terrible compounding effect and an undermining of an entity's ability to deliver its programs and services.

6) An employer will pay more toward the unfunded obligation every pay period on positions that no longer exist than they will for existing paid positions. This is true because the rate set by statute is capped at 22%. The 22% first covers the current normal cost rate then the difference is applied to the unfunded obligation. The current (FY '11) normal cost rate is 9.33%, therefore, an employer pays 11.67% times the working employee's salary toward the unfunded obligation. This same employer is required to pay 18.63% times the salary of an employee they are no longer paying toward the unfunded obligation. That employer is paying almost 7% more for positions that no longer exist because of the unfunded obligation than it pays on salary dollars for existing positions.

7) Termination studies nullify the intent of SB 125 that employers pay the exact same rate. *"**INTENT.** It is the intent of this Act to change the public employees' retirement system to a cost-sharing plan and provide for one integrated system of accounting for all employers. Under the integrated system, the public employees' retirement system defined benefit plan's unfunded liability will be shared among all employers, and **each employer will pay a single, uniform contribution rate** of 22 percent.* It is clear that one result of these termination studies is

that different employers will in fact be paying different net rates, and therefore, there will not be a single uniform contribution rate for PERS employers. The adoption of SB 125 was based on the acknowledgement that we do not have a single-agent, multiple employer PERS system, but rather we have had a consolidated un-equitable cost share system. The intent of SB 125 was that all employers would pay the same exact rate. That cannot happen when each employer pays a different termination cost amount, or pays none at all.

8) Will "terminated" salaries pay a higher rate than that set in Statute? What happens to these "termination" payments when the PSC rate is greater than the 22% employer rate set out in Statute, which is projected to be the case for FY 2012?

Are There Things That We All Agree On?

Clearly, and absolutely, the answer is yes. We agree on most everything:

- We all agree that we want to see the unfunded obligation paid off.
- We all agree that the entire PERS salary base is needed to pay off the unfunded obligation, and that it must be sustained and have reasonable growth, which it has to the tune of about 19% since the floor was set.
- We all agree after looking at the history that PERS employers have been loyal to the System and have not made material and purposeful changes in the way they deliver their programs and services from employees to contracted persons.
- We all want and need predictable, affordable, and stable PERS rates.
- We all agree, given the PERS history, that PERS is a consolidated system, and we all need to share as fairly as is reasonably possible in paying off the unfunded obligation.
- We all agree that we want to effectively and efficiently as possible deliver our programs and services. But, we all want and need the ability to adjust our programs and services over time as deemed prudent and necessary, without adding the financial penalty that the termination studies thrust upon us.
- We all agree that the fear of a shrinking salary base has not materialized, and thus the termination studies are not needed.
- We all agree that our legislators, in struggling hard to come up with a fair and equitable solution to a problem that most of them didn't create; never envisioned, intended, nor wanted to see any inequitable financial damage nor any inequitable application of the termination studies law.

Remember: The Termination Language Was A Solution To A Problem That Never Materialized. It's Simply Not Needed!

PERS Defined Benefit Salaries Only (in thousands)									Defined Benefit and Defined Contribution Salaries		
Report Date	6/30/1999	6/30/2000	6/30/2001	6/30/2002	6/30/2003	6/30/2004	6/30/2005	6/30/2006	6/30/2007	6/30/2008	6/30/2009
FY Applies	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Total DB Salaries	1,283,549	1,321,480	1,360,401	1,402,686	1,460,783	1,472,987	1,586,891	1,676,318	1,689,969	1,657,186	1,662,781
Total DC Salaries									115,329	221,931	340,360
Salary Base That Pays Unfunded	1,283,549	1,321,480	1,360,401	1,402,686	1,460,783	1,472,987	1,586,891	1,676,318	1,805,298	1,879,117	2,003,141
Annual Increase over PY		37,931	38,921	42,285	58,097	12,204	113,904	89,427	128,980	73,819	124,024
Annual % Increase over PY		3.0%	2.9%	3.1%	4.1%	0.8%	7.7%	5.6%	7.7%	4.1%	6.6%
% Increase 6/30/06 - 6/30/09											19.5%

6/30/09 Salaries	2,003,141
FY 6/30/06 Salaries	1,676,318
Salary Growth	326,823
Divided By FY 6/30/06 Salaries	1,676,318
Equals % Growth	19.5%

What Should Be Done? What Does AML Support As A Solution?

1) AML supports a sustainable salary base to pay off the PERS unfunded obligations.
2) A.S. 39.35.625, that requires termination studies, and any other similar statutes or regulations, should be repealed.
3) Amending A.S. 39.35.255(a)(2) (***this is the 6/30/08 salary floor language***) to include inflation adjustment language will provide a more efficient, cost effective, and equitable method of ensuring that the required PERS salary base is maintained.
4) Talk with your legislators. They never wanted to harm our communities! Ask them to remove the termination language this legislative session.

Appendix

2 AAC 35.235. Calculation of termination costs (Impacts DB & DC employees, not just DB EE's)

(a) An employer that proposes to terminate coverage of a department, group, or other classification of employees under AS 39.35.615 or 39.35.957, or terminate participation of the employer under AS 39.35.620 or 39.35.958, ***must have a termination study completed by the plan actuary*** to determine the actuarial cost to the employer for future benefits due employees whose coverage is terminated. ***The employer shall pay the termination costs determined by the study*** either in a lump sum or under a payment plan acceptable to the administrator. ***The employer shall pay the cost of the study***.

(b) In addition to the costs calculated in (a) of this section, an employer that proposes to terminate coverage of a department, group, or other classification of employees under AS 39.35.615 or 39.35.957. or termination of participation of ***the employer*** under AS 39.35.620 or 39.35.958, ***is required to pay to the plan until the past service liability of the plan is extinguished an amount calculated by applying the current past service rate adopted by the board to salaries of the terminated employees as required by AS 39.35.625*** (a). This payment shall be made each payroll period or the employer may enter into a payment plan acceptable to the administrator for each fiscal year.

(c) Interest as provided under AS 39.35.610 (a) is applied to the termination costs if an employer defaults in the payments under (a) or (b) of this section.

History: Eff. 1/13/2010, Register 193

Authority:

AS 39.35.615 **Effect of termination by amendment of agreement** *(DB Plan)*

AS 39.35.620 **Termination of participation** *(DB Plan)*

AS 39.35.625 **Termination costs** *(DB Plan)*

(Note Extracted 39.35.625 Language: Termination costs not paid as prescribed by (a) of this section or in accordance with an approved payment plan may be collected by the administrator in accordance with AS 39.35.610(b).**)**

"INTENT. *It is the intent of this Act to change the public employees' retirement system to a cost-sharing plan and provide for one integrated system of accounting for all employers. Under the integrated system, the public employees' retirement system defined benefit plan's unfunded liability will be shared among all employers, and* ***each employer will pay a single, uniform contribution rate*** *of 22 percent. ...*

AS 39.35.957 **Designation of eligible employees, agreement to contribute, and amendment of participation** *(DC Plan)*

AS 39.35.958 **Termination of participation in the plan** *(DC Plan)*

Other Relevant Reference:

AS 39.35.610. Transmittal of contributions to administrator; claims against funds of an employer

(b) If contributions are not submitted within the prescribed time limit, the amount of contributions and interest due may be claimed by the administrator from any agency of the state or political subdivision that has in its possession funds of the employer or that is authorized to disburse funds to the employer that are not restricted by statute or appropriation to a specific purpose. ...

"Village with a Past, City with a Future"

210 Fidalgo Avenue, Kenai, Alaska 99611-7794
Telephone: (907) 283-7535 / FAX: (907) 283-3014
www.ci.kenai.ak.us

April 8, 2011

Senator Joe Paskvan
State of Alaska
State Capitol, Room 115
Juneau, AK 99801-1182

RE: ***RESOLUTION NO. 2011-27***
City of Kenai

Dear Senator Paskvan:

At its April 6, 2011 meeting, the Kenai City Council unanimously passed its Resolution No. 2011-27 supporting Senate Bill 100, which if passed, will end requirements for termination studies (in limited circumstances) for PERS employers who terminate some or all participation in the Public Employees' Retirement System of Alaska to pay termination costs as well as continue to pay the past service rate on the salaries of the terminated employees until the unfunded liability of the system is paid off.

A copy of Resolution No. 2011-27 is enclosed for your information and record.

If you have any questions with regard to the action taken by our City Council in supporting Senate Bill 100, please contact our offices.

CITY OF KENAI

Carol L. Freas

Carol L. Freas
City Clerk

clf
Enclosure
cc: Senator Tom Wagoner
Representative Mike Chenault
Representative Kurt Olson

Suggested by: Administration

CITY OF KENAI

RESOLUTION NO. 2011-27

A RESOLUTION OF THE COUNCIL OF THE CITY OF KENAI, ALASKA SUPPORTING SENATE BILL 100, WHICH WOULD END REQUIREMENTS FOR TERMINATION STUDIES IN LIMITED CIRCUMSTANCES.

WHEREAS, legislation passed by the State of Alaska in 2008 changed the Public Employee Retirement System (PERS) to a cost-sharing plan and established that municipalities and school districts would pay 22% of eligible payroll to PERS; and,

WHEREAS, after adopting regulations, the State of Alaska recently began enforcing provisions in State statutes which require employers that terminate a department, group or other classification (group) from participation in PERS to pay the costs determined by a termination study completed by the State's actuary as well as continue to pay the past service rate on the salaries of the terminated employees until the unfunded liability of the system is paid off; and,

WHEREAS, these costs can amount to hundreds of thousands of dollars even on a single position; and,

WHEREAS, in small municipalities a group is often made up of a single position, therefore small municipalities are impacted by these regulations far more often than larger municipalities; and,

WHEREAS, small municipalities are finding it difficult to make appropriate staffing decisions due to the substantial cost of termination studies and past service payments on terminated positions; and,

WHEREAS, the State of Alaska Department of Administration, Division of Retirement and Benefits has stated that a vacant position, if it constitutes a group, is the same as a group formally eliminated by amendment of the participation agreement with PERS; and,

WHEREAS, a single vacant position can subject the municipality or school district to large and unknown future liability even though there is no continuing salary for the position; and,

WHEREAS, municipalities are statutorily bound to make PERS contributions on no less than the June 30, 2008 salary base thus protecting other plan members from underpayment of the past service liability; and,

WHEREAS, PERS employers that terminate all participation would still be subject to termination costs and past service liability payments; and,

WHEREAS, recent enforcement of the regulations has put municipalities in the untenable position of not being able to properly manage staffing levels, which means not being able to deal with budget shortfalls and because the application of the regulations are so blatantly unfair to small municipalities.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF KENAI, ALASKA, supports passage of Senate Bill 100 which eliminates termination studies required by AS 39.35.625 and which makes other changes which protect the State of Alaska and other PERS employers from an employer that terminates coverage completely or reduces eligible payroll below the 2008 salary base.

PASSED BY THE COUNCIL OF THE CITY OF KENAI, ALASKA, this sixth day of April, 2011.

MIKE BOYLE, VICE MAYOR

ATTEST:

Carol L. Freas, City Clerk

217 Second Street, Suite 200 • Juneau, Alaska 99801
Tel (907) 586-1325 • Fax (907) 463-5480 • www.akml.org

ALASKA MUNICIPAL LEAGUE
RESOLUTION #2011-03

A RESOLUTION SUPPORTING A SUSTAINABLE SALARY BASE TO PAY OFF THE PERS UNFUNDED OBLIGATIONS AND REPEALING AS 39.35.625, A STATUTE REQUIRING TERMINATION STUDIES

WHEREAS, the Alaska State Legislature has helped Alaska's municipalities tremendously in adopting the 22% rate of salary to help fund the current costs and the unfunded liability of the PERS/TRS system; and

WHEREAS, AS 39.35.625 states that:

(a) Notwithstanding AS 39.35.255, an employer that terminates participation of a department, group, or other classification of employees in the plan, under AS 39.35.615 or that terminates participation in the plan under AS 39.35.620, shall pay to the plan each payroll period until the past service liability of the plan is extinguished, an amount calculated by applying the current past service contribution rate adopted by the board, to the greater of total base salaries paid.....
    (1) during the payroll period to employees in positions for which coverage has been terminated;
    (2) at the time of termination to employees in positions for which coverage has been terminated; or
    (3) during the corresponding payroll period for the fiscal year ending June 30, 2008, to employees in positions for which coverage has been terminated.

(b) Notwithstanding (a) of this section, the administrator may enter into a payment plan acceptable to the administrator for payment of an employer's liability for termination costs. Termination costs not paid as prescribed by (a) of this section, or in accordance with an approved payment plan, may be collected by the administrator in accordance with AS 39.35.610(b).

(c) An employer requesting termination of all participation in the plan, termination of participation in the plan of a department, group, or other classification of employees, or a payment plan for payment of termination costs, shall pay the cost associated with obtaining a termination cost study associated with the employer's termination; and

WHEREAS, the Alaska Municipal League believes that the above statute should be repealed, as it removes equitable and consistent application of state law; and

ALASKA MUNICIPAL LEAGUE

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WHEREAS, this application also creates an inequitable impact on small PERS employers versus larger PERS employers; and

WHEREAS, grant funded positions may become subject to termination studies, thus raising the question as to whether municipalities should accept grants that will entail personnel; and

WHEREAS, municipalities, in the future, will find themselves paying more towards the unfunded obligation every pay period for positions that no longer exist, than they will for existing and/or current positions.

NOW, THEREFORE BE IT RESOLVED that the Alaska Municipal League, while supporting a sustainable salary base to pay of the PERS unfunded obligation, believe that AS 39.35.625 and any other similar statutes or regulations that require termination studies, should be repealed.

BE IT FURTHER RESOLVED that the Alaska Municipal League urges the Legislature to amend AS 39.35.255(a)(2), with inflation adjustment language, to provide a more efficient, cost-effective and equitable method of ensuring that the required PERS salary base is maintained.

PASSED AND APPROVED by the Alaska Municipal League on this 19th day of November, 2010.

Signed: Hal Smalley
Hal Smalley, President, Alaska Municipal League

Attest: Kathie Wasserman
Kathie Wasserman, Executive Director, Alaska Municipal League

ALASKA GOVERNMENT
FINANCE OFFICERS ASSOCIATION

RESOLUTION NO. 11-01

A RESOLUTION OF THE ALASKA GOVERNMENT FINANCE OFFICERS ASSOCIATION SUPPORTING SENATE BILL 100 TO END REQUIREMENTS THAT EMPLOYERS WHO TERMINATE SOME OR ALL PARTICIPATION IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF ALASKA PAY TERMINATION COSTS, AND MAKING THE CHANGES RETROACTIVE

WHEREAS, the Alaska State Legislature, in SB 125, assisted Alaska's PERS employers tremendously by adopting the flat statutory 22% rate of salary to help fund current costs and the unfunded liability of the PERS system; and

WHEREAS, 2 AAC 35.235. Calculation of termination costs states: (a) An employer that proposes to terminate coverage of a department, group, or other classification of employees under AS 39.35.615 or 39.35.957, or terminate participation of the employer under AS 39.35.620 or 39.35.958, must have a termination study completed by the plan actuary to determine the actuarial cost to the employer for future benefits due employees whose coverage is terminated. And (b): In addition to the costs calculated in (a) ...the employer under AS 39.35.620 or 39.35.958, is required to pay to the plan until the past service liability of the plan is extinguished an amount calculated by applying the current past service rate adopted by the board to salaries of the terminated employees as required by AS 39.35.625 (a). This payment shall be made each payroll period or the employer may enter into a payment plan acceptable to the administrator for each fiscal year; and

WHEREAS, the above could potentially cost a PERS employer a great deal of expense for the reduction of even one employee position; and

WHEREAS, in small municipalities a group is often made up of a single position, therefore small municipalities are impacted by these regulations far more often than larger municipalities; and

WHEREAS, small municipalities are finding it difficult to make appropriate staffing decisions due to the substantial cost of termination studies and past service payments on terminated positions; and

WHEREAS, the future financial stability of PERS employers, and their ability to efficiently and effectively manage the delivery of their programs and services, is being directly and negatively impacted by 2 AAC 35.235; and

NOW, THEREFORE, BE IT RESOLVED, that the Alaska Government Finance Officers Association, while supporting the June 30, 2008 sustainable salary base to pay off the PERS unfunded obligation, supports the adoption and passage of Senate Bill 100.

DATED this 6th day of April, 2011

APPROVED:

Elizabeth Hartley, President
Alaska Government Finance Officers Association

ATTEST:

Walter Sapp, President Elect
Alaska Government Finance Officers Association

Presented By:
Mayor
Action Taken:
Yes 5 No Ø
Abstain Ø

CITY OF NOME, ALASKA

RESOLUTION NO. R-11-03-02

A RESOLUTION SUPPORTING A BILL TO END REQUIREMENTS THAT EMPLOYERS WHO TERMINATE SOME OR ALL PARTICIPATION IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF ALASKA PAY TERMINATION COSTS, AND MAKING THE CHANGES RETROACTIVE

WHEREAS, the Alaska State Legislature, in SB 125, helped Alaska's PERS employers tremendously by adopting the flat statutory 22% rate of salary to help fund current costs and the unfunded liability of the PERS system, and

WHEREAS, our legislators, in crafting SB 125 struggled hard to come up with a fair and equitable solution to a problem that most of them did not create. Further, in crafting SB 125, legislators never envisioned, intended, nor did they want to create any inequitable financial damage to any PERS member employer, nor negatively interfere with the current or future delivery of any member's services or programs because of SB 125, which the termination studies law does do, and

WHEREAS, 2 AAC 35.235. Calculation of termination costs states: (a) An employer that proposes to terminate coverage of a department, group, or other classification of employees under AS 39.35.615 or 39.35.957, or terminate participation of the employer under AS 39.35.620 or 39.35.958, **must have a termination study completed by the plan actuary** to determine the actuarial cost to the employer for future benefits due employees whose coverage is terminated. And (b): **In addition** to the costs calculated in (a) ...**the employer** under AS 39.35.620 or 39.35.958, **is**

required to pay to the plan until the past service liability of the plan is extinguished an amount calculated by applying the current past service rate adopted by the board to salaries of the terminated employees as required by AS 39.35.625 (a). This payment shall be made each payroll period or the employer may enter into a payment plan acceptable to the administrator for each fiscal year, and

WHEREAS, if a PERS employer reduces its employee count because it made a decision to alter or suspend one of its programs or services, per 2 AAC 35.235 PERS might send it three bills. The first bill will be for the cost of doing a termination study. The second bill will be what the study says you owe the System, due to the employee change(s) you made. The third bill, the big bill, is the one that will require the employer to pay the past service cost (PSC) on each position's salary PERS said needed to be opted out of PERS. The employer will be required to pay the PSC (currently 18.63%) on the salary(s) of the position(s) PERS said the employer needed to opt out, until the unfunded obligation is paid off, maybe 30 years from now. These three bills cumulatively can run from hundreds of thousands of dollars to several millions of dollars, and

WHEREAS, the underlying fear that certain employers would purposely act in a manner that jeopardized payment of the unfunded obligation, and thus shrink the salary base that pays off the unfunded obligations, has simply not happened. The total PERS salary base must be sustained and have reasonable growth, which it has to the tune of about 19% since the 6/30/2008 last pay period floor was set, and

WHEREAS, the future financial stability of PERS employers, and their ability to efficiently and effectively manage the delivery of their programs and services, is being directly impacted and undermined by 2 AAC 35.235, and

WHEREAS, equitable and consistent application of the State's termination law does not seem to be occurring, nor likely can it ever occur given the uniqueness of all PERS employers' positions. A law like this that has such a material financial impact on PERS employers should at a minimum be able to be fairly, equitably, and consistently applied to all PERS employers, yet the Division of Retirement and Benefits has taken the position that the State, with half of the PERS salary base is exempt from termination studies and their financial impacts, and

WHEREAS, there is an inescapably inequitable impact to small PERS employers. This State law, or its application by PERS creates a clear and unconscionable inequitable impact on small PERS employers, versus larger PERS employers. Many smaller communities only have "one" employee for a program or service. If they lose a grant, or simply are faced with budget constraints and they have to cut a person, say a nurse in a school, they'd be required to have a termination study done, then pay all of the related costs because they actually cut a "function or a group," and

WHEREAS, termination studies negatively impact our decision, and our ability to accept grants because of the potential future liability. Grant funded positions may become subject to the termination studies, once the positions are terminated due to grant funding ending. Employers will find themselves paying the past service cost rate on former grant funded position salaries with other revenues. Essentially, if an employer accepts a grant it is possible, depending upon the circumstances, that once those grant funded positions are ended that employer will need to use other dollars to pay the PSC on those former grant funded salaries that the employer is no longer paying, and

WHEREAS, there are no offsets taken into account for salary increases in one area, for decreases in other areas. In other words, the ability for entities to adjust their programs and services to meet their constituent's needs is negatively impacted. If an employer needs to cut in Area A, and add in Area B, that employer could find itself

paying the PSC rate times the salary(s) it is no longer paying in Area A because it shifted its employees to Area B where there is more need, whether driven by local need or a mandate, and

WHEREAS, over time, more and more resources will go toward paying for positions that no longer exist than go to the delivery of services such as fire protection, law enforcement, teaching, recreational services, landfill services, library services, flood control services, emergency response services, and the list goes on from here. Once you start shifting employee resources from one area of responsibility to another, you start a negative downward spiraling in your programs and services, and

WHEREAS, an employer will pay more toward the unfunded obligation every pay period on positions that no longer exist than they will for existing paid positions. This is true because the rate set by statute is capped at 22%. The 22% first covers the current normal cost rate then the difference is applied to the unfunded obligation. The current (FY '11) normal cost rate is 9.33%; therefore, an employer pays 11.67% times the working employee's salary toward the unfunded obligation. This same employer is required to pay 18.63% times the salary of an employee they are no longer paying toward the unfunded obligation. That employer is paying almost 7% more for positions that no longer exist because of the unfunded obligation than it pays on salary dollars for existing positions, and

WHEREAS, termination studies nullify the intent of SB 125 that employers pay the exact same rate. It is clear that one result of these termination studies is that different employers will in fact be paying different net rates, and therefore, there will not be a single uniform contribution rate for PERS employers. The adoption of SB 125 was based on the acknowledgement that we do not have a single-agent, multiple employer PERS system, but rather we have had a consolidated un-equitable cost share system. The intent of SB 125 was that all employers would pay the same exact rate. That

cannot happen when each employer pays a different termination cost amount, or pays none at all, and

WHEREAS, the ~~Borough~~ City supports a sustainable salary base to pay off the PERS unfunded obligations, and

WHEREAS, the termination language in SB 125 was a solution to a problem that never materialized, and it's not needed. The negative consequences, the additional charges and the payments that result from the termination language, were never contemplated or intended by the legislature, and they are destructive, and

WHEREAS, A.S. 39.35.625, that requires termination studies, and any other similar statutes or regulations, should be repealed.

NOW, THEREFORE, BE IT RESOLVED that the City of Nome while supporting a sustainable salary base to pay off the PERS unfunded obligation, believe that AS 39.35.625 and any other similar statutes or regulations that require termination studies, should be repealed and supports adoption and passage of a bill removing termination study requirements from the law.

PASSED AND **SIGNED** THIS 28TH DAY OF March, 2011.

DENISE MICHELS, Mayor

ATTEST:

CAMILLE TEN EYCK, Acting City Clerk

By: Luke Hopkins, Mayor
Introduced: 03/31/11
Adopted: 03/31/11

FAIRBANKS NORTH STAR BOROUGH

RESOLUTION NO. 2011 - 15

A RESOLUTION SUPPORTING A BILL TO END REQUIREMENTS THAT EMPLOYERS WHO TERMINATE SOME OR ALL PARTICIPATION IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF ALASKA PAY TERMINATION COSTS, AND MAKING THE CHANGES RETROACTIVE

WHEREAS, the Alaska State Legislature, in SB 125, helped Alaska's PERS employers tremendously by adopting the flat statutory 22% rate of salary to help fund current costs and the unfunded liability of the PERS system, and

WHEREAS, our legislators, in crafting SB 125 struggled hard to come up with a fair and equitable solution to a problem that most of them did not create. Further, in crafting SB 125, legislators never envisioned, intended, nor did they want to create any inequitable financial damage to any PERS member employer, nor negatively interfere with the current or future delivery of any member's services or programs because of SB 125, which the termination studies law does do, and

WHEREAS, 2 AAC 35.235. Calculation of termination costs states: (a) An employer that proposes to terminate coverage of a department, group, or other classification of employees under AS 39.35.615 or 39.35.957, or terminate participation of the employer under AS 39.35.620 or 39.35.958, **must have a termination study completed by the plan actuary** to determine the actuarial cost to the employer for future benefits due employees whose coverage is terminated. And (b): **In addition** to the costs calculated in (a) ...**the employer** under AS 39.35.620 or 39.35.958, **is required to pay to the plan until the past service liability of the plan is extinguished an amount calculated by applying the current past service rate adopted by the board to salaries of the terminated employees** as required by AS 39.35.625 (a). This payment shall be made each payroll period or the employer may enter into a payment plan acceptable to the administrator for each fiscal year, and

WHEREAS, if a PERS employer reduces its employee count because it made a decision to alter or suspend one of its programs or services, per 2 AAC 35.235 PERS might send it three bills. The first bill will be for the cost of doing a termination study. The second bill will be what the study says you owe the System, due to the employee change(s) you made. The third bill, the big bill, is the one that will require the employer to pay the past service cost (PSC) on each position's salary PERS said needed to be opted out of PERS. The employer will be required to pay the PSC (currently 18.63%) on the salary(s) of the position(s) PERS said the employer needed to opt out, until the unfunded obligation is paid

off, maybe 30 years from now. These three bills cumulatively can run from hundreds of thousands of dollars to several millions of dollars, and

WHEREAS, the underlying fear that certain employers would purposely act in a manner that jeopardized payment of the unfunded obligation, and thus shrink the salary base that pays off the unfunded obligations, has simply not happened. The total PERS salary base must be sustained and have reasonable growth, which it has to the tune of about 19% since the 6/30/2008 last pay period floor was set, and

WHEREAS, the future financial stability of PERS employers, and their ability to efficiently and effectively manage the delivery of their programs and services, is being directly impacted and undermined by 2 AAC 35.235, and

WHEREAS, equitable and consistent application of the State's termination law does not seem to be occurring, nor likely can it ever occur given the uniqueness of all PERS employers' positions. A law like this that has such a material financial impact on PERS employers should at a minimum be able to be fairly, equitably, and consistently applied to all PERS employers, yet the Division of Retirement and Benefits has taken the position that the State, with half of the PERS salary base is exempt from termination studies and their financial impacts, and

WHEREAS, there is an inescapably inequitable impact to small PERS employers. This State law, or its application by PERS creates a clear and unconscionable inequitable impact on small PERS employers, versus larger PERS employers. Many smaller communities only have "one" employee for a program or service. If they lose a grant, or simply are faced with budget constraints and they have to cut a person, say a nurse in a school, they'd be required to have a termination study done, then pay all of the related costs because they actually cut a "function or a group," and

WHEREAS, termination studies negatively impact our decision, and our ability to accept grants because of the potential future liability. Grant funded positions may become subject to the termination studies, once the positions are terminated due to grant funding ending. Employers will find themselves paying the past service cost rate on former grant funded position salaries with other revenues. Essentially, if an employer accepts a grant it is possible, depending upon the circumstances, that once those grant funded positions are ended that employer will need to use other dollars to pay the PSC on those former grant funded salaries that the employer is no longer paying, and

WHEREAS, there are no offsets taken into account for salary increases in one area, for decreases in other areas. In other words, the ability for entities to adjust their programs and services to meet their constituent's needs is negatively impacted. If an employer needs to cut in Area A, and add in Area B, that employer could find itself paying the PSC rate times the salary(s) it is no longer paying in Area A because it shifted its employees to Area B where there is more need, whether driven by local need or a mandate, and

WHEREAS, over time, more and more resources will go toward paying for positions that no longer exist than go to the delivery of services such as fire protection, law enforcement, teaching, recreational services, landfill services, library services, flood control services, emergency response services, and the list goes on from here. Once you start shifting employee resources from one area of responsibility to another, you start a negative downward spiraling in your programs and services, and

WHEREAS, an employer will pay more toward the unfunded obligation every pay period on positions that no longer exist than they will for existing paid positions. This is true because the rate set by statute is capped at 22%. The 22% first covers the current normal cost rate then the difference is applied to the unfunded obligation. The current (FY '11) normal cost rate is 9.33%; therefore, an employer pays 11.67% times the working employee's salary toward the unfunded obligation. This same employer is required to pay 18.63% times the salary of an employee they are no longer paying toward the unfunded obligation. That employer is paying almost 7% more for positions that no longer exist because of the unfunded obligation than it pays on salary dollars for existing positions, and

WHEREAS, termination studies nullify the intent of SB 125 that employers pay the exact same rate. It is clear that one result of these termination studies is that different employers will in fact be paying different net rates, and therefore, there will not be a single uniform contribution rate for PERS employers. The adoption of SB 125 was based on the acknowledgement that we do not have a single-agent, multiple employer PERS system, but rather we have had a consolidated un-equitable cost share system. The intent of SB 125 was that all employers would pay the same exact rate. That cannot happen when each employer pays a different termination cost amount, or pays none at all, and

WHEREAS, the Borough supports a sustainable salary base to pay off the PERS unfunded obligations, and

WHEREAS, the termination language in SB 125 was a solution to a problem that never materialized, and it's not needed. The negative consequences, the additional charges and the payments that result from the termination language, were never contemplated or intended by the legislature, and they are destructive, and

WHEREAS, A.S. 39.35.625, that requires termination studies, and any other similar statutes or regulations, should be repealed.

NOW, THEREFORE, BE IT RESOLVED that the Assembly of the Fairbanks North Star Borough while supporting a sustainable salary base to pay off the PERS unfunded obligation, believe that AS 39.35.625 and any other similar statutes or regulations that require termination studies, should be repealed and supports adoption and passage of a bill removing termination study requirements from the law.

PASSED AND APPROVED THIS 31 DAY OF March, 2011.

Joseph C. Blanchard II
Presiding Officer

ATTEST:

Mona Lisa Drexler, MMC
Municipal Borough Clerk

Ayes: Hutchison, Howard, Dukes, Want, Kassel, Musick, Blanchard II
Noes: None
Excused: Beck, Winters

DeLena Johnson
Mayor

Phone (907) 745-3271
Direct (907) 761-1317
Fax (907) 745-0930
Email dejohnson@palmerak.org

231 W. Evergreen Ave.
Palmer, Alaska 99645-6952
www.cityofpalmer.org

March 24, 2011

Senator Joe Paskvan
Alaska State Capitol, Room #115
Juneau, AK 99801

Dear Senator Paskvan:

As the Mayor of the City of Palmer, please accept the City's support for Senate Bill 100: An Act Relating to Employer Contributions to the Public Employees' Retirement System of Alaska; Relating to Requirements that Employers who Terminate Some or All Participation in the Public Employees' Retirement System of Alaska Pay Termination Costs; and Making the Changes Retroactive.

The City recognizes the work of previous legislators in crafting Senate Bill (SB) 125 and their efforts to find fair and equitable solutions concerning the unfunded PERS mandate and support the adoption of the flat statutory 22% rate of salary to fund current and unfunded costs. *However we do not support the unintended negative consequences of the language which has inflicted financial damage on PERS member employers and interfered with the current and future delivery of services of programs.*

For example, in 2010, the Palmer City Council began the recruitment process for a new city manager. After a lengthy process, the council hired the most qualified candidate, who happened to be a PERS retiree. We contacted the proper authorities and were told that the City must pay for and complete a termination study. We went through the study process and then received a bill for $2500 for the study and a $12,000 termination fee. Additionally, we are required to pay 18.63% of the Manager's salary into PERS each pay period for the position for the entire time that the position was opted out of PERS and/or until the unfunded obligation was paid.

Without questioning the costs, we accepted the process and moved forward. However, in a blatant attempt to interfere with our delivery of services, now PERS has contacted us regarding long standing contracts with our contracted service providers. PERS maintains that the City is attempting to avoid paying PERS costs through the contracts. We simply are not.

City of Palmer

We understand the underlying concern that some municipalities, in an effort to thwart the system, eliminate PERS positions to avoid paying the related PERS costs, thus reducing the overall salary base. However, this simply has not happened. The PERS salary base has had a 19% growth since June 30, 2008.

The current law assumes government administration always expands. When restructuring a department or cutting personnel budget, our city retains an ongoing PERS liability for each position, even the eliminated positions, for an estimated 30 years.

The language in SB 125 takes away our ability to run our City in a manner in which we see fit. The language limits our ability to adjust our programs and services to meet our resident's needs.

The City of Palmer encourages your support of SB 100 and requests that the Bill, as written, remain intact because we believe it rectifies the unintended consequences. Thank you for your assistance in this matter.

Kind regards,

DeLena Johnson

City of Palmer

CITY OF FAIRBANKS

Jerry Cleworth, Mayor

800 CUSHMAN STREET
FAIRBANKS, ALASKA 99701-4615
OFFICE: 907-459-6793
FAX: 907-459-6787
jcleworth@ci.fairbanks.ak.us

March 25, 2011

Honorable Interior Delegates of the Alaska State Legislature –

Senator John Coghill	Representative Alan Dick	Representative Eric Feige
Representative David Guttenberg	Representative Scott Kawasaki	Senator Albert Kookesh
Representative Bob Miller	Senator Joe Paskvan	Senator Joe Thomas
Representative Steve Thompson	Representative Tammie Wilson	

Re: Support for Senate Bill 100

Dear Honorable Legislators:

Over the past decade, the State Legislature and Administration took the initiative to tackle the PERS liability in a variety of ways, including a complete revamping of the system by passage of SB 125 in 2008 and successful litigation against the prior system actuary. Dramatic changes have been made, all with the goal of eventually reducing the PERS future liability.

Senate Bill 100 fine tunes part of the remodeling process. It recognizes that municipalities may need to eliminate particular programs or shift emphasis from one function to another so long as overall PERS payroll does not drop below the June 30, 2008 level. I recognize that there are divergent points of view regarding the PERS structure. Fixing this small issue is prudent and independent of the larger debates.

I am introducing a Resolution in support of SB 100 at the April 11th City Council meeting.

Thank you for your work on this and the many other difficult issues facing our state.

Sincerely,

Mayor Jerry Cleworth

CITY OF SAINT PAUL
P.O. BOX 901
ST. PAUL ISLAND, ALASKA
99660-0901
(907) 546-3121 Finance Dept.
(907) 546-3110 Administration
(907) 546-2331 General Mail Box
FAX (907) 546-3199
ALT FAX (907) 546-3112

E-Mail: stpaulak@hotmail.com

March 28, 2011

SENT VIA EMAIL TO: Sen.Joe.Paskvan@legis.state.ak.us

Senator Joe Paskvan
Alaska State Capitol, Room #115
Juneau, Alaska 99801

Dear Senator Paskvan:

It is my understanding that Senate Bill No. 100 will come up for discussion tomorrow. I would like to extend the City's of Saint Paul's overwhelming support of this bill as it stands; unchanged and unaltered.

I keep this letter short to avoid any confusion on our position.

Sincerely,

THE CITY OF SAINT PAUL

Linda Snow
City Manager

City of Ketchikan

March 29, 2011

Honorable Dennis Egan
State Capitol, Room 510
Juneau, AK 99811-1182
Fax: 907-465-2108

Honorable Joe Paskvan
State Capitol, Room 24
Juneau, AK 99811-1182
Fax: 907-465-4714

RE: Senate Bill 100 – PERS Termination Costs

Dear Senators Egan and Paskvan:

Please be advised that the City of Ketchikan would like to go on record as being in support of Senate Bill 100.

Since the adoption of Senate Bill 125, the City has been required to undertake two PERS termination studies to address PERS termination costs arising from the spin-off of its mental health and substance abuse clinic and the potential sale of its telecommunications utility. In May 2010, the City transferred the operations of its mental health and substance abuse clinic to another entity better suited to serve the patients of the clinic. The City was required to pay $5,000 for a termination study, $10,364 in termination costs at the time of the transfer and $89,852 in past service costs for the remaining eight months of 2010. Under current statutes, the City will be required to pay approximately $136,000 annually for the past service cost of the 13 employees who were terminated for the next 25-30 years. The City has identified a buyer for its telecommunications utility but has yet to reach an agreement.

The City believes that the current statutory requirements for the determination and payment of termination and past service costs affects the future financial stability of municipal governments and their ability to efficiently and effectively manage the delivery of their programs and services. It also appears that the statutes are not being applied in an equitable and consistent manner. The City believes that the current law is seriously flawed and that SB 100 is a good faith effort to correct the deficiencies and provide a reasonable basis for addressing the costs associated with the sound management of the municipal labor force.

334 Front Street / Ketchikan, AK 99901 / PH: 907-225-3111 / FX: 907-225-5075

We thank you for bringing this bill forth for consideration by the Alaska State Legislature and hope that it will receive the support that it deserves.

Sincerely,

Robert E. Newell, Jr., CPA
Finance Director

Cc: Karl R. Amylon, City Manager

CITY OF WASILLA

Finance Department
290 East Herning Avenue
Wasilla, Alaska 99654-7091
Phone (907) 373-9080 Fax (907) 373-9085

March 29, 2011

To: The Alaska Legislature
Senate Labor & Commerce

Re: SB100 – PERS Termination Study

To whom this may concern:

The City of Wasilla is most troubled by the ridiculous unmanageable and most unaffordable onset of the PERS Termination Study has caused.

Limited type funding, such as grants or donations can produce excellent opportunities for municipalities to create jobs and produce additional quality of life service to its local residents and surrounding population. When the funding ceases to exist (at no fault of the municipality), the municipality is FORCED into notifying PERS, which triggers a termination study. This costs between $12,000 to $15,000, (which is never budgeted and must come from the municipalities fund balances) just for the study. Then ADD an additional 18.96% (current rate) of the individual's past service cost in perpetuity. This amount can be extremely unbearable by a municipality. Additionally PERS ultimately controls the when, how, and who a municipality can hire or programs a municipality may administer. Municipalities will be forced NOT to accept funds whereby funding may be impaired. This will result in lost jobs and municipalities using current resources to provide better quality of life services to its residents.

What is additionally troublesome to this municipality is when our questions have arisen and contact is made to the R&B office, R&B is unable to answer the questions and we are redirected to the Department of Law for a determination. If the office managing the system can't answer the questions, how are the municipalities suppose to manage its ongoing programs? How is this system going to get the unfunded liability PERS has resolved? It won't! How is this system helping Alaska create jobs and attract new hires to government service? It won't!

The City of Wasilla urges this committee and the entire Alaska Legislature to remove this termination study implication.

Sincerely,

Troy Tankersley
Director of Finance

ALASKA MUNICIPAL LEAGUE
Alaska Conference of Mayors

217 Second Street, Suite 200 • Juneau, Alaska 99801
Tel (907) 586-1325 • Fax (907) 463-5480 • www.akml.org

March 14, 2012

Honorable Governor Sean Parnell
State Capitol Building
Juneau, Alaska 99801

Dear Governor Parnell,

The Alaska Municipal League has been working with your administration and the Legislature on changes that have affected municipalities through the PERS system. I am writing to you in hopes that you will consider our suggestions which will allow us to retain our ability to manage our municipalities in a more efficient and effective manner.

Back in 2007, SB 125 and SB 141 were written and passed in order to attempt to "stop the bleeding" with regards to the PERS/TRS liability. To simplify, three methods ended up being imposed on municipalities in order to help pay off that liability;

1. PERS municipalities are required to pay 22% of salary which is credited to the present costs and the past service liability.
2. The State recorded all 2008 base salaries, with the provision that any PERS employer who did not meet the 2008 floor would be charged 22% on the shortfall amount between the current base salary and the 2008 floor.
3. When a group or classification is removed from the base salary, that removal would trigger a termination study which would determine the financial impact to the system. This liability would be paid, as well as the past service rate on the salary of the eliminated position, by the employer, until the entire PERS unfunded liability is paid off.

Most municipalities appreciate the fact that their PERS rate is capped at 22%, even though this is a huge cost for them. They also agree that one employer should not be able to "manipulate" the system and avoid paying their fair share of the liability by substantially reducing their payroll through contracting or some other means. Although nobody anticipated the number of employers (51) that would today have salaries that are less than the 2008 floor, that provision is a reasonable part of the deal.

The requirement that greatly concerns us is #3 above, which only happens when an entire group or classification of employees is eliminated. This circumstance rarely occurs in a medium or large municipality. Unfortunately, it happens with some frequency in small municipalities and school districts because of the small staff size. Often, there is a single position that represents a group or classification in a small municipality. Elimination of a receptionist position due to budgetary shortfalls results in the whole termination study requirement, the payment of the resultant liability, and payment of the past service rate on a position which is now eliminated for a period of decades, until the total unfunded liability is paid

off. Elimination of grant funded positions due to termination of the grant results in the same process and even a greater impact since funding for the program came from outside sources, but the payment of these PERS liabilities will come from general fund resources.

I believe this is an unintended consequence of the law. It simply doesn't make sense that a small municipality can be severely impacted by the elimination of a single position, yet a large employer could eliminate many positions with no additional PERS costs, as long as a single member of a group or classification is left. The impact on the PERS would be much greater in this large employer example, yet they are not required to pay for a termination study or pay the past service rate on the eliminated positions unless their total salary fell below the 2008 floor.

For the small municipality, it is conceivable that by eliminating a single position, their total salary would also drop below the 2008 floor. In which case they would have to pay the termination study costs and make contributions based on the 2008 floor rather than the current salary base.

Paying the shortfall from the 2008 floor accomplishes what we think was the intent of SB 125. We don't, however, feel that everyone was aware of the ramifications of also imposing termination studies and applicable charges. With municipalities being charged termination costs and making PERS contributions on eliminated positions for decades in the future, it has taken away the ability of Alaska's municipalities to manage their work force, contain costs, or to make necessary changes to their organizational structure.

Due to the sharp downturn to the U.S. economy, and due to grant funding that has disappeared, most municipalities are faced with cutting either staff or services (or both). It is now possible to cost a municipality more to cut costs through downsizing staff than it is to leave programs they cannot afford, in place. This is a crazy way to manage!

The municipalities of AML are asking that the State of Alaska seriously look at the implications of municipality's responsiblity for both the 2008 floor shortfall and termination studies and the costs imposed on local governments. We believe that SB 100, which eliminates the requirement for termination studies, is a reasonable solution and we would be happy to work with anyone from your Administration to help solve this difficult problem.

Sincerely,

Kathie Wasserman
Executive Director

cc: Mike Barnhill
Jim Puckett
Senate Finance
Sen. Paskvan

Employers Affected by Salary Floor Bills
FY2009 - FY2011

ALASKA GATEWAY SD
ALEUTIAN REGION SD
ALEUTIANS EAST BOROUGH
ALEUTIANS WEST CRSA
ANCHORAGE COMMUNITY DEVELOP AUTHORITY
BARANOF ISLAND HA
CHATHAM SD
CITY OF ALLAKAKET
CITY OF ANDERSON
CITY OF CRAIG
CITY OF DILLINGHAM
CITY OF GALENA
CITY OF HUSLIA
CITY OF KALTAG
CITY OF KOTZEBUE
CITY OF MEKORYUK
CITY OF NOORVIK
CITY OF PELICAN
CITY OF QUINHAGAK
CITY OF SAINT GEORGE
CITY OF SAND POINT
CITY OF SHAKTOOLIK
CITY OF TANANA
CITY OF THORNE BAY
CITY OF UPPER KALSKAG
CITY OF WHITTIER
COPPER RIVER SD
CORDOVA COMMUNITY MEDICAL CENTER
DENALI BOROUGH SD
DILLINGHAM CITY SD
HYDABURG CITY SD
IDITAROD AREA SD
ILISAGVIK COLLEGE
INTERIOR RHA
KAKE CITY SD
LAKE AND PENINSULA BOROUGH
LAKE AND PENINSULA BOROUGH SD
NOME CITY SD
NOME JOINT UTILITY SYSTEM
NORTH PACIFIC RIM HA
PELICAN CITY SD
PRIBILOF SD
SAXMAN SEAPORT
SKAGWAY CITY SD
SOUTHWEST REGION SD
SPECIAL EDUCATION SERVICE AGENCY
TAGIUGMIULLU NUNAMIULLU HOUSING AUTHORIT
TANANA SD
UNIVERSITY OF ALASKA
WRANGELL PUBLIC SD
YUPIIT SD

Prepared by Division of Retirement and Benefits,
Keith Hermann, Accountant IV, 465-5718

SB 101

<TARGET><BILL>SB 101</BILL><SUBJECT>SB 101</SUBJECT><COMM>SFIN27</COMM></TARGET>

Senator Joe Paskvan

Alaska State Senate • District E • Fairbanks • Ft Wainwright

Sponsor Statement
Senate Bill 101: Entity Transactions Act

Senate Bill 101 conforms to the Uniform Law Commissioners' Model Entity Transaction Act (META). If implemented in the State of Alaska, this legislation will help facilitate transactions between more than one form of entity, improve the existing business climate in Alaska, and help reduce unnecessary administrative and legal burdens currently imposed on Alaska companies.

During the past twenty years many new types of business entities – including limited liability companies, limited liability partnerships, and limited liability limited partnerships – have been recognized under state law. As a result of the proliferation of new entity forms, many businesses now utilize various types of entities in their organizational structures. The relaxation of federal tax rules governing entity classification has led to an increase in the volume of restructuring and acquisition transactions by and among the various types of entity forms.

Because of the lack of clear statutory authority allowing transactions between more than one form of entity, these transactions have often required the use of multiple indirect steps, as opposed to a single transaction.

Senate Bill 101 will offer new statutory authority to permit cross-entity transactions in order to remain responsive to the needs of Alaskan companies and should be enacted in order to allow Alaska businesses the opportunity to engage in cross-entity transactions.

Adopting SB 101 will be an important step towards bringing Alaska more into the mainstream of statutory business law.

I urge your support of this legislation.

In Juneau:
State Capitol, Juneau, AK 99801
(907) 465-3709 Office • (907) 465-4714 Fax

senator_joe_paskvan@legis.state.ak.us

In Fairbanks:
1292 Sadler Way, Ste. 308 Fairbanks, AK 99701
(907) 451-4347 Office • (907) 451-4348 Fax

SENATE FINANCE COMMITTEE REPORT

DATE: 4/1/11

FURTHER:

DATE TURNED IN TO OFFICE: 4/11/11

Finance Committee considered SENATE BILL NO. 101

SB 101-ENTITY TRANSACTIONS ACT

"An Act adopting the Alaska Entity Transactions Act; relating to changing the form of entities, including corporations, partnerships, limited liability companies, business trusts, and other organizations; amending Rule 79, Alaska Rules of Civil Procedure, and Rules 602(b)(2), 602(c), and 605.5, Alaska Rules of Appellate Procedure; and providing for an effective date."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
CED			X	1

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	THOMAS	✓			
	EGAN	✓			
	OLSON			✓	
	ELLIS	✓			
CO-CHAIR:		✓			
CO-CHAIR:		✓			

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 101
(S) Publish Date: 4/1/11

Identifier (file name): SB101-CCED-CBPL-03-14-11
Dept. Affected: DCCED

Title: An Act adopting the Alaska Entity Transactions Act
Appropriation: Corporations, Business and Professional Licensing
Allocation: Corporations, Business and Professional Licensing

Sponsor: Senator Paskvan
Requester: Senate Judiciary
OMB Component Number: 2360

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial Version

Prepared by: Don Habeger, Director — Phone: 465-2536
Division: Corporations, Business and Professional Licensing — Date/Time: 3/18/11 9:00 AM
Approved by: Susan K. Bell, Commissioner — Date: 3/18/2011
Commerce, Community, and Economic Development

(Revised 1/27/2011 OMB)

FISCAL NOTE #1

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 101

Analysis

The financial impact to the Division for implementing the Alaska Entity Transaction Act (Act) is nominal.

Two states have adopted the Model Entity Transaction Act, Kansas and Idaho. Kansas was not able to provide statistics regarding how many entities have Merged, Converted, Domesticated, or Interest Exchanged in accordance with the Act. Idaho adopted the Act in July of 2007 and has had 196 entities take advantage of the Act.

The filings generated by the Act with be easily absorbed into the staff's normal document processing duties and no additional staff would be required. The Division receives a combined average of 200 regular mergers and conversions annually so a few more will have no impact.

Regulations for fees will need to be established. This should not be costly or time consuming since the fee language used throughout current regulations is adequate to establish fees for the Act.

LEGAL SERVICES

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

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

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

MEMORANDUM March 30, 2011

SUBJECT: Corrected sectional summary of SB 101 relating to the Alaska Entity Transactions Act (Work Order No. 27-LS0437\A)

TO: Senator Joe Paskvan
Attn: Jeff Stepp

FROM: Theresa Bannister
Legislative Counsel

This sectional summary corrects a citation in the sectional summary of the above-described bill sent to you on March 24, 2011. For sec. 1 of the bill, the citation in parentheses should be changed to AS 06.26.670. No correction is needed for the bill itself.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. In this sectional summary, "new chapter" or "chapter" means the Alaska Entity Transactions Act to be numbered AS 10.55, and "department" means the Department of Commerce, Community, and Economic Development. Please be aware that many terms in the new chapter are defined at the end of the new chapter.

Section 1. Conforming change (AS 06.26.670 repealed).

Section 2. Adds two sections to the article on organic change in AS 10.06, the for-profit corporations chapter. Sec. 10.06.595 allows, with exceptions, corporations to enter into mergers, interest exchanges, conversions, or domestications under the new chapter (the Alaska Entity Transactions Act). States that specific provisions do not apply to certain transactions covered by the new chapter. Sec. 10.06.600 defines terms for the article to conform to the application of the new chapter.

Section 3. Conforming and editorial change (AS 10.15.450 repealed).

Section 4. Adds AS 10.20.285 as a new section in the nonprofit corporations chapter to state that a corporation may, under the new chapter, enter into mergers, interest exchanges, conversions, and domestications that are not covered by certain sections of the nonprofit corporations chapter.

Section 5. Adds AS 10.30.058 as a new section in the chapter on cemetery organizations to state that cemetery associations and nonprofit cemetery corporations may enter into mergers, interest exchanges, conversions, and domestications under the new chapter.

Section 6. Adds a new section to the chapter on religious corporations (AS 10.40) to state that a corporation formed under AS 10.40 may enter into mergers, interest exchanges, conversions, and domestications under the new chapter.

Section 7. Amends AS 10.45.240, a section of the professional corporations chapter, to state that the provision in the state's for-profit corporations code relating to entering into mergers, interest exchanges, conversions, and domestications under the new chapter applies to professional corporations.

Section 8. Adds a new section to the limited liability company chapter to state that a limited liability company may, under the new chapter, enter into mergers, interest exchanges, conversions, and domestications that are not covered by certain sections of the limited liability company chapter.

Section 9. Conforming change (AS 10.50.570 has been repealed).

Section 10. Adds definitions to AS 10.50, the chapter on limited liability companies, conforming to the application of the new chapter.

Section 11. Adds the new chapter containing the Alaska Entity Transactions Act.

Sec. 10.55.103. Indicates how the new chapter relates to other laws, including principles of law and equity.

Sec. 10.55.104. Requires entities to satisfy certain governmental notice or approval requirements for mergers when involved in an interest exchange, conversion, or domestication. Addresses the diversion of property held for charitable purposes.

Sec. 10.55.105. Includes a filing under the chapter in an entity's public record.

Sec. 10.55.106. Provides that achieving a result under the new chapter does not prevent achieving the same result under another law.

Sec. 10.55.107. Allows a transaction plan (under certain conditions) to refer to facts that can be found outside the plan, even if the facts are not within the control of a party to the transaction.

Sec. 10.55.108. States that approval of a transaction by the unanimous vote or consent of an entity's interest holders satisfies the chapter's transaction approval requirements, unless, for a domestic entity, the organic law or organic rules state otherwise.

Sec. 10.55.109. Addresses when dissenters' rights are available to an interest holder. As a default provision, states that the interest holder may use the procedures under AS 10.06.576.

Sec. 10.55.110. Lists the entities that may not take part in a transaction under the chapter. Includes, among others, financial institutions and insurers.

Sec. 10.55.120. Requires that the name that a domestic entity takes under this chapter comply with certain requirements.

Sec. 10.55.201. Provides the general authorization for mergers. Lists certain excluded transactions.

Sec. 10.55.202. States that a domestic entity may become a party to a merger by approving a plan of merger. States what the plan must contain and allows it to contain any other provision not prohibited by law.

Sec. 10.55.203. States that a plan of merger is not effective unless it has been approved. Describes what approval is required.

Sec. 10.55.204. Describes how a plan merger for a domestic merging entity may be amended. Allows the plan to be abandoned and states how this may be done, depending on whether the statement of merger has become effective or been filed.

Sec. 10.55.205. Requires a statement of merger to be signed and filed with the department. Identifies what the statement of merger must contain and allows it to contain any other provision not prohibited by law. Requires, if a domestic entity is the surviving entity, that the surviving entity's public organic document satisfy this state's requirements, with certain exceptions. Allows a signed plan of merger with the required contents to be filed with the department instead of a statement of merger and to have the same effect as a statement of merger. States when the statement of merger becomes effective.

Sec. 10.55.206. Lists the effects of a merger on the entities involved. States, with exceptions, that a merger does not give the rights that an interest holder, governor, or third party would otherwise have when there is a dissolution, liquidation, or winding up. Addresses interest holder liability when a merger becomes effective. For foreign entities that are the surviving entities, allows for service of process on the entity regarding liabilities and provides for appointment of the department as the entity's agent for the service of process. When a merger becomes effective, cancels the foreign qualification of a foreign merging entity that is not the surviving entity.

Sec. 10.55.301. Provides the general authorization for a domestic or foreign entity to acquire the interests of other entities or for its interests to be acquired by other entities. Conditions the foreign entity's authorization on the authorization of the foreign entity's

jurisdiction or organization. Provides a special interest exchange rule for certain protected agreements that have domestic entity merger provisions but no interest exchange provisions. Excludes certain share exchanges under AS 10.06 (the for-profit corporations code).

Sec. 10.55.302. States that a domestic entity may be an acquired entity in an interest exchange by approving an interest exchange plan. States what the plan must contain and allows it to contain any other provision not prohibited by law.

Sec. 10.55.303. States that a plan of interest exchange is not effective unless it has been approved. Describes what approval is required.

Sec. 10.55.304. Describes how an interest exchange plan for a domestic acquired entity may be amended. Allows the plan to be abandoned and states how this may be done, depending on whether the statement of interest exchange has become effective or been filed.

Sec. 10.55.305. Requires a statement of interest exchange to be signed and filed with the department. Identifies what the statement of interest exchange must contain and allows it to contain any other provision not prohibited by law. Allows, for a domestic acquired entity, a signed plan of interest exchange with the required contents to be filed with the department instead of a statement of interest exchange and to have the same effect as a statement of interest exchange. States when the statement of interest exchange becomes effective.

Sec. 10.55.306. Lists the effects of an interest exchange on the entities involved. States, with exceptions, that an interest exchange does not give the rights that an interest holder, governor, or third party would otherwise have when there is a dissolution, liquidation, or winding up. Addresses interest holder liability.

Sec. 10.55.401. Provides the general authorization for conversion of domestic and foreign entities. Conditions the conversion authorization of foreign entities to the law of the foreign jurisdiction. Provides a special rule for certain protected agreements that have domestic entity merger provisions but no conversion provisions.

Sec. 10.55.402. States that a domestic entity may convert to a different type of entity by approving a plan of conversion. States what the plan must contain and allows it to contain any other provision not prohibited by law.

Sec. 10.55.403. States that a plan of conversion is not effective unless it has been approved. Describes what approval is required.

Sec. 10.55.404. Describes how a plan of conversion may be amended. Allows the plan to be abandoned and states how this may be done, depending on whether the statement of conversion has become effective or been filed. Indicates what the statement of

abandonment must contain when done after a statement of conversion is filed but the filing is not yet effective.

Sec. 10.55.405. Requires a statement of conversion to be signed and filed with the department. Identifies what the statement of conversion must contain and allows it to contain any other provision not prohibited by law. Requires, if the converted entity is a domestic entity, the entity's public organic document to satisfy this state's requirements, with certain exceptions. Allows, for a domestic converting entity, a signed plan of conversion with the required contents to be filed with the department instead of a statement of conversion and to have the same effect as a statement of conversion. States when a statement of conversion becomes effective.

Sec. 10.55.406. Lists the effects of a conversion on the entities involved. States, with exceptions, that a conversion does not give the rights that an interest holder, governor, or third party would otherwise have when there is a dissolution, liquidation, or winding up. Addresses interest holder liability. Provides that a foreign entity that is the converted entity may be served with process in this state regarding liabilities and appoints the commissioner as the agent to receive the process. Provides that the foreign qualification of a converting entity that is a qualified foreign entity is cancelled when the conversion becomes effective. Provides that a conversion does not require an entity to wind up its affairs and does not constitute or cause a dissolution of the entity.

Sec. 10.55.501. Provides the general authorization for a domestic entity to become a foreign entity of the same type, if the law of the foreign jurisdiction authorizes the domestication. Provides the general authorization for a foreign entity to become a domestic entity of the same type in this state, if the law of the foreign jurisdiction authorizes the domestication. Provides a special rule for certain protected agreements that have merger provisions relating to domestic entities but no domestication provisions.

Sec. 10.55.502. States that a domestic entity may become a foreign entity in a domestication by approving a plan of domestication. States what the plan must contain and allows it to contain any other provision not prohibited by law.

Sec. 10.55.503. States that a plan of domestication is not effective unless it has been approved. Describes what approval is required.

Sec. 10.55.504. Describes how a plan of domestication of a domestic entity may be amended. Allows the plan to be abandoned and states how this may be done, depending on whether the statement of conversion has become effective or been filed. Indicates what the statement of abandonment must contain after the statement of conversion has been filed.

Sec. 10.55.505. Requires a statement of domestication to be signed and filed with the department. Identifies what the statement of domestication must contain and allows it to contain any other provision not prohibited by law. Requires, if the domesticated entity is

a domestic entity, the entity's public organic document to satisfy this state's requirements, with certain exceptions. Allows, for a domestic domesticating entity, a signed plan of domestication with the required contents to be filed with the department instead of a statement of domestication and to have the same effect as a statement of domestication. States when a statement of domestication becomes effective.

Sec. 10.55.506. Lists the effects of a domestication for the entities involved. States, with exceptions, that a domestication does not give the rights that an interest holder, governor, or third party would otherwise have when there is a dissolution, liquidation, or winding up. Addresses interest holder liability. Provides that a foreign entity that is the domesticated entity may be served with process in this state regarding liabilities and appoints the commissioner as the agent to receive process. Provides that the foreign qualification of a domesticating entity that is a qualified foreign entity is cancelled upon domestication. Provides that a domestication does not require an entity to wind up its affairs and does not constitute or cause a dissolution.

Sec. 10.55.601. States the requirements for a document to meet in order to be entitled to be filed by the department under this chapter. Requires payment, or arrangement for payment, of the filing fee and any other required tax, license fee, or penalty.

Sec. 10.55.602. Allows the department to establish and furnish non-mandatory forms for the documents filed under this chapter.

Sec. 10.55.603. Directs the department to collect fees for being served with process, for copying documents, for certifying documents, and for filing documents under this chapter. Directs the department to establish the amount of the fees by regulation.

Sec. 10.55.604. Establishes when a document accepted for filing becomes effective.

Sec. 10.55.605. Allows an entity to correct a filed document under certain circumstances. Indicates how to make the correction. States when the correction is effective.

Sec. 10.55.606. Directs the department to file eligible documents. Indicates how the department is to file a document. Addresses the situation when the department refuses to file a document. Describes the department filing duty as ministerial and as not affecting the validity of the document or the correctness of the information in the document, and as not creating a presumption of validity, invalidity, or information correctness or incorrectness.

Sec. 10.55.607. Allows an appeal if the department refuses to file a document. Allows the court's decision to be appealed as in other civil proceedings.

Sec. 10.55.608. Provides that a department certificate (delivered with a copy of the filed document) conclusively establishes that the original is on file.

Sec. 10.55.609. Establishes a criminal penalty for signing a document knowing it is false for delivery to the department.

Sec. 10.55.610. Allows the department to submit interrogatories (formal questions) to an entity that is a party to a transaction to determine if the entity has complied with the chapter. Indicates when the answers are due and establishes certain criteria for the answers, including who is to answer the questions. Allows a court petition to be filed about the due date, modification, or setting aside of the questions.

Sec. 10.55.615. Establishes that the questions requested by the department and the answers are confidential. Establishes when the department may disclose information from them.

Sec. 10.55.620. Establishes a criminal penalty for failing to answer interrogatories from the department. Allows the department to delay or base its filing of a document on receiving proper answers and on the information in the answers.

Sec. 10.55.625. Gives the department the necessary power to implement the chapter.

Sec. 10.55.701. Requires that, when applying and construing this chapter, consideration must be given to promoting consistency among enacting states.

Sec. 10.55.702. Indicates how the chapter relates to the Electronic Signatures in Global and National Commerce Act.

Sec. 10.55.901. Defines terms for the new chapter.

Sec. 10.55.902. Gives the new chapter a short title: Alaska Entity Transactions Act.

Section 12. Amends a section in the partnership chapter to create an exception for the new chapter relating to the consent required to become a partner.

Section 13. Amends a section in the partnership chapter to create an exception for the new chapter that relates to a partner's transferable interest. States that a partner's interest is personal property, whether or not transferable.

Section 14. Conforming change (AS 32.06.902, 32.06.903, and 32.06.904 are repealed).

Section 15. Conforming change (AS 32.06.902, 32.06.903, and 32.06.904 are repealed).

Section 16. Amends the partnership chapter to remove the ability of a partnership to merge with a limited partnership under that chapter.

Section 17. Amends the partnership chapter to conform merger plans to the change in bill section 16.

Section 18. Amends the partnership chapter to conform the merger approval requirements to the change in bill section 16.

Section 19. Amends the partnership chapter to provide that a merger between a partnership and another form of entity is covered by the new chapter.

Section 20. Amends the partnership chapter to conform the provisions about the effect of a merger to the change in bill section 16.

Section 21. Amends the partnership chapter to conform the statement of merger to the change in bill section 16.

Section 22. Conforming change (AS 32.06.902, 32.06.903, and 32.06.904 are repealed). Deletes reference to AS 32.06.908. States that partnerships or limited partnerships may enter into mergers, interest exchanges, conversions, and domestications under the new chapter or in any other manner provided by law.

Section 23. Adds a definition of "domestic limited liability partnership."

Section 24. Adds definitions to the partnership chapter.

Section 25. Adds a provision allowing for amending a limited partnership certificate by filing a plan of merger, interest exchange, conversion, or domestication under the new chapter.

Section 26. Amends the limited partnership chapter to state that a partner's interest is personal property, whether or not the interest is transferable.

Section 27. Amends the limited partnership chapter to require that a limited partnership keep at its office a copy of any statement of merger, interest exchange, conversion, or domestication filed under the new chapter.

Section 28. Amends the limited partnership chapter to remove conversions from the application of the partnership chapter (AS 32.06) and to make the application of AS 32.06 to cases not covered by the limited partnership chapter subject to the new chapter.

Section 29. Amends the limited partnership chapter to change the definition of "limited partnership" to exclude certain entities and to limit the term to entities under the chapter.

Section 30. Repeals certain statutes.

Section 31. Describes how certain changes in the bill make indirect court rule amendments.

Section 32. Allows the department to get started on regulations for the Act.

Section 33. Provides a saving clause for actions and proceedings that are begun, or rights that have accrued, before the bill's effective date.

Section 34. Makes bill section 32 go into effect immediately.

Section 35. Gives the bill, except as provided in sec. 34, an effective date of July 1, 2013.

If I may be of further assistance, please advise.

TLB:plm:
11-195.plm

Sherman & Howard L.L.C.

ATTORNEYS & COUNSELORS AT LAW
633 SEVENTEENTH STREET, SUITE 3000
DENVER, COLORADO 80202
TELEPHONE: (303) 297-2900
FAX: (303) 298-0940
OFFICES IN: COLORADO SPRINGS
RENO • LAS VEGAS • PHOENIX • SCOTTSDALE
ST. LOUIS • VAIL • STEAMBOAT

Memorandum

To: Senator Joe Paskvan, Chair, Senate labor and Commerce Committee

From: Steve Miller, Sherman & Howard L.L.C.

Date: October 26, 2009

Re: Update of Alaska Business Statutes

BACKGROUND

During the past twenty years many new types of business entities – including limited liability companies, limited liability partnerships, and limited liability limited partnerships – have been recognized under state law. As a result of the proliferation of new entity forms, many businesses now utilize various types of entities in their organizational structures. The relaxation of federal tax rules governing entity classification has led to an increase in the volume of restructuring and acquisition transactions by and among the various types of entity forms. These transactions have often required the use of multiple indirect steps, as opposed to a single transaction, because of the lack of clear statutory authority allowing transactions between more than one form of entity.

Many states have addressed this need by providing new legislation to facilitate transactions between more than one form of entity. Some states have added provisions in their individual entity laws to authorize entities organized under each law to convert to other forms of entities or to allow mergers between entity forms. For example, Delaware has adopted separate provisions in both its General Corporation Law and its Limited Liability Company Act that, functioning together, allow a merger between a corporation and a limited liability company. See DEL. CODE ANN. tit. 8, §§ 263,264 (2008) (corporations), DEL. CODE ANN. tit. 6, §§ 18-209 (2008) (limited liability companies). Other states have taken a more comprehensive approach and have chosen to enact new statutes that address cross-entity mergers and conversions in one act and central location. These statutes, known as "junction box" statutes, contain provisions allowing all types of corporate and unincorporated entities to engage in mergers, conversions,

and, in some cases, interest exchanges and domestication transactions. See ALA. CODE §§I 10-15-1 to -7 (2007); COLO. REV. STAT. ANN. §§ 7-90-101 to -604 (West 2008).

ALASKA LAW

As noted above, many states have adopted new or amended existing provisions to facilitate transactions between different entity forms. While states have taken varying approaches to inter-entity transactions, virtually all states have addressed certain types of transactions. In fact, Alaska is the ***only*** state that does not authorize a limited liability company to merge with another form of entity.

Currently Alaska law authorizes only the following mergers, consolidations and conversions:

- two or more domestic corporations may merge, Alaska Stat. § 10.06.530;
- one or more foreign corporations and one or more domestic corporations may be merged or consolidated, or participate in an exchange, Alaska Stat. § 10.06.562;
- a limited liability company may merge or consolidate with or into a limited liability company or a foreign limited liability company, Alaska Stat. § 10.50.500;
- any other entity may convert to a limited liability company, Alaska Stat. § 10.50.570;
- any other entity may convert to a limited partnership, Alaska Stat. § 32.11.095; and
- a partnership may be merged with one or more partnerships or limited partnerships. Alaska Stat. § 32.06.905.

As a result of the limited provisions governing inter-entity transactions, Alaska businesses are required to complete restructuring transactions in two or three indirect steps rather than directly in a single transaction. For example, an Alaska limited liability company cannot merge directly into an Alaska corporation. Nevertheless, a similar result can be obtained by (i) forming a foreign limited liability company; (ii) merging the Alaska limited liability company with and into the foreign limited liability company; (iii) converting the surviving entity of the merger, the foreign limited liability company, into a foreign corporation pursuant to the provisions of that state's business laws; and (iv) merging the foreign corporation with and into an Alaska corporation. Likewise, an Alaska limited liability company could be converted into an Alaska corporation through the use of foreign entities to facilitate the conversion.

While it may be theoretically possible to attain many of the same results accomplished by a comprehensive inter-entity merger or conversion statute without having such a statute

available, it is certainly much more efficient and economical to accomplish inter-entity transactions in a single step. As noted by the National Conference of Commissioners on Uniform State Laws ("NCCUSL") in connection with the adoption of the Model Entity Transactions Act (discussed infra):

> The problem with mergers, conversions, interest exchanges and changing the location of entities is that an entity involved may have to be dissolved to accomplish the desired end. This means technically winding down the business, satisfying creditors and interest holders in the wind down, and potentially incurring adverse tax consequences. This is a burden when the objective is not to dissolve the business but to continue it in another form or another location. The hazards of the process are many and very costly. A statute that allows these events to occur without dissolving at least one of the entities involved will increase efficiency and lower costs . . . Cross-entity transactions should be available.

Model Entity Transactions Act Summary, (2007), at http://www.nccusl.org/Update/ActSearchResults.aspx. Adopting new legislation in Alaska to facilitate transactions between more than one form of entity would improve the existing business climate in Alaska and help reduce unnecessary administrative and legal burdens currently imposed on Alaska companies.

MODEL & STATE LAW PROVISIONS

Both NCCUSL and the American Bar Association ("ABA") have undertaken efforts in recent years to facilitate transactions between entities. NCCUSL included provisions permitting entities to engage in mergers with other entity forms and authorizing the conversion of one form of entity to another in the Uniform Limited Liability Company Act (1996 and 2006), Uniform Limited Cooperative Association Act (2007), Uniform Partnership Act (1997) and Uniform Limited Partnership Act (2001). Similarly, the ABA amended the Model Business Corporation Act in 1999 to authorize mergers between corporations and other forms of entities, and again in 2002 to authorize the conversion of entities into and out of the corporate form. Unlike a junction box statute, which applies to transactions between multiple entities, each of these statutes only apply if an entity of the type formed under the statute is a party to the transaction.

Given the inherent limitations in the acts previously adopted, NCUSSL and the ABA set out to draft a comprehensive junction box statute that would allow differing forms of entities to merge with each other or convert to other entity forms. The Model Entity Transactions Act ("META"), the most recent version of which is attached to this memorandum as Appendix A, originally was adopted by NCCUSL and the ABA in 2004 and provides a comprehensive statutory framework that addresses all varieties of cross-entity transactions. Under META, all types of corporate and unincorporated organizations may engage in mergers, conversions, interest exchanges (essentially a triangular merger accomplished without the use of a transitory

third party), and domestications (a transaction in which an existing entity moves is jurisdiction of organization to another state while still retaining whatever form it had before the domestication).

Implementation of META or a similar junction box statute would require conforming amendments and repeals to Alaska's existing business statutes. Appendix 2 of META provides a guide for analyzing existing statutes to determine which statutes should be amended or repealed and whether additional provisions should be added. As noted in Appendix 2, two goals should be paramount in deciding how to approach revisions to existing state laws: "(1) avoiding any potential inconsistency between META's provisions and similar provisions in the state's entity statutes; and (2) making the interplay between META and the state's various entity laws relatively easy to navigate." Model Entity Transactions Act, Appendix 2, (2007), at http://www.nccusl.org/Update/ActSearchResults.aspx. The appendix sets forth four separate approaches to achieving this cohesion. The simplest method would likely be to be limit existing Alaska entity laws to "same-type transactions". This approach would likely require the least amount of alterations to existing Alaska entity laws, as few amendments should be necessary for entity laws that do not have any cross-type merger provisions. Id. At 91.

Some states have found it useful to expand the coverage of their junction box statutes beyond inter-form mergers and conversions to include administrative matters such as entity names, registered agent, effects of dissolution, filings with the filing officer and treatment of foreign entities. These statutes seek to coordinate the non-substantive rules applicable to differing organizational forms, where appropriate, into a comprehensive junction box statute in order to eliminate inadvertent differences that may be set forth in existing entity laws. For instance, "where one statute speaks of a sixty-day grace period for filing a corrective report while another speaks of a two-month period, most would agree that it makes sense to coordinate the provisions..." Robert R. Keatinge, Plumbing and Other Transitional Issues. 58 Bus. Law 1051, 1058 (2003).

Although Alaska's need to act is greatest in the area of inter-entity mergers and conversions, it may be prudent to undertake efforts to coordinate the administrative rules governing Alaska business organizations in connection with any proposed legislation. Attached as Appendix B is a copy of Colorado's Corporations and Associations Act, COLO. REV. STAT. ANN. §§ 7-90-101 to -604. The Corporations and Associations Act is an example of a comprehensive junction box statute that addresses both inter-entity mergers and conversions and administrative matters such as filings, annual reports, entity names and registered agents. As with the adoption of META, implementation of a more comprehensive junction box statute would require a thorough analysis of the overall existing statutory framework in Alaska and could require significant amendments to existing state law.

RECOMMENDATIONS & CONCLUSION

Alaska is in need of new statutory authority to permit cross-entity transactions in order to remain responsive to the needs of Alaskan companies. While Alaska could adopt a patchwork of legislative amendments to its existing entity laws, adoption of a comprehensive junction box statute would help to avoid inconsistencies and conflicts between existing statutes. META is a general statute that is designed to fit with any state's existing entity laws and should be enacted

in an appropriate form in Alaska in order to allow Alaska businesses the opportunity to engage in cross-entity transactions. Adopting META, or enacting similar provisions adopted by other states, would be an important step towards bringing Alaska more into the mainstream of statutory business law.

Uniform Law Commission
The National Conference of Commissioners on Uniform State Laws
Contact Us: **312.450.6600**

Entity Transactions Act Summary

The Uniform Law Commissioners have provided unincorporated organization law to the states since the first Uniform Partnership Act in 1914. The current portfolio of uniform acts on unincorporated organizations includes the Uniform Partnership Act (1997), the Uniform Limited Partnership Act (2001), the Uniform Limited Liability Company Act (1996) and the Uniform Unincorporated Nonprofit Organization Act (1996). Corporate law has been the focus of the American Bar Association for at least 50 years. It is responsible for the Model Business Corporation Act and the Model Not-for-Profit Corporation Act. It also prepared a Prototype Limited Liability Company Act. Partnerships, limited partnerships, limited liability partnerships, limited liability limited partnerships, limited liability companies and corporations are the basic entities under American law (business trusts and cooperatives are also growing in importance) that provide the means to aggregate capital, and limit liability where applicable, along with the structure to organize an enterprise, whether it is for profit or nonprofit.

All of this uniform and model act work has made American law particularly efficient for entrepreneurs. Anyone who establishes and develops a business has choices available for the entity that may be chosen to do business. As a business grows, these options also allow for some changes in form and location of the entity chosen. For example, a small enterprise that chooses to be a partnership initially has the opportunity to reorganize as a corporation when the business is big enough to want the advantage of the corporate form. Not-for-profit activities also have a greater array of organizational forms, now including the limited liability company and the limited partnership along with the not-for-profit corporation. American law is particularly flexible and responsive to the needs of both the for-profit and the not-for-profit sectors. American business organization law is the envy of the rest of the world for this reason.

However, more can be done. There is no comprehensive statutory framework for changing entity form, whether for merger of entities, conversion of one entity to another, exchanging interests to merge businesses without merging the entities (called an interest exchange), or for changing the location of the entity (called a domestication). The newest uniform acts on limited liability companies and limited partnerships have limited provisions. The Model Business Corporation Act has been modified to do some of these kinds of transactions. The comprehensive effort had not been done until the Model Entity Transactions Act (META), promulgated by the Uniform Law Commissioners and the American Bar Association in 2004.

The Uniform Law Commissioners and the American Bar Association have a long relationship going back to the founding of the Commissioners. Every drafting committee the Commissioners authorize to work on an act has advisors from the American Bar Association. However, in this instance the need to draw together corporate law with the law of unincorporated organizations, meant a more formal joint relationship was necessary. META is a product of this joint relationship.

The problem with mergers, conversions, interest exchanges and changing the location of entities is that an entity involved may have to be dissolved to accomplish the desired end. This means technically winding down the business, satisfying creditors and interest holders in the winding down, and potentially incurring adverse tax consequences. This is a burden when the objective is not to dissolve the business but to continue it in another form or another location. The hazards of the process are many and very costly. A statute that allows these events to occur without dissolving at least one of the entities involved will increase efficiency and lower costs. A general statute, not limited in scope to less than all of the kinds of entities commonly involved in these transactions, is highly desirable. Cross-entity transactions should be available. That statute should also be one that can be fit with the existing entity law in a state so that it is not necessary to repeal all the existing entity law to accomplish the objective. META is the general statute that is designed to fit in with a state's existing entity law to accomplish the objective.

META governs the course of four kinds of transactions: merger of one entity with another, conversion of an entity to another kind of entity, an interest exchange between two entities so that one of them is controlled by the other without actually merging the two entities and the domestication of an entity originally organized in one state in another state. A merger occurs when one entity acquires another entity and the result is a single entity composed of both the original entities. A conversion occurs when one kind of entity converts to another kind, i.e., a limited liability company converts into a business corporation. An interest exchange occurs when interest holders transfer their interests in one entity to another for interests in the second entity. For example, the holders of all interests in a limited partnership transfer their interests to a corporation in return for shares of stock in the corporation. A domestication occurs when an entity formed under the laws of one state becomes an entity formed in another state, extinguishing its entity status in the first state. The articles of META essentially provide the procedures to accomplish each of these transactions.

META authorizes each of these kinds of transactions. It authorizes different entities to merge, i.e., a corporation may merge with a limited partnership. It authorizes a partnership to convert to a limited liability company. An interest swap may occur between a limited partnership and a limited liability company. A corporation may change its place of organization from one state to another. These are examples of the kinds of transactions authorized. They can occur between an entity in one state and a foreign entity formed originally in another state, providing that the law of the foreign state permits such a transaction.

In each kind of transaction, there must be a plan that is approved by the interest holders in the entities. The plan generally describes the transaction and its effect in detail. Approval of the plan proceeds according to the organic statute and rules that govern the pre-existing entities, or if none, by unanimous consent of all interest holders. If, for example, a partnership agreement governing a limited partnership provides for consent of partners to one of the kinds of transactions subject to META, the agreement would be the organic rules that would determine the approval of the plan. Otherwise all the partners would have to consent.

Once a plan is approved, a statement relevant to the transaction must be filed in the office in a state in which entity statements or charters are normally filed. The filing puts the transaction and the identity of the entity that survives in public records. That entity becomes the entity with the capacity to do business and it has the applicable liability shield from that time onward.

The objective in these procedures is to make sure that no interest is extinguished in the process of any of the transactions under META, whether a merger, conversion, interest exchange or domestication. This is true for an interest holder such as a shareholder in a corporation or holder of a partnership interest. It is also true for creditor interests that pre-existed the given transaction. The point of the procedures is to end with an entity that continues the business of those entities it succeeds without extinguishing obligations incurred by these entities in a seamless, nondisruptive transfer.

There are a few exclusions from META. If mergers in a state are already governed by the merger provisions in a state's enactment of a uniform or model act, META will not apply or displace those provisions. The same is true for interest exchanges when a state has the Model Business Corporation Act. Not all entities will necessarily be governed by META. There are special corporations, for example, that should not be included, depending upon their status in a state. META allows for them to be specifically excluded.

META is a model act, not a uniform act, although several of the acts affected are uniform acts. Although there is some uniformity in entity law, i.e., partnership law, it is not true across the full spectrum of entity law. This means that using META from state to state is likely to mean much adaptation of META provisions. The effect of utilizing META may have the impact of introducing more uniformity of law relating to entities from state to state, but use of its language in a uniform way cannot be expected.

Business organization law and the law relating to not-for-profit organizations has been much refurbished, updated and improved in the 30 years preceding 2004, the year of META. Development has been dynamic and good for economic function in the entire United States. META adds another element to this dynamic progression of law relating to these entities. It is good for business and not-for-profit ventures alike. It should be studied, adapted and enacted in every state as soon as practicable.

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Uniform Law Commission

The National Conference of Commissioners on Uniform State Laws

Contact Us: **312.450.6600**

Legislative Fact Sheet - Entity Transactions Act

Act	Entity Transactions Act
Origin	Completed by the National Conference of Commissioners on Uniform State Laws in 2005.
Description	This act will allow conversion of one kind of business organization to another, or the merger of two or more business organizations into one organization.
Endorsements	
Enactments	District of Columbia, Idaho, Kansas
2011 Introductions	Alaska, Connecticut

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Model Entity Transactions Act

According to the Uniform Law Commissioners (ULC), anyone who establishes and develops a business in America has choices available for the entity that may be chosen to do business. As a business grows, these options also allow for some changes in form and location of the entity chosen. For example, a small enterprise that chooses to be a partnership initially has the opportunity to reorganize as a corporation when the business is big enough to want the advantage of the corporate form. Not-for-profit activities also have a greater array of organizational forms, now including the limited liability company and the limited partnership along with the not-for-profit corporation. American law is particularly flexible and responsive to the needs of both the for-profit and the not-for-profit sectors.

However, until recently, there was no comprehensive statutory framework for changing entity form, whether for merger of entities, conversion of one entity to another, exchanging interests to merge businesses without merging the entities (called an interest exchange), or for changing the location of the entity (called a domestication). The problem with mergers, conversions, interest exchanges and changing the location of entities is that an entity involved may have to be dissolved to accomplish the desired end. This means technically winding down the business, satisfying creditors and interest holders in the winding down, and potentially incurring adverse tax consequences. This is a burden when the objective is not to dissolve the business but to continue it in another form or another location. The hazards of the process are many and very costly. A statute that allows these events to occur without dissolving at least one of the entities involved will increase efficiency and lower costs. A general statute, not limited in scope to less than all of the kinds of entities commonly involved in these transactions, is highly desirable. Cross-entity transactions should be available. That statute should also be one that can be fit with the existing entity law in a state so that it is not necessary to repeal all the existing entity law to accomplish the objective. The ULC/American Bar Association Model Entity Transaction Act (META) is a general statute that is designed to fit with a state's existing entity law to accomplish the objective.

META governs four kinds of transactions: *merger* of one entity with another, *conversion* of an entity to another kind of entity, an *interest exchange* between two entities so that one of them is controlled by the other without actually merging the two entities and the *domestication* of an entity originally organized in one state in another state. A merger occurs when one entity acquires another entity and the result is a single entity composed of both the original entities. A conversion occurs when one kind of entity converts to another kind, i.e., a limited liability company converts into a business corporation. An interest exchange occurs when interest holders transfer their interests in one entity to another for interests in the second entity. For example, the holders of all interests in a limited partnership transfer their interests to a corporation in return for shares of stock in the corporation. A domestication occurs when an entity formed under the laws of one state becomes an entity formed in another state, extinguishing its entity status in the first state. The articles of META essentially provide the procedures to accomplish each of these transactions.

META authorizes each of these kinds of transactions. It authorizes different entities to merge, i.e., a corporation may merge with a limited partnership. It authorizes a partnership to convert to a limited liability company. An interest swap may occur between a limited partnership and a limited liability company. A corporation may change its place of organization from one state to another. These are examples of the kinds of transactions authorized. They can occur between an entity in one state and a foreign entity formed originally in another state, providing that the law of the foreign state permits such a transaction.

In each kind of transaction, there must be a plan that is approved by the interest holders in the entities. The plan generally describes the transaction and its effect in detail. Approval of the plan proceeds according to the organic statute and rules that govern the pre-existing entities, or if none, by unanimous consent of all interest holders. If, for example, a partnership agreement governing a limited partnership provides for consent of partners to one of the kinds of transactions subject to META, the agreement would be the organic rules that would determine the approval of the plan. Otherwise all the partners would have to consent.

Once a plan is approved, a statement relevant to the transaction must be filed in the office in a state in which entity statements or charters are normally filed. The filing puts the transaction and the identity of the entity that survives in public records. That entity becomes the entity with the capacity to do business and it has the applicable liability shield from that time onward.

The objective in these procedures is to make sure that no interest is extinguished in the process of any of the transactions under META, whether a merger, conversion, interest exchange or domestication. This is true for an interest holder such as a shareholder in a corporation or holder of a partnership interest. It is also true for creditor interests that pre-existed the given transaction. The point of the procedures is to end with an entity that continues the business of those entities it succeeds without extinguishing obligations incurred by these entities in a seamless, nondisruptive transfer.

META is a model Act, not a uniform Act. This means states generally will have to adapt some META provisions to their own statutes. To do this, states must first identify all of the existing statutory provisions that allow for same-type (all of the entities involved are the same, e.g., a merger between two corporations) and cross-type (more than one type of entity is involved in the transaction, e.g., a merger between a corporation and a partnership), mergers, interest exchanges, conversions, and domestications for any kind of entity. An entity is defined in Section 102 to include all types of partnerships (general partnerships, limited liability partnerships, limited partnerships, and limited liability limited partnerships), limited liability companies, all types of corporations (including non-profit corporations, close corporations in those states that have separate statutes for close corporations, and professional corporations), business trusts, cooperatives, and unincorporated nonprofit associations (at least in states that have the Uniform Unincorporated Nonprofit Associations Act or have statutes that allow an unincorporated nonprofit organization to hold property in its own name). Many states have statutes governing other types of business organizations. Texas, for example, has special statutory provisions for real estate investment trusts (in most other states, REITs would be considered a type of business trust). These special types of entities should also be included in the review process.

The next step is to analyze the overall existing statutory framework for same-type and cross-type transactions. This analysis will reveal that there are gaps in coverage for many of the types of transactions covered by the act, either directly or by default, even in those states that have adopted Chapter 9 and 11 of the Model Business Corporation Act and the uniform unincorporated organization acts.

Every state will have provisions for mergers of corporations into other corporations but not all states authorize interest exchanges between corporations (the corporate statutes generally refer to these as share exchanges) and only a few states specifically authorize corporations to enter into merger or interest exchange transactions with other types of organizations. Moreover, very few existing corporate statutes have provisions for conversions of corporations into other types of entities or authorize corporations to domesticate in another state.

The same-type and cross-type landscape with respect to unincorporated entities is even less complete. The Uniform Partnership Act (1997) (RUPA), which has been adopted in approximately 2/3 of the states (and in the District of Columbia, Puerto Rico and the Virgin

Islands) only authorizes mergers and conversions of general partnerships and limited partnerships. It does not allow conversions into any other type of entity or mergers with any other type of entity; nor does it authorize interest exchange or domestication transactions. Several states that have adopted RUPA have provisions allowing same-type and cross-type conversions and mergers of general partnerships with not only limited partnerships but also with corporations and limited liability companies; and a few RUPA states have expanded the list to include any business entity (it is unclear in many of these states, however, whether these statutes apply to non-profit entities). With the exception of Ohio, which authorizes mergers and consolidations of general partnerships with other partnerships and "other domestic or foreign entities," there are apparently no same-type or cross-type provisions in the general partnership statutes of the approximately one-third of the states that still have the 1914 Uniform Partnership Act.

The statutory framework for limited partnership same-type and cross-type transactions is also quite varied. Most states have the Uniform Limited Partnership Act (1976 with 1985 Amendments). That act has no provisions dealing with merger, interest exchange, conversion, or domestication transactions. According to Volume 6A of Uniform Laws Annotated (Supp. 2004), 19 states have adopted provisions authorizing limited partnerships to merge with or convert into some other types of entities. Arizona, for example, only authorizes limited partnerships to convert into general partnerships, but also authorizes limited partnerships to merge with any other type of business entity. Some states allow conversions of limited partnerships into limited liability companies and a few states expand the conversion list to include corporations; most also allow mergers of limited partnerships into other limited partnerships and some other types of entities. Several states appear to exclude non-profit organizations, business trusts, and cooperatives from their cross-form list.

As of October 2007, the Uniform Limited Partnership Act (2001) had been adopted in 16 states. It authorizes a conversion of a limited partnership into any other type of organization, conversion of any other organization into a limited partnership, a merger of a limited partnership with any other type of organization and a domestication (which is a type of conversion under ULPA (2001)). It does not, however, have any specific provisions for interest exchanges.

Most limited liability company statutes have provisions authorizing mergers and conversions, although the scope of coverage is quite varied. The Uniform Limited Liability Company Act (1997) (ULLCA), which has been adopted in eight states and the Virgin Islands, authorizes the conversion of a limited liability company into a general or limited partnership (but not into a corporation or any other type of entity) and a merger of a limited liability company with other limited liability companies or any "other domestic or foreign entities." ULLCA does not, however, have any provisions authorizing limited liability companies to enter into interest exchange or domestication transactions. In the other 42 states there are substantial differences from the ULLCA scheme with respect to same-type and cross-type transactions. The recently-adopted revised Uniform Limited Liability Company Act (2006) authorizes cross-type mergers, conversions, and domestications, but does not provide for interest exchanges; and the Uniform Limited Cooperative Association Act (2007) authorizes cross-type mergers and conversions.

There are no same-type or cross-type provisions in the Uniform Unincorporated Nonprofit Associations Act. Moreover, there are very few same-type or cross-type provisions in statutes governing all the other types of entities that exist under state law. There are some exceptions, however, such as the Delaware Statutory Trust Act which allows mergers and conversions of business trusts into other entities, and the Minnesota cooperative statute which allows farm cooperatives to convert into limited liability companies.

Once the analysis of the existing same-type and cross-type statutes has been made, decisions need to be made as to which ones should be amended or repealed and whether to add

additional provisions to these statutes. Under META, if the statute governing an entity has same-type provisions, those provisions govern the transaction in question. META provides default rules, however, if the other applicable entity statute has no same-type provisions for the transaction in question. META also applies to cross-type transactions (but defaults to applicable state entity law for approval requirements and the like).

In deciding how to amend, repeal or add to the existing entity statutes, states should avoid any potential inconsistency between META's provisions and similar provisions in the state's entity statutes and make the interplay between META and the state's various entity laws relatively easy to navigate. There are several ways to achieve these goals. First, states can limit existing laws to same-type transactions. One method, which it is anticipated will be the method chosen by most states, is as follows:

With respect to the state's corporation statutes:

(i) Repeal any cross-type provisions from the state's corporation merger statutes. The amendments necessary for this purpose in a state that has adopted the Model Business Corporation Act and the Model Nonprofit Corporation Act are found in Sections A2-1 and A2-2, respectively, In states whose corporate codes do not have any cross-type merger provisions no amendments to the state's corporate merger provisions will be necessary. Most state also may not have interest exchange provisions in their corporate codes. If that is the case, same-type provisions for interest exchanges do not need to be added to the corporate codes because under META the requirements for approval of a merger and other rights that a shareholder would have in a merger, for example, dissenters' rights, apply. See Sections 203(a) (mergers) and 303(a) (interest exchange).

(ii) Repeal any conversion provisions in the state's corporation statutes. Article 3 of META will, therefore, govern all conversions.

(iii) Retain any existing domestication provisions in the state's organic laws. As is pointed out in the Legislative Note to META Section 501, these entity specific domestication provisions will be listed in Section 501(e) with the result being that Article 5 of META will apply to those types of entities whose organic laws do not already have domestication provisions.

With respect to the state's other entity statutes:

(i) Amend all the merger, interest exchange, and conversion provisions in the state's other entity statutes by stripping out all of the cross-type provisions in the merger provisions, and by repealing any interest exchange or conversion provisions. Any existing domestication provisions would be retained and an appropriate reference to those provisions would be included in Section 501(e). The appropriate amendments for states that have adopted the Uniform Partnership Act (1997), the Uniform Limited Partnership Act (2001), the Uniform Limited Liability Company Act (1996) or the ABA Prototype Limited Liability Company Act are found in Sections A2-3, A2-4, A2-5, and A2-6, respectively.

(ii) The existing requirements for approval of mergers, interest exchanges, conversions, domestications, and amendment of the organic rules in the state's existing organic laws for unincorporated entities need to be carefully reviewed. If they require unanimity (or they are silent on what vote is required), then the suggested amendments in this appendix will make all the voting requirements for both same-type and cross-type transactions involving unincorporated entities consistent. The situation is more complicated, however, if there is not complete consistency among those organic laws; for example, as is sometimes the case, if the state's partnership statutes require unanimity but its LLC statute requires only a majority vote for some or all transactions. If there is not complete consistency, decisions will need to be made whether to retain the differences or to make all of the voting requirements either unanimous or majority. Other issues that will need to be resolved are what the appropriate vote should be for transactions other than mergers (i.e., interest exchanges, conversions, and domestications) where

there are no existing voting provisions other than for mergers; what is the appropriate voting requirement for a transaction under META where an unincorporated entity organic law does not have any same-type or cross-type provisions for that type of transaction; and how the voting requirements under META relate to the vote required to amend an unincorporated entity's organic rules. Once this analysis is completed, it will be possible to construct the appropriate amendments to the state's existing unincorporated entity organic laws.

Another method of integrating META with a state's organic laws is to delete from the existing organic laws any provisions that deal with cross-type transactions and add same-type merger and interest exchange, and domestication provisions to every organic law that does not currently have these provisions. Thus all same-type entity transactions would be governed by the state's organic laws and all cross-type transactions would be governed by META. This approach will require a large number of changes to existing organic laws in most states because same-type merger and interest exchange, and domestication provisions would have to be added to many of the state's organic laws, including its unincorporated nonprofit, cooperative, and business trust statutes. Article 5 of META would also not be enacted because the organic laws for each type of entity would have domestication provisions.

States can also repeal all the existing same-type and cross-type transaction provisions in all of the organic laws and add to META all the corporate merger approval and related statutory provisions such as appraisal rights, as well as substantially modifying Sections 203, 303, 403, and 503 so that there will be one set of approval provisions for a corporation engaging in a META transaction and a second set of approval provisions for unincorporated entities engaging in a META transaction. Making all of these modifications will be a monumental task.

Finally, integrating META with a state's existing organic laws could be achieved by repealing any provisions for cross-type transactions from the corporation laws (see Sections A2-1 and A2-2 for the appropriate amendments in a state that has enacted the Model Business Corporation Act and the Model Nonprofit Corporation Act) and, in addition by repealing all of the provisions for same-type and cross-type transactions in all of the state's unincorporated entity organic laws. This approach, which is a variant of avoids the problem of incorporating the corporation law voting requirements and related provisions such as appraisal rights. It will work best, however, in a state where all of the existing unincorporated entity organic laws require unanimity for approval of a merger or similar transaction (and where unanimity is also required to amend each type of entity's organic rules), since that is the ultimate default rule in META. This approach will be quite cumbersome if the state's unincorporated entity organic laws require less than unanimous consent for some types of entities, because the less than unanimous approval requirements would have to be incorporated into META.

The ULC suggests states place a reference to META in the state's entity statutes specifying the transactions that are governed by META. As an alternative to the statutory references proposed in this appendix, legislative notes could be used in those states that follow that practice. A note would be placed in the corporate statutes at the end of the merger and share exchange provisions stating that META is the primary statute that applies to reorganization transactions involving a corporation and another form of entity. For other entities whose organic laws have merger provisions, the legislative notes would appear at the end of those provisions stating META is the primary statute for any cross-type merger involving that type of entity and also is the primary statute governing both same-type and cross-type interest exchange and domestication transactions where that type of entity is a party. Finally, if there are no merger provisions for a particular type of entity, a legislative note should be placed at the end of the governing statute stating that META is the statute that governs merger, interest exchange, conversion and domestication transactions where that type of entity is involved.

Interested readers can see how one state adopted META by viewing amendments Kansas

made to its law when it adopted META as SB 132 in 2009. However, the text in this *SSL* volume is the model ULC language, includes legislative notes about the act, and excludes line numbers. Readers can access official commentary about the act and detailed suggestions about how to implement the Act vis-à-vis existing business entity laws at this Web address: http://www.law.upenn.edu/bll/archives/ulc/ueta/2007_final.htm or at www.nccusl.org.

Submitted as:
Kansas
SB 132
Status: Enacted into law in 2009.

Comment:

Notes about ULC Acts:

For information on the specific drafting rules used by the ULC, the ULC *Procedural and Drafting Manual* is available online at www.nccusl.org.

In general, the use of bracketed language in ULC acts indicates that a choice must be made between alternate bracketed language, or that specific language must be inserted into the empty brackets. For example: "An athlete agent who violates Section 14 is guilty of a [misdemeanor] [felony] and, upon conviction, is punishable by [ ].

A word, number, or phrase, or even an entire section, may be placed in brackets to indicate that the bracketed language is suggested but may be changed to conform to state usage or requirements, or to indicate that the entire section is optional. For example: "An applicant for registration shall submit an application for registration to the [Secretary of State] in a form prescribed by the [Secretary of State]. [An application filed under this section is a public record.] The application must be in the name of an individual, and, except as otherwise provided in subsection (b), signed or otherwise authenticated by the applicant under penalty of perjury."

The sponsor may need to be consulted when dealing with bracketed language.

Questions about META?

Michael Kerr, ULC Legislative Director: 312-915-0195, michael.kerr@nccusl.org
Harry Haynsworth, Chair of the META drafting committee: hhaynsworth@briggs.com

Suggested State Legislation

(Title, enacting clause, etc.)

MODEL ENTITY TRANSACTIONS ACT
(Last Revised or Amended in 2007)

[ARTICLE] 1
GENERAL PROVISIONS

SECTION 101. SHORT TITLE. This [act] may be cited as the Model Entity Transactions Act.

SECTION 102. DEFINITIONS. In this [act]:

(1) "Acquired entity" means the entity, all of one or more classes or series of interests in which are acquired in an interest exchange.

(2) "Acquiring entity" means the entity that acquires all of one or more classes or series of interests of the acquired entity in an interest exchange.

(3) "Approve" means, in the case of an entity, for its governors and interest holders to take whatever steps are necessary under its organic rules, organic law, and other law to:

(A) propose a transaction subject to this [act];

(B) adopt and approve the terms and conditions of the transaction; and

(C) conduct any required proceedings or otherwise obtain any required votes or consents of the governors or interest holders.

(4) "Business corporation" means a corporation whose internal affairs are governed by [the Model Business Corporation Act].

(5) "Conversion" means a transaction authorized by [Article] 4.

(6) "Converted entity" means the converting entity as it continues in existence after a conversion.

(7) "Converting entity" means the domestic entity that approves a plan of conversion pursuant to Section 403 or the foreign entity that approves a conversion pursuant to the law of its jurisdiction of organization.

(8) "Domestic entity" means an entity whose internal affairs are governed by the law of this state.

(9) "Domesticated entity" means the domesticating entity as it continues in existence after a domestication.

(10) "Domesticating entity" means the domestic entity that approves a plan of domestication pursuant to Section 503 or the foreign entity that approves a domestication pursuant to the law of its jurisdiction of organization.

(11) "Domestication" means a transaction authorized by [Article] 5.

(12) "Entity" means:

(A) a business corporation;

(B) a nonprofit corporation;

(C) a general partnership, including a limited liability partnership;

(D) a limited partnership, including a limited liability limited partnership;

(E) a limited liability company;

(F) a business trust or statutory trust entity;

(G) an unincorporated nonprofit association;

(H) a cooperative; or

(I) any other person that has a separate legal existence or has the power to acquire an interest in real property in its own name other than:

(i) an individual;

(ii) a testamentary, inter vivos, or charitable trust, with the exception of a business trust, statutory trust entity or similar trust;

(iii) an association or relationship that is not a partnership solely by reason of [Section 202(c) of the Uniform Partnership Act (1997)] or a similar provision of the law of any other jurisdiction;

(iv) a decedent's estate; or

(v) a government, a governmental subdivision, agency, or instrumentality, or a quasi-governmental instrumentality.

(13) "Filing entity" means an entity that is created by the filing of a public organic document.

(14) "Foreign entity" means an entity other than a domestic entity.

(15) "Governance interest" means the right under the organic law or organic rules of an entity, other than as a governor, agent, assignee, or proxy, to:

(A) receive or demand access to information concerning, or the books and records of, the entity;

(B) vote for the election of the governors of the entity; or

(C) receive notice of or vote on any or all issues involving the internal affairs of the entity.

(16) "Governor" means a person by or under whose authority the powers of an entity are exercised and under whose direction the business and affairs of the entity are managed pursuant to the organic law and organic rules of the entity.

(17) "Interest" means:

(A) a governance interest in an unincorporated entity;

(B) a transferable interest in an unincorporated entity; or

(C) a share or membership in a corporation.

(18) "Interest exchange" means a transaction authorized by [Article] 3.

(19) "Interest holder" means a direct holder of an interest.

(20) "Interest holder liability" means:

(A) personal liability for a liability of an entity that is imposed on a person:

(i) solely by reason of the status of the person as an interest holder; or

(ii) by the organic rules of the entity pursuant to a provision of the organic law authorizing the organic rules to make one or more specified interest holders or categories of interest holders liable in their capacity as interest holders for all or specified liabilities of the entity; or

(B) an obligation of an interest holder under the organic rules of an entity to contribute to the entity.

(21) "Jurisdiction of organization" of an entity means the jurisdiction whose law includes the organic law of the entity.

(22) "Liability" means a debt, obligation, or any other liability arising in any manner, regardless of whether it is secured or whether it is contingent.

(23) "Merger" means a transaction in which two or more merging entities are combined into a surviving entity pursuant to a filing with the [Secretary of State].

(24) "Merging entity" means an entity that is a party to a merger and exists immediately before the merger becomes effective.

(25) "Nonprofit corporation" means a corporation whose internal affairs are governed by [the Model Nonprofit Corporation Act].

(26) "Organic law" means the statutes, if any, other than this [act], governing the internal affairs of an entity.

(27) "Organic rules" means the public organic document and private organic rules of an entity.

(28) "Person" means an individual, corporation, estate, trust, partnership, limited liability company, business or similar trust, association, joint venture, public corporation, government, or governmental subdivision, agency, or instrumentality, or any other legal or commercial entity.

(29) "Plan" means a plan of merger, interest exchange, conversion, or domestication.

(30) "Private organic rules" mean the rules, whether or not in a record, that govern the internal affairs of an entity, are binding on all of its interest holders, and are not part of its public organic document, if any.

(31) "Protected agreement" means:

(A) a record evidencing indebtedness and any related agreement in effect on the effective date of this [act];

(B) an agreement that is binding on an entity on the effective date of this [act];

(C) the organic rules of an entity in effect on the effective date of this [act]; or

(D) an agreement that is binding on any of the governors or interest holders of an entity on the effective date of this [act].

(32) "Public organic document" means the public record the filing of which creates an entity, and any amendment to or restatement of that record.

(33) "Qualified foreign entity" means a foreign entity that is authorized to transact business in this state pursuant to a filing with the [Secretary of State].

(34) "Record" means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

(35) "Sign" means, with present intent to authenticate or adopt a record:

(A) to execute or adopt a tangible symbol; or

(B) to attach to or logically associate with the record an electronic sound, symbol, or process.

(36) "Surviving entity" means the entity that continues in existence after or is created by a merger.

(37) "Transferable interest" means the right under an entity's organic law to receive distributions from the entity.

(38) "Type," with regard to an entity, means a generic form of entity:

(A) recognized at common law; or

(B) organized under an organic law, whether or not some entities organized under that organic law are subject to provisions of that law that create different categories of the form of entity.

SECTION 103. RELATIONSHIP OF [ACT] TO OTHER LAWS.

(a) Unless displaced by particular provisions of this [act], the principles of law and equity supplement this [act].

(b) This [act] does not authorize an act prohibited by, and does not affect the application or requirements of, law other than this [act].

(c) A transaction effected under this [act] may not create or impair any right or obligation on the part of a person under a provision of the law of this state other than this [act] relating to a change in control, takeover, business combination, control-share acquisition, or similar transaction involving a domestic merging, acquired, converting, or domesticating corporation unless:

(1) if the corporation does not survive the transaction, the transaction satisfies any requirements of the provision; or

(2) if the corporation survives the transaction, the approval of the plan is by a vote of the shareholders or directors which would be sufficient to create or impair the right or obligation directly under the provision.

SECTION 104. REQUIRED NOTICE OR APPROVAL.

(a) A domestic or foreign entity that is required to give notice to, or obtain the approval of, a governmental agency or officer in order to be a party to a merger must give the notice or obtain the approval in order to be a party to an interest exchange, conversion, or domestication.

(b) Property held for a charitable purpose under the law of this state by a domestic or foreign entity immediately before a transaction under this [act] becomes effective may not, as a result of the transaction, be diverted from the objects for which it was donated, granted, or devised unless, to the extent required by or pursuant to the law of this state concerning cy pres or other law dealing with nondiversion of charitable assets, the entity obtains an appropriate order

of [name of court] [the attorney general] specifying the disposition of the property.

Legislative Note: As an alternative to enacting subsection (a), a state may identify each of its regulatory laws that requires prior approval for a merger of a regulated entity, decide whether regulatory approval should be required for an interest exchange, conversion, or domestication, and make amendments as appropriate to those laws. As with subsection (a), an adopting state may choose to amend its various laws with respect to the nondiversion of charitable property to cover the various transactions authorized by this act as an alternative to enacting subsection (b).

SECTION 105. STATUS OF FILINGS. A filing under this [act] signed by a domestic entity becomes part of the public organic document of the entity if the entity's organic law provides that similar filings under that law become part of the public organic document of the entity.

SECTION 106. NONEXCLUSIVITY. The fact that a transaction under this [act] produces a certain result does not preclude the same result from being accomplished in any other manner permitted by law other than this [act].

SECTION 107. REFERENCE TO EXTERNAL FACTS. A plan may refer to facts ascertainable outside of the plan if the manner in which the facts will operate upon the plan is specified in the plan. The facts may include the occurrence of an event or a determination or action by a person, whether or not the event, determination, or action is within the control of a party to the transaction.

SECTION 108. ALTERNATIVE MEANS OF APPROVAL OF TRANSACTIONS. Except as otherwise provided in the organic law or organic rules of a domestic entity, approval of a transaction under this [act] by the unanimous vote or consent of its interest holders satisfies the requirements of this [act] for approval

SECTION 109. APPRAISAL RIGHTS.

(a) An interest holder of a domestic merging, acquired, converting, or domesticating entity is entitled to appraisal rights in connection with the transaction if the interest holder would have been entitled to appraisal rights under the entity's organic law in connection with a merger in which the interest of the interest holder was changed, converted, or exchanged unless:

(1) the organic law permits the organic rules to limit the availability of appraisal rights; and

(2) the organic rules provide such a limit.

(b) An interest holder of a domestic merging, acquired, converting, or domesticating entity is entitled to contractual appraisal rights in connection with a transaction under this [act] to the extent provided:

(1) in the entity's organic rules;

(2) in the plan; or

(3) in the case of a business corporation, by action of its governors.

(c) If an interest holder is entitled to contractual appraisal rights under subsection (b) and the entity's organic law does not provide procedures for the conduct of an appraisal rights proceeding, [Chapter 13 of the Model Business Corporation Act] applies to the extent practicable or as otherwise provided in the entity's organic rules or the plan.

***Legislative Note**: Section 109(a) preserves appraisal rights (sometimes referred to as "dissenters' rights") granted by other laws. As an alternative to enacting subsection (a), a state may amend the appraisal rights provisions of its organic laws to specify which transactions under this act will give rise to appraisal rights. See the suggested amendments in Appendix 2. If that alternative approach is adopted, subsections (b) and (c) should be designated as subsections (a) and (b).*

SECTION 110. EXCLUDED ENTITIES AND TRANSACTIONS.

(a) The following entities may not participate in a transaction under this [act]:

(1)

(2)

(b) This [act] may not be used to effect a transaction that:

(1)

(2)

(3).]

***Legislative Note**: Subsection (a) may be used by states that have special statutes restricted to the organization of certain types of entities. A common example is banking statutes that prohibit banks from engaging in transactions other than pursuant to those statutes.*

Nonprofit entities may participate in transactions under this act with for-profit entities, subject to compliance with Section 104(b). If a state desires, however, to exclude entities with a charitable purpose from the scope of the act, that may be done by referring to those entities in subsection (a).

More limited provisions that exclude certain types of domestic entities just from certain provisions of this act are set forth in Sections 201(d) (mergers), 301(e) (interest exchanges), 401(d) (conversions), and 501(e) (domestications).

Subsection (b) may be used to exclude certain types of transactions governed by more specific statutes. A common example is the conversion of an insurance company from mutual to stock form. There may be other types of transactions that vary greatly among the states.

[ARTICLE] 2
MERGER

SECTION 201. MERGER AUTHORIZED.

(a) Except as otherwise provided in this section, by complying with this [article]:

(1) one or more domestic entities may merge with one or more domestic or foreign entities into a domestic or foreign surviving entity; and

(2) two or more foreign entities may merge into a domestic entity.

(b) Except as otherwise provided in this section, by complying with the provisions of this [article] applicable to foreign entities a foreign entity may be a party to a merger under this [article] or may be the surviving entity in such a merger if the merger is authorized by the law of the foreign entity's jurisdiction of organization.

(c) This [article] does not apply to a transaction under:

(1) [Chapter 11 of the Model Business Corporation Act];

(2) [Chapter 11 of the Model Nonprofit Corporation Act];

(3) [Article 9 of the Uniform Partnership Act (1997)];

(4) [Article 11 of the Uniform Limited Partnership Act (2001)];

(5) [Article 12 of the Prototype Limited Liability Company Act];

(6) [Article 9 of the Uniform Limited Liability Company Act (1996)];

(7) [Article 10 of the Uniform Limited Liability Company Act (2006)]; or

(8) [Article 15 of the Uniform Limited Cooperative Association Act (2007)] [; or

(9) Cite provisions of any other organic law that has merger provisions for entities of the same type.]

[(d) The following entities may not participate in a merger under this [article]:

(1)

(2).]

***Legislative Note**: The text of subsection (c) will depend on which choice a state makes with respect to the scope of the act. It is anticipated that most states will choose to retain all of the merger provisions for entities of the same type it currently has in its organic laws and will repeal any merger provisions for entities of different types in those laws. The end result will be that the merger provisions in the organic laws will apply to mergers of entities of the same type and this act will apply to mergers involving entities of more than one type. If a state chooses to add merger provisions for entities of the same type to all of its organic laws and the list of statutes in subsection (c) will need to be expanded.*

If a state chooses option (d), the list of statutes in subsection (c) will probably include only the business and nonprofit corporation act merger provisions since under option (d) this act will apply to mergers of unincorporated entities involving entities of the same type, as well as mergers involving different types of entities.

If a state chooses option (c), subsection (c) is not necessary because this act will govern all mergers whether involving the same type of entity or different types of entities.

SECTION 202. PLAN OF MERGER.

(a) A domestic entity may become a party to a merger under this [article] by approving a plan of merger. The plan must be in a record and contain:

(1) as to each merging entity, its name, jurisdiction of organization, and type;

(2) if the surviving entity is to be created in the merger, a statement to that effect and its name, jurisdiction of organization, and type;

(3) the manner of converting the interests in each party to the merger into interests, securities, obligations, rights to acquire interests or securities, cash, or other property, or any combination of the foregoing;

(4) if the surviving entity exists before the merger, any proposed amendments to its public organic document or to its private organic rules that are, or are proposed to be, in a record;

(5) if the surviving entity is to be created in the merger, its proposed public organic document, if any, and the full text of its private organic rules that are proposed to be in a record;

(6) the other terms and conditions of the merger; and

(7) any other provision required by the law of a merging entity's jurisdiction of organization or the organic rules of a merging entity.

(b) A plan of merger may contain any other provision not prohibited by law.

SECTION 203. APPROVAL OF MERGER.

(a) A plan of merger is not effective unless it has been approved:

(1) by a domestic merging entity:

(A) in accordance with the requirements, if any, in its organic law and organic rules for approval of:

(i) in the case of an entity that is not a business corporation, a

merger; or

(ii) in the case of a business corporation, a merger requiring approval by a vote of the interest holders of the business corporation; or

(B) if neither its organic law nor organic rules provide for approval of a merger described in subparagraph (A)(ii), by all of the interest holders of the entity entitled to vote on or consent to any matter; and

(2) in a record, by each interest holder of a domestic merging entity that will have interest holder liability for liabilities that arise after the merger becomes effective, unless, in the case of an entity that is not a business corporation or nonprofit corporation:

(A) the organic rules of the entity provide in a record for the approval of a merger in which some or all of its interest holders become subject to interest holder liability by the vote or consent of fewer than all of the interest holders; and

(B) the interest holder voted for or consented in a record to that provision of the organic rules or became an interest holder after the adoption of that provision.

(b) A merger involving a foreign merging entity is not effective unless it is approved by the foreign entity in accordance with the law of the foreign entity's jurisdiction of organization.

SECTION 204. AMENDMENT OR ABANDONMENT OF PLAN OF MERGER.

(a) A plan of merger of a domestic merging entity may be amended:

(1) in the same manner as the plan was approved, if the plan does not provide for the manner in which it may be amended; or

(2) by the governors or interest holders of the entity in the manner provided in the plan, but an interest holder that was entitled to vote on or consent to approval of the merger is entitled to vote on or consent to any amendment of the plan that will change:

(A) the amount or kind of interests, securities, obligations, rights to acquire interests or securities, cash, or other property, or any combination of the foregoing, to be received by the interest holders of any party to the plan;

(B) the public organic document or private organic rules of the surviving entity that will be in effect immediately after the merger becomes effective, except for changes that do not require approval of the interest holders of the surviving entity under its organic law or organic rules; or

(C) any other terms or conditions of the plan, if the change would adversely affect the interest holder in any material respect.

(b) After a plan of merger has been approved by a domestic merging entity and before a statement of merger becomes effective, the plan may be abandoned:

(1) as provided in the plan; or

(2) unless prohibited by the plan, in the same manner as the plan was approved.

(c) If a plan of merger is abandoned after a statement of merger has been filed with the [Secretary of State] and before the filing becomes effective, a statement of abandonment, signed on behalf of a merging entity, must be filed with the [Secretary of State] before the time the statement of merger becomes effective. The statement of abandonment takes effect upon filing, and the merger is abandoned and does not become effective. The statement of abandonment must contain:

(1) the name of each merging or surviving entity that is a domestic entity or a qualified foreign entity;

(2) the date on which the statement of merger was filed; and

(3) a statement that the merger has been abandoned in accordance with this section.

SECTION 205. STATEMENT OF MERGER; EFFECTIVE DATE.

(a) A statement of merger must be signed on behalf of each merging entity and filed with the [Secretary of State].

(b) A statement of merger must contain:

(1) the name, jurisdiction of organization, and type of each merging entity that is not the surviving entity;

(2) the name, jurisdiction of organization, and type of the surviving entity;

(3) if the statement of merger is not to be effective upon filing, the later date and time on which it will become effective, which may not be more than 90 days after the date of filing;

(4) a statement that the merger was approved by each domestic merging entity, if any, in accordance with this [article] and by each foreign merging entity, if any, in accordance with the law of its jurisdiction of organization;

(5) if the surviving entity exists before the merger and is a domestic filing entity, any amendment to its public organic document approved as part of the plan of merger;

(6) if the surviving entity is created by the merger and is a domestic filing entity, its public organic document, as an attachment;

(7) if the surviving entity is created by the merger and is a domestic limited liability partnership, its [statement of qualification], as an attachment; and

(8) if the surviving entity is a foreign entity that is not a qualified foreign entity, a mailing address to which the [Secretary of State] may send any process served on the [Secretary of State] pursuant to Section 206(e).

(c) In addition to the requirements of subsection (b), a statement of merger may contain any other provision not prohibited by law.

(d) If the surviving entity is a domestic entity, its public organic document, if any, must satisfy the requirements of the law of this state, except that it does not need to be signed and may omit any provision that is not required to be included in a restatement of the public organic document.

(e) A plan of merger that is signed on behalf of all of the merging entities and meets all of the requirements of subsection (b) may be filed with the [Secretary of State] instead of a statement of merger and upon filing has the same effect. If a plan of merger is filed as provided in this subsection, references in this [act] to a statement of merger refer to the plan of merger filed under this subsection.

(f) A statement of merger becomes effective upon the date and time of filing or the later date and time specified in the statement of merger.

SECTION 206. EFFECT OF MERGER.

(a) When a merger becomes effective:

(1) the surviving entity continues or comes into existence;

(2) each merging entity that is not the surviving entity ceases to exist;

(3) all property of each merging entity vests in the surviving entity without assignment, reversion, or impairment;

(4) all liabilities of each merging entity are liabilities of the surviving entity;

(5) except as otherwise provided by law other than this [act] or the plan of merger, all of the rights, privileges, immunities, powers, and purposes of each merging entity vest in the surviving entity;

(6) if the surviving entity exists before the merger:

(A) all of its property continues to be vested in it without reversion or impairment;

(B) it remains subject to all of its liabilities; and

(C) all of its rights, privileges, immunities, powers, and purposes continue to be vested in it;

(7) the name of the surviving entity may be substituted for the name of any merging entity that is a party to any pending action or proceeding;

(8) if the surviving entity exists before the merger:

(A) its public organic document, if any, is amended as provided in the statement of merger and is binding on its interest holders; and

(B) its private organic rules that are to be in a record, if any, are amended to the extent provided in the plan of merger and are binding on and enforceable by:

(i) its interest holders; and

(ii) in the case of a surviving entity that is not a business corporation or a nonprofit corporation, any other person that is a party to an agreement that is part of the surviving entity's private organic rules;

(9) if the surviving entity is created by the merger:

(A) its public organic document, if any, is effective and is binding on its interest holders; and

(B) its private organic rules are effective and are binding on and enforceable by:

(i) its interest holders; and

(ii) in the case of a surviving entity that is not a business corporation or a nonprofit corporation, any other person that was a party to an agreement that was part of the organic rules of a merging entity if that person has agreed to be a party to an agreement that is part of the surviving entity's private organic rules; and

(10) the interests in each merging entity that are to be converted in the merger are converted, and the interest holders of those interests are entitled only to the rights provided to them under the plan of merger and to any appraisal rights they have under Section 109 and the merging entity's organic law.

(b) Except as otherwise provided in the organic law or organic rules of a merging entity, the merger does not give rise to any rights that an interest holder, governor, or third party would otherwise have upon a dissolution, liquidation, or winding-up of the merging entity.

(c) When a merger becomes effective, a person that did not have interest holder liability with respect to any of the merging entities and that becomes subject to interest holder liability with respect to a domestic entity as a result of a merger has interest holder liability only to the extent provided by the organic law of the entity and only for those liabilities that arise after the merger becomes effective.

(d) When a merger becomes effective, the interest holder liability of a person that ceases to hold an interest in a domestic merging entity with respect to which the person had interest holder liability is as follows:

(1) the merger does not discharge any interest holder liability under the organic law of the domestic merging entity to the extent the interest holder liability arose before the merger became effective;

(2) the person does not have interest holder liability under the organic law of the domestic merging entity for any liability that arises after the merger becomes effective;

(3) the organic law of the domestic merging entity continues to apply to the release, collection, or discharge of any interest holder liability preserved under paragraph (1) as if the merger had not occurred and the surviving entity were the domestic merging entity; and

(4) the person has whatever rights of contribution from any other person as are provided by the organic law or organic rules of the domestic merging entity with respect to any

interest holder liability preserved under paragraph (1) as if the merger had not occurred.

(e) When a merger becomes effective, a foreign entity that is the surviving entity:

(1) may be served with process in this state for the collection and enforcement of any liabilities of a domestic merging entity; and

(2) appoints the [Secretary of State] as its agent for service of process for collecting or enforcing those liabilities.

(f) When a merger becomes effective, the certificate of authority or other foreign qualification of any foreign merging entity that is not the surviving entity is canceled.

[ARTICLE] 3
INTEREST EXCHANGE

SECTION 301. INTEREST EXCHANGE AUTHORIZED.

(a) Except as otherwise provided in this section, by complying with this [article]:

(1) a domestic entity may acquire all of one or more classes or series of interests of another domestic or foreign entity in exchange for interests, securities, obligations, rights to acquire interests or securities, cash, or other property, or any combination of the foregoing; or

(2) all of one or more classes or series of interests of a domestic entity may be acquired by another domestic or foreign entity in exchange for interests, securities, obligations, rights to acquire interests or securities, cash, or other property, or any combination of the foregoing.

(b) Except as otherwise provided in this section, by complying with the provisions of this [article] applicable to foreign entities a foreign entity may be the acquiring or acquired entity in an interest exchange under this [article] if the interest exchange is authorized by the law of the foreign entity's jurisdiction of organization.

(c) If a protected agreement contains a provision that applies to a merger of a domestic entity but does not refer to an interest exchange, the provision applies to an interest exchange in which the domestic entity is the acquired entity as if the interest exchange were a merger until the provision is amended after the effective date of this [act].

[(d) This [article] does not apply to a transaction under:

(1) [Chapter 11 of the Model Business Corporation Act]; or

(2).]

[(e) The following entities may not participate in an interest exchange under this [article]:

(1)

(2).]

***Legislative Note**: It is anticipated that most states will choose to limit any existing interest exchange provisions to same-type transactions, for example interest exchanges where all of the entities are corporations. Any interest exchange provisions added to entity statutes should similarly be limited to same-type transactions. The net effect will be that the interest exchange provisions in the various entity statutes will govern same-type interest exchanges and Article 3 will govern cross-type interest exchanges. In the event a state does not have any existing interest exchange legislation and chooses not to add interest exchange provisions to any of its entity statutes, Article 3 will govern and will cover both same-type and cross-type interest exchanges. See Section 2 of the Prefatory Note and Appendix 2.*

SECTION 302. PLAN OF INTEREST EXCHANGE.

(a) A domestic entity may be the acquired entity in an interest exchange under this

[article] by approving a plan of interest exchange. The plan must be in a record and contain:

(1) the name and type of the acquired entity;

(2) the name, jurisdiction of organization, and type of the acquiring entity;

(3) the manner of converting the interests in the acquired entity into interests, securities, obligations, rights to acquire interests or securities, cash, or other property, or any combination of the foregoing;

(4) any proposed amendments to the public organic document or private organic rules that are, or are proposed to be, in a record of the acquired entity;

(5) the other terms and conditions of the interest exchange; and

(6) any other provision required by the law of this state or the organic rules of the acquired entity.

(b) A plan of interest exchange may contain any other provision not prohibited by law.

SECTION 303. APPROVAL OF INTEREST EXCHANGE.

(a) A plan of interest exchange is not effective unless it has been approved:

(1) by a domestic acquired entity:

(A) in accordance with the requirements, if any, in its organic law and organic rules for approval of an interest exchange;

(B) except as otherwise provided in subsection (d), if neither its organic law nor organic rules provide for approval of an interest exchange, in accordance with the requirements, if any, in its organic law and organic rules for approval of:

(i) in the case of an entity that is not a business corporation, a merger, as if the interest exchange were a merger; or

(ii) in the case of a business corporation, a merger requiring approval by a vote of the interest holders of the business corporation, as if the interest exchange were that type of merger; or

(C) if neither its organic law nor organic rules provide for approval of an interest exchange or a merger described in subparagraph (B)(ii), by all of the interest holders of the entity entitled to vote on or consent to any matter; and

(2) in a record, by each interest holder of a domestic acquired entity that will have interest holder liability for liabilities that arise after the interest exchange becomes effective, unless, in the case of an entity that is not a business corporation or nonprofit corporation:

(A) the organic rules of the entity provide in a record for the approval of an interest exchange or a merger in which some or all of its interest holders become subject to interest holder liability by the vote or consent of fewer than all of the interest holders; and

(B) the interest holder voted for or consented in a record to that provision of the organic rules or became an interest holder after the adoption of that provision.

(b) An interest exchange involving a foreign acquired entity is not effective unless it is approved by the foreign entity in accordance with the law of the foreign entity's jurisdiction of organization.

(c) Except as otherwise provided in its organic law or organic rules, the interest holders of the acquiring entity are not required to approve the interest exchange.

(d) A provision of the organic law of a domestic acquired entity that would permit a merger between the acquired entity and the acquiring entity to be approved without the vote or consent of the interest holders of the acquired entity because of the percentage of interests in the acquired entity held by the acquiring entity does not apply to approval of an interest exchange under subsection (a)(1)(B).

***Legislative Note**: An issue that needs to be analyzed under this section is what approval requirements apply to an interest exchange if there are no interest exchange provisions for entities of the same type in the organic law for a particular type of entity. If an entity's organic law, and also its organic rules, are silent on approving an interest exchange, subsection (a)(1)(B) provides that the required approval is the approval required for a merger under the entity's organic law. If the entity's organic law required a majority vote of the entity's interest holders, the approval of an interest exchange if the entity is the acquired entity would also require a majority vote of its interest holders. If the organic law, on the other hand, required a unanimous vote of the entity's interest holders to approve a merger, a unanimous vote would also be required to approve an interest exchange. As a result, differences between entity laws on the vote required to approve a merger will be carried over into this act. It is important, therefore, that states review any differences in the merger approval requirements in their organic laws to determine if those differences are supported by appropriate policy considerations.*

If an entity's organic law does not provide for approval of either a merger or an interest exchange, and if the entity's organic rules are also silent on approval of a merger or interest exchange, then subsection (a)(1)(C) requires approval of an interest exchange by all of the entity's interest holders. States should evaluate how that approval requirement compares to any approval requirements it has adopted for mergers or interest exchanges in any of its other organic laws.

This article permits the organic rules of an acquired entity to be amended in the context of an interest exchange. The other articles in this act also permit the organic rules to be amended in the contexts of the other types of transactions that may be accomplished under this act. When states conduct the analysis described in this Legislative Note of what approval requirement to adopt, they should also evaluate that question from the perspective of what approval requirements they provide in their organic laws for amending the organic rules of each type of entity.

The analysis described in this Legislative Note needs to be undertaken with respect to Sections 403 and 503 as well.

SECTION 304. AMENDMENT OR ABANDONMENT OF PLAN OF INTEREST EXCHANGE.

(a) A plan of interest exchange of a domestic acquired entity may be amended:

(1) in the same manner as the plan was approved, if the plan does not provide for the manner in which it may be amended; or

(2) by the governors or interest holders of the entity in the manner provided in the plan, but an interest holder that was entitled to vote on or consent to approval of the interest exchange is entitled to vote on or consent to any amendment of the plan that will change:

(A) the amount or kind of interests, securities, obligations, rights to acquire interests or securities, cash, or other property, or any combination of the foregoing, to be received by any of the interest holders of the acquired entity under the plan;

(B) the public organic document or private organic rules of the acquired entity that will be in effect immediately after the interest exchange becomes effective, except for changes that do not require approval of the interest holders of the acquired entity under its organic law or organic rules; or

(C) any other terms or conditions of the plan, if the change would adversely affect the interest holder in any material respect.

(b) After a plan of interest exchange has been approved by a domestic acquired entity and before a statement of interest exchange becomes effective, the plan may be abandoned:

(1) as provided in the plan; or

(2) unless prohibited by the plan, in the same manner as the plan was approved.

(c) If a plan of interest exchange is abandoned after a statement of interest exchange has been filed with the [Secretary of State] and before the filing becomes effective, a statement of abandonment, signed on behalf of the acquired entity, must be filed with the [Secretary of State] before the time the statement of interest exchange becomes effective. The statement of abandonment takes effect upon filing, and the interest exchange is abandoned and does not become effective. The statement of abandonment must contain:

(1) the name of the acquired entity;

(2) the date on which the statement of interest exchange was filed; and

(3) a statement that the interest exchange has been abandoned in accordance with this section.

SECTION 305. STATEMENT OF INTEREST EXCHANGE; EFFECTIVE DATE.

(a) A statement of interest exchange must be signed on behalf of a domestic acquired entity and filed with the [Secretary of State].

(b) A statement of interest exchange must contain:

(1) the name and type of the acquired entity;

(2) the name, jurisdiction of organization, and type of the acquiring entity;

(3) if the statement of interest exchange is not to be effective upon filing, the later date and time on which it will become effective, which may not be more than 90 days after the date of filing;

(4) a statement that the plan of interest exchange was approved by the acquired entity in accordance with this [article]; and

(5) any amendments to the acquired entity's public organic document approved as part of the plan of interest exchange.

(c) In addition to the requirements of subsection (b), a statement of interest exchange may contain any other provision not prohibited by law.

(d) A plan of interest exchange that is signed on behalf of a domestic acquired entity and meets all of the requirements of subsection (b) may be filed with the [Secretary of State] instead of a statement of interest exchange and upon filing has the same effect. If a plan of interest exchange is filed as provided in this subsection, references in this [act] to a statement of interest exchange refer to the plan of interest exchange filed under this subsection.

(e) A statement of interest exchange becomes effective upon the date and time of filing or the later date and time specified in the statement of interest exchange.

SECTION 306. EFFECT OF INTEREST EXCHANGE.

(a) When an interest exchange becomes effective:

(1) the interests in the acquired entity that are the subject of the interest exchange cease to exist or are converted or exchanged, and the interest holders of those interests are entitled only to the rights provided to them under the plan of interest exchange and to any appraisal rights they have under Section 109 and the acquired entity's organic law;

(2) the acquiring entity becomes the interest holder of the interests in the acquired entity stated in the plan of interest exchange to be acquired by the acquiring entity;

(3) the public organic document, if any, of the acquired entity is amended as provided in the statement of interest exchange and is binding on its interest holders; and

(4) the private organic rules of the acquired entity that are to be in a record, if any, are amended to the extent provided in the plan of interest exchange and are binding on and enforceable by:

(A) its interest holders; and

(B) in the case of an acquired entity that is not a business corporation or nonprofit corporation, any other person that is a party to an agreement that is part of the acquired entity's private organic rules.

(b) Except as otherwise provided in the organic law or organic rules of the acquired entity, the interest exchange does not give rise to any rights that an interest holder, governor, or third party would otherwise have upon a dissolution, liquidation, or winding-up of the acquired entity.

(c) When an interest exchange becomes effective, a person that did not have interest holder liability with respect to the acquired entity and that becomes subject to interest holder liability with respect to a domestic entity as a result of the interest exchange has interest holder liability only to the extent provided by the organic law of the entity and only for those liabilities that arise after the interest exchange becomes effective.

(d) When an interest exchange becomes effective, the interest holder liability of a person that ceases to hold an interest in a domestic acquired entity with respect to which the person had interest holder liability is as follows:

(1) the interest exchange does not discharge any interest holder liability under the organic law of the domestic acquired entity to the extent the interest holder liability arose before the interest exchange became effective;

(2) the person does not have interest holder liability under the organic law of the domestic acquired entity for any liability that arises after the interest exchange becomes effective;

(3) the organic law of the domestic acquired entity continues to apply to the release, collection, or discharge of any interest holder liability preserved under paragraph (1) as if the interest exchange had not occurred; and

(4) the person has whatever rights of contribution from any other person as are provided by the organic law or organic rules of the domestic acquired entity with respect to any interest holder liability preserved under paragraph (1) as if the interest exchange had not occurred.

[ARTICLE] 4
CONVERSION

SECTION 401. CONVERSION AUTHORIZED.

(a) Except as otherwise provided in this section, by complying with this [article], a domestic entity may become:

(1) a domestic entity of a different type; or

(2) a foreign entity of a different type, if the conversion is authorized by the law of the foreign jurisdiction.

(b) Except as otherwise provided in this section, by complying with the provisions of this [article] applicable to foreign entities a foreign entity may become a domestic entity of a different type if the conversion is authorized by the law of the foreign entity's jurisdiction of organization.

(c) If a protected agreement contains a provision that applies to a merger of a domestic entity but does not refer to a conversion, the provision applies to a conversion of the entity as if the conversion were a merger until the provision is amended after the effective date of this [act].

[(d) The following entities may not engage in a conversion:

(1)

(2).]

***Legislative Note**: Many states have provisions in their corporate and unincorporated entity statutes that allow conversions. These statutes, however, vary greatly. A few allow conversion of one type of entity into any other type of entity. Most, however, allow only limited types of conversions, e.g., general partnerships to limited partnerships (and limited partnerships to general partnerships) but not to all other types of entities. If a state has conversion provisions, the recommended course of action is to repeal all those statutes. See Appendix 2. The net effect will be that this act will apply to all conversions. Leaving the existing conversion provisions in place will create confusion for practitioners because in some cases there will be two applicable conversion statutes, the existing conversion statute and Article 4 of this act, but in other situations only Article 4 of this act will apply.*

SECTION 402. PLAN OF CONVERSION.

(a) A domestic entity may convert to a different type of entity under this [article] by approving a plan of conversion. The plan must be in a record and contain:

(1) the name and type of the converting entity;

(2) the name, jurisdiction of organization, and type of the converted entity;

(3) the manner of converting the interests in the converting entity into interests, securities, obligations, rights to acquire interests or securities, cash, or other property, or any combination of the foregoing;

(4) the proposed public organic document of the converted entity if it will be a filing entity;

(5) the full text of the private organic rules of the converted entity that are proposed to be in a record;

(6) the other terms and conditions of the conversion; and

(7) any other provision required by the law of this state or the organic rules of the converting entity.

(b) A plan of conversion may contain any other provision not prohibited by law.

SECTION 403. APPROVAL OF CONVERSION.

(a) A plan of conversion is not effective unless it has been approved:

(1) by a domestic converting entity:

(A) in accordance with the requirements, if any, in its organic rules for approval of a conversion;

(B) if its organic rules do not provide for approval of a conversion, in accordance with the requirements, if any, in its organic law and organic rules for approval of:

(i) in the case of an entity that is not a business corporation, a merger, as if the conversion were a merger; or

(ii) in the case of a business corporation, a merger requiring approval by a vote of the interest holders of the business corporation, as if the conversion were that type of merger; or

(C) if neither its organic law nor organic rules provide for approval of a conversion or a merger described in subparagraph (B)(ii), by all of the interest holders of the entity entitled to vote on or consent to any matter; and

(2) in a record, by each interest holder of a domestic converting entity that will have interest holder liability for liabilities that arise after the conversion becomes effective, unless, in the case of an entity that is not a business or nonprofit corporation:

(A) the organic rules of the entity provide in a record for the approval of a conversion or a merger in which some or all of its interest holders become subject to interest

holder liability by the vote or consent of fewer than all of the interest holders; and

(B) the interest holder voted for or consented in a record to that provision of the organic rules or became an interest holder after the adoption of that provision.

(b) A conversion of a foreign converting entity is not effective unless it is approved by the foreign entity in accordance with the law of the foreign entity's jurisdiction of organization.

Legislative Note: *The analysis of approval requirements in the Legislative Note to Section 303 should also be undertaken with respect to conversions.*

SECTION 404. AMENDMENT OR ABANDONMENT OF PLAN OF CONVERSION.

(a) A plan of conversion of a domestic converting entity may be amended:

(1) in the same manner as the plan was approved, if the plan does not provide for the manner in which it may be amended; or

(2) by the governors or interest holders of the entity in the manner provided in the plan, but an interest holder that was entitled to vote on or consent to approval of the conversion is entitled to vote on or consent to any amendment of the plan that will change:

(A) the amount or kind of interests, securities, obligations, rights to acquire interests or securities, cash, or other property, or any combination of the foregoing, to be received by any of the interest holders of the converting entity under the plan;

(B) the public organic document or private organic rules of the converted entity that will be in effect immediately after the conversion becomes effective, except for changes that do not require approval of the interest holders of the converted entity under its organic law or organic rules; or

(C) any other terms or conditions of the plan, if the change would adversely affect the interest holder in any material respect.

(b) After a plan of conversion has been approved by a domestic converting entity and before a statement of conversion becomes effective, the plan may be abandoned:

(1) as provided in the plan; or

(2) unless prohibited by the plan, in the same manner as the plan was approved.

(c) If a plan of conversion is abandoned after a statement of conversion has been filed with the [Secretary of State] and before the filing becomes effective, a statement of abandonment, signed on behalf of the entity, must be filed with the [Secretary of State] before the time the statement of conversion becomes effective. The statement of abandonment takes effect upon filing, and the conversion is abandoned and does not become effective. The statement of abandonment must contain:

(1) the name of the converting entity;

(2) the date on which the statement of conversion was filed; and

(3) a statement that the conversion has been abandoned in accordance with this section.

SECTION 405. STATEMENT OF CONVERSION; EFFECTIVE DATE.

(a) A statement of conversion must be signed on behalf of the converting entity and filed with the [Secretary of State].

(b) A statement of conversion must contain:

(1) the name, jurisdiction of organization, and type of the converting entity;

(2) the name, jurisdiction of organization, and type of the converted entity;

(3) if the statement of conversion is not to be effective upon filing, the later date and time on which it will become effective, which may not be more than 90 days after the date of filing;

(4) if the converting entity is a domestic entity, a statement that the plan of conversion was approved in accordance with this [article] or, if the converting entity is a foreign entity, a statement that the conversion was approved by the foreign converting entity in accordance with the law of its jurisdiction of organization;

(5) if the converted entity is a domestic filing entity, the text of its public organic document, as an attachment;

(6) if the converted entity is a domestic limited liability partnership, the text of its [statement of qualification], as an attachment; and

(7) if the converted entity is a foreign entity that is not a qualified foreign entity, a mailing address to which the [Secretary of State] may send any process served on the [Secretary of State] pursuant to Section 406(e).

(c) In addition to the requirements of subsection (b), a statement of conversion may contain any other provision not prohibited by law.

(d) If the converted entity is a domestic entity, its public organic document, if any, must satisfy the requirements of the law of this state, except that it does not need to be signed and may omit any provision that is not required to be included in a restatement of the public organic document.

(e) A plan of conversion that is signed on behalf of a domestic converting entity and meets all of the requirements of subsection (b) may be filed with the [Secretary of State] instead of a statement of conversion and upon filing has the same effect. If a plan of conversion is filed as provided in this subsection, references in this [act] to a statement of conversion refer to the plan of conversion filed under this subsection.

(f) A statement of conversion becomes effective upon the date and time of filing or the later date and time specified in the statement of conversion.

SECTION 406. EFFECT OF CONVERSION.

(a) When a conversion becomes effective:

(1) the converted entity is:

(A) organized under and subject to the organic law of the converted entity; and

(B) the same entity without interruption as the converting entity;

(2) all property of the converting entity continues to be vested in the converted entity without assignment, reversion, or impairment;

(3) all liabilities of the converting entity continue as liabilities of the converted entity;

(4) except as provided by law other than this [act] or the plan of conversion, all of the rights, privileges, immunities, powers, and purposes of the converting entity remain in the converted entity;

(5) the name of the converted entity may be substituted for the name of the converting entity in any pending action or proceeding;

(6) if a converted entity is a filing entity, its public organic document is effective and is binding on its interest holders;

(7) if the converted entity is a limited liability partnership, its [statement of qualification] is effective simultaneously;

(8) the private organic rules of the converted entity that are to be in a record, if any, approved as part of the plan of conversion are effective and are binding on and enforceable by:

(A) its interest holders; and

(B) in the case of a converted entity that is not a business corporation or

nonprofit corporation, any other person that is a party to an agreement that is part of the entity's private organic rules; and

(9) the interests in the converting entity are converted, and the interest holders of the converting entity are entitled only to the rights provided to them under the plan of conversion and to any appraisal rights they have under Section 109 and the converting entity's organic law.

(b) Except as otherwise provided in the organic law or organic rules of the converting entity, the conversion does not give rise to any rights that an interest holder, governor, or third party would otherwise have upon a dissolution, liquidation, or winding-up of the converting entity.

(c) When a conversion becomes effective, a person that did not have interest holder liability with respect to the converting entity and that becomes subject to interest holder liability with respect to a domestic entity as a result of a conversion has interest holder liability only to the extent provided by the organic law of the entity and only for those liabilities that arise after the conversion becomes effective.

(d) When a conversion becomes effective:

(1) the conversion does not discharge any interest holder liability under the organic law of a domestic converting entity to the extent the interest holder liability arose before the conversion became effective;

(2) a person does not have interest holder liability under the organic law of a domestic converting entity for any liability that arises after the conversion becomes effective;

(3) the organic law of a domestic converting entity continues to apply to the release, collection, or discharge of any interest holder liability preserved under paragraph (1) as if the conversion had not occurred; and

(4) a person has whatever rights of contribution from any other person as are provided by the organic law or organic rules of the domestic converting entity with respect to any interest holder liability preserved under paragraph (1) as if the conversion had not occurred.

(e) When a conversion becomes effective, a foreign entity that is the converted entity:

(1) may be served with process in this state for the collection and enforcement of any of its liabilities; and

(2) appoints the [Secretary of State] as its agent for service of process for collecting or enforcing those liabilities.

(f) If the converting entity is a qualified foreign entity, the certificate of authority or other foreign qualification of the converting entity is canceled when the conversion becomes effective.

(g) A conversion does not require the entity to wind up its affairs and does not constitute or cause the dissolution of the entity.

[ARTICLE] 5
DOMESTICATION

SECTION 501. DOMESTICATION AUTHORIZED.

(a) Except as otherwise provided in this section, by complying with this [article], a domestic entity may become a domestic entity of the same type in a foreign jurisdiction if the domestication is authorized by the law of the foreign jurisdiction.

(b) Except as otherwise provided in this section, by complying with the provisions of this [article] applicable to foreign entities a foreign entity may become a domestic entity of the same type in this state if the domestication is authorized by the law of the foreign entity's jurisdiction of organization.

(c) When the term domestic entity is used in this [article] with reference to a foreign

jurisdiction, it means an entity whose internal affairs are governed by the law of the foreign jurisdiction.

(d) If a protected agreement contains a provision that applies to a merger of a domestic entity but does not refer to a domestication, the provision applies to a domestication of the entity as if the domestication were a merger until the provision is amended after the effective date of this [act].

(e) The following entities may not engage in a domestication under this [article]:

(1) [a business corporation – if the state has adopted Subchapter 9B of the Model Business Corporation Act];

(2) a limited liability company, if the state has enacted Article 10 of the Uniform Limited Liability Company Act (2006)]; or

(3).]

Legislative Note: *A few states have domestication provisions in their organic laws. The only uniform or model organic laws authorizing domestications are Subchapter 9B of the Model Business Corporation Act and Article 10 of the Uniform Limited Liability Company Act (2006). Because a domestication is a transaction involving entities of the same type, as opposed to a transaction involving entities of different types, a state may choose to keep any existing domestication provisions in its organic laws and it may decide to add domestication provisions to its other organic laws. Any domestication provisions in other organic laws should be listed in subsection (e). In that case, Article 5 will apply only to domestications of an entity whose organic law does not authorize a domestication. If a state does not have domestication provisions in its organic laws, subsection (e) should be omitted.*

SECTION 502. PLAN OF DOMESTICATION.

(a) A domestic entity may become a foreign entity in a domestication by approving a plan of domestication. The plan must be in a record and contain:

(1) the name and type of the domesticating entity;

(2) the name and jurisdiction of organization of the domesticated entity;

(3) the manner of converting the interests in the domesticating entity into interests, securities, obligations, rights to acquire interests or securities, cash, or other property, or any combination of the foregoing;

(4) the proposed public organic document of the domesticated entity if it is a filing entity;

(5) the full text of the private organic rules of the domesticated entity that are proposed to be in a record;

(6) the other terms and conditions of the domestication; and

(7) any other provision required by the law of this state or the organic rules of the domesticating entity.

(b) A plan of domestication may contain any other provision not prohibited by law.

SECTION 503. APPROVAL OF DOMESTICATION.

(a) A plan of domestication is not effective unless it has been approved:

(1) by a domestic domesticating entity:

(A) in accordance with the requirements, if any, in its organic rules for approval of a domestication;

(B) if its organic rules do not provide for approval of a domestication, in accordance with the requirements, if any, in its organic law and organic rules for approval of:

(i) in the case of an entity that is not a business corporation, a

merger, as if the domestication were a merger; or

(ii) in the case of a business corporation, a merger requiring approval by a vote of the interest holders of the business corporation, as if the domestication were that type of merger; or

(C) if neither its organic law nor organic rules provide for approval of a domestication or a merger described in subparagraph (B)(ii), by all of the interest holders of the entity entitled to vote on or consent to any matter; and

(2) in a record, by each interest holder of a domestic domesticating entity that will have interest holder liability for liabilities that arise after the domestication becomes effective, unless, in the case of an entity that is not a business corporation or nonprofit corporation:

(A) the organic rules of the entity in a record provide for the approval of a domestication or merger in which some or all of its interest holders become subject to interest holder liability by the vote or consent of fewer than all of the interest holders; and

(B) the interest holder voted for or consented in a record to that provision of the organic rules or became an interest holder after the adoption of that provision.

(b) A domestication of a foreign domesticating entity is not effective unless it is approved in accordance with the law of the foreign entity's jurisdiction of organization.

Legislative Note: *The analysis of approval requirements in the Legislative Note to Section 303 should also be undertaken with respect to domestications.*

SECTION 504. AMENDMENT OR ABANDONMENT OF PLAN OF DOMESTICATION.

(a) A plan of domestication of a domestic domesticating entity may be amended:

(1) in the same manner as the plan was approved, if the plan does not provide for the manner in which it may be amended; or

(2) by the governors or interest holders of the entity in the manner provided in the plan, but an interest holder that was entitled to vote on or consent to approval of the domestication is entitled to vote on or consent to any amendment of the plan that will change:

(A) the amount or kind of interests, securities, obligations, rights to acquire interests or securities, cash, or other property, or any combination of the foregoing, to be received by any of the interest holders of the domesticating entity under the plan;

(B) the public organic document or private organic rules of the domesticated entity that will be in effect immediately after the domestication becomes effective, except for changes that do not require approval of the interest holders of the domesticated entity under its organic law or organic rules; or

(C) any other terms or conditions of the plan, if the change would adversely affect the interest holder in any material respect.

(b) After a plan of domestication has been approved by a domestic domesticating entity and before a statement of domestication becomes effective, the plan may be abandoned:

(1) as provided in the plan; or

(2) unless prohibited by the plan, in the same manner as the plan was approved.

(c) If a plan of domestication is abandoned after a statement of domestication has been filed with the [Secretary of State] and before the filing becomes effective, a statement of abandonment, signed on behalf of the entity, must be filed with the [Secretary of State] before the time the statement of domestication becomes effective. The statement of abandonment takes effect upon filing, and the domestication is abandoned and does not become effective. The statement of abandonment must contain:

(1) the name of the domesticating entity;

(2) the date on which the statement of domestication was filed; and

(3) a statement that the domestication has been abandoned in accordance with this section.

SECTION 505. STATEMENT OF DOMESTICATION; EFFECTIVE DATE.

(a) A statement of domestication must be signed on behalf of the domesticating entity and filed with the [Secretary of State].

(b) A statement of domestication must contain:

(1) the name, jurisdiction of organization, and type of the domesticating entity;

(2) the name and jurisdiction of organization of the domesticated entity;

(3) if the statement of domestication is not to be effective upon filing, the later date and time on which it will become effective, which may not be more than 90 days after the date of filing;

(4) if the domesticating entity is a domestic entity, a statement that the plan of domestication was approved in accordance with this [article] or, if the domesticating entity is a foreign entity, a statement that the domestication was approved in accordance with the law of its jurisdiction of organization;

(5) if the domesticated entity is a domestic filing entity, its public organic document, as an attachment;

(6) if the domesticated entity is a domestic limited liability partnership, its [statement of qualification], as an attachment; and

(7) if the domesticated entity is a foreign entity that is not a qualified foreign entity, a mailing address to which the [Secretary of State] may send any process served on the [Secretary of State] pursuant to Section 506(e).

(c) In addition to the requirements of subsection (b), a statement of domestication may contain any other provision not prohibited by law.

(d) If the domesticated entity is a domestic entity, its public organic document, if any, must satisfy the requirements of the law of this state, except that it does not need to be signed and may omit any provision that is not required to be included in a restatement of the public organic document.

(e) A plan of domestication that is signed on behalf of a domesticating domestic entity and meets all of the requirements of subsection (b) may be filed with the [Secretary of State] instead of a statement of domestication and upon filing has the same effect. If a plan of domestication is filed as provided in this subsection, references in this [act] to a statement of domestication refer to the plan of domestication filed under this subsection.

(f) A statement of domestication becomes effective upon the date and time of filing or the later date and time specified in the statement of domestication.

SECTION 506. EFFECT OF DOMESTICATION.

(a) When a domestication becomes effective:

(1) the domesticated entity is:

(A) organized under and subject to the organic law of the domesticated entity; and

(B) the same entity without interruption as the domesticating entity;

(2) all property of the domesticating entity continues to be vested in the domesticated entity without assignment, reversion, or impairment;

(3) all liabilities of the domesticating entity continue as liabilities of the domesticated entity;

(4) except as provided by law other than this [act] or the plan of domestication, all of the rights, privileges, immunities, powers, and purposes of the domesticating entity remain in the domesticated entity;

(5) the name of the domesticated entity may be substituted for the name of the domesticating entity in any pending action or proceeding;

(6) if the domesticated entity is a filing entity, its public organic document is effective and is binding on its interest holders;

(7) if the domesticated entity is a limited liability partnership, its [statement of qualification] is effective simultaneously;

(8) the private organic rules of the domesticated entity that are to be in a record, if any, approved as part of the plan of domestication are effective and are binding on and enforceable by:

(A) its interest holders; and

(B) in the case of a domesticated entity that is not a business corporation or nonprofit corporation, any other person that is a party to an agreement that is part of the domesticated entity's private organic rules; and

(9) the interests in the domesticating entity are converted to the extent and as approved in connection with the domestication, and the interest holders of the domesticating entity are entitled only to the rights provided to them under the plan of domestication and to any appraisal rights they have under Section 109 and the domesticating entity's organic law.

(b) Except as otherwise provided in the organic law or organic rules of the domesticating entity, the domestication does not give rise to any rights that an interest holder, governor, or third party would otherwise have upon a dissolution, liquidation, or winding-up of the domesticating entity.

(c) When a domestication becomes effective, a person that did not have interest holder liability with respect to the domesticating entity and that becomes subject to interest holder liability with respect to a domestic entity as a result of the domestication has interest holder liability only to the extent provided by the organic law of the entity and only for those liabilities that arise after the domestication becomes effective.

(d) When a domestication becomes effective:

(1) the domestication does not discharge any interest holder liability under the organic law of a domesticating domestic entity to the extent the interest holder liability arose before the domestication became effective;

(2) a person does not have interest holder liability under the organic law of a domestic domesticating entity for any liability that arises after the domestication becomes effective;

(3) the organic law of a domestic domesticating entity continues to apply to the release, collection, or discharge of any interest holder liability preserved under paragraph (1) as if the domestication had not occurred; and

(4) a person has whatever rights of contribution from any other person as are provided by the organic law or organic rules of a domestic domesticating entity with respect to any interest holder liability preserved under paragraph (1) as if the domestication had not occurred.

(e) When a domestication becomes effective, a foreign entity that is the domesticated entity:

(1) may be served with process in this state for the collection and enforcement of any of its liabilities; and

(2) appoints the [Secretary of State] as its agent for service of process for collecting or enforcing those liabilities.

(f) If the domesticating entity is a qualified foreign entity, the certificate of authority or other foreign qualification of the domesticating entity is canceled when the domestication becomes effective.

(g) A domestication does not require the entity to wind up its affairs and does not constitute or cause the dissolution of the entity.

[ARTICLE] 6
MISCELLANEOUS PROVISIONS

SECTION 601. CONSISTENCY OF APPLICATION. In applying and construing this [act], consideration must be given to the need to promote consistency of the law with respect to its subject matter among states that enact it.

SECTION 602. RELATION TO ELECTRONIC SIGNATURES IN GLOBAL AND NATIONAL COMMERCE ACT. This [act] modifies, limits, and supersedes the federal Electronic Signatures in Global and National Commerce Act,15 U.S.C. § 7001, et seq., but does not modify, limit, or supersede Section 101(c) of that act,15 U.S.C. § 7001(c), or authorize electronic delivery of any of the notices described in Section 103(b) of that act,15 U.S.C. § 7003(b).

SECTION 603. CONFORMING AMENDMENTS AND REPEALS. [See Appendix 2.]

SECTION 604. SAVINGS CLAUSE. This [act] does not affect an action or proceeding commenced or right accrued before the effective date of this [act].

SECTION 605. EFFECTIVE DATE. This [act] takes effect [January 1, 20__.]

***Legislative Drafting Note**: For conforming amendments to existing uniform business entity acts, please see the official final act with comments (Copyright © 2004, 2005, 2007 Jointly By the NATIONAL CONFERENCE OF COMMISSIONERS ON UNIFORM STATE LAWS and the AMERICAN BAR ASSOCIATION) at:*
http://www.law.upenn.edu/bll/archives/ulc/ueta/2007_final.pdf

SB 102

<TARGET><BILL>SB 102</BILL><SUBJECT>SB 102</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT
First Committee of Referral

DATE: 3/14/11

FURTHER:

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 102

SB 102-AK AFFORDABLE HEATING PROGRAM PAYMENTS

"An Act relating to certain payments made under the Alaska affordable heating program."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	EGAN	X			
	McGuire	X			
	OLSON	X			
	ELLIS	X			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	STEDMAN	✓			

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: SB102
() Publish Date:

Identifier (file name): SB102-DHSS-EAP-03-18-11
Title: AK Affordable Heating Program Payments
Sponsor: Finance
Requester: Senate FIN

Dept. Affected: Health and Social Services
Appropriation: Public Assistance
Allocation: Energy Assistance Program
OMB Component Number: 226

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Not Applicable

Prepared by: Ron Kreher, Director — Phone 465-5847
Division: Public Assistance — Date/Time 3/18/11 12:00 PM
Approved by: Alison Elgee, Assistant Commissioner — Date 3/18/2011
DHSS Finance & Management Services

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB102
2011 LEGISLATIVE SESSION

Analysis:

The intent of this bill is to suspend the calculation of payments based on the dollar value of community heating points mandated in 47.25.623 and allow the proration of heating assistance benefits when appropriations are insufficient to pay benefits through the Alaska Affordable Heating Program at the levels described in Chapter 83, SLA10.

Senator Lyman Hoffman

Alaska State Legislature

Sponsor Statement for SB 102

SB 102 amends the State's Affordable Heating Program. Last year, the legislature combined the Low Income Heating and Energy Assistance Program (LIHEAP) and Alaska Heating Assistance Program to form the Affordable Heating Assistance Program. This change was to more closely align the cost of energy as measured by the cost of a barrel of North Slope crude oil with the amount of assistance an eligible family would receive.

In creating that program, the bill contained language that would allow the Department of Health and Social Services to prorate benefits should that become necessary as a result of a shortage of funds. However, the Department is concerned that this language does not offer them sufficient discretion needed to do this.

SB 102 eliminates this ambiguity by assuring that the Department may prorate benefits, if necessary, regardless of a recipient's income or the price of oil upon which their benefit is based.

Heating assistance is one of the most critical programs to Alaskan's who rely on oil heat. In rural areas, a family may pay up to fifty percent of its income to heat its home in winter. That scenario occurs in other parts of the State as well, giving this program a critical statewide focus. Therefore, we urge that this critical program continue to be fully funded, particularly considering the potential rise in fuel costs next winter.

However, with this amendment, the Department of Health and Social Services will have the authority to prorate benefits to eligible families should this become necessary.

Senate District S
Senator_Lyman_Hoffman@legis.state.ak.us

SB 103

<TARGET><BILL>SB 103</BILL><SUBJECT>SB 103</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/8/11

FURTHER:

DATE TURNED IN TO OFFICE: 1/27/12

Finance Committee considered SENATE BILL NO. 103

SB 103-WORKERS' COMPENSATION FOR FIREFIGHTERS

"An Act amending the medical examination requirements for firefighters entitled to a presumption of compensability for a disability resulting from certain diseases."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[✓] adopt **previous CS** SB 103 (L&C) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____ Letter of Intent

[ ] further referral to _____ Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
UA	✓			
ADM	✓			
LWF			✓	

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	THOMAS	✓			
	EGAN	✓			
	GIESON			✓	
	ELLIS	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman			✓	

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB103**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB103-UA-SYSBRA-01-20-12
Title: Worker's Compensation for Firefighters
Sponsor: Senate Judiciary Committee
Requester: Senate Finance

Dept. Affected: University of Alaska
Appropriation: Budget Reductions/Additions-Systemwid
Allocation: Budget Reductions/Additions-Systemwid
OMB Component Number: 1296

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services	77.4		77.4	77.4	77.4	77.4	77.4
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**77.4**	**0.0**	**77.4**	**77.4**	**77.4**	**77.4**	**77.4**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	77.4		77.4	77.4	77.4	77.4	77.4
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
	TOTAL	**77.4**	**0.0**	**77.4**	**77.4**	**77.4**	**77.4**	**77.4**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by: Michelle Rizk BY
Division: University of Alaska
Approved by: Michelle Rizk BY

Phone: 907-450-8187
Date/Time: 1/20/12 8:00 AM
Date: 1/20/2012

(Revised 11/28/2011 OMB)

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB103

Analysis

The University of Alaska (UA) would be financially impacted by this proposed legislation.

UA Risk Services data show there were 41 reported claims by UAF firefighters over the past 5 years, or an average of 8.2 claims per year. The National Council on Compensation Insurance stated in its 2008 analysis for HB 200 that Alaska could see an increase in frequency of claim due to cancer of 26.9%, increasing the estimated number of annual firefighter claims to 10.25 assuming the bill passes. This would be an increase of 2.05 claims per year.

UA's average cost of firefighter claims over the past 5 years is $37,755, therefore UA would likely experience an increase of $77,400 per year.

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **SB103**
Fiscal Note Number:
Publish Date:

Identifier (file name): SB103-DOA-RM-11-21-11
Title: Workers' Compensation for Firefighters
Sponsor: Senate Judiciary Committee
Requester: Senate Finance

Dept. Affected: Administration
Appropriation: Risk Management
Allocation: Risk Management
OMB Component Number: 71

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services	69.7		69.7	69.7	69.7	69.7	69.7
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**69.7**	**0.0**	**69.7**	**69.7**	**69.7**	**69.7**	**69.7**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1007	I/A Rcpts (Other)	69.7		69.7	69.7	69.7	69.7	69.7
TOTAL		**69.7**	**0.0**	**69.7**	**69.7**	**69.7**	**69.7**	**69.7**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Update for session

Prepared by: Scott Jordan, Director — Phone: 465-5723
Division: Risk Management — Date/Time: 11/21/11 11am
Approved by: John Cramer, Deputy Commissioner — Date: 11/21/2011
Department of Administration

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB103

Analysis

Risk Management (RM) would be financially impacted by this proposed legislation.

RM reports show there were 73 reported claims by Certified I firefighters over the last five years or an average of 14.6 claims per year. NCCI stated back in 2008 when doing an analysis for HB 200, that Alaska could see an increase in frequency of claims due to cancer of 26.9%, or a total claim count assuming the bill passes, of 18.54 claims per year. This would be an increase of 3.94 claims per year. Our average cost of claims is $17,729 therefore RM would likely experience an increase of $69,700 per year.

Due to the type of injury RM would anticipate additional legal work would need to be done, however, we do not anticipate the costs to be substantial

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB103(L&C)**
Fiscal Note Number:
Publish Date:

Identifier (file name): SB103CSSB(L&C)-DOLWD-WC-1-3-12
Title: Workers' Compensation for Firefighters
Sponsor: Judiciary
Requester: Senate Finance

Dept. Affected: Labor and Workforce Development
Appropriation: Workers' Compensation
Allocation: Workers' Compensation
OMB Component Number: 344

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1157	Wrkrs Safe (DGF)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated fiscal note to provide information for the upcoming fiscal year.

Prepared by: Michael Monagle, Director — Phone: 907-465-6059
Division: Workers' Compensation — Date/Time: 11-24-11 1:05pm
Approved by: Click Bishop, Commissioner — Date: 1/3/2012
Department of Labor and Workforce Development

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** CSSB103(L&C)
2012 LEGISLATIVE SESSION

Analysis

There is no fiscal impact to the department anticipated as a result of this legislation.

Alaska Public Entity Insurance

2233 Jordan Avenue
Juneau, AK 99801

Phone: (907) 523-9400
Fax: (907) 586-2008
www.akpei.com

January 23, 2012

The Honorable Hollis French
Alaska State Senate
Alaska State Capitol
Juneau, AK 99811

Sent by email to Senator_Hollis_French@legis.state.ak.us

Re: CSSB 103 (L&C)

Dear Senator French:

Alaska Public Entity Insurance (APEI) is a joint insurance arrangement, or pool, organized under AS 21.76 and filed as an Alaska nonprofit corporation. APEI provides property, liability, auto and workers' compensation insurance to approximately 70 Alaska municipalities and school districts. We offer the following comments in opposition to Senate Bill 103, and in response to questions raised and statements made at the hearing last Friday before the Senate Finance Committee.

In response to a question from Senator Thomas, you stated that this bill is designed to apply only to "professional firefighters," by which I believe you meant full-time or paid municipal employees. You stated, "There are thousands of Alaskans who are volunteer firefighters... We're not talking about that class." You further stated that the requisite state Class 1 Firefighter certification would preclude application of this presumption to most volunteers.

Unfortunately, the bill is not limited in the way you stated. In Alaska, literally thousands of volunteer firefighters are Class 1 Certified. [1] Although it may be true that many of those on the list are paid professionals, particularly in the larger cities, many of those listed are simple volunteers who may have fought few, if any, structural fires.

[1] See attached. The attachment lists all Class 1 Certified firefighters as of 2008, when AS 21.30.121 was under consideration. I presume the department can provide a more recent list. With the enactment of AS 21.30.121 in 2008, it is likely that many more volunteers are now becoming certified to bring themselves under the protection of the presumption

The city of Petersburg is a good example. As you can see from this list, in 2008 there were 69 Class 1 certified firefighters in Petersburg. However, the city of Petersburg has just 2 paid firefighters. I may not agree with the theory behind the presumption in AS 21.30.121, but I can understand its intent when it applies, as you stated, to "professional firefighters." However, expanding this presumption to volunteer, or casual, firefighters who fight few if any fires (and none where they actually entered a burning structure) creates a significant and unjustified exposure to the workers' compensation system.

Senator Olson asked about the financial impact this change may have on municipalities. Contrary to the statements of the NCCI in their Preliminary Cost Analysis, in my opinion the impact is likely to be substantial, for several reasons. First, this bill will now expand coverage to perhaps thousands of volunteers who were not covered under the original law , specifically those who did not receive the requisite medical examinations prior to enactment of the presumption. It was the exclusion of those individuals that prevented the original statutory enactment from having a huge immediate financial impact on municipal insurance rates.

Second, the bill appears to extend the presumption to those who are not even now getting exams. The bill language seems to say that if you were in the system as of the enactment of AS 21.30.121, you receive the presumption, *even if you do not receive requisite examinations after the statute's effective date*. This may not be the sponsor's intent, but the impact, particularly on smaller Alaska communities, is significant. As you can see from the attached list, many smaller communities have volunteer firefighters with Class 1 certification. These communities are probably not offering medical examinations to these volunteers that meet the requirements of AS 21.30.121 and may, in many cases, have never provided any medical exams to their firefighters. Grandfathering in these volunteers for coverage under the presumption will have a significant impact on the small communities' workers' compensation exposure, and hence their rates.

APEI is currently trying to analyze the impact that this bill may have on workers' compensation rates. Presently, the rate for each volunteer firefighter is very low, under the assumption that volunteers do not fight a significant number of fires. However, if this bill passes, the exposure for each volunteer increases substantially. With the passage of this bill, in setting rates we will need to take into account the number of Class 1 certified firefighters in each community. For smaller communities, where the number of volunteer firefighters is large in comparison to total city employees, the impact on overall worker's compensation premium will be much harsher.

If it is your intent to require firefighters to undergo the requisite examinations after the original statutory effective date, I suggest that Section 1, line 25 be revised to:

... **the presumption set out in this section, *for that period of qualifying service* before August 19, 2008, the firefighter** ...

If it is your intent to only include the paid professional firefighters, I suggest that Section 2 be revised to:

Sec. 2. AS 23.30.121(f) is amended to read:

(f) In this section, "firefighter" **means a person employed by a state or municipal fire department or who is a full time paid member of a fire department registered with the state fire marshal.**

These amendments will alleviate much of the significant financial impact of this bill on smaller Alaska communities, and make the bill consistent, I believe, with your position as stated at the hearing.

Thank you for taking these comments into consideration.

Sincerely,

Jeffrey W. Bush
Executive Director

Cc: Senator Stedman, Chair, Senate Finance Committee; at Senator_Bert_Stedman@legis.state.ak.us

ALASKA MUNICIPAL LEAGUE
JIA JOINT INSURANCE ASSOCIATION, INC.

807 G Street, Suite 356, Anchorage, AK 99501

T 907.258.2625 F 907.279.3615 Toll Free in AK 1.800.337.3682

January 26, 2012

The Honorable Bert Stedman, Co-Chair and
The Honorable Lyman Hoffman, Co-Chair and
Members of the Senate Finance Committee
Alaska State Capitol, Room 516
Juneau, Alaska 99801

Sent by e-mail: *Senator_Bert_Stedman@legis.state.ak.us*
Senator_Lyman_Hoffman@legis.state.ak.us

RE: Oppose SB 103

Dear Senators:

The Alaska Municipal League Joint Insurance Association (AMLJIA) opposes CSSB 103(L&C).

The AMLJIA is a not-for-profit risk pool formed in 1988 under AS 21.76. The AMLJIA administers a self-insurance program for 153 member local governments and school districts in Alaska. Within the membership, there are 38 local government members that have State of Alaska registered fire departments. These include professional and volunteer fire departments ranging from Coffman Cove to Yakutat, from Chefornak to Healy, from Barrow to Kotzebue, and from Fairbanks to Seldovia. The members fund their losses with contributions to the AMLJIA, which in turn purchases excess coverage on a group basis for the workers' compensation claims to provide statutory limits. It is important to understand that the costs of this legislation will be borne by the owner/members of the AMLJIA and other self-insured entities, including the State of Alaska.

As a direct result of the passage of the heart/lung presumption bill in 2008, the self-insured retention within the AMLJIA has now been increased to $2 million. Based on negative experience elsewhere in the country, our largest excess workers' compensation carrier does not want to touch the firefighter exposure in Alaska. As I understand it, the Municipality of Anchorage, the Fairbanks North Star Borough and the State of Alaska have also had similar experiences. The constituents of self-insured entities are bearing these increased costs of both retained losses and increased premiums for excess coverage. Passing CSSB 103(L&C) and expanding the current law retroactively to firefighters that may not have ever had a qualifying medical exam will only exacerbate the problem.

At last week's hearing on this bill, the sponsor referred to the Preliminary Cost Impact Analysis offered by the National Council on Compensation Insurance (NCCI). He explained that the increase in loss cost rates may be "negligible." A closer reading of that preliminary analysis reveals that NCCI "assumed that there would be no cost difference for firefighters hired before and after August 19, 2008." That overlooks the possibility that there may be more firefighters in the equation.

Most of the volunteer fire departments did not offer any medical screenings prior to the enactment of the presumption. Would this then mean that the firefighter "received all the medical examinations provided by the department?" The current language in CSSB 103(L&C) can be read to eliminate the requirement for a qualifying medical exam for those who were volunteers prior to the presumption if the department did not offer medical exams. If that is not the intent of the bill, then that language should be made less ambiguous.

If the intent it is to offer a presumption for firefighter that did not actually take medical exams because the department did not offer them, then the retroactive nature of the bill means that insurance companies or programs like the AMLIA that use actuaries to formulate contributions in advance, will bear the medical costs for firefighters that were never contemplated in the rates charged to their clients. The costs of this unfunded mandate will be borne by the constituents of the self-insured governments, forcing municipalities to make financial decisions that could result in decreasing or even in extreme cases eliminating their volunteer fire departments.

As you know, Alaska's workers' compensation rates are among the highest in the nation. Now is the time to fix our workers' compensation problems, not make them worse by expanding benefits. Please consider the negative financial impacts this legislation would have on the State's political subdivisions.

Sincerely,

Kevin

Kevin Smith
Executive Director

FF I	City	Department
Firefighter 1	Anchorage	89 FFI Academy
Firefighter 1	Anchorage	89 FFI Academy
Firefighter 1	Anchorage	89 FFI Academy
Firefighter 1	Anchorage	90 FFI Academy
Firefighter 1	Anchorage	90 FFI Academy
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Firefighter 1	Anchorage	90 FFI Academy
Firefighter 1	Anchorage	91 FFI Academy
Firefighter 1	Anchorage	91 FFI Academy
Firefighter 1	Anchorage	91 FFI Academy
Firefighter 1	Anchorage	91 FFI Academy
Firefighter 1	Anchorage	91 FFI Academy
Firefighter 1	Anchorage	91 FFI Academy
Firefighter 1	Anchorage	91 FFI Academy
Firefighter 1	Eagle River	91 FFI Academy
Firefighter 1	Anchorage	92 FFI Academy
Firefighter 1	Anchorage	92 FFI Academy
Firefighter 1	Anchorage	92 FFI Academy
Firefighter 1	Eagle River	92 FFI Academy
Firefighter 1	Eagle River	92 FFI Academy
Firefighter 1	Willow	92 FFI Academy
Firefighter 1	Anchorage	93 FFI Academy
Firefighter 1	Anchorage	93 FFI Academy
Firefighter 1	Anchorage	93

Firefighter 1	Anchorage	95 FFI Academy
Firefighter 1	Anchorage	95 FFI Academy
Firefighter 1	Anchorage	95 FFI Academy
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Firefighter 1	Anchorage	95 FFI Academy
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Firefighter 1	Anchorage	95 FFI Academy
Firefighter 1	Anchorage	95 FFI Academy
Firefighter 1	Anchorage	95 FFI Academy
Firefighter 1	Anchorage	95 FFI Academy
Firefighter 1	Chugiak	95 FFI Academy
Firefighter 1	Copper Center	95 FFI Academy
Firefighter 1	Eagle River	95 FFI Academy
Firefighter 1	Eagle River	95 FFI Academy
Firefighter 1	Eagle River	95 FFI Academy
Firefighter 1	Healy	95 FFI Academy
Firefighter 1	Palmer	95 FFI Academy
Firefighter 1	Wasilla	95 FFI Academy
Firefighter 1	Wasilla	95 FFI Academy
Firefighter 1	Wasilla	95 FFI Academy
Firefighter 1	Anchorage	97 FFI Academy
Firefighter 1	Anchorage	97 FFI Academy
Firefighter 1	Anchorage	97 FFI Academy
Firefighter 1	Anchorage	97 FFI Academy
Firefighter 1	Anchorage	97 FFI Academy
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Firefighter 1	Anchorage	97 FFI Academy
Firefighter 1	Copper Center	97 FFI Academy
Firefighter 1	Eagle River	97 FFI Academy
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Firefighter 1	Wasilla	97 FFI Academy
Firefighter 1	Anchorage	Academy

Firefighter 1	Chugiak	Academy
Firefighter 1	Eagle River	Academy
Firefighter 1	Anchorage	Airport Fire & Police
Firefighter 1	Anchorage	Airport Fire & Police
Firefighter 1	Chugiak	Airport Fire & Police
Firefighter 1	Eagle River	Airport Fire & Police
Firefighter 1	Bethel	AK DOT
Firefighter 1	Homer	AK DOT
Firefighter 1	Juneau	AK DOT
Firefighter 1	Petersburg	AK DOT
Firefighter 1	Haines	AK Marine Highway
Firefighter 1	Juneau	AK Marine Highway
Firefighter 1	Juneau	AK Marine Highway
Firefighter 1	Juneau	AK Marine Highway
Firefighter 1	Ketchikan	AK Marine Highway
Firefighter 1	Anchorage	AK State Fire Marshal
Firefighter 1	Fairbanks	AK State Fire Marshal
Firefighter 1	Juneau	AK State Fire Marshal
Firefighter 1	Fairbanks	Alaska West Training Center
Firefighter 1	Palmer	Alyeska Marine Terminal Fire Response
Firefighter 1	Valdez	Alyeska Marine Terminal Fire Response
Firefighter 1	Valdez	Alyeska Marine Terminal Fire Response
Firefighter 1	Valdez	Alyeska Marine Terminal Fire Response
Firefighter 1	Valdez	Alyeska Marine Terminal Fire Response
Firefighter 1	Valdez	Alyeska Marine Terminal Fire Response
Firefighter 1	Valdez	Alyeska Marine Terminal Fire Response
Firefighter 1	Valdez	Alyeska Marine Terminal Fire Response
Firefighter 1	Wasilla	Alyeska Marine Terminal Fire Response
Firefighter 1	Anchor Point	Anchor Point Volunteer Fire Dept.
Firefighter 1	Anchor Point	Anchor Point Volunteer Fire Dept.
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Firefighter 1	Fritz Creek	Anchor Point Volunteer Fire Dept.
Firefighter 1	Homer	Anchor Point Volunteer Fire Dept.
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Firefighter 1	Nikolaevsk	Anchor Point Volunteer Fire Dept.
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Firefighter 1	Nikolaevsk	Anchor Point Volunteer Fire Dept.
Firefighter 1	Seward	Anchor Point Volunteer Fire Dept.
Firefighter 1	Anchorage	Anchorage Fire Department
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Firefighter 1	Big Lake	Anchorage Fire Department
Firefighter 1	Chickaloon	Anchorage Fire Department
Firefighter 1	Chugiak	Anchorage Fire Department
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Firefighter 1	Eagle River	Anchorage Fire Department
Firefighter 1	Girdwood	Anchorage Fire Department
Firefighter 1	Girdwood	Anchorage Fire Department
Firefighter 1	Girdwood	Anchorage Fire Department
Firefighter 1	Girdwood	Anchorage Fire Department
Firefighter 1	Girdwood	Anchorage Fire Department
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Firefighter 1	Girdwood	Anchorage Fire Department
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Firefighter 1	Girdwood	Anchorage Fire Department
Firefighter 1	Palmer	Anchorage Fire Department
Firefighter 1	Palmer	Anchorage Fire Department
Firefighter 1	Palmer

Firefighter 1	Soldotna	Anchorage Fire Department
Firefighter 1	Sutton	Anchorage Fire Department
Firefighter 1	Wasilla	Anchorage Fire Department
Firefighter 1	Wasilla	Anchorage Fire Department
Firefighter 1	Wasilla	Anchorage Fire Department
Firefighter 1	Wasilla	Anchorage Fire Department
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Firefighter 1	Wasilla	Anchorage Fire Department
Firefighter 1	Wasilla	Anchorage Fire Department
Firefighter 1	Wasilla	Anchorage Fire Department
Firefighter 1	Willow	Anchorage Fire Department
Firefighter 1	Willow	Anchorage Fire Department
Firefighter 1	Anchorage	Anchorage Int'l Airport Fire Dept.
Firefighter 1	Anchorage	Anchorage Int'l Airport Fire Dept.
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Firefighter 1	Anchorage	Anchorage Int'l Airport Fire Dept.
Firefighter 1	Anchorage	Anchorage Int'l Airport Fire Dept.
Firefighter 1	Anchorage	Anchorage Int'l Airport Fire Dept.
Firefighter 1	Anchorage	Anchorage Int'l Airport Fire Dept.
Firefighter 1	Anchorage	Anchorage Int'l Airport Fire Dept.
Firefighter 1	Anchorage	Anchorage Int'l Airport Fire Dept.
Firefighter 1	Anchorage	Anchorage Int'l Airport Fire Dept.
Firefighter 1	Anchorage	Anchorage Int'l Airport Fire Dept.
Firefighter 1	Anchorage	Anchorage Int'l Airport Fire Dept.
Firefighter 1	Anchorage	Anchorage Int'l Airport Fire Dept.

Firefighter 1	Anchorage	Anchorage Int'l Airport Fire Dept.

Firefighter 1	Eagle River	Anchorage Int'l Airport Fire Dept.
Firefighter 1	Eagle River	Anchorage Int'l Airport Fire Dept.
Firefighter 1	Eagle River	Anchorage Int'l Airport Fire Dept.
Firefighter 1	Eagle River	Anchorage Int'l Airport Fire Dept.
Firefighter 1	Eagle River	Anchorage Int'l Airport Fire Dept.
Firefighter 1	Eagle River	Anchorage Int'l Airport Fire Dept.
Firefighter 1	Eagle River	Anchorage Int'l Airport Fire Dept.
Firefighter 1	Eagle River	Anchorage Int'l Airport Fire Dept.
Firefighter 1	Eagle River	Anchorage Int'l Airport Fire Dept.
Firefighter 1	Houston	Anchorage Int'l Airport Fire Dept.
Firefighter 1	Palmer	Anchorage Int'l Airport Fire Dept.
Firefighter 1	Palmer	Anchorage Int'l Airport Fire Dept.
Firefighter 1	Wasilla	Anchorage Int'l Airport Fire Dept.
Firefighter 1	Anchorage	Anchorage Police
Firefighter 1	Anderson	Anderson Volunteer Fire Dept.
Firefighter 1	Fairbanks	Aniak Volunteer Fire Dept.
Firefighter 1	Anchorage	Anton Anderson Fire Department
Firefighter 1	Anchorage	Anton Anderson Fire Department
Firefighter 1	Anchorage	Anton Anderson Fire Department
Firefighter 1	Anchorage	Anton Anderson Fire Department
Firefighter 1	Anchorage	ARCO Kuparuk Fire Department
Firefighter 1	Anchorage	ARCO Kuparuk Fire Department
Firefighter 1	Anchorage	ARCO Kuparuk Fire Department
Firefighter 1	Anchorage	ARCO Kuparuk Fire Department
Firefighter 1	Anchorage	ARCO Kuparuk Fire Department
Firefighter 1	Anchorage	ARCO Kuparuk Fire Department
Firefighter 1	Anchorage	ARCO Kuparuk Fire Department
Firefighter 1	Anchorage	ARCO Kuparuk Fire Department
Firefighter 1	Big Lake	ARCO Kuparuk Fire Department
Firefighter 1	Eagle River	ARCO Kuparuk Fire Department
Firefighter 1	Eagle River	ARCO Kuparuk Fire Department
Firefighter 1	Eatonville	ARCO Kuparuk Fire Department
Firefighter 1	Elgin	ARCO Kuparuk Fire Department
Firefighter 1	Gig Harbor	ARCO Kuparuk Fire Department
Firefighter 1	Gig Harbor	ARCO Kuparuk Fire Department
Firefighter 1	Girdwood	ARCO Kuparuk Fire Department
Firefighter 1	Kenai	ARCO Kuparuk Fire Department
Firefighter 1	Palmer	ARCO Kuparuk Fire Department
Firefighter 1	Palmer	ARCO Kuparuk Fire Department
Firefighter 1	Pasco	ARCO Kuparuk Fire Department
Firefighter 1	Silsbee	ARCO Kuparuk Fire Department
Firefighter 1	Snohomish	ARCO Kuparuk Fire Department
Firefighter 1	Soldotna	ARCO Kuparuk Fire Department
Firefighter 1	Soldotna	ARCO Kuparuk Fire Department
Firefighter 1	Talkeetna	ARCO Kuparuk Fire Department
Firefighter 1	Troy	ARCO Kuparuk Fire Department
Firefighter 1	Tucson	ARCO Kuparuk Fire Department
Firefighter 1	Wasilla	ARCO Kuparuk Fire Department
Firefighter 1	Wasilla	ARCO Kuparuk Fire Department
Firefighter 1	Wasilla	ARCO Kuparuk Fire Department
Firefighter 1	Wasilla	ARCO Kuparuk Fire Department
Firefighter 1	Wasilla	ARCO Kuparuk Fire Department

Firefighter 1	Anchor Point	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Anchorage

Firefighter 1	Eagle River	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Eagle River	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Eagle River	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Eagle River	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Eagle River	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Eagle River	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Heath	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Kenai	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Kenai	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Kenai	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Kenai	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Kenai	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Kenai	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Kenai	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Nikiski	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Palmer	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Palmer	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Palmer	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Palmer	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Renton	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Soldotna	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Soldotna	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Soldotna	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Soldotna	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Soldotna	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Soldotna	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Soldotna	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Soldotna	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Soldotna	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Sterling	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Sterling	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Sweet Home	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Tahoe City	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Talkeetna	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Wasilla	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Wasilla	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Wasilla	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Wasilla	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Wasilla	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Wasilla	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Wasilla	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Wasilla	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Wasilla	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Wasilla	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Wasilla	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Wasilla	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Wasilla	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Wasilla	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Wewahitchka`	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	White Salmon	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Willow	ARCO Prudhoe Bay Fire Dept.
Firefighter 1	Barrow	Barrow Volunteer Fire Dept.
Firefighter 1	Barrow	Barrow Volunteer Fire Dept.

Firefighter 1	Barrow	Barrow Volunteer Fire Dept.
Firefighter 1	Barrow	Barrow Volunteer Fire Dept.
Firefighter 1	Kodiak	Bayside Volunteer Fire Dept.
Firefighter 1	Kodiak	Bayside Volunteer Fire Dept.
Firefighter 1	Seward	Bear Creek Volunteer Fire Dept.
Firefighter 1	Seward	Bear Creek Volunteer Fire Dept.
Firefighter 1	Seward	Bear Creek Volunteer Fire Dept.
Firefighter 1	Seward	Bear Creek Volunteer Fire Dept.
Firefighter 1	Seward	Bear Creek Volunteer Fire Dept.
Firefighter 1	Seward	Bear Creek Volunteer Fire Dept.
Firefighter 1	Seward	Bear Creek Volunteer Fire Dept.
Firefighter 1	Seward	Bear Creek Volunteer Fire Dept.
Firefighter 1	Bethel	Bethel area
Firefighter 1	Bethel	Bethel Volunteer Fire Dept.
Firefighter 1	Bethel	Bethel Volunteer Fire Dept.
Firefighter 1	Bethel	Bethel Volunteer Fire Dept.
Firefighter 1	Bethel	Bethel Volunteer Fire Dept.
Firefighter 1	Bethel	Bethel Volunteer Fire Dept.
Firefighter 1	Bethel	Bethel Volunteer Fire Dept.
Firefighter 1	Bethel	Bethel Volunteer Fire Dept.
Firefighter 1	Bethel	Bethel Volunteer Fire Dept.
Firefighter 1	Bethel	Bethel Volunteer Fire Dept.
Firefighter 1	Bethel	Bethel Volunteer Fire Dept.
Firefighter 1	Bethel	Bethel Volunteer Fire Dept.
Firefighter 1	Bethel	Bethel Volunteer Fire Dept.
Firefighter 1	Bethel	Bethel Volunteer Fire Dept.
Firefighter 1	Bethel	Bethel Volunteer Fire Dept.
Firefighter 1	Bethel	Bethel Volunteer Fire Dept.
Firefighter 1	Bethel	Bethel Volunteer Fire Dept.
Firefighter 1	Bethel	Bethel Volunteer Fire Dept.
Firefighter 1	Bethel	Bethel Volunteer Fire Dept.
Firefighter 1	Soldotna	Bethel Volunteer Fire Dept.
Firefighter 1	Big Lake	Big Lake Volunteer Fire Dept.
Firefighter 1	Big Lake	Big Lake Volunteer Fire Dept.
Firefighter 1	Big Lake	Big Lake Volunteer Fire Dept.
Firefighter 1	Big Lake	Big Lake Volunteer Fire Dept.
Firefighter 1	Big Lake	Big Lake Volunteer Fire Dept.
Firefighter 1	Big Lake	Big Lake Volunteer Fire Dept.
Firefighter 1	Big Lake	Big Lake Volunteer Fire Dept.
Firefighter 1	Willow	Big Lake Volunteer Fire Dept.
Firefighter 1	Naknek	Bristol Bay Borough Vol. Fire Dept.
Firefighter 1	Naknek	Bristol Bay Borough Vol. Fire Dept.
Firefighter 1	Palmer	Butte Volunteer Fire Dept.
Firefighter 1	Palmer	Butte Volunteer Fire Dept.
Firefighter 1	Palmer	Butte Volunteer Fire Dept.
Firefighter 1	Palmer	Butte Volunteer Fire Dept.
Firefighter 1	Palmer	Butte Volunteer Fire Dept.
Firefighter 1	Palmer	Butte Volunteer Fire Dept.
Firefighter 1	Anchorage	Capital City Fire/Rescue
Firefighter 1	Auke Bay	Capital City Fire/Rescue

Firefighter 1	Auke Bay	Capital City Fire/Rescue

Firefighter 1	Juneau	Capital City Fire/Rescue
Firefighter 1	Juneau	Capital City Fire/Rescue
Firefighter 1	Juneau	Capital City Fire/Rescue

Firefighter 1	Juneau	Capital City Fire/Rescue
Firefighter 1	Juneau	Capital City Fire/Rescue
Firefighter 1	Juneau	Capital City Fire/Rescue

Firefighter 1	Juneau	Capital City Fire/Rescue
Firefighter 1	Juneau	Capital City Fire/Rescue
Firefighter 1	Juneau	Capital City Fire/Rescue

Firefighter 1	Juneau	Capital City Fire/Rescue
Firefighter 1	Juneau	Capital City Fire/Rescue
Firefighter 1	Juneau	Capital City Fire/Rescue
Firefighter 1	Juneau	Capital City Fire/Rescue
Firefighter 1	Juneau	Capital City Fire/Rescue
Firefighter 1	Juneau	Capital City Fire/Rescue
Firefighter 1	Juneau	Capital City Fire/Rescue
Firefighter 1	Juneau	Capital City Fire/Rescue
Firefighter 1	Juneau	Capital City Fire/Rescue
Firefighter 1	Nome	Capital City Fire/Rescue
Firefighter 1	Wasilla	Capital City Fire/Rescue
Firefighter 1	Anchorage	Central Emergency Services
Firefighter 1	Anchorage	Central Emergency Services
Firefighter 1	Anchorage	Central Emergency Services
Firefighter 1	Anchorage	Central Emergency Services
Firefighter 1	Big Lake	Central Emergency Services
Firefighter 1	Clam Gluch	Central Emergency Services
Firefighter 1	Craig	Central Emergency Services
Firefighter 1	Kasilof	Central Emergency Services
Firefighter 1	Kasilof	Central Emergency Services
Firefighter 1	Kasilof	Central Emergency Services
Firefighter 1	Kasilof	Central Emergency Services
Firefighter 1	Kenai	Central Emergency Services
Firefighter 1	Kenai	Central Emergency Services
Firefighter 1	Kenai	Central Emergency Services
Firefighter 1	Kenai	Central Emergency Services
Firefighter 1	Kenai	Central Emergency Services
Firefighter 1	Kenai	Central Emergency Services
Firefighter 1	Kenai	Central Emergency Services
Firefighter 1	Kenai	Central Emergency Services
Firefighter 1	Kenai	Central Emergency Services
Firefighter 1	Kenai	Central Emergency Services
Firefighter 1	Kenai	Central Emergency Services
Firefighter 1	Kenai	Central Emergency Services
Firefighter 1	Ninilchik	Central Emergency Services
Firefighter 1	Ninilchik	Central Emergency Services
Firefighter 1	Soldonta	Central Emergency Services
Firefighter 1	Soldotna	Central Emergency Services
Firefighter 1	Soldotna	Central Emergency Services
Firefighter 1	Soldotna	Central Emergency Services
Firefighter 1	Soldotna	Central Emergency Services
Firefighter 1	Soldotna	Central Emergency Services
Firefighter 1	Soldotna	Central Emergency Services
Firefighter 1	Soldotna	Central Emergency Services
Firefighter 1	Soldotna	Central Emergency Services
Firefighter 1	Soldotna	Central Emergency Services
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Firefighter 1	Soldotna	Central Emergency Services
Firefighter 1	Soldotna	Central Emergency Services
Firefighter 1	Soldotna	Central Emergency Services
Firefighter 1	Soldotna	Central Emergency Services
Firefighter 1	Soldotna	Central Emergency Services

Firefighter 1	Soldotna	Central Emergency Services
Firefighter 1	Soldotna	Central Emergency Services
Firefighter 1	Soldotna	Central Emergency Services

Firefighter 1	Sterling	Central Emergency Services
Firefighter 1	Sterling	Central Emergency Services
Firefighter 1	Sterling	Central Emergency Services
Firefighter 1	Sterling	Central Emergency Services
Firefighter 1	Sterling	Central Emergency Services
Firefighter 1	Sterling	Central Emergency Services
Firefighter 1	Sterling	Central Emergency Services
Firefighter 1	Sterling	Central Emergency Services
Firefighter 1	Sterling	Central Emergency Services
Firefighter 1	Sterling	Central Emergency Services
Firefighter 1	Sterling	Central Emergency Services
Firefighter 1	Sterling	Central Emergency Services
Firefighter 1	Anchorage	Central Mat-Su Fire Department
Firefighter 1	Big Lake	Central Mat-Su Fire Department
Firefighter 1	Big Lake	Central Mat-Su Fire Department
Firefighter 1	Big Lake	Central Mat-Su Fire Department
Firefighter 1	Big Lake	Central Mat-Su Fire Department
Firefighter 1	Big Lake	Central Mat-Su Fire Department
Firefighter 1	Chugiak	Central Mat-Su Fire Department
Firefighter 1	Eagle River	Central Mat-Su Fire Department
Firefighter 1	Eagle River	Central Mat-Su Fire Department
Firefighter 1	Hendersonvill	Central Mat-Su Fire Department
Firefighter 1	Houston	Central Mat-Su Fire Department
Firefighter 1	Palmer	Central Mat-Su Fire Department
Firefighter 1	Palmer	Central Mat-Su Fire Department
Firefighter 1	Palmer	Central Mat-Su Fire Department
Firefighter 1	Palmer	Central Mat-Su Fire Department
Firefighter 1	Palmer	Central Mat-Su Fire Department
Firefighter 1	Palmer	Central Mat-Su Fire Department
Firefighter 1	Palmer	Central Mat-Su Fire Department
Firefighter 1	Palmer	Central Mat-Su Fire Department
Firefighter 1	Palmer	Central Mat-Su Fire Department
Firefighter 1	Wasilla

Firefighter 1	Wasilla	Central Mat-Su Fire Department

Firefighter 1	Wasilla	Central Mat-Su Fire Department
Firefighter 1	Wasilla	Central Mat-Su Fire Department
Firefighter 1	Wasilla	Central Mat-Su Fire Department
Firefighter 1	Wasilla	Central Mat-Su Fire Department
Firefighter 1	Wasilla	Central Mat-Su Fire Department
Firefighter 1	Wasilla	Central Mat-Su Fire Department
Firefighter 1	Wasilla	Central Mat-Su Fire Department
Firefighter 1	Wasilla	Central Mat-Su Fire Department
Firefighter 1	Willow	Central Mat-Su Fire Department
Firefighter 1	Windsor	Central Mat-Su Fire Department
Firefighter 1	Anchorage	Chena Goldstream Fire & Rescue
Firefighter 1	Ester	Chena Goldstream Fire & Rescue
Firefighter 1	Ester	Chena Goldstream Fire & Rescue
Firefighter 1	Fairbanks

Firefighter 1	Fairbanks	Chena Goldstream Fire & Rescue
Firefighter 1	Fairbanks	Chena Goldstream Fire & Rescue
Firefighter 1	Fairbanks	Chena Goldstream Fire & Rescue
Firefighter 1	Two Rivers	Chena Goldstream Fire & Rescue
Firefighter 1	Chitina	Chitina Volunteer Fire Dept.
Firefighter 1	Anchorage	Chugiak Volunteer Fire Dept.
Firefighter 1	Anchorage	Chugiak Volunteer Fire Dept.
Firefighter 1	Anchorage	Chugiak Volunteer Fire Dept.
Firefighter 1	Anchorage	Chugiak Volunteer Fire Dept.
Firefighter 1	Anchorage	Chugiak Volunteer Fire Dept.
Firefighter 1	Anchorage	Chugiak Volunteer Fire Dept.
Firefighter 1	Anchorage	Chugiak Volunteer Fire Dept.
Firefighter 1	Anchorage	Chugiak Volunteer Fire Dept.
Firefighter 1	Anchorage	Chugiak Volunteer Fire Dept.
Firefighter 1	Anchorage	Chugiak Volunteer Fire Dept.
Firefighter 1	Anchorage	Chugiak Volunteer Fire Dept.
Firefighter 1	Anchorage	Chugiak Volunteer Fire Dept.
Firefighter 1	Anchorage	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Chugiak	Chugiak Volunteer Fire Dept.
Firefighter 1	Eagle River	Chugiak Volunteer Fire Dept.
Firefighter 1	Eagle River	Chugiak Volunteer Fire Dept.
Firefighter 1	Eagle River	Chugiak Volunteer Fire Dept.
Firefighter 1	Eagle River	Chugiak Volunteer Fire Dept.
Firefighter 1	Eagle River	Chugiak Volunteer Fire Dept.
Firefighter 1	Eagle River	Chugiak Volunteer Fire Dept.
Firefighter 1	Eagle River	Chugiak Volunteer Fire Dept.
Firefighter 1	Eagle River	Chugiak Volunteer Fire Dept.

Firefighter 1	Eagle River	Chugiak Volunteer Fire Dept.
Firefighter 1	Eagle River	Chugiak Volunteer Fire Dept.
Firefighter 1	Eagle River	Chugiak Volunteer Fire Dept.
Firefighter 1	Eagle River	Chugiak Volunteer Fire Dept.
Firefighter 1	Eagle River	Chugiak Volunteer Fire Dept.
Firefighter 1	Eagle River	Chugiak Volunteer Fire Dept.
Firefighter 1	Eagle River	Chugiak Volunteer Fire Dept.
Firefighter 1	Eagle River	Chugiak Volunteer Fire Dept.
Firefighter 1	Eagle River	Chugiak Volunteer Fire Dept.
Firefighter 1	Elmendorf Air Force Base	Chugiak Volunteer Fire Dept.
Firefighter 1	McManus Dr.	Chugiak Volunteer Fire Dept.
Firefighter 1	Palmer	Chugiak Volunteer Fire Dept.
Firefighter 1	Palmer	Chugiak Volunteer Fire Dept.
Firefighter 1	Miami	Civilian
Firefighter 1	Wasilla	Clear AFB Fire Department
Firefighter 1	Anchorage	CONOCO Inc. Fire Department
Firefighter 1	Anchorage	CONOCO Inc. Fire Department
Firefighter 1	Anchorage	CONOCO Inc. Fire Department
Firefighter 1	Anchorage	CONOCO Inc. Fire Department
Firefighter 1	Anchorage	CONOCO Inc. Fire Department
Firefighter 1	Anchorage	CONOCO Inc. Fire Department
Firefighter 1	Anchorage	CONOCO Inc. Fire Department
Firefighter 1	Anchorage	CONOCO Inc. Fire Department
Firefighter 1	Arlington	CONOCO Inc. Fire Department
Firefighter 1	Cooper Landing	CONOCO Inc. Fire Department
Firefighter 1	Edmonds	CONOCO Inc. Fire Department
Firefighter 1	Kenai	CONOCO Inc. Fire Department
Firefighter 1	Los Vegas	CONOCO Inc. Fire Department
Firefighter 1	Nampa	CONOCO Inc. Fire Department
Firefighter 1	Prudhoe Bay	CONOCO Inc. Fire Department
Firefighter 1	Pueblo	CONOCO Inc. Fire Department
Firefighter 1	Soldotna	CONOCO Inc. Fire Department
Firefighter 1	Soldotna	CONOCO Inc. Fire Department
Firefighter 1	Spanaway	CONOCO Inc. Fire Department
Firefighter 1	Yoder	CONOCO Inc. Fire Department
Firefighter 1	Cooper Landing	Cooper Landing Vol. Fire Dept.
Firefighter 1	Cooper Landing	Cooper Landing Vol. Fire Dept.
Firefighter 1	Cooper Landing	Cooper Landing Vol. Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.

Firefighter 1	Cordova	Cordova Volunteer Fire Dept.

Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Cordova	Cordova Volunteer Fire Dept.
Firefighter 1	Darby	Darby Volunteer Fire Dept.
Firefighter 1	Delta Junction	Delta Junction Vol. Fire Dept.
Firefighter 1	Delta Junction	Delta Junction Vol. Fire Dept.
Firefighter 1	Dillingham	Dillingham Volunteer Fire Dept.
Firefighter 1	Dillingham	Dillingham Volunteer Fire Dept.
Firefighter 1	Douglas	Division of Fire and Life Safety
Firefighter 1	Fairbanks	Division of Fire and Life Safety
Firefighter 1	Wasilla	Division of Fire and Life Safety
Firefighter 1	Wasilla	Division of Fire and Life Safety
Firefighter 1	Anchorage	Division of Forestry
Firefighter 1	Eagle River	Division of Forestry
Firefighter 1	Palmer	Division of Forestry
Firefighter 1	Sutton	Division of Forestry
Firefighter 1	Sutton	Division of Forestry
Firefighter 1	Eielson Air Force Base	Eielson AFB Fire Department
Firefighter 1	Anchorage	Elmendorf AFB Fire Department
Firefighter 1	Anchorage	Elmendorf AFB Fire Department
Firefighter 1	Anchorage	Elmendorf AFB Fire Department
Firefighter 1	Anchorage	Elmendorf AFB Fire Department
Firefighter 1	Anchorage	Elmendorf AFB Fire Department
Firefighter 1	Anchorage	Elmendorf AFB Fire Department
Firefighter 1	Anchorage	Elmendorf AFB Fire Department
Firefighter 1	Anchorage	Elmendorf AFB Fire Department
Firefighter 1	Anchorage	Elmendorf AFB Fire Department
Firefighter 1	Anchorage	Elmendorf AFB Fire Department
Firefighter 1	Anchorage	Elmendorf AFB Fire Department
Firefighter 1	Anchorage	Elmendorf AFB Fire Department
Firefighter 1	Anchorage	Elmendorf AFB Fire Department
Firefighter 1	Anchorage	Elmendorf AFB Fire Department
Firefighter 1	Anchorage	Elmendorf AFB Fire Department
Firefighter 1	Anchorage	Elmendorf AFB Fire Department
Firefighter 1	Anchorage	Elmendorf AFB Fire Department
Firefighter 1	Anchorage	Elmendorf AFB Fire Department
Firefighter 1	Anchorage	Elmendorf AFB Fire Department
Firefighter 1	Anchorage	Elmendorf AFB Fire Department
Firefighter 1	Anchorage	Elmendorf AFB Fire Department

Firefighter 1	Anchorage	Elmendorf AFB Fire Department
Firefighter 1	Anchorage	Elmendorf AFB Fire Department
Firefighter 1	Chugiak	Elmendorf AFB Fire Department
Firefighter 1	Eagle River	Elmendorf AFB Fire Department
Firefighter 1	Eagle River	Elmendorf AFB Fire Department
Firefighter 1	Eagle River	Elmendorf AFB Fire Department
Firefighter 1	Eagle River	Elmendorf AFB Fire Department
Firefighter 1	Elmendorf Air Force Base	Elmendorf AFB Fire Department
Firefighter 1	Elmendorf Air Force Base	Elmendorf AFB Fire Department
Firefighter 1	Elmendorf Air Force Base	Elmendorf AFB Fire Department
Firefighter 1	Elmendorf Air Force Base	Elmendorf AFB Fire Department
Firefighter 1	Elmendorf Air Force Base	Elmendorf AFB Fire Department
Firefighter 1	Elmendorf Air Force Base	Elmendorf AFB Fire Department
Firefighter 1	Elmendorf Air Force Base	Elmendorf AFB Fire Department
Firefighter 1	Elmendorf Air Force Base	Elmendorf AFB Fire Department
Firefighter 1	Elmendorf Air Force Base	Elmendorf AFB Fire Department
Firefighter 1	Elmendorf Air Force Base	Elmendorf AFB Fire Department
Firefighter 1	Elmendorf Air Force Base	Elmendorf AFB Fire Department
Firefighter 1	Elmendorf Air Force Base	Elmendorf AFB Fire Department
Firefighter 1	Elmendorf Air Force Base	Elmendorf AFB Fire Department
Firefighter 1	Elmendorf Air Force Base	Elmendorf AFB Fire Department
Firefighter 1	Elmendorf Air Force Base	Elmendorf AFB Fire Department
Firefighter 1	Elmendorf Air Force Base	Elmendorf AFB Fire Department
Firefighter 1	Elmendorf Air Force Base	Elmendorf AFB Fire Department
Firefighter 1	Elmendorf Air Force Base	Elmendorf AFB Fire Department
Firefighter 1	Wasilla	Elmendorf AFB Fire Department
Firefighter 1	Wasilla	Elmendorf AFB Fire Department
Firefighter 1	Wasilla	Elmendorf AFB Fire Department
Firefighter 1	Ester	Ester Volunteer Fire Department
Firefighter 1	Ester	Ester Volunteer Fire Department
Firefighter 1	Ester	Ester Volunteer Fire Department
Firefighter 1	Ester	Ester Volunteer Fire Department
Firefighter 1	Ester	Ester Volunteer Fire Department
Firefighter 1	Ester	Ester Volunteer Fire Department
Firefighter 1	Ester	Ester Volunteer Fire Department
Firefighter 1	Ester	Ester Volunteer Fire Department
Firefighter 1	Ester	Ester Volunteer Fire Department
Firefighter 1	Ester	Ester Volunteer Fire Department
Firefighter 1	Ester	Ester Volunteer Fire Department
Firefighter 1	Ester	Ester Volunteer Fire Department
Firefighter 1	Ester	Ester Volunteer Fire Department
Firefighter 1	Ester	Ester Volunteer Fire Department
Firefighter 1	Ester	Ester Volunteer Fire Department
Firefighter 1	Ester	Ester Volunteer Fire Department
Firefighter 1	Ester	Ester Volunteer Fire Department
Firefighter 1	Ester	Ester Volunteer Fire Department
Firefighter 1	Ester	Ester Volunteer Fire Department
Firefighter 1	Ester	Ester Volunteer Fire Department
Firefighter 1	Ester	Ester Volunteer Fire Department
Firefighter 1	Ester	Ester Volunteer Fire Department
Firefighter 1	Ester	Ester Volunteer Fire Department
Firefighter 1	Ester	Ester Volunteer Fire Department
Firefighter 1	Ester	Ester Volunteer Fire Department
Firefighter 1	Fairbanks	Ester Volunteer Fire Department
Firefighter 1	Fairbanks	Ester Volunteer Fire Department
Firefighter 1	Fairbanks	Ester Volunteer Fire Department
Firefighter 1	Fairbanks	Ester Volunteer Fire Department

Firefighter 1	Fairbanks	Ester Volunteer Fire Department
Firefighter 1	Fairbanks	Ester Volunteer Fire Department
Firefighter 1	Fairbanks	Ester Volunteer Fire Department
Firefighter 1	Fairbanks	Ester Volunteer Fire Department
Firefighter 1	Fairbanks	Ester Volunteer Fire Department
Firefighter 1	Ester	Fairbanks Fire Department
Firefighter 1	Ester	Fairbanks Fire Department
Firefighter 1	Fairbanks

Firefighter 1	Fairbanks	Fairbanks Int'l Airport Fire Dept.
Firefighter 1	Fairbanks	Fairbanks Int'l Airport Fire Dept.
Firefighter 1	Fairbanks	Fairbanks Int'l Airport Fire Dept.
Firefighter 1	Fairbanks	Fairbanks Int'l Airport Fire Dept.
Firefighter 1	Fairbanks	Fairbanks Int'l Airport Fire Dept.
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Firefighter 1	Fairbanks	Fairbanks Int'l Airport Fire Dept.
Firefighter 1	Fairbanks	Fairbanks Int'l Airport Fire Dept.
Firefighter 1	Fairbanks	Fairbanks Int'l Airport Fire Dept.
Firefighter 1	Fairbanks	Fairbanks Int'l Airport Fire Dept.
Firefighter 1	Fort Wainwright	Fairbanks Int'l Airport Fire Dept.
Firefighter 1	Fort Wainwright	Fairbanks Int'l Airport Fire Dept.
Firefighter 1	North Pole	Fairbanks Int'l Airport Fire Dept.
Firefighter 1	North Pole	Fairbanks Int'l Airport Fire Dept.
Firefighter 1	North Pole	Fairbanks Int'l Airport Fire Dept.
Firefighter 1	North Pole	Fairbanks Int'l Airport Fire Dept.
Firefighter 1	Fairbanks	Fort Wainwright
Firefighter 1	Fairbanks	Fort Wainwright
Firefighter 1	Anchorage	Ft. Richardson Fire Department
Firefighter 1	Anchorage	Ft. Richardson Fire Department
Firefighter 1	Anchorage	Ft. Richardson Fire Department
Firefighter 1	Anchorage	Ft. Richardson Fire Department
Firefighter 1	Chugiak	Ft. Richardson Fire Department
Firefighter 1	Elmendorf Air Force Base	Ft. Richardson Fire Department
Firefighter 1	Wasilla	Ft. Richardson Fire Department
Firefighter 1	Wasilla	Ft. Richardson Fire Department
Firefighter 1	Wasilla	Ft. Richardson Fire Department
Firefighter 1	Fairbanks	Ft. Wainwright Fire Department
Firefighter 1	Fairbanks	Ft. Wainwright Fire Department
Firefighter 1	Fairbanks	Ft. Wainwright Fire Department
Firefighter 1	Fort Wainwright	Ft. Wainwright Fire Department
Firefighter 1	Fort Wainwright	Ft. Wainwright Fire Department
Firefighter 1	Fort Wainwright	Ft. Wainwright Fire Department
Firefighter 1	Fort Wainwright	Ft. Wainwright Fire Department
Firefighter 1	Fort Wainwright	Ft. Wainwright Fire Department
Firefighter 1	Fort Wainwright	Ft. Wainwright Fire Department
Firefighter 1	Fort Wainwright	Ft. Wainwright Fire Department
Firefighter 1	Fort Wainwright	Ft. Wainwright Fire Department
Firefighter 1	Fort Wainwright	Ft. Wainwright Fire Department
Firefighter 1	Fort Wainwright	Ft. Wainwright Fire Department
Firefighter 1	Fort Wainwright	Ft. Wainwright Fire Department
Firefighter 1	Fort Wainwright	Ft. Wainwright Fire Department
Firefighter 1	Fort Wainwright	Ft. Wainwright Fire Department
Firefighter 1	Fort Wainwright	Ft. Wainwright Fire Department

Firefighter 1	Fort Wainwright	Ft. Wainwright Fire Department
Firefighter 1	Fort Wainwright	Ft. Wainwright Fire Department
Firefighter 1	North Pole	Ft. Wainwright Fire Department
Firefighter 1	North Pole	Ft. Wainwright Fire Department
Firefighter 1	Anchorage	Girdwood Volunteer Fire & Rescue
Firefighter 1	Anchorage	Girdwood Volunteer Fire & Rescue
Firefighter 1	Anchorage	Girdwood Volunteer Fire & Rescue
Firefighter 1	Anchorage	Girdwood Volunteer Fire & Rescue
Firefighter 1	Anchorage	Girdwood Volunteer Fire & Rescue
Firefighter 1	Anchorage	Girdwood Volunteer Fire & Rescue
Firefighter 1	Anchorage	Girdwood Volunteer Fire & Rescue
Firefighter 1	Girdwood	Girdwood Volunteer Fire & Rescue
Firefighter 1	Girdwood	Girdwood Volunteer Fire & Rescue
Firefighter 1	Girdwood	Girdwood Volunteer Fire & Rescue
Firefighter 1	Girdwood	Girdwood Volunteer Fire & Rescue
Firefighter 1	Girdwood	Girdwood Volunteer Fire & Rescue
Firefighter 1	Girdwood	Girdwood Volunteer Fire & Rescue
Firefighter 1	Girdwood	Girdwood Volunteer Fire & Rescue
Firefighter 1	Girdwood	Girdwood Volunteer Fire & Rescue
Firefighter 1	Girdwood	Girdwood Volunteer Fire & Rescue
Firefighter 1	Girdwood	Girdwood Volunteer Fire & Rescue
Firefighter 1	Girdwood	Girdwood Volunteer Fire & Rescue
Firefighter 1	Girdwood	Girdwood Volunteer Fire & Rescue
Firefighter 1	Girdwood	Girdwood Volunteer Fire & Rescue
Firefighter 1	Girdwood	Girdwood Volunteer Fire & Rescue
Firefighter 1	Girdwood	Girdwood Volunteer Fire & Rescue
Firefighter 1	Girdwood	Girdwood Volunteer Fire & Rescue
Firefighter 1	Girdwood	Girdwood Volunteer Fire & Rescue
Firefighter 1	Girdwood	Girdwood Volunteer Fire & Rescue
Firefighter 1	Girdwood	Girdwood Volunteer Fire & Rescue
Firefighter 1	Girdwood	Girdwood Volunteer Fire & Rescue
Firefighter 1	Girdwood	Girdwood Volunteer Fire & Rescue
Firefighter 1	Girdwood	Girdwood Volunteer Fire & Rescue
Firefighter 1	Girdwood	Girdwood Volunteer Fire & Rescue
Firefighter 1	Girdwood	Girdwood Volunteer Fire & Rescue
Firefighter 1	Girdwood	Girdwood Volunteer Fire & Rescue
Firefighter 1	Juneau	Glacier Bay Nat'lPark
Firefighter 1	Juneau	Glacier Bay Nat'lPark
Firefighter 1	Juneau	Glacier Valley Volunteer Fire District
Firefighter 1	Anchorage	Greater Prudhoe Bay Fire Department
Firefighter 1	Anchorage	Greater Prudhoe Bay Fire Department
Firefighter 1	Anchorage	Greater Prudhoe Bay Fire Department
Firefighter 1	Anchorage	Greater Prudhoe Bay Fire Department
Firefighter 1	Anchorage	Greater Prudhoe Bay Fire Department
Firefighter 1	Anchorage	Greater Prudhoe Bay Fire Department
Firefighter 1	Eagler River	Greater Prudhoe Bay Fire Department
Firefighter 1	Fort Collins	Greater Prudhoe Bay Fire Department
Firefighter 1	Glennallen	Greater Prudhoe Bay Fire Department
Firefighter 1	Knoxville	Greater Prudhoe Bay Fire Department
Firefighter 1	Anchorage	Greater Prudhoe Bay Fire Department
Firefighter 1	Anchorage	Greater Prudhoe Bay Fire Department
Firefighter 1	Anchorage	Greater Prudhoe Bay Fire Department
Firefighter 1	Anchorage	Greater Prudhoe Bay Fire Department

Firefighter 1	Anchorage	Greater Prudhoe Bay Fire Department
Firefighter 1	Anchorage	Greater Prudhoe Bay Fire Department
Firefighter 1	Anchorage	Greater Prudhoe Bay Fire Department
Firefighter 1	Anchorage	Greater Prudhoe Bay Fire Department
Firefighter 1	Anchorage	Greater Prudhoe Bay Fire Department
Firefighter 1	Anchorage	Greater Prudhoe Bay Fire Department
Firefighter 1	Anchorage	Greater Prudhoe Bay Fire Department
Firefighter 1	Anchorage	Greater Prudhoe Bay Fire Department
Firefighter 1	Anchorage	Greater Prudhoe Bay Fire Department
Firefighter 1	Anchorage	Greater Prudhoe Bay Fire Department
Firefighter 1	Craig	Greater Prudhoe Bay Fire Department
Firefighter 1	Fairbanks	Greater Prudhoe Bay Fire Department
Firefighter 1	Kasilof	Greater Prudhoe Bay Fire Department
Firefighter 1	Laris	Greater Prudhoe Bay Fire Department
Firefighter 1	Palmer	Greater Prudhoe Bay Fire Department
Firefighter 1	Soldotna	Greater Prudhoe Bay Fire Department
Firefighter 1	Soldotna	Greater Prudhoe Bay Fire Department
Firefighter 1	Soldotna	Greater Prudhoe Bay Fire Department
Firefighter 1	Wasilla	Greater Prudhoe Bay Fire Department
Firefighter 1	Wasilla	Greater Prudhoe Bay Fire Department
Firefighter 1	Wasilla	Greater Prudhoe Bay Fire Department
Firefighter 1	Wasilla	Greater Prudhoe Bay Fire Department
Firefighter 1	Haines	Haines Volunteer Fire Dept.
Firefighter 1	Haines	Haines Volunteer Fire Dept.
Firefighter 1	Haines	Haines Volunteer Fire Dept.
Firefighter 1	Haines	Haines Volunteer Fire Dept.
Firefighter 1	Haines	Haines Volunteer Fire Dept.
Firefighter 1	Haines	Haines Volunteer Fire Dept.
Firefighter 1	Haines	Haines Volunteer Fire Dept.
Firefighter 1	Haines	Haines Volunteer Fire Dept.
Firefighter 1	Haines	Haines Volunteer Fire Dept.
Firefighter 1	Haines	Haines Volunteer Fire Dept.
Firefighter 1	Haines	Haines Volunteer Fire Dept.
Firefighter 1	Haines	Haines Volunteer Fire Dept.
Firefighter 1	Haines	Haines Volunteer Fire Dept.
Firefighter 1	Haines	Haines Volunteer Fire Dept.
Firefighter 1	Haines	Haines Volunteer Fire Dept.
Firefighter 1	Homer	Homer Volunteer Fire Dept.
Firefighter 1	Homer	Homer Volunteer Fire Dept.
Firefighter 1	Homer	Homer Volunteer Fire Dept.
Firefighter 1	Homer	Homer Volunteer Fire Dept.
Firefighter 1	Anchor Point	Homer Volunteer Fire Dept.
Firefighter 1	Anchor Point	Homer Volunteer Fire Dept.
Firefighter 1	Anchor Point	Homer Volunteer Fire Dept.
Firefighter 1	Anchor Point	Homer Volunteer Fire Dept.
Firefighter 1	Fritz Creek	Homer Volunteer Fire Dept.
Firefighter 1	Fritz Creek	Homer Volunteer Fire Dept.
Firefighter 1	Fritz Creek	Homer Volunteer Fire Dept.
Firefighter 1	Fritz Creek	Homer Volunteer Fire Dept.
Firefighter 1	Fritz Creek	Homer Volunteer Fire Dept.
Firefighter 1	Fritz Creek	Homer Volunteer Fire Dept.
Firefighter 1	Fritz Creek	Homer Volunteer Fire Dept.
Firefighter 1	Fritz Creek	Homer Volunteer Fire Dept.

Firefighter 1	Homer	Homer Volunteer Fire Dept.

Firefighter 1	Homer	Homer Volunteer Fire Dept.

Firefighter 1	Homer	Homer Volunteer Fire Dept.
Firefighter 1	Homer	Homer Volunteer Fire Dept.
Firefighter 1	Homer	Homer Volunteer Fire Dept.
Firefighter 1	Homer	Homer Volunteer Fire Dept.
Firefighter 1	Homer	Homer Volunteer Fire Dept.
Firefighter 1	Homer	Homer Volunteer Fire Dept.
Firefighter 1	Homer	Homer Volunteer Fire Dept.
Firefighter 1	Homer	Homer Volunteer Fire Dept.
Firefighter 1	Homer	Homer Volunteer Fire Dept.
Firefighter 1	Homer	Homer Volunteer Fire Dept.
Firefighter 1	Homer	Homer Volunteer Fire Dept.
Firefighter 1	Homer	Homer Volunteer Fire Dept.
Firefighter 1	Homer	Homer Volunteer Fire Dept.
Firefighter 1	Nanilchik	Homer Volunteer Fire Dept.
Firefighter 1	Nanilchik	Homer Volunteer Fire Dept.
Firefighter 1	Hoonah	Hoonah Volunteer Fire Dept.
Firefighter 1	Hoonah	Hoonah Volunteer Fire Dept.
Firefighter 1	Hoonah	Hoonah Volunteer Fire Dept.
Firefighter 1	Hoonah	Hoonah Volunteer Fire Dept.
Firefighter 1	Hoonah	Hoonah Volunteer Fire Dept.
Firefighter 1	Hoonah	Hoonah Volunteer Fire Dept.
Firefighter 1	Hoonah	Hoonah Volunteer Fire Dept.
Firefighter 1	Anchorage	Anchorage Int'l Airport Fire Dept.
Firefighter 1	Soldotna	Central Emergency Services
Firefighter 1	Soldotna	Central Emergency Services
Firefighter 1	Soldotna	Central Emergency Services
Firefighter 1	Homer	Kenai Fire Department
Firefighter 1	Kenai	Kenai Fire Department
Firefighter 1	Kenai	Kenai Fire Department
Firefighter 1	Kenai	Kenai Fire Department
Firefighter 1	Kenai	Kenai Fire Department
Firefighter 1	Kenai	Kenai Fire Department
Firefighter 1	Kenai	Kenai Fire Department
Firefighter 1	Kenai	Kenai Fire Department
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Firefighter 1	Kenai	Kenai Fire Department
Firefighter 1	Kenai	Kenai Fire Department
Firefighter 1	Kenai	Kenai Fire Department
Firefighter 1	Kenai	Kenai Fire Department
Firefighter 1	Kenai	Kenai Fire Department
Firefighter 1	Ketchikan	Ketchikan Fire Department
Firefighter 1	Ketchikan	Ketchikan Fire Department
Firefighter 1	Ketchikan	Ketchikan Fire Department
Firefighter 1	Ketchikan	Ketchikan Fire Department
Firefighter 1	Ketchikan	Ketchikan Fire Department

Firefighter 1	Ketchikan	Ketchikan Fire Department

Firefighter 1	Kodiak	Kodiak Fire Department
Firefighter 1	Kodiak	Kodiak Fire Department
Firefighter 1	Kodiak	Kodiak Fire Department
Firefighter 1	Kodiak	Kodiak Fire Department
Firefighter 1	Kodiak	Kodiak Fire Department
Firefighter 1	Kodiak	Kodiak Fire Department
Firefighter 1	Kodiak	Kodiak Fire Department
Firefighter 1	Kodiak	Kodiak Fire Department
Firefighter 1	Kodiak	Kodiak Fire Department
Firefighter 1	Kodiak	Kodiak Fire Department
Firefighter 1	Kodiak	Kodiak Fire Department
Firefighter 1	Kodiak	Kodiak Fire Department
Firefighter 1	Kodiak	Kodiak Fire Department
Firefighter 1	Kodiak	Kodiak Fire Department
Firefighter 1	Kodiak	Kodiak Fire Department
Firefighter 1	Kodiak	Kodiak Fire Department
Firefighter 1	Kodiak	Kodiak Fire Department
Firefighter 1	Kokhanok	Kokhanok Fire Department
Firefighter 1	Kotzebue	Kotzebue Vol. Fire Department
Firefighter 1	Kotzebue	Kotzebue Vol. Fire Department
Firefighter 1	Kotzebue	Kotzebue Vol. Fire Department
Firefighter 1	Anchorage	Kulis Air Guard Fire Department
Firefighter 1	Anchorage	Kulis Air Guard Fire Department
Firefighter 1	Anchorage	Kulis Air Guard Fire Department
Firefighter 1	Anchorage	Kulis Air Guard Fire Department
Firefighter 1	Anchorage	Kulis Air Guard Fire Department
Firefighter 1	Anchorage	Kulis Air Guard Fire Department
Firefighter 1	Anchorage	Kulis Air Guard Fire Department
Firefighter 1	Anchorage	Kulis Air Guard Fire Department
Firefighter 1	Eagle River	Kulis Air Guard Fire Department
Firefighter 1	Palmer	Kulis Air Guard Fire Department
Firefighter 1	Wasilla	Kulis Air Guard Fire Department
Firefighter 1	Wasilla	Kulis Air Guard Fire Department
Firefighter 1	Grand Junction	Kuparuk Fire Department
Firefighter 1	Palmer	Kuparuk Fire Department
Firefighter 1	SAn Antonio	Kuparuk Fire Department
Firefighter 1	Woodland	Kuparuk Fire Department
Firefighter 1	Wasilla	Mat-Su Borough Emergency Services
Firefighter 1	Denali Park	McKinley Vol. Fire Department
Firefighter 1	Denali Park	McKinley Vol. Fire Department
Firefighter 1	Big Lake	Meadow Lakes Vol. Fire Dept.
Firefighter 1	Wasilla	Meadow Lakes Vol. Fire Dept.
Firefighter 1	Wasilla	Meadow Lakes Vol. Fire Dept.
Firefighter 1	Wasilla	Meadow Lakes Vol. Fire Dept.
Firefighter 1	Wasilla	Meadow Lakes Vol. Fire Dept.
Firefighter 1	Wasilla	Meadow Lakes Vol. Fire Dept.
Firefighter 1	Wasilla	Meadow Lakes Vol. Fire Dept.
Firefighter 1	Wasilla	Meadow Lakes Vol. Fire Dept.
Firefighter 1	Wasilla	Meadow Lakes Vol. Fire Dept.
Firefighter 1	Wasilla	Meadow Lakes Vol. Fire Dept.
Firefighter 1	Wasilla	Meadow Lakes Vol. Fire Dept.
Firefighter 1	Wasilla	Meadow Lakes Vol. Fire Dept.

Firefighter 1	Wasilla	Meadow Lakes Vol. Fire Dept.
Firefighter 1	Wasilla	Meadow Lakes Vol. Fire Dept.
Firefighter 1	Wasilla	Meadow Lakes Vol. Fire Dept.
Firefighter 1	Wasilla	Meadow Lakes Vol. Fire Dept.
Firefighter 1	Moose Pass	Moose Pass Vol. Fire Dept.
Firefighter 1	Moose Pass	Moose Pass Vol. Fire Dept.
Firefighter 1	Moose Pass	Moose Pass Vol. Fire Dept.
Firefighter 1	Moose Pass	Moose Pass Vol. Fire Dept.
Firefighter 1	Moose Pass	Moose Pass Vol. Fire Dept.
Firefighter 1	Moose Pass	Moose Pass Vol. Fire Dept.
Firefighter 1	Nenana	Nenana Volunteer Fire Dept.
Firefighter 1	Nenana	Nenana Volunteer Fire Dept.
Firefighter 1	Nenana	Nenana Volunteer Fire Dept.
Firefighter 1	Anchorage	Nikiski Fire Dept.
Firefighter 1	Anchorage	Nikiski Fire Dept.
Firefighter 1	Anchorage	Nikiski Fire Dept.
Firefighter 1	Anchorage	Nikiski Fire Dept.
Firefighter 1	Anchorage	Nikiski Fire Dept.
Firefighter 1	Anchorage	Nikiski Fire Dept.
Firefighter 1	Anchorage	Nikiski Fire Dept.
Firefighter 1	Cooper Landing	Nikiski Fire Dept.
Firefighter 1	Kenai	Nikiski Fire Dept.
Firefighter 1	Kenai	Nikiski Fire Dept.
Firefighter 1	Kenai	Nikiski Fire Dept.
Firefighter 1	Kenai	Nikiski Fire Dept.
Firefighter 1	Kenai	Nikiski Fire Dept.
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Firefighter 1	Kenai	Nikiski Fire Dept.

Firefighter 1	Kenai	Nikiski Fire Dept.
Firefighter 1	Nikiski	Nikiski Fire Dept.
Firefighter 1	Nikiski	Nikiski Fire Dept.
Firefighter 1	Nikiski	Nikiski Fire Dept.
Firefighter 1	Nikiski	Nikiski Fire Dept.
Firefighter 1	Nikiski	Nikiski Fire Dept.
Firefighter 1	Nikiski	Nikiski Fire Dept.
Firefighter 1	Nikiski	Nikiski Fire Dept.
Firefighter 1	Nikiski	Nikiski Fire Dept.
Firefighter 1	Nikiski	Nikiski Fire Dept.
Firefighter 1	Nikiski	Nikiski Fire Dept.
Firefighter 1	Nikiski	Nikiski Fire Dept.
Firefighter 1	Nikiski	Nikiski Fire Dept.
Firefighter 1	Nikiski	Nikiski Fire Dept.
Firefighter 1	Nikiski	Nikiski Fire Dept.
Firefighter 1	Nikiski	Nikiski Fire Dept.
Firefighter 1	Nikiski	Nikiski Fire Dept.
Firefighter 1	Soldotna	Nikiski Fire Dept.
Firefighter 1	Soldotna	Nikiski Fire Dept.
Firefighter 1	Willow	Nikiski Fire Dept.
Firefighter 1	Ninilchik	Ninilchik Volunteer Fire Dept.
Firefighter 1	Ninilchik	Ninilchik Volunteer Fire Dept.
Firefighter 1	Ninilchik	Ninilchik Volunteer Fire Dept.
Firefighter 1	Ninilchik	Ninilchik Volunteer Fire Dept.
Firefighter 1	Ninilchik	Ninilchik Volunteer Fire Dept.
Firefighter 1	Nome	Nome Volunteer Fire Dept.
Firefighter 1	Nome	Nome Volunteer Fire Dept.
Firefighter 1	Nome	Nome Volunteer Fire Dept.
Firefighter 1	Nome	Nome Volunteer Fire Dept.
Firefighter 1	Nome	Nome Volunteer Fire Dept.
Firefighter 1	Nome	Nome Volunteer Fire Dept.
Firefighter 1	Nome	Nome Volunteer Fire Dept.
Firefighter 1	Nome	Nome Volunteer Fire Dept.
Firefighter 1	Nome	Nome Volunteer Fire Dept.
Firefighter 1	Nome	Nome Volunteer Fire Dept.
Firefighter 1	Nome	Nome Volunteer Fire Dept.
Firefighter 1	Nome	Nome Volunteer Fire Dept.
Firefighter 1	Nome	Nome Volunteer Fire Dept.
Firefighter 1	Nome	Nome Volunteer Fire Dept.
Firefighter 1	Nome	Nome Volunteer Fire Dept.
Firefighter 1	Nome	Nome Volunteer Fire Dept.
Firefighter 1	Nome	Nome Volunteer Fire Dept.
Firefighter 1	Nome	Nome Volunteer Fire Dept.
Firefighter 1	Nome	Nome Volunteer Fire Dept.
Firefighter 1	Nome	Nome Volunteer Fire Dept.
Firefighter 1	Fairbanks	North Pole Fire Department
Firefighter 1	North Pole	North Pole Fire Department
Firefighter 1	North Pole	North Pole Fire Department
Firefighter 1	Delta Junction	North Pole Fire Department
Firefighter 1	Eielson Air Force Base	North Pole Fire Department
Firefighter 1	Fairbanks	North Pole Fire Department
Firefighter 1	Fairbanks	North Pole Fire Department

Firefighter 1	Fairbanks	North Pole Fire Department
Firefighter 1	Fairbanks	North Pole Fire Department
Firefighter 1	Fairbanks	North Pole Fire Department
Firefighter 1	Fairbanks	North Pole Fire Department
Firefighter 1	Fort Wainwright	North Pole Fire Department
Firefighter 1	Fort Wainwright	North Pole Fire Department
Firefighter 1	Fort Wainwright	North Pole Fire Department
Firefighter 1	Fort Wainwright	North Pole Fire Department
Firefighter 1	Fort Wainwright	North Pole Fire Department
Firefighter 1	Fort Wainwright	North Pole Fire Department
Firefighter 1	North Pole	North Pole Fire Department
Firefighter 1	North Pole	North Pole Fire Department
Firefighter 1	North Pole

Firefighter 1	Barrow	North Slope Borough Fire Dept.
Firefighter 1	Barrow	North Slope Borough Fire Dept.
Firefighter 1	Barrow	North Slope Borough Fire Dept.
Firefighter 1	Barrow	North Slope Borough Fire Dept.
Firefighter 1	Barrow	North Slope Borough Fire Dept.
Firefighter 1	Barrow	North Slope Borough Fire Dept.
Firefighter 1	Barrow	North Slope Borough Fire Dept.
Firefighter 1	Barrow	North Slope Borough Fire Dept.
Firefighter 1	Barrow	North Slope Borough Fire Dept.
Firefighter 1	Barrow	North Slope Borough Fire Dept.
Firefighter 1	Barrow	North Slope Borough Fire Dept.
Firefighter 1	Barrow	North Slope Borough Fire Dept.
Firefighter 1	Barrow	North Slope Borough Fire Dept.
Firefighter 1	Barrow	North Slope Borough Fire Dept.
Firefighter 1	Kaktovik	North Slope Borough Fire Dept.
Firefighter 1	Nuiqsut	North Slope Borough Fire Dept.
Firefighter 1	Point Hope	North Slope Borough Fire Dept.
Firefighter 1	Point Lay	North Slope Borough Fire Dept.
Firefighter 1	Point Lay	North Slope Borough Fire Dept.
Firefighter 1	Wainwright	North Slope Borough Fire Dept.
Firefighter 1	North Pole	North Star Volunteer Fire Dept.
Firefighter 1	Fairbanks	North Star Volunteer Fire Dept.
Firefighter 1	Anchorage	North Star Volunteer Fire Dept.
Firefighter 1	Commerce City	North Star Volunteer Fire Dept.
Firefighter 1	Delta Junction	North Star Volunteer Fire Dept.
Firefighter 1	Eielson Air Force Base	North Star Volunteer Fire Dept.
Firefighter 1	Eielson Air Force Base	North Star Volunteer Fire Dept.
Firefighter 1	Eielson Air Force Base	North Star Volunteer Fire Dept.
Firefighter 1	Eielson Air Force Base	North Star Volunteer Fire Dept.
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Firefighter 1	Eielson Air Force Base	North Star Volunteer Fire Dept.
Firefighter 1	Eielson Air Force Base	North Star Volunteer Fire Dept.
Firefighter 1	Eielson Air Force Base	North Star Volunteer Fire Dept.
Firefighter 1	Fairbanks	North Star Volunteer Fire Dept.
Firefighter 1	Fairbanks	North Star Volunteer Fire Dept.
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Firefighter 1	Fairbanks	North Star Volunteer Fire Dept.
Firefighter 1	Kenai	North Star Volunteer Fire Dept.
Firefighter 1	Los Angeles	North Star Volunteer Fire Dept.
Firefighter 1	Moose Creek	North Star Volunteer Fire Dept.
Firefighter 1	North Pole	North Star Volunteer Fire Dept.
Firefighter 1	North Pole	North Star Volunteer Fire Dept.
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Firefighter 1	North Pole	North Star Volunteer Fire Dept.

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Firefighter 1	North Pole	North Star Volunteer Fire Dept.
Firefighter 1	Salcha	North Star Volunteer Fire Dept.
Firefighter 1	Salcha	North Star Volunteer Fire Dept.
Firefighter 1	Ketchikan	North Tongass Fire Dept.
Firefighter 1	Ketchikan	North Tongass Fire Dept.
Firefighter 1	Ketchikan	North Tongass Fire Dept.
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Firefighter 1	Ketchikan	North Tongass Fire Dept.
Firefighter 1	Ketchikan	North Tongass Fire Dept.
Firefighter 1	Ketchikan	North Tongass Fire Dept.
Firefighter 1	Ward Cove	North Tongass Fire Dept.
Firefighter 1	Ward Cove	North Tongass Fire Dept.
Firefighter 1	Fairbanks	North Star Volunteer Fire Dept.
Firefighter 1	Anchorage	Other
Firefighter 1	Anchorage	Other
Firefighter 1	Anchorage	Other
Firefighter 1	Anchorage	Other
Firefighter 1	Anchorage	Other
Firefighter 1	Castle Rock	Other
Firefighter 1	Clearfield	Other
Firefighter 1	Clermont	Other
Firefighter 1	Colbert	Other

Firefighter 1	Columbia	Other
Firefighter 1	Eagle River	Other
Firefighter 1	Ester	Other
Firefighter 1	Fulton	Other
Firefighter 1	Hinton, Alberta	Other
Firefighter 1	Jamestown	Other
Firefighter 1	Juneau	Other
Firefighter 1	Juneau	Other
Firefighter 1	Juneau	Other
Firefighter 1	Juneau	Other
Firefighter 1	Juneau	Other
Firefighter 1	Juneau	Other
Firefighter 1	Ketchikan	Other
Firefighter 1	North Pole	Other
Firefighter 1	Seattle	Other
Firefighter 1	Sitka	Other
Firefighter 1	Soldotna	Other
Firefighter 1	Soldotna	Other
Firefighter 1	Sterling	Other
Firefighter 1	Stoneham	Other
Firefighter 1	Wasilla	Other
Firefighter 1	Wasilla	Other
Firefighter 1	Wasilla	Other
Firefighter 1	Wasilla	Other
Firefighter 1	Wasilla	Other
Firefighter 1	Palmer	Palmer Volunteer Fire Department
Firefighter 1	Palmer	Palmer Volunteer Fire Department
Firefighter 1	Palmer	Palmer Volunteer Fire Department
Firefighter 1	Palmer	Palmer Volunteer Fire Department
Firefighter 1	Palmer	Palmer Volunteer Fire Department
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Firefighter 1	Palmer	Palmer Volunteer Fire Department
Firefighter 1	Palmer	Palmer Volunteer Fire Department
Firefighter 1	Fairbanks	Palmer Volunteer Fire Department
Firefighter 1	Chugiak	Palmer Volunteer Fire Department
Firefighter 1	Palmer	Palmer Volunteer Fire Department
Firefighter 1	Palmer	Palmer Volunteer Fire Department
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Firefighter 1	Palmer	Palmer Volunteer Fire Department
Firefighter 1	Palmer	Palmer Volunteer Fire Department
Firefighter 1	Pelican	Pelican Volunteer Fire Dept.
Firefighter 1	Sitka	Pelican Volunteer Fire Dept.
Firefighter 1	Petersburg	Petersburg Volunteer Fire Dept.
Firefighter 1	Petersburg	Petersburg Volunteer Fire Dept.
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Firefighter 1	Petersburg	Petersburg Volunteer Fire Dept.

Firefighter 1	Petersburg	Petersburg Volunteer Fire Dept.

Firefighter 1	Anchorage	PRISM Training Center
Firefighter 1	Anchorage	PRISM Training Center
Firefighter 1	Anchorage	PRISM Training Center
Firefighter 1	Anderson	PRISM Training Center
Firefighter 1	Chugiak	PRISM Training Center
Firefighter 1	Eagle River	PRISM Training Center
Firefighter 1	Eagle River	PRISM Training Center
Firefighter 1	Eagle River	PRISM Training Center
Firefighter 1	Grenora	PRISM Training Center
Firefighter 1	Kasilof	PRISM Training Center
Firefighter 1	Kasilof	PRISM Training Center
Firefighter 1	Kenai	PRISM Training Center
Firefighter 1	Kenai	PRISM Training Center
Firefighter 1	Kenai	PRISM Training Center
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Firefighter 1	Kenai	PRISM Training Center
Firefighter 1	Nikiski	PRISM Training Center
Firefighter 1	Nikiski	PRISM Training Center
Firefighter 1	Nikiski	PRISM Training Center
Firefighter 1	Nikiski	PRISM Training Center
Firefighter 1	Palmer	PRISM Training Center
Firefighter 1	Soldotna	PRISM Training Center
Firefighter 1	Soldotna	PRISM Training Center
Firefighter 1	Soldotna	PRISM Training Center
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Firefighter 1	Soldotna	PRISM Training Center
Firefighter 1	Soldotna	PRISM Training Center
Firefighter 1	Soldotna	PRISM Training Center
Firefighter 1	Wasilla	PRISM Training Center
Firefighter 1	Palmer	Greater Prudhoe Bay Fire Department
Firefighter 1	Palmer	Greater Prudhoe Bay Fire Department
Firefighter 1	Wasilla	Greater Prudhoe Bay Fire Department
Firefighter 1	Cooper Landing	Red Dog Mine Fire Department
Firefighter 1	Soldotna	Red Dog Mine Fire Department
Firefighter 1	Anchorage	Red Dog Mine Fire Department

Firefighter 1	Anchorage	Retired
Firefighter 1	Anchorage	Retired
Firefighter 1	Anchorage	Retired
Firefighter 1	Anchorage	Retired
Firefighter 1	Anchorage	Retired
Firefighter 1	Anchorage	Retired
Firefighter 1	Eagle River	Retired
Firefighter 1	Eagle River	Retired
Firefighter 1	Juneau	Retired
Firefighter 1	Juneau	Retired
Firefighter 1	North Pole	Retired
Firefighter 1	North Pole	Retired
Firefighter 1	Palmer	Retired
Firefighter 1	Palmer	Retired
Firefighter 1	Palmer	Retired
Firefighter 1	Palmer	Retired
Firefighter 1	Palmer	Retired
Firefighter 1	Palmer	Retired
Firefighter 1	Redding	Retired
Firefighter 1	Scottsdale	Retired
Firefighter 1	Seward	Retired
Firefighter 1	Seward	Retired
Firefighter 1	Soldotna	Retired
Firefighter 1	Sterling	Retired
Firefighter 1	Wasilla	Retired
Firefighter 1	Wasilla	Retired
Firefighter 1	Wasilla

Firefighter 1	Wasilla	Retired
Firefighter 1	Wasilla	Retired
Firefighter 1	Sand Point	Sand Point Volunteer Fire Dept.
Firefighter 1	Fairbanks	Steese Area Volunteer Fire Dept.
Firefighter 1	Savoonga	Savoonga Volunteer Fire Dept.
Firefighter 1	Ketchikan	Saxman Volunteer Fire Dept.
Firefighter 1	Selawik	Selawik Volunteer Fire Dept.
Firefighter 1	Seldovia	Seldovia Volunteer Fire Dept.
Firefighter 1	Seward	Seward

Firefighter 1	Sitka	Sitka Volunteer Fire Dept.
Firefighter 1	Sitka	Sitka Volunteer Fire Dept.
Firefighter 1	Sitka	Sitka Volunteer Fire Dept.
Firefighter 1	Sitka	Sitka Volunteer Fire Dept.
Firefighter 1	Sitka	Sitka Volunteer Fire Dept.
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Firefighter 1	Sitka	Sitka Volunteer Fire Dept.
Firefighter 1	Sitka	Sitka Volunteer Fire Dept.
Firefighter 1	Sitka	Sitka Volunteer Fire Dept.
Firefighter 1	Eastham	Skagway Volunteer Fire Dept.
Firefighter 1	Skagway	Skagway Volunteer Fire Dept.
Firefighter 1	Skagway	Skagway Volunteer Fire Dept.
Firefighter 1	Skagway	Skagway Volunteer Fire Dept.
Firefighter 1	Skagway	Skagway Volunteer Fire Dept.
Firefighter 1	Skagway	Skagway Volunteer Fire Dept.
Firefighter 1	Skagway	Skagway Volunteer Fire Dept.
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Firefighter 1	Skagway	Skagway Volunteer Fire Dept.
Firefighter 1	Skagway	Skagway Volunteer Fire Dept.
Firefighter 1	Anchorage	SOA
Firefighter 1	Soldotna	Central Emergency Services
Firefighter 1	Ketchikan	South Tongass Volunteer Fire Dept.
Firefighter 1	Ketchikan	South Tongass Volunteer Fire Dept.
Firefighter 1	Ketchikan	South Tongass Volunteer Fire Dept.
Firefighter 1	Ketchikan	South Tongass Volunteer Fire Dept.
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Firefighter 1	Ketchikan	South Tongass Volunteer Fire Dept.
Firefighter 1	Ketchikan	South Tongass Volunteer Fire Dept.
Firefighter 1	Ward Cove	South Tongass Volunteer Fire Dept.
Firefighter 1	St. Mary's	St. Maryisam Elkiurtai Vol. Fire Dept.
Firefighter 1	Anchorage	Steese Area Volunteer Fire Dept.
Firefighter 1	Anchorage	Steese Area Volunteer Fire Dept.
Firefighter 1	Anchorage	Steese Area Volunteer Fire Dept.
Firefighter 1	Fairbanks	Steese Area Volunteer Fire Dept.
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Firefighter 1	Fairbanks	Steese Area Volunteer Fire Dept.
Firefighter 1	Fort Wainwright	Steese Area Volunteer Fire Dept.
Firefighter 1	North Pole	Steese Area Volunteer Fire Dept.
Firefighter 1	North Pole	Steese Area Volunteer Fire Dept.
Firefighter 1	Two Rivers	Steese Area Volunteer Fire Dept.
Firefighter 1	Anchorage	Steese Area Volunteer Fire Dept.
Firefighter 1	Fairbanks	Steese Area Volunteer Fire Dept.
Firefighter 1	Fairbanks	Steese Area Volunteer Fire Dept.
Firefighter 1	Fort Wainwright	Steese Area Volunteer Fire Dept.
Firefighter 1	Sitka	Sitka Volunteer Fire Dept.
Firefighter 1	Sutton	Sutton Volunteer Fire Department
Firefighter 1	Sutton	Sutton Volunteer Fire Department
Firefighter 1	Talkeetna	Talkeetna Fire Service Area 24
Firefighter 1	Talkeetna	Talkeetna Fire Service Area 24
Firefighter 1	Talkeetna	Talkeetna Fire Service Area 24
Firefighter 1	Talkeetna	Talkeetna Fire Service Area 24
Firefighter 1	Talkeetna	Talkeetna Fire Service Area 24
Firefighter 1	Talkeetna	Talkeetna Fire Service Area 24
Firefighter 1	Talkeetna	Talkeetna Fire Service Area 24
Firefighter 1	Anchorage	Anchorage International Airport Safety
Firefighter 1	Anchorage	Anchorage International Airport Safety
Firefighter 1	Anchorage	Anchorage International Airport Safety
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Firefighter 1	Anchorage	Anchorage International Airport Safety
Firefighter 1	Anchorage	Anchorage International Airport Safety
Firefighter 1	Anchorage	Anchorage International Airport Safety
Firefighter 1	Eagle River	Anchorage International Airport Safety
Firefighter 1	Palmer	Anchorage International Airport Safety
Firefighter 1	Wasilla	Anchorage International Airport Safety
Firefighter 1	Wasilla	Anchorage International Airport Safety
Firefighter 1	Kasilof	Tesoro Fire Brigade
Firefighter 1	Kenai	Tesoro Fire Brigade
Firefighter 1	Kenai	Tesoro Fire Brigade
Firefighter 1	Kenai	Tesoro Fire Brigade
Firefighter 1	Kenai	Tesoro Fire Brigade
Firefighter 1	Kenai	Tesoro Fire Brigade
Firefighter 1	Nikiski	Tesoro Fire Brigade
Firefighter 1	Nikiski	Tesoro Fire Brigade
Firefighter 1	Soldotna	Tesoro Fire Brigade
Firefighter 1	Soldotna	Tesoro Fire Brigade
Firefighter 1	Soldotna	Tesoro Fire Brigade
Firefighter 1	Denali Park	Tri-Valley Volunteer Fire Dept.
Firefighter 1	Denali Park	Tri-Valley Volunteer Fire Dept.
Firefighter 1	Fairbanks	Tri-Valley Volunteer Fire Dept.
Firefighter 1	Healy	Tri-Valley Volunteer Fire Dept.
Firefighter 1	Healy	Tri-Valley Volunteer Fire Dept.
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Firefighter 1	Healy	Tri-Valley Volunteer Fire Dept.
Firefighter 1	Healy	Tri-Valley Volunteer Fire Dept.
Firefighter 1	Healy	Tri-Valley Volunteer Fire Dept.
Firefighter 1	Wasilla	Tri-Valley Volunteer Fire Dept.
Firefighter 1	Unalaska	Unalaska Volunteer Fire Dept.
Firefighter 1	Unalaska	Unalaska Volunteer Fire Dept.
Firefighter 1	Dutch Harbor

Firefighter 1	Unalaska	Unalaska Volunteer Fire Dept.
Firefighter 1	Anchorage	University Fire Science Program
Firefighter 1	Delta Junction	University Fire Science Program
Firefighter 1	Fairbanks	University Fire Science Program
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Firefighter 1	Fairbanks	University Fire Science Program
Firefighter 1	Fairbanks	University Fire Science Program
Firefighter 1	Juneau	University Fire Science Program
Firefighter 1	Ninilchik	University Fire Science Program
Firefighter 1	Soldotna	University Fire Science Program
Firefighter 1	Soldotna	University Fire Science Program
Firefighter 1	Anchorage	University of Alaska Fire Dept.
Firefighter 1	Anchorage	University of Alaska Fire Dept.
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Firefighter 1	Anchorage	University of Alaska Fire Dept.
Firefighter 1	Delta Junction	University of Alaska Fire Dept.
Firefighter 1	Eagle River	University of Alaska Fire Dept.
Firefighter 1	Ester	University of Alaska Fire Dept.
Firefighter 1	Fairbanks	University of Alaska Fire Dept.
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Firefighter 1	Fairbanks	University of Alaska Fire Dept.
Firefighter 1	Fairbanks	University of Alaska Fire Dept.
Firefighter 1	Juneau	University of Alaska Fire Dept.
Firefighter 1	Kodiak	University of Alaska Fire Dept.
Firefighter 1	Kodiak	University of Alaska Fire Dept.
Firefighter 1	Ninilchik	University of Alaska Fire Dept.
Firefighter 1	North Pole	University of Alaska Fire Dept.
Firefighter 1	North Pole	University of Alaska Fire Dept.
Firefighter 1	North Pole	University of Alaska Fire Dept.
Firefighter 1	Palmer	University of Alaska Fire Dept.
Firefighter 1	Seward	University of Alaska Fire Dept.
Firefighter 1	Soldotna	University of Alaska Fire Dept.
Firefighter 1	Wasilla	University of Alaska Fire Dept.
Firefighter 1	Wasilla	University of Alaska Fire Dept.
Firefighter 1	Juneau	US Fish & Wildlife
Firefighter 1	Decatur	USCG Support Center Fire Dept.
Firefighter 1	Kodiak	USCG Support Center Fire Dept.
Firefighter 1	Kodiak	USCG Support Center Fire Dept.
Firefighter 1	Kodiak	USCG Support Center Fire Dept.
Firefighter 1	Kodiak	USCG Support Center Fire Dept.
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Firefighter 1	Wasilla	Willow Fire Service Area 35
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Firefighter 1	Chugiak
Firefighter 1	Cordova
Firefighter 1	Delta Junction
Firefighter 1	Dutch Harbor
Firefighter 1	Eagle River
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Firefighter 1	Maxee
Firefighter 1	Minto
Firefighter 1	Murfreesboro
Firefighter 1	Nikiski
Firefighter 1	Nikiski
Firefighter 1	North Pole
Firefighter 1	Palmer
Firefighter 1	Petersburg
Firefighter 1	Poynette
Firefighter 1	Sacramento
Firefighter 1	Santa Cruz
Firefighter 1	Shishmauref
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Firefighter 1	Wasilla

University Fire Department
611 N Chandalar
P.O. Box 755540
Fairbanks, Alaska 99775-5540
(907) 474-5770•Fax (907) 474-5999

The Honorable Joe Paskvan
The State Senate
Alaska State Capitol
Room 115
Juneau, AK 99801

3 April, 2011

Dear Senator Paskvan,

Senate Bill 103 "An Act amending the medical examination requirements for firefighters entitled to a presumption of compensability for a disability resulting from certain diseases" will be heard by the Labor and Commerce Committee on Tuesday, 5 April. SB 103 seeks to address apparent technical problems in Alaska Statute 23.30.121, "Presumption of coverage for disability from diseases for certain fire fighters" that were identified after the statute took effect. I am writing to draw your attention to the determination that the full-time career fire fighters of the University Fire Department are apparently not covered by AS 23.30.121, the presumptive coverage law.

AS 23.30.121 (f) specifies that Alaska's presumptive law applies to certain Alaskan firefighters as defined by AS 09.65.295 "Liability involving a peace officer or fire fighter." Paragraph (f) defines a "fire fighter" as a person employed by a municipal fire department or who is a member of a registered volunteer fire department. The University Fire Department at UAF employs nine professional career fire fighters who are full-time employees of the University of Alaska. Accordingly, they are neither employed by a municipal fire department nor are they volunteer fire fighters, and thusly are not covered by the presumptive coverage law.

I can think of no reason why AS 09.65.295 or AS 23.30.121 would have intentionally excluded this small set of professional fire fighters. I understand that a Substitute version of SB103 is being considered to add language that would affirm coverage of State-employed fire fighters, including career members of the University Fire Department. If I can be of any assistance, please do not hesitate to contact me.

Respectfully,

Douglas Schrage

Douglas Schrage, Fire Chief

PARTNERS IN FIRE PROTECTION

National Council on Compensation Insurance, Inc.

PRELIMINARY COST IMPACT ANALYSIS

Alaska Senate Bill 103

As Introduced on 3/16/2011

NCCI has completed a preliminary cost impact analysis of Alaska Senate Bill 103 (SB 103). This analysis includes a description of the change, an indication as to the approximate magnitude and direction of its cost impact, and identifies potential unintended consequences or other notable items.

The analysis was completed in an expedited manner and is considered preliminary. NCCI may supplement this document with a complete and final analysis of the proposal at a later date. It is possible that the estimated impact of the final analysis will differ materially from what is provided in this document. Note that the absence of an update to the preliminary analysis does not signify that this is NCCI's final assessment of the cost impact of the proposal.

Preliminary Cost/Directional Impact

If SB 103 is enacted, the impact on Alaska's firefighter class codes and the overall workers compensation system costs would be negligible[1]. However, there may be some savings in litigation costs for these class codes.

Summary and Comments

Currently, a firefighter needs to receive a qualifying medical examination upon becoming a firefighter, and receive an annual medical examination showing no evidence of disease during each of the first 7 years of employment to have certain illnesses presumed to be work related.

SB 103 proposes to amend the medical examination requirements in AS 23.30.121(b), which ascertains the eligibility for presumption of compensability for a firefighter hired before August 19, 2008. According to SB 103, medical examinations provided by the department employing the firefighter would satisfy the requirements for presumption as long as the result shows no evidence of disease during the first 7 years of employment.

When NCCI estimated the impact of Alaska House Bill 200 (HB 200) in 2008, that introduced the presumption of compensability for firefighters, the analysis implicitly assumed there would be no cost difference for firefighters hired before and after August 19, 2008.

---

[1] Negligible means the impact is within +/-0.2%.

In the analysis of HB 200, NCCI noted that additional disputes might result over the rebuttable presumption of compensability included in the bill. If SB 103 is enacted, the disputes that arise out of the medical examination requirements could be reduced, and some savings in litigation costs for the firefighter class codes might be realized.

Miscellaneous

The changes to Alaska's Administrative Code, that went into effect on February 20, 2011, codified the specific requirements for medical examination for certain firefighters and defined the use and exposure to tobacco for presumption removal.

Alaska State Legislature

Senator Hollis French, Chair
State Capitol, Room 417
Juneau, Alaska 99801
Phone: (907) 465-3892
Fax: (907) 465-6595

Committee Members:
Senator Bill Wielechowski
Senator Lesil McGuire
Senator Joe Paskvan
Senator John Coghill

Senate Judiciary Committee
Sponsor Statement
SB 103 Workers' Compensation for Firefighters

In 2008, the Alaska Legislature passed statutory changes to the Workers' Compensation program to provide firefighters with the presumption of compensability for certain diseases that are documented to occur as a result of occupational exposures to smoke and chemicals in the performance of their duties. It was the intent of the legislature that this benefit be available to firefighters who had served for seven years and who had received any required physical examinations during that seven year period. However, a wording change made by one committee had the unanticipated effect of narrowing the scope of covered firefighters only to those who had had an initial physical exam at the time of hire. This effect was not intentional and was never discussed in that committee or in any following committees. Instead, it became an issue when the Workers' Compensation Board established program regulations.

Recognizing the problem, the Workers' Compensation Board passed a resolution supporting an amendment to the law to allow any firefighter who entered active service as a firefighter prior to the effective date of AS 23.30.121 the presumption of compensability if during the years prior to enactment, the firefighter received all required examinations and those examinations did not show evidence of the diseases in the first seven years of employment. In addition, the National Council on Compensation Insurance has reviewed the bill for cost impact and indicated that this change is not anticipated to have a cost impact and in fact may save possible litigation costs that might otherwise arise.

The second change the bill makes is to clarify that the law applies to state as well as municipal firefighting agencies. The original bill had referred to a definition by reference, and that definition did not specifically include state firefighters.

SB103 makes these important corrections, and I urge your support.

Alaska State Legislature

Senator Hollis French, Chair
State Capitol, Room 417
Juneau, Alaska 99801
Phone: (907) 465-3892
Fax: (907) 465-6595

Committee Members:
Senator Bill Wielechowski
Senator Lesil McGuire
Senator Joe Paskvan
Senator John Coghill

Senate Judiciary Committee

MEMORANDUM

Summary of Changes Between SB 103\A and SB 103\M

The CS for SB 103 incorporates a definition of firefighters covered by the worker's compensation presumption of compensability and amends it to include the words "state or" to clarify that the provisions also apply to the University of Alaska firefighters who were inadvertently left out of this provision as a result of the current wording.

This definition was originally cited by reference (AS 09.65.295). The language of the definition otherwise remains identical to language incorporated by reference in the bill.

RESOLUTION NUMBER 11-01

RESOLUTION IN SUPPORT OF EXTENDING THE PRESUMPTION OF COVERAGE FOR DISABILITY FROM DISEASES FOR CERTAIN FIRE FIGHTERS UNDER THE ALASKA WORKERS' COMPENSATION ACT

WHEREAS, the Alaska Workers' Compensation Board is a public organization accountable through its members and staff to the residents, the Legislature, and the Governor of Alaska;

WHEREAS, the Alaska Workers' Compensation Board acts as the lead state agency for adjudicating disputes under the Alaska Workers' Compensation Act, to ensure quick, efficient, fair and predictable provision of benefits to injured workers at a reasonable cost to employers;

WHEREAS, the presumption of coverage for disability from diseases for certain fire fighters under AS 23.30.121 only applies to fire fighters who were given a qualifying medical examination upon becoming a fire fighter and an annual medical exam during each of the first seven years of employment;

WHEREAS, the regulations adopted by the Alaska Workers' Compensation Board defining the type and extent of the qualifying medical examination do not apply to individuals already in active service as fire fighters;

NOW THEREFORE BE IT RESOLVED that the Alaska Workers' Compensation Board supports an amendment to AS 23.30.121 to allow any fire fighter who entered active service as a firefighter prior to the effective date of AS 23.30.121 entitlement to the presumption of compensability of that section if during the years prior to enactment of AS 23.30.121 the fire fighter received all medical examinations provided by the department for which they were employed and those examinations did not show evidence of the diseases in any of the first seven years of employment.

CERTIFICATION

The Alaska Workers' Compensation Board held a meeting duly and regularly called, noticed, and convened the 12th day of January, 2010, and the foregoing Resolution was adopted at the meeting.

Signed this 13th day of January, 2010

_____

Michael P. Monagle, Chair
Alaska Workers' Compensation Board

Workers' Compensation Committee of Alaska

PO BOX 200361 ANCHORAGE, ALASKA 99520

January 19, 2012

Dear Senators Hoffman, Olson, Egan, Thomas, Ellis and McGuire

RE: SB 103 and HB 232

I understand SB 103 is being heard tomorrow by the Senate Finance Committee. The Workers' Compensation Committee of Alaska, an employer advocacy group, strongly opposes SB 103 and HB 232.

Under the Alaska Workers' Compensation Act, all employees of the State of Alaska have enjoyed a presumption that, in the absence of substantial evidence to the contrary, a workers' compensation claim comes with the provisions of the Alaska Workers' Compensation Act and is thus compensable. (See, AS 23.30.120.) In 2008, however, the legislature passed AS 23.30.121, which created another presumption that eight types of cancer as well as respiratory disease and "cardiovascular events" were compensable if contracted by a firefighter who had undergone a medical examination at the time of hire and in each of the subsequent seven years that did not show evidence of the disease. The statute was to apply to "claims made on or after the [August 19, 2008] effective date." Section 2, ch. 26, SLA 2008. According to a recent decision from the Alaska Workers' Compensation Board, contrary medical evidence is insufficient to rebut this presumption. As such, the presumption is arguably irrebuttable and hence unconstitutional.

The program developed under the new statute was not supposed to be "mandatory" (HL&C 4/27/07 and 4/30/07; House Judiciary 5/4/07; SL&C 5/4/07; SL&C 2/5/08), was advanced as likely to have "no [financial] impact" (SL&C 4/12/07; HB 200 Sponsor Statement), and therefore was "not an unfunded mandate." (SL&C 5/3/07.)

Additionally, much testimony was taken from Firefighters and union management in 2007 and 2008 declaring that medical science conclusively established Firefighters were at greater risk than the general population for all of the cancers listed in AS 23.30.121. (*See* legislative history, HB 200, SB 117.) The record, however, is utterly devoid of any research. Not one research article was presented. The only testimony in the record was not from medical experts but rather from firefighters and their union lobbyists and officials claiming a link existed.

The reason the record lacks such "research" is obvious: credible and substantive scientific evidence simply does not exist linking the cancers to the occupation of Firefighting. (*See* April 2009 study "Assessing State Firefighter Cancer Presumption Laws and Current Firefighter Cancer Research" available at nic.org) Of the thousands of cancer studies conducted between 1995 and 2008, only 17 studies looked at firefighting as a possible risk factor in contracting

SHELBY L. NUENKE-DAVISON, PRESIDENT; DAISY SAFFIR, VICE PRESIDENT;
TERRY SHURTLEFF, TREASURER; BECKY MCLOUD, SECRETARY

cancer and none of them established any substantive causal relationship indicating firefighters were at any greater risk for developing these cancers than the general public.

Despite the above, the amendments to AS 23.30.121 currently before the legislature (SB 103 and HB 232) now seek to expand the scope of the statute to include ALL firefighters who received any "medical examinations provided by the department" and "the examinations did not show evidence of the disease." (SB 103 and HB 232, Sec. (b)(4)). Most municipalities or smaller villages, however, probably did not require examinations and many local governments still do not have annual examinations.

More importantly, testing for many of the listed conditions did not exist before the mid-1990's and many still are either costly prohibitive or are simply not available. Yet, under this amendment, the presumption will arguably apply as "the examinations provided by the department" "did not show evidence of the disease." Never mind that testing for the condition was not even conducted much less available.

Finally, the greatest concern to the WCCA is the increased costs to employers who are subjected to this Firefighter presumption statute and proposed amendments and whether coverage can be obtained. Alaska is currently ranked as either number one or number two in the Nation with the highest workers' compensation insurance premium rates. Thus, any proposed amendments to the AWCA should be focused on providing a fair, just yet affordable, workers' compensation system and to reduce costs to employers so Alaska can attract and keep more businesses.

While WCCA appreciates Firefighters for the critical role they play in the safety of our cities and towns, the legislature must evaluate this issue objectively and scientifically. The statute and the current amendments simply do not and the WCCA urges you to vote against these bills. Thank you.

Very truly yours,

Shelby L. Nuenke-Davison
President of WCCA

cc: Governor Parnell via fax (907) 465-3532

SB 108

<TARGET><BILL>SB 108</BILL><SUBJECT>SB 108</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/30/11

FURTHER:

DATE TURNED IN TO OFFICE: 4/13/11

Finance Committee considered SENATE BILL NO. 108

SB 108-SPC. STEPHEN "MAX" CAVANAUGH OVERPASS

"An Act naming the Dowling Road overpass at milepost 123.7 on the New Seward Highway the Spc. Stephen "Max" Cavanaugh, Jr., Memorial Overpass."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DOT	X			1

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	EGAN	✓			
	McGuire	✓			
	OLSON			✓	
	ELLIS	X			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	STEDMAN	✓			

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 108
(S) Publish Date: 3/30/11

SB108-DOT-CRDC-3-25-11
Title: Stephen "Max" Cavanaugh Jr Memorial Overpass
Sponsor: Senator Lesil McGuire
Requester: S TRA

Dept. Affected: DOT&PF
Appropriation: Highways and Aviation
Allocation: Central Region Highways & Aviation
OMB Component Number: 564

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING							
CAPITAL EXPENDITURES	**10.0**	**10.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	10.0	10.0					
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**10.0**	**10.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

Prepared by: Brenda Hewitt
Division: Commissioner's Office
Phone: 465-4772
Date/Time: 3/25/11 8:00 AM

Approved by: Mark Luiken
Commissioner
Date: 3/25/2011

(Revised 12/29/2010 OMB)

FISCAL NOTE #1

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. SB 108

Analysis

SB 108 would designate a portion of Dowling Road overpass at milepost 123.7 on the New Seward Highway the Spc. Stephen "Max" Cavanaugh, Jr., Memorial Overpass.

4 small 42" x 36" notices for each entrance internally $10,000 is recommended by the department.

4 small signs @ $2,500/ea	$10,000
Total	$10,000

Alaska State Legislature

Session:
State Capitol
Suite 125
Juneau, AK 99801
Phone: (907) 465-2995
Fax: (907) 465-6592

Interim:
716 W 4th Avenue, Suite 300
Anchorage, AK 99501-2133
Phone: (907) 269-0250
Fax: (907) 269-0249

Senator Lesil McGuire

SPONSOR STATEMENT for Senate Bill 108

"An Act naming the Dowling Road overpass at milepost 123.7 on the New Seward Highway the Spc. Stephen "Max" Cavanaugh, Jr., Memorial Overpass."

This bill was created to commemorate the Dowling Overpass in Spc. Stephen 'Max' Cavanaugh Jr.'s memory as a tribute to this hero who continues to save lives.

S t e p h e n 'Max' Cavanaugh Jr. had recently returned from Iraq after surviving 300 convoys where he manned a .50 caliber machine gun. He was driving down New Seward highway, near the Dowling Overpass, when he hit a cow moose, two weeks before his discharge, which resulted in the loss of his life. Max was an organ donor and it was mentioned in his obituary that he continues to save lives even after the loss of his. This loss was the 6th human life lost to moose collisions with cars during2007 and, though no human life is more important than any other, this loss really hit home.

A project was put together to help increase safety in the very corridor where this particular tragedy occurred. This effort was greatly assisted by the Department of Transportation, Highway Safety Office, SAGA (AmeriCorps youth program), the Department of Public Safety and the Department of Fish & Game. The project area was the West side of New Seward Highway between Dimond and O'Malley. The work area was between the bike trail and the highway right-of-way. This effort was performed for 4 days in October, 2008 where we cut, hauled and chipped 11 dumpsters worth of willow, cottonwood, birch and aspen trees.

The effort now is to commemorate the Dowling Overpass in Spc. Stephen 'Max' Cavanaugh Jr.'s memory as a tribute to this hero who continues to save lives.

Governor Sean Parnell
P.O. Box 110001
Juneau, Alaska 99811-0001

March 30, 2010

Dear Governor Parnell,

I hope that you are doing well, and by now settled in as Governor of Alaska.

You may recall that our son, SPC Stephen (Max) Cavanaugh, assigned to the Warrior Transition Unit at Fort Richardson, was killed in a collision with a moose in December, 2007.

You and I met in 2008 when we worked together to clear brush along the New Seward Corridor near where Max was killed. Thanks for being there with us. It meant a lot to Susan and me to know that you would take the time to show your support.

I received a note from Gary Olson at Alaska Moose Federation that he had been called to assist at a moose collision at the very spot where Max lost his life in December, 2007. It seems that, despite our efforts, the moose problem remains in the New Seward Corridor.

Governor Parnell, losing a son or daughter is more painful than anyone can imagine. It was especially tragic that Max was killed while waiting his military discharge after surviving 300 missions as a turret gunner in Iraq. Even after two years, there isn't a day when we don't wonder what might have been, had he come home.

This letter is to thank you for supporting programs like those conducted by AMF and to ask for your continued support. AMF has planned a number of programs, including one to perform the complete removal of all moose browse along New Seward.

Please do what you can to support moose mitigation through whatever means are possible. No one in Alaska should lose a family member if it can be avoided through such efforts.

As always, let me know if there is anything I can do to help. My contact info is below.

Sincerely,

Steve Cavanaugh
4820 Edinburgh Drive
Smyrna, GA 30082

Cell: 404-307-1987

P.O. Box 110741, Anchorage, Alaska 99511 (907) 317-2300

MISSION STATEMENT: Believing in the value of healthy moose populations for all Alaskans, The Alaska Moose Federation will be the leader in the effort to both initiate and maintain the quantity and quality of Alaska's moose population.

March 8, 2011

Honorable Congressman Don Young
United States Congress
2314 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Young,

The Alaska Moose Federation (AMF) is asking for your assistance with a request to honor Spc. Stephen 'Max' Cavanaugh Jr. by renaming the Dowling Overpass on the New Seward Highway in his memory. Spc. Cavanaugh. returned from Iraq in 2007 after surviving 300 convoys where he manned a .50 caliber turret gun. Two weeks before receiving his discharge papers, he was driving down New Seward highway near Dowling when he hit a cow moose which resulted in the loss of his life.

This loss was the 6th human tragedy during 2007 and, though no human life is more important than any other, this loss really hit home. The AMF has been working with the soldier's parents, Stephen Sr. & Susan Cavanaugh of Atlanta, Georgia, the Parnell Administration and key members of the Alaska Legislature on this effort. It has become very apparent that we need your help, given the status of this highway as being a corridor under Federal Highway Administration's oversight.

Attached is a detailed description of the tragedy as well as an effort that involved the soldier's parents, Governor Parnell and others who worked to remove moose browse in 2008 from the New Seward corridor in an effort to reduce future moose collisions.

Thank you for your time and please consider championing this request because, not only is this important for all service men and women, including those who have served in Iraq and Afghanistan, but also for the Alaskans who have either lost their lives or have lost their loved ones to moose collisions.

If you have questions, please contact myself at (907) 529-5567 or Gary Olson, Executive Director of the AMF at (907) 317-2300.

Sincerely,

Bob Henrichs, Chairman

Cc: Senator Lisa Murkowski
Senator Mark Begich
Governor Sean Parnell
Lt. Governor Mead Treadwell
Senator Lesil Mcguire
Senator Charlie Huggins

Spc. Stephen 'Max' Cavanaugh Jr. Memorial

The Anchorage section of the New Seward Highway is a known moose collision corridor in the heart of Anchorage. This corridor has a problem of moose browse located within the fenced corridor which allow moose to winter in the area. If you had forgotten, this area was the scene of an unacceptable tragedy in December of 2007.



THIS HERO CONTINUES TO SAVE LIVES!

Stephen 'Max' Cavanaugh Jr. had recently returned from Iraq after surviving 300 convoys where he manned a .50 caliber machine gun. He was driving down New Seward highway, near the Dowling Overpass, when he hit a cow moose, two weeks before his discharge, which resulted in the loss of his life. Max was an organ donor and it was mentioned in his obituary that he continues to save lives even after the loss of his. This loss was the 6th human life lost to moose collisions with cars during 2007 and, though no human life is more important than any other, this loss really hit home.

A project was put together to help increase safety in the very corridor where this particular tragedy occurred. This effort was greatly assisted by the Department of Transportation, Highway Safety Office, SAGA (AmeriCorps youth program), the Department of Public Safety and the Department of Fish & Game.

The project area was the West side of New Seward Highway between Dimond and O'Malley. The work area was between the bike trail and the highway right-of-way. This effort was performed for 4 days in October, 2008 where we cut, hauled and chipped 11 dumpsters worth of willow, cottonwood, birch and aspen trees.

Many volunteers helped with the brush cutting effort including the following workers: Governor Sean Parnell; Cliff Judkins, Chairman of the Board of Game; Colonel Holloway of the State Troopers and also the parents of the fallen soldier Steve Sr. and Susan Cavanaugh who traveled up from Atlanta to help with this effort. We also had solid help from private partners in this effort which included Alaska Waste for disposal cans, Absolute Environmental Services for the donated Ford truck and the donated dump trailer and also the Department of Transportation for the use of the Morbark tree chipper.

The effort now is to commemorate the Dowling Overpass in Spc. Stephen 'Max' Cavanaugh Jr.'s memory as a tribute to this hero who continues to save lives.

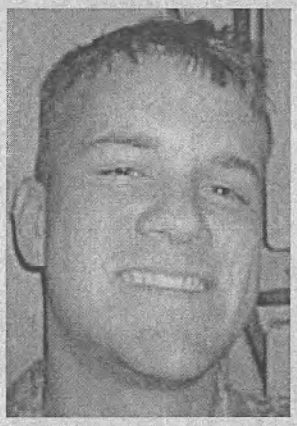


Moose browse removed from New Seward Hwy



Governor Parnell, Mr. & Mrs. Cavanaugh

Iraq/Afghanistan War Heroes



Stephen Max Cavanaugh

Anchorage, Alaska

December 6, 2007

Age	Military	Rank	Unit/Location
24	Army	Spc	98th Maintenance Company Fort Richardson,

Vehicle Accident. Stateside. Served in Iraq.



From the Seattle Post-Intelligencer Seattlepi.com 12/07/07:

SEATTLE POST-INTELLIGENCER
http://seattlepi.nwsource.com/local/6600ap_wst_moose_kills_soldier.html

Last updated December 7, 2007 10:34 a.m. PT

After 300 Iraq missions, Fort Richardson soldier killed by moose

THE ASSOCIATED PRESS

ANCHORAGE, Alaska -- Spc. Stephen Cavanaugh survived more than 300 missions in Iraq, but was killed when his car hit a moose months after his return to Alaska.

The 24-year-old Fort Richardson soldier was in a coma when he was taken off life support Thursday.

When he returned to Fort Richardson in March, Cavanaugh had brain trauma from the many explosions around him in Iraq and was diagnosed with post-traumatic stress disorder, according to the soldier's father, also named Stephen Cavanaugh.

The younger Cavanaugh, who deployed to Iraq with the 98th Maintenance Company, was still trying to heal when his car struck the moose Sunday night on the Seward Highway in South Anchorage.

That stretch of the highway isn't well-lit, and seeing something alongside the roadway can be difficult, said police Lt. Nancy Reeder.

"There was a moose - a mom and a calf - that ran out in front of him," Reeder said. "It's one of those things that happens in Alaska. A moose runs out in the dark and there's nothing you can do."

Reeder said the impact flung the moose on top of Cavanaugh's Camaro convertible, crushing him. The moose died and its calf ran off.

Cavanaugh was rushed to a local hospital in critical condition.

The soldier's family was notified and caught a flight from Atlanta.

As time passed, Cavanaugh's condition wasn't improving, his father said. Cavanaugh - known as Max to family members - never woke up and doctors said he never would, according to his father.

Cavanaugh's family decided that taking him off life support and donating his organs would be the right thing to do, and what he would have wanted, his father said. Cavanaugh died at 2:17 p.m. Thursday.

He joined the Army in June 2004 and deployed to Iraq in March 2006, Army officials said. Cavanaugh was stationed outside of Baghdad, where he staffed a .50-caliber machine gun on a convoy escort, his father said.

His family is planning a funeral Mass in Atlanta for Dec. 15. A memorial ceremony also is being arranged on post.

Information from: Anchorage Daily News, http://www.adn.com

Click To Return To Main Page

Don't Let The Memory Of Them Drift Away

Copyright 2003-2011 Q Madp PO Box 86888 Portland OR 97286-0888 q@iraqwarheroes.com

Alaska e-Post online



Spc. Stephen "Max" Cavanaugh

PAO staff report

A Soldier from Fort Richardson's Warrior Transition Unit died Dec. 6 from injuries sustained in a car accident Dec. 2.

Spc. Stephen "Max" Cavanaugh was driving north on the Seward Highway in Anchorage when he hit a moose with his vehicle. Cavanaugh suffered severe head injuries in the accident as was on life support.

According to his family, four days after the accident, he was showing no signs of improvement and they decided to remove him from life support and donate his organs.

Cavanaugh, 24, of Lawrenceville, Ga., was a mechanic who joined the Army in June 2004 and was assigned to Fort Richardson in May 2005.

He completed a one-year deployment to Iraq with 98th Maintenance Company in March 2007.

SB 115

<TARGET><BILL>SB 115</BILL><SUBJECT>SB 115</SUBJECT><COMM>SFIN27</COMM></TARGET>

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB 115 (L&C)**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB115-DCCED-INS-01-05-12
Title: Portable Electronics Insurance
Sponsor: Senate Labor & Commerce
Requester: Senate Finance

Dept. Affected: DCCED
Appropriation: Insurance
Allocation: Insurance
OMB Component Number: 354

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commodities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version updated on new form for the 2012 Legislative Session.

Prepared by: Linda S. Hall, Director
Division: Insurance
Approved by: Susan K. Bell, Commissioner
Commerce, Community, and Economic Development

Phone: 907-465-2560
Date/Time: 1/5/12 1:00 PM
Date: 1/28/2012

(Revised 11/28/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB 115 (L&C)

Analysis

SB 115 defines portable electronics insurance and the information that must be given in writing to consumers. It provides that the insurance may be offered as a group policy. The bill also provides for a limited producer license to be issued and allows a seller or servicer to authorize employees to sell portable electronics insurance under that license if there is a training program in place, if the limited producer licensee maintains a register of each employee and if the limited producer certifies that the employees are in compliance with 18 U.S. C. 1033.

The division does not anticipate any fiscal impact as a result of this legislation.

Alaska State Legislature

State Capitol, Room 510
Juneau, Alaska 99801
Phone: (907) 465-4947
Fax: (907) 465-2108

Committee Members:
Senator Dennis Egan, Chair
Senator Joe Paskvan, V. Chair
Senator Bettye Davis
Senator Linda Menard
Senator Cathy Giessel

Senate Labor and Commerce Committee

SB 115 Portable Electronics Insurance

Sponsor Statement

As cell phones, tablet computers and other portable electronic devices proliferate and become necessary to commerce and communication, insurers have begun to create products to cover the loss or damage of these valuable and important possessions. Because most electronic devices are sold through retailers who are not usually in the insurance business, and because most portable electronics insurance is sold where the devices are purchased, without regulation wildly divergent standards have evolved under which these policies are sold. There is at present a chaotic market for such insurance.

Under these circumstances, the possibility exists that less well capitalized, or less scrupulous, companies may not survive in the marketplace or otherwise may not be able to make good on their promises. Similarly, sales personnel working for vendors of electronic devices may not understand these products well enough to explain them to customers, and they may well not understand the disclosure laws under which sellers of insurance must operate, leaving consumers vulnerable to liabilities they do not fully comprehend.

To guard against the excesses of a marketplace frontier, reputable companies seek regulation that protects both the customer and the reputation of the products being marketed. SB 116 seeks to provide both sellers and buyers the confidence to enter the market for portable electronics insurance--buyers that the product will be both appropriate and dependable, sellers that their products will be trusted and sought after.

Alaska State Legislature

State Capitol, Room 510
Juneau, Alaska 99801
Phone: (907) 465-4947
Fax: (907) 465-2108

Committee Members:
Senator Dennis Egan, Chair
Senator Joe Paskvan, V. Chair
Senator Bettye Davis
Senator Linda Menard
Senator Cathy Giessel

Senate Labor and Commerce Committee

CSSB 115 (L&C)\I Portable Electronics Insurance

Sectional Analysis

Sec. 1. Establishes that portable electronics insurance is not a service contract.

Sec. 2. Adds an applicant for a license under AS 21.27.150(a)(800—electronics limited produced license—to the list of persons to whom AS 21.27.060(d)—requiring a successful applicant for a license to sell insurance—to pass an examination, does not apply.

Sec. 3 Adds a vendor that sells or offers portable electronics insurance to the list of persons to whom the Director of Insurance may issue a license, in this case a portable electronics limited producer license. This section also allows an employee or authorized representative of the licensee to transact portable electronic insurance at each site that the licensee does business. Additionally, under this section an employee or representative of a licensee need not themselves be licensed provided certain criteria are met.

Sec. 4. Establishes the conditions under which portable electronics insurance may be sold and defines the terms "portable electronic insurance" and "vendor" for the purposes of this section of statute.

Jason Olson
Director - Regulatory
AT&T Services, Inc.
505 E. Bluff Dr.
Anchorage, AK 99501

T: 907.264.7308
email: jo0013@att.com

April 5, 2011

The Honorable Dennis Egan, Chair, Senate Labor & Commerce Committee
Honorable Members, Senate Labor & Commerce Committee
Alaska Senate
Juneau, Alaska 99801

Re: Committee Substitute for SB 115 (Labor & Commerce) – SUPPORT

AT&T requests your support of the committee substitute for SB 115 when it comes before the Committee for consideration. AT&T provides the product that is at the heart of this bill—portable electronics insurance—to its customers at its locations across the country. Asurion, a partner of AT&T, administers the program of providing portable electronic device insurance coverage to individuals purchasing portable electronic devices and services from AT&T.

AT&T supports this bill because it modernizes existing law in the Insurance Code, which covers the licensure of limited lines insurance agents, by modifying existing law to provide for appropriate oversight specifically tailored to insurance protection for consumer "portable electronics." The portable electronics concept authorizes a broad scope of coverage for consumer devices in a rapidly evolving market so that a law change is not necessary every time a new product or device is brought to the market.

The bill provides clarity and certainty for AT&T and its partner regarding the licensure of wireless carriers for the sale of portable electronics insurance.

We have and are supporting this legislation in numerous other states and passing this bill will be consistent with the national trend for the modernization of insurance law for the coverage of portable electronic devises.

Again, AT&T would appreciate your favorable support of this legislation. If you have any questions, please feel free to contact me.

Sincerely,

Jason Olson
Director – Regulatory

Proud Sponsor of the U.S. Olympic Team



Liberty Mutual

GARY STRANNIGAN
AVP, Regional Director – Public Affairs

1001 Fourth Avenue
Safeco Plaza – 27th Floor
Seattle, WA 98154
Telephone: (206) 473-5456
Fax: (206) 473-6722
Email: gary.strannigan@libertymutual.com

April 5, 2011

The Honorable Dennis Egan
Chair, Senate Labor & Commerce Committee
AK State Capitol, Room #510
Juneau, AK 99801

Members, Senate Labor & Commerce Committee

Re: Committee Substitute for SB 115 (Labor & Commerce) – SUPPORT

Dear Senator Egan:

On behalf of Liberty Mutual I would like to request your support of the committee substitute for SB 115 when it comes before the Senate Labor and Commerce Committee for consideration. Liberty Mutual is a partner of Asurion, which administers a program providing portable electronic device insurance coverage to individuals purchasing portable electronic devices and services.

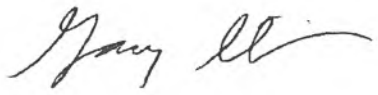
We are in support of this bill because it modernizes existing law in the Insurance Code, which covers the licensure of limited lines insurance agents, by expanding the current law to appropriately regulate the offering of insurance covering "portable electronics." The portable electronics concept authorizes a broad scope of coverage for consumer devices so that a law change is not necessary every time a new product is brought to the market.

The bill provides clarity and regulatory certainty to the regulated community regarding the licensure of wireless carriers for the sale of portable electronics insurance. We also support the consumer protections the bill offers, including training requirements for a vendor's employees and authorized representatives selling this product, disclosure requirements at the point of sale, and others.

We have and are supporting this legislation in numerous other states and passing this bill will be consistent with the national trend for the regulation of portable electronic insurance coverage.

Again, Liberty Mutual, Inc. would appreciate your favorable support of this legislation. If you have any questions, please feel free to contact me.

Sincerely,



Gary Strannigan
AVP, Public Affairs
Liberty Mutual Group

C: Bettye Davis, Labor & Commerce Committee, Alaska State Senate
Catherine A. Giessel, Labor & Commerce Committee, Alaska State Senate
Linda Menard, Labor & Commerce Committee, Alaska State Senate
Joe Paskvan, Vice Chair, Labor & Commerce Committee, Alaska State Senate

SB 119

<TARGET><BILL>SB 119</BILL><SUBJECT>SB 119</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/15/11

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 119

SB 119-ATHLETIC TRAINER LICENSING

"An Act relating to the licensing and regulation of athletic trainers."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[X] adopt **previous CS** SB 119 (L&C) *[ ] Same Title [X] New Title*

[ ] attached amendment(s)

[X] adopt Education Letter of Intent

[ ] further referral to _____ Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
CED	X			
ADM			X	

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	ESS	✓			
	OLSON			✓	
	ELLIS	✓			
CO-CHAIR:	Hoffman	—			
CO-CHAIR:	Stedman			✓	

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version **CSSB119**
Fiscal Note Number
Publish Date

Identifier (file name) SB119CS(L&C)-DOA-OAH-12-01-11
Title Athletic Trainer Licensing
Sponsor Senators Meyer, McGuire, Ellis, Menard
Requester Senate Finance

Dept. Affected Administration
Appropriation Centralized Administrative Services
Allocation Office of Administrative Hearings
OMB Component Number 2771

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Update to new fiscal note form.

Prepared by Terry L. Thurbon, Chief Administrative Law Judge
Division Office of Administrative Hearings
Approved by John Cramer, Deputy Commissioner
Department of Administration

Phone 465-1886
Date/Time 12/01/2011 4:07 p.m.
Date 12/1/2011

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** CSSB119
2012 LEGISLATIVE SESSION

Analysis

This bill provides for regulation and licensure of athletic trainers by the Department of Commerce, Community and Economic Development under a new chapter in AS title 8. Under AS 44.64.030(a)(6), the Office of Administrative Hearings (OAH) conducts hearings in licensing matters, including disciplinary actions, arising under AS Title 8, and in some cases provides administrative law judges to serve as mediators in the cases. OAH does not anticipate that addition of this licensure category would increase the office's caseload or the cost of providing hearings for this function beyond OAH's capacity to handle the cases at currently approved staffing levels. The cost to OAH of performing the services would be recovered from the department through interagency receipts, based on the time commitment required for hearings and mediations.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB 119 (L&C)**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB119-DCCED-CBPL-12-09-11
Title: Athletic Trainer Licensing
Sponsor: Senator Meyer
Requester: Senate Finance

Dept. Affected: DCCED
Appropriation: Corps, Bus & Professional Licensing
Allocation: Corps, Bus & Professional Licensing
OMB Component Number: 2360

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Services	38.8	0.0	1.8	1.8	1.8	1.8	1.8
Commodities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**38.8**	**0.0**	**1.8**	**1.8**	**1.8**	**1.8**	**1.8**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1156	Rcpt Svcs (DGF)	38.8		1.8	1.8	1.8	1.8	1.8
TOTAL		**38.8**	**0.0**	**1.8**	**1.8**	**1.8**	**1.8**	**1.8**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	**38.8**		**1.8**	**1.8**	**1.8**	**1.8**	**1.8**

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This fiscal note is the same as passed out of Senate Labor Committee updated on new form for 2012 Legislative Session.

Prepared by: Don Habeger, Director — Phone: 465-2538
Division: Corporations, Business and Professional Licensing — Date/Time: 12/15/11 10:00 AM
Approved by: Susan K. Bell, Commissioner — Date: 12/30/2011
Commerce, Community, and Economic Development

(Revised 11/28/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** CSSB 119 (L&C)
2012 LEGISLATIVE SESSION

Analysis

SB 119 creates a new program within the Department of Commerce, Community, and Economic Development for the professional licensing of Athletic Trainers.

This fiscal note includes Services costs for printing of applications, communications, advertising, legal fees, and the initial IT costs to configure, program, and implement the licensing program.

Under AS 08.01.065, this program will be required to cover its costs with licensing fees. The initial biennial licensing fee will be around $900 with subsequent licensing fees around $80.

STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Division of Corporations, Business and Professional Licensing

Sean Parnell, Governor
Susan K. Bell, Commissioner
Don Habeger, Director

MEMORANDUM

TO: Senator Stedman, Co-Chair
Senator Hoffman, Co-Chair
Senate Finance Committee

DATE: February 7, 2012

FROM: Don Habeger, Division Director
Corporations, Business and Professional Licensing

RE: Department Response to Questions regarding SB 119: Athletic Trainer Licensing

---

In response to the Committee's questions on SB 119: Athletic Trainer Licensing, the Division of Corporations, Business and Professional Licensing offers the following information:

1) What are the initial fees for other occupational license groups that do not have a board?
   - To look at all professions is a daunting task as some of our professions are decades old and initial fee information would take a great deal of time to try and research. However, the Pawnbroker license is a new program that is the result of the passage of SB 292 in 2010. The cost of this license when first issued (and continues to be) is $500. This is further broken down to a $100 Application Fee and a $400 License Fee.

2) What are the penalties if there is a complaint or a revoked license?
   - If the division needed to impose a penalty on a licensee we would first consult the program chapter within Title 8 to see if the program had specified penalty language. If the program chapter did not have specific language addressing the issue the division would fall back to centralized licensing statutes in which "impose a civil fine not to exceed $5000" is seen. Currently SB 119 does not specify penalty language so the division would rely on its general licensing statute if the Athletic Trainer Program be implemented.

3) What would you anticipate as being the process for an investigation or revoking a license?
   - Generally the following is the investigative pathway: The division is made aware of a possible violation by a licensee through the public complaint process. The division takes an initial complaint and determines if they have jurisdiction over the issue and there is merit to the complaint: this is our "Intake" stage. If the answer to initial review is 'yes', then the issue is moved into "Complaint" status for additional work to determine whether or not it is likely a violation. Once established that it is likely a violation has occurred, then the case reaches its "Investigation" stage where all supporting evidence is gathered and the division is in the best position to prove our case.

   - In all cases compliance with statute and regulation by a licensee is the goal. To obtain compliance, a number of tools may be employed. One tool is a Consent Agreement, with which the division and the licensee may settle the issue prior to a hearing process. This tool leads to compliance and is generally less costly to the division, licensee and profession. If an agreement cannot be reached by the parties then the division proceeds to tool number two, which is a formal Allegation through the Department of Law. This process generally leads to a hearing before an Administrative Law Judge and is more time intensive and costly. If

PO Box 110806, Juneau, AK 99811-0806
Telephone: (907) 465-2550 Fax: (907) 465-2974 Text Tel: (907) 465-5437
Website: http://www.commerce.alaska.gov/occ

after a hearing the Law Judge determines a violation has been committed, they recommend to a board or the department sanctions, including suspension/revocation. Generally, these are adopted by the board or the department.

4) Testimony during the hearing made reference to a $25 licensing fee for state licensed nutritionist.
   - It is true that at the end of FY11 there were five licensed Nutritionists. It is also true that current licensing fees for a Nutritionist is $50 per biennial licensing cycle ($25 per year). The division believes, however, a broader context to these facts is warranted to provide the Committee the best information from which to compare program costs. This additional information is below.

   - The Division issues a biennial license to both Nutritionists and Dietitians. This program, established by Chapter 38 of Title 8, reports 185 licenses at year end FY11. As the division has biennial licensing cycles, it also watches program costs on a corresponding biennial cycle. The last two fiscal years for Dietitian and Nutritionist include program expenses of $22,120. The division does not believe licensing Athletic Trainers, should SB 119 pass the Legislature, would have program costs equal to licensing 185 Dietitians and Nutritionists, but if they had to pass these same costs on to Athletic Trainers, the biennial licensing fee for the reported 40 licensees would become approximately $550. To also add perspective to the issue of licensing fees, the division points out that Dietitians and Nutritionist paid a licensing fee of $200 during the FY08-09 licensing cycle.

Alaska State Legislature

Interim:
716 West 4th Ave.
Anchorage, Alaska 99501
(907) 269-0199

Session:
State Capitol Building
Juneau, Alaska 99801-1182
(907) 465-4945

Senator Kevin Meyer
Senate District O

SPONSOR STATEMENT FOR SB 119

"An Act relating to the licensing and regulation of athletic trainers"

SB 119 would amend current statutes to establish licensing and regulation of athletic trainers in the State of Alaska.

Athletic Trainers are certified, health care professionals who practice in the field of sports medicine. This profession plays a significant role in the management, prevention, recognition and rehabilitation of injured athletes under the supervision of a licensed physician. As people become increasingly more active, athletic trainers are a vital resource in administering immediate emergency care as well as injury prevention and treatment programs.

The National Athletic Trainer's Association (NATA), which was founded in 1950, is the professional membership association for certified athletic trainers. According to NATA, Alaska is one of the few states that do not currently license athletic trainers. Should SB 119 pass, athletic trainers would be required to have a license to practice in the State of Alaska.

Information from :
Shannon Leftwich, MA, ATC | BOC | Director of Credentialing Services
(402) 559-0091 x114 direct | (877) 262-3926 toll-free | (402) 561-0598 fax
1415 Harney St, Ste 200, Omaha, NE 68102

StateAbbr	State	Application Fee	Renewal Fee	License Cycle	Effective Date of Law
AK	Alaska				
AL	Alabama	$175.00	$75.00	annual	1993
AR	Arkansas	$125.00	$50.00	annual	4/13/95
AZ	Arizona	$250.00	$125.00	annual	
CA	California				
CO	Colorado	$257.00		annual	2009
CT	Connecticut	$190.00	$200.00	annual?	
DE	Delaware	$103.00		biennial	
FL	Florida	$230.00	$205.00	biennial	11/17/96
GA	Georgia	$50.00	$100.00	biennial	1977
HI	Hawaii				
IA	Iowa	$120.00	$160.00	biennial	1994
ID	Idaho	$120.00	$80.00	annual	7/1/89
IL	Illinois	$200.00	$100.00	annual	1/29/96
IN	Indiana	$55.00	$50.00	biennial	12/6/94
KS	Kansas	$80.00	$67.00	annual	1996
KY	Kentucky	$100.00	$50.00	triennial	1999
LA	Louisiana	$125.00	$100.00	annual	
MA	Massachusetts	$147.00	$68.00	biennial	1994
MD	Maryland	$200.00	$176.00	annual?	
ME	Maine	$221.00	$175.00	annual	1995
MI	Michigan	$275.00	$200.00	?	2006
MN	Minnesota	$50.00	$100.00	annual	1996
MO	Missouri	$100.00	$100.00	biennial	1998
MS	Mississippi	$100.00	$50.00	annual	1997
MT	Montana	$250.00	$250.00	annual	
NC	North Carolina	$100.00	$50.00	annual	1997
ND	North Dakota	$100.00	$50.00	annual	2000
NE	Nebraska	$117.00	$117.00	annual	
NH	New Hampshire	$170.00	$110.00	biennial	
NJ	New Jersey	$180.00	$80.00	biennial	1999
NM	New Mexico	$290.00	$165.00	annual	1994
NV	Nevada	$300.00	$150.00	annual	
NY	New York	$158.00	$50.00	triennial	1996
OH	Ohio	$100.00	$80.00	biennial	

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StateAbbr	State	Application Fee	Renewal Fee	License Cycle	Effective Date of Law
OK	Oklahoma	$125.00	$55.00	annual	
OR	Oregon	$550.00	$450.00	biennial	1999
PA	Pennsylvania	$20.00	$37.00	biennial	
RI	Rhode Island	$62.50	$62.50	biennial	1993
SC	South Carolina		$40.00	biennial	
SD	South Dakota	$100.00	$50.00	annual	
TN	Tennessee	$270.00	$120.00	biennial	
TX	Texas	$169.00	$260.00	biennial	1994
UT	Utah	$70.00	$47.00	biennial	
VA	Virginia	$130.00	$135.00	biennial	
VT	Vermont	$100.00		biennial	2000
WA	Washington	$175.00	$200.00	annual	2008
WI	Wisconsin	$75.00	$75.00	biennial	
WV	West Virginia				2010
WY	Wyoming	$600.00		triennial	2009

National Athletic Trainers' Association®

Health Care for Life & Sport

ATHLETIC TRAINING EDUCATION OVERVIEW

This document provides a brief overview of the education and credentialing process for entry-level athletic trainers. Athletic Training programs typically fall into three categories: a baccalaureate degree in Athletic Training; a baccalaureate degree with a major in athletic training; or graduate-level program with a major in athletic training. Academic programs are accredited by the Commission on Accreditation of Athletic Training Education (CAATE). The minimum entry point into the profession of Athletic Training is at the baccalaureate level; by 2014-2015, all accredited education programs in Athletic Training will lead to a degree in Athletic Training. Upon completion of a CAATE-accredited Athletic Training education program, students become eligible to obtain national certification granted by the NATA Board of Certification, Inc. (BOC).

ENTRY-LEVEL EDUCATION

Entry-level athletic training education uses a competency-based approach in both the classroom and clinical settings. Using a medical-based education model, Athletic Training students are educated to provide comprehensive preventive services and care in six domains of clinical practice: prevention; clinical evaluation and diagnosis; immediate care; treatment, rehabilitation and reconditioning; organization and administration; and professional responsibility. The educational requirements for CAATE-accredited Athletic Training Education Programs include not only cognitive (knowledge) and psychomotor (skill) content, but also a broad scope of foundational behaviors of professional practice, as well as a comprehensive clinical learning requirement that is embodied in the clinical proficiencies (professional, practice-oriented outcomes) as identified in the *Athletic Training Educational Competencies and Clinical Proficiencies*.

Students must receive formal instruction in the following specific subjects

Basic and Applied Sciences	Professional Content
• Human anatomy • Human physiology • Biology • Statistics and research design Rehabilitation • Exercise Physiology • Kinesiology/Biomechanics • Chemistry* • Physics* **Recommended but not required by some ATEP*	• Risk Management and Injury Prevention • Pathology of Injuries and Illnesses • Orthopedic Clinical Examination and Diagnosis • Medical Conditions and Disabilities • Acute Care of Injuries and Illnesses • Therapeutic Modalities • Conditioning, Rehabilitative Exercise & Pharmacology • Psychosocial Intervention and Referral • Nutritional Aspects of Injuries & Illnesses • Health Care Administration

CLINICAL EDUCATION

Students are required to participate in a minimum of two years of academic clinical education. Through these experiences, students gain clinical experiences associated with a variety of different patient populations defined but not limited to: gender, varying levels of risk, utilization of protective equipment, and general medical conditions (e.g. diabetes, asthma) that address the continuum of care.

Clinical experiences provide students with opportunities to practice, under the direct supervision of qualified Clinical Instructors (i.e., Certified Athletic Trainer [ATC®] or other credentialed health care professionals).

THE ATC® CREDENTIAL

The ATC® credential and the BOC requirements are currently recognized by 46 states for eligibility and/or regulation of the practice of athletic trainers. The credibility of the BOC program and the ATC® credential it awards are supported by three pillars: (1) the BOC certification examination; (2) the BOC Standards of Professional Practice, and Disciplinary Guidelines and Procedures; and (3) continuing competence (education) requirements.

BOC certification is recognized by the National Commission for Certifying Agencies and is the only accredited certification program for athletic trainers. To be certified, an individual must demonstrate that he/she is an athletic trainer capable of performing the required duties without threat of harm to the public. The BOC traditionally conducts annual examination development meetings during which certified athletic trainers and recognized experts in the science of athletic training develop, review and validate examination items and problems. The knowledge, skills, and abilities required for competent performance as an entry-level athletic trainer fall into three categories:

1. Understanding, applying, and analyzing;
2. Knowledge and decision-making;
3. Special performance abilities.

BOC certified athletic trainers are educated, trained and evaluated in six major practice domains:

1. Prevention
2. Clinical Evaluation and Diagnosis
3. Immediate Care
4. Treatment, Rehabilitation and Reconditioning
5. Organization and Administration
6. Professional Responsibility

For more information regarding the educational, certification, and licensure requirements for athletic trainers visit:

The National Athletic Trainers' Association – www.nata.org
The National Athletic Trainers' Association Education Council – www.nataec.org
The Board of Certification – www.bocatc.org
The Commission on the Accreditation of Athletic Training Education Programs–www.caate.net

Athletic Trainers

Significant Points

- A bachelor's degree is usually the minimum requirement, but many athletic trainers hold a master's or doctoral degree.
- Long hours, sometimes including nights and weekends, are common.
- Job prospects should be good in the healthcare industry and in high schools, but competition is expected for positions with professional and college sports teams.

Nature of the Work

Athletic trainers help prevent and treat injuries for people of all ages. Their patients and clients include everyone from professional athletes to industrial workers. Recognized by the American Medical Association as allied health professionals, athletic trainers specialize in the prevention, diagnosis, assessment, treatment, and rehabilitation of muscle and bone injuries and illnesses. Athletic trainers, as one of the first healthcare providers on the scene when injuries occur, must be able to recognize, evaluate, and assess injuries and provide immediate care when needed. Athletic trainers should not be confused with fitness trainers or personal trainers, who are not healthcare workers, but rather train people to become physically fit. (Fitness workers are discussed elsewhere in the Handbook.)

Athletic trainers try to prevent injuries by educating people on how to reduce their risk for injuries and by advising them on the proper use of equipment, exercises to improve balance and strength, and home exercises and therapy programs. They also help apply protective or injury-preventive devices such as tape, bandages, and braces.

Athletic trainers may work under the direction of a licensed physician, and in cooperation with other healthcare providers. The extent of the direction ranges from discussing specific injuries and treatment options with a physician to performing evaluations and treatments as directed by a physician. Some athletic trainers meet with the team physician or consulting physician once or twice a week; others interact with a physician every day. Athletic trainers often have administrative responsibilities. These may include regular meetings with an athletic director, physician practice manager, or other administrative officer to deal with budgets, purchasing, policy implementation, and other business-related issues.

Work environment. The industry and individual employer are significant in determining the work environment of athletic trainers. Many athletic trainers work indoors most of the time; others, especially those in some sports-related jobs, spend much of their time working outdoors. The job also might require standing for long periods, working with medical equipment or machinery, and being able to walk, run, kneel, stoop, or crawl. Travel may be required.

Schedules vary by work setting. Athletic trainers in nonsports settings generally have an established schedule—usually about 40 to 50 hours per week—with nights and weekends off. Athletic trainers working in hospitals and clinics may spend part of their time working at other locations doing outreach services. The most common outreach programs include conducting athletic training services and speaking at high schools, colleges, and commercial businesses.

Athletic trainers in sports settings have schedules that are longer and more variable. These athletic trainers must be present for team practices and competitions, which often are on evenings and weekends, and their schedules can change on short notice when games and practices have to be rescheduled. In high schools, athletic trainers who also teach may work 60 to 70 hours a week, or more. In National Collegiate Athletic Association Division I colleges and universities, athletic trainers generally work with one team; when that team's sport is in season, working at least 50 to 60 hours a week is common. Athletic trainers in smaller colleges and universities often work with several teams and have teaching responsibilities. During the off-season, a 40-hour to 50-hour work week may be normal in most settings. Athletic trainers for professional sports teams generally work the most hours per week. During training camps, practices, and competitions, they may be required to work up to 12 hours a day.

There is some stress involved with being an athletic trainer. The work of athletic trainers requires frequent interaction with others. They consult with physicians as well as have frequent contact with athletes and patients to discuss and administer treatments, rehabilitation programs, injury-preventive practices, and other health-related issues. Athletic trainers are responsible for their clients' health, and sometimes have to make quick decisions that could affect the health or career of their clients. Athletics trainers also can be affected by the pressure to win that is typical of competitive sports teams.

Training, Other Qualifications, and Advancement

A bachelor's degree is usually the minimum requirement, but many athletic trainers hold a master's or doctoral degree. In 2009, 47 States required athletic trainers to be licensed or hold some form of registration.

Education and training. A bachelor's degree from an accredited college or university is required for almost all jobs as



Athletic trainers apply protective devices such as tape, bandages, and braces.

Projections data from the National Employment Matrix

Occupational Title	SOC Code	Employment, 2008	Projected Employment, 2018	Change, 2008-2018 Number	Change, 2008-2018 Percent
Athletic trainers	29-9091	16,300	22,400	6,000	37

(NOTE) Data in this table are rounded. See the discussion of the employment projections table in the *Handbook* introductory chapter on *Occupational Information Included in the Handbook.*

an athletic trainer. In 2009, there were about 350 accredited undergraduate programs nationwide. Students in these programs are educated both in the classroom and in clinical settings. Formal education includes many science and health-related courses, such as human anatomy, physiology, nutrition, and biomechanics.

According to the National Athletic Trainers' Association, almost 70 percent of athletic trainers have a master's degree or higher. Athletic trainers may need a master's or higher degree to be eligible for some positions, especially those in colleges and universities, and to increase their advancement opportunities. Because some positions in high schools involve teaching along with athletic trainer responsibilities, a teaching certificate or license could be required.

Licensure and certification. In 2009, 47 States required athletic trainers to be licensed or registered; this requires certification from the Board of Certification, Inc. (BOC). For BOC certification, athletic trainers need a bachelor's or master's degree from an accredited athletic training program and must pass a rigorous examination. To retain certification, credential holders must continue taking medical-related courses and adhere to the BOC standards of practice. In Alaska, California, West Virginia, and the District of Columbia where licensure is not required, certification is voluntary but may be helpful for those seeking jobs and advancement.

Other qualifications. Because all athletic trainers deal directly with a variety of people, they need good social and communication skills. They should be able to manage difficult situations and the stress associated with them, such as when disagreements arise with coaches, patients, clients, or parents regarding suggested treatment. Athletic trainers also should be organized, be able to manage time wisely, be inquisitive, and have a strong desire to help people.

Advancement. There are a few ways for athletic trainers to advance. Some athletic trainers advance by switching teams or sports to gain additional responsibility or pay. Assistant athletic trainers may become head athletic trainers and, eventually, athletic directors or physician, hospital or clinic practice administrators where they assume a management role. Some athletic trainers move into sales and marketing positions, using their expertise to sell medical and athletic equipment.

Employment

Athletic trainers held about 16,300 jobs in 2008 and are found in every part of the country. Most athletic trainer jobs are related to sports, although an increasing number also work in nonsports settings. About 39 percent were found in public and private educational services, primarily in colleges, universities, and high schools. Another 38 percent of athletic trainers worked in healthcare, including jobs in hospitals, offices of physicians, and offices of other health practitioners. About 13 percent worked in fitness and recreational sports centers. Around 5 percent work in spectator sports.

Job Outlook

Employment is projected to grow much faster than average. Job prospects should be good in the healthcare industry and in high schools, but competition is expected for positions with professional and college sports teams.

Employment change. Employment of athletic trainers is projected to grow 37 percent from 2008 to 2018, much faster than the average for all occupations, because of their role in preventing injuries and reducing healthcare costs. Job growth will be concentrated in the healthcare industry, including hospitals and offices of health practitioners. Fitness and recreation sports centers also will provide new jobs, as these establishments grow and continue to need additional athletic trainers to provide support for their clients. Growth in positions with sports teams will be somewhat slower, however, as most professional sports clubs and colleges and universities already have complete athletic training staffs.

The demand for healthcare, with an emphasis on preventive care, should grow as the population ages and as a way to reduce healthcare costs. Increased licensure requirements and regulation has led to a greater acceptance of athletic trainers as qualified healthcare providers. As a result, third-party reimbursement is expected to continue to grow for athletic training services. Athletic trainers will benefit from this expansion because they provide a cost-effective way to increase the number of health professionals in an office or other setting.

In some States, there are efforts underway to have an athletic trainer in every high school to work with student-athletes, which may lead to growth in the number of athletic trainers employed in high schools. In addition, as more young athletes specialize in certain sports, there is increasing demand for athletic trainers to deal with repetitive stress injuries.

As athletic trainers continue to expand their services, more employers are expected to use these workers to reduce healthcare costs by preventing work-related injuries. Athletic trainers can help prevent injuries and provide immediate treatment for many injuries that do occur. For example, some athletic trainers may be hired to increase the fitness and performance of police and firefighters.

Job prospects. Job prospects should be good for athletic trainers in the healthcare industry and in high schools. Those looking for a position with a professional or college sports team may face competition.

Because of relatively low turnover, the settings with the best job prospects will be the ones that are expected to have the most job growth, primarily positions in the healthcare and fitness and recreational sports centers industries. Additional job opportunities may arise in elementary and secondary schools as more

positions are created. Some of these positions also will require teaching responsibilities.

There are relatively few positions for professional and collegiate sports teams in comparison to the number of applicants. Turnover among professional sports team athletic trainers is also limited. Many athletic trainers prefer to continue to work with the same coaches, administrators, and players when a good working relationship already exists.

There also are opportunities for athletic trainers to join the military, although they would not be classified as an athletic trainer. Enlisted soldiers and officers who are athletic trainers are usually placed in another program, such as health educator or training specialist, in which their skills are useful. (For information on military careers, see the *Handbook* statement on job opportunities in the Armed Forces.)

This occupation is expected to continue to change over the next decade, including more administrative responsibilities, adapting to new technology, and working with larger populations, and jobseekers must be prepared to adapt to these changes.

Earnings

Most athletic trainers work in full-time positions, and typically receive benefits. The salary of an athletic trainer depends on experience and job responsibilities, and varies by job setting. Median annual wages for athletic trainers were $39,640 in May 2008. The middle 50 percent earned between $32,070 and $49,250. The lowest 10 percent earned less than $23,450, while the top 10 percent earned more than $60,960.

Many employers pay for some of the continuing education required for athletic trainers to remain certified, although the amount covered varies from employer to employer.

Related Occupations

Other American Medical Association allied health professionals include:

Chiropractors
Emergency medical technicians and paramedics
Licensed practical and licensed vocational nurses
Massage therapists
Occupational therapists
Physical therapists
Physician assistants
Physicians and surgeons
Podiatrists
Recreational therapists
Registered nurses
Respiratory therapists

Sources of Additional Information

For further information on careers in athletic training, contact:

➤ National Athletic Trainers' Association, 2952 Stemmons Freeway, Suite 200, Dallas, TX 75247. Internet: **http://www.nata.org**

For further information on certification, contact:

➤ Board of Certification, Inc., 1415 Harney St., Suite 200, Omaha, NE 68102. Internet: **http://www.bocatc.org**

The Occupational Information Network (O*NET) provides information on a wide range of occupational characteristics. Links to O*NET appear at the end of the Internet version of this occupational statement, accessible at **http://www.bls.gov/ooh/ocos294.htm**



ALASKA ATHLETIC TRAINERS ASSOCIATION

April 1, 2011

Alaska Athletic Trainers Association
PO Box 872710
Wasilla, AK 99687

Honorable Senator Meyer,

On behalf of the Alaska Athletic Trainers Association, I would like to thank you for the sponsorship of Senate Bill 119 for the licensure of athletic trainers in Alaska. We are honored to have your leadership in support of this important legislation.

The Alaska Athletic Trainers Association is requesting the licensure of athletic trainers in Alaska. Forty-seven states have some form of athletic training regulation verifying the knowledge, skills and abilities required for competent performance of athletic training. Senate Bill 119 works with the pending youth sports concussion legislation to provide comprehensive and high quality athletic training in Alaska.

You can see by the letters of support that this legislation has the support of many medical professionals such as physicians and physician's assistants. It is supported by athletic directors, coaches and school administrators.

The Alaska Athletic Trainers Association will dedicate the time and energy needed to make this a successful legislative process. Again, we thank you for your leadership role in our Senate Bill and your support of our licensing efforts.

Sincerely,

B. Shelden 4/12

Brenda Shelden
President of the Alaska Athletic Trainers Association

ALASKA ATHLETIC TRAINERS ASSOCIATION

September, 2011

Alaska Athletic Trainers Association
PO Box 872710
Wasilla, AK 99687

The Alaska Athletic Trainers Association, on behalf of Alaska athletic trainers, is working toward professional licensure in Alaska. Legislation was introduced in the 2011 session with sponsorship by Senator Kevin Meyer.

- The language of the bill states that anyone calling themselves *an athletic trainer* must be licensed by the state of Alaska Division of Occupational Licensing.
- The requirements for licensure are exactly the same as those required by the Board of Certification. The BOC is the postgraduate certification program for the National Athletic Trainers Association. The state of Alaska will not add to the already rigorous requirements of the BOC.
- The fees imposed by the Alaska Division of Occupational Licensing are not cost prohibitive.
- Alaska is one of only 3 states that does not license athletic trainers.
- Presently, athletic trainers are not covered by the Alaska Statue 09.65.300 *Immunity for Providing Free Health Care Services* (Alaska's version of *the Good Samaritan Law)*. This prevents athletic trainers from volunteering their services at schools, community or nonprofit events.

I support the role of the athletic trainer in Alaska and sign this document in support of licensure.

(Signature) ANP (Title)

Bette Fenn
(Print Name)

907-786-4046
(Phone Number)

Please fax this document to: (907)586-1061

ALASKA ATHLETIC TRAINERS ASSOCIATION

September, 2011

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I support the role of the athletic trainer in Alaska and sign this document in support of licensure.

[signature] Psychiatric Nurse Practitioner
(Signature) (Title) Assoc Director, SHCL

Georgia DeKuyser
(Print Name)

907-786-4049
(Phone Number)

Please fax this document to: (907)586-1061

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I support the role of the athletic trainer in Alaska and sign this document in support of licensure.

Betty Bang
(Signature)

AVP
(Title)

Betty Bang
(Print Name)

907-786-4040
(Phone Number)

Please fax this document to: (907)586-1061

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ATC

(Signature)

ATC

(Title)

MICHELLE THUDE ATC

(Print Name)

907 786-4040

(Phone Number)

Please fax this document to: (907)586-1061

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I support the role of the athletic trainer in Alaska and sign this document in support of licensure.

Laura Romberg, ANP
(Signature)

ANP
(Title)

Laura Romberg
(Print Name)

786-4040
(Phone Number)

Please fax this document to: (907)586-1061

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I support the role of the athletic trainer in Alaska and sign this document in support of licensure.

Theresa Schmitz-Waite ANP

(Signature) (Title)

Theresa Schmitz-Waite

(Print Name)

786-4040

(Phone Number)

Please fax this document to: (907)586-1061

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I support the role of the athletic trainer in Alaska and sign this document in support of licensure.

Chris Nadl, MD — Orthopedic Surgeon, MD

(Signature) (Title)

Elisha Powell, MD

(Print Name)

907-279-2663

(Phone Number)

Please fax this document to: (907)586-1061

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I support the role of the athletic trainer in Alaska and sign this document in support of licensure.

Richard M Mcevoy
(Signature)

MD. Orthopedic Surgeon
(Title)

Richard McEvoy
(Print Name)

907 261 7125
(Phone Number)

Please fax this document to: (907)586-1061

ALASKA ATHLETIC TRAINERS ASSOCIATION

September, 2011

Alaska Athletic Trainers Association
PO Box 872710
Wasilla, AK 99687

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I support the role of the athletic trainer in Alaska and sign this document in support of licensure.

Thomas P Whitsett MD
(Signature)

UAA Team PHYSICIAN
(Title)

Thomas P Whitsett MD
(Print Name)

907 830 9679
(Phone Number)

Please fax this document to: (907)586-1061

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I support the role of the athletic trainer in Alaska and sign this document in support of licensure.

(Signature) (Title)

LESLIE P. DEAN
(Print Name)

907-562-3345
(Phone Number)

Please fax this document to: (907)586-1061

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I support the role of the athletic trainer in Alaska and sign this document in support of licensure.

Gregg Zaporzan
(Signature)

PA-C
(Title)

Gregg Zaporzan
(Print Name)

907 830-3668
(Phone Number)

Please fax this document to: (907)586-1061

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I support the role of the athletic trainer in Alaska and sign this document in support of licensure.

MD

(Signature)

Head Team Physician UAA and Alaska Aces

(Title)

Jeffrey S Moore

(Print Name)

907-279-2663

(Phone Number)

Please fax this document to: (907)586-1061

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I support the role of the athletic trainer in Alaska and sign this document in support of licensure.

C Jerry Little — (Signature)

MD — (Title)

C JERRY LITTLE — **(Print Name)**

907 562 1234 — (Phone Number)

Please fax this document to: (907)586-1061

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I support the role of the athletic trainer in Alaska and sign this document in support of licensure.

Johnna Underwood — (Signature)

Physical Therapist — (Title)

Johnna Underwood
(Print Name)

907-457-3711
(Phone Number)

Please fax this document to: (907)586-1061

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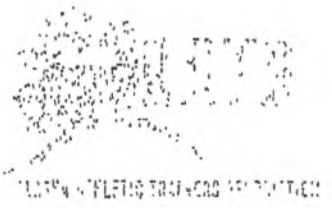
I support the role of the athletic trainer in Alaska and sign this document in support of licensure.

[signature] Physical Therapist
(Signature) (Title)

MARTINA ADAM-MARIUTTO
(Print Name)

(907) 378-2000
(Phone Number)

Please fax this document to: (907)586-1061



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I support the role of the athletic trainer in Alaska and sign this document in support of licensure.

Herdi J Ritchie — (Signature)

ATC/OTA — (Title)

Herdi J Ritchie
(Print Name)

452-3657
(Phone Number)

Please fax this document to: (907)586-1061

ALASKA ATHLETIC TRAINERS ASSOCIATION

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I support the role of the athletic trainer in Alaska and sign this document in support of licensure.

Victoria L. Kethum — (Signature)

Certified Athletic Trainer — (Title)

Victoria L. Kethum
(Print Name)

907 474 4848 (H)
(Phone Number)

Please fax this document to: (907)586-1061

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I support the role of the athletic trainer in Alaska and sign this document in support of licensure.

Mary Hopkins — (Signature)

Occupational Therapist — (Title)

Mary Hopkins
(Print Name)

907-488-1772
(Phone Number)

Please fax this document to: (907)586-1061

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I support the role of the athletic trainer in Alaska and sign this document in support of licensure.

Holly Proell
(Signature)

Physical Therapist
(Title)

Holly Proell
(Print Name)

(907) 455-6623
(Phone Number)

Please fax this document to: (907)586-1061

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I support the role of the athletic trainer in Alaska and sign this document in support of licensure.

Sandra Dauenhauer — (Signature)

Speech/Language Pathologist — (Title)

SANDRA DAUENHAUER
(Print Name)

479-0042
(Phone Number)

Please fax this document to: (907)586-1061

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Cheryl Sackett
(Signature)

Physical Therapist
(Title)

Cheryl Sackett
(Print Name)

907-388-5047
(Phone Number)

Please fax this document to: (907)586-1061

AAATA
ALASKA ATHLETIC TRAINERS ASSOCIATION

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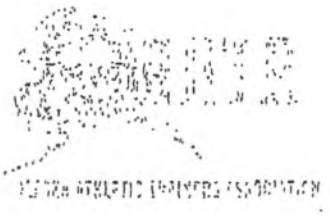
Jud. Bogard
(Signature)

Physical Therapist
(Title)

Jud. Bogard
(Print Name)

907-479-4808
(Phone Number)

Please fax this document to: (907)586-1061



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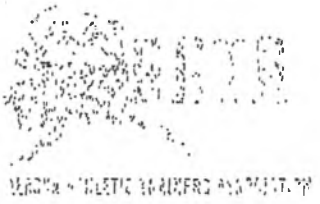
Kim Bugas-OTR/L — (Signature)

occupational therapist — (Title)

Kim Bugas
(Print Name)

(253)691-7984
(Phone Number)

Please fax this document to: (907)586-1061



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Ostnes P.T. — (Signature)

Physical Therapist — (Title)

Jennifer. S. Ostnes
(Print Name)

907-458-5670 (work)
(Phone Number)

Please fax this document to: (907)586-1061

SB 121

<TARGET><BILL>SB 121</BILL><SUBJECT>SB 121</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 2/17/12

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 121

SB 121-TEACHERS & PUB EMPLOYEE RETIREMENT PLANS

"An Act relating to the public employees' retirement system and the teachers' retirement system; and providing for an effective date."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[X] adopt **previous CS** SB 121 (STA) *[ ] Same Title [X] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	**Fiscal**	**Indet.**	**Zero**	**FN #**
ADM	X			
ADM		X		

PREVIOUS FISCAL NOTE(S)				
Dept.	**Fiscal**	**Indet.**	**Zero**	**FN #**
REV	X			2

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
Joe J. Thomas	Thomas	✓			
	Ecton	✓			
	McGuire	✓			
CO-CHAIR:	Hoffman			✓	
CO-CHAIR:	Stedman				✓

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB121**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB121CS(FIN)-DOA-OC-2-27-12
Title: Teachers and Pub Employee Retirement Plans
Sponsor: Senators Egan
Requester: Senate Finance

Dept. Affected: Department of Administration
Appropriation: Centralized Administrative Services
Allocation: Office of the Commissioner
OMB Component Number: 45

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	122.0						
Travel	12.5		10.0	10.0	10.0	10.0	10.0
Services	623.9		9.3	9.3	9.3	9.3	9.3
Commodities	11.3						
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**769.7**	**0.0**	**19.3**	**19.3**	**19.3**	**19.3**	**19.3**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	769.7	0.0	19.3	19.3	19.3	19.3	19.3
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**769.7**	**0.0**	**19.3**	**19.3**	**19.3**	**19.3**	**19.3**

POSITIONS							
Full-time							
Part-time							
Temporary	2.0	0	0	0	0	0	0

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Administrative fiscal note update for CS

Prepared by: Jim Pucket, Director — Phone: 465-4471
Division: Division of Retirement and Benefits — Date/Time: 2/27/12 5:00 PM
Approved by: John Cramer, Deputy Commissioner, Department of Administration — Date: 2/27/2012

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** CSSB121
2012 LEGISLATIVE SESSION

Analysis

The Division of Retirement and Benefits will require two non-permanent employees to complete the preparation work to account for and produce the necessary documents and forms for the inception of the new tiers. Education to employers will be required to properly electronically report service and salaries of new employees and existing employees of the defined contribution plans who elect to convert to the new tier. Education to employees will be required for defined contribution employees to make an informed decision during the election period and for new members of the new tiers.

The division will be required to reprogram its existing system, the Combined Retirement System, which tracks all service and salaries reported by employers to the system, to accommodate the new provisions of the new tiers.

The estimated administrative costs by fiscal year are as follows:

Dollars are in thousands

	FY13	FY14	FY15	FY16	FY17	FY18
PERSONAL SERVICES						
1-Non Permanent Account III	106.0	0.0	0.0	0.0	0.0	0.0
1-Non Permanent Publications Technician III	16.0	0.0	0.0	0.0	0.0	0.0
	122.0	0.0	0.0	0.0	0.0	0.0
TRAVEL						
Employer Reporting Training/Plan Education	7.5	5.0	5.0	5.0	5.0	5.0
Reg. Counselor Travel/Employee Ed.	5.0	5.0	5.0	5.0	5.0	5.0
	12.5	10.0	10.0	10.0	10.0	10.0
SERVICES						
Communication/Postage						
-Choice Kit for new employee election	30.0	0.0	0.0	0.0	0.0	0.0
-Conversion notification to DC employees	8.1	0.0	0.0	0.0	0.0	0.0
-Update to PERS DB handbooks/brochures	322.3	0.0	0.0	0.0	0.0	0.0
Computer System Redesign	207.9	9.3	9.3	9.3	9.3	9.3
Computer System User Testing	36.6	0.0	0.0	0.0	0.0	0.0
Non Perm Training	13.4	0.0	0.0	0.0	0.0	0.0
Increased audit fees	5.6	0.0	0.0	0.0	0.0	0.0
	623.9	9.3	9.3	9.3	9.3	9.3
COMMODITIES						
Computer, phone, cubicle, supplies	11.3	0.0	0.0	0.0	0.0	0.0
TOTAL	769.7	19.3	19.3	19.3	19.3	19.3

buckconsultants A Xerox Company

February 17, 2012

VIA EMAIL

Mr. Jim Puckett
Director
Division of Retirement and Benefits
Department of Administration
State of Alaska

333 Willoughby Avenue
6th Floor State Office Building
Juneau, AK 99811-0208

RE: Fiscal Note for Committee Substitute Senate Bill No. 121, Draft Version "R"
New Tier for PERS and TRS Healthcare

Dear Jim:

As requested, we are providing the following information for a Fiscal Note on Committee Substitute SB 121, Draft Version "R" which allows current Defined Contribution Retirement (DCR) members and future members to have a choice between the DCR Plan and the Defined Benefit (DB) Plan. Current DCR members or any future members that elect to go into the DB Plan will enter Tier V for PERS and Tier IV for TRS. These tiers will have the same pension benefits as the latest DB tier but all members will be contributing at 8% of pay and they will have different healthcare benefits.

Under the new tiers, members will share the cost of healthcare benefits initially based on the same retiree premium sharing schedule as Tier IV for PERS and Tier III for TRS. Retiree pays full premium until Medicare eligible age (age 65) or retired with 25 years of service for TRS and PERS Peace Officer/Firefighters (30 years for PERS Others) instead of at age 60. On or after July 1, 2018 and every five years thereafter, the retiree premium sharing schedule percentages shall be adjusted, maintaining the five percent differences that exist in the current retiree premium sharing schedule, to cover the changes in the employer normal cost rates for members retiring on or after the date of the change in the schedule.

This bill affects the State of Alaska Public Employees' Retirement System Defined Benefit Plan (PERS DB) and the Teachers' Retirement System Defined Benefit Plan (TRS DB). We are assuming the proposed benefit changes would become effective as of July 1, 2013 and will first impact contribution rates during FY16 considering the two-year delay in budgeting contribution payments. Our results are based on the 2010 actuarial valuation data.

The table below shows the employer cost/(savings) of the bill for Fiscal Years 2016 through 2020. Dollars are in thousands.

PERS DB Plan	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**
Increase in Normal Cost Amount	$ (7,162)	$ (7,229)	$ (6,793)	$ (6,506)	$ (4,432)
General Fund Transfer to Pay Unfunded Past Service Cost	$ 0	$ 0	$ 0	$ 0	$ 0
Total Increase in Annual Employer Contribution Amount	$ (7,162)	$ (7,229)	$ (6,793)	$ (6,506)	$ (4,432)

1200 17th Street, Suite 1200 • Denver, CO 80202
720.359.7700 • 720.359.7701 (fax)

TRS DB Plan	FY16	FY17	FY18	FY19	FY20
Increase in Normal Cost Amount	$ (1,451)	$ (1,616)	$ (1,555)	$ (1,601)	$ (1,670)
General Fund Transfer to Pay Unfunded Past Service Cost	$ 0	$ 0	$ 0	$ 0	$ 0
Total Increase in Annual Employer Contribution Amount	$ (1,451)	$ (1,616)	$ (1,555)	$ (1,601)	$ (1,670)
Total PERS and TRS	$ (8,613)	$ (8,845)	$ (8,348)	$ (8,107)	$ (6,102)

Comments on Actuarial Analysis

Our actuarial analysis indicates that the employer costs of the healthcare benefit are projected to increase faster than payroll for the future new employees expected to choose the DB plan benefits due to healthcare cost trend rates that are higher than the payroll growth rate. The DB pension benefit is projected to cost employers less due to a lower employer normal cost rate than the employer contribution rate to the DCR plan. The initial savings in employer costs for pension more than compensate for the cost of the healthcare benefit, resulting in a net savings over the five-period shown above. Without any changes, we would expect the rising healthcare benefit cost to exceed the pension savings resulting in a net employer cost some point in the future.

The latest Draft "R" of CS SB 121 includes a provision that allows for adjustments in the retiree premium sharing schedule to cover the costs associated with increasing employer normal cost rates. This increasing cost is then paid by members retiring after the date of the change in the schedule. This provision should prevent increases in employer costs due to anticipated rising healthcare benefit normal costs. However, a future increase in the retiree premium sharing schedule is likely to reduce enrollment in the healthcare benefit, resulting in only higher users of healthcare continuing to participate in the healthcare benefit. This will then exacerbate the need for future adjustments to the retiree premium sharing schedule. This provision has not been valued as part of this fiscal note since the first change in the retiree premium sharing schedule would not affect costs until FY21.

In addition, these calculations assume the assets of the funds achieve an annual investment rate of return of 8%. Volatility of returns due to the investment risk may periodically create actuarial losses, which may result in unfunded liabilities that will increase the employer costs not covered by the adjustments to the retiree premium sharing schedule.

Summary for Analysis Continuation Section of Fiscal Note

The data, assumptions, plan provisions and methods used for the costs are described in the actuarial valuation reports for PERS and TRS as of June 30, 2010. The assets are based on the June 30, 2010 information provided by Christina Maiquis. We have assumed that the bill will become effective July 1, 2013. We have also assumed that 60% of current DCR members will elect to convert to the DB Plan and that 80% of future members will choose the DB Plans either by choice or by default. We have attached a detailed summary of the allocation of DB costs and DCR savings as a result of the expected elections.

Please let us know if you need any further information.

Sincerely,

David H. Slishinsky

David H. Slishinsky, F.C.A., A.S.A., E.A.
Principal and Consulting Actuary

/mlp

attachment

c: Mr. Mike Barnhill, State of Alaska
Ms. Kathy Lea, State of Alaska
Mr. Chris Hulla, Buck Consultants
Ms. Melissa Bissett, Buck Consultants
Ms. Kyla Kaltenbach, Buck Consultants
Mr. Aaron Jurgaitis, Buck Consultants
Mr. Colin Wein, Buck Consultants

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB121**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB121CS(FIN)-DOA-DRB-2-27-12
Dept. Affected: Administration
Title: Teachers and Public Employee Retirement Plans
Appropriation: Centralized Administrative Services
Allocation: Division of Retirement and Benefits
Sponsor: Senator Egan
Requester: Senate Finance
OMB Component Number: 64

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	***	***	***	***	***	***	***
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	***	***	***	***	***	***	***

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		***	***	***	***	***	***	***

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version for this CS

Prepared by: Jim Puckett, Director — Phone: 465-4471
Division: Division of Retirement and Benefits — Date/Time: 2/27/12 5:00 PM
Approved by: John Cramer, Deputy Commissioner — Date: 2/27/2012
Department of Administration

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** CSSB121
2012 LEGISLATIVE SESSION

Analysis

Actuarial Cost Analysis

The actuary for the PERS and TRS retirement systems, Buck Consultants, has prepared an actuarial analysis of CSSB 121(STA) under AS 24.08.036. Attachment A. This analysis shows that under the actuarial assumptions currently adopted by the Alaska Retirement Management Board (ARM Board), this bill will impose normal costs that are less than or equal to the normal costs of the defined contribution tiers created by SB 141 in 2005. CSSB 121(STA) accomplishes that by requiring that projected healthcare cost growth that exceeds current defined contribution (DC) employer normal costs be borne by future retirees in the form of increased premiums and increased premium cost share percentages.

Among the ARM Board-adopted actuarial assumptions that underlie this analysis is the investment rate of return assumption of 8 percent/year. The appropriateness of this return assumption has recently been challenged within the legislature in the context of the existing defined benefit tiers. It has been suggested that something closer to a 5 percent/year return assumption would be more appropriate when structuring a defined benefit system. Moreover, the investment advisor for the ARM Board, Callan and Associates, recently testified to the ARM Board and Senate Finance that over the next 5-10 years, an 8 percent/year investment return is not likely and that a 7 percent/year return would be a challenge to achieve.

The attached actuarial analysis assumes that all contributions to the new defined benefit tiers will be invested and return 8 percent/year. Should a lesser rate of return be assumed, that would normally result in an increase to the employer normal cost rate. But since the employer cost rate is essentially capped under CSSB 121 at the existing DC employer normal cost rate, the reduction of the investment return assumption will probably create a long-term unfunded liability. Unfunded liabilities are recovered by imposing a past-service cost rate on employers. If the normal employer cost rate under the bill equals the normal DC employer cost rate, then any additional employer past service cost rate will necessarily impose higher costs on employers than the existing DC tiers.

The actuary has not computed an analysis of the impact of a lesser rate of return assumption.

Because of the apparent uncertainty regarding the appropriate rate of return assumption, the actuarial cost analysis for this committee substitute is indeterminate at this time.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB 121(STA)**
Fiscal Note Number: 2
(S) Publish Date: 2/17/12

Identifier (file name): SB121-DOR-TRS-01-24-12
Title: An Act relating to the PERS and TRS
Sponsor: Senators Egan, Menard, Paskvan, Davis, Kookesh
Requester: Senate State Affairs

Dept. Affected: Revenue
Appropriation: Taxation & Treasury
Allocation: ARMB Custody & Mgmt Fee
OMB Component Number: 2812

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services	593.0		690.0	795.0	909.0	1,032.0	1,164.0
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**593.0**	**0.0**	**690.0**	**795.0**	**909.0**	**1,032.0**	**1,164.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1029	PERS Trust (Other)	413.0		482.0	557.0	638.0	725.0	819.0
1034	Teach Ret (Other)	180.0		208.0	238.0	271.0	307.0	345.0
TOTAL		**593.0**	**0.0**	**690.0**	**795.0**	**909.0**	**1,032.0**	**1,164.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial note.

Prepared by: Pam Leary, Comptroller — Phone: 465-2350
Division: Treasury — Date/Time: 1/24/12 12:00 AM
Approved by: Angela Rodell, Deputy Commissioner — Date: 1/24/12 12:00 AM
Department of Revenue

(Revised 1/17/2012 OMB)

FISCAL NOTE #2

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB 121(STA)

Analysis

SB 121 allows future and current defined contribution PERS and TRS members an opportunity to choose between a defined contribution (DC) and a defined benefit (DB) plan. Current DC members will have a one-time opportunity to convert to the DB plan. The DC member's employee and employer contributions will be transferred to the DB plan.

Assumptions:
60% of the current defined contribution plan will be elected by DC members to convert to the DB plan. 80% of future members will elect to be in the DB plan.
Rate of return assumed to be 8%
Management fees assumed at 35 basis points.

State of Alaska
Summary of Normal Costs for New Tier Members under CS SB 121 R.2 DB/DC Choice Proposal
($ in thousands)

PERS Others

	Headcount	Salary	Employer Pension Normal Cost	Healthcare Normal Cost	Increase in Retiree Premium	Total Employer Normal Cost	Employer Pension Normal Cost Rate	Healthcare Normal Cost Rate (% of Pay)	Inc. Retiree Premium (% of Pay)	Employer Healthcare Normal Cost Rate	Healthcare Normal Cost Rate (per member)	Employer DCR Contribution Pension Rate	Employer DCR Contribution PensionAmount	Employer DCR Contribution Healthcare Rate	Employer DCR Contribution Healthcare Amount	Employer DCR Contribution Total Amount	DB / DCR Cost Difference	Pension Cost Difference	Healthcare Cost Difference
FY16	7,838	$388,169	$5,614	$20,365	$0	$25,979	1.45%	5.25%	0.00%	5.25%	$2.60	5.22%	$20,262	3.48%	$13,508	$33,770	($7,791)	($14,648)	$6,857
FY17	10,183	516,548	7,471	29,116	0	36,587	1.45%	5.64%	0.00%	5.64%	2.86	5.22%	26,964	3.48%	17,976	44,940	(8,353)	(19,493)	11,140
FY18	12,261	644,756	9,326	38,257	0	47,583	1.45%	5.93%	0.00%	5.93%	3.12	5.22%	33,656	3.48%	22,438	56,094	(8,511)	(24,330)	15,819
FY19	14,124	773,166	11,183	47,388	0	58,571	1.45%	6.13%	0.00%	6.13%	3.36	5.22%	40,359	3.48%	26,906	67,265	(8,694)	(29,178)	20,482
FY20	15,822	902,785	13,058	58,157	0	71,215	1.45%	6.44%	0.00%	6.44%	3.68	5.22%	47,125	3.48%	31,417	78,542	(7,327)	(34,067)	26,740
FY21	17,368	1,034,880	14,968	69,065	0	84,033	1.45%	6.67%	0.00%	6.67%	3.98	5.22%	54,021	3.48%	36,014	90,035	(6,002)	(39,053)	33,051
FY22	18,788	1,167,293	16,884	81,042	0	97,926	1.45%	6.94%	0.00%	6.94%	4.31	5.22%	60,933	3.48%	40,622	101,555	(3,629)	(44,049)	40,420
FY23	20,112	1,300,957	18,817	93,612	0	112,429	1.45%	7.20%	0.00%	7.20%	4.65	5.22%	67,910	3.48%	45,273	113,183	(754)	(49,093)	48,339
FY24	21,341	1,436,195	20,773	106,376	2,200	124,949	1.45%	7.41%	0.16%	7.25%	4.98	5.22%	74,969	3.48%	49,980	124,949	0	(54,196)	54,196
FY25	22,482	1,572,938	22,751	119,633	5,539	136,845	1.45%	7.61%	0.36%	7.25%	5.32	5.22%	82,107	3.48%	54,738	136,845	0	(59,356)	59,356
FY26	23,537	1,713,490	24,784	133,446	9,157	149,073	1.45%	7.79%	0.54%	7.25%	5.67	5.22%	89,444	3.48%	59,629	149,073	0	(64,660)	64,660
FY27	24,515	1,854,714	26,826	148,016	13,482	161,360	1.45%	7.98%	0.73%	7.25%	6.04	5.22%	96,816	3.48%	64,544	161,360	0	(69,990)	69,990
FY28	25,425	1,997,567	28,892	163,358	18,462	173,788	1.45%	8.18%	0.93%	7.25%	6.43	5.22%	104,273	3.48%	69,515	173,788	0	(75,381)	75,381
FY29	26,274	2,142,821	30,993	179,230	23,798	186,425	1.45%	8.36%	1.11%	7.25%	6.82	5.22%	111,855	3.48%	74,570	186,425	0	(80,862)	80,862
FY30	27,063	2,290,631	33,131	195,939	29,785	198,285	1.45%	8.55%	1.30%	7.25%	7.24	5.22%	119,571	3.48%	79,714	198,285	0	(86,440)	86,440
FY31	27,797	2,441,255	35,310	213,963	36,883	212,390	1.45%	8.76%	1.51%	7.25%	7.70	5.22%	127,434	3.48%	84,956	212,390	0	(92,124)	92,124
FY32	28,486	2,594,136	37,521	233,990	45,821	225,690	1.45%	9.02%	1.77%	7.25%	8.21	5.22%	135,414	3.48%	90,276	225,690	0	(97,893)	97,893
FY33	29,131	2,751,373	39,795	255,440	55,865	239,370	1.45%	9.28%	2.03%	7.25%	8.77	5.22%	143,622	3.48%	95,748	239,370	0	(103,827)	103,827
FY34	29,739	2,912,828	42,131	278,474	67,189	253,416	1.45%	9.56%	2.31%	7.25%	9.36	5.22%	152,050	3.48%	101,366	253,416	0	(109,919)	109,919
FY35	30,315	3,079,156	44,536	298,460	75,139	267,887	1.45%	9.69%	2.44%	7.25%	9.85	5.22%	160,732	3.48%	107,155	267,887	0	(116,196)	116,196
FY36	30,864	3,253,273	47,055	319,711	83,731	283,035	1.45%	9.83%	2.58%	7.25%	10.36	5.22%	169,821	3.48%	113,214	283,035	0	(122,768)	122,768
FY37	31,388	3,430,424	49,617	342,720	93,890	298,447	1.45%	9.99%	2.74%	7.25%	10.92	5.22%	179,068	3.48%	119,379	298,447	0	(129,451)	129,451
FY38	31,892	3,611,739	52,240	367,366	105,384	314,222	1.45%	10.17%	2.92%	7.25%	11.52	5.22%	188,533	3.48%	125,689	314,222	0	(136,293)	136,293
FY39	32,373	3,797,938	54,933	394,278	118,791	330,420	1.45%	10.38%	3.13%	7.25%	12.18	5.22%	198,252	3.48%	132,168	330,420	0	(143,319)	143,319
FY40	32,837	3,989,893	57,709	422,850	133,439	347,120	1.45%	10.60%	3.35%	7.25%	12.88	5.22%	208,272	3.48%	138,848	347,120	0	(150,563)	150,563
FY41	33,287	4,188,099	60,576	454,300	150,511	364,365	1.45%	10.85%	3.60%	7.25%	13.65	5.22%	218,619	3.48%	145,746	364,365	0	(158,043)	158,043
FY42	33,724	4,390,900	63,509	486,888	170,389	382,008	1.45%	11.13%	3.88%	7.25%	14.50	5.22%	229,205	3.48%	152,803	382,008	0	(165,696)	165,696

State of Alaska
Summary of Normal Costs for New Tier Members under CS SB 121 R.2 DB/DC Choice Proposal
($ in thousands)

PERS Peace Officer/Firefighter

	Headcount	Salary	Employer Pension Normal Cost	Healthcare Normal Cost	Increase in Retiree Premium	Total Employer Normal Cost	Employer Pension Normal Cost Rate	Healthcare Normal Cost Rate (% of Pay)	Inc. Retiree Premium (% of Pay)	Employer Healthcare Normal Cost Rate	Healthcare Normal Cost Rate (per member)	Employer DCR Contribution Pension Rate	Employer DCR Contribution PensionAmount	Employer DCR Contribution Healthcare Rate	Employer DCR Contribution Healthcare Amount	Employer DCR Contribution Total Amount	DB / DCR Cost Difference	Pension Cost Difference	Healthcare Cost Difference
FY16	570	$37,003	$1,508	$2,341	$0	$3,849	4.08%	6.33%	0.00%	6.33%	$4.11	5.22%	$1,932	3.48%	$1,288	$3,220	$629	($424)	$1,053
FY17	741	49,240	2,007	3,401	0	5,408	4.08%	6.91%	0.00%	6.91%	4.59	5.22%	2,570	3.48%	1,714	4,284	1,124	(563)	1,687
FY18	898	61,462	2,505	4,560	0	7,065	4.08%	7.42%	0.00%	7.42%	5.08	5.22%	3,208	3.48%	2,139	5,347	1,718	(703)	2,421
FY19	1,047	74,000	3,016	5,610	0	8,626	4.08%	7.58%	0.00%	7.58%	5.36	5.22%	3,863	3.48%	2,575	6,438	2,188	(847)	3,035
FY20	1,190	87,092	3,550	6,922	0	10,472	4.08%	7.95%	0.00%	7.95%	5.82	5.22%	4,546	3.48%	3,031	7,577	2,895	(886)	3,891
FY21	1,329	100,693	4,104	8,157	0	12,261	4.08%	8.10%	0.00%	8.10%	6.14	5.22%	5,256	3.48%	3,504	8,760	3,501	(1,152)	4,653
FY22	1,461	114,891	4,683	9,467	526	13,624	4.08%	8.24%	0.46%	7.78%	6.48	5.22%	5,997	3.48%	3,998	9,995	3,629	(1,314)	4,943
FY23	1,592	129,764	5,289	10,888	4,133	12,044	4.08%	8.39%	3.18%	5.21%	6.84	5.22%	6,774	3.48%	4,516	11,290	754	(1,485)	2,239
FY24	1,717	144,967	5,909	12,261	5,558	12,612	4.08%	8.46%	3.84%	4.62%	7.14	5.22%	7,567	3.48%	5,045	12,612	0	(1,658)	1,658
FY25	1,838	160,892	6,558	13,785	6,355	13,988	4.08%	8.57%	3.95%	4.62%	7.51	5.22%	8,399	3.48%	5,599	13,998	0	(1,841)	1,841
FY26	1,954	177,248	7,225	15,338	7,143	15,420	4.08%	8.65%	4.03%	4.62%	7.85	5.22%	9,252	3.48%	6,168	15,420	0	(2,027)	2,027
FY27	2,069	194,321	7,920	17,034	8,048	16,906	4.08%	8.77%	4.15%	4.62%	8.23	5.22%	10,144	3.48%	6,762	16,906	0	(2,224)	2,224
FY28	2,179	211,967	8,640	18,835	9,034	18,441	4.08%	8.89%	4.27%	4.62%	8.64	5.22%	11,065	3.48%	7,376	18,441	0	(2,425)	2,425
FY29	2,284	230,219	9,384	20,752	10,107	20,029	4.08%	9.01%	4.39%	4.62%	9.09	5.22%	12,017	3.48%	8,012	20,029	0	(2,633)	2,633
FY30	2,384	248,998	10,149	22,719	11,205	21,663	4.08%	9.12%	4.50%	4.62%	9.53	5.22%	12,998	3.48%	8,665	21,663	0	(2,849)	2,849
FY31	2,480	268,433	10,941	24,852	12,440	23,353	4.08%	9.26%	4.64%	4.62%	10.02	5.22%	14,012	3.48%	9,341	23,353	0	(3,071)	3,071
FY32	2,570	288,183	11,746	27,171	13,845	25,072	4.08%	9.43%	4.81%	4.62%	10.57	5.22%	15,043	3.48%	10,029	25,072	0	(3,297)	3,297
FY33	2,651	308,007	12,554	29,688	15,445	26,797	4.08%	9.64%	5.02%	4.62%	11.20	5.22%	16,078	3.48%	10,719	26,797	0	(3,524)	3,524
FY34	2,724	328,016	13,370	31,984	16,827	28,527	4.08%	9.75%	5.13%	4.62%	11.75	5.22%	17,122	3.48%	11,415	28,537	0	(3,752)	3,752
FY35	2,790	348,305	14,197	33,827	17,721	30,303	4.08%	9.71%	5.09%	4.62%	12.12	5.22%	18,182	3.48%	12,121	30,303	0	(3,985)	3,985
FY36	2,851	369,781	15,072	35,753	18,654	32,171	4.08%	9.67%	5.05%	4.62%	12.54	5.22%	19,303	3.48%	12,868	32,171	0	(4,231)	4,231
FY37	2,905	391,348	15,951	37,880	19,784	34,047	4.08%	9.68%	5.06%	4.62%	13.04	5.22%	20,428	3.48%	13,619	34,047	0	(4,477)	4,477
FY38	2,956	413,105	16,838	40,104	21,002	35,940	4.08%	9.71%	5.09%	4.62%	13.57	5.22%	21,564	3.48%	14,376	35,940	0	(4,726)	4,726
FY39	3,003	435,147	17,736	42,529	22,407	37,858	4.08%	9.77%	5.15%	4.62%	14.16	5.22%	22,715	3.48%	15,143	37,858	0	(4,979)	4,979
FY40	3,048	457,548	18,649	45,187	24,029	39,807	4.08%	9.88%	5.26%	4.62%	14.83	5.22%	23,884	3.48%	15,923	39,807	0	(5,235)	5,235
FY41	3,090	480,380	19,580	47,963	25,750	41,793	4.08%	9.98%	5.36%	4.62%	15.52	5.22%	25,076	3.48%	16,717	41,793	0	(5,496)	5,496
FY42	3,130	503,299	20,514	51,087	27,814	43,787	4.08%	10.15%	5.53%	4.62%	16.32	5.22%	26,272	3.48%	17,515	43,787	0	(5,758)	5,758

State of Alaska
Summary of Normal Costs for New Tier Members under CS SB 121 R.2 DB/DC Choice Proposal
($ in thousands)

PERS Total

	Headcount	Salary	Employer Pension Normal Cost	Healthcare Normal Cost	Increase in Retiree Premium	Total Employer Normal Cost	Employer Pension Normal Cost Rate	Healthcare Normal Cost Rate (% of Pay)	Inc. Retiree Premium (% of Pay)	Employer Healthcare Normal Cost Rate	Healthcare Normal Cost Rate (per member)	Employer DCR Contribution Pension Rate	Employer DCR Contribution PensionAmount	Employer DCR Contribution Healthcare Rate	Employer DCR Contribution Healthcare Amount	Employer DCR Contribution Total Amount	DB / DCR Cost Difference	Pension Cost Difference	Healthcare Cost Difference
FY16	8,408	$425,172	$7,122	$22,706	$0	$29,828	1.68%	5.34%	0.00%	5.34%	$2.70	5.22%	$22,194	3.48%	$14,796	$36,990	($7,162)	($15,072)	$7,910
FY17	10,924	565,788	9,478	32,517	0	41,995	1.68%	5.75%	0.00%	5.75%	2.98	5.22%	29,534	3.48%	19,690	49,224	(7,229)	(20,056)	12,827
FY18	13,159	706,218	11,831	42,817	0	54,648	1.68%	6.06%	0.00%	6.06%	3.25	5.22%	36,864	3.48%	24,577	61,441	(6,793)	(25,033)	18,240
FY19	15,171	847,166	14,199	52,998	0	67,197	1.68%	6.26%	0.00%	6.26%	3.49	5.22%	44,222	3.48%	29,481	73,703	(6,506)	(30,023)	23,517
FY20	17,012	989,877	16,608	65,079	0	81,687	1.68%	6.57%	0.00%	6.57%	3.83	5.22%	51,671	3.48%	34,448	86,119	(4,432)	(35,063)	30,631
FY21	18,697	1,135,573	19,072	77,222	0	96,294	1.68%	6.80%	0.00%	6.80%	4.13	5.22%	59,277	3.48%	39,518	98,795	(2,501)	(40,205)	37,704
FY22	20,249	1,282,184	21,567	90,509	526	111,550	1.68%	7.06%	0.04%	7.02%	4.47	5.22%	66,930	3.48%	44,620	111,550	0	(45,363)	45,363
FY23	21,704	1,430,721	24,106	104,509	4,133	124,473	1.68%	7.30%	0.28%	7.02%	4.81	5.22%	74,684	3.48%	49,789	124,473	0	(50,578)	50,578
FY24	23,058	1,581,162	26,682	118,637	7,758	137,561	1.68%	7.50%	0.49%	7.01%	5.15	5.22%	82,536	3.48%	55,025	137,561	0	(55,854)	55,854
FY25	24,320	1,733,830	29,309	133,428	11,894	150,843	1.68%	7.70%	0.69%	7.01%	5.49	5.22%	90,506	3.48%	60,337	150,843	0	(61,197)	61,197
FY26	25,491	1,890,738	32,008	148,784	16,300	164,493	1.68%	7.87%	0.86%	7.01%	5.84	5.22%	98,696	3.48%	65,797	164,493	0	(66,687)	66,687
FY27	26,584	2,048,035	34,746	165,050	21,530	178,266	1.68%	8.06%	1.06%	7.00%	6.21	5.22%	106,960	3.48%	71,306	178,266	0	(72,214)	72,214
FY28	27,604	2,209,534	37,532	182,193	27,496	192,229	1.68%	8.25%	1.25%	7.00%	6.60	5.22%	115,338	3.48%	76,891	192,229	0	(77,806)	77,806
FY29	28,558	2,373,040	40,377	199,982	33,905	206,454	1.68%	8.43%	1.43%	7.00%	7.00	5.22%	123,872	3.48%	82,582	206,454	0	(83,495)	83,495
FY30	29,447	2,539,629	43,280	218,658	40,990	220,948	1.68%	8.61%	1.61%	7.00%	7.43	5.22%	132,569	3.48%	88,379	220,948	0	(89,289)	89,289
FY31	30,277	2,709,688	46,251	238,815	49,323	235,743	1.68%	8.81%	1.82%	6.99%	7.89	5.22%	141,446	3.48%	94,297	235,743	0	(95,195)	95,195
FY32	31,056	2,882,319	49,267	261,161	59,666	250,762	1.68%	9.06%	2.07%	6.99%	8.41	5.22%	150,457	3.48%	100,305	250,762	0	(101,190)	101,190
FY33	31,782	3,059,380	52,349	285,128	71,310	266,167	1.68%	9.32%	2.33%	6.99%	8.97	5.22%	159,700	3.48%	106,467	266,167	0	(107,351)	107,351
FY34	32,463	3,240,844	55,501	310,488	84,016	281,953	1.68%	9.58%	2.59%	6.98%	9.56	5.22%	169,172	3.48%	112,781	281,953	0	(113,671)	113,671
FY35	33,105	3,427,461	58,733	332,317	92,860	298,190	1.68%	9.70%	2.71%	6.99%	10.04	5.22%	178,914	3.48%	119,276	298,190	0	(120,181)	120,181
FY36	33,715	3,623,054	62,127	355,484	102,385	315,206	1.68%	9.81%	2.82%	6.99%	10.54	5.22%	189,124	3.48%	126,082	315,206	0	(126,997)	126,997
FY37	34,293	3,821,773	65,568	380,600	113,674	332,494	1.68%	9.96%	2.98%	6.98%	11.10	5.22%	199,496	3.48%	132,998	332,494	0	(133,928)	133,928
FY38	34,848	4,024,844	69,076	407,470	126,386	350,162	1.68%	10.12%	3.14%	6.98%	11.69	5.22%	210,087	3.48%	140,065	350,162	0	(141,019)	141,019
FY39	35,376	4,233,085	72,669	436,807	141,198	368,278	1.68%	10.32%	3.34%	6.98%	12.35	5.22%	220,967	3.48%	147,311	368,278	0	(148,298)	148,298
FY40	35,865	4,447,442	76,358	468,037	157,468	386,927	1.68%	10.52%	3.54%	6.98%	13.04	5.22%	232,156	3.48%	154,771	386,927	0	(155,798)	155,798
FY41	36,377	4,668,479	80,156	502,263	176,261	406,158	1.68%	10.76%	3.78%	6.98%	13.81	5.22%	243,695	3.48%	162,463	406,158	0	(163,539)	163,539
FY42	36,854	4,894,199	84,023	539,975	198,203	425,795	1.68%	11.03%	4.05%	6.98%	14.65	5.22%	255,477	3.48%	170,318	425,795	0	(171,454)	171,454

State of Alaska
Summary of Normal Costs for New Tier Members under CS SB 121 R.2 DB/DC Choice Proposal
($ in thousands)

Teachers' Retirement System

	Headcount	Salary	Employer Pension Normal Cost	Healthcare Normal Cost	Increase in Retiree Premium	Total Employer Normal Cost	Employer Pension Normal Cost Rate	Healthcare Normal Cost Rate (% of Pay)	Inc. Retiree Premium (% of Pay)	Employer Healthcare Normal Cost Rate	Healthcare Normal Cost Rate (per member)	Employer DCR Contribution Pension Rate	Employer DCR Contribution PensionAmount	Employer DCR Contribution Healthcare Rate	Employer DCR Contribution Healthcare Amount	Employer DCR Contribution Total Amount	DB / DCR Cost Difference	Pension Cost Difference	Healthcare Cost Difference
FY16	2,016	$120,647	$3,426	$7,779	$0	$11,205	2.84%	6.45%	0.00%	6.45%	$3.86	7.00%	$8,445	3.49%	$4,211	$12,656	($1,451)	($5,019)	$3,568
FY17	2,863	162,876	4,626	10,843	0	15,469	2.84%	6.66%	0.00%	6.66%	4.07	7.00%	11,401	3.49%	5,684	17,085	(1,616)	(6,775)	5,159
FY18	3,249	205,081	5,824	14,134	0	19,958	2.84%	6.89%	0.00%	6.89%	4.35	7.00%	14,356	3.49%	7,157	21,513	(1,555)	(8,532)	6,977
FY19	3,795	246,042	7,044	17,375	0	24,419	2.84%	7.00%	0.00%	7.00%	4.56	7.00%	17,383	3.49%	8,657	26,020	(1,601)	(10,318)	8,718
FY20	4,307	291,985	8,292	20,667	0	28,959	2.84%	7.08%	0.00%	7.08%	4.80	7.00%	20,439	3.49%	10,190	30,629	(1,670)	(12,147)	10,477
FY21	4,788	336,966	9,570	24,013	0	33,583	2.84%	7.13%	0.00%	7.13%	5.02	7.00%	23,588	3.49%	11,760	35,348	(1,785)	(14,018)	12,253
FY22	5,249	383,725	10,898	27,811	0	38,708	2.84%	7.25%	0.00%	7.25%	5.30	7.00%	26,861	3.49%	13,392	40,253	(1,644)	(15,963)	14,419
FY23	5,687	431,831	12,264	31,823	0	44,087	2.84%	7.37%	0.00%	7.37%	5.60	7.00%	30,228	3.49%	15,071	45,298	(1,212)	(17,964)	16,752
FY24	6,097	481,032	13,661	35,831	0	49,492	2.84%	7.45%	0.00%	7.45%	5.88	7.00%	33,672	3.49%	16,788	50,460	(988)	(20,011)	19,043
FY25	6,480	531,222	15,087	40,120	0	55,207	2.84%	7.55%	0.00%	7.55%	6.19	7.00%	37,186	3.49%	18,540	55,726	(519)	(22,099)	21,580
FY26	6,837	582,733	16,550	44,612	34	61,126	2.84%	7.66%	0.01%	7.65%	6.53	7.00%	40,781	3.49%	20,337	61,126	0	(24,241)	24,241
FY27	7,174	635,207	18,040	49,485	891	68,634	2.84%	7.79%	0.14%	7.65%	6.90	7.00%	44,465	3.49%	22,169	66,634	0	(26,425)	26,425
FY28	7,498	689,011	19,568	54,790	2,081	72,277	2.84%	7.95%	0.30%	7.65%	7.31	7.00%	48,231	3.49%	24,046	72,277	0	(28,663)	28,663
FY29	7,799	743,880	21,126	60,326	3,419	78,033	2.84%	8.11%	0.46%	7.65%	7.73	7.00%	52,072	3.49%	25,961	78,033	0	(30,946)	30,946
FY30	8,085	799,763	22,713	66,048	4,866	83,895	2.84%	8.26%	0.61%	7.65%	8.17	7.00%	55,983	3.49%	27,912	83,895	0	(33,270)	33,270
FY31	8,354	856,891	24,338	72,361	6,810	89,887	2.84%	8.44%	0.79%	7.65%	8.66	7.00%	59,982	3.49%	29,905	89,887	0	(35,646)	35,646
FY32	8,603	914,224	25,964	79,257	9,319	95,902	2.84%	8.67%	1.02%	7.65%	9.21	7.00%	63,996	3.49%	31,906	95,902	0	(38,032)	38,032
FY33	8,833	972,321	27,614	86,577	12,195	101,996	2.84%	8.90%	1.25%	7.65%	9.80	7.00%	68,062	3.49%	33,934	101,996	0	(40,448)	40,448
FY34	9,046	1,031,391	29,292	94,183	15,282	108,193	2.84%	9.13%	1.48%	7.65%	10.41	7.00%	72,197	3.49%	35,996	108,193	0	(42,905)	42,905
FY35	9,245	1,091,467	30,998	101,815	18,318	114,495	2.84%	9.33%	1.68%	7.65%	11.01	7.00%	76,403	3.49%	38,092	114,495	0	(45,405)	45,405
FY36	9,429	1,152,862	32,741	109,813	21,619	120,935	2.84%	9.53%	1.88%	7.65%	11.65	7.00%	80,700	3.49%	40,235	120,935	0	(47,959)	47,959
FY37	9,604	1,215,058	34,508	118,883	25,931	127,460	2.84%	9.78%	2.13%	7.65%	12.38	7.00%	85,054	3.49%	42,406	127,460	0	(50,546)	50,546
FY38	9,767	1,278,271	36,303	128,840	30,852	134,091	2.84%	10.06%	2.41%	7.65%	13.17	7.00%	89,479	3.49%	44,612	134,091	0	(53,176)	53,176
FY39	9,923	1,342,763	38,134	139,358	36,637	140,855	2.84%	10.38%	2.73%	7.65%	14.04	7.00%	93,993	3.49%	46,862	140,855	0	(55,859)	55,859
FY40	10,069	1,408,719	40,008	151,026	43,260	147,774	2.84%	10.72%	3.07%	7.65%	15.00	7.00%	98,610	3.49%	49,164	147,774	0	(58,602)	58,602
FY41	10,211	1,476,294	41,927	164,021	51,084	154,864	2.84%	11.11%	3.46%	7.65%	16.06	7.00%	103,341	3.49%	51,523	154,864	0	(61,414)	61,414
FY42	10,347	1,545,182	43,883	178,058	59,851	162,090	2.84%	11.52%	3.87%	7.65%	17.21	7.00%	108,183	3.49%	53,927	162,090	0	(64,280)	64,280
FY43	10,478	1,616,133	45,898	193,384	69,750	169,532	2.84%	11.97%	4.32%	7.65%	18.46	7.00%	113,129	3.49%	56,403	169,532	0	(67,231)	67,231
FY44	10,607	1,688,400	47,979	209,834	80,395	177,218	2.84%	12.41%	4.76%	7.65%	19.76	7.00%	118,258	3.49%	58,960	177,218	0	(70,279)	70,279

PTA PENSION TRUSTEE ADVISORS

Alaska Senate Finance Hearing of SB 121

William B. Fornia

March 30, 2012

William B. Fornia Credentials

- Highest Actuarial Credentials
  - Fellow of the Society of Actuaries (1986)
  - Enrolled Actuary under ERISA (1984)
  - Member of the American Academy of Actuaries (1983)
  - Active in national actuarial organizations
- Author and Frequent Speaker
  - "A Better Bang for the Buck" (with National Institute on Retirement Security), 2008
  - "New Developments in DB/DC Plans", National Council on Teacher Retirement, Anchorage, 2002
  - Frequent Testimony to Legislatures and City Councils
  - Regular Expert Witness

Sample Work History

- Corporate actuary for Boeing 1980-1984
- Alaska related experience
  - ARMB first ongoing review actuary 2005-2006
  - Audited Alaska PERS/TRS actuarial valuations 2009
  - Former leader of Buck Consultants' Denver retirement practice
- Consulting services for 22 statewide retirement systems in Alaska, Colorado, Missouri, North Dakota, Oklahoma, Puerto Rico, Utah, Texas, Wyoming and others.
  - Served as system actuary for most of these (including CO, MO, ND, OK, PR, UT, WY, Houston)
  - Currently working on pension reform with Ohio Retirement Study Council
- Expert testimony and consulting for pension systems, governments, and labor groups
- Other clients have included the US Department of State, Cities of Baltimore, Oakland and Philadelphia, IBM, US WEST and Ford Motor Company

Agenda

- Overview of SB 121
- Advantages of Including Defined Benefit Plan Option
- Financial Analysis of Defined Benefit Plan Option
- History of SB 121 Fiscal Notes and responses
- Discussion

Findings

- DB plan option is more economical for Alaska
  - DB more efficient delivery of retirement benefits
  - Helps keep jobs in Alaska
  - Provides the safety net others have from Social Security

- Have structured DB choice alternative at $9,000,000 FY 2015 savings
  - Health cost risk shifted to employees
  - Higher employee contributions than current DB
  - Employee health cost sharing

SB 121 – History & Background

- Two general types of retirement programs
  - Defined Benefit (DB): Annual pension or health care benefit are fixed in statute, contributions based on actuarial calculations
  - Defined Contribution (DC): Periodic contribution to account is statutory, benefits depend on what account accumulations will provide
- SB 141 closed defined benefit retirement and health benefits to those hired after July 1, 2006
  - Workers hired since then have DC accounts only
  - No secure retirement option or Social Security

More Background on SB121

- Several proposals have been introduced to permit DB program for those hired after June, 2006
- Extensive modifications have been made to achieve cost neutrality and concerns of risk
  - Continued opportunity for DC approach for those who choose
  - No adjustment for 2006-2012 DCR investment returns; can only purchase service based on actual DCR account balances
  - Costs set to be same or lower than latest DC tier
  - Increased worker contributions versus latest DB tier
  - Reduced health care benefits – retirees pay larger share of costs
  - Further reductions in benefits if health care costs increase beyond break-even cost levels

Key Features of SB 121

- Gives employees a choice between DC and DB
  - DC tends to be preferred by shorter service & younger workers
  - DB still very popular, particularly for full career workers
- SB 121 structures DB option to be cost neutral
  - Costs will not be more than current tier DC program
  - Worker contributions same as current DC tier
  - SB 121 also shifts much of the risk from the employers to the workers
  - Healthcare benefit will be reduced if employer normal costs increase

Other motives for SB 121

- Alaska public servants not covered by Social Security
  - Every state other than Alaska and Michigan offers Defined Benefit Option
    - Michigan public servants get Social Security, Alaska public servants don't
  - All private US employers pay at least 6.2% to Social Security; Alaska PERS employers pay 5.22%
  - Soon, Alaska will be largest employer in America with workers not covered by any safety net DB plan
- Current DC structure facilitates short service workers leaving Alaska public service for DB plan after a few years of service
- Retirement in Alaska is good for the State economy

Why should Alaska public servants have a Defined Benefit Option?

- By their nature, Defined Benefit (DB) plans provide workers what they need for retirement
- DB plans deliver benefits more efficiently than Defined Contribution (DC) plans, thereby saving money for same retirement benefit
- Particularly necessary because vast majority of Alaska public servants not covered by Social Security

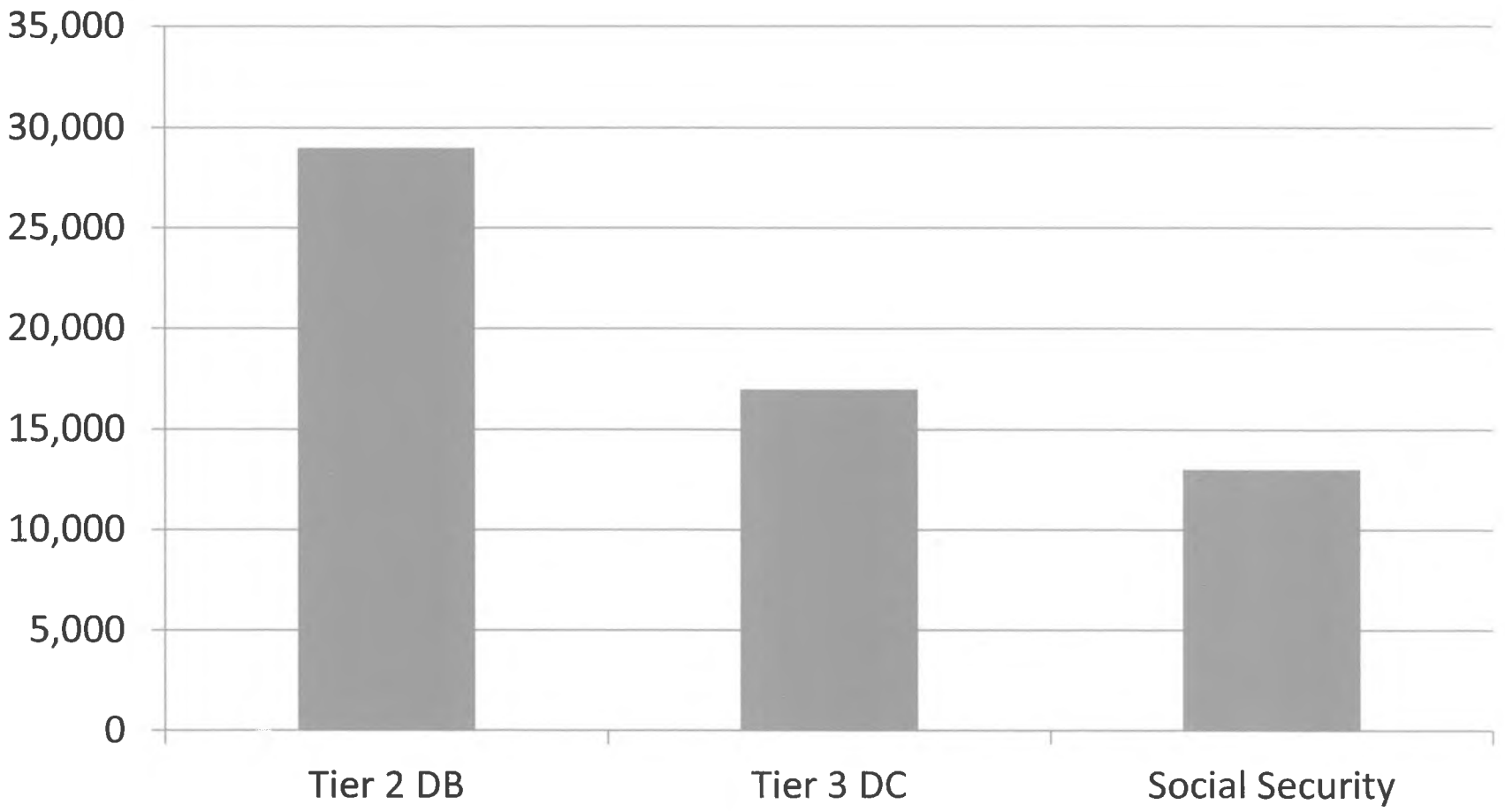
Why DB option? – Secure Retirement Benefit

- Because DB plans "define" the "benefit" received by retirees, they can ensure appropriate benefit levels
- Individuals do not need to be concerned with investment volatility under DB plans
- Individuals do not need to be concerned with outliving their savings under DB plans
- Because DC returns tend to be lower, greater contributions would be required to attain same benefit level as DB

Benefits Available from DCR Program are Substantially Lower than from Latest DB Tier

	Teachers	Police & Fire	Other PERS
Hire Age	34	31	37
Retirement Age	59	56	60
Years of Service	25	25	23
DB Benefit as Percent of Final Average Compensation (defined under the terms of the plan)	58%	63%	55%
DCR Benefit as Percent of Final Average Compensation (calculated based on assumptions above)	34%	30%	30%
Reduction of Benefit % due to DCR program	24%	33%	25%

Illustration of Hypothetical Teacher Benefits - $50,000 Final Average Salary



Why DB option? – Economic Impact

- Pensions account for more than $1 billion in Alaskan economy
- Retirement System provides health care benefits
- DB option can provide inflation protection
- Provide benefits consistent with objective of worker retention and job stability
- DB Plan eliminates the risk of destitute former employee citizens becoming a burden on the State, as "Payer of Last Resort"

DB Plans Provide a "Better Bang for the Buck"

- The DB approach saves money compared to the DC approach. Three reasons …

1. DB pension plans pool "longevity risks"

2. DB pension plans can maintain a better diversified portfolio because, unlike individuals, they do not age

3. DB pension plans achieve better investment returns because of professional asset management and lower fees

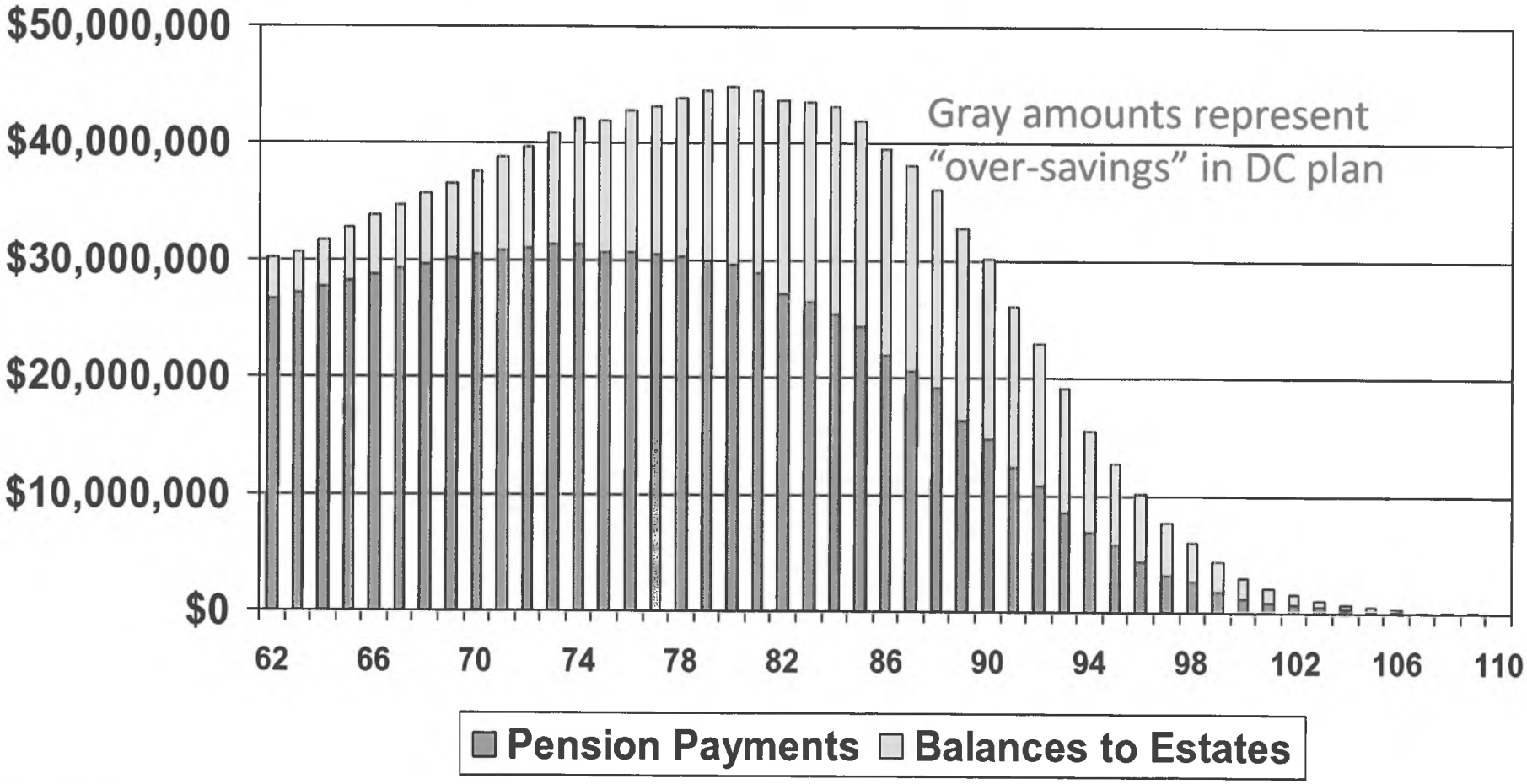
Why DB? – More Economically Efficient

- ***Longevity Risk Pooling***
  - DB plans better manage longevity risk, or the chance of running out of money in retirement
  - DB plans avoid the "over-saving" dilemma and do more with less
- ***Maintenance of Portfolio Diversification***
  - DB plans are able to take advantage of the enhanced investment returns that come from a balanced portfolio throughout an individual's lifetime
- ***Superior Returns***
  - DB plans, which are professionally managed, achieve greater investment returns versus those of individual accounts

1st Strength of DB Plans
Longevity Risk Pooling

- Because they cover large numbers of retirees, DB plans can pay out over the *average* life expectancy, not *maximum* life expectancy
- An individual under a DC plan will want to avoid the risk of running out of money if they live a long life
- Because individuals must plan for a maximum life expectancy, much more money must be accumulated in a DC plan, compared to a DB plan

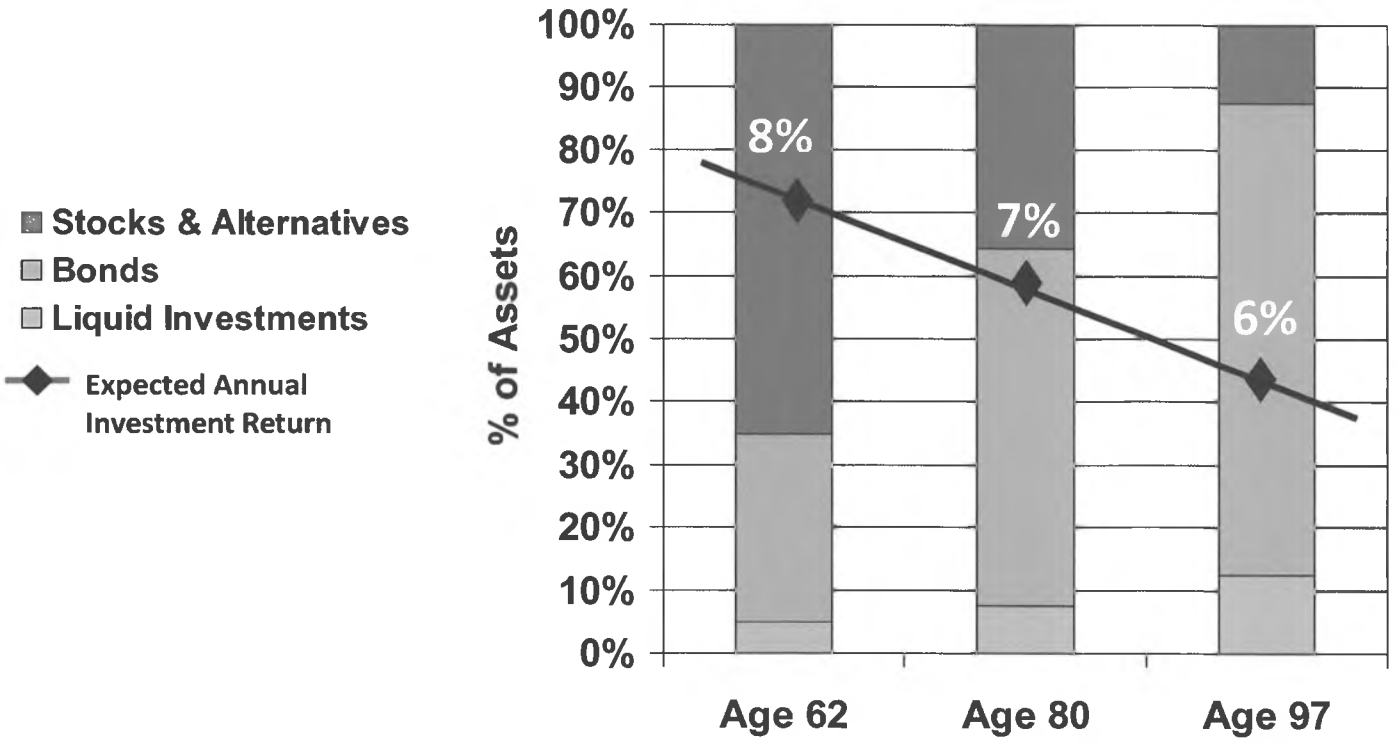
Under a DC Plan 24% of Assets Are Not Used for Retirement – 1,000 Sample Teachers



2nd Strength of DB Pension Plans
More Effective Portfolio Diversification

- DB plans can maintain a well diversified portfolio over time – unlike individuals, DB plans do not age
- To protect against market shocks, individuals in DC plans are advised to shift toward more conservative investments as they age, sacrificing some expected return
- Lower returns mean more money must be contributed to deliver the same level of benefits

As Individuals Shift DC Portfolio Allocation, Expected Return Reduced



3rd Strength of DB Pension Plans Pooled, Professionally-Managed Assets

- Assets in DB plans are professionally managed. Despite their best efforts, individuals tend to underperform when it comes to investing in DC plans
- Pooled investments in DB plans can lower expenses
  - Large group pricing negotiation
  - Avoid expenses of individual recordkeeping, investment education, investment transactions
- Studies generally have shown that DB plan returns outperform DC plans by at least 1% annually
  - Towers Watson 1995-2008 large plans 1.27% outperformance
  - CEM Benchmarking 1998-2005 found 1.80% difference
  - Recent Alaska experience shows even larger DC shortfall
  - Even a mere 1% differential generates tremendous efficiencies – more than 20%

What about Unfunded Liabilities?

- Unfunded Liability has grown by more than $5 billion since 2005
  - "Unfunded Liability" is attributable to prior benefits, not future benefits
  - SB 141 DC approach was not designed to solve unfunded liability
  - Several safeguards have been introduced to manage unfunded liability
- Addition of DB option not anticipated to increase unfunded liabilities
  - To the extent that actuarial assumptions' conservatism is borne out, would actually decrease unfunded liabilities
- DB systems are advance funded, not left to future generations

Findings

- DB plan option is more economical for Alaska
  - DB more efficient
  - Helps keep jobs in Alaska
  - Provides the safety net others have from Social Security
- Have structured DB choice alternative at $9,000,000 FY 2015 savings
  - Health cost risk shifted to employees
  - Higher employee contributions than current DB
  - Employee health cost sharing

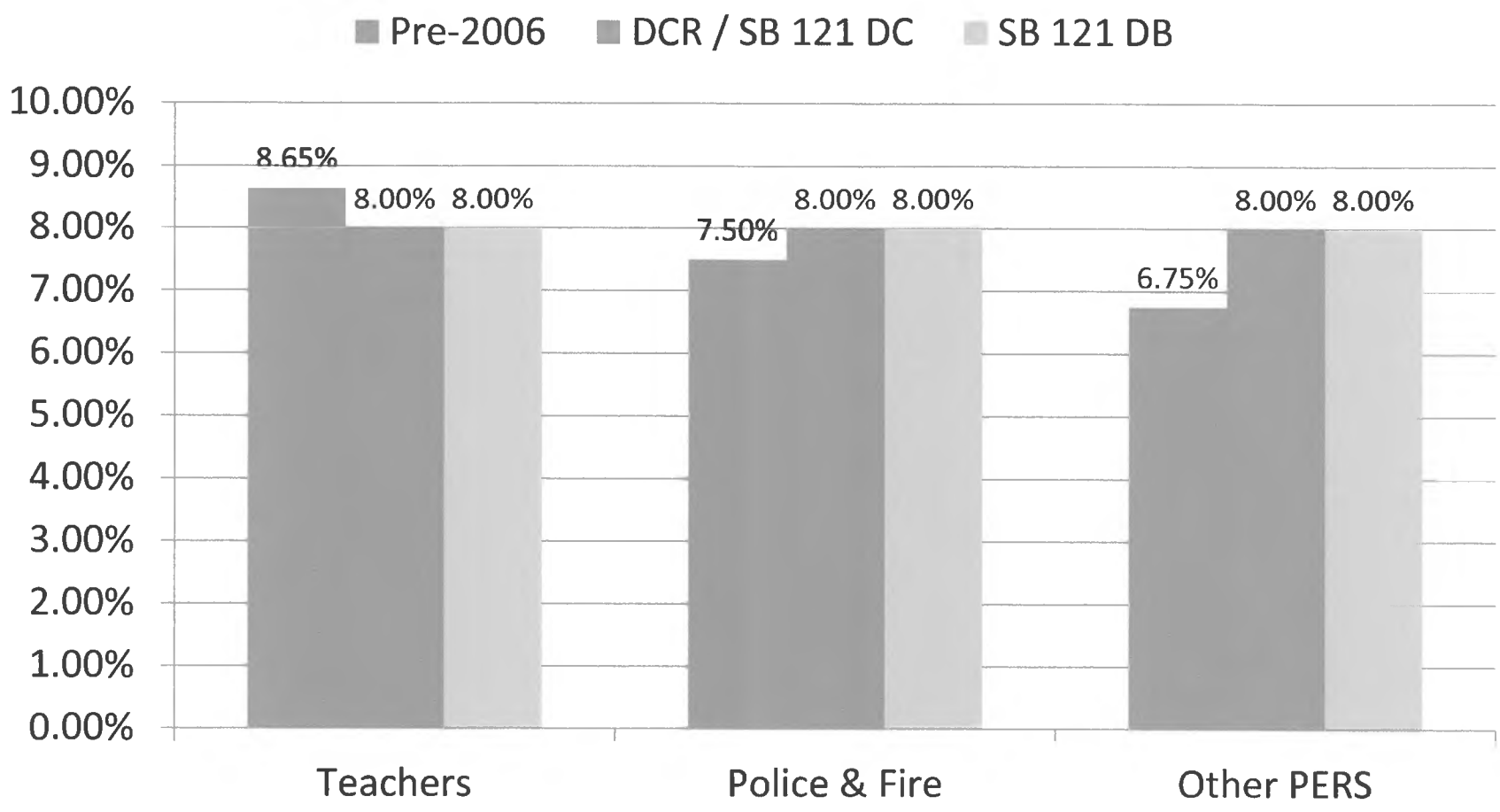
Challenge is to Design DB Option at Costs Comparable to DC Plan

- The actuary for the Alaska Department of Administration Division of Retirement Benefits regularly reports on the financial condition of the Alaska Public Employees' Retirement System (PERS) and Alaska Teachers' Retirement System (TRS).
- These analyses are conducted primarily through an "actuarial valuation", which calculates the plans costs and liabilities.
- The actuary has calculated the Normal Cost under both the prior tier DB plans as well as under the DCR program.
  - "Normal Costs" are the cost of ongoing future benefits, not including cost to pay off "Unfunded Liability"
  - "Unfunded Liability" is attributable to prior benefits, not future benefits
- SB 121 has been modified to address initial cost concerns

Major implications of the proposal for those who elect DB

- Pension benefits will be the same as the prior defined benefit plan tiers for those hired prior to July 1, 2006
  - The tiers which were reduced in the 1990's
- Retiree DB health benefits will be stronger than those under DCR, but not as strong as those provided under the latest tier DB plans.

Contributions for Various Members



Retiree Medical Coverage

- Retirees eligible to receive retiree major medical coverage with subsidized premiums, under the following conditions:
  - Retired teachers are eligible with 25 years of service or at the age of Medicare eligibility [65] with at least 10 years of service.
  - Retired peace officers and firefighters are eligible with 25 years of service or at the age of Medicare eligibility [65] with at least 10 years of service.
  - Other PERS retirees are eligible with 30 years of service or at the age of Medicare eligibility [65] with at least 10 years of service.
- Retiree share of premiums range from 10% to 30% based on service at retirement
  - This range may increase or decrease in future based on experience

Cost Comparison Estimates - Teachers

Teachers Retirement System	DB Plan Tier 2	DCR Plan Tier 3	Proposed Tier 4
Total Retirement Normal Cost (including refunds)	11.39%	NA	10.84%
Member Contributions	(8.65%)	(8.00%)	(8.00%)
Net Employer Retirement Normal Cost	2.74%	NA	2.84%
DC Employer Contribution Rate	NA	7.00%*	NA
Medical Normal Cost Rate	5.33%	0.49%	6.39%
HRA Contribution Rate	NA	3.00%	NA
Total Employer Cost	8.07%	10.49%	9.23%
DCR Payroll during FY 2015	NA	$116,432,000	$116,432,000
Total Employer Cost on FY 2015 Basis	NA	$12,213,000	$10,748,000
Cost difference vs. DCR	NA		Saves $1,465,000

* Includes DCR Occupational Death and Disability

Cost Comparisons – PERS Police Officers and Firefighters

Public Employees Retirement System – Peace Officers & Firefighters	DB Plan Tier 3	DCR Plan Tier 4	Proposed Tier 5
Total Retirement Normal Cost (including refunds)	12.30%	NA	12.08%
Member Contributions	(7.50%)	(8.00%)	(8.00%)
Net Employer Retirement Normal Cost	4.80%	NA	4.08%
DC Employer Contribution Rate	NA	5.22%*	NA
Medical Normal Cost Rate	5.90%	0.48%	6.00%
HRA Contribution Rate	NA	3.00%	NA
Total Employer Cost	10.70%	8.70%	10.08%
DCR Payroll during FY 2015	NA	$35,710,000	$35,710,000
Total Employer Cost on FY 2015 Basis	NA	$3,107,000	$3,598,000
Cost difference vs. DCR	NA		Costs $491,000

* Includes DCR Occupational Death and Disability

Cost Comparisons – Other PERS Members

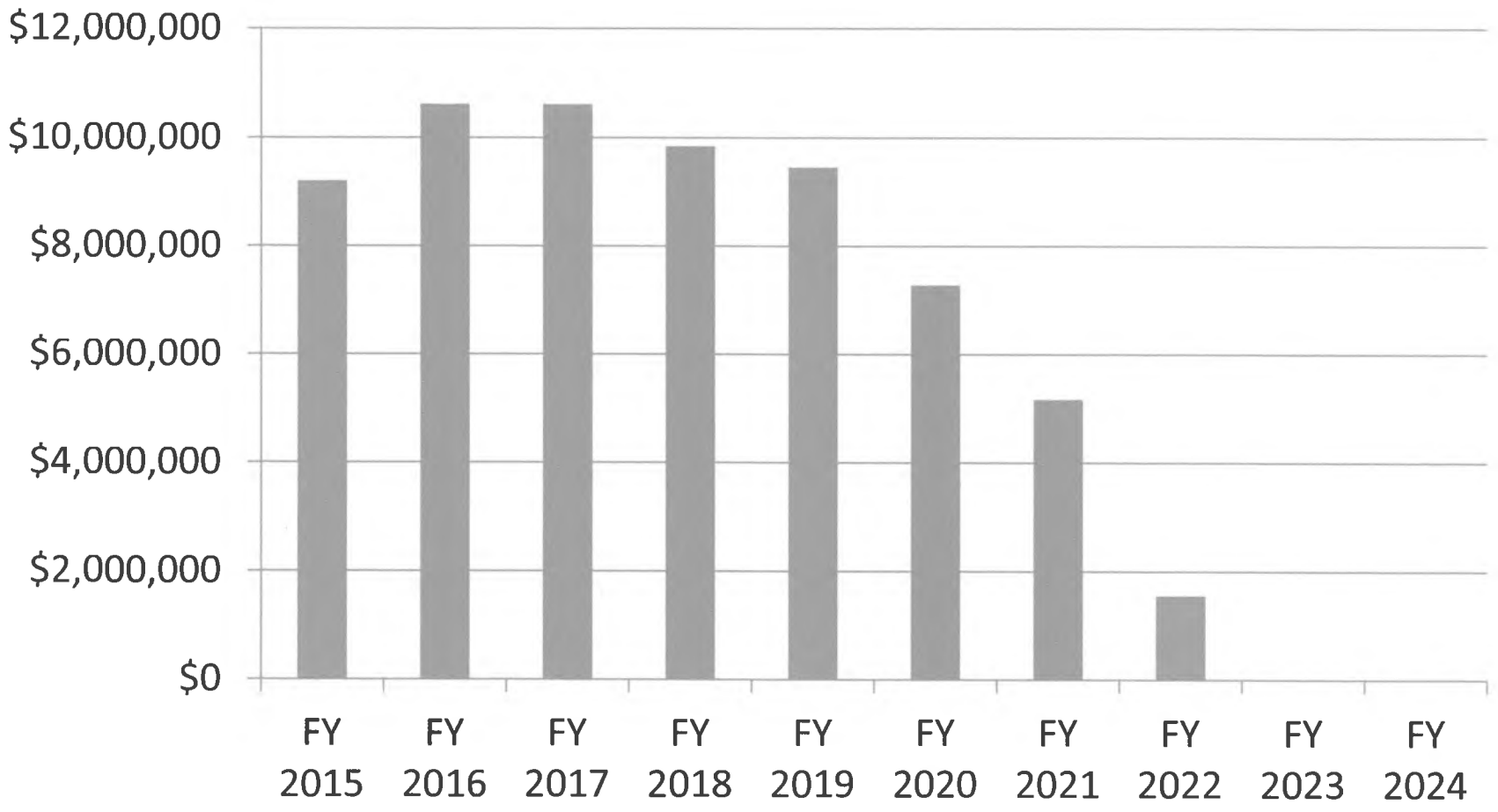
Other Public Employees Retirement System Members	DB Plan Tier 3	DCR Plan Tier 4	Proposed Tier 5
Total Retirement Normal Cost (including refunds)	9.58%	NA	9.45%
Member Contributions	(6.75%)	(8.00%)	(8.00%)
Net Employer Retirement Normal Cost	2.83%	NA	1.45%
DC Employer Contribution Rate	NA	5.22%*	NA
Medical Normal Cost Rate	7.00%	0.48%	5.06%
HRA Contribution Rate	NA	3.00%	NA
Total Employer Cost	9.83%	8.70%	6.51%
DCR Payroll during FY 2015	NA	$374,608,000	$374,608,000
Total Employer Cost on FY 2015 Basis	NA	$32,591,000	$24,355,000
Cost difference vs. DCR	NA	NA	Saves $8,236,000

* Includes DCR Occupational Death and Disability

Results from Cost Comparison

- Stronger pension benefits through a Defined Benefit option for members hired since 2006.
- It would provide improved health care plan benefits, but no future HRA contributions.
- In total, 2015 employer costs would fall by about $9 million.
  - More than $60 million over eight years

Total savings anticipated of more than $60 million over eight years

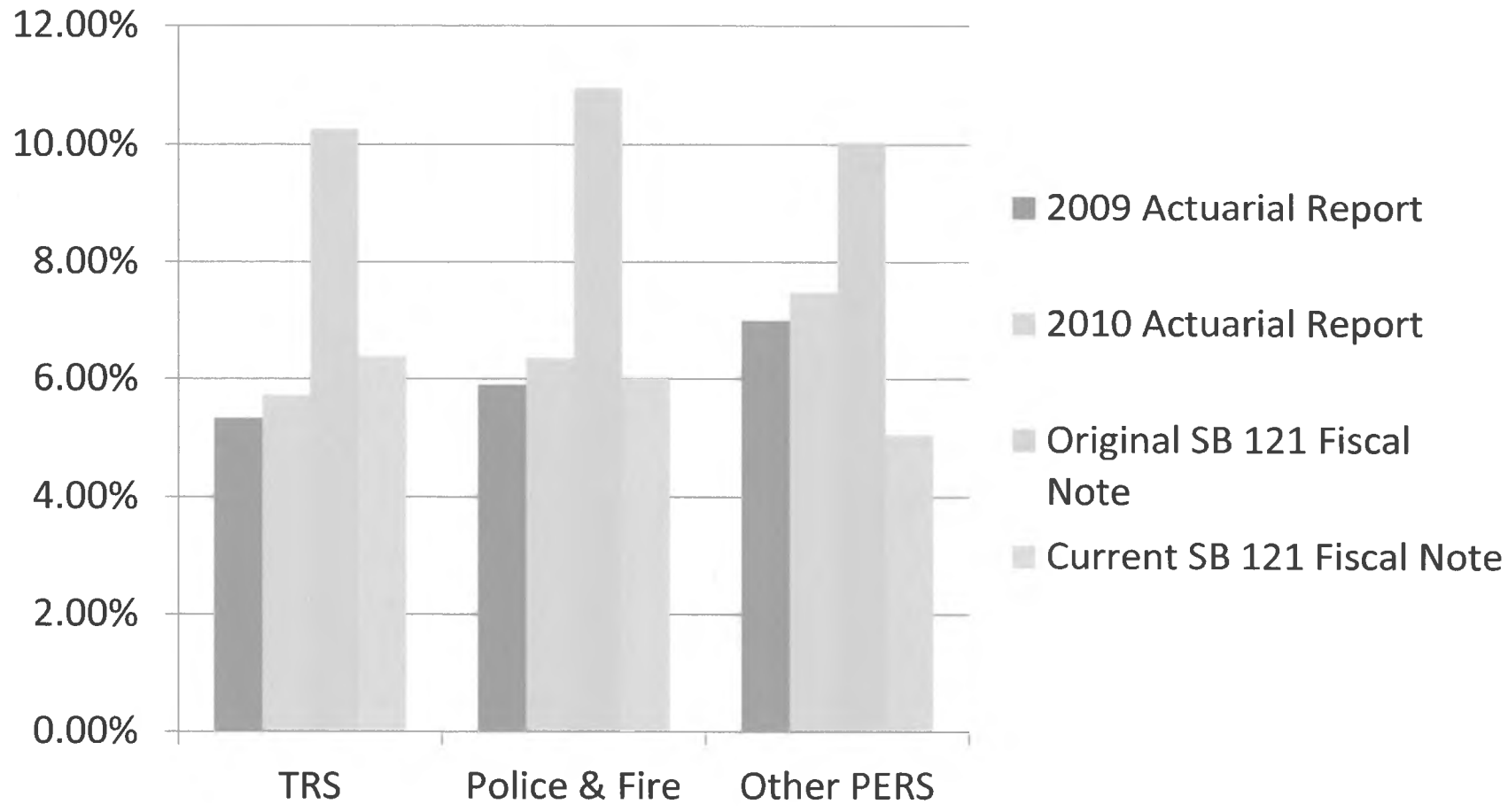


By 2023, based on fiscal note estimates, healthcare will decrease to maintain cost neutrality

Summary of Revisions to SB121

- Initial SB 121 essentially was return to prior tier
  - But with choice
  - Members could trade DCR accounts to get prior DB service
  - Future pension costs were neutral
  - But some past pension costs due to transition
  - And health costs were not neutral due to anticipated rapid increase in health care costs
- Revisions include
  - DB prior service can be purchased only, if DCR accounts not adequate, service limited
  - Increased worker contributions
  - Reduced healthcare benefits
    - premium share rather than full premium paid
    - only for full career retirees or post-Medicare
    - if normal costs increase, sharing would be reduced

Comparison of Healthcare Normal Costs



Conclusions

- DB plan option is more economical for Alaska
  - DB more efficient
  - Helps keep jobs in Alaska
  - Provides the safety net others have from Social Security
- Have structured DB choice alternative at $9,000,000 FY 2015 savings
  - Health cost risk shifted to employees
  - Higher employee contributions than current DB
  - Employee health cost sharing

SB 121
Alaska Pensions

Retirement choices for the Last Frontier

New hires get a choice

- SB 121 creates a new defined benefit tier
  - New hires can choose a guaranteed benefit or to control their money
- The new tier is:
  - cost neutral
  - more predictable
  - shares risk
- Those who serve Alaskans can choose the retirement plan that fits their service

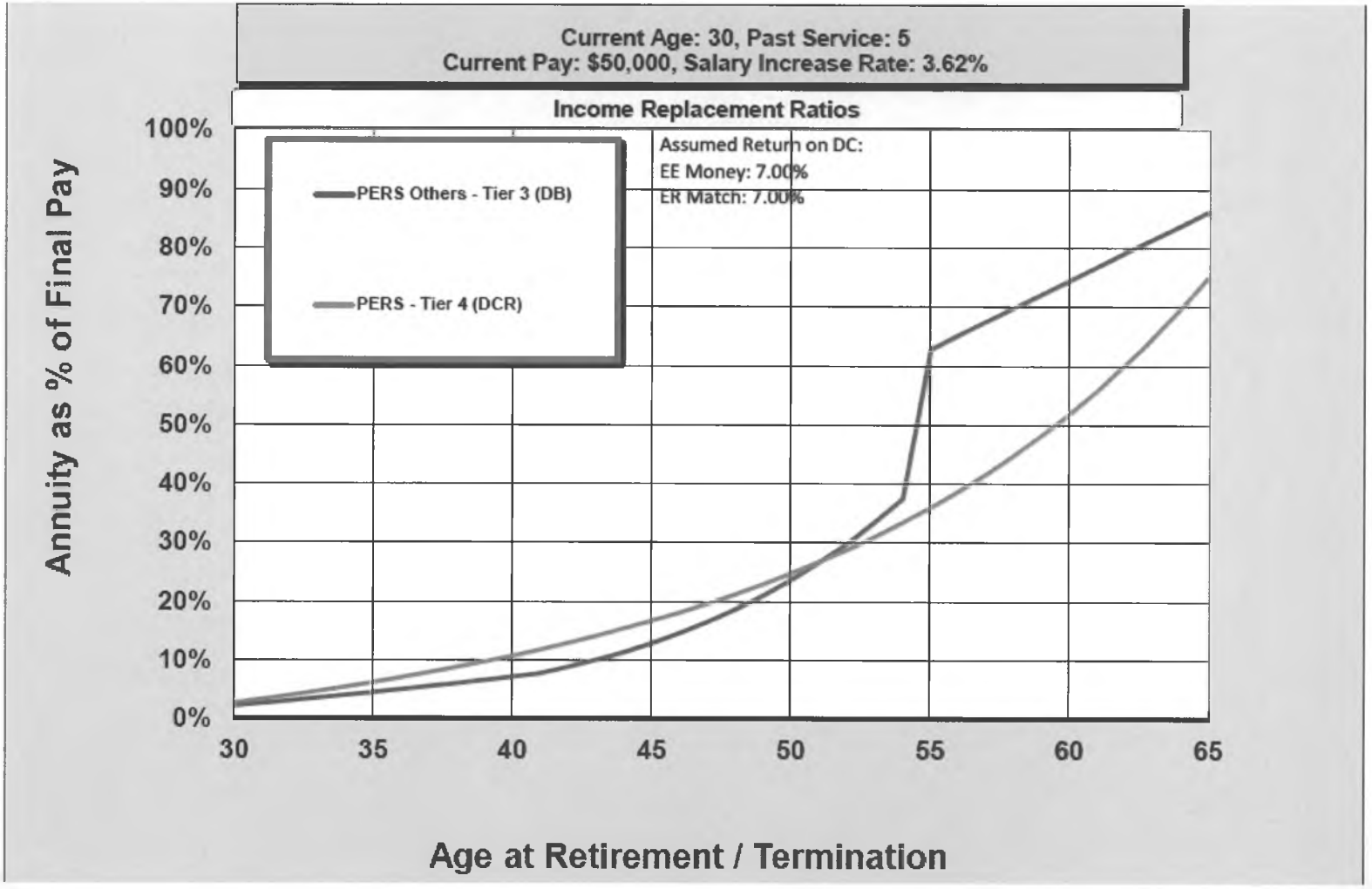
All Alaskans Benefit

- A choice of retirement plans gives states & cities the tools to recruit and retain.
  - They can deliver the best value for public dollars.
- The national employment situation is improving.
  - How does Alaska remain competitive?
  - Keeping good employees and attracting better.
- Economic impact of Defined Benefit pensions – total economic impact to Alaska of $1.4 billion.

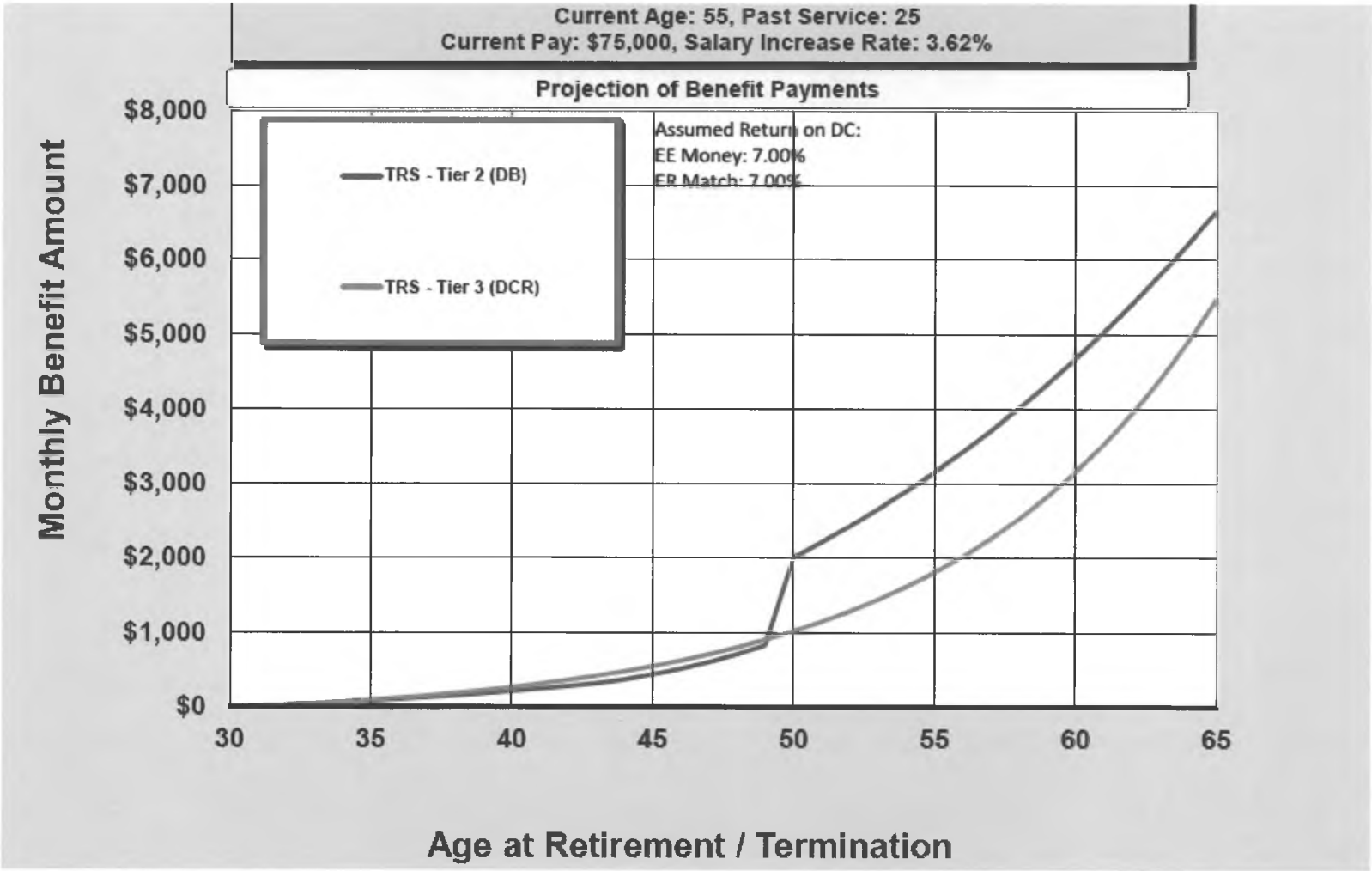
A balanced approach

- Each system has strengths:
  - Defined benefits means knowing how much you'll have
    - But you can't strike it rich
    - And it takes a long time to earn
  - Controlling your investments lets you 'beat the street'
    - And you can take it with you when you leave
    - But there are no guarantees

Two PERS employees:



Two TRS Employees:



What Stays the Same?

- The Defined Contribution systems do not change.
- The 2005 safeguards remain in place
- DB pension benefits
- Health plan coverage.

What's different?

- Most employees pay more into the new tier
- It takes longer to earn retiree health insurance
  - Medicare eligibility for most
  - Cost sharing
  - Risk Sharing
- DB retirement eligibility similar to DC tiers.
- DC employees get one chance to switch.

A responsible approach

- SB 121's new tier adjusts so it doesn't cost more than DC tiers
- SB 121 takes longer to earn retiree health insurance
  - Eliminates the most expensive years for most retirees
  - Shares the cost
  - Shares the risk until the employee retires
- Conversions to the new tier at employee's option – and cost.
- All the 2005 safeguards remain:
  - Review by a second actuary
  - Minimum salaries for elected officials
  - Experience studies
  - ARM Board
  - No paying less than the cost
  - Refunding DB contributions is permanent

More for Alaskans' Money

- Professional managers earn more
- No added costs – we're already running two systems
- $762 million/year in DB benefits are a shock absorber for the Alaska economy
- Employees who prefer portability and control have a choice
- Cities, school districts, and the state have excellent recruiting tools

Cost Neutral

State of Alaska
Summary of Normal Costs for New Tier Members under CS SB 121 R2 DB/DC Choice Proposal
($ in thousands)

Teachers' Retirement System

	Headcount	Salary	Employer Pension Normal Cost	Healthcare Normal Cost	Increase in Retiree Premium	Total Employer Normal Cost	Employer Pension Normal Cost Rate	Healthcare Normal Cost Rate (% of Pay)	Inc. Retiree Premium (% of Pay)	Employer Healthcare Normal Cost Rate	Healthcare Normal Cost Rate (permanent	Employer DCR Contribution Pension Rate	Employer DCR Contribution Pension Amount	Employer DCR Contribution Healthcare Rate	Employer DCR Contribution Healthcare Amount	Employer DCR Contribution Total Amount	DB to DCR Cost Difference	Pension Cost Difference	Healthcare Cost Difference
FY16	2,315	$132,647	$3,456	$7,773	$0	$11,206	2.64%	5.45%	0.00%	5.45%	$3.83	7.02%	$9,315	3.46%	$4,591	$13,906	($1,451)	($859)	($592)
FY17	2,353	162,378	4,335	10,642	2	15,482	2.64%	6.33%	0.00%	6.55%	4.07	7.02%	11,401	3.46%	5,614	17,015	(1,810)	(1,176)	(634)
FY18	2,391	206,281	5,234	14,154	2	19,585	2.64%	6.33%	0.00%	6.55%	4.36	7.02%	14,356	3.46%	7,157	21,513	(1,928)	(1,532)	(397)
FY19	2,425	249,242	7,244	17,575	2	24,819	2.64%	7.05%	0.00%	7.05%	4.58	7.02%	17,365	3.46%	8,657	26,023	(1,204)	(1,018)	(187)
FY20	2,457	291,335	9,332	20,657	2	29,991	2.64%	7.09%	0.00%	7.09%	4.80	7.02%	20,459	3.46%	10,190	30,649	(658)	(1,147)	490
FY21	2,488	336,835	9,570	24,013	2	33,583	2.64%	7.13%	0.00%	7.13%	5.02	7.02%	23,656	3.46%	11,790	35,446	(1,863)	(1,414)	(449)
FY22	2,516	386,225	12,668	27,611	2	38,281	2.64%	7.15%	0.00%	7.15%	5.30	7.02%	27,107	3.46%	13,502	40,609	(2,328)	(1,544)	(784)
FY23	2,537	431,331	12,954	31,523	2	44,479	2.64%	7.31%	0.00%	7.31%	5.60	7.02%	30,286	3.46%	15,077	45,363	(918)	(1,212)	294
FY24	2,557	481,230	13,661	35,031	2	48,692	2.64%	7.45%	0.00%	7.45%	5.86	7.02%	33,772	3.46%	16,736	50,508	(966)	(1,011)	45
FY25	2,482	531,225	15,067	40,103	2	55,170	2.64%	7.55%	0.00%	7.55%	6.19	7.02%	37,286	3.46%	18,640	55,926	(519)	(1,244)	725
FY26	2,537	582,735	15,650	44,612	54	60,316	2.64%	7.65%	0.21%	7.65%	6.55	7.02%	40,797	3.46%	20,307	61,104	0	(1,341)	1,341
FY27	2,574	636,237	16,040	49,455	97	65,594	2.64%	7.79%	0.36%	7.65%	6.90	7.02%	44,486	3.46%	22,139	66,624	0	(1,425)	1,425
FY28	2,612	690,211	16,668	54,712	2,237	73,617	2.64%	7.85%	2.20%	7.65%	7.31	7.02%	48,391	3.46%	24,046	72,437	0	(1,180)	1,180
FY29	2,650	745,930	21,106	60,533	3,419	78,203	2.64%	8.11%	2.40%	7.65%	7.76	7.02%	52,312	3.46%	25,991	78,303	0	(100)	100
FY30	2,688	799,785	22,713	66,048	4,533	85,295	2.64%	8.23%	2.31%	7.65%	8.17	7.02%	56,303	3.46%	27,972	84,275	0	(1,020)	1,020
FY31	2,726	856,991	24,536	72,551	6,510	93,597	2.64%	8.44%	2.29%	7.65%	8.66	7.02%	59,902	3.46%	29,765	89,667	0	(1,930)	1,930
FY32	2,803	914,224	25,964	79,257	9,319	96,553	2.64%	8.67%	1.22%	7.65%	9.21	7.02%	63,996	3.46%	31,806	95,802	0	(2,753)	2,753
FY33	2,883	972,221	27,614	86,577	12,195	101,986	2.64%	8.83%	1.25%	7.65%	9.80	7.02%	68,092	3.46%	33,904	101,996	0	(10,443)	10,443
FY34	2,965	1,031,261	29,292	99,153	15,262	113,708	2.64%	9.13%	1.48%	7.65%	10.41	7.02%	72,297	3.46%	35,936	108,232	0	(14,525)	14,525
FY35	2,965	1,031,261	29,292	101,816	18,318	119,426	2.64%	9.33%	1.78%	7.65%	11.21	7.02%	72,297	3.46%	35,936	108,232	0	(11,194)	11,194
FY36	2,965	1,031,261	29,292	101,816	18,318	119,426	2.64%	9.33%	1.78%	7.65%	11.21	7.02%	72,297	3.46%	35,936	108,232	0	(11,194)	11,194
FY37	2,965	1,031,261	29,292	101,816	18,318	119,426	2.64%	9.33%	1.78%	7.65%	11.21	7.02%	72,297	3.46%	35,936	108,232	0	(11,194)	11,194
FY38	2,965	1,031,261	29,292	101,816	18,318	119,426	2.64%	9.33%	1.78%	7.65%	11.21	7.02%	72,297	3.46%	35,936	108,232	0	(11,194)	11,194
FY39	2,965	1,031,261	29,292	101,816	18,318	119,426	2.64%	9.33%	1.78%	7.65%	11.21	7.02%	72,297	3.46%	35,936	108,232	0	(11,194)	11,194
FY40	2,965	1,031,261	29,292	101,816	18,318	119,426	2.64%	9.33%	1.78%	7.65%	11.21	7.02%	72,297	3.46%	35,936	108,232	0	(11,194)	11,194
FY41	2,965	1,031,261	29,292	101,816	18,318	119,426	2.64%	9.33%	1.78%	7.65%	11.21	7.02%	72,297	3.46%	35,936	108,232	0	(11,194)	11,194
FY42	2,965	1,031,261	29,292	101,816	18,318	119,426	2.64%	9.33%	1.78%	7.65%	11.21	7.02%	72,297	3.46%	35,936	108,232	0	(11,194)	11,194
FY43	2,965	1,031,261	29,292	101,816	18,318	119,426	2.64%	9.33%	1.78%	7.65%	11.21	7.02%	72,297	3.46%	35,936	108,232	0	(11,194)	11,194
FY44	2,965	1,031,261	29,292	101,816	18,318	119,426	2.64%	9.33%	1.78%	7.65%	11.21	7.02%	72,297	3.46%	35,936	108,232	0	(11,194)	11,194

SB 121: Good for Alaska

- I'm happy to take questions

SENATE FINANCE COMMITTEE REPORT

DATE: 3/16/12

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered CS FOR HOUSE BILL NO. 284(FIN)

HB 284-APPROP: OPERATING BUDGET/LOANS/FUNDS

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs, capitalizing funds, amending appropriations, and making reappropriations; and providing for an effective date."

and recommends:

[ ] be **replaced** with **SCS** CS HB 284 (FIN) [✓] *Same Title* [ ] *Technical Title Change*
[ ] *New Title/SCR No.*_____

[ ] adopt **previous SCS** _____ (_____) [ ] *Same Title* [ ] *Technical Title Change*
[ ] *New Title/SCR No.*_____

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	**Fiscal**	**Indet.**	**Zero**	**FN #**

PREVIOUS FISCAL NOTE(S)				
Dept.	**Fiscal**	**Indet.**	**Zero**	**FN #**

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	EGAN	✓			
	OLSON	✓			
	ELLIS	✓			
CO-CHAIR:	Stedman	—			
CO-CHAIR:	Hoffman	✓			

SENATE FINANCE COMMITTEE REPORT

DATE: 3/16/12

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered CS FOR HOUSE BILL NO. 285(FIN)

HB 285-APPROP: MENTAL HEALTH BUDGET

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

and recommends:

[ ] be **replaced** with **SCS** CS HB 285 (FIN) [✓] *Same Title* [ ] *Technical Title Change* [ ] *New Title/SCR No.*_____

[ ] adopt **previous SCS** _____ (_____) [ ] *Same Title* [ ] *Technical Title Change* [ ] *New Title/SCR No.*_____

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

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	Thomas	✓			
	Egan	✓			
	Olson	✓			
	Ellis	✓			
CO-CHAIR:	Stedman	✓			
CO-CHAIR:	Hoffman	✓			

Alaska Department of Administration

SB 121: Making Promises And Keeping Pro

Senate Finance

Mike Barnhill, Deputy Commissioner

March 30, 2012

Making DB Promises

- Defined Benefit Plan Promises
  - Pension up to 67% of average salary
  - Annual cost of living increases
  - System-paid medical premiums
- Membership: 95,667

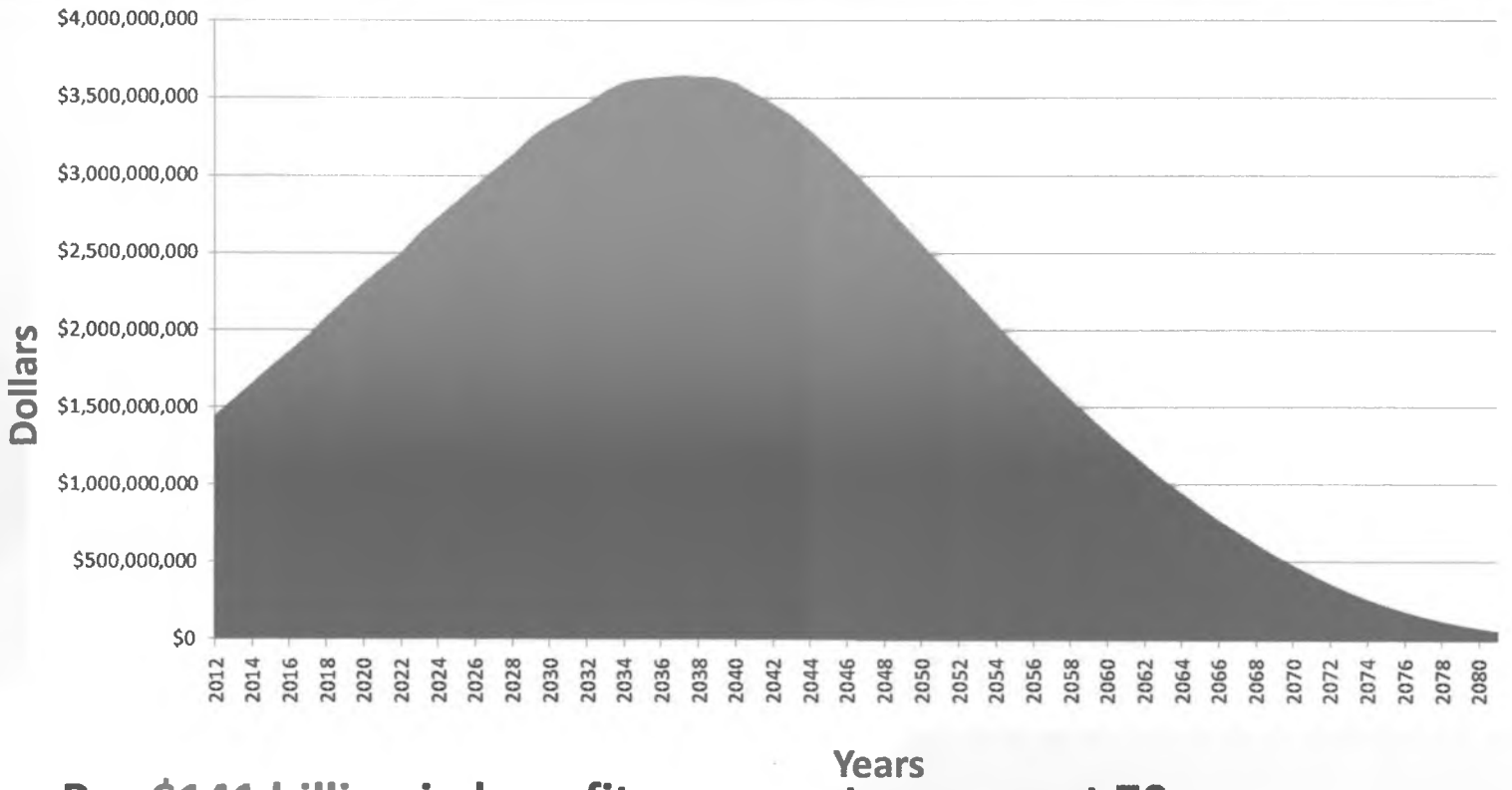
PERS	TRS
Tier I: 29,832	Tier I: 12,124
Tier II: 16,738	Tier II: 9,771
Tier III: 27,202	

Current DB Promises Must be Kept

- "Accrued benefits of these [retirement] systems shall not be diminished or impaired." Alaska Constitution, Article XII, Section 7

- Benefit payments –
  -at least $1 billion per year from now until 2063
  -$3 billion per year from 2027-2046

Cost of keeping existing PERS and TRS promises



Pay $141 billion in benefits payments over next 70 years

Current PERS/TRS account balance: $15.4 billion

Unfunded Liability: $11.1 billion

How Long Will We Keep DB Promises?

At least through 2080…probably longer…

02/10/2012

U.S. Government Still Pays Two Civil War Pensions

By LAUREN FOX

Despite the fact that the Civil War ended April 9, 1865 (53,630 days ago, for reference), the government is still paying out veterans' pensions.

Records from the Department of Veterans' Affairs show that two children of Civil War veterans, as of September, are receiving pensions from their fathers' service.

The Civil War ended 147 years ago….

Lessons Learned: DB Pensions Need Revenue Backstops

- Alaska's experience from the 2000s
- Unfunded liabilities arise for a variety of reasons, negligent and non-negligent
  - Rising medical costs
  - Longer life spans
  - Actuarial negligence
  - Investment loss
- When unfunded liabilities have developed in the Alaska, by and large the GF has provided the solution

Breaking Promises

- Retirement promises have been broken elsewhere
- Private employer retirement plan defaults prompted federal passage of ERISA in 1974
- Current threat of public pension defaults across the country (Jefferson County, AL; Vallejo, CA; Central Falls, RI; Harrisburg, PA)
- Some states have broken promises and cut benefits to retirees
- Alaska has moral and constitutional obligation to keep its promises

Reduced Post-Retirement Benefit Increases Enacted in 2010 and 2011 (NCSL)



Pension Headlines

California Pension May Lower Assumed Return for First Time Since Recession
Bloomberg, March 6, 2012

States Facing 'Sleeping Cancer' in 96% Unfunded Retiree Benefits
Bloomberg, March 6, 2012

Pension Benefit Costs Cut by Record 43 States, Study Says
Bloomberg, March 14, 2012

STATE AND LOCAL GOVERNMENT PENSION PLANS
Economic Downturn Spurs Efforts to Address Costs and Sustainability
GAO Report, March 2012

EDITORIAL: State pensions in the red
Public employee retirement system crisis continues to worsen
The Washington Times March 1, 2012

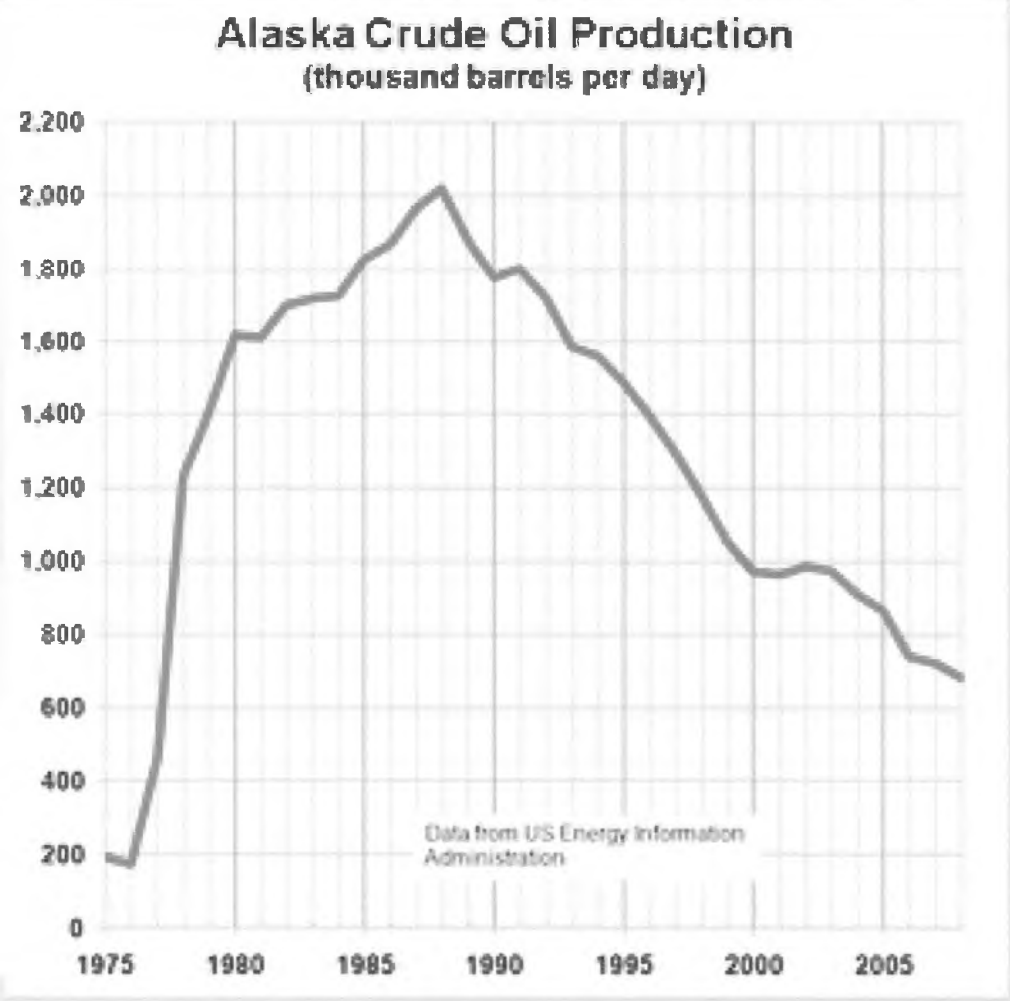
Falling short
People in rich countries are living longer. Without big reforms they will not be able to retire in comfort
Special Report, Economist, Apr 7th 2011

Federal benefits, pensions explode; Retirement plans almost as costly as Social Security
USA TODAY, September 29, 2011

SB 121: Making New DB Promises

- SB 121 makes new DB retirement promises to the next generation of state employees
- The State will need to keep those promises until at least 2080-2090
- $3 billion in current annual DB payment obligations will extend beyond 2047
- Where is the GF income in the future to backstop these new DB retirement promises in 2070, 2080, 2090….?

What is the Long-Term Future of GF Revenues?



Can we make new promises that retirees and their families will be able to rely on in 2060-2090?

Will SB 121 Save Money?

- SB 121 will cost employers the same or less than the current DCR plan if all of the ARMB-adopted actuarial assumptions remain true indefinitely
  - Inflation
  - Mortality
  - Retirement date
  - Investment return

PERS / TRS Annualized Returns

Annualized Returns through 6/30/2011	PERS	TRS	Average
1 Year	21.18%	21.36%	21.27%
3 Year	2.36%	2.41%	2.39%
5 Year	4.32%	4.36%	4.34%
10 Year	5.43%	5.46%	5.44%

Source: Callan Associates

What is the appropriate rate of return?

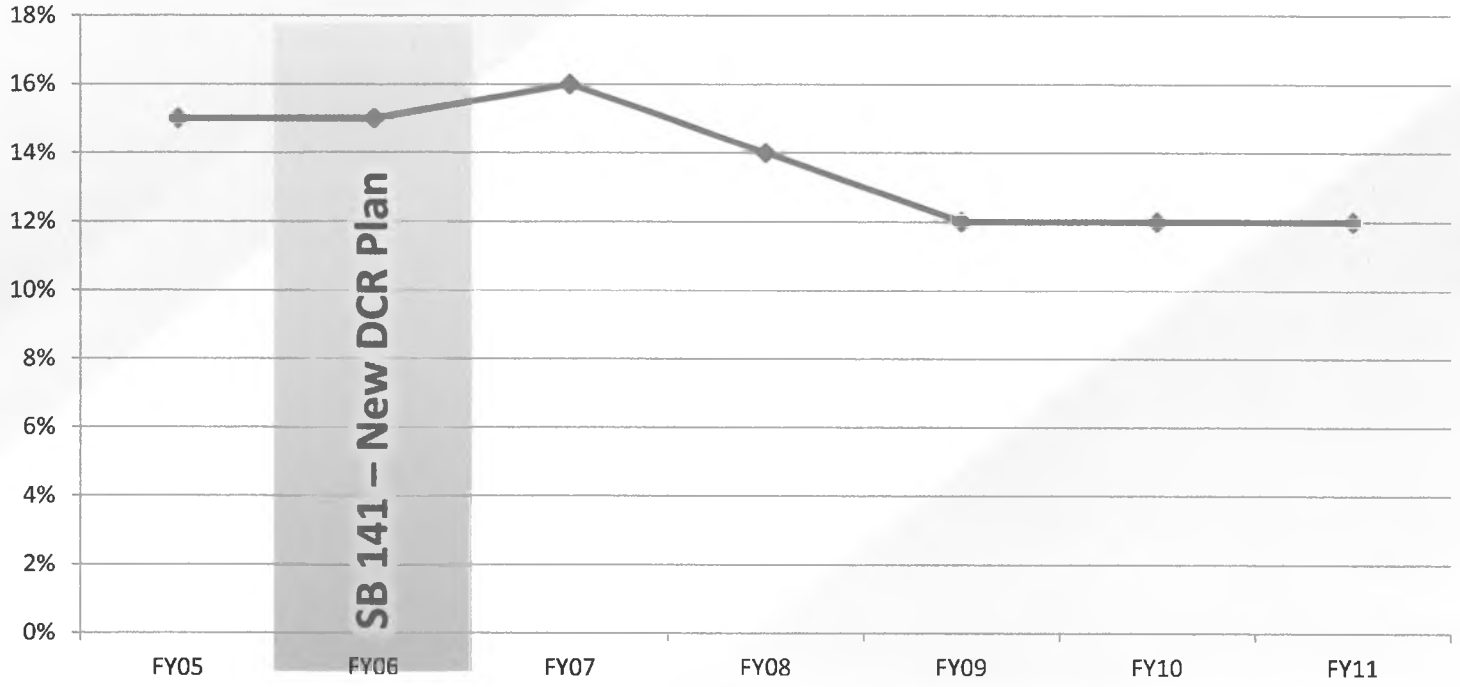
- ARM Board: 8.0 %
- CalPERS: 7.5 %
- Fitch: 7.0%
- Prof. Josh Rauh: 4.0%

  (default-free government bond yield)

- Senate Finance ??

Impact of DCR Plan on Retention?

Executive Branch – Separation Total



Source: http://doa.alaska.gov/dop/resources/publications/

Retirement security is important

Defined Contribution Retirement (DCR) Contributions...

	Employee	Employer
DCR Contributions	5%	8%
SBS Contributions	6.13%	6.13%
Total Contributions	11.13%	14.13%

25.26% of payroll for State of Alaska employees goes to individual retirement accounts

Administration Position re SB 121

- Keep the retirement promises we have made to date
- Don't make the problem worse
- Don't make new DB retirement promises that we are not sure we can keep
- A revenue backstop is necessary to ensure new promises are kept; until Alaska's long term fiscal situation is solved this discussion is premature

SB 121 Actuarial Fiscal Note Timeline

AS 24.08.036:

Before a bill which would have an effect on the retirement systems of the state is reported to the rules committee, there shall be attached to the bill an analysis of the long-term and short-term costs to the state if the bill is adopted, as well as the impact of the bill on the actuarial soundness of the fund. The analysis is in addition to the fiscal note requirements of AS 24.08.035.

04/07/2011: SB 121 introduced (version I)

04/14/2011: Hearing Senate State Affairs

04/17/2011: Regular session adjourns

08/04/2011: Governor's legislative office transmits actuarial fiscal note (version I) to sponsor and Senate State Affairs

09/07/2011: Kiehl asks DRB whether actuary (Buck) correctly understands bill

09/15/2011: Hearing Senate State Affairs; DOA acknowledges actuarial fiscal note in error

10/07/2011: DOA transmits revised actuarial fiscal note (version I) to sponsor and Senate State Affairs

10/13/2011: Hearing in Senate State Affairs; revised actuarial fiscal note discussed; actuary explains why the actuarial note is positive; DOA agrees to make actuary available to achieve neutral actuarial note

01/26/2012: Hearing in Senate State Affairs; version R. introduced

02/07/2012: DOA provides Buck 30 year actuarial analysis on version R to sponsor and Senate State Affairs; analysis shows that note will remain positive; DOA offers to refrain from filing a second positive fiscal note pending amendment to version R.

02/9/2012: Hearing in Senate State Affairs; amendment R.2 introduced

02/16/2012: Hearing in Senate State Affairs; version R, amended, moved from committee

03/09/2012: Governor's legislative office transmits indeterminate actuarial fiscal note (version R, amended) to sponsor and Senate Finance

Thank you!

www.DOA.alaska.gov for more information.

Questions?

Major Changes in SB 121

Substantive changes in Sen. L&C "U" version:

- The changes in the bill take effect 7/1/2013
- All employees in the new tier contribute eight percent of pay to the system.
- Employees currently in the DC plan who convert are not automatically entitled to credit for all the time they've worked:
    - The actuarial 'time value' of the DC account will be credited automatically.
    - The employee may choose to create an indebtedness to make up any shortage, up to the actual years of service.
- Retirees in the new Defined Benefit tiers will pay a share of medical insurance premiums. These initially follow the same schedule as DC retirees:
    - If the retiree is eligible for Medicare, the retiree pays:
        - 30 percent with 10-15 years of service
        - 25 percent with 15-20 years of service
        - 20 percent with 20-25 years of service
        - 15 percent with 25-30 years of service
        - 10 percent with 30 or more years of service
    - If a teacher, peace officer, or firefighter works 25 years or more, the retiree pays the percentages above, even if not eligible for Medicare.
    - If a PERS employee who is not a peace officer or firefighter works 30 years or more, the retiree pays 10 percent of the premium even if not yet eligible for Medicare.
    - These percentages can be changed by the actuary until the date an individual retires. The changes will be made in five year blocks to keep the cost of prefunding the system no greater than the DC system.

Technical and mechanical changes:

- The title is more descriptive of the bill.
- When an employee converts from one plan to another, the change is retroactive to the date of hire. (This does not change the service credit provisions in the bill.)
- Time limits for several irrevocable choices were changed from 60 to 90 days.
- Language was clarified to ensure survivors of Defined Benefit employees' survivors are eligible for survivor benefits.
- References to the Alaska Retirement Management Board transferring funds and adopting regulations were changed to the administrator (Department of Administration) to reflect current practice.
- Language requiring individual accounts to be transferred with "interest" was changed to "with investment earnings and losses" to avoid confusion with statutory interest rates under other retirement statutes.

Alaska Division of Retirement and Benefits

Teachers' Retirement System (TRS) Plan Comparison Chart

Feature	Tier I July 1, 1955 – June 30, 1990	Tier II Entered on or after July 1, 1990	Tier III Entered on or after July 1, 2006
Employee Contribution	Pre-tax employee contribution: 8.65% beginning 1/1/91	Pre-tax employee contribution: 8.65% beginning 1/1/91	Pre-tax employee contribution: 8% Employee may make additional contributions.
Employer Contribution	Determined by annual actuarial valuation.	Determined by annual actuarial valuation.	7% - DC account 1.75% Health Plan - determined by annual actuarial valuation after FY07. HRA - Flat dollar amount per employee based on 3% of the employer's average annual employee compensation.
Vesting	Members vest with 8 years of service.	Members vest with 8 years of service.	100% vested in employee contributions from inception. Vested in employer contributions based on the following schedule: 25% after 2 years of service, 50% after 3 years, 75% after 4 years and 100% after five years.
Qualifications for Retirement	Normal retirement age is 55, with early retirement at age 50; teachers can retire at any age after 20 years of membership service.	Normal retirement age is 60, with early retirement at age 55; teachers can retire at any age after 20 years of membership service.	None for investment account. Taxes and penalties may apply if withdrawn before age 59 1/2. See requirements for Retirement Medical Coverage.
Benefit Calculation Formula	Benefit formula is 2% for the first 20 years **and all years of service prior to July 1, 1990,** 2.5% thereafter. Benefit calculation is determined on the average of the high three contract salaries.	Benefit formula is 2% for the first 20 years, 2.5% thereafter. Benefit calculation is determined on the average of the high three contract salaries.	DC account balance plus investment earnings.
Alaska Cost-of-living Increases (COLA)	An Alaska Cost-of-Living Allowance is payable to benefit recipients who remain domiciled in Alaska after retirement. The allowance is 10% of the base benefit.	An Alaska Cost-of-Living Allowance is payable to benefit recipients 65 or older or disability benefit recipients regardless of age who remain domiciled in Alaska after retirement. The allowance is 10% of the base benefit.	None provided.

More detailed information may be found on the Division website, www.state.ak.us/drb, *or in the TRS Information Handbook.*

Feature	Tier I July 1, 1955 – June 30, 1990	Tier II Entered on or after July 1, 1990	Tier III Entered on or after July 1, 2006
Post Retirement Pension Adjustments (PRPA) **(Inflation protection)**	PRPA increases granted on an ad hoc basis. If an ad hoc is not granted, tier I employees must be age 60 or over or receiving benefits for 8 years to qualify for the automatic PRPA. The automatic PRPA legislated in 1990 applied to all members regardless of hire date.	Automatic PRPA adjustments to disabled members, retirees 60 and over, and those who have received benefits for 8 years.	None provided.
Retirement Medical Coverage	Medical coverage is provided to all benefit recipients and their eligible dependents. The retiree medical plan premium is paid by the retirement system.	The retirement system pays the retiree medical plan premium for all disabilitants regardless of age, for retirees and survivors over age 60 and for retirees with at least 25 years of membership service. This coverage includes eligible dependents. Retirees and survivors under age 60, with less than 25 years of membership service must pay the full premium cost if they want coverage.	Access to medical coverage at Medicare eligible age with 10 years of service or at any age with 30 years of service. Must retire directly from the system. If not eligible for Medicare, must pay full premium. May use health reimbursement arrangement (HRA) account to pay premiums. Once the HRA is exhausted, member self- pays premiums. When eligible for Medicare, the percentage of premium paid by the retiree or surviving spouse is: 10-14 years of service - 30% 15-19 years - 25% 20-24 years - 20% 25-29 years - 15% 30 years or more - 10%
Disability Benefits	Disability benefits are 50% of base salary, plus 10% for each eligible dependent child up to a maximum of 4 children.	Disability benefits are 50% of base salary, plus 10% for each eligible dependent child up to a maximum of 4 children.	Must be a total and presumably permanent disability whose cause is directly related to performance of duties of the job or an on the job injury. Benefit is 40% of salary, earns service while on occupational disability. Employer continues to make all required contributions as if the member were working, plus the member's required contributions to the DC account, without deduction from the member's disability payment. Disability benefits cease when the member becomes eligible for normal retirement at Medicare eligible age and 10 years of service or at any age with 30 years of service. No medical insurance until eligible for normal retirement.

More detailed information may be found on the Division website, www.state.ak.us/drb, *or in the TRS Information Handbook.*

Accrued Liability by Tier

PERS-All Members

As of June 30, 2009 (in thousands)	Normal Cost	Accrued (Past Service) Liability	
Tier 1			
- Pension	$ 36,947	$ 6,704,610	
- Medical, Net of Part D Subsidy	35,713	4,336,451	
Combined			$ 11,041,061
Tier 2			
- Pension	45,918	2,012,438	
- Medical, Net of Part D Subsidy	22,512	1,464,647	
Combined			3,477,085
Tier 3			
- Pension	83,191	985,038	
- Medical, Net of Part D Subsidy	57,074	1,076,187	
Combined			2,061,225
Total	$ 281,355	$ 16,579,371	

Teachers' Retirement System

As of June 30, 2009 (in thousands)	Normal Cost	Accrued (Past Service) Liability	
Tier 1			
- Pension	$ 19,028	$ 4,487,063	
- Medical, Net of Part D Subsidy	5,564	1,719,303	
Combined			$ 6,206,366
Tier 2			
- Pension	48,317	976,924	
- Medical, Net of Part D Subsidy	22,606	664,224	
Combined			1,641,148
Total	$ 95,515	$ 7,847,514	

Active Count and Average Salary for Upcoming Year

PERS P/F	Tier 3	Tier 4
Count	1,493	650
Avg Salary	81,326	64,311

PERS Others	Tier 3	Tier 4
Count	12,838	8,582
Avg Salary	56,355	48,160

TRS	Tier 2	Tier 3
Count	6,068	2,246
Avg Salary	72,374	56,331

Based on data used for the June 30, 2010 valuation.

Summary of Counts by Tier for Active and Inactive Members

All information is as of June 30, 2009

PERS	Tier 1	Tier 2	Tier 3	Total
Actives	5,381	7,327	14,857	27,565
Terminated Vested	1,848	3,126	1,592	6,566
Terminated Non Vested	1,667	2,781	10,178	14,626
Retirees	20,936	3,504	575	25,015

TRS	Tier 1	Tier 2	Total
Actives	1,941	6,285	8,226
Terminated Vested	270	614	884
Terminated Non Vested	173	2,357	2,530
Retirees	9,740	515	10,255

ALASKA

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Pensionomics:

Measuring the Economic Impact of State and Local Pension Plans

Key Findings

Benefits paid by state and local pension plans support a significant amount of economic activity in the state of Alaska.

Pension benefits received by retirees are spent in the local community. This spending ripples through the economy, as one person's spending becomes another person's income, creating a *multiplier effect*.

Expenditures stemming from state and local pensions supported...

- 6,270 jobs that paid $385.2 million in wages and salaries
- $1.0 billion in total economic output
- $155.5 million in federal, state, and local tax revenues

... in the state of Alaska

Each dollar paid out in pension benefits supported $1.25 in total economic activity in Alaska.

Each dollar "invested" by Alaska taxpayers in these plans supported $6.35 in total economic activity in the state.

Overview

Expenditures made by retirees of state and local government provide a steady economic stimulus to Alaska communities and the state economy. In 2006, 34,962 residents of Alaska received a total of $819.50 million in pension benefits from state and local pension plans, with $808.64 million paid from plans within the state and the remainder originating from plans in other states.

The average pension benefit received was $1,953 per month or $23,440 per year. These modest benefits provide retired teachers, public safety personnel and others who served the public during their working careers income to meet basic needs in retirement.

Impact on Jobs and Incomes

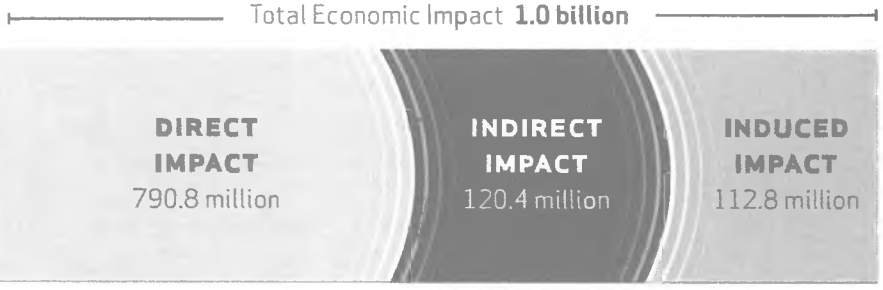
Retiree expenditures stemming from state and local pension plan benefits supported 6,270 jobs in the state. The total income to state residents supported by pension expenditures was $385.2 million.

Of this, the greatest share, $188.0 million, was comprised of employee compensation (wages and salaries). Proprietors' income (self-employment income) represented $33.6 million, and other property income (including payments from interest, rent, royalties, profits and dividends) totaled $163.6 million.

Economic Impact

State and local pension funds in Alaska and other states paid a total of $819.50 million in benefits to Alaska residents in 2006. Retirees' expenditures from these benefits supported a total of $1.0 billion in total economic output in the state, and $430.7 million in value added in the state.

$790.8 million in direct economic impacts were supported by retirees' expenditures on goods and services from businesses in the state. An additional $120.4 million in indirect economic impact resulted when these businesses purchased additional goods and services, generating additional income in the local economy. $112.8 million in induced impacts occurred when employees hired by businesses as a result of the direct and indirect impacts made expenditures, supporting even more additional income.



For more information on the data and methodology used for these estimates, please refer to *Pensionomics: Measuring the Economic Impact of State and Local Pension Plans* National Institute on Retirement Security: Washington DC. February 2009. www.nirsonline.org

Economic Multipliers

Taxpayer Contribution Factor*



$1.00
contributed by Alaska taxpayers to state and local pensions



$6.35
total economic activity

Each $1 in taxpayer contributions to Alaska's state and local pension plans supported $6.35 in total output in the state. This reflects the fact that taxpayer contributions are a minor source of financing for retirement benefits - investment earnings and employee contributions finance the lion's share.

Pension Benefit Multiplier



$1.00
pension benefits paid to retirees in Alaska



$1.25
total economic activity

Each $1 in state and local pension benefits paid to Alaska residents ultimately supported $1.25 in total output in the state. This "multiplier" incorporates the direct, indirect, and induced impacts of retiree spending, as it ripples through the state economy.

* Caution should be used in interpreting this number, because the Census data used reflect the taxable status of contributions only; because employee contributions may be reported as taxpayer contributions, the multiplier here may be underestimated.

Impact on Tax Revenues

State and local pension payments made to Alaska residents supported a total of $155.5 million in revenue to federal, state and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled $28.7 million. Taxes attributable to direct, indirect and induced expenditures accounted for $126.8 million in tax revenue.

Federal Tax	87.5 million
State/Local Tax	67.8 million
Other Corporate Taxes	0.2 million
Total	**$155.5 million**

Economic Impacts by Industry Sector

The economic impact of state and local pension benefits was broadly felt across various industry sectors in the state. The ten industry sectors with the largest employment impacts are presented in the table below.

Industry	Employment Impact (# Jobs)	Value Added Impact ($ millions)	Income Impact ($ millions)	Output Impact ($ millions)
Health Care and Social Assistance	1,354	$75.0	$74.2	$119.1
Retail Trade	1,331	64.4	50.9	97.0
Accommodation and Food Services	839	26.7	23.8	50.0
Other Services (Except Public Administration)	479	14.2	13.3	27.1
Real Estate and Rental and Leasing	452	33.8	28.2	50.8
Professional, Scientific, and Technical Services	229	11.8	11.5	23.2
Arts, Entertainment, and Recreation	229	6.2	5.6	10.8
Finance and Insurance	227	24.2	23.3	43.9
Public Administration	196	10.1	10.1	20.7
Transportation and Warehousing	187	11.4	10.8	22.0

National Conference on Public Employee Retirement Systems

NCPERS Research Series

May 2007



The Top Ten Advantages of Maintaining Defined Benefit Pensions

Legislation has been proposed in several states to replace state and local government defined benefit (DB) retirement plans with defined contribution (DC) plans. At issue is not whether state and local employees should have access to DC plans—many already do in conjunction with their DB plans or else through supplemental DC-type plans, which play a useful role in providing additional tax-deferred retirement savings.[1] Rather the issue is whether defined benefit plans should be eliminated and replaced with defined contribution plans.

While recognizing that DC plans are useful in providing supplemental retirement benefits, this paper discusses the advantages of maintaining state and local DB plans and argues against replacing them with DC plans. Eliminating the DB plan and switching to a DC plan is likely to be a lose-lose situation for governments, their employees, and taxpayers for many reasons. After briefly describing how DB and DC plans work, this paper will discuss the following 10 advantages of retaining DB plans:

- Retaining a DB plan is likely to cost state and local governments less over the short term. The long-term cost savings of switching to a DC plan are uncertain at best.
- Almost all state and local DB plans provide disability and survivor benefits as well as retirement income. Switching to a DC plan would require employers to obtain these benefits from another source, likely at a higher cost.
- DB plans enhance the ability of state and local governments to attract qualified employees and retain them throughout their careers. Switching to a DC plan would limit this ability, possibly producing or exacerbating labor shortages in key service areas by increasing employee turnover rates. Higher turnover rates result in increased training costs and lower levels of productivity that can, in turn, result in the need for a larger total workforce.

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How DC Plans Work 5

Advantages 6

Conclusion 14

Illustration by James Endicott © images.com

[1] Examples of DC-type plans available to state and local employees include governmental deferred compensation plans (also known as "457 plans") and 403(b) annuities. In addition, some state and local employees are also covered by 401(k) plans, if the plans were established before May 6, 1986. As reported by the Nationwide Retirement Education Institute in their 2004 report *America's Retirement Voice: Public Sector Retirement Yesterday, Today, and Tomorrow*, governmental 457 plans are in place for most large and mid-size cities and counties and all 50 states, covering approximately 3 million participants. According to a 2006 survey by the National Association of Government Defined Contribution Administrators (NAGDCA), 7.4 million governmental employees are eligible to participate in some form of defined contribution plan. This represents about half of current state and local government employees.

National Conference on Public Employee Retirement Systems

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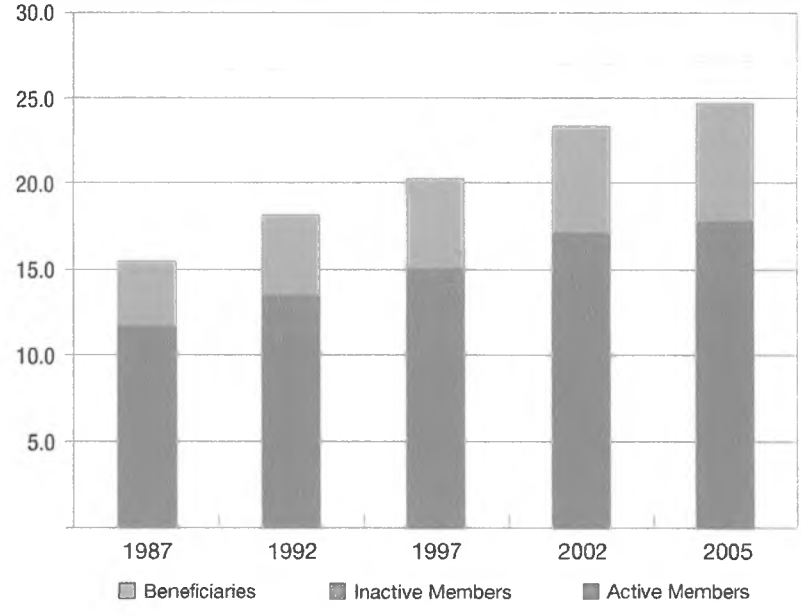
- DB plans help state and local governments manage their labor force by providing flexible incentives that encourage employees to work longer or retire earlier, depending on the circumstances. Switching to a DC plan would limit this flexibility and make these incentives more expensive for the employer.
- By pooling risk over a relatively large number of participants, DB plans lower the overall risk do to investment losses and participants outliving retirement benifits. Switching to a DC plan would require each individual to bear these risks alone, consequently requiring higher contributions than if the risks were pooled.
- DB plans earn higher investment returns and pay lower investment management fees, on average, than DC plans. Switching to a DC plan is likely to lower investment earnings used to finance retirement benefits and increase management costs, to the detriment of plan participants.
- DB plan investment earnings reduce future employer contributions. Switching to a DC plan would prevent state and local governments from reducing employer contributions through investment earnings, which currently fund over two-thirds of public retirement benefits.
- DB plans provide secure retirement benefits based on a person's salary and period of service. Switching to a DC plan is likely to result in lower and less secure retirement benefits for many long-term governmental employees, including firefighters, police officers, and teachers, who constitute over half of state and local government workers.[2] State and local employees who are without Social Security coverage would be put at even greater risk.
- DB plans help sustain state and local economies by providing adequate and steady retirement benefits for a significant portion of the workforce. Switching to a DC plan may slow state and local economies, since a large number of retirees would likely receive lower retirement benefits.
- DB plans provide benefits that help ensure an adequate standard of living throughout retirement. Switching to a DC plan likely would result in pressure on state and local governments to augment DC plan benefits and require increased financial assistance for retirees.

Background

State and local government retirement plans in the United States cover 14.1 million active employees (about 10 percent of the U.S. labor force) and 6.9 million retirees,[3] including teachers, police officers, firefighters, legislators, judges, and general employees. Ninety percent of state and local governmental employees are covered by defined benefit retirement plans.[4] Approximately 25 percent are not covered by Social Security, including close to half of public school teachers and about 70 percent of police officers and firefighters. State and local retirement plans paid annual benefits of $141 billion in 2005, averaging about $20,400 per retiree.[5] As of December 31, 2006, state and local plans had accumulated $3 trillion in assets, which were invested in a broadly diversified mix of equity and fixed-income securities.[6]

[2] U.S. Census Bureau, *Statistical Abstract of the United States 2004-2005* (Washington, DC: U.S. Government Printing Office, 2004), Table No. 454. Teachers, school employees, police officers, and firefighters constitute approximately 60 percent of state and local government employees.
[3] U.S. Census Bureau, *State and Local Government Employee-Retirement Systems*, Fiscal Year 2005, Table 5a. In addition to active employees and retirees, state and local plans also cover 3.8 million inactive members who are eligible for retirement benefits upon reaching retirement age. (www.census.gov/govs/www/retire05.html)
[4] U.S. Bureau of Labor Statistics, *Employee Benefits in State and Local Governments, 1998*. (Washington, DC: U.S. Government Printing Office, 2000), p. 5.
[5] U.S. Census Bureau, *State and Local Government Employee-Retirement Systems*, Fiscal Year 2005, Table 1. Average benefit calculated by the author and rounded to the nearest hundred dollars.
[6] Board of Governors of the Federal Reserve System, *Flow of Funds Accounts of the United States: Flows and Outstandings, Fourth Quarter 2006*, Table L-119. (www.federalreserve.gov/releases/z1/current/z1.pdf)

Chart I: Participants in State and Local Government DB Plans



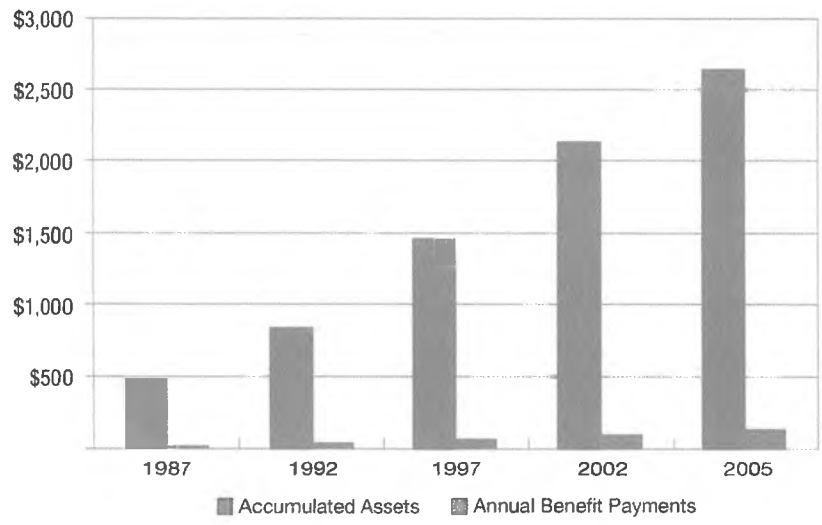
Source: U.S. Census Bureau, State and Local Government Employee-Retirement Systems, annual

Since the mid-1990s, legislation has been proposed in several states to replace state and local DB plans with DC plans. The pace of these proposals increased from 2003 through 2006, partly due to equity market downturns in 2000 through 2002 that resulted in increased contribution rates for many DB plans, both public and private. Proponents of the change argue that switching to a DC plan would lower the government's cost of providing retirement benefits, thereby reducing state and local taxes. They also argue that DC plans would benefit public employees by giving them higher benefits through DC plan investment earnings and by making it easier for employees to take their benefits with them when they change jobs.

As this paper shows, it is likely that switching to a DC plan would increase retirement costs over the short-term and possibly over the long-term as well. In addition, recent studies indicate that retirement benefits provided though DC plans are, on average, significantly lower than those provided through DB plans. Moreover, while DC plans are useful for providing supplemental, tax-deferred retirement savings, replacing DB plans with DC plans could cause severe, unintended consequences:

- Governments could lose a valuable tool for attracting and retaining qualified employees;
- Public employees could lose a significant amount of retirement income, potentially affecting state and local economies; and
- Legislators could face additional pressure to increase DC retirement benefits and provide additional financial assistance for public-sector retirees.

Chart 2: Accumulated Assets and Annual Benefit Payments of State and Local Government DB Plans



Source: U.S. Census Bureau, State and Local Government Employee-Retirement Systems, annual

How DB Plans Work

In a typical DB plan, employers promise to pay retirement benefits based on an employee's period of service and final average salary. A typical benefit formula for state and local general employees is 2 percent times final average salary times years of service.[7] Under this formula, an employee who works 20 years and retires with a final average salary of $40,000 would earn an annual benefit of $16,000.

Eligibility for the benefit (i.e., vesting) usually requires employees to work for a minimum period of time, typically 5 years.[8] Upon retirement, the benefit is provided as a series of monthly payments over the retiree's lifetime (and the surviving spouse's lifetime if this option is selected by the member who, in return, receives a reduced benefit). Most state and local employees are in DB plans that provide cost-of-living adjustments as protection against inflation. In addition, most also provide disability and pre-retirement death benefits.

DB plan benefits are financed by contributions from the employer (and most often from employees as well) and investment income. Employee contributions are usually established at a fixed rate of pay, averaging a little over 4 percent for general employees and almost 7 percent for public safety employees and teachers.[9] Employer contributions are calculated so

[7] The "2 percent" portion of this benefit formula is referred to as the "benefit multiplier." Benefit multipliers vary, depending on occupation and Social Security coverage. According to the NASRA/NCTR 2003 Public Fund Survey, the median benefit multiplier is 1.85 percent for state and local employees covered by Social Security and 2.20 percent for those not covered by Social Security.

[8] National Education Association, *Characteristics of Large Public Education Pension Plans* (Washington, DC: National Education Association, 2004). The 88 statewide plans surveyed cover 9.4 million active workers. Fifty-seven percent of the plans had vesting periods of five years.

[9] Public Pension Coordinating Council, *2000 Survey of State and Local Government Employee Retirement Systems*, April 2000, Table VII-7. Employee contributions as a percentage of payroll averaged 4.2 percent for general employees, 6.8 percent for teachers, and 6.9 percent for public safety employees.

that, over the long-run (50 years or more), annual contributions plus expected investment earnings are enough to pay the promised benefits plus administrative expenses. These calculations are done by actuaries and designed to maintain employer contribution rates at a level percent of payroll, by smoothing short-term investment fluctuations and using other actuarial techniques.[10] Plan assets are invested in professionally managed, broadly diversified portfolios, with investment fees paid by the plan or employer. Retirement benefits are paid from accumulated contributions and investment earnings.

For employers, a key advantage of DB plans is that investment earnings reduce future employer contributions. In other words, employer and employee contributions generate investment earnings that, in turn, are used to pay benefits that would otherwise have to be paid from future employer contributions. From 1986 through 2005, state and local DB plan investments earned $2.26 trillion, reducing the need for additional employer contributions and taxpayer revenues.[11]

A potential disadvantage of DB plans is that when investment earnings are less than expected, additional employer contributions are required. However, it should be noted that the $2.26 trillion earned by state and local investments over the past 20 years includes investment losses that occurred in 2000 through 2002, as well as in 1987 and 1994.

For employees, a key advantage of DB plans is that they provide secure and predictable retirement income over their lifetimes based on pre-retirement earnings. A key disadvantage is that employees who do not remain employed long enough to become vested often lose their DB plan benefits, although employee contributions are nearly always returned with interest.

How DC Plans Work

In a DC plan, employers provide employees with individual investment accounts and promise to contribute a certain amount to the accounts ranging from 3.5 percent to 8 percent (or more) of pay while the employee is employed. Employees can also contribute to their accounts and decide how the assets are invested, choosing from a number of funds representing major investment categories. Investment management fees are paid from the employee's account, reducing the funds available to pay benefits. At retirement, the employee's benefit is paid solely from the contributions and investment earnings that have accumulated in the individual's account.

For employers, one advantage of DC plans is that the employer's contribution rate is fixed and unaffected by downturns in investment markets. Moreover, the employer has no financial liability for the employees after they retire, even if the DC accounts are insufficient to provide an adequate retirement benefit. (While this may be an advantage for private-sector employers, it is a disadvantage for state and local governments—and taxpayers—who may have to pay increased public financial assistance as a result.)

A disadvantage for employers is that DC plans may not be a strong incentive for attracting and retaining qualified employees, especially if competing employers are offering DB

[10] These smoothing techniques work well when investment fluctuations are moderate and short-lived.
[11] U.S. Department of Commerce, U.S. Census Bureau, through 1996, *Finances of Employee-Retirement Systems of State and Local Governments*, Series GF, No. 2, annual; beginning 1997, *State and Local Government Employee-Retirement Systems*, annual.



plans. Moreover, if employees' account balances are inadequate to provide retirement benefits when the employees intend to retire, employers can end up with a number of active employees who are not performing at peak productivity (also known as being "retired in place"). Another disadvantage is that, since the employer's contribution rate is fixed in a DC plan, upturns in the investment markets do not reduce the employer's contribution rate, as they do in DB plans.

For employees, one advantage of DC plans is that the vesting period is typically shorter than for DB plans. Six months to two years is typical.[12] Moreover, DC accounts are more "portable"—that is, easier to transfer if the employee changes jobs. A major disadvantage is that DC accounts are subject to investment risk and may not be enough to sustain employees throughout their retirement. Another disadvantage is that a high percentage of employees cash-out and spend some or all of their DC accounts when they change jobs, significantly reducing the amounts available to pay retirement benefits.[13]

The remainder of this paper describes the advantages of retaining DB plans.

Advantage 1: Retaining a DB plan is likely to cost state and local governments less over the short term. The long-term cost savings of switching to a DC plan are uncertain at best.

- **DC plans are costly to establish and maintain.** A DC plan must be designed, vendors must be selected, its operation must be monitored, and employees must be informed about plan features and available investments. Staff time is spent throughout this process, and the sponsoring government must pay legal and consulting fees. If a third-party administrator is not hired to operate the plan, the government must do this as well. Even if a third-party administrator is hired, the government will still have operating costs related to the DC plan, possibly ranging in the millions of dollars.

    - For example, the budget for the State of Florida's DC plan, established in 2000, totaled $89 million from FY 2001 through FY 2004. This includes $55 million to educate Florida's 650,000 government employees about the new plan.[14] As of 2004, approximately 3 percent of DB participants had chosen to transfer to the DC plan.[15]

- **Pension benefits currently promised to state and local employees and retirees may not be abandoned. Switching to a DC plan does not reduce accrued DB plan benefits already earned.** Most governmental DB plan benefits are protected by the state's constitution or statutes that prevent accrued benefits from being reduced. Consequently, when an alternative DC plan is established, current DB plan members remain in the DB plan but may be given the option to transfer to the new DC plan. For current DB plan members who elect the DC plan, the value of the member's accrued DB benefit is often transferred to the DC plan.[16]

[12] However, some public-sector DC plans require 5 years of service (or more) for employees to completely vest in the employer's contributions.
[13] This is surprising since the cashed-out amounts are subject to income taxes. In many cases they are also subject to a 10 percent penalty tax on early distributions.
[14] Information provided by the Pension Protection Coalition, based on an analysis of the Florida Public Employee Optional Retirement Program's approved budgets and revenue collections. The analysis was done for the Coalition by the law firm of Olson, Hagel & Fishburn, LLP, January 18, 2005. The budgeted amounts exclude investment management fees paid by plan participants. Used with permission.
[15] Anya Sostek, "Pension Pendulum," *Governing Magazine*, March 2004: 28.
[16] If the member's accrued DB benefit is not transferred to the DC plan, it is maintained in the DB plan.

- **When given the option, most employees remain in the DB plan.** In most cases, only a small percent of employees elect to transfer from the DB plan to the DC plan.[17] To increase the number of employees who eventually enter the DC plan, some governments have restricted the DB plan to current employees and have required newly hired employees to join the DC plan.[18]

- **Even when new hires are required to join the DC plan, long-term cost savings for employers are uncertain and may take many years to realize.** When a DB plan is closed to new hires, it still covers current employees and retirees, and benefits continue to accrue to active employees as a result of their service. To the extent that plan assets are less than accrued liabilities, unfunded liabilities remain. For DB plans with unfunded liabilities, closing the DB plan to new hires will likely increase the employer's annual required contribution rate. Because new hires are not entering the plan, the cost of funding the liabilities is spread over a declining number of active members,[19] thereby increasing the employer's contribution rate as a percent of covered payroll. In addition, since a growing portion of plan assets must be used to pay benefits, a growing portion of assets will likely be held in short-term securities, thereby reducing investment returns.

    - For example, the Los Angeles County Employees Retirement Association (LACERA) estimated that the County's DB plan contribution rate would increase by 3.66 percent if employees hired after July 1, 2007, were required to join a DC plan. This would increase County contributions to the closed DB plan by $206 million in 2008. While the contributions would gradually decline over time, the County would have to wait until 2018 to see any savings in DB plan costs as a result of the change.[20]

- **In several cases, states have replaced (or have considered replacing) DC plans due to inadequacy of plan benefits or increased costs.**

    - In 1977, the North Dakota Public Employees Retirement System, originally established as a DC plan in 1966, was changed to a DB plan. Reasons given include the need to provide adequate retirement benefits and the need to attract and retain quality employees.[21]

    - In 2000, the State of Nebraska reviewed its two DC retirement plans for state and county workers and found that between 1983 and 1999 the DC plans' investment returns averaged only 6 percent compared with 11 percent for the state's DB plans. Recognizing these returns were inadequate to

[17] Sostek, 2004. Three percent of employees covered by the DB plan elected to join the new DC plan in Florida, 6 percent in Michigan, and 2.5 percent in Ohio.
[18] National Association of State Retirement Administrators, "Overview of Plan Types." Of the 14 state retirement systems discussed in this paper, only two (Michigan and West Virginia) required newly hired employees to join the DC plan. The remaining systems offered DC plans as a voluntary alternative to the DB plan or offered a new plan that combined DB and DC plan features. Available on the NASRA web site (www.nasra.org).
[19] Governmental Accounting Standards Board, Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* (Norwalk, CT: Governmental Accounting Standards Board, 1994), p. 7. In situations where a DB plan is closed to new members, unfunded liabilities are amortized as a level percent of projected payroll, including projected decreases in the number of active plan members.
[20] Los Angeles County Employees Retirement Association, "Proposals to Close Public Defined Benefit Plans." (http://www.lacera.com/home/ProposalstoClosePublicDefinedBenefitPlans.html).
[21] North Dakota Legislative Council, Employee Benefits Program Committee, "Public Employees Retirement Programs – History," October 1998.

sustain retirement benefits, the state responded by creating a new hybrid plan for state and county workers, combining both DB and DC plan features.[22]

- In 2005, the West Virginia Legislature passed a law requiring teachers in the Teacher's Defined Contribution (TDC) Plan (created in 1991) to transfer into the State Teachers' Retirement System, a DB plan, effective upon approval by TDC plan members. According to the West Virginia Consolidated Public Retirement Board's actuary, the change would save the State $1.9 billion over the next 30 years, because lower employer contributions were required for the DB plan (4.3 percent of payroll) than for the DC plan (7.5 percent of payroll). State teacher representative also indicated the change would help prevent teachers from leaving their jobs.[23] In 2006, TDC plan members voted to merge with the DB plan. However, because the law required the transfer of vested DC assets, it was contested and overturned in circuit court.[24]

Advantage 2: Almost all state and local DB plans provide disability and survivor benefits as well as retirement income. Switching to a DC plan would require employers to obtain these benefits from another source, likely at a higher cost.

- **Almost all state and local DB plans provide disability and survivor benefits.** According to the U.S. Bureau of Labor Statistics, 97 percent of state and local government employees in DB plans have disability coverage through the plan and 93 percent may elect joint and survivor benefits.[25] These benefits are largely funded through contributions and investment earnings. Disability and survivor benefits are especially important for employees in hazardous occupations such as firefighters and police officers who may die or become disabled in the line of duty.

- **Few DC plans provide disability benefits. Moreover, DC plan survivor benefits are usually limited to the participant's account balance.** In the absence of a DB plan, employers would need to obtain disability and pre-retirement death benefits through commercial insurance or else would have to self-fund the benefits. Either of these options would result in additional administrative costs. If the benefits were obtained through commercial insurance, the employer's cost would also include the insurer's profit margin.

Advantage 3: DB plans enhance the ability of state and local governments to attract qualified employees and retain them throughout their careers. Switching to a DC plan would limit this ability, possibly producing or exacerbating labor shortages in key service areas by increasing employee turnover rates. Higher turnover rates result in increased training costs and lower levels of productivity that can, in turn, result in the need for a larger total workforce.

- **Employers offer retirement plans as a way to attract qualified employees and retain them so their skills and experience are used efficiently.** According to the Diversified

[22] Anya Sostek, p. 28.
[23] Jim Wallace, "Teacher pension bill has hurdles," *Charleston Daily Mail*, March 31, 2005.
[24] *Antony J. Barbario v. West Virginia Consolidated Public Retirement Board*, Civil Action 06-C-687, Circuit Court of Kanawha County, West Virginia.
[25] U.S. Department of Labor, Bureau of Labor Statistics, *Employee Benefits in State and Local Governments, 1998* (Washington, DC: U.S. Government Printing Office, December 2000), pp 94-98.

Investment Advisors' Report on Retirement Plans, most large employers see a tangible value in offering a defined benefit plan to their employees – despite the high costs sometimes associated with it. Fifty-eight percent of plan sponsors with 25,000 or more employees believe that their DB plans have a major impact on employee retention.[26]

- **DB plan provisions encourage employees to remain with an employer longer than DC plan provisions.** The vesting period for DB plans is typically longer (e.g., 5 years) than the vesting period for DC plans (e.g., 6 months to 2 years). Consequently, employees have a financial incentive to continue working for the employer at least until they vest. After that, DB plan benefit accruals based on continued service provide an additional financial incentive to remain.

- **Key governmental service areas, such as education and public safety, require skilled and dedicated employees to work in positions involving high levels of stress or physical activity or both.** Individuals with the skills and temperament to take on these roles usually have other opportunities in the labor market. DB plans provide strong incentives by rewarding long-term, dedicated service with a secure retirement.

Advantage 4: DB plans help state and local governments manage their labor force by providing flexible incentives that encourage employees to work longer or retire earlier, depending on circumstances. Switching to a DC plan would limit this flexibility and make these incentives more expensive for the employer.

- **Governments can use DB plan benefits as a way to manage their labor force by rewarding longer employment and encouraging retirement after a certain period of employment.** DB plan benefit formulas can be structured to provide incentives for longer employment by increasing the benefit multiplier after a certain period of service.

    - For example, the formula could provide benefits of 2.0 percent of final average earnings for the first 20 years of service and 2.2 percent for service over 20 years. To encourage retirement after a certain period of employment, DB benefit formulas can limit benefit accruals to a maximum percent of final average earnings or a maximum years of service. In this example, if the benefit accrual was limited to 62 percent of final average earnings, it would encourage employees to retire after 30 years of service. Other options, such as early retirement incentives (ERIs) and deferred retirement option plans (DROPs), are also available.

Advantage 5: By pooling risk over a relatively large number of participants, DB plans lower the overall risk do to investment losses and participants outliving retirement benifits. Switching to a DC plan would require each individual to bear these risks alone, consequently requiring higher contributions than if the risks were pooled.

- **DC plan participants must save enough to ensure they will not outlive their accumulated assets while protecting their funds against financial market fluctuations.** According to the Society of Actuaries RP-2000 mortality tables, 50 percent of U.S.

[26] "Majority of U.S. Companies That Offer a Pension Plan Say It Impacts Employee Retention," *Business Wire*, September 7, 2004.



males who reach age 65 will live to age 83, 10 percent will live to age 93, and about 1 percent will live to 100. Moreover, 50 percent of U.S. females who reach age 65 will live to age 85, 10 percent will live to age 96, and 2 percent will live to 100. To ensure their DC accounts will sustain them over their expected lifetimes, DC plan participants must save enough to ensure their benefits will be paid into their 90s.

- A 25 year old male would have to save 17 percent of his salary each year to age 65 in order to replace 75 percent of his pre-retirement income from age 65 to age 93 (assuming 7 percent annual investment returns). A 25 year old female would have to save 18 percent of her salary to assure 75 percent income replacement to age 96. However, if these longevity risks were pooled over a large enough group to allow the risks to be fully averaged, the required savings rate would fall to 13.6 percent of salary for both males and females.[27] Risk pooling is one of the main advantages of a DB plan.

- **In order to lower investment risk, DC plan participants usually shift a greater portion of their assets from stocks into bonds as they grow older. While this helps protect against equity market downturns, it also lowers likely investment return.** According to a 2004 Employee Benefit Research Institute study, 401(k) plan participants in their 20s invest 65 percent of their account balances in equities (including company stock) and 21 percent in fixed-income securities, on average. Participants in their 60s invest 49 percent in equities and 40 percent in fixed-income securities.[28] In contrast, large public retirement systems hold 60 percent of assets in equities, 29 percent in fixed-income securities, and the remaining 11 percent in other investments.[29] This pooling of assets allows DB plans to maintain a more diversified portfolio and helps to lower investment management fees.

- **By averaging longevity and investment risks over a large number of participants, DB plans lower the total costs of providing retirement benefits.** Instead of requiring contributions large enough to fund retirement benefits through each individual's maximum life expectancy, DB plans only need to fund benefits through the average life expectancy of the group. This lowers required contributions. Moreover, by spreading investment risk over a longer period, DB plans can maintain an investment mix that includes a higher percentage of equity investments. This increases likely investment returns, which further lower required contributions. In the example presented earlier in this section, if the pooling of funds could increase investment returns from 7 percent to 8 percent, then the required savings rate for the pooled participants would fall from 13.6 percent to 10.0 percent.[30]

[27] Gabriel, Roeder, Smith & Company, "The Advantages of Risk Pooling for Financing Retirement Benefits," *GRS Insight*, July 2006. (http://www.gabrielroeder.com/pubs/GRSInsight-2006-07.pdf)
[28] Sara Holden and Jack VanDerhei, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2004," *EBRI Issue Brief*, No. 272, August 2004. Employee Benefit Research Institute.
[29] Keith Brainard, *Public Fund Survey Summary of Findings for FY 2005*, National Associaiton of State Retirement Administrators, September, 2006, p. 5.
[30] Gabriel, Roeder, Smith & Company, "The Advantages of Risk Pooling for Financing Retirement Benefits," *GRS Insight*, July 2006. (http://www.gabrielroeder.com/pubs/GRSInsight-2006-07.pdf)

Advantage 6: DB plans earn higher investment returns and pay lower investment management fees, on average, than DC plans. Switching to a DC plan is likely to lower investment earnings used to finance retirement benefits and increase management costs, to the detriment of plan members.

- **On average, investment returns for DC plans are lower than for DB plans, resulting in significantly lower investment earnings over an individual's lifetime.** According to Boston College economist Alicia Munnell, DB plans outperformed DC plans by one percentage point annually, on average, between 1988 and 2004.[31] For a person contributing $5,000 to a DC plan each year for 40 years, the difference between an 8.0 percent annual return and a 7.0 percent return amounts to a loss of over $279,000.[32] Other studies show that individual, non-professional investors may underperform the market by as much as 2.0 percent annually.[33] The difference between an 8.0 percent annual return and a 6.0 percent return amounts to a loss of over $521,000.[34]

- **Administration and investment costs for DC plans can be more than four times higher than for DB plans. In DC plans, these costs are borne directly by individual plan participants through deductions from their DC accounts.** According to the Investment Management Institute, the operating expense ratio for DB plans averaged 31 basis points in 2003 (31 cents per $100 of assets) compared with 96 to 175 basis points for DC plans.[35] According to the Illinois Municipal Retirement Fund, the total annual administrative and investment cost for their DB plan amounted to 44 basis points in 1999. Had they switched to a DC plan, total annual administrative and investment costs could have increased up to 225 basis points, or up to $250 million more than the annual administrative and investment costs paid by the DB plan.[36]

- **Employees direct their own investments in a DC plan, usually selecting from among several funds that reflect major investment categories. Generally, employees have limited investment experience or training.** According to a 2007 study by Watson Wyatt Worldwide, many DC plan participants "don't start saving soon enough, don't save enough, and don't follow sound investment principles in managing their retirement assets." The study also found that assets are more effectively managed in DB plans, in part because plan administrators work with consultants and professional asset managers to set and implement investment goals.[37]

- **DC plan participants often cash-out and spend some or all of their DC accounts when they switch jobs. As a result, the accounts contain less money to earn investment returns and to pay benefits at retirement.** According to Alicia Munnell, more than half of DC plan participants withdraw funds from their DC accounts when they change jobs, removing between one-quarter and one-third of their total DC plan assets before they reached retirement.[38]

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[31] Alicia H. Munnell et al, "Investment Returns: Defined Benefit vs. 401(k) Plans," *Issue Brief*, Center for Retirement Research at Boston College, September 2006.
[32] Author's calculations.
[33] W. Michael Carter, Actuary. February 6, 1998. Letter comment on "Pension Liberation: A Proactive Solution to the Nation's Public Pension Systems." Letter is posted on the National Council on Teacher Retirement website (www.nctr.org).
[34] Author's calculations.
[35] Sean Collins, "The Expenses of Defined Benefit Pension Plans and Mutual Funds," *Perspective*, Vol. 9, No. 6, December 2003. DC plan expenses include 12-b1 marketing and distribution fees.
[36] Louis W. Kosiba, "The Defined Benefit vs. Defined Contribution Debate: The $250 Million Question," Illinois Municipal Retirement Fund, October 13, 1999, p. 2. IMRF serves over 360,000 active employees, inactive members, retirees and beneficiaries.
[37] Watson Wyatt Worldwide, *Pension Aspirations and Realizations: A Perspective on Yesterday, Today, and Tomorrow*, March 2007.
[38] Alicia H. Munnell and Annika Sunden, *Coming Up Short. The Challenge of 401(k) Plans*, (Washington, DC: Brookings Institution Press, 2004), p. 132.

Advantage 7: DB plan investment earnings help to reduce future employer contributions. Switching to a DC plan would prevent state and local governments from reducing future employer contributions as a result of investment earnings, which currently fund over two-thirds of public retirement benefits.

- **State and local governments have benefited from investment returns overall and many have used investment earnings to reduce employer contributions.** Over the long-term, an employer's cost of providing DB plan benefits depends on investment earnings. Although investment earnings can fluctuate sharply at times (as happened from 2000 through 2002), over the last 20 years state and local governments have substantially benefited from investment returns and have used the accumulated assets to lower employer contributions. As provided in governmental accounting standards, plan assets that are greater than plan liabilities are amortized to reduce employer contributions.[39] A 2002 survey of Michigan state and local government retirement systems shows that of 115 independent local government retirement plans surveyed, employer contributions for 102 (89 percent) were below the normal cost of benefits as a result of this amortization.[40]

- **Most of the money paid into state and local retirement plans comes from investment earnings.** Over the 20-year period from 1986 through 2005, state and local government investment earnings amounted to about $2.3 trillion, compared with employer contributions of $790 billion and employee contributions of $400 billion.[41] This means two out of every three dollars paid into state and local retirement plans over the last 20 years was received from investment earnings. According to a paper on state and local retirement plans prepared for the Wharton School's Pension Research Council: **"Setting aside all the other benefits to employers and employees of DB plans, contributions to public pension plans may be among the best investments a state or local government can make."**[42]

Advantage 8: DB plans provide secure retirement benefits that are based on a person's salary and period of service. Switching to a DC plan is likely to result in lower and less secure retirement benefits for many long-term governmental employees, including firefighters, police officers, and teachers, who constitute over half of state and local government workers. State and local employees who are without Social Security coverage would be put at even greater risk.

- **Retirement benefits paid from DC plans are significantly less than those paid from DB plans.** The U.S. Congressional Research Service found that, for current older workers, DC-type plans will provide annual benefits of less than $5,000 for half the workers.[43] This is one-quarter of the $20,400 average annual benefits currently paid by governmental DB plans to state and local workers.

- **If average state and local retirement benefits fell from $20,000 to $5,000, it would mean a loss of approximately $106 billion in annual U.S. personal income.**[44] This loss would be felt by state and local economies, since many retirees remain in the

[39] Governmental Accounting Standards Board, Statement No. 27, p. 6.
[40] Gabriel, Roeder, Smith & Company, *2002 Michigan Public Employee Retirement Systems Survey*, (Southfield, MI: Gabriel, Roeder, Smith & Company, 2002).
[41] U.S. Department of Commerce, U.S. Census Bureau, through 1996, *Finances of Employee-Retirement Systems of State and Local Governments*, Series GF, No. 2, annual; beginning 1997, *State and Local Government Employee-Retirement Systems*, annual.
[42] Gary W. Anderson and Keith Brainard, "Profitable Prudence: The Case for Public Employer Defined Benefit Plans," Pension Research Council, Wharton School, University of Pennsylvania, 2004, p. 14.
[43] Patrick J. Purcell, "Retirement Savings and Household Wealth: A Summary of Recent Data," Washington, DC: Library of Congress, Congressional Research Service, December 11, 2003.
[44] Author's calculation based on $141 billion in annual pension benefits paid by state and local government retirement plans in 2005.

same location when they retire. These pension benefits are also, in most cases, subject to federal and state income taxes, thus resulting in a loss of tax revenues. Tax loses would also be seen in reductions of state sales tax revenues.

- **The change would have an even greater effect on the 25 percent of state and local government employees who are not covered by Social Security, including about half of school teachers and about 70 percent of police officers and firefighters.** When first enacted in 1935, Social Security excluded state and local employees, due largely to constitutional questions about the federal government's right to tax state and local governments. In 1950, Congress amended Social Security to allow state and local governments to voluntarily elect coverage. By then, however, half of the largest state and local plans had already been established, including many plans for teachers and public safety employees.[45] These DB plans provide benefits that compensate for the lack of Social Security coverage. Replacing them with defined contribution plans would put members at even greater risk, since they would not have Social Security benefits to fall back on.

Advantage 9: DB plans help sustain state and local economies by providing adequate retirement benefits for a significant portion of the workforce. Switching to a DC plan would likely slow state and local economies, since a large number of retirees would likely receive lower retirement benefits.

- **Public DB plans have a substantial impact on state and local economies.** For example, a 2006 economic impact study by the Perryman Group found that the $5.4 billion in annual benefits paid by the Teacher Retirement System of Texas (TRS) to approximately 250,000 retired teachers and beneficiaries generates $9.9 billon in total economic activity within the state. Moreover, as a result of TRS's strong investment performance, the overall return on state (and therefore taxpayer) contributions is significant: every $1 of state funds contributed to TRS leads to $7.85 in total spending in the Texas economy."[46]

- **The overall economic value added by the investment income of state and local DB plans over what would otherwise have been earned in DC plans is estimated to be about $200 billion annually, or 2.0 percent of U.S. Gross Domestic Product.**[47] In essence, state and local retirement plans act as financial engines, using employer and employee contributions to generate investment income that, when paid as retirement benefits, bolsters state and local economies by $200 billion a year. State and local retirees purchase a wide range of goods and services with their retirement income. These purchases, in turn, promote employment and create additional economic demand, generating additional economic activity. As a result of this multiplier effect, the economic activity generated by the higher investment earnings amounts to 2.0 percent of U.S. Gross Domestic Product. As a growing number of state and local employees retire, this percentage will likely increase.

[45] Olivia S. Mitchell, et al, *Pensions in the Public Sector*, (Philadelphia, PA: University of Pennsylvania Press, 2001) p. 13.
[46] The Perryman Group, *Beyond the Classroom: The Impact of Pension Benefits Paid by the Teacher Retirement System of Texas (TRS) on Business Activity in Texas, Its Regions, Metropolitan Areas, and Counties*, July 2006.
[47] Anderson and Brainard, p. 14.



Advantage 10: DB plans provide benefits that help to ensure an adequate standard of living throughout retirement.

Switching to a DC plan would likely result in pressure on state and local governments to augment DC plan benefits and require increased financial assistance for retirees.

- **If DC plan benefits are less than what is needed to ensure an adequate standard of living during retirement, continued pressure will be placed on state and local governments, legislators, and taxpayers as retirees outlive their retirement income.** Since DC benefits are not indexed to inflation, extended periods of even modest inflation will mean almost constant pressure for some form of additional financial support for retirees, who would make up a growing portion of the electorate. When DC plan benefit improvements are granted, they will be paid from current government revenues and will not be offset by investment earnings.

Conclusion

This paper addresses the question, "Should state and local government defined benefit plans be eliminated and replaced with defined contribution plans?" It concludes that such a move would have significant, long-term, detrimental effects on state and local governments, their employees, their economies, and ultimately the taxpayers.

In the final analysis, the real question is, "How can state and local governments efficiently provide secure, sufficient, and sustainable retirement benefits for their employees?" To answer this question, retirement benefits should be viewed in total, including benefits from Social Security, defined benefit plans, defined contribution plans, and individual savings. No single source alone is sufficient, but together they can be used to provide effective and efficiently funded retirement income. Eliminating defined benefit plans would only intensify future problems rather than provide solutions.

Instead, decisions should be based on a clear understanding of the goals that current plan design is intended to achieve for the various stakeholders, including the employer sponsoring the plan, plan participants, and taxpayers. Retirement plan design represents a significant public policy. Therefore, the plan sponsor contemplating changes must understand the policy implications of current plan design as well as any new proposals.

Success is most likely to happen after careful analysis. With proper analysis and an understanding of the needs of a changing population, fine-tuning the basic pension plan design can produce excellent results for all – sponsors, employees, retirees, and taxpayers.

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Decisions, Decisions:

Retirement Plan Choices for Public Employees and Employers

By Mark Olleman, FSA, MAAA, EA, and Ilana Boivie

September 2011

ABOUT THE AUTHORS

Mark Olleman
Mark Olleman is a Consulting Actuary and Principal in the Seattle office of Milliman, Inc. He has been with the firm since 1990 providing actuarial services for Milliman's defined benefit clients from Alaska to Texas. Mr. Olleman is a frequent speaker on public employee retirement issues and has authored several articles. He works with his clients on a wide variety of services including actuarial valuations, economic and demographic experience studies, asset/liability modeling, cost projections, plan design, funding strategies, and communications. He is a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, and an Enrolled Actuary. He has a Bachelor of Science degree from Whitworth University in Mathematics and Chemistry.

Ilana Boivie
Ilana Boivie is Director of Programs for the National Institute on Retirement Security. An economist, she conducts original research and analysis regarding U.S. retirement issues, and assists with the overall strategic direction of NIRS' programming. She was the lead author of *Pensionomics: The Economic Impact of State and Local Pension Plans*, and has been instrumental in NIRS' research and educational programs for over three years. Ms. Boivie is a frequent speaker on pension and economic matters, and has testified before policymakers regarding her research. She holds a Master of Arts in economics from New Mexico State University, and a Bachelor of Arts in English from Binghamton University, where she graduated Magna Cum Laude.

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EXECUTIVE SUMMARY

In 2008, 14.7 million active state and local government employees had defined benefit (DB) pension coverage through their employers.[1] DB pensions play an important role in the human resource strategies of government employers. DB pensions have been shown to be an effective retention tool, and government employers are well suited to offer them. At the same time, DB pensions are highly valued by employees in the public sector. Pensions' staying power in the public sector stems from the fact that these systems serve employees, employers, and taxpayers well.[2]

In recent years, however, a handful of states have begun to offer public employees a choice between a traditional DB pension and a defined contribution (DC) account as their primary retirement plan.

This paper studies those states that offer employees a choice between primary DB and DC plans, and finds that:

- When given the choice between a primary DB or DC plan, public employees overwhelmingly choose the DB pension plan.
- DC plans are less cost efficient than DB plans, due to lower investment returns, and the lack of longevity risk pooling.
- Some states have considered moving from a DB-only to a DC-only structure in an attempt to address an unfunded liability. Making this shift, however, does nothing to close any funding shortfalls, and can actually increase retirement costs.
- Traditionally, employers bear most of the risk in DB plans, and employees bear most of the risk in DC plans. The hybrid plan for new employees in Utah provides a unique case study, in that it has capped the DB funding risk to the employer, and shifted the rest to employees.

The experience in the public sector thus far indicates that public employees highly value their DB pension benefits. This fact, coupled with the fact that DB pensions remain the most cost-effective way to fund a retirement benefit, suggests that the public sector is unlikely to mimic the trend away from DB pensions in the private sector.

INTRODUCTION

DB Plans and DC Plans Are Very Different

Defined benefit (DB) pension plans are designed to provide employees with a predictable monthly benefit for life. The amount of the monthly pension is typically a function of the number of years an employee devotes to the job and the worker's pay, usually at the end of his or her career. This plan design is attractive to employees because of the security it provides. Employees know they will have a steady, predictable income that will enable them to maintain a stable portion of their pre-retirement income.

DB plans are pre-funded retirement systems. That is, employers—and, in the public sector, employees—make contributions to a common pension trust fund over the course of each employee's career. These funds are invested by professional asset managers whose activities are overseen by trustees and other fiduciaries. The earnings that build up in the fund, along with the dollars contributed while working, pay for the lifetime benefits an employee receives when s/he retires.

Defined contribution (DC) plans, such as 401(k) plans, function very differently than DB plans. First, there is no implicit or explicit guarantee of retirement income in a DC plan. Rather, employees (and usually employers) contribute to the plan over the course of a worker's career. Whether the funds in the account will ultimately be sufficient to meet retirement income needs will depend on a number of factors, such as the level of employer and employee contributions to the plan, the investment returns earned on assets, whether loans are taken or funds are withdrawn prior to retirement, and the number of years retirees will live after they leave work.

DC plans consist of separate, individual accounts for each participant. Plan assets are typically "participant directed," meaning that each individual employee can decide how much to save, how to invest the funds in the account, how to modify these investments over time, and at retirement, how to withdraw the funds.

Along with differences in contributions and investments during employees' careers, another important difference between DC and DB plans becomes apparent at retirement. Unlike in DB plans, where retirees are entitled to receive regular, monthly pension payments for life, in DC plans it is typically left to the retiree to decide how to spend one's retirement savings. Research suggests that many individuals struggle with this task. Since they find it difficult to estimate how long they will live, they either draw down funds too quickly and run out of money, or hold onto funds too tightly and self-impose a lower standard of living as a result.[3] In theory, employers that offer DC plans could provide annuity payout options, but in practice they rarely do.[4] See Table 1.

Public Plan DB/DC Choices

Unlike employees in the private sector, who have seen a drastic decrease in DB plan coverage, most public employees still participate in a DB plan. For example, a 2008 study by the Bureau of Labor Statistics (BLS) showed that whereas private sector participation in DB plans dropped from 76% of full time employees in 1986 to 24% in 2008, public employee

Table 1. **Selected Differences Between DB Plans and DC Plans**

	Defined Benefit Plan (Traditional Pension)	Defined Contribution Plan (such as 401(k), 403(b), 457)
Contributions	In the public and private sectors, contributions are made on behalf of each employee by the employer. In the public sector, many pensions are "contributory," meaning that employees also contribute to the plan out of their own paychecks.	Employees make their own contributions to their savings account at whatever rate they choose. In the private sector, employers will often make a certain match—for example, 50 cents on the dollar up to 6% of pay—but they are not required to contribute at all. In the public sector, employers that offer a choice between DB and DC often contribute the same amount to the DC accounts as to DB accruals.
Investments	Contributions for all employees are pooled, and invested by professional asset managers in a diversified portfolio of assets—stocks, bonds, real estate, etc.	Investment portfolios consist of individual accounts for each employee. Employees make all investment decisions themselves, and can choose from a range of investment options offered.
Amount of Money in Retirement	The monthly benefit is determined by a set calculation, usually based on years of service and pay at the end of one's career.	The money available in retirement is simply the amount that one has accumulated in the savings plan, through contributions and investment earnings.
Lifetime Income	Payouts are provided as a monthly income stream that is guaranteed for the remainder of the retiree's life.	Plans are not required to offer a lifetime income option, and typically pay out benefits as a one-time lump sum.
Supplemental Benefits	Spousal protections, disability benefits, and cost of living adjustments are common.	Supplemental benefits are not applicable, and generally not available. If provided, they require extra contributions to some structure outside the DC plan.

participation in DB plans only dropped from 93% of full time employees in 1987 to 88% in 2008.[5]

Thus, while private sector DB coverage has declined in the last two decades, public sector coverage has remained relatively stable;[6] most state and local government employees still provide DB pension coverage to their employees. Yet a handful of states have begun to offer public employees a choice between a traditional DB pension and a DC account as the primary retirement plan.

This paper analyzes the following questions:

- When given the choice, what do public employees choose: the DB pension plan or a DC plan?
- What happens when employees choose their own investments?
- Can employers choose to offer meaningful supplemental benefits to DC members?
- What are the implications of an employer choosing to change from a DB to a DC plan?
- What are the implications for risk sharing in each of the systems, and is there a way to shift some of the risk to employees under the DB system?
- Finally, do employers give employees the chance to choose a second time?

This paper looks at the recent experience of statewide retirement systems that offer a choice between DB and DC plans, and seeks to provide some answers.

To conduct the study, we requested information directly from the retirement systems that allow new hires to choose between DB and DC. These systems provided the actual statistics of what percent of members have chosen each option. We also asked for other important provisions relating to benefits and contributions. Finally, each system reviewed their portion of our final report to ensure its accuracy. This primary source material provides a valuable insight into what really happens when public employees are allowed to choose between DB and DC.

OVERWHELMINGLY, PUBLIC EMPLOYEES CHOOSE THE DB PLAN

Although there is a common perception that DC plans may be more attractive to new employees than DB plans, relevant research seems to show the opposite—especially among state and local employees. Recent public opinion polling finds that DB plans are highly valued by public employees and are an important consideration for those who choose a career in public service.

A 2006 nationally representative survey indicated that public employees were much more favorable to traditional DB pensions and much less likely than other workers to express a preference for 401(k)-type plans.[7] When asked about proposals to switch public employees out of DB plans and into 401(k)-type plans, public employees were strongly opposed.[8] A 2003 survey also found that public employees place a very high value on their pension programs, with almost two-thirds of public sector employees stating a preference in favor of DB pensions as compared with DC plans.[9]

So, what do public employees really prefer? Seven statewide systems have been giving new hires the choice between participating in a DB plan or a DC plan for various periods over the last 12 years. These systems are Colorado Public Employees' Retirement Association, Florida Retirement System, Montana Public Employee Retirement Administration, North Dakota Public Employees Retirement System, Ohio Public Employees Retirement System, State Teachers Retirement System of Ohio, and South Carolina Retirement Systems. Tables 2 and 3 and Figure 1 summarize the experience of these systems, all of which allow their members to choose between a DB plan and a DC plan. Ohio and Washington members also have the choice of a "combined" plan, where employer contributions fund a DB plan and employee contributions fund a DC plan. Washington state members do not have the option of an all-DC plan.

Across the board, the experience of these seven systems indicates that public employees overwhelmingly choose the DB plan. In the most current year, North Dakota's DB plan has the highest take up rate at 98%; the lowest DB take up rate is in Florida, which still saw a full 75% of employees opting for the DB pension. This means the percentage of new employees electing DC plans currently ranges from 2% in North Dakota to 25% in Florida.

The trend of overwhelming DB coverage in states with a choice has been consistent over time. As shown in Figure 1, the DB take up rates in all of these states have been above 70% in all years, and three of the states have take-up rates of 90% or more during most years studied.

It should be noted, however, that many employees who do not actively elect one plan or another are defaulted into the DB plan. Unlike the private sector which uses defaults into 401(k) savings plans to build plan participation rates, most workers in the public sector are covered by a retirement plan as a condition of employment. Defaulting employees into the traditional DB plan is similar to a private-sector employer investing employee contributions into an appropriate investment allocation with the intent of reducing risk to the participant.

The overwhelmingly high take-up rates, then, could be at least partially driven by inertia on the part of employees, a large number of whom do not make an affirmative choice. In most states with choice, members must actively choose the DC plan; it is often the case that many DB members never submit an election and are placed in the DB plan by default.

Table 2. **New Hire Elections in Most Recent Complete Year***

System	DB Plan Enrollments	DC Plan Enrollments	Combined Plan Enrollments
Colorado Public Employees' Retirement Association	88%	12%	Not offered
Florida Retirement System	75%	25%	Not offered
Montana Public Employee Retirement Administration	97%	3%	Not offered
North Dakota Public Employees Retirement System**	98%	2%	Not offered
Ohio Public Employees Retirement System	95%	4%	1%
State Teachers Retirement System of Ohio	89%	9%	2%
South Carolina Retirement Systems	82%	18%	Not offered

"Not offered" means enrollment in a combined DB/DC plan is not offered.
**Data for Colorado, North Dakota, and Ohio PERS are for January 2010 through December 2010. Data for Florida, Montana, STRS Ohio, and South Carolina are for July 2010 through June 2011.*
*** One new employee out of the 63 eligible joined the North Dakota DC plan in 2010.*

Three states separate out DB take-up rates by active choice and default. See the Technical Appendix for more information on default and elected DB take-up rates by state.

Another possible reason that public employees may go with the DB default is that their preferences for DB pensions are "revealed" preferences—that is, they reflect a preference realized by deliberately seeking out an employer that offers this type of plan. For instance, a Florida survey found that "up to 41% of the defaulters may be using this option as their active election in the belief that by defaulting there could be no mistakes made in their plan choice."[10]

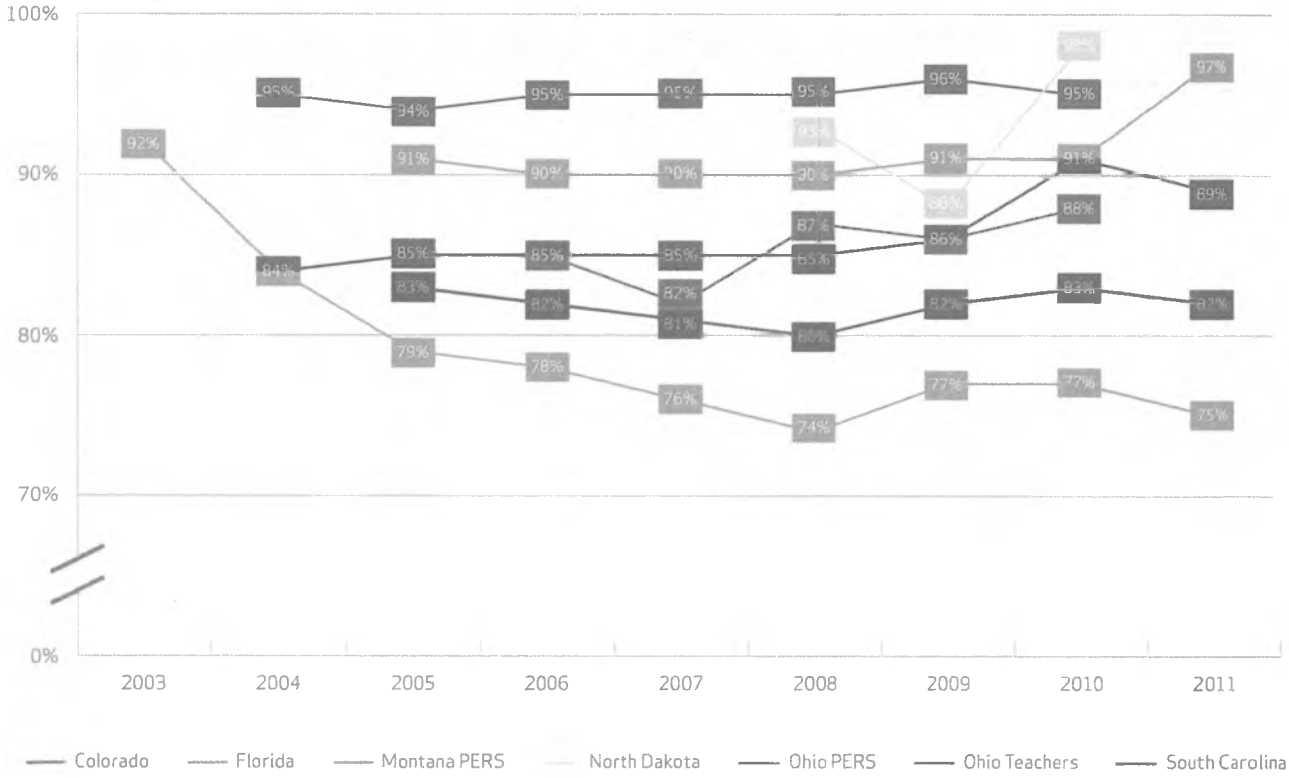
The experience in Washington PERS is illuminating as well. This is the only choice state in which the traditional DB plan is not the default; the default option is a combined DB and DC plan. Table 3 shows that an impressive 68% of new members in Washington have actively chosen an all-DB plan over the default of a combined DB and DC plan, and only 11% of new hires actively selected the combined DB and DC plan. This suggests that most public employees in other states that are "defaulted" into the DB plan would actively choose DB even if it were not the default.

Table 3. **Cumulative Washington PERS New Hire Elections, March 2002 through June 2011**

DB Plan Active Enrollments	Total Elections for DB & DC Combined Plan	Combined DB & DC Plan by Default	Combined DB & DC Plan Active Enrollments
68%	32%	21%	11%

Figure 1 shows that most of these DB/DC choice plans have had relatively stable election percentages in the short time they have existed. That is, the vast majority of public employees have consistently chosen the DB option. However, this is not to say that members will continue to make the same choices in the future. The stock market declines of 2000 to 2002 and 2008 have certainly influenced many members. It is possible that the future of the stock market, or the experiences of people retiring with only DC plans, could influence future member choices.

Figure 1. **Total DB Elections over Time**



Please see the Technical Appendix for detailed information on each state's take-up rates over time.

WHEN EMPLOYEES CHOOSE THEIR OWN DC INVESTMENTS, RETURNS ARE LOWER

Research indicates the average employees directing their own investments tend to earn lower investment returns than statewide DB systems, for a variety of reasons.

DB plans tend to achieve higher investment returns than DC plans because assets are pooled and professionally managed. Expenses paid out of plan assets to cover the costs of administration and asset management reduce the amount of money available to provide benefits. As a result, a plan that can reduce these costs will require fewer contributions. By pooling assets, large DB plans are able to drive down asset management and other fees. For example, researchers at Boston College find that asset management fees average just 0.25% of plan assets for public sector DB plans. By comparison, asset management fees for private sector 401(k) plans range from 0.60% to 1.70% of assets. Thus, private DC plans suffer from a 0.35% to 1.45% fee disadvantage, as compared with public DB plans.[11] On their face, these differentials may appear small, but over a long period of time, they compound to have a significant impact. To illustrate, over 40 years, a 1% difference in fees compounds to a 24% reduction in the value of assets available to pay for retirement benefits.[12]

But fees are only part of the story; differences in the way retirement assets are managed in DB and DC plans play a substantial role. Research has found that DB plans have broadly diversified portfolios and managers who follow a long-term investment strategy.[13] On the other hand, individuals in DC plans, despite their best efforts, often fall short when it comes to making good investment decisions. Thus, it should not be surprising that researchers find a large and persistent gap when comparing investment returns in DB and DC plans. Munnell and Sunden put the difference in annual return at 0.80%.[14] A 2007 report from the global benchmarking firm, CEM, Inc., concluded that between 1998 and 2005, DB plans showed annual returns 1.80% higher than DC plans, largely due to differences in asset mix.[15] And Towers Watson found that, between 1995 and 2006, DB plans outperformed DC plans by 1.09%, on average.[16] In 2006 and 2007, DB plans outperformed DC plans by an average of about 1.0% per year based on asset-weighted returns, while in 2008, DB plans outperformed DC plans by roughly 2.7%.[17]

The experience of two states, Nebraska and West Virginia, are consistent with this research.

Nebraska's state and county employees hired between 1964 and 2003 had only a DC plan. During the same period, Nebraska maintained separate DB plans for its school employees, judges, and state patrol. Over the 20 years leading up to 2002, the average return in the DB plans was 11% and the average return in the DC plans was between 6% and 7%. One reason for this large difference is that nearly 50% of DC member contributions were invested in the stable value fund, which was the default for members not making a specific investment election. Although the stable value fund is very conservative and the investor's balance will not decrease, the investor also has a lower expected rate of return. Partially due to the lower returns, employees were receiving a replacement ratio of their pre-retirement income closer to 30% rather than the projected 50% to 60%. Nebraska has since decided that employees hired since 2003 will go into a cash balance DB plan.

West Virginia had a similar experience. While teachers hired between 1991 and 2005 had only a DC plan, after July 1, 2005, all newly hired teachers went back into the old DB plan. One of the reasons for this change is that average DC returns lagged DB returns. Between 2001 and 2010, the average DB return was 1.6% higher than the average DC return. For more details, see the Technical Appendix.

DC MEMBERS CAN POOL INVESTMENT EXPERTISE WITH THE DB PLAN, ACHIEVE HIGHER RETURNS

In response to the lower returns generally earned in DC plans, some states offer employees with DC accounts the option of investing in the same manner as the DB pension system—and thereby earning exactly the same returns as the DB plan. For example, members of Washington State Plan 3 have the option to invest in the Total Allocation Portfolio (TAP), which mirrors the investments in the state DB plan and therefore earns the same returns. Washington has made the TAP the default investment option for Plan 3, and approximately 56% of members' DC assets are invested in the TAP option.

All employee contributions of members in the Oregon Public Service Retirement Plan are invested in the state's Individual Account Program (IAP). Like Washington's TAP, Oregon's IAP money is invested in the same manner as the DB plan. However, unlike Washington's TAP, which is one of many investment choices, Oregon's IAP offers no other investment choices.

Both Washington and Oregon provide members with a professionally managed portfolio. Washington's approach leaves room for individual risk tolerance, for instance, members near retirement may prefer to invest more conservatively. Oregon's approach ensures that all member funds are invested in a carefully managed portfolio. In both states, by foregoing the ability to choose their own investments, members are able to earn returns competitive with the DB plan.

It is also worth noting that both the Washington and Oregon plans are hybrid plans, in which employer contributions fund a DB plan, and employee contributions fund an account. This is significant because the DB plan provides some level of guaranteed income regardless of the account's investment returns.

WITH EXTRA CONTRIBUTIONS, DC PLANS CAN PROVIDE DEATH AND DISABILITY BENEFITS

Meaningful death and disability benefits can be provided in a DC environment, but it will require extra contributions that are not deposited to the members' DC accounts. Consider the choices three states have made to respond to the criticism that DC accounts do not provide adequate spousal and disability benefits.

In Florida, where members choose between a DB and a DC plan, disabled members can choose to surrender their DC account balance and receive the same disability benefits as provided by the DB plan. To finance this benefit, the employer pays a separate charge ranging from 0.25% of pay for general members to 1.33% of pay for special risk members, and a side account is maintained to finance the difference between the cost of the disability benefits and the dollar amount of the DC accounts surrendered by the members. (On the other hand, if DC members die in Florida, their death benefit is the DC account balance.) Montana PERA has a similar provision, where 0.30% of DC member pay is set aside to finance long-term disability benefits.

Alaska has a different approach. Alaska public employees hired after July 1, 2006, are only offered a DC plan. Here the occupational death and disability benefit is 40% of salary until normal retirement (50% of salary for the occupational death of police and fire members). The employer continues both the employer and employee contributions into a special occupational death and disability trust account until the member reaches normal retirement, or until the date the member would have reached normal retirement in the case of occupational deaths. At normal retirement age, the 40% (or 50%) of salary benefit stops, and the member, or survivor, receives the DC account as well as the accumulated contributions from the occupational death and disability trust account with actual returns net of expenses. Employers make contributions into a separate fund to finance the extra benefit not provided by the DC account.

MOVING FROM DB TO DC CAN INCREASE COSTS

Several states around the country have looked at eliminating the DB plan altogether, and moving all new hires into DC accounts. DB funding problems are often one of the reasons behind these efforts. Yet freezing the DB plan and moving to a DC plan that provides a similar level of retirement income can increase costs to the employer/taxpayer at exactly the wrong time. This occurs for three distinct reasons.

First and most important, DC plans do not have the economic efficiencies of DB plans. This drives up retirement costs. DB plans save money by pooling risks and achieving greater investment returns. According to one estimate, a DB plan can provide the same retirement income at about half the cost of a DC plan.[18] Thus, when a DB plan is frozen and replaced with a DC plan, far greater contributions from both employers/taxpayers and employees will be required to maintain the same level of benefit in the DC plan.

Second, maintaining two plans is more costly than operating just one. State and local governments typically do not have the option of transferring current employees out of a DB plan and into a new DC plan.[19] This means the employer will have to bear administrative costs for two plans, at least until the DB plan is finally phased out completely, a process that could take many decades as employees in the system complete their careers, retire, and ultimately die.

Finally, when a DB plan is closed, payments to amortize the unfunded liability for the DB plan may be accelerated which increases short term contributions and lowers long term contributions. This is actuarially consistent with the DB plan's shorter future lifetime. The current GASB rules (Statements 25 and 27) actually require this acceleration of unfunded liability payments when a DB plan is closed to be recognized on financial statements; not all plans determine their actual contributions according to the GASB rules.

These factors have influenced many states studying whether to switch from DB to DC. As a result, the vast majority have chosen to keep their DB plan, in the best interests of employers, taxpayers, and employees.

MOVING TO DC DOES NOT SOLVE FUNDING PROBLEMS, AS SEEN IN WEST VIRGINIA

Regardless of potential cost increases, changing from DB to DC does not solve the underlying funding problem a state may be experiencing. One interesting case study is the West Virginia Teachers Retirement System (TRS). In 1991, West Virginia closed TRS to new members, and all new hires were put into a DC plan. The state later found, however, that this "funding solution" had overlooked some important considerations.

Specifically:

- New members do not start with any unfunded obligation.
- Projected DC contributions for new members were worth more than the projected DB costs for those members.
- No unfunded obligations for existing members are reduced when new members go into a DC plan.

As a result, the loss of new members made it more difficult to finance the unfunded obligations of the DB plan.

By 2003, the state began reexamining this switch. The 4,500 members who were transferred from the DB to the DC plan in 1991 found it hard to retire after the bear market of 2000–2002. Additionally, as mentioned previously, DC member accounts had achieved much lower investment returns than TRS. After studying the issue extensively, the state decided that starting in 2005 all new hires would go into the DB plan. It was also found that providing equivalent benefits would be less expensive under the DB structure than in the DC plan. The state has shown discipline to achieve a better funded position, with extra contributions of $290.1 million in fiscal year 2006 and $313.8 million in fiscal year 2007. In addition, West Virginia completed a tobacco bond securitization in fiscal year 2007 and deposited $807.5 million of those proceeds into TRS as another special appropriation. Most recently, in June of 2008, the teachers in the DC plan were given the choice to switch to the DB plan, and a full 78% chose to switch, including 76% of young teachers (under 40 years old).[20]

West Virginia projected a $1.2 billion savings in the first 30 years by moving new entrants from the DC to the DB plan. This relies on an assumed return of 7.5%. When the Legislature asked the impact of lower returns, calculations showed an investment return of 6.0% or more was needed for the DB plan to save money.[21]

One way to finance preexisting unfunded liabilities and to defray employer expenses is to require specific contributions to the DB plan as a percent of DC member pay. Colorado, Florida, Montana PERA, Ohio PERS, Ohio Teachers, and South Carolina all require contributions paid as a percentage of DC member salaries that are not credited to DC member accounts. See the Technical Appendix for details.

EMPLOYERS DO NOT ALWAYS TAKE THE DB RISK: UTAH GIVES EMPLOYEES A NEW CHOICE

Traditionally, employers take most of the risks in DB plans and employees take most of the risks in DC plans. For example, in traditional DB plans, employers take on all of the funding risk; that is, if an unfunded liability in the pension plan develops, the employer is solely responsible for filling that funding gap. Of course, employees may indirectly take on some of that risk, for example, through increased employee contributions or decreased benefits. But the legal and fiduciary responsibility to pay down the unfunded liabilities remains with the employer. Under DB plans, employers are largely responsible for investment risk, inflation risk, and longevity risk. Under DC plans, on the other hand, the funding risk, investment risk, inflation risk, and longevity risk is solely assumed by employees. See Table 4.

The new retirement system in Utah challenges this tradition of employers bearing the entire DB risk. Starting July 1, 2011, Utah allows new hires to choose between a DC plan and a hybrid plan that includes both a DB and a DC account. Employees who choose the hybrid plan assume DB funding and investment risk. That is, employers will contribute 10% of salary to the hybrid plan regardless of future experience. If this contribution is insufficient to fund the DB plan, employees will have to make up the difference through an automatic payroll deduction. However, employer contributions not needed to fund the DB plan will be deposited into employees' DC accounts. Since 7.5% of pay is estimated to provide for the DB benefits, employees would get 2.5% of pay deposited to their DC accounts if all future experience matched the assumptions. Employees can also voluntarily contribute more to their DC accounts under the hybrid plan. If employees choose the DC plan instead of the hybrid, employers will contribute 10% of salary to the employees' DC account.[22] See Table 4.

Employees in Utah, then, must make a unique decision: in order to get the advantages of a DB plan, including a guaranteed benefit for life, professional investment management, and the benefits provided by longevity pooling, they must also take on the funding and investment risks. Employees are not *forced* to take on the DB risk, however; it is a choice, and they can opt for the DC plan instead—which, of course, comes with its own set of risks. If the employee chooses the DC plan, the employer will contribute 10% of pay to the DC account. If the employee chooses the hybrid plan, the employer will contribute 10% of pay as described above. Thus, under either plan, the employer contribution is a flat 10% of pay. The employer is neutral to the employee's decision. See Table 5.

Interestingly, the changes in Utah were intended to avoid future funding problems rather than solving any immediate funding issues. Although Utah had a funded ratio close to 100% before the market crisis, the stock market decline of 2008-2009 did impact its funding status. Therefore the State

Table 4. **Risks in Traditional DB and DC Plans, and Utah's New Hybrid Plan**

	Typical DB Plan (Traditional Pension)	Typical DC Plan (401(k), 403(b), 457)	Utah's New Hybrid Plan
Funding Risk	Employer assumes most of the funding risk. Although the employer is responsible for fully funding the plan, employees can share this risk through increased employee contributions or reduced benefits, should an unfunded liability develop.	Employees assume all funding risk.	Employees assume all funding risk above the 10% employer contribution.
Investment Risk	Employer assumes most of the investment risk. The employer is responsible for making all investment decisions, however, should unfunded liabilities develop as a result of low investment returns, employees can share this risk through increased employee contributions or reduced benefits.	Employees assume all investment risk.	Employers assume all investment decisions, but employees assume investment risk in terms of any unfunded liabilities that may develop.
Inflation Risk	If the plan offers a cost of living adjustment (COLA), depending on the COLAs structure, employers may assume all inflation risk, or may share the inflation risk with employees. If the plan offers no COLA, employees assume all inflation risk.	Employees assume all inflation risk.	The plan offers an automatic CPI COLA, but it is capped at 2.5%.
Longevity Risk	Employers assume all longevity risk.	Employees assume all longevity risk.	Employees assume DB risk in terms of any unfunded liabilities that may develop as a result of members living longer than assumed.
Portability/ Leakage Risk	Employees bear portability risk, in that they are likely to receive lower benefits should they terminate before retirement. Career employees bear no leakage risk, as withdrawals cannot be taken prior to retirement. Employees who terminate before retirement may withdraw their contributions and forfeit their benefit.	Employees bear no portability risk, as assets accumulated in the account can be taken without penalty when terminating employment. Employees bear leakage risk, in that accounts are not always rolled over when changing jobs, and loans and pre-retirement withdrawals are often allowed, which can reduce account balances available at retirement.	As this plan combines a base DB benefit with a DC account, portability and leakage risks are proportionate as described in the first two columns.

Legislature commissioned a study to project the system's funding and to gauge the impact of putting new hires in a less expensive plan. The study projected that if no changes were made and the system earned 7.75% returns in 2009 and each year thereafter, the employer contribution rate would increase from 13.25% to 23.10% of pay, and the funded ratio would decrease to 70.5% before starting to improve.

The old DB plan had a normal cost rate of 11.71% of pay, meaning contributions equal to 11.71% of pay for future hires were projected to finance their retirement benefits, but this contribution amount would not finance the large unfunded liabilities created by the asset losses of 2008-2009. In addition, the old plan included an employer DC contribution of 1.5% of pay. In other words, the entire employer contribution toward accrued retirement benefits for future hires was projected to be 13.21% of pay.

Since the plan design finally adopted for new hires has a cost of 10.00% of pay, it is projected to have cost savings that slowly build to 3.21% of pay as new employees are hired (3.21% = 13.21% – 10.00%).

What differentiates the change in Utah is not cost savings, however; it is risk shifting. If another market downturn occurs, the employers' contributions for new hires will remain 10% of pay; the employees in the hybrid plan will absorb the risk through a combination of smaller deposits to their DC accounts, as well as possible payroll deductions.

The normal cost rate for the DB portion of the new hybrid plan is 7.5% of pay. Thus, if all assumptions come true in the future, 2.5% of pay will be available to deposit to the DC portion of the hybrid plan. Table 5 summarizes the differences between the old and new plan designs.

Table 5. **The Utah Retirement System**

	All Employees Hired Before July 1, 2011	Employees Hired after July 1, 2011: Hybrid and DC Options	
	Tier 1 DB	Tier 2 Hybrid Plan	Tier 2 DC Plan
Employer Contribution	Employer pays total cost with no cap	Always 10% of pay	Always 10% of pay
Employee Contribution	0% of pay into DB plan	Automatic payroll deduction required if DB contributions are greater than 10%	Employees may contribute, but contributions are not mandatory
DB Normal Cost Rate	11.71% of pay	7.50% of pay	N/A
DC Account Contribution	1.5% of pay	10% of pay less required DB contribution	10% of pay
Final Average Salary Period	3 years	5 years	N/A
Percent of Final Average Salary Replaced per Year of Service	2.0% multiplier	1.5% multiplier	N/A
Unreduced Benefit	Age 65, or 30 years of service, age 62 at 10 years of service with actuarial reductions, or age 60 at 20 years of service with actuarial reductions	Age 65 or 35 years of service	N/A
Cost of Living Adjustment	CPI up to 4%	CPI up to 2.5%	N/A
Vesting Period	4 years of service	4 years of service	4 years of service

What About Do-Overs?

One plan design choice employers face is whether to give employees a chance to change their mind, and switch to the alternative retirement system. Having a do-over option may be particularly valuable to employees whose situations change unexpectedly. For example, a teacher who is married to a member of the military and expects to move frequently may initially choose the DC plan, as the portability aspect may be most attractive. However, if the couple's plans change and they decide to settle more permanently, the teacher may then wish to switch over into the DB plan.

Montana PERA, North Dakota, Vermont, and Washington require new hires to make a one-time irrevocable decision, but several other systems do allow for a change. Colorado allows members to change their election one time in years two through five after they are hired. Ohio Teachers allows members in the DC or combined plan to change in their fifth year of membership, and South Carolina allows members to change their election once in the first five years, but the change can only be from the DC plan to the DB plan. Florida allows members to change once at any time before retirement or termination of employment. Ohio PERS allows members to change up to three times: once in their first five years of employment, once in their second five years, and one more at any time after 10 years of service through retirement.

Different systems handle employees' switches in different ways. Florida allows two choices when members switch from DB to DC. The members can either (1) freeze their current DB benefits based on service and salary to date and have future contributions accumulate in their DC accounts, or (2) convert their DB benefits into DC accounts based on the present value of the normal retirement benefit. If a Florida member wants to switch from DC to DB, the member must pay the full cost based on either the present value or the actuarial accrued value, depending upon whether the member has previous DB service prior to joining the DC plan. The DC account is used first. If there is more money than needed in the DC account, the member keeps the excess assets in the DC account. If there is not enough money in the DC account, then the member must pay the difference or stay in the DC plan.

In Florida, only 53,112 employees have chosen to take up the do-over option since its inception in 2002. With nearly 700,000 active members when the option was implemented, and between 45,000 and 98,000 new hires each year for the past ten years who could take advantage of the option, this represents a small take up rate. See the Technical Appendix for more information.

Ohio PERS, which allows up to three changes, takes a somewhat different approach. Changes are prospective only, but members transferring to the DB or combined plan have the option to purchase service in the new plan using their DC or combined plan assets. Frozen DB benefits are based on salary and service during DB membership only.

In Ohio, out of a total of nearly 400,000 eligible members, only 866 members have opted for a do-over since 2003. Thus, with an average of about 2 in 1,000 eligible employees choosing to change their retirement plan, it is clear that Ohio's do-over option is not very popular. This suggests that the vast majority of public employees, at least within Ohio, are satisfied with their initial decision. See the Technical Appendix for more information.

IMPLICATIONS

When given the choice between a primary DB or DC plan, public employees overwhelmingly choose the DB plan. This suggests that DB plans are more attractive than DC plans to public employees. This is not surprising, as research has shown that public employees tend to favor DB plans in general.[23]

In the final analysis, it's a question of accumulation and distribution. The accumulation of contributions and investment earnings determines available retirement income. A plan that maximizes investment earnings and pools longevity risk over many employees maximizes the benefits provided by contributions. Public employees seem to favor plans that provide lifetime income.

There is not yet much experience on how many public employees with DC plans have been able to make their assets last a lifetime, although the experience in West Virginia suggests that this could be quite challenging for some workers. Unfortunately, the consequences of outliving one's assets are severe. DC plans rarely measure whether assets accumulated will provide adequate retirement income. It remains an open question to understand how public (and private) sector employees with DC plans can be sufficiently educated and empowered to navigate the risks of pre-retirement accumulation, as well as post-retirement distribution.

Although employers have traditionally taken on most of the risk in DB plans and employees have taken on most of the risks in DC plans, the experience of some states suggests that risks can be more shared between employers and employees. Examples include the combined DB/DC plans in Washington, Oregon, and Ohio, as well as certain DB plans in which any increases in contribution rates are shared by employees. The new hybrid plan in Utah shifts the entire DB funding risk from the employer to the employees.

CONCLUSION

State and local DB pension plans provide a critical source of reliable income for more than 19 million Americans, including 7.6 million retirees and 14.7 million active employees.[24] These plans are a cost effective way to provide broad-based coverage, secure money for retirement, a lifetime income, and economic protections for spouses for our nation's police officers, firefighters, schoolteachers, and other public servants.

A handful of states offer public employees a choice between primary DB and DC plans. This paper analyzes the choices made by employees in these states, and finds that:

- When given the choice between a primary DB or DC plan, public employees overwhelmingly choose the DB pension plan.
- DC plans are less cost efficient than DB plans, due to lower investment returns, and the lack of longevity risk pooling.
- DC plans lack supplemental benefits such as death and disability protection. Some plans have attempted to address these discrepancies, but these provisions require extra contributions that are not deposited to the members' accounts.
- Making a complete shift from a DB to a DC structure does nothing to close any funding shortfalls, and can actually increase costs. The experience in West Virginia finds that employees with an initial DC benefit overwhelmingly chose the DB plan when offered.
- The hybrid plan for new employees in Utah provides a unique case study, in that it has capped the DB funding risk to the employer, and shifted the rest to employees.

The experience in the public sector thus far indicates that public employees value their DB pension benefits quite highly. This fact, coupled with the fact that DB pensions remain the most cost-effective way to fund a retirement benefit, suggests that the public sector is unlikely to mimic the trend away from DB pensions witnessed in the private sector.

TECHNICAL APPENDIX

A1. State Systems Referenced

System	Current plan	Effective date
Alaska PERS & TRS	DC	July 1, 2006
Colorado PERA	DB/DC choice	January 1, 2006
Florida RS	DB/DC choice	July 1, 2002
Montana PERA	DB/DC choice	July 1, 2002
Nebraska PERS	Cash Balance DB plan	January 1, 2003
North Dakota PERS	DB/DC choice (limited group)	January 1, 2000
Ohio PERS	DB/DC/combined choice	January 1, 2003
Ohio STRS	DB/DC/combined choice	July 1, 2001
Oregon PERS	DB combined w/ DC-like account	August 29, 2003
South Carolina RS	DB/DC choice	July 1, 2001
Utah	Hybrid/DC choice	July 1, 2011
Vermont SRS	DB/DC choice (limited group)	January 1, 1999
Washington State	DB/combined choice	March 1, 2002
West Virginia TRS	DB	July 1, 2005

Systems with Supplemental Contributions

The following systems have contributions paid as a percentage of DC member salaries that are not credited to DC member accounts. Supplemental contributions required to fund DB liabilities show that introducing a DC plan does not reduce the unfunded liabilities of the existing DB plan.

Colorado PERA

- Amortization Equalization Disbursement (AED): The total AED percentage for 2011 is 2.6% of pay, and is scheduled to increase 0.4% each year to a maximum of 5% in 2017.
- Supplemental Amortization Equalization Disbursement (SAED): The total SAED percentage for 2011 is 2% of pay, and is scheduled to increase 0.5% each year to a maximum of 5% in 2017.

- In Colorado, the AED and SAED are both contributions to the DB plan to account for adverse selection. Both are applied to both DB and DC payroll. The AED is paid by employers. The SAED, although technically an employer contribution, is considered to be an employee contribution because it comes out of the foregone employee compensation package.

Florida RS

- To fund supplemental disability benefits for DC members, a contribution ranging from 0.25% of DC member pay for general members to 1.33% of DC member pay for special-risk members is paid by employers into a separate side account.
- Employers contribute 0.03% of pay to fund communication and administration.
- Beginning July 1, 2011, the Florida legislature required funding of a portion of the unfunded actuarial liability (UAL) for the Florida Retirement System Pension Plan. The Florida Retirement System has been doing this since the first of the alternative DC plans for selected State University System employees became effective July 1, 1984. The practice continued through the 1998 FRS valuation when the system was determined to be in surplus actuarial funding and all existing UAL bases were fully amortized. The Florida Retirement System Pension Plan was in actuarial surplus through the 2008 valuation. The Florida Legislature required some by class in the contributions for the 2011-2012 fiscal year. Employers are paying the UAL rate on all persons in a regularly established position, including the Investment Plan and the non-integrated DC plans created before the Investment Plan.

Montana PERA

The following contributions are made by Montana PERA employers as a percent of DC member pay:

- A Plan Choice Rate (PCR) contribution equal to 2.64% of pay is made to the DB plan to prevent DB costs from increasing due to financing unfunded liabilities over a smaller payroll and increases in the normal cost rate due to anti-selection. The PCR was 2.37% from inception at July 1, 2002, until July 1, 2007, and 2.505% of pay from July 1, 2007 until July 1, 2009. The PCR has been 2.64% of pay since July 1, 2009.
- A payment of 0.30% is made to finance long-term disability benefits.
- A payment of 0.04% is made to the education fund.

Ohio PERS

- A contribution of 0.77% of pay from employer contributions was made for all DC and combined plan members to the DB plan by the employer in 2011 as a "mitigation rate." The board reviews the mitigation rate annually, and it can vary between 0% and 6%. The highest level to date is 0.77%.

Ohio STRS

- 3.5% of pay from employer contributions for all DC members is used to pay for the unfunded liabilities of the DB plan.

South Carolina RS

- Of the total employer contribution made for the South Carolina Retirement System (SCRS), each employer contributes 5 percent directly to participant accounts and the remainder is remitted to the retirement system. SCRS may retain from this employer contribution an amount as determined by the director to defray any reasonable expenses incurred in performing services regarding the plan. Table A2 summarizes contribution levels.

A2. South Carolina Employer Contributions

Fiscal Year	% Allocated to Member	% Retained by SCRS	Total Employer Contribution
2006-2007	5.000%	3.050%	8.050%
2007-2008	5.000%	4.060%	9.060%
2008-2009	5.000%	4.240%	9.240%
2009-2010	5.000%	4.240%	9.240%
2010-2011	5.000%	4.240%	9.240%
2011-2012	5.000%	4.385%	9.385%
2012-2013	5.000%	4.530%	9.530%

Further System Details

The following section provides a brief summary of information relevant to this article for each system.

Alaska

Starting July 1, 2006, Alaska's public employee and teachers defined benefit plans are closed. New hires will go into the defined contribution plan.

The default percent of pay contribution rates are 5% employer and 8% employee in PERS and 7% employer and 8% employee in TRS.

Alaska teachers do not participate in Social Security and many Alaska public employers, like the state of Alaska, have opted out of Social Security participation.

Colorado Public Employees' Retirement Association (PERA)

Starting Jan. 1, 2006, Colorado allowed new state employees (people without a tie to the PERA DB plan within the last year) to choose between the PERA DB plan, the PERA DC plan, and the state-offered DC plan. In 2008, the Colorado General Assembly expanded choice to include the new employees within the Community College system. The Community College members have the choice between the PERA DB plan and the PERA DC Plan. The state-offered DC plan was not available to the Community College employees. In 2009, the Colorado General Assembly passed legislation that moved participants in the state-offered DC plan into the PERA DC plan. Choice for new hires of both the State of Colorado and the Community Colleges is now solely between the PERA DB plan and the PERA DC plan.

Members have a 60-day election window and can then change their minds once between the PERA DB and PERA

A3. **Colorado PERA New Hire Choices* (Effective January 1, 2006)**

	DB by default	DB active enrollments	DC active enrollments
2006	37%	48%	14%
2007	39%	43%	18%
2008	58%	29%	13%
2009	53%	33%	15%
2010	33%	55%	12%

*Based on 28,322 new hires.

DC plans either way in years two through five. If a member changes to the DC plan, s/he must completely refund the DB account, and leave the DB plan for DC plan. DB service can't be frozen for an active member. If the member changes to the DB plan, the member has the option to purchase his or her original time in the DB plan after one year based on actuarial value.

The DB and DC plans require the same employer and employee percentage of pay contributions. The base contribution rates are 10.15% employer and 8% employee for state and school employees, and 12.85% employer and 10% employee for state troopers. For DB members, 1.02% of pay from the base employer contribution is used to fund retiree health care instead of pension benefits. For DC members, the 1.02% of pay goes into the members' DC accounts as part of the employer contribution and it is up to the members to pay for health care when they retire although they may participate in the association's health care program, PERACare. The AED and SAED supplemental contributions described earlier are in addition to these base contribution rates.

Table A3 is a historical record of the choices of new hires in Colorado PERA.

Florida Retirement System (FRS)

Starting July 1, 2002, Florida allowed new employees to choose between a DB plan and a DC plan.

There are no employee contributions to either the DB or the DC plan. Employer contributions to members' DC accounts range from 9% of pay for general members to 20% of pay for special risk. Employer contributions to fund additional disability benefits for DC members range from 0.25% of pay for general members to 1.33% of pay for special-risk members. Employers contribute 0.03% of pay to fund communication and administration.

DC accounts vest 100% at one year of service. DB benefits vest 100% at six years of service. Accounts and benefits are 0% vested before these dates.

A4. **Florida Retirement System New Hire Choices* (Effective July 1, 2002)**

	DB by default	DB active enrollments	DC active enrollments
9/02 – 6/03	86%	6%	8%
7/03 – 6/04	73%	11%	16%
7/04 – 6/05	61%	18%	21%
7/05 – 6/06	59%	19%	22%
7/06 – 6/07	58%	18%	24%
7/07 – 6/08	55%	19%	26%
7/08 – 6/09	55%	22%	23%
7/09 – 6/10	56%	21%	23%
7/10 – 6/11	53%	22%	25%

**At June 30, 2011 there are 552,984 DB members and 105,250 DC members.*

A5. **Take Up Rates of Florida's "Do-Over" Options, 2002-2011**

Do-Over Option	Total members who have made this change
Pension Plan to Investment Plan	51,055
Pension Plan to Hybrid Plan	138
Investment Plan to Pension Plan	1,919
Total	53,112

Table A4 is a historical record of the choices of new hires in Florida. Florida has an active education campaign. The overall DC election percentage of 25% in the year ending June 30, 2011, is the highest of any system in this study.

Members have a six-month election window and can change their minds once at any time before retirement or termination. Details of how the switch is treated are given in the main body of the article.

A6. **Montana PERA New Hire Choices (Effective July 1, 2002)**

	DC active enrollments
7/04 - 6/05	9%
7/05 - 6/06	10%
7/06 - 6/07	10%
7/07 - 6/08	10%
7/08 - 6/09	9%
7/09 - 7/10	9%
7/10 - 7/11	3%

Montana Public Employees' Retirement Administration (PERA)

Starting Jan. 1, 2002, Montana PERA allowed new employees to choose between a DB plan and a DC plan.

Members have 12 months after hire to make a one-time irrevocable decision between the DB plan and the DC plan.

The DB and DC plans require the same employer and employee percentage of pay contributions. Employers contribute 7.17% of pay. Employees contribute 6.90% of pay. Employer DC contributions can be broken down as 4.19% to the DC account, 2.64% plan choice rate (DB funding), 0.30% for long-term disability benefits, and 0.04% for the education fund. The entire employee contribution is credited to the DC account.

Table A6 is a historical record of the choices of new hires in Montana PERA. Members not making a choice are placed in the DB plan by default; however, statistics are not available on what portion of new hires entering the DB plan did so by default.

North Dakota Public Employees Retirement System (NDPERS)

Starting Jan. 1, 2000, North Dakota allowed nonclassified state employees to choose between a DB plan and a DC plan. As only nonclassified state employees are eligible, there were only 228 active members in the DC plan as of December 31, 2010.

Members have six months after hire to make a one-time irrevocable decision between the DB plan and the DC plan.

The DB and DC plans require the same employer and employee percentage of pay contributions. Employers contribute 4.12% of pay and employees contribute 4% of pay for a total contribution of 8.12% of pay.

Table A7. **North Dakota PERS New Hire Elections (January 2001–December 2010;* Effective January 1, 2000)**

	DB by default	DC active enrollments
1/2001 - 6/2008	88%	12%
2008	93%	7%
2009	88%	12%
2010*	98%	2%

** There are 228 active members in the DC plan as of 2010. Statistics are maintained by calendar year starting in 2008. One new employee out of the 63 eligible joined the DC plan in 2010.*

Table A7 shows that 12% or fewer of the new hires have actively elected the DC plan and 88% or more have either actively elected the DB plan or been placed in the DB plan as the default. Breakouts of the portion of DB elections that were active versus default are not available.

Ohio Public Employees Retirement System (OPERS)

Starting Jan. 1, 2003, OPERS allowed new employees to choose between an all-DB plan (the Traditional Pension Plan), an all-DC plan (the Member-Directed Plan), and the Combined Plan. In the Combined Plan, employer contributions fund DB benefits and all member contributions are credited to DC accounts.

The employer contribution is 14% of pay and the employee contribution is 10% of pay for all three plans and for all groups. Members in the all-DC and combined plans have all employee contributions credited to their DC accounts. However, a portion of the employer contribution is used to fund retiree health care (4.5% of pay in 2010; for DC participants, this contribution is deposited into a VEBA). Also, the mitigation rate, which is currently 0.77% of pay, comes out of the 14% employer contribution and is not credited to DC accounts.

Table A8 is a historical record of the choices of new hires in OPERS.

Members have a 180-day selection window. Members have three chances to change their minds about their choice—once in the first five years of total service credit, once between five to ten years, and once at any time after ten years. Changes are prospective only, but members transferring to the all-DB or combined plan have the option to purchase service in the new plan using their DC accounts. Service purchases are based on service in the plan the member is opting out of; must use the DC account first; and if the DC account is less than the total cost, then the member may still purchase all service with an additional lump sum, rollover, or payroll deduction. Frozen DB benefits are based on salary and service during DB membership only.

Table A8. **Ohio PERS New Hire Choices* (Effective January 1, 2003)**

	DB by default	DB active enrollments	DC active enrollments	Combined plan active enrollments
2004	84%	11%	3%	2%
2005	84%	10%	3%	3%
2006	83%	12%	3%	2%
2007	82%	13%	3%	2%
2008	81%	14%	3%	2%
2009	84%	12%	3%	1%
2010	78%	17%	4%	1%

** Based on 349,490 new hires.*

Table A9. **Take Up Rates of Ohio PERS "Do-Over" Options, 2003-2011**

Do-Over Option	Total members who have made this change
DB Plan to DC Plan	419
DB Plan to Combined Plan	114
Combined Plan to DC Plan	17
Combined Plan to DB Plan	120
DC Plan to Combined Plan	30
DC Plan to DB Plan	166
Total	**866**

A10. **Ohio Teachers New Hire Choices* (Effective July 1, 2001)**

	DB by default	DB active enrollments	DC active enrollments	Combined plan active enrollments
7/01 – 6/04	69%	15%	10%	6%
7/04 – 6/05	70%	15%	11%	4%
7/05 – 6/06	72%	13%	11%	4%
7/06 – 6/07	72%	13%	11%	4%
7/07 – 6/08	71%	14%	11%	4%
7/08 – 6/09	71%	15%	10%	4%
7/09 – 6/10	81%	10%	7%	2%
7/10 – 6/11	79%	10%	9%	2%

** Based on 171,568 new hires through June 30, 2011.*

State Teachers Retirement System of Ohio (STRS)

Starting July 1, 2001, STRS allowed new employees to choose between an all-DB plan, an all-DC plan, and a combined plan. In the combined plan, employer contributions fund DB benefits and all member contributions are credited to DC accounts.

Members have a six-month election window. After the member is put in the all-DB plan either by default or by active election, he or she cannot elect out. Members who choose the DC or combined plan have a one-time option at the end of the fiscal year following the fourth anniversary of the hire date to switch to one of the other two plans that were not chosen at the time membership began. Members must positively elect to stay in the combined or all-DC plan during this reselection period or they will default into the all-DB plan. If members change into the all-DB plan, they forfeit their DC accounts and are treated as if they had been in the all-DB plan since hire. There are no changes after the end of the fifth fiscal year of participation after hire.

The employer contribution is 14% of pay and the employee contribution is 10% of pay for all three plans. Members in the all-DC and combined plans have all employee contributions credited to their DC accounts. However, a portion of the employer contribution to the all-DC plan is used to fund unfunded liabilities for the all-DB plan (3.5% of pay in 2008).

Table A10 is a historical record of the choices of new hires in STRS of Ohio.

Oregon Public Service Retirement Plan (OPSRP)

Oregon has chosen that starting Aug. 29, 2003, all new hires go into a combined pension plan with two components: the defined benefit pension program and the defined contribution-like Individual Account Program (IAP).

The pension program provides a defined benefit equal to 1.5% of final average salary (1.8% for police officers and firefighters) for every year of service and is funded entirely by employer contributions and investment earnings.

The IAP is funded by the employee contributions, which are 6% of pay. All IAP assets are invested in the same portfolio as the DB assets; there is no difference. Employees have no choice in how IAP assets are invested. As a result, the members' IAP accounts earn comparable returns, positive or negative, to the DB assets. Earnings are credited annually to member accounts. Administrative fees are deducted from the fund's earnings as part of the annual crediting process. Members receive an annual statement after earnings are credited each year.

South Carolina Retirement Systems

South Carolina allows new employees of State agencies, institutions of higher education, and employees of k-12 schools to choose between a DB plan and a DC plan. Employees of municipalities, counties or special purpose districts cannot participate in the DC plan. This arrangement was made effective over the period from July 1, 2001, to July 1, 2003, varying by group.

DC members choose between four authorized investment providers. Members must choose investment options from their chosen investment provider. Members may change investment providers during the annual open-enrollment period subject to the investment provider's contractual limitations.

A11. South Carolina Retirement Systems Percent of New Hires Electing DC* (Effective July 2, 2001, and July 1, 2003)

	Higher Education	K - 12 Schools	State Agencies	Overall
7/04 - 6/05	32%	14%	11%	17%
7/05 - 6/06	34%	14%	12%	18%
7/06 - 6/07	37%	15%	13%	19%
7/07 - 6/08	35%	16%	13%	20%
7/08 - 6/09	33%	14%	11%	18%
7/09 - 6/10	31%	12%	10%	17%
7/10 - 6/11	33%	11%	13%	18%

** Based on 201,466 new hires through June 30, 2011.*

Members have a 30-day election window after hire to choose between the DB plan and the DC plan. During their first five years, members can change from the DC plan to the DB plan. Members cannot change from the DB plan to the DC plan. If a member changes to the DB plan during this five-year period, the member has the option to purchase his or her original time in the DB plan. The cost is 16% of the member's highest career salary for each year of service. The member has the option, but is not required, to use his or her DC account for these service purchases.

The DB and DC plans require the same employer and employee percentage of pay contributions. Employers currently contribute 9.24% of pay. Employees contribute 6.50% of pay. Five percent of employer DC contributions are deposited to the DC account; the South Carolina Retirement System collects the difference between the employer contribution and the 5% allocated to member accounts and may retain an amount as determined by the director to defray any reasonable expenses incurred in performing services regarding the plan. The entire employee contribution is credited to the DC account. Participants are immediately vested.

Table A11 is a historical record of the choices of new hires in South Carolina. Like most other systems, the DB plan is the default election. It is interesting to note that the percent of new hires electing DC varies widely by group. The percent of higher education employees choosing DC has varied from 31% to 37%, whereas the DC choice for other groups has only varied from 10% to 16%.

Vermont

Starting Jan. 1, 1999, all new exempt state employees were given a choice between a DB plan and a DC plan. In addition, beginning in July of 2000, the governing body of employers in the Vermont Municipal Employees' Retirement System (VMERS) can elect to offer employees a choice between a DB plan and a DC plan. To date, about 92 of the over 400 VMERS employers have chosen to offer this choice to their employees.
Employees make a one-time irrevocable choice at hire.

In the state DC plan, employers contribute 7% of pay and employees contribute 2.85% of pay. In the VMERS DC plan, employers contribute 5% of pay and employees contribute 5% of pay.

Statistics on the percentage of members electing the DC plan or DB plan are not available.

Washington State Department of Retirement Systems

Starting March 1, 2002, Washington allowed new hires in the Public Employees' Retirement System (PERS) to choose between an all-DB plan (Plan 2), and a combined plan (Plan 3). In the combined plan, employer contributions fund DB benefits equal to 1% of final average earnings for each year of service and all member contributions are credited to DC accounts. Starting July 1, 2007, new hires in the Teachers' Retirement System (TRS) and the School Employees' Retirement System (SERS) were given the same choice between Plan 2 and Plan 3.

Members have 90 days after hire to make a one-time irrevocable decision between the all DB plan and the combined plan.

At the same time the plan election is made in the first 90 days, members in the combined plan (Plan 3) also choose between six employee contribution-rate options. Once the employee contribution-rate option is chosen, it cannot be changed as long as the member remains with the same employer. If members separate from the employer, they may

change their contribution rate with the next employer. All employee contributions are credited to the DC account.

The six employee contribution options in the combined plan are as follows:

- Option A: 5% of pay contribution at all ages
- Option B: 5% to age 35, 6% at ages 35 to 44, 7.5% at ages 45 and up
- Option C: 6% to age 35, 7.5% at ages 35 to 44, 8.5% at ages 45 and up
- Option D: 7% of pay contribution at all ages
- Option E: 10% of pay contribution at all ages
- Option F: 15% of pay contribution at all ages

Employees who do not make an election in the first 90 days after hire are placed in the combined plan (Plan 3) with employee contribution option A. Approximately 65% of combined plan members are in option A, with the remainder spread fairly evenly between the other five contribution options.

One of the DC investment options is the Total Allocation Portfolio (TAP), which mirrors the investments in the state DB plan and therefore earns the same returns. Washington has made the TAP the default investment option for Plan 3 and approximately 56% of the members' DC assets are in the TAP option. Starting in October of 2008, target date funds managed by an outside provider have also been available. The target date funds allocate investments without the member's involvement and automatically change the asset mix as the member moves closer to retirement.

Table A12 shows that approximately 68% of the PERS members hired between March 1, 2002, and June 28, 2011, have actively chosen the all DB plan over the combined plan, which is the default. Breakouts of choices by year are not available.

A12. **Cumulative Washington PERS New Hire Elections, March 2002 – June 2011**

Plan 3 Combined DB & DC by default	Plan 3 Combined DB & DC active enrollments	Plan 2 All DB active enrollments
21%	11%	68%

West Virginia Teachers Retirement System

The following chronology of the West Virginia TRS fills in some holes not described in the article.

- 1941: West Virginia TRS was established as a DC plan.
- 1960s and 1970s: DB benefits were added to counter the inadequate DC benefits, but the benefits were never properly funded.
- 1991: The DC plan (TDC) was established for new hires in response to funding problems, and 4,500 former DB participants also switched from the DB to DC.
- 2003: Many of the 4,500 who switched felt misled and said they could not afford to retire. Other DC members were also not satisfied.
- 2005: The state decided that a given level of benefits could be funded for a lower cost through a DB plan. Average DC returns had been lower than DB returns in both up and down markets. Changing to a DC plan did not solve the state's funding problems. All members hired after July 1, 2005, go into the DB plan instead of the DC plan. West Virginia projected a $1.2 billion savings in the first 30 years due to moving new entrants from the DC to the DB plan.
- 2006 and 2007: Special appropriations of $290.1 million in FY2006 and $313.8 million in FY2007 were deposited into TRS. In addition, West Virginia completed a tobacco bond securitization in FY2007 and deposited $807.5 million of those proceeds into TRS as another special appropriation. All these amounts were in addition to the regular contribution determined under the ARC, which was converted to a level dollar amortization (from level percentage of payroll).
- 2008: DC members are given the option to switch to the DB plan. Of those DC members, 78.6% (14,925 members) chose to switch to the DB plan. Surprisingly, the switch, which was expected to cost the state up to $78 million before the elections were made, is now expected to save the state about $22 million. Fewer older TDC members than expected transferred. More young TDC members than expected transferred. 50% of those over 70 transferred; 69% of those age 65 to 69 transferred; 81% of those 45 to 64 transferred; and 76% of members under age 40 transferred.

Table A13 shows the investment returns for the 10 years ended June 30, 2001, through June 30, 2010. The ten-year average DB return was 1.6% higher than the average DC return.

Table A13. **West Virginia Teachers' DC Returns Compared to TRS Returns**

Year ending June 30	DC plan	DB plan
2001	-2.60%	-0.25%
2002	-3.76%	-2.94%
2003	4.84%	4.75%
2004	8.83%	15.08%
2005	6.33%	10.56%
2006	6.67%	9.55%
2007	11.85%	17.43%
2008	-3.28%	-7.64%
2009	-12.16%	-16.77%
2010	9.16%	15.20%
10 Yr Average	**2.32%**	**3.93%**

ENDNOTES

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SB 130

<TARGET><BILL>SB 130</BILL><SUBJECT>SB 130</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 2/3/12

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 130

SB 130 ALASKA NATIVE LANGUAGE COUNCIL

"An Act establishing in the Office of the Governor an advisory council for the preservation, restoration, and revitalization of Alaska Native languages."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[✓] adopt **previous CS** SB 130 (STA) *[ ] Same Title [✓] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DEC	✓			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	[illegible]	✓			
	Olson	✓			
	Ellis	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:					

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version	**CSSB 130(STA)**
Fiscal Note Number	1
(S) Publish Date	2/3/12

Identifier (file name)	SB130-OOG-CNL-1-21-12	Dept. Affected	Office of the Governor
Title	"An Act establishing an advisory council for the preservation, restoration...of Alaska Native Languages"	Appropriation	Commissions and Special Offices
		Allocation	Council for Native Languages
Sponsor	Senator Olson		
Requester	(S) STA	OMB Component Number	

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	168.7		173.6	178.8	183.7	189.0	192.2
Travel	27.6		27.6	27.6	27.6	27.6	27.6
Services	143.9		143.9	143.9	143.9	143.9	143.9
Commodities	7.0		7.0	7.0	7.0	7.0	7.0
Capital Outlay	40.7						
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**387.9**	**0.0**	**352.1**	**357.3**	**362.2**	**367.5**	**370.7**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	387.9		352.1	357.3	362.2	367.5	370.7
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
Other	(please identify)							
TOTAL		**387.9**	**0.0**	**352.1**	**357.3**	**362.2**	**367.5**	**370.7**

POSITIONS							
Full-time	**2.0**		2	2	2	2	2
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial Version.

Prepared by	Sunny Haight, Deputy Director	Phone	465-6468
Division	Division of Administrative Services	Date/Time	1/21/12 10:00 AM
Approved by	Guy Bell, Administrative Director	Date	1/21/2012
	Division of Administrative Services		

(Revised 8/17/2011 OMB)

FISCAL NOTE #1

STATE OF ALASKA **BILL NO.** CSSB 130(STA)
2012 LEGISLATIVE SESSION

Analysis

Fiscal Note assumes:

2 Full time staff:
Research Analyst Rg. 18
Admin. Assist. Rg. 15

7 council members with geographic representation: 2 Anchorage, 1 Juneau, 1 Fairbanks, 1 Bethel, 1 Kotzebue, 1 Barrow

4 face-to-face meetings annually. Additional meetings as necessary via teleconference.

1 Anchorage meeting (Fall)
Transportation: $3347
Lodging: $600
M&IE: $560

1 Juneau meeting (Winter, during session)
Tranportation: $5812
Lodging: $1320
M&IE: $1028

1 Fairbanks meeting (Spring)
Transportation: $4804
Lodging: $960
M&IE: $764

1 Bethel meeting (Summer)
Transportation: $6110
Lodging: $1400
M&IE: $852

All meetings assume full council and both staff members in attendance.

Contractual includes core services charges, communications, advertising, printing, office space lease, and postage.

Initial equipment costs reflect set-up of office work stations, computers, phones, fax, copier, etc.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB 130 (STA)**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB130-DCCED-ANLC-03-02-12
Title: Alaska Native Language Council
Sponsor: Senator Olson
Requester: Senate Finance

Dept. Affected: DCCED
Appropriation: Communtiy and Regional Affairs
Allocation: Community and Regional Affairs
OMB Component Number: 2879

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	168.7		168.7	168.7	168.7	168.7	168.7
Travel	16.5		16.5	16.5	16.5	16.5	16.5
Services	30.0		30.0	30.0	30.0	30.0	30.0
Commodities	25.0		1.0	1.0	1.0	1.0	1.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**240.2**	**0.0**	**216.2**	**216.2**	**216.2**	**216.2**	**216.2**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	240.2		216.2	216.2	216.2	216.2	216.2
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**240.2**	**0.0**	**216.2**	**216.2**	**216.2**	**216.2**	**216.2**

POSITIONS							
Full-time	2		2	2	2	2	2
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This version updates the anlysis section to include additional information regarding the duties of the staff.

Prepared by: Scott Ruby, Director — Phone 269-4569
Division: Community and Regional Affairs — Date/Time 3/2/12 8:30 PM
Approved by: JoEllen Hanrahan, Director Administrative Services — Date 3/3/2012
Commerce, Community, and Economic Development

(Revised 11/28/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** CSSB 130 (STA)
2012 LEGISLATIVE SESSION

Analysis

SB 130 will establish the Alaska Native Language Preservation and Advisory Council for the purpose of preserving, restoring, and revitalizing Alaska Native languages.

The Council will consist of five voting members appointed by the Governor and two non-voting members, one from the State Senate and one from the House of Representatives. The Council must meet a minimum of twice a year and may meet telephonically.

Personal Services includes two full time staff, a Research Analyst range 18 and an Administrative Assistant III range 15. Staff for the council will need to identify programs throughout the state that work on similar programs with the goals of this bill. These include programs from elementary schools in rural school districts, high school, adult education, and university programs. There are also programs run by non-profits and native regional organizations that receive public money that will be included.

Each program will need to be analyzed and examined for financial cost and results (cost benefit). Once this is complete and documented, a report will be compiled and provided to the council for review. The council may direct further investigation into the potential for reorganization or combination of programs, and the exploration of further funding.

The Research Analyst will perform research, investigation, and report writing. The Administrative Assistant will perform information gathering, and report editing, finalization and distribution to the council. In addition, this position will coordinate meetings and travel for Council, and provide public information services for the program.

Travel includes airfare, per diem, hotel, and miscellaneous costs for seven members and the two support staff to have two face-to-face meetings annually. The estimate assumes one meeting will be in Fairbanks and the other in a rural hub such as Bethel. While the council may meet by teleconference, in-person meetings are generally more productive and the preferred option.

Services include support for core service costs, communications, advertising, and other costs for research and reporting.

Commodities include one-time start up costs for cubicle, equipment, desk, chair, shelving, and on-going supplies.

First Alaskans Institute

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Sam Kito, Jr.
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Byron I. Mallott
Tlingit

Morris Thompson
Athabascan

Mission

Advance Alaska Natives through community engagement, information and research, collaboration, and leadership development.

606 E Street,
Suite 200
Anchorage, AK 99501

P 907.677.1700
F 907.677.1780
info@firstalaskans.org
www.firstalaskans.org

February 15, 2012

Senator Donald Olson
State Capitol Room 508
Juneau AK 99501

Representative Alan Dick
State Capitol Room 104
Juneau AK 99801

Re: SB 130 & HB 254 Creating the Alaska Native Language Preservation & Advisory Council

Dear Senator Olson and Representative Dick,

On behalf of First Alaskans Institute, we extend a sincere thank you **(Unangam Tunuu: *Qa}aalaku{* – thank you)** ***(Inupiaq: quiagipsi apai - I thank you very much)*** to the sponsors and co-sponsors of SB 130 and HB 254 for your deep insight and commitment in moving the important topic of Alaska Native languages forward in this state; *it is critically needed*.

First Alaskans Institute is a statewide Alaska Native non-profit organization focused on advancing Alaska Natives for the next 10,000 years. We work to empower the indigenous peoples of this land to ensure that we are involved in, shaping, and making the decisions that impact our lives.

Revitalizing our Alaska Native languages is an important part of the restoration of healthy and well communities in Alaska – for all Alaskans. We ask all legislators to support this bill and vote in the affirmative to create the Alaska Native Language Preservation & Advisory Council. Some may ask why support Alaska Native languages when there are so many different languages from across the world spoken in Alaska? The answer is simple. All other world languages have a home, countries which speak them, nurture them, and grow their complexity and nuance over time but the only home the indigenous languages of Alaska have is right here.

Our languages contribute to the uniqueness of Alaska and the rich human diversity of this planet. Given an opportunity to blossom, they nourish and enrich lives, empower voices, grow cultural continuity, and strengthen identity. People who are strong in who they are and knowledgeable about their cultures are prepared for and work hard for individual and collective success.

Most importantly, languages contain knowledge not available anywhere else in the world, especially in relationship to the land it has grown and developed on. If we, as Alaskans, are to steward Alaska and her resources into the future for her common good and for the benefit of all Alaskans, then the languages of Alaska Native peoples is crucial to this endeavor.

In reading through the most current version of the bills, we want to emphasize and acknowledge the importance of this legislations purpose of working to preserve and revitalize our endangered Alaska Native languages and to advise the Governor and the Legislature on how to do so. In order for this Council to be successful it will need resources to implement initial and on-going activities. We also strongly support and request the Governor and the appropriate appropriations committees to accordingly allocate the needed state resources.

Again, it is with excitement over the promise contained in this bill – that our languages are vital to our success and that of our children, and to the health of Alaska overall, that we request full Legislative support of SB 130 and HB 254.

My Board Chair or I would be happy to provide testimony in support of this vital legislation if the need arises so please do not hesitate to contact me.

Iislilix,

Denise R. Morris (Unangan)
President/CEO

Quyanaq,

Willie "Iggiagruk" Hensley (Inupiaq)
Chair of the Board of Trustees

A NATIVE CORPORATION
SEALASKA

14 February 2012

The Honorable Bert Stedman, Co-Chair
The Honorable Lyman Hoffman, Co-Chair
Senate Finance Committee
State Capitol, Rm. 516 and 518
Juneau, AK 99801-1182

RE: SB 130, An Act establishing the Alaska Native Language Preservation and Advisory Council and relating to the preservation, restoration, and revitalization of Alaska Native languages

Dear Senators Stedman and Hoffman:

I appreciate this opportunity to testify in support of Senate Bill 130, "An Act establishing the Alaska Native Language Preservation and Advisory Council and relating to the Preservation, Restoration, and Revitalization of Alaska Native languages." I would also like to commend you in this noble effort to support the rich linguistic and cultural diversity of this State.

I am Byron Mallott, a member of the Sealaska Corporation Board of Directors, and former President and CEO of First Alaskans Institute. My Tlingit names are Dux̲ da neix̲ and K'oo del ta'. I am the clan leader of the Kwáashkl Kwáan (Humpback Salmon) clan, Fort House from Dry Bay, near Yakutat.

Before I state my reasons for supporting SB 130, it is important to briefly outline the status of Alaska Native languages today. Unless remedial action is initiated, most all of Alaska Native languages will join their already extinct linguistic relative, the Eyak, within a few short decades. A UNESCO report on endangered languages classifies native languages as "vulnerable", definitely endangered, severely endangered, critically endangered and extinct. In our state, the Yup'ik language is the healthiest, yet is still "vulnerable", meaning children still speak the language but in limited domains (home). The Inupiaq language spoken in the North Slope and Kotzebue and the Gwich'in

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Athabaskan languages are "severely endangered," meaning that the languages are spoken by grandparents and older generations. While the parent generations may understand Inupiaq and Gwich'in Athabaskan, they do not generally speak these languages to children or among themselves. Aleut, Tlingit, Haida and Tsimshian languages are "critically endangered" meaning that the youngest speakers are grandparents and older, and they speak the language partially and infrequently. This state has lost the Eyak language, which is now extinct.

The State of Alaska can stop this rapid progress towards language extinction by passing SB 130 "An Act establishing the Alaska Native Language Preservation and Advisory Council and relating to the Preservation, Restoration, and Revitalization of Alaska Native languages." This is a historic and symbolic bill. For the first time, the highest office in our state is acknowledging the value of linguistic diversity. This is progress. We have moved from a time when our people had their mouths washed out with soap for speaking their language to a time when the Governor of our state will have an Advisory Council on Native Languages.

The Council won't solve all of our problems. There is much work to do. That work must be in language restoration. Languages that are severely and critically endangered must teach and nurture language learners so that they can teach the language to others. Sealaska Heritage Institute recently surveyed language teachers/learners in Southeast communities. When asked how long they had been learning and how long they had been teaching, the difference was very little, sometimes only one semester. Our language learners/teachers need support at all levels. Native language curricula and Native Language teachers are critical for language revitalization.

The heart of the Council's work will be to "advise the governor and the legislature on programs, policies, and projects for cost effective preservation, restoration, and revitalization of Alaska Native languages in the state." This work together with the necessary funding can ensure that one of our most significant resources in the state survives. The Council must formulate policies that support the revitalization of Native languages and identify barriers that threaten the survival of Native language. Significantly, one of the most immediate effects of the legislation is that it would serve to reverse the perception that the State of Alaska is adverse to linguistic diversity. It would further send a powerful message that Alaska sees indigenous languages as a part of its heritage to be protected.

Language is a uniquely human gift, central to our experience of being human and Alaska Native. Our cultural identity and traditional knowledge are embodied within our language. This knowledge and the differing world views are worthy of protection and transmittal to future generations. An example of worldview in the Tlingit language is kinship terms. In addition to terms for

mother, father and grandparent, Tlingit kinship terms denote clan relationships. Aunts and uncles are either the same clan as a child or the opposite clan—their titles tell him so. Siblings are differentiated by gender and age. Clans have clan in-laws—the opposite moiety who they traditionally married. All these very complex relationships are carried in kinship terms. Part of knowing who we are, which is critical for healthy development, is knowing who we are related to and how. All this is carried in language. Linguistic and cultural diversity is a benefit to society.

We are not going to save our indigenous languages through culture week, or guest lectures on language. Our state needs all of us to say this is a priority, advise the Governor and administration on systemic efforts that are most effective. Each of our language groups is working on language revitalization. Let's look at what is most effective for which groups. Even the Yup'ik, who have the healthiest of our Native languages, are vulnerable. A systemic approach will identify the needs of each language community and advise on what is needed to move that language one level safer.

Sincerely,

Byron Mallot
Sealaska Corporation
Board of Directors

One Sealaska Plaza, Suite 400, Juneau, AK 99801 • Phone (907) 586-1512 • Fax (907) 586-2304



23 January 2012

Honorable Donny Olson, Senator
Alaska State Legislature
Alaska State Capitol, Rm. 508
Juneau, Alaska 99801

Dear Senator Olson:

It brings me gratification to see the introduction of Senate Bill 130 - Alaska Native Language & Advisory Council, "An Act establishing the Alaska Native Language Preservation and Advisory Council and relating to the preservation, restoration and revitalization of Alaska Native Languages."

I have been working in the field of language preservation and perpetuation for nearly 40 years and have seen first hand the extreme decline of the Iñupiaq language. A handful of our people have devoted their lives to teaching it in the hopes of reversing this loss. Much remains to be done.

I write in support of the bill and urge passage. Having an Advisory Council whose responsibility would be to advocate for Native languages across the state will go a long ways towards creating an atmosphere where we can realize a shift in language priorities in Alaska. It is high time the state recognize the importance of perpetuating the languages of its indigenous peoples.

Quyanaq.

Respectfully yours,

Jana Harcharek, Director
Iñupiaq Education

ALASKA STATE LEGISLATURE

SENATOR DONALD C. OLSON

Session
Alaska State Capitol, Rm. 508
Juneau, AK 99801
(907) 465-3707
Fax: (907) 465-4821

Interim
716 W. 4th Ave. Ste 530
Anchorage, AK 99501
(907) 269-0254
Fax:(907)269-2031

Senator_Donny_Olson@legis.state.ak.us

Chair
Community & Regional Affairs
Member
Senate Finance Committee
Ethics Committee
Legislative Council
Northern Waters Task Force
Education Funding District Cost Factor
Health Care Commission
Finance Subcommittee Chair
Fish & Game
Health & Social Services
Public Safety
Finance Subcommittee Member
Environmental Conservation

Sponsor Statement: Senate Bill 130
Alaska Native Language & Advisory Council

"An Act establishing in the Alaska Native Language Preservation and Advisory Council and relating to the preservation, restoration, and revitalization of Alaska Native languages."

Alaska Native Languages (ANL's) are threatened by extinction. The intent of SB 130 is to preserve and maintain ANL's. Indigenous languages are the most critical components in terms of preservation of cultural ideas and traditions and serve as the backbone of all cultural elements.

SB 130 will establish the Alaska Native Language and Advisory Council to assess the state of ANL's and re-evaluate the programs within the state and make recommendation to the Governor and Legislature to establish new programs or re-organize the current programs.

According to the Alaska Native Language Center's *Population and Speaker Statistics* published in 2007, only 22 percent Alaska Natives statewide can speak their native language. More specifically, only 29 percent of the Eskimo Aleut population, less than 2 percent of the Tsimshian and Haida, and less than 5 percent of the Athabascan and Tlingit communities combined are fluent speakers. The Eyak language recently lost its last native fluent speaker.

It is vital that the State of Alaska creates this needed establishment and I urge your support in the passage of this bill.

ALASKA STATE LEGISLATURE

SENATOR DONALD C. OLSON

ALASKA
STATE CAPITOL
ROOM 514
JUNEAU, ALASKA 99801-1182

(907) 465-3707
FAX (907) 465-4821

Changes in CSSB 130 (STA)

- Section 1.
  - Added "are the foundation of cultures" to the legislative finding.
- Section 2.
  - Changed the name of the proposed council to Alaska Native Language Preservation and Advisory Council.
  - Establishment of the council in the DCCED instead of the Governor's Office.
  - The Council advises the Governor and the Legislature.
  - Council meets at least twice a year and prepares a report to the legislature by January 1 of each even numbered year.
  - The two non-voting legislative members of the council will come from the Bush Caucus.
- Section 3.
  - Governor must appoint by December 1, 2012
  - First report is due by July 1, 2014.

LEGISLATIVE RESEARCH REPORT

MARCH 24, 2011

REPORT NUMBER 11.219

ALASKA LEGISLATION REGARDING THE PRESERVATION OF ALASKA NATIVE LANGUAGES

PREPARED FOR SENATOR DONALD OLSON

BY TIM SPENGLER, LEGISLATIVE ANALYST

You asked if legislation has been introduced in Alaska seeking to establish a board or advisory council to oversee programs designed to preserve Alaska Native languages. Briefly, we were unable to identify any such current or past legislative efforts in Alaska.[1] We did find, however, two examples of related legislation that may interest you, which we discuss below.

In 1972 the Alaska Legislature enacted CH 175 SLA 1972, which established the Alaska Native Language Center (ANLC) based at the University of Alaska Fairbanks (UAF).[2] The mission of the ANLC is to serve as a center for research and documentation of the Native languages of Alaska. The Center publishes its research in story collections, dictionaries, and research papers. It also houses a large archival collection of items written in or about Alaska Native languages. Staff members provide materials for bilingual teachers and others who work with Native languages and provide consulting and training to teachers, school districts, and state agencies.

Professor Lawrence Kaplan, director of the ANLC, was unaware of any legislative attempts to form a board or council to oversee programs designed to preserve Alaska Native languages.[3] He also polled his co-workers at the Center who were also unaware of such efforts. Additionally, we spoke with the founder and first director of the ANLC, Professor Michael Krauss.[4] Professor Krauss, a Harvard-trained linguist who taught at UAF from 1960-2000, informs us that no such legislative efforts have been put forward to his

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[1] In an attempt to identify proposed legislation we reviewed the Bill Action Status and Inquiry Systems (for legislative activity from 1993 to the present), the Alaska Final Status of Bills and Resolutions books (for information from 1977-1992), and the Legislative Reporting Service reports (for information from 1960-1976). Additionally, we completed a Newsbank search and spoke to Alaska Native language experts. Despite our efforts, it is possible that relevant proposals of legislation have eluded us.

[2] More information on the Alaska Native Language Center is available at *http://www.uaf.edu/anlc*.

[3] Professor Kaplan can be reached at (907) 474-6582.

[4] Professor Krauss can be reached at (907) 479-6340.

knowledge.[5] He asserted that if such measures had been considered, he would almost certainly have been aware of them.

Additionally, Senate Bill 103, which addressed Native languages in schools, was passed into law in 2000 (CH 29 SLA 2000, codified as AS 14.30.420).[6] This measure mandates that school districts in which a majority of students are Alaska Natives shall establish a local Native language curriculum advisory board. If an advisory board recommends the establishment of a Native language curriculum, the school board in that district may initiate and conduct such a curriculum.

We hope you find this information to be useful. Please let us know if you have questions or need additional information.

[5] The idea of a board or advisory council to oversee programs to preserve Alaska Native languages intrigued the professor. He related that he would be very happy to consult with anyone considering such a measure.

[6] The version of Senate Bill 103 that passed the legislature was House CS for Senate Bill 103 (HES).

MEAD TREADWELL
LIEUTENANT GOVERNOR
www.ltgov.state.ak.us

550 West Seventh Avenue, Suite 1700
Anchorage, Alaska 99501
907.269.7460
907.269.0263 Fax
lt.governor@alaska.gov

STATE OF ALASKA
OFFICE OF THE LIEUTENANT GOVERNOR
ANCHORAGE

MEMORANDUM

TO: Lieutenant Governor Mead Treadwell

FROM: **Esther Woo**

Cc:

DATE: August 15, 2011

RE: **Cursory Survey of Language Preservation and Revitalization Efforts in Alaska**

At your request, and as a background for the State Committee on Research, the Alaska Historical Commission, and the U.S. Arctic Research Commission, this memo is a report on our office's efforts to identify examples of language revitalization and preservation activities taking place in Alaska.

Executive Summary

Half of the world's languages are not being taught to children, meaning that 3,500 of the 7,000 languages are set to disappear within a generation. Specifically in the United States, only 201 of the 400 indigenous languages were being spoken in the year 2006; it is predicted that only 20 will be spoken in year 2050. In the state of Alaska, where there are 20 indigenous languages, one is already extinct, meaning there are no remaining native speakers. The remaining 19 are considered endangered.

In this light, this memo will provide a cursory view on why this issue deserves attention as well as action as well as examples of different efforts targeting education and documentation. It will also provide an overview of government related efforts assisting these activities. Finally, there will be several recommendations regarding actions the commissions may take to further support existing efforts.

The Importance of Preservation

Losing a language not only deprives the world of the language itself, but also the richness of culture, history, and knowledge carried within the language. As Wade Davis1 says, "Language is a flash of the human spirit. It's a vehicle through which the soul of each particular culture comes into a material world. Every language is an old-grown forest of the mind, a watershed of thoughts, an ecosystem of possibilities."

Language loss is an indicator of cultural loss because according to Linda Belarde,2 Curriculum Specialist in the Sealaska Heritage Institute, "Language carries a people's way of looking at the world." For example, the terms for "nephew" and "niece" in Tlingit are "kaalk'w," her brother's child, and "keik," his sister's child. This means that his sister's child is in the same clan while her brother's child is in the opposite moiety, indicating that it is the clan of the kin, and not his or her gender (as it is in English), that is taken in account. These Tlingit kinship terms thus serve to reflect the matriarchal structure of Tlingit society.

Native languages also carry scientific knowledge. For instance, some native terms complement knowledge on walrus anatomy and snowflakes. Furthermore, the extinction of a language will also bury history and cultural tradition, because many of these indigenous languages have been passed down orally for centuries. Despite existing writing systems for all Alaskan indigenous languages today, significant loss of such knowledge would be inevitable in the face of language loss. Thus, in the words of Davis, "We're living through a time when half of humanity's intellectual, social, and spiritual legacy is being lost."

Revitalization through Education

It is thus clear that subsequent generations will to some degree face irreparable gaps in culture and knowledge. However, there have been efforts across the state of Alaska, with the support of government related agencies as well as state and federal legislation, to reverse the trend of such loss. At the heart of these efforts is the education of the young, a vital approach in passing down language to the next generation.

One successful model of language education is the Ayaprun Elitnaurvik Yup'ik Immersion School in the Lower Kuskokwim School District. The immersion school is a K-6 charter school located in Bethel, with around 175 students each year. Efforts to implement an immersion program began in the 1980s when concerned parents petitioned for a stronger and more extensive Yup'ik program. Today, the school's mission statement is to provide a high quality education to meet the state standards and strengthen Yup'ik language and culture, while promoting an

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1 Wade Davis is an anthropologist, ethnobotanist, author, and photographer who has been researching and exploring worldwide indigenous cultures. Davis is an advocate for the protection of the "ethnosphere," a term he coined that describes the sphere of all of humanity's cultures and beliefs. His books *Light at the Edge of the World: A Journey Through the Realm of Vanishing Cultures* (2001) and *The Wayfinders: Why Ancient Wisdom Matters in the Modern World* (2009) focus on such issues. Davis is an Explore-in-Residence at the National Geographic Society.

2Linda Belarde, Curriculum Specialist at the Sealaska Heritage Center: (907)586-9187

The Alaska Native Language Program offers major and minor degrees in Central Yup'ik and Inupiaq Eskimo. The classes are taught by members of the Alaska Native Language Center staff, who are working to further develop the bachelor's degree program by implementing more Yup'ik literature. The UAF also runs a teacher training program as a partnership with the Kuskokwim campus of UAF in Bethel. In 2010, the program graduated its first cohort of Alaska native teachers with a specialization in second language acquisition and teacher education: there were 15 graduates with master's degrees and 3 graduates with doctorate's degrees. This teacher training program is closely linked to the UAF's partnerships with school districts; according to Patrick Marlow,6 Associate Professor at the University, most of the training programs' graduates are now working as teachers or administrators in districts such as the Lower Kuskokwim school district, where teachers continue to go through training to learn good teaching methods as well as language learning instructional methods. Furthermore, several teachers in Bethel are partnering with the university to develop curriculum. The UAF is thus a vital source of human resources for language education programs.

Another challenge to revitalization is the loss of a natural language environment caused by rapidly decreasing speaker populations. The Sealaska Heritage Institute, which was founded for the Tlingit, Haida, and Tsimshian people of Southeast Alaska and in 1997 adopted language preservation as its foremost priority, strives to create language environments to support effective learning by designing units for language curriculum, providing educational tools, and hosting workshops for teachers. One example of the institute's educational resources is the recently introduced set of flash cards and audio CDs to complement Tlingit alphabet learning. Public school teachers throughout the region as well as community programs such as afterschool or summer school programs make use of the resources provided by the institute. The Sealaksa Heritage Institute also has partnerships with the Juneau School District and the Hoonah School District.

The Sealaska Heritage Institute's biennial Celebration further encourages this language environment, as all of the songs in the Celebration dances are in native languages. Depending on the year, the Celebration includes lectures and lessons in the language. In conjunction with providing these resources and opportunity for educators and the community, the institute has programs such as the Latseen Hoops Camps, an annual summer camp with an all-Tlingit coaching staff that exposes Tlingit to students by integrating native language instruction with basketball.7

The Goldbelt Heritage Foundation, formed in 2007, is also dedicated to offering tools and materials for people wishing to learn the language. For example, Fred White, Tlingit Language Sepcialist and also the youngest fluent speaker of Tlingit, has made audio recordings for teachers throughout the region. In addition, the foundation is developing a Tlingit verb database that

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6 Patrick Marlow, Associate Professor at UAF: (907)474-7446

7 For more information on SHI efforts contact Linda Belarde mentioned in footnote two.

includes conjugations, a project originally started by Richard and Nora Marks Dauenhauer in the 1990s and now headed by Keri Edwards.8

Furthermore, the Bilingual Multicultural Education Equity Conference (BMEEC) is an annual conference supported by the Alaska Department of Education and the Alaska Association for Bilingual Education. Agendas for the conference include workshops and discussions on the topic of multicultural education. The keynote speakers in 2011 (Misty Adoniou and Mary Macken-Horarik) presented foundations for an approach to teaching literacy.

Preservation through Documentation

Besides efforts centered on education, there are numerous groups across the state working to document native languages. Three examples of such efforts are from the Alaska Native Language Center of UAF, Sealaska Heritage Institute, and the Alutiiq Museum.

The archive in the University is the largest repository of Native American languages and related languages in the world: it houses more than 10,000 items of written documents that include copies or originals of all material in or about all of Alaska's native languages, which in many cases are held nowhere else. In addition to these collections, there are collections of related languages such as the Eskimo languages of Russia and the Athabascan languages of Canada. The archive also houses a recording collection of about 7,000 recordings, although Gary Holton,9 Professor of Linguistics at the University, calls this "the tip of the iceburg." To extend this audio collection, the language center has formed partnerships with regional organizations, such as the Alutiiq Museum and the Ahtna Heritage Foundation. The foundation does the outreach in the community to locate tapes to preserve and digitize, while the language center archive provides infrastructure backup. In addition to the archive, the language center staff document native languages and provide resources. For instance, Lawrence Kaplan, Professor of Linguistics at the University and Director of the Alaska Native Language Center, is working on dictionaries of the Inupiaq language as well as texts and grammatical explanations for the language. Holton has led a project developing a new edition of the Indigenous Peoples and Languages of Alaska Map originally produced by Michael Krauss in 1974.

The Sealaska Heritage Institute has also published books and videos relating to cultures, languages, and history, including language dictionaries, phrase books, and Tlingit narratives. The institute also strives to document the history, culture, heritage, art, and language of the Tlingit, Haida, and Tsimshian people of the Northwest Coast by housing a collection of books, historical photographs, audiovisual recordings, manuscript materials, and ethnographic objects.

The Alutiiq Museum has the Qik'rtarmiut Alutiit (Alutiiq People of the Island) language program that focuses on documenting and revitalizing the Alutiiq Language of the Kodiak Archipelago. The Alutiiq Living Words Project, funded by the National Science Foundation's Documenting Endangered Languages Program, involves semi-fluent speakers and elders who worked together

8 For more information on the Goldbelt Heritage Foundation contact Fred White or Keri Edwards: (907)790-1424

9 Gary Holton, Professor of Linguists at UAF: (907)474-6585

to document Alutiiq speech, vocabulary, and cultural traditions in audio and video form, which were indexed and archived. Selected recordings are made available online through the Alutiiq Language Web Portal. The project also involves the New Words Council, which consists of elders and semi-fluent associate members who develop native words for contemporary terms such as "computer," "elevator," and "linguist." Besides these documentation efforts, the Alutiiq Museum's Alutiiq Word of the Week program, now in its fourteenth year, produces weekly cultural lessons for weekly broadcast on the radio, the Kodiak Daily Mirror, and email broadcast. The Alutiiq Museum hosts the Alutiiq Language Club, which meets weekly to talk in the language or have elders tell stories in the language.10

Supporting Organizations

In addition to language education programs, efforts to provide human resources and education resources, and documentation works, there are also supporting organizations which are not necessarily directly involved in language revitalization and preservation, but are vital to the state-wide effort as a whole. Such supporting groups include the Alaska Native Heritage Center and the Alaska Humanities Forum.

The Alaska Native Heritage Center, which focuses on expanding the public's knowledge of Alaska Native cultures, has been directly and indirectly involved in Dena'ina language preservation and revitalization. The ANHC is currently closing out a National Science Foundation grant for a project involving a partnership with a tribe to research rites of passage through studying and transcribing traditional stories. Though the ANHC currently does not offer language classes as it did in the past, the heritage center provides language lesson podcasts for online use as well as internship programs and afterschool programs designed to expose students to language environments through native dance and song. Annette Evans Smith,11 Interim President and CEO of the Alaska Native Heritage Center, envisions partnering with some of the regions that have immersion programs to create a language nest, such as a camp for young children that would fuse childcare and language immersion: "Immersion is the best way to learn a language," says Evans Smith.

The Alaska Humanities Forum acts as a convener and supporter of other groups, mainly through awarding grants as part of the National Endowment for the Humanities. Recipients of these grants include the Alaska Native Knowledge Network, which is working to preserve and promote native language and philosophy, as well as a program for preserving Eyak. A native language preservation program that has worked with representatives from villages in the Kotzebue area and been headed by Tom Okleasik also received funding. The AHF has supported the Rosetta Stone Endangered Language Program, which in partnership with the NANA Regional Corportaion designed two Inupiaq language CDs. has designed a program for learning Inupiaq. Greg Kimura,12 CEO and President of the Alaska Humanities Forum, commented that there are

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10 For more information on the language program in the Alutiiq Museum contact April Counceller, Language Manager at the Alutiiq Museum and Archaeological Repository: (907)486-7004

11 Annette Evans Smith, Interim CEO and President of the Alaska Native Heritage Center: (907)330-8059.

12 Greg Kimura, CEO and President of the Alaska Humanities Forum: (907)272-5308.

not enough resources to cover the needs of various groups. However, he expressed that the Forum "wants to be around to be supportive and helpful of the different groups around the state who are part of preservation and revitalization efforts."

Government-related Support

Assisting these many layers of efforts are federal agencies; the National Science Foundation, the Administration for Native Americans,13 the U.S. Department of Education, and the National Endowment for the Humanities have provided funding for many of these efforts. The U.S. Department of Education in particular, in the words of Patrick Marlow, "has been absolutely fantastic in terms of its commitment to teacher training." The U.S. Department of Education's Office of English Language Acquisition provides funding for professional development for K-12 teachers, and the Office of Alaska Native Education provides grants for Alaskan efforts that focus on developing strong language programs for K-12. According to Marlow, both of these offices have been vital to establishing and maintaining teacher education programs in the University. Despite this, April Counceller of the Alutiiq Museum and Marlow both expressed concern for the growing difficulty in not only receiving grants but also maintaining funding for established programs.

In addition, both the federal and state governments have introduced legislations that may assist revitalization efforts. The Esther Martinez Native American Languages Preservation Act of 2006 was passed by Congress and signed by President Bush as an amendment to the Native American Programs Act of 1974. The amendment strengthened the act by providing for the revitalization of Native American languages through immersion programs. In Alaska, Senator Donald Olson has introduced Senate Bill 130, which recognizes native language preservation as "vital in maintaining traditional knowledge and understanding" and calls for the establishment of the Alaska Native Language Preservation Council in the Office of the Governor "for the purpose of recommending the establishment or reorganization of programs to support the preservation, restoration, and revitalization of Alaska Native languages."14

Furthermore, an Executive Order on Native American Language Preservation15 was drafted in 2010 between senior White House Staff and representatives from Native American communities across the United States. If approved by the President of the United States, this Executive Order would strengthen the Native American Languages Act of 1974 and the Esther Martinez Native American Languages Preservation Act of 2006 mentioned above by creating an Interagency Working Group on Native American Language Revitalization, mobilizing the coordination of federal resources for language revitalization, and appointing a Presidential Board of Advisers on Native American Languages. According to Gary Holton, "It would be recognition that this is something we believe in, that we make a commitment… If you go back to people who have had

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13 Federal agency established through the Native American Programs Act of 1974.

14 Link to text of Senate Bill No. 130: http://www.scribd.com/doc/53125928/SB-130-SB0130A-The-Alaska-State-Legislature-via-MyGov365-com.

15 Link to Executive Order on Native American Language Preservation: http://www.lsadc.org/info/documents/2011/resolutions/executive-order-draft.pdf.

decades of language suppression, that means something." As of July 2011, the National Congress of the American Indian as well as other language rights and American Indian rights groups are pressuring President Obama to sign this order.

Recommendations for the Commissions

There are several ways in which the commissions you participate in as Lt. Governor may assist the statewide revitalization and preservation effort. First, the Alaska State Historical commission can support efforts to officially recognize the natives by establishing native place names. In Hawaii for example, Hawaiian can be seen in signs in the airports and on the streets. According to Holton, this has the effect of increasing appreciation for native languages among both natives and non-natives. Representatives from the Alaska State Historical Commission attending the Council of Geographic Names Authority in October should identify other ways to establish more Alaska Native place names.

Second, there is a lack of coordination of all revitalization and preservation efforts on a state level. Although the Alaska Native Language Center advises new groups starting revitalization projects and provides information about existing efforts, there may be a need for a higher level of coordination. One problem with the lack of such coordination is that it is difficult to get a broad picture of efforts across the state, which causes another problem: according to Holton, "What we see across the state are grass root projects that are reinventing the wheel," which results in wasted time, resources, and effort. In addition, a higher level of coordination may allow native language revitalization efforts a higher level of recognition. The Alaska State Historical Commission may consider either asking Governor Parnell to establish a state-level coordination of language revitalization and preservation efforts, or offer to take on that responsibility under existing mandates of the Commission.

Third, students attending immersion or bilingual schools may need alternative testing to required standardized tests in English. In cases where students are in academic settings involving two languages, this requirement may drive parents, afraid that their children will perform badly on the test, to pull back on the language programs in place. School districts such as the Lower Kuskokwim district has requested a waiver and offered alternative tests in Yup'ik, but the state, in turn, has not requested such a waiver although it has the option to do so.16 According to Marlow, research has indicated that these students may at first lag behind in terms of academic achievement, but later tend to catch up to, if not surpass, monolingual students. Therefore it is recommended that the Alaska State Historical Commission work with the Department of Education to assist efforts to provide alternative assessments within immersion or bilingual programs in order for such programs to maintain and strengthen support of multicultural education among parents and community members.

Fourth, as emphasized by Linda Belarde of the Sealaska Institute, in many regions there is no natural language learning environment, rendering language learners to become dependent on structured classroom settings, which according to Belarde, "makes it very different from learning

16 For more information on the waiver contact Patrick Marlow mentioned above in footnote six

our languages naturally as our first languages." Furthermore, it is important to for native languages to appeal to young people: as Kaplan comments, "One of the worst things that could happen is for people to see these as languages of old people." To prevent this, Kaplan is working on a grant proposal for a project that would document and encourage text messaging in native languages. Thus, it is recommended that in order to assist efforts in creating a more effective language environment such as those of the Sealaska Heritage Institute and the Alutiiq Museum, the commission support efforts to increase native language use through the media, such as in music, television shows, movies, and radio.

Lastly, the commission should work with the State Committee on Research and the U.S. Arctic Research Commission to support further research on successful language revitalization models and current needs in language education, as educating the next generations may be the most effective way to ensure the survival of Alaska's indigenous languages. There have been successful language revitalization efforts in New Zealand and Hawaii that may be referred to as models for future efforts in Alaska. In New Zealand, where in the 1980s fewer than 20% of the Maori were considered native speakers, the Kohanga reo movement was founded in 1982. Primary schools and secondary schools were established, where students were primarily taught in the Maori language. Furthermore, Hawaii adopted this model through the Punana Leo (translated as "language nest"), which are essentially Hawaiian immersion. Later, K-12 Hawaiian immersion programs as well as higher level education programs were developed. These models have already inspired Alaskans, such as trustees of the Sealaksa Heritage Institute, who after visiting Hawaii and learning about its language restoration programs, decided to adopt language revitalization as the foremost priority of the institute.

In this light, one possible area of research may be regarding human resource deficiencies, an issue that the Alaska Native Language Center has been addressing. A possible way to support such efforts may be to strengthen cooperation between Greenland and Alaska through native language teacher exchanges: some natives in Greenland and some natives in Alaska share common languages such as Inupiaq with differences in dialect. Because the problem in many villages is that native speakers are too elderly to teach younger children, an exchange where teachers from Greenland could work in villages and language programs would not only bolster current language education efforts, but also establish a connection between the Greenlandic and Alaskan language revitalization efforts.17

Success through Community Involvement

Ultimately, it is most important to emphasize that the primary efforts must come from the community: "We're the support staff; they call us up and we do our best to help by producing materials and documenting the languages, but as far as the real spark to get people learning and revitalizing the language, I'd say that has to come from within the community. You can't make somebody do that," says Kaplan. Greg Kimura likewise stressed, "One thing is absolutely clear: that we are not going to be able to accomplish the preservation, let alone the propagation of some

17 The idea of the Greenland-Alaska teacher exchange idea was communicated between the office of Lt. Governor Treadwell and between Lt. Governor Treadwell and

of these threatened languages unless that whole effort is led by the communities; they're the ones who have to be the primary morale force for this, and also the voice for language preservation."

Alaska Native Language Center



Alaska Native Languages

Population and Speaker Statistics

The following table gives estimates of the population of speakers of Alaska Native languages in reference to the relevant community population. Numbers such as these should be interpreted with caution. As Krauss notes:

> Arriving at statistics of number of speakers of indigenous languages out of total relevant population is complicated by two types of major factors. The first type is of course in the determination of who is a speaker, and the second is in counting who is a member of the indigenous community. (2007:409)

More relevant to those wishing to understand the status of Alaska Native languages are the current and recent efforts at language documentation and revitalization.

Language Family	Language Name	Population	Speakers
Eskimo-Aleut	Aleut	2,300	150
	(*Russia)	200	5
	Sugpiaq (Alutiiq)	3,500	200
	Central Yup'ik	25,000	10,400
	Siberian Yupik	1,400	1,000
	(*Russia)	900	300
	Inupiaq (Inuit)	15,700	2,144
	(*Canada)	30,500	24,500
	(Greenland)	47,000	47,000
Tsimshianic	Coast Tsimshian	1,400	30
	(Canada)	3,200	<400
	Nisga-Gitksan	<100	0?
	(Canada)	5,400	<1,000
Haida	Northern Haida	650	10

	(Canada)	1,100	30
Athabascan-Eyak-Tlingit	Tlingit	10,000	300
	(Canada)	1,000	75
	Eyak		0
	Ahtna	650	25
	Dena'ina	1,000	50
	Deg Xinag	250	14
	Holikachuk	180	5
	Koyukon	2,300	150
	Upper Kuskokwim	100	25
	(Lower) Tanana	400	25
	Tanacross	200	50
	Upper Tanana	300	55
	Han	60	12
	(Canada)	250	7
	Gwich'in	1,000	150
	(Canada)	1,900	400

Source: Krauss, Michael E. 2007. Native languages of Alaska. In: *The Vanishing Voices of the Pacific Rim*, ed. by Osahito Miyaoko, Osamu Sakiyama, and Michael E. Krauss. Oxford: Oxford University Press. (Table 21.1, page 408)

*The non-Alaskan numbers in the table come from the earlier work of **Krauss 1997**.

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Yukon Koyukuk School District
Administrative & Support Offices
4762 Old Airport Way
Fairbanks, Alaska 99709

Kerry Boyd
Superintendent
kboyd@yksd.com

Telephone: (907) 374-9400
Fax: (907) 374-9440

January 23, 2012

Dear Alaska State Senators,

On behalf of the Yukon-Koyukuk School District, I am writing in support of Senate Bill 130 (YKSD). YKSD serves nine Interior Alaskan villages plus Raven Correspondence School. Three Native languages are spoken in our region: Denaakk'a (Lower Tanana Athabascan); Denaakk'e (Koyukon Athabascan) and Inupiaq.

SB 130 will establish the Alaska Native Language and Advisory Council. The council will assess the state of Alaska Native Languages and will re-evaluate the programs within the state to make recommendations to the Governor and Legislature.

In Yukon Koyukuk School District there are less than 100 fluent speakers, with the majority of them over the age of seventy. The YKSD Board of Education requires thirty minutes of Native language instruction for students in grades kindergarten to fourth grade. In some schools, all students receive Native language instruction. Classes are taught on site and over two-way video-conference. The students are learning to speak, read and write and learn about their culture through the language. The instruction increases their self-esteem and enjoyment of school.

It is vital that the State of Alaska creates this needed establishment and I respectfully request your support in the passage of this bill.

Sincerely,

Kerry Boyd

Kerry Boyd,
Superintendent

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Last native Eyak speaker dead at 89

By DEBRA McKINNEY
dmckinney@adn.com

Published: January 22nd, 2008 02:51 PM
Last Modified: January 22nd, 2008 12:47 PM

Chief Marie Smith Jones, 89, the last full-blooded Eyak and last native speaker of the Eyak language, died of natural causes on Monday at her home in Anchorage, according to her family.

Services will begin at 1 p.m. Friday at St. Innocent Russian Orthodox Cathedral, 401 Turpin St. Viewing will begin at 11 a.m.

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In 2001 Eyak elder Marie Smith Jones was honored at the Chickaloon powwow.

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ALASKA FEDERATION OF NATIVES

AFN LEGISLATIVE/LITIGATION COMMITTEE

2012 RESOLUTION

RESOLUTION 12-01

TITLE: SUPPORT OF A STATE OF ALASKA ACT TO ESTABLISH THE ALASKA NATIVE LANGUAGE PRESERVATION AND ADVISORY COUNCIL AND RELATING TO THE PRESERVATION, RESTORATION AND REVITALIZATION OF ALASKA NATIVE LANGUAGES

WHEREAS: Alaska Native Languages have been spoken for thousands of years; and

WHEREAS: Alaska Native Languages represent a significant resource of the State of Alaska and have contributed to its vitality and diversity; and

WHEREAS: Alaska Native Languages are threatened by extinction; and

WHEREAS: the foundation of Alaska Native cultures and ancient traditional knowledge are embedded in Alaska Native languages; and

WHEREAS: knowledge of Alaska Natives languages promotes positive self-identity of Alaska Natives; and

WHEREAS: studies have demonstrated that the academic performance of Alaska Native students improve when Alaska Native students are taught their Native language and culture; and

WHEREAS: Alaska Native corporations, organizations, and tribes and educational entities throughout the State of Alaska are attempting to restore and teach Alaska Native Languages; and

WHEREAS: the Legislature of the State of Alaska is proposing through the proposed Senate Bill 130 to establish an Alaska Native Language Preservation and Advisory Council and relating to the preservation, restoration, and revitalization of Alaska Native languages.

NOW THEREFORE BE IT RESOLVED the Alaska Federation of Natives conveys its support of Senate Bill No. 130 and urges the Alaska State Legislature and the Governor of Alaska to enact and sign into law the referenced Act.

1577 C STREET, SUITE 300 • ANCHORAGE, ALASKA 99501 ph 907.274.3611 • fax 907.276.7989 • WWW.NATIVEFEDERATION.ORG

BE IT FURTHER RESOLVED that Alaska Native Federal of Natives further urges the Alaska State Legislature and Governor of Alaska to support the allocation of funds to support Alaska Native Language restoration programs.

PASSED THIS 23RD DAY

OF JANUARY 23, 2012

Julie E. Kitka

Julie E. Kitka
President

ALASKA FEDERATION
OF NATIVES

January 23, 2012

The Honorable Don Olson
Alaska State Capitol, Room 508
Alaska State Senate
Juneau, Alaska 99801

Dear Senator Olson:

As you know, the Alaska Federation of Natives (AFN) is the largest statewide Native organization in Alaska representing more than 125,000 Alaska Natives residing in Alaska, and more than 120,000 Alaska Natives scattered throughout the other 49 states. AFN was organized in 1966 to facilitate bringing the various regional and village associations together in order to advocate with one voice for a fair settlement of our aboriginal land claims, which became the Alaska Native Claims Settlement Act of 1971 (ANCSA).

Today, AFN is governed by a 37-member board of directors representing villages (both federally recognized tribes and ANCSA village corporations), 11 regional tribal consortiums, and the 13 regional ANCSA corporations. AFN's annual convention is the largest annual gathering of Native people within the United States. AFN's mission is, in part, to enhance and promote the cultural, economic and political voice of the Alaska Native community.

AFN supports the enactment of Senate Bill 130, entitled"An Act establishing in the Office of the Governor an advisory council for the preservation, restoration, and revitalization of Alaska Native languages'and we join you in urging support for passage of this bill.

This bill establishes, in the Office of the Governor, an Alaska Native Language Preservation Council (Council) tasked with evaluating Alaska Native Language programs and making recommendations to establish new programs or reorganize current programs. We agree that indigenous languages are the most critical components in preservation of Alaska Native Cultures as they are the foundation of all cultural groups, including the Alaska Natives. Their preservations will preserve cultural ideas and traditions and serve as the backbone of all cultural elements. We also recognize the urgency of establishing such a Council as many Alaska Native Languages are threatened by extinction.

Attached is AFN Resolution 12-01,"Support of a State of Alaska Act To Establish The Alaska Native Language Preservation Council And Relating To The Preservation, Restoration and Revitalization of Alaska Native Languages." This resolution urges support of Senate Bill 130 and requests immediate action begin, by way of demonstration projects, to restore Alaska Native Languages. We believe inclusion of five language restoration demonstration projects will

1577 C Street, Suite 300 • Anchorage, Alaska 99501 • tel 907.274.3611 • fax 907.276.7989 • www.nativefederation.org

strengthen the bill as it moves the issue beyond analysis and to a point where positive progress can be made.

I am also attaching a copy of a document entitled "Sealaska Heritage Institute Alaska Native Language Programs January 2012." The first sentence of this document states: "Alaska Natives are comprised of seven linguistic groups including the Inupiat, Yup'ik, Aleut, Athabascan, Tlingit, Haida and Tsimshian. Each has or had its own indigenous language." This document describes the efforts of the Alaska Native Community from Barrow to Metlakatla on preserving the indigenous languages that exist in these regions. Their efforts will lead to the preservation of the foundations of the cultures that exist across the State of Alaska.

On behalf of the Alaska Federation of Natives, we urge passage of Senate Bill 130 with additional language adding five language restoration demonstration projects for the Inupiat, Yup'ik, Aleut, Athabascan and Tlingit language groups.

Thank you for your continued preservation of the Alaska Native cultures during your times as a member of the Alaska State Senate.

Thank you for your consideration. If you have questions regarding this letter, please call me at AFN at 907-274-3611.

Sincerely,

Julie E. Kitka

Julie Kitka
President

Attachment: AFN Resolution 12-01, "Support of a State of Alaska Act To Establish The Alaska Native Language Preservation Council And Relating To The Preservation, Restoration and Revitalization of Alaska Native Languages"
Sealaska Heritage Institute: Alaska Native Language Programs, January 2012

Cc: The Honorable Lyman Hoffman
The Honorable Bob Herron
The Honorable Neal Foster
The Honorable Sean Parnell

The Eyak Corporation
360 West Benson Blvd., Suite 210
Anchorage, AK 99503
Email: nbarnes@eyakcorp.com
Phone: (907) 334-6971
Fax: (907) 334-6973

January 23, 2012

Senator Donald Olson
State Capitol Building
Room 508
Juneau, AK 99801

Re: Support of SB 130, Alaska Native Language Preservation and Advisory Council

Dear Senator Olson:

The Eyak Corporation greatly appreciates your introduction of SB 130 to establish an Alaska Native Language Preservation and Advisory Council. We strongly support the bill and encourage the Alaska State Legislature to adopt it this year.

In January 2008, after the passing of the last fluent speaker in the Eyak language, Chief Marie Smith Jones, the language was thought to be extinct. However, a number of shareholders of The Eyak Corporation, including descendants of Ms. Smith Jones, are of Eyak descent and have begun learning the language of their ancestors. In 2011, immersion clinics were held to teach the Eyak language in Cordova and Anchorage. Those clinics proved, beyond the slightest doubt, that Eyaks are fighting valiantly to keep their language alive.

Please let us know how we can support your efforts in furtherance of SB 130. We look forward to our Eyak shareholders and descendants expressing their appreciation to you, in Eyak.

Sincerely,

The Eyak Corporation

Nancy C. Barnes
President

EXECUTIVE BOARD
Annie Conger
President

Philip Farson
Past-President

Agatha John-Shields
President-Elect

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Secretary

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Elmer Goodwin
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Early Childhood

Bertha Pavian-Lockuk
Parent Advocacy

Shelby Fisther-Salmon
Student Advocacy

Fanny Parker
English-As-a-Second-Language

Tim Argetsinger
AK Native Language and Culture Retention

Robert Charlie
Adult Higher Education

Moses Dirks
Linguistics and Research

REGIONAL REPRESENTATIVES

Pribilof/Aleutians

Beverly Hugo
North Slope

Northwest

Rachel Panamarioff
Southcentral

Susan Paskvan
Interior

Paul A Paul
Western

Haifa Sadighi
Southeast,

Urban
Maureen Cronin-WmsCornelius
Anchorage
Fairbanks



Alaska Association for Bilingual Education
An Affiliate of TESOL and NABE

Dear Alaska State Senators,

I am writing in support of Senate Bill 130 on behalf of the Alaska Association for Bilingual Education Alaska Native Language and Culture Retention Special Interest Group. The Alaska Native Language and Culture Retention Special Interest Group (ANLCR SIG) is comprised of a cross section of volunteer Native language educators, advocates, and activists working to protect, promote, and revitalize Native languages. As the only statewide Native language advocacy body, the ANLCR SIG carries out this work through conferencing and workshops, networking best practices, and advocating for institutional and governmental support for Native language revitalization initiatives. As a volunteer body our resources and ability to be effective are strained, however, which is why in 2010 the ANLCR SIG sought the creation of a statewide Alaska Native Languages Commission through Alaska Federation of Natives Resolution 10-34. It is for this reason that the ANLCR SIG enthusiastically supports SB 130.

SB 130 will help provide the political advocacy, human and financial resources Alaska Native language advocates, activists, and educators need to craft policies and projects that will contribute to the protection, promotion, and revitalization of Alaska Native languages. Such support is urgently needed at a time when all 19 indigenous languages still spoken in Alaska are endangered or critically endangered. The passing in 2008 of Marie Smith Jones, the last fluent speaker of Eyak, underscores the vulnerability of Alaska Native languages and the urgency with which we must undertake this vital work.

Native languages and the rich cultures they make possible constitute an invaluable contribution to the diversity and richness of our State, and are together an essential component of Alaska's identity. Indeed, there is nothing more Alaskan than Alaska Native languages, and future generations of Alaskans deserve the opportunity to experience and speak them.

Sincerely,

Timothy Aqukkasuk Argetsinger
Chair, AK Native Language and Culture Retention SIG

Anchorage Office • 3900 C Street • Suite 801 • Anchorage • Alaska 99503-5963 • (907) 339-6000 • FAX (907) 339-6028 • 1 (800) 770-2772

arctic slope regional corporation

Tara Sweeney
Senior Vice President of External Affairs
Arctic Slope Regional Corporation
3900 C Street, Suite 801
Anchorage, AK 99503

January 27, 2012

Senator Donald C. Olson
State Capitol, Room 508
Juneau, AK 99801

Dear Senator Olson,

I congratulate you on your continued effort to preserve and restore the many indigenous languages in our great state, and stand behind your push to create the Alaska Native Language and Advisory Council.

As an Iñupiat Eskimo who grew up in Barrow, and later spent time in Noorvik, Unalakleet and Bethel, I've seen first-hand how Alaska Native languages can link a community to its culture and traditions, as well as help to bridge the gap between generations. The passage of Senate Bill 130 would help to ensure that these languages in Alaska would not only thrive, but also serve as a guide for future Alaskans.

I look forward to the passage of this important piece of legislation, and will monitor its progress throughout this legislative session.

Sincerely,
ARCTIC SLOPE REGIONAL CORPORATION

Tara Sweeney

cc: Jana Harcharek, North Slope Borough School District

Corporate Headquarters • P.O. Box 129 • Barrow • Alaska • 99723-0129 • (907) 852-8633 or (907) 852-8633 • FAX (907) 852-5733

A NATIVE CORPORATION
SEALASKA

January 20, 2012

Senator Donald Olson
State Capitol Building
Room 508
Juneau, AK 99801

RE: Support of SB 130, Alaska Native Language Preservation and Advisory Council

Dear Senator Olson:

In the majestic forests of Southeast Alaska, along the coastlines of *Haa Aani* (Our Land), our people have gathered in the clan houses and told our stories for thousands of years, passing down the wisdom of Elders and the richness of our culture for generations. This oral history stood unbroken for centuries, but now the languages of the Alaska Native people face extinction. It is imperative that these languages be preserved and with them, the foundation of Alaska Native cultures and ancient traditional knowledge.

Sealaska Corporation offers its overwhelming support of SB 130, An Act establishing the Alaska Native Language Preservation and Advisory Council and relating to the preservation, restoration, and revitalization of Alaska Native languages. Sealaska urges the Alaska State Legislature and Governor of Alaska to also champion an allocation of funds to programs that restore Alaska Native Languages.

We can all be part of a solution to address the many challenges facing Alaska Natives. Native youth have been shown to improve academic performance when taught in their Native tongue; healthy self-esteem has been linked to a strong sense of identity; and thriving communities are built on the foundation of strong family relationships and lines of communication.

Please share this letter of support to any extent that it might encourage others to vote for the passage of SB 130, and secure funding for programs to restore the words of our ancestors.

Sincerely,

Albert M. Kookesh

Albert Kookesh, Board Chair
SEALASKA CORPORATION

One Sealaska Plaza, Suite 400 • Juneau, AK 99801-1276 • Phone (907) 586-1512 • Fax (907) 586-2304

Alaska Native Education Association
c/o B. Y. Alvanna-Stimpfle
P.O. Box 729
Nome, Alaska 99762
http://aneaonline.org/

The mission of ANEA is to enhance, promote, and advocate for all Alaska Native cultures, values, languages, and traditions in the educational entities throughout Alaska.

ANEA BOARD MEMBERS, BY REGION

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BERNADETTE YAAYUK ALVANNA-STIMPFLE
CO-CHAIR, Interim

INTERIOR
MARY WALKER
CO-CHAIR, Interim

KODIAK ISLANDS
TERI SCHNEIDER
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ALEUTIAN ISLANDS
MOSES DIRKS

BRISTOL BAY
ESTER ILUTSIK

SOUTHEAST
FLORENCE SHEAKLEY

January 25, 2012

Senator Donny Olson
State Capitol Bldg. Rm. 508
Juneau, AK. 99801

Dear Senator Olson,

The Alaska Native Educators Association (ANEA) Board is in favor of the SB 130. The ANEA Board was formed to provide a means to discuss issues facing Alaska Native students and is comprised of lifelong educators, representing most regions in Alaska. At the present time the Aleutian and Southeast region board seats are open and will be filled at our annual conference. Having no funding as an organization, we have had to piggyback with other conferences, specifically the Bilingual Multicultural Education Equity Conference (BMEEC). It is without a doubt that the longest standing issue in Alaska Native education is our Alaska Native languages.

Although the ANEA Board is a volunteer board, we are very active and dedicated to our youth as well as perpetuating our Alaska Native languages. Most of us have dedicated our lives to revitalizing our Alaska Native languages, doing what is needed to uphold our language and culture. As past and present certified teachers, we have taught Alaska Native language and culture, fitting it into mainstream classes within the educational system where ever we could. Some of us have created curricula in each of our perspective regions, which includes the Alaska Native culture and language. In the 1990's some of the ANEA Board members worked with Dr. Ray Barnhardt in developing the Alaska Native Cultural Standards with the Alaska Rural Systemic Initiative (AKRSI) grant, until the grant lapsed. Most currently, we have worked with Phyllis Carlson, Director of Alaska Rural Education, on the development of a rubric, based on the Alaska Native Cultural Standards. The rubric measures how well classroom teachers are integrating the Cultural Standards into their classrooms. In spite of not having her own state budget for her department, Phyllis has managed to obtain funding from SERRC for us to work together several times throughout 2011, starting from December of 2010. The rubric is near completion but we feel we still need to meet face to face once more to finalize it and to work on a survey that will go with it on a statewide basis. We have partnered with the Future Educators of Alaska (FEA) and often hold a workshop in their conferences or they sponsor us in a workshop for the youth section during BMEEC. Another organization we have partnered with is the Alaska Native Teacher Preparation Program (ANTPP), a grant that was obtained by UAF. Lastly but not least, several ANEA Board members have participated in the Quality Teachers meetings headed by DEED.

ANEA firmly believes that it is vital to retain and develop Alaska Native languages. Current research supports the premise that personal persistence and identity which includes Alaska Native language development reduces suicide, as it is a concrete contribution to self-continuity. Studies show that whenever there are students taking Alaska Native language immersion classes, they thrive in all areas of study. We have seen it in our students, some of which are being chosen to participate in the state science fairs or math competitions; taking student leadership roles as high school students; and to becoming leaders in our communities.

ANEA Board supports Senate Bill 130.

Quyanaqpak, quyaana, kunish 'gish, anabase' for taking our written testimony.
Bernadette Alvanna-Stimpfle, ANEA Co-chair
Mary White, ANEA Co-chair

Cc: ANEA Board members: Teresa Schneider, Nita Rearden, Martha Stackhouse, Esther Ilutsik, Shirley Tuzroyluke

CITY OF BARROW

"Farthest North Incorporated City"

RESOLUTION 04 - 2012

A RESOLUTION OF THE BARROW CITY COUNCIL ENCOURAGING THE ALASKA STATE LEGISLATURE TO EXPEDIENTLY PASS SENATE BILL 130 – AN ACT ESTABLISHING AN ALASKA NATIVE LANGUAGE & ADVISORY COUNCIL

WHEREAS, Senator Donald C. Olson has introduced Senate Bill 130 in the State of Alaska Senate, an act establishing the Alaska Native Language Preservation Council and relating to the preservation, restoration and revitalization of all Alaska Native languages; and

WHEREAS, the varied Alaska Native Languages and the rich culture and traditions associated with them established the foundation on which the State of Alaska was built; and

WHEREAS, all Alaska Native Languages are threatened by extinction, including our own Inupiaq language; and

WHEREAS, for the past thirty years, the City of Barrow Mayor, Bob Harcharek, has been actively involved in researching and documenting trends and patterns of migration, the economies, language developments and educational opportunities of the residents of the North Slope Borough; and

WHEREAS, the *North Slope Borough 2011 Economic Profile and Census Report* documents the serious decline in Inupiaq competency among North Slope Borough residents; and

WHEREAS, the City of Barrow is committed to assisting any and all entities whose focus is the preservation and revitalization of the Alaska Native languages and cultures; and

WHEREAS, working and interacting with researchers and colleagues throughout the State, such as UAA Professor Emeritus Carl E. Shepro, the critical status of Alaska's Native languages has become an imperative which needs to be addressed as expediently and comprehensively as possible; and

WHEREAS, the indigenous languages of our state are critical and priceless components of the heritage of our State of Alaska, which need to be nurtured to insure their preservation; and

WHEREAS, the intent of Senate Bill 130 is to preserve and maintain our Alaska Native languages which are the most critical components of cultural preservation, continuity and revitalization; and

NOW THEREFORE BE IT RESOLVED, that Barrow City Council formally endorses and encourages the Alaska State Legislature to expediently pass Senate Bill 130 into law.

PASSED AND APPROVED BY THE BARROW CITY COUNCIL ON THIS 26th DAY OF JANUARY 2012 UNANIMOUSLY.

ATTEST:

Bob Harcharek, Mayor

Tracy Benson, City Clerk

Afognak
Native Corporation

3909 Arctic Blvd, Suite 400
Anchorage, AK 99503
(907) 222-9500 • fax (907) 222-9501

January 24, 2012

Senator Donald Olson
State Capitol Building
Room 508
Juneau, AK 99501

RE: Support of SB 130, Alaska Native Language Preservation and Advisory Council

Dear Senator Olson:

Afognak Native Corporation offers its strong support for SB 130, "An Act establishing the Alaska Native Language Preservation and Advisory Council and relating to the preservation, restoration, and revitalization of Alaska Native languages."

Today there are only 45 fluent speakers of the Alutiiq language, the traditional language of the Native people of the Kodiak Archipelago, only 11 of which can speak the Northern Dialect, the traditional language of the *Ag'uanermiut* (people of Afognak). All the speakers are Elders.

Our traditional language, like so many Alaska Native languages, struggles for survival. Thankfully, through the joint efforts of the Alaska Native Corporations and Tribes in the Kodiak Archipelago and the Alutiiq Museum, we are preserving our language.

Afognak Native Corporation has funded a language program operated by the Native Village of Afognak and Native Village of Port Lions to create innovative language learning tools. KTUU Channel 2 News recently aired stories about these language preservation efforts:

- Alutiiq Language Website: http://www.ktuu.com/features/assignmentak/learning-alutiiq-online-20120112.0.5807593.story
- Alutiiq Iphone Application: http://www.ktuu.com/videobeta/80965544-341f-44e4-8e14-5210bac33c9b/News/Afognak-Alutiiq-Connect-iPhone-app-intro

Although we have made progress in language preservation, there is still much to do to revitalize our Native language. We welcome the opportunity to collaborate with the State of Alaska, school districts, and other Native organizations to ensure Alaska Native languages remain a vibrant part of Alaska's diversity.

Quyanaasinaq (thank you very much) for the opportunity to comment on this bill. If you would like to discuss our support further, please contact me at slukin@afognak.com / (907) 222-9505.

Sincerely,

Sarah L. Lukin
Senior Vice President, Corporate Affairs



ALASKA
NATIVE
HERITAGE
CENTER

January 20, 2012

Senate State Affairs Committee
Alaska State Legislature
State Capital
Juneau, Alaska 99801

Honorable Alaska State Legislators:

On behalf of the Alaska Native Heritage Center, and the many cultural and language bearers we serve and represent, I ardently express my support for Senate Bill 130 and House Bill 254 in the second session of the Twenty-Seventh Legislature, both entitled "An Act establishing the Alaska Native Language Preservation and Advisory Council and relating to the preservation, restoration, and revitalization of Alaska Native languages."

The Alaska Native Heritage Center (ANHC) is a 501(c) 3, non-profit organization whose mission is to serve as a gathering place for sharing, perpetuating and preserving Alaska's unique indigenous cultures, languages, traditions and values through celebration and education. Our 15-member Board of Directors is currently governed by members of the 13 Alaska Native Claims Settlement Act (ANSCA) Regions including Cook Inlet Region Inc., Chugach Alaska Corporation, Bristol Bay Native Corporation, NANA Regional Corporation, Arctic Slope Regional Corporation, Bering Straits Native Corporation, Koniag, Inc., Sealaska Corporation, and Ahtna, Inc.

As Alaska Native people, our indigenous languages fulfill a vital role in perpetuating cultural traditions and values. It is our sincere belief that it is critical to take proactive measures *now* to strengthen our languages while language speakers in each of the Alaska Native culture groups still exist, and the interest and aspiration to revitalize our languages for future generations is strong. At our core, we recognize that indigenous language learning promotes increased self-esteem and confidence for Alaska Natives, particularly youth, and a strong cultural identity and knowledge of self translates into a stronger person overall. In a recent early childhood development study (McIvor 2005), University of Victoria, B.C. researchers and speech pathologists working with Canadian First Nations have documented strong linkages between indigenous children who have a strong traditional cultural and linguistic background and academic and overall well-being.

Our vision is to promote intergenerational learning from within the indigenous Alaskan community. ANHC has sought to advocate for active language learning by hosting learning sessions for several Alaska Native languages, including Unangax (Aleut), Sugstun (Alutiiq), Iñupiaq, Tlingit, and Yup'ik, while the most thorough instructional efforts have been for Dena'ina Athabascan. Further efforts are underway as ANHC seeks Administration for Native

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ALASKA
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Americans (ANA) grant funds, through the United States Department of Health and Social Services. The project will assess and identify local and statewide resources and partnerships that could be made available to Alaska Natives living in Anchorage, for teaching languages within the Eskimo-Aleut speaking, Athabascan speaking, and Tlingit/Haida/Tsimshian/Eyak speaking nations.

Progressively, ANHC is working to develop programs on site at the Center to provide indigenous language learning opportunities in a full immersion environment. Such opportunities are urgently needed at a time when all 19 indigenous languages still spoken in Alaska are endangered or critically endangered. The passing in 2008 of Chief Marie Smith Jones, the last fluent speaker of Eyak, underscores the vulnerability of Alaska Native languages.

SB 130 / HB 254 will help provide the much-needed political infrastructure, as well as resources both human and financial, to build and follow policies within and outside the state government, to promote sustainable Alaska Native language efforts. Meaningful investment by the State of Alaska in the cultural strengthening of Alaska Native languages will not only contribute to a stronger Alaska Native society, but a stronger Alaska as a whole, and therefore warrants the highest legislative priority.

I am available to discuss this matter, and provide verbal or written testimony to further provide evidence for these facts, in my vehement support for SB 130 / HB 254.

Sincerely,

Annette Evans Smith, President & CEO
Alaska Native Heritage Center

8800 HERITAGE CENTER DRIVE ANCHORAGE, ALASKA 99504-6100 • PHONE 907 330-8000 • FAX 907 330-8030

CITY OF BARROW

"Farthest North Incorporated City"

21 January 2012

Senator Donald C. Olson
Alaska State Legislature
Alaska State Capitol, Room 508
Juneau, AK 99801 FAX: 907-465-4821

SUBJECT: Resolution in Support of Senate Bill 130

Good afternoon, Senator Olson:

The Administration, Council and I personally, wish to commend you on the introduction of Senate Bill 130, Alaska Native Language & Advisory Council, in the Alaska State Legislature. We understand that the first hearing on this bill will be presented in hearing tomorrow, 24 January 2012, in the Committee for State Affairs. Because of our short notice on this hearing, please submit and accept this letter as the City of Barrow's unqualified but interim support in this effort.

For the Barrow City Council meeting this Thursday, 26 January 2012, I have submitted a formal resolution indicating the City's unqualified endorsement of this legislation for Council ratification. On Friday of this week, I will send you a copy of that ratified endorsement for your files.

Senator Olson, I commend you on taking the initiative of introducing this long-overdue and necessary piece of legislation. I look forward in discussing its progress through the legislature with you. If there is any way that the City of Barrow can assist in facilitating its passage, please do not hesitate to contact me. I also look forward to visiting you in Juneau during the second week in February.

Cordially,

Bob Harcharek

Bob Harcharek, Mayor

Cc: Mayor Charlotte Brower, NSB
Barrow City Council
Superintendent Peggy Cowan, NSBSD
Jana Harcharek, Director Bilingual Education NSBSD
Files

North Slope Borough

OFFICE OF THE MAYOR

P.O. Box 69
Barrow, Alaska 99723
Phone: 907 852-2611 or 0200
Fax: 907 852-0337 or 2595
email: charlotte.brower@north-slope.org

Charlotte E. Brower, Mayor

January 25, 2012

Honorable Senator Donald C. Olson
Alaska State Legislature
Alaska State Capitol, Rm. 508
Juneau, AK 99801

Subj: Senate Bill 130 – Alaska Native Language & Advisory Council

Honorable Senator Olson,

It is with pleasure and hope that I write this letter of support for Senate Bill 130 Alaska Native Language & Advisory Council: "*An Act establishing in the Office of the Governor an advisory council for the preservation, restoration, and revitalization of Alaska Native Languages.*"

The issue of preserving, restoring, and revitalizing Alaska Native Languages (ANLs) is of significant importance to my administration and to the people of the North Slope. This was true when the North Slope Borough (NSB) was incorporated in 1972 and has an even greater urgency today since we know far too few of our population is able to speak our language.

Senate Bill 130 seeks to establish a state-level task force within the Office of the Governor to assess our ANLs and to make recommendations to the Governor and Legislature. At the regional level, over 30 years ago, the NSB established through ordinance the Inupiat Heritage, Language and Culture (IHLC) Commission. Within our local government, this group is tasked with duties similar to those of this proposed commission as it relates to our Inupiaq language. Most recently this local commission focused on the issue of language preservation through the active participation in the development, creation, and now distribution of the North Slope Inupiaq version of Rosetta Stone language software. The Rosetta Stone project is an example of just one of many efforts of the NSB and IHLC Commission to preserve, restore and revitalize our Inupiaq language. While we are certain it is an important step in the right direction, we know there is much work ahead in the future for the North Slope and the state.

It is because of this that we give our highest possible recommendation of support of this Bill and urge the State Legislature to do the same. If we expect to succeed in the significant and challenging cause for our Alaska Native languages we must have a strong and unified effort at every level, local to state. Thank you for your consideration of our comments and recommendation of support.

Sincerely,

Charlotte Brower

Charlotte E. Brower
NSB Mayor

KAWERAK, INC. ○ P.O. Box 948 ○ Nome, AK 99762
TEL: (907) 443-5231 • FAX: (907) 443-4452

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WALES
WHITE MOUNTAIN

January 19, 2012

Senator Donald Olson
Alaska State Capital Room 508
Juneau, Alaska 99801

Dear Senator Olson,

Thank you for introducing SB 130 to establish an Alaska Native Language Advisory Council within the State of Alaska. Kawerak Inc. supports this bill and encourages the legislature to work together to pass the bill as a way to begin preserving and advancing our proud cultural heritage as Alaskans.

All Alaska Native languages are considered endangered or severely endangered by linguists. The tragic loss of Eyac in 2008 underscores the universal vulnerability of Alaska Native Languages. The continued loss of Alaskan Native cultural identities has social implications for our state's civil society; including depression, self-destructive behaviors and community shame.

In the Bering Strait region, our Native languages have been declining over the years. While we don't have a formal language survey, we know our young people and children do not speak our languages as a first language. St. Lawrence Island Yupik would be an exception, but they are also seeing a decline. The Eskimo Heritage Program is working on an Inupiaq language project called Visual Inupiaq Vocabulary Acquisition (VIVA) with the Fish River Inupiaq dialect of which there are about four fluent speakers left. We must "catch" these elders in order to help their communities to relearn and retain their language. Native language revitalization has become very critical for the Bering Strait region.

Our Native language of Inupiaq is a global one, spanning from the Chukotka side of the Russian Far East to the Bering Strait region in Alaska, through Arctic Canada and on to Greenland. The valuable importance of our language can increase cultural heritage, support sustainable communities, and encourage collaboration among generations (Elders to Youth) in various projects and programs throughout the region and state.

Kawerak Inc. supports SB 130 as a method to build statewide advocacy, research and corpus on behalf of Alaska Native language revitalization efforts, and support greater cooperation between stakeholders that is urgently needed to initiate and maintain language revitalization initiatives in all Alaskan communities.

If you have questions, please contact Bernadette Alvanna-Stimpfle, Director of Eskimo Heritage Program at balvannastimpfle@kawerak.org or by writing to P.O. Box 948, Nome, AK 99762. Her direct line is 907-443-4386.

Sincerely,

M Bahnke for CB

Loretta Bullard, President

Cc: Rose Fosdick, Natural Resources VP
Bernadette Alvanna-Stimpfle, Eskimo Heritage Program Director

NORTHWEST ARCTIC BOROUGH
P.O. Box 1110
Kotzebue, Alaska 99752
(907) 442.2500 or (800) 478.1110
Fax: (907) 442.3740 or 2930

December 30, 2011

Senator Donald Olson
Alaska State Capitol Room 508
Juneau, Alaska 99801

Dear Senator Olson:

Quyanaq for introducing SB 130 to establish an Alaska Native Language and Advisory Council within the State of Alaska. The Northwest Arctic Borough supports this bill and encourages the legislature to work together to pass the bill as way to begin preserving and advancing our proud cultural heritage as Alaskans.

As background, all Alaska Native languages are considered endangered or severely endangered by linguists, and the tragic loss of Eyak in 2008 underscores the universal vulnerability of Alaska Native languages. The continued erosion or disappearance of Alaskan cultural identities has social implications for our state's civil society – including depression, self-destructive behaviors and community shame.

Within the Borough/NANA Region, the Iñupiaq language has been in serious decline. In 2005 the Aqqaluk Trust with the Native Village of Kotzebue designed and administered a regional language survey of 4,112 households throughout the Northwest Arctic region's 11 communities. This survey was the most comprehensive survey of Iñupiatun speaking and understanding ability in the Northwest Arctic. Data from the 2005 regional survey were prepared by the McDowell Group, and according to the data:

- Only 18% (739) indicated understanding the Iñupiaq language well, while just 3% (113) indicated understanding the language well but hardly speaking.
- Just over 14% can speak the Iñupiaq language fluently.

Our Borough Comprehensive Plan (1993) recognizes the issues that maintaining traditional values and activities are important to the social, cultural and economic well-being of residents and whole communities. The plan recommends *supporting* these values including Iñupiaq language activities through education programs, land management and other Borough programs.

The Borough assembly through resolution 10-61 (see attached) recognized that our Alaska Native languages are inherently valuable and constitute vital sources of identity for all Alaskans, and reinforces positive cultural, geographic, and humanistic ties

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that make us globally unique. The valuable importance of our Iñupiaq language can increase cultural heritage, support sustainable communities, and encourage collaboration among generations (Elders to youth) in various projects and programs throughout the region and state.

The Borough supports SB 130 as a method to build statewide advocacy, research and corpus on behalf of Alaska Native language revitalization efforts, and support greater cooperation between stakeholders that is urgently needed to initiate or maintain language revitalization initiatives in all Alaskan communities.

If you have any questions, please contact myself or Ukallaysaaq Tom Okleasik, Planning Director / Northwest Arctic Borough / PO Box 1110 / Kotzebue, AK 99752 / Phone 907-442-2500 / Fax 907-442-2930.

Sincerely,

Siikauraq Whiting, Borough Mayor

Cc: Ukallaysaaq Tom Okleasik, Planning Director
Puya Bob Schaeffer, Public Services Director
Linc Saito, Economic Development Director



Port Graham
Nanwalek

Chugachmiut

January 18, 2012

Senator Donald Olson
Alaska State Capitol Room 508
Juneau, Alaska 99801

Dear Senator Olson:

Chugachmiut appreciates your introduction of SB 130 for the purpose of establishing an Alaska Native Language and Advisory Council within the State of Alaska. We fully support the bill and encourage the legislature to adopt it this year.

As I reflect on the Suqpiaq language spoken in our area, and how close it came to extinction, I am comforted that federal language grants have given us an opportunity to preserve it and teach a new generation of speakers. Yet we are losing our teachers at a very rapid rate. One of our few Elder speakers passed away recently and we feel the loss deeply. We relied extensively on him to help guide our language restoration efforts.

Our tribes are clear and focused on preservation of Suqpiaq and teaching our youth. Nanwalek has struggled for years to support an immersion school. We are now finding some acceptance for language instruction in our public schools. Chugachmiut has collaborated with the 2 school districts with schools in our villages over the past 2 years and we hope to see more in the future.

An Alaska Native Language and Advisory Council as proposed in your bill would be extremely beneficial to our language preservation effort. Please let us know what we can do to support it.

Respectfully,

Patrick M. Anderson
Executive Director

1840 Bragaw Street, Suite 110 / Anchorage, AK 99508-3463 / (907) 562-4155 / Fax (907) 563-2891
A Tribal Organization Serving the Chugach Native Peoples of Alaska

TAMAMTA PIGPET
"All of Ours"

NANA
REGIONAL CORPORATION INC

The Honorable Donny Olson
State Senate
Alaska State Capitol
Juneau, AK 99801

January 16, 2012

Dear Senator Olson:

NANA Regional Corporation supports Senate Bill 130, "An Act establishing in the Office of the Governor an advisory council for the preservation, restoration, and revitalization of Alaska Native languages" as well as its companion bill, House Bill 254. NANA appreciates that the passage of this bill would provide a mechanism for recommendation to the Governor of the establishment or reorganization of programs to support preservation, restoration and revitalization of Alaska Native languages. Many Alaska Native languages, which include Iñupiaq dialects found in the NANA Region, are in danger of becoming extinct. Alaska Native Languages are the key to preserving and perpetuating Alaska Native cultural ideas, philosophies and traditions as well as the rich and common history of the State of Alaska. The Alaska Native Language and Advisory Council wouldbe a powerful tool to bring language specialiststogether to share best practices and to identify programs and funding tools that can be used to address the urgent issue before us. The benefits of preserving and perpetuating Alaska Native languages, especially in youth, go beyond preserving history, traditions and culture; they directly impact the health and well-being of Alaska residents, the statewide economy, and thelong term sustainability and success of the State of Alaska.

Benefits Beyond Tradition:

The benefits of revitalizing and perpetuating Alaska Native languages are not limited to continuing traditions. Revitalizing Alaska Native languages will preserve Alaska's rich history and diversity while reinforcing positive Alaska Native identity in Alaska Native youth. Positive reinforcement of Alaska Native identities in students can reduce youth suicide rates and decrease youth substance abuse. Native American language immersion schools throughout the United States (for example, Piegan Institute in Browning, Montana; Tsehootsooi Dine Bi olta in Fort Defiance, Arizona; Cherokee Immersion in Tahlequah, Oklahoma) show increased academic performance, lower suicide rates and reduced disciplinary problems. Improvement of academic performance is related to better testing scores, increased graduation rates and can increase the percentage of students obtaining a post-secondary education. In the long run, Native language programscontribute to the sustainability of communities by contributing to economic development and local capacity building as well as improvements in public safety.

Barriers to Revitalization, Preservation and Perpetuation:

There are significant barriers to perpetuating the Iñupiaqlanguage in northwest Alaska, but organizations within the region are working hard to surmount existing obstacles. In 2005, the Aqqaluk Trust, a non-profit organization dedicated to education and language and cultural preservation that NANA contributes to, and the Native Village of

Kotzebue surveyed the Northwest Arctic Borough. The survey showed that only 14% of the Borough's residents understand Iñupiaq fluently. The survey also found that 92% of speakers are over the age of 65. The median age of the Borough is currently 24 years old. These data show that we are faced with an uphill battle to preserve and perpetuate our language.

NANA, through the Aqqaluk Trust, is supporting efforts to revitalize and perpetuate the Iñupiaq language. NANA entered a unique partnership withRosetta Stoneto produce an interactive computer learning program as part of the Rosetta Stone Endangered Language Program.Software for the two predominant dialects in our regionare available to our shareholders and the public. An additional effort to perpetuate our language – a gem in our region – is the NikaitchautIlisagviat immersion school in Kotzebue. While the efforts in our region have contributed to the perpetuation of theIñupiaq language, greater institutional change is needed.These programs have limited audiences of learners. This coupled with limited funding to support Alaska Native language efforts, access to youth in public schools and access to adult language programs threaten to widen the generational gap between Iñupiaq speakers and non-speakers.

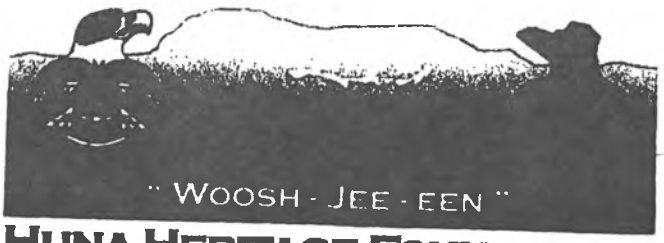
Coming together for Solutions:

On behalf of NANA, thank you for elevating this important issue by introducing SB 130. It would be invaluable for the Council to work with the Governor's Office to create real solutions to preserving and perpetuating Alaska Native Languages. As you know, the solutions will require a team effort and a multi-pronged approach from the State, private entities and local communities. The Alaska Native Language and Advisory Council would provide a forum to identify solutions by bringing together resources from across the state to share what is working, what is not working, and how the State of Alaska and other entities can work together to ensure that our Alaska Native languages are not extinct, but are a thriving part of our communities.

NANA supports the passage of Senate Bill 130 and suggests that your consider Linda Lee, Lorena Williams, Polly Agnik Schaeffer and Barbara Atoruk, all Iñupiaq language experts, resources for the Alaska Native Language and Advisory Council and the Alaska State Legislature.

Quyanuq- thank you,

Marie N. Greene
President/CEO
NANA Regional Corporation



HUNA HERITAGE FOUNDATION

9301 GLACIER HIGHWAY #210 • JUNEAU, ALASKA 99801
(907) 523-3682 • (907) 789-1896 (FAX)
HERITAGE@HUNATOTEN.COM • HUNAHERITAGE.ORG

January 23, 2012

Senator Donald C. Olson
Alaska State Capitol Rm 508
Alaska State Legislature
Juneau, AK 99801

The Huna Heritage Foundation wholeheartedly supports Senate Bill 130 which would establish the Alaska Native Language and Advisory Council to assess the State of Alaska Native Languages and re-evaluate the programs within the state and make recommendations to the Governor and Legislature to establish new programs or reorganize the current programs.

SB 130 would help to preserve and maintain Alaska Native Languages which are critical to the preservation and cultural ideas and traditions of all Alaska Natives.

We believe that SB130 would support indigenous languages and help stem the tide of language extinction within the great state of Alaska.

Sincerely,

Marlene Johnson

Marlene Johnson
Board President
Huna Heritage Foundation



23 January 2012

Honorable Donny Olson, Senator
Alaska State Legislature
Alaska State Capitol, Rm. 508
Juneau, Alaska 99801

Dear Senator Olson:

It brings me gratification to see the introduction of Senate Bill 130 - Alaska Native Language & Advisory Council, "An Act establishing the Alaska Native Language Preservation and Advisory Council and relating to the preservation, restoration and revitalization of Alaska Native Languages."

I have been working in the field of language preservation and perpetuation for nearly 40 years and have seen first hand the extreme decline of the Iñupiaq language. A handful of our people have devoted their lives to teaching it in the hopes of reversing this loss. Much remains to be done.

I write in support of the bill and urge passage. Having an Advisory Council whose responsibility would be to advocate for Native languages across the state will go a long ways towards creating an atmosphere where we can realize a shift in language priorities in Alaska. It is high time the state recognize the importance of perpetuating the languages of its indigenous peoples.

Quyanaq.

Respectfully yours,

Jana Harcharek, Director
Iñupiaq Education

Tanana Chiefs Conference

Chief Peter John Tribal Building
122 First Avenue, Suite 600
Fairbanks, Alaska 99701-4897
(907) 452-8251 Fax: (907) 459-3952

SUBREGIONS

KUSKOKWIM

LOWER YUKON

UPPER TANANA

YUKON FLATS

YUKON KOYUKUK

YUKON TANANA

Via Email: Senator_Donny_Olson@legis.state.ak.us
Senator_Bill_Wielechowski@legis.state.ak.us
Senate State Affairs Committee Members, via individual email

RE: Support for CS/SB 130 – "An Act establishing an Alaska Native Language and Advisory Council."

Dear Senator Olsen,

From its beginning of time, the truest picture and the deepest thoughts and feelings of this great land have been woven into the words of Alaska's indigenous people and their languages. A part of this Great Land's heart and mind and soul is lost forever, whenever one of Alaska's Native languages dies.

The Tanana Chiefs Conference views CS for SB 130 as a humble but important beginning of a process and partnership that brings Alaskans together to build a permanent legacy that will enrich the future of all Alaskans.

For many years, the Athabascan tribes of the Interior, along with other tribes and local, regional and state-wide organizations and educational institutions throughout Alaska have strongly encouraged the state to partner with them in supporting their efforts to preserve, restore and revitalize one of Alaska's most unique and cherished legacies - its Native languages.

Over the years, issues relating to Alaska Native language preservation, restoration and revitalization have been raised and approached by a patchwork of programs and projects. Numerous tribes, organizations and educational institutions have expended a considerable amount of time and resources to study and address issues related to Alaska's Native languages, and numerous Native language-related bills have been introduced in the legislature.

CS/SB 130 establishes a process to bring together collective and representative knowledge and experience that can provide guidance to state and tribal leadership regarding a more coordinated strategy to preserve, restore and revitalize Alaska's Native languages.

The Tanana Chiefs Conference most strongly supports the spirit and intent of CS for SB 130. We deeply appreciate your willingness to sponsor the bill, and encourage all members of the legislature to support its passage during this session.

Tsen`ii (Thank you)

TANANA CHIEFS CONFERENCE

Jerry Isaac

Jerry Isaac, President/Chairman

January 18, 2012

Senator Donald Olson
Community and Regional Affairs Committee Chair
State of Alaska
State Capitol Building Rm 508
Juneau, AK 99801

Honorable Senator Olson:

I am writing to convey my support for Senate Bill 130, a bill to establish an Alaska Native Language and Advisory Council. The creation of such a council is desperately needed and is long overdue.

In recognition of the languages of the Alaska Native peoples being treasures, and in support of our own efforts, as indigenous peoples, to maintain and develop our languages, it is my belief that the State of Alaska should make it a policy to act and assist the effort to revitalize, maintain, and development of the languages of Alaska's indigenous people with the creation of an Alaska Native Language and Advisory Council.

In addition to a making a shift from a past colonial government policies which have devastated languages and cultures of Alaska's indigenous peoples, and current policies which have perpetuated their decline, significant resources should also be applied to implement the initial and on-going activities of the Council. Time is of the essence as we continue to have elders and best indigenous language speakers pass on. As our languages are restored and valued for the treasures that they are Alaska will become a richer place for all.

I understand you are compiling a list of people to provide testimony during the first committee hearing with State Affairs which is chaired by Senator Wielechowski. I am willing to testify by phone during the committee hearing which is scheduled for Tuesday, January 24th at 9:30am. I could be available to call in at about 9:15 if I am provided the opportunity.

Thank you for sponsoring this legislation and for your support of the Alaska Native peoples of Alaska.

Shesh t'qe\ani,

Jonathon S. Ross
President and Principle Consultant

19933 Tulwar Drive Chugiak, AK 99567 T. 907.227.1856 • 907.230.1457 I tsiltan@gmail.com

TSILTAN management group

Alaska Native Language Revitalization

Prepared for the

Alaska State Legislature

SB 130 Alaska Native Language and Advisory Council

By

Rosita Kaahaní Worl, Ph.D.

Sealaska Heritage Institute

Juneau, Alaska 99801

January 31, 2012

In honor of my ancestors and in respect to this committee, I am privileged to tell you who I am:

Lingít x̲'eináx̲ Yéideiklats'ok̲ ka Kaahaní ax̲ saayí.

Shangukeidí k̲a Cháak' naa x̲at sitee.

Kawdliyaayi Hit áyá x̲át.

Lukaax.adi yádi áyá x̲át.

My Tlingit names are Yéideilats'ok and K̲aahaní

I am of the Thunderbird Clan and the Eagle Moiety.

I am from the House Lowered from the Sun of Klukwan.

I am a Child of the Sockeye Clan.

My Tlingit names embody my social identity and cultural values. They establish a bond between me and my ancestors, and they create a responsibility to our future generations. My social identity reflects our world view and our relationship to our land and environment.

My English name is Rosita Worl, and I serve as President of the Sealaska Heritage Institute (SHI), whose mission is to perpetuate and enhance the cultures of the Tlingit, Haida, and Tsimshians. SHI has been engaged in language restoration efforts for the last twelve years.

I am here today to testify in support of Senate Bill 130, "An Act establishing the Alaska Native Language Preservation and Advisory Council and relating to the

Preservation, Restoration, and Revitalization of Alaska Native languages." I would also like to commend you in this noble effort to support the rich linguistic and cultural diversity of this State.

I will not dwell on the historical reasons and circumstances as to why Native languages are on the verge of extinction. Rather, I will focus on the positive results that the adoption of this bill and language revitalization can bring to Alaska Natives and to the State of Alaska.

First, it is important to briefly outline the status of Alaska Native languages today. Unless remedial action is initiated, most all of Alaska Native languages will join their already extinct linguistic relative, the Eyak, within a few short decades. According to a UNESCO report on endangered languages, Inupiaq in the North Slope and Kotzebue and the Gwich'in Athabaskan languages are "severely endangered," meaning that the languages are spoken by grandparents and older generations. While the parent generations may understand Inupiaq and Gwich'in Athabaskan, they do not generally speak these languages to children or among themselves. Aleut and the Southeast Alaska Native languages are "critically endangered" meaning that the youngest speakers are grandparents and older, and they speak the language partially and infrequently. Yup'ik, which is the healthiest indigenous language in Alaska, is classified as "vulnerable." This means that most children speak the

language; but it may be restricted to certain domains such as in the home. I note with deep regret that Eyak is extinct.

In the 1990s, Alaska Natives began to advocate in earnest for the revitalization of indigenous languages. Sealaska was successful in advancing an amendment to the Native American Languages Esther Martinez Act of 1992 that provided for language revitalization programs in Alaska based on the status of our language restoration efforts at that time. I am enclosing a report prepared by the Sealaska Heritage Institute that provides an overview of the language programs administered by Alaska Native organizations today. We apologize that it may be an incomplete record, but it should provide for you the range and the limitations of the programs that are operating in the state. To my knowledge, state funding is not available for language restoration programs. The unfortunate reality is that the federal funding level has been woefully inadequate with something like $4 million in competitive grants available annually for all tribes throughout the United States. The gains we made in federal funding through aggressive advocacy on our part have been offset by the shrinking federal appropriations in the last few years, and we are yet struggling to ensure that funding for the Alaska Native Education Equity Act continues. Thus, the state's effort to support the preservation, restoration, and revitalization of Alaska Native languages becomes even more critically imperative.

It is also important to briefly review the work of the Alaska Native Language Center in the event it might be suggested that its work may be duplicated by the proposed Alaska Native Language and Advisory Council. The ANLC was established by state legislation in 1972, and it has focused on the documentation of Alaska Native languages. While the study of Native languages is important, documentation, which has been the primary focus on the ANLC, does not by itself, lead to restoration of a language. Documentation does not include the development of curriculum or the training of teachers to provide instruction on Native languages. Native language curricula and Native language teachers are critical in language revitalization. Rather than documentation, the heart of the Council's work will be to "advise the governor and the legislature on programs, policies, and projects for cost effective preservation, restoration, and revitalization of Alaska Native languages in the state." This work together with the necessary funding can ensure that one of our most significant resources in the state survives.

Native organizations have the capacity to implement language revitalization programs as reflected by the report I am submitting to you. Native Peoples have been staunch advocates of language revitalization efforts, and I would stress that it is essential that Native organizations be eligible recipients of state funds. Michael Krauss, the foremost linguist in the state, recognized the importance of Native American organizations and tribes as applicants for funding in his testimony supporting the Native American Languages Act of

1992. He stated "you cannot from outside inculcate into people the will to revive or maintain their languages" (Hinton 2001).

I would further recommend that the legislature and administration adopt interim measures to immediately support revitalization language projects for the most critically endangered languages. However, I also want to assure you that I am of the firm opinion that the legislation to establish the Alaska Native Language Preservation and Advisory Council must be adopted if we are to ensure the survival of Native languages. The Council must formulate policies that support the revitalization of Native languages and identify barriers that threaten the survival of Native language.

Significantly, one of the most immediate effects of the legislation is that it would serve to reverse the perception that the State of Alaska is adverse to linguistic diversity. It would further send a powerful message that Alaska sees indigenous languages as a part of its heritage to be protected. Unfortunately, the adoption of the English-Only legislation in 1998[1] was interpreted by many, and certainly by the Alaska Native population, as an effort to suppress Native languages. Although this may not have been the intent, I would hope that one

[1] The legislation restricted the state from conducting business in any language other than English with limited exceptions. In 2002, a superior court ruled that the law violates free speech rights, striking the law down. In 2007, the state Supreme Court issued a 4-1 split decision, ruling that the first section of the law (requiring English to be the only language used for government functions) is unconstitutional, and the second part (requiring English for all government documents and records) is constitutional as long as duplicates can be made in other languages.

of the first recommendations that the Council advances is a proposal to the legislature and the governor that Alaska join Hawaii in declaring that the state is officially multi-lingual.

The adoption of this legislation could also send a powerful message that indigenous languages are not evil or inferior to English. Children growing up with the perception that their language and culture are inferior more often develop low self-esteem, and studies have revealed that low self-esteem is a major factor in failure at school.

Conversely, a positive self-identity is a prerequisite to academic achievement. However, the emotional benefit of a positive self-identity must be accompanied by real changes in the classroom that provide for the teaching of Native language and culture. This will require considerable work and funding.

Sealaska Heritage Institute has consistently conducted evaluations of our programs in which Native language and culture are taught in schools. The curricula we have developed and the professional development workshops we have offered to teachers are oriented towards the instruction of Native language and culture. Equally important, our objectives have been to improve the academic status of our students by advancing critical thinking, knowledge and science. Our evaluations reveal that students do better academically when they are taught Native language and culture. We are preparing a longitudinal

study of students who have participated in the demonstration project we initiated in the Juneau schools, and we will be pleased to share the report with the committee when it is complete. We are confident that the study will demonstrate the academic achievement which results from the incorporation of Native language and cultural studies into the classroom. However, we have grave concerns that the school district will not be able to sustain their minimal efforts they have provided in teaching Native languages.

I believe that the legislature understands the social and economic costs to a society and to the state when a significant percent of the population has a poor education. It is my hope that our society will come to accept and understand that the incorporation of Native language and culture into our schools leads to improved academic success that ultimately benefits the individual students as well as our state and society.

Native languages contain intellectual wealth accumulated through thousands upon thousands of years. They have conveyed how Native people see and use the land. The difference in world views among different Alaska Native cultural groups was readily apparent to me when I was conducting field work in the North Slope studying whale hunting. I absolutely could not see the grey patches on the horizon that my companion hunters saw that signified open water. Neither did I know the over eighty terms they had in their language to distinguish the different types of ice (Nelson 1969). Knowledge of ice is critical

to the survival of the hunters who harvest whale, marine mammals and fowl on the sea ice. The 3,300 Tlingit place names that Sealaska Heritage will be publishing in a cultural geographic atlas provide knowledge about our environment and land in Southeast Alaska. Interestingly, these names may also provide information about climate change through thousands of years. Language is a uniquely a human gift central to our experience of being human and Alaska Natives. This knowledge and the differing world views are worthy of protection and transmittal to future generations. Linguistic and cultural diversity is a benefit to society.

Unfortunately Native languages are on the road to extinction unless we initiate immediate efforts to rectify this trend. I urge that the legislature act immediately to adopt SB 130, "An Act establishing the Alaska Native Language Preservation and Advisory Council and relating to the Preservation, Restoration, and Revitalization of Alaska Native languages."

I would like to dedicate my testimony to the late Dr. Bill Demmert of Klawock, who served as a Professor of Education at the University of Alaska Southeast. He was the first and only Native to serve as Commissioner of the State of Alaska Department of Education. He was an educator with national prominence and was instrumental in the passage of the Indian Education Act. He was also a staunch advocate of Native language restoration and studied how Native language contributes to academic success. We were fortunate to

have him serve on the Board of Trustees of the Sealaska Heritage Institute. I would also like to respectfully recommend that the state legislature consider incorporating his name into the title of SB 130 "The Bill Demmert Act establishing the Alaska Native Language Preservation and Advisory Council." It would be a tribute to all who have worked tireless to revitalize Alaska Native languages.

Gunulchéesh

References

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2001. "Federal Language Policy and Indigenous Languages in the United States." In Hinton, L. and Ken Hale. 2001. The Green Book of Language Revitalization in Practice. Academic Press. San Diego. pp. 39-48.

Nelson, Richard.
1969. Hunters of the Northern Ice. Chicago: University of Chicago Press.

Sealaska Heritage Institute

Alaska Native Language Programs

January 2012

Alaska Natives are comprised of seven linguistic groups including the Inupiat, Yup'ik, Aleut, Athabascan, Tlingit, Haida and Tsimshian. Each has or had its own indigenous language. But today, no group is producing new speakers with Native as their first language. Many have language revitalization efforts in which students learn many nouns, some verbs, some greetings and introductions. None are producing fluent or even proficient speakers. Most programs are for beginners and a few are for intermediate learners. Very few programs are for advanced learners. Many communities have singing and dancing groups where individuals learn songs in their Native language and may or may not know the meaning of the words they are singing. At this time, many young Native individuals have expressed great interest in learning their language. Native language acquisition formerly occurred in the homes. Because of many factors, parents today do not know their Native language and are unable to teach the language to their children. The challenge of teaching Native languages has largely been left to schools and community organizations. This paper provides a brief summary of programs offered around the state. Not all regions responded to the request from Sealaska Heritage Institute (SHI) for information about their language programs. We received responses from seven regions. The Arctic Slope and Aleutian Pribiloff provided SHI the most detailed information. Other language revitalization programs may exist in Alaska of which we are not aware.

From Barrow to Metlakatla, community organizations and school districts are offering language programs. In the Arctic Slope, the schools teach the four dialects of Iñupiaq throughout the 12 schools in the district. The Iñupiaq Education program has created VIVA (Visual Iñupiaq Vocabulary Acquisition) online language units. Each unit contains its own assessment and scoring—students' keep track of their own progress. Once a unit is completed, the students practice their verbal pronunciation with a fluent speaker—the district employs fourteen fluent Iñupiaq speakers. This program is noteworthy for several reasons: sequential units based on the Greymorning method, scoring contained within each unit; emphasis on hearing the language tied with images rather than words and pronunciation work with fluent speakers. Classes are

held 3-5 times per week in the elementary school and are available as electives in the middle and high schools. Production of the VIVA units requires a full-time curriculum developer. The units are recorded in four Iñupiaq dialects. The North Slope Borough School District (NSBSD) is also working with cultural units and developing a math program based on the traditional Iñupiaq number system.

Nome is adapting its language program based on the NSBSD materials. They are receiving training from the curriculum developer on how to create their own programs using 'flash'. This region has a web-based vocabulary development game. They are recording fluent speakers of the different Iñupiaq dialects. Their record demonstrates the benefits of sharing resources, materials and staff knowledge to maximize the language revitalization efforts in our state.

In the northwest Arctic, 14% of residents are fluent in Iñupiaq. Of these speakers, 92% are over the age of 65.[2] Despite the disheartening statistics, communities are taking action to ensure the language survives. NANA Regional Corporation entered into a unique partnership with Rosetta Stone to produce an interactive computer learning program as part of the Rosetta Stone Endangered Language Program. Software for the two predominant dialects in the region was made available to the head of household for each family of shareholders and is available for sale. An additional effort to perpetuate the language in the region is the immersion school in Kotzebue, Nikaitchuat Ilisagviat. For 13 years, approximately 20 students age 3 through first grade have been learning all subjects solely in Iñupiatun. The Nikaitchuat staff hope to someday offer more grades at the school. The University of Alaska Fairbanks Chukchi Campus based in Kotzebue, offers an Iñupiaq A.A.S. degree and certificate program. Classes are available online so students in the villages are able to participate. Finally, the Aqqaluk Trust is a non-profit organization with the mission: "Empowering the Iñupiat people through language, culture and education." The Aqqaluk Trust coordinates the regional Iñupiaq Language Commission and conducts Camp Sivunniigvik each summer, at which children from across the region spend one week sessions on the banks of the Kobuk River enveloped in Iñupiaq traditions, values and the Iñupiaq language.

Bethel has operated an immersion school for more than 17 years. They have produced many materials including Big Books in their Yup'ik language.

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[2] Survey of Residents of the Northwest Arctic Borough conducted by the Aqqaluk Trust and the Native Village of Kotzebue in 2005.

Other regions are also making use of technology. The Kodiak area has produced an online audio dictionary and electronic Aluutiq flashcards. They also have a Stories and Lost Words project and are in a consortium with Port Lions and the Aluuttiq Museum. Today there are only 45 fluent speakers of the Alutiiq language, the traditional language of the Native people of the Kodiak Archipelago, only 11 of which can speak the Northern Dialect, the traditional language of the *Ag'uanermiut* (people of Afognak). All the speakers are Elders. Alutiiq, like so many Alaska Native languages, struggles for survival. Afognak Native Corporation has funded a language program operated by the Native Village ofAfognak and Native Village of Port Lions to create innovative language learning tools. See Alutiiq Language Website: http://www.ktuu.com/features/assignmentak/learning-alutiiqonline-20120112,0,5807593.story and Alutiiq iPhone Application: http://www.ktuu.com/videobeta/80965544-341f-44e4-8e14-5210bac33c9b/News/Afognak-Alutiiq-Connect-iPhone-app-intro. Through the joint efforts of the Alaska Native Corporations and Tribes in the Kodiak Archipelago and the Alutiiq Museum, language restoration efforts are underway.

The Chugach Region has produced many posters, videos and books. They also teach Aluutiq at Spirit Camp each summer.

The Aleutian Pribilof Islands region is the only one of the seven regions who reported that Native language still spoken in the home although we suspect this is also the case in Yup'ik villages. The village of Atka reports that Unangam Tunuu (Aleut) is still spoken in one-fourth of the homes. They report that there are 124 fluent speakers still living representing 3.5% of the enrolled tribal members. Two of the 12 schools in the region offer language and culture classes in the curriculum. Ten schools offer limited exposure to language and culture. In Atka, where ¼ of the homes still speak Unangam Tunuu (Aleut), a fluent speaker teaches language classes one hour/day. In St. Paul, a certified teacher is also a fluent Unangam Tunuu speaker. She teaches one language class, five days per week. There is an active singing and drumming group. Youth and elders collaborate to write lyrics for new songs. At community gatherings elders speak Unangam Tunuu. Three culture camps are held during the summer months. The region is seeking $1,000,000 to create a Rosetta Stone product for Unangam Tunuu. The corporation board of directors has committed themselves to one hour of language lessons during each of the three annual meetings.

Southeast Alaska has many and varied programs. Throughout the region, "language learners," who are teachers and who are yet learning their Native language, teach with few exceptions all language classes in some cases in collaboration with fluent speakers. Yakutat has federal funding to write children's stories in Tlingit and develop learning materials for the stories. Local students and artists illustrate the stories. The core language staff work with fluent speakers on a weekly basis. Classes are taught outside the school system. Klukwan classes are taught in the school while in Haines, language classes are taught in the local museum. In Juneau, the Goldbelt Heritage Foundation is developing curriculum and working with teachers and fluent speakers to develop lessons using the Tlingit Verb Index. The region-wide entity, Sealaska Heritage Institute, produces curriculum and provides teacher training on a region-wide basis. SHI is concentrating on the Developmental Language Process (DLP) and has produced curriculum materials for academic content areas (math, science, social studies and literature), as well as Tlingit, Haida, and Tsimshian DLP units. SHI has also published Tlingit, Haida and Tsimshian dictionaries and has highly popular interactive language programs on its website. SHI sponsors summer basketball camps in which Native language instruction is integrated into basketball training. Both Goldbelt Heritage and SHI sponsor summer camps for youth. The camps feature language classes but are not conducted in the language. Other communities in Southeast have Tlingit language classes in the schools (Hoonah, Sitka and Kake). Wrangell and Ketchikan have programs after school.

In addition to offering classes, Ketchikan Indian Community has devoted time and grant money to improve advanced learner skills. One Haida, Tsimshian and Tlingit advanced learner is teamed with fluent speakers. They spend a significant amount of their week with the fluent speakers. The goal is to increase the learners' skills to proficiency. This is the only program in the state with that stated goal although others may be doing the same work.

University of Alaska Southeast has offered Tlingit classes at beginners and intermediate levels, as well as studies of oral literature and narratives. UAS also offers mentor-apprentice classes. The University of Alaska Anchorage and Fairbanks also offer Native language classes.

In summary, a significant effort is being expended in the state to revitalize Native languages. The programs focus on using technology to teach vocabulary. Most regions are recording fluent speakers. Some regions are sharing resources and adapting materials for their own dialects. None of the regions reported stability in their Native language. Fluent speakers are passing

on with no new speakers replacing them. Hundreds of learners of all ages are learning nouns, verbs, greetings and introductions. Few progress to proficiency.

The major expressed needs are:

- Programs to support teacher language learners to work with fluent speakers to increase their own language proficiency. Mentor apprentice programs appear to be very effective.
- Programs to recruit more language learners into the teaching of the language.
- Stable funding for these programs so that teacher/learners know they can count on their program continuing.
- Curriculum development at all levels and ongoing, teacher training workshops.

SB 135

<TARGET><BILL>SB 135</BILL><SUBJECT>SB 135</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 2/13/12

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 135

SB 135-CONTINUANCES IN CRIMINAL TRIALS; VICTIMS

"An Act relating to the rights of crime victims; relating to the duties of prosecuting attorneys; and amending Rule 45, Alaska Rules of Criminal Procedure."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[X] adopt **previous CS** SB 135 (JUD) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
S.FIN/Law		✓		
ADM		✓		

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
COR			✓	3
ADM		✓		2

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	[illegible]	✓			
	Olson			✓	
	Ellis	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:					

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **SB135**
Fiscal Note Number:
Publish Date:

Identifier (file name): SB135-DOA-PDA-1-23-12
Title: Continuances in Criminal Trials; Victims
Sponsor: Senator French
Requester: Senate Judiciary

Dept. Affected: Administration
Appropriation: Legal and Advocacy Services
Allocation: Public Defender Agency
OMB Component Number: 1631

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	****	****	****	****	****	****	****

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		****	****	****	****	****	****	****

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by: Quinlan Steiner, Public Defender — Phone: 907 334-4414
Division: Public Defender Agency — Date/Time: 1/20/12 12:25 PM
Approved by: John Cramer, Deputy Commissioner — Date: 1/23/2012
Department of Administration

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB135

Analysis

This bill amends AS 12.61.010(a) by requiring that the victim of a crime be notified of any request for a continuance or pending motions that may substantially delay the prosecution, and inform the court of the victim's position on these motions. This bill amends Rule 45 (d)(2) of the Alaska Rules of Criminal Procedure by adding language that requires the court to grant continuances only after consideration of the crime victim as provided in a new subsection (h) that his bill would also add to Rule 45. The new subsection (h) requires the court to consider the victim's position on motions to continue.

Courts currently consider the impact of delay on a victim's rights under the state constitution. The compulsory language in the amendment to Rule 45 may have the collateral effect of causing additional hearings and delay if the victim cannot be located. This will be impacted by how courts interpret "substantial delay."

Although this bill may increase hearings and delay, the Public Defender Agency cannot reliably predict whether this will, therefore the fiscal impact cannot be accurately determined.

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **CSSB 135(JUD)**
Fiscal Note Number:
Publish Date:

Identifier (file name): CSSB 135(JUD)
Dept. Affected: Law
Title: Continuances in Criminal Trials; Victims
Appropriation: Criminal
Allocation: Criminal Justice Litigation
Sponsor: Senator French
Requester: Senate Finance Committee
OMB Component Number: 2202

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	***	***	***	***	***	***	***

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		***	***	***	***	***	***	***

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

The previous fiscal note requested $144.4 in General Funds for one new PFT position. The assumptions in the analysis are not sufficient to justify the need for an additional position.

Prepared by: Darwin Peterson, Staff — Phone: 907-495-3873
Division: Senate Finance Committee — Date/Time: 3/3/12 2:38PM
Approved by: Senator Hoffman, Co-Chair — Date: 3/3/2012
Senator Stedman, Co-Chair

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB135(JUD)**
Fiscal Note Number: 2
(S) Publish Date: 2/13/12

Identifier (file name): SB135-DOA-OPA-1-27-12
Title: Continuances in Criminal Trials; Victims
Sponsor: Senators French and Dyson
Requester: Senate Judiciary

Dept. Affected: Administration
Appropriation: Legal and Advocacy Services
Allocation: Office of Public Advocacy
OMB Component Number: 43

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	***	***	***	***	***	***	***
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	***	***	***	***	***	***	***

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		***	***	***	***	***	***	***

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version

Prepared by: Richard Allen, Director — Phone: 907-269-3504
Division: Office of Public Advocacy — Date/Time: 01/27/2012 9:15 a.m.
Approved by: John Cramer, Deputy Commissioner — Date: 1/27/2012
Department of Administration

(Revised 1/17/2012 OMB)

FISCAL NOTE #2

STATE OF ALASKA **BILL NO.** CSSB 135(JUD)
2012 LEGISLATIVE SESSION

Analysis

This bill amends AS 12.61.010(a) by requiring that the victim of a crime be notified of any request for a continuance or pending motions that may substantially delay the prosecution, and inform the court of the victim's position on these motions. This bill amends Rule 45 (d)(2) of the Alaska Rules of Criminal Procedure by adding language that requires the court to grant continuances only after consideration of the crime victim as provided in a new subsection (h) that this bill would also add to Rule 45. The new subsection (h) requires the court to consider the victim's position on motions to continue.

Courts currently consider the impact of delay on a victim's rights under the state constitution. The Office of Public Advocacy believes that the victim's concerns are already considered by parties in trial cases as a result of constitutional requirements concerning crime victims. The compulsory language in the amendment to Rule 45 may have the collateral effect of causing additional hearings and delay if the victim cannot be located. This will be impacted by how the courts interpret "substantial delay."

Although this bill may increase hearings and delay, the Office of Public Advocacy (OPA) cannot reliably predict whether this will occur or what the fiscal impact will be. Therefore, the Agency submits an indeterminate fiscal note.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version	**CSSB 135(JUD)**
Fiscal Note Number	3
(S) Publish Date	2/13/12

Identifier (file name)	SB135-DOC-OC-02-09-12	Dept. Affected	DOC
Title	"An Act relating to the rights of crime victims; relating to the duties of prosecuting attorneys..."	Appropriation	Administration and Support
		Allocation	Office of the Commissioner
Sponsor	Senators French and Dyson		
Requester	Senate Judiciary	OMB Component Number	694

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This is the original version of the bill.

Prepared by	Leslie Houston, Director	Phone	907-465-3339
Division	Department of Corrections - Administrative Services	Date/Time	02/09/12 10:00AM
Approved by	Joseph D. Schmidt, Commissioner	Date	2/9/2012
	Department of Corrections		

(Revised 8/17/2011 OMB)

FISCAL NOTE #3

STATE OF ALASKA **BILL NO.** CSSB 135(JUD)
2012 LEGISLATIVE SESSION

Analysis

This legislation requires prosecutors and judges to consider a victim's right to a timely disposition of their case when deciding whether to allow continuances. This legislation also ensures the victims are notified of any requests or motions that could substantially delay prosecution of their case. Passage of this legislation poses no fiscal impact on DOC.

Alaska State Legislature

Senator Hollis French

SPONSOR STATEMENT

SB 135 – Continuances in Criminal Cases

Article I, section 24 of our constitution is entitled "Rights of Crime Victims." The amendment passed by an overwhelming majority when it was placed before Alaskan voters in 1994. Included in its eight specific provisions is the promise that crime victims will have "the right to timely disposition of the case following the arrest of the accused."

In the eighteen years since the amendment passed, the promise of a timely disposition of the case has often not been kept. Moreover, the breaches of that promise frequently occur in the most serious of cases. Delays in the trial of a case, known as continuances, can go on for years.

SB 135 requires prosecutors and judges to consider a victim's right to a timely disposition of their case when deciding whether to allow continuances. This legislation will also ensure that victims are notified of any requests or motions that could substantially delay speedy prosecution of their case.

Repeated delays prevent victims from reaching emotional, physical, and financial closure from the trauma that they suffered as a result of the crime perpetrated against them. Delays in prosecution can also affect the availability of witnesses, a victim's ability to recall important details, and it can create other impediments to a successful trial.

Currently, Alaska is one of 27 states with constitutional provisions to protect a victim's rights; however, there is no statute in place to implement it. With this important piece of legislation, Alaska will join 15 other states that have enacted a statutory provision recognizing this crucial right.

SB 135 will guarantee a victim's right to a timely resolution in the court system. I urge your support of this legislation.

Alaska State Legislature

Senator Hollis French, Chair
State Capitol, Room 417
Juneau, Alaska 99801
Phone: (907) 465-3892
Fax: (907) 465-6595

Committee Members:
Senator Bill Wielechowski
Senator Lesil McGuire
Senator Joe Paskvan
Senator John Coghill

Senate Judiciary Committee

MEMORANDUM

Summary of Changes SB 135, Version M

- Section 2, lines 12-15 – incorporates a definition of "substantially delay"
- Section 3, line 24 – removes the word "only"
- Section 3, line 25 – "if known" was added to provide for instances where the victim cannot be contacted or does not wish to participate
- Section 4, line 4 – "if known" was added again to account for the aforementioned circumstances

LEGAL SERVICES

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

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

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

MEMORANDUM December 14, 2011

SUBJECT: Sectional Analaysis of 27-LS0966\A

TO: Senator Hollis French
Attn: Lila Hobbs

FROM: Doug Gardner
Director

You requested a sectional analysis of the above referenced bill. Preliminarily, please note that a sectional analysis should not be considered an authoritative interpretation of a bill -- the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it relates to a particular set of circumstances, please advise.

Overview of the Bill

As an overview, the bill has the primary purpose of amending statute and court rule to provide a right to victims of crime defined by AS 12.55.185, to notice from the prosecuting attorney of any request for a continuance that will substantially delay trial. The bill also provides that the prosecuting attorney must inform the court of the victim's position on the motion. The bill requires that prior to ruling on the motion, the court must consider the victim's position on a motion to continue that may substantially delay the prosecution. The bill provides that the court must consider the effect such a continuance will have on the victim. With that overview, a brief sectional analysis follows.

Section one of the bill amends AS 12.61.010(a)(2), by adding a provision to the enumerated rights of crime victims providng that a victim has a right to be notified by the appropriate law enforcement agency, or the prosecuting attorney, of any request for a continuance that may substantially delay the prosecution

Section two of the bill amends AS 12.61.015(a), the duties of a prosecuting attorney, to include the duty to inform the victim, as defined in AS 12.55.185, of a pending motion that may substantially delay the prosecution, and inform the court of the victim's position on the motion.

Section three of the bill amends Criminal Rule 45(d)(2), which is the criminal rule that provides the court with the authority to grant a continuance in a criminal case. This section adds a provision that requires that a court, when considering a motion to grant a continuance, may do so only after considering the victim's interest in a ruling by the court

on the motion to continue. This section references the new section of Criminal Rule 45 added in section four of the bill.

Section four of the bill amends Criminal Rule 45, by adding a new section (h), entitled "Victim's Interest on Ruling on Motion to Continue." Section (h) provides that before ruling on a motion to continue in a case involving a victim of crime as defined in AS 12.55.185, that the court must consider the victim's position on the motion to continue, and the effect that a continuance will have on the victim.

DDG:ljw
11-458.ljw

NOTE: ○Automatic rights
●Rights triggered only by request from victim

State of Alaska Office of Victims' Rights
1007 West 3rd Avenue, Suite 205
Anchorage, Alaska 99501-1936
Phone: 907-272-2620
Fax: 907-272-2640
Toll Free in Alaska: 1-866-274-2620
http://officeofvictimsrights.legis.state.ak.us
Prepared August 2002
(updated November 2007)

General constitutional protections provided in Article I, section 24 of the Alaska constitution to all crime victims:

- ○ Be treated with dignity, respect and fairness;
- ○ Protection from accused through the imposition of appropriate bail or conditions of release by the court (including release on appeal) (see also AS 12.30.025(a); 12.30.027(a); 12.30.029(a); 12.30.040(a));
- ○ Confer with the prosecution;
- ○ Timely disposition of the case;
- ○ Obtain information about and be allowed to be present at all criminal or juvenile proceedings where the accused has the right to be present;
- ● Be heard, upon request, at sentencing, before or after conviction and at any proceeding where the accused's release from custody is considered;
- ○ Restitution from the accused;
- ● Be informed, upon request, of the accused's escape or release from custody before or after conviction or juvenile adjudication.

Rights of crime victims upon initial police contact:

- ○ Right to obtain access to immediate medical assistance AS 18.65.515(a)(3); AS 12.61.010(a)(7);

NOTE: ○Automatic rights
●Rights triggered only by request from victim

- Transportation to safe house or shelter where the crime involves domestic violence AS 18.65.515(a)(1);
- Provide domestic violence victims with information about how to obtain a 72-hour protective order AS 18.65.520; AS 18.66.110; AS 18.66.100(c)(1) - (5),(8) - (12),(16);
- The right to be notified of the name, address, and telephone number of the Office of Victims' Rights upon initial contact with the police and prosecuting attorney. AS 12.61.010(15);
- The right of domestic violence victims to be notified by law enforcement of the rights and services available to them AS 18.65.520;
- Provide all victims with information about Violent Crimes Compensation Board assistance and make application forms available AS 18.67.175(b);
- Ability to participate, upon request, at the defendant's initial appearance before a magistrate when bail conditions are set, AS 12.30.010; AS 12.61.010(a);

Sexual assaults and domestic violence – medical concerns:

- Council on Domestic Violence and Sexual Assault is established within the Department of Public Safety. The council is to provide for planning and coordination of services, crisis intervention and prevention programs to victims of domestic violence, sexual assault or to their families AS 18.66.010;
- Sexual assault victims may not be charged for sexual assault exams AS 18.68.040;
- In a crime involving sexual assault where penetration is an element of an offense, a victim may petition the court to order that the defendant submit to a blood test for presence of HIV and other STDs. AS 18.15.300 – 18.15.310 The defendant need not be convicted, the court may order the testing as soon as the defendant is charged by complaint, indictment, presentment, or information filed with a magistrate or court, that alleges a sexual assault involving penetration. The court may not order such testing until seven days have passed since arrest nor after a disposition favorable to the defendant AS 18.15.300;

NOTE: ○Automatic rights
●Rights triggered only by request from victim

- If the results of a blood test conducted under AS 18.15.300 indicate exposure to or infection by HIV or other sexually transmitted diseases, the victim is entitled to free counseling, testing and referral to appropriate health care facilities and support services at the request of the victim AS 18.15.310(h);

Protective orders for crime victims:

- A victim of a crime involving domestic violence may file a petition for a protective order against a household member. A parent, guardian, or other representative may file a petition for a protective order on behalf of a minor AS 18.66.100;
- A certified copy of an unexpired protective order issued in another jurisdiction and filed with the clerk of court in any judicial district in this state, has the same effect and must be enforced in the same manner as a protective order issued by a court of this state AS 18.66.140;

Privacy rights of crime victims:

- Confidential communications between a sexual assault or domestic violence victim and the victim's counselor are privileged. AS 12.45.049; AS 18.66.200 – AS 18.66.250;
- In a crime involving kidnapping, sexual assault, sexual assault of a minor, or indecent exposure, the name of a victim is not public record and may not be used in court document; instead, the victim's initial will be used AS 12.61.140;
- The residence and business addresses and telephone numbers of a victim of a crime or witness to a crime are confidential AS 12.61.110; AS 12.61.120(a); AS 12.61.130(a);
- Victims are not required to speak with defense counsel and may request the presence of a prosecuting attorney or other person present during an interview AS 12.61.120(c) (victims of sexual assault and domestic violence; other victims have these rights but may not know they are being interviewed or electronically recorded);

NOTE: ○Automatic rights
●Rights triggered only by request from victim

- If a victim of sexual assault or domestic violence must first give oral permission to be interviewed by the defense;
- The interview may be electronically recorded (at the discretion of the defense investigator) and the defense will furnish a copy of any electronic recordings to the victim upon request. If the victim is a minor, the parent or guardian must provide written consent prior to the interview whether or not the interview is recorded. AS 12.61.120; AS 12.61.125;
- ○ Applications to the Violent Crimes Compensation Board are confidential AS 18.67.030(c);

Bail review rights of crime victims:

- ○ Notice of hearings where the accused's release is considered, the right to be present and to be heard Article I, sec 24; AS 12.61.010(a)(2);
- ○ Court must consider the victim's comments in making the decision to release a defendant in domestic violence cases AS 12.30.027; in sexual assault cases AS 12.30.029(c)(2);
- ○ Victim's safety should be specifically considered before releasing the accused in a stalking non-DV, AS 12.30.025; in domestic violence, AS 12.30.027(a); in sexual assault AS 12.30.029(a) This includes an order prohibiting the defendant from having contact with the victim;
- ○ Notice of cancellation of a hearing or court proceeding at which the victim has been subpoenaed to testify AS 12.61.010(a)(3);
- ○ Receive a copy of the conditions of release when a prisoner charged with a domestic violence offense is released from custody (from correctional facility AS 12.30.027(d)(1); by other arresting authority AS 12.30.027(d)(2));
- ○ Victims should receive protection from harm and threats of harm arising out of cooperation with law enforcement and prosecution efforts and be provided with information regarding the protection available AS 12.61.010(a)(4);
- ○ An automated phone service (VINE) is established to provide crime victims with notice when there is a change in the status of their offender, especially offender's

NOTE: ○Automatic rights
●Rights triggered only by request from victim

- release or escape. Go to www.vinelink.com or call (800) 247-9763. The system also allows a caller to inquire about the latest status report for an offender AS 12.61.050;

Crime victims' rights at trial:

- Victims shall be notified of the date and time of trial and have a right to be present at all hearings and court proceedings where the defendant has a right to be present AS 12.61.010;
- If a victim of a felony or domestic violence crime requests, the prosecutor should confer with the victim regarding trial testimony AS 12.61.015;
- The prosecuting attorney may introduce the victim to the jury during jury selection or as part of an opening statement at trial. (Not a victim legal right, but victim may request of prosecuting attorney.)
- A victim cannot be compelled to submit to a psychiatric evaluation unless the victim's psychiatric or psychological condition is an element of the offense charged; or the victim suffers from a continuing psychological or psychiatric condition that resulted from the offense charged. AS 12.45.042;
- Evidence of past sexual conduct inadmissible absent a specific finding of relevance by the court AS 12.45.045(a);
- An employer may not penalize or threaten to penalize a victim because the victim is subpoenaed or requested by the prosecuting attorney to attend a court proceeding for the purpose of giving testimony AS 12.61.017;

Proceedings relating to psychiatric commitment of the accused:

- Notice shall be provided if an offender is committed to the custody of the Department of Health and Social Services; notice shall be given of any pending or actual change in status. AS 12.47.095 (1)-(5) ***Victim may request notice by providing address information to DHSS*** AS 12.47.095(b);

NOTE: ○Automatic rights
●Rights triggered only by request from victim

- Any victim given notice of a proposed change in commitment status of an offender has the right to submit a written statement, or to appear personally before the court. AS 12.47.095(e);
- Notice regarding a finding of not guilty by reason of insanity AS 12.61.010(a)(11);
- Notice upon request, of hearings relating to special medical parole AS 12.61.010(a)(12); AS 33.16.087 ***Victim may request notice by providing address information to Parole Board.***

Sentencing:

- The court may not mitigate or reduce the punishment of the defendant based on the failure of the crime victim to appear or testify AS 12.55.151;
- Except for crimes involving domestic violence, a crime victim and offender may present the court with a negotiated/agreed upon sentence for the court's review. This agreed upon sentence may be imposed if both the victim and offender consent, the court determines that the victim has not been intimidated or coerced to make the agreement, and the sentence complies with the sentencing statutes (AS 12.55) and will accomplish the goals of restoration of the victim and community and rehabilitation of the offender. This procedure is commonly known as "civil compromise." This procedure may **not** be used if the offender is being sentenced for a crime involving domestic violence AS 12.55.011;
- The court must consider the safety and protection of the victim and any member of the victim's family before granting probation to an offender convicted of a crime involving domestic violence AS 12.55.101;
- In crimes of domestic violence, the prosecutor shall, upon request of the victim, confer with the victim about proposed plea agreements prior to acceptance AS 12.61.015(a)(4);
- As part of the pre-sentence report prepared for felony offenders, and as part of the predisposition report prepared for juvenile delinquency matters, the probation officer shall prepare a victim impact statement reporting any financial, emotional,

NOTE: ○Automatic rights
●Rights triggered only by request from victim

and medical effects of the offense on the victim; the need of the victim for restitution; and any other information required by the court AS 12.55.022; AS 47.12.130(a);

- For felony offenses, the prosecutor shall, upon request, provide the victim with the address and phone number of the office preparing the pre-sentence report AS 12.61.015(a)(2)(C);
- For felony offenses, prior to sentencing, the prosecutor shall, upon request, provide the victim with portions of the pre-sentence report outlining the summary of the offense prepared by DOC; the defendant's version of the offense; summaries of the victim's statements; and the sentence recommendation of the DOC AS 12.55.023(a)(1)-(4);
  - In a felony sentencing, the victims may make a written or oral statement for use in preparation of the pre-sentence report AS 12.61.010(a)(8);
  - A victim may appear personally at the defendant's sentencing hearing to present a written statement and to give sworn testimony or an unsworn oral presentation AS 12.61.010(9);
  - If the victim declines to make a statement at sentencing, the victims' advocate may submit a written statement or oral presentation at the sentencing hearing on behalf of the victim AS 12.55.023(b);
  - In a conviction for a felony offense, the court shall specifically make a finding regarding financial, emotional, and medical effects of the offense on the victim; the need of the victim for restitution AS 12.55.025(a)(5)(A)-(B);
  - Victims may address the three-judge sentencing panel if the panel chooses to supplement the record AS 12.55.175(b)

Restitution rights of crime victims:

- When determining restitution, the judge must consider public policy that favors requiring criminals to compensate their victims for injuries and damages sustained AS 12.55.045(a)(1);

NOTE: ○Automatic rights
●Rights triggered only by request from victim

- When issuing an order of restitution, ***the judge may not consider the defendant's ability to pay*** AS 12.55.045(g);
- A restitution judgment is a civil judgment that remains enforceable and is not discharged when a conviction is set aside under AS 12.55.085 (SIS), AS 12.55.045(l);
- Restitution does not limit civil remedies AS 12.55.045(b);
- Restoration of the victim shall be specifically considered as part of the sentencing criteria AS 12.55.005(7);
- Information regarding violent crimes compensation and the procedure for applying for such aid under AS 18.67 should be given to the victim AS 12.61.010(a)(5); AS 18.67.175.

Post sentencing crime victims' rights:

- Prosecuting entity, if requested, shall notify the victim of a felony or domestic violence crime, in writing of the final disposition of the case within 30 days after final disposition of the case AS 12.61.015(a)(3);
- Prosecuting attorney or other appropriate law enforcement agency shall notify the crime victim if an appeal is filed AS 12.61.010(a)(2);
- Notification if the offender escapes from custody or is released to the community on a furlough, on an early release program, or for any other reason AS 12.61.010 (a)(14); AS 33.30.013 ***Automatic in domestic violence crimes; upon request in other crimes*** AS 33.30.013(b) ***Requires victim to keep address on file with DOC;***
- After conviction, the victim is entitled to be informed by the prosecutor about the defendant's complete conviction history AS 12.61.010(a)(10);
- Every person contracting with an offender with respect to the reenactment of the offender's crime by way of a movie, book, magazine article, radio or television presentation, live entertainment of any kind, or from the expression of the offender's thoughts, feelings, opinions, or emotions regarding the crime, shall pay the victim's restitution claims first, the remainder of the monies go to the state AS 12.61.020;

NOTE: ○Automatic rights
●Rights triggered only by request from victim

Post sentencing – modifications:

- Victims are entitled to address the court presiding over a prisoner's motion to modify or reduce their sentence AS 12.55.088(d) ***Victim may request notice by providing address information to DOC*** AS 12.55.088(h);
  - Department of Corrections shall send the victim a copy of any motions to modify or reduce sentence and inform the person of that person's rights under this section, the deadline for receipt of written comments, the hearing date, and the court's address. AS 12.55.088(e) ***Victims must maintain updated address information with DOC*** AS 12.55.088(h);
- Notification of hearings to consider or review discretionary parole of the defendant AS 12.61.010(a)(13); AS 33.16.120 ***Victim must maintain address information with DOC and Parole Board;***
  - Before granting probation to a person convicted of a crime involving domestic violence, the court shall consider the safety and protection of the victim and any member of the victim's family AS 12.55.101(a) The court may also impose any other condition necessary to protect the victim and any members of the victim's family or to rehabilitate the defendant AS 12.55.101(a)(3);

Public Records-exception for crime victims:

Alaska statute 40.25.120(a), Alaska's public records law, provides in pertinent part:

> "Every person has a right to inspect a public record in the state, including public records in recorders' offices, except
>
> * * *
>
> (6) records or information compiled for law enforcement purposes, but only to the extent that the production of the law enforcement records or information
>
> (C) could reasonably be expected to constitute an unwarranted invasion of the personal privacy of a suspect, defendant, victim, or witness;"

THE ALASKA OFFICE OF VICTIMS' RIGHTS: A MODEL FOR AMERICA

STEPHEN E. BRANCHFLOWER*

In this Article, the director of the Alaska Office of Victims' Rights ("OVR") gives an overview of an agency that was created by the Alaska Legislature in 2001. OVR lawyers provide free legal services to victims of crime to help them protect their guaranteed constitutional and statutory rights with regard to their contacts with police, prosecutors, defense counsel, judges, and criminal justice agencies in the state. The attorneys also advance and protect those victims' rights in court when necessary and authorized by law. The author offers the OVR as a model for other states.

I. INTRODUCTION

No one plans to become a crime victim, yet, when crime strikes, victims are drawn immediately and unwillingly into an unfamiliar and bewildering criminal justice system. Victims soon learn first-hand that the system intended to help and protect them often cannot do so because it is overburdened with too many cases and inadequate resources; frequently it simply cannot help them meet even their most basic needs. For example, victims need to feel that police are responsive and willing to investigate their complaints in a timely and professional fashion. In addition, such victims also need police protection from defendants who are out of custody on bail, case information from and access to prosecutors, prompt court notification of hearings, meaningful participation in the trial process, and restitution ordered by judges. In sum, they need to have their statutory and constitutional rights implemented in a manner whereby the offender faces swift and certain justice by those in charge of the system.

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*The author retired in January 2002 following twenty-eight years of service as a major crimes prosecutor for the State of Alaska. He then became Alaska's first Victim Advocate when he was appointed and confirmed by the Alaska Legislature in May 2002 to direct the newly created Alaska Office of Victims' Rights. The author may be contacted at stephen_branchflower@legis.state.ak.us.

Instead of having these basic needs satisfied, crime victims too often face excessive delays in case resolution and hear unintelligible legal jargon from judges and prosecutors. They are expected to understand unfamiliar legal forms and attend repeated mandatory court hearings. This only compounds their confusion and frustration. The wake-up call is heard when victims finally realize the truth: victims, who should be at the center of our justice system, are often on the outside looking in. Too often, the system treats victims as uninvolved bystanders with little or no effective voice in the outcome of their cases. Too often, there is no one to advise, educate and help guide victims through the seemingly labyrinthine pre-trial hearings and trial phases of prosecutions. The answer must be that, just as we protect the rights of criminals, so too must we take equal care to protect the rights of victims. In Alaska, victims' calls for help have been answered.

In 2001, the Alaska Legislature created the Office of Victims' Rights ("OVR"), a unique publicly funded victims' rights law firm with wide-ranging investigative tools, powers, and privileges. The office has only one mandate: to advance and protect the rights of crime victims throughout Alaska. The OVR and its statutory resources were expressly tailored by lawmakers to accomplish this goal in order to return to a fair balance between crime victims' rights and the rights of criminal defendants. It is the first and only office of its kind anywhere. Since it was established, the OVR has become integrated into the state's criminal justice system and has earned a rightful place as a viable and effective agency. But, while Alaska has pioneered a modern approach to help its crime victims, this is an area of the law still developing in most states and much work remains to be done by victim support advocates to match Alaska's progress. To that end, this overview of the OVR model can serve as a blueprint to legislatures and victim advocates regarding how to establish such an agency.

II. VICTIMS' RIGHTS IN ALASKA

A grassroots victims' rights movement in modern American jurisprudence over the last two decades has produced a body of law in most jurisdictions intended to provide a means for crime victims to effectively participate in the criminal process, and to require that victims' concerns are addressed by police, prosecutors, defense counsel, and judges. The principal objectives of this movement have been twofold: (1) to promote respect for and to protect crime victims' privacy and safety; and (2) to foster administrative and judicial sensitivity to the difficulty experienced

by crime victims when they are unexpectedly drawn into an often indifferent, but always confusing criminal justice system.[1]

In 1984, the Alaska Legislature attempted to achieve these goals by enacting Alaska Statutes sections 12.61.010 to 12.61.900, entitled "Rights of Victims, Protection of Victims and Witnesses." Ten years later, in 1994, Alaska voters overwhelmingly approved passage of a Victims' Rights Amendment to Alaska's Constitution.[2] The rights now guaranteed in article I, section 24 are similar to those of many other states that have enshrined victims' rights in their constitutions.[3] Article I, section 24 vests crime victims with eight major rights:

> Crime victims, as defined by law, shall have the following rights as provided by law: [(1)] the right to be reasonably protected from the accused through the imposition of appropriate bail or conditions of release by the court; [(2)] the right to confer with the prosecution; [(3)] the right to be treated with dignity, respect, and fairness during all phases of the criminal and juvenile justice process; [(4)] the right to timely disposition of the case following the arrest of the accused; [(5)] the right to obtain information about and be allowed to be present at all criminal or juvenile proceedings where the accused has the right to be present; [(6)] the right to be allowed to be heard, upon request, at sentencing, before or after conviction or juvenile adjudication, and at any proceeding where the accused's release from custody is considered; [(7)] the right to restitution from the accused; and [(8)] the right to be informed, upon request, of the accused's escape or release from custody before or after conviction or juvenile adjudication.[4]

Of these rights, the most empowering for crime victims must be "the right to be treated with dignity, respect, and fairness during all phases of the criminal and juvenile justice process."[5] Even though the terms "dignity," "respect," and "fairness" as used in article I, section 24 are not specifically defined in Alaska law and may be difficult to determine, such concepts have nonetheless gained widespread acceptance in American jurisprudence. Fifteen states, in addition to Alaska, have

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1. The Alaska Legislature has recognized forty-two distinct rights to protect crime victims. *See* Alaska Office of Victims' Rights, *Listing of Your Rights*, *available at* http://www. officeofvictimsrights.legis.state.ak.us/ovrlisting.htm (last visited Oct. 25, 2004).

2. ALASKA CONST. art. I, § 24; Alaska Division of Elections, *1994 General Election Official Results Statewide Summary* (Nov. 8, 1994), *available at* http://www.gov.state.ak.us/ltgov/elections/result94.htm#bal2 (evidencing that 86.6% of Alaskan voters supported the amendment) (last visited Sept. 3, 2004).

3. *See, e.g.*, MICH. CONST. art. I, § 24. An amendment to the United States Constitution providing for victims' rights has also been proposed. S.J. Res. 3, 106th Cong. (1999).

4. ALASKA CONST. art. I, § 24.

5. *See id.*

passed constitutional amendments that use those same three words.[6] Among those fifteen, eight state legislatures have also promulgated victims' rights statutes that expressly set forth one or more of the concepts of "dignity," "respect," and "fairness."[7] Additionally, fourteen other states have specifically set forth one or more of these terms in their statutory victims' rights legislation.[8] The federal statute, 42 U.S.C. § 10606(b), that grants legal rights of participation to crime victims also expressly spells out the important concepts of "dignity," "respect," and "fairness."[9]

Against this legal fabric and due to growing awareness and concern for the protection and advancement of victims' rights, the 22nd Alaska Legislature promulgated the "Crime Victims' Rights and Advocacy Act of 2001."[10] The bill created a new agency called the Office of Victims' Rights. The OVR is an agency of the Alaska Legislature that provides free legal services to victims of crime to help ensure that their legal rights, guaranteed under the Alaska Constitution and statutes, are protected in their contacts with police, prosecutors, judges, and other criminal justice agencies. OVR also serves to advance and protect those victims' rights in court when necessary and authorized by law. This legislation continued the natural progression in the development of rights for crime victims in Alaska that began with the passage of the Victims' Rights Amendment in 1994.[11]

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6. *See, e.g.,* ARIZ. CONST. art. II, § 2.1; IDAHO CONST. art. I, § 22; ILL. CONST. art. I, § 8.1; IND. CONST. art. I, § 13(b); LA. CONST. art. I, § 25; MICH. CONST. art. I, § 24; MISS. CONST. art. III, § 26A; N.J. CONST. art. I, § 22; N.M. CONST. art. II, § 24; OHIO CONST. art. I, § 10a; OKLA. CONST. art. II, § 34; S.C. CONST. art. I, § 24; TEX. CONST. art. I, § 30; UTAH CONST. art. I, § 28; VA. CONST. art I, § 8-A.

7. *See, e.g.,* IDAHO CODE § 19-5306 (Michie 2004); 725 ILL. COMP. STAT. ANN. 120/2 (West 2002); IND. CODE ANN. § 35-40-5-1 (West 2003 Supp.); MISS. CODE ANN. § 99-43-1 (2000); N.M. STAT. ANN. § 31-26-2 (Michie 2003); S.C. CODE ANN. § 16-3-1505 (Law Co-op. 2003); UTAH CODE ANN. § 77-37-1 (2003); VA. CODE ANN. § 19.2-11.01 (Michie 2004).

8. *See, e.g.,* CAL. PENAL CODE § 679 (West 1999); COLO. REV. STAT. § 24-4.1-302.5 (2003); HAW. REV. STAT. ANN. § 801D-1 (Michie 2003); KAN. STAT. ANN. § 74-7333 (2002); MONT. CODE ANN. § 46-24-101 (1997); N.H. REV. STAT. ANN. § 21-M:8-K (2001); N.J. STAT. ANN. § 52:4B-36 (West 2001); N.Y. EXEC. LAW §§ 640–49 (McKinney 1996); OR. REV. STAT. § 147.410 (2003); R.I. GEN. LAWS § 12-28-2 (2002); TENN. CODE ANN. § 40-38-102 (2003); WASH. REV. STAT. § 950.01 (West 1996); WIS. STAT. ANN. § 950.01 (West 1996); WYO. STAT. ANN. § 1-40-203 (Michie 2003).

9. 42 U.S.C. § 10606(b) (2000) (establishing rights of crime victims, including rights to fairness, respect, and dignity, as well as the rights to be notified of proceedings, to confer with government attorneys, and the right to information about conviction, sentencing, imprisonment, and release of prisoners).

10. S.B. 105, 22d Leg., 1st Sess. (Alaska 2001).

11. ALASKA CONST. art. I, § 24.

III. ESTABLISHMENT OF THE OVR

In a press release on February 20, 2001, announcing the enactment of Senate Bill 105, Senate President Rick Halford, the chief architect and proponent of the legislation, stated, "In 1994 voters approved an amendment to Alaska's Constitution that guarantees victims' rights, but simply passing an amendment is not enough."[12] He then added, "[i]t is difficult for the victim of a violent crime to wade through our judicial system, which is full of technicalities and legal jargon. Many feel victimized twice—first by the criminal, then by the system. This office would ensure that victims' rights are protected."[13]

The OVR was created as an inspector general's office within the legislative, rather than the executive, branch as a way to avoid conflicts within state government.[14] This separation helps ensure that the victims' advocate and his professional staff have sufficient independence to investigate criminal justice agencies of the executive and judicial branches and to make appropriate findings and recommendations.[15]

In order to fully implement the legislature's intent to assist crime victims, lawmakers granted the victims' advocate the statutory authority to adopt regulations to

> [e]stablish procedures for advocacy on behalf of crime victims, receiving and processing complaints, conducting investigations, reporting findings, and ensuring that confidential information obtained by the victims' advocate in the course of advocacy on behalf of a crime victim or in the course of an investigation will not be improperly disclosed.[16]

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12. Press Release, 22d Alaska State Legislature, Halford Bills Enforce Victims' Rights, Expand DNA Registry (Feb. 20, 2001), *available at* http://www.akrepublicans.org/pastlegs/22ndleg/press/prhalford10220_2001.shtml.

13. *Id.* Senate Bill 4, an earlier bill similar to Senate Bill 105, was passed by the 21st legislature and transmitted to then-Governor Tony Knowles, who vetoed the legislation on June 8, 2000. Governor Knowles signed Senate Bill 105 on July 20, 2001.

14. STEPHEN E. BRANCHFLOWER, 2004 ALASKA OFFICE OF VICTIMS' RIGHTS ANN. REP., at 6, *available at* http://www.officeofvictimsrights.legis.state.ak.us/ovrdocuments/2004_Annual_Report.pdf (last visited Oct. 22, 2004) [hereinafter 2004 ANNUAL REPORT].

15. *Id.* The OVR professional staff consists of the victims' advocate and two associate victims' advocates, an OVR investigator, and a support staff. *See* Alaska Office of Victims' Rights, *Office of Victims Rights Staff available at* http://www.officeofvictimsrights.legis.state.ak.us/ovrstaff.htm (last visited Oct. 27, 2004). The advocates all have previous experience as prosecutors, and the investigator is a former career police officer. *Id.*

16. ALASKA STAT. § 24.65.090(a) (Michie 2002). This authority was granted pursuant to the Administrative Procedure Act, which is codified in Alaska Statutes § 44.62.

The victims' advocate was also empowered to establish procedures so that advocacy and investigations on behalf of crime victims in felony cases could take priority over misdemeanor cases.[17] The OVR law, which may be found in Alaska Statutes sections 24.65.010 24.65.250, went into effect on July 1, 2002.[18]

Crime victims have responded enthusiastically to this new agency.[19] It is the first and only such office to have been vested by a legislature with such extensive investigatory tools and powers to advocate for crime victims' rights. Since its inception, OVR's clients have obtained a variety of services including information, education, investigation, in-court advocacy and support.[20] In providing these needed services, the OVR has focused on facilitating a cooperative relationship between criminal justice agencies, the courts, and victims of crime.[21] The OVR's first annual report documents the agency's success and was published July 1, 2003.[22]

Additionally, lawmakers have sought OVR's assistance and advice to help craft victims' rights legislation and to provide supportive testimony before various legislative committees.[23] With such support, the 23rd Alaska Legislature recently passed five victims' rights bills that were signed into law by Governor Frank Murkowski on April 20, 2004.[24] Persuaded by the OVR's widely recognized success during its

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17. *Id.* OVR regulations were published in July 2004 in Register 170 and encompass sections 23 AAC 05.010–40.100. The regulations may be viewed online at http://www.legis.state.ak.us/cgi-bin/folioisa.dll/aac/query=*/doc/{t73958}? (last visited Oct. 22, 2004).

18. ALASKA STAT. §§ 24.65.010–.250 (Michie 2002).

19. Between July 1, 2002, when the OVR was created, and June 30, 2004, the end of its second fiscal year, the OVR had opened 445 new cases. STEPHEN E. BRANCHFLOWER, FIRST ANNUAL REPORT OF THE ALASKA OFFICE OF VICTIMS' RIGHTS ANN. REP., at 11 (July 1, 2003), *available at* http://www.officeofvictimsrights.legis.state.ak.us/ovrdocuments/2003_Annual_Report.pdf (last visited Oct. 22, 2003) [hereinafter 2003 ANNUAL REPORT] (207 cases were opened between July 1, 2002 and July 1, 2003); 2004 ANNUAL REPORT, *supra* note 14, at 16 (238 new cases between July 1, 2003 and June 30, 2004).

20. 2003 ANNUAL REPORT, *supra* note 19, at 6.

21. *Id.*

22. *Id.* ALASKA STAT. § 24.65.170 provides that "[t]he victims' advocate shall make available to the public an annual report of the victims' advocate's activities under this chapter and notify the legislature that the report is available."

23. 2003 ANNUAL REPORT, *supra* note 19, at 6.

24. H.B. 398, 23d Leg., 2d Sess. (Alaska 2004) (authorizing the Commissioner of Public Safety and municipalities of the State to empanel domestic violence fatality review teams); H.B. 357, 23d Leg., 2d Sess. (Alaska 2004) (requiring judges to order restitution from convicts in all cases in which a victim has suffered a financial loss and repealing a law requiring the court to take into account the defendant's present ability to

first two years of operations, the legislature in 2004 repealed the OVR's sunset provision, thereby making it a permanent agency of the legislature.[25]

IV. OVERVIEW OF THE ALASKA OFFICE OF VICTIMS' RIGHTS

A. Selection and Appointment of the Victims' Advocate

Legislators wanted the director of the new agency to be a lawyer with substantial experience in the practice of criminal law, and they did not want politics to play a role in the selection process. Consequently, a candidate for appointment as the victims' advocate was to be nominated by a victims' advocate selection committee, "composed of three members of the senate appointed by the president of the senate and three members of the house of representatives appointed by the speaker of the house; one member of a minority party caucus in each house was required to be part of the selection committee."[26] The selection committee's charge was to examine applicants regarding their qualifications and ability and to place the name of the person selected in nomination.[27] The

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pay when determining restitution awards); H.B. 348, 23d Leg., 2d Sess. (Alaska 2004) (requiring police and prosecutors to notify crime victims about the Alaska Office of Victims' Rights upon first contact); H.B. 397, 23d Leg., 2d Sess. (Alaska 2004) (requiring criminal defense attorneys and investigators in sexual offense cases to first obtain the consent of a minor victim or witness' parent or guardian before contacting or conducting a tape-recorded interview with the minor); H.B. 349, 23d Leg., 2d Sess. (Alaska 2004) (amending Alaska Rule of Evidence 412 to permit prosecutors to use suppressed statements and physical evidence to impeach a defendant who commits perjury during a criminal proceeding, bringing Alaska into the mainstream of the law in this area and in line with the United States Supreme Court's holding in *Harris v. New York*, 401 U.S. 222 (1971), which approved the use of statements obtained in violation of *Miranda v. Arizona*, 384 U.S. 436 (1966), for impeachment purposes but not as part of the prosecutor's case-in-chief).

25. H.B. 534, 23d Leg., 2d Sess. (Alaska 2004) (repealing sections 8, 18, 22, 24, 28, 30, 32, 34, 41, and 51, ch. 92 of Senate Bill 105, the original OVR enabling statute; these sections would have eliminated the OVR on July 1, 2006).

26. ALASKA STAT. § 24.65.020 (Michie 2002). OVR director Stephen E. Branchflower was nominated from a field of 10 applicants by a bipartisan victims' advocate selection committee, composed of Speaker of the House Brian Porter (R-Anchorage), Senate President Rick Halford (R-Chugiak), Sen. Dave Donley (R-Anchorage), Sen. Donny Olson (D-Nome), Rep. Pete Kott (R-Eagle River), and Rep. Reggie Joule (D-Kotzebue). He was unanimously confirmed to the appointment in a joint meeting of the Alaska House and Senate on May 13, 2002, and assumed his new duties on July 8. *See* Press Release, 22d Alaska State Legislature, Branchflower to Head Victim's Rights Office (May 22, 2002), *available at* http://www.akrepublicans.org/pastlegs/22ndleg/press/prhalford105222002.shtml (last visited Oct. 22, 2004).

27. ALASKA STAT. § 24.65.020 (Michie 2002).

appointment became effective if approved by a two-thirds vote of a joint session of the legislature.[28]

In addition to other statutory requirements and limitations, "[a] person may not serve as the victims' advocate (1) unless the person has been a resident of the state for the three years immediately preceding the person's appointment, [and] (2) . . . has been engaged in the active practice of law for the three years immediately preceding the person's appointment."[29] The term of office of the victims' advocate is five years, and reappointment is possible but may not exceed three terms.[30] The victims' advocate may be removed or suspended from office only by the legislature, upon a concurrent resolution adopted by a roll call vote of two-thirds of the members of each house entered in the journal, and then only for "neglect of duty, misconduct, or disability."[31] The services of the OVR are free, and no fees or costs may be required of its clients.[32] In sum, legislators wanted to ensure that the newly created agency would be guided by an apolitical director, experienced in the criminal law, who would have a free hand to zealously defend crime victims and would simultaneously be insulated from repercussions from police, prosecutors, and judges when unpopular findings or recommendations were made.

B. Jurisdiction and Role of the Victims' Advocate

In promulgating the OVR Act, the legislature clearly defined the mission of the new agency: "The victims' advocate shall assist crime victims in obtaining the rights crime victims are guaranteed under the constitution and laws of the state with regard to the contacts crime victims have with justice agencies of the state."[33] The class of crime victims statutorily entitled to the protection and assistance of the OVR are those in all felony offenses, all class A misdemeanors involving domestic violence, and all misdemeanors involving crimes against the person.[34]

Because the OVR holds a broad mandate from the legislature to protect the rights of the victim zealously, several of the terms defining its scope are given wide breadth of application. First, consistent with that broad mandate, the term "justice agency" was defined expansively by lawmakers to include agencies of the executive as well as the judicial

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28. *Id.*

29. *Id.* § 24.65.030 (Michie 2002).

30. *Id.* § 24.65.040(a).

31. *Id.* § 24.65.050.

32. *Id.* § 24.65.090(b).

33. *Id.* § 24.65.110(a).

34. *Id.* § 24.65.100(a). Crimes against the person are defined in ALASKA STAT. § 11.41 (Michie 2002).

branches of state government.[35] Examples of justice agencies and officers that come under OVR oversight are state and municipal police departments, municipal and state prosecutor's offices, adult and juvenile probation and parole officers of the Alaska Department of Corrections, the Alaska Parole Board, and judges of the Alaska court system to name a few.[36] Second, although OVR's jurisdiction is restricted to providing legal services to crime "victims," Alaska law defines that term broadly. It specifically excludes the perpetrator and includes not only the person against whom an offense was actually committed, but also that person's extended family, given certain conditions.[37] Such a broad definition recognizes that the impact of a crime affects the entire family structure and not just the person directly aggrieved by the defendant's misconduct.

C. Receiving and Processing Complaints From Crime Victims

The victims' advocate is authorized by statute to investigate complaints from crime victims that they "have been denied the rights they are guaranteed under the constitution and laws of this state."[38] One of the most difficult tasks undertaken by the author during OVR's start-up months was the establishment of written criteria and procedures regarding how to evaluate complaints from crime victims and how to investigate them. This was accomplished by adopting regulations pursuant to Alaska's Administrative Procedure Act[39] by virtue of the specific authority vested in the OVR to do so.[40] Those regulations require that an allegation that a crime victim has been denied a right guaranteed under the constitution and laws of the state be in writing and be specific.[41] The regulations also require that the written allegation must be submitted to

35. *Id.* § 24.65.250(1). "Justice agency means a department, office, institution, corporation, authority, organization, commission, committee, council, court, or board in the executive or judicial branches of the state government that is, in any manner, involved with or responsible for the apprehension, prosecution, incarceration, or supervision of criminal or juvenile offenders; it also includes an officer, employee, or member of an agency acting or purporting to act in the exercise of official duties." *Id.*

36. *Id.* Such offices fall within the description of the term "justice agency." *Id.*

37. *Id* § 12.55.185(17). For example, if the "victim" is a minor, incompetent, or is incapacitated, that term includes: (1) "an individual living in a spousal relationship" with the de facto victim; (2) "a parent, adult child, guardian, or custodian" of that person; (3) if the de facto victim is deceased, "a person living in a spousal relationship with the deceased before the deceased died;" (4) "an adult child, parent, brother, sister, grandparent, or grandchild of the deceased;" and (5) "any other interested person, as may be designated by a person having authority in law to do so." *Id.*

38. *Id.* § 24.65.120(a).

39. *Id* § 44.62. See *supra* note 16 and accompanying text.

40. *Id.* § 24.65.090(a).

41. ALASKA ADMIN. CODE tit. 23, § 10.010(b) (2004).

the victims' advocate on an OVR complaint form and must be signed by the victim or a person authorized by law to act on the victim's behalf.[42] Anonymous complaints are not accepted.[43]

The victims' advocate retains substantial discretion to refuse to accept a complaint or provide crime victim advocacy or investigative services when, in his judgment: (1) it appears that the OVR does not have jurisdiction as established by Alaska Statutes section 24.65; (2) the complaint does not involve a violation of a specific statutory or constitutional "crime victim" right; (3) the complaint may involve a violation of a specific statutory or constitutional crime victim right, but the complainant is not a crime victim as defined by Alaska Statutes section 12.55.185(17); or (4) the complainant is a "criminal defendant" as that term is defined in OVR's regulations.[44] The complaint may also be rejected if (1) it is a civil matter or is primarily civil in nature[45] or (2) the resources of the OVR are, or may be, inadequate to provide the complainant with competent advocacy or investigative services, or may be unduly diminished by providing the complainant with such services to the detriment of other cases.[46] Finally, a complaint may be rejected if the complainant refuses to sign the complaint form or, in the judgment of the victims' advocate, accepting the complaint or providing crime victim advocacy or investigative services to the complainant would not serve the public's interest or welfare.[47]

Upon receipt of a signed complaint asserting denial of a crime victim's right, the victims' advocate conducts a preliminary examination of the complaint to determine whether, based upon the information provided, the OVR has jurisdiction to investigate the complaint under Alaska Statutes section 24.65.[48] The victims' advocate then determines whether there is "specific and credible information to indicate that one or more crime victims' rights guaranteed by law may have been violated by a justice agency."[49] If the resources of the OVR are not sufficient to process pending or new complaints or requests for assistance from crime victims within reasonable time limits, the victims' advocate is required by law to apply a priority standard as follows. First, complaints "of an emergency nature in which disposition according to normal handling would subject the complainant or victim to a substantial risk of serious

42. *Id.* The complaint may be submitted to the OVR in person or online through the office web site, mailed by regular U.S. mail, or submitted by facsimile. *Id.*

43. *Id.* § 10.010(c).

44. *Id.* § 10.020.

45. *Id.* § 10.020(a)(5).

46. *Id.* § 10.200.

47. *Id.*

48. *Id.* § 10.030.

49. *Id.*

and irreparable violation of crime victim rights or other harm" are given the greatest priority.[50] Next come complaints involving felony offenses, followed by complaints regarding class A misdemeanors involving domestic violence or "crimes against the person" under Alaska Statutes section 11.41.[51]

Within each of these priority categories, the victims' advocate may assign further priority to the processing of a complaint "alleging, or where there is evidence of, prejudice, harm, or disadvantage to a class of people."[52] Such cases have precedence over processing of a complaint alleging an individual instance of prejudice, harm, or disadvantage.[53] Processing of complaints is undertaken substantially in accordance with an order based on priority of the date on which the complaint was received.[54] The author believes that the establishment of these screening and processing criteria has greatly enhanced the efficiency and productivity of the OVR and allowed the agency to better direct its limited professional and financial resources to victims whose constitutional and statutory rights have been violated.

D. Investigative Powers of the OVR

The victims' advocate's investigative powers are considerable. While conducting an investigation of a complaint from a crime victim, he is authorized to "make inquiries and obtain information considered necessary," and to hold private hearings.[55] In order to investigate fully, the victims' advocate is also entitled to have complete access to any record of a justice agency, including court records of criminal prosecutions and juvenile adjudications, which the victims' advocate believes is necessary to investigate claims and to ensure that the rights of crime victims are protected.[56] Further, with regard to records held by a court or the prosecutor, the victims' advocate is further entitled to obtain access "to every record that the defendant is entitled to access or receive."[57]

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50. *Id.* § 10.040(a).
51. *Id.*
52. *Id.* § 10.040(b)(1).
53. *Id.* § 10.040(b).
54. *Id.* § 10.040(b)(2).
55. ALASKA STAT. §§ 24.65.120(b)(1), (2) (Michie 2004).
56. *Id.* § 24.65.120(b)(3).
57. *Id. See also* ALASKA R. CRIM. P. 16. Additionally, the uncodified law of Alaska was amended to advance the work of the victims' advocate by adding a new section which reads:

> INDIRECT COURT RULE AMENDMENT. AS 24.65.110 and 24.65.120, added by sec. 19 of this Act, have the effect of amending Rule 16, Alaska Rules of Criminal Procedure, and Rule 9, Alaska Delinquency Rules, by allowing the victims' advocate a right of access to information in criminal prosecutions and juvenile adjudications that is equal to that *available to criminal de-*

The victims' advocate may elect to conduct a formal investigation of a complaint,[58] or he may simply elect to attempt to resolve the matter informally by contacting the person or justice agency in question to make the necessary inquiries and to obtain information and documents he considers essential.[59] Regardless of which approach is employed, when the victims' advocate initially contacts a respondent he will briefly describe in writing the basis for the complaint and provide details that he considers necessary and sufficient for the person or justice agency to respond fully.[60]

The power to "make inquiries and obtain information considered necessary," which is authorized by Alaska Statutes section 24.65.120(b)(1), may be exercised in different ways. For example, the victims' advocate may simply request the agency or person who is the subject of the complaint to provide a written explanation of the relevant facts.[61] The victims' advocate must make this request in writing, and the respondent is also required to submit the explanation in writing.[62] If deemed necessary and appropriate to the circumstances in the judgment of the victims' advocate, the written explanation must be provided under oath.[63] This informal procedure does not preclude the victims' advocate from additionally requiring the person or justice agency to provide the explanation of the relevant facts and circumstances under oath pursuant to a formal inquiry as authorized by Alaska Statutes sections 24.65.120(b)(2) and 24.65.130(a).[64]

The victims' advocate is authorized to make inquiries and obtain information considered necessary, under Alaska Statutes section 24.65.120(b)(1).[65] This authority may also be invoked to require submission of all information or documents available to the criminal defendant without regard to whether the information or documents sought

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fendants or juveniles when the advocate is engaging in advocacy or *that is unlimited* when the advocate is engaging in investigations concerning victims' rights.

See S.B. 105, 22d Leg. (Alaska 2001) (emphasis added).

58. ALASKA ADMIN. CODE tit. 23, § 10.100 (2004). Formal investigations are those investigations "utilizing the power to 'hold private hearings' accorded to the victims' advocate provided in Alaska Statutes section 24.65.120(b)(2)." *Id.* § 40.100(6). Informal investigations are those investigations "utilizing the powers accorded to the victims' advocate in Alaska Statutes section 24.65 other than as provided in Alaska Statutes section 24.65.120(b)(2)." *Id.* § 40.100(7).

59. *Id.* § 10.100(a).

60. *Id.*

61. *Id.* § 10.100(b)(1).

62. *Id.*

63. *Id.*

64. *Id.* § 10.100.

65. *Id.*

have been provided to the defendant when the request is made.[66] For example, prosecutors, police and juvenile authorities are required to grant discovery of materials to the OVR even before charges are filed or when materials are otherwise required to be provided under the state's criminal discovery rules and case law.[67] In dealing with the OVR, individuals and justice agencies are required by law to cooperate fully with the victims' advocate and to provide all requested information in a timely, complete, and good faith manner.[68] Specifically, they must respond fully in writing within ten calendar days from receipt of the victims' advocate's written request.[69] A request for additional time beyond the ten calendar days may be granted, but the total amount of time may not exceed thirty calendar days from the victims' advocate's initial request.[70] In accordance with Alaska Statutes section 24.65, if a person or a justice agency fails to respond in a timely, complete, or good faith manner, the victims' advocate has two choices: (1) he may elect to proceed with the investigation without further notice to the person or justice agency, or (2) he may elect to seek judicial enforcement in superior court.[71] These OVR discovery provisions are necessary to enable the victims' advocate to fully investigate complaints from crime victims in a timely fashion, something that, because of Alaska's speedy trial provisions for defendants, is especially critical if there is a pending criminal case.[72]

Another investigative tool granted by the legislature to the victims' advocate is the power to "compel by subpoena, at a specified time and place, the appearance of any person whom the victims' advocate reasonably believes may be able to give information and produce documents and objects relating to a matter under formal or informal investigation under Alaska Statute[s] [section] 24.65."[73] The victims' advocate

66. *Id.*
67. *Id.* § 10.100(b)(2).
68. *Id.* § 10.100(c).
69. *Id.*
70. *Id.*
71. *Id.* § 10.100(d).
72. ALASKA R. CRIM. P. 45; ALASKA CONST. art. I, § 24.
73. ALASKA ADMIN. CODE tit. 23, § 10.120(a) (2004). Persons exempt from subpoena are: (1) "a justice, judge, magistrate, or a law clerk" concerning a judicial action or nonaction taken by the person; (2) "a member of a jury concerning a matter that was considered by the jury;" (3) the "person accused or convicted of committing the crime that is the basis for the complaint, and investigation;" (4) a "victim counselor concerning a matter made confidential by Alaska Statute[s] [sections] 18.66.200 - 18.66.250;" or (4) "a justice agency concerning records that lead to the disclosure of a confidential police informant." ALASKA STAT. § 24.65.130(c) (Michie 2002).

may elect to issue the subpoena in connection with a private hearing[74] or in connection with an informal investigation, without requiring the witness to provide testimony at that time.[75] If the victims' advocate elects to conduct a private hearing, it must be conducted subject to the privileges recognized by Alaska court rules and statutes but "in an informal manner to the end that truth may be ascertained and proceedings justly determined."[76] To ensure this goal, OVR regulations provide that the Alaska Rules of Court, including the Alaska Rules of Evidence, the Alaska Rules of Civil Procedure, the Alaska Rules of Criminal Procedure, the Alaska Child in Need of Aid Rules, the Alaska Delinquency Rules, and the Alaska Administrative Rules are inapplicable to any hearings or proceedings before the OVR, including the taking of sworn testimony.[77] Any witness appearing at a private hearing has the right to counsel at the witness' expense.[78] The only persons permitted to be present at a private hearing during the taking of sworn testimony are (1) the victims' advocate, or members of his staff; (2) a court reporter; (3) an interpreter or other person needed to assist a witness who is hearing, speech, or otherwise medically impaired; (4) the witness under examination; and (5) the witness' attorney if one has been retained.[79] Witnesses are required to "be examined individually outside the presence of other witnesses."[80]

A person properly subpoenaed may not refuse to provide the material sought by claiming that the material is privileged unless the person first asserts the privilege and the basis for the privilege in writing to the victims' advocate.[81] If requested in writing by the victims' advocate, the written assertion of privilege must be provided under oath.[82] If the person asserting the privilege is a public employee, then the commissioner of the department or the head of the justice agency involved is required to assert in writing the privilege and the basis for the privilege to the victims' advocate.[83] If the victims' advocate deems it appropriate, he is empowered to require the written assertion of privilege and the basis for asserting it to be provided by the commissioner of the department or the head of the justice agency involved under oath.[84] In any case in which a

74. ALASKA STAT. § 24.65.120(b)(2) (Michie 2002).
75. ALASKA ADMIN. CODE tit. 23, § 10.120(a) (2004).
76. *Id.* § 10.120(g).
77. *Id.*
78. *Id.*
79. *Id.*
80. *Id.*
81. *Id.* § 10.120(h).
82. *Id.*
83. *Id.* § 10.120(i).
84. *Id.*

person refuses to provide material sought by claiming a privilege, the victims' advocate may seek review of the claim in the superior court by instituting enforcement proceedings under Alaska Statutes section 24.65.[85]

Whenever the victims' advocate seeks enforcement of a subpoena to compel testimony or the production of documents, he must initiate proceedings in the superior court in accordance with Alaska Statutes section 24.65.130(b) under the provisions of Rule 90 of the Alaska Rules of Civil Procedure.[86]

OVR regulations permit the victims' advocate to discontinue, terminate, postpone, or suspend an investigation at any time if certain factors are determined.[87] For example, an investigation may be closed if any of the following requirements are met: (1) "the victims' advocate subsequently learns that the subject matter of the complaint is not within the jurisdiction of the office under Alaska Statute[s] [section] 24.65";[88] (2) it is "determine[d] that disclosure of the complainant's or victim's name is necessary to enable the victims' advocate to carry out duties under Alaska Statute[s] [section] 24.65 or to support recommendations, and the complainant or victim refuses to allow disclosure of the complainant's or victim's name";[89] or (3) "the victims' advocate requests information or documents from the complainant or victim and the complainant or victim fails or refuses to produce the information or documents within the time specified by the victims' advocate for its receipt."[90] The same result would be obtained: (1) if a "complainant fails to file a written complaint as required or requests to withdraw a previously filed complaint";[91] (2) when "information or evidence provided by the complainant or otherwise obtained by the victims' advocate provides no specific or credible basis to believe that continuing an investigation is warranted";[92] (3) where the victims' advocate concludes that there is some evidence to believe that the complainant's or victim's rights may have been denied, but the victims' advocate finds he may not be able to present an opinion, finding or recommendation that would provide direct

85. *Id.* § 10.120(j).

86. *Id.* § 10.120(l). ALASKA STAT. § 24.65.130(b) (Michie 2002) provides that "[i]f a person refuses to comply with a subpoena issued under (a) of this section, the superior court may, on application of the victims' advocate, compel obedience by proceedings for contempt in the same manner as in the case of disobedience to the requirements of a subpoena issued by the court or refusal to testify in the court."

87. ALASKA ADMIN. CODE tit. 23, § 10.200 (2004).

88. *Id.* § 10.200(1).

89. *Id.* § 10.200(2).

90. *Id.* § 10.200(3).

91. *Id.* § 10.200(4).

92. *Id.* § 10.200(5).

relief or benefit to the complainant or victim; or (4) where it could be without substantial value or significance to improvement of the public administration under the law.[93]

In order to conserve limited human and financial resources, the victims' advocate is empowered to "discontinue, terminate, postpone or suspend an investigation" if he determines that the act complained of was recently investigated by the OVR, and that "the complaint fails to present an issue not considered in that prior investigation, and the victims' advocate believes that further investigation would not advance a material interest of the complainant or the victim or a significant public interest."[94] The victims' advocate may also alter the investigation's timetable where he determines that the resources available are insufficient to maintain the investigation;[95] the complainant or victim refuses or fails to maintain contact with the victims' advocate;[96] the complainant or victim has knowingly provided false, misleading or incomplete information or documents to the OVR;[97] or "the complainant refuses to sign the complaint form."[98] Finally, the victims' advocate may also elect to "discontinue, terminate, postpone or suspend an investigation" if "in the sole opinion of the victims' advocate the investigation should be terminated in furtherance of justice, the public interest or for the reasons stated in a written request of the victim or complainant."[99] In sum, the above OVR regulations, and others, were designed to facilitate the victims' advocate's effective enforcement of Alaska Statutes section 24.65 to safeguard victims' rights.[100] In drafting them, the author balanced considerations of law, equity, and practicality to ensure that the OVR staff would have the capability of taking timely, decisive, and effective legal action as appropriate when investigating complaints in order to protect and advance the rights of crime victims under a wide range of circumstances.

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93. *Id.* § 10.200(6).
94. *Id.* § 10.200(7).
95. *Id.* § 10.200(8).
96. *Id.* § 10.200(9).
97. *Id.* § 10.200(10).
98. *Id.* § 10.200(11).
99. *Id.* § 10.200(12).
100. *Id.* § 40.040 (2004), captioned "Relaxation of regulations," provides that:

> [t]he procedural regulations in this title are designed to facilitate the victims' advocate's enforcement of AS 24.65 and advance justice. In the discretion of the victims' advocate, these regulations may be relaxed or dispensed with for good cause by the victims' advocate in any case where it shall be manifest to the victims' advocate that strict adherence to them will work injustice.

Id.

E. Preparation of a Report Following a Formal Investigation

OVR regulations authorize the victims' advocate to prepare a written report of his findings, opinions, and recommendations upon completion of a formal investigation of a justice agency or a person.[101] However, a written report must be prepared if the victims' advocate's findings are critical of a justice agency or person or it has been determined that a justice agency or person has denied a crime victim's rights protected under Alaska law.[102] The report may classify the complaint or allegation by the crime victim as either justified, partially justified, not supported, or indeterminate depending upon whether the complaint is supported by evidence.[103]

Before giving an opinion or recommendation that is critical of a justice agency or a person, the victims' advocate is required by statute to consult with them,[104] and all communications are deemed confidential.[105] Such consultations may be in writing or accomplished orally.[106] The victims' advocate may ask the justice agency to notify him of any action taken on his recommendations.[107] All replies must be provided in writing within fifteen days unless extended by the victims' advocate.[108] Any request to modify the preliminary report must be complete and specific and may be supported by documentary or other evidence considered appropriate by the justice agency or person.[109] "The victims' advocate may accept or reject, in whole or in part" the request to modify his preliminary report.[110]

"Within a reasonable time following receipt and consideration by the victims' advocate of a response or request submitted by a justice agency," "or if a justice agency has failed to submit a timely response or request," the victims' advocate must complete a final report and provide a copy of it to the justice agency, stating that the investigation has been concluded.[111] In preparing his final report, the victims' advocate is given considerable leeway. For example, the report may contain references or summaries of witness testimony, documentary evidence, or other evidence submitted under 23 Alaska Administrative Code section 10.230, seeking a modification of a finding or opinion in the preliminary

101. *Id.* § 10.210(a).
102. *Id.* § 10.210(b).
103. *Id.* § 10.210(c).
104. ALASKA STAT. § 24.65.140 (Michie 2002).
105. *Id.* § 24.65.140, .150.
106. ALASKA ADMIN. CODE tit. 23, § 10.220(b) (2004).
107. ALASKA STAT. § 24.65.150(b) (Michie 2002).
108. ALASKA ADMIN. CODE tit. 23, § 10.230(a) (2004).
109. *Id.* § 10.230(c).
110. *Id.*
111. *Id.* § 10.240(a).

report.[112] It may also include different and additional findings or opinions not contained in the preliminary report.[113]

The final report may conclude that the subject matter of the investigation has been "rectified" if the victims' advocate determines that the "agency has initiated corrective action or commits to take corrective action substantially as recommended" by the victims' advocate.[114] If corrective action is refused, or if an agency does not affirmatively commit to take recommended corrective action, the victims' advocate may comment upon that refusal.[115] The ability of the victims' advocate to issue written reports identifying violations of crime victims' constitutional and statutory rights and suggesting corrective action to criminal justice agencies is key to ensuring that such agencies will grant victims their constitutional rights to be treated with "dignity, respect, and fairness during all phases of the criminal and juvenile justice process."[116]

F. Opinions and Recommendations of the Victims' Advocate May Be Released to the Governor, Legislature, a Grand Jury or the Public

While most of the investigative and deliberative work product of the OVR is confidential[117] and privileged,[118] there may arise circumstances in which it becomes necessary to make findings and recommendations known in order to improve agency accountability and the administration of justice, not only for the crime victim, but also for the public. In recognition of this, the legislature decreed that within a reasonable amount of time after the victims' advocate has reported the advocate's opinion and recommendations to a justice agency, he may also present his report to the governor, the legislature, or the public.[119] The victims' advocate must include with his report any reply made by the agency[120] or state if there was no reply.[121]

The final report may be disclosed only after notice has been provided to the justice agency that the investigation has been concluded and after the written consent of the complainant to release the report has been obtained.[122] The victims' advocate may also present his findings

112. *Id.* § 10.240(b).
113. *Id.*
114. *Id.* § 10.240(c).
115. *Id.* § 10.240.
116. ALASKA CONST. art. I, §24.
117. ALASKA STAT. §§ 24.65.110(d), .120(c).
118. *Id.* § 24.65.200.
119. *Id.* § 24.65.160.
120. *Id.*
121. ALASKA ADMIN. CODE tit. 23, § 10.260(a) (2004).
122. *Id.* § 10.260(b).

and recommendations to a grand jury[123] and explain his report to them.[124] If requested, he may also provide advice to them regarding his opinions and recommendations.[125]

G. Objections to Publication of Confidential Matters in the Victims' Advocate's Opinion to the Governor, Legislature, or the Public under Alaska Statutes section 24.65.160

Occasionally, in publicizing a written report, the victims' advocate may find it necessary to disclose information believed by a justice agency to be confidential in nature and therefore, non-disclosable. The following procedure has been adopted by the victims' advocate through regulation to address questions regarding confidentiality of such information.[126]

If a justice agency has an objection to the publication of confidential materials in a preliminary report, it must send a written objection, describing the basis of the objection in detail, to the victims' advocate within ten calendar days of receipt of the preliminary report.[127] The victims' advocate must then proceed in accordance with OVR regulations. However, if a timely objection has not been filed, objections are "deemed waived and the victims' advocate may disclose the confidential matter."[128]

If a timely objection is made, the victims' advocate may still publish the information.[129] He must first find that the disclosure is authorized by Alaska Statutes section 24.64.120(c) and necessary to inform others, and he must obtain the justice agency's acceptance of a recommended action.[130] The victims' advocate must give written notice of the intention to publish to the objecting agency.

At any time prior to that publication, a justice agency may request an order from the superior court seeking to prevent disclosure.[131] Three considerations are determinative.[132] First, if the record contains both disclosable and confidential matters, and the confidential matters cited may reasonably be separated from the disclosable matters, the court may

123. ALASKA STAT. § 24.65.160 (Michie 2002).

124. ALASKA ADMIN. CODE tit. 23, § 30.150(a) (2004).

125. *Id.*

126. *Id.* § 30.140. This provision is inapplicable to disclosures made to a grand jury because such matters are required by law to remain confidential. *See* ALASKA R. CRIM. P. 6(l)(1).

127. ALASKA ADMIN. CODE tit. 23, § 30.140(b) (2004).

128. *Id.*

129. *Id.* § 30.140(c).

130. *Id.*

131. *Id.* § 30.140(d).

132. *Id.*

order the confidential matters deleted and may allow the victims' advocate to release the disclosable portions.[133] Second, in cases in which the matter is wholly confidential, or if the matter contains both disclosable and confidential information that cannot be reasonably separated, the court may allow the victims' advocate to disclose the matter if it determines that the need for disclosure outweighs the nature and weight of the privacy interest asserted by the justice agency.[134] Finally, if the material objected to is found by the court not to be a confidential matter, the victims' advocate is free to make disclosure.[135] In any event, nothing in the OVR statutes or regulations may be construed to prevent or delay the publication of a final report if the material objected to has been redacted pending a decision of the superior court.[136] In sum, there exists a clear and specific written procedure in the law to address questions regarding the release of information that justice agencies claim to be confidential.

H. In-court Advocacy on Behalf of Crime Victims: Representation in Ongoing Criminal Cases or Juvenile Adjudications

The victims' advocate is authorized to represent a victim in any ongoing criminal case or juvenile adjudication[137] for the purpose of defending and promoting the victims' rights, including the constitutional right to counsel.[138] To do so, the victims' advocate must have "reason to believe a crime victim may have been denied, is being denied, or may in

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133. *Id.* § 30.140(d)(1).

134. *Id.* § 30.140(d)(2).

135. *Id.* § 30.140(d)(3).

136. *Id.* § 30.140(e).

137. The term "ongoing criminal case or juvenile adjudication" includes:

> an active or closed prosecution, trial, legal action, lawsuit, or juvenile adjudication of any kind, at any stage or proceeding of the trial, legal action, adjudicatory hearing, parole or probation revocation hearing, lawsuit, or juvenile adjudication, including any appeal, in a court in Alaska or another state or of the United States.

Id. § 20.210(d), 40.100(12).

The phrase "ongoing criminal case or juvenile adjudication" is also defined to include:

> an open or closed investigation conducted by any justice agency, and matters under investigation by a grand jury, undertaken by any one or more justice agencies of the state, regardless of whether the investigation is considered open or closed by the justice agency and regardless of whether criminal charges are still under consideration, have been filed or have been declined by a justice agency.

Id.

The term "legal action" includes a "grievance before the Alaska Bar Association or the bar association or licensing or disciplinary entity of another state or jurisdiction." *Id.*; *see also* ALASKA STAT. § 24.65.1101 (Michie 2002).

138. ALASKA ADMIN. CODE tit. 23, § 20.210(a). *See also* ALASKA CONST. art I, § 7.

the future be denied a right under the constitution and the laws of the state by any person or justice agency."[139]

The right to representation includes the right to bring an action on behalf of a crime victim when the victims' advocate believes it will protect and advance the crime victim's statutory and constitutional rights.[140] Upon deciding to represent a victim, the advocate must file an entry of appearance and provide written notice to all parties and the court.[141] The notice must contain a statement that the crime victim has submitted a written complaint with the victims' advocate[142] and may set out the particulars of the complaint and request for relief.[143] The entry of appearance and notice may be made at any time in the ongoing case, either in writing or orally.[144] The advocate is precluded from advising or advocating for a victim in a way that would deter the victim from cooperating in a criminal investigation conducted by a justice agency, testifying in a criminal proceeding, or withholding evidence in a criminal investigation conducted by a justice agency.[145] In sum, because the legislature recognized that victims' statutory or constitutional rights could be deprived during a criminal prosecution or juvenile proceeding, the legislature granted the victims' advocate broad discretion to decide, given the specific circumstances, whether to participate as an independent attorney on the victims' behalf.

I. Standing of the Victims' Advocate to Appear Before the Courts of the State

The authority and jurisdiction of the OVR to appear before the courts of the state, and to seek requested relief for crime victims, does not depend on whether OVR is a party to the case; the victim is never a party to a criminal action in Alaska and such a rule would disable victims from enjoying rights enumerated in the state constitution and statutes. One of the goals of the legislature in establishing OVR was to grant crime victims "access to the same legal assistance as other participants" in the criminal justice system.[146] The principal architects of the

139. ALASKA ADMIN. CODE tit. 23, § 20.210(a).

140. *Id.*

141. *Id.* § 20.220(a).

142. *Id.*

143. *Id.*

144. *Id.* § 20.220(a)–(b).

145. ALASKA STAT. § 24.65.100(c) (Michie 2002); *See also* ALASKA ADMIN. CODE tit. 23, § 20.200(a)(1)–(3) (2004).

146. The legislative history for Senate Bill 105 suggests that the legislature intended that the OVR appear before the courts of the state to represent victims in ongoing criminal cases. *See, e.g., An Act Relating to Victims' Rights: Hearing on S.B. 105 Before the*

OVR believed it would increase victims' awareness of their constitutional rights and also serve to advocate for victims in Alaska courts.[147]

The OVR has specific jurisdiction to assist felony and violent crime victims in vindicating their rights in ongoing proceedings in Alaska state courts.[148] OVR lawyers are also authorized by statute to address the sentencing judge on the victims' behalf when the victim does not personally make a victim impact statement.[149] In sum, by promulgating the OVR Act in 2001, the Alaska Legislature specifically authorized the OVR to represent crime victims before all state tribunals, at any stage of the proceedings in criminal cases, in order to ensure that their statutory and constitutional rights are protected and enforced.[150]

Senate Finance Committee, 2001 Leg., 22d Sess. (Alaska 2001) (statement of Sen. Rick Halford, sponsor).

147. *See, e.g., An Act Relating to Victims' Rights: Hearing on S.B. 105 Before the House Judiciary Committee,* 2001 Leg., 22d Sess. (Alaska 2001) (statement of Juli Lucky, Chief of Staff to Sen. Rick Halford).

148. Alaska Statutes section 24.65.100 provides in pertinent part:

> The victims' advocate has jurisdiction to *advocate on behalf of crime victims of felony offenses or class A misdemeanors, if the class A misdemeanor is a crime involving domestic violence or a crime against a person under AS 11.41, in the courts of the state* and to investigate the complaints of crime victims of felony offenses or class A misdemeanors, if the class A misdemeanor is a crime involving domestic violence or a crime against a person under AS 11.41, that they have been denied their rights under the constitution and the laws of the state. In this subsection, "crime involving domestic violence" has the meaning given in AS 18.66.990.

ALASKA STAT. § 24.65.100(a) (Michie 2002) (emphasis added). Additionally, Alaska Statutes section 24.65.110 provides in pertinent part:

> (a) The victims' advocate shall assist crime victims in obtaining the rights crime victims are guaranteed under the constitution and laws of the state with regard to the contacts crime victims have with the justice agencies of the state. . . .
>
> (c) *When advocating on behalf of a crime victim in an ongoing criminal case or juvenile adjudication*, the victims' advocate is entitled to all information available to the defendant or juvenile.

Id. § 24.65.110(a), (c) (emphasis added).

149. *Id.* § 24.65.110(b). Crime victims have "the right to be allowed to be heard, upon request, at sentencing, before or after conviction or juvenile adjudication, and at any proceeding where the accused's release from custody is considered." ALASKA CONST. art. I, § 24.

150. The OVR has represented victims in numerous criminal cases, in various parts of the state, at various stages of proceedings. *See, e.g.,* Alaska v. Carr, 3 PA-S01-2455 CR (Alaska 2004); Alaska v. Clemens, 4 FA-04-2202 CR (Alaska 2004); Alaska v. Foote, 3 AN-S04-5216 CR (Alaska 2004); Alaska v. Gioletti, 3 AN-S01-5586 CR (Alaska 2003); Alaska v. McComas, 4 BE-04-682 CR (Alaska 2004); Alaska v. Owens, 2 NO-S03-821 CR (Alaska 2004); Alaska v. Pomeroy, 3 AN-S02-10469 CR (Alaska 2004); Alaska v. Short, 4 HE-04-63 CR (Alaska 2004); Alaska v. Wright, 3 AN-S02-9447/9463 CR (Alaska 2004); Mun. of Anchorage v. Cooper, 3AN 03-10934 CR

J. Maintaining Confidentiality of Documents and Information

The OVR statutes demonstrate a profound concern by the legislature that documents and information received by the victims' advocate remain confidential and within the exclusive custody of the agency. For example, the legislature spelled out that "[r]ecords obtained by the victim's advocate shall remain in the exclusive custody of the victims' advocate. The victims' advocate may not disclose confidential information to any person."[151] Additionally, the advocate must maintain confidentiality concerning "identities of the complainants or witnesses coming before the victims' advocate except insofar as disclosures may be necessary to enable the victims' advocate to carry out duties and to support recommendations. However, the victims' advocate may not disclose a confidential record obtained from a court or justice agency."[152]

In accordance with specific statutory authority, the victims' advocate has adopted regulations to ensure that confidential information about crime victims and specific cases will not be improperly disclosed in the course of advocacy or an investigation.[153] To further ensure confidentiality, the victims' advocate also requires that a court or justice agency that provides a document considered to be a confidential record must clearly identify and designate it as such at the time it is provided in order to be considered for nondisclosure.[154] In addition to being so identified and designated, it must in fact be a "confidential record" within the meaning of that term as used in Alaska Statutes section 24.65 and title 23 of the Alaska Administrative Code.[155]

OVR's regulations are flexible and allow for authorized disclosures of some confidential information under certain circumstances. For example, certain confidential information may be disclosed if the victims' advocate first obtains written consent of the crime victim and no federal or state law or regulation specifically prohibits disclosure.[156] As long as the identity of the victim remains confidential, the victims' advocate

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(Alaska 2004); Cynthia Cooper v. Dist. Court and Daniel Cooper, Ct. App. A-08836 (Alaska 2004); Alaska v. Wade, 3 AN-S00-8436 CR (Alaska 2003).

151. ALASKA STAT. § 24.65.110(d) (Michie 2002).

152. *Id.* § 24.65.120(c).

153. *Id.* § 24.65.090(a); *see also* Press Release, *supra* note 12.

154. ALASKA ADMIN. CODE tit. 23, § 30.010(b) (2004).

155. *Id.* Unless a federal or state law or regulation specifically prohibits the disclosure of the confidential record in question under any circumstances in the matter then under consideration, the term "confidential record obtained from a court or justice agency" as used in Alaska Statutes section 24.65 and this title does not include (1) a document obtained or obtainable by a member of the public under Alaska Statute section 40.25; (2) a document obtained or obtainable by a member of the public from other public sources; or (3) a document that is a matter of public record. *Id.*

156. *Id.* § 30.110.

may also reveal information as part of a report.[157] This exception is included in order to assist criminal justice and other government agencies in responding to inquiries, and to increase public understanding of the operation and achievements of the office of victims' rights.[158] The information may also be used as part of the annual report prepared by the victims' advocate that is required by Alaska Statutes section 24.65.170.[159]

Finally, OVR regulations authorize disclosure of otherwise confidential information regarding a victim or complainant's case to the state bar association, or other licensing or disciplinary entity, in response to a complaint or inquiry about the victims' advocate or any member of the staff of the office of victims' rights, if the entity in question is required by law to keep such information confidential.[160] In sum, these provisions underscore the strong legislative policy of maintaining confidentiality while recognizing that in certain limited circumstances release of otherwise confidential information will assist the OVR in advancing and protecting crime victims' rights and informing the public about the functions of the OVR.

K. Procedural Protections and Immunities for the Victims' Advocate and Staff

It is evident from the OVR statutes that the legislature sought to permit the victims' advocate to discharge his duties with a minimum of interference by the justice agencies of the executive and judicial branches that it oversees.[161] For example, the OVR Act states, "A proceeding or decision of the victims' advocate may be reviewed in superior court only to determine if it is contrary to the provisions of this chapter."[162] To further insulate the victims' advocate from interference by those agencies or individuals investigated, the legislature promulgated a strongly worded civil immunity statute.[163] Furthermore, to safeguard the confidentiality of information, documents, and materials gathered by the OVR from acquisition by third parties, the legislature vested the victims' advocate with a broad statutory privilege not to testify or

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157. *Id.* § 30.120(a).

158. *Id.* § 30.120(b).

159. *Id.*

160. *Id.* § 30.130.

161. *See* ALASKA STAT. §§ 24.65.180–.210 (Michie 2002).

162. *Id.* § 24.65.180.

163. Alaska Statutes section 24.65.190 states: "Immunity of the victims' advocate. A civil action may not be brought against the victims' advocate or a member of the victims' advocate's staff for anything done, said, or omitted in performing the victims' advocate's duties or responsibilities under this chapter." *Id.* § 24.65.190.

produce documents or other evidence in any civil or criminal action.[164] Finally, the legislature criminalized ignoring or hindering OVR's lawful demands.[165] Legislators enacted a statute which provides in pertinent part that "[a] person who knowingly hinders the lawful actions of the victims' advocate or the staff of the victims' advocate, or who knowingly refuses to comply with their lawful demands, is guilty of a misdemeanor and upon conviction may be punished by a fine of not more than $1,000."[166] The significance of these procedural protections and immunities is clear: legislators wanted to advance the work of the OVR by ensuring that limited human and financial resources were not unduly or unnecessarily diminished by detractors.

L. The Office of Victims' Rights is Funded by Convicts

Next to the collective legislative commitment, resolve, and continuing support needed to create and sustain an independent investigative and advocacy-oriented victims' support agency like the OVR, the second largest obstacle is the difficult issue of funding. Fortunately for crime victims in Alaska, this obstacle has been overcome.

By any measure, whether its panoramic landscape and variety of wildlife, vast size, bountiful natural resources, remote location, or extreme climate, Alaska stands uniquely apart from what Alaskans call "the lower 48" or the land "Outside." But one of the most unique aspects of living in the 49th state is the Alaska Permanent Fund ("PFD"). This statutory program has paid more than $23,000 in cash to each and every eligible resident of the state from oil royalties since it was created in 1982.[167]

In 1968, huge recoverable reserves of crude oil were discovered at Prudhoe Bay on the state's North Slope.[168] In the fall of 1969, the state

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164. *Id.* § 24.65.200. The OVR Act provides:

> Victims' advocate's privilege not to testify or produce documents or other evidence. Except as may be necessary to enforce the provisions of this chapter, the determinations, conclusions, thought processes, discussions, records, reports, and recommendations of or information collected by the victims' advocate or staff of the victims' advocate are not admissible in a civil or criminal proceeding, and are not subject to questioning or disclosure by subpoena or discovery.

Id.

165. *Id.* § 24.65.210.

166. *Id.*

167. *Id.* § 37.13.010–.900; *see also* Alaska Permanent Fund Corp., *Permanent Dividend Fund Program*, at http://www.apfc.org/alaska/dividendprgrm.cfm (last visted Oct. 6, 2004).

168. *See* JuneauAlaska.com, *Alaska Permanent Fund History Timeline*, *available at* http://www.juneaualaska.com/pfd/timeline.shtml (last visited Sept. 2, 2004).

auctioned oil exploration leases that provided millions of dollars in lease bonuses to the state treasury.[169] Intending to conserve a portion of their newfound wealth for the benefit of future generations, Alaskans eventually approved passage of the Alaska Permanent Fund.[170] This fund was established through a constitutional amendment approved by Alaska voters in 1976.[171] The constitutional amendment and its supporting statutes set aside at least 25% of certain natural resource revenues paid to the state for deposit into a public savings account to be invested for the benefit of the current and all future generations of Alaskans.[172] Each year Alaska's statutory permanent fund program distributes a share of fund earnings from its investments in stocks, bonds, and real estate to every eligible Alaska resident.[173] The dividend program now in effect was enacted in 1982 and the first dividend—$1,000—was issued that year.[174] Since 1982, eligible Alaskans have collected their PFD checks each fall.[175] In the fall of 2004, the fund was valued in excess of $27 billion.[176] The 2004 dividend amount was $919.84 and was distributed to eligible Alaskans on October 13, 2004.[177]

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169. *Id.*

170. *See* ALASKA PERMANENT FUND CORP., THE EARLY HISTORY OF THE ALASKA PERMANENT FUND, PERSPECTIVES ON THE ORIGINS OF ALASKA'S OIL SAVINGS ACCOUNT, TRUSTEES' PAPERS, VOL. 5 (1997) (overview of the Alaska Permanent Fund), *available at* http://www.apfc.org/publications/tp5.cfm?s=5 (last visited Sept. 2, 2004); *see also* THE ALASKA PERMANENT FUND TRUSTEES, 2003 ANNUAL REPORT (2003), *available at* http://www.apfc.org/publications/2003anreport.cfm (last visited Oct. 6, 2004).

171. ALASKA CONST. art. IX, §15.

172. *See* ALASKA PERMANENT FUND CORP., AN ALASKAN'S GUIDE TO THE PERMANENT FUND (2001), *available at* http://www.apfc.org/publications/2001guide.cfm (last visited Sept. 2, 2004) (hereinafter ALASKAN'S GUIDE TO THE PERMANENT FUND); *see also* Alaska Permanent Fund Index, *available at* http://www.apfc.org (last visited Sept. 5, 2004).

173. *See* ALASKAN'S GUIDE TO THE PERMANENT FUND, *supra* note 172. Eligibility depends upon submission of a written application to the state Department of Revenue, state residency, physical presence, U.S. citizenship, and other factors. ALASKA STAT. § 43.23.005 (Michie 2002). A "state resident" is "an individual who is physically present in the state with the intent to remain indefinitely in the state under the requirements of AS 01.10.055 or, if the individual is not physically present in the state, intends to return to the state and remain indefinitely in the state under the requirements of [Alaska Statutes section] 01.10.055." *Id.* § 43.23.095(7).

174. *See* ALASKAN'S GUIDE TO THE PERMANENT FUND, *supra* note 172.

175. *See id.*

176. The PFD was valued at $27,678,700,000 as of September 20, 2004. *See* Alaska Permanent Fund Index, http://www.apfc.org/index.cfm (last visited Sept. 20, 2004).

177. Alaska Department of Revenue, 2004 Permanent Fund Dividend Calculation, *available at* http://www.pfd.state.ak.us/forms/2004DividendAPFC-PFDcalculation summary.pdf (last visited Sept. 28, 2004).

An individual is disqualified from receiving a permanent fund dividend check in a dividend year if the person was sentenced or jailed for certain criminal convictions.[178] Criminals lose their PFD when sentenced or jailed for a felony conviction during all or part of the qualifying year.[179] A person also forfeits his or her PFD for the year when incarcerated as a result of a conviction of a felony or a misdemeanor if the person was previously convicted of a felony or two or more misdemeanors.[180] Forfeited amounts are used to "obtain reimbursement for some of the costs imposed upon the state criminal justice system related to incarceration or probation of those [convicted] individuals" as well as to "provide funds for services for and payments to crime victims and for grants for the operation of domestic violence and sexual assault programs."[181] Consequently, each year such funds are used to pay for the Alaska Violent Crime Compensation Fund for payments to crime victims,[182] the Council on Domestic Violence and Sexual Assault[183] for grants for the operation of domestic violence and sexual assault programs, the Alaska Department of Corrections for incarceration and probation related expenses, the Alaska Office of Victims' Rights, and nonprofit victims' rights organizations for grants for services to crime victims.[184]

How does this translate into funding for the OVR? Fiscal year 2005 illustrates the multitude of uses to which these forfeited funds are put.[185] As a result of this legislation, 8,490 persons lost their PFD checks for dividend year 2003,[186] a number that represents approximately .01% of Alaska's total population.[187] This amount totaled $9,403,184.40 in forfeited dividends.[188] Portions of that amount were

178. ALASKA STAT. § 43.23.005(d) (Michie 2002).

179. *Id.*

180. *Id.*

181. *Id.* § 43.23.028(5)(A), (B).

182. *Id.* § 18.67.162.

183. *Id.* § 18.66.010.

184. *Id.* § 43.23.028(7)(b).

185. Fiscal year 2005 is the period from July 1, 2004 through June 30, 2005.

186. According to the Alaska Department of Revenue's Permanent Fund Dividend Division, there were 4,832 incarcerated misdemeanants, 3,330 incarcerated felons, and 328 sentenced felons who forfeited their PFD dividends in divided year 2003. E-mail from Paul E. Dick, Chief of Operations, Permanent Dividend Fund, to Stephen E. Branchflower, Director, Alaska Office of Victims' Rights (May 18, 2004, 10:09:20 Alaskan Time Zone) (on file with author).

187. According to the U.S. Census Bureau, Alaska's total population in 2000 was 626,932. *See* U.S. CENSUS BUREAU, 2000 Census, *available at* http://www.census.gov/census 2000/states/ak/html (last visited Sept. 27, 2004).

188. Information provided by the Alaska Department of Revenue's Permanent Fund Dividend Division. E-mail from Paul E. Dick, Chief of Operations, Permanent Dividend

appropriated by the Alaska legislature in 2004 for fiscal year 2005 to the Alaska Department of Corrections,[189] Alaska's Violent Crimes Compensation Fund,[190] the Council on Domestic Violence and Sexual Assault,[191] an anti-batterer's intervention program,[192] and the Alaska Office of Victims' Rights, which received $481,600 of the forfeited funds.[193]

M. OVR Case Category Profiles

During its first twenty-four months of operations, July 1, 2002, through June 30, 2004 (the "reporting period"), 445 crime victims from around the state and all walks of life utilized a variety of services offered by the OVR, including information, education, legal advice and advocacy, investigation, in-court representation, and support.[194] Victims have been referred to the OVR by judges, prosecutors, defense attorneys, physicians, mental health practitioners, legislators, victim support and advocacy groups, and others. The following statistical overview demonstrates the breadth of legal services that have been provided to Alaskans since the OVR was founded.[195]

During this reporting period 162 clients contacted the OVR for information and subsequently decided not to file a complaint with the OVR.[196] Seventy-two crime victims sought advice and information and, after speaking with OVR staff, filed a formal complaint with the of-

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Fund, to Stephen E. Branchflower, Director, Alaska Office of Victims' Rights (May 18, 2004, 10:09:20 Alaskan Time Zone) (on file with author).

189. CONF. COMM. SUBSTITUTE FOR H.B. 375, 23d Sess., at 44, line 26 (Alaska 2004), *available at* http://www.legis.state.ak.us/PDF/23/Bills/HBO375Z.PDF (last visited Oct. 6, 2004).

190. *Id.* at 6, line 11.

191. *Id.* at 30, line 23.

192. *Id.* at 31, line 3.

193. *Id.* at 37, line 17; *see also* 2003 ANNUAL REPORT OF THE PERMANENT FUND DIVIDEND DIVISION, *available at* http://www.pfd.state.ak.us/annualreports/reports/2003AnnualReport.pdf (last visited Oct. 6, 2004).

194. Figures for the OVR's first fiscal year are reported in 2003 ANNUAL REPORT, *supra* note 19, at 11 (207 new cases opened between July 1, 2002 and June 30, 2003). Figures for the OVR's second fiscal year are reported in 2004 ANNUAL REPORT, *supra* note 14, at 16 (238 new cases opened between July 1, 2003 and June 30, 2004). Data from these two reports have been aggregated to compute figures for the twenty-four month "reporting period" discussed here.

195. ALASKA ADMIN CODE tit. 23, § 30.120 (2004) authorizes the "disclosure as statistical, or summary information . . . as part of a statistical report, summary, or compilation if the identity of each person about whom the information relates is not identifiable in the statistical report, summary or compilation." *Id.*

196. *See* 2003 ANNUAL REPORT, *supra* note 19, at 11–12; and 2004 ANNUAL REPORT, *supra* note 14, at 15–17. Numerical data in this overview are aggregate sums of both the 2003 and 2004 Annual Reports.

fice.[197] These cases were easily resolved and involved minimal document collection and preparation. They primarily involved victims who only needed information on how the criminal justice system operates and who wished to have an independent third party look over their case to determine whether their treatment in the criminal process was consistent with crime victims' legal rights.[198] An additional eighty-seven crime victims came to OVR with particular problems or concerns regarding active criminal cases.[199] These clients filed formal written requests, and their cases required OVR to seek documentary evidence from the justice agency involved.[200] In addition, these cases required more time from OVR staff and created a longer-term cooperative relationship between OVR, the client, and the justice agency.[201] One-hundred eleven crime victims came to OVR, seeking assistance with:

> [S]ignificant problems or concerns regarding active criminal cases during the current reporting period. These clients filed formal written requests with OVR and their cases required OVR to seek documentary evidence from justice agencies. These cases were significant in terms of the documents collected and reviewed, the time commitment required from OVR staff and the level of inquiry into justice agency affairs. These cases did not result in the publication of a formal report pursuant to Alaska Statute[s] [section] 24.65.160.[202]

During this reporting period fourteen clients came to the OVR with "significant problems or concerns regarding active in-court criminal cases."[203] "In addition to requesting documentary evidence from judicial agencies," these cases required the OVR to represent and argue on behalf of crime victims in the courtroom.[204] Finally, during its first twelve months of operation, the OVR opened one formal inquiry that involved significant problems regarding an active police investigation.[205] In that case, a crime victim filed a formal written request with the OVR, which required the agency to seek documentary evidence from the police de-

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197. *Id.*
198. *Id.*
199. *Id.*
200. *Id.*
201. *Id.*
202. 2003 ANNUAL REPORT, *supra* note 19, at 11–12.
203. *Id.*
204. *Id.*
205. *See generally* STEPHEN E. BRANCHFLOWER & TAMARA DE LUCIA, INVESTIGATIVE REPORT REGARDING THE ANCHORAGE POLICE DEPARTMENT'S E-911 EMERGENCY RESPONSE TO THE PATRICIA GODFREY RESIDENCE, OVR complaint no. 02-004 (Nov. 26, 2002) [hereinafter INVESTIGATIVE REPORT] (on file with the author); 2003 ANNUAL REPORT, *supra* note 19, at 18–20.

partment in question.[206] The case was significant in terms of the documents collected and reviewed, the time commitment required from OVR staff, and the level of inquiry into the operation of the justice agency's affairs.[207] The case resulted in the publication of a thirty-six page formal report pursuant to Alaska Statutes section 24.65.160.[208]

V. CONCLUSION

The Alaska Office of Victims' Rights was expressly created by the legislature to help crime victims cope with, understand, and successfully navigate the criminal justice system. More importantly, it was established to provide victims with free legal services provided by experienced criminal lawyers whose sole duty is to explain and secure for them the rights they are guaranteed under Alaska law in their contacts with police, prosecutors, defense counsel, judges, and other criminal justice agencies. Since its inception in 2002, the OVR has helped foster administrative and judicial sensitivity to crime victims and has worked to promote respect for and protection of victims' privacy and safety.

In a real sense, the OVR has served to illustrate what can be done to help crime victims when legislative resolve is strong and funding is available. To that end, the author hopes that states wishing to strike a fair balance between crime victims' rights and the rights of criminal defendants will follow in Alaska's pioneering footsteps and implement the Office of Victims' Rights model.

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206. INVESTIGATIVE REPORT, *supra* note 205, at 1–3.

207. *Id.* Pursuant to ALASKA STAT. § 24.65.130 (Michie 2002), the OVR subpoenaed and reviewed approximately 4,105 documents from the Anchorage Police Department, the Municipality of Anchorage Office of Management and Budget and a private computer software applications developer. *Id.* The OVR also heard sworn testimony from police officials and interviewed numerous private individuals who had relevant information about the facts of the case. *Id.*

208. 2003 ANNUAL REPORT, *supra* note 19, at 20.

APOA

ALASKA PEACE OFFICERS ASSOCIATION

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Wasilla

Thecla LaLonde, President
Wrangell Chapter
Wrangell

February 10, 2012

Senator Hollis French
Alaska State Senate
State Capitol
Juneau AK 99801-1182

Dear Senator French:

On behalf of the Alaska Peace Officers Association (APOA), I would like to thank you for introducing Senate Bill 135, an act relating to the rights of crime victims; relating to the duties of prosecuting attorneys; and amending Rule 45, Alaska Rules of Criminal Procedure.

The APOA State Board of Directors recently reviewed this proposed legislation and decided to unanimously support this bill.

We thank you for addressing this issue. Please contact the APOA office in Anchorage at 277-0515, if there is anything our organization can do to assist in the passage of this bill.

Sincerely,

John Lucking, Jr.
State President

PO Box 240106
Anchorage AK 99524

t 907 277 0515
f 907 272 5355

Making A Difference In The Last Frontier

January 24, 2012

The Honorable Hollis French, Senator
Chair, Senate Judiciary Committee
Alaska State Legislature, State Capitol
Juneau, Alaska 99801

RE: Senate Bill 135, Continuances in Criminal Trials; Victims

Dear Senator French:

On behalf of the Board of Directors of Victims for Justice, I am writing to support Senate Bill 135.

Time and time again, we see continuances provided to defendants in criminal cases for reasons that seem insufficient and sometimes disingenuous, with absolutely no consideration given to the challenges this presents to victims in the case.

We have supported victims of violent crimes, and the surviving family members of homicide victims, in cases where so many continuances have been granted that they caused the trial to be delayed more than a decade. This length of delay can work to the benefit of the defendant, when witnesses die or leave the state, memories fade, prosecutors change over and over and it becomes difficult or impossible to win a conviction. And these delays work to the serious disadvantage of victims who only want to see justice done, and to society in general.

We have known victims to travel hundreds or thousands of miles, and incur great expense and inconvenience so that they may exercise their right to attend a trial or hearing, only to have the trial or hearing continued with absolutely no consideration given as to how this impacts the victim.

We recognize that courts want to extend the benefit of the doubt to defendants, who, after all, are the ones whose liberty is at stake. However, we feel the courts often fail to take into consideration the rights afforded by our state Constitution to victims in these situations. Senate Bill 135 puts the victim in the picture, and supports the judge who considers the victim when deciding whether to grant a continuance.

This bill is a very modest change to existing statutes and court rules. It simply describes a means to implement the requirements of our state Constitution and statutes with regard to victims. However, in a very important way, this bill brings balance to our justice system.

The Board of Directors of Victims for Justice strongly support SB 135.

Regards,

Susan Sullivan

Susan Sullivan
Executive Director

1057 West Fireweed Lane, Suite 101 • Anchorage, AK 99503 • 907-278-0977 • Toll Free 1-888-835-1213 • Fax 907-258-0740 • www.victimsforjustice.org

STATE OF ALASKA
OFFICE OF VICTIMS' RIGHTS

January 17, 2012

The Honorable Hollis French, Senator
State of Alaska Senate
Chair, Judiciary Committee
Alaska State Legislature
State Capital
Juneau, Alaska 99801

Re: Senate Bill 135, Continuances in Criminal Trials; Victims

Dear Senator French:

I write in support of Senate Bill 135, Continuances in Criminal Trials; Victims.

The proposed legislation strengthens notification standards for informing crime victims of any request for a continuance that may substantially delay the prosecution, the date of trial, sentencing, an appeal, and any hearing which the defendant's release from custody is considered.

The amendments to Alaska Criminal Rule 45 strengthen a crime victim's right to address the court, and for the court to consider the crime victim's perspective, before issuing an order based on a motion for continuance.

Both components to the proposed legislation fortify a crime victim's statutory rights and Alaska Constitutional rights to be "treated with dignity, respect, and fairness" and "to timely disposition of the case..." (Alaska Constitution, Article 1, Section 24). The proposed legislation also stands to amplify the crime victim's voice before the court and other criminal justice agencies regarding delay in the criminal justice process.

I believe strongly that the administration of justice is improved when a crime victim's voice is heard and considered within the Alaska criminal justice system.

1007 WEST 3RD AVENUE, SUITE 205 • ANCHORAGE, ALASKA 99501-1936
TELEPHONE: 1-907-272-2620 • FACSIMILE: 1-907-272-2640

In sum, the proposed legislation wisely aligns with the Alaska Constitutional rights of a crime victim - especially with regard to the timely disposition of a criminal case.

I stand ready to testify in support of this legislation.

Respectfully submitted,

D. Victor Kester
Executive Director

Main Office
130 Seward St #214
Juneau, Alaska 99801
Phone: (907) 586-3650
Fax: (907) 463-4493
www.andvsa.org

ANDVSA
Alaska Network on Domestic Violence & Sexual Assault

Pro Bono Office
PO Box 6631
Sitka, Alaska 99835
Phone: (907) 747-7545
Fax: (907)747-7547

January 25, 2012

Honorable Senator Hollis French
State Capitol, Room 417
Juneau, Alaska 99801

Re: Senate Bill 135, Right to a Timely Disposition

Dear Senator French:

Thank you so much for introducing this very important bill. The Alaska Network on Domestic Violence and Sexual Assault strongly supports Senate Bill 135. It is our understanding that this bill will provide a victim of crime, including domestic violence and sexual assault crime victims, a notice from law enforcement or prosecution when there will be a request for a continuance that would substantially delay a prosecution. All too often in Alaska victims have been disappointed in the process, procedure and outcome of their case. This bill will provide for consideration of the victim's wishes, the impact that continual delays will have on a victim of crime, and provide the victim with information of what to expect or what not to expect, in the nearer future.

Our eighteen member victim service agencies throughout the state witness daily the impact these delays have on the people they serve. Time and time again, our advocates appear in court with victims of both domestic violence and sexual assault, only to have their courage and hopes dashed by yet another delay. It has become a 'tactic' which, when employed, disheartens the victim, decreases their sense of safety and decreases their faith in the criminal justice system and the State of Alaska. Hopefully, this bill will strike a balance between the Constitutional right to a speedy trial for both defendants and victims.

Sincerely,

Peggy Brown
Executive Director

cc: Lisa Mariotti, Policy Director

Standing Together Against Rape
Crisis Intervention | Advocacy | Education | Prevention

January 20, 2012

Senator Hollis French, Chair
State Capitol, Room 417
Juneau, Alaska 99801

Re: Senate Bill 135, Continuances in Criminal Cases

Dear Senator French:

Standing Together Against Rape (STAR) strongly supports any bill that affords a victim of crime the opportunity to have their voice and concerns heard by the justice system. Senate Bill 135 appears to strengthen "the right to a timely disposition of the case following the arrest of the accused" as stated in the Alaska Constitution.

Crime victims, in particular, victims of sexual assault feel a tremendous amount of anxiety when contemplating facing the person who assaulted them in court. The anxiety builds, creating sleepless nights and increased reliance on coping skills. The day arrives, and the trail is continued. This pattern can be repeated over and over and over again. If the offender is incarcerated the victim is afraid they will be released. If the offender is not incarcerated the victim feels they must continue watching over their shoulder at the market, the department store, the movies, etc. The ability of the victim to move about freely may be inhibited.

While I believe it is not the intent of prosecution to re-victimize crime victims, repeated continuances often do. At the same time STAR recognizes the need for the prosecution to put forth a strong case, to increase the possibility of conviction, to hear defense requests and to lessen the likelihood of appeal. Hopefully this bill will allow for a balance to be struck between the two.

Respectfully submitted,

Standing Together Against Rape
Nancy A Haag, MSW
Executive Director

Dear Lawmakers,

I am writing to encourage your support for Senator Hollis French's SB 135 dealing with a victim's constitutional right to "timely disposition of their case."

As many of you may recall, my daughter, Bonnie Craig, was murdered in September 1994. Her killer, Kenneth Dion was finally sentenced October 31st, 2011. For 17 years our family, friends and the community waited for justice. Our constitutional right to "timely disposition of our case" was violated again and again. I vowed, when thrown into this horror story, that I would make sure the things that went wrong in our case would be changed for others.

Protecting a victim's right to "timely disposition" is the most important change that needs to come out of this incredible tragedy. It was the most egregious violation that our family had to endure, and that violation was at the hands of the State of Alaska, not the criminal. I need your help to ensure all future victims will have their constitutional rights protected in Alaska. Let's balance the scales of justice and honor the victim's right to "timely disposition."

Do not be mistaken. It is not okay to think: "At least the criminal is behind bars and can't hurt anyone else." The pain inflicted on the victims is inexcusable and the prosecution of the case against the defendant weakens daily. Delays are a tactical advantage for defense attorneys to accommodate defense attorneys, rarely the defendant.

Kenneth Dion was identified November 2006. From the time he was identified our family was basically placed under a "gag order." Nothing could be said to the press, our friends, or the community. Our incredible grief - the wounds being ripped wide open, bringing us back to the day we were notified of Bonnie's death - were to be muzzled, and kept deep within us. We weren't allowed to share the news, our private trauma, our personal hell, for four months. As a family, we tried to continue our life as if nothing was happening, pretending this incredible burden and stress didn't exist. It was tearing us apart, eating at the very core of our existence, like a cancer. It destroyed relationships and financially ruined me. It affected our health and my parenting abilities. It could, and can, destroy a whole family.

Finally, May 1st, 2007 the news was released. Although we talked with the press and could finally share the information with friends, the gag was, once again, placed on our family members to avoid all contact with media. The threat of a "change of

venue" is not something a victim's family can take lightly. Until a jury is selected, avoiding any media coverage is critical. Our jury was selected more than 4 years later. During that time it became abundantly clear that the defense attorney and the defendant hold all the power and they call all the shots. Victims can only sit back and wait without complaining.

I know that you will never be able to even imagine the pain and suffering a parent, a sister and brothers goes through while awaiting a trial. Our pain and stress and fear was multiplied ten-fold with the memories of Joshua Wade being acquitted. We knew things could go wrong, evidence could get lost, a technicality could cause a mistrial, investigators and witnesses could die or be lost. We know memories fade. We know each day something could come up that could make it impossible to prosecute the man who brutally raped and murdered Bonnie. Our life is in a limbo, teetering on insanity. It is beyond comprehension. Yet, we try to continue our life with a new kind of normalcy.

Our first trial date was set for September, 2008. Please keep in mind that the killer was identified November, 2006. I wept when Judge Patrick MMcKay set the date. It was like having your guts ripped out of your body. He justified it by saying it would give both the prosecution and the defense plenty of time to prepare and that there would be absolutely no reason for any continuance. He vowed that he wanted to make sure both sides would be prepared, so we were going to have pretrial conferences to avoid any surprises or complications from arising. And we did. By the time we got to trial we had 45 pre-trial conferences, status and motion hearings. The judges, both Judge McKay and Judge Jack Smith were trying to make sure the defense was getting all they needed and getting ready for trial. They both failed. If the defense asks for anything, the judge, in fear of an appeal, will always grant the defense more time, even if it meant losing Pat Gullufson, our prosecutor of 3 years who had to retire for medical reasons. (July 15, 2010 a new prosecutor, Paul Miovas, took the case over. He successfully handled the case in less than 10 months.)

More than once, Lee De Grazia, the first public defender, misled the Judge. We all knew it and yet he never called her on it. One month before the trial was to start she claimed she fired her "DNA Expert" and would need more time. We all sat there amazed and wondering if she was lying. Had she even hired one yet? She doesn't need to answer to anyone. There was no accountability She made a mockery of the whole system. When the case was finally handed over to Office of Public Advocacy defense attorney Andrew Lambert (03/23/09) he told Judge McKay that De Grazia had done virtually nothing on the case and the judge

responded, "I was afraid of that." 18 months had been wasted on a totally incompetent defense attorney.
Make no mistake, the delays are not about affording the defendant a fair trial, nor protecting the defendant's rights. They are for the benefit of, more times than not, the defense attorney's schedule and needs. The litigation of a case is dictated by the personal life of the defense attorney. Timely disposition is about case management and having efficient and effective counsel. It is about prioritizing cases that have been lingering on for the benefit of the defense attorney's schedules. You can't imagine how disheartening it is to hear your case is going to be delayed, yet again, for 4-5 months because the defense attorney wants to go on their second, one month vacation of the year and he needs about a week to do a divorce case for a buddy of his and he is going to visit some schools for his daughter. Why can't co-counsel take over?

If a builder is building a home he can't tell the client he is going away for a month on vacation and will need 3-4 more months. In just about any profession a project must be completed before those involved can decide to take time off.
If you were diagnosed with cancer and the doctor goes for vacation for a month you have the opportunity to use another doctor. Victims have no choice, but to sit and wait. Prosecutors can't request that we use another defense attorney or that co-counsel handle the scheduled hearing, nor can the judge tell a defense attorney they will need to hold off on their vacation.

Below, I have listed each trial date that was set. I can never describe the sickening feeling a family feels when you are told, once again, that the trial date will be changed. You feel like you are going to vomit. Again, it's like your guts are being ripped out of you. In many cases I was on the verge of tears, knowing we would be given no consideration. And, it is always incredulous reasoning, something that you think may require an extra week or two, delays the trial by 4 months or more.

Preparing for each pretrial hearing is mentally exhausting. You have difficulty functioning and sleeping in fear of what the defense is going to do each time. The tension and anxiety are overwhelming. Getting to court is difficult. We had 45 pretrial hearings. Please consider what that does to families. As a victim, you can't plan life too far in advance; you can't start to rebuild your life.

Refusal to deal with "timely disposition" is a refusal to address the inefficiencies in our justice system. and allowing the "justice system" to re-victimize the victims. Please, support Senator French's SB 135 to honor victim's constitutional right to

"timely disposition of their case." Show the victims the respect they deserve and stop the re-victimization of the victims.

Sincerely yours,

Karen Foster

Karen Foster

November, 2006	Defendant Identified	
September 15, 2008	First Trial Date	4 month delay
January 5th, 2009	Second Trial Date	4 month delay
May 11, 2009	Third Trial Date	4 month delay
April 19, 2010	Fourth Trial Date	One year delay
August 30, 2010	Fifth Trial Date	4 month delay
February 7th, 2011	Sixth Trial Date	6 month delay
May 10th, 2011	Went to Trial, Jury finally selected.	

Lila Hobbs

From: karen.dynamic@gci.net on behalf of Karen Foster <karen.dynamic@gci.net>
Sent: Friday, January 27, 2012 7:38 AM
To: Lila Hobbs
Subject: Today's Hearing

The earlier email I sent had the wrong date for the new defense attorney. It should have been 2009 Can you please change it. Thanks,

Karen

State of Alaska v. Kenneth Dion

November, 2006	Kenneth Dion Identified	
September 15, 2008	First Trial Date	4 month delay
January 5th, 2009	Second Trial Date	4 month delay
May 11, 2009	Third Trial Date	4 month delay
March 23, 2010	New Defense attorney assigned	
April 19, 2010	Fourth Trial Date	One year delay
July 15, 2010	New Prosecutor assigned	
August 30, 2010	Fifth Trial Date	4 month delay
February 7th, 2011	Sixth Trial Date	6 month delay
May 10th, 2011	Went to Trial, Jury finally selected.	
June 15th, 2011	Dion convicted	
October 31st, 2011	Dion sentenced to 124 years	

SB 136

<TARGET><BILL>SB 136</BILL><SUBJECT>SB 136</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 2/1/12

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 136

SB 136-INCOME TAX CREDIT FOR EMPLOYING A VETERAN

"An Act providing a tax credit for employing an Alaska veteran that may be taken against a liability for the tax on corporation income; and providing for an effective date."

and recommends:

[✓] be **replaced** with **CS** SB 136 (FIN) [ ] *Same Title* [✓] *New Title*

[ ] adopt **previous CS** _____ (_____) [ ] *Same Title* [ ] *New Title*

[ ] attached amendment(s)

[ ] adopt _____ Letter of Intent

[ ] further referral to _____ Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
REV		✓		#1

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
Joe J Thomas	Thomas	✓			
	EGAN	✓			
	McGuire	✓			
	Olson	✓			
	Ellis	✓			
CO-CHAIR:	Stedman	✓			
CO-CHAIR:					

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version	**CSSB 136(STA)**
Fiscal Note Number	1
(S) Publish Date	2/1/12

Identifier (file name)	SB136-DOR-TAX-01-13-12	Dept. Affected	Revenue
Title	Income Tax Credit for Employing a Veteran	Appropriation	Taxation & Treasury
		Allocation	Tax Division
Sponsor	Sen. Wielechowski		
Requester	Senate State Affairs	OMB Component Number	2476

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	***	***	***	***	***	***	***

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial fiscal note.

Prepared by	Robynn J. Wilson, Audit Supervr II/Johanna Bales, Deputy Director	Phone	269-6634
Division	Tax	Date/Time	1/13/12 1:00 PM
Approved by	Bryan D. Butcher, Commissioner	Date	1/13/2012
	Department of Revenue		

(Revised 8/17/2011 OMB)

FISCAL NOTE #1

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB 136(STA)

Analysis

Bill Language:
The bill provides an income tax credit of $2,000 for each veteran who is hired and who works 1,560 hours or more, during the 12 consecutive months immediately following the date the Alaska veteran is first employed. Any unused credit may be carried forward. The credit is not refundable, nor transferrable.

Revenues:
It is difficult to know how many Alaska veterans will be hired as a result of this legislation and, therefore, difficult to determine its affect on revenues. However, for each Alaska veteran hired in the state that meets the requirements of this bill, corporate income tax revenues will decrease $2,000 in one year.

Expenditures:
Department of Revenue can administer the provisions of this bill utilizing existing resources.

Adopted 2/24/12

27-LS0983\R
Bullock
2/16/12

CS FOR SENATE BILL NO. 136(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS WIELECHOWSKI, Thomas

A BILL

FOR AN ACT ENTITLED

"An Act providing a tax credit for employing a veteran that may be taken against a liability for the tax on corporation income; and providing for an effective date."

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

* **Section 1.** AS 43.20 is amended by adding a new section to article 1 to read:

Sec. 43.20.047. Veteran employment tax credit. (a) A taxpayer that hires a veteran and employs the veteran in the state is entitled to a credit under this section against the tax due under this chapter. The taxpayer is entitled to the credit for each veteran whose employment qualifies under this section.

(b) To qualify as a veteran for the purposes of the credit under this section, the veteran must have been unemployed for more than four weeks immediately preceding the date employment begins and must have been discharged or released from military service

(1) not more than 10 years before the date employment begins in the case of a veteran who is a disabled veteran; or

New Text Underlined [DELETED TEXT BRACKETED]

(2) not more than two years before the date employment begins in the case of a veteran who is not a disabled veteran.

(c) The amount of credit that may be applied by a taxpayer for each qualifying veteran under this section is,

(1) for a veteran employed for 1,560 hours or more during the 12 consecutive months immediately following the date the veteran is first employed,

(A) $3,000 for a disabled veteran; and

(B) $2,000 for a veteran who is not disabled;

(2) for a veteran employed for 600 hours or more in a seasonal position during the five consecutive months immediately following the date the veteran is first employed by an employer in a seasonal position, $1,000; an employer that hires a veteran for a seasonal position may take the credit under this paragraph only for the first season in which the employer employs the veteran.

(d) The tax credit under this section may be applied against the tax due under this chapter for the first tax year ending on or after the end of the employment period described in (c) of this section. The credit may not be used to reduce a person's tax liability under this chapter below zero for any tax year, and any credit or portion of a credit not used under this section may be applied in a later tax year.

(e) A taxpayer shall keep a record of the name of the veteran employee whose employment is the basis for a credit under this section, documentation supporting the employee's qualification as a veteran or disabled veteran, and the veteran employee's hours employed and period of employment. The department may adopt a regulation that lists the documentation that must be maintained to support a claim that an employee qualifies as a veteran or disabled veteran for purposes of this section.

(f) In this section,

(1) "disabled veteran" has the meaning given in AS 39.25.159;

(2) "seasonal position" means employment that is not intended to continue through an entire calendar year but recurs annually;

(3) "veteran" means an individual who served in the

(A) armed forces of the United States, including a reserve unit of the armed forces of the United States; or

(B) Alaska Territorial Guard, the Alaska Army National Guard, the Alaska Air National Guard, or the Alaska Naval Militia.

* **Sec. 2.** This Act takes effect July 1, 2012.

CS FOR SENATE BILL NO. 136(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS WIELECHOWSKI, Thomas

A BILL

FOR AN ACT ENTITLED

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*** Section 1.** AS 43.20 is amended by adding a new section to article 1 to read:

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(b) To qualify as a veteran for the purposes of the credit under this section, the veteran must have been unemployed for more than four weeks immediately preceding the date employment begins and must have been discharged or released from military service

(1) not more than 10 years before the date employment begins in the case of a veteran who is a disabled veteran; or

(2) not more than two years before the date employment begins in the case of a veteran who is not a disabled veteran.

(c) The amount of credit that may be applied by a taxpayer for each qualifying veteran under this section is,

(1) for a veteran employed for 1,560 hours or more during the 12 consecutive months immediately following the date the veteran is first employed,

(A) $3,000 for a disabled veteran; and

(B) $2,000 for a veteran who is not disabled;

(2) for a veteran employed for 600 hours or more in a seasonal position during the five consecutive months immediately following the date the veteran is first employed by an employer in a seasonal position, $1,000; an employer that hires a veteran for a seasonal position may take the credit under this paragraph only for the first season in which the employer employs the veteran.

(d) The tax credit under this section may be applied against the tax due under this chapter for the first tax year ending on or after the end of the employment period described in (c) of this section. The credit may not be used to reduce a person's tax liability under this chapter below zero for any tax year, and any credit or portion of a credit not used under this section may be applied in a later tax year.

(e) A taxpayer shall keep a record of the name of the veteran employee whose employment is the basis for a credit under this section, documentation supporting the employee's qualification as a veteran or disabled veteran, and the veteran employee's hours employed and period of employment. The department may adopt a regulation that lists the documentation that must be maintained to support a claim that an employee qualifies as a veteran or disabled veteran for purposes of this section.

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(B) Alaska Territorial Guard, the Alaska Army National Guard, the Alaska Air National Guard, or the Alaska Naval Militia.

* **Sec. 2.** This Act takes effect July 1, 2012.

ALASKA STATE LEGISLATURE

Session

State Capitol, Rm. 101
Juneau, AK 99801
(907) 465-2435
Fax: (907) 465-6615

Interim

716 W. 4th Ave, Ste. 540
Anchorage, AK 99501
(907) 269-0120
Fax: (907) 269-0122

Senator_Bill_Wielechowski@legis.state.ak.us



Chair
State Affairs Committee

Co-chair
Joint Armed Services Committee

Vice Chair
Resources Committee
Judiciary Committee

Member
Administrative Regulation Review

SENATOR BILL WIELECHOWSKI

Senate Bill 136: Income Tax Credit for Employing a Veteran
Sponsor Statement

Our veterans are some of the most highly trained, highly educated, and highly skilled workers that we have. When businesses hire veterans, they are getting proven leaders with solid work ethics who can solve problems efficiently while staying focused and contributing to an improved bottom line.

Despite many employers acknowledging the advantages of hiring someone who has served in the Armed Forces, veterans continue to see higher than average unemployment rates nationwide. In June 2011, according to the U.S. Bureau of Labor Statistics, one million U.S. veterans were unemployed and the jobless rate for post-9/11 veterans was 13.3%. The picture was even worse for young, male veterans between the ages of 18 and 24, who saw an unemployment rate of 21.9%.

Senate Bill 136 will assist Alaska's veterans get civilian jobs when they leave the service and provide direct benefits to Alaska businesses. The legislation provides a $2,000 credit for each veteran hired who works at least 1,560 hours within a 12-month period, or approximately 30 hours a week. The tax credit can be applied in the first year after 12-months of employment and any credits not used could be used in a later tax year.

This is a win-win situation. Struggling Alaskan businesses can get the tax help they need, while Alaska's veterans have an increased chance of finding employment.

ALASKA STATE LEGISLATURE

Session

State Capitol, Rm. 101
Juneau, AK 99801
(907) 465-2435
Fax: (907) 465-6615

Interim

716 W. 4th Ave, Ste. 540
Anchorage, AK 99501
(907) 269-0120
Fax: (907) 269-0122

Senator_Bill_Wielechowski@legis.state.ak.us



Chair
State Affairs Committee

Co-chair
Joint Armed Services Committee

Vice Chair
Resources Committee
Judiciary Committee

Member
Administrative Regulation Review

SENATOR BILL WIELECHOWSKI

MEMORANDUM

DATE: February 2, 2012

TO: Senate Finance Committee

FROM: Senator Bill Wielechowski

SUBJECT: Changes from SB136 to CS SB 136 (STA)

The following changes made in the Committee Substitute for Senate Bill 136 (STA):

- Concerns were raised through conversations between the Department of Law and Department of Revenue with language referring to "Alaska veteran" as it could be a potential constitutional issue, instead language was changed to refer to a tax credit for a "veteran hired in Alaska" to eliminate any questions or concerns.

LEGAL SERVICES

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

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

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

MEMORANDUM January 17, 2012

SUBJECT: Sectional Summary for SB 136 (Work Order No. 27-LS0983\I)

TO: Senator Bill Wielechowski
Attn: Kendra Kloster

FROM: Donald M. Bullock Jr.
Legislative Counsel

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

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

Section 1. Amends AS 43.20 by adding a new section, AS 43.20.047, to provide a tax credit against the corporation income tax for employing an Alaska veteran; states the requirements for the credit and the amount of credit available for each Alaska veteran that is hired; and requires recordkeeping to support eligibility for the credit.

Section 2. Makes the Act take effect July 1, 2012.

DMB:ljw
12-020.ljw

LEGISLATIVE RESEARCH REPORT

DECEMBER 28, 2011

REPORT NUMBER 12.119

STATE AND FEDERAL TAX CREDITS FOR BUSINESSES THAT HIRE VETERANS

PREPARED FOR SENATOR BILL WIELECHOWSKI

BY TIM SPENGLER, LEGISLATIVE ANALYST

You wished to know whether any states provide tax credits for employers who hire veterans or for veterans who are starting a business. Additionally, you wanted to know if federal tax benefits exist for businesses hiring veterans.

Briefly, Vermont offers both benefits when veterans have recent military history, while a few other states provide benefits for businesses hiring veterans under limited circumstances.[1] Federal tax benefits are available to employers who hire veterans through the *Returning Heroes* and *Wounded Warrior* tax credit programs.

Alaska

As you may know, Alaska does not provide tax credits to employers for hiring veterans or for veterans starting their own businesses. The state does provide, however, a five percent bid preference (that may not exceed $5,000) if a bidder for a state contract is an Alaska veteran and is a "qualifying entity." According to AS 36.30.175—Alaska Veterans' Preference—a qualifying entity means the following:

1. Sole proprietorship owned by an Alaska veteran;
2. Partnership under AS 32.06 or AS 32.11 if a majority of the partners are Alaska veterans;
3. Limited liability company organized under AS 10.50 if a majority of the members are Alaska veterans; or
4. Corporation that is wholly owned by individuals and a majority of the individuals are Alaska veterans.[2]

---

[1] None of the states with credits were able to provide us with data regarding the effectiveness of the benefit.

[2] For more information on how Alaska's veterans' preference is applied please contact Vern Jones, chief procurement officer, Department of Administration, (907) 465-5684.

Other States

Vermont

On May 25th, 2011, House Bill 275 was signed into law in Vermont and codified at 32 V.S.A. 5930nn. The legislation, entitled the Veterans' Tax Credit Act, provides employers with a $2,000 tax incentive for hiring veterans who have returned from deployment in Afghanistan or Iraq within the last two years. In order to qualify for the tax credit, businesses must employ veterans before the end of 2011. The act also provides veterans who start new companies with a $2,000 benefit. To qualify for this credit, the veteran must hold at least 50 percent ownership in the company.

Specifically, to be eligible for the tax credits a Vermont veteran must meet the following prerequisites:

- have left federal, active duty within the past 24 months;
- have been a resident of Vermont at the time of entry into military service or served in a guard or reserve unit located in Vermont; and
- be eligible to receive unemployment from the Vermont Department of Labor, or would be eligible except unemployment has been exhausted.

Clayton Clark, director of Vermont's Office of Veterans Affairs notes that earlier this year he queried fellow state directors asking if their states offered similar veteran tax benefits and none did. This corresponds to what we found in our review.[3]

We include, as Attachment A, various documents pertaining to the tax credit in Vermont including the state statute, a question and answer document on the credit, and the application Vermont veterans use to certify their eligibility for the tax credit.

California

The Enterprise Zone Program (EZP) in California entitles employers that hire and employ qualified applicants—including certain veterans—to tax credits. The California EZP was established in 1984 to stimulate business investment in depressed areas of the state and to create job opportunities. If a company is located in one of California's 43 EZPs, the company may be eligible for up to $31,000 in California tax credits (over five years) if the veteran hired meets any one of the following three tests:

- left military service within the last 48 months;
- is a service-related disabled veteran; or
- is a Vietnam era veteran.[4]

[3] Clayton Clark can be reached at (802) 828-3379. For this report, we contacted numerous state veteran's offices both telephonically and by email, searched many state and national veteran websites, and conducted a West Law search.

[4] More information on California's Enterprise Zone Program can be accessed at *www.caez.org/*.

Illinois

Illinois employers can earn an income tax credit for hiring veterans of Operation Desert Storm, Operation Enduring Freedom, or Operation Iraqi Freedom. The credit is five percent of the total wages paid to every qualified veteran hired after January 1, 2008. The credit may not exceed $1,200 annually. Veterans must work at least 185 days during the tax year for the employer to qualify for the credit.[5]

West Virginia

Entities hiring economically disadvantaged Vietnam or Korean era veterans, unemployed West Virginia National Guard members, or *any* disabled veteran, are entitled to a state tax credit. The credit available to the employer is 25-30 percent of the first $5,000 in wages or compensation paid to the veteran.[6]

Federal Tax Benefits

On November 21, 2011, President Obama signed legislation that provides tax credits to employers who hire military veterans. The *VOW to Hire Heroes Act* contains two components—the *Returning Heroes Tax Credit* and the *Wounded Warriors Tax Credit*—that provide credits to businesses that hire veterans. The Act passed both bodies of Congress unanimously and, while the legislation is not expected to lead to the creation a significant number of new jobs, it is hoped that it will help many veterans secure employment.

The **Returning Heroes Tax Credit** is intended to provide an incentive for businesses to hire unemployed veterans in the following ways:

- *Short-term unemployed:* A new credit of 40 percent of the first $6,000 of wages (up to $2,400) for employers who hire veterans who have been unemployed at least 4 weeks.

- *Long-term unemployed:* A new credit of 40 percent of the first $14,000 of wages (up to $5,600) for employers who hire veterans who have been unemployed longer than 6 months.

The **Wounded Warrior Tax Credit** will double the existing tax credit for businesses that hire long-term unemployed veterans with service-connected disabilities as follows:

- Maintains the existing Work Opportunity Tax Credit for employers that hire veterans with service-connected disabilities (currently the maximum is $4,800).

- Introduces a new credit of 40 percent of the first $24,000 of wages (up to $9,600) for firms that hire veterans with service-connected disabilities who have been unemployed longer than 6 months.[7]

We hope you find this information to be useful. Please let us know if you have questions or need additional information.

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[5] To file for Veteran's Tax Credit, Illinois employers complete Schedule 1299-D, "Income Tax Credits."

[6] For disabled veterans, the credit is the percentage of disability multiplied by the first $5,000 in wages. We include, as Attachment B, West Virginia Annotated Code 21A-2C-4, which pertains to the tax credit and tax schedule J—the "West Virginia Military Incentive Credit."

[7] Detailed information on these tax credit programs is available at *www.whitehouse.gov/the-press-office/2011/11/21/fact-sheet-returning-heroes-and-wounded-warrior-tax-credits*.

Attachment A

Vermont Statute 32 V.S.A. 5930nn and other documents regarding Vermont's Veterans' Tax Credit Act

West's Vermont Statutes Annotated Currentness
Title Thirty-Two. Taxation and Finance
Subtitle 2. Taxation
Part 3. Income and Franchise Taxes
Chapter 151. Income Taxes
Subchapter 11N. Recently Deployed Veteran Tax Credit
➞ § 5930nn. Recently deployed veteran tax credit

(a) A qualified employer shall be eligible for a nonrefundable credit against the income tax liability imposed under this chapter in an amount equal to $2,000.00 for each new full-time employee hired after the passage of this act but on or before December 31, 2012 for a position, the majority of the duties of which are at a business location within Vermont.

(b) A recently deployed veteran shall be eligible for a nonrefundable credit against the income tax liability imposed under this chapter in an amount up to a total of $2,000.00 for expenses associated with one start-up business in which the recently deployed veteran holds at least a 50-percent ownership interest. A credit under this subsection may only be taken for a business started after the passage of this act but on or before December 31, 2012, that is located within Vermont, and that shows a net profit of at least $3,000.00 for the year in which the credit is taken.

(c) A credit earned under this section shall be claimed in the tax year following the new full-time employee's date of hire, or in the tax year following the date that the start-up business was created, and may be carried forward one year.

(d) In this section:

(1) "Expense associated with a start-up business" means the following expenses:

(A) expenses associated with the development of a business plan;

(B) professional services associated with the formation of the business (e.g., attorney and accounting services);

(C) an analysis or survey of potential markets, products, labor supply, or transportation facilities;

(D) advertisements for the opening of the business;

(E) salaries and wages for employees who are being trained and their instructors;

(F) travel and other necessary costs for securing prospective distributors, suppliers, or customers;

(G) salaries and fees for executives and consultants, or for similar professional services.

(2) "New full-time employee" means a recently deployed veteran:

(A) who works at least 35 hours per week for not less than 45 of the 52 weeks following the individual's date of hire;

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(B) whose compensation equals or exceeds the prevailing compensation level, including wages and benefits, for the particular employment sector and region of the state as determined by the commissioner of labor;

(C) who has certification by the department of labor at the time of hire of:

(i) collecting or being eligible to collect unemployment benefits; or

(ii) having exhausted his or her unemployment benefits;

(D) who has not been employed by the qualified employer for 90 days prior to the date of hire.

(3) "Qualified employer" means a person who:

(A) is in good standing with respect to applicable registration, fee, and filing requirements with the secretary of state, the department of taxes, and the department of labor; and

(B) has in place a valid workers' compensation policy.

(4) "Recently deployed veteran" means an individual who:

(A)(i) was a resident of Vermont at the time of entry into military service; or

(ii) was mobilized to active, federal military service while a member of the Vermont National Guard or other reserve unit located in Vermont, regardless of the resident's home of record.

(B) received an honorable or general discharge from active, federal military service within the two-year period preceding the date of hire.

(C) for the purposes of the credit in subsection (b) of this section, a person who at the time of starting up a new business has been certified by the department of labor as:

(i) collecting or being eligible to collect unemployment benefits; or

(ii) having exhausted his or her unemployment benefits.

(e) The department of labor, in coordination with the department of taxes, the agency of commerce and community development, and the office of veterans' affairs, shall:

(1) promote awareness of the recently deployed veteran tax credit authorized in this section to employers and eligible veterans;

(2) establish procedures for prequalifying an individual as a recently deployed veteran and for providing notice to the department of labor when a new full-time employee is hired;

(3) establish procedures for certifying a qualified employer's compliance, or in the case of a credit under subsection (b) of this section, a recently deployed veteran's compliance, with the eligibility and expense verification requirements to claim the credit authorized under this section;

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(4) adopt measurable goals, outcomes, and an audit strategy to assess the utilization and performance of the credit authorized in this section;

(5) on or before January 15, 2012, submit a written report on its assessment of the credit to the house committees on commerce and economic development and on ways and means, and to the senate committees on finance and on economic development, housing and general affairs;

(6) engage in efforts to promote the hiring of recently deployed veterans through the hiring practices of the state of Vermont.

(f) An employer shall not claim the credit in subsection (a) of this section for an employee who has claimed the credit under subsection (b) of this section, and a recently deployed veteran shall not claim the credit in subsection (b) if an employer has claimed his or her hire for the credit in subsection (a).

CREDIT(S)

2011, No. 44, § 1, eff. May 24, 2011.

HISTORICAL AND STATUTORY NOTES

2011, No. 44, § 2, provides:

"Sec. 2. EFFECTIVE DATE

"This act shall take effect on passage [May 24, 2011]."

32 V.S.A. § 5930nn, VT ST T. 32 § 5930nn

Current with all laws through No. 46 of the 2011-2012 session (2011) of the Vermont General Assembly.

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END OF DOCUMENT

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VERMONT

Veteran Services Directory

Maintained by the Vermont Office of Veterans Affairs

Tax Credit for Hiring a Veteran with Recent Military Service

The State of Vermont now provides a tax credit to employers who hire a veteran with recent military service. The tax credit also extends to veterans with recent service who start their own business.

To be eligible, a veteran must:

- Have left federal, active duty within the past 24 months
- Have been a resident of Vermont at the time of entry into military service OR served in a guard or reserve unit located in Vermont
- Be eligible to receive Unemployment from the VT Dept of Labor, or would be eligible except Unemployment has been exhausted

Applicants should fill out Office of Veterans Affairs Form 44 and send it, along with a copy of their most recent DD Form 214, to the Office of Veterans Affairs. Additional information is on the form, and there are questions and answers below.

Questions and Answers about the Tax Credit

How much is the Tax Credit?

$2,000 to employers for hiring a veteran; up to $2,000 to veterans who start their own business.

How long will the program be available?

The program expires December 31, 2012.

What is the date range for new hires that are covered by this credit?

The new hire must occur between May 24, 2011, and December 31, 2012. For veterans who start a new business, the business must be started by December 31, 2012.

Is this only available to Vermont residents?

This is available to veterans who were a resident of Vermont at the time of entry into the active, federal military service OR was mobilized to active, federal military service with the Vermont National Guard or a reserve unit located in Vermont.

Is the tax credit good for all businesses in Vermont?

No. The employer must be in good standing with the Secretary of State, Vermont Department of Taxes, and Vermont Department of Labor. They must also have a valid worker's compensation policy.

Can the tax credit be used by a business outside of Vermont?

The credit is only available to businesses that file state taxes in Vermont.

Is the tax credit good for all positions?

No. The position must be at least 35 hours a week, the position must be held for 45 of the 52 weeks following the hire, and the compensation must be equal to or exceed the prevailing compensation level for that employment sector and region of the state.

Where can I get information about my military service eligibility?

Call the Office of Veterans Affairs at (toll free in-state) 888-666-9844 or 802-828-3379.

Where can I get information about my unemployment status eligibility?

Call the Vermont Dept of Labor Unemployment Claimant Assistance Line at (877) 214-3332.

For veterans using this credit to start a new business, does the veteran have to be the sole owner?

The veteran must hold at least a 50% ownership interest in the business.

For a new business, does the business have to be profitable?

Yes. The business must show a net profit of at least $3,000 for the year in which the credit is taken.

What expenses associated with starting a new business can be counted towards the tax credit?

The following expenses associated with a start-up business, up to a maximum of $2,000, may be deducted:

(A) expenses associated with the development of a business plan;
(B) professional services associated with the formation of the business (e.g., attorney and accounting services);
(C) an analysis or survey of potential markets, products, labor supply, or transportation facilities;
(D) advertisements for the opening of the business;
(E) salaries and wages for employees who are being trained and their instructors;
(F) travel and other necessary costs for securing prospective distributors, suppliers, or customers;
(G) salaries and fees for executives and consultants, or for similar professional services.

Instructions from Office of Veterans Affairs Form 44

1. Complete the Applicant Information portion of the Certification for Unemployed Veteran with Recent Military Service form. Make sure to complete all blocks within this section and to print legibly.

2. Vermont Office of Veterans Affairs (VOVA) will determine if the applicant meets the military service eligibility criteria. Deliver the form to VOVA via:

Mail or In Person: 118 State Street, Montpelier, VT 05620-4401

Fax: (802) 828-5932

Applicants should include a copy of their most recent DD Form 214 to ensure fast and accurate processing. VOVA may require additional documentation necessary to verify eligibility. Approved applications will be stamped by VOVA and returned to the applicant. Disapproved applications will be returned to the applicant by VOVA with the reason for disapproval.

3. The Vermont Department of Labor (VDOL) will determine if the applicant meets the Unemployment eligibility criteria. Applicant will deliver applications approved by VOVA to the local VDOL Resource Center listed below. Approved applications will be stamped by VDOL and returned to the applicant. Disapproved applications will be returned to the applicant by VDOL with the reason for disapproval.

Town	Location	Phone
Barre	McFarland State Office Building, 5 Perry Street, Suite 200	476-2600
Bennington	150 Veterans Memorial Drive, Suite 2	442-6376
Brattleboro	State Office Building, 232 Main Street	254-4555
Burlington	63 Pearl Street	863-7676
Middlebury	1590 Route 7 South, Suite 5	388-4921
Morrisville	197 Harrel Street	888-4545
Newport	Emory E Hebard State Office Building, 100 Main Street, Suite 210	334-3351
Randolph	50 Randolph Avenue (by appointment only)	476-2600
Rutland	200 Asa Bloomer Building	786-5837
St. Albans	20 Houghton Street, Room 101	524-6585
St. Johnsbury	1197 Main Street, Suite 1	748-3177
Springfield	56 Main Street, Suite 101	885-2167
White River Jct.	220 Holiday Drive, Suite 28, Gilman Office Center	295-8805

4A. New Hire: After receiving approval from both VOVA and VDOL, provide the form to your new employer. The employer will then file this document with the Vermont Department of Taxes (VTAX), which will also require documentation of employer and position criteria.

4B: New Business: After receiving approval from both VOVA and VDOL, the applicant will provide the form to VTAX when filing your income tax return. Additional documentation will be required to verify eligibility criteria and allowable expenses.

Period of Eligibility

This tax credit is for new hires or new businesses started between May 24, 2011 and December 31, 2012. A credit earned under this section may be claimed in the tax year following the new full-time employee's date of hire, or in the tax year following the date that the start-up business was created, and may be carried forward one year. Appropriate tax forms and instructions to claim this credit may be downloaded from the VTAX website (www.state.vt.us/tax/index.shtml).

Military Service Eligibility Criteria

The date of hire or date of new business start up must be within 24 months of an Honorable or General Discharge from active, federal military service. The veteran must either have been a resident of Vermont at the time of entry into the military or was mobilized to active, federal military service while a member of the Vermont National Guard or other reserve unit located in Vermont.

Unemployment Eligibility Criteria

The applicant must be collecting unemployment benefits, be eligible to collect unemployment benefits, or have exhausted unemployment benefits. For new hires, the applicant must not have been employed by the employer within the past 90 days. Questions regarding Unemployment eligibility criteria can be directed to the VDOL Unemployment Claimant Assistance Line at (877) 214-3332.

Employer Criteria

To be eligible to receive the tax credit, an employer must be in good standing with respect to applicable registration, fee, and filing requirements with the Secretary of State, VTAX, and VDOL. In addition, the employer must have in place a valid workers' compensation policy.

Position Criteria

To be eligible to receive the tax credit, an employer must hire the applicant to a position that provides at least 35 hours per week of work for not less than 45 of the 52 weeks following the date of hire. In addition, the position must provide compensation that equals or exceeds the prevailing compensation level, including wages and benefits, for the particular employment sector and region of the state as determined by the VDOL Commissioner. Employers can determine if a position they have is qualified by visiting the VDOL website (www.labor.vermont.gov/veterans) or calling (802) 828-4153.

New Business Eligibility Criteria

To be eligible to receive the tax credit for a new start up business, the applicant must hold at least a 50% ownership interest in the business and the business must show a net profit of at least $3,000 for the year in which the credit is taken.

New Business Allowable Expenses

The following expenses associated with a start-up business, up to a maximum of $2,000, may be deducted:

(A) expenses associated with the development of a business plan;

(B) professional services associated with the formation of the business (e.g., attorney and accounting services);

(C) an analysis or survey of potential markets, products, labor supply, or transportation facilities;

(D) advertisements for the opening of the business;

(E) salaries and wages for employees who are being trained and their instructors;

(F) travel and other necessary costs for securing prospective distributors, suppliers, or customers;

(G) salaries and fees for executives and consultants, or for similar professional services.

Mail Completed Applications and DD Form 214 to:
Office of Veterans Affairs, 118 State Street, Montpelier, VT 05620-4401
Toll-free: (888) 666-9844; Phone: (802) 828-3379; Fax: (802) 828-5932
Operating Hours: Monday – Friday, 7:30 a.m. – 4:00 p.m.

CERTIFICATION FOR UNEMPLOYED VETERAN WITH RECENT MILITARY SERVICE

In accordance with Act 44 of 2011, employers who hire a recently separated veteran may be eligible to receive a tax credit of $2,000. Veterans who start their own business may receive up to a $2,000 tax credit. Instructions and important eligibility information is attached.

To ensure fast and accurate processing, applicants should include a copy of their most recent DD Form 214.

APPLICANT INFORMATION (PLEASE PRINT LEGIBLY)			
(Print) First Name:	Middle Initial:	Last Name:	
Date of Birth:	Social Security Number:		
Phone:	Email Address:		
Mailing Address:			
Town:	County:	State:	Zip:
Signature:		Date:	

STAFF PROCESSING (VERMONT OFFICE OF VETERAN AFFAIRS STAFF ONLY)	
The applicant above meets the military service requirements for this program. ☐Yes ☐No Authorized VOVA Signature:_____ Printed Name:_____ Eligibility Expires:_____	Application not valid without Office of Veterans Affairs stamp

STAFF PROCESSING (VERMONT DEPARTMENT OF LABOR STAFF ONLY)	
The applicant above meets the criteria relating to the Unemployment provisions for this program. ☐Yes ☐No Authorized VDOL Signature:_____ Printed Name:_____	Application not valid without Vermont Department of Labor date stamp

For more information on the benefits and services available to veterans and their dependents in Vermont, visit:
www.veterans.vt.gov

Instructions

1. Complete the Applicant Information portion of the Certification for Unemployed Veteran with Recent Military Service form. Make sure to complete all blocks within this section and to print legibly.

2. Vermont Office of Veterans Affairs (VOVA) will determine if the applicant meets the military service eligibility criteria. Deliver the form to VOVA via:

Mail or In Person: 118 State Street, Montpelier, VT 05620-4401
Fax: (802) 828-5932

Applicants should include a copy of their most recent DD Form 214 to ensure fast and accurate processing. VOVA may require additional documentation necessary to verify eligibility. Approved applications will be stamped by VOVA and returned to the applicant. Disapproved applications will be returned to the applicant by VOVA with the reason for disapproval.

3. The Vermont Department of Labor (VDOL) will determine if the applicant meets the Unemployment eligibility criteria. Applicant will deliver applications approved by VOVA to the local VDOL Resource Center listed below. Approved applications will be stamped by VDOL and returned to the applicant. Disapproved applications will be returned to the applicant by VDOL with the reason for disapproval.

Town	Location	Phone
Barre	McFarland State Office Building, 5 Perry Street, Suite 200	476-2600
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Morrisville	197 Harrel Street	888-4545
Newport	Emory E Hebard State Office Building, 100 Main Street, Suite 210	334-3351
Randolph	50 Randolph Avenue (by appointment only)	476-2600
Rutland	200 Asa Bloomer Building	786-5837
St. Albans	20 Houghton Street, Room 101	524-6585
St. Johnsbury	1197 Main Street, Suite 1	748-3177
Springfield	56 Main Street, Suite 101	885-2167
White River Jct.	220 Holiday Drive, Suite 28, Gilman Office Center	295-8805

4A. New Hire: After receiving approval from both VOVA and VDOL, provide the form to your new employer. The employer will then file this document with the Vermont Department of Taxes (VTAX), which will also require documentation of employer and position criteria.

4B: New Business: After receiving approval from both VOVA and VDOL, the applicant will provide the form to VTAX when filing your income tax return. Additional documentation will be required to verify eligibility criteria and allowable expenses.

Period of Eligibility

This tax credit is for new hires or new businesses started between May 24, 2011 and December 31, 2012. A credit earned under this section may be claimed in the tax year following the new full-time employee's date of hire, or in the tax year following the date that the start-up business was created, and may be carried forward one year. Appropriate tax forms and instructions to claim this credit may be downloaded from the VTAX website (www.state.vt.us/tax/index.shtml).

Military Service Eligibility Criteria

The date of hire or date of new business start up must be within 24 months of an Honorable or General Discharge from active, federal military service. The veteran must either have been a resident of Vermont at the time of entry into the military or was mobilized to active, federal military service while a member of the Vermont National Guard or other reserve unit located in Vermont.

Unemployment Eligibility Criteria

The applicant must be collecting unemployment benefits, be eligible to collect unemployment benefits, or have exhausted unemployment benefits. For new hires, the applicant must not have been employed by the employer within the past 90 days. Questions regarding Unemployment eligibility criteria can be directed to the VDOL Unemployment Claimant Assistance Line at (877) 214-3332.

Employer Criteria

To be eligible to receive the tax credit, an employer must be in good standing with respect to applicable registration, fee, and filing requirements with the Secretary of State, VTAX, and VDOL. In addition, the employer must have in place a valid workers' compensation policy.

Position Criteria

To be eligible to receive the tax credit, an employer must hire the applicant to a position that provides at least 35 hours per week of work for not less than 45 of the 52 weeks following the date of hire. In addition, the position must provide compensation that equals or exceeds the prevailing compensation level, including wages and benefits, for the particular employment sector and region of the state as determined by the VDOL Commissioner. Employers can determine if a position they have is qualified by visiting the VDOL website (www.labor.vermont.gov/veterans) or calling (802) 828-4153.

New Business Eligibility Criteria

To be eligible to receive the tax credit for a new start up business, the applicant must hold at least a 50% ownership interest in the business and the business must show a net profit of at least $3,000 for the year in which the credit is taken.

New Business Allowable Expenses

The following expenses associated with a start-up business, up to a maximum of $2,000, may be deducted:

(A) expenses associated with the development of a business plan;
(B) professional services associated with the formation of the business (e.g., attorney and accounting services);
(C) an analysis or survey of potential markets, products, labor supply, or transportation facilities;
(D) advertisements for the opening of the business;
(E) salaries and wages for employees who are being trained and their instructors;
(F) travel and other necessary costs for securing prospective distributors, suppliers, or customers;
(G) salaries and fees for executives and consultants, or for similar professional services.

Attachment B

West Virginia Annotated Code 21A-2C-4 and tax schedule J—the "West Virginia Military Incentive Credit"

C

West's Annotated Code of West Virginia Currentness
Chapter 21A. Unemployment Compensation (Refs & Annos)
Article 2C. Military Incentive Program (Refs & Annos)
➡ § 21A-2C-4. Tax credit; eligibility; amount

(a) Each person, partnership or corporation which employs an economically disadvantaged Vietnam era or Korean conflict veteran or any disabled veteran, or an unemployed member of the West Virginia national guard or a member of the reserve forces of the United States for a continuous period of one year, except as otherwise provided in this article, shall be entitled to an appropriate tax credit for each such individual so employed. In the case of a person or partnership so employing such individuals, the tax credit provided for in this section shall be applied against the employer's personal income tax liability. In the case of a corporation so employing such individuals, the tax credit provided for in this section shall be applied against the corporation's corporate net income tax liability. This tax credit shall be nonassignable and may not exceed an employer's total tax liability with respect to the specific tax against which the tax credit is required to be applied.

(b) The amount of the tax credit allowed under subsection (a) of this section shall be an amount equal to the following:

(1) For each economically disadvantaged Vietnam era or Korean conflict veteran employed as described in subsection (a), the amount of the tax credit allowed shall be thirty percent of the employee's wage base. For the purposes of this section, the employee's wage base is the first five thousand dollars in wages or compensation actually paid to the employee by the employer;

(2) For each disabled veteran employed as described in subsection (a), the amount of the tax credit allowed shall be a percentage equal to the percentage of disability suffered by the veteran multiplied by the employee's wage base. The employee's wage base is the same as provided in subdivision (1) of this subsection. The percentage of disability referred to in this subdivision means the percentage of compensation for service connected disability as determined by the United States department of veterans affairs; and

(3) For each member of the West Virginia national guard or member of the reserve forces of the United States employed as described in subsection (a), the amount of the tax credit allowed shall be twenty-five percent of the employee's wage base. For the purpose of this section, the employee's wage base is the first five thousand dollars in wages or compensation actually paid to the employee by the employer.

CREDIT(S)

Acts 1984, c. 174; Acts 1991, c. 170.

CROSS REFERENCES

Taxation, military incentive tax credit, see §§ 11-21-42, 11-24-12.

LIBRARY REFERENCES

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Taxation ⚿1047.
Westlaw Key Number Search: 371k1047.
C.J.S. Taxation § 1098.

UNITED STATES CODE ANNOTATED

Income taxes, applicability on military or other reservations, see 4 U.S.C.A. § 106.

W. Va. Code, § 21A-2C-4, WV ST § 21A-2C-4

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Schedule J
Rev. 11/97

WEST VIRGINIA SCHEDULE J

WEST VIRGINIA MILITARY INCENTIVE CREDIT

The purpose of the West Virginia Military Incentive Credit (formerly called the Veterans Employment Credit) is to encourage the employment of veterans and members of the guard and reserve forces in the private sector. This would be accomplished by providing tax credits to qualified employers providing employment to economically disadvantaged veterans, disabled veterans and unemployed members of the West Virginia National Guard and United States Reserve forces.

ELIGIBLE TAXPAYERS

Eligibility for the Military Incentive Credit is limited to employers hiring individuals certified as eligible by the West Virginia Division of Employment Security. The credit typically applies if the eligible individual is employed for a continuous period of one year or more. Certain other restrictions and limitations also apply.

Tax credits will not be available to employers for any individual employed for less than one year of continuous employment. However, if the individual voluntarily leaves employment with the employer; the individual becomes totally disabled and unable to continue his employment; or the individual is terminated for good cause shown, the employer shall be entitled to a partial tax credit in a proportional amount corresponding to the ratio of the time period during which the veteran was actually employed.

The tax credit is not available for the employment of any individual who displaces a person already employed or for the employment of any individual for whom the employer is receiving job training payments from either the federal or state government.

AMOUNT OF CREDIT

For economically disadvantaged veterans hired, the credit available to the employer is 30% of the first $5,000.00 in wages or compensation actually paid the employee. For disabled veterans, the credit is the percentage of disability multiplied by the first $5,000.00 in wages or compensation actually paid the employee. For members of the West Virginia National Guard and United States Reserve forces, the credit is 25% of the first $5,000.00 in wages or compensation actually paid the employee.

Classification	Percentage	x	Wage Base	= Credit
Disadvantaged Veteran	30%	x	$5,000.00	
Disabled Veteran	Disability Percentage	x	$5,000.00	= $1,500.00
National Guard or Reserve	25%	x	$5,000.00	= $0.00 - $5,000.00 = $1,250.00

DEFINITIONS OF QUALIFIED EMPLOYEES

An "Economically Disadvantaged" veteran means a person who:

1. Receives, or is a member of a family which receives, cash welfare payments under a federal, state or local welfare program;

2. Has been certified as eligible by the West Virginia Department of Employment Security and has been employed for a continuous period of one year;

3. Has, or is a member of a family which has, received a total family income for the six months prior to application which, in relation to family size, was not in excess of the high of:
   a. The poverty level determined in accordance with criteria established by the federal office of management and budget; or
   b. Seventy percent of the lower living standard income; or
   c. Is receiving food stamps pursuant to the food stamp act of 1977; or
   d. Is a foster child on behalf of whom local government payments are made; or
   e. Is an adult handicapped individual whose own income meets the requirements of subdivisions 1 and 2 of this subsection, but who is a member of a family whose income does not meet such requirements.

"Korean conflict" veteran means a person who served in the armed services of the United States at least one day during the period of time beginning on the twenty-seventh day of June, one thousand nine hundred fifty, and extending through the thirty-first day of January, one thousand nine hundred fifty five.

"Vietnam era veteran" means a person who served in the armed services of the United States at least one day during the period of time beginning the fifth day of August, one thousand nine hundred sixty-four, and extending through the seventh day of may, one thousand nine hundred seventy-five.

"National Guard member" means a member of any component of the West Virginia National Guard.

"Reserve member" means a member of any component of the reserve forces of the United States.

If you desire additional information about the "Military Incentive Program Act of 1991", you must contact your local Job Service Office or the West Virginia Employment Services Division, 112 California Avenue, Charleston, WV 25305 (304) 558-7849.

INSTRUCTIONS

Enter the name(s) and Identification number shown on your West Virginia State Personal Income Tax return or that shown on the West Virginia Corporation Net Income Tax return.

Enter the employer name and Identification number as it appears on the "Employer Certification" issued by the West Virginia Department of Employment Security.

Column 1 - Enter the Veteran's or member's last name, first name then middle initial on the first line. Enter his or her social security number (SSN) on the second line.

Column 2 - Check the appropriate box. If the veteran or member is disabled, enter the percentage of compensation for service connected disability as determined by the Veteran's Administration of the United States. If the veteran or member is disadvantaged, the legislated thirty percent (30%) limitation has been preprinted. See introduction for definition of "Economically Disadvantaged Veteran". If member of the National Guard or Reserves, the legislated twenty-five percent (25%) limitation has been preprinted.

Column 3 - Enter the Beginning and Ending date of employment during your taxable year for each veteran or member. If the period of employment for a veteran or member is less than one year, then the allowable credit must be prorated as described in the "Column 5" instructions.

Column 4 - Enter the total amount of wages or compensation paid to the veteran or member during the taxable year or $5,000.00, WHICHEVER IS LESS.

Column 5 - Enter the amount of allowable credit for each qualified veteran or member you have employed for the entire taxable year computed by multiplying the amount shown in column 4 by the applicable percentage shown in column 2. If the period of employment is not for the entire taxable year you must also prorate the calculated credit according to the ratio of the employment dates shown in Column 3 to a full one-year period. In other words, if the period of employment was August 1, to December 31 of the taxable year the calculated credit must be multiplied by 5/12.

The maximum credit for each veteran or member is limited to the smallest of either the calculation just described for a partial year of employment or $5,000.00 for a 100 percent "Disabled" veteran or member.

Add lines (a) through (e) of Column 5 and enter the total in the appropriate space. Carry this total over to the appropriate line on your Resident Personal Income Tax Form (IT-140), your Nonresident/Part-Year Resident Form (IT-140NR/PY) or Summary Schedule TC of the West Virginia Corporation Net Income Tax Return.

Schedule J
Rev. 11/97

SCHEDULE J
WEST VIRGINIA MILITARY INCENTIVE CREDIT

TAX YEAR ENDING _____, _____

NAME(S) SHOWN ON TAX RETURN _____

YOUR SOCIAL SECURITY NUMBER _____

EMPLOYER NAME _____

TAX IDENTIFICATION NUMBER _____

(1) Veteran's or Member's Name Social Security Number	(2) Category - Check one (If disabled - enter percent of disability.)	(3) Period of Employment during tax year.	(4) Wages Paid	(5) Credit
(a) Name (Last, First, MI) _____ SSN _____	Disabled __% Disadvantaged 30% National Guard or Reserves 25% 25%	Beg _____ End _____	$ _____	$ _____
(b) Name (Last, First, MI) _____ SSN _____	Disabled __% Disadvantaged 30% National Guard or Reserves 25% 25%	Beg _____ End _____	$ _____	$ _____
(c) Name (Last, First, MI) _____ SSN _____	Disabled __% Disadvantaged 30% National Guard or Reserves 25% 25%	Beg _____ End _____	$ _____	$ _____
(d) Name (Last, First, MI) _____ SSN _____	Disabled __% Disadvantaged 30% National Guard or Reserves 25% 25%	Beg _____ End _____	$ _____	$ _____
(e) Name (Last, First, MI) _____ SSN _____	Disabled __% Disadvantaged 30% National Guard or Reserves 25% 25%	Beg _____ End _____	$ _____	$ _____

Total (Column 5 a-e) _____

Carry this total over to the appropriate line on your Resident Personal Income Tax Form (IT-140), your Nonresident/Part-Year Resident Form (IT-140NR/PY) or Summary Schedule TC of the West Virginia Corporation Net Income Tax Return.

VETS HELPING VETS

2808 E. TUDOR ROAD, SUITE 3
ANCHORAGE, ALASKA, 99507
907-433-0011

"Making a difference one person at a time"

Date: 22 January 2012

Subject: Support Letter for SB136 Income Tax Credit for Employing Veterans

To whom it may concern,

On behalf of many Alaska Veterans and the Vets Helping Vets organization of Anchorage, Alaska, I am writing this letter of support for the Income Tax Credit for Employing Veterans bill.

My name is Calista Anderson; I am the President of the Vets Helping Vets organization located here in Anchorage at 2808 E. Tudor Rd. , and a proud military (US Army) wife of 17 years. My husband along with many other spouses, sons, daughters and mothers and fathers have made many sacrifices and will continue to do so today and in the future for all the freedoms we enjoy in our way of life today. Many of these are now business owners. Too many have given the ultimate sacrifice! In saying this, every state in America should have such a bill as this put in to motion, but especially here in Alaska with the enormous amount of unemployment we have right here in our own community. Now and always in the future every business should receive a tax credit for hiring veterans, as we will always have veterans in our country. The reason we have the ability to open a business anytime or any place we choose is because of these veterans that ensured we are free, not living under a dictatorship as many countries today are forced to do so. Offering this bill will encourage business owners to hire more veterans, giving them a chance to improve their lives and the chance to get back on their feet, a hand UP, not a hand OUT. Many of our veterans have fallen thru the cracks to many times for too long, providing this tax credit bill to businesses in our state will be a great incentive to reach out to many more veterans and to decrease the percentage rate of unemployed and homeless veterans in Alaska, therefore, giving veterans an opportunity to improve their quality of life as well as for their families. By hiring our veterans and allowing them to learn new trades opens many doors for them and their families to begin a normal way of life, the dream they had when they entered the military to defend our freedoms, the AMERICAN DREAM. Not only will it give business owners a tax credit but in many ways for many people it will give a sense of pride and self-worth that needs to be restored today and for the business owners that tax break that many of them deserve as well. Passing such a bill as this can only benefit our local business

owners and our nation's heroes that deserve that second chance. Employing our veterans and getting them off the streets should always be a priority in our state and across our nation, as "homeless " and "veteran" should never come together in the same sentence. Veterans voluntarily gave up so much of their "normal" way of life to protect ours; allowing business owners to employ them with a tax credit will provide a sense of normalcy and appreciation back to our veterans and some businesses across our great state.

When making your decision to pass this law, please remember that all of our veterans (that are many of our business owners today), gave some, however, some gave ALL.

In addition, we are fully supportive also of the Military Training Credit bill as well. This is very important for our military; training is very important and is the very thing that provides our military with the knowledge to continue to keep our country free.

Sincerely,

Calista Anderson

US Army wife and President of Vets Helping Vets of Anchorage, Alaska

Hiring Military Veterans is Good Business

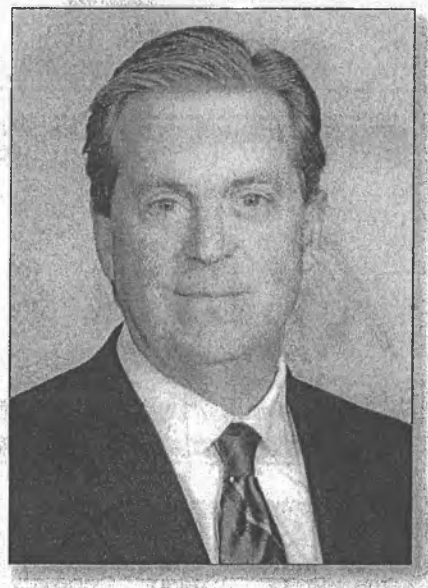
Unemployment rates high for these individuals

By Bill Whitmore

If your company's diversity recruiting strategy fails to include military veterans, you are missing out on working with some of our country's most outstanding men and women. Organizations that fail to recognize the extraordinary leadership qualities veterans bring to the workplace pass up the opportunity to work with results-oriented employees who have a strong sense of accountability and responsibility. It is time for our country's corporate leaders to awaken to the reality that combat leadership and military discipline translate into dynamic employees who can enhance an organization's productivity.

While the national unemployment rate hovers around 9.7 percent for civilians, the unemployment rate for young male veterans, including those returning from Afghanistan and Iraq, is more than double the national average at 21.6 percent, according to the Bureau of Labor Statistics. Isn't it time to shine the employment spotlight on the brave men and women who serve our country?

What essential set of life skills do military veterans bring to corporate America that makes them an indispensable pairing? The military trains our men and women to lead by example, as well as understand the nuances of delegation and motivation. As General Douglas McArthur once said: "A true leader has the confidence to stand alone, the courage to make tough decisions, and the compassion to listen to the needs of others." Military veterans understand the value of teamwork, which they



Bill Whitmore

can apply in our country's offices and board rooms. Veterans understand their role within an organizational framework and serve as exemplary role models to subordinates while demonstrating accountability and leadership to supervisors.

Veterans generally enter the work force with identifiable skills that can be transferred to the business world, and are often skilled in technical trends pertinent to business and industry. And what they don't know, they are eager to learn – making them receptive and ready hires in work environments valuing ongoing learning and training. Veterans represent diversity and collaborative teamwork in action having served with people from diverse economic, ethnic and geographic background – as well as race, religion and gender. Even under dire stress, veterans complete tasks and assignments in a timely manner as they have labored under restrictive schedules and resources on the battlefields and military installations they've served.

Employers can find qualified veterans from a variety of sources including the Employer Partnership of the Armed Forces, Employer Support of the Guard and Reserve, Military.com, HireVeterans.com and the Wounded Warriors Project. Employers can become true partners with selected veterans' organizations and work with them proactively to ensure they are maximizing their ability to recruit from this extremely qualified talent pool.

Lest we forget, the men and women who have chosen to serve our country are patriots who have made enormous sacrifices to ensure our safety and freedom. By employing military veterans, we are saying, "thank you for your service" and for protecting us from terrorism and other threats. ❑

About the Author

Bill Whitmore is chairman, president & CEO of AlliedBarton Security Services, www.alliedbarton.com, the industry's premier provider of highly trained security personnel to many industries including commercial real estate, higher education, health care, residential communities, chemical/petrochemical, government, manufacturing and distribution, financial institutions and shopping centers.

Chapter 904 - Anchorage, Alaska
"An Agenda of Service"

January 19, 2012

Senator Bill Weilechowski
Chairman
Senate State Affairs Committee
Alaska State Legislature

Senator:

As you know we were very much involved in the development of a veteran jobs package in Washington, DC that was finally approved by the Congress and signed by the President. An important component of this package was a tax incentive for American businesses to hire veterans, with some additional incentives for disabled veterans. The incentives start at $2,400 in the federal package.

Like so many Alaskans we have heard time and again about how imposing our state incorporation taxes are. So, in an effort to encourage Alaskan businesses to also hire veterans we were very pleased with your interest in an additional incentive, right here in Alaska to hire veterans.

We strongly support SB 136, and would suggest that the tax credit be at $2,600. This would allow a combined tax credit (federal/state) of $5,000 per veteran hired at a minim of 32 hours a week and retained for most of a year.

With the provision of SB 136, we have shared with bill with 48 other VVA State Council Presidents, and I can report that a number of them have asked their legislators to seriously consider doing the same.

With passage of this bill, Alaska will continue to be viewed nationally as a very veteran friendly state.

I wanted to again thank you for the Town Hall Meeting you and your colleagues held in east Anchorage last year. It was without question one of the best to date and I think those Members of the legislature who attended got something substantive out of it. Certainly SB 136 was one of those ideas presented at that meeting.

It is an honor,

Ric Davidge
President, VVA 904
Also: National Chairman, VVA Govt Affairs Cmte
Former National Chairman, VVA Economic Opportunities Cmte

Vietnam Veterans of America Alaska Chapter 904
3705 Arctic Blvd, #415, Anchorage, Alaska 99503 Web Site: www.VVA904.org
Ric Davidge, President Cell 907 29 5328 Fax (907) 762-7577 Email: pm@cvalaska.com

Kendra Kloster

From: Dixie D. Banner <akdaisyd@yahoo.com>
Sent: Monday, January 30, 2012 10:58 PM
To: Kendra Kloster
Subject: Re: Military & Veteran Legislation for Next Week

Kendra,

In response to this proposed bill, offering a tax credit to employers, would generated both jobs and greatly enhance the economy for
AK. I am speaking as a Vet who is currently working for the Federal Government. An organization that is currently is cutting jobs and an organization that has not seen growth in a number of years. Also, the opportunity for career enhancement is non existent att. In fact they propose a wage freeze until 2015. This one reason, I would like for the State of AK to take an initiative to spur growth in the private sector for working for the gov offers a minim wage or less and a bleak retirement.

In speaking of the private sector this bill will benefit many veterans who are unemployed or underemployed, as well as, allow
veterans to utilize their training and skills that they have achieved while serving. In fact most new veterans (young ones) are far more
educated were 10 years ago. In addition, this bill will be an initiative for the Oil and Gas Industry who may consider hiring Veterans vs.
individuals who are from the Lower 48.

While looking into the future, will foster the ability to live and work in AK, for there are many young military members who will be looking for
work as the DOD is implementing cost cutting measures, in order to achieve a balance budget. This scenario will play out within the next
two to five years, since the writing is on the wall; i.e. many active duty will be in voluntarily discharged, separated or be asked to
retire, in order to create a streamed line military that is strong/effective/and small in numbers.

Now that the war is so called over in Iraq, and they plan to decommission a number of Brigades, the question is what is our nation going to do when our sons and daughters are required to return home to being a new life and required to re enter the Civ Work force? Having worked with the new and seasoned military members whom have served for a few years, tend to forget what Civ Life has to offer and there is many culture differences in the work place; The young ones tend to forget what it is like to be a Civ and recognize the worth of the older and experienced Veterans who work shoulder to shoulder in order to accomplished the mission.

Bottom line if AK desires to maintain its future and ability to function as a state, it must create insensitive that will offer and open system
that will provide the ability for its Veterans to work and live in AK, as well as, have the ability to live the American dream (Have a career, family, home and live their life comfortably over time). If this initiative is over looked then we will see our kids and grand kids migrating to the lower 48. All this is left will be those who are living from pay check to pay cheek and those who require state assistance. On a personal note, I did not go to school and server my country in order to live in poverty and live in fear of not being able to retire.

When speaking of initiating the Hero's Act 2011, this program will be beneficial to all who is involved. It allows veterans to complete a transformation of their military careers into the Civ Sector with limited limitations. Most veterans now days are married and have children. The thought of returning to school, in order to find employment or better themselves is often impossible. This is due to the fact, funds are not available after being discharged. Furthermore, most young GI have spousal units who are young themselves and have small children in tow. Only one can return to school at a given time. Secondly, in most cases, the idea of daycare is not an option.

If an individual can access a professional position or allowed to reenter their profession (trade), with limited requirement, it is a win win situation for both the State and the Veteran, otherwise the family will be required to seek state assistance, which can be be challenging at times, since support often equates to control and after being in the military for years, this can create animosity. The Hero's Act will offer skilled professionals who will be able to enter the work force with out the need of extensive training requirement which for an employer, training is major cost and can determine one's long term ability to survive in a volital economy, esp now days. Lastly, the idea and the ability to find employment shortly after being discharge is a moral booster for the fact a Veteran is able to survive and make a living for themselves and their and family, (Work equates to self worth and pride, as well as, securing the ability to maintain emotional and financial security). The idea of being financially disposed and the idea of having to live with family, in order to survive is not pleasant.

If you have any questions, please send a reply. It has been a long cold January and I am ready for spring...I have many irons in the fire; however, I am like many Alaskans who are praying and waiting for the legislators to pave the way, which will build a better economy than what we have experienced in the last few years.
PS I hope I am not late but I have been busy at work, as well as, at home. It actually warmed up today and it felt good.

Thank you for your time and assistance.
V/R
Dixie Banner

SB 137

<TARGET><BILL>SB 137</BILL><SUBJECT>SB 137</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 1/23/12

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 137

SB 137-SUICIDE AWARENESS & PREVENTION TRAINING

"An Act requiring suicide awareness and prevention training for certain school personnel."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
EED			✓	

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	Egan	✓			
	McGuire	✓			
	Ellis	✓			
	Olson	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓			

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **SB137**
Fiscal Note Number:
Publish Date:

Identifier (file name): SB137-EED-SSA-1-30-12
Title: An Act requiring suicide awareness and prevention
Sponsor: Senator Davis
Requester: Senate Education Committee

Dept. Affected: Education & Early Development
Appropriation: Teaching and Learning Support
Allocation: Student & School Achievement
OMB Component Number: 2796

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

As there are existing trainings modules available at no cost to school districts, regional educational attendance areas and the department, there will be no need for additional funding. Therefore, the Department has reduced the fiscal impact to zero.

Prepared by: Cynthia Curran, Director — Phone: 465-2857
Division: Teaching and Learning Support — Date/Time: 1/30/2012 2:45pm
Approved by: Mike Hanley, Commissioner — Date: 1/30/2012

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB137

Analysis

The legislation would require annual two hour suicide awareness and prevention training for each teacher, administrator, counselor and specialist who is employed by a district, regional educational attendance area, or department teaching grades 7-12.

The short title of SB 137 is Jason Flatt Act, which is a reference to a student who committed suicide in Tennessee. Jason's father then created the Jason Foundation. The foundation is a non-profit suicide prevention organization. The Jason Flatt Foundation currently has four modules available free online with each module being two hours long.

Additionally there are other commercially available products that the Department would consider for approval if school districts are interested in using them. One available product, that the Department will approve, is Kognito At-Risk, an evidence based and rigourousl y evaluated best practice training.

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

Senator Bert Stedman, Co-Chair
State Capitol, Room 516
Juneau, AK 99801-1182
(907) 465- 3873 - Phone
(907) 465-3922 - Fax
Senator_Bert_Stedman@legis.state.ak.us

Official Business

Senator Lyman Hoffman, Co-Chair
State Capitol, Room 518
Juneau, AK 99801-1182
Phone - (907) 465- 4453
Fax - (907) 465- 4523
Senator_Lyman_Hoffman@legis.state.ak.us

AGENDA

Thursday, February 2, 2012 Senate Finance Room 532 – 9:00 AM

SB 9 - Raise Comp. School Attendance Age/Truancy
SB 9 Version M
$ (DEED) K-12 Support/Foundation Program

SB 53 - Commission on the Status of Women
CSSB 53(FIN) work draft Version M
$ (GOV) Commission on Special Offices/Women's Commission

SB 137 - Suicide Awareness & Prevention Training
SB 137 Version M
Zero (DEED) Teaching and Learning Support/Student & School Achievement

Department of Revenue Commissioner Bryan Butcher:
-FY 13 Revenue Forecast
-State Savings Account and Budget Reserves Overview

POSTPONED
SB 160 – Budget: Capital
SB 161 – Budget: Operating Budget/Loans/Funds
SB 162 – Approp: Mental Health Budget

Alaska State Legislature

Interim: (May - Dec.)
716 W. 4th Ave
Anchorage, AK 99501
Phone: (907) 269-0144
Fax: (907) 269-0148

Session: (Jan. - May)
State Capitol, Suite 30
Juneau, AK 99801-1182
Phone: (907) 465-3822
Fax: (907) 465-3756
Toll free: (800) 770-3822

Senator_Bettye_Davis@legis.state.ak.us
http://www.akdemocrats.org

Senator Bettye Davis

SB 137, 27-LS0994\M – "An Act requiring suicide awareness and prevention training for certain school personnel."

SPONSOR STATEMENT

This bill, short titled the Jason Flatt Act, requires mandatory youth suicide awareness and prevention training approved by the Commissioner, Department of Education and Early Development to each teacher, administrator, counselor, and specialist who is employed by a school district, regional educational attendance area, or department each year for services to students in grades 7-12. Training is important because suicide is the 3rd leading cause of death for ages 10-24 and the number one cause of death for Alaskans under the age 50 years.

Awareness and education are key to prevention. Tying suicide prevention efforts into teacher training has proved very helpful in other states in reducing teen suicides. Most young people contemplating suicide show clear warning signs prior to the attempt. It is imperative that educators know how to recognize signs of at-risk youth and are prepared to intervene when they identify a problem.

Recognizing that Alaska has by far the highest rate of suicide per capita in the country, particularly among teens, young men, and Alaska Natives, the Alaska Mental Health Board and Advisory Board on Alcoholism and Drug Abuse, in partnership with the Statewide Suicide Prevention Council, the Alaska Association of Student Governments, the University of Alaska, and the Jason Foundation have established goals, training programs, and resources for teachers, coaches, and staff in suicide prevention.

The Alaska Bureau of Vital Statistics 2000-2009 reported the following suicide facts and statistics:

- 21.8 suicides per 100,000 Alaskans; vs. 11.5 suicides per 100,000 nationwide
- 56.1 suicides per 100,000 Alaskan young men ages 15-24, and 141.6 Native young men and 50.3 young women in same age group.
- 1369 suicides in 176 Alaska communities between 2000 and 2009; 11 per month; 2.6 per week

- 78% of suicides were committed by men and 22% by women who made twice as many but many more failed attempts
- 90% of suicide victims experience depression or have diagnosable and treatable mental health or substance abuse disorders

The 2011 Youth Risk Behavior Survey revealed that in the last 12 months:

- 12.8% Alaska High School students reported they seriously considered suicide
- 8.7% Alaska High School Students actually attempted suicide one or more times
- 2.7% Alaska High School Students –attempted suicide resulting in injury, poisoning, or overdose treated by a doctor or nurse

Just as "it takes a village to raise a child," it takes parents, teachers, mentors, and communities to support efforts to reduce suicides by developing environments of respect and connectedness among youth and adult role models. This will create in youth the needed hope, promise, and optimism to build healthy and appropriate relationships and behaviors. By requiring – and making resources available for – suicide prevention training for educators and school staff through this bill, the state of Alaska can ensure that youth at risk of suicide are more likely to be identified and receive help.

Alaska has many state agencies, non-profits, private citizens, health care providers, and policy makers working on this problem with programs and materials. This bill is but one part of suicide prevention which has proven successful in other states. The Jason Foundation which was named after the tragic loss of the founder's son to suicide has made available to Alaska and a limited number of other states its library of suicide awareness and prevention training materials free of charge.

Not only will this bill and community efforts reduce suicides, particularly among vulnerable youth, but it will also reduce the number of self-inflicted injuries occasioned in over 1200 hospitalizations per year due to suicide attempts at cost of $9,000 per case excluding physicians' and specialists' fees, as researched and reported by the Alaska Mental Health Trust Authority in 2001-2002. The same research found 75% of the costs of Alaska suicide hospitalizations were paid through public funding sources and 15% were written off as losses by hospitals.

Suicides and attempted suicides have taken an incalculable toll on individuals and families in Alaska. The burden of this tragedy is shared by society as a whole. With all of our efforts the numbers have not decreased very much over the years. This bill, admittedly not a solution by itself, will help reduce the "silent epidemic" of youth suicide through educational and awareness programs that equip young people, educators and parents with the tools and resources to help identify and assist at-risk youth.

Alaska Association of Student Governments
Resolution #5 (PASSED)
Requirement for Teachers to receive Suicide Prevention Training
By Donald Handeland and Tessa Baldwin

Be it resolved by the Alaska Association of Student Governments:

1. Whereas, Alaska has the highest suicide rates in the nation,
2.Whereas, people between the ages of 15-22 commit the majority of the
3.suicides which is the age group that are in high school
4.Whereas the signs of potential suicide can be unrecognizable,
5.Whereas, in Alaska most teachers are not required to get suicide
6.prevention training,
7.Whereas, teachers interact with students on a daily basis,
8.Whereas, the State of Alaska doesn't require teachers to receive suicide
9.prevention training,
10.Whereas, resources are available for training, like Kognito online training,
11.Whereas, schools usually provide grief counseling immediately after a
12.suicide, but its tends to eventually be discontinued,
13.Therefore be it resolved by the Alaska Association of Student
14.Governments that the State of Alaska look into developing a system to
15.require all teachers in Alaska to participate in a suicide prevention
16.program.

Action statement: if passed by the Alaska Association of Student Governments, this resolution will be sent to the Statewide Suicide Prevention Council as well as the State Board of Education and Early Development.

Sources

Statewide suicide prevention council website http://www.hss.state.ak.us/suicideprevention/
Kognito website http://website.kognito.com/
Alaska Commissioner of Education and Early Development



- The Jason Flatt Act -

A legislative Act to require suicide awareness and prevention training for educators within the In-Service / Certification Requirements of a State.

No Fiscal Note Implementation Report

The Jason Flatt Act should be implemented without a fiscal note. A state will find that once passed, various organizations within their state that already have programs in suicide awareness and prevention are excited about being able to provide those programs at no-charge to schools / educators. Such organizations include Crisis Intervention Services, NAMI, Mental Health America, mental health cooperatives, mental health facilities, state mental health agencies, and school counselors. Many non-profits, such as The Jason Foundation and American Foundation for Suicide Prevention, provide suicide awareness and prevention training programs at no-charge. These organizations can either directly provide the training services or provide resources for school personnel to provide such training.

One question always arises concerning passage of a Bill requiring training without a fiscal note attached and relying on the above scenario for training support. "What about that rural / remote school that does not have access to such organizations?" How can they satisfy a state requirement on training without having to pay for such training? If "The Jason Flatt Act" is passed as the template for the legislation, The Jason Foundation will provide that state access, **without charge**, to their web-based "Library of Training Modules" which will satisfy the training requirements as set forth in the Bill. A teacher / educator only needs access to a high-speed internet connection to access the training and at the conclusion of the module take a brief Summary Test. A certificate of completion will then be emailed to the participant to provide to their school or school district as proof of training. It is important, however, to stress The Jason Flatt Act does not single out any specific training program as the "required or suggested" program to be utilized. The offer by The Jason Foundation to supply its On-Line Library of Training Modules to a state who passes The Jason Flatt Act is done as assurance that the Bill's required training can be supplied without a fiscal cost to the state, school or school district. We have found that not only rural / remote schools appreciate the ability to do the training on-line at their convenience, but many schools choose to annually utilize the On-Line Training or DVD Facilitator Packet for training.

This explanation on passage of The Jason Flatt Act without a fiscal note is more than "theory" or that we believe it will work this way. Out of the six states which have already passed The Jason Flatt Act, five of those states have passed it without a fiscal note attached. In each state it has functioned as outlined above without any problems of the schools / educators having access to such training and without a cost to the school, educator, school district or state. (The only state to pass The Jason Flatt Act with a fiscal note was California which requires all Bills with mandates to have a fiscal note attached.) Not only have these states implemented The Jason Flatt Act without a fiscal note; it has functioned several years as such, proving sustainability, too. Those states are:

- **Tennessee** – The Jason Flatt Act passed without a fiscal note in 2007. Since passage, over 74,000 educators each year have received training in youth suicide awareness and prevention without a fiscal note.
- **Louisiana – passed in 2008**
- **Mississippi – passed in 2009**
- **Illinois – passed in 2010**
- **Arkansas – passed in 2011**

All states above have passed and maintained The Jason Flatt Act without a fiscal note.

The Jason Foundation, Inc.

The Jason Foundation, Inc. (JFI) is a national non-profit leader in the awareness and prevention of youth suicide. Founded in 1997, JFI has 87 Regional Affiliate Offices located in 34 states that serve all fifty states. The Jason Foundation trains more educators in youth suicide awareness and prevention than any non-profit in the nation (over 150,000 in 2011).

The Jason Foundation's Board of Directors is a national representation with 18 members. Two of the Board members are current state Attorneys General and three former Attorneys General serve on the Board as well as the CAO of Walmart and the President of Ohio State University.

For more Information on "No Fiscal Note" or JFI:

The Jason Foundation
Att: Clark Flatt, President / CEO
18 Volunteer Drive
Hendersonville, TN 37075
Phone: (615) 264-2323
Email: clarkflatt@jasonfoundation.com
Web: www.jasonfoundation.com

LEGAL SERVICES

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

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

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

MEMORANDUM January 24, 2012

SUBJECT: Sectional Summary (SB 137 (Work Order No. 27-LS0994\M))

TO: Senator Bettye Davis
Attn: Tom Obermeyer

FROM: Jean M. Mischel
Legislative Counsel

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

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

Section 1. Requires public school districts, regional educational attendance areas, and the Department of Education and Early Development to provide approved youth suicide awareness and prevention training to school personnel. Specifies standards for training approval by the Commissioner of Education.

JMM:plm
12-042.plm

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

STATEWIDE SUICIDE PREVENTION COUNCIL

SEAN PARNELL, GOVERNOR

P.O. BOX 110608
431 N. Franklin Street, Suite 200
JUNEAU, ALASKA 99811-0608
PHONE: (907) 465-8920
FAX: (907) 465-4410
TOLL FREE: (888) 464-8920

January 20, 2012

Senator Bettye Davis
State Capitol Room 30
Juneau, Alaska 99801

Re: Letter of Support for Senate Bill 137 – Suicide Awareness and Prevention Training

Dear Senator Davis,

On behalf of the Statewide Suicide Prevention Council, I express support for SB 137, a Jason Flatt Act, requiring two hours of training for certain educators and school personnel. As you know, one of the groups of Alaskans most at risk for suicide are youth age 15-24.[1] To connect with this high-risk group, suicide prevention must be part of the education system.

Research shows that, when educators and staff are equipped with the skills and support to identify when a student is at risk and properly intervene, lives are saved. This is why the Council endorsed the state suicide prevention strategy mandating training for **all school district personnel.** Children and youth interact with more than just their teachers at school -- coaches, cafeteria staff, maintenance staff, librarians, and others all have the chance to support a student and save a life. By requiring suicide prevention training, SB 137 will help ensure that youth experiencing depression, hopelessness, and other risk factors associated with suicide are identified and connected with the help they need before they attempt suicide.

There are many resources available to support this effort. Some are even available at little or no cost to school districts. The Jason Foundation offers training and resources for school personnel at no cost to the school or teachers. The Division of Behavioral Health offers Gatekeeper trainings, also at no cost. In the FY13 proposed budget, there is funding to support a three year pilot for evidence-based training through a web-based program. Kognito Interactive offers interactive online training, At-Risk, for high school and university educators and staff (as well as other health education training).

The Council supports SB 137 and the policy of requiring suicide awareness and prevention training for school personnel. We thank you for your work on behalf of Alaskans, especially our youth.

Sincerely,

J. Kate Burkhart
Executive Director

cc: William Martin, Chairman

[1] The age-adjusted rate of suicide for young men age 15-24 in Alaska between 2000-2009 was 56.1/100,000.

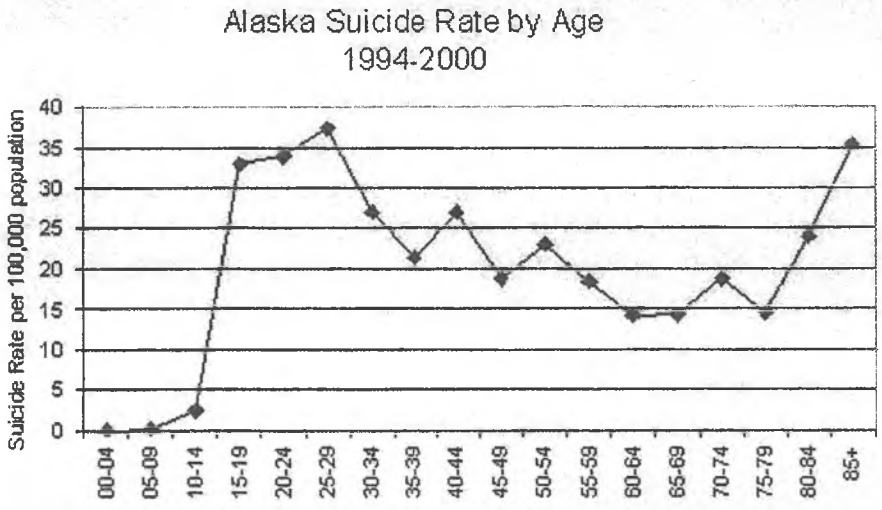


Alaska Suicide Facts and Statistics

- Alaska has the highest rate of suicide per capita in the country.
- The rate of suicide in the United States was 11.5 suicides per 100,000 people in 2007. In 2007, Alaska's rate was 21.8 suicides per 100,000 people. The rate of suicide among Alaska Native peoples was 35.1 per 100,000 people in 2007.
- Alaska had 1,369 suicides between 2000 and 2009, an average of 136 deaths by suicide per year. The highest number of suicides, 167, occurred in 2008. The lowest number, 123, occurred in 2003. That is an average of about 2.6 suicides in Alaska every week, or more than 10 a month.
- At least one suicide occurred in 176 Alaskan communities between 2000 and 2009.
- About 78% of suicides in Alaska are committed by men and 22% are committed by women, according to the Suicide Prevention Resource Center.
- Alaska Native men between the ages of 15-24 have the highest rate of suicide among any demographic in the country, with an average of 141.6 suicides per 100,000 each year between 2000 and 2009.
- Youth who are exposed to suicide or suicidal behaviors are more at-risk for attempting suicide, according to the American Association of Suicidology.
- Suicide deaths consistently outnumber homicide deaths by a margin of three to two, according to the American Association of Suicidology.
- More than 90% of people who die by suicide have depression or another diagnosable, treatable mental or substance abuse disorder, according to American Association of Suicidology.

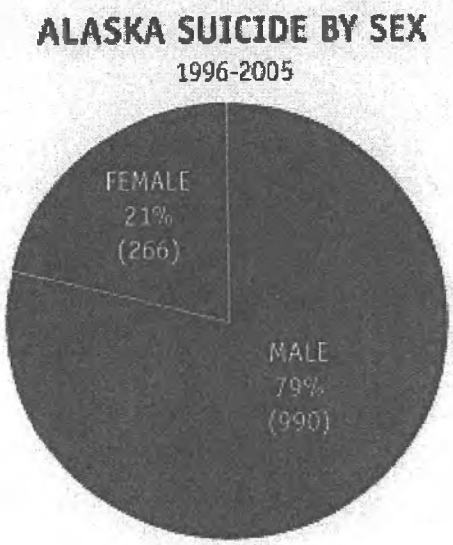
Information is from the Alaska Bureau of Vital Statistics unless otherwise specified.

Alaska Suicide Rate by Age

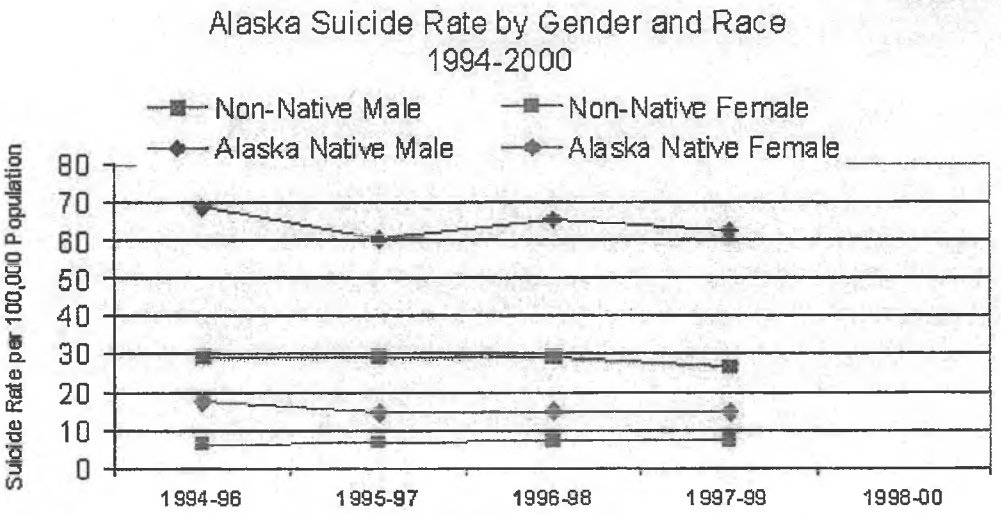


Note: Suicide rates are age-adjusted. Source: CDC WISQARS Injury Mortality Report

Alaska Suicide Rates by Sex

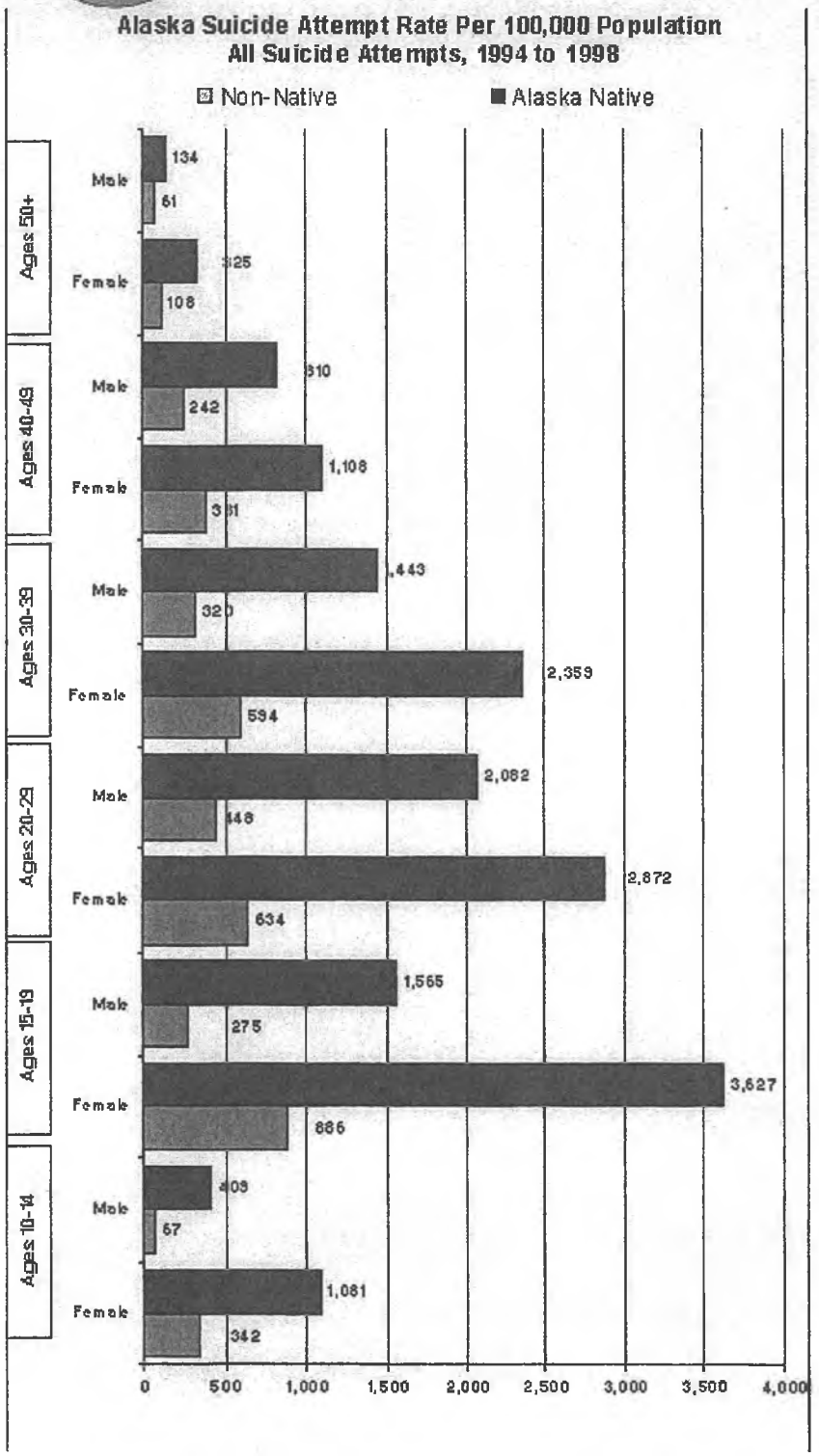


Alaska Suicide Rates by Gender and Race



Note: Age-adjusted rates per 100,000 US 2000 standard population. Rates by race are unavailable.
Source: Alaska Bureau of Vital Statistics

Alaska Suicide Attempts



RECOMMENDATIONS FOR REPORTING ON SUICIDE



Developed in collaboration with: American Association of Suicidology, American Foundation for Suicide Prevention, Annenberg Public Policy Center, Associated Press Managing Editors, Canterbury Suicide Project - University of Otago, Christchurch, New Zealand, Columbia University Department of Psychiatry, ConnectSafely.org, Emotion Technology, International Association for Suicide Prevention Task Force on Media and Suicide, Medical University of Vienna, National Alliance on Mental Illness, National Institute of Mental Health, National Press Photographers Association, New York State Psychiatric Institute, Substance Abuse and Mental Health Services Administration, Suicide Awareness Voices of Education, Suicide Prevention Resource Center, The Centers for Disease Control and Prevention (CDC), and UCLA School of Public Health, Community Health Sciences.

IMPORTANT POINTS FOR COVERING SUICIDE

- More than 50 research studies worldwide have found that certain types of news coverage can increase the likelihood of suicide in vulnerable individuals. The magnitude of the increase is related to the amount, duration and prominence of coverage.
- Risk of additional suicides increases when the story explicitly describes the suicide method, uses dramatic/graphic headlines or images, and repeated/extensive coverage sensationalizes or glamorizes a death.
- Covering suicide carefully, even briefly, can change public misperceptions and correct myths, which can encourage those who are vulnerable or at risk to seek help.

Suicide is a public health issue. Media and online coverage of suicide should be informed by using best practices. Some suicide deaths may be newsworthy. However, the way media cover suicide can influence behavior negatively by contributing to contagion or positively by encouraging help-seeking.

Suicide Contagion or "Copycat Suicide" occurs when one or more suicides are reported in a way that contributes to another suicide.

References and additional information can be found at: www.ReportingOnSuicide.org.

INSTEAD OF THIS:	DO THIS:
• Big or sensationalistic headlines, or prominent placement (e.g., "Kurt Cobain Used Shotgun to Commit Suicide").	• Inform the audience without sensationalizing the suicide and minimize prominence (e.g., "Kurt Cobain Dead at 27").
• Including photos/videos of the location or method of death, grieving family, friends, memorials or funerals.	• Use school/work or family photo; include hotline logo or local crisis phone numbers.
• Describing recent suicides as an "epidemic," "skyrocketing," or other strong terms.	• Carefully investigate the most recent CDC data and use non-sensational words like "rise" or "higher."
• Describing a suicide as inexplicable or "without warning."	• Most, but not all, people who die by suicide exhibit warning signs. Include the "Warning Signs" and "What to Do" sidebar (from p. 2) in your article if possible.
• "John Doe left a suicide note saying...".	• "A note from the deceased was found and is being reviewed by the medical examiner."
• Investigating and reporting on suicide similar to reporting on crimes.	• Report on suicide as a public health issue.
• Quoting/interviewing police or first responders about the causes of suicide.	• Seek advice from suicide prevention experts.
• Referring to suicide as "successful," "unsuccessful" or a "failed attempt."	• Describe as "died by suicide" or "completed" or "killed him/herself."

AVOID MISINFORMATION AND OFFER HOPE

- Suicide is complex. There are almost always multiple causes, including psychiatric illnesses, that may not have been recognized or treated. However, these illnesses are treatable.
- Refer to research findings that mental disorders and/or substance abuse have been found in 90% of people who have died by suicide.
- Avoid reporting that death by suicide was preceded by a single event, such as a recent job loss, divorce or bad grades. Reporting like this leaves the public with an overly simplistic and misleading understanding of suicide.
- Consider quoting a suicide prevention expert on causes and treatments. Avoid putting expert opinions in a sensationalistic context.
- Use your story to inform readers about the causes of suicide, its warning signs, trends in rates and recent treatment advances.
- Add statement(s) about the many treatment options available, stories of those who overcame a suicidal crisis and resources for help.
- Include up-to-date local/national resources where readers/viewers can find treatment, information and advice that promotes help-seeking.

SUGGESTIONS FOR ONLINE MEDIA, MESSAGE BOARDS, BLOGGERS & CITIZEN JOURNALISTS

- Bloggers, citizen journalists and public commentators can help reduce risk of contagion with posts or links to treatment services, warning signs and suicide hotlines.
- Include stories of hope and recovery, information on how to overcome suicidal thinking and increase coping skills.
- The potential for online reports, photos/videos and stories to go viral makes it vital that online coverage of suicide follow site or industry safety recommendations.
- Social networking sites often become memorials to the deceased and should be monitored for hurtful comments and for statements that others are considering suicide. Message board guidelines, policies and procedures could support removal of inappropriate and/or insensitive posts.

MORE INFORMATION AND RESOURCES AT:
www.ReportingOnSuicide.org

HELPFUL SIDE-BAR FOR STORIES

WARNING SIGNS OF SUICIDE

- Talking about wanting to die
- Looking for a way to kill oneself
- Talking about feeling hopeless or having no purpose
- Talking about feeling trapped or in unbearable pain
- Talking about being a burden to others
- Increasing the use of alcohol or drugs
- Acting anxious, agitated or recklessly
- Sleeping too little or too much
- Withdrawing or feeling isolated
- Showing rage or talking about seeking revenge
- Displaying extreme mood swings

The more of these signs a person shows, the greater the risk. Warning signs are associated with suicide but may not be what causes a suicide.

WHAT TO DO

If someone you know exhibits warning signs of suicide:

- Do not leave the person alone
- Remove any firearms, alcohol, drugs or sharp objects that could be used in a suicide attempt
- Call the U.S. National Suicide Prevention Lifeline at 800-273-TALK (8255)
- Take the person to an emergency room or seek help from a medical or mental health professional

THE NATIONAL SUICIDE PREVENTION LIFELINE
800-273-TALK (8255)

A free, 24/7 service that can provide suicidal persons or those around them with support, information and local resources.

NATIONAL SUICIDE PREVENTION LIFELINE
1-800-273-TALK (8255)

Council Members

If you would like to reach any of the SSPC Council Members, please contact Kate Burkhart.

- **William Martin, Chair,** Alaska Federation of Natives — Juneau
- **Meghan Crow, Vice-Chair, LCSW, Secondary schools** — Bethel
- **Christine Moses, Officer at-Large,** Rural Member off the road system — Bethel
- **Melissa Stone, Recorder/Treasurer, DHSS** — Anchorage
- **Barbara Jean Franks,** Suicide Loss Survivor — Anchorage
- **Phyllis Carlson,** Education and Early Development — Juneau
- **Brenda Moore,** Alaska Mental Health Board — Anchorage
- **Anna Sappah, ABADA** — Anchorage
- **Teressa Baldwin,** Youth Member — Sitka
- **Alana Humphrey, Statewide youth organization** — Anchorage
- **Sharon Norton, MSN, RN, Public** — Homer
- **Pastor Lowell W. Sage Jr., Clergy** — Kivalina
- **Senator Johnny Ellis** — Anchorage
- **Senator Fred Dyson** — Eagle River
- **Representative Anna Fairclough** — Eagle River
- **Representative Berta Gardner** — Anchorage

Suicide Prevention Council Coordinators

- **Eric Morrison, Assistant**
  431 North Franklin Street, Suite 200
  Juneau, Alaska 99801
  Office: 907-465-6518
  Toll free: 1-888-464-8920
  Fax: 907-465-4410
- **J. Kate Burkhart, Executive Director**
  431 North Franklin Street, Suite 200
  Juneau, Alaska 99801
  Office: 907-465-6518
  Toll free: 1-888-464-8920
  Fax: 907-465-4410

MIKE DINGMAN: Legislators should come together on suicide prevention bill

By Mike Dingman | Posted: Friday, January 27, 2012 5:32 pm

This year, even early on in the current legislative session, there is a lot of talk of oil taxes, productivity of the Alyeska Pipeline and other important issues. However, another important issue being moved through committees this year is that of suicide education for teachers around the state.

According to the National Conference of State Legislatures:

19.3 percent of high school students have seriously considered killing themselves.

14.5 percent of high school students made actual plans for committing suicide,

900,000 youth planned their suicides during an episode of major depression.

Senate Bill 137 will provide teachers with education about suicide to help save the lives of our children. By giving teachers the tools to notice early warning signs of suicide they can intervene and hopefully provide these children with the help they need.

Cynthia Curran of the Department of Education and Early Development said in the Senate Education Committee meeting that this would happen through an "E-Learning" module that would allow teachers to access this training on their own time.

Many of us have been touched by suicide. Its effects reverberate throughout a community. Taking one's own life may seem an easy way out, but it can be very difficult on those that you leave behind. Those who are left often feel guilt, sadness and confusion. They wonder what it is they could have done to help, before depression led to tragic consequences.

The front page of the State of Alaska Department of Health and Social Services webpage lists no resources for suicide prevention. The resources are provided, but you have to dig into the website to find them.

Alaska has, however, taken some important steps towards the end of preventing suicides. The Alaska Suicide Prevention Council was created in October of 2001 with a mission of "reducing the incidence of suicide and non-lethal suicidal behavior in Alaska."

The 2010 report by the Statewide Suicide Prevention Council shows the overall suicide rate as twice the national average, and that Alaska Natives continue to account for an even more disproportionate number of that.

Remind the people close to you how important they are to you. Show them your love and affection; help everybody to understand that their life is sacred and that you are there for them if they need support. Help them reconnect spiritually if they have lost their course, and treat them with the caring and compassion that their life dictates.

If you know someone who is, or may be in crisis, make sure they find help. Some risk factors to look for are: joking around about suicide, previous suicide attempts, trouble eating or sleeping, drastic changes in behavior, taking unnecessary risks, withdrawing from friends and activities, increased use of alcohol or drugs and dramatic changes in appearance.

While the legislature is busy fighting partisan fights over oil taxes and other issues, it is important that Republicans and Democrats alike can come together over a bill so simple, that can save countless number of lives.

Mike Dingman is a fifth generation Alaskan born and raised in Anchorage. He is a former student body president at UAA and has studied, worked and volunteered in Alaska politics since the late '90s. He can be reached at michaeldingman@gmail.com

CASTING THE NET UPSTREAM: PROMOTING WELLNESS TO PREVENT SUICIDE



Alaska State Suicide Prevention Plan

Statewide Suicide Prevention Council
William Martin, Chairman
Sean Parnell, Governor

Acknowledgements and Appreciation

This state plan for reducing suicide in Alaska is truly the result of statewide effort by individuals and organizations all over our state. We would like to thank the following people for their contributions, expertise, wisdom, and support throughout this planning process:

James Sipary • Dr. Rita Blumenstein • Sam Trivette • Gayle Trivette • Paul O'Brien • Kimberlee Jones • Bernard Gatewood • Alvin Jimmie • Audrey Saganna • Dr. Mark Erickson • Thomas Chard • Ella Craig • Dr. James Allen • Susan Soule • Iva Greywolf • Andrew Jessen • Patrick Sidmore • Margaret "Peggy" West • Phyllis Rhodes • Matt Sena • Bryson Corbett • Dr. Jay Butler • Doug Harris • Kyla Hagan • Eric Boyer • Gary Ferguson • Lt. Kris Sell • Michelle Woods • Bridie Trainor • Jessie Dybdahl • Brendan Kiernan • Barbara Martin • Col. Audie Holloway • Michael Kerosky • Eric Holland • Jim Biela • Carol Waters • Nina Allen • Amanda Murdoch • Chris Gunderson • Officer Wendi Shackelford • Scott Saxon • Ian Erlich • Amber Latham • TJ Wocasek • Russell Overman • Karen Forrest • Randall Burns • Dr. Ephraim Palermo • William Hogan • Patricia Harding • Mary Russell • Bob Curtis • Liz Moore • Elizabeth Hensley • Matt Lazarus • Doug Modig • Bruce Alver • Rep. Reggie Joule • Linda Joule • Sgt. Duane Stone • Stan Hawling • Brian Laurent • Renee Schofield • Mary Sullivan • Hillary Strayer • Ariel Zlatkovski • Geordie Sherrick • Ann Brainerd • Larry Ledoux • Patrick Hefley • Jim Henkelman • Joan Boltz • Reynold Okitkun • Sally Rue • Patrick Anderson • Sarah Dewane • Richard Nault • Karen Shaff • Chris Washko • Kalynn Peak • Mindy Cason • Stephanie McPeeks • Cynthia Erickson • Dr. Kathy Graves • Francine Harbour • Marlene Adams • Katie Baldwin-Johnson • Patty Owen • Diane Casto • James Gallanos • Wilbur Brown • Sharon Fishel • Christian Montean • Joe Yates • Paul John • Kendra Kloster • Desiree Compton • Joe Davis • Joseph Felix • Larson King • Thomas Jumbo • John Abraham • Suzy Walter • Mr. Pete Peter • Bobbi Outten • Myron P. Naneng, Sr. • Dr. Stacy Rasmus • Bill Charles • Diane Bensen • Glen Ramos • Doreen Shumacher • Beth Smart • Laura Brooks • Jeanine Sparks • Christian Stettler • Michelle Faison • Brian Houston • Lance Brown • Scott Ciambor • Teri Tibbett • Brittany Arey

Statewide Suicide Prevention Council

Letter from William Martin, Chairman

Statewide Suicide Prevention Council

Friends,

Suicide is such a painful, personal issue that it is often too hard to think about, which makes solving the problem of suicide seem impossible. I am so grateful that brave people from all over our great state are speaking openly about suicide and how it affects our families and communities. Thanks to this more open and honest conversation about suicide, Alaska has a new state plan of action for preventing suicide.

We started the process of updating Alaska's state suicide prevention plan in January 2010 with the *Mending the Net* Statewide Suicide Prevention Summit. The work that was done at that summit, and for months after, helped us see that our suicide prevention system had just as many strengths as it did weaknesses. Together, we were able to start to build a more coordinated and comprehensive approach to preventing suicide. And we were able to bring the excellent work of our tribal organizations and the suicide prevention efforts of state and local organizations together in a new way. This was the foundation for a broad and inclusive planning process driven by the **people of Alaska**.

We call this plan *Casting the Net Upstream* because, in addition to helping someone in crisis, Alaskans have to focus on what is happening during life that can lead a person to being at risk for suicide. It is based on an idea – a prevention parable – long used in public health systems. The further up the wellness stream you go to intervene, the more likely you are to avoid serious health problems like suicide.

Casting the Net Upstream is a **plan of action.** Every single Alaskan has a job to do if we are going to prevent suicide in our families, schools, work places, and communities. We have provided resources and information to help individuals, communities, and the State of Alaska take action to achieve these goals and objectives. We hope that you will read the plan, and then you will use it to help build stronger, healthier communities.

Every life matters. Your life matters. And you are not alone.

Together, we can prevent suicide and save lives.

Statewide Suicide Prevention Council

Members, 2012

Teressa Baldwin
Phyllis Carlson
Meghan Crow
Sen. Fred Dyson
Sen. Johnny Ellis
Rep. Anna Fairclough
Barbara Franks
Rep. Berta Gardner
Alana Humphrey
William Martin
Brenda Moore
Christine Moses
Lowell Sage, Jr.
Anna Sappah
Melissa Stone
Sharon Strutz Norton



Staff:

J. Kate Burkhart, Executive Director
Eric Morrison, Council Assistant

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The Parable of the River

There once was a village along a river. The people there were good and kind, and life was good there. One day, a villager noticed someone floating down the river. He quickly dove into the river, swimming out to rescue the person from drowning. He dragged the person onto the bank, saving a life.

The next day, the same villager noticed two people floating down the river. He called for help. Another villager came running. Together they saved both people from the river. The next day, there were four people caught in the river, and the next day, eight people!

The good and kind villagers organized themselves to save as many of the people as possible. They built a watchtower, to better see the people rushing by in the river. They trained their strongest villagers to swim through the swift waters. Soon, they had watchers and rescue teams working all day and all night. And yet, each day more and more people came down the river.

The good and kind villagers rescued many people, but there were just too many coming down the river. Not every person was saved, though the villagers felt they were doing good work to save as many as they could each day. For many weeks, life continued this way. One day, someone asked, "Where are these people coming from, anyway?" The villagers looked to each other, but no one had an answer. Being good and kind and very efficient, the villagers organized a group to go upstream to find out why the people were ending up in the river. Because it might be a long and hard journey, they decided their strongest members would go.

The village leaders objected: "If our strongest rescuers go upstream to find this out, who will save the people from the river here? We need everyone here."

Some villagers argued in favor of sending a group upstream: "If we find out why they are ending up in the river, we can stop whatever is happening and save everyone! By going upstream, we can solve the problem."

The leaders weren't convinced, and so the villagers continued to rescue the people from the river as they passed by the village. The number of people continued to grow each day, and while the villagers managed to save a few more people each day, there were more and more they did not save.

This parable is used to describe the difference between a system focused on intervention – rescuing people from the river – and one that emphasizes prevention. We are **all of us** villagers with an opportunity to save lives. The State of Alaska and its partners have spent the last two years "mending the net" of our suicide prevention systems. It's time now to cast that net "upstream," to determine why Alaskans are at risk for suicide and to help strengthen our peoples, families and communities.



Introduction

The Statewide Suicide Prevention Council ["Council"] was established by the Alaska Legislature in 2001. After a legislative audit in 2008, it was extended by the Legislature to June 30, 2013. The Council is responsible for advising legislators and the Governor on ways to improve Alaskans' health and wellness by reducing suicide, improving public awareness of suicide and risk factors, enhancing suicide prevention efforts, working with partners and faith-based organizations to develop healthier communities, creating a statewide suicide prevention plan and putting it in action, and building and strengthening partnerships to prevent suicide.

Casting the Net Upstream: Promoting Wellness to Prevent Suicide in Alaska is offered to fulfill the Council's statutory duty to create a statewide suicide prevention plan. It is an update of the Council's 2004 plan. Unlike the previous plan, this is a five year plan with specific measures (indicators) that will be evaluated to ensure that the state suicide prevention system is effective – or to allow for further development if the expected results are not achieved. It is based on extensive public input and stakeholder efforts to create a suicide prevention plan that responds to the unique needs of our communities and benefits from the creativity and culture of Alaska's people.

This is a call to action. Specific strategies have been identified to achieve the goals and objectives of the suicide prevention system. These strategies were developed from the wisdom and experience of Alaskans all over our state. They are based on the most current and credible data and research available. These strategies are ways that individuals, communities, and the State of Alaska can act together to prevent suicide.

Examples of programs and initiatives that fit within these strategies are provided. However, these are not all of the ways Alaskan communities are working to prevent suicide. Tribes, tribal health organization, teachers, school districts, and individuals are all working together to prevent suicide in unique and creative ways.

This is a uniquely Alaskan endeavor, though is aligned with the National Strategy for Suicide Prevention and the American Indian and Alaska Native National Suicide Prevention Strategic Plan (2011-2015). This will help us evaluate our system against national standards and other states' efforts. The Council and its partners will be able to offer annual scorecards and implementation reports, highlight the successes of evidence-based suicide prevention programs as well as emerging and innovative prevention efforts, and foster better coordination and communication among suicide prevention providers.

The plan is organized to reflect the most current research and understanding of the "web of causality" of suicide. Suicidal behavior results from a combination of genetic, developmental, environmental, physiological, psychological, social, and



cultural factors operating in complex, and often unseen, ways. Human beings are innately resilient but the events and experiences of a lifetime can weaken that resiliency to a point when a person becomes at risk of suicide. The warning signs of suicide are provided in Appendix A.

The Council has stressed the need to mend the net of services and supports in place to prevent suicide. In this plan, the Council is encouraging Alaskans to cast that net in a way that promotes physical, emotional, and mental wellness and strengthens personal and community resilience – to prevent suicide by promoting the health of our people, families, and communities. Over the next five years, Alaskan individuals, families, communities, and state government will be challenged to take responsibility for the entire spectrum of suicide prevention.

It starts with Wellness Promotion, the overall health and environmental condition that can increase or decrease the risk of suicide. The next layer is Suicide Prevention, universal efforts to improve awareness and understanding about suicide among all Alaskans.

Then there is Crisis Intervention, the services and supports provided to a person who is experiencing a mental or emotional crisis that creates a serious risk of suicide. Finally, there is Postvention. This is a term that includes the ways that we respond after a suicide occurs to prevent further loss, and how we support survivors of a loss to suicide as they grieve and heal. The Council calls for postvention in Alaska to include how we support the person who survives an attempted suicide and his or her family and community in preventing further attempts.

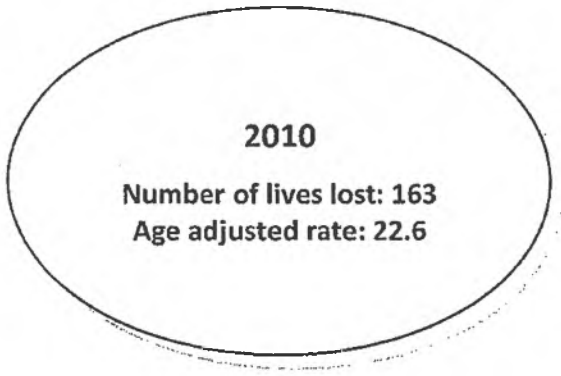
The plan is organized to make it easy to see who can act and how. There are six (6) goals. You will learn about the specific strategies that individuals and families can use to reach these goals. You will also learn what practices communities and organizations can adopt in prevention efforts, and how the State of Alaska can improve the effectiveness of suicide prevention system.

Because *Casting the Net Upstream* is a call to action, it references but does not include a comprehensive look at the data or a historic perspective of the problem of suicide in Alaska. The Council's FY2010 Annual Report, *Mending the Net: Suicide Prevention in Alaska*, provides an extensive review of the data and funding information related to suicide in Alaska since 2000. Additional data and research resources are available on StopSuicideAlaska.org, the State's suicide prevention portal, and the Council's website. A bibliography and resource guide is included in Appendix B.



Goal 1: Alaskans Accept Responsibility for Preventing Suicide

Preventing suicide is every Alaskan's responsibility. Like any other public health problem, suicide can be prevented through increased awareness, education, and targeted interventions to reduce and address risk. In order for these efforts to be successful, Alaskan individuals, families, communities, and governments must take ownership of the problem – and the solution.



Strategy 1.1 ~ Alaskans learn and understand that suicide is preventable.

Suicide is preventable. While each suicide or attempted suicide can be as unique as the person who experiences it, there are ways to address the "web of causality" – the multiple social, emotional, environmental, and health factors – involved. If every one of us learned about suicide, and the risk factors and protective factors involved, we would be better prepared to prevent suicide in our families and communities.

How can Alaskans learn about suicide and how it is prevented?

Resources:

1. Go to StopSuicideAlaska.org and read through the resources provided there.

2. Go to the Council's website and read:
   - annual reports tracking suicide and suicide prevention in Alaska since 2002;
   - the 2007 Alaska Follow-Back Study; and
   - newsletters and periodic updates on research, data, and practices.

3. Attend a meeting of the local suicide prevention or wellness coalition.

4. Explore national suicide prevention organizations' resources:
   - American Association of Suicidology www.suicidology.org;
   - American Foundation for Suicide Prevention www.afsp.org;
   - Suicide Prevention Resource Center www.sprc.org;
   - Indian Health Service www.ihs.gov/NonMedicalPrograms/nspn;
   - National Action Alliance for Suicide Prevention www.actionallianceforsuicideprevention.org/; and
   - Substance Abuse and Mental Health Services Administration Suicide Prevention Section www.samhsa.gov/prevention/suicide.aspx

5. Attend a Council meeting (in person or by telephone).

Learning about suicide will allow Alaskans to talk openly with their families, friends, and neighbors about suicide and how to prevent it.

Indicator: 1.1.a. Number of unique visits to StopSuicideAlaska.org: 11,306 (2010-2011)

Strategy 1.2 ~ Alaskan adults and elders choose healthy, responsible lifestyles in order to serve as role models for younger generations.

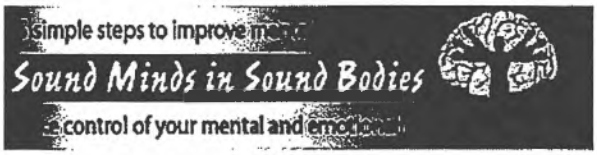
Throughout the planning process, Alaskan youth shared the profound need for healthy role models at home and in their communities. Substance abuse by parents and community leaders was identified by stakeholders young and old as a major contributor to suicide. Given the evidence that substance abuse is involved in many reports of harm to Alaskan children, and research shows how adverse childhood experiences[1] increase the risk of suicide in adulthood, it is important that every Alaskan adult make healthy and responsible lifestyle choices and model those choices for others.

Alaskans seeking to make healthy choices and overcome addictions and negative behaviors can learn more about treatment and support services from their medical provider, health educator, or community health/behavioral health aide. Mental health and substance abuse treatment options vary from community to community. Information about what is available is provided by Alaska 2-1-1, community behavioral health centers, health corporations, Careline, and the Advisory Board on Alcoholism and Drug Abuse.

Research shows that mental and emotional health can be improved and maintained just like physical health. Mental health promotion is as simple as adding five things to your life: exercise, social connection, acts of giving, self-awareness, and learning.

[1] Extensive research on the impact of child abuse, parental addiction, and other negative events during childhood has been documented by the Adverse Childhood Experiences Study (ACES). This is a longitudinal study by the Centers for Disease Control and Prevention and Kaiser Permanente, tracking the consequences of adverse childhood events in over 17,000 people. Information about the study and its findings are available at http://acestudy.org/.

Promoting mental and emotional wellness in your life and the lives of your family members is directly related to reducing the risk of suicide. Nationally, the data reflects a distinct link between depression and risk of suicide. The American Association of Suicidology reports that about 66% of people who complete suicide are depressed at the time of their deaths.[2] The risk of suicide in people with major depression is about 20 times that of the general population.[3] Depression can be prevented in some cases, and in others, it can be mitigated and managed, through proactive lifestyle changes that improve or maintain health.



Resources:

To find a mental health treatment provider in your community, call Alaska 2-1-1 or the Alaska Mental Health Board at 1-888-464-8920.

To find a substance abuse treatment provider in your community, call Alaska 2-1-1 or the Advisory Board on Alcoholism and Drug Abuse at 1-888-464-8920.

To find a primary care provider in your community, call Alaska 2-1-1 or the Alaska Primary Care Association at (907) 929-2722.

To learn more about how to improve and maintain mental and emotional health, talk to your medical provider, health educator, or community health/behavioral health aide or visit the *Sound Minds in Sound Bodies* project at http://hss.state.ak.us/abada/sound.htm.

[2] American Association for Suicidology, *Some Facts About Suicide and Depression* at 2 (online at http://www.suicidology.org/c/document_library/get_file?folderId=232&name=DLFE-246.pdf).

[3] *Id.*

Indicators:
1.2.a. Rate of adult binge drinking: 17.9% (BRFSS, 2009)
1.2.b. Child seeing violence or physical abuse in person: 4% (CUBS, 2009)

Strategy 1.3 ~ Alaskan youth seek out healthy and appropriate relationships with role models in their community

Just as it is important that Alaskan adults and elders become good role models, it is important that young people seek out healthy role models of their own. Not every child or young person has the benefit of a family member who can model resiliency and wellness. That should not mean that there is no one for youth to look up to.

Young people consistently cited the value of school social workers, coaches, teachers, ministers, and other trusted adults in their lives. These adults are a source of support and guidance. Young people can establish healthy and appropriate relationships with adults by getting involved in sports and clubs at school, cultural activities, scouting, church/faith-based organization activities, and mentoring programs that promote connectedness and other protective factors.

Resources:

Facing Foster Care in Alaska is a group of foster care youth and alumni (over age 15) focused on improving Alaska's foster care system. Facing Foster Care offers the added benefit of youth supporting each other through shared experience and education. For more information, call (907) 230-8237.

Juneau Youth is a community coalition sponsored by United Way of Southeast Alaska. Through its website and social media, Juneau Youth provides a clearinghouse of opportunities to participate in healthy activities and connect with appropriate adults (coaches, teachers, etc.) in the community. Visit www.juneauyouth.org for the activity clearinghouse, or email: compass@unitedwayseak.org for more information about the coalition.



Big Brothers Big Sisters is a nationally recognized mentoring program. Children and youth are matched with adults through community-based mentorship (long-term, traditional matches) or site-based mentorship (at school or through a youth program). Big Brothers Big Sisters of Alaska also has a Native American Mentoring Initiative to strengthen programs in rural Alaska, a mentoring program for youth at McLaughlin Youth Center (a juvenile justice facility), Operation Bigs for children of military families and military members seeking to be a big brother or sister, and the Amachi program for children with a parent in prison.

To learn more about how to enroll a child in Big Brothers Big Sisters or how to become a mentor, email info@bbsak.org or call your local office.

Youth can also connect with healthy and responsible adults through their communities of faith, scouting programs, and school programs. Student government, Boy Scouts, Girls Scouts, Campfire, sports teams,

and church youth groups are all excellent opportunities to find positive role models.

Indicators: 1.3.a. Traditional high school students participating in organized after-school activities 2 or more days a week: 44% (YRBS, 2011)
1.3.b. Alternative high school students participating in organized after-school activities 2 or more days a week: 64.9% (YRBS, 2011)

Strategy 1.4 ~ Communities will develop environments of respect, value, and connectedness for all members.

Risk factors for suicide include low self-esteem, psychological pain in response to loss or rejection, and lack of personal or familial acceptance of sexual orientation.

Shame, guilt, hopelessness, and purposelessness are also risk factors.[4] These risk factors often develop as a result of racism, discrimination, and exclusion based on cultural and personal differences.



Bullying, including "cyberbullying," is rampant in American schools. Studies have found that 32-65% of high school students have reported being bullied in school because of "their perceived or actual appearance, gender, sexual orientation, gender expression, race/ethnicity, disability, or religion."[5] Bullying is associated with increased depression and risk of suicide among victims.[6]

Research has shown connections between experienced and/or perceived racism and negative health consequences, especially regarding mental health.[7] Experienced and perceived racial discrimination can have physiological consequences, as well as result in the "adaptation and maladaptation of the individual to the circumstances of life."[8] This means that, when someone is discriminated against, it has a real impact on his or her life and health.

Lack of acceptance, bullying, discrimination and exclusion from familial and community relationships have been cited as contributing

[4] The American Association of Suicidology has compiled a list of chronic and acute risk factors based on the current research (online at http://www.suicidology.org/web/guest/current-research).

[5] *Suicide and Bullying Issue Brief*, Suicide Prevention Resource Center (2011).

[6] *Id.* citing "Association between Bullying and Psychosomatic Problems: A Meta-Analysis," G. Gini & T. Pozzoli, *Pediatrics*, 123(3), 1059–1065 (2009); "Bullying and Suicide: A Review," Y. Kim & B. Leventhal, *International Journal of Adolescent Medicine and Health*, 20(2), 133–154 (2008); "Cyber and Traditional Bullying: Differential Association with Depression," J. Wang, T. Nansel, & R. Iannotti, *Journal of Adolescent Health*, 48(4), 415–417 (2010).

[7] While there are significant limitations to this emerging area of health research, notably the focus on a single population of color (African-Americans), the field is progressing to include standardized measurement of experienced racism by indigenous peoples. "Development and Validation of the Measure of Indigenous Racism Experiences (MIRE)," Y. C. Paradies and J. Cunningham, *International Journal for Equity in Health* (2008). (Online at http://www.equityhealthj.com/content/pdf/1475-9276-7-9.pdf.)

[8] "Protective and Damaging Effects of Mediators of Stress," B.S. McEwen and T. Seeman, *Annals of the New York Academy of Science* 896: 31 (1999) (cited in *Undoing Racism in Public Health: A Blueprint for Action in Urban MCH*, D. Barnes-Josiah (2004) (online at http://webmedia.unmc.edu/community/citymatch/CityMatCHUndoingRacismReport.pdf).

factors to higher rates[9] of suicide among lesbian, gay, bisexual, transgender, and questioning (LGBTQ) individuals.[10]

The Centers for Disease Control and Prevention's Strategic Direction for Prevention of Suicidal Behavior proposes to prevent suicide by "building and strengthening connectedness or social bonds within and among persons, families and communities."[11] That feeling of connectedness or belonging has been proven to be highly protective against suicidal thoughts and behaviors.[12] Communities can promote equality, inclusion, respect, and acceptance by:

- coordinating and supporting efforts to create safe, inclusive, respectful environments for all members of the community;
- emphasizing the strengths and contributions of different cultures in the community;
- instituting school and workplace policies that encourage inclusiveness and prohibit bullying and discrimination.

Resources:

The PACER National Center on Bullying Prevention was founded in 2006 to unite, engage, and educate communities to address bullying. It provides creative and interactive resources, like Kids Against Bullying (for younger children) and Teens Against Bullying. These are interactive and age-appropriate websites designed to educate about bullying and encourage action to prevent it.

PACER provides classroom resources and peer advocacy tools. PACER coordinates National Bullying Prevention Month in October each year. Visit PACER's National Bullying Prevention Month Facebook page or http://www.PACER.org/bullying for more information about the event and how to participate.

Indicators: 1.4.a. Traditional high school students reporting being bullied in the past 12 months: 23% (YRBS, 2011)
1.4.b. Alternative high school students reporting being bullied in the past 12 months: 16.8% (YRBS, 2011)
1.4.c. Traditional high school students who agree/strongly agree that they feel they matter to people in the community: 64% (YRBS, 2011)
1.4.d. Alternative high school students who agree/strongly agree that they feel they matter to people in the community: 46% (YRBS, 2011)



[9] Since 1990, population-based surveys of American adolescents that have included questions about sexual orientation have consistently found rates of suicide attempts reported by LGBTQ youth 2-7 times higher than average. "Suicide and Suicide Risk in Lesbian, Gay, Bisexual, and Transgender Populations: Review and Recommendations," A. P. Haas et al., *Journal of Homosexuality* (Jan. 2011) (available online at http://www.informaworld.com/smpp/section?content=a931819675&fulltext=713240928).

[10] *Id.* "Over the past decade, consensus has grown among researchers that at least part of the explanation for the elevated rates of suicide attempts and mental disorders found in LGB people is the social stigma, prejudice and discrimination associated with minority sexual orientation (Cochran, Mays & Sullivan, 2003; de Graaf at al., 2006; King et al., 2008; Mays & Cochran, 2001; McCabe, Bostwick, Hughes, West, & Boyd, 2010)."

[11] "Promoting Individual, Family, and Community Connectedness to Prevent Suicidal Behavior," Centers for Disease Control and Prevention (online at http://www.cdc.gov/ViolencePrevention/pdf/Suicide_Strategic_Direction_Full_Version-a.pdf).

[12] *Id.* at 4.

Strategy 1.5 ~ Communities will engage parents and other mentors important in the lives of children and youth in health promotion efforts.

In order for Alaskan youth to build healthy and appropriate relationships with adult role models, communities must engage parents and other mentors to be involved in the lives of children and youth. A 1995 impact study of Big Brothers Big Sisters programs documented a positive impact on the lives of children and youth served over several life domains implicated in suicide risk.[13] Reduced likelihood of initiating drug or alcohol use, reduced incidence of violent/antisocial behaviors, improved academic performance, and improved connection and relationships with parents and peers were all included.[14] This sort of change can be achieved through other efforts to connect youth with healthy mentors and role models. Anchorage United for Youth is an example of how a community can do this.

Anchorage United for Youth, led by United Way of Anchorage, is a community coalition focused on increasing opportunities for, and providing supportive adult relationships to, youth. It supports families and works to change community norms to promote positive lifestyle choices by youth.

Anchorage United for Youth was formed in 2007. In less than five years, this coalition and its partners have helped improve the graduation rate in the Anchorage School District by over 6% and reduced youth substance use.

Even the smallest village can assemble a group of healthy role models to help youth thrive. By encouraging parents, elders, and other adults to get involved in the lives of youth, every community can promote healthy lifestyles and connections with family and friends.

Resources:

United Way has shown success in engaging community members in all sorts of endeavors. In Juneau and Anchorage, the local United Ways have helped connect parents and mentors with health promotion efforts (*see also* Strategy 1.3). To find out how, contact United Way of Anchorage at (907) 263-3803 or Juneau Youth at United Way of Southeast Alaska at (907) 463-5530.

Indicator: 1.5.a. Students who would feel comfortable seeking help from one or more adults (besides their parents) if they had an important question affecting their life: 85% (YRBS, 2011)



Strategy 1.6 ~ Communities will prioritize building protective factors and resiliency in all comprehensive prevention efforts.

Some Alaskan communities are already engaged in collaborative prevention efforts to help children and youth thrive. Others are not. While prevention efforts that target people in crisis or at risk of suicide are effective, they focus on "fixing a problem" rather than building personal and community strength. By increasing protective factors in their youth and families, communities can prevent suicide – as well as violence, substance abuse, academic failure, and other social problems – far "upstream."

The Alaska ICE Initiative of the Alaska Association of School Boards is an example of how a concerted effort to promote connectedness and inclusion can have positive outcomes on many of the life domains (academic success, alcohol/drug

[13] *Making a Difference, An Impact Study of Big Brothers Big Sisters*, Public/Private Ventures at iii (2000 re-issue) (http://www.ppv.org/ppv/publications/assets/111_publication.pdf).
[14] *Id.*

use, personal safety) implicated in suicide risk.[15] The Anchorage Youth Development Coalition is a group of 60 youth-serving organizations working together to promote resiliency and health among Anchorage's children and youth. They offer intensive evidence-based training for people working with Anchorage's youth. This ensures that people working with youth have the tools and skills needed to help build protective factors and resiliency.

Alaskan communities can promote resiliency and protective factors against suicide risk. Focusing on the strength and talents of our children and youth can, over time, protect them from many of the underlying risks associated with suicide.

Resources:

The 40 Assets, part of the Developmental Assets framework developed by the Search Institute of Minnesota, provides concrete, common sense, and positive qualities essential to healthy development.

The Association of Alaska School Boards and Department of Health and Social Services created *Helping Kids Succeed – Alaskan Style.* This handbook is for parents, teachers, coaches, aunties, uncles, and community members. You can purchase a copy from the Association of Alaska School Boards for $15, or call the Council (which has a limited number of free copies).

Indicator: 1.6.a. Student Overall Connectedness (statewide, weighted): 3.49 (on a 1-5 scale)(SCCS, 2010).

Strategy 1.7 ~ Communities will participate in efforts to de-stigmatize suicide and accessing treatment for mental health crises.

The stigma associated with mental illness creates a significant barrier to accessing services. People are afraid of being judged or treated differently if they go to see a mental health professional. Stigma is especially serious among older Alaskans, a population with high rates of suicide.[16] Senior services providers have reported that it is often difficult to engage seniors in behavioral health services because of stigma. Veterans, active duty military, ethnic minorities, and youth are other groups for whom stigma is a barrier to accessing the help they need.

It is important for communities to explicitly address this stigma and to support people seeking help for depression, grief, and mental health disorders as part of suicide prevention efforts. Communities can develop their own anti-stigma efforts, or participate in ongoing efforts like Mental Health Awareness Week and the National Day Without Stigma, Mental Health Month, World Suicide Prevention Day, Children's Mental Health Awareness Day, and other widely recognized public awareness events.

Events such as the Walk for Life, television and radio public service announcements, and educational efforts can be as complex or as simple as a community's readiness and resources permit.

Resources:

Successful campaigns involve simple messages of hope: "Treatment Works and Recovery Happens," "It Gets Better," "What a Difference a Friend Makes," "Reach Out,"

[15] The Alaska Association of School Boards Initiative for Community Engagement is focused on creating positive school and community environments for Alaska's children. www.alaskaice.org

[16] From 2000 to 2009, the rate of suicide among Alaskans over age 85 (34.4/100,000) was almost as high as for adolescents and young adults. The actual number of suicides was low (13) but this is an alarming trend that bears further attention.

"Live to Ride. Call to Live." The Substance Abuse and Mental Health Services Administration offers a **FREE** tool to help develop an anti-stigma campaign: *Developing a Stigma Reduction Initiative* helps with planning, recruiting partners, and outreach. It includes public service announcement scripts.



SAVE (Suicide Awareness Voices of Education) is a national organization that offers many public education and anti-stigma materials. While these are not free, they can be customized. Visit www.SAVE.org for more information about the organization and the resources available.

Indicator: 1.7.a. Alaskans comfortable with a family member, coworker, guest, or neighbor experiencing mental illness: 77.3% (AMHTA, 2010)

Strategy 1.8 ~ Community organizations will offer supports to promote healthy families.

There are many ways a community can support families and promote healthy relationships. In some communities, there are agencies and coalitions specifically focused on providing these supports. Supports and skills are provided through a variety of community parenting classes offered by tribal health corporations and village clinics, hospitals, domestic violence shelters, churches/faith-based organizations, mental health centers, and other organizations.

Alaska's early childhood learning program, *thread,* offers supports and services, as well as local referrals, statewide. For more information, visit www.threadalaska.org.

In some communities, there are specialized services and supports for families with high risk situations. Examples of these programs include Alaska Youth and Family Network, helping families and youth engaged in mental health services, and Fairbanks Native Association, providing case management services to families engaged with the Office of Children's Services to help parents successfully engage in substance abuse treatment.

Unfortunately, not all communities have readily accessible parenting classes and supports, especially those designed for young parents, parents from other cultures, or parents with disabilities. In order for all Alaskan children to grow up protected from risk of suicide, communities must offer ways for families to build the skills necessary to help their children grow up healthy.

Resources:

The Alaska Association for the Education of Young Children (AEYC) offers a wide variety of services and supports for families and communities. In Southeast Alaska, they have partnered with Partnerships for Families and Children to offer an interactive calendar of parent and family events and resources organized by community. Find community programs at www.southeastfamilies.org or contact the coordinator at (907) 789-1235 to learn about how the partnership was formed and the resource developed.

In Anchorage, the public library offers the Ready to Read Resource Center, dedicated to promoting early literacy. This is a **statewide** resource for anyone working with infants and toddlers. The Resource Center has over 200 reading kits that can be loaned to child care centers, health clinics, churches/faith-based organizations, and other early childhood providers. Call (907) 343-2970 for more information.

Indicator: 1.8.a. Number of communities offering parenting/caregiver classes (new)



Strategy 1.9 ~ The State of Alaska will support peer-to-peer wellness promotion and supports as an integral part of health promotion and suicide prevention.

Peer support is an effective and affordable way to help people achieve and maintain recovery from all manner of illnesses, from cancer and diabetes to mental health and substance use disorders. Peer support is also an effective tool in promoting overall wellness and preventing suicide.

Peer support can take many forms. It can involve one-on-one counseling and support, or group support. Peer support can help someone cope with a chronic disease, like diabetes or mental illness, or overcome a periodic or temporary issue like grief.

The Natural Helpers and Youth Leaders peer programs in the Lower Kuskokwim and Northwest Arctic school districts are an excellent example of how youth mentoring and supporting youth can reduce risk of suicide. Peer-identified natural helpers receive training and guidance from teachers and school staff to share positive coping skills, peer counseling, and support with other students. These programs also provide a way for youth who have experienced a loss to suicide to support each other (a form of postvention).

While some communities, like Anchorage and Juneau, have active peer support networks, not all communities do. Peer support is a cost-effective and locally available way of helping promote physical, emotional, and mental wellness to reduce risk of suicide. The State of Alaska has begun efforts to expand peer support services in rural communities.[17] This commitment supports communities as they develop local peer support resources.

Resources:

The Alaska Peer Support Consortium is the statewide coalition of peer support providers offering technical assistance to help communities plan and develop local peer support services. Call (907) 258-2772 for more information.

The Alaska Mental Health Trust Authority's Beneficiary Project Initiative also provides technical assistance to peer support organizations. Call (907) 269-7960 for more information. The Division of Behavioral Health can also provide support to communities developing peer support resources. Contact the Vocational Specialist at (907) 269-2051.

Indicator: 1.9.a. Number of Alaskans receiving state funded peer support services (new)

[17] Annualized funding ($225,000 GF/MH) for rural peer support services was appropriated for FY12.

Goal 2: Alaskans Effectively and Appropriately Respond to People at Risk of Suicide

Strategy 2.1 ~ Alaskans know how to identify when someone is at risk of suicide, and how to respond appropriately to prevent a suicide.

Understanding the warning signs of suicide is the first step in helping someone in crisis. Appendix A includes an explanation of the warning signs and a pocket card you can carry with you.

There are many types of trainings available to help Alaskans better identify when someone is at risk of suicide. These trainings provide the skills and tools needed to help. Mental Health First Aid, Applied Suicide Intervention Skills Training, and SafeTALK are internationally recognized intervention models that are all available here in Alaska. We have people trained in these models in communities statewide, and the opportunity to be trained in them ourselves. We also have a Gatekeeper model developed right here in Alaska by the Department of Health and Social Services and University of Alaska.

Mental Health First Aid educates people about mental health disorders and crises and provides skills to identify and help when someone is developing a disorder or experiencing a crisis. It teaches how to respond and how to connect someone in crisis with professional help. It is a 12-hour training designed for everyone, not just mental health professionals. Mental Health First Aid teaches people how to help someone experiencing a wide range of mental health emergencies, including thoughts of suicide. Mental Health First Aid is coordinated through the Trust Training Cooperative, a state-funded health care workforce trainer. The cost is currently $85.00. Call (907) 264-6228 for more information.

ASIST stands for Applied Suicide Intervention Skills. It is a two-day training that increases understanding about suicide and provides skills to recognize suicide risk and intervene to prevent suicide. The Alaska Native Tribal Health Consortium coordinates ASIST trainings statewide. ASIST trainers have trained nearly 1,000 teachers, health aides, counselors, clergy, and others in communities from Barrow to Klawock, King Cove to Tok.[18] To learn more about hosting an ASIST training, contact Alaska Native Tribal Health Consortium Behavioral Health and Rural Services at (907) 729-3751.



safeTALK complements ASIST. It is a half-day training for anyone over age 15. safeTALK provides education about how to respond when someone expresses thoughts of suicide, how to identify a person at risk of suicide, and how to connect a person thinking about suicide to the resources to keep them safe. The TALK steps are Tell, Ask, Listen, and Keep Safe. The person at risk "tells" someone they are thinking about suicide. The

[18] A map of communities with local ASIST trainers is available at from ANTHC online at http://www.anthc.org/chs/wp/injprev/upload/Map-of-ASIST-Trainers-6-11.pdf.

safeTALK trained person "asks" the person what's going on and then really "listens" to the person. The last step is to connect the person with resources, like an ASIST trained intervention caregiver, so the person can "keep safe." To learn more about hosting an safeTALK training, contact Alaska Native Tribal Health Consortium Behavioral Health and Rural Services at (907) 729-3751.

Alaska Gatekeeper Training is designed to educate people about suicide and help them identify warning signs and risk factors for suicide as well as protective factors that could help someone get through a crisis. Gatekeepers learn active listening skills and how to develop a safety plan that includes referral to appropriate community resources. Call (907) 465-8536 for more information.

The Iason Foundation, which opened an Alaska affiliate in Fall 2011, offers students, parents, and teachers/youth workers the tools and resources to identify and help at-risk youth. This is accomplished through a series of programs and services that focus on information about the awareness and prevention of youth suicide. For more information, contact the Jason Foundation affiliate at (907) 264-4304.

Indicator: 2.1.a. Number of Alaskans trained in suicide prevention/intervention (new)



Strategy 2.2 ~ Alaskans know about Careline and other community crisis lines, and can share that information with others.

Even without special training, you can always encourage someone who you think is at risk of suicide to call Careline, Alaska's statewide suicide prevention and crisis intervention hotline. There is also a national Suicide Prevention Lifeline, a Veterans Suicide Prevention Hotline, and the Trevor Project hotline for lesbian, gay, bisexual, transgender and questioning youth. All of these are 24/7 confidential call lines. Some communities have a local or regional call line. A wallet card with all these numbers is provided in Appendix A. You are encouraged to cut it out and keep it in your wallet so you can share it with anyone who might need it.

Indicators: 2.2.a. Number of calls to Careline annually: 5,507 (2010)
2.2.b. Alaskans who report knowing how to access services for suicide prevention: 69.6% (AMHTA, 2010)



Strategy 2.3 ~ Providers of services to veterans will prioritize suicide prevention screenings and effective interventions.

Veterans are at a higher risk for suicide, with an annual rate that increased 50% between 2001-2008.[19] Research about suicide by members of the armed forces indicates that gender (male), depression, substance abuse, and relationship difficulties (divorce, infidelity, etc.),[20] as well as prior attempts, traumatic brain injury, access to firearms, and loss of a close friend or loved one to suicide are all contributors to suicide.[21] Also an issue is homelessness, which sadly many Alaskan veterans face – 7% of Anchorage homeless identified in the 2010 Project Homeless Connect were veterans.

As with any population, veterans and military service members benefit from programs that identify risk factors and address them with

[19] *See* The War Within: Preventing Suicide in the US Military, Rand Corporation (2011).
[20] James LC, Kowalski TJ. Suicide prevention in an army infantry division: a multi-disciplinary program. Mil Med 1996; 161:97-101.
[21] Summary of The War Within: Preventing Suicide in the US Military, Rand Corporation, at 8-9 (2011).

effective – usually evidence-based – practices. The U.S. Air Force designed and implemented a universal, multi-layer suicide prevention program that involved many disciplines and engaged with service members throughout their system.[22] The result was a 33% decrease is the suicide rate over 6 years.[23]

The Veterans Administration has a robust suicide prevention program that includes a crisis line, specialized media tools and resources, local suicide prevention coordinators at every Veterans Administration Medical Center, an online clearinghouse, the "Ask, Care, Escort" model for identifying and connecting at risk veterans to services, and other tools.



Providers of services to Alaska's veterans should prioritize screening and early identification of warning signs/risk factors for suicide. This should include promotion of self-care and awareness. Evidence-based interventions should be chosen to specifically address the special needs of Alaska veterans – including homelessness, geographical barriers to accessing veterans health care services, stigma, and cultural differences. Use of telemedicine (through the systems provided by Alaska Native Tribal Health Consortium and Alaska Psychiatric Institute) should be encouraged and reimbursed so that veterans in rural Alaska have better access to mental health and substance abuse treatment service. Restriction of lethal means (Strategy 3.1) and effective postvention supports are also key to reducing suicide among Alaska's veterans.[24]

Resources:

The Anchorage Veterans Health Care Facility has a suicide prevention coordinator who works with mental health providers in the VA system to address suicide risk and responses. Call 907-257-4824 for more information.

The Department of Defense and Veterans Administration online clearinghouse is www.suicideoutreach.org. Outreach and awareness resources and education materials are available here. There is also a local resource center at the Anchorage Veterans Health Care Facility. Call 907-257-4824 for more information.

A national crisis line is available for veterans: 1-800-273-8255 and press 1. Veterans can also have a confidential online "chat" with trained staff at http://veteranscrisisline.net/.

The Veterans Health Care Administration offers Telehealth Services programs for some Alaskan veterans with chronic health disorders, including depression and PTSD. This program is not available to all veterans.

The AFHCAN System is the tribal health system's telemedicine program. This

[22] *See* Knox KL, Litts DA, Talcott GW, Feig JC, Caine ED. Risk of suicide and related adverse outcomes after exposure to a suicide prevention program in the US Air Force: cohort study. BMJ 2003; 327:1376

[23] *Id.*

[24] After an extensive review of research and program evaluations, the Rand Corporation identified best practices for preventing veteran suicide. These include: raising awareness and self-care, identification of those at risk, improving access to and providing quality care, restricting access to lethal means, and responding to suicides appropriately. *See* Summary of The War Within: Preventing Suicide in the US Military, Rand Corporation, at 10-11 (2011).

connects tribal health corporation clients to specialized services – including behavioral health services – not available in their local community. This system is not limited to clinical services; it can be used to deliver training to providers in remote communities.

Alaska Psychiatric Institute also coordinates tele-psychiatry services for the publicly funded behavioral health system. Like the AFHCAN system, the API Tele-behavioral Health Care Program can used for training.

Indicator: 2.3.a. Number of suicides among Alaska veterans (new)

Strategy 2.4 ~ Spiritual leaders will encourage suicide prevention awareness and training in their communities of faith/belief.

Many people considering suicide turn to a minister, clergy member, or spiritual leader for help.[25] This may be due to an existing relationship of trust with the spiritual leader or the lack of stigma associated with pastoral counseling (unlike that attached to mental health treatment services). In order for leaders of faith based groups to be prepared to help individuals at risk of suicide, they need to be trained to recognize suicidal tendencies and have the resources and abilities to intervene.

In addition to helping someone in crisis, spiritual leaders have an opportunity to encourage entire congregations to learn about the issues and warning signs of suicide, basic gatekeeper and advanced intervention skills, and how to support community members and families after a suicide occurs.

Spiritual leaders have an important role in responding when someone expresses thoughts of suicide directly, as well as in identifying when a congregant displays signs of risk of suicide. This does not mean ministers and spiritual leaders must become mental health professionals. Instead, by learning how to be a gatekeeper – someone who helps identify when someone is in crisis and then connects them to appropriate services – they can help prevent suicide among the members of their community of faith. Expanding that awareness and preparedness to include the entire congregation can strengthen the faith of a community and have a wider "ripple effect" through an entire region.

Resources:

Alaska Gatekeeper Training teaches about suicide and how to identify warning signs and risk factors, as well as protective factors that could help someone get through a crisis. Call (907) 465-8536 for more information. Other trainings are available (*see* Strategy 2.1 for more information).

The Suicide Prevention Resource Center has a catalog of more than 100 resources for clergy: Resource Scan of Faith-Based Materials Addressing Suicide Prevention. Brochures, prayers, web sites, and other training-related materials on topics including stigma, raising awareness of suicide, and depression are included. Most of these resources are available at little or no cost. Recommendations for leading suicide prevention efforts are also presented.

The Jason Foundation offers training and education resources for Christian youth groups. Contact the Jason Foundation affiliate in Alaska at (907) 264-4304.

[25] Suicide Prevention Resource Center, *The Role of Clergy in Preventing Suicide* (citing Goldsmith, S. K., et al. (Eds.). ***Reducing Suicide: A National Imperative (2002)).***

Indicator: 2.4.a. Number of spiritual leaders trained as Gatekeepers (new)



Strategy 2.5 ~ The primary health care system will prioritize suicide prevention screenings in practices.

People considering suicide often visit their primary care providers within days or weeks of taking their lives.[26] Primary care providers (doctors, nurses, physicians assistants, health aides, etc.) are on the front lines when it comes to preventing suicide. Unfortunately, few primary care providers receive training in suicide prevention as part of their education.

Rural primary care providers face additional challenges: a hectic practice, complicated by geography, lack of access to mental health services, and stigma. Stigma and discrimination regarding mental health is pervasive in many rural areas and hampers efforts to treat behavioral health problems.

There are resources for primary care providers. The Suicide Prevention Resource Center (SPRC) has developed a free tool kit with information and tools to allow primary care providers to implement a practice-wide suicide prevention practice that is connected with local and statewide resources. In addition to this free toolkit, technical assistance is available from the Council and Suicide Prevention Resource Center.

Suicide Prevention Toolkit for Rural Primary Care

http://www.sprc.org/pctoolkit/index.asp

Contact Kate Burkhart, Statewide Suicide Prevention Council, for more information about using the tool kit. (907) 465-6518.

There are other practice models that focus more specifically on depression. IMPACT, a model developed at the University of Washington, has been implemented by the Anchorage Neighborhood Health Center and other Alaska providers to help identify adults with co-morbid depression and then offer care. The evaluation of IMPACT in other states shows positive outcomes for patients and providers, reducing risk of suicide by improving physical and mental well-being.[27]

Primary care providers can also implement standards of care and practices that promote wellness. Patient education about nutrition, Vitamin D, exercise, stress management, chronic disease management, prescription medications, and other health issues can help individuals better manage their health.

Indicators: 2.5.a. Number of practices implementing suicide prevention protocols (new)
2.5.b. Number of practices implementing IMPACT (new)



Strategy 2.6 ~ School districts will implement broad screenings to identify not just imminent risk of suicide, but risk factors for suicide (substance use, violence, depression, etc.).

Signs of Suicide and other school based screenings have been implemented in Alaska school districts with success. The Matanuska Susitna Borough School District has been actively screening and responding to students

[26] According to the Alaska Suicide Follow-back Study, 64% of the cases reviewed involved people who had seen their physician within 6 months of committing suicide. (Follow-Back Study at 38). This is confirmed as a trend among people who commit suicide nationwide by the Suicide Prevention Resource Center.

[27] Learn more about the research and evaluation of IMPACT at http://impact-uw.org/about/research.html.

at risk for several years, reporting successful outcomes for students and teachers. The Juneau Douglas School District has tailored a student-centered response around the Signs of Suicide screening. Students receive wrap-around services to address all the problems (substance abuse, domestic violence, teen parenting, poverty) they face that contribute to suicide risk. The Lower Kuskokwim School District is also using evidence-based school screenings, to help address the youth suicide problem in their region.

Interested in how school-based screenings might work in your school district?

Contact the Department of Education and Early Development Suicide Prevention Coordinator at (907) 465-6523.



With these successes, and the strong research base[28] that shows how effective school-based screenings can be, Alaskan school districts have a foundation for expanding school screenings so that no student is left vulnerable to suicide. Screenings can be done in a way that balances student health with privacy and parental notification concerns while engaging parents and the community to protect youth from suicide.

Indicator: 2.6.a. Number of school districts implement evidence-based screening: 5 (2011).



[28] See "An Outcome Evaluation of the SOS Suicide Prevention Program," R. Aseltine, Jr. and R. DeMartino, (*Am. J. Public Health*, March 2004); see also the NREPP overview of Signs of Suicide for additional research/ evaluation (available online at www.nrepp.samhsa.gov/ViewIntervention.aspx?id=53).

Strategy 2.7 ~ Senior services providers will implement broad screenings to identify not just imminent risk of suicide, but risk factors for suicide (substance abuse, violence, depression, etc.), too.

There has been an alarming increase in suicide among Alaskans over age 65 since 2000.[29] Many people think depression is just part of "getting old," but it's not. Nor is feeling lonely, hopeless, or worthless. Neglecting to pay attention to the mental and emotional well-being of Alaskan seniors increases the risk of suicide. Just like schools are a primary environment for addressing youth suicide, senior centers and senior services providers are a primary environment in which to address suicide among seniors.

While every senior services provider may not be able to screen older Alaskans for suicide risk or contributing factors, there are many ways that senior services providers can help identify and respond when a senior is at risk of suicide. Nursing homes conduct basic periodic screenings, asking residents if they are feeling suicidal. Some medical practices are using IMPACT (*see* Strategy 2.3), SBIRT,[30] and other integrated care models to help identify seniors at risk of depression and/or suicide.

[29] See *Mending the Net*, FY10 Annual Report at 9 (http://www.hss.state.ak.us/suicideprevention/pdfs_sspc/2010SSPCAnnualReport.pdf).

[30] Screening, Brief Intervention, and Referral to Treatment (SBIRT) is a comprehensive, integrated, public health approach to the delivery of early intervention and treatment services for persons with substance use disorders, as well as those who are at risk of developing these disorders. Screening quickly assesses the severity of substance use and identifies the appropriate level of treatment. Brief intervention focuses on increasing insight and awareness regarding substance use and motivation toward behavioral change. Referral to treatment provides those identified as needing more extensive treatment with access to specialty care. For more information, visit http://www.samhsa.gov/prevention/SBIRT/index.aspx.

Resources:

In 2011, the Council provided copies of *Promoting Emotional Health and Preventing Suicide. A Toolkit for Senior Living Communities* to senior centers statewide.

This is a free toolkit, available online, that can help senior living communities promote the mental health of clients and prevent suicide. It contains resources for an agency to conduct in-service style training for staff. For more information about the toolkit, or help using it, call the Council at (907) 465-6518.

Indicator: 2.7.a. Rate of suicide, Alaskans age 65-84: 18.8 (2000-2007, crude rate, AABVS)[31]

Strategy 2.8 ~ The State of Alaska and its partners will engage village police and public safety officers in developing tailored community-based responses and protocols for responding to crises.

Anchorage, Fairbanks, and Juneau have Crisis Intervention Team[32] (CIT) trained officers to help respond appropriately to suicide emergencies. These trainings are made possible through a partnership between the municipalities, NAMI, and the Alaska Mental Health Trust Authority. Communities with CIT officers report positive outcomes for mental health consumers and officers, with crises more often averted than escalating.

[31] The crude rate average for 2000-2007 is used due to the small sample size. The average crude rate for individuals over age 84 was not included, due to the very small *n* of the sample. However, this population will continue to be monitored for upward or downward trends.

[32] The Crisis Intervention team model was developed by the police department in Memphis, Tennessee. It is a community partnership to ensure effective and appropriate law enforcement responses to situations involving mental health consumers. Learn more at http://www.memphispolice.org/crisis%20intervention.htm.



Cynthia Erickson and Alaska Wildlife Trooper Jon Simeon, part of the Live to Ride, Call to Live suicide prevention campaign in 2011. (Photograph courtesy of Beth Ipsen, Department of Public Safety)

CIT training is not offered as a standard part of training offered to public safety officers or village law enforcement. It may be that an essentially urban community policing model is not best suited for the everyday situations faced by Alaska's rural law enforcement officers. Instead, a tailored community-based response and protocol that provides support to the often only officer in a community may be a better tool for preventing suicide in Alaska's villages and rural towns.

This community-based model should include elements of postvention and critical incident stress management, to ensure that first responders to a suicide in a small community have the supports needed to deal with the experience.

Resources:

Information about the Crisis Intervention Team model is available from the Memphis Police Department, online or from the CIT Coordinator (901) 636-3700. For information about developing a CIT training, contact NAMI-Fairbanks at (907) 456-4704.

For information about Critical Incident Stress Management and other postvention

trainings, contact the Alaska Police and Fire Chaplains' Ministries at (907) 272-3100.

Indicators: 2.8.a Number of officers attending CIT trainings annually (new)

2.8.b Number of communities with Emergency Response Plans that include responding to a suicide (new)



Goal 3: Alaskans Communicate, Cooperate, and Coordinate Suicide Prevention Efforts

Strategy 3.1 ~ Communities will partner with non-traditional organizations to raise awareness about limiting access to lethal means (guns, drugs, alcohol, etc.).

From 2003-2008, 55% of Alaskan suicides were by firearm.[33] The number of suicide attempts and deaths by poisoning (drugs, alcohol, prescription medication, etc.) is increasing. In 2005, the Alaska Trauma Registry published a review of suicide hospitalizations for 2001-2002. During that time, 77% of hospital visits resulting from suicide attempts (or other self-harm) involved an overdose on medications. Of those medication overdoses, 64% were prescription medications. Tylenol was the most common medication on which children age 0-19 years overdosed.[34] The Alaska Violent Death Reporting System reported that 20.1% of suicides in 2003-2008 were by hanging.[35]

Preventing suicide means preventing access to means of suicide.[36] The American Association of Suicidology recommends supervision of youth by parents and communities, maintaining drug and alcohol free homes, and safely storing guns as a universal means of preventing suicide.[37] Effectively preventing access to the most common lethal means includes looking widely for partners to help raise awareness and promote safety.

Communities in the Bristol Bay region have a unique relationship with the local housing authorities – not a usual partner in suicide prevention – to help prevent suicide in Dillingham and the region's villages. Bristol Bay Area Health Corporation, Bristol Bay Housing Authority, and the Alaska Native Tribal Health Consortium partnered to install gun lockers in village homes in the region. This project was so successful that it expanded from one region in 2009 to two regions in 2010 and four regions in 2011.[38] These programs have proven, in Alaska and elsewhere, to help reduce the number of suicides in communities where implemented.

Promoting effective and safe prescription drug disposal is another way of reducing

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[33] *Alaska Violent Death Reporting System Report 2003–2008*, August 2011 at 11 (available online at http://www.epi.hss.state.ak.us/injury/akvdrs/assets/AKVDRS.pdf).

[34] *Alaska Suicide Hospitalizations 2001-2002*, Alaska Injury Prevention Center at 4 (2005) (available online at http://www.hss.state.ak.us/suicideprevention/pdfs_sspc/SuicideHospitalizations.pdf).

[35] *Supra* n. 25 at 11.

[36] See *Consensus Statement on Youth Suicide by Firearms*, American Association of Suicidology (1998) (online at http://www.suicidology.org/c/document_library/get_file?folderId=235&name=DLFE-44.pdf).

[37] *Id.* at 3.

[38] Alaska Native Tribal Health Consortium has participated as a partner in all these gun locker projects. More information about the project is available at http://www.anthc.org/chs/wp/injprev/suicide-and-suicide-attempt-prevention.cfm. A similar project implemented in Norway resulted in reduction of firearm suicides by almost half (more information at http://www.hsph.harvard.edu/means-matter/examples-of-means-restriction-programs/#norway).

lethal means. The Senior Behavioral Health Coalition began assembling partners to conduct disposal events in 2009. These events continue to grow and are usually held in conjunction with the National Drug Take Back Initiative. Ketchikan's Wellness Coalition, of which the local suicide prevention task force is a part, helped establish a permanent way for people to safely dispose of their unused medications by partnering with the local police department.

These are just two examples of how Alaskan communities are working to restrict access to lethal means. There are other ways. Some are as simple as locking away prescription and over-the-counter medications. Keeping liquor cabinets locked is another way of limiting access to the means of suicide. Other strategies include evidence-based education and intervention models,[39] partnering with medical schools to train new doctors on lethal means restriction, and implementing prescription drug monitoring systems.

Interested in learning how to start a gun locker project in your community?

Contact the Injury Prevention Program at the Alaska Native Tribal Health Consortium (907) 729-3799.

Go to Means Matter, from the Harvard School of Public Health, for more information and examples of effective restriction programs.



[39] The Emergency Department Means Restriction Education model is part of the SAMHSA evidence-based practice registry, available online at: http://nrepp.samhsa.gov/ViewIntervention.aspx?id=15.

Indicator:

3.1.a. Rate of suicides by firearm: 55% (AKVDRS, 2003-2008)

3.1.b. Rate of suicide by poisoning/overdose: 22% (AKVDRS, 2003-2008)



Strategy 3.2 ~ The State of Alaska and its partners will make training in evidence-based suicide prevention and intervention models accessible to all interested Alaskans.

Training in several suicide prevention and intervention models is available to Alaskans. Some are evidence-based and some are not. Some are more expensive than others, which means that some Alaskans can't afford to be trained to help someone in crisis.

Mental Health First Aid, is coordinated through the Trust Training Cooperative, a state-funded health care workforce trainer. The cost of the training is currently $85.00. Call (907) 264-6228 for more information.

Applied Suicide Intervention Skills Training (ASIST) is coordinated by the Alaska Native Tribal Health Consortium. The training cost is currently $35.00 per trainee plus costs of the trainers' travel expenses. To learn more about hosting an ASIST training, contact Alaska Native Tribal Health Consortium Behavioral Health and Rural Services at (907) 729-3751.

Gatekeeper Training is offered through the Department of Health and Social Services Division of Behavioral Health and is **FREE**. Call (907) 465-8536 for more information.

The Jason Foundation offers students, parents, and teachers/youth workers the tools and resources to help at-risk youth. These programs are offered at no cost. Call (907) 264-4304 for more information.

One way to ensure that all Alaskans have access to training and ongoing support would

be to enhance Alaska's Gatekeeper program. The Gatekeeper program could be tailored to meet the level and areas of need for specific groups if a more robust pre-training process of assessing current competencies, goals for the training, and plans for implementing the skills learned was undertaken.

This pre-training process would need to include a complete assessment of available resources for someone in crisis. This would help Gatekeepers learn where to refer someone at risk of suicide and how to access those services. If Gatekeeper trainings were coordinated with local suicide/wellness coalitions, Gatekeepers would have a local source of support and resources to help them use their skills more confidently and effectively in the community.

While many Alaskans have been trained as Gatekeepers, there is no capacity for ongoing support or periodic "refresher" trainings. If all trained Gatekeepers were connected through a StopSuicideAlaska.org online community, they could provide support and share resources more effectively. They could also create and make use of a learning network through StopSuicideAlaska.org (*see* Strategy 4.4).

These intensive suicide prevention trainings are very valuable, but they are not the only options. In an effort to make suicide prevention training accessible and affordable, the Juneau Suicide Prevention Task Force and local NAMI affiliate developed a video-based training that is offered monthly to the public.

By responding to the opportunity presented during a 2010 visit from a grief and bereavement expert, Dr. Bob Baugher, the local coalition and its partners were able to develop a video and curriculum – *Building Intervention Skills* – that can be offered at no cost to attendees. This sort of community led education and awareness building is a key component to preventing suicide.

Want to learn more about the Building Intervention Skills training?



Contact NAMI Juneau at (907) 463-4251

The State of Alaska can ensure that every Alaskan who seeks to be trained to prevent a suicide has access to training by a) providing adequate funding to support scholarships/ sliding fee scales for the intensive trainings like ASIST and b) providing flexible grant funding for community coalitions and organizations seeking to develop culturally and/or locally relevant and accessible trainings.

Indicator: 3.2.a. Number of Alaskans trained in suicide prevention/intervention (new)



Strategy 3.3 ~ The State of Alaska will mandate evidence-based suicide prevention and intervention training for all school district personnel.

In Alaska, the suicide rate for young men age 15-24 is 56.1 per 100,000; for young women, it is 16.6 per 100,000.[40] For Alaska Natives, the rate for this age group is 141.6 per 100,000 for young men and 50.3 per 100,000 for young women.[41] To connect with this high-risk group, suicide prevention must be

[40] Data is for the period 2000-2009, provided by the Bureau of Vital Statistics.
[41] *Id.*

part of the education system. Research shows that, when educators and staff are equipped with the skills and support to identify when a student is at risk and properly intervene, lives are saved.

The Alaska Association of Student Governments (AASG), a statewide organization of student leaders, recognizes the importance of teachers and school staff being trained in suicide prevention. They passed a resolution calling for teachers to receive suicide prevention training in 2011. The Alaska Mental Health Board and Advisory Board on Alcoholism and Drug Abuse, in partnership with the Council and AASG, have advocated for funding to make training available for all Alaskan secondary school educators and staff.

By requiring – and making resources available for – suicide prevention training for educators and school staff, the State of Alaska can ensure that youth experiencing depression, hopelessness, and other risk factors associated with suicide are identified and connected with the help they need before they attempt suicide.

Resources:

The Jason Foundation offers training and resources for teachers, coaches, etc. Call (907) 264-4304 for more information. Kognito Interactive offers interactive online training for high school and university educators and staff (as well as other health education training). School personnel can also take advantage of other training opportunities (*see* Strategy 2.1 for more information).

Indicator: 3.3.a. Number of school districts offering suicide prevention training to educators/staff (new)

Strategy 3.4 ~ Communities will develop wellness coalitions that include suicide prevention in their mission/area of focus.

Given the "web of causality" underlying suicide, it is important that local efforts to prevent substance abuse, violence, school drop outs, etc. are coordinated with health promotion efforts. Blending efforts to build protective factors and reduce risk factors will more comprehensively address the many factors involved in suicide.

Some communities, like Juneau, Bethel, Fairbanks, and Barrow, have active suicide prevention coalitions. Other communities have coalitions that include, but are not focused on, suicide. Ketchikan has ensured that suicide prevention is linked to health promotion and other prevention efforts in the community by making their suicide prevention coalition, SPEAK, a sub-committee of the umbrella wellness coalition. This has helped coordinate the community's overall prevention and health promotion efforts over several years, increasing their impact throughout Ketchikan.

It only takes one or two champions to start a health or wellness coalition, as long as the community is ready to come together to address the specific concerns facing their people. In other communities, coalitions form to address a serious issue under the



leadership of a respected person or agency.

For some communities, a planning process is necessary to identify those concerns. The Mobilizing for Action through Planning and Partnerships (MAPP) and COMPASS II (q United Way of America community assessment tool) planning frameworks have seen success in Homer, Fairbanks, Juneau, and other Alaskan communities.

Whether starting a new coalition or expanding an existing coalition to address suicide, Alaskan communities must provide a meaningful role and opportunity for leadership to youth, survivors of an attempted suicide, and survivors of a loss to suicide. By including these important stakeholders, coalitions can support the strategies in Goals 1 and 4. They can also engage the people in their community with the most to share with and learn from the coalition.

Resources:

You can connect with Alaska coalitions and learn from their experience. This has worked well for Ketchikan and Juneau, communities where the coalitions have shared to inform each other's efforts.

The Suicide Prevention Resource Center provides a list of resources, as well as technical assistance, to communities developing suicide prevention coalitions. Visit these resources online at www.sprc.org/taking_action/build.asp.

The National Highway Traffic Safety Administration has a "how to" guide for coalition building. Community Anti-Drug Coalitions of America (CADCA) offers a host of resources, publications, webinars, and trainings to help people create, grow, and maintain community coalitions. These resources focus on substance abuse prevention, but are very helpful. CADCA also offers training and tools for youth leaders and youth-led coalitions (http://www.cadca.org/training-events).

Indicator: 3.4.a. Number of active wellness and suicide prevention coalitions (new)



Strategy 3.5 ~ Community suicide prevention efforts will expressly address the contributing factor of substance abuse.

Alcohol and drugs play a role in the suicide problem in Alaska but they are not a cause of suicide.[42] In some cases, the addiction of a parent or parents creates an environment in which a child cannot grow up safely. In some cases, a person with an undiagnosed mental illness self-medicates with drugs or alcohol to feel better but inadvertently increases the risk they will commit suicide. In some cases, the use of drugs or alcohol decreases the natural inhibitions that would prevent someone from acting on a suicidal impulse. Whatever the case, the role of drugs and alcohol in suicide in Alaska is clear.

In order for a community to effectively address suicide, the contributing factor of substance abuse must also be addressed. This can be done through a single comprehensive wellness coalition, coordination of substance abuse and suicide prevention efforts through an organization like the Ketchikan Wellness Coalition, or through regular and consistent partnerships between existing prevention groups.

Implementing this strategy might be hard in communities that have made possession and use of alcohol unlawful. It might be difficult to deal with substance abuse openly when there are legal consequences, as well as

[42] For discussion of the data related to drugs, alcohol, and suicide, go to *Mending the Net*, FY10 Annual Report at 10 (http://www.hss.state.ak.us/suicideprevention/pdfs_sspc/2010SSPCAnnualReport.pdf).

issues of reputation and stigma. However, it is important to recognize that, even in "dry" communities, drugs and alcohol are contributors to suicide.

There are resources to help coalitions bring suicide and substance abuse prevention together. Because the State of Alaska focuses on comprehensive prevention programs based on the Strategic Prevention Framework, the Division of Behavioral Health is an excellent resource. The Advisory Board on Alcoholism and Drug Abuse can also provide technical assistance. The Suicide Prevention Resource Center has specialized tribal technical assistance as well as general support for community coalition building.

Indicators: 3.5.a. Rate of adult binge drinking: 17.9% (BRFSS, 2009)
3.6.b. New mothers reporting that someone close to them had a bad drinking/drug problem: 13.1% (CUBS, 2009)

Suicide Prevention Resources

Division of Behavioral Health
(907) 465-8536

Statewide Suicide
Prevention Council
(907) 465-6518

Advisory Board on Alcoholism and
Drug Abuse
(907) 465-8920

Suicide Prevention
Resource Center
1-877-438-7772

Strategy 3.6 ~ The State of Alaska will coordinate all prevention efforts across all departments and divisions, to ensure that Alaska has a comprehensive prevention system that recognizes the "web of causality" implicated in suicide, substance abuse, domestic violence, bullying, child abuse, teen risk behaviors, poor school performance, etc.

The factors involved in suicide include a wide range of personal and environmental issues: depression and mental illness, poverty, sexual assault, bullying, lack of education, unemployment, historic trauma and loss of culture, alienation, grief, victimization and exploitation, alcohol abuse, addiction, and others. By addressing these factors in a unified and cohesive way through health, education, employment, and community development efforts, the State of Alaska could reap far reaching benefits with greater efficiency.

The National Prevention Strategy, released in June 2011, emphasizes the need for broad collaborations between state, tribal, and community organizations involved in prevention. States are encouraged to support truly comprehensive prevention efforts that involve all governmental departments and broad groups of stakeholders in creating healthy and safe communities, improving community and clinical prevention, empowering individuals to make good health and lifestyle decisions, and eliminating health disparities. Alaska employed this sort of model at the community level with the Alaska Tobacco Prevention and Control Program – and successfully reduced the amount of cigarette sales to adults by almost 50%, to a

level below the national average.[43] (It is important to note that this success took significant investment of resources and over 15 years to achieve.)

Resources:

Alaska has already undertaken this sort of interdepartmental collaboration with the Criminal Justice Working Group. The commissioners of Health and Social Services, Corrections, Public Safety, and Education and Early Development, as well as the Chief Justice of the Alaska Supreme Court, work through this group on joint efforts to prevent crime and reduce recidivism.

A similar sort of interdepartmental collaboration is involved in Governor Parnell's Choose Respect initiative to end domestic violence and sexual assault in Alaska.

Indicator: 3.6.a. Number of executive agencies and partners engaged in a comprehensive prevention workgroup (new)

Strategy 3.7 ~ The State of Alaska will balance the policy of comprehensive and integrated prevention with the use of evidence-based practices to achieve verifiable outcomes reducing the impact of suicide, substance abuse, violence, sexual abuse, and mental illness on communities.

An evidence-based practice is a prevention program or intervention shown to be effective through strong scientific research. Evidence-based practices have been evaluated and peer reviewed to ensure quality and integrity. When available and used with fidelity in an appropriate context, an evidence- based practice ensures that the intervention will achieve the desired outcomes. Promoting use of evidence-based practices will help spread effective suicide prevention programs and interventions throughout Alaska, benefiting more communities and families. Use of evidence-based practices is part of the National Strategy for Suicide Prevention (NSSP),[44] which includes a specific objective of increasing the number of evidence-based suicide prevention programs in schools, colleges and universities, work sites, correctional institutions, aging programs, and family, youth, and community service programs.

Part of requiring that grantees use evidence-based practices is providing the support and technical assistance needed to implement them effectively. The State of Alaska has provided this sort of technical assistance to prevention grantees, particularly those funded by the Strategic Prevention Framework State Incentive Grant. However, technical assistance resources are limited and do not always meet grantees' needs.



[43] Between FY96 and FY09, the number of cigarette packs sold per adult in Alaska dropped 48%, from 128.6 packs to 67.4 packs per adult. This drop in cigarette sales translates to 405 million fewer cigarettes sold in Alaska in 2009 compared to 1996. (*Tobacco Prevention & Control in Alaska Annual Report: 2009 Update*, Alaska Department of Health and Social Services, http://www.hss.state.ak.us/dph/chronic/tobacco/PDF/TobaccoARFY09.pdf).

[44] The National Strategy for Suicide Prevention Goals and Objectives for Action: Summary is available online at http://mentalhealth.samhsa.gov/suicideprevention/strategy.asp.

By coordinating with the Council, Alaska Native Tribal Health Consortium, and other in-state providers of technical assistance – as well as the Suicide Prevention Resource Center, Substance Abuse and Mental Health Services Administration (SAMHSA), and other national sources of technical assistance, the State of Alaska can expand the supports available to prevention providers. This will enhance the delivery of suicide prevention services, having greater impact statewide.

Resources:

The National Registry of Evidence-based Programs and Practices is a searchable online database of more than 200 peer reviewed interventions in mental health promotion, substance abuse prevention, and mental health and substance abuse treatment (www.nrepp.samhsa.gov/).

The Best Practices Registry for Suicide Prevention is a searchable online database from the Suicide Prevention Resource Center. It includes evidence-based suicide prevention interventions, expert statements, and other less rigorously evaluated practices that are aligned with the objectives of the National Strategy for Suicide Prevention (www2.sprc.org/bpr/index).

Indicator: 3.7.a. Percentage of state grantees using evidence-based practices (new)

Strategy 3.8 ~ The State of Alaska will provide financial and technical support for innovative, research-based suicide prevention practices.

While there are many evidence-based practices that can be implemented in Alaska to help prevent suicide, we must recognize that our state is unique: geographically, culturally, economically, and spiritually. Our people are smart, creative, and dedicated to improving the lives of our neighbors so that no one feels that suicide is the only option. With these strengths and talents, Alaskans can – and have– created promising suicide prevention programs and interventions.



The Qungasvik Project was developed through inclusive and participatory research by the Center for Alaska Native Health Research, Alakanuk, and another Southwestern village, with substantial support through a National Institutes of Health grant. Qungasvik is founded on traditional Alaska Native values and traditions, to build protective factors and resiliency while healing any hurt. They were able to create a suicide prevention practice that resonated with community members and met rigorous evaluation and review standards.[45] One participant, Marvin Kelly, described the Qungasvik Project as "celebrating life" instead of "suicide prevention" – taking a strength based approach to resolving the underlying contributors to suicide. In FY12, the State of Alaska provided an additional $1.5 million to extend this project in Southwest Alaska.

Creating, testing, and evaluating an Alaskan suicide prevention practice takes time,

[45] Read about the Qungasvik Project in *Aurora Magazine*, Fall 2009 (http://www.uaf.edu/aurora/archives/fall-2009/canhr/). Contact the Center for Alaska Native Health Research at (907) 474-5528 for more information about this and other participatory research efforts.

expertise, and funding. There is no consistent source of funding or resources for developing innovative, research-based practices. By providing financial and technical support to develop research-based practices, the State of Alaska will enrich our suicide prevention system and help every Alaskan take responsibility for preventing suicide (Goal 1).

Resources:

The Center for Alaska Native Health Research (CANHR) and University of Alaska Anchorage Center for Behavioral Health Research and Services have experience and credibility in this field. The CANHR focus on collaborative research in partnership with local people is very well suited to Alaska's cultural differences and traditions. The Center for Behavioral Health Research and Services has been active in the evaluation of suicide prevention projects in Alaska.[46]

Indicator: 3.8.a. Number of Alaskan research-based suicide prevention practices receiving state funding/technical assistance: 2 (2011).



Strategy 3.9 ~ The State of Alaska will coordinate and support stigma reduction efforts around mental illness, addiction, depression, and suicide.

Stigma is not just a major barrier to accessing mental health care. It prevents people from reaching out to someone they suspect might be suicidal or experiencing a mental illness or addiction. Stigma can also prevent a survivor from talking about what happened or asking for help, because he or she is afraid of being judged – often when they need help most.

The Council's 2011 media campaign *How Are You Really Doing?* was designed to educate about suicide and encourage action to help someone at risk of suicide. The Alaska Mental Health Trust Authority partners with the Council, Advisory Board on Alcoholism and Drug Abuse, and Alaska Mental Health Board to educate people about the realities of suicide and behavioral health disorders. The *You Know Me* and *Treatment Works, Recovery Happens* campaigns are part of these anti-stigma efforts. It is important that the State of Alaska continue these efforts and broaden them to reach every Alaskan. Research shows that knowledge of mental illness and suicide is not enough to eradicate stigma. Effective campaigns include direct contact with people who experience or have experienced suicidal thoughts, depression, or mental illness and with people who have experienced a loss to suicide.[47] Effective anti-stigma campaigns do not just educate – they transform fear and ignorance into concern and compassion.

Resources:

The Council, Department of Health and Social Services, and Alaska Mental Health Trust Authority partner with organizations in anti-stigma campaigns. Contact the Council at (907) 465-6518 for more information.

Indicator: 3.9.a. Alaskans comfortable with a family member, coworker, guest, or neighbor experiencing mental illness: 77.3% (AMHTA, 2010)

[46] Read about active and completed evaluation projects at the Center for Behavioral Health Research and Services website (http://www.uaa.alaska.edu/cbhrs/).

[47] For a more in depth discussion of the roots of stigma and research about effective ways to address it, see *Mental Health: A Report of the Surgeon General*. Chapter 1 (US Department of Health and Human Services, 1999).

Goal 4: Alaskans Have Immediate Access to the Prevention, Treatment, and Recovery Services They Need

Strategy 4.1 ~ Alaskans know who to call and how to access help — and then ask for that help — when they feel like they are in crisis and/or at risk of suicide.

Part of preventing suicide in Alaska is being aware of when we ourselves are potentially at risk – and then reaching out for help. Periodically ask yourself if you have any of the warning signs (there is a wallet card in Appendix A you can cut out and keep handy). If you answer yes, **ASK FOR HELP!** Your life is precious, and you are not alone.

Resources:

If you do not have someone you feel comfortable talking to, or you aren't sure who to talk to, help really is just a phone call away.

Indicator: 4.1.a. Number of calls to Careline annually: 5,507 (2010)



Strategy 4.2 ~ Community behavioral health centers will provide outreach to ensure that community members know what services are available and how to access them.

In order for Alaskans to know where to go for help, community behavioral health centers must provide outreach. In some communities, the behavioral health center is a partner in the wellness or suicide prevention coalition. However, this is not true of all communities.

Providing outreach and information about how to access services is key to effectively preventing suicide. Alaskans experiencing depression and other mental health disorders need to know where to go for help – before they experience a crisis and become at risk for suicide.

CARELINE CRISIS INTERVENTION

1-800-273-8255

www.carelinealaska.com

Resources:

Outreach can be as simple as creating a Facebook page and linking it to the local coalition's page and StopSuicideAlaska.org. Outreach can include having booths at local health fairs, public markets, and other venues. It can involve a free public service announcement on the radio or scanner channel (often very effective in rural communities). However the community behavioral health center engages in outreach, the message should include Careline information, what services are available locally, and how to get help when someone is having thoughts of suicide.

Indicator: 4.2.a. Number of community behavioral health centers reporting outreach (new)



Strategy 4.3 ~ Community health providers will offer bridge services for young people identified as experiencing serious emotional disturbance or other behavioral health disorders after age 18/21.

Youth and young adults are Alaska's highest risk group for suicide, with rates up to five times the national average.[48] While communities and states have invested heavily in the adolescent mental health system, the services for youth transitioning to adulthood are not always seamless. Many youth and young adults experiencing a behavioral health disorder face increased stress and risks during this time. Community health providers need to partner to provide bridge services to maintain mental and emotional stability – and sobriety, sometimes – so that youth can effectively move into adulthood. Southcentral Foundation's Denaa Yeets' program offers case management, information and referrals to services for young adults at risk of suicide and their families. In order to expand these sorts of programs, the State of Alaska must prioritize resources for these bridge services (which currently aren't always paid for by parents' or public insurance programs).

Resources:

The State of Alaska has invested in services for transition-age youth. Grant funds for programs for youth coming out of foster care, tuition waivers, job training services, and transitional housing have increased.

Indicator: 4.3.a. Number of Alaskans age 18-24 experiencing serious behavioral health disorders who receive mental health services (new)

Strategy 4.4 ~ The State of Alaska and its partners will, through StopSuicideAlaska.org, create and support a learning network among communities to share ideas and strategies that work.

Many resources are provided in this Plan, and many more exist here in Alaska and from national and other states' organizations. We learn how to prevent suicide through education, experience, and sometimes, heartache. Sharing that wisdom effectively requires having a central learning network where every Alaskan can access information and resources (at low or no cost) to help prevent suicide.

Resources:

StopSuicideAlaska.org provides an excellent platform for this learning network, but it requires partners to give life to the learning network. Interested in helping? Contact the Council at (907) 465-6518.

Indicator: 4.4.a. Number of active group administrators on StopSuicideAlaska.org (new)



[48] *Mending the Net*, FY10 Annual Report at 9 (http://www.hss.state.ak.us/suicideprevention/pdfs_sspc/2010SSPCAnnualReport.pdf).

Goal 5: Alaskans Support Survivors in Healing

Survivors include individuals who have experienced a loss to suicide and those who have attempted suicide

Strategy 5.1 ~ Survivors of a loss to suicide know about suicide prevention resources and how to participate in suicide prevention efforts that support their own healing.

Survivors of a loss to suicide need their own forms of support and help. Just like with any grieving process, what a particular survivor needs can be as unique as the person. Survivors' support groups are one way that people can find help, but there are others. Cultural activities, healing circles, therapy, or counseling – all are sources of support.

Not every community in Alaska has a survivors' support group. In addition to formal survivors' support groups, survivors can support other survivors informally. Whether it's by reaching out through local suicide prevention coalitions or one-on-one, establishing informal networks to help survivors, or incorporating cultural traditions to help healing, individuals can share their experiences and support ongoing healing.

Resources:

- Survivors can connect through support groups in Fairbanks. Contact Fairbanks Counseling and Adoption at (907) 456-4729.
- Survivors can also connect informally through StopSuicideAlaska.org and its social media outlets. There is a map of active groups on StopSuicideAlaska.org.
- The American Foundation for Suicide Prevention has a database you can search for online and in-person groups, as well as a Survivor Outreach Program.

Indicator: 5.1.a. Number of survivor support groups with contact information available on StopSuicideAlaska.org: 1 (2011)



Strategy 5.2 ~ The State of Alaska will provide resources, tools, and technical support for community postvention efforts, with emphasis on natural, organic responses developed in the community.

The Council and Division of Behavioral Health developed the Postvention Resource Guide. This guide provides tools, information, and resources for use after a suicide occurs.

Resources:

- The Postevention Resource Guide is available online on the Council's website. You can also request a printed copy from the Division of Behavioral Health. Call (907) 465-8536 for a copy.
- Training on the Postvention Resource Guide was provided in June, 2011; on-going technical assistance is available from the Division of Behavioral Health. Call (907) 465-8536 for information.

Indicator: 5.2.a. Number of Alaskans trained in the Postvention Resource Guide: 70 (2011)



Goal 6: Quality Data and Research is Available and Used for Planning, Implementation, and Evaluation of Suicide Prevention Efforts

Strategy 6.1 ~ The State of Alaska will improve statewide suicide data collection efforts, employing epidemiological standards/models to ensure quality reporting, analysis, and utilization for timely data-driven policy decisions.

Suicide attempt and completion data is collected through the Alaska Trauma Registry and the Bureau of Vital Statistics. These surveillance systems provide data based on the information collected by acute care hospitals and emergency services providers, as well as through cause of death information provided on death certificates. The surveillance system is supplemented by data collected through the Alaska National Violent Death Reporting System,[49] Youth Risk Behavior Survey, and Behavioral Risk Factor Surveillance System. The data, being available from only a few sources, can be correlated and collectively analyzed.

The current surveillance system relies on third party reports of suicide attempts and certifications of cause of death. Suicide attempts that do not result in treatment at an emergency department are not counted. Suicide attempts that are attributed to "accident" are not counted.

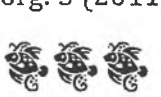
Deaths are not always investigated. Some deaths attributed to accident may be undocumented suicides. The Alaska Violent Death Reporting System does investigate **potential** violent deaths to collect data from different sources and determine whether the death was a "violent death" (suicide, homicide, undetermined intent, accidental firearm, legal intervention, or terrorism) and why. For this reason, the Alaska Violent Death Reporting System is a valuable source of information in tracking suicide data.

Data on suicide and suicide attempts is reviewed, analyzed, and used by state, tribal, and community organizations to guide and evaluate suicide prevention efforts. The efforts are uncoordinated – with even internal sections of the Department of Health and Social Services releasing differing reports or analysis. This hinders planning at the statewide and local level and prevents any meaningful attempts to address data gaps. It also makes pursuit of long-term data collection efforts, such as follow-back studies (also known as psychological autopsies), a lower priority. By bringing all the partners involved in data collection, analysis, reporting, and utilization together to coordinate the way Alaska uses data to drive decision making, the State of Alaska can improve the surveillance system for all users.

Resources:

The Strategic Prevention Framework State Incentive Grant workgroup structure brought many partners together to identify, validate, and analyze data from a wide range of sources. This ensured that the multi-year, multi-million dollar grant was aimed at the most pressing prevention issues.[50] With this recent experience, the State of Alaska and its tribal health partners can transform the suicide surveillance system.

Indicator: 6.1.a. Data sources available on StopSuicideAlaska.org: 3 (2011)



[49] Alaska is one of 18 states participating in the National Violent Death Reporting System. Learn more at http://www.cdc.gov/ViolencePrevention/NVDRS/index.html.

[50] For more information about the SPF SIG Epidemiology Workgroup and how it informed the overall project, visit http://hss.state.ak.us/dbh/prevention/programs/spfsig/EPIwrkgrp.htm.

Strategy 6.2 ~ The State of Alaska will partner with tribal and academic organizations to continue to explore and research the "web of causality" of suicide, prioritizing the health and environmental factors affecting high-risk populations.

While we know there are many factors that can lead someone to consider suicide, the field of suicide research is still developing. Add to that our state's significant indigenous population, an ethnically diverse overall population, a unique geography, weather patterns and frequent natural disasters, historic and current social issues related to historic and personal trauma, and many other "Alaskan" characteristics (positive and negative). There is much we do not know (or do not know we know) about suicide and protecting our people from it.

Alaska is home to a high-quality university system with access to researchers, such as those at the Center for Alaska Native Health Research, with experience working with Alaskans and Alaskan issues. The Alaska Native Tribal Health Consortium's and the State of Alaska's epidemiology programs are robust. However, because Alaska has many pressing health concerns, suicide is not always a priority for funding and resources.



Alaska's institutions and universities should build on the work already being done with Alaskan communities to improve the science related to suicide and understanding of the issue. Research and study must comply with rigorous protections for the people involved, and must be conducted and used in a way that benefits all Alaskans.

In addition to academic and health research, the State of Alaska should prioritize rigorous and thorough study of suicide through "follow-back studies" (also known as psychological autopsies).[51] Follow-back studies are considered a best practice in documenting and understanding a death by suicide, helping to answer the painful question of "why?" These studies can also improve overall prevention efforts. They are complex, multi-dimensional investigations that require careful planning and thoughtful implementation. A long-term study through which investigation and interviews are conducted contemporaneously – yet respectfully – could provide a more thorough understanding of suicide as it occurs in Alaskan communities.

The follow-back study of Alaskan suicides occurring between 2003-2006 was a study of deaths already certified as being by suicide. Data was reviewed on 426 cases, but survivor interviews – a crucial component of the follow-back study protocol – were conducted for only 56 cases. Thus, the information gleaned from those interviews (71 in total) is for 13% of the total study population. Thus, the results are illustrative but not sufficient to serve as any basis for drawing broad conclusions.

[51] For an overview of psychological autopsies, see *Suicide: Psychological Autopsy, A Research Tool for Prevention*, INSERM Collective Expert Reports, 2005 (a synthesis of international scientific literature and recommendations by an expert advisory group) available online through the U.S. National Library of Medicine, National Institutes of Health (http://www.ncbi.nlm.nih.gov/books/NBK7126/).

Resources:

Conducting ethical and effective health science research takes time, expertise, and money. There are state and national resources to support these undertakings. There are federal and philanthropic sources of funding for research and study.

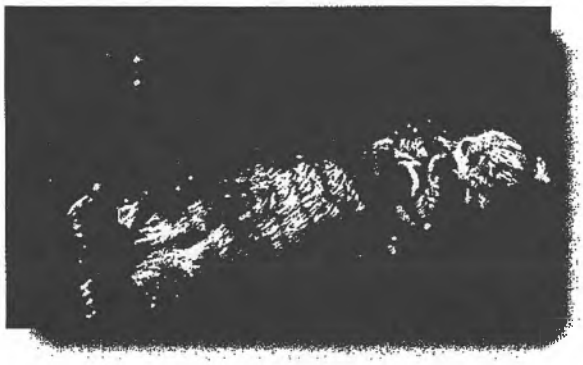
Examples of agencies and organizations that fund research projects include the National Institutes of Health (including the National Institute of Mental Health), the American Foundation for Suicide Prevention, and the Agency for Healthcare Research and Quality. Resources supporting inclusive and participatory research include *Research that Benefits Native People: A Guide for Tribal Leaders*. This was developed by the National Congress of American Indians, the First Americans Land-Grant College and Organization Network, National Indian Child Welfare Association, Administration for Native Americans to address that fact that indigenous Americans are underrepresented in data collection and analysis (and have too often had negative experiences with outside research of their peoples).

Alaska's universities, and the Alaska Native Medical Center, have institutional review boards that can be engaged to ensure that the study complies with all research standards and protects the participants from harm. The American Association on Suicidology offers training and certification in the best practices of follow-back study investigations, so that investigators have the tools and understanding necessary to conduct an effective and respectful study.[52]

Indicator: 6.2.a. Number of follow-back studies completed since 2011 (new)

Strategy 6.3 ~ The State of Alaska, with its partners, will evaluate the effectiveness of crisis intervention models and responses in use in Alaska.

The State of Alaska and other organizations and communities have worked in suicide prevention for decades. However, there has been no systemic evaluation of the effectiveness of the interventions and programs implemented in our communities. While some organizations employ evidence-based practices, others rely on cultural or locally developed programs. With this wide array of suicide prevention efforts, and varying success from community to community, we need a guide as to what works best in Alaska.



There is precedent for reviewing prevention models and determining the practices – or the elements of practices – that have proven effective in Alaska. Through the Strategic Prevention Framework State Incentive Grant, a wide group of Alaskan practitioners and experts on substance abuse prevention came together to review the field of evidence-based prevention practices. They worked together to determine what evidence-based practices have worked, or could be expected to work, well in Alaskan communities. They were careful to consider that some practices would work in a large urban community, while others would work better in a small village or within a cultural community.

This process helped ensure that the programs funded by the Strategic Prevention Framework State Incentive Grant had the information and

[52] For more information about the training and certification program, visit the American Association on Suicidology at http://www.suicidology.org/web/guest/psychological-autopsy-investigator.

resources to choose a prevention strategy that best suited their goals and the population they served. We can do the same service for communities engaged in preventing suicide.

There has been preliminary evaluation of the Gatekeeper suicide prevention trainings, and evaluation of ASIST by the Alaska Native Tribal Health Consortium has begun.

Resources:

Evaluations of assessment tools, prevention programs, and other research are available to help in this quality improvement effort. For example, the American Association of Suicidology has completed a review suicide assessment measures for adults, older adults, and youth.[53]

Evaluation and research done by outside organizations could supplement a review of Alaskan programs and practices, to ensure a comprehensive look at how well our efforts to prevent suicide are working – and how our successes can spread.

Indicator: 6.3.a. Number of suicide prevention programs evaluated by the State of Alaska and/or its partners (new)

Conclusion

Casting the Net Upstream, Promoting Wellness to Prevent Suicide in Alaska is a call to every Alaskan to prevent suicide. In ways big and small, we can work together to prevent suicide. By improving the health and well-being of our children, our elders, our families, and our communities, we can reduce the rate of suicide in Alaska.

Over the life of this plan, the Council and its partners will provide annual reports on the progress being made. That progress will be weighed against the indicators in the plan. While the Council isn't solely responsible for moving the needle on most of these indicators, these population outcomes and performance measures will help show whether we are in fact making progress. In order to do this, we need every Alaskan to act. Review the checklist on the next page and start checking off all the ways that you, your family, your community, and your state can help to prevent suicide.

Overall Indicators: Rate of suicide: 22.6/100,000 (AABVS, 2010)
Rate of suicide attempt: 98.11/100,000 (Trauma Registry, 2001-2008)

[53] Available at www.suicidology.org/web/guest/current-research.

CASTING THE NET UPSTREAM CHECKLIST

Individuals/Families

- ☐ Visit StopSuicideAlaska.org
- ☐ Attend a Council meeting
- ☐ Attend a prevention coalition meeting
- ☐ Print out Appendix A & put it in your wallet
- ☐ Get trained in suicide prevention
- ☐ Lock up your guns
- ☐ Lock up your medicines
- ☐ Lock up your liquor
- ☐ Get help to overcome unhealthy behaviors (drinking, drugs, etc.)
- ☐ Feeling depressed? Talk to a mental health provider.
- ☐ Join an after-school program (as a participant or leader)
- ☐ Call Careline if you or someone you love need help
- ☐ Have you lost someone to suicide? Reach out for help.
- ☐ Get (& read) *Helping Kids Succeed – Alaskan Style*
- ☐ Ask the elders in your life if they feel depressed or suicidal (and connect them to services if they say yes)
- ☐ Get (and read) a copy of the Postvention resource Guide

Communities

- ☐ Set up a coalition
- ☐ Create a webpage on StopSuicideAlaska.org for your coalition
- ☐ Create an anti-stigma campaign or host an event
- ☐ Host a suicide prevention training
- ☐ Start an after-school program
- ☐ Establish a parenting class or support service
- ☐ Adopt an anti-bullying rule at school/at work
- ☐ Coordinate an anti-bullying campaign
- ☐ Contact United Way Anchorage or Southeast about starting a youth prevention coalition in your community
- ☐ Implement the 40 Assets
- ☐ Implement suicide prevention in your medical practice
- ☐ Implement evidence-based screening for suicide risk in schools & senior centers
- ☐ Implement a means restriction program
- ☐ Ensure youth have treatment and support services after age 18/21

State

- ☐ Promote and coordinate prevention programs across disciplines
- ☐ Encourage research and study of suicide in Alaska
- ☐ Mandate suicide prevention training for teachers
- ☐ Promote evidence and research based practices
- ☐ Evaluate effectiveness and outcomes of suicide prevention programs
- ☐ Create and implement suicide prevention, intervention and postvention for rural police and public safety officers
- ☐ Improve data and surveillance systems related to suicide
- ☐ Fund a long-term follow back study
- ☐ Ensure every Alaskan has access to suicide prevention training, regardless of means
- ☐ Fund innovative research based prevention models
- ☐ Create a learning network via StopSuicideAlaska

Appendix A – Warning Signs

Warning Signs of Suicide

These signs may mean someone is at risk for suicide. Risk is greater if a behavior is new or has increased and if it seems related to a painful event, loss, or change. Seek help as soon as possible by contacting a mental health professional or by calling Careline at **1-800-266-HELP (4357)** if you or someone you know exhibits any of the following signs:

- Talking about wanting to die or to kill oneself.
- Looking for a way to kill oneself, such as searching online or buying a gun.
- Talking about feeling hopeless or having no reason to live.
- Talking about feeling trapped or in unbearable pain.
- Talking about being a burden to others.
- New or increased use of alcohol or drugs.
- Acting anxious or agitated.
- Behaving recklessly or taking more risks than usual.
- Sleeping too little or too much.
- Withdrawing or feeling isolated.
- Showing rage or talking about seeking revenge.
- Displaying extreme mood swings.

(from the National Suicide Prevention Lifeline)

Know the Signs of Suicide: IS PATH WARM?

I	Ideation
S	Substance Abuse
P	Purposelessness
A	Anxiety
T	Trapped
H	Hopelessness
W	Withdrawal
A	Anger
R	Recklessness
M	Mood Changes

www.stopsuicidealaska.org

(from the American Association of Suicidology)

Suicide Prevention Resources – Where to Get Help

Alaska

Careline	1-877-266-4357 www.carelinealaska.com	24/7 crisis line
SEARHC	1-877-294-0074	24/7 help line
Identity, Inc.	907-258-4777 (ANC) 1-888-901-9876 (statewide)	GLBTQ help line

National

Suicide Prevention Lifeline Press 1 for Veterans Crisis Line www.suicidepreventionlifeline.org	1-800-273-8255
The Trevor Project GLBTQ crisis hotline www.thetrevorproject.org	1-866-488-7386

Appendix B – Bibliography and Resources

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Undoing Racism in Public Health: A Blueprint for Action in Urban MCH, D. Barnes-Josiah (2004)

Resources

Alaska Bureau of Vital Statistics (AABVS)
Alaska/National Violent Death Reporting System (NVDRS)
American Association of Suicidology, www.suicidology.org
American Foundation for Suicide Prevention, www.afsp.org
American Indian and Alaska Native National Suicide Prevention Strategic Plan, 2011-2015, Indian Health Service Division of Behavioral Health
Childhood Understanding Behaviors Survey, 2009 (CUBS)
Community Anti-Drug Coalitions of America, www.cadca.org
Behavior Risk Fact Surveillance System, 2009 (BRFSS)
National Registry of Evidence-Based Programs and Practices, www.nrepp.samhsa.gov
National Strategy for Suicide Prevention Goals and Objectives for Action, U.S. Department of Health and Human Services, 2001
Postvention Resource Guide, Alaska Department of Health and Social Services Division of Behavioral Health (2011)
School Climate and Connectedness Survey (SCCS)
Suicide Awareness Voices of Education, www.save.org
Suicide Prevention Resource Center, www.sprc.org
The Trevor Project, www.thetrevorproject.org
Youth Risk Behavior Survey, 2011 (YRBS)

Appendix C - Contact List, 2012

Part of equipping Alaskans to take action and implement *Casting the Net Upstream* is ensuring that you can quickly contact the right person for the specific information you need. This list is provided so that you can do that. Because we know that people change jobs, retire, get promoted and move, the Council will publish an updated contact list with each annual implementation report.

For information about:

Help for a friend in crisis	**Careline** **1-877-266-4357** **National Suicide Prevention Lifeline** **1-800-273-8255**
40 Developmental Assets Alaska ICE	Alaska Association of School Boards www.alaskaice.org
Anchorage United for Youth	Sarah Sledge, United Way of Anchorage (907) 263-3803
ASIST Training	Barbara Franks, Alaska Native Tribal Health Consortium (907) 729-3751
Big Brothers Big Sisters	Anchorage (907) 433-4600 Bethel (907) 543-1496 Fairbanks (907) 452-8110 Haines (907) 766-2151 Homer (907) 235-8391 Hoonah (907) 945-3600 Juneau (907) 586-3350 Ketchikan (907) 247-3350 MatSu (907) 357-2227 Sitka (907) 747-3500
Building Intervention Skills Training	Christopher Cairns, NAMI-Juneau (907) 463-4251
Childhood learning programs	*thread* (800) 278-3723 www.threadalaska.org Association for the Education of Young Children (907) 789-1235
Crisis Intervention Teams	NAMI-Fairbanks (909) 456-4704
Critical Incident Stress Management	Chaplain Bert McQueen, Alaska Police and Fire Chaplains' Ministries (907) 272-3100
Domestic violence shelters	Alaska Network on Domestic Violence and Sexual Assault (907) 586-3650 www.andvsa.org

Drug Take Back/Disposal	Marti Pausback, Akeela, Inc. (907) 565-1214
Facing Foster Care	Amanda Metivier (907) 230-8237
GLBTQ Help/Crisis Lines	Identity, Inc. (Anchorage based help line) Anchorage (907) 258-4777 statewide (888) 901-9876 The Trevor Project (national 24/7 crisis hotline) (866) 488-7386 www.thetrevorproject.org
Gatekeeper Training	James Gallanos, Division of Behavioral Health (907) 465-8536
Gun Locker Programs	Hillary Strayer, Alaska Native Tribal Health Consortium Injury Prevention (907) 907-729-3513
IMPACT (Depression Screening)	Katie Baldwin-Johnson, Alaska Mental Health Trust Authority (907) 269-7960
Jason Foundation, Inc.	Ann Shaack, Northstar Behavioral Health (907) 264-4304
Lead the Change	Amanda Murdoch, Southcentral Foundation Dena'a Yeets Program (907) 729-4923
Means Restriction	Hillary Strayer, Alaska Native Tribal Health Consortium Injury Prevention (907) 907-729-3513 Means Matter, Harvard School of Public Health (617) 432-0085
Mental Health First Aid	Jill Ramsey, Trust Training Cooperative (907) 264-6228
Mental Health Services	Lance Brown, Alaska Mental Health Board (907) 465-8920
Parenting Supports	Alaska Youth and Family Network (907) 770-4979 Association for the Education of Young Children (907) 789-1235
Peer Support Programs	Michelle Woods, Northwest Arctic Borough School District miwoods@nwarctic.org Robyn Priest, Alaska Peer Support Consortium (907) 258-2772 Katie Baldwin-Johnson, Alaska Mental Health Trust Authority (907) 269-7960 Yvonne Jacobson, Division of Behavioral Health (907) 269-2051
Qunasvik Program	Dr. Stacy Rasmus, Center for Alaska Native Health Research (907) 474-7352

Rural Primary Care Suicide Prevention Toolkit	Margaret West, Suicide Prevention Resource Center (206) 362-2179 *To order a copy:* Tamara DeHay, Western Interstate Commission for Higher Education tdehay@wiche.edu
safeTALK	Barbara Franks, Alaska Native Tribal Health Consortium (907) 729-3751
School Climate and Connectedness Survey	Lori Klein, Alaska Association of School Boards lklein@aasb.org
Signs of Suicide Programs	Sharon Fishel, Department of Education and Early Development (907) 465-6523
Social Services	Alaska 211 (for information, referrals) 2-1-1
StopSuicideAlaska.org	Thomas Chard, Alaska Mental Health Board & Advisory Board on Alcoholism and Drug Abuse (907) 465-8920
Substance Abuse Treatment	Lance Brown, Advisory Board on Alcoholism and Drug Abuse (907) 465-8920
Suicide Data	Eric Morrison, Statewide Suicide Prevention Council (907) 465-6518 Hillary Strayer, Alaska Native Tribal Health Consortium Injury Prevention (907) 907-729-3513 Also, go to www.StopSuicideAlaska.org to create your own reports.

Casting the Net Upstream: Promoting Wellness to Prevent Suicide FY 2012-2017

Alaska Statewide Suicide Prevention Council
431 North Franklin Street
Suite 202
Juneau, Alaska 99801
(907) 465-6518
www.stopsuicidealaska.org

January, 2012

This publication was produced by the Statewide Suicide Prevention Council, Department of Health and Social Services. It was web published at no cost, saving an estimated $3.84/copy or $3,840/1,000 copies.

Copies can be downloaded and printed at no cost from http://www.hss.state.ak.us/suicideprevention/.

Recommended citation: Casting the Net Upstream (SSPC, 2012)

The Jason Foundation

- **The Jason Flatt Act** (we request each state name this legislation as such to help us build a national awareness about this legislation – much like the "Amber Alert" legislation) – is a legislative action that builds within a state's current In-Service Training / Certification requirements two hours training in youth suicide awareness and prevention. It is important to note, this does not increase the number of hours required – only shifts hours from what would be "elective subject hours" to "required subject hours".
- **The Jason Flatt Act** has had the endorsement from the Teacher's Association and Department of Education in every state it has passed.
- **The Jason Flatt Act** has been passed in Tennessee; Mississippi; California; Louisiana; Illinois; Arkansas.
- If passed as proposed / outlined, **The Jason Flatt Act** can be passed as a mandatory requirement without a fiscal note or any cost to the educator, school, school district or state for the training. The Jason Foundation will provide at no-cost to the participants / state access to their On-Line In-Service Training Library that will satisfy the requirements of the law and acts as a "fail-safe" safety net to insure access to training by all educators without cost. (will be glad to discuss why "mandatory" is an important part to assure all youth have benefit of a teacher who has been trained).
- Although The Jason Foundation offers its On-Line In-Service Training Library as a resource, **The Jason Flatt Act** **does not** require any specific program be utilized. We have found, as we have foretold, that many groups such as NAMI, MHA, Crisis Response Centers and Suicide Prevention Coalitions have eagerly offered to provide such training to schools at no-cost.
- In a recent national survey of educators who had satisfied their requirement utilizing The Jason Foundation's On-Line In-Service Training Library (we don't have access to other organization's records) – almost 90% of the educators reported now feeling more confident in reaching out to a student whom they feel may be struggling with issue of suicidal ideation or more confident should a student come to them for help.
- As to an argument that some have utilized – "not putting any other responsibility on our teachers": The Child Abuse Statute that most states have adopted already specifically names "teachers" as "First Reporters" in issues that deal with physical or emotional abuse (suicidal ideation is such a sign). It can be argued that teacher's are already legally responsible to report signs of suicidal ideation, they just have not been trained which could raise legal questions.

- Over a five-year period (2004-2008) in Tennessee, It was reported by the Department of Health that although suicide rates increased overall 15% - youth suicide continued its decrease...31.4% over 5 years. Two of these years The Jason Flatt Act was active in TN, but the previous three years – although not mandated – JFI had trained several thousand educators. Since this training was one of the only differences of resources

provided across Tennessee's population – we believe the importance is easily seen in the training of educators as an impact on lowering suicide attempts and suicide deaths.

- Providing training to our educators is also listed as one of the "Goals" of the National Strategy for Suicide Prevention – a model most states utilize for the state plans.

SB 140

<TARGET><BILL>SB 140</BILL><SUBJECT>SB 140</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 2/13/12

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 140

SB 140-CATHINONE BATH SALTS

"An Act classifying certain substances as schedule IIA controlled substances; and providing for an effective date."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[X] adopt **previous CS** SB 140 (JVD) *[ ] Same Title [X] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
ADM		✓		4
COR		✓		3
DPS		✓		2
LAW			✓	1

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	[illegible]	✓			
	McClure	✓			
				✓	
	Ellis	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:					

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: CSSB 140(JUD)
Fiscal Note Number: 4
(S) Publish Date: 2/13/12

Identifier (file name): SB140-DOA-PDA-1-23-12
Title: Cathinone Bath Salts
Sponsor: Senators Meyer, Giessel, Olson
Requester: Senate Judciary

Dept. Affected: Administration
Appropriation: Legal and Advocacy Services
Allocation: Public Defender Agency
OMB Component Number: 1631

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	****	****	****	****	****	****	****

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		****	****	****	****	****	****	****

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version

Prepared by: Quinlan Steiner, Public Defender — Phone: 907 334-4414
Division: Public Defender Agency — Date/Time: 1/20/12 12:45 PM
Approved by: John Cramer, Deputy Commissioner — Date: 1/23/2012
Department of Administration

(Revised 8/17/2011 OMB)

FISCAL NOTE #4

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB 140(JUD)

Analysis

This bill classifies certain compounds commonly called "bath salts" as Schedule IIA controlled substances. This classification creates new crimes that can be charged as multiple degrees of misconduct involving a controlled substance.

These crimes range from class C felonies to unclassified felonies, with broad sentencing ranges; fourth-degree misconduct involving a controlled substance is a class C felony and carries a potential sentence of up to 5 years imprisonment; third-degree misconduct involving a controlled substance is a class B felony and carries a sentence of up to 10 years imprisonment, first-degree misconduct involving a controlled substance is an unclassified felony and carries a sentencing range of up to 99 years of imprisonment .

The Agency has no reliable method for determining how many cases will be charged under the new classification or how many individuals charged will require public counsel. Additional felony cases will, however, have a fiscal impact on the Agency. The Agency, therefore, submits and indeterminate fiscal note.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: CSSB 140(JUD)
Fiscal Note Number: 3
(S) Publish Date: 2/13/12

Identifier (file name): SB 140-DOC-OC-01-13-12
Title: "An Act classifying certain substances as Schedule IIA
Sponsor: Senator Meyer, Giessel & Olson
Requester: Senate Judiciary Committee

Dept. Affected: DOC
Appropriation: Admin & Support
Allocation: Commissioner's Office
OMB Component Number: 694

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**	**	**	**	**	**	**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**	**	**	**	**	**	**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This is the original version of the bill.

Prepared by: Leslie Houston, Director — Phone: 907-465-3339
Division: Admin. Services, Department of Corrections — Date/Time: 1/13/12 11:32 AM
Approved by: Joseph D. Schmidt, Commissioner — Date: 1/13/2012
Department of Corrections

(Revised 8/17/2011 OMB)

FISCAL NOTE #3

STATE OF ALASKA **BILL NO.** CSSB 140(JUD)
2012 LEGISLATIVE SESSION

Analysis

This legislation classifies certain substances as Schedule IIA controlled substances.

Currently, possession of a schedule IIA is a Class C felony with a possible sentence of 0-2 years. Manufacturing or delivering a schedule IIA controlled substance is a Class B felony with a possible sentence of 0-4 years. The current average daily cost to house an inmate is $134.90. Therefore, housing an offender could cost the department anywhere from $0.0 (no time served) to $196,954.00 (for a 4-year sentence).

DOC analyzed the impacts of similar laws passed in recent years (Example, HB 7 - Synthetic Marijuana), we have found zero convictions and therefore zero offenders being housed in DOC facilities.

The department is currently unable to quantify the fiscal impacts of this bill, as we cannot predict the number of offenses that will occur. Should this legislation pass, the department will closely monitor the potential future fiscal impacts.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version	**CSSB 140(JUD)**
Fiscal Note Number	2
(S) Publish Date	2/13/12

Identifier (file name)	SB140-DPS-LAB-01-23-12	Dept. Affected	Public Safety
Title	CATHINONE BATH SALTS	Appropriation	Statewide Support
		Allocation	Laboratory Services
Sponsor	Senators Meyer, Giessel, Olson		
Requester	(S) JUD	OMB Component Number	527

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	***	***	***	***	***	***	***

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		***	***	***	***	***	***	***

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by	Orin Dym, Laboratory Manager	Phone	(907) 269-5743
Division	Scientific Crime Detection Laboratory	Date/Time	1/13/12 1:00 PM
Approved by	Joe Masters, Commissioner	Date	1/23/2012
	Department of Public Safety		

(Revised 11/28/2011 OMB)

FISCAL NOTE #2

STATE OF ALASKA **BILL NO.** CSSB 140(JUD)
2012 LEGISLATIVE SESSION

Analysis

This proposed legislation would add certain synthetic substances to the Schedule IIA list of statutorily controlled substances and provide for an effective date.

The Scientific Crime Detection Laboratory (crime lab) provides analysis of suspected controlled substances, issues reports, and provides expert testimony for the State of Alaska. The crime lab currently receives an average of ten submittals each month from law enforcement referencing "suspected bath salts." If these substances become controlled, the Chemistry Section of the lab can expect some change in requests for laboratory service, but is unable to determine how significant that change will be; whether it will remain roughly ten submittals per month or if it will increase.

These substances are unlike most that have been previously criminalized in that they are not "street drugs" but legally contrived and sold online via the internet and locally over-the-counter through tobacco shops. Because actual fiscal impact is unknown and difficult to determine, the crime lab is not requesting any additional funds or positions at this time but also does not wish to leave a matter the crime laboratory cannot fully assess without the reality of possible, though not probable, future fiscal impact.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB 140(JUD)**
Fiscal Note Number: 1
(S) Publish Date: 2/13/12

Identifier (file name): SB140-LAW-CRIM-01-25-12
Title: An Act classifying certain substances as schedule IIA controlled substances.
Sponsor: Senators Meyer, Giessel and Olson
Requester: (S) Judiciary

Dept. Affected: Law
Appropriation: Criminal
Allocation: Criminal Justice Litigation
OMB Component Number: 2202

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by: Eileen Donahue, Division Operations Manager — Phone: 465-5427
Division: Administrative Services — Date/Time: 1/25/12 5:10PM
Approved by: Richard Svobodny, Acting Attorney General — Date: 1/25/2012
Department of Law

(Revised 1/17/2012 OMB)

FISCAL NOTE #1

STATE OF ALASKA **BILL NO.** CSSB 140(JUD)
2012 LEGISLATIVE SESSION

Analysis

SB 140 adds new substances to Schedule IIA of Alaska's controlled substances. These substances are currently not controlled. They are sometimes referred to as synthetic cocaine or bath salts. It is difficult to predict the number of cases that would be filed after these substances are included in Alaska's schedules of controlled substances but the number should not be great.

Schedule IIA currently includes, among other substances, amphetamines and methamphetamines, which are fairly dangerous substances.

The fiscal impact is zero.

Alaska State Legislature

Interim:
716 West 4th Ave.
Anchorage, Alaska 99501
(907) 269-0199

Session:
State Capitol Building
Juneau, Alaska 99801-1182
(907) 465-4945

Senator Kevin Meyer
Senate District O

SPONSOR STATEMENT FOR SB 140

"An Act classifying certain synthetic cathinones as schedule IIA controlled substances; and providing for an effective date."

SB 140 would classify certain synthetic cathinones, commonly known as synthetic cocaine and marketed as 'bath salts,' as a schedule IIA controlled substance.

Marketed as bath salts or plant food with names like 'Meow-Meow,' Vanilla Sky,' 'Ivory Snow,' and 'Bliss,' synthetic cathinones are inexpensive, accessible, and undetectable in most drug tests. Many users of this drug use them in combination with or as a legal alternative to cocaine, ecstasy or methamphetamines.

Drug effects include impaired perception, reduced motor control, disorientation, extreme paranoia and violent episodes. Synthetic cathinones are abused mainly by snorting and oral ingestion. The U.S. Drug Enforcement Administration, the U.S. Military, and the Municipality of Anchorage have all taken action to control or prohibit use of this drug.

According to the National Council of State Legislatures, as of October 24, 2011 there are 33 states that have adopted laws or have departmental rules banning chemical compounds associated with 'bath salts.' Seven states have legislation pending.

Should SB 140 pass, it would be unlawful throughout the State of Alaska to sell, use, purchase, possess, manufacture, transport or deliver synthetic cathinones, the chemical compounds which are being marketed as 'bath salts' and synthetic cocaine.

SB140 Cathinone Bath Salts
Changes from Version B to Version I.

New Sections 1 and 2 were added to the bill to amend the penalties for the cathinone substances listed in the original bill.

In Section 1, sales, distribution, manufacture, and possession of 500 milligrams or more of the substances remain classified as Misconduct involving a Controlled Substance (MICS) in the 4th degree, a Class C felony.

In Section 2, possession of **under** 500 milligrams are classified as MICS in the 5th degree, an A misdemeanor.

In Section 3, a technical amendment was made by legislative legal drafters to transfer methicathinone from the list of Schedule 1 substances into Schedule 2, so that all the cathinone-related substances are listed in the same schedule.

Section 4 repeals the methicathinone listing in Schedule 1.

Life-threatening Necrotizing Fasciitis Due to 'Bath Salts' Injection

RUSSELL RUSSO, MD; NOAH MARKS, MD; KATY MORRIS, MD; HEATHER KING, MD; ANGELLE GELVIN, MD; RONALD ROONEY, MD

abstract

Full article available online at ORTHOSuperSite.com. Search: 20111122-36

Necrotizing fasciitis is an orthopedic emergency. The ability to quickly and accurately diagnose this rapidly spreading disease can save a patient's life and limb. However, the diagnosis is complex because necrotizing fasciitis usually manifests as a less severe cellulitis or abscess while the majority of the damages rage beneath the surface of the skin. Although the diagnosis is not new, the potential causes and vectors continually change. This article reports a new source of necrotizing fasciitis in an intramuscular injection of "bath salts," a rapidly emerging street drug that is legal in some states and evades authorities with its innocuous name.

The patient presented 2 days after injection of bath salts with extensive cellulitis extending to the mid portion of her upper arm. The cellulitis initially responded to broad-spectrum intravenous antibiotics, but rapidly deteriorated 48 hours later, leading to a forequarter amputation with radical mastectomy and chest wall debridement to obtain healthy tissue margins and control the disease. The patient made a full recovery after further minor debridements, negative pressure dressings, directed antibiotic therapy, and skin grafting.

The recent emerging popularity of this highly obtainable, injectable substance may lead to an increase in cases of necrotizing fasciitis. Orthopedic surgeons should be vigilant in diagnosing this process early and should perform an extensive debridement.



Figure: Photograph after debridement.

Drs Russo, Marks, Morris, and Rooney are from the Department of Orthopaedics, and Drs King and Gelvin are from the Department of General Surgery, Louisiana State University Health Sciences Center, New Orleans, Louisiana.

Drs Russo, Marks, Morris, Gelvin, Rooney, and King have no relevant financial relationships to disclose.

Investigation performed at Earl K. Long Medical Center, Baton Rouge, Louisiana, in conjunction with the Department of Orthopaedics, Louisiana State University Health Sciences Center, New Orleans, Louisiana.

The authors thank the anesthesia and nursing staffs, who provided superb care in the treatment of this patient and who were integral in her full recovery.

Correspondence should be addressed to: Russell R. Russo, MD, Department of Orthopaedics, Louisiana State University Health Sciences Center, 1542 Tulane Ave, 6th Floor, New Orleans, LA 70112 (rrusso@lsuhsc.edu).

doi: 10.3928/01477447-20111122-36

The term necrotizing fasciitis originates from a report by Wilson[1] in 1952. However, what we know now as necrotizing fasciitis was described initially by Hippocrates as early as the fifth century BC. The term was repopularized by Confederate Army surgeon Joseph Jones as "hospital gangrene." In 1924, Meleney again renamed it "hemolytic streptococcal gangrene."[2] Despite the changes in nomenclature, the disease known as necrotizing fasciitis is the same spectrum of infections, ranging from superficial cellulitis to rapidly spreading myonecrosis. The pathogenesis of the disease has remained constant over time. This article describes a form of necrotizing fasciitis, a rapidly progressing streptococcal myositis, originating from an intramuscular injection of "bath salts."

Bath salts, or synthetic cathinones, have gained increasing worldwide popularity in the past few years.[3] Despite its name, bath salts have no legitimate use for bathing and are intended only for substance abuse. Its recent popularity, initiating in Western Europe in 2009, has alarmed both authorities and health care providers with its rapid emergence.[4] The first cases of bath salts intoxication were reported in August 2010 in Louisiana (n=1) and Kentucky (n=1).[3] These intoxications create a deep paranoia and recurrent delusions in users.[5] More cases have followed over the past 2 years. Unlike common illicit drugs such as cocaine, heroin, lysergic acid diethylamide, phencyclidine, and ecstasy, the dangers of bath salts are unknown and only beginning to emerge. At least 16 states so far this year have placed emergency bans on the products, which are marketed under false pretenses to evade authorities.[3]

However, as the drug's use evolves from an oral, smokable, and snortable form to an injectable version, communities need to become aware of the implications of an increase in injectable illicit substances.[5] Studies in the past outlined the dangers of dirty needle use from illegal substances ranging from anabolic steroids to heroine.[3,6] Injection risks range from local pain and swelling to peripheral nerve palsies. However, the most severe consequence is necrotizing fasciitis infection, which can initially appear innocuous but later manifest as a severe infection, culminating frequently in loss of limb and even death.[7]

The diagnosis of necrotizing infections of both muscle and subcutaneous tissue can be difficult and time sensitive. The only effective treatment is extensive debridement with intravenous antibiotics to prevent loss of life and limb. This article reports the danger of injecting bath salts intramuscularly and the difficult subsequent diagnosis and treatment.

CASE REPORT

A 34-year-old woman presented with a 2-day history of increasing right forearm pain and erythema. She reported the redness and pain began the morning after a party. She reproted no subjective fever or chills and had no documented temperatures >100.4°F. She was hemodynamically stable and well appearing with an anxious affect. She reported no symptoms other than her right arm complaints. Her erythema extended from the middle of her upper arm to her metacarpophalangeal joints. She had mild swelling compared with the contralateral extremity, and no crepitus was palpable. She was able to move her shoulder, elbow, and wrist with moderate pain. She had 1 small red puncture wound that she later admitted was a needle stick. She had no neurovascular deficits, and initial radiographs revealed no fracture, dislocation, or apparent gas or foreign body. The areas of erythema were marked with a sterile skin marker, and she was started on broad-spectrum intravenous (IV) antibiotics for cellulitis.

The next morning, the patient's erythema had receded to approximately 50% of the previous physical examination and markings. The patient reported mild resolution of pain. On further questioning, she reported injecting bath salts 2 nights prior to developing symptoms. She also reported the injection was intramuscular because she could not obtain intravascular access. The patient initially denied illicit drug use, but then reported cocaine, opiate, and benzodiazepine use in addition to the recent bath salts injection.



Figure 1: Patient at time of operative incision.

The patient remained on broad-spectrum IV antibiotics with close monitoring. She continued to be afebrile with no tachycardia. Her white blood cell count was 17.9, her erythrocyte sedimentation rate was 125, and her C-reactive protein count was 20. All other laboratory values were within normal limits. She tested positive for cocaine, opiates, and benzodiazepines prior to iatrogenic administration of those medications.

The following morning, the erythema only surrounded the needle injection site. However, the patient reported pain at the site of the injection, so an ultrasound was ordered to delineate any nonradiopaque foreign bodies and the presence of fluid or gas.

Hours later, when the patient was reexamined, she was found to have progressive erythema that had developed past the earlier skin markings and an area of skin sloughing around the injection site with a malodorous drainage. The diagnosis of a fast-spreading infection, such as necrotizing fasciitis, was assumed, and the patient immediately underwent emergent surgical debridement and exploration. She was placed on penicillin G and clindamycin for antibiotic coverage (Figure 1).

By the time surgery began, the erythema had spread farther proximally, and bullae were beginning to form at the injection mark on the dorsal forearm. An inci-

sion was made over the dorsal forearm in the Thompson approach. A large amount of pink, thin, purulent fluid was expressed with a foul odor. As the debridement continued, a large area of dark, noncontractile muscle surrounding the area of injection was present. After full dissection of the forearm, 30% of the skin and subcutaneous tissue remained viable, along with the contents of the volar forearm (Figure 2).

No clear margins proximally of healthy muscle were available, so an incision was made in the anterolateral approach to the shoulder. In the time it took to expose the anterior upper arm, muscle in the forearm that had previously been contractile and pink had turned dusky and noncontractile. We disarticulated the shoulder to obtain clear margins of the disease to prevent disease progression. The general surgery team was placed on standby to aid with further chest wall and neck debridement as indicated, and massive blood transfusion protocols were instituted.

To prevent the spread of disease and obtain healthy viable tissue, a complete forequarter amputation was performed, removing both scapula and clavicle while debriding all noncontractile, unhealthy muscle. The general surgery team also elected to perform a right radical mastectomy and further chest wall debridement to prevent further progression of the disease. All bleeding vessels were ligated, and we obtained disease-free tissue throughout the wound bed. Sterile dressings were applied, and the patient was transferred to the intensive care unit for monitoring (Figure 3).

Bacterial isolates included alpha-hemolytic *Streptococcus*, *Streptococcus viridans*, *Peptostreptococcus micros*, *Gemella morbillorum*, and *Actinomyces odontolyticus*. Recent studies indicated that 82% of these infections were polymicrobial, with the most common organisms including Gram-negative enteric bacilli, enterococci, staphylococcal, and streptococcal species.[8]

The patient underwent further debridement and negative pressure dressing changes in the following days and remained disease free, afebrile, and hemodynamically stable. She then underwent extensive split-thickness skin grafting after healthy granulatory tissue covered the expanse of the wound. She is currently undergoing rehabilitation and is in excellent health (Figure 4).



Figure 2: Photograph during forearm debridement.



Figure 3: Photograph after debridement.



Figure 4: Photograph after skin grafting.

Discussion

As bath salts gain popularity, medical centers of all disciplines must be prepared to identify the signs of intoxication while treating the potential side effects.[3] The associated trauma brought on by the drugs' psychogenic effects may lead patients to orthopedic surgeons through more common routes.

In addition to the effects of the drug, injecting these illicit substances can cause a rare, often-fatal infection. Past reports linked the injection of illicit drugs, including anabolic steroids, with similar devastating clostridial myonecrosis.[6] These infections are usually associated with crush traumas and farm injuries, but now one must also be prepared and vigilant when presented with a cellulitic patient who has a history of needle use. Even patients with their own clean needles are not immune, as evident in a report of an asthmatic patient developed necrotizing fasciitis from an injection of subcutaneous epinephrine.[9]

The key to treatment in this population is early recognition and immediate extensive surgical debridement coupled with penicillin G and clindamycin IV antibiotics. The diagnosis may be delayed due to the nature of the disease. According to a 1995 study of 65 patients, initial symptoms included fever in 60% of patients, skin blebs or bullae in 38% of patients, and minor pain in 27% of patients at presentation.[8]

Deep muscular necrosis is often masked by a nonerythematous overlying tissue bed, and surgical intervention is often delayed after hospital admission. Vigilant monitoring of patients with cellulitis who present with a history of needle use with a low threshold to an extensive debridement is the only means for treatment to cure the patient. One study noted an average time to operative procedure after admission of 45 hours (range, 1.7-312 hours), with the average time to surgery for survivors being 25 hours, whereas nonsurvivors had an average time to surgery of 90 hours.[8]

Necrotizing fasciitis has a rapid timeline to tissue destruction and loss of life. A 1995 study found the survival rate of those diagnosed with necrotizing fasciitis to be as low as 50% (range, 6%-76%). However, wide ranges of mortality exist depending on a multitude of factors.[8] Therefore, the treating orthopedic surgeon must be able to perform a full, extensive debridement

in extreme cases, in which a forequarter amputation may be indicated to prevent delay in treatment and infection progression and, ultimately, death. A similar extensive debridement was documented in a report by Brzozowski and Ross,[10] in which a rapidly progressing *Escherichia coli* forearm infection was treated by forequarter amputation to save a patient's life before the patient succumbed to the disease.

To our knowledge, our article is the first to report streptococcal necrotizing fasciitis and myonecrosis from intramuscular injection of bath salts, which are currently only banned in some US states. Despite the drug's legal status, it must be treated as illicit, and one must be suspicious when examining a patient with this clinical history because the diagnosis of flesh-eating bacteria can masquerade as abscesses and cellulitis.[7] Treatment for this virulent disease remains a swift diagnosis with extensive surgical debridement to obtain complete control of the organism and prevent death. However, the best treatment is prevention with public, street-based education and early detection.

A large retrospective study performed in California between 1984 and 1999 showed a sharp increase in necrotizing fasciitis between 1994 and 1999 in conjunction with the rise in popularity of the intravenous drug black tar heroin.[11] Hopefully, this rise in popularity of bath salts does not preclude a similar rise in necrotizing fasciitis, but surgeons must be ready to diagnose and perform extensive debridements in association with general surgeons in some instances to obtain limb salvage and function and prevent death. ◙

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Dangerous new designer drugs are showing up in Alaska

'BATH SALTS': Side effects can include seizures, paranoia, death.

By ROSEMARY SHINOHARA

(11/15/11 22:07:24)

A year after Anchorage led the state in outlawing a new street drug known as Spice, K2 or Spike, another set of new so-called "designer" drugs that are at least as dangerous is appearing in Alaska, a city prosecutor says.

The Spice-type drugs are synthetic marijuana.

The new drugs are chemical stimulants that mimic the effects of cocaine, ecstasy and methamphetamine, and are peddled under names like Pure Ivory, White Rush and Synergy.

The drugs are sometimes sold under the guise of "bath salts" or "plant food." Ingesting the powders and crystals causes side effects such as delusions, seizures, teeth grinding, paranoia, heart palpitations, blue extremities and, in some cases, death, assistant city prosecutor Jennifer Messick told Anchorage Assembly members at a work session earlier this month.

The Assembly last week made it illegal to sell, use or possess the chemical compounds found in the "bath salt" group of drugs in Anchorage. The federal Drug Enforcement Administration in October added the ingredients of the synthetic drugs to a list of controlled substances that are illegal to sell or possess in the United States.

Sen. Kevin Meyer, R-Anchorage, is planning to introduce a proposed state law banning the chemicals used in bath salts too.

A state law will help because the federal government "may not prosecute many of the lower-level cases that we and the state can," said Anchorage city attorney Dennis Wheeler.

But no one thinks these laws will totally erase the threat. The new rules are difficult to enforce and fresh versions of designer drugs can appear at any time.

"In just over a year, we went from five compounds in Spice to 400-something substances out there as of July," Messick said.

ARE THE DRUGS HERE?

So what's the evidence that the bath salt drugs -- synthetic stimulants Mephedrone, Methylone and a third known as MDPV -- are actually in Alaska?

Providence Alaska Medical Center psychiatric nurse practitioner Heather Brock said this year she's seen about one person a month who is sick enough from the bath salt family of drugs to be admitted to the hospital. They've either told her what they've taken or they've brought in the package, she said.

Other users may have just been seen in the emergency room.

Dr. Jeff Baurick, who works in the emergency room at Alaska Regional Hospital, said he's had one bath salt case in the past few months and has heard of a few other patients seen by one of the nine other ER doctors there.

People snort or swallow the drugs or even put them up their rectums, Brock said.

"People are confused, agitated, they have increased heart rates, a couple cases of arrhythmia," she said. "They're very paranoid, like you would see in any kind of stimulant."

The effects only last a few hours, she said. That leads to another problem.

"Because they're fast-on, fast-off, people are more likely to re-dose, which makes it more likely to overdose," Brock said.

There's no antidote, she said. Medical providers simply treat the symptoms: "You address the heart rate, the fever, the anxiety."

In at least one case, a person mixed a bath salt drug with cocaine, causing a bad reaction, she said. She couldn't be more specific due to privacy rules.

Messick said the drugs are appearing locally "quite a bit."

She said between Anchorage police and Valley emergency and law enforcement officials, reports are made just about daily that they're dealing with people showing the symptoms of having used the bath salt compounds.

In her talks in Anchorage schools, Messick has found students are aware of the new variety of drugs. But earlier this month, a School District spokeswoman said the district has had no incidents involving students.

"We may be getting on the front end of it," Anchorage Police Chief Mark Mew said. "We're looking at a situation where the evidence is anecdotal."

WHERE TO GET THEM

Bath salts are accessible through the Internet and are believed to have been available in some tobacco shops, Messick said. When she visited a couple of tobacco shops in East Anchorage after the feds made bath salts illegal last month, though, the store representatives said they didn't have any.

"We could go to jail," one of them told her.

But both shops offered packets of material called Spice, she said. The packets could have been synthetic marijuana, which both the municipality and the state made illegal over the past year.

The fact that Spice is still on the shelves illustrates another problem: enforcement.

Whether stores that are still offering items marketed as Spice are breaking the law is "open for debate," Messick said.

The ingredients on so-called Spice packets aren't listed and it's unclear if they contain the specific ingredients banned under state or city law.

The city law "casts a wide net if you market anything with the same effect," Messick said. "I think the concern is whether it's vague and overbroad."

Another enforcement issue: The city doesn't have a field test kit for either the synthetic marijuana drugs or the latest, so-called bath salt drugs, Chief Mew said. A field test would give officers probable cause to arrest someone for use of the drugs.

Users could still be arrested for driving under the influence under a city law that makes it illegal to drive if a person is impaired by any substance, Messick said.

And test kits might become available before long. Messick said a company in the Netherlands is producing them.

Reach Rosemary Shinohara at rshinohara@adn.com or 257-4340.

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Alaska lawmakers seek inexpensive crime solutions

By AUSTIN BAIRD
(01/24/12 13:23:29)

Lawmakers, prosecutors and law enforcement officers from around the state gathered Tuesday for a two-day summit that aims to identify cost-effective ways to fight crime and improve public safety across Alaska.

The Senate Judiciary Committee opened the summit with a presentation from Annie Pennucci, a researcher for the Washington State Institute for Public Policy. The institute is nonpartisan and established by the Washington Legislature to study the economic impacts of issues important to the state.

Pennucci told the bipartisan committee that a summary of 66 studies of 3- and 4-year-old low-income children she helped conduct for the Washington Legislature show a direct correlation between preschool for low-income children and lower crime rates.

Everything from high school graduation rates to out-of-home placement rates are also correlated, she said.

"It bends the curve significantly," said the committee's chairman, Sen. Hollis French, D-Anchorage, who has sponsored legislation that would expand education opportunities to pre-elementary aged children. French said early childhood education is not a cure-all but a part of an overall solution.

Other topics of discussion at the summit included how communities of varying sizes, from Anchorage to Palmer to rural villages, have fared as budget cuts have chiseled away resources available to departments.

Anchorage Police Chief Mark Mew asked the state for renewed support of community policing, for which a grant recently expired, and for other programs that he said have been effective at curtailing crime in Anchorage.

Another focus was on so-called "bath salts," which are synthetic drugs legally sold over-the-counter that mimic the highs from cocaine, ecstasy and other illicit substances. Bath salts have become a focus for lawmakers and will be the subject of a hearing before the committee Friday.

The legislature banned synthetic marijuana last year, and that was helpful, Mew said. "We have a misdemeanor ordinance (in Anchorage) for bath salts, but it really needs to be a felony," he said.

It's not clear whether any special initiatives or new legislation will result from the summit, but French has said it's important to bring together criminal justice experts to get a better sense of what is happening in the system as a way of considering catalysts for change.

The summit is scheduled to continue Wednesday, with speakers slated to include Walt Monegan, CEO of the Alaska Native Justice Center, and Nancy Haag of Stand Together Against Rape.

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News

Designer drugs like 'plant food' and 'bath salts' exploding across Alaska

Victoria Barber and Noah Hull Diamond | The Seward Journal | Nov 07, 2011



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Alaska legislation would ban smoke-shop 'incense' OTC drugs K2, Spice

Alaska law banning K2, Spice scheduled to take effect in July

In towns both large and small throughout Alaska a new class of potent designer drugs has established a foothold, sending more and more users to hospital emergency rooms while police wonder how to fight back.

Mephedrone, methylone and MDPV -- drugs commonly known as "plant food," "bath salts" and "air freshener" -- are legal under state law.

While the street names sound benign, the drugs' effects are anything but. The powerful drugs are easy to get and relatively cheap. The three drugs are marketed interchangeably and sometimes referred to as "synthetic cocaine." They are all powerful central nervous system stimulants, designed to mimic the effects of illegal drugs like meth, cocaine and ecstasy -- with some hallucinogenic properties as well.

"We're seeing a psychoactive substance that seems to be more intense than any of the stimulants -- more intense and more robust in some cases than meth, and definitely cocaine and ecstasy," said Patrick Hayes, supervisor of the outpatient substance abuse program at SeaView Community Services in Seward.

The drugs are relatively inexpensive, in part because they have been easy to get. Bath salts and plant food can be found easily on the Internet, where they are marketed under names like "Vanilla Sky," "Ivory Wave," and "Red Dove." They can come in almost banal-looking packages (bath salts are often emblazoned with images of flower petals, angels, birds and women's feet) and marked with a disclaimer that they're not for human consumption.

The drugs have also gained a following as something that won't show up on urinalysis tests. Until recently the compounds were legal -- the U.S. Drug Enforcement Administration temporarily banned the substances just last month, but the state of Alaska has yet to address the issue legally.

Hayes said that he first heard about plant food in Seward several years ago. During the last two years, he said, it seems to have caught on.

"It seemed like the people who were moving from cocaine to meth eventually starting moving on to it," Hayes said. "I think that meth is being replaced by plant food."

Effects mimic a schizophrenic breakdown

"I used, what you're calling plant food, for the first time about a year or so ago," said "Sam," a Seward resident in his early 30s who spoke on the condition of anonymity.

Sam sat down to talk at a local restaurant on a chilly evening this fall. He grew up with nice parents in a middle-class family, he said, but fell into substance abuse. It started in his teens with cigarettes and marijuana and progressed to hallucinogens, prescription drugs and cocaine.

Today, Sam is usually homeless. He said he turns to plant food as an alternative to spendier, harder-to-find drugs like heroin. "It's pretty cheap, and you get high for a while," Sam said.

Plant food, bath salts and air freshener can be ingested in a variety of ways. They come in powder or pill form and can be snorted, freebased, mixed with water and injected or atomized.

But while the drugs' effects mimic substances like cocaine or ecstasy, there isn't a lot of information about how mephedrone, methylone and MDPV affect the human body, even as users are landing in hospital emergency rooms.

"It's so new, we don't even know the half life (how long it takes the liver to detoxify half of the drug)," Hayes said. "We don't know long-term effects of chronic use. We're seeing people using it, showing up at the ER with symptoms of psychosis, rapid heart-beat, elevated heart pressure, along with delusional thinking and hallucinations, both auditory and visual."

The hallucinations described by users, Hayes said, are "more along the lines of someone who is experiencing a schizophrenic breakdown."

"I've talked to people who've used plant food -- they say it's the worst acid trip they've been on -- but as soon as they come down they want more."

'Absolutely' dangerous

"There may be users that say they've never had a bad trip. That may be," said Jennifer Messick, a traffic safety resource prosecutor with the Municipality of Anchorage who works with the Anchorage Police Department. Those aren't the users that law enforcement ends up dealing with, she said. "We find many users who say they thought it was safe -- a safe alternative to cocaine, meth or whatever, and land in the hospital."

Messick began researching designer drugs a couple years ago. As her expertise has grown, she's been inundated with requests to visit communities around the state and nation to talk with police officers about designer drugs and how to safely handle people who are on them.

Messick said users on mephedrone tend to be paranoid and delusional. They commonly report a sense of impending death or doom, seeing hallucinations of dead people.

Some drug users enter a state of "excited delirium" -- a condition often associated with cocaine or meth -- where they become extremely aggressive, temporarily insensitive to pain and display incredible strength and endurance. This poses "a huge safety risk for officers," Messick said.

It's becoming a bigger problem because use of plant food, bath salts and their kind is increasing "exponentially" across the state, Messick said. It's hit the Mat-Su Valley and Anchorage hard, but small towns have not been spared either. "I can assure you it's about everywhere in Alaska, even some of the villages," Messick said.

Messick said mephedrone, methylone and MDPV started out as party drugs in Russia and Western Europe. They have since been banned in many European nations, including the United Kingdom, but their popularity spread overseas to the U.S. on the heels of synthetic cannabinoids like "spice" and "K2."

Plant food and bath salt use appears to have exploded in the last couple years. Nationwide, there were a total of 298 calls to the American Association of Poison Control Centers about plant food in 2010. In just the first half of 2011 that number jumped to 4,137 - a 1,400 percent increase. That doesn't even include 911 calls, Messick noted.

"Unfortunately, the general public doesn't understand how absolutely dangerous these things are," Messick said.

Families on alert

"I can say I was shocked when I heard (plant food) was in Seward," said Karen Sturdy, director of the Seward Parks and Recreation Department.

Sturdy said she first heard the drug was being used in Seward last year. In a presentation before City Council, she said plant food was one of the dangers facing Seward's youth. "I think it's way more prevalent than anyone is willing to admit," said Sturdy.

The drugs are scary on their own, Sturdy said, but she's also worried that youth, upon hearing the street names, will try to snort or otherwise ingest real plant food or bath salts, thinking it will get them high. "There are kids in Seward who think they are 10 feet tall and bullet proof," Sturdy said. "So, it's frightening."

Lt. Louis Tiner said Seward police are coming into contact with more and more people who are on plant food and bath salts or admit to using them. "But more than anything we hear from concerned people about their friends and family members," Tiner said. "There are people using it and addicted to it and there are people here distributing it. It is something parents should be aware of and on the lookout for."

Illegal, and not illegal

Last month, mephedrone, methylone and MDPV became illegal under federal law. The DEA took emergency action Oct. 21 to control the substances, making the possession and sale of the

chemicals, or products containing them, illegal in the United States. It's a temporary action that will be in effect for a year while the DEA and U.S. Department of Health and Human Services study whether the drugs should be permanently controlled.

Until then, police have few tools with which to battle the use of mephedrone, methylone and MDPV. That's because while the drugs are banned under federal law, the State of Alaska has yet to take action on them. If a police officer in Seward came across someone in possession or selling plant food they could only pass the case along to the DEA for review. While the DEA could prosecute, there's also a chance they wouldn't take action on small-scale, individual cases. "There's a great need for state and local legislation," said Messick.

Anchorage Mayor Dan Sullivan introduced an ordinance last month to criminalize plant food, bath salts and the others. And state Sen. Kevin Meyer announced his intent to introduce legislation in the upcoming session to ban mephedrone and MDPV at the state level.
"What makes these substances even more dangerous is how they are being marketed . . . With names like 'Meow-Meow,' Vanilla Sky,' 'Ivory Snow' and 'Bliss', (they're) obviously aimed at kids and young adults," Meyer said in a press release.

Messick acknowledged the laws may be insufficient. Designer drugs are carefully designed to get around the law. "I tell people to think not just about these drugs, but what drug will come out next year," Messick said. The most important thing to do, he said, is to make sure people know the risks. That can help -- although some people don't care.

"Some chemist will just change the formula a little then it'll be cheap and easy again," said Sam. "I want to get high and if they make it illegal, I still will."

*This article was originally published in **The Seward Journal** and is reprinted here with permission.*

Submitted by: Chair of the Assembly at the Request of the Mayor
Prepared by: Dept. of Law
For reading: November 8, 2011

CLERK'S OFFICE
AMENDED AND APPROVED
Date: 11-8-11

ANCHORAGE, ALASKA
AO No. 2011-106(S)

AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE CHAPTER 8.35 TO PROHIBIT THE MANUFACTURE, ASSEMBLY, DISTRIBUTION, MARKETING, SALE, USE OR POSSESSION OF SUBSTANCES CONTAINING CERTAIN CHEMICAL COMPOUNDS, INCLUDING THOSE COMMONLY MARKETED AND SOLD AS "BATH SALTS", PLANT FOOD, INCENSE OR DIETARY SUPPLEMENTS AND WHICH INDUCE EFFECTS SIMILAR TO CERTAIN ILLEGAL DRUGS, TO PROHIBIT THE SALE OR POSSESSION OF PARAPHERNALIA RELATED TO THE USE OF THESE CHEMICAL COMPOUNDS, TO PROVIDE PENALTIES, AND AMENDING SECTION 14.60.030 TO PROVIDE FOR CIVIL PENALTIES.

WHEREAS, the chemical compounds 3,4-Methylenedioxy-N-methylcathinone (methylone), 3,4-Methylenedioxypyrovalerone (MDPV), 4-Methyl-N-methylcathinone (mephedrone), 3-Methoxymethcathinone, 3-Fluoromethcathinone, and 4-Fluoromethcathinone are psychoactive substances that, when introduced into the body, induce effects similar to illegal drugs;

WHEREAS, much like the marketing of Synthetic Cannabinoids (Spice/K2) as incense, these substances are commercially available and in some cases are being marketed as "bath salts" under names such as "Vanilla Sky", "Ivory Snow", "Bliss", "White Lightning", "Hurricane Charlie", and "Red Dove", and in other cases packaged or marketed as plant food, dietary supplements, insect repellent, potpourri or incense;

WHEREAS, some or all of the substances used to make "bath salts" are banned in Alabama, Arkansas, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maine, Michigan, Minnesota, Mississippi, Missouri, New Jersey, New Mexico, New York, North Dakota, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Texas, Tennessee, Utah, Virginia, Washington, West Virginia, Wisconsin, and Wyoming and municipalities throughout the United States;

WHEREAS, on **October 21** ~~**[September 8]**~~, 2011 the federal Drug Enforcement Agency issued a **one year ban on** ~~**[notice of intent, 76 FR 55616-01, to temporarily schedule]**~~ the three synthetic cathinones mephedrone, methylone and MDPV under Schedule I of the Controlled Substances Act based on findings it is necessary to avoid imminent hazard to the public safety because they have a high potential for abuse, no currently accepted medical use in treatment in the United States, and lack accepted safety for use under medical supervision;

WHEREAS, Phenazepam is an unregulated benzodiazepine drug which, as with other benzodiazepines, in case of abrupt discontinuation following prolonged use,

can induce severe withdrawal symptoms including restlessness, anxiety, insomnia, seizures, convulsions and death;

WHEREAS, Benzylpiperazine (BZP) is a recreational drug with euphoric, stimulant properties. The effects produced by BZP are comparable to those produced by amphetamine. Adverse effects have been reported following its use including acute psychosis, renal toxicity, and seizures. Its sale is banned in a few countries, including Australia, New Zealand, the United States, the Republic of Ireland, the United Kingdom, and other parts of Europe;

WHEREAS, the abuse of these substances has been increasing and law enforcement and medical professionals have indicated bath salts, in particular, are becoming increasingly popular due to the misperception that they pose a seemingly safer alternative to illegal methods of getting "high" and can be obtained at convenience stores, pawnshops, and gas stations;

WHEREAS, users of these drugs report the effects are similar to cocaine, ecstasy or methamphetamine usage, including blurred vision, extremely elevated blood pressure, irregular heart rates, hallucinations, delusions, vomiting, suicidal thoughts, "highs", and disturbing side effects including feelings of excruciating pain, agitation and loss of control. Some abusers describe the effects as similar to methamphetamine, ecstasy, and cocaine, and have referred to bath salts as "complete crank" and "fake cocaine";

WHEREAS, some users experience severe reactions, resulting in unconsciousness, seizures, and hospitalization, and in some reported cases even death;

WHEREAS, products containing the substances are not tested by the Food and Drug Administration (U.S. Department of Agriculture) or other governmental regulatory agency for human consumption and contain chemicals detrimental and dangerous to the health and welfare of those ingesting them;

WHEREAS, representatives of businesses selling the substances indicate they are available to minors as well as adults;

WHEREAS, despite packaging warning purchasers that the products are not for human consumption, the warnings are not being heeded;

WHEREAS, Alaska Statutes do not currently regulate the sale, purchase, possession, or manufacture of these substances**, but Senator Kevin Meyer intends to introduce legislation criminalizing these substances [~~or, if currently regulated, may not provide the resources to fully prosecute offenders~~]**;

WHEREAS, within the United States there is no currently sanctioned medicinal or other legitimate purpose for taking these substances; and

WHEREAS, it is in the best interest of the Municipality to prohibit the manufacture, assembly, possession, use, sale, marketing, or offering for sale of these substances

within the boundaries of the Municipality to protect the health, safety and welfare of its citizens; now, therefore,

THE ANCHORAGE ASSEMBLY ORDAINS:

Section 1. Anchorage Municipal Code chapter 8.35 is amended by adding a new section to read as follows:

8.35.110 Illegal synthetic compounds.

A. It shall be unlawful for any person or entity to knowingly manufacture, assemble, distribute, dispense, sell, attempt to sell, give, trade, barter, transfer, or to otherwise furnish in a single transaction any product or combination of products containing **[an amount in excess of 25 milligrams in the aggregate of any of the following substances]**:

1. Cathinone or substituted cathinones, including any compound, except bupropion or a compound listed in another schedule, structurally derived from 2-amino-1-phenyl-1-propanone by modification in any of the following ways:

   (a) substitution in the ring system to any extent (including alkyl, alkoxy, alkylenedioxy, haloalkyl, or halide substituents), whether or not further substituted in the ring system by other substituents;

   (b) substitution at the 3-position with an alkyl substituent; or

   (c) substitution at the 2-amino nitrogen atom with alkyl or dialkyl groups, or inclusion of the 2-amino nitrogen atom in a cyclic structure.**[;]**

2. **[By example,]** Compounds such as:

   (a) 4-Methyl-N-methylcathinone (Also known as Mephedrone)**, its salts, optical isomers, and salts of optical isomers**;
   (b) 3,4-Dimethylmethcathinone (Also known as 3,4-DMMC)**, its salts, optical isomers, and salts of optical isomers**;
   (c) 3-Fluoromethcathinone (Also known as 3-FMC)**, its salts, optical isomers, and salts of optical isomers**;
   (d) 4-Fluoromethcathinone (Also known as Flephedrone)**, its salts, optical isomers, and salts of optical isomers**;
   (e) 3,4-Methylenedioxy-N-methylcathinone (Also known as Methylone);
   (f) 3,4-Methylenedioxypyrovalerone (Also known as MDPV)

, its salts, optical isomers, and salts of optical isomers;

(g) alpha-Pyrrolidinopentiophenone (Also known as alpha-PVP);

(h) Naphthylpyrovalerone (Also known as Naphyrone);

(i) beta-Keto-N-methylbenzodioxolylpropylamine (Also known as Butylone);

(j) beta-Keto-N-methylbenzodioxolylpentanamine (Also known as Pentylone);

(k) beta-Keto-Ethylbenzodioxolylbutanamine (Also known as Eutylone); and

(l) 3,4-methylenedioxy-N-ethylcathinone (Also known as Ethylone);

(m) methcathinone, its salts, optical isomers, and salts of optical isomers;

3. Benzodiazepines, including Phenazepam;

4. Benzylpiperazine (BZP); or

5. Any other derivatives, analogues, homologues, salts, isomers, or salts of isomers with substantially similar chemical structure and pharmacological activity as the substances described above.

B. It shall be unlawful to knowingly manufacture, assemble, distribute, dispense, sell, attempt to sell, give, trade, barter, transfer, or to otherwise furnish in a single transaction any other equivalent compound, substance, or derivative, whether described as tobacco, herbs, incense, plant food, food, nutrient, dietary supplement, spice, bath salts or any blend thereof which is not regulated or approved for human consumption by the U.S. Food and Drug Administration **[~~in an amount in excess of 25 milligrams in the aggregate~~]**, and when introduced into the body, induces the effects substantially similar to that of a controlled substance, regardless of whether the substance is marketed for the purpose of human consumption.

C. It shall be unlawful for any person or entity to manufacture, assemble, distribute, sell, market, display for sale, or offer for sale within the municipality products containing the substances prohibited by subsections A and B **[~~in any amount~~]**. It shall be unlawful to attempt the conduct prohibited by this subsection.

D. It shall be unlawful to knowingly possess, attempt to possess, inject, ingest, insert rectally, burn, incinerate or ignite products containing substances prohibited by this section in the municipality. For purposes of this section, a person knowingly possesses such substances when the person knows the substance induces the effects described in this ordinance, regardless of whether the person knows whether the

chemical compounds described in subsection A are present in the product possessed.

E. **It shall be unlawful to possess, attempt to possess, inject, ingest, insert rectally, burn, incinerate or ignite products containing substances prohibited by this section in the municipality.**

F. A person or entity violating the provisions of subsections A, ~~[or]~~ B, **or D** shall be guilty of a misdemeanor and shall be punishable by a fine of not more than $5,000 or imprisonment of not more than one year, or both.

G ~~[F]~~. A person or entity violating the provisions of subsection C shall be subject to a penalty not to exceed $5,000 for each violation. For purposes of this subsection, each batch of a substance described in subsection A or B, or each day the person or entity engaged in the prohibited conduct, shall constitute a separate violation.

H~~[G]~~. A person or entity violating the provisions of subsection E ~~[D]~~ shall be subject to a penalty not to exceed **$500** ~~**[$1,000]**~~ for each violation. For purposes of this subsection, each separately packaged amount of a substance described in subsections A or B shall constitute a separate violation.

I~~[H]~~. As an alternative to the remedies, procedures and penalties provided in this title and section 1.45.010, a violation of subsection C. or E ~~[D]~~. may be charged as a civil violation subject to and prosecuted in accordance with title 14, and in such case shall be punishable by a civil penalty in accordance with chapter 14.60.

J~~[I]~~. The criminal penalties and civil fines authorized by this section are not exclusive, and the municipality may seek any other remedies provided by law or equity, including injunctive relief, for repeated violations of this section.

K~~[J]~~. It is not an offense under this section if the person or entity was acting at the direction of an authorized agent of the municipality or other authorized law enforcement agency to enforce or ensure compliance with this section.

L~~[K]~~. Any product described in subsection A or B. found by or that comes in the possession of a police officer or a municipal official may be confiscated as contraband and destroyed in accordance with chapter 7.25 as such.

M~~[L]~~. This section does not apply to drugs or substances lawfully prescribed or drugs or substances approved by the federal Food and Drug

Administration or drugs or substances otherwise specifically permitted by federal or state law.

N[M]. The use of the substances described in this section for bona fide research or educational purposes under lawful federal, state or local authority is exempt from the prohibitions of this section.

Section 2. Anchorage Municipal Code section 8.35.010 is hereby amended to read as follows (*the remainder of the section is not affected and therefore not set out*):

8.35.010 Definitions.

A. The following words, terms and phrases, when used in this chapter, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

Analogue means a chemical compound that is structurally similar to another but differs slightly in composition (as in the replacement of one atom by an atom of a different element or in the presence of a particular functional group).

*** *** ***

Drug paraphernalia means any items whose objective characteristics or objective manufacturer's design indicate that it is intended for use in the consumption, ingestion, inhalation, injection or other method of introduction of:

1. A controlled substance into the human body or to facilitate a violation of AS 11.71; or

2. A product containing illegal synthetic cannabinoids under section 8.35.100 or an illegal synthetic compound under section 8.35.110.

*** *** ***

Homologue means one of a series of compounds distinguished by addition of a CH_2 group in successive members.

*** *** ***

(AO No. 81-219; AO No. 98-59(S), § 1, 5-19-98; AO No. 2000-95, § 11, 10-16-00; AO No. 2010-87(S), § 2, 12-7-10)

Section 3. Anchorage Municipal Code section 14.60.030 is hereby amended to add to the fine schedule (*the remainder of the schedule is not affected and therefore not set out*):

14.60.030 Fine schedule.

Code Section	Offense	Penalty/Fine
***	***	***

8.35.110 C.	Manufacture, assemble, distribute, sell, market, display for sale, or offer for sale any amount of an illegal synthetic compound	$5,000 for each separate violation
8.35.110 E[D].	Possession or use of illegal synthetic compound	**$500 [$1,000]** for each separate violation
***	***	***

(AO No. 93-167(S-1), § 1, 4-13-94; AO No. 94-108, § 1, 10-5-94; AO No. 94-134, § 2, 9-8-94; AO No. 95-42, § 2, 3-23-95; AO No. 95-67(S), § 9, 7-1-95; AO No. 95-102, § 1, 4-26-95; AO No. 95-118, § 3, 9-1-95; AO No. 95-163(S), § 21, 8-8-95; AO No. 95-195(S-1), 1-1-96; AO No. 96-51(S-1), § 2, 8-1-96; AO No. 96-96(S-1), § 2, 2-1-97; AO No. 96-126(S), § 3, 10-1-96; AO No. 96-137(S), § 9, 1-2-97; AO No. 97-88, § 3, 6-3-97; AO No. 97-107, § 3, 11-17-97; AO No. 97-133(S), § 1, 11-11-97; AO No. 98-27(S-1), § 2, 11-11-97; AO No. 98-160, § 2, 12-8-98; AO No. 99-13(S), 2-9-99; AO No. 99-91(S), § 4, 7-13-99; AO No. 2000-64, § 1, 4-18-00; AO No. 2000-116(S), § 4, 7-18-00; AO No. 2000-127(S), § 2, 10-14-00; AO No. 2000-129(S), § 26, 11-21-00; AO No. 2001-48, § 1, 3-13-01; AO No. 2001-74(S), § 2, 4-17-01; AO No. 2001-4, § 2, 2-6-01; AO No. 2001-145(S-1), § 11, 12-11-01; AO No. 2003-68, § 1, 9-30-03; AO No. 2003-97, § 4, 9-30-03; AO No. 2003-117, § 2, 1-28-03; AO No. 2003-130, § 8, 10-7-03; AO No. 2003-152S, § 10, 1-1-04; AO No. 2004-1, § 2, 1-1-03; AO No. 2004-99, § 2, 6-22-04; AO No. 2004-100(S-1), § 6, 1-1-05; AO No. 2004-171, § 1, 1-11-05; AO No. 2005-160, § 9, 11-1-05; AO No. 2005-84(S), § 3, 1-1-06; AO No. 2005-185(S), § 35, 2-28-06; AO No. 2005-124(S-1A), § 33, 4-18-06; AO No. 2006-39, § 6, 4-11-06; AO No. 2006-54, § 1, 5-2-06; AO No. 2006-80, § 1, 6-6-06; AO No. 2007-50, § 4, 4-10-07; AO No. 2007-60, § 4, 11-1-07; AO No. 2007-70, § 3, 5-15-07; AO No. 2008-84(S), § 5, 7-15-08; AO No. 2009-61, § 3, 7-7-09; AO No. 2009-82, § 5, 7-7-09; AO No. 2009-40(S), § 3, 7-21-09; AO No. 2009-112, § 4, 10-13-09; AO No. 2009-122, § 2, 12-17-09; AO No. 2010-87(S), §3, 12-7-2010; AO No. 2011-46, § 4, 4-12-11; AO No. 2011-59, § 10, 5-24-11)

Section 4. This ordinance shall be effective **immediately upon passage and approval** ~~30 days from passage and approval~~.

PASSED AND APPROVED by the Anchorage Assembly this 8th day of November, 2011.

Debbie Ossiander
Chair of the Assembly

ATTEST:

Barbara S. Jones
Municipal Clerk

Advisory Board on Alcoholism
and Drug Abuse

abada
amhb

Alaska Mental Health Board

ALASKA MENTAL HEALTH BOARD
ADVISORY BOARD ON ALCOHOLISM AND DRUG ABUSE
431 NORTH FRANKLIN STREET, SUITE 200
JUNEAU, ALASKA 99801
(907) 465-8920

January 24, 2012

Senator Kevin Meyer
Alaska State Capitol, Room 103
Juneau, Alaska 99801

Re: Letter of Support for SB 140

Dear Senator Meyer,

The Advisory Board on Alcoholism and Drug Abuse appreciates your recognition of the need to regulate cathinone and similar substances marketed as "bath salts." These substances pose a serious risk to the health and welfare of Alaskans and should be Schedule IIA controlled substances.

Cathinone, methcathinone, and methylenedioxypyrovalerone (MPDV) produce amphetamine-like effects. Commonly marketed as "bath salts," these drugs can be inhaled, ingested, injected, or smoked. The expected effect is a sort of euphoria, but these chemicals also have dangerous effects. "Bath salts" substances have been reported to cause extreme anxiety and paranoia, delusional thinking, visual and auditory hallucinations leading to violent outbursts, self-mutilation, and suicidal thoughts and actions.

Nationwide, there were 6,072 calls to poison centers about designer drugs labeled as "bath salts" in 2011.[1] In 2010, that number was 303 calls.[2] This reflects the rapid increase in use of these synthetic drugs in the United States. In response, the U.S. Drug Enforcement Administration invoked its emergency scheduling powers in September 2011 to make possession and sale of mephedrone, MDPV, and methylone (common "bath salts" substances") illegal. This emergency regulation will expire in September 2012. State and city governments across the country are taking similar action through emergency powers, ordinances, and legislation in an effort to protect health and safety.[3]

The Advisory Board on Alcoholism and Drug Abuse supports SB 140 and we appreciate your work on behalf of Alaskans.

Sincerely,

Robert Coghill, Jr. Chairman
Advisory Board on Alcoholism and Drug Abuse

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[1] American Association of Poison Control Centers report on "closed human exposures calls to poison centers about exposures to bath salts as of December 31, 2011," updated January 5, 2012. Available online at http://www.aapcc.org/dnn/Portals/0/Bath%20Salts%20Data%20for%20Website%201.5.2012.pdf.

[2] *Id.*

[3] Nevada's Board of Pharmacy just restricted "bath salts" substances through its emergency powers in January, 2012. Maine, Louisiana, Kentucky, Ohio, Delaware, and nearly three-quarters of U.S. states have acted to prohibit sale and/or possession of these substances. The Municipality of Anchorage passed an ordinance in October 2011 to prohibit manufacture, sale, and possession of these substances.

administrative law judge mails a notice of his or her hearing decision.

■ 8. Amend § 416.1442 by revising paragraphs (d), (e) introductory text, (e)(1), and (f)(3) to read as follows:

§ 416.1442 Prehearing proceedings and decisions by attorney advisors.

* * * * *

(d) *Notice of a decision by an attorney advisor.* If an attorney advisor issues a fully favorable decision under this section, we will mail a written notice of the decision to all parties at their last known addresses. We will state the basis for the decision and advise all parties that they may request that an administrative law judge reinstate the request for a hearing if they disagree with the decision for any reason. Any party who wants to make this request must do so in writing and send it to us within 60 days of the date he or she receives notice of the decision. The administrative law judge will extend the time limit if the requestor shows good cause for missing the deadline. The administrative law judge will use the standards in § 416.1411 to determine whether there is good cause. If the request is timely, an administrative law judge will reinstate the request for a hearing and offer all parties an opportunity for a hearing.

(e) *Effect of an attorney advisor's decision.* An attorney advisor's decision under this section is binding unless—

(1) You or another party to the hearing submits a timely request that an administrative law judge reinstate the request for a hearing under paragraph (d) of this section;

* * * * *

(f) * * *

(3) Make the decision of an attorney advisor under paragraph (d) of this section subject to review by the Appeals Council if the Appeals Council decides to review the decision of the attorney advisor anytime within 60 days after the date of the decision under § 416.1469.

* * * * *

■ 9. Amend § 416.1448 by revising the second sentence of paragraph (a), and paragraph (b)(1)(ii), to read as follows:

§ 416.1448 Deciding a case without an oral hearing before an administrative law judge.

(a) *Decision fully favorable.* * * * The notice of the decision will state that you have the right to an oral hearing and to examine the evidence on which the administrative law judge based the decision.

(b) * * *

(1) * * *

(ii) You live outside the United States, you do not inform us that you wish to appear, and there are no other parties who wish to appear.

* * * * *

■ 10. Revise § 416.1460 to read as follows:

§ 416.1460 Vacating a dismissal of a request for a hearing before an administrative law judge.

(a) Except as provided in paragraph (b) of this section, an administrative law judge or the Appeals Council may vacate a dismissal of a request for a hearing if you request that we vacate the dismissal. If you or another party wish to make this request, you must do so within 60 days of the date you receive notice of the dismissal, and you must state why our dismissal of your request for a hearing was erroneous. The administrative law judge or Appeals Council will inform you in writing of the action taken on your request. The Appeals Council may also vacate a dismissal of a request for a hearing on its own motion. If the Appeals Council decides to vacate a dismissal on its own motion, it will do so within 60 days of the date we mail the notice of dismissal and will inform you in writing that it vacated the dismissal.

(b) If you wish to proceed with a hearing after you received a fully favorable revised determination under the prehearing case review process in § 416.1441, you must follow the procedures in § 416.1441(d) to request that an administrative law judge vacate his or her order dismissing your request for a hearing.

[FR Doc. 2011–27236 Filed 10–20–11; 8:45 am]

BILLING CODE 4191–02–P

DEPARTMENT OF JUSTICE

Drug Enforcement Administration

21 CFR Part 1308

[Docket No. DEA–357]

Schedules of Controlled Substances: Temporary Placement of Three Synthetic Cathinones Into Schedule I

AGENCY: Drug Enforcement Administration, Department of Justice.

ACTION: Final Order.

SUMMARY: The Administrator of the Drug Enforcement Administration (DEA) is issuing this final order to temporarily schedule three synthetic cathinones under the Controlled Substances Act (CSA) pursuant to the temporary scheduling provisions of 21 U.S.C. 811(h). The substances are 4-methyl-N-methylcathinone (mephedrone), 3,4-methylenedioxy-N-methylcathinone (methylone), and 3,4-methylenedioxypyrovalerone (MDPV). This action is based on a finding by the Administrator that the placement of these synthetic cathinones and their salts, isomers, and salts of isomers into Schedule I of the CSA is necessary to avoid an imminent hazard to the public safety. As a result of this order, the full effect of the CSA and its implementing regulations including criminal, civil and administrative penalties, sanctions and regulatory controls of Schedule I substances will be imposed on the manufacture, distribution, possession, importation, and exportation of these synthetic cathinones.

DATES: *Effective Date:* This Final Order is effective on October 21, 2011.

FOR FURTHER INFORMATION CONTACT: Imelda L. Paredes, Office of Diversion Control, Drug Enforcement Administration, 8701 Morrissette Drive, Springfield, Virginia 22152; Telephone (202) 307–7165.

SUPPLEMENTARY INFORMATION:

Background

The Comprehensive Crime Control Act of 1984 (Pub. L. 98–473), which was signed into law on October 12, 1984, amended section 201 of the CSA (21 U.S.C. 811) to give the Attorney General the authority to temporarily place a substance into Schedule I of the CSA for one year without regard to the requirements of 21 U.S.C. 811(b) if he finds that such action is necessary to avoid imminent hazard to the public safety. 21 U.S.C. 811(h); 21 CFR 1308.49. If proceedings to control a substance are initiated under 21 U.S.C. 811(a)(1), the Attorney General may extend the temporary scheduling up to an additional six months. 21 U.S.C. 811(h)(2). Where the necessary findings are made, a substance may be temporarily scheduled in Schedule I if it is not listed in any other schedule under section 202 of the CSA (21 U.S.C. 812) or if there is no exemption or approval in effect under section 505 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 355) for the substance. 21 U.S.C. 811(h)(1). The Attorney General has delegated his authority under 21 U.S.C. 811 to the Administrator of DEA. 28 CFR 0.100.

Section 201(h)(4) of the CSA (21 U.S.C. 811(h)(4)) requires the Administrator to notify the Secretary of Health and Human Services of her intention to temporarily place a substance into Schedule I of the CSA.[1]

[1] Because the Secretary of Health and Human Services has delegated to the Assistant Secretary for

Continued

The Administrator transmitted notice of her intent to place mephedrone, methylone and MDPV in Schedule I on a temporary basis to the Assistant Secretary in a letter dated June 15, 2011. The Assistant Secretary responded to this notice by letter dated July 25, 2011, and advised that based on review by the Food and Drug Administration (FDA) there are currently no investigational new drug applications (INDs) or approved new drug applications (NDAs) for MDPV, mephedrone, or methylone. The Assistant Secretary also stated that the Department of Health and Human Services has no objection to the temporary placement of MDPV, mephedrone, and methylone into Schedule I of the CSA. DEA has taken into consideration the Assistant Secretary's comments. As MDPV, mephedrone, and methylone are not currently listed in any schedule under the CSA, as no exemptions or approvals are in effect for MDPV, mephedrone, and methylone under section 505 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 355), and as this temporary scheduling is necessary to avoid an imminent hazard to the public safety, DEA believes that the conditions of 21 U.S.C. 811(h)(1) have been satisfied.

A notice of intent to temporarily place mephedrone, methylone, and MDPV into Schedule I of the CSA was published in the **Federal Register** on September 8, 2011 (76 FR 55616). The data in support of the notice of intent and additional data continue to support the necessary findings to place mephedrone, methylone, and MDPV temporarily into Schedule I of the CSA as necessary to avoid an imminent hazard to the public safety.[2] In making this finding, the Administrator is required to consider three of the eight factors set forth in section 201(c) of the CSA (21 U.S.C. 811(c)). These factors are as follows: The substance's history and current pattern of abuse; the scope, duration and significance of abuse; and what, if any, risk there is to the public health. 21 U.S.C. 811(c)(4)–(6). Consideration of these factors includes actual abuse, diversion from legitimate channels, and clandestine importation, manufacture, or distribution. 21 U.S.C. 811(h)(3).

Health of the Department of Health and Human Services the authority to make domestic drug scheduling recommendations, for purposes of this Final Order, all subsequent references to "Secretary" have been replaced with "Assistant Secretary."

[2] See "Background, Data and Analysis of Synthetic Cathinones: Mephedrone (4–MMC), Methylone (MDMC) and 3,4-Methylenedioxypyrovalerone (MDPV)" found at *http://www.regulations.gov.*

Mephedrone, methylone, and MDPV are not currently listed in any schedule under the CSA. The temporary placement of these three synthetic cathinones into Schedule I of the CSA is necessary in order to avoid an imminent hazard to the public safety. First, there has been a rapid and significant increase in abuse of these substances in the United States. As a result of this abuse, synthetic cathinones are banned in at least 37 states in the United States and several countries, and all five branches of the U.S. military prohibit military personnel from possessing or using synthetic cathinones. Second, law enforcement has seized synthetic cathinones and, based on self-reports to law enforcement and health care professionals, synthetic cathinones are abused for their psychoactive properties. Third, federal, state and local public health departments and poison control centers have issued reports describing public health consequences such as emergency department visits and deaths from the use of these synthetic cathinones. Based on scientific data currently available, these three substances have the potential to be extremely harmful and, therefore, pose an imminent hazard to the public safety.

Factor 4: History and Current Pattern of Abuse

Synthetic cathinones are designer drugs of the phenethylamine class which are structurally and pharmacologically similar to amphetamine, 3,4-methylenedioxymethamphetamine (MDMA), cathinone and other related substances. The addition of a beta-keto (β-keto) substituent to the phenethylamine core structure produces a group of substances that now have cathinone as the core structure. Synthetic cathinones, like amphetamine, cathinone, methcathinone, and methamphetamine, are central nervous system (CNS) stimulants.

The synthetic cathinones mephedrone, methylone, and MDPV have recently emerged on the United States' illicit drug market and are being perceived as being 'legal' alternatives to cocaine, methamphetamine, and MDMA. Although synthetic cathinones are new to the United States' illicit drug market, they have been popular drugs of abuse in Europe since 2007. MDPV is a derivative of pyrovalerone, which is a psychoactive drug that was used to treat chronic lethargy and fatigue. Research in anti-depressant and anti-parkinson agents resulted in the development and patenting of methylone. Methylone, however, has not been approved for these purposes. There are no currently accepted medical uses in treatment in the United States for mephedrone, methylone, or MDPV.

Mephedrone, methylone, and MDPV are falsely marketed as "research chemicals," "plant food," or "bath salts." They are sold at smoke shops, head shops, convenience stores, adult book stores, and gas stations. They can also be purchased on the Internet and mailed using the U.S. Postal Service or international mail services. The packages of products containing these synthetic cathinones usually have the warning "not for human consumption," most likely in an effort to circumvent statutory restrictions for these substances. Despite disclaimers that the products are not intended for human consumption, retailers promote that routine urinalysis drug tests will not typically detect the presence of these synthetic cathinones. However, analytical methods for the detection of mephedrone, methylone, MDPV, and other synthetic cathinones have recently been developed for these substances.

Evidence indicates that mephedrone, methylone, and MDPV are being abused for their psychoactive properties. Drug surveys found that these and other synthetic cathinones are being used as recreational drugs and are used as alternatives to illicit stimulants like MDMA and cocaine. Accordingly, mephedrone, methylone, and MDPV have been identified in human urine samples that were obtained for routine drug screenings, they have been detected in samples from drivers suspected of driving under the influence, and they have been detected by drug courts during mandatory periodic drug screens. They have also been identified in biological specimens from individuals (some exhibiting symptoms of "extreme agitation" or "excited delirium") who have been arrested for possession of a controlled substance, child endangerment, or homicide. They have been detected in samples from decedents whose causes of death were reported as drug-induced toxicity, multiple drug toxicity, or other causes (*e.g.*, blunt force trauma from a vehicular collision or suicide).

Based on studies in the scientific literature, the marketing of products that contain mephedrone, methylone, and MDPV is geared towards teens and young adults. Accordingly, reports indicate that the main users of synthetic cathinones are young male adults. These substances are also used by mid-to-late adolescents and older adults. Many of these abusers of synthetic cathinones have a previous history of drug abuse.

According to drug surveys, the reported average amount of synthetic cathinones used per dose ranged from approximately 25 to 250 milligrams and the average amount used per session (i.e., repeated administration and binging) ranged from approximately 25 milligrams to 5 grams depending on the substance consumed, duration of intake, and route of administration. The most common routes of administration of these substances are nasal insufflation by snorting the powder and oral ingestion by swallowing capsules or tablets. Other reported methods of administration include injection, rectal administration, and "bombing" (wrapping a dose of powder in a paper wrap and swallowing). Synthetic cathinones have also been reported to be used in binges. Reasons cited for binging include to prolong the duration of effects, to satisfy a "craving," or to satisfy a strong urge to re-dose.

According to information found in drug surveys, clinical case reports, and law enforcement reports, users have reported using products containing mephedrone, methylone, and MDPV with other synthetic cathinones (e.g., butylone, fluoromethcathinone, 4–MEC, etc.), pharmaceutical agents (e.g., lidocaine, caffeine, benzocaine, etc.), or other recreational substances (e.g., amphetamine, MDMA, cocaine, gamma-butyrolactone (GBL), kratom, N,N-benzylpiperazine (BZP), and 1-(3-trifluoromethylphenyl)-piperazine (TFMPP)). Chemical analyses of seized and purchased synthetic cathinone products indicate that some products contain multiple substances. Furthermore, investigative toxicology reports of drug screens in which more than one substance was detected indicate that users have ingested products composed of drug combinations (e.g., a tablet composed of MDPV and BZP) or multiple drug products (e.g., a MDPV powder product and a MDMA tablet).

Factor 5: Scope, Duration and Significance of Abuse

The popularity of synthetic cathinones as recreational drugs has increased since they first appeared on the United States' illicit drug market. According to forensic laboratory reports, the first appearance of these synthetic cathinones in the United States occurred in 2009. In 2009, NFLIS registered 15 exhibits from 8 states containing these three synthetic cathinones. In 2010, there were 574 reports from 29 states related to these substances registered in NFLIS, and in 2011 (January to August) there were 995.[3]

Based on reports to DEA from law enforcement and public health officials, synthetic cathinones are becoming increasingly prevalent and abused throughout the United States. At one United States point of entry, the U.S. Customs and Border Protection (CBP) has encountered at least 127 shipments containing primarily mephedrone, methylone, and MDPV, as well as other synthetic cathinones like 4–MEC, butylone, fluoromethcathinone, and dimethylcathinone. Most of these shipments originated in China or India and were being shipped to destinations throughout the United States such as Arizona, Alaska, Hawaii, Kansas, Louisiana, Oklahoma, Oregon, Pennsylvania, Missouri, Virginia, Washington, and West Virginia. The American Association of Poison Control Centers (AAPCC), a non-profit, national organization that represents the poison control centers of the United States, reported that in 2010, poison control centers took 303 calls about synthetic cathinones. However, in just the first eight months of 2011, poison control centers have already received 4,720 calls relating to these products. These calls were received in poison control centers representing at least 47 states and the District of Columbia. Individual state poison control centers have also reported an increase in the number of calls regarding "bath salts" from 2009 to 2011.

Concerns over the abuse of these and other synthetic cathinones have prompted many states to control these substances. As of September 15, 2011, at least 37 states have emergency scheduled or enacted legislation placing regulatory controls on some or many of the synthetic cathinones. These states include Alabama, Arkansas, Connecticut, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Michigan, Minnesota, Mississippi, Missouri, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Texas, Tennessee, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin and Wyoming. Several countries including all members of the European Union have also placed controls on the possession and/or sale of one or more of these substances. Moreover, the use of synthetic cathinones by members of the U.S. Armed Forces is prohibited.

[3] Analyzed on September 15, 2011.

Factor 6: What, if Any, Risk There Is to the Public Health

The risks to the public health associated with the abuse of mephedrone, methylone, and MDPV relate to acute and long term public health and safety problems. These synthetic cathinones have become a serious drug abuse threat as there have been reports of emergency room admissions and deaths associated with the abuse of these substances.

Clinical case reports indicate that these synthetic cathinones produce a number of stimulant-like adverse effects such as palpitation, seizure, vomiting, sweating, headache, discoloration of the skin, hypertension, and hyper-reflexia. Adverse effects associated with consumption of these drugs as reported by abusers include nose-bleeds, bruxism (teeth grinding), paranoia, hot flashes, dilated pupils, blurred vision, dry mouth/thirst, palpitations, muscular tension in the jaw and limbs, headache, agitation, anxiety, tremor, and fever or sweating. Consequently, numerous individuals have presented at emergency departments in response to exposure incidents and several cases of acute toxicity have been reported due to the ingestion of mephedrone, methylone, or MDPV. In addition, case reports have shown that the abuse of synthetic cathinones can lead to psychological dependence like that reported for other stimulant drugs.

According to clinical case reports, investigative toxicological reports, and autopsy reports, mephedrone, methylone, and MDPV have been implicated in drug induced overdose deaths. In at least three reported deaths, one of these synthetic cathinones was ruled as the cause of death. Other deaths involved individuals under the influence of these synthetic cathinones who acted violently and unpredictably in causing harm to themselves or others. There have also been reports in the scientific literature of deaths caused by individuals who were driving under the influence of these synthetic cathinones.

A number of synthetic cathinones and their products, as identified by CBP and reported in the scientific literature, appear to originate from foreign sources. The manufacturers and retailers who make and sell these products do not fully disclose the product ingredients including the active ingredients or the health risks and potential hazards associated with these products. This poses significant risk to abusers who may not know what they are purchasing or the risk associated with the use of those products.

Based on the above data, the continued uncontrolled manufacture, distribution, importation, exportation, and abuse of mephedrone, methylone, and MDPV pose an imminent hazard to the public safety. DEA is not aware of any recognized therapeutic uses of these synthetic cathinones in the United States.

DEA has considered the three criteria for placing a substance into Schedule I of the CSA (21 U.S.C. 812), and finds that the data available and reviewed for mephedrone, methylone, and MDPV indicate that these synthetic cathinones each have a high potential for abuse, no currently accepted medical use in treatment in the United States, and lack accepted safety for use under medical supervision.

In accordance with the provisions of section 201(h) of the CSA (21 U.S.C. 811(h)) and 28 CFR 0.100, the Administrator has considered the available data and the three factors required to support a determination to temporarily schedule three synthetic cathinones (4-methyl-N-methylcathinone, 3,4-methylenedioxy-N-methylcathinone, and 3,4-methylenedioxypyrovalerone) in Schedule I of the CSA and finds that placement of these synthetic cathinones and their salts, isomers, and salts of isomers into Schedule I of the CSA is necessary to avoid an imminent hazard to the public safety.

Regulatory Requirements

With the issuance of this final order, mephedrone, methylone, and MDPV become subject to the regulatory controls and administrative, civil and criminal sanctions applicable to the manufacture, distribution, possession, importation and exportation of a Schedule I controlled substance under the CSA.

1. Registration. Any person who manufactures, distributes, dispenses, imports, exports, or possesses mephedrone, methylone, or MDPV or who engages in research or conducts instructional activities with respect to mephedrone, methylone, or MDPV, or who proposes to engage in such activities, must be registered to conduct such activities in accordance with 21 U.S.C. 823 and 958. Any person who is currently engaged in any of the above activities and is not registered with DEA must submit an application for registration and may not continue their activities until DEA has approved that application. Retail sales of Schedule I controlled substances to the general public are not allowed under the Controlled Substances Act.

2. Security. Mephedrone, methylone, and MDPV are subject to Schedule I security requirements. Accordingly, appropriately registered DEA registrants must manufacture, distribute and store these substances in accordance with 1301.71; 1301.72(a), (c), and (d); 1301.73; 1301.74; 1301.75(a) and (c); and 1301.76 of Title 21 of the Code of Federal Regulations as of October 21, 2011.

3. Labeling and packaging. All labeling and packaging requirements for controlled substances set forth in Part 1302 of Title 21 of the Code of Federal Regulations shall apply to commercial containers of mephedrone, methylone, and MDPV. Current DEA registrants shall have thirty (30) calendar days from the effective date of this Final Order to be in compliance with all labeling and packaging requirements.

4. Quotas. Quotas for mephedrone, methylone, and MDPV will be established based on registrations granted and quota applications received pursuant to Part 1303 of Title 21 of the Code of Federal Regulations.

5. Inventory. Every DEA registrant who possesses any quantity of mephedrone, methylone, or MDPV is required to keep inventory of all stocks of these substances on hand pursuant to 1304.03, 1304.04, and 1304.11 of Title 21 of the Code of Federal Regulations. Every current DEA registrant who desires registration in Schedule I for mephedrone, methylone, or MDPV shall conduct an inventory of all stocks of these substances. Current DEA registrants shall have thirty (30) calendar days from the effective date of this Final Order to be in compliance with all inventory requirements.

6. Records. All registrants who handle mephedrone, methylone, or MDPV are required to keep records pursuant to 1304.03, 1304.04, 1304.21, 1304.22, and 1304.23 of Title 21 of the Code of Federal Regulations. Current DEA registrants shall have thirty (30) calendar days from the effective date of this Final Order to be in compliance with all recordkeeping requirements.

7. Reports. All registrants are required to submit reports in accordance with 1304.33 of Title 21 of the Code of Federal Regulations. Registrants who manufacture or distribute mephedrone, methylone, or MDPV are required to comply with these reporting requirements and shall do so as of October 21, 2011.

8. Order Forms. All registrants involved in the distribution of mephedrone, methylone, or MDPV must comply with order form requirements of Part 1305 of Title 21 of the Code of Federal Regulations as of October 21, 2011.

9. Importation and Exportation. All importation and exportation of mephedrone, methylone, or MDPV must be conducted by appropriately registered DEA registrants in compliance with Part 1312 of Title 21 of the Code of Federal Regulations on or after October 21, 2011.

10. Criminal Liability. The manufacture, distribution, dispensation, or possession with the intent to conduct these activities: Possession, importation, or exportation of mephedrone, methylone, or MDPV not authorized by, or in violation of the CSA or the Controlled Substances Import and Export Act occurring as of October 21, 2011 is unlawful.

Pursuant to the Small Business Regulatory Enforcement Fairness Act of 1996 (Congressional Review Act) (5 U.S.C. 801–808), DEA has submitted a copy of this Final Order to both Houses of Congress and to the Comptroller General.

List of Subjects in 21 CFR Part 1308

Administrative practice and procedure, Drug traffic control, Reporting and recordkeeping requirements.

Under the authority vested in the Attorney General by section 201(h) of the CSA (21 U.S.C. 811(h)), and delegated to the Administrator of the DEA by Department of Justice regulations (28 CFR 0.100), the Administrator hereby orders that 21 CFR Part 1308 be amended as follows:

PART 1308—SCHEDULES OF CONTROLLED SUBSTANCES

■ 1. The authority citation for Part 1308 continues to read as follows:

Authority: 21 U.S.C. 811, 812, 871(b), unless otherwise noted.

■ 2. Section 1308.11 is amended by adding new paragraphs (g)(6), (7) and (8) to read as follows:

§ 1308.11 Schedule I.

* * * * *

(g) * * *

(6) 4-methyl-N-methylcathinone—1248

(Other names: mephedrone)

(7) 3,4-methylenedioxy-N-methylcathinone—7540

(Other names: methylone)

(8) 3,4-methylenedioxypyrovalerone—7535

(Other names: MDPV)

* * * * *

Dated: October 14, 2011.

Michele M. Leonhart,

Administrator.

[FR Doc. 2011–27282 Filed 10–20–11; 8:45 am]

BILLING CODE 4410–09–P

DEPARTMENT OF HOMELAND SECURITY

Coast Guard

33 CFR Part 117

[Docket No. USCG–2011–0268]

RIN 1625–AA09

Drawbridge Operation Regulation; Passaic River, Harrison, NJ

AGENCY: Coast Guard, DHS.

ACTION: Final rule.

SUMMARY: The Coast Guard has changed the drawbridge operation regulations that govern the operation of the Amtrak's Dock Bridge across the Passaic River, mile 5.0, at Harrison, New Jersey. The owner of the bridge has requested relief from crewing the bridge at all times because the bridge has received few requests to open during past years. It is expected that an advance notice requirement for bridge openings will provide relief to the bridge owner while continuing to meet the reasonable needs of navigation.

DATES: This rule is effective November 21, 2011.

ADDRESSES: Comments and related materials received from the public, as well as documents mentioned in this preamble as being available in the docket, are part of docket USCG–2011–0268 and are available online by going to *http://www.regulations.gov,* inserting USCG–2011–0268 in the "Keyword" box, and then clicking "Search." This material is also available for inspection or copying at the Docket Management Facility (M–30), U.S. Department of Transportation, West Building Ground Floor, Room W12–140, 1200 New Jersey Avenue, SE., Washington, DC 20590, between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays.

FOR FURTHER INFORMATION CONTACT: If you have questions on this rule, call or e-mail Mr. John W. McDonald, Project Officer, First Coast Guard District Bridge Branch, 617–223–8364, *john.w.mcdonald@uscg.mil.* If you have questions on viewing the docket, call Renee V. Wright, Program Manager, Docket Operations, telephone 202–366–9826.

SUPPLEMENTARY INFORMATION:

Regulatory Information

On June 24, 2011, we published a notice of proposed rulemaking (NPRM) entitled Drawbridge Operation Regulations Passaic River in the **Federal Register** (76 FR 37039). We received no comments on the proposed rule. No public meeting was requested, and none was held.

Basis and Purpose

The Amtrak Dock Bridge, mile 5.0, across the Passaic River at Harrison, New Jersey, has a vertical clearance in the closed position of 24 feet at mean high water and 29 feet at mean low water. The drawbridge operation regulations are listed at 33 CFR 117.739(e).

The existing drawbridge operation regulations require the draw to open on signal; except that, from 7:20 a.m. to 9:20 a.m. and 4:30 p.m. to 6:50 p.m., Monday through Friday, except Federal holidays, the draw need not be opened. At all other times, an opening may be delayed no more than ten minutes, unless the draw tender and the vessel operator, communicating by radio-telephone, agree to a longer delay.

The Coast Guard received a request from the National Railroad Passenger Corporation (Amtrak), the owner of the bridge, for relief from crewing the bridge at all times, because the bridge has received only eight requests to open during the past three years.

Amtrak requested that a twenty four hour advance notice be required for all bridge openings, except during the existing morning and afternoon closed periods.

As a result of the fact that the bridge has received only eight requests to open during the past three years, the Coast Guard believes it is reasonable for the bridge owner to require a twenty four hour advance notice for bridge openings and that doing so would continue to meet the reasonable needs of navigation.

Discussion of Comments and Changes

The Coast Guard received no comments in response to the notice of proposed rulemaking. As a result, no changes have been made to this final rule.

Regulatory Analyses

We developed this rule after considering numerous statutes and executive orders related to rulemaking. Below we summarize our analyses based on 13 of these statutes or executive orders.

Executive Order 12866 and Executive Order 13563

This final rule is not a "significant regulatory action" under section 3(f) of Executive Order 12866, Regulatory Planning and Review, as supplemented by Executive Order 13563, and does not require an assessment of potential costs and benefits under section 6(a)(3) of that Order. The Office of Management and Budget has not reviewed it under that Order.

We expect the economic impact of this proposed rule to be minimal. Although this regulation may have some impact on the public, the potential impact will be minimized for the following reasons:

The bridge has only received eight requests to open during the past three years. The bridge openings can still be obtained at any time, except the morning and afternoon closed periods, by providing at least a twenty four hour advance notice.

Small Entities

Under the Regulatory Flexibility Act (5 U.S.C. 601–612), we have considered whether this rule would have a significant economic impact on a substantial number of small entities. The term "small entities" comprises small businesses, not-for-profit organizations that are independently owned and operated and are not dominant in their fields, and governmental jurisdictions with populations of less than 50,000.

The Coast Guard certifies under 5 U.S.C. 605(b) that this rule will not have a significant economic impact on a substantial number of small entities. This final rule would affect the following entities, some of which might be small entities: The owners or operators of vessels needing to transit the bridge.

This final rule would not have a significant economic impact on a substantial number of small entities for the following reasons:

The bridge only received eight requests to open during the past three years. The bridge openings can still be obtained at any time, except during the Monday through Friday closed periods, by providing a twenty four hour advance notice.

If you think that your business, organization, or governmental jurisdiction qualifies as a small entity and that this rule would have a significant economic impact on it, please submit a comment (see **ADDRESSES**) explaining why you think it qualifies and how and to what degree this rule would economically affect it.

State of Alaska Epidemiology **Bulletin**

Department of Health and Social Services
William J Streur, Commissioner

Division of Public Health
Ward B Hurlburt, MD, MPH, CMO/Director

Editors:
Joe McLaughlin, MD, MPH
Louisa Castrodale, DVM, MPH

3601 C Street, Suite 540
Anchorage, AK 99503 http://www.epi.Alaska.gov

Local (907) 269-8000
24 Hour Emergency 1-800-478-0084

Bulletin No.27 October 6, 2011

Psychoactive "Bath Salts" Toxicity in Alaska—A Case Series

Introduction

This Bulletin presents case reports of three adults with presumed psychoactive "bath salts" (PABS) toxicity who were cared for at an Anchorage hospital in May 2011.

"Bath salts" is a term used to describe a class of designer drugs intended to have pharmacologic effects similar to controlled substances but to be chemically distinct from them, thus avoiding legal control.[1] Sold in powder form, they may be marketed under such names as plant food, research chemicals, or pond water cleaner, and labeled "not for human consumption" in order to avoid regulation. These drugs typically contain synthetic cathinones, which include the following central nervous system stimulants: 3,4-methylenedioxypyrovalerone (MDPV), mephedrone, and methylone (bk-MDMA).[2] They generally cause a considerable sympathomimetic effect, and desired effects include increased energy, euphoria, enhanced sexual sensation, and synesthesia. Documented adverse reactions include agitation, hyperthermia, hyponatremia, myocarditis, rhabdomyolysis, psychosis, and seizures. When PABS are taken orally, intranasally, intravenously, or rectally, their effects occur with doses as low as 3–5 mg, and the average dose ranges from 5–20 mg.[3] The risk of overdose is high, since packages contain up to 500 mg, and some labels recommend increasing dosages to >50 mg.[3] Because the desired effects of these drugs peak after 1.5 hours when taken orally and then tend to wane rapidly after 3–4 hours,[3] users may re-dose frequently, potentially leading to increased toxicity. The long-term use of PABS leads to tolerance, and abstinence results in psychologic withdrawal and craving.[3]

While many states have banned the sale of select synthetic cathinones commonly found in PABS, they remain unscheduled under the Federal Controlled Substances Act, and are widely available on the Internet. The Drug Enforcement Agency is working to register these compounds as Schedule I substances under its emergency scheduling authority.[4]

Case Series

Case 1: A 24-year-old man on the general medical service was being evaluated for anxiety as a possible contributor to ongoing abdominal pain. Within 24 hours of admission, he displayed paranoia, tachycardia and restlessness. He denied substance abuse other than cannabis and hydrocodone. Laboratory results and physical examination were unremarkable, other than a resting heart rate of 115 beats per minute. A urine drug screen showed only cannabinoids and nonspecific opioids. His symptoms improved after a few hours, but then abruptly returned. A packet of "bath salts" was found when the patient went through his belongings with staff. A repeat urine drug screen 6 hours later was unchanged. The patient admitted to rectal administration of the "bath salts" a few hours prior to admission, and then insufflation during his hospital stay. Without access to this powder, no further tachycardia or restlessness were observed. He experienced no withdrawal symptoms other than fatigue and mild anhedonia. While his "bath salts" were not formally analyzed, the patient was under the impression that they contained MDPV.

Case 2: A 55-year-old woman was admitted to the critical care service following a cardiac arrest requiring defibrillation for ventricular fibrillation within 24 hours of ingesting crack cocaine and "bath salts." On admission, a urine drug screen was positive only for cocaine. On evaluation, she had an anterolateral myocardial infarction. She recovered well following thrombectomy and coronary stenting.

Case 3: A 42-year-old man on the general medical service was being evaluated for delirium and concern for serotonin syndrome. On admission, he was delirious, mildly hyponatremic (sodium: 127 mEq/L), disoriented, and swatting at the air. His temperature was elevated at 100.2 °F. His outpatient medications included fluoxetine (40 mg daily) and loratadine. He took a dextromethorphan-containing cough syrup in small amounts for 2 nights prior to admission, reportedly for "allergies." A urine drug screen was positive only for cannabinoids. Laboratory results and physical examination ruled out infection and serotonin syndrome. On interview, he admitted to regular abuse of "bath salts" labeled as containing methylone. He reported last using "bath salts" the day before admission. On discussion with the patient, the psychiatry service reviewed the possible interactions between methylone, dextromethorphan, and fluoxetine, the overlap between his lab findings, and the toxicity of methylone.

Discussion

Abuse of "bath salts" has been rapidly increasing in the United States, with 303 calls to Poison Control Centers (PCC) nationwide in 2010, and 4,720 calls through August 31, 2011.[5] The Oregon PCC reported that so far in 2011, they have received 14 calls regarding PABS toxicity concerns in Alaska.

This case series demonstrates the wide age range of persons who choose to abuse these compounds, and highlights several potential dangers of "bath salts" abuse. First, severe overdoses may require treatment and monitoring in the intensive care unit.[3] Second, they are often abused in combination with other drugs, and their effects can be quite variable, as these drugs contain unpredictable types and amounts of psychoactive synthetic substances.[3] Finally, routine drug screens do not detect PABS.

Recommendations

1. As the active substances found in "bath salts" are not detectable by standard drug screening, health care providers should always consider including "bath salts" in substance abuse screening discussions.
2. Providers should consider synthetic cathinones in the differential diagnosis for a possible sympathomimetic presentation or toxidrome, and be aware that these substances may be present in polydrug ingestions.
3. Because there is no specific antidote or reversal agent for these drugs, providers should treat these patients by appropriately managing symptoms, and remain aware that patients may need physical restraints and high doses of sedatives to prevent self-harm or harm to others.[3]
4. Providers are encouraged to call the Oregon PCC not just for medical toxicologic consultation, but also to report all "bath salts" intoxication cases they encounter (phone: 800-222-1222).

References

1. CDC. Emergency department visits after use of a drug sold as "bath salts" -- Michigan, November 13, 2010—March 31, 2011. *MMWR Morb Mort Wkly Rep* 2011;60(19):624-7. Available at: http://www.cdc.gov/mmwr/preview/mmwrhtml/mm6019a6.htm
2. U.S. Department of Justice. "Synthetic Cathinones (Bath Salts): An Emerging Domestic Threat (Situation Report). July 2011."
3. Ross EA, Watson M, Goldberger B. "Bath Salts" intoxication. *New Eng J Med* 2011;365(10):967-8.
4. Drug Enforcement Agency. "DEA Moves to Emergency Control Synthetic Stimulants," (News Release), September 7, 2011. Available at: http://www.justice.gov/dea/pubs/pressrel/pr090711.html
5. American Association of Poison Control Centers. "Poison Control Centers Applaud DEA's Ban of Bath Salts," (Press Release), September 8, 2011.

(Contributed by: Heather Brock, ANP; and Michael Cooper, MD, MS, Alaska Section of Epidemiology)

MUNICIPALITY OF ANCHORAGE

Office of the Mayor

Phone: 907-343-7100
FAX: 907-343-7180

Mayor Dan Sullivan

January 25, 2012

The Honorable Kevin Meyer
Alaska State Legislature
State Capitol
Juneau, AK 99801

Re: Senate Bill 140

Dear Senator Meyer,

Thank you for introducing Senate Bill 140, *"An Act classifying certain substances as schedule IIA controlled substances; and providing for an effective date."*

The Municipality of Anchorage fully supports the passage of SB 140. The use of cathinone and its derivatives (commonly referred to as "bath salts") has quickly become a significant health and public safety issue.

Due to the huge range in potency between the various compounds and products, municipal first responders have encountered users of these drugs having severe reactions, including from bizarre and dangerous behavior to unconsciousness. Users who operate machinery, especially motor vehicles, have had significant accidents and present a danger to others that is on par with operating under the influence of alcohol.

In response, the Municipality has enacted its own local code, but does not have the jurisdiction to deal with the influx of the drug on a state-wide basis or impose the kinds of meaningful criminal sentences that are needed to stem the manufacture, distribution, and sale of these drugs.

Thank you again for introducing this important legislation.

Sincerely,

Dan Sullivan
Mayor

SB 140

<TARGET><BILL>SB 140</BILL><SUBJECT>SB 140</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 2/13/12

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 140

SB 140-CATHINONE BATH SALTS

"An Act classifying certain substances as schedule IIA controlled substances; and providing for an effective date."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[X] adopt **previous CS** SB 140 (JVD) *[ ] Same Title [X] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
ADM		✓		4
COR		✓		3
DPS		✓		2
LAW			✓	1

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	[illegible]	✓			
	McClure	✓			
				✓	
	Ellis	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:					

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: CSSB 140(JUD)
Fiscal Note Number: 4
(S) Publish Date: 2/13/12

Identifier (file name): SB140-DOA-PDA-1-23-12
Title: Cathinone Bath Salts
Sponsor: Senators Meyer, Giessel, Olson
Requester: Senate Judciary

Dept. Affected: Administration
Appropriation: Legal and Advocacy Services
Allocation: Public Defender Agency
OMB Component Number: 1631

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	****	****	****	****	****	****	****

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		****	****	****	****	****	****	****

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version

Prepared by: Quinlan Steiner, Public Defender — Phone: 907 334-4414
Division: Public Defender Agency — Date/Time: 1/20/12 12:45 PM
Approved by: John Cramer, Deputy Commissioner — Date: 1/23/2012
Department of Administration

(Revised 8/17/2011 OMB)

FISCAL NOTE #4

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB 140(JUD)

Analysis

This bill classifies certain compounds commonly called "bath salts" as Schedule IIA controlled substances. This classification creates new crimes that can be charged as multiple degrees of misconduct involving a controlled substance.

These crimes range from class C felonies to unclassified felonies, with broad sentencing ranges; fourth-degree misconduct involving a controlled substance is a class C felony and carries a potential sentence of up to 5 years imprisonment; third-degree misconduct involving a controlled substance is a class B felony and carries a sentence of up to 10 years imprisonment, first-degree misconduct involving a controlled substance is an unclassified felony and carries a sentencing range of up to 99 years of imprisonment .

The Agency has no reliable method for determining how many cases will be charged under the new classification or how many individuals charged will require public counsel. Additional felony cases will, however, have a fiscal impact on the Agency. The Agency, therefore, submits and indeterminate fiscal note.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: CSSB 140(JUD)
Fiscal Note Number: 3
(S) Publish Date: 2/13/12

Identifier (file name): SB 140-DOC-OC-01-13-12
Title: "An Act classifying certain substances as Schedule IIA
Sponsor: Senator Meyer, Giessel & Olson
Requester: Senate Judiciary Committee

Dept. Affected: DOC
Appropriation: Admin & Support
Allocation: Commissioner's Office
OMB Component Number: 694

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**	**	**	**	**	**	**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**	**	**	**	**	**	**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This is the original version of the bill.

Prepared by: Leslie Houston, Director — Phone: 907-465-3339
Division: Admin. Services, Department of Corrections — Date/Time: 1/13/12 11:32 AM
Approved by: Joseph D. Schmidt, Commissioner — Date: 1/13/2012
Department of Corrections

(Revised 8/17/2011 OMB)

FISCAL NOTE #3

STATE OF ALASKA **BILL NO.** CSSB 140(JUD)
2012 LEGISLATIVE SESSION

Analysis

This legislation classifies certain substances as Schedule IIA controlled substances.

Currently, possession of a schedule IIA is a Class C felony with a possible sentence of 0-2 years. Manufacturing or delivering a schedule IIA controlled substance is a Class B felony with a possible sentence of 0-4 years. The current average daily cost to house an inmate is $134.90. Therefore, housing an offender could cost the department anywhere from $0.0 (no time served) to $196,954.00 (for a 4-year sentence).

DOC analyzed the impacts of similar laws passed in recent years (Example, HB 7 - Synthetic Marijuana), we have found zero convictions and therefore zero offenders being housed in DOC facilities.

The department is currently unable to quantify the fiscal impacts of this bill, as we cannot predict the number of offenses that will occur. Should this legislation pass, the department will closely monitor the potential future fiscal impacts.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB 140(JUD)**
Fiscal Note Number: 2
(S) Publish Date: 2/13/12

Identifier (file name): SB140-DPS-LAB-01-23-12
Title: CATHINONE BATH SALTS
Sponsor: Senators Meyer, Giessel, Olson
Requester: (S) JUD

Dept. Affected: Public Safety
Appropriation: Statewide Support
Allocation: Laboratory Services
OMB Component Number: 527

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	***	***	***	***	***	***	***

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		***	***	***	***	***	***	***

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by: Orin Dym, Laboratory Manager — Phone: (907) 269-5743
Division: Scientific Crime Detection Laboratory — Date/Time: 1/13/12 1:00 PM
Approved by: Joe Masters, Commissioner — Date: 1/23/2012
Department of Public Safety

(Revised 11/28/2011 OMB)

FISCAL NOTE #2

STATE OF ALASKA **BILL NO.** CSSB 140(JUD)
2012 LEGISLATIVE SESSION

Analysis

This proposed legislation would add certain synthetic substances to the Schedule IIA list of statutorily controlled substances and provide for an effective date.

The Scientific Crime Detection Laboratory (crime lab) provides analysis of suspected controlled substances, issues reports, and provides expert testimony for the State of Alaska. The crime lab currently receives an average of ten submittals each month from law enforcement referencing "suspected bath salts." If these substances become controlled, the Chemistry Section of the lab can expect some change in requests for laboratory service, but is unable to determine how significant that change will be; whether it will remain roughly ten submittals per month or if it will increase.

These substances are unlike most that have been previously criminalized in that they are not "street drugs" but legally contrived and sold online via the internet and locally over-the-counter through tobacco shops. Because actual fiscal impact is unknown and difficult to determine, the crime lab is not requesting any additional funds or positions at this time but also does not wish to leave a matter the crime laboratory cannot fully assess without the reality of possible, though not probable, future fiscal impact.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB 140(JUD)**
Fiscal Note Number: 1
(S) Publish Date: 2/13/12

Identifier (file name): SB140-LAW-CRIM-01-25-12
Title: An Act classifying certain substances as schedule IIA controlled substances.
Sponsor: Senators Meyer, Giessel and Olson
Requester: (S) Judiciary

Dept. Affected: Law
Appropriation: Criminal
Allocation: Criminal Justice Litigation
OMB Component Number: 2202

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by: Eileen Donahue, Division Operations Manager — Phone: 465-5427
Division: Administrative Services — Date/Time: 1/25/12 5:10PM
Approved by: Richard Svobodny, Acting Attorney General — Date: 1/25/2012
Department of Law

(Revised 1/17/2012 OMB)

FISCAL NOTE #1

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB 140(JUD)

Analysis

SB 140 adds new substances to Schedule IIA of Alaska's controlled substances. These substances are currently not controlled. They are sometimes referred to as synthetic cocaine or bath salts. It is difficult to predict the number of cases that would be filed after these substances are included in Alaska's schedules of controlled substances but the number should not be great.

Schedule IIA currently includes, among other substances, amphetamines and methamphetamines, which are fairly dangerous substances.

The fiscal impact is zero.

Alaska State Legislature

Interim:
716 West 4th Ave.
Anchorage, Alaska 99501
(907) 269-0199

Session:
State Capitol Building
Juneau, Alaska 99801-1182
(907) 465-4945

Senator Kevin Meyer
Senate District O

SPONSOR STATEMENT FOR SB 140

"An Act classifying certain synthetic cathinones as schedule IIA controlled substances; and providing for an effective date."

SB 140 would classify certain synthetic cathinones, commonly known as synthetic cocaine and marketed as 'bath salts,' as a schedule IIA controlled substance.

Marketed as bath salts or plant food with names like 'Meow-Meow,' Vanilla Sky,' 'Ivory Snow,' and 'Bliss,' synthetic cathinones are inexpensive, accessible, and undetectable in most drug tests. Many users of this drug use them in combination with or as a legal alternative to cocaine, ecstasy or methamphetamines.

Drug effects include impaired perception, reduced motor control, disorientation, extreme paranoia and violent episodes. Synthetic cathinones are abused mainly by snorting and oral ingestion. The U.S. Drug Enforcement Administration, the U.S. Military, and the Municipality of Anchorage have all taken action to control or prohibit use of this drug.

According to the National Council of State Legislatures, as of October 24, 2011 there are 33 states that have adopted laws or have departmental rules banning chemical compounds associated with 'bath salts.' Seven states have legislation pending.

Should SB 140 pass, it would be unlawful throughout the State of Alaska to sell, use, purchase, possess, manufacture, transport or deliver synthetic cathinones, the chemical compounds which are being marketed as 'bath salts' and synthetic cocaine.

SB140 Cathinone Bath Salts
Changes from Version B to Version I.

New Sections 1 and 2 were added to the bill to amend the penalties for the cathinone substances listed in the original bill.

In Section 1, sales, distribution, manufacture, and possession of 500 milligrams or more of the substances remain classified as Misconduct involving a Controlled Substance (MICS) in the 4th degree, a Class C felony.

In Section 2, possession of **under** 500 milligrams are classified as MICS in the 5th degree, an A misdemeanor.

In Section 3, a technical amendment was made by legislative legal drafters to transfer methicathinone from the list of Schedule 1 substances into Schedule 2, so that all the cathinone-related substances are listed in the same schedule.

Section 4 repeals the methicathinone listing in Schedule 1.

Life-threatening Necrotizing Fasciitis Due to 'Bath Salts' Injection

RUSSELL RUSSO, MD; NOAH MARKS, MD; KATY MORRIS, MD; HEATHER KING, MD; ANGELLE GELVIN, MD; RONALD ROONEY, MD

abstract

Full article available online at ORTHOSuperSite.com. Search: 20111122-36

Necrotizing fasciitis is an orthopedic emergency. The ability to quickly and accurately diagnose this rapidly spreading disease can save a patient's life and limb. However, the diagnosis is complex because necrotizing fasciitis usually manifests as a less severe cellulitis or abscess while the majority of the damages rage beneath the surface of the skin. Although the diagnosis is not new, the potential causes and vectors continually change. This article reports a new source of necrotizing fasciitis in an intramuscular injection of "bath salts," a rapidly emerging street drug that is legal in some states and evades authorities with its innocuous name.

The patient presented 2 days after injection of bath salts with extensive cellulitis extending to the mid portion of her upper arm. The cellulitis initially responded to broad-spectrum intravenous antibiotics, but rapidly deteriorated 48 hours later, leading to a forequarter amputation with radical mastectomy and chest wall debridement to obtain healthy tissue margins and control the disease. The patient made a full recovery after further minor debridements, negative pressure dressings, directed antibiotic therapy, and skin grafting.

The recent emerging popularity of this highly obtainable, injectable substance may lead to an increase in cases of necrotizing fasciitis. Orthopedic surgeons should be vigilant in diagnosing this process early and should perform an extensive debridement.



Figure: Photograph after debridement.

Drs Russo, Marks, Morris, and Rooney are from the Department of Orthopaedics, and Drs King and Gelvin are from the Department of General Surgery, Louisiana State University Health Sciences Center, New Orleans, Louisiana.

Drs Russo, Marks, Morris, Gelvin, Rooney, and King have no relevant financial relationships to disclose.

Investigation performed at Earl K. Long Medical Center, Baton Rouge, Louisiana, in conjunction with the Department of Orthopaedics, Louisiana State University Health Sciences Center, New Orleans, Louisiana.

The authors thank the anesthesia and nursing staffs, who provided superb care in the treatment of this patient and who were integral in her full recovery.

Correspondence should be addressed to: Russell R. Russo, MD, Department of Orthopaedics, Louisiana State University Health Sciences Center, 1542 Tulane Ave, 6th Floor, New Orleans, LA 70112 (rrusso@lsuhsc.edu).

doi: 10.3928/01477447-20111122-36

The term necrotizing fasciitis originates from a report by Wilson[1] in 1952. However, what we know now as necrotizing fasciitis was described initially by Hippocrates as early as the fifth century BC. The term was repopularized by Confederate Army surgeon Joseph Jones as "hospital gangrene." In 1924, Meleney again renamed it "hemolytic streptococcal gangrene."[2] Despite the changes in nomenclature, the disease known as necrotizing fasciitis is the same spectrum of infections, ranging from superficial cellulitis to rapidly spreading myonecrosis. The pathogenesis of the disease has remained constant over time. This article describes a form of necrotizing fasciitis, a rapidly progressing streptococcal myositis, originating from an intramuscular injection of "bath salts."

Bath salts, or synthetic cathinones, have gained increasing worldwide popularity in the past few years.[3] Despite its name, bath salts have no legitimate use for bathing and are intended only for substance abuse. Its recent popularity, initiating in Western Europe in 2009, has alarmed both authorities and health care providers with its rapid emergence.[4] The first cases of bath salts intoxication were reported in August 2010 in Louisiana (n=1) and Kentucky (n=1).[3] These intoxications create a deep paranoia and recurrent delusions in users.[5] More cases have followed over the past 2 years. Unlike common illicit drugs such as cocaine, heroin, lysergic acid diethylamide, phencyclidine, and ecstasy, the dangers of bath salts are unknown and only beginning to emerge. At least 16 states so far this year have placed emergency bans on the products, which are marketed under false pretenses to evade authorities.[3]

However, as the drug's use evolves from an oral, smokable, and snortable form to an injectable version, communities need to become aware of the implications of an increase in injectable illicit substances.[5] Studies in the past outlined the dangers of dirty needle use from illegal substances ranging from anabolic steroids to heroine.[3,6] Injection risks range from local pain and swelling to peripheral nerve palsies. However, the most severe consequence is necrotizing fasciitis infection, which can initially appear innocuous but later manifest as a severe infection, culminating frequently in loss of limb and even death.[7]

The diagnosis of necrotizing infections of both muscle and subcutaneous tissue can be difficult and time sensitive. The only effective treatment is extensive debridement with intravenous antibiotics to prevent loss of life and limb. This article reports the danger of injecting bath salts intramuscularly and the difficult subsequent diagnosis and treatment.

CASE REPORT

A 34-year-old woman presented with a 2-day history of increasing right forearm pain and erythema. She reported the redness and pain began the morning after a party. She reproted no subjective fever or chills and had no documented temperatures >100.4°F. She was hemodynamically stable and well appearing with an anxious affect. She reported no symptoms other than her right arm complaints. Her erythema extended from the middle of her upper arm to her metacarpophalangeal joints. She had mild swelling compared with the contralateral extremity, and no crepitus was palpable. She was able to move her shoulder, elbow, and wrist with moderate pain. She had 1 small red puncture wound that she later admitted was a needle stick. She had no neurovascular deficits, and initial radiographs revealed no fracture, dislocation, or apparent gas or foreign body. The areas of erythema were marked with a sterile skin marker, and she was started on broad-spectrum intravenous (IV) antibiotics for cellulitis.

The next morning, the patient's erythema had receded to approximately 50% of the previous physical examination and markings. The patient reported mild resolution of pain. On further questioning, she reported injecting bath salts 2 nights prior to developing symptoms. She also reported the injection was intramuscular because she could not obtain intravascular access. The patient initially denied illicit drug use, but then reported cocaine, opiate, and benzodiazepine use in addition to the recent bath salts injection.



Figure 1: Patient at time of operative incision.

The patient remained on broad-spectrum IV antibiotics with close monitoring. She continued to be afebrile with no tachycardia. Her white blood cell count was 17.9, her erythrocyte sedimentation rate was 125, and her C-reactive protein count was 20. All other laboratory values were within normal limits. She tested positive for cocaine, opiates, and benzodiazepines prior to iatrogenic administration of those medications.

The following morning, the erythema only surrounded the needle injection site. However, the patient reported pain at the site of the injection, so an ultrasound was ordered to delineate any nonradiopaque foreign bodies and the presence of fluid or gas.

Hours later, when the patient was reexamined, she was found to have progressive erythema that had developed past the earlier skin markings and an area of skin sloughing around the injection site with a malodorous drainage. The diagnosis of a fast-spreading infection, such as necrotizing fasciitis, was assumed, and the patient immediately underwent emergent surgical debridement and exploration. She was placed on penicillin G and clindamycin for antibiotic coverage (Figure 1).

By the time surgery began, the erythema had spread farther proximally, and bullae were beginning to form at the injection mark on the dorsal forearm. An inci-

sion was made over the dorsal forearm in the Thompson approach. A large amount of pink, thin, purulent fluid was expressed with a foul odor. As the debridement continued, a large area of dark, noncontractile muscle surrounding the area of injection was present. After full dissection of the forearm, 30% of the skin and subcutaneous tissue remained viable, along with the contents of the volar forearm (Figure 2).

No clear margins proximally of healthy muscle were available, so an incision was made in the anterolateral approach to the shoulder. In the time it took to expose the anterior upper arm, muscle in the forearm that had previously been contractile and pink had turned dusky and noncontractile. We disarticulated the shoulder to obtain clear margins of the disease to prevent disease progression. The general surgery team was placed on standby to aid with further chest wall and neck debridement as indicated, and massive blood transfusion protocols were instituted.

To prevent the spread of disease and obtain healthy viable tissue, a complete forequarter amputation was performed, removing both scapula and clavicle while debriding all noncontractile, unhealthy muscle. The general surgery team also elected to perform a right radical mastectomy and further chest wall debridement to prevent further progression of the disease. All bleeding vessels were ligated, and we obtained disease-free tissue throughout the wound bed. Sterile dressings were applied, and the patient was transferred to the intensive care unit for monitoring (Figure 3).

Bacterial isolates included alpha-hemolytic *Streptococcus*, *Streptococcus viridans*, *Peptostreptococcus micros*, *Gemella morbillorum*, and *Actinomyces odontolyticus*. Recent studies indicated that 82% of these infections were polymicrobial, with the most common organisms including Gram-negative enteric bacilli, enterococci, staphylococcal, and streptococcal species.[8]

The patient underwent further debridement and negative pressure dressing changes in the following days and remained disease free, afebrile, and hemodynamically stable. She then underwent extensive split-thickness skin grafting after healthy granulatory tissue covered the expanse of the wound. She is currently undergoing rehabilitation and is in excellent health (Figure 4).



Figure 2: Photograph during forearm debridement.



Figure 3: Photograph after debridement.



Figure 4: Photograph after skin grafting.

Discussion

As bath salts gain popularity, medical centers of all disciplines must be prepared to identify the signs of intoxication while treating the potential side effects.[3] The associated trauma brought on by the drugs' psychogenic effects may lead patients to orthopedic surgeons through more common routes.

In addition to the effects of the drug, injecting these illicit substances can cause a rare, often-fatal infection. Past reports linked the injection of illicit drugs, including anabolic steroids, with similar devastating clostridial myonecrosis.[6] These infections are usually associated with crush traumas and farm injuries, but now one must also be prepared and vigilant when presented with a cellulitic patient who has a history of needle use. Even patients with their own clean needles are not immune, as evident in a report of an asthmatic patient developed necrotizing fasciitis from an injection of subcutaneous epinephrine.[9]

The key to treatment in this population is early recognition and immediate extensive surgical debridement coupled with penicillin G and clindamycin IV antibiotics. The diagnosis may be delayed due to the nature of the disease. According to a 1995 study of 65 patients, initial symptoms included fever in 60% of patients, skin blebs or bullae in 38% of patients, and minor pain in 27% of patients at presentation.[8]

Deep muscular necrosis is often masked by a nonerythematous overlying tissue bed, and surgical intervention is often delayed after hospital admission. Vigilant monitoring of patients with cellulitis who present with a history of needle use with a low threshold to an extensive debridement is the only means for treatment to cure the patient. One study noted an average time to operative procedure after admission of 45 hours (range, 1.7-312 hours), with the average time to surgery for survivors being 25 hours, whereas nonsurvivors had an average time to surgery of 90 hours.[8]

Necrotizing fasciitis has a rapid timeline to tissue destruction and loss of life. A 1995 study found the survival rate of those diagnosed with necrotizing fasciitis to be as low as 50% (range, 6%-76%). However, wide ranges of mortality exist depending on a multitude of factors.[8] Therefore, the treating orthopedic surgeon must be able to perform a full, extensive debridement

in extreme cases, in which a forequarter amputation may be indicated to prevent delay in treatment and infection progression and, ultimately, death. A similar extensive debridement was documented in a report by Brzozowski and Ross,[10] in which a rapidly progressing *Escherichia coli* forearm infection was treated by forequarter amputation to save a patient's life before the patient succumbed to the disease.

To our knowledge, our article is the first to report streptococcal necrotizing fasciitis and myonecrosis from intramuscular injection of bath salts, which are currently only banned in some US states. Despite the drug's legal status, it must be treated as illicit, and one must be suspicious when examining a patient with this clinical history because the diagnosis of flesh-eating bacteria can masquerade as abscesses and cellulitis.[7] Treatment for this virulent disease remains a swift diagnosis with extensive surgical debridement to obtain complete control of the organism and prevent death. However, the best treatment is prevention with public, street-based education and early detection.

A large retrospective study performed in California between 1984 and 1999 showed a sharp increase in necrotizing fasciitis between 1994 and 1999 in conjunction with the rise in popularity of the intravenous drug black tar heroin.[11] Hopefully, this rise in popularity of bath salts does not preclude a similar rise in necrotizing fasciitis, but surgeons must be ready to diagnose and perform extensive debridements in association with general surgeons in some instances to obtain limb salvage and function and prevent death. ◙

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Dangerous new designer drugs are showing up in Alaska

'BATH SALTS': Side effects can include seizures, paranoia, death.

By ROSEMARY SHINOHARA

(11/15/11 22:07:24)

A year after Anchorage led the state in outlawing a new street drug known as Spice, K2 or Spike, another set of new so-called "designer" drugs that are at least as dangerous is appearing in Alaska, a city prosecutor says.

The Spice-type drugs are synthetic marijuana.

The new drugs are chemical stimulants that mimic the effects of cocaine, ecstasy and methamphetamine, and are peddled under names like Pure Ivory, White Rush and Synergy.

The drugs are sometimes sold under the guise of "bath salts" or "plant food." Ingesting the powders and crystals causes side effects such as delusions, seizures, teeth grinding, paranoia, heart palpitations, blue extremities and, in some cases, death, assistant city prosecutor Jennifer Messick told Anchorage Assembly members at a work session earlier this month.

The Assembly last week made it illegal to sell, use or possess the chemical compounds found in the "bath salt" group of drugs in Anchorage. The federal Drug Enforcement Administration in October added the ingredients of the synthetic drugs to a list of controlled substances that are illegal to sell or possess in the United States.

Sen. Kevin Meyer, R-Anchorage, is planning to introduce a proposed state law banning the chemicals used in bath salts too.

A state law will help because the federal government "may not prosecute many of the lower-level cases that we and the state can," said Anchorage city attorney Dennis Wheeler.

But no one thinks these laws will totally erase the threat. The new rules are difficult to enforce and fresh versions of designer drugs can appear at any time.

"In just over a year, we went from five compounds in Spice to 400-something substances out there as of July," Messick said.

ARE THE DRUGS HERE?

So what's the evidence that the bath salt drugs -- synthetic stimulants Mephedrone, Methylone and a third known as MDPV -- are actually in Alaska?

Providence Alaska Medical Center psychiatric nurse practitioner Heather Brock said this year she's seen about one person a month who is sick enough from the bath salt family of drugs to be admitted to the hospital. They've either told her what they've taken or they've brought in the package, she said.

Other users may have just been seen in the emergency room.

Dr. Jeff Baurick, who works in the emergency room at Alaska Regional Hospital, said he's had one bath salt case in the past few months and has heard of a few other patients seen by one of the nine other ER doctors there.

People snort or swallow the drugs or even put them up their rectums, Brock said.

"People are confused, agitated, they have increased heart rates, a couple cases of arrhythmia," she said. "They're very paranoid, like you would see in any kind of stimulant."

The effects only last a few hours, she said. That leads to another problem.

"Because they're fast-on, fast-off, people are more likely to re-dose, which makes it more likely to overdose," Brock said.

There's no antidote, she said. Medical providers simply treat the symptoms: "You address the heart rate, the fever, the anxiety."

In at least one case, a person mixed a bath salt drug with cocaine, causing a bad reaction, she said. She couldn't be more specific due to privacy rules.

Messick said the drugs are appearing locally "quite a bit."

She said between Anchorage police and Valley emergency and law enforcement officials, reports are made just about daily that they're dealing with people showing the symptoms of having used the bath salt compounds.

In her talks in Anchorage schools, Messick has found students are aware of the new variety of drugs. But earlier this month, a School District spokeswoman said the district has had no incidents involving students.

"We may be getting on the front end of it," Anchorage Police Chief Mark Mew said. "We're looking at a situation where the evidence is anecdotal."

WHERE TO GET THEM

Bath salts are accessible through the Internet and are believed to have been available in some tobacco shops, Messick said. When she visited a couple of tobacco shops in East Anchorage after the feds made bath salts illegal last month, though, the store representatives said they didn't have any.

"We could go to jail," one of them told her.

But both shops offered packets of material called Spice, she said. The packets could have been synthetic marijuana, which both the municipality and the state made illegal over the past year.

The fact that Spice is still on the shelves illustrates another problem: enforcement.

Whether stores that are still offering items marketed as Spice are breaking the law is "open for debate," Messick said.

The ingredients on so-called Spice packets aren't listed and it's unclear if they contain the specific ingredients banned under state or city law.

The city law "casts a wide net if you market anything with the same effect," Messick said. "I think the concern is whether it's vague and overbroad."

Another enforcement issue: The city doesn't have a field test kit for either the synthetic marijuana drugs or the latest, so-called bath salt drugs, Chief Mew said. A field test would give officers probable cause to arrest someone for use of the drugs.

Users could still be arrested for driving under the influence under a city law that makes it illegal to drive if a person is impaired by any substance, Messick said.

And test kits might become available before long. Messick said a company in the Netherlands is producing them.

Reach Rosemary Shinohara at rshinohara@adn.com or 257-4340.

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Alaska lawmakers seek inexpensive crime solutions

By AUSTIN BAIRD
(01/24/12 13:23:29)

Lawmakers, prosecutors and law enforcement officers from around the state gathered Tuesday for a two-day summit that aims to identify cost-effective ways to fight crime and improve public safety across Alaska.

The Senate Judiciary Committee opened the summit with a presentation from Annie Pennucci, a researcher for the Washington State Institute for Public Policy. The institute is nonpartisan and established by the Washington Legislature to study the economic impacts of issues important to the state.

Pennucci told the bipartisan committee that a summary of 66 studies of 3- and 4-year-old low-income children she helped conduct for the Washington Legislature show a direct correlation between preschool for low-income children and lower crime rates.

Everything from high school graduation rates to out-of-home placement rates are also correlated, she said.

"It bends the curve significantly," said the committee's chairman, Sen. Hollis French, D-Anchorage, who has sponsored legislation that would expand education opportunities to pre-elementary aged children. French said early childhood education is not a cure-all but a part of an overall solution.

Other topics of discussion at the summit included how communities of varying sizes, from Anchorage to Palmer to rural villages, have fared as budget cuts have chiseled away resources available to departments.

Anchorage Police Chief Mark Mew asked the state for renewed support of community policing, for which a grant recently expired, and for other programs that he said have been effective at curtailing crime in Anchorage.

Another focus was on so-called "bath salts," which are synthetic drugs legally sold over-the-counter that mimic the highs from cocaine, ecstasy and other illicit substances. Bath salts have become a focus for lawmakers and will be the subject of a hearing before the committee Friday.

The legislature banned synthetic marijuana last year, and that was helpful, Mew said. "We have a misdemeanor ordinance (in Anchorage) for bath salts, but it really needs to be a felony," he said.

It's not clear whether any special initiatives or new legislation will result from the summit, but French has said it's important to bring together criminal justice experts to get a better sense of what is happening in the system as a way of considering catalysts for change.

The summit is scheduled to continue Wednesday, with speakers slated to include Walt Monegan, CEO of the Alaska Native Justice Center, and Nancy Haag of Stand Together Against Rape.

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News and voices from the Last Frontier

News

Designer drugs like 'plant food' and 'bath salts' exploding across Alaska

Victoria Barber and Noah Hull Diamond | The Seward Journal | Nov 07, 2011



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Alaska legislation would ban smoke-shop 'incense' OTC drugs K2, Spice

Alaska law banning K2, Spice scheduled to take effect in July

In towns both large and small throughout Alaska a new class of potent designer drugs has established a foothold, sending more and more users to hospital emergency rooms while police wonder how to fight back.

Mephedrone, methylone and MDPV -- drugs commonly known as "plant food," "bath salts" and "air freshener" -- are legal under state law.

While the street names sound benign, the drugs' effects are anything but. The powerful drugs are easy to get and relatively cheap. The three drugs are marketed interchangeably and sometimes referred to as "synthetic cocaine." They are all powerful central nervous system stimulants, designed to mimic the effects of illegal drugs like meth, cocaine and ecstasy -- with some hallucinogenic properties as well.

"We're seeing a psychoactive substance that seems to be more intense than any of the stimulants -- more intense and more robust in some cases than meth, and definitely cocaine and ecstasy," said Patrick Hayes, supervisor of the outpatient substance abuse program at SeaView Community Services in Seward.

The drugs are relatively inexpensive, in part because they have been easy to get. Bath salts and plant food can be found easily on the Internet, where they are marketed under names like "Vanilla Sky," "Ivory Wave," and "Red Dove." They can come in almost banal-looking packages (bath salts are often emblazoned with images of flower petals, angels, birds and women's feet) and marked with a disclaimer that they're not for human consumption.

The drugs have also gained a following as something that won't show up on urinalysis tests. Until recently the compounds were legal -- the U.S. Drug Enforcement Administration temporarily banned the substances just last month, but the state of Alaska has yet to address the issue legally.

Hayes said that he first heard about plant food in Seward several years ago. During the last two years, he said, it seems to have caught on.

"It seemed like the people who were moving from cocaine to meth eventually starting moving on to it," Hayes said. "I think that meth is being replaced by plant food."

Effects mimic a schizophrenic breakdown

"I used, what you're calling plant food, for the first time about a year or so ago," said "Sam," a Seward resident in his early 30s who spoke on the condition of anonymity.

Sam sat down to talk at a local restaurant on a chilly evening this fall. He grew up with nice parents in a middle-class family, he said, but fell into substance abuse. It started in his teens with cigarettes and marijuana and progressed to hallucinogens, prescription drugs and cocaine.

Today, Sam is usually homeless. He said he turns to plant food as an alternative to spendier, harder-to-find drugs like heroin. "It's pretty cheap, and you get high for a while," Sam said.

Plant food, bath salts and air freshener can be ingested in a variety of ways. They come in powder or pill form and can be snorted, freebased, mixed with water and injected or atomized.

But while the drugs' effects mimic substances like cocaine or ecstasy, there isn't a lot of information about how mephedrone, methylone and MDPV affect the human body, even as users are landing in hospital emergency rooms.

"It's so new, we don't even know the half life (how long it takes the liver to detoxify half of the drug)," Hayes said. "We don't know long-term effects of chronic use. We're seeing people using it, showing up at the ER with symptoms of psychosis, rapid heart-beat, elevated heart pressure, along with delusional thinking and hallucinations, both auditory and visual."

The hallucinations described by users, Hayes said, are "more along the lines of someone who is experiencing a schizophrenic breakdown."

"I've talked to people who've used plant food -- they say it's the worst acid trip they've been on -- but as soon as they come down they want more."

'Absolutely' dangerous

"There may be users that say they've never had a bad trip. That may be," said Jennifer Messick, a traffic safety resource prosecutor with the Municipality of Anchorage who works with the Anchorage Police Department. Those aren't the users that law enforcement ends up dealing with, she said. "We find many users who say they thought it was safe -- a safe alternative to cocaine, meth or whatever, and land in the hospital."

Messick began researching designer drugs a couple years ago. As her expertise has grown, she's been inundated with requests to visit communities around the state and nation to talk with police officers about designer drugs and how to safely handle people who are on them.

Messick said users on mephedrone tend to be paranoid and delusional. They commonly report a sense of impending death or doom, seeing hallucinations of dead people.

Some drug users enter a state of "excited delirium" -- a condition often associated with cocaine or meth -- where they become extremely aggressive, temporarily insensitive to pain and display incredible strength and endurance. This poses "a huge safety risk for officers," Messick said.

It's becoming a bigger problem because use of plant food, bath salts and their kind is increasing "exponentially" across the state, Messick said. It's hit the Mat-Su Valley and Anchorage hard, but small towns have not been spared either. "I can assure you it's about everywhere in Alaska, even some of the villages," Messick said.

Messick said mephedrone, methylone and MDPV started out as party drugs in Russia and Western Europe. They have since been banned in many European nations, including the United Kingdom, but their popularity spread overseas to the U.S. on the heels of synthetic cannabinoids like "spice" and "K2."

Plant food and bath salt use appears to have exploded in the last couple years. Nationwide, there were a total of 298 calls to the American Association of Poison Control Centers about plant food in 2010. In just the first half of 2011 that number jumped to 4,137 - a 1,400 percent increase. That doesn't even include 911 calls, Messick noted.

"Unfortunately, the general public doesn't understand how absolutely dangerous these things are," Messick said.

Families on alert

"I can say I was shocked when I heard (plant food) was in Seward," said Karen Sturdy, director of the Seward Parks and Recreation Department.

Sturdy said she first heard the drug was being used in Seward last year. In a presentation before City Council, she said plant food was one of the dangers facing Seward's youth. "I think it's way more prevalent than anyone is willing to admit," said Sturdy.

The drugs are scary on their own, Sturdy said, but she's also worried that youth, upon hearing the street names, will try to snort or otherwise ingest real plant food or bath salts, thinking it will get them high. "There are kids in Seward who think they are 10 feet tall and bullet proof," Sturdy said. "So, it's frightening."

Lt. Louis Tiner said Seward police are coming into contact with more and more people who are on plant food and bath salts or admit to using them. "But more than anything we hear from concerned people about their friends and family members," Tiner said. "There are people using it and addicted to it and there are people here distributing it. It is something parents should be aware of and on the lookout for."

Illegal, and not illegal

Last month, mephedrone, methylone and MDPV became illegal under federal law. The DEA took emergency action Oct. 21 to control the substances, making the possession and sale of the

chemicals, or products containing them, illegal in the United States. It's a temporary action that will be in effect for a year while the DEA and U.S. Department of Health and Human Services study whether the drugs should be permanently controlled.

Until then, police have few tools with which to battle the use of mephedrone, methylone and MDPV. That's because while the drugs are banned under federal law, the State of Alaska has yet to take action on them. If a police officer in Seward came across someone in possession or selling plant food they could only pass the case along to the DEA for review. While the DEA could prosecute, there's also a chance they wouldn't take action on small-scale, individual cases. "There's a great need for state and local legislation," said Messick.

Anchorage Mayor Dan Sullivan introduced an ordinance last month to criminalize plant food, bath salts and the others. And state Sen. Kevin Meyer announced his intent to introduce legislation in the upcoming session to ban mephedrone and MDPV at the state level.
"What makes these substances even more dangerous is how they are being marketed . . . With names like 'Meow-Meow,' Vanilla Sky,' 'Ivory Snow' and 'Bliss', (they're) obviously aimed at kids and young adults," Meyer said in a press release.

Messick acknowledged the laws may be insufficient. Designer drugs are carefully designed to get around the law. "I tell people to think not just about these drugs, but what drug will come out next year," Messick said. The most important thing to do, he said, is to make sure people know the risks. That can help -- although some people don't care.

"Some chemist will just change the formula a little then it'll be cheap and easy again," said Sam. "I want to get high and if they make it illegal, I still will."

*This article was originally published in **The Seward Journal** and is reprinted here with permission.*

Submitted by: Chair of the Assembly at the Request of the Mayor
Prepared by: Dept. of Law
For reading: November 8, 2011

CLERK'S OFFICE
AMENDED AND APPROVED
Date: 11-8-11

ANCHORAGE, ALASKA
AO No. 2011-106(S)

AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE CHAPTER 8.35 TO PROHIBIT THE MANUFACTURE, ASSEMBLY, DISTRIBUTION, MARKETING, SALE, USE OR POSSESSION OF SUBSTANCES CONTAINING CERTAIN CHEMICAL COMPOUNDS, INCLUDING THOSE COMMONLY MARKETED AND SOLD AS "BATH SALTS", PLANT FOOD, INCENSE OR DIETARY SUPPLEMENTS AND WHICH INDUCE EFFECTS SIMILAR TO CERTAIN ILLEGAL DRUGS, TO PROHIBIT THE SALE OR POSSESSION OF PARAPHERNALIA RELATED TO THE USE OF THESE CHEMICAL COMPOUNDS, TO PROVIDE PENALTIES, AND AMENDING SECTION 14.60.030 TO PROVIDE FOR CIVIL PENALTIES.

WHEREAS, the chemical compounds 3,4-Methylenedioxy-N-methylcathinone (methylone), 3,4-Methylenedioxypyrovalerone (MDPV), 4-Methyl-N-methylcathinone (mephedrone), 3-Methoxymethcathinone, 3-Fluoromethcathinone, and 4-Fluoromethcathinone are psychoactive substances that, when introduced into the body, induce effects similar to illegal drugs;

WHEREAS, much like the marketing of Synthetic Cannabinoids (Spice/K2) as incense, these substances are commercially available and in some cases are being marketed as "bath salts" under names such as "Vanilla Sky", "Ivory Snow", "Bliss", "White Lightning", "Hurricane Charlie", and "Red Dove", and in other cases packaged or marketed as plant food, dietary supplements, insect repellent, potpourri or incense;

WHEREAS, some or all of the substances used to make "bath salts" are banned in Alabama, Arkansas, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maine, Michigan, Minnesota, Mississippi, Missouri, New Jersey, New Mexico, New York, North Dakota, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Texas, Tennessee, Utah, Virginia, Washington, West Virginia, Wisconsin, and Wyoming and municipalities throughout the United States;

WHEREAS, on **October 21** ~~**[September 8]**~~, 2011 the federal Drug Enforcement Agency issued a **one year ban on** ~~**[notice of intent, 76 FR 55616-01, to temporarily schedule]**~~ the three synthetic cathinones mephedrone, methylone and MDPV under Schedule I of the Controlled Substances Act based on findings it is necessary to avoid imminent hazard to the public safety because they have a high potential for abuse, no currently accepted medical use in treatment in the United States, and lack accepted safety for use under medical supervision;

WHEREAS, Phenazepam is an unregulated benzodiazepine drug which, as with other benzodiazepines, in case of abrupt discontinuation following prolonged use,

can induce severe withdrawal symptoms including restlessness, anxiety, insomnia, seizures, convulsions and death;

WHEREAS, Benzylpiperazine (BZP) is a recreational drug with euphoric, stimulant properties. The effects produced by BZP are comparable to those produced by amphetamine. Adverse effects have been reported following its use including acute psychosis, renal toxicity, and seizures. Its sale is banned in a few countries, including Australia, New Zealand, the United States, the Republic of Ireland, the United Kingdom, and other parts of Europe;

WHEREAS, the abuse of these substances has been increasing and law enforcement and medical professionals have indicated bath salts, in particular, are becoming increasingly popular due to the misperception that they pose a seemingly safer alternative to illegal methods of getting "high" and can be obtained at convenience stores, pawnshops, and gas stations;

WHEREAS, users of these drugs report the effects are similar to cocaine, ecstasy or methamphetamine usage, including blurred vision, extremely elevated blood pressure, irregular heart rates, hallucinations, delusions, vomiting, suicidal thoughts, "highs", and disturbing side effects including feelings of excruciating pain, agitation and loss of control. Some abusers describe the effects as similar to methamphetamine, ecstasy, and cocaine, and have referred to bath salts as "complete crank" and "fake cocaine";

WHEREAS, some users experience severe reactions, resulting in unconsciousness, seizures, and hospitalization, and in some reported cases even death;

WHEREAS, products containing the substances are not tested by the Food and Drug Administration (U.S. Department of Agriculture) or other governmental regulatory agency for human consumption and contain chemicals detrimental and dangerous to the health and welfare of those ingesting them;

WHEREAS, representatives of businesses selling the substances indicate they are available to minors as well as adults;

WHEREAS, despite packaging warning purchasers that the products are not for human consumption, the warnings are not being heeded;

WHEREAS, Alaska Statutes do not currently regulate the sale, purchase, possession, or manufacture of these substances**, but Senator Kevin Meyer intends to introduce legislation criminalizing these substances [~~or, if currently regulated, may not provide the resources to fully prosecute offenders~~]**;

WHEREAS, within the United States there is no currently sanctioned medicinal or other legitimate purpose for taking these substances; and

WHEREAS, it is in the best interest of the Municipality to prohibit the manufacture, assembly, possession, use, sale, marketing, or offering for sale of these substances

within the boundaries of the Municipality to protect the health, safety and welfare of its citizens; now, therefore,

THE ANCHORAGE ASSEMBLY ORDAINS:

Section 1. Anchorage Municipal Code chapter 8.35 is amended by adding a new section to read as follows:

8.35.110 Illegal synthetic compounds.

A. It shall be unlawful for any person or entity to knowingly manufacture, assemble, distribute, dispense, sell, attempt to sell, give, trade, barter, transfer, or to otherwise furnish in a single transaction any product or combination of products containing **[an amount in excess of 25 milligrams in the aggregate of any of the following substances]**:

1. Cathinone or substituted cathinones, including any compound, except bupropion or a compound listed in another schedule, structurally derived from 2-amino-1-phenyl-1-propanone by modification in any of the following ways:

   (a) substitution in the ring system to any extent (including alkyl, alkoxy, alkylenedioxy, haloalkyl, or halide substituents), whether or not further substituted in the ring system by other substituents;

   (b) substitution at the 3-position with an alkyl substituent; or

   (c) substitution at the 2-amino nitrogen atom with alkyl or dialkyl groups, or inclusion of the 2-amino nitrogen atom in a cyclic structure.**[;]**

2. **[By example,]** Compounds such as:

   (a) 4-Methyl-N-methylcathinone (Also known as Mephedrone)**, its salts, optical isomers, and salts of optical isomers**;
   (b) 3,4-Dimethylmethcathinone (Also known as 3,4-DMMC)**, its salts, optical isomers, and salts of optical isomers**;
   (c) 3-Fluoromethcathinone (Also known as 3-FMC)**, its salts, optical isomers, and salts of optical isomers**;
   (d) 4-Fluoromethcathinone (Also known as Flephedrone)**, its salts, optical isomers, and salts of optical isomers**;
   (e) 3,4-Methylenedioxy-N-methylcathinone (Also known as Methylone);
   (f) 3,4-Methylenedioxypyrovalerone (Also known as MDPV)

, its salts, optical isomers, and salts of optical isomers;

(g) alpha-Pyrrolidinopentiophenone (Also known as alpha-PVP);

(h) Naphthylpyrovalerone (Also known as Naphyrone);

(i) beta-Keto-N-methylbenzodioxolylpropylamine (Also known as Butylone);

(j) beta-Keto-N-methylbenzodioxolylpentanamine (Also known as Pentylone);

(k) beta-Keto-Ethylbenzodioxolylbutanamine (Also known as Eutylone); and

(l) 3,4-methylenedioxy-N-ethylcathinone (Also known as Ethylone);

(m) methcathinone, its salts, optical isomers, and salts of optical isomers;

3. Benzodiazepines, including Phenazepam;

4. Benzylpiperazine (BZP); or

5. Any other derivatives, analogues, homologues, salts, isomers, or salts of isomers with substantially similar chemical structure and pharmacological activity as the substances described above.

B. It shall be unlawful to knowingly manufacture, assemble, distribute, dispense, sell, attempt to sell, give, trade, barter, transfer, or to otherwise furnish in a single transaction any other equivalent compound, substance, or derivative, whether described as tobacco, herbs, incense, plant food, food, nutrient, dietary supplement, spice, bath salts or any blend thereof which is not regulated or approved for human consumption by the U.S. Food and Drug Administration **[~~in an amount in excess of 25 milligrams in the aggregate~~]**, and when introduced into the body, induces the effects substantially similar to that of a controlled substance, regardless of whether the substance is marketed for the purpose of human consumption.

C. It shall be unlawful for any person or entity to manufacture, assemble, distribute, sell, market, display for sale, or offer for sale within the municipality products containing the substances prohibited by subsections A and B **[~~in any amount~~]**. It shall be unlawful to attempt the conduct prohibited by this subsection.

D. It shall be unlawful to knowingly possess, attempt to possess, inject, ingest, insert rectally, burn, incinerate or ignite products containing substances prohibited by this section in the municipality. For purposes of this section, a person knowingly possesses such substances when the person knows the substance induces the effects described in this ordinance, regardless of whether the person knows whether the

chemical compounds described in subsection A are present in the product possessed.

E. **It shall be unlawful to possess, attempt to possess, inject, ingest, insert rectally, burn, incinerate or ignite products containing substances prohibited by this section in the municipality.**

F. A person or entity violating the provisions of subsections A, ~~[or]~~ B, **or D** shall be guilty of a misdemeanor and shall be punishable by a fine of not more than $5,000 or imprisonment of not more than one year, or both.

G ~~[F]~~. A person or entity violating the provisions of subsection C shall be subject to a penalty not to exceed $5,000 for each violation. For purposes of this subsection, each batch of a substance described in subsection A or B, or each day the person or entity engaged in the prohibited conduct, shall constitute a separate violation.

H~~[G]~~. A person or entity violating the provisions of subsection E ~~[D]~~ shall be subject to a penalty not to exceed **$500** ~~**[$1,000]**~~ for each violation. For purposes of this subsection, each separately packaged amount of a substance described in subsections A or B shall constitute a separate violation.

I~~[H]~~. As an alternative to the remedies, procedures and penalties provided in this title and section 1.45.010, a violation of subsection C. or E ~~[D]~~. may be charged as a civil violation subject to and prosecuted in accordance with title 14, and in such case shall be punishable by a civil penalty in accordance with chapter 14.60.

J~~[I]~~. The criminal penalties and civil fines authorized by this section are not exclusive, and the municipality may seek any other remedies provided by law or equity, including injunctive relief, for repeated violations of this section.

K~~[J]~~. It is not an offense under this section if the person or entity was acting at the direction of an authorized agent of the municipality or other authorized law enforcement agency to enforce or ensure compliance with this section.

L~~[K]~~. Any product described in subsection A or B. found by or that comes in the possession of a police officer or a municipal official may be confiscated as contraband and destroyed in accordance with chapter 7.25 as such.

M~~[L]~~. This section does not apply to drugs or substances lawfully prescribed or drugs or substances approved by the federal Food and Drug

Administration or drugs or substances otherwise specifically permitted by federal or state law.

N[M]. The use of the substances described in this section for bona fide research or educational purposes under lawful federal, state or local authority is exempt from the prohibitions of this section.

Section 2. Anchorage Municipal Code section 8.35.010 is hereby amended to read as follows (*the remainder of the section is not affected and therefore not set out*):

8.35.010 Definitions.

A. The following words, terms and phrases, when used in this chapter, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

Analogue means a chemical compound that is structurally similar to another but differs slightly in composition (as in the replacement of one atom by an atom of a different element or in the presence of a particular functional group).

*** *** ***

Drug paraphernalia means any items whose objective characteristics or objective manufacturer's design indicate that it is intended for use in the consumption, ingestion, inhalation, injection or other method of introduction of:

1. A controlled substance into the human body or to facilitate a violation of AS 11.71; or

2. A product containing illegal synthetic cannabinoids under section 8.35.100 or an illegal synthetic compound under section 8.35.110.

*** *** ***

Homologue means one of a series of compounds distinguished by addition of a CH_2 group in successive members.

*** *** ***

(AO No. 81-219; AO No. 98-59(S), § 1, 5-19-98; AO No. 2000-95, § 11, 10-16-00; AO No. 2010-87(S), § 2, 12-7-10)

Section 3. Anchorage Municipal Code section 14.60.030 is hereby amended to add to the fine schedule (*the remainder of the schedule is not affected and therefore not set out*):

14.60.030 Fine schedule.

Code Section	Offense	Penalty/Fine
***	***	***

8.35.110 C.	Manufacture, assemble, distribute, sell, market, display for sale, or offer for sale any amount of an illegal synthetic compound	$5,000 for each separate violation
8.35.110 E[D].	Possession or use of illegal synthetic compound	**$500 [$1,000]** for each separate violation
***	***	***

(AO No. 93-167(S-1), § 1, 4-13-94; AO No. 94-108, § 1, 10-5-94; AO No. 94-134, § 2, 9-8-94; AO No. 95-42, § 2, 3-23-95; AO No. 95-67(S), § 9, 7-1-95; AO No. 95-102, § 1, 4-26-95; AO No. 95-118, § 3, 9-1-95; AO No. 95-163(S), § 21, 8-8-95; AO No. 95-195(S-1), 1-1-96; AO No. 96-51(S-1), § 2, 8-1-96; AO No. 96-96(S-1), § 2, 2-1-97; AO No. 96-126(S), § 3, 10-1-96; AO No. 96-137(S), § 9, 1-2-97; AO No. 97-88, § 3, 6-3-97; AO No. 97-107, § 3, 11-17-97; AO No. 97-133(S), § 1, 11-11-97; AO No. 98-27(S-1), § 2, 11-11-97; AO No. 98-160, § 2, 12-8-98; AO No. 99-13(S), 2-9-99; AO No. 99-91(S), § 4, 7-13-99; AO No. 2000-64, § 1, 4-18-00; AO No. 2000-116(S), § 4, 7-18-00; AO No. 2000-127(S), § 2, 10-14-00; AO No. 2000-129(S), § 26, 11-21-00; AO No. 2001-48, § 1, 3-13-01; AO No. 2001-74(S), § 2, 4-17-01; AO No. 2001-4, § 2, 2-6-01; AO No. 2001-145(S-1), § 11, 12-11-01; AO No. 2003-68, § 1, 9-30-03; AO No. 2003-97, § 4, 9-30-03; AO No. 2003-117, § 2, 1-28-03; AO No. 2003-130, § 8, 10-7-03; AO No. 2003-152S, § 10, 1-1-04; AO No. 2004-1, § 2, 1-1-03; AO No. 2004-99, § 2, 6-22-04; AO No. 2004-100(S-1), § 6, 1-1-05; AO No. 2004-171, § 1, 1-11-05; AO No. 2005-160, § 9, 11-1-05; AO No. 2005-84(S), § 3, 1-1-06; AO No. 2005-185(S), § 35, 2-28-06; AO No. 2005-124(S-1A), § 33, 4-18-06; AO No. 2006-39, § 6, 4-11-06; AO No. 2006-54, § 1, 5-2-06; AO No. 2006-80, § 1, 6-6-06; AO No. 2007-50, § 4, 4-10-07; AO No. 2007-60, § 4, 11-1-07; AO No. 2007-70, § 3, 5-15-07; AO No. 2008-84(S), § 5, 7-15-08; AO No. 2009-61, § 3, 7-7-09; AO No. 2009-82, § 5, 7-7-09; AO No. 2009-40(S), § 3, 7-21-09; AO No. 2009-112, § 4, 10-13-09; AO No. 2009-122, § 2, 12-17-09; AO No. 2010-87(S), §3, 12-7-2010; AO No. 2011-46, § 4, 4-12-11; AO No. 2011-59, § 10, 5-24-11)

Section 4. This ordinance shall be effective **immediately upon passage and approval** ~~30 days from passage and approval~~.

PASSED AND APPROVED by the Anchorage Assembly this 8th day of November, 2011.

Debbie Ossiander
Chair of the Assembly

ATTEST:

Barbara S. Jones
Municipal Clerk

Advisory Board on Alcoholism and Drug Abuse

abada amhb

Alaska Mental Health Board

ALASKA MENTAL HEALTH BOARD
ADVISORY BOARD ON ALCOHOLISM AND DRUG ABUSE
431 NORTH FRANKLIN STREET, SUITE 200
JUNEAU, ALASKA 99801
(907) 465-8920

January 24, 2012

Senator Kevin Meyer
Alaska State Capitol, Room 103
Juneau, Alaska 99801

Re: Letter of Support for SB 140

Dear Senator Meyer,

The Advisory Board on Alcoholism and Drug Abuse appreciates your recognition of the need to regulate cathinone and similar substances marketed as "bath salts." These substances pose a serious risk to the health and welfare of Alaskans and should be Schedule IIA controlled substances.

Cathinone, methcathinone, and methylenedioxypyrovalerone (MPDV) produce amphetamine-like effects. Commonly marketed as "bath salts," these drugs can be inhaled, ingested, injected, or smoked. The expected effect is a sort of euphoria, but these chemicals also have dangerous effects. "Bath salts" substances have been reported to cause extreme anxiety and paranoia, delusional thinking, visual and auditory hallucinations leading to violent outbursts, self-mutilation, and suicidal thoughts and actions.

Nationwide, there were 6,072 calls to poison centers about designer drugs labeled as "bath salts" in 2011.[1] In 2010, that number was 303 calls.[2] This reflects the rapid increase in use of these synthetic drugs in the United States. In response, the U.S. Drug Enforcement Administration invoked its emergency scheduling powers in September 2011 to make possession and sale of mephedrone, MDPV, and methylone (common "bath salts" substances") illegal. This emergency regulation will expire in September 2012. State and city governments across the country are taking similar action through emergency powers, ordinances, and legislation in an effort to protect health and safety.[3]

The Advisory Board on Alcoholism and Drug Abuse supports SB 140 and we appreciate your work on behalf of Alaskans.

Sincerely,

Robert Coghill, Jr. Chairman
Advisory Board on Alcoholism and Drug Abuse

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[1] American Association of Poison Control Centers report on "closed human exposures calls to poison centers about exposures to bath salts as of December 31, 2011," updated January 5, 2012. Available online at http://www.aapcc.org/dnn/Portals/0/Bath%20Salts%20Data%20for%20Website%201.5.2012.pdf.

[2] *Id.*

[3] Nevada's Board of Pharmacy just restricted "bath salts" substances through its emergency powers in January, 2012. Maine, Louisiana, Kentucky, Ohio, Delaware, and nearly three-quarters of U.S. states have acted to prohibit sale and/or possession of these substances. The Municipality of Anchorage passed an ordinance in October 2011 to prohibit manufacture, sale, and possession of these substances.

administrative law judge mails a notice of his or her hearing decision.

■ 8. Amend § 416.1442 by revising paragraphs (d), (e) introductory text, (e)(1), and (f)(3) to read as follows:

§ 416.1442 Prehearing proceedings and decisions by attorney advisors.

* * * * *

(d) *Notice of a decision by an attorney advisor.* If an attorney advisor issues a fully favorable decision under this section, we will mail a written notice of the decision to all parties at their last known addresses. We will state the basis for the decision and advise all parties that they may request that an administrative law judge reinstate the request for a hearing if they disagree with the decision for any reason. Any party who wants to make this request must do so in writing and send it to us within 60 days of the date he or she receives notice of the decision. The administrative law judge will extend the time limit if the requestor shows good cause for missing the deadline. The administrative law judge will use the standards in § 416.1411 to determine whether there is good cause. If the request is timely, an administrative law judge will reinstate the request for a hearing and offer all parties an opportunity for a hearing.

(e) *Effect of an attorney advisor's decision.* An attorney advisor's decision under this section is binding unless—

(1) You or another party to the hearing submits a timely request that an administrative law judge reinstate the request for a hearing under paragraph (d) of this section;

* * * * *

(f) * * *

(3) Make the decision of an attorney advisor under paragraph (d) of this section subject to review by the Appeals Council if the Appeals Council decides to review the decision of the attorney advisor anytime within 60 days after the date of the decision under § 416.1469.

* * * * *

■ 9. Amend § 416.1448 by revising the second sentence of paragraph (a), and paragraph (b)(1)(ii), to read as follows:

§ 416.1448 Deciding a case without an oral hearing before an administrative law judge.

(a) *Decision fully favorable.* * * * The notice of the decision will state that you have the right to an oral hearing and to examine the evidence on which the administrative law judge based the decision.

(b) * * *

(1) * * *

(ii) You live outside the United States, you do not inform us that you wish to appear, and there are no other parties who wish to appear.

* * * * *

■ 10. Revise § 416.1460 to read as follows:

§ 416.1460 Vacating a dismissal of a request for a hearing before an administrative law judge.

(a) Except as provided in paragraph (b) of this section, an administrative law judge or the Appeals Council may vacate a dismissal of a request for a hearing if you request that we vacate the dismissal. If you or another party wish to make this request, you must do so within 60 days of the date you receive notice of the dismissal, and you must state why our dismissal of your request for a hearing was erroneous. The administrative law judge or Appeals Council will inform you in writing of the action taken on your request. The Appeals Council may also vacate a dismissal of a request for a hearing on its own motion. If the Appeals Council decides to vacate a dismissal on its own motion, it will do so within 60 days of the date we mail the notice of dismissal and will inform you in writing that it vacated the dismissal.

(b) If you wish to proceed with a hearing after you received a fully favorable revised determination under the prehearing case review process in § 416.1441, you must follow the procedures in § 416.1441(d) to request that an administrative law judge vacate his or her order dismissing your request for a hearing.

[FR Doc. 2011–27236 Filed 10–20–11; 8:45 am]

BILLING CODE 4191–02–P

DEPARTMENT OF JUSTICE

Drug Enforcement Administration

21 CFR Part 1308

[Docket No. DEA–357]

Schedules of Controlled Substances: Temporary Placement of Three Synthetic Cathinones Into Schedule I

AGENCY: Drug Enforcement Administration, Department of Justice.

ACTION: Final Order.

SUMMARY: The Administrator of the Drug Enforcement Administration (DEA) is issuing this final order to temporarily schedule three synthetic cathinones under the Controlled Substances Act (CSA) pursuant to the temporary scheduling provisions of 21 U.S.C. 811(h). The substances are 4-methyl-N-methylcathinone (mephedrone), 3,4-methylenedioxy-N-methylcathinone (methylone), and 3,4-methylenedioxypyrovalerone (MDPV). This action is based on a finding by the Administrator that the placement of these synthetic cathinones and their salts, isomers, and salts of isomers into Schedule I of the CSA is necessary to avoid an imminent hazard to the public safety. As a result of this order, the full effect of the CSA and its implementing regulations including criminal, civil and administrative penalties, sanctions and regulatory controls of Schedule I substances will be imposed on the manufacture, distribution, possession, importation, and exportation of these synthetic cathinones.

DATES: *Effective Date:* This Final Order is effective on October 21, 2011.

FOR FURTHER INFORMATION CONTACT: Imelda L. Paredes, Office of Diversion Control, Drug Enforcement Administration, 8701 Morrissette Drive, Springfield, Virginia 22152; Telephone (202) 307–7165.

SUPPLEMENTARY INFORMATION:

Background

The Comprehensive Crime Control Act of 1984 (Pub. L. 98–473), which was signed into law on October 12, 1984, amended section 201 of the CSA (21 U.S.C. 811) to give the Attorney General the authority to temporarily place a substance into Schedule I of the CSA for one year without regard to the requirements of 21 U.S.C. 811(b) if he finds that such action is necessary to avoid imminent hazard to the public safety. 21 U.S.C. 811(h); 21 CFR 1308.49. If proceedings to control a substance are initiated under 21 U.S.C. 811(a)(1), the Attorney General may extend the temporary scheduling up to an additional six months. 21 U.S.C. 811(h)(2). Where the necessary findings are made, a substance may be temporarily scheduled in Schedule I if it is not listed in any other schedule under section 202 of the CSA (21 U.S.C. 812) or if there is no exemption or approval in effect under section 505 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 355) for the substance. 21 U.S.C. 811(h)(1). The Attorney General has delegated his authority under 21 U.S.C. 811 to the Administrator of DEA. 28 CFR 0.100.

Section 201(h)(4) of the CSA (21 U.S.C. 811(h)(4)) requires the Administrator to notify the Secretary of Health and Human Services of her intention to temporarily place a substance into Schedule I of the CSA.[1]

[1] Because the Secretary of Health and Human Services has delegated to the Assistant Secretary for

Continued

The Administrator transmitted notice of her intent to place mephedrone, methylone and MDPV in Schedule I on a temporary basis to the Assistant Secretary in a letter dated June 15, 2011. The Assistant Secretary responded to this notice by letter dated July 25, 2011, and advised that based on review by the Food and Drug Administration (FDA) there are currently no investigational new drug applications (INDs) or approved new drug applications (NDAs) for MDPV, mephedrone, or methylone. The Assistant Secretary also stated that the Department of Health and Human Services has no objection to the temporary placement of MDPV, mephedrone, and methylone into Schedule I of the CSA. DEA has taken into consideration the Assistant Secretary's comments. As MDPV, mephedrone, and methylone are not currently listed in any schedule under the CSA, as no exemptions or approvals are in effect for MDPV, mephedrone, and methylone under section 505 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 355), and as this temporary scheduling is necessary to avoid an imminent hazard to the public safety, DEA believes that the conditions of 21 U.S.C. 811(h)(1) have been satisfied.

A notice of intent to temporarily place mephedrone, methylone, and MDPV into Schedule I of the CSA was published in the **Federal Register** on September 8, 2011 (76 FR 55616). The data in support of the notice of intent and additional data continue to support the necessary findings to place mephedrone, methylone, and MDPV temporarily into Schedule I of the CSA as necessary to avoid an imminent hazard to the public safety.[2] In making this finding, the Administrator is required to consider three of the eight factors set forth in section 201(c) of the CSA (21 U.S.C. 811(c)). These factors are as follows: The substance's history and current pattern of abuse; the scope, duration and significance of abuse; and what, if any, risk there is to the public health. 21 U.S.C. 811(c)(4)–(6). Consideration of these factors includes actual abuse, diversion from legitimate channels, and clandestine importation, manufacture, or distribution. 21 U.S.C. 811(h)(3).

Mephedrone, methylone, and MDPV are not currently listed in any schedule under the CSA. The temporary placement of these three synthetic cathinones into Schedule I of the CSA is necessary in order to avoid an imminent hazard to the public safety. First, there has been a rapid and significant increase in abuse of these substances in the United States. As a result of this abuse, synthetic cathinones are banned in at least 37 states in the United States and several countries, and all five branches of the U.S. military prohibit military personnel from possessing or using synthetic cathinones. Second, law enforcement has seized synthetic cathinones and, based on self-reports to law enforcement and health care professionals, synthetic cathinones are abused for their psychoactive properties. Third, federal, state and local public health departments and poison control centers have issued reports describing public health consequences such as emergency department visits and deaths from the use of these synthetic cathinones. Based on scientific data currently available, these three substances have the potential to be extremely harmful and, therefore, pose an imminent hazard to the public safety.

Factor 4: History and Current Pattern of Abuse

Synthetic cathinones are designer drugs of the phenethylamine class which are structurally and pharmacologically similar to amphetamine, 3,4-methylenedioxymethamphetamine (MDMA), cathinone and other related substances. The addition of a beta-keto (β-keto) substituent to the phenethylamine core structure produces a group of substances that now have cathinone as the core structure. Synthetic cathinones, like amphetamine, cathinone, methcathinone, and methamphetamine, are central nervous system (CNS) stimulants.

The synthetic cathinones mephedrone, methylone, and MDPV have recently emerged on the United States' illicit drug market and are being perceived as being 'legal' alternatives to cocaine, methamphetamine, and MDMA. Although synthetic cathinones are new to the United States' illicit drug market, they have been popular drugs of abuse in Europe since 2007. MDPV is a derivative of pyrovalerone, which is a psychoactive drug that was used to treat chronic lethargy and fatigue. Research in anti-depressant and anti-parkinson agents resulted in the development and patenting of methylone. Methylone, however, has not been approved for these purposes. There are no currently accepted medical uses in treatment in the United States for mephedrone, methylone, or MDPV.

Mephedrone, methylone, and MDPV are falsely marketed as "research chemicals," "plant food," or "bath salts." They are sold at smoke shops, head shops, convenience stores, adult book stores, and gas stations. They can also be purchased on the Internet and mailed using the U.S. Postal Service or international mail services. The packages of products containing these synthetic cathinones usually have the warning "not for human consumption," most likely in an effort to circumvent statutory restrictions for these substances. Despite disclaimers that the products are not intended for human consumption, retailers promote that routine urinalysis drug tests will not typically detect the presence of these synthetic cathinones. However, analytical methods for the detection of mephedrone, methylone, MDPV, and other synthetic cathinones have recently been developed for these substances.

Evidence indicates that mephedrone, methylone, and MDPV are being abused for their psychoactive properties. Drug surveys found that these and other synthetic cathinones are being used as recreational drugs and are used as alternatives to illicit stimulants like MDMA and cocaine. Accordingly, mephedrone, methylone, and MDPV have been identified in human urine samples that were obtained for routine drug screenings, they have been detected in samples from drivers suspected of driving under the influence, and they have been detected by drug courts during mandatory periodic drug screens. They have also been identified in biological specimens from individuals (some exhibiting symptoms of "extreme agitation" or "excited delirium") who have been arrested for possession of a controlled substance, child endangerment, or homicide. They have been detected in samples from decedents whose causes of death were reported as drug-induced toxicity, multiple drug toxicity, or other causes (*e.g.*, blunt force trauma from a vehicular collision or suicide).

Based on studies in the scientific literature, the marketing of products that contain mephedrone, methylone, and MDPV is geared towards teens and young adults. Accordingly, reports indicate that the main users of synthetic cathinones are young male adults. These substances are also used by mid-to-late adolescents and older adults. Many of these abusers of synthetic cathinones have a previous history of drug abuse.

Health of the Department of Health and Human Services the authority to make domestic drug scheduling recommendations, for purposes of this Final Order, all subsequent references to "Secretary" have been replaced with "Assistant Secretary."

[2] See "Background, Data and Analysis of Synthetic Cathinones: Mephedrone (4–MMC), Methylone (MDMC) and 3,4-Methylenedioxypyrovalerone (MDPV)" found at *http://www.regulations.gov.*

According to drug surveys, the reported average amount of synthetic cathinones used per dose ranged from approximately 25 to 250 milligrams and the average amount used per session (i.e., repeated administration and binging) ranged from approximately 25 milligrams to 5 grams depending on the substance consumed, duration of intake, and route of administration. The most common routes of administration of these substances are nasal insufflation by snorting the powder and oral ingestion by swallowing capsules or tablets. Other reported methods of administration include injection, rectal administration, and "bombing" (wrapping a dose of powder in a paper wrap and swallowing). Synthetic cathinones have also been reported to be used in binges. Reasons cited for binging include to prolong the duration of effects, to satisfy a "craving," or to satisfy a strong urge to re-dose.

According to information found in drug surveys, clinical case reports, and law enforcement reports, users have reported using products containing mephedrone, methylone, and MDPV with other synthetic cathinones (e.g., butylone, fluoromethcathinone, 4–MEC, etc.), pharmaceutical agents (e.g., lidocaine, caffeine, benzocaine, etc.), or other recreational substances (e.g., amphetamine, MDMA, cocaine, gamma-butyrolactone (GBL), kratom, N,N-benzylpiperazine (BZP), and 1-(3-trifluoromethylphenyl)-piperazine (TFMPP)). Chemical analyses of seized and purchased synthetic cathinone products indicate that some products contain multiple substances. Furthermore, investigative toxicology reports of drug screens in which more than one substance was detected indicate that users have ingested products composed of drug combinations (e.g., a tablet composed of MDPV and BZP) or multiple drug products (e.g., a MDPV powder product and a MDMA tablet).

Factor 5: Scope, Duration and Significance of Abuse

The popularity of synthetic cathinones as recreational drugs has increased since they first appeared on the United States' illicit drug market. According to forensic laboratory reports, the first appearance of these synthetic cathinones in the United States occurred in 2009. In 2009, NFLIS registered 15 exhibits from 8 states containing these three synthetic cathinones. In 2010, there were 574 reports from 29 states related to these substances registered in NFLIS, and in 2011 (January to August) there were 995.[3]

Based on reports to DEA from law enforcement and public health officials, synthetic cathinones are becoming increasingly prevalent and abused throughout the United States. At one United States point of entry, the U.S. Customs and Border Protection (CBP) has encountered at least 127 shipments containing primarily mephedrone, methylone, and MDPV, as well as other synthetic cathinones like 4–MEC, butylone, fluoromethcathinone, and dimethylcathinone. Most of these shipments originated in China or India and were being shipped to destinations throughout the United States such as Arizona, Alaska, Hawaii, Kansas, Louisiana, Oklahoma, Oregon, Pennsylvania, Missouri, Virginia, Washington, and West Virginia. The American Association of Poison Control Centers (AAPCC), a non-profit, national organization that represents the poison control centers of the United States, reported that in 2010, poison control centers took 303 calls about synthetic cathinones. However, in just the first eight months of 2011, poison control centers have already received 4,720 calls relating to these products. These calls were received in poison control centers representing at least 47 states and the District of Columbia. Individual state poison control centers have also reported an increase in the number of calls regarding "bath salts" from 2009 to 2011.

Concerns over the abuse of these and other synthetic cathinones have prompted many states to control these substances. As of September 15, 2011, at least 37 states have emergency scheduled or enacted legislation placing regulatory controls on some or many of the synthetic cathinones. These states include Alabama, Arkansas, Connecticut, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Michigan, Minnesota, Mississippi, Missouri, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Texas, Tennessee, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin and Wyoming. Several countries including all members of the European Union have also placed controls on the possession and/or sale of one or more of these substances. Moreover, the use of synthetic cathinones by members of the U.S. Armed Forces is prohibited.

[3] Analyzed on September 15, 2011.

Factor 6: What, if Any, Risk There Is to the Public Health

The risks to the public health associated with the abuse of mephedrone, methylone, and MDPV relate to acute and long term public health and safety problems. These synthetic cathinones have become a serious drug abuse threat as there have been reports of emergency room admissions and deaths associated with the abuse of these substances.

Clinical case reports indicate that these synthetic cathinones produce a number of stimulant-like adverse effects such as palpitation, seizure, vomiting, sweating, headache, discoloration of the skin, hypertension, and hyper-reflexia. Adverse effects associated with consumption of these drugs as reported by abusers include nose-bleeds, bruxism (teeth grinding), paranoia, hot flashes, dilated pupils, blurred vision, dry mouth/thirst, palpitations, muscular tension in the jaw and limbs, headache, agitation, anxiety, tremor, and fever or sweating. Consequently, numerous individuals have presented at emergency departments in response to exposure incidents and several cases of acute toxicity have been reported due to the ingestion of mephedrone, methylone, or MDPV. In addition, case reports have shown that the abuse of synthetic cathinones can lead to psychological dependence like that reported for other stimulant drugs.

According to clinical case reports, investigative toxicological reports, and autopsy reports, mephedrone, methylone, and MDPV have been implicated in drug induced overdose deaths. In at least three reported deaths, one of these synthetic cathinones was ruled as the cause of death. Other deaths involved individuals under the influence of these synthetic cathinones who acted violently and unpredictably in causing harm to themselves or others. There have also been reports in the scientific literature of deaths caused by individuals who were driving under the influence of these synthetic cathinones.

A number of synthetic cathinones and their products, as identified by CBP and reported in the scientific literature, appear to originate from foreign sources. The manufacturers and retailers who make and sell these products do not fully disclose the product ingredients including the active ingredients or the health risks and potential hazards associated with these products. This poses significant risk to abusers who may not know what they are purchasing or the risk associated with the use of those products.

Based on the above data, the continued uncontrolled manufacture, distribution, importation, exportation, and abuse of mephedrone, methylone, and MDPV pose an imminent hazard to the public safety. DEA is not aware of any recognized therapeutic uses of these synthetic cathinones in the United States.

DEA has considered the three criteria for placing a substance into Schedule I of the CSA (21 U.S.C. 812), and finds that the data available and reviewed for mephedrone, methylone, and MDPV indicate that these synthetic cathinones each have a high potential for abuse, no currently accepted medical use in treatment in the United States, and lack accepted safety for use under medical supervision.

In accordance with the provisions of section 201(h) of the CSA (21 U.S.C. 811(h)) and 28 CFR 0.100, the Administrator has considered the available data and the three factors required to support a determination to temporarily schedule three synthetic cathinones (4-methyl-N-methylcathinone, 3,4-methylenedioxy-N-methylcathinone, and 3,4-methylenedioxypyrovalerone) in Schedule I of the CSA and finds that placement of these synthetic cathinones and their salts, isomers, and salts of isomers into Schedule I of the CSA is necessary to avoid an imminent hazard to the public safety.

Regulatory Requirements

With the issuance of this final order, mephedrone, methylone, and MDPV become subject to the regulatory controls and administrative, civil and criminal sanctions applicable to the manufacture, distribution, possession, importation and exportation of a Schedule I controlled substance under the CSA.

1. Registration. Any person who manufactures, distributes, dispenses, imports, exports, or possesses mephedrone, methylone, or MDPV or who engages in research or conducts instructional activities with respect to mephedrone, methylone, or MDPV, or who proposes to engage in such activities, must be registered to conduct such activities in accordance with 21 U.S.C. 823 and 958. Any person who is currently engaged in any of the above activities and is not registered with DEA must submit an application for registration and may not continue their activities until DEA has approved that application. Retail sales of Schedule I controlled substances to the general public are not allowed under the Controlled Substances Act.

2. Security. Mephedrone, methylone, and MDPV are subject to Schedule I security requirements. Accordingly, appropriately registered DEA registrants must manufacture, distribute and store these substances in accordance with 1301.71; 1301.72(a), (c), and (d); 1301.73; 1301.74; 1301.75(a) and (c); and 1301.76 of Title 21 of the Code of Federal Regulations as of October 21, 2011.

3. Labeling and packaging. All labeling and packaging requirements for controlled substances set forth in Part 1302 of Title 21 of the Code of Federal Regulations shall apply to commercial containers of mephedrone, methylone, and MDPV. Current DEA registrants shall have thirty (30) calendar days from the effective date of this Final Order to be in compliance with all labeling and packaging requirements.

4. Quotas. Quotas for mephedrone, methylone, and MDPV will be established based on registrations granted and quota applications received pursuant to Part 1303 of Title 21 of the Code of Federal Regulations.

5. Inventory. Every DEA registrant who possesses any quantity of mephedrone, methylone, or MDPV is required to keep inventory of all stocks of these substances on hand pursuant to 1304.03, 1304.04, and 1304.11 of Title 21 of the Code of Federal Regulations. Every current DEA registrant who desires registration in Schedule I for mephedrone, methylone, or MDPV shall conduct an inventory of all stocks of these substances. Current DEA registrants shall have thirty (30) calendar days from the effective date of this Final Order to be in compliance with all inventory requirements.

6. Records. All registrants who handle mephedrone, methylone, or MDPV are required to keep records pursuant to 1304.03, 1304.04, 1304.21, 1304.22, and 1304.23 of Title 21 of the Code of Federal Regulations. Current DEA registrants shall have thirty (30) calendar days from the effective date of this Final Order to be in compliance with all recordkeeping requirements.

7. Reports. All registrants are required to submit reports in accordance with 1304.33 of Title 21 of the Code of Federal Regulations. Registrants who manufacture or distribute mephedrone, methylone, or MDPV are required to comply with these reporting requirements and shall do so as of October 21, 2011.

8. Order Forms. All registrants involved in the distribution of mephedrone, methylone, or MDPV must comply with order form requirements of Part 1305 of Title 21 of the Code of Federal Regulations as of October 21, 2011.

9. Importation and Exportation. All importation and exportation of mephedrone, methylone, or MDPV must be conducted by appropriately registered DEA registrants in compliance with Part 1312 of Title 21 of the Code of Federal Regulations on or after October 21, 2011.

10. Criminal Liability. The manufacture, distribution, dispensation, or possession with the intent to conduct these activities: Possession, importation, or exportation of mephedrone, methylone, or MDPV not authorized by, or in violation of the CSA or the Controlled Substances Import and Export Act occurring as of October 21, 2011 is unlawful.

Pursuant to the Small Business Regulatory Enforcement Fairness Act of 1996 (Congressional Review Act) (5 U.S.C. 801–808), DEA has submitted a copy of this Final Order to both Houses of Congress and to the Comptroller General.

List of Subjects in 21 CFR Part 1308

Administrative practice and procedure, Drug traffic control, Reporting and recordkeeping requirements.

Under the authority vested in the Attorney General by section 201(h) of the CSA (21 U.S.C. 811(h)), and delegated to the Administrator of the DEA by Department of Justice regulations (28 CFR 0.100), the Administrator hereby orders that 21 CFR Part 1308 be amended as follows:

PART 1308—SCHEDULES OF CONTROLLED SUBSTANCES

■ 1. The authority citation for Part 1308 continues to read as follows:

Authority: 21 U.S.C. 811, 812, 871(b), unless otherwise noted.

■ 2. Section 1308.11 is amended by adding new paragraphs (g)(6), (7) and (8) to read as follows:

§ 1308.11 Schedule I.

* * * * *

(g) * * *

(6) 4-methyl-N-methylcathinone—1248

(Other names: mephedrone)

(7) 3,4-methylenedioxy-N-methylcathinone—7540

(Other names: methylone)

(8) 3,4-methylenedioxypyrovalerone—7535

(Other names: MDPV)

* * * * *

Dated: October 14, 2011.

Michele M. Leonhart,

Administrator.

[FR Doc. 2011–27282 Filed 10–20–11; 8:45 am]

BILLING CODE 4410–09–P

DEPARTMENT OF HOMELAND SECURITY

Coast Guard

33 CFR Part 117

[Docket No. USCG–2011–0268]

RIN 1625–AA09

Drawbridge Operation Regulation; Passaic River, Harrison, NJ

AGENCY: Coast Guard, DHS.

ACTION: Final rule.

SUMMARY: The Coast Guard has changed the drawbridge operation regulations that govern the operation of the Amtrak's Dock Bridge across the Passaic River, mile 5.0, at Harrison, New Jersey. The owner of the bridge has requested relief from crewing the bridge at all times because the bridge has received few requests to open during past years. It is expected that an advance notice requirement for bridge openings will provide relief to the bridge owner while continuing to meet the reasonable needs of navigation.

DATES: This rule is effective November 21, 2011.

ADDRESSES: Comments and related materials received from the public, as well as documents mentioned in this preamble as being available in the docket, are part of docket USCG–2011–0268 and are available online by going to *http://www.regulations.gov,* inserting USCG–2011–0268 in the "Keyword" box, and then clicking "Search." This material is also available for inspection or copying at the Docket Management Facility (M–30), U.S. Department of Transportation, West Building Ground Floor, Room W12–140, 1200 New Jersey Avenue, SE., Washington, DC 20590, between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays.

FOR FURTHER INFORMATION CONTACT: If you have questions on this rule, call or e-mail Mr. John W. McDonald, Project Officer, First Coast Guard District Bridge Branch, 617–223–8364, *john.w.mcdonald@uscg.mil.* If you have questions on viewing the docket, call Renee V. Wright, Program Manager, Docket Operations, telephone 202–366–9826.

SUPPLEMENTARY INFORMATION:

Regulatory Information

On June 24, 2011, we published a notice of proposed rulemaking (NPRM) entitled Drawbridge Operation Regulations Passaic River in the **Federal Register** (76 FR 37039). We received no comments on the proposed rule. No public meeting was requested, and none was held.

Basis and Purpose

The Amtrak Dock Bridge, mile 5.0, across the Passaic River at Harrison, New Jersey, has a vertical clearance in the closed position of 24 feet at mean high water and 29 feet at mean low water. The drawbridge operation regulations are listed at 33 CFR 117.739(e).

The existing drawbridge operation regulations require the draw to open on signal; except that, from 7:20 a.m. to 9:20 a.m. and 4:30 p.m. to 6:50 p.m., Monday through Friday, except Federal holidays, the draw need not be opened. At all other times, an opening may be delayed no more than ten minutes, unless the draw tender and the vessel operator, communicating by radio-telephone, agree to a longer delay.

The Coast Guard received a request from the National Railroad Passenger Corporation (Amtrak), the owner of the bridge, for relief from crewing the bridge at all times, because the bridge has received only eight requests to open during the past three years.

Amtrak requested that a twenty four hour advance notice be required for all bridge openings, except during the existing morning and afternoon closed periods.

As a result of the fact that the bridge has received only eight requests to open during the past three years, the Coast Guard believes it is reasonable for the bridge owner to require a twenty four hour advance notice for bridge openings and that doing so would continue to meet the reasonable needs of navigation.

Discussion of Comments and Changes

The Coast Guard received no comments in response to the notice of proposed rulemaking. As a result, no changes have been made to this final rule.

Regulatory Analyses

We developed this rule after considering numerous statutes and executive orders related to rulemaking. Below we summarize our analyses based on 13 of these statutes or executive orders.

Executive Order 12866 and Executive Order 13563

This final rule is not a "significant regulatory action" under section 3(f) of Executive Order 12866, Regulatory Planning and Review, as supplemented by Executive Order 13563, and does not require an assessment of potential costs and benefits under section 6(a)(3) of that Order. The Office of Management and Budget has not reviewed it under that Order.

We expect the economic impact of this proposed rule to be minimal. Although this regulation may have some impact on the public, the potential impact will be minimized for the following reasons:

The bridge has only received eight requests to open during the past three years. The bridge openings can still be obtained at any time, except the morning and afternoon closed periods, by providing at least a twenty four hour advance notice.

Small Entities

Under the Regulatory Flexibility Act (5 U.S.C. 601–612), we have considered whether this rule would have a significant economic impact on a substantial number of small entities. The term "small entities" comprises small businesses, not-for-profit organizations that are independently owned and operated and are not dominant in their fields, and governmental jurisdictions with populations of less than 50,000.

The Coast Guard certifies under 5 U.S.C. 605(b) that this rule will not have a significant economic impact on a substantial number of small entities. This final rule would affect the following entities, some of which might be small entities: The owners or operators of vessels needing to transit the bridge.

This final rule would not have a significant economic impact on a substantial number of small entities for the following reasons:

The bridge only received eight requests to open during the past three years. The bridge openings can still be obtained at any time, except during the Monday through Friday closed periods, by providing a twenty four hour advance notice.

If you think that your business, organization, or governmental jurisdiction qualifies as a small entity and that this rule would have a significant economic impact on it, please submit a comment (see **ADDRESSES**) explaining why you think it qualifies and how and to what degree this rule would economically affect it.

State of Alaska Epidemiology **Bulletin**

Department of Health and Social Services
William J Streur, Commissioner

Division of Public Health
Ward B Hurlburt, MD, MPH, CMO/Director

Editors:
Joe McLaughlin, MD, MPH
Louisa Castrodale, DVM, MPH

3601 C Street, Suite 540
Anchorage, AK 99503 http://www.epi.Alaska.gov

Local (907) 269-8000
24 Hour Emergency 1-800-478-0084

Bulletin No.27 October 6, 2011

Psychoactive "Bath Salts" Toxicity in Alaska—A Case Series

Introduction

This Bulletin presents case reports of three adults with presumed psychoactive "bath salts" (PABS) toxicity who were cared for at an Anchorage hospital in May 2011.

"Bath salts" is a term used to describe a class of designer drugs intended to have pharmacologic effects similar to controlled substances but to be chemically distinct from them, thus avoiding legal control.[1] Sold in powder form, they may be marketed under such names as plant food, research chemicals, or pond water cleaner, and labeled "not for human consumption" in order to avoid regulation. These drugs typically contain synthetic cathinones, which include the following central nervous system stimulants: 3,4-methylenedioxypyrovalerone (MDPV), mephedrone, and methylone (bk-MDMA).[2] They generally cause a considerable sympathomimetic effect, and desired effects include increased energy, euphoria, enhanced sexual sensation, and synesthesia. Documented adverse reactions include agitation, hyperthermia, hyponatremia, myocarditis, rhabdomyolysis, psychosis, and seizures. When PABS are taken orally, intranasally, intravenously, or rectally, their effects occur with doses as low as 3–5 mg, and the average dose ranges from 5–20 mg.[3] The risk of overdose is high, since packages contain up to 500 mg, and some labels recommend increasing dosages to >50 mg.[3] Because the desired effects of these drugs peak after 1.5 hours when taken orally and then tend to wane rapidly after 3–4 hours,[3] users may re-dose frequently, potentially leading to increased toxicity. The long-term use of PABS leads to tolerance, and abstinence results in psychologic withdrawal and craving.[3]

While many states have banned the sale of select synthetic cathinones commonly found in PABS, they remain unscheduled under the Federal Controlled Substances Act, and are widely available on the Internet. The Drug Enforcement Agency is working to register these compounds as Schedule I substances under its emergency scheduling authority.[4]

Case Series

Case 1: A 24-year-old man on the general medical service was being evaluated for anxiety as a possible contributor to ongoing abdominal pain. Within 24 hours of admission, he displayed paranoia, tachycardia and restlessness. He denied substance abuse other than cannabis and hydrocodone. Laboratory results and physical examination were unremarkable, other than a resting heart rate of 115 beats per minute. A urine drug screen showed only cannabinoids and nonspecific opioids. His symptoms improved after a few hours, but then abruptly returned. A packet of "bath salts" was found when the patient went through his belongings with staff. A repeat urine drug screen 6 hours later was unchanged. The patient admitted to rectal administration of the "bath salts" a few hours prior to admission, and then insufflation during his hospital stay. Without access to this powder, no further tachycardia or restlessness were observed. He experienced no withdrawal symptoms other than fatigue and mild anhedonia. While his "bath salts" were not formally analyzed, the patient was under the impression that they contained MDPV.

Case 2: A 55-year-old woman was admitted to the critical care service following a cardiac arrest requiring defibrillation for ventricular fibrillation within 24 hours of ingesting crack cocaine and "bath salts." On admission, a urine drug screen was positive only for cocaine. On evaluation, she had an anterolateral myocardial infarction. She recovered well following thrombectomy and coronary stenting.

Case 3: A 42-year-old man on the general medical service was being evaluated for delirium and concern for serotonin syndrome. On admission, he was delirious, mildly hyponatremic (sodium: 127 mEq/L), disoriented, and swatting at the air. His temperature was elevated at 100.2 °F. His outpatient medications included fluoxetine (40 mg daily) and loratadine. He took a dextromethorphan-containing cough syrup in small amounts for 2 nights prior to admission, reportedly for "allergies." A urine drug screen was positive only for cannabinoids. Laboratory results and physical examination ruled out infection and serotonin syndrome. On interview, he admitted to regular abuse of "bath salts" labeled as containing methylone. He reported last using "bath salts" the day before admission. On discussion with the patient, the psychiatry service reviewed the possible interactions between methylone, dextromethorphan, and fluoxetine, the overlap between his lab findings, and the toxicity of methylone.

Discussion

Abuse of "bath salts" has been rapidly increasing in the United States, with 303 calls to Poison Control Centers (PCC) nationwide in 2010, and 4,720 calls through August 31, 2011.[5] The Oregon PCC reported that so far in 2011, they have received 14 calls regarding PABS toxicity concerns in Alaska.

This case series demonstrates the wide age range of persons who choose to abuse these compounds, and highlights several potential dangers of "bath salts" abuse. First, severe overdoses may require treatment and monitoring in the intensive care unit.[3] Second, they are often abused in combination with other drugs, and their effects can be quite variable, as these drugs contain unpredictable types and amounts of psychoactive synthetic substances.[3] Finally, routine drug screens do not detect PABS.

Recommendations

1. As the active substances found in "bath salts" are not detectable by standard drug screening, health care providers should always consider including "bath salts" in substance abuse screening discussions.
2. Providers should consider synthetic cathinones in the differential diagnosis for a possible sympathomimetic presentation or toxidrome, and be aware that these substances may be present in polydrug ingestions.
3. Because there is no specific antidote or reversal agent for these drugs, providers should treat these patients by appropriately managing symptoms, and remain aware that patients may need physical restraints and high doses of sedatives to prevent self-harm or harm to others.[3]
4. Providers are encouraged to call the Oregon PCC not just for medical toxicologic consultation, but also to report all "bath salts" intoxication cases they encounter (phone: 800-222-1222).

References

1. CDC. Emergency department visits after use of a drug sold as "bath salts" -- Michigan, November 13, 2010—March 31, 2011. *MMWR Morb Mort Wkly Rep* 2011;60(19):624-7. Available at: http://www.cdc.gov/mmwr/preview/mmwrhtml/mm6019a6.htm
2. U.S. Department of Justice. "Synthetic Cathinones (Bath Salts): An Emerging Domestic Threat (Situation Report). July 2011."
3. Ross EA, Watson M, Goldberger B. "Bath Salts" intoxication. *New Eng J Med* 2011;365(10):967-8.
4. Drug Enforcement Agency. "DEA Moves to Emergency Control Synthetic Stimulants," (News Release), September 7, 2011. Available at: http://www.justice.gov/dea/pubs/pressrel/pr090711.html
5. American Association of Poison Control Centers. "Poison Control Centers Applaud DEA's Ban of Bath Salts," (Press Release), September 8, 2011.

(Contributed by: Heather Brock, ANP; and Michael Cooper, MD, MS, Alaska Section of Epidemiology)

MUNICIPALITY OF ANCHORAGE

Office of the Mayor

Phone: 907-343-7100
FAX: 907-343-7180

Mayor Dan Sullivan

January 25, 2012

The Honorable Kevin Meyer
Alaska State Legislature
State Capitol
Juneau, AK 99801

Re: Senate Bill 140

Dear Senator Meyer,

Thank you for introducing Senate Bill 140, *"An Act classifying certain substances as schedule IIA controlled substances; and providing for an effective date."*

The Municipality of Anchorage fully supports the passage of SB 140. The use of cathinone and its derivatives (commonly referred to as "bath salts") has quickly become a significant health and public safety issue.

Due to the huge range in potency between the various compounds and products, municipal first responders have encountered users of these drugs having severe reactions, including from bizarre and dangerous behavior to unconsciousness. Users who operate machinery, especially motor vehicles, have had significant accidents and present a danger to others that is on par with operating under the influence of alcohol.

In response, the Municipality has enacted its own local code, but does not have the jurisdiction to deal with the influx of the drug on a state-wide basis or impose the kinds of meaningful criminal sentences that are needed to stem the manufacture, distribution, and sale of these drugs.

Thank you again for introducing this important legislation.

Sincerely,

Dan Sullivan
Mayor

SB 144

<TARGET><BILL>SB 144</BILL><SUBJECT>SB 144</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 2/3/12

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 144

SB 144 STATE IMMUNIZATION PROGRAM

"An Act temporarily reinstating the child and adult immunization program in the Department of Health and Social Services; and providing for an effective date."

and recommends:

[X] be **replaced** with **CS** SB 144 (FIN) *[X] Same Title [ ] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DHS/FIN	X			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	Tom	✓			
	McGuire	✓			
	Olson	✓			
	Ellis	✓			
CO-CHAIR	Hoffman	✓			
CO-CHAIR:					

ALASKA STATE LEGISLATURE

Senator Cathy Giessel
Senate District P
907 465 4843

Senator_Cathy_Giessel@legis.state.ak.us

Senator Donald Olson
Senate District T
907 465 3707

Senator_Donny_Olson@legis.state.ak.us

Senator Cathy Giessel and Senator Donald Olson

Senate Bill 144 Sponsor Statement

"An Act temporarily reinstating the child and adult immunization program in the Department of Health and Social Services; and providing for an effective date."

SB 144 is a stop-gap measure to reinstate the Alaska Immunization Program (AIP), which aims to prevent and control vaccine-preventable diseases in Alaska, to its former level of coverage.

Every year, Alaska commemorates a significant healthcare emergency – the serum run to Nome. What we call the Iditarod today was the "Great Race of Mercy" in 1925. Nome and the surrounding communities were in the throes of a diphtheria epidemic, and dog teams relayed the life-saving antitoxin to them. Because of vaccines, diphtheria – a disease of the throat, tonsils, and nose that restricts the airway –has been nearly eliminated from the U.S.

The late Senator Ted Stevens recognized the vulnerability of Alaska – rural communities in particular – to significant, preventable healthcare crises, such as the diphtheria outbreak in Nome. Senator Stevens provided for vaccination availability by making sure that the Alaska Immunization Program was funded to provide preventative vaccines to all Alaskans desiring them. As a result of federal funding for vaccinations, diseases that formerly killed children and adults – whooping cough, lockjaw, haemophilus influenzae, polio – have been controlled.

However, since Senator Steven's passing, federal funding has been reduced significantly, to a mere $700,000 for FY2013, down from $4.3 million in FY2010. As a result of this drastic decrease in funding, affordable vaccinations are no longer readily available to all Alaskans. The reductions in funding have forced the program to further reduce the number of eligible vaccines available to children, and completely discontinue those available to adults. SB 144 temporarily substitutes state funding for the decrease in federal funding to AIP through FY2015.

Prevention is important in ensuring a healthier future for Alaskans. I remember two little boys in my neighborhood, in Fairbanks, who died from the polio virus when I was a child. That doesn't happen anymore...because of a vaccine. Prevention programs like AIP play a vital role in maintaining optimum immunity and helping Alaskans take the best possible care of themselves and their families. SB 144 is a short term measure to ensure availability of vaccines until a more permanent solution can be reached. The health and healthcare of Alaskans is an important issue, and SB 144 provides a temporary solution for the growing problem of unnecessary exposure to and spreading of disease.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB144(FIN)**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB144CS(FIN)-DHSS-EPI-2-23-12
Title: State Immunization Program
Sponsor: Senator Giessel
Requester: Senate Finance Committee

Dept. Affected: Health and Social Services
Appropriation: Public Health
Allocation: Epidemiology
OMB Component Number: 296

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities	4,632.7	700.0	4,632.7	4,632.7			
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**4,632.7**	**700.0**	**4,632.7**	**4,632.7**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts		70.0					
1003	GF Match							
1004	GF	4,632.7	630.0	4,632.7	4,632.7			
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**4,632.7**	**700.0**	**4,632.7**	**4,632.7**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (If initial version, please note as such)

The CS (FIN) version R amends Section 2, subsections (f) & (g). Sec. (f) (1) would include all children's vaccines required for school attendance, plus meningococcal, human papillomavirus (HPV) and rotavirus. The original bill included all recommended vaccines except for meningococcal and HPV. Sec. (f) (2) adds zoster (shingles) to the list of adult vaccines in the original bill. The original bill included influenza, pneumococcal, and Tdap. Sec. (g) (1) allows the commissioner to add vaccines based on recommendations by the Advisory Committee on Immunization Practice and available funding. The original bill did not specify the agency making the recommendations. Sec. (g) (2) allows vaccines to be dropped only if the disease has been eradicated. The original bill allowed the commissioner to drop vaccines based on recommendations and available funding.

Prepared by: Ward B. Hurlburt, M.D., MPH / Chief Medical Officer-Director — Phone 259-6680
Division: Public Health — Date/Time 2/23/12 7:00 PM
Approved by: Nancy Rolfzen, Assistant Commissioner — Date 2/23/2012
Finance & Management Services

(Revised 1.17.2012 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** CSSB144(FIN)
2012 LEGISLATIVE SESSION

Analysis

This CS (FIN) requires the Department of Health and Social Services to establish an immunization program that would purchase and distribute recommended vaccines to children and adults who do not have coverage elsewhere. The intent is to restore funding to the 2009 level before federal cuts were implemented. Limited vaccine funding for this population is available through Section 317 of the U.S. Public Health Service Act ("317") and administered by the Centers for Disease Control and Prevention. Funding has been cut 84% from $4.3 million in 2010 to $700 thousand in 2013. As a result, by January 2012, the Immunization Program has stopped supplying all adult vaccines and select childhood vaccines: influenza, pneumoccocal, rotavirus, human papillomavirus (HPV), and meningococcal.

This CS (FIN) has an immediate effective date. It is assumed that the program is implemented on July 1, 2012. Currently the department has regulations in place to implement this program immediately. These are all vaccines the department has provided in the past and the infrastructure is still in place. This bill has a sunset date of June 30, 2015.

This CS (FIN) would provide vaccine to enrolled providers for an estimated 47,000 underinsured children under the age of 19 years and about 110,000 doses of vaccines to underinsured and uninsured adults. The CS (FIN) targets underinsured children under the age of 19 years and underinsured or uninsured adults age 19 years and older that reside in Alaska. Children would receive vaccines required for school attendance, plus meningococcal, human papillomavirus (HPV), and rotavirus. The pediatric vaccines would not automatically include other vaccines not needed for school entry such as pneumoccocal and influenza vaccines. Adults would receive influenza, pneumococcal, tetanus/diptheria/pertussis (Tdap), and zoster (shingles) vaccines. The Commissioner may add vaccines based on federal Advisory Committee on Immunization Practices' recommendations and available funding. Vaccines may be dropped only if the disease has been eradicated. There is no mechanism in the CS (FIN) to drop vaccines or further limit eligibility if the costs exceed available funding.

Including HPV is particularly open ended cost-wise because not only are large numbers of females ages 12 - 26 still eligible, it is now also recommended for every male from ages 11 to 26, virtually none of whom have received the vaccine. There would be an ongoing cost to immunize the annual cohort of 11-12 year olds and then many times that amount to "catch up" those between 12-13 and the maximum 18 years of age covered in this program. The fiscal note assumes 33% of those will "catch up" for each of the 3 years until the program sunsets.

The fiscal note takes into account funds the department assumes it will have to apply toward this vaccine program. The total cost to operate the program is estimated at $6,032.7. The Division of Public Health's base budget for immunizations includes $700.0 of the Federal "317" funds. The FY2013 Governor's Budget request also includes an increment for $700.0 ($630.0 GF, $70.0 FF). The remaining $4,632.7 GF is requested in this fiscal note.

Projected costs of selected vaccines for the total eligible population are based on the CDC's forecasting model and state and national immunization data. An 80% immunization rate is assumed for most vaccines (the recommended level to maintain immunity at the community level). The estimated annual cost of the vaccines (2013 prices) are below.

Vaccines required for school attendance: $1,400.0; Rotavirus vaccine for infants: $ 409.0;
Meningococcal vaccine for adolescents: $207.0; HPV vaccine for girls and boys aged 11-12: $566.0;
HPV vaccine to "catch up" 33% ages 13-18 years: $1,120.7; Pnuemococcal for adults: $250.0;
Influenza for adults: $400.0; Tdap for adults: $700.0;
Zoster for adults (4% immunization rate): $980.0

Adopted 2/29/12

27-LS1068\R
Mischel
2/21/12

CS FOR SENATE BILL NO. 144(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS GIESSEL AND OLSON, Davis, Dyson, Thomas

A BILL

FOR AN ACT ENTITLED

"An Act temporarily reinstating the child and adult immunization program in the Department of Health and Social Services; and providing for an effective date."

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

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

CHILD AND ADULT IMMUNIZATION PROGRAM; LEGISLATIVE INTENT AND PURPOSE. (a) The legislature intends, by establishing the child and adult immunization program in sec. 2 of this Act, to reinstate the program as it existed in the state and as administered by the Department of Health and Social Services in 2009 by providing additional state funding and authorization to fill the gap left by a reduction in federal funding since that time and that resulted in a "universal select" program that fails to provide children and adults who reside in the state with recommended immunizations. The purpose of this Act is to ensure that select recommended vaccines are made available to underinsured children and uninsured and underinsured adults by the state.

(b) The program established by this Act is made temporary only to better assess the need and costs to the state of extending the full reach of the former immunization program. A failure to extend the temporary reinstatement of the immunization program by future legislatures is not intended to implicitly deauthorize a state immunization program.

(c) The Department of Health and Social Services may reinstitute former immunization policies and procedures consistent with this Act.

*** Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to read:

CHILD AND ADULT IMMUNIZATION PROGRAM ESTABLISHED; CONDITIONS. (a) A child and adult immunization program is established in the Department of Health and Social Services to distribute recommended vaccines to eligible providers under the conditions established in this section.

(b) The department shall

(1) determine provider and recipient eligibility as provided under this section;

(2) adopt regulations necessary to carry out the program;

(3) apply for available federal, state, and private funding needed to support the program;

(4) maintain an enrollment, renewal, and eligibility verification procedure consistent with federal and state law.

(c) A provider of vaccinations under the program shall

(1) be licensed or exempt from licensure in the state to prescribe and administer vaccines;

(2) serve residents of the state;

(3) maintain accurate records of

(A) screening and eligibility of recipients;

(B) storage and distribution of vaccines;

(4) within 10 days, notify the department of a change in staffing, procedure, or location to maintain eligibility in the program.

(d) Notwithstanding (c) of this section, a provider of vaccinations under the program may be a federally designated rural health clinic.

(e) A person is eligible to receive from an eligible provider under the program all

recommended vaccines for the person's age group as provided in (f) of this section if the person is a resident of the state and is uninsured or underinsured for vaccinations.

(f) The recommended vaccines included in the program

(1) for a child under 19 years of age are all vaccines required for school attendance under AS 14.30.125 and meningococcal, rotavirus, and human papillomavirus vaccines;

(2) for an adult 19 years of age or older are influenza, pneumococcal, Tdap, and zoster.

(g) In addition to the vaccines listed in (f) of this section, the commissioner may

(1) add vaccines for inclusion in the program based on recommendations by the federal advisory committee on immunization practices and the availability of funding;

(2) subtract vaccines from inclusion in the program if the disease for which the vaccine is provided has been declared eradicated in the United States by the Centers for Disease Control and Prevention, United States Department of Health and Human Services.

(h) In this section,

(1) "commissioner" means the commissioner of health and social services;

(2) "department" means the Department of Health and Social Services;

(3) "program" means the child and adult immunization program established under (a) of this section;

(4) "underinsured" means a person who has health insurance, but the coverage excludes all or select vaccines or that includes a limit on vaccinations;

(5) "uninsured" means a person who is not covered by a public or private health insurance policy.

* **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to read:

CHILD AND ADULT IMMUNIZATION PROGRAM; TRANSITION: REGULATIONS. The Department of Health and Social Services may adopt regulations necessary to implement the changes made by this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the law implemented by the regulations.

* **Sec. 4.** This Act is repealed June 30, 2015.

* **Sec. 5.** This Act takes effect immediately under AS 01.10.070(c).

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

Senator Bert Stedman, Co-Chair
State Capitol, Room 516
Juneau, AK 99801-1182
(907) 465- 3873 - Phone
(907) 465-3922 - Fax
Senator_Bert_Stedman@legis.state.ak.us

Official Business

Senator Lyman Hoffman, Co-Chair
State Capitol, Room 518
Juneau, AK 99801-1182
Phone - (907) 465- 4453
Fax - (907) 465- 4523
Senator_Lyman_Hoffman@legis.state.ak.us

AGENDA

Wednesday, February 15, 2012 Senate Finance Room 532 – 9:00 AM

HB 104 - Alaska Performance Scholarships
CS for CSHB 104(FIN) work draft Version R
NEW $ (DEED) ACPE/Program Administration & Operations
NEW $ (DEED) ACPE/AK Performance Scholarships
NEW ZERO (DEED) Education Support Services/Executive Administration
NEW ZERO (DOR) Taxation and Treasury/Tax Division

SB 130 – Alaska Native Language Council
CSSB 130(STA) Version T
NEW $ (DCCED) Community and Regional Affairs

SB 144 – State Immunization Program
SB 144 Version X
$ Previously Published (DHSS) Public Health/Epidemiology

27-LS1068\T
Mischel
2/17/12

CS FOR SENATE BILL NO. 144(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS GIESSEL AND OLSON, Davis, Dyson, Thomas

A BILL

FOR AN ACT ENTITLED

"An Act temporarily reinstating the child and adult immunization program in the Department of Health and Social Services; and providing for an effective date."

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

* **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

CHILD AND ADULT IMMUNIZATION PROGRAM; LEGISLATIVE INTENT AND PURPOSE. (a) The legislature intends, by establishing the child and adult immunization program in sec. 2 of this Act, to reinstate the program as it existed in the state and as administered by the Department of Health and Social Services in 2009 by providing additional state funding and authorization to fill the gap left by a reduction in federal funding since that time and that resulted in a "universal select" program that fails to provide children and adults who reside in the state with recommended immunizations. The purpose of this Act is to ensure that select recommended vaccines are made available to underinsured children and uninsured and underinsured adults by the state.

(b) The program established by this Act is made temporary only to better assess the need and costs to the state of extending the full reach of the former immunization program. A failure to extend the temporary reinstatement of the immunization program by future legislatures is not intended to implicitly deauthorize a state immunization program.

(c) The Department of Health and Social Services may reinstitute former immunization policies and procedures consistent with this Act.

*** Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to read:

CHILD AND ADULT IMMUNIZATION PROGRAM ESTABLISHED; CONDITIONS. (a) A child and adult immunization program is established in the Department of Health and Social Services to distribute recommended vaccines to eligible providers under the conditions established in this section.

(b) The department shall

(1) determine provider and recipient eligibility as provided under this section;

(2) adopt regulations necessary to carry out the program;

(3) apply for available federal, state, and private funding needed to support the program;

(4) maintain an enrollment, renewal, and eligibility verification procedure consistent with federal and state law.

(c) A provider of vaccinations under the program shall

(1) be licensed or exempt from licensure in the state to prescribe and administer vaccines;

(2) serve residents of the state;

(3) maintain accurate records of

(A) screening and eligibility of recipients;

(B) storage and distribution of vaccines;

(4) within 10 days, notify the department of a change in staffing, procedure, or location to maintain eligibility in the program.

(d) Notwithstanding (c) of this section, a provider of vaccinations under the program may be a federally designated rural health clinic.

(e) A person is eligible to receive from an eligible provider under the program all

recommended vaccines for the person's age group as provided in (f) of this section if the person is a resident of the state and is uninsured or underinsured for vaccinations.

(f) The recommended vaccines included in the program

(1) for a child under 19 years of age are all vaccines approved by the commissioner; when approving vaccines under this paragraph, the commissioner shall approve meningococcal and human papillomavirus vaccines and consider the recommendations of the federal advisory committee on immunization practices;

(2) for an adult 19 years of age or older are influenza, pneumococcal, and Tdap.

(g) In addition to the vaccines listed in (f) of this section, the commissioner may add or subtract vaccines for inclusion in the program based on nationally recognized public health standards and the availability of funding.

(h) In this section,

(1) "commissioner" means the commissioner of health and social services;

(2) "department" means the Department of Health and Social Services;

(3) "program" means the child and adult immunization program established under (a) of this section;

(4) "underinsured" means a person who has health insurance, but the coverage excludes all or select vaccines or that includes a limit on vaccinations;

(5) "uninsured" means a person who is not covered by a public or private health insurance policy.

*** Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to read:

CHILD AND ADULT IMMUNIZATION PROGRAM; TRANSITION: REGULATIONS. The Department of Health and Social Services may adopt regulations necessary to implement the changes made by this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the law implemented by the regulations.

*** Sec. 4.** This Act is repealed June 30, 2015.

*** Sec. 5.** This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version	**SB 144**
Fiscal Note Number	1
(S) Publish Date	2/3/12

Identifier (file name)	SB144-DHSS-EPI-1-31-12	Dept. Affected	Health and Social Services
Title	State Immunization Program	Appropriation	Public Health
		Allocation	Epidemiology
Sponsor	Senator Giessel		
Requester	Senate HSS Commitee	OMB Component Number	296

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities	2,900.0	700.0	2,900.0	2,900.0	0.0	0.0	0.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**2,900.0**	**700.0**	**2,900.0**	**2,900.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE			(Thousands of Dollars)					
1002	Federal Receipts		70.0					
1003	GF Match							
1004	GF	2,900.0	630.0	2,900.0	2,900.0			
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**2,900.0**	**700.0**	**2,900.0**	**2,900.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable. Initial version.
□

Prepared by	Ward B. Hurlburt, M.D., MPH / Chief Medical Officer, Director	Phone	269-6680
Division	Public Health	Date/Time	1/31/12 12:00 AM
Approved by	Nancy Rolfzen, Assistant Commissioner	Date	1/31/2012
	DHSS Finance & Management Services		

(Revised 11/18/2011 OMB)

FISCAL NOTE #1

STATE OF ALASKA **BILL NO.** SB 144
2012 LEGISLATIVE SESSION

Analysis

This bill requires the Department of Health & Social Services to establish an immunization program that would purchase and distribute recommended vaccines to children and adults who do not have coverage elsewhere. The intent is to restore funding to the 2009 level before federal cuts were implemented. Limited vaccine funding for this population is available through Section 317 of the U.S. Public Health Service Act ("317") and administered by the Centers for Disease Control and Prevention. Funding has been cut 84% from $4.3 million in 2010 to $700 thousand in 2013. As a result, by January 2012, the Immunization Program has stopped supplying all adult vaccines and select childhood vaccines: influenza, pneumoccocal, rotavirus, human papillomavirus (HPV), and meningococcal.

This bill has an immediate effective date. It is assumed that the program is implemented on July 1, 2012. Currently the department has regulations in place to implement this program immediately. This bill has a sunset date of June 30, 2015.

The bill targets underinsured children under the age of 19 years and underinsured or uninsured adults age 19 years and older that reside in Alaska. Children would receive recommended vaccines with the exception of the HPV and meningococcal vaccines. Those vaccines are not required for school entry and have a lower cost/benefit. Adults would receive influenza, pneumococcal, and tetanus/diptheria/pertussis (Tdap) vaccines. The Commissioner may add or subtract vaccines based on nationally recognized recommendations and available funding. This bill would provide vaccine to enrolled providers for an estimated 47,000 underinsured children under the age of 19 years and about 110,000 doses of vaccines to underinsured and uninsured adults.

The fiscal note is based on the projected cost of selected vaccines for the total eligible population using the CDC's forecasting model. The pediatric vaccines include all vaccines needed for school entry, plus pneumoccocal and influenza vaccines. In comparison to the pediatric vaccines provided before 2009, this fiscal note does not include rotavirus, HPV , or menigococcal vaccines. With these assumptions, immunizing the total eligible population would cost $5,375.0. This total, adjusted for an 80% immunization rate (the recommended level to maintain immunity at the community level), would equal $4,300.0. This amount would allocate $2,950.0 for pediatric vaccines and $1,350.0 for adults.

Since $700.0 of the Federal "317" funds are already included in the Division of Public Health's base budget for immunizations, the total fiscal note of this bill is $3,600.0. This includes $700.0 ($630.0 GF, $70.0 FF) as part of the FY2013 Governor's Budget request and an additional $2,900.0 in General Fund. If this bill were to pass it would include the portion of vaccines in the budget proposal that are intended for underinsured children and uninsured and underinsured adults. The budget proposal overlaps with this bill although it differs somewhat in both the vaccines and age groups covered. The budget increment includes coverage for children aged 19-35 months regardless of insurance status. In the Governor's budget request adults aged 65 years and up who do not have other resources would receive influenza and pneumococcal vaccine. The small amount of federal funds in the budget proposal assumes reimbursement from Medicaid administrative claiming.

Note that this bill excludes Medicaid enrollees (they already have coverage); therefore, this bill's expenditures are not eligible for federal reimbursement.

LEGAL SERVICES

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

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

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

MEMORANDUM January 24, 2012

SUBJECT: Sectional Summary (SB 144 (Work Order No. 27-LS1068\X))

TO: Senator Cathy Giessel
Attn: Sharon Long

FROM: Jean M. Mischel
Legislative Counsel

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

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

Section 1. Provides a statement of legislative intent pertaining to the child and adult immunization program established in sec. 2 of the bill. Includes a summary of the past and future of the program.

Section 2. Establishes a child and adult immunization program in the Department of Health and Social Services that requires the department to determine eligibility, adopt regulations, and apply for available funds. Establishes standards for provider and recipient participation in the program and types of vaccinations covered.

Section 3. Authorizes immediate adoption of regulations by the Department of Health and Social Services.

Section 4. Establishes a delayed repeal of the Act of June 30, 2015.

Section 5. Provides an immediate effective date.

JMM:plm
12-043.plm

Covenant House Alaska

February 28, 2012

Honorable Cathy Giessel
State Capitol, Room 7
Juneau, AK 99801

Dear Senator Giessel:

Covenant House Alaska (CHA) would like to go on record as supporting SB 144: "An Act temporarily reinstating the child and adult immunization program in the Department of Health and Social Services".

CHA served over 4,000 Alaskan youth ages 13-21 in FY2011. The Health Program at CHA evaluates the immunization status of the youth we serve. Historically, we provided youth the missing vaccines they required. However, because the state no longer provides vaccines for persons over age 18, our efforts in this area have been curtailed. In recent years, the vaccine we provide the most is Tdap; the vaccine that provides protecting against whooping cough. This vaccine is particularly important to protect the health of infants and young children. Many of the youth we serve are pregnant, parents of young children, or friends of young people who have young children.

It costs CHA $50.00 to provide a Tdap vaccine to a young adult. Our current budget cannot support this expense, yet the young adults we serve, and the young children they are in contact with, will benefit greatly from receiving this vaccine.

We support the passage of SB 144. Please feel free to contact me with any questions. Thank you!

Sincerely,

Deirdre A. Cronin

Deirdre A. Cronin
Executive Director

February 20, 2012

Senator Cathy Giessel
State Capitol, Room 7
Juneau, AK 99801

Dear Cathy:

Thank you for taking on the charge of asking for the restoration of funding to the Alaska Vaccination Program with Senate Bill 144.

Some believe that Alaska's greatest resource might be oil and gas, timber, fishing, or tourism. I believe that our greatest resource is actually the people of Alaska; our future is dependent on the children of Alaskans. Vaccinating each child is very important! Let's take one example—that of Hepatitis A. In 1993 there were 775 reported cases of Hepatitis A in Alaska; in 2010 that number had dropped to 4. Hepatitis A became available to the public in 1996—it has had a definite and undeniable effect on lowering the number of Hepatitis A infections in the state. There is no vaccine for Hepatitis C, in Alaska we had 0 cases in 1993 and it has grown now to 726 reported cases. Without a vaccine for hepatitis C, we see it grow exponentially.

Today Alaskan children may receive between 20 to 30 vaccinations before they are 18 years old, assistance with this cost burden is very important to Alaskan families. Even small co-pays have proven to be a substantial burden to families in providing needed vaccinations for their children. Alaska had the second lowest vaccination rate in the U.S. in 2009, 56.6% compared to the national average of 70.5%. A vaccination rate approaching 95% is needed to provide a community with herd immunity and prevent disease outbreaks. One 7 year old boy in California, who was not immunized, contracted measles while traveling. He subsequently exposed 839 people and cost the public health department $177,000 to get the outbreak under control. That was just one child.

I recently took care of a woman in her late sixties that came to me suffering from post-polio syndrome—which is now causing her profound weakness and giving her mobility problems that there will be no curative answer for. I thought how dreadful it is to suffer from the effects of a disease that is so preventable. Remember that we need to emphasize prevention—these costs are much less than caring for an individual that might develop the disease with side effects that will affect their future and in some cases may even be life-threatening to the individual.

We need to do a better job of educating the general public about the benefits of vaccinations, dispel myths and rumors, and ensure that vaccinations are affordable and accessible to all Alaskans. Please let your fellow senators know that nurse practitioners in the state of Alaska support the restoration of funding to the Alaska Vaccination Program.

Warm regards,

Dianne L. Tarrant FNP-BC, APRN

Dianne L Tarrant

Alaska Representative
American Academy of Nurse Practitioners
3946 Lunar Drive
Anchorage, AK 99504

February 8, 2012

To Senator Cathy Giessel
716 W 4th Ave
Anchorage AK, 99501

CC: Senator Donny Olson & Representative Bob Herron

Re: SB 144

I have been a nurse for seven years and am currently in my final semester of family nurse practitioner school. I am a huge proponent of immunization programs and what they do and stand for. It would be a tremendous loss for the state to lose this amount of funding and have many of these programs cut. Over the years with the increased use of vaccines we have been able to decrease the spread of disease.

There are many economic costs associated with stopping immunizations as well. There will be a rise in the number of diseases we see that we once thought were eliminated or close to eliminated. More children will become sick due to these diseases missing school and causing parents to miss work. These children will need treatment and some of them may die due to their illness. Up to 20% of people with measles are hospitalized with every 3 out of 1000 cases being fatal in the US. The World Health Organization predicts that if immunizations are stopped approximately 2.7 million deaths from measles would occur yearly. Haemophilus Influenzae type b (Hib) once killed ~600 children per year but now with the immunization the disease is rarely seen. About 5,000 people will die each year from hepatitis related liver disease costing over $700 million in medical and work expenses. Approximately 20% of reported cases of tetanus end in death. Prior to the Varicella vaccine, the majority of people in the US suffered the chickenpox causing an estimated 4 million cases per year, 11,000 hospitalizations and 100-150 deaths.

There are many people that rely on these programs for their children's immunizations and if we take that away, we are increasing their risk of these diseases. Many of these people that use these programs can not other afford immunizations and might be living in less than ideal living conditions. Why should we put them at more risk by taking away their immunity as well? I hope you reconsider and grant the funding to these much needed programs.

Thank You

Joscelyn VanDuren, BSN RN, FNP student

STATE OF ALASKA

DEPT. OF HEALTH & SOCIAL SERVICES

Alaska Commission on Aging

SEAN PARNELL, GOVERNOR

P.O. BOX 110693
JUNEAU, ALASKA 99811-0693
PHONE: (907) 465-3250
FAX: (907) 465-1398

February 23, 2012

The Honorable Lyman Hoffman, Chair
The Honorable Bert Stedman, Chair
Senate Finance Committee
Alaska State Capitol, Rooms 518 & 516
Juneau, AK 99801-1182

Subject: Support for SB 144, Temporary Reinstatement of the Child and Adult Immunization Program

Dear Chair Hoffman and Chair Stedman:
The Alaska Commission on Aging (ACoA) supports passage of SB 144, a bill to re-establish and fund the child and adult immunization program as it existed in 2009 targeting children and adults who are uninsured and underinsured. This legislation is authored by Senators Gissel and Olson and co-sponsored by Senators Davis, Dyson, and Thomas.

Preventive services, such as immunizations, are important tools for maintaining the health of all Alaskans at every stage of life. Immune systems weaken with age, which place older people at greater risk for severe illness from influenza and pneumonia. The U.S. Preventive Services Task Force (2011) recommends influenza and pneumococcal vaccinations for persons age 65 and older. The Alaska Behavior Risk Factor Surveillance System (BRFSS 2011) reports underutilization of these vaccines by seniors with more than 36 percent reporting not receiving a flu shot within the past year and 33.5 percent having never received a pneumonia vaccination. Older adults who receive immunizations from providers who do not accept Medicare reimbursement and seniors who have not contributed to Medicare would not be eligible for free immunizations, which may explain some of the underutilization by the senior population of these vaccines. In addition, seniors ages 60 to 64 who are not eligible for Medicare and are low-income, uninsured or unemployed may find the cost of obtaining flu and pneumonia vaccines prohibitive. For these reasons, SB 144 will help increase senior access to immunizations.

A growing number of Alaska seniors are grandparents raising their grandchildren on a fixed income with limited insurance coverage. They desire healthy grandchildren who have access to the recommended immunizations recognized by public health standards. Medicare does not cover the cost of childhood immunizations. Rather than seeing their grandchildren go without immunizations, which are required for admission to public schools, many grandparents will make personal and financial sacrifices to insure their grandchildren receive the recommended immunizations.

Although not on the list of select immunizations, the ACoA recommends consideration of the shingles vaccine as a qualified immunization targeting low-income uninsured/underinsured older adults. Shingles most often strikes older people, particularly those with weakened immune systems. Shingles, caused by the varicella zoster (or the "chicken pox" virus on first infection), is a debilitating and painful rash that can be accompanied by irritation and nerve inflammation. The Centers for Disease Control and Prevention recommends the vaccine for all people over the age of 60. The shingles vaccine has been shown effective in reducing the number of outbreaks by 55 percent in a recent study of 300,000 elderly patients however it is used by only 11 percent of the older adult population. While Medicare and most insurance plans cover the cost of the vaccination, some seniors may need to pay deductibles, co-pay expenses, or the full cost of the vaccine if their provider does not accept Medicare

reimbursement. These additional costs are believed to be contributing to the underutilization of the shingles vaccine by seniors.

The ACoA supports SB 144 as a temporary measure to ensure that select vaccines are made available to underinsured and uninsured Alaskans of all ages. We appreciate your consideration and support of this legislation. Please feel free to contact Denise Daniello, ACoA's executive director, by phone (465-4879) or email (denise.daniello@alaska.gov) should you have questions or require additional information.

Sincerely,

Sharon Howerton-Clark
Chair, Alaska Commission on Aging

Sincerely,

Denise Daniello
ACoA Executive Director

Cc: Senator Joe Thomas
Senator Donald Olson
Senator Lesil McGuire
Senator Cathy Giessel
Senator Bettye Davis
Senator Fred Dyson

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER
FINANCE AND MANAGEMENT SERVICES

SEAN PARNELL, GOVERNOR

P.O. Box 110601
Juneau, AK 99811-0601
Phone: (907) 465-1630
Fax: (907) 465-2499

February 16, 2012

The Honorable Senator Bert Stedman
Alaska State Legislature
State Capitol, Room 516
Juneau, AK 99801-1182

Dear Senator Steadman:

On February 15, 2012, the Department of Health and Social Services received the following question from you, shown in bold italicized font, regarding Senate Bill 144. The Department's response follows the question below.

What would it cost to add HPV and Meningococcal Meningitis vaccines?

The human papilloma virus (HPV) vaccine is recommended for girls and boys 11 and 12 years old. The estimated cost to add HPV vaccine to the list of state-supplied pediatric vaccines for an estimated 11,000 12 year olds, assuming an 80% immunization rate is $566,000 for FY2013. It could be many times that amount to "catch-up" any older adolescents who have not already been vaccinated.

The estimated costs to add rotavirus and meningococcal vaccines for children and zoster (shingles) vaccines for adults in FY2013 are:

- Rotavirus vaccine: $409,000 for infants, assuming an 80% immunization rate.
- Meningococcal vaccine: $207,000 for adolescents, assuming an 80% immunization rate.
- Zoster (shingles) vaccine: $980,000 for adults aged 50 years and older, assuming a 4% immunization rate.

If you have additional questions regarding this issue, please contact me at 465-1630.

Sincerely,

Nancy Rolfzen
Assistant Commissioner

GLACIER PEDIATRICS, LLC
Amy Dressel, M.D.
Mary Ellen Arvold, P.N.P.
Monica Gross, M.D.
George Brown, M.D.

1600 GLACIER AVENUE
JUNEAU, AK 99801

Phone
(907) 586-1542
Fax 586-1849

February 13, 2012

Dear Senate Finance Committee,

Please support SB 144. It is critical that children and families in our great state receive and have access to vaccinations, not only to ensure the overall health of our youngest members but also to lessen the possibility of dangerous infections ravishing our state. As a state that is working on improving our vaccine rates (we have been in the lowest 10 percent for past several years) it can only happen if we continue to have vaccines available for all of our citizens. As pediatric health care providers we know that if the Alaska vaccine program decreases or ends its subsidy, the people who will suffer are the working underinsured.

We urge you to support Senate Bill 144.

Sincerely,

The pediatricians and nurse practioneers at Glacier Pediatrics

Dr. George Brown, Dr. Amy Dressel, Dr. Monica Gross, Dr. Kathy Stepien,
MaryEllen Arvold PNP

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

Senator Bert Stedman, Co-Chair
State Capitol, Room 516
Juneau, AK 99801-1182
(907) 465- 3873 - Phone
(907) 465-3922 - Fax
Senator_Bert_Stedman@legis.state.ak.us

Official Business

Senator Lyman Hoffman, Co-Chair
State Capitol, Room 518
Juneau, AK 99801-1182
Phone - (907) 465- 4453
Fax - (907) 465- 4523
Senator_Lyman_Hoffman@legis.state.ak.us

AGENDA

Wednesday, February 15, 2012 Senate Finance Room 532 – 9:00 AM

HB 104 - Alaska Performance Scholarships
SB 130 – Alaska Native Language Council
SB 144 – State Immunization Program

AARP Alaska
3601 C Street
Suite 1420
Anchorage, AK 99503

T 1-866-227-7447
F 907-341-2270
TTY 1-877-434-7598
www.aarp.org/ak

February 14, 2012

The Honorable Lyman Hoffman, Co-Chair
Senate Finance Committee
Alaska Capitol, Room 518
Juneau, AK 99801-1182

The Honorable Bert Stedman, Co-Chair
Senate Finance Committee
Alaska Capitol, Room 516
Juneau, AK 99801-1182

Dear Co-Chairs Hoffman and Stedman:

RE: SB 144(Giessel and Olson)--Support

Dear Co-Chairs Hoffman and Stedman:

On behalf of the AARP members in Alaska, we encourage you and your colleagues on the Senate Finance Committee to support SB 144, authored by Senator Cathy Giessel and your Committee colleague Senator Donald Olson and co-sponsored by Senators Davis, Dyson, and your Committee colleague Thomas.

In the past, Alaska and Alaskans of all ages have benefited from a comprehensive vaccination program primarily funded by the federal government. SB 144 would provide state funding to make up the shortfall on a temporary basis.

From the standpoint of older citizens, AARP recognizes that providing free vaccines for influenza, pneumonia, and TDaP to adults is a good effective public health measure.

From the standpoint of grandparents, AARP members recognize that restoring the thirteen previously covered vaccines for children is an excellent decision for our state leadership to make.

According to the Vaccine Research Group at the Mayo Clinic, 50,000 to 70,000 Americans die each year from diseases that could be prevented by vaccines.

Vaccine-preventable diseases have many costs, both economical and social. Parents who need to stay home to take care of sick children lose time from work. Preventable diseases also result in more physician visits, hospitalizations and even death. Vaccinations work. Think of the savings for Medicaid and PERS and TRS if we can restore the vaccination program and prevent costly illnesses.

Vaccines are like seat belts. We wear them to prevent injury or death if someone decides to run a red light. We still need to have vaccines available to prevent injury or death from bacteria and viruses that exist and can still be passed on to us.

AARP requests an "AYE" vote on SB 144.

Should you have any questions about our position, please feel free to contact me (586-3637) or Patrick Luby, AARP Advocacy Director (907-762-3314).

Thank you for your consideration.

Sincerely,

Marie Darlin

Marie Darlin, Coordinator
AARP Capital City Task Force
415 Willoughby Avenue, Apt. 506
Juneau, AK 99801
586-3637 (voice)
463-3580 (fax)

CC: Senator Johnny Ellis
Senator Dennis Egan
Senator Donald Olson
Senator Lesil McGuire
Senator Joe Thomas
Senator Cathy Giessel

Merck & Co., Inc.
P.O. Box 4
West Point, PA 19486-0004



February 14, 2012

Senator Lyman Hoffman and Bert Stedman
Chairmen, Senate Finance Committee

Dear Senators,

I am writing to express Merck's strong support for Senate Bill 144, which would re-establish funding for a state immunization program. This is important legislation for the prevention of communicable disease that will also help reduce the state's overall health care expenditures.

We are concerned, however, with section 2.f.1. We believe this language unnecessarily interferes with the department of health and social services' ability to determine policy by specifically prohibiting by law any future attempt to address the spread of certain diseases and the associated costs to the state.

Therefore, we recommend the following language change to section 2.f.1:

(f) The recommended vaccines included in the program

(1) for a child under 19 years of age are all vaccines approved by the commissioner and recommended by the federal advisory committee on immunization practices.

We are not recommending that funding for the prevention of any specific disease be included in Senate Bill 144. Rather, the department should have the flexibility to consider such funding in the future.

Thank you in advance for your consideration. I can of course be reached for additional information or questions regarding our recommendation on my direct line at (267) 421.3555.

With kindest regards,

James Matteucci
Senior Manager, State Government Affairs and Policy
Merck Sharp & Dohme

cc: Senators Cathy Geissel, Donald Olson, Bettye Davis, Fred Dyson, Joe Thomas

Proposed Participants – SB 144 Testimony

ANCHORAGE (call-in testimony):

Dr. Rosalyn Singleton – Pediatrician
ANTHC Immunization Program
729-3418
Ris2@cdc.gov
Online until 10am

Mary C. Sullivan, MSW
State Affairs Coordinator
Alaska Primary Care Association (APCA)
903 West Northern Lights Blvd Ste. 200
Anchorage AK 99503
907.727.8773 mobile
907.929.2734 fax
mary@alaskapca.org

JUNEAU (in-person testimony):

Ward B. Hurlburt, M.D., MPH
Chief Medical Officer
Director, Alaska Division of Public Health
State of Alaska Department of Health and Social Services
3601 C Street, Suite 756
Anchorage, AK 99503
907 269 6680
ward.hurlburt@alaska.gov

February 5, 2012

Dear Senator Giessel:

I am writing to applaud your introduction of SB 144.

Annually, we hear tragic stories about death and disability caused by under-immunized adults and children. This winter, there is an outbreak of pertussis in Chicago.

The decrease in federal funding for immunizations increases the probability that we will have outbreaks of diseases that I have not had to deal with in my long nursing career. The impact on children, adults and the elderly, in urban and rural Alaska could be catastrophic.

I support this bill, and thank you for moving it forward- for the health of all Alaskans.

Sincerely,

Dr Deborah Kiley DNP, FNP, FAANP

Anchorage, Alaska

February 8, 2012

Dear Senator Giessel,

I am writing to ask that funding for the State of Alaska vaccination program be fully funded. I am a Family Nurse Practitioner working full time in a Community Health Center in Skagway. We as providers work very hard to insure that vaccinations are available and apply due diligence to safety issues and education. This clinic charges for vaccination administration fee, as sliding fee scale is available for low income families, but of course, do not have to charge for pediatric immunization. We are even happier when the Public Health Nurse position is filled and patients can receive preventive care and vaccinations without charge. If immunizations are not available, the concern is that the appalling trend toward non-vaccination will not only continue but increase, resulting in loss of community immunity to commonly carried diseases, and increased morbidity and mortality in children and adults. This is especially true as we attempt to educate parents to the new HPV vaccination which prevents cancer in young women and men as well as the other vaccinations we give.

Of the funding this state provides, this is one of the most important in my opinion.
Please share this email with anyone you feel would be interested.

Thank You,

Lynne V. Cameron, Family Nurse Practitioner
Dahl Memorial Clinic
Skagway, AK 99840

February 13, 2012

Dear Senate Finance Committee,

Please support SB 144. It is critical that children and families in our great state receive and have access to vaccinations, not only to ensure the overall health of our youngest members but also to lessen the possibility of dangerous infections ravishing our state. As a state that is working on improving our vaccine rates (we have been in the lowest 10 percent for past several years) it can only happen if we continue to have vaccines available for all of our citizens. As pediatric health care providers we know that if the Alaska vaccine program decreases or ends its subsidy, the people who will suffer are the working underinsured.

We urge you to support Senate Bill 144.

Sincerely,

The pediatricians and nurse practioners at Glacier Pediatrics

Dr. George Brown, Dr. Amy Dressel, Dr. Monica Gross, Dr. Kathy Stepien, MaryEllen Arvold

PREMERA | BLUE CROSS BLUE SHIELD OF ALASKA

February 6, 2012

Jack C. McRae
Senior Vice President

Senator Cathy Giessel
Alaska State Legislature
State Capitol Room 7
Juneau, AK 99801

Re: SB 144, Temporary Child and Adult Immunization Program

Dear Senator Giessel,

I am writing in support of Senate Bill 144, which seeks to *temporarily reinstate* the child and adult immunization program in the Department of Health and Social Services.

As one of the largest healthcare insurers in Alaska, Premera Blue Cross Blue Shield of Alaska provides comprehensive, tailored services to our members, including innovative programs focused on wellness and prevention. We agree with you that prevention is important in ensuring a healthier future for Alaskans. Our plans echo that sentiment: Premera currently covers all CDC recommended vaccinations for members under age 19 and certain vaccines for adults. This is provided without cost sharing.

We believe SB 144 and its temporary establishment of a state-funded immunization program is a good approach to the process of determining a permanent solution to the gap in federal funding for vaccinations that Alaska is experiencing. Other states have also realized a decrease in federal Vaccines for Children (VFC) and Section 317 funding and have created innovative, durable solutions to this funding gap to sustain full vaccination program financing. We look forward to working with you, the Department of Health and Social Services, in conjunction with the Alaska Health Care Commission, on developing a sustainable solution for the State that takes into account Alaska's needs and financial constraints.

In the meantime, we believe that the approach outlined in SB 144, to put in place a temporary, state-funded solution to vaccination access for children and adults in Alaska, is financially sensible and offers the state ample time to develop a carefully planned, fairly funded and permanent program.

Thank you for your time and consideration and please give me a call any time if you would like to discuss or need additional information.

Sincerely,

Jack C. McRae

Jack C. McRae

P.O. Box 327
Seattle, WA 98111

tel 425.918.5757
fax 425.918.5635
jack.mcrae@premera.com

www.premera.com

An Independent Licensee of the
Blue Cross Blue Shield Association

February 8, 2012

Dear Senator Giessel,

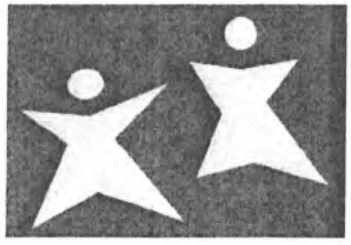
I am writing in support of SB 144. As a Family Nurse Practitioner, I spend a great deal of time education patients and parents about health promotion/disease prevention. Vaccinations are one of the main strategies to prevent many of the diseases that caused many deaths and disabilities in the past. During these difficult economic times, preventative health measures that are out of pocket, are often viewed as non-esstenial and therefore postponed or not obtained at all.

For the general health of the people in the state adequate vaccination rates are important in protecting the entire community; this is known as "heard immunity". When the percentage of the population immunized declines, we are at increased risk.

Thank you for your support in this bill.

Sincerely,

Tracy Baum, ANP



February 13, 2012

Dear Senator Hoffman and Senator Stedman and Senate Finance Committee members,

As you might be aware, for every $1 invested in prevention we save at least $10 in healthcare costs. I'm writing today to express my support for SB144. Immunization for our children and families is critical to help maintain a healthy state and protect our assets for the future.

The All Alaska Pediatric Partnership is a public private partnership committed to all children in Alaska since 1995, creating safe spaces to grow working relationships to move positive decisions forward for the health of Alaskan kids! A unique network of children's health service providers, we bring institutional perspectives to exchange ideas and develop collaborative approaches that will enhance rather than diminish Alaska's pediatric resources. We're a catalyst and quiet think tank moving systems of care through concentrated efforts on chosen initiatives.

We look forward to partnering with you to help Alaska's families!

Sincerely,

Stephanie Monahan
Stephanie Monahan
Executive Director

All Alaska Pediatric Partnership
PO Box 230567
Anchorage, AK 99523-0567

Katy Sheridan MD
245 N Binkley St Ste 203
Soldotna AK 99669
Phone (907) 260-3121
Fax (907) 260-4022

Feb. 12, 2012

Greetings Senators Hoffman, Stedman, Olson, Egan, Thomas, Ellis, and McGuire,

I would like to express my support of SB 144.

I have been administrating state provided immunizations in my office since returning to Soldotna in 1996. The administrative burden has become more cumbersome yearly, however we have continued to meet the requirements because it is best for our patients. Limiting the coverage of recommended childhood and adult vaccines as occurred on Jan. 1, 2012, has resulted in more children and adults walking out of my office without their recommended vaccines then ever before. This is especially frustrating for my nurse and I since we have the vaccines (state provided) they need in our office, some with expiration dates which could result in being thrown away unused. Furthermore, our administrative burden tripled, as we must figure out who qualifies for state vaccines vs. billing insurance, purchasing separate vaccine, etc. As a small business owner, in private solo practice this is stretching resources to a non-sustainable point.

I support the bill as a temporary fix and would challenge our state public health system to look at a permanent long-term solution.

Sincerely,

Katy Sheridan, MD

February 7, 2012

Dear Senator Giessel,

I am writing in support of Senate Bill 144, to restore funding for vaccinations in Alaska. I am a Family Nurse Practitioner working in an emergency room and see first-hand the results of preventable illness. Immunizations are one of the most cost-effective public health achievements in the past century.

While the costs of immunizations have increased substantially in recent years, the burden of paying to control an outbreak of a preventable disease is far greater. Immunizations for young children, such as influenza, Rotavirus and pneumococcal, may not be required for school attendance but they greatly reduce hospitalization rates and costs for treating those who would become ill. There is a synergistic effect with immunizations, if you vaccinate a mother against Pertussis, you are also protecting her newborn baby who is too young to be immunized. We need to work together to provide immunizations to all Alaskans in as cost effective a manner as possible.

Sincerely,

Eva Stassen, DNP, DCC, FNP-C

January 29, 2012

Senator Cathy Giessel
State Capitol Room 7
Juneau, AK 99801

Dear Senator Giessel:

This letter is written in support of SB 144. This past fall I worked as a Nurse Practitioner at Covenant House Alaska to fill in for their NP who was on sick leave. I was saddened to find out that I could no longer give state-provided Tdap to the Covenant House 19 and 20 year olds.

Many of the young adults that come to Covenant House become young parents, or have friends who are young parents. We have had youth come to stay with us who have been exposed to confirmed cases of whooping cough. It is important that we protect these young adults, and the young children they come in contact with, from contracting and spreading this disease.

I feel that providing vaccines is one of the best investments the State of Alaska can make in protecting the health of Alaskans of all age groups.

Sincerely,

Patricia Senner RN, ANP

Rosalyn Singleton MD
ANTHC Immunization Program
Address: AIP-CDC, 4055 Tudor Centre Dr
Anchorage, AK 99508
907-729-3418

January 24, 2012

RE: Letter of Support, Senate Bill 144

As a long-time Alaska pediatrician I am writing in support of Senate Bill 144 to temporarily reinstate the child and adult immunization program.

For over 30 years, the Alaska Department of Health and Social Services Immunization Program had a "universal" vaccine program – distributing all recommended childhood and adult vaccines to public and private providers in Alaska. These vaccines were supported almost entirely with 2 sources of federal funding. Vaccines for Children (VFC) Program (an entitlement program) pays for children who meet federal criteria; and Section 317 of the U.S. Public Health Service Act covered the cost for children not VFC-eligible and adult vaccines. In 2008, the federal government notified the State that the State had been "overfunded" with 317 funding compared with other states and that Centers for Disease Control would be decreasing the Section 317 funding to the State during 2010 to 2013 from $4.3 million to $0.7 million. Therefore, Alaska is losing $3.5 million dollars in federal funding for critical vaccines between 2010 and 2013.

This staged funding decrease started in 2011 –

- In 2011 the State stopped providing any adult vaccine.
- In 2012, the State Immunization Program will no longer provide the following childhood vaccines to non-VFC eligible children: *influenza, pneumococcal conjugate, rotavirus, and varicella.*
- In 2013, the State Immunization Program will no longer provide any vaccines except for VFC eligible children.

Why should we be concerned?

1. When faced with the complexities of maintaining two separate vaccine supplies for VFC and non-VFC eligible children, as well as fronting the cost for expensive vaccines, many small medical practices will stop providing vaccines to their patients.
2. This decrease in provision of vaccines will result in a critical decrease in immunization coverage (proportion of vaccinated children) in children, leading to increased risk of outbreaks from diseases like measles, mumps, pertussis, chicken pox and hepatitis A. Alaska cannot afford further downward trend in coverage – in 2009 our 2 year old vaccination rate was 49th in the nation.
3. The State could be left without an adequate vaccine supply and infrastructure to allow for timely response to outbreaks of measles, mumps, hepatitis A, pertussis, if such outbreaks were to occur in Alaska.

Senate Bill 144 is a stop-gap measure to fill the gap left by the reduction in federal funding and reinstate the Alaska Immunization Program's ability to provide vaccine for under-insured and uninsured Alaskans currently not covered by other programs. I urge Alaskans to support this bill.

Sincerely,

Rosalyn Singleton, MD MPH

January 30, 2012

Representative Reggie Joule
House Committee Members
Senate Committee Members
State Capitol Building #410
Juneau, Alaska 99801

Dear Representative Joule and Members of the House and Senate Committees:

I am writing in support of SB 144. As a village Based Counselor with an office in our village clinic, I can see first-hand the impact that vaccination can have. There are immunizations available for many potentially deadly diseases, and it is disheartening to see that some Alaskans will not have access to the vaccines they need to stay healthy because the Alaska Immunization Program is no longer adequately funded.

While only temporary, this bill helps ensure that Alaskans of all ages will have access to the vaccinations they need to remain healthy. It also provides ample time for all parties to come together and work towards a more permanent solution.

The health of Alaskans and their families is an important issue, and SB 144 helps address a growing problem. I urge your support.

Sincerely,

Barbara MacManus

Barbara MacManus
P.O. Box 68
Ambler, Alaska 99786
bj_macmanus@yahoo.com

ALASKA
PRIMARY CARE ASSOCIATION
supporting Alaskans' health care homes

1/26/12

Marilyn Kasmar, CEO
Alaska Primary Care Association
903 W. Northern Lights Blvd., Suite 200
Anchorage, Alaska 99503
907-929-2722
Marilyn@alaskapca.org

Dear Members of the House and Senate Committees:

I am writing in support of SB 144. The Alaska Primary Care Association represents the 143 (and growing) clinics operated by our 25 Community Health Center organizations. As such, we understand the vital importance of vaccination to Alaska's public health. There are immunizations available for many potentially deadly diseases, and it is disheartening to see that some Alaskans will not have access to the vaccines they need to stay healthy because the Alaska Immunization Program is no longer adequately funded.

While only temporary, this bill helps ensure that Alaskans of all ages will have access to the vaccinations they need to remain healthy. It also provides ample time for all parties to come together and work towards a more permanent solution.

The health of Alaskans and their families is an important issue, and SB 144 helps address a growing problem. I urge your support.

Sincerely,

Marilyn Kasmar, CEO
Alaska Primary Care Association

MARY ANN JACOB, M.D.

2841 DeBarr Rd.
Suite 45
Anchorage, AK 99508

T (907) 274-0274
F (907) 274-7809
jacobmd@mac.com

December 1, 2011

Dear Ms. Erickson,

As a pediatrician in a small, solo practice, I am writing to voice my support for the Alaska Health Care Commission's recommendation that the Alaska legislature fully fund the immunization and vaccine program.

Changes in funding will lead to small practices like my own being unable to provide vaccine for our patients. I have estimated the costs for the first year to be equivalent to hiring another full-time employee. But, even more importantly, ethically, I feel medical practices should try to provide vaccines to their pediatric patients. This is part of the "medical home" model which we are being encouraged to follow, which is associated with better outcomes for children. If patients have to go to another clinic for their vaccines, some of them will forget or "be too busy". The end result will be a less immune set of children, more susceptible to infectious diseases that should be things of the past. The recent pertussis outbreak in California (10,000 case, 10 deaths) stands as a warning for what Alaska could be facing. The treatment of these diseases is much more expensive than their prevention by vaccination. At a time when Alaska is ranked 49th in vaccination rates among the United States, we really cannot afford this short-sighted approach.

Sincerely yours,

Mary Ann Jacob, M.D., F.A.A.P.

PROVIDENCE
Health & Services

January 25, 2012

The Honorable Cathy Giessel
Alaska State Senate
State Capitol, Room 7
Juneau, AK 99801

The Honorable Donny Olson
Alaska State Senate
State Capitol, Room 508
Juneau, AK 99801

Dear Senators Giessel and Olson:

As physician leaders of Providence Health and Services, Alaska's largest health system, we write today to thank you for introducing SB 144, and offer our strong support for this legislation.

We recognize the individual and public health consequences of unchecked infectious disease and believe that SB 144, with the goal of temporarily reinstating funding through the Department of Health and Social Services for adult and child immunizations, is a positive step. Providence believes it is our heritage and responsibility to advocate specifically for our state's most vulnerable population; our children.

Thank you again for introducing this legislation and thank you too for your work on behalf our public's health.

Sincerely,

Richard Mandsager, MD
CEO, Providence Alaska Medical Center

Roy Davis, MD
CMO, Providence Health & Services Alaska

Michael Acarregui, MD, MBA
Medical Director, Pediatric Subspecialty Services, Providence Alaska Medical Services

Tom Hunt, MD
Physician Chief Executive,
Providence Medical Group Alaska

cc: Senator Bettye Davis
Commissioner Bill Streur

SEARHC
SouthEast Alaska Regional Health Consortium
Your Partner in Health

Mt. Edgecumbe Hospital
222 Tongass Drive, Sitka, AK 99835
907.966.2411 - www.searhc.org

January 24, 2012

Dear Committee members of the House and Senate:

As physicians who care for children and their families, we are encouraged to see SB144 introduced. This bill would reinstate the funding for underinsured children who don't have access to VFC vaccine, and for underinsured and uninsured adults. With the current gaps in payment for vaccine coverage, we risk seeing a significant drop in vaccination rates and risk consequent outbreaks of preventable illnesses in our Southeast Alaska communities. One of the most effective public health advances of the twentieth century was the development of vaccines. The vaccine coverage that has recently been cut is not for rare and obscure illnesses. The vaccines that will not be completely funded without SB 144 prevent such devastating illnesses as pneumonia, meningitis (a deadly brain infection), cervical cancer in women, and life-threatening diarrhea-causing infections in infants. By having a robust statewide vaccination program, and fully funding it, Alaskans can be proud to provide the very best of basic preventive health care to all. By leaving funding gaps and having incomplete coverage, our legislature sends the message to our communities and citizens that such basic public health care is not a priority of our state. We recognize the current economic climate requires frugality, but cutting evidence-based preventive health services will not result in long-term savings or wellness for our state. As health care providers and concerned citizens, we strongly urge you to support Senate Bill 144.

Sincerely,

SEARHC Medical Staff members:

Dr. John Baciocco MD
Dr. Suzzanne Blake MD
Dr. Elliot Bruhl MD
Dr. Thomas Conley MD
Dr. Valerie Edwards MD
Dr. H. Martin Grasmeder MD
Dr. Connie Kreiss MD
Dr. Donna Smith MD
Dr. David Vastola MD

Cc: Senator Bert Stedman & Representative Peggy Wilson

January 26, 2012

Hello Senator Giessel;

I have been a nurse in Dillingham for almost 30 years. For the past 10 years I have worked as an Immunization Program Manager within a tribal health corporation. In the two decades of nursing prior to this, I have witnessed Elimination of diseases like HIB and Hepatitis B and Hepatitis A. I can not tell you how immense the feeling is to now be vaccinating a second generation of infants whose young parents were protected from diseases that their parents (the grandparents) were not.

The confusion of multiple pay systems for vaccines, multiple classifications for Who can receive state vaccine, and the elimination of providing adult vaccine to those who do not have equitable or other resources (one of several examples would be any non native person living in rural Alaska), will continue to keep Alaska at the bottom of an immunization rate race that it is on the verge of toppling.
The new state Immunization Registry, VacTrAK has barely come on line. Once it is fully functioning and accepting records from EVERY corner of the state, our rates will naturally climb. The capture of data is elemental for accurate representation of the vaccination rate of Alaska's population.

I applaud your SB 144 to restore funding for vaccines and vaccine delivery. It will be vital to those who see Public Health Centers around the state as a source for flu vaccine every fall. As I start a new career in public health, a cut in funding to support immunization delivery is counter to one of public health's main tenets; to promote the health of All Alaskans. Believe me, I know the benefit of immunization. I have lived it.

Thank you!

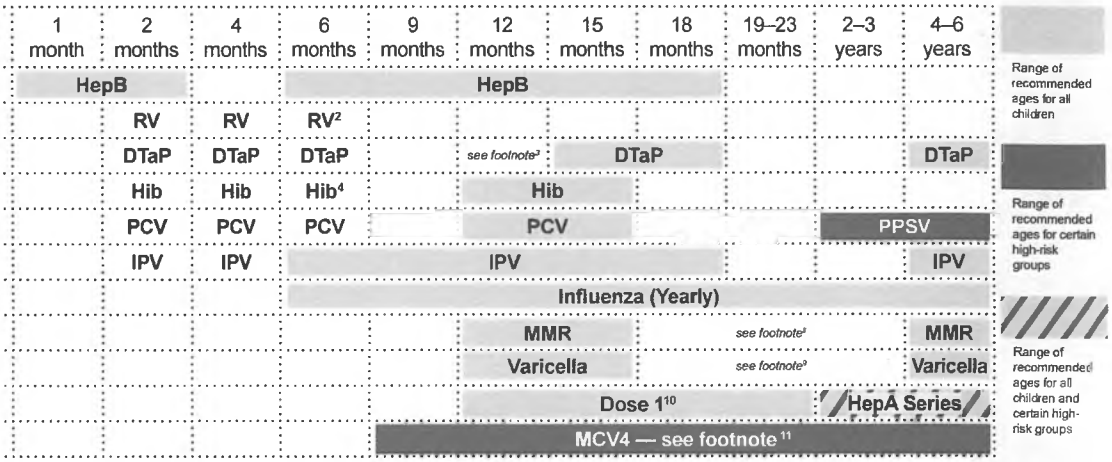
Gina Carpenter, RN
Dillingham Alaska

January 24, 2012

Dear Senator Giessel,
This email is to support Senate Bill 144. As a family physician (and also medical director and clinic administrator at the Ethel Lund Medical Center, SEARHC, Juneau) I emphasize the important role in prevention that vaccines provide. The vaccines are critical to the public health of adults and children here in Alaska.
Sincerely,
Janice Sheufelt, MD

--
Janice Sheufelt, MD
Clinic Administrator/Medical Director
SEARHC Ethel Lund Medical Center
www.searhc.org
(907) 463-4057
(907) 364-4490 (fax)

FIGURE 1: Recommended Immunization schedule for persons aged 0 through 6 years—United States, 2012 (for those who fall behind or start late, see the catch-up schedule [Figure 3])



This schedule includes recommendations in effect as of December 23, 2011. Any dose not administered at the recommended age should be administered at a subsequent visit, when indicated and feasible. The use of a combination vaccine generally is preferred over separate injections of its equivalent component vaccines. Vaccination providers should consult the relevant Advisory Committee on Immunization Practices (ACIP) statement for detailed recommendations, available online at http://www.cdc.gov/vaccines/pubs/acip-list.htm. Clinically significant adverse events that follow vaccination should be reported to the Vaccine Adverse Event Reporting System (VAERS) online (http://www.vaers.hhs.gov) or by telephone (800-822-7967).

1. **Hepatitis B (HepB) vaccine.** (Minimum age: birth)
   At birth:
   - Administer monovalent HepB vaccine to all newborns before hospital discharge.
   - For infants born to hepatitis B surface antigen (HBsAg)–positive mothers, administer HepB vaccine and 0.5 mL of hepatitis B immune globulin (HBIG) within 12 hours of birth. These infants should be tested for HBsAg and antibody to HBsAg (anti-HBs) 1 to 2 months after receiving the last dose of the series.
   - If mother's HBsAg status is unknown, within 12 hours of birth administer HepB vaccine for infants weighing ≥2,000 grams, and HepB vaccine plus HBIG for infants weighing <2,000 grams. Determine mother's HBsAg status as soon as possible and, if she is HBsAg-positive, administer HBIG for infants weighing ≥2,000 grams (no later than age 1 week).

   Doses after the birth dose:
   - The second dose should be administered at age 1 to 2 months. Monovalent HepB vaccine should be used for doses administered before age 6 weeks.
   - Administration of a total of 4 doses of HepB vaccine is permissible when a combination vaccine containing HepB is administered after the birth dose.
   - Infants who did not receive a birth dose should receive 3 doses of a HepB-containing vaccine starting as soon as feasible (Figure 3).
   - The minimum interval between dose 1 and dose 2 is 4 weeks, and between dose 2 and 3 is 8 weeks. The final (third or fourth) dose in the HepB vaccine series should be administered no earlier than age 24 weeks and at least 16 weeks after the first dose.
2. **Rotavirus (RV) vaccines.** (Minimum age: 6 weeks for both RV-1 [Rotarix] and RV-5 [Rota Teq])
   - The maximum age for the first dose in the series is 14 weeks, 6 days; and 8 months, 0 days for the final dose in the series. Vaccination should not be initiated for infants aged 15 weeks, 0 days or older.
   - If RV-1 (Rotarix) is administered at ages 2 and 4 months, a dose at 6 months is not indicated.
3. **Diphtheria and tetanus toxoids and acellular pertussis (DTaP) vaccine.** (Minimum age: 6 weeks)
   - The fourth dose may be administered as early as age 12 months, provided at least 6 months have elapsed since the third dose.
4. ***Haemophilus influenzae* type b (Hib) conjugate vaccine.** (Minimum age: 6 weeks)
   - If PRP-OMP (PedvaxHIB or Comvax [HepB-Hib]) is administered at ages 2 and 4 months, a dose at age 6 months is not indicated.
   - Hiberix should only be used for the booster (final) dose in children aged 12 months through 4 years.
5. **Pneumococcal vaccines.** (Minimum age: 6 weeks for pneumococcal conjugate vaccine [PCV]; 2 years for pneumococcal polysaccharide vaccine [PPSV])
   - Administer 1 dose of PCV to all healthy children aged 24 through 59 months who are not completely vaccinated for their age.
   - For children who have received an age-appropriate series of 7-valent PCV (PCV7), a single supplemental dose of 13-valent PCV (PCV13) is recommended for:
     — All children aged 14 through 59 months
     — Children aged 60 through 71 months with underlying medical conditions.
   - Administer PPSV at least 8 weeks after last dose of PCV to children aged 2 years or older with certain underlying medical conditions, including a cochlear implant. See *MMWR* 2010:59(No. RR-11), available at http://www.cdc.gov/mmwr/pdf/rr/rr5911.pdf.
6. **Inactivated poliovirus vaccine (IPV).** (Minimum age: 6 weeks)
   - If 4 or more doses are administered before age 4 years, an additional dose should be administered at age 4 through 6 years.
   - The final dose in the series should be administered on or after the fourth birthday and at least 6 months after the previous dose.
7. **Influenza vaccines.** (Minimum age: 6 months for trivalent inactivated influenza vaccine [TIV]; 2 years for live, attenuated influenza vaccine [LAIV])
   - For most healthy children aged 2 years and older, either LAIV or TIV may be used. However, LAIV should not be administered to some children, including 1) children with asthma, 2) children 2 through 4 years who had wheezing in the past 12 months, or 3) children who have any other underlying medical conditions that predispose them to influenza complications. For all other contraindications to use of LAIV, see *MMWR* 2010;59(No. RR-8), available at http://www.cdc.gov/mmwr/pdf/rr/rr5908.pdf.
   - For children aged 6 months through 8 years:
     — For the 2011–12 season, administer 2 doses (separated by at least 4 weeks) to those who did not receive at least 1 dose of the 2010–11 vaccine. Those who received at least 1 dose of the 2010–11 vaccine require 1 dose for the 2011–12 season.
     — For the 2012–13 season, follow dosing guidelines in the 2012 ACIP influenza vaccine recommendations.
8. **Measles, mumps, and rubella (MMR) vaccine.** (Minimum age: 12 months)
   - The second dose may be administered before age 4 years, provided at least 4 weeks have elapsed since the first dose.
   - Administer MMR vaccine to infants aged 6 through 11 months who are traveling internationally. These children should be revaccinated with 2 doses of MMR vaccine, the first at ages 12 through 15 months and at least 4 weeks after the previous dose, and the second at ages 4 through 6 years.
9. **Varicella (VAR) vaccine.** (Minimum age: 12 months)
   - The second dose may be administered before age 4 years, provided at least 3 months have elapsed since the first dose.
   - For children aged 12 months through 12 years, the recommended minimum interval between doses is 3 months. However, if the second dose was administered at least 4 weeks after the first dose, it can be accepted as valid.
10. **Hepatitis A (HepA) vaccine.** (Minimum age: 12 months)
    - Administer the second (final) dose 6 to18 months after the first.
    - Unvaccinated children 24 months and older at high risk should be vaccinated. See *MMWR* 2006;55(No. RR-7), available at http://www.cdc.gov/mmwr/pdf/rr/rr5507.pdf.
    - A 2-dose HepA vaccine series is recommended for anyone aged 24 months and older, previously unvaccinated, for whom immunity against hepatitis A virus infection is desired.
11. **Meningococcal conjugate vaccines, quadrivalent (MCV4).** (Minimum age: 9 months for Menactra [MCV4-D], 2 years for Menveo [MCV4-CRM])
    - For children aged 9 through 23 months 1) with persistent complement component deficiency; 2) who are residents of or travelers to countries with hyperendemic or epidemic disease; or 3) who are present during outbreaks caused by a vaccine serogroup, administer 2 primary doses of MCV4-D, ideally at ages 9 months and 12 months or at least 8 weeks apart.
    - For children aged 24 months and older with 1) persistent complement component deficiency who have not been previously vaccinated; or 2) anatomic/functional asplenia, administer 2 primary doses of either MCV4 at least 8 weeks apart.
    - For children with anatomic/functional asplenia, if MCV4-D (Menactra) is used, administer at a minimum age of 2 years and at least 4 weeks after completion of all PCV oses.
    - See *MMWR* 2011;60:72–6, available at http://www.cdc.gov/mmwr/pdf/wk/mm6003. pdf, and Vaccines for Children Program resolution No. 6/11-1, available at http://www. cdc.gov/vaccines/programs/vfc/downloads/resolutions/06-11mening-mcv.pdf, and *MMWR* 2011;60:1391–2, available at http://www.cdc.gov/mmwr/pdf/wk/mm6040. pdf, for further guidance, including revaccination guidelines.

This schedule is approved by the Advisory Committee on Immunization Practices (http://www.cdc.gov/vaccines/recs/acip), the American Academy of Pediatrics (http://www.aap.org), and the American Academy of Family Physicians (http://www.aafp.org).
Department of Health and Human Services • Centers for Disease Control and Prevention

Recommended Adult Immunization Schedule—United States - 2012

Note: These recommendations must be read with the footnotes that follow containing number of doses, intervals between doses, and other important information.

Figure 1. Recommended adult immunization schedule, by vaccine and age group[1]

VACCINE ▼ AGE GROUP ►	19-21 years	22-26 years	27-49 years	50-59 years	60-64 years	≥ 65 years
Influenza [2]	1 dose annually					
Tetanus, diphtheria, pertussis (Td/Tdap) [3,*]	Substitute 1-time dose of Tdap for Td booster; then boost with Td every 10 yrs					Td/Tdap[3]
Varicella [4,*]	2 Doses					
Human papillomavirus (HPV) Female [5,*]	3 doses					
Human papillomavirus (HPV) Male [5,*]	3 doses					
Zoster [6]					1 dose	
Measles, mumps, rubella (MMR) [7,*]	1 or 2 doses			1 dose		
Pneumococcal (polysaccharide) [8,9]	1 or 2 doses					1 dose
Meningococcal [10,*]	1 or more doses					
Hepatitis A [11,*]	2 doses					
Hepatitis B [12,*]	3 doses					

*Covered by the Vaccine Injury Compensation Program

- For all persons in this category who meet the age requirements and who lack documentation of vaccination or have no evidence of previous infection
- Recommended if some other risk factor is present (e.g., on the basis of medical, occupational, lifestyle, or other indications)
- Tdap recommended for ≥65 if contact with <12 month old child. Either Td or Tdap can be used if no infant contact
- No recommendation

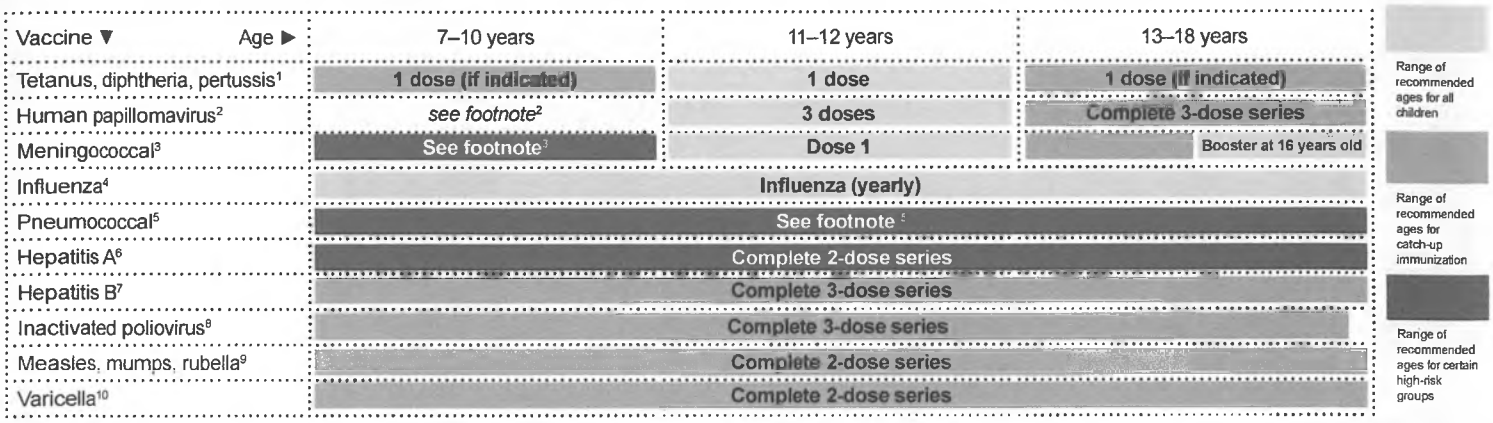
Report all clinically significant postvaccination reactions to the Vaccine Adverse Event Reporting System (VAERS). Reporting forms and instructions on filing a VAERS report are available at www.vaers.hhs.gov or by telephone, 800-822-7967.

Information on how to file a Vaccine Injury Compensation Program claim is available at www.hrsa.gov/vaccinecompensation or by telephone, 800-338-2382. To file a claim for vaccine injury, contact the U.S. Court of Federal Claims, 717 Madison Place, N.W., Washington, D.C. 20005; telephone, 202-357-6400.

Additional information about the vaccines in this schedule, extent of available data, and contraindications for vaccination is also available at www.cdc.gov/vaccines or from the CDC-INFO Contact Center at 800-CDC-INFO (800-232-4636) in English and Spanish, 8:00 a.m. - 8:00 p.m. Eastern Time, Monday - Friday, excluding holidays.

Use of trade names and commercial sources is for identification only and does not imply endorsement by the U.S. Department of Health and Human Services.

FIGURE 2: Recommended immunization schedule for persons aged 7 through 18 years—United States, 2012 (for those who fall behind or start late, see the schedule below and the catch-up schedule [Figure 3])



This schedule includes recommendations in effect as of December 23, 2011. Any dose not administered at the recommended age should be administered at a subsequent visit, when indicated and feasible. The use of a combination vaccine generally is preferred over separate injections of its equivalent component vaccines. Vaccination providers should consult the relevant Advisory Committee on Immunization Practices (ACIP) statement for detailed recommendations, available online at http://www.cdc.gov/vaccines/pubs/acip-list.htm. Clinically significant adverse events that follow vaccination should be reported to the Vaccine Adverse Event Reporting System (VAERS) online (http://www.vaers.hhs.gov) or by telephone (800-822-7967).

1. **Tetanus and diphtheria toxoids and acellular pertussis (Tdap) vaccine.** (Minimum age: 10 years for Boostrix and 11 years for Adacel)
   - Persons aged 11 through 18 years who have not received Tdap vaccine should receive a dose followed by tetanus and diphtheria toxoids (Td) booster doses every 10 years thereafter.
   - Tdap vaccine should be substituted for a single dose of Td in the catch-up series for children aged 7 through 10 years. Refer to the catch-up schedule if additional doses of tetanus and diphtheria toxoid–containing vaccine are needed.
   - Tdap vaccine can be administered regardless of the interval since the last tetanus and diphtheria toxoid–containing vaccine.
2. **Human papillomavirus (HPV) vaccines (HPV4 [Gardasil] and HPV2 [Cervarix]).** (Minimum age: 9 years)
   - Either HPV4 or HPV2 is recommended in a 3-dose series for females aged 11 or 12 years. HPV4 is recommended in a 3-dose series for males aged 11 or 12 years.
   - The vaccine series can be started beginning at age 9 years.
   - Administer the second dose 1 to 2 months after the first dose and the third dose 6 months after the first dose (at least 24 weeks after the first dose).
   - See *MMWR* 2010;59:626–32, available at http://www.cdc.gov/mmwr/pdf/wk/mm5920.pdf.
3. **Meningococcal conjugate vaccines, quadrivalent (MCV4).**
   - Administer MCV4 at age 11 through 12 years with a booster dose at age 16 years.
   - Administer MCV4 at age 13 through 18 years if patient is not previously vaccinated.
   - If the first dose is administered at age 13 through 15 years, a booster dose should be administered at age 16 through 18 years with a minimum interval of at least 8 weeks after the preceding dose.
   - If the first dose is administered at age 16 years or older, a booster dose is not needed.
   - Administer 2 primary doses at least 8 weeks apart to previously unvaccinated persons with persistent complement component deficiency or anatomic/functional asplenia, and 1 dose every 5 years thereafter.
   - Adolescents aged 11 through 18 years with human immunodeficiency virus (HIV) infection should receive a 2-dose primary series of MCV4, at least 8 weeks apart.
   - See *MMWR* 2011;60:72–76, available at http://www.cdc.gov/mmwr/pdf/wk/mm6003.pdf, and Vaccines for Children Program resolution No. 6/11-1, available at http://www.cdc.gov/vaccines/programs/vfc/downloads/resolutions/06-11mening-mcv.pdf, for further guidelines.
4. **Influenza vaccines (trivalent inactivated influenza vaccine [TIV] and live, attenuated influenza vaccine [LAIV]).**
   - For most healthy, nonpregnant persons, either LAIV or TIV may be used, except LAIV should not be used for some persons, including those with asthma or any other underlying medical conditions that predispose them to influenza complications. For all other contraindications to use of LAIV, see *MMWR* 2010;59(No.RR-8), available at http://www.cdc.gov/mmwr/pdf/rr/rr5908.pdf.
   - Administer 1 dose to persons aged 9 years and older.
   - For children aged 6 months through 8 years:
     — For the 2011–12 season, administer 2 doses (separated by at least 4 weeks) to those who did not receive at least 1 dose of the 2010–11 vaccine. Those who received at least 1 dose of the 2010–11 vaccine require 1 dose for the 2011–12 season.
     — For the 2012–13 season, follow dosing guidelines in the 2012 ACIP influenza vaccine recommendations.
5. **Pneumococcal vaccines (pneumococcal conjugate vaccine [PCV] and pneumococcal polysaccharide vaccine [PPSV]).**
   - A single dose of PCV may be administered to children aged 6 through 18 years who have anatomic/functional asplenia, HIV infection or other immunocompromising condition, cochlear implant, or cerebral spinal fluid leak. See *MMWR* 2010:59(No. RR-11), available at http://www.cdc.gov/mmwr/pdf/rr/rr5911.pdf.
   - Administer PPSV at least 8 weeks after the last dose of PCV to children aged 2 years or older with certain underlying medical conditions, including a cochlear implant. A single revaccination should be administered after 5 years to children with anatomic/functional asplenia or an immunocompromising condition.
6. **Hepatitis A (HepA) vaccine.**
   - HepA vaccine is recommended for children older than 23 months who live in areas where vaccination programs target older children, who are at increased risk for infection, or for whom immunity against hepatitis A virus infection is desired. See *MMWR* 2006;55(No. RR-7), available at http://www.cdc.gov/mmwr/pdf/rr/rr5507.pdf.
   - Administer 2 doses at least 6 months apart to unvaccinated persons.
7. **Hepatitis B (HepB) vaccine.**
   - Administer the 3-dose series to those not previously vaccinated.
   - For those with incomplete vaccination, follow the catch-up recommendations (Figure 3).
   - A 2-dose series (doses separated by at least 4 months) of adult formulation Recombivax HB is licensed for use in children aged 11 through 15 years.
8. **inactivated poliovirus vaccine (IPV).**
   - The final dose in the series should be administered at least 6 months after the previous dose.
   - If both OPV and IPV were administered as part of a series, a total of 4 doses should be administered, regardless of the child's current age.
   - IPV is not routinely recommended for U.S. residents aged18 years or older.
9. **Measles, mumps, and rubella (MMR) vaccine.**
   - The minimum interval between the 2 doses of MMR vaccine is 4 weeks.
10. **Varicella (VAR) vaccine.**
    - For persons without evidence of immunity (see *MMWR* 2007;56[No. RR-4], available at http://www.cdc.gov/mmwr/pdf/rr/rr5604.pdf), administer 2 doses if not previously vaccinated or the second dose if only 1 dose has been administered.
    - For persons aged 7 through 12 years, the recommended minimum interval between doses is 3 months. However, if the second dose was administered at least 4 weeks after the first dose, it can be accepted as valid.
    - For persons aged 13 years and older, the minimum interval between doses is 4 weeks.

This schedule is approved by the Advisory Committee on Immunization Practices (http://www.cdc.gov/vaccines/recs/acip), the American Academy of Pediatrics (http://www.aap.org), and the American Academy of Family Physicians (http://www.aafp.org).
Department of Health and Human Services • Centers for Disease Control and Prevention

Figure 2. Vaccines that might be indicated for adults based on medical and other indications[1]

VACCINE ▼ INDICATION ►	Pregnancy	Immunocompromising conditions (excluding human immunodeficiency virus [HIV])[4,6,7,14]	HIV infection[4,7,13,14] CD4+ T lymphocyte count		Men who have sex with men (MSM)	Heart disease, chronic lung disease, chronic alcoholism	Asplenia[13] (including elective splenectomy and persistent complement component deficiencies)	Chronic liver disease	Diabetes, kidney failure, end-stage renal disease, receipt of hemodialysis	Health-care personnel
			<200 cells/μL	>200 cells/μL						
Influenza [2]	1 dose TIV annually				1 dose TIV or LAIV annually	1 dose TIV annually				1 dose TIV or LAIV annually
Tetanus, diphtheria, pertussis (Td/Tdap) [3,*]	Substitute 1-time dose of Tdap for Td booster; then boost with Td every 10 yrs									
Varicella [4,*]	Contraindicated		2 doses							
Human papillomavirus (HPV) Female [5,*]		3 doses through age 26 yrs				3 doses through age 26 yrs				
Human papillomavirus (HPV) Male [5,*]		3 doses through age 26 yrs				3 doses through age 21 yrs				
Zoster [6]	Contraindicated				1 dose					
Measles, mumps, rubella (MMR) [7,*]	Contraindicated		1 or 2 doses							
Pneumococcal (polysaccharide) [8,9]	1 or 2 doses									
Meningococcal [10,*]	1 or more doses									
Hepatitis A [11,*]	2 doses									
Hepatitis B [12,*]	3 doses									

*Covered by the Vaccine Injury Compensation Program

The recommendations in this schedule were approved by the Centers for Disease Control and Prevention's (CDC) Advisory Committee on Immunization Practices (ACIP), the American Academy of Family Physicians (AAFP), the American College of Physicians (ACP), American College of Obstetricians and Gynecologists (ACOG) and American College of Nurse-Midwives (ACNM).

For all persons in this category who meet the age requirements and who lack documentation of vaccination or have no evidence of previous infection

Recommended if some other risk factor is present (e.g., on the basis of medical, occupational, lifestyle, or other indications)

Contraindicated

No recommendation

These schedules indicate the recommended age groups and medical indications for which administration of currently licensed vaccines is commonly indicated for adults ages 19 years and older, as of January 1, 2012. For all vaccines being recommended on the Adult Immunization Schedule: a vaccine series does not need to be restarted, regardless of the time that has elapsed between doses. Licensed combination vaccines may be used whenever any components of the combination are indicated and when the vaccine's other components are not contraindicated. For detailed recommendations on all vaccines, including those used primarily for travelers or that are issued during the year, consult the manufacturers' package inserts and the complete statements from the Advisory Committee on Immunization Practices (www.cdc.gov/vaccines/pubs/acip-list.htm). Use of trade names and commercial sources is for identification only and does not imply endorsement by the U.S. Department of Health and Human Services.

U.S. Department of Health and Human Services
Centers for Disease Control and Prevention

Footnotes — Recommended Adult Immunization Schedule—United States - 2012

1. **Additional information**
   - Advisory Committee on Immunization Practices (ACIP) vaccine recommendations and additional information are available at: http://www.cdc.gov/vaccines/pubs/acip-list.htm.
   - Information on travel vaccine requirements and recommendations (e.g., for hepatitis A and B, meningococcal, and other vaccines) available at http://wwwnc.cdc.gov/travel/page/vaccinations.htm.
2. **Influenza vaccination**
   - Annual vaccination against influenza is recommended for all persons 6 months of age and older.
   - Persons 6 months of age and older, including pregnant women, can receive the trivalent inactivated vaccine (TIV).
   - Healthy, nonpregnant adults younger than age 50 years without high-risk medical conditions can receive either intranasally administered live, attenuated influenza vaccine (LAIV) (FluMist), or TIV. Health-care personnel who care for severely immunocompromised persons (i.e., those who require care in a protected environment) should receive TIV rather than LAIV. Other persons should receive TIV.
   - The intramuscular or intradermal administered TIV are options for adults aged 18–64 years.
   - Adults aged 65 years and older can receive the standard dose TIV or the high-dose TIV (Fluzone High-Dose).
3. **Tetanus, diphtheria, and acellular pertussis (Td/Tdap) vaccination**
   - Administer a one-time dose of Tdap to adults younger than age 65 years who have not received Tdap previously or for whom vaccine status is unknown to replace one of the 10-year Td boosters.
   - Tdap is specifically recommended for the following persons:
     — pregnant women more than 20 weeks' gestation,
     — adults, regardless of age, who are close contacts of infants younger than age 12 months (e.g., parents, grandparents, or child care providers), and
     — health-care personnel.
   - Tdap can be administered regardless of interval since the most recent tetanus or diphtheria-containing vaccine.
   - Pregnant women not vaccinated during pregnancy should receive Tdap immediately postpartum.
   - Adults 65 years and older may receive Tdap.
   - Adults with unknown or incomplete history of completing a 3-dose primary vaccination series with Td-containing vaccines should begin or complete a primary vaccination series. Tdap should be substituted for a single dose of Td in the vaccination series with Tdap preferred as the first dose.
   - For unvaccinated adults, administer the first 2 doses at least 4 weeks apart and the third dose 6–12 months after the second.
   - If incompletely vaccinated (i.e., less than 3 doses), administer remaining doses.

   Refer to the ACIP statement for recommendations for administering Td/Tdap as prophylaxis in wound management (See footnote 1).
4. **Varicella vaccination**
   - All adults without evidence of immunity to varicella (as defined below) should receive 2 doses of single-antigen varicella vaccine or a second dose if they have received only 1 dose.
   - Special consideration for vaccination should be given to those who
     — have close contact with persons at high risk for severe disease (e.g., health-care personnel and family contacts of persons with immunocompromising conditions) or
     — are at high risk for exposure or transmission (e.g., teachers; child care employees; residents and staff members of institutional settings, including correctional institutions; college students; military personnel; adolescents and adults living in households with children; nonpregnant women of childbearing age; and international travelers).
   - Pregnant women should be assessed for evidence of varicella immunity. Women who do not have evidence of immunity should receive the first dose of varicella vaccine upon completion or termination of pregnancy and before discharge from the health-care facility. The second dose should be administered 4–8 weeks after the first dose.
   - Evidence of immunity to varicella in adults includes any of the following:
     — documentation of 2 doses of varicella vaccine at least 4 weeks apart;
     — U.S.-born before 1980 (although for health-care personnel and pregnant women, birth before 1980 should not be considered evidence of immunity);
     — history of varicella based on diagnosis or verification of varicella by a health-care provider (for a patient reporting a history of or having an atypical case, a mild case, or both, health-care providers should seek either an epidemiologic link to a typical varicella case or to a
7. **Measles, mumps, rubella (MMR) vaccination (cont'd)**

   Rubella component:
   - For women of childbearing age, regardless of birth year, rubella immunity should be determined. If there is no evidence of immunity, women who are not pregnant should be vaccinated. Pregnant women who do not have evidence of immunity should receive MMR vaccine upon completion or termination of pregnancy and before discharge from the health-care facility.

   Health-care personnel born before 1957:
   - For unvaccinated health-care personnel born before 1957 who lack laboratory evidence of measles, mumps, and/or rubella immunity or laboratory confirmation of disease, health-care facilities should consider routinely vaccinating personnel with 2 doses of MMR vaccine at the appropriate interval for measles and mumps or 1 dose of MMR vaccine for rubella.
8. **Pneumococcal polysaccharide (PPSV) vaccination**
   - Vaccinate all persons with the following indications:
     — age 65 years and older without a history of PPSV vaccination;
     — adults younger than 65 years with chronic lung disease (including chronic obstructive pulmonary disease, emphysema, and asthma); chronic cardiovascular diseases; diabetes mellitus; chronic liver disease (including cirrhosis); alcoholism; cochlear implants; cerebrospinal fluid leaks; immunocompromising conditions; and functional or anatomic asplenia (e.g., sickle cell disease and other hemoglobinopathies, congenital or acquired asplenia, splenic dysfunction, or splenectomy [if elective splenectomy is planned, vaccinate at least 2 weeks before surgery]);
     — residents of nursing homes or long-term care facilities; and
     — adults who smoke cigarettes.
   - Persons with asymptomatic or symptomatic HIV infection should be vaccinated as soon as possible after their diagnosis.
   - When cancer chemotherapy or other immunosuppressive therapy is being considered, the interval between vaccination and initiation of immunosuppressive therapy should be at least 2 weeks. Vaccination during chemotherapy or radiation therapy should be avoided.
   - Routine use of PPSV is not recommended for American Indians/Alaska Natives or other persons younger than 65 years of age unless they have underlying medical conditions that are PPSV indications. However, public health authorities may consider recommending PPSV for American Indians/Alaska Natives who are living in areas where the risk for invasive pneumococcal disease is increased.
9. **Revaccination with PPSV**
   - One-time revaccination 5 years after the first dose is recommended for persons 19 through 64 years of age with chronic renal failure or nephrotic syndrome; functional or anatomic asplenia (e.g., sickle cell disease or splenectomy); and for persons with immunocompromising conditions.
   - Persons who received PPSV before age 65 years for any indication should receive another dose of the vaccine at age 65 years or later if at least 5 years have passed since their previous dose.
   - No further doses are needed for persons vaccinated with PPSV at or after age 65 years.
10. **Meningococcal vaccination**
    - Administer 2 doses of meningococcal conjugate vaccine quadrivalent (MCV4) at least 2 months apart to adults with functional asplenia or persistent complement component deficiencies.
    - HIV-infected persons who are vaccinated should also receive 2 doses.
    - Administer a single dose of meningococcal vaccine to microbiologists routinely exposed to isolates of *Neisseria meningitidis*, military recruits, and persons who travel to or live in countries in which meningococcal disease is hyperendemic or epidemic.
    - First-year college students up through age 21 years who are living in residence halls should be vaccinated if they have not received a dose on or after their 16th birthday.
    - MCV4 is preferred for adults with any of the preceding indications who are 55 years old and younger; meningococcal polysaccharide vaccine (MPSV4) is preferred for adults 56 years and older.
    - Revaccination with MCV4 every 5 years is recommended for adults previously vaccinated with MCV4 or MPSV4 who remain at increased risk for infection (e.g., adults with anatomic or functional asplenia or persistent complement component deficiencies).
11. **Hepatitis A vaccination**
    - Vaccinate any person seeking protection from hepatitis A virus (HAV) infection and persons with any of the following indications:
      — men who have sex with men and persons who use injection drugs;

laboratory-confirmed case or evidence of laboratory confirmation, if it was performed at the time of acute disease);
— history of herpes zoster based on diagnosis or verification of herpes zoster by a health-care provider; or
— laboratory evidence of immunity or laboratory confirmation of disease.

5. Human papillomavirus (HPV) vaccination

- Two vaccines are licensed for use in females, bivalent HPV vaccine (HPV2) and quadrivalent HPV vaccine (HPV4), and one HPV vaccine for use in males (HPV4).
- For females, either HPV4 or HPV2 is recommended in a 3-dose series for routine vaccination at 11 or 12 years of age, and for those 13 through 26 years of age, if not previously vaccinated.
- For males, HPV4 is recommended in a 3-dose series for routine vaccination at 11 or 12 years of age, and for those 13 through 21 years of age, if not previously vaccinated. Males 22 through 26 years of age may be vaccinated.
- HPV vaccines are not live vaccines and can be administered to persons who are immunocompromised as a result of infection (including HIV infection), disease, or medications. Vaccine is recommended for immunocompromised persons through age 26 years who did not get any or all doses when they were younger. The immune response and vaccine efficacy might be less than that in immunocompetent persons.
- Men who have sex with men (MSM) might especially benefit from vaccination to prevent condyloma and anal cancer. HPV4 is recommended for MSM through age 26 years who did not get any or all doses when they were younger.
- Ideally, vaccine should be administered before potential exposure to HPV through sexual activity; however, persons who are sexually active should still be vaccinated consistent with age-based recommendations. HPV vaccine can be administered to persons with a history of genital warts, abnormal Papanicolaou test, or positive HPV DNA test.
- A complete series for either HPV4 or HPV2 consists of 3 doses. The second dose should be administered 1–2 months after the first dose; the third dose should be administered 6 months after the first dose (at least 24 weeks after the first dose).
- Although HPV vaccination is not specifically recommended for health-care personnel (HCP) based on their occupation, HCP should receive the HPV vaccine if they are in the recommended age group.

6. Zoster vaccination

- A single dose of zoster vaccine is recommended for adults 60 years of age and older regardless of whether they report a prior episode of herpes zoster. Although the vaccine is licensed by the Food and Drug Administration (FDA) for use among and can be administered to persons 50 years and older, ACIP recommends that vaccination begins at 60 years of age.
- Persons with chronic medical conditions may be vaccinated unless their condition constitutes a contraindication, such as pregnancy or severe immunodeficiency.
- Although zoster vaccination is not specifically recommended for health-care personnel (HCP), HCP should receive the vaccine if they are in the recommended age group.

7. Measles, mumps, rubella (MMR) vaccination

- Adults born before 1957 generally are considered immune to measles and mumps. All adults born in 1957 or later should have documentation of 1 or more doses of MMR vaccine unless they have a medical contraindication to the vaccine, laboratory evidence of immunity to each of the three diseases, or documentation of provider-diagnosed measles or mumps disease. For rubella, documentation of provider-diagnosed disease is not considered acceptable evidence of immunity.

Measles component:

- A routine second dose of MMR vaccine, administered a minimum of 28 days after the first dose, is recommended for adults who
  — are students in postsecondary educational institutions;
  — work in a health-care facility; or
  — plan to travel internationally.
- Persons who received inactivated (killed) measles vaccine or measles vaccine of unknown type from 1963 to 1967 should be revaccinated with 2 doses of MMR vaccine.

Mumps component:

- A routine second dose of MMR vaccine, administered a minimum of 28 days after the first dose, is recommended for adults who
  — are students in postsecondary educational institutions;
  — work in a health-care facility; or
  — plan to travel internationally.
- Persons vaccinated before 1979 with either killed mumps vaccine or mumps vaccine of unknown type who are at high risk for mumps infection (e.g., persons who are working in a health-care facility) should be considered for revaccination with 2 doses of MMR vaccine.

8. Hepatitis A vaccination

- Vaccinate persons with any of the following indications and any person seeking protection from hepatitis A virus (HAV) infection:
  — persons working with HAV-infected primates or with HAV in a research laboratory setting;
  — persons with chronic liver disease and persons who receive clotting factor concentrates;
  — persons traveling to or working in countries that have high or intermediate endemicity of hepatitis A; and
  — unvaccinated persons who anticipate close personal contact (e.g., household or regular babysitting) with an international adoptee during the first 60 days after arrival in the United States from a country with high or intermediate endemicity. (See footnote 1 for more information on travel recommendations). The first dose of the 2-dose hepatitis A vaccine series should be administered as soon as adoption is planned, ideally 2 or more weeks before the arrival of the adoptee.
- Single-antigen vaccine formulations should be administered in a 2-dose schedule at either 0 and 6–12 months (Havrix), or 0 and 6–18 months (Vaqta). If the combined hepatitis A and hepatitis B vaccine (Twinrix) is used, administer 3 doses at 0, 1, and 6 months; alternatively, a 4-dose schedule may be used, administered on days 0, 7, and 21–30 followed by a booster dose at month 12.

12. Hepatitis B vaccination

- Vaccinate persons with any of the following indications and any person seeking protection from hepatitis B virus (HBV) infection:
  — sexually active persons who are not in a long-term, mutually monogamous relationship (e.g., persons with more than one sex partner during the previous 6 months); persons seeking evaluation or treatment for a sexually transmitted disease (STD); current or recent injection-drug users; and men who have sex with men;
  — health-care personnel and public-safety workers who are exposed to blood or other potentially infectious body fluids;
  — persons with diabetes younger than 60 years as soon as feasible after diagnosis; persons with diabetes who are 60 years or older at the discretion of the treating clinician based on increased need for assisted blood glucose monitoring in long-term care facilities, likelihood of acquiring hepatitis B infection, its complications or chronic sequelae, and likelihood of immune response to vaccination;
  — persons with end-stage renal disease, including patients receiving hemodialysis; persons with HIV infection; and persons with chronic liver disease;
  — household contacts and sex partners of persons with chronic HBV infection; clients and staff members of institutions for persons with developmental disabilities; and international travelers to countries with high or intermediate prevalence of chronic HBV infection; and
  — all adults in the following settings: STD treatment facilities; HIV testing and treatment facilities; facilities providing drug-abuse treatment and prevention services; health-care settings targeting services to injection-drug users or men who have sex with men; correctional facilities; end-stage renal disease programs and facilities for chronic hemodialysis patients; and institutions and nonresidential daycare facilities for persons with developmental disabilities.
- Administer missing doses to complete a 3-dose series of hepatitis B vaccine to those persons not vaccinated or not completely vaccinated. The second dose should be administered 1 month after the first dose; the third dose should be given at least 2 months after the second dose (and at least 4 months after the first dose). If the combined hepatitis A and hepatitis B vaccine (Twinrix) is used, give 3 doses at 0, 1, and 6 months; alternatively, a 4-dose Twinrix schedule, administered on days 0, 7, and 21–30 followed by a booster dose at month 12 may be used.
- Adult patients receiving hemodialysis or with other immunocompromising conditions should receive 1 dose of 40 μg/mL (Recombivax HB) administered on a 3-dose schedule or 2 doses of 20 μg/mL (Engerix-B) administered simultaneously on a 4-dose schedule at 0, 1, 2, and 6 months.

13. Selected conditions for which *Haemophilus influenzae* type b (Hib) vaccine may be used

- 1 dose of Hib vaccine should be considered for persons who have sickle cell disease, leukemia, or HIV infection, or who have anatomic or functional asplenia if they have not previously received Hib vaccine.

14. Immunocompromising conditions

- Inactivated vaccines generally are acceptable (e.g., pneumococcal, meningococcal, and influenza [inactivated influenza vaccine]), and live vaccines generally are avoided in persons with immune deficiencies or immunocompromising conditions. Information on specific conditions is available at http://www.cdc.gov/vaccines/pubs/acip-list.htm.

FIGURE 3. Catch-up immunization schedule for persons aged 4 months through 18 years who start late or who are more than 1 month behind —United States • 2012

The figure below provides catch-up schedules and minimum intervals between doses for children whose vaccinations have been delayed. A vaccine series does not need to be restarted, regardless of the time that has elapsed between doses. Use the section appropriate for the child's age. **Always use this table in conjunction with the accompanying childhood and adolescent immunization schedules (Figures 1 and 2) and their respective footnotes.**

Persons aged 4 months through 6 years					
Vaccine	Minimum Age for Dose 1	Minimum Interval Between Doses			
		Dose 1 to dose 2	Dose 2 to dose 3	Dose 3 to dose 4	Dose 4 to dose 5
Hepatitis B	Birth	4 weeks	8 weeks and at least 16 weeks after first dose; minimum age for the final dose is 24 weeks		
Rotavirus[1]	6 weeks	4 weeks	4 weeks[1]		
Diphtheria, tetanus, pertussis[2]	6 weeks	4 weeks	4 weeks	6 months	6 months[2]
Haemophilus influenzae type b[3]	6 weeks	4 weeks if first dose administered at younger than age 12 months 8 weeks (as final dose) if first dose administered at age 12–14 months No further doses needed if first dose administered at age 15 months or older	4 weeks[3] if current age is younger than 12 months 8 weeks (as final dose)[3] if current age is 12 months or older and first dose administered at younger than age 12 months and second dose administered at younger than 15 months No further doses needed if previous dose administered at age 15 months or older	8 weeks (as final dose) This dose only necessary for children aged 12 months through 59 months who received 3 doses before age 12 months	
Pneumococcal[4]	6 weeks	4 weeks if first dose administered at younger than age 12 months 8 weeks (as final dose for healthy children) if first dose administered at age 12 months or older or current age 24 through 59 months No further doses needed for healthy children if first dose administered at age 24 months or older	4 weeks if current age is younger than 12 months 8 weeks (as final dose for healthy children) if current age is 12 months or older No further doses needed for healthy children if previous dose administered at age 24 months or older	8 weeks (as final dose) This dose only necessary for children aged 12 months through 59 months who received 3 doses before age 12 months or for children at high risk who received 3 doses at any age	
Inactivated poliovirus[5]	6 weeks	4 weeks	4 weeks	6 months[5] minimum age 4 years for final dose	
Meningococcal[6]	9 months	8 weeks[6]			
Measles, mumps, rubella[7]	12 months	4 weeks			
Varicella[8]	12 months	3 months			
Hepatitis A	12 months	6 months			
Persons aged 7 through 18 years					
Tetanus, diphtheria/ tetanus, diphtheria, pertussis[9]	7 years[9]	4 weeks	4 weeks if first dose administered at younger than age 12 months 6 months if first dose administered at 12 months or older	6 months if first dose administered at younger than age 12 months	
Human papillomavirus[10]	9 years	Routine dosing intervals are recommended[10]			
Hepatitis A	12 months	6 months			
Hepatitis B	Birth	4 weeks	8 weeks (and at least 16 weeks after first dose)		
Inactivated poliovirus[5]	6 weeks	4 weeks	4 weeks[5]	6 months[5]	
Meningococcal[6]	9 months	8 weeks[6]			
Measles, mumps, rubella[7]	12 months	4 weeks			
Varicella[8]	12 months	3 months if person is younger than age 13 years 4 weeks if person is aged 13 years or older			

1. **Rotavirus (RV) vaccines (RV-1 [Rotarix] and RV-5 [Rota Teq]).**
   - The maximum age for the first dose in the series is 14 weeks, 6 days; and 8 months, 0 days for the final dose in the series. Vaccination should not be initiated for infants aged 15 weeks, 0 days or older.
   - If RV-1 was administered for the first and second doses, a third dose is not indicated.
2. **Diphtheria and tetanus toxoids and acellular pertussis (DTaP) vaccine.**
   - The fifth dose is not necessary if the fourth dose was administered at age 4 years or older.
3. ***Haemophilus influenzae* type b (Hib) conjugate vaccine.**
   - Hib vaccine should be considered for unvaccinated persons aged 5 years or older who have sickle cell disease, leukemia, human immunodeficiency virus (HIV) infection, or anatomic/functional asplenia.
   - If the first 2 doses were PRP-OMP (PedvaxHIB or Comvax) and were administered at age 11 months or younger, the third (and final) dose should be administered at age 12 through 15 months and at least 8 weeks after the second dose.
   - If the first dose was administered at age 7 through 11 months, administer the second dose at least 4 weeks later and a final dose at age 12 through 15 months.
4. **Pneumococcal vaccines.** (Minimum age: 6 weeks for pneumococcal conjugate vaccine [PCV]; 2 years for pneumococcal polysaccharide vaccine [PPSV])
   - For children aged 24 through 71 months with underlying medical conditions, administer 1 dose of PCV if 3 doses of PCV were received previously, or administer 2 doses of PCV at least 8 weeks apart if fewer than 3 doses of PCV were received previously.
   - A single dose of PCV may be administered to certain children aged 6 through 18 years with underlying medical conditions. See age-specific schedules for details.
   - Administer PPSV to children aged 2 years or older with certain underlying medical conditions. See *MMWR* 2010:59(No. RR-11), available at http://www.cdc.gov/mmwr/pdf/rr/rr5911.pdf.
5. **Inactivated poliovirus vaccine (IPV).**
   - A fourth dose is not necessary if the third dose was administered at age 4 years or older and at least 6 months after the previous dose.
   - In the first 6 months of life, minimum age and minimum intervals are only recommended if the person is at risk for imminent exposure to circulating poliovirus (i.e., travel to a polio-endemic region or during an outbreak).
   - IPV is not routinely recommended for U.S. residents aged 18 years or older.
6. **Meningococcal conjugate vaccines, quadrivalent (MCV4).** (Minimum age: 9 months for Menactra [MCV4-D]; 2 years for Menveo [MCV4-CRM])
   - See Figure 1 ("Recommended immunization schedule for persons aged 0 through 6 years") and Figure 2 ("Recommended immunization schedule for persons aged 7 through 18 years") for further guidance.
7. **Measles, mumps, and rubella (MMR) vaccine.**
   - Administer the second dose routinely at age 4 through 6 years.
8. **Varicella (VAR) vaccine.**
   - Administer the second dose routinely at age 4 through 6 years. If the second dose was administered at least 4 weeks after the first dose, it can be accepted as valid.
9. **Tetanus and diphtheria toxoids (Td) and tetanus and diphtheria toxoids and acellular pertussis (Tdap) vaccines.**
   - For children aged 7 through 10 years who are not fully immunized with the childhood DTaP vaccine series, Tdap vaccine should be substituted for a single dose of Td vaccine in the catch-up series; if additional doses are needed, use Td vaccine. For these children, an adolescent Tdap vaccine dose should not be given.
   - An inadvertent dose of DTaP vaccine administered to children aged 7 through 10 years can count as part of the catch-up series. This dose can count as the adolescent Tdap dose, or the child can later receive a Tdap booster dose at age 11–12 years.
10. **Human papillomavirus (HPV) vaccines (HPV4 [Gardasil] and HPV2 [Cervarix]).**
    - Administer the vaccine series to females (either HPV2 or HPV4) and males (HPV4) at age 13 through 18 years if patient is not previously vaccinated.
    - Use recommended routine dosing intervals for vaccine series catch-up; see Figure 2 ("Recommended immunization schedule for persons aged 7 through 18 years").

Clinically significant adverse events that follow vaccination should be reported to the Vaccine Adverse Event Reporting System (VAERS) online (http://www.vaers.hhs.gov) or by telephone (800-822-7967). Suspected cases of vaccine-preventable diseases should be reported to the state or local health department. Additional information, including precautions and contraindications for vaccination, is available from CDC online (http://www.cdc.gov/vaccines) or by telephone (800-CDC-INFO [800-232-4636]).

State of Alaska Epidemiology **Bulletin**

Department of Health and Social Services
William H. Hogan, MSW, Commissioner

3601 C Street, Suite 540
Anchorage, AK 99503 http://www.epi.alaska.gov

Division of Public Health
Ward Hurlburt, MD, MPH, CMO/Director

Local (907) 269-8000
24 Hour Emergency 1-800-478-0084

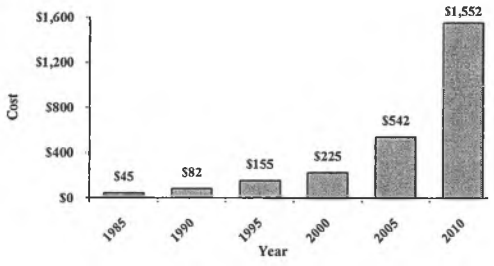
Editor:
Joe McLaughlin, MD, MPH

Bulletin No. 31 October 6, 2010

Only Pediatric/Adolescent Vaccines to be Supplied by State Beginning in 2011

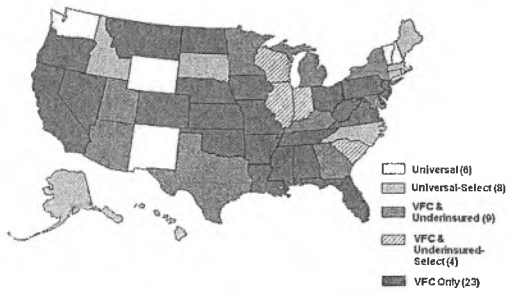
For over 30 years the Alaska Immunization Program maintained a "universal" vaccine program, distributing at no cost all Advisory Committee on Immunization Practices (ACIP)-recommended pediatric and selected adult vaccines to public and private providers in Alaska. This vaccine distribution has been supported almost entirely with two sources of federal funding. The *Vaccines for Children (VFC) Program* pays for vaccines for children who meet certain federal criteria. *Section 317 of the U.S. Public Health Service Act (317)* covers the cost of vaccines for the approximately one-third of Alaska children who are not VFC-eligible, as well as adult vaccines. As a federal entitlement program, VFC funding increases to support newly recommended vaccines for children; however, 317 funding has not kept pace with rapidly rising vaccine costs, which have risen almost seven-fold in the last 10 years (Figure 1).

Figure 1: Alaska Immunization Program Estimated Cost to Purchase Recommended Vaccines for One Child from their Year of Birth through Age 18 Years, for Selected Years from 1985 through 2010



The rising cost and growing number of recommended vaccines has made it increasingly challenging for Alaska to maintain its vaccine distribution policy; however, these challenges are not unique to Alaska. Almost one-half (23/50) of U.S. states supply vaccines only for VFC-eligible children, i.e., vaccines are not supplied for children who do not meet program eligibility criteria or for adults. Other state vaccine supply policies include *universal purchase* (all vaccines for all children), *universal purchase select* (vaccines for all children except selected expensive vaccines available for VFC-eligibles only), and *VFC and underinsured* and *VFC and underinsured select* (varying levels of coverage for underinsured children) (Figure 2).

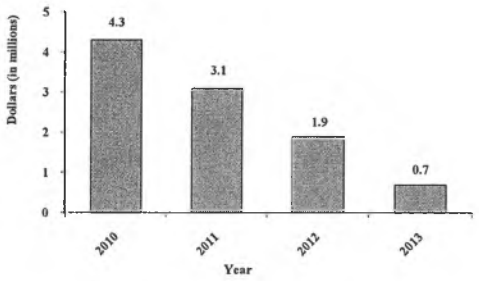
Figure 2: Public Purchase Pediatric Vaccine Supply Policy — United States, July 2010[1]



Alaska's vaccine purchases are supported almost entirely with funding from the U.S. Centers for Disease Control and Prevention (CDC). In 2008, CDC informed Alaska that the state had been "significantly overfunded" relative to other state and local immunization programs for many years, and the agency could no longer support Alaska's universal immunization program. CDC agreed to maintain 317 funding at ~$4.3 million through 2010, with the understanding that funding would decrease in subsequent years.

To meet the challenges presented by increased vaccine costs and reduced funding, Alaska has taken incremental steps to reduce vaccine expenditures while trying to maintain maximum availability of pediatric vaccines. In 2007, the Immunization Program discontinued shipments of adult influenza vaccine to private providers. In January 2009, the state limited the provision of human papillomavirus (HPV) and meningococcal conjugate vaccines to children who met the federal eligibility requirements of the Vaccines for Children (VFC) Program.[2] These program modifications helped trim vaccine costs by more than $2 million per year. However, CDC has notified Alaska that, beginning in 2011, the state's 317 vaccine dollars will be reduced by ~$1.2 million for each of the next 3 years, at which time Alaska's funding will be proportionate to that received by other immunization programs in the United States (Figure 3). Therefore, a change in Alaska's vaccine supply policy is necessary (Box).

Figure 3: Projected 317 Vaccine Funding for Alaska, 2010–2013



Box. The Alaska Immunization Program's 2011 Vaccine Supply Policy

Due to the increased cost of vaccines and federal 317 funding cuts, the following Alaska Immunization Program vaccine supply policy will become effective on **January 1, 2011**:

- All ACIP-recommended pediatric vaccines except HPV and MCV4 will continue to be supplied for all children through age 18 years. HPV and MCV4 will continue to be available for VFC-eligible children only.
- **Adult vaccines that historically have been provided by the Alaska Immunization Program (i.e., influenza, pneumococcal, tetanus/diphtheria) will no longer be supplied to public or private sector providers.**

Alternate Resources Available for Adult Vaccines

Private insurance policies and Medicare frequently support the cost of adult vaccines. Resource information related to Medicare billing and other potential funding sources is posted on the Section of Epidemiology website.[3] Manufacturer contact information for vaccine ordering also is included.

Conclusion

Although the Alaska Immunization Program regrets this policy change for adult vaccines, we are pleased that we can continue to provide pediatric vaccines at the current level throughout 2011. As the state's 317 funding levels continue to decrease over the next 3 years, this pediatric policy may need to be reconsidered. We will also continue to monitor the implementation of the Patient Protection and Affordable Care Act to determine its potential impact on vaccine funding in the future. To the greatest extent possible, we will continue our commitment to eliminate vaccine-preventable diseases in Alaska's children.

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2. Alaska Section of Epidemiology. Alaska to Initiate Federal Vaccines for Children Program for Human Papillomavirus and Meningococcal Vaccines. *Bulletin* No. 21, November 3, 2008. Available at: http://www.epi.hss.state.ak.us/bulletins/docs/b2008_21.pdf
3. Alaska Section of Epidemiology. Adult Vaccine Availability: A Resource Guide for Alaska Immunization Providers. Available at: http://www.epi.alaska.gov/id/iz/AdultVaccineResources.pdf

(Contributed by Laurel Wood, MPA, Immunization Program Manager, Section of Epidemiology)

State of Alaska Epidemiology **Bulletin**

Department of Health and Social Services
William J. Streur, Commissioner

Division of Public Health
Ward B. Hurlburt, MD, MPH, CMO/Director

Editors:
Joe McLaughlin, MD, MPH
Louisa Castrodale, DVM, MPH

3601 C Street, Suite 540
Anchorage, AK 99503 http://www.epi.Alaska.gov

Local (907) 269-8000
24 Hour Emergency 1-800-478-0084

Bulletin No. 28 October 19, 2011

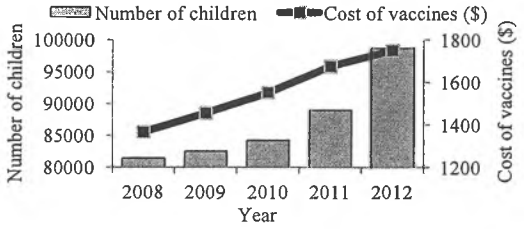
Further Cuts in State-Provided Vaccines for VFC-Ineligible Children in 2012

Background

In Alaska, state-supplied childhood vaccines are funded almost entirely through two federal funding sources. The primary source is the *Vaccines for Children (VFC) Program*, which pays for all Advisory Committee on Immunization Practices (ACIP)-recommended vaccines for children who are Medicaid eligible, American Indian/Alaska Native, and uninsured. Underinsured children (i.e., children with private health insurance that covers no or only selected vaccines, or caps vaccine coverage at a certain amount) are also eligible to receive VFC vaccine, but only if they are seen at a specified Rural Health Clinic (RHC) or at a Federally Qualified Health Center (FQHC). FQHCs are health centers designated by the federal Health Resources and Services Administration to provide health care to medically underserved populations.

The second funding source is *Section 317 of the U.S. Public Health Service Act (317)*, which provides limited vaccine funding for VFC-ineligible persons (i.e., adults, fully insured children, and underinsured children who are not seen at a FQHC or a RHC). The number of VFC-ineligible children in Alaska is increasing steadily, as is the cost to fully vaccinate a child through age 18 years (Figure).[1,2] Of the estimated 98,689 Alaska children who will be VFC-ineligible in 2012, 46,884 (48%) will be underinsured.[1]

Figure. Number of VFC-Ineligible Children and Estimated Cost of Recommended Vaccines for One Child from Birth through Age 18 Years — Alaska, 2008–2012



On October 6, 2010, the Section of Epidemiology (SOE) published a *Bulletin* describing a $1.2 million annual decrease in Alaska's 317 federal funding for 3 years starting in 2011 (from $4.3 million in 2010 to $700,000 in 2013).[3] The rationale for the cuts was that Alaska had been "significantly overfunded" relative to other state immunization programs for many years and, due to budgetary constraints, the U.S. Centers for Disease Control and Prevention (CDC) was no longer able to support Alaska's universal immunization program.[3]

In order to absorb this enormous reduction in 317 funding, the Alaska Immunization Program has implemented mitigation measures over the past 2 years, including the following:

- Discontinuation of 317-funded adult vaccines;[3]
- Discontinuation of 317-funded meningococcal (MCV4) and human papillomavirus (HPV) vaccine for VFC-ineligible children;[3]
- Requiring dose-level accountability for state-supplied vaccine;[4] and
- Educating providers on ways to reduce vaccine wastage.[5]

Alaska's 317-funded Vaccines in 2012

Alaska's 317 budget for 2012 is $1.9 million. To meet this budget, the Immunization Program must further reduce the number of 317-funded vaccines available for Alaska's VFC-ineligible children. Factors involved in deciding which vaccines to cut in 2012 included public health impact, vaccine costs, and school/childcare compliance requirements.

In addition to HPV and MCV4, the following three vaccines will no longer be supplied by the state for VFC-ineligible children: as of January 2012, *pneumococcal conjugate (PCV 13) and rotavirus*; as of July 2012, *influenza* (Table).

Table. State-Supplied Vaccines that will be Available to VFC-Ineligible Children in Alaska in 2012

ACIP Recommended Childhood Vaccines	Estimated Cost of Vaccines for VFC-Ineligible Children in 2012	State-Supplied Vaccines Available in 2012 to VFC-Ineligible Children
DTaP	$234,038	Available
Hepatitis A	$177,755	Available
Hepatitis B	$106,463	Available
Hib	$137,498	Available
HPV	$350,307	Not available *(as of 1/09)*
Influenza	$371,881	Not available *(as of 7/12)*
MCV4	$256,695	Not available *(as of 1/09)*
MMR	$143,497	Available
PCV 13	$1,655,175	Not available *(as of 1/12)*
Polio	$152,783	Available
Rotavirus	$530,870	Not available *(as of 1/12)*
Td/Tdap	$132,449	Available
Varicella	$779,434	Available
Total Cost	**$5,028,845**	**$1,863,917** (for available vaccines)

Some Good News

In the near future, public health centers statewide will be able to provide VFC-funded vaccines to underinsured children.

Here's how: FQHCs are allowed to vaccinate underinsured children using VFC vaccine. Additionally, FQHCs are allowed to delegate their authority to (i.e., deputize) public health VFC providers (e.g., public health centers and local health departments) to vaccinate underinsured children on their behalf. On September 23, 2011, the Anchorage Neighborhood Health Center (an FQHC) signed a memorandum of agreement with SOE that authorizes the Alaska Immunization Program to administer delegation of authority to SOA public health centers statewide to vaccinate underinsured children using VFC vaccine. PHCs will implement this authority as soon as possible.

Recommendations

1. Health care providers *must screen all children for VFC-eligibility at each visit* prior to administering state-supplied vaccine;[6] VFC-ineligible children may only receive select state-supplied vaccines (Table).
2. Underinsured children may be referred to an FQHC, RHC, or public health center where they are eligible to receive all ACIP-recommended vaccines for free under the VFC Program.
3. Manufacturer contact information for vaccine ordering is posted on the SOE website to assist providers in purchasing vaccines for VFC-ineligible children.[7]

References

1. Unpublished data obtained from CDC's 2011 Vaccine Cost Affordability Tool.
2. CDC's Vaccine Price List. Updated September 29, 2011. Available at: http://www.cdc.gov/vaccines/programs/vfc/cdc-vac-price-list.htm
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7. Alaska Immunization Program homepage. Available at: http://www.epi.alaska.gov/id/immune.stm

(Contributed by: Gerri Yett, RN, MSN, CHES and Cristi Chambers, MPH, Alaska Immunization Program, Section of Epidemiology.)

VACCINES

Vaccine Name	Why get vaccinated?	Who should get vaccine and when?
◊**DTaP** Diptheria Tetanus (Lockjaw) and Pertussis (Whooping Cough)	Diphtheria and pertussis are spread from person to person and tetanus enters the body through cuts or wounds. Diphtheria causes a thick coating in the back of the throat and can lead to breathing problems, paralysis, heart failure and even death. Tetanus (lockjaw) causes painful tightening of muscles usually all over the body. Tetanus leads to death in up to 2 out of 10 cases. Pertussis causes coughing spells so intense it is hard for infants to eat, drink and breathe. Can lead to pneumonia, seizures, brain damage, and death. 10 infants died from pertussis in California in 2010 – all were too young to be protected by vaccine.	Children should get 5 does at: 2 months, 4 months, 6 months, 15-18months, 4-6 years. Not for persons 7 years or older.
◊**Td/Tdap** Tetanus, Diphtheria (Td) or Tetanus, Diphtheria, pertussis (Tdap)	Diphtheria and pertussis are spread from person to person and tetanus enters the body through cuts or wounds. Diphtheria causes a thick coating in the back of the throat and can lead to breathing problems, paralysis, heart failure and even death. Tetanus (lockjaw) causes painful tightening of muscles usually all over the body. Tetanus leads to death in up to 2 out of 10 cases. Pertussis causes coughing spells so bad it is hard for infants to eat, drink and breathe. Can lead to pneumonia, seizures, brain damage, and death.	Children age 6 and younger are routinely vaccinated, but persons older than 6 need protection too. Vaccine can be used as a catch-up for people who didn't get all doses of **DTaP** or **TTP** when they were children, as a booster dose every 10 years, and as protection against tetanus infection after a wound.
◊**Hepatitis A**	Serious liver disease caused by hepatitis A virus found in the stool of people with the disease. Causes flu-like symptoms, jaundice, severe stomach pains, and diarrhea. 1 in 5 people have to be hospitalized, 3-6 deaths per 1000 cases. Routine hepatitis A vaccination in Alaskan children has controlled hepatitis A transmission so that cases are very rarely seen.	Children between 12 and 23 months of age and anyone who wants protection. 2 doses are needed for lasting protection at least 6 months apart.
◊**Hepatitis B**	Serious disease that affects the liver. Acute illness can lead to loss of appetite, tiredness, pain in muscles, joints and stomach, diarrhea and vomiting, and jaundice. Chronic infection can be serious and often leads to liver damage, liver cancer, and death. Chronic infection is more common in infants and children than adults and leads to about 3,000-5,000 deaths due to cirrhosis or liver cancer that is caused by the virus. Routine vaccination has nearly eliminated new hepatitis B cases among vaccinated persons.	Children should receive 1st dose at birth and have completed series by 6-18 months of age and anyone who wants protection. Given in a series of 3-4 shots.
◊**Hib** Haemophilus influenza type b	Serious disease caused by bacteria and usually strikes children under 5 years old. The germs spread from person to person. If the germs stay in the child's nose and throat, the child will probably not get sick, but sometimes the germs spread into the lungs or bloodstream. Hib disease can lead to meningitis which is an infection of the brain and spinal cord coverings, which can lead to lasting brain damage and deafness. Hib also causes pneumonia, severe swelling in the throat, infections of blood, joints, bones, and coverings of the heart, and death.	Children should get vaccine at 2 months, 4 months, 6 months and 12-15 months(depending on brand of vaccine 6 month dose may not be needed.) Children over age 5 usually do not need vaccine, but older children or adults with special health conditions should consult their doctors for consideration.

Influenza Flu	Influenza (flu) is a contagious disease and can be spread by coughing, sneezing, or nasal secretions. Symptoms typically last four or five days and include: fever/chills, cough, sore throat, headache, muscle aches, runny or stuffy nose, and fatigue. Young children, people 65 and older, pregnant women, people with certain health conditions or a weakened immune system can get much sicker. Each year thousands of people die from influenza and even more require hospitalization.	2 types of vaccine: inactivated (killed) is given by injection with a needle and live, attenuated (weakened) is sprayed into the nostrils. A high dose inactivated vaccine is available for people 65 years or older. All people 6 months of age and older are recommended to get the flu vaccine.
◊MMR Measles, Mumps & Rubella (German Measles)	Measles virus causes rash, cough, runny nose, eye irritation and fever. It can lead to ear infection, pneumonia, seizures, brain damage, and death. Mumps virus causes fever, headache, and swollen glands and can lead to deafness, meningitis, painful swelling of the testicles or ovaries and, rarely, death. Rubella virus causes rash, mild fever, and arthritis (mostly in women.) If a woman gets rubella while she is pregnant, she could have a miscarriage or her baby could be born with serious birth defects.	It is recommended for children to get 2 doses at 12-15 months of age and 4-6 years old. Children can get 2nd dose at any age as long as it's at least 28 days after 1st dose.
PCV 13 Pneumococcal Conjugate	Infection with Streptococcus pneumonia bacteria can make children very sick. It causes blood infections, pneumonia, and meningitis mostly in young children. Although it is relatively rare (less than 1 case per 100,000), it is fatal in about 1 of 10 cases. It can lead to other health problems including deafness and brain damage. Children younger than age 2 are at highest risk for serious disease, bacteria is spread from person to person through close contact, some infections are hard to treat because some strains of the bacteria have become resistant to the drugs that are used to treat them.	There are more than 90 types of pneumococcal bacteria and PCV13 protects against 13 of the most severe. It is recommended for infants and children under 2 years of age in a series of 4 doses at ages: 2 months, 4 months, 6 months, and 12-15 months. Some children over age 2 and children with certain medical conditions should receive 1 dose, but consult your doctor first for more information.
◊Polio (IVP)	Polio is a disease caused by a virus. It enters the body through the mouth and sometimes it doesn't cause serious illness, but other times it causes paralysis and even death. A 1916 polio epidemic in the US killed 6,000 and paralyzed 27,000 more. There is a world wide effort to eliminate polio, no wild polio has been reported in the US for over 20 years.	Inactive Polio Vaccine is a shot given in the arm or leg depending on age. Children are recommended to get 4 doses at ages: 2 months, 4 months, 6-18 months, and 4-6 years. Adults who have never had the vaccine should consider receiving a recommended 3 doses: 1st at any time, 2nd dose 1-2 months later and 3rd dose 6-12 months after the 2nd dose. Booster doses are available for adults.
***Rotavirus**	A virus that causes diarrhea (sometimes severe), mostly in babies and young children. Often accompanied by vomiting and fever and can lead to dehydration. Since vaccine use commenced in 2006, by 2010 the number of babies and young children needing emergency care or hospitalization for rotavirus has decreased by 85%.	Vaccine is an oral (swallowed) vaccine and not a shot. There are two brands and both are effective, your baby should get 2-3 doses depending on the brand. Doses are recommended at age 2 months, 4 months, and 6 months (if needed).

◊**Varicella** Chickenpox	Common childhood disease, usually mild, but can be serious in young infants and adults. It causes a rash, itching, fever, and tiredness. Can lead to severe skin infections, scars, pneumonia, brain damage, or death. The virus is spread from person to person through the air or by contact with fluid from chickenpox blisters. A person who has had chickenpox can get a painful rash called shingles years later. Before the vaccine about 11,000 people were hospitalized each year and about 100 people died each year a result of chickenpox in the US. Vaccine helps to prevent and decrease the severity in the chance that they do get chickenpox.	Children who have never had chickenpox should get 2 doses of the vaccine at ages 12-15 months and 4-6 years of age. People over 13 years of age and older who have never had the disease should get 2 doses of the vaccine at least 28 days apart.
***HPV** Human Papillomavirus	The most commonly sexually transmitted virus in the US. More than ½ of sexually active men and women are infected with HPV at some time in their lives. HPV infections don't cause any symptoms on their own, but can cause cervical cancer in women (2nd leading cause of cancer deaths among women in the world). In US about 10,000 women get cervical cancer every year and about 4,000 are expected to die from it. Vaccine can also prevent vaginal and vulvar cancer in females and genital warts and anal cancer in both males and females.	Vaccine recommended for girls ages 11-12 and also women 13-26 and men 9-26 years of age. Best to be vaccinated before first sexual contact. Vaccine is given in 3 doses, 1 now, 1-2 months after 1st dose, and 6 months after 1st dose.
***MCV4** Meningococcal, Meningitis	Meningococcal disease is a rare but serious bacterial illness and the leading cause of bacterial meningitis (infection of the covering of the brain and spinal cord) in children 2-18 year old in US. It also causes blood infections. Those most at risk include infants less than one year of age and people 16-21 years old, children with certain medical conditions and college freshmen living in dorms. Meningococcal infections can be treated with drugs such as penicillin, still many people who get the disease die from it and many others are affected for life.	There are 2 types of the vaccine, MCV4 is preferred for people 55 years of age and younger and MPSV4 is for people 55 and older. Both vaccines can prevent 4 types of meningococcal disease including 2 of the 3 types most common in the US and a type that causes epidemics in Africa. The other types of the disease the vaccine cannot protect against. 2 doses are recommended for adolescents 11-18 with 1st dose at 11 or 12 years old and a booster at age 16. If the 1st dose is given between ages 13-15 then booster should be given at age 18 and if 1st dose isn't given until 16th birthday a booster is not needed.

* will be NOT be covered in SB 144

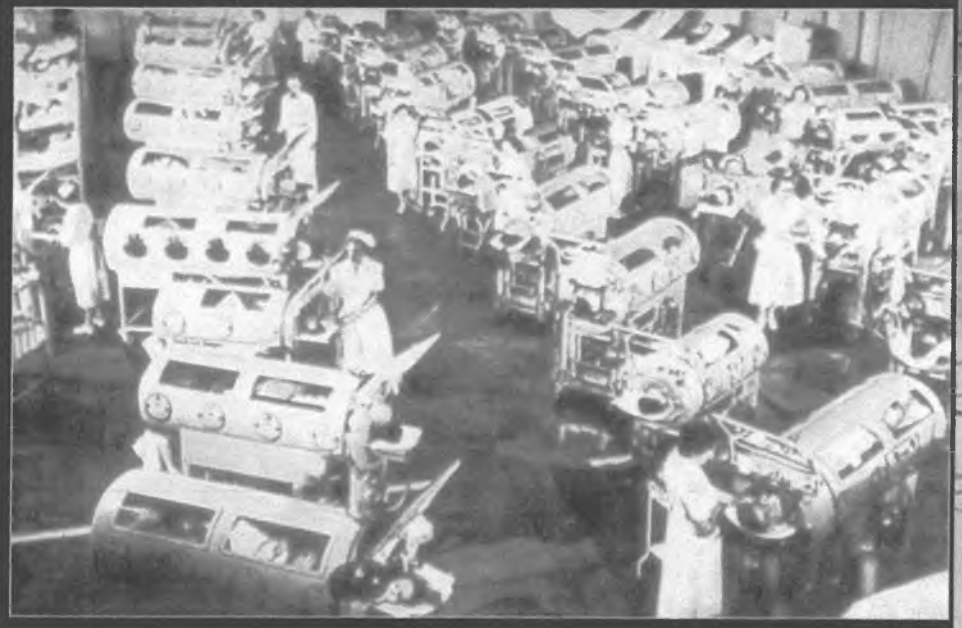
◊ Vaccines that are required by Alaska Regulations for school/child care/head start/preschool (Hib under age 5 only,)

-All persons should consult with their doctors before receiving vaccinations to learn about risks and talk about their specific health needs.

-Information in this table was found on the Centers for Disease Control and Prevention Website. For more detailed information go to: http://www.cdc.gov/

What have vaccines done for you lately?







October 2011

ANTHC Immunization Program;

Rosalyn Singleton MD MPH

rs2@cdc.gov

729-3418

Impact of Vaccines

Comparison of disease: before vaccine and 2006

Disease	Pre-vaccine Era*	2006**	% decrease
Diphtheria	175,885	0	100
Measles	503,282	55	99.9
Mumps	152,209	6,584	95.7
Pertussis	147,271	15,632	89.4
Polio (paralytic)	16,316	0	100
Rubella	47,745	11	99.9
Congenital Rubella Syn.	823	1	99.9
Tetanus	1,314	41	96.9
H. influenzae type b and unknown (<5 yrs)	20,000+	208	99.0
Total	1,064,854	22,532	97.9

* Baseline 20th century annual morbidity

\+ Estimated because no national reporting existed in the pre-vaccine era

** Source: *MMWR* 2007;56(33):851-64

Herd Immunity



If enough children are vaccinated then a disease cannot spread in their community. This is known as “community” or “herd immunity”

Polio

- In 1952 there were 21,000 cases of paralytic polio in the US
- The last case of polio in the US occurred in 1979
- Polio continues in India, Nigeria, Afghanistan, and Pakistan
- Polio is just one plane flight away



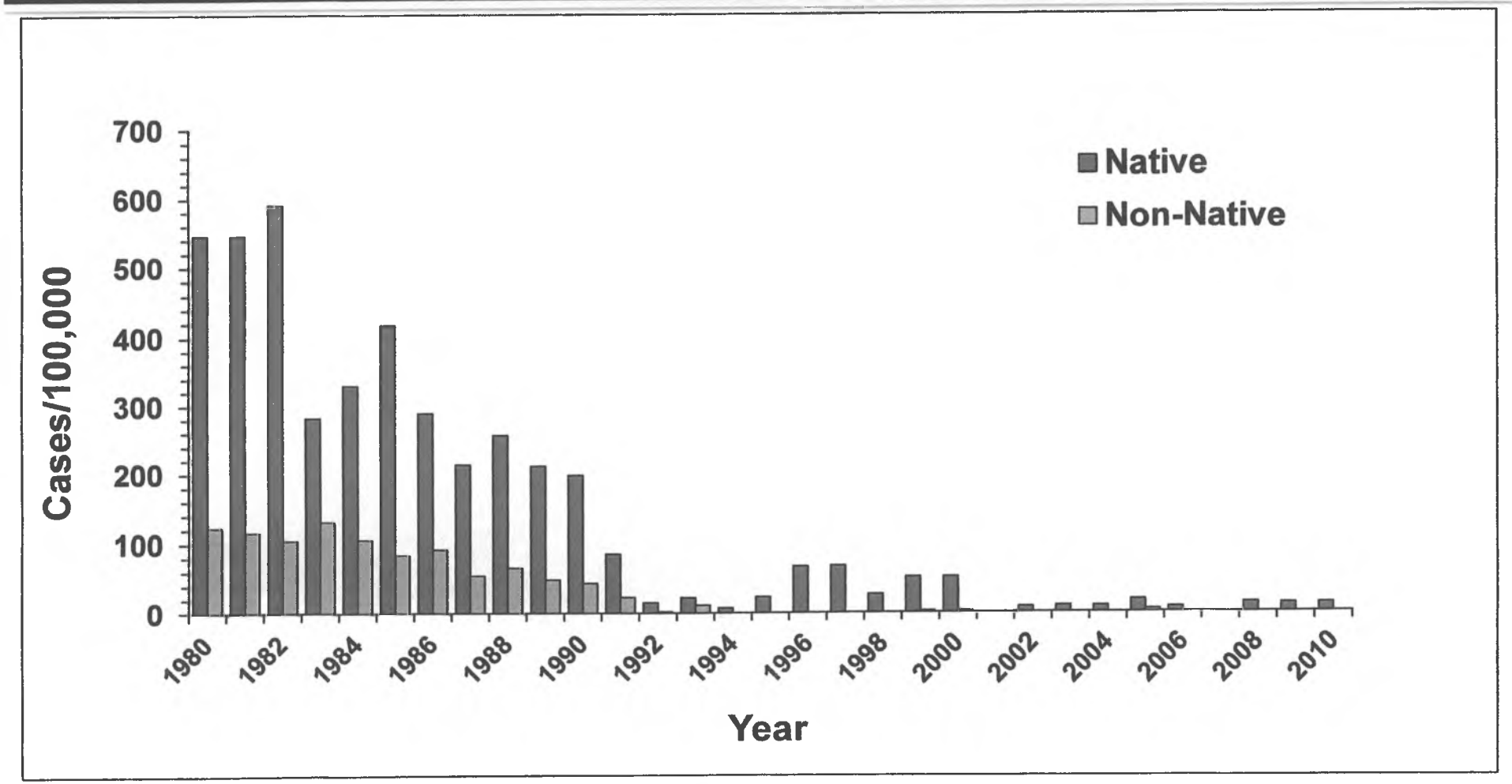
Diphtheria



- In 1925 a diphtheria epidemic threatened Nome. The nearest serum was in Anchorage.
- A relay of dog teams rushed the vaccine from Nenana to Nome.
- Gunnar Kaasen and his dog Balto drove the final legs into Nome
- The serum arrived in time to prevent the epidemic and save hundreds of lives.



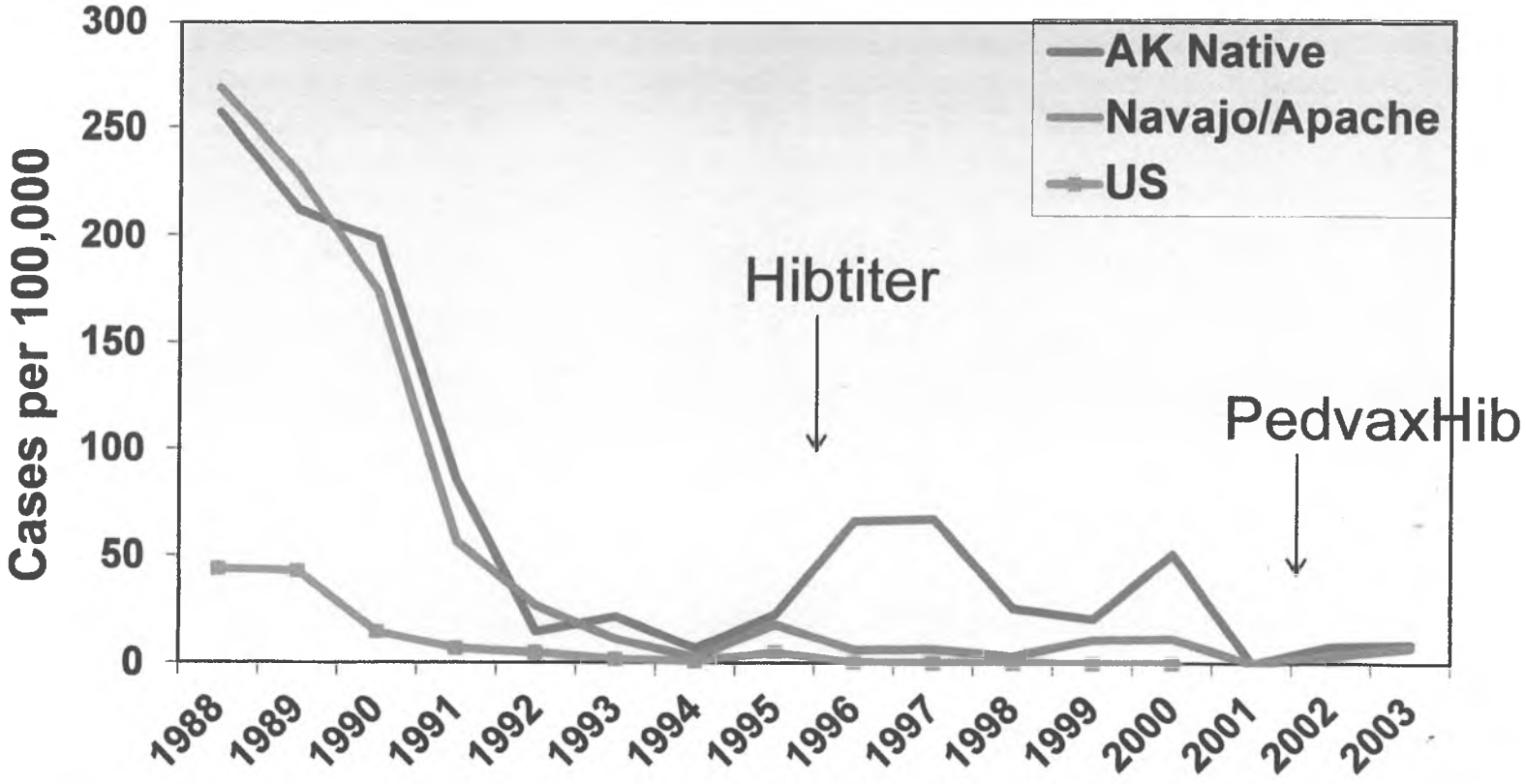
Invasive Hib Disease, Children Aged <5 yrs, Alaska, 1980-2010



Singleton, Pediatrics 2006 & CDC unpublished data

Decline in Hib Disease:
US, Navajo/ Apache, AK Native,1988-2003

Before Hib vaccination started in 1990, Alaska Native children were 6 times More likely than other US children to get Hib meningitis. Now Hib meningitis Is rare because of routine childhood vaccination.



Millar EV, et al. Clin Infect Dis 2005; 40:823-30, CDC, AIP-CDC

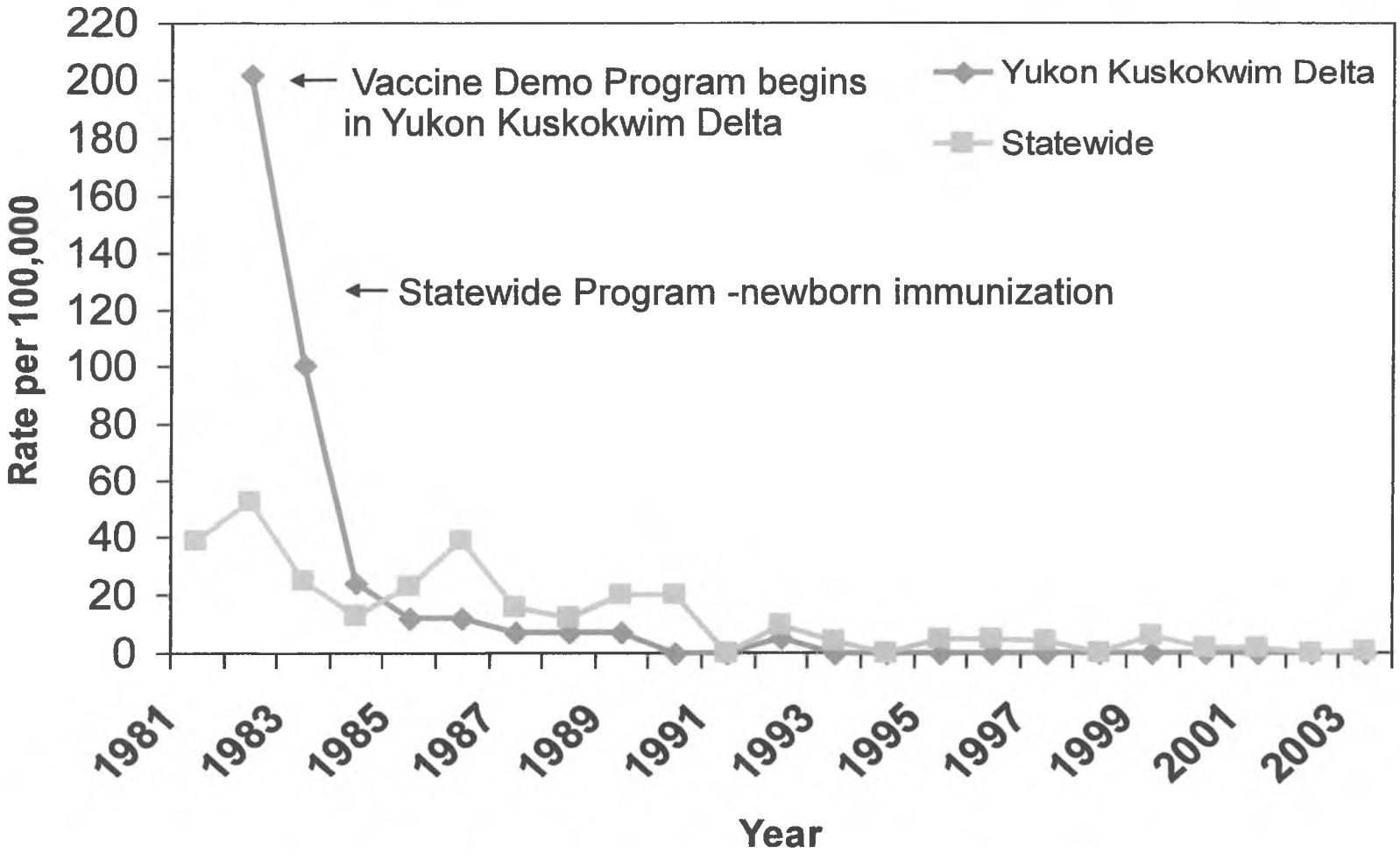
Hepatitis B in Alaska Native persons

- Before Vaccine :
  - 6% had been infected
  - 1500 hepatitis B carriers
  - Incidence 50 times the general U.S. population
- Vaccination strategies
  - universal infant & catch-up vaccination starting in 1983
- Post-Vaccine Rate
  - declined from 250 to <0.4/ 100,000
  - lowest hepatitis B incidence of any U.S. ethnicity.



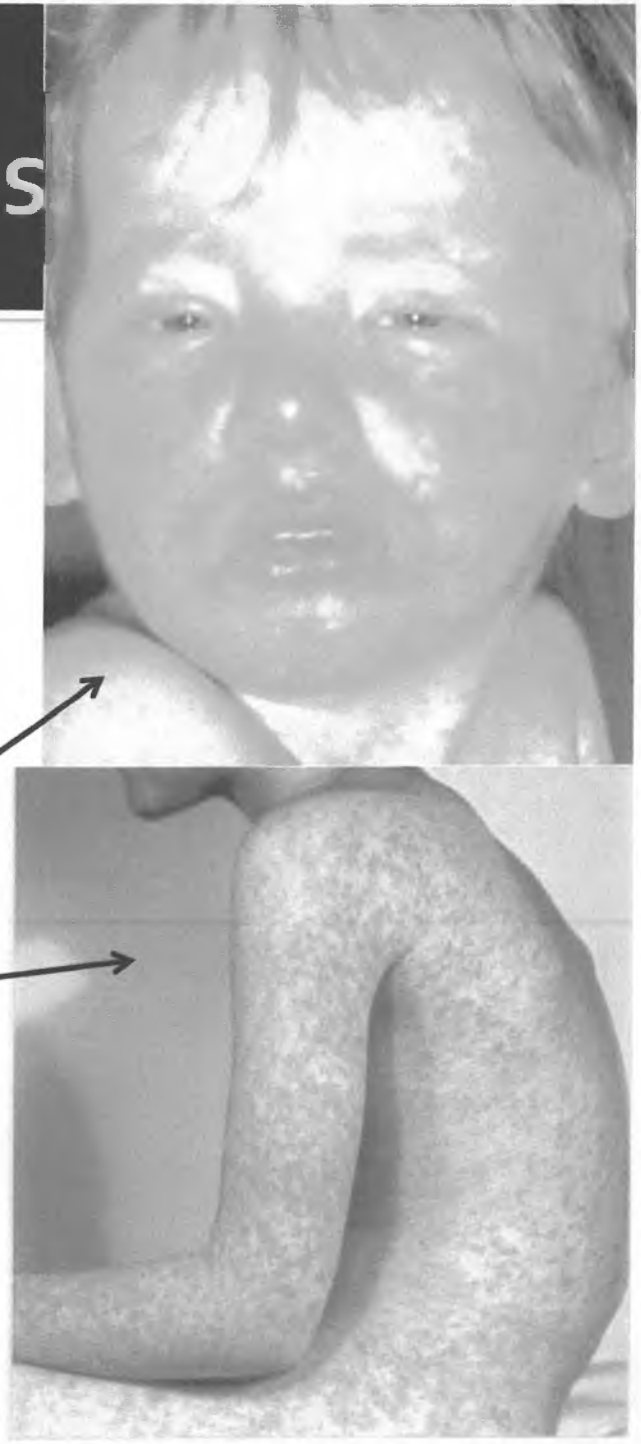
Harpaz. Elimination of new Hepatitis B infections. J Infect Dis 2000;181;413-8

Incidence Symptomatic Hepatitis B in AK Native Persons 1981- 2003

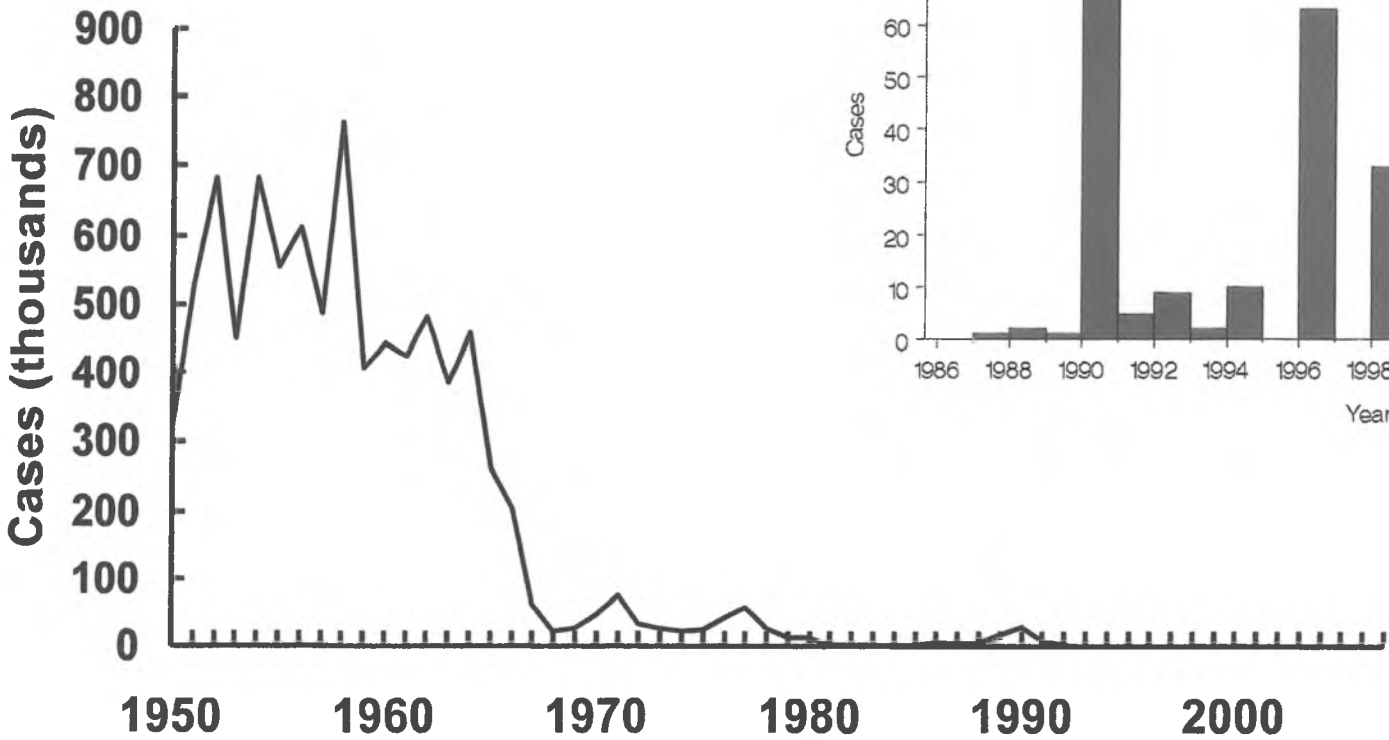


Measles Clinical Features

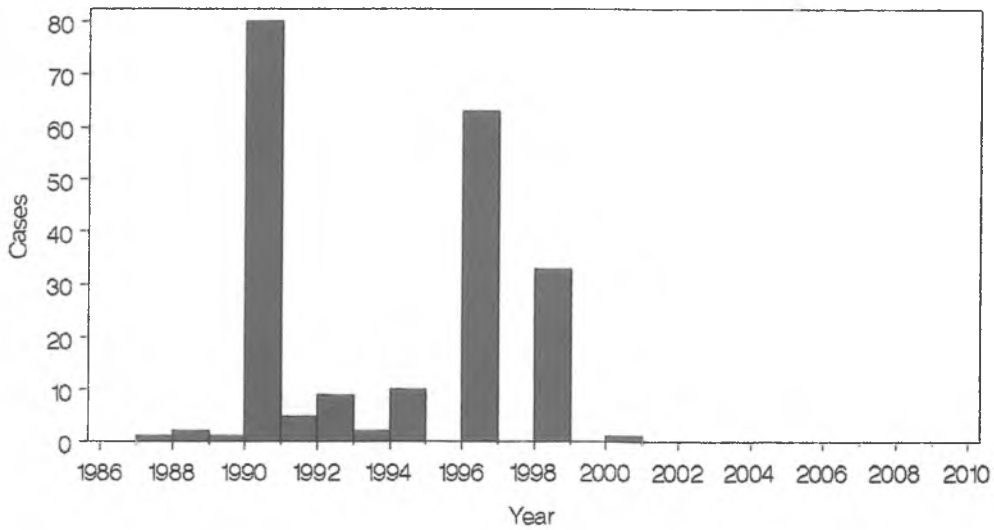
- Highly contagious viral illness
- Incubation period 10-12 days
- Prodrome
  - Stepwise increase in fever to 103°F+
  - Cough, coryza, conjunctivitis
  - Rash – maculopapular, 2-4 days after prodrome beginning face and head



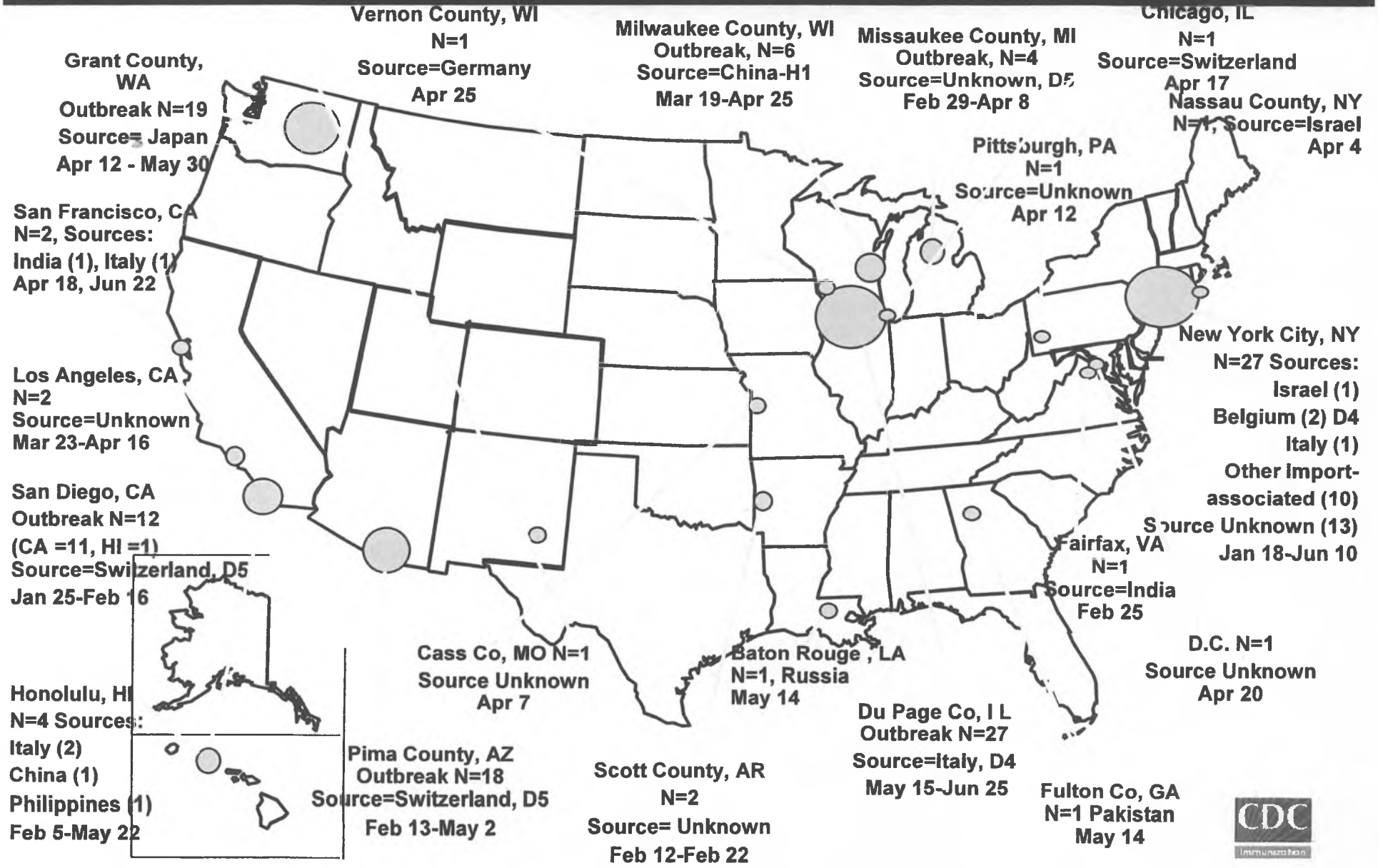
Measles - United States, 1950-2007



Measles in Alaska 1986-2010

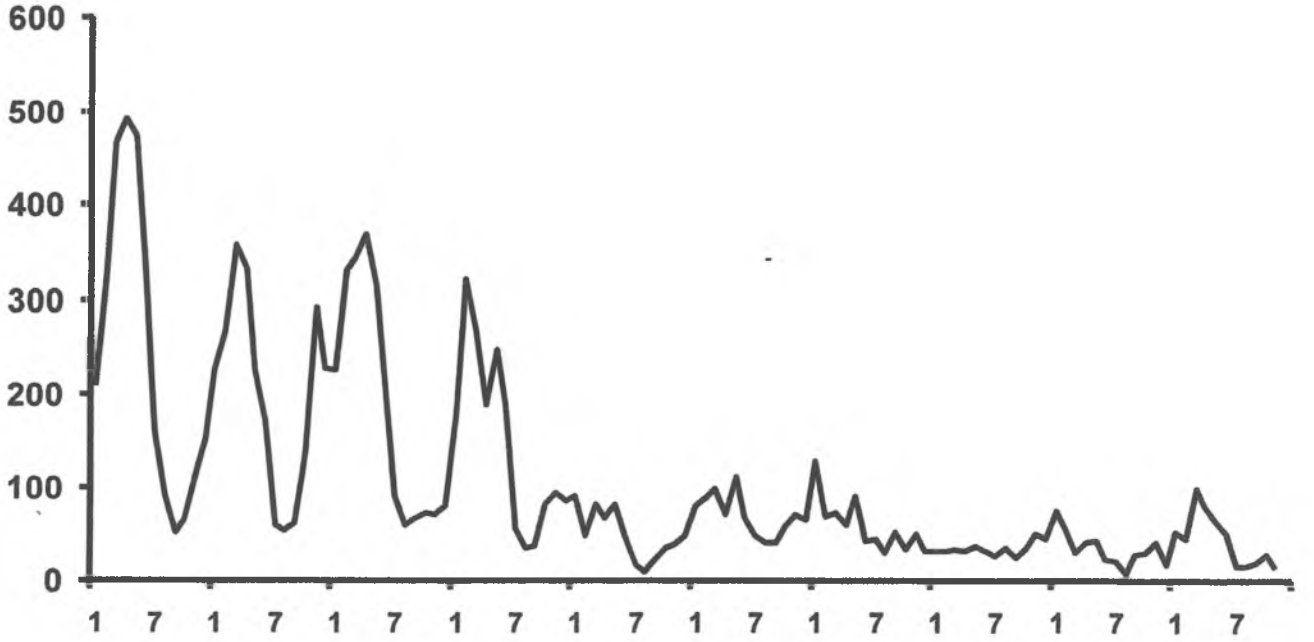


Measles Cases Reported to CDC/NCIRD
January 1 to July 11, 2008 (N= 132)



Varicella Cases by Month - Antelope Valley, CA, 1995–2004

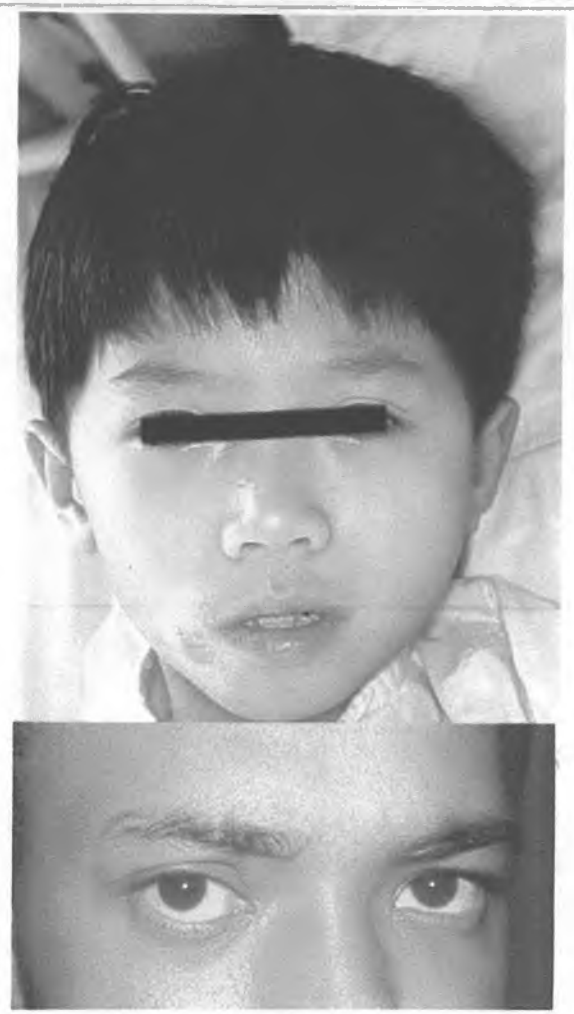
- Varicella cases decrease in Antelope Valley, CA, 1995-2004



- Varicella hospitalizations decreased 80% since vaccine
- Varicella deaths have plummeted 88% since vaccine

Hepatitis A in Alaska

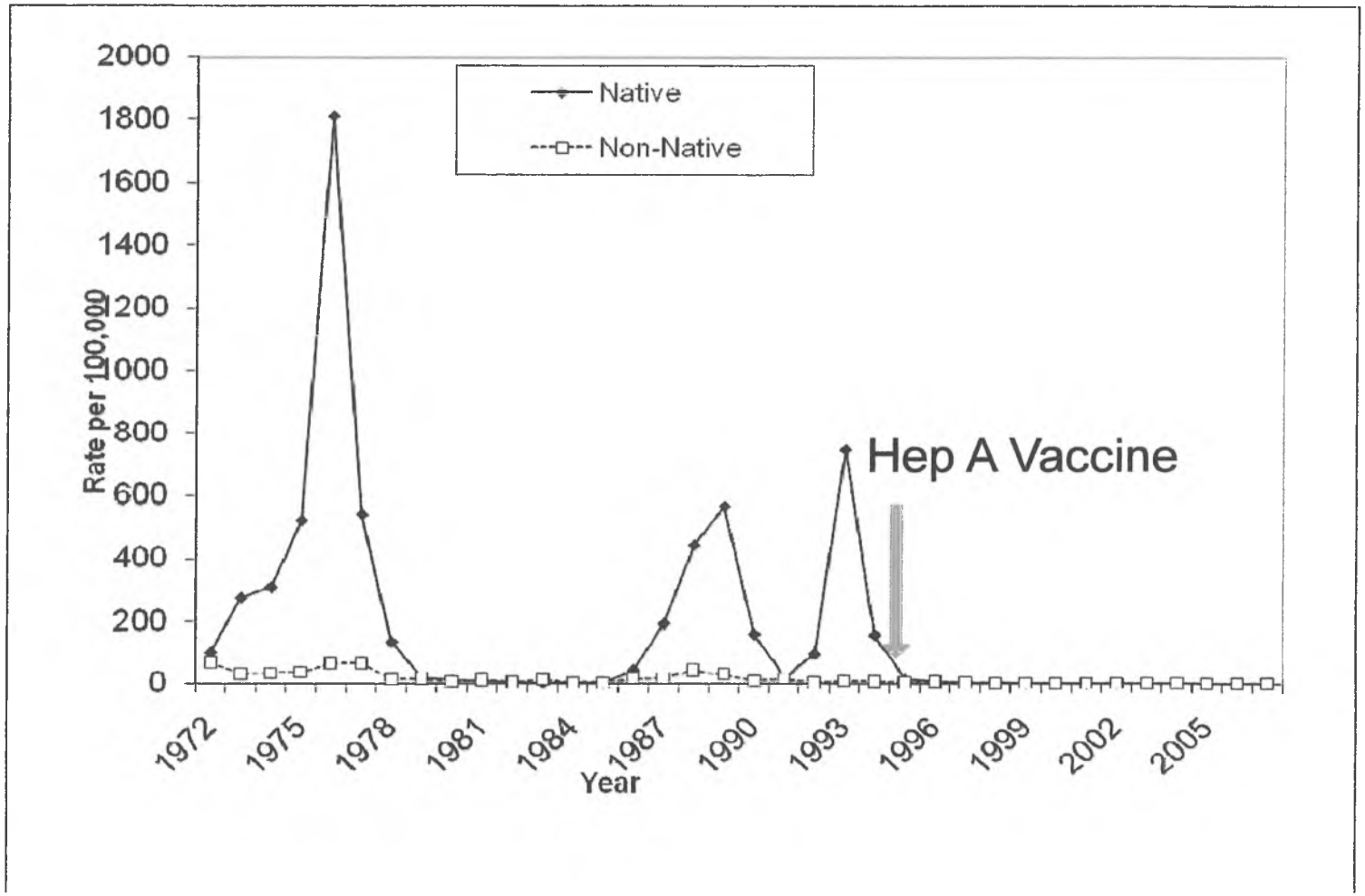
- Pre-Vaccine Incidence –
  - Large outbreaks
  - Lifetime risk in villages ~90%
  - 1992-3 : 4 deaths from fulminant Hep A
- Hepatitis A Vaccine (1996)
  - Universal vaccine for children
  - School requirement
- Rates have declined >99%
  - Rate now lower than US rate
  - No epidemics! – no transmission in villages



CDC MMWR 1992;41:6

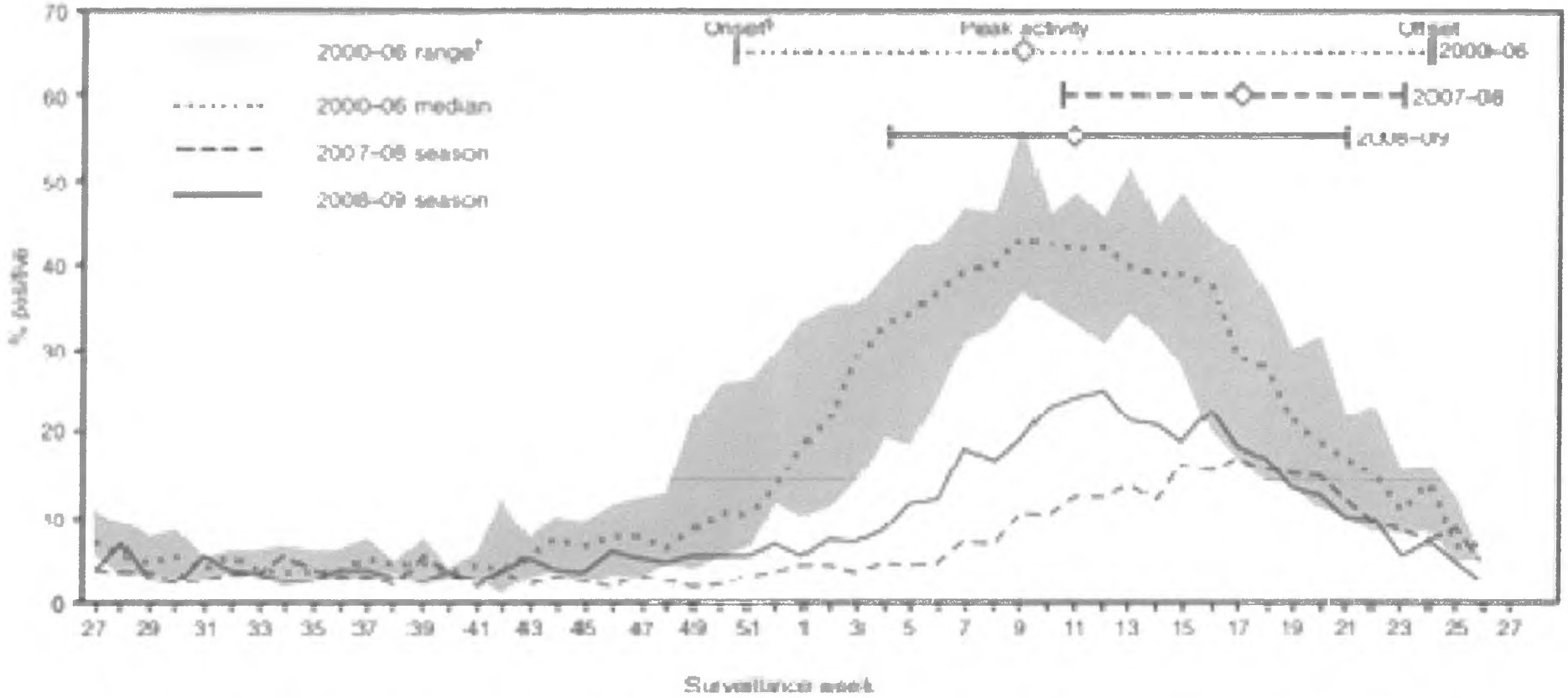
Bialek. Hepatitis A in AI/AN. Am J Pub Hlth 2004;94 996-1001

Incidence of Hepatitis A infections in Alaskans,
Native and Non-Native, 1972-2007



Singleton, McMahon, Castrodale et al. Impact of vaccine program in Alaska VACCINE 2010;28:6298-304

National Rotavirus Surveillance



Percentage of rotavirus positive results, by surveillance week National Respiratory and Enteric Virus Surveillance System (NREVSS), United States, July 2000--June 2009*.

Varicella (Chickenpox): Not always a "Harmless" Childhood Disease

- Before vaccine there were 100 deaths/yr from complications of chicken pox
- Varicella deaths decreased 88% since routine vaccination
- Adolescents and adults get much sicker with natural chicken pox.
- Some breakthrough chicken pox infections after vaccine occur - usually very mild.
- Varicella vaccine is recommended at 1 year of age; second dose at school entry.



Rotavirus Disease and Rotavirus vaccine



- **Rotavirus**
  - Most common cause of diarrhea, peak at 6-24 months
  - 1/3 of diarrhea hospitalizations
  - 55,000 hospitalizations in the US
  - 550,000 clinic and ER visits in the US
- **Rotavirus vaccine - provided by the State**
  - Studies show Efficacy: 98% reduction of severe rotavirus
- **Rotavirus disease post-vaccine**
  - Significant decrease in diarrheal hospitalizations in children
  - Significant drop in all Rotavirus hospitalizations in US since Rotavirus vaccine became available ~ 2007

SB 146

<TARGET><BILL>SB 146</BILL><SUBJECT>SB 146</SUBJECT><COMM>SFIN27</COMM></TARGET>

ALASKA STATE LEGISLATURE

716 W 4th Avenue, Suite 460
Anchorage AK 99501-2133
907-269-0181
Fax: 907-269-0184

State Capitol
Juneau AK 99801-1182
907-465-4843
Fax: 907-465-3871
800-892-4843

Senator Cathy Giessel

Senate District P

Senate Bill 146
Sponsor Statement

"An Act establishing a snow classic as an authorized form of charitable gaming."

Senate Bill 146 would allow Four Valleys Community School, Inc. to conduct a "snow classic" to raise funds for their organization. The snow classic would be operated much like other contests already allowed under statute: contestants would buy a ticket and guess the depth of snow accumulated by a specific date and time on Mount Alyeska. The winner would receive half of the net proceeds from the fundraiser.

Four Valleys Community School, Inc. (FVCS) is a nonprofit organization that annually offers more than 250 classes through the year and sponsors community events. While most of the participants are Turnagain Arm area residents, people from neighboring communities such as Anchorage, Eagle River, and Homer have participated in FVCS events. FVCS also supports athletes and local high school graduates with scholarships.

When community school funding from the Anchorage School District was eliminated, local residents supported FVCS becoming a 501c(3) nonprofit to ensure that lifelong learning and recreational opportunities remain available to the community. FVCS recruited volunteers to administer and teach, secured corporate and private donations, and fostered community involvement. Operating the snow classic will help achieve the short-term goal of self-sufficiency while keeping classes affordable and locally available. It also further the long-term goal of creating a stable fundraising opportunity to enhance the entire community.

Senator_Cathy_Giessel@legis.state.ak.us
http://www.aksenateminority.com/

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version	**SB 146**
Fiscal Note Number	1
(S) Publish Date	2/10/12

Identifier (file name)	SB146-DOR-TAX-02-02-12	Dept. Affected	Revenue
Title	Snow Classic	Appropriation	Taxation and Treasury
		Allocation	Tax Division
Sponsor	Senator Giessel		
Requester	(S) L&C	OMB Component Number	2476

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial verson

Prepared by	Joseph P Koss, Jr, Tax Auditor/Johanna Bales, Deputy Director	Phone	269-6589
Division	Tax Division	Date/Time	2/2/2012 4:45 p.m.
Approved by	Alicia Egan, Legislative Liaison	Date	2/2/2012
	Department of Revenue		

(Revised 1/17/2012 OMB)

FISCAL NOTE #1

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB 146

Analysis

Bill Language:
The bill will add one more gaming activity to the authorized statutory lists, thus allowing one organization, the Four Valleys Community School in Girdwood, to conduct a snow classic. It will not affect any other organization because it is restricted to this one group. It will not affect the private sector because the private sector, outside of not-for-profit organizations, does not qualify for the permit required to conduct a gaming activity.

Revenues:
A snow classic will generate minimal revenue—under $1,000.

Expenditures:
Department of Revenue can administer the provisions of this bill utilizing existing resources.

Senate Bill 146
Snow Classic
Sectional Analysis

Section 1: Adds "snow classics" to the existing list of games of chance and skill that can be permitted by the department of revenue.

Section 2: Adds "snow classics" to the existing definition of "activity" for the purposes of AS 05.15.115(c), which limits how permittees can contract with operators.

Section 3: Adds "snow classics" to the existing list of activities that can be licensed under AS Chapter 05.15. Games of Chance and Contests of Skill.

Section 4: Defines and describes the "snow classic."

Prepared by Senator Cathy Giessel's Office 1/24/12

Alyeska Snow Classic

The Alyeska Snow Classic is a new proposed gaming fund raiser for Four Valleys Community School, Inc., a 501(c)3 nonprofit organization based in Girdwood, Alaska. Winner(s) are determined by the exact guess of the total snow accumulation on the ground at the established Measurement Station on Mount Alyeska in Girdwood, Alaska. The total snow measurement from the ground up is taken by a neutral party on the publicized date and time. The measurement is to the nearest ¼ to ½ an inch. The winner(s) are to be notified after the measurement is taken. Their names are to be announced at a designated Alyeska Resort event on the annually publicized date and time.

Tickets: All tickets are numbered and accounted for. Each ticket has the following information printed on it:

1. Name of the event: Alyeska Snow Classic
2. Date and time of measurement: To be established annually with Alyeska Resort
3. Beneficiary: Four Valleys Community School, Inc.

Participation: Tickets are sold by participating Girdwood businesses and the Four Valleys Community School, Inc. (FVCS) staff for $5 per ticket. Each ticket allows the participant one guess at the total snow accumulation from the ground at a specific day and time. Completed tickets are deposited into a sealed container at the participating businesses and FVCS office. All ticket sales close one month prior to measurement date at the end of the business day. Once the ticket sales are closed, ticket sale monies, unsold tickets and sealed containers with completed tickets are picked up from each business by FVCS monitors. Prior to the measurement, all tickets distributed for sale are accounted for by the FVCS monitors. The FVCS monitors are trained adults responsible for recruiting participating businesses, working with the business' employees on record keeping and procedure, delivering needed materials, re-supplying materials and picking up the guesses with accounting, ticket sale monies and secure container with guesses. All monitors and the measurer will be neutral persons who are unable to participate and win.

Prize: One prize is awarded equally to the winner(s) who guess the exact snow accumulation from the ground. The prize money is half the net amount. The net amount is the difference between the ticket sales and the administrative costs to run the Alyeska Snow Classic. The administrative costs include but are not limited to all printed materials, advertising, all supplies to include sealed ticket containers, accounting files for businesses, participating business earnings and staff and monitor payroll associated with this event.

Winners Announcement: Winner(s) are to be notified as quickly as possible. This notification process begins with the announcement of the snow accumulation measurement and winners on the specific publicized date at the designated Alyeska Resort event.

Senate Bill 146
Snow Classic
Support Letter Index

Attached is a sample of letters received in support of Senate Bill 146. We have received letters from the following individuals, corporations and organizations, which are available upon request:

Alpine Air Alaska
Alyeska Resort
Brodine, Carolyn
Cassen, Kristen
Charnon, Betty
Cook, Cassie
Crocker, Janice
Damasius, Dalia
Daniels, Elliot
Davidson, Beth
Davidson, Christi
Day, Richard & Sali
Dodds, Christy
Doepken, Julie
Donnelly, Maggie and Christopher
Dorius, Kerry
Double Musky restaurant
Dow, Clinton
Earl, Howard & Shannon
Epley, Sharnee
Finch, Matt
Four Valleys Community Schools
Frankevich, Joan
Gallup, John
Girdwood 2020
Girdwood Parks and Recreation
Girdwood Rotary Club
Girdwood -Turnagain Arm Lions Club
Girdwood, Inc.
Graham, Nina
Hammel, Rorie
Hatcher, Rachel
Hawes, Mandy
Hickox, Scott
Hoessels, Gabrielle
Jack Sprat Restaurant
Kauffman, Stacey
Kiland, Janette
Knutson & Associations, Attorneys at Law
Lantz, Andrea
Lions Girdwood-Turnagain Arm
Little Bears Playhouse, Inc.
Malecha, Kris
McCarty, Heidi
McCarty, Michael
McCombs, Zach
McDermott, Catherine
Mohl, Kelly
Montague, Kevin & Patty
Moore, Suzie
Nix, Bethanie
Nix, George
Pederson, Julie
Powers, Diane
Preis, Pat
Rein, Alison
Rios, Selita
Ruckle, Derek
Saint Elizabeth Ann Seton Catholic Church
Schmideke, Kari
Shoffner, Katharina
Sirles, Elizabeth
Stahl, Dana
Stone, Amy
Tenny, Michell & Ron
The Bake Shop
Thill, Mary
Valhalla Construction
Wilkinson, Ken
Yeager, Lenore & Tom

Senate Bill 146
Snow Classic
Support Letter Index Part II

Attached is a sample of additional letters received in support of SB 146. We have received letters from the following individuals, corporations and organizations, which are available upon request:

Casa del Sol LLC - Jessica Stamm
Cleo Ent. LLC & Chair Five Restaurant – Spike Farley
Girdwood Board of Supervisors
Girdwood Styling Salon - Malia Dittman
Glacier City Snowmobile Tours – Chris Roberts
Great Alaskan Tourist Trap - Connie Coolie
Lordan, Stacie
Malecha, Peter
The Ice Cream Shop + Bud & Carol's B & B - Carol Makar

Four Valleys Community School, Inc.
P.O. Box 790
Girdwood, Alaska 99587
www.fourvalleys.org
phone: (907) 742-5317 fax: (907) 742-5322

January 12, 2012

Senator Cathy Giessel
Alaska State Legislature
120 4th Street, State Capitol, Room 3
Juneau, AK 99801-1182

Dear Senator Giessel:

Thank you for introducing and supporting the SB146 establishing the Alyeska Snow Classic operated and run by Four Valleys Community School, Inc. (FVCS). Our organization supports this legislation. We request your continued support to enact this charitable gaming event into law.

For 30 years FVCS has been an essential year-round educational, recreational and cultural center for Girdwood and the Turnagain Arm Communities. We offer more than 200 classes, programs and events per year. FVCS focuses on lifelong learning, community involvement and efficient use of resources. We actively engage in collaborations and partnerships with local businesses, nonprofits and private donors to provide the full spectrum of services the Four Valleys communities seek.

An Alyeska Snow Classic will strengthen Four Valleys Community School and enable us to continue to meet the needs of the residents of Bird, Indian, Girdwood and Portage. A successfully operated Alyeska Snow Classic could fund our budget without recourse to property tax dollars when combined with our fundraising efforts.

In 1981 FVCS was created by community volunteers and is still governed by a volunteer Board of Directors. Due to the strength of its volunteer base, it is a one of the very few remaining Community Schools operating in the state. Over 650 volunteers contribute their talents and time to support a wide range of activities. Whether it is individual or family growth, FVCS provides many opportunities to learn, serve and recreate.

FVCS is an integral and vital part of community life in Girdwood and Turnagain Arm because it is the only organization that brings together a diverse spectrum of people for educational, recreational and cultural opportunities in an environment that is healthy and safe year round. Our organization is in full support of the legislation establishing the Alyeska Snow Classic.

Sincerely,

Rebecca Reichlin

Rebecca Reichlin, Chair
Four Valleys Community School, Inc.

Four Valleys Community School, Inc.
P.O. Box 790
Girdwood, Alaska 99587
www.fourvalleys.org
phone: (907) 742-5317 fax: (907) 742-5322

What is Four Valleys Community School?

Four Valleys Community School (FVCS) is a local, non-profit 501c3 tax-exempt organization, whose core purpose is *community enrichment*, achieved by providing educational, recreational, and cultural activities for all ages. It serves the community members of Girdwood, Bird, Indian and Portage.

The non-profit was formed when state and school district funding was being cut. FVCS is based on the historical community education model and philosophy - which advocates processes and programs that utilize the total community environment and local resources. It promotes life long learning and emphasizes that educational, social, cultural and recreational opportunities be afforded to all residents of all ages. The community school serves as a catalytic agent by providing organization and leadership to mobilize local resources for individual and community improvement and enhancement. Based on the widely accepted components of community education, FVCS has adopted specific Goals and Objectives.

In other words, because Girdwood does not have a YMCA, a community center, a Health Club, Sylvan Learning Center and all the various other amenities afforded to those located geographically closer to Anchorage, Four Valleys Community School has largely filled that gap over the years. Four Valleys Community School has been successful in partnering with various local entities to provide space, expertise, and diverse activities for the community. Currently, and through August 2012, a Memorandum of Agreement with the Anchorage School District provides for the use of the Girdwood school building at youth nonprofit rates. We have had a positive relationship with Alyeska Resort as well, and management has been supportive.

Our business and agency partners are instrumental. Our instructor base is largely volunteer oriented, which is notably astounding each and every day. People are willing to give their time and skills in order to make their entire community a better place. We cannot do what we do without them. Four Valleys Community School is truly a community based organization, committed to providing meaningful educational, cultural, and recreational opportunities for local community members.

Four Valleys Community School, Inc.
P.O. Box 790
Girdwood, Alaska 99587
www.fourvalleys.org

Four Valleys Community School, Inc.
Program Description and Beneficiaries

Four Valleys Community School, Inc. (FVCS) offers local residents of four Turnagain Arm communities year round learning opportunities and community enhancing activities. FVCS practices the three basic components of community education, life long learning, community involvement, and efficient use of resources. The FVCS office and main facility at Girdwood School is open beyond the regular school day to provide academic, recreation, health, social service and work-preparation activities for people of all ages.

The majority of our organization's time is allocated to developing, promoting and managing community school classes. We recruit instructors, schedule the facilities, advertise programs, register students and monitor all the classes. A wide spectrum of classes is offered for all ages. Typically, 250 classes are offered yearly in three programs. Scholarships are available for anyone who cannot afford the registration fees. Please see the Fall/Winter 2011 Program attachment.

FVCS works with agencies such as the US Forest Service and the Municipality of Anchorage Parks and Recreation Department, the Girdwood Board of Supervisors and other local non-profits to provide for the needs of our communities. Interagency cooperation encourages efficient use of local resources. We help support a community health fair each year and bring a veterinarian from Anchorage to offer residents local access to health care for their pets. FVCS also organizes other community events including music concerts, a "Family Dance" event in early spring, a community wide volunteer appreciation barbeque in the spring and an annual "All Sports Swap" in the fall. Some of these gatherings double as fundraisers as well as community service events. FVCS enriches the community by financial support of activities such small theatrical productions (on the school stage), school technology upgrades, recycling efforts within the school

and a year round recreational program to get local kids engaged in regular exercise to develop a healthy lifestyle.

FVCS encourages volunteerism, promotes civic responsibility and provides leadership and service opportunities to groups and individuals. For example, we collaborate with other organizations like the Turnagain Arm Lions Club, the Girdwood Rotary Club and the Girdwood Volunteer Fire Department to provide items to needy families during the holiday season. Gifts are donated by local residents by taking an ornament off an "Angel Tree" located in the community school office. The ornament is then replaced with an age appropriate gift for a needy child. FVCS supports "The Goldstitchers", a local quilting group who creates and donates a unique quilt annually to benefit one of the local non-profit organizations.

FVCS recognizes outstanding community service by awarding two individuals with a "Community Service Award" at our annual volunteer barbeque. Together with the Lions Club, Four Valleys awards two post-secondary scholarships of $750 each to graduating local seniors who have been actively involved in our community and are attending college full time. Six scholar athlete awards are made in the fall to deserving youth who qualify, complete the application and successfully interview with a community based committee.

Our direct program beneficiaries are people of all ages from the communities of Bird Creek, Indian, Girdwood and Portage. Additional participants travel from Anchorage, Eagle River, Homer and other localities to attend some of our events and classes. Annually, FVCS serves over 6,800 participants and attracts more than 700 volunteers.

Four Valleys Community School

Enriching *community* by providing recreational, educational and cultural activities

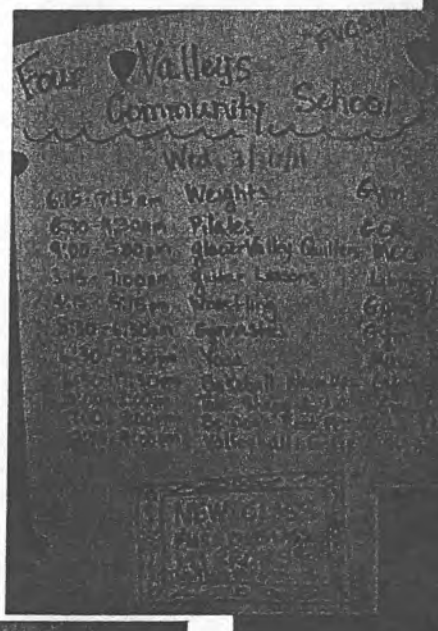






























Municipality of Anchorage

PO Box 390, Girdwood AK 99587

Healthy Parks Healthy People

Parks & Recreation Department

January 12, 2012

Alaska State Legislature
120 4th Street, State Capitol, Room 3
Juneau, AK 99801-1182

Dear Committee Members of the House and Senate;

I am writing in support of Four Valleys Community Schools in their efforts to create the Alyeska Snow Classic and I urge you to support the needed legislation to create and approve an Act establishing the Snow Classic as an authorized form of charitable gaming.

I am a long time member of the Girdwood Community. FVCS has been operating for over 30 years and I am proud to say I have been involved with them throughout this entire time in one way or another. Over the years I have worked as Coordinator, held a volunteer position on their board, and have volunteered as instructor, teaching many varied classes for the benefit of community members. I tell you this to show that I am in a unique position having been involved with the organization in every conceivable way and continue to support this non profit organization. When I say they have been instrumental in changing the face of our community through educational, cultural & recreational programming it is not an exaggeration. At this time, as a Municipality of Anchorage employee in Girdwood, I continue to work closely with the community school as they continue to provide much of the recreational programming that is typically sponsored by the municipality.

Over the years, the community school has evolved from a municipal program to a non profit organization and continues to provide vital services to the Girdwood community. The change from a municipally sponsored program to a non profit has been difficult, as funding is always an issue. The community has supported the organization with small recreational grants, however this funding is not assured. The creation of the Snow Classic would help insure that the program of much needed funding without requesting local tax dollars. If successful, this game of chance has the potential to provide FVCS with a steady income stream and the ability to help other local non profits as well.

While I know that there are often questions about the suitability of games of chance, I feel strongly that the Snow Classic would not be a problem. A event such as these occurs only once a year and participation is strictly optional. It would provide a annual revenue stream for a hard working, funding strapped non profit that has a proven track record of giving back to and improving their community since 1981.

I urge you to support legislation creating the Alyeska Snow Classic administered by Four Valleys Community Schools, Inc.

Sincerely,

Jonnie Lazarus

Jonnie Lazarus
Girdwood Parks and Recreation

GIRDWOOD 2020

P.O. Box 1102
Girdwood, Alaska 99587
www.girdwood2020.org

Executive Committee

Larry Cash, Cochair
Diana Stone Livingston, Cochair
Hank Hosford, Secretary
Carl Propes, Treasurer

Gary Bucy
Randall Call
Larry Daniels
Jeff Demain
Bryan Epley
Jessica Carey Graham
Bob Gross
Di Hiibner
Lana Johnson
Lynn Johnson
Philip Livingston
David McVeigh
Dave Parish
Sherron Perry
John Rense
Dave Stratton
Ethan Tyler
Dave Wilson

Jim Barnett, Honorary Member
Per Bjorn-Roli, Honorary Member
Chris von Imhof, Honorary Member

January 12, 2012

Four Valleys Community School, Inc.
P. O. Box 790
Girdwood, AK 99587

Subject: Alyeska Snow Classic

To Whom It May Concern:

At a meeting of the board of directors of Girdwood 2020, upon motion duly made and seconded, the board unanimously approved holding an "Alyeska Snow Classic" to be operated and administered by Four Valleys Community School, Inc. with proceeds supporting Four Valleys Community School programs.

Accordingly, we encourage legislative support for SB 146 and HB 245.

Sincerely,

Diana Stone Livingston

Diana Stone Livingston, Cochair

December 9, 2011

Alaska State Legislature
120 4th Street, State Capitol, Room 3
Juneau, AK 99801-1182

Dear Committee Members of the House and Senate,

This is a letter of support for the creation of the Alyeska Snow Classic administered by Four Valleys Community Schools (FVCS).

I believe that the inception of an Alyeska Snow Classic administered by FVCS would aid the organization in supporting programs offered to residents of Indian, Bird, Girdwood, and Portage, all small communities along the Turnagain Arm.

- FVCS has been operating since 1981
- FVCS is one of the last remaining Community Schools operating in the state of Alaska
- FVCS provides educational, recreational and cultural activities and operates similar to Parks & Recreation or a YMCA.

By operating the Alyeska Snow Classic, FVCS can meet the goal of funding its programs without the need of municipal tax dollars. It is also our hope that the Alyeska Snow Classic will one day allow FVCS to assist other non-profits in the Four Valleys.

I urge you to vote in favor of the legislation creating an Alyeska Snow Classic administered by Four Valleys Community Schools, Inc.

Sincerely,

Di Hiibner

Di Hiibner

Ski Area General Manager & VP
Alyeska Resort

ALYESKA RESORT
ALASKA



Little Bears Playhouse, Inc.
PO Box 350
Girdwood, AK 99587-0350
December 9, 2011

Alaska State Legislature
120 4th St., State Capitol, Room 3
Juneau, AK 99801-1182

Dear Committee Members of the House and Senate:

This is a letter of support for the creation of the Alyeska Snow Classic administered by Four Valleys Community Schools (FVCS). Little Bears Playhouse, Inc., the non-profit childcare center serving the same communities as FVCS, supports this legislation. We request your continued support to help enact this charitable gaming event into law.

The services of FVCS are essential for Girdwood and the other communities of Turnagain Arm. An Alyeska Snow Classic will strengthen FVCS and enable them to continue to meet the needs of the residents of Bird Creek, Indian, Girdwood, and Portage. A successfully operated Alyeska Snow Classic could fund the organization's budget, combined with other fundraising efforts.

Similar to Little Bears Playhouse, Inc., FVCS was created by community volunteers and is still governed by a volunteer Board of Directors. Several hundred FVCS volunteers contribute their talents and time to support a wide range of activities. FVCS provides many opportunities for people of all ages in the Turnagain Arm area. Little Bears Playhouse, Inc. would like to see that continue for many more years to come!

FVCS is a very important part of community life in Bird Creek, Indian, Girdwood, and Portage. Little Bears Playhouse, Inc. is in full support of the legislation establishing the Alyeska Snow Classic.

We urge you to vote in favor of this legislation! Thank you.

Sincerely,

Joan Lower

Joan Lower, President
Little Bears Playhouse, Inc.
joan@alaska.net
907-223-3112

Saint Elizabeth Ann Seton Catholic Church
2901 East Huffman Road
Anchorage, Alaska 99516
(907) 345-4466

January 15, 2012

Alaska State Legislature
120 4th Street, State Capitol, Room 3
Juneau, AK 99801-1182

Dear Committee Members of the House and Senate,

I am writing to encourage you to support the creation of the Alyeska Snow Classic administered by Four Valleys Community Schools (FVCS).

For the past six years I have served the religious needs of the Catholic community of Girdwood and beyond as Pastor of the Chapel of Our Lady of the Snows, Girdwood, a mission of Saint Elizabeth Ann Seton Parish in Anchorage. I have come to deeply appreciate the volunteer spirit of the community of Girdwood, with parents and non-parents alike coming together to support the kids in their community. I believe that the inception of an Alyeska Snow Classic administered by FVCS would aid the organization in supporting programs offered to residents of Indian, Bird, Girdwood, and Portage. One of my parishioners has been affiliated with FVCS for a number of years and has told me that:

- FVCS has been operating since 1981;
- it is one of the last remaining Community Schools operating in the State.; and
- it provides educational, recreational and cultural activities and operates similar to Parks & Recreation or a YMCA.

I fully support the goals of FVCS and the opportunities it provides for children. By operating the Alyeska Snow Classic, FVCS can meet the goal of funding its programs without the need of municipal tax dollars. I urge you to vote in favor of the legislation creating an Alyeska Snow Classic administered by Four Valleys Community Schools, Inc. Please feel free to contact me personally if I may be of assistance.

Sincerely,

Father Thomas C Lilly

Fr. Thomas C. Lilly
Pastor

Municipality of Anchorage

P.O Box 390
Girdwood, Alaska 99587
http://www.muni.org/gbos

GIRDWOOD VALLEY SERVICE AREA BOARD OF SUPERVISORS
Erin Eker, Karen Zaccaro, Co- Chairman
David Chadwick, Janice Crocker, Tommy O'Malley,

Dan Sullivan, Mayor

January 16, 2012

Alaska State Legislature
120 4th Street, State Capitol, Room 3
Juneau, AK 99801-1182

Dear Committee Members of the House and Senate,

This is a letter of support for the creation of the Alyeska Snow Classic administered by Four Valleys Community Schools (FVCS).

We believe that the inception of an Alyeska Snow Classic administered by FVCS would aid the organization in supporting programs offered to residents of Indian, Bird, Girdwood, and Portage, all small communities along the Turnagain Arm.

- FVCS has been operating since 1981
- FVCS is one of the last remaining Community Schools operating in the state of Alaska
- FVCS provides educational, recreational and cultural activities and operates similar to Parks & Recreation or a YMCA.

I urge you to vote in favor of the legislation as written in House Bill 245 and Senate Bill 146 creating an Alyeska Snow Classic administered by Four Valleys Community Schools, Inc.

Sincerely,

Karen M Zaccaro

Karen Zaccaro, Co-Chair, Girdwood Board of Supervisors



P.O. Box 1018
Girdwood, AK 99587

1/14/12

Alaska State Legislature
120 4th Street, State Capitol, Room 3
Juneau, AK 99801-1182

Dear Committee Members of the House and Senate,

I am a business owner in the Girdwood Valley and support the creation of the Alyeska Snow Classic operated and run by Four Valleys Community Schools (FVCS) HB 245 /SB 146.

FVCS has been operating since 1981 and is one of the last remaining Community Schools in the state of Alaska. It is such an important source of education, recreation and cultural enrichment to the Turnagain Arm area. I believe that the inception of an Alyeska Snow Classic HB 245 /SB 146 would aid FVCS in offering programs to residents of Indian, Bird, Girdwood, Portage, and all small communities along the Turnagain Arm.

The community has supported FVCS with small recreational grants however the funding is not assured. The creation of the Alyeska Snow Classic would help FVCS become self sufficient. By operating the Alyeska Snow Classic, FVCS can meet the goal of funding its programs without the need of municipal tax dollars.

I urge you to vote in favor of the legislation creating an Alyeska Snow Classic HB 245 /SB 146.

Sincerely,

Chris Roberts

ZARCHITECTS
GIRDWOOD ALASKA

Karen Zaccaro
PO Box 842
Girdwood, AK 99587

(907) 783-1090
(907) 783-1095 fax
zarchitects@alaska.net

January 21, 2012

Alaska State Legislature
120 4th Street, State Capitol, Room 3
Juneau, AK 99801-1182

Dear Committee Members of the House and Senate,

We are owners of a small business here in Girdwood and we would like to voice our support for the creation of the Alyeska Snow Classic administered by Four Valleys Community Schools. House bill 245 and Senate Bill 146 are currently under consideration for this purpose.

Four Valleys Community Schools has been an integral part the quality of life we enjoy here in Girdwood for our family and for the families of our employees.

The Alyeska Snow Classic will enable Four Valleys Community Schools to continue to provide the quality recreational programs that the community has come to depend on.

We believe organizations such as Four Valleys Community Schools provide the support our community needs to reach its full potential as an economic tourism center.

We hope you will support our community by voting in favor of the legislation creating an Alyeska Snow Classic administered by Four Valleys Community Schools, Inc.

With respect and gratitude for your service,

Karen Zaccaro

Karen Zaccaro, AIA Assoc.

SB 151

<TARGET><BILL>SB 151</BILL><SUBJECT>SB 151</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/23/12

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 151

SB 151-FETAL ALCOHOL SPEC. DISORDER AS MITIGATOR

"An Act relating to mitigation at sentencing in a criminal case for a defendant found by the court to have been affected by a fetal alcohol spectrum disorder."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[X] adopt **previous CS** SB 151 (JUD) *[X] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
LAW		X		

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
CRT			X	2
ADM			X	3
COR			X	4

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	ECH	✓			
	McGuire	✓			
	Olson			✓	
	ELLIS	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓		✓	

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB 151**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB151CSSB(JUD)-LAW-CRIM-03-30-12
Dept. Affected: Law
Title: An Act realing to mitigation at sentencing in a criminal case for a defendant found by the court to have been...
Appropriation: Criminal
Allocation: Criminal Justice Litigation
Sponsor: Senator Meyer
Requester: (S) Finance
OMB Component Number: 2202

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	***	***	***	***	***	***	***

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		***	***	***	***	***	***	***

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Update to identifier and requester.

Prepared by: Sheila Bugbee, Administrative Officer — Phone: 465-5427
Division: Administrative Services — Date/Time: 3/30/12 12:00 PM
Approved by: Michael C. Geraghty, Attorney General — Date: 3/30/2012
Department of Law

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB 151

Analysis

SB 151 CSSB(JUD) would add as a mitigating factor at sentencing. It would allow a new mitigator if the defendant was affected by a fetal alcohol spectrum disorder that significantly affected the defendant's behavior. If proven, the court would have discretion to reduce the term of imprisonment to below the presumptive range.

The proposed new factor would not apply to persons convicted of crimes against a person (AS 11.41), or arson in the first degree (AS 11.46.400).

The fiscal impact for the Department of Law is indeterminate because it will require expert testimony on the issue of whether the person suffers from such a disorder and if so, did it significantly affect his or her behavior.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB 151(HSS)**
Fiscal Note Number: 2
(S) Publish Date: 3/6/12

Identifier (file name): SB151-ACS-TRC-3-02-2012
Title: Mitigation at sentencing for defendant with FASD
Sponsor: Senator Meyer
Requester:

Dept. Affected: Alaska Court System
Appropriation: Trial Courts
Allocation:
OMB Component Number: 768

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0..0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version

Prepared by: Nancy Meade, General Counsel — Phone: 907-463-4736
Division: Alaska Court System — Date/Time: 3/02/2012 4:00 p.m.
Approved by: Nancy Meade for Christine Johnson, Administrative Director — Date: 3/2/2012
Alaska Court System

(Revised 11/17/2011 OMB)

FISCAL NOTE #2

STATE OF ALASKA **BILL NO.** CSSB 151(HSS)
2012 LEGISLATIVE SESSION

Analysis

Senate Bill 151 adds a new factor to the list of mitigating factors in AS 12.55.155(d) that the court shall consider at sentencing; if proven, the court may then impose a sentence below the presumptive range for certain crimes. Specifically, except for defendants convicted of offenses against persons , arson, and criminal mischief, and except if the defendant has any prior felony conviction, the court may consider whether the defendant committed the offense "while affected by a fetal alcohol spectrum disorder that was insufficient to constitute a complete defense . . . but that significantly affected the defendant's conduct."

The court cannot predict the number of cases in which parties will attempt to prove this factor as a mitigator at sentencing, but believes the sentencing hearings will be held and handled in the normal course without a fiscal impact. The Alaska Court System therefore submits a zero fiscal note.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB 151(HSS)**
Fiscal Note Number: 3
(S) Publish Date: 3/6/12

Identifier (file name): SB151-DOA-PDA-1-23-12
Title: Fetal Alcohol Spec. Disorder as Mitigator
Sponsor: Senators Meyer, Hoffman, Dyson, Menard
Requester: Senate Health and Social Services

Dept. Affected: Administration
Appropriation: Legal and Advocacy Services
Allocation: Public Defender Agency
OMB Component Number: 1631

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version

Prepared by: Quinlan Steiner, Public Defender — Phone: 907 334-4414
Division: Public Defender Agency — Date/Time: 1/20/12 12:15 PM
Approved by: John Cramer, Deputy Commissioner — Date: 1/23/2012
Department of Administration

(Revised 8/17/2011 OMB)

FISCAL NOTE #3

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB 151(HSS)

Analysis

AS 12.55.155(d) allows a sentencing court to impose a sentence less than the presumptive range where mitigating factors have been proven. This bill amends AS 12.55.155(d) by adding section 20, which allows the court to find a factor of mitigation where the defendant committed the offense while affected by fetal alcohol spectrum disorder.

The Public Defender Agency does not anticipate a fiscal impact from this change. Accordingly, the Agency submits a zero fiscal note.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB 151(HSS)**
Fiscal Note Number: 4
(S) Publish Date: 3/6/12

Identifier (file name): SB151-DOC-OC-03-02-12
Title: "An Act relating to mitigation at sentencing in a criminal defendant convicted of certain sex offenses a prohibition... "
Sponsor: Senator Meyer
Requester: (S)HSS

Dept. Affected: DOC
Appropriation: Admin & Support
Allocation: Commissioner's Office
OMB Component Number: 694

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This is the original version of the bill.

Prepared by: Leslie Houston, Director
Division: Department of Corrections - Administrative Services
Approved by: Joseph D. Schmidt, Commissioner
Department of Corrections

Phone: 907-465-3339
Date/Time: 3/2/12 11:05 AM
Date: 3/2/2012

(Revised 8/17/2011 OMB)

FISCAL NOTE #4

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB 151(HSS)

Analysis

This bill would add fetal alcohol spectrum disorder to the list of mitigating factors at sentencing in a criminal trial. The burden of assessment would be on the courts and therefore would have zero fiscal impact on the Department of Corrections.

Alaska State Legislature

Interim:
716 West 4th Ave.
Anchorage, Alaska 99501
(907) 269-0199

Session:
State Capitol Building
Juneau, Alaska 99801-1182
(907) 465-4945

Senator Kevin Meyer
Senate District O

SPONSOR STATEMENT FOR CSSB 151

"An Act relating to mitigation at sentencing in a criminal case for a defendant found by the court to have been affected by a fetal alcohol spectrum disorder."

SB 151 would include Fetal Alcohol Spectrum Disorders (FASD) as a mitigating factor in sentencing. This would allow some flexibility in sentencing if the defendant is found by the court to be affected by FASD and this condition substantially impaired the defendant's judgment, behavior, and capacity to recognize reality or ability to cope with the ordinary demands of life.

Individuals diagnosed with a fetal alcohol spectrum disorder (FASD) are disproportionately represented within Alaska's criminal justice system. SB 151 does not require a judge to use the mitigating factor and it DOES NOT automatically adjust a presumptive sentence. The defense would have to provide clear and convincing evidence that the defendant's disability *significantly affected the defendant's conduct* and *substantially impaired judgment, behavior, and capacity to recognize reality* in order to apply the mitigating factor.

Evidence shows that directing people with mental illness and other brain disorders to supported services, both inside and outside of Corrections, significantly reduces the high financial and social costs associated with re-incarceration and recidivism. Felons and repeat offenders with FASD are more likely to stop committing crimes when they are given the same supports that benefit people with mental illness and other disabilities, which can include Therapeutic Court, housing and employment assistance, case management, counseling and rehabilitation.

Alaska State Legislature

Interim:
716 West 4th Ave.
Anchorage, Alaska 99501
(907) 269-0199

Session:
State Capitol Building
Juneau, Alaska 99801-1182
(907) 465-4945

Senator Kevin Meyer
Senate District O

CSSB 151 FASD AS A MITIGATING FACTOR IN SENTENCING
Explanation of Changes

SHSS

From version X to O

- Removal of Section 1 which set out a definition of mental disease or defect.
- Section (18) there has been some debate over previously convicted felons, how this can be applied.
- Addition of section (20) which adds FASD as a mitigating factor, defines it and sets out how it can be diagnosed.

SJUD

From version O to U

- Section (18), page 3, lines 13-14 has been deleted, which makes this mitigator applicable to felons, however crimes against a person are not eligible for a mitigating factor.

- Section (20), page 3, line 30 has been deleted. It is not outlined for other mitigating factors how mental disease or defect is determined. This can be done as it is now; through clear and convincing evidence, the court can find someone to be suffering from a mental disease or defect.

Alaska FASD Partnership

Alaska Fetal Alcohol Spectrum Disorders (FASD) Partnership
431 N. Franklin St. Suite 203, Juneau, Alaska 99801 ▪ (907) 465-8920
Webpage: www.hss.state.ak.us/fasd.htm
Email: akfasdpartnership@alaska.gov

SB 151 - Inclusion of FASD as a Mitigating Factor

The Need for SB 151

Individuals diagnosed with a fetal alcohol spectrum disorder (FASD) are disproportionately represented within Alaska's criminal justice system. The intent underlying Alaska's sentencing structure – that people will modify their behaviors based on the criminal justice system's response to their crimes – is not met when applied to individuals with FASD. These disabilities manifest as deficits in executive function, resulting in impaired adaptive behavior, memory difficulties, an inability to plan, and a failure to recognize the consequences of actions. In the interest of justice, it is important to take these deficits into account during sentencing. Neither the offender nor society benefits from holding individuals with FASD to community standards that they cannot possibly attain given their impairments.

SB 151 fulfills a recommendation adopted by the Alaska Criminal Justice Assessment Commission: "The legislature should create a statutory mitigating factor for use at criminal sentencing, recognizing when the wrongful conduct was substantially affected by an organic brain disorder." [1]

A draft resolution being proposed by the Commission on Youth At Risk of the American Bar Association for consideration at this year's annual ABA meeting states: "... the American Bar Association urges lawyers and judges, as well as bar associations and law school clinical programs, to support training that includes law school law enforcement, and legal/judicial education curricula on enhanced awareness of the child and adult disability of Fetal Alcohol Spectrum Disorders (FASD) and its impact on individuals in the child welfare, juvenile justice, and adult criminal justice systems, and that they work with medical, mental health, and FASD disability experts to promote: ... (d) applying FASD as a mitigating factor in the mitigation of juvenile justice and criminal sentencing ... and consideration of alternatives to incarceration that reduce recidivism."

Overview of the changes proposed in SB 151

SB 151 proposes to allow FASD as a mitigating factor for sentencing in certain cases where there is *clear and convincing* evidence that a "defendant committed an offense while suffering from a condition diagnosed as a fetal alcohol spectrum disorder, the fetal alcohol spectrum disorder substantially impaired the defendant's judgment, behavior, capacity to recognize reality, or ability to cope with the ordinary demands of life, and the fetal alcohol spectrum disorder, though insufficient to constitute a complete defense, significantly affected the defendant's conduct."

SB 151 would, for the purposes of the subsection on mitigating factors, define fetal alcohol spectrum disorder as any "a condition of impaired brain function in the range of permanent birth defects caused

[1] Alaska Criminal Justice Assessment Commission (2000). *Final Report.* Retrieved October 12, 2010 from www.hss.state.ak.us/reports/CJAC final_004.pdf, at p.71.

by maternal consumption of alcohol during pregnancy *as determined by a physician or interdisciplinary team using current FASD diagnostic guidelines*."

The Alaska FASD Partnership and members of the Partnership's legal issues workgroup support removing limiting language from the current statute that creates an "exception" to the application of "mental disease or defect" as a mitigating factor for "offenses against a person" or if the defendant was previously convicted of a felony.

The workgroup suggests that this limiting language, which only applies to the mitigating factor related to individuals with a "mental disease or defect" could be discriminatory. None of the other 19 mitigating factors currently in statute have this limiting language.

David Fleurant, Executive Director of the Disability Law Center of Alaska, who participates in the FASD legal issues workgroup, suggests that the current statute appears to discriminate against individuals with disabilities in the application of mitigating factors "for no rational purpose. No other state which employs 'mental disease or defect' as a mitigating factor limits its application in such a manner."

In light of how FASD adversely impacts an individual's executive function, a significant percentage of the convictions against individuals with FASD involve offenses against the person and/or are committed by felons who are cycling through the criminal justice system. With the limiting language, the state is far less likely to "catch" a person with FASD who is cycling through the corrections system. Therefore, the Partnership and the legal issues workgroup of the Partnership support removing this limiting language from the statute so as to achieve the intended goal of SB 151.

The legislation *DOES NOT*:

1) *require* a judge to use the mitigating factor;
2) *automatically* adjust a presumptive sentence; the defendant would have to prove by *clear and convincing evidence* 1) that he or she has a fetal alcohol spectrum disorder and 2) that the condition "significantly affected the defendant's conduct" before the judicial officer can consider the possibility of adjusting the presumptive sentence; or
3) The goal is not a "get out of jail free" card, but an attempt to be "smarter" within the justice system to better direct people who have impaired brain function to services both within and after release from the criminal justice system.

What are mitigating factors?

The Legislature has decided in the presumptive sentencing law that judges should give jail time within certain ranges in all felonies (with the exception of "class C felonies" where the minimum presumptive term is 0 years). The amount of the presumptive term depends on the severity of the crime and whether or not a defendant has prior felonies. There are 34 statutory aggravating factors that could result in a sentence above the presumptive range, if proved by clear and convincing evidence. A judge must sentence a person to at least the minimum presumptive term unless a "mitigating factor" is shown by clear and convincing evidence. There are 19 statutory mitigating factors. With the current mental disease or defect mitigating factor, the defendant must *also* show by clear and convincing evidence that the condition "significantly affected the defendant's conduct." The proposed fetal alcohol spectrum disorder mitigating factor also requires proof by clear and convincing evidence that the condition "significantly affected the defendant's conduct" before a judge could consider it. If the required showing has been made for any mitigating factor, it is legally possible for the judge to sentence below the minimum term (but if the minimum term is more than 4 years, the lower limit is half the minimum presumptive term).

There are special rules when there is a factor in a case that does not fit within the statutory list but which is so important in a case that it would be manifestly unjust to sentence a person without considering the factor. If the sentencing judge finds that such a "non statutory mitigating factor" exists, then the judge must refer the case to a three judge sentencing panel. If at least two judges on the panel agree, the panel can sentence with the same lower limits applicable to a statutory mitigating factor. If the panel does not agree, the case is referred back to the original judge to impose at least the minimum presumptive term. The "three judge panel" method is very cumbersome, time consuming and expensive. SB 151 is a "statutory mitigating factor" and would not require any referral to a three judge sentencing panel.

What are Fetal Alcohol Spectrum Disorders?

FASD is not a medical diagnosis, but an umbrella term for the range of diagnoses associated with damage caused by maternal alcohol consumption during pregnancy. These medical diagnoses can include Fetal Alcohol Syndrome (FAS), Partial Fetal Alcohol Syndrome (PFAS), Alcohol-Related Birth Defects (ARBD), and Alcohol-Related Neurodevelopmental Disorder (ARND). Note that the term, Fetal Alcohol Effects (FAE), is no longer commonly used, having been replaced by the PFAS, ARBD and ARND diagnoses.

Each diagnosis has its own symptoms and attributes, but common among all the diagnoses is permanent, life-long brain damage – often affecting decision-making, judgment and impulse control. FASD is a brain-based disorder, similar to autism, traumatic and acquired brain injury, and other cognitive impairments.

FASDs appear in individuals differently. Some alcohol-exposed individuals may exhibit impulsivity, hyperactivity and risky behaviors. Some have difficulties with memory, while others have very good memories. Some have low IQs, while others have normal IQs.

Experts report that the different presentations are influenced by many variables, including when the mother drank, how much she drank, the genetic makeup (or genotype) of the baby, and the genotype of the mother.

Primary behavior characteristics of people with impaired brain function include: impulsiveness, memory difficulties, anger and frustration, difficulty pairing actions to consequences. Secondary behaviors that develop in reaction to or as a result of the primary disability, include substance abuse and mental health problems, anger and aggression, homelessness, involvement with the criminal justice system, and more.

Neurologist Dr. Susan Hunter-Joerns, a member of the Juneau FASD Diagnostic Team, wrote that structural brain damage "often significantly impair[s] cognitive behavior, common sense, the ability to understand right from wrong, cause-and-effect, consider consequences, ability to recognize social norm ... even though defendants may verbally seem able to talk about the issues. Making long term goals, planning appropriate actions, delaying gratification, and understanding the legal system, are often significant problems."

Who in Alaska is qualified to give a diagnosis of FAS/FASD?

Though some physicians may be qualified to diagnose all the disorders on the FASD spectrum, the preferred method of diagnosis, according to Susan Astley, Professor of Epidemiology and Pediatrics at the University of Washington and director of the Washington State FASD Diagnostic and Prevention Network, is by an interdisciplinary diagnostic team using current, rigorous FASD diagnostic guidelines. This preferred method is also advocated for nationally by the Centers for Disease Control and Prevention.

Each diagnosis on the spectrum requires evaluation and testing related to the Central Nervous System (CNS) to detect damage that cannot be measured alone by physical attributes. Interdisciplinary diagnostic teams using the 4-Digit Diagnostic Code include evaluations by a medical professional, psychologist, occupational therapist, and speech-language pathologist. These evaluations can detect the nuances of the disability.

How many diagnostic teams and/or physicians are available to give FASD diagnoses in Alaska?

Currently, through the Division of Behavioral Health FASD Diagnostic Team Provider Agreement, Alaska has eight active FASD diagnostic teams – in Bethel, Fairbanks, Mat-Su, Kenai, Juneau, Sitka, and two in Anchorage (Southcentral Foundation and ASSETS). Alaska also has a trained diagnostic team at Alaska Psychiatric Institute (API) for children who enter the service system through that door. In the past there were teams in Dillingham and Kodiak — both locations that are interested in reviving their teams at some point, but do not have the resources to do it at this time. Alaska also has had team in Nome, Copper Center, and Ketchikan. The majority of FASD diagnoses in Alaska are determined by the diagnostic teams overseen by DHSS.

How many people are diagnosed with FAS/FASD in Alaska annually?

In 2011, Alaska's FASD diagnostic teams diagnosed 179 individuals. The average per year number is around 153 per year, according to the Alaska Department of Health & Social Services.

What is Alaska's diagnostic standard based on?

In 1999, the DHSS Office of FAS, in conjunction with the statewide FASD Steering Committee, agreed to use the 4-Digit Diagnostic Code as the standard diagnostic system for Alaska's developing Diagnostic Team Network. The 4-Digit Diagnostic Code was developed at the University of Washington's FASD Diagnostic and Prevention Network by Drs. Susan Astley and Sterling Clarren. The 4-Digit Diagnostic Code measures: 1) facial features, 2) growth deficiency, 3) central nervous system damage/dysfunction, and 4) prenatal alcohol exposure. The client's diagnosis is derived after a thorough evaluation by an interdisciplinary team of professionals, which generally includes a physician (or nurse practitioner), psychologist, occupational therapist, speech-language pathologist, social worker, and family advocate. For more information on the FASD 4-Digit Code, visit: http://depts.washington.edu/fasdpn/htmls/4-digit-code.htm.

The 4-Digit Diagnostic Code is considered the "gold standard" for FASD diagnosis and provides a reliable, evidence-based diagnostic process that gives detailed information about the individual client and how best to help that person work with their disability to reach their full potential. All team members are required to complete the University of Washington FASD 4-Digit Diagnostic Code Training Course.

The economic benefits of SB 151

The cost of incarceration in Alaska's prison is about $136 per day. Over the course of five to ten years in an Alaskan prison, an inmate is expected to cost the state close to $250,000-$500,000 (not including medical, mental health or other specialized treatment while incarcerated).

According to the 2009 ISER Study, *The Cost of Crime: Could the State Reduce Future Crime and Save Money by Expanding Education and Treatment Programs?*, the cost of providing services is less than the cost of incarceration. With appropriate supports, clients with FASD, T/ABI and other brain-based disabilities can live successfully in the community as contributing citizens, *and* provide jobs for Alaskan case workers, clinicians, assisted living providers, mental health and substance abuse

counselors, psychologists and psychiatrists. Not only does SB 151 further the cause of justice for a vulnerable population, it represents a better investment of our state's resources.

Additionally, the state's movement toward "Smart Justice" will promote less crime, reduced public costs, and greater rehabilitative effect on offenders. The research behind "Smart Justice" suggests that spending money on rehabilitating offenders is more cost effective than paying the high costs associated incarceration and recidivism, including public safety, courts, prisons, alcoholism and drug abuse programs.

FASD in other jurisdictions

Judges nationwide are experiencing repeat offenders diagnosed with these disorders who, as a direct result of their disabilities, are effectively unable to understand the charges against them, or comply with the conditions of their sentence. There is a growing body of research affirming that FASDs are brain disorders effectively impairing "judgment, behavior, capacity to recognize reality, or ability to cope with the ordinary demands of life."

Kate Burkhart, attorney and executive director of the Alaska Advisory Board on Alcoholism and Drug abuse, wrote that the language in SB 151 "is commensurate with the federal sentencing guidelines and other western state laws that provide for such a mitigating factor. While none of the western states surveyed expressly include FASD in their definitions of mental defect, Utah includes a broad definition that would include FASD. The other states and federal guidelines would permit but do not mandate consideration of FASDs in sentencing unless they impair comprehension or ability to form intent."

Burkhart noted that Utah defines "mental illness" as "a mental disease or defect that substantially impairs a person's mental, emotional, or behavioral functioning. A mental defect may be a congenital condition, the result of an injury, or residual effect of a physical or mental disease that includes, but is not limited to, mental retardation" which is further defined to mean "significant sub-average general intellectual functioning, existing concurrently with deficits in adaptive behavior."

Idaho permits consideration of mental condition creating an "inability to appreciate the wrongfulness" of conduct or to conform to legal requirements at sentencing."

Washington permits the courts to consider "the defendant's capacity to appreciate the wrongfulness of his or her conduct, or to conform his or her conduct to the requirements of the law, was significantly impaired."

Nationally, advocates within the American Bar Association are proposing a resolution urging lawyers, judges, bar associations and law school clinical programs to promote "applying FASD as a factor in the mitigation of juvenile and criminal sentencing ... and consideration of alternatives to incarceration that reduce recidivism." The resolution also asks, "that state and federal laws and policies reflect the serious effects of prenatal alcohol exposure by a) including persons diagnosed with FASD, or suffering from the affects of prenatal alcohol exposure, within the statutory definition of developmental disabilities ... and b) enhancing identification and diagnosis of ... persons with FASD." Their intent is that this resolution would be approved by the ABA House of Delegates at the annual meeting in Chicago in August 2012.

Internationally, Alaska is among the forerunners in awareness, diagnosis, and prevention of fetal alcohol spectrum disorders, both nationally and internationally. However, Canada and parts of Australia are leading the world in establishing laws and practices that address FASD as a brain-based disability with specific interventions and solutions.

The Canadian Bar Association passed a resolution in 2010 acknowledging that FASDs involve a range of neurological and behavioral challenges that can include "impaired mental functioning, poor executive

functioning, memory problems, impaired judgment, inability to control impulse behavior, inability to understand the consequences of their actions, and inability to internally modify behavior control."

The resolution also acknowledged that "the criminal justice system is based on normative assumptions that a person acts in a voluntary manner, makes informed choices with respect to the decision to commit crimes, and learns from their own behavior and the behavior of others" and " these normative assumptions and sentencing principals such as specific and general deterrence, are not valid for those with FASDs.

Following are other highlights addressed in the CBA's resolution:

- sentencing options available to courts are often ineffective in changing the behavior of those with FASD and those with FASD are frequently repeat offenders
- some courts have ruled that absolutely no rehabilitative or deterrent purpose is served by incarceration of those with FASD;
- laws, programs or activities could ameliorate the disadvantages experienced by those with FASD whose behavior is judged on a standard that they are incapable of meeting because of their disability;
- the Canadian bar is resolved to urge the federal government to amend criminal sentencing laws to accommodate the disability of those with FASD.

In Heather Douglas' article, *The sentencing response to defendants with fetal alcohol spectrum disorder* (2010) published by Thomas Reuters in Australia, the author notes that "as a result of deficits in executive function resulting in memory difficulties, inability to plan and failure to recognize the consequences of actions, many of those with FASD are likely to fail to pay fines and to breach probation orders ... Suspended sentences will not be useful in a context where cause and effect is not understood. In prison, highly suggestible FASD sufferers are likely to be victimized. While FASD clients cannot be cured of all their symptoms, techniques and approaches have been identified that can be employed by professionals to help the person reach his or her potential."

Conclusion

Ira Chasnoff, M.D., an international expert on FASD, wrote in an article "Is Fetal Alcohol Spectrum Disorders a Mitigating Factor in Criminal Litigation and Sentencing?" in *Psychology Today* (2011), "We are in an ethical conundrum. Children, youth and young adults with FASD are more likely than not to end up before the court on criminal or civil charges, but the legal system has not come close to resolving how their cases should be treated. Most individuals with FASD have normal IQs, and most can relate a story as to how they ended up before the judge. Most can even state they understand the charges against them. But the truth is that neurocognitive damage that inhibits executive functioning, decision-making, and emotional and behavioral regulation has tremendous bearing on the capacity of these individuals to understand the ramifications of their actions. These people look normal, they speak normally, but they often have only a superficial understanding of the charges against them."

As noted by Canadian Judge Barry Stuart in R. v. Sam (1993), FASD takes away someone's "... ability to act within the norms expected by society." It is "manifestly unfair to make an individual pay for their disability with their freedom. Society is failed because a sentence calculated for a 'normal' offender cannot serve the same ends when imposed on an offender with FASD," he said. "Not only can traditionally calculated sentences be hopelessly ineffective when applied to FASD offenders, but the punishment itself, calibrated for a non-disabled individual, can have a substantially more severe effect on someone with the impairments associated with FASD," Judge Stuart concluded.

DISABILITY LAW CENTER OF ALASKA

ANCHORAGE
3330 Arctic Boulevard
Suite 103
Anchorage, AK 99503
(907) 565-1002
FAX (907) 565-1000
1-800-478-1234
www.dlcak.org

March 2, 2012

Senator Kevin Meyer
State Capitol Room 103
Juneau AK, 99801

Re: Support for SB 151

Dear Senator Meyer:

The Disability Law Center of Alaska supports the objective of SB 151, which is to allow the courts to take into consideration during sentencing whether the defendant was diagnosed with a fetal alcohol spectrum disorder, a traumatic brain injury or an acquired brain injury. If these conditions cannot be considered as mitigating factors, then as one jurist observed, these individuals are paying for their disability with their freedom.

Thank you for your efforts in correcting this manifest injustice.

Sincerely,

DISABILITY LAW CENTER OF ALASKA

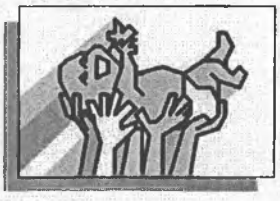
David C. Fleurant
Executive Director

MEMBER OF THE NATIONAL DISABILITY RIGHTS NETWORK

Alaska FASD Partnership

Over 75 organizations and individuals supporting:

Advocacy ▪ Diagnosis
▪ Case Management
▪ Prevention
▪ Substance Abuse Treatment for Pregnant Women
▪ Parent Navigation
▪ Training for Parents
▪ Public Awareness
▪ Alternatives to Incarceration
▪ Court Interpreters
▪ Peer Support
▪ Training for Judges, Public Defenders, and Prosecutors
▪ Training for Educators and Medical Professionals
▪ Traditional Healing
▪ Supported Housing and Employment
▪ Family Support



March 2, 2012

Senator Kevin Meyer
Alaska State Legislature
Juneau, Alaska 99801

Dear Senator Meyer,

It is with great pleasure that the Alaska FASD Partnership supports the proposed committee substitute for SB 151 to include FASD, Traumatic and Acquired Brain Injury, and Intellectual Disability as "impaired brain function" in the definition of "mental disease or defect."

The Partnership also supports the bill's intent to include FASD and traumatic and acquired brain injury as mitigating factors related to sentencing.

Individuals diagnosed with a fetal alcohol spectrum disorder (FASD) or a traumatic or acquired brain injury (T/ABI) are disproportionately represented within Alaska's criminal justice system. However, the intent underlying Alaska's sentencing structure – that people will modify their behaviors based on the criminal justice system's response to their crimes – is not met when applied to individuals with FASD or T/ABI. These disabilities manifest as deficits in executive function resulting in impaired adaptive behavior, memory difficulties, an inability to plan, and a failure to recognize the consequences of actions. In the interest of justice, it is important to take these deficits into account during sentencing. Neither the offender nor society benefits from holding individuals with FASD or T/ABI to community standards that they cannot possibly attain given their impairments.

The cost of incarceration in Alaska's prison is about $136 per day. Over the course of five to ten years in an Alaskan prison, an inmate is expected to cost the state close to $250,000-$500,000 (not including medical, mental health or other specialized treatment while incarcerated).

According to the 2009 ISER Study, *The Cost of Crime: Could the State Reduce Future Crime and Save Money by Expanding Education and Treatment Programs?*" the cost of providing services is less than the cost of incarceration. With appropriate supports, clients with FASD, T/ABI and other brain-based disabilities can live successfully in the community as contributing citizens, ***and*** provide jobs for Alaskan case workers, clinicians, assisted living providers, mental health and substance abuse

Alaska Fetal Alcohol Spectrum Disorders (FASD) Partnership
431 N. Franklin St. Suite 203, Juneau, Alaska 99801 ▪ (907) 465-8920
Webpage: www.hss.state.ak.us/fasd.htm ▪ email: akfasdpartnership@alaska.gov

counselors, psychologists and psychiatrists. Not only does CSSB 151 further the cause of justice for a vulnerable population, it represents a better investment of our state's resources.

Additionally, the state's movement toward "Smart Justice" will promote less crime, reduced public costs, and greater rehabilitative effect on offenders. The research behind "Smart Justice" suggests that spending money on rehabilitating offenders is more cost effective than paying the high costs associated incarceration and recidivism, including public safety, courts, prisons, alcoholism and drug abuse programs.

Thank you for the time and effort you have put into supporting this important effort.

Sincerely,

Monica Charles Leinberger

Monica Charles-Leinberger, Chair
Alaska FASD Partnership

Partnership members include: *Abused Women's Aid in Crisis, Advisory Board on Alcoholism and Drug Abuse, Alaska Behavioral Health Association, Alaska Center for Children & Adults, Alaska Children's Services, Alaska Mental Health Board, Alaska Mental Health Trust Authority, Alaska Peer Support Consortium, Alaska Youth & Family Network, All-Alaska Pediatric Partnership, Anchorage Coordinated Resources Project, Anchorage School District (Anchorage), Arctic FASD Regional Training Center, Assets Inc., Association for the Education of Young Children-SEAK, Big Brothers Big Sisters of Alaska, Boys & Girls Home of Alaska, Camp Fire USA Alaska Council, Central Council of the Tlingit & Haida Indian Tribes of Alaska, Christian Health Associates, Copper Basin Neurodevelopmental Center, Deltana Community Services Partnership, Dena A Coy/Southcentral Foundation, Diocese of Juneau, Fairbanks Community Behavioral Health Center, Family Centered Services of Alaska, Frontier Community Services, Gastineau Human Services, Governor's Council on Disabilities and Special Education, Hoonah Indian Association, Hope Community Resources, Independent Living Center, Kenai Peninsula FASD Program, Ketchikan Indian Community, Kinetictions, Kobuk Valley Consulting, Kodiak Area Native Association, Juneau Family Health and Birth Center, Juneau FASD Diagnostic Clinic, Juneau Partnerships for Families and Children, Lower Kuskokwim School District, Lynn Canal Counseling Services, Nenana City School District, Nome Youth Facility, Nondalton Tribe, Regional Wellness Forum, Set Free Alaska, Inc. (Wasilla), Southcentral Foundation FAS Diagnostic Team, Southeast Regional Health Consortium, Southeast Regional Resource Center, Southern Kenai Peninsula Communities Project, Sprout Family Services, Stone Soup Group, Tongass Substance Screening, UAA Department of Health Sciences, UAA Center for Human Development, Volunteers of America-Alaska ...and many individuals.*

Advisory Board on Alcoholism and Drug Abuse
abada amhb
Alaska Mental Health Board

ALASKA MENTAL HEALTH BOARD
ADVISORY BOARD ON ALCOHOLISM AND DRUG ABUSE
431 NORTH FRANKLIN STREET, SUITE 200
JUNEAU, ALASKA 99801
(907) 465-8920

March 2, 2012

Senator Kevin Meyer
Alaska State Capitol, Room 103
Juneau, Alaska 99801

Re: Letter of Support for CSSB 151 – Mitigation at Sentencing for a Defendant Affected by FASD

Dear Senator Meyer,

The Alaska Mental Health Board and Advisory Board on Alcoholism and Drug Abuse support the committee substitute for SB 151 (CSSB 151). This bill recognizes the special needs presented by Alaskans experiencing fetal alcohol spectrum disorders (FASD) in the justice system.

It is an objective of Alaska's comprehensive mental health program that people with mental and cognitive disabilities are treated with dignity in all aspects of life. Our judges, prosecutors, defenders, and court staff work to ensure that everyone who appears in court is treated fairly and with respect. However, Alaskans experiencing FASD often present with special needs and situations that impede the course of justice. Low cognitive functioning, inability to understand and stay within accepted social norms, limited short term memory, impulsivity, and impaired judgment can all result in a person experiencing FASD not being able to explain his or her actions, understand why they resulted in a criminal charge, or understand the criminal justice process. Usually, these impairments do not rise to the level of legal incompetence – but they often make it hard for judges and juries to make decisions that serve our notions of fairness and justice.

Based on research in other jurisdictions, an estimated 60% of inmates experience an FASD, brain injury, or similar organic cognitive impairment. The cost of incarceration is very high and usually does not result in restoration or rehabilitation. In fact, according to a 2009 ISER Study,[1] the cost of prison far exceeds the cost of services. CSSD 151 allows judges – **at their discretion** – to modify presumptive sentences to take into account the defendant's disabilities and to provide the sort of sentence needed to prevent recidivism and ensure a just outcome for victims, defendants, and our communities.

We thank you for your work on behalf of all Alaskans.

Sincerely,

J. Kate Burkhart
Executive Director

[1] *The Cost of Crime: Could The State Reduce Future Crime and Save Money by Expanding Education and Treatment Programs?* published by Institute of Social and Economic Research (ISER), University of Alaska (January 2009). Available online at www.iser.uaa.alaska.edu.

The TRUST

The Alaska Mental Health Trust Authority

March 2, 2012

Senator Kevin Meyer
State Capitol Building
Juneau, Alaska 99801

Dear Senator Meyer,

The Alaska Mental Health Trust Authority is pleased to support SB 151, adding fetal alcohol spectrum disorders and traumatic and acquired brain injury as mitigating factors under "mental disease or defect" in state statute. The Trust also supports the bill's intention to use the word "intellectual disability" to describe Alaskans with developmental disabilities, rather than the archaic term "mental retardation."

This legislation is an important step in the state's recognition that people with disabilities are better served with supports and services, rather than incarceration without supports.

SB 151 fulfills a recommendation adopted by the Alaska Criminal Justice Assessment Commission that "the legislature should create a statutory mitigating factor for use at criminal sentencing, recognizing when the wrongful conduct was substantially affected by an organic brain disorder." [1]

SB 151 also supports a recommendation currently before the American Bar Association stating that the ABA "... urges lawyers and judges, as well as bar associations and law school clinical programs, to support training that includes law school law enforcement, and legal/judicial education curricula on enhanced awareness of the child and adult disability of Fetal Alcohol Spectrum Disorders (FASD) and its impact on individuals in the child welfare, juvenile justice, and adult criminal justice systems, and that they work with medical, mental health, and FASD disability experts to promote: ... (d) applying FASD as a mitigating factor in the mitigation of juvenile justice and criminal sentencing ... and consideration of alternatives to incarceration that reduce recidivism."

The Trust thanks Senator Meyer's efforts to address issues related to people with disabilities, so that the most appropriate (and cost effective) outcomes are realized.

Sincerely,

Jeff Jessee
Chief Executive Officer
Alaska Mental Health Trust Authority

[1] Alaska Criminal Justice Assessment Commission (2000). *Final Report.* Retrieved October 12, 2010 from www.hss.aic.state.ak.us/reports/CJAC Final 2004.pdf, at p.71.

SB 158

<TARGET><BILL>SB 158</BILL><SUBJECT>SB 158</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 2/1/12

FURTHER:

DATE TURNED IN TO OFFICE: 2/9/12

Finance Committee considered SENATE BILL NO. 158

SB 158-REAL ESTATE SALES LICENSEES

"An Act relating to the Real Estate Commission; and providing for an effective date."

and recommends:

[✓] be **replaced** with **CS** SB 158 (L&C) [✓] *Same Title* [ ] *New Title*

[ ] adopt **previous CS** _____ (_____) [ ] *Same Title* [ ] *New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
CCED			X	1

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	EGAN	✓			
	McGuire			✓	
	Olson			✓	
	ELLIS	X			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman			✓	

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB 158(L&C)**
Fiscal Note Number: 1
(S) Publish Date: 2/1/12

Identifier (file name): SB158-DCCED-CBPL-01-21-12
Title: Real Estate Sales Licensees
Sponsor: Senator Egan
Requester: Sentate Labor and Commerce Committee

Dept. Affected: DCCED
Appropriation: Corps, Bus & Professional Licenses
Allocation: Corps, Bus & Professional Licenses
OMB Component Number: 2360

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	0.0		0.0	0.0	0.0	0.0	0.0
Travel	0.0		0.0	0.0	0.0	0.0	0.0
Services	0.0		0.0	0.0	0.0	0.0	0.0
Commodities	0.0		0.0	0.0	0.0	0.0	0.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial Version

Prepared by: Don Habeger, Director — Phone 465-2536
Division: Corporations, Business and Professional Licensing — Date/Time 1/21/2012 9:00am
Approved by: Susan K. Bell, Commissioner — Date 1/21/2012
Commerce, Community, and Economic Development

(Revised 11/28/2011 OMB)

FISCAL NOTE #1

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB 158(L&C)

Analysis

SB 158 allows the Alaska Real Estate Commission to designate a licensee to administer closing down a real estate brokerage for misappropriation of the trust account(s), medical reasons such as broker incapacitation, or suspension of the broker's license. SB 158 clarifies the intent of the statute that licensed assistants may only work for the brokerage in which they are licensed.

This bill has zero fiscal impact.

Alaska State Legislature

State Capitol, Room 510
Juneau, Alaska 99801
Phone: (907) 465-4947
Fax: (907) 465-2108

Committee Members:
Senator Dennis Egan, Chair
Senator Joe Paskvan, V. Chair
Senator Bettye Davis
Senator Linda Menard
Senator Cathy Giessel

Senate Labor and Commerce Committee

Senate Bill 158
Sponsor Statement

Senate Bill 158 aims to address several weaknesses in current law pertaining to real estate brokers.

The bill would allow the real estate commission to appoint an overseer to temporarily manage a brokerage in the event a broker is unable to for certain reasons, including a traumatic or medical event, having a license suspended, or upon an investigative finding that substantial evidence points to misappropriation of funds. This assures that trust accounts and other sensitive business affairs are handled responsibly.

The bill would also clarify that a licensed assistant can only work for the brokerage in which they are licensed. Ambiguity in current law has been interpreted to allow an assistant licensed in a brokerage to work in any other brokerage or in multiple brokerages. The intent of current law was to limit an assistant to one brokerage.

SB 158 would also allow a licensee to donate a portion of a commission to charity. It would also allow a licensee to advertise that some of their commission would be donated to a charity.

I urge your support of this clean-up measure to the real estate brokerage and licensing statutes.

REALTOR®

ALASKA ASSOCIATION OF REALTORS, INC.
4205 Minnesota Drive Anchorage, Alaska 99503
Telephone (907) 563-7133 Fax (907) 561-1779
www.alaskarealtors.com

January 20, 2012

The Honorable Dennis Egan
Alaska State Legislature
120 4th Street
State Capitol, Room 3
Juneau, Alaska 99801-1182

RE: Senate Bill 158 - An Act relating to the Real Estate Commission; and providing for an effective date."

Dear Senator Egan,

The Alaska Association of Realtors® with over 1,600 members statewide would like to express our appreciation for your sponsoring Senate Bill 158 to address issues of concern to our members. Senate Bill 158 resolves three problems identified by our members.

First, SB 158 provides the Alaska Real Estate Commission (AREC) to designate a licensee to administer closing down a real estate brokerage for medical reasons or for violation of law. This allows the AREC to designate a licensed Realtor to manage the closing of the brokerage if there is no licensed broker available to perform the task.

Next, SB 158 clarifies the intent of the statute that licensed assistants may only work for the brokerage in which they are licensed. This resolves an untended oversight in current law that could be interpreted to permit a licensed assistant to work in multiple brokerages, which was never intended to be allowed.

Finally, this bill would allow a realtor to share a portion of their commission with a charity. This would allow a realtor to waive their commission if they are selling property of a charity or to donate a portion of their commission to a charity and not violate AS 08.88.401.

We believe these three changes will help clarify the intent of the law and promote charitable giving.

Thank you for your assistance in resolving these issues.

Sincerely,

Joni Schneider

Joni Schneider, ABR, GRI
2012 President

REALTOR is a registered mark which identifies a professional in real estate who subscribes to a strict Code of Ethics as a member of the NATIONAL ASSOCIATION OF REALTORS

BATES & ASSOCIATES, REALTORS



"Integrity in Real Estate"

January 24, 2012

The Honorable Dennis Egan
Alaska State Legislature
120 4th Street
State Capitol, Room 510
Juneau, Alaska 99801-1182

RE: SB 158 - "An Act relating to the Real Estate Commission; and providing for an effective date."

Dear Senator Egan,

I want to personally thank you for introducing SB 158, which effectively addresses three problem areas as identified by the Alaska Association of Realtors, and the real estate brokerage community.

The bill you introduced allows the Alaska Real Estate Commission the authority to designate a licensee to manage the affairs of a broker who is unable to conduct business either due to medical reasons, or for violation of the statutes and regulations.

It also clearly defines statute, allowing licensed assistants to work only in the brokerage where they are licensed.

Finally, the proposed bill allows licensees to make charitable contributions from their commissions without violating AS 0.88.401.

I know your efforts on behalf of the real estate licensees of the State of Alaska are greatly appreciated. Thank you so much!

Sincerely,

Anita Bates
Anita Bates, CRS, GRI
Broker
907-244-6188

P. O. Box 241163, Anchorage, Alaska 99524

1/23/2012

The Honorable Senator Egan
Alaska State Legislature
120 4th Street
State Capitol
Juneau, Alaska 99801

Re: SB 158- "An act relating to the Real Estate Commission; and providing for an effective date."

Dear Senator Egan,

I am writing in support of SB 158 and wish to thank you for sponsoring this important bill. I have been a real estate broker in this state for over 25 years and completed 9 years of service on the Alaska Real Estate Commission within the past year. I have experienced the need for these changes from both perspectives.

SB 158 allows for the real estate commission to appoint a temporary licensee to oversee the affairs of a real estate brokerage if certain events occur. In the recent past a broker in our state misappropriated a large amount of trust funds. The Real Estate Commission was forced to leave the broker who violated our laws in charge of the trust account and other business affairs due to their lack of ability to do otherwise. This bill will close this hole in our system.

SB 158 also clarifies a law that was written specifically to allow a licensee to pay another licensee that works for them as an assistant. Previous law mandated that only the broker could pay a licensee. This revision to the law was only intended to simplify the process inside of an office. Some in the industry are trying to interpret this change to mean it is ok to ignore other laws already in place that prohibit a licensee from performing licensed activities for another brokerage.

SB 158 will also allow a licensee to donate part of their commission to a charitable organization. Statute does not allow for a licensee to pay anyone without a license fees earned from licensed activity. While I agree with the intended purpose of this law, I feel that the many charitable organizations around our state can benefit from the sensible change offered in this bill.

Respectfully Submitted,

David B. Somers

Broker

SB 159

<TARGET><BILL>SB 159</BILL><SUBJECT>SB 159</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/21/12

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 159

SB 159-SUSITNA STATE FOREST

"An Act establishing the Susitna State Forest; and providing for an effective date."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[X] adopt **previous CS** SB 159 (RES) *[ ] Same Title [X] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DNR		X		1

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	EGAN	✓			
	McGuire	✓			
	OLSON			✓	
	ELLIS	X			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓			

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version	**CSSB 159(RES)**
Fiscal Note Number	1
(S) Publish Date	3/21/12

Identifier (file name)	SB159-DNR-FMD-3-9-12	Dept. Affected	Natural Resources
Title	An Act establishing the Susitna State Forest; and providing for an effective date.	Appropriation	Resource Development
		Allocation	Forest Management & Development
Sponsor	Senator Menard		
Requester	Senate Resources	OMB Component Number	435

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	**0.0**	**0.0**	**0.0**	**0.0**	***	***	***

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by	John "Chris" Maisch, Division Director	Phone	451-2666
Division	Forest Management & Development	Date/Time	3/9/12 3:00 PM
Approved by	Daniel S. Sullivan, Commissioner	Date	3/9/2012
	Department of Natural Resources		

(Revised 1/17/2012 OMB)

FISCAL NOTE #1

STATE OF ALASKA **BILL NO.** CSSB 159(RES)
2012 LEGISLATIVE SESSION

Analysis

This bill would establish a new Susitna State Forest in the Matanuska and Susitna Valleys from state lands presently classified for forestry management by the two Area Plans for the region. These lands are currently managed by the Division of Forestry for timber harvest and other multiple uses. Designation of these lands as a state forest will ensure the long-term availability of a timber supply to local commercial and personal use customers , support economic opportunities for the region's communities, improve access to the parcels and retain the land in state ownership for multiple uses. The state forest will also directly support a growing interest in wood energy space heating projects by local communities. These projects require a long-term, sustainable supply of wood.

The proposed State Forest includes 33 parcels totaling approximately 763,200 acres and are located in 14 large management blocks. The Susitna State Forest would become part of the State Forest System under AS 41.17.010 - .230 and will continue to be managed under the provisions of the State Forest Resources and Practices Act (FRPA) which is designed to protect fish habitat and water quality. The forest management plan for the region would be updated via a public process per AS 41.17.230.

Implementation of this bill will not require new positions or funding.

The bill will have no short-term impact to the revenue stream, but will provide for long-term increases in forest productivity and subsequent increased timber revenues.

Senator Linda Menard

Session
State Capitol, Room 9
Juneau, Alaska 99801
Phone: (907) 465-6600
Fax: (907) 465-3805

Interim
600 E. Railroad Ave.
Wasilla, Alaska 99654
Phone: (907) 376-3370
Fax: (907) 376-3157

Alaska State Legislature

Sponsor Statement
Committee Substitute for Senate Bill 159

The Committee Substitute for Senate Bill 159 will establish a new Susitna State Forest from state lands presently used for timber harvest and exclude private in-holdings from the proposed forest. Further, this CS includes intent language that urges the governor to work to acquire or purchase forest land in the Tongass National Forest.

With a state forest designation, the Division of Forestry will be able to manage for a long-term supply of timber to local processors, and retain the land in state ownership for multiple uses. The Susitna State Forest would be the fourth state forest established in Alaska, joining the Haines State Forest, the Tanana Valley State Forest and the Southeast State Forest.

The proposed Susitna State Forest includes **33 parcels totaling approximately 763,200 acres**. The parcels are Forestry classified lands located in 14 large management blocks listed below. The Division of Forestry worked with the Division of Mining, Land, and Water Management to identify and exclude lands that are priorities for the state land disposal program.

In the region where the State Forest is proposed, timber sales and personal use sales for fuelwood are growing steadily. Local mills depend on state timber for their raw material supply, and there is a growing interest in the use of wood in the form of roundwood, chips or wood pellets for both commercial and residential space heating.

The state is committed to long-term management solutions by:

- maximizing the sustainable supply of timber from the state timber base;
- developing access and encouraging a broad range of multiple uses on state forest lands including motorized uses;
- providing economic opportunities to the communities, businesses and residents of the region.

Legislatively designating a State Forest would ensure that some land will remain available for long-term forest management and the region will retain large open spaces of public lands for the range of benefits residents of the region currently enjoy. It will also allow for mining on state forest land.

The Susitna State Forest would be managed as part of the State Forest System under AS 41.17.200-.230. Lands in the State Forest would continue to be open for multiple uses, including wildlife habitat and harvest and recreational activities.

Senator_Linda_Menard@legis.state.ak.us

Senator Linda Menard

Session
State Capitol, Room 9
Juneau, Alaska 99801
Phone: (907) 465-6600
Fax: (907) 465-3805

Interim
600 E. Railroad Ave.
Wasilla, Alaska 99654
Phone: (907) 376-3370
Fax: (907) 376-3157

Alaska State Legisiature

To: Sen. Bert Stedman
Co-Chair, Senate Finance Committee

CC: Darwin Peterson
Finance Committee Aide

From: Sen. Linda Menard

Date: March 22, 2012

Re: Changes in CS SB 159(RES)

There were two changes made to Senate Bill 159 in the Senate Resources Committee:

(1) The committee substitute added exclusions for private land located within the proposed state forest boundaries. These exclusions prevent the private land from being designated state forest, and codify that in law.
(2) On page 31, intent language was added to the bill urging the governor to either acquire or purchase land in the Tongass National Forest.

Senator_Linda_Menard@legis.state.ak.us

LEGAL SERVICES

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

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

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

MEMORANDUM January 17, 2012

SUBJECT: Sectional summary for SB 159 (Work Order No. 27-LS1179\M)

TO: Senator Linda Menard
Attn: Michael Rovito

FROM: Donald M. Bullock Jr.
Legislative Counsel

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

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

Section 1. Designates state-owned or acquired land and water lying within the listed parcels as the Susitna State Forest. Requires the commissioner of natural resources to prepare a management plan for the forest, and authorizes the commissioner to establish transportation corridors within the forest.

Section 2. Provides a July 1, 2012 effective date for the Act.

DMB:ljw
12-019.ljw

Expanded Bullets on area plan public processes related to the new Susitna State Forest [1/30/12]

- 1985 Susitna Area Plan identified Forestry designated lands for consideration as legislatively designated areas (LDAs).

- State lands under consideration for a Susitna State Forest are addressed by two area plans: the Susitna Matanuska Area Plan (2011), and the Southeast Susitna Area Plan (2008). These two plans supersede the 1985 Susitna Area Plan.

- The Commissioner of DNR adopted the Southeast Susitna Area Plan (SSAP) on April 28, 2008, following a year-long planning process that included two rounds of public meetings. This plan applies to about 255,000 acres of state land formerly managed by the 1982 Willow Sub-Basin Area Plan and the original 1985 Susitna Area Plan. The SSAP designates 74,855 acres of state land for Forestry. The Division of Forestry actively manages these lands in the Houston and Kashwitna areas for timber production.

A recurring theme during the following processes was the idea of a Susitna State Forest.

- In 2009, DOF engaged in a revision process for the 1991 Susitna Forestry Guidelines (SFG). A citizens' advisory committee and an inter-agency planning team were established and several meetings held. In addition, the SFG process held joint public scoping meetings with the DMLW-led SMAP planning process.

- 1n 2009, DOF's planner mentioned the Susitna State Forest during his presentation to the Mat-Su Salmon Science and Conservation Symposium in Wasilla.

- During annual (2008-2011) Winter Trails User's meetings between timber operators and Willow area dog mushers, the concept of a state forest in the Susitna was discussed, with broad support for the idea expressed by those attending. Dog mushers enjoy the use of state lands and the associated improved access from logging activities.

- Following a two year planning process, the Commissioner of the Department of Natural Resources (DNR) adopted the Susitna Matanuska Area Plan (SMAP) on August 11, 2011, with a date of issuance of August 17th. The SMAP applies to nine million acres of state land formerly managed under the Susitna Area Plan. About 700,000 acres of these state lands are classified Forestry. This area plan recommends establishment of a legislatively designated State Forest for those lands designated or co-designated Forestry in the SMAP and the 2008 Southeast Susitna Area Plan. Public input received at a series of community meetings held throughout the planning area and during a three and a half month public review (February – May 2011) of the draft SMAP supported the concept of a Susitna State Forest.

- DOF coordinated the public scoping efforts for the SFG with DMLW's area plan scoping and the Matanuska-Susitna Borough's land use planning. During April of 2009, six joint open houses were held in communities in the Mat-Su area, and one in Anchorage. An

open house planned for Skwentna in late March was cancelled due to an ash fall in the area from the volcanic eruption of Mt. Redoubt. Approximately 80 people attended the public meetings, and DOF received 22 written scoping comments through the end of July. Many of the written comments supported maintaining or strengthening the Susitna Forestry Guidelines as they are presently written, and keeping its original purpose statement intact. The public comments were generally supportive of forestry. The issues most frequently mentioned were regeneration, timber road access after harvesting, harvest design, riparian standards, and herbicides. Other public outreach efforts that occurred during this period included briefings with the Alaska Outdoor Council, Friends of the Mat-Su, and WACO Trail's Committee.

- The Mat-Su Area Forester reported on the interest in the Susitna State Forest to the Board of Forestry during their August 30-31, 2011 meeting.

*Provided by Division of Forestry.

Public Briefing: SB-159
Proposed Susitna State Forest

Alaska Department of NATURAL RESOURCES

February 13, 2012

DEPARTMENT OF NATURAL RESOURCES -- DIVISION OF FORESTRY

Background. The state Department of Natural Resources manages over 9.5 million acres of forest land in the Matanuska and Susitna Valleys. Of this land, timber management is allowed on approximately 2.1 million acres. The state actively manages this timber base to supply wood to local processors. Remaining land is designated primarily for other uses including land sales, recreation, water resources, and fish and wildlife habitat, including over 3.1 million acres of legislatively designated state parks, refuges, and public use areas.

In the region, demand for state timber sales is steady and growing and personal use sales for fuelwood have also increased. Local mills depend heavily on state timber for their raw material supply and there is a growing interest in the use of wood in the form of roundwood, chips or wood pellets for commercial, public school, and residential space heating.

There is also a need to more actively manage lands and vegetation to promote a variety of forest ages to provide for diverse and healthy habitats for wildlife. At the same time, active management will also help reduce wildland fire risk by breaking up large fuel types and encouraging initial regeneration by hardwood species.

The state is committed to long-term management solutions by:

- maximizing the sustainable supply of timber from the state timber base;
- developing access and encouraging a broad range of multiple uses on state forest lands including motorized uses;
- providing economic opportunities to the communities, businesses and residents of the region.

Legislatively designating a State Forest would ensure that some land will remain available for long-term forest management and the region will retain large open spaces of public lands for the range of benefits residents of the region currently enjoy.

Purpose. This bill would establish a new Susitna State Forest from state lands presently used for timber harvest. The Division of Forestry will be able to manage the State Forest for a long-term supply of timber to local processors, and retain the land in state ownership for multiple uses.

Proposed State Forest Land. The proposed Susitna State Forest includes 33 parcels totaling approximately 763,200 acres (see chart). The parcels are Forestry classified lands located in 14 large management blocks listed below. The Division of Forestry worked with the Division of Mining, Land, and Water management to identify and exclude lands that are priorities for the state land disposal program.

State Forest Management. The Susitna State Forest would be managed as part of the State Forest System under AS 41.17.200-.230. Lands in the State Forest would continue to be open for multiple uses, including wildlife habitat and harvest and recreational activities. State Forest lands would be managed consistent with the management intent under the current Susitna Matanuska and the Southeast Susitna Area Plans. Changes to management intent would require public and interagency review through adoption of a State Forest Management Plan under AS 41.17.230. The States Forest Resources Practices Act (FRPA) would apply to management activities on the forest and is designed to protect both fish habitat and water quality. (AS 41.17.010 - .955.) A forestry inventory was completed in 2010 for approximately 75% of the acreage and work is ongoing to complete the project. An interim forest inventory report and maps are available at http://forestry.alaska.gov/whatsnew.htm.

PROPOSED SUSITNA STATE FOREST			
Parcel	**Acreage**	**General Location**	**Block**
Susitna-Matanuska Area Plan			
P-13a	18,100	Kroto Creek East	East Petersville
P-13b	49,600	Kroto Creek West	West Petersville
P-13c	3,300	Amber Lake	West Petersville
U-26a	35,400	Yentna River West	Yentna
R-03a	6,500	Nakoshna River	Yentna
R-03b	33,600	Skwentna River North	West Skwentna
U-26b	15,500	Skwentna River North	West Skwentna
R-03c	5,100	Hayes River	West Skwentna
M-07a	24,200	Canyon Creek	South Skwentna
M-07b	187,000	Mount Susitna	Mount Susitna
M-07c	2,500	Theodore River	Mount Susitna
M-07d	5,800	Alexander Creek West	Alexander Creek
U-24a	10,300	Alexander Creek East	Alexander Creek
U-04a	500	Kroto Slough	Susitna
U-04b	155,800	Kahiltna River	Susitna
U-07e	104,100	Skwentna Village	East Skwentna
B-10	15,200	Yenlo Creek	East Skwentna
S-35	12,800	South Fork Montana Creek	Talkeetna
Southeast Susitna Area Plan			
U-01a	1,200	Sheep Creek North	Talkeetna
U-01b	6,500	Sheep Creek South	Kashwitna
U-01c	5,800	Kashwitna River	Kashwitna
U-01d	13,900	Little Willow Creek North	Willer-Kash
U-01e	18,600	Willow Creek North	Willer-Kash
U-01f	10,500	Deception Creek	Houston
W-01g	600	Houston	Houston
H-06a	800	Houston	Houston
H-32	500	Houston	Houston
H-06b	3,000	Houston	Houston
P-03	600	Little Susitna North	Houston
P-02	1,600	Little Susitna North	Houston
S-03a	300	Deshka Landing	Red Shirt Lake
S-03b	13,300	Deshka Landing South	Red Shirt Lake
S-03c	700	Susitna Village	Red Shirt Lake
TOTAL	**763,200**		

SB 159
Susitna State Forest

The proposed Susitna State Forest includes 14 management blocks totaling approximately 760,000 acres. The blocks have previously been classified Forestry in the Susitna Matanuska and the Southeast Susitna Area Plans. The Division of Forestry worked with the Division of Mining, Land, and Water Management to identify and exclude lands that are priorities for the state land disposal program.

The effect of legislatively designating these lands as State Forest is as follows:

Current Condition	Proposed State Forest
Lands may be designated for disposal through agency action.	This would provide for long term forest management planning. Lands would need to be withdrawn from the State Forest system through legislative action.
Revised area plans may further subdivide the existing forest.	Existing private inholdings would remain. All state land designated for settlement in the current Area Plans would remain available for purchase by the public. Any changes in land classification or use would be addressed in the Susitna State Forest Management Plan.
Reluctance by forest managers to invest public funds if the lands are subject to disposal.	Forest Managers would have the opportunity to invest in long term land management projects without having the lands converted to other uses. For example, the DOF would have the opportunity to collaborate with the Department of Fish and Game on long term wildlife enhancement projects, silvicultural treatments for stand improvement, and other activities that show benefits over time.
Lands are managed for multiple use.	No Change.
Existing mineral entry rights.	The lands would be managed for multiple use and would be open for mineral development as it currently exists.
The Susitna Forestry Guidelines, adopted over 20	The Alaska Forest Resources and Practices Act and

years ago and prior to the final revision of the Alaska Forest Resources and Practices Act (AS 41.17), are used for planning timber harvests in the Susitna Valley.	other guidelines will be incorporated into the Susitna State Forest Management Plan and after adoption will be the basis for timber harvests in the State Forest.
Forests are managed on a sustained yield.	AS 41.17.220 requires the management of State Forests occur on the sustained yield principle.
Access for recreation is limited.	A forest management plan would include a transportation plan that addresses recreational opportunities as roads are developed.
Multiple Area Plans are used for the current management of State land.	A Forest Management Plan as required under AS. 41.17.230 must be adopted within 3 years of the establishment of a state forest. The plan requires a forest inventory and must consider other uses such as mineral extraction, recreation, fish and wildlife, and other traditional uses.

Provided by the Alaska Division of Forestry

Alaska Forest Association

111 Stedman Street
Ketchikan, AK 99901
Phone: 907-225-6114
Fax: 907-225-5920

March 16, 2012

Senators Joe Paskvan and Bill Wielechowski
Co-Chairs, Senate Resources Committee
Alaska State Legislature
Juneau, AK 99801

The Alaska Forest Association (AFA) is the primary timber industry association in Alaska. Our Association mission is to help sustain and restore a viable timber industry in Alaska and to insure our industry members operate their businesses in a responsible manner. We also maintain a Health Insurance program and a Pension plan for our members. AFA also sponsors the Sustainable Forestry Initiative Program for Alaska and we manage a Scholarship program.

The Alaska Forest Association supports SB 159, which establishes the Susitna State Forest.

There are several sawmills in the Anchorage area that have been struggling to maintain an adequate supply of suitable timber. Some of the mills have been idled, solely due to a lack of timber supply. The State Division of Forestry has done well managing the State Forests and the State timber sale program in Southeast Alaska. In Southeast Alaska, the Forest Service has downsized its timber sale program by about 90% and, without the State timber sales, the last remaining mills in that region would have been lost. We are confident that the State will also properly manage the Susitna State Forest lands and the new State Forest will provide ample opportunity for Alaskans to have additional wealth producing jobs.

We also believe that following the management requirements of the Alaska Forest Practices Act will insure that the water, fish and wildlife in the Susitna State Forest will be maintained and even enhanced. Further, the access that will be provided by the timber sale program will also provide additional opportunities for recreation, fire protection and additional resource development.

Thank you for the opportunity to comment.

Sincerely,

Owen Graham
Executive Director
Alaska Forest Association
111 Stedman Street, Suite 200
Ketchikan, Alaska 99901

Alaska Trappers Association
PO Box 82177
Fairbanks, AK 99708

Linda Menard
Alaska State Senator
State Capitol, Room 9
Juneau, AK 99801

February 2, 2012

Re: SB 159 – Susitna State Forest

Dear Senator Menard:

The Alaska Trappers Association is a statewide organization with nearly one thousand members. We are active in Alaska wildlife issues and other resource conservation efforts. We support a very active trapper education program.

ATA supports the CONCEPT of a fourth state forest, but we have serious concerns about how this might affect other consumptive resource use, particularly trapping. Our concern stems primarily from experience with the way that the planning process for the Tanana Valley State Forest (TVSF) in Interior Alaska was politically manipulated by Governor Knowles.

Title 41 (specifically AS 41.17.200) makes it quite clear that the primary purpose of any state forest is to provide a timber base and the opportunity for active forest management and timber harvest. We support and applaud this goal. However, the TVSF Citizens Advisory Committee (a quasi-public agency) was stacked with non-consumptive users and allowed to corrupt and control the planning process to minimize logging, hunting, trapping and motorized access. That serious and systemic problem was exactly what happened when the TVSF Management Plan was rewritten. Environmental groups (enabled, supported and encouraged by the Governor's Office) tied up the planning process for years and manipulated the process. The Governor's Office, rather than the State Forester's

Office, controlled which specific individuals were appointed to the Citizens' Advisory Committee.

Thus, before we can wholeheartedly support your bill, we would prefer to see included some language to prevent or at least minimize this type of political manipulation of the planning process and attempts to preclude the very consumptive uses the State Forest was established to protect. This might entail a slight change to AS 41.17.200. Or perhaps it could be handled with a very clear statement of legislative intent. At a minimum, public discussion during the legislative process regarding this bill should thoroughly air and review the process that took place during the rewriting of the TVSF Management Plan.

Once this concern is addressed, we will be glad to comment on specific acreages and areas proposed for inclusion. However, until we can be sure that trapping (and timber harvest, for that matter) are really protected, we support only the CONCEPT of establishing the Susitna State Forest.

Thank you for the opportunity to comment on your proposal to establish a Susitna State Forest in South-Central Alaska.

Sincerely,

Joe Letarte

Joe Letarte, President
Alaska Trappers Association

MATANUSKA-SUSITNA BOROUGH
Office of the Borough Manager
350 East Dahlia Avenue • Palmer, AK 99645
Phone (907) 745-9689 • Fax (907) 745-9669
John.Moosey@matsugov.us

January 18, 2012

The Honorable Senator Linda Menard
Alaska State Capitol
Room 9
Juneau, Alaska 99801

Dear Senator Menard,

I am very pleased to send a letter of support for Senate Bill 159 which will establish the Susitna State Forest. This bill will establish a new State Forest from state lands presently used for timber harvest. The Division of Forestry will be able to manage the State Forest for a long-term supply of timber to local processors, and retain the land in state ownership for multiple uses.

The Mat-Su Borough and its residents will benefit from a state forest in the form of an economic boost from a sustainable supply of timber from the state timber base. The Susitna State Forest would be managed as part of the State Forest System and would be open for multiple uses, including wildlife habitat, harvest, and recreational activities.

Demand for state timber sales is steady and growing, and personal use sales for fuel wood have also increased. Local mills depend heavily on state timber for their raw material supply and there is a growing interest in the use of wood in the form of round wood, chips or wood pellets for both commercial and residential space heating. At the same time, active management will also help reduce wild land fire risk by breaking up large fuel types and encouraging initial regeneration by hardwood species.

Thank you for the opportunity to endorse this project. Should you have any questions, please do not hesitate to contact my office.

Sincerely,

John M. Moosey
Borough Manager

JM/al

HOUSTON, ALASKA
RESOLUTION 12-05

A RESOLUTION OF THE HOUSTON CITY COUNCIL SUPORTING SENATE BILL 159, ESTABLISHING THE SUSITNA STATE FOREST.

WHEREAS, the Alaska State Department of Natural Resources manages over 9.5 million acres of forest land in the Borough and timber harvesting is allowed on 2.1 million acres of this land; and

WHEREAS, Senate Bill 159 would establish a new Susitna State Forest from state lands presently used for timber harvest; and

WHEREAS, the Susitna State Forest would include 33 parcels totaling approximately 763,200 acres; and

WHEREAS, demand for state timber sales is growing and personal use sales for fuel wood have increased in this region; and

WHEREAS, the lands in the State Forest would continue to be open for multiple uses, including wildlife habitat and harvest and recreational activities; and

WHEREAS, legislatively designating a State Forest would ensure that some land will remain available for long-term forest management.

NOW, THEREFORE, BE IT RESOLVED THAT: The Houston City Council supports the adoption of Senate Bill 159 establishing the Susitna State Forest.

PASSED AND APPROVED by a duly constituted quorum of the Houston City Council, Alaska this 9th day of February, 2012.

THE CITY OF HOUSTON, ALASKA

Virgie Thompson, Mayor
James Johansen, Deputy Mayor

ATTEST:

Sonya Dukes, City Clerk

Sponsored by: Mayor Virgie Thompson
Attached: SB 159
Attached: SB-159 Public Briefing

RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

Founded 1975
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Congressman Don Young
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January 19, 2012

Senators Joe Paskvan and Tom Wagoner
Co-Chairs, Senate Resources Committee
Alaska State Legislature
Juneau, AK 99801

RE: Senate Bill 159, Susitna State Forest

Dear Senators Paskvan and Wagoner:

The Resource Development Council (RDC) is writing to support Senate Bill 159, which would create the Susitna State Forest over 763,200 acres of state land west of the Parks Highway.

RDC is a statewide, non-profit, membership-funded organization founded in 1975. The RDC membership is comprised of individuals and companies from Alaska's oil and gas, mining, timber, tourism, and fisheries industries, as well as Alaska Native corporations, local communities, organized labor, and industry support firms. RDC's purpose is to link these diverse interests together to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

The Alaska Department of Natural Resources currently manages 9.5 million acres of forest land in the Matanuska and Susitna Valleys. Of this land, timber management is allowed on approximately 2.1 million acres. Remaining land is designated for other uses, including land sales, recreation, water resources, and fish and wildlife habitat. Over 3.1 million acres is protected in legislatively-designated state parks, refuges, and public use areas.

The establishment of the Susitna State Forest would ensure that some land would remain available for long-term forest management. It would allow the Division of Forestry to more actively manage lands and vegetation to promote a variety of forest ages, which in turn would maximize the sustainable supply of timber from the state timber base and provide for more diverse and healthy habitats for wildlife. In addition, active management would also help reduce wildfire risk.

The Division of Forestry would manage the state forest for a long-term supply of timber to local processors and retain land in state ownership for other multiple uses. An enhanced long-term timber supply would help support the forest products industry, provide fuel for sustainable biomass energy projects, and create new jobs. It would also benefit the recreational sector as the state intends to develop access to the new state forest and encourage a broad range of multiple uses. These multiple uses, including annual timber harvests, would provide important economic opportunities to local communities, businesses, and residents.

It is important to keep in mind that SB 159 would establish a new state forest from state lands presently designated for forest management. The Susitna State Forest would be managed consistent with the management intent under the current Susitna Matanuska and the Southeast Susitna Area Plans. Alaska's Forest Resources Practices Act would apply to management activities on the forest and is designed to protect both fish habitat and water quality.

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503-2035
Phone: 907-276-0700 Fax: 907-276-3887 Email: resources@akrdc.org Website: akrdc.org

If established, the Susitna State Forest would be the fourth state forest in Alaska. RDC supports SB 159 and believes the proposed state forest will be of much benefit to the local economy – creating and sustaining much needed jobs in the forest products industry while providing many other opportunities. We urge the committee to pass SB 159.

Sincerely,



Carl Portman
Deputy Director

Cc: Senator Linda Menard
Chris Maisch, State Forester

RUFFED GROUSE SOCIETY

DEDICATED TO IMPROVING THE ENVIRONMENT
FOR RUFFED GROUSE, WOODCOCK,
AND OTHER FOREST WILDLIFE
South Central Alaska Chapter
7650 Delridge Circle, Anchorage, Alaska 99507

February 9, 2012

The Honorable Linda Menard
State Capitol Room 9
Juneau, Alaska 99801

Dear Senator Menard,

The South Central Alaska Chapter of The Ruffed Grouse Society would like to thank you for submitting Senate Bill 159, creating a State Forest west of the Susitna River. We support creation of this Forest for a multitude of reasons not the least of which is the ability to manage our forest resources for wildlife.

The area west of the Susitna is one of the last remaining large blocks of state land in Southcentral Alaska. Establishing a state forest will ensure that the ever increasing population of this area has access to the outdoor recreation for which our state is famous and that our timber, land and wildlife resources can be managed for the benefit of all Alaskans. A state forest will also help establish and solidify a timber industry for this area. Managed timber harvests benefit wildlife that needs an age diversified forest to thrive and would help reduce the potential for devastating fires such as the Miller Reach catastrophe.

Designation as a State Forest is, we believe, one of the least restrictive land categories possible. It allows for most uses, but would require planning and thought before implementing changes such as roads, mining, campgrounds, etc. The one restriction we know of is transfer of land into private ownership. In the past, the State has been able to meet the recreational needs of the Southcentral population through land transfers to individuals. However, the population is growing and most land with easy access, such as that bordering lakes and rivers, has already been transferred. The net effect is to block access to the remaining area. We realize there are access corridors reserved, but these are not particularly effective when it means parking your plane in front of someone's cabin to walk the right of way to a stream. Land owners tend to view such as an intrusion and clashes ensue. Additionally, owners of private land tend to want to manage all lands within view of their property. This leads to conflict when trying to manage resources on state land. In the Matanuska Valley it has hobbled the ability of Forestry to conduct timber sales and ADF&G to implement habitat improvement projects.

As currently described in SB 159, the State Forest is a convoluted collection of detached parcels taking 16 pages to describe the boundaries. A person out for recreation will have a difficult time trying to determine if they are in or out of the forest. Future disposal of land surrounding these parcels could complicate road development and access to proposed timber sales. Private ownership bounding the forest could result in the NIMBY problems we are already dealing with in other parts of Southcentral.

451 MCCORMICK ROAD • CORAOPOLIS, PENNSYLVANIA 15108-9377
(412) 262-4044 FAX (412) 262-9207 (888) 564-6747 TOLL FREE
Email: rgs@ruffedgrousesociety.org www. ruffedgrousesociety.org

We would encourage you to expand the proposed boundaries to incorporate all unencumbered state land west of the Susitna River, south of the Denali Park Boundaries, North of Beluga Lake/Beluga River draining into Cook Inlet. As a minimum, the forest boundaries need to be simplified and expanded to create a buffer against treats to proper forest management by private ownership and to ensure reasonable access to the forest is available. This would preserve public access, ensure multiple use of our land, and enhance our wildlife resources for all Alaskans, now and in the future, while encouraging development of a comprehensive timber industry.

This forest will complement the three other state forests that have been successfully established. We urge the legislature to expand and pass SB 159 this session.

Sincerely,

Michael W. Griffin
President, SAC RGS

Alaska Chapter SCI
PO Box 770511
Eagle River, AK 99577
(907) 980-9018

February 9, 2012

The Honorable Linda Menard
Alaska State Senate
120 4th St. Rm 9
Juneau, AK 99801

Dear Senator Menard:

The Alaska Chapter of SCI is in support of SB 159 and commends you for your foresight in introducing this necessary piece of legislation.

As you may or may not know, SCI Alaska Chapter is not only the leading hunter-conservationist organization in Alaska, but is also SCI's leading chapter throughout the SCI network which includes over 105 countries and 260 chapters. Our mission is to protect the freedom to hunt through political advocacy and action, support for sound, science based conservation and wildlife management, and through humanitarian services.

In reviewing SB 159 and the applicable statutory guidelines in Title 41, we may wish to suggest amendments as this bill works its way through the process. We have some concerns as to whether the simple set aside of lands into a state forest will bring about desired results.

Our first concern is that suitable habitat is maintained for wildlife upon which rests one of the primary impetuses for recreation in Alaska. This concern leads us to believe that the bill does not go far enough in sequestering the necessary habitat to sustain wildlife populations through the establishment of contiguous parcels of land.

Our other major concern involves management practices. Although some lands may not be suitable for the growth of marketable timber, we maintain that those lands are nonetheless important for this state forest designation. Most of Alaska's wildlife depends heavily upon successional plant life. 'Climax forests do not provide the same level of benefit as does new forest lands. Since we do not encourage the proliferation of fire any longer in this area due to a variety of concerns, it is important that harvest of climax forests be allowed to produce suitable habitat for wildlife.

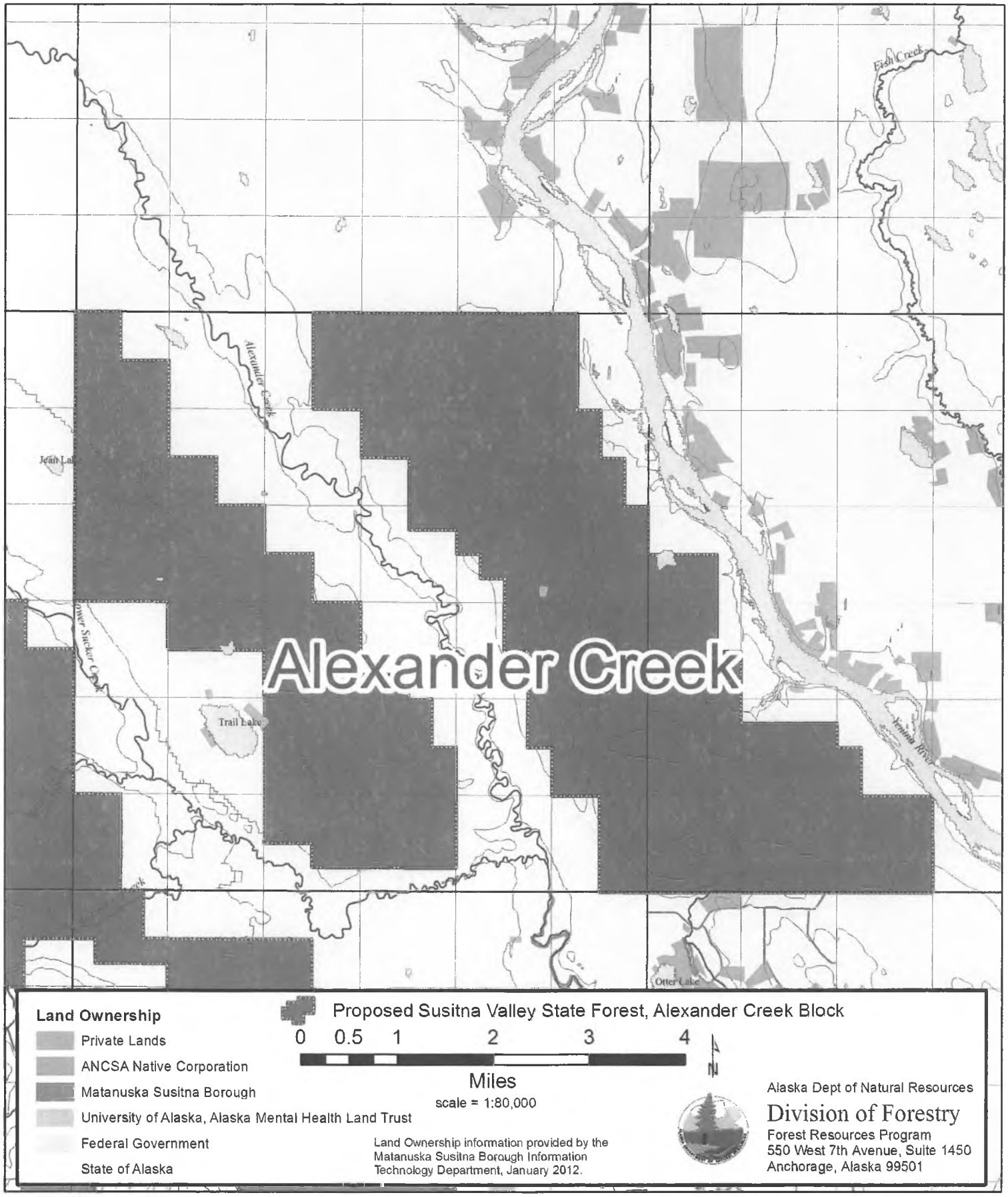
We look forward to working with you on this legislation and thank you again for introducing it.

Sincerely,

Eddie Grasser
Director of Government Affairs

SCI's Top Gun Chapter

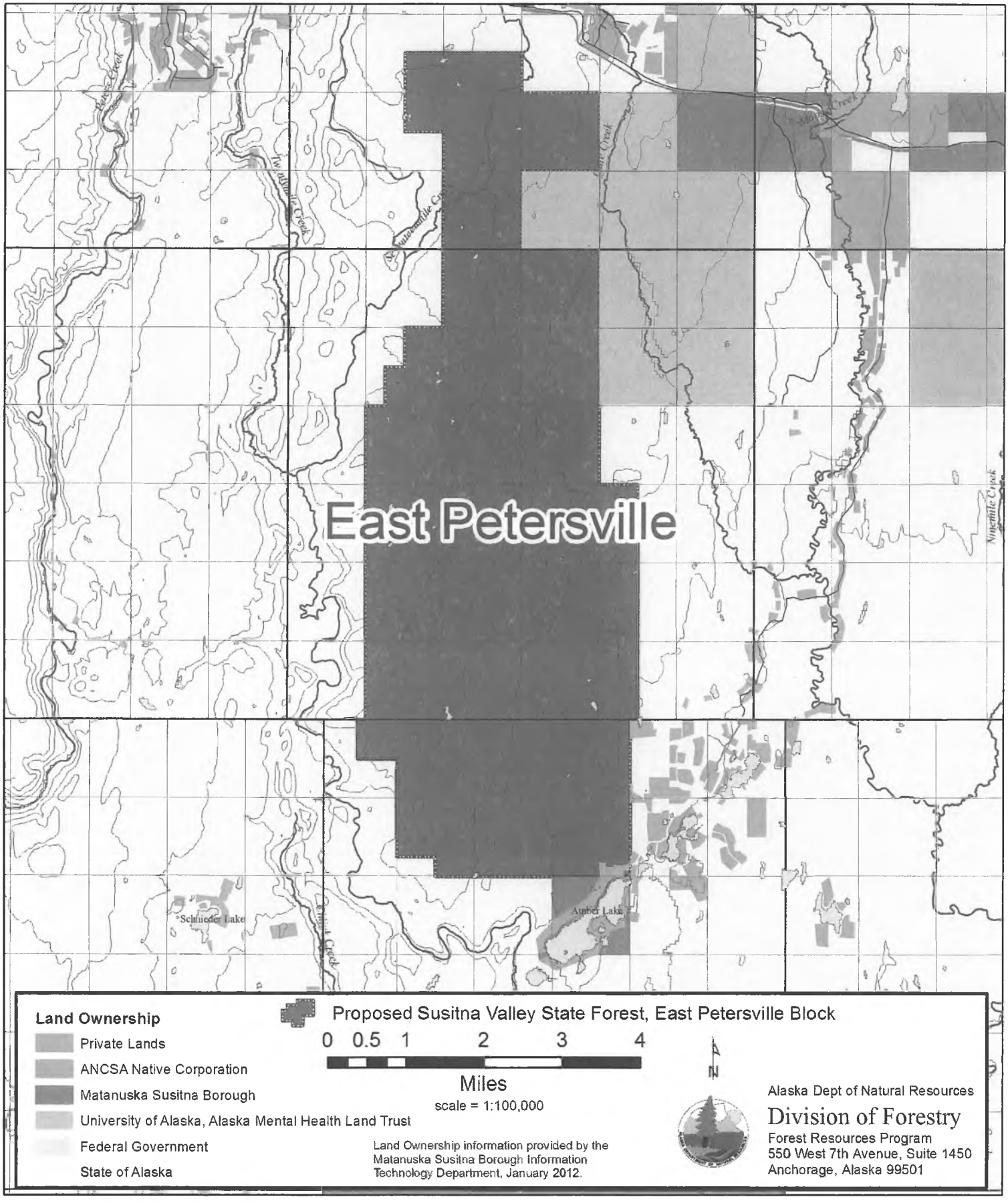
Susitna Valley State Forest, Alexander Creek Block



Susitna Valley State Forest Blocks



Susitna Valley State Forest, East Petersville Block



Land Ownership

- Private Lands
- ANCSA Native Corporation
- Matanuska Susitna Borough
- University of Alaska, Alaska Mental Health Land Trust
- Federal Government
- State of Alaska

Proposed Susitna Valley State Forest, East Petersville Block

0 0.5 1 2 3 4

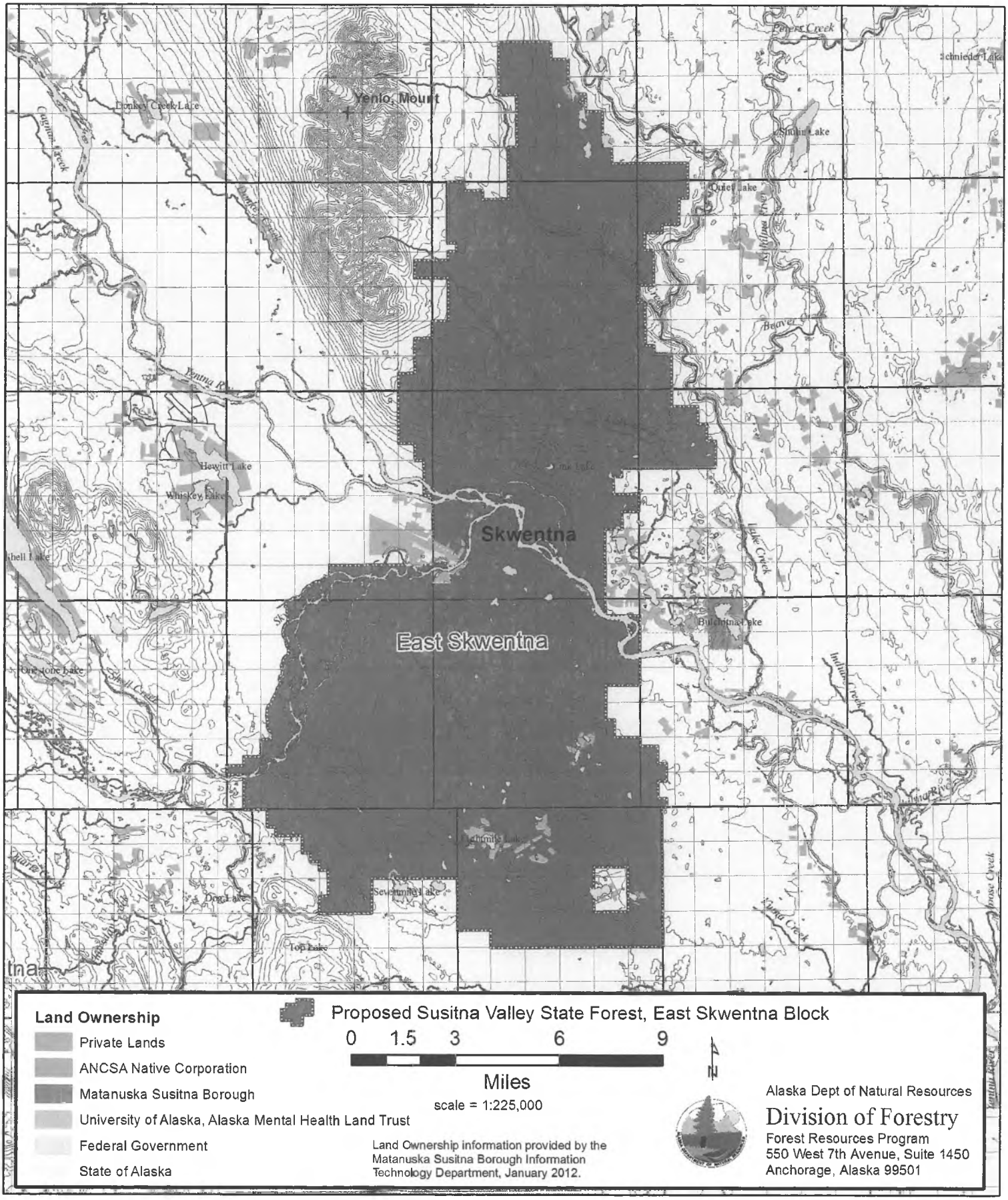
Miles

scale = 1:100,000

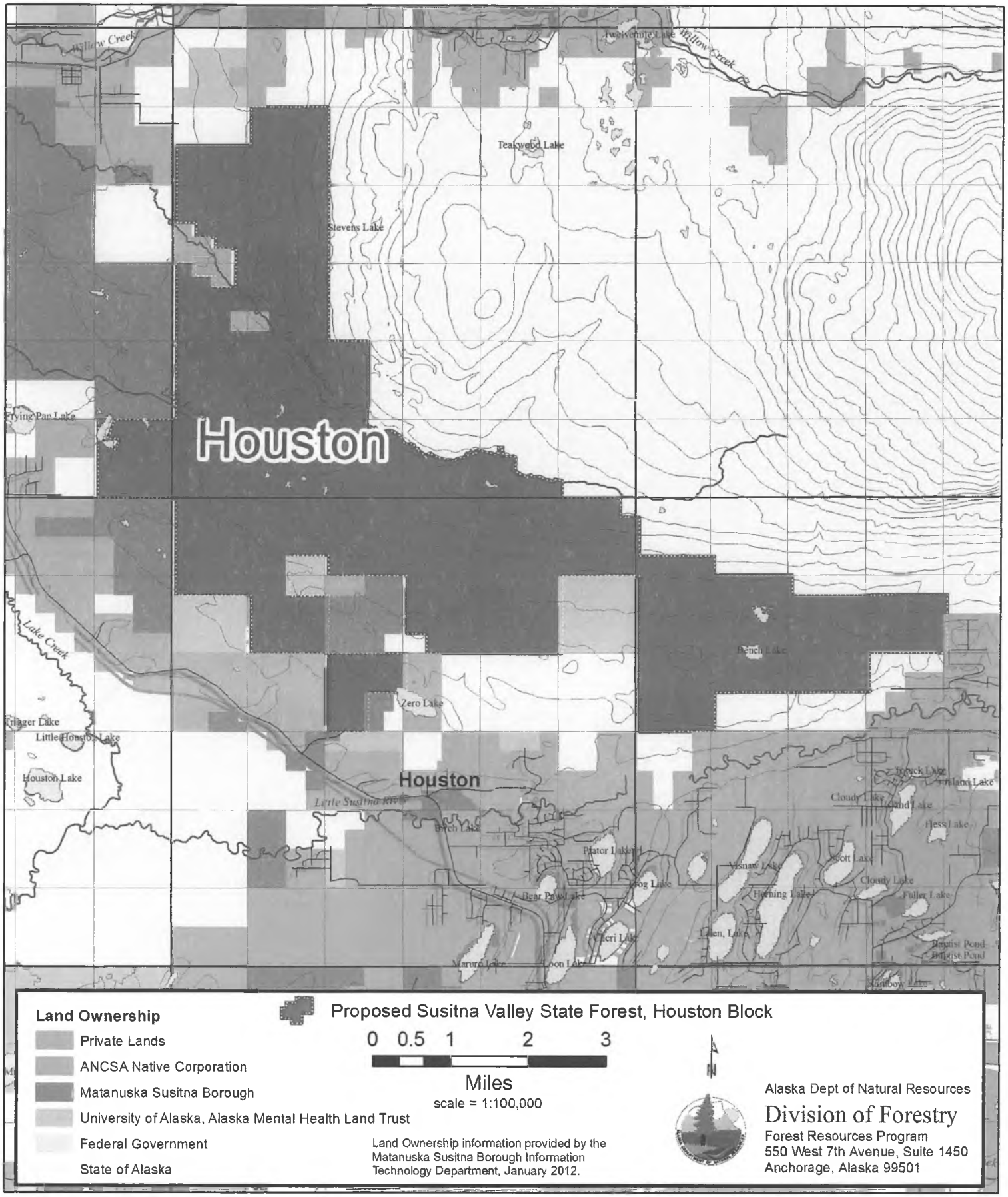
Land Ownership information provided by the Matanuska Susitna Borough Information Technology Department, January 2012.

Alaska Dept of Natural Resources
Division of Forestry
Forest Resources Program
550 West 7th Avenue, Suite 1450
Anchorage, Alaska 99501

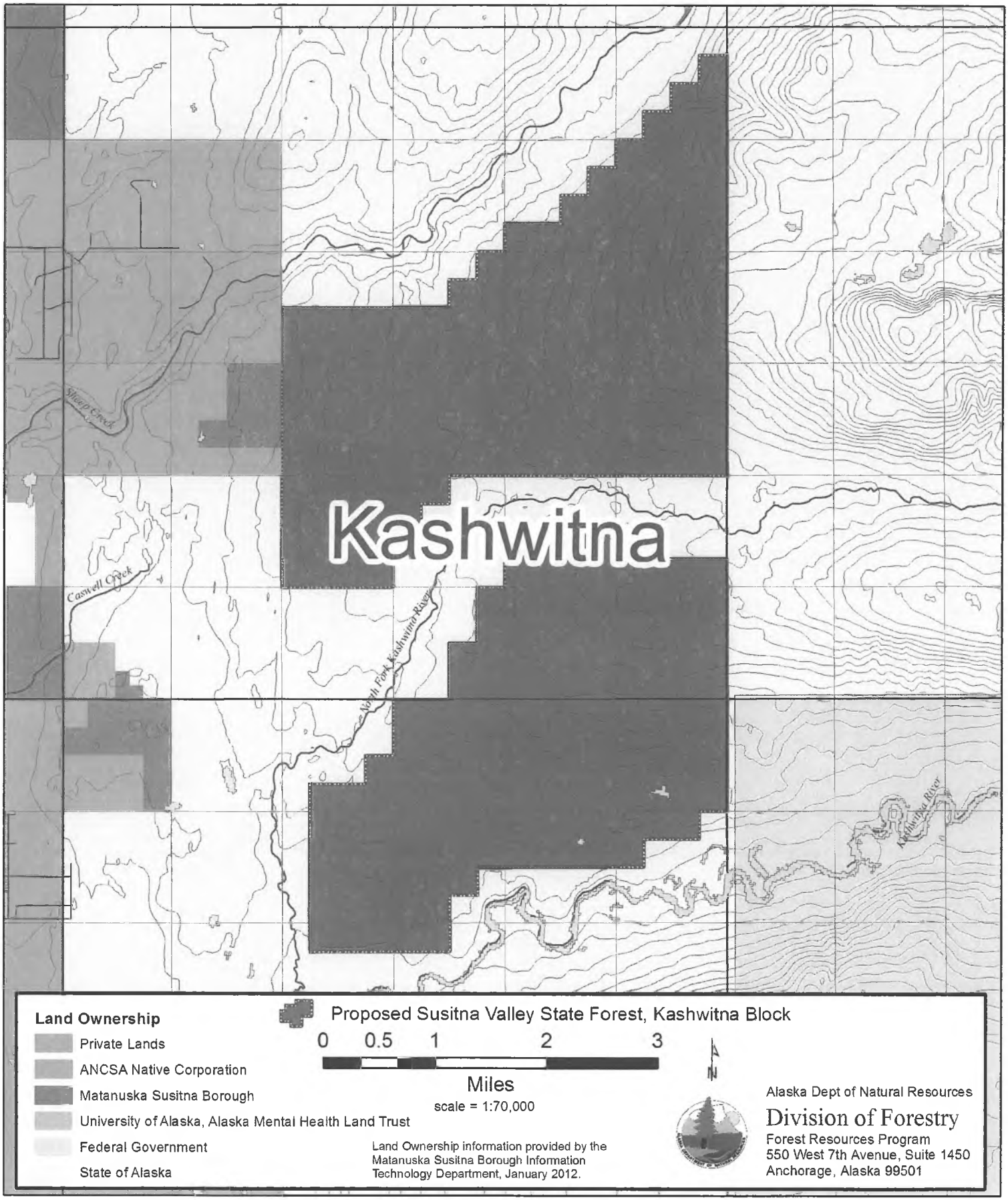
Susitna Valley State Forest, East Skwentna Block



Susitna Valley State Forest, Houston Block



Susitna Valley State Forest, Kashwitna Block



Land Ownership

- Private Lands
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- Matanuska Susitna Borough
- University of Alaska, Alaska Mental Health Land Trust
- Federal Government
- State of Alaska

Proposed Susitna Valley State Forest, Kashwitna Block

0 0.5 1 2 3

Miles

scale = 1:70,000

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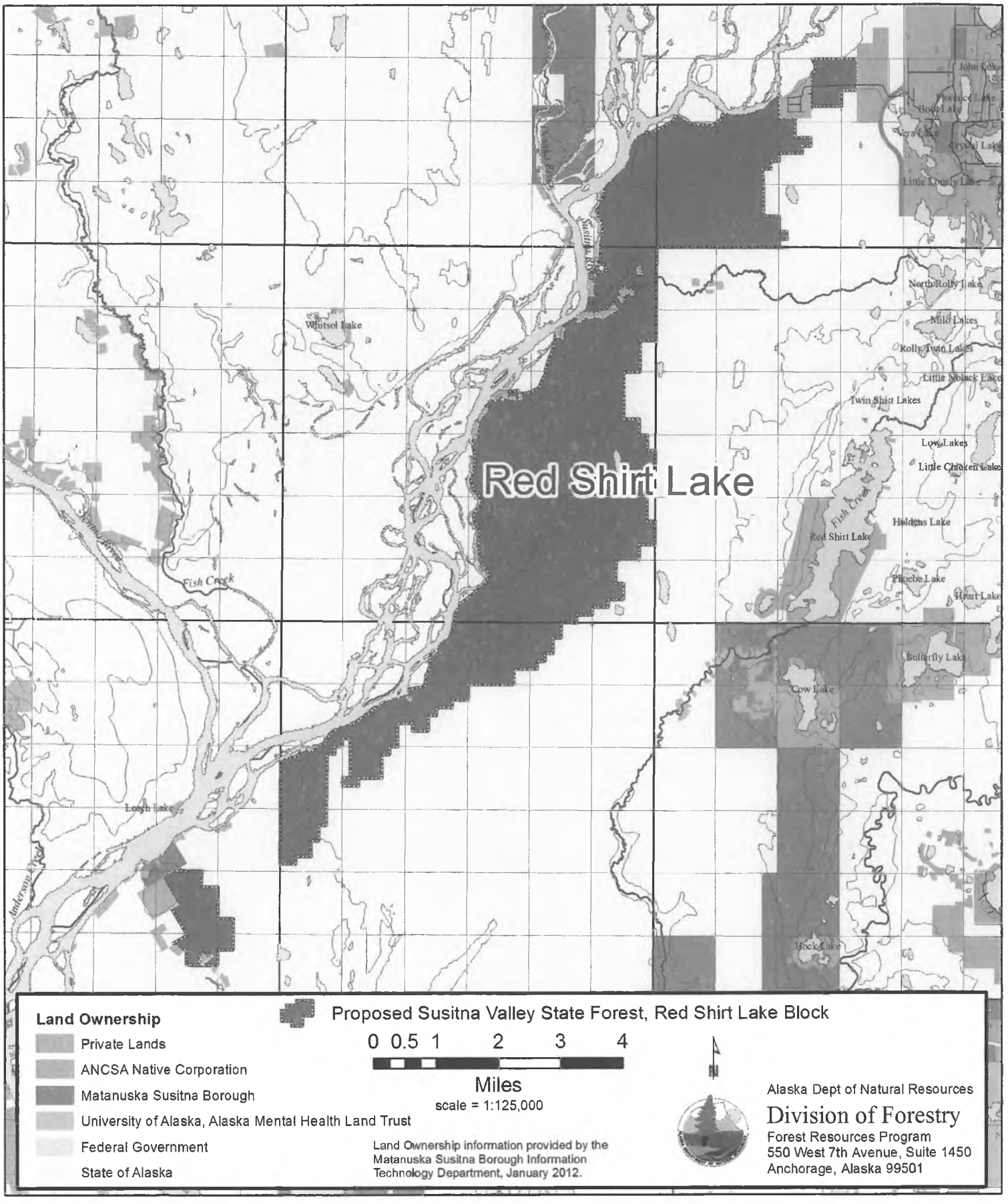
Division of Forestry
Forest Resources Program
550 West 7th Avenue, Suite 1450
Anchorage, Alaska 99501

Susitna Valley State Forest, Red Shirt Lake Block



Land Ownership

- Private Lands
- ANCSA Native Corporation
- Matanuska Susitna Borough
- University of Alaska, Alaska Mental Health Land Trust
- Federal Government
- State of Alaska

Proposed Susitna Valley State Forest, Red Shirt Lake Block

0 0.5 1 2 3 4

Miles

scale = 1:125,000

Land Ownership information provided by the Matanuska Susitna Borough Information Technology Department, January 2012.

Alaska Dept of Natural Resources

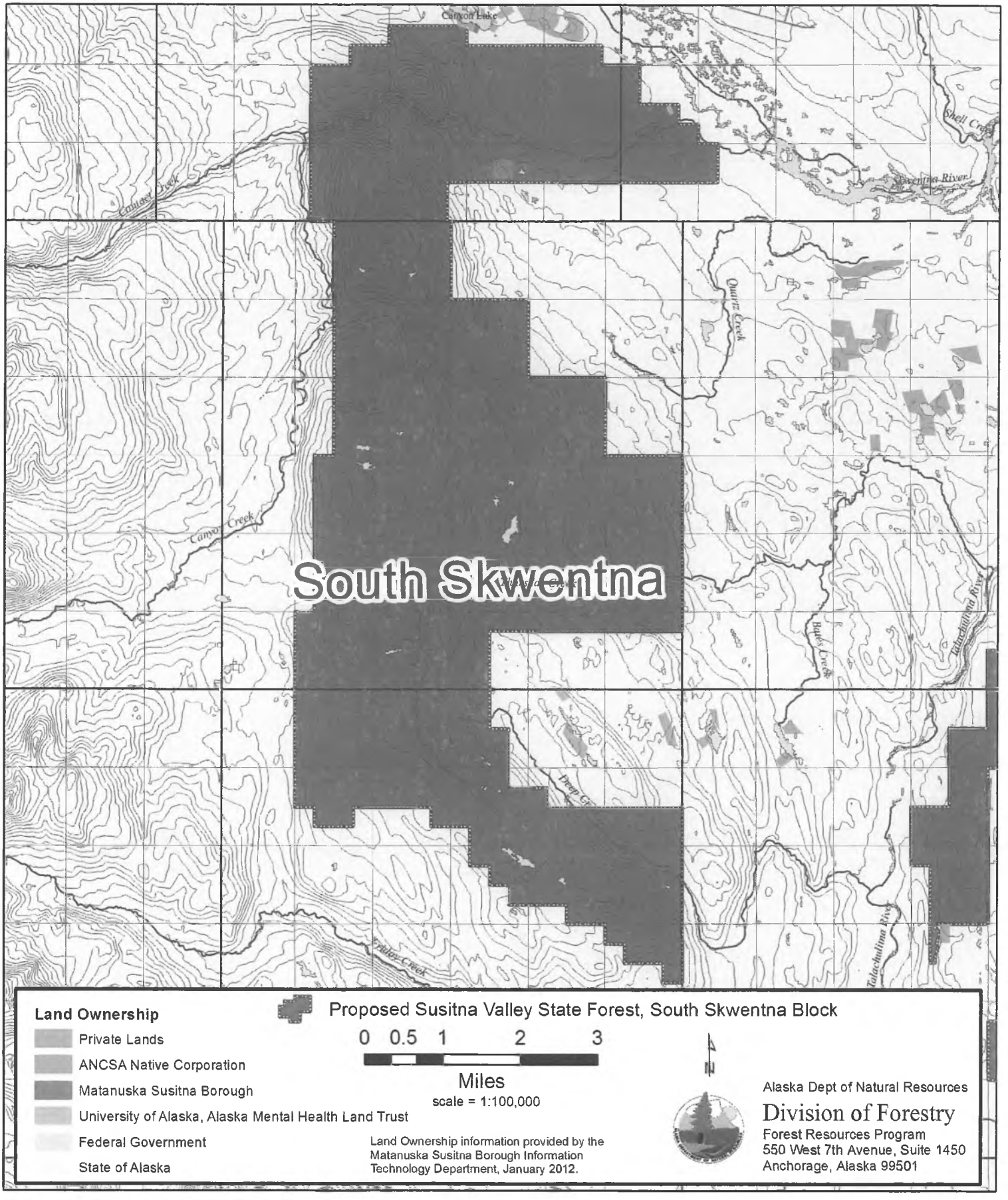
Division of Forestry

Forest Resources Program

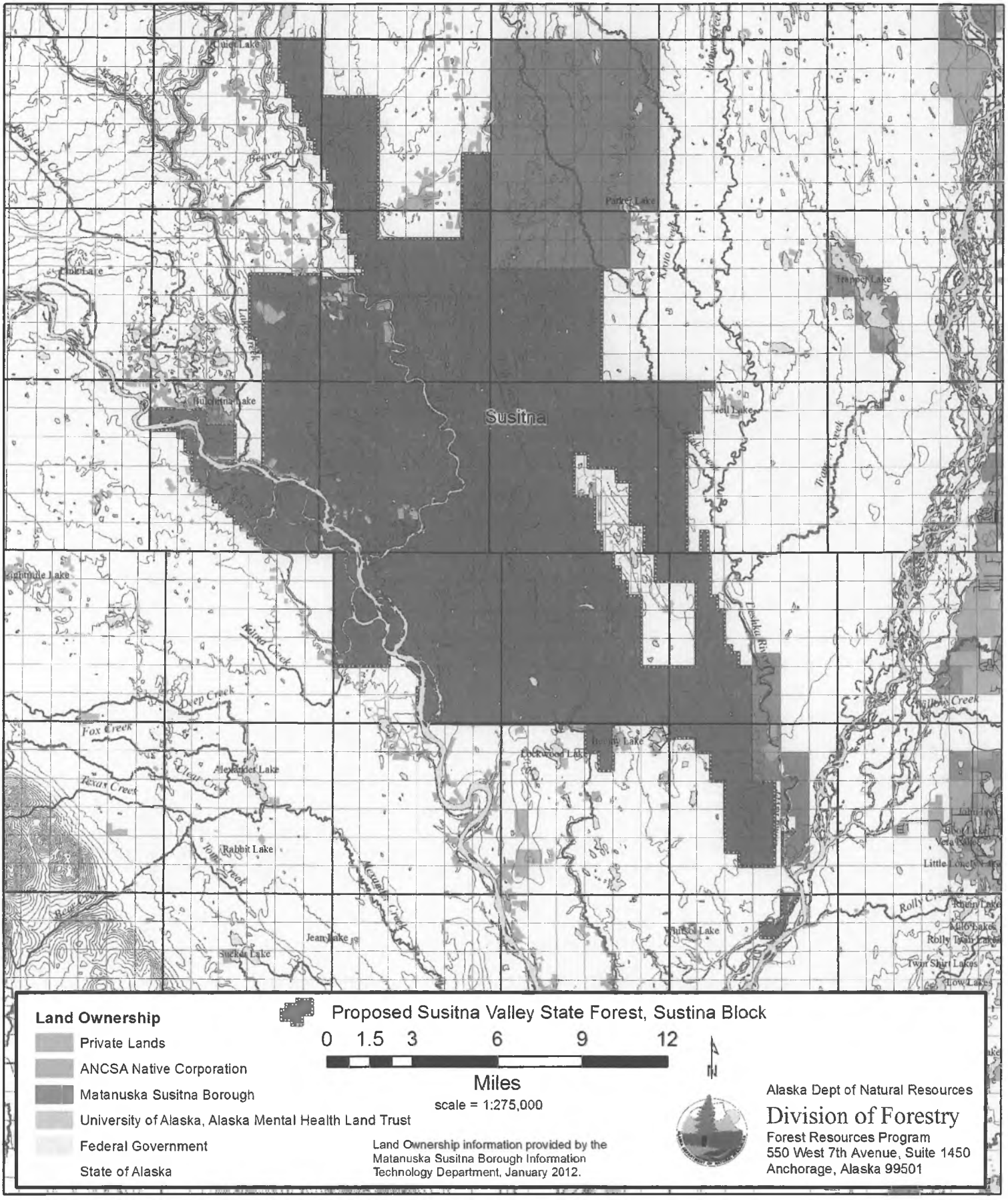
550 West 7th Avenue, Suite 1450

Anchorage, Alaska 99501

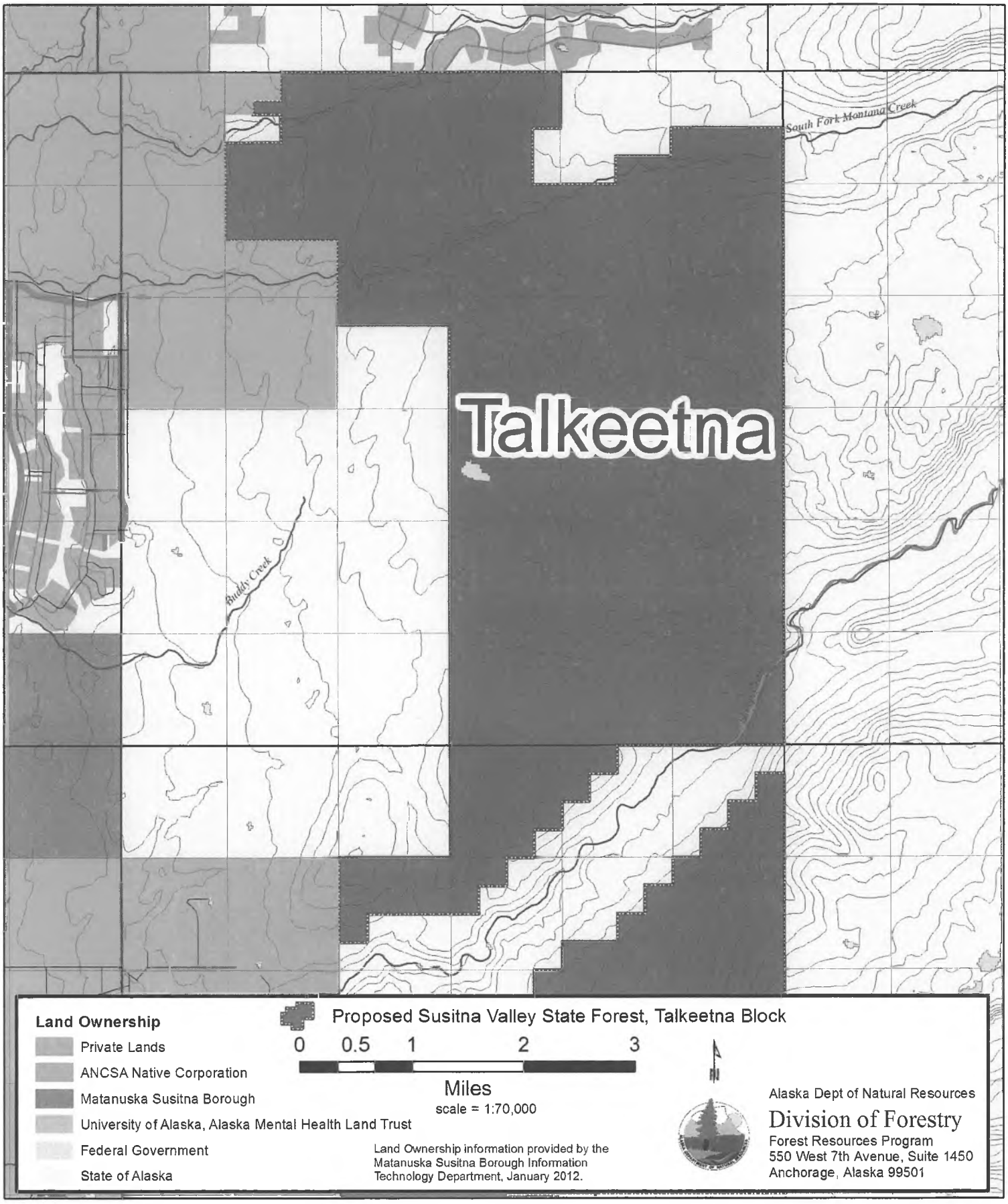
Susitna Valley State Forest, South Skwentna Block



Susitna Valley State Forest, Susitna Block



Susitna Valley State Forest, Talkeetna Block



Land Ownership

- Private Lands
- ANCSA Native Corporation
- Matanuska Susitna Borough
- University of Alaska, Alaska Mental Health Land Trust
- Federal Government
- State of Alaska

Proposed Susitna Valley State Forest, Talkeetna Block

0 0.5 1 2 3

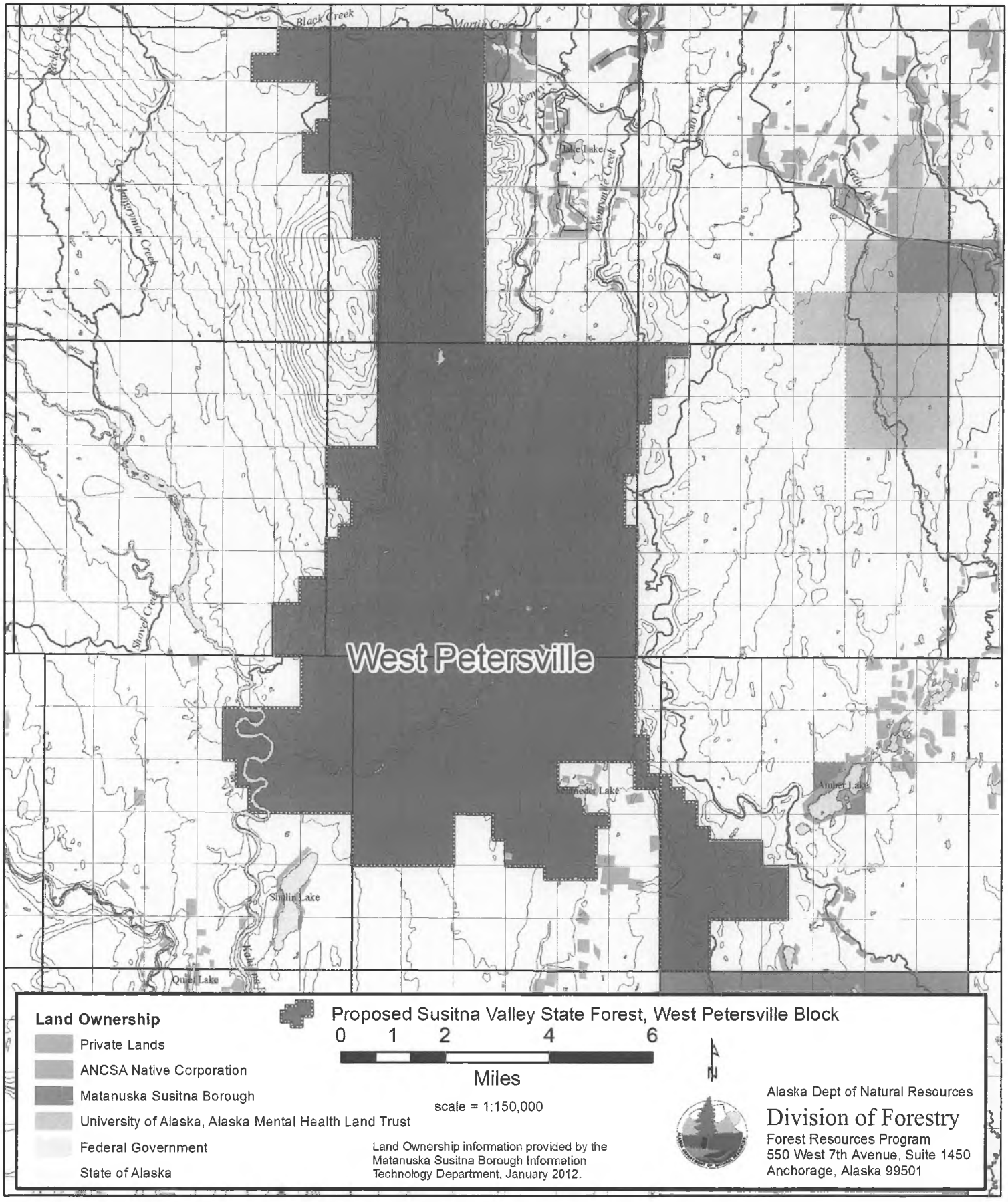
Miles

scale = 1:70,000

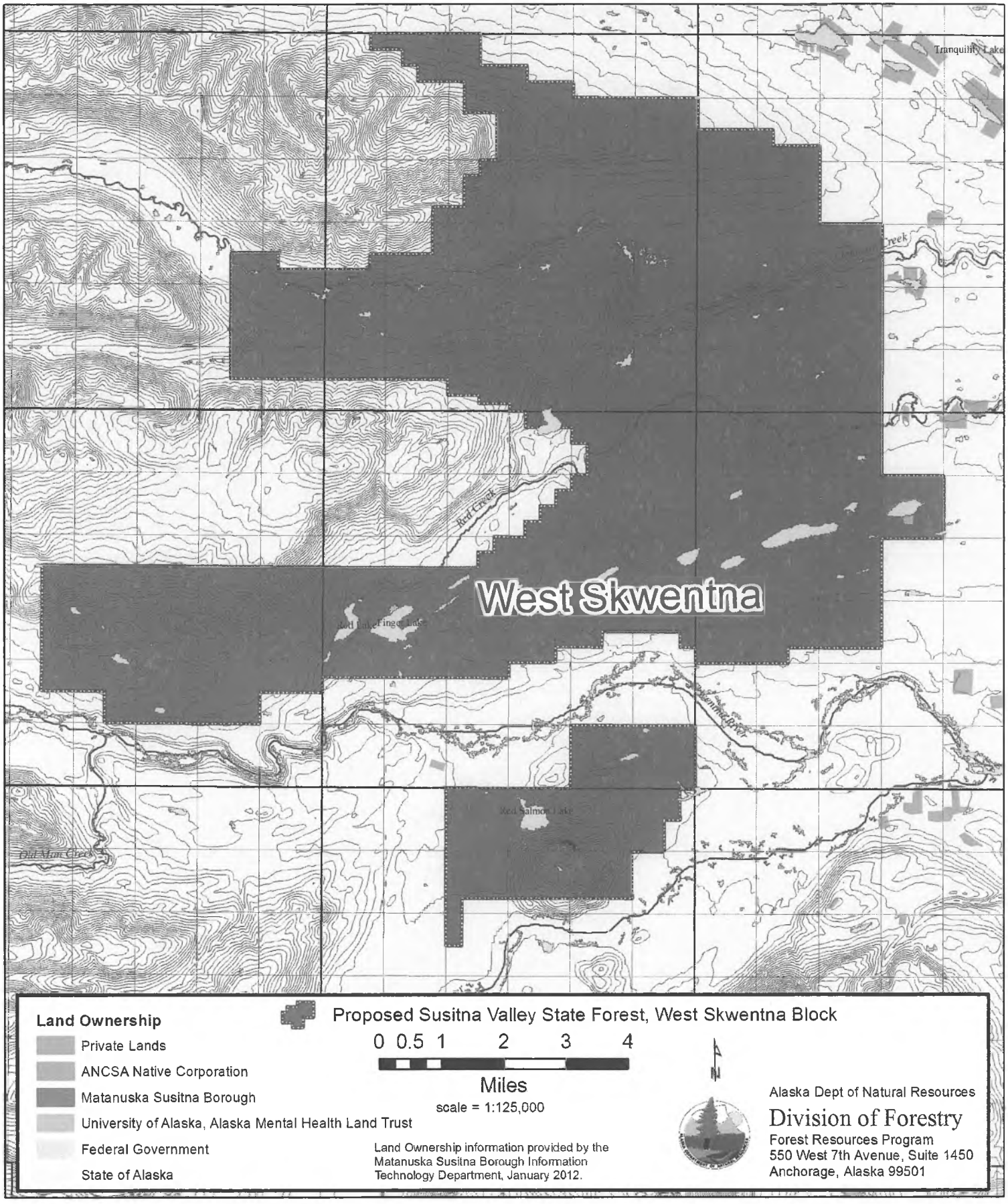
Land Ownership information provided by the Matanuska Susitna Borough Information Technology Department, January 2012.

Alaska Dept of Natural Resources
Division of Forestry
Forest Resources Program
550 West 7th Avenue, Suite 1450
Anchorage, Alaska 99501

Susitna Valley State Forest, West Petersville Block



Susitna Valley State Forest, West Skwentna Block



Land Ownership

- Private Lands
- ANCSA Native Corporation
- Matanuska Susitna Borough
- University of Alaska, Alaska Mental Health Land Trust
- Federal Government
- State of Alaska

Proposed Susitna Valley State Forest, West Skwentna Block

0 0.5 1 2 3 4

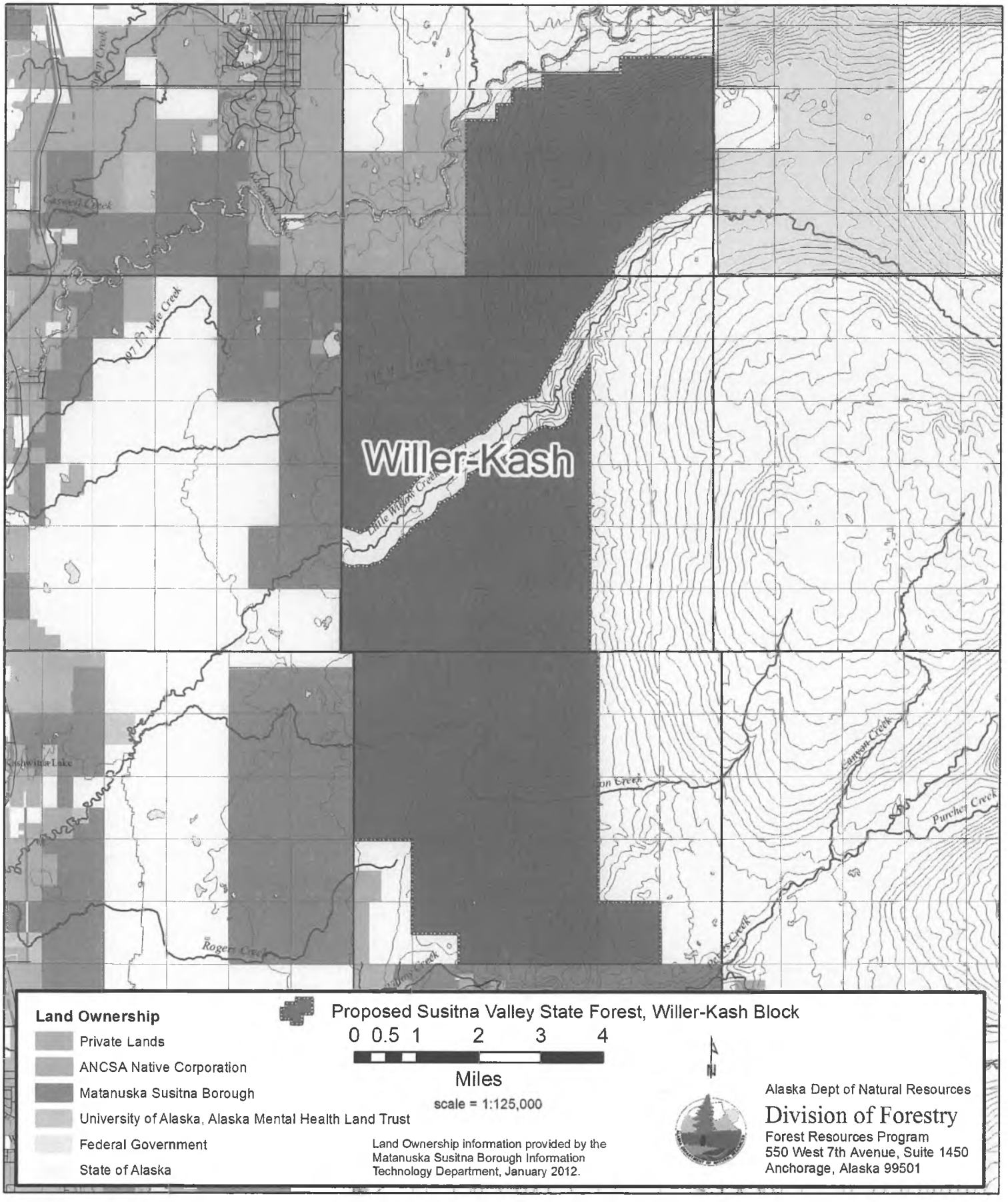
Miles

scale = 1:125,000

Land Ownership information provided by the Matanuska Susitna Borough Information Technology Department, January 2012.

Alaska Dept of Natural Resources
Division of Forestry
Forest Resources Program
550 West 7th Avenue, Suite 1450
Anchorage, Alaska 99501

Susitna Valley State Forest, Willer-Kash Block



Land Ownership

- Private Lands
- ANCSA Native Corporation
- Matanuska Susitna Borough
- University of Alaska, Alaska Mental Health Land Trust
- Federal Government
- State of Alaska

Proposed Susitna Valley State Forest, Willer-Kash Block

0 0.5 1 2 3 4

Miles

scale = 1:125,000

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Alaska Dept of Natural Resources
Division of Forestry
Forest Resources Program
550 West 7th Avenue, Suite 1450
Anchorage, Alaska 99501

Susitna Valley State Forest, Yentna Block



Land Ownership

- Private Lands
- ANCSA Native Corporation
- Matanuska Susitna Borough
- University of Alaska, Alaska Mental Health Land Trust
- Federal Government
- State of Alaska

Proposed Susitna Valley State Forest, Yentna Block

0 0.5 1 2 3 4

Miles

scale = 1:100,000

Land Ownership information provided by the Matanuska Susitna Borough Information Technology Department, January 2012.

Alaska Dept of Natural Resources
Division of Forestry
Forest Resources Program
550 West 7th Avenue, Suite 1450
Anchorage, Alaska 99501

SB 160

<TARGET><BILL>SB 160</BILL><SUBJECT>SB 160</SUBJECT><COMM>SFIN27</COMM></TARGET>

STATE CAPITOL
PO Box 110001
Juneau, Alaska 99811-0001
907-465-3500
fax 907-465-3532

550 West 7th Avenue # 1700
Anchorage, Alaska 99501
907-269-7450
fax 907-269-7463
www.Gov.Alaska.Gov
Governor@Alaska.Gov

Governor Sean Parnell
STATE OF ALASKA

January 13, 2012

The Honorable Gary Stevens
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Stevens,

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to the State's capital budget for Fiscal Year 2013 (FY 2013).

My budget proposal for FY 2013 continues our efforts to foster opportunity for job growth and economic opportunity for Alaskans. Our budget priorities are established in the State of Alaska's Constitution – resource development, transportation/infrastructure, education, and safe homes and communities for Alaskans.

The proposed capital budget totals $1.8 billion and includes resource development and infrastructure projects throughout Alaska such as roads to resources, State and federal highways, airports, the marine highway, ports and harbors, and water and sewer projects. The budget funds renewable energy and weatherization projects and includes two rural school construction projects and 14 school major maintenance projects. Year three of the five-year deferred maintenance program to take care of State assets is also requested.

Development of our natural resources is key to economic growth and opportunities for Alaskans. Our budget invests in access to these resources, streamlining permitting, and assessing strategic minerals potential throughout the state. Together with investments in transportation infrastructure, this budget positions Alaska for a future with more opportunity and more prosperity.

I look forward to working with the Legislature to finalize the capital budget for the upcoming fiscal year. Thank you for your consideration of this bill.

Sincerely,

Sean Parnell
Governor

Enclosure

COMMITTEE COPY

SENATE BILL NO. 160

SENATE FINANCE COMMITTEE REPORT
First Committee of Referral

DATE: 1/17/12

FURTHER:

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 160

SB 160-BUDGET: CAPITAL

"An Act making and amending appropriations, including capital appropriations and other appropriations; making appropriations to capitalize funds; and providing for an effective date."

and recommends:

[X] be **replaced** with **CS** SB 160 (FIN) *[ ] Same Title [X] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[X] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	THOMAS	✓			
	EGAN	✓			
	MCGUIRE	✓			
	OLSON				✓
	ELLIS	X			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓			

CS FOR SENATE BILL NO. 160(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

"An Act making and amending appropriations, including capital appropriations, supplemental appropriations, and other appropriations; making appropriations to capitalize funds; and providing for an effective date."

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

(SECTION 1 OF THIS ACT BEGINS ON PAGE 2)

New Text Underlined *[DELETED TEXT BRACKETED]*

* **Section 1.** The following appropriation items are for capital projects and grants from the general fund or other funds as set out in section 2 of this Act by funding source to the agencies named for the purposes expressed and lapse under AS 37.25.020, unless otherwise noted.

	Appropriation	General	Other
Allocations	Items	Funds	Funds
* * * * *	* * * * *		
* * * * * **Department of Administration** * * * * *			
* * * * *	* * * * *		
Alaska Geologic Materials Center Replacement Facility (HD 1-40)	4,000,000	4,000,000	
Alaska Land Mobile Radio Software Emergency Response Communication Security Upgrades (HD 1-40)	3,500,000	3,500,000	
Division of Motor Vehicles - Driver Knowledge Testing System (HD 1-40)	550,000	550,000	
Douglas Island Building Renovation Phase 1 of 3 (HD 3-4)	9,200,000	9,200,000	
Enterprise Technology System Bandwidth Improvement Project for Rural Sites (HD 1-40)	1,500,000	1,500,000	
Enterprise Technology System Bandwidth Monitoring Toolset (HD 1-40)	800,000	800,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Juneau - Repair State Office Building Parking Garage Phase 1 of 3 (HD 3-4)		2,500,000	2,500,000	
Nome State Office Building and Courthouse (HD 39)		10,000,000	10,000,000	
Retirement and Benefits Combined Retirement System Upgrade Year 3 of 5 (HD 1-40)		350,000		350,000
Retirement and Benefits Disaster Recovery System Year 2 of 2 (HD 1-40)		325,000		325,000
Retirement and Benefits Document Management System Year 3 of 4 (HD 1-40)		338,000		338,000
Deferred Maintenance, Renewal, Repair and Equipment		**10,250,000**	**7,250,000**	**3,000,000**
Division General Services Public Building Fund Buildings Deferred Maintenance (HD 1-40)	6,250,000			
Facilities IP Phone Upgrade and Deferred Maintenance Year 2 of 2 (HD 1-40)	500,000			
Non-Public Building Fund Deferred Maintenance (HD 3-4)	500,000			

	Allocations	Appropriation Items	General Funds	Other Funds
State of Alaska Telecommunications System (SATS) Deferred Maintenance, Year 3 of 5 (HD 1-40)	3,000,000			
* * * * *			* * * * *	
* * * * * **Department of Commerce, Community and Economic Development** * * * * *				
* * * * *			* * * * *	
Alaska Canada Rail Link Phase II Feasibility Study (HD 1-40)		1,100,000	1,100,000	
Alaska Energy Authority - Hope Electrical Distribution Line Relocation (HD 17-32)		310,000	310,000	
Alaska Energy Authority - Hope Substation Automation (HD 17-32)		787,000	787,000	
Alaska Energy Authority - Kipnuk Power Plant Replacement, System Upgrades and Tank Farm Construction (HD 38)		7,500,000	7,500,000	
Alaska Energy Authority - Kongiganak Power System Upgrade (HD 38)		1,996,000	1,996,000	
Alaska Energy Authority - Kwigillingok Power System Upgrade (HD 38)		2,168,000	2,168,000	
Alaska Energy Authority - Stetson Creek Diversion		5,825,500	5,825,500	

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 33-35)				
Alaska Energy Authority - Tuntutuliak Power System Upgrade (HD 38)		1,832,600	1,832,600	
Alaska Industrial Development & Export Authority - Ketchikan Shipyard Improvements (HD 1)		10,000,000	10,000,000	
Community Block Grants (HD 1-40)		6,060,000	60,000	6,000,000
Community Development and Assistance (HD 1-40)		1,560,000	1,140,000	420,000
Economic Development Initiative (HD 1-40)		1,770,000	1,770,000	
State Support for Rural Roads and Waterfront Development Partnership (HD 1-40)		3,000,000	3,000,000	
Strategic Minerals Implementation (HD 1-40)		450,000	450,000	
Alaska Energy Authority - Energy Programs		**26,530,000**	**18,730,000**	**7,800,000**
Alaska Energy Plan Implementation (HD 1-40)	1,000,000			
Alternative Energy and Energy Efficiency (AEEE) Programs (HD 1-40)	4,800,000			
AVTEC Power Plant Infrastructure Training Systems Upgrade (HD 1-40)	400,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Bulk Fuel Upgrades (HD 1-40)	7,000,000			
Electrical Emergencies Program (HD 1-40)	330,000			
Rural Power Systems Upgrade (HD 1-40)	13,000,000			
Alaska Energy Authority - Round V Renewable Energy Project Grants (AS 42.45.045)		**25,870,659**	**25,870,659**	
Sleetmute Heat Recovery - Power Plant to Water Plant (HD 6)	126,682			
Togiak Waste Heat Recovery Project (HD 37)	443,030			
Shishmaref Heat Recovery Project (HD 40)	310,841			
Waterfall Creek Hydroelectric Project (HD 37)	200,000			
Tatitlek Heat Recovery Project (HD 5)	265,000			
Thayer Lake Hydropower Transmission/Generation (HD 5)	7,000,000			
Packers Creek Hydroelectric Project (HD 37)	1,993,496			
Kobuk Biomass Design & Construction Project (HD 40)	356,424			
Chevak Wind Energy	240,260			

	Allocations	Appropriation Items	General Funds	Other Funds
Recovery -Chevak Water System Heat (HD 39)				
Pillar Mountain High Penetration Wind Project (HD 36)	7,800,000			
Scammon Bay Hydro Design & Engineering (HD 39)	80,723			
Gambell Wind Energy Recovery for Gambell Water System Heat (HD 39)	240,260			
Shaktoolik Surplus Wind Energy Recovery for Water System Heat (HD 39)	240,260			
Surplus Wind Energy Recovery for Mekoryuk Water System Heat (HD 38)	264,459			
Russian Mission Heat Recovery System (HD 6)	555,000			
Design & Construction of Wood Heating in Interior Alaska (HD 6)	1,215,224			
Tanacross Woody Biomass Community Space Heating Project (HD 6)	420,000			
Huslia Water System & Clinic Wood Boiler Project (HD 6)	50,000			
Nome Renewable Energy Expansion/Optimization (HD 39)	4,069,000			
Grants to Municipalities				

	Allocations	Appropriation Items	General Funds	Other Funds
(AS 37.05.315)				
Aleutians East Borough - Cold Bay Airport - Apron and Taxiway Construction (HD 37)		2,000,000	2,000,000	
Anchorage - 64th Avenue Upgrade and Reconstruction (HD 17-32)		4,000,000	4,000,000	
Anchorage - A Street and 48th Avenue Extension and Upgrade - 51st Avenue to Cordova Street (HD 17-32)		4,000,000	4,000,000	
Anchorage - Anchorage Museum - Alaska History Gallery Renovation (HD 17-32)		5,000,000	5,000,000	
Anchorage - ARDSA - Abbott Loop and Taku/ Campbell Area Pavement Rehabilitation (HD 17-32)		3,000,000	3,000,000	
Anchorage - ARDSA Residential Pavement Rehab - U-Med District and Scenic Foothills Area (HD 17-32)		3,000,000	3,000,000	
Anchorage - ARDSA Residential Pavement Rehabilitation - Downtown and Midtown Areas (HD 17-32)		1,650,000	1,650,000	
Anchorage - ARDSA		3,000,000	3,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Residential Pavement Rehabilitation - Mountain View and Muldoon Areas (HD 17-32)				
Anchorage - ARDSA Sand Lake, Bayshore, Klatt, and Oceanview Pavement Rehabilitation (HD 17-32)		3,000,000	3,000,000	
Anchorage - ARDSA Spenard and Turnagain Residential Areas Pavement Rehabilitation (HD 17-32)		3,000,000	3,000,000	
Anchorage - Ben Boeke Ice Arena Upgrades (HD 17-32)		200,000	200,000	
Anchorage - Birch Road Safety Improvements - O'Malley Road to Naknek Lane (HD 17-32)		1,200,000	1,200,000	
Anchorage - Chester Creek Trail Improvements (HD 17-32)		150,000	150,000	
Anchorage - Clitheroe Center Roof Replacement and Water System Upgrades (HD 17-32)		800,000	800,000	
Anchorage - Cordova Street Pedestrian and Traffic Safety Improvements - 3rd Avenue to 16th Avenue (HD 17-32)		1,000,000	1,000,000	
Anchorage - Delaney Park		250,000	250,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Train Repair (HD 17-32)				
Anchorage - Dempsey Anderson Ice Arena Upgrades (HD 17-32)		250,000	250,000	
Anchorage - Duben Street Upgrade - Muldoon Road to Bolin Street (HD 17-32)		3,000,000	3,000,000	
Anchorage - Duben Street Upgrade - Patterson Street East to Muldoon Road (HD 17-32)		3,000,000	3,000,000	
Anchorage - Egan Center Upgrades (HD 17-32)		1,000,000	1,000,000	
Anchorage - Fairview Recreation Center Upgrade (HD 17-32)		643,000	643,000	
Anchorage - Fairview Sidewalk Snow Disposal Pilot Project (HD 17-32)		50,000	50,000	
Anchorage - Fire Department Dispatch Center Improvements (HD 17-32)		250,000	250,000	
Anchorage - Fire Department Fire Engines Replacement (HD 17-32)		700,000	700,000	
Anchorage - Fire Department Fire Station #3 and #9 Land Acquisition (HD 17-32)		2,000,000	2,000,000	
Anchorage - Fire Department Foam Tender		110,000	110,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Replacement (HD 17-32)				
Anchorage - Fire Department Water Craft (HD 17-32)		71,700	71,700	
Anchorage - Fish Creek Trail - Northwood Drive to Spenard Road (HD 17-32)		325,000	325,000	
Anchorage - Foothills East Subdivision Area Street Reconstruction (HD 17-32)		2,000,000	2,000,000	
Anchorage - Girdwood Town Site Master Plan Update (HD 17-32)		80,000	80,000	
Anchorage - Hillside Integration Commission for Drainage and Roads (HD 17-32)		100,000	100,000	
Anchorage - Kachemak Place and Circle Area Drainage Improvements - 100th Avenue to Amber Bay Loop (HD 17-32)		750,000	750,000	
Anchorage - Kincaid Park Ropes Challenge Course (HD 17-32)		150,000	150,000	
Anchorage - Lake Otis Parkway Expansion - 15th Avenue to Northern Lights Boulevard (HD 17-32)		2,500,000	2,500,000	
Anchorage - Lake Otis Parkway Pedestrian Overpass		100,000	100,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Study - Lake Otis Elementary (HD 17-32)				
Anchorage - Mountain View Drive and McCarrey Street Intersection Safety (HD 17-32)		1,100,000	1,100,000	
Anchorage - Mountain View Library Materials (HD 17-32)		25,000	25,000	
Anchorage - Mountain View Recreation Center Upgrades (HD 17-32)		175,000	175,000	
Anchorage - Muldoon Library Materials (HD 17-32)		25,000	25,000	
Anchorage - Muldoon Road at Duben Street Pedestrian Safety (HD 17-32)		800,000	800,000	
Anchorage - Northern Lights Boulevard Pedestrian Safety - Lois Drive West to Captain Cook Estates Circle (HD 17-32)		920,000	920,000	
Anchorage - Northern Lights Boulevard Surface Rehab - Boniface Parkway to Muldoon Road (HD 17-32)		1,700,000	1,700,000	
Anchorage - Pavement Rehabilitation Matching Program (HD 17-32)		6,000,000	6,000,000	
Anchorage - Penland Parkway Rehabilitation Airport		4,000,000	4,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Heights Road to Bragaw Street (HD 17-32)				
Anchorage - Performing Arts Center Upgrades & Infrastructure Rehab (HD 17-32)		2,100,000	2,100,000	
Anchorage - Police Department Digital Equipment (HD 17-32)		2,600,000	2,600,000	
Anchorage - Police Department Expansion - Outdoor Storage (HD 17-32)		3,800,000	3,800,000	
Anchorage - Police Department Headquarters Roof Replacement (HD 17-32)		2,000,000	2,000,000	
Anchorage - Port of Anchorage Expansion (HD 17-32)		25,000,000	25,000,000	
Anchorage - Reka Drive Southside Separated Pedestrian Facility - Bragaw Street to Pine Street (HD 17-32)		200,000	200,000	
Anchorage - Ship Creek Access Improvements North C Street to Dam Phase II (HD 17-32)		4,000,000	4,000,000	
Anchorage - South Anchorage Sports Park Facility (HD 17-32)		4,000,000	4,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage - Spenard Recreation Center Upgrades (HD 17-32)		1,200,000	1,200,000	
Anchorage - Sullivan Arena Parking Lot Expansion and Building Upgrades (HD 17-32)		5,190,000	5,190,000	
Anchorage - Transit Fleet Replacement (HD 17-32)		75,000	75,000	
Anchorage - Viburnum Drive - Oakwood and Burlwood Reconstruction (HD 17-32)		7,900,000	7,900,000	
Anchorage - Waldron Lake Subdivision Land Purchase (HD 17-32)		4,000,000	4,000,000	
Anchorage - Z.J. Loussac Library Repairs, Upgrades and Materials (HD 17-32)		1,825,000	1,825,000	
Angoon - Clinic Helicopter Landing Pad (HD 5)		172,000	172,000	
Angoon - Front Road Renovation (HD 5)		1,500,000	1,500,000	
Barrow - Recreation Center Renovation and Expansion (HD 40)		3,500,000	3,500,000	
Bethel - Aquatic Training and Health Center (HD 38)		15,075,000	15,075,000	
Bethel - City Shop Floor Repairs (HD 38)		1,500,000	1,500,000	
Chuathbaluk - Community Roads Repair and Upgrade		300,000	300,000	

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 6)				
Coffman Cove - Trail Improvements (HD 1)		45,000	45,000	
Delta Junction - Delta Community Library Improvements (HD 12)		30,000	30,000	
Denali Borough - Anderson School Heating Fuel Storage Tank Replacement (HD 7-11)		45,000	45,000	
Denali Borough - Cantwell School Heating Fuel Storage Tank Replacement (HD 7-11)		25,000	25,000	
Denali Borough - Nenana Canyon Fire Service Well and Hydrant (HD 7-11)		65,000	65,000	
Dillingham - Wastewater Treatment Plant Upgrades (HD 37)		2,280,000	2,280,000	
Fairbanks - Ambulance (HD 7-11)		230,000	230,000	
Fairbanks - Arctic Park & Council Subdivisions Streets (HD 7-11)		1,100,000	1,100,000	
Fairbanks - Disaster Recovery/Warm Storage Additions (HD 7-11)		2,000,000	2,000,000	
Fairbanks - Lemeta Subdivision Streets (HD 7-11)		2,000,000	2,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Fairbanks - Rickert Subdivision Streets (HD 7-11)		3,300,000	3,300,000	
Fairbanks - Road Improvements (HD 7-11)		5,000,000	5,000,000	
Fairbanks - Slaterville Subdivision Streets (HD 7-11)		1,950,000	1,950,000	
Fairbanks North Star Borough - Ambulance Equipment Replacement (HD 7-11)		75,000	75,000	
Fairbanks North Star Borough - Badger Road Elementary School Equipment and Improvements (HD 7-11)		25,000	25,000	
Fairbanks North Star Borough - Borough Emergency Operations Center Equipment (HD 7-11)		400,000	400,000	
Fairbanks North Star Borough - Classroom Digital Technology Upgrade (HD 7-11)		333,000	333,000	
Fairbanks North Star Borough - Growden Park/ Gold Panner Restrooms (HD 7-11)		450,000	450,000	
Fairbanks North Star Borough - Natural Gas		3,000,000	3,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Distribution System Development (HD 7-11)				
Fairbanks North Star Borough - Noel Wien Library Maintenance (HD 7-11)		3,000,000	3,000,000	
Fairbanks North Star Borough - North Pole Elementary School Classroom Technology Upgrades (HD 7-11)		25,000	25,000	
Fairbanks North Star Borough - North Pole High School Classroom Technology Upgrades (HD 7-11)		25,000	25,000	
Fairbanks North Star Borough - North Pole Middle School Classroom Equipment (HD 7-11)		25,000	25,000	
Fairbanks North Star Borough - Parks and Recreation Facility Improvements - Birch Hill (HD 7-11)		1,400,000	1,400,000	
Fairbanks North Star Borough - Salcha Elementary School Classroom Equipment (HD 12)		17,000	17,000	
Fairbanks North Star		4,850,000	4,850,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Borough - Senate District D Road Service Area Funding (HD 7-11)				
Fairbanks North Star Borough - Senate District D Schools Classroom Technology Upgrade (HD 7-11)		100,000	100,000	
Fairbanks North Star Borough - Star of the North Charter School Classroom Technology Upgrades (HD 7-11)		25,000	25,000	
Fairbanks North Star Borough - Ticasuk Brown Elementary School Classroom and Facility Upgrades (HD 7-11)		25,000	25,000	
Fairbanks Northstar Borough - Air Quality Mitigation (HD 7-11)		2,500,000	2,500,000	
Fairbanks Northstar Borough - Arctic Winter Games Host Society (HD 7-11)		500,000	500,000	
Fort Yukon - Fire Truck (HD 6)		385,000	385,000	
Gambell - Excavator Purchase (HD 39)		155,000	155,000	
Golovin - Heavy Equipment (HD 39)		394,500	394,500	
Haines Borough - Haines		4,500,000	4,500,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Boat Harbor and Breakwater Improvements (HD 5)				
Homer - Fishing Lagoon Improvements (HD 33-35)		100,000	100,000	
Huslia - Huslia Community Services Center Match (HD 6)		170,000	170,000	
Juneau - Middle School's Computer Replacement (HD 3-4)		82,000	82,000	
Kachemak - Kachemak Roads Repairs (HD 33-35)		60,000	60,000	
Kake - Water and Sewer Replacement (HD 5)		2,325,000	2,325,000	
Kasaan - Community Hall Remodel and Upgrade (HD 5)		83,400	83,400	
Kenai - Road and Infrastructure Improvements (HD 33-35)		3,000,000	3,000,000	
Kenai Peninsula Borough - Homer High School Athletic Facilities (HD 33-35)		1,100,000	1,100,000	
Kenai Peninsula Borough - Kenai & Soldotna High School Track and Field Improvements (HD 33-35)		2,700,000	2,700,000	
Kenai Peninsula Borough - Ninilchik Senior Center Improvements (HD 33-35)		24,800	24,800	
Kenai Peninsula Borough - Road Projects (HD 33-35)		5,000,000	5,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Ketchikan - Berths I & II Replacement Project (HD 1)		7,000,000	7,000,000	
Ketchikan - Ketchikan Medical Center Improvement Project (HD 1)		3,000,000	3,000,000	
Ketchikan - Rehabilitation/ Replacement of Off-System City Bridges (HD 1)		9,250,000	9,250,000	
Ketchikan Gateway Borough - Alaska Marine Highway System & NOAA Moorage Facility (HD 1)		7,500,000	7,500,000	
Ketchikan Gateway Borough - Ketchikan International Airport Operations and Infrastructure (HD 1)		9,905,000	9,905,000	
Kodiak - Baranof Park Improvements (HD 36)		2,000,000	2,000,000	
Kodiak - Pier III Replacement (HD 36)		18,100,000	18,100,000	
Kodiak Island Borough - Kodiak High School Vocational and Physical Education Facilities (HD 36)		7,000,000	7,000,000	
Kotzebue - Cape Blossom Road and Deep Water Port (HD 40)		4,600,000	4,600,000	
Kotzebue - Swan Lake Small Boat Harbor (HD 40)		3,000,000	3,000,000	
Koyuk - Multi-Use Facility		150,000	150,000	

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 39)				
Koyukuk - New Clinic Match (HD 6)		150,000	150,000	
Matanuska-Susitna Borough - American Charter Academy Science Equipment and Supplies (HD 13-16)		45,000	45,000	
Matanuska-Susitna Borough - Big Lake Elementary School Equipment and Improvements (HD 13-16)		35,000	35,000	
Matanuska-Susitna Borough - Big Lake Service Area Roads Upgrade (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Birchtree Library (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Burchell High School Equipment and Improvements (HD 13-16)		60,000	60,000	
Matanuska-Susitna Borough - Butte Elementary School Equipment and Improvements (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Caswell Lakes Service Area Roads Upgrade (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Crystal Lake Road Repair and Resurface (HD 13-16)		75,000	75,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Matanuska-Susitna Borough - District Warehouse Improvements (HD 13-16)		20,000	20,000	
Matanuska-Susitna Borough - Fairview Service Area Roads Upgrade (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Fronteras Spanish Immersion Charter School Computer Labs (HD 13-16)		60,000	60,000	
Matanuska-Susitna Borough - Glacier View School Improvements and Equipment (HD 12)		35,000	35,000	
Matanuska-Susitna Borough - Goose Bay Elementary School Equipment (HD 13-16)		25,000	25,000	
Matanuska-Susitna Borough - Greater Butte Service Area Roads Upgrade (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Houston High School Lighting (HD 13-16)		115,000	115,000	
Matanuska-Susitna Borough - Knik Service Area Roads Upgrade (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Lazy Mountain Service Area Roads Upgrade (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough -		30,000	30,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Meadow Lakes Service Area Roads Upgrade (HD 13-16)				
Matanuska-Susitna Borough - Midnight Sun Family Learning Center Security System & Facility Equipment (HD 13-16)		25,000	25,000	
Matanuska-Susitna Borough - Pioneer Peak Elementary School High Equipment and Supplies (HD 13-16)		5,000	5,000	
Matanuska-Susitna Borough - Road Bond Package State Match (HD 13-16)		20,000,000	20,000,000	
Matanuska-Susitna Borough - Sutton Elementary School Equipment (HD 12)		19,000	19,000	
Matanuska-Susitna Borough - Sutton Elementary School Improvements and Equipment (HD 12)		35,000	35,000	
Matanuska-Susitna Borough - Talkeetna Service Area Roads Upgrades (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Trapper Creek Service Area Roads Upgrade (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Wasilla Middle School Outdoor Recreation Facility (HD 13-16)		75,000	75,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Matanuska-Susitna Borough - Willow Service Area Roads Upgrade (HD 13-16)		30,000	30,000	
Nenana - School Electrical Upgrades (HD 6)		150,000	150,000	
New Stuyahok - Volunteer Fire Department Fire Station Construction and Equipment (HD 37)		985,650	985,650	
North Slope Borough - Arctic National Broadband Network (HD 40)		4,000,000	4,000,000	
North Slope Borough - Kaktovik Airport Relocation (HD 40)		7,500,000	7,500,000	
Northwest Arctic Borough - Deering Fuel Delivery Truck (HD 40)		225,000	225,000	
Northwest Arctic Borough - Kiana Storage Shed and Shop (HD 40)		400,000	400,000	
Northwest Arctic Borough - Noatak Winter Fuel Haul System (HD 40)		425,000	425,000	
Nulato - Sawmill Acquisition and Public Facilities Repairs (HD 6)		45,000	45,000	
Palmer - Sidewalk Improvements (HD 13-16)		100,000	100,000	
Palmer - Waste Water Treatment Plant Property		2,500,000	2,500,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Acquisition (HD 13-16)				
Palmer - Water Main Tie-Ins (HD 13-16)		252,000	252,000	
Pelican - Water and Sewer Improvements (HD 2)		214,000	214,000	
Petersburg - Commercial Dock Drive Down Facility (HD 2)		5,600,000	5,600,000	
Petersburg - Crane Dock Upgrade (HD 2)		800,000	800,000	
Petersburg - Hospital Roof Replacement (HD 2)		275,000	275,000	
Petersburg - Police Department Design, Planning, and Pre-Construction (HD 2)		350,000	350,000	
Petersburg - Shooting Range Improvements (HD 2)		50,000	50,000	
Petersburg - Sons of Norway Hall Renovations and Improvements (HD 2)		250,000	250,000	
Port Lions - City Dock and Ferry Terminal Replacement (HD 36)		3,000,000	3,000,000	
Russian Mission - Dump Relocation Design and Permitting (HD 6)		600,000	600,000	
Saint Paul - Ataqan Landfill Burn Box (HD 37)		382,337	382,337	
Savoonga - Heavy Equipment (HD 39)		197,200	197,200	

	Allocations	Appropriation Items	General Funds	Other Funds
Saxman - Saxman Harbor - Planning and Design (HD 1)		350,000	350,000	
Saxman - Saxman Seaport Emergency Repairs & Improvements (HD 1)		750,000	750,000	
Sitka - Baranof Warm Springs Dock Improvements and Ownership Transfer (HD 2)		1,900,000	1,900,000	
Sitka - Commercial Passenger Vessel and Visitors Facilities Improvements (HD 2)		4,500,000	4,500,000	
Sitka - Community Hospital Roof Replacement (HD 2)		1,200,000	1,200,000	
Sitka - Eagle Way Upgrade and Ownership Transfer (HD 2)		1,500,000	1,500,000	
Sitka - Failed Collector Streets Rehabilitation (HD 2)		2,900,000	2,900,000	
Sitka - Gun Range Improvements (HD 2)		50,000	50,000	
Sitka - Nelson Logging Road Upgrade and Ownership Transfer (HD 2)		2,343,000	2,343,000	
Sitka - School District Vocational Education Facility (HD 2)		2,900,000	2,900,000	
Sitka - Supplemental & Emergency Diesel		7,125,000	7,125,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Generation (HD 2)				
Sitka - Takatz Lake Hydroelectric Project Planning and Analysis (HD 2)		770,000	770,000	
Thorne Bay - Davidson Landing Improvements (HD 1)		110,000	110,000	
Thorne Bay - Sandy Beach Road Repair & Improvements (HD 1)		273,000	273,000	
Valdez - Senior Center Carport Replacement (HD 12)		200,000	200,000	
Valdez - Valdez Boat Harbor (HD 12)		5,000,000	5,000,000	
Wales - Health Clinic Improvements (HD 39)		150,000	150,000	
Wasilla - Cottonwood Creek Park Trailhead (HD 13-16)		75,000	75,000	
Wasilla - Iditapark Amphitheater Pavilion (HD 13-16)		50,000	50,000	
Wasilla - Lake Lucille Dam Improvements (HD 13-16)		300,000	300,000	
Wasilla - Lake Lucille Park Boardwalk and Dock (HD 13-16)		100,000	100,000	
Wasilla - Regional Transportation Planning (HD 13-16)		150,000	150,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Whittier - Shotgun Cove Road - Phase 4 (HD 17-32)		2,000,000	2,000,000	
Wrangell - Boat Yard Improvements (HD 2)		4,000,000	4,000,000	
Wrangell - Gun Range Improvements (HD 2)		50,000	50,000	
Wrangell - Hospital and Nursing Home Replacement Project (HD 2)		1,800,000	1,800,000	
Wrangell - Wood Street Construction and Utility Improvements (HD 2)		1,000,000	1,000,000	
Grants to Municipalities (AS 37.05.315) - Public Library Construction				
Sitka - Kettleson Memorial Library (HD 2)		5,700,000	5,700,000	
Fairbanks North Star Borough - North Pole Branch Library (HD 7-11)		6,800,000	6,800,000	
Juneau - Mendenhall Valley Public Library (HD 3-4)		7,000,000	7,000,000	
Matanuska-Susitna Borough - Talkeetna Public Library & Community Resource Center (HD 13-16)		2,800,000	2,800,000	
Grants to Named Recipients (AS 37.05.316)				
Access Alaska, Inc. - Anchorage Neighborhood Health Clinic Facility		3,250,000	3,250,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Purchase and Renovation (HD 17-32)				
Affinityfilms, Inc. - Alaska Media Content Workforce Development (HD 17-32)		200,000	200,000	
Alaska Air Carriers Association, Inc. - Medallion Foundation (HD 1-40)		250,000	250,000	
Alaska Arts and Culture Foundation - Cultural Trust Needs Assessment (HD 1-40)		50,000	50,000	
Alaska Association for Historic Preservation - Nike Site Summit Tourism Development Project (HD 17-32)		50,000	50,000	
Alaska Association of Conservation Districts - Fairbanks Soil & Water Conservation District Invasive Weeds Project (HD 7-11)		70,000	70,000	
Alaska Botanical Garden - Horticultural Research and Propagation Site (HD 17-32)		375,000	375,000	
Alaska Brain Injury Network, Inc. - Statewide Brain Injury Awareness		200,000	200,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Campaign (HD 1-40)				
Alaska Cancer Care Alliance - Cancer Network Video and Web Technology & Programs (HD 1-40)		101,400	101,400	
Alaska Center for the Environment - Trailside Discovery Mountain View Water and Watercraft Safety Program (HD 17-32)		49,100	49,100	
Alaska Dome - Parking Lot Paving and Improvements (HD 17-32)		1,500,000	1,500,000	
Alaska Fisheries Development Foundation - Fishing Vessel Energy Audit Pilot Project (HD 1-40)		250,000	250,000	
Alaska Laborers Training Trust - Training Facility Student Housing & Dormitory Project (HD 17-32)		1,500,000	1,500,000	
Alaska Manufacturing Extension Partnership - State Matching Support (HD 1-40)		400,000	400,000	
Alaska Medicare Clinic - Facility Installation (HD 17-32)		500,000	500,000	
Alaska Moose Federation -		1,500,000	1,500,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Moose Rescue & Relocation Program (HD 1-40)				
Alaska Moose Federation - Statewide Moose Salvage Program (HD 1-40)		100,000	100,000	
Alaska Museum of Natural History - New Science Facility Project and Building Upgrade (HD 17-32)		250,000	250,000	
Alaska Network on Domestic Violence & Sexual Assault - Replacement of Office Equipment (HD 3-4)		20,000	20,000	
Alaska Pretrial Services, Inc. - Pre-Trial Release and Community Safety Projects (HD 1-40)		250,000	250,000	
Alaska Resource Agency - Heating Appliance Upgrade and Replacement Program (HD 7-11)		100,000	100,000	
Alaska School Activities Association - Alaska High School Hall of Fame (HD 17-32)		150,000	150,000	
Alaska School Activities Association - Tobacco, Alcohol and Drug Prevention Programs (HD 1-40)		250,000	250,000	
Alaska Search and Rescue		50,000	50,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Association - Incident Management Team Search (HD 17-32)				
Alaska Special Olympics - Training Center and Campus Expansion Development (HD 17-32)		4,000,000	4,000,000	
Alaska State Fair - Sewer System Expansion and Upgrades (HD 13-16)		1,142,875	1,142,875	
Alaska State Hospital & Nursing Home Association - Alaska Specialty Nursing Training (HD 1-40)		85,000	85,000	
Alaska State Pipe Trades - Heating, Ventilation, Air Conditioning & Refrigeration (HVACR) Training (HD 17-32)		200,000	200,000	
Alaska Teamsters Employer Service Corporation - Employer Service Training Equipment (HD 17-32)		160,000	160,000	
Alaska Veterans Foundation, Inc. - Veteran Village (HD 17-32)		300,000	300,000	
Alaska Village Electric Cooperative, Inc - Lower Kuskokwim Energy Improvements (HD 38)		5,000,000	5,000,000	
Alaska Village Electric		1,000,000	1,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Cooperative, Inc. - Ekwok Power System Upgrades Repayment (HD 37)				
Alaska Wildlife Conservation Center - Safe Drinking Water System (HD 17-32)		100,000	100,000	
Alaska Zoo - Distance Education Program (HD 17-32)		150,000	150,000	
Alaskan Shellfish Growers Association - Shellfish Industry Technical Assistance Grants (HD 1-5)		30,000	30,000	
Allakaket Village - Allakaket Clinic Renovation Project (HD 6)		170,000	170,000	
Alyeska Vocational Services - Alaska Deaf Center Development Plan (HD 17-32)		475,000	475,000	
Alzheimer's Disease Resource Agency of Alaska - Education & Support Program (HD 1-40)		100,000	100,000	
American Legion Baseball Alliance - Field Renovation and Development Program (HD 1-40)		1,350,000	1,350,000	
American Legion Post 29 - Homeless and Disabled		50,000	50,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Veterans Assistance (HD 17-32)				
American Legion Post 29 - Roof and Building Repairs (HD 17-32)		9,400	9,400	
American Lung Association - Alaska Asthma Coalition Program (HD 1-40)		500,000	500,000	
American Red Cross of Alaska - Service to Armed Forces - Emergency Messaging Program (HD 17-32)		75,000	75,000	
Anchor Point Senior Citizens, Inc. - Anchor Point Senior Center Improvements (HD 33-35)		244,000	244,000	
Anchorage Community Land Trust - Community Gardens (HD 17-32)		100,000	100,000	
Anchorage Community Land Trust - Mountain View Blighted Property Improvement (HD 17-32)		1,000,000	1,000,000	
Anchorage Community Mental Health Services - Adult Day Care Facility Expansion (HD 17-32)		250,000	250,000	
Anchorage Community YMCA - Mechanical System Boilers and Control System		10,000	10,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Replacement (HD 17-32)				
Anchorage Curling Club - Expanded Facility Construction (HD 17-32)		200,000	200,000	
Anchorage Park Foundation - African American Soldiers ALCAN Highway Memorial (HD 17-32)		50,000	50,000	
Anchorage Park Foundation - Arctic Benson Park and East Spenard Neighborhood Park Safety Upgrades (HD 17-32)		83,000	83,000	
Anchorage Park Foundation - Campbell Creek Estuary and Trail Improvements (HD 17-32)		200,000	200,000	
Anchorage Park Foundation - Campbell Park Play Equipment and Safety Surfacing (HD 17-32)		200,000	200,000	
Anchorage Park Foundation - Chester Creek Sports Complex Mulcahy Rinks Reconstruction (HD 17-32)		250,000	250,000	
Anchorage Park Foundation - Coastal Trail - Surface and Safety Improvements (HD 17-32)		1,000,000	1,000,000	
Anchorage Park Foundation - Davis Park Athletic Field		200,000	200,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Upgrades (HD 17-32)				
Anchorage Park Foundation - Elderberry Park Equipment (HD 17-32)		40,000	40,000	
Anchorage Park Foundation - Fairbanks Park Toddler Play Equipment (HD 17-32)		50,000	50,000	
Anchorage Park Foundation - Fairview Lions Park Play Equipment (HD 17-32)		200,000	200,000	
Anchorage Park Foundation - Kiwanis Fish Creek Park and Spenard Neighborhood Park Improvements (HD 17-32)		83,000	83,000	
Anchorage Park Foundation - North Russian Jack Springs Park Playground (HD 17-32)		400,000	400,000	
Anchorage Park Foundation - Northeast Anchorage Skate Park (HD 17-32)		250,000	250,000	
Anchorage Park Foundation - Ruth Arcand Park Equestrian Trail Rehabilitation (HD 17-32)		75,000	75,000	
Anchorage Park Foundation - Scenic Foothills Community Council Little Dipper Pilot Project (HD 17-32)		73,000	73,000	
Anchorage Park Foundation - Scenic Foothills Community		69,000	69,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Council Scenic Park Pilot Project (HD 17-32)				
Anchorage School District - Abbott Loop Elementary School Equipment and Furniture (HD 17-32)		60,000	60,000	
Anchorage School District - Airport Heights Elementary School Equipment (HD 17-32)		16,500	16,500	
Anchorage School District - Alaska Native Cultural Classroom Technology (HD 17-32)		25,000	25,000	
Anchorage School District - Anchorage Vocational Academic Institute of Learning Equipment and Materials (HD 17-32)		39,000	39,000	
Anchorage School District - Aquarian Charter School Equipment (HD 17-32)		35,000	35,000	
Anchorage School District - Bartlett High School Equipment (HD 17-32)		50,000	50,000	
Anchorage School District - Bartlett High School Turf Field Installation (HD 17-32)		3,500,000	3,500,000	
Anchorage School District - Baxter Elementary School		98,000	98,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Equipment and Materials (HD 17-32)				
Anchorage School District - Bayshore Elementary School Equipment (HD 17-32)		58,000	58,000	
Anchorage School District - Begich Middle School Equipment and Materials (HD 17-32)		181,350	181,350	
Anchorage School District - Central Middle School of Science Improvements (HD 17-32)		70,000	70,000	
Anchorage School District - Chester Valley Elementary School Equipment (HD 17-32)		40,000	40,000	
Anchorage School District - Chinook Elementary School Improvements and Staff Training (HD 17-32)		66,600	66,600	
Anchorage School District - Chugach Optional Elementary School Security Improvements (HD 17-32)		90,000	90,000	
Anchorage School District - Chugiak Elementary School Interactive Display Technologies in Classrooms (HD 17-32)		44,000	44,000	
Anchorage School District -		25,000	25,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Clark Middle School Library Collection Upgrade (HD 17-32)				
Anchorage School District - College Gate Elementary School Equipment (HD 17-32)		30,000	30,000	
Anchorage School District - College Gate Elementary School Pedestrian Safety (HD 17-32)		470,000	470,000	
Anchorage School District - Creekside Park Elementary School Equipment and Materials (HD 17-32)		53,400	53,400	
Anchorage School District - Crossroads School Equipment and Classroom Upgrades (HD 17-32)		20,500	20,500	
Anchorage School District - Denali Montessori School Security Improvements (HD 17-32)		90,000	90,000	
Anchorage School District - Dimond High School Equipment and Improvements (HD 17-32)		123,500	123,500	
Anchorage School District - Eagle Academy School Equipment and Upgrades (HD 17-32)		60,700	60,700	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage School District - Eagle River Elementary School Equipment (HD 17-32)		75,000	75,000	
Anchorage School District - East High School Area Pedestrian and Safety Improvements (HD 17-32)		250,000	250,000	
Anchorage School District - East High School Classroom Equipment (HD 17-32)		165,400	165,400	
Anchorage School District - Fairview Elementary School Equipment and Materials (HD 17-32)		125,000	125,000	
Anchorage School District - Girdwood School Gym Improvements (HD 17-32)		40,000	40,000	
Anchorage School District - Gladys Wood Elementary School Equipment and Materials (HD 17-32)		52,000	52,000	
Anchorage School District - Government Hill Elementary School Equipment (HD 17-32)		50,000	50,000	
Anchorage School District - Hanshew Middle School Equipment and Upgrades (HD 17-32)		158,500	158,500	
Anchorage School District -		90,000	90,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Homestead Elementary School Security Improvements (HD 17-32)				
Anchorage School District - Inlet View Elementary School Equipment and Upgrades (HD 17-32)		150,000	150,000	
Anchorage School District - Kasuun Elementary School Equipment (HD 17-32)		115,500	115,500	
Anchorage School District - Kincaid Elementary School Improvements (HD 17-32)		15,000	15,000	
Anchorage School District - Klatt Elementary School Classroom Equipment (HD 17-32)		76,650	76,650	
Anchorage School District - Lake Hood Elementary School Classroom Technology (HD 17-32)		174,000	174,000	
Anchorage School District - McLaughlin Secondary School Computers (HD 17-32)		21,000	21,000	
Anchorage School District - Mears Middle School Equipment and Improvement (HD 17-32)		73,500	73,500	
Anchorage School District - Mears Middle School Office		100,000	100,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Improvements (HD 17-32)				
Anchorage School District - Mirror Lake Middle School Musical Equipment (HD 17-32)		110,000	110,000	
Anchorage School District - Mountain View Elementary School Climbing Wall (HD 17-32)		25,000	25,000	
Anchorage School District - Mountain View Elementary School Equipment (HD 17-32)		32,500	32,500	
Anchorage School District - Muldoon Elementary School Equipment (HD 17-32)		105,000	105,000	
Anchorage School District - North Star Elementary School Equipment (HD 17-32)		109,000	109,000	
Anchorage School District - Northwood ABC Elementary School Gym Improvements (HD 17-32)		85,000	85,000	
Anchorage School District - Northwood ABC Elementary School Library Equipment (HD 17-32)		75,000	75,000	
Anchorage School District - Nunaka Valley Elementary School Equipment (HD		68,500	68,500	

	Allocations	Appropriation Items	General Funds	Other Funds
17-32)				
Anchorage School District - O'Malley Elementary School Equipment (HD 17-32)		40,000	40,000	
Anchorage School District - Polaris School Programs and Improvements (HD 17-32)		49,150	49,150	
Anchorage School District - Ptarmigan Elementary School Equipment and Peer Program (HD 17-32)		42,800	42,800	
Anchorage School District - Rabbit Creek Elementary School Furniture and Equipment (HD 17-32)		30,000	30,000	
Anchorage School District - Rogers Park Elementary School Equipment and Materials (HD 17-32)		53,000	53,000	
Anchorage School District - Romig Middle School Artificial Turf Field Installation (HD 17-32)		1,900,000	1,900,000	
Anchorage School District - Romig Middle School Equipment and Upgrades (HD 17-32)		183,500	183,500	
Anchorage School District - Russian Jack Elementary School Equipment (HD		85,000	85,000	

	Allocations	Appropriation Items	General Funds	Other Funds
17-32)				
Anchorage School District - Sand Lake Elementary School Ice Rink Upgrade (HD 17-32)		150,000	150,000	
Anchorage School District - Scenic Park Elementary School Equipment (HD 17-32)		35,000	35,000	
Anchorage School District - Service High School Equipment and Improvements (HD 17-32)		134,400	134,400	
Anchorage School District - Service High School Security Improvements (HD 17-32)		218,000	218,000	
Anchorage School District - Service High School Track Improvements (HD 17-32)		840,000	840,000	
Anchorage School District - South High School Field Improvements (HD 17-32)		2,200,000	2,200,000	
Anchorage School District - Specialized Academic Voc-Ed (SAVE) High School - Security Camera Installation (HD 17-32)		148,000	148,000	
Anchorage School District - Spring Hill Elementary School Electronic Systems		150,000	150,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Upgrade (HD 17-32)				
Anchorage School District - Steller Secondary School Facility Improvements (HD 17-32)		85,000	85,000	
Anchorage School District - Susitna Elementary School Equipment and Staff Development (HD 17-32)		47,500	47,500	
Anchorage School District - Taku Elementary School Equipment (HD 17-32)		51,000	51,000	
Anchorage School District - Trailside Elementary School Equipment (HD 17-32)		49,000	49,000	
Anchorage School District - Trailside Elementary School Playground (HD 17-32)		140,000	140,000	
Anchorage School District - Tudor Elementary School Equipment and Upgrades (HD 17-32)		136,000	136,000	
Anchorage School District - Turnagain Elementary School Equipment and Upgrades (HD 17-32)		182,000	182,000	
Anchorage School District - Tyson Elementary School Equipment and Upgrades (HD		95,000	95,000	

	Allocations	Appropriation Items	General Funds	Other Funds
17-32)				
Anchorage School District - Wendler Middle School Equipment and Upgrades (HD 17-32)		54,250	54,250	
Anchorage School District - West High School Artificial Turf Field Installation (HD 17-32)		3,100,000	3,100,000	
Anchorage School District - West High School Equipment and Upgrades (HD 17-32)		381,500	381,500	
Anchorage School District - West High School Stadium (HD 17-32)		1,600,000	1,600,000	
Anchorage School District - Williwaw Elementary School Equipment (HD 17-32)		31,500	31,500	
Anchorage School District - Willow Crest Elementary School Equipment and Upgrades (HD 17-32)		74,000	74,000	
Anchorage School District - Wonder Park Elementary School Equipment and Upgrades (HD 17-32)		108,200	108,200	
Angelus Memorial Park Cemetery, Inc. - Cemetery Capital Improvements (HD 1-40)		500,000	500,000	
Arc of Anchorage - Building		761,700	761,700	

	Allocations	Appropriation Items	General Funds	Other Funds
Maintenance, Repair, Renovation and Supplies (HD 17-32)				
Arctic Power - Arctic National Wildlife Refuge (ANWR) Program (HD 1-40)		160,000	160,000	
Arctic Winter Games State Team Alaska - State Participation Grant (HD 1-40)		315,000	315,000	
Armed Services YMCA of Alaska - Armed Services YMCA - Military Families Project (HD 17-32)		100,000	100,000	
Armed Services YMCA of Alaska - Y on Wheels Shuttle Service Grant (HD 17-32)		100,000	100,000	
Association of Village Council Presidents - Village Public Safety Buildings (HD 36-38)		1,057,600	1,057,600	
Association of Village Council Presidents (AVCP) - Aviation School Dormitory Construction (HD 36-38)		2,470,100	2,470,100	
Association of Village Council Presidents (AVCP) - Yukon-Kuskokwim Corridor		4,000,000	4,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Planning and Development Project (HD 36-38)				
Bering Sea Fishermen's Association - Arctic Yukon Kuskokwim Sustainable Salmon Initiative (HD 38)		3,200,000	3,200,000	
Big Lake Chamber of Commerce - Fish Creek Park Pavilion (HD 13-16)		25,000	25,000	
Birchwood Community Council - Birchwood Community Patrol (HD 13-16)		5,000	5,000	
Blood Bank of Alaska - Facilities and Services Expansion Project (HD 1-40)		4,000,000	4,000,000	
Boys & Girls Club of Southcentral Alaska - Mountain View Club Upgrades and Repairs (HD 17-32)		125,000	125,000	
Boys & Girls Club of the Kenai Peninsula - Kasilof After School Program (HD 33-35)		75,000	75,000	
Boys & Girls Clubs of Southcentral Alaska - Fairbanks Clubhouse Renovations and Equipment (HD 7-11)		230,000	230,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Boys & Girls Clubs of Southcentral Alaska - Northeast Clubhouse Gym and Storage Improvements (HD 17-32)		35,000	35,000	
Boys & Girls Clubs of Southcentral Alaska - Woodland Park Clubhouse - Child Care and Athletics Facilities Improvements (HD 17-32)		1,374,440	1,374,440	
Boys & Girls Clubs of Southcentral Alaska - Woodland Park Maintenance Building Installation (HD 17-32)		584,050	584,050	
Boys & Girls Clubs of the Kenai Peninsula - Kenai Technology Center Equipment (HD 33-35)		14,000	14,000	
Boys & Girls Clubs of the Kenai Peninsula - Nikiski Technology Center Equipment (HD 33-35)		14,000	14,000	
Boys & Girls Clubs of the Kenai Peninsula - Soldotna Portable Planning, Permitting and Acquisition (HD 33-35)		163,000	163,000	
Bread Line, Inc. - Stone Soup Cafe - Renovations and		150,000	150,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Service Improvements (HD 7-11)				
Brotherhood, Inc. - After School Program (HD 17-32)		100,000	100,000	
Camp Fire USA Alaska Council - Health Center and Shower House (HD 17-32)		395,000	395,000	
Capital Community Broadcasting, Inc. - Gavel to Gavel Online Access Upgrade (HD 3-4)		80,000	80,000	
Carol H. Brice Family Center - Ventilation and Heat Recovery Upgrades (HD 7-11)		261,600	261,600	
Central Council Tlingit & Haida Indian Tribes - Elders and Youth Preserving Our Heritage Through Digital Media (HD 3-4)		10,000	10,000	
Chena-Goldstream Fire & Rescue - Station #4 Safety Repairs & Energy Efficiency Upgrades (HD 7-11)		50,000	50,000	
Child Care Connection, Inc. - Anchorage Imagination Library Books & Postage (HD 17-32)		15,000	15,000	
Child Care Connection, Inc. - Equipment and Safety Improvements (HD		75,000	75,000	

	Allocations	Appropriation Items	General Funds	Other Funds
17-32)				
Child Care Connection, Inc. - Retaining Our Outstanding Teachers (ROOTS) Awards (HD 17-32)		1,000,000	1,000,000	
Children's Meal Mission, Inc. - Meals for Hungry Alaskan Children (HD 17-32)		50,000	50,000	
Chilkoot Indian Association - Chilkoot Community Service Center (HD 5)		1,315,000	1,315,000	
Chugach School District - Voyage to Excellence Facility Renovation (HD 17-32)		2,353,000	2,353,000	
Cold Climate Housing Research Center - Research Center Project Funding (HD 1-40)		500,000	500,000	
Communities In Schools Of Juneau - Dropout Prevention (HD 3-4)		150,000	150,000	
Community Connections, Inc. - Community Connections New Building (HD 1)		550,000	550,000	
Cook Inlet Housing Development Corporation - Spenard Road Revitalization		1,900,000	1,900,000	

	Allocations	Appropriation Items	General Funds	Other Funds
and Environmental Contamination Abatement (HD 17-32)				
Cook Inlet Regional Citizens Advisory Council - Ice Forecasting Network (HD 33-35)		70,000	70,000	
Copper River Native Association - Copper River Health Clinic Construction (HD 6)		8,000,000	8,000,000	
Copper Valley Development Association, Inc. - Biomass and Agricultural Business Development (HD 12)		45,000	45,000	
Copper Valley Electric Association - Tiekel River Hydroelectric Project (HD 12)		500,000	500,000	
Cougar Gridiron Booster Club - Field Improvements (HD 17-32)		800,000	800,000	
Covenant House Alaska - Victim Support and Case Management - Youth Sex Trafficking Victims (HD 17-32)		194,000	194,000	
Denali Family Services - Little Steps Preschool Facility Completion (HD		400,000	400,000	

	Allocations	Appropriation Items	General Funds	Other Funds
17-32)				
Ester Volunteer Fire Department - Emergency Response Vehicle Conversion (HD 7-11)		100,000	100,000	
Fairbanks Community Foodbank - Building Maintenance and Sprinkler System (HD 7-11)		50,000	50,000	
Fairbanks Counseling and Adoption - Critical Needs Transition Funding (HD 7-11)		200,000	200,000	
Fairbanks Resource Agency - FRA 8-plex Accessible Residence Construction (HD 7-11)		200,000	200,000	
Fairview Business Association - Gambell Boulevard Corridor Redevelopment Plan (HD 17-32)		200,000	200,000	
Federation of Community Councils - Meadow Park Rehabilitation (HD 17-32)		75,000	75,000	
Federation of Community Councils - Mountain View Community Council - Neighborhood Crime Watch (HD 17-32)		5,000	5,000	
Federation of Community		10,000	10,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Councils - Mountain View Community Patrol (HD 17-32)				
Federation of Community Councils - Nunaka Valley and Northeast Community Patrols (HD 17-32)		16,500	16,500	
Federation of Community Councils - Recreational Upgrades to Abbott Loop Community Park (HD 17-32)		240,000	240,000	
Food Bank of Alaska - Latino Lions Club Food Distribution (HD 17-32)		10,000	10,000	
Food Bank of Alaska - Statewide Facility Repairs and Equipment (HD 17-32)		78,000	78,000	
Fraternal order of the Alaska State Troopers - Crime Scene Investigation Forensic Science Camp (HD 17-32)		60,000	60,000	
Friends of the Jesse Lee Home (HD 33-35)		5,000,000	5,000,000	
Girdwood Nordic Ski Club - Girdwood Nordic Trail System Construction and Improvements (HD 17-32)		200,000	200,000	
Girl Scouts of Alaska - Edmonds Lake Singing Hills Facility Reconstruction		1,613,900	1,613,900	

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 13-16)				
GlennRich Fire Rescue - Water Tender Trucks (HD 12)		120,000	120,000	
Grandview Subdivision Homeowner's Association - Honey Bear Lane Resurfacing and Drainage Improvements (HD 17-32)		100,000	100,000	
Halibut Cove Community Organization - Alaska Mussel Farming Demonstration Project (HD 33-35)		300,000	300,000	
Haven House, Inc. - Planning for Reentry and Transitional Housing Program (HD 1-5)		30,000	30,000	
Homer Society of Natural History - Pratt Museum Building Design and Construction (HD 33-35)		100,000	100,000	
Hope Community Resources, Inc. - Statewide Facility Improvements & Equipment (HD 1-40)		900,000	900,000	
Hospice of The Central Peninsula - Durable Medical Equipment for Community Loan Closet (HD 33-35)		10,000	10,000	
HUB Youth Center - After		7,500	7,500	

	Allocations	Appropriation Items	General Funds	Other Funds
School Program Equipment (HD 3-4)				
Ilisagvik College - Heavy Equipment (HD 40)		150,000	150,000	
Institute of the North - Arctic Infrastructure and Development (HD 1-40)		155,000	155,000	
Interior Alaska Center for Non-Violent Living - Computers and Security Upgrades (HD 7-11)		30,000	30,000	
Interior Alaska Center for Non-Violent Living - Housing Program Building Repairs (HD 7-11)		25,000	25,000	
Interior Alaska Hospital Foundation - Rural Health Care Facility (HD 12)		50,000	50,000	
Juneau Economic Development Council - FIRST Robotics Alaska (HD 1-40)		250,000	250,000	
Juneau Economic Development Council - Spring Board Technology Transfer Alliance Program (HD 1-40)		250,000	250,000	
Juneau Family Health and Birth Center - Electronic Health Record System (HD 3-4)		12,000	12,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Juneau Lighthouse Association - Five Finger Lighthouse Transportation (HD 3-4)		63,000	63,000	
Juneau Symphony - 50th Anniversary Celebration (HD 3-4)		30,000	30,000	
Junior Achievement of Alaska - Statewide K-12 Business Education Program (HD 17-32)		60,000	60,000	
Kaltag Tribal Council - Kaltag New Health Care Clinic (HD 6)		100,000	100,000	
Kasilof Regional Historical Association - Community of Kasilof - Cabin Restoration (HD 33-35)		38,000	38,000	
Kenai Peninsula Community Care Center - Gymnasium Repair and Renovations (HD 33-35)		52,000	52,000	
Kenaitze Indian Tribe - Dena'ina Health and Wellness Center (HD 33-35)		15,000,000	15,000,000	
Ketchikan Indian Community - Southern Southeast Alaska Vocational Training School Facility Improvements (HD 1)		2,200,000	2,200,000	
Ketchikan Rod and Gun Club		80,000	80,000	

	Allocations	Appropriation Items	General Funds	Other Funds
- Gun Range Improvements (HD 1)				
Kodiak Area Native Association - Facility Expansion and Renovation (HD 36)		100,000	100,000	
Kodiak Island Housing Authority - Near Island Senior Housing Project (HD 36)		2,000,000	2,000,000	
Lake Louise Community Non Profit Corporation - Fire-Rescue Landing Craft (HD 12)		96,800	96,800	
Life Alaska Donor Services, Inc - Donor Program (HD 1-40)		35,000	35,000	
Loren Marshall Foundation - Statewide Student CPR Training Program (HD 1-40)		350,000	350,000	
Mao Tosi's Alaska PRIDE - At-Risk Youth Programs, Cultural and Family Services (HD 17-32)		300,000	300,000	
Marine Exchange of Alaska - Alaska Vessel Tracking System Upgrades and Expansion (HD 1-40)		600,000	600,000	
Matanuska-Susitna Service for Children and Adults (HD 13-16)		4,000,000	4,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Meadow Lakes Community Council, Inc. - Community Campus Sports Fields Improvements (HD 13-16)		30,000	30,000	
Most Worshipful Prince Hall Grand Lodge of Alaska - Advancement Challenge Program (HD 17-32)		56,600	56,600	
Native Village of Ruby - Altona Brown New Health Clinic Project (HD 6)		171,000	171,000	
National Association for the Advancement of Colored People - Act-So Program Statewide & National Competition (HD 17-32)		30,000	30,000	
Neighborworks Anchorage - Loussac-Sogn Building Revitalization (HD 17-32)		1,698,000	1,698,000	
New Life Development, Inc. - Re-entry Housing Program and Day Reporting Center (HD 17-32)		190,000	190,000	
Nikolaevsk, Inc. - Multi-Use Facility (HD 33-35)		50,000	50,000	
Nikolai Village - Edzeno' Native Village Council Health Clinic Match (HD 6)		170,000	170,000	
Ninilchik Emergency Services - Fire and EMS		225,000	225,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Station Project (HD 33-35)				
North Star Council on Aging, Inc. - Debt Recovery (HD 7-11)		145,000	145,000	
North Star Imagination Library - Reading Campaign (HD 7-11)		10,000	10,000	
Norton Sound Health Corporation - Long Term Care Facility Construction (HD 39)		3,000,000	3,000,000	
Nuvista Light & Electric Cooperative - Calista Region Multiple Tri-Village Services Consolidation Model (HD 39)		1,500,000	1,500,000	
Pacific Northwest Economic Region Foundation - Arctic Caucus (HD 17-32)		125,000	125,000	
Pacific Northwest Economic Region Foundation - Region Summit (HD 17-32)		150,000	150,000	
Partners for Progress in Delta, Inc. - Career Advancement Center Expansion (HD 12)		45,000	45,000	
Perseverance Theatre, Inc. - Scene Shop Remodel Upgrade and Vehicle Replacement (HD 3-4)		25,000	25,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Retirement Community of Fairbanks - Raven Landing Community Center (HD 7-11)		2,200,000	2,200,000	
Rural Alaska Community Action Program, Inc. - RurAL CAP Child Development Center (HD 17-32)		800,000	800,000	
Russian Jack Springs - First Tee of Alaska Youth Development Program (HD 17-32)		100,000	100,000	
Salcha Fire and Rescue, Inc. - Fire Suppression Equipment and Tools (HD 12)		50,000	50,000	
Shiloh Community Development, Inc. - Youth Mentorship Program (HD 17-32)		100,000	100,000	
Shiloh Community Housing - Living Independent Forever Program (HD 17-32)		60,000	60,000	
Sitka Counseling and Prevention Services, Inc. - Recovery Campus Improvements (HD 2)		290,000	290,000	
Sitka Kaagwaantaan, Inc. - Alaska Native Brotherhood Hall Renovations (HD 2)		250,000	250,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Soldotna Area Senior Citizens, Inc. - Generator and Roof Improvements (HD 33-35)		82,000	82,000	
Soldotna Little League - Field Upgrades (HD 33-35)		25,000	25,000	
South Anchorage Baseball Boosters Club - Taylar Young Memorial Baseball Field (HD 17-32)		75,000	75,000	
Southeast Alaska Independent Living, Inc. - Office and Program Equipment (HD 3-4)		29,700	29,700	
Southeast Alaska Power Agency - Hydroelectric Storage, Generation, Transmission, & Business Analysis (HD 1-5)		3,000,000	3,000,000	
Southeast Alaska Regional Health Consortium - SEARHC Youth Ambassador Suicide Prevention Conference (HD 3-4)		7,500	7,500	
Southeast Conference - Southeast Alaska Timber & Economic Revitalization Project (HD 1-5)		650,000	650,000	
Southeast Island School District - Port Alexander Facility and Power		23,000	23,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Improvements (HD 2)				
Southeast Regional Resource Center - Alaska's Educational Resource Center Boiler Replacement (HD 3-4)		80,000	80,000	
Spruce Island Development Corporation - Engineering, Survey and Cost Assessment for Anton Larson Bay Road Extension (HD 36)		450,000	450,000	
Steese Area Volunteer Fire Department, Inc. - Driveway and Parking Lot Improvement Project (HD 7-11)		100,000	100,000	
Tanana Valley State Fair Association - ADA Compliance Grant (HD 7-11)		750,000	750,000	
Theatre in the Rough - McPhetres Hall Stage Upgrades (HD 3-4)		10,000	10,000	
Tri-Valley Fire Department, Inc. - Tri-Valley Community Center Power Upgrade (HD 7-11)		72,500	72,500	
Village of Grayling - Grayling Multi-Purpose Center Match (HD 6)		170,000	170,000	
Wellspring Revival Ministries - Repair and		100,000	100,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Paving Youth Center Parking Lot (HD 7-11)				
Wildflower Court - Repair Eroding Retaining Wall (HD 3-4)		75,000	75,000	
World Trade Center Alaska - International Trade Partnership Project (HD 1-40)		300,000	300,000	
Wrangell Cooperative Association - Chief Shakes House Restoration and Carving Shed Improvements (HD 2)		250,000	250,000	
Youth/Young Adult Empowered Achievers, Yea! - Youth Enrichment Programs (HD 17-32)		10,000	10,000	
Yukon Koyukuk School District - Manley and Allakaket Schools Water Systems Installation and Repairs (HD 6)		197,000	197,000	
Yukon-Kuskokwim Health Corporation - Regional Phillips Ayagnirvik Treatment Center (HD 36-38)		12,650,000	12,650,000	
Yuut Elitnaurviat- The People's Learning Center - Bunkhouse and Family Style		4,700,000	4,700,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Yukon Dormitory (HD 38)				
YWCA Alaska - Youth Empowerment Programs (HD 17-32)		75,000	75,000	
Grants to Named Recipients (AS 37.05.316) - Deferred Maintenance and Enhancements to Hatchery Facilities Statewide				
Cook Inlet Aquaculture - Trail Lakes Hatchery (HD 12)		1,025,000	1,025,000	
Cook Inlet Aquaculture - Tutka Bay Hatchery (HD 33-35)		699,000	699,000	
Kodiak Regional Aquaculture - Kitoi Bay Hatchery (HD 36)		1,550,000	1,550,000	
Kodiak Regional Aquaculture - Pillar Creek Hatchery (HD 36)		909,000	909,000	
Northern Southeast Regional Aquaculture - Hidden Falls Salmon Hatchery (HD 1-5)		1,237,000	1,237,000	
Northern Southeast Regional Aquaculture - Medvejie Hatchery Maintenance & Facility Improvements (HD 1-5)		900,000	900,000	
Prince William Sound Aquaculture - Cannery Creek		5,263,000	5,263,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Hatchery (HD 12)				
Prince William Sound Aquaculture - Main Bay Hatchery (HD 5)		864,000	864,000	
Grants to Unincorporated Communities (AS 37.05.317)				
Alatna - Heavy Equipment Purchase and Freight (HD 6)		180,000	180,000	
Atmautluak - Washeteria Facility Repairs and Upgrades (HD 38)		223,500	223,500	
Elfin Cove - Dock and Seaplane Float Improvements (HD 2)		500,000	500,000	
Hollis - Emergency Heliport and Infrastructure Project (HD 1)		290,000	290,000	
Minto - Minto Independent Elder Housing Project (HD 6)		200,000	200,000	
Tanacross - Tanacross New Health Care Clinic Project (HD 6)		600,000	600,000	
Venetie - New Clinic Match (HD 6)		200,000	200,000	
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* * * * * **Department of Corrections** * * * * *				
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Alaska Land Mobile Radio Emergency Response		470,000	470,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Narrowband Compliance (HD 1-40)				
Annual Facilities Maintenance and Repairs (HD 1-40)		1,000,000	1,000,000	
Goose Creek Correctional Center Start-up Furniture and Equipment (HD 13-16)		5,000,000	5,000,000	
Information Technology MIS / Disaster Recovery Equipment & Novell Replacement Project (HD 1-40)		250,000	250,000	
Deferred Maintenance, Renewal, Repair and Equipment		**5,000,000**	**5,000,000**	
Anchorage - Anchorage Correctional Complex - West Deferred Maintenance (HD 17-32)	750,000			
Bethel - Yukon-Kuskokwim Correctional Center Deferred Maintenance (HD 38)	175,000			
Eagle River - Combined Hiland Mountain Correctional Center Deferred Maintenance (HD 17-32)	648,000			
Fairbanks - Fairbanks Correctional Center	140,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Deferred Maintenance (HD 7-11)				
Juneau - Lemon Creek Correctional Center Deferred Maintenance (HD 3-4)	319,200			
Kenai - Wildwood Correctional Center Deferred Maintenance (HD 33-35)	50,000			
Ketchikan - Correctional Center Deferred Maintenance (HD 1)	138,000			
Nome - Anvil Mountain Correctional Center Deferred Maintenance (HD 39)	1,700,000			
Point MacKenzie - Point MacKenzie Correctional Farm Deferred Maintenance (HD 13-16)	350,000			
Sutton - Palmer Correctional Center Deferred Maintenance (HD 12)	729,800			
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* * * * * **Department of Education and Early Development** * * * * *				
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Alaska Pilot Pre-Kindergarten Project Expansion (HD 17-32)		973,000	973,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Alaska State Library, Archives and Museum Facility (HD 1-40)		49,000,000	49,000,000	
Bethel Regional High School Cafeteria Addition Design and Planning (HD 38)		1,257,000	1,257,000	
Mount Edgecumbe High School Aquatic Center (HD 1-40)		5,000,000	5,000,000	
Major Maintenance Grant Fund (AS 14.11.007)		**17,979,185**	**17,979,185**	
Whittier K-12 School Heating System Upgrade (HD 17-32)	815,725			
Kaltag K-12 School Mechanical and Electrical Upgrades (HD 6)	853,165			
Kake High School Kitchen Renovation (HD 5)	25,121			
Metlakatla High School Annex Roof Replacement (HD 5)	41,345			
Angoon High School Mechanical Upgrades (HD 5)	47,818			
Merreline A Kangas K-12 School Renovation, Ruby (HD 6)	5,078,282			
Akutan K-12 School Siding Replacement (HD 37)	66,625			
Shaktoolik K-12 School	9,176,358			

	Allocations	Appropriation Items	General Funds	Other Funds
Renovation (HD 39)				
Kake High School Shower Repairs (HD 5)	43,205			
Kake Elementary School Mechanical Ventilation Completion (HD 5)	59,200			
Bristol Bay School Voc Ed Wing Renovation (HD 37)	1,538,395			
Craig Elementary and Middle School Alternative Wood Heat Installation (HD 5)	161,172			
Sand Point K-12 School Pool Major Maintenance (HD 37)	72,774			
School Construction Grant Fund (AS 14.11.005)		**60,973,515**	**60,973,515**	
Emmonak K-12 School Addition/Renovation (HD 1-40)	36,056,700			
Koliganek K-12 School Replacement (HD 1-40)	24,916,815			
Deferred Maintenance				
Deferred Maintenance, Renewal, Repair and Equipment - Mt. Edgecumbe High School (HD 1-40)		1,700,000	1,700,000	
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* * * * * **Department of Environmental Conservation** * * * * *				
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Clean Water Capitalization		2,583,400		2,583,400

	Allocations	Appropriation Items	General Funds	Other Funds
Grant - Subsidy Funding (HD 1-40)				
Drinking Water Capitalization Grant - Subsidy Funding (HD 1-40)		4,634,000		4,634,000
Kodiak Landfill Expansion (HD 36)		3,000,000	3,000,000	
Oil and Hazardous Substance First Responder Equipment and Preparedness (HD 1-40)		750,000	750,000	
Statewide Contaminated Sites Cleanup (HD 1-40)		2,000,000	2,000,000	
Village Safe Water New Technology Approaches (HD 1-40)		1,000,000	1,000,000	
Village Safe Water and Wastewater Infrastructure Projects		**51,500,000**	**8,750,000**	**42,750,000**
Expansion, Upgrade, and Replacement of Existing Service (HD 1-40)	20,600,000			
First Time Service Projects (HD 1-40)	30,900,000			
Municipal Water, Sewage, and Solid Waste Facilities Grants (AS 46.03.030)		**33,013,449**	**33,013,449**	
Cordova - LT2 Compliance UV Treatment Facility (HD 5)	3,888,250			
Haines - Barnett Water Tank Replacement (HD 5)	699,143			

	Allocations	Appropriation Items	General Funds	Other Funds
Hoonah - Water Transmission Line Replacement Phase 3 (HD 5)	1,732,357			
Kenai - Water Transmission Mains Phase 4 (HD 33-35)	1,935,164			
Ketchikan - Jackson/Monroe Streets and 4th/7th Avenues Water and Sewer (HD 1)	767,860			
Kodiak - Aleutian Homes Water and Sewer Replacement Phase 5 (HD 36)	1,339,000			
Kodiak Island Borough - Landfill Lateral Expansion Phase 2 (HD 36)	3,090,000			
Nome - East Sclaircore Replacement/Expansion Phase 2 (HD 39)	3,090,000			
North Pole - Techite Sewer Main and Manholes Rehabilitation (HD 7-11)	2,590,450			
North Slope Borough - Ahgeak Street Water and Sewer Extension (HD 40)	3,090,000			
Seward - North Seward Water Storage Tank and Pumping Facility (HD 33-35)	2,583,240			
Sitka - Baranof Street Water and Sewer Replacement (HD 2)	1,032,413			

	Allocations	Appropriation Items	General Funds	Other Funds
Sitka - UV Water Disinfection Facility (HD 2)	2,122,830			
Soldotna - Sterling Street Water and Sewer Replacement (HD 33-35)	377,465			
Unalaska - Wastewater Treatment Plant Upgrade (HD 37)	4,090,000			
Wrangell - Cassiar Street Water and Sewer Rehabilitation (HD 2)	585,277			
Deferred Maintenance				
Deferred Maintenance, Renewal, Repair and Equipment (HD 17-32)		200,000	200,000	
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* * * * * **Department of Fish and Game** * * * * *				
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Boards of Fisheries and Game Sound Systems Replacement (HD 1-40)		100,000	100,000	
Equipment Replacement and Upgrade for Wildlife Research and Management Statewide Programs (HD 1-40)		200,000		200,000
Eradication of Invasive Tunicates in Whiting Harbor in Sitka (HD 2)		500,000	500,000	
Facilities, Vessels, and		1,000,000	1,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Aircraft Maintenance, Repair, and Upgrades (HD 1-40)				
Fish Passages, Counting and Sampling Sites, and Weir Facilities Design, Repair and Upgrades (HD 1-40)		700,000	700,000	
Kenai River King Salmon Sonar Assessment Program (HD 33-35)		1,813,000	1,813,000	
Marine Mammal and Passenger Vessel Impact Research (HD 1-40)		250,000	250,000	
Pacific Coastal Salmon Recovery Fund (HD 1-40)		7,500,000		7,500,000
Replacement of R/V Resolution (HD 36)		3,700,000	3,700,000	
Research on Endangered Species Act Candidate Species (HD 1-40)		1,550,000	1,550,000	
Seward Vessel Wash-Down and Wastewater Recycling Facility (HD 33-35)		641,300		641,300
Sport Fish Recreational Boating Access (HD 1-40)		2,500,000		2,500,000
Susitna River Sockeye Salmon Migration (HD 13-16)		625,000	625,000	
Upper Cook Inlet East Side Set Net Chinook Salmon Harvest Patterns (HD		789,000	789,000	

	Allocations	Appropriation Items	General Funds	Other Funds
33-35)				
Water Quality Testing of Cross-Boundary Rivers (HD 1-5)		37,000	37,000	
Wild/Hatchery Salmon Management Tools (HD 1-40)		3,500,000	3,500,000	
Deferred Maintenance, Renewal, Repair and Equipment		**1,400,000**	**1,400,000**	
Roof Design, Repairs, Upgrades, and Replacements (HD 1-40)	800,000			
Small Field Camp Facility Repairs and Upgrades (HD 1-40)	200,000			
Warehouse/Workshop Repairs and Upgrades (HD 1-40)	400,000			
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* * * * * **Office of the Governor** * * * * *				
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Polling Place Accessibility Improvements under the Federal Help America Vote Act (HAVA) (HD 1-40)		100,000		100,000
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* * * * * **Department of Health and Social Services** * * * * *				
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Alaska Land Mobile Radio Emergency Response Narrowband Compliance (HD 1-40)		297,500	297,500	

	Allocations	Appropriation Items	General Funds	Other Funds
Bethel Youth Facility Expansion - Phase 1 (HD 36-38)		10,000,000	10,000,000	
Emergency Medical Services Match for Code Blue Project (HD 1-40)		450,000	450,000	
Girdwood Health Clinic Services Expansion (HD 17-32)		400,000	400,000	
International Classification of Diseases Version 10 - Phase 2 (HD 1-40)		4,707,000	901,600	3,805,400
State Improvements to Health Information Gateway (HD 1-40)		3,641,400	364,140	3,277,260
Deferred Maintenance, Renewal, Repair and Equipment - Pioneer Homes		**4,000,000**	**4,000,000**	
Alaska Veterans and Pioneers Home Deferred Maintenance (HD 13-16)	24,810			
Anchorage Pioneer Home Deferred Maintenance (HD 17-32)	1,389,360			
Juneau Pioneer Home Deferred Maintenance (HD 3-4)	2,210,830			
Sitka Pioneer Home Deferred Maintenance (HD 2)	375,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Deferred Maintenance, Renewal, Repair and Equipment - Non-Pioneer Homes		**3,015,740**	**3,000,000**	**15,740**
Alaska Psychiatric Institute Deferred Maintenance (HD 1-40)	902,475			
Anchorage Public Health Laboratory Deferred Maintenance (HD 1-40)	132,322			
Denardo Center Deferred Maintenance (HD 7-11)	206,750			
Dillingham Health Center Deferred Maintenance (HD 37)	14,919			
Fahrenkamp Center Deferred Maintenance (HD 7-11)	275,771			
Johnson Youth Center Deferred Maintenance (HD 3-4)	415,402			
Juneau Public Health Center Deferred Maintenance (HD 3-4)	104,434			
Kenai Peninsula Youth Facility Deferred Maintenance (HD 33-35)	165,400			
Ketchikan Public Health Center Deferred Maintenance (HD 1)	37,297			
Matanuska-Susitna Youth Facility Deferred	41,350			

	Allocations	Appropriation Items	General Funds	Other Funds
Maintenance (HD 13-16)				
McLaughlin Youth Center Deferred Maintenance (HD 1-40)	703,120			
Sitka Public Health Center Deferred Maintenance (HD 2)	16,500			
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* * * * * **Department of Labor and Workforce Development** * * * * *				
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Job Center Computer Replacements (HD 1-40)		917,500	917,500	
Marine Simulator Software (HD 33-35)		39,000	39,000	
Third Avenue Dormitory Replacement (HD 33-35)		16,075,000	16,075,000	
Grants to Named Recipients (AS 37.05.316)				
Fairbanks Pipeline Training Center Construction and Equipment Purchase (HD 7-11)		6,000,000	6,000,000	
Deferred Maintenance				
Deferred Maintenance, Renewal, Repair and Equipment - AVTEC (HD 33-35)		1,000,000	1,000,000	
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* * * * * **Department of Law** * * * * *				
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Charitable Organization		250,000		250,000

	Allocations	Appropriation Items	General Funds	Other Funds
Online Registration System (HD 1-40)				
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* * * * * **Department of Military and Veterans Affairs** * * * * *				
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Fort Richardson - Camp Denali - Install Fire Sprinkler System (HD 17-32)		3,000,000	1,200,000	1,800,000
Interior Alaska Veterans Cemetery (HD 7-11)		2,000,000		2,000,000
Mobile Emergency Operations and Command Vehicle Storage Construction (HD 13-16)		925,000	925,000	
National Guard Counterdrug Support (HD 1-40)		100,000		100,000
State Homeland Security Grant Programs (HD 1-40)		9,500,000		9,500,000
Statewide Emergency Food Supplies (HD 1-40)		4,860,000	4,860,000	
Deferred Maintenance, Renewal, Repair and Equipment		**8,542,500**	**4,000,000**	**4,542,500**
Alcantra Armory Deferred Maintenance (HD 13-16)	320,000			
Bethel Armory Deferred Maintenance (HD 38)	340,000			
Civil Support Team Facility Deferred Maintenance (HD 17-32)	560,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Fairbanks Armory Deferred Maintenance (HD 7-11)	20,000			
Haines Armory Deferred Maintenance (HD 5)	320,000			
Joint Base Elmendorf Richardson Facilities Deferred Maintenance (HD 17-32)	5,128,000			
Juneau Armory Deferred Maintenance (HD 3-4)	514,500			
Kenai Armory Deferred Maintenance (HD 33-35)	20,000			
Ketchikan Armory Deferred Maintenance (HD 1)	1,100,000			
Kodiak Armory Deferred Maintenance (HD 36)	20,000			
Valdez Armory Deferred Maintenance (HD 12)	75,000			
Wrangell Armory Deferred Maintenance (HD 2)	125,000			
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* * * * * **Department of Natural Resources** * * * * *				
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Abandoned Mine Lands Reclamation Federal Program (HD 1-40)		3,200,000		3,200,000
Alaska Land Mobile Radio Emergency Response Narrowband Compliance (HD 1-40)		2,960,000	2,960,000	
Assessment of In-state Gas		200,000	200,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Energy Potential - Phase 3 of 3 (HD 1-40)				
BAK LAP: Upgrade Forest Research Installations for Wood Biomass Energy, Products, Science Education (HD 7-11)		1,000,000	1,000,000	
Chugach State Park Public-Use Cabins Construction and Maintenance (HD 17-32)		400,000	400,000	
Coastal Marine Boundary Mapping (HD 1-40)		180,000	180,000	
Cooperative Water Resource Program (HD 1-40)		2,500,000		2,500,000
Federal and Local Government Funded Forest Resource and Fire Program Projects (HD 1-40)		1,000,000		1,000,000
Geologic Assessment of North Slope Shale Oil Potential (HD 40)		100,000	100,000	
Historical Alaskan Leaders Documentary (HD 17-32)		500,000	500,000	
Land and Water Conservation Fund Federal Grant Program (HD 1-40)		600,000		600,000
Large Dam Projects Application Review (HD 1-40)		506,000		506,000
Lower Kasilof River Drift		1,600,000	1,600,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Boat Takeout - Phase 2 of 2 (HD 33-35)				
Mastodon Trail and Trailhead (HD 7-11)		250,000	250,000	
National Coastal Wetlands Grant (HD 1-40)		1,060,000		1,060,000
National Historic Preservation Fund Federal Grant Program (HD 1-40)		750,000	150,000	600,000
National Recreational Trails Grant Federal Program (HD 1-40)		2,600,000		2,600,000
Oliver Inlet Tram Rehabilitation (HD 3-4)		27,300	27,300	
Peters Creek Flooding and Erosion Control Project (HD 13-16)		116,000	116,000	
Olnes Pond and the Greater Lower Chatanika State Recreation Area Repair and Refurbishment (HD 7-11)		500,000	500,000	
Ruth Arcand Trail Rehabilitation (HD 17-32)		30,000	30,000	
Shale Oil Environmental Data (HD 40)		1,000,000	1,000,000	
Snowmobile Trail Development Program and Grants (HD 1-40)		250,000	250,000	
Strategic and Critical Minerals Assessment (HD 1-40)		2,730,000	2,730,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Timber and Resource Roads (HD 1-40)		2,000,000	2,000,000	
Tok Long-Term Timber Sale for Biomass Energy (HD 6)		200,000	200,000	
Unified Permit Project and Document Management (HD 1-40)		3,300,000	3,300,000	
Upgrade Well Log Tracking System (WELTS) (HD 1-40)		112,000	112,000	
Wildland Fire-Fighting Aircraft Maintenance (HD 1-40)		500,000	500,000	
Deferred Maintenance, Renewal, Repair and Equipment		**4,000,000**	**4,000,000**	
Division of Forestry Deferred Maintenance (HD 1-40)	800,000			
Parks and Outdoor Recreation Deferred Maintenance - Chugach Area (HD 17-32)	635,000			
Parks and Outdoor Recreation Deferred Maintenance - Kenai Area (HD 33-35)	560,000			
Parks and Outdoor Recreation Deferred Maintenance - Kodiak Area (HD 36)	135,000			
Parks and Outdoor	465,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Recreation Deferred Maintenance - Mat-Su Area (HD 13-16)				
Parks and Outdoor Recreation Deferred Maintenance - Northern Region (HD 7-11)	560,000			
Parks and Outdoor Recreation Deferred Maintenance - Southeast Area (HD 1-5)	475,000			
Parks and Outdoor Recreation Deferred Maintenance - Wood Tikchik Area (HD 36-38)	70,000			
Parks and Outdoor Recreation Statewide Emergency Repairs (HD 1-40)	300,000			
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* * * * * **Department of Public Safety** * * * * *				
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Aircraft and Vessel Repair and Maintenance (HD 1-40)		869,800	869,800	
Alaska Justice Advanced Exchange Program Development (HD 1-40)		1,812,000	1,812,000	
Alaska Land Mobile Radio Emergency Response Narrowband Compliance (HD 1-40)		1,470,000	1,470,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Alaska Public Safety Information Network (APSIN) Contractor Support (HD 1-40)		680,000	680,000	
Alaska State Troopers Law Enforcement Equipment (HD 1-40)		500,000	500,000	
Alaska Wildlife Troopers Law Enforcement Equipment (HD 1-40)		500,000	500,000	
Marine Fisheries Patrol Improvements (HD 1-40)		1,500,000		1,500,000
P/V Woldstad - Engine Repower and Other Dry Dock Maintenance (HD 36-38)		2,400,000	2,400,000	
Public Safety Academy Dining Facility Construction (HD 1-40)		200,000	200,000	
Replacement Twin-Engine Turbine Aircraft (HD 1-40)		7,600,000	7,600,000	
Search and Rescue and Law Enforcement Helicopter (HD 1-40)		3,000,000	3,000,000	
Village Public Safety Officer Equipment (HD 1-40)		375,000	375,000	
Deferred Maintenance, Renewal, Repair and Equipment		**1,350,000**	**1,350,000**	
Bethel Post Facilities Deferred Maintenance (HD	103,000			

	Allocations	Appropriation Items	General Funds	Other Funds
38)				
Fairbanks Post Facilities Deferred Maintenance (HD 7-11)	650,000			
Public Safety Academy Deferred Maintenance (HD 1-40)	225,000			
Soldotna Post Facilities Deferred Maintenance (HD 33-35)	225,000			
Statewide Facilities Deferred Maintenance (HD 1-40)	147,000			
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* * * * * **Department of Revenue** * * * * *				
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Child Support Services Case Management System Modernization Plan (HD 1-40)		1,637,000	557,000	1,080,000
Child Support Services Computer Replacement Project Phase 3 (HD 1-40)		204,000	69,400	134,600
Child Support Services Interactive Voice Response System Replacement (HD 1-40)		230,000	78,200	151,800
Permanent Fund Corporation Office Space Rewiring (HD 1-40)		50,000		50,000
Alaska Housing Finance				

	Allocations	Appropriation Items	General Funds	Other Funds
Corporation				
AHFC Building System Replacement Program (HD 1-40)		1,500,000	1,500,000	
AHFC Competitive Grants for Public Housing (HD 1-40)		1,100,000	350,000	750,000
AHFC Domestic Violence Housing Assistance Program (HD 1-40)		1,328,400	1,328,400	
AHFC Energy Efficiency Monitoring Research (HD 1-40)		1,000,000	1,000,000	
AHFC Federal and Other Competitive Grants (HD 1-40)		4,500,000	1,500,000	3,000,000
AHFC Fire Protection Systems (HD 1-40)		2,200,000	2,200,000	
AHFC Housing and Urban Development Capital Fund Program (HD 1-40)		3,200,000		3,200,000
AHFC Housing and Urban Development Federal HOME Grant (HD 1-40)		4,050,000	750,000	3,300,000
AHFC Security Systems Replacement/Upgrades (HD 1-40)		500,000	500,000	
AHFC Senior Citizens Housing Development Program (HD 1-40)		4,500,000	4,500,000	
AHFC Statewide ADA		500,000	500,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Improvements (HD 1-40)				
AHFC Statewide Project Improvements (HD 1-40)		2,000,000	2,000,000	
AHFC Supplemental Housing Development Program (HD 1-40)		7,000,000	7,000,000	
Alaska Gasline Development Corporation - Year 3 In-State Gas Project (HD 1-40)		21,000,000	21,000,000	
AHFC Housing Loan Program		**6,000,000**	**6,000,000**	
AHFC Teacher, Health and Public Safety Professionals Housing (HD 1-40)	5,000,000			
AHFC Village Public Safety Officers Housing (HD 1-40)	1,000,000			
AHFC Weatherization and Home Energy Rebate Programs		**51,500,000**	**50,000,000**	**1,500,000**
AHFC Home Energy Rebate Program (HD 1-40)	20,000,000			
AHFC Weatherization Program (HD 1-40)	31,500,000			
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* * * * * **Department of Transportation and Public Facilities** * * * * *				
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88th Avenue Upgrade - Spruce Brook Street to Elmore Road (HD 17-32)		800,000	800,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Alaska Marine Highway System - Alaska Class Ferry (HD 1-40)		60,000,000	60,000,000	
Anchorage - Midtown Traffic Congestion Relief (HD 17-32)		10,000,000	10,000,000	
Chena Road Bicycle & Pedestrian Facility (HD 7-11)		115,000	115,000	
Community of Cooper Landing - Walkable Community Project (HD 33-35)		50,000	50,000	
Fairbanks Metropolitan Area Transportation System (FMATS) - Transportation Improvement Program (HD 7-11)		7,500,000	7,500,000	
Intersection Improvements Study - Caribou and Boniface (HD 17-32)		65,000	65,000	
Muldoon Road and Glenn Interchange Improvements (HD 17-32)		450,000	450,000	
Northern Region Material Site Reconnaissance (HD 7-11)		250,000	250,000	
O'Malley Trail and Sidewalk Northside Improvements (HD 17-32)		1,000,000	1,000,000	
Project Acceleration		2,500,000	2,500,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Account (HD 1-40)				
Statewide - Community Bridge Rehabilitation/ Replacement (HD 1-40)		3,000,000	3,000,000	
Statewide Digital Mapping Initiative (HD 1-40)		15,936,168	3,687,030	12,249,138
Umiat - Airport Survey and Property Plan (HD 40)		250,000	250,000	
United States Army Corps of Engineers - Arctic Ports Study (HD 1-40)		1,500,000	1,000,000	500,000
Roads to Resources		**28,500,000**	**28,500,000**	
Ambler Mining District (HD 40)	4,000,000			
Klondike - Industrial Highway Ore Haul Refurbishment (HD 5)	2,500,000			
Resource Roads Program (HD 1-40)	2,000,000			
Road to Umiat - Foothills West Continued Environmental Impact Study Development (HD 40)	10,000,000			
Western Access - Road to Tanana (HD 6)	10,000,000			
Southeast Roads to Resources		**52,500,000**	**52,500,000**	
Bostwick to Valenar Bay Road (HD 1)	5,000,000			
Kake-Petersburg Road (HD 1-5)	40,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Mill Access Road Improvements (HD 1)	2,500,000			
SE Alaska Light Detection & Ranging (LIDAR) Mapping & Reconnaissance (HD 1-5)	5,000,000			
Safety		**35,530,000**	**34,030,000**	**1,500,000**
Alaska Aviation Safety Program (HD 1-40)	2,500,000			
Dalton Highway Corridor Aviation Improvements (HD 1-40)	3,000,000			
Highway Safety Corridor - Knik-Goose Bay Road Safety Corridor Improvements (HD 13-16)	10,000,000			
Highway Safety Corridor - Seward Highway - Widening to Address Congestion (HD 17-32)	10,000,000			
Highway Safety Corridor - Seward Highway at Alyeska Highway Intersection Improvements (HD 17-32)	5,000,000			
Highway Safety Corridor - Sterling Highway - Sterling to Soldotna Widening (HD 33-35)	1,730,000			
Kenai - Kalifornsky Beach Road and Bridge Access Road Pedestrian Paths (HD 33-35)	3,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Statewide - Structural Inspection of State Owned Facilities (HD 1-40)	300,000			
Municipal Harbor Facility		**23,093,100**	**23,093,100**	
Grant Fund (AS 29.60.800)				
Hoonah - Hoonah Harbor (HD 5)	207,500			
Hydaburg - Small Boat Harbor (HD 5)	2,698,000			
Juneau - Aurora Small Boat Harbor (HD 3-4)	2,000,000			
Nome - Nome Harbor (HD 39)	1,500,000			
Petersburg - North Harbor (HD 2)	3,500,000			
Seldovia - Small Boat Harbor (HD 33-35)	1,000,000			
Seward - Seward Harbor (HD 33-35)	1,180,000			
Sitka - Alaska Native Brotherhood (ANB) Harbor (HD 2)	4,250,000			
Skagway - Small Boat Harbor (HD 5)	5,000,000			
Unalaska - Robert Storrs International Harbor (HD 37)	1,757,600			
Asset Management		**46,000,000**	**29,500,000**	**16,500,000**
Aggregate Surfacing Materials (HD 1-40)	2,000,000			
Alaska Marine Highway	10,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
System - Vessel and Terminal Overhaul and Rehabilitation (HD 1-40)				
Capital Improvement Program Equipment Replacement (HD 1-40)	1,500,000			
Dalton Highway Corridor Surface Repairs (HD 1-40)	7,500,000			
Seward Highway - Milepost 75 - 90 Bridge Replacements (HD 17-32)	10,000,000			
State Equipment Fleet Replacement (HD 1-40)	15,000,000			
Regulatory Compliance		**3,000,000**	**3,000,000**	
Central Region - Sand Storage Buildings (HD 12-35)	1,000,000			
Emergency and Non-Routine Repairs (HD 1-40)	2,000,000			
Statewide Federal Programs		**88,650,000**	**2,900,000**	**85,750,000**
Alaska Mobility Coalition - Public and Community Transportation State Match (HD 1-40)	2,000,000			
Commercial Vehicle Enforcement Program (HD 1-40)	1,750,000			
Cooperative Reimbursable Projects (HD 1-40)	17,000,000			
Federal Contingency Projects (HD 1-40)	20,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Federal Emergency Projects (HD 1-40)	10,000,000			
Federal Transit Administration Grants (HD 1-40)	9,000,000			
Highway Safety Grants Program (HD 1-40)	8,000,000			
Other Federal Program Match (HD 1-40)	900,000			
Statewide Safety Program (HD 1-40)	20,000,000			
Airport Improvement Program		**227,038,158**	**11,700,000**	**215,338,158**
Federal-Aid Aviation State Match (HD 1-40)	11,700,000			
Alaska International Airport System - Contingency Funds (HD 17-32)	8,919,307			
Aniak - Airport Improvements (HD 6)	4,700,000			
Barrow - Airport Master Plan (HD 40)	500,000			
Bethel - Airport Snow Removal Equipment Building (HD 38)	1,000,000			
Chevak - Airport Runway Extension (HD 39)	14,000,000			
Cold Bay - Airport Rescue and Firefighting Building Expansion (HD 37)	600,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Cold Bay - Runway 14/32 Rehabilitation with Lighting System Replacement (HD 37)	16,000,000			
Coldfoot - Airport Improvements (HD 6)	1,900,000			
Emmonak - Snow Removal Equipment Building (HD 39)	910,000			
Fairbanks International Airport - Environmental Assessment and Cleanup (HD 7-11)	300,000			
Fairbanks International Airport - Equipment (HD 7-11)	510,000			
Galena - Airport Lighting (HD 6)	1,760,000			
Gulkana - Apron and Taxiway Pavement Rehabilitation (HD 6)	700,000			
Haines - Sand, Chemical and Snow Removal Equipment Storage Building (HD 5)	1,600,000			
Ketchikan - Airport Taxiways and Apron Rehabilitation (HD 1)	10,000,000			
King Salmon - Airport Improvements (HD 37)	2,000,000			
King Salmon - Sand Storage Building (HD 37)	1,300,000			
Kodiak - Airport	26,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Improvements (HD 36)				
Koliganek - Snow Removal Equipment Building (HD 37)	1,000,000			
Kotzebue - Airport and Runway Safety Area Improvements (HD 40)	12,415,000			
Kotzebue - Apron Expansion (HD 40)	200,000			
Little Diomede - Snow Removal Equipment Building (HD 39)	110,000			
Nome - Airport Runway Safety Area (RSA) Improvements (HD 39)	46,760,000			
Shishmaref - Airport Resurfacing (HD 40)	6,300,000			
Statewide - Aviation Preconstruction (HD 1-40)	10,000,000			
Statewide - Aviation Systems Plan Update (HD 1-40)	1,000,000			
Statewide - Various Airports Aeronautical Surveys (HD 1-40)	2,000,000			
Statewide - Various Airports Minor Surface Improvements (HD 1-40)	4,000,000			
Statewide - Various Airports Snow Removal and Safety Equipment (HD 1-40)	10,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Ted Stevens Anchorage International Airport - Equipment (HD 17-32)	5,680,693			
Ted Stevens Anchorage International Airport - Ground Transportation Lobby and Commercial Curbside Lobby Improvements (HD 17-32)	2,000,000			
Ted Stevens Anchorage International Airport - Kulis Improvements (HD 17-32)	2,550,000			
Ted Stevens Anchorage International Airport - Lake Hood Annual Improvements (HD 17-32)	5,263,158			
Ted Stevens Anchorage International Airport - Master Plan - Part 150 Noise Compatibility Study (HD 17-32)	360,000			
Ted Stevens Anchorage International Airport - Quick Turnaround Facility, Diesel Exhaust Fluid and Fuel Tracking System (HD 17-32)	2,200,000			
Ted Stevens Anchorage International Airport - Taxiway E and M	4,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Reconstruction (HD 17-32)				
Unalaska - Chemical Storage Building (HD 37)	5,000,000			
Yakutat - Airport Perimeter Fence (HD 5)	1,800,000			
Surface Transportation Program		**451,764,000**	**47,200,000**	**404,564,000**
Federal-Aid Highway State Match (HD 1-40)	47,200,000			
'6004 Program' Implementation (HD 1-40)	250,000			
Alaska Marine Highway System - Fast Vehicle Ferry Propulsion System Replacement (HD 1-40)	22,000,000			
Alaska Marine Highway System - Ferry Vessel Refurbishment (HD 1-40)	15,000,000			
Alaska Marine Highway System - Fleet Condition Survey Update (HD 1-40)	175,000			
Alaska Marine Highway System - Intelligent Transportation Systems Implementation Plan (HD 1-40)	250,000			
Alaska Marine Highway System - Terminal - Prince Rupert Ferry Terminal Acquisition and Refurbishment (HD 1-40)	9,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Aleknagik - Wood River Bridge (HD 37)	5,000,000			
Anchorage - Portage Glacier Road Embankment Stabilization (HD 17-32)	1,500,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Air Quality Public and Business Awareness Education Campaign (HD 17-32)	250,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Driftwood Bay Drive Study (HD 17-32)	150,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Eagle River Road Rehabilitation - Milepost 5.3 to 12.6 (HD 17-32)	29,800,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Pavement Replacement Program (HD 17-32)	8,202,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Regional Household Travel Survey (HD 17-32)	300,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage Metropolitan Area Transportation Solutions (AMATS) - South Anchorage Hillside Intersection Study (HD 17-32)	500,000			
Central Region - Long Term National Highway System Capital Project Planning (HD 12-35)	700,000			
Central Region - National Highway System and Non-National Highway System Pavement and Bridge Refurbishment (HD 12-35)	20,000,000			
Central Region - Public Safety and Reduced Maintenance Intelligent Transportation Systems Project (HD 12-35)	1,300,000			
Central Region - Traffic Count Program (HD 12-35)	300,000			
Central Region - Travel Efficiency and Reduced Maintenance Intelligent Transportation Systems Project (HD 12-35)	1,000,000			
Cultural and Historic Resource Evaluation Streamlining (HD 1-40)	450,000			
Dalton Highway Milepost 0-9 Reconstruction (HD 1-40)	36,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Dillingham - Kanakanak Road Resurfacing (HD 37)	5,000,000			
Elliott Highway - Milepost 107.7 to 120.5 Rehabilitation (HD 6)	9,000,000			
Fairbanks - Goldstream Road Rehabilitation (HD 7-11)	17,000,000			
Fairbanks Metropolitan Area Transportation System (FMATS) - Curb Corner Upgrades (HD 7-11)	502,000			
Fairbanks Metropolitan Area Transportation System (FMATS) - Plack Road Bike/Pedestrian Facility (HD 7-11)	1,210,000			
Fairbanks Metropolitan Area Transportation System (FMATS) - Preventative Maintenance Program (HD 7-11)	1,425,000			
Geographic Information System (GIS) Development (IWAYS) (HD 1-40)	1,000,000			
Geotechnical Asset Management Program (HD 1-40)	2,250,000			
Glenn and Parks Highways Corridor Intelligent Transportation Systems	1,400,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Project (HD 13-16)				
Glenn Highway - Milepost 172 to 189 Rehabilitation (HD 12)	5,000,000			
Glenn Highway - Milepost 34 to 42 Reconstruction - Parks to Old Glenn Highway (HD 13-16)	20,000,000			
Glenn Highway - Milepost 49 Realignment (HD 13-16)	900,000			
Gustavus - Ferry Terminal Improvements (HD 5)	375,000			
Haines Highway Reconstruction - Milepost 3.5 to 21 (HD 5)	1,000,000			
Highway Data Port Enhancements (HD 1-40)	250,000			
Highway Performance Monitoring System (HPMS) Reporting (HD 1-40)	1,200,000			
Intelligent Transportation Systems Border Infrastructure (HD 1-40)	1,000,000			
Inter-Island Ferry Authority - Hollis/Clark Bay Ferry Terminal Improvements (HD 1)	500,000			
Juneau - Capital Transit Enhanced Service Plan (HD 3-4)	1,500,000			
Juneau - Glacier Highway	10,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Reconstruction - Fritz Cove to Seaview Avenue (HD 3-4)				
Juneau - Mendenhall Valley Street Dust Control (HD 3-4)	2,000,000			
Juneau - Yandukin Drive/ Shell Simmons Drive Pavement Rehabilitation (HD 3-4)	1,500,000			
Ketchikan - Waterfront Promenade (HD 1)	325,000			
King Cove to Cold Bay Corridor Road Extension (HD 37)	4,000,000			
Material Site Storm Water Management (HD 1-40)	300,000			
Nenana - Little Goldstream Creek Bridge Replacement (HD 6)	2,800,000			
Nome - Nome-Council Road - Milepost 4 to 16 (HD 39)	2,500,000			
Nordale Road - Pavement Rehabilitation (HD 7-11)	1,000,000			
Northern Region - National Highway System and Non-National Highway System Pavement and Bridge Refurbishment (HD 1-40)	10,000,000			
Parks Highway - Milepost 237 - Riley Creek Bridge Replacement and Access	15,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Improvements (HD 7-11)				
Petersburg - Nordic Drive Refurbishment - Haugen Drive to Ferry Terminal (HD 2)	3,500,000			
Richardson Highway - Milepost 234 - Ruby Creek Bridge Replacement (HD 12)	2,000,000			
Road Weather Information System (RWIS) (HD 1-40)	1,400,000			
Safe Routes to Schools (HD 1-40)	1,000,000			
Seward Highway - Avalanche Detection Project (HD 17-32)	400,000			
Seward Highway - Corridor Study (HD 17-32)	2,400,000			
Seward Highway - Right of Way Study (HD 17-32)	1,500,000			
Shageluk - Airport Access Road Improvements (HD 6)	6,000,000			
Soldotna - Birch Street Signal at Sterling Highway (HD 33-35)	1,500,000			
Southeast Region - National Highway System and Non-National Highway System Pavement and Bridge Refurbishment (HD 1-5)	5,000,000			
Standard Storm Water Best Management Practices (HD	100,000			

	Allocations	Appropriation Items	General Funds	Other Funds
1-40)				
State Historic Preservation Office - Oracle Database Support (HD 1-40)	300,000			
Statewide - Bicycle/ Pedestrian Facilities Rehabilitation and Improvements (HD 1-40)	500,000			
Statewide - Bridge Inventory, Inspection, Monitoring, Rehabilitation and Replacement Program (HD 1-40)	8,000,000			
Statewide - Civil Rights Program (HD 1-40)	150,000			
Statewide - Highway Data Equipment Acquisition and Installation (HD 1-40)	2,000,000			
Statewide - Highway Fuel Tax Enforcement (HD 1-40)	100,000			
Statewide - Highway Safety Improvement Program (HSIP) (HD 1-40)	10,000,000			
Statewide - Long Range Transportation Policy Plan (LRTPP) Update (HD 1-40)	1,000,000			
Statewide - National Highway Institute and Transit Institute Training (HD 1-40)	750,000			
Statewide - National	10,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Highway System Passing Lanes (HD 1-40)				
Statewide - Planning Work Program (HD 1-40)	8,000,000			
Statewide - Research Program (HD 1-40)	1,300,000			
Statewide - Scenic Byways Grants (HD 1-40)	750,000			
Statewide - Seismic Retrofit - Bridges (HD 1-40)	2,000,000			
Statewide - Strategic Traffic Safety Plan (HD 1-40)	400,000			
Statewide - Urban Planning Program (HD 1-40)	1,100,000			
Statewide - Weigh-in-Motion Equipment (HD 1-40)	1,000,000			
Sterling Highway - Milepost 157 to 169 Rehabilitation - Anchor Point to Baycrest Hill (HD 33-35)	2,500,000			
Sterling Highway - Milepost 37 to 45 Resurfacing (HD 33-35)	7,350,000			
Surface Transportation Preconstruction (HD 1-40)	45,000,000			
Transportation Asset Management Program (HD 1-40)	1,500,000			
Wasilla - Lucus Road	1,100,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Improvements (HD 13-16)				
Whittier - Maintenance and Operations (HD 17-32)	2,900,000			
Deferred Maintenance, Renewal, Repair and Equipment		**27,100,000**	**27,100,000**	
Alaska Marine Highway System Deferred Maintenance (HD 1-40)	3,000,000			
Aviation Deferred Maintenance (HD 1-40)	3,500,000			
Harbors Deferred Maintenance (HD 2)	600,000			
Highways Deferred Maintenance (HD 1-40)	16,900,000			
Statewide Facilities Deferred Maintenance (HD 1-40)	3,100,000			
* * * * *		* * * * *		
* * * * * **University of Alaska** * * * * *				
* * * * *		* * * * *		
Banfield Hall Dormitory Project (HD 1-5)		6,250,000	6,250,000	
Juneau Campus Mining Workforce Development (HD 3-4)		190,000	190,000	
Kachemak Bay Campus - Pioneer Avenue Building Addition (HD 33-35)		50,000	50,000	
Research and Development of Unmanned Aerial Systems		5,000,000	5,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 1-40)				
It is the intent of the Legislature that the University of Alaska collaborate with the Federal Aviation Administration in establishing a research and development program and possible test facility for Unmanned Aerial Systems in Alaska. Unmanned Aerial Systems are already being utilized in Alaska in many ways and as the Arctic race progresses, they will become even more vital as a resource to the State and the Country.				
UAA Engineering Building Construction and Renovation (HD 17-32)		58,600,000	58,600,000	
UAF Assessing the Impacts of Ocean Acidification on Alaska's Fisheries (HD 1-40)		3,450,000	2,700,000	750,000
UAF Engineering Building Construction and Renovation (HD 7-11)		46,300,000	46,300,000	
UAF Kuskokwim Campus Maintenance, Upgrades, and Repairs (HD 36-38)		450,000	450,000	
University Receipt Authority for Capital Projects (HD 1-40)		15,000,000	15,000,000	
Deferred Maintenance				
Deferred Maintenance, Renewal, Repair and Equipment (HD 1-40)		37,500,000	37,500,000	
* * * * *		* * * * *		
* * * * * **Alaska Court System** * * * * *				
* * * * *		* * * * *		
Anchorage Campus Court Renovation (HD 17-32)		5,100,000	5,100,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Court Security Projects (HD 1-40)		1,700,000	1,700,000	
Electronic Filing System (HD 1-40)		1,785,000	1,785,000	
Deferred Maintenance, Renewal, Repair and Equipment		**2,500,000**	**2,500,000**	
444 "H" Street Building Deferred Maintenance (HD 17-32)	35,000			
Anchorage Boney Courthouse Deferred Maintenance (HD 17-32)	1,872,200			
Fort Yukon Court and Office Building Deferred Maintenance (HD 6)	49,500			
Sitka Court and Office Building Deferred Maintenance (HD 2)	104,100			
Snowden Administrative Building Deferred Maintenance (HD 17-32)	255,000			
St. Mary's Armory Courthouse Deferred Maintenance (HD 39)	40,000			
Valdez Court and Office Building Deferred Maintenance (HD 12)	144,200			

(SECTION 2 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 2.** The following sets out the funding by agency for the appropriations made in sec. 1 of this Act.

Funding Source	Amount
Department of Administration	
1004 Unrestricted General Fund Receipts	38,750,000
1005 General Fund/Program Receipts	550,000
1017 Group Health and Life Benefits Fund	374,000
1029 Public Employees Retirement Trust Fund	440,700
1034 Teachers Retirement Trust Fund	179,500
1042 Judicial Retirement System	4,600
1045 National Guard Retirement System	14,200
1147 Public Building Fund	3,000,000
*** Total Agency Funding ***	$43,313,000
Department of Commerce, Community and Economic Development	
1002 Federal Receipts	13,420,000
1003 General Fund Match	460,000
1004 Unrestricted General Fund Receipts	619,641,352
1007 Interagency Receipts	200,000
1108 Statutory Designated Program Receipts	600,000
1202 Anatomical Gift Awareness Fund	35,000
1210 Renewable Energy Grant Fund	25,870,659
1211 Cruise Ship Gambling Tax	4,500,000
*** Total Agency Funding ***	$664,727,011
Department of Corrections	
1004 Unrestricted General Fund Receipts	11,720,000
*** Total Agency Funding ***	$11,720,000
Department of Education and Early Development	
1004 Unrestricted General Fund Receipts	136,882,700
*** Total Agency Funding ***	$136,882,700
Department of Environmental Conservation	
1002 Federal Receipts	42,250,000

1003	General Fund Match	8,750,000
1004	Unrestricted General Fund Receipts	39,213,449
1052	Oil/Hazardous Release Prevention & Response Fund	750,000
1075	Alaska Clean Water Fund	2,583,400
1100	Alaska Drinking Water Fund	4,634,000
1108	Statutory Designated Program Receipts	500,000
*** Total Agency Funding ***		$98,680,849
Department of Fish and Game		
1002	Federal Receipts	9,375,000
1004	Unrestricted General Fund Receipts	12,050,000
1018	Exxon Valdez Oil Spill Trust	641,300
1024	Fish and Game Fund	825,000
1201	Commercial Fisheries Entry Commission Receipts	3,914,000
*** Total Agency Funding ***		$26,805,300
Office of the Governor		
1185	Election Fund	100,000
*** Total Agency Funding ***		$100,000
Department of Health and Social Services		
1002	Federal Receipts	7,098,400
1003	General Fund Match	1,873,150
1004	Unrestricted General Fund Receipts	17,540,090
*** Total Agency Funding ***		$26,511,640
Department of Labor and Workforce Development		
1004	Unrestricted General Fund Receipts	24,031,500
*** Total Agency Funding ***		$24,031,500
Department of Law		
1108	Statutory Designated Program Receipts	250,000
*** Total Agency Funding ***		$250,000
Department of Military and Veterans Affairs		
1002	Federal Receipts	17,942,500
1003	General Fund Match	2,945,000

1004	Unrestricted General Fund Receipts	8,040,000
*** Total Agency Funding ***		$28,927,500
Department of Natural Resources		
1002	Federal Receipts	9,060,000
1003	General Fund Match	150,000
1004	Unrestricted General Fund Receipts	21,205,300
1005	General Fund/Program Receipts	500,000
1108	Statutory Designated Program Receipts	3,006,000
1195	Special Vehicle Registration Receipts	250,000
*** Total Agency Funding ***		$34,171,300
Department of Public Safety		
1002	Federal Receipts	1,500,000
1004	Unrestricted General Fund Receipts	20,756,800
*** Total Agency Funding ***		$22,256,800
Department of Revenue		
1002	Federal Receipts	13,116,400
1003	General Fund Match	704,600
1004	Unrestricted General Fund Receipts	63,268,600
1105	Permanent Fund Gross Receipts	50,000
1139	Alaska Housing Finance Corporation Dividend	15,859,800
1213	Alaska Housing Capital Corporation Receipts	21,000,000
*** Total Agency Funding ***		$113,999,400
Department of Transportation and Public Facilities		
1002	Federal Receipts	692,929,618
1003	General Fund Match	59,800,000
1004	Unrestricted General Fund Receipts	209,990,130
1026	Highways Equipment Working Capital Fund	15,000,000
1027	International Airports Revenue Fund	810,000
1061	Capital Improvement Project Receipts	1,900,000
1082	AMHS Vessel Replacement Fund	60,000,000
1108	Statutory Designated Program Receipts	12,000,000

1112	International Airports Construction Fund	13,761,678
1140	Alaska Industrial Development and Export Authority Dividend	20,400,000
*** Total Agency Funding ***		$1,086,591,426
University of Alaska		
1002	Federal Receipts	750,000
1004	Unrestricted General Fund Receipts	154,790,000
1048	University of Alaska Restricted Receipts	17,250,000
*** Total Agency Funding ***		$172,790,000
Alaska Court System		
1004	Unrestricted General Fund Receipts	11,085,000
*** Total Agency Funding ***		$11,085,000
* * * * * Total Budget * * * * *		$2,502,843,426

(SECTION 3 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 3.** The following sets out the statewide funding for the appropriations made in sec. 1 of this Act.

Funding Source		Amount
Unrestricted General Funds		
1003	General Fund Match	74,682,750
1004	Unrestricted General Fund Receipts	1,388,964,921
1082	AMHS Vessel Replacement Fund	60,000,000
1139	Alaska Housing Finance Corporation Dividend	15,859,800
1140	Alaska Industrial Development and Export Authority Dividend	20,400,000
1211	Cruise Ship Gambling Tax	4,500,000
1213	Alaska Housing Capital Corporation Receipts	21,000,000
Total Unrestricted General Funds		$1,585,407,471
Designated General Funds		
1005	General Fund/Program Receipts	1,050,000
1048	University of Alaska Restricted Receipts	17,250,000
1052	Oil/Hazardous Release Prevention & Response Fund	750,000
1195	Special Vehicle Registration Receipts	250,000
1201	Commercial Fisheries Entry Commission Receipts	3,914,000
1202	Anatomical Gift Awareness Fund	35,000
1210	Renewable Energy Grant Fund	25,870,659
Total Designated General Funds		$49,119,659
Other Non-Duplicated Funds		
1017	Group Health and Life Benefits Fund	374,000
1018	Exxon Valdez Oil Spill Trust	641,300
1024	Fish and Game Fund	825,000
1027	International Airports Revenue Fund	810,000
1029	Public Employees Retirement Trust Fund	440,700
1034	Teachers Retirement Trust Fund	179,500

1042	Judicial Retirement System	4,600
1045	National Guard Retirement System	14,200
1105	Permanent Fund Gross Receipts	50,000
1108	Statutory Designated Program Receipts	16,356,000
Total Other Non-Duplicated Funds		$19,695,300
Federal Funds		
1002	Federal Receipts	807,441,918
Total Federal Funds		$807,441,918
Other Duplicated Funds		
1007	Interagency Receipts	200,000
1026	Highways Equipment Working Capital Fund	15,000,000
1061	Capital Improvement Project Receipts	1,900,000
1075	Alaska Clean Water Fund	2,583,400
1100	Alaska Drinking Water Fund	4,634,000
1112	International Airports Construction Fund	13,761,678
1147	Public Building Fund	3,000,000
1185	Election Fund	100,000
Total Other Duplicated Funds		$41,179,078

(SECTION 4 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 4.** The following appropriation items are for capital projects and grants from the general fund or other funds as set out in section 5 of this Act by funding source to the agencies named for the purposes expressed and lapse under AS 37.25.020, unless otherwise noted.

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *			* * * * *	
* * * * * **Department of Commerce, Community and Economic Development** * * * * *				
* * * * *			* * * * *	
Grants to Municipalities (AS 37.05.315)				
Anchorage - Port of Anchorage Expansion (HD 17-32)		50,000,000		50,000,000
Bethel - Harbor Dredging (HD 38)		4,000,000		4,000,000
Bristol Bay Borough - Port of Bristol Bay Expansion and Pile Dock Replacement (HD 37)		7,000,000		7,000,000
Haines Borough - Boat Harbor Upgrades (HD 5)		12,000,000		12,000,000
Kodiak - Pier III Replacement (HD 36)		15,000,000		15,000,000
Kotzebue - Cape Blossom Road and Deep Water Port (HD 40)		10,000,000		10,000,000
Matanuska-Susitna Borough - Bogard Road Extension East (HD 13-16)		13,500,000		13,500,000
Matanuska-Susitna Borough -		30,000,000		30,000,000

	Allocations	Appropriation Items	General Funds	Other Funds
Port MacKenzie Rail Extension (HD 13-16)				
Nenana - Totchaket Resource Development Corridor Access (HD 6)		6,500,000		6,500,000
Nome - Port Design and Construction (HD 39)		10,000,000		10,000,000
Sand Point - Sand Point Road Rehabilitation (HD 37)		2,500,000		2,500,000
Seward - Marine Industrial Center Expansion (HD 33-35)		10,000,000		10,000,000
Sitka - Sawmill Cove Industrial Park Dock (HD 2)		7,500,000		7,500,000
St. George - Harbor Reconstruction (HD 37)		3,000,000		3,000,000
Togiak - Waterfront Transit Facility (HD 37)		3,300,000		3,300,000
Grants to Named Recipients (AS 37.05.316)				
Newtok Traditional Council - Mertarvik Evacuation Road Construction (HD 38)		4,100,000		4,100,000
* * * * *			* * * * *	
* * * * * **Department of Transportation and Public Facilities** * * * * *				
* * * * *			* * * * *	
Anchorage - Glenn Highway, Hiland Road to Artillery Road Reconstruction (HD		35,000,000		35,000,000

	Allocations	Appropriation Items	General Funds	Other Funds
12-35)				
Anchorage - Glenn Highway/ Muldoon Road Interchange Reconstruction (HD 17-32)		15,000,000		15,000,000
Anchorage - New Seward Highway MP 75-90 Bridge Repairs (HD 12-35)		10,000,000		10,000,000
Anchorage - New Seward Highway/36th Avenue Reconstruction (HD 17-32)		26,000,000		26,000,000
Anchorage - O'Malley Road Reconstruction (HD 17-32)		15,000,000		15,000,000
Fairbanks - Elliott Highway MP108-120 Reconstruction (HD 6)		6,500,000		6,500,000
Fairbanks - Old Steese Highway to McGrath Road Reconstruction and Extension (HD 7-11)		24,000,000		24,000,000
Fairbanks - Wendell Street Bridge Replacement (HD 7-11)		14,400,000		14,400,000
Haines - Maintenance Shop Replacement (HD 5)		3,000,000		3,000,000
Juneau - Glacier Highway MP 4-6 Road Improvements (HD 3-4)		5,500,000		5,500,000
Juneau - Mendenhall Loop Road Improvements (HD 3-4)		6,000,000		6,000,000
Kenai Spur Road		20,000,000		20,000,000

	Allocations	Appropriation Items	General Funds	Other Funds
Rehabilitation (HD 33-35)				
Ketchikan - Shelter Cove Road Construction and Improvements (HD 1)		19,000,000		19,000,000
Matanuska-Susitna - Fairview Loop Road Reconstruction (HD 13-16)		10,000,000		10,000,000
Matanuska-Susitna - Knik Goosebay Road Reconstruction (HD 13-16)		15,000,000		15,000,000
North Pole - Plack Road Improvements (HD 7-11)		5,000,000		5,000,000
Platinum Airport Runway Extension (HD 38)		3,100,000		3,100,000
Port Clarence Access Improvements (HD 39)		4,000,000		4,000,000
Richardson Highway - Ruby Creek Bridge Replacement (HD 12)		11,000,000		11,000,000
Sitka - Katlian Bay Road Construction (HD 2)		14,000,000		14,000,000

(SECTION 5 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 5.** The following sets out the funding by agency for the appropriations made in sec. 4 of this Act.

Funding Source	Amount
Department of Commerce, Community and Economic Development	
1008 General Obligation Bonds	188,400,000
*** Total Agency Funding ***	$188,400,000
Department of Transportation and Public Facilities	
1008 General Obligation Bonds	261,500,000
*** Total Agency Funding ***	$261,500,000
* * * * * Total Budget * * * * *	$449,900,000

(SECTION 6 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 6.** The following sets out the statewide funding for the appropriations made in sec. 4 of this Act.

Funding Source	Amount
Unrestricted General Funds	
Total Unrestricted General Funds	$0
Designated General Funds	
Total Designated General Funds	$0
Other Non-Duplicated Funds	
Total Other Non-Duplicated Funds	$0
Federal Funds	
Total Federal Funds	$0
Other Duplicated Funds	
1008 General Obligation Bonds	449,900,000
Total Other Duplicated Funds	$449,900,000

(SECTION 7 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 7.** The following appropriation items are for supplemental capital projects and grants from the general fund or other funds as set out in section 8 of this Act by funding source to the agencies named for the purposes expressed and lapse under AS 37.25.020, unless otherwise noted.

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *			* * * * *	
* * * * * **Department of Commerce, Community and Economic Development** * * * * *				
* * * * *			* * * * *	
Grants to Municipalities				
(AS 37.05.315)				
Old Harbor - Airport Expansion (HD 36)		4,500,000	4,500,000	
* * * * *		* * * * *		
* * * * * **Department of Corrections** * * * * *				
* * * * *		* * * * *		
Bethel - Yukon-Kuskokwim Correctional Center Dormitory Renovation Project (HD 36-38)		1,284,550	1,284,550	
* * * * *			* * * * *	
* * * * * **Department of Military and Veterans Affairs** * * * * *				
* * * * *			* * * * *	
Alaska Aerospace Corporation Construction of New Medium Lift Launch Pad (HD 36)		30,000,000	25,000,000	5,000,000
Move and Renovate STARBASE Building (HD 17-32)		195,000	195,000	

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *		* * * * *		
* * * * * **Department of Natural Resources** * * * * *				
* * * * *		* * * * *		
Exxon Valdez Oil Spill - Parcel Purchase on Kenai River Mile 11 (HD 33-35)		1,100,000		1,100,000
Whittier Landslide - Tsunami Hazard Analysis (HD 17-32)		150,000	150,000	
* * * * *			* * * * *	
* * * * * **Department of Transportation and Public Facilities** * * * * *				
* * * * *			* * * * *	
Alaska Marine Highway System - Cordova Dock Emergency Repairs (HD 1-40)		1,200,000	1,200,000	
Chugiak - Pedestrian Safety Improvements (HD 13-16)		250,000	250,000	
Petersburg - Dry (Un-Heated) Storage Building Replacement (HD 2)		400,000	400,000	
Asset Management				
Alaska Marine Highway System - Vessel and Terminal Overhaul and Rehabilitation (HD 1-40)		5,455,000	5,455,000	
Airport Improvement Program		**12,900,000**		**12,900,000**
Nome - Airport Runway Safety Area (RSA)	3,900,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Improvements (HD 39)				
Unalaska - Runway Safety Area and Pavement Rehabilitation (HD 37)	3,000,000			
Unalaska - Runway Safety Area and Pavement Rehabilitation (HD 37)	6,000,000			
Surface Transportation Program		**2,990,000**		**2,990,000**
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Glenn Highway Trail Rehabilitation (HD 17-32)	2,340,000			
Seward Highway - Recreational Improvements (HD 33-35)	650,000			
Emergency Repairs		**201,050**	**201,050**	
Dyea Road Washout Emergency Repair (HD 5)	25,800			
Haines Highway Milepost 19 - 23 Rock Slide Emergency Repairs (HD 5)	150,250			
Takotna - Road Repair (HD 6)	25,000			

(SECTION 8 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 8.** The following sets out the funding by agency for the appropriations made in sec. 7 of this Act.

Funding Source	Amount
Department of Commerce, Community and Economic Development	
1004 Unrestricted General Fund Receipts	4,500,000
*** Total Agency Funding ***	$4,500,000
Department of Corrections	
1004 Unrestricted General Fund Receipts	1,284,550
*** Total Agency Funding ***	$1,284,550
Department of Military and Veterans Affairs	
1004 Unrestricted General Fund Receipts	25,195,000
1108 Statutory Designated Program Receipts	5,000,000
*** Total Agency Funding ***	$30,195,000
Department of Natural Resources	
1004 Unrestricted General Fund Receipts	150,000
1018 Exxon Valdez Oil Spill Trust	1,100,000
*** Total Agency Funding ***	$1,250,000
Department of Transportation and Public Facilities	
1002 Federal Receipts	15,890,000
1004 Unrestricted General Fund Receipts	7,506,050
*** Total Agency Funding ***	$23,396,050
* * * * * Total Budget * * * * *	$60,625,600

(SECTION 9 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 9.** The following sets out the statewide funding for the appropriations made in sec. 7 of this Act.

Funding Source	Amount
Unrestricted General Funds	
1004 Unrestricted General Fund Receipts	38,635,600
Total Unrestricted General Funds	$38,635,600
Designated General Funds	
Total Designated General Funds	$0
Other Non-Duplicated Funds	
1018 Exxon Valdez Oil Spill Trust	1,100,000
1108 Statutory Designated Program Receipts	5,000,000
Total Other Non-Duplicated Funds	$6,100,000
Federal Funds	
1002 Federal Receipts	15,890,000
Total Federal Funds	$15,890,000
Other Duplicated Funds	
Total Other Duplicated Funds	$0

(SECTION 10 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 10.** The following appropriation items are for operating expenditures from the general fund or other funds as set out in section 11 of this Act to the agencies named for the purposes expressed for the fiscal year beginning July 1, 2011 and ending June 30, 2012, unless otherwise indicated.

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *		* * * * *		
* * * * * **Department of Administration** * * * * *				
* * * * *		* * * * *		
Violent Crimes Compensation Board		**340,000**		**340,000**
Violent Crimes Compensation Board	340,000			
* * * * *			* * * * *	
* * * * * **Department of Commerce, Community and Economic Development** * * * * *				
* * * * *			* * * * *	
Corporations, Business and Professional Licensing				

It is the intent of the legislature that the Department of Commerce, Community and Economic Development proportionally distribute $3,400,000 general funds between the professional licensing boards and commissions based on the number of licenses issued for fiscal years 2007 through 2010. It is also the intent of the legislature that after the general funds are distributed, the professional licensing board's and commission's carryforward balances are made whole as of June 30, 2012 and will serve as a starting balance going forward into the future. Further, it is the intent of the legislature that the department completes an annual reconciliation of the individual professional board's and commission's carryforward balance to reports from the State's accounting system.

Corporations, Business and Professional Licensing	0			

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *			* * * * *	
* * * * * **Department of Education and Early Development** * * * * *				
* * * * *			* * * * *	
Teaching and Learning Support		**1,000,000**	**1,000,000**	
Student and School Achievement	1,000,000			
* * * * *		* * * * *		
* * * * * **Department of Fish and Game** * * * * *				
* * * * *		* * * * *		
Sport Fisheries			**5,500,000**	**-5,500,000**
Sport Fisheries	0			
* * * * *			* * * * *	
* * * * * **Department of Labor and Workforce Development** * * * * *				
* * * * *			* * * * *	
Alaska Vocational Technical Center				
Alaska Vocational Technical Center	0			
* * * * *			* * * * *	
* * * * * **Department of Transportation & Public Facilities** * * * * *				
* * * * *			* * * * *	
Highways, Aviation and Facilities		**1,378,800**	**1,378,800**	
Northern Region Facilities	27,600			
Central Region Highways and Aviation	762,400			
Northern Region Highways and Aviation	330,000			
Southeast Region Highways and Aviation	258,800			

(SECTION 11 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 11.** The following sets out the funding by agency for the appropriations made in sec. 10 of this Act.

Funding Source	Amount
Department of Administration	
1002 Federal Receipts	340,000
*** Total Agency Funding ***	$340,000
Department of Commerce, Community and Economic Development	
1004 Unrestricted General Fund Receipts	3,439,800
1156 Receipt Supported Services	-3,439,800
*** Total Agency Funding ***	$0
Department of Education and Early Development	
1004 Unrestricted General Fund Receipts	1,000,000
*** Total Agency Funding ***	$1,000,000
Department of Fish and Game	
1004 Unrestricted General Fund Receipts	5,500,000
1024 Fish and Game Fund	-5,500,000
*** Total Agency Funding ***	$0
Department of Labor and Workforce Development	
1004 Unrestricted General Fund Receipts	250,000
1005 General Fund/Program Receipts	-250,000
*** Total Agency Funding ***	$0
Department of Transportation & Public Facilities	
1004 Unrestricted General Fund Receipts	1,378,800
*** Total Agency Funding ***	$1,378,800
* * * * * Total Budget * * * * *	$2,718,800

(SECTION 12 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 12.** The following sets out the statewide funding for the appropriations made in sec. 10 of this Act.

Funding Source	Amount
Unrestricted General Funds	
1004 Unrestricted General Fund Receipts	11,568,600
Total Unrestricted General Funds	$11,568,600
Designated General Funds	
1005 General Fund/Program Receipts	-250,000
1156 Receipt Supported Services	-3,439,800
Total Designated General Funds	$-3,689,800
Other Non-Duplicated Funds	
1024 Fish and Game Fund	-5,500,000
Total Other Non-Duplicated Funds	$-5,500,000
Federal Funds	
1002 Federal Receipts	340,000
Total Federal Funds	$340,000
Other Duplicated Funds	
Total Other Duplicated Funds	$0

(SECTION 13 OF THIS ACT BEGINS ON THE NEXT PAGE)

*** Sec. 13.** FEDERAL AND OTHER PROGRAM RECEIPTS. (a) Federal receipts, designated program receipts as defined in AS 37.05.146(b)(3), information services fund program receipts as defined in AS 44.21.045(b), receipts of the University of Alaska as described in AS 37.05.146(b)(2), receipts of commercial fisheries test fishing operations under AS 37.05.146(c)(21), corporate receipts of the Alaska Housing Finance Corporation, corporate receipts of the Alaska Aerospace Corporation, Exxon Valdez oil spill trust receipts as defined in AS 37.05.146(b)(4), and receipts of the Alaska Fire Standards Council under AS 37.05.146(b)(5), that exceed the amounts appropriated by this Act are appropriated conditioned on compliance with the program review provisions of AS 37.07.080(h).

(b) If federal or other program receipts as defined in AS 37.05.146 and in AS 44.21.045(b) exceed the estimates appropriated by this Act, the appropriations from state funds for the affected program may be reduced by the excess if the reductions are consistent with applicable federal statutes.

(c) If federal or other program receipts as defined in AS 37.05.146 and in AS 44.21.045(b) fall short of the estimates appropriated by this Act, the affected appropriation is reduced by the amount of the shortfall in receipts.

*** Sec. 14.** FUND CAPITALIZATION. (a) The sum of $60,000,000 is appropriated from the general fund to the Alaska Gasline Inducement Act reimbursement fund (AS 43.90.400(a)) for the natural gas pipeline project construction inducement under AS 43.90.110(a)(1).

(b) The amount of federal receipts from the financial assistance award for emerging energy technology by the Denali Commission established under P.L. 105-277, estimated to be $1,700,000, is appropriated to the emerging energy technology fund (AS 42.45.375) for capital projects.

*** Sec. 15.** FUND TRANSFERS. The sum of $25,870,700 is appropriated from the general fund to the renewable energy grant fund (AS 42.45.045(a)).

*** Sec. 16.** INSURANCE CLAIMS. The amounts to be received in settlement of insurance claims for losses and the amounts to be received as recovery for losses are appropriated from the general fund to the

(1) state insurance catastrophe reserve account (AS 37.05.289(a)); or

(2) appropriate state agency to mitigate the loss.

*** Sec. 17.** NATIONAL PETROLEUM RESERVE - ALASKA IMPACT GRANT

PROGRAM. (a) The amount received by the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530(a)) under 42 U.S.C. 6506a(*l*) or former 42 U.S.C. 6508 by August 31, 2012, estimated to be $4,896,872, is appropriated from that fund to the Department of Commerce, Community, and Economic Development for capital project grants under the National Petroleum Reserve - Alaska impact grant program to the following municipalities in the amounts stated:

MUNICIPALITY	PROJECT	ALLOCATION
(1) North Slope Borough	Permit tracking system	$ 242,000
(2) North Slope Borough	Mayor's job program	366,636
(3) North Slope Borough	Monitoring the subsistence fisheries in the Elson Lagoon and Kuk Inlet	109,000
(4) North Slope Borough	Meade River school counselor	243,819
(5) North Slope Borough	School counselor program	287,296
(6) City of Atqasuk	Local government and youth program	493,940
(7) City of Barrow	Local government operations and maintenance	1,600,000
(8) North Slope Borough	Land management and enforcement continuation	350,000
(9) City of Nuiqsut	Local government operations and maintenance	718,163
(10) City of Wainwright	Wainwright local government operations	228,000
(11) City of Nuiqsut	Youth center operations and maintenance	258,018

(b) If the amount received by the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530(a)) under 42 U.S.C. 6506a(*l*) or former 42 U.S.C. 6508 by August 31, 2012, is less than the sum of the allocations made in (a) of this section, the Department of Commerce, Community, and Economic Development shall work with the

municipalities listed in (a) of this section to reduce the sum of the allocations made in (a) of this section to equal the amount received.

* **Sec. 18.** DEPARTMENT OF CORRECTIONS. The unexpended and unobligated balance, not to exceed $100,000, of the appropriation made in sec. 1, ch. 5, FSSLA 2011, page 79, lines 16 - 18 (Department of Corrections, Seward, Spring Creek Correctional Center Seward land transfer - $250,000) is reappropriated to the Department of Corrections for the combined Hiland Mountain Correctional Center land transfer.

* **Sec. 19.** DEPARTMENT OF FISH AND GAME. (a) Section 10, ch. 29, SLA 2008, page 67, lines 19 - 20, is amended to read:

	APPROPRIATION ITEMS	OTHER FUNDS
Fish and Game Licensing **Program Improvements** [POINT OF SALE SYSTEM] (HD 1-40)	200,000	200,000

(b) The unexpended and unobligated balance, estimated to be $100,000, of the appropriation made in sec. 7, ch. 43, SLA 2010, page 26, lines 20 - 22 (Department of Fish and Game, crew member fishery participation database development - $100,000) is reappropriated to the Department of Fish and Game for analyzing system requirements for integration of the commercial operator annual report data system with the department's new electronic data system for the fiscal year ending June 30, 2013.

(c) An amount equal to the proceeds from the sale conducted during the fiscal years ending June 30, 2013, June 30, 2014, or June 30, 2015, of a research vessel owned by the Department of Fish and Game, including parts and inventory, is appropriated from the general fund to the Department of Fish and Game for the repair, maintenance, or replacement of vessels or equipment.

* **Sec. 20.** DEPARTMENT OF HEALTH AND SOCIAL SERVICES. An amount equal to 50 percent of the revenue collected during the fiscal year ending June 30, 2011, from the alcoholic beverage tax (AS 43.60.010), not to exceed $19,300,400, is appropriated from the general fund to the Department of Health and Social Services for behavioral health grants under AS 47.37.030 for the fiscal years ending June 30, 2013, June 30, 2014, and June 30, 2015.

* **Sec. 21.** DEPARTMENT OF LAW. (a) Section 30(a), ch. 5, FSSLA 2011, is amended to read:

(a) The sum of **$13,550,000** [$9,000,000] is appropriated from the general fund to the Department of Law, BP corrosion, to fund the costs of outside counsel, document management, experts, and litigation in the British Petroleum Exploration (Alaska) Inc., corrosion case for the fiscal years ending June 30, 2012, and June 30, 2013.

(b) The sum of $20,743,999 is appropriated from the general fund to the Department of Law, civil division, deputy attorney general's office, for the purpose of paying judgments and settlements against the state for the fiscal year ending June 30, 2012.

* **Sec. 22.** DEPARTMENT OF PUBLIC SAFETY. Section 1, ch. 43, SLA 2010, page 3, lines 8 - 9, as amended by sec. 12, ch. 1, FSSLA 2011, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Crime Lab Replacement **and Repair, Renovation, and Reuse of Existing Crime Lab Building** (HD 17-32)	70,750,000	70,750,000

* **Sec. 23.** DEPARTMENT OF REVENUE. The amount necessary to pay expenses incident to the sale and issuance of general obligation bonds for transportation projects, estimated to be $3,559,200, is appropriated from the 2012 state transportation project fund to the Department of Revenue, state bond committee, for the fiscal years ending June 30, 2013, June 30, 2014, and June 30, 2015.

* **Sec. 24.** DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES. (a) The unexpended and unobligated balances, estimated to be $4,000,000, of the appropriations made in sec. 10, ch. 29, SLA 2008, page 44, lines 18 - 19 (Anchorage, 88th Avenue upgrade (RTP) - $1,000,000), and sec. 1, ch. 5, FSSLA 2011, page 5, lines 27 - 30 (Anchorage, 88th Avenue upgrade - Spruce Brook Street to Elmore Road - $3,000,000) are reappropriated to the Department of Transportation and Public Facilities for an 88th Avenue upgrade, Spruce Brook Street to Elmore Road.

(b) The unexpended and unobligated general fund balance, estimated to be $1,686,000, of the appropriation made in sec. 1, ch. 1, SSSLA 2002, page 49, line 11, and

allocated on page 49, lines 19 - 20 (Department of Transportation and Public Facilities, statewide federal programs, federal-aid highway state match - $40,817,520) is reappropriated to the Department of Transportation and Public Facilities for construction of a sand storage building in Girdwood.

(c) The unexpended and unobligated balances, estimated to be a total of $1,570,000, of the appropriations made in sec. 1, ch. 1, SSSLA 2002, page 49, line 11, and allocated on page 49, lines 17 - 18 (Department of Transportation and Public Facilities, statewide federal programs, federal-aid aviation state match - $9,725,000) and sec. 10, ch. 29, SLA 2008, page 77, lines 11 - 13 (Department of Transportation and Public Facilities, Jim River (Dalton Highway) maintenance station replacement - $6,000,000) are reappropriated to the Department of Transportation and Public Facilities for replacement of the Seward Highway maintenance station.

* **Sec. 25.** OFFICE OF THE GOVERNOR. (a) The sum of $1,000,000 is appropriated from the general fund to the Office of the Governor, redistricting board, for legal and other costs relating to redistricting matters for the fiscal years ending June 30, 2012, and June 30, 2013.

(b) The unexpended and unobligated general fund balance, not to exceed $575,000, of the appropriation made in sec. 1, ch. 3, FSSLA 2011, page 17, line 28 (Office of the Governor, elections - $5,073,600) is reappropriated to the Office of the Governor, elections, for implementation of the Alaska redistricting proclamation, for the fiscal year ending June 30, 2013.

* **Sec. 26.** HOUSE DISTRICTS 3 - 4. The unexpended and unobligated balance of the appropriation made in sec. 1, ch. 82, SLA 2006, page 85, lines 30 - 31, as amended by sec. 21(a), ch. 15, SLA 2009 (Gastineau Channel Crossing EIS and dredging and North Douglas Highway extension - $3,000,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City and Borough of Juneau for the North Douglas Highway extension.

* **Sec. 27.** HOUSE DISTRICT 6. The unexpended and unobligated balance, estimated to be $43,000, of the appropriation made in sec. 7, ch. 29, SLA 2008, page 16, lines 18 - 21 (Kuskokwim Public Broadcasting Corporation, power grid extension to KSKO transmitter - $50,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Kuskokwim Public

Broadcasting Corporation for maintenance of the station power plant for the fiscal years ending June 30, 2013, June 30, 2014, and June 30, 2015.

*** Sec. 28.** HOUSE DISTRICTS 7 - 11. (a) The unexpended and unobligated balances, estimated to be a total of $77,941, of the appropriations made in sec. 1, ch. 30, SLA 2007, page 56, lines 24 - 28 (Fairbanks North Star Borough, Volunteer Fire Department Station No. 3 exhaust and ventilation system - $96,638) and sec. 1, ch. 30, SLA 2007, page 56, lines 29 - 33 (Fairbanks North Star Borough, Volunteer Fire Department Station No. 4 exhaust and ventilation system - $105,000) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Fairbanks North Star Borough, North Star Volunteer Fire Department, for the purchase of protective equipment for volunteer fire department personnel.

(b) The unexpended and unobligated balance, estimated to be $1,675,815, of the appropriation made in sec. 43(b), ch. 43, SLA 2010, (Fairbanks North Star Borough, tourism and community development and an ice park) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to World I.C.E. Association, Inc., dba Ice Alaska, for ice park property purchase repayment.

(c) The unexpended and unobligated balance, estimated to be $40,000,000, of the appropriation made in sec. 10, ch. 43, SLA 2010, page 90, line 32, through page 91, line 5 (Fairbanks North Star Borough, Tanana River bridge access for military training grounds, river training - $40,000,000) is reappropriated to the Alaska Railroad Corporation for Tanana River bridge access for military training grounds and river training.

(d) The unexpended and unobligated balances, estimated to be a total of $145,153, of the appropriations made in sec. 1, ch. 30, SLA 2007, page 56, lines 7 - 12 (Fairbanks North Star Borough, school district classroom performance systems for public schools in House Districts 7 and 8 - $20,000), sec. 4, ch. 30, SLA 2007, page 87, lines 16 - 18 (Fairbanks North Star Borough, central kitchen phase II - $2,500,000), and sec. 13, ch. 11, SLA 2008, page 76, lines 23 - 26 (Fairbanks North Star Borough, Weller Elementary School, replace two water tanks - $140,000) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Fairbanks North Star Borough for Weller Elementary School for planning access improvements, making safety

upgrades, and demolishing an ice rink.

*** Sec. 29.** HOUSE DISTRICT 12. Section 13, ch. 43, SLA 2010, page 139, lines 17 - 20, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Rural Deltana Volunteer Fire Department - Big D Station **and Clearwater Station** Deferred Maintenance (HD 6)	295,000	295,000

*** Sec. 30.** HOUSE DISTRICTS 13 - 16. (a) Section 10, ch. 43, SLA 2010, page 98, lines 18 - 20, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Matanuska-Susitna Borough - Knik River Road **Milepost 0 to Milepost 11.2** Reconstruction (HD 13-16)	2,100,000	2,100,000

(b) The unexpended and unobligated balance of the appropriation made in sec. 1, ch. 5, FSSLA 2011, page 36, line 31, through page 37, line 3 (Matanuska-Susitna Borough, Colony High School field turf installation - $785,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Knights Football Booster Club, Inc., for Colony High School field turf installation.

(c) The unexpended and unobligated balance, estimated to be $5,000,000, of the appropriation made in sec. 10, ch. 29, SLA 2008, page 77, lines 19 - 21 (Department of Transportation and Public Facilities, Matanuska-Susitna Borough, Burma Road Upgrade - $5,000,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Matanuska-Susitna Borough for South Big Lake Road construction.

(d) The unexpended and unobligated balance, estimated to be $45,000, of the appropriation made in sec. 1, ch. 5, FSSLA 2011, page 48, lines 13 - 15 (Alaska State Fair,

Native Culture and Arts 75th Anniversary - $150,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Alaska State Fair for Alaska Native Culture and Arts Day 2012, Celebrating Alaska's Diversity, for the fiscal year ending June 30, 2013.

(e) The unexpended and unobligated balance, estimated to be $500,000, of the appropriation made in sec. 26(b), ch. 15, SLA 2009 (Wasilla, Garden Terrace water main extension and upgrade project) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Wasilla for wastewater utility improvements.

(f) The unexpended and unobligated balance, estimated to be $4,700,000, of the appropriation made in sec. 1, ch. 82, SLA 2006, page 107, line 12, and allocated on lines 14 - 17 (Department of Transportation and Public Facilities, Big Lake/Burma Road environmental impact statement and design - $5,000,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Matanuska-Susitna Borough for South Big Lake Road realignment project construction.

* **Sec. 31.** HOUSE DISTRICTS 16 - 32. (a) Section 1, ch. 5, FSSLA 2011, page 7, lines 14 - 16, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Anchorage - Bartlett High School [BOY'S] Locker Replacement **and Upgrades** (HD 16-32)	320,000	320,000

(b) Section 1, ch. 5, FSSLA 2011, page 11, lines 6 - 9, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Anchorage - Creekside Park Elementary School **Purchase and Repair of** Playground **Equipment** [REMODEL AND UPGRADE] (HD 16-32)	25,000	25,000

* **Sec. 32.** HOUSE DISTRICTS 17 - 32. (a) The unexpended and unobligated balance,

estimated to be $117,600, of the appropriation made in sec. 1, ch. 30, SLA 2007, page 48, lines 20 - 22 (Anchorage, Rovenna sidewalk pedestrian improvements - $120,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Municipality of Anchorage for Anchorage roads and drainage service area rehabilitation, Abbott Loop and Taku Campbell areas.

(b) The unexpended and unobligated balance, estimated to be $9,800, of the appropriation made in sec. 1, ch. 30, SLA 2007, page 18, lines 16 - 19 (Federation of Community Councils, Inc., Russian Jack Community Patrol supplies and fuel - $10,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Federation of Community Councils, Inc., for purchase of equipment and fuel for the Mountain View Community Patrol.

(c) The unexpended and unobligated balance, estimated to be $43,400, of the appropriation made in sec. 41, ch. 30, SLA 2007 (Anchorage, Greenridge/Wickersham Park subdivision area safety improvements) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Municipality of Anchorage for safety improvements in the area of Latouche Street and Annapolis Drive.

* **Sec. 33.** HOUSE DISTRICTS 33 - 35. (a) The unexpended and unobligated balance of the appropriation made in sec. 1, ch. 30, SLA 2007, page 29, lines 13 - 15 (Port Graham Hatchery, project management support - $5,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Cook Inlet Aquaculture Association for project management support for the fiscal year ending June 30, 2013.

(b) Section 50(a), ch. 43, SLA 2010, is amended to read:

(a) The unexpended and unobligated balance, not to exceed $99,500, of the appropriation made in sec. 1, ch. 82, SLA 2006, page 4, lines 12 - 15 (Agrium U.S., Inc., Phase II development of the Kenai coal gasification project - $5,000,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Kenai Peninsula Economic Development District for Cook Inlet **facility assessment and recommendations** [TIDAL POWER ANALYSIS].

*** Sec. 34.** HOUSE DISTRICT 36. The unexpended and unobligated balance, estimated to be $10,000, of the appropriation made in sec. 10, ch. 43, SLA 2010, page 103, line 32, through page 104, line 3 (Ouzinkie, alternative wind energy generation, phase I data collection - $10,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Ouzinkie for replacement of a log bridge and upgrades to an access road.

*** Sec. 35.** HOUSE DISTRICT 37. (a) Section 10, ch. 43, SLA 2010, page 87, lines 11 - 14, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Bristol Bay Borough - Port of Bristol Bay - Improvements Phase II **and Equipment Purchase** (HD 37)	5,000,000	5,000,000

(b) Section 1, ch. 82, SLA 2006, page 27, lines 14 - 15, as amended by sec. 33(c), ch. 15, SLA 2009, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
City of Akutan - Akutan Harbor Road Project**,** [AND] Airport Access Projects**, and Akutan Harbor Facility Development Improvements** (HD 37)	3,100,000	3,100,000

*** Sec. 36.** HOUSE DISTRICT 38. (a) The unexpended and unobligated balance, estimated to be $75,000, of the appropriation made in sec. 13, ch. 43, SLA 2010, page 137, lines 23 - 25 (Newtok Traditional Council, landfill design matching funds - $75,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Newtok Traditional Council for community survey and subdivision design.

(b) Section 34(c), ch. 15, SLA 2009, as amended by sec. 54, ch. 43, SLA 2010, and sec. 50, ch. 5, FSSLA 2011, is amended to read:

(c) The unexpended and unobligated balances, estimated to be a total of $462,500, of the appropriations made in sec. 8(a)(15), ch. 159, SLA 2004 (Kongiganak, community projects and improvements - $27,770), sec. 8(a), ch. 1, SSSLA 2002, page 96, line 17 (Kongiganak, community projects and improvements - $55,496), sec. 8(b)(28), ch. 159, SLA 2004 (Napaskiak, community projects and improvements - $6,326), sec. 131, ch. 139, SLA 1998, page 99, lines 19 - 20 (Nunapitchuk, motor grader snowblade - $15,500), sec. 1, ch. 135, SLA 2000, page 53, lines 28 - 30 (Nunapitchuk, washeteria renovation - water improvements - $50,000), sec. 15(b), ch. 61, SLA 2001, page 78, line 19 (Nunapitchuk, capital projects and improvements - $26,322), sec. 1, ch. 1, SSSLA 2002, page 81, lines 30 - 31 (Nunapitchuk, solid waste dumpsite upgrade - $25,000), sec. 8(a), ch. 1, SSSLA 2002, page 96, line 24 (Oscarville, community projects and improvements - $88,107), sec. 71(c), ch. 1, SSSLA 2002 (Oscarville, community facilities and equipment), sec. 8(a)(19), ch. 159, SLA 2004 (Oscarville, community projects and improvements - $58,651), sec. 1, ch. 61, SLA 2001, page 63, lines 12 - 13 (Tuntutuliak, jail house completion - $16,466), sec. 67(b), ch. 61, SLA 2001 (Tuntutuliak, construction of a post office), sec. 8(a), ch. 1, SSSLA 2002, page 97, line 2 (Tuntutuliak, community projects and improvements - $54,518), sec. 8(a)(31), ch. 159, SLA 2004 (Tuntutuliak, community projects and improvements - $7,881), and sec. 8(b)(38), ch. 159, SLA 2004 (Platinum, community projects and improvements - $26,900) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Association of Village Council Presidents for a demonstration project to use wood as a heating source for the fiscal year ending June 30, **2013** [2012].

*** Sec. 37.** HOUSE DISTRICT 39. (a) Section 13, ch. 29, SLA 2008, page 133, lines 14 - 15, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Wales - Heavy Equipment Purchase, **Repair, Maintenance, and Parts** (HD 39)	300,000	300,000

(b) The unexpended and unobligated balance, estimated to be $25,933, of the

appropriation made in sec. 35, ch. 15, SLA 2009 (Pitka's Point Traditional Council, upgrading the washeteria) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Pitka's Point Traditional Council for tribal office weatherization.

(c) The unexpended and unobligated balance of the appropriation made in sec. 1, ch. 15, SLA 2009, page 4, lines 19 - 20, and allocated on page 6, lines 5 - 7 (Saint Mary's, districtwide fuel tank farm replacement - $3,306,502) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Saint Mary's School District for facilities renovation.

* **Sec. 38.** HOUSE DISTRICT 40. The unexpended and unobligated balance, estimated to be $25,021, of the appropriation made in sec. 1, ch. 30, SLA 2007, page 60, lines 26 - 28 (Kaktovik, educational efforts regarding the ANWR - $50,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Kaktovik for local government operations and equipment purchase.

* **Sec. 39.** ALASKA MUNICIPAL BOND BANK AUTHORITY. (a) The sum of $1,300,000 is appropriated from the general fund to the Alaska Municipal Bond Bank Authority for the defeasance of the Inter-Island Ferry Authority's loan obligations to the Alaska Municipal Bond Bank Authority.

(b) The sum of $13,200,000 is appropriated from the general fund to the Alaska municipal bond bank authority reserve fund (AS 44.85.270) to provide forgiveness on loans made to the fund under AS 44.85.270(i).

* **Sec. 40.** STATUTORY BUDGET RESERVE FUND. The unexpended and unobligated balance of the operating general fund (state accounting system fund number 11100) at the close of business on June 30, 2012, is appropriated to the budget reserve fund (AS 37.05.540(a)).

* **Sec. 41.** LAPSE. (a) The appropriations made in secs. 17, 18, 19(c), 24, 28(b), 28(c), 30(b), 32(b), 36(a), 37(b), and 37(c) of this Act are for capital projects and lapse under AS 37.25.020.

(b) The appropriations made in secs. 14, 15, 16(1), 39(b), and 40 of this Act are for the capitalization of funds and do not lapse.

(c) The unexpended and unobligated balance of the appropriation made in sec. 63(d), ch. 29, SLA 2008, lapses into the general fund on June 30, 2012.

* **Sec. 42.** RETROACTIVITY. Section 29 of this Act is retroactive to July 1, 2011.

* **Sec. 43.** CONTINGENCY. The appropriation made in sec. 23 of this Act is contingent on passage by the Twenty-Seventh Alaska State Legislature and enactment into law of a bill relating to general obligation bonds for transportation projects and on voter approval of the general obligation bonds.

* **Sec. 44.** Sections 7, 10, 25, 30(b), and 39 of this Act take effect April 15, 2012.

* **Sec. 45.** Sections 18, 19(a), 19(b), 21, 22, 24, 25(b), 26 - 28, 30(a), 30(c), 30(d), 30(e), 30(f), 31 - 38, 40, and 41(c) of this Act take effect June 30, 2012.

* **Sec. 46.** Sections 29 and 42 of this Act take effect immediately under AS 01.10.070(c).

* **Sec. 47.** Except as provided in secs. 44 - 46 of this Act, this Act takes effect July 1, 2012.

27-GS2600\D
Martin
4/7/12

adopted 4/7/12 9:03pm

CS FOR SENATE BILL NO. 160(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

"An Act making and amending appropriations, including capital appropriations, supplemental appropriations, and other appropriations; making appropriations to capitalize funds; and providing for an effective date."

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

(SECTION 1 OF THIS ACT BEGINS ON PAGE 2)

* **Section 1.** The following appropriation items are for capital projects and grants from the general fund or other funds as set out in section 2 of this Act by funding source to the agencies named for the purposes expressed and lapse under AS 37.25.020, unless otherwise noted.

	Appropriation	General	Other
Allocations	Items	Funds	Funds
* * * * *	* * * * *		
* * * * * **Department of Administration** * * * * *			
* * * * *	* * * * *		
Alaska Geologic Materials Center Replacement Facility (HD 1-40)	4,000,000	4,000,000	
Alaska Land Mobile Radio Software Emergency Response Communication Security Upgrades (HD 1-40)	3,500,000	3,500,000	
Division of Motor Vehicles - Driver Knowledge Testing System (HD 1-40)	550,000	550,000	
Douglas Island Building Renovation Phase 1 of 3 (HD 3-4)	9,200,000	9,200,000	
Enterprise Technology System Bandwidth Improvement Project for Rural Sites (HD 1-40)	1,500,000	1,500,000	
Enterprise Technology System Bandwidth Monitoring Toolset (HD 1-40)	800,000	800,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Juneau - Repair State Office Building Parking Garage Phase 1 of 3 (HD 3-4)		2,500,000	2,500,000	
Nome State Office Building and Courthouse (HD 39)		10,000,000	10,000,000	
Retirement and Benefits Combined Retirement System Upgrade Year 3 of 5 (HD 1-40)		350,000		350,000
Retirement and Benefits Disaster Recovery System Year 2 of 2 (HD 1-40)		325,000		325,000
Retirement and Benefits Document Management System Year 3 of 4 (HD 1-40)		338,000		338,000
Deferred Maintenance, Renewal, Repair and Equipment		**10,250,000**	**7,250,000**	**3,000,000**
Division General Services Public Building Fund Buildings Deferred Maintenance (HD 1-40)	6,250,000			
Facilities IP Phone Upgrade and Deferred Maintenance Year 2 of 2 (HD 1-40)	500,000			
Non-Public Building Fund Deferred Maintenance (HD 3-4)	500,000			

	Allocations	Appropriation Items	General Funds	Other Funds
State of Alaska Telecommunications System (SATS) Deferred Maintenance, Year 3 of 5 (HD 1-40)	3,000,000			
* * * * *			* * * * *	
* * * * * **Department of Commerce, Community and Economic Development** * * * * *				
* * * * *			* * * * *	
Alaska Canada Rail Link Phase II Feasibility Study (HD 1-40)		1,100,000	1,100,000	
Alaska Energy Authority - Hope Electrical Distribution Line Relocation (HD 17-32)		310,000	310,000	
Alaska Energy Authority - Hope Substation Automation (HD 17-32)		787,000	787,000	
Alaska Energy Authority - Kipnuk Power Plant Replacement, System Upgrades and Tank Farm Construction (HD 38)		7,500,000	7,500,000	
Alaska Energy Authority - Kongiganak Power System Upgrade (HD 38)		1,996,000	1,996,000	
Alaska Energy Authority - Kwigillingok Power System Upgrade (HD 38)		2,168,000	2,168,000	
Alaska Energy Authority - Stetson Creek Diversion		5,825,500	5,825,500	

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 33-35)				
Alaska Energy Authority - Tuntutuliak Power System Upgrade (HD 38)		1,832,600	1,832,600	
Alaska Industrial Development & Export Authority - Ketchikan Shipyard Improvements (HD 1)		10,000,000	10,000,000	
Community Block Grants (HD 1-40)		6,060,000	60,000	6,000,000
Community Development and Assistance (HD 1-40)		1,560,000	1,140,000	420,000
Economic Development Initiative (HD 1-40)		1,770,000	1,770,000	
State Support for Rural Roads and Waterfront Development Partnership (HD 1-40)		3,000,000	3,000,000	
Strategic Minerals Implementation (HD 1-40)		450,000	450,000	
Alaska Energy Authority - Energy Programs		**26,530,000**	**18,730,000**	**7,800,000**
Alaska Energy Plan Implementation (HD 1-40)	1,000,000			
Alternative Energy and Energy Efficiency (AEEE) Programs (HD 1-40)	4,800,000			
AVTEC Power Plant Infrastructure Training Systems Upgrade (HD 1-40)	400,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Bulk Fuel Upgrades (HD 1-40)	7,000,000			
Electrical Emergencies Program (HD 1-40)	330,000			
Rural Power Systems Upgrade (HD 1-40)	13,000,000			
Alaska Energy Authority - Round V Renewable Energy Project Grants (AS 42.45.045)		**25,870,659**	**25,870,659**	
Sleetmute Heat Recovery - Power Plant to Water Plant (HD 6)	126,682			
Togiak Waste Heat Recovery Project (HD 37)	443,030			
Shishmaref Heat Recovery Project (HD 39)	310,841			
Waterfall Creek Hydroelectric Project (HD 37)	200,000			
Tatitlek Heat Recovery Project (HD 5)	265,000			
Thayer Lake Hydropower Transmission/Generation (HD 5)	7,000,000			
Packers Creek Hydroelectric Project (HD 37)	1,993,496			
Kobuk Biomass Design & Construction Project (HD 40)	356,424			
Chevak Wind Energy	240,260			

	Allocations	Appropriation Items	General Funds	Other Funds
Recovery -Chevak Water System Heat (HD 39)				
Pillar Mountain High Penetration Wind Project (HD 36)	7,800,000			
Scammon Bay Hydro Design & Engineering (HD 39)	80,723			
Gambell Wind Energy Recovery for Gambell Water System Heat (HD 39)	240,260			
Shaktoolik Surplus Wind Energy Recovery for Water System Heat (HD 39)	240,260			
Surplus Wind Energy Recovery for Mekoryuk Water System Heat (HD 38)	264,459			
Russian Mission Heat Recovery System (HD 6)	555,000			
Design & Construction of Wood Heating in Interior Alaska (HD 6)	1,215,224			
Tanacross Woody Biomass Community Space Heating Project (HD 6)	420,000			
Huslia Water System & Clinic Wood Boiler Project (HD 6)	50,000			
Nome Renewable Energy Expansion/Optimization (HD 39)	4,069,000			
Grants to Municipalities				

	Allocations	Appropriation Items	General Funds	Other Funds
(AS 37.05.315)				
Aleutians East Borough - Cold Bay Airport - Apron and Taxiway Construction (HD 37)		2,000,000	2,000,000	
Anchorage - 64th Avenue Upgrade and Reconstruction (HD 17-32)		4,000,000	4,000,000	
Anchorage - A Street and 48th Avenue Extension and Upgrade - 51st Avenue to Cordova Street (HD 17-32)		4,000,000	4,000,000	
Anchorage - Anchorage Museum - Alaska History Gallery Renovation (HD 17-32)		5,000,000	5,000,000	
Anchorage - ARDSA - Abbott Loop and Taku/ Campbell Area Pavement Rehabilitation (HD 17-32)		3,000,000	3,000,000	
Anchorage - ARDSA Residential Pavement Rehab - U-Med District and Scenic Foothills Area (HD 17-32)		3,000,000	3,000,000	
Anchorage - ARDSA Residential Pavement Rehabilitation - Downtown and Midtown Areas (HD 17-32)		3,000,000	3,000,000	
Anchorage - ARDSA		3,000,000	3,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Residential Pavement Rehabilitation - Mountain View and Muldoon Areas (HD 17-32)				
Anchorage - ARDSA Sand Lake, Bayshore, Klatt, and Oceanview Pavement Rehabilitation (HD 17-32)		3,000,000	3,000,000	
Anchorage - ARDSA Spenard and Turnagain Residential Areas Pavement Rehabilitation (HD 17-32)		3,000,000	3,000,000	
Anchorage - Ben Boeke Ice Arena Upgrades (HD 17-32)		200,000	200,000	
Anchorage - Birch Road Safety Improvements - O'Malley Road to Naknek Lane (HD 17-32)		1,200,000	1,200,000	
Anchorage - Chester Creek Trail Improvements (HD 17-32)		150,000	150,000	
Anchorage - Clitheroe Center Roof Replacement and Water System Upgrades (HD 17-32)		800,000	800,000	
Anchorage - Cordova Street Pedestrian and Traffic Safety Improvements - 3rd Avenue to 16th Avenue (HD 17-32)		1,000,000	1,000,000	
Anchorage - Delaney Park		250,000	250,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Train Repair (HD 17-32)				
Anchorage - Dempsey Anderson Ice Arena Upgrades (HD 17-32)		250,000	250,000	
Anchorage - Duben Street Upgrade - Muldoon Road to Bolin Street (HD 17-32)		3,000,000	3,000,000	
Anchorage - Duben Street Upgrade - Patterson Street East to Muldoon Road (HD 17-32)		3,000,000	3,000,000	
Anchorage - Eagle River Traffic Mitigation - Business Boulevard to Eagle River and Artillery Road (HD 17-32)		1,000,000	1,000,000	
Anchorage - Egan Center Upgrades (HD 17-32)		1,000,000	1,000,000	
Anchorage - Eklutna Water Treatment Facility Upgrade (HD 13-16)		919,500	919,500	
Anchorage - Fairview Recreation Center Upgrade (HD 17-32)		643,000	643,000	
Anchorage - Fairview Sidewalk Snow Disposal Pilot Project (HD 17-32)		50,000	50,000	
Anchorage - Fire Department Dispatch Center Improvements (HD 17-32)		250,000	250,000	
Anchorage - Fire		700,000	700,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Department Fire Engines Replacement (HD 17-32)				
Anchorage - Fire Department Fire Station #3 and #9 Land Acquisition (HD 17-32)		2,000,000	2,000,000	
Anchorage - Fire Department Foam Tender Replacement (HD 17-32)		110,000	110,000	
Anchorage - Fire Department Water Craft (HD 17-32)		71,700	71,700	
Anchorage - Fish Creek Trail - Northwood Drive to Spenard Road (HD 17-32)		325,000	325,000	
Anchorage - Foothills East Subdivision Area Street Reconstruction (HD 17-32)		2,000,000	2,000,000	
Anchorage - Girdwood Town Site Master Plan Update (HD 17-32)		80,000	80,000	
Anchorage - Hillside Integration Commission for Drainage and Roads (HD 17-32)		100,000	100,000	
Anchorage - Kachemak Place and Circle Area Drainage Improvements - 100th Avenue to Amber Bay Loop (HD 17-32)		750,000	750,000	
Anchorage - Kincaid Park		150,000	150,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Ropes Challenge Course (HD 17-32)				
Anchorage - Lake Otis Parkway Expansion - 15th Avenue to Northern Lights Boulevard (HD 17-32)		2,500,000	2,500,000	
Anchorage - Lake Otis Parkway Pedestrian Overpass Study - Lake Otis Elementary (HD 17-32)		100,000	100,000	
Anchorage - Mountain View Drive and McCarrey Street Intersection Safety (HD 17-32)		1,100,000	1,100,000	
Anchorage - Mountain View Library Materials (HD 17-32)		25,000	25,000	
Anchorage - Mountain View Recreation Center Upgrades (HD 17-32)		175,000	175,000	
Anchorage - Muldoon Library Materials (HD 17-32)		25,000	25,000	
Anchorage - Muldoon Road at Duben Street Pedestrian Safety (HD 17-32)		800,000	800,000	
Anchorage - Northern Lights Boulevard Pedestrian Safety - Lois Drive West to Captain Cook Estates Circle (HD 17-32)		920,000	920,000	
Anchorage - Northern Lights		1,700,000	1,700,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Boulevard Surface Rehab - Boniface Parkway to Muldoon Road (HD 17-32)				
Anchorage - Pavement Rehabilitation Matching Program (HD 17-32)		6,000,000	6,000,000	
Anchorage - Performing Arts Center Upgrades & Infrastructure Rehab (HD 17-32)		2,100,000	2,100,000	
Anchorage - Police Department Digital Equipment (HD 17-32)		2,600,000	2,600,000	
Anchorage - Police Department Expansion - Outdoor Storage (HD 17-32)		3,800,000	3,800,000	
Anchorage - Police Department Headquarters Roof Replacement (HD 17-32)		2,000,000	2,000,000	
Anchorage - Port of Anchorage Expansion (HD 17-32)		25,000,000	25,000,000	
Anchorage - Reka Drive Southside Separated Pedestrian Facility - Bragaw Street to Pine Street (HD 17-32)		200,000	200,000	
Anchorage - South Anchorage Sports Park Facility (HD 17-32)		4,000,000	4,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage - Spenard Recreation Center Upgrades (HD 17-32)		1,200,000	1,200,000	
Anchorage - Sullivan Arena Parking Lot Expansion and Building Upgrades (HD 17-32)		5,190,000	5,190,000	
Anchorage - Transit Fleet Replacement (HD 17-32)		75,000	75,000	
Anchorage - Viburnum Drive - Oakwood and Burlwood Reconstruction (HD 17-32)		7,900,000	7,900,000	
Anchorage - Waldron Lake Subdivision Land Purchase (HD 17-32)		4,000,000	4,000,000	
Anchorage - Z.J. Loussac Library Repairs, Upgrades and Materials (HD 17-32)		1,825,000	1,825,000	
Angoon - Clinic Helicopter Landing Pad (HD 5)		172,000	172,000	
Angoon - Front Road Renovation (HD 5)		1,500,000	1,500,000	
Barrow - Recreation Center Renovation and Expansion (HD 40)		3,500,000	3,500,000	
Bethel - Aquatic Training and Health Center (HD 38)		14,575,000	14,575,000	
Bethel - City Shop Floor Repairs (HD 38)		1,500,000	1,500,000	
Chuathbaluk - Community Roads Repair and Upgrade		300,000	300,000	

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 6)				
Coffman Cove - Trail Improvements (HD 1)		45,000	45,000	
Delta Junction - Delta Community Library Improvements (HD 12)		30,000	30,000	
Denali Borough - Anderson School Heating Fuel Storage Tank Replacement (HD 7-11)		45,000	45,000	
Denali Borough - Cantwell School Heating Fuel Storage Tank Replacement (HD 7-11)		25,000	25,000	
Denali Borough - Nenana Canyon Fire Service Well and Hydrant (HD 7-11)		65,000	65,000	
Dillingham - Wastewater Treatment Plant Upgrades (HD 37)		2,280,000	2,280,000	
Fairbanks - Ambulance (HD 7-11)		230,000	230,000	
Fairbanks - Road Improvements (HD 7-11)		5,000,000	5,000,000	
Fairbanks North Star Borough - Ambulance Equipment Replacement (HD 7-11)		75,000	75,000	
Fairbanks North Star Borough - Badger Road Elementary School		25,000	25,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Equipment and Improvements (HD 7-11)				
Fairbanks North Star Borough - Classroom Digital Technology Upgrade (HD 7-11)		333,000	333,000	
Fairbanks North Star Borough - North Pole Elementary School Classroom Technology Upgrades (HD 7-11)		25,000	25,000	
Fairbanks North Star Borough - North Pole High School Classroom Technology Upgrades (HD 7-11)		25,000	25,000	
Fairbanks North Star Borough - North Pole Middle School Classroom Equipment (HD 7-11)		25,000	25,000	
Fairbanks North Star Borough - Salcha Elementary School Classroom Equipment (HD 12)		17,000	17,000	
Fairbanks North Star Borough - Senate District D Schools Classroom Technology Upgrade (HD 7-11)		100,000	100,000	
Fairbanks North Star		25,000	25,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Borough - Star of the North Charter School Classroom Technology Upgrades (HD 7-11)				
Fairbanks North Star Borough - Ticasuk Brown Elementary School Classroom and Facility Upgrades (HD 7-11)		25,000	25,000	
Fairbanks Northstar Borough - Air Quality Mitigation (HD 7-11)		2,500,000	2,500,000	
Fairbanks Northstar Borough - Arctic Winter Games Host Society (HD 7-11)		500,000	500,000	
Fort Yukon - Fire Truck (HD 6)		385,000	385,000	
Gambell - Excavator Purchase (HD 39)		155,000	155,000	
Golovin - Heavy Equipment (HD 39)		394,500	394,500	
Haines Borough - Haines Boat Harbor and Breakwater Improvements (HD 5)		4,500,000	4,500,000	
Homer - Fishing Lagoon Improvements (HD 33-35)		100,000	100,000	
Huslia - Huslia Community Services Center Match (HD 6)		170,000	170,000	
Kachemak - Kachemak Roads Repairs (HD 33-35)		60,000	60,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Kake - Water and Sewer Replacement (HD 5)		2,325,000	2,325,000	
Kasaan - Community Hall Remodel and Upgrade (HD 5)		83,400	83,400	
Kenai - Road and Infrastructure Improvements (HD 33-35)		3,000,000	3,000,000	
Kenai Peninsula Borough - Homer High School Athletic Facilities (HD 33-35)		1,100,000	1,100,000	
Kenai Peninsula Borough - Road Projects (HD 33-35)		5,000,000	5,000,000	
Ketchikan - Berths I & II Replacement Project (HD 1)		7,000,000	7,000,000	
Ketchikan - Ketchikan Medical Center Improvement Project (HD 1)		3,000,000	3,000,000	
Ketchikan - Rehabilitation/ Replacement of Off-System City Bridges (HD 1)		9,250,000	9,250,000	
Ketchikan Gateway Borough - Alaska Marine Highway System & NOAA Moorage Facility (HD 1)		10,000,000	10,000,000	
Ketchikan Gateway Borough - Ketchikan International Airport Operations and Infrastructure (HD 1)		9,905,000	9,905,000	
Kodiak - Pier III Replacement (HD 36)		5,000,000		5,000,000
Koyuk - Multi-Use Facility		150,000	150,000	

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 39)				
Koyukuk - New Clinic Match (HD 6)		150,000	150,000	
Matanuska-Susitna Borough - American Charter Academy Science Equipment and Supplies (HD 13-16)		45,000	45,000	
Matanuska-Susitna Borough - Big Lake Elementary School Equipment and Improvements (HD 13-16)		35,000	35,000	
Matanuska-Susitna Borough - Big Lake Service Area Roads Upgrade (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Birchtree Library (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Burchell High School Equipment and Improvements (HD 13-16)		60,000	60,000	
Matanuska-Susitna Borough - Butte Elementary School Equipment and Improvements (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Caswell Lakes Service Area Roads Upgrade (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Crystal Lake Road Repair and Resurface (HD 13-16)		75,000	75,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Matanuska-Susitna Borough - District Warehouse Improvements (HD 13-16)		20,000	20,000	
Matanuska-Susitna Borough - Fairview Service Area Roads Upgrade (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Fronteras Spanish Immersion Charter School Computer Labs (HD 13-16)		60,000	60,000	
Matanuska-Susitna Borough - Glacier View School Improvements and Equipment (HD 12)		35,000	35,000	
Matanuska-Susitna Borough - Goose Bay Elementary School Equipment (HD 13-16)		25,000	25,000	
Matanuska-Susitna Borough - Greater Butte Service Area Roads Upgrade (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Houston High School Lighting (HD 13-16)		115,000	115,000	
Matanuska-Susitna Borough - Knik Service Area Roads Upgrade (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Lazy Mountain Service Area Roads Upgrade (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough -		30,000	30,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Meadow Lakes Service Area Roads Upgrade (HD 13-16)				
Matanuska-Susitna Borough - Midnight Sun Family Learning Center Security System & Facility Equipment (HD 13-16)		25,000	25,000	
Matanuska-Susitna Borough - Pioneer Peak Elementary School High Equipment and Supplies (HD 13-16)		5,000	5,000	
Matanuska-Susitna Borough - Road Bond Package State Match (HD 13-16)		20,000,000	20,000,000	
Matanuska-Susitna Borough - Sutton Elementary School Equipment (HD 12)		19,000	19,000	
Matanuska-Susitna Borough - Sutton Elementary School Improvements and Equipment (HD 12)		35,000	35,000	
Matanuska-Susitna Borough - Talkeetna Service Area Roads Upgrades (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Trapper Creek Service Area Roads Upgrade (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Wasilla Middle School Outdoor Recreation Facility (HD 13-16)		75,000	75,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Matanuska-Susitna Borough - Willow Service Area Roads Upgrade (HD 13-16)		30,000	30,000	
Nenana - School Electrical Upgrades (HD 6)		150,000	150,000	
Nenana - Student Living Center Construction Debt (HD 6)		1,500,000	1,500,000	
New Stuyahok - Volunteer Fire Department Fire Station Construction and Equipment (HD 37)		985,650	985,650	
North Slope Borough - Arctic National Broadband Network (HD 40)		4,000,000	4,000,000	
Northwest Arctic Borough - Deering Fuel Delivery Truck (HD 40)		225,000	225,000	
Northwest Arctic Borough - Kiana Storage Shed and Shop (HD 40)		400,000	400,000	
Northwest Arctic Borough - Noatak Winter Fuel Haul System (HD 40)		425,000	425,000	
Nulato - Sawmill Acquisition and Public Facilities Repairs (HD 6)		45,000	45,000	
Old Harbor - Airport Expansion (HD 36)		4,500,000	4,500,000	
Palmer - Sidewalk Improvements (HD 13-16)		100,000	100,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Palmer - Waste Water Treatment Plant Property Acquisition (HD 13-16)		2,500,000	2,500,000	
Palmer - Water Main Tie-Ins (HD 13-16)		252,000	252,000	
Pelican - Water and Sewer Improvements (HD 2)		214,000	214,000	
Petersburg - Commercial Dock Drive Down Facility (HD 2)		5,600,000	5,600,000	
Petersburg - Crane Dock Upgrade (HD 2)		800,000	800,000	
Petersburg - Hospital Roof Replacement (HD 2)		275,000	275,000	
Petersburg - Police Department Design, Planning, and Pre-Construction (HD 2)		350,000	350,000	
Petersburg - Shooting Range Improvements (HD 2)		50,000	50,000	
Petersburg - Sons of Norway Hall Renovations and Improvements (HD 2)		250,000	250,000	
Port Lions - City Dock and Ferry Terminal Replacement (HD 36)		3,000,000	3,000,000	
Russian Mission - Dump Relocation Design and Permitting (HD 6)		600,000	600,000	
Saint Paul - Ataqan Landfill Burn Box (HD 37)		382,337	382,337	

	Allocations	Appropriation Items	General Funds	Other Funds
Savoonga - Heavy Equipment (HD 39)		197,200	197,200	
Saxman - Saxman Harbor - Planning and Design (HD 1)		350,000	350,000	
Saxman - Saxman Seaport Emergency Repairs & Improvements (HD 1)		750,000	750,000	
Sitka - Baranof Warm Springs Dock Improvements and Ownership Transfer (HD 2)		1,900,000	1,900,000	
Sitka - Commercial Passenger Vessel and Visitors Facilities Improvements (HD 2)		4,500,000	4,500,000	
Sitka - Community Hospital Roof Replacement (HD 2)		1,200,000	1,200,000	
Sitka - Eagle Way Upgrade and Ownership Transfer (HD 2)		1,500,000	1,500,000	
Sitka - Failed Collector Streets Rehabilitation (HD 2)		2,900,000	2,900,000	
Sitka - Nelson Logging Road Upgrade and Ownership Transfer (HD 2)		2,343,000	2,343,000	
Sitka - School District Vocational Education Facility (HD 2)		2,900,000	2,900,000	
Sitka - Supplemental & Emergency Diesel		7,125,000	7,125,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Generation (HD 2)				
Sitka - Takatz Lake Hydroelectric Project Planning and Analysis (HD 2)		770,000	770,000	
Thorne Bay - Davidson Landing Improvements (HD 1)		110,000	110,000	
Thorne Bay - Sandy Beach Road Repair & Improvements (HD 1)		273,000	273,000	
Unalaska - Wastewater Treatment Plant Improvements (HD 37)		2,000,000	2,000,000	
Valdez - Senior Center Carport Replacement (HD 12)		200,000	200,000	
Valdez - Valdez Boat Harbor (HD 12)		5,000,000	5,000,000	
Wales - Health Clinic Improvements (HD 39)		150,000	150,000	
Wasilla - Cottonwood Creek Park Trailhead (HD 13-16)		75,000	75,000	
Wasilla - Iditapark Amphitheater Pavilion (HD 13-16)		50,000	50,000	
Wasilla - Lake Lucille Dam Improvements (HD 13-16)		300,000	300,000	
Wasilla - Lake Lucille Park Boardwalk and Dock (HD 13-16)		100,000	100,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Wasilla - Regional Transportation Planning (HD 13-16)		150,000	150,000	
Whittier - Shotgun Cove Road - Phase 4 (HD 17-32)		2,000,000	2,000,000	
Wrangell - Boat Yard Improvements (HD 2)		8,500,000	8,500,000	
Wrangell - Gun Range Improvements (HD 2)		50,000	50,000	
Wrangell - Hospital and Nursing Home Replacement Project (HD 2)		1,800,000	1,800,000	
Wrangell - Wood Street Construction and Utility Improvements (HD 2)		1,000,000	1,000,000	
Grants to Municipalities (AS 37.05.315) - Public Library Construction				
Sitka - Kettleson Memorial Library (HD 2)		5,700,000	5,700,000	
Fairbanks North Star Borough - North Pole Branch Library (HD 7-11)		6,800,000	6,800,000	
Juneau - Mendenhall Valley Public Library (HD 3-4)		7,000,000	7,000,000	
Matanuska-Susitna Borough - Talkeetna Public Library & Community Resource Center (HD 13-16)		2,800,000	2,800,000	
Grants to Named Recipients (AS 37.05.316)				

	Allocations	Appropriation Items	General Funds	Other Funds
Access Alaska, Inc. - Anchorage Neighborhood Health Clinic Facility Purchase and Renovation (HD 17-32)		3,250,000	3,250,000	
Alaska Air Carriers Association, Inc. - Medallion Foundation (HD 1-40)		250,000	250,000	
Alaska Arts and Culture Foundation - Cultural Trust Needs Assessment (HD 1-40)		50,000	50,000	
Alaska Association for Historic Preservation - Nike Site Summit Tourism Development Project (HD 17-32)		50,000	50,000	
Alaska Botanical Garden - Horticultural Research and Propagation Site (HD 17-32)		375,000	375,000	
Alaska Brain Injury Network, Inc. - Statewide Brain Injury Awareness Campaign (HD 1-40)		200,000	200,000	
Alaska Cancer Care Alliance - Cancer Network Video and Web Technology & Programs (HD 1-40)		101,400	101,400	
Alaska Dome - Parking Lot Paving and Improvements		1,500,000	1,500,000	

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 17-32)				
Alaska Fisheries Development Foundation - Fishing Vessel Energy Audit Pilot Project (HD 1-40)		250,000	250,000	
Alaska Laborers Training Trust - Training Facility Student Housing & Dormitory Project (HD 17-32)		1,500,000	1,500,000	
Alaska Manufacturing Extension Partnership - State Matching Support (HD 1-40)		400,000	400,000	
Alaska Medicare Clinic - Facility Installation (HD 17-32)		500,000	500,000	
Alaska Moose Federation - Statewide Moose Salvage Program (HD 1-40)		100,000	100,000	
Alaska Museum of Natural History - New Science Facility Project and Building Upgrade (HD 17-32)		250,000	250,000	
Alaska Pretrial Services, Inc. - Pre-Trial Release and Community Safety Projects (HD 1-40)		250,000	250,000	
Alaska Resource Agency -		100,000	100,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Heating Appliance Upgrade and Replacement Program (HD 7-11)				
Alaska School Activities Association - Alaska High School Hall of Fame (HD 17-32)		150,000	150,000	
Alaska School Activities Association - Tobacco, Alcohol and Drug Prevention Programs (HD 1-40)		250,000	250,000	
Alaska Search and Rescue Association - Incident Management Team Search (HD 17-32)		50,000	50,000	
Alaska Special Olympics - Training Center and Campus Expansion Development (HD 17-32)		4,000,000	4,000,000	
Alaska Specialty Nursing Consortium - Alaska Specialty Nursing Training (HD 1-40)		85,000	85,000	
Alaska State Fair - Sewer System Expansion and Upgrades (HD 13-16)		1,142,875	1,142,875	
Alaska State Pipe Trades - Heating, Ventilation, Air Conditioning & Refrigeration (HVACR) Training (HD 17-32)		200,000	200,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Alaska Teamsters - Employer Service Training Equipment (HD 17-32)		160,000	160,000	
Alaska Veterans Foundation, Inc. - Veteran Village (HD 17-32)		300,000	300,000	
Alaska Village Electric Cooperative, Inc - Lower Kuskokwim Energy Improvements (HD 38)		5,000,000	5,000,000	
Alaska Village Electric Cooperative, Inc. - Ekwok Power System Upgrades Repayment (HD 37)		1,000,000	1,000,000	
Alaska Wildlife Conservation Center - Safe Drinking Water System (HD 17-32)		100,000	100,000	
Alaska Zoo - Distance Education Program (HD 17-32)		150,000	150,000	
Allakaket Traditional Council - Allakaket Clinic Renovation Project (HD 6)		170,000	170,000	
Alyeska Vocational Services - Alaska Deaf Center Development Plan (HD 17-32)		475,000	475,000	
Alzheimer's Disease Resource Agency of Alaska - Education & Support		100,000	100,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Program (HD 1-40)				
American Legion Baseball Alliance - Field Renovation and Development Program (HD 1-40)		1,350,000	1,350,000	
American Legion Post 29 - Homeless and Disabled Veterans Assistance (HD 17-32)		50,000	50,000	
American Legion Post 29 - Roof and Building Repairs (HD 17-32)		9,400	9,400	
American Lung Association - Alaska Asthma Coalition Program (HD 1-40)		500,000	500,000	
American Red Cross of Alaska - Service to Armed Forces - Emergency Messaging Program (HD 17-32)		75,000	75,000	
Anchor Point Senior Citizens, Inc. - Anchor Point Senior Center Improvements (HD 33-35)		244,000	244,000	
Anchorage Community Land Trust - Community Gardens (HD 17-32)		100,000	100,000	
Anchorage Community Land Trust - Mountain View Blighted Property Improvement (HD 17-32)		1,000,000	1,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage Community Mental Health Services - Adult Day Care Facility Expansion (HD 17-32)		250,000	250,000	
Anchorage Community YMCA - Mechanical System Boilers and Control System Replacement (HD 17-32)		10,000	10,000	
Anchorage Curling Club - Expanded Facility Construction (HD 17-32)		200,000	200,000	
Anchorage Park Foundation - African American Soldiers ALCAN Highway Memorial (HD 17-32)		50,000	50,000	
Anchorage Park Foundation - Arctic Benson Park and East Spenard Neighborhood Park Safety Upgrades (HD 17-32)		83,000	83,000	
Anchorage Park Foundation - Campbell Creek Estuary and Trail Improvements (HD 17-32)		200,000	200,000	
Anchorage Park Foundation - Campbell Park Play Equipment and Safety Surfacing (HD 17-32)		200,000	200,000	
Anchorage Park Foundation - Chester Creek Sports Complex Mulcahy Rinks		250,000	250,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Reconstruction (HD 17-32)				
Anchorage Park Foundation - Coastal Trail - Surface and Safety Improvements (HD 17-32)		1,000,000	1,000,000	
Anchorage Park Foundation - Davis Park Athletic Field Upgrades (HD 17-32)		200,000	200,000	
Anchorage Park Foundation - Downtown Streetscapes (HD 17-32)		310,000	310,000	
Anchorage Park Foundation - Elderberry Park Equipment (HD 17-32)		40,000	40,000	
Anchorage Park Foundation - Fairbanks Park Toddler Play Equipment (HD 17-32)		50,000	50,000	
Anchorage Park Foundation - Fairview Lions Park Play Equipment (HD 17-32)		200,000	200,000	
Anchorage Park Foundation - Kiwanis Fish Creek Park and Spenard Neighborhood Park Improvements (HD 17-32)		83,000	83,000	
Anchorage Park Foundation - North Russian Jack Springs Park Playground (HD 17-32)		400,000	400,000	
Anchorage Park Foundation - Northeast Anchorage Skate Park (HD 17-32)		250,000	250,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage Park Foundation - Ruth Arcand Park Equestrian Trail Rehabilitation (HD 17-32)		75,000	75,000	
Anchorage Parks Foundation - Scenic Foothills Community Council Little Dipper Pilot Project (HD 17-32)		73,000	73,000	
Anchorage Parks Foundation - Scenic Foothills Community Council Scenic Park Pilot Project (HD 17-32)		69,000	69,000	
Anchorage School District - Abbott Loop Elementary School Equipment and Furniture (HD 17-32)		60,000	60,000	
Anchorage School District - Airport Heights Elementary School Equipment (HD 17-32)		16,500	16,500	
Anchorage School District - Alaska Native Cultural Classroom Technology (HD 17-32)		25,000	25,000	
Anchorage School District - Anchorage Vocational Academic Institute of Learning Equipment and Materials (HD 17-32)		39,000	39,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage School District - Aquarian Charter School Equipment (HD 17-32)		35,000	35,000	
Anchorage School District - Bartlett High School Equipment (HD 17-32)		50,000	50,000	
Anchorage School District - Bartlett High School Turf Field Installation (HD 17-32)		3,500,000	3,500,000	
Anchorage School District - Baxter Elementary School Equipment and Materials (HD 17-32)		98,000	98,000	
Anchorage School District - Bayshore Elementary School Equipment (HD 17-32)		58,000	58,000	
Anchorage School District - Begich Middle School Equipment and Materials (HD 17-32)		181,350	181,350	
Anchorage School District - Central Middle School of Science Improvements (HD 17-32)		70,000	70,000	
Anchorage School District - Chester Valley Elementary School Equipment (HD 17-32)		40,000	40,000	
Anchorage School District - Chinook Elementary School		66,600	66,600	

	Allocations	Appropriation Items	General Funds	Other Funds
Improvements and Staff Training (HD 17-32)				
Anchorage School District - Chugach Optional Elementary School Security Improvements (HD 17-32)		90,000	90,000	
Anchorage School District - Chugiak Elementary School Interactive Display Technologies in Classrooms (HD 17-32)		44,000	44,000	
Anchorage School District - Clark Middle School Library Collection Upgrade (HD 17-32)		25,000	25,000	
Anchorage School District - College Gate Elementary School Equipment (HD 17-32)		30,000	30,000	
Anchorage School District - College Gate Elementary School Pedestrian Safety (HD 17-32)		470,000	470,000	
Anchorage School District - Creekside Park Elementary School Equipment and Materials (HD 17-32)		53,400	53,400	
Anchorage School District - Crossroads School Equipment and Classroom Upgrades (HD 17-32)		20,500	20,500	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage School District - Denali Montessori School Security Improvements (HD 17-32)		90,000	90,000	
Anchorage School District - Dimond High School Equipment and Improvements (HD 17-32)		123,500	123,500	
Anchorage School District - Eagle Academy School Equipment and Upgrades (HD 17-32)		60,700	60,700	
Anchorage School District - Eagle River Elementary School Equipment (HD 17-32)		75,000	75,000	
Anchorage School District - East High School Area Pedestrian and Safety Improvements (HD 17-32)		250,000	250,000	
Anchorage School District - East High School Classroom Equipment (HD 17-32)		165,400	165,400	
Anchorage School District - Fairview Elementary School Equipment and Materials (HD 17-32)		125,000	125,000	
Anchorage School District - Girdwood School Gym Improvements (HD 17-32)		40,000	40,000	
Anchorage School District -		52,000	52,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Gladys Wood Elementary School Equipment and Materials (HD 17-32)				
Anchorage School District - Government Hill Elementary School Equipment (HD 17-32)		50,000	50,000	
Anchorage School District - Hanshew Middle School Equipment and Upgrades (HD 17-32)		158,500	158,500	
Anchorage School District - Homestead Elementary School Security Improvements (HD 17-32)		90,000	90,000	
Anchorage School District - Inlet View Elementary School Equipment and Upgrades (HD 17-32)		150,000	150,000	
Anchorage School District - Kasuun Elementary School Equipment (HD 17-32)		115,500	115,500	
Anchorage School District - Kincaid Elementary School Improvements (HD 17-32)		15,000	15,000	
Anchorage School District - Klatt Elementary School Classroom Equipment (HD 17-32)		76,650	76,650	
Anchorage School District - Lake Hood Elementary		174,000	174,000	

	Allocations	Appropriation Items	General Funds	Other Funds
School Classroom Technology (HD 17-32)				
Anchorage School District - McLaughlin Secondary School Computers (HD 17-32)		21,000	21,000	
Anchorage School District - Mears Middle School Equipment and Improvement (HD 17-32)		73,500	73,500	
Anchorage School District - Mears Middle School Office Improvements (HD 17-32)		100,000	100,000	
Anchorage School District - Mirror Lake Middle School Musical Equipment (HD 17-32)		110,000	110,000	
Anchorage School District - Mountain View Elementary School Climbing Wall (HD 17-32)		25,000	25,000	
Anchorage School District - Mountain View Elementary School Equipment (HD 17-32)		32,500	32,500	
Anchorage School District - Muldoon Elementary School Equipment (HD 17-32)		80,000	80,000	
Anchorage School District - North Star Elementary School Equipment (HD		109,000	109,000	

	Allocations	Appropriation Items	General Funds	Other Funds
17-32)				
Anchorage School District - Northwood ABC Elementary School Gym Improvements (HD 17-32)		85,000	85,000	
Anchorage School District - Northwood ABC Elementary School Library Equipment (HD 17-32)		75,000	75,000	
Anchorage School District - Nunaka Valley Elementary School Equipment (HD 17-32)		68,500	68,500	
Anchorage School District - O'Malley Elementary School Equipment (HD 17-32)		40,000	40,000	
Anchorage School District - Polaris School Programs and Improvements (HD 17-32)		49,150	49,150	
Anchorage School District - Ptarmigan Elementary School Equipment and Peer Program (HD 17-32)		42,800	42,800	
Anchorage School District - Rabbit Creek Elementary School Furniture and Equipment (HD 17-32)		30,000	30,000	
Anchorage School District - Rogers Park Elementary School Equipment and		53,000	53,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Materials (HD 17-32)				
Anchorage School District - Romig Middle School Artificial Turf Field Installation (HD 17-32)		1,900,000	1,900,000	
Anchorage School District - Romig Middle School Equipment and Upgrades (HD 17-32)		183,500	183,500	
Anchorage School District - Russian Jack Elementary School Equipment (HD 17-32)		85,000	85,000	
Anchorage School District - Sand Lake Elementary School Ice Rink Upgrade (HD 17-32)		150,000	150,000	
Anchorage School District - Scenic Park Elementary School Equipment (HD 17-32)		35,000	35,000	
Anchorage School District - Service High School Equipment and Improvements (HD 17-32)		134,400	134,400	
Anchorage School District - Service High School Security Improvements (HD 17-32)		218,000	218,000	
Anchorage School District - Service High School Track		840,000	840,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Improvements (HD 17-32)				
Anchorage School District - South High School Field Improvements (HD 17-32)		2,200,000	2,200,000	
Anchorage School District - Specialized Academic Voc-Ed (SAVE) High School - Security Camera Installation (HD 17-32)		148,000	148,000	
Anchorage School District - Spring Hill Elementary School Electronic Systems Upgrade (HD 17-32)		150,000	150,000	
Anchorage School District - Steller Secondary School Facility Improvements (HD 17-32)		85,000	85,000	
Anchorage School District - Susitna Elementary School Equipment and Staff Development (HD 17-32)		47,500	47,500	
Anchorage School District - Taku Elementary School Equipment (HD 17-32)		51,000	51,000	
Anchorage School District - Trailside Elementary School Equipment (HD 17-32)		49,000	49,000	
Anchorage School District - Trailside Elementary School Playground (HD		140,000	140,000	

	Allocations	Appropriation Items	General Funds	Other Funds
17-32)				
Anchorage School District - Tudor Elementary School Equipment and Upgrades (HD 17-32)		136,000	136,000	
Anchorage School District - Turnagain Elementary School Equipment and Upgrades (HD 17-32)		182,000	182,000	
Anchorage School District - Tyson Elementary School Equipment and Upgrades (HD 17-32)		95,000	95,000	
Anchorage School District - Wendler Middle School Equipment and Upgrades (HD 17-32)		54,250	54,250	
Anchorage School District - West High School Artificial Turf Field Installation (HD 17-32)		3,100,000	3,100,000	
Anchorage School District - West High School Equipment and Upgrades (HD 17-32)		381,500	381,500	
Anchorage School District - West High School Stadium (HD 17-32)		1,600,000	1,600,000	
Anchorage School District - Williwaw Elementary School Equipment (HD 17-32)		31,500	31,500	
Anchorage School District -		74,000	74,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Willow Crest Elementary School Equipment and Upgrades (HD 17-32)				
Anchorage School District - Wonder Park Elementary School Equipment and Upgrades (HD 17-32)		108,200	108,200	
Angelus Memorial Park Cemetery, Inc. - Cemetery Capital Improvements (HD 1-40)		500,000	500,000	
ANTHC - Long Term Care Facility (HD 1-40)		11,500,000	11,500,000	
Arc of Anchorage - Building Maintenance, Repair, Renovation and Supplies (HD 17-32)		761,700	761,700	
Arctic Power - Arctic National Wildlife Refuge (ANWR) Program (HD 1-40)		160,000	160,000	
Arctic Winter Games State Team Alaska - State Participation Grant (HD 1-40)		315,000	315,000	
Armed Services YMCA of Alaska - Armed Services YMCA - Military Families Project (HD 17-32)		100,000	100,000	
Armed Services YMCA of Alaska - Y on Wheels		100,000	100,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Shuttle Service Grant (HD 17-32)				
Association of Village Council Presidents - Kuskokwim-Yukon Corridor Planning & Design (HD 38)		2,000,000	2,000,000	
Association of Village Council Presidents - Village Public Safety Buildings (HD 36-38)		1,057,600	1,057,600	
Association of Village Council Presidents (AVCP) - Aviation School Dormitory Construction (HD 36-38)		2,470,100	2,470,100	
Association of Village Council Presidents (AVCP) - Yukon-Kuskokwim Corridor Planning and Development Project (HD 36-38)		3,000,000	3,000,000	
Bering Sea Fishermen's Association - Arctic Yukon Kuskokwim Sustainable Salmon Initiative (HD 38)		3,200,000	3,200,000	
Big Lake Chamber of Commerce - Fish Creek Park Pavilion (HD 13-16)		25,000	25,000	
Birchwood Community Council - Birchwood Community Patrol (HD 13-16)		5,000	5,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Blood Bank of Alaska - Facilities and Services Expansion Project (HD 1-40)		8,000,000	8,000,000	
Boys & Girls Clubs of Southcentral Alaska - Fairbanks Clubhouse Renovations and Equipment (HD 7-11)		230,000	230,000	
Boys & Girls Clubs of Southcentral Alaska - Northeast Clubhouse Gym and Storage Improvements (HD 17-32)		35,000	35,000	
Boys & Girls Clubs of Southcentral Alaska - Woodland Park Clubhouse - Child Care and Athletics Facilities Improvements (HD 17-32)		1,374,440	1,374,440	
Boys & Girls Clubs of Southcentral Alaska - Woodland Park Maintenance Building Installation (HD 17-32)		584,050	584,050	
Boys & Girls Clubs of the Kenai Peninsula - Kenai Technology Center Equipment (HD 33-35)		14,000	14,000	
Boys & Girls Clubs of the Kenai Peninsula - Nikiski		14,000	14,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Technology Center Equipment (HD 33-35)				
Boys & Girls Clubs of the Kenai Peninsula - Soldotna Portable Planning, Permitting and Acquisition (HD 33-35)		163,000	163,000	
Boys and Girls Club of Southcentral Alaska - Mountain View Club Upgrades and Repairs (HD 17-32)		125,000	125,000	
Bread Line, Inc. - Stone Soup Cafe - Renovations and Service Improvements (HD 7-11)		150,000	150,000	
Brotherhood, Inc. - After School Program (HD 17-32)		100,000	100,000	
Camp Fire USA Alaska Council - Health Center and Shower House (HD 17-32)		395,000	395,000	
Carol H. Brice Family Center - Ventilation and Heat Recovery Upgrades (HD 7-11)		261,600	261,600	
Chena-Goldstream Fire & Rescue - Station #4 Safety Repairs & Energy Efficiency Upgrades (HD 7-11)		50,000	50,000	
Child Care Connection, Inc. - Anchorage		15,000	15,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Imagination Library Books & Postage (HD 17-32)				
Child Care Connection, Inc. - Equipment and Safety Improvements (HD 17-32)		75,000	75,000	
Child Care Connection, Inc. - Retaining Our Outstanding Teachers (ROOTS) Awards (HD 17-32)		1,000,000	1,000,000	
Children's Meal Mission, Inc. - Meals for Hungry Alaskan Children (HD 17-32)		50,000	50,000	
Chilkoot Indian Association - Chilkoot Community Service Center (HD 5)		1,315,000	1,315,000	
Chugach School District - Voyage to Excellence Facility Renovation (HD 17-32)		2,353,000	2,353,000	
Community Connections, Inc. - Community Connections New Building (HD 1)		550,000	550,000	
Cook Inlet Housing Authority - Spenard Road Revitalization and Environmental Contamination Abatement		1,900,000	1,900,000	

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 17-32)				
Cook Inlet Regional Citizens Advisory Council - Ice Forecasting Network (HD 33-35)		70,000	70,000	
Copper River Native Association - Copper River Health Clinic Construction (HD 6)		8,000,000	8,000,000	
Copper Valley Development Association, Inc. - Biomass and Agricultural Business Development (HD 12)		45,000	45,000	
Copper Valley Electric Association - Tiekel River Hydroelectric Project (HD 12)		500,000	500,000	
Cougar Gridiron Booster Club - Field Improvements (HD 17-32)		800,000	800,000	
Crisis Pregnancy Center - Facility Purchase (HD 17-32)		200,000	200,000	
Denali Family Services - Little Steps Preschool Facility Completion (HD 17-32)		400,000	400,000	
Edzeno' Native Village Council - Health Clinic Match (HD 6)		170,000	170,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Ester Volunteer Fire Department - Emergency Response Vehicle Conversion (HD 7-11)		100,000	100,000	
Fairbanks Community Foodbank - Building Maintenance and Sprinkler System (HD 7-11)		50,000	50,000	
Fairbanks Soil & Water Conservation District - Invasive Weeds Project (HD 7-11)		70,000	70,000	
Fairview Business Association - Gambell Boulevard Corridor Redevelopment Plan (HD 17-32)		200,000	200,000	
Federation of Community Councils - Meadow Park Rehabilitation (HD 17-32)		75,000	75,000	
Federation of Community Councils - Mountain View Community Council - Neighborhood Crime Watch (HD 17-32)		5,000	5,000	
Federation of Community Councils - Mountain View Community Patrol (HD 17-32)		10,000	10,000	
Federation of Community Councils - Nunaka Valley		16,500	16,500	

	Allocations	Appropriation Items	General Funds	Other Funds
and Northeast Community Patrols (HD 17-32)				
Federation of Community Councils - Recreational Upgrades to Abbott Loop Community Park (HD 17-32)		240,000	240,000	
First Tee of Alaska - Youth Development Program (HD 17-32)		100,000	100,000	
Food Bank of Alaska - Latino Lions Club Food Distribution (HD 17-32)		10,000	10,000	
Food Bank of Alaska - Statewide Facility Repairs and Equipment (HD 17-32)		78,000	78,000	
Fraternal order of the Alaska State Troopers - Crime Scene Investigation Forensic Science Camp (HD 17-32)		60,000	60,000	
Friends of the Jesse Lee Home (HD 33-35)		5,000,000	5,000,000	
Girdwood Nordic Ski Club - Girdwood Nordic Trail System Construction and Improvements (HD 17-32)		200,000	200,000	
Girl Scouts of Alaska - Edmonds Lake Singing Hills Facility Reconstruction (HD 13-16)		1,613,900	1,613,900	
GlennRich Fire Rescue -		120,000	120,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Water Tender Trucks (HD 12)				
Golden Valley Electric Association - Natural Gas Storage Facilities (HD 7-11)		30,000,000	30,000,000	
Grandview Homeowner's Association - Honey Bear Lane Resurfacing and Drainage Improvements (HD 17-32)		100,000	100,000	
Grayling IRA Council - Grayling Multi-Purpose Center Match (HD 6)		170,000	170,000	
Halibut Cove Community Organization - Alaska Mussel Farming Demonstration Project (HD 33-35)		300,000	300,000	
Homer Society of Natural History - Pratt Museum Building Design and Construction (HD 33-35)		100,000	100,000	
Hope Community Resources, Inc. - Statewide Facility Improvements & Equipment (HD 1-40)		900,000	900,000	
Hospice of The Central Peninsula - Durable Medical Equipment for Community Loan Closet (HD 33-35)		10,000	10,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Ilisagvik College - Heavy Equipment (HD 40)		150,000	150,000	
Institute of the North - Arctic Infrastructure and Development (HD 1-40)		155,000	155,000	
Interior Alaska Center for Non-Violent Living - Computers and Security Upgrades (HD 7-11)		30,000	30,000	
Interior Alaska Center for Non-Violent Living - Housing Program Building Repairs (HD 7-11)		25,000	25,000	
Interior Alaska Hospital Foundation - Rural Health Care Facility (HD 12)		50,000	50,000	
Juneau Economic Development Council - FIRST Robotics Alaska (HD 1-40)		250,000	250,000	
Juneau Economic Development Council - Spring Board Technology Transfer Alliance Program (HD 1-40)		250,000	250,000	
Junior Achievement of Alaska - Statewide K-12 Business Education Program (HD 17-32)		60,000	60,000	
Kaagwaantaan Inc. - Alaska Native Brotherhood Hall		250,000	250,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Renovations (HD 2)				
Kaltag Tribal Council - Kaltag New Health Care Clinic (HD 6)		100,000	100,000	
Kasilof Regional Historical Association - Community of Kasilof - Cabin Restoration (HD 33-35)		38,000	38,000	
Kenai Peninsula Boys & Girls Club - Kasilof After School Program (HD 33-35)		75,000	75,000	
Kenai Peninsula Care Center - Gymnasium Repair and Renovations (HD 33-35)		52,000	52,000	
Kenaitze Indian Tribe - Dena'ina Health and Wellness Center (HD 33-35)		2,500,000	2,500,000	
Kenaitze Indian Tribe - Dena'ina Health and Wellness Center Construction - Phase 2 (HD 33-35)		10,000,000	10,000,000	
Ketchikan Indian Community - Southern Southeast Alaska Vocational Training School Facility Improvements (HD 1)		2,200,000	2,200,000	
Ketchikan Rod and Gun Club - Gun Range Improvements (HD 1)		80,000	80,000	
Lake Louise Community Non		96,800	96,800	

	Allocations	Appropriation Items	General Funds	Other Funds
Profit Corporation - Fire-Rescue Landing Craft (HD 12)				
Life Alaska Donor Services, Inc - Donor Program (HD 1-40)		35,000	35,000	
Loren Marshall Foundation - Statewide Student CPR Training Program (HD 1-40)		350,000	350,000	
Mao Tosi's Alaska PRIDE - At-Risk Youth Programs, Cultural and Family Services (HD 17-32)		300,000	300,000	
Marine Exchange of Alaska - Alaska Vessel Tracking System Upgrades and Expansion (HD 1-40)		600,000	600,000	
Matanuska-Susitna Service for Children and Adults (HD 13-16)		4,000,000	4,000,000	
Meadow Lakes Community Council, Inc. - Community Campus Sports Fields Improvements (HD 13-16)		30,000	30,000	
Most Worshipful Prince Hall Grand Lodge of Alaska - Advancement Challenge Program (HD 17-32)		56,600	56,600	
NAACP Act-So program - Act-So Statewide & National Competition (HD		30,000	30,000	

	Allocations	Appropriation Items	General Funds	Other Funds
17-32)				
Neighbor Works Anchorage - Loussac-Sogn Building Revitalization (HD 17-32)		1,698,000	1,698,000	
New Life Development, Inc. - Re-entry Housing Program and Day Reporting Center (HD 17-32)		190,000	190,000	
Nikolaevsk, Inc. - Multi-Use Facility (HD 33-35)		50,000	50,000	
Ninilchik Emergency Services - Fire and EMS Station Project (HD 33-35)		225,000	225,000	
Ninilchik Senior Center - Center Improvements (HD 33-35)		24,800	24,800	
North Star Council on Aging, Inc. - Debt Recovery (HD 7-11)		145,000	145,000	
North Star Imagination Library - Reading Campaign (HD 7-11)		10,000	10,000	
Norton Sound Health Corporation - Long Term Care Facility Construction (HD 39)		3,000,000	3,000,000	
Nuvista Coop - Calista Region Multiple Tri-Village Services Consolidation Model (HD		1,500,000	1,500,000	

	Allocations	Appropriation Items	General Funds	Other Funds
39)				
Pacific Northwest Economic Region - Arctic Caucus (HD 17-32)		125,000	125,000	
Pacific Northwest Economic Region - Region Summit (HD 17-32)		150,000	150,000	
Partners for Progress in Delta, Inc. - Career Advancement Center Expansion (HD 12)		45,000	45,000	
Ruby Tribal Council - Altona Brown New Health Clinic Project (HD 6)		171,000	171,000	
Rural Alaska Community Action Program, Inc. - RurAL CAP Child Development Center (HD 17-32)		800,000	800,000	
Salcha Fire and Rescue, Inc. - Fire Suppression Equipment and Tools (HD 12)		50,000	50,000	
Shiloh Community Development, Inc. - Youth Mentorship Program (HD 17-32)		100,000	100,000	
Shiloh Community Housing - Living Independent Forever Program (HD 17-32)		60,000	60,000	
Sitka Counseling and		290,000	290,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Prevention Services, Inc. - Recovery Campus Improvements (HD 2)				
Sitka Gun Club - Gun Range Improvements (HD 2)		50,000	50,000	
Soldotna Area Senior Citizens, Inc. - Generator and Roof Improvements (HD 33-35)		82,000	82,000	
Soldotna Little League - Field Upgrades (HD 33-35)		25,000	25,000	
South Anchorage Baseball Boosters Club - Taylar Young Memorial Baseball Field (HD 17-32)		75,000	75,000	
Southeast Alaska Power Agency - Hydroelectric Storage, Generation, Transmission, & Business Analysis (HD 1-5)		3,000,000	3,000,000	
Southeast Conference - Southeast Alaska Timber & Economic Revitalization Project (HD 1-5)		650,000	650,000	
Southeast Island School District - Port Alexander Facility and Power Improvements (HD 2)		23,000	23,000	
Steese Fire and Rescue - Driveway and Parking Lot Improvement Project (HD		100,000	100,000	

	Allocations	Appropriation Items	General Funds	Other Funds
7-11)				
Trailside Discovery - Mountain View Water and Watercraft Safety Program (HD 17-32)		49,100	49,100	
Tri-Valley Volunteer Fire Department - Tri-Valley Community Center Power Upgrade (HD 7-11)		72,500	72,500	
Wrangell Cooperative Association - Chief Shakes House Restoration and Carving Shed Improvements (HD 2)		250,000	250,000	
YEA, Inc. - Youth Enrichment Programs (HD 17-32)		10,000	10,000	
Yukon Koyukuk School District - Manley and Allakaket Schools Water Systems Installation and Repairs (HD 6)		197,000	197,000	
Yukon-Kuskokwim Health Corporation - Regional Phillips Ayagnirvik Treatment Center (HD 36-38)		12,650,000	12,650,000	
Yuut Elitnaurviat- The People's Learning Center - Bunkhouse and Family Style Yukon Dormitory (HD 38)		3,200,000	3,200,000	

	Allocations	Appropriation Items	General Funds	Other Funds
YWCA Alaska - Youth Empowerment Programs (HD 17-32)		75,000	75,000	
Grants to Named Recipients (AS 37.05.316) - Deferred Maintenance and Enhancements to Hatchery Facilities Statewide				
Cook Inlet Aquaculture - Trail Lakes Hatchery (HD 12)		1,025,000	1,025,000	
Cook Inlet Aquaculture - Tutka Bay Hatchery (HD 33-35)		699,000	699,000	
Kodiak Regional Aquaculture - Kitoi Bay Hatchery (HD 36)		1,550,000	1,550,000	
Kodiak Regional Aquaculture - Pillar Creek Hatchery (HD 36)		909,000	909,000	
Northern Southeast Regional Aquaculture - Hidden Falls Salmon Hatchery (HD 1-5)		1,237,000	1,237,000	
Northern Southeast Regional Aquaculture - Medvejie Hatchery Maintenance & Facility Improvements (HD 1-5)		900,000	900,000	
Prince William Sound Aquaculture - Cannery Creek Hatchery (HD 12)		5,263,000	5,263,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Prince William Sound Aquaculture - Main Bay Hatchery (HD 5)		864,000	864,000	
Grants to Unincorporated Communities (AS 37.05.317)				
Alatna - Heavy Equipment Purchase and Freight (HD 6)		180,000	180,000	
Atmautluak - Washteria Facility Repairs and Upgrades (HD 38)		223,500	223,500	
Elfin Cove - Dock and Seaplane Float Improvements (HD 2)		500,000	500,000	
Hollis - Emergency Heliport and Infrastructure Project (HD 1)		290,000	290,000	
Minto - Minto Independent Elder Housing Project (HD 6)		200,000	200,000	
Tanacross - Tanacross New Health Care Clinic Project (HD 6)		600,000	600,000	
Venetie - New Clinic Match (HD 6)		200,000	200,000	
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* * * * * **Department of Corrections** * * * * *				
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Alaska Land Mobile Radio Emergency Response Narrowband Compliance (HD		470,000	470,000	

	Allocations	Appropriation Items	General Funds	Other Funds
1-40)				
Annual Facilities Maintenance and Repairs (HD 1-40)		1,000,000	1,000,000	
Goose Creek Correctional Center Start-up Furniture and Equipment (HD 13-16)		5,000,000	5,000,000	
Information Technology MIS / Disaster Recovery Equipment & Novell Replacement Project (HD 1-40)		250,000	250,000	
Deferred Maintenance, Renewal, Repair and Equipment		**5,000,000**	**5,000,000**	
Anchorage - Anchorage Correctional Complex - West Deferred Maintenance (HD 17-32)	750,000			
Bethel - Yukon-Kuskokwim Correctional Center Deferred Maintenance (HD 38)	175,000			
Eagle River - Combined Hiland Mountain Correctional Center Deferred Maintenance (HD 17-32)	648,000			
Fairbanks - Fairbanks Correctional Center Deferred Maintenance (HD	140,000			

	Allocations	Appropriation Items	General Funds	Other Funds
7-11)				
Juneau - Lemon Creek Correctional Center Deferred Maintenance (HD 3-4)	319,200			
Kenai - Wildwood Correctional Center Deferred Maintenance (HD 33-35)	50,000			
Ketchikan - Correctional Center Deferred Maintenance (HD 1)	138,000			
Nome - Anvil Mountain Correctional Center Deferred Maintenance (HD 39)	1,700,000			
Point MacKenzie - Point MacKenzie Correctional Farm Deferred Maintenance (HD 13-16)	350,000			
Sutton - Palmer Correctional Center Deferred Maintenance (HD 12)	729,800			
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* * * * * **Department of Education and Early Development** * * * * *				
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Alaska Pilot Pre-Kindergarten Project Expansion (HD 17-32)		973,000	973,000	
Alaska State Library,		49,000,000	49,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Archives and Museum Facility (HD 1-40)				
Bethel Regional High School Cafeteria Addition Design and Planning (HD 38)		1,257,000	1,257,000	
Mount Edgecumbe High School Aquatic Center (HD 1-40)		5,000,000	5,000,000	
Major Maintenance Grant Fund (AS 14.11.007)		**17,979,185**	**17,979,185**	
Whittier K-12 School Heating System Upgrade (HD 17-32)	815,725			
Kaltag K-12 School Mechanical and Electrical Upgrades (HD 6)	853,165			
Kake High School Kitchen Renovation (HD 5)	25,121			
Metlakatla High School Annex Roof Replacement (HD 5)	41,345			
Angoon High School Mechanical Upgrades (HD 5)	47,818			
Merreline A Kangas K-12 School Renovation, Ruby (HD 6)	5,078,282			
Akutan K-12 School Siding Replacement (HD 37)	66,625			
Shaktoolik K-12 School Renovation (HD 39)	9,176,358			

	Allocations	Appropriation Items	General Funds	Other Funds
Kake High School Shower Repairs (HD 5)	43,205			
Kake Elementary School Mechanical Ventilation Completion (HD 5)	59,200			
Bristol Bay School Voc Ed Wing Renovation (HD 37)	1,538,395			
Craig Elementary and Middle School Alternative Wood Heat Installation (HD 5)	161,172			
Sand Point K-12 School Pool Major Maintenance (HD 37)	72,774			
School Construction Grant Fund (AS 14.11.005)		**60,973,515**	**60,973,515**	
Emmonak K-12 School Addition/Renovation (HD 1-40)	36,056,700			
Koliganek K-12 School Replacement (HD 1-40)	24,916,815			
Deferred Maintenance				
Deferred Maintenance, Renewal, Repair and Equipment - Mt. Edgecumbe High School (HD 1-40)		1,700,000	1,700,000	
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* * * * * **Department of Environmental Conservation** * * * * *				
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Clean Water Capitalization Grant - Subsidy Funding		2,583,400		2,583,400

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 1-40)				
Drinking Water Capitalization Grant - Subsidy Funding (HD 1-40)		4,634,000		4,634,000
Oil and Hazardous Substance First Responder Equipment and Preparedness (HD 1-40)		750,000	750,000	
Statewide Contaminated Sites Cleanup (HD 1-40)		2,000,000	2,000,000	
Village Safe Water New Technology Approaches (HD 1-40)		1,000,000	1,000,000	
Village Safe Water and Wastewater Infrastructure Projects		**51,500,000**	**8,750,000**	**42,750,000**
Expansion, Upgrade, and Replacement of Existing Service (HD 1-40)	20,600,000			
First Time Service Projects (HD 1-40)	30,900,000			
Municipal Water, Sewage, and Solid Waste Facilities Grants (AS 46.03.030)		**32,013,449**	**32,013,449**	
Cordova - LT2 Compliance UV Treatment Facility (HD 5)	3,888,250			
Haines - Barnett Water Tank Replacement (HD 5)	699,143			
Hoonah - Water Transmission Line Replacement Phase 3 (HD 5)	1,732,357			

	Allocations	Appropriation Items	General Funds	Other Funds
Kenai - Water Transmission Mains Phase 4 (HD 33-35)	1,935,164			
Ketchikan - Jackson/Monroe Streets and 4th/7th Avenues Water and Sewer (HD 1)	767,860			
Kodiak - Aleutian Homes Water and Sewer Replacement Phase 5 (HD 36)	1,339,000			
Kodiak Island Borough - Landfill Lateral Expansion Phase 2 (HD 36)	3,090,000			
Nome - East Sclaircore Replacement/Expansion Phase 2 (HD 39)	3,090,000			
North Pole - Techite Sewer Main and Manholes Rehabilitation (HD 7-11)	2,590,450			
North Slope Borough - Ahgeak Street Water and Sewer Extension (HD 40)	3,090,000			
Seward - North Seward Water Storage Tank and Pumping Facility (HD 33-35)	2,583,240			
Sitka - Baranof Street Water and Sewer Replacement (HD 2)	1,032,413			
Sitka - UV Water Disinfection Facility (HD 2)	2,122,830			

	Allocations	Appropriation Items	General Funds	Other Funds
Soldotna - Sterling Street Water and Sewer Replacement (HD 33-35)	377,465			
Unalaska - Wastewater Treatment Plant Upgrade (HD 37)	3,090,000			
Wrangell - Cassiar Street Water and Sewer Rehabilitation (HD 2)	585,277			
Deferred Maintenance				
Deferred Maintenance, Renewal, Repair and Equipment (HD 17-32)		200,000	200,000	
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* * * * * **Department of Fish and Game** * * * * *				
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Boards of Fisheries and Game Sound Systems Replacement (HD 1-40)		100,000	100,000	
Equipment Replacement and Upgrade for Wildlife Research and Management Statewide Programs (HD 1-40)		200,000		200,000
Eradication of Invasive Tunicates in Whiting Harbor in Sitka (HD 2)		500,000	500,000	
Facilities, Vessels, and Aircraft Maintenance, Repair, and Upgrades (HD 1-40)		1,000,000	1,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Fish Passages, Counting and Sampling Sites, and Weir Facilities Design, Repair and Upgrades (HD 1-40)		700,000	700,000	
Kenai River King Salmon Sonar Assessment Program (HD 33-35)		1,813,000	1,813,000	
Marine Mammal and Passenger Vessel Impact Research (HD 1-40)		250,000	250,000	
Pacific Coastal Salmon Recovery Fund (HD 1-40)		7,500,000		7,500,000
Replacement of R/V Resolution (HD 36)		3,700,000	3,700,000	
Research on Endangered Species Act Candidate Species (HD 1-40)		1,550,000	1,550,000	
Seward Vessel Wash-Down and Wastewater Recycling Facility (HD 33-35)		641,300		641,300
Sport Fish Recreational Boating Access (HD 1-40)		2,500,000		2,500,000
Susitna River Sockeye Salmon Migration (HD 13-16)		625,000	625,000	
Upper Cook Inlet East Side Set Net Chinook Salmon Harvest Patterns (HD 33-35)		789,000	789,000	
Wild/Hatchery Salmon Management Tools (HD 1-40)		5,000,000	5,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Deferred Maintenance, Renewal, Repair and Equipment		**1,400,000**	**1,400,000**	
Roof Design, Repairs, Upgrades, and Replacements (HD 1-40)	800,000			
Small Field Camp Facility Repairs and Upgrades (HD 1-40)	200,000			
Warehouse/Workshop Repairs and Upgrades (HD 1-40)	400,000			
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* * * * * **Office of the Governor** * * * * *				
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Polling Place Accessibility Improvements under the Federal Help America Vote Act (HAVA) (HD 1-40)		100,000		100,000
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* * * * * **Department of Health and Social Services** * * * * *				
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Alaska Land Mobile Radio Emergency Response Narrowband Compliance (HD 1-40)		297,500	297,500	
Bethel Youth Facility Expansion - Phase 1 (HD 36-38)		10,000,000	10,000,000	
Emergency Medical Services Match for Code Blue Project (HD 1-40)		450,000	450,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Girdwood Health Clinic Services Expansion (HD 17-32)		400,000	400,000	
International Classification of Diseases Version 10 - Phase 2 (HD 1-40)		4,707,000	901,600	3,805,400
State Improvements to Health Information Gateway (HD 1-40)		3,641,400	364,140	3,277,260
Deferred Maintenance, Renewal, Repair and Equipment - Pioneer Homes		**4,000,000**	**4,000,000**	
Alaska Veterans and Pioneers Home Deferred Maintenance (HD 13-16)	24,810			
Anchorage Pioneer Home Deferred Maintenance (HD 17-32)	1,389,360			
Juneau Pioneer Home Deferred Maintenance (HD 3-4)	2,210,830			
Sitka Pioneer Home Deferred Maintenance (HD 2)	375,000			
Deferred Maintenance, Renewal, Repair and Equipment - Non-Pioneer Homes		**3,015,740**	**3,000,000**	**15,740**
Alaska Psychiatric Institute Deferred	902,475			

	Allocations	Appropriation Items	General Funds	Other Funds
Maintenance (HD 1-40)				
Anchorage Public Health Laboratory Deferred Maintenance (HD 1-40)	132,322			
Denardo Center Deferred Maintenance (HD 7-11)	206,750			
Dillingham Health Center Deferred Maintenance (HD 37)	14,919			
Fahrenkamp Center Deferred Maintenance (HD 7-11)	275,771			
Johnson Youth Center Deferred Maintenance (HD 3-4)	415,402			
Juneau Public Health Center Deferred Maintenance (HD 3-4)	104,434			
Kenai Peninsula Youth Facility Deferred Maintenance (HD 33-35)	165,400			
Ketchikan Public Health Center Deferred Maintenance (HD 1)	37,297			
Matanuska-Susitna Youth Facility Deferred Maintenance (HD 13-16)	41,350			
McLaughlin Youth Center Deferred Maintenance (HD 1-40)	703,120			
Sitka Public Health Center Deferred Maintenance (HD	16,500			

	Allocations	Appropriation Items	General Funds	Other Funds
2)				
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* * * * * **Department of Labor and Workforce Development** * * * * *				
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Job Center Computer Replacements (HD 1-40)		917,500	917,500	
Marine Simulator Software (HD 33-35)		39,000	39,000	
Third Avenue Dormitory Replacement (HD 33-35)		16,075,000	16,075,000	
Grants to Named Recipients (AS 37.05.316)				
Fairbanks Pipeline Training Center Construction and Equipment Purchase (HD 7-11)		6,000,000	6,000,000	
Deferred Maintenance				
Deferred Maintenance, Renewal, Repair and Equipment - AVTEC (HD 33-35)		1,000,000	1,000,000	
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* * * * * **Department of Law** * * * * *				
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Charitable Organization Online Registration System (HD 1-40)		250,000		250,000
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* * * * * **Department of Military and Veterans Affairs** * * * * *				
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Fort Richardson - Camp		3,000,000	1,200,000	1,800,000

	Allocations	Appropriation Items	General Funds	Other Funds
Denali - Install Fire Sprinkler System (HD 17-32)				
Interior Alaska Veterans Cemetery (HD 7-11)		2,000,000		2,000,000
Mobile Emergency Operations and Command Vehicle Storage Construction (HD 13-16)		925,000	925,000	
National Guard Counterdrug Support (HD 1-40)		100,000		100,000
State Homeland Security Grant Programs (HD 1-40)		9,500,000		9,500,000
Statewide Emergency Food Supplies (HD 1-40)		4,860,000	4,860,000	
Deferred Maintenance, Renewal, Repair and Equipment		**8,542,500**	**4,000,000**	**4,542,500**
Alcantra Armory Deferred Maintenance (HD 13-16)	320,000			
Bethel Armory Deferred Maintenance (HD 38)	340,000			
Civil Support Team Facility Deferred Maintenance (HD 17-32)	560,000			
Fairbanks Armory Deferred Maintenance (HD 7-11)	20,000			
Haines Armory Deferred Maintenance (HD 5)	320,000			
Joint Base Elmendorf Richardson Facilities	5,128,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Deferred Maintenance (HD 17-32)				
Juneau Armory Deferred Maintenance (HD 3-4)	514,500			
Kenai Armory Deferred Maintenance (HD 33-35)	20,000			
Ketchikan Armory Deferred Maintenance (HD 1)	1,100,000			
Kodiak Armory Deferred Maintenance (HD 36)	20,000			
Valdez Armory Deferred Maintenance (HD 12)	75,000			
Wrangell Armory Deferred Maintenance (HD 2)	125,000			
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* * * * * **Department of Natural Resources** * * * * *				
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Abandoned Mine Lands Reclamation Federal Program (HD 1-40)		3,200,000		3,200,000
Alaska Land Mobile Radio Emergency Response Narrowband Compliance (HD 1-40)		2,960,000	2,960,000	
Assessment of In-state Gas Energy Potential - Phase 3 of 3 (HD 1-40)		200,000	200,000	
Chugach State Park Public-Use Cabins Construction and Maintenance (HD 17-32)		400,000	400,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Coastal Marine Boundary Mapping (HD 1-40)		180,000	180,000	
Cooperative Water Resource Program (HD 1-40)		2,500,000		2,500,000
Division of Forestry - Consolidated Wildland Fire Center (HD 7-11)		4,500,000	4,500,000	
Federal and Local Government Funded Forest Resource and Fire Program Projects (HD 1-40)		1,000,000		1,000,000
Geologic Assessment of North Slope Shale Oil Potential (HD 40)		100,000	100,000	
Historical Alaskan Leaders Documentary (HD 17-32)		500,000	500,000	
Land and Water Conservation Fund Federal Grant Program (HD 1-40)		600,000		600,000
Large Dam Projects Application Review (HD 1-40)		506,000		506,000
Lower Kasilof River Drift Boat Takeout - Phase 2 of 2 (HD 33-35)		1,600,000	1,600,000	
National Coastal Wetlands Grant (HD 1-40)		1,060,000		1,060,000
National Historic Preservation Fund Federal Grant Program (HD 1-40)		750,000	150,000	600,000
National Recreational		2,600,000		2,600,000

	Allocations	Appropriation Items	General Funds	Other Funds
Trails Grant Federal Program (HD 1-40)				
Peters Creek Flooding and Erosion Control Project (HD 13-16)		116,000	116,000	
Ruth Arcand Trail Rehabilitation (HD 17-32)		30,000	30,000	
Shale Oil Environmental Data (HD 40)		1,000,000	1,000,000	
Snowmobile Trail Development Program and Grants (HD 1-40)		250,000	250,000	
Strategic and Critical Minerals Assessment (HD 1-40)		2,730,000	2,730,000	
Timber and Resource Roads (HD 1-40)		2,000,000	2,000,000	
Tok Long-Term Timber Sale for Biomass Energy (HD 6)		200,000	200,000	
Unified Permit Project and Document Management (HD 1-40)		3,300,000	3,300,000	
Upgrade Well Log Tracking System (WELTS) (HD 1-40)		112,000	112,000	
Wildland Fire-Fighting Aircraft Maintenance (HD 1-40)		500,000	500,000	
Deferred Maintenance, Renewal, Repair and Equipment		**4,000,000**	**4,000,000**	
Division of Forestry	800,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Deferred Maintenance (HD 1-40)				
Parks and Outdoor Recreation Deferred Maintenance - Chugach Area (HD 17-32)	635,000			
Parks and Outdoor Recreation Deferred Maintenance - Kenai Area (HD 33-35)	560,000			
Parks and Outdoor Recreation Deferred Maintenance - Kodiak Area (HD 36)	135,000			
Parks and Outdoor Recreation Deferred Maintenance - Mat-Su Area (HD 13-16)	465,000			
Parks and Outdoor Recreation Deferred Maintenance - Northern Region (HD 7-11)	560,000			
Parks and Outdoor Recreation Deferred Maintenance - Southeast Area (HD 1-5)	475,000			
Parks and Outdoor Recreation Deferred Maintenance - Wood Tikchik Area (HD 36-38)	70,000			
Parks and Outdoor	300,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Recreation Statewide Emergency Repairs (HD 1-40)				
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* * * * * **Department of Public Safety** * * * * *				
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Aircraft and Vessel Repair and Maintenance (HD 1-40)		869,800	869,800	
Alaska Justice Advanced Exchange Program Development (HD 1-40)		1,812,000	1,812,000	
Alaska Land Mobile Radio Emergency Response Narrowband Compliance (HD 1-40)		1,470,000	1,470,000	
Alaska Public Safety Information Network (APSIN) Contractor Support (HD 1-40)		680,000	680,000	
Alaska State Troopers Law Enforcement Equipment (HD 1-40)		500,000	500,000	
Alaska Wildlife Troopers Law Enforcement Equipment (HD 1-40)		500,000	500,000	
Marine Fisheries Patrol Improvements (HD 1-40)		1,500,000		1,500,000
P/V Woldstad - Engine Repower and Other Dry Dock Maintenance (HD 37)		2,400,000	2,400,000	
Public Safety Academy		200,000	200,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Dining Facility Construction (HD 1-40)				
Replacement Twin-Engine Turbine Aircraft (HD 1-40)		7,600,000	7,600,000	
Search and Rescue and Law Enforcement Helicopter (HD 1-40)		3,000,000	3,000,000	
Village Public Safety Officer Equipment (HD 1-40)		375,000	375,000	
Deferred Maintenance, Renewal, Repair and Equipment		**1,350,000**	**1,350,000**	
Bethel Post Facilities Deferred Maintenance (HD 38)	103,000			
Fairbanks Post Facilities Deferred Maintenance (HD 7-11)	650,000			
Public Safety Academy Deferred Maintenance (HD 1-40)	225,000			
Soldotna Post Facilities Deferred Maintenance (HD 33-35)	225,000			
Statewide Facilities Deferred Maintenance (HD 1-40)	147,000			
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* * * * * **Department of Revenue** * * * * *				
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	Allocations	Appropriation Items	General Funds	Other Funds
Child Support Services		1,637,000	557,000	1,080,000
Case Management System Modernization Plan (HD 1-40)				
Child Support Services		204,000	69,400	134,600
Computer Replacement Project Phase 3 (HD 1-40)				
Child Support Services		230,000	78,200	151,800
Interactive Voice Response System Replacement (HD 1-40)				
Permanent Fund Corporation		50,000		50,000
Office Space Rewiring (HD 1-40)				
Alaska Housing Finance Corporation				
AHFC Building System Replacement Program (HD 1-40)		1,500,000	1,500,000	
AHFC Competitive Grants for Public Housing (HD 1-40)		1,100,000	350,000	750,000
AHFC Domestic Violence Housing Assistance Program (HD 1-40)		1,328,400	1,328,400	
AHFC Energy Efficiency Monitoring Research (HD 1-40)		1,000,000	1,000,000	
AHFC Federal and Other Competitive Grants (HD 1-40)		4,500,000	1,500,000	3,000,000

	Allocations	Appropriation Items	General Funds	Other Funds
AHFC Fire Protection Systems (HD 1-40)		2,200,000	2,200,000	
AHFC Housing and Urban Development Capital Fund Program (HD 1-40)		3,200,000		3,200,000
AHFC Housing and Urban Development Federal HOME Grant (HD 1-40)		4,050,000	750,000	3,300,000
AHFC Security Systems Replacement/Upgrades (HD 1-40)		500,000	500,000	
AHFC Senior Citizens Housing Development Program (HD 1-40)		4,500,000	4,500,000	
AHFC Statewide ADA Improvements (HD 1-40)		500,000	500,000	
AHFC Statewide Project Improvements (HD 1-40)		2,000,000	2,000,000	
AHFC Supplemental Housing Development Program (HD 1-40)		7,000,000	7,000,000	
Alaska Gasline Development Corporation - Year 3 In-State Gas Project (HD 1-40)		21,000,000	21,000,000	
AHFC Housing Loan Program		**6,000,000**	**6,000,000**	
AHFC Teacher, Health and Public Safety Professionals Housing (HD 1-40)	5,000,000			
AHFC Village Public	1,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Safety Officers Housing (HD 1-40)				
AHFC Weatherization and Home Energy Rebate Programs		**66,500,000**	**65,000,000**	**1,500,000**
AHFC Home Energy Rebate Program (HD 1-40)	20,000,000			
AHFC Weatherization Program (HD 1-40)	46,500,000			
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* * * * * **Department of Transportation and Public Facilities** * * * * *				
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88th Avenue Upgrade - Spruce Brook Street to Elmore Road (HD 17-32)		800,000	800,000	
Alaska Marine Highway System - Alaska Class Ferry (HD 1-40)		60,000,000	60,000,000	
Anchorage - Midtown Traffic Congestion Relief (HD 17-32)		10,000,000	10,000,000	
Chena Road Bicycle & Pedestrian Facility (HD 7-11)		115,000	115,000	
Community of Cooper Landing - Walkable Community Project (HD 33-35)		50,000	50,000	
Egan Drive LED Lighting - Phase I (HD 3-4)		5,000,000	5,000,000	
Fairbanks Metropolitan Area		7,500,000	7,500,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Transportation System (FMATS) - Transportation Improvement Program (HD 7-11)				
Intersection Improvements Study - Caribou and Boniface (HD 17-32)		65,000	65,000	
Muldoon Road and Glenn Interchange Improvements (HD 17-32)		450,000	450,000	
Northern Region Material Site Reconnaissance (HD 7-11)		250,000	250,000	
O'Malley Trail and Sidewalk Northside Improvements (HD 17-32)		1,000,000	1,000,000	
Project Acceleration Account (HD 1-40)		2,500,000	2,500,000	
Statewide - Community Bridge Rehabilitation/ Replacement (HD 1-40)		3,000,000	3,000,000	
Statewide Digital Mapping Initiative (HD 39-40)		15,936,168	3,687,030	12,249,138
Umiat - Airport Survey and Property Plan (HD 40)		250,000	250,000	
United States Army Corps of Engineers - Arctic Ports Study (HD 1-40)		1,500,000	1,000,000	500,000
Roads to Resources		**28,500,000**	**28,500,000**	
Ambler Mining District (HD 40)	4,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Klondike - Industrial Highway Ore Haul Refurbishment (HD 5)	2,500,000			
Resource Roads Program (HD 1-40)	2,000,000			
Road to Umiat - Foothills West Continued Environmental Impact Study Development (HD 40)	10,000,000			
Western Access - Road to Tanana (HD 6)	10,000,000			
Southeast Roads to Resources		**55,000,000**	**55,000,000**	
Bostwick to Valenar Bay Road (HD 1)	7,000,000			
Kake-Petersburg Road (HD 1-5)	40,000,000			
Mill Access Road Improvements (HD 1)	3,000,000			
SE Alaska Light Detection & Ranging (LIDAR) Mapping & Reconnaissance (HD 1-5)	5,000,000			
Safety		**35,530,000**	**34,030,000**	**1,500,000**
Alaska Aviation Safety Program (HD 1-40)	2,500,000			
Dalton Highway Corridor Aviation Improvements (HD 1-40)	3,000,000			
Highway Safety Corridor - Knik-Goose Bay Road Safety Corridor Improvements (HD	10,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
13-16)				
Highway Safety Corridor - Seward Highway - Widening to Address Congestion (HD 17-32)	10,000,000			
Highway Safety Corridor - Seward Highway at Alyeska Highway Intersection Improvements (HD 17-32)	5,000,000			
Highway Safety Corridor - Sterling Highway - Sterling to Soldotna Widening (HD 33-35)	1,730,000			
Kenai - Kalifornsky Beach Road and Bridge Access Road Pedestrian Paths (HD 33-35)	3,000,000			
Statewide - Structural Inspection of State Owned Facilities (HD 1-40)	300,000			
Municipal Harbor Facility		**23,093,100**	**23,093,100**	
Grant Fund (AS 29.60.800)				
Hoonah - Hoonah Harbor (HD 5)	207,500			
Hydaburg - Small Boat Harbor (HD 5)	2,698,000			
Juneau - Aurora Small Boat Harbor (HD 3-4)	2,000,000			
Nome - Nome Harbor (HD 39)	1,500,000			
Petersburg - North Harbor	3,500,000			

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 2)				
Seldovia - Small Boat Harbor (HD 33-35)	1,000,000			
Seward - Seward Harbor (HD 33-35)	1,180,000			
Sitka - Alaska Native Brotherhood (ANB) Harbor (HD 2)	4,250,000			
Skagway - Small Boat Harbor (HD 5)	5,000,000			
Unalaska - Robert Storrs International Harbor (HD 37)	1,757,600			
Asset Management		**46,000,000**	**29,500,000**	**16,500,000**
Aggregate Surfacing Materials (HD 1-40)	2,000,000			
Alaska Marine Highway System - Vessel and Terminal Overhaul and Rehabilitation (HD 1-40)	10,000,000			
Capital Improvement Program Equipment Replacement (HD 1-40)	1,500,000			
Dalton Highway Corridor Surface Repairs (HD 1-40)	7,500,000			
Seward Highway - Milepost 75 - 90 Bridge Replacements (HD 17-32)	10,000,000			
State Equipment Fleet Replacement (HD 1-40)	15,000,000			
Regulatory Compliance		**3,000,000**	**3,000,000**	

	Allocations	Appropriation Items	General Funds	Other Funds
Central Region - Sand Storage Buildings (HD 12-35)	1,000,000			
Emergency and Non-Routine Repairs (HD 1-40)	2,000,000			
Statewide Federal Programs		**89,650,000**	**3,900,000**	**85,750,000**
Alaska Mobility Coalition - Public and Community Transportation State Match (HD 1-40)	3,000,000			
Commercial Vehicle Enforcement Program (HD 1-40)	1,750,000			
Cooperative Reimbursable Projects (HD 1-40)	17,000,000			
Federal Contingency Projects (HD 1-40)	20,000,000			
Federal Emergency Projects (HD 1-40)	10,000,000			
Federal Transit Administration Grants (HD 1-40)	9,000,000			
Highway Safety Grants Program (HD 1-40)	8,000,000			
Other Federal Program Match (HD 1-40)	900,000			
Statewide Safety Program (HD 1-40)	20,000,000			
Airport Improvement Program		**227,038,158**	**11,700,000**	**215,338,158**
Federal-Aid Aviation State	11,700,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Match (HD 1-40)				
Alaska International Airport System - Contingency Funds (HD 17-32)	8,919,307			
Aniak - Airport Improvements (HD 6)	4,700,000			
Barrow - Airport Master Plan (HD 40)	500,000			
Bethel - Airport Snow Removal Equipment Building (HD 38)	1,000,000			
Chevak - Airport Runway Extension (HD 39)	14,000,000			
Cold Bay - Airport Rescue and Firefighting Building Expansion (HD 37)	600,000			
Cold Bay - Runway 14/32 Rehabilitation with Lighting System Replacement (HD 37)	16,000,000			
Coldfoot - Airport Improvements (HD 6)	1,900,000			
Emmonak - Snow Removal Equipment Building (HD 39)	910,000			
Fairbanks International Airport - Environmental Assessment and Cleanup (HD 7-11)	300,000			
Fairbanks International Airport - Equipment (HD	510,000			

	Allocations	Appropriation Items	General Funds	Other Funds
7-11)				
Galena - Airport Lighting (HD 6)	1,760,000			
Gulkana - Apron and Taxiway Pavement Rehabilitation (HD 6)	700,000			
Haines - Sand, Chemical and Snow Removal Equipment Storage Building (HD 5)	1,600,000			
Ketchikan - Airport Taxiways and Apron Rehabilitation (HD 1)	10,000,000			
King Salmon - Airport Improvements (HD 37)	2,000,000			
King Salmon - Sand Storage Building (HD 37)	1,300,000			
Kodiak - Airport Improvements (HD 36)	26,000,000			
Koliganek - Snow Removal Equipment Building (HD 37)	1,000,000			
Kotzebue - Airport and Runway Safety Area Improvements (HD 40)	12,415,000			
Kotzebue - Apron Expansion (HD 40)	200,000			
Little Diomede - Snow Removal Equipment Building (HD 39)	110,000			
Nome - Airport Runway Safety Area (RSA)	46,760,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Improvements (HD 39)				
Shishmaref - Airport Resurfacing (HD 40)	6,300,000			
Statewide - Aviation Preconstruction (HD 1-40)	10,000,000			
Statewide - Aviation Systems Plan Update (HD 1-40)	1,000,000			
Statewide - Various Airports Aeronautical Surveys (HD 1-40)	2,000,000			
Statewide - Various Airports Minor Surface Improvements (HD 1-40)	4,000,000			
Statewide - Various Airports Snow Removal and Safety Equipment (HD 1-40)	10,000,000			
Ted Stevens Anchorage International Airport - Equipment (HD 17-32)	5,680,693			
Ted Stevens Anchorage International Airport - Ground Transportation Lobby and Commercial Curbside Lobby Improvements (HD 17-32)	2,000,000			
Ted Stevens Anchorage International Airport - Kulis Improvements (HD 17-32)	2,550,000			
Ted Stevens Anchorage	5,263,158			

	Allocations	Appropriation Items	General Funds	Other Funds
International Airport - Lake Hood Annual Improvements (HD 17-32)				
Ted Stevens Anchorage International Airport - Master Plan - Part 150 Noise Compatibility Study (HD 17-32)	360,000			
Ted Stevens Anchorage International Airport - Quick Turnaround Facility, Diesel Exhaust Fluid and Fuel Tracking System (HD 17-32)	2,200,000			
Ted Stevens Anchorage International Airport - Taxiway E and M Reconstruction (HD 17-32)	4,000,000			
Unalaska - Chemical Storage Building (HD 37)	5,000,000			
Yakutat - Airport Perimeter Fence (HD 5)	1,800,000			
Surface Transportation Program		**451,764,000**	**47,200,000**	**404,564,000**
Federal-Aid Highway State Match (HD 1-40)	47,200,000			
'6004 Program' Implementation (HD 1-40)	250,000			
Alaska Marine Highway System - Fast Vehicle Ferry Propulsion System	22,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Replacement (HD 1-40)				
Alaska Marine Highway System - Ferry Vessel Refurbishment (HD 1-40)	15,000,000			
Alaska Marine Highway System - Fleet Condition Survey Update (HD 1-40)	175,000			
Alaska Marine Highway System - Intelligent Transportation Systems Implementation Plan (HD 1-40)	250,000			
Alaska Marine Highway System - Terminal - Prince Rupert Ferry Terminal Acquisition and Refurbishment (HD 1-40)	9,000,000			
Aleknagik - Wood River Bridge (HD 37)	5,000,000			
Anchorage - Portage Glacier Road Embankment Stabilization (HD 17-32)	1,500,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Air Quality Public and Business Awareness Education Campaign (HD 17-32)	250,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Driftwood Bay	150,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Drive Study (HD 17-32)				
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Eagle River Road Rehabilitation - Milepost 5.3 to 12.6 (HD 17-32)	29,800,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Pavement Replacement Program (HD 17-32)	8,202,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Regional Household Travel Survey (HD 17-32)	300,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - South Anchorage Hillside Intersection Study (HD 17-32)	500,000			
Central Region - Long Term National Highway System Capital Project Planning (HD 12-35)	700,000			
Central Region - National Highway System and Non-National Highway System Pavement and Bridge Refurbishment (HD 12-35)	20,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Central Region - Public Safety and Reduced Maintenance Intelligent Transportation Systems Project (HD 12-35)	1,300,000			
Central Region - Traffic Count Program (HD 12-35)	300,000			
Central Region - Travel Efficiency and Reduced Maintenance Intelligent Transportation Systems Project (HD 12-35)	1,000,000			
Cultural and Historic Resource Evaluation Streamlining (HD 1-40)	450,000			
Dalton Highway Milepost 0-9 Reconstruction (HD 1-40)	36,000,000			
Dillingham - Kanakanak Road Resurfacing (HD 37)	5,000,000			
Elliott Highway - Milepost 107.7 to 120.5 Rehabilitation (HD 6)	9,000,000			
Fairbanks - Goldstream Road Rehabilitation (HD 7-11)	17,000,000			
Fairbanks Metropolitan Area Transportation System (FMATS) - Curb Corner Upgrades (HD 7-11)	502,000			
Fairbanks Metropolitan Area Transportation System	1,210,000			

	Allocations	Appropriation Items	General Funds	Other Funds
(FMATS) - Plack Road Bike/Pedestrian Facility (HD 7-11)				
Fairbanks Metropolitan Area Transportation System (FMATS) - Preventative Maintenance Program (HD 7-11)	1,425,000			
Geographic Information System (GIS) Development (IWAYS) (HD 1-40)	1,000,000			
Geotechnical Asset Management Program (HD 1-40)	2,250,000			
Glenn and Parks Highways Corridor Intelligent Transportation Systems Project (HD 13-16)	1,400,000			
Glenn Highway - Milepost 172 to 189 Rehabilitation (HD 12)	5,000,000			
Glenn Highway - Milepost 34 to 42 Reconstruction - Parks to Old Glenn Highway (HD 13-16)	20,000,000			
Glenn Highway - Milepost 49 Realignment (HD 13-16)	900,000			
Gustavus - Ferry Terminal Improvements (HD 5)	375,000			
Haines Highway Reconstruction - Milepost	1,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
3.5 to 21 (HD 5)				
Highway Data Port Enhancements (HD 1-40)	250,000			
Highway Performance Monitoring System (HPMS) Reporting (HD 1-40)	1,200,000			
Intelligent Transportation Systems Border Infrastructure (HD 1-40)	1,000,000			
Inter-Island Ferry Authority - Hollis/Clark Bay Ferry Terminal Improvements (HD 1)	500,000			
Juneau - Capital Transit Enhanced Service Plan (HD 3-4)	1,500,000			
Juneau - Glacier Highway Reconstruction - Fritz Cove to Seaview Avenue (HD 3-4)	10,000,000			
Juneau - Mendenhall Valley Street Dust Control (HD 3-4)	2,000,000			
Juneau - Yandukin Drive/ Shell Simmons Drive Pavement Rehabilitation (HD 3-4)	1,500,000			
Ketchikan - Waterfront Promenade (HD 1)	325,000			
King Cove to Cold Bay Corridor Road Extension (HD 37)	4,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Material Site Storm Water Management (HD 1-40)	300,000			
Nenana - Little Goldstream Creek Bridge Replacement (HD 6)	2,800,000			
Nome - Nome-Council Road - Milepost 4 to 16 (HD 39)	2,500,000			
Nordale Road - Pavement Rehabilitation (HD 7-11)	1,000,000			
Northern Region - National Highway System and Non-National Highway System Pavement and Bridge Refurbishment (HD 1-40)	10,000,000			
Parks Highway - Milepost 237 - Riley Creek Bridge Replacement and Access Improvements (HD 7-11)	15,000,000			
Petersburg - Nordic Drive Refurbishment - Haugen Drive to Ferry Terminal (HD 2)	3,500,000			
Richardson Highway - Milepost 234 - Ruby Creek Bridge Replacement (HD 12)	2,000,000			
Road Weather Information System (RWIS) (HD 1-40)	1,400,000			
Safe Routes to Schools (HD 1-40)	1,000,000			
Seward Highway - Avalanche Detection Project (HD	400,000			

	Allocations	Appropriation Items	General Funds	Other Funds
17-32)				
Seward Highway - Corridor Study (HD 17-32)	2,400,000			
Seward Highway - Right of Way Study (HD 17-32)	1,500,000			
Shageluk - Airport Access Road Improvements (HD 6)	6,000,000			
Soldotna - Birch Street Signal at Sterling Highway (HD 33-35)	1,500,000			
Southeast Region - National Highway System and Non-National Highway System Pavement and Bridge Refurbishment (HD 1-5)	5,000,000			
Standard Storm Water Best Management Practices (HD 1-40)	100,000			
State Historic Preservation Office - Oracle Database Support (HD 1-40)	300,000			
Statewide - Bicycle/ Pedestrian Facilities Rehabilitation and Improvements (HD 1-40)	500,000			
Statewide - Bridge Inventory, Inspection, Monitoring, Rehabilitation and Replacement Program (HD 1-40)	8,000,000			
Statewide - Civil Rights	150,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Program (HD 1-40)				
Statewide - Highway Data Equipment Acquisition and Installation (HD 1-40)	2,000,000			
Statewide - Highway Fuel Tax Enforcement (HD 1-40)	100,000			
Statewide - Highway Safety Improvement Program (HSIP) (HD 1-40)	10,000,000			
Statewide - Long Range Transportation Policy Plan (LRTPP) Update (HD 1-40)	1,000,000			
Statewide - National Highway Institute and Transit Institute Training (HD 1-40)	750,000			
Statewide - National Highway System Passing Lanes (HD 1-40)	10,000,000			
Statewide - Planning Work Program (HD 1-40)	8,000,000			
Statewide - Research Program (HD 1-40)	1,300,000			
Statewide - Scenic Byways Grants (HD 1-40)	750,000			
Statewide - Seismic Retrofit - Bridges (HD 1-40)	2,000,000			
Statewide - Strategic Traffic Safety Plan (HD 1-40)	400,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Statewide - Urban Planning Program (HD 1-40)	1,100,000			
Statewide - Weigh-in-Motion Equipment (HD 1-40)	1,000,000			
Sterling Highway - Milepost 157 to 169 Rehabilitation - Anchor Point to Baycrest Hill (HD 33-35)	2,500,000			
Sterling Highway - Milepost 37 to 45 Resurfacing (HD 33-35)	7,350,000			
Surface Transportation Preconstruction (HD 1-40)	45,000,000			
Transportation Asset Management Program (HD 1-40)	1,500,000			
Wasilla - Lucus Road Improvements (HD 13-16)	1,100,000			
Whittier - Maintenance and Operations (HD 17-32)	2,900,000			
Deferred Maintenance, Renewal, Repair and Equipment		**27,100,000**	**27,100,000**	
Alaska Marine Highway System Deferred Maintenance (HD 1-40)	3,000,000			
Aviation Deferred Maintenance (HD 1-40)	3,500,000			
Harbors Deferred Maintenance (HD 2)	600,000			
Highways Deferred	16,900,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Maintenance (HD 1-40)				
Statewide Facilities Deferred Maintenance (HD 1-40)	3,100,000			
* * * * *		* * * * *		
* * * * * **University of Alaska** * * * * *				
* * * * *		* * * * *		
Banfield Hall Dormitory Project (HD 1-5)		6,250,000	6,250,000	
Juneau Campus Mining Workforce Development (HD 3-4)		190,000	190,000	
Kachemak Bay Campus - Pioneer Avenue Building Addition (HD 33-35)		50,000	50,000	
Research and Development of Unmanned Aerial Systems (HD 1-40)		5,000,000	5,000,000	
It is the intent of the Legislature that the University of Alaska collaborate with the Federal Aviation Administration in establishing a research and development program and possible test facility for Unmanned Aerial Systems in Alaska. Unmanned Aerial Systems are already being utilized in Alaska in many ways and as the Arctic race progresses, they will become even more vital as a resource to the State and the Country.				
UAA Engineering Building Construction and Renovation (HD 17-32)		58,600,000	58,600,000	
UAF Assessing the Impacts of Ocean Acidification on Alaska's Fisheries (HD 1-40)		3,450,000	2,700,000	750,000
UAF Engineering Building		46,300,000	46,300,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Construction and Renovation (HD 7-11)				
UAF Kuskokwim Campus Maintenance, Upgrades, and Repairs (HD 36-38)		450,000	450,000	
University Receipt Authority for Capital Projects (HD 1-40)		15,000,000	15,000,000	
Deferred Maintenance				
Deferred Maintenance, Renewal, Repair and Equipment (HD 1-40)		37,500,000	37,500,000	
* * * * *		* * * * *		
* * * * * **Alaska Court System** * * * * *				
* * * * *		* * * * *		
Anchorage Campus Court Renovation (HD 17-32)		5,100,000	5,100,000	
Court Security Projects (HD 1-40)		1,700,000	1,700,000	
Electronic Filing System (HD 1-40)		1,785,000	1,785,000	
Deferred Maintenance, Renewal, Repair and Equipment		**2,500,000**	**2,500,000**	
444 "H" Street Building Deferred Maintenance (HD 17-32)	35,000			
Anchorage Boney Courthouse Deferred Maintenance (HD 17-32)	1,872,200			
Fort Yukon Court and	49,500			

	Allocations	Appropriation Items	General Funds	Other Funds
Office Building Deferred Maintenance (HD 6)				
Sitka Court and Office Building Deferred Maintenance (HD 2)	104,100			
Snowden Administrative Building Deferred Maintenance (HD 17-32)	255,000			
St. Mary's Armory Courthouse Deferred Maintenance (HD 39)	40,000			
Valdez Court and Office Building Deferred Maintenance (HD 12)	144,200			

(SECTION 2 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 2.** The following sets out the funding by agency for the appropriations made in sec. 1 of this Act.

Funding Source		Amount
Department of Administration		
1004	Unrestricted General Fund Receipts	38,750,000
1005	General Fund/Program Receipts	550,000
1017	Group Health and Life Benefits Fund	374,000
1029	Public Employees Retirement Trust Fund	440,700
1034	Teachers Retirement Trust Fund	179,500
1042	Judicial Retirement System	4,600
1045	National Guard Retirement System	14,200
1147	Public Building Fund	3,000,000
*** Total Agency Funding ***		$43,313,000
Department of Commerce, Community and Economic Development		
1002	Federal Receipts	13,420,000
1003	General Fund Match	460,000
1004	Unrestricted General Fund Receipts	594,610,152
1007	Interagency Receipts	200,000
1008	General Obligation Bonds	5,000,000
1108	Statutory Designated Program Receipts	600,000
1202	Anatomical Gift Awareness Fund	35,000
1210	Renewable Energy Grant Fund	25,870,659
1211	Cruise Ship Gambling Tax	4,500,000
*** Total Agency Funding ***		$644,695,811
Department of Corrections		
1004	Unrestricted General Fund Receipts	11,720,000
*** Total Agency Funding ***		$11,720,000
Department of Education and Early Development		
1004	Unrestricted General Fund Receipts	136,882,700
*** Total Agency Funding ***		$136,882,700
Department of Environmental Conservation		

1002	Federal Receipts	42,250,000
1003	General Fund Match	8,750,000
1004	Unrestricted General Fund Receipts	35,213,449
1052	Oil/Hazardous Release Prevention & Response Fund	750,000
1075	Alaska Clean Water Fund	2,583,400
1100	Alaska Drinking Water Fund	4,634,000
1108	Statutory Designated Program Receipts	500,000
*** Total Agency Funding ***		$94,680,849
Department of Fish and Game		
1002	Federal Receipts	9,375,000
1004	Unrestricted General Fund Receipts	13,513,000
1018	Exxon Valdez Oil Spill Trust	641,300
1024	Fish and Game Fund	825,000
1201	Commercial Fisheries Entry Commission Receipts	3,914,000
*** Total Agency Funding ***		$28,268,300
Office of the Governor		
1185	Election Fund	100,000
*** Total Agency Funding ***		$100,000
Department of Health and Social Services		
1002	Federal Receipts	7,098,400
1003	General Fund Match	1,873,150
1004	Unrestricted General Fund Receipts	17,540,090
*** Total Agency Funding ***		$26,511,640
Department of Labor and Workforce Development		
1004	Unrestricted General Fund Receipts	24,031,500
*** Total Agency Funding ***		$24,031,500
Department of Law		
1108	Statutory Designated Program Receipts	250,000
*** Total Agency Funding ***		$250,000
Department of Military and Veterans Affairs		
1002	Federal Receipts	17,942,500

1003	General Fund Match	2,945,000
1004	Unrestricted General Fund Receipts	8,040,000
*** Total Agency Funding ***		$28,927,500
Department of Natural Resources		
1002	Federal Receipts	9,060,000
1003	General Fund Match	150,000
1004	Unrestricted General Fund Receipts	23,928,000
1005	General Fund/Program Receipts	500,000
1108	Statutory Designated Program Receipts	3,006,000
1195	Special Vehicle Registration Receipts	250,000
*** Total Agency Funding ***		$36,894,000
Department of Public Safety		
1002	Federal Receipts	1,500,000
1004	Unrestricted General Fund Receipts	20,756,800
*** Total Agency Funding ***		$22,256,800
Department of Revenue		
1002	Federal Receipts	13,116,400
1003	General Fund Match	704,600
1004	Unrestricted General Fund Receipts	78,268,600
1105	Permanent Fund Gross Receipts	50,000
1139	Alaska Housing Finance Corporation Dividend	15,859,800
1213	Alaska Housing Capital Corporation Receipts	21,000,000
*** Total Agency Funding ***		$128,999,400
Department of Transportation and Public Facilities		
1002	Federal Receipts	692,929,618
1003	General Fund Match	59,800,000
1004	Unrestricted General Fund Receipts	218,490,130
1026	Highways Equipment Working Capital Fund	15,000,000
1027	International Airports Revenue Fund	810,000
1061	Capital Improvement Project Receipts	1,900,000
1082	AMHS Vessel Replacement Fund	60,000,000

1108	Statutory Designated Program Receipts	12,000,000
1112	International Airports Construction Fund	13,761,678
1140	Alaska Industrial Development and Export Authority Dividend	20,400,000
*** Total Agency Funding ***		$1,095,091,426
University of Alaska		
1002	Federal Receipts	750,000
1004	Unrestricted General Fund Receipts	154,790,000
1048	University of Alaska Restricted Receipts	17,250,000
*** Total Agency Funding ***		$172,790,000
Alaska Court System		
1004	Unrestricted General Fund Receipts	11,085,000
*** Total Agency Funding ***		$11,085,000
* * * * * Total Budget * * * * *		$2,506,497,926

(SECTION 3 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 3.** The following sets out the statewide funding for the appropriations made in sec. 1 of this Act.

Funding Source		Amount
Unrestricted General Funds		
1003	General Fund Match	74,682,750
1004	Unrestricted General Fund Receipts	1,387,619,421
1082	AMHS Vessel Replacement Fund	60,000,000
1139	Alaska Housing Finance Corporation Dividend	15,859,800
1140	Alaska Industrial Development and Export Authority Dividend	20,400,000
1211	Cruise Ship Gambling Tax	4,500,000
1213	Alaska Housing Capital Corporation Receipts	21,000,000
Total Unrestricted General Funds		$1,584,061,971
Designated General Funds		
1005	General Fund/Program Receipts	1,050,000
1048	University of Alaska Restricted Receipts	17,250,000
1052	Oil/Hazardous Release Prevention & Response Fund	750,000
1195	Special Vehicle Registration Receipts	250,000
1201	Commercial Fisheries Entry Commission Receipts	3,914,000
1202	Anatomical Gift Awareness Fund	35,000
1210	Renewable Energy Grant Fund	25,870,659
Total Designated General Funds		$49,119,659
Other Non-Duplicated Funds		
1017	Group Health and Life Benefits Fund	374,000
1018	Exxon Valdez Oil Spill Trust	641,300
1024	Fish and Game Fund	825,000
1027	International Airports Revenue Fund	810,000
1029	Public Employees Retirement Trust Fund	440,700
1034	Teachers Retirement Trust Fund	179,500

1042	Judicial Retirement System	4,600
1045	National Guard Retirement System	14,200
1105	Permanent Fund Gross Receipts	50,000
1108	Statutory Designated Program Receipts	16,356,000
Total Other Non-Duplicated Funds		$19,695,300
Federal Funds		
1002	Federal Receipts	807,441,918
Total Federal Funds		$807,441,918
Other Duplicated Funds		
1007	Interagency Receipts	200,000
1008	General Obligation Bonds	5,000,000
1026	Highways Equipment Working Capital Fund	15,000,000
1061	Capital Improvement Project Receipts	1,900,000
1075	Alaska Clean Water Fund	2,583,400
1100	Alaska Drinking Water Fund	4,634,000
1112	International Airports Construction Fund	13,761,678
1147	Public Building Fund	3,000,000
1185	Election Fund	100,000
Total Other Duplicated Funds		$46,179,078

(SECTION 4 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 4.** The following appropriation items are for capital projects and grants from the general fund or other funds as set out in section 5 of this Act by funding source to the agencies named for the purposes expressed and lapse under AS 37.25.020, unless otherwise noted.

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *			* * * * *	
* * * * * **Department of Commerce, Community and Economic Development** * * * * *				
* * * * *			* * * * *	
Grants to Municipalities (AS 37.05.315)				
Anchorage - Port of Anchorage Expansion (HD 17-32)		50,000,000		50,000,000
Bethel - Harbor Dredging (HD 38)		4,000,000		4,000,000
Bristol Bay Borough - Port of Bristol Bay Expansion and Pile Dock Replacement (HD 37)		7,000,000		7,000,000
Haines Borough - Boat Harbor Upgrades (HD 5)		12,000,000		12,000,000
Kodiak - Pier III Replacement (HD 36)		15,000,000		15,000,000
Kotzebue - Cape Blossom Road and Port (HD 40)		10,000,000		10,000,000
Matanuska-Susitna Borough - Bogard Road Extension East (HD 13-16)		13,500,000		13,500,000
Matanuska-Susitna Borough - Port MacKenzie Rail		30,000,000		30,000,000

	Allocations	Appropriation Items	General Funds	Other Funds
Extension (HD 13-16)				
Nenana - Totchaket Resource Development Corridor Access (HD 6)		6,500,000		6,500,000
Nome - Port Design and Construction (HD 39)		10,000,000		10,000,000
Saint George - Harbor Reconstruction (HD 37)		3,000,000		3,000,000
Sand Point - Sand Point Road Rehabilitation (HD 37)		2,500,000		2,500,000
Seward - Marine Industrial Center expansion (HD 33-35)		10,000,000		10,000,000
Sitka - Sawmill Cove Industrial Park Dock (HD 2)		7,500,000		7,500,000
Togiak - Waterfront Transit Facility (HD 37)		3,300,000		3,300,000
Grants to Named Recipients (AS 37.05.316)				
Newtok Traditional Council - Mertarvik Evacuation Road Construction (HD 38)		4,100,000		4,100,000
* * * * *			* * * * *	
* * * * * **Department of Transportation and Public Facilities** * * * * *				
* * * * *			* * * * *	
Anchorage - Glenn Highway, Hiland Road to Artillery Road Reconstruction (HD 12-35)		35,000,000		35,000,000
Anchorage - New Seward		10,000,000		10,000,000

	Allocations	Appropriation Items	General Funds	Other Funds
Highway MP 75-90 Bridge Repairs (HD 12-35)				
Anchorage - New Seward Highway/36th Avenue Reconstruction (HD 17-32)		26,000,000		26,000,000
Anchorage - O'Malley Road Reconstruction (HD 17-32)		15,000,000		15,000,000
Anchorage Glenn Highway/ Muldoon Road Interchange Reconstruction (HD 17-32)		15,000,000		15,000,000
Fairbanks - Elliott Highway MP108-120 Reconstruction (HD 6)		6,500,000		6,500,000
Fairbanks - Old Steese Highway to McGrath Road Reconstruction and Extension (HD 7-11)		24,000,000		24,000,000
Fairbanks - Wendell Street Bridge Replacement (HD 7-11)		14,400,000		14,400,000
Matanuska-Susitna - Fairview Loop Road Reconstruction (HD 13-16)		10,000,000		10,000,000
Haines Maintenance Shop Replacement (HD 5)		3,000,000		3,000,000
Juneau - Glacier Highway MP 4-6 Road Improvements (HD 3-4)		5,500,000		5,500,000
Juneau - Mendenhall Loop Road Improvements (HD 3-4)		6,000,000		6,000,000

	Allocations	Appropriation Items	General Funds	Other Funds
Kenai Spur Road Rehabilitation (HD 33-35)		20,000,000		20,000,000
Ketchikan - Shelter Cove Road Construction and Improvements (HD 1)		19,000,000		19,000,000
Matanuska-Susitna - Knik Goosebay Road Reconstruction (HD 13-16)		15,000,000		15,000,000
North Pole - Plack Road Improvements (HD 7-11)		5,000,000		5,000,000
Platinum Airport Runway Extension (HD 38)		3,100,000		3,100,000
Port Clarence Access Improvements (HD 39)		4,000,000		4,000,000
Richardson Highway - Ruby Creek Bridge Replacement (HD 12)		11,000,000		11,000,000
Sitka - Katlian Bay Road Construction (HD 2)		14,000,000		14,000,000

(SECTION 5 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 5.** The following sets out the funding by agency for the appropriations made in sec. 4 of this Act.

Funding Source	Amount
Department of Commerce, Community and Economic Development	
1008 General Obligation Bonds	188,400,000
*** Total Agency Funding ***	$188,400,000
Department of Transportation and Public Facilities	
1008 General Obligation Bonds	261,500,000
*** Total Agency Funding ***	$261,500,000
* * * * * Total Budget * * * * *	$449,900,000

(SECTION 6 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 6.** The following sets out the statewide funding for the appropriations made in sec. 4 of this Act.

Funding Source	Amount
Unrestricted General Funds	
Total Unrestricted General Funds	$0
Designated General Funds	
Total Designated General Funds	$0
Other Non-Duplicated Funds	
Total Other Non-Duplicated Funds	$0
Federal Funds	
Total Federal Funds	$0
Other Duplicated Funds	
1008 General Obligation Bonds	449,900,000
Total Other Duplicated Funds	$449,900,000

(SECTION 7 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 7.** The following appropriation items are for supplemental capital projects and grants from the general fund or other funds as set out in section 8 of this Act by funding source to the agencies named for the purposes expressed and lapse under AS 37.25.020, unless otherwise noted.

	Appropriation Items	General Funds	Other Funds
Allocations			
* * * * *	* * * * *		
* * * * * **Department of Corrections** * * * * *			
* * * * *	* * * * *		
Bethel - Yukon-Kuskokwim Correctional Center Dormitory Renovation Project (HD 36-38)	1,284,550	1,284,550	
* * * * *	* * * * *		
* * * * * **Department of Military and Veterans Affairs** * * * * *			
* * * * *	* * * * *		
Alaska Aerospace Corporation Construction of New Medium Lift Launch Pad (HD 36)	30,000,000	25,000,000	5,000,000
Move and Renovate STARBASE Building (HD 17-32)	195,000	195,000	
* * * * *	* * * * *		
* * * * * **Department of Natural Resources** * * * * *			
* * * * *	* * * * *		
Exxon Valdez Oil Spill - Parcel Purchase on Kenai River Mile 11 (HD 33-35)	1,100,000		1,100,000
Whittier Landslide - Tsunami Hazard Analysis	150,000	150,000	

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 17-32)				
* * * * *			* * * * *	
* * * * * **Department of Transportation and Public Facilities** * * * * *				
* * * * *			* * * * *	
Alaska Marine Highway System - Cordova Dock Emergency Repairs (HD 1-40)		1,200,000	1,200,000	
Chugiak - Pedestrian Safety Improvements (HD 13-16)		250,000	250,000	
Petersburg - Dry (Un-Heated) Storage Building Replacement (HD 2)		400,000	400,000	
Asset Management				
Alaska Marine Highway System - Vessel and Terminal Overhaul and Rehabilitation (HD 1-40)		5,455,000	5,455,000	
Airport Improvement Program		**12,900,000**		**12,900,000**
Nome - Airport Runway Safety Area (RSA) Improvements (HD 39)	3,900,000			
Unalaska - Runway Safety Area and Pavement Rehabilitation (HD 37)	3,000,000			
Unalaska - Runway Safety Area and Pavement Rehabilitation (HD 37)	6,000,000			
Surface Transportation		**2,990,000**		**2,990,000**

	Allocations	Appropriation Items	General Funds	Other Funds
Program				
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Glenn Highway Trail Rehabilitation (HD 17-32)	2,340,000			
Seward Highway - Recreational Improvements (HD 33-35)	650,000			
Emergency Repairs		**201,050**	**201,050**	
Dyea Road Washout Emergency Repair (HD 5)	25,800			
Haines Highway Milepost 19 - 23 Rock Slide Emergency Repairs (HD 5)	150,250			
Takotna - Road Repair (HD 6)	25,000			

(SECTION 8 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 8.** The following sets out the funding by agency for the appropriations made in sec. 7 of this Act.

Funding Source	Amount
Department of Corrections	
1004 Unrestricted General Fund Receipts	1,284,550
*** Total Agency Funding ***	$1,284,550
Department of Military and Veterans Affairs	
1004 Unrestricted General Fund Receipts	25,195,000
1108 Statutory Designated Program Receipts	5,000,000
*** Total Agency Funding ***	$30,195,000
Department of Natural Resources	
1004 Unrestricted General Fund Receipts	150,000
1018 Exxon Valdez Oil Spill Trust	1,100,000
*** Total Agency Funding ***	$1,250,000
Department of Transportation and Public Facilities	
1002 Federal Receipts	15,890,000
1004 Unrestricted General Fund Receipts	7,506,050
*** Total Agency Funding ***	$23,396,050
* * * * * Total Budget * * * * *	$56,125,600

(SECTION 9 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 9.** The following sets out the statewide funding for the appropriations made in sec. 7 of this Act.

Funding Source	Amount
Unrestricted General Funds	
1004 Unrestricted General Fund Receipts	34,135,600
Total Unrestricted General Funds	$34,135,600
Designated General Funds	
Total Designated General Funds	$0
Other Non-Duplicated Funds	
1018 Exxon Valdez Oil Spill Trust	1,100,000
1108 Statutory Designated Program Receipts	5,000,000
Total Other Non-Duplicated Funds	$6,100,000
Federal Funds	
1002 Federal Receipts	15,890,000
Total Federal Funds	$15,890,000
Other Duplicated Funds	
Total Other Duplicated Funds	$0

(SECTION 10 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 10.** The following appropriation items are for operating expenditures from the general fund or other funds as set out in section 11 of this Act to the agencies named for the purposes expressed for the fiscal year beginning July 1, 2011 and ending June 30, 2012, unless otherwise indicated.

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *		* * * * *		
* * * * * **Department of Administration** * * * * *				
* * * * *		* * * * *		
Violent Crimes Compensation Board		**340,000**		**340,000**
Violent Crimes Compensation Board	340,000			
* * * * *			* * * * *	
* * * * * **Department of Commerce, Community and Economic Development** * * * * *				
* * * * *			* * * * *	
Corporations, Business and Professional Licensing				

It is the intent of the legislature that the Department of Commerce, Community and Economic Development proportionally distribute $3,400,000 general funds between the professional licensing boards and commissions based on the number of licenses issued for fiscal years 2007 through 2010. It is also the intent of the legislature that after the general funds are distributed, the professional licensing board's and commission's carryforward balances are made whole as of June 30, 2012 and will serve as a starting balance going forward into the future. Further, it is the intent of the legislature that the department completes an annual reconciliation of the individual professional board's and commission's carryforward balance to reports from the State's accounting system.

Corporations, Business and Professional Licensing	0			

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *			* * * * *	
* * * * * **Department of Education and Early Development** * * * * *				
* * * * *			* * * * *	
Teaching and Learning Support		**1,000,000**	**1,000,000**	
Student and School Achievement	1,000,000			
* * * * *		* * * * *		
* * * * * **Department of Fish and Game** * * * * *				
* * * * *		* * * * *		
Sport Fisheries			**5,500,000**	**-5,500,000**
Sport Fisheries	0			
* * * * *			* * * * *	
* * * * * **Department of Labor and Workforce Development** * * * * *				
* * * * *			* * * * *	
Alaska Vocational Technical Center				
Alaska Vocational Technical Center	0			
* * * * *			* * * * *	
* * * * * **Department of Transportation & Public Facilities** * * * * *				
* * * * *			* * * * *	
Highways, Aviation and Facilities		**1,378,800**	**1,378,800**	
Northern Region Facilities	27,600			
Central Region Highways and Aviation	762,400			
Northern Region Highways and Aviation	330,000			
Southeast Region Highways and Aviation	258,800			

(SECTION 11 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 11.** The following sets out the funding by agency for the appropriations made in sec. 10 of this Act.

Funding Source	Amount
Department of Administration	
1002 Federal Receipts	340,000
*** Total Agency Funding ***	$340,000
Department of Commerce, Community and Economic Development	
1004 Unrestricted General Fund Receipts	3,439,800
1156 Receipt Supported Services	-3,439,800
*** Total Agency Funding ***	$0
Department of Education and Early Development	
1004 Unrestricted General Fund Receipts	1,000,000
*** Total Agency Funding ***	$1,000,000
Department of Fish and Game	
1004 Unrestricted General Fund Receipts	5,500,000
1024 Fish and Game Fund	-5,500,000
*** Total Agency Funding ***	$0
Department of Labor and Workforce Development	
1004 Unrestricted General Fund Receipts	250,000
1005 General Fund/Program Receipts	-250,000
*** Total Agency Funding ***	$0
Department of Transportation & Public Facilities	
1004 Unrestricted General Fund Receipts	1,378,800
*** Total Agency Funding ***	$1,378,800
* * * * * Total Budget * * * * *	$2,718,800

(SECTION 12 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 12.** The following sets out the statewide funding for the appropriations made in sec. 10 of this Act.

Funding Source	Amount
Unrestricted General Funds	
1004 Unrestricted General Fund Receipts	11,568,600
Total Unrestricted General Funds	$11,568,600
Designated General Funds	
1005 General Fund/Program Receipts	-250,000
1156 Receipt Supported Services	-3,439,800
Total Designated General Funds	$-3,689,800
Other Non-Duplicated Funds	
1024 Fish and Game Fund	-5,500,000
Total Other Non-Duplicated Funds	$-5,500,000
Federal Funds	
1002 Federal Receipts	340,000
Total Federal Funds	$340,000
Other Duplicated Funds	
Total Other Duplicated Funds	$0

(SECTION 13 OF THIS ACT BEGINS ON THE NEXT PAGE)

*** Sec. 13.** FEDERAL AND OTHER PROGRAM RECEIPTS. (a) Federal receipts, designated program receipts as defined in AS 37.05.146(b)(3), information services fund program receipts as defined in AS 44.21.045(b), receipts of the University of Alaska as described in AS 37.05.146(b)(2), receipts of commercial fisheries test fishing operations under AS 37.05.146(c)(21), corporate receipts of the Alaska Housing Finance Corporation, corporate receipts of the Alaska Aerospace Corporation, Exxon Valdez oil spill trust receipts as defined in AS 37.05.146(b)(4), and receipts of the Alaska Fire Standards Council under AS 37.05.146(b)(5), that exceed the amounts appropriated by this Act are appropriated conditioned on compliance with the program review provisions of AS 37.07.080(h).

(b) If federal or other program receipts as defined in AS 37.05.146 and in AS 44.21.045(b) exceed the estimates appropriated by this Act, the appropriations from state funds for the affected program may be reduced by the excess if the reductions are consistent with applicable federal statutes.

(c) If federal or other program receipts as defined in AS 37.05.146 and in AS 44.21.045(b) fall short of the estimates appropriated by this Act, the affected appropriation is reduced by the amount of the shortfall in receipts.

*** Sec. 14.** FUND CAPITALIZATION. (a) The sum of $60,000,000 is appropriated from the general fund to the Alaska Gasline Inducement Act reimbursement fund (AS 43.90.400(a)) for the natural gas pipeline project construction inducement under AS 43.90.110(a)(1).

(b) The amount of federal receipts from the financial assistance award for emerging energy technology by the Denali Commission established under P.L. 105-277, estimated to be $1,700,000, is appropriated to the emerging energy technology fund (AS 42.45.375) for capital projects.

*** Sec. 15.** FUND TRANSFERS. The sum of $25,870,700 is appropriated from the general fund to the renewable energy grant fund (AS 42.45.045(a)).

*** Sec. 16.** INSURANCE CLAIMS. The amounts to be received in settlement of insurance claims for losses and the amounts to be received as recovery for losses are appropriated from the general fund to the

(1) state insurance catastrophe reserve account (AS 37.05.289(a)); or

(2) appropriate state agency to mitigate the loss.

*** Sec. 17.** NATIONAL PETROLEUM RESERVE - ALASKA IMPACT GRANT

PROGRAM. (a) The amount received by the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530(a)) under 42 U.S.C. 6506a(*l*) or former 42 U.S.C. 6508 by August 31, 2012, estimated to be $4,896,872, is appropriated from that fund to the Department of Commerce, Community, and Economic Development for capital project grants under the National Petroleum Reserve - Alaska impact grant program to the following municipalities in the amounts stated:

MUNICIPALITY	PROJECT	ALLOCATION
(1) North Slope Borough	Permit tracking system	$ 242,000
(2) North Slope Borough	Mayor's job program	366,636
(3) North Slope Borough	Monitoring the subsistence fisheries in the Elson Lagoon and Kuk Inlet	109,000
(4) North Slope Borough	Meade River school counselor	243,819
(5) North Slope Borough	School counselor program	287,296
(6) City of Atqasuk	Local government and youth program	493,940
(7) City of Barrow	Local government operations and maintenance	1,600,000
(8) North Slope Borough	Land management and enforcement continuation	350,000
(9) City of Nuiqsut	Local government operations and maintenance	718,163
(10) City of Wainwright	Wainwright local government operations	228,000
(11) City of Nuiqsut	Youth center operations and maintenance	258,018

(b) If the amount received by the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530(a)) under 42 U.S.C. 6506a(*l*) or former 42 U.S.C. 6508 by August 31, 2012, is less than the sum of the allocations made in (a) of this section, the Department of Commerce, Community, and Economic Development shall work with the

municipalities listed in (a) of this section to reduce the sum of the allocations made in (a) of this section to equal the amount received.

*** Sec. 18.** DEPARTMENT OF CORRECTIONS. The unexpended and unobligated balance, not to exceed $100,000, of the appropriation made in sec. 1, ch. 5, FSSLA 2011, page 79, lines 16 - 18 (Department of Corrections, Seward, Spring Creek Correctional Center Seward land transfer - $250,000) is reappropriated to the Department of Corrections for the combined Hiland Mountain Correctional Center land transfer.

*** Sec. 19.** DEPARTMENT OF FISH AND GAME. (a) Section 10, ch. 29, SLA 2008, page 67, lines 19 - 20, is amended to read:

	APPROPRIATION ITEMS	OTHER FUNDS
Fish and Game Licensing **Program Improvements** [POINT OF SALE SYSTEM] (HD 1-40)	200,000	200,000

(b) The unexpended and unobligated balance, estimated to be $100,000, of the appropriation made in sec. 7, ch. 43, SLA 2010, page 26, lines 20 - 22 (Department of Fish and Game, crew member fishery participation database development - $100,000) is reappropriated to the Department of Fish and Game for analyzing system requirements for integration of the commercial operator annual report data system with the department's new electronic data system for the fiscal year ending June 30, 2013.

(c) An amount equal to the proceeds from the sale conducted during the fiscal years ending June 30, 2013, June 30, 2014, or June 30, 2015, of a research vessel owned by the Department of Fish and Game, including parts and inventory, is appropriated from the general fund to the Department of Fish and Game for the repair, maintenance, or replacement of vessels or equipment.

*** Sec. 20.** DEPARTMENT OF HEALTH AND SOCIAL SERVICES. An amount equal to 50 percent of the revenue collected during the fiscal year ending June 30, 2011, from the alcoholic beverage tax (AS 43.60.010), not to exceed $19,300,400, is appropriated from the general fund to the Department of Health and Social Services for behavioral health grants under AS 47.37.030 for the fiscal years ending June 30, 2013, June 30, 2014, and June 30, 2015.

*** Sec. 21.** DEPARTMENT OF LAW. (a) Section 30(a), ch. 5, FSSLA 2011, is amended to read:

(a) The sum of **$13,550,000** [$9,000,000] is appropriated from the general fund to the Department of Law, BP corrosion, to fund the costs of outside counsel, document management, experts, and litigation in the British Petroleum Exploration (Alaska) Inc., corrosion case for the fiscal years ending June 30, 2012, and June 30, 2013.

(b) Section 10(a), ch. 5, SLA 2012, is amended to read:

(a) The sum of **$20,743,999** [$770,772] is appropriated from the general fund to the Department of Law, civil division, deputy attorney general's office, for the purpose of paying judgments and settlements against the state for the fiscal year ending June 30, 2012.

*** Sec. 22.** DEPARTMENT OF PUBLIC SAFETY. Section 1, ch. 43, SLA 2010, page 3, lines 8 - 9, as amended by sec. 12, ch. 1, FSSLA 2011, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Crime Lab Replacement **and Repair, Renovation, and Reuse of Existing Crime Lab Building** (HD 17-32)	70,750,000	70,750,000

*** Sec. 23.** DEPARTMENT OF REVENUE. The amount necessary for the purpose, estimated to be $3,559,200, is appropriated from the general fund to the Department of Revenue, state bond committee, to pay expenses incident to the sale and issuance of general obligation bonds for transportation projects for the fiscal year ending June 30, 2013.

*** Sec. 24.** DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES. (a) The unexpended and unobligated balances, estimated to be $4,000,000, of the appropriations made in sec. 10, ch. 29, SLA 2008, page 44, lines 18 - 19 (Anchorage, 88th Avenue upgrade (RTP) - $1,000,000), and sec. 1, ch. 5, FSSLA 2011, page 5, lines 27 - 30 (Anchorage, 88th Avenue upgrade - Spruce Brook Street to Elmore Road - $3,000,000) are reappropriated to the Department of Transportation and Public Facilities for an 88th Avenue upgrade, Spruce Brook Street to Elmore Road.

(b) The unexpended and unobligated general fund balance, estimated to be

$1,686,000, of the appropriation made in sec. 1, ch. 1, SSSLA 2002, page 49, line 11, and allocated on page 49, lines 19 - 20 (Department of Transportation and Public Facilities, statewide federal programs, federal-aid highway state match - $40,817,520) is reappropriated to the Department of Transportation and Public Facilities for construction of a sand storage building in Girdwood.

(c) The unexpended and unobligated balances, estimated to be a total of $1,570,000, of the appropriations made in sec. 1, ch. 1, SSSLA 2002, page 49, line 11, and allocated on page 49, lines 17 - 18 (Department of Transportation and Public Facilities, statewide federal programs, federal-aid aviation state match - $9,725,000) and sec. 10, ch. 29, SLA 2008, page 77, lines 11 - 13 (Department of Transportation and Public Facilities, Jim River (Dalton Highway) maintenance station replacement - $6,000,000) are reappropriated to the Department of Transportation and Public Facilities for replacement of the Seward Highway maintenance station.

* **Sec. 25.** OFFICE OF THE GOVERNOR. The sum of $1,000,000 is appropriated from the general fund to the Office of the Governor, redistricting board, for legal and other professional services relating to redistricting matters for the fiscal years ending June 30, 2012, and June 30, 2013.

* **Sec. 26.** HOUSE DISTRICTS 3 - 4. The unexpended and unobligated balance of the appropriation made in sec. 1, ch. 82, SLA 2006, page 85, lines 30 - 31, as amended by sec. 21(a), ch. 15, SLA 2009 (Gastineau Channel Crossing EIS and dredging and North Douglas Highway extension - $3,000,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City and Borough of Juneau for the North Douglas Highway extension.

* **Sec. 27.** HOUSE DISTRICT 6. The unexpended and unobligated balance, estimated to be $43,000, of the appropriation made in sec. 7, ch. 29, SLA 2008, page 16, lines 18 - 21 (Kuskokwim Public Broadcasting Corporation, power grid extension to KSKO transmitter - $50,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Kuskokwim Public Broadcasting Corporation for maintenance of the station power plant for the fiscal years ending June 30, 2013, June 30, 2014, and June 30, 2015.

* **Sec. 28.** HOUSE DISTRICTS 7 - 11. (a) The unexpended and unobligated balances,

estimated to be a total of $77,941, of the appropriations made in sec. 1, ch. 30, SLA 2007, page 56, lines 24 - 28 (Fairbanks North Star Borough, Volunteer Fire Department Station No. 3 exhaust and ventilation system - $96,638) and sec. 1, ch. 30, SLA 2007, page 56, lines 29 - 33 (Fairbanks North Star Borough, Volunteer Fire Department Station No. 4 exhaust and ventilation system - $105,000) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Fairbanks North Star Borough for the purchase of protective equipment for volunteer fire department personnel.

(b) The unexpended and unobligated balance, estimated to be $1,675,815, of the appropriation made in sec. 43(b), ch. 43, SLA 2010, (Fairbanks North Star Borough, tourism and community development and an ice park) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to World I.C.E. Association, Inc., dba Ice Alaska, for property purchase for development of an ice park.

(c) The unexpended and unobligated balance, estimated to be $40,000,000, of the appropriation made in sec. 10, ch. 43, SLA 2010, page 90, line 32, through page 91, line 5 (Fairbanks North Star Borough, Tanana River bridge access for military training grounds, river training - $40,000,000) is reappropriated to the Alaska Railroad Corporation for Tanana River bridge access for military training grounds and river training.

(d) The unexpended and unobligated balances, estimated to be a total of $145,153, of the appropriations made in sec. 1, ch. 30, SLA 2007, page 56, lines 7 - 12 (Fairbanks North Star Borough, school district classroom performance systems for public schools in House Districts 7 and 8 - $20,000), sec. 4, ch. 30, SLA 2007, page 87, lines 16 - 18 (Fairbanks North Star Borough, central kitchen phase II - $2,500,000), and sec. 13, ch. 11, SLA 2008, page 76, lines 23 - 26 (Fairbanks North Star Borough, Weller Elementary School, replace two water tanks - $140,000) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Fairbanks North Star Borough for Weller Elementary School for planning access improvements, making safety upgrades, and demolishing an ice rink.

*** Sec. 29.** HOUSE DISTRICT 12. Section 13, ch. 43, SLA 2010, page 139, lines 17 - 20, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Rural Deltana Volunteer Fire Department - Big D Station **and Clearwater Station** Deferred Maintenance (HD 6)	295,000	295,000

*** Sec. 30.** HOUSE DISTRICTS 13 - 16. (a) Section 10, ch. 43, SLA 2010, page 98, lines 18 - 20, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Matanuska-Susitna Borough - Knik River Road **Milepost 0 to Milepost 11.2** Reconstruction (HD 13-16)	2,100,000	2,100,000

(b) The unexpended and unobligated balance of the appropriation made in sec. 1, ch. 5, FSSLA 2011, page 36, line 31, through page 37, line 3 (Matanuska-Susitna Borough, Colony High School field turf installation - $785,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Knights Football Booster Club, Inc., for Colony High School field turf installation.

(c) The unexpended and unobligated balance, estimated to be $5,000,000, of the appropriation made in sec. 10, ch. 29, SLA 2008, page 77, lines 19 - 21 (Department of Transportation and Public Facilities, Matanuska-Susitna Borough, Burma Road Upgrade - $5,000,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Matanuska-Susitna Borough for South Big Lake Road construction.

(d) The unexpended and unobligated balance, estimated to be $45,000, of the appropriation made in sec. 1, ch. 5, FSSLA 2011, page 48, lines 13 - 15 (Alaska State Fair, Native Culture and Arts 75th Anniversary - $150,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Alaska State Fair for Alaska Native Culture and Arts Day 2012,

Celebrating Alaska's Diversity, for the fiscal year ending June 30, 2013.

(e) The unexpended and unobligated balance, estimated to be $500,000, of the appropriation made in sec. 26(b), ch. 15, SLA 2009 (Wasilla, Garden Terrace water main extension and upgrade project) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Wasilla for wastewater utility improvements.

(f) The unexpended and unobligated balance, estimated to be $4,700,000, of the appropriation made in sec. 1, ch. 82, SLA 2006, page 107, line 12, and allocated on lines 14 - 17 (Department of Transportation and Public Facilities, Big Lake/Burma Road environmental impact statement and design - $5,000,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Matanuska-Susitna Borough for South Big Lake Road realignment project construction.

* **Sec. 31.** HOUSE DISTRICTS 16 - 32. (a) Section 1, ch. 5, FSSLA 2011, page 7, lines 14 - 16, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Anchorage - Bartlett High School [BOY'S] Locker Replacement **and Upgrades** (HD 16-32)	320,000	320,000

(b) Section 1, ch. 5, FSSLA 2011, page 11, lines 6 - 9, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Anchorage - Creekside Park Elementary School **Purchase and Repair of** Playground **Equipment** [REMODEL AND UPGRADE] (HD 16-32)	25,000	25,000

* **Sec. 32.** HOUSE DISTRICTS 17 - 32. (a) The unexpended and unobligated balance, estimated to be $117,600, of the appropriation made in sec. 1, ch. 30, SLA 2007, page 48, lines 20 - 22 (Anchorage, Rovenna sidewalk pedestrian improvements - $120,000) is reappropriated to the Department of Commerce, Community, and Economic Development for

payment as a grant under AS 37.05.315 to the Municipality of Anchorage for Anchorage roads and drainage service area rehabilitation, Abbott Loop and Taku Campbell areas.

(b) The unexpended and unobligated balance, estimated to be $9,800, of the appropriation made in sec. 1, ch. 30, SLA 2007, page 18, lines 16 - 19 (Federation of Community Councils, Inc., Russian Jack Community Patrol supplies and fuel - $10,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Federation of Community Councils, Inc., for purchase of equipment and fuel for the Mountain View Community Patrol.

(c) The unexpended and unobligated balance, estimated to be $43,400, of the appropriation made in sec. 41, ch. 30, SLA 2007 (Anchorage, Greenridge/Wickersham Park subdivision area safety improvements) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Municipality of Anchorage for safety improvements in the area of Latouche Street and Annapolis Drive.

*** Sec. 33.** HOUSE DISTRICTS 33 - 35. (a) The unexpended and unobligated balance of the appropriation made in sec. 1, ch. 30, SLA 2007, page 29, lines 13 - 15 (Port Graham Hatchery, project management support - $5,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Cook Inlet Aquaculture Association for project management support for the fiscal year ending June 30, 2013.

(b) Section 50(a), ch. 43, SLA 2010, is amended to read:

(a) The unexpended and unobligated balance, not to exceed $99,500, of the appropriation made in sec. 1, ch. 82, SLA 2006, page 4, lines 12 - 15 (Agrium U.S., Inc., Phase II development of the Kenai coal gasification project - $5,000,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Kenai Peninsula Economic Development District for Cook Inlet **facility assessment and recommendations** [TIDAL POWER ANALYSIS].

*** Sec. 34.** HOUSE DISTRICT 36. The unexpended and unobligated balance, estimated to be $10,000, of the appropriation made in sec. 10, ch. 43, SLA 2010, page 103, line 32, through page 104, line 3 (Ouzinkie, alternative wind energy generation, phase I data

collection - $10,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Ouzinkie for replacement of a log bridge and upgrades to an access road.

*** Sec. 35.** HOUSE DISTRICT 37. (a) Section 10, ch. 43, SLA 2010, page 87, lines 11 - 14, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Bristol Bay Borough - Port of Bristol Bay - Improvements Phase II **and Equipment Purchase** (HD 37)	5,000,000	5,000,000

(b) Section 1, ch. 82, SLA 2006, page 27, lines 14 - 15, as amended by sec. 33(c), ch. 15, SLA 2009, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
City of Akutan - Akutan Harbor Road Project**,** [AND] Airport Access Projects**, and Akutan Harbor Facility Development Improvements** (HD 37)	3,100,000	3,100,000

*** Sec. 36.** HOUSE DISTRICT 38. (a) The unexpended and unobligated balance, estimated to be $75,000, of the appropriation made in sec. 13, ch. 43, SLA 2010, page 137, lines 23 - 25 (Newtok Traditional Council, landfill design matching funds - $75,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Newtok Traditional Council for community survey and subdivision design.

(b) Section 34(c), ch. 15, SLA 2009, as amended by sec. 54, ch. 43, SLA 2010, and sec. 50, ch. 5, FSSLA 2011, is amended to read:

(c) The unexpended and unobligated balances, estimated to be a total of $462,500, of the appropriations made in sec. 8(a)(15), ch. 159, SLA 2004 (Kongiganak, community projects and improvements - $27,770), sec. 8(a), ch. 1,

SSSLA 2002, page 96, line 17 (Kongiganak, community projects and improvements - $55,496), sec. 8(b)(28), ch. 159, SLA 2004 (Napaskiak, community projects and improvements - $6,326), sec. 131, ch. 139, SLA 1998, page 99, lines 19 - 20 (Nunapitchuk, motor grader snowblade - $15,500), sec. 1, ch. 135, SLA 2000, page 53, lines 28 - 30 (Nunapitchuk, washeteria renovation - water improvements - $50,000), sec. 15(b), ch. 61, SLA 2001, page 78, line 19 (Nunapitchuk, capital projects and improvements - $26,322), sec. 1, ch. 1, SSSLA 2002, page 81, lines 30 - 31 (Nunapitchuk, solid waste dumpsite upgrade - $25,000), sec. 8(a), ch. 1, SSSLA 2002, page 96, line 24 (Oscarville, community projects and improvements - $88,107), sec. 71(c), ch. 1, SSSLA 2002 (Oscarville, community facilities and equipment), sec. 8(a)(19), ch. 159, SLA 2004 (Oscarville, community projects and improvements - $58,651), sec. 1, ch. 61, SLA 2001, page 63, lines 12 - 13 (Tuntutuliak, jail house completion - $16,466), sec. 67(b), ch. 61, SLA 2001 (Tuntutuliak, construction of a post office), sec. 8(a), ch. 1, SSSLA 2002, page 97, line 2 (Tuntutuliak, community projects and improvements - $54,518), sec. 8(a)(31), ch. 159, SLA 2004 (Tuntutuliak, community projects and improvements - $7,881), and sec. 8(b)(38), ch. 159, SLA 2004 (Platinum, community projects and improvements - $26,900) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Association of Village Council Presidents for a demonstration project to use wood as a heating source for the fiscal year ending June 30, **2013** [2012].

*** Sec. 37.** HOUSE DISTRICT 39. (a) Section 13, ch. 29, SLA 2008, page 133, lines 14 - 15, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Wales - Heavy Equipment Purchase**,**	300,000	300,000
Repair, Maintenance, and Parts (HD 39)		

(b) The unexpended and unobligated balance, estimated to be $25,933, of the appropriation made in sec. 35, ch. 15, SLA 2009 (Pitka's Point Traditional Council, upgrading the washeteria) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Pitka's Point Traditional

Council for tribal office weatherization.

(c) The unexpended and unobligated balance of the appropriation made in sec. 1, ch. 15, SLA 2009, page 4, lines 19 - 20, and allocated on page 6, lines 5 - 7 (Saint Mary's, districtwide fuel tank farm replacement - $3,306,502) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Saint Mary's School District for facilities renovation.

* **Sec. 38.** HOUSE DISTRICT 40. The unexpended and unobligated balance, estimated to be $25,021, of the appropriation made in sec. 1, ch. 30, SLA 2007, page 60, lines 26 - 28 (Kaktovik, educational efforts regarding the ANWR - $50,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Kaktovik for local government operations and equipment purchase.

* **Sec. 39.** ALASKA MUNICIPAL BOND BANK AUTHORITY. (a) The sum of $1,300,000 is appropriated from the general fund to the Alaska Municipal Bond Bank Authority for the defeasance of the Inter-Island Ferry Authority's loan obligations to the Alaska Municipal Bond Bank Authority.

(b) The sum of $13,200,000 is appropriated from the general fund to the Alaska municipal bond bank authority reserve fund (AS 44.85.270) to provide forgiveness on loans made to the fund under AS 44.85.270(i).

* **Sec. 40.** STATUTORY BUDGET RESERVE FUND. The unobligated balance of the operating general fund (state accounting system fund number 11100) at the close of business on June 30, 2012, is appropriated to the budget reserve fund (AS 37.05.540(a)).

* **Sec. 41.** Section 63(d), ch. 29, SLA 2008, is repealed.

* **Sec. 42.** LAPSE. (a) The appropriations made in secs. 17, 18, 19(c), 24, 28(b), 28(c), 30(b), 32(b), 36(a), 37(b), and 37(c) of this Act are for capital projects and lapse under AS 37.25.020.

(b) The appropriations made in secs. 14, 15, 16(1), 39(b), and 40 of this Act are for the capitalization of funds and do not lapse.

* **Sec. 43.** RETROACTIVITY. Section 29 of this Act is retroactive to July 1, 2011.

* **Sec. 44.** CONTINGENCY. The appropriation made in sec. 23 of this Act is contingent on passage by the Twenty-Seventh Alaska State Legislature and enactment into law of a version

of SB 163 relating to general obligation bonds for transportation projects.

*** Sec. 45.** Sections 25 and 30(b) of this Act take effect April 15, 2012.

*** Sec. 46.** Sections 18, 19(a), 19(b), 21, 22, 24, 26 - 28, 30(a), 30(c), 30(d), 30(e), 30(f), 31 - 38, and 40 of this Act take effect June 30, 2012.

*** Sec. 47.** Sections 29 and 43 of this Act take effect immediately under AS 01.10.070(c).

*** Sec. 48.** Except as provided in secs. 45 - 47 of this Act, this Act takes effect July 1, 2012.

2012 Legislature - Capital Budget
House District Summary - SCS Structure

Numbers and Language
District by Impact

House District		[1] SCS_Sec1	[2] SCS_Sec7	[3] Total
1	Ketchikan	76,671.2	0.0	76,671.2
2	Sitka/Petersburg/Wrangell	67,801.1	400.0	68,201.1
3-4	Juneau Areawide	44,954.4	0.0	44,954.4
5	Cordova/Southeast Islands	40,222.5	176.1	40,398.6
1-5	Southeast Region	62,512.0	0.0	62,512.0
6	Interior Villages	58,865.9	25.0	58,890.9
7-11	Fairbanks Areawide	155,272.1	0.0	155,272.1
12	Richardson/Glenn Highways	20,479.8	0.0	20,479.8
13-16	Mat-Su Areawide	76,230.4	250.0	76,480.4
17-32	Anchorage Areawide	377,328.8	2,685.0	380,013.8
33-35	Kenai Areawide	81,004.9	1,750.0	82,754.9
12-35	Southcentral Region	24,300.0	0.0	24,300.0
36	Kodiak	57,043.0	30,000.0	87,043.0
37	Bristol Bay/Aleutians	60,124.8	9,000.0	69,124.8
38	Bethel	46,334.6	0.0	46,334.6
36-38	Southwest Region	29,697.7	1,284.5	30,982.2
39	Bering Straits	100,514.4	3,900.0	104,414.4
40	Arctic	51,808.3	0.0	51,808.3
39-40	Northwest Arctic Region	15,936.2	0.0	15,936.2
1-40	Statewide	1,125,992.8	6,655.0	1,132,647.8
Statewide Total		**2,573,094.8**	**56,125.6**	**2,629,220.4**
Funding Summary				
	Unrestricted General (UGF)	1,644,069.5	34,135.6	1,678,205.1
	Designated General (DGF)	49,119.7	0.0	49,119.7
	Other State Funds (Other)	65,874.4	6,100.0	71,974.4
	Federal Receipts (Fed)	814,031.3	15,890.0	829,921.3

Computed Column Definitions: [3]=[1]+[2]

Report (A)

2012 Legislature - Capital Budget
Agency Summary - SCS Structure

Numbers and Language

Agency	[1] SCS_Sec1	[2] SCS_Sec7	[3] Total
Agency Budgets			
Administration	43,313.0	0.0	43,313.0
Community & Economic Dev	649,592.7	0.0	649,592.7
Corrections	11,720.0	1,284.5	13,004.5
Education & Early Dev	136,882.7	0.0	136,882.7
Environmental Conservation	94,680.8	0.0	94,680.8
Fish and Game	28,268.3	0.0	28,268.3
Governor	100.0	0.0	100.0
Health & Social Services	26,511.6	0.0	26,511.6
Labor & Workforce Dev	24,031.5	0.0	24,031.5
Law	250.0	0.0	250.0
Military & Veterans Affairs	28,927.5	30,195.0	59,122.5
Natural Resources	36,894.0	1,250.0	38,144.0
Public Safety	22,256.8	0.0	22,256.8
Revenue	128,999.4	0.0	128,999.4
Transportation & Public Fac	1,095,091.4	23,396.0	1,118,487.5
University of Alaska	172,790.0	0.0	172,790.0
Alaska Court System	11,085.0	0.0	11,085.0
Total	**2,511,394.8**	**56,125.6**	**2,567,520.4**
Statewide Items			
Fund Capitalization	61,700.0	0.0	61,700.0
Total	**61,700.0**	**0.0**	**61,700.0**
Statewide Total	**2,573,094.8**	**56,125.6**	**2,629,220.4**
Funding Summary			
Unrestricted General (UGF)	1,644,069.5	34,135.6	1,678,205.1
Designated General (DGF)	49,119.7	0.0	49,119.7
Other State Funds (Other)	65,874.4	6,100.0	71,974.4
Federal Receipts (Fed)	814,031.3	15,890.0	829,921.3

Computed Column Definitions: [3]=[1]+[2]

report (B)

2012 Legislature - Capital Budget
Agency Summary - SCS Structure

Numbers and Language

Agency	[1] SCS Sec1	[2] SCS Sec7	[3] Total
Non-Additive Items			
Fund Transfers	25,870.7	0.0	25,870.7
Total	**25,870.7**	**0.0**	**25,870.7**

Computed Column Definitions: [3]=[1]+[2]

27-GS2600\X
Martin
4/10/12

adopted 4/11/12

CS FOR SENATE BILL NO. 160(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

"An Act making and amending appropriations, including capital appropriations, supplemental appropriations, and other appropriations; making appropriations to capitalize funds; and providing for an effective date."

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

(SECTION 1 OF THIS ACT BEGINS ON PAGE 2)

* **Section 1.** The following appropriation items are for capital projects and grants from the general fund or other funds as set out in section 2 of this Act by funding source to the agencies named for the purposes expressed and lapse under AS 37.25.020, unless otherwise noted.

	Appropriation	General	Other
Allocations	Items	Funds	Funds
* * * * *	* * * * *		
* * * * * **Department of Administration** * * * * *			
* * * * *	* * * * *		
Alaska Geologic Materials Center Replacement Facility (HD 1-40)	4,000,000	4,000,000	
Alaska Land Mobile Radio Software Emergency Response Communication Security Upgrades (HD 1-40)	3,500,000	3,500,000	
Division of Motor Vehicles - Driver Knowledge Testing System (HD 1-40)	550,000	550,000	
Douglas Island Building Renovation Phase 1 of 3 (HD 3-4)	9,200,000	9,200,000	
Enterprise Technology System Bandwidth Improvement Project for Rural Sites (HD 1-40)	1,500,000	1,500,000	
Enterprise Technology System Bandwidth Monitoring Toolset (HD 1-40)	800,000	800,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Juneau - Repair State Office Building Parking Garage Phase 1 of 3 (HD 3-4)		2,500,000	2,500,000	
Nome State Office Building and Courthouse (HD 39)		10,000,000	10,000,000	
Retirement and Benefits Combined Retirement System Upgrade Year 3 of 5 (HD 1-40)		350,000		350,000
Retirement and Benefits Disaster Recovery System Year 2 of 2 (HD 1-40)		325,000		325,000
Retirement and Benefits Document Management System Year 3 of 4 (HD 1-40)		338,000		338,000
Deferred Maintenance, Renewal, Repair and Equipment		**10,250,000**	**7,250,000**	**3,000,000**
Division General Services Public Building Fund Buildings Deferred Maintenance (HD 1-40)	6,250,000			
Facilities IP Phone Upgrade and Deferred Maintenance Year 2 of 2 (HD 1-40)	500,000			
Non-Public Building Fund Deferred Maintenance (HD 3-4)	500,000			

	Allocations	Appropriation Items	General Funds	Other Funds
State of Alaska Telecommunications System (SATS) Deferred Maintenance, Year 3 of 5 (HD 1-40)	3,000,000			
* * * * *			* * * * *	
* * * * * **Department of Commerce, Community and Economic Development** * * * * *				
* * * * *			* * * * *	
Alaska Canada Rail Link Phase II Feasibility Study (HD 1-40)		1,100,000	1,100,000	
Alaska Energy Authority - Hope Electrical Distribution Line Relocation (HD 17-32)		310,000	310,000	
Alaska Energy Authority - Hope Substation Automation (HD 17-32)		787,000	787,000	
Alaska Energy Authority - Kipnuk Power Plant Replacement, System Upgrades and Tank Farm Construction (HD 38)		7,500,000	7,500,000	
Alaska Energy Authority - Kongiganak Power System Upgrade (HD 38)		1,996,000	1,996,000	
Alaska Energy Authority - Kwigillingok Power System Upgrade (HD 38)		2,168,000	2,168,000	
Alaska Energy Authority - Stetson Creek Diversion		5,825,500	5,825,500	

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 33-35)				
Alaska Energy Authority - Tuntutuliak Power System Upgrade (HD 38)		1,832,600	1,832,600	
Alaska Industrial Development & Export Authority - Ketchikan Shipyard Improvements (HD 1)		10,000,000	10,000,000	
Community Block Grants (HD 1-40)		6,060,000	60,000	6,000,000
Community Development and Assistance (HD 1-40)		1,560,000	1,140,000	420,000
Economic Development Initiative (HD 1-40)		1,770,000	1,770,000	
State Support for Rural Roads and Waterfront Development Partnership (HD 1-40)		3,000,000	3,000,000	
Strategic Minerals Implementation (HD 1-40)		450,000	450,000	
Alaska Energy Authority - Energy Programs		**26,530,000**	**18,730,000**	**7,800,000**
Alaska Energy Plan Implementation (HD 1-40)	1,000,000			
Alternative Energy and Energy Efficiency (AEEE) Programs (HD 1-40)	4,800,000			
AVTEC Power Plant Infrastructure Training Systems Upgrade (HD 1-40)	400,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Bulk Fuel Upgrades (HD 1-40)	7,000,000			
Electrical Emergencies Program (HD 1-40)	330,000			
Rural Power Systems Upgrade (HD 1-40)	13,000,000			
Alaska Energy Authority - Round V Renewable Energy Project Grants (AS 42.45.045)		**25,870,659**	**25,870,659**	
Sleetmute Heat Recovery - Power Plant to Water Plant (HD 6)	126,682			
Togiak Waste Heat Recovery Project (HD 37)	443,030			
Shishmaref Heat Recovery Project (HD 40)	310,841			
Waterfall Creek Hydroelectric Project (HD 37)	200,000			
Tatitlek Heat Recovery Project (HD 5)	265,000			
Thayer Lake Hydropower Transmission/Generation (HD 5)	7,000,000			
Packers Creek Hydroelectric Project (HD 37)	1,993,496			
Kobuk Biomass Design & Construction Project (HD 40)	356,424			
Chevak Wind Energy	240,260			

	Allocations	Appropriation Items	General Funds	Other Funds
Recovery -Chevak Water System Heat (HD 39)				
Pillar Mountain High Penetration Wind Project (HD 36)	7,800,000			
Scammon Bay Hydro Design & Engineering (HD 39)	80,723			
Gambell Wind Energy Recovery for Gambell Water System Heat (HD 39)	240,260			
Shaktoolik Surplus Wind Energy Recovery for Water System Heat (HD 39)	240,260			
Surplus Wind Energy Recovery for Mekoryuk Water System Heat (HD 38)	264,459			
Russian Mission Heat Recovery System (HD 6)	555,000			
Design & Construction of Wood Heating in Interior Alaska (HD 6)	1,215,224			
Tanacross Woody Biomass Community Space Heating Project (HD 6)	420,000			
Huslia Water System & Clinic Wood Boiler Project (HD 6)	50,000			
Nome Renewable Energy Expansion/Optimization (HD 39)	4,069,000			
Grants to Municipalities				

	Allocations	Appropriation Items	General Funds	Other Funds
(AS 37.05.315)				
Aleutians East Borough - Cold Bay Airport - Apron and Taxiway Construction (HD 37)		2,000,000	2,000,000	
Anchorage - 64th Avenue Upgrade and Reconstruction (HD 17-32)		4,000,000	4,000,000	
Anchorage - A Street and 48th Avenue Extension and Upgrade - 51st Avenue to Cordova Street (HD 17-32)		4,000,000	4,000,000	
Anchorage - Anchorage Museum - Alaska History Gallery Renovation (HD 17-32)		5,000,000	5,000,000	
Anchorage - ARDSA - Abbott Loop and Taku/ Campbell Area Pavement Rehabilitation (HD 17-32)		3,000,000	3,000,000	
Anchorage - ARDSA Residential Pavement Rehab - U-Med District and Scenic Foothills Area (HD 17-32)		3,000,000	3,000,000	
Anchorage - ARDSA Residential Pavement Rehabilitation - Downtown and Midtown Areas (HD 17-32)		1,650,000	1,650,000	
Anchorage - ARDSA		3,000,000	3,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Residential Pavement Rehabilitation - Mountain View and Muldoon Areas (HD 17-32)				
Anchorage - ARDSA Sand Lake, Bayshore, Klatt, and Oceanview Pavement Rehabilitation (HD 17-32)		3,000,000	3,000,000	
Anchorage - ARDSA Spenard and Turnagain Residential Areas Pavement Rehabilitation (HD 17-32)		3,000,000	3,000,000	
Anchorage - Ben Boeke Ice Arena Upgrades (HD 17-32)		200,000	200,000	
Anchorage - Birch Road Safety Improvements - O'Malley Road to Naknek Lane (HD 17-32)		1,200,000	1,200,000	
Anchorage - Chester Creek Trail Improvements (HD 17-32)		150,000	150,000	
Anchorage - Clitheroe Center Roof Replacement and Water System Upgrades (HD 17-32)		800,000	800,000	
Anchorage - Cordova Street Pedestrian and Traffic Safety Improvements - 3rd Avenue to 16th Avenue (HD 17-32)		1,000,000	1,000,000	
Anchorage - Delaney Park		250,000	250,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Train Repair (HD 17-32)				
Anchorage - Dempsey Anderson Ice Arena Upgrades (HD 17-32)		250,000	250,000	
Anchorage - Duben Street Upgrade - Muldoon Road to Bolin Street (HD 17-32)		3,000,000	3,000,000	
Anchorage - Duben Street Upgrade - Patterson Street East to Muldoon Road (HD 17-32)		3,000,000	3,000,000	
Anchorage - Egan Center Upgrades (HD 17-32)		1,000,000	1,000,000	
Anchorage - Fairview Recreation Center Upgrade (HD 17-32)		643,000	643,000	
Anchorage - Fairview Sidewalk Snow Disposal Pilot Project (HD 17-32)		50,000	50,000	
Anchorage - Fire Department Dispatch Center Improvements (HD 17-32)		250,000	250,000	
Anchorage - Fire Department Fire Engines Replacement (HD 17-32)		700,000	700,000	
Anchorage - Fire Department Fire Station #3 and #9 Land Acquisition (HD 17-32)		2,000,000	2,000,000	
Anchorage - Fire Department Foam Tender		110,000	110,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Replacement (HD 17-32)				
Anchorage - Fire Department Water Craft (HD 17-32)		71,700	71,700	
Anchorage - Fish Creek Trail - Northwood Drive to Spenard Road (HD 17-32)		325,000	325,000	
Anchorage - Foothills East Subdivision Area Street Reconstruction (HD 17-32)		2,000,000	2,000,000	
Anchorage - Girdwood Town Site Master Plan Update (HD 17-32)		80,000	80,000	
Anchorage - Hillside Integration Commission for Drainage and Roads (HD 17-32)		100,000	100,000	
Anchorage - Kachemak Place and Circle Area Drainage Improvements - 100th Avenue to Amber Bay Loop (HD 17-32)		750,000	750,000	
Anchorage - Kincaid Park Ropes Challenge Course (HD 17-32)		150,000	150,000	
Anchorage - Lake Otis Parkway Expansion - 15th Avenue to Northern Lights Boulevard (HD 17-32)		2,500,000	2,500,000	
Anchorage - Lake Otis Parkway Pedestrian Overpass		100,000	100,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Study - Lake Otis Elementary (HD 17-32)				
Anchorage - Mountain View Drive and McCarrey Street Intersection Safety (HD 17-32)		1,100,000	1,100,000	
Anchorage - Mountain View Library Materials (HD 17-32)		25,000	25,000	
Anchorage - Mountain View Recreation Center Upgrades (HD 17-32)		175,000	175,000	
Anchorage - Muldoon Library Materials (HD 17-32)		25,000	25,000	
Anchorage - Muldoon Road at Duben Street Pedestrian Safety (HD 17-32)		800,000	800,000	
Anchorage - Northern Lights Boulevard Pedestrian Safety - Lois Drive West to Captain Cook Estates Circle (HD 17-32)		920,000	920,000	
Anchorage - Northern Lights Boulevard Surface Rehab - Boniface Parkway to Muldoon Road (HD 17-32)		1,700,000	1,700,000	
Anchorage - Pavement Rehabilitation Matching Program (HD 17-32)		6,000,000	6,000,000	
Anchorage - Penland Parkway Rehabilitation Airport		4,000,000	4,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Heights Road to Bragaw Street (HD 17-32)				
Anchorage - Performing Arts Center Upgrades & Infrastructure Rehab (HD 17-32)		2,100,000	2,100,000	
Anchorage - Police Department Digital Equipment (HD 17-32)		2,600,000	2,600,000	
Anchorage - Police Department Expansion - Outdoor Storage (HD 17-32)		3,800,000	3,800,000	
Anchorage - Police Department Headquarters Roof Replacement (HD 17-32)		2,000,000	2,000,000	
Anchorage - Port of Anchorage Expansion (HD 17-32)		25,000,000	25,000,000	
Anchorage - Reka Drive Southside Separated Pedestrian Facility - Bragaw Street to Pine Street (HD 17-32)		200,000	200,000	
Anchorage - Ship Creek Access Improvements North C Street to Dam Phase II (HD 17-32)		4,000,000	4,000,000	
Anchorage - South Anchorage Sports Park Facility (HD 17-32)		4,000,000	4,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage - Spenard Recreation Center Upgrades (HD 17-32)		1,200,000	1,200,000	
Anchorage - Sullivan Arena Parking Lot Expansion and Building Upgrades (HD 17-32)		5,190,000	5,190,000	
Anchorage - Transit Fleet Replacement (HD 17-32)		75,000	75,000	
Anchorage - Viburnum Drive - Oakwood and Burlwood Reconstruction (HD 17-32)		7,900,000	7,900,000	
Anchorage - Waldron Lake Subdivision Land Purchase (HD 17-32)		4,000,000	4,000,000	
Anchorage - Z.J. Loussac Library Repairs, Upgrades and Materials (HD 17-32)		1,825,000	1,825,000	
Angoon - Clinic Helicopter Landing Pad (HD 5)		172,000	172,000	
Angoon - Front Road Renovation (HD 5)		1,500,000	1,500,000	
Barrow - Recreation Center Renovation and Expansion (HD 40)		3,500,000	3,500,000	
Bethel - Aquatic Training and Health Center (HD 38)		15,075,000	15,075,000	
Bethel - City Shop Floor Repairs (HD 38)		1,500,000	1,500,000	
Chuathbaluk - Community Roads Repair and Upgrade		300,000	300,000	

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 6)				
Coffman Cove - Trail Improvements (HD 1)		45,000	45,000	
Delta Junction - Delta Community Library Improvements (HD 12)		30,000	30,000	
Denali Borough - Anderson School Heating Fuel Storage Tank Replacement (HD 7-11)		45,000	45,000	
Denali Borough - Cantwell School Heating Fuel Storage Tank Replacement (HD 7-11)		25,000	25,000	
Denali Borough - Nenana Canyon Fire Service Well and Hydrant (HD 7-11)		65,000	65,000	
Dillingham - Wastewater Treatment Plant Upgrades (HD 37)		2,280,000	2,280,000	
Fairbanks - Ambulance (HD 7-11)		230,000	230,000	
Fairbanks - Arctic Park & Council Subdivisions Streets (HD 7-11)		1,100,000	1,100,000	
Fairbanks - Disaster Recovery/Warm Storage Additions (HD 7-11)		2,000,000	2,000,000	
Fairbanks - Lemeta Subdivision Streets (HD 7-11)		2,000,000	2,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Fairbanks - Rickert Subdivision Streets (HD 7-11)		3,300,000	3,300,000	
Fairbanks - Road Improvements (HD 7-11)		5,000,000	5,000,000	
Fairbanks - Slaterville Subdivision Streets (HD 7-11)		1,950,000	1,950,000	
Fairbanks North Star Borough - Ambulance Equipment Replacement (HD 7-11)		75,000	75,000	
Fairbanks North Star Borough - Badger Road Elementary School Equipment and Improvements (HD 7-11)		25,000	25,000	
Fairbanks North Star Borough - Borough Emergency Operations Center Equipment (HD 7-11)		400,000	400,000	
Fairbanks North Star Borough - Classroom Digital Technology Upgrade (HD 7-11)		333,000	333,000	
Fairbanks North Star Borough - Growden Park/ Gold Panner Restrooms (HD 7-11)		450,000	450,000	
Fairbanks North Star Borough - Natural Gas		3,000,000	3,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Distribution System Development (HD 7-11)				
Fairbanks North Star Borough - Noel Wien Library Maintenance (HD 7-11)		3,000,000	3,000,000	
Fairbanks North Star Borough - North Pole Elementary School Classroom Technology Upgrades (HD 7-11)		25,000	25,000	
Fairbanks North Star Borough - North Pole High School Classroom Technology Upgrades (HD 7-11)		25,000	25,000	
Fairbanks North Star Borough - North Pole Middle School Classroom Equipment (HD 7-11)		25,000	25,000	
Fairbanks North Star Borough - Parks and Recreation Facility Improvements - Birch Hill (HD 7-11)		1,400,000	1,400,000	
Fairbanks North Star Borough - Salcha Elementary School Classroom Equipment (HD 12)		17,000	17,000	
Fairbanks North Star		4,850,000	4,850,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Borough - Senate District D Road Service Area Funding (HD 7-11)				
Fairbanks North Star Borough - Senate District D Schools Classroom Technology Upgrade (HD 7-11)		100,000	100,000	
Fairbanks North Star Borough - Star of the North Charter School Classroom Technology Upgrades (HD 7-11)		25,000	25,000	
Fairbanks North Star Borough - Ticasuk Brown Elementary School Classroom and Facility Upgrades (HD 7-11)		25,000	25,000	
Fairbanks Northstar Borough - Air Quality Mitigation (HD 7-11)		2,500,000	2,500,000	
Fairbanks Northstar Borough - Arctic Winter Games Host Society (HD 7-11)		500,000	500,000	
Fort Yukon - Fire Truck (HD 6)		385,000	385,000	
Gambell - Excavator Purchase (HD 39)		155,000	155,000	
Golovin - Heavy Equipment (HD 39)		394,500	394,500	
Haines Borough - Haines		4,500,000	4,500,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Boat Harbor and Breakwater Improvements (HD 5)				
Homer - Fishing Lagoon Improvements (HD 33-35)		100,000	100,000	
Huslia - Huslia Community Services Center Match (HD 6)		170,000	170,000	
Juneau - Middle School's Computer Replacement (HD 3-4)		82,000	82,000	
Kachemak - Kachemak Roads Repairs (HD 33-35)		60,000	60,000	
Kake - Water and Sewer Replacement (HD 5)		2,325,000	2,325,000	
Kasaan - Community Hall Remodel and Upgrade (HD 5)		83,400	83,400	
Kenai - Road and Infrastructure Improvements (HD 33-35)		3,000,000	3,000,000	
Kenai Peninsula Borough - Homer High School Athletic Facilities (HD 33-35)		1,100,000	1,100,000	
Kenai Peninsula Borough - Kenai & Soldotna High School Track and Field Improvements (HD 33-35)		2,700,000	2,700,000	
Kenai Peninsula Borough - Ninilchik Senior Center Improvements (HD 33-35)		24,800	24,800	
Kenai Peninsula Borough - Road Projects (HD 33-35)		5,000,000	5,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Ketchikan - Berths I & II Replacement Project (HD 1)		7,000,000	7,000,000	
Ketchikan - Ketchikan Medical Center Improvement Project (HD 1)		3,000,000	3,000,000	
Ketchikan - Rehabilitation/ Replacement of Off-System City Bridges (HD 1)		9,250,000	9,250,000	
Ketchikan Gateway Borough - Alaska Marine Highway System & NOAA Moorage Facility (HD 1)		7,500,000	7,500,000	
Ketchikan Gateway Borough - Ketchikan International Airport Operations and Infrastructure (HD 1)		9,905,000	9,905,000	
Kodiak - Baranof Park Improvements (HD 36)		2,000,000	2,000,000	
Kodiak - Pier III Replacement (HD 36)		18,100,000	18,100,000	
Kodiak Island Borough - Kodiak High School Vocational and Physical Education Facilities (HD 36)		7,000,000	7,000,000	
Kotzebue - Cape Blossom Road and Deep Water Port (HD 40)		4,600,000	4,600,000	
Kotzebue - Swan Lake Small Boat Harbor (HD 40)		3,000,000	3,000,000	
Koyuk - Multi-Use Facility		150,000	150,000	

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 39)				
Koyukuk - New Clinic Match (HD 6)		150,000	150,000	
Matanuska-Susitna Borough - American Charter Academy Science Equipment and Supplies (HD 13-16)		45,000	45,000	
Matanuska-Susitna Borough - Big Lake Elementary School Equipment and Improvements (HD 13-16)		35,000	35,000	
Matanuska-Susitna Borough - Big Lake Service Area Roads Upgrade (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Birchtree Library (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Burchell High School Equipment and Improvements (HD 13-16)		60,000	60,000	
Matanuska-Susitna Borough - Butte Elementary School Equipment and Improvements (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Caswell Lakes Service Area Roads Upgrade (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Crystal Lake Road Repair and Resurface (HD 13-16)		75,000	75,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Matanuska-Susitna Borough - District Warehouse Improvements (HD 13-16)		20,000	20,000	
Matanuska-Susitna Borough - Fairview Service Area Roads Upgrade (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Fronteras Spanish Immersion Charter School Computer Labs (HD 13-16)		60,000	60,000	
Matanuska-Susitna Borough - Glacier View School Improvements and Equipment (HD 12)		35,000	35,000	
Matanuska-Susitna Borough - Goose Bay Elementary School Equipment (HD 13-16)		25,000	25,000	
Matanuska-Susitna Borough - Greater Butte Service Area Roads Upgrade (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Houston High School Lighting (HD 13-16)		115,000	115,000	
Matanuska-Susitna Borough - Knik Service Area Roads Upgrade (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Lazy Mountain Service Area Roads Upgrade (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough -		30,000	30,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Meadow Lakes Service Area Roads Upgrade (HD 13-16)				
Matanuska-Susitna Borough - Midnight Sun Family Learning Center Security System & Facility Equipment (HD 13-16)		25,000	25,000	
Matanuska-Susitna Borough - Pioneer Peak Elementary School High Equipment and Supplies (HD 13-16)		5,000	5,000	
Matanuska-Susitna Borough - Road Bond Package State Match (HD 13-16)		20,000,000	20,000,000	
Matanuska-Susitna Borough - Sutton Elementary School Equipment (HD 12)		19,000	19,000	
Matanuska-Susitna Borough - Sutton Elementary School Improvements and Equipment (HD 12)		35,000	35,000	
Matanuska-Susitna Borough - Talkeetna Service Area Roads Upgrades (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Trapper Creek Service Area Roads Upgrade (HD 13-16)		30,000	30,000	
Matanuska-Susitna Borough - Wasilla Middle School Outdoor Recreation Facility (HD 13-16)		75,000	75,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Matanuska-Susitna Borough - Willow Service Area Roads Upgrade (HD 13-16)		30,000	30,000	
Nenana - School Electrical Upgrades (HD 6)		150,000	150,000	
New Stuyahok - Volunteer Fire Department Fire Station Construction and Equipment (HD 37)		985,650	985,650	
North Slope Borough - Arctic National Broadband Network (HD 40)		4,000,000	4,000,000	
North Slope Borough - Kaktovik Airport Relocation (HD 40)		7,500,000	7,500,000	
Northwest Arctic Borough - Deering Fuel Delivery Truck (HD 40)		225,000	225,000	
Northwest Arctic Borough - Kiana Storage Shed and Shop (HD 40)		400,000	400,000	
Northwest Arctic Borough - Noatak Winter Fuel Haul System (HD 40)		425,000	425,000	
Nulato - Sawmill Acquisition and Public Facilities Repairs (HD 6)		45,000	45,000	
Palmer - Sidewalk Improvements (HD 13-16)		100,000	100,000	
Palmer - Waste Water Treatment Plant Property		2,500,000	2,500,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Acquisition (HD 13-16)				
Palmer - Water Main Tie-Ins (HD 13-16)		252,000	252,000	
Pelican - Water and Sewer Improvements (HD 2)		214,000	214,000	
Petersburg - Commercial Dock Drive Down Facility (HD 2)		5,600,000	5,600,000	
Petersburg - Crane Dock Upgrade (HD 2)		800,000	800,000	
Petersburg - Hospital Roof Replacement (HD 2)		275,000	275,000	
Petersburg - Police Department Design, Planning, and Pre-Construction (HD 2)		350,000	350,000	
Petersburg - Shooting Range Improvements (HD 2)		50,000	50,000	
Petersburg - Sons of Norway Hall Renovations and Improvements (HD 2)		250,000	250,000	
Port Lions - City Dock and Ferry Terminal Replacement (HD 36)		3,000,000	3,000,000	
Russian Mission - Dump Relocation Design and Permitting (HD 6)		600,000	600,000	
Saint Paul - Ataqan Landfill Burn Box (HD 37)		382,337	382,337	
Savoonga - Heavy Equipment (HD 39)		197,200	197,200	

	Allocations	Appropriation Items	General Funds	Other Funds
Saxman - Saxman Harbor - Planning and Design (HD 1)		350,000	350,000	
Saxman - Saxman Seaport Emergency Repairs & Improvements (HD 1)		750,000	750,000	
Sitka - Baranof Warm Springs Dock Improvements and Ownership Transfer (HD 2)		1,900,000	1,900,000	
Sitka - Commercial Passenger Vessel and Visitors Facilities Improvements (HD 2)		4,500,000	4,500,000	
Sitka - Community Hospital Roof Replacement (HD 2)		1,200,000	1,200,000	
Sitka - Eagle Way Upgrade and Ownership Transfer (HD 2)		1,500,000	1,500,000	
Sitka - Failed Collector Streets Rehabilitation (HD 2)		2,900,000	2,900,000	
Sitka - Gun Range Improvements (HD 2)		50,000	50,000	
Sitka - Nelson Logging Road Upgrade and Ownership Transfer (HD 2)		2,343,000	2,343,000	
Sitka - School District Vocational Education Facility (HD 2)		2,900,000	2,900,000	
Sitka - Supplemental & Emergency Diesel		7,125,000	7,125,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Generation (HD 2)				
Sitka - Takatz Lake Hydroelectric Project Planning and Analysis (HD 2)		770,000	770,000	
Thorne Bay - Davidson Landing Improvements (HD 1)		110,000	110,000	
Thorne Bay - Sandy Beach Road Repair & Improvements (HD 1)		273,000	273,000	
Valdez - Senior Center Carport Replacement (HD 12)		200,000	200,000	
Valdez - Valdez Boat Harbor (HD 12)		5,000,000	5,000,000	
Wales - Health Clinic Improvements (HD 39)		150,000	150,000	
Wasilla - Cottonwood Creek Park Trailhead (HD 13-16)		75,000	75,000	
Wasilla - Iditapark Amphitheater Pavilion (HD 13-16)		50,000	50,000	
Wasilla - Lake Lucille Dam Improvements (HD 13-16)		300,000	300,000	
Wasilla - Lake Lucille Park Boardwalk and Dock (HD 13-16)		100,000	100,000	
Wasilla - Regional Transportation Planning (HD 13-16)		150,000	150,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Whittier - Shotgun Cove Road - Phase 4 (HD 17-32)		2,000,000	2,000,000	
Wrangell - Boat Yard Improvements (HD 2)		4,000,000	4,000,000	
Wrangell - Gun Range Improvements (HD 2)		50,000	50,000	
Wrangell - Hospital and Nursing Home Replacement Project (HD 2)		1,800,000	1,800,000	
Wrangell - Wood Street Construction and Utility Improvements (HD 2)		1,000,000	1,000,000	
Grants to Municipalities (AS 37.05.315) - Public Library Construction				
Sitka - Kettleson Memorial Library (HD 2)		5,700,000	5,700,000	
Fairbanks North Star Borough - North Pole Branch Library (HD 7-11)		6,800,000	6,800,000	
Juneau - Mendenhall Valley Public Library (HD 3-4)		7,000,000	7,000,000	
Matanuska-Susitna Borough - Talkeetna Public Library & Community Resource Center (HD 13-16)		2,800,000	2,800,000	
Grants to Named Recipients (AS 37.05.316)				
Access Alaska, Inc. - Anchorage Neighborhood Health Clinic Facility		3,250,000	3,250,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Purchase and Renovation (HD 17-32)				
Affinityfilms, Inc. - Alaska Media Content Workforce Development (HD 17-32)		200,000	200,000	
Alaska Air Carriers Association, Inc. - Medallion Foundation (HD 1-40)		250,000	250,000	
Alaska Arts and Culture Foundation - Cultural Trust Needs Assessment (HD 1-40)		50,000	50,000	
Alaska Association for Historic Preservation - Nike Site Summit Tourism Development Project (HD 17-32)		50,000	50,000	
Alaska Association of Conservation Districts - Fairbanks Soil & Water Conservation District Invasive Weeds Project (HD 7-11)		70,000	70,000	
Alaska Botanical Garden - Horticultural Research and Propagation Site (HD 17-32)		375,000	375,000	
Alaska Brain Injury Network, Inc. - Statewide Brain Injury Awareness		200,000	200,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Campaign (HD 1-40)				
Alaska Cancer Care Alliance - Cancer Network Video and Web Technology & Programs (HD 1-40)		101,400	101,400	
Alaska Center for the Environment - Trailside Discovery Mountain View Water and Watercraft Safety Program (HD 17-32)		49,100	49,100	
Alaska Dome - Parking Lot Paving and Improvements (HD 17-32)		1,500,000	1,500,000	
Alaska Fisheries Development Foundation - Fishing Vessel Energy Audit Pilot Project (HD 1-40)		250,000	250,000	
Alaska Laborers Training Trust - Training Facility Student Housing & Dormitory Project (HD 17-32)		1,500,000	1,500,000	
Alaska Manufacturing Extension Partnership - State Matching Support (HD 1-40)		400,000	400,000	
Alaska Medicare Clinic - Facility Installation (HD 17-32)		500,000	500,000	
Alaska Moose Federation -		1,500,000	1,500,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Moose Rescue & Relocation Program (HD 1-40)				
Alaska Moose Federation - Statewide Moose Salvage Program (HD 1-40)		100,000	100,000	
Alaska Museum of Natural History - New Science Facility Project and Building Upgrade (HD 17-32)		250,000	250,000	
Alaska Network on Domestic Violence & Sexual Assault - Replacement of Office Equipment (HD 3-4)		20,000	20,000	
Alaska Pretrial Services, Inc. - Pre-Trial Release and Community Safety Projects (HD 1-40)		250,000	250,000	
Alaska Resource Agency - Heating Appliance Upgrade and Replacement Program (HD 7-11)		100,000	100,000	
Alaska School Activities Association - Alaska High School Hall of Fame (HD 17-32)		150,000	150,000	
Alaska School Activities Association - Tobacco, Alcohol and Drug Prevention Programs (HD 1-40)		250,000	250,000	
Alaska Search and Rescue		50,000	50,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Association - Incident Management Team Search (HD 17-32)				
Alaska Special Olympics - Training Center and Campus Expansion Development (HD 17-32)		4,000,000	4,000,000	
Alaska State Fair - Sewer System Expansion and Upgrades (HD 13-16)		1,142,875	1,142,875	
Alaska State Hospital & Nursing Home Association - Alaska Specialty Nursing Training (HD 1-40)		85,000	85,000	
Alaska State Pipe Trades - Heating, Ventilation, Air Conditioning & Refrigeration (HVACR) Training (HD 17-32)		200,000	200,000	
Alaska Teamsters Employer Service Corporation - Employer Service Training Equipment (HD 17-32)		160,000	160,000	
Alaska Veterans Foundation, Inc. - Veteran Village (HD 17-32)		300,000	300,000	
Alaska Village Electric Cooperative, Inc - Lower Kuskokwim Energy Improvements (HD 38)		5,000,000	5,000,000	
Alaska Village Electric		1,000,000	1,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Cooperative, Inc. - Ekwok Power System Upgrades Repayment (HD 37)				
Alaska Wildlife Conservation Center - Safe Drinking Water System (HD 17-32)		100,000	100,000	
Alaska Zoo - Distance Education Program (HD 17-32)		150,000	150,000	
Alaskan Shellfish Growers Association - Shellfish Industry Technical Assistance Grants (HD 1-5)		30,000	30,000	
Allakaket Village - Allakaket Clinic Renovation Project (HD 6)		170,000	170,000	
Alyeska Vocational Services - Alaska Deaf Center Development Plan (HD 17-32)		475,000	475,000	
Alzheimer's Disease Resource Agency of Alaska - Education & Support Program (HD 1-40)		100,000	100,000	
American Legion Baseball Alliance - Field Renovation and Development Program (HD 1-40)		1,350,000	1,350,000	
American Legion Post 29 - Homeless and Disabled		50,000	50,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Veterans Assistance (HD 17-32)				
American Legion Post 29 - Roof and Building Repairs (HD 17-32)		9,400	9,400	
American Lung Association - Alaska Asthma Coalition Program (HD 1-40)		500,000	500,000	
American Red Cross of Alaska - Service to Armed Forces - Emergency Messaging Program (HD 17-32)		75,000	75,000	
Anchor Point Senior Citizens, Inc. - Anchor Point Senior Center Improvements (HD 33-35)		244,000	244,000	
Anchorage Community Land Trust - Community Gardens (HD 17-32)		100,000	100,000	
Anchorage Community Land Trust - Mountain View Blighted Property Improvement (HD 17-32)		1,000,000	1,000,000	
Anchorage Community Mental Health Services - Adult Day Care Facility Expansion (HD 17-32)		250,000	250,000	
Anchorage Community YMCA - Mechanical System Boilers and Control System		10,000	10,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Replacement (HD 17-32)				
Anchorage Curling Club - Expanded Facility Construction (HD 17-32)		200,000	200,000	
Anchorage Park Foundation - African American Soldiers ALCAN Highway Memorial (HD 17-32)		50,000	50,000	
Anchorage Park Foundation - Arctic Benson Park and East Spenard Neighborhood Park Safety Upgrades (HD 17-32)		83,000	83,000	
Anchorage Park Foundation - Campbell Creek Estuary and Trail Improvements (HD 17-32)		200,000	200,000	
Anchorage Park Foundation - Campbell Park Play Equipment and Safety Surfacing (HD 17-32)		200,000	200,000	
Anchorage Park Foundation - Chester Creek Sports Complex Mulcahy Rinks Reconstruction (HD 17-32)		250,000	250,000	
Anchorage Park Foundation - Coastal Trail - Surface and Safety Improvements (HD 17-32)		1,000,000	1,000,000	
Anchorage Park Foundation - Davis Park Athletic Field		200,000	200,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Upgrades (HD 17-32)				
Anchorage Park Foundation - Elderberry Park Equipment (HD 17-32)		40,000	40,000	
Anchorage Park Foundation - Fairbanks Park Toddler Play Equipment (HD 17-32)		50,000	50,000	
Anchorage Park Foundation - Fairview Lions Park Play Equipment (HD 17-32)		200,000	200,000	
Anchorage Park Foundation - Kiwanis Fish Creek Park and Spenard Neighborhood Park Improvements (HD 17-32)		83,000	83,000	
Anchorage Park Foundation - North Russian Jack Springs Park Playground (HD 17-32)		400,000	400,000	
Anchorage Park Foundation - Northeast Anchorage Skate Park (HD 17-32)		250,000	250,000	
Anchorage Park Foundation - Ruth Arcand Park Equestrian Trail Rehabilitation (HD 17-32)		75,000	75,000	
Anchorage Park Foundation - Scenic Foothills Community Council Little Dipper Pilot Project (HD 17-32)		73,000	73,000	
Anchorage Park Foundation - Scenic Foothills Community		69,000	69,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Council Scenic Park Pilot Project (HD 17-32)				
Anchorage School District - Abbott Loop Elementary School Equipment and Furniture (HD 17-32)		60,000	60,000	
Anchorage School District - Airport Heights Elementary School Equipment (HD 17-32)		16,500	16,500	
Anchorage School District - Alaska Native Cultural Classroom Technology (HD 17-32)		25,000	25,000	
Anchorage School District - Anchorage Vocational Academic Institute of Learning Equipment and Materials (HD 17-32)		39,000	39,000	
Anchorage School District - Aquarian Charter School Equipment (HD 17-32)		35,000	35,000	
Anchorage School District - Bartlett High School Equipment (HD 17-32)		50,000	50,000	
Anchorage School District - Bartlett High School Turf Field Installation (HD 17-32)		3,500,000	3,500,000	
Anchorage School District - Baxter Elementary School		98,000	98,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Equipment and Materials (HD 17-32)				
Anchorage School District - Bayshore Elementary School Equipment (HD 17-32)		58,000	58,000	
Anchorage School District - Begich Middle School Equipment and Materials (HD 17-32)		181,350	181,350	
Anchorage School District - Central Middle School of Science Improvements (HD 17-32)		70,000	70,000	
Anchorage School District - Chester Valley Elementary School Equipment (HD 17-32)		40,000	40,000	
Anchorage School District - Chinook Elementary School Improvements and Staff Training (HD 17-32)		66,600	66,600	
Anchorage School District - Chugach Optional Elementary School Security Improvements (HD 17-32)		90,000	90,000	
Anchorage School District - Chugiak Elementary School Interactive Display Technologies in Classrooms (HD 17-32)		44,000	44,000	
Anchorage School District -		25,000	25,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Clark Middle School Library Collection Upgrade (HD 17-32)				
Anchorage School District - College Gate Elementary School Equipment (HD 17-32)		30,000	30,000	
Anchorage School District - College Gate Elementary School Pedestrian Safety (HD 17-32)		470,000	470,000	
Anchorage School District - Creekside Park Elementary School Equipment and Materials (HD 17-32)		53,400	53,400	
Anchorage School District - Crossroads School Equipment and Classroom Upgrades (HD 17-32)		20,500	20,500	
Anchorage School District - Denali Montessori School Security Improvements (HD 17-32)		90,000	90,000	
Anchorage School District - Dimond High School Equipment and Improvements (HD 17-32)		123,500	123,500	
Anchorage School District - Eagle Academy School Equipment and Upgrades (HD 17-32)		60,700	60,700	

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage School District - Eagle River Elementary School Equipment (HD 17-32)		75,000	75,000	
Anchorage School District - East High School Area Pedestrian and Safety Improvements (HD 17-32)		250,000	250,000	
Anchorage School District - East High School Classroom Equipment (HD 17-32)		165,400	165,400	
Anchorage School District - Fairview Elementary School Equipment and Materials (HD 17-32)		125,000	125,000	
Anchorage School District - Girdwood School Gym Improvements (HD 17-32)		40,000	40,000	
Anchorage School District - Gladys Wood Elementary School Equipment and Materials (HD 17-32)		52,000	52,000	
Anchorage School District - Government Hill Elementary School Equipment (HD 17-32)		50,000	50,000	
Anchorage School District - Hanshew Middle School Equipment and Upgrades (HD 17-32)		158,500	158,500	
Anchorage School District -		90,000	90,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Homestead Elementary School Security Improvements (HD 17-32)				
Anchorage School District - Inlet View Elementary School Equipment and Upgrades (HD 17-32)		150,000	150,000	
Anchorage School District - Kasuun Elementary School Equipment (HD 17-32)		115,500	115,500	
Anchorage School District - Kincaid Elementary School Improvements (HD 17-32)		15,000	15,000	
Anchorage School District - Klatt Elementary School Classroom Equipment (HD 17-32)		76,650	76,650	
Anchorage School District - Lake Hood Elementary School Classroom Technology (HD 17-32)		174,000	174,000	
Anchorage School District - McLaughlin Secondary School Computers (HD 17-32)		21,000	21,000	
Anchorage School District - Mears Middle School Equipment and Improvement (HD 17-32)		73,500	73,500	
Anchorage School District - Mears Middle School Office		100,000	100,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Improvements (HD 17-32)				
Anchorage School District - Mirror Lake Middle School Musical Equipment (HD 17-32)		110,000	110,000	
Anchorage School District - Mountain View Elementary School Climbing Wall (HD 17-32)		25,000	25,000	
Anchorage School District - Mountain View Elementary School Equipment (HD 17-32)		32,500	32,500	
Anchorage School District - Muldoon Elementary School Equipment (HD 17-32)		105,000	105,000	
Anchorage School District - North Star Elementary School Equipment (HD 17-32)		109,000	109,000	
Anchorage School District - Northwood ABC Elementary School Gym Improvements (HD 17-32)		85,000	85,000	
Anchorage School District - Northwood ABC Elementary School Library Equipment (HD 17-32)		75,000	75,000	
Anchorage School District - Nunaka Valley Elementary School Equipment (HD		68,500	68,500	

	Allocations	Appropriation Items	General Funds	Other Funds
17-32)				
Anchorage School District - O'Malley Elementary School Equipment (HD 17-32)		40,000	40,000	
Anchorage School District - Polaris School Programs and Improvements (HD 17-32)		49,150	49,150	
Anchorage School District - Ptarmigan Elementary School Equipment and Peer Program (HD 17-32)		42,800	42,800	
Anchorage School District - Rabbit Creek Elementary School Furniture and Equipment (HD 17-32)		30,000	30,000	
Anchorage School District - Rogers Park Elementary School Equipment and Materials (HD 17-32)		53,000	53,000	
Anchorage School District - Romig Middle School Artificial Turf Field Installation (HD 17-32)		1,900,000	1,900,000	
Anchorage School District - Romig Middle School Equipment and Upgrades (HD 17-32)		183,500	183,500	
Anchorage School District - Russian Jack Elementary School Equipment (HD		85,000	85,000	

	Allocations	Appropriation Items	General Funds	Other Funds
17-32)				
Anchorage School District - Sand Lake Elementary School Ice Rink Upgrade (HD 17-32)		150,000	150,000	
Anchorage School District - Scenic Park Elementary School Equipment (HD 17-32)		35,000	35,000	
Anchorage School District - Service High School Equipment and Improvements (HD 17-32)		134,400	134,400	
Anchorage School District - Service High School Security Improvements (HD 17-32)		218,000	218,000	
Anchorage School District - Service High School Track Improvements (HD 17-32)		840,000	840,000	
Anchorage School District - South High School Field Improvements (HD 17-32)		2,200,000	2,200,000	
Anchorage School District - Specialized Academic Voc-Ed (SAVE) High School - Security Camera Installation (HD 17-32)		148,000	148,000	
Anchorage School District - Spring Hill Elementary School Electronic Systems		150,000	150,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Upgrade (HD 17-32)				
Anchorage School District - Steller Secondary School Facility Improvements (HD 17-32)		85,000	85,000	
Anchorage School District - Susitna Elementary School Equipment and Staff Development (HD 17-32)		47,500	47,500	
Anchorage School District - Taku Elementary School Equipment (HD 17-32)		51,000	51,000	
Anchorage School District - Trailside Elementary School Equipment (HD 17-32)		49,000	49,000	
Anchorage School District - Trailside Elementary School Playground (HD 17-32)		140,000	140,000	
Anchorage School District - Tudor Elementary School Equipment and Upgrades (HD 17-32)		136,000	136,000	
Anchorage School District - Turnagain Elementary School Equipment and Upgrades (HD 17-32)		182,000	182,000	
Anchorage School District - Tyson Elementary School Equipment and Upgrades (HD		95,000	95,000	

	Allocations	Appropriation Items	General Funds	Other Funds
17-32)				
Anchorage School District - Wendler Middle School Equipment and Upgrades (HD 17-32)		54,250	54,250	
Anchorage School District - West High School Artificial Turf Field Installation (HD 17-32)		3,100,000	3,100,000	
Anchorage School District - West High School Equipment and Upgrades (HD 17-32)		381,500	381,500	
Anchorage School District - West High School Stadium (HD 17-32)		1,600,000	1,600,000	
Anchorage School District - Williwaw Elementary School Equipment (HD 17-32)		31,500	31,500	
Anchorage School District - Willow Crest Elementary School Equipment and Upgrades (HD 17-32)		74,000	74,000	
Anchorage School District - Wonder Park Elementary School Equipment and Upgrades (HD 17-32)		108,200	108,200	
Angelus Memorial Park Cemetery, Inc. - Cemetery Capital Improvements (HD 1-40)		500,000	500,000	
Arc of Anchorage - Building		761,700	761,700	

	Allocations	Appropriation Items	General Funds	Other Funds
Maintenance, Repair, Renovation and Supplies (HD 17-32)				
Arctic Power - Arctic National Wildlife Refuge (ANWR) Program (HD 1-40)		160,000	160,000	
Arctic Winter Games State Team Alaska - State Participation Grant (HD 1-40)		315,000	315,000	
Armed Services YMCA of Alaska - Armed Services YMCA - Military Families Project (HD 17-32)		100,000	100,000	
Armed Services YMCA of Alaska - Y on Wheels Shuttle Service Grant (HD 17-32)		100,000	100,000	
Association of Village Council Presidents - Village Public Safety Buildings (HD 36-38)		1,057,600	1,057,600	
Association of Village Council Presidents (AVCP) - Aviation School Dormitory Construction (HD 36-38)		2,470,100	2,470,100	
Association of Village Council Presidents (AVCP) - Yukon-Kuskokwim Corridor		4,000,000	4,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Planning and Development Project (HD 36-38)				
Bering Sea Fishermen's Association - Arctic Yukon Kuskokwim Sustainable Salmon Initiative (HD 38)		3,200,000	3,200,000	
Big Lake Chamber of Commerce - Fish Creek Park Pavilion (HD 13-16)		25,000	25,000	
Birchwood Community Council - Birchwood Community Patrol (HD 13-16)		5,000	5,000	
Blood Bank of Alaska - Facilities and Services Expansion Project (HD 1-40)		4,000,000	4,000,000	
Boys & Girls Club of Southcentral Alaska - Mountain View Club Upgrades and Repairs (HD 17-32)		125,000	125,000	
Boys & Girls Club of the Kenai Peninsula - Kasilof After School Program (HD 33-35)		75,000	75,000	
Boys & Girls Clubs of Southcentral Alaska - Fairbanks Clubhouse Renovations and Equipment (HD 7-11)		230,000	230,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Boys & Girls Clubs of Southcentral Alaska - Northeast Clubhouse Gym and Storage Improvements (HD 17-32)		35,000	35,000	
Boys & Girls Clubs of Southcentral Alaska - Woodland Park Clubhouse - Child Care and Athletics Facilities Improvements (HD 17-32)		1,374,440	1,374,440	
Boys & Girls Clubs of Southcentral Alaska - Woodland Park Maintenance Building Installation (HD 17-32)		584,050	584,050	
Boys & Girls Clubs of the Kenai Peninsula - Kenai Technology Center Equipment (HD 33-35)		14,000	14,000	
Boys & Girls Clubs of the Kenai Peninsula - Nikiski Technology Center Equipment (HD 33-35)		14,000	14,000	
Boys & Girls Clubs of the Kenai Peninsula - Soldotna Portable Planning, Permitting and Acquisition (HD 33-35)		163,000	163,000	
Bread Line, Inc. - Stone Soup Cafe - Renovations and		150,000	150,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Service Improvements (HD 7-11)				
Brotherhood, Inc. - After School Program (HD 17-32)		100,000	100,000	
Camp Fire USA Alaska Council - Health Center and Shower House (HD 17-32)		395,000	395,000	
Capital Community Broadcasting, Inc. - Gavel to Gavel Online Access Upgrade (HD 3-4)		80,000	80,000	
Carol H. Brice Family Center - Ventilation and Heat Recovery Upgrades (HD 7-11)		261,600	261,600	
Central Council Tlingit & Haida Indian Tribes - Elders and Youth Preserving Our Heritage Through Digital Media (HD 3-4)		10,000	10,000	
Chena-Goldstream Fire & Rescue - Station #4 Safety Repairs & Energy Efficiency Upgrades (HD 7-11)		50,000	50,000	
Child Care Connection, Inc. - Anchorage Imagination Library Books & Postage (HD 17-32)		15,000	15,000	
Child Care Connection, Inc. - Equipment and Safety Improvements (HD		75,000	75,000	

	Allocations	Appropriation Items	General Funds	Other Funds
17-32)				
Child Care Connection, Inc. - Retaining Our Outstanding Teachers (ROOTS) Awards (HD 17-32)		1,000,000	1,000,000	
Children's Meal Mission, Inc. - Meals for Hungry Alaskan Children (HD 17-32)		50,000	50,000	
Chilkoot Indian Association - Chilkoot Community Service Center (HD 5)		1,315,000	1,315,000	
Chugach School District - Voyage to Excellence Facility Renovation (HD 17-32)		2,353,000	2,353,000	
Cold Climate Housing Research Center - Research Center Project Funding (HD 1-40)		500,000	500,000	
Communities In Schools Of Juneau - Dropout Prevention (HD 3-4)		150,000	150,000	
Community Connections, Inc. - Community Connections New Building (HD 1)		550,000	550,000	
Cook Inlet Housing Development Corporation - Spenard Road Revitalization		1,900,000	1,900,000	

	Allocations	Appropriation Items	General Funds	Other Funds
and Environmental Contamination Abatement (HD 17-32)				
Cook Inlet Regional Citizens Advisory Council - Ice Forecasting Network (HD 33-35)		70,000	70,000	
Copper River Native Association - Copper River Health Clinic Construction (HD 6)		8,000,000	8,000,000	
Copper Valley Development Association, Inc. - Biomass and Agricultural Business Development (HD 12)		45,000	45,000	
Copper Valley Electric Association - Tiekel River Hydroelectric Project (HD 12)		500,000	500,000	
Cougar Gridiron Booster Club - Field Improvements (HD 17-32)		800,000	800,000	
Covenant House Alaska - Victim Support and Case Management - Youth Sex Trafficking Victims (HD 17-32)		194,000	194,000	
Denali Family Services - Little Steps Preschool Facility Completion (HD		400,000	400,000	

	Allocations	Appropriation Items	General Funds	Other Funds
17-32)				
Ester Volunteer Fire Department - Emergency Response Vehicle Conversion (HD 7-11)		100,000	100,000	
Fairbanks Community Foodbank - Building Maintenance and Sprinkler System (HD 7-11)		50,000	50,000	
Fairbanks Counseling and Adoption - Critical Needs Transition Funding (HD 7-11)		200,000	200,000	
Fairbanks Resource Agency - FRA 8-plex Accessible Residence Construction (HD 7-11)		200,000	200,000	
Fairview Business Association - Gambell Boulevard Corridor Redevelopment Plan (HD 17-32)		200,000	200,000	
Federation of Community Councils - Meadow Park Rehabilitation (HD 17-32)		75,000	75,000	
Federation of Community Councils - Mountain View Community Council - Neighborhood Crime Watch (HD 17-32)		5,000	5,000	
Federation of Community		10,000	10,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Councils - Mountain View Community Patrol (HD 17-32)				
Federation of Community Councils - Nunaka Valley and Northeast Community Patrols (HD 17-32)		16,500	16,500	
Federation of Community Councils - Recreational Upgrades to Abbott Loop Community Park (HD 17-32)		240,000	240,000	
Food Bank of Alaska - Latino Lions Club Food Distribution (HD 17-32)		10,000	10,000	
Food Bank of Alaska - Statewide Facility Repairs and Equipment (HD 17-32)		78,000	78,000	
Fraternal order of the Alaska State Troopers - Crime Scene Investigation Forensic Science Camp (HD 17-32)		60,000	60,000	
Friends of the Jesse Lee Home (HD 33-35)		5,000,000	5,000,000	
Girdwood Nordic Ski Club - Girdwood Nordic Trail System Construction and Improvements (HD 17-32)		200,000	200,000	
Girl Scouts of Alaska - Edmonds Lake Singing Hills Facility Reconstruction		1,613,900	1,613,900	

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 13-16)				
GlennRich Fire Rescue - Water Tender Trucks (HD 12)		120,000	120,000	
Grandview Subdivision Homeowner's Association - Honey Bear Lane Resurfacing and Drainage Improvements (HD 17-32)		100,000	100,000	
Halibut Cove Community Organization - Alaska Mussel Farming Demonstration Project (HD 33-35)		300,000	300,000	
Haven House, Inc. - Planning for Reentry and Transitional Housing Program (HD 1-5)		30,000	30,000	
Homer Society of Natural History - Pratt Museum Building Design and Construction (HD 33-35)		100,000	100,000	
Hope Community Resources, Inc. - Statewide Facility Improvements & Equipment (HD 1-40)		900,000	900,000	
Hospice of The Central Peninsula - Durable Medical Equipment for Community Loan Closet (HD 33-35)		10,000	10,000	
HUB Youth Center - After		7,500	7,500	

	Allocations	Appropriation Items	General Funds	Other Funds
School Program Equipment (HD 3-4)				
Ilisagvik College - Heavy Equipment (HD 40)		150,000	150,000	
Institute of the North - Arctic Infrastructure and Development (HD 1-40)		155,000	155,000	
Interior Alaska Center for Non-Violent Living - Computers and Security Upgrades (HD 7-11)		30,000	30,000	
Interior Alaska Center for Non-Violent Living - Housing Program Building Repairs (HD 7-11)		25,000	25,000	
Interior Alaska Hospital Foundation - Rural Health Care Facility (HD 12)		50,000	50,000	
Juneau Economic Development Council - FIRST Robotics Alaska (HD 1-40)		250,000	250,000	
Juneau Economic Development Council - Spring Board Technology Transfer Alliance Program (HD 1-40)		250,000	250,000	
Juneau Family Health and Birth Center - Electronic Health Record System (HD 3-4)		12,000	12,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Juneau Lighthouse Association - Five Finger Lighthouse Transportation (HD 3-4)		63,000	63,000	
Juneau Symphony - 50th Anniversary Celebration (HD 3-4)		30,000	30,000	
Junior Achievement of Alaska - Statewide K-12 Business Education Program (HD 17-32)		60,000	60,000	
Kaltag Tribal Council - Kaltag New Health Care Clinic (HD 6)		100,000	100,000	
Kasilof Regional Historical Association - Community of Kasilof - Cabin Restoration (HD 33-35)		38,000	38,000	
Kenai Peninsula Community Care Center - Gymnasium Repair and Renovations (HD 33-35)		52,000	52,000	
Kenaitze Indian Tribe - Dena'ina Health and Wellness Center (HD 33-35)		15,000,000	15,000,000	
Ketchikan Indian Community - Southern Southeast Alaska Vocational Training School Facility Improvements (HD 1)		2,200,000	2,200,000	
Ketchikan Rod and Gun Club		80,000	80,000	

	Allocations	Appropriation Items	General Funds	Other Funds
- Gun Range Improvements (HD 1)				
Kodiak Area Native Association - Facility Expansion and Renovation (HD 36)		100,000	100,000	
Kodiak Island Housing Authority - Near Island Senior Housing Project (HD 36)		2,000,000	2,000,000	
Lake Louise Community Non Profit Corporation - Fire-Rescue Landing Craft (HD 12)		96,800	96,800	
Life Alaska Donor Services, Inc - Donor Program (HD 1-40)		35,000	35,000	
Loren Marshall Foundation - Statewide Student CPR Training Program (HD 1-40)		350,000	350,000	
Mao Tosi's Alaska PRIDE - At-Risk Youth Programs, Cultural and Family Services (HD 17-32)		300,000	300,000	
Marine Exchange of Alaska - Alaska Vessel Tracking System Upgrades and Expansion (HD 1-40)		600,000	600,000	
Matanuska-Susitna Service for Children and Adults (HD 13-16)		4,000,000	4,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Meadow Lakes Community Council, Inc. - Community Campus Sports Fields Improvements (HD 13-16)		30,000	30,000	
Most Worshipful Prince Hall Grand Lodge of Alaska - Advancement Challenge Program (HD 17-32)		56,600	56,600	
Native Village of Ruby - Altona Brown New Health Clinic Project (HD 6)		171,000	171,000	
National Association for the Advancement of Colored People - Act-So Program Statewide & National Competition (HD 17-32)		30,000	30,000	
Neighborworks Anchorage - Loussac-Sogn Building Revitalization (HD 17-32)		1,698,000	1,698,000	
New Life Development, Inc. - Re-entry Housing Program and Day Reporting Center (HD 17-32)		190,000	190,000	
Nikolaevsk, Inc. - Multi-Use Facility (HD 33-35)		50,000	50,000	
Nikolai Village - Edzeno' Native Village Council Health Clinic Match (HD 6)		170,000	170,000	
Ninilchik Emergency Services - Fire and EMS		225,000	225,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Station Project (HD 33-35)				
North Star Council on Aging, Inc. - Debt Recovery (HD 7-11)		145,000	145,000	
North Star Imagination Library - Reading Campaign (HD 7-11)		10,000	10,000	
Norton Sound Health Corporation - Long Term Care Facility Construction (HD 39)		3,000,000	3,000,000	
Nuvista Light & Electric Cooperative - Calista Region Multiple Tri-Village Services Consolidation Model (HD 39)		1,500,000	1,500,000	
Pacific Northwest Economic Region Foundation - Arctic Caucus (HD 17-32)		125,000	125,000	
Pacific Northwest Economic Region Foundation - Region Summit (HD 17-32)		150,000	150,000	
Partners for Progress in Delta, Inc. - Career Advancement Center Expansion (HD 12)		45,000	45,000	
Perseverance Theatre, Inc. - Scene Shop Remodel Upgrade and Vehicle Replacement (HD 3-4)		25,000	25,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Retirement Community of Fairbanks - Raven Landing Community Center (HD 7-11)		2,200,000	2,200,000	
Rural Alaska Community Action Program, Inc. - RurAL CAP Child Development Center (HD 17-32)		800,000	800,000	
Russian Jack Springs - First Tee of Alaska Youth Development Program (HD 17-32)		100,000	100,000	
Salcha Fire and Rescue, Inc. - Fire Suppression Equipment and Tools (HD 12)		50,000	50,000	
Shiloh Community Development, Inc. - Youth Mentorship Program (HD 17-32)		100,000	100,000	
Shiloh Community Housing - Living Independent Forever Program (HD 17-32)		60,000	60,000	
Sitka Counseling and Prevention Services, Inc. - Recovery Campus Improvements (HD 2)		290,000	290,000	
Sitka Kaagwaantaan, Inc. - Alaska Native Brotherhood Hall Renovations (HD 2)		250,000	250,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Soldotna Area Senior Citizens, Inc. - Generator and Roof Improvements (HD 33-35)		82,000	82,000	
Soldotna Little League - Field Upgrades (HD 33-35)		25,000	25,000	
South Anchorage Baseball Boosters Club - Taylar Young Memorial Baseball Field (HD 17-32)		75,000	75,000	
Southeast Alaska Independent Living, Inc. - Office and Program Equipment (HD 3-4)		29,700	29,700	
Southeast Alaska Power Agency - Hydroelectric Storage, Generation, Transmission, & Business Analysis (HD 1-5)		3,000,000	3,000,000	
Southeast Alaska Regional Health Consortium - SEARHC Youth Ambassador Suicide Prevention Conference (HD 3-4)		7,500	7,500	
Southeast Conference - Southeast Alaska Timber & Economic Revitalization Project (HD 1-5)		650,000	650,000	
Southeast Island School District - Port Alexander Facility and Power		23,000	23,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Improvements (HD 2)				
Southeast Regional Resource Center - Alaska's Educational Resource Center Boiler Replacement (HD 3-4)		80,000	80,000	
Spruce Island Development Corporation - Engineering, Survey and Cost Assessment for Anton Larson Bay Road Extension (HD 36)		450,000	450,000	
Steese Area Volunteer Fire Department, Inc. - Driveway and Parking Lot Improvement Project (HD 7-11)		100,000	100,000	
Tanana Valley State Fair Association - ADA Compliance Grant (HD 7-11)		750,000	750,000	
Theatre in the Rough - McPhetres Hall Stage Upgrades (HD 3-4)		10,000	10,000	
Tri-Valley Fire Department, Inc. - Tri-Valley Community Center Power Upgrade (HD 7-11)		72,500	72,500	
Village of Grayling - Grayling Multi-Purpose Center Match (HD 6)		170,000	170,000	
Wellspring Revival Ministries - Repair and		100,000	100,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Paving Youth Center Parking Lot (HD 7-11)				
Wildflower Court - Repair Eroding Retaining Wall (HD 3-4)		75,000	75,000	
World Trade Center Alaska - International Trade Partnership Project (HD 1-40)		300,000	300,000	
Wrangell Cooperative Association - Chief Shakes House Restoration and Carving Shed Improvements (HD 2)		250,000	250,000	
Youth/Young Adult Empowered Achievers, Yea! - Youth Enrichment Programs (HD 17-32)		10,000	10,000	
Yukon Koyukuk School District - Manley and Allakaket Schools Water Systems Installation and Repairs (HD 6)		197,000	197,000	
Yukon-Kuskokwim Health Corporation - Regional Phillips Ayagnirvik Treatment Center (HD 36-38)		12,650,000	12,650,000	
Yuut Elitnaurviat- The People's Learning Center - Bunkhouse and Family Style		4,700,000	4,700,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Yukon Dormitory (HD 38)				
YWCA Alaska - Youth Empowerment Programs (HD 17-32)		75,000	75,000	
Grants to Named Recipients (AS 37.05.316) - Deferred Maintenance and Enhancements to Hatchery Facilities Statewide				
Cook Inlet Aquaculture - Trail Lakes Hatchery (HD 12)		1,025,000	1,025,000	
Cook Inlet Aquaculture - Tutka Bay Hatchery (HD 33-35)		699,000	699,000	
Kodiak Regional Aquaculture - Kitoi Bay Hatchery (HD 36)		1,550,000	1,550,000	
Kodiak Regional Aquaculture - Pillar Creek Hatchery (HD 36)		909,000	909,000	
Northern Southeast Regional Aquaculture - Hidden Falls Salmon Hatchery (HD 1-5)		1,237,000	1,237,000	
Northern Southeast Regional Aquaculture - Medvejie Hatchery Maintenance & Facility Improvements (HD 1-5)		900,000	900,000	
Prince William Sound Aquaculture - Cannery Creek		5,263,000	5,263,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Hatchery (HD 12)				
Prince William Sound Aquaculture - Main Bay Hatchery (HD 5)		864,000	864,000	
Grants to Unincorporated Communities (AS 37.05.317)				
Alatna - Heavy Equipment Purchase and Freight (HD 6)		180,000	180,000	
Atmautluak - Washeteria Facility Repairs and Upgrades (HD 38)		223,500	223,500	
Elfin Cove - Dock and Seaplane Float Improvements (HD 2)		500,000	500,000	
Hollis - Emergency Heliport and Infrastructure Project (HD 1)		290,000	290,000	
Minto - Minto Independent Elder Housing Project (HD 6)		200,000	200,000	
Tanacross - Tanacross New Health Care Clinic Project (HD 6)		600,000	600,000	
Venetie - New Clinic Match (HD 6)		200,000	200,000	
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* * * * * **Department of Corrections** * * * * *				
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Alaska Land Mobile Radio Emergency Response		470,000	470,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Narrowband Compliance (HD 1-40)				
Annual Facilities Maintenance and Repairs (HD 1-40)		1,000,000	1,000,000	
Goose Creek Correctional Center Start-up Furniture and Equipment (HD 13-16)		5,000,000	5,000,000	
Information Technology MIS / Disaster Recovery Equipment & Novell Replacement Project (HD 1-40)		250,000	250,000	
Deferred Maintenance, Renewal, Repair and Equipment		**5,000,000**	**5,000,000**	
Anchorage - Anchorage Correctional Complex - West Deferred Maintenance (HD 17-32)	750,000			
Bethel - Yukon-Kuskokwim Correctional Center Deferred Maintenance (HD 38)	175,000			
Eagle River - Combined Hiland Mountain Correctional Center Deferred Maintenance (HD 17-32)	648,000			
Fairbanks - Fairbanks Correctional Center	140,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Deferred Maintenance (HD 7-11)				
Juneau - Lemon Creek Correctional Center Deferred Maintenance (HD 3-4)	319,200			
Kenai - Wildwood Correctional Center Deferred Maintenance (HD 33-35)	50,000			
Ketchikan - Correctional Center Deferred Maintenance (HD 1)	138,000			
Nome - Anvil Mountain Correctional Center Deferred Maintenance (HD 39)	1,700,000			
Point MacKenzie - Point MacKenzie Correctional Farm Deferred Maintenance (HD 13-16)	350,000			
Sutton - Palmer Correctional Center Deferred Maintenance (HD 12)	729,800			
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* * * * * **Department of Education and Early Development** * * * * *				
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Alaska Pilot Pre-Kindergarten Project Expansion (HD 17-32)		973,000	973,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Alaska State Library, Archives and Museum Facility (HD 1-40)		49,000,000	49,000,000	
Bethel Regional High School Cafeteria Addition Design and Planning (HD 38)		1,257,000	1,257,000	
Mount Edgecumbe High School Aquatic Center (HD 1-40)		5,000,000	5,000,000	
Major Maintenance Grant Fund (AS 14.11.007)		**17,979,185**	**17,979,185**	
Whittier K-12 School Heating System Upgrade (HD 17-32)	815,725			
Kaltag K-12 School Mechanical and Electrical Upgrades (HD 6)	853,165			
Kake High School Kitchen Renovation (HD 5)	25,121			
Metlakatla High School Annex Roof Replacement (HD 5)	41,345			
Angoon High School Mechanical Upgrades (HD 5)	47,818			
Merreline A Kangas K-12 School Renovation, Ruby (HD 6)	5,078,282			
Akutan K-12 School Siding Replacement (HD 37)	66,625			
Shaktoolik K-12 School	9,176,358			

	Allocations	Appropriation Items	General Funds	Other Funds
Renovation (HD 39)				
Kake High School Shower Repairs (HD 5)	43,205			
Kake Elementary School Mechanical Ventilation Completion (HD 5)	59,200			
Bristol Bay School Voc Ed Wing Renovation (HD 37)	1,538,395			
Craig Elementary and Middle School Alternative Wood Heat Installation (HD 5)	161,172			
Sand Point K-12 School Pool Major Maintenance (HD 37)	72,774			
School Construction Grant Fund (AS 14.11.005)		**60,973,515**	**60,973,515**	
Emmonak K-12 School Addition/Renovation (HD 1-40)	36,056,700			
Koliganek K-12 School Replacement (HD 1-40)	24,916,815			
Deferred Maintenance				
Deferred Maintenance, Renewal, Repair and Equipment - Mt. Edgecumbe High School (HD 1-40)		1,700,000	1,700,000	
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* * * * * **Department of Environmental Conservation** * * * * *				
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Clean Water Capitalization		2,583,400		2,583,400

	Allocations	Appropriation Items	General Funds	Other Funds
Grant - Subsidy Funding (HD 1-40)				
Drinking Water Capitalization Grant - Subsidy Funding (HD 1-40)		4,634,000		4,634,000
Kodiak Landfill Expansion (HD 36)		3,000,000	3,000,000	
Oil and Hazardous Substance First Responder Equipment and Preparedness (HD 1-40)		750,000	750,000	
Statewide Contaminated Sites Cleanup (HD 1-40)		2,000,000	2,000,000	
Village Safe Water New Technology Approaches (HD 1-40)		1,000,000	1,000,000	
Village Safe Water and Wastewater Infrastructure Projects		**51,500,000**	**8,750,000**	**42,750,000**
Expansion, Upgrade, and Replacement of Existing Service (HD 1-40)	20,600,000			
First Time Service Projects (HD 1-40)	30,900,000			
Municipal Water, Sewage, and Solid Waste Facilities Grants (AS 46.03.030)		**33,013,449**	**33,013,449**	
Cordova - LT2 Compliance UV Treatment Facility (HD 5)	3,888,250			
Haines - Barnett Water Tank Replacement (HD 5)	699,143			

	Allocations	Appropriation Items	General Funds	Other Funds
Hoonah - Water Transmission Line Replacement Phase 3 (HD 5)	1,732,357			
Kenai - Water Transmission Mains Phase 4 (HD 33-35)	1,935,164			
Ketchikan - Jackson/Monroe Streets and 4th/7th Avenues Water and Sewer (HD 1)	767,860			
Kodiak - Aleutian Homes Water and Sewer Replacement Phase 5 (HD 36)	1,339,000			
Kodiak Island Borough - Landfill Lateral Expansion Phase 2 (HD 36)	3,090,000			
Nome - East Sclaircore Replacement/Expansion Phase 2 (HD 39)	3,090,000			
North Pole - Techite Sewer Main and Manholes Rehabilitation (HD 7-11)	2,590,450			
North Slope Borough - Ahgeak Street Water and Sewer Extension (HD 40)	3,090,000			
Seward - North Seward Water Storage Tank and Pumping Facility (HD 33-35)	2,583,240			
Sitka - Baranof Street Water and Sewer Replacement (HD 2)	1,032,413			

	Allocations	Appropriation Items	General Funds	Other Funds
Sitka - UV Water Disinfection Facility (HD 2)	2,122,830			
Soldotna - Sterling Street Water and Sewer Replacement (HD 33-35)	377,465			
Unalaska - Wastewater Treatment Plant Upgrade (HD 37)	4,090,000			
Wrangell - Cassiar Street Water and Sewer Rehabilitation (HD 2)	585,277			
Deferred Maintenance				
Deferred Maintenance, Renewal, Repair and Equipment (HD 17-32)		200,000	200,000	
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* * * * * **Department of Fish and Game** * * * * *				
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Boards of Fisheries and Game Sound Systems Replacement (HD 1-40)		100,000	100,000	
Equipment Replacement and Upgrade for Wildlife Research and Management Statewide Programs (HD 1-40)		200,000		200,000
Eradication of Invasive Tunicates in Whiting Harbor in Sitka (HD 2)		500,000	500,000	
Facilities, Vessels, and		1,000,000	1,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Aircraft Maintenance, Repair, and Upgrades (HD 1-40)				
Fish Passages, Counting and Sampling Sites, and Weir Facilities Design, Repair and Upgrades (HD 1-40)		700,000	700,000	
Kenai River King Salmon Sonar Assessment Program (HD 33-35)		1,813,000	1,813,000	
Marine Mammal and Passenger Vessel Impact Research (HD 1-40)		250,000	250,000	
Pacific Coastal Salmon Recovery Fund (HD 1-40)		7,500,000		7,500,000
Replacement of R/V Resolution (HD 36)		3,700,000	3,700,000	
Research on Endangered Species Act Candidate Species (HD 1-40)		1,550,000	1,550,000	
Seward Vessel Wash-Down and Wastewater Recycling Facility (HD 33-35)		641,300		641,300
Sport Fish Recreational Boating Access (HD 1-40)		2,500,000		2,500,000
Susitna River Sockeye Salmon Migration (HD 13-16)		625,000	625,000	
Upper Cook Inlet East Side Set Net Chinook Salmon Harvest Patterns (HD		789,000	789,000	

	Allocations	Appropriation Items	General Funds	Other Funds
33-35)				
Water Quality Testing of Cross-Boundary Rivers (HD 1-5)		37,000	37,000	
Wild/Hatchery Salmon Management Tools (HD 1-40)		3,500,000	3,500,000	
Deferred Maintenance, Renewal, Repair and Equipment		**1,400,000**	**1,400,000**	
Roof Design, Repairs, Upgrades, and Replacements (HD 1-40)	800,000			
Small Field Camp Facility Repairs and Upgrades (HD 1-40)	200,000			
Warehouse/Workshop Repairs and Upgrades (HD 1-40)	400,000			
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* * * * * **Office of the Governor** * * * * *				
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Polling Place Accessibility Improvements under the Federal Help America Vote Act (HAVA) (HD 1-40)		100,000		100,000
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* * * * * **Department of Health and Social Services** * * * * *				
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Alaska Land Mobile Radio Emergency Response Narrowband Compliance (HD 1-40)		297,500	297,500	

	Allocations	Appropriation Items	General Funds	Other Funds
Bethel Youth Facility Expansion - Phase 1 (HD 36-38)		10,000,000	10,000,000	
Emergency Medical Services Match for Code Blue Project (HD 1-40)		450,000	450,000	
Girdwood Health Clinic Services Expansion (HD 17-32)		400,000	400,000	
International Classification of Diseases Version 10 - Phase 2 (HD 1-40)		4,707,000	901,600	3,805,400
State Improvements to Health Information Gateway (HD 1-40)		3,641,400	364,140	3,277,260
Deferred Maintenance, Renewal, Repair and Equipment - Pioneer Homes		**4,000,000**	**4,000,000**	
Alaska Veterans and Pioneers Home Deferred Maintenance (HD 13-16)	24,810			
Anchorage Pioneer Home Deferred Maintenance (HD 17-32)	1,389,360			
Juneau Pioneer Home Deferred Maintenance (HD 3-4)	2,210,830			
Sitka Pioneer Home Deferred Maintenance (HD 2)	375,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Deferred Maintenance, Renewal, Repair and Equipment - Non-Pioneer Homes		**3,015,740**	**3,000,000**	**15,740**
Alaska Psychiatric Institute Deferred Maintenance (HD 1-40)	902,475			
Anchorage Public Health Laboratory Deferred Maintenance (HD 1-40)	132,322			
Denardo Center Deferred Maintenance (HD 7-11)	206,750			
Dillingham Health Center Deferred Maintenance (HD 37)	14,919			
Fahrenkamp Center Deferred Maintenance (HD 7-11)	275,771			
Johnson Youth Center Deferred Maintenance (HD 3-4)	415,402			
Juneau Public Health Center Deferred Maintenance (HD 3-4)	104,434			
Kenai Peninsula Youth Facility Deferred Maintenance (HD 33-35)	165,400			
Ketchikan Public Health Center Deferred Maintenance (HD 1)	37,297			
Matanuska-Susitna Youth Facility Deferred	41,350			

	Allocations	Appropriation Items	General Funds	Other Funds
Maintenance (HD 13-16)				
McLaughlin Youth Center Deferred Maintenance (HD 1-40)	703,120			
Sitka Public Health Center Deferred Maintenance (HD 2)	16,500			
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* * * * * **Department of Labor and Workforce Development** * * * * *				
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Job Center Computer Replacements (HD 1-40)		917,500	917,500	
Marine Simulator Software (HD 33-35)		39,000	39,000	
Third Avenue Dormitory Replacement (HD 33-35)		16,075,000	16,075,000	
Grants to Named Recipients (AS 37.05.316)				
Fairbanks Pipeline Training Center Construction and Equipment Purchase (HD 7-11)		6,000,000	6,000,000	
Deferred Maintenance				
Deferred Maintenance, Renewal, Repair and Equipment - AVTEC (HD 33-35)		1,000,000	1,000,000	
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* * * * * **Department of Law** * * * * *				
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Charitable Organization		250,000		250,000

	Allocations	Appropriation Items	General Funds	Other Funds
Online Registration System (HD 1-40)				
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* * * * * **Department of Military and Veterans Affairs** * * * * *				
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Fort Richardson - Camp Denali - Install Fire Sprinkler System (HD 17-32)		3,000,000	1,200,000	1,800,000
Interior Alaska Veterans Cemetery (HD 7-11)		2,000,000		2,000,000
Mobile Emergency Operations and Command Vehicle Storage Construction (HD 13-16)		925,000	925,000	
National Guard Counterdrug Support (HD 1-40)		100,000		100,000
State Homeland Security Grant Programs (HD 1-40)		9,500,000		9,500,000
Statewide Emergency Food Supplies (HD 1-40)		4,860,000	4,860,000	
Deferred Maintenance, Renewal, Repair and Equipment		**8,542,500**	**4,000,000**	**4,542,500**
Alcantra Armory Deferred Maintenance (HD 13-16)	320,000			
Bethel Armory Deferred Maintenance (HD 38)	340,000			
Civil Support Team Facility Deferred Maintenance (HD 17-32)	560,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Fairbanks Armory Deferred Maintenance (HD 7-11)	20,000			
Haines Armory Deferred Maintenance (HD 5)	320,000			
Joint Base Elmendorf Richardson Facilities Deferred Maintenance (HD 17-32)	5,128,000			
Juneau Armory Deferred Maintenance (HD 3-4)	514,500			
Kenai Armory Deferred Maintenance (HD 33-35)	20,000			
Ketchikan Armory Deferred Maintenance (HD 1)	1,100,000			
Kodiak Armory Deferred Maintenance (HD 36)	20,000			
Valdez Armory Deferred Maintenance (HD 12)	75,000			
Wrangell Armory Deferred Maintenance (HD 2)	125,000			
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* * * * * **Department of Natural Resources** * * * * *				
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Abandoned Mine Lands Reclamation Federal Program (HD 1-40)		3,200,000		3,200,000
Alaska Land Mobile Radio Emergency Response Narrowband Compliance (HD 1-40)		2,960,000	2,960,000	
Assessment of In-state Gas		200,000	200,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Energy Potential - Phase 3 of 3 (HD 1-40)				
BAK LAP: Upgrade Forest Research Installations for Wood Biomass Energy, Products, Science Education (HD 7-11)		1,000,000	1,000,000	
Chugach State Park Public-Use Cabins Construction and Maintenance (HD 17-32)		400,000	400,000	
Coastal Marine Boundary Mapping (HD 1-40)		180,000	180,000	
Cooperative Water Resource Program (HD 1-40)		2,500,000		2,500,000
Federal and Local Government Funded Forest Resource and Fire Program Projects (HD 1-40)		1,000,000		1,000,000
Geologic Assessment of North Slope Shale Oil Potential (HD 40)		100,000	100,000	
Historical Alaskan Leaders Documentary (HD 17-32)		500,000	500,000	
Land and Water Conservation Fund Federal Grant Program (HD 1-40)		600,000		600,000
Large Dam Projects Application Review (HD 1-40)		506,000		506,000
Lower Kasilof River Drift		1,600,000	1,600,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Boat Takeout - Phase 2 of 2 (HD 33-35)				
Mastodon Trail and Trailhead (HD 7-11)		250,000	250,000	
National Coastal Wetlands Grant (HD 1-40)		1,060,000		1,060,000
National Historic Preservation Fund Federal Grant Program (HD 1-40)		750,000	150,000	600,000
National Recreational Trails Grant Federal Program (HD 1-40)		2,600,000		2,600,000
Oliver Inlet Tram Rehabilitation (HD 3-4)		27,300	27,300	
Peters Creek Flooding and Erosion Control Project (HD 13-16)		116,000	116,000	
Olnes Pond and the Greater Lower Chatanika State Recreation Area Repair and Refurbishment (HD 7-11)		500,000	500,000	
Ruth Arcand Trail Rehabilitation (HD 17-32)		30,000	30,000	
Shale Oil Environmental Data (HD 40)		1,000,000	1,000,000	
Snowmobile Trail Development Program and Grants (HD 1-40)		250,000	250,000	
Strategic and Critical Minerals Assessment (HD 1-40)		2,730,000	2,730,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Timber and Resource Roads (HD 1-40)		2,000,000	2,000,000	
Tok Long-Term Timber Sale for Biomass Energy (HD 6)		200,000	200,000	
Unified Permit Project and Document Management (HD 1-40)		3,300,000	3,300,000	
Upgrade Well Log Tracking System (WELTS) (HD 1-40)		112,000	112,000	
Wildland Fire-Fighting Aircraft Maintenance (HD 1-40)		500,000	500,000	
Deferred Maintenance, Renewal, Repair and Equipment		**4,000,000**	**4,000,000**	
Division of Forestry Deferred Maintenance (HD 1-40)	800,000			
Parks and Outdoor Recreation Deferred Maintenance - Chugach Area (HD 17-32)	635,000			
Parks and Outdoor Recreation Deferred Maintenance - Kenai Area (HD 33-35)	560,000			
Parks and Outdoor Recreation Deferred Maintenance - Kodiak Area (HD 36)	135,000			
Parks and Outdoor	465,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Recreation Deferred Maintenance - Mat-Su Area (HD 13-16)				
Parks and Outdoor Recreation Deferred Maintenance - Northern Region (HD 7-11)	560,000			
Parks and Outdoor Recreation Deferred Maintenance - Southeast Area (HD 1-5)	475,000			
Parks and Outdoor Recreation Deferred Maintenance - Wood Tikchik Area (HD 36-38)	70,000			
Parks and Outdoor Recreation Statewide Emergency Repairs (HD 1-40)	300,000			
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***** **Department of Public Safety** *****				
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Aircraft and Vessel Repair and Maintenance (HD 1-40)		869,800	869,800	
Alaska Justice Advanced Exchange Program Development (HD 1-40)		1,812,000	1,812,000	
Alaska Land Mobile Radio Emergency Response Narrowband Compliance (HD 1-40)		1,470,000	1,470,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Alaska Public Safety Information Network (APSIN) Contractor Support (HD 1-40)		680,000	680,000	
Alaska State Troopers Law Enforcement Equipment (HD 1-40)		500,000	500,000	
Alaska Wildlife Troopers Law Enforcement Equipment (HD 1-40)		500,000	500,000	
Marine Fisheries Patrol Improvements (HD 1-40)		1,500,000		1,500,000
P/V Woldstad - Engine Repower and Other Dry Dock Maintenance (HD 36-38)		2,400,000	2,400,000	
Public Safety Academy Dining Facility Construction (HD 1-40)		200,000	200,000	
Replacement Twin-Engine Turbine Aircraft (HD 1-40)		7,600,000	7,600,000	
Search and Rescue and Law Enforcement Helicopter (HD 1-40)		3,000,000	3,000,000	
Village Public Safety Officer Equipment (HD 1-40)		375,000	375,000	
Deferred Maintenance, Renewal, Repair and Equipment		**1,350,000**	**1,350,000**	
Bethel Post Facilities Deferred Maintenance (HD	103,000			

	Allocations	Appropriation Items	General Funds	Other Funds
38)				
Fairbanks Post Facilities Deferred Maintenance (HD 7-11)	650,000			
Public Safety Academy Deferred Maintenance (HD 1-40)	225,000			
Soldotna Post Facilities Deferred Maintenance (HD 33-35)	225,000			
Statewide Facilities Deferred Maintenance (HD 1-40)	147,000			
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* * * * * **Department of Revenue** * * * * *				
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Child Support Services Case Management System Modernization Plan (HD 1-40)		1,637,000	557,000	1,080,000
Child Support Services Computer Replacement Project Phase 3 (HD 1-40)		204,000	69,400	134,600
Child Support Services Interactive Voice Response System Replacement (HD 1-40)		230,000	78,200	151,800
Permanent Fund Corporation Office Space Rewiring (HD 1-40)		50,000		50,000
Alaska Housing Finance				

	Allocations	Appropriation Items	General Funds	Other Funds
Corporation				
AHFC Building System Replacement Program (HD 1-40)		1,500,000	1,500,000	
AHFC Competitive Grants for Public Housing (HD 1-40)		1,100,000	350,000	750,000
AHFC Domestic Violence Housing Assistance Program (HD 1-40)		1,328,400	1,328,400	
AHFC Energy Efficiency Monitoring Research (HD 1-40)		1,000,000	1,000,000	
AHFC Federal and Other Competitive Grants (HD 1-40)		4,500,000	1,500,000	3,000,000
AHFC Fire Protection Systems (HD 1-40)		2,200,000	2,200,000	
AHFC Housing and Urban Development Capital Fund Program (HD 1-40)		3,200,000		3,200,000
AHFC Housing and Urban Development Federal HOME Grant (HD 1-40)		4,050,000	750,000	3,300,000
AHFC Security Systems Replacement/Upgrades (HD 1-40)		500,000	500,000	
AHFC Senior Citizens Housing Development Program (HD 1-40)		4,500,000	4,500,000	
AHFC Statewide ADA		500,000	500,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Improvements (HD 1-40)				
AHFC Statewide Project Improvements (HD 1-40)		2,000,000	2,000,000	
AHFC Supplemental Housing Development Program (HD 1-40)		7,000,000	7,000,000	
Alaska Gasline Development Corporation - Year 3 In-State Gas Project (HD 1-40)		21,000,000	21,000,000	
AHFC Housing Loan Program		**6,000,000**	**6,000,000**	
AHFC Teacher, Health and Public Safety Professionals Housing (HD 1-40)	5,000,000			
AHFC Village Public Safety Officers Housing (HD 1-40)	1,000,000			
AHFC Weatherization and Home Energy Rebate Programs		**51,500,000**	**50,000,000**	**1,500,000**
AHFC Home Energy Rebate Program (HD 1-40)	20,000,000			
AHFC Weatherization Program (HD 1-40)	31,500,000			
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* * * * * **Department of Transportation and Public Facilities** * * * * *				
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88th Avenue Upgrade - Spruce Brook Street to Elmore Road (HD 17-32)		800,000	800,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Alaska Marine Highway System - Alaska Class Ferry (HD 1-40)		60,000,000	60,000,000	
Anchorage - Midtown Traffic Congestion Relief (HD 17-32)		10,000,000	10,000,000	
Chena Road Bicycle & Pedestrian Facility (HD 7-11)		115,000	115,000	
Community of Cooper Landing - Walkable Community Project (HD 33-35)		50,000	50,000	
Fairbanks Metropolitan Area Transportation System (FMATS) - Transportation Improvement Program (HD 7-11)		7,500,000	7,500,000	
Intersection Improvements Study - Caribou and Boniface (HD 17-32)		65,000	65,000	
Muldoon Road and Glenn Interchange Improvements (HD 17-32)		450,000	450,000	
Northern Region Material Site Reconnaissance (HD 7-11)		250,000	250,000	
O'Malley Trail and Sidewalk Northside Improvements (HD 17-32)		1,000,000	1,000,000	
Project Acceleration		2,500,000	2,500,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Account (HD 1-40)				
Statewide - Community Bridge Rehabilitation/ Replacement (HD 1-40)		3,000,000	3,000,000	
Statewide Digital Mapping Initiative (HD 1-40)		15,936,168	3,687,030	12,249,138
Umiat - Airport Survey and Property Plan (HD 40)		250,000	250,000	
United States Army Corps of Engineers - Arctic Ports Study (HD 1-40)		1,500,000	1,000,000	500,000
Roads to Resources		**28,500,000**	**28,500,000**	
Ambler Mining District (HD 40)	4,000,000			
Klondike - Industrial Highway Ore Haul Refurbishment (HD 5)	2,500,000			
Resource Roads Program (HD 1-40)	2,000,000			
Road to Umiat - Foothills West Continued Environmental Impact Study Development (HD 40)	10,000,000			
Western Access - Road to Tanana (HD 6)	10,000,000			
Southeast Roads to Resources		**52,500,000**	**52,500,000**	
Bostwick to Valenar Bay Road (HD 1)	5,000,000			
Kake-Petersburg Road (HD 1-5)	40,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Mill Access Road Improvements (HD 1)	2,500,000			
SE Alaska Light Detection & Ranging (LIDAR) Mapping & Reconnaissance (HD 1-5)	5,000,000			
Safety		**35,530,000**	**34,030,000**	**1,500,000**
Alaska Aviation Safety Program (HD 1-40)	2,500,000			
Dalton Highway Corridor Aviation Improvements (HD 1-40)	3,000,000			
Highway Safety Corridor - Knik-Goose Bay Road Safety Corridor Improvements (HD 13-16)	10,000,000			
Highway Safety Corridor - Seward Highway - Widening to Address Congestion (HD 17-32)	10,000,000			
Highway Safety Corridor - Seward Highway at Alyeska Highway Intersection Improvements (HD 17-32)	5,000,000			
Highway Safety Corridor - Sterling Highway - Sterling to Soldotna Widening (HD 33-35)	1,730,000			
Kenai - Kalifornsky Beach Road and Bridge Access Road Pedestrian Paths (HD 33-35)	3,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Statewide - Structural Inspection of State Owned Facilities (HD 1-40)	300,000			
Municipal Harbor Facility Grant Fund (AS 29.60.800)		**23,093,100**	**23,093,100**	
Hoonah - Hoonah Harbor (HD 5)	207,500			
Hydaburg - Small Boat Harbor (HD 5)	2,698,000			
Juneau - Aurora Small Boat Harbor (HD 3-4)	2,000,000			
Nome - Nome Harbor (HD 39)	1,500,000			
Petersburg - North Harbor (HD 2)	3,500,000			
Seldovia - Small Boat Harbor (HD 33-35)	1,000,000			
Seward - Seward Harbor (HD 33-35)	1,180,000			
Sitka - Alaska Native Brotherhood (ANB) Harbor (HD 2)	4,250,000			
Skagway - Small Boat Harbor (HD 5)	5,000,000			
Unalaska - Robert Storrs International Harbor (HD 37)	1,757,600			
Asset Management		**46,000,000**	**29,500,000**	**16,500,000**
Aggregate Surfacing Materials (HD 1-40)	2,000,000			
Alaska Marine Highway	10,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
System - Vessel and Terminal Overhaul and Rehabilitation (HD 1-40)				
Capital Improvement Program Equipment Replacement (HD 1-40)	1,500,000			
Dalton Highway Corridor Surface Repairs (HD 1-40)	7,500,000			
Seward Highway - Milepost 75 - 90 Bridge Replacements (HD 17-32)	10,000,000			
State Equipment Fleet Replacement (HD 1-40)	15,000,000			
Regulatory Compliance		**3,000,000**	**3,000,000**	
Central Region - Sand Storage Buildings (HD 12-35)	1,000,000			
Emergency and Non-Routine Repairs (HD 1-40)	2,000,000			
Statewide Federal Programs		**88,650,000**	**2,900,000**	**85,750,000**
Alaska Mobility Coalition - Public and Community Transportation State Match (HD 1-40)	2,000,000			
Commercial Vehicle Enforcement Program (HD 1-40)	1,750,000			
Cooperative Reimbursable Projects (HD 1-40)	17,000,000			
Federal Contingency Projects (HD 1-40)	20,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Federal Emergency Projects (HD 1-40)	10,000,000			
Federal Transit Administration Grants (HD 1-40)	9,000,000			
Highway Safety Grants Program (HD 1-40)	8,000,000			
Other Federal Program Match (HD 1-40)	900,000			
Statewide Safety Program (HD 1-40)	20,000,000			
Airport Improvement Program		**227,038,158**	**11,700,000**	**215,338,158**
Federal-Aid Aviation State Match (HD 1-40)	11,700,000			
Alaska International Airport System - Contingency Funds (HD 17-32)	8,919,307			
Aniak - Airport Improvements (HD 6)	4,700,000			
Barrow - Airport Master Plan (HD 40)	500,000			
Bethel - Airport Snow Removal Equipment Building (HD 38)	1,000,000			
Chevak - Airport Runway Extension (HD 39)	14,000,000			
Cold Bay - Airport Rescue and Firefighting Building Expansion (HD 37)	600,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Cold Bay - Runway 14/32 Rehabilitation with Lighting System Replacement (HD 37)	16,000,000			
Coldfoot - Airport Improvements (HD 6)	1,900,000			
Emmonak - Snow Removal Equipment Building (HD 39)	910,000			
Fairbanks International Airport - Environmental Assessment and Cleanup (HD 7-11)	300,000			
Fairbanks International Airport - Equipment (HD 7-11)	510,000			
Galena - Airport Lighting (HD 6)	1,760,000			
Gulkana - Apron and Taxiway Pavement Rehabilitation (HD 6)	700,000			
Haines - Sand, Chemical and Snow Removal Equipment Storage Building (HD 5)	1,600,000			
Ketchikan - Airport Taxiways and Apron Rehabilitation (HD 1)	10,000,000			
King Salmon - Airport Improvements (HD 37)	2,000,000			
King Salmon - Sand Storage Building (HD 37)	1,300,000			
Kodiak - Airport	26,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Improvements (HD 36)				
Koliganek - Snow Removal Equipment Building (HD 37)	1,000,000			
Kotzebue - Airport and Runway Safety Area Improvements (HD 40)	12,415,000			
Kotzebue - Apron Expansion (HD 40)	200,000			
Little Diomede - Snow Removal Equipment Building (HD 39)	110,000			
Nome - Airport Runway Safety Area (RSA) Improvements (HD 39)	46,760,000			
Shishmaref - Airport Resurfacing (HD 40)	6,300,000			
Statewide - Aviation Preconstruction (HD 1-40)	10,000,000			
Statewide - Aviation Systems Plan Update (HD 1-40)	1,000,000			
Statewide - Various Airports Aeronautical Surveys (HD 1-40)	2,000,000			
Statewide - Various Airports Minor Surface Improvements (HD 1-40)	4,000,000			
Statewide - Various Airports Snow Removal and Safety Equipment (HD 1-40)	10,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Ted Stevens Anchorage International Airport - Equipment (HD 17-32)	5,680,693			
Ted Stevens Anchorage International Airport - Ground Transportation Lobby and Commercial Curbside Lobby Improvements (HD 17-32)	2,000,000			
Ted Stevens Anchorage International Airport - Kulis Improvements (HD 17-32)	2,550,000			
Ted Stevens Anchorage International Airport - Lake Hood Annual Improvements (HD 17-32)	5,263,158			
Ted Stevens Anchorage International Airport - Master Plan - Part 150 Noise Compatibility Study (HD 17-32)	360,000			
Ted Stevens Anchorage International Airport - Quick Turnaround Facility, Diesel Exhaust Fluid and Fuel Tracking System (HD 17-32)	2,200,000			
Ted Stevens Anchorage International Airport - Taxiway E and M	4,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Reconstruction (HD 17-32)				
Unalaska - Chemical Storage Building (HD 37)	5,000,000			
Yakutat - Airport Perimeter Fence (HD 5)	1,800,000			
Surface Transportation Program		**451,764,000**	**47,200,000**	**404,564,000**
Federal-Aid Highway State Match (HD 1-40)	47,200,000			
'6004 Program' Implementation (HD 1-40)	250,000			
Alaska Marine Highway System - Fast Vehicle Ferry Propulsion System Replacement (HD 1-40)	22,000,000			
Alaska Marine Highway System - Ferry Vessel Refurbishment (HD 1-40)	15,000,000			
Alaska Marine Highway System - Fleet Condition Survey Update (HD 1-40)	175,000			
Alaska Marine Highway System - Intelligent Transportation Systems Implementation Plan (HD 1-40)	250,000			
Alaska Marine Highway System - Terminal - Prince Rupert Ferry Terminal Acquisition and Refurbishment (HD 1-40)	9,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Aleknagik - Wood River Bridge (HD 37)	5,000,000			
Anchorage - Portage Glacier Road Embankment Stabilization (HD 17-32)	1,500,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Air Quality Public and Business Awareness Education Campaign (HD 17-32)	250,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Driftwood Bay Drive Study (HD 17-32)	150,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Eagle River Road Rehabilitation - Milepost 5.3 to 12.6 (HD 17-32)	29,800,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Pavement Replacement Program (HD 17-32)	8,202,000			
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Regional Household Travel Survey (HD 17-32)	300,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Anchorage Metropolitan Area Transportation Solutions (AMATS) - South Anchorage Hillside Intersection Study (HD 17-32)	500,000			
Central Region - Long Term National Highway System Capital Project Planning (HD 12-35)	700,000			
Central Region - National Highway System and Non-National Highway System Pavement and Bridge Refurbishment (HD 12-35)	20,000,000			
Central Region - Public Safety and Reduced Maintenance Intelligent Transportation Systems Project (HD 12-35)	1,300,000			
Central Region - Traffic Count Program (HD 12-35)	300,000			
Central Region - Travel Efficiency and Reduced Maintenance Intelligent Transportation Systems Project (HD 12-35)	1,000,000			
Cultural and Historic Resource Evaluation Streamlining (HD 1-40)	450,000			
Dalton Highway Milepost 0-9 Reconstruction (HD 1-40)	36,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Dillingham - Kanakanak Road Resurfacing (HD 37)	5,000,000			
Elliott Highway - Milepost 107.7 to 120.5 Rehabilitation (HD 6)	9,000,000			
Fairbanks - Goldstream Road Rehabilitation (HD 7-11)	17,000,000			
Fairbanks Metropolitan Area Transportation System (FMATS) - Curb Corner Upgrades (HD 7-11)	502,000			
Fairbanks Metropolitan Area Transportation System (FMATS) - Plack Road Bike/Pedestrian Facility (HD 7-11)	1,210,000			
Fairbanks Metropolitan Area Transportation System (FMATS) - Preventative Maintenance Program (HD 7-11)	1,425,000			
Geographic Information System (GIS) Development (IWAYS) (HD 1-40)	1,000,000			
Geotechnical Asset Management Program (HD 1-40)	2,250,000			
Glenn and Parks Highways Corridor Intelligent Transportation Systems	1,400,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Project (HD 13-16)				
Glenn Highway - Milepost 172 to 189 Rehabilitation (HD 12)	5,000,000			
Glenn Highway - Milepost 34 to 42 Reconstruction - Parks to Old Glenn Highway (HD 13-16)	20,000,000			
Glenn Highway - Milepost 49 Realignment (HD 13-16)	900,000			
Gustavus - Ferry Terminal Improvements (HD 5)	375,000			
Haines Highway Reconstruction - Milepost 3.5 to 21 (HD 5)	1,000,000			
Highway Data Port Enhancements (HD 1-40)	250,000			
Highway Performance Monitoring System (HPMS) Reporting (HD 1-40)	1,200,000			
Intelligent Transportation Systems Border Infrastructure (HD 1-40)	1,000,000			
Inter-Island Ferry Authority - Hollis/Clark Bay Ferry Terminal Improvements (HD 1)	500,000			
Juneau - Capital Transit Enhanced Service Plan (HD 3-4)	1,500,000			
Juneau - Glacier Highway	10,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Reconstruction - Fritz Cove to Seaview Avenue (HD 3-4)				
Juneau - Mendenhall Valley Street Dust Control (HD 3-4)	2,000,000			
Juneau - Yandukin Drive/ Shell Simmons Drive Pavement Rehabilitation (HD 3-4)	1,500,000			
Ketchikan - Waterfront Promenade (HD 1)	325,000			
King Cove to Cold Bay Corridor Road Extension (HD 37)	4,000,000			
Material Site Storm Water Management (HD 1-40)	300,000			
Nenana - Little Goldstream Creek Bridge Replacement (HD 6)	2,800,000			
Nome - Nome-Council Road - Milepost 4 to 16 (HD 39)	2,500,000			
Nordale Road - Pavement Rehabilitation (HD 7-11)	1,000,000			
Northern Region - National Highway System and Non-National Highway System Pavement and Bridge Refurbishment (HD 1-40)	10,000,000			
Parks Highway - Milepost 237 - Riley Creek Bridge Replacement and Access	15,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Improvements (HD 7-11)				
Petersburg - Nordic Drive Refurbishment - Haugen Drive to Ferry Terminal (HD 2)	3,500,000			
Richardson Highway - Milepost 234 - Ruby Creek Bridge Replacement (HD 12)	2,000,000			
Road Weather Information System (RWIS) (HD 1-40)	1,400,000			
Safe Routes to Schools (HD 1-40)	1,000,000			
Seward Highway - Avalanche Detection Project (HD 17-32)	400,000			
Seward Highway - Corridor Study (HD 17-32)	2,400,000			
Seward Highway - Right of Way Study (HD 17-32)	1,500,000			
Shageluk - Airport Access Road Improvements (HD 6)	6,000,000			
Soldotna - Birch Street Signal at Sterling Highway (HD 33-35)	1,500,000			
Southeast Region - National Highway System and Non-National Highway System Pavement and Bridge Refurbishment (HD 1-5)	5,000,000			
Standard Storm Water Best Management Practices (HD	100,000			

	Allocations	Appropriation Items	General Funds	Other Funds
1-40)				
State Historic Preservation Office - Oracle Database Support (HD 1-40)	300,000			
Statewide - Bicycle/ Pedestrian Facilities Rehabilitation and Improvements (HD 1-40)	500,000			
Statewide - Bridge Inventory, Inspection, Monitoring, Rehabilitation and Replacement Program (HD 1-40)	8,000,000			
Statewide - Civil Rights Program (HD 1-40)	150,000			
Statewide - Highway Data Equipment Acquisition and Installation (HD 1-40)	2,000,000			
Statewide - Highway Fuel Tax Enforcement (HD 1-40)	100,000			
Statewide - Highway Safety Improvement Program (HSIP) (HD 1-40)	10,000,000			
Statewide - Long Range Transportation Policy Plan (LRTPP) Update (HD 1-40)	1,000,000			
Statewide - National Highway Institute and Transit Institute Training (HD 1-40)	750,000			
Statewide - National	10,000,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Highway System Passing Lanes (HD 1-40)				
Statewide - Planning Work Program (HD 1-40)	8,000,000			
Statewide - Research Program (HD 1-40)	1,300,000			
Statewide - Scenic Byways Grants (HD 1-40)	750,000			
Statewide - Seismic Retrofit - Bridges (HD 1-40)	2,000,000			
Statewide - Strategic Traffic Safety Plan (HD 1-40)	400,000			
Statewide - Urban Planning Program (HD 1-40)	1,100,000			
Statewide - Weigh-in-Motion Equipment (HD 1-40)	1,000,000			
Sterling Highway - Milepost 157 to 169 Rehabilitation - Anchor Point to Baycrest Hill (HD 33-35)	2,500,000			
Sterling Highway - Milepost 37 to 45 Resurfacing (HD 33-35)	7,350,000			
Surface Transportation Preconstruction (HD 1-40)	45,000,000			
Transportation Asset Management Program (HD 1-40)	1,500,000			
Wasilla - Lucus Road	1,100,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Improvements (HD 13-16)				
Whittier - Maintenance and Operations (HD 17-32)	2,900,000			
Deferred Maintenance, Renewal, Repair and Equipment		**27,100,000**	**27,100,000**	
Alaska Marine Highway System Deferred Maintenance (HD 1-40)	3,000,000			
Aviation Deferred Maintenance (HD 1-40)	3,500,000			
Harbors Deferred Maintenance (HD 2)	600,000			
Highways Deferred Maintenance (HD 1-40)	16,900,000			
Statewide Facilities Deferred Maintenance (HD 1-40)	3,100,000			
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* * * * * **University of Alaska** * * * * *				
* * * * *		* * * * *		
Banfield Hall Dormitory Project (HD 1-5)		6,250,000	6,250,000	
Juneau Campus Mining Workforce Development (HD 3-4)		190,000	190,000	
Kachemak Bay Campus - Pioneer Avenue Building Addition (HD 33-35)		50,000	50,000	
Research and Development of Unmanned Aerial Systems		5,000,000	5,000,000	

	Allocations	Appropriation Items	General Funds	Other Funds
(HD 1-40)				
It is the intent of the Legislature that the University of Alaska collaborate with the Federal Aviation Administration in establishing a research and development program and possible test facility for Unmanned Aerial Systems in Alaska. Unmanned Aerial Systems are already being utilized in Alaska in many ways and as the Arctic race progresses, they will become even more vital as a resource to the State and the Country.				
UAA Engineering Building Construction and Renovation (HD 17-32)		58,600,000	58,600,000	
UAF Assessing the Impacts of Ocean Acidification on Alaska's Fisheries (HD 1-40)		3,450,000	2,700,000	750,000
UAF Engineering Building Construction and Renovation (HD 7-11)		46,300,000	46,300,000	
UAF Kuskokwim Campus Maintenance, Upgrades, and Repairs (HD 36-38)		450,000	450,000	
University Receipt Authority for Capital Projects (HD 1-40)		15,000,000	15,000,000	
Deferred Maintenance				
Deferred Maintenance, Renewal, Repair and Equipment (HD 1-40)		37,500,000	37,500,000	
* * * * *		* * * * *		
* * * * * **Alaska Court System** * * * * *				
* * * * *		* * * * *		
Anchorage Campus Court Renovation (HD 17-32)		5,100,000	5,100,000	

	Allocations	Appropriation Items	General Funds	Other Funds
Court Security Projects (HD 1-40)		1,700,000	1,700,000	
Electronic Filing System (HD 1-40)		1,785,000	1,785,000	
Deferred Maintenance, Renewal, Repair and Equipment		**2,500,000**	**2,500,000**	
444 "H" Street Building Deferred Maintenance (HD 17-32)	35,000			
Anchorage Boney Courthouse Deferred Maintenance (HD 17-32)	1,872,200			
Fort Yukon Court and Office Building Deferred Maintenance (HD 6)	49,500			
Sitka Court and Office Building Deferred Maintenance (HD 2)	104,100			
Snowden Administrative Building Deferred Maintenance (HD 17-32)	255,000			
St. Mary's Armory Courthouse Deferred Maintenance (HD 39)	40,000			
Valdez Court and Office Building Deferred Maintenance (HD 12)	144,200			

(SECTION 2 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 2.** The following sets out the funding by agency for the appropriations made in sec. 1 of this Act.

Funding Source	Amount
Department of Administration	
1004 Unrestricted General Fund Receipts	38,750,000
1005 General Fund/Program Receipts	550,000
1017 Group Health and Life Benefits Fund	374,000
1029 Public Employees Retirement Trust Fund	440,700
1034 Teachers Retirement Trust Fund	179,500
1042 Judicial Retirement System	4,600
1045 National Guard Retirement System	14,200
1147 Public Building Fund	3,000,000
*** Total Agency Funding ***	$43,313,000
Department of Commerce, Community and Economic Development	
1002 Federal Receipts	13,420,000
1003 General Fund Match	460,000
1004 Unrestricted General Fund Receipts	619,641,352
1007 Interagency Receipts	200,000
1108 Statutory Designated Program Receipts	600,000
1202 Anatomical Gift Awareness Fund	35,000
1210 Renewable Energy Grant Fund	25,870,659
1211 Cruise Ship Gambling Tax	4,500,000
*** Total Agency Funding ***	$664,727,011
Department of Corrections	
1004 Unrestricted General Fund Receipts	11,720,000
*** Total Agency Funding ***	$11,720,000
Department of Education and Early Development	
1004 Unrestricted General Fund Receipts	136,882,700
*** Total Agency Funding ***	$136,882,700
Department of Environmental Conservation	
1002 Federal Receipts	42,250,000

1003	General Fund Match	8,750,000
1004	Unrestricted General Fund Receipts	39,213,449
1052	Oil/Hazardous Release Prevention & Response Fund	750,000
1075	Alaska Clean Water Fund	2,583,400
1100	Alaska Drinking Water Fund	4,634,000
1108	Statutory Designated Program Receipts	500,000
*** Total Agency Funding ***		$98,680,849
Department of Fish and Game		
1002	Federal Receipts	9,375,000
1004	Unrestricted General Fund Receipts	12,050,000
1018	Exxon Valdez Oil Spill Trust	641,300
1024	Fish and Game Fund	825,000
1201	Commercial Fisheries Entry Commission Receipts	3,914,000
*** Total Agency Funding ***		$26,805,300
Office of the Governor		
1185	Election Fund	100,000
*** Total Agency Funding ***		$100,000
Department of Health and Social Services		
1002	Federal Receipts	7,098,400
1003	General Fund Match	1,873,150
1004	Unrestricted General Fund Receipts	17,540,090
*** Total Agency Funding ***		$26,511,640
Department of Labor and Workforce Development		
1004	Unrestricted General Fund Receipts	24,031,500
*** Total Agency Funding ***		$24,031,500
Department of Law		
1108	Statutory Designated Program Receipts	250,000
*** Total Agency Funding ***		$250,000
Department of Military and Veterans Affairs		
1002	Federal Receipts	17,942,500
1003	General Fund Match	2,945,000

1004	Unrestricted General Fund Receipts	8,040,000
***	Total Agency Funding ***	$28,927,500
Department of Natural Resources		
1002	Federal Receipts	9,060,000
1003	General Fund Match	150,000
1004	Unrestricted General Fund Receipts	21,205,300
1005	General Fund/Program Receipts	500,000
1108	Statutory Designated Program Receipts	3,006,000
1195	Special Vehicle Registration Receipts	250,000
***	Total Agency Funding ***	$34,171,300
Department of Public Safety		
1002	Federal Receipts	1,500,000
1004	Unrestricted General Fund Receipts	20,756,800
***	Total Agency Funding ***	$22,256,800
Department of Revenue		
1002	Federal Receipts	13,116,400
1003	General Fund Match	704,600
1004	Unrestricted General Fund Receipts	63,268,600
1105	Permanent Fund Gross Receipts	50,000
1139	Alaska Housing Finance Corporation Dividend	15,859,800
1213	Alaska Housing Capital Corporation Receipts	21,000,000
***	Total Agency Funding ***	$113,999,400
Department of Transportation and Public Facilities		
1002	Federal Receipts	692,929,618
1003	General Fund Match	59,800,000
1004	Unrestricted General Fund Receipts	209,990,130
1026	Highways Equipment Working Capital Fund	15,000,000
1027	International Airports Revenue Fund	810,000
1061	Capital Improvement Project Receipts	1,900,000
1082	AMHS Vessel Replacement Fund	60,000,000
1108	Statutory Designated Program Receipts	12,000,000

1112	International Airports Construction Fund	13,761,678
1140	Alaska Industrial Development and Export Authority Dividend	20,400,000
*** Total Agency Funding ***		$1,086,591,426
University of Alaska		
1002	Federal Receipts	750,000
1004	Unrestricted General Fund Receipts	154,790,000
1048	University of Alaska Restricted Receipts	17,250,000
*** Total Agency Funding ***		$172,790,000
Alaska Court System		
1004	Unrestricted General Fund Receipts	11,085,000
*** Total Agency Funding ***		$11,085,000
* * * * * Total Budget * * * * *		$2,502,843,426

(SECTION 3 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 3.** The following sets out the statewide funding for the appropriations made in sec. 1 of this Act.

Funding Source		Amount
Unrestricted General Funds		
1003	General Fund Match	74,682,750
1004	Unrestricted General Fund Receipts	1,388,964,921
1082	AMHS Vessel Replacement Fund	60,000,000
1139	Alaska Housing Finance Corporation Dividend	15,859,800
1140	Alaska Industrial Development and Export Authority Dividend	20,400,000
1211	Cruise Ship Gambling Tax	4,500,000
1213	Alaska Housing Capital Corporation Receipts	21,000,000
Total Unrestricted General Funds		$1,585,407,471
Designated General Funds		
1005	General Fund/Program Receipts	1,050,000
1048	University of Alaska Restricted Receipts	17,250,000
1052	Oil/Hazardous Release Prevention & Response Fund	750,000
1195	Special Vehicle Registration Receipts	250,000
1201	Commercial Fisheries Entry Commission Receipts	3,914,000
1202	Anatomical Gift Awareness Fund	35,000
1210	Renewable Energy Grant Fund	25,870,659
Total Designated General Funds		$49,119,659
Other Non-Duplicated Funds		
1017	Group Health and Life Benefits Fund	374,000
1018	Exxon Valdez Oil Spill Trust	641,300
1024	Fish and Game Fund	825,000
1027	International Airports Revenue Fund	810,000
1029	Public Employees Retirement Trust Fund	440,700
1034	Teachers Retirement Trust Fund	179,500

1042	Judicial Retirement System	4,600
1045	National Guard Retirement System	14,200
1105	Permanent Fund Gross Receipts	50,000
1108	Statutory Designated Program Receipts	16,356,000
Total Other Non-Duplicated Funds		$19,695,300
Federal Funds		
1002	Federal Receipts	807,441,918
Total Federal Funds		$807,441,918
Other Duplicated Funds		
1007	Interagency Receipts	200,000
1026	Highways Equipment Working Capital Fund	15,000,000
1061	Capital Improvement Project Receipts	1,900,000
1075	Alaska Clean Water Fund	2,583,400
1100	Alaska Drinking Water Fund	4,634,000
1112	International Airports Construction Fund	13,761,678
1147	Public Building Fund	3,000,000
1185	Election Fund	100,000
Total Other Duplicated Funds		$41,179,078

(SECTION 4 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 4.** The following appropriation items are for capital projects and grants from the general fund or other funds as set out in section 5 of this Act by funding source to the agencies named for the purposes expressed and lapse under AS 37.25.020, unless otherwise noted.

	Appropriation	General	Other
	Allocations Items	Funds	Funds
* * * * *		* * * * *	
* * * * * **Department of Commerce, Community and Economic Development** * * * * *			
* * * * *		* * * * *	
Grants to Municipalities			
(AS 37.05.315)			
Anchorage - Port of Anchorage Expansion (HD 17-32)	50,000,000		50,000,000
Bethel - Harbor Dredging (HD 38)	4,000,000		4,000,000
Bristol Bay Borough - Port of Bristol Bay Expansion and Pile Dock Replacement (HD 37)	7,000,000		7,000,000
Haines Borough - Boat Harbor Upgrades (HD 5)	12,000,000		12,000,000
Kodiak - Pier III Replacement (HD 36)	15,000,000		15,000,000
Kotzebue - Cape Blossom Road and Deep Water Port (HD 40)	10,000,000		10,000,000
Matanuska-Susitna Borough - Bogard Road Extension East (HD 13-16)	13,500,000		13,500,000
Matanuska-Susitna Borough -	30,000,000		30,000,000

	Allocations	Appropriation Items	General Funds	Other Funds
Port MacKenzie Rail Extension (HD 13-16)				
Nenana - Totchaket Resource Development Corridor Access (HD 6)		6,500,000		6,500,000
Nome - Port Design and Construction (HD 39)		10,000,000		10,000,000
Sand Point - Sand Point Road Rehabilitation (HD 37)		2,500,000		2,500,000
Seward - Marine Industrial Center Expansion (HD 33-35)		10,000,000		10,000,000
Sitka - Sawmill Cove Industrial Park Dock (HD 2)		7,500,000		7,500,000
St. George - Harbor Reconstruction (HD 37)		3,000,000		3,000,000
Togiak - Waterfront Transit Facility (HD 37)		3,300,000		3,300,000
Grants to Named Recipients (AS 37.05.316)				
Newtok Traditional Council - Mertarvik Evacuation Road Construction (HD 38)		4,100,000		4,100,000
* * * * *			* * * * *	
* * * * * **Department of Transportation and Public Facilities** * * * * *				
* * * * *			* * * * *	
Anchorage - Glenn Highway, Hiland Road to Artillery Road Reconstruction (HD		35,000,000		35,000,000

	Allocations	Appropriation Items	General Funds	Other Funds
12-35)				
Anchorage - Glenn Highway/ Muldoon Road Interchange Reconstruction (HD 17-32)		15,000,000		15,000,000
Anchorage - New Seward Highway MP 75-90 Bridge Repairs (HD 12-35)		10,000,000		10,000,000
Anchorage - New Seward Highway/36th Avenue Reconstruction (HD 17-32)		26,000,000		26,000,000
Anchorage - O'Malley Road Reconstruction (HD 17-32)		15,000,000		15,000,000
Fairbanks - Elliott Highway MP108-120 Reconstruction (HD 6)		6,500,000		6,500,000
Fairbanks - Old Steese Highway to McGrath Road Reconstruction and Extension (HD 7-11)		24,000,000		24,000,000
Fairbanks - Wendell Street Bridge Replacement (HD 7-11)		14,400,000		14,400,000
Haines - Maintenance Shop Replacement (HD 5)		3,000,000		3,000,000
Juneau - Glacier Highway MP 4-6 Road Improvements (HD 3-4)		5,500,000		5,500,000
Juneau - Mendenhall Loop Road Improvements (HD 3-4)		6,000,000		6,000,000
Kenai Spur Road		20,000,000		20,000,000

	Allocations	Appropriation Items	General Funds	Other Funds
Rehabilitation (HD 33-35)				
Ketchikan - Shelter Cove Road Construction and Improvements (HD 1)		19,000,000		19,000,000
Matanuska-Susitna - Fairview Loop Road Reconstruction (HD 13-16)		10,000,000		10,000,000
Matanuska-Susitna - Knik Goosebay Road Reconstruction (HD 13-16)		15,000,000		15,000,000
North Pole - Plack Road Improvements (HD 7-11)		5,000,000		5,000,000
Platinum Airport Runway Extension (HD 38)		3,100,000		3,100,000
Port Clarence Access Improvements (HD 39)		4,000,000		4,000,000
Richardson Highway - Ruby Creek Bridge Replacement (HD 12)		11,000,000		11,000,000
Sitka - Katlian Bay Road Construction (HD 2)		14,000,000		14,000,000

(SECTION 5 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 5.** The following sets out the funding by agency for the appropriations made in sec. 4 of this Act.

Funding Source	Amount
Department of Commerce, Community and Economic Development	
1008 General Obligation Bonds	188,400,000
*** Total Agency Funding ***	$188,400,000
Department of Transportation and Public Facilities	
1008 General Obligation Bonds	261,500,000
*** Total Agency Funding ***	$261,500,000
* * * * * Total Budget * * * * *	$449,900,000

(SECTION 6 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 6.** The following sets out the statewide funding for the appropriations made in sec. 4 of this Act.

Funding Source	Amount
Unrestricted General Funds	
Total Unrestricted General Funds	$0
Designated General Funds	
Total Designated General Funds	$0
Other Non-Duplicated Funds	
Total Other Non-Duplicated Funds	$0
Federal Funds	
Total Federal Funds	$0
Other Duplicated Funds	
1008 General Obligation Bonds	449,900,000
Total Other Duplicated Funds	$449,900,000

(SECTION 7 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 7.** The following appropriation items are for supplemental capital projects and grants from the general fund or other funds as set out in section 8 of this Act by funding source to the agencies named for the purposes expressed and lapse under AS 37.25.020, unless otherwise noted.

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *			* * * * *	
* * * * * **Department of Commerce, Community and Economic Development** * * * * *				
* * * * *			* * * * *	
Grants to Municipalities				
(AS 37.05.315)				
Old Harbor - Airport Expansion (HD 36)		4,500,000	4,500,000	
* * * * *		* * * * *		
* * * * * **Department of Corrections** * * * * *				
* * * * *		* * * * *		
Bethel - Yukon-Kuskokwim Correctional Center Dormitory Renovation Project (HD 36-38)		1,284,550	1,284,550	
* * * * *			* * * * *	
* * * * * **Department of Military and Veterans Affairs** * * * * *				
* * * * *			* * * * *	
Alaska Aerospace Corporation Construction of New Medium Lift Launch Pad (HD 36)		30,000,000	25,000,000	5,000,000
Move and Renovate STARBASE Building (HD 17-32)		195,000	195,000	

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *		* * * * *		
* * * * * **Department of Natural Resources** * * * * *				
* * * * *		* * * * *		
Exxon Valdez Oil Spill - Parcel Purchase on Kenai River Mile 11 (HD 33-35)		1,100,000		1,100,000
Whittier Landslide - Tsunami Hazard Analysis (HD 17-32)		150,000	150,000	
* * * * *			* * * * *	
* * * * * **Department of Transportation and Public Facilities** * * * * *				
* * * * *			* * * * *	
Alaska Marine Highway System - Cordova Dock Emergency Repairs (HD 1-40)		1,200,000	1,200,000	
Chugiak - Pedestrian Safety Improvements (HD 13-16)		250,000	250,000	
Petersburg - Dry (Un-Heated) Storage Building Replacement (HD 2)		400,000	400,000	
Asset Management				
Alaska Marine Highway System - Vessel and Terminal Overhaul and Rehabilitation (HD 1-40)		5,455,000	5,455,000	
Airport Improvement Program		**12,900,000**		**12,900,000**
Nome - Airport Runway Safety Area (RSA)	3,900,000			

	Allocations	Appropriation Items	General Funds	Other Funds
Improvements (HD 39)				
Unalaska - Runway Safety Area and Pavement Rehabilitation (HD 37)	3,000,000			
Unalaska - Runway Safety Area and Pavement Rehabilitation (HD 37)	6,000,000			
Surface Transportation Program		**2,990,000**		**2,990,000**
Anchorage Metropolitan Area Transportation Solutions (AMATS) - Glenn Highway Trail Rehabilitation (HD 17-32)	2,340,000			
Seward Highway - Recreational Improvements (HD 33-35)	650,000			
Emergency Repairs		**201,050**	**201,050**	
Dyea Road Washout Emergency Repair (HD 5)	25,800			
Haines Highway Milepost 19 - 23 Rock Slide Emergency Repairs (HD 5)	150,250			
Takotna - Road Repair (HD 6)	25,000			

(SECTION 8 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 8.** The following sets out the funding by agency for the appropriations made in sec. 7 of this Act.

Funding Source	Amount
Department of Commerce, Community and Economic Development	
1004 Unrestricted General Fund Receipts	4,500,000
*** Total Agency Funding ***	$4,500,000
Department of Corrections	
1004 Unrestricted General Fund Receipts	1,284,550
*** Total Agency Funding ***	$1,284,550
Department of Military and Veterans Affairs	
1004 Unrestricted General Fund Receipts	25,195,000
1108 Statutory Designated Program Receipts	5,000,000
*** Total Agency Funding ***	$30,195,000
Department of Natural Resources	
1004 Unrestricted General Fund Receipts	150,000
1018 Exxon Valdez Oil Spill Trust	1,100,000
*** Total Agency Funding ***	$1,250,000
Department of Transportation and Public Facilities	
1002 Federal Receipts	15,890,000
1004 Unrestricted General Fund Receipts	7,506,050
*** Total Agency Funding ***	$23,396,050
* * * * * Total Budget * * * * *	$60,625,600

(SECTION 9 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 9.** The following sets out the statewide funding for the appropriations made in sec. 7 of this Act.

Funding Source	Amount
Unrestricted General Funds	
1004 Unrestricted General Fund Receipts	38,635,600
Total Unrestricted General Funds	$38,635,600
Designated General Funds	
Total Designated General Funds	$0
Other Non-Duplicated Funds	
1018 Exxon Valdez Oil Spill Trust	1,100,000
1108 Statutory Designated Program Receipts	5,000,000
Total Other Non-Duplicated Funds	$6,100,000
Federal Funds	
1002 Federal Receipts	15,890,000
Total Federal Funds	$15,890,000
Other Duplicated Funds	
Total Other Duplicated Funds	$0

(SECTION 10 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 10.** The following appropriation items are for operating expenditures from the general fund or other funds as set out in section 11 of this Act to the agencies named for the purposes expressed for the fiscal year beginning July 1, 2011 and ending June 30, 2012, unless otherwise indicated.

	Allocations	Appropriation Items	General Funds	Other Funds
	* * * * *	* * * * *		
* * * * * **Department of Administration** * * * * *				
	* * * * *	* * * * *		
Violent Crimes Compensation Board		**340,000**		**340,000**
Violent Crimes Compensation Board	340,000			
	* * * * *		* * * * *	
* * * * * **Department of Commerce, Community and Economic Development** * * * * *				
	* * * * *		* * * * *	
Corporations, Business and Professional Licensing				

It is the intent of the legislature that the Department of Commerce, Community and Economic Development proportionally distribute $3,400,000 general funds between the professional licensing boards and commissions based on the number of licenses issued for fiscal years 2007 through 2010. It is also the intent of the legislature that after the general funds are distributed, the professional licensing board's and commission's carryforward balances are made whole as of June 30, 2012 and will serve as a starting balance going forward into the future. Further, it is the intent of the legislature that the department completes an annual reconciliation of the individual professional board's and commission's carryforward balance to reports from the State's accounting system.

Corporations, Business and Professional Licensing	0			

	Allocations	Appropriation Items	General Funds	Other Funds
* * * * *			* * * * *	
* * * * * **Department of Education and Early Development** * * * * *				
* * * * *			* * * * *	
Teaching and Learning Support		**1,000,000**	**1,000,000**	
Student and School Achievement	1,000,000			
* * * * *		* * * * *		
* * * * * **Department of Fish and Game** * * * * *				
* * * * *		* * * * *		
Sport Fisheries			**5,500,000**	**-5,500,000**
Sport Fisheries	0			
* * * * *			* * * * *	
* * * * * **Department of Labor and Workforce Development** * * * * *				
* * * * *			* * * * *	
Alaska Vocational Technical Center				
Alaska Vocational Technical Center	0			
* * * * *			* * * * *	
* * * * * **Department of Transportation & Public Facilities** * * * * *				
* * * * *			* * * * *	
Highways, Aviation and Facilities		**1,378,800**	**1,378,800**	
Northern Region Facilities	27,600			
Central Region Highways and Aviation	762,400			
Northern Region Highways and Aviation	330,000			
Southeast Region Highways and Aviation	258,800			

(SECTION 11 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 11.** The following sets out the funding by agency for the appropriations made in sec. 10 of this Act.

Funding Source	Amount
Department of Administration	
1002 Federal Receipts	340,000
*** Total Agency Funding ***	$340,000
Department of Commerce, Community and Economic Development	
1004 Unrestricted General Fund Receipts	3,439,800
1156 Receipt Supported Services	-3,439,800
*** Total Agency Funding ***	$0
Department of Education and Early Development	
1004 Unrestricted General Fund Receipts	1,000,000
*** Total Agency Funding ***	$1,000,000
Department of Fish and Game	
1004 Unrestricted General Fund Receipts	5,500,000
1024 Fish and Game Fund	-5,500,000
*** Total Agency Funding ***	$0
Department of Labor and Workforce Development	
1004 Unrestricted General Fund Receipts	250,000
1005 General Fund/Program Receipts	-250,000
*** Total Agency Funding ***	$0
Department of Transportation & Public Facilities	
1004 Unrestricted General Fund Receipts	1,378,800
*** Total Agency Funding ***	$1,378,800
* * * * * Total Budget * * * * *	$2,718,800

(SECTION 12 OF THIS ACT BEGINS ON THE NEXT PAGE)

* **Sec. 12.** The following sets out the statewide funding for the appropriations made in sec. 10 of this Act.

Funding Source	Amount
Unrestricted General Funds	
1004 Unrestricted General Fund Receipts	11,568,600
Total Unrestricted General Funds	$11,568,600
Designated General Funds	
1005 General Fund/Program Receipts	-250,000
1156 Receipt Supported Services	-3,439,800
Total Designated General Funds	$-3,689,800
Other Non-Duplicated Funds	
1024 Fish and Game Fund	-5,500,000
Total Other Non-Duplicated Funds	$-5,500,000
Federal Funds	
1002 Federal Receipts	340,000
Total Federal Funds	$340,000
Other Duplicated Funds	
Total Other Duplicated Funds	$0

(SECTION 13 OF THIS ACT BEGINS ON THE NEXT PAGE)

*** Sec. 13.** FEDERAL AND OTHER PROGRAM RECEIPTS. (a) Federal receipts, designated program receipts as defined in AS 37.05.146(b)(3), information services fund program receipts as defined in AS 44.21.045(b), receipts of the University of Alaska as described in AS 37.05.146(b)(2), receipts of commercial fisheries test fishing operations under AS 37.05.146(c)(21), corporate receipts of the Alaska Housing Finance Corporation, corporate receipts of the Alaska Aerospace Corporation, Exxon Valdez oil spill trust receipts as defined in AS 37.05.146(b)(4), and receipts of the Alaska Fire Standards Council under AS 37.05.146(b)(5), that exceed the amounts appropriated by this Act are appropriated conditioned on compliance with the program review provisions of AS 37.07.080(h).

(b) If federal or other program receipts as defined in AS 37.05.146 and in AS 44.21.045(b) exceed the estimates appropriated by this Act, the appropriations from state funds for the affected program may be reduced by the excess if the reductions are consistent with applicable federal statutes.

(c) If federal or other program receipts as defined in AS 37.05.146 and in AS 44.21.045(b) fall short of the estimates appropriated by this Act, the affected appropriation is reduced by the amount of the shortfall in receipts.

*** Sec. 14.** FUND CAPITALIZATION. (a) The sum of $60,000,000 is appropriated from the general fund to the Alaska Gasline Inducement Act reimbursement fund (AS 43.90.400(a)) for the natural gas pipeline project construction inducement under AS 43.90.110(a)(1).

(b) The amount of federal receipts from the financial assistance award for emerging energy technology by the Denali Commission established under P.L. 105-277, estimated to be $1,700,000, is appropriated to the emerging energy technology fund (AS 42.45.375) for capital projects.

*** Sec. 15.** FUND TRANSFERS. The sum of $25,870,700 is appropriated from the general fund to the renewable energy grant fund (AS 42.45.045(a)).

*** Sec. 16.** INSURANCE CLAIMS. The amounts to be received in settlement of insurance claims for losses and the amounts to be received as recovery for losses are appropriated from the general fund to the

(1) state insurance catastrophe reserve account (AS 37.05.289(a)); or

(2) appropriate state agency to mitigate the loss.

*** Sec. 17.** NATIONAL PETROLEUM RESERVE - ALASKA IMPACT GRANT

PROGRAM. (a) The amount received by the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530(a)) under 42 U.S.C. 6506a(*l*) or former 42 U.S.C. 6508 by August 31, 2012, estimated to be $4,896,872, is appropriated from that fund to the Department of Commerce, Community, and Economic Development for capital project grants under the National Petroleum Reserve - Alaska impact grant program to the following municipalities in the amounts stated:

MUNICIPALITY	PROJECT	ALLOCATION
(1) North Slope Borough	Permit tracking system	$ 242,000
(2) North Slope Borough	Mayor's job program	366,636
(3) North Slope Borough	Monitoring the subsistence fisheries in the Elson Lagoon and Kuk Inlet	109,000
(4) North Slope Borough	Meade River school counselor	243,819
(5) North Slope Borough	School counselor program	287,296
(6) City of Atqasuk	Local government and youth program	493,940
(7) City of Barrow	Local government operations and maintenance	1,600,000
(8) North Slope Borough	Land management and enforcement continuation	350,000
(9) City of Nuiqsut	Local government operations and maintenance	718,163
(10) City of Wainwright	Wainwright local government operations	228,000
(11) City of Nuiqsut	Youth center operations and maintenance	258,018

(b) If the amount received by the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530(a)) under 42 U.S.C. 6506a(*l*) or former 42 U.S.C. 6508 by August 31, 2012, is less than the sum of the allocations made in (a) of this section, the Department of Commerce, Community, and Economic Development shall work with the

municipalities listed in (a) of this section to reduce the sum of the allocations made in (a) of this section to equal the amount received.

*** Sec. 18.** DEPARTMENT OF CORRECTIONS. The unexpended and unobligated balance, not to exceed $100,000, of the appropriation made in sec. 1, ch. 5, FSSLA 2011, page 79, lines 16 - 18 (Department of Corrections, Seward, Spring Creek Correctional Center Seward land transfer - $250,000) is reappropriated to the Department of Corrections for the combined Hiland Mountain Correctional Center land transfer.

*** Sec. 19.** DEPARTMENT OF FISH AND GAME. (a) Section 10, ch. 29, SLA 2008, page 67, lines 19 - 20, is amended to read:

	APPROPRIATION ITEMS	OTHER FUNDS
Fish and Game Licensing **Program Improvements** [POINT OF SALE SYSTEM] (HD 1-40)	200,000	200,000

(b) The unexpended and unobligated balance, estimated to be $100,000, of the appropriation made in sec. 7, ch. 43, SLA 2010, page 26, lines 20 - 22 (Department of Fish and Game, crew member fishery participation database development - $100,000) is reappropriated to the Department of Fish and Game for analyzing system requirements for integration of the commercial operator annual report data system with the department's new electronic data system for the fiscal year ending June 30, 2013.

(c) An amount equal to the proceeds from the sale conducted during the fiscal years ending June 30, 2013, June 30, 2014, or June 30, 2015, of a research vessel owned by the Department of Fish and Game, including parts and inventory, is appropriated from the general fund to the Department of Fish and Game for the repair, maintenance, or replacement of vessels or equipment.

*** Sec. 20.** DEPARTMENT OF HEALTH AND SOCIAL SERVICES. An amount equal to 50 percent of the revenue collected during the fiscal year ending June 30, 2011, from the alcoholic beverage tax (AS 43.60.010), not to exceed $19,300,400, is appropriated from the general fund to the Department of Health and Social Services for behavioral health grants under AS 47.37.030 for the fiscal years ending June 30, 2013, June 30, 2014, and June 30, 2015.

*** Sec. 21.** DEPARTMENT OF LAW. (a) Section 30(a), ch. 5, FSSLA 2011, is amended to read:

(a) The sum of **$13,550,000** [$9,000,000] is appropriated from the general fund to the Department of Law, BP corrosion, to fund the costs of outside counsel, document management, experts, and litigation in the British Petroleum Exploration (Alaska) Inc., corrosion case for the fiscal years ending June 30, 2012, and June 30, 2013.

(b) The sum of $20,743,999 is appropriated from the general fund to the Department of Law, civil division, deputy attorney general's office, for the purpose of paying judgments and settlements against the state for the fiscal year ending June 30, 2012.

*** Sec. 22.** DEPARTMENT OF PUBLIC SAFETY. Section 1, ch. 43, SLA 2010, page 3, lines 8 - 9, as amended by sec. 12, ch. 1, FSSLA 2011, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Crime Lab Replacement **and Repair, Renovation, and Reuse of Existing Crime Lab Building** (HD 17-32)	70,750,000	70,750,000

*** Sec. 23.** DEPARTMENT OF REVENUE. The amount necessary to pay expenses incident to the sale and issuance of general obligation bonds for transportation projects, estimated to be $3,559,200, is appropriated from the 2012 state transportation project fund to the Department of Revenue, state bond committee, for the fiscal years ending June 30, 2013, June 30, 2014, and June 30, 2015.

*** Sec. 24.** DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES. (a) The unexpended and unobligated balances, estimated to be $4,000,000, of the appropriations made in sec. 10, ch. 29, SLA 2008, page 44, lines 18 - 19 (Anchorage, 88th Avenue upgrade (RTP) - $1,000,000), and sec. 1, ch. 5, FSSLA 2011, page 5, lines 27 - 30 (Anchorage, 88th Avenue upgrade - Spruce Brook Street to Elmore Road - $3,000,000) are reappropriated to the Department of Transportation and Public Facilities for an 88th Avenue upgrade, Spruce Brook Street to Elmore Road.

(b) The unexpended and unobligated general fund balance, estimated to be $1,686,000, of the appropriation made in sec. 1, ch. 1, SSSLA 2002, page 49, line 11, and

allocated on page 49, lines 19 - 20 (Department of Transportation and Public Facilities, statewide federal programs, federal-aid highway state match - $40,817,520) is reappropriated to the Department of Transportation and Public Facilities for construction of a sand storage building in Girdwood.

(c) The unexpended and unobligated balances, estimated to be a total of $1,570,000, of the appropriations made in sec. 1, ch. 1, SSSLA 2002, page 49, line 11, and allocated on page 49, lines 17 - 18 (Department of Transportation and Public Facilities, statewide federal programs, federal-aid aviation state match - $9,725,000) and sec. 10, ch. 29, SLA 2008, page 77, lines 11 - 13 (Department of Transportation and Public Facilities, Jim River (Dalton Highway) maintenance station replacement - $6,000,000) are reappropriated to the Department of Transportation and Public Facilities for replacement of the Seward Highway maintenance station.

*** Sec. 25.** OFFICE OF THE GOVERNOR. (a) The sum of $1,000,000 is appropriated from the general fund to the Office of the Governor, redistricting board, for legal and other costs relating to redistricting matters for the fiscal years ending June 30, 2012, and June 30, 2013.

(b) The unexpended and unobligated general fund balance, not to exceed $575,000, of the appropriation made in sec. 1, ch. 3, FSSLA 2011, page 17, line 28 (Office of the Governor, elections - $5,073,600) is reappropriated to the Office of the Governor, elections, for implementation of the Alaska redistricting proclamation, for the fiscal year ending June 30, 2013.

*** Sec. 26.** HOUSE DISTRICTS 3 - 4. The unexpended and unobligated balance of the appropriation made in sec. 1, ch. 82, SLA 2006, page 85, lines 30 - 31, as amended by sec. 21(a), ch. 15, SLA 2009 (Gastineau Channel Crossing EIS and dredging and North Douglas Highway extension - $3,000,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City and Borough of Juneau for the North Douglas Highway extension.

*** Sec. 27.** HOUSE DISTRICT 6. The unexpended and unobligated balance, estimated to be $43,000, of the appropriation made in sec. 7, ch. 29, SLA 2008, page 16, lines 18 - 21 (Kuskokwim Public Broadcasting Corporation, power grid extension to KSKO transmitter - $50,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Kuskokwim Public

Broadcasting Corporation for maintenance of the station power plant for the fiscal years ending June 30, 2013, June 30, 2014, and June 30, 2015.

* **Sec. 28.** HOUSE DISTRICTS 7 - 11. (a) The unexpended and unobligated balances, estimated to be a total of $77,941, of the appropriations made in sec. 1, ch. 30, SLA 2007, page 56, lines 24 - 28 (Fairbanks North Star Borough, Volunteer Fire Department Station No. 3 exhaust and ventilation system - $96,638) and sec. 1, ch. 30, SLA 2007, page 56, lines 29 - 33 (Fairbanks North Star Borough, Volunteer Fire Department Station No. 4 exhaust and ventilation system - $105,000) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Fairbanks North Star Borough, North Star Volunteer Fire Department, for the purchase of protective equipment for volunteer fire department personnel.

(b) The unexpended and unobligated balance, estimated to be $1,675,815, of the appropriation made in sec. 43(b), ch. 43, SLA 2010, (Fairbanks North Star Borough, tourism and community development and an ice park) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to World I.C.E. Association, Inc., dba Ice Alaska, for ice park property purchase repayment.

(c) The unexpended and unobligated balance, estimated to be $40,000,000, of the appropriation made in sec. 10, ch. 43, SLA 2010, page 90, line 32, through page 91, line 5 (Fairbanks North Star Borough, Tanana River bridge access for military training grounds, river training - $40,000,000) is reappropriated to the Alaska Railroad Corporation for Tanana River bridge access for military training grounds and river training.

(d) The unexpended and unobligated balances, estimated to be a total of $145,153, of the appropriations made in sec. 1, ch. 30, SLA 2007, page 56, lines 7 - 12 (Fairbanks North Star Borough, school district classroom performance systems for public schools in House Districts 7 and 8 - $20,000), sec. 4, ch. 30, SLA 2007, page 87, lines 16 - 18 (Fairbanks North Star Borough, central kitchen phase II - $2,500,000), and sec. 13, ch. 11, SLA 2008, page 76, lines 23 - 26 (Fairbanks North Star Borough, Weller Elementary School, replace two water tanks - $140,000) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Fairbanks North Star Borough for Weller Elementary School for planning access improvements, making safety

upgrades, and demolishing an ice rink.

*** Sec. 29.** HOUSE DISTRICT 12. Section 13, ch. 43, SLA 2010, page 139, lines 17 - 20, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Rural Deltana Volunteer Fire Department - Big D Station **and Clearwater Station** Deferred Maintenance (HD 6)	295,000	295,000

*** Sec. 30.** HOUSE DISTRICTS 13 - 16. (a) Section 10, ch. 43, SLA 2010, page 98, lines 18 - 20, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Matanuska-Susitna Borough - Knik River Road **Milepost 0 to Milepost 11.2** Reconstruction (HD 13-16)	2,100,000	2,100,000

(b) The unexpended and unobligated balance of the appropriation made in sec. 1, ch. 5, FSSLA 2011, page 36, line 31, through page 37, line 3 (Matanuska-Susitna Borough, Colony High School field turf installation - $785,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Knights Football Booster Club, Inc., for Colony High School field turf installation.

(c) The unexpended and unobligated balance, estimated to be $5,000,000, of the appropriation made in sec. 10, ch. 29, SLA 2008, page 77, lines 19 - 21 (Department of Transportation and Public Facilities, Matanuska-Susitna Borough, Burma Road Upgrade - $5,000,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Matanuska-Susitna Borough for South Big Lake Road construction.

(d) The unexpended and unobligated balance, estimated to be $45,000, of the appropriation made in sec. 1, ch. 5, FSSLA 2011, page 48, lines 13 - 15 (Alaska State Fair,

Native Culture and Arts 75th Anniversary - $150,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Alaska State Fair for Alaska Native Culture and Arts Day 2012, Celebrating Alaska's Diversity, for the fiscal year ending June 30, 2013.

(e) The unexpended and unobligated balance, estimated to be $500,000, of the appropriation made in sec. 26(b), ch. 15, SLA 2009 (Wasilla, Garden Terrace water main extension and upgrade project) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Wasilla for wastewater utility improvements.

(f) The unexpended and unobligated balance, estimated to be $4,700,000, of the appropriation made in sec. 1, ch. 82, SLA 2006, page 107, line 12, and allocated on lines 14 - 17 (Department of Transportation and Public Facilities, Big Lake/Burma Road environmental impact statement and design - $5,000,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Matanuska-Susitna Borough for South Big Lake Road realignment project construction.

* **Sec. 31.** HOUSE DISTRICTS 16 - 32. (a) Section 1, ch. 5, FSSLA 2011, page 7, lines 14 - 16, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Anchorage - Bartlett High School [BOY'S] Locker Replacement **and Upgrades** (HD 16-32)	320,000	320,000

(b) Section 1, ch. 5, FSSLA 2011, page 11, lines 6 - 9, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Anchorage - Creekside Park Elementary School **Purchase and Repair of** Playground **Equipment** [REMODEL AND UPGRADE] (HD 16-32)	25,000	25,000

* **Sec. 32.** HOUSE DISTRICTS 17 - 32. (a) The unexpended and unobligated balance,

estimated to be $117,600, of the appropriation made in sec. 1, ch. 30, SLA 2007, page 48, lines 20 - 22 (Anchorage, Rovenna sidewalk pedestrian improvements - $120,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Municipality of Anchorage for Anchorage roads and drainage service area rehabilitation, Abbott Loop and Taku Campbell areas.

(b) The unexpended and unobligated balance, estimated to be $9,800, of the appropriation made in sec. 1, ch. 30, SLA 2007, page 18, lines 16 - 19 (Federation of Community Councils, Inc., Russian Jack Community Patrol supplies and fuel - $10,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Federation of Community Councils, Inc., for purchase of equipment and fuel for the Mountain View Community Patrol.

(c) The unexpended and unobligated balance, estimated to be $43,400, of the appropriation made in sec. 41, ch. 30, SLA 2007 (Anchorage, Greenridge/Wickersham Park subdivision area safety improvements) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Municipality of Anchorage for safety improvements in the area of Latouche Street and Annapolis Drive.

*** Sec. 33.** HOUSE DISTRICTS 33 - 35. (a) The unexpended and unobligated balance of the appropriation made in sec. 1, ch. 30, SLA 2007, page 29, lines 13 - 15 (Port Graham Hatchery, project management support - $5,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Cook Inlet Aquaculture Association for project management support for the fiscal year ending June 30, 2013.

(b) Section 50(a), ch. 43, SLA 2010, is amended to read:

(a) The unexpended and unobligated balance, not to exceed $99,500, of the appropriation made in sec. 1, ch. 82, SLA 2006, page 4, lines 12 - 15 (Agrium U.S., Inc., Phase II development of the Kenai coal gasification project - $5,000,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Kenai Peninsula Economic Development District for Cook Inlet **facility assessment and recommendations** [TIDAL POWER ANALYSIS].

*** Sec. 34.** HOUSE DISTRICT 36. The unexpended and unobligated balance, estimated to be $10,000, of the appropriation made in sec. 10, ch. 43, SLA 2010, page 103, line 32, through page 104, line 3 (Ouzinkie, alternative wind energy generation, phase I data collection - $10,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Ouzinkie for replacement of a log bridge and upgrades to an access road.

*** Sec. 35.** HOUSE DISTRICT 37. (a) Section 10, ch. 43, SLA 2010, page 87, lines 11 - 14, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Bristol Bay Borough - Port of Bristol Bay - Improvements Phase II **and Equipment Purchase** (HD 37)	5,000,000	5,000,000

(b) Section 1, ch. 82, SLA 2006, page 27, lines 14 - 15, as amended by sec. 33(c), ch. 15, SLA 2009, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
City of Akutan - Akutan Harbor Road Project**,** [AND] Airport Access Projects**, and Akutan Harbor Facility Development Improvements** (HD 37)	3,100,000	3,100,000

*** Sec. 36.** HOUSE DISTRICT 38. (a) The unexpended and unobligated balance, estimated to be $75,000, of the appropriation made in sec. 13, ch. 43, SLA 2010, page 137, lines 23 - 25 (Newtok Traditional Council, landfill design matching funds - $75,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Newtok Traditional Council for community survey and subdivision design.

(b) Section 34(c), ch. 15, SLA 2009, as amended by sec. 54, ch. 43, SLA 2010, and sec. 50, ch. 5, FSSLA 2011, is amended to read:

(c) The unexpended and unobligated balances, estimated to be a total of $462,500, of the appropriations made in sec. 8(a)(15), ch. 159, SLA 2004 (Kongiganak, community projects and improvements - $27,770), sec. 8(a), ch. 1, SSSLA 2002, page 96, line 17 (Kongiganak, community projects and improvements - $55,496), sec. 8(b)(28), ch. 159, SLA 2004 (Napaskiak, community projects and improvements - $6,326), sec. 131, ch. 139, SLA 1998, page 99, lines 19 - 20 (Nunapitchuk, motor grader snowblade - $15,500), sec. 1, ch. 135, SLA 2000, page 53, lines 28 - 30 (Nunapitchuk, washeteria renovation - water improvements - $50,000), sec. 15(b), ch. 61, SLA 2001, page 78, line 19 (Nunapitchuk, capital projects and improvements - $26,322), sec. 1, ch. 1, SSSLA 2002, page 81, lines 30 - 31 (Nunapitchuk, solid waste dumpsite upgrade - $25,000), sec. 8(a), ch. 1, SSSLA 2002, page 96, line 24 (Oscarville, community projects and improvements - $88,107), sec. 71(c), ch. 1, SSSLA 2002 (Oscarville, community facilities and equipment), sec. 8(a)(19), ch. 159, SLA 2004 (Oscarville, community projects and improvements - $58,651), sec. 1, ch. 61, SLA 2001, page 63, lines 12 - 13 (Tuntutuliak, jail house completion - $16,466), sec. 67(b), ch. 61, SLA 2001 (Tuntutuliak, construction of a post office), sec. 8(a), ch. 1, SSSLA 2002, page 97, line 2 (Tuntutuliak, community projects and improvements - $54,518), sec. 8(a)(31), ch. 159, SLA 2004 (Tuntutuliak, community projects and improvements - $7,881), and sec. 8(b)(38), ch. 159, SLA 2004 (Platinum, community projects and improvements - $26,900) are reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Association of Village Council Presidents for a demonstration project to use wood as a heating source for the fiscal year ending June 30, **2013** [2012].

* **Sec. 37.** HOUSE DISTRICT 39. (a) Section 13, ch. 29, SLA 2008, page 133, lines 14 - 15, is amended to read:

	APPROPRIATION ITEMS	GENERAL FUND
Wales - Heavy Equipment Purchase, **Repair, Maintenance, and Parts** (HD 39)	300,000	300,000

(b) The unexpended and unobligated balance, estimated to be $25,933, of the

appropriation made in sec. 35, ch. 15, SLA 2009 (Pitka's Point Traditional Council, upgrading the washeteria) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Pitka's Point Traditional Council for tribal office weatherization.

(c) The unexpended and unobligated balance of the appropriation made in sec. 1, ch. 15, SLA 2009, page 4, lines 19 - 20, and allocated on page 6, lines 5 - 7 (Saint Mary's, districtwide fuel tank farm replacement - $3,306,502) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Saint Mary's School District for facilities renovation.

*** Sec. 38.** HOUSE DISTRICT 40. The unexpended and unobligated balance, estimated to be $25,021, of the appropriation made in sec. 1, ch. 30, SLA 2007, page 60, lines 26 - 28 (Kaktovik, educational efforts regarding the ANWR - $50,000) is reappropriated to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the City of Kaktovik for local government operations and equipment purchase.

*** Sec. 39.** ALASKA MUNICIPAL BOND BANK AUTHORITY. (a) The sum of $1,300,000 is appropriated from the general fund to the Alaska Municipal Bond Bank Authority for the defeasance of the Inter-Island Ferry Authority's loan obligations to the Alaska Municipal Bond Bank Authority.

(b) The sum of $13,200,000 is appropriated from the general fund to the Alaska municipal bond bank authority reserve fund (AS 44.85.270) to provide forgiveness on loans made to the fund under AS 44.85.270(i).

*** Sec. 40.** STATUTORY BUDGET RESERVE FUND. The unexpended and unobligated balance of the operating general fund (state accounting system fund number 11100) at the close of business on June 30, 2012, is appropriated to the budget reserve fund (AS 37.05.540(a)).

*** Sec. 41.** LAPSE. (a) The appropriations made in secs. 17, 18, 19(c), 24, 28(b), 28(c), 30(b), 32(b), 36(a), 37(b), and 37(c) of this Act are for capital projects and lapse under AS 37.25.020.

(b) The appropriations made in secs. 14, 15, 16(1), 39(b), and 40 of this Act are for the capitalization of funds and do not lapse.

(c) The unexpended and unobligated balance of the appropriation made in sec. 63(d), ch. 29, SLA 2008, lapses into the general fund on June 30, 2012.

* **Sec. 42.** RETROACTIVITY. Section 29 of this Act is retroactive to July 1, 2011.

* **Sec. 43.** CONTINGENCY. The appropriation made in sec. 23 of this Act is contingent on passage by the Twenty-Seventh Alaska State Legislature and enactment into law of a bill relating to general obligation bonds for transportation projects and on voter approval of the general obligation bonds.

* **Sec. 44.** Sections 7, 10, 25, 30(b), and 39 of this Act take effect April 15, 2012.

* **Sec. 45.** Sections 18, 19(a), 19(b), 21, 22, 24, 25(b), 26 - 28, 30(a), 30(c), 30(d), 30(e), 30(f), 31 - 38, 40, and 41(c) of this Act take effect June 30, 2012.

* **Sec. 46.** Sections 29 and 42 of this Act take effect immediately under AS 01.10.070(c).

* **Sec. 47.** Except as provided in secs. 44 - 46 of this Act, this Act takes effect July 1, 2012.

2012 Legislature - Capital Budget
House District Summary - SCS2 Structure

Numbers and Language
District by Impact

House District		[1] GovCompare	[2] SCS1lessBond	[3] SCS2lessBond	[3] - [1] GovCompar to SCS2lessB		[3] - [2] SCS1lessB to SCS2lessB	
1	Ketchikan	22,468.2	76,671.2	71,671.2	49,203.0	219.0 %	-5,000.0	-6.5 %
2	Sitka/Petersburg/Wrangell	17,111.1	68,201.1	63,701.1	46,590.0	272.3 %	-4,500.0	-6.6 %
3-4	Juneau Areawide	32,764.4	44,954.4	40,663.4	7,899.0	24.1 %	-4,291.0	-9.5 %
5	Cordova/Southeast Islands	35,003.2	40,398.6	40,398.6	5,395.4	15.4 %	0.0	
1-5	Southeast Region	6,712.0	62,512.0	62,609.0	55,897.0	832.8 %	97.0	0.2 %
6	Interior Villages	53,432.9	58,890.9	57,390.9	3,958.0	7.4 %	-1,500.0	-2.5 %
7-11	Fairbanks Areawide	60,140.0	155,272.1	149,422.1	89,282.1	148.5 %	-5,850.0	-3.8 %
12	Richardson/Glenn Highways	19,237.0	20,479.8	20,479.8	1,242.8	6.5 %	0.0	
13-16	Mat-Su Areawide	66,844.0	76,480.4	75,560.9	8,716.9	13.0 %	-919.5	-1.2 %
17-32	Anchorage Areawide	138,948.4	380,013.8	385,572.8	246,624.4	177.5 %	5,559.0	1.5 %
33-35	Kenai Areawide	71,543.6	82,754.9	87,954.9	16,411.3	22.9 %	5,200.0	6.3 %
12-35	Southcentral Region	24,300.0	24,300.0	24,300.0	0.0		0.0	
36	Kodiak	79,043.0	87,043.0	114,693.0	35,650.0	45.1 %	27,650.0	31.8 %
37	Bristol Bay/Aleutians	58,076.8	66,724.8	65,724.8	7,648.0	13.2 %	-1,000.0	-1.5 %
38	Bethel	1,882.5	46,334.6	46,334.6	44,452.1	>999 %	0.0	
36-38	Southwest Region	19,224.7	33,382.2	34,382.2	15,157.6	78.8 %	1,000.0	3.0 %
39	Bering Straits	97,686.2	104,103.6	104,103.6	6,417.4	6.6 %	0.0	
40	Arctic	43,419.1	52,119.1	67,219.1	23,800.0	54.8 %	15,100.0	29.0 %
1-40	Statewide	1,060,142.6	1,148,584.0	1,117,884.0	57,741.4	5.4 %	-30,700.0	-2.7 %
Statewide Total		**1,907,979.6**	**2,629,220.4**	**2,630,065.9**	**722,086.3**	**37.8 %**	**845.5**	
Funding Summary								
	Unrestricted General (UGF)	930,315.1	1,678,205.1	1,684,050.6	753,735.4	81.0 %	5,845.5	0.3 %
	Designated General (DGF)	81,511.3	49,119.7	49,119.7	-32,391.6	-39.7 %	0.0	
	Other State Funds (Other)	66,974.4	71,974.4	66,974.4	0.0		-5,000.0	-6.9 %
	Federal Receipts (Fed)	829,178.8	829,921.3	829,921.3	742.5	0.1 %	0.0	

2012 Legislature - Capital Budget
House District Summary - SCS2 Structure

Numbers and Language
District by Impact

House District		[1] SCS2_Sec1	[2] SCS2_Sec7	[3] Total
1	Ketchikan	71,671.2	0.0	71,671.2
2	Sitka/Petersburg/Wrangell	63,301.1	400.0	63,701.1
3-4	Juneau Areawide	40,663.4	0.0	40,663.4
5	Cordova/Southeast Islands	40,222.5	176.1	40,398.6
1-5	Southeast Region	62,609.0	0.0	62,609.0
6	Interior Villages	57,365.9	25.0	57,390.9
7-11	Fairbanks Areawide	149,422.1	0.0	149,422.1
12	Richardson/Glenn Highways	20,479.8	0.0	20,479.8
13-16	Mat-Su Areawide	75,310.9	250.0	75,560.9
17-32	Anchorage Areawide	382,887.8	2,685.0	385,572.8
33-35	Kenai Areawide	86,204.9	1,750.0	87,954.9
12-35	Southcentral Region	24,300.0	0.0	24,300.0
36	Kodiak	80,193.0	34,500.0	114,693.0
37	Bristol Bay/Aleutians	56,724.8	9,000.0	65,724.8
38	Bethel	46,334.6	0.0	46,334.6
36-38	Southwest Region	33,097.7	1,284.5	34,382.2
39	Bering Straits	100,203.6	3,900.0	104,103.6
40	Arctic	67,219.1	0.0	67,219.1
1-40	Statewide	1,111,229.0	6,655.0	1,117,884.0
Statewide Total		**2,569,440.3**	**60,625.6**	**2,630,065.9**
Funding Summary				
	Unrestricted General (UGF)	1,645,415.0	38,635.6	1,684,050.6
	Designated General (DGF)	49,119.7	0.0	49,119.7
	Other State Funds (Other)	60,874.4	6,100.0	66,974.4
	Federal Receipts (Fed)	814,031.3	15,890.0	829,921.3

Computed Column Definitions: [3]=[1]+[2]

Adopted. 4/11/12 6:10pm

27-LS1305\Y
Nauman/Bullock
4/11/12

CS FOR SENATE BILL NO. 192(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RESOURCES COMMITTEE

A BILL

FOR AN ACT ENTITLED

"An Act relating to the oil and gas production tax; providing for a minimum tax on oil and gas production so that the state receives a minimum production tax of 10 percent of the gross value at the point of production for certain oil and gas production; relating to that part of the monthly production tax on the gross value at the point of production of oil produced by a producer that produced oil in 2008 and 2011 and produces a volume of taxable oil for the year in excess of a defined target volume, and providing that the applicable tax rate on the gross value at the point of production for that category of oil production is 0.14 percent multiplied by the number that represents the difference between that average monthly gross value at the point of production for a barrel of oil and the base amount of $75 or, if the average gross value at the point of production is greater than $60 above the base amount of $75, that the applicable tax rate is the sum of 8.4 percent and the product of 0.03 percent multiplied by the number that represents the

difference between the average monthly gross value at the point of production for a barrel of oil and $60 above the base amount of $75, except that the tax rate applicable to that category of oil production may not exceed 10 percent; relating to that part of the tax on the gross value at the point of production of oil produced by a producer during the first 10 consecutive years after the start of sustained production or during the first 10 consecutive years of sustained production after December 31, 2012, whichever is later, from a lease or property containing land that was not or previously had not been within a unit or in commercial production before January 1, 2008, and providing that the applicable tax rate on the gross value at the point of production for that category of oil is determined by multiplying the monthly gross value at the point of production of the taxable oil produced during the month by the tax rate determined by multiplying 0.05 percent by the number that represents the difference between that average monthly gross value at the point of production for a barrel of oil and the base amount of $90, except that the tax rate determined for that category of oil production may not exceed five percent; relating to that part of the monthly production tax on the gross value at the point of production of oil produced by a producer and not otherwise described above, and providing that the applicable tax rate on the gross value at the point of production on that category of oil production is 0.27 percent multiplied by the number that represents the difference between the average gross value at the point of production for a barrel of oil and $60 or, if the average gross value at the point of production is greater than $60 above the base amount of $60, that the applicable tax rate is the sum of 16.2 percent and the product of 0.03 percent multiplied by the number that represents the difference between the average monthly gross value at the point of production for a barrel of oil and $60 above the base amount of $60, except that the tax rate applicable to

that category of oil production may not exceed 20 percent; relating to payments of the oil and gas production tax; relating to an adjustment to the base amounts of $60, $75, $90 based on an increase in the United States Consumer Price Index for all urban consumers for the most recent year; relating to the allocation of lease expenditures and adjustments to lease expenditures; relating to the duties of the Department of Revenue; relating to a petroleum information management system; relating to the duties of the Alaska Oil and Gas Conservation Commission, the Department of Natural Resources, and the Department of Labor and Workforce Development that relate to providing the Department of Revenue with certain information relating to oil and gas; and providing for an effective date."

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

*** Section 1.** AS 43.55.011(e) is amended to read:

(e) There is levied on the producer of oil or gas a tax for all oil and gas produced each calendar year from each lease or property in the state, less any oil and gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest. Except as otherwise provided under (f), (j), (k), and (o) of this section, the tax is equal to the sum of

(1) the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

(2) the sum, over all months of the calendar year, of the tax amounts determined under (g) of this section **on the gross value at the point of production of oil**.

*** Sec. 2.** AS 43.55.011(f) is repealed and reenacted to read:

(f) Except for oil and gas subject to (i) of this section and gas subject to (o) of this section, the provisions of this subsection apply to oil and gas produced by a producer that had average daily oil and gas production during the most recent calendar year of more than 50,000 BTU equivalent barrels. Notwithstanding any contrary

provision of law, a producer may not apply tax credits to reduce its total tax liability under (e) and (g) of this section for oil and gas produced from all leases or properties below 10 percent of the total gross value at the point of production of that oil and gas. If the amount of tax calculated by applying the tax rates in (e) and (g) of this section to the total production tax value of the oil and gas taxable under (e) and (g) of this section produced from all of the producer's leases or properties is less than 10 percent of the total gross value at the point of production of that oil and gas, the tax levied by (e) and (g) of this section for that oil and gas is equal to 10 percent of the total gross value at the point of production of that oil and gas.

*** Sec. 3.** AS 43.55.011(g) is repealed and reenacted to read:

(g) For each month of the calendar year for which the producer's average monthly gross value at the point of production for a barrel of taxable oil is above the base amount, the producer shall determine the tax for the purposes of (e)(2) of this section as follows:

(1) for oil not subject to (2) or (3) of this subsection produced by a producer that produced oil in 2008 and 2011, for oil not subject to (3) of this subsection produced by a producer who did not produce oil in 2008 and 2011, and for oil production that was subject to (3) of this subsection but is no longer subject to (3) of this subsection, the amount of tax is determined by multiplying the monthly gross value at the point of production of the taxable oil produced during the month by the tax rate calculated as follows:

(A) if the producer's average monthly gross value at the point of production for a barrel of the taxable oil for the month is not more than $60 above the base amount of $60, the tax rate is 0.27 percent multiplied by the number that represents the difference between that average monthly gross value at the point of production for a barrel of oil and the base amount of $60; or

(B) if the producer's average monthly gross value at the point of production for a barrel of taxable oil is more than $60 above the base amount of $60, the tax rate is the sum of 16.2 percent and the product of 0.03 percent multiplied by the number that represents the difference between the

average monthly gross value at the point of production for a barrel of oil and $60 above the base amount of $60, except that the tax rate determined under this subparagraph may not exceed 20 percent;

(2) for oil not subject to (3) of this subsection produced by a producer that produced taxable oil in 2008 and 2011 that is in excess of the target volume determined under (q) of this section, the amount of tax on the volume of oil above the target volume is determined by multiplying the monthly gross value at the point of production of the taxable oil produced during the month by the tax rate calculated as follows:

(A) if the producer's average monthly gross value at the point of production for a barrel of the taxable oil for the month is not more than $60 above the base amount of $75, the tax rate is 0.14 percent multiplied by the number that represents the difference between that average monthly gross value at the point of production for a barrel of oil and the base amount of $75; or

(B) if the producer's average monthly gross value at the point of production for a barrel of taxable oil is more than $60 above the base amount of $75, the tax rate is the sum of 8.4 percent and the product of 0.03 percent multiplied by the number that represents the difference between the average monthly gross value at the point of production for a barrel of oil and $60 above the base amount of $75, except that the tax rate determined under this subparagraph may not exceed 10 percent;

(3) for oil produced by a producer during the first 10 consecutive years after the start of sustained production or during the first 10 consecutive years of sustained production after December 31, 2012, whichever is later, from a lease or property containing land that was not or previously had not been within a unit or in commercial production before January 1, 2008, the amount of tax is determined by multiplying the monthly gross value at the point of production of the taxable oil produced during the month by the tax rate determined by multiplying 0.05 percent by the number that represents the difference between that average monthly gross value at the point of production for a barrel of oil and $90, except that the tax rate determined

under this paragraph may not exceed five percent; after the rate determination of this paragraph no longer applies, oil produced from a lease or property that was subject to the rate determination under this paragraph is subject to the rate determination under (1) of this subsection; in this paragraph, "sustained production" has the meaning given in AS 43.55.025(*l*).

*** Sec. 4.** AS 43.55.011 is amended by adding new subsections to read:

(p) Beginning on March 1, 2014, and on March 1 of each year thereafter, the commissioner shall adjust the base amount of $60 in (g)(1) of this section, the base amount of $75 in (g)(2) of this section, and the base amount of $90 in (g)(3) of this section by the percent increase in the annual United States Consumer Price Index for all urban consumers for the most recent year. The index for January 2013 is the reference base index. The commissioner shall publish the percent increase and the adjusted base amounts on the department's Internet website as soon as is practicable after the commissioner determines the adjusted base amounts. The adjustments made by the commissioner are retroactive to January 1 of the year in which the adjustments are made. The department shall adopt a regulation providing for the payment of the increase in an installment payment required under AS 43.55.020(a) that results from the retroactive application of the adjustments to the base amount of $60 in (g)(1) of this section, the base amount of $75 in (g)(2) of this section, and the base amount of $90 in (g)(3) of this section.

(q) When determining whether a producer is subject to (g)(1) or (2) of this section,

(1) the target volume is determined under the following formula, where V is the volume of the oil produced by the producer in 2011, D is the decline percentage calculated by taking the cube root of the ratio of the volume of taxable oil produced by the producer in 2011 to the volume of taxable oil produced by the producer in 2008, and Y is the year, expressed in four digits, for which the target volume is being determined:

Target Volume = $V \times D^{(Y - 2011)}$; and

(2) the target volume for a producer that increases its volume of production through the purchase, merger, or other acquisition of another producer is

the sum of the producer's target volume and the target volume for the producer that is purchased, merged with, or otherwise acquired; however, if the producer that is purchased, merged with, or otherwise acquired did not have production in 2008 and 2011, the volume of the increased production that is attributable to the purchase, merger, or other acquisition may not be considered for the purpose of determining whether the producer that acquired the additional production has increased the volume of production above its target volume.

*** Sec. 5.** AS 43.55.020(a) is amended to read:

(a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i) shall pay the tax as follows:

(1) an installment payment of the estimated tax levied by AS 43.55.011(e) **and (g)**, net of any tax credits applied as allowed by law, is due for each month of the calendar year on the last day of the following month; except as otherwise provided under (2) of this subsection, the amount of the installment payment is the sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment payment may not be less than zero:

(A) for oil and gas produced from leases or properties in the state outside the Cook Inlet sedimentary basin but not subject to AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f), the greater of

(i) zero; or

(ii) the sum of **the tax determined under AS 43.55.011(g) on the gross value at the point of production for oil produced for the month added to the product of** 25 percent and [THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g) MULTIPLIED BY] the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the leases or properties under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from

the leases or properties during the month for which the installment payment is calculated;

(B) for oil and gas produced from leases or properties subject to AS 43.55.011(f), the **greater** [GREATEST] of

(i) **10 percent of the gross value at the point of production for oil and gas described in AS 43.55.011(f)** [ZERO;

(ii) ZERO PERCENT, ONE PERCENT, TWO PERCENT, THREE PERCENT, OR FOUR PERCENT, AS APPLICABLE, OF THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL AND GAS] produced [FROM ALL LEASES OR PROPERTIES] during the month for which the installment payment is calculated; or

(ii) [(iii)] the sum of **the tax determined under AS 43.55.011(g) on the gross value at the point of production for oil produced for the month added to the product of** 25 percent and the tax rate calculated for the month under AS 43.55.011(g) [MULTIPLIED BY] the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for those leases or properties under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from those leases or properties during the month for which the installment payment is calculated;

(C) for oil and gas produced from each lease or property subject to AS 43.55.011(j), (k), or (o), the greater of

(i) zero; or

(ii) the sum of **the tax determined under AS 43.55.011(g) on the gross value at the point of production for the oil produced for the month added to the product of** 25 percent and [THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g) MULTIPLIED BY] the remainder obtained by

subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160 for oil or gas, respectively, produced from the lease or property from the gross value at the point of production of the oil or gas, respectively, produced from the lease or property during the month for which the installment payment is calculated;

(2) an amount calculated under (1)(C) of this subsection for oil or gas produced from a lease or property subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced during the month for the amount of taxable oil produced during the calendar year;

(3) an installment payment of the estimated tax levied by AS 43.55.011(i) for each lease or property is due for each month of the calendar year on the last day of the following month; the amount of the installment payment is the sum of

(A) the applicable tax rate for oil provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the oil taxable under AS 43.55.011(i) and produced from the lease or property during the month; and

(B) the applicable tax rate for gas provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the gas taxable under AS 43.55.011(i) and produced from the lease or property during the month;

(4) any amount of tax levied by AS 43.55.011(e) **and (g)** or (i), net of any credits applied as allowed by law, that exceeds the total of the amounts due as

installment payments of estimated tax is due on March 31 of the year following the calendar year of production.

*** Sec. 6.** AS 43.55.160(c) is amended to read:

(c) Notwithstanding any contrary provision of AS 43.55.150, for purposes of calculating **the tax due under AS 43.55.011(g)** [A MONTHLY PRODUCTION TAX VALUE UNDER (a)(2) OF THIS SECTION], the gross value at the point of production of the oil and gas is calculated under regulations adopted by the department that provide for using an appropriate monthly share of the producer's costs of transportation for the calendar year.

*** Sec. 7.** AS 43.55.160 is amended by adding new subsections to read:

(f) For purposes of (a) of this section, a lease expenditure is applicable to oil or gas produced from a lease or property, or to oil or gas produced from leases or properties in an area of the state, if the lease expenditure is

(1) a cost to explore, develop, or produce oil or gas from that lease or property, or to explore, develop, or produce oil or gas from one of those leases or properties in that area of the state, respectively; and

(2) incurred on or after the commencement of commercial production of oil or gas from the lease or property.

(g) For purposes of (a) of this section, a lease expenditure incurred during a calendar year to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, shall be allocated as provided in a regulation adopted by the department under AS 43.55.165(h) to and among oil, gas subject to AS 43.55.011(o), and gas not subject to AS 43.55.011(o) produced by the producer during that calendar year from leases or properties in the same area of the state as the land being explored or the lease or property being explored or developed, respectively.

(h) For purposes of (f) and (g) of this section, an area of the state is one of the following:

(1) land north of 68 degrees North latitude;

(2) land outside the Cook Inlet sedimentary basin not including any land north of 68 degrees North latitude; or

(3) the Cook Inlet sedimentary basin.

*** Sec. 8.** AS 43.55.165(h) is amended to read:

(h) The department shall adopt regulations that provide for reasonable methods of allocating costs between oil and gas, between gas subject to AS 43.55.011(o) and other gas, and between leases or properties in those circumstances where an allocation of costs is required to determine lease expenditures that are costs of exploring for, developing, or producing oil deposits or costs of exploring for, developing, or producing gas deposits, or that are costs of exploring for, developing, or producing oil or gas deposits located within different leases or properties. **When adopting a regulation for determining a reasonable method of allocating lease expenditures between the production of oil and the production of gas, the department shall, to the extent possible, provide for the allocation of lease expenditures in proportion to the gross value at the point of production for oil produced and gas produced.**

*** Sec. 9.** AS 43.55.170 is amended by adding a new subsection to read:

(d) The department shall adopt regulations that provide for reasonable methods of allocating the adjustments to a producer's lease expenditures in (a) of this section and the payments and credits described in (b) of this section between oil and gas, between gas subject to AS 43.55.011(o) and other gas, and between leases or properties in those circumstances where an allocation of costs is required to determine lease expenditures that are costs of exploring for, developing, or producing oil deposits, or costs of exploring for, developing, or producing gas deposits, or that are costs of exploring for, developing, or producing oil or gas deposits located within different leases or properties. When determining a reasonable method of allocating the adjustments to a producer's lease expenditures between the production of oil and the production of gas, the department shall consider allocating the adjustments in proportion to the lease expenditures allocated to the production of oil and the production of gas under regulations adopted by the department under AS 43.55.165(h).

*** Sec. 10.** AS 44.25 is amended by adding a new section to read:

Sec. 44.25.025. Petroleum information management system. (a) The

Department of Revenue shall develop and maintain an electronic petroleum information management system to collect, secure, distribute, store, retrieve, and archive information related to oil and gas exploration, development, and production in the state. The purposes of the petroleum information management system are to improve the administration of the oil and gas production tax and to facilitate exploration, development, and production of oil and gas resources. The petroleum information management system shall be accessible by the public.

(b) To the extent the information is available and is not confidential, the petroleum information management system must include the following information:

(1) unit and joint operating agreements;

(2) state oil and gas exploration licenses and oil and gas leases;

(3) for exploration activities,

(A) exploration work programs and budgets;

(B) seismic data;

(C) drilling reports;

(D) logs;

(E) well tests;

(F) geological models and maps;

(4) for development activities,

(A) development plans with operating and capital expenditure projections;

(B) construction progress reports;

(C) drilling reports;

(D) reservoir characterization;

(5) for production activities,

(A) production work programs and budgets;

(B) oil and gas sales, revenue, and pricing;

(C) transportation agreements;

(D) production data;

(E) injection data;

(F) operating and capital expenditures;

(G) facility maps and studies;

(6) for abandonment of oil and gas wells, leases, and production and transportation facilities,

(A) abandonment plans and budgets;

(B) progress reports;

(7) for oil and gas related employment information,

(A) the number of resident and nonresident hires for each year;

(B) training opportunities; and

(8) other information the Department of Revenue determines necessary and relevant to the oil and gas production tax and to the exploration, development, and production of oil and gas resources.

(c) The Alaska Oil and Gas Conservation Commission, the Department of Natural Resources, and the Department of Labor and Workforce Development, in consultation with the Department of Revenue, shall provide information described in (b) of this section that is not confidential and within the control of the commission and each department to the Department of Revenue for inclusion in the petroleum information management system. The information provided by the Alaska Oil and Gas Conservation Commission or by a department under this subsection shall be in a form suitable for the Department of Revenue to include in the petroleum information management system.

*** Sec. 11.** AS 43.55.160(a)(2) is repealed.

*** Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section to read:

IMPLEMENTATION OF THE PETROLEUM INFORMATION MANAGEMENT SYSTEM. The Department of Revenue shall develop and implement a work plan for the development of the petroleum information management system required by AS 44.25.025, enacted by sec. 10 of this Act, so that the system is operational before January 1, 2014.

*** Sec. 13.** Sections 1 - 9 and 11 of this Act take effect January 1, 2013.

*** Sec. 14.** Except as provided in sec. 13 of this Act, this Act takes effect immediately under AS 01.10.070(c).

King Air Replacement Proposal



Alaska Department of Public Safety

Aircraft Section

3/12/2012

Introduction

The State currently owns one twin-engine Beechcraft King Air 200. Originally manufactured in 1980, the Department of Public Safety (DPS) purchased this aircraft used in 1993 for $1.26 million.

The King Air 200 is the workhorse of the department. It is the primary aircraft used to swiftly transport larger numbers of passengers and equipment for DPS and has been used in numerous missions.

The mission role of this aircraft includes high risk prisoner moves, Special Emergency Repose Team (SERT) deployment, and rapid response to high threat situations, spring flood river watches, fisheries patrols, Governor and VIP transport, and movement of personnel, equipment and freight.

KING AIR STRATEGIC MISSIONS

Rapid law enforcement response

Special Emergency Response Team (SERT) deployment

Emergency preparedness

Search and rescue operations

Bering Sea crab patrols

Off-shore fisheries patrols

Law enforcement personnel and VIP transport

Prisoner moves

Problem Statement

The King Air 200 is a 31-year-old aging aircraft that has been down 239 days – approximately 33 percent of the time – in the last two years. Unscheduled downtime due to unexpected maintenance and repairs has increased to the point that DPS can no longer depend on this aircraft being available for strategic missions or critical emergencies.

Engines

The engines are approximately 450 hours from replacement. Based on the annual flight hours for this aircraft, engine replacement will need to occur within the next twelve months at an estimated cost of $1 million.

Landing Gear/Parts

The most recent unplanned downtime for the King Air 200 was the result of a landing gear system failure. This landing gear system is no longer manufactured and certified used parts are extremely difficult to obtain. When two certified parts were located after a nationwide search, the first one failed testing.

As this airframe continues to age, downtime from increased maintenance and repairs will only increase.

Other Options Considered

DPS has explored the options of leasing a King Air 200, leasing a King Air 350, chartering aircraft, and purchasing a used aircraft.

Currently, there are no King Air 200's available for lease within the State of Alaska. Searches for an outside lease option for a King Air 200 have resulted in finding only older models:

- One available King Air 200 (a 1979 vintage) leases for $14,000 per month plus $400 per hour in engine reserves. The potential for maintenance downtime for this aircraft is just as great as it is for the King Air currently owned by DPS.
- The Hawker-Beechcraft Company has located one available King Air 200 out-of-state with a monthly lease rate of $25,000 per month plus an additional $400 per hour for engine and maintenance reserves.

There are outside lease options available for a King Air 350, the model that best fits the DPS mission profile. The cost is $35,000 per month plus $700 per flight hour for engine and maintenance reserves, meaning that the 200-hour inspections are paid for ahead of time. Crew training for the King Air 350 will cost approximately $75,000 for two pilots and is required before DPS pilots can fly the leased King Air 350.

Charter availability in Anchorage for a comparable aircraft to the King Air 200 is a Cessna Conquest from Security Aviation. This aircraft can carry eight passengers plus a crew of two, and has a useful load of approximately 1,500 pounds depending on variables such as fuel load. The hourly rate is $2,002 per hour and is subject to pilot and aircraft availability.

DPS considered the option of purchasing a newer model used King Air 350; however there are few on the market. A used aircraft would come with very little or no warranty coverage which could substantially increase the maintenance costs in the short-term, would not have the latest generation avionics installed, and would reach age-related repair and maintenance costs sooner.

Solution

DPS proposes that the best solution is to invest in a new aircraft, such as a King Air 350 or equivalent. The information presented in this proposal uses a King Air 350 for comparative purposes.

The base price of a new King Air 350 with needed options is $7.6 million.

Benefit

The benefits of purchasing a new aircraft are significant.

The King Air 350 operates at virtually the same cost as the King Air 200 and can access the same number of villages but with double the useful load and 50+ knots per hour faster in speed and increased fuel efficiency. This translates to arriving at the destination more quickly, with a larger payload, and savings in time and fuel.

The King Air 350 can accommodate up to eleven passenger seats in the cabin of the aircraft compared to eight seats in the King Air 200.

Another feature on a new King Air is RVSM or Reduced Vertical Separation Minima. This allows the aircraft to fly at higher altitudes, which means even more cost savings when it comes to fuel burn and cost.

A new aircraft would come with warranty coverage resulting in considerable cash savings over the next five years.

Additional detailed comparisons and specifications are provided on pages 4 – 6.

Implementation

Delivery date for a new aircraft is estimated at six months from date of purchase commitment.

Summary

DPS' current King Air 200 is an aging aircraft. As this airframe continues to age, considerable downtime from increased maintenance and repairs combined with the difficulty in locating certified parts make this an unreliable resource for DPS in terms of its being available when needed for strategic missions or critical emergency response.

Lease options for a King Air are not practical based on the expected length of time DPS would have this aircraft and the availability and capability of charter aircraft is unpredictable and unreliable.

A used aircraft would have little or no warranty coverage, would not have the latest generation avionics, and would reach age-related maintenance and repairs sooner.

Investment in a new aircraft, such as a King Air 350 or equivalent, would provide a more reliable, more capable, and operationally more cost effective asset, and would ensure faster, efficient response for DPS strategic missions and critical emergency response to protect the citizens of Alaska and their resources.

King Air 350 and King Air 200 Comparison

	King Air 350	King Air 200
ENGINES	PT6A-60 1,050 HP	PT6A-41 850 HP
DIMENSIONS		
Overall Length	46' 8"	43' 9"
Overall Height	14' 4" (standard gear)	15' 0" (high floatation gear)
Wing Span	57' 11"	54' 6"
Wing Area	310 sq. ft.	303 sq. ft.
Inside Cabin Length	19' 6"	16' 8"
ACCOMODATIONS		
Crew Seats	2	2
Passenger Seats	9 to 11	8
Baggage Area	550 lbs.	410 lbs.
WEIGHTS		
Maximum Weight	15,000 lbs.	12,500 lbs.
Maximum Zero Fuel	12,500 lbs.	10,400 lbs.
Basic Operating Weight	9,600 lbs.	9,000 lbs.
Maximum Fuel Capacity	3,611 lbs.	3,646 lbs.
Useful Load – No Fuel	2,900 lbs.	1,400 lbs.
AIRSPEED/FUEL		
FL 280/Gross Weight	306 KTAS^^/670 PPH*	225 KTAS/532 PPH
RATE OF CLIMB		
Both Engines Sea Level	2,730 FPM**	2,200 FPM
One Engine Inoperable	780 FPM	620 FPM
CEILINGS		
Maximum Certified	35,000 FT	31,000 FT^
All Engines Ceiling	35,000 FT	31,000 FT^
Engine Out Ceiling	21,500 FT	14,000 FT

* Pounds per hour (one hour of jet fuel weighs 6.7 pounds)
** Feet per minute
^ 26,000 typical altitude assigned by air traffic control for the King Air 200
^^ Knots true airspeed

Benefits of King Air 350 over King Air 200

FUEL COST SAVINGS	20% LESS
TIME SAVINGS	20% FASTER
USEFUL LOAD	DOUBLE
RANGE	30% FURTHER
HORSEPOWER	25% MORE POWER
PASSENGER CAPACITY	25% MORE SEATING CAPACITY
NEW AIRCRAFT	LESS SUSCEPTIBLE TO AGE-RELATED MAINTENANCE ISSUES

Trip Comparison Time and Fuel

	King Air 350		King Air 200			
Route (One Way)	Time	Burn	Time	Burn	Difference	Fuel Cost Savings (King Air 350)*
ANC-JNU	1+42	1220#	2+08	1480#	+26/+260# (38.8 gal)	$212.62
ANC-SIT	1+46	1255#	2+12	1520#	+26/+265# (39.5 gal)	$216.46
ANC-KTN	2+16	1560#	2+49	1895#	+33/+335# (35.8 gal)	$274.00
ANC-SEA	4+10	2690#	**5+09	3175#	+59/+485# (72.3 gal)	$396.20
ANC-OME	1+36	1160#	2+00	1400#	+24/+240# (35.8 gal)	$196.18
ANC-OTZ	1+38	1175#	2+02	1420#	+24/+245# (36.7 gal)	$201.11
ANC-FAI	+50	660#	1+03	825#	+13/165# (24.6 gal)	$134.80
ANC-ODK	+51	675#	1+04	835#	+13/+160# (23.9 gal)	$130.97
ANC-CDB	1+50	1300#	2+17	1570#	+27/+270# (40.3 gal)	$219.20
ANC-DUT	2+18	1580#	2+52	1920#	+34/+340# (50.8 gal)	$278.38
ANC-ADK	3+26	2255#	**4+16	2735#	+50/+480# (71.7 gal)	$392.91
ANC-SNP	2+14	1545#	2+48	1880#	+34/+335# (50.0 gal)	$274.00
ANC-BET	1+13	930#	1+31	1115#	+18/+185# (27.6 gal)	$151.25
ANC-AKN	+55	735#	1+09	895#	+14/+160# (23.9 gal)	$130.97

* The cost of one gallon of jet fuel was $5.48 as of 07/22/2011

** The King Air 200 would require a fuel stop enroute

All times were figured at the same altitude and zero wind. The King Air 350 numbers would show even more savings at higher altitudes.

To convert fuel pounds to gallons, divide by 6.7.

Fuel savings average approximately 25 gallons/hour for the King Air 350. This is due to the more economical engines and faster speeds.

King Air 200 Five Year Maintenance Costs

Fiscal Year	Maintenance Cost	Hours/Year	Maintenance Cost/Hour
2007	$151,315	493.2	$306.80
2008	$141,006	331.7	$425.10
2009	$73,883	424.5	$174.05
2010	$81,145	489.0	$165.95
2011	$133,055	431.7	$308.21

Interior Alaska Search & Rescue and Law Enforcement Helicopter



11/28/2011

DPS Aircraft Section Proposal

The Department of Public Safety proposes to purchase a new turbine helicopter to meet the search and rescue and mission-critical operational needs in the Interior of Alaska.

Issue (statement of the problem)

The Department of Public Safety is statutorily responsible to provide law enforcement to the citizens of Alaska. This duty includes search and rescue (SAR), emergency law enforcement response, crime detection and prevention, surveillance, narcotics interdiction, traffic management, and civil disorders/public events.

Interior and Northern Alaska's geography and extreme weather conditions create enormous challenges for the Alaska State Troopers (AST) to quickly and effectively respond to emergencies. The lack of suitable equipment can put Alaskans living in this region at dire risk. It is critical for AST to have the capability to rapidly access remote areas during adverse weather conditions with a helicopter that is adequately equipped and has the payload to fulfill its mission.

Historical Information

The Department recognized this critical operational need and purchased a turbine Bell Jet Ranger helicopter that was based in Fairbanks from 1982 to 1995. This first helicopter was used extensively but was destroyed by fire after a fuel line separated in flight. It was subsequently replaced by a used helicopter which was removed from service in 2002 due to airframe fatigue and, to date, has not been replaced.

In 2001, the Department based a piston driven helicopter (R-44) in Fairbanks to conduct wildlife patrols in the Interior. This helicopter is not equipped or performance-capable as a SAR platform because of its limited range, payload capacity, speed, and its inability to operate at high altitudes and in cold temperatures. Nevertheless, being the only Department helicopter available in the region, the R-44 is frequently utilized in SAR and routine law enforcement missions. As an example, the R-44 was used to transport SERT personnel to the scene of a shooting of the Trans-Alaska Pipeline in October 2001 which required multiple round trips to ultimately get all team members on-scene. Following this incident, the R-44 flew almost daily missions guarding the Trans-Alaska Pipeline; a nationally designated critical infrastructure. Anytime this resource is used for SAR missions, it is diverted from the operational needs of the Alaska Wildlife Trooper (AWT) division.



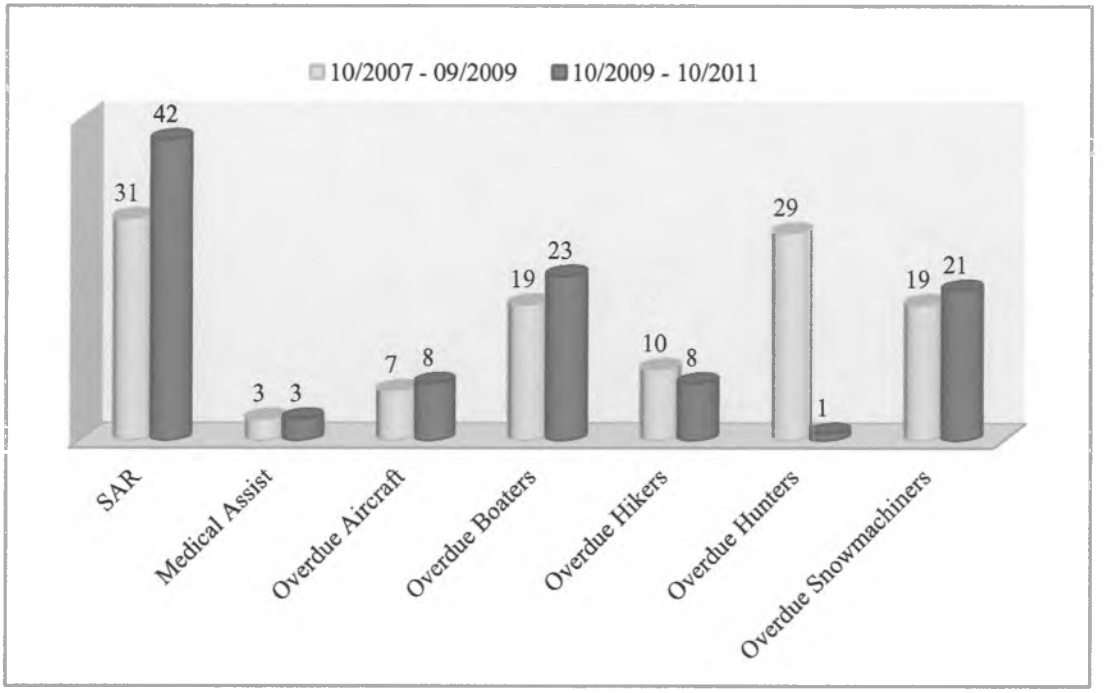
Fairbanks R-44

Background of Search and Rescue Operations

SAR operations continue to be one of AST's highest-risk, regularly performed missions. These activities account for a significant amount of time, money and man hours spent by detachment personnel and the consequence of failure could be life threatening. With the increasing use and availability of cell phones, SPOT beacons and satellite phones, troopers are receiving more and more calls for assistance from people who might not have been considered lost or in need of assistance in the past. Unfortunately the criticality of these calls is difficult to assess until after the fact, meaning that all SAR's must be treated as an emergency.

Virtually every report of a missing person starts a process in motion whereby troopers begin to gather information, identify resources and start to organize volunteer searchers. Oftentimes, a quick aerial search of the area is the fastest, least expensive and most effective way to locate the missing person. For this reason a significant number of the SAR or missing persons cases AST/AWT receives each year result in at least a preliminary aerial search by helicopter or fixed-wing aircraft.

The following chart represents the number of SAR and related cases undertaken by "D" Detachment *(see Figure 1 on page 6)* during the period from October 2007 through September 2009 in comparison with SAR and related cases during the period from October 2009 through October 2011.



The R-44 has conducted numerous searches for missing people, recovered bodies, and provided medical transport. Although it is capable of responding readily, it is extremely concerning to not be able to bring necessary immediate resources to help, or to be able to extract people from dangerous circumstances because the R-44 is not adequate. There have been cases where the R-44 just couldn't conduct missions because of its limitations; it was never meant to do these types of missions. For example:

- In September 2010, the R-44 responded with a medic to an ATV accident near Donnelly Dome in which the victim suffered a severely broken femur. The R-44 was not able to transport the medic with the victim due to altitude and weight restrictions. Additionally, the badly injured victim had to be loaded into the front seat of the R-44 which was very painful for the victim. A larger helicopter would have enabled medics to load the victim on a stretcher and be transported with the victim.

- In September 2011, the R-44 responded with medics to the scene of an injured hunter near Central but was not able to transport the victim due to the nature of the victim's injuries. Helo 1 was dispatched from Anchorage but was not able to arrive on scene for several hours. The victim would have been at the hospital much sooner if a larger helicopter would have been available in Fairbanks.

The lack of an adequately equipped turbine engine helicopter stationed in Fairbanks for SAR and emergency law enforcement response means that the assistance of the Alaska Air National Guard's 210th Rescue Squadron based at Joint Base Elmendorf-Richardson in Anchorage is often required to undertake search or rescue missions in Interior Alaska. Missions flown by the 210th Air National Guard routinely involve the use of HH-60 Pave Hawk helicopters or a C-130 aircraft, which requires expensive in-flight refueling. A turbine engine helicopter based in Fairbanks would provide a faster and less expensive alternative for most non-medical emergency rescues.

However, the more important concern is the length of time required to recall the National Guard assets and subsequently deploy them from Anchorage to Fairbanks. Every search and rescue is considered an emergency due to the potential loss of life. The delay in response times that result from this long distance deployment could be catastrophic.

A common question is, "Can't you charter?" Public safety operations are dramatically different from standard air charter duties. There are also significant limitations to a civilian pilot's ability to fly with Night Vision Goggles (NVGs) and to operate in a tactical environment as required with deployment of SERT personnel. This is often further exacerbated by a civilian pilot's lack of training and experience in flying rescue missions. With the downturn of the economy, the number of air transport vendors have decreased and the availability of those vendors to provide services to the Department become increasingly difficult. A pilot that flies an emergency mission for the Department at night will not be available to the vendor for their use the following day causing disruption and loss of income to those vendors.

State Troopers make efficient use of many of DPS's existing aviation assets during search and rescue operations. The most effective asset in particular is AST's sole day-and-night (IFR) capable helicopter based in Anchorage; a turbine ASTAR 350 acquired in 2002. This aircraft has more than fulfilled our mission requirements in Southcentral Alaska with saves and critical missions being performed on a near weekly basis. However, due to its flight range limits, it is unavailable in most other areas of the state. It is a helicopter with similar capabilities that is desperately needed in the Interior.

Advantages of a Turbine Helicopter

A helicopter that can operate in cold temperatures, at moderate/high altitude and that can haul a load of up to seven personnel on missions is needed. The helicopter should be large/wide enough to accommodate at least one litter patient (a "litter" is a stretcher or basket used to strap a person into for safe evacuation). The advantages of a turbine engine helicopter include:

1. Increased payload
2. Ability to carry a litter (rescue basket)
3. High altitude operations
4. Better night flight capabilities
5. Ability to install equipment such as search light, FLIR and hoist, and still have payload to carry passengers
6. Cold weather operations
7. Turbine engine reliability
8. Faster response times
9. Increased public safety
10. Enhanced officer safety
11. Improved pursuit management and a reduction in the number of dangerous high-speed pursuits

Recommendation 1: Purchase a new turbine helicopter (Approximately $3M)

There are two available manufactures of helicopters that would meet the Department's mission. They are the ASTAR B3 and Bell 407. Base price fluctuates, but the basic aircraft is priced in the range of $2.1 to $2.3 million. To equip it for our mission needs would put the price range at approximately $3.0 million. This equipment includes the following:

Required Equipment	Explanation
Airframe	
High landing gear	For landing in rough terrain/deep snow to keep tail rotor higher from the ground
Emergency pop-out floats	For emergency landings over water
Tundra pads	For landing on soft surfaces
Litter (rescue basket) kit	For transporting injured citizens
Heavy duty cargo tie down kit	Used for tying down heavy cargo
Airframe and rotor blade tie down	Used to secure rotor blades on the ground
External fuel and engine oil systems	Extra fluid filtering for arctic conditions
Tail rotor guard	Additional protection for tail rotor
All lighting FAA ANVIS certified	Night Vision Goggles requirement
DART cargo cheeks L/R sides	Expands baggage compartment
Big doors forward with high visibility doors	Enhances search visibility from cockpit
External load window in floor on right side	For sling operations
Nightsun lighting system or equivalent and mount	Bright controllable light used for searches
FLIR8500 w/laser, mount and recorder	A gyroscopically stabilized camera as well as thermal imager and laser painter
Geneva P125 pedestal	Removes push buttons and installs switches
Siren/public address system	Powerful loud speaker which allows crew to communicate with citizens on the ground
External load hook (onboard systems)	For sling operations
Avionics	
Law enforcement instrument panel	Reduced size panel so monitor can be installed flush
Cobham glass EFIS synthetic terrain w/ hover vector or standard IFR/HSI	Latest generation flight instrumentation
Garmin 430w	Global Positioning System (GPS) navigation
Technisonic 7000 ALMR/FP/UHF/second COM/NAV radio (King)	Police radio that supports different agency frequencies
Transponder	Discrete radar beacon coding device for air traffic control
Helicopter radar altimeter	Measures above ground altitude
All avionics NVG compatible	Night Vision Goggle compatible
NAT audio panel	National Aviation Technologies radio panel
Becker SAR-ADF 517	Emergency frequency monitoring system/ homing device
Altitude encoder (Blind)	Reports current altitude to air traffic control
Latest ELT 406mhz	Latest Emergency Locator Transmitter required by FAA

Recommendation 2: Civilian Pilot based in Fairbanks and operating costs ($303K)

The Department is requesting a civilian pilot PCN to fly the helicopter if it is approved. Utilization of a civilian pilot is the most cost effective method found so far. Using a trooper position, while most beneficial, requires constant training and mission time away from other law enforcement needs. It takes time and money to get a trooper up to operational needs, and after a period of time, the process starts over as the trooper moves to a different area of the state or is reassigned to a different assignment.

The combined annual operating cost of a civilian pilot PCN and turbine helicopter is estimated at $303.5 thousand, based on 237 annual flight hours.

These recommendations are inclusive of each other; they go hand-in-hand toward meeting the SAR and mission-critical operational needs in the Interior region of Alaska.

Summary

- The number of SAR missions in the Interior demonstrates the need to have a helicopter based in Fairbanks to provide a rapid and capable response to these potentially life-threatening situations.
- Utilization of Alaska Air National Guard HH-60 Pave Hawk helicopters is expensive, inefficient, hard on the aircrews and aircraft, and much less timely than would be the case if a similarly capable helicopter was based with DPS in Fairbanks.
- AST's R-44 helicopter has very limited capabilities for SAR missions and is best suited to its primary capabilities as a light-duty, backcountry patrol aircraft.
- Use of AST's Anchorage-based turbine engine helicopter for Interior SAR missions is impractical and leaves the most populous area of the state uncovered.
- A Fairbanks-based turbine engine helicopter would provide the Interior with an appropriately equipped resource to capably accomplish DPS mission-critical SAR and law enforcement operations.

FIGURE 1



The Statewide Search and Rescue office for Alaska State Troopers has statistics on 1,099 search and rescue cases from 2005 to 2012. Of the 1,099 cases, 1,002 of those incidents used some form of air, water or ground asset such as an airplane, helicopter, snowmachine or vehicle. Of 1,002 cases, 333 cases utilized a helicopter during 1,131 sorties and 1,683.18 hours spent rescuing 711 persons.

The request for additional information related to the past use of helicopters in rescues, and the likelihood of a helicopter increasing the effectiveness of a rescue, required that we know the length of time a rescue took place, the location of the rescue and whether or not a helicopter was used. 466 of the cases in the database contained enough information to gather that level of analysis. Cases that were not included: rescue ground team only responses, North Slope Borough cases, and cases where rescue call out and return times was not entered in the database.

In reviewing 466 cases, 399 cases resulted in rescuing person or persons alive with a total of 766 persons in these cases. The hours expressed on Table 1 are the number of hours 'from notification to rescue' not the hours of helicopter time. DPS has made efficient use of its present helicopter assets and responded to over 61% of the search and rescue calls of the 466 sampling reviewed. Based upon these reviewed cases, when comparing the average hours for a rescue where a helicopter has been immediately available, there is a significant increase in the speed with which DPS can respond and rescue the stranded persons versus detachments where a helicopter is not. In the 399 cases where persons were specifically rescued, the breakdown of detachment of rescues is as follows:

TABLE 1	Persons Rescued	Incidents by Detachment	Average Hours for Rescue	Rescues Assisted by Helicopter	Average Hours for Rescues Requiring Helicopter
A Detachment	112	60	14:48 Hours	27	12:00 Hours
B Detachment*	92	50	20:09 Hours	40	1:48 Hours
C Detachment	316	155	10:03 Hours	17	15:31 Hours
D Detachment	55	28	1:42 Hours	11	21:49 Hours
E Detachment	153	90	18:24 Hours	70	16:48 Hours
H Detachment	3	1	2:50 Hours	1	2:50 Hours
W Detachment	35	15	3:12 Hours	6	20:00 Hours
TOTAL/AVERAGE	**766 Persons**	**399 Cases**	**11:11 Hours**	**172 Cases**	**7:40 Hours**

The helicopter resources are tracked as follows: DPS, Military, Charter and Other. "Other" encompasses agencies that can assist Troopers with a case and are not a private party, such as National or State Parks Service helicopters. Breaking down the Helicopter hours shows a significant increase in the response time. Response time as a general rule has shown to result in a better likelihood of a live rescue.

HELICOPTER ASSISTED SEARCH & RESCUES	DPS	Military	Charter	Other
CASES	105	42	14	11
TOTAL FLIGHT HOURS	183 HOURS	50 HOURS	18 HOURS	19 HOURS
AVERAGE HOURS PER CASE TO RESCUE	**2:44 Hours**	**4:34 Hours**	**5:08 Hours**	**10:54 Hours**

*AST's Helo 1 is stationed in Anchorage and the primary helicopter asset for B Detachment. Helo 1 responds frequently to E Detachment as well.

Alaska Gasline Development Corporation

ASAP - Funding Outline thru FEL 3

Total Projected Costs: $ 400,000,000.0 (+/- 30%)

Funding Needed at Start of Activity	Supplemental FY2010 3/31/2010	FY2011 7/1/2010	Total FEL 1	Supplemental FY2011 4/1/2011	FY2012 7/1/2011	Governer's Budget FY2013	In-State Pipeline Fund	Total FEL 2	Future Appropriation	Total FEL 3	Totals FEL 1-FEL 3
FEL 1											
DEC pre-AGDC	6,827,612		6,827,612								6,827,612
AGDC Report		15,640,000	15,640,600								15,640,600
FEL 2											
Commercial Operations				820,000	2,910,000	3,800,000	1,795,000	9,325,000			9,325,000
Pipeline Environmental & Permitting				1,177,000	4,176,000	2,600,000	7,578,000	15,531,000			15,531,000
Pipeline Engineering				2,130,000	7,559,000	3,400,000	29,169,000	42,258,000			42,258,000
Facilities Environmental & Permitting				642,000	2,277,000	1,200,000	2,800,000	6,919,000			6,919,000
Facilities Engineering				292,000	1,038,000	4,770,000	105,347,000	111,447,000			111,447,000
AGDC Support Activities				1,139,000	4,040,000	5,230,000	44,111,000	54,520,000			54,520,000
FEL 3											
Commercial Operations							1,200,000		3,300,000	4,500,000	4,500,000
Pipeline Environmental & Permitting									11,488,000	11,488,000	11,488,000
Pipeline Engineering							2,100,000		22,407,000	24,507,000	24,507,000
Facilities Environmental & Permitting											
Facilities Engineering							3,600,000		68,527,788	72,127,788	72,127,788
AGDC Support Activities							2,300,000		22,609,000	24,909,000	24,909,000
	6,827,612	15,640,000	22,468,212	6,200,000	22,000,000	21,000,000	200,000,000	240,000,000	128,331,788	137,531,788	400,000,000

Note: All projections are at a +/- 30% confidence level.

3/13/12

Capital expenditures are anticipated according to the following schedule (in thousand $; at a +/- 30% confidence level):

Fiscal Year	Capital Budget	Used from in state natural gas pipeline fund	Total
2009-2012	$ 50,668.2		$ 50,668.2
2013	21,000.0	$ 75,990.0	96,990.0
2014		114,810.0	114,810.0
2015	128,331.7	9,200.0	137,531.8
Total All	**200,000.0**	**200,000.0**	**$ 400,000.0**

To continue the project at that level, it is anticipated that 14 additional staff will be added during FY 2013 at an average annual fully-loaded cost of approximately $170,000 per year. The majority of these positions will be senior positions in the commercial and engineering areas.

The seven positions requested in FY2014 will be of a similar nature and will help to lead the project through open-season. The related operating budget items will be expended in support of the capital budget items in each of the subsequent fiscal years.

Total expenditures are budgeted in the following categories:

Project Plan Completion	$ 30,000,000
Commercial Operations	13,825,000
Pipeline Engineering	93,784,000
Facilities Engineering	182,962,000
Support Activities	79,429,000
Total	**$400,000,000**

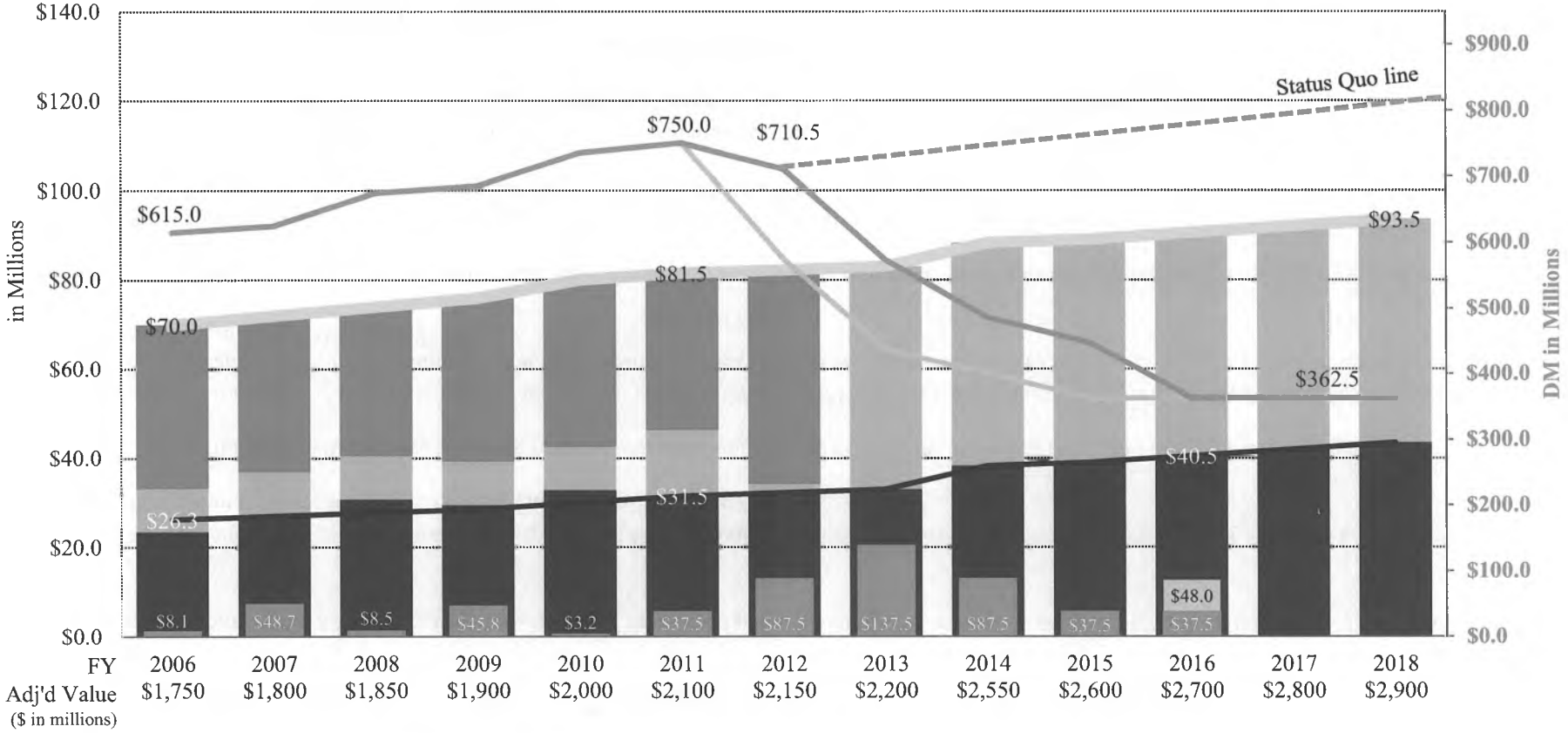
Commercial Operations: Progress commercial discussions with potential shippers and markets. Develop agreements to allow for the future development of this project. Engage and work with the Prudhoe Bay operations & owners on numerous integration issues.

Pipeline Engineering, Environmental & Permitting: Progress pipeline route data collection and design, utilizing the information to upgrade project cost estimates and plans necessary for serious commercial discussions and project development approvals. Engineering work to be developed inline the industry best practices for mega-projects. Collect key environmental data necessary for permits preparation prior to construction.

Facilities Engineering, Environmental & Permitting: Conduct preliminary and front-end engineering development, utilizing the information to upgrade project cost estimates and plans necessary for serious commercial discussions and project development approvals. Engineering work to be developed inline the industry best practices for mega-projects. Prepare engineering design to be ready for placing long lead equipment and stock orders. Collect key environmental data necessary for permits preparation prior to construction.

AGDC Support Activities: Home office activities to support the commercial and engineering development of the project including all external affairs, accounting, budget, legal, records management and managerial oversight activities.

FY13 Sustainment Funding Plan for UA Facilities



Annual Sustainment Funding

- M&R Annual Expenditures (Operating Budget)
- M&R Annual Maintenance Target 1.5% of Adj'd Value (Budget Intent)
- R&R Annual Capital Expenditures (Target is approx. 2.5% of Adj'd Value)
- M&R/R&R Annual Investment Target (Approx. 4% of Adj'd Value)
- Annual Investment Target Shortfall (adds to DM backlog)

Deferred Maintenance Reduction

- Deferred Maintenance Reduction Expenditures ($37.5M for 5yrs + $200.0M)
- Additional R&R funds necessary to reach sustainment level by FY16
- Deferred Maintenance Backlog with adequate M&R/R&R funding (Reduce to approximately $360M by FY16)
- Deferred Maintenance Backlog as presented in FY12
- Deferred Maintenance Backlog without adequate R&R funding (Grows to over $800M by FY18)

3/13/12

Sustainment Funding Plan for the University of Alaska Facilities

This plan sets forth the funding strategy and requirements for preserving and achieving full utilization of the buildings, assets and infrastructure for the University system. The objectives are to reduce the University's deferred maintenance (DM) to approximately $360 million by FY16 and achieve a sustainable level of funding for annual maintenance and capital reinvestment by FY17. The assumptions used in developing the plan are below.

- Adequate funds for two streams of investment are achieved by FY16: annual routine & preventative maintenance and repair, and major repair and recapitalization (building system renewal and repurposing). Making this needed investment annually is the only way to eliminate continued increase of deferred maintenance. Status Quo (dashed green line) represents effect of not making this investment.
- Annual Maintenance & Repair (M&R) operating expenditures will continue to meet or exceed the annual target of 1.5% of adjusted facility value (black line).
- Annual requirement for Renewal & Repurposing (R&R) will level off to $50 million per year from FY11 forward, estimated at 2.5% of facilities adjusted value.
- Non-state revenue sources will continue to help support R&R activities. Sources have averaged over $9 million from FY06-FY11, and are a portion of the light blue column. Sources include: Federal Title III, and University bonding.
- State support for R&R will increase to supplement the non-state sources and provide the projected need: $50 million per year (light blue).
- State support for reducing deferred maintenance of $37.5 million through FY15, with an additional $200 million investment in deferred maintenance over FY12, FY13, and FY14 (green column). A Facility Condition Index (FCI) is being created for FY12, and will be used to demonstrate the effects of spending to reduce the DM backlog.
- In order to reach the deferred maintenance goal, any unfunded annual R&R requirement has been added to the FY16 request (grey column).
- Deferred maintenance in FY11 ($750 million) is based on the MAU's categorization of DM and R&R projects for FY11. A $360 million level of DM is approximately 12% of UA's facilities replacement value, recently estimated at $3 billion.
- Reducing deferred maintenance to $360 million by FY16 will minimize the expenditures for emergency response maintenance, which is more expensive than performing the preventative maintenance, routine maintenance, and capital reinvestment on a planned basis (green line).
- Facilities adjusted value in FY11 is based on escalation of original construction cost over time as recorded in the fall 2010 Facility Inventory publication. Replacement value is approximately 50% higher.
- FY11 General Obligation Bond projects are projected to increase the facility adjusted value by $300 million in FY14.

Alaska Association of Conservation Districts

Funding Request

The Alaska Association of Conservation Districts (AACD) respectfully request continued legislative support with funding for this year's field and administrative operations.

The AACD has leveraged millions of federal dollars, which have been used state wide to protect, restore, and enhance communities and their local natural resources. Throughout the state of Alaska the AADC has helped protect, fish habit, river banks, lands from erosion, native Alaskan species, trails, wood lands and much more.

Please support funding for the AACD which works with all Alaskans to grow communities, protect Alaska's lands and supports economy.

State Funding from 2007

2007 $750.000

2008 $350.000

2009 $0

2010 $300.000

2011 $500.000

Please Call : Pete Fellman with questions and concerns 907- 803- 3571

Project Title: Alaska Association of Conservation Districts - Provide the technical guidance and assistance in soil and water conservation

TPS Number: 57008

Priority: 1

Agency: Commerce, Community and Economic Development
Grants to Named Recipient (AS 37.05.316)

Federal Tax ID: 92-0161947

Grant Recipient: Alaska Association of Conservation Districts

FY2013 State Funding Request: $1,500,000

Future Funding May Be Requested

Brief Project Description:

Provide the technical guidance and assistance to carry out the measures for soil and water conservation and erosion control

Funding Plan:

Total Project Cost:	$4,500,000
Funding Already Secured:	($3,000,000)
FY2013 State Funding Request:	($1,500,000)
Project Deficit:	$0

Explanation of Other Funds:

FY 2008 - $750,000
FY 2009 - $350,000
FY 2010 - 0
Fy 2011 - $300,000
FY 2012 - $500,000

Detailed Project Description and Justification:

Soil and Water Conservation Districts (SWCD) serve an important role in our state by assisting landowners with natural resource management. Across the state, SWCDs help landowners develop their land responsibly, while taking into consideration such issues as air quality, soil degradation and erosion, water quality, and forestry management. Thousands of personal contacts with landowners are made each year in districts around the state.

Other key programs include soil nutrient testing, technical assistance for invasive plant management, assistance for farmers, forestry management plans, promotion of Alaska Grown products, Youth Conservation Corps programs and resource education to local schools. Districts conduct land capability surveys and investigations of potential agricultural areas and soil conservation and erosion control. Construct, improve, and maintain soil erosion control and conservation structures. Local districts work with numerous agencies, organizaitons, local government, and private citizens to deliver our programs. Working cooperatively within the community helps the district to be well imformed and provide services that are useful and timely.

Districts provide a report on activities to the Natural Resources Conservation Development Board, who,in turn, advises the Governor and the Commissioner of DNR, and the Alaska State Legislature. All reports are distributed by the 30th day of the legislative session.

The Alaska Association of Conservation Districts has leveraged thousands of dollars for natural resource projects from federal and local sources, but cannot deliver these projects statewide unless we have funding for base operations. The usual match if 6 to 1 on the funding for districts.

Project Timeline:

FY 2013 Projects will start upon receipt of funding.

Submitted to Legislature

United States Department of the Interior

FISH AND WILDLIFE SERVICE

Anchorage Fish and Wildlife Field Office
605 West 4th Avenue, Room G-61
Anchorage, Alaska 99501-2249

Ken Marsh, President
Alaska Association of Conservation Districts
1700 E. Bogard Road, Suite 218
Wasilla, Alaska 99654

March 16, 2012

Dear Mr. Marsh,

I am writing in support of the Upper Susitna Soil and Water Conservation District's plans to continue their Youth Conservation Corps program. The Upper Susitna Youth Conservation Corps provides an excellent and unique way for area youth to engage in service learning outdoors for an entire summer, and their work provides meaningful benefits to local communities and resources. With our support over the past several years, these youth have done substantial work to restore salmon habitat along streams and lakes and to survey for and control invasive plants in the northern portion of the Mat-Su Borough. Based on the impressive results of this work, the quality of these experiences for participating youth, and the professionalism of the staff, we are preparing to further support the crew's work through 2013. It is clear that engaging youth in outdoor conservation efforts provides for both their improved fitness and work ethic and direct benefits to our natural resources. We hope that the Upper Susitna Soil and Water Conservation District receives enough support to retain the Youth Conservation Corps program.

Sincerely,

Jeff Heys
Habitat Restoration Biologist

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New folder

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Fwd: Provide Funding for Soil & Water Conservation Districts

Back to messages | Op

Heidi Chay Add to contacts 3/21/12
To Pete Fellman, Kenneth Marsh, Steve Hicks Reply ▾

Attachments, pictures and links in this message have been blocked for your safety.
Show content | Always show content from kenaiswcd@gmail.com

from Kenai...

---------- Forwarded message ----------
From: **Bill Johnson** <johnson@ionia.org>
Date: Wed, Mar 21, 2012 at 6:31 PM
Subject: Provide Funding for Soil & Water Conservation Districts
To: "Kenai_LIO@legis.state.ak.us" <Kenai_LIO@legis.state.ak.us>
Cc: Heidi Chay <kenaiswcd@gmail.com>

--Please forward to the Finance Committee--

I am a long time resident (in Kasilof) and registered voter. I am writing to strongly urge you to provide funding for the Alaska Soil & Water Conservation Districts. Though the Districts are provided for in part through NRCS, the funding you have control over provides an absolutely essential basis for their operation. The Districts provide many essential services in support of agriculture throughout Alaska. In my own area on the Kenai Peninsula, farmers large and small old and new, are enabled to cooperate about such essential services as producing high quality fertilizer, obtaining critical equipment, exchanging valuable information, understanding and being assisted in working with state land-use guide-lines, working together to build many (50) new hi-tunnel greenhouses that have already transformed the agricultural possibilities of our difficult climate, thus greatly enhancing the hope for Alaskan food security. The members of the Conservation Districts are some of the residents most committed to the long term livability of our shared home state, I urge you to continue to fund their efforts.

Sincerely,

Fwd: Fund Conservation Districts

From: **Heidi Chay** (kenaiswcd@gmail.com)
Sent: Wed 3/21/12 8:30 PM
To: Pete Fellman (petefellman@hotmail.com); Kenneth Marsh (trappercreekmuseum@yahoo.com); Steve Hicks (aacd@mtaonline.net)

from Kenai...

---------- Forwarded message ----------
From: **Judy Queen** <judyqueen@me.com>
Date: Wed, Mar 21, 2012 at 5:22 PM
Subject: Fund Conservation Districts
To: Kenai_LIO@legis.state.ak.us

Please forward this message to the Senate Finance Committee.

I'm speaking in support of the Alaska Association of Conservation Districts request for funding. As a 50-year resident of the Kenai Peninsula, I am deeply concerned about our ability to grow food locally to lessen our dependence upon outside supply lines in the event of emergency, to lessen the economic impact of being so far away from our food sources, and to have quality, healthy choices available to Alaskans through sustainable agriculture within our own state.

Our Conservation District here is necessary to promote these goals, and has been very helpful in providing information, learning opportunities, and assistance to dozens of new high tunnel growers on the Peninsula. Further, since agricultural enterprises have historically been limited to a very small section of our State as well as with a relatively narrow production scope, the District has been a great resource in helping to expand options and opportunities for new growers that have heretofore not been available. I'm told that districts in our State have historically brought in 4 to 9 non-state dollars for every state dollar. Base funding received from the state via the Alaska Association of Conservations Districts is essential to keep the doors open and leverage additional sources of federal and private funding.

Please include AACD's funding request in the Capital Budget.

Thank you for your consideration.

Judith V. Queen
54425 Polar Way
Kenai, AK 99611

907 776 8598

--
Heidi Chay
District Manager / High Tunnel Project Coordinator

Fwd: Fund Conservation Districts

From: **Heidi Chay** (kenaiswcd@gmail.com)
Sent: Wed 3/21/12 8:29 PM
To: Pete Fellman (petefellman@hotmail.com); Kenneth Marsh (trappercreekmuseum@yahoo.com); Steve Hicks (aacd@mtaonline.net)

from Kenai...

---------- Forwarded message ----------
From: **Michelle Martin** <michelleusu@gmail.com>
Date: Wed, Mar 21, 2012 at 6:25 PM
Subject: Fund Conservation Districts
To: Kenai_LIO@legis.state.ak.us

Please forward to the Senate Finance Committee:

Dear Senators,

I'm writing to urge you to approve the Alaska Association of Conservation Districts' request for funding in this year's Capital Budget. As a resident of Kenai, I truly value what the Kenai Soil & Water Conservation District (KSWCD) brings to our community. One of my primary concerns as a citizen is local food security. While local meat and fish are relatively easy to obtain, we Alaskans are at the end of a very long supply chain when it comes to most of the produce and dairy that we consume. We need organizations such as KSWCD, which facilitate the exchange of information among local growers, connect growers with federal programs such as the USDA-NRCS high tunnel program, and provide a means of bringing federal and private grant money into our community to continue such efforts. I've also appreciated the work of the Homer Soil & Water Conservation District, which has employed a youth crew for the past few summers to control invasive plants. The existence of these Soil & Water Conservation Districts is mandated by the state, but it is an ongoing struggle for them to remain working and effective because there is no secure, yearly state funding for them. They fill a very valuable role in our communities and our state, and a small amount of state funding would allow them to maintain minimal staff and office space and leverage much more money in order to pursue such goals as local food security. Thanks for your service to our state, and please fund our Conservation Districts!

Sincerely,
Michelle Martin, Kenai

--
Heidi Chay
District Manager / High Tunnel Project Coordinator
Kenai Soil & Water Conservation District

110 Trading Bay Suite 160
Kenai, AK 99611
(907) 283-8732 x108
kenaiswcd@gmail.com

My name is Bryce Wrigley. I am a farmer in Delta Junction, Alaska. I would like to speak in favor of adding 1.5 million dollars to the budget for the soil and water conservation districts throughout Alaska.

The Districts work locally to enhance fisheries, improve forests, and improve trails for recreation and hunting. They are the front lines for managing noxious and invasive weeds in the state. They provide research and technical assistance for our farmers and ranchers, create and enhance wildlife habitat, and leverage large amounts of federal dollars that would otherwise be lost. They are not preservationists, but pro development, and work to see that development of our resources proceeds responsibly.

Conservation districts are the most efficient of all state agencies, but they are not funded by the state. They support the mining, oil and gas, agriculture, fishing, and tourism industries, and local quality of life issues that make Alaska a nice place to live and work.

The 1.5 million dollars is spread across 11 districts statewide with another soon to be formed district in Southeast. The money keeps their door open, provides matching funds, and helps fund all the aforementioned projects. Their work benefits residents from Nome to Tok and from Manley to Ketchikan. With permission, they have worked in those areas of the state that do not yet have a conservation district formed.

I hope the Legislature will acknowledge the valuable work performed throughout Alaska by the conservation Districts by providing the needed funds to continue their work as they support virtually every industry, and directly or indirectly, every community in Alaska.

Fwd: Fund Conservation Districts

From: **Heidi Chay** (kenaiswcd@gmail.com)
Sent: Wed 3/21/12 8:28 PM
To: Pete Fellman (petefellman@hotmail.com); Steve Hicks (aacd@mtaonline.net); Kenneth Marsh (trappercreekmuseum@yahoo.com)

from Kenai...

---------- Forwarded message ----------
From: <lheite@alaska.com>
Date: Wed, Mar 21, 2012 at 5:57 PM
Subject: Fund Conservation Districts
To: Senator_Hollis_French@legis.state.ak.us, Kenai_LIO@legis.state.ak.us
Cc: kenaiswcd@gmail.com

Dear Senator French and Kenai legislators:

It has just now come to my attention that the State's budget has failed to include funding for the Soil and Water Conservation District program. This program supports agricultural efforts all over Alaska. I presently reside in Senator French's district, and am also a landowner on the Kenai Peninsula. I am in the process of developing a small farm on my land there.

As Alaska's food security is becoming an ever more important issue, the SWCD program has helped people develop sustainable local food sources for all Alaskans, from Bethel to Fairbanks, from the Matanuska Valley to the Peninsula and the Panhandle. This program brings in invaluable development money for a sorely underdeveloped part of our economy, at a rate of $4 to $9 for every dollar the state contributes. By supporting local agriculture, the SWCD program is helping Alaska to free itself from the predatory pricing and shipping charges for necessities that are sent from the Lower 48.

Among the services offered is the rental of equipment that can help potential farmers open new land to agriculture. The development pressure on the open land in the Matanuska-Susitna Valley is a matter of public record. The Kenai Peninsula, as the next nearest potential agricultural area to Anchorage, would lose an incredibly valuable opportunity if the development, planning, and technical services that SWCD provides were no longer available.

Please do not let this priceless resource die simply due to an oversight or to a very misguided attempt to "save" money. The tiny amount saved pales in comparison to the huge amount lost. Penny wise is too often pound foolish - we Alaskans can't afford that!

Sincerely,

Louise Heite
Anchorage and Kenai

--
Heidi Chay

January 17, 2012

TO WHOM IT MAY CONCERN:

The Wasilla Soil & Water Conservation District is a valuable asset to our community. They have performed several streambank restorations, providing improved habitat for our salmon. In 2010, the Wasilla District was the recipient of the National Fish Habitat award. Other accomplishments include several rain gardens at local schools and senior centers, as well as community gardens at senior centers. They promote conservation education in our local schools and sponsor field trips to various conservation sites and projects. With the assistance of the Wasilla District, I participated in the pilot project for dog waste composting. The results were successful and after the District provided free nutrient testing of the compost, we were able to use the product on a flower garden at one of our local schools.

We are very thankful for the Wasilla Soil & Water Conservation District and appreciate the many projects and services that they offer to make our community a better place. We would encourage your support as well.

Sincerely,

Martin Buser
Happy Trails Kennel

Alaska Association of Conservation Districts

CONSERVATION • DEVELOPMENT • SELF – GOVERNMENT

5310 S. Bodenburg Spur Road • Palmer, Alaska 99645
Phone: (907) 745-8108 • Fax: (907) 745-1568 • E-mail: BrianneAthearn@mtaonline.net

April 29, 2009

Alaska Youth First Program
Alaska Department of Labor and Workforce Development
Division of Business Partnerships
1016 West 6th Avenue, Suite 205
Anchorage, Alaska 99501

To Whom It May Concern:

On behalf of the Alaska Association of Conservation Districts, I would like to express my support for the Upper Susitna Soil and Water Conservation District's Youth Conservation Corp (YCC) program.

The YCC program offers Youth the opportunity to gain valuable work experience through hands-on training in a variety of employment fields. The youth are exposed to an environment that fosters the development of a strong work ethic that will benefit them as they move through school and enter the work force. In addition to the direct skills they acquire, these youth are given the opportunity to connect and shadow working professionals in exciting, natural resource professions.

As a partner, I have had the chance to personally work with the Upper Susitna YCC program and have seen the impact it can have on both the youth involved and the communities they work in. I would support any funding to this worthwhile program.

I would be happy to answer any questions you may have.

Sincerely,

Brianne Athearn

Brianne Athearn
Invasive Plants Program Coordinator
Alaska Association of Conservation Districts

United States Department of the Interior

NATIONAL PARK SERVICE
Denali National Park and Preserve
Mile 237 Parks Highway
P.O. Box 9
Denali Park, Alaska 99755

Division of Business Partnerships
Alaska Department of Labor and Workforce Development
State of Alaska
1016 W. 6th Avenue, Suite 205
Anchorage, AK 99501

April 28, 2009

To whom it may concern,

Denali National Park and Preserve has partnered with Upper Susitna Soil and Water Conservation District (USSWCD) for many years on a "Denali Susitna Exploration Camp" aimed at youth and young adults in the southern portions of the national park. This youth camp has always had goals of exposing students to employability skills development as well as exposing the students to technology in an outdoor setting. The camp's duration tends to be an intensive short term work experience and is part of the much larger experience these youth have with USSWCD as Youth Conservation Corps (YCC) participants. During their overall experience with YCC through USSWCD young adults learn to pay attention to detail, communication skill and teamwork.

Please contact me at the address below if you have any questions about the specific nature of our support. The National Park Service is a formal partner in these young adult efforts of USSWCD in the Talkeetna, AK area and supports their application to the "Alaska Youth First Program" 2009.

Sincerely,

C. Denzel Anastasia

Christie Denzel Anastasia
National Park Service
Denali National Park and Preserve
POB 9
Denali National Park, AK 99755
907.683.6440
Christie_anastasia@nps.gov

United States Department of the Interior

NATIONAL PARK SERVICE
Denali National Park & Preserve
Mile 237 Parks Highway
P.O. Box 9
Denali Park, AK 99755

6/30/2010

Bob Henry
Talkeetna Ranger Station
PO Box 588
Talkeetna, Alaska 99676

Mat-Su Health Foundation
950 E. Bogard Rd., Suite 218
Wasilla, AK 99654

Dear Mat-Su Health Foundation:

I am writing in support of the Upper Susitna Soil and Water Conservation District and their efforts at maintaining and growing their Youth Conservation Corps program. YCC has been an important part of the annual Denali-Susitna Exploration Camp co-sponsored and operated by Denali National Park and Preserve and the Conservation District. For the past five years we have together worked with local youth to enhance their connection to the nature they have all around them both inside and outside of public lands. The YCC members have experiences that support healthy lifestyle choices and introduce them to possible vocational opportunities as part of their work. During the week-long Denali-Susitna Exploration Camp, the YCC members are role models for younger adolescents attending camp. They find themselves internalizing positive behavioral choices as they model these behaviors to their younger community members. The individuals who have filled the role of YCC Director with the Conservation District are integral and essential to the planning, implementation, and ultimate success of DSEC. I have particularly enjoyed working with the USSWCD staff preparing for camp this summer. I look forward to our continued collaboration and success for the benefit of community youth. I hope Mat-Su Health Foundation will choose to support Upper Susitna Soil and Water Conservation District efforts toward this end.

Sincerely,

Bob Henry
Education Specialist
Denali National Park and Preserve

Main Identity

From: "Alaska Nature Guides" <info@alaskanatureguides.com>
To: "USSWCD Assistant" <assist@mtaonline.net>
Sent: Wednesday, April 29, 2009 9:09 AM
Subject: Re: Letter of Support

Howard and Noelle Carbone
Alaska Nature Guides
P.O. Box 170
Talkeetna, AK 99676
(907) 733-1237

To Whom it May Concern:

We are writing in support of the Upper Susitna Soil and Water Conservation District Youth Conservation Corps' application for a work experience grant. We have worked with the YCC program and find it to be an excellent experience for the youth of our community.

We are a locally owned guided hiking business. The YCC has worked on the Talkeetna Lakes Trail and Byers Lake Trail, two of the main trails we use, and has done an excellent job. They are well organized, have outstanding leadership, and have a sterling reputation in the community. Their program gives our youth a productive outlet and teaches responsibility, strong work ethics, and how to be a good employee. The projects they do benefit the community in many ways, including the economic boost we get from being a tourist destination with well-maintained trails. Participants learn valuable skills, develop a respect for their surroundings, and come away with a sense of ownership for their community.

Please accept this letter of support and be assured that this program is a worthy recipient for a work experience grant.

Sincerely,

Howard and Noelle Carbone
Owners, Alaska Nature Guides

United States Department of Agriculture

NRCS

Natural Resources Conservation Service
800 West Evergreen Avenue, Suite 100
Palmer, AK 99645
907-761-7760 907-761-7790 FAX
www.ak.nrcs.usda.gov

The Honorable Charlie Huggins
State Senator
Alaska State Legislature
120 4th Street, State Capitol, Room 3
Juneau, Alaska 99801-1182

Dear Senator Huggins:

I am writing this letter to show my support for the Alaska Association of Conservation Districts (AACD) and their request for funding from the State of Alaska. Over the years, the AACD has maintained an effective working relationship with the USDA Natural Resources Conservation Service (NRCS) in Alaska, in our efforts to promote efficient use and management of renewable resources. Additionally, through previous earmarks, the twelve districts have been effectively providing assistance to landowners and land users.

The earmark under which we work with AACD is project oriented and does not allow for sufficient administration funding for the districts; continuing education for staff and supervisors; and, is capped on how much the association can use for public outreach activities. Those funds have to come from another source and, as you are aware, these are critical activities for successful project completion. Furthermore, I would like to point out that AACD is following accountability and compliance procedures in accordance with proper NRCS and OMB requirements.

Respectfully,

Robert N. Jones

ROBERT N. JONES
State Conservationist
USDA, Natural Resources Conservation Service
Palmer, Alaska

Alaska State Legislature

Please enter into the record my testimony to the SFIN
Committee name

Committee on SB160 / SB107, dated 3/22/12.
Bill/Subject

I stopped by to testify at the hearing today at the Mat-Su LIO on Senate Bill #160, but was told that I probably not be able to testify in person due to the number of people to be heard and time constraints.

A suggestion was made that I e-mail my comments to the LIO in lieu of public testimony.

I respectfully request that the Alaska Legislature approve State funding for Senate Bill #107 for new engineering buildings on the UAA and UAF campuses.

Alaska has many challenging energy projects in its future, including:

- The Watana Hydroelectric Project.
- Some version of a natural gas pipeline.
- Development of shale oil production on the North Slope.
- Development of heavy oil fields at Greater Prudhoe Bay.
- Development of offshore oil in the Chukchi Sea.

In addition to these energy projects, Alaska will need all of the other infrastructure including homes, institutional and commercial buildings, transportation systems, utilities, ports, and educational facilities to meet the needs of its citizens.

All of these projects will require engineers and engineering.

New engineering buildings at UAA and UAF will signal Alaska's commitment to educating its own citizens for those future engineering opportunities. The new facilities will also help to draw talented engineering students from elsewhere to Alaska to get educated here and help build Alaska's future.

Please pass on my respectful request for funding of Senate Bill #107.

Thank you.

Steven M Miller, PE
President, American Society of Civil Engineers, Mat-Su Branch
O (907) 376-9614
C (907) 232-8212

MATSU LIO Fax 907-376-6180 Mar 22 2012 04:05pm P001

Alaska State Legislature

Please enter into the record my testimony to the SFIN
Committee name

Committee on SB160
Bill/Subject
, dated 3/22/12

I stopped by to testify at the hearing today at the the Mat-Su LIO on Senate Bill #160, but was told that I probably not be able to testify in person due to the number of people to be heard and time constraints.

A suggestion was made that I e-mail my comments to the LIO in lieu of public testimony.

I respectfully request that the Alaska Legislature approve State matching funds for the subject Mat-Su Borough Proposition 2.

The roads and trails included in Proposition 2 are critical transportation infrastructure for the fastest growing community in the State.

Thank you.

Steven M Miller, PE
President, American Society of Civil Engineers Mat-Su Branch
O (907) 376-9614
C (907) 232-8212

Alaska State Legislature

Please enter into the record my testimony to the SFIN
Committee name

Committee on SB160, dated 3/22/12
Bill/Subject

To the Senate Finance Committee;
I am expressing public interest during the SB 160 public comment period for the committee meeting tonight. I am writing in support of the **Alaska Association of Conservation Districts** (AACD). These Districts perform essential work throughout Alaskan communities that would otherwise not be accomplished. Government agencies such as DNR, NRCS, Div. of Ag, USDFW, AKDF&G, and many others rely on Conservation Districts to assist with projects that benefit the government, local businesses, local citizens, and Alaskan visitors alike.
In my community, the Conservation District builds and maintains public trails, provides nutrient management plans for farmers and gardeners, rehabilitates shoreline at valuable fish habitat sites, helps stop the spread of noxious weeds, does land capability classification data collection to determine the best sites for future agriculture use, creates GIS maps for government agriculture use, assists local citizens with flower beds and tourist attractions in Talkeetna, and much, much more. State funding is ***essential*** to obtain funding for these projects because they all require match funding. Without State funding, that match would be unavailable and these projects would not be accomplished.
The District hires local youth, ages 14-17, to accomplish most of the jobs listed above through the Youth Conservation Corps (YCC). These youth live in an impoverished community where 72% of the school kids are on the free and reduced lunch program. The jobs provided by the local Conservation District allow these kids to not only make a good wage, but learn work ethics, responsibility, and conservation practices at the same time. There are always more youth looking for a good job than there are YCC positions to fill, without State funding there may be no jobs for the local youth. The community is very upset to hear the YCC is in danger of shutting down due to a lack of State funding.
Please help our community help the conservation of natural resources. Without this, where would we be today? Please continue to fund the Conservation Districts and allow these important tasks to continue.
Sincerely,
Laura Allen
lauraleetraveler@yahoo.com

MATSU LIO Fax 907-376-6180 Mar 22 2012 04:06pm P003

Alaska State Legislature

Please enter into the record my testimony to the SFIN
Committee name

Committee on SB160, dated 3/22/12
Bill/Subject

Honorable Senators,

I am submitting the following written testimony on SB 160.

I am Tom Adams; I have lived in the Matanuska-Susitna Borough for nearly 30 years. I have been involved in Alaskan transportation projects throughout my 20 year professional career both as a civil engineering consultant and an employee of the Matanuska-Susitna Borough (MSB); I am currently a member of the MSB Planning Commission.

I support the many infrastructure projects contained within SB 160 especially those projects that improve the transportation infrastructure within the Mat-Su Borough. I was an active member of the Road Bond Yes! group that advocated passage of the recent Road Bond package; Mat-Su voters overwhelming passed this Road Bond package during last October's municipal election. The $64.0 million Bond package is to be shared 50/50 between the Borough and the State. This Bond package funds 13 important road and pathway projects that both complement and supplement the existing transportation system in the borough, including state roads. Improving these roads will provide transportation options to residents who are currently funneled on to the congested Parks and Glenn Highways.

I strongly support and am grateful for the existing $20.0 million of state match currently contained in SB 160 on page 5 lines 17 and 18. I urge you to consider adding the additional $12.0 million to fully fund the State's match as it would allow the Borough to move forward in an effective and efficient manner to implement this important road program. These 13 projects will improve connectivity, traffic flow and most importantly safety.

Thank you for your consideration.

Tom Adams, P.E.
7772 E. Breckendridge Drive
Wasilla, Alaska 99654
907-841-6413

MATSU LIO Fax 907-376-6180 Mar 22 2012 04:06pm P004

Alaska State Legislature

Please enter into the record my testimony to the SFIN
Committee name

Committee on SB 160
Bill/Subject
, dated 3/22/12

Good Morning Senators

I am submitting the following written testimony on SB 160 to add to last evening's public hearing.

My name is David Lundin. I have been a resident of the Mat-Su Borough for over 12 years. As an active member of Palmer Fire & Rescue, I see first-hand the injuries and property damage that occur due to motor-vehicle collisions on Mat-Su roadways. I am also a professional civil engineer.

I support the many infrastructure projects contained within SB 160 especially those projects that improve the transportation infrastructure within the Mat-Su. I was an active member of the Road Bonds Yes! group that help secure the passage of the most recent Mat-Su Borough Road Bond proposition. Mat-Su voters overwhelming passed this Road Bond package during last October's municipal election. This $64.0 million bond package is to be shared 50/50 between the Borough and the State. This Bond Package funds 13 important road and pathway projects that both complement and supplement the existing transportation system in the Borough. Improving these roadways will improve safety and provide transportation options to residents who currently must use congested roadways.

I strongly support and am grateful for the existing $20.0 million of state match currently contained in SB 160 on page 5 lines 17 and 18. I urge you to consider adding the additional $12.0 million to fully fund the State's match as it would allow the Borough to move forward in an effective and efficient manner to implement this important road program. These 13 projects will improve connectivity, traffic flow and most importantly safety.

Thank you for your consideration.

David Lundin, PE
3850 N. Vista Circle
Palmer, Alaska 99645
(907) 244-7745 cell
dlundin@HDLalaska.com

MATSU L10 Fax 907-376-6180 Mar 22 2012 04:07pm P005

Alaska State Legislature

Please enter into the record my testimony to the SFIN
Committee name

Committee on SB160
Bill/Subject
, dated 3/22/12

Good Morning Senators

I am submitting the following written testimony on SB 160. I attended last evening's public hearing but due to the large numbers of Alaskans testifying was not able to testify. I do appreciate the work that the Senate Finance Committee accomplishes and the efforts you make to secure public input. Here is my testimony:

I am Murph O'Brien a long time resident of the Mat-Su Borough. I have been involved in Alaskan transportation projects throughout my 35 year professional career first as an employee of the Alaska Department of Transportation, then with the Mat-Su Borough and currently as a private consultant.

I support the many infrastructure projects contained within SB 160 especially those projects that improve the transportation infrastructure within the Mat-Su. I was an active member of the Road Bond Yes group that help secure the passage of the most recent Mat Su Borough Road Bond Issue. Mat-Su voters overwhelming passed this Road Bond Package during last October's municipal election. This $64.0 million Bond package is to be shared 50/50 between the Borough and the State. This Bond Package funds 13 important road and pathway projects that both complement and supplement the existing transportation system in the borough. Improving these arterials will provide transportation options to residents who are currently funneled on to the congested Parks and Glenn Highways.

I strongly support and am grateful for the existing $20.0 million of
state match currently contained in SB 160 on page 5 lines 17 and 18.
I urge you to consider adding the additional $12.0 million to fully fund the State's match as it would allow the Borough to move forward in an effective and efficient manner to implement this important road program. These 13 projects will improve connectivity, traffic flow and most importantly safety.

Thank you for your consideration.

M. Murph O'Brien
P.O. Box 995
Palmer, Alaska 99645
907-355-6355

MATSU LIO Fax 907-376-6180 Mar 22 2012 04:08pm P006

Alaska State Legislature

Please enter into the record my testimony to the SFIN
Committee name

Committee on SB160, dated 3/22/12
Bill/Subject

Dear Sirs:

I am offering written testimony for SB 160. I was not able to attend the public hearing on this last night. My name is Berkley Tilton. I have been an active citizen of the Matanuska-Susitna Borough for over 40 years. In that time I have personally financed and built over 125 miles of roads within the Borough. I sat on the Borough Transportation Planning Committee for Long Range Planning. Currently I am the Board President of the Knik-Fairview Community Council.

In the current budget there is funding to match a portion of the Road Bond issue passed last October. Thank you for that. Because of that, I would like to urge you to consider totally funding the match for the Borough in the amount of about an additional $12 million.

Thank you,

B. H. Tilton
(907) 376-2697

cci1@wwdb.org

MATSU LIO Fax 907-376-6180 Mar 22 2012 04:08pm P007

Alaska State Legislature

Please enter into the record my testimony to the SFIN
Committee name

Committee on SB160, dated 3/22/12
Bill/Subject

Sen Finance Committee SB 160
Hello! Chuck Kaucic, testifying on behalf of the Wasillla Soil & Water Conservation District in support of the AK Assn of Conservation Districts (AACD) $1.5 M budget request.

I will describe the Wasilla District to give you a perspective of the variety of services Conservation Districts offer. The Wasillla District serves the largest area within the Mat-Su Borough & includes the fatest growing community in the State. We partner with "Cooperaors" (folks who have agreements with us), residents, students, tribal councils, seniors, veterans & volunteers via various projects & Programs such as:

Agriculture

1) Farm Conservation plans & services;
2) Soil, hay, & forage crop sampling for farms - large & small.

Natural Resources

1) Stream bank & Salmon habitat restoration partnerships with: USFWS, NRCS, NOAA, ADF&G, & TNC (The Nature Conservancy). State funding provides needed match money;
2) Water Quality Monitoring - in lakes, streams; as well as
3) Watershed Health - thru stream gauge projects

Education

1) Public Outreach - educating people about soil & water topics;
2) Coordinate an annual Speech & Poster Contest for school students; & host
3) Classroom visits (indoors/outdoors) - working with public, private, & home school students, teachers & parents.

Natural resources are vital to our local economy & health

* Clean water;
* Minimizing run off;
* Mitigating ATV/ORV (off road vehicle) use & damage; &
* Restoring salmon habitat & fisheries

ALL are challenging responsibilities ... WE accept!

It is estimated that Conservation Districts return from $6-$9/$1 invested. We are: local, cost-effective, resourceful, & solution-oriented. I respectfully request that you invest in us so we can in turn serve our neighbors. Thanks for considering the AACD's $1.5 M request.

distmgr@wasillaswcd.org

MATSU LIO Fax 907-376-6180 Mar 22 2012 04:09pm P008

HIMSS
Hawaii-Alaska Chapter

HI-AK HIMSS
8747 Inyo Circle
Eagle River AK 99577
907-250-2061

21 March 2012

To: Members of the Senate Finance Committee

On behalf of the Alaska membership of the Hawaii-Alaska Chapter of the Health Information Management and Systems Society, we request your support for the $3.8M budget request to complete the investment needed for the statewide health information exchange service for all Alaskan healthcare organizations and all Alaskans.

Information is the lifeblood of healthcare and by having a secure statewide health information exchange, putting relevant and timely health information in the hands of providers when and where they need it, this can be realized. Not only will patient safety be improved by better care coordination, but waste will be reduced by avoiding unnecessary testing and the unwieldy administration gridlock of paper-based healthcare systems.

Should you have any questions, please feel free to contact me directly.

Thanks for your consideration.

Sincerely

Bill Sorrells
President
HI-AK HIMSS Chapter

AeHN Alaska eHealth Network

PMB 1143
2440 East Tudor Road
Anchorage, AK 99507
(866) 966-9030

Alaska eHealth Network
2440 E. Tudor Road
Anchorage, AK 99518
907-770-2626

21 March 2012

To: Members of the Senate Finance Committee

On behalf of the Alaska membership of the Hawaii-Alaska Chapter of the Health Information Management and Systems Society, we request your support for the $3.8M budget request to complete the investment needed for the statewide health information exchange service for all Alaskan healthcare organizations and all Alaskans.

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Should you have any questions, please feel free to contact me directly.

Thanks for your consideration.

Sincerely

Bill Sorrells
Executive Director

The Peak Oil Crisis: Parsing the Bakken

By Tom Whipple
Wednesday, March 21 2012 01:24:30 PM

There is a lot of talk recently that "tight oil" as found in North Dakota's Bakken and other shales in the Southwest will save America from stagnant global oil production and increasing gasoline prices. The current glut of natural gas which has brought prices to a 10-year low has forced companies drilling for gas to curtail their activity and move the crews and rigs to North Dakota and Texas where money can still be made in drilling for shale oil. New well completions in North Dakota are expected to surge again this year.

A recent pronouncement by a noted analyst says that America's "tight oil" (shale oil) production could reach 3 million barrels a day (b/d) by 2020 which will again put us among the top few global oil producers. On digging a little deeper into the issue, however, many have a problem with all the optimism.

In January 2012, oil production in North Dakota hit 546,000 b/d, up from 342,000 b/d in January 2011, 253,000 b/d in 2010, and 187,000 b/d in 2009. With more drilling crews on the way, it is easy to see why optimists are projecting that millions of barrels per day will come from the various US shale deposits by the end of the decade. If we were talking about conventional oil coming from conventional oil fields, the optimists would probably be right --- but we aren't.

It took the production from 6,617 wells to produce North Dakota's 546,000 b/d in January. Divide the daily production by the number of wells and you get an astoundingly low 82 b/d from each well. I say "astounding" because a good new offshore well can do 50,000 b/d. BP's Macondo well which exploded in the Gulf a couple of years ago was pumping out an estimated 53,000 b/d before it was capped.

Now a North Dakota shale oil well is not in the cost class of a deepwater offshore platform which can run into the billions, but they do cost about three times as much as a classic onshore oil well as they first must be drilled down 11,000 feet and then 10,000 horizontally through the oil bearing layer before the fracturing of the rock can take place. The "fracking" involves at least 15 massive pumps that inject water and other chemicals into the well. Take a Google Earth flight over northwestern North Dakota. The fracked wells are hard to miss as there are now about 9,000 of them and they are each the size of a football field.

There is still more -- fracked wells don't keep producing very long. Although a few newly fracked wells may start out producing in the vicinity of 1,000 barrels a day, this rate usually falls by 65 percent the first year; 35 percent the second; and another 15 percent the third. Within a few years most wells are producing in the vicinity of 100 b/d or less which is why the state average for January is only 82 b/d despite the addition of 1300 new wells in 2011.

It may take one oil barrel's worth of energy to produce six barrels of Bakken shale oil.

From here on the path ahead seems clear. We seem on course to drill another 2,000 or so in 2012. As long as the price of crude stays up, this pace can continue for a while. The drilling can spread into Montana and Canada until diminishing returns set in. While recently drilled wells may be producing well, the vast bulk of the wells will be close to depletion. While some predict that the Bakken will be producing a million b/d within a few years, it will not stay there long as depletion rates are simply too high.

There is a lot more to the U.S. shale oil story, however, than simply the Bakken shales in the upper Midwest. The Eagle Ford shale in southwestern Texas has been drawing considerable attention as a major source of oil and natural gas. However, it is the Monterey shale in southern California that is likely to become the biggest shale oil resource of all. Whereas the Bakken and Eagle Ford shales are estimated to contain about 3.5

million barrels each of recoverable oil, the Monterey shale with 15 billion barrels is 64 percent of the 24 billion barrels estimated to be trapped in U.S. shale formations.

While this 24 billion barrel figure sounds impressive to politicians looking for a talking point, it really is only about 9 months' worth of current global oil consumption.

As we have seen with the Bakken and the various natural gas bearing shales we have been drilling of late, it takes an awful lot of expensive wells and environmental disruption to get the oil out. One estimate of the Energy Returned on Energy Investment (EROEI) for the Bakken shale suggests that the EROEI is six. This means that it may take one oil barrel's worth of energy to produce six barrels of Bakken shale oil. This is getting very close to the theoretical point at which it really is not worth the effort and all the economic disruption.

The aspect of this "energy independence" story that the optimists continue to ignore is that, while oil production from shale may be climbing, depletion of our other sources of oil continues apace. Alaskan oil production is falling rapidly as is shallow offshore production in the Gulf and at least some of the offshore platforms are not turning out to be anywhere near as productive as planned. For its part, the EIA forecasts that U.S. shale oil production will reach a peak of about 1 million b/d around 2020, and deepwater production will increase by about another 500,000 b/d before peaking. This would put total US oil production in 2020 around 6.5 million b/d, far below the current demand of 18 million b/d.

A lot of what happens from here on out depends on the direction of oil prices during the rest of the decade. If prices climb substantially above current levels for whatever reason, there will obviously be a major economic contraction followed by a drop in prices. As we saw in 2008, if prices get below cost of production which in the case of shale oil is very high, the industry contracts in the same manner as we are witnessing with shale gas.

Shale oil is clearly nothing to bet our future on.

Tom Whipple is a retired government analyst and has been following the peak oil issue for several years.

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Guest

is the 18 million b/d demand just for US or the World, dont we need to take care of the US , I thought the US used 4.5 million b/d so who do we need to look out for ? Allen

1 day ago Like Reply

Doniece Gott

From: Sen. Lyman Hoffman
Sent: Monday, March 26, 2012 8:45 AM
To: Doniece Gott
Subject: FW: Support for Engineering Facility Funding

Good Morning,

Is there a time limit? I guess I'll keep sending them as long as they come in.

Thanks
Sandy

From: Richard Hughes [mailto:rahughes@gci.net]
Sent: Sunday, March 25, 2012 7:59 AM
To: Sen. Lyman Hoffman
Subject: Support for Engineering Facility Funding

Dear Senator Hoffman:

I was unable to provide testimony at the hearing held on March 21 so will take this opportunity to voice my support for funding of engineering facilities at UAF and UAA. These current facilities are very crowded and completely inadequate. With growing enrollment, additional, modern facilities are badly needed and encouraged.

Best regards,

Richard A. Hughes, PE
H2T Mine Engineering Services, LLP
318 Juneau Ave.
Fairbanks, AK 99701-3768
(907) 347-1521, Fax: 451-6537
http://www.h2tmes.com

Alaska State Legislature

Please enter into the record my testimony to the SFIN Committee
on Bill# 160, dated 3/21/12.

Please accept the following as written testimony.

Hi: My names is Jens Mobley from wasilla Alaska I represent the Structural welding department of Avtec Vocational School in Seward. I would like to thank the chairman and committee for their time. I feel that Avtec provides excellent training and skills needed to succeed in todays lifestyles and Jobs. To provide class A Training an adequate learning facility and housing are nessicary to excell in our learning.

Signed:

Alaska State Legislature

Please enter into the record my testimony to the ~~HFW~~ S Committee
FIN on Bill# 160, dated 3/21/12.

Please accept the following as written testimony.

The community of Seward is in desperate need of increasing The tax base, business opportunities and jobs for citizens in our (Seward) area. With State of Alaska help in funding, The relocation/location To Seward of The Coastal Villages Homeport for their groundfishing fleet will accomplish This. Much of the infrastucture is already in place in Seward. State funding is needed To bring The entire project To fruition. Please ensure funding for This project.

Signed:

Carl T. Norman
33552 Wissomickon Dr
Seward, Alaska 99664

Attention: Senate- Captial Budget Committee 3/21/2012
C/O Seward LIO

From: Rhonda Hubbard
P.O. Box 3302, 1800 Jesse Lee Drive
Seward, AK 99664

RE: SB160 – Governor's Capital Budget,
$5M Appropriation for Friends of the Jesse Lee Home (FJLH) Re-structuring Project

Senator Stedman

Dear ~~Representative Stoltze~~ and Corresponding Committee Members,

I am writing out of concern for a portion of the Governor's Budget earmarked for re-habilitating the Jesse Lee Home in Seward into the "Balto" Leadership School. My concerns aim towards the aggressive funding request on such a large project where building rehabilitation costs and school operations are yet to be accurately defined. Without the plans being thoroughly reviewed and fleshed out, this legislature could easily be allowing money to go down a black hole leaving Seward and the State with a black eye of wasteful spending and poor over-sight.

The current $5M appropriation with a potential additional request of $6M is pre-mature to answers that the public should have before a project of this magnitude is launched. Currently $16.9M is estimated for the building project, however there is nothing validating or substantiating this figure, as it is likely estimated too low given the physical status of the building.

The Jesse Lee Home has been sitting vacant for nearly 50 years. Consequently, but as expected, the structural assessment report produced by Schneider & Associates identified initial structural shoring and bracing as serious and / or critical. Such repairs are needed at minimum to make the building safe to work in, while structural calculations to determine the building's structural integrity and load-carrying capacities are still pending.

$3M of State funds have already been allocated towards the Jesse Lee Home project. Currently an RFP is out to provide a conceptual architectural plan, and provide a detailed cost estimate of re-habilitating the aged structure. From this effort more expertise will be brought in to assess, confirm and adjust the original $16.9 cost estimate for rehabilitating the building.

As a lifelong resident of Seward, and one who believes in balancing fiscal responsibility with reasonable projects, I strongly urge you to allow FJLH more time to define feasibility costs of building rehabilitation, and its operational plans for the leadership school. In order to make good fiscal decisions with our tax dollars, it should be incumbent on lawmakers and the Governor's office to request the best available information on the Jesse Lee Home developments before approving more funds towards this endeavor. Unfortunately that information is not yet available to justify the requested appropriation before you. So please be wise and allow more time and less money for the necessary information to be produced and more accurate fiscal decisions to be made.

The Methodist Mission helped and supported kids in Seward for 40 years. Their organization moved to Anchorage following the 1964 earthquake and a parent organization is still providing social services to kids with no parental support. It was not the building but the people providing the care and the life long cherished friendships that was the **life blood of the home and that lives on today. Not a broken building that has not been occupied for 48 years.** For many children, the Jesse Lee Home was **not a happy place.**

Regarding the education model for another type of Boarding High School, it appears the FJLH are "re-inventing the wheel". Here in Seward, we have the Kenai Peninsula School District providing K through 12 education; We have the Alaska Vocational Technical School; The Sealife Center; My question: HOW AND WHO IS GOING TO FUND THIS SCHOOL??? Now is the time to determine the direction and the financial viability of this whole project.

I have lived in Seward all my life and attended High School with kids from the Jesse Lee Home back in the 40's. I graduated from Seward High School in 1951. I have close friends who spent their childhood at the home, many of whom have passed on. These buildings have been condemned, vandalized, and vacant for 48 years. They are a **BLIGHT** to the community of Seward and should be razed.

March 21, 2012 – Testimony By Margaret Anderson of Seward, Ak.

To: SENATE FINANCE COMMITTEE ON
CAPITAL BUDGET **SB-160**

This testimony is with regard to the Jesse Lee Home Building Restoration Project and the "Balto School Educational Development Plan. The total budget estimate for the project is $16,900,000. Already $3,000,000. has been secured through the State and if the buildings are fully restored there is supposed to be a Federal Historic Tax Credit available of $3,400,000. There is an estimated budget gap of $11,000,000.

I am opposed to the restoration plan as well as the "Balto" School Educational Plan. First, engineering reports indicate the presence of hazardous materials and deteriorating conditions on this 90 year old structure. We do not know what the reconstruction costs are really going to be. The 2 million dollars the Friends of the Jesse Lee Home are now in the process of spending has not brought us any closer to the **ACTUAL COSTS OF THE RESTORATION OR HOW THE SCHOOL IS TO BE FUNDED.**

This project is **NOT ABOUT HELPING KIDS!!** Think of the benefits this 17 Million Dollars would have in really helping and supporting kids. Just in this session of the legislature, proposals have been brought forward to broaden the **SCHOOL MEAL PROGRAMS; EXTRA FUNDING FOR SCHOOLS THROUGH OUT THE STATE; EARLY CHILDHOOD DEVELOPMENT (PRE-KINDERGARTEN);** and other real enhancements to our education system.

Alaska State Legislature

Please enter into the record my testimony to the SFIN Committee
___on Bill# 160, dated 3/21/12.

AVTEC HAS BEEN AN AMAZING SCHOOL FOR ME AND OTHERS. ITS A SCHOOL THAT ALLOWS A POSITIVE GROWTH FOR THE YOUNG MANS FUTURE AS AN ALASKAN RESIDENT. IT'S ALSO A SCHOOL THAT CONTRIBUTES TO ALASKA'S FUTURE IN THE GAS AND OIL INDUSTRY'S. IT'S DIESELS WELDING AND ELECTRICAL CLASS'S ARE WELL TAUGHT, AND ALLOW THE HANDS ON

Please accept the following as written testimony.

TRAINNING THAT WE NEED TO EXCEL IN THE ALASKAN WORK FORCE.

AVTEC IS AN AMAZING SCHOOL AND HAS A BRIGHT FUTURE IN ALASKA. IF AVTEC RECIEVED THE PROPER FUNDING FOR THERE PORMS, CLASSES AND TEACHERS. I BELIEVE THAT YOU WOULD SEE A STRONG LOCAL WORKFORCE IN ALASKAN COMMUNITY'S.

Signed:

Justin Bell

JUSTIN BELL

Alaska State Legislature

Please enter into the record my testimony to the ~~SFIN~~ Committee
on Bill# 160, dated 3/21/12.

Please accept the following as written testimony.

My name is Joseph Premo, and I Represent Alaska Vocational technology Education center in Seward, Alaska. As A Student here I feel that it is essential for us to Procure funds to build new dormitories, and shops for our growing Student population. The old Dorms and shops have been Run down after Decades of use. As a domestic workforce in the making I Belive that we deserve adequate facilities to learn and Live in. I appreciate your consideration.

Signed:

Alaska State Legislature

Please enter into the record my testimony to the S Committee FIN on Bill# 160, dated 3/21/12.

Please accept the following as written testimony.

My name is Andrew Edsall. I am currently attending AVTEC structural welding program. I am speaking on behalf of AVTEC students. The dorm situation is marginal. It would be great if some funding would be given for some much needed updates. AVTEC is a staple school and should be represented in a state of the art fassion. The school puts out an A grade product, so we should get A grade facilities. The product produced by AVTEC also benefit alaska by putting out skilled workers. Thank you for considering.

Signed:

Andrew R Edsall

Alaska State Legislature

Please enter into the record my testimony to the S Committee FIN on Bill# 160, dated 3/21/12.

Please accept the following as written testimony.

My name is Michael Stevenson and I am currently attending Avtec. I am wanting to talk about our 50 year old dorm that was only suppose to be in place for about 10 years. Currently in my room when It gets cold I get about 1/8" of Ice on my window even when its closed meaning my window isnot completely sealed all the way around the sliding part. The Heat is very unreliable, To point a picture my Heater is right below my window right next to my bed and desk.

Signed:



Today there is a mass call for APPlied tech the only reason Im stating this IS because Avtec IS a school that is mainly APPlied tech. Students. our dorms are full so How can Avtec supply the work force with the needed ammount of bodies to replace the people retiring.

With a new Dorm we will be able to get more students in and supply the work force with more bodies,

Alaska State Legislature

Please enter into the record my testimony to the SFIN Committee
on Bill# HB0, dated 3/21/12.

Please accept the following as written testimony.

My name is Justin Flowers and I am a student enrolled in the pipe welding course at AVTEC in Seward, Alaska. I am in support of funding for the school's purposed plan to construct new dorms. The dorms are over ~~50~~ 42 years old and have seen their days. The dorms are not properly sealed and wind gusts push doors open with ease. Heating is unreliable, showers are mostly unusable, and walkways/doorways/windows are always covered w/ Ice. The dorms contain asbestos and almost every single room have holes for conduit running through them exposing it. In short the dorms have served their purpose for over ~~50~~ 42 years. The School is expanding and we must meet the needs of students to house them. These students are the future vocational workforce for alaska, we need to be able to adequatly house them and keep them healthy during the training programs.

Signed: Justin Flowers

Thank you for your time.

I support

In addition the applied technologies department's budget. Applied Technologies are in serious disrepair. On average the pipe welding shop has serious leaks in the roof, extremely poor ventilation, and little to no heating. The room is an old heavy equipment storage room, it was never made to house a welding shop. This is a serious health issue to students, respiratory problems often arrive from welding smoke. The leaks in the roof are also pouring onto equipment including a $80,000 pipe cutter.

Alaska State Legislature

Please enter into the record my testimony to the SFIN Committee
on Bill# 160, dated 3/27/12.

Please accept the following as written testimony.

Hello, my name is Sean Oonan, I rebresent AVTEC in Seward, we are in need of new facilities, in particular new dorms and shops. The current dorms in which I live in are nearly 50 years old and are beginning to show their age. ~~are~~ as are some of the shops, what we learn here is highly beneficial to Alaska, and even more so this school has made a difference to me and is setting me up for a successful future. I feel that if we are able to procure these funds it would better the school and all the students. I may not be able to see these changes but the future generations will be able to reap the benifits. Thank you for your time.

Signed:

ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the Senate Finance
Committee Name

Committee on UAF Engineering Facilities Dated 03/21/2012
Bill / Subject

I am testifying in support of the UA Engineering Expansion initiative. I am a junior student in the UAF Civil Engineering program, taking classes full time. I also work as an engineering research assistant in the UAF engineering department, 20 hours a week.

The Duckering Building on the UAF campus, home to the Engineering department, is extremely cramped. The initiative to expand it is very exciting to me, as I spend around 50-60 hours per week there. The need to expand it is very real. The lab space that I use for both education and work are overful with equipment, preventing my fellow students and I from being able to learn and do research as thoroughly as we would like.

I serve as the president of the student chapter of the American Society of Civil Engineers, and as a senator in the UAF student government. Because of my contact with a great number of my peers, I feel justified in saying that the complaint that Duckering is too small is widespread. I would appreciate your consideration of the Engineering Expansion Initiative, as it will help me and future generations of engineering students immensely. Thanks you.

SIGNED: Andrew Chamberlain
Testifier

University of Alaska Fairbanks College of Engineering & Mines
Representing

PO Box 750651 Fairbanks, AK 99775 (907)237-1549
Address / Phone Number

ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the UAF Engineering
Committee Name

Committee on UAF Engineering Dated 3/21/12
Bill / Subject

The Duckering building on Campus (UAF) is crowded at best. Personally, I am involved in the steel bridge competition, ice arch and miscellaneous research. It should be noted that the steel bridge room is used for the steel bridge, ice arch and other civil-based student projects. It was a hassle to share space, while building the arch, with the students working on the bridge. Also, student computers are always in high demand.

I am a senior in the civil Engineering department and still sometimes get confused finding my way around the poorly laid out floor plan in Duckering.

SIGNED: Sam Carlson
Testifier

UAF Engineering students
Representing

Address / Phone Number

ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the University engineering expansion
Committee Name

Committee on University engineering expansion Dated 2/21/2012
Bill / Subject

My name is Tripp Collier and I am an undergraduate civil engineering student at UAF. I am here to testify for the University engineering expansion. Currently I am an active member of engineering department by working on the 2012 steel bridge, ice arch, and conducting soil stabilization research for the Arctic. While we are able to accomplish great things at the duckering building at UAF it comes with increasing difficulty with our lack of room. Our current steel bridge room is used as a catch all room for any other civil engineering extra circicular activities. This clutters the room hindering the construction of the steel bridge and the other activities.

Also with research I am able to produce good results but very slowly. I have to share the lab I work in with multiple classes and other student researchers which constantly causes conflicts with more room I would be able to get much more data at a quicker pace.

SIGNED: Tripp Collier

Testifier

UAF

Representing

1338 Farmers loop Rd. 99709 205.419.0986

Address / Phone Number

ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the Senate Finance ~~Committee~~
Committee Name

Committee on Capital Budget Dated 3-21-2012
Bill / Subject

I am a Senior Electrical Engineering student at the University of Alaska Fairbanks. I am testifying on my experience working on the Alaska Research Cubesat in the Alaska Space Grant Lab, Fall Semester 2011.

The Alaska Space Grant lab is extremely crowded and the number of students that work in there requires work and equipment to be set up and taken down every work session. I estimate 1/2 my time was spent setting up and taking down equipment supporting the project, to allow other students to utilize the space. The extra room additional engineering buildings would provide are desperately needed, to maintain the high standard UA students strive for.

SIGNED: Joseph Stribling
Testifier

UA Engineering Buildings
Representing

4049 Dunlap Ave, Fairbanks, Ak 99709 907-451-0642
Address / Phone Number

ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the SENATE FINANCE
Committee Name
Committee on CAPITAL BUDGET Dated 3-21-12
Bill / Subject

I AM A SENIOR AT THE UNIVERSITY OF ALASKA FAIRBANKS. AND AM STUDYING CIVIL ENGINEERING. OVER THE PAST FEW YEARS I HAVE BEEN CONDUCTING LAB WORK FOR DR TOMLOLO ON RIVER VELOCITY MAPPING AND SEDIMENT TRANSPORTATION.

THE CURRENT FACILITIES ARE CROWDED AND I CAN PERSONALY SEE THAT AN EXPANSION WILL BE WELL UTILIZED.

ALSO, I BELIEVE THE ENGINEERING DEPARTMENT PRODUCES KNOWLEGABLE STUDENTS AND IMPORTANT RESEARCH. BECAUSE THE STUDENT BODY IS INCREASING IN SIZE, THIS FACILITY WILL BE REQUIRED TO MAINTAIN THIS SAME QUALITY OF EDUCATION AND RESEARCH.

SIGNED: Rowland Powers
Testifier

UNIVERSITY OF ALASKA
Representing

(907) 322-4300 . NENANA ALASKA
Address / Phone Number

ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the Senate Finance
Committee Name

Committee on SB 160 Capital Budget Dated March 21, 2012
Bill / Subject

I would like to voice my support for the Bread Line's capital funding request.

Thank you!

SIGNED: Therese A. Paetschow Therese A. Paetschow
Testifier

Bread Line, Inc / Stone Soup Cafe
Representing

1211 21st Ave, Fairbanks, AK 99701 Phone (907)888-8271
Address / Phone Number

ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the Senate Finance Comm.
Committee Name

Committee on Capital Budget Dated 3/21/12
Bill / Subject

See single page attached.

SIGNED: Emily Vockeroth
Testifier

North Star Imagination Library
Representing

735 Moosewood Circle Fairbanks 99712
Address / Phone Number

Vockeroth 1 of 2

My name is Emily Vockeroth and I am the president of the Board of Directors for the North Star Imagination Library. We have requested $50,000 in the capital budget to continue to provide books free of charge to 3,450 children under five in the North Star Borough each month. This money is well spent because with a volunteer board and each book costing about $2.50, the money goes a long way!

Along with registering about 100 new kids each month, we have been raising money in the community as well. In November, we held our third annual Champions for Children dinner and raised over $12,000! On March 2, we celebrated Dr. Seuss' birthday at McDonald's signing up kids, providing activities in the play areas, and earning almost $3,000 in donations and proceeds from dinner sales. We've also had generous support from John Hill and Fairbanks Memorial Hospital along with numerous individuals. However, with books costing over$7,000 each month, we must continue to seek out funds and support.

Our volunteers are doing more than getting books in the mail to kids. This year we have provided literacy training for childcare providers and hosted two family fun nights for preschoolers and their families. We've taken our family events on the road to reach kids throughout the borough. We were at Eielson in January and will be in the Goldstream Valley this Monday. In May we'll do a program in south Fairbanks.

Thank you for considering our request. Imagination Library is the easiest and cheapest way to get books in the hands of kids before they get to school. We appreciate your support of our effort.

Vockeroth 2of2

ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the Finance Committee
Committee Name

Committee on S.B. 160 / University of Alaska Engineering Dated 3/21/12
Bill / Subject

My name is Sean Lee and I was born in Alaska, raised in Soldotna, graduated UAF with a B.S. in Civil Engineering, and I am currently studying for a Master of Science in Environmental Engineering at U.A.F.

Knowing that the UA Board of Regents has called the UA Engineering Expansion initiative its #1 new construction priority for academic programs, that retaining qualified engineers is difficult in Alaska, that the engineering enrollment has increased significantly (53% from 2007-2011) At UofA, and that education is a priority to Alaskan Residents, I support the additional requested funds to complete Design & construction of the proposed buildings.

UA facilities are in dire need of state-of-the-art engineering buildings for research & teaching. With large projects being proposed to Develop Alaska, it is crucial that research regarding these projects is conducted in state, allowing local students learning opportunities & to invest the funds directly back into Alaska. These students would be much more likely to stay in state with their skills, and be a large incentive to stay in state for higher learning instead of heading out of state.

SIGNED: Lee

Testifier

University of Alaska

Representing

P.O. Box 751536 Fairbanks, AK 99775 / 907-388-0149

Address / Phone Number

Lee

ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the NSCF Technology Upgrades
Committee Name

Committee on SB 160 Dated 3/21/12
Bill / Subject

See single page attached

SIGNED: Bruce Jamieson
Testifier

Nordic Ski Club of Fairbanks (NSCF)
Representing

907-479-4673
Address / Phone Number

(1) Jamieson 1 of 2

Bruce Jamieson

FNSB $1,600,000 Birch Hill Improvements

1. New Maintenance Facility Building
   - Current Building is poorly designed for current and anticipated equipment storage and maintenance.
   - Purchased new Pisten Bully PB100 for late March delivery, two new Scandic snow machines and new West Yellowstone track setter in addition to existing snow machine and grooming attachment fleet plus CAT Skidsteer. Current building is too small.
   - Located directly in skiing and competition area w/poor access to trails.
   - Plan is to turn current maintenance building into additional waxing and ski storage facility for high school teams and during large competitive events.
2. Upgrade the Birch Hill Complex electrical capabilities to 3-Phase service. Requires GVEA to run new lines and transformers from the Steese Highway to the Rec Area. Current electrical supply is maxed out.
3. Additional funding for parking and trailhead improvements.
   - Currently have parking for 160-200 vehicles. Will need to create permanent parking for a minimum of 150-200 additional vehicles. Also need to create an additional trail head for citizen skiers during large competitive events when primary trailhead is in use. These improvements need to be funded if they are to occur prior to the 2013 Junior Nationals.
   - Insulation and foundation work for the Rikke's Roadhouse race registration and bib pickup building will require additional funding if it is to be ready for the 2013 Junior Nationals. It currently has no insulation and only a temporary foundation.
   -

NSCF $82,776 Technology Upgrades for the Birch Hill Complex

1. Purchase of new network and computer technologies for the purpose of upgrading and improving the NSCF's ability to efficiently provide computer services for the administrative and competitive event needs of the club throughout the BHRA building and stadium complex.
   - Allows for fiber optic cable connectivity being installed this summer from the Birch Hill Tower.
   - Allows for area wide network to all buildings in the complex. Also allows for area wide educational and instructional displays along with weather and race info for competitive events.
   - Allows for dedicated server for live video feed to internet.
   - Allows for dedicated server and backup for administrative side of club activities.
   - Allows for new sound system for building complex and stadium area.
   - Serves a dual purpose by enhanceing the FNSB Contingency and Disaster Recovery plan which is based at the Birch Hill Building Complex.

ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the FNSB Birch Hill Improvements
Committee Name

Committee on SB 160 Dated 3/21/12
Bill / Subject

see single page attached

SIGNED: Bruce Jamieson
Testifier

NSCF (Nordic Ski Club of Fairbanks)
Representing

907-479-4673
Address / Phone Number

(2) Jamieson 1 of 2

FNSB $1,600,000 Birch Hill Improvements

1. New Maintenance Facility Building
   - Current Building is poorly designed for current and anticipated equipment storage and maintenance.
   - Purchased new Pisten Bully PB100 for late March delivery, two new Scandic snow machines and new West Yellowstone track setter in addition to existing snow machine and grooming attachment fleet plus CAT Skidsteer. Current building is too small.
   - Located directly in skiing and competition area w/poor access to trails.
   - Plan is to turn current maintenance building into additional waxing and ski storage facility for high school teams and during large competitive events.
2. Upgrade the Birch Hill Complex electrical capabilities to 3-Phase service. Requires GVEA to run new lines and transformers from the Steese Highway to the Rec Area. Current electrical supply is maxed out.
3. Additional funding for parking and trailhead improvements.
   - Currently have parking for 160-200 vehicles. Will need to create permanent parking for a minimum of 150-200 additional vehicles. Also need to create an additional trail head for citizen skiers during large competitive events when primary trailhead is in use. These improvements need to be funded if they are to occur prior to the 2013 Junior Nationals.
   - Insulation and foundation work for the Rikke's Roadhouse race registration and bib pickup building will require additional funding if it is to be ready for the 2013 Junior Nationals. It currently has no insulation and only a temporary foundation.
   -

NSCF $82,776 Technology Upgrades for the Birch Hill Complex

1. Purchase of new network and computer technologies for the purpose of upgrading and improving the NSCF's ability to efficiently provide computer services for the administrative and competitive event needs of the club throughout the BHRA building and stadium complex.
   - Allows for fiber optic cable connectivity being installed this summer from the Birch Hill Tower.
   - Allows for area wide network to all buildings in the complex. Also allows for area wide educational and instructional displays along with weather and race info for competitive events.
   - Allows for dedicated server for live video feed to internet.
   - Allows for dedicated server and backup for administrative side of club activities.
   - Allows for new sound system for building complex and stadium area.
   - Serves a dual purpose by enhanceing the FNSB Contingency and Disaster Recovery plan which is based at the Birch Hill Building Complex.

ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the Senate Finance Committee
Committee Name

Committee on Capital Budget Dated 3.21.12
Bill / Subject

I urge you to support the Girl Scouts Go Green Building Project in Fairbanks to make the Service Center Building more energy efficient and add renewable energy. With the high cost of energy to heat our building, we are looking for ways to save in this area. In addition to making the building more energy efficient, we would use this project as a model for other non-profit organizations around the state who want to follow our process that will be documented in detail. Finally, we will use this as an educational experience for our Girl Scouts by creating a badge program for them to learn about saving energy and how to use renewables.

SIGNED: Suellen Nelles, Suellen Nelles
Testifier

Farthest North Girl Scout Council
Representing

456-4782
431 Old Steese Highway, Ste 100 Fairbanks AK 99701 799-1612
Address / Phone Number

ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the Senate Finance
Committee Name

Committee on SB 160 Dated 3/21/12
Bill / Subject

To whom it may concern:

I am here to request your consideration for helping and with the funding for a heat-recovery ventilation system for the Carol Brice center. to do all 4 wings of the center would cost $261,060.00. We would be happy to accept funding for a single wing, if you wanted to divide by 4. We serve hundreds of kids & low-income families (through our tenants) and our present ventilation system is rudimentary to say the least. I am appreciative of your time & consideration.

SIGNED: Karl Erer
Testifier

The Carol H. Brice Family Center
Representing

1949 Gillam Way, Fairbanks
Address / Phone Number

907-451-6993

ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the Senate Finance
Committee Name
Committee on Stone Soup Cafe' Dated March 21, 2012
Bill / Subject

see attached

SIGNED: Darrell Bourne
Testifier

Stone Soup Cafe'
Representing

PO Box 83890, Fbks, AK 99708
Address / Phone Number 907-378-6801

Stone Soup Café

Hello, My Name is Darrell Bourne, I am the president of the Interior Alaska Building Association, and I support funding the Stone Soup Café' / Bread Line.

I am a longtime resident of the Fairbanks Community, and do confirm the services provided by this organization are needed and appreciated in Fairbanks. I am volunteering my time as a general contractor to to Stone Soup to provide leadership, so the construction phase can stay on schedule and move forward. I will be working with quite a number of distinguished subcontractors and suppliers, that are also donating time and material.

This is a community project that has proven support from many local Leaders, and one I feel strongly about. Much of the funding is already covered but I would like to see the remainder of the construction budget funded by the State of Alaska.

Please support the Stone Soup Café'.

TESTIMONY OF TONY JOHANSEN

MARCH 21, 2012 – 5:00 P.M.

LEGISLATIVE INFORMATION OFFICE

FAIRBANKS, ALASKA

Good Afternoon, Mr. Chairman and members of the Committee – Thank you for the opportunity to testify today on the proposed 2013 Capital Budget. My name is Tony Johansen with the firm of Great Northwest, Inc., a Fairbanks, Alaska civil construction company. I am also President of the Associated General Contractors of America, Alaska Chapter, however I am testifying today as a member of the Board of Directors of the Fairbanks Pipeline Training Center in support of funding for the center.

We are trying to complete our central facility project, which will provide needed additional training space. Additionally, we would like to construct a module construction camp, so that we can house rural Alaska students who attend training classes at the center. Our commitment in training Alaskans in not just limited to Alaskans living in our urban areas, we are committed in providing employment and training opportunities to rural residents of Alaska.

Thank you for consideration and thank you for your public service.

[redacted]

From: Marjorie Casort <moosehugger1@yahoo.com>
Sent: Wednesday, March 21, 2012 4:30 PM
To: LIO Fairbanks
Subject: Capital Budget: Dance Theatre Fairbanks

Dear Legislators:

I am asking for your support of the Dance Theatre Fairbanks Building Insulation, Renovation, and Utility Upgrade project.

In July, 2007, DTF moved into the abandoned Fairbanks City Fire station, leasing it with an option to purchase. In January 2011 we exercised that option and purchased our permanent home. Nearly four years later, with gifts from too many organizations to mention, and over 14,000 volunteer hours we now offer a full slate of classes and a small, fully functioning black box theater.

A giving community has taken 30,000 square feet of derelict building and turned it into a downtown asset. However, we have reached the place where the work needed requires contractors with the manpower, equipment and expertise that we do not have.

At the core of the capital budget request before the committee is sustainability. Our journey is made much harder because of old inefficient lighting, and out-of-date electrical systems, walls and windows. We have proven we are capable of taking what we are given and turning it into something bigger and better than even we imagined. A more efficient building will speed us toward long-term sustainability.

Thank you for your time, attention, and support of the Dance Theatre Fairbanks Building Insulation, Renovation, and Utility Upgrade Project.

Thank you,

Marjorie Casort
3688 Spinach Creek Rd
Fairbanks, AK 99709
moosehugger1@yahoo.com

[redacted]

From: Carol A. Smallwood <carol.smallwood@k12northstar.org>
Sent: Wednesday, March 21, 2012 7:24 PM
To: LIO Fairbanks
Subject: Dance Theatre Fairbanks Energy Grant

Dear Sirs,

Please consider the Dance Theatre Fairbanks for an Energy grant for which they are currently applying. My 2 daughters both attended and are are still attending classes there, I have also attended classes and performed there as an adult, and we were one of the many families that put in countless volunteer hours to change an abandoned building into into a viable community asset. Dance Theatre, a non-profit organization, cannot just run on volunteer hours. It is a huge space that serves not only the DTF, but several other organizations that rent space there, including FLOT, and others, since we have the unique asset of a small auditorium, as well as 8 different dance studio floors, if you include the stage floor. And a photographer and yoga group, etc. So it is being used by many in the community, and we would really like to be able to continue in this manner. Soaring fuel prices are outpacing the tuition and rents taken in there, and we would very much appreciate some help. Thank you very much!

Sincerely,

Carol Smallwood
University Park Elementary
Library Associate
carol.smallwood@k12northstar.org
907-479-6963 x 140

My name is Lissa Hughes and I'm the Legislative Liaison for the Northern Alaska Environmental Center. We have promoted conservation and sustainable resource stewardship in Interior and Arctic Alaska through education and advocacy for over 40 years and represent over 1,500 contributing members.

The Northern Alaska Environmental Center opposes the $28.5 million in total funding for the Roads to Resources program. We do not support state financing for transportation projects, while the industries that stand to benefit the most have invested the least. If the State builds the proposed roads ultimately costing anywhere from $1.7-2.3 billion, it will be Alaskans who then pay to operate and maintain them. Much like the Governor's justification for oil tax reform, the rationales for the Roads to Resources program are based largely on speculation without any guarantees for investment.

While the stated goal is to connect industry with oil, gas and mineral leases, no actual commitments for development projects have been made. So far, the state has already spent $25 million on the 100-mile long Umiat Road - $17 million to study the feasibility of building the road and $8 million for the Environmental Impact Statement process. The Governor proposes to spend another $10 million in this year's budget, while the State's North Slope Foothills Area-wide lease sale in December of 2011 received no bids, despite the proposed Road to Umiat.

Access to the Ambler Mining District, west of the Dalton Highway, would require a nearly half-billion dollar road at least 220 miles long. It would access an area that has been studied since the 1960's, for which industry interest fluctuates with copper prices. In this case, the state is gambling with a mining prospect whose future is less than guaranteed.

The first leg of the road to Nome, now called Tanana Access Road would not even reach the community of Tanana – the proposed project dead ends at the Yukon River requiring additional funds for a very expensive bridge. Moving forward only one section at a time avoids taking a hard look at the true cost of the project.

The Northern Alaska Environmental Center supports building infrastructure that strengthens our communities, not building roads to access to development projects that have zero private investment. Not one of these roads has been justified adequately based on the economic returns, so why should the state gamble with its own general funds when industry is sending a very clear message that it's too risky to finance by private means.
The Road to Resources program does nothing more than take focus and working capital away from other statewide priorities, so we ask that these funds be redirected to infrastructure projects that provide long-term, direct benefits to Alaskans.

Lissa Hughes
2920 Portillo
Fairbanks, AK. 99709

LIO SENATE FINANCE HEARING
Wednesday, 21 March 2012
Legislative Bullets & UA/UAF Thanks

Thank you Mr. Chairman and Committee Members for this opportunity to share.

I am:

Gary A. Laursen
Sr. Research Scientist, Inst. Arcitc Biol.
Dir., UAF Honors Program
682 Lancaster Drive
Fairbanks, AK 99712
And a registered voter in Fairbanks since 1982.

Today, I've come to **thank the Legislature** for:

- Supporting the **UA System statewide**,
- Instituting the **AK Performance Scholarship**, which has + impacted so many UA programs.
- Supporting **Honors Programs** within UAA and UAF and hopefully, the new UAS HP.
- The **FY11 $100K appropriation** made to our UAF Honors Program!

Please **continue the $100K contribution** in support of UA Honors programming by establishing a **permanent budget line item** much like that in Governor Parnell's submitted FY13 Capital Budget and President Gamble's FY13 UA budget.

The FY11 $100K UAF Honors Program appropriation was applied to building energizing, and facilitating student's **academic and curricular** needs.

In so doing, this Curriculum Development appropriation assisted:

- A **219% FY11** growth during Fall term,
- In preparing for an **FY13 68% projected** growth,
- The realization of a **242% 6-yr. baccalaureate graduation rate**,
- **Leveraging** to effect **$50K/yr.** Honors Program funding by Chancellor Rogers,
- A **95%** Honors Students graduate rate with Honors distinction,
- The **90%** of Honors student who graduate and also work in Alaska,
- Prepping facilities for developing **Distance Delivery and Outreach capabilities** serving Honors students in Bethel, Nome, Kotzebue, Dillingham and CTC-Fairbanks,
- **Data and metrics** management toward maximizing accountability,
- **Building curriculum** (10 new courses with 5 developments) insuring student **retention**.

Thank you for this opportunity to testify and I will entertain questions.

Testimony for Senate Finance Committee
Submitted March 21, 2012

My name is Jenna Hertz and I'm a resident of Fairbanks Alaska. I am calling to ask the committee to cut the $10 million for the Road to Umiat from the Capital Budget.

It seems to me that the fundamental purpose of our state building a road is to serve our communities. I paddled to Umiat this summer and found one Fairbanks Resident and a superfund site. Umiat is not a community. Actual communities on the North Slope have passed 6 resolutions opposing the road. These are the people we should be listening to.

In stead of serving Alaskan communities, this road is yet another boondoggle: an example of corporate welfare for oil and gas companies. One of the largest of these is Linc Energy, an Australian company with no experience on the North Slope. Just last month another foreign oil company spilled oil on the Colville Delta and it took them an entire month to plug the spill.

I cannot see what is so compelling about the resources that are present in the Umiat area that justifies the road's enormous economic, social, and cultural cost. Gubik is estimated to 600 billion cubic feet of natural gas, small potatoes compared to the 26 trillion cubic feet that is currently being re-injected at Prudhoe bay. If the oil at Umiat justified building a road, the companies would be building it themselves, not dropping leases.

The Road to Umiat is corporate welfare at the literal cost of the state's residents, some of whom stand to lose their cultural inheritance. The state will be stuck with this bill, paying millions to study it, millions to build it, millions to maintain it, and millions to repair, as the haul road has shown. Please tell the governor to stop this wasteful spending and focus on roads our communities can afford and benefit from.

[redacted] 1753 Iniakuk, Fairbanks, AK 99701

My name is John Lysen and I am the current Chairman of the Alaska State Parks Northern Region Citizens Advisory Board. I am here to testify for the Capitol Request for Improvements for Alaska State Parks especially the Olnes Pond area.

When I arrived in Alaska one of the first places I visited was Olnes pond. I witnessed the magic of a child catching his first ever fish with his grandfather. I saw many families of multiple generations happily camping together and Families felt safe letting their kids run free playing along the pond. **At night people respected quite time and their neighbors.**

4 years ago I bought a small motor home and the first place I wanted to go was Olnes. I was shocked at the campground in such disrepair and felt like I was in the Wild West. At 2 am I heard a chain saw fire up and looked out across the pond to see a guy cut down a live spruce tree pour 5 gallons of gas on it and light a fire. When I walked over to say inquire what he was doing I notice he is very drunk with a 45 on his hip saying aggressively what you want a piece of this??? As a result I ended up on the Alaska State Park Citizens Advisory Board, hoping to make a difference.

I am retired educator and consider myself a voice for children, the disabled and seniors in Alaska State Parks. I can tell you from them all that going to Olnes Pond or the Chatanika River and catching a fish, for a day picnic or camping overnight with their family or friends very well could be the highlight of the year.

It is time to really make things safe at Olnes once again. Besides restoring the ranger position we need all new tables, Fire pits, The road has deep washouts that need repaired to prevent serious injury, the outhouses are in shambles, signs are gone, basically the entire campground needs to be rebuilt.

This truly is a matter of public health and safety at Olnes Pond and these capital improvements will help make it right.

Thank you for your time and Support of Alaska State Parks.

cell #
490-9997

phone 456-3206

~~Members of our Finance Committee~~ ~

~~My name is~~ Becky Hassebroek. ~~I've resided in~~ Fairbanks resident for ~~the past~~ 36 years. ~~I~~ Here to strongly urge you to provide the necessary funding ~~to enable our Parks Department to~~ for renovate the ~~roads, outhouses and other facilities at~~ the Lower Chatanika State Recreation Area.

Just last month we found out that the State Parks Department had issued the directive to remove all of the existing improvements at the two campgrounds, Olnes Pond and Whitefish, this summer. ~~In addition~~ and, to trench and fence the roads so that vehicular access ~~was~~ is no longer allowed, ~~and to convey this recreation area back to the Division of Lands~~. The public was not made aware of this directive. In the short time since, ~~we have received over 900 signatures on a petition to save this Park,~~ in addition to the 900 petitioners we have received Resolutions of Support from the Fairbanks Convention and Visitors Bureau, the Northern Area Alaska State Parks Citizen Advisory Board ~~and the Tundra Rollers~~, and letters of concern and support from our Fairbanks North Star Borough Mayor Luke Hopkins, the Haystack Community, the Farthest North Girl Scout Council, Alaska State Garden Clubs, and ten other concerned user groups.

~~Dermot Cole~~, our ~~Fairbanks newspaper~~ Daily News-Miner columnist, ~~remembers his many family trips to Olnes Pond with his children.~~ And he just dedicated his entire column ~~in the Fairbanks Daily News-Miner voicing his concern and~~ in support ~~for~~ of active management of the Parks. ~~And,~~ our ~~Fairbanks Daily~~ News-Miner Editor ~~just~~ published ~~wrote~~ an editorial stating that these sites are important assets for the Fairbanks area ~~and that the Parnell administration and our legislators' reinstatement of active management should be a top priority~~.

~~You have been sent copies of all of these letters and articles. The petition signatures have been sent to Rep. Miller's office.~~

These public resources were originally chosen ~~as campgrounds and recreation areas~~ because of their natural beauty. They provide positive outdoor experiences to young people. They enable young working families ~~and grandparents on fixed incomes a place~~ to economically enjoy the local outdoors. Olnes Pond is idyllic with its shallow beaches safe and suitable for children.

Over the last ten years the lack of oversight and shameful neglect has resulted in vandalism and extensive damage to the improvements. Reclamation will require deferred maintenance funding for repairs. ~~The~~ Lower Chat~~anika State Recreation Area is an important natural resource that~~ deserves to be actively managed and preserved for our use and the use of our future generations. ~~Please provide the funding necessary to make these renovations and~~ repairs. Thank you!

See attached Newsminer article

1 of 2

es a problem where in cer-

"He and she couldn't add

Denali KidCare provides insurance for children, but

session in full swing, it can be hard to keep up with

Coghill held a constituent meeting Saturday.

Valley High School library.

Fairbanks resident asks legislators to save Olnes Pond park site



Dermot **Cole**

For more Dermot Cole see his blog at newsminer.com

The Anchorage leader of the state parks office wants to remove the outhouses and end public access this summer to Olnes Pond, which is about 10.6 miles from Fox on the Elliott Highway.

"Because of public safety concerns and limited resources, the division sees no alternative but to remove the structures and close the area this summer," Ben Ellis, director of the Division of Parks and Outdoor Recreation, said Friday in a memo to the Fairbanks legislative delegation.

The plan to remove six outhouses, including those at the Lower Chatanika Campground, and install a new gate would cost $56,000.

I'm happy to report that Marv Hassebroek, a retired Fairbanks contractor, has already gathered more than 500 signatures on a petition drive to stop this shortsighted move.

The 400-acre site on the Elliott Highway near the Chatanika River has all sorts of potential.

In addition to Olnes Pond, which once was an ideal picnic area and a good place for kids to learn to fish, there is a boat launch at the Whitefish Campground on the Chatanika River nearby. The boat launch on the river would remain open at the campground, but the outhouses would be removed, under the state plan.

Hassebroek plans to present the "Save Olnes Pond and Whitefish Campground" petitions to three Fairbanks legislators who are planning to meet 1-3 p.m. today at the West Valley High School Library.

The meeting, arranged by Sen. Joe Thomas and Reps. David Guttenberg and Bob Miller, is to deal with all sorts of state issues that people want to bring up. Hassebroek wants to bring up Olnes.

A decade ago, before the world oil price shot up, the state eliminated a state park ranger position in Fairbanks and curtailed its operations at four local parks, which led to an end of managing the Olnes site and the Lower Chatankia Campground.

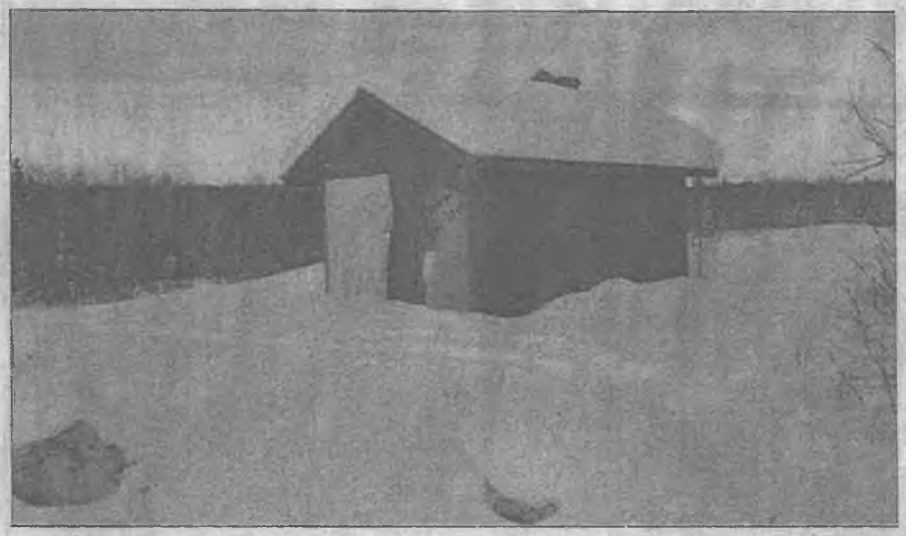

Photo courtesy of Marv Hassebroek

The outhouse at Olnes Pond needs new doors and some other repairs, but the building is sound.

"Active management" turned into "passive management," which means "no management" in English.

For the last decade, vandalism, drunks, garbage and rowdy behavior have become normal at the two sites, making it unsafe and unpleasant for families.

Hassebroek and those who have signed his petition recognize that both Olnes Pond and the Chatanika campground need to be cleaned up.

In his memo to legislators, Ellis said he could do that if a park ranger position is added to the budget and some construction funds are provided.

That seems like a reasonable step, as the ranger would help out not only with the Steese and Elliott campgrounds on the Chatanika, but also the Chena River State Recreation site off University Avenue and the Chena River Recreation Area on Chena Hot Springs Road.

Ellis outlined a series of construction projects, some of which don't appear to be necessary, such as the plan to build six outhouses, three at Olnes and three at Whitefish Campground, for a total of $340,000. (Forget outhouses. That's enough for a house.)

The $340,000 may be based on the idea that if you ask for much more than you need, you might get what you need.

Hassebroek, who worked for many years as a local contractor, inspected the Olnes facilities a few days ago and is certain the outhouses can be repaired.

"I could bid $10,000 to fix them and make a $5,000 profit," he said.

He hopes the state will find the money to provide some basic maintenance, which would include pumping out the toilets, installing litter barrels, assigning campground hosts to the areas and making both of these areas safe for families with small children.

Hassebroek, a resident for more than 55 years, says there is no place in the world he'd rather live than Fairbanks and his motivation is simple.

"When I see inattention to important details, I feel I need to help bring the facts to the attention of those who can make them right."

He has done that by reminding legislators and the public about the sorry state of affairs at Olnes Pond.

Dermot Cole can be reached at cole@newsminer.com or 459-7530.

ALASKA CENTER FOR ENERGY AND POWER • RENEWABLE ENERGY ALASKA PROJECT • COOPERATIVE EXTENSION SERVICE

Wind Energy in Fairbanks

Presenters: Golden Valley Electric Association & Alaska Center For Energy & Power

Tuesday, February 21st

6:00 – 7:30 p.m.

Blue Loon @ 2999 Parks Highway

ACEP

UAF is an affirmative action/equal opportunity employer and educational institution

UAF University of Alaska Fairbanks

2 of 2

ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the Senate Finance Committee
(Committee Name)

Committee on Capital Budget (Bill / Subject) Dated 3/21/12

My name is Ross Coen and I live in Fairbanks. I am president of the Alaska Historical Society. I respectfully request the Committee fully fund the State Library, Archives, and Museum project. I thank the Governor for including $20 million in his Capital Budget; now I ask the Legislature to make the full appropriation of $94.5 million for this shovel-ready project.

These buildings house documents, photographs, and other materials that are the historic and cultural legacy of our state, but in their present condition the facilities are inadequate. Leaking roofs, bursting water pipes, and structural deficiencies are putting these irreplaceable historical treasures at risk. The new State Library, Archives, and Museum, which has broad statewide support, would preserve and protect our historical heritage.

Thank you for the opportunity to comment.

SIGNED: Ross Coen

Testifier

Alaska Historical Society

Representing

P.O. Box 82718, 1762 Army Road, Fairbanks, AK 99709, (907) 479-7421

Address / Phone Number

Sent: Wednesday, March 21, 2012 3:28 PM

> To: LIO Fairbanks

> Subject: Grant Title Dance Theatre Fairbanks

>

> Dear Alaska State Legislature,

>

> Please support Grant Title Dance Theatre Fairbanks Building Insulation, Renovation and Utility Upgrade Project. This is vitally important to the arts in our community. Please attach my email to the Capital Budget.

>

> Thank you,

> Melanie Lindholm

My address: 1008 Joyce Drive, Fairbanks AK 99701

My phone number: (907) 750-1627

[redacted]

From: Fawn Jelinek <fjelinek@gci.net>
Sent: Wednesday, March 21, 2012 9:43 PM
To: LIO Fairbanks
Subject: Dance Theater Fairbanks funding

I am asking for your support of the Dance Theatre Fairbanks Building Insulation, Renovation, and Utility Upgrade project.

My daughter (now 6) has been taking dance classe at DTF for nearly 3 years. It is a great organization that helps add to the quality of life in our community.

More relevant to this request is the fact that DTF has revitalized a building in downtown Fairbanks that might otherwise be sitting abandoned. However, for the sake of ongoing viability, the building needs serious updating, primarily to address the excessive energy costs of heating and lighting an old fire station.

Your support of this capital budget item would be sincerely appreciated.

Fawn Jelinek
PO Box 83055
Fairbanks, AK 99708

[redacted]

From: jmustard@holaday-parks.alaska.com on behalf of Jerry Mustard <jmustard@holaday-parks.alaska.com>
Sent: Wednesday, March 21, 2012 3:05 PM
To: LIO Fairbanks
Subject: Dance Theatre Fairbanks Building Upgrade

The message is in support of Dance Theatre Fairbanks and the building energy upgrade project funding.

I'm a volunteer and I have had a student dancer enrolled at DTF since before they moved into the old Fairbanks Fire Station Building. DTF has done a great deal to help many students and the community in this area. I have watched many of the dance students grow and mature and their experience at DTF has enriched their lives and the lives of all those around them. Many of the DTF dancers have placed very highly at the national level.

DTF supports Fairbanks in many ways, including contributing to the Fairbanks Food Bank. The building is used by many other organizations in the community including (of course) dancing but also, FLOT, FLOT Jr., fund raising for the Food Bank, and other kids courses.

A great deal of volunteer time has gone in to improving the old building housing DTF, however, a great deal more needs to be done to improve the energy efficiency of the building and this takes money. The energy bills are currently more than DTF can pay and entire program has been put in to a rather precarious position. Building improvements are what is needed to make the program stable and equipped for the future.

I have become very familiar with the building as we have used volunteers to rebuild and improve it. If there are any questions regarding the building, please do not hesitate to ask.

Please support the Dance Theatre Fairbanks Building Upgrade Project.

Thank You,
Jerry Mustard, PE
Fairbanks

2564 Wecota Drive
Fairbanks, AK 99709
479-6101

Doniece Gott

From: Sen. Lyman Hoffman
Sent: Thursday, March 22, 2012 1:01 PM
To: Doniece Gott
Subject: FW: Girdwood Health Clinic

From: Julia Dykstra [mailto:julia@alyeskamedia.com]
Sent: Thursday, March 22, 2012 1:00 PM
To: Sen. Lesil McGuire; Sen. Johnny Ellis; Sen. Joe Thomas; Sen. Dennis Egan; Sen. Donny Olson; Sen. Bert Stedman; Sen. Lyman Hoffman
Subject: Girdwood Health Clinic

Please consider our community health when weighing SB 160 in regards to the Girdwood Health Clinic Appropriation request. As a member of this community for over 13 years and a parent of two school-aged children I can assure you that our small community relies on the services of the Girdwood Health Clinic for all sorts of medical treatment. It is important to our community to have local, affordable health care for residents without having to drive the 40-50 minutes to Anchorage. Sometimes in a medical emergency time is a factor and the drive is impossible!

As I understand it the appropriation would cover the following services:

- expanded services and hours for Girdwood including after hours care;
- mental health screening and referral, and dental services and referral;
- Telemedicine cart will connect heatlh care personnel in Hope with Girdwood clinician;
- includes Nurse Triage Telephone System will always be available for off hours for the Turnagain Arm communities.
- Eligibility Specialist to assist patients to apply and acquire benefits through government programs;
- Additional clinicians along with financial and clerical personal will be hired;
- Health care availability in Girdwood and Hope will encourage other services and improve the quality of life in the Turnagain Arm communities.
- We have a need here in Girdwood and Hope when there are road closures for alternate care and services. The Girdwood Clinic is the only clinic in the entire Anchorage Municipality to which EMS is allowed to transfer a patient

As a community member and home owner/tax payer in Girdwood, I hope that you can consider my opinion that these services ARE necessary for our quality of life in such a unique environment, and for Girdwood to expand into the future with more jobs and opportunities for residents.

Thank you for your time
-julia dykstra

P.S. (to Sen. McGuire's office) Hi Fish. Tell 'em I'm not crazy again eh? Just a concerned community member :)

Julia Dykstra
Alyeska Media Services

www.alyeskamedia.com
907-440-9910

March 21, 2012

To: Members of the State of Alaska Senate Finance Committee

From: Steve Rykaczewski
P.O. Box 3853
Homer AK 99603

Senators,

Thank you for this opportunity to comment on the proposed 2012 Capital Budget.

I'm an Oyster farmer and serving Secretary of the Kachemak Shellfish Mariculture Association.

I'm asking you to support the University of Alaska's request of $2.7 million to fund the Ocean Acidification Research Initiative.

Shellfish farming holds a tremendous potential for Alaska. Many of our rural communities are not on the road system, but are located along the coast where shellfish farms can provide real jobs and economic growth for rural Alaskans. Ocean acidification threatens that potential.

You may not be aware of a West coast shortage of Oyster seed the past 4-5 years. Last year the Kachemak Shellfish Growers Cooperative was told we should only expect delivery of half the number of seed we require. The cause of the shortage is low ph levels in the seawater the seed is grown in. One hatchery in Oregon had 85% of a crop of oyster larvae literally dissolve overnight.

Oysters may well be the canary in the coalmine of Ocean Acidification. Other shell–forming species; crab, shrimp, clams etc. are equally at risk and ultimately the fish, mammals and humans who feed upon them.

Ocean Acidification could devastate the entire Alaskan Seafood Industry!

I believe that if we can see and measure what is coming at us, we have a much better chance to adapt and survive. This will require monitoring and research.

The Governors office believes the National Science Foundation will provide the necessary science Alaska needs.

I'm sure you've heard the oft-repeated Alaskan phrase, "We don't give a damn how they do it Outside". Let's not rely on Washington DC, but watch out for our own interest by funding home-grown Alaskan research.

Thank you,

Steve Rykaczewski
907-235-2401
r.ski.ak@gmail.com

March 22, 2012

Dear Senate Finance Committee,

I am writing to you in strong support of funding appropriations to the Girdwood Health Clinic.

I came to the clinic in Girdwood about 12 years ago because no primary provider in Anchorage would take me because I am a Medicare recipient. I have outlived 3 of my doctors since moving here to Alaska in 1944. The Girdwood Clinic is my primary care provider, and as such they are able to do referrals to Anchorage specialists which was the case when I had to be referred for kidney evaluation. Since it was the Girdwood clinic who referred me, the specialist was able to accept my Medicare.

I was sent to the clinic in Girdwood by my dentist because I had high blood that I didn't know about. Not only did I have high blood pressure but I had developed Type II Diabetes. The clinic has taken care of me for diabetes, high blood pressure and arthritis. I raised my family in Bird and they are also patients at the clinic. The clinic was there for me when I cut my fingers with the table saw. I don't know what we would do without the Girdwood Clinic.

Sincerely,

Daniel A. Smith

Daniel A. Smith
41 year resident of Bird Creek
HC 52, Box 8949
Bird Creek, Alaska 99540

CC: Senator Cathy Giessel
Representative Mike Hawker

Anchorage Legislative Information Office
Written Testimony

Name: Simon P. Lisiecki
Representing: Anchorage Port Commission

Bill: SB 160 Port of Anchorage Funding

Committee &
Hearing Date: Senate Finance Committee 3/21/12

Members of the Senate Finance Committee, Co-Chair Stedman and Co-Chair Hoffman. I sat for hours waiting for an opportunity to address your committee and decided that in the interests of all it would be better if I provided written testimony, which I hope you'll consider.

My name is Simon Lisiecki, and I'm speaking in support of the funding request by the Port of Anchorage.

As the former Vice President of BP Shipping and current Commissioner for the Port of Anchorage, I would like to impress upon the Finance Committee the vital importance of the Port of Anchorage. During the hearings, a tanker carrying nearly 1.5m gallons of jet fuel was safely discharging its cargo essential to keep Alaska Airlines, Fed-Ex, UPS and all the other carriers in the air. That tanker brings its essential commodity to the State of Alaska courtesy of the Port of Anchorage.

Sadly, Alaska's harsh weather has taken its toll on the jetties of the Port of Anchorage. The port is urgently in need of an upgrade, and that process was started. However, when it became apparent that there were problems with the fix and the whole project was brought to a halt.

We, as citizens of Alaska, really need a viable port and we have to do something. At the many Commissioner meetings I've attended I was skeptical when the scaled back version of the upgrade was raised, as it seemed to me that this was a drip feed exercise to extract funding over time.

So I asked one question of the management: "Will we have a viable port after the $350m scaled back version of the upgrade?" The answer is an emphatic "YES."

The management of the port, taking into account the unfortunate status of the upgrade and the current economic reality has proposed a solution that will provide us with a viable port at a price tag that we can afford. More importantly going forward the management of the port will have active oversight, responsibility and accountability for the project. This clear accountability should ensure the successful conclusion of the project.

In closing I wish to thank the Committee's previous support of this vital project and hope that you will support the Port of Anchorage's funding request.

Thank you,

Simon Lisiecki

Tanana Chiefs Conference Region
Prioritized Capital Improvement Projects FY 2013

Villages with a (*) have not received CIP funds in over three years.
Italicized villages are leveraging federal dollars.

1. **Ruby – New Clinic Match ($171,000) - No functioning clinic at Ruby. CIP will be used to leverage $1,729,000 of federal funds (HUD ICDBG and State CDBG).*
2. **Koyukuk – New Clinic Match ($150,000) – No functioning clinic at Koyukuk. CIP will be used to leverage $1,450,000 of federal funds (HUD ICDBG and State CDBG).*
3. *Tanacross – New Health New Health Care Clinic ($600,000) – Install clinic into existing multi-purpose building. CIP will be used to leverage $800,000 of federal funds (HUD ICDBG, IHS Clinic Equipment and NAHASDA).*
4. *Allakaket – Clinic Renovation ($170,000) - Dilapidated clinic at Allakaket with no water/sewer services. CIP will be used to leverage $750,000 of federal funds (HUD ICDBG and IHS Tribal Clinic Equipment funding).*
5. *Venetie – Additional New clinic Match ($150,000) – This CIP will be combined with a FY2011 $150,000 CIP to provide the required 20% match to leverage $1,700,000 of Denali Commission funds.*
6. **Nikolai – New Clinic Match ($170,000) – No functioning clinic at Nikolai, just a rented one room office. CIP will be used to leverage $1,430,000 of federal funds (HUD ICDBG and State CDBG).*
7. *Anvik – Village Roads Maintenance heavy equipment ($350,000) – The Council has BIA road maintenance funding upkeep the village's roads but has no heavy equipment to perform the work with.
8. **Minto – Independent Elder Housing Project ($170,000) – Minto has many elders who desire to stay in the village but require specialized housing. CIP will be used to leverage $1,000,000 of federal funds (HUD ICDBG and State AHFC) to build an elder 4-plex.*
9. **Grayling – Multi-Purpose Facility ($170,000) - No functioning community services building at Grayling. CIP will be used to leverage $1,280,000 of federal funds (HUD ICDBG and State CDBG).*
10. *Kaltag New Clinic Supplemental ($100,000) – The ANTHC recent cost estimate for this project has increased by $100,000. This project will be constructed in 2012 and leverages Denali Commission funds in the amount of $1,925,484.*
11. *Chalkyitsik New Clinic Supplemental ($65,000) - The ANTHC recent cost estimate for this project has increased by $65,000. This project will be constructed in 2012 and leverages Denali Commission funds in the amount of $1,565,000.*
12. **Stevens Village Heavy Equipment for new landfill ($205,000) –The CIP provides essential equipment to operate the new landfill to be constructed in 2012 and leverages $3,761,227 of USDA RD, Denali Commission and State DOT funds.*
13. ** Huslia – Multi-Purpose Building ($170,000) - No functioning community services building at Huslia. CIP will be used to leverage $1,730,000 of federal funds (HUD ICDBG, NAHASDA and State CDBG).*

14. *Nenana – Tribal Hall Renovation ($75,000) – The Village Council operates a much-used community hall that needs minor renovation as a preventative maintenance measure.
15. Arctic Village – Smart Metering Project ($80,000) – This CIP will allow the village-owned electrical utility to increase revenue collection by requiring pre-payment for usage and also stimulate energy conservation through continuous consumption information availability to residents in the homes.
16. *Beaver – Smart Metering Project ($80,000) - This CIP will allow the village-owned electrical utility to increase revenue collection by requiring pre-payment for usage and also stimulate energy conservation through continuous consumption information availability to residents in the homes.
17. Birch Creek School Conversion ($90,000) – Birch Creek lost its power and water treatment plant and community building to fire and has been given the empty school building to re-establish their functions and requires this CIP to utilize the building.
18. Tanana – Drainage Public Safety Project ($255,000) – The village is experiencing stagnant water and erosion which is degrading the village's roads. The City will contribute $54,000 of in-kind services to support this project.
19. * *Evansville – Clinic Match ($170,000) – Dilapidated clinic at Evansville with no water/sewer services. CIP will be used to leverage $1,730,000 of federal funds (HUD ICDBG, State CDBG and IHS Tribal Clinic Equipment funding).*
20. Tanana Chiefs Conference Regional Search and Rescue Equipment ($150,000) – There is no in-state under water electronic sonar and viewing equipment available to assist in search and rescue of persons lost while on water. Equipment will be shared statewide.
21. Shageluk – Multi-Purpose Building Addition ($200,000) – The Village Council is constructing a multi-purpose building during 2012 and would like to include a large gathering space addition. This CIP will leverage a $600,000 State CDBG grant.
22. *Healy Lake – Community Hall Construction Completion ($100,000) – The Village Council has been fund raising to incrementally complete its community hall. This CIP will complete the project and leverage $38,000 of funding from the Council this year.
23. *Fort Yukon* – Multi-Purpose Facility ($300,000) - The Village Council is constructing a multi-purpose building during 2012 and would like to include a large gathering space addition. This CIP will leverage an $850,000 State CDBG grant.
24. Northway – Cultural Center ($150,000) – *The Village Council is building a two-phase multi-purpose building with phase one planned for construction in 2012. This CIP would fund phase two of the project and leverage $600,000 of Federal ICDBG funding.*
25. Holy Cross - Multi-Purpose Facility Addition ($300,000) - The Village Council is constructing a multi-purpose building during 2012 and would like to include a large gathering space addition. This CIP will leverage an $850,000 State CDBG grant.
26. * Beaver – Clinton Wiehl Building Energy Efficiency Upgrade ($100,000) – Beaver has a multi-purpose building that requires energy efficiency upgrades to reduce operational expenses. The Council will be contributing $38,000 to the project.

27. Arctic Village Landfill Loader ($200,000) – The Village's landfill is full and the Council has fencing materials on-site to build a new cell but requires an end-loader to complete this project.
28. Louden Tribe (Galena) – Biomass Feller Buncher ($450,000) – The Village Council, City and School are coordinating to develop a community-wide bio-mass energy project and require "feller buncher" to supply fuel for the planned project. The overall cost of this project is $4,122,150 including this CIP request.
29. Manley Hot Springs – Distribution Station ($150,000) – The Village Council is constructing a gasoline and diesel fuel sales station and has $60,000 of its own funding to contribute to the project and requires this CIP to complete the project.
30. Fort Yukon – *Elderly Independent Living Housing Project ($300,000) – Fort Yukon has many elders who desire to stay in the village but require specialized housing. CIP will be used to leverage $1,300,000 of federal funds (HUD ICDBG and State AHFC) to build an elder 5-plex.*
31. Alatna – Transportation Improvements Heavy Equipment ($180,000) – The Village Council is planning to construct an on-shore river transportation station to support safe river crossings between Alatna and Allakaket which requires an end-loader to support construction of the project. The Council will utilize $150,000 of BIA IRRP federal funding to conduct the actual construction.
32. Chalkyitsik Heavy Equipment Purchase ($200,000) The Village Council has planned projects (new housing and clinic) to be constructed over the next two years and requires an end-loader to support these projects.
33. *Nikolai – Multi-Purpose Community Center Rehabilitation ($170,000). The Village's multi-purpose building requires renovation and the Council will utilize this CIP to leverage $1,330,000 of federal funds.*
34. *Kaltag – New Multi-Purpose Center Match ($170,000) - The Village's requires a new multi-purpose building and the Council will utilize this CIP to leverage $1,450,000 of federal funds.*
35. *Kaltag Fish Processing conveyer belt ($60,000) – The village's fish processing plant creates summertime employment for many residents and requires upgrades to become more efficient. This CIP will used to leverage $190,000 of federal funds.*
36. *Grayling Essential Housing initiative ($200,000) – Grayling has a housing crisis and the Council will utilize this CIP to leverage $1,400,000 of federal funding (HUD ICDBG and AHFC).*
37. *Stevens Village – Multi-Purpose Facility Renovation ($50,000) – The Village Council operates a much-used community hall that needs roof replacement as a preventative maintenance measure.
38. Tetlin – Biomass Community Facility Space Heating – Phase 2 ($200,000) – The Council is currently completing construction of its phase one biomass project funded by a FY2012 CIP which will heat the village's school. This phase two CIP request will add further heating capacity and extend heat conduits to the clinic, maintenance garage and multi-purpose building.

Top ten (10) projects total: $2,201,000
Federal funds leveraged: $12,064,484

Top fifteen (15) projects total: $2,796,000
Federal funds leveraged: $19,120,711

Top twenty (20) projects total: $3,541,000
Federal funds leveraged: $20,904,711

Total CIP (38) projects total: $7,021,000
Federal funds leveraged: $33,844,861

Testimony regarding Capital Budget 3-21-12

Good evening. I'm Taber Rehbaum, CEO of Big Brothers Big Sisters of Alaska, and I
thank you for this opportunity to testify in support of fully funding the Capital Request for the 3rd Grade Initiative.

The 3rd Grade standards assessment test is often the first opportunity schools have to collect hard and consistent data regarding the proficiency of their students. Many states use the results of the 3rd grade standards tests to predict how many prison beds they will need to plan for. We think that is a pretty scary commentary.

In our quest to help increase the graduation rates of Alaska students, these tests present a perfect opportunity to identify the youngsters most at risk of academic failure who are in turn most at risk for dropping out and potential incarceration.

In partnership with four school districts across the state, this initiative will change the trajectory of these children, making academic success possible for them, increasing the odds that they will be productive members of our communities, and reducing the chance that they will become a drain on our communities.

Big Brothers Big Sisters was just ranked the #1 most effective non-profit for at risk youth by Guidestar's Philanthropedia, and we have a track record of providing positive outcomes for youth in Alaska that goes back forty years.

This Initiative is a 3 year data-driven partnership with four school districts that will not only produce positive academic and social outcomes for participating students, it will provide us the opportunity to measure the impact of the program on schools as a whole.

By concentrating on matching children who score below proficiency on their 3rd grade standards tests with Big Brothers and Big Sisters, and by utilizing real-time school data to help direct match activities to target specific areas in which children are struggling, we can provide even greater impacts for youth, schools and communities.

The strong evaluation component within this Initiative will help us make a case to leverage additional funding to replicate and expand this program model after the 3 years of the pilot program. This is a proven strategy to increase our graduation rates statewide and the best way to invest in the future of our state.

Thank you again.

Taber S Rehbaum, CEO
Big Brothers Big Sisters of Alaska

WRITTEN TESTIMONY

Name: MAKO HAGGERTY

Representing: self

Bill No./Subject SB 160

Committee: Senate Finance

Date of Hearing: 21 MARCH 2012

Please restore funding for Ocean Acidification research at UAF.
Alaska is on the frontline when dealing with the impacts of Ocean Acidification, ~~and its impacts~~. Ocean Acidification impacts our commercial fisheries as well as our shellfish mariculture industry. But Alaska is not the only place that will suffer Ocean Acidification. The whole world will be watching how we deal with the impacts. At UAF we have a cutting edge research project that will have ~~international~~ → local, national and international ramifications.

Please support this very important research

Mako Haggerty

The 15-second version: ***There are traditional athletic, academic and other group activities for youth to do in Ketchikan, but the MAJORITY do not participate and the rates of minor consuming alcohol, vandalism and misdemeanors continue to escalate. Please support a skatepark and a youth community center in Ketchikan.*** **Ketchikan Youth Initiatives, Bobbie McCreary**

Testimony: LIO Office, March 21, 2012

Chairman Stedman and members of the Senate Finance Committee, I am Bobbie McCreary the Administrator of Ketchikan Youth Initiatives (KYI).

Tonight we speak in support of two projects to support our teens and young adults ages 14 to 24 and provide for them healthy, safe and skill-building activities. The MAJORITY of our young people do NOT have enough positive things to do, to occupy their time, to keep them out of trouble, to encourage them to get involved in civic engagement, to develop new skills and self-confidence, to value and complete their education and to prepare them to become valuable employees. Our rates of minor consuming alcohol, vandalism and other misdemeanors continue to escalate. Last year 27% of our ninth grader cohort of 2007 did not graduate in 2011. The State can help us improve these statistics.

First, the Ketchikan Gateway Borough has requested a matching grant of $150,000 to be applied to a professionally-design and built concrete skatepark for which total cost is estimated at $667,000 including a roof and, with in-kind services and with pledged support from the local community can be built for an estimated $367,000. KYI, through a skateboard users group, is actively supporting the Borough in developing this important athletic facility to serve our budding athletes and their families.

Second, KYI is in the process of redeveloping a 100-year old warehouse into a vibrant Youth Community Center. This Old Water Warehouse building was donated to KYI by the City of Ketchikan and will serve as a meeting place, a place to host events and activities 7 days a week until curfew, and a facility to support job readiness training and development of youth–run businesses. The total cost of this project is estimated at $467,000. The cost to complete this project is estimated at $376,000, and with projected community support can be reduced to approximately $297,000. KYI respectfully requests $60,000 to replace the roof and complete the Youth Entrepreneur Hub on the ground floor.

Any monies the State can provide to fund these projects will be put to very good use to serve our youth ages 14 to 24. Thank you for this opportunity to testify.

PETERSBURG LEGISLATIVE INFORMATION OFFICE

Email: Petersburg_LIO@legis.state.ak.us
907-772-3741/ phone, 907-772-3779/fax

WRITTEN TESTIMONY

NAME: Sue Paulsen

REPRESENTING: Self

BILL#/SUBJECT: SB160: FY13 Capital Budget

COMMITTEE &

HEARING DATE: Senate Finance 21 March 2012

March 21, 2012

The new Alaska state library, archives and museum building has been making steady progress toward completion since the acquisiton of the land in 2002. Pre-planning, architectural design, and site development have been achieved with the monies appropriated to date, and now opportunity knocks from Alaskans with this vital project.

The Alaska State Library is the mother ship for all of the libraries and education endeavors in our vast and far flung state. Its leadership and support for local organizations is essential for information access for all in the digital age. Our cultural heritage in historical archives and museum holdings is seriously endangered by inadquate and deteriorating buildings.

The New Library Archives Museum building is shovel ready. The stars are in alignment. while SB 160 shows $20million for this project, the practical course of action is to fully fund the project THIS YEAR. Construction costs are favorable. Let us seize the moment. What we cannot afford is further deterioration of our archival treasures and the ability to provide the library support Alaskans should have.

Thank you for considering full funding for this vital and fullly prepared project.

Sue Paulsen

Doniece Gott

From: Sen. Lyman Hoffman
Sent: Thursday, March 22, 2012 8:11 AM
To: Doniece Gott
Subject: FW: SB 160 Senate Finance Committee Hearing 3/21/12

-----Original Message-----
From: LIO Anchorage
Sent: Thursday, March 22, 2012 8:06 AM
To: Sen. Lyman Hoffman; Sen. Bert Stedman
Subject: FW: SB 160 Senate Finance Committee Hearing 3/21/12

-----Original Message-----
From: captron@ak.net [mailto:captron@ak.net]
Sent: Wednesday, March 21, 2012 6:46 PM
To: LIO Anchorage
Cc: Lindsey Whitt
Subject: SB 160 Senate Finance Committee Hearing 3/21/12

Good evening co-Chairs Stedman and Hoffman and members of the Senate finance committee.

For the record I am Captain Ron Ward
Master Mariner, Marine Pilot licensed in the State of Alaska since 1997 and a current member of the Anchorage Port Commission.

As a marine pilot I have been docking ships in the POA for the past 15 years including the largest tanker to call at the port which i docked just yesterday. As a professional pilot my stock in trade is local knowledge. I have to be aware of the tides, currents and bottom characteristics of every Alaskan port in Southcentral. Consequently I am keenly aware of the challenges involved with maintaining this infrastructure. POA has the second largest range of tide in North America in excess of 33 feet. Winter conditions require vessels to maneuver and moor in pan ice which can grow up to a thickness of two feet. Tidal currents in the POA and it's approaches can reach velocities of 6 knots. Combine the weight of the pan ice with the force of the current and you have significant stress on our 50 year old structure.

There can be no question that the POA is crucial to the future development of the State of Alaska's commerce. In conclusion I support the Port Expansion project Alaska must have a safe, viable port.

Capt. Ron Ward
Sent from my iPhone

Doniece Gott

From: Sen. Lyman Hoffman
Sent: Thursday, March 22, 2012 8:02 AM
To: Doniece Gott
Subject: FW: Urge support of full funding for the state Library, Archives and Museum project

From: Marilyn Knapp [mailto:marilynrkg@gmail.com]
Sent: Wednesday, March 21, 2012 5:16 PM
To: Sen. Lyman Hoffman
Subject: Urge support of full funding for the state Library, Archives and Museum project

Senator Hoffman,

I sent the following message to Senator Stedman today and ask you to also support the SLAM project for full funding. I noted on your biographical page that Alaska history is one of you interests. Good news!
Marilyn R. Knapp, Sitka

Senator Stedman,
I know you and the Finance Committee have supported the State Library, Archives and Museum project in the past. I offer a since thank you for your support to date. Having worked in several of Alaska's museums and libraries, I have a since of pride in helping to preserve and interpret the state's history. It's been a long time coming but we are within close range of a new facility to house the state's historical archives, photographs, library materials and artifacts. What better way to celebrate this new century and an entrance into the second 50 years of statehood, than to provide for a new facility to secure the safety, security and well being of Alaska's historical materials.

Thank you again for your past support. Please let me know if you have questions.

Marilyn R. Knapp
Sitka

--
Marilyn R. Knapp
907-747-8048
marilynrkg@gmail.com

Good leadership defines reality.

Allergy, Asthma and Immunology
Center of Alaska, L.L.C.

March 21, 2012

Re: SB 160, Girdwood Health Clinic Appropriation Request

Dear Senator Hoffman,

The community of Girdwood has been working for the past 7 years to bring a community health center to Turnagain Arm. With the new not-for-profit Girdwood Health Clinic Inc we are finally in a position to bring this dream to fruition. The Girdwood Health Clinic Inc is to be commended for providing the same excellent medical care that our community has been receiving since 1999. SB 160, Girdwood Health Clinic Appropriation request contains much needed funding for the community of Girdwood and Turnagain Arm and is the next crucial step to our goal of having a community health center serving the rural needs of our population.

- Expanded services and hours for Girdwood including after hours care.
- Mental health screening and referral and dental services and referral.
- Telemedicine will connect health care personnel in Hope with Girdwood clinician.
- Nurse Triage telephone system will be available after hours for the Turnagain Arm communities.
- Eligibility Specialist to assist patients in applying for and acquiring benefits through government programs.
- Additional clinicians along with financial and clerical staff support will be hired.
- Health care availability in Girdwood and Hope will encourage other services and improve the quality of life in the Turnagain Arm communities.
- Road closures are a way of life in Turnagain Arm. That will not change. There remains only one way in and out of Girdwood. Alternate medical care and services are essential!

I am a physician who works in Anchorage and lives full time in Girdwood. I fully support the Girdwood Health Clinic appropriation request. My family along with most Girdwood families uses the services of the Girdwood Health Clinic. I can't begin to imagine the devastation to the area if we were to lose the health clinic. Expansion and support guarantees that we will not lose this fundamental resource.

I urge you to support this Senate Bill.

Sincerely,

Jeffrey G. Demain, MD, FAAAAI, FACAAI, FAAP
Director, Allergy, Asthma & Immunology Center of Alaska
Clinical Associate Professor, University of Washington

JGD/emd

3841 Piper Street, Suite T4-054 • Anchorage, Alaska 99508 • 907-562-6228 Fax 907-562-6868

Doniece Gott

From: Sen. Lyman Hoffman
Sent: Thursday, March 22, 2012 9:05 AM
To: Doniece Gott
Subject: FW: Support Senate ill 160

From: jonnie lazarus [mailto:jonnieak@gmail.com]
Sent: Wednesday, March 21, 2012 10:43 AM
To: Sen. Lyman Hoffman; Sen. Bert Stedman; Sen. Donny Olson; Sen. Dennis Egan; Sen. Joe Thomas; Sen. Johnny Ellis; Sen. Lesil McGuire
Subject: Support Senate ill 160

Dear Senators,

This letter is to support Senate Bill 160 in general, and specifically the section addressing a one time appropriation of $137,000 for the Girdwood Health Clinic as sponsored by Cathy Geissel.

This funding is critical in allowing the clinic to move to the next important step of providing services to the Girdwood community as well as providing a Telemedicine Cart to connect health care personnel in Hope. The appropriation will fund a Nurse Triage Telephone system,which will be available to the communities along Turnagain Arm at all hours. As a community resident who has had to make the drive to Anchorage along the Seward Highway in hazardous driving conditions in the middle of the night, I can assure you that this alone is a worthwhile investment.

While road improvements have helped over the years, it is a fact that driving to Anchorage still takes an hour in the best of conditions. With an injured spouse or ill child, this is just too long. And as you well know, the drive is not always possible. Road closures due to weather events, accidents, construction are still common place for this community and even if we are willing to make the drive to Anchorage for medical care, it is not always possible. Funding appropriated through Senate Bill 160 will help expand services by the hiring of additional clinicians as well as the support staff needed to make medical services available throughout the week for the Turnagain Arm communities.

I urge you to support Senate Bill 160 in its entirely.

Thank you

Jonnie and William Lazarus
Box 421
Girdwood, AK

Girdwood residents for over 30 years!

Doniece Gott

From: Desiree.Walsh@CH2M.com
Sent: Thursday, March 22, 2012 6:54 AM
To: Senate Finance Committee
Subject: AVTEC

Good Morning.
My name is Desiree Walsh and I am an AVTEC Statewide Advisory Board Member. I work at CH2M Hill. We hire individuals from the AVTEC Heavy Mechanic/Diesel program and are having serious issues meeting our needs for qualified, trained, Alaskan Heavy Duty Mechanic hires.
I support the new training and residential facilities at AVTEC.
Sincerely,
Desiree Walsh

Desiree

Desiree L. Walsh, SPHR, GPHR
CH2M Hill Alaska - Human Resources
Energy & Chemicals
Pouch 340050
Prudhoe Bay, AK 99734
Office (907) 659-3347
Cell (907) 441-2361
desiree.walsh@ch2m.com

Doniece Gott

From: jcrews@hollandamerica-princess.com
Sent: Thursday, March 22, 2012 8:14 AM
To: Senate Finance Committee
Subject: I support AVTEC Funding

Thank you for the opportunity to testify last night, the work being done in the Senate Finance committee is crucial to the future of Alaska.

I would just like to follow up that the funding for Alaska Vocational Technical Center in SB160 is important to the continued success and growth of this institution and our state. As an employer I have personally struggled to find skilled employes, I am currently searching for two right now. AVTEC fills the brick and mortar jobs in Alaska, the jobs that build our state and more importantly, maintain our state.

Alaska is a state that depends on people who work with their heads and their hands, AVTEC has a proven history of supplying entry level employees into the crafts.

Testimony was abbreviated last night due to the large number of Alaskans testifying, if the committee has any further questions I am available to answer them. Again, thank you for your service and time last evening.

Respectfully

John Crews
Superintendent, Rail & Marine Maintenance
Holland America-Princess ALASKA
Office: 907-278-8073
Cell: 907-529-8707

Alaska Vocational Technical Center
Statewide Industrial Advisory Board (Volunteer Board)
Chairman

The information contained in this email and any attachment may be confidential and/or legally privileged and has been sent for the sole use of the intended recipient. If you are not an intended recipient, you are not authorized to review, use, disclose or copy any of its contents. If you have received this email in error please reply to the sender and destroy all copies of the message. Thank you.

To the extent that the matters contained in this email relate to services being provided by Princess Cruises to Carnival Australia/P&O Cruises Australia, Princess is providing these services under the terms of a Services Agreement between Princess Cruises and Carnival Australia.

Doniece Gott

From: Aspelund, Shawn A <Shawn.Aspelund@bp.com>
Sent: Thursday, March 22, 2012 8:32 AM
To: Senate Finance Committee
Subject: I $upport FULL AVTEC Funding!!!

Folks,

I am in workforce development for the oil & gas industry. Attrition is our public enemy #2.

We must have highly trained and qualified people to take over the work from those of us nearing retirement. The public demands nothing less from industry. The work will happen but only by skilled workers. If we want the work to go to Alaskans we must have the facilities to effectively train.

Thanks for your efforts in Juneau.....

Shawn A. Aspelund
Training Specialist
Org Capability
BP Exploration (Alaska)

Phone - 907-564-4596

Doniece Gott

From: Rosalie Kairaiuak <rkairaiu@calistacorp.com>
Sent: Thursday, March 22, 2012 8:54 AM
To: Senate Finance Committee
Subject: I support AVTEC Funding

I am a board member of AVTEC and manage shareholder records for Calista Corporation. I believe AVTEC prepares the workforce that keeps Alaska going and support AVTEC funding in SB160.

Rosalie (Rose) Kairaiuak
Manager, Calista Corporation Shareholder Records
301 Calista Court, Ste A
Anchorage, AK 99518-3028
PH. 907-279-5516
FAX 907-279-8430
www.calistacorp.com

I am writing in regards to the request by the Alaska Association of Conservation Districts in support of the valuable services that the Soil and Water Conservation Districts provide. Please forward my message to the State Finance Committee that is meeting to evaluate the upcoming budget.

The Kenai District, of which I am familiar, has been a very valuable resource especially to those interested in accomplishing sustainable agriculture in this area. It has been an integral part of helping the food bank in Kenai expand their production which assists many in the community who truly need it. The equipment rental program helps many local farmers annually to maintain their fields, and to increase production on newly cleared land or land that has laid fallow. It also provides the whole community with education on invasive species, erosion management, fertilizer recommendations, greenhouse pest control and a network to share such information. Without the support of the Alaska Association of Conservation Districts the local Kenai Conservation District would not be able to provide these much needed and appreciated services for our community.

Please support the funding for the Alaska Association of Conservation Districts for all the communities across the state that benefit from its services. Thank you for your time and attention to my concerns.

Jen Kain
PO Box 1122
Seward, AK 99664

KENAI LEGISLATIVE INFORMATION OFFICE

Email: **Kenai_LIO@legis.state.ak.us**

Phone: **907-283-2030** / Fax: **907-283-3075**

WRITTEN TESTIMONY

NAME: Bill Johnson

REPRESENTING: Self

BILL # or SUBJECT: SB 160

COMMITTEE & DATE: Senate Finance

I am a long time resident (in Kasilof) and registered voter. I am writing to strongly urge you to provide funding for the Alaska Soil & Water Conservation Districts. Though the Districts are provided for in part through NRCS, the funding you have control over provides an absolutely essential basis for their operation. The Districts provide many essential services in support of agriculture throughout Alaska. In my own area on the Kenai Peninsula, farmers large and small old and new, are enabled to cooperate about such essential services as producing high quality fertilizer, obtaining critical equipment, exchanging valuable information, understanding and being assisted in working with state land-use guide-lines, working together to build many (50) new hi-tunnel greenhouses that have already transformed the agricultural possibilities of our difficult climate, thus greatly enhancing the hope for Alaskan food security. The members of the Conservation Districts are some of the residents most committed to the long term livability of our shared home state, I urge you to continue to fund their efforts.

Sincerely,

Bill Johnson
54932 Burdock Rd
Kasilof, Ak

907-262-2667

johnson@ionia.org

KENAI LEGISLATIVE INFORMATION OFFICE

Email: **Kenai_LIO@legis.state.ak.us**

Phone: **907-283-2030** / Fax: **907-283-3075**

WRITTEN TESTIMONY

NAME: Michelle Martin

REPRESENTING: Self

BILL # or SUBJECT: SB 160

COMMITTEE & DATE: Senate Finance

I'm writing to urge you to approve the Alaska Association of Conservation Districts' request for funding in this year's Capital Budget. As a resident of Kenai, I truly value what the Kenai Soil & Water Conservation District (KSWCD) brings to our community. One of my primary concerns as a citizen is local food security. While local meat and fish are relatively easy to obtain, we Alaskans are at the end of a very long supply chain when it comes to most of the produce and dairy that we consume. We need organizations such as KSWCD, which facilitate the exchange of information among local growers, connect growers with federal programs such as the USDA-NRCS high tunnel program, and provide a means of bringing federal and private grant money into our community to continue such efforts. I've also appreciated the work of the Homer Soil & Water Conservation District, which has employed a youth crew for the past few summers to control invasive plants. The existence of these Soil & Water Conservation Districts is mandated by the state, but it is an ongoing struggle for them to remain working and effective because there is no secure, yearly state funding for them. They fill a very valuable role in our communities and our state, and a small amount of state funding would allow them to maintain minimal staff and office space and leverage much more money in order to pursue such goals as local food security. Thanks for your service to our state, and please fund our Conservation Districts!

Sincerely,
Michelle Martin, Kenai

KENAI LEGISLATIVE INFORMATION OFFICE

Email: **Kenai_LIO@legis.state.ak.us**

Phone: **907-283-2030** / Fax: **907-283-3075**

WRITTEN TESTIMONY

NAME: Judith Queen

REPRESENTING: Self

BILL # or SUBJECT: SB 160

COMMITTEE & DATE: Senate Finance Committee

I'm speaking in support of the Alaska Association of Conservation Districts request for funding. As a 50-year resident of the Kenai Peninsula, I am deeply concerned about our ability to grow food locally to lessen our dependence upon outside supply lines in the event of emergency, to lessen the economic impact of being so far away from our food sources, and to have quality, healthy choices available to Alaskans through sustainable agriculture within our own state.

Our Conservation District here is necessary to promote these goals, and has been very helpful in providing information, learning opportunities, and assistance to dozens of new high tunnel growers on the Peninsula. Further, since agricultural enterprises have historically been limited to a very small section of our State as well as with a relatively narrow production scope, the District has been a great resource in helping to expand options and opportunities for new growers that have heretofore not been available. I'm told that districts in our State have historically brought in 4 to 9 non-state dollars for every state dollar. Base funding received from the state via the Alaska Association of Conservations Districts is essential to keep the doors open and leverage additional sources of federal and private funding.

Please include AACD's funding request in the Capital Budget.

Thank you for your consideration.

Judith V. Queen
54425 Polar Way
Kenai, AK 99611

907 776 8598

Doniece Gott

From: Cindy Litman <cindylitman@gmail.com>
Sent: Thursday, March 22, 2012 10:36 AM
To: Senate Finance Committee
Subject: Library expansion grant and capital funding

Dear Senate Finance Committee Members,

I am writing to express my support for full funding of the library expansion grant and capital funding. Sitka is in the midst of planning for a much-needed library expansion. As is the case for many small communities, the Sitka library plays a crucial role in supporting not only reading and literacy, but also community, education and wellbeing. By directly and indirectly supporting a wide range of programs and needs, funds allocated for libraries translate to better lives for Alaskans of all ages, education levels, backgrounds and economic status.

I attempted to testify at the hearing yesterday evening, but was placed on hold and never transferred to a real person. I hope you will consider my emailed testimony.

Thank you,
Cindy Litman

--
Cindy Litman
715 Sawmill Creek Rd.
Sitka, AK 99835

907.623.3969

[redacted]

From: Loganpiperak <loganpiperak@aol.com>
Sent: Wednesday, March 21, 2012 12:49 PM
To: LIO Fairbanks
Subject: Letter of support

Please attach the following email of support to the capital budget this evening.

I am asking for your support of the Dance Theatre Fairbanks Building Insulation, Renovation, and Utility Upgrade project.

In July, 2007, DTF moved into the abandoned Fairbanks City Fire station, leasing it with an option to purchase. In January 2011 we exercised that option and purchased our permanent home. Nearly four years later, with gifts from too many organizations to mention, and over 14,000 volunteer hours we now offer a full slate of classes and a small, fully functioning black box theater.

A giving community has taken 30,000 square feet of derelict building and turned it into a downtown asset. However, we have reached the place where the work needed requires contractors with the manpower, equipment and expertise that we do not have.

At the core of the capital budget request before the committee is sustainability. Our journey is made much harder, because of old inefficient lighting, and out-of-date electrical systems, walls and windows. We have proven we are capable of taking what we are given and turning it into something bigger and better than imagined. A more efficient building will speed us toward long-term sustainability.

Thank you for your time, attention and support of the Dance Theatre Fairbanks Building Insulation, Renovation, and Utility Upgrade Project

Thanks you
Logan Lockwood
PO Box 10076
Fairbanks AK 99710

Sent from my iPhone

[redacted]

From: Nicole Lockwood <dogfoodorder@yahoo.com>
Sent: Wednesday, March 21, 2012 12:33 PM
To: LIO Fairbanks
Subject: Letter of support

Please attach the following email of support to the capital budget this evening.

I am asking for your support of the Dance Theatre Fairbanks Building Insulation, Renovation, and Utility Upgrade project.

In July, 2007, DTF moved into the abandoned Fairbanks City Fire station, leasing it with an option to purchase. In January 2011 we exercised that option and purchased our permanent home. Nearly four years later, with gifts from too many organizations to mention, and over 14,000 volunteer hours we now offer a full slate of classes and a small, fully functioning black box theater.

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Thank you for your time, attention and support of the Dance Theatre Fairbanks Building Insulation, Renovation, and Utility Upgrade Project

Thanks you
Kurt Lockwood
Faibanks

Sent from my iPhone

Po Box 10076
Fairbanks, AK 99710

[redacted]

From: JOHN E SALZMAN <jsalzman@gci.net>
Sent: Wednesday, March 21, 2012 2:06 PM
To: LIO Fairbanks
Subject: Fairbanks Community Project

I am asking for your support of the Dance Theatre Fairbanks Building Insulation, Renovation, and Utility Upgrade project.

In July, 2007, DTF moved into the abandoned Fairbanks City Fire station, leasing it with an option to purchase. In January 2011 we exercised that option and purchased our permanent home. Nearly four years later, with gifts from too many organizations to mention, and over 14,000 volunteer hours we now offer a full slate of classes and a small, fully functioning black box theater.

A giving community has taken 30,000 square feet of derelict building and turned it into a downtown asset. However, we have reached the place where the work needed requires contractors with the manpower, equipment and expertise that we do not have.

At the core of the capital budget request before the committee is sustainability. Our journey is made much harder, because of old inefficient lighting, and out-of-date electrical systems, walls and windows. We have proven we are capable of taking what we are given and turning it into something bigger and better than imagined. A more efficient building will speed us toward long-term sustainability.

Thank you for your time, attention and support of the Dance Theatre Fairbanks Building Insulation, Renovation, and Utility Upgrade Project

John E Salzman
257 Charles St
Fairbanks, AK 99701

House District 09
Sentate Distrct E

[redacted]

From: John E Salzman <jsalzman.eccalaska@gmail.com>
Sent: Wednesday, March 21, 2012 2:10 PM
To: LIO Fairbanks
Subject: Fairbanks Community Project for Capital Budget

I am urging you to vote for the artificial turf fields in the upcoming capital budget:

The Borough Assembly Prioritized the construction of two synthetic turf field in their legislative priorities for capital projects this fall and I FULLY SUPPORT THEIR PRIORITY and place it as a top item for improving quality of life and opportunity in the Fairbanks/North Pole area

- Looks and feels like natural grass - no matter the weather
- No need for pesticides, fertilizers, herbicides, and fungicides
- No watering - protect our natural resources
- Low maintenance and upkeep
- Reduce carbon emissions from mowing, weed-eating, and edging
- Maximizes playing time
- Increases revenue generation potential
- Provides a consistent artificial turf surface for superior all-around performance
- Minimizes abrasions, neural and joint injuries
- Contributes to less time lost to injury - compared to natural grass

1) Primary reason for need: **increased usable minutes** of youth participation outdoors [**at least a trippling** of current grass fields.] can be used 4 to 8 weeks earlier in the spring and can be used for unlimited minutes per day once they are clear of snow regardless of weather and temperature... grass fields are limited in use as they wear down and become rutted, muddy, not-level, and generally a mess]. The bottom line is we could be on fields March 25 Through Oct 10 in all weather conditions and 24 hours a day as opposed to May 15--Sept 15 with usage restricted to 3 to 5 hours per day to prevent over-use.

2) **Injury reduction.** Numerous studies have show a significant reduction in both lower extremities and head injuries on synthetic turf when compared to natural grass surfaces. The difference is even greater in subarctic environments like Fairbanks.

3) **environmental advantages** [reduction in fresh water, gas, emissions, chemicals, etc. being discharged in maintenance of grass fields]

4) **Economic Advantages** to Borough and city businesses... [attracting events like state high school soccer tournament (250+ people using hotels and restaurants for 5 days in early June), state football tournaments, major exhibition sporting

events, college clubs and possible D-II soccer teams, conferences, etc.). Chamber members, business community, and hotel associations ARE in favor of having these built so we can compete with other metro areas in hosting statewide tournaments.

5) **Cost savings** long-term (field maintenance) over grass fields.

6) **Quality of Life and attracting top notch employees** into our community. We need more recreational opportunities for our youth and adults. Synthetic fields and especially a state of the art dome would help our community recruit and keep top talent in many areas. Executives and specialists like doctors, dentists, lawyers, teachers, etc. have families and they are looking for any recreational social factors that mitigate the many days of super cold. The right kind of facilities will make families and executives more likely to locate in Fairbanks. These types of individuals play sports themselves and have children who are very involved and need development training to take it to the next level. Right now they will look at Anchorage and then the Valley and then Juneau and they will see that there are far less opportunities for training and play in Fairbanks over these communities. Add some fields and facilities and this could change.

7) **Obesity reduction and increased Youth Activity**: ANYTHING that get kids outside more and more active is a positive!

8) **JOBS** the installation projects could be bid so as to require Alaska hire for the installations. Installing full sized fields and tracks take major work forces that will produce Alaska jobs.

John E Salzman
257 Charles St
Fairbanks, AK 99701

House District 09

Senate District E

John E Salzman
RCRA Site Supervisor
Environmental Compliance Consultants
3489 Chippewa Ave
Ft Wainwright, AK 99703
(907) 356-2023
(907) 356-2034 (fax)
jsalzman.eccalaska@gmail.com

Testimony to Senate Finance Committee on SB160
March 21, 2012

Chairman Stedman, Co-chairman Hoffman and Committee members:

I am a longtime consulting civil engineer and fisherman--and reside in west Anchorage. Among other activities I serve on the UAA SOE Advisory Board. I'm also a former member of your committee—and appreciate the process you are going through.

I want to address two capital budget issues:

1. Funding for new engineering facilities at UAA and UAF. The need at UAA with growth in its engineering program is particularly acute. I am particularly pleased to see successful outreaches and support for Native students through ANSEP. But UAF with its traditional engineering and research programs also has huge needs. I know both of these building projects have been presented to you.

   I encourage you to provide sufficient money to advance them. Getting funding for construction would be nice—but we need at least enough money to advance design and keep these projects on schedule.

2. Port of Anchorage expansion. The MOA has asked for $350MM to complete this. I know this is a big project. It has had its share of challenges. But these are being addressed. I supported the initial phases of improvements at the Port in the early 1990s—and want to finish the job.

In closing, each of these projects has statewide impact and appeal. They have my support.

Loren Leman, P.E.
2699 Nathaniel Ct
Anchorage, AK 99517
(907) 243-2000

PIONEER MEMORIAL PARK, INC.

BOX 70176 Fairbanks, Alaska 99707-0176

Phone: 907-456-8579

e-mail: info@fairbankspioneermuseum.com

Operator of the Pioneer Museum and Big Stampede Show

Good Evening:

I am Kathleen Dalton, a member of the board of directors for the Pioneer Memorial Park Museum board. We are located at Pioneer Park, Fairbanks.

Our museum board supports funding for the expanded Alaska State Library, museum and archives, a combined facility that is projected to cost almost $95 million.

We rely on the Alaska State Library and historical archives for professional advice, loan of materials, digital copies of rare photographs, and from time to time even small museum grants for projects that meet the strict criteria set out by specialized personnel on the state level.

Our museum was conceived 50 years ago by Sourdoughs in the Interior who began an organized effort to collect mining artifacts, pioneer records, and other historic documents that reflected the rich history of the Interior of Alaska. Over the years we have advanced into the digital age and have our museum articles identified, photographed, and recorded in a computer inventory.

The only public support we receive is the museum physical facility and a city bed tax grant which we compete for annually. Through a mutual agreement, the Fairbanks North Star Borough rents us space at a minimal charge in exchange for our full time operation during the visitor season in Fairbanks. Our museum and art display serve as a major "anchor" and display on the east side of the historic park. It is one of four major attractions in the park. Another of those four is a major commercial enterprise (salmon bake) that helps attract tourists and locals to the public park and, like our museum, serves as a very significant "anchor" to the west side of the park.

Since 1967 the museum has been operating on a completely volunteer basis thanks to the generous and collective efforts of the Tanana-Yukon Historical Society, Pioneer Men's Igloo No. 4, and Pioneer Women's Igloo No. 8. Those organizations support us financially to the best of their ability. Those cumulative funds never exceed $5,000 per year. Another sporadic (but not guaranteed) source of funding is the Pioneer Foundation.

2011 Board Members: JoAnne Oehring, president; Donna Krier, vice-president; Linda Conley, secretary; Pat Doogan, treasurer; and George Lounsbury, Kathleen (Mike) Dalton, Dave Miller.

Our prized art display, valued at $1.1 million, is a 15-piece set of murals that show the two major gold stampedes into the North Country: The 1897-98 Klondike in the Yukon and Fairbanks gold

discovery in the early 1900's. The large murals were painted by the late C. Rusty Heurlin and narrated by the Ruben Gaines, named Poet Laureate for Alaska in mid 20th century. They are owned by the Fairbanks Pioneers and are arranged in a circular theater setting that is electronically controlled for maximum viewing.

We operate a small museum store, the proceeds of which go to the wages of summer time docents.

We support the expansion of the Alaska State Library and particularly the state historical archives. Without their support, our small, quality museum would be lacking.

Thank you.

Kathleen Dalton,
Box 70681 Fairbanks, AK 99707-0681 322-6733 cell 479-6733 home
Pioneer Museum, Box 70176, Fairbanks, AK 99707-0176 456-8579

2011 Board Members: JoAnne Oehring, president; Donna Krier, vice-president; Linda Conley, secretary; Pat Doogan, treasurer; and George Lounsbury, Kathleen (Mike) Dalton, Dave Miller.

Dear Senate Finance Committee members:

I have been trying to call in to testify during public testimony for the Capital Budget, but am experiencing some problems due to high call volumes (according to the Anchorage LIO). I have here cc'd some of our members who had planned to call in as well. These members are from regions around the state including Fairbanks, Juneau, Anchorage, and Bethel. Below is my testimony for your convenience in case I am not able to make it through for public testimony verbally.

My name is Mary Sullivan and I'm writing you for the Alaska Primary Care Association, which represents all of Alaska's 143 Community Health Center clinics. CHCs serve the uninsured, under insured or otherwise hard to serve populations of Alaska and do not turn anyone away due to inability to pay, providing an important and vital safetynet for Alaska. We have member clinics in each district of the state, serving your constituents in rural, frontier and urban settings. Spanning both tribal and non tribal systems of care, CHCs are a major component to Alaska's overall health care delivery system.

We urge you to include and support the **Patient Centered Medical Home Implementation Planning for CHC Clinics** increment into the state Capital Budget, SB160. This increment would be routed through the Department of Health & Social Services to ultimately fund 3 CHC grantees through a competitive RFP process based on readiness. The request is in the amount of $437,500. We have been told by Commissioner Streur of DHSS that he supports this request. This money will help CHCs transform to the PCMH model, which is a model that was the number one recommendation of the Medicaid Task Force last legislative session, and one of the key recommendations of the Alaska Health Care Commission, to help control and reduce health care costs in Alaska. This model has been proven to help reduce health care costs across health care delivery systems, and to simultaneously improve patient health outcomes and satisfaction. Transformation to this model requires upfront investment, planning, and other significant technical improvements, however. Therefore, the APCA requests that this increment be included in the Capital budget to help assist CHCs with those upfront investment and other challenges as they transform to this new model of care. Grantees of this money would participate in the state's pilot PCMH project and work with the consultant hired recently by the state to assist Alaska in developing a PCMH model to fit Alaska's unique geographic and other challenges. If you include this increment, the state will reap the benefits and more importantly, so will Alaskans in your districts.

Thank you for including this important and modest increment request.

Respectfully,

Mary C. Sullivan, MSW
State Affairs Coordinator
Alaska Primary Care Association
903 West Northern Lights Blvd Ste 200
Anchorage AK 99503
907.727.8773 mobile
907.929.8115 office
907.929.2734 fax
mary@alaskapca.org
Promoting primary care access for all Alaskans
****
www.alaskapca.org
Browse APCA's helpful advocacy information and resources.

From: Carolyn & Don Gray <dcgray@mac.com>
Subject:
Date: March 21, 2012 10:19:21 AM GMT-08:00
To: Senate Finance Committee

Submitted to:
Alaska Senate Finance Committee
Budget Hearing / submitted at LIO, Fairbanks
March 21, 2012

We, the *Friends of the University of Alaska Museum*, urge your inclusion of $94.5 million in the proposed budget for the completion of the Alaska State Library, Archives, and Museum facility. Aware of the acquisition and maintenance of Alaska's historical, cultural and natural history, we are particularly concerned about the poor conditions of the three current separate Juneau facilities' and their responsibilities for the state's heritage.

The legacy of Alaska's Native heritage, and unique artifacts and documentation of the Russian American, Territorial and Statehood periods are precious and cannot be replaced. The State Library, Archives and Museum provide services to all regions of the state including specialized technical and conservation assistance to museums, libraries and historical societies.

The new facility will bring efficiency to the current 3 divisions and ease public access to digital collections while providing essential protection and preservation of the priceless articles of the entire state's heritage.

On behalf of our current and future generations of residents, researchers, and scholars, we urge you to include funding in your proposed FY13 capital budget to complete the State Library, Archives, and Museum facility.

Sincerely,

Don Gray, President
Friends of the University of Alaska Museum of the North

Alaska State Legislature

Please enter into the record my testimony to the Senate Finance
Committee name

Committee on SB160, dated 3/21/2012
Bill/Subject

To the Senate Finance Committee;

I am expressing public interest during the SB 160 public comment period for the committee meeting tonight. I am writing in support of the Alaska Association of Conservation Districts (AACD). These Districts perform essential work throughout Alaskan communities that would otherwise not be accomplished. Government agencies such as DNR, NRCS, Div. of Ag, USDFW, AKDF&G, and many others rely on Conservation Districts to assist with projects that benefit the government, local businesses, local citizens, and Alaskan visitors alike. In my community, the Conservation District builds and maintains public trails, provides nutrient management plans for farmers and gardeners, rehabilitates shoreline at valuable fish habitat sites, helps stop the spread of noxious weeds, does land capability classification data collection to determine the best sites for future agriculture use, creates GIS maps for government agriculture use, assists local citizens with flower beds and tourist attractions in Talkeetna, and much, much more. State funding is essential to obtain funding for these projects because they all require match funding. Without State funding, that match would be unavailable and these projects would not be accomplished.

The District hires local youth, ages 14-17, to accomplish most of the jobs listed above through the Youth Conservation Corps (YCC). These youth live in an impoverished community where 72% of the school kids are on the free and reduced lunch program. The jobs provided by the local Conservation District allow these kids to not only make a good wage, but learn work ethics, responsibility, and conservation practices at the same time. There are always more youth looking for a good job than there are YCC positions to fill, without State funding there may be no jobs for the local youth. The community is very upset to hear the YCC is in danger of shutting down due to a lack of State funding.

Please help our community help the conservation of natural resources. Without this, where would we be today? Please continue to fund the Conservation Districts and allow these important tasks to continue.

Sincerely,
Laura Allen

lauraleetraveler@yahoo.com

GREATER WASILLA CHAMBER OF COMMERCE
RESOLUTION No. 2011-03
SUPPORTING EXTENSION OF THE ALASKA RAILROAD FROM THE RAILROAD MAIN LINE TO PORT MACKENZIE

WHEREAS, bulk natural resource development and export is important to the economy of the Matanuska-Susitna Borough, the Denali Borough, the Fairbanks North Star Borough, and the State of Alaska; and

WHEREAS, the ability of the Alaska Railroad to continue to provide economical transportation of bulk commodities is vital to the economic health of Alaska; and

WHEREAS, Port MacKenzie, with its 8,940 acres of industrial development land and deep draft dock, is a developing port with capability for bulk natural resource transport; and

WHEREAS, Port MacKenzie is capable of handling panamax and cape-size vessels (the largest ships in the world); and

WHEREAS, Port MacKenzie is closer to tidewater than the existing ports of Southcentral Alaska; and

WHEREAS, a shorter distance to tidewater will make resource development in South Central and Interior Alaska more economical by lowering transportation costs; and

WHEREAS, the shorter rail distance to tidewater will further stimulate the use and export of coal from the Usibelli mine and other extracted material developments in the Denali Borough, Matanuska-Susitna Borough and Interior Alaska; and

WHEREAS, the rail extension will make development of natural resources (coal, limestone, sand and gravel, timber and metallic minerals, etc.) located in the rail belt and interior more economically feasible; and

WHEREAS, the rail spur to Port MacKenzie will create more usage of the Alaska Railroad and increase the economic viability of the railroad; and

WHEREAS, the increase in economic activity will significantly contribute to the State's economic well being, increase employment of Alaskans, and contribute to the continued economic stability of one of the fastest growing regions in the nation.

NOW THEREFORE, be it resolved that the Greater Wasilla Chamber of Commerce strongly supports construction of the Alaska Rail line Extension from the Alaska Railroad mainline to Port MacKenzie.

ADOPTED by the Greater Wasilla Chamber of Commerce this 18th day of October, 2011.

GREATER WASILLA CHAMBER OF COMMERCE

By: _____
Lyn Carden – Executive Director

By: _____
Quentin Algood – Secretary

Senate Finance Committee,

Thank you for the painstaking work on our state's oil tax structure. Until oil throughput stops declining our state needs projects other than the oilfield to supplement state revenues.
Port MacKenzie Rail is one such project.

This **32-mile rail link from the mainline to a deepwater port** may seem insignificant; but, it **provides low cost transportation for mineral development** that does not exist today. **We know that private sector development follows government infrastructure investments.**

University Alaska Fairbanks (UAF) estimates that **1,000 mineral occurrences** (of copper, lead, zinc, molybdenum, silver) **are deposited along the Railroad's mainline**.
By developing just three of those mines:

- The expected **revenues to the state are $300 million** a year over 60 years.
- The projected **economic benefits to the railbelt communities are $3 billion per year**.
- **3,000 construction-related jobs and 4,000 mining jobs will be created** along the corridor from Fairbanks to Anchorage.

Keep in mind, with the creation of jobs comes ***head of household wages*** **and often medical insurance benefits. With these jobs and insurance, comes a reduction in public assistance needs**. Work is good for we human beings; work is good for our mental and physical health, thus again, reducing the need for public assistance. I believe an infrastructure investment with public funds to **produce such jobs is a better use of public money** because when the project is complete and the construction jobs are gone we still **have a tangible asset** which will continue to bring job opportunities long in to the future.
If we as a state are looking for an industry to stimulate, it's the idle minerals and bulk resources spread along the mainline from Point MacKenzie to Fairbanks. Established mines such as Fort Knox and Pogo are already saying **the rail link will reduce their transportation costs** making even gold mines more competitive. I'm a supporter of the Wasilla Chamber of Commerce; however, I view the Port Mac Rail project as **a statewide project benefiting all Alaskans**. I urge you to support this project by approving the funding for this transportation infrastructure which will in turn provide a benefit all Alaskans. I

believe it is the purpose of government to use public money to provide infrastructure which provides for the private sector to thrive.

Thank you for your hard work and attention to this project.

Diana L. Straub, BOS, ACB, CL
Wasilla, Alaska

Sydney Seay

From: Loren D. Leman <ldl@mlfaalaska.com>
Sent: Wednesday, March 21, 2012 6:37 PM
To: Sen. Bert Stedman
Cc: Senator_Lyman_Hoffman@legis.atate.ak.us; Sen. Johnny Ellis; Sen. Donny Olson; Sen. Dennis Egan; Sen. Lesil McGuire; Sen. Joe Thomas
Subject: SB160 Testimony
Attachments: Written Testimony to Senate Finance Committee on SB160 3.21.12.pdf

Senators Stedman, Hoffman and other members of the Senate Finance Committee:

I called in this evening to testify at 5:30 pm, when I understood you would be able to take my testimony. However, because of technical challenges, it wasn't until close to 6 pm that I was assisted by a teleconference operator—and I have been listening to testimony since then. Just in case you are unable to take my testimony during the remaining time I have available (my time window is closing rapidly), I am sending my comments in writing on two areas of the capital budget—UA engineering facilities and Port of Anchorage expansion.

Thank you for listening—and reading. Best wishes with your work.

Loren Leman, P.E.
696-6209 (W) or 243-2000 (H)

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Testimony to Senate Finance Committee on SB160
March 21, 2012

Chairman Stedman, Co-chairman Hoffman and Committee members:

I am a longtime consulting civil engineer and fisherman--and reside in west Anchorage. Among other activities I serve on the UAA SOE Advisory Board. I'm also a former member of your committee—and appreciate the process you are going through.

I want to address two capital budget issues:

1. Funding for new engineering facilities at UAA and UAF. The need at UAA with growth in its engineering program is particularly acute. I am particularly pleased to see successful outreaches and support for Native students through ANSEP. But UAF with its traditional engineering and research programs also has huge needs. I know both of these building projects have been presented to you.

   I encourage you to provide sufficient money to advance them. Getting funding for construction would be nice—but we need at least enough money to advance design and keep these projects on schedule.

2. Port of Anchorage expansion. The MOA has asked for $350MM to complete this. I know this is a big project. It has had its share of challenges. But these are being addressed. I supported the initial phases of improvements at the Port in the early 1990s—and want to finish the job.

In closing, each of these projects has statewide impact and appeal. They have my support.

Loren Leman, P.E.
2699 Nathaniel Ct
Anchorage, AK 99517
(907) 243-2000

Sydney Seay

From: Mary Sullivan <marys@alaskapca.org>
Sent: Wednesday, March 21, 2012 5:50 PM
To: Sen. Bert Stedman; Sen. Lyman Hoffman; Sen. Donny Olson; Sen. Dennis Egan; Sen. Joe Thomas; Sen. Lesil McGuire; Sen. Johnny Ellis
Cc: marilyn@alaskapca.org; David D'Amato; cheryl.kilgore@inhc.org; Len Stewart; joe_klejka@ykhc.org; matt.rogers@tananachiefs.org; debrao@searhc.org; joe_klejka@ykhc.org; Jeffrey Logan
Subject: Capital Budget Testimony: Support For Patient Centered Medical Home Implementation Planning for CHC Clinics Increment

Importance: High

Dear Senate Finance Committee members:

I have been trying to call in to testify during public testimony for the Capital Budget, but am experiencing some problems due to high call volumes (according to the Anchorage LIO). I have here cc'd some of our members who had planned to call in as well. These members are from regions around the state including Fairbanks, Juneau, Anchorage, and Bethel. Below is my testimony for your convenience in case I am not able to make it through for public testimony verbally.

My name is Mary Sullivan and I'm writing you for the Alaska Primary Care Association, which represents all of Alaska's 143 Community Health Center clinics. CHCs serve the uninsured, under insured or otherwise hard to serve populations of Alaska and do not turn anyone away due to inability to pay, providing an important and vital safetynet for Alaska. We have member clinics in each district of the state, serving your constituents in rural, frontier and urban settings. Spanning both tribal and non tribal systems of care, CHCs are a major component to Alaska's overall health care delivery system.

We urge you to include and support the **Patient Centered Medical Home Implementation Planning for CHC Clinics** increment into the state Capital Budget, SB160. This increment would be routed through the Department of Health & Social Services to ultimately fund 3 CHC grantees through a competitive RFP process based on readiness. The request is in the amount of $437,500. We have been told by Commissioner Streur of DHSS that he supports this request. This money will help CHCs transform to the PCMH model, which is a model that was the number one recommendation of the Medicaid Task Force last legislative session, and one of the key recommendations of the Alaska Health Care Commission, to help control and reduce health care costs in Alaska. This model has been proven to help reduce health care costs across health care delivery systems, and to simultaneously improve patient health outcomes and satisfaction. Transformation to this model requires upfront investment, planning, and other significant technical improvements, however. Therefore, the APCA requests that this increment be included in the Capital budget to help assist CHCs with those upfront investment and other challenges as they transform to this new model of care. Grantees of this money would participate in the state's pilot PCMH project and work with the consultant hired recently by the state to assist Alaska in developing a PCMH model to fit Alaska's unique geographic and other challenges. If you include this increment, the state will reap the benefits and more importantly, so will Alaskans in your districts.

Thank you for including this important and modest increment request.

Respectfully,

Mary C. Sullivan, MSW
State Affairs Coordinator
Alaska Primary Care Association
903 West Northern Lights Blvd Ste 200
Anchorage AK 99503
907.727.8773 mobile
907.929.8115 office

907.929.2734 fax
mary@alaskapca.org
Promoting primary care access for all Alaskans
****

www.alaskapca.org
Browse APCA's helpful advocacy information and resources.

Doniece Gott

From: Lloyd Kompkoff <lloyd.kompkoff@chenegafuture.com>
Sent: Thursday, March 22, 2012 11:13 AM
To: Senate Finance Committee
Subject: I support AVTEC Funding

I currently set on the AVTEC Board, I am the Executive Director for Chenega Future, Inc and the Vice President of the Chenega Corporation Board of Directors, I fully support the AVTEC funding in SB160.

Lloyd Kompkoff
Executive Director
Chenega Future, Inc
3000 C St. Suite 200, South Wing
Anchorage, AK 99503
P.O. Box 240988
Anchorage, AK 99524
(907) 569-6931 Direct
(907) 751-6901 Main
(907) 242-3739 Cell
(907) 569-6939 Fax
lloyd.kompkoff@chenegafuture.com

SB

161

<TARGET><BILL>SB 161</BILL><SUBJECT>SB 161</SUBJECT><COMM>SFIN27</COMM></TARGET>

STATE CAPITOL
PO Box 110001
Juneau, Alaska 99811-0001
907-465-3500
fax: 907-465-3532

550 West 7th Avenue #1700
Anchorage, Alaska 99501
907-269-7450
fax 907-269-7463
www.Gov.Alaska.Gov
Governor@Alaska.Gov

Governor Sean Parnell
STATE OF ALASKA

January 13, 2012

The Honorable Gary Stevens
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Stevens,

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to the State's operating budget for Fiscal Year 2013 (FY 2013).

My budget proposal for FY 2013 continues our efforts to foster opportunity for job growth and economic opportunity for Alaskans. Our budget priorities are established in the State of Alaska's Constitution – resource development, transportation/infrastructure, education, and safe homes and communities for Alaskans.

I am proposing a reasonable operating budget that holds the line on government spending and looks to provide a more stable and secure future for our families. With budget discipline, targeted spending, and managing our savings, Alaska's cash reserves and excellent bond rating will provide us with economic opportunities for years to come.

I look forward to working with the Legislature to finalize the operating budget for the upcoming fiscal year. Thank you for your consideration of this bill.

Sincerely,

Sean Parnell
Governor

Enclosure

COMMITTEE COPY

SENATE BILL NO. 161

SB 162

<TARGET><BILL>SB 162</BILL><SUBJECT>SB 162</SUBJECT><COMM>SFIN27</COMM></TARGET>

STATE CAPITOL
PO Box 110001
Juneau, Alaska 99811-0001
907-465-3500
fax: 907-465-3532

550 West 7th Avenue #1700
Anchorage, Alaska 99501
907-269-7450
fax 907-269-7463
www.Gov.Alaska.Gov
Governor@Alaska.Gov

Governor Sean Parnell
STATE OF ALASKA

January 13, 2012

The Honorable Gary Stevens
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Stevens,

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to the State's comprehensive mental health program for Fiscal Year 2013 (FY 2013). As required by statute, it includes both operating and capital appropriations. Also, as required, the enclosed report outlines the differences between the recommendations of the Alaska Mental Health Trust Authority and my proposed budget.

The proposed mental health budget represents a cooperative effort between State agencies and the Alaska Mental Health Trust Authority. These productive working relationships make a positive difference for Alaska's mental health beneficiaries.

I am proposing a reasonable budget that holds the line on government spending and provides a more stable and secure future for our families. With budget discipline, targeted spending, and managing our savings, Alaska's cash reserves and excellent bond rating will provide us with economic opportunities for years to come.

I look forward to working with the Legislature to finalize the mental health budget for the upcoming fiscal year. Thank you for your consideration of this bill.

Sincerely,

Sean Parnell
Governor

Enclosure

COMMITTEE COPY

SENATE BILL NO. 162

STATE OF ALASKA

SEAN PARNELL, GOVERNOR

OFFICE OF THE GOVERNOR

OFFICE OF MANAGEMENT AND BUDGET

P.O. BOX 110020
JUNEAU, ALASKA 99811-0020
TELEPHONE: (907) 465-4660
FAX: (907) 465-3640

January 13, 2012

Dr. William Doolittle, Chair
Members of the Board of Trustees
Mr. Jeff Jessee, Executive Director
Alaska Mental Health Trust Authority
3745 Community Park Loop, Suite 200
Anchorage, AK 99508

Dear Dr. Doolittle, Members of the Board of Trustees, and Mr. Jessee,

Thank you for your continued efforts and dedication to the goals of the Mental Health Trust (Trust) and the work you do on behalf of the Trust's beneficiaries. Your efforts are of great value to beneficiaries of the Trust and the State as a whole.

The Mental Health Trust requested $39.4 million for the operating and capital mental health budget for Fiscal Year 2013 (FY 2013). The Governor included $36.7 million, which is an $8.4 million general fund operating budget increase over the current year, for a total FY 2013 mental health budget of $249.4 million.

Enclosed are reports comparing Trust recommendations to those included in the Governor's operating and capital mental health budget.

The proposed mental health budget represents a cooperative effort between State agencies and the Alaska Mental Health Trust Authority. These productive working relationships make a positive difference for Alaska's mental health beneficiaries. We look forward to working with you and the Legislature on securing passage of the FY 2013 mental health budget bill.

Sincerely,

Karen

Karen J. Rehfeld
Director

Enclosures: FY2013 Mental Health Budget Trust to Governor Summary Excluding Base
FY2013 Mental Health Budget Summary
FY2013 Mental Health Operating Budget Comparison
FY2013 Mental Health Capital Budget Comparison

COMMITTEE COPY

SENATE BILL NO. 162

printed on recycled paper

State of Alaska FY2013 Mental Health Budget
Trust - Governor Departmental Budget Summary
Excluding Base

Operating

Department	Trust Recommendation	Governor's Budget	Difference
Administration	153.8	201.2	47.4
Corrections	896.1	1,021.2	125.1
Education and Early Development	200.0	200.0	0.0
Governor	0.0	0.0	0.0
Health and Social Services	12,748.4	12,960.4	212.0
Labor	100.0	100.0	
Law	0.0	2.3	2.3
Natural Resources	3,679.2	3,601.0	(78.2)
Revenue	3,179.8	3,215.1	35.3
University of Alaska	2,411.5	1,481.5	(930.0)
Alaska Court System	967.8	1,021.4	53.6
Total Operating Budget	**24,336.6**	**23,804.1**	(532.5)

Capital

Department	Trust Recommendation	Governor's Budget	Difference
Health and Social Services	2,200.0	2,075.0	(125.0)
Revenue	11,800.0	9,750.0	(2,050.0)
Transportation and Public Facilities	1,050.0	1,050.0	0.0
Total Capital Budget	**15,050.0**	**12,875.0**	(2,175.0)
Total Mental Health Budget	**39,386.6**	**36,679.1**	(2,707.5)

FY2013 Mental Health Budget Summary

Operating

Department	FY2012 Base Budget*	Trust Recommendations	Governor's Action on Trust Recommendations	Governor's Action on Non-Trust Recommendations**	Governor's FY2013 Budget Including Base	Difference Governor's Action on Trust Recommendations	Difference FY2013 to FY2012 Mental Health Bill
Administration	1,989.7	153.8	153.8	47.4	2,190.9	0.0	201.2
Corrections	6,880.5	896.1	896.1	125.1	7,901.7	0.0	1,021.2
Education and Early Development	377.8	200.0	200.0	0.0	577.8	0.0	200.0
Governor	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Health and Social Services	200,262.1	12,748.4	9,892.4	3,068.0	213,222.5	(2,856.0)	12,960.4
Labor	0.0	100.0	100.0	0.0	100.0	0.0	100.0
Law	89.7	0.0	0.0	2.3	92.0	0.0	2.3
Natural Resources	0.0	3,679.2	3,540.7	60.3	3,601.0	(138.5)	3,601.0
Revenue	252.1	3,179.8	3,179.8	35.3	3,467.2	0.0	3,215.1
University of Alaska	605.8	2,411.5	1,481.5	0.0	2,087.3	(930.0)	1,481.5
Alaska Court System	2,239.7	967.8	967.8	53.6	3,261.1	0.0	1,021.4
Operating Total	**212,697.4**	**24,336.6**	**20,412.1**	**3,392.0**	**236,501.5**	(3,924.5)	**23,804.1**
MHTAAR/MHT Admin - Zero Based Budget	**15,079.3**						(15,498.9)
TOTAL OPERATING BUDGET	**227,776.7**				**236,501.5**		**8,724.8**
Unrestricted General (UGF)	192,561.0	8,765.8	5,103.8	3,269.6	200,934.4	(3,662.0)	8,373.4
Designated General (DGF) (Alcohol Fund)	20,136.4	0.0	0.0	3.8	20,140.2	0.0	3.8
Other Funds (MHTAAR/MHT Admin)*	15,079.3	15,570.8	15,308.3	118.6	15,426.9	(262.5)	347.6

* The Base Budget (operating only) includes General Fund/Mental Health and Alcohol & Other Drug Abuse Treatment and Prevention Funds that are not included in Trust recommendations. It does not include MHTAAR/MHT Admin as those funds are approved each year as part of a zero-based budget and are not in the base.

** The Non-Trust Recommendations include General Fund/Mental Health funded Salary Adjustments, Medicaid-related increases due to growth, fund source changes involving mental health fund sources, and miscellaneaous mental health budget items included but not recommended by the Trust.

Capital

Department	Trust Recommendations	Governor's Action on Trust Recommendations	Governor's Action on Non-Trust Recommendations**	Governor's FY2013 Capital Budget	Difference Governor to Trust Recommendations
Health and Social Services	2,200.0	2,075.0	0.0	2,075.0	(125.0)
Revenue	11,800.0	9,750.0	0.0	9,750.0	(2,050.0)
Transportation and Public Facilities	1,050.0	1,050.0	0.0	1,050.0	0.0
TOTAL CAPITAL BUDGET	**15,050.0**	**12,875.0**	**0.0**	**12,875.0**	(2,175.0)
Unrestricted General (UGF)	13,500.0	11,475.0	0.0	11,475.0	(2,025.0)
Other Funds (MHTAAR/AHFC Div)	1,550.0	1,400.0	0.0	1,400.0	(150.0)
Federal	0.0	0.0	0.0	0.0	0.0

FY2013 Total Mental Health Budget **249,376.5**

Mental Health, Multiple Selected Trans Types, CR Grp: Mental Health Trust

FY2013 Mental Health Operating Budget Comparison

Department of Administration

RDU Component	Change Record Title	Fund Sources	FY2013 MH Trust Recommendations	FY2013 Governor	Difference
Legal & Advocacy Services					
Office of Public Advocacy					
	MH Trust: Dis Justice-Grant 2462.03 Deliver Training for Defense Attorneys		**15.0**	**15.0**	**0.0**
		1092 Mental Health Trust Authority Authorized Receipts	15.0	15.0	0.0
		Office of Public Advocacy total:	**15.0**	**15.0**	
Public Defender Agency					
	MH Trust: Dis Justice-Grant 1920.04 Public Defender Agency-Social Services Specialist		**138.8**	**138.8**	**0.0**
		1092 Mental Health Trust Authority Authorized Receipts	138.8	138.8	0.0
		Public Defender Agency total:	**138.8**	**138.8**	**0.0**
		Department of Administration Totals:	**153.8**	**153.8**	**0.0**

Mental Health, Multiple Selected Trans Types, CR Grp: Mental Health Trust

FY2013 Mental Health Operating Budget Comparison

Department of Corrections

RDU Component	Change Record Title	Fund Sources	FY2013 MH Trust Recommendations	FY2013 Governor	Difference
Inmate Health Care					
Behavioral Health Care					
	MH Trust: Dis Justice - Grant 1922.04 Corrections Mental Health Clinical Positions		**355.0**	**355.0**	**0.0**
		1037 General Fund / Mental Health	191.0	191.0	0.0
		1092 Mental Health Trust Authority Authorized Receipts	164.0	164.0	0.0
	MH Trust: Dis Justice - Grant 571.07 Implement APIC Discharge Planning Model in Dept. of		**352.5**	**352.5**	**0.0**
		1037 General Fund / Mental Health	92.5	92.5	0.0
		1092 Mental Health Trust Authority Authorized Receipts	260.0	260.0	0.0
	MH Trust: Dis Justice- Grant 3507.01 Criminal Justice Technician		**67.2**	**67.2**	**0.0**
		1092 Mental Health Trust Authority Authorized Receipts	67.2	67.2	0.0
	MH Trust: Dis Justice- Increased capacity for the Institutional Discharge Program (IDP+)		**106.4**	**106.4**	**0.0**
		1037 General Fund / Mental Health	106.4	106.4	0.0
	MH Trust: Dis Justice- Training for DOC Mental Health Staff		**15.0**	**15.0**	**0.0**
		1092 Mental Health Trust Authority Authorized Receipts	15.0	15.0	0.0
		Behavioral Health Care total:	**896.1**	**896.1**	**0.0**
		Department of Corrections Totals:	**896.1**	**896.1**	**0.0**

Mental Health, Multiple Selected Trans Types, CR Grp: Mental Health Trust

FY2013 Mental Health Operating Budget Comparison

Department of Education and Early Development

RDU Component	Change Record Title	Fund Sources	FY2013 MH Trust Recommendations	FY2013 Governor	Difference
Teaching and Learning Support					
Student and School Achievement					
	MH Trust: Gov Cncl - Grant 180.08 AK Autism Resource Center		**100.0**	**100.0**	**0.0**
		1092 Mental Health Trust Authority Authorized Receipts	100.0	100.0	0.0
	MH Trust: Gov Cncl - Rural Transition Services		**100.0**	**100.0**	
		1037 General Fund / Mental Health	100.0	100.0	0.0
		Student and School Achievement total:	**200.0**	**200.0**	**0.0**
		Department of Education and Early Development Totals:	**200.0**	**200.0**	**0.0**

Mental Health, Multiple Selected Trans Types, CR Grp: Mental Health Trust

FY2013 Mental Health Operating Budget Comparison

Department of Health and Social Services

RDU Component / Change Record Title / Fund Sources	FY2013 MH Trust Recommendations	FY2013 Governor	Difference
Behavioral Health			
Behavioral Health Grants			
MH Trust: AK Alc Bd - Alternative/Itinerant FASD Diagnostic Team	**300.0**	**0.0**	**-300.0**
1037 General Fund / Mental Health	300.0	0.0	-300.0
MH Trust: AK Alc Bd - Substance Abuse Treatment for Unresourced Individuals	**450.0**	**450.0**	
1037 General Fund / Mental Health	450.0	450.0	0.0
MH Trust: AK MH Bd - Trauma Informed Care	**400.0**	**400.0**	**0.0**
1037 General Fund / Mental Health	400.0	400.0	0.0
MH Trust: Cont - Grant 3736.01 Behavioral Health Follow-up Survey	**75.0**	**75.0**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	75.0	75.0	0.0
MH Trust: Dis Justice - Grant 2819.03 Pre-Development for Sleep Off Alternatives in Targeted	**100.0**	**100.0**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	100.0	100.0	0.0
MH Trust: Housing - Grant 1337.05 Assisted Living Home Training and Targeted Capacity for	**200.0**	**200.0**	**0.0**
1037 General Fund / Mental Health	100.0	100.0	0.0
1092 Mental Health Trust Authority Authorized Receipts	100.0	100.0	0.0
Behavioral Health Grants total:	**1,525.0**	**1,225.0**	**-300.0**
Behavioral Health Administration			
MH Trust Continuing - Sustaining Alaska 2-1-1	**25.0**	**25.0**	**0.0**
1037 General Fund / Mental Health	25.0	25.0	0.0
MH Trust Workforce Dev - AK Psychiatric Residency	**326.0**	**0.0**	**-326.0**
1037 General Fund / Mental Health	202.0	0.0	-202.0
1092 Mental Health Trust Authority Authorized Receipts	124.0	0.0	-124.0
MH Trust Workforce Dev – Committee on Workforce Competency-Curriculum Development	**50.0**	**50.0**	**0.0**
1037 General Fund / Mental Health	50.0	50.0	0.0
MH Trust: BTKH - Grant 2465.03 Tribal/Rural System Development	**100.0**	**100.0**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	100.0	100.0	0.0

Mental Health, Multiple Selected Trans Types, CR Grp: Mental Health Trust

FY2013 Mental Health Operating Budget Comparison

Department of Health and Social Services

RDU Component / Change Record Title / Fund Sources	FY2013 MH Trust Recommendations	FY2013 Governor	Difference
Behavioral Health			
Behavioral Health Administration			
MH Trust: Housing - Grant 383.08 Office of Integrated Housing	**225.0**	**225.0**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	225.0	225.0	0.0
MH Trust: Workforce Dev - Trust Training Cooperatives & Alaska Rural Behavioral Health	**40.0**	**0.0**	**-40.0**
1037 General Fund / Mental Health	40.0	0.0	-40.0
Behavioral Health Administration total:	**766.0**	**400.0**	**-366.0**
Svcs/Seriously Mentally Ill			
MH Trust: Bds - AK Complex Behavior Collaborative Hub	**650.0**	**0.0**	**-650.0**
1037 General Fund / Mental Health	650.0	0.0	-650.0
MH Trust: Housing - Grant 575.07 Bridge Home Program & Expansion	**1,050.0**	**1,050.0**	**0.0**
1037 General Fund / Mental Health	300.0	300.0	0.0
1092 Mental Health Trust Authority Authorized Receipts	750.0	750.0	0.0
MH Trust: Housing - Grant 604.07 Department of Corrections Discharge Incentive Grants	**400.0**	**250.0**	**-150.0**
1037 General Fund / Mental Health	200.0	50.0	-150.0
1092 Mental Health Trust Authority Authorized Receipts	200.0	200.0	0.0
Svcs/Seriously Mentally Ill total:	**2,100.0**	**1,300.0**	**-800.0**
Svcs/Severely Emotion Dst Yth			
MH Trust: AK MH Bd - Early Childhood Screening & Brief Behavioral Services	**400.0**	**400.0**	**0.0**
1037 General Fund / Mental Health	400.0	400.0	0.0
MH Trust: BTKH - BTKH In-Home Intensive Support	**200.0**	**200.0**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	200.0	200.0	0.0
MH Trust: BTKH - Grant 1390.05 Expansion of School-Based Services Capacity via Grants	**125.0**	**125.0**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	125.0	125.0	0.0
MH Trust: BTKH - Grant 2463.03 Evidence Based Family Therapy Models	**500.0**	**500.0**	**0.0**
1037 General Fund / Mental Health	300.0	300.0	0.0
1092 Mental Health Trust Authority Authorized Receipts	200.0	200.0	0.0

Note: This report ignores included scenarios

Mental Health, Multiple Selected Trans Types, CR Grp: Mental Health Trust

FY2013 Mental Health Operating Budget Comparison

Department of Health and Social Services

RDU Component / Change Record Title / Fund Sources	FY2013 MH Trust Recommendations	FY2013 Governor	Difference
Behavioral Health			
Svcs/Severely Emotion Dst Yth			
MH Trust: BTKH - Grant 2466.03 Transitional Aged Youth	**450.0**	**450.0**	**0.0**
1037 General Fund / Mental Health	250.0	250.0	0.0
1092 Mental Health Trust Authority Authorized Receipts	200.0	200.0	0.0
MH Trust: BTKH - Grant 3051.02 Peer Navigator Program	**200.0**	**200.0**	**0.0**
1037 General Fund / Mental Health	100.0	100.0	0.0
1092 Mental Health Trust Authority Authorized Receipts	100.0	100.0	0.0
MH Trust: BTKH -Grant 1392.05 Community Behavioral Health Centers Outpatient & Emergency	**450.0**	**450.0**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	450.0	450.0	0.0
Svcs/Severely Emotion Dst Yth total:	**2,325.0**	**2,325.0**	**0.0**
Alaska Psychiatric Institute			
MH Trust Cont - Grant 2467.03 IMPACT Model of Treating Depression	**75.0**	**75.0**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	75.0	75.0	0.0
Alaska Psychiatric Institute total:	**75.0**	**75.0**	**0.0**
AK MH/Alc & Drug Abuse Brds			
MH Trust: BTKH - Strong Family Voice: Parent and Youth Involved via AMHB	**50.0**	**50.0**	**0.0**
1037 General Fund / Mental Health	50.0	50.0	0.0
MH Trust: Cont - Grant 605.07 ABADA/AMHB Joint Staffing	**435.0**	**435.0**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	435.0	435.0	0.0
AK MH/Alc & Drug Abuse Brds total:	**485.0**	**485.0**	**0.0**
Suicide Prevention Council			
MH Trust: ABADA/AMHB School Based Suicide Prevention	**450.0**	**450.0**	**0.0**
1037 General Fund / Mental Health	450.0	450.0	0.0
Suicide Prevention Council total:	**450.0**	**450.0**	**0.0**

Mental Health, Multiple Selected Trans Types, CR Grp: Mental Health Trust

FY2013 Mental Health Operating Budget Comparison

Department of Health and Social Services

RDU Component / Change Record Title / Fund Sources	FY2013 MH Trust Recommendations	FY2013 Governor	Difference
Children's Services			
Family Preservation			
MH Trust: BTKH - Grant 1926.04 Foster Parent & Parent Recruitment training & support	**276.0**	**276.0**	**0.0**
1037 General Fund / Mental Health	138.0	138.0	0.0
1092 Mental Health Trust Authority Authorized Receipts	138.0	138.0	0.0
Family Preservation total:	**276.0**	**276.0**	**0.0**
Infant Learning Program Grants			
MH Trust: BTKH - Grant 2550.03 Early Intervention for Young Children	**525.0**	**525.0**	**0.0**
1037 General Fund / Mental Health	350.0	350.0	0.0
1092 Mental Health Trust Authority Authorized Receipts	175.0	175.0	0.0
MH Trust: Gov Cncl - 1207.05 Early Intervention/Infant Learning Pgm Positive Parenting	**80.0**	**80.0**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	80.0	80.0	0.0
Infant Learning Program Grants total:	**605.0**	**605.0**	**0.0**
Juvenile Justice			
Probation Services			
MH Trust: Dis Justice - Grant 3504.01 Div Juvenile Justice Rural Re-entry Specialist	**110.9**	**110.9**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	110.9	110.9	0.0
MH Trust: Dis Justice - Mental Health Clinician Oversight In Youth Facilities	**152.9**	**152.9**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	152.9	152.9	0.0
Probation Services total:	**263.8**	**263.8**	**0.0**
Public Health			
Health Planning & Systems Develo			
MH Trust Workforce Dev - Grant 1383.05 Loan Repayment	**400.0**	**400.0**	**0.0**
1037 General Fund / Mental Health	200.0	200.0	0.0
1092 Mental Health Trust Authority Authorized Receipts	200.0	200.0	0.0
MH Trust: Cont - Grant 120.08 Comprehensive Integrated Mental Health Plan	**120.0**	**120.0**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	120.0	120.0	0.0
Health Planning & Systems Develo total:	**520.0**	**520.0**	**0.0**

Mental Health, Multiple Selected Trans Types, CR Grp: Mental Health Trust

FY2013 Mental Health Operating Budget Comparison

Department of Health and Social Services

RDU Component / Change Record Title / Fund Sources	FY2013 MH Trust Recommendations	FY2013 Governor	Difference
Public Health			
Women, Children and Family Healt			
MH Trust: Gov Cncl - Grant 3505.01 Autism Workforce Development Capacity Building	**75.0**	**75.0**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	75.0	75.0	0.0
Women, Children and Family Healt total:	**75.0**	**75.0**	
Chronic Disease Prev/Hlth Promo			
MH Trust: ACoA - Senior Fall Prevention Implementation	**200.0**	**0.0**	**-200.0**
1037 General Fund / Mental Health	200.0	0.0	-200.0
Chronic Disease Prev/Hlth Promo total:	**200.0**	**0.0**	**-200.0**
Senior and Disabilities Svcs			
Senior/Disabilities Svcs Admin			
MH Trust: Brain Injury - Grant 3178.02 Acquired & Traumatic Brain Injury Pgm Research Analyst	**136.0**	**136.0**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	136.0	136.0	0.0
MH Trust: Brain Injury - SDS Traumatic/Acquired Brain Injury (T/ABI) Case Mgmt Grant Program	**350.0**	**0.0**	**-350.0**
1037 General Fund / Mental Health	350.0	0.0	-350.0
MH Trust: Housing - Grant 68.09 Rural Long Term Care Development	**140.0**	**140.0**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	140.0	140.0	0.0
MH Trust: Workforce Dev - Trust Training Cooperatives & Alaska Rural Behavioral Health	**40.0**	**0.0**	**-40.0**
1037 General Fund / Mental Health	40.0	0.0	-40.0
Senior/Disabilities Svcs Admin total:	**666.0**	**276.0**	**-390.0**
Senior Community Based Grants			
MH Trust: ACoA - Adult Day Services	**225.0**	**225.0**	**0.0**
1037 General Fund / Mental Health	225.0	225.0	0.0
MH Trust: ACoA - Grant 1927.04 Aging and Disability Resource Centers	**125.0**	**125.0**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	125.0	125.0	0.0

Mental Health, Multiple Selected Trans Types, CR Grp: Mental Health Trust

FY2013 Mental Health Operating Budget Comparison

Department of Health and Social Services

RDU Component / Change Record Title / Fund Sources	FY2013 MH Trust Recommendations	FY2013 Governor	Difference
Senior and Disabilities Svcs			
Senior Community Based Grants			
MH Trust: ACoA - Senior In-Home Services (SIH Services)	**250.0**	**250.0**	**0.0**
1037 General Fund / Mental Health	250.0	250.0	0.0
Senior Community Based Grants total:	**600.0**	**600.0**	
Community DD Grants			
MH Trust: Benef Projects - Grant 124.08 Mini Grants for Beneficiaries with Disabilities	**252.5**	**252.5**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	252.5	252.5	0.0
MH Trust: Gov Cncl - Services for the Deaf	**150.0**	**150.0**	**0.0**
1037 General Fund / Mental Health	150.0	150.0	0.0
Community DD Grants total:	**402.5**	**402.5**	**0.0**
Commission on Aging			
MH Trust: Cont - Grant 151.08 ACOA Planner (06-1513)	**109.1**	**109.1**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	109.1	109.1	0.0
Commission on Aging total:	**109.1**	**109.1**	**0.0**
Governor's Cncl/Disabilities			
MH Trust: Benef Projects - Grant 200.09 Microenterprise Capital	**125.0**	**125.0**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	125.0	125.0	
MH Trust: Cont - Grant 105.08 Research Analyst III (06-0534)	**115.0**	**115.0**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	115.0	115.0	0.0
MH Trust: Dis Justice - AK Safety Planning & Empowerment Network (ASPEN)	**150.0**	**150.0**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	150.0	150.0	0.0
MH Trust: Gov Cncl - Council Operations	**150.0**	**0.0**	**-150.0**
1037 General Fund / Mental Health	150.0	0.0	-150.0

Mental Health, Multiple Selected Trans Types, CR Grp: Mental Health Trust

FY2013 Mental Health Operating Budget Comparison

Department of Health and Social Services

RDU Component / Change Record Title / Fund Sources	FY2013 MH Trust Recommendations	FY2013 Governor	Difference
Senior and Disabilities Svcs			
Governor's Cncl/Disabilities			
MH Trust: Gov Cncl - Employment for Beneficiaries w/ Developmental Disabilities	**150.0**	**0.0**	**-150.0**
1037 General Fund / Mental Health	150.0	0.0	-150.0
Governor's Cncl/Disabilities total:	**690.0**	**390.0**	**-300**
Departmental Support Services			
Commissioner's Office			
MH Trust: Dept-Patient-Centered Medical Homes w/ Integrated Services	**500.0**	**0.0**	**-500.0**
1037 General Fund / Mental Health	500.0	0.0	-500.0
MH Trust: Workforce Dev - Grant 2347.04 Workforce Development Coordinator	**115.0**	**115.0**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	115.0	115.0	0.0
Commissioner's Office total:	**615.0**	**115.0**	**-500.0**
Department of Health and Social Services Totals:	**12,748.4**	**9,892.4**	**-2,856.0**

Mental Health, Multiple Selected Trans Types, CR Grp: Mental Health Trust

FY2013 Mental Health Operating Budget Comparison

Department of Labor and Workforce Development

RDU Component / Change Record Title / Fund Sources	FY2013 MH Trust Recommendations	FY2013 Governor	Difference
Vocational Rehabilitation			
Special Projects			
MH Trust: Gov Cncl - Project SEARCH	**100.0**	**100.0**	**0.0**
1037 General Fund / Mental Health	100.0	100.0	0.0
Special Projects total:	**100.0**	**100.0**	
Department of Labor and Workforce Development Totals:	**100.0**	**100.0**	**0.0**

Mental Health, Multiple Selected Trans Types, CR Grp: Mental Health Trust

FY2013 Mental Health Operating Budget Comparison

Department of Natural Resources

RDU Component	Change Record Title	Fund Sources	FY2013 MH Trust Recommendations	FY2013 Governor	Difference
Administration and Support					
Mental Health Lands Admin					
	MH Trust: Cont - Trust Land Office Admin Budget		**3,679.2**	**3,540.7**	**-138.5**
		1092 Mental Health Trust Authority Authorized Receipts	3,679.2	3,540.7	-138.5
		Mental Health Lands Admin total:	**3,679.2**	**3,540.7**	**-13**
		Department of Natural Resources Totals:	**3,679.2**	**3,540.7**	**-138.5**

Mental Health, Multiple Selected Trans Types, CR Grp: Mental Health Trust

FY2013 Mental Health Operating Budget Comparison

Department of Revenue

RDU Component / Change Record Title / Fund Sources	FY2013 MH Trust Recommendations	FY2013 Governor	Difference
Mental Health Trust Authority			
Mental Health Trust Operations			
MH Trust Cont - Trust Authority Admin Budget	**3,153.9**	**3,153.9**	**0.0**
1094 Mental Health Trust Administration	3,153.9	3,153.9	0.0
Mental Health Trust Operations total:	**3,153.9**	**3,153.9**	
Long Term Care Ombudsman Office			
MH Trust: Cont - Long Term Care Ombudsman's Office	**25.9**	**25.9**	**0.0**
1037 General Fund / Mental Health	25.9	25.9	0.0
Long Term Care Ombudsman Office total:	**25.9**	**25.9**	**0.0**
Department of Revenue Totals:	**3,179.8**	**3,179.8**	**0.0**

Mental Health, Multiple Selected Trans Types, CR Grp: Mental Health Trust

FY2013 Mental Health Operating Budget Comparison

University of Alaska

RDU Component / Change Record Title / Fund Sources	FY2013 MH Trust Recommendations	FY2013 Governor	Difference
Univ of Alaska Anchorage			
Anchorage Campus			
MH Trust: Benef Projects - Grant 1291.06 Partners in policymaking	**200.0**	**200.0**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	200.0	200.0	0.0
MH Trust: Workforce De - Grant 574.07 Specialized skills and services training on serving	**55.0**	**55.0**	
1092 Mental Health Trust Authority Authorized Receipts	55.0	55.0	0.0
MH Trust: Workforce Dev - AHEC Area Health Education Centers	**500.0**	**0.0**	**-500.0**
1037 General Fund / Mental Health	500.0	0.0	-500.0
MH Trust: Workforce Dev - Grant 1384.05 Trust Training Cooperatives & Alaska Rural	**822.5**	**822.5**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	822.5	822.5	0.0
MH Trust: Workforce Dev - Grant 1932.04 Interdisciplinary Education in Children's Mental	**144.0**	**64.0**	**-80.0**
1037 General Fund / Mental Health	80.0	0.0	-80.0
1092 Mental Health Trust Authority Authorized Receipts	64.0	64.0	0.0
MH Trust: Workforce Dev - Grant 573.07 Interpersonal Violence Prevention for Beneficiaries	**80.0**	**80.0**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	80.0	80.0	0.0
MH Trust: Workforce Dev - Grant 582.07 Technical Assistance & Implementation of D.A.R.T.	**210.0**	**210.0**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	210.0	210.0	
MH Trust: Workforce Dev - Physical Therapy	**350.0**	**0.0**	**-350.0**
1037 General Fund / Mental Health	350.0	0.0	-350.0
Anchorage Campus total:	**2,361.5**	**1,431.5**	**-930.0**
Univ of Alaska Fairbanks			
Fairbanks Campus			
MH Trust Workforce Dev - Grant 3506.01 Univ Fairbanks Human Services (HUMS)	**50.0**	**50.0**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	50.0	50.0	0.0
Fairbanks Campus total:	**50.0**	**50.0**	**0.0**
University of Alaska Totals:	**2,411.5**	**1,481.5**	**-930.0**

Mental Health, Multiple Selected Trans Types, CR Grp: Mental Health Trust

FY2013 Mental Health Operating Budget Comparison

Alaska Court System

RDU Component / Change Record Title / Fund Sources	FY2013 MH Trust Recommendations	FY2013 Governor	Difference
Alaska Court System			
Trial Courts			
MH Trust: Dis Justice - Treatment funding for Owners w/o Licenses (OWL) participants	**50.0**	**50.0**	**0.0**
1037 General Fund / Mental Health	50.0	50.0	0.0
Trial Courts total:	**50.0**	**50.0**	
Therapeutic Courts			
Therapeutic Courts			
MH Trust: Dis Justice - Grant 1934.04 Fairbanks Juvenile Therapeutic Court	**305.9**	**305.9**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	305.9	305.9	0.0
MH Trust: Dis Justice - Grant 1935.04 Mental Health Court Expansion-targeted communities	**257.0**	**257.0**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	257.0	257.0	0.0
MH Trust: Dis Justice - Grant 569.07 AK Safety Action Pgm Therapeutic Case Management and	**139.9**	**139.9**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	139.9	139.9	0.0
MH Trust: Dis Justice - Treatment funding for therapeutic court participants	**200.0**	**200.0**	**0.0**
1037 General Fund / Mental Health	200.0	200.0	0.0
MH Trust: Dis Justice- Grt 3502.01 Training for Judicial Conference	**15.0**	**15.0**	**0.0**
1092 Mental Health Trust Authority Authorized Receipts	15.0	15.0	0.0
Therapeutic Courts total:	**917.8**	**917.8**	**0.0**
Alaska Court System Totals:	**967.8**	**967.8**	**0.0**
Report Totals:	**24,336.6**	**20,412.1**	**-3,924.5**

FY2013 Mental Health Capital Budget Comparison

Mental Health Only

Refnum	AP/AL	Project Title		FY13 MHT	FY13 Gov	Difference
Department of Health and Social Services						
Statewide (HD 1-40)						
54808	AP	Grant Managment Project				
			? Mental Health Trust Authority Authorized Receipts	$150,000	0	($150,000)
			Project Total:	**$150,000**	**0**	**($150,000)**
54274	AP	MH Aging and Disability Resource Centers Pilot to Improve Screening and Services				
			1037 General Fund / Mental Health	$425,000	$425,000	0
			Project Total:	**$425,000**	**$425,000**	**0**
54250	AP	MH Assistive Technology				
			1037 General Fund / Mental Health	$100,000	$125,000	$25,000
			Project Total:	**$100,000**	**$125,000**	**$25,000**
33672	AP	MH Essential Program Equipment				
			1037 General Fund / Mental Health	$475,000	$475,000	0
			Project Total:	**$475,000**	**$475,000**	**0**
33671	AP	MH Home Modification and Upgrades to Retain Housing				
			1004 General Fund Receipts	$250,000	$250,000	0
			1037 General Fund / Mental Health	$500,000	$500,000	0
			? Mental Health Trust Authority Authorized Receipts	$300,000	$300,000	0
			1139 AHFC Dividend	0	0	0
			Project Total:	**$1,050,000**	**$1,050,000**	**0**
			Department of Health and Social Services Total:	**$2,200,000**	**$2,075,000**	**($125,000)**
Department of Revenue						
Statewide (HD 1-40)						
6360	AP	MH AHFC Beneficiary and Special Needs Housing				
			1004 General Fund Receipts	$1,073,500	$1,073,500	0
			1139 AHFC Dividend	$676,500	$676,500	0
			Project Total:	**$1,750,000**	**$1,750,000**	**0**
45390	AP	MH AHFC Homeless Assistance Program				
			1004 General Fund Receipts	$8,350,000	$6,300,000	($2,050,000)
			1037 General Fund / Mental Health	$850,000	$850,000	0

* Indicates an appropriation with allocations
(amounts not included in totals)

FY2013 Mental Health Capital Budget Comparison

Mental Health Only

Refnum	AP/AL	Project Title		FY13 MHT	FY13 Gov	Difference
Department of Revenue						
Statewide (HD 1-40)						
45390	AP	MH AHFC Homeless Assistance Program				
			? Mental Health Trust Authority Authorized Receipts	$850,000	$850,000	0
			Project Total:	**$10,050,000**	**$8,000,000**	**($2,050,000)**
			Department of Revenue Total:	**$11,800,000**	**$9,750,000**	**($2,050,000)**
Department of Transportation/Public Facilities						
Statewide (HD 1-40)						
30648	AP	MH Coordinated Transportation and Vehicles				
			1037 General Fund / Mental Health	$800,000	$800,000	0
			? Mental Health Trust Authority Authorized Receipts	$250,000	$250,000	0
			Project Total:	**$1,050,000**	**$1,050,000**	**0**
			Department of Transportation/Public Facilities Total:	**$1,050,000**	**$1,050,000**	**0**
			Grand Total:	**$15,050,000**	**$12,875,000**	**($2,175,000)**

* Indicates an appropriation with allocations
(amounts not included in totals)

SB 163

<TARGET><BILL>SB 163</BILL><SUBJECT>SB 163</SUBJECT><COMM>SFIN27</COMM></TARGET>

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CS SB 163 (FIN)**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB163CS(FIN)-DOR-TRS-04-09-12
Title: G.O. BONDS FOR STATE TRANSPORTATION
Sponsor: Rules by request of the Governor
Requester: (S) FIN

Dept. Affected: Revenue
Appropriation: Taxation and Treasury
Allocation: Treasury
OMB Component Number: 121

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel	20.0		20.0		20.0		
Services	1,255.0		1,255.0		1,284.7		
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous			11,100.0	23,600.0	23,600.0	36,392.0	36,392.0
TOTAL OPERATING	**1,275.0**	**0.0**	**12,375.0**	**23,600.0**	**24,904.7**	**36,392.0**	**36,392.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF			11,100.0	23,600.0	23,600.0	36,392.0	36,392.0
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1008	G/O Bonds (Other)	1,275.0		1,275.0		1,304.7		
TOTAL		**1,275.0**	**0.0**	**12,375.0**	**23,600.0**	**24,904.7**	**36,392.0**	**36,392.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated fiscal note following new CS version D.

Prepared by: Deven Mitchell, Debt Manager — Phone: 907-465-3750
Division: Treasury Division — Date/Time: 4/9/12 1:00 PM
Approved by: Angela Rodell, Deputy Commissioner — Date: 4/9/2012
Department of Revenue

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CS SB 163 (FIN)

Analysis

The bill authorizes the issuance of a total of $453,499,200 of general obligation bonds of the State of Alaska of which $449,900,000 is for project costs and up to $3,599,200 is for the costs associated with issuing the bonds. The bonds would carry the full faith, credit and resources pledge of the State and must be ratified in a statewide election. This is the strongest form of credit pledge available to the State and accordingly results in the lowest interest rates for borrowed funds. If the bill is approved, Alaska voters would consider the proposition in the November 2012 general election.

The bonds would be issued as either fully exempt (Non-AMT bonds) or tax exempt, subject to the Alternative Minimum Tax (AMT bonds) in a ratio estimated to be 80 percent Non-AMT and 20% subject to AMT. All of the bonds will be subject to limitations of the Federal tax code. While there are many restrictions imposed when taking advantage of tax exemption, two key limits are that an issuer must be able to track all funds to final expenditure on an allowed public capital project and that all funds resulting from the bond issuance are expended within three years of the bond sale. Due to these limitations it is anticipated that the authorization would require careful state oversight of the proposed municipal projects and result in multiple bond issues. For planning purposes six bond issues are assumed with three sale dates staggered over three years beginning with an initial issuance in February 2013 of $150 million followed by a 2014 issuance of $150 million and a 2016 issuance of the final $153,499,200. The initial bond issues would be sized based on anticipated cash-flow with subsequent issues adjusted to actual cash flow.

The first bonds would be issued in February 2013, and sold in two series anticipated to total $150 million. The current rate for a 20 year level amortization of Alaska general obligation bonds are at all time lows and estimated at 2.35% for tax exempt and 3.00% AMT bonds. The bonds would be structured to amortize AMT bonds first and followed by the Non-AMT bonds for a blended rate of 2.61%. This rate results in annual debt service of approximately $9.75 million beginning in FY 2014 for the $150 million. The borrowing rate is below the anticipated Constitutional Budget Reserve (CBRF) regular account rate of return of 3.4% and well below the assumed rate of return on the CBRF subaccount of 6.85%.

For planning purposes a more conservative, but still historically low rate of 4% was used, increasing the annual debt service estimate to $11,100,000. If interest rates have increased at the point bonds are sold there would be a similar increase in the rate of return expectations in the CBRF regular account as it is comprised of fixed income securities that are actively managed.

It is estimated that $150 million in bonds would be sold in February 2014 with estimated annual debt service of $12.5 million beginning in FY 2015 followed by $153,499,200 in February 2016 with estimated annual debt service of $12.79 million beginning in FY 2017. This proposed schedule of issuance would be modified to match the actual expenditures on the authorized projects. A more conservative 5% interest rate was used to estimate debt service on these issues.

The costs associated with issuing bonds include underwriting, rating agency, attorneys, financial advisors, marketing and disclosure services, administrative, and printing. It is estimated that these costs will be less than 0.8% of the bonds issued, or a total of up to $3,599,200 for the anticipated six series of bonds on three issue dates.

Sponsor Statement

SB 163

General Obligation Bond for Alaska Port Projects

Alaska's future rests on responsibly developing our natural resources, and creating jobs and economic opportunities for our families. The State of Alaska has more miles of coastline than any other state in the union. Combined with our remote location, Alaska's economy is reliant on waterborne commerce to receive the goods we use and to export the resources we develop.

SB 163 authorizes the State of Alaska to sell $350 million in general obligation bonds to fund infrastructure improvements for six port projects. With our AAA bond rating, Alaska receives a favorable interest rate on bond sales. With the current low cost of borrowing, the state realizes a greater rate of return on the general fund then it would have to pay when borrowing funds through a general obligation bond package.

The funds would be used to rehabilitate and expand six ports throughout the state. These ports are located in upper Cook Inlet, Bristol Bay, Kenai Peninsula, the Yukon River Delta and Ketchikan. Each of these projects has a pivotal role in Alaska's economy.

Alaska is unique in its economic dependence on ports. Very limited federal funding is available for port infrastructure. The use of general obligation bonds will help bring these projects to completion.

Governor Parnell is committed to working with the Legislature to develop Alaska's infrastructure. These projects will promote economic growth within their region, and to the economy of Alaska.

Prepared by Office of Management and Budget
February 12, 2012

Sectional Analysis

SB 163

General Obligation Bond for Alaska Port Projects

"An Act providing for and relating to the issuance of general obligation bonds for the purpose of paying the cost of municipal port projects; and providing for an effective date."

Section 1: This section describes the amount and the purpose of the general obligation bonds. The purpose is to provide funding to pay for the cost of design and construction of identified municipal port projects. The principal amount of the bonds to be sold is not to exceed $350,000,000 and must be ratified by a majority of voters in the state. The bonds shall be issued under the provisions of AS 37.15.

Section 2: This section establishes the Port Project Fund. If the voters approve the bonds, a special fund for the state shall be established that will be known as the *2012 Port Project Fund.* The fund shall include the proceeds from the sale of the bonds, but will not include the accrued interest and premiums.

Section 3: This section establishes how the funds will be awarded to the individually identified projects. The amount of $350,000,000 will be appropriated from the 2012 Port Project Fund to the Department of Commerce Community and Economic Development to be awarded as grants under AS 37.05.315 (Grants to Municipalities).

Section 4: This section appropriates $2,965,000 from the General Fund to the state bond committee to pay expenses associated with the issuance of the bonds. The amount authorized and expended in this section will be reimbursed to the state General Fund from the proceeds of the sale of the bonds. (Estimate $900.0 in bond issuance cost in FY2013 – see fiscal note)

Section 5: This section establishes the lapse, redemption, and reimbursement of the appropriations in Section 3. Unexpended and unobligated balances of the appropriations are appropriated to the state

bond committee to redeem bonds sold. Amounts expended from the state General Fund related to pay redemption costs shall be reimbursed to the General Fund to the extent the money is not needed to redeem the bonds.

Section 6: This section establishes the ballot question that will be asked of voters to approve the general obligation bonds for the specified purpose.

Section 7: This section establishes an immediate effective date.

Prepared by Office of Management and Budget
February 12, 2012

ALASKAN-IZING THE FLEET

Bringing the Coastal Villages Region Fund CDQ vessels home to Alaska

The Program

Coastal Villages Region Fund (CVRF) represents 20 Western Alaska communities, and with 35% of the total assets is the largest of the six Community Development Quota (CDQ) groups. Combined, the groups are a billion dollar business annually, employing 2300 people in wage and salary jobs paying $32 million, with another $25 million in ex-vessel payments to 1500 permit holders and 1700 crew.

CVRF harvests cod, pollock, crab, salmon and halibut in the Bering Sea and Aleutian Islands, and holds over $300 million in CDQ assets.

The Project

Currently, the economic benefits of homeporting largely bypass Alaska in favor of Puget Sound. Given sufficient infrastructure choices ships will follow their owners. The CVRF fleet owners desire to bring their fleet home to Alaska, and have partnered with Seward to further develop the Seward Marine Industrial Center (SMIC) support facilities including:

- Breakwater to protect mooring basin
- 2500' of moorage
- 20,000 sq. ft. of warehouse
- 5,000 sq. ft. of office
- 5-10 acres fenced storage
- Private sector vendors for fuel, provisions, training and services across marine trades.

Why Seward?

- Year round ice-free port
- Road, rail and air access
- Fleet-capable drydock and ship repair
- History of fishing businesses
- AVTEC maritime licensing, training and certification
- Access to marine trades and services across all of South-Central Alaska
- Building onto $30+ million of community bonded basic port infrastructure
- Regulatory process streamlined by adding onto currently permitted SMIC projects and activities
- Existing baseline geotechnical work

"No single port can meet all the fleet's service, supply and repair needs. Seward's location will serve as the ideal hub for access to Anchorage, Cook Inlet, Prince William Sound and Kodiak port resources for the vessels".

Cost and Funding

Initial total cost estimate is $55 million including a 31% contingency, which will be refined and lowered as the design is further developed.

Given the size of the project and the economic importance of Alaskan-izing the CDQ fleet, Seward is pursuing a combination of grant funding and debt service options, including:

- State: AIDEA, Legislative appropriation, Statewide Port Bond Package, ADOT&PF Harbor program
- Federal: USACE, "TIGER" grant, EDA, USDA Rural
- Local bonding
- Private sector w'hse, offices, housing and vessel services

Benefits

In addition to construction jobs, the primary benefit is spending on vessel repair and maintenance and goods and services and jobs created and supported in Alaska rather than in WA.

Savings to CVRF are significant, including airfare to/from Seattle, and exemplified by average fuel savings of $75,000 per vessel per round trip to Seward rather than Seattle. Savings will more than offset the sometimes higher cost of doing business in Alaska, and are expected to increase as economies and efficiencies of scale grow with the relocation.

The harbor improvements will be critical in attracting other new business to Alaska, including exploration and support vessels for Beaufort and Chukchi O&G.

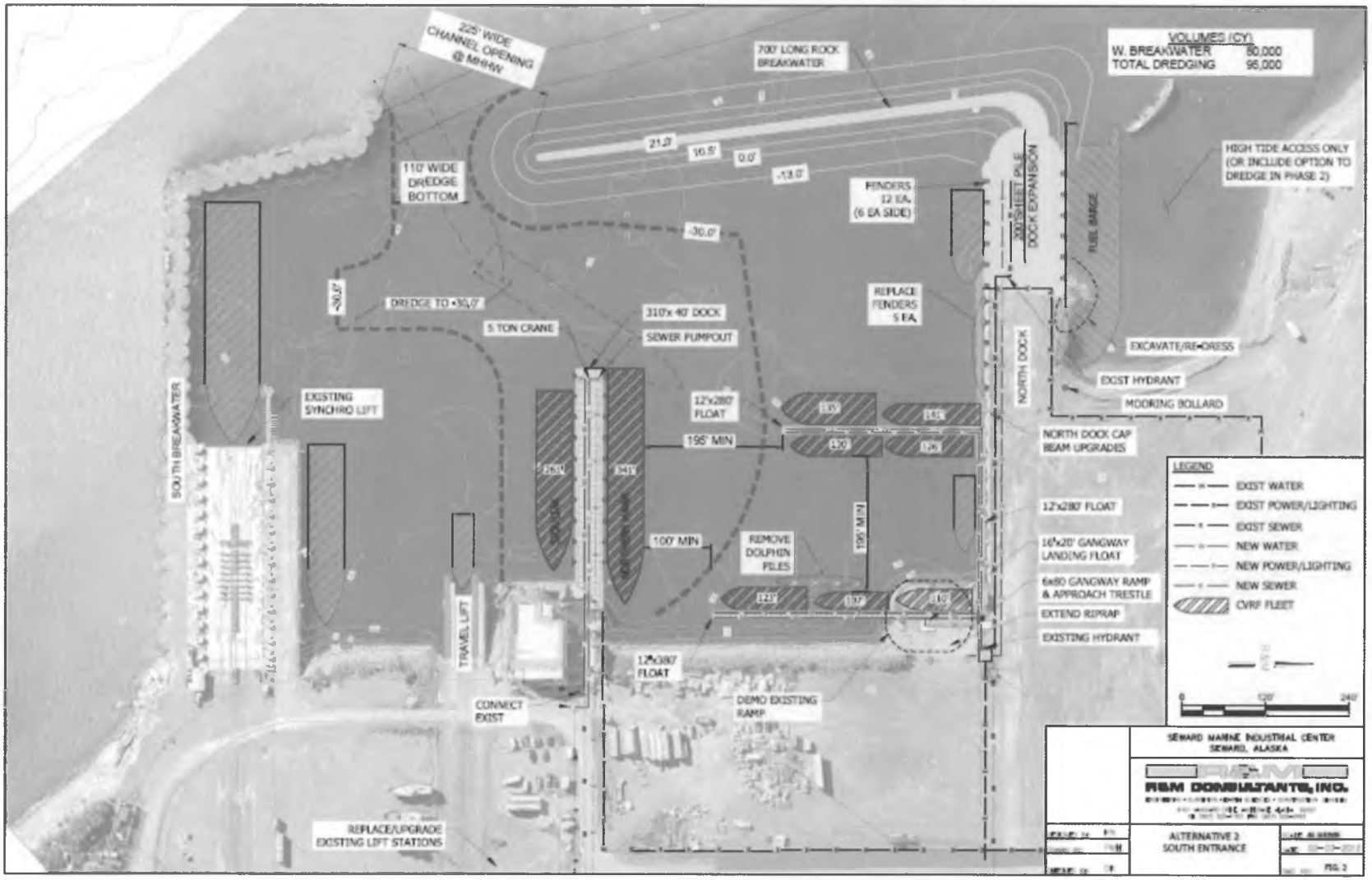
The Future

The economic activity associated with homeporting the CVRF fleet will enable private sector development to existing, new, and new-to-Alaska businesses.

Sales and property taxes and fuel excise taxes will far outweigh moorage charges. These, together with lease fees, will support debt service and ongoing operations and maintenance of the public infrastructure so that future state and federal subsidies are avoided.

This project furthers the late Sen. Steven's vision in the Magnuson-Stevens Fisheries Act and CDQ amendments of achieving sustainable and diversified economies in Western Alaska, as well as bringing significant benefits to the state as a whole.

City of Seward • P.O. Box 167 • Seward, Alaska 99664 • www.cityofseward.us
City Manager Jim Hunt • 907-224-4012 • jhunt@cityofseward.net


225' WIDE CHANNEL OPENING @ MHHW
700' LONG ROCK BREAKWATER
VOLUMES (CY)
W. BREAKWATER 80,000
TOTAL DREDGING 95,000
HIGH TIDE ACCESS ONLY (OR INCLUDE OPTION TO DREDGE IN PHASE 2)
110' WIDE DREDGE BOTTOM
21.0'
10.5'
0.0'
-13.0'
-30.0'
FENDERS 12 EA. (6 EA SIDE)
200' SHEET PILE DOCK EXPANSION
FUEL BARGE
REPLACE FENDERS 5 EA.
DREDGE TO -30.0'
5 TON CRANE
310'x 40' DOCK
SEWER PUMPOUT
NORTH DOCK
EXCAVATE/RE-GRESS
EXIST HYDRANT
MOORING BOLLARD
SOUTH BREAKWATER
EXISTING SYNCHRO LIFT
12'x280' FLOAT
195' MIN
NORTH DOCK CAP BEAM UPGRADES
100' MIN
REMOVE DOLPHIN PILES
195' MIN
12'x280' FLOAT
16'x20' GANGWAY LANDING FLOAT
6x80 GANGWAY RAMP & APPROACH TRESTLE
EXTEND RIPRAP
EXISTING HYDRANT
TRAVEL LIFT
12'x280' FLOAT
CONNECT EXIST
DEMO EXISTING RAMP
REPLACE/UPGRADE EXISTING LIFT STATIONS
LEGEND
EXIST WATER
EXIST POWER/LIGHTING
EXIST SEWER
NEW WATER
NEW POWER/LIGHTING
NEW SEWER
CVRF FLEET
0
120'
240'
SEWARD MARINE INDUSTRIAL CENTER
SEWARD, ALASKA
R&M CONSULTANTS, INC.
ALTERNATIVE 2
SOUTH ENTRANCE
FIG. 2

SB 167

<TARGET><BILL>SB 167</BILL><SUBJECT>SB 167</SUBJECT><COMM>SFIN27</COMM></TARGET>

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

Senator Bert Stedman, Co-Chair
State Capitol, Room 516
Juneau, AK 99801-1182
(907) 465- 3873 - Phone
(907) 465-3922 - Fax
Senator_Bert_Stedman@legis.state.ak.us

Official Business

Senator Lyman Hoffman, Co-Chair
State Capitol, Room 518
Juneau, AK 99801-1182
Phone - (907) 465- 4453
Fax - (907) 465- 4523
Senator_Lyman_Hoffman@legis.state.ak.us

SPONSOR STATEMENT
SB 167 – Separate Oil and Gas Production Tax

SB 167 separates oil and natural gas for the purpose of calculating their respective production tax value under AS 43.55.

Under this bill the progressivity surcharges for oil, Cook Inlet gas, and in-state gas would be calculated together, but separately from export gas, instead of the current practice on all oil and gas combined. The progressivity structure itself would be unchanged, based on 0.4% of the production value that exceeds $30 per barrel for oil, and $30 per BTU barrel of oil equivalent for gas. The base tax rate is unchanged at 25% of production tax value.

Under current law the tax rate is based on the combined BTU value of oil and gas. However, oil and gas can have vastly different values on a BTU basis. Currently a BTU of oil is worth much more than a BTU of gas. Accordingly, once a major gas sale starts, overlaying the existing oil production, the BTU value of the combined oil and gas would be much lower than it was for oil alone. This has been referred to as the dilution effect and could cause a significant reduction in oil taxes as a result of a major gas sale. The existing tax structure, in conjunction with the inherent uncertainty of future oil and gas prices, exposes the state to significant financial risk were a major gas sale to occur. The structure also creates economic instability for entities looking to participate in the development and financing of a natural gas pipeline project in Alaska. SB 167 removes the dilution effect by having the production tax calculated distinctly for oil and gas. This will result in no reduction in oil taxes from a major gas sale.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version **SB 167**
Fiscal Note Number
() Publish Date

Identifier (file name) SB167-DOR-TAX-01-25-12
Title Separate Oil and Gas Production Tax/Deductions
Sponsor Senate Finance Committee
Requester Senate Finance Committee

Dept. Affected Revenue
Appropriation Taxation and Treasury
Allocation Tax Division
OMB Component Number 2476

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services	330.0						
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**330.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE (Thousands of Dollars)								
1002	Federal Receipts							
1003	GF Match							
1004	GF	330.0						
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**330.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time	**0**	0	0	0	0	0	0
Part-time							
Temporary							

CHANGE IN REVENUES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This is the initial version of the bill.

Prepared by Cherie Nienhuis, Commercial Analyst and Dan Stickel, Economist — Phone 907-269-1019
Division Tax Division — Date/Time 01/25/12 11am
Approved by Jerry Burnett, Director of Administrative Services — Date 1/25/2012
Department of Revenue

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB 167
2012 LEGISLATIVE SESSION

Analysis

This bill separates some oil and natural gas for purposes of calculating the progressivity portion of the production tax under AS 43.55 (also known as "decoupling"). Currently, all oil and gas are combined for purposes of calculating a single progressivity rate. Under this bill, two progressivity rates would be calculated. The first progressivity surcharge would be based on oil, Cook Inlet gas, and gas used in state. The second progressivity surcharge would be calculated based on gas other than Cook Inlet gas and gas used in state. The bill instructs the Department of Revenue , to the extent possible, to provide for the allocation of lease expenditures in proportion to the gross value at the point of production for the oil and gas produced.

For purposes of the tax calculation, exploration expenditures and development expenditures for non-producing leases or units would be allocated within geographic areas based on the gross value at the point of production of existing oil and gas production.

The base tax rate remains unchanged at 25% and the progressivity structure remains unchanged at 0.4% per $1 of production tax value over $30 per BTU-equivalent barrel, then 0.1% per $1 of production tax value over $92.50 up to a maximum total base plus progressivity rate of 75%.

Revenue Impact
There would be no revenue impact during the time period included in this fiscal note as gas that is produced in Cook Inlet or used in state is not impacted by this bill.

Under the current ACES system without the separate progressivity calculations, the state may receive less revenue with oil production and major gas sales, compared to oil production alone. This effect is due primarily to lower value gas diluting the progressivity surcharge on higher value oil under a combined tax. Under this bill, once major North Slope gas sales begin, exported gas will be subject to the separate progressivity calculation. Our modeling suggests that under this bill, and with addition of major gas sales to oil production, state revenue would be equal to or higher than revenue with oil only.

Additionally, this bill would generally increase revenue to the state, due to the increased taxes on oil, compared to the current tax system with a combined progressivity calculation, from major gas sales along with oil production. The amount of revenue increase is primarily dependent on oil and gas price and volume assumptions, along with some minor assumptions regarding expenditures and tariffs, but could be in excess of $1 billion per year.

Costs to Implement
With the change in tax structure, the department will need to develop comprehensive regulations, requiring an additional $330,000 for regulatory work and public participation in regulations. With passage of this bill in the 2012 legislative session, the workshop and public forum process would likely begin in the summer or fall of 2012, and the majority of the regulation costs would be incurred in FY 13. Aside from these one-time costs, the provisions of this bill can be implemented using existing staff and resources. Specific costs include the following:
$50,000 for contracted professional services for regulation consulting
$180,000 for regulations costs including Department of Law, public notice and registry
$100,000 for public forums for education of taxpayers and public participation, including preparation materials and legal support, and possibly travel.

LEGAL SERVICES

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

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

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

MEMORANDUM January 20, 2012

SUBJECT: Sectional Summary for SB 167 (Work Order No. 27-LS1182\A)

TO: Senator Bert Stedman
Co-Chair of the Senate Finance Committee
Attn: Darwin Peterson

FROM: Emily Nauman EN
Legislative Counsel

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

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

Section 1 amends AS 29.60.850(b) to reference the new separate progressive tax on gas as a source of money that may be appropriated to the community revenue sharing fund. (The "community revenue sharing fund" was established in AS 29.60.850(a) "for the purpose of making community revenue sharing payments to municipalities, reserves, and communities for any public purpose.")

Section 2 amends AS 43.55.011(e) to make separate references to the monthly progressive taxes on oil and gas. (The progressive tax on oil, gas produced in Cook Inlet, and gas produced elsewhere and used in the state is in AS 43.55.011(g). The progressive tax on other gas is in AS 43.55.011(p).)

Section 3 amends AS 43.55.011(g) to have the tax rate determined using the production tax values of oil and the production tax values on a BTU equivalent basis of gas produced in Cook Inlet and gas produced elsewhere and used in the state. Applies the tax rate only to that oil and gas production. Makes no change in the tax rates or the range of production tax values within which the two tax rates apply.

Section 4 adds new subsection (p) to AS 43.55.011. Provides for a progressive tax applicable to gas production that is not included in AS 43.55.011(g) as amended in sec. 3 of the bill. Provides that the tax rate is applied to the production tax value of a BTU equivalent of gas. Uses the same tax rates and ranges of production tax values as AS 43.55.011(g) under current law.

Section 5 repeals and reenacts AS 43.55.020(a) and describes the determination of the amount of a monthly installment payment for production taxes when the progressive tax

on oil, Cook Inlet gas, and other gas used in the state, and the progressive tax applicable to other gas are determined separately.

Section 6 amends AS 43.55.020(d), relating to a settlement with the royalty owner, by adding references to the progressive tax on the gas to which AS 43.55.011(p) is applicable.

Section 7 amends AS 43.55.160(a), relating to the determination of the production tax value of oil and gas, by providing the means for determining the production tax value of oil and the production tax value of gas separately. Reorders the subparagraphs so that the subparagraphs related to the production tax value of gas produced outside of Cook Inlet and other gas not used in the state are at the end.

Section 8 adds new subsections (f), (g), and (h) to AS 43.55.160. AS 43.55.160(f) defines producer's lease expenditures, for purposes of (g). AS 43.55.160(g) directs producer's lease expenditures to be allocated between the production of oil and the production of gas as directed by regulation established by the department. AS 43.55.160(h) breaks out and defines areas of the state for the purposes of (f) and (g).

Section 9 amends AS 43.55.165(h), relating to the requirement that the Department of Revenue adopt regulations for allocating lease expenditures, by requiring that the Department of Revenue consider allocating lease expenditures in proportion to the gross value at the point of production of oil produced and gas produced from each lease or property.

Section 10 adds new subsection AS 43.55.170(d), which is similar to the amendment to AS 43.55.165(h) in sec. 8 but is applicable to allocating adjustments to lease expenditures. Directs the Department of Revenue to consider allocating adjustments in proportion to the lease expenditures allocated to the production of oil and the production of gas under regulations adopted by the department under AS 43.55.165(h).

Section 11 requires a producer that underpays an installment payment after December 31, 2011 and before the effective date because of the retroactive application of the new progressive tax section to pay the amount of the underpayment on the date the first installment payment is due after the effective date of the bill.

Section 12 makes regulations related to the progressive tax provisions of the bill -- secs. 2 - 5, 7 and 8 -- retroactive to January 1, 2012.

Section 13 makes the progressive tax provisions of the bill -- secs. 2 - 5, 7 and 8 -- retroactive to January 1, 2012.

Section 14 makes the bill take effect immediately.

ELN:ljw
12-029.ljw

"Decoupling" of Oil and Gas for Production Tax Purposes

Presentation to the
Senate Finance Committee
January 27, 2012
Alaska Department of Revenue

Overview

- How Alaska's production tax works
- What is "decoupling"
- Why decouple?
- Decoupling Issues
- History: SB 305 in 2010

How Alaska's Production Tax Works

- Company specific tax
- Based on Production Tax Value (PTV)
  - Market price – Transportation Costs = Gross Value at Point of Production (GVPP)
  - GVPP – Lease Expenditures = Production Tax Value (PTV)
- Tax Rate
  - Base tax rate of 25% of "production tax value"
  - Progressivity applies when PTV is over $30 / BOE, and increases rate by 0.4% for each $1 of PTV over $30 / BOE
  - Example: At $50 / BOE PTV, tax rate is 33% *(25% + 0.4% * $20)*
  - At $92.50 / BOE progressivity changes to 0.1% per $1 of PTV

FY 11 Production Tax Calculation

	Per Barrel	Barrels	Value ($ million)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$94.49	602,723	$56.9 / day
Annual Production (bbl)			
Total Annual Production/Value		**219,993,895**	**$20,786.7**
Royalty and Federal barrels		(29,505,505)	($2,787.9)
Taxable barrels		**190,488,390**	**$17,998.8**
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	($2.45)		
TAPS Tariff	($4.02)		
Other	($0.70)		
Total Transportation Costs	**($7.17)**	**190,488,390**	**($1,365.8)**
Lease Expenditures			
Deductible Operating Expenditures	($13.22)		($2,517.4)
Deductible Capital Expenditures	($8.52)		($1,622.9)
Total Lease Expenditures	**($21.74)**	**190,488,390**	**($4,140.3)**
Production Tax Value (PTV)			**$12,492.6**
Production Tax			
Base Tax (25%*PTV)			$3,123.3
Production Tax Value per barrel	$65.58		
Progressive Tax = (14.2% * PTV)			$1,778.1
Total Tax Due before credits			**$4,901.2**
Credits Applied Against Taxes			($400.0)
Total Tax after credits			**$4,501.28**

Source: Department of Revenue Fall 2011 Revenue Sources Book, Appendix D

This simple model assumes constant production, price, and expenditures for the entire year; results will differ from our larger model and forecast.

The per-barrel expenditures shown are per taxable barrel and do not reflect expenditures per all barrels produced.

What is "decoupling"

- **Under current law, gas production from major gas sales would be converted to "barrel of oil equivalent" and taxed in the same calculation as oil***
- **"Decoupling" would calculate oil and gas tax for major gas sales separately.**

***special provisions exist currently that extend special tax rates to Cook Inlet Gas, and gas for in-state use, until 2022. However these types of production are still included in the statewide "progressivity" calculation**

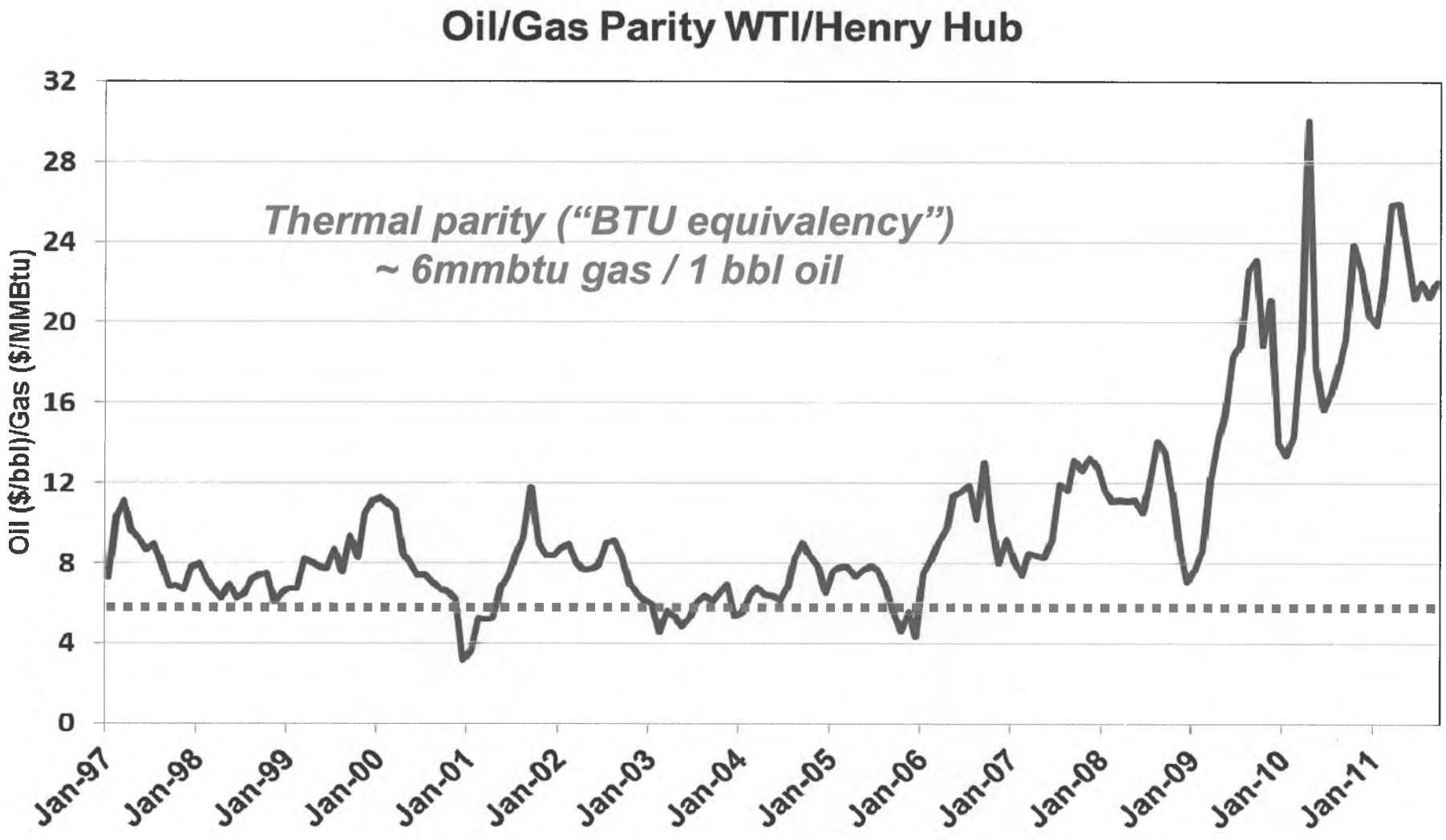
Conceptually, decoupling is simple…

Coupled	Decoupled	
Oil & Gas Destination Value	Oil Destination Value	Gas Destination Value
- Oil & Gas transportation costs	- Oil transportation costs	- Gas transportation costs
= Oil & Gas GVPP	= Oil GVPP	= Gas GVPP
- Oil & Gas Upstream Expenditures	- Oil Upstream Expenditures	- Gas Upstream Expenditures
= Oil & Gas Production Tax Value	= Oil Production Tax Value	= Gas Production Tax Value
X Tax Rate	X Tax Rate	X Tax Rate
= Oil & Gas Tax Liability	**= Oil Tax Liability**	**= Gas Tax Liability**

Why decouple?

- Oil is different than gas (different uses, different resource endowments, different substitutes)
- Decoupling allows tax policy to be crafted specific to oil or gas production
- Oil is currently worth more than gas (per unit of energy)
- Gas value relative to oil varies greatly over time

Oil price ≠ 6 * gas price



Why decouple?

- Including lower value gas in the same tax calculation as higher value oil reduces the average value per BOE and therefore reduces the progressive tax rate on oil
- By taxing oil and gas together, gas production reduces oil taxes even though oil operations are unaffected
- This has been called the "flip the switch" problem… as soon as major gas sales begin, state tax revenue could drop significantly, under certain price scenarios (including current prices!)

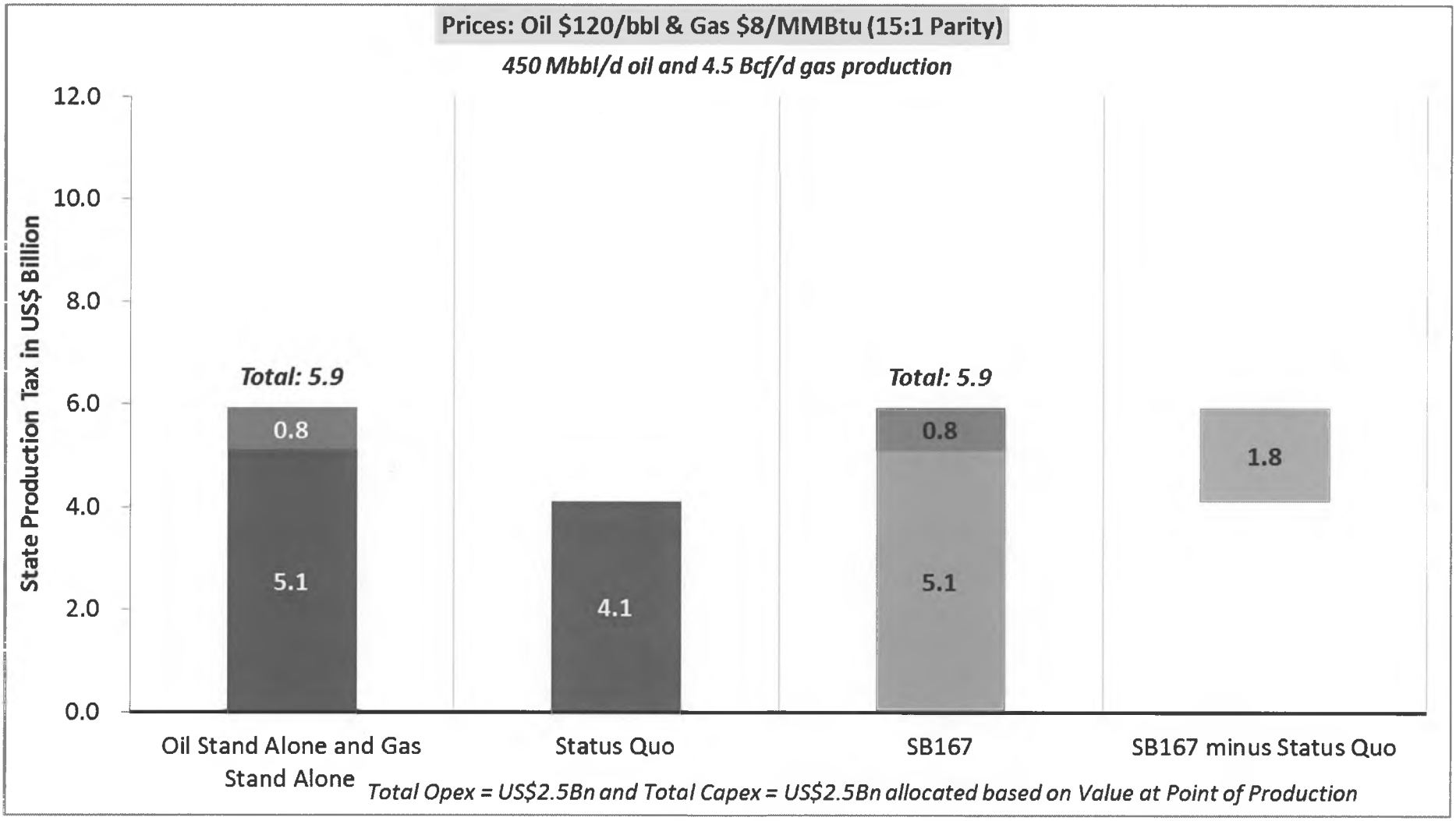
Numerical Examples : Assumptions

- One Year "Income Statement" model
- DOR 2012 Profiles
  - Oil: 450 Mbbl/d
  - Gas: 4.5 Bcf/d
- Conversion
  6 Mcf = 1 boe

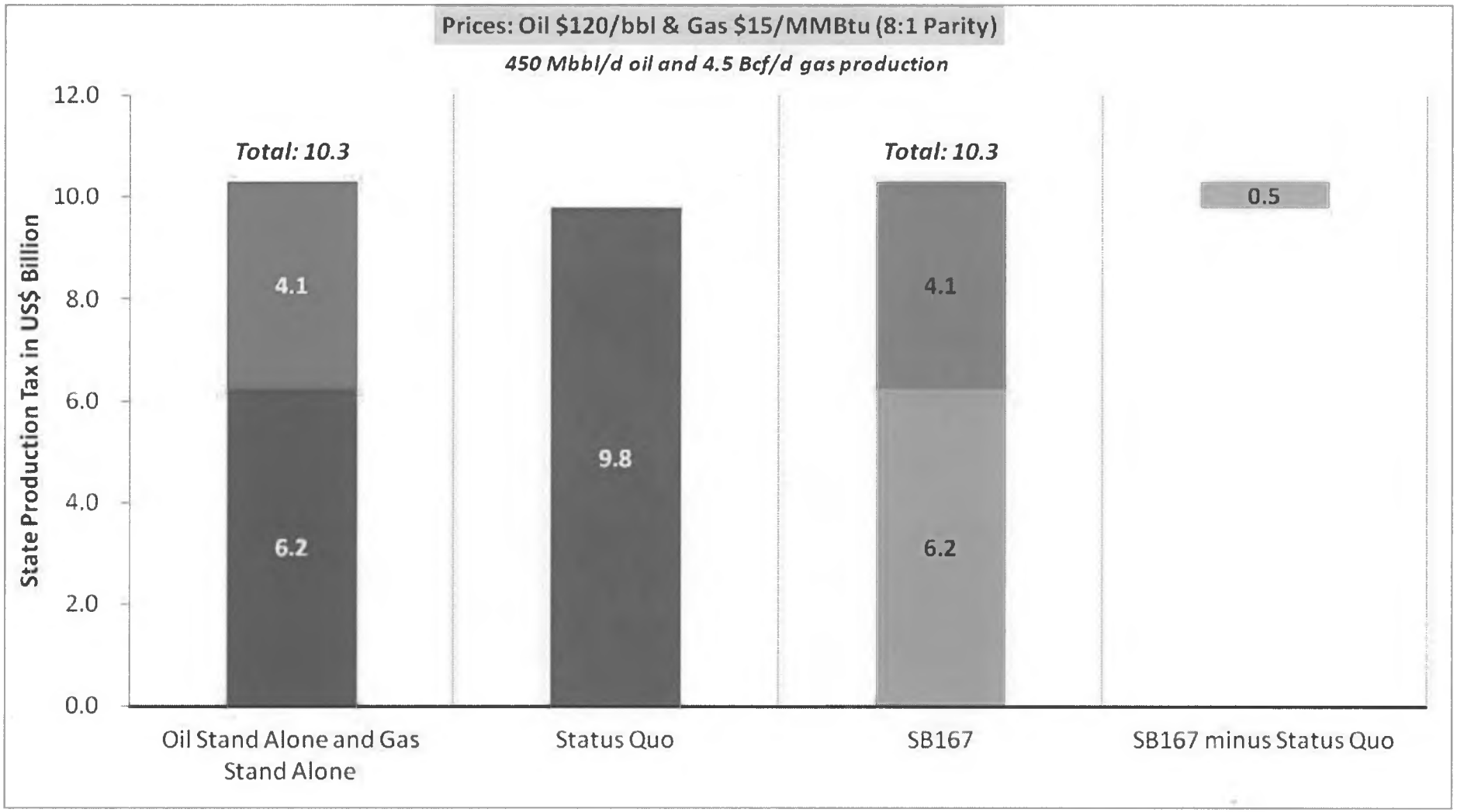
bbl/d: Barrels of oil per day
Mbbl/d: Thousand barrels of oil per day
boe: Barrel of oil equivalent
Bcf/d: Billion cubic feet per day
Mcf: Thousand cubic feet
MMBtu: Million British thermal units

- Costs allocation
  - Opex: $2,500,000,000
  - Capex: $2,500,000,000
  - Costs split on the basis of gross value at the Point of Production (PoP)
- Transportation
  - Oil: $11.00/bbl
  - Gas: $4.5/MMBtu

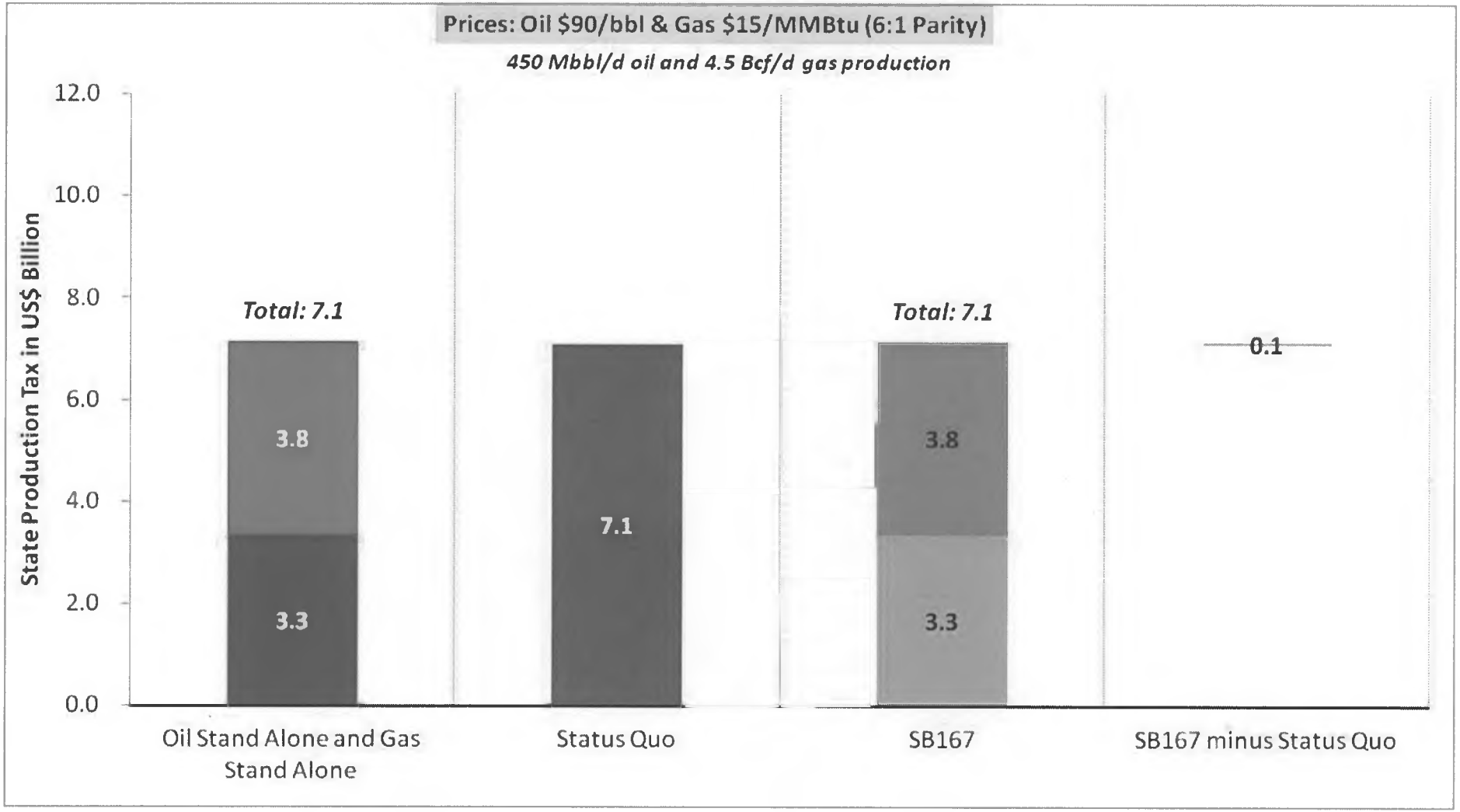
At high parity, SB 167 > Status Quo



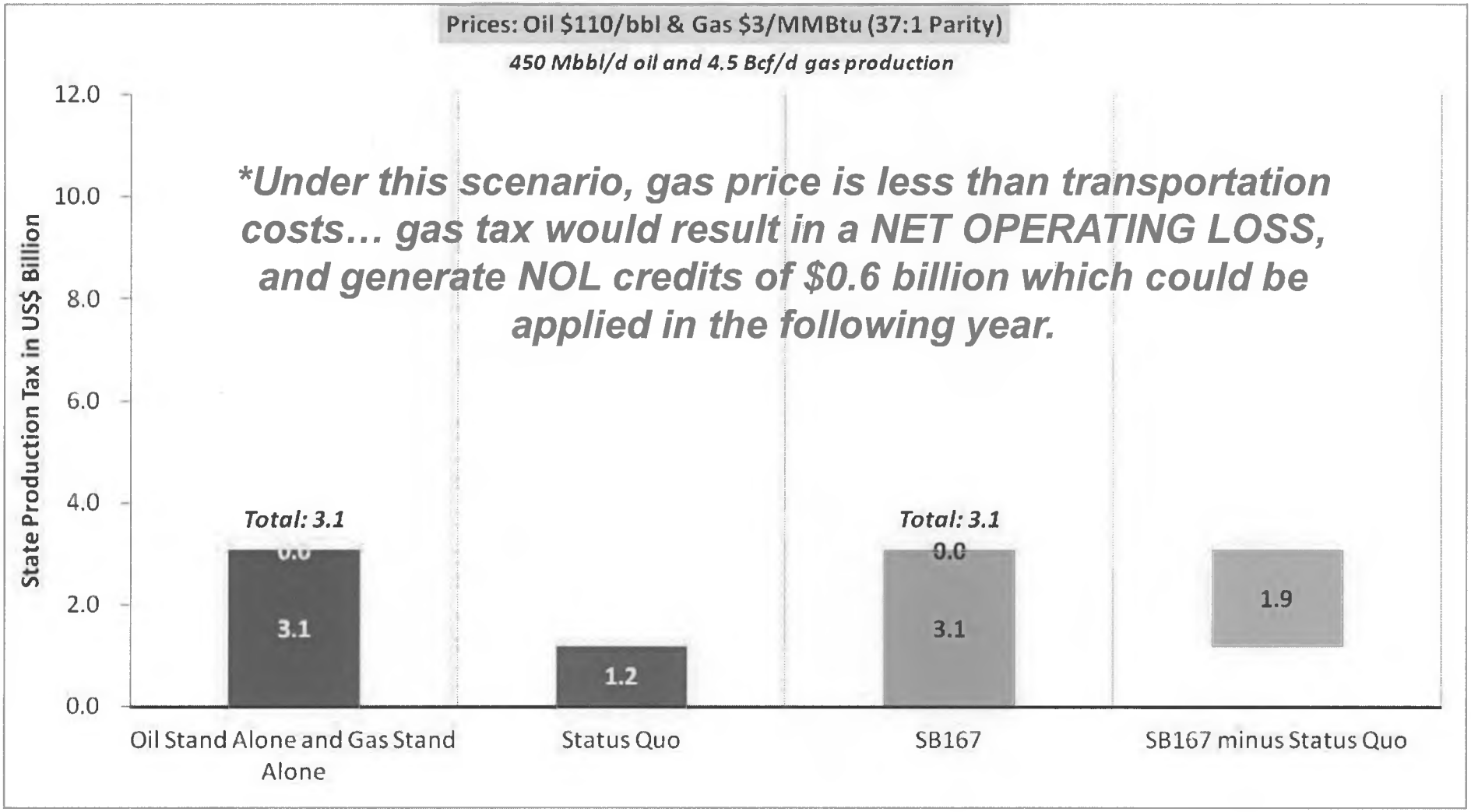
At lower parity, SB 167 > Status Quo



At 6:1 parity, SB 167 ≈ Status Quo



At today's prices…



Observations

- SB167 provides for a state share similar to the status quo when gas prices are relatively high (less dilution of progressivity under status quo).
- SB167 imposes a higher state share compared to the status quo when gas prices are relatively low.
- SB167 generates revenue equal to or greater than "oil stand alone" revenue in all cases
  - But at very low gas prices NOL credits are generated which can be applied against oil tax liabilities in the following year…

Decoupling Issues: Cost Allocation

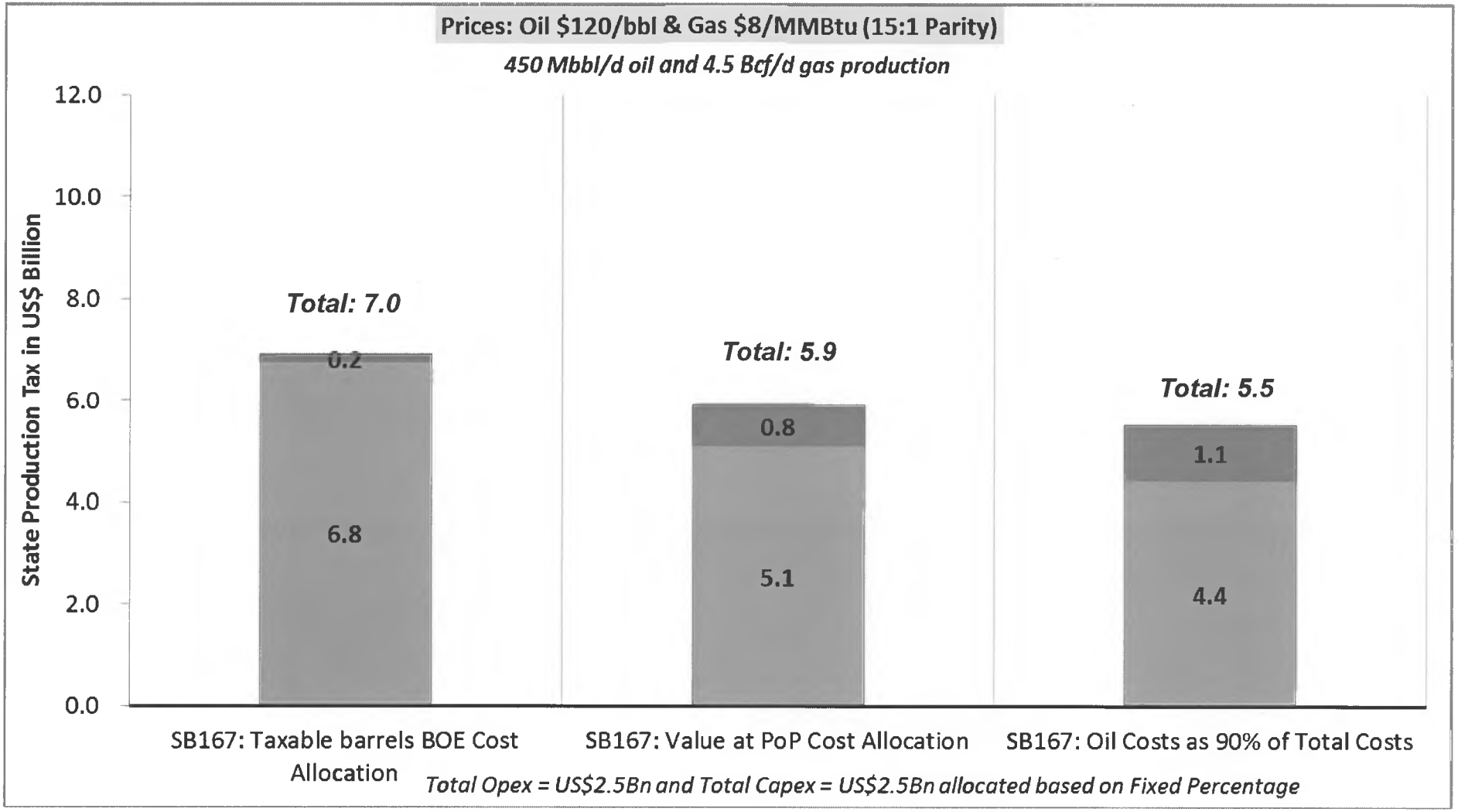
- How costs are allocated between oil and gas has a significant impact on overall taxes owed
- Because oil and gas are generally produced together, it is not easy or straight forward to determine the costs "applicable to the gas [or oil] produced"
- The cost allocation method could result in uncertainty, disputes, and delays
- Cost allocation should be specified in the statute, and is a very important policy decision

Cost Allocation Examples

	Oil	Gas	Total
Production (Mmboe)	164	274	438
Gross Value at PoP (US$MM) - $120 and 15:1	17,903	5,749	23,652
Split Based on BOE (%)	38%	63%	100%
Cost Allocation (US$MM)	1,875	3,125	5,000
Split Based on Gross Value at Pop (%)	76%	24%	100%
Costs Allocation (US$MM)	3,785	1,215	5,000
Split Based on assumed "Actual" (%)	90%	10%	100%
Cost Allocation (US$MM)	4,500	500	5,000

- Assumes $120 / Bbl oil and $8 / MMBtu gas

Impact of Allocation Methods on SB167 Revenue



Some Other Decoupling Issues to Consider

- "Lock in" for gas committed at first open season
- Potential impact on current gas production
  - Cook Inlet gas
  - Gas used in state
  - Small quantities of other gas production (OCS)
- Complexity of administration for state, taxpayers
- Specify gas tax now or save for another session?
- Balance between desire for revenue and making a major gas project attractive
- Treatment of Net Operating Loss for gas

History: SB 305 in 2010

- Decoupled oil and gas for purposes of a major gas sale (solving the "flip the switch" problem)
- Held harmless most current gas production
- Provided one tax calculation for oil, Cook Inlet gas, and gas used in-state
- Provided a separate tax calculation for non-Cook Inlet gas that is exported out of state
- Specified GVPP cost allocation "to the extend possible"

- Extensive analysis by Legislature, administration, consultants
- Numerous technical issues raised and addressed
- Final bill is the basis of this year's SB 167

History: SB 305 in 2010

- Passed Senate and House, vetoed by Governor
- 3 reasons cited in veto message:
  1. Decoupling, on its own, represents an overall tax increase
  2. Changing the tax during the pipeline open seasons (AGIA, Denali) creates uncertainty
  3. Change not needed at this time because Legislature retains ability to make changes to tax laws… any tax locked in for firm commitments at the first AGIA open season only applies to gas, not oil.

- 2 years later…
  - The AGIA first open season is complete, the Denali project has been suspended
  - Decoupling has now been "on the table" for two years
  - Opportunity to reconsider decoupling in context of the broader discussion of increasing oil and gas production

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

SEAN PARNELL, GOVERNOR
333 Willoughby Avenue, 11th Floor
P.O. Box 110400
Juneau, Alaska 99811-0400
Phone: (907) 465-2300
Fax: (907) 465-2389

The Honorable Lyman Hoffman
The Honorable Bert Stedman
Co-Chairs, Senate Finance Committee
Alaska State Senate
Juneau, Alaska 99801

February 15, 2012

RE: Follow up questions from January 27, 2012 SB 167 Presentation

Dear Senators Stedman and Hoffman:

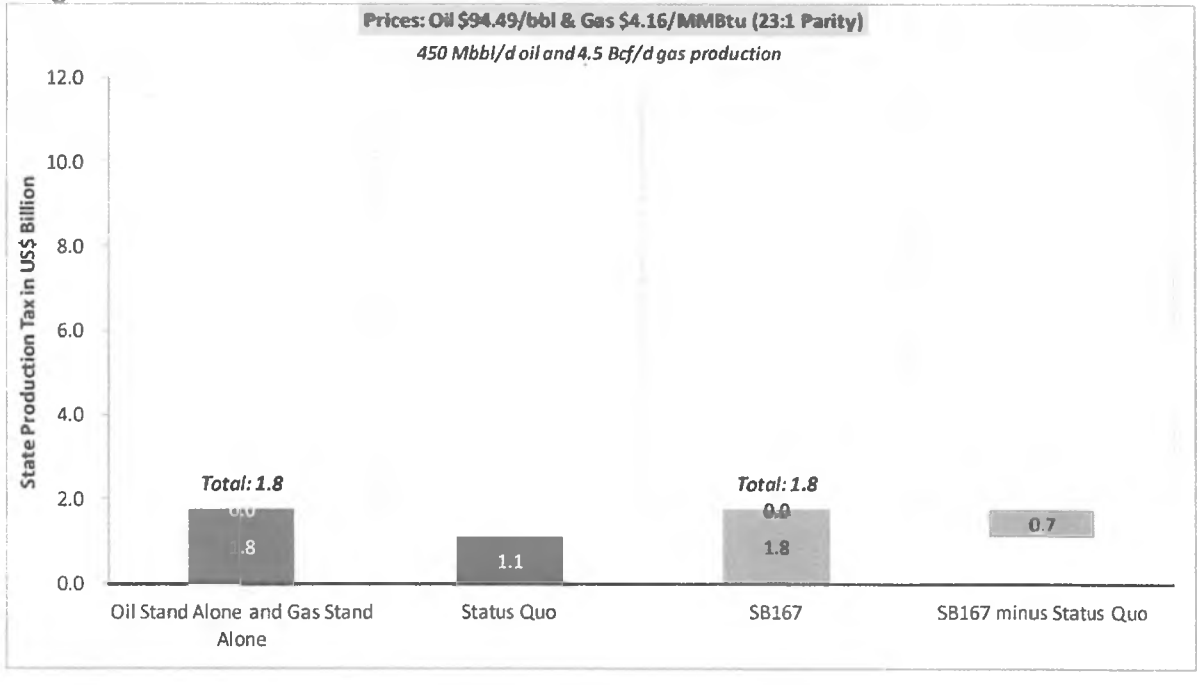
The purpose of this correspondence is to respond to questions raised during our January 27, 2012 presentation to the Senate Finance Committee regarding Senate Bill 167. The three follow-up questions and our responses follow.

1) Provide information about other jurisdictions that tax oil and gas together.

The discussion of decoupling oil and gas for taxation purposes becomes an issue primarily under fiscal regimes that tax net profits of oil and gas production. Further, the decoupling of oil and gas for taxation purposes is exacerbated when production tax *rate* is predicated on profit per btu-equivalent barrel. Alaska has a net profits production tax with a tax rate that is dependent on profit btu-equivalent barrel. Among a group of international peers to Alaska that have tax and royalty fiscal regimes, three countries have been identified as having a tax on net profits of production – Australia, Norway, and the United Kingdom. Of these three, all of them tax oil and natural gas together under the same fiscal terms. None of them, however, have a tax rate that is dependent on the profit per btu-equivalent barrel, such as Alaska does. Therefore, any additional profit, whether it be on oil or gas, is taxed at the tax rate determined for the country. For example, Norway assesses its hydrocarbon tax of 50% on the net profit of all oil and gas produced, regardless of the level of profit.
Based on our review of comparable jurisdictions, we did not identify any with similar oil and gas decoupling issues.

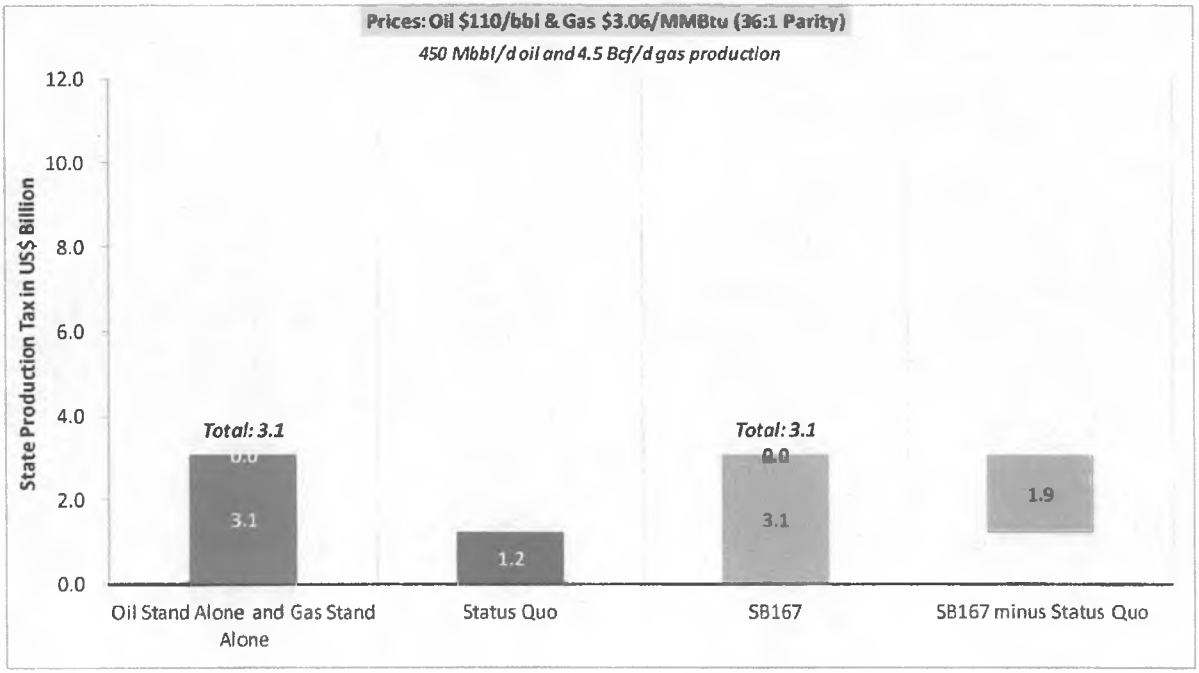
2) **Using the scenario laid out on slide 10 of the presentation, show what state revenue would have been under status quo and SB 167 using actual FY 2011 prices.**

For the following analysis we used the average FY 2011 Henry Hub gas price of $4.16 per million Btu and the average FY 2011 ANS oil price of $94.49. Similar to slide 14, as corrected, this scenario assumes a gas price that is lower than the transportation cost for the gas.



3) **Show three years of revenue estimates for slide 14.**

This question was posed as a way to clarify the treatment of the loss to the producers in a situation where gas destination value is lower than transportation costs. With the correction to slide 14 mentioned above, there is no longer a timing issue between years, and the revenue impact would be the same for all three years if prices of $110 per barrel for oil and $3 per million Btu for gas existed for all three years. The chart is shown below and would be the same for all three years.

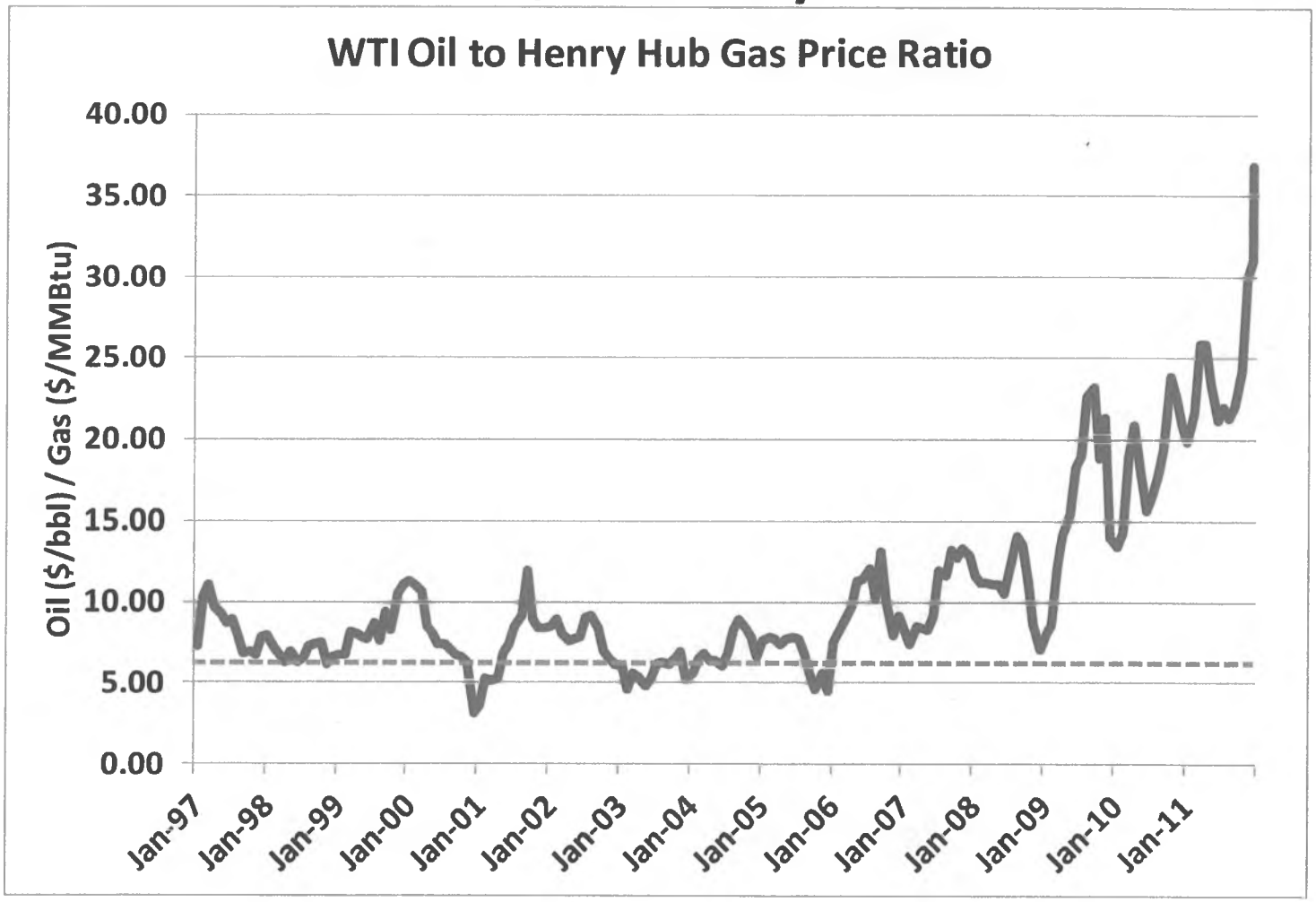


I hope these answers fully address your questions.

Sincerely,

Bruce Tangeman
Deputy Commissioner

Oil / Gas parity
WTI / Henry Hub



Based on monthly average prices through January 2012

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

SEAN PARNELL, GOVERNOR
333 Willoughby Avenue, 11th Floor
P.O. Box 110400
Juneau, Alaska 99811-0400
Phone: (907) 465-2300
Fax: (907) 465-2389

The Honorable Lyman Hoffman
The Honorable Bert Stedman
Co-Chairs, Senate Finance Committee
Alaska State Senate
Juneau, Alaska 99801

February 13, 2012

RE: Corrected Version of January 27, 2012 SB 167 Presentation

Dear Senators Stedman and Hoffman:

The purpose of this correspondence is to issue a corrected version of our January 27, 2012 presentation to the Senate Finance Committee regarding Senate Bill 167.

This corrected presentation removes narrative on slide 14 and slide 15 regarding treatment of losses for natural gas under SB 167 that are due entirely to transportation costs exceeding the destination value of the gas.

Slide 14 presented estimates of state revenue under status quo and SB 167, assuming a major gas sale with oil and gas prices around current prices of $110 / barrel and $3 / mmBTU, respectively. We assumed a gas tariff of $4.50 / mmBTU, and gas sales of 4.5 Bcf / day. Transportation costs (the lower of actual or reasonable) are subtracted from the destination value (netted out) to calculate the Gross Value at the Point of Production (GVPP). Under this scenario, gas does not have a positive GVPP value. The producers would realize a loss on the gas of approximately $2.46 billion, due entirely to transportation costs exceeding the destination value of the gas. Our presentation had assumed that the negative GVPP could be converted to a 25% Net Operating Loss credit under AS 43.55.023(b). However that assumption was not correct because the NOL credit under AS 43.55.023(b) is applicable only to "the amount of a producer's or explorer's adjusted lease expenditures under AS 43.55.165 and AS 43.55.170 for a previous calendar year that was not deductible in calculating production tax values for that calendar year."

We are forwarding a corrected presentation that revises slide 14 and related narrative on slide 15. This is just one example of the many technical issues that can arise when "decoupling" some oil

and gas for production tax purposes. Decoupling is a complex subject and we look forward to continued dialogue and public process on this topic.

Sincerely,

Bryan Butcher
Commissioner

Attachment: Revised SB 167 presentation from January 27, 2012



Presentation to the
Senate Finance Committee
January 27, 2012
Alaska Department of Revenue

Revised February 2, 2012 - with corrected Slide 14 and 15

Overview

- **How Alaska's production tax works**
- **What is "decoupling"**
- **Why decouple?**
- **Decoupling Issues**
- **History: SB 305 in 2010**

How Alaska's Production Tax Works

- Company specific tax
- Based on Production Tax Value (PTV)
  - Market price – Transportation Costs = Gross Value at Point of Production (GVPP)
  - GVPP – Lease Expenditures = Production Tax Value (PTV)
- Tax Rate
  - Base tax rate of 25% of "production tax value"
  - Progressivity applies when PTV is over $30 / BOE, and increases rate by 0.4% for each $1 of PTV over $30 / BOE
  - Example: At $50 / BOE PTV, tax rate is 33% *(25% + 0.4% * $20)*
  - At $92.50 / BOE progressivity changes to 0.1% per $1 of PTV

FY 11 Production Tax Calculation

	Per Barrel	Barrels	Value ($ million)
Avg ANS Oil Price ($/bbl) & Daily Production (bbls)	$94.49	602,723	$56.9 / day
Annual Production (bbl)			
Total Annual Production/Value		**219,993,895**	**$20,786.7**
Royalty and Federal barrels		(29,505,505)	($2,787.9)
Taxable barrels		**190,488,390**	**$17,998.8**
Downstream (Transportation) Costs ($/bbl)			
ANS Marine Transportation	($2.45)		
TAPS Tariff	($4.02)		
Other	($0.70)		
Total Transportation Costs	**($7.17)**	**190,488,390**	**($1,365.8)**
Lease Expenditures			
Deductible Operating Expenditures	($13.22)		($2,517.4)
Deductible Capital Expenditures	($8.52)		($1,622.9)
Total Lease Expenditures	**($21.74)**	**190,488,390**	**($4,140.3)**
Production Tax Value (PTV)			**$12,492.6**
Production Tax			
Base Tax (25%*PTV)			$3,123.3
Production Tax Value per barrel	$65.58		
Progressive Tax = (14.2% * PTV)			$1,778.1
Total Tax Due before credits			**$4,901.2**
Credits Applied Against Taxes			($400.0)
Total Tax after credits			**$4,501.28**

Source: Department of Revenue Fall 2011 Revenue Sources Book, Appendix D
This simple model assumes constant production, price, and expenditures for the entire year; results will differ from our larger model and forecast.
The per-barrel expenditures shown are per taxable barrel and do not reflect expenditures per all barrels produced.

What is "decoupling"

- **Under current law, gas production from major gas sales would be converted to "barrel of oil equivalent" and taxed in the same calculation as oil***
- **"Decoupling" would calculate oil and gas tax for major gas sales separately.**

***special provisions exist currently that extend special tax rates to Cook Inlet Gas, and gas for in-state use, until 2022. However these types of production are still included in the statewide "progressivity" calculation**

Conceptually, decoupling is simple…

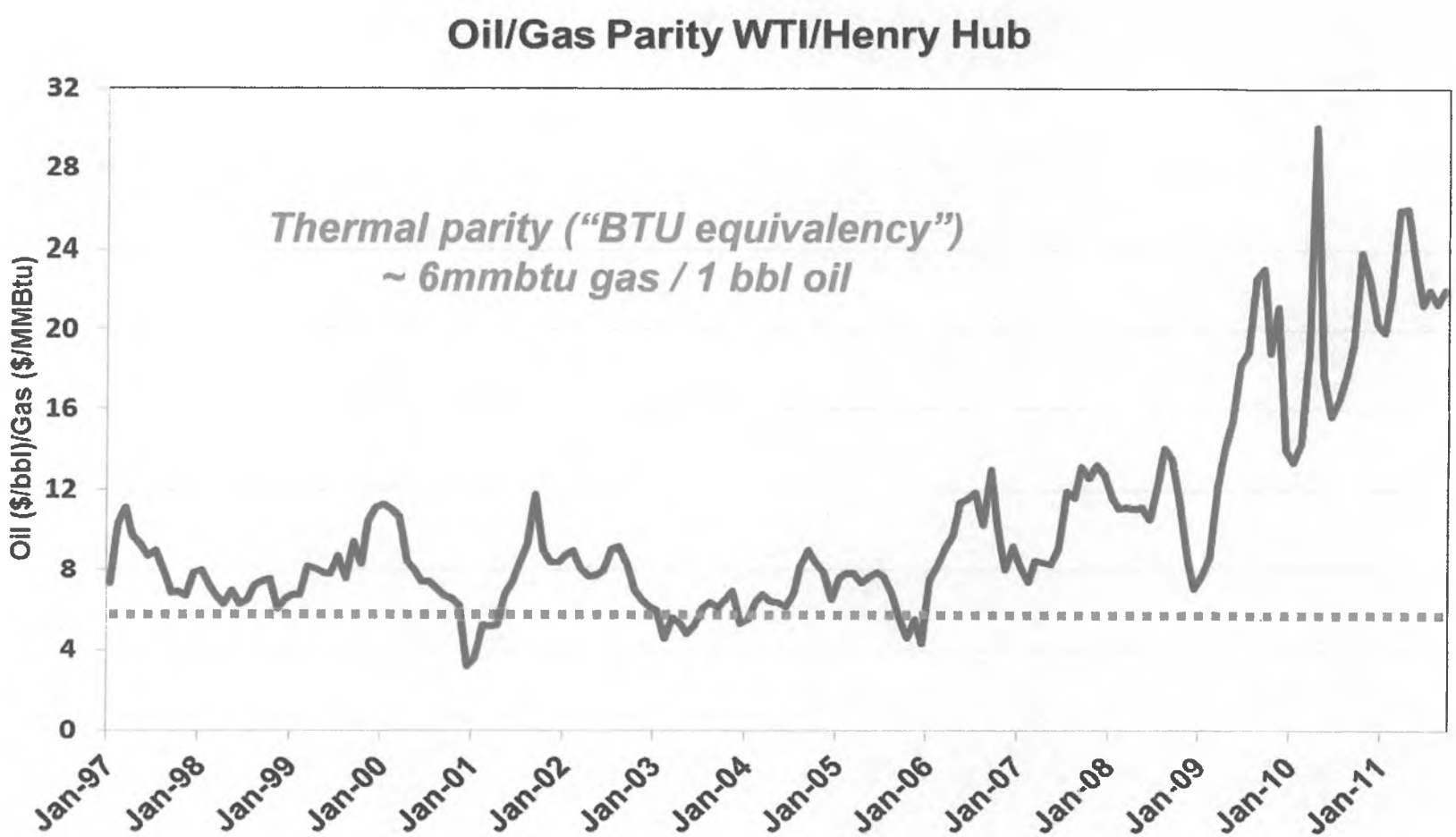
Coupled	Decoupled	
Oil & Gas Destination Value	Oil Destination Value	Gas Destination Value
- Oil & Gas transportation costs	- Oil transportation costs	- Gas transportation costs
= Oil & Gas GVPP	= Oil GVPP	= Gas GVPP
- Oil & Gas Upstream Expenditures	- Oil Upstream Expenditures	- Gas Upstream Expenditures
= Oil & Gas Production Tax Value	= Oil Production Tax Value	= Gas Production Tax Value
X Tax Rate	X Tax Rate	X Tax Rate
= Oil & Gas Tax Liability	**= Oil Tax Liability**	**= Gas Tax Liability**

Why decouple?

- **Oil is different than gas (different uses, different resource endowments, different substitutes)**
- **Decoupling allows tax policy to be crafted specific to oil or gas production**

- **Oil is currently worth more than gas (per unit of energy)**
- **Gas value relative to oil varies greatly over time**

Oil price ≠ 6 * gas price



Why decouple?

- Including <u>lower value</u> gas in the same tax calculation as <u>higher value</u> oil reduces the average value per BOE and therefore reduces the progressive tax rate on oil
- By taxing oil and gas together, gas production reduces oil taxes even though oil operations are unaffected
- This has been called the "flip the switch" problem… as soon as major gas sales begin, state tax revenue could drop significantly, under certain price scenarios (including current prices!)

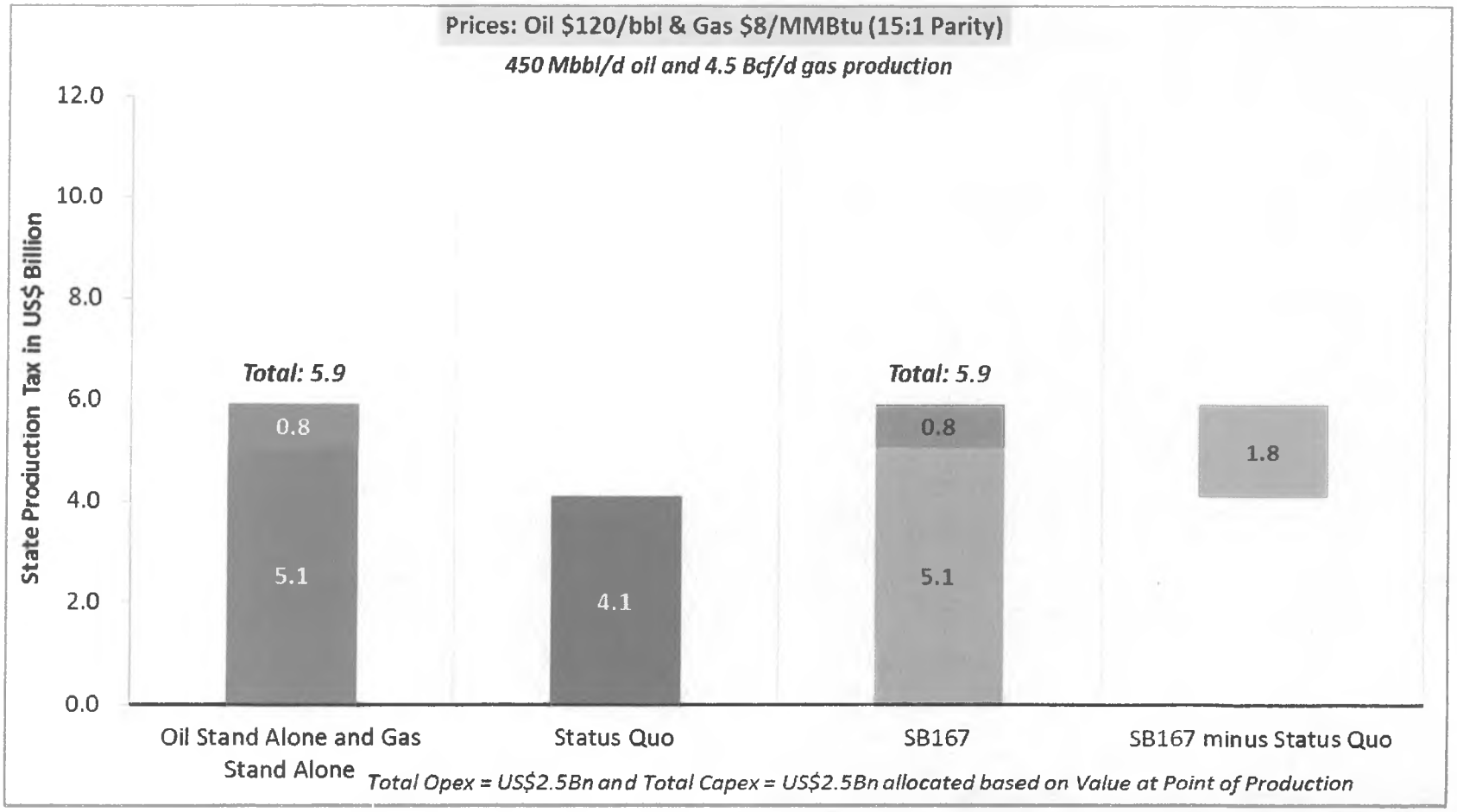
Numerical Examples : Assumptions

- **One Year "Income Statement" model**
- **DOR 2012 Profiles**
  - **Oil: 450 Mbbl/d**
  - **Gas: 4.5 Bcf/d**
- **Conversion**
  6 Mcf = 1 boe

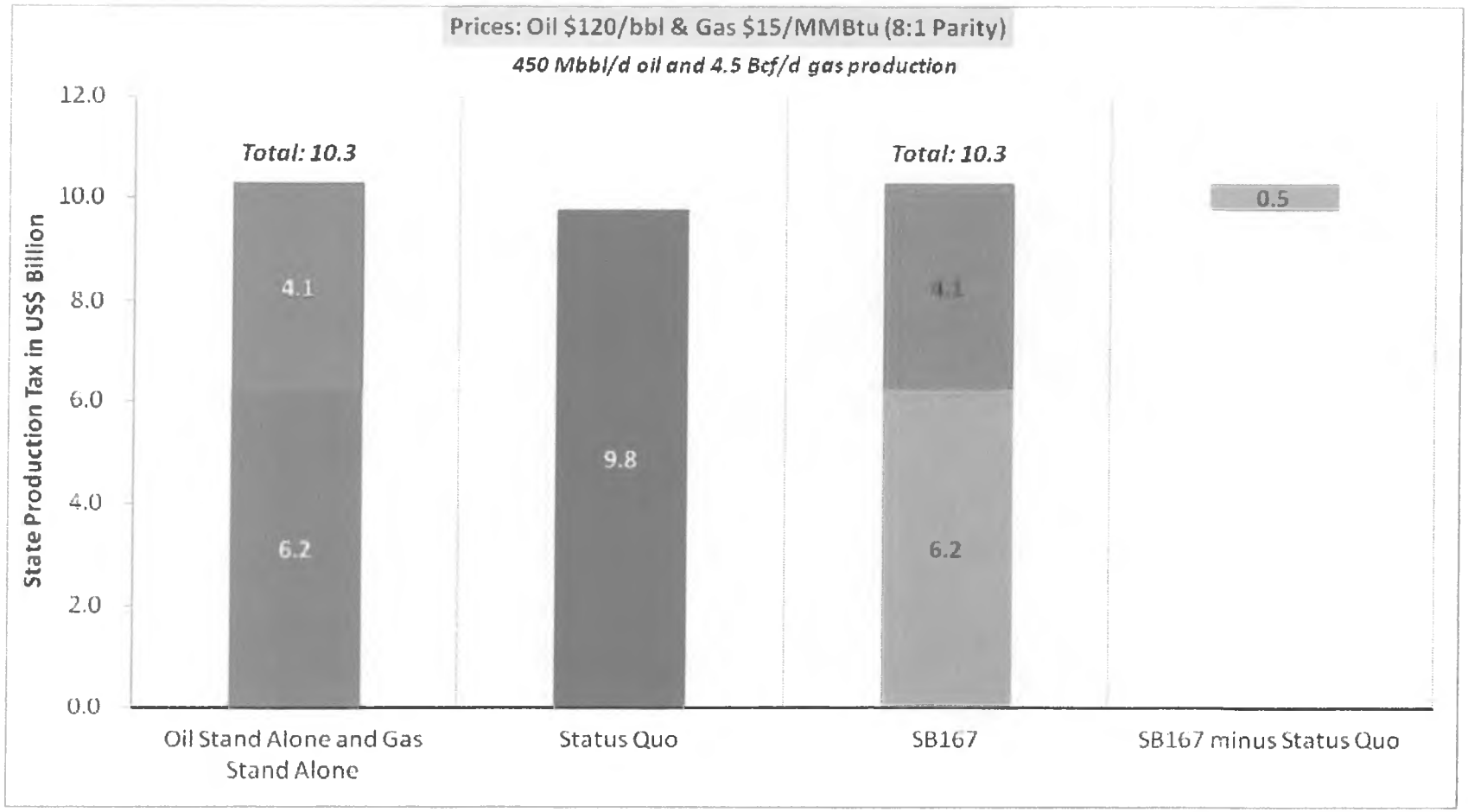
bbl/d: Barrels of oil per day
Mbbl/d: Thousand barrels of oil per day
boe: Barrel of oil equivalent
Bcf/d: Billion cubic feet per day
Mcf: Thousand cubic feet
MMBtu: Million British thermal units

- **Costs allocation**
  - **Opex: $2,500,000,000**
  - **Capex: $2,500,000,000**
  - **Costs split on the basis of gross value at the Point of Production (PoP)**
- **Transportation**
  - **Oil: $11.00/bbl**
  - **Gas: $4.5/MMBtu**

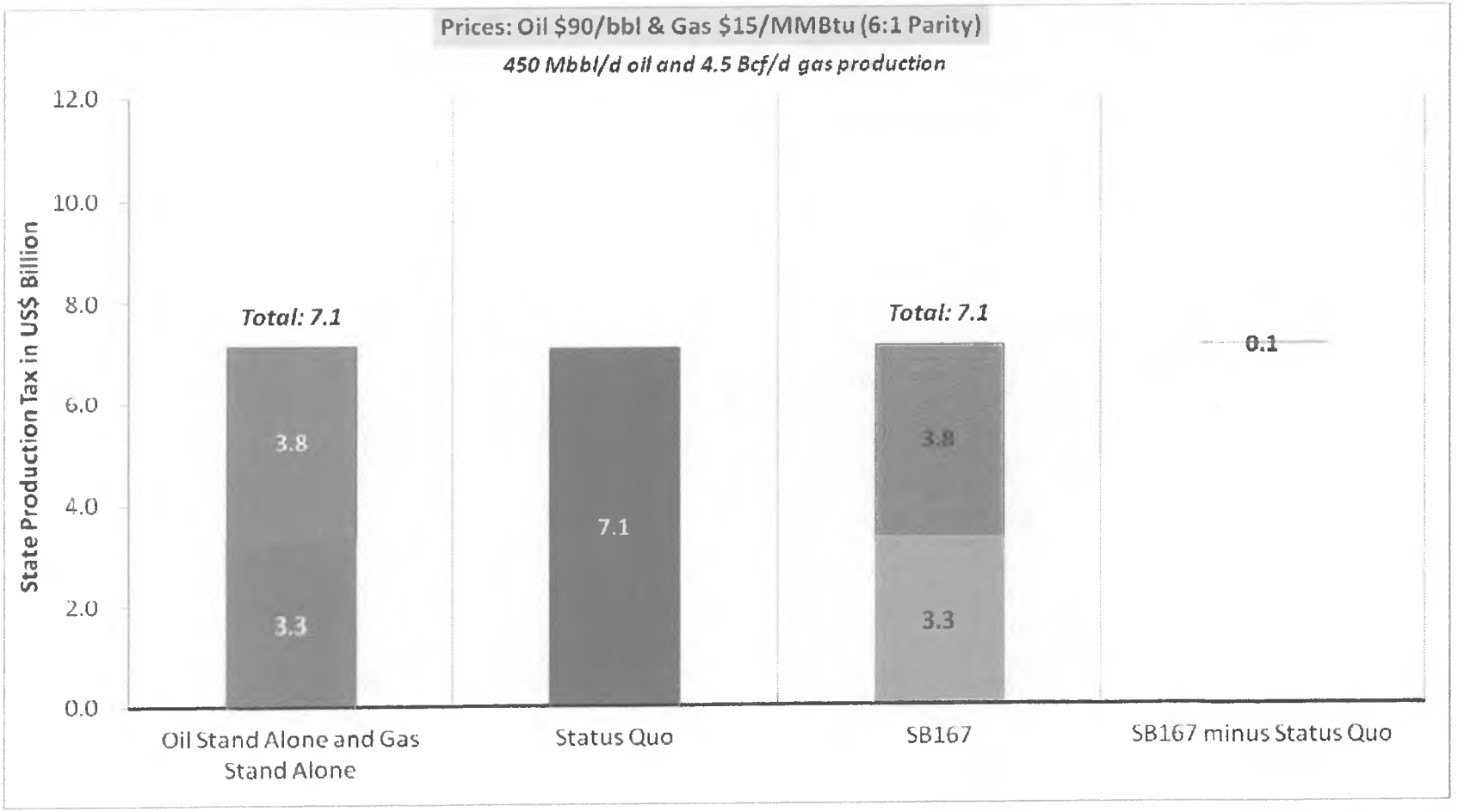
At high parity, SB 167 > Status Quo



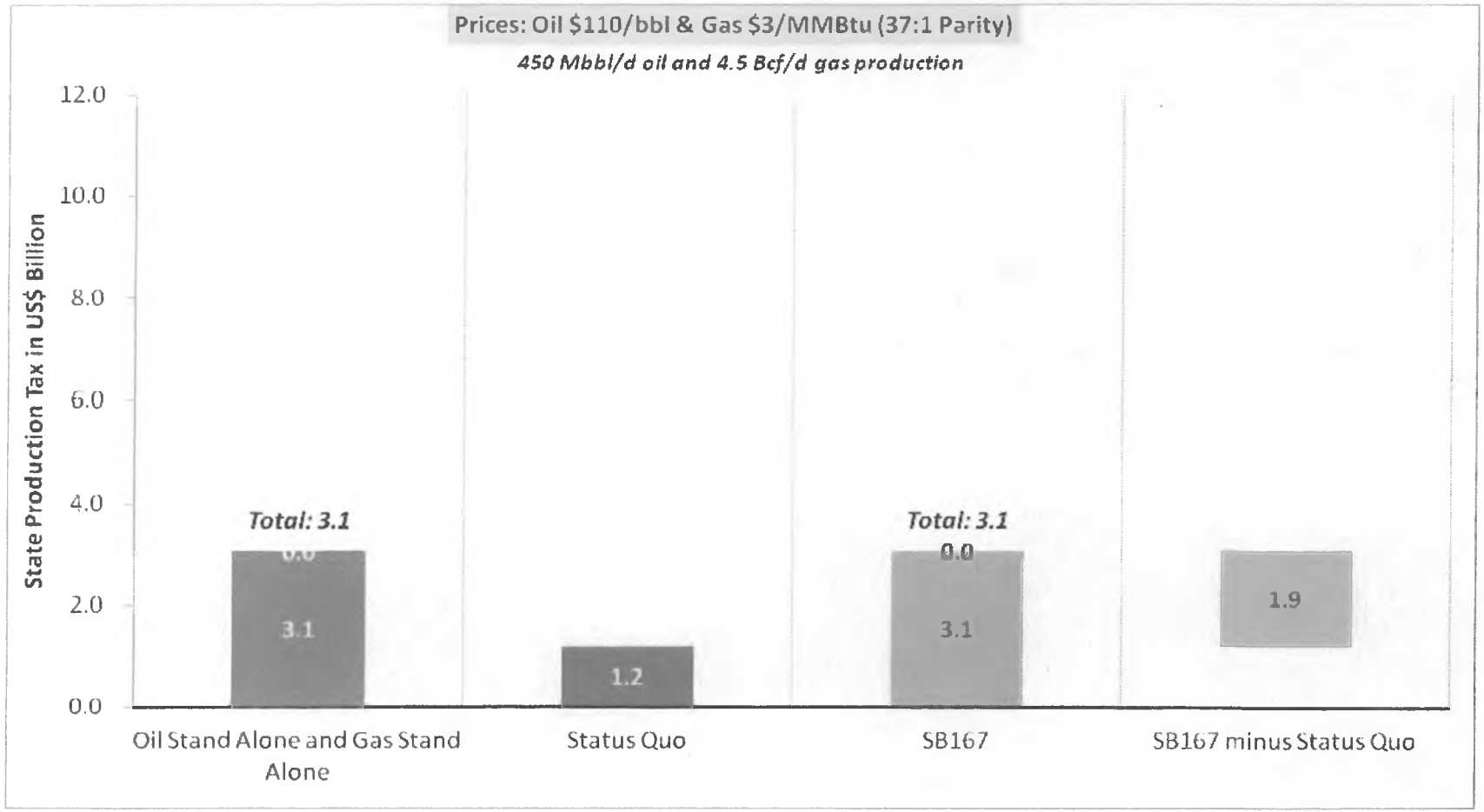
At lower parity, SB 167 > Status Quo



At 6:1 parity, SB 167 ≈ Status Quo



At today's prices…



Observations

- **SB167 provides for a state share similar to the status quo when gas prices are relatively high (less dilution of progressivity under status quo).**
- **SB167 imposes a higher state share compared to the status quo when gas prices are relatively low.**
- **SB167 generates revenue equal to or greater than "oil stand alone" revenue in all cases.**

Decoupling Issues: Cost Allocation

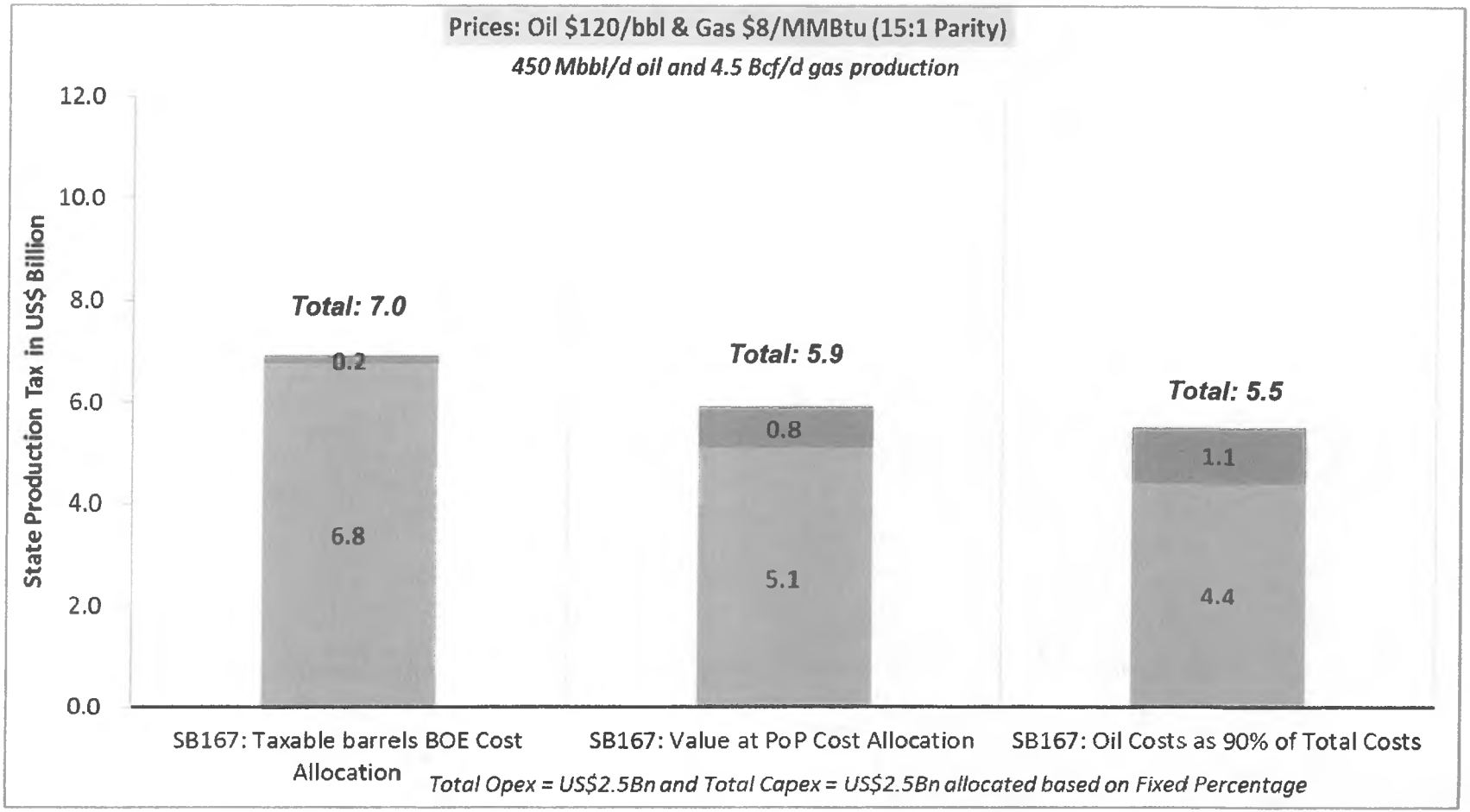
- How costs are allocated between oil and gas has a significant impact on overall taxes owed
- Because oil and gas are generally produced together, it is not easy or straight forward to determine the costs "applicable to the gas [or oil] produced"
- The cost allocation method could result in uncertainty, disputes, and delays
- Cost allocation should be specified in the statute, and is a very important policy decision

Cost Allocation Examples

	Oil	Gas	Total
Production (Mmboe)	164	274	438
Gross Value at PoP (US$MM) - $120 and 15:1	17,903	5,749	23,652
Split Based on BOE (%)	38%	63%	100%
Cost Allocation (US$MM)	1,875	3,125	5,000
Split Based on Gross Value at Pop (%)	76%	24%	100%
Costs Allocation (US$MM)	3,785	1,215	5,000
Split Based on assumed "Actual" (%)	90%	10%	100%
Cost Allocation (US$MM)	4,500	500	5,000

- Assumes $120 / Bbl oil and $8 / MMBtu gas

Impact of Allocation Methods on SB167 Revenue



Some Other Decoupling Issues to Consider

- **"Lock in" for gas committed at first open season**
- **Potential impact on current gas production**
  - **Cook Inlet gas**
  - **Gas used in state**
  - **Small quantities of other gas production (OCS)**
- **Complexity of administration for state, taxpayers**
- **Specify gas tax now or save for another session?**
- **Balance between desire for revenue and making a major gas project attractive**
- **Treatment of Net Operating Loss for gas**

History: SB 305 in 2010

- Decoupled oil and gas for purposes of a major gas sale (solving the "flip the switch" problem)
- Held harmless most current gas production
- Provided one tax calculation for oil, Cook Inlet gas, and gas used in-state
- Provided a separate tax calculation for non-Cook Inlet gas that is exported out of state
- Specified GVPP cost allocation "to the extend possible"

- Extensive analysis by Legislature, administration, consultants
- Numerous technical issues raised and addressed
- Final bill is the basis of this year's SB 167

History: SB 305 in 2010

- **Passed Senate and House, vetoed by Governor**
- **3 reasons cited in veto message:**
  1. **Decoupling, on its own, represents an overall tax increase**
  2. **Changing the tax during the pipeline open seasons (AGIA, Denali) creates uncertainty**
  3. **Change not needed at this time because Legislature retains ability to make changes to tax laws… any tax locked in for firm commitments at the first AGIA open season only applies to gas, not oil.**
- **2 years later…**
  - **The AGIA first open season is complete, the Denali project has been suspended**
  - **Decoupling has now been "on the table" for two years**
  - **Opportunity to reconsider decoupling in context of the broader discussion of increasing oil and gas production**

2 March 2010

To: Senate Finance Committee

Attn: Senator Bert Stedman, Co-Chairman

From: David Wood

Date: 2 March, 2010

Re: Answer to Question & Request Raised by Senator Thomas during My Testimony (25 February 2010) – Fiscal Years 2008 and 2009

The very pertinent and perceptive question asked earlier today by Senator Thomas sought information with respect to how might the gas dilution / cross subsidy effect identified in Alaska's current production tax rules have impacted the production taxes actually paid in recent periods had a gas line been in operation at the time?

In order to provide an indicative answer to this question I have taken the data for price, volume and costs (excluding Cook Inlet Gas) for fiscal years 2008 and 2009 (i.e. July 2007 to June 2008 and July 2008 to June 2009), which are available from the Alaska Department of Revenue (DOR), Fall 2008 and 2009 Revenues Sources Books (RSB), (Dec 2008and Dec 2009). These two periods encompass the wide range of oil prices that prevailed since the ACES rules were in place. The six tables attached (three for each fiscal period) to this document provide the necessary data and calculations to establish the impact of the cross subsidy effect.

Note that in this calculation the annual figures for production volumes and costs are distributed pro rata according to days / month across each month of the year. This assumption was necessary as DOR do not publish a monthly breakdown of the production tax calculation. This approximation is responsible for the small difference between the actual production tax paid and that calculated in the tables that follow. For fiscal year 2008 the calculated production tax shown in Table 1 is 2.7% higher than the actual production tax paid ($6867.3 million). For fiscal year 2009 the calculated production tax shown in Table 1 is 4.5% higher than the actual production tax paid ($3112.0 million). These slight differences are not considered significant in the context of the purpose of this analysis.

Fiscal Year 2008

Table 1 calculates the production tax for oil based on actual data showing the components of that calculation. As no gas is exported the calculations are based upon oil barrels only. This results in total production tax of **$ 7.462 billion** which is reduced by investment credits of $411.5 million to $ 7.050 billion. The calculation shown essentially reproduces the figures from the RSB (2.7% difference attributed to monthly pro rata production and cost allocations).

Table 2 assumes a 4.5 bcf/day gas line and calculates production tax for this hypothetical gas stream on a stand-alone basis (i.e. not combined with oil). The calculation uses the U.S. wellhead natural gas prices from the EIA's records for the months in question. There would be some small differentials between these prices and AECO prices in Alberta, but I believe they are close enough for the purpose. I have also assumed gas transportation costs of $4.5/mcf ($27/boe) and field costs (capital costs plus operating costs) of $400 million ($1.46/ boe) which are those used by Commissioner Galvin in the examples he provided from the DOR in his testimony of 24 February 2010. This data computes a total production tax of **$ 1.140 billion** to which no investment credits are applied.

By adding the computed production taxes in tables 1 and 2 the stand-alone oil and gas production tax for this FY 2008 (assuming 4.5 bcf /day) would be **$8.599 billion** (reduced to $8.187 billion by the deduction of $411.5 million investment credits).

Table 3 calculates the production tax by combining the revenue cost and volume streams from tables 1 and 2 to provide a combined oil and gas production tax calculation of **$6.776 billion** (reduced to $6.365 billion by the deduction of $411.5 million investment credits).

For this period the loss to the State in production tax revenue caused by the cross subsidy effect of combining oil and gas in the production tax calculation would have amounted to:

$6.776 billion less $8.599 billion = -$1.822 billion.

This calculation is in line with the figures of potential loss in fiscal revenue discussed during the testimonies.

Fiscal Year 2009

Table 4 calculates the production tax for oil based on actual data showing the components of that calculation. As no gas is exported the calculations are based upon oil barrels only. This results in total production tax of **$ 3.601 billion** which is reduced by investment credits of $350 million to $ 3.251 billion. The calculation shown essentially reproduces the figures from the RSB (4.5% difference attributed to monthly pro rata production and cost allocations).

Table 5 assumes a 4.5 bcf/day gas line and calculates production tax for this hypothetical gas stream on a stand-alone basis (i.e. not combined with oil). The calculation uses the U.S. wellhead natural gas prices from the EIA's records for the months in question. There would be some small differentials between these prices and AECO prices in Alberta, but I believe they are close enough for the purpose. I have also assumed gas transportation costs of $4.5/mcf ($27/boe) and field costs (capital costs plus operating costs) of $400 million ($1.46/ boe) which are those used by Commissioner Galvin in the examples he provided from the DOR in his testimony of 24 February 2010. This data computes a total production tax of **$ 0.583 billion** to which no investment credits are applied.

By adding the computed production taxes in tables 1 and 2 the stand-alone oil and gas production tax for this FY 2009 (assuming 4.5 bcf /day) would be **$4.185 billion** (reduced to $3.835 billion by the deduction of $350 million investment credits).

Table 6 calculates the production tax by combining the revenue cost and volume streams from tables 4 and 5 to provide a combined oil and gas production tax calculation of **$3.381 billion** (reduced to $3.031 billion by the deduction of $350 million investment credits).

For this period the loss to the State in production tax revenue caused by the cross subsidy effect of combining oil and gas in the production tax calculation would have amounted to:

$3.381 billion less $4.185 billion = -$0.804 billion.

This calculation indicates a lower potential loss in fiscal revenue for fiscal year 2009 compared to fiscal year 2008. This is due to the lower prices and value of oil and gas revenue streams in fiscal year 2009. However, $0.8 billion remains a substantial potential loss in a relative low price / value environment.

Sincerely,

David Wood

dw@dwasolutions.com

Table 1. Oil Stand-alone Production Tax Calculation (July 2007 to June 2008)

FY 2008 Production Tax Revenues: Actual Versus Potential Under Alternative Mechanisms

(Analysis Based on Actual US West Coast Prices and Cost Data)

Month	US West Coast Oil Price	Per Barrel Total Costs	Per Barrel Production Tax Value	Progressivity Threshold	PTV less Progressivity Threshold	PTV Rate per Dollar of Adjusted PTV	Incremental Progressivity Rate	Volume (Millions barrels)	Combined Progressivity Tax (CPT)	Base Production Tax (BPT) Rate	Base Production Tax (BPT) Value	CPT + BPT Value	CPT + BPT less Investment Credits	
	$/barrel	$/barrel	PTV $/barrel	$/barrel	$/barrel	%	%	millions barrels	$ millions	%	$ millions	$ millions	$ millions	
A	B	C	D= (B + C)	E	F= (D + E)>=0	G	H= (F * G)	I	J= (D * H * I)	K	L= (D * I * K)	M= (J + L)	N= (M - P)	
Monthly Analysis, $30 PTV $/boe threshold and 0.004% progressivity parameter under Current Law as enacted in 2007														
Jul	75.93	-22.88	53.05	-30	23.05	0.40%	9.22%	19.4	95.0	25.00%	257.5	352.5		
Aug	73.83	-22.88	50.95	-30	20.95	0.40%	8.38%	19.4	82.9	25.00%	247.4	330.3		
Sep	79.92	-22.88	57.04	-30	27.04	0.40%	10.81%	18.8	115.9	25.00%	268.0	383.9		
Oct	84.77	-22.88	61.89	-30	31.89	0.40%	12.75%	19.4	153.3	25.00%	300.5	453.8		
Nov	92.98	-22.88	70.10	-30	40.10	0.40%	16.04%	18.8	211.3	25.00%	329.3	540.6		
Dec	88.64	-22.88	65.76	-30	35.76	0.40%	14.30%	19.4	182.7	25.00%	319.3	501.9		
Jan	91.16	-22.88	68.28	-30	38.28	0.40%	15.31%	19.4	203.0	25.00%	331.5	534.5		
Feb	94.42	-22.88	71.54	-30	41.54	0.40%	16.61%	18.2	215.9	25.00%	324.9	540.8		
Mar	105.06	-22.88	82.18	-30	52.18	0.40%	20.87%	19.4	333.1	25.00%	399.0	732.1		
Apr	112.37	-22.88	89.49	-30	59.49	0.40%	23.79%	18.8	400.2	25.00%	420.4	820.6		
May	125.41	-22.88	102.53	-30	72.53	0.40%	29.01%	19.4	577.6	25.00%	497.8	1075.4		
Jun	133.78	-22.88	110.90	-30	80.90	0.40%	32.36%	18.8	674.4	25.00%	521.0	1195.5		
							Totals:	229.3	3245.3	25.00%	4216.6	7461.9	7050.4	
Data Source: Alaska Department of Revenue (DOR), Fall 2008 Revenues Sources Book (RSB), (Dec 2008)														P
FY2008 Taxable North Slope barrels /day: 626,456				229.3	millions barrels in FY2008		Lease Expenditures ($/bbl):		16.78	TT&T ($/bbl):		6.10	Capex Credits ($ millions):	411.5

Table 2. Gas Stand-alone Production Tax Calculation (July 2007 to June 2008) [Assuming Gas Line Operational]

FY 2008 Production Tax Revenues: 4.5 bcf /day Hypothetical Gas Sales (Standalone Production Tax Calculation)
(US Gas Price Data from EIA)

	EIA U.S. Wellhead Price	Per BOE Total Costs for Gas	Per Barrel Production Tax Value	Progressivity Threshold	PTV less Progressivity Threshold	PTV Rate per Dollar of Adjusted PTV	Incremental Progressivity Rate	Volume (Millions boe)	Progressivity Tax (Gas Calculated Separately)	Base Production Tax (BPT) Rate	Base Production Tax (BPT) Value	Total Production Tax (BPT + Progressivity) Value	CPT + BPT less Investment Credits
Month	$/mcf	$/boe	PTV $/boe	$/boe	$/boe	%	%	millions boe	$ millions	%	$ millions	$ millions	$ millions
A	B	C	D=	E	F=	G	H=	I	J=	K	L=	M=	N=
2007/2008			(B + C)		(D + E)>=0		(F * G)		(D * H * I)		(D * I * K)	(J + L)	(M - P)
Monthly Analysis, $30 PTV $/boe threshold and 0.004% progressivity parameter under Current Law as enacted in 2007													
Jul	6.32	-28.46	9.46	-30	0.00	0.40%	0.00%	23.3	0.0	25.00%	55.0	55.0	
Aug	5.87	-28.46	6.76	-30	0.00	0.40%	0.00%	23.3	0.0	25.00%	39.3	39.3	
Sep	5.42	-28.46	4.06	-30	0.00	0.40%	0.00%	22.5	0.0	25.00%	22.9	22.9	
Oct	5.90	-28.46	6.94	-30	0.00	0.40%	0.00%	23.3	0.0	25.00%	40.4	40.4	
Nov	6.58	-28.46	11.02	-30	0.00	0.40%	0.00%	22.5	0.0	25.00%	62.0	62.0	
Dec	6.97	-28.46	13.36	-30	0.00	0.40%	0.00%	23.3	0.0	25.00%	77.7	77.7	
Jan	6.99	-28.46	13.48	-30	0.00	0.40%	0.00%	23.3	0.0	25.00%	78.4	78.4	
Feb	7.55	-28.46	16.84	-30	0.00	0.40%	0.00%	21.8	0.0	25.00%	91.6	91.6	
Mar	8.29	-28.46	21.28	-30	0.00	0.40%	0.00%	23.3	0.0	25.00%	123.7	123.7	
Apr	8.94	-28.46	25.18	-30	0.00	0.40%	0.00%	22.5	0.0	25.00%	141.7	141.7	
May	9.81	-28.46	30.40	-30	0.40	0.40%	0.16%	23.3	1.1	25.00%	176.7	177.9	
Jun	10.82	-28.46	36.46	-30	6.46	0.40%	2.59%	22.5	21.2	25.00%	205.1	226.3	
							Totals:	274.5	22.3	25.00%	1114.3	1136.7	1136.7

Data Source: EIA for gas price				TT&T ($/mcf):	4.5	
Hypothetical gas production (bcf/day)	4.5	274.5 millions boe in FY2008	Lease Expenditures ($/boe)	1.46	TT&T ($/boe):	27.00	Capex Credits ($ millions):	0.0
					Combined Production Tax Calculated on an oil + gas stand-alone calculation:		8598.5	8187.0

Table 3. Oil & Gas Combined Production Tax Calculation (July 2007 to June 2008)

FY 2008 Production Tax Revenues: Oil plus Gas Combined
(Analysis Assumes Actual Oil Plus Hypothetical Gas)

	Oil + Gas Effective BOE Price	Oil + Gas Effective Per BOE Total Costs	Per Barrel Production Tax Value	Progressivity Threshold	PTV less Progressivity Threshold	PTV Rate per Dollar of Adjusted PTV	Incremental Progressivity Rate	Oil + Gas Volume (Millions boe)	Combined Progressivity Tax (CPT)	Base Production Tax (BPT) Rate	Base Production Tax (BPT) Value	CPT + BPT Value	CPT + BPT less $400 in credits	
Month	$/boe	$/boe	PTV $/boe	$/boe	$/boe	%	%	millions boe	$ millions	%	$ millions	$ millions	$ millions	
A	B	C	D= (B + C)	E	F= (D + E)>=0	G	H= (F * G)	I	J= (D * H * I)	K	L= (D * I * K)	M= (J + L)	N= (M - P)	
Monthly Analysis, $30 PTV $/boe threshold and 0.004% progressivity parameter under Current Law as enacted in 2007														
Jul	55.22	-25.92	29.30	-30	0.00	0.40%	0.00%	42.7	0.0	25.00%	312.5	312.5		
Aug	52.79	-25.92	26.87	-30	0.00	0.40%	0.00%	42.7	0.0	25.00%	286.7	286.7		
Sep	54.09	-25.92	28.17	-30	0.00	0.40%	0.00%	41.3	0.0	25.00%	290.8	290.8		
Oct	57.87	-25.92	31.95	-30	1.95	0.40%	0.78%	42.7	10.6	25.00%	340.8	351.4		
Nov	63.83	-25.92	37.91	-30	7.91	0.40%	3.16%	41.3	49.5	25.00%	391.3	440.9		
Dec	63.13	-25.92	37.21	-30	7.21	0.40%	2.88%	42.7	45.8	25.00%	396.9	442.7		
Jan	64.34	-25.92	38.42	-30	8.42	0.40%	3.37%	42.7	55.2	25.00%	409.9	465.1		
Feb	67.66	-25.92	41.74	-30	11.74	0.40%	4.69%	39.9	78.2	25.00%	416.5	494.7		
Mar	74.92	-25.92	49.00	-30	19.00	0.40%	7.60%	42.7	158.9	25.00%	522.7	681.6		
Apr	80.37	-25.92	54.45	-30	24.45	0.40%	9.78%	41.3	219.9	25.00%	562.1	782.0		
May	89.15	-25.92	63.23	-30	33.23	0.40%	13.29%	42.7	358.6	25.00%	674.5	1033.1		
Jun	96.26	-25.92	70.34	-30	40.34	0.40%	16.14%	41.3	468.7	25.00%	726.1	1194.8		
							Totals:	503.8	1445.4	25.00%	5330.9	6776.3	6364.8	
Difference Between Production Tax Calculated on a combined Oil & Gas Basis Minus Standalone Oil and Gas Basis:												-1822.3	-1822.3	P
												Capex Credits ($ millions):		411.5

Table 4. Oil Stand-alone Production Tax Calculation (July 2008 to June 2009)

FY 2009 Production Tax Revenues: Actual Versus Potential Under Alternative Mechanisms
(Analysis Based on Actual US West Coast Prices and Cost Data)

	US West Coast Oil Price	Per Barrel Total Costs	Per Barrel Production Tax Value	Progressivity Threshold	PTV less Progressivity Threshold	PTV Rate per Dollar of Adjusted PTV	Incremental Progressivity Rate	Volume (Millions barrels)	Combined Progressivity Tax (CPT)	Base Production Tax (BPT) Rate	Base Production Tax (BPT) Value	CPT + BPT Value	CPT + BPT less Investment Credits	
Month	$/barrel	$/barrel	PTV $/barrel	$/barrel	$/barrel	%	%	millions barrels	$ millions	%	$ millions	$ millions	$ millions	
A	B	C	D= (B + C)	E	F= (D + E)>=0	G	H= (F * G)	I	J= (D * H * I)	K	L= (D * I * K)	M= (J + L)	N= (M - P)	
Monthly Analysis, $30 PTV $/boe threshold and 0.004% progressivity parameter under Current Law as enacted in 2007														
Jul	132.87	-26.15	106.72	-30	76.72	0.40%	30.69%	18.6	607.6	25.00%	495.0	1102.5		
Aug	115.98	-26.15	89.83	-30	59.83	0.40%	23.93%	18.6	398.8	25.00%	416.6	815.5		
Sep	101.86	-26.15	75.71	-30	45.71	0.40%	18.28%	18.0	248.5	25.00%	339.8	588.3		
Oct	73.65	-26.15	47.50	-30	17.50	0.40%	7.00%	18.6	61.7	25.00%	220.3	282.0		
Nov	53.94	-26.15	27.79	-30	-2.21	0.40%	-0.88%	18.0	-4.4	25.00%	124.7	120.3		
Dec	37.70	-26.15	11.55	-30	-18.45	0.40%	-7.38%	18.6	-15.8	25.00%	53.6	37.8		
Jan	39.01	-26.15	12.86	-30	-17.14	0.40%	-6.86%	18.6	-16.4	25.00%	59.6	43.3		
Feb	42.78	-26.15	16.63	-30	-13.37	0.40%	-5.35%	16.8	-14.9	25.00%	69.7	54.8		
Mar	47.75	-26.15	21.60	-30	-8.40	0.40%	-3.36%	18.6	-13.5	25.00%	100.2	86.7		
Apr	46.56	-26.15	20.41	-30	-9.59	0.40%	-3.84%	18.0	-14.1	25.00%	91.6	77.5		
May	58.23	-26.15	32.08	-30	2.08	0.40%	0.83%	18.6	4.9	25.00%	148.8	153.7		
Jun	69.80	-26.15	43.65	-30	13.65	0.40%	5.46%	18.0	42.8	25.00%	195.9	238.7		
							Totals:	218.4	1285.3	25.00%	2315.8	3601.1	3251.1	
Data Source: Alaska Department of Revenue (DOR), Fall 2009 Revenues Sources Book (RSB), (Dec 2009)														P
FY2009 Taxable North Slope barrels /day 598,463					218.4 millions barrels in FY2009		Lease Expenditures ($/bbl):		19.67	TT&T ($/bbl):		6.48	Capex Credits ($ millions):	350.0

Table 5. Gas Stand-alone Production Tax Calculation (July 2008 to June 2009) [Assuming Gas Line Operational]

FY 2009 Production Tax Revenues: 4.5 bcf /day Hypothetical Gas Sales (Standalone Production Tax Calculation)
(US Gas Price Data from EIA)

	EIA U.S. Wellhead Price	Per BOE Total Costs for Gas	Per Barrel Production Tax Value	Progressivity Threshold	PTV less Progressivity Threshold	PTV Rate per Dollar of Adjusted PTV	Incremental Progressivity Rate	Volume (Millions boe)	Progressivity Tax (Gas Calculated Separately)	Base Production Tax (BPT) Rate	Base Production Tax (BPT) Value	Total Production Tax (BPT + Progressivity) Value	CPT + BPT less Investment Credits
Month	$/mcf	$/boe	PTV $/boe	$/boe	$/boe	%	%	millions boe	$ millions	%	$ millions	$ millions	$ millions
A	B	C	D=	E	F=	G	H=	I	J=	K	L=	M=	N=
2007/2008			(B + C)		(D + E)>=0		(F * G)		(D * H * I)		(D * I * K)	(J + L)	(M - P)
Monthly Analysis, $30 PTV $/boe threshold and 0.004% progressivity parameter under Current Law as enacted in 2007													
Jul	10.62	-28.46	35.26	-30	5.26	0.40%	2.10%	23.3	17.2	25.00%	204.9	222.2	
Aug	8.32	-28.46	21.46	-30	0.00	0.40%	0.00%	23.3	0.0	25.00%	124.7	124.7	
Sep	7.27	-28.46	15.16	-30	0.00	0.40%	0.00%	22.5	0.0	25.00%	85.3	85.3	
Oct	6.36	-28.46	9.70	-30	0.00	0.40%	0.00%	23.3	0.0	25.00%	56.4	56.4	
Nov	5.97	-28.46	7.36	-30	0.00	0.40%	0.00%	22.5	0.0	25.00%	41.4	41.4	
Dec	5.87	-28.46	6.76	-30	0.00	0.40%	0.00%	23.3	0.0	25.00%	39.3	39.3	
Jan	5.15	-28.46	2.44	-30	0.00	0.40%	0.00%	23.3	0.0	25.00%	14.2	14.2	
Feb	4.19	-28.46	-3.32	-30	0.00	0.40%	0.00%	21.0	0.0	25.00%	0.0	0.0	
Mar	3.72	-28.46	-6.14	-30	0.00	0.40%	0.00%	23.3	0.0	25.00%	0.0	0.0	
Apr	3.43	-28.46	-7.88	-30	0.00	0.40%	0.00%	22.5	0.0	25.00%	0.0	0.0	
May	3.45	-28.46	-7.76	-30	0.00	0.40%	0.00%	23.3	0.0	25.00%	0.0	0.0	
Jun	3.45	-28.46	-7.76	-30	0.00	0.40%	0.00%	22.5	0.0	25.00%	0.0	0.0	
							Totals:	273.8	17.2	25.00%	566.2	583.4	583.4
Data Source: EIA for gas price										TT&T ($/mcf):	4.5		
Hypothetical gas production (bcf/day)			4.5		273.8 millions boe in FY2009		Lease Expenditures ($/boe)		1.46	TT&T ($/boe):	27.00	Capex Credits ($ millions):	0.0
										Combined Production Tax Calculated on an oil + gas stand-alone calculation:		4184.5	3834.5

Table 6. Oil & Gas Combined Production Tax Calculation (July 2008 to June 2009)

FY 2009 Production Tax Revenues: Oil plus Gas Combined

(Analysis Assumes Actual Oil Plus Hypothetical Gas)

	Oil + Gas Effective BOE Price	Oil + Gas Effective Per BOE Total Costs	Per Barrel Production Tax Value	Progressivity Threshold	PTV less Progressivity Threshold	PTV Rate per Dollar of Adjusted PTV	Incremental Progressivity Rate	Oil + Gas Volume (Millions boe)	Combined Progressivity Tax (CPT)	Base Production Tax (BPT) Rate	Base Production Tax (BPT) Value	CPT + BPT Value	CPT + BPT less $400 in credits	
Month	$/boe	$/boe	PTV $/boe	$/boe	$/boe	%	%	millions boe	$ millions	%	$ millions	$ millions	$ millions	
A	B	C	D= (B + C)	E	F= (D + E)>=0	G	H= (F * G)	I	J= (D * H * I)	K	L= (D * I * K)	M= (J + L)	N= (M - P)	
Monthly Analysis, $30 PTV $/boe threshold and 0.004% progressivity parameter under Current Law as enacted in 2007														
Jul	94.41	-27.44	66.97	-30	36.97	0.40%	14.79%	41.8	414.1	25.00%	699.9	1114.0		
Aug	79.24	-27.44	51.80	-30	21.80	0.40%	8.72%	41.8	188.8	25.00%	541.4	730.2		
Sep	69.47	-27.44	42.03	-30	12.03	0.40%	4.81%	40.5	81.8	25.00%	425.1	506.9		
Oct	53.91	-27.44	26.47	-30	0.00	0.40%	0.00%	41.8	0.0	25.00%	276.7	276.7		
Nov	43.86	-27.44	16.43	-30	0.00	0.40%	0.00%	40.5	0.0	25.00%	166.1	166.1		
Dec	36.32	-27.44	8.88	-30	0.00	0.40%	0.00%	41.8	0.0	25.00%	92.8	92.8		
Jan	34.50	-27.44	7.06	-30	0.00	0.40%	0.00%	41.8	0.0	25.00%	73.8	73.8		
Feb	32.97	-27.44	5.53	-30	0.00	0.40%	0.00%	37.8	0.0	25.00%	52.2	52.2		
Mar	33.61	-27.44	6.17	-30	0.00	0.40%	0.00%	41.8	0.0	25.00%	64.5	64.5		
Apr	32.11	-27.44	4.67	-30	0.00	0.40%	0.00%	40.5	0.0	25.00%	47.3	47.3		
May	37.36	-27.44	9.92	-30	0.00	0.40%	0.00%	41.8	0.0	25.00%	103.7	103.7		
Jun	42.49	-27.44	15.06	-30	0.00	0.40%	0.00%	40.5	0.0	25.00%	152.3	152.3		
							Totals:	492.2	684.7	25.00%	2695.7	3380.5	3030.5	
Difference Between Production Tax Calculated on a combined Oil & Gas Basis Minus Standalone Oil and Gas Basis:												-804.1	-804.1	P
												Capex Credits ($ millions):		350.0

SB 167:

The Separation of Oil & Gas Production Taxes

Provided by Logsdon & Associates

March 9, 2010

Premise of the Bill

- Under current law oil and gas are taxed together
- Oil is worth much more than gas
- The combining mechanism materially reduces oil taxes even though oil operations are unaffected

Oil is Different than Gas

- Oil more geographically concentrated (fewer sellers: OPEC)
- Oil supplies more depleted
- Gas is more plentiful
- Oil has fewer substitutes
- Gas has more substitutes

BTU 10:1

West Coast ANS

- Market Price $80/bbl
- Less:
  - Shipping $2.07
  - TAPS $4.18
- Gross Value $73.75

North Slope Gas

- Market Price $6/mmbtu
- Less:
  - Tariff AK to AB $3.54
  - AB Hub $0.24
  - Tariff AB to L48 $0.85
- Gross Value $1.37/mmbtu
- BOE Basis (X 5.5) = $7.54
- On a straight BTU to BTU basis oil is worth nearly 10 X as much as gas

Some Things that have BTUs

- Oil
- Gas
- Coal
- Wood
- Asphalt
- Shoe Leather
- Rubber
- Coffee grounds
- Citrus rinds
- Corn cobs
- Dung

Mechanics of Current Tax

- 1) Oil gross value (market price less transport cost)
- 2) Gas gross value (market price less transport cost)
- 3) Oil + gas gross value gas = Combined gross value
- 4) Combined gross value – lease capital and operating costs = Combined oil & gas net value
- 5) Combined oil & gas net value / total oil & gas BOEs = p/BOE net value (see Slide #6)
- 6) Progressivity factor (based on per BOE net value) plus 25% base rate = tax rate
- 7) Single tax rate applied to combined oil & gas net value

Barrel of Oil Equivalents (BOEs):
Putting Oil & Gas on an Apples / Apples Basis

- 4.5 billion cubic feet per day (bcf/d) of natural gas
- A cubic foot of North Slope gas will have about 1,100 BTUs
- Natural gas is measured in millions of BTUs (mmbtu)
- 4.5 billion cubic feet per day will have 4.95 million mmbtu's (4.5 X 1,100)
- A barrel of oil has about 5,500 BTUs
- 4.5 billion cubic feet per day will have the BTU equivalence of 900,000 barrels of oil (BOEs) (4,950,000 / 5.5)
- If there are 500,000 barrels of oil, total BOEs will total 500,000 + 900,000 = 1,400,000

Progressivity Mechanics

- "Trigger" = $30 net / BOE value
- "Slope" = 0.4%*
- Progressivity surcharge = (Net per BOE value - $30) X .004
- Example: if net value = $50
  - Base tax rate = 25%
  - Progressivity = ($50 – $30) X .004 = 8%
  - Total tax of 33% on net value

* Slope changes to 0.1% after $92.50 net per BOE value

HOW GAS IMPACTS OIL TAXES

	Oil Alone (p/bbl)	Gas (p/mmbtu)	Combined Oil & Gas	
Market Price	$80.00	$6.00	Oil	
Transp cost	$5.00	$4.50	p/bbl net value	$55.00
Gross Value	$75.00	$1.50	Barrels (millions)	183
			Total oil net value ($mm)	$10,038
Costs	$20.00	$0.50	Gas	
			p/mmbtu net value	$1.00
Net (p/barrel or p/mmbtu)	$55.00	$1.00	mmbtu's (millions)	1,807
			Total gas net value ($mm)	$1,807
Base rate	25.00%			
Progressivity	10.00%		Total oil & gas net value	$11,844
Total tax rate	35.00%		Total BOEs	511
			Net value / BOE	$23.18
Daily bbls (oil) or mmbtu (gas)	500,000	4,950,000	NO PROGRESSIVITY!	
Daily BOEs	500,000	900,000		
Annual BOEs (millions)	183	329		

SB 170

<TARGET><BILL>SB 170</BILL><SUBJECT>SB 170</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 2/22/12

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 170

SB 170-VOCATIONAL ED. COUNSELING IN SCHOOLS

"An Act requiring vocational education counseling in public schools."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
EED			✓	1

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	Egan	✓			
	McGuire	✓			
	Olson			✓	
	Ellis	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓			

ALASKA STATE LEGISLATURE

SENATOR JOE THOMAS

Senate Bill 170

"An Act requiring vocational education counseling in public schools."

One of the major functions of public education is to prepare our future workforce. During their school years young people make critical decisions which will ultimately affect their choice of a career later in life. Some young people have a clear idea of what they want to be doing after graduation, but many do not.

The adolescent years in particular are filled with many changes, making it a one of the critical phases of a person's life. If childhood is like traveling down a busy street, seventh grade is the junction. Recent research has specifically targeted the early adolescent years as a crucial point in development. It is a perfect time to introduce realistic career options.

Senate Bill 170 recognizes this junction in a young person's life, and provides for career counseling for every student in seventh, ninth and eleventh grades. Many schools are already offering this for all secondary students, but it should be available to every student in our state. The Department of Education and Early Development already has resources that can be directed toward this important task.

This bill would not prevent schools or districts from providing a more comprehensive program. It sets the minimum standards for career counseling, starting at seventh grade and continuing in ninth and eleventh grades. Seventh grade is when students start making important life choices. Ninth grade is the beginning of high school, when they are choosing courses which will affect their readiness for the workforce. In eleventh grade they are starting to look ahead to high school graduation, and what will come after commencement.

It is vital that we give our children the tools they need to prepare for their future, and to become a productive part of our workforce. SB 170 provides this for our students.

January – May: State Capitol – Juneau, Alaska 99801 – (907) 465-2327 – 1 (800) 336-7383 – Fax (907) 465-5241
June – December: 1292 Sadler Way Ste 203 – Fairbanks, Alaska 99701 – (907) 456-8161 – Fax (907) 456-8163
Senator.Joe.Thomas@legis.state.ak.us

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB 170**
Fiscal Note Number: 1
(S) Publish Date: 2/22/12

Identifier (file name): SB170-EED-SSA-2-9-12
Title: "An Act requiring vocational education counseling in public schools."
Sponsor: Senator Thomas
Requester: Senate Education Committee

Dept. Affected: Education & Early Development
Appropriation: Teaching and Learning Support
Allocation: Student & School Achievement
OMB Component Number: 2796

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE (Thousands of Dollars)								
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version.

Prepared by: Cynthia Curran, Director — Phone: 465-2857
Division: Teaching and Learning Support — Date/Time: 2/9/12 8:00 AM
Approved by: Mike Hanley, Commissioner — Date: 2/9/2012

(Revised 8/17/2011 OMB)

FISCAL NOTE #1

STATE OF ALASKA **BILL NO.** SB 170
2012 LEGISLATIVE SESSION

Analysis

This is an zero fiscal note. The amendment language in both AS 14.07.020 (a) (19) requires that: "if a school district is unable to provide vocational education and training counseling, the department shall provide additional resources and technical assistance that result in the delivery of the counseling; AS 14.14.090 (11) has similar language that states this training will occur in grades seven, nine, and eleven; if a district is unable to provide this counseling that they shall request the department to provide the resources and technical assistance necessary to deliver the counseling.

Currently web-based career guidance and counseling materials are available to all citizens of the state through the Alaska Commission on Postsecondary Education's support of AKCIS, the Alaska Career Information System. EED staff frequently recommends this resource to district and school personnel who are planning to implement Strategy 1 of the Alaska Career & Technical Education Plan.

In order to ensure this free resource meets the intent of this bill, a review of this available resource by counselors/teachers/advisors would be recommended. This review could include recommendations for specific staff training and identify how students are given sufficient time and guidance to learn its content. This review falls under the scope of allowable expenses under the current federal Career and Technical Education funding.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB 170**
Fiscal Note Number: 1
(S) Publish Date: 2/22/12

Identifier (file name): SB170-EED-SSA-2-9-12
Title: "An Act requiring vocational education counseling in public schools."
Sponsor: Senator Thomas
Requester: Senate Education Committee

Dept. Affected: Education & Early Development
Appropriation: Teaching and Learning Support
Allocation: Student & School Achievement
OMB Component Number: 2796

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE (Thousands of Dollars)								
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version.

Prepared by: Cynthia Curran, Director — Phone: 465-2857
Division: Teaching and Learning Support — Date/Time: 2/9/12 8:00 AM
Approved by: Mike Hanley, Commissioner — Date: 2/9/2012

(Revised 8/17/2011 OMB)

FISCAL NOTE #1

STATE OF ALASKA **BILL NO.** SB 170
2012 LEGISLATIVE SESSION

Analysis

This is an zero fiscal note. The amendment language in both AS 14.07.020 (a) (19) requires that: "if a school district is unable to provide vocational education and training counseling, the department shall provide additional resources and technical assistance that result in the delivery of the counseling; AS 14.14.090 (11) has similar language that states this training will occur in grades seven, nine, and eleven; if a district is unable to provide this counseling that they shall request the department to provide the resources and technical assistance necessary to deliver the counseling.

Currently web-based career guidance and counseling materials are available to all citizens of the state through the Alaska Commission on Postsecondary Education's support of AKCIS, the Alaska Career Information System. EED staff frequently recommends this resource to district and school personnel who are planning to implement Strategy 1 of the Alaska Career & Technical Education Plan.

In order to ensure this free resource meets the intent of this bill, a review of this available resource by counselors/teachers/advisors would be recommended. This review could include recommendations for specific staff training and identify how students are given sufficient time and guidance to learn its content. This review falls under the scope of allowable expenses under the current federal Career and Technical Education funding.

By STEPHEN DEUTSCH and DEAN RASMUSSEN, Economists

Green Jobs Come Into Focus

State's first comprehensive survey shows a growing role

Hearing about or reading environmental news has become a part of daily life for most of us. Environmental issues capture radio, television, magazine, and newspaper coverage not only nationally, but in Alaska too. The environment has become an economic driver, promoting research and development along with creating demand for new products and advances in technology. This "greening" effect is changing the way we live and do business.

In most states, both private and public sectors are part of this new trend, especially in the areas of renewable energy and energy efficiency. Policy makers, educators, and economists have begun asking, how important is this growing sector of the economy? How many so-called "green jobs" are there? Is there an adequate workforce trained for these jobs? What education and training will workers need to gain the skills required for future work?

Green Employment by Industry 1

Alaska, 2011

Industry	Estimated green jobs	As % of all green jobs	3rd qtr 2010 employment	As % of industry employment
Agriculture, Forestry, Fishing, and Hunting[1]	205	4.1%	1,208	17.0%
Mining, Quarrying, Oil and Gas	125	2.5%	16,156	0.8%
Utilities	110	2.2%	2,233	4.9%
Construction of Buildings	278	5.6%	5,698	4.9%
Heavy and Civil Engineering Construction	58	1.2%	4,540	1.3%
Specialty Trade Contractors	481	9.7%	9,341	5.1%
Manufacturing	305	6.1%	19,040	1.6%
Wholesale Trade	91	1.8%	6,666	1.4%
Retail Trade	225	4.5%	36,898	0.6%
Transportation and Warehousing	53	1.1%	21,414	0.2%
Information	0	0.0%	6,483	0.0%
Financial Activities	91	1.8%	15,385	0.6%
Professional, Scientific, and Technical Services	1,013	20.4%	14,209	7.1%
Administrative and Support Services	17	0.3%	10,713	0.2%
Waste Management and Remediation Services	367	7.4%	1,626	22.6%
Educational Services, Private	37	0.7%	2,065	1.8%
Health Care and Social Assistance, Private	5	0.1%	39,891	0.0%
Leisure and Hospitality	321	6.5%	37,399	0.9%
Other Services (Except Government)	158	3.2%	12,174	1.3%
Local Government	1,033	20.8%	30,996	3.3%
TOTAL	4,973	100.0%	294,135	

[1] Excludes the self-employed and most commercial fishermen and agricultural workers.
Note: All numbers exclude state and federal employment. Percentages won't sum due to rounding.

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

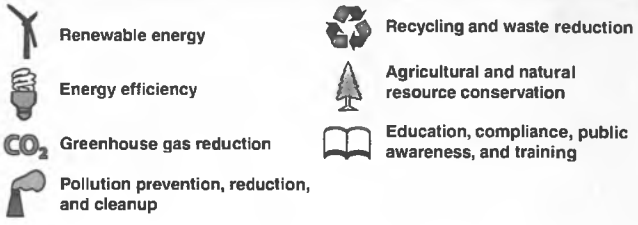
Although Alaska has a number of renewable energy and energy efficiency projects already built and more are on the horizon, no formal study had been done to measure this emerging part of the economy, until now.

Green jobs defined

In 2010, the Alaska Department of Labor and Workforce Development's Research and Analysis Section surveyed 4,826 private and local government firms. R&A received a response from 2,979 of these firms, with 375 reporting they employed at least one worker in a green job. R&A defined a green job as providing a good or service in at least one of seven categories:

- Renewable energy
- Energy efficiency
- Greenhouse gas reduction
- Pollution prevention, reduction, and cleanup
- Recycling and waste reduction
- Agricultural and natural resources conservation
- Education, compliance, public awareness, and training

Icons Key



2 Top Green Occupations by Employment
Alaska, 2011

Occupation	Estimated green jobs	3rd qtr 2010 employment	% of all green jobs	Categories of work*
Tour Guides and Escorts	440	1,133	8.9%	
Carpenters	275	3343	5.5%	
Fishers and Related Fishing Workers[1]	266	605	5.4%	
Environmental Scientists and Specialists, Including Health	254	401	5.1%	
Retail Salespersons	247	11,520	5.0%	
Construction Laborers	212	5461	4.3%	
Zoologists and Wildlife Biologists	166	254	3.3%	
Environmental Science and Protection Technicians, Including Health	158	158	3.2%	
Geological and Petroleum Technicians	144	649	2.9%	
General and Operations Managers	139	3,780	2.8%	
Roofers	111	324	2.2%	
Environmental Engineering Technicians	93	253	1.9%	
Ship Engineers	93	208	1.9%	
Service Unit Operators, Oil, Gas, and Mining	63	660	1.3%	
Environmental Engineers	60	177	1.2%	
Hazardous Materials Removal Workers	58	327	1.2%	
First-Line Supervisors/Managers of Construction Trades and Extraction Workers	52	1,134	1.1%	
First-Line Supervisors/Managers of Farming, Fishing, and Forestry Workers	52	125	1.1%	
Office Clerks, General	51	6,236	1.0%	
Power Plant Operators	49	441	1.0%	

[1]Excludes most commercial fishermen

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

*See the top of this page for icon key.

How many green jobs are there?

R&A identified 145 individual green occupations with reported employment in Alaska. Total green employment was estimated at 4,973 jobs[1] among 1,552 employers during 2010, with green work representing 1.7 percent of Alaska's private and local government employment. (See Exhibit 1.)

The results are consistent with existing research that suggests green jobs do not represent an industry of their own; rather, they are spread across all industries where employers pursue more environmentally sustainable concepts.

The seven categories

Renewable energy accounted for 13 percent (639) of all positions.[2] These jobs were found primarily in utilities and local government.

Energy efficiency accounted for 39 percent (1,954) of all positions. These jobs were found primarily in construction.

Greenhouse gas reduction accounted for 9 percent (466) of all positions. These jobs were found primarily in utilities and mostly in jobs helping the transition to power sources with less carbon pollution.

Pollution prevention, reduction, and cleanup made up 33 percent (1,620) of all green positions. These jobs were found primarily in waste management and remediation.

Recycling and waste reduction accounted for 32 percent (1,611) of all positions. These jobs were found primarily in waste management and local government, but this category spanned the largest cross-section of industries.

Agricultural and natural resources conservation accounted for 26 percent (1,313) of all positions. These jobs were found primarily in agriculture and in professional and scientific services.

Education, compliance, public awareness, and training accounted for 35 percent (1,740) of all positions. These jobs were found primarily in professional and scientific services.

Shades of green

Most workers in green jobs don't spend 100 percent of their time producing a green product or service.



Angoon residents install a solar power panel on a home as part of the Sustain Angoon Project. Photo courtesy of Central Council, Tlingit and Haida Tribes of Alaska.

Survey data support the idea of "shades of green." Many workers have accepted new environmentally conscious roles that supplement their primary workload. In other cases, workers have found themselves in essentially new occupations where the green work differs significantly from that of their nongreen counterparts.

By taking the average percentage of time workers in an occupation spend on green tasks, R&A estimated the various shades of green among industries and occupations. The results show that 8 percent of green occupations involved 50 percent or more time on average performing work in one of the green categories.

Industries

The largest concentrations of green jobs were in local government at 1,033 jobs (20.8 percent); and in professional, scientific, and technical service organizations at 1,013 jobs (20.4 percent).

Among industries, local and tribal governments have the largest number of green jobs. In a rural community, people often wear many hats in addition to their regular jobs. It is not unusual to find seemingly unlikely combinations, such as cooks who also run the community compost program.

The Environmental Protection Agency's Indian General Assistance Program had a big impact in Alaska by providing funds for tribal governments to address solid and hazardous waste management, recycling,

3 Top Green Jobs by Green Score
Alaska, 2011

Occupation	Estimated green jobs	3rd qtr 2010 employment	Green score	Categories of work**
Environmental Science Teachers, Postsecondary	*	*	10	
Wind Turbine Service Technicians	*	*	10	
Materials Scientists	*	*	9	
Cleaning, Washing, and Metal Pickling Equipment Operators and Tenders	*	*	8	
Environmental Science and Protection Technicians, Including Health	158	158	8	
Zoologists and Wildlife Biologists	166	254	7	
Boilermakers	30	44	5	
Conservation Scientists	23	28	5	
Foresters	*	*	5	
Molding, Coremaking, and Casting Machine Setters, Operators, and Tenders, Metal and Plastic	14	30	5	
Power Distributors and Dispatchers	17	34	5	
Ship Engineers	93	208	5	
Chemical Engineers	40	48	4	
Environmental Scientists and Specialists, Including Health	254	401	4	
Fishers and Related Fishing Workers[1]	266	605	4	
Environmental Engineers	60	177	3	
Farm and Home Management Advisors	*	*	3	
First-Line Supervisors/Managers of Farming, Fishing, and Forestry Workers	52	125	3	
Geological and Petroleum Technicians	144	649	3	
Natural Sciences Managers	17	28	3	
Sales Engineers	20	45	3	
Tour Guides and Escorts	440	1,133	3	
Travel Guides	*	*	3	
Biological Technicians	7	59	2	
Economists	*	*	2	
Environmental Engineering Technicians	93	253	2	
First-Line Supervisors/Managers of Landscaping, Lawn Service, and Groundskeeping Workers	13	65	2	
Logging Equipment Operators	11	50	2	
Roofers	111	324	2	
Soil and Plant Scientists	*	*	2	
Training and Development Specialists	32	156	2	

[1]Excludes most commercial fishermen.
An asterisk (*) means the data are suppressed due to confidentiality and/or reliability reasons.
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

**See page 16 for icon key.

Green Occupations With Special Requirements 4

By training category, Alaska, 2011

Training category	% reported	Examples
Renewable Energy Certification	3.2%	Wind Turbine Operation and Maintenance (O&M), Calibrating solar panels
Cleanup and Abatement Certification	15.5%	HAZWOPER Oil Spill Response Training
Equipment Operators License/CDL	4.9%	Class A CDL Hazardous Materials Endorsement (HME)
Energy Efficient Construction/LEED (Weatherization)	16.4%	LEED Certified Building Energy Efficiency Standard (BEES)
Other Certification	10.4%	Certified Erosion and Sediment Control Lead (CESCL), Certified Forester
Prior Experience/On-the-Job Training	17.8%	Organic Farming Techniques, Knowledge of Regulations

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

and renewable energy.

Professional and scientific services came in a close second for number of green jobs. Work in this industry is broad and instrumental in development of renewable energy, energy efficiency, and sustainability education.

The highest concentration of green jobs was in the waste management and remediation industry. Its percentage of statewide employment is one of the smallest, but occupations in this sector are critical to supporting the state's environmental health. Many of this industry's jobs are fundamentally green because they deal overwhelmingly with handling waste and mitigating the effects of pollution.

Green jobs are found across almost all industries, but this survey didn't uncover any in the information industry, and found few in health care and administrative support. These results are in line with other states' research.

Occupations

R&A asked employers to identify occupations that fell into at least one of the seven green categories. Those who responded reported:

- The total number of workers in these jobs
- How many performed green work
- The percentage of time each employee spent doing green work
- The green categories of work performed

By employment numbers, the top 25 green occupations represent 66 percent of green employment in the state. Tour guides and escorts are the largest occupation by green employment. (See Exhibit 2.) Alaska has a highly seasonal tourism industry that depends on the state's natural beauty and resources. The survey shows that slightly less than 38 percent of tour guides and escorts educate the public on sustainable practices and increase public awareness of sustainability concepts.

As a major occupational group, construction and extraction occupations have the largest total employment and include eight of the top 25 green occupations. This result matches other states' data, and reflects a subset of the construction industry that focuses on home weatherization and energy efficiency upgrades.

The green occupations with the highest employment fall primarily into the energy efficiency category, which is followed closely by education.

Green score

An occupation's green score is the weighted average of the percentage of time spent on green activities within a given occupation. The numbers are rounded up and indexed between 1 and 10, with 10 representing 100 percent of work qualifying as green, 9 representing 90 percent, and so on.

Thirty-five green occupations scored greater than 2. (See Exhibit 3.) Occupations with the most time spent on green activities (for example, wind turbine technicians) often have the lowest total employment.

It is also important to look at an occupation's green employment percentage to assess whether green is prevalent throughout the group or in just a fraction, represented by a few companies producing a

specific green product. This distinction is useful for determining how to discuss and target green occupations in the state.

Carpenters and construction laborers are two occupations ranking high in green employment and low on percentage of time spent in green activities. Both are large occupation groups doing important home weatherization work; however, targeting all of these positions for training may not be the best approach. It might make more sense to focus on businesses employing carpenters or construction laborers whose primary purpose is a green product or service.

On the other end of the spectrum, a wind turbine service technician's work is 100 percent green. Even though employment in this occupation is extremely low, any training would go directly toward producing green goods and services.

When grouped by green score, occupations are primarily performing work in the agriculture and natural resources category, followed closely by pollution reduction, then education.

Taken together, the employment estimates and green scores provide a more robust look at the effects of green work in Alaska. Jobs with high employment and low green activity, as well as jobs with low employment and high activity, are both critical to development of the state's green infrastructure. Understanding their differences will increase the efficacy of developments targeting these two groups and any combination.

Training, skills, and certifications

Employers reported that 46 percent of green occupations require special skills, certificates, or licenses to perform the work. (See Exhibit 4.) This survey did not determine whether these requirements are a condition of hire.

About 3 percent of green jobs required renewable energy certification or training, and these requirements were primarily in the utilities and local government industries. Employers reported that 5 percent of green jobs required an equipment operator or commercial driver's license. A CDL was often paired with a Hazardous Materials Endorsement.

By far the most prevalent certification reported was the Hazardous Waste Operations and Emergency Response Standard, or HAZWOPER. Cleanup and abatement certification was required by 15.5 percent of green occupations, with the HAZWOPER certification accounting for approximately half of the responses within the category. Energy efficient construction and certification in Leadership in Energy and Environmental Design, or LEED, was the largest specific requirement reported, at 16 percent of all occupations.

Other certifications at 10 percent and prior experience or on-the-job training at 18 percent captured a wide breadth of requirements that did not contain enough responses to stand on their own. Other certifications included occupations requiring a bachelor's degree specific to green work. Exhibit 4 provides examples of reported requirements.

Recruiting green workers

Recruiting and retaining green workers is not currently an issue for 80 percent of all green jobs. Employers who have had difficulty cite a lack of workers in Alaska (6 percent), a lack of required green skills (4 percent), and other reasons (4 percent).

As a group, green occupations have a nonresident hire rate of 16 percent, compared to 20 percent across all private and local government employment. Occupations with the most difficulty recruiting due to lack of workers in Alaska usually reported nonresident hire rates above the rate for all green occupations.

These data support the conclusion that green jobs are an emerging component across all industries and occupations in Alaska. In some cases, workers have been doing green work without that previous classification, and their industries are well established. In other cases, occupations such as power plant operators integrate investments in renewable resources while supporting existing traditional power generation infrastructure.

The Alaska Green Jobs Report is available in its entirety on R&A's Web site: http://labor.alaska.gov/research/greenjobs/greenjobs.htm. The full report includes additional information, methodology, and a complete listing of the 145 occupations in which Alaskan employers reported green employment.

Notes

[1]Except where otherwise noted, all employment references in this report only reflect private and local government employment. See the methodology appendix and the state government chapter in the full report online for a discussion of the challenges of reporting public green employment.

[2]An employer can classify workers in more than one category. The sum will exceed the total number of green jobs.

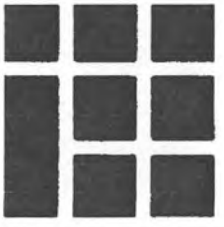
School-Based Career Development: A Synthesis of the Literature

Katherine L. Hughes
and
Melinda Mechur Karp

Institute on Education and the Economy
Teachers College, Columbia University

February 2004







Conclusion and Recommendations

In general, this review of the career guidance and academic counseling literature has produced many positive findings. Meta-analyses have found positive impacts of career guidance. Researchers have found benefits to students of comprehensive guidance programs, career courses, academic counseling and computer-based guidance systems. However, there are also limitations to these interventions and to the research methods studying them.

With regard to comprehensive guidance programs, much more research is needed. The attempts of Lapan, Gysbers and their colleagues to use statewide data to uncover relationships between the implementation of such programs and student outcomes are admirable. However, their research relies on self-report of variables such as student GPA, which would be better reported through transcripts. In addition, it would be useful to have a conceptual model explaining how the different elements of comprehensive guidance programs might impact students' grades and other variables.

Students do seem to benefit, both vocationally and academically, from participation in career courses. In particular, they seem to increase their knowledge of careers and their ability to make career-related decisions. On most career-related measures, students did see increased outcomes when compared with students not enrolled in a career course. In the one study exploring academic measures (Fouad, 1995), participants in a career course did improve academically. However, there is little evidence that any gains—either academic or career-related—are maintained over time.

The few studies on academic counseling or advising showed positive findings. It is interesting that this very common but rather low-profile intervention, helping students

plan their secondary school program, appears to be valuable according to certain academic measures. And the meta-analyses found that, of the different types of career guidance interventions, individual counseling interventions were most effective. This simple planning intervention may help students understand the connections between their goals and the necessary steps to take towards them. Thus this intervention is potentially very effective, but more research is needed.

Computer-assisted career guidance programs appear to contribute to students' career development, according to some career-focused inventories. However, these interventions were very short-term and the research tended to consist solely of pre- and post-test inventories, sometimes administered less than a week apart. As more than one author pointed out, the level of dosage of some of the interventions was quite low. With such small amounts of treatment, it is unclear what long-term benefits students might gain. It is also unclear whether computer-assisted programs alone or in combination with other interventions are most effective. Some have found that computer-based interventions by themselves fail to match outcomes produced in combination with some other intervention (Meier, 1991), while others have found that adding a computer program to a career course produces no additional benefits beyond the course alone (Garis & Niles, 1990).

One limitation found in common to many of the interventions and the research is that they focus on change in students' knowledge, and even more commonly, their attitudes. Students' actual behaviors were a minor focus, as in the studies that examined the effects of career courses on students' later course-taking, or research examining the relationship between academic counseling and later academic achievement. The element

of time was also a weakness in much of the research. Much like a history test that measures what students have learned in a half-semester of a history course, inventories were used to measure the digestion of career information, or a change in an attitude. In most cases no follow-up research was conducted over time to see the lasting nature of any knowledge gain or attitude change, or the relationship of these with actions taken later.

There is general agreement that career development is a desirable part of schooling, and there is evidence that many different types of career guidance interventions are effective, according to the measures chosen. Yet, the research overall does not help us in determining the optimum content of or method of delivery of career guidance. We have reviewed various interventions, but because of the diversity of goals, methods and measures, a clear direction for policy in this area is still unclear. We can, however, recommend the following:

Other career development activities that are more experiential in nature have been found to positively influence such variables as school attendance and completion. Compared to these types of activities, many of the guidance interventions reviewed seem inauthentic and artificial. Until additional research is done, students should engage in a variety of career development activities that complement one another.

Given the finding that career guidance and academic counseling is potentially very effective with middle school students, a greater investment in these activities in the middle schools should be made, and future research should be focused there as well.

Academic counseling appears to be a straightforward and cost-effective way to improve student outcomes. Resources should be targeted to ensure that all middle- and

high-school students have regular conferences with counselors to discuss their current and future academic programs.

Finally, research should focus on exploring the relationships between guidance interventions and positive student behaviors.

SB 171

<TARGET><BILL>SB 171</BILL><SUBJECT>SB 171</SUBJECT><COMM>SFIN27</COMM></TARGET>

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

Senator Bert Stedman, Co-Chair
State Capitol, Room 516
Juneau, AK 99801-1182
(907) 465- 3873 - Phone
(907) 465-3922 - Fax
Senator_Bert_Stedman@legis.state.ak.us

Official Business

Senator Lyman Hoffman, Co-Chair
State Capitol, Room 518
Juneau, AK 99801-1182
Phone - (907) 465- 4453
Fax - (907) 465- 4523
Senator_Lyman_Hoffman@legis.state.ak.us

AGENDA

Wednesday, February 8, 2012 — Senate Finance Room 532 – 9:00 AM

SB 187 – Pension Reserve Fund
SB 171 – Increase Base Student Allocation
Bills Previously Heard/Scheduled

SENATE FINANCE COMMITTEE REPORT

DATE: 1/30/12

FURTHER:

DATE TURNED IN TO OFFICE: 2/9/12

Finance Committee considered SENATE BILL NO. 171

SB 171-INCREASE BASE STUDENT ALLOCATION

"An Act increasing the base student allocation used for public school funding; and providing for an effective date."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
EED	X			
EED	X			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	Egan	✓			
	McGuire	✓			
	Olson			✓	
	Ellis	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓			

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version **SB171**
Fiscal Note Number
Publish Date

Identifier (file name) SB171-EED-ACYA-2-8-12
Title "An Act increasing the base student allocation used for public school funding; and providing for an effective date."
Sponsor Senate Education Committee
Requester Senate Finance Committee

Dept. Affected Education & Early Development
Appropriation K-12 Support
Allocation Alaska Challenge Youth Academy
OMB Component Number 2837

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits	190.9		389.4	595.5	595.5	595.5	595.5
Miscellaneous							
TOTAL OPERATING	**190.9**	**0.0**	**389.4**	**595.5**	**595.5**	**595.5**	**595.5**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	190.9		389.4	595.5	595.5	595.5	595.5
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**190.9**	**0.0**	**389.4**	**595.5**	**595.5**	**595.5**	**595.5**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This bill was updated at the request of Senate Finance.

Prepared by Elizabeth Nudelman, Director — Phone 465-8679
Division School Finance & Facilities — Date/Time 2/8/12 4:00 PM
Approved by Mike Hanley — Date 2/8/2012
Commissioner

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB171

Analysis

AS 14.30.740 uses the base student allocation (BSA) to calculate the funding for the Alaska Challenge Youth Academy. This bill amends AS14.17.470 Base student allocation (BSA) of $5,680 with an increase for the next three fiscal years.

FY2013 increases BSA by $125 to $5,805 an increase for that year of $**190,875**

FY2014 increases BSA by $130 to $5,935 an increase for that year of $**198,510**

FY2015 increases BSA by $135 to $6,070 an increase for that year of $**206,145**

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version **SB171**
Fiscal Note Number
Publish Date

Identifier (file name) SB171-EED-ESS-2-8-12
Title "An Act increasing the base student allocation used for public school funding; and providing for an effective date."
Sponsor Senate Education Committee
Requester Senate Finance Committee

Dept. Affected Education & Early Development
Appropriation K-12 Support
Allocation Foundation Program
OMB Component Number 141

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits	30,613.3		62,451.1	95,513.4	95,513.4	95,513.4	95,513.4
Miscellaneous							
TOTAL OPERATING	**30,613.3**	**0.0**	**62,451.1**	**95,513.4**	**95,513.4**	**95,513.4**	**95,513.4**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	30,613.3		62,451.1	95,513.4	95,513.4	95,513.4	95,513.4
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**30,613.3**	**0.0**	**62,451.1**	**95,513.4**	**95,513.4**	**95,513.4**	**95,513.4**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This fiscal note was updated at the request of Senate Finance.

Prepared by Elizabeth Nudelman, Director — Phone 465-8679
Division School Finance & Facilities — Date/Time 2/8/12 4:00 PM
Approved by Mike Hanley — Date 2/8/2012
Commissioner

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB171

Analysis

This bill amends AS14.17.470 Base student allocation (BSA) of $5,680 with an increase for the next three fiscal years.

FY2013 increases BSA by $125 to $5,805 an increase for that year of $**30,613,254**

FY2014 increases BSA by $130 to $5,935 an increase for that year of $**31,837,784**

FY2015 increases BSA by $135 to $6,070 an increase for that year of $**33,062,310**

Department of Education & Early Development Prepared by School Finance

Prepared 1/20/2012

SB171 Increase BSA for FY13-FY15.

	$125 increase	*$130 increase*	*$135 increase*
	$5,805 BSA	**$5,935 BSA**	**$6,070 BSA**
School District	**FY2013**	**FY2014**	**FY2015**
Alaska Gateway	170,989	177,828	184,668
Aleutian Region	31,048	32,289	33,532
Aleutians East Borough	132,799	138,111	143,422
Anchorage	9,237,836	9,607,350	9,976,863
Annette Island	84,214	87,582	90,951
Bering Strait	823,085	856,009	888,932
Bristol Bay Borough	59,150	61,516	63,882
Chatham	75,692	78,719	81,746
Chugach	51,449	53,507	55,564
Copper River	158,106	164,431	170,755
Cordova	95,418	99,234	103,051
Craig	125,252	130,263	135,272
Delta/Greely	231,185	240,433	249,680
Denali Borough	137,431	142,929	148,426
Dillingham	149,148	155,113	161,080
Fairbanks N. Star Borough	3,299,120	3,431,085	3,563,049
Galena	427,796	444,908	462,020
Haines Borough	91,449	95,107	98,764
Hoonah	48,831	50,785	52,738
Hydaburg	24,890	25,885	26,881
Iditarod Area	131,576	136,839	142,103
Juneau Borough	1,136,299	1,181,751	1,227,202
Kake	34,843	36,236	37,630
Kashunamiut	118,825	123,578	128,331
Kenai Peninsula Borough	2,146,583	2,232,447	2,318,311
Ketchikan Gateway Borough	506,615	526,879	547,144
Klawock	49,536	51,518	53,499
Kodiak Island Borough	641,607	667,272	692,936
Kuspuk	168,345	175,079	181,812
Lake & Peninsula Borough	214,240	222,809	231,379
Lower Kuskokwim	1,594,235	1,658,005	1,721,774
Lower Yukon	889,656	925,243	960,829
Mat-Su Borough	3,539,464	3,681,042	3,822,621
Nenana	138,249	143,779	149,308
Nome	207,780	216,091	224,403
North Slope Borough	611,921	636,398	660,875
Northwest Arctic Borough	818,523	851,263	884,005
Pelican	8,861	9,216	9,570
Petersburg	149,689	155,676	161,664
Pribilof	39,814	41,406	42,999
Saint Mary's	70,279	73,090	75,901
Sitka Borough	342,827	356,541	370,253
Skagway	20,711	21,540	22,368
Southeast Island	103,820	107,973	112,125
Southwest Region	286,345	297,799	309,252
Tanana	22,480	23,379	24,279
Unalaska	130,020	135,221	140,421
Valdez	174,160	181,127	188,093
Wrangell	103,494	107,633	111,774
Yakutat	37,242	38,731	40,220
Yukon Flats	174,544	181,525	188,508
Yukon/Koyukuk	260,225	270,634	281,043
Yupiit	200,179	208,186	216,193
Mt. Edgecumbe HS	85,379	88,794	92,209
TOTAL	**30,613,254**	**31,837,784**	**33,062,310**

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB 171**
Fiscal Note Number: 1
(S) Publish Date: 1/30/12

Identifier (file name): SB171-EED-ACYA-1-20-12
Title: "An Act increasing the base student allocation used for public school funding; and providing for an effective date."
Sponsor: Senate Education Committee
Requester: Senate Education Committee

Dept. Affected: Education & Early Development
Appropriation: K-12 Support
Allocation: Alaska Challenge Youth Academy
OMB Component Number: 2837

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits	190.9		198.5	206.1			
Miscellaneous							
TOTAL OPERATING	**190.9**	**0.0**	**198.5**	**206.1**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	190.9		198.5	206.1			
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**190.9**	**0.0**	**198.5**	**206.1**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable initial version.

Prepared by: Elizabeth Nudelman, Director — Phone: 465-8679
Division: School Finance & Facilities — Date/Time: 1/20/12 12:00 AM
Approved by: Commissioner Mike Hanley — Date: 1/20/2012

(Revised 8/17/2011 OMB)

FISCAL NOTE #1

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB 171

Analysis

AS 14.30.740 uses the base student allocation (BSA) to calculate the funding for the Alaska Challenge Youth Academy. This bill amends AS14.17.470 Base student allocation (BSA) of $5,680 with an increase for the next three fiscal years.

FY2013 at $125 for $5,805 BSA
FY2014 at $130 for $5,935 BSA
FY2015 at $135 for $6,070 BSA

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version	**SB 171**
Fiscal Note Number	2
(S) Publish Date	1/30/12

Identifier (file name)	SB171-EED-ESS-1-20-12	Dept. Affected	Education & Early Development
Title	"An Act increasing the base student allocation used for public school funding; and providing for an effective date."	Appropriation	K-12 Support
		Allocation	Foundation Program
Sponsor	Senate Education Committee		
Requester	Senate Education Committee	OMB Component Number	141

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits	30,613.3		31,837.8	33,062.3			
Miscellaneous							
TOTAL OPERATING	**30,613.3**	**0.0**	**31,837.8**	**33,062.3**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	30,613.3		31,837.8	33,062.3			
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**30,613.3**	**0.0**	**31,837.8**	**33,062.3**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable initial version.

Prepared by	Elizabeth Nudelman, Director	Phone	465-8679
Division	School Finance & Facilities	Date/Time	1/20/12 12:00 AM
Approved by	Commissioner Mike Hanley	Date	1/20/2012

(Revised 8/17/2011 OMB)

FISCAL NOTE #2

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB 171

Analysis

This bill amends AS14.17.470 Base student allocation (BSA) of $5,680 with an increase for the next three fiscal years.

FY2013 at $125 for $5,805 BSA
FY2014 at $130 for $5,935 BSA
FY2015 at $135 for $6,070 BSA

Department of Education & Early Development Prepared by School Finance

Prepared 1/20/2012

SB171 Increase BSA for FY13-FY15.

	$125 increase	*$130 increase*	*$135 increase*
	$5,805 BSA	**$5,935 BSA**	**$6,070 BSA**
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Ketchikan Gateway Borough	506,615	526,879	547,144
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Kuspuk	168,345	175,079	181,812
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Lower Yukon	889,656	925,243	960,829
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North Slope Borough	611,921	636,398	660,875
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Pribilof	39,814	41,406	42,999
Saint Mary's	70,279	73,090	75,901
Sitka Borough	342,827	356,541	370,253
Skagway	20,711	21,540	22,368
Southeast Island	103,820	107,973	112,125
Southwest Region	286,345	297,799	309,252
Tanana	22,480	23,379	24,279
Unalaska	130,020	135,221	140,421
Valdez	174,160	181,127	188,093
Wrangell	103,494	107,633	111,774
Yakutat	37,242	38,731	40,220
Yukon Flats	174,544	181,525	188,508
Yukon/Koyukuk	260,225	270,634	281,043
Yupiit	200,179	208,186	216,193
Mt. Edgecumbe HS	85,379	88,794	92,209
TOTAL	**30,613,254**	**31,837,784**	**33,062,310**

Presentation copy

ALASKA STATE SENATE

SEN. KEVIN MEYER
Alaska State Capitol
Juneau, Alaska 99801
Room 103
Phone: 907-465-4945
Fax: 907-465-3476

SEN. JOE THOMAS
Alaska State Capitol
Juneau, Alaska 99801
Room 514
Phone: 907-465-2327
Fax: 907-465-5241

SENATE EDUCATION COMMITTEE

Senators Kevin Meyer & Joe Thomas, Co-Chairs

Senate Bill 171

The legislature shall by general law establish and maintain a system of public schools open to all children of the State, and may provide for other public educational institutions.—Article VIII, Section 1 Alaska Constitution

Every Spring school districts around the state have the unenviable task of developing their budgets—sometimes without complete knowledge of the amount of funding they will receive for the next academic year.

SB 171 gives districts the ability to craft responsible and conservative budgets. It establishes a three-year plan of modest increases—lower than the inflation rate—so districts know the financial parameters they must work within as they plan for sustainability. Forcing districts to rely on unpredictable one year bumps in funding undercuts their ability to do long range, responsible financial and programmatic planning.

This provides districts with a three-year financial plan. Districts will know well in advance how to plan for the education of our children, how to staff the schools, and how to maintain fiscal security over time. Instead of working out whom to layoff each spring, they can budget over a longer period of time, knowing how much money they have to work with.

This additional annual amount added to the BSA allows schools to keep up with the rising cost of educating our children. When a student enters a school, we expect they will receive a quality education. They need an environment t conducive to learning—curriculum that meets high standards, a safe, warm building, reliable transportation to and from the facility, and the best teachers possible. Some students have special needs that must be met. If we are going to increase our graduation rates, we must reach out to at risk students.

Failure to increase the Base Student Allocation will lead to lay-offs at school district around the state, program and curriculum reductions, or result in more education costs being borne by local taxpayers.

Because of our unique conditions, delivery of a quality education is more expensive in Alaska than in other states. However, in comparison to other states we are spending less and less to educate our students. In 2009-2010 we ranked 22nd in the nation in per pupil spending. This additional annual amount added to the BSA allows schools to keep up with the rising cost of educating our children. The incremental increases represent less than two percent a year, which is below the current inflation rate.

Alaska must invest in its resources, and the education of our residents is one of the most important investments we can make.

We urge you to support SB 171, and vote for its passage.

Report of the Alaska Council of School Administrators (ACSA) FY13 Funding Review Committee - October 2011

Background
At the August meeting of the Alaska Association of School Administrators (AASA), Education Commissioner Mike Hanley asked district superintendents how much funding would be needed in FY13 to maintain current programs.

AASA/ACSA Executive Director Bruce Johnson suggested a joint project with the Alaska Association of School Business Officials (ALASBO) to study this question. The ALASBO Executive Board appointed the following ALASBO members to work with Bruce Johnson on this committee: Luke Fulp, Kodiak; Chad Stiteler, Anchorage; David Arp, Sitka; Yodean Armour, Klawock; and Amy Lujan, ALASBO Executive Director.

Process
With the help of Education and Early Development staff, budget templates pre-loaded with FY12 information were sent out to each school district, with a request for early estimates of FY13 budget needs. A commitment was made to the confidentiality of district data, due to the preliminary nature of the budget estimates. Using the ALASBO network, data was received directly from 48 of the 54 school districts. Estimates were created for the remaining districts.

Findings
Districts are expecting serious shortfalls in FY13, due to declining federal revenues as well as increased costs.

- health plan costs are expected to increase 7-15%, which is in line with industry estimates
- wage make up 47% of district budgets; many districts have negotiated agreements in place already for FY13; those entering negotiations anticipate modest increases
- energy costs have continued to increase; these higher costs also impact travel and shipping on all goods, from instructional supplies to food for school lunches
- overall expenses are forecast to increase due to inflation, which for the Anchorage CPI has averaged 2.7% since 1990
- the federal program for timber compensation to rural schools and communities (SRSCA) may not be reauthorized; this would reduce funding to schools and municipalities by $18.5 million, hitting 24 district budgets directly in some cases, and/or the ability of municipalities to provide local funding to school districts
- federal ARRA and Education Jobs Bill funding, which provided $35 million in unrestricted funding to be spent in FY12 and FY13, will be exhausted by the first quarter of FY13, resulting in program cuts in FY13 and FY14

State Funding Implications
While it is not expected that state funding can make up for all the reductions in federal funding, it is reasonable to expect that state funding can help districts deal with cost increases and ensure a continued quality educational program. The following estimates of funding needs are provided by this committee for guidance to achieve this goal.

- extending the FY12 grant provided by HB108 ($20 million) is critical to enabling districts to keep up with energy costs, in addition to the BSA increases suggested below
- a $320 BSA increase would enable districts to keep pace with expected cost increases, though it is possible that program cuts would be necessary, due to flat or declining local and federal revenues NOT funded by this BSA calculation
    - a $225 BSA increase would maintain the state's proportionate share of district funding, in relation to local and federal funding; however, program cuts would occur if local and federal revenues are flat or reduced



FAIRBANKS NORTH STAR BOROUGH SCHOOL DISTRICT
2012-13 SCHOOL YEAR

WHAT BUDGET ESTIMATES GIVE RISE TO THE DISTRICT'S SHORTFALL?

Revenue:	
Loss of state one-time energy funding	$ 2,137,890
Loss of unassigned fund balance [1]	229.820
Shortfall due to loss of revenue/financing sources	$ 2,367,710
Expenditure:	
Increased costs due to adding back in "jobs bill" teachers	$ 2,155,000
Increased costs for curriculum materials purchase	1,484,370
Increased subsidy to Pupil Transportation	1,246,990
Increased utility costs	335,700
Increased support for special education	2,433,170
Increased employee costs	3,852,150
Increased costs in other areas	722.290
Shortfall due to increased costs	$ 12,229,670
Estimated 2012-13 budget shortfall as of January	$ 14,597,380

BUDGET ASSUMPTIONS

- Student enrollments increase slightly and our military student population remains steady.
- The local contribution to education is flat funded, unchanged from the current year.
- The district loses $2.1m in one-time State energy funding provided for in the current year.
- The base student allocation amount (BSA) of $5,680 remains unchanged from the current year.
- The State continues to provide supplemental funding for retirement system contributions and the employer contribution rates remain unchanged from the current year.
- Pupil Transportation will continue to be funded at rates unchanged from the current year.

[1] The district had $ -0- unassigned audited fund balance at June 30, 2011. The district is estimating that with some additional foundation funding in the current year, along with savings from unfilled reserve teaching positions, that we will have $1.85m in fund balance available to supplement next year's budget. This can change depending on the high variability of current utility, health care, and other costs.

JUNEAU SCHOOL DISTRICT
CITY AND BOROUGH OF JUNEAU

FY 2013 Juneau School District Budget Information
January 17, 2012

HOW DID THE SCHOOL DISTRICT GET HERE?

Loss of one-time aid to school districts from the State of Alaska	$ 737,000
Elimination of federal jobs funding	460,000
Use of fund balance (reserve) last year	1,687,000
Grants expiring	865,000
Increased energy costs	221,000
Less indirect cost recovery from grants	207,000
Increased employee costs	900,000
Instructional and Technology needs	587,000
Other increases	123,445
	$5,787,445

WHAT THE DISTRICT KNOWS:

- The Governor of Alaska has not included any increase in the amount school districts receive as part of the funding formula.
- Utility rates will increase.

ASSUMPTIONS USED TO DEVELOP THE FY 2013 BUDGET:

- The Base Student Allocation (BSA) will remain at $5,680.
- JSD student enrollment will decrease by 26 students to 4,916 next year.
- Juneau students will continue to benefit from the same level of generous support from the City and Borough of Juneau.
- Pupil transportation will continue to be funded at the same level as FY 12 by the State of Alaska.

WHAT THE DISTRICT DOESN'T YET KNOW:

- What level of funding the Legislature will approve.
- Outcomes of the collective bargaining process.

DISTRICT: Yukon Koyukuk

	FY12	% Change	FY13	NOTES
Local Revenues (011-042)	35,000	0.0%	35,000	
E-Rate (047)	1,291,500	0.0%	1,291,500	
State Revenues (050)	11,523,238	FLAT	11,523,238	
TRS/PERS On-Behalf (056/7)	1,653,498	2.0%	1,686,568	
Federal Revenues (100-190)	1,377,927	0.0%	1,377,927	
Other (200)	-		-	
Transfers In (250)	100,000	0.0%	100,000	
Total Revenue	$ 15,981,163		$16,014,233	
Certif Salaries (310)	3,876,563	2.0%	3,954,094	
Non-Certif Salaries (320)	1,644,749	2.0%	1,677,644	
Employee Benefits (360)	3,893,053	5.0%	4,087,706	
Housing Allowance (380)	-		-	
Transportation Allowance (390)	-		-	
Subtotal: Payroll	$ 9,414,365		$ 9,719,444	
Professional Svcs (41X)	1,292,350	1.0%	1,305,274	
Staff Travel (420)	250,800	1.0%	253,308	
Student Travel (425)	51,345	1.0%	51,858	
Utilities (430)	1,777,000	5.0%	1,865,850	
Energy (435)	1,053,000	5.0%	1,105,650	
Purchased Svcs (440)	262,100	1.0%	264,721	
Insurance (445)	200,600	5.0%	210,630	
Supplies (450)	1,533,054	2.0%	1,563,715	
Tuition (480)	-		-	
Other (490)	51,549	1.0%	52,064	
Indirect Cost (495)	(130,000)	-5.0%	(123,500)	
Capital (500)	-		-	
Equipment (510)	-		-	
Other Transfers Out (55X)			246,750	
Transfers to Pupil Transp			-	
Transfers to Food Service	125,000	5.0%	131,250	
Other Special Revenue	110000	5.0%	115,500	CIP & Teacher Housing
Subtotal: Non-Payroll	$ 6,341,798		$ 6,796,321	
Total Expenses	$ 15,756,163		$16,515,764	
NET TOTAL	$ 225,000		$ (501,531)	

QUESTIONS:

1) Are your salary projections based on negotiated agreements already in place for FY13? Please explain below.
NO ON PAST PRACTICE

2) What % increase are you expecting for health benefit costs?
5%

FY2013 Count Impact and Budget Estimates

January 18, 2012

		FY2011-2012	FY2012-2013	Difference
	Estimated Number of Students	***1306***	***1295***	***-11***
	Revenues			
A	2013 City/Boro Appropriation	5,026,975	5,026,975	0
B	Misc Local Revenue	30,000	30,000	0
C	E-Rate	130,000	130,000	0
D	Quality Schools	43,883	43,720	-163
E	HB108 Allocation	220,639	0	-220,639
F	Foundation	12,039,137	11,920,556	-118,581
G	Impact Aid	30,000	30,000	0
H	Federal Secure Rural Schools	517,912	0	-517,912
	Total Revenues	**18,038,546**	**17,181,251**	**-857,295**
	Expenditures			
I	Salaries and Benefits	14,617,231	14,941,382	324,151
J	Maintenance	1,583,716	1,664,660	80,944
K	School/Program	649,988	647,595	-2,393
	District Administration	518,181	466,803	-51,378
L	Techology	394,200	427,200	33,000
	Prof/Tech/Contract Services	157,700	138,100	-19,600
	School Board	57,100	47,100	-10,000
M	Student Activities	158,645	111,402	-47,243
	Transfers Out	53,000	28,000	-25,000
	Total Expenditures	**18,189,761**	**18,472,242**	**282,481**
	Total Gain/(Loss)	**-151,215**	**-1,290,991**	

Assumptions:

Revenues:

A City and Borough Appropriation remains unchanged from FY2012 to FY2013
B Misc Local Revenue remains unchanged from FY2012 to FY2013
C E-Rate reimbursement remains unchanged from FY2012 to FY2013
D Quality Schools is adjusted to reflect the decrease in enrollment, 34 intensive students, and the final ISER incre
E State of AK HB108 Allocation is reduced to zero assuming it will not be reauthorized
F Foundation is adjusted to reflect the decrease in enrollment, 34 intensive students, and the final ISER increase
G Federal Impact Aid remains unchanged from FY2012 to FY2013
H Federal Secure Rural Schools funding is reduced to zero assuming it will not be reauthorized

Expenditures:

I Salaries and related benefits are adjusted to account for current employees rolled into the FY2013 negotiated agreement scales. Health Insurance premiums remain unchanged from FY2012 to FY2013. Workers Compensation Insurance is increased by 12.5% and all others insurances (non-health) are increased by 2.5% based on estimates from agents
J Heating fuel costs are increased by $20,000 as fuel prices are currently forecasted to drop in FY2013. The increase is from the anticipation of using more diesel fuel vs. heating electricity. Electricity is increased by $15,035 to prepare for anticipated increases from the City Electric Department. The custodial contract is increased by 5% from FY2012
K School and Program discretionary budgets remain unchanged from FY2012 to FY2013
L Technology includes a $75,000 increase to continue the School Board's 5 year plan
M Activities budgets are set at the FY2012 budget process level (reduced by $50,000 from FY2011)

Note: The $1.29MM anticipated deficit for FY2013 equates to 14.26 full time certified teaching positons

HAINES BOROUGH SCHOOLS

P.O. Box 1289

Haines, Alaska 99827

December 13, 2011

Dear Honorable Governor Parnell,

In the FY2013 budget you just released, you call for "full funding" of education at $1.1 billion and for forward funding for FY2014 at $1.1 billion. Thank you for acknowledging the need for forward funding. That would be a tremendous assistance.

However, since the recommendation you made for the current fiscal year was also at $1.1 billion, if I'm not mistaken that would make three years of flat funding within the funding formula. Currently inflation is running around 3% as computed by the Anchorage CPI. For different rural communities that number might be somewhat higher. For Haines, with a budget of around $5.7 million, 3% would represent about a $170,000 increase in costs of goods and services. We are currently projecting just about that kind of increase in order to keep the student programs and staff in place for FY2013.

Haines was one of 12 districts in the state to make AYP this year. We were one of three districts where our students with special needs made AYP. We have been working hard to continually improve how we educate our students. We've instituted more vocational education classes, we are stressing more school to work connections, we are instituting more early elementary reading interventions, we are making sure our high school students have access to the classes they need to qualify for the Performance Scholarship (thank you for that) and we are giving more attention to helping our special education students do better. All this has resulted in an over all increase in our graduation rate of over 15% over the last four years. For 2010/11 our graduation rate was 88%.

The Haines Borough School District runs pretty lean. If we experience reductions in the amount of services our funding can cover we will immediately be cutting into the muscle that delivers services to our students. Our programs will immediately suffer and will be driven backwards. We need your support to make sure we will be able to continue the good work we have in place.

Governor, it is respectfully requested you add an amount to the funding formula that will cover the inflationary pressures on the costs of goods and services. Along with forward funding, that would mean volumes in our ability to: 1) retain our staff and not have to keep them on pins and needles about their next year's employment until June; 2) better plan and schedule for the next year; and 3) keep morale up, which helps our entire organization.

Thank you,

Carol Kelly

Carol Kelly, President
Haines Borough School Board

Superintendent's Office
Phone (907) 766-6725
Fax (907) 766-6794

K-12 School Office
Phone (907) 766-6700
Fax (907) 766-6791

H-9. CURRENT EXPENDITURES FOR PUBLIC K–12 SCHOOLS PER STUDENT IN FALL ENROLLMENT, 2007–08 (REVISED) ($)

1.	DISTRICT OF COLUMBIA	17,109
2.	RHODE ISLAND	15,914
3.	NEW JERSEY	15,542
4.	NEW YORK	15,286
5.	WYOMING	13,999
6.	VERMONT	13,915
7.	MASSACHUSETTS	13,706
8.	CONNECTICUT	13,533
9.	MAINE	12,665
10.	DELAWARE	12,521
11.	HAWAII	11,800
12.	NEW HAMPSHIRE	11,672
13.	PENNSYLVANIA	11,659
14.	MARYLAND	11,278
15.	ILLINOIS	10,947
16.	MICHIGAN	10,815
17.	ALASKA	10,705
18.	WISCONSIN	10,672 *
19.	MINNESOTA	10,560
20.	VIRGINIA	10,512
21.	WEST VIRGINIA	10,411
22.	LOUISIANA	10,017
	UNITED STATES	**9,934** *
23.	OREGON	9,705
24.	NEW MEXICO	9,619
25.	ARKANSAS	9,591
26.	GEORGIA	9,564
27.	KANSAS	9,560
28.	INDIANA	9,432
29.	COLORADO	9,335
30.	WASHINGTON	9,304
31.	KENTUCKY	9,288
32.	ALABAMA	9,194
33.	SOUTH CAROLINA	9,182
34.	FLORIDA	9,077
35.	MONTANA	9,001
36.	IOWA	8,922
37.	OHIO	8,829
38.	NORTH DAKOTA	8,752
39.	NEBRASKA	8,726
40.	NORTH CAROLINA	8,609
41.	CALIFORNIA	8,586
42.	SOUTH DAKOTA	8,481
43.	MISSOURI	8,466
44.	TEXAS	8,420
45.	TENNESSEE	8,022
46.	OKLAHOMA	7,755
47.	IDAHO	7,535
48.	NEVADA	7,292
49.	MISSISSIPPI	7,175
50.	UTAH	5,734
51.	ARIZONA	5,685
	MEDIAN	9,564
	RANGE	11,424
	SDEV	2,508
	CV	24

Computed from NEA Research, Estimates Database (2009). K–12 = "Elementary and Secondary" (see Glossary).

H-11. CURRENT EXPENDITURES FOR PUBLIC K–12 SCHOOLS PER STUDENT IN FALL ENROLLMENT, 2008–09 ($)

1.	DISTRICT OF COLUMBIA	17,638 *
2.	RHODE ISLAND	17,289 *
3.	NEW JERSEY	16,253 *
4.	NEW YORK	15,997 *
5.	WYOMING	14,732
6.	VERMONT	14,679 *
7.	MASSACHUSETTS	13,901
8.	CONNECTICUT	13,864
9.	MAINE	13,309 *
10.	DELAWARE	13,039 *
11.	HAWAII	12,520
12.	NEW HAMPSHIRE	12,344 *
13.	PENNSYLVANIA	12,032 *
14.	MARYLAND	11,743
15.	MICHIGAN	11,197 *
16.	VIRGINIA	11,114 *
17.	WISCONSIN	11,021 *
18.	MINNESOTA	10,996 *
19.	ALASKA	10,904 *
20.	WEST VIRGINIA	10,747 *
21.	ILLINOIS	10,714
22.	ARKANSAS	10,345 *
	UNITED STATES	**10,190** *
23.	LOUISIANA	10,160
24.	OREGON	10,129
25.	NEW MEXICO	10,099 *
26.	KANSAS	9,979
27.	GEORGIA	9,952 *
28.	INDIANA	9,780
29.	WASHINGTON	9,633 *
30.	COLORADO	9,574 *
31.	SOUTH DAKOTA	9,466
32.	OHIO	9,358
33.	MONTANA	9,339 *
34.	SOUTH CAROLINA	9,286
35.	KENTUCKY	9,259
36.	NEBRASKA	9,250
37.	IOWA	9,203
38.	TEXAS	9,036
39.	ALABAMA	8,911
40.	MISSOURI	8,862 *
41.	FLORIDA	8,761
42.	NORTH CAROLINA	8,743
43.	CALIFORNIA	8,322
44.	TENNESSEE	8,261 *
45.	NORTH DAKOTA	8,222
46.	OKLAHOMA	8,006 *
47.	IDAHO	7,730 *
48.	NEVADA	7,615 *
49.	MISSISSIPPI	7,484 *
50.	ARIZONA	5,932 *
51.	UTAH	5,912 *
	MEDIAN	9,979
	RANGE	11,726
	SDEV	2,682
	CV	25

Computed from NEA Research, Estimates Database (2009). K–12 = "Elementary and Secondary" (see Glossary).

H-11. CURRENT EXPENDITURES FOR PUBLIC K–12 SCHOOLS PER STUDENT IN FALL ENROLLMENT, 2009–10 ($)

1.	NEW JERSEY	16,967 *
2.	NEW YORK	16,922 *
3.	VERMONT	16,308 *
4.	RHODE ISLAND	15,384 *
5.	WYOMING	15,345
6.	MASSACHUSETTS	14,766
7	CONNECTICUT	14,472 *
8.	MAINE	14,247 *
9.	MARYLAND	14,244 *
10.	DISTRICT OF COLUMBIA	13,519 *
11	DELAWARE	13,496 *
12.	NEW HAMPSHIRE	12,979 *
13.	PENNSYLVANIA	12,728 *
14.	MICHIGAN	11,595 *
15.	HAWAII	11,521
16.	ILLINOIS	11,457 *
17	MINNESOTA	11,447 *
18.	WISCONSIN	11,429 *
19.	VIRGINIA	11,290 *
20.	ARKANSAS	11,171 *
21.	WEST VIRGINIA	11,043 *
22	ALASKA	11,000 *
23.	NEW MEXICO	10,812 *
24.	LOUISIANA	10,750
25.	GEORGIA	10,594 *
	UNITED STATES	**10,586** *
26.	OREGON	10,476
27	INDIANA	10,120
28.	WASHINGTON	9,900
29	NEBRASKA	9,760
30.	COLORADO	9,631
31.	MONTANA	9,613 *
32.	KENTUCKY	9,603
33.	SOUTH CAROLINA	9,531
34	OHIO	9,528 *
35	IOWA	9,455
36.	KANSAS	9,264
37	TEXAS	9,227
38	MISSOURI	9,076 *
39.	SOUTH DAKOTA	9,021 *
40.	ALABAMA	9,001
41.	FLORIDA	8,963
42.	CALIFORNIA	8,846 *
43	NORTH DAKOTA	8,541
44.	NORTH CAROLINA	8,529
45.	TENNESSEE	8,199 *
46.	OKLAHOMA	7,968 *
47	IDAHO	7,875 *
48.	NEVADA	7,813 *
49.	MISSISSIPPI	7,752 *
50.	UTAH	6,859 *
51.	ARIZONA	6,170 *
	MEDIAN	10,476
	RANGE	10,797
	SDEV	2,638
	CV	24

Computed from NEA Research, Estimates Database (2010). K–12 = "Elementary and Secondary" (see Glossary).

H-10. CURRENT EXPENDITURES FOR PUBLIC K–12 SCHOOLS PER STUDENT IN FALL ENR AS % OF NAT. AVG., 2003–04 (REV.)

1.	DISTRICT OF COLUMBIA	159.7
2.	NEW JERSEY	158.4
3.	NEW YORK	147.8 *
4.	CONNECTICUT	141.2
5.	MASSACHUSETTS	132.4
6.	VERMONT	128.7
7.	DELAWARE	126.7
8.	RHODE ISLAND	123.0 *
9.	MAINE	120.5
10.	ALASKA	117.6 *
11.	PENNSYLVANIA	116.3
12.	WYOMING	116.0
13.	MICHIGAN	112.1 *
14.	WISCONSIN	111.0
15.	ILLINOIS	110.2
16.	NEW HAMPSHIRE	108.5
17.	OHIO	108.3
18.	WEST VIRGINIA	108.1
19.	MARYLAND	106.4
20.	MINNESOTA	106.3
21.	HAWAII	102.3
22.	INDIANA	101.2
	UNITED STATES	**100.0** *
23.	COLORADO	99.1
24.	VIRGINIA	98.1
25.	GEORGIA	97.2
26.	NEW MEXICO	94.6
27.	CALIFORNIA	92.9
28.	OREGON	92.3
29.	MONTANA	92.2 *
30.	KENTUCKY	89.9
31.	WASHINGTON	88.2
32.	NEBRASKA	87.8
33.	KANSAS	87.7
34.	IOWA	87.3
35.	LOUISIANA	87.1
36.	TEXAS	86.5
37.	SOUTH DAKOTA	85.5
38.	MISSOURI	85.0
39.	NORTH CAROLINA	84.6
40.	SOUTH CAROLINA	84.4
41.	NORTH DAKOTA	82.8
42.	FLORIDA	80.4
43.	ALABAMA	80.1
44.	TENNESSEE	77.9
45.	NEVADA	76.8
46.	IDAHO	76.4 *
47.	MISSISSIPPI	73.6 *
48.	ARKANSAS	72.0 *
49.	OKLAHOMA	71.7
50.	ARIZONA	64.1 *
51.	UTAH	61.0
	MEDIAN	94.6
	RANGE	98.6
	SDEV	22.8
	CV	22.8

Computed from NEA Research, Estimates Database (2006). K–12 = "Elementary and Secondary" (see Glossary).

H-11. CURRENT EXPENDITURES FOR PUBLIC K–12 SCHOOLS PER STUDENT IN FALL ENROLLMENT, 2004–05 ($)

1.	DISTRICT OF COLUMBIA	15,073 *
2.	NEW JERSEY	13,370
3.	NEW YORK	12,879 *
4.	CONNECTICUT	11,874
5.	MASSACHUSETTS	11,681
6.	VERMONT	11,667
7.	DELAWARE	11,016 *
8.	MAINE	10,723
9.	RHODE ISLAND	10,641 *
10.	WYOMING	10,372
11.	ALASKA	10,042 *
12.	WISCONSIN	9,805 *
13.	MICHIGAN	9,784 *
14.	PENNSYLVANIA	9,570 *
15.	OHIO	9,557 *
16.	NEW HAMPSHIRE	9,555
17.	WEST VIRGINIA	9,461
18.	ILLINOIS	9,327
19.	MARYLAND	9,281 *
20.	MINNESOTA	9,249
21.	GEORGIA	8,882
22.	VIRGINIA	8,729
23.	INDIANA	8,723 *
	UNITED STATES	**8,661** *
24.	HAWAII	8,639
25.	COLORADO	8,337
26.	NEW MEXICO	8,178
27.	SOUTH CAROLINA	8,035
28.	MONTANA	8,025 *
29.	CALIFORNIA	7,942
30.	KENTUCKY	7,906
31.	OREGON	7,842
32.	KANSAS	7,693
33.	WASHINGTON	7,683
34.	LOUISIANA	7,656
35.	IOWA	7,610
36.	NEBRASKA	7,586
37.	SOUTH DAKOTA	7,536
38.	MISSOURI	7,398
39.	NORTH CAROLINA	7,392
40.	NORTH DAKOTA	7,377
41.	TEXAS	7,310
42.	FLORIDA	7,181
43.	ALABAMA	7,028
44.	TENNESSEE	6,855
45.	IDAHO	6,743 *
46.	NEVADA	6,709
47.	OKLAHOMA	6,614
48.	MISSISSIPPI	6,452 *
49.	ARKANSAS	6,202 *
50.	ARIZONA	5,474 *
51.	UTAH	5,032
	MEDIAN	8,178
	RANGE	10,042
	SDEV	2,024
	CV	23

Computed from NEA Research, Estimates Database (2006). K–12 = "Elementary and Secondary" (see Glossary).

H-12. CURRENT EXPENDITURES FOR PUBLIC K–12 SCHOOLS PER STUDENT IN FALL ENR AS % OF NATIONAL AVG., 2004–05

1.	DISTRICT OF COLUMBIA	174.0 *
2.	NEW JERSEY	154.4
3.	NEW YORK	148.7 *
4.	CONNECTICUT	137.1
5.	MASSACHUSETTS	134.9
6.	VERMONT	134.7
7.	DELAWARE	127.2 *
8.	MAINE	123.8
9.	RHODE ISLAND	122.9 *
10.	WYOMING	119.8
11.	ALASKA	115.9 *
12.	WISCONSIN	113.2 *
13.	MICHIGAN	113.0 *
14.	PENNSYLVANIA	110.5 *
15.	NEW HAMPSHIRE	110.3
	OHIO	110.3 *
17.	WEST VIRGINIA	109.2
18.	ILLINOIS	107.7
19.	MARYLAND	107.2 *
20.	MINNESOTA	106.8
21.	GEORGIA	102.5
22.	VIRGINIA	100.8
23.	INDIANA	100.7 *
	UNITED STATES	**100.0** *
24.	HAWAII	99.7
25.	COLORADO	96.3
26.	NEW MEXICO	94.4
27.	SOUTH CAROLINA	92.8
28.	MONTANA	92.7 *
29.	CALIFORNIA	91.7
30.	KENTUCKY	91.3
31.	OREGON	90.5
32.	KANSAS	88.8
33.	WASHINGTON	88.7
34.	LOUISIANA	88.4
35.	IOWA	87.9
36.	NEBRASKA	87.6
37.	SOUTH DAKOTA	87.0
38.	MISSOURI	85.4
39.	NORTH CAROLINA	85.3
40.	NORTH DAKOTA	85.2
41.	TEXAS	84.4
42.	FLORIDA	82.9
43.	ALABAMA	81.1
44.	TENNESSEE	79.1
45.	IDAHO	77.9 *
46.	NEVADA	77.5
47.	OKLAHOMA	76.4
48.	MISSISSIPPI	74.5 *
49.	ARKANSAS	71.6 *
50.	ARIZONA	63.2 *
51.	UTAH	58.1
	MEDIAN	94.4
	RANGE	115.9
	SDEV	23.4
	CV	23.2

Computed from NEA Research, Estimates Database (2006). K–12 = "Elementary and Secondary."

TABLE 7

Shares of total per pupil spending for each program

Average of nine districts (includes overhead allocation to each program)

						Change	
Program Area*	***1967***	***1991***	***1996***	***2001***	***2005***	***1967-2005***	***1996-2005***
Regular education	79.6%	58.8%	57.4%	56.2%	55.0%	-24.6%	-2.3%
Special education	3.7	17.0	18.3	20.1	21.0	17.3	2.7
Compensatory education	5.4	4.3	3.4	4.3	5.1	-0.2	1.7
Food services	2.0	4.1	4.3	3.9	3.5	1.6	-0.7
Pupil support (attendance and counseling)	2.0	3.5	3.2	3.2	3.3	1.3	0.1
Transportation (regular ed)	3.9	3.4	3.3	3.0	2.8	-1.1	-0.6
Vocational education	1.4	3.0	3.1	2.7	2.5	1.0	-0.7
Education of English language-learners	0.3	1.8	2.4	2.3	2.1	1.8	-0.3
Regular health & psychological services	1.3	0.9	1.2	1.3	1.1	-0.2	-0.2
Desegregation	0.0	1.6	1.4	1.1	1.0	1.0	-0.4
After school athletics	0.4	0.7	0.7	0.8	1.0	0.6	0.3
"At risk" youth education, alternative education	0.1	0.6	0.6	0.5	1.0	0.9	0.4
Security and violence prevention	0.1	0.4	0.6	0.6	0.7	0.6	0.1
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**		
Regular, compensatory ed., At risk, bilingual ed., And desegregation combined	85.4%	67.1%	65.3%	64.4%	64.2%	-21.2%	-1.0%
Compensatory ed., At risk, bilingual ed., And desegregation combined	5.7%	8.3%	7.9%	8.3%	9.2%	3.4%	1.3%

* Programs listed in order of 2005 share of total per pupil spending

The Nation's Report Card

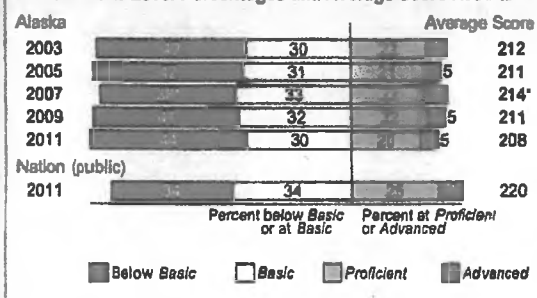
2011 State Snapshot Report

Alaska
Grade 4
Public Schools

Overall Results

- In 2011, the average score of fourth-grade students in Alaska was 208. This was lower than the average score of 220 for public school students in the nation.
- The average score for students in Alaska in 2011 (208) was not significantly different from their average score in 2009 (211) and was not significantly different from their average score in 2003 (212).
- In 2011, the score gap between students in Alaska at the 75th percentile and students at the 25th percentile was 55 points. This performance gap was not significantly different from that of 2003 (55 points).
- The percentage of students in Alaska who performed at or above the NAEP *Proficient* level was 26 percent in 2011. This percentage was not significantly different from that in 2009 (27 percent) and was not significantly different from that in 2003 (28 percent).
- The percentage of students in Alaska who performed at or above the NAEP *Basic* level was 56 percent in 2011. This percentage was not significantly different from that in 2009 (59 percent) and was not significantly different from that in 2003 (58 percent).

Achievement-Level Percentages and Average Score Results



* Significantly different ($p < .05$) from state's results in 2011. Significance tests were performed using unrounded numbers.

NOTE: Detail may not sum to totals because of rounding.

Compare the Average Score in 2011 to Other States/Jurisdictions

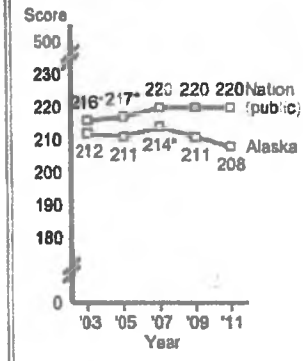


¹ Department of Defense Education Activity (overseas and domestic schools)

In 2011, the average score in Alaska (208) was

- lower than those in 46 states/jurisdictions
- higher than that in 1 state/jurisdiction
- not significantly different from those in 4 states/jurisdictions

Average Scores for State/Jurisdiction and Nation (public)



* Significantly different ($p < .05$) from 2011. Significance tests were performed using unrounded numbers.

Results for Student Groups in 2011

Reporting groups	Percent of students	Avg. score	Percentages at or above Basic	Percentages at or above Proficient	Percent at Advanced
Race/Ethnicity					
White	50	223	[illegible]	[illegible]	8
Black	4	208	[illegible]	[illegible]	3
Hispanic	6	212	[illegible]	[illegible]	5
Asian	6	199	[illegible]	[illegible]	1
American Indian/Alaska Native	23	175	[illegible]	[illegible]	1
Native Hawaiian/Pacific Islander	2	192	[illegible]	[illegible]	2
Two or more races	8	216	[illegible]	[illegible]	4
Gender					
Male	51	204	[illegible]	[illegible]	4
Female	49	212	[illegible]	[illegible]	6
National School Lunch Program					
Eligible	46	191	[illegible]	[illegible]	1
Not eligible	53	223	[illegible]	[illegible]	8

NOTE: Detail may not sum to totals because of rounding, and because the "Information not available" category for the National School Lunch Program, which provides free/reduced-price lunches, is not displayed. Black includes African American and Hispanic includes Latino. Race categories exclude Hispanic origin.

Score Gaps for Student Groups

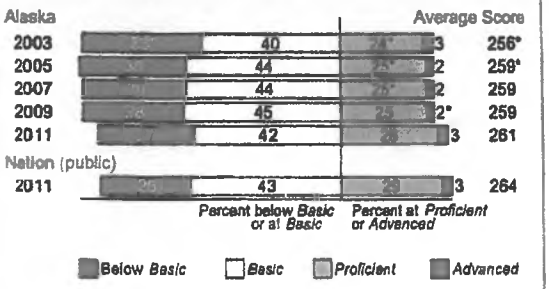
- In 2011, Black students had an average score that was 17 points lower than White students. This performance gap was not significantly different from that in 2003 (17 points).
- In 2011, Hispanic students had an average score that was 12 points lower than White students. This performance gap was not significantly different from that in 2003 (17 points).
- In 2011, female students in Alaska had an average score that was higher than male students by 8 points.
- In 2011, students who were eligible for free/reduced-price school lunch, an indicator of low family income, had an average score that was 32 points lower than students who were not eligible for free/reduced-price school lunch. This performance gap was not significantly different from that in 2003 (32 points).

NOTE: Statistical comparisons are calculated on the basis of unrounded scale scores or percentages.
SOURCE: U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, National Assessment of Educational Progress (NAEP), various years, 2003–2011 Reading Assessments.

Overall Results

- In 2011, the average score of eighth-grade students in Alaska was 261. This was lower than the average score of 264 for public school students in the nation.
- The average score for students in Alaska in 2011 (261) was not significantly different from their average score in 2009 (259) and was higher than their average score in 2003 (256).
- In 2011, the score gap between students in Alaska at the 75th percentile and students at the 25th percentile was 46 points. This performance gap was not significantly different from that of 2003 (50 points).
- The percentage of students in Alaska who performed at or above the NAEP *Proficient* level was 31 percent in 2011. This percentage was greater than that in 2009 (27 percent) and was greater than that in 2003 (27 percent).
- The percentage of students in Alaska who performed at or above the NAEP *Basic* level was 73 percent in 2011. This percentage was not significantly different from that in 2009 (72 percent) and was greater than that in 2003 (67 percent).

Achievement-Level Percentages and Average Score Results



* Significantly different ($p < .05$) from state's results in 2011. Significance tests were performed using unrounded numbers.

NOTE: Detail may not sum to totals because of rounding.

Compare the Average Score in 2011 to Other States/Jurisdictions

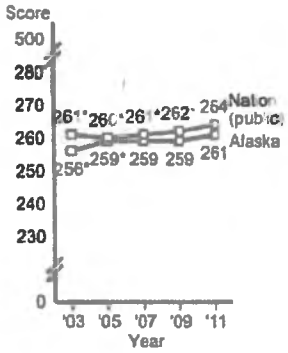


¹ Department of Defense Education Activity (overseas and domestic schools).

In 2011, the average score in Alaska (261) was

- lower than those in 33 states/jurisdictions
- higher than those in 8 states/jurisdictions
- not significantly different from those in 10 states/jurisdictions

Average Scores for State/Jurisdiction and Nation (public)



* Significantly different ($p < .05$) from 2011. Significance tests were performed using unrounded numbers.

Results for Student Groups in 2011

Reporting groups	Percent of students	Avg. score	Percentages at or above Basic	Percentages at or above Proficient	Percent at Advanced
Race/Ethnicity					
White	52	274	85	42	4
Black	4	252	56	17	1
Hispanic	6	260	74	24	1
Asian	7	263	75	31	4
American Indian/Alaska Native	22	234	44	13	1
Native Hawaiian/Pacific Islander	2	‡	‡	‡	‡
Two or more races	7	264	76	30	2
Gender					
Male	51	258	68	24	1
Female	49	267	78	38	4
National School Lunch Program					
Eligible	41	245	55	16	1
Not eligible	58	273	83	41	4

‡ Reporting standards not met.

NOTE: Detail may not sum to totals because of rounding, and because the "Information not available" category for the National School Lunch Program, which provides free/reduced-price lunches, is not displayed. Black includes African American and Hispanic includes Latino. Race categories exclude Hispanic origin.

Score Gaps for Student Groups

- In 2011, Black students had an average score that was 22 points lower than White students. This performance gap was not significantly different from that in 2003 (19 points).
- In 2011, Hispanic students had an average score that was 13 points lower than White students. This performance gap was not significantly different from that in 2003 (21 points).
- In 2011, female students in Alaska had an average score that was higher than male students by 11 points.
- In 2011, students who were eligible for free/reduced-price school lunch, an indicator of low family income, had an average score that was 28 points lower than students who were not eligible for free/reduced-price school lunch. This performance gap was not significantly different from that in 2003 (24 points).

NOTE: Statistical comparisons are calculated on the basis of unrounded scale scores or percentages.
SOURCE: U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, National Assessment of Educational Progress (NAEP), various years, 2003–2011 Reading Assessments.

The Nation's Report Card

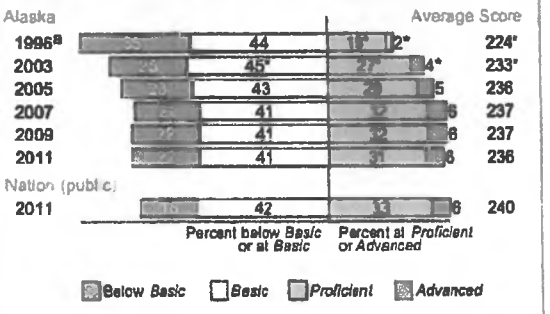
Mathematics
2011 State Snapshot Report

Alaska
Grade 4
Public Schools

Overall Results

- In 2011, the average score of fourth-grade students in Alaska was 236. This was lower than the average score of 240 for public school students in the nation.
- The average score for students in Alaska in 2011 (236) was not significantly different from their average score in 2009 (237) and was higher than their average score in 1996 (224).
- In 2011, the score gap between students in Alaska at the 75th percentile and students at the 25th percentile was 41 points. This performance gap was not significantly different from that of 1996 (40 points).
- The percentage of students in Alaska who performed at or above the NAEP *Proficient* level was 37 percent in 2011. This percentage was not significantly different from that in 2009 (38 percent) and was greater than that in 1996 (21 percent).
- The percentage of students in Alaska who performed at or above the NAEP *Basic* level was 78 percent in 2011. This percentage was not significantly different from that in 2009 (78 percent) and was greater than that in 1996 (65 percent).

Achievement-Level Percentages and Average Score Results



* Significantly different ($p < .05$) from state's results in 2011. Significance tests were performed using unrounded numbers.
[a] Accommodations not permitted. For information about NAEP accommodations, see http://nces.ed.gov/nationsreportcard/about/inclusion.asp.

NOTE: Detail may not sum to totals because of rounding.

Compare the Average Score in 2011 to Other States/Jurisdictions

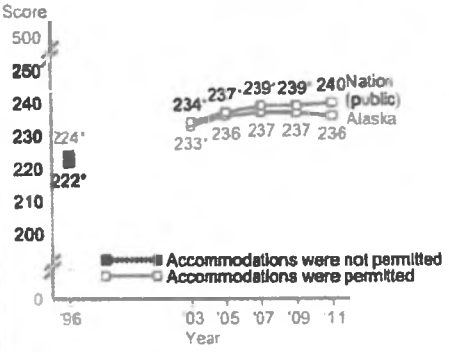


[1] Department of Defense Education Activity (overseas and domestic schools).

In 2011, the average score in Alaska (236) was

- lower than those in 33 states/jurisdictions
- higher than those in 6 states/jurisdictions
- not significantly different from those in 12 states/jurisdictions

Average Scores for State/Jurisdiction and Nation (public)



* Significantly different ($p < .05$) from 2011. Significance tests were performed using unrounded numbers.

NOTE: For information about NAEP accommodations, see http://nces.ed.gov/nationsreportcard/about/inclusion.asp.

Results for Student Groups in 2011

Reporting groups	Percent of students	Avg. score	Percentages at or above Basic	Percentages at or above Proficient	Percent at Advanced
Race/Ethnicity					
White	50	248	90	50	9
Black	4	225	68	15	2
Hispanic	6	239	82	36	5
Asian	6	238	84	34	3
American Indian/Alaska Native	23	213	50	14	1
Native Hawaiian/Pacific Islander	2	‡	‡	‡	‡
Two or more races	8	240	83	38	7
Gender					
Male	52	237	78	38	6
Female	48	235	78	35	5
National School Lunch Program					
Eligible	46	224	65	22	2
Not eligible	53	247	89	49	9

‡ Reporting standards not met.

NOTE: Detail may not sum to totals because of rounding, and because the "Information not available" category for the National School Lunch Program, which provides free/reduced-price lunches, is not displayed. Black includes African American and Hispanic includes Latino. Race categories exclude Hispanic origin.

Score Gaps for Student Groups

- In 2011, Black students had an average score that was 23 points lower than White students. This performance gap was not significantly different from that in 1996 (25 points).
- In 2011, Hispanic students had an average score that was 9 points lower than White students. Data are not reported for Hispanic students in 1996, because reporting standards were not met.
- In 2011, male students in Alaska had an average score that was not significantly different from female students.
- In 2011, students who were eligible for free/reduced-price school lunch, an indicator of low family income, had an average score that was 23 points lower than students who were not eligible for free/reduced-price school lunch. This performance gap was not significantly different from that in 1996 (25 points).

NOTE: Statistical comparisons are calculated on the basis of unrounded scale scores or percentages.
SOURCE: U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, National Assessment of Educational Progress (NAEP), various years, 1996–2011 Mathematics Assessments.

The Nation's Report Card

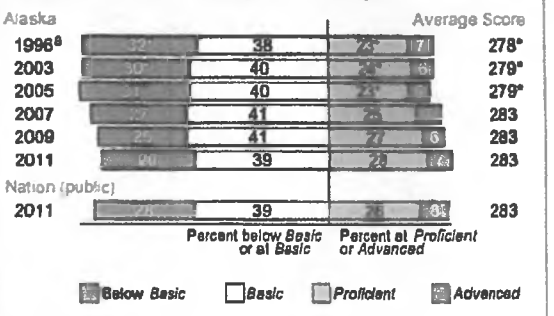
Mathematics 2011 State Snapshot Report

Alaska
Grade 8
Public Schools

Overall Results

- In 2011, the average score of eighth-grade students in Alaska was 283. This was not significantly different from the average score of 283 for public school students in the nation.
- The average score for students in Alaska in 2011 (283) was not significantly different from their average score in 2009 (283) and was higher than their average score in 1996 (278).
- In 2011, the score gap between students in Alaska at the 75th percentile and students at the 25th percentile was 47 points. This performance gap was not significantly different from that of 1996 (51 points).
- The percentage of students in Alaska who performed at or above the NAEP *Proficient* level was 35 percent in 2011. This percentage was not significantly different from that in 2009 (33 percent) and was greater than that in 1996 (30 percent).
- The percentage of students in Alaska who performed at or above the NAEP *Basic* level was 74 percent in 2011. This percentage was not significantly different from that in 2009 (75 percent) and was greater than that in 1996 (68 percent).

Achievement-Level Percentages and Average Score Results



* Significantly different ($p < .05$) from state's results in 2011. Significance tests were performed using unrounded numbers.
[8] Accommodations not permitted. For information about NAEP accommodations, see http://nces.ed.gov/nationsreportcard/about/inclusion.asp.

NOTE: Detail may not sum to totals because of rounding.

Compare the Average Score in 2011 to Other States/Jurisdictions

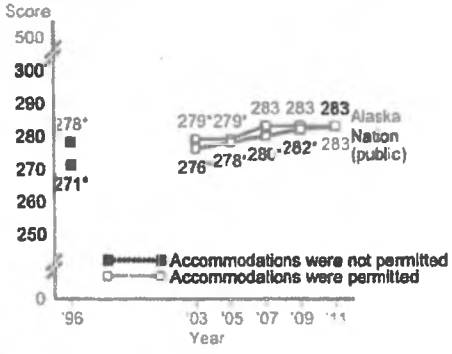


[1] Department of Defense Education Activity (overseas and domestic schools).

In 2011, the average score in Alaska (283) was

- lower than those in 22 states/jurisdictions
- higher than those in 16 states/jurisdictions
- not significantly different from those in 13 states/jurisdictions

Average Scores for State/Jurisdiction and Nation (public)



* Significantly different ($p < .05$) from 2011. Significance tests were performed using unrounded numbers.

NOTE: For information about NAEP accommodations, see http://nces.ed.gov/nationsreportcard/about/inclusion.asp.

Results for Student Groups in 2011

Reporting groups	Percent of students	Avg. score	Percentages at or above Basic	Percentages at or above Proficient	Percent at Advanced
Race/Ethnicity					
White	52	296	88	47	10
Black	4	273	66	17	1
Hispanic	6	277	67	25	5
Asian	8	287	77	39	10
American Indian/Alaska Native	22	258	48	15	3
Native Hawaiian/Pacific Islander	2	‡	‡	‡	‡
Two or more races	7	281	72	32	7
Gender					
Male	51	283	74	36	7
Female	49	284	75	35	7
National School Lunch Program					
Eligible	41	269	60	21	3
Not eligible	58	294	85	45	11

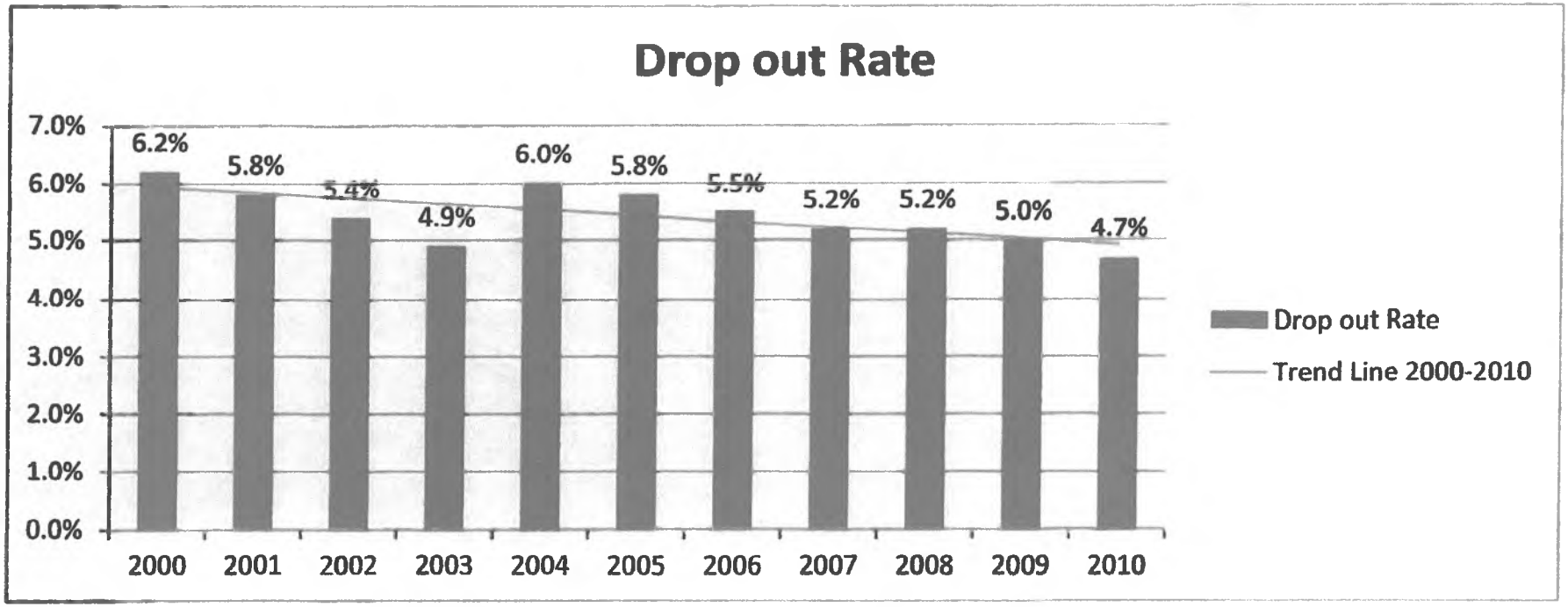
‡ Reporting standards not met

NOTE: Detail may not sum to totals because of rounding, and because the "Information not available" category for the National School Lunch Program, which provides free/reduced-price lunches, is not displayed. Black includes African American and Hispanic includes Latino. Race categories exclude Hispanic origin.

Score Gaps for Student Groups

- In 2011, Black students had an average score that was 23 points lower than White students. Data are not reported for Black students in 1996, because reporting standards were not met.
- In 2011, Hispanic students had an average score that was 19 points lower than White students. Data are not reported for Hispanic students in 1996, because reporting standards were not met.
- In 2011, female students in Alaska had an average score that was not significantly different from male students.
- In 2011, students who were eligible for free/reduced-price school lunch, an indicator of low family income, had an average score that was 26 points lower than students who were not eligible for free/reduced-price school lunch. This performance gap was not significantly different from that in 1996 (26 points).

NOTE: Statistical comparisons are calculated on the basis of unrounded scale scores or percentages.
SOURCE: U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics, National Assessment of Educational Progress (NAEP), various years, 1996–2011 Mathematics Assessments.


Drop out Rate
7.0%
6.0%
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
6.2%
5.8%
5.4%
4.9%
6.0%
5.8%
5.5%
5.2%
5.2%
5.0%
4.7%
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
Drop out Rate
Trend Line 2000-2010

JUNEAU SCHOOL DISTRICT
CITY AND BOROUGH OF JUNEAU

10014 Crazy Horse Drive ♦ Juneau, Alaska 99801 ♦ 907-523-1702 ♦ Fax: 907-523-1708

February 6, 2012

The Honorable Bert Stedman, Co-Chair
The Honorable Lyman Hoffman Co-Chair
Finance Committee, Alaska State Senate
Alaska State Capitol
Juneau Alaska 99811.1182

Dear Senator Hoffman and Senator Stedman:

Thank you for recognizing the importance of an increase to the Base Student Allocation and for hearing SB171 Increase BSA Funding which will help provide a stable fiscal plan for Alaska's schools. Budget stability allows districts to plan educational programs with certainty, create efficiencies and promote public confidence in schools.

To improve student achievement the Juneau School District is focusing on three distinct areas:

- Professional development of teachers and staff
- Investment in appropriate instructional materials
- Renewed effort on supervision and evaluation of teachers and staff (adopted a new teacher evaluation process last May)

Several system-wide success stories have occurred in Juneau as a result of our investments:

- Graduation rates for Juneau students up to 87% and 86% at JDHS and TMHS
- Achievement in reading has climbed steadily for four years based on higher *national* standards, and math achievement has increased even more dramatically
- Energy and excitement are being generated by a new program that improves student organizational skills and encourages non-college bound students to consider studying for a variety of postsecondary options

These improvements to student achievement have occurred during recent years of significant budget cuts but we cannot guarantee we will continue to get these results while cutting staff. This year we are cutting approximately $5.8 million on top of the $4.1million (5.2%) we cut last year.

We appreciate one-time funding last year, the increase to the Career and Technical Education factor, and the continued support of the Legislature to fund our retirement system obligations. This funding is a significant contribution to our district. Without this support, our mission would even be more seriously hampered. However, retirement system funds do not hit the classroom, which is where we make gains in student achievement.

Knowing our funding level in advance of key staff contract deadlines and city budget deadlines would ensure we focus our limited time on student achievement instead of budget uncertainty.

Under the current funding, more than 65 of our school staff will lose their jobs. Our superintendent put that in perspective by asking us to picture a full size school bus filled with talented and hard working people, and then watch as that bus drives onto the ferry and out of our community, as these people seek employment elsewhere. This issue stretches well beyond the doors of our school district. The Juneau Economic Development Council estimates these job losses would result in a negative economic impact to Juneau of nearly $11.5 million

We would receive approximately $1.3 million under SB171, which would reduce the level of cuts to be made. Passage of SB171 would result in an overall reduction of $4.5 million (5.9%) instead of a reduction of $5.8 million (7.4%) without passage of the bill.

We support an established BSA increase in at least one, and preferably three, years ahead to provide sufficient time to prepare and submit budgets without spending unnecessary time and resources revising budgets based on legislative action after the local process has begun.

We believe this alone will help make us more effective and will promote public confidence in Alaska schools. Any increased funding to the Base Student Allocation can only help us improve our slow progress to ensure each student, every student in Juneau, achieves the academic success we know they can.

Sincerely,

Sally Saddler, President

Andi Story, Vice-President
Juneau School Board

Cc: The Honorable Dennis Egan
The Honorable Cathy Munoz
The Honorable Beth Kerttula
Juneau School Board
Glenn Gelbrich, Superintendent, Juneau School District

Dear Senators:
I am not able to testify on Senate Bills 139 or 171 tomorrow morning due to another commitment so I hope these comments can be entered into the record for your consideration.

First of all, I want to thank **all** of you for being such outstanding advocates for our public schools in Anchorage, and in the state. We sincerely appreciate your support, both financial and in so many other ways! We applaud your service by being on the Senate Education committee.

As you probably know, I have just released my preliminary budget to the public and to the School Board for their consideration. This budget will have two more public hearings on February 1 and February 9; the School Board will probably make some changes to my preliminary budget. After they complete their work, our budget is transmitted to the Municipality and the Assembly by March 5 which is required by our municipal charter. Our Assembly public hearing is scheduled for March 27 where they will set the upper limit of spending and the level of local contribution to the Anchorage School District. After that time, we have to wait until the legislature and the governor complete your work to determine the level of funding we will have access to. If an increase occurs, we revise our budget again, and reinstate what we can, and then we have to go back to the Assembly for permission to spend the funds if they exceed the already approved upper limit.

As you can imagine. This budget cycle undermines our credibility, and takes a great deal of time and energy to continually revise our budgets. The emotional turmoil on potentially impacted employees is destructive to their morale and ability to focus on their important work of educating our students, and doing their jobs.

We are making excellent use of the additional C and TE funds from SB 84 last year and encourage you to visit some of our high schools to see how these funds are being used to expand our career pathway programs. We would ask that you give serious consideration to expanding the flexibility for the use of these funds for at least middle schools and high schools (grades 6-12) so that we can support our career planning in the middle schools. We have had to recommend the deletion of our career guides in the middle schools for next year, and having the flexibility to use the C and TE funds for the middle grades would allow more expansion of our construction, health and pre-engineering academies.

I urge you to support the funding for the next three years as proposed by the Education Committee in SB 171. The years that we had advance notice of our funding increases as a result of the Education Funding Task Force which was co-chaired by Rep. Mike Hawker and Sen. Bert Stedman allowed us to plan and avoid our annual "guessing as to our funding" as I described above. All districts in the state benefitted from this funding and would urge you to reinstate a three year BSA increase that allowed us to compensate, at a minimum, for inflation and increased costs of doing our work.

Additionally, we are urging you to consider reinstating the COLA to the Pupil Transportation funding for all districts which provide pupil transportation. All districts are having to use their instructional revenue to pay the costs of their transportation contracts. Costs are going up for fuel, tires, repairs, and bus purchases.

Again, my sincere thank you for your long-standing support for education. Please let me know if you have any questions or concerns about these statements, or if you have a need for more information.

Sincerely,
Carol Comeau
Superintendent
Anchorage School District

SB 179

<TARGET><BILL>SB 179</BILL><SUBJECT>SB 179</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 2/17/12

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 179

SB 179-MISSING VULNERABLE ADULT RESPONSE PLAN

"An Act relating to missing vulnerable adult prompt response and notification plans."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DPS			X	1
MVA			X	2

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	Egan	✓			
	McGuire	✓			
	Olson			✓	
	Ellis	X			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓			

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version	**SB 179**
Fiscal Note Number	2
(S) Publish Date	2/17/12

Identifier (file name)	SB179-MVA-CO-2-6-12	Dept. Affected	Dept. of Military & Veterans Affairs
Title	Missing Vulnerable Adult Response Plan	Appropriation	Military and Veterans Affairs
		Allocation	Homeland Security & Emergency Management
Sponsor	SENATOR DAVIS		
Requester	(S) State Affairs	OMB Component Number	2657

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by	McHugh Pierre, Deputy Commissioner	Phone	(907) 428-6003
Division	Office of the Commissioner, DMVA	Date/Time	2/6/12 4:00 PM
Approved by	Major General Thomas H. Katkus	Date	2/6/2012
	Commissioner, DMVA		

(Revised 1/17/2012 OMB)

FISCAL NOTE #2

STATE OF ALASKA **BILL NO.** SB 179
2012 LEGISLATIVE SESSION

Analysis

The bill requires cooperation between the Department of Military and Veterans Affairs (DMVA) and Department of Public Safety to develop and implement vulnerable adult prompt response and notification plans under AS 44.41.060.

There is no fiscal impact to DMVA for this bill.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version	**SB 179**
Fiscal Note Number	1
(S) Publish Date	2/17/12

Identifier (file name)	SB179-DPS-R&I-02-08-12	Dept. Affected	Public Safety
Title	MISSING VULNERABLE ADULT RESPONSE PLAN	Appropriation	Statewide Support
		Allocation	Criminal Records & Identification
Sponsor	Senator Davis		
Requester	(S) STA	OMB Component Number	1190

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by	David Schade, Director	Phone	(907) 269-0202
Division	Statewide Services	Date/Time	2/8/12 5:05 PM
Approved by	Joseph A. Masters	Date	2/8/2012
	Commissioner		

(Revised 1/17/2012 OMB)

FISCAL NOTE #1

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB 179

Analysis

This bill amends AS 44.41 by adding a new section requiring the Department of Public Safety (DPS), in cooperation with the Department of Military and Veterans' Affairs (DMVA), to develop and implement missing vulnerable adult response and notification plans using statewide and local radio and television broadcasters and newspaper publishers.

It is expected that DPS will implement the notification using DMVA's modernized emergency alert system, EMnet. This system is new and it is anticipated that it includes all the capabilities necessary to implement the missing vulnerable adult notification on a statewide or regional basis. Therefore, a zero fiscal note is being submitted.

Alaska State Legislature

Senate
Health & Social
Committee
Chair

Education Committee
Vice-Chair

Legislative Council
Vice-Chair

Senate
Military & Veterans Affairs

Senate
Labor & Commerce
Committee

Senator_Bettye_Davis@legis.state.ak.us
http://www.aksenate.org/

Senator Bettye Davis

SPONSOR STATEMENT

SENATE BILL 179-*"MISSING VULNERABLE ADULT RESPONSE PLAN"*

SB179 creates a new statewide alert system to help find vulnerable missing adults. The system, which is similar to the nationwide Amber Alert program, would help local law enforcement notify the public when a mentally or physically impaired Alaskan goes missing.

According to the Alaska Commission on Aging, there were approximately 7,785 Alaskans suffering from Alzheimer's Disease and related dementia in 2010, and that number is expected to grow to more than 17,000 by 2030. Alaska has the fastest growing senior population in the nation and we can't afford to ignore this problem any longer.

Recently, in Fairbanks, a 63-year-old woman suffering from Alzheimer's Disease froze to death after she became disoriented while driving, ran out of gas, and tried walking several miles to seek help. This incident and several others like it demonstrate the need for an alert system to assist in the search for missing vulnerable adults. When a vulnerable adult goes missing, his or her best chance of survival is if someone finds them within 24 to 48 hours.

The bill calls for the Department of Military Affairs to coordinate with Department of Public Safety to create and implement prompt response and notification plans that would use a voluntary network of statewide and local newspapers as well as radio and television stations to rapidly alert the public that a vulnerable adult is missing. The bill also calls for both departments to establish standards on what triggers an alert and when a vulnerable adult is officially considered missing. This legislation would ensure the search for Alaska's most vulnerable citizens happens a lot faster.

Currently, there are 28 states that have implemented or will implement Silver Alert programs, an increase of 10 states since the National Association of States United for Aging and Disabilities (NASUAD's) last report.

Session: (January – April)
State Capitol, Room #30, Juneau, AK 99801-1182 Phone: (907) 465-3822 · Fax: (907) 465-3756 · Toll Free: (800) 770-3822
Interim: (April – December)
716 West 4th Avenue, Anchorage, AK 99501-2133 · Phone: (907) 269-0144 · Fax: (907) 269-0148

A **Silver Alert** is a public notification system in the United States to broadcast information about missing persons - especially seniors with Alzheimer's Disease, dementia or other mental disabilities - in order to aid in their return.

Silver Alerts use a wide array of media outlets—such as commercial radio stations, television stations, and cable TV—to broadcast information about missing persons. Silver Alerts also use variable-message signs on roadways to alert motorists to be on the lookout for missing seniors. In cases in which a missing person is believed to have gone missing on foot, Silver Alerts have used Reverse 911 or other emergency notification systems to notify nearby residents of the neighborhood surrounding the missing person's last known location.

Supporters of Silver Alert point to America's growing elderly population as a reason to support new programs to locate missing seniors. Approximately 6 in 10 dementia victims will wander at least once, health care statistics show, and the numbers are growing worldwide, fueled primarily by Alzheimer's disease.[1] If not found within 24 hours, up to half of wandering seniors with dementia suffer serious injury or death.[2]

History

In December 2005, Oklahoma state Representative Fred Perry (R-Tulsa) announced his intention to introduce an "AMBER Alert for seniors," which he dubbed "Silver Alert."[3] In March 2006, the Oklahoma House of Representatives passed H.R. 1075, a resolution calling for a Silver Alert system to find missing seniors.[4] In response to this non-binding resolution, the Oklahoma Department of Public Safety added Silver Alert notifications to the statewide alerts sent to law enforcement agencies and the media for rapid distribution.[5] In April 2009, Governor Brad Henry signed legislation permanently establishing the Silver Alert program.[6]

In Georgia, public efforts to locate missing seniors increased following the April 2004 disappearance of Mattie Moore, a 68-year-old Atlanta resident suffering from Alzheimer's disease. Eight months after Moore's disappearance, her body was found 500 yards from her home.[7] The City of Atlanta created "Mattie's Call" to coordinate and support Metro Atlanta law enforcement, emergency management and broadcasters to issue an urgent bulletin in missing persons cases involving persons with Alzheimer's disease, dementia and other mental disabilities.[8] Legislation to create a statewide Mattie's Call program was enacted in April 2006.[9]

In Florida, Mary Zelter, an 86-year-old resident of Largo, drove away from her assisted living facility on Feb. 26, 2008 and never returned. Her body was found a week later 10 miles (16 km) away in the Intracoastal Waterway near a Clearwater boat ramp. Her submerged car was nearby. This tragedy prompted Pinellas County officials to create a Silver Alert pilot program that later grew into a statewide initiative.[10]

[edit] National growth

29 states and New York City[11] have Silver Alert or similar programs targeting missing seniors. More than 195 million people live in jurisdictions served by Silver Alert or a similar program.

20 states have missing senior recovery programs that are formally called "Silver Alert":

- Arkansas[12]
- Connecticut[13]
- Florida[14]
- Illinois[15]
- Indiana[16]
- Kansas[17]
- Louisiana[18]
- Maine[19]
- Maryland[20]
- Massachusetts[21]
- Mississippi[22]
- Nevada[23]
- New Jersey[24]
- North Carolina[25]
- Oklahoma[26]
- Rhode Island[27]
- South Carolina[28]
- Tennessee[29]
- Texas[30]
- West Virginia[31]

Additionally, 9 states have programs to help locate missing seniors that are not officially called "Silver Alert" but contain criteria similar to existing Silver Alert programs:

- Alabama, Missing Senior Alert[32]
- Delaware, Gold Alert[33]
- Colorado, Missing Senior Citizen Alert[34]
- Georgia, Mattie's Call[35]
- Kentucky, Golden Alert[36]
- New Hampshire, Missing Senior Citizen Alert[37]
- New York, Golden Alert[38]
- Ohio, Missing Adult Alert[39]
- Virginia, Senior Alert[40]

SILVER ALERT INITIATIVES IN THE STATES

11/9/2010

Protecting Seniors with Cognitive Impairments



Silver Alert Initiatives in the States

PROTECTING SENIORS WITH COGNITIVE IMPAIRMENTS

INTRODUCTION

In March 2009, NASUAD released a report that identified states that have a Silver Alert program, how they fund it, and how each administers the program. The report revealed that 18 states have a Silver Alert program, 14 states had pending legislation, and 18 states did not have legislation.

Several states have implemented Silver Alert programs since our last report. The following chart reflects the updated status of states across the country.

States with Silver Alert Programs		States with Pending Legislation	States Without Silver Alert Programs
Alabama *	Mississippi *	California	Alaska
Arizona	Missouri	Hawaii	Idaho
Arkansas **	New Hampshire	Massachusetts	Illinois
Colorado	New Jersey *	Pennsylvania	Iowa
Connecticut *	New Mexico		Maine
Delaware	North Carolina		Michigan
Florida	Oklahoma		Montana
Georgia	Ohio		Nebraska
Indiana *	Rhode Island		Nevada
Kansas *	South Carolina		New York
Kentucky	Tennessee *		North Dakota
Louisiana	Texas		Oregon
Maryland *	Virginia		South Dakota
Minnesota	West Virginia *		Utah
			Vermont
			Washington
			Wisconsin ***
			Wyoming

* State has legislation that went into effect since NASUAD's 2009 Report.
** Arkansas has a Memorandum of Understanding that establishes the Silver Alert Program.
*** Wisconsin governor vetoed legislation for a lack of funding.

States with Silver Alert Programs

Currently, there are 28 states that have implemented or will implement Silver Alert programs, an increase of 10 states since the NASUAD's last report. The following section provides a brief summary of the legislation that establishes the programs, the agencies administering the programs, and the program requirements for initiating an alert. The links below will provide you with further information on each state's Silver Alert program.

Alabama

The Alabama Missing Senior Citizen Alert Act (HB 33) went into effect on June 1, 2009. The purpose of this law is to provide immediate response to missing or lost seniors age 60 or older who are at risk of bodily harm or death and to gain the voluntary assistance of the broadcast media to help locate missing seniors. The Department of Public Safety, who administers this program, works collaboratively with other local and state law enforcement agencies, the Alabama Association of Broadcasters and licensed broadcasters in the state.

To view the legislation, please visit the following Web site.

http://www.dps.state.al.us/ABI/pdf/MissingSeniorAct.pdf

Arkansas

House Bill 2087, "An Act to Establish the 'Silver Alert System' for Adults Who Are Living with Dementia or Other Cognitive Impairment," was filed, but it never became law. However, in March 2009, the Arkansas State Police entered into a Memorandum of Understanding with the Arkansas Sheriffs' Association and the Arkansas Association of Chiefs of Police to host an Internet website that provides Arkansas broadcasters and news organizations a means to receive Arkansas Silver Alerts that are shared with the public. Silver Alerts are disseminated for missing persons 18 years of age or older who are living with dementia or other cognitive impairment.

To view the legislation, please visit the following Web site.

http://staging.arklea.state.ar.us/ftproot/bills/2009/public/HB2087.pdf

Connecticut

Substitute Senate Bill 451 went into effect July 1, 2009 establishing Connecticut's Silver Alert System. The Department of Public Safety's Missing Child Information Clearinghouse administers the program and notifies the public of missing persons 65 years of age or older and anyone 18 or over who has a mental impairment.

To view the legislation, please visit the following Web site.

http://search.cga.state.ct.us/dtSearch_cga.html

Indiana

Governor Mitch Daniels signed Senate Bill 307 to establish the Indiana Silver Alert, effective July 1, 2009. The Indiana Clearinghouse for Information on Missing Children and Missing Endangered Adults administers the program and works collaboratively with private organizations and law enforcement agencies in alerting the public of missing persons age 18 or older with mental illness, dementia, or other mental or physical incapacity.

To view the legislation, please visit the following Web site.

http://cspwin.com/ohsa/indexbrowser.3ulshttp%3A%2F%2Fwww.in.gov%2Fapps%2Flsa%2Fsession%2Fbillwatch%2Fbillinfo%3Fyear%3D2009%26session%3D1%26request%3Dgetbill%26doctype%3DSB%26docno%3D0307

Kansas

The Kansas Silver Alert Plan was implemented on July 30, 2009 following a resolution that called for the establishment of this senior alert system, but did not require it by law (SHL Resolution 2506). It is administered by the Kansas Bureau of Investigation, which collaborates with local law enforcement agencies and the media to alert the public of missing persons living with dementia or persons over age 65 with a medical or mental condition or one who is at risk of harming himself.

The following Web site provides the protocol and policies for the Silver Alert Plan.

http://www.ksag.org/page/attorney-general-establishes-silver-alert-protocol

Maryland

In October 2009, Maryland established its Silver Alert Program (HB 192) that is designed to alert the public about missing persons with cognitive impairments such as Alzheimer's or dementia. The Department of State Police administers the statewide program and works collaboratively with the State Highway Administration on this initiative.

You can view the bill by going to the following Web site.

http://mlis.state.md.us/2009rs/fnotes/bil_0002/hb0192.pdf

Mississippi

The Mississippi Silver Alert System Act of 2010 (HB 664) went into effect July 1, 2010. The Bureau of Investigation of the Department of Public Safety will be responsible for implementing the statewide alert system. The purpose of the Silver Alert System is to provide a tiered, rapid response system to notify the public about missing endangered adults age 18 or older with dementia or other cognitive impairments. The Bureau of Investigation will work with local law enforcement agencies and the Mississippi Highway Patrol Headquarters Communication Center to alert the public about missing persons.

You can view the bill by going to the following Web site.

http://billstatus.ls.state.ms.us/documents/2010/pdf/HB/0600-0699/HB0664PS.pdf

New Jersey

The Silver Alert System Act went into effect on December 22, 2009. The State Police administers the program and disseminates missing person information on people age 65 or older to broadcast media, the Department of Transportation, the New Jersey Highway Authority, the New Jersey Turnpike Authority, and the South Jersey Transportation Authority.

You can view the bill by going to the following Web sites.

http://www.njleg.state.nj.us/2008/Bills/A3000/2844_I1.HTM

http://www.njleg.state.nj.us/2008/Bills/S2000/1844_I1.HTM

Tennessee

The Tennessee Senior Alert Act went into effect on August 4, 2009. The Tennessee Bureau of Investigation administers the Silver Alert system that provides a statewide system for the rapid dissemination of information on missing persons age 18 or older who have dementia or other cognitive impairment.

You can view the bill by going to the following Web site.

http://www.capitol.tn.gov/Bills/106/Bill/HB0346.pdf

West Virginia

HB 2504 was signed into law by Governor Joe Manchin and went into effect on July 10, 2009 establishing the West Virginia's Silver Alert Plan. The State Police administers the program by providing alerts for cognitively impaired missing persons to broadcast media, the Department of Transportation, the Division of Highways, the West Virginia Turnpike Commission, and affected authorities. HB 2504 does not specify an age requirement of a cognitively impaired missing person.

You can view the bill by going to the following Web site.

http://www.legis.state.wv.us/Bill_Text_HTML/2009_SESSIONS/RS/BILLS/hb2504%20enr%20sub.htm

Pending Legislation

California

On December 22, 2008, Senators Alquist, Correa, and Oropeza introduced SB 38, a bill that would establish a missing senior person alert system. The bill specifies that a missing person would have to be 65 years of age or older and must have an impaired mental condition. As of August 27, 2009, there has been a second reading of the bill and it is currently being held in committee.

You can view the bill and its history by going to the following Web site.

http://www.legislature.ca.gov/cgi-bin/port-postquery?bill_number=sb_38&sess=CUR&house=B&author=alquist

Hawaii

Since January 2009, Hawaii legislators have introduced six bills that would establish a Silver Alert system in their state. However, it appears that SB2226 SD2 HD1 is the only bill that has received considerable action. It was introduced January 21, 2010 and, as of March 12, 2010, it passed the second reading as amended in HD 1 and was referred to the Committee on Judiciary without opposition. The bill specifies that the public alert would be made for missing senior citizens and defines a senior citizens as one who is 65 years of age or older.

You can view the bill and its history by going to the following Web site.

http://www.capitol.hawaii.gov/session2010/bills/SB2226_HD1_.pdf

http://www.capitol.hawaii.gov/session2010/lists/measure_indiv.aspx?billtype=SB&billnumber=2226

Massachusetts

H4344 (new draft of S322, H44, and H603) would establish a Silver Alert community response system to protect seniors. This Silver Alert system would be used to alert the public of missing adults with serious memory impairment such as Alzheimer's disease or other dementia. The last action recorded for this bill was on November 17, 2009 when the Joint Committee on Community Development and Small Business reported favorably on it and referred it to the House Committee on Ways and Means.

You can view the bill and its history by going to the following Web site.

http://www.mass.gov/legis/bills_house/186/ht04pdf/ht04344.pdf

http://www.mass.gov/legis/186history/h04344.htm

Pennsylvania

On March 5, 2009, the General Assembly of Pennsylvania referred HB 726 to Committee on Aging and Older Adult Services. HB 726, which is also referred to as the Silver Alert for Missing Senior Citizens Act, would establish a statewide alert system for notifying the public of missing persons age 65 or older who have an impaired mental condition and whose disappearance poses a credible threat to the senior citizens' health and safety. The Secretary of the Department of Aging is responsible for appointing a director to serve as the statewide coordinator of the alert system.

You can view the bill and its history by going to the following Web site.

http://www.legis.state.pa.us/cfdocs/billinfo/billinfo.cfm?syear=2009&sind=0&body=H&type=B&BN=0726

NASUAD will continue to monitor pending legislations.

Legislation That Did Not Pass

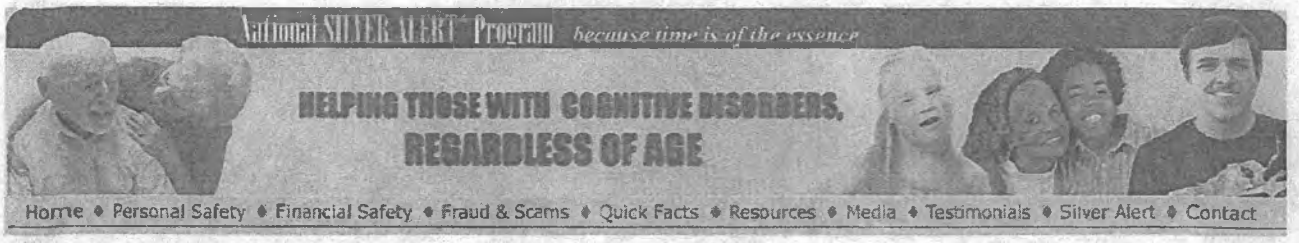
Nevada
According to the Nevada Silver Haired Legislative Forum, AB 4 that would establish a statewide Silver Alert system was referred to the Health and Human Services Committee and died on April 11, 2009 due to no further action being taken on the bill.

Vetoed Legislation

Wisconsin
Unfunded legislation to establish a Silver Alert program was vetoed by Governor Jim Doyle.

For more information:

John Thompson
National Association of States United for Aging and Disabilities
1201 15th Street, NW
Suite 350
Washington, DC 20005
202-898-2578
www.nasuad.org



Silver Alert



Modeled after the Amber Alert, the Silver Alert is an emergency system in which law enforcement can broadcast regional or statewide alerts for missing seniors and/or other adults with Alzheimer's or other cognitive disorders.

A growing number of states are enacting laws that call for the development of the Silver Alert program and some have implemented their own notification systems.

Activation criteria varies from state to state, see list below for information on the Silver Alert program in your state.

Alabama	
Effective Date	March 25, 2009 AKA "Missing Senior Citizen Alert"
Administered By	Department of Public Safety
Age Requirement	Not specified
Phone	contact your local law enforcement agency
Website	http://community.dps.alabama.gov/Pages/wfAlertListing.aspx?Type=30&Status=5,10
Other	House Bill 33

Arizona	
Effective Date	October 2008 AKA "Endangered Person Alert"
Administered By	Department of Public Safety
Age Requirement	Must be age 18 or older
Phone	contact your local law enforcement agency or (602) 223-2212
Website	http://www.azag.gov/press_releases/oct/2008/End%20Person%20Alert%20Info.pdf
Other	

Arkansas	
Effective Date	April 2009
Administered By	The Arkansas State Police, working with the Arkansas Sheriffs' Association and Arkansas Association of Chiefs of Police
Age Requirement	Adults with Alzheimer's or other cognitive disorders
Phone	contact your local law enforcement agency Arkansas State Police: 501-618-8000
Website	https://www.ark.org/asp/alerts/mnaa/silver.php
Other	

Colorado	
Effective Date	February 2007
Administered By	Colorado Department of Public Safety, Bureau of Investigation (CBI)
Age Requirement	Must be age 60 or older
Phone	contact your local law enforcement agency

Website	None
Other	House Bill 07-1005

Connecticut	
Effective Date	July 1, 2009
Administered By	Department of Public Safety
Age Requirement	(1) anyone 65 or over and (2) anyone 18 or over who has a mental impairment
Phone	contact your local law enforcement agency
Website	None
Other	Senate Bill 451

Delaware	
Effective Date	July 2008 AKA "Gold Alert Program"
Administered By	The initial decision to issue a local Gold Alert is at the discretion of the investigating law-enforcement agency.
Age Requirement	Must be age 60 or older
Phone	contact your local law enforcement agency
Website	None
Other	CHAPTER 85. STATE BUREAU OF IDENTIFICATION, Subchapter VII. Gold Alert Program for Certain Missing Persons

Florida	
Effective Date	October 8, 2008
Administered By	Florida Department of Law Enforcement
Age Requirement	Must be age 60 or older
Phone	contact your local law enforcement agency
Website	http://www.fdle.state.fl.us/MCICSearch/Documents/SilverAlertFAQ.pdf
Other	House Bill HM 753

Georgia	
Effective Date	April 2006 AKA "Mattie's Call"
Administered By	Georgia Bureau of Investigation
Age Requirement	Missing disabled adults
Phone	contact your local law enforcement agency
Website	http://alerts.gbi.georgia.gov/00/channel_modifieddate/0,2096,67865199_74426401,00.html
Other	House Bill 728

Illinois	
Effective Date	January 1, 2010 AKA "Endangered Missing Person Advisory Program"
Administered By	The Illinois Department on Aging (IDoA), in coordination with the Illinois State Police
Age Requirement	Older adults
Phone	contact your local law enforcement agency
Website	http://www.state.il.us/aging/1news_pubs/news/2009-1230.htm http://www.illinois.gov/PressReleases/ShowPressRelease.cfm?SubjectID=1&RecNum=8136
Other	Senate Bill 0027

Indiana	
Effective Date	July 2009
Administered By	Indiana Clearinghouse for Information on Missing Children and Missing Endangered Adults
Age Requirement	Must be age 18 or older
Phone	contact your local law enforcement agency or 800-831-8953
Website	http://www.in.gov/silveralert/index.htm http://www.in.gov/silveralert/2331.htm

Other	Senate Bill 307

Kansas	
Effective Date	July 30, 2009
Administered By	Kansas Bureau of Investigation Communications
Age Requirement	Must be age 65 or older
Phone	contact your local law enforcement agency
Website	http://www.ksag.org/files/SilverAlertProtocol.pdf http://www.ksag.org/page/attorney-general-establishes-silver-alert-protocol
Other	SHL Resolution No. 2506

Kentucky	
Effective Date	July 2008 AKA "Golden Alert"
Administered By	Kentucky Division of Emergency Management
Age Requirement	Must be age 18 or older
Phone	Contact your local law enforcement agency or (502) 607-1638
Website	none
Other	Senate Bill 125

Louisiana	
Effective Date	July 2008
Administered By	Department of Public Safety and Corrections
Age Requirement	Must be age 60 or older
Phone	Contact your local law enforcement agency
Website	none
Other	House Bill 1378

Maine	
Effective Date	April 12, 2010
Administered By	Maine Department of Public Safety
Age Requirement	Must be age 18 or older
Phone	Contact your local law enforcement agency
Website	none
Other	Legislative Documents: HP1138, LD 1610, item 1

Maryland	
Effective Date	October 2009
Administered By	Maryland State Police
Age Requirement	Anyone who may have a cognitive disorder
Phone	Contact your local law enforcement agency or (410)486-3101
Website	
Other	House Bill 192 Press Release

Minnesota	
Effective Date	July 2009 AKA "Brandon's Law"
Administered By	Bureau of Criminal Apprehension
Age Requirement	All ages
Phone	Contact your local law enforcement agency
Website	None
Other	S.F. No. 1146 (Minnesota Missing Person's Act)

Mississippi	
Effective Date	July 1, 2010 "Mississippi Silver Alert System Act of 2010."

Administered By	Mississippi Department of Public Safety
Age Requirement	Must be age 18 or older
Phone	Contact your local law enforcement agency
Website	None
Other	House Bill 664, House Bill 664 Amended

Missouri	
Effective Date	Silver Alert House Bill still in limbo Current program is called "Endangered Person Advisory"
Administered By	Department of Public Safety
Age Requirement	Must be age 18 or older
Phone	Contact your local law enforcement agency
Website	Website
Other	House Bill 1119

New Hampshire	
Effective Date	Approved July 29, 2009, Effective on July 1, 2010
Administered By	Unknown at this time
Age Requirement	Must be age 55 or older
Phone	Contact your local law enforcement agency
Website	None
Other	House Bill 279

New Jersey	
Effective Date	December 23, 2009 law signed into effect
Administered By	State Police
Age Requirement	Must be age 65 or older
Phone	Contact your local law enforcement agency
Website	http://www.njleg.state.nj.us/2008/Bills/A3000/2844_I1.HTM
Other	Assembly No. 2844 Senate Bill 1551 and Senate Bill 1844

New York	
Effective Date	February 20, 2009, bill introduced, but still not signed into law at this time (Apr 2010)
Administered By	State Police
Age Requirement	Must be age 18 or older
Phone	Contact your local law enforcement agency
Website	None, but a list of missing persons is available online. web link
Other	Bills A05783, S04307

New Mexico	
Effective Date	The New Mexico Missing Persons Clearinghouse issues a "Endanger Person Advisory"
Administered By	Department of Public Safety
Age Requirement	All ages
Phone	Contact your local law enforcement agency or (505) 827-9297
Website	http://missingpersons.dps.state.nm.us/
Other	

North Carolina	
Effective Date	Approved June 19, 2009
Administered By	Department of Crime Control and Public Safety
Age Requirement	All ages
Phone	Contact your local law enforcement agency
Website	http://www.nccrimecontrol.org/Index2.cfm?a=000003,000005,000081,001670 http://www.nccrimecontrol.org/div/ale/missingpersons/SilverAlertBrochure3c.pdf
Other	General Statute § 143B-499.8

Oklahoma	
Effective Date	November 1, 2009, passed Senate April 16, 2009
Administered By	Department of Public Safety - Commissioner of Public Safety
Age Requirement	Must be age 60 or older
Phone	Contact your local law enforcement agency
Website	none
Other	House Bill 2030, 63 O.S. §1-1990.2

Ohio	
Effective Date	June 20, 2008 AKA "Missing Adult Alert"
Administered By	Ohio Emergency Management Agency
Age Requirement	Must be age 65 or older
Phone	Contact your local law enforcement agency or 866-693-9171
Website	http://www.missingadults.ohio.gov/OhioMAA/Home.aspx
Other	Senate Bill 87, Sec. 5502.522

Pennsylvania	
Effective Date	September 1, 2009 (based on HB276, although no program confirmation can be found)
Administered By	State Police
Age Requirement	Must be age 65 or older
Phone	Contact your local law enforcement agency
Website	none
Other	House Bill 2558 (2008), House Bill 726 (2009)

Rhode Island	
Effective Date	January 3, 2008 AKA ""Missing Senior Citizen Alert Program"
Administered By	State Police
Age Requirement	Must be age 60 or older
Phone	Contact your local law enforcement agency
Website	none
Other	S7048 and H7048

South Carolina	
Effective Date	May 2010 AKA "The Endangered Person Notification System"
Administered By	South Carolina Law Enforcement Division Missing Persons - Missing Person Information Center
Age Requirement	All ages
Phone	Contact your local law enforcement agency or 803-737-9000
Website	none
Other	Article 5, Chapter 3, Title 23 of the 1976 Code is amended by adding Section 23-3-330, January 13, 2009. House Bill 3817 introduced on March 24, 2009. A192, R240, H3719 General Bill.

Tennessee	
Effective Date	August 4, 2009
Administered By	Tennessee Bureau of Investigation
Age Requirement	Must be age 18 or older
Phone	Contact your local law enforcement agency
Website	none
Other	House Bill 346

Texas	
Effective Date	Sept 1, 2007
Administered By	Department of Public Safety

Age Requirement	Must be age 65 or older
Phone	Contact your local law enforcement agency or Texas Silver Alert Coordinator (512) 424-2208
Website	ftp://ftp.txdps.state.tx.us/dem/amber/silver_alert_instructions.pdf
Other	

Virginia	
Effective Date	July 2007 AKA "Senior Alert System"
Administered By	Virginia State Police
Age Requirement	Must be age 60 or older
Phone	Contact your local law enforcement agency
Website	http://www.vasenioralert.com/index.htm
Other	§ 52-34.5

West Virginia	
Effective Date	April 22, 2009
Administered By	The State Police
Age Requirement	No minimum age
Phone	Contact your local law enforcement agency
Website	none
Other	House Bill 2504 §15-3B-3

Free Online Registration
Home | Personal Safety | Financial Safety | Fraud & Scams | Quick Facts | Resources
Silver Alert Bracelets & Pendants | Media | Testimonials | Silver Alert | Contact

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print

Fairbanks woman's death sheds light on harsh reality of living with Alzheimer's disease

by Dorothy Chomicz / dchomicz@newsminer.com
12.03.11 - 12:28 am

FAIRBANKS — When you are caring for a loved one with Alzheimer's, the possibility of that person wandering off is an ever-present worry. In fact, six out of 10 Alzheimer's patients will wander at some point, and many do so repeatedly, according to the Alzheimer's Association website (www.alz.org).

The situation becomes even more serious in places like Alaska, where severe weather conditions can spell death for someone who has wandered outside and is unprepared for the elements.

This danger was brought to reality this week when Bonnie L. Scott, a 63-year-old Fairbanks woman who suffered from Alzheimer's, became confused while driving an acquaintance home in Fairbanks and ended up 80 miles northeast on the Steese Highway.

Scott wandered away from her vehicle after running out of gas, and Alaska State Troopers were able to follow her footprints into the woods, where they found her body. She had died of exposure after walking by a manned Department of Transportation maintenance facility in which she could have found shelter and aid.

Most cases of wandering do not occur in vehicles and are instead instances of the individual simply walking out of the door while a caretaker is distracted or sleeping.

To minimize the risk of wandering, experts suggest making changes around the home, such as camouflaging exit doors by painting them the same color as the wall, and draping door knobs with same-color cloth.

Placing a mirror next to the door can also stop the potential wanderer — they either think there is someone else there, or they become distracted by their own reflection.

Extra door latches can be placed at the tops or bottom of doors, where they will not be noticed, and car keys should be kept hidden. Chimes or alarms can be placed on doors to alert the caregiver.

Since wandering is often caused by restlessness, fear or physical need, make sure that basics such as hunger, thirst and the need to use the toilet are all met regularly.

If it is physically possible, provide the individual with recreational opportunities such as short, supervised walks or get them to help with simple household chores. Reassure them if they feel agitated or fearful, and give them a routine to help them feel secure.

Even though caregivers are often tempted to keep a person's Alzheimer's a secret, it is important that neighbors and family members be told of potential wandering, and be provided with a good contact number. Always keep a current, clear photo of the individual on hand, and consider keeping one on file with your local police department.

Keep as much identification as possible on the person — place it in every coat, purse, pocket or wallet, and think about providing the person with an ID bracelet or necklace.

Since identification is only helpful once the person has been found, consider purchasing an electronic tracking device that can be used to locate them before tragedy occurs. According to the Alzheimer's Foundation of America website, a person with dementia "only stands a 50 percent chance of survival if they are not found within the first 24 hours."

Finally, do not leave the individual alone. Since it is virtually impossible for one person to keep an Alzheimer's sufferer in sight at all times, it is essential that the caregiver establish a support network that can help out and provide a break when needed.

Alzheimer's Resource of Alaska provides services, information and education to Alaskans dealing with Alzheimer's and has five offices statewide. They can be reached at their Fairbanks office at 452-2277, or visited at www.alzalaska.org.

Contact staff writer Dorothy Chomicz at 459-7590.

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Celeste Hodge

From: O'Hare, Michael F (MVA) <mike.ohare@alaska.gov>
Sent: Monday, January 30, 2012 1:34 PM
To: Celeste Hodge
Cc: Pierre, McHugh (MVA); Howell, Kelly A (DPS); Fisher, Bryan J (MVA); Carney, Roberta D (MVA)
Subject: FW: 27-LS1250\A - An Act relating to missing vulnerable adult prompt response and notification plans
Attachments: Silver Alert Updated Report_11-9-10.pdf

Celeste,

Per your request, and after review of the draft legislation, I am providing the following response from our Emergency Operations Section:

A portion of the Alaska Amber Alert Plan involves the local law enforcement agency and the Alaska State Troopers providing additional "emergency public information" to broadcast outlets to assist with the recovery effort. Most Sliver Alert plans revolve around that. Not using EAS, but notifying and providing information on the missing person, vehicle, etc, and the broadcast outlets voluntarily providing that information to their viewers/listeners. In many cases State DOTs or those who control highway signs would also post the information to the public, as well as the investigating law enforcement agency providing a BOLO alert in the state APSIN/NCIC systems.

Attached is a seven page report from the 2010 summary of States performed by the National Association of States United for Aging and Disabilities. The report is a summary of states that have plans, and the enabling legislation behind it. It doesn't speak to operational aspects.

From an EAS standpoint there is no event code that is designated for missing persons (adults), so we couldn't utilize EAS like we do for Amber alerts, which uses the special "Child Abduction Emergency" code.

We certainly could work with DPS on this plan, the same players from AST, DHS&EM, APD, and the Alaska Broadcasters Association could work out the plans that would be required by the bill/law.

So, to be clear, we have no issues on the draft legislation.

Please do not hesitate to contact me should you have any questions. Thank you.

Sincerely,

Mike O'Hare

Michael F. O'Hare
State of Alaska
Department of Military and Veterans Affairs
Division of Homeland Security and Emergency Management
Deputy Director
(907) 428-7066 Office
(907) 529-2406 Cell
(907) 428-7009 Fax
mike.ohare@alaska.gov

From: Fisher, Bryan J (MVA)
Sent: Thursday, January 26, 2012 4:09 PM

www.alz.org

Public Policy Office
1212 New York Avenue, NW
Suite 800
Washington, DC 20005-6105

202 393 7737 p
866 865 0270 f

alzheimer's association

8 February 2012

Senator Bill Wielechowski
Chairman, Senate State Affairs Committee
State Capitol Room 101
Juneau AK, 99801

Dear Senator Wielechowski:

On behalf of the Alzheimer's Association, I am pleased to extend our support for Senate Bill 179, sponsored by Senator Bettye Davis, which would address the need for a prompt response system when a vulnerable adult has gone missing. The Association supports creating a system that provides for dissemination of relevant information about missing individuals with Alzheimer's disease or a related dementia to appropriate law enforcement personnel.

An estimated six out of ten people with Alzheimer's disease will wander from their homes or caregiving facilities at some point during the disease process. Most people with dementia who wander are found within 1.5 miles of home, and 50 percent of individuals who wander risk serious injury or death if not found within the first 24 hours. Environmental dangers pose serious threats to people with Alzheimer's who are particularly vulnerable to succumb to natural elements such as weather, and who may lose their ability to remember when to eat or drink. An immediate response with emphasis on local searching is imperative once an individual with dementia is reported missing.

The Alzheimer's Association supports a comprehensive approach to constructing a notification, or "silver alert", system that addresses the needs of persons with dementia and their families. This approach includes first responder dementia training and coordinating search efforts between families, caregivers and local authorities. The system should be interoperable with existing programs, such as the MedicAlert and Safe Return program, which is a nationwide identification, support and enrollment program providing assistance to adult wanders and their families.

I appreciate the opportunity to comment on this issue and applaud Senator Davis for spearheading this effort.

With best regards,

Randi Chapman
Director, State Affairs
Alzheimer's Association

Cc: Senator Bettye Davis

AGENET

Alaska Geriatric Exchange Network

An Association of Advocates and Service Providers for Older Alaskans

February 23, 2012

Senator Bert Stedman, Co-Chair Senate Finance Committee
State Capitol
Juneau, AK 99801-1182

Dear Senator Stedman,

AGENET, with over forty agency members that provide services to Older Alaskans, is requesting your support of SB179, which would establish a "Silver Alert" response system in the state of Alaska. This prompt response and notification system would be an effective way to assist in finding vulnerable older adults who may wander due to Alzheimer's disease or other dementias.

Today, more than 6,000 Alaskans have Alzheimer's disease or a related dementia. Wandering is a common behavior in people with dementia and up to 60% of people affected may wander, just once or on a recurring basis. Over the years, several cases of wandering in Alaska have resulted in injury or death because it took too long to find the person. In the harsh Alaska winter, a case of wandering has a higher probability of resulting in a poor outcome or even become rapidly fatal for the person involved.

Some programs in Alaska can educate families about wandering behaviors and can recommend strategies to keep the person as safe as possible. However, with the number of people currently affected and that number expected to double in the next 10 years, some of these cases of wandering are likely to occur. SB 179 outlines a strategy that would help find the person who wanders more quickly and hopefully avoid injury or death.

AGENET would like to express its support of SB 179 and urge you to hear this bill in the near future and move it on to the full body of the Senate. We understand that it has zero fiscal notes, because it uses the same system already used for "Amber Alerts."

Thank you for considering our request.

Sincerely,

Connie J. Sipe

Connie J. Sipe
President of AGENET

cc: Senator Betty Davis

Mailing Address: c/o Sipe, 700 Katlian St., Suite B., Sitka, AK 99835 Phone: 907-747-6960 ext. 32

STATE OF ALASKA
DEPT. OF HEALTH & SOCIAL SERVICES

Alaska Commission on Aging

SEAN PARNELL, GOVERNOR

P.O. BOX 110693
JUNEAU, ALASKA 99811-0693
PHONE: (907) 465-3250
FAX: (907) 465-1398

March 30, 2012

The Honorable Lyman Hoffman, Co-Chair
The Honorable Bert Stedman, Co-Chair
Senate Finance Committee
Alaska State Capitol, Rooms 518 & 516
Juneau, AK 99801-1182

Subject: Support for SB 179, Missing Vulnerable Adult Prompt Response Plan

Dear Chair Hoffman & Chair Stedman:

The Alaska Commission on Aging (ACoA) is pleased to offer our support for SB 179 to establish a vulnerable adult prompt response and notification plan by the Department of Public Safety in cooperation with the Department of Military and Veterans' Affairs. Senator Bettye Davis, author of SB 179, addresses the problems of all vulnerable missing adults. The ACoA will focus on benefits we perceive for vulnerable older Alaskans from this legislation.

Wandering is one of the most significant personal safety risks faced by individuals with Alzheimer's disease and related dementia (ADRD). According to the Alzheimer's Association (2011), nearly 60% of people with Alzheimer's disease wander at some point during the course of their disease with approximately one-half of all wanderings resulting in personal injury if the person is not found within 24 hours. For an elder living in a rural and remote community, especially in the wintertime, getting lost has life and death consequences.

As part of our efforts to learn more about the needs of people with ADRD and their caregivers, the ACoA hosted two Community Forums at the Anchorage Senior Citizens Activities Center (December 2011) and at the Juneau Senior Center (February 2012). Both forums were well-attended with the majority of participants being family and professional caregivers. Improving public response services to reduce safety risks for persons with ADRD who wander was identified as a priority concern by the Forum participants. While Anchorage's "Project Lifesaver," administered by Search and Rescue is an effective program for individuals with Alzheimer's disease, this program is available in Anchorage only with limited programs of this kind available statewide.

The ACoA supports SB 179 to authorize the Department of Public Safety to work with the Department of Military and Veterans' Affairs to develop a missing vulnerable adult response plan that will improve the safety of vulnerable Alaskans, such as individuals with Alzheimer's disease and related dementia. Thank you for your support of this legislation. Please feel free to contact Denise Daniello, ACoA's executive director, by phone (465-4879) or email (denise.daniello@alaska.gov) should you have questions or require additional information.

Sincerely,

Sharon Howerton-Clark
Chair, Alaska Commission on Aging

Sincerely,

Denise Daniello
ACoA Executive Director

Cc: Senator Donald Olson
Senator Dennis Egan
Senator Joe Thomas
Senator Lesil McGuire
Senator Bettye Davis

SB 182

<TARGET><BILL>SB 182</BILL><SUBJECT>SB 182</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 2/24/12

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 182

SB 182-PUPIL TRANSPORTATION FUNDING

"An Act amending the amount of state funding provided to school districts for pupil transportation."

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[X] adopt **previous CS** SB 182 (EDC) *[X] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	**Fiscal**	**Indet.**	**Zero**	**FN #**
EED	X			

PREVIOUS FISCAL NOTE(S)				
Dept.	**Fiscal**	**Indet.**	**Zero**	**FN #**

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	EGAR	✓			
	OSON			✓	
	ELLIS	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman			✓	

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **CSSB182(EDC)**
Fiscal Note Number:
Publish Date:

Identifier (file name): SB182CS-EED-ESS-2-22-12
Title: "An Act amending the amount of state funding provided to school districts for pupil transportation."
Sponsor: Senate Education Committee
Requester: Senate Finance

Dept. Affected: Education & Early Development
Appropriation: K-12 Support
Allocation: Pupil Transportation
OMB Component Number: 144

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	95.3		95.3	95.3	95.3	95.3	95.3
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits	10,355.0	62,202.7	12,676.8	15,073.0	17,545.8	20,097.7	22,731.4
Miscellaneous							
TOTAL OPERATING	**10,450.3**	**62,202.7**	**12,772.1**	**15,168.3**	**17,641.1**	**20,193.0**	**22,826.7**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	10,450.3	62,202.7	12,772.1	15,168.3	17,641.1	20,193.0	22,826.7
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
	TOTAL	**10,450.3**	**62,202.7**	**12,772.1**	**15,168.3**	**17,641.1**	**20,193.0**	**22,826.7**

POSITIONS							
Full-time	**1.0**		1	1	1	1	1
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 8,103.3 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

The CS changes the per pupil amounts for 2012 and places those amounts in Sec. 4 The CS adds per pupil amounts for 2013 in Sec. 4. The CS changes the effective date to FY2014 to begin using total district dollars for a funding mechanism at Sec. 1. The CS adds direction on department oversignt at Sec 2. (e.) The department has recalculated the annual cost estimates and added a pcn for pupil transportatin program oversight. FY2013 govenor's request was corrected to $62,202.7

Prepared by: Elizabeth Nudelman, Director — Phone: 465-8679
Division: School Finance & Facilities — Date/Time: 3/1/12 5:00 PM
Approved by: Mike Hanley, Commissioner — Date: 3/1/2012

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB182(EDC)

Analysis

This bill, CSSB182, amends the amount of funding provided to districts through the pupil transportation funding formula at AS 14.09.010. The current program provides state funding for pupil transportation by assigning each participating district an individual per student factor, and then multiplying the factor by the current annual average daily membership (ADM) to arrive at each districts annual funding. The bill also directs the department to set regulation for oversight and support in achieving safe and cost-effective student transportation.

In section 4 the bill sets new per student rates for FY2012 and FY2013.

In section 1, the bill provides that beginning in FY2014 the funding will be distributed as a total dollar amount per district. The bill sets FY2014 funding at the amount districts will report as their year ended June 30, 2013 audited pupil transportation expenditures.

In section 1 the bill adds an annual Anchorage Consumer Price Index percentage increase each year.

Calculations Overview:

The fiscal note increase of $8.1 million for FY2012 was calculated by using the new per student amounts in for FY2012 multiplied by FY2012 projected ADM.

The fiscal note increase of $10.4 million for FY2013 was calculated by using the new per student amounts in for FY2013 multiplied by FY2013 projected ADM.

The fiscal note increase of $12.7 for FY2014 is calculated by estimating what districts will report as FY2013 expenditures; the FY2013 fiscal note funding was used as an estimate, actual expenditures could be different. Plus, a consumer price index was applied as set out in Section 1.

The fiscal note increases for FY2015 - 2018 were calculated by adding an estimated 3.2% consumer price index increase to the prior year funding.

The fiscal note adds one school finance specialist II position at a range 18 A for a cost of $95.3. This position is necessary to implement regulations and accountability measures as directed in section 2 part (e) of the bill.

Section 3 repeals the definition for ADM and district ADM in the old law.

The current annual cost of the pupil transportation program is $62,274.5 for FY2012; under CSSB182 the total program costs are estimated to be:

$70,377.8	FY2012
$72,557.6	FY2013
$74,879.5	FY2014
$77,275.6	FY2015
$79,748.5	FY2016
$82,300.4	FY2017
$84,934.0	FY2018

State of Alaska Department of Education & Early Development
CSSB182 Pupil Transportation - FY2012
Prepared 2/29/2012

Prepared by School Finance

School District	Current Per Child Cost	FY12 Preliminary ADM	Projected FY2012 Dollars	CSSB182 FY12 Per Child Cost	FY12 Preliminary ADM	Projected FY2012 CSSB182 Dollars	Difference
Alaska Gateway	$ 1,658	322	$ 534,208	$ 2,081	322	$ 670,498	$ 136,290
Aleutian Region	-	31	-	-	31	-	-
Aleutians East Borough	280	227	63,462	311	227	70,488	7,026
Anchorage	407	47,545	19,350,697	435	47,545	20,681,949	1,331,252
Annette Island	65	276	17,921	182	276	50,177	32,256
Bering Strait	48	1,594	76,490	48	1,594	76,490	-
Bristol Bay Borough	2,315	150	346,648	2,672	150	400,105	53,457
Chatham	77	147	11,300	280	147	41,090	29,790
Chugach	-	60	-	-	60	-	-
Copper River	1,468	430	631,754	1,586	430	682,535	50,781
Cordova	294	325	95,403	335	325	108,708	13,305
Craig	281	341	95,793	423	341	144,201	48,408
Delta Greely	1,496	793	1,186,104	1,656	793	1,312,960	126,856
Denali Borough	1,808	230	415,388	1,808	230	415,388	-
Dillingham	1,080	462	499,068	1,218	462	562,838	63,770
Fairbanks N. Star Borough	704	14,004	9,858,534	817	14,004	11,440,941	1,582,407
Galena	255	294	75,047	255	294	75,047	-
Haines Borough	626	300	187,894	626	300	187,894	-
Hoonah	298	114	33,898	298	114	33,898	-
Hydaburg	-	44	-	-	44	-	-
Iditarod Area	188	195	36,604	211	195	41,082	4,478
Juneau Borough	556	4,886	2,716,644	604	4,886	2,951,174	234,530
Kake	204	93	18,890	271	93	25,095	6,205
Kashunamiut	5	312	1,558	5	312	1,558	-
Kenai Peninsula Borough	675	8,149	5,500,393	766	8,149	6,241,927	741,534
Ketchikan Gateway Borough	727	2,102	1,528,227	727	2,102	1,528,227	-
Klawock	223	136	30,295	584	136	79,336	49,041
Kodiak Island Borough	593	2,409	1,428,288	799	2,409	1,924,455	496,167
Kuspuk	654	346	225,957	654	346	225,957	-
Lake and Peninsula Borough	381	309	117,706	384	309	118,633	927
Lower Kuskokwim	209	3,972	830,096	277	3,972	1,100,175	270,079
Lower Yukon	1	1,987	1,987	1	1,987	1,987	-
Mat-Su Borough	768	15,681	12,042,816	910	15,681	14,269,483	2,226,667
Nenana	561	196	109,984	587	196	115,081	5,097
Nome	390	674	262,763	621	674	418,399	155,636
North Slope Borough	948	1,599	1,515,947	1,120	1,599	1,790,992	275,045
Northwest Arctic Borough	22	1,803	39,674	25	1,803	45,084	5,410
Pelican	72	18	1,296	72	18	1,296	-
Petersburg	276	427	117,755	374	427	159,567	41,812
Pribilof	-	82	-	-	82	-	-
Saint Mary's	75	181	13,568	193	181	34,914	21,346
Sitka Borough	428	1,281	548,105	428	1,281	548,105	-
Skagway	36	59	2,114	36	59	2,114	-
Southeast Island	1,101	164	180,344	1,155	164	189,189	8,845
Southwest Region	598	633	378,594	598	633	378,594	-
Tanana	478	34	16,252	478	34	16,252	-
Unalaska	648	414	268,013	648	414	268,013	-
Valdez	666	676	449,883	735	676	496,493	46,610
Wrangell	596	312	185,833	701	312	218,572	32,739
Yakutat	723	105	75,843	744	105	78,046	2,203
Yukon Flats	251	256	64,193	264	256	67,518	3,325
Yukon Koyukuk	299	282	84,378	299	282	84,378	-
Yupiit	2	448	896	2	448	896	-
Totals	**26,514**	**117,901**	**$ 62,274,505**	**30,304**	**117,901**	**$ 70,377,799**	**$ 8,103,294**

State of Alaska Department of Education & Early Development Prepared by School Finance
CSSB182 Pupil Transportation - FY2013
Prepared 2/29/2012

School District	Current Per Child Cost	FY13 Preliminary ADM	Projected FY2013 Dollars	CSSB182 FY13 Per Child Cost	FY13 Preliminary ADM	Projected FY2013 CSSB182 Dollars	Difference
Alaska Gateway	$ 1,658	343	$ 568,694	$ 2,148	343	$ 736,764	$ 168,070
Aleutian Region	-	30	-	-	30	-	-
Aleutians East Borough	280	228	63,840	321	228	73,188	9,348
Anchorage	407	47,682	19,406,574	449	47,682	21,409,218	2,002,644
Annette Island	65	252	16,406	188	252	47,451	31,045
Bering Strait	48	1,620	77,760	50	1,620	81,000	3,240
Bristol Bay Borough	2,315	145	335,675	2,758	145	399,910	64,235
Chatham	77	156	12,012	289	156	45,084	33,072
Chugach	-	63	-	-	63	-	-
Copper River	1,468	431	632,341	1,637	431	705,138	72,797
Cordova	294	323	94,962	346	323	111,758	16,796
Craig	281	326	91,606	437	326	142,462	50,856
Delta Greely	1,496	791	1,183,336	1,709	791	1,351,819	168,483
Denali Borough	1,808	225	406,800	1,866	225	419,850	13,050
Dillingham	1,080	450	486,000	1,257	450	565,650	79,650
Fairbanks N. Star Borough	704	14,091	9,920,064	843	14,091	11,878,713	1,958,649
Galena	255	304	77,520	263	304	79,952	2,432
Haines Borough	626	283	177,158	646	283	182,818	5,660
Hoonah	298	114	33,972	308	114	35,112	1,140
Hydaburg	-	47	-	-	47	-	-
Iditarod Area	188	203	38,164	218	203	44,254	6,090
Juneau Borough	556	4,908	2,728,848	623	4,908	3,057,684	328,836
Kake	204	97	19,706	280	97	27,048	7,342
Kashunamiut	5	316	1,578	5	316	1,578	-
Kenai Peninsula Borough	675	8,093	5,462,775	791	8,093	6,401,563	938,788
Ketchikan Gateway Borough	727	2,043	1,485,261	750	2,043	1,532,250	46,989
Klawock	223	126	28,098	603	126	75,978	47,880
Kodiak Island Borough	593	2,401	1,423,793	825	2,401	1,980,825	557,032
Kuspuk	654	339	221,706	675	339	228,825	7,119
Lake and Peninsula Borough	381	310	118,205	396	310	122,859	4,654
Lower Kuskokwim	209	3,972	830,148	286	3,972	1,135,992	305,844
Lower Yukon	1	2,022	2,022	1	2,022	2,022	-
Mat-Su Borough	768	15,563	11,952,384	939	15,563	14,613,657	2,661,273
Nenana	561	201	112,761	606	201	121,806	9,045
Nome	390	715	278,850	641	715	458,315	179,465
North Slope Borough	948	1,577	1,494,996	1,156	1,577	1,823,012	328,016
Northwest Arctic Borough	22	1,921	42,262	26	1,921	49,946	7,684
Pelican	72	11	792	74	11	814	22
Petersburg	276	435	120,060	386	435	167,910	47,850
Pribilof	-	81	-	-	81	-	-
Saint Mary's	75	175	13,125	199	175	34,825	21,700
Sitka Borough	428	1,280	547,840	442	1,280	565,760	17,920
Skagway	36	63	2,268	37	63	2,331	63
Southeast Island	1,101	164	180,399	1,192	164	195,309	14,910
Southwest Region	598	635	379,461	617	635	391,517	12,056
Tanana	478	35	16,730	493	35	17,255	525
Unalaska	648	420	272,160	669	420	280,980	8,820
Valdez	666	665	442,890	759	665	504,735	61,845
Wrangell	596	312	185,952	723	312	225,576	39,624
Yakutat	723	94	67,962	768	94	72,192	4,230
Yukon Flats	251	263	66,013	272	263	71,536	5,523
Yukon Koyukuk	299	267	79,833	309	267	82,503	2,670
Yupiit	2	452	904	2	452	904	-
Totals	**26,514**	**118,062**	**$ 62,202,666**	**$ 31,278**	**118,062**	**$ 72,557,648**	**$ 10,354,982**

State of Alaska Department of Education & Early Development

CSSB182 Pupil Transportation - FY2014 - Per CSSB182 Program no longer based on per student, based on total dollars districts spend in FY2014 to district.

Prepared 2/29/2012

Current estimate for FY2014 | 0.032

School District	Current Per Child Cost	FY13 Preliminary ADM	Projected FY2013 Dollars	Estimate for June 30. 2013. Based on fiscal note dollars from FY2013. This amount will be dependent on how much districts spend. Actual may be different.	Annual CPI. Estimated at most recent January 2012 of 3.2%	Total Projected FY2014 CSSB182 Dollars	Difference
Alaska Gateway	$ 1,658	343	$ 568,694	$ 736,764	23,576	$ 760,340	$ 191,646
Aleutian Region	-	30	-	-	-	-	-
Aleutians East Borough	280	228	63,840	73,188	2,342	75,530	11,690
Anchorage	407	47,682	19,406,574	21,409,218	685,095	22,094,313	2,687,739
Annette Island	65	252	16,406	47,451	1,518	48,969	32,563
Bering Strait	48	1,620	77,760	81,000	2,592	83,592	5,832
Bristol Bay Borough	2,315	145	335,675	399,910	12,797	412,707	77,032
Chatham	77	156	12,012	45,084	1,443	46,527	34,515
Chugach	-	63	-	-	-	-	-
Copper River	1,468	431	632,341	705,138	22,564	727,702	95,361
Cordova	294	323	94,962	111,758	3,576	115,334	20,372
Craig	281	326	91,606	142,462	4,559	147,021	55,415
Delta Greely	1,496	791	1,183,336	1,351,819	43,258	1,395,077	211,741
Denali Borough	1,808	225	406,800	419,850	13,435	433,285	26,485
Dillingham	1,080	450	486,000	565,650	18,101	583,751	97,751
Fairbanks N. Star Borough	704	14,091	9,920,064	11,878,713	380,119	12,258,832	2,338,768
Galena	255	304	77,520	79,952	2,558	82,510	4,990
Haines Borough	626	283	177,158	182,818	5,850	188,668	11,510
Hoonah	298	114	33,972	35,112	1,124	36,236	2,264
Hydaburg	-	47	-	-	-	-	-
Iditarod Area	188	203	38,164	44,254	1,416	45,670	7,506
Juneau Borough	556	4,908	2,728,848	3,057,684	97,846	3,155,530	426,682
Kake	204	97	19,706	27,048	866	27,914	8,208
Kashunamiut	5	316	1,578	1,578	50	1,628	50
Kenai Peninsula Borough	675	8,093	5,462,775	6,401,563	204,850	6,606,413	1,143,638
Ketchikan Gateway Borough	727	2,043	1,485,261	1,532,250	49,032	1,581,282	96,021
Klawock	223	126	28,098	75,978	2,431	78,409	50,311
Kodiak Island Borough	593	2,401	1,423,793	1,980,825	63,386	2,044,211	620,418
Kuspuk	654	339	221,706	228,825	7,322	236,147	14,441
Lake and Peninsula Borough	381	310	118,205	122,859	3,931	126,790	8,585
Lower Kuskokwim	209	3,972	830,148	1,135,992	36,352	1,172,344	342,196
Lower Yukon	1	2,022	2,022	2,022	65	2,087	65
Mat-Su Borough	768	15,563	11,952,384	14,613,657	467,637	15,081,294	3,128,910
Nenana	561	201	112,761	121,806	3,898	125,704	12,943
Nome	390	715	278,850	458,315	14,666	472,981	194,131
North Slope Borough	948	1,577	1,494,996	1,823,012	58,336	1,881,348	386,352
Northwest Arctic Borough	22	1,921	42,262	49,946	1,598	51,544	9,282
Pelican	72	11	792	814	26	840	48
Petersburg	276	435	120,060	167,910	5,373	173,283	53,223
Pribilof	-	81	-	-	-	-	-
Saint Mary's	75	175	13,125	34,825	1,114	35,939	22,814
Sitka Borough	428	1,280	547,840	565,760	18,104	583,864	36,024
Skagway	36	63	2,268	2,331	75	2,406	138
Southeast Island	1,101	164	180,399	195,309	6,250	201,559	21,160
Southwest Region	598	635	379,461	391,517	12,529	404,046	24,585
Tanana	478	35	16,730	17,255	552	17,807	1,077
Unalaska	648	420	272,160	280,980	8,991	289,971	17,811
Valdez	666	665	442,890	504,735	16,152	520,887	77,997
Wrangell	596	312	185,952	225,576	7,218	232,794	46,842
Yakutat	723	94	67,962	72,192	2,310	74,502	6,540
Yukon Flats	251	263	66,013	71,536	2,289	73,825	7,812
Yukon Koyukuk	299	267	79,833	82,503	2,640	85,143	5,310
Yupiit	2	452	904	904	29	933	29
Totals	**26,514**	**118,062**	**$ 62,202,666**	**$ 72,557,648**	**2,321,845**	**$ 74,879,493**	**$ 12,676,827**

State of Alaska Department of Education & Early Development
CSSB182 Pupil Transportation - FY2015, 2016, 2017, 2018 Out-Year cost adjusts by CPI estimated at 3.2%
Prepared 2/29/2012

1.032

School District	Current Law Formula Dollars (Projected FY2013 Dollars)	Projected FY2015	Projected FY2016 (**End of Railbelt five year contracts)	Projected FY2017	Projected FY2018
Alaska Gateway	$ 568,694	784,671	809,781	$ 835,694	$ 862,436
Aleutian Region	-	-	-	-	-
Aleutians East Borough	63,840	77,947	80,441	83,015	85,672
Anchorage	19,406,574	22,801,331	23,530,974	24,283,965	25,061,052
Annette Island	16,406	50,536	52,154	53,823	55,545
Bering Strait	77,760	86,267	89,027	91,876	94,816
Bristol Bay Borough	335,675	425,914	439,543	453,608	468,124
Chatham	12,012	48,016	49,552	51,138	52,774
Chugach	-	-	-	-	-
Copper River	632,341	750,989	775,021	799,821	825,415
Cordova	94,962	119,025	122,834	126,764	130,821
Craig	91,606	151,725	156,581	161,591	166,762
Delta Greely	1,183,336	1,439,720	1,485,791	1,533,336	1,582,403
Denali Borough	406,800	447,150	461,459	476,226	491,465
Dillingham	486,000	602,431	621,709	641,603	662,135
Fairbanks N. Star Borough	9,920,064	12,651,114	13,055,950	13,473,740	13,904,900
Galena	77,520	85,151	87,876	90,688	93,590
Haines Borough	177,158	194,706	200,936	207,366	214,002
Hoonah	33,972	37,395	38,592	39,827	41,101
Hydaburg	-	-	-	-	-
Iditarod Area	38,164	47,132	48,640	50,196	51,803
Juneau Borough	2,728,848	3,256,507	3,360,715	3,468,258	3,579,242
Kake	19,706	28,807	29,729	30,680	31,662
Kashunamiut	1,578	1,681	1,734	1,790	1,847
Kenai Peninsula Borough	5,462,775	6,817,818	7,035,988	7,261,140	7,493,497
Ketchikan Gateway Borough	1,485,261	1,631,883	1,684,103	1,737,995	1,793,610
Klawock	28,098	80,918	83,508	86,180	88,938
Kodiak Island Borough	1,423,793	2,109,626	2,177,134	2,246,802	2,318,700
Kuspuk	221,706	243,704	251,503	259,551	267,856
Lake and Peninsula Borough	118,205	130,848	135,035	139,356	143,815
Lower Kuskokwim	830,148	1,209,859	1,248,574	1,288,529	1,329,762
Lower Yukon	2,022	2,153	2,222	2,294	2,367
Mat-Su Borough	11,952,384	15,563,895	16,061,940	16,575,922	17,106,352
Nenana	112,761	129,726	133,878	138,162	142,583
Nome	278,850	488,116	503,736	519,856	536,491
North Slope Borough	1,494,996	1,941,552	2,003,681	2,067,799	2,133,969
Northwest Arctic Borough	42,262	53,194	54,896	56,653	58,465
Pelican	792	867	895	923	953
Petersburg	120,060	178,828	184,551	190,456	196,551
Pribilof	-	-	-	-	-
Saint Mary's	13,125	37,089	38,276	39,501	40,765
Sitka Borough	547,840	602,548	621,830	641,728	662,263
Skagway	2,268	2,483	2,562	2,644	2,729
Southeast Island	180,399	208,009	214,665	221,534	228,623
Southwest Region	379,461	416,975	430,318	444,088	458,299
Tanana	16,730	18,377	18,965	19,572	20,198
Unalaska	272,160	299,250	308,826	318,709	328,908
Valdez	442,890	537,555	554,757	572,509	590,829
Wrangell	185,952	240,244	247,932	255,865	264,053
Yakutat	67,962	76,886	79,347	81,886	84,506
Yukon Flats	66,013	76,188	78,626	81,142	83,738
Yukon Koyukuk	79,833	87,868	90,679	93,581	96,576
Yupiit	904	963	994	1,025	1,058
Totals	**$ 62,202,666**	**$ 77,275,637**	**$ 79,748,457**	**$ 82,300,407**	**$ 84,934,021**
Difference from current law, per year, fiscal note impact		$ 15,072,971	$ 17,545,791	$ 20,097,741	$ 22,731,355

Alaska State Legislature

Senator Meyer, Co-Chair
State Capitol, Room 103
Juneau, Alaska 99801-1182
(907) 465-4945
Senator_Kevin_Meyer@legis.state.ak.us

Senator Thomas, Co-Chair
State Capitol, Room 514
Juneau, Alaska 99801-1182
(907) 465-2327
Senator_Joe_Thomas@legis.state.ak.us

SENATE EDUCATION COMMITTEE

LETTER OF INTENT FOR SENATE BILL 182

It is the intent of the Senate Education Committee that the Department of Education and Early Development establish minimum standards for proposals and contracts entered into by school districts to provide pupil transportation services. It is also the intent of the Senate Education Committee that the minimum standards include (1) a standardized time frame for the issuance and acceptance of requests for proposals; (2) minimum terms of requests for proposals and contracts that take into account unique regional conditions, including climate patterns; (3) the opportunity for departmental review of the terms of the requests for proposals and contracts, before issuance, for consistency with statewide standards; (4) alignment of contract terms, by July 1, 2016, with statewide standards for the Anchorage, Fairbanks, Juneau, Kenai, Ketchikan, Kodiak, and Matanuska-Susitna areas; and (5) alignment of contract terms, when feasible, with statewide standards for all other areas of the state not covered in (4).

LEGAL SERVICES

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

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

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

MEMORANDUM January 31, 2012

SUBJECT: Sectional Summary for SB 182 (Work Order No. 27-LS1283\M)

TO: Senator Kevin Meyer
Chair of the Senate Education Committee
Attn: Edra Morledge

FROM: Jean M. Mischel
Legislative Counsel

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

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

Section 1. Beginning in fiscal year 2013, modifies the funding provided by the state to school districts for pupil transportation to the amount reported by the district in fiscal year 2012, as adjusted for inflation under sec. 2 of the bill.

Section 2. Provides for an inflation adjustment to pupil transportation funding provided under sec. 1 of the bill.

Section 3. Repeals AS 14.09.010(b), which provided state funding for pupil transportation as a per student amount for each school district in the state.

Section 4. Provides a one year retrospective per student amount for each school district in the state for pupil transportation based on adjusted amounts to former AS 14.09.010(b) for the current school year.

JMM:ljw
12-068.ljw

Changes to CSSB 182: Pupil Transportation

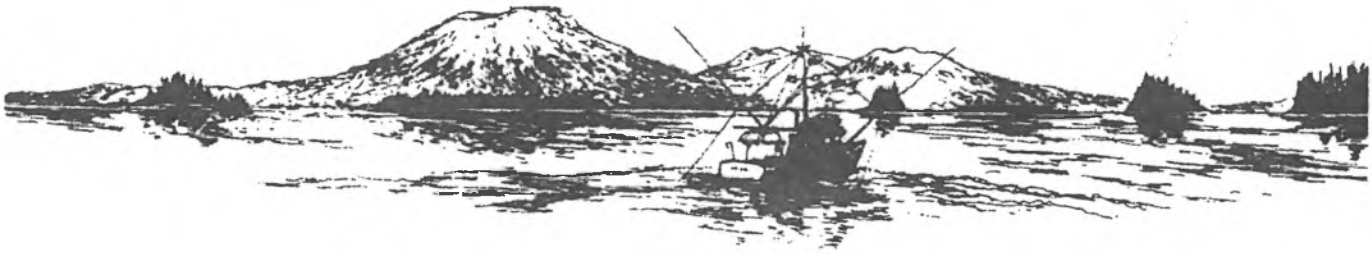
SECTION	SB 182	CSSB 182 (EDC)
1	ESTABLISHES A REIMBURSABLE PROGRAM BEGINNING FY13 "Beginning July 1, 2012, and subject to appropriation, the amount of funding provided by the state under this section is the amount reported to the department in the audited financial statement of the school district as actual pupil transportation expenditures for the school year ending June 30, 2012, as adjusted for inflation under (d) of this section."	ESTABLISHES A REIMBURSABLE PROGRAM BEGINNING FY14 "Beginning July 1, 2013, and subject to appropriation, the amount of funding provided by the state under this section is the amount reported to the department in the audited financial statement of the school district as actual pupil transportation expenditures for the school year ending June 30, 2013, as adjusted for inflation under (d) of this section."
2	NO CHANGE	ADDED AUTHORITY FOR DEED TO REGULATE THE RFP PROCESS Page 2, lines 3 through 7 – section (e) adds regulatory authority to oversee the RFP process for pupil transportation
3	NO CHANGE	NO CHANGE
4	ESTABLISHES PER STUDENT AMOUNTS FOR FY12 "... for the school year beginning July 1, 2011..."	ESTABLISHES PER STUDENT AMOUNTS FOR FY12 AND FY13 "... for the school year beginning July 1, 2011..." AND "... for the school year beginning July 1, 2012..."

2/22/2012 1:11 PM

SITKA SCHOOL DISTRICT

www.sitkaschools.org

300 Kostrometinoff
Sitka, Alaska 99835
Phone: (907) 747-8622
Fax: (907) 966-1260



RESOLUTION OF THE SITKA SCHOOL BOARD OF EDUCATION

Resolution No. 2012-03

A RESOLUTION SUPPORTING INCREASED FUNDING OF STUDENT TRANSPORTATION

The Sitka School Board resolves to urge the 27th Legislature to pass Senate Bill 182 which provides additional funding for student transportation in Fiscal Year 2012 and changes the funding mechanism for future fiscal years to reflect actual per pupil district transportation expenditures. While this bill will not significantly impact the Sitka School District, for most districts across the state, general fund dollars are being allocated away from the classroom in order to sustain student transportation expenses.

NOW, THEREFORE, BE IT RESOLVED that the **Sitka School Board** strongly endorses the passage of **Senate Bill 182** before the Alaska State Legislature that fund further funds student transportation.

Passed and Approved on March 6, 2012.

Lon D. Garrison, President

Doniece Gott

From: Bob Pawlowski
Sent: Friday, February 24, 2012 12:24 PM
To: Edra Morledge
Subject: FW: SB 182

From: LIO Homer
Sent: Friday, February 24, 2012 9:03 AM
To: Sen. Kevin Meyer
Subject: FW: SB 182

Please include in the record on SB182.

Thanks.

From: Peter Swanson [mailto:PSwanson@KPBSD.k12.ak.us]
Sent: Friday, February 24, 2012 9:01 AM
To: LIO Homer
Subject: SB 182

To Whom it will make a difference:

As the father of three children who call Alaska home and who are schooled on the Kenai, as an educator employed by the KPBSD, and as a principal of one of the many small rural elementary schools that serve the children of the Greatland, it is my responsibility to encourage your support and active involvement in seeing that SB 182 be passed to support the very important transportation needs/shortfalls that we currently face.
You are certainly aware of how important transportation of students to and from school is to their regular attendance and how that in turn is directly related to their academic performance. We are currently anticipating a significant cut to our FY13 transportation options in the Kenai if we do not receive some financial help specific to our per student transportation costs. The proposed changes to transportation options for my school, McNeil Canyon Elementary(2004 National Blue Ribbon School), will be devastating for two of my most needy sub populations, English Language Learners and Students with Disabilities. These children and their families rely on the current transportation options to make sure that they can access the programs that allow them to succeed on the Standards Based Assessments. If the proposed transportation cuts are made, McNeil Canyon will no longer be able to ensure(their parents will not/cannot drive to drop-off or pickup) that all students have access to educational programming that has proven to be highly successful with those populations for more than fifteen years.
I urge you to move this very important legislation forward and ensure that students across our great State will have access to the educational programs that ultimately will benefit all of us.

Sincerely,

Principal, National Distinguished Principal '06

McNeil Canyon Elementary

Life is not...a journey to the grave with the intention of arriving safely in a pretty and well preserved body but rather.... we are meant to skid in broadside, thoroughly used up, totally worn out, and loudly proclaiming "WOW!! What a Ride!!"

Enjoy the ride!

This message is intended for the sole use of the individual to whom it is addressed, and may contain information that is privileged, confidential and exempt from disclosure under applicable law. If you are not the addressee you are hereby notified that you may not use, copy, disclose, or distribute to anyone the message or any information contained in the message. If you have received this message in error, please immediately advise the sender by reply email and delete this message.

Doniece Gott

From: Debbie Cary <debbiecary@live.com>
Sent: Thursday, February 23, 2012 5:56 PM
To: debbiecary@live.com; Edra Morledge
Subject: Public testimony on sb182

Follow Up Flag: Follow up
Flag Status: Flagged

Senate Bill 182
Senate Education Committee

Debbie V. Cary
P.O. Box 39317
Ninilchik, AK 99639

Dear Committee,
Thank you for taking the time to read my testimony. I urge you to fully fund the cost of transportation to the school districts, so we will not be forced to make cuts which will change our start and end times.

We all understand the need to be financially responsible but cutting education and or services to the students is unacceptable, so where do we make cuts? I don't know. I do know the proposed two tier bussing system for the lower Kenai Peninsula isn't the answer.

The question of pupil transportation is one that adversely affects many of our rural Alaskan communities. From how do I get my child to and from school while I continue to work, how do I provide child care before and after school, how will my child be able to participate in extra curricular activities but most importantly how will this change the academic performance of my child.

In my opinion Education must come first and the Kenai Peninsula proposal is wrong on so many basic levels.

First studies show a decrease in academic performance of adolescents as it relates to early start times. Our teenagers already show up to school in a sleep deprived state, so you say send high school students late and elementary school students earlier. My response is to say this would eliminate their ability to participate in extra curricular activities. I realize education has to be our focus and not sports but I would argue the reason so many high school students do well is to be eligible to participate in extra curricular activities.
There are scientific studies to support the fact sending adolescents to school in the early morning is not beneficial. According to studies conducted by the Center for Applied Research and Educational Improvement. "From the onset of puberty until late teen years, the brain chemical melatonin, which is responsible for sleepiness, is secreted from approximately 11 p.m. until approximately 8 a.m, nine hours later. This secretion is based on human circadian rhythms. In other words, typical youth are not able to fall asleep much before 11 p.m. and their brains will remain in sleep mode until about 8 a.m., regardless of what time they go to bed."

Safety has to be factored into any decision made to change our current start times. According to a Comparison of Young and Adult driver crashes, conducted for the years of 1991-1995 by Martha

Moore of Alaska Department of Health and Social Services P.O. Box 110616 Juneau, AK 99801 motor vehicle crashes are the leading cause of death to Alaskans between the ages of 16-20. This is obviously on old study and with the advancement in technology I am sure the numbers would be higher. According to the insurance industry most accidents occur in the dark hours, which we have a lot of here in Alaska. Our roads are barely plowed now, Department Of Transportation is not going to change their schedule to accommodate us. An earlier start time is only going to intensify a potentially dangerous problem for commuters, truck drivers, students and most importantly bus drivers who are transporting, our most precious natural resource, our children. Do you really want to put elementary age (Ninilchik is a k-12 school) children on dark roads in the middle of winter to catch a bus at 6:30 a.m.?

The economic impact on already struggling families while not directly related to education must be factored in for the simple fact that stress and econmic woe can causes increases in domestic violence and major discord of the family unit, in a state with such a high rate of domestic violence this can not be ignored. Parents are now going to worry about everything from childcare cost to the increased energy cost associated with starting households an hour earlier than normal.

The Kenai Peninsula team of Administrators actively tried to encourage more vendors to submit proposals in hopes of reducing cost. Last year they received one bid and the school board granted a one year extension at a cost of 750,000 from the general fund. The 750,000 should have gone directly into classrooms. Regardless of all efforts to attract additional vendors to the Kenai Peninsula, they once again received one proposal by the February 17th, 2012 cut off. So Yes the cost of transporting our students in this state, and particularly on the Kenai Peninsula, is going up, with the lower projected enrollments, higher number of special education students, the higher cost of fuel, insurance and employee compensation we all realize this reality.

Over the past twenty years I have sat back and watched the state cut funding and services to education. Up till now I have said nothing, now I am asking, Please don't continue this trend.

Alaska has a tract record of funding development of our natural resources, but on some fundamental level we have lost sight of the fact that our most precious and renewable natural resource is our children. It is our children who are going to solve the future problems of this great state so Invest in them, Educate them, Help them to aspire to be the best they can.

I implore you to fully fund the transportation contracts at the actual cost to the districts so we can maintain our current routes and level of service.

Respectfully,
Debbie V Cary



The Honorable Senator Joe Thomas
The Honorable Senator Kevin Meyer
Co-Chairs of Education Committee
State Capitol Building
Juneau, Alaska

March 28, 2012

Dear Senator Thomas and Senator Meyer,

During AASB's Spring Legislative Fly-in, local school board members testified eloquently about what their districts require in state support to continue providing a quality education to Alaska's public school students. I am writing this letter to summarize what many of them told the House Finance Committee and individual legislators this week.

The elected leaders who are most familiar with the operations of our 510 public schools statewide believe that they can best address the following budgetary challenges at home if the Legislature and Governor agree on a plan for K-12 education funding:

Personnel
School board members testified that salaries and benefits for their employees make up the largest part of their budgets, ranging from 76 percent in Wrangell to 87 percent in Fairbanks and Anchorage. Even with a modest increase ($125) to the Base Student Allocation, the seven largest districts are projecting the need to reduce their staffs by more than 200 positions next fall. Districts have negotiated in good faith with their employees and settled contracts at or below increases in the CPI. Just as in the private sector, school districts and employees are agreeing to share the cost of future increases in health insurance.

Energy
Alaskans statewide are experiencing the shock of fuel cost spikes, and school districts are no different. The smaller and more rural districts are suffering the biggest impacts, with Wrangell budgeting for a fuel bill that is 21 percent higher in the fall and Bristol Bay School District expecting a 12.8 percent increase in fuel costs. Mat-Su and Fairbanks are predicting costs will go up at least 7 percent in each district.

Transportation
A related budgetary concern for the largest school districts is the cost of transporting students from home to school and back. In particular, Mat-Su and Anchorage are devoting increasingly larger shares of their general fund budgets to transportation costs. A fix to the transportation formula envisioned in Senate Bill 182 would help many of our larger districts on the road system to devote instructional dollars to the classroom, instead of the bus system.

Health Insurance
Kodiak testified that its budget for health insurance has ballooned 110 percent since FY 2009. Anchorage is anticipating a 17.3 percent increase next year alone in premium payments on behalf of employees. Cordova and Wrangell employees now have a co-pay of approximately $200 a month each for health benefits.

These very real cost increases underscore the need for the Legislature and Governor to agree to a K-12 funding plan for FY 13 and beyond. We recognize these are reoccurring costs that require reoccurring revenue. An increase in the Base Student Allocation would be the most appropriate way to address them.

Sincerely,

Carl Rose
Executive Director

CC: The Honorable Senator Davis
The Honorable Senator French
The Honorable Senator Stevens

SB 187

<TARGET><BILL>SB 187</BILL><SUBJECT>SB 187</SUBJECT><COMM>SFIN27</COMM></TARGET>

Senate Finance

Alaska State Legislature * State Capital * Juneau, AK 99801-1182

Sponsor Statement
SB 187

The main purpose of SB 187 is to put forward a plan to eliminate unfunded liabilities in our PERS system without paying hundreds of millions of dollars in annual state assistance to the trust fund.

Back ground:

In FY08 the State took action to address concerns of other political subdivisions to the State's managed public employee's retirement system. The solution involved three steps:

1. Adopting a shared cost system—meaning that liabilities, assets and payrolls were pooled and every participating employer paid a single contribution rate based on the blended experience of all participating employers.
2. Setting employer contribution rates at 22% of payroll.
3. Shifting costs (in excess of those covered by the 22% rate) to the State.

These actions did not reduce the total cost of PERS, they simply provided State financial assistance to the political subdivisions. Unforeseen at the time, four events attributed to putting the State into a situation of having to make escalating annual contributions to the Trust Fund to keep the fund assets in line with the accrued liabilities. First was the crash of the markets, second is the rising cost of health care, third was the extended life expectancy of our covered population, and finally, the Alaska Retirement Management Board recently lowered future investment expectations of the fund. The combination of these events has put state's assistance costs, which are the costs above the 22% rate spiraling upward at an unsustainable rate.

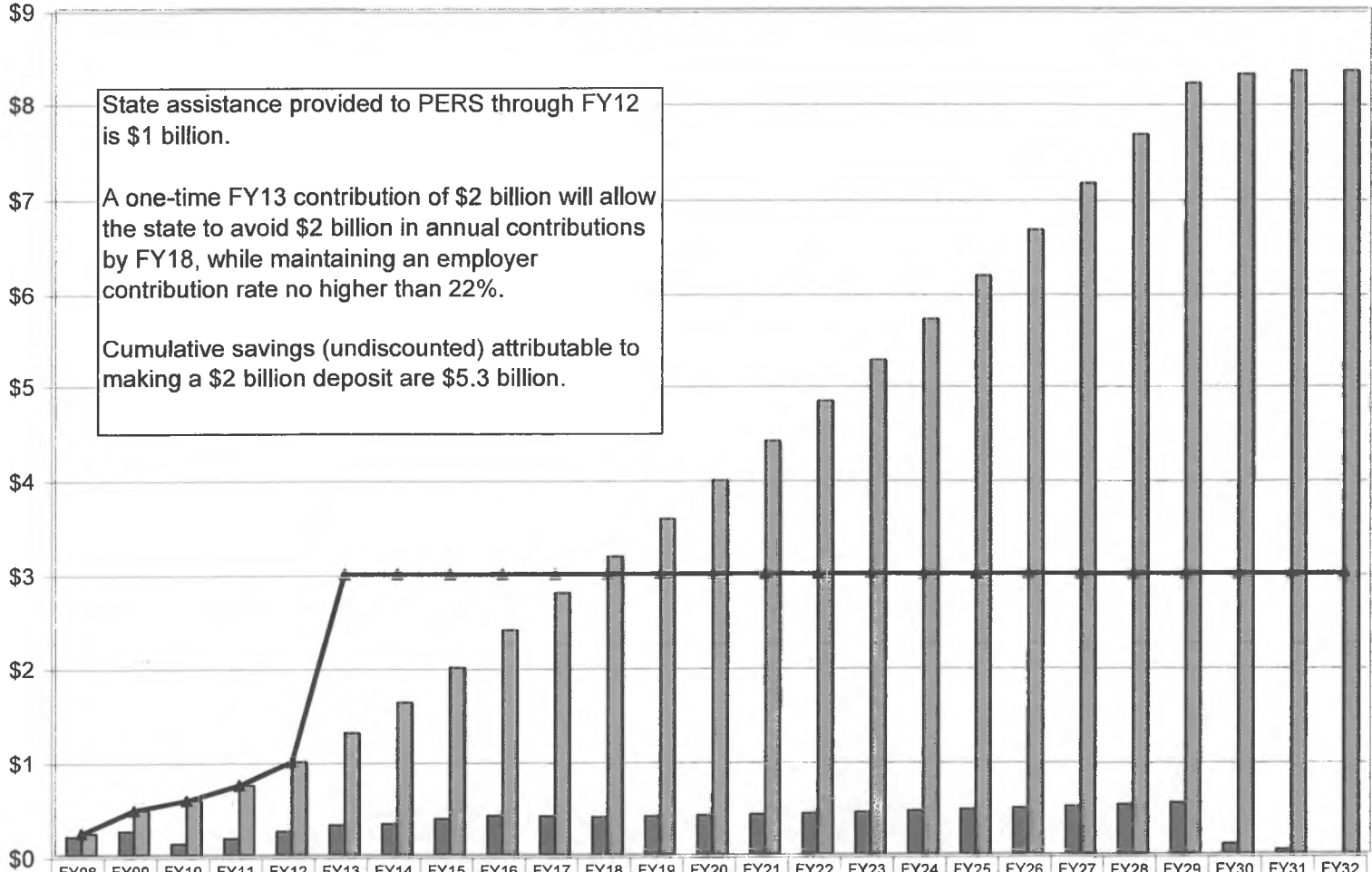
Reason SB 187 is needed:

State assistance to the PERS retirement system has grown from $108 million in FY10 to $165 million in FY11 to $242.million in FY12. FY13 costs are expected to be $307 million. The cost of state assistance is projected to continue to escalate—reaching a peak of $533 million annually before turning downward near FY30 as the number of beneficiaries' begins to decline.

SB 187 Pension Reserve:

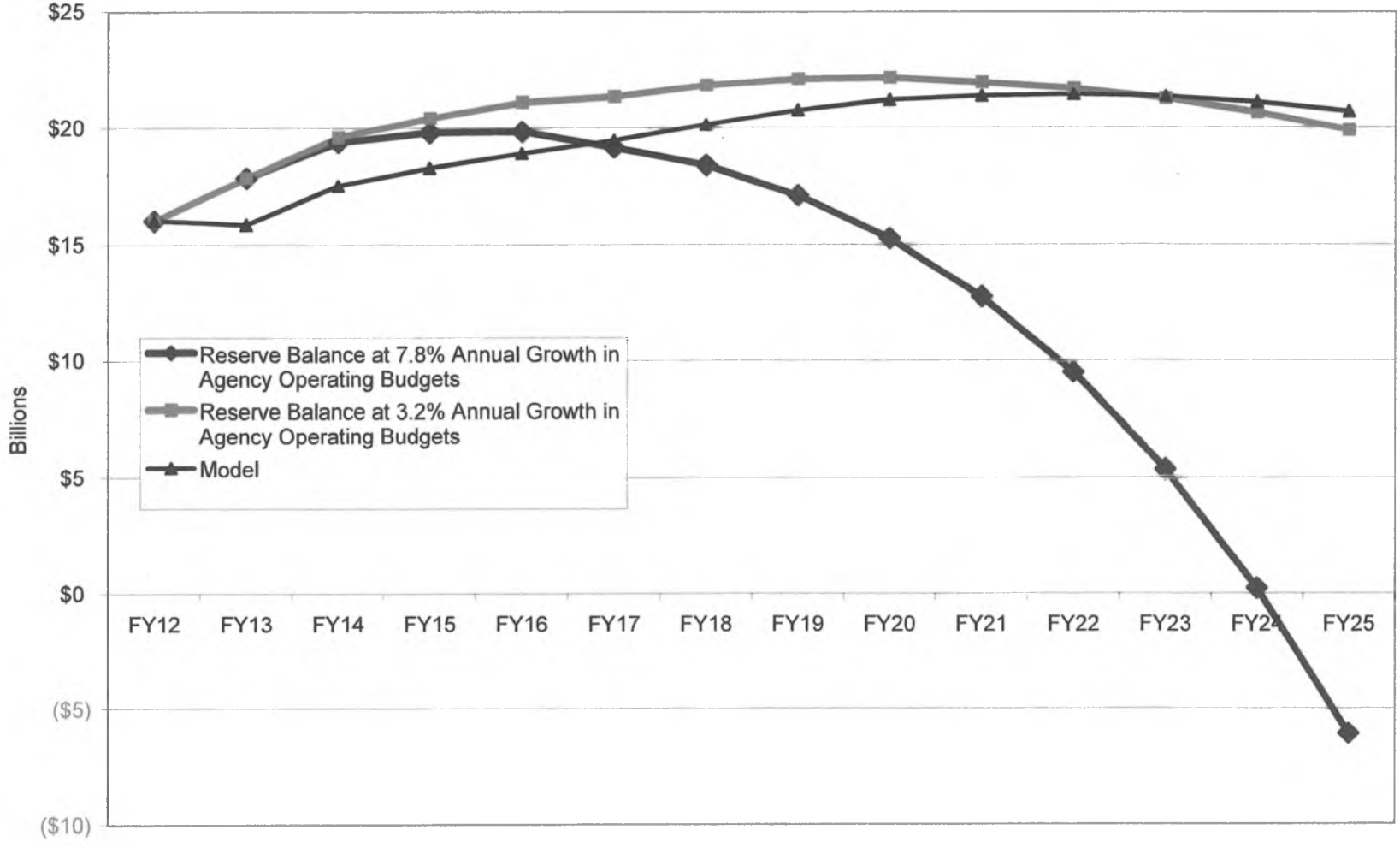
SB 187 will create a separate reserve account that will supplement the PERS Trust Fund as needed to ensure the unfunded liability ratio is maintained at no less than 50% and that the state does not have to make escalating annual payments. A $2 billion dollar infusion in FY13 is projected to save the State $7.3 billion in annual payments over a 20 year period. It will bring the PERS Trust Fund back on track as it was originally intended, and the separate reserve fund will allow the State to re-coop its original investment of $2 billion dollars.

Cost of State Assistance to PERS--with and without a $2 Billion Deposit
($ billions)

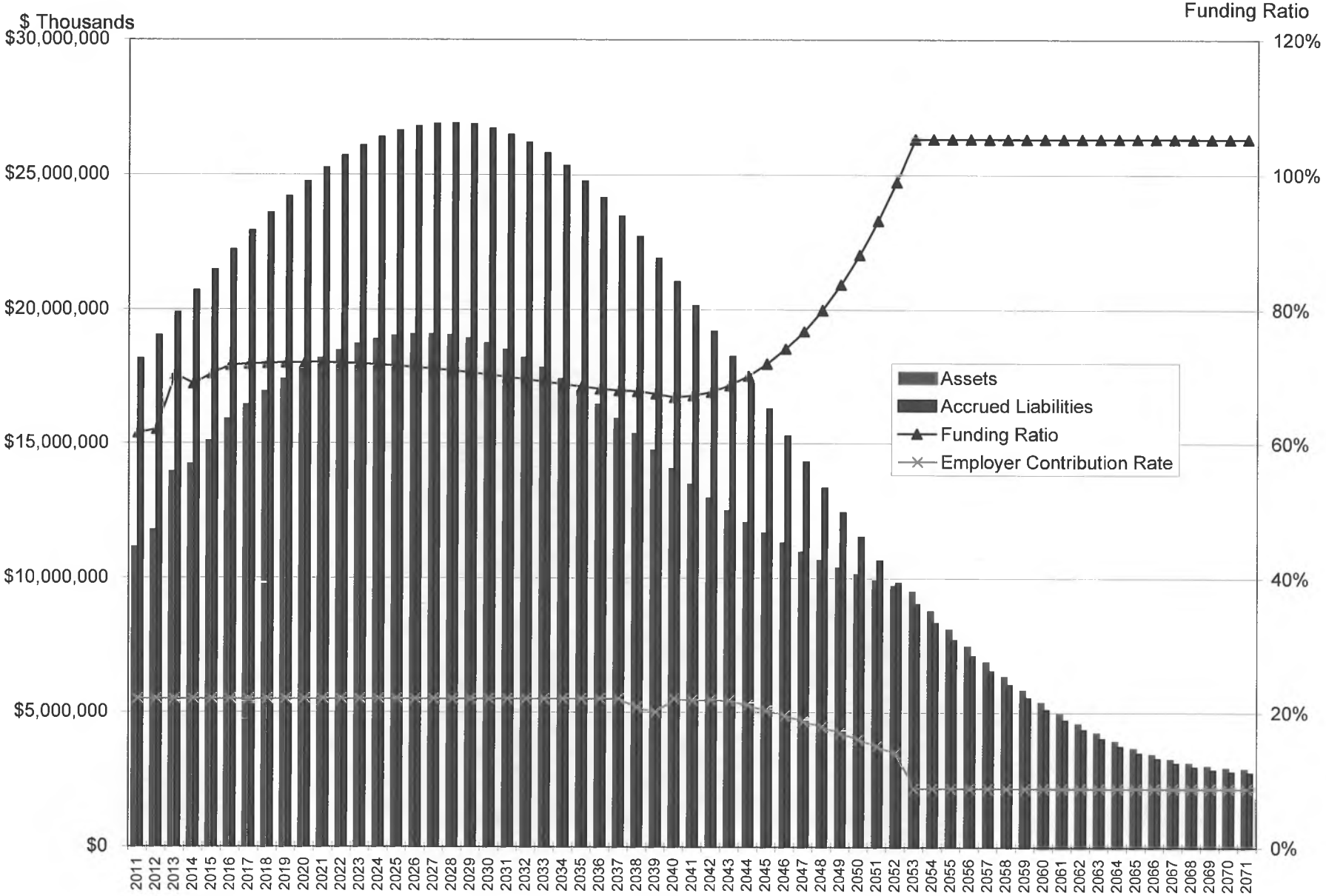


	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Annual (w/o Deposit)	0.185	0.242	0.108	0.166	0.243	0.307	0.318	0.371	0.404	0.397	0.390	0.396	0.405	0.414	0.425	0.438	0.452	0.466	0.482	0.498	0.515	0.533	0.100	0.039	0.000
Cumulative (w/o Deposit)	0.2	0.5	0.6	0.7	1.0	1.3	1.6	2.0	2.4	2.8	3.2	3.6	4.0	4.4	4.8	5.2	5.7	6.2	6.6	7.1	7.7	8.2	8.3	8.3	8.3
Cumulative (w/ $2 billion Deposit)	0.2	0.5	0.6	0.7	1.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0

Figure 3. Projected Reserve Balances
(Assumes revenue of $7 billion annually after FY21 and a constant ($882 million/year) capital budget)



PERS Actuarial Projections--with $2 billion Deposit to a Reserve Fund in FY13 (Buck Model)



2 12 Buck test run on reserve fund PERS TRS Reserve Proj 2012 Legislative Finance Division

2/7/2012

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version **SB187**
Fiscal Note Number
() Publish Date

Identifier (file name) SB187-DOR-TRS-02-07-12
Title Pension Reserve Fund
Sponsor Senate Finance Committee
Requester Senate Finance Committee

Dept. Affected Revenue
Appropriation Taxation and Treasury
Allocation Treasury
OMB Component Number 121

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	209.5		209.5	209.5	209.5	209.5	209.5
Travel	4.9		4.9	4.9	4.9	4.9	4.9
Services	500.8		500.8	500.8	500.8	500.8	500.8
Commodities	7.1		7.1	7.1	7.1	7.1	7.1
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**722.3**	**0.0**	**722.3**	**722.3**	**722.3**	**722.3**	**722.3**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1091	GF/Desig (DGF)	722.3		**722.3**	**722.3**	**722.3**	**722.3**	**722.3**
TOTAL		**722.3**	**0.0**	**722.3**	**722.3**	**722.3**	**722.3**	**722.3**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by Pam Leary, Comptroller — Phone 465-2350
Division Treasury — Date/Time 2/7/12 12:00 AM
Approved by Angela Rodell, Deputy Commissioner — Date 2/7/2012

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB187
2012 LEGISLATIVE SESSION

Analysis

SB 187 establishes a pension reserve fund. This fiscal note outlines the estimated cost of managing the pension reserve fund based on the following assumptions:

-$2 billion initial appropriation into a separately managed fund
-Asset allocation of 41% Fixed Income, 27% Domestic Equity, 32% International Equity
-Earnings are not appropriated back to the pension reserve fund
-The ratio of assets to liabilities in the retirement trust funds do not go below 50% so no transfer from the reserve to the systems are made.

Note that this fiscal note includes all costs associated with managing this fund which is assumed to be sourced from the fund itself. However, the incremental budget request would only be for the additional services costs of $500,800. The remaining amount would not be a budget increase request as it relates to finite internal costs that are spread amongst all funds managed byTreasury.

LEGAL SERVICES

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

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

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

MEMORANDUM February 3, 2012

SUBJECT: Pension reserve fund sectional summary
(SB 187; Work Order No. 27-LS1249\B)

TO: Senator Lyman Hoffman
Chair of the Senate Finance Committee
Attn: Tim Grussendorf

FROM: Dan Wayne
Legislative Counsel

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

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill. The bill itself is the best statement of its contents.

Section 1. Prevents money transfers from the proposed pension reserve fund money to the Public Employees' Retirement System from causing reductions in potential damage awards for wrongful or negligent conduct of third parties.

Section 2. Adds management of a proposed pension reserve fund to the primary mission of the Alaska Retirement Management Board.

Section 3. Adds duties related to management of the proposed pension reserve fund to the existing duties of the Alaska Retirement Management Board, including duties to annually make calculations, by independent actuarial assessment, related to the ratio of the value of the assets of the Public Employees' Retirement System of Alaska and the value of the assets of the proposed pension reserve fund, combined, to the total liabilities of the Public Employees' Retirement System of Alaska.

Section 4. Establishes a pension reserve fund, allows appropriations to the fund, and requires money appropriated to the fund to be spent on the past service liability of the Public Employees' Retirement System or returned to the general fund.

Section 5. Allows the Alaska Retirement Management Board to determine the percentage rate that employer contributions to the Public Employees' Retirement System are based on.

Section 6. Adds a requirement that, notwithstanding subsection (i), proposed in section 7 of the bill, the annual employer contribution rate may not be less than the rate sufficient to cover payment of employer contributions required for both the defined contribution plan of the Public Employee's Retirement System and for the teachers' and public employees' health reimbursement arrangement plan trust fund as required by the defined benefit plan of the Public Employees' Retirement System.

Section 7. Requires that the rate used to calculate employer contributions under section 5 of the bill may not exceed 22 percent when the assets of the Public Employees' Retirement System of Alaska and the pension reserve fund, combined, are equal to or greater than 60 percent of the total of that system's liabilities.

Section 8. Eliminates a reference to AS 39.35.280, in connection to retiree medical benefits, because AS 39.35.280 would be repealed by section 9 of the bill.

Section 9. Repeals AS 39.35.280, a law that requires the state to annually contribute money to the past service liability of the Public Employees' Retirement System in addition to the contributions the state makes to the system as an employer.

Section 10. This section would make the bill effective on June 30, 2012.

DCW:ljw
12-084.ljw

SB 192 (FILE 1)

<TARGET><BILL>SB 192</BILL><SUBJECT>SB 192 (FILE 1)</SUBJECT><COMM>SFIN27</COMM></TARGET>

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6. DOR's ACES Status Report (January 14, 2010)

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10. "State Tax Policy and Oil Production"

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12. "State Taxation, Exploration, and Production in the U.S. Oil Industry"

13. Gas and Water Handling Constraints handout

14. North Slope of Alaska Facility Sharing Study

1.

Fiscal Notes

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version	**CSSB 192(RES)**
Fiscal Note Number	1
(S) Publish Date	3/5/12

Identifier (file name)	SB192-DNR-DOG-02-10-12	Dept. Affected	Dept. of Natural Resources
Title	OIL AND GAS PRODUCTION TAX RATES	Appropriation	Oil and Gas
		Allocation	Oil and Gas
Sponsor	Senate Resources Committee		
Requester	Senate Resources Committee	OMB Component Number	439

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	***	***	***	***	***	***	***

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This is the initial fiscal note version for SB 192.

Prepared by	William C. Barron, Director	Phone	907-269-8800
Division	Division of Oil and Gas	Date/Time	02-10-12 12:00pm
Approved by	Daniel Sullivan, Commissioner	Date	2/10/2012
	Department of Natural Resources		

(Revised 1/17/2012 OMB)

FISCAL NOTE #1

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB 192(RES)

Analysis

SB 192 modifies the computation of the progressive element of the production tax rate to arrive at higher tax rates when production tax value per barrel of oil equivalent is higher than $92.50. To understand the modification, a recap of the existing system is required.

"Production tax value" per barrel should not be confused with "price"; under the current production tax statute, production tax value is the netback value of oil less the operator's per barrel operating and capital costs. Currently, the tax rate under AS 43.55.011(e) starts at 25%; after production tax value per barrel exceeds $30, the tax rate increases 0.4% for every additional dollar until production tax value per barrel reaches $92.50. At that point the tax rate increase drops to 0.1% for each additional dollar. At $92.50, the production tax rate is 50%. After 20% capital credits are applied, the effective tax rate drops. (If capital costs per barrel are assumed to be $10 per barrel, then the effective tax rate would be around 48%.) The marginal tax rate, or the change in tax receipts divided by the change in profits, is around 86% when profits per barrel increase from $91.50 to $92.50. The high marginal tax rate is due to the increase in tax rate being applied against all the production tax value, not just the increment of profit generated by the one dollar increase in production tax value per barrel.

SB 192 amends AS 43.55.011(g) so that the tax rate continues to increase at 0.4% even when production tax value per barrel exceeds $92.50. At higher profit per barrel levels, SB 192 would increase average and marginal tax rates. If production tax value per barrel reached $110, the average production tax rate would be 57% rather than 51.75%. The marginal tax rate would be over 100% rather than 60%. For marginal tax rates exceeding 100%, a producer could increase after-tax profits by losing a dollar of before tax profits, either through incurring higher costs or forfeiting higher value.

All else equal, SB 192 will likely have an indeterminate negative impact on royalty revenue as it will make potential investments on the North Slope less attractive. Examining an investment in a project as a stand-alone venture (rather than an attempt to lower taxes due to the high marginal tax rates discussed above), SB 192 will lower the expected profitability of a project if a developer believes there is a possibility that during the project the production tax value per barrel will exceed $92.50. If an investor believes that it is likely oil prices will be at current levels or higher in the future, then for a potential conventional small satellite development using representative cost and production profiles, a third or more of the expected net present value of a project might be lost due to the higher tax rate.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB 192(RES)**
Fiscal Note Number: 2
(S) Publish Date: 3/5/12

Identifier (file name): SB192-DOR-TAX-02-09-12
Title: Oil and Gas Production Tax Rates
Sponsor: Senate Resources Committee
Requester: (S) RES

Dept. Affected: Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	***		***	***	***	***	***

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version.

Prepared by: Cherie Nienhuis, Commercial Analyst — Phone: 907-269-1019
Division: Tax Division — Date/Time: 2/9/2012; 1pm
Approved by: Bryan Butcher, Commissioner — Date: 2/9/2012
Department of Revenue

(Revised 11/18/2011 OMB)

FISCAL NOTE #2

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB 192(RES)

Analysis

This bill makes a change to the progressive tax rate portion of the production tax at AS 43.55.011(g) by removing the second trigger of the progressive tax rate calculation that lowers the progressive tax rate to 0.1% on production tax values of $92.50 and greater. The bill also removes the statutory maximum tax rate of 75% under the production tax statutes. The bill retains the initial trigger of $30 in production tax value at which point the progressive tax rate is calculated as 0.4% per dollar increase in production tax value.

Given the Fall 2011 oil price, production, and lease expenditure forecast through FY 2017, the tax rate changes from this bill are not projected to have a direct revenue impact. The Fall 2011 forecast through the time period covered by this fiscal note (FY 2017) range from $106 per barrel to close to $110 per barrel for Alaska North Slope crude oil. Combined with anticipated production levels and lease expenditure projections, our forecast does not anticipate production tax values meeting or exceeding $92.50 per barrel. Therefore, based on our most recent forecast, the progressivity rate changes in this bill will not impact revenue expectations.

If oil prices were to increase, or if production were to increase with no corresponding increase in lease expenditures, production tax rates, and therefore revenue, could be increased from this bill. With current production levels, and current transport costs and lease expenditure levels, much of North Slope crude oil would be subject to a production tax increase at $120 - $130 per barrel (ANS WC) and above. Without a maximum production tax rate, tax rates could continue to escalate until they exceed 100%. Marginal government take exceeds 100% at approximately $140 per barrel, when holding all other assumptions constant. This means that at $140 per barrel, the government would take more than 100% of every dollar that the oil price increases.

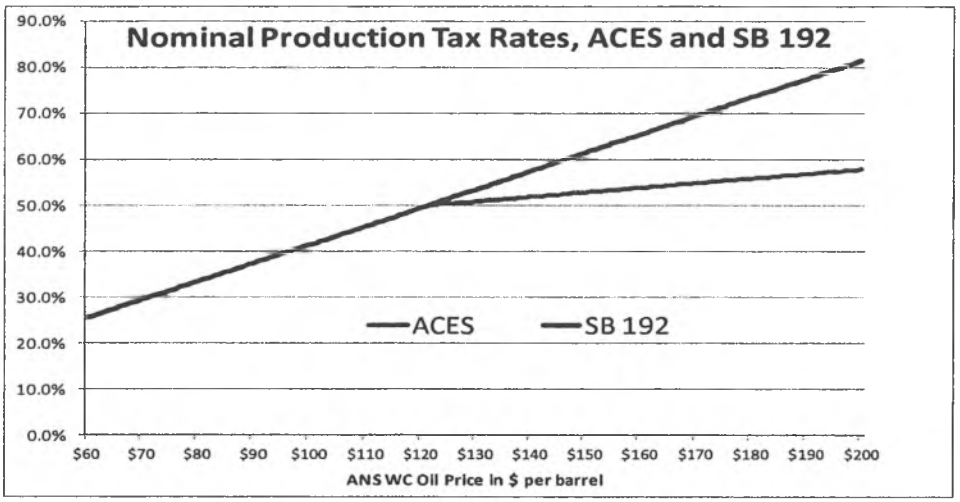
The bill has an effective date of January 1, 2013.

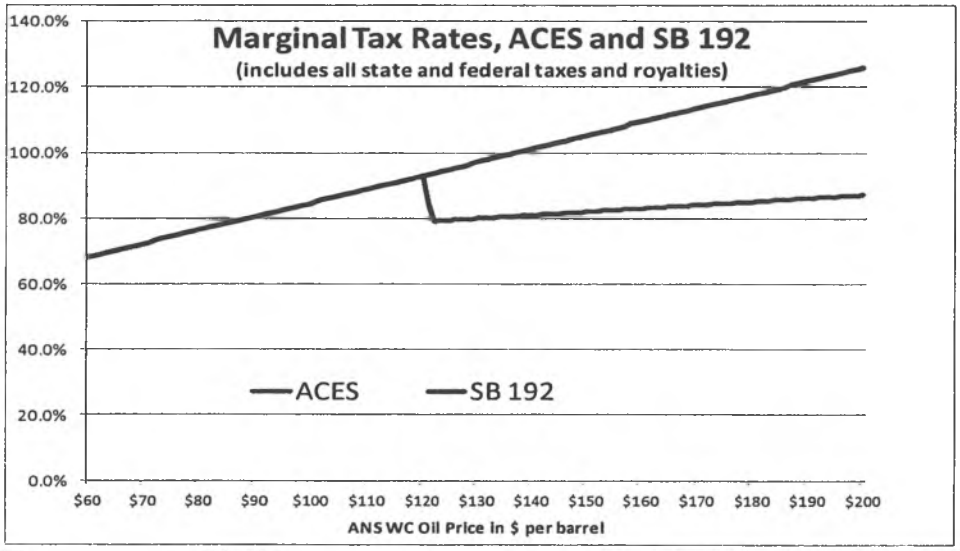
The following two graphs show nominal production tax rates and marginal tax rates at a range of oil prices given current transport and lease expenditure assumptions for ACES (current law) and SB 192. Nominal production tax rates are the ACES statutory production tax rates as calculated by taxpayers; marginal tax rates are the rates that the government collects of each additional dollar that the oil price increases. The marginal tax rate graph includes all major federal and state taxes and royalties.

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB 192(RES)

Analysis Continued





2.

CSSB 192 (RES)

CS FOR SENATE BILL NO. 192(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered: 3/5/12
Referred: Finance

Sponsor(s): SENATE RESOURCES COMMITTEE

A BILL

FOR AN ACT ENTITLED

"An Act relating to the oil and gas production tax; relating to the minimum tax on oil and gas production; providing that the tax rate applicable to the production of oil as the average production tax value of oil, gas produced in the Cook Inlet sedimentary basin, and gas produced outside of the Cook Inlet sedimentary basin and used in the state increases above $30 shall be 0.35 percent multiplied by the number that represents the difference between that average monthly production tax value and $30, or the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between that average monthly production tax value and $101.43, except that the total rate determined in the calculation may not exceed 35 percent; providing for an increase in the rate of tax on the production of gas as the average production tax value on a BTU equivalent barrel basis of gas produced outside of the Cook Inlet sedimentary basin and not used in the state increases above $30; relating to payments of the oil and

gas production tax; relating to the lease expenditures that may be deducted when determining production tax value; relating to the allocation of lease expenditures and adjustments to lease expenditures; relating to the availability of funds from the oil and gas production tax for appropriation to the community revenue sharing fund; providing for a reduction in production tax value for certain oil; relating to the duties of the Alaska Oil and Gas Conservation Commission; relating to a petroleum information management system; relating to the duties of the Department of Natural Resources, the Department of Revenue, and the Department of Labor and Workforce Development that relate to providing the Alaska Oil and Gas Conservation Commission with certain information relating to oil and gas; and providing for an effective date."

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

* **Section 1.** AS 29.60.850(b) is amended to read:

(b) Each fiscal year, the legislature may appropriate to the community revenue sharing fund an amount equal to **the lesser of** 20 percent of the money received by the state during the previous calendar year under **both** AS 43.55.011(g) **and (p), or the difference between the amount of money received by the state during the previous calendar for oil and gas production subject to AS 43.55.011(f) and 25 percent of the production tax value determined under AS 43.55.160 for oil and gas production subject to AS 43.55.011(f) produced during the previous calendar year, except the difference may not be less than zero**. The amount **appropriated** may not exceed

(1) $60,000,000; or

(2) the amount that, when added to the fund balance on June 30 of the previous fiscal year, equals $180,000,000.

* **Sec. 2.** AS 31.05.030 is amended by adding a new subsection to read:

(n) The commission shall develop and maintain the petroleum information management system required under AS 31.05.031.

* **Sec. 3.** AS 31.05 is amended by adding a new section to read:

Sec. 31.05.031. Petroleum information management system. (a) The commission shall develop and maintain an electronic petroleum information management system to collect, secure, distribute, store, retrieve, and archive information related to oil and gas exploration, development, and production in the state. The purposes of the petroleum information management system are to improve the administration of the oil and gas production tax and to facilitate exploration, development, and production of oil and gas resources. The petroleum information management system shall be accessible by the public.

(b) To the extent the information is available and is not confidential, the petroleum information management system must include the following information:

(1) unit and joint operating agreements;

(2) state oil and gas exploration licenses and oil and gas leases;

(3) for exploration activities,

(A) exploration work programs and budgets;

(B) seismic data;

(C) drilling reports;

(D) logs;

(E) well tests;

(F) geological models and maps;

(4) for development activities,

(A) development plans with operating and capital expenditure projections;

(B) construction progress reports;

(C) drilling reports;

(D) reservoir characterization;

(5) for production activities,

(A) production work programs and budgets;

(B) oil and gas sales, revenue, and pricing;

(C) transportation agreements;

(D) production data;

(E) injection data;

(F) operating and capital expenditures;

(G) facility maps and studies;

(6) for abandonment of oil and gas wells, leases, and production and transportation facilities,

(A) abandonment plans and budgets;

(B) progress reports;

(7) for oil and gas related employment information,

(A) the number of resident and nonresident hires for each year;

(B) training opportunities; and

(8) other information the commission determines necessary and relevant to the oil and gas production tax and to the exploration, development, and production of oil and gas resources.

(c) The Department of Natural Resources, the Department of Revenue, and the Department of Labor and Workforce Development, in consultation with the commission, shall provide information described in (b) of this section that is not confidential and within each department's control to the commission for inclusion in the petroleum information management system. The information provided by a department under this subsection shall be in a form suitable for the commission to include in the petroleum information management system.

* **Sec. 4.** AS 31.05.093(c) is amended to read:

(c) The commission shall determine the regulatory cost charges levied under this section so that the total amount to be collected approximately equals the appropriations made for the operating costs of the commission under this chapter for the fiscal year. **For the purpose of determining the regulatory costs charges under this subsection, the operating costs for the petroleum information management system (AS 31.05.031) may not be included in the operating costs of the commission.**

* **Sec. 5.** AS 43.55.011(e) is amended to read:

(e) There is levied on the producer of oil or gas a tax for all oil and gas produced each calendar year from each lease or property in the state, less any oil and

gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest. Except as otherwise provided under (f), (j), (k), and (o) of this section, the tax is equal to the sum of

(1) the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

(2) the sum, over all months of the calendar year, of the tax amounts determined under

(A) subsection (g) of this section**; and**

(B) subsection (p) of this section.

*** Sec. 6.** AS 43.55.011(f) is repealed and reenacted to read:

(f) Except for oil and gas subject to (i) of this section and gas subject to (o) of this section, the provisions of this subsection apply to oil and gas produced from each lease or property within a unit or nonunitized reservoir that has cumulatively produced 1,000,000,000 BTU equivalent barrels of oil or gas by the close of the most recent calendar year and from which the average daily oil and gas production from the unit or nonunitized reservoir during the most recent calendar year exceeded 100,000 BTU equivalent barrels. Notwithstanding any contrary provision of law, a producer may not apply tax credits to reduce its total tax liability under (e) and (g) of this section for oil and gas produced from all leases or properties within the unit or nonunitized reservoir below 10 percent of the total gross value at the point of production of that oil and gas. If the amount of tax calculated by multiplying the tax rates in (e) and (g) of this section by the total production tax value of the oil and gas taxable under (e) and (g) of this section produced from all of the producer's leases or properties within the unit or nonunitized reservoir is less than 10 percent of the total gross value at the point of production of that oil and gas, the tax levied by (e) and (g) of this section for that oil and gas is equal to 10 percent of the total gross value at the point of production of that oil and gas.

*** Sec. 7.** AS 43.55.011(g) is amended to read:

(g) For each month of the calendar year for which the producer's average monthly production tax value under **AS 43.55.160(a)(2)(A) - (E) of a** [AS 43.55.160(a)(2) PER] BTU equivalent barrel of [THE] taxable oil and gas is more

than $30, the amount of tax for purposes of **(e)(2)(A)** [(e)(2)] of this section is determined by multiplying the monthly production tax value of the taxable oil [AND GAS] produced during the month**, gas produced during the month from a lease or property in the Cook Inlet sedimentary basin, and gas produced during the month from a lease or property outside the Cook Inlet sedimentary basin and used in the state** by the tax rate calculated as follows:

(1) if the producer's average monthly production tax value **under AS 43.55.160(a)(2)(A) - (E) of a** [PER] BTU equivalent barrel of [THE] taxable oil and gas for the month is not more than **$101.43** [$92.50], the tax rate is **0.35** [0.4] percent multiplied by the number that represents the difference between **the producer's** [THAT] average monthly production tax value **under AS 43.55.160(a)(2)(A) - (E) of a** [PER] BTU equivalent barrel **of taxable oil and gas** and $30; [OR]

(2) if the producer's average monthly production tax value **under AS 43.55.160(a)(2)(A) - (E) of a** [PER] BTU equivalent barrel of [THE] taxable oil and gas for the month is more than **$101.43** [$92.50], the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between the **producer's** average monthly production tax value **under AS 43.55.160(a)(2)(A) - (E) of a** [PER] BTU equivalent barrel **of taxable oil and gas** and **$101.43** [$92.50], except that the sum determined under this paragraph may not exceed **35** [50] percent**;**

(3) for purposes of this subsection, the average monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of taxable oil and gas is calculated by

(A) adding all of the monthly production tax values determined under AS 43.55.160(a)(2)(A) - (E); and

(B) dividing the sum calculated under (A) of this paragraph by the total amount, in BTU equivalent barrels, of

(i) taxable oil produced by the producer during the month;

(ii) taxable gas produced by the producer during the

month from a lease or property in the Cook Inlet sedimentary basin; and

(iii) taxable gas produced by the producer during the month from a lease or property outside the Cook Inlet sedimentary basin and used in the state.

*** Sec. 8.** AS 43.55.011 is amended by adding a new subsection to read:

(p) For each month of the calendar year for which the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas is more than $30, the amount of tax on the production of gas for purposes of (e)(2)(B) of this section is determined by multiplying the monthly production tax value of the taxable gas produced during the month other than gas produced from a lease or property in the Cook Inlet sedimentary basin or gas produced outside the Cook Inlet sedimentary basin and used in the state by the tax rate calculated as follows:

(1) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas for the month is not more than $101.43, the tax rate is 0.35 percent multiplied by the number that represents the difference between the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of gas and $30;

(2) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas for the month is more than $101.43, the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of gas and $101.43, except that the sum determined under this paragraph may not exceed 35 percent;

(3) for purposes of this subsection, the average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas is calculated by

(A) adding the monthly production tax value determined under AS 43.55.160(a)(2)(F) to the monthly production tax value determined under

AS 43.55.160(a)(2)(G); and

(B) dividing the sum calculated under (A) of this paragraph by the total amount, in BTU equivalent barrels, of the taxable gas produced by the producer during the month, other than gas produced from a lease or property in the Cook Inlet sedimentary basin or gas produced outside the Cook Inlet sedimentary basin and used in the state.

*** Sec. 9.** AS 43.55.020(a) is repealed and reenacted to read:

(a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i) and (p) shall pay the tax as follows:

(1) an installment payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each month of the calendar year on the last day of the following month; except as otherwise provided under (2) of this subsection, the amount of the installment payment is the sum of the following amounts in (A) - (C) of this paragraph, less 1/12 of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment payment may not be less than zero:

(A) the monthly production tax value for the month calculated under AS 43.55.160(a)(2)(B) multiplied by the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g), added to the monthly production tax value for the month calculated under AS 43.55.160(a)(2)(G) multiplied by the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(p);

(B) the greater of

(i) 10 percent, under AS 43.55.011(f), of the gross value at the point of production of the oil and gas produced during the month from all leases or properties in the state that include land north of 68 degrees North latitude, other than oil and gas subject to AS 43.55.011(i) and gas subject to AS 43.55.011(o); or

(ii) the monthly production tax value for the month calculated under AS 43.55.160(a)(2)(A) multiplied by the sum of 25

percent and the tax rate calculated for the month under AS 43.55.011(g), added to the monthly production tax value for the month calculated under AS 43.55.160(a)(2)(F) multiplied by the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(p); and

(C) for each lease or property, for gas subject to AS 43.55.011(j), oil subject to AS 43.55.011(k), and gas subject to AS 43.55.011(o), the monthly production tax value for the month calculated under AS 43.55.160(a)(2)(C), (D), or (E), as applicable, multiplied by the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g);

(2) an amount calculated under (1)(C) of this subsection for oil or gas produced from a particular lease or property may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable for gas, or set out in AS 43.55.011(k)(1) or (2), as applicable for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced during the month for the amount of taxable oil produced during the calendar year;

(3) an installment payment of the estimated tax levied by AS 43.55.011(i) for each lease or property is due for each month of the calendar year on the last day of the following month; the amount of the installment payment is the sum of

(A) the applicable tax rate for oil provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the oil taxable under AS 43.55.011(i) and produced from the lease or property during the month; and

(B) the applicable tax rate for gas provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the gas taxable under AS 43.55.011(i) and produced from the lease or property during the month;

(4) any amount of tax levied by AS 43.55.011(e) or (i), net of any credits applied as allowed by law, that exceeds the total of the amounts due as installment payments of estimated tax is due on March 31 of the year following the calendar year of production.

* **Sec. 10.** AS 43.55.020(d) is amended to read:

(d) In making settlement with the royalty owner for oil and gas that is taxable under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the time the tax becomes due to the amount of the tax paid. If the total deductions of installment payments of estimated tax for a calendar year exceed the actual tax for that calendar year, the producer shall, before April 1 of the following year, refund the excess to the royalty owner. Unless otherwise agreed between the producer and the royalty owner, the amount of the tax paid under AS 43.55.011(e) - (g) **and (p)** on taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or right to which constitutes a landowner's royalty interest, is considered to be the gross value at the point of production of the taxable royalty oil and gas produced during the calendar year multiplied by a figure that is a quotient, in which

(1) the numerator is the producer's total tax liability under AS 43.55.011(e) - (g) **and (p)** for the calendar year of production; and

(2) the denominator is the total gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) - (g) **and (p)** produced by the producer from all leases and properties in the state during the calendar year.

* **Sec. 11.** AS 43.55.160(a) is amended to read:

(a) Except as provided in (b) of this section **and subject to an adjustment under AS 43.55.162**, for the purposes of

(1) AS 43.55.011(e), the annual production tax value of the taxable

(A) oil [AND GAS] produced during a calendar year from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the

calendar year applicable to the oil [AND GAS] produced by the producer from those leases or properties, **and the portion allocated under (g) of this section of the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, if that land or any part of the lease or property is located north of 68 degrees North latitude,** as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

(B) oil [AND GAS] produced during a calendar year from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil [AND GAS] produced by the producer from those leases or properties, **and the portion allocated under (g) of this section of the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, if that land or lease or property is located outside the Cook Inlet sedimentary basin, and the land and all parts of the lease or property are not north of 68 degrees North latitude,** as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

(C) oil produced during a calendar year from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, **and the portion allocated under (g) of**

this section of the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, if that land or lease or property is located in the Cook Inlet sedimentary basin, as adjusted under AS 43.55.170;

(D) gas produced during a calendar year from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from that lease or property, **and the portion allocated under (g) of this section of the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, if that land or lease or property is located in the Cook Inlet sedimentary basin,** as adjusted under AS 43.55.170;

(E) gas produced during a calendar year from a lease or property **in the state** outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, **and the portion allocated under (g) of this section of the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, if that land or lease or property is located outside the Cook Inlet sedimentary basin,** as adjusted under AS 43.55.170;

(F) gas produced during a calendar year from leases or

properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from those leases or properties, and the portion allocated under (g) of this section of the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, if that land or any part of the lease or property is located north of 68 degrees North latitude, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to AS 43.55.011(o);

(G) gas produced during a calendar year from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from those leases or properties, and the portion allocated under (g) of this section of the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, if that land or lease or property is located outside the Cook Inlet sedimentary basin, and the land and all parts of the lease or property are not north of 68 degrees North latitude, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to AS 43.55.011(o);

(2) AS 43.55.011(g) **and (p)**, the monthly production tax value of the taxable

(A) oil [AND GAS] produced during a month from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil [AND GAS] produced by the producer from those leases or properties, **and 1/12 of the portion allocated under (g) of this section of the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, if that land or any part of the lease or property is located north of 68 degrees North latitude,** as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

(B) oil [AND GAS] produced during a month from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil [AND GAS] produced by the producer from those leases or properties, **and 1/12 of the portion allocated under (g) of this section of the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, if that land or lease or property is located outside the Cook Inlet sedimentary basin, and the land and all parts of the lease or property are not north of 68 degrees North latitude,** as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

(C) oil produced during a month from a lease or property in the

Cook Inlet sedimentary basin is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, **and 1/12 of the portion allocated under (g) of this section of the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, if that land or lease or property is located in the Cook Inlet sedimentary basin,** as adjusted under AS 43.55.170;

(D) gas produced during a month from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from that lease or property, **and 1/12 of the portion allocated under (g) of this section of the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, if that land or lease or property is located in the Cook Inlet sedimentary basin,** as adjusted under AS 43.55.170;

(E) gas produced during a month from a lease or property **in the state** outside the Cook Inlet sedimentary basin and used in the state is the gross value at the point of production of that gas taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to that gas produced by the producer from that lease or property, **and 1/12 of the portion allocated under (g) of this section of the producer's lease expenditures under AS 43.55.165 for the calendar year**

incurred to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, if that land or lease or property is located outside of the Cook Inlet sedimentary basin, as adjusted under AS 43.55.170**;**

(F) gas produced during a month from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from those leases or properties, and 1/12 of the portion allocated under (g) of this section of the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, if that land or any part of the lease or property is located north of 68 degrees North latitude, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to AS 43.55.011(o);

(G) gas produced during a month from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the gas produced by the producer from those leases or properties, and 1/12 of the portion allocated under (g) of this section of the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, if that land or lease or property is located

outside the Cook Inlet sedimentary basin, and the land and all parts of the lease or property are not north of 68 degrees North latitude, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to AS 43.55.011(o).

*** Sec. 12.** AS 43.55.160 is amended by adding new subsections to read:

(f) For purposes of (a) of this section, a lease expenditure is applicable to oil or gas produced from a lease or property, or to oil or gas produced from leases or properties in an area of the state, if the lease expenditure is

(1) a cost to explore, develop, or produce oil or gas from that lease or property, or to explore, develop, or produce oil or gas from one of those leases or properties in that area of the state, respectively; and

(2) incurred on or after the commencement of commercial production of oil or gas from the lease or property.

(g) For purposes of (a) of this section, a lease expenditure incurred during a calendar year to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, shall be allocated as provided in a regulation adopted by the department under AS 43.55.165(h) to and among oil, gas subject to AS 43.55.011(o), and gas not subject to AS 43.55.011(o) produced by the producer during that calendar year from leases or properties in the same area of the state as the land being explored or the lease or property being explored or developed, respectively.

(h) For purposes of (f) and (g) of this section, an area of the state is one of the following:

(1) land north of 68 degrees North latitude;

(2) land outside the Cook Inlet sedimentary basin not including any land north of 68 degrees North latitude; or

(3) the Cook Inlet sedimentary basin.

*** Sec. 13.** AS 43.55 is amended by adding a new section to read:

Sec. 43.55.162. Adjustment to production tax value for increasing oil production. (a) The production tax value of oil delivered to and transported by the Trans Alaska Pipeline System, as calculated under AS 43.55.160(a)(1)(A) and (B) and

AS 43.55.160(a)(2)(A) and (B), may be reduced by an amount determined by the department under this section.

(b) A producer shall report to the department the total adjusted amount of annual oil production and adjusted amount of the average daily statewide oil production delivered by the producer for transport to the Trans Alaska Pipeline System for both the calendar year immediately preceding the year for which the tax is being determined and the year for which the tax is being determined. The report shall be filed at the time the statement required under AS 43.55.030(a) is filed.

(c) When calculating the

(1) adjusted amount of the average daily statewide production under (b) of this section, the producer shall exclude from the calculation the days on which the rate of production is significantly reduced and the volume of production on those days for which the rate of production is significantly reduced; for the purposes of this paragraph, the rate of production is significantly reduced when the production of oil delivered by the producer to the Trans Alaska Pipeline System for the day is less than one-half of the average daily production for the year calculated by dividing the total oil production that is produced by the producer and delivered to the Trans Alaska Pipeline System for the year by the number of days in the year;

(2) adjusted amount of total annual oil production that is delivered by the producer to the Trans Alaska Pipeline System, the producer shall multiply the adjusted amount of average daily production determined under (1) of this subsection by the number of days in the applicable calendar year; and

(3) adjusted amount of total annual oil production that is delivered by the producer to the Trans Alaska Pipeline System for the year for which the tax is being determined under (2) of this subsection, the producer may not include the amount of production resulting from the purchase, merger, or other acquisition of another producer and any production attributable to the producer from a unit in which the producer did not participate in the calendar year immediately preceding the year for which the tax is being determined; however, the increased production that may not be included by a producer under this paragraph may be included in the adjusted amount of total annual oil production for the year when determining the amount by

which production increases in the next succeeding year.

(d) After receiving a report by the producer under (b) of this section, the department may reduce the production tax value determined under

(1) AS 43.55.160(a)(1)(A) and (B) by $10 for each barrel of oil delivered by the producer to the Trans Alaska Pipeline system during the year for which the tax is being determined that exceeds the adjusted total annual production for the calendar year immediately preceding the year for which the tax is being determined; and

(2) AS 43.55.160(a)(2)(A) and (B) by $10 for each barrel of oil delivered to the Trans Alaska Pipeline System for each month in the year for which the tax is being determined that exceeds 1/12 of the number of barrels by which the adjusted total annual production for the year for which the tax is being determined exceeds the adjusted total annual production for the calendar year immediately preceding the year for which the tax is being determined.

(e) The department shall notify the producer of the amount of tax reduction allowed as a result of a reduction in production tax value determined by the department under (d) of this section. At the request of the producer, the department may refund any amount due to the producer as a result of the reduction in production tax value or credit the amount of the tax reduction against the liability of the taxpayer for a tax due under this title.

(f) A tax reduction that results from a reduction in the production tax value under this section may not be considered when a producer is required to calculate and pay any amount due under AS 43.55.020(a). However, at the request of the producer, a credit allowed under (e) of this section may be applied against a payment due under AS 43.55.020(a) for a period after the department determines the amount of reduction in the production tax value.

(g) When determining the average monthly production tax value in AS 43.55.011(g), the average monthly production tax value shall be determined before applying any adjustment under (d) of this section.

(h) The department may adopt regulations specifying the information that must be included in the report filed by a producer under (b) of this section and other

regulations necessary for the administration of this section.

*** Sec. 14.** AS 43.55.165(h) is amended to read:

(h) The department shall adopt regulations that provide for reasonable methods of allocating costs between oil and gas, between gas subject to AS 43.55.011(o) and other gas, and between leases or properties in those circumstances where an allocation of costs is required to determine lease expenditures that are costs of exploring for, developing, or producing oil deposits or costs of exploring for, developing, or producing gas deposits, or that are costs of exploring for, developing, or producing oil or gas deposits located within different leases or properties. **When adopting a regulation for determining a reasonable method of allocating lease expenditures between the production of oil and the production of gas, the department shall, to the extent possible, provide for the allocation of lease expenditures in proportion to the gross value at the point of production for oil produced and gas produced.**

*** Sec. 15.** AS 43.55.170 is amended by adding a new subsection to read:

(d) The department shall adopt regulations that provide for reasonable methods of allocating the adjustments to a producer's lease expenditures in (a) of this section and the payments and credits described in (b) of this section between oil and gas, between gas subject to AS 43.55.011(o) and other gas, and between leases or properties in those circumstances where an allocation of costs is required to determine lease expenditures that are costs of exploring for, developing, or producing oil deposits, or costs of exploring for, developing, or producing gas deposits, or that are costs of exploring for, developing, or producing oil or gas deposits located within different leases or properties. When determining a reasonable method of allocating the adjustments to a producer's lease expenditures between the production of oil and the production of gas, the department shall consider allocating the adjustments in proportion to the lease expenditures allocated to the production of oil and the production of gas under regulations adopted by the department under AS 43.55.165(h).

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

IMPLEMENTATION OF THE PETROLEUM INFORMATION MANAGEMENT SYSTEM; RECOMMENDATION FOR STATUTORY CHANGES. The Alaska Oil and Gas Conservation Commission shall develop and implement a work plan for the development of the petroleum information management system required by AS 31.05.031, enacted by sec. 3 of this Act, so that the system is operational before January 1, 2014.

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

APPLICABILITY. The reduction in production tax value under AS 43.55.162, enacted by sec. 13 of this Act, applies to qualifying oil produced after December 31, 2012. In this section, "qualifying oil" means oil delivered to the Trans Alaska Pipeline System the production tax value of which is calculated under AS 43.55.160(a)(1)(A) and (B) and 43.55.160(a)(2)(A) and (B).

* **Sec. 18.** This Act takes effect January 1, 2013.

3.

CSSB 192 (RES) Sponsor Statement

Sponsor Statement
CSSB 192, Version E

Committee Substitute for Senate Bill 192 contains five significant additions to Alaska's oil and gas production tax statutes, to include the following:

- Lowers the Rate of Progressivity and the Cap on Progressivity
- Rewards Increased Production
- Establishes a Gross Minimum Tax
- Separates oil and natural gas for purposes of calculating the progressivity portion of the production tax (aka decoupling)
- Creates an Oil Information System

Lowers Progressivity

CSSB 192 lowers both the rate of progressivity and the cap on progressivity.

The legislation retains the original trigger of $30 in Production Tax Value (PTV), at which point the progressive tax rate is calculated at .35% per dollar increase in PTV up to 50% ($101.43). This is a reduction from the current progressivity rate of .4% to .35%.

At 50% Production Tax Value (i.e., $101.43), CSSB 192 adds a second trigger on the progressive tax rate calculation that lowers the progressive tax rate to .1% on PTV up to 60% ($201.43).

CSSB 192 adds a statutory maximum tax rate of 60% under the production tax statutes. This is a reduction in the maximum tax rate from 75%, as it is currently in ACES, to 60%.

The goal is to return the "upside potential" to industry at high oil prices.

Rewards Increased Production

The purpose of this provision is to reward companies that increase their North Slope production levels from one year to the next, helping to increase TAPS throughput. Companies which achieve this goal will earn an allowance on the oil they produce above the prior year.

The allowance reduces their Production Tax Value (or PTV) by $10 for the new barrels of oil produced. This allowance should not be confused with a tax credit or a lowering of tax rates. It is a reduction in the PTV used to calculate production tax.

Again, this allowance wouldn't influence the tax rate itself. It would not count as a lease expenditure and isn't part of the calculation that determines average profits per barrel.

Establishes a Gross Minimum Tax

This provision of the legislation will establish a production tax floor of 10% of the gross value of oil at the point of production for legacy fields in Alaska. The floor would apply only to fields which have already produced a billion barrels of oil and are still producing 100,000 barrels a day on average.

Prudhoe Bay and Kuparuk are the only fields that currently meet this definition.

ACES currently has a production tax floor. It is between 0-4%, depending on the price of oil, and can be brought even lower by credits. This means the state could actually owe companies production tax in a low price environment, when the state has a cash flow deficit and is struggling to pay for the most essential state services.

This provision is intended to alleviate concerns that the current floor does not adequately protect the state when oil prices are low. In fact, at prices as low as $70, the state may take in more with a 10% gross floor than it would with ACES.

This provision protects the state at low oil prices.

Decoupling

This provision separates oil and natural gas for purposes of calculating the progressivity portion of the production tax. Under this bill, the progressivity surcharges for oil and Cook Inlet and in-state gas would be calculated together, but distinctly from export gas, instead of the current practice on all oil and gas combined. The progressivity structure itself would be changed to conform with the rates set forth in this legislation.

Under current law, the tax rate is based on the combined BTU value of oil and gas. However, oil and gas can, and do, have vastly different values on a BTU basis. Currently, a BTU of oil is worth much more than a BTU of gas. Accordingly, once a major gas sale starts, overlaying the existing oil production, the BTU value of the combined oil and gas would be much lower than it was for oil alone. This has been referred to as the "dilution effect" and could cause a significant reduction in oil taxes as a result of a major gas sale. The existing tax structure, in conjunction with the inherent uncertainty of future oil and gas prices, exposes the state to significant financial risk were a major gas sale to occur. The structure also creates economic instability for entities looking to participate in the development and financing of a natural gas pipeline project in Alaska.

This legislation removes the dilution effect by having progressivity calculated distinctly for oil and gas. This will result in no reduction in oil taxes from a major gas sale.

As in current law, the bill gives the Department of Revenue the authority to adopt regulations to allocate costs between oil and gas, with the added instruction that a method based on relative BTU barrel of oil equivalents should be considered.

Oil Information System

Concerns have been raised about oil and gas information that is not available to legislative policy-makers and the public. While much of the information is confidential under law, there is a considerable amount that is public, but it is scattered among several agencies and can, at times, be difficult to find.

This provision in law will begin the process of making information more available to the policy-makers, public, and oil and gas companies who may be seeking to do business in Alaska's oil fields.

This provision of the legislation will require the Alaska Oil and Gas Commission (AOGCC) to develop an electronic Petroleum Information Management System that will contain public information currently gathered by the commission, as well as the Departments of Revenue, Natural Resources and Labor & Workforce Development.

The system will consolidate available, public oil and gas information that is currently scattered among several agencies for the purpose of the system improving the administration of the oil and gas production tax and to facilitate exploration, development, and production of oil and gas resources.

The information list that is in the legislation is taken from a 2007 Gaffney Cline report that provided an overview of how the acquisition, distribution and publication of oil company data is handled in other oil and gas producing regimes.

The legislation directs the departments that have control over the various aspects of the information to provide what is not confidential to the commission in a form suitable for distribution.

The legislation directs AOGCC to develop and implement the system.

The bill has an effective date of January 1, 2013.

4.

CSSB 192 (RES) Sectional Analysis

LEGAL SERVICES

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

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

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

MEMORANDUM March 9, 2012

SUBJECT: Sectional summary for CSSB 192(RES), relating to the oil and gas production tax (Work Order No. 27-LS1305\E)

TO: Senator Joe Paskvan
Co-Chair of the Senate Resources Committee
Attn: Jeff Stepp

FROM: Donald M. Bullock Jr. KG for DMB
Legislative Counsel

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

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

Section 1. Amends AS 29.60.850(b) to conform to the decoupling of certain gas production from oil production[1] for tax purposes and the repeal and reenactment of the minimum tax on certain oil and gas production.

Section 2. Amends AS 31.05.030 by adding a new subsection that requires the Alaska Oil and Gas Conservation Commission (AOGCC) to develop and maintain the petroleum information management system.

Section 3. Adds AS 31.05.031 to AS 31.05 to provide for the development and maintenance of the petroleum information management system. Describes the information to be included and requires the Department of Natural Resources, the Department of Revenue, and the Department of Labor and Workforce Development to work with AOGCC to include relevant information from each department in the

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[1] Under the decoupling of oil and gas production in the bill, the progressive part of the tax rate is split so that the production of oil, gas in the Cook Inlet sedimentary basin, and gas produced outside of Cook Inlet and used in the state is subject to one set of rates, and all other gas production is subject to a different set of rates. See the amendments to AS 43.55.011(e) in sec. 5, AS 43.55.011(g) in sec. 7, and new subsection AS 43.55.011(g) in sec. 8 of the bill.

petroleum information management system. Provides that the petroleum information management system shall be accessible by the public.

Section 4. Amends AS 31.05.093(c) to exclude the operating costs for the petroleum information management system from the operating costs of AOGCC for the purpose of determining regulatory cost charges.

Section 5. Amends AS 43.55.011(e) to conform to the decoupling of the progressive part of the production tax on oil, gas produced in the Cook Inlet sedimentary basin, and gas produced outside of Cook Inlet and used in the state, from the progressive part of the production tax applicable to other gas.

Section 6. Repeals and reenacts AS 43.55.011(f) to set a minimum tax of 10 percent of the gross value at the point of production for certain areas with historical production of 1,000,000,000 BTU equivalent barrels of oil or gas and average daily oil and gas production for the most recent calendar year of more than 100,000 BTU equivalent barrels.

Section 7. Amends AS 43.55.011(g) to limit the application of the progressive tax under the subsection to oil, gas produced in the Cook Inlet sedimentary basin, and gas produced outside of the Cook Inlet sedimentary basin and used in the state. This section also changes the first level of the progressive tax to apply to an average production tax of not more $101.43 and lowers the tax rate for the first level to 0.35 percent for each dollar of average production tax value above $30. The second level is amended to apply to average production tax value of $101.43 or more and sets the maximum tax rate for the second level to 35 percent, a reduction from 50 percent.

Section 8. Adds a new subsection to AS 43.55.011 with the same tax rates in AS 43.55.011(g), but provides that those tax rates apply to gas not subject to tax under AS 43.55.011(g).

Section 9. Repeals and reenacts AS 43.55.020(a) to conform to AS 43.55.011(f) as repealed and reenacted in sec. 6 of the bill, the amendment to AS 43.55.011(g) in sec. 7 of the bill, and AS 43.55.011(p) in sec. 8 of the bill.

Section 10. Amends AS 43.55.020(d) to conform to the amendment to AS 43.55.011(g) in sec. 7 of the bill, and AS 43.55.011(p) in sec. 8 of the bill.

Section 11. Amends AS 43.55.160(a) by making the determination of annual and monthly production tax values subject to AS 43.55.162, a new section added by sec. 12 of the bill. Conforms the determination of production tax values to the amendment to AS 43.55.011(g) in sec. 7 of the bill, and AS 43.55.011(p) in sec. 8 of the bill.

Section 12. Amends AS 43.55.160 by adding three subsections to describe the allocation of lease expenditures to oil or gas production or exploration in different areas in the state.

Section 13. Adds a new section to AS 43.55 -- AS 43.55.162 -- that offers a producer a $10 a barrel reduction in production tax value for each barrel of oil delivered to the Trans Alaska Pipeline System that is above the base volume that is determined for the previous calendar year. The section also provides that the average monthly production tax value used for determining the tax rate under AS 43.55.011(g) shall be calculated before applying the reduction on production tax value allowed for increased production.

Section 14. Amends AS 43.55.165(h) to require the Department of Revenue to allocate lease expenditures between oil and gas production based on the gross value at the point of production of the oil and gas.

Section 15. Adds a new subsection to AS 43.55.170 that requires the Department of Revenue to adopt regulations that provide for reasonable methods of allocating adjustments to lease expenditures, payments, and credits between different categories of oil and gas production and between leases and properties.

Section 16. Adds a new section to uncodified law to require AOGCC to develop and implement a work plan for the development of the petroleum management system so that the system is operational before 2014.

Section 17. Adds a new section to uncodified law that states that the reduction in production tax value under AS 43.55.162 in sec. 13 of the bill applies to qualifying oil produced after December 31, 2012.

Section 18. Provides a January 1, 2013 effective date.

DMB:plm
12-153.plm

5.

DOR's ACES Status Report: Galvin Letter to Gov. Parnell Jan. 14, 2010

State of Alaska

Department of Revenue

Commissioner's Office

SEAN PARNELL, GOVERNOR
333 Willoughby Avenue, 11th Floor
P.O. Box 110400
Juneau, Alaska 99811-0405
Phone: (907) 465-2300
Fax: (907) 465-2394

January 14, 2010

Honorable Governor Parnell,

Recently you requested a review of Alaska's oil and gas production tax, and recommendations for how the production tax could be improved. Enclosed for your review is analysis of Alaska's oil and gas production tax (otherwise referred to as "ACES"), which was compiled at my request by the Department of Revenue's technical staff. The ACES Status Report evaluates whether ACES is meeting its intended goals of providing a fair share of revenue to the state while encouraging investment in new oil and gas exploration and development activities.

Based on the report, I am recommending a collection of potential amendments to ACES and its associated Exploration Incentive Credit (EIC) program. The amendments are primarily intended to accomplish two things: 1. Further incentivize drilling and other production enhancing activities; and 2. Address a number of provisions of ACES that may keep explorers from enjoying the full intended value of the capital credit program.

The status report shows that ACES successfully allowed the state to share in the benefits of high oil prices while accommodating fluctuations in production costs and oil prices. ACES adjusted when oil prices tumbled and kept oil operations in Alaska highly profitable relative to other oil provinces. With respect to the impact that the new production tax has had on investment activity, the report is positive, but ultimately inconclusive. While the overall level of taxation increased with ACES, it distributed the impact of that tax burden in a way designed to incentivize investment in new exploration and development. Since ACES passed the legislature, overall spending on oil and gas activities on the North Slope has increased. However, given only two and a half years of experience, during which time oil prices climbed to $140 per barrel then plunged to under $30 per barrel, it would be premature to attribute the increased level of oil company investment to the success of ACES.

Oil taxes are clearly an important factor in industry investment decisions. However, it is misleading to isolate their influence from other key factors, such as world oil prices, geologic potential, access to land, resources and markets, costs of infrastructure and support services, and the legal and regulatory framework. As noted in the report, the true merit of Alaska's current fiscal system can only be determined when it is evaluated in conjunction with these other variables. The scope of the status report, and the limited timeframe since ACES passed, do not allow for such a comprehensive analysis and definitive conclusions.

In addition to documenting several promising trends in industry spending activity, the report notes a number of discrete policy issues associated with the production tax where improvement can be made. These warrant your consideration as potential amendments to the ACES framework.

1. **Increase Credits for All Well-Related Activity to 30%:** The Capital Credit and Exploration Incentive Credit (EIC) programs have been identified as influential in spurring exploration activities. However, the EIC program's 30% credits are only available to wells located more than 3 miles from all existing wells. The state has a significant interest in also incentivizing infill drilling and other well work that will increase oil production, particularly for heavy oil. I therefore recommend expanding the EIC program so that all expenditures related to drilling and well work that add new production or increase the efficiency of existing production will qualify for the 30% EIC credit under AS 43.55.025 regardless of a well's location relative to existing wells.

2. **Increase Access to Capital Credits for New Explorers:** Small producers are currently required to invest in new activities during subsequent years in order to obtain direct payment from the state for previously earned tax credits. This is not an issue for existing producers because they simply deduct credits from their current tax bill and do not need to seek direct payment from the state. Deleting this provision would make the tax credits more accessible to smaller explorers, level the playing field between new and existing operators, and eliminate an unfair double standard.

3. **Accelerate Capital Credit Usage**: Companies currently can only use half of their capital credits in the year they are earned, and the other half the following year. This is true whether the credits are applied against a tax liability or purchased by the state. Taxpayers would see increased value in the credits if they could apply the entire credit in the first year. In addition, this would ease the cost of administering these credits.

4. **Waive Interest on Late Tax Payments Due to Drafting of Regulations**: The ACES regulations, including those defining 'allowable lease expenditures' are being finalized this month. Under the statutes, these regulations are to be applied retroactively to various dates in 2007. To the extent additional taxes are due as a result of the application of the new regulations, such payments would be subject to interest and possibly penalties. While the department can waive penalties, it cannot waive interest charges. A statutory change is required in order to permit the waiver of interest.

I am confident you will find the ACES Status Report informative and interesting. Please consider my recommendations to improve the effectiveness and fair administration of ACES and the EIC program. I look forward to continuing to work with you to encourage additional oil and gas development while preserving Alaska's equitable share of oil and gas profits.

Sincerely,



Patrick S. Galvin
Commissioner

6.

DOR's ACES Status Report: Jan. 14, 2010

Alaska's Clear and Equitable Share (ACES)
Status Report
Alaska Department of Revenue
January 14, 2010

Introduction

In November 2007, the Alaska Legislature passed House Bill 2001, known as Alaska's Clear and Equitable Share (ACES). ACES made modifications to the prior production tax called the Petroleum Profits Tax (PPT), enacted in 2006. The changes made first with PPT and later with ACES represented substantial production tax reform in that the basis of the tax shifted from the *gross value* to the *net value* of oil and gas production. The gross tax which had been in place prior to the PPT is generally referred to as the Economic Limit Factor (ELF).

This report was prepared at the request of the Commissioner of Revenue in order to evaluate whether ACES is meeting its intended goals of providing a fair share of oil and gas revenue to the state, and encouraging investment in the exploration and development of new oil and gas resources in Alaska.

Following are the key findings of this report:

1) State revenues under ACES in FY 2009 exceeded amounts which would have been generated under either the PPT or ELF systems. The crossover point at which ACES is projected to provide more revenue than ELF is $51 per barrel west coast price in FY 2010.

2) Activation of the progressive surcharge is estimated to occur when west coast sales prices reach $56 per barrel.

3) Capital spending on the North Slope totaled over $2.2 billion in FY 2009 an increase over FY 2008. This is nearly the highest level of capital spending in nominal dollars since oil production began in the state.

4) The impact of the production tax modifications on industry investment cannot be clearly determined due to the influence of other factors and given the limited timeframe during which ACES has been in place.

5) Operating costs have risen since the enactment of PPT and ACES, but the impact of these cost increases to state tax revenues was moderated by the "standard deduction" provision of ACES, which expired December 31, 2009.

6) Increased reporting requirements, particularly of forward looking expenditure information, has greatly enhanced the accuracy of the Department's revenue forecasting efforts.

7) The Department has made significant progress in implementing ACES regulations, but there will be challenges to both the department and taxpayers as the regulations are implemented. Preliminary audits of taxpayers under the new profits-based system (formerly PPT) have begun, consistent with the normal audit timeframe.

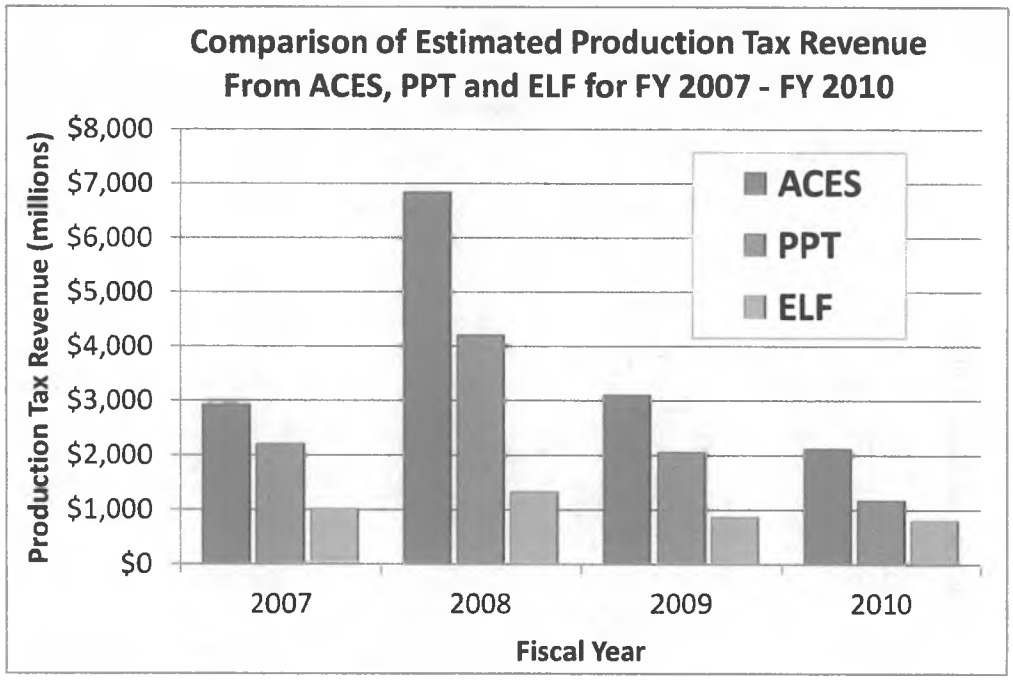
Comparison of Revenues under ACES, PPT and ELF

The net tax structure – first enacted under PPT (2006) and later with ACES (2007) – represents a significant change from the oil and gas tax structure used for much of Alaska's history. Under the earlier tax, known as the Economic Limit Factor (ELF), production tax was levied on oil and gas producing properties, regardless of whether operations were profitable. The current production tax structure requires companies to pay tax only when they are making profits from oil and gas production in the state. In addition, tax credits are provided for capital expenditures, with higher credits available for certain oil and gas exploration investments.

Since its enactment in 2007, ACES has generated more state revenue than would have been generated under either PPT or ELF. In FY 2008, a period of very high oil prices and profits, ACES generated $6.8 billion in production tax revenue, compared with $4.2 billion which would have been received under PPT and $1.3 billion which would have been received under ELF. In fiscal year 2009, during which west coast oil prices average $68.34, ACES generated just over $3.1 billion. This compares with roughly $2 billion that would have been generated under PPT and $858 million under the earlier ELF system.

Figure A compares revenue from ACES, PPT and ELF for FY 2007-2010. The FY 2009 revenues are preliminary. Estimates for FY 2010 are based on the Department's fall 2009 forecast of an average west coast oil price of $66.93 per barrel.

Figure A[1]



The progressive feature in ACES means that the state receives more production tax revenue when oil prices are high relative to underlying costs. Similarly, it significantly lessens the state's share of revenues when per-barrel margins decline. This effect was illustrated in 2008, when oil prices reached a high of $140 per barrel in July, bringing in $900 million in production tax for the month, and later plunged to below $30 per barrel in December, producing a total of $50 million in production tax for the month. Over the course of the full year, ANS crude oil averaged over $92 per barrel, resulting in five times more revenue than would have been realized under the ELF system.

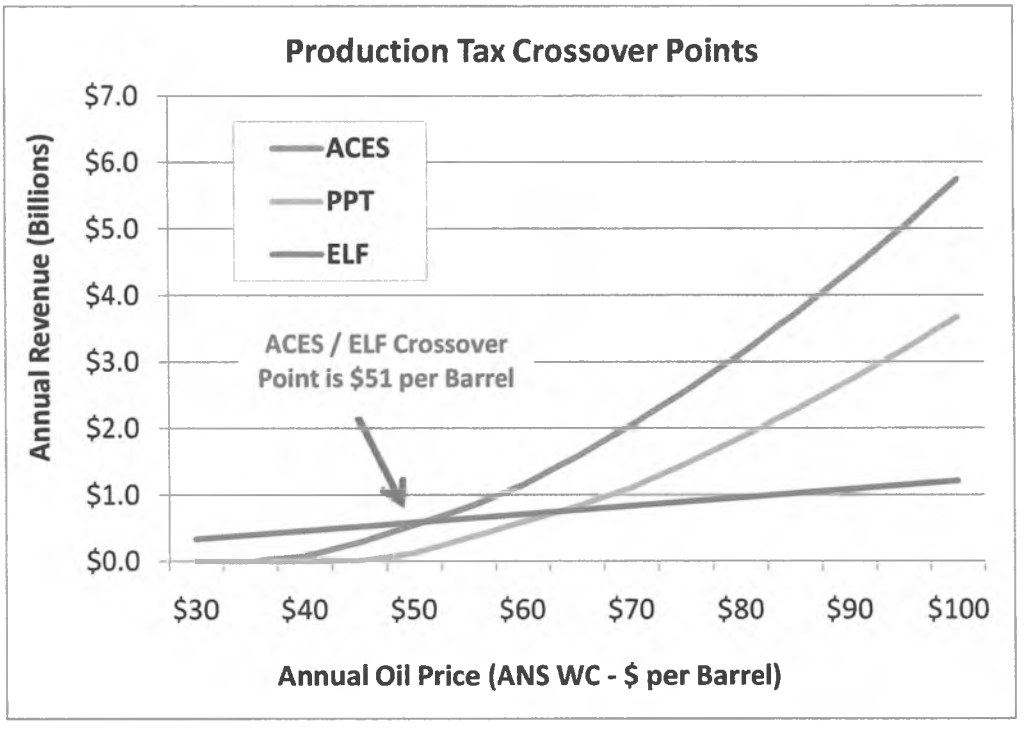
Figure B shows estimated revenues that would be received under ACES, ELF and PPT at various oil prices.[2] The oil price crossover point at which the state receives more revenue under ACES than the ELF system is roughly $51 per barrel. The crossover point has increased over prior

[1] Production tax revenue includes surcharges but does not include any settlements which go to the Constitutional Budget Reserve Fund. FY 2007 PPT revenue includes true-up payments for the period of April 2006 through December 2006. FY 2007 ACES revenue assumes similar true-up payments for comparison purposes. For FY 2007 - FY 2009, assumes actual data for oil price, production, costs and other variables. For FY 2010, assumes oil price, production, costs and other variables as of the fall 2009 forecast. Costs under PPT for FY 2010 for Prudhoe Bay and Kuparuk are based on aggregated company forecasts. For ACES only, assumes that standard deduction would apply for all of FY 2007-FY 2009 and first half of FY 2010. Actual tax revenue, as opposed to modeled revenue, is used for PPT in FY 2007 and ACES in FY 2008-FY 2009.

[2] This analysis assumes a constant oil price for the entire year, production of 655,000 barrels per day, deductible lease expenditures of $20 per barrel and transit costs of $6 per barrel.

years because lease expenditures, which are deductible under ACES, have increased since ACES was passed. It is expected that lease expenditures will decrease as costs decline in delayed response to the decline in oil prices from their 2008 levels.

Figure B[3]



Lease Expenditures

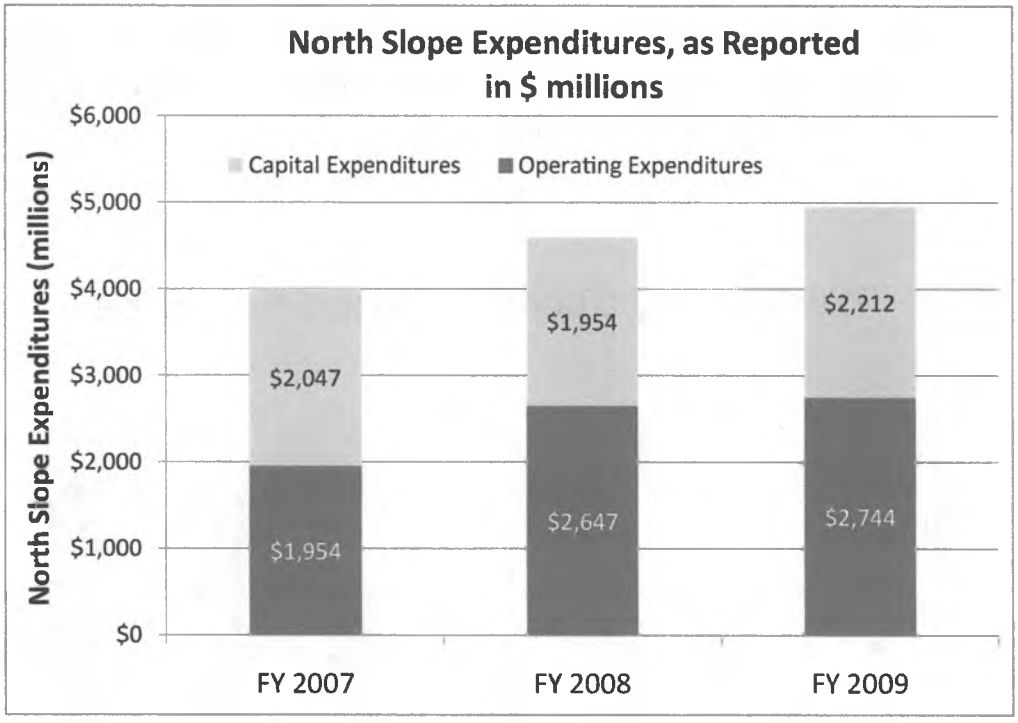
With the introduction of the net tax, it became necessary for the state to identify and forecast allowable lease expenditures for purposes of the tax calculation. Prior to the passage of PPT, the department had not been required to track or audit oil and gas production costs in Alaska. Some early cost data had been acquired directly from producing companies and through preliminary examination of federal tax returns. However, even during the debate over PPT, the state did not have access to comprehensive, Alaska-specific data that would enable policymakers to analyze the effects of the proposed tax over the life of a project. With much more information now being provided under the new tax structure, the department is developing a better understanding of oil and gas costs in Alaska, which will significantly benefit future policy deliberations.

[3] Assumes fixed operating and capital cost of $20 per barrel.

Lease expenditures fall into two general categories that constitute the major deductions under the ACES tax system. Operating expenditures are the costs to operate an oil or gas production facility on a day-to-day basis. These include labor, heat and light for the facilities, and some well work and minor equipment repairs. Capital expenditures are costs incurred to enhance or improve the reserve base, level of production, or facilities. Drilling is one of the most common forms of capital costs, as is facility construction or expansion.

Figure C shows the operating and capital expenditures, as reported on company tax returns and monthly reports, for their North Slope operations, from FY 2007 through FY 2009. Note that the graph represents all reported expenditures for all North Slope properties, regardless of whether or not they are subject to the "standard deduction" provisions of AS 43.55.165(j).

Figure C[4]



Operating Expenditures

Operating costs have risen significantly in recent years for the oil and gas industry worldwide. This has often been linked to the corresponding rise in oil prices beginning around 2002. Projects around the world that were once marginally economic have become viable, increasing the demand for limited supplies of engineering, procurement and construction services, as well

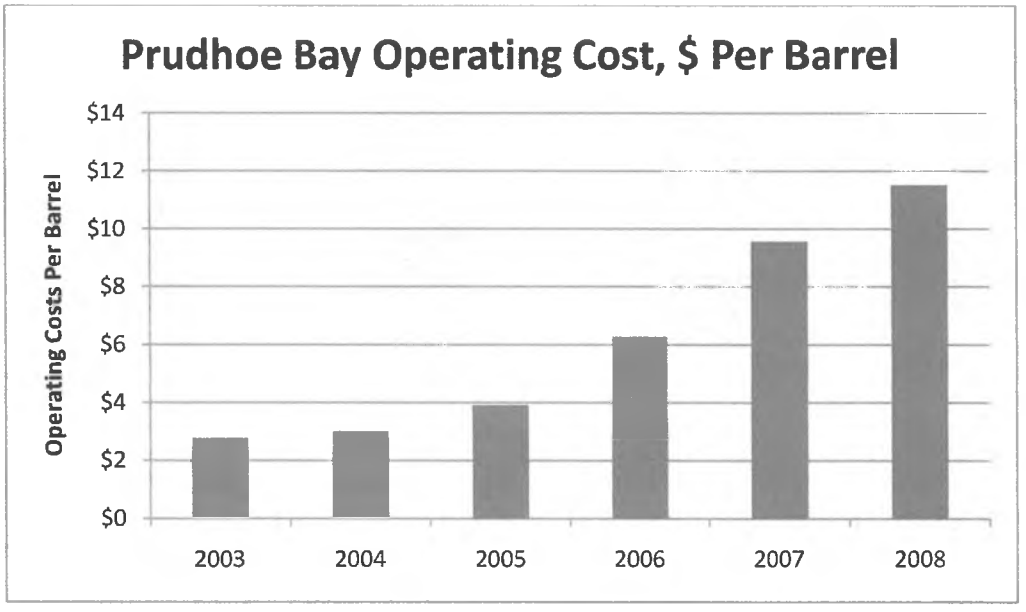
[4] Operating expenditures includes total reported costs, not standard deduction; FY 2007 estimated based on incomplete reporting

as raw materials. Cambridge Energy Research Associates (CERA) reports the upstream operating cost index rose for oil and gas field operations roughly 67% between 2002 and the end of 2008.[5] Meanwhile, the global capital cost index rose over 100% during the same period.[6]

Alaska-specific information obtained through public sources and shared in confidence during the Stranded Gas Development Act negotiations and through ACES reporting shows similar trends on the North Slope. Estimates of operating costs prior to PPT ranged from $3 to $5 per barrel. More recent information indicates that operating costs on the North Slope have doubled, and in some cases nearly tripled. Following the Prudhoe Bay corrosion incidents in 2006, operating expenditures on major repairs increased. However, since that time, the proportion of total operating expenditures directed to major repairs does not appear to have been a key driver in the growth of total operating expenditures.

Figure D shows the upward trend in per-barrel operating costs at Prudhoe Bay from 2003 to 2008. The chart shows a dramatic increase over the six-year period, consistent with cost increases seen in the oil and gas sector worldwide.

Figure D



The recent downturn of the global economy has started to push operating costs back down again. In June of 2009, CERA reported that worldwide, operating costs had declined 8 percent

[5] IHS CERA Upstream Operating Cost Index (UOCI), http://www.ihsindexes.com (Accessed December 11, 2009)
[6] IHS CERA Upstream Capital Cost Index (UOCI), http://www.ihsindexes.com (Accessed December 11, 2009)

over the previous 6 months.[7] The most recent information reported to the department under the new ACES requirements shows this trend to also be developing on the North Slope.

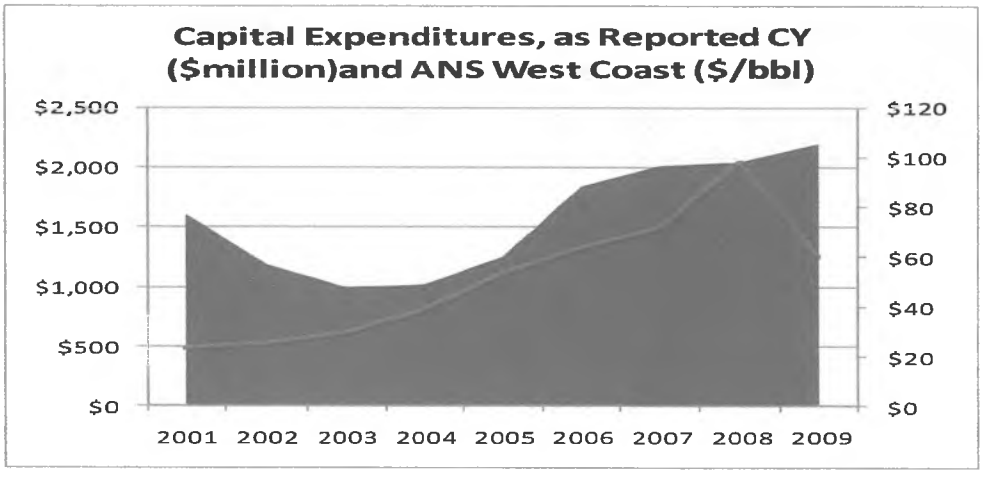
Much of this change can once again be linked to recent trends in oil prices. Lower oil prices led to a slackening of worldwide project activity, driving down the costs of transportation and various consumables. Despite this correlation, however, operating costs have not fallen at the same rate as oil prices. While the department anticipates that per-barrel operating costs will continue to decline under the lower oil price forecast for FY 2009 and FY 2010, they are expected to remain relatively high compared with those from five or more years ago.

Capital Expenditures

Capital expenditures have also increased since PPT and ACES were enacted. While capital expenditures on pipeline repairs at Prudhoe Bay increased after the Prudhoe Bay corrosion incidents in 2006, the majority of growth in capital expenditures is attributable to drilling, seismic and other projects. As shown below, capital spending on the North Slope in CY 2009 was roughly twice the level in either 2003 or 2004. At least some of this increase is due to new development activities. Two major developments – Oooguruk and Nikaitchuq – have gone forward despite recent oil price setbacks. Development of the Point Thomson field is also underway.

Figure E shows historical capital expenditures from CY 2001 to 2009 as reported by oil and gas producing companies operating on the North Slope.

Figure E



[7] IHS CERA: *"Period of Sustained Cost Escalation for Upstream Oil and Gas Facilities Comes to an End,"* June 5, 2009. http://www.cera.com/aspx/cda/public1/news/pressReleases/pressReleaseDetails.aspx?CID=10388 (Accessed December 11, 2009)

In order to forecast North Slope lease expenditures, the department receives forward looking spending projections from taxpayers, and also consults a variety of information sources, including unit forecasts, plans of development, and federal partnership returns. These data give the department significantly better insight into future development plans, as well as trends in operating and capital expenditures.

This information shows a variety of changes on the North Slope in the years ahead. There is continuing development of newer fields like Oooguruk, Nikaitchuq, and Point Thomson. Growth in capital expenditures at many major North Slope units (i.e. Prudhoe Bay, Kuparuk, Colville River and others) appear to slow slightly or decline in the next year or two and re-surge thereafter to the level of the recent past or higher. This trend is consistent with indicators of worldwide industry activity which show a dramatic drop in capital expenditures from the high levels experienced in 2008. This suggests that recent economic contraction may have caused some North Slope development projects to be delayed as producers hope to form a better idea of where the economy and oil prices may be headed.

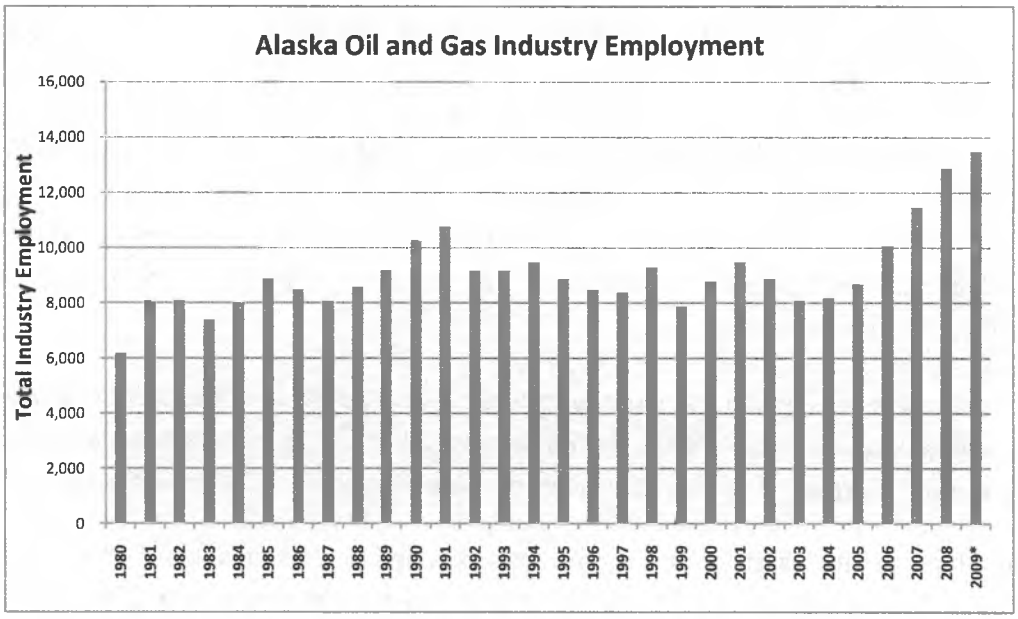
It would be presumptuous to solely attribute the rise in expenditures to the success of the investment incentives found in ACES. Many factors beyond tax policy drive oil and gas investment decisions. However, one of Alaska's new explorers, Savant Alaska, stated in a recent Petroleum News article that ACES had assisted in their development efforts at Badami. "ACES was an important component for Savant in considering investment in Alaska. It definitely had its intended consequence with us." [8]

Industry Employment

Employment in the industry has also increased steadily since the implementation of PPT and ACES, with 2009 forecast to be the highest in state history. It is important to note that this occurred concurrent with a steady rise in the oil prices, which has generally shown a strong correlation with industry activity.

[8] Kay Cashman quoting Savant's Chief Operating Officer Greg Vigil, "Savant Accelerates Badami Drilling Plan," *Petroleum News*, Volume 14, No. 3, January 18, 2009.

Figure F[9]



Flexibility of Tax Burden Evidenced

The increased revenues generated under ACES represent an increased tax burden on Alaska's oil and gas industry. However, there is evidence that ACES effectively adjusts that burden when oil prices drop and profit margins are squeezed. In 2009, a period of relatively low oil prices in comparison to recent years, 35 percent of ConocoPhillips total reported exploration and production profit in the first quarter of the year (Q1), 55 percent in Q2, and 36 percent in Q3, came from its Alaska operations, which only account for 12 percent of the company's worldwide production.[10]

ACES Structure and Tax Rate

The ACES tax consists of a base rate of 25% plus a progressive surcharge, which is triggered when a company's net profits — also known as "production tax value"— exceed $30 per barrel. Beyond this point, the base tax rate is increased by 0.4% for each additional $1 increase in per-barrel production tax value. Using current estimated transportation and production costs of roughly $26 per barrel, the surcharge would begin to be applied when west coast oil prices reach $56 per barrel. When the combined base rate and progressive surcharge reach 50%

[9] Data from Alaska Department of Labor and Workforce Development, Research and Analysis Section (January 11, 2010). Includes nonagricultural wage and salary data and excludes the self-employed. *Estimates for 2009 are preliminary.

[10] ConocoPhillips, Form 10-Q Quarterly Reports Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, March 31, 2009, June 30, 2009 and September 30, 2009.

(approximately $92.50 per-barrel profit or $118.50 West Coast price) the progressive surcharge is lessened to 0.1% for each additional $1 increase in per-barrel production tax value. The maximum nominal tax rate is 75%, which would apply at a profit rate of $342.50 per barrel or $368.50 West Coast price.

As with any tax, ACES may be evaluated using a variety of different metrics, including "effective," "nominal" and "marginal" tax rate comparisons. While each of these can be helpful under the appropriate circumstances, each is also subject to certain limitations. It is important when using these metrics to understand their relative value and how they reflect upon the objectives of the tax system.

The "effective tax rate" is the share of the total gross taxable value at the point of production that is paid in production taxes after credits are applied. It is a good universal measure of the sharing of total petroleum value that can be compared to gross value-based tax systems.

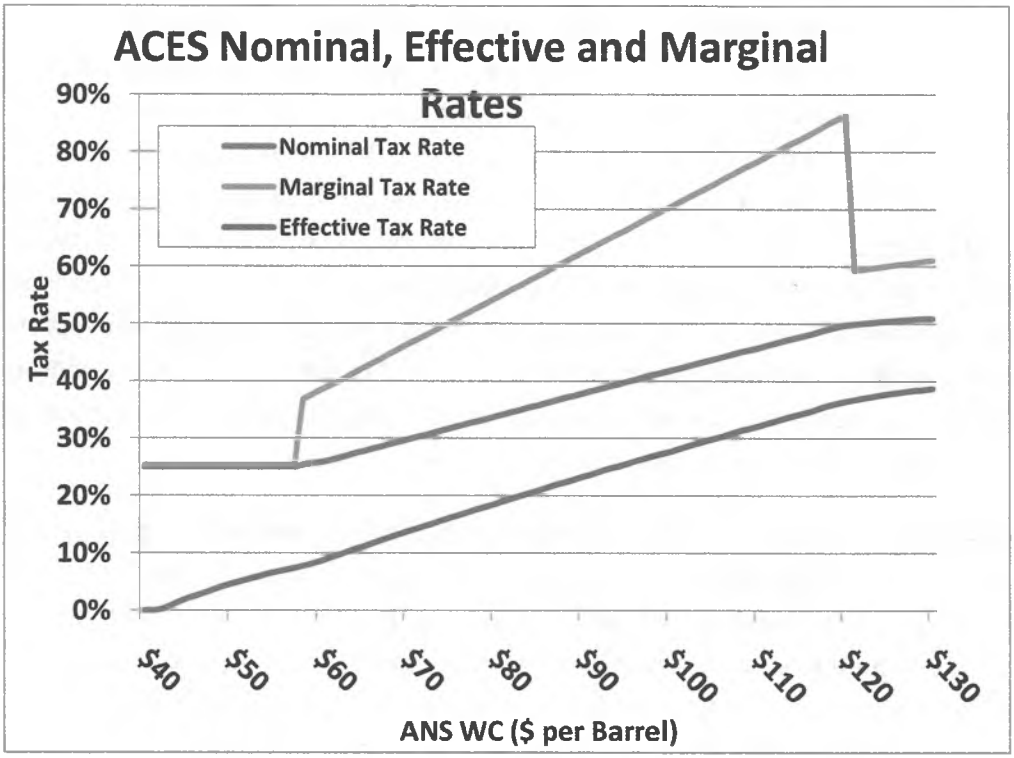
The "nominal tax rate" is the statutory tax rate as applied to the net value of oil and gas production. It does not account for credits or other tax benefits which ultimately impact a company's bottom line. Under ACES, the nominal tax rate varies with the per-barrel profitability. In addition to a base tax rate of 25%, ACES levies a progressive surcharge that can raise the combined nominal tax rate to 75% at extreme price levels.

The "marginal tax rate" is the rate theoretically applied to each dollar increase in oil price. In the case of ACES, the marginal tax rate is 25% until per barrel profit reaches $30 per barrel (about $56 per barrel in west coast spot price under the current cost structure), at which point it increases for every additional dollar up to a marginal tax rate of 87% when the profit reaches $92.50 per barrel (about $118.50 per barrel on the west coast). Following this peak, the marginal tax rate drops off significantly as the profit level continue to rise. With a net based tax system, this metric shows a company the impact of making additional investment, because each dollar they invest is "subsidized" by the government based on the amount of marginal tax they have avoided paying on that dollar.

Each of these metrics has their limitations when considered in isolation from other metrics, or when only one data point on the curve is presented. For example, a marginal tax rate of up to 87% initially sounds excessive. However, at that same price level, the effective tax rate (the tax burden) is less than 40%. The marginal rate of 87% actually represents the state's "portion" of any new investment made at such high prices.

Figure G shows the nominal, effective and marginal tax rates under ACES using a wide range of west coast spot prices.

Figure G



Production Tax Administration and Implementation

The passage of ACES presented significant challenges for tax administration and implementation because it involved comprehensive structural changes to the tax on the heels of the prior year's legislative changes through PPT. These challenges are experienced both on the taxpayer and on the state side.

Tax Credit Successes and Difficulties

The increased spending levels reported earlier in this document, may be due in part to the expansion of capital and exploration credits provided under ACES for reinvestment in the state. Credits can be applied against tax liabilities, sold to other companies or, for companies producing less than 50,000 boe/day, can be purchased by the state. Nearly $550 million in credits were claimed in FY 2009. Approximately $193 million was paid to oil and gas companies

to purchase oil and gas tax credits, while an additional $350 million in tax credits were used to offset tax liabilities.

Some administrative difficulties have arisen due to the requirement that the 20% capital credit be spread out over two years. It has taken a substantial amount of time and resources to develop a database with which the division can track the issuance and staged application of these credits for each taxpayer. This detailed tracking was made necessary by the transferability and use of the credits, and some confusion by taxpayers and their transferees regarding how the credits could be applied. In addition, the two-year spread in the application of the capital credits diminishes their value to taxpayers who look for quick return of their investment dollars. Finally, one of the reasons for the two-year spread in credits was to assist the department in forecasting future revenues. However, the department has found that the information provisions in ACES have been extremely valuable and successful in improving the volume and quality of spending projection data provided to the department by operators. This forward looking spending information has been much more valuable to the revenue forecasting process than the two-year spread in credits.

The Department has also received feedback regarding the reinvestment requirements for new explorers. Under current law, companies generally receive a financial benefit of over 45 percent of exploration expenditures incurred in the state. However, a new entrant to Alaska (with no production to immediately apply the credit against) can only get full value for their expenditures by applying to the state for cash payment for their credits earned. In order to receive such a payment, the company must continue to make expenditures in future years. Although this provision was originally created to support new explorers, it appears to be a limiting factor for companies that have fewer financial resources and are only considering a single exploration investment. In application, this requirement creates a "double standard" where new entrants to Alaska are provided less value for their credits compared to incumbent companies.

"Standard Deduction" provision at AS 43.55.165(j)

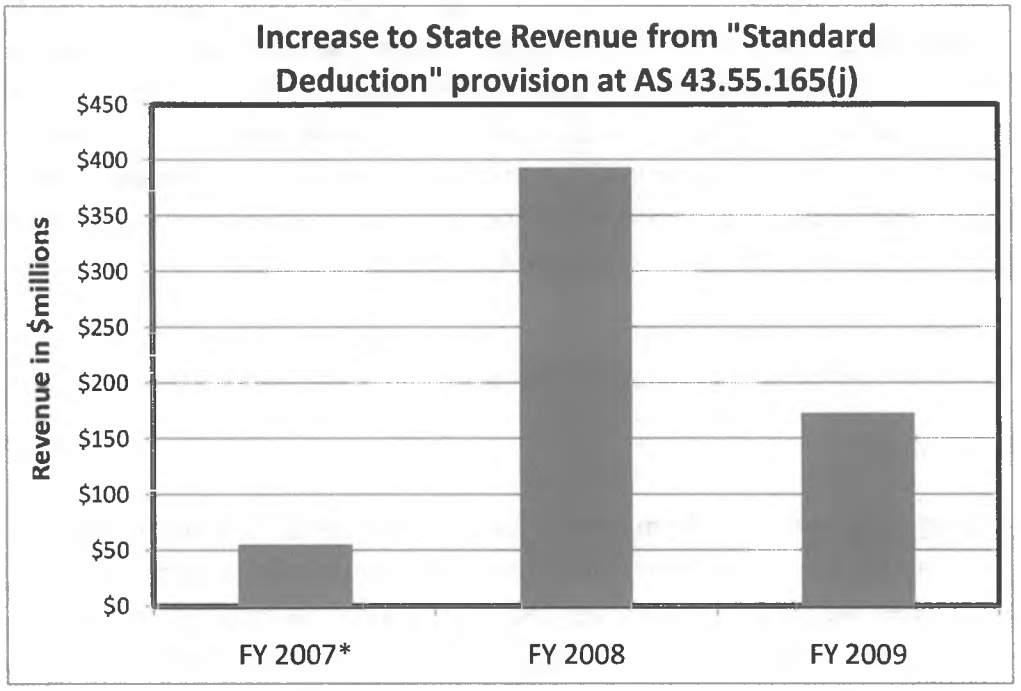
The ACES tax reform made modifications to the deductibility of operating expenditures for certain fields on the North Slope. Alaska Statute 43.55.165(j) limited the deduction of operating expenditures at leases or properties that have produced a cumulative 1 billion barrels of oil and NGLs since the lease or property began oil production. The Prudhoe Bay Unit and the Kuparuk River Unit are subject to these provisions based on their cumulative production. The provision, coined the "standard deduction," limits the deduction of operating expenditures to the amount deducted on the first PPT returns, filed April 1, 2007, for calendar year 2006 expenditures, adjusted annually. This provision, which was effective through December 31,

2009, was intended to moderate the risk associated with adopting a profits based tax without substantial historical data on which to rely for future cost estimates.

Based on company-reported expenditure data, the provision has resulted in a substantially greater tax liability to the state during the time it has been in place. The total liability in FY 2008 was substantially larger than the liability for FY 2009 due to the higher tax rate in FY2008 because of higher net profits realized due to high oil prices.

Figure H shows the increased revenue to the state from the standard deduction from FY 2007 through FY 2009.

Figure H[11]



Regulations

The ACES tax included new restrictions and guidance on allowable lease expenditures, requiring complex regulations. The department has actively sought industry input on the structure of the regulations to ensure they continue to achieve their intended purposes, while avoiding undue burdens for either side. The process has included numerous public workshops pertaining to credit regulation, conforming regulatory changes required by ACES, lease expenditures, facility sharing costs and transportation costs. As a result, the regulation drafting process has been

[11] *Standard Deduction was only in place for half of FY 2007.

lengthy and complex. However, the regulations to define allowable lease expenditures are expected to be finalized this month.

Under the statute the regulations are retroactive to various 2007 dates. To the extent additional taxes are due, taxpayers would be required to pay interest on what would now be late tax payments. The department has discretion to waive any penalties for late payments. However, a statutory change would be needed in order for the department to provide a waiver from interest payments.

Reporting and Revenue Forecasting

ACES requires that companies exploring for or producing oil and gas in the state submit a monthly information report to the department. This report includes estimated data on production volumes, the value of the production, and the operating and capital expenditures related to production. The monthly report is used primarily by state economists to monitor company production and spending. Included with the monthly report is an estimate of taxes owed and credits earned. Twice annually, companies are asked to provide the department with forward-looking expenditure information, along with future production plans to aid the department in providing the legislature with state revenue forecasts.

These reports, in combination with the monthly information reports and the annual tax returns, have significantly enhanced the quality of the department's revenue forecasts.

Audit Compliance

The ACES legislation extended from three to six years, the period in which the department is required to assess production taxes owed. The extension was seen as necessary to assure proper tax assessments, particularly given the complexity of overlapping ELF, PPT and ACES tax laws. The new tax law also included funding for four new "Audit Masters" within the department. The department is still experiencing significant difficulties recruiting and filling audit positions. The department has successfully recruited three Audit Masters, and these individuals have been placed within sections of the Tax Division to assist with implementation and administration of the tax. The recruitment of the fourth Audit Master, and Oil and Gas Revenue Auditors is ongoing.

During 2008, the department's auditors began auditing tax returns that were submitted for calendar year 2006 under the PPT program.

Conclusion

The ACES production tax has been effective in allowing the state to share in the benefits of high oil profitability. It has also responded well to lower oil prices by reducing state tax burden on Alaska's oil and gas producers. Over $2 billion in new capital investment was reported in fiscal year 2009 reaching near-record levels. While these and other indicators suggest that the profits-based tax system has supported North Slope exploration and development, it would be misleading to suggest that ACES alone influences the level of investment. While tax is recognized as being an important factor in investment decisions, it is not the primary determinant. Long-term price forecasts, as well as the resources themselves, have proven to be much more significant drivers of industry activity.

The department is continuing to analyze ACES to identify opportunities to improve the tax framework in order to support additional exploration and development in the state, while not harming the state's revenue base.

The new reporting requirements under ACES are helping the department develop a better understanding of industry expenditures and activity, and have assisted in the state's revenue forecasting efforts. Development of new tax regulations is progressing, though several challenges remain for both the state and taxpayers. Numerous workshops have been held to solicit industry input and these will continue as the department continues to work through outstanding issues. In 2008, the production tax audit group began auditing taxpayers who submitted annual returns for CY 2006 under PPT.

Overall, the information reviewed by the department indicates that ACES is performing as expected when it was passed by the Legislature in 2007. The economic provisions are resulting in the revenue levels anticipated, and the investment incentives appear to distribute the increased tax burden in a fashion that continues to encourage reinvestment, though the experience with the credit program could be improved for new explorers. Challenges remain in the implementation by the department, but they are manageable and the department is positioned to meet those challenges.

7.

DOR's Oil & Gas Production Tax Status Report Jan. 18, 2011

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

SEAN PARNELL, GOVERNOR
333 Willoughby Avenue, 11th Floor
P.O. Box 110400
Juneau, Alaska 99811-0400
Phone: (907) 465-2300
Fax: (907) 465-2389

Oil and Gas Production Tax
Status Report to the Legislature
Alaska Department of Revenue

January 18, 2011

Report Purpose

In August 2006, the 24th Alaska state legislature approved House Bill 3001, which represented a major restructuring of the state's oil and gas production tax. As part of the legislation, lawmakers asked that the Department of Revenue study the impact of the production tax changes on several criteria and produce a report on or before the first day of the 2011 legislative session on the findings of that study.[1] This report summarizes those findings.

Executive Summary

This report evaluates six elements of Alaska's production tax system since implementation of the Petroleum Profits Tax (PPT) in 2006 and Alaska's Clear and Equitable Share (ACES) in 2007. The six elements and our key findings with respect to each of them are described briefly below.

1. **Revenue Generation/Tax Rate** – State revenues under PPT and ACES exceeded the amount that would have been received under ELF for each of the four fiscal years since implementation of a net profits tax. Although the production tax rate under ACES may be as high as 75%, tax rates in each of the

[1] ***AS 43.55.180 Required Report.*** ***(a)*** *The department shall study*
(1) *the effects of the provisions of this chapter on oil and gas exploration, development, and production in the state, on investment expenditures for oil and gas exploration, development, and production in the state, on the entry of new producers into the oil and gas industry in the state, on state revenue, and on tax administration and compliance, giving particular attention to the tax rates provided under AS 43.55.011 , the tax credits provided under AS 43.55.023 - 43.55.025, and the deductions for and adjustments to lease expenditures provided under AS 43.55.160 - 43.55.170; and*
(2) *the effects of the tax rates under AS 43.55.011 (i) on state revenue and on oil and gas exploration, development, and production on private land, and the fairness of those tax rates for private landowners.*
(b) *The department shall prepare a report on or before the first day of the 2011 regular session of the legislature on the results of the study made under (a) of this section, including recommendations as to whether any changes should be made to this chapter. The department shall notify the legislature that the report prepared under this subsection is available.*

four years were much lower than the maximum rate.

The oil tax rate of 5% of the gross value at the point of production at AS 43.55.011(i) for private landowners has not raised any significant concerns that have been communicated to the Department of Revenue.

2. **Industry Investment** – Investment in the form of capital expenditures has increased in each of the four fiscal years since implementation of the net profits tax, however, it is unclear how much of the capital expenditures were drilling or well-related and how much were maintenance or facilities-related.

3. **Impact on Exploration, Development, and Production** – Exploration has generally increased from 2003, when the EIC credit was implemented, but has dropped off in 2010. Development continues in three relatively new North Slope projects, yet production continues to decline.

4. **Industry Employment and New Entrants** – Industry employment rose steadily from 2006 through 2009, but dipped slightly in 2010. The number of companies filing annual tax returns doubled between 2006 and 2009, indicating interest by companies that are either new or returning to the Alaska oil and gas industry.

5. **Use and Expansion of Tax Credits** – The amount of credits used has increased annually since 2006 and we expect the trend to continue as new credit programs were added in the 2010 legislative session.

6. **Tax Administration and Compliance** – The department continues to write regulations for the new tax system, and the first audits under the net profits tax have been completed. The department has, however, been hampered in its tax reporting and compliance efforts by the lack of a centralized database to house and manage the large volumes of oil and gas data it receives.

7. **Conclusions and Recommendations** – Based on the multiple changes to the tax laws over the past few years, drawing any conclusion about their effect on Alaska's investment climate is difficult. However, what is clear is that production continues to decline. The state should continue to monitor its competitiveness with other oil and gas jurisdictions worldwide and be prepared to change its tax structure as needed.

Overview

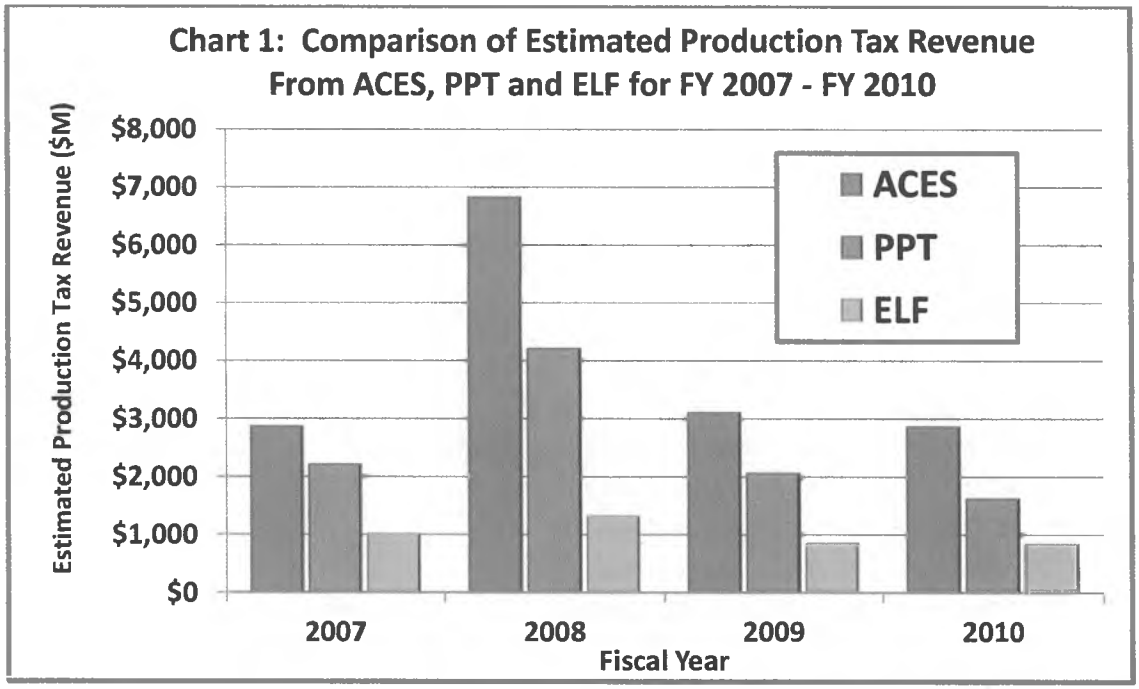
This report reviews and summarizes information gathered over the approximate five-year period since the implementation of the Petroleum Profits Tax (PPT) in 2006, and in 2007, Alaska's Clear and Equitable Share (ACES). The report covers six critical elements for evaluation and a section with conclusions and recommendations, as follows:

1. Revenue Generation/Tax Rate
2. Industry Investment
3. Impact on Exploration, Development and Production
4. Industry Employment and New Entrants
5. Use and Expansion of Tax Credits
6. Tax Administration and Compliance
7. Conclusions and Recommendations

Revenue Generation/Tax Rate

Both PPT and ACES have generated more production tax revenue for the State than would have been received under the previous production tax system, which used the Economic Limit Factor (ELF). In the one year that PPT was in place, FY 2007, the production tax totaled $2.2 billion. That year, the ANS West Coast oil price averaged $61.60 and production on the North Slope averaged 734,000 barrels per day. In contrast, the average oil price one year earlier, in FY 2006, was $62.12, production averaged 840,000 barrels per day, and the production tax under ELF totaled $1.2 billion--$1 billion, or 45% less than collected under PPT. It should be noted that PPT became effective on April 1, 2006, adding two months of tax collections to the FY 2007 total, making FY 2007 effectively a 14-month fiscal year. Regardless, the level of PPT collections above those that would have been collected under ELF, at least at moderately high prices, is significant.

In the three years that ACES has been in place, production tax revenues have increased to higher levels than under PPT. This is largely because ACES has higher base and progressivity tax rates than did PPT, and because one of the credits under PPT – the transition investment expenditure credit – was reduced substantially. The chart below shows production tax revenue collections under PPT and ACES as compared to how production tax revenue collections would have looked under two tax systems that were not in place during those years.



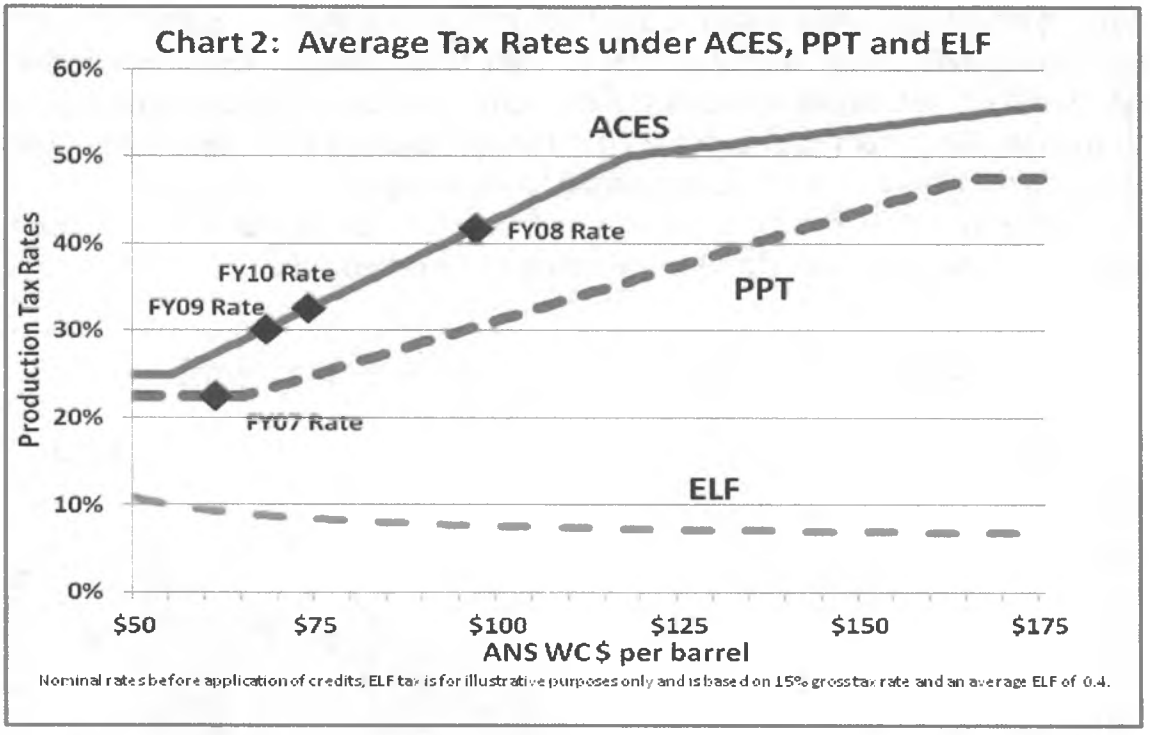
Production tax under both PPT and ACES is calculated on the net profits of oil and gas production, whereas ELF production tax was calculated on the gross profits of oil and gas production. Relative to taxes based on the gross value of production, net profit tax systems generally provide more tax revenue when oil prices are high and less tax revenue when prices are low. The progressive tax mechanism, designed to increase the total tax rate when per-barrel profit exceeds a pre-determined threshold, can increase the tax rate substantially. In addition to the progressive tax rate, the per-barrel profit level where the progressive tax is triggered is important. In the case of ACES, the progressive tax trigger is $30 net profit per barrel, whereas with PPT, the progressive tax trigger was $40 net profit per barrel.

Alaska North Slope (ANS) oil prices over the past four fiscal years were high relative to previous fiscal years. ANS crude prices over the four fiscal years of 2007 through 2010 averaged about $75 per barrel compared to $42 per barrel for the fiscal years of 2003 through 2006. Under ACES, an average price of $75 per barrel would yield an average profit of $50 per barrel, producing a combined base and progressivity tax rate of 33% (25% + [($50-$30)*.004]). The tax under this scenario before credits would be $16.50 per barrel. In contrast, the tax rate under ELF of 15% of the gross value at the point of production, even if the ELF calculated to 1, would yield a production tax of $10.50 per barrel, assuming transport costs of $5 per barrel.

When oil prices are low, however, a net profits-based tax structure would likely provide less production tax revenue than a gross profits-based tax. For example, a tax of 15% on the gross value, regardless of profit, could create a loss for companies producing oil

if profits were equal to or less than the tax. Because PPT and ACES recognize the costs of production in their calculation, a company with no profit would not pay any production tax and would likely get tax credits to offset future tax liabilities. Low oil prices experienced late in the year 2008 and early 2009 generated tax liabilities for many companies operating on the North Slope that were lower than they would have been under the ELF system.

Chart 2 below shows the average tax rates of PPT, ACES and ELF under a range of oil prices. Also shown is the average tax rate in each of the years that a net profits tax has been in place.



The department was also asked to review the tax rate for oil produced from private land of 5% of the gross value at the point of production.[2] The department is not aware of any concerns expressed on behalf of industry or private landowners as to the fairness of this tax.

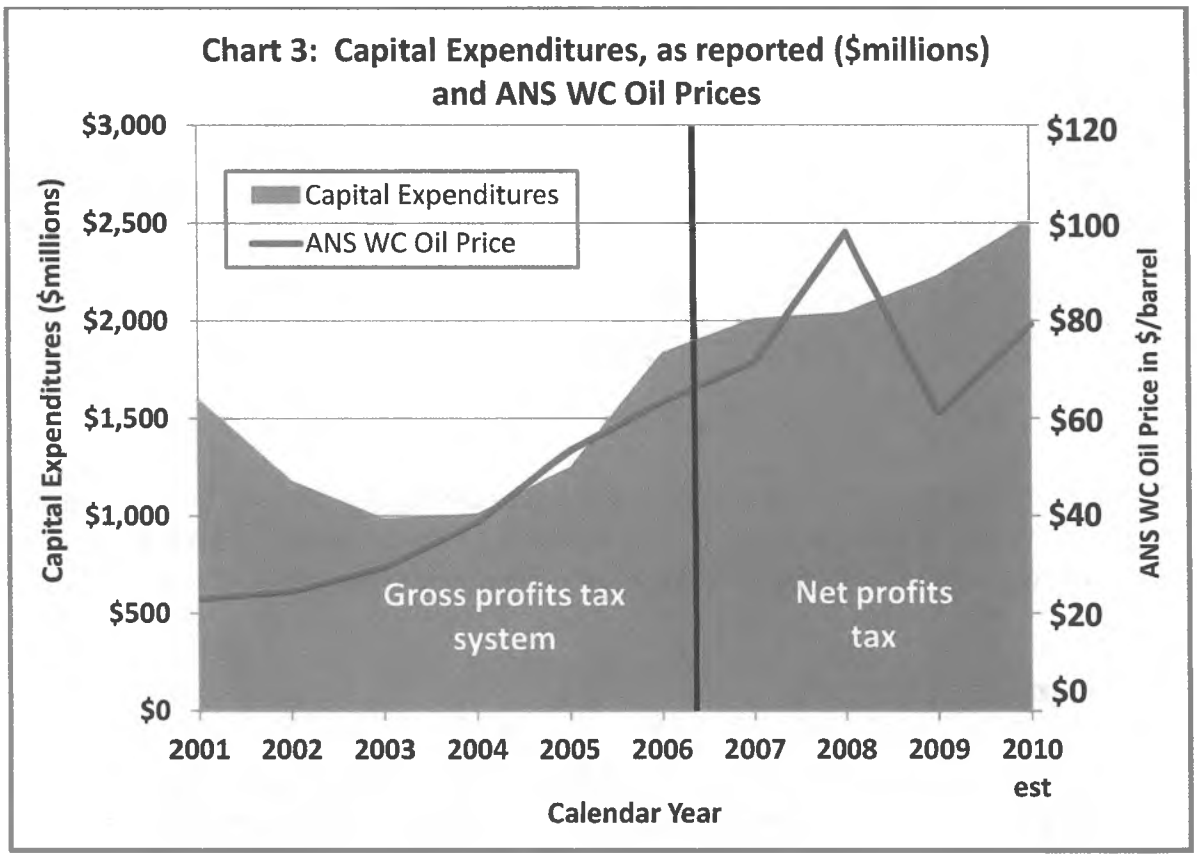
Industry Investment

Investment is an important component in Alaska's oil and gas industry. Producing oil, especially in an arctic environment, requires substantial financial outlays before, during

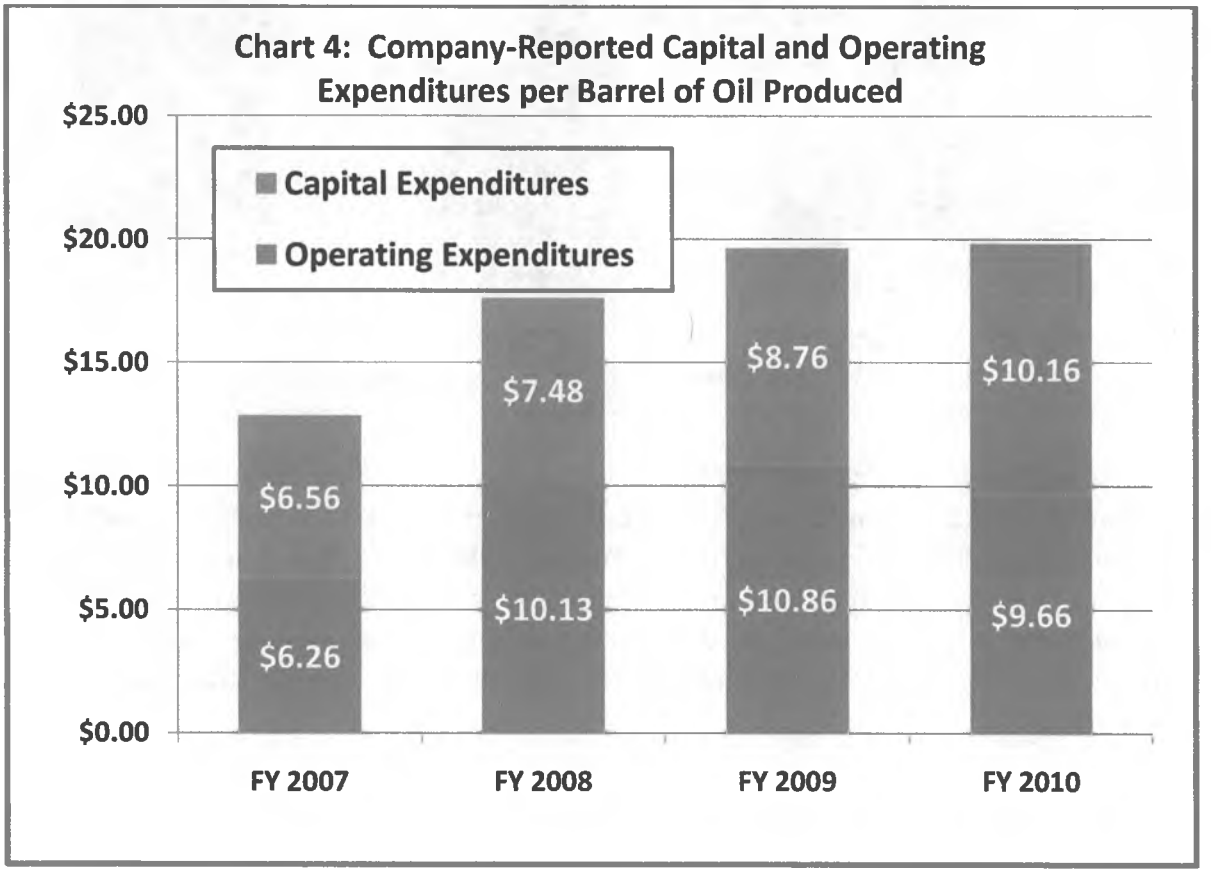
[2] AS 43.55.011(i)

and after producing the oil. In massive oil fields such as Prudhoe Bay, which has been operating for more than 30 years, maintaining and upgrading equipment and facilities is key to continued undisrupted oil production. Companies must also invest in research and new technologies in order to achieve the maximum recoverability of petroleum from the reservoirs they have developed. Because the companies that invest in petroleum projects can and do operate in areas outside of Alaska and the country, Alaska oil projects must compete with other petroleum opportunities throughout the world for those investment dollars.

Industry investment is generally reflected in capital expenditures, as opposed to operating expenditures, which are normally considered day-to-day expenditures for producing oil and gas. Alaska's fiscal system, which gives credits for capital expenditures, theoretically encourages these types of investments. Our review of the past 10 years of data appears to bear this out. Chart 3 below shows company-reported data from tax filings from calendar year 2001 through calendar 2010 (estimated). While capital expenditures over the five-year period (2006 through 2010) since the implementation of a net profits tax with credits for capital expenditures have increased each year, we have limited data as to the nature of the expenditures.

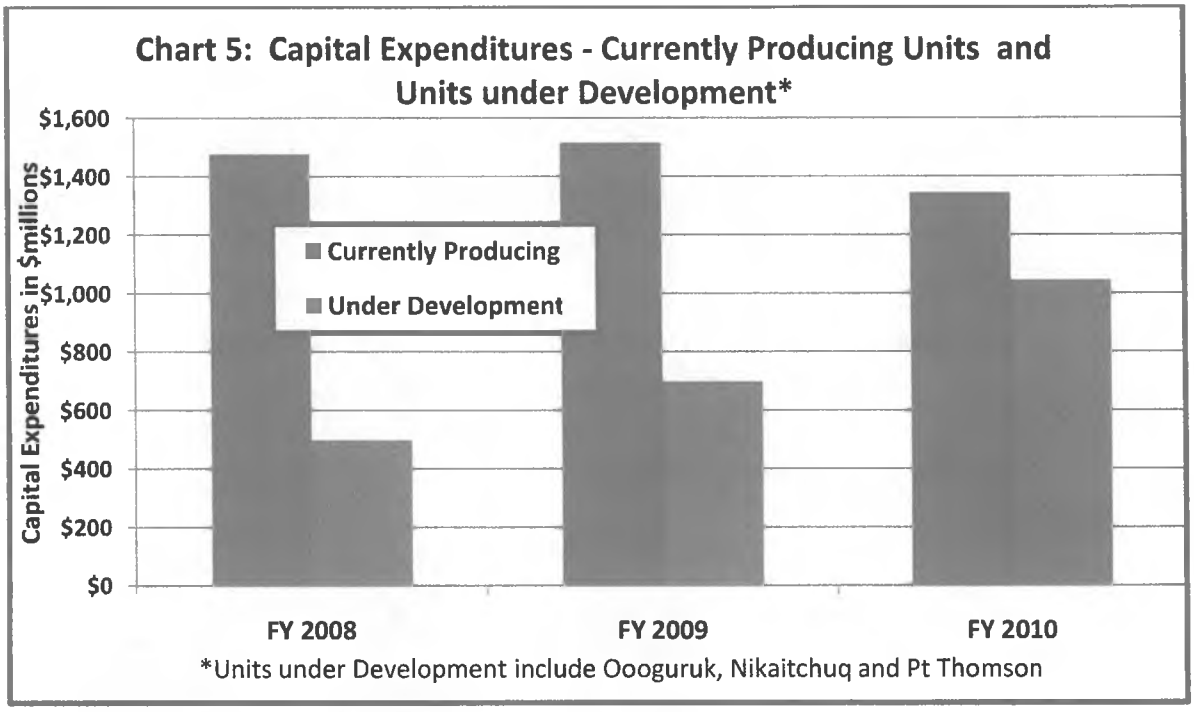


In the context of petroleum basin operations, capital expenditures are generally an indicator of expanding production or enhancing or extending the life of facilities or equipment. Expenditures for drilling wells normally fall into the category of capital expenditures as do expenditures for building housing or processing facilities. The Department of Revenue has extremely limited data from which to determine the nature of the capital expenditure increases. Given the age of North Slope facilities and infrastructure, it is quite possible that much of the capital investment in currently producing properties such as Prudhoe Bay is to extend the life of the facilities or infrastructure. Production on the North Slope continues to decrease, with a 7% decline rate between FY 2009 and FY 2010. The end result is that capital expenditures per barrel of oil produced are rising, while operating expenditures per barrel have leveled off and even decreased somewhat, as shown in Chart 4 below.[3]



[3] The slight decline in capital expenditures per barrel between FY 2007 and FY 2008 can be explained by the fact that FY 2007 included 14 months of expenditures, due to the effective date of the tax change of April 1, 2006.

One trend that has been observed in annual capital expenditures figures is that the proportion of capital spending in units under development has been increasing relative to the total capital expenditures spent on the North Slope. Chart 5 below shows expenditures by currently producing units and units under development over the past three fiscal years.

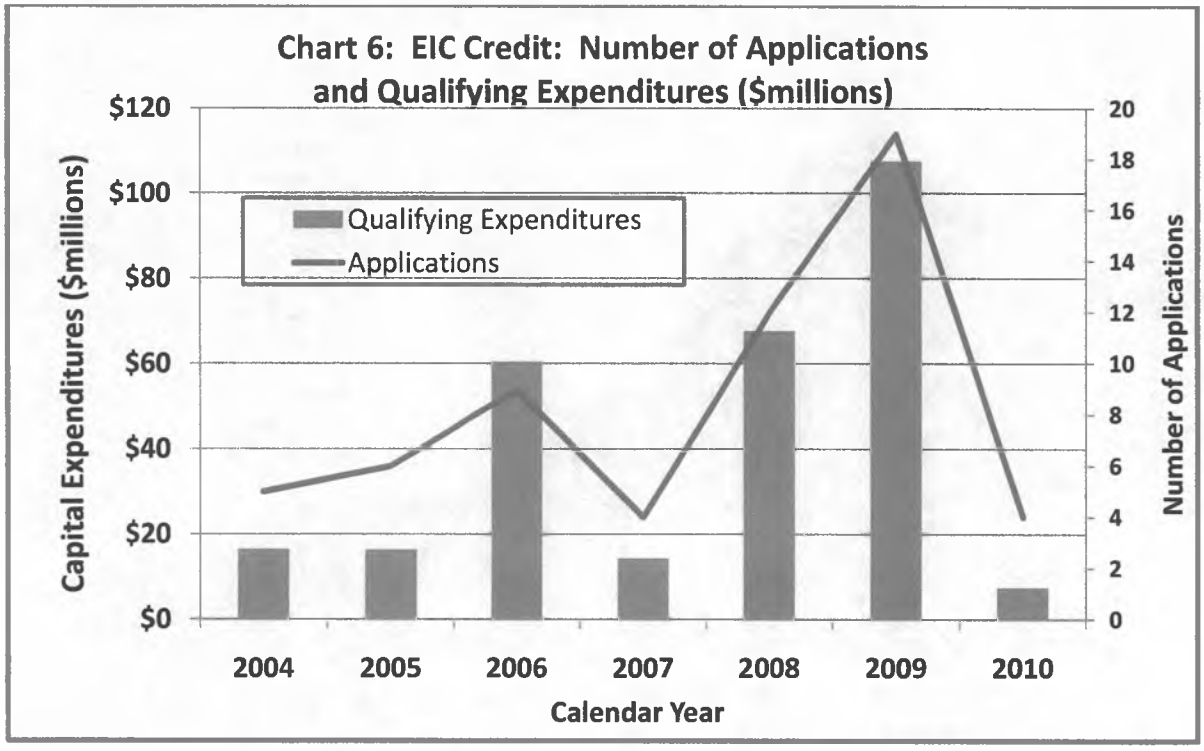


Capital expenditures also earn credits under the new production tax system. The credit system for capital expenditures on the North Slope does not distinguish between types of capital expenditures in existing units. The legislature in 2010 expanded the credit program in Cook Inlet to include an additional 20% credit (total of 40% credit) for lease expenditures related to wellwork. A credit increase of this nature may also prove beneficial to incentivize capital expenditures on drilling and increased wellwork on the North Slope.

Impact on Exploration, Development and Production

As discussed in the previous section, the net profits tax system includes credits for capital expenditures, without distinction as to the nature of the expenditure. The tax system also includes credits for exploration expenditures through its exploration incentive credit (EIC) at AS 43.55.025. This credit was implemented in 2003 and was expanded with the ACES tax changes. If a project meets certain exploration criteria, it may be eligible for 40% credit under the EIC program.

The department began receiving applications under the EIC program in 2004, and the number of applications and amount of qualifying expenditures has generally increased each year peaking in the winter of 2008/2009[4]. The number of applications for EIC credit decreased significantly in 2010, reflecting a decrease in activity for the winter of 2009/2010. Chart 6 shows the number of applications and the expenditures that qualify under the EIC program from 2004 through 2010.

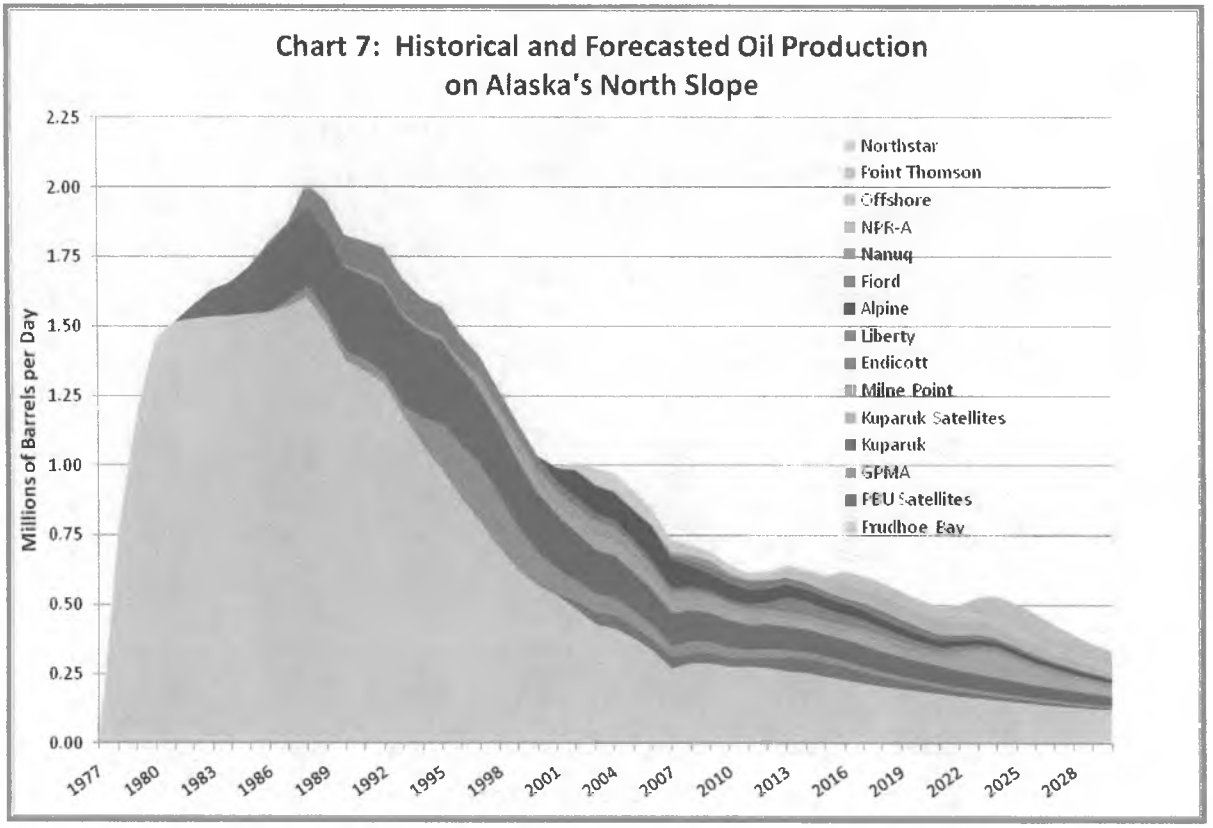


It is much more difficult to measure a tax system's impact on oil development and production from existing fields. The department's production forecasters twice annually create production profiles from limited information about an area's geology, drilling results, and other information exchanged in confidential discussions with operators. The compilation of production profiles for each North Slope field is a challenging task, employing the use of an engineering consultant, generally accepted engineering principles, and special software. The results of this compilation are subject to further revision as projects face delays that are typical in the petroleum industry such as reservoir challenges, permitting difficulties or lack of project funding.

New commercial developments on the North Slope include the Oooguruk Unit, which began production in 2009, and the Nikaitchuq Unit, which is expected to begin production in 2011. The Point Thomson Unit is also under development, expected to

[4] The sharp decrease in 2007 may be due to the tax change to the PPT, which at the time provided credit equal to the lower credit rate of the EIC program, without the reporting requirements.

begin production in 2015. Despite the addition of these developments, North Slope production continues to decline. From FY 2009 to FY 2010, oil production declined 7%; another 4% decline is projected between FY 2010 and FY 2011. Chart 7 below shows historical and projected oil production from the North Slope.

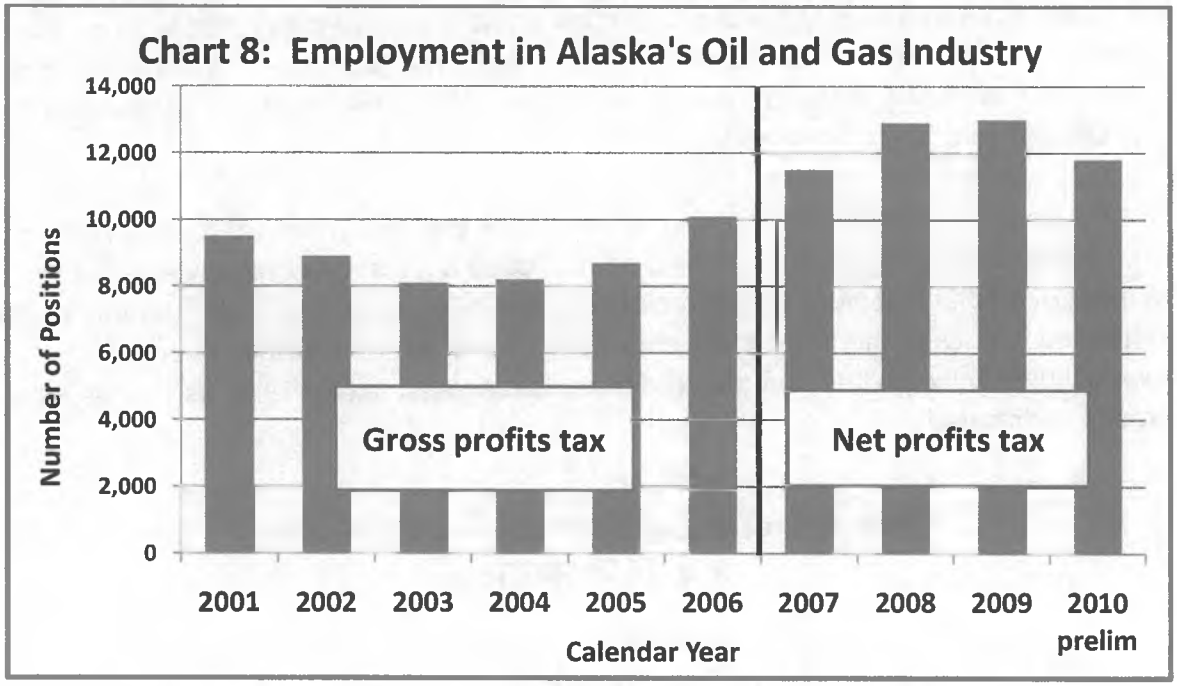


Industry Employment and New Entrants

Employment in the oil and gas sector is another important measure of the health of the oil and gas industry in Alaska. Although oil and gas employment is not the largest category in the state, it is among the most sought-after employment, due to high wages. The Alaska Department of Labor and Workforce Development (DOLWD) reports that in 2009, the average earnings for a person employed in the oil and gas extraction industry was close to $14,000 per month. These earnings are more than 3 times higher than the average earnings for all industries and government in the state of about $4,000 per month.

The department also reports number of employees by industry. Oil industry employment in the state includes jobs with duties that would fall into one of three categories: (1) oil and gas extraction; (2) drilling oil and gas wells; and (3) support activities for oil and gas operations. Officials at DOLWD acknowledge that the definition

is fairly narrow, leaving out important oil-related employment, such as jobs at Alyeska Pipeline Service Company and at refineries in the state. Employment in the oil and gas industry has increased in the years since PPT was implemented, although the department projects a slight decrease in 2010. These data are shown in Chart 8 below.



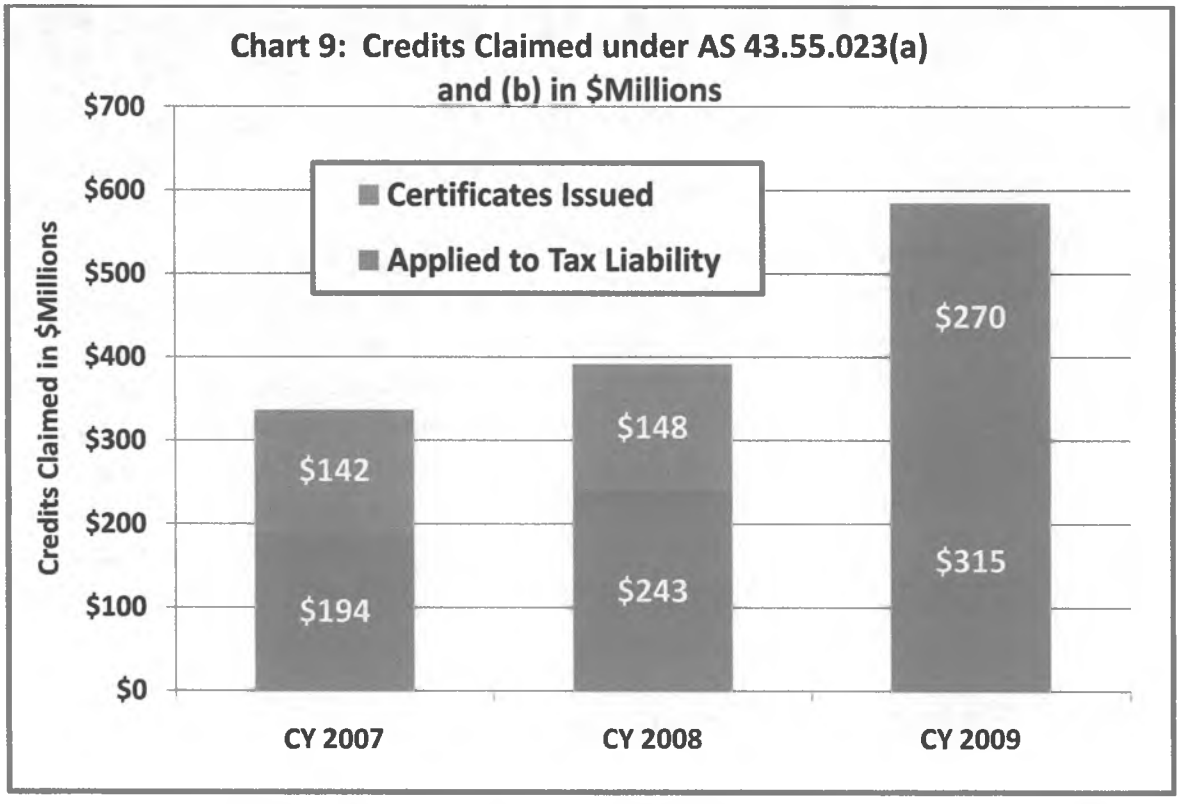
The state has seen new entrants into the Alaska oil and gas industry since the implementation of a net profits production tax. At the most recent lease sale held in October of 2010, a company new to Alaska successfully bid on over 100 tracts of oil and gas property. The steadily increasing number of production tax returns filed annually also indicates companies' new or renewed interest in Alaska's oil and gas opportunities. In 2006, the first year that filings were made under a net profits tax, there were 19 companies filing annual returns. In 2007, the number of companies filing production tax returns totaled 26, and in 2008, 36 companies filed annual production tax returns. The filing for 2009 increased only slightly from 2008, with 39 companies filing returns.

Use and Expansion of Tax Credits

Tax credits have played and continue to play an important role in the net profits production tax system. There are currently five credit programs specific to the oil and gas production tax, and each of the programs have had substantial interest, and in most cases, use from taxpayers. Alaska's tax credit programs are intended to steer spending to certain in-state activities.

The most widely used credits under the production tax system are the qualified capital expenditure credits at AS 43.55.023(a). Tax credits under this program may be applied to production tax to reduce a taxpayer's tax liability. If an oil and gas company has no tax liability, the credit may be carried forward, transferred to another company, or sold to the state. AS 43.55.023(b), credits for carried-forward net operating losses, are also widely used and may also be carried forward, transferred to another company, or sold to the state. Combined, these credits made up over 80% of the credits issued by the DOR Tax Division over the past three years.

Chart 9 below shows the total number of tax credits claimed under AS 43.55.023(a) and (b), categorized by the number of tax credits applied against a tax liability and the number of credits that were issued credit certificates for future use. We note that credits increased in each of the three years shown. The forecast for increased capital expenditures will translate to more credits applied against tax liabilities as well as more credits certificated.



Other credits include Small Producer/New Area Development credits (AS 43.55.024(a) and (c)) and Alternative Credit for Exploration (AS 43.55.025). These credits have seen less use than the credits under .023.

Credits have been expanded – both in credit rate and number of credits available – over the past year. The credit rate under the Qualified Capital Expenditure credit (AS 43.55.023) was increased for well lease expenditures relative to projects in Cook Inlet from 20% to 40%. Credit under the corporate income tax was also increased and extended (AS 43.20.043) for exploration and development of natural gas in Cook Inlet. The credit rate increased from 10% of qualified capital expenditures and qualified services to 25% of these costs and the credit program was extended from 2013 to 2016. For a complete listing of tax credits available against the production tax and other taxes, see the Fall 2010 *Revenue Sources Book*, at:
http://www.tax.alaska.gov/programs/documentviewer/viewer.aspx?2126f

Tax Administration and Compliance

The numerous changes associated with the shift from a tax on gross value to a tax on profits have been a challenge for the Department of Revenue in a few specific areas. The first order of business under a tax system with a new, different way of calculating the tax is to define the inputs. This has taken place over the past several years in the process of creating, vetting, and implementing regulations. The regulations writing process for the production tax change has been extraordinarily interactive with the taxpayers, incorporating their input in all phases of development. Although this process may have slowed the pace of development, it resulted in more clarity in a complex set of regulations. The regulations writing process continues to date.

The change to a production tax on net profits also posed challenges for the audit staff in the areas of hiring qualified auditors and training auditors for the new demands of the position. The department has had difficulties attracting qualified auditors under the state pay schedule. New and expanded credit programs have also added to their workload. Despite these challenges, the audit staff has completed most of the audits under the PPT system.

The greatest difficulties faced by the department since the implementation of a net profits production tax system are the collection, use, and storage of the huge amounts of data received monthly and annually. As an example, the department receives monthly information from each active oil and gas company regarding the amount of oil and gas produced, the amount spent in operating and capital expenditures, the amount of credits earned and used, and the payment submitted. The department also receives documents pertaining to petroleum sales and netback calculations, most of which are submitted in Adobe Acrobat pdf format, which is not a suitable format for data storage or use. Assembling this data in a useable format is time-intensive and subject to error, as the data are cut and pasted into spreadsheets manually. Further compilations and changes subject the data to additional error and distortion.

The department's access to and use of this important data would be substantially improved if the information were housed in a central database, with access provided to all users of the data. The department believes securing a database will assist in operating more efficiently and effectively as an interface with both taxpayers and the public.

Conclusions and Recommendations

A government's fiscal regime is just one element for oil and gas companies to consider when weighing options for where to invest. Many other elements, such as resource risk, political risk, environmental factors, and availability of labor and equipment, also play a part in companies' decisions about where to invest. It is very difficult to separate these factors in order to determine the extent to which a government's fiscal system influences investment choices.

While it is untenable to blame a tax system for the lack of industry investment, it is equally untenable to claim that the tax system is the reason increased activity or investment occurs. The past three years have seen dramatic swings in oil prices from a high of $134 per barrel to a low of $38 per barrel just 6 months later. An economic recession stifled investment and business activity in the United States and much of the developed world for over a year. The economic activity of the past three years may not have been the best benchmark by which to judge the impact of a tax system.

Nevertheless, it is prudent for state officials to monitor praise for and criticisms of its fiscal systems from both industry and the general population that they serve. High oil prices of recent years have swelled state bank accounts and some have suggested that the state is in the best financial position since statehood. Business periodicals and industry journals report that state is benefitting at the expense of a single industry – petroleum – and that the tax rate under ACES is too high and "takes away the upside" for the oil and gas producers. Criticism is often centered around the marginal tax rate under ACES, under which the government share of each additional dollar of profit may be as high as 93%.

State officials also make efforts to stay informed on the global oil and gas markets and opportunities in other jurisdictions, including how Alaska ranks competitively against them. Among the recent events in government taxation was the royalty modification undertaken by the Canadian province of Alberta. Studies conducted for the Alberta government showed that the royalty changes made in 2007, combined with the recession, the changes in natural gas markets, and other jurisdictions' efforts to attract investment, were making Alberta less competitive for limited petroleum investment

capital. The government responded to this information by changing its royalty structure in a way that the government's share of oil and gas profits would be lower.

The State of Alaska depends heavily on the oil industry, with more than 80% of its unrestricted revenue coming from oil taxes and royalties. State officials should continue to monitor the state's competitiveness in oil and gas opportunities, and be prepared to modify it as the need arises.

8.

FAST Study
October 2010

State of Alaska

Department of Revenue



Comprehensive Plan and Feasibility Study

Alaska Department of Revenue Tax Division
RFP Number 2010-0400-9618

Executive Summary

Needs Assessment

The Alaska Department of Revenue's Tax Division (DOR/TAX) relies on a patchwork of 17 automated systems and over 100 manual "side-systems" to administer 22 tax programs.

- DOR/TAX manages over **$3 billion in Oil and Gas Tax revenue** using an eclectic mix of home-grown side-systems that include multiple databases and unsecured, unstable spreadsheets stretched well beyond their intended use. Storing sensitive taxpayer information in these databases and spreadsheets poses a high security risk.
- The 17 systems used to administer different taxes and functions have been pieced together over the past 15+ years without integration or an overall architecture. The systems do not scale to meet current needs and are inflexible and difficult to maintain. Since the initial development of the systems, many tax laws have changed and the systems have not changed accordingly.
- DOR/TAX constructed the current tax systems as silos of information pertinent to only the tax types they serve. This makes sharing data with other tax systems difficult, requiring customized interfaces, or manual processes. It also makes the business processes that have grown up around the systems duplicative and inefficient, and, in many cases, business processes which should be standard across tax types conflict between systems.
- The vast majority of the agency's business processes are manual. Many exist strictly to get information from one system, database, or spreadsheet to another or to reconcile information. The prevalence of manual processes significantly increases the probability of human error. DOR/TAX also uses manual processes for fundamental business purposes – for example, distributing shared taxes of over **$44 million to 124 communities** throughout Alaska in 2009.
- DOR/TAX employees spend a higher proportion of their time compiling, organizing, and reconciling data than actually auditing, examining, analyzing, forecasting, or managing tax programs.
- The limitations and inflexibility of existing systems impose a burden on taxpayers. Current reporting processes are inefficient and ineffective, and create unnecessary work and cost. As one taxpayer stated, "the Tax Division's inefficiency makes taxpayer interaction with the division inefficient."
- DOR/TAX cannot easily produce reports required by the legislature and policy makers because the current systems prevent timely, complete, and correct extraction of data. Reports can be inaccurate and misleading due to incorrect and incomplete data and human error.
- Because of the changing nature of the economy, Alaska may, in the future, need to adjust its state tax structure away from such a heavy reliance on Oil and Gas Taxes. The current capabilities of DOR/TAX make analysis of new opportunities, or investigation of competing alternatives, nearly impossible. Economic research capabilities of the current system rely on manual processes.

DOR/TAX Vision

DOR/TAX's vision is to "Efficiently use resources to promote compliance and fairly collect and accurately report the State's revenues." The DOR/TAX management team believes the single, most significant step it can take to achieve its vision is to procure and implement a modern integrated tax management system (ITMS).

ITMS implementations are complicated, high-risk projects. An effective mitigation strategy needs to focus on three key elements:

- Choosing a sound implementation approach
- Using an effective procurement process to select a strong solution and trusted business partner
- Carefully planning and managing the project to ensure successful delivery

Implementation Approach

Options available to states desiring to implement a modern, ITMS include the following.

- *Custom systems:* For many years, custom-built mainframe-based systems were the only option available to state revenue agencies. They remain an option today. A custom solution can provide a high degree of flexibility, especially if the agency is very satisfied with its existing business processes and does not want to adapt them to other solutions. Custom systems, however, pose a higher degree of implementation risk and, historically, have been a more costly option.
- *Transfer systems:* Transfer systems were a popular option from the mid-80s through to the early 2000s, offering the advantages of lower cost and lower risk. At least two vendors marketed and implemented transfer solutions. To our knowledge, there are no vendors actively marketing transfer system solutions for an ITMS in the US market today.
- *Commercial off-the-shelf (COTS) systems:* COTS solutions became an option for state tax agencies after the turn of the 21st century. They offer advantages of lower risk, reduced cost, and quicker deployment of proven "out-of-the-box" functionality. Today, there are at least five companies with COTS solution offerings for the US market.

Since 2000, COTS solutions have become the predominant option for an ITMS in state revenue agencies within the US. In the past decade, 21 out of 27 ITMS contract awards were for COTS solutions. In the past five years, 12 of 14 contract awards were for COTS solutions and two followed a custom approach.

DOR/TAX does not have to decide on the implementation approach at this time. DOR/TAX can construct the Request for Proposal to allow vendors to propose an ITMS using the vendor's desired approach. This technique encourages competition and allows DOR/TAX to select the system, and the approach, during the evaluation of bidders that best meets the needs of DOR/TAX.

Scope

The scope for an ITMS includes:

- Replacing all 17 official systems, various FoxPro and MS Access databases, and over 100 Excel spreadsheets in side-systems with one integrated system. Current legacy systems will be retired as the tax types they administer are integrated into the new system
- Migrating all 22 tax types to a new, ITMS
- Cleaning data and preparing data for conversion from existing legacy systems
- Training users and operators to fully utilize system functionality
- Implementing new e-filing opportunities for taxpayers, including Modernized e-File (MeF)
- Increasing compliance functions thereby enhancing non-filer, collections, and audit functionality
- Automating distribution of shared taxes after user approval
- Configuration meeting the State of Alaska and DOR's specific requirements and providing the ability to quickly adapt the tax types to the State's ever-changing tax laws and regulations
- Providing for data warehouse and integrated imaging capabilities
- Implementing streamlined business process changes to improve efficiency and effectiveness

Costs

While the number of taxpayers in a jurisdiction has some bearing on costs, the complexity of the taxes, desired functionality, and the number of tax programs are much more significant factors. A high volume of taxpayers can affect software and hardware scalability and performance, but the functionality needed to process and administer a tax is not materially affected by a large or small number of taxpayers.

A budget for an integrated tax system for a five year period is estimated to be $30 to $35 million, and DOR/TAX is requesting a budget of $35 million. This budget should be sufficient to attract a number of vendors offering a range of solutions to respond to an RFP, and it is within the industry standard range.

Estimated Project Costs—Five Year Period

Component	Amount – Low (millions)	Amount – High (millions)
Vendor Software and Services	$23.0	$27.0
Hardware	$1.375	$1.375
Project Operating Expenses	$1.325	$1.325
Maintenance and Support (2 years)	$4.0	$5.0
Total	$29.7	$34.7

For an ITMS project, one of the critical risk factors is inadequate funding. It is important to set a realistic level of funding, allowing multiple vendors to bid thereby providing competitively priced proposals for goods and services. Setting a budget too low may result in getting a system that does not meet the agency's needs. A jurisdiction also runs the risk of limiting the number of vendors that respond to an RFP or receiving attractively priced responses that carry high business and delivery risks.

Benefits

Benefits achievable through a modern ITMS align with DOR/TAX's vision. In many states, revenue collections resulting from increased compliance exceed the amount spent on a new ITMS within 2 or 3 years after implementation is complete.

Benefits of a modern ITMS include the following:

- *Improving efficiency* - by facilitating a consistency of operations across all tax types and functions and enabling the automation of high volume, routine tasks. An ITMS project will streamline business processes and align them with best practices while at the same time providing a means and a method to incorporate tax law changes rapidly and easily.
- *Promoting compliance* - through enhanced voluntary compliance as well as collection, audit, and discovery activities. An ITMS will make conducting business with DOR/TAX simpler and easier for taxpayers and enable DOR/TAX to provide taxpayers with accurate and complete information. It will also enhance collection management tools.
- *Increasing fairness* – everyone is paying the taxes they are legally required to pay. An ITMS will allow DOR/TAX to systematically identify and act on taxpayers who fail to file, improve audit selection, identify potential underreporting, and discover taxpayers that should be registered and paying taxes, but are not.
- *Accurate reporting* - through an ITMS that provides consistency of information across all tax types and functions. An ITMS will provide real-time access and query capability, and enhanced flexible reporting capabilities.

An ITMS also streamlines system maintenance by providing a single system with a common architecture and standard delivery platform.

Implementation Roadmap

- This study provides an implementation roadmap, offering DOR/TAX practical guidance as it prepares for procurement and plans for implementation of an ITMS. Key activities include:
- Preparing for procurement – activities before the RFP is issued
- Writing the RFP
- Preparing for the project with an emphasis on project management, change management, communication management, risk management, data preparation, and deciding on project location

Factors Leading to Success

In our experience, there are certain contributing factors that can greatly influence a project's outcome. Those that are within the influence of DOR/TAX are described in detail and fall within leadership support, staffing support, logistic support, and leadership support.

Summary

It is evident from the research, reviews, interviews, and analysis of the information there is a clear need for implementation of an ITMS in DOR/TAX. It is only through extensive and redundant data manipulation, the use of unsafe side-systems, and numerous hours spent cross checking and re-keying data that DOR/TAX is able to sustain the level of service they provide now.

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II. Introduction

A. Background

For the past three years, the Alaska Department of Revenue's Tax Division has been investigating options to replace its patchwork of systems, databases, and spreadsheets that currently support the processing and collection of taxes. The agency staff and external consultants have prepared numerous analyses, studies, and documents to determine needs, identify options, and recommend the best approach for the Tax Division's future.

In July 2010, Alaska Department of Revenue's Tax Division (for the purposes of this report, DOR/TAX) issued a Request for Proposal (RFP) soliciting proposals for an unbiased study to determine the feasibility, scope, and estimated costs of a new Integrated Tax Management System (ITMS) to streamline revenue administration. Fast Enterprises, LLC (FAST) of Greenwood Village, Colorado was awarded the contract to perform this study. This report is one of the deliverables required of that contract.

B. Purpose and Scope

FAST worked with DOR/TAX to develop the scope of this study. The purpose of the study is to identify technology solutions supporting the overall vision of DOR/TAX.

The scope includes:

- Obtaining external stakeholder feedback, both to help DOR/TAX make sure its vision and mission are centered on the outcomes valued by stakeholders and to identify ways the agency can improve tax administration and the services it provides
- Assessing the gap between DOR/TAX's current state and its desired future state through a detailed technical, functional, and business process analysis
- Making recommendations on feasibility and scope, validating costs, and identifying benefits associated with an ITMS
- Identifying technical, business, and delivery risks, along with an implementation approach to minimize those risks
- Providing DOR/TAX with a roadmap based on practical guidance as it prepares for the procurement and plans for implementation of an ITMS

C. Methodology

FAST employed the five methods described below to perform this study.

1. External Stakeholder Interviews

DOR/TAX helped identify external stakeholders including a mix of taxpayers, association representatives, legislators and legislative staff, state agency personnel, and a local government representative. Twenty individuals participated in 14 interview sessions conducted in person and by telephone. Interviewees answered a consistent set of questions designed to obtain feedback about DOR/TAX and to provide input regarding the agency's vision and mission, ways to improve tax administration, and services delivered by the agency. Appendix A contains a list of stakeholder interview participants.

2. Gap Analysis

DOR/TAX's subject matter experts (SME) participated in 22 sessions to gather information about current systems and business processes. The sessions were organized by functional area. Participants discussed system constraints, limitations, desirable features, and functionality to increase effectiveness, streamline business processes, and improve productivity.

3. Management Team Workshops

Two sessions with DOR/TAX management reviewed and refined the agency's mission and vision statement and aligned its technology strategy with this vision. Stakeholder feedback and input was shared with the management team during the second session.

4. State Surveys

FAST reviewed and analyzed information previously collected by DOR/TAX about project costs, schedules, and user satisfaction and supplemented it with additional survey information about project scope, costs, and benefits.

5. Review of Prior Reports and Analysis

FAST reviewed many reports, studies, and analyses provided by DOR/TAX, including the following:

- Oil and Gas Tax System: Preliminary Requirements (October 18, 2007)
- Oil and Gas Tax System: Solutions Analysis (October 18, 2007)
- Oil and Gas Tax System: COTS Solutions Analysis (January 28, 2008)
- Tax Revenue and Information Management System: Implementation Strategy (TRIMS) (October 13, 2009)
- Commercial Off-the-Shelf (COTS) Revenue Management System: The Future of Revenue Administration (September 2008)
- New Tax Revenue Management System: Project Charter (August 27, 2008)

III. DOR/TAX Mission and Vision

A clear statement of an organization's mission and vision is important to provide clarity of focus, both for employees working inside the organization and for those affected externally by the organization's day-to-day operations. A carefully-crafted statement is able to communicate an organization's core purpose and focus, and express its aspirations for the future. It also forms the foundation for a strategic approach that can position the organization to reach its goals.[1]

A. External Stakeholder Input

DOR/TAX desired contributions from external stakeholders to serve as an input for this study, and to provide validation prior to an annual review of its vision and mission statements. FAST interviewed 20 stakeholders including taxpayers, association representatives, legislators and legislative staff, state agency personnel, and a local government representative.

After sharing a copy of the previous mission and vision statements, the questions posed to stakeholders were:

- What is your general reaction to DOR/TAX's mission and vision?
- Is it appropriate?
- Does it look like they're focusing on the right things?
- Is anything missing?

Feedback centered on the four topics discussed in more detail below.

Clarity – Stakeholders noted the statements were "quite a blend of things" and that DOR/TAX could "tighten up their focus with fewer statements."

Compliance and Collections – The most frequent comment throughout all the interviews stressed placing an emphasis on compliance rather than increasing revenue collections. One stakeholder explained,

"Shouldn't [the Tax Division] just be trying to collect the correct amount that is due? Increasing compliance makes sense, but simply *increasing revenue collection* sounds like they're only out for money – even if taxpayers are already paying what they owe."

> ***"It's good they want to focus on efficiency because the Tax Division's inefficiency makes taxpayer interaction with the division inefficient."***

[1] The mission and vision statement shared with stakeholders can be found in Appendix C, along with the more detailed feedback shared with DOR/TAX.

Another observed,

> "Trying to move the compliance needle closer to 100% is important. But simply *increasing revenue* seems to communicate the wrong message."

Efficiency – Several stakeholders noted the importance of operating efficiently. One stakeholder said, "It's good they want to focus on efficiency because the Tax Division's inefficiency makes taxpayer interaction with the division inefficient."

Wise Use of Resources, Technology – There was a concern that emphasizing the maximum use of technology, sent the wrong message. One stakeholder commented, "The important thing is to use technology wisely and effectively."

Another explained,

> "It's not about arbitrarily using technology to the max – you use technology to improve customer service or increase the public's confidence in the Tax Division. Technology is a means to achieve the Division's goals."

Stakeholders also provided feedback on DOR/TAX's mission. DOR/TAX is not able to change its mission statement without approval of the Office of Management and Budget since mission statements are used to succinctly describe an agency's objectives.

B. DOR/TAX's Mission and Vision

Mission – Collect taxes, inform stakeholders, and regulate charitable gaming.

Vision – Efficiently use resources to promote compliance and fairly collect and accurately report the State's revenues.

C. Strategic Actions and Approach

To make significant progress in reaching its vision, DOR/TAX requires a strategic approach that addresses the fundamental tools at its disposal – people, processes, and technology. The DOR/TAX management team believes the single biggest barrier it faces today is its patchwork of aging, inflexible systems and, in some cases, the absence of any system to support tax administration. By necessity, manual processes are pervasive in the agency's operations, consuming its peoples' time and energy that should be focused on compliance and taxpayer service activities. The accurate collection and reporting of revenues is at risk by insecure side-systems and extensive reliance on manual processes.

An ITMS would help DOR/TAX achieve its vision by providing a state-of-the-art platform able to leverage technology in the future. Benefits achievable through a modern ITMS align with the components of DOR/TAX's vision.

Efficiency - by facilitating a consistency of operations across all tax types and functions and enabling the automation of high volume, routine tasks. An implementation project will streamline business processes and align them with best practices.

Promoting compliance - through enhanced voluntary compliance as well as collection, audit, and discovery activities. An ITMS will make conducting business with DOR/TAX simpler and easier for taxpayers and enable DOR/TAX to provide taxpayers with accurate and complete information. It will also enhance compliance by providing collection management tools.

Fairly collect - by making sure everyone is paying their fair share of taxes, allowing DOR/TAX to systematically identify and act on taxpayers who fail to file, improving audit selection, identifying potential underreporting, and helping discover taxpayers that should be registered and paying taxes, but are not.

Accurately report - through an ITMS that provides consistency of information across all tax types and functions with real-time access and query capability, and enhanced, flexible reporting capabilities.

With the exception of cash processing and booking liabilities, there is not an automated system to administer the state's Oil and Gas Production Tax.

All other processes for this tax type are performed manually.

IV. Gap Analysis: "As Is" and "To Be"

The gap analysis presented in this section results from DOR/TAX's current state as compared to the desired future state made possible with the procurement and implementation of an ITMS. The current state is determined through a variety of means including an inventory of DOR/TAX's existing systems, examining current functionality and business processes, and through interviews with external stakeholders. Limitations, constraints, and problems are identified and compared to the opportunities for improvement inherent in a modern ITMS.

A. Inventory of Existing Systems

DOR/TAX has 17 systems used to administer different aspects of its tax types and over 100 MS Excel spreadsheets that track information the systems do not capture. Since the initial development of the systems, many tax laws have changed and the systems have not changed accordingly. It is important to note that with the exception of cash processing and booking liabilities there is not an automated system to administer the state's oil and gas production tax. All other processes for this tax type are performed manually.

The current systems are difficult to modify and maintain and do not scale to meet current needs. The result is the creation of quasi-official "side-systems." Side-systems most often take the form of MS Excel spreadsheets and, in some cases, MS Access databases that are external to systems consistent with DOR's designated *Application Development Platform and Database Standard*.

TAX has 17 systems used to administer different aspects of its tax programs and over 100 MS Excel spreadsheets that track information the systems do not capture.

Well intentioned users create side-systems out of necessity to capture information needed to perform their jobs. Storing information in side-systems results in many problems including data duplication, inconsistent data, incomplete data, and loss of data. Additionally, side-systems introduce serious security risks.

Presented below is an inventory of the 17 systems DOR/TAX maintains and uses to perform their assigned duties. The tables below include important information as to the age of the system, if known, why the system does not meet the needs of DOR/TAX, and obtainable functionality and benefits if DOR/TAX replaces them with an ITMS.

1. PowerBuilder Applications

The Alaska IT Group (2008) concluded the tax applications built in PowerBuilder are not SOA standard (p. 3). The same study found the core infrastructure of the existing PowerBuilder solution to be

incomplete and lacking many features that would streamline and consolidate the business practices of DOR/TAX. A few of those features include non-filer identification, collections management tools, audit management tools, and refund tracking. PowerBuilder applications are not consistent with DOR's designated *Application Development Platform and Database Standard*.

Cash Processing System (CPS)	
Age	14 years
Purpose	• Used by the Accounting and Collections Department to process, verify, track and post payments for all tax and license types • Interfaces to TAS to apply payments to taxpayer account and liability
Limitation/Problem	• Important information not available, such as payment directions • Not all payments made to DOR can be reported on from CPS • CPS data must be combined with TAS data to create a full report • Certain payment information is only accessible by the Accounting and Collections Unit
An ITMS could	• Standardize payment functionality - view, direct, re-direct, reverse, allocate, and otherwise associate payments with accounts and taxpayers • Make finding and understanding payment information more straightforward and visible to users talking with taxpayers and solving complicated tax payment related issues • Provide complete payment information - including split payment directions, history of allocations, and automated bad check fee application • Automate tracking and reporting of payments • Allow input information to be available in multiple formats for reporting, analysis, and ad hoc queries

Tax Processing System (TAS)	
Age	15 years
Purpose	• Acts as the accounting backbone for almost all tax types – Except Oil and Gas Property – only Oil and Gas Tax payments appear in TAS • Used by almost all DOR/TAX users to research and apply payments • Tracks Cigarette Consumption liabilities • Manages Mining License, Electric, and Telephone Cooperative Taxes • Manages all Gaming Tax and License functions • Holds keyed refunds information
Limitation/Problem	• Does not include management of Oil and Gas Property Tax • Difficult to change and understand code • Return details separate from transaction details • Transaction sequence numbers hard to decipher • Hard to track down the return adjustment and tie the adjustment to resulting transaction • Assessment reports to taxpayers sometimes report incorrect information causing confusion and frustration • Audit assessment reports sometimes have to be posted by IT staff due to system anomalies and inconsistencies in TAS • Changes on account status must be done manually
An ITMS could	• Include detail information for Oil and Gas Property Tax • Allow ability to view all taxpayer financial information in one place • Allow communication with taxpayers about their total liability • Allow automatic offsets to other periods/accounts • Allow revenue distributions performed in-system • Provide refund and refund interest tracking mechanisms • Provide audit and collections assessments • Provide standardization and automatic billing • Allow automatic calculation of all types of interest • Allow audit adjustments to be made from an audit case • Allow input information to be available in multiple formats for reporting, analysis, and ad hoc queries • Allow for improved management tracking and system functions

Data Entry and Examination Excise (DEE)	
Age	8 years
Purpose	• Data entry and examination functionality for returns from Tobacco, Alcoholic Beverage, Fisheries, Commercial Passenger Vessel, Large Passenger Vessel Gaming, Tire Fee, Vehicle Rental, and Motor Fuel Claim for Refund
Limitation/Problem	• Originally developed as a training tool • Never designed for use in a production environment • Difficult to improve and correct • Only used to capture Oil and Gas Production Tax payments and liabilities
An ITMS could	• Integrate data entry and examination process into the same system as the financial information - no data transfer between DOR/TAX systems • Allow configurable rules for taxpayer and account information and return line items - the system can easily be modified to meet changing needs • Provide version control allowing users to make adjustments to the same copy of the return while keeping a history of who and when the changes were made • Allow for viewing/adjusting of amendments against original return • Allow management and control of workflow • Allow measurement and adjustment of line item rules to detect and deter fraud, improve processes, improve forms design • Allow input information to be available in multiple formats for reporting, analysis, and ad hoc queries

Data Entry and Examination (DEE) Motor Fuel/Corporate Income	
Age	12 years (Motor Fuel); 10 years (Corporate Income Tax)
Purpose	• Serves as the data entry and examination system for Motor Fuels and Corporate Income Taxes
Limitation/Problem	• Originally a transfer solution from Wyoming's Mineral Tax System • Programming guidelines were not always followed, creating a system both difficult to maintain, but also incapable of keeping up with the State's needs and legislation • Cannot change the line items on the return to adapt to legislation changes • Difficult to make adjustments to return values - sometimes have to create and re-key all information from the return to make the adjustment • Does not meet DOR/TAX's needs
An ITMS could	• Integrate data entry and examination process into the same system as the financial information - no data transfer between DOR/TAX systems • Allow configurable rules for taxpayer and account information and return line items - the system can be easily modified to meet changing needs • Provide version control allowing users to make adjustments to the same copy of the return while keeping a history of who and when the changes were made • Allow for viewing or adjusting of amendments against original return • Allow management and control of workflow • Allow measurement and adjustment of line item rules to detect and deter fraud, improve processes, and improve forms design • Allow input information to be available in multiple formats for reporting, analysis, and ad hoc queries

Alaskan Salmon Price Report (ASPR)	
Age	Unknown
Purpose	• Supports data entry and management for Fisheries Business Tax filers • Gathers information needed for public reports
Limitation/Problem	• Complicated for users to extract data from the system in desired formats
An ITMS could	• Allow viewing and reporting needs for this data from a standard template • Allow for scheduled reporting and automated transmission of reports through email, FTP, or other methods • Allow easy data comparison to other information in the system • Allow for forecasting and data analysis on the reported data • Allow for historical reporting and storage of previous reports • Allow for ad hoc query analysis and "on-the-spot" answers
Fish and Game Licensing Application	
Age	Unknown
Purpose	• Tracks the approval process and the license status for Fish and Game Licensing
Limitation/Problem	• Difficulty tracking if a taxpayer is in compliance, holding a current license when they file their returns - compliance data matching is difficult to perform and time consuming • Gaming licenses, returns, and stamp information reside in three different systems making it difficult to verify manufacturer licenses
An ITMS could	• Situations of concern could be automatically detected and flagged for user review and suspend or stop automatic processes from occurring if a taxpayer is not in compliance • Ability to check returns filed without a license and vice versa • Allow easy data comparison to other information in the system • Allow for forecasting and data analysis on the reported data • Allow for historical reporting and storage of previous reports • Allow for ad hoc query analysis and "on-the-spot" answers

Interest Engine for TAS	
Age	Unknown
Purpose	• Calculates the interest of debt owed to DOR/TAX
Limitation/Problem	• Cannot automatically calculate interest on credits, refunds, assessments, appeals, or collection cases • Users typically verify calculation provided by TAS in an MS Excel spreadsheet and in other interest calculation software
An ITMS could	• Streamline interest calculations for all functions in the system - interest automatically calculated within the system based on configurable rules • Ability to manually add interest, if needed • Allow input information to be available in multiple formats for reporting, analysis, and ad hoc queries
Unclaimed Property (UP) Viewer	
Age	Unknown
Purpose	• View images associated with submissions in the UP system
Limitation/Problem	• PowerBuilder does not meet state of Alaska IT standards
An ITMS could	• Provide ability to associate images with taxpayer, accounts, and refunds • Allow easy data comparison to other information in the system • Allow for on-line notifications and claims for UP to clear out backlogs and reduce inventory of unclaimed property • Allow input information to be available in multiple formats for reporting, analysis, and ad hoc queries
Travel Documents Image Viewer	
Age	Unknown
Purpose	• Assists DOR/TAX's Administrative Unit by archiving travel documents
Limitation/Problem	• Does not include active travel documents
An ITMS could	• Associate travel documents with system users, however, travel documents are normally handled by a State's Human Resources Division enterprise resource planning system and images are better integrated with internal business functions not related to taxpayers

2. Microsoft (MS) Access Application

MS Access is a program used by DOR/TAX with the State of Alaska's IT standards and is not consistent with DOR's designated *Application Development Platform and Database Standard*. There are many risks involved when using MS Access databases, including the lack of version control, history maintenance, and data integrity as well as a vulnerability to data corruption. Storing sensitive taxpayer information in these databases poses a high security risk.

Oil and Gas Production Tax	
Age	Unknown
Purpose	• Tracks Oil and Gas credits and Joint Venture billing
Limitation/Problem	• In 2009, tracked Oil and Gas credits worth over $310 million • Captures a lot of data - databases are currently exceeding 5GB and are difficult to access on user machines and to store/retrieve on network drives • Users accidentally override each other's data • Users make their own "copy" of the databases which are not updated when new information is added to the original database • High possibility of data corruption and loss of data • Provides low security control for data which contains sensitive taxpayer information
An ITMS could	• Provide a system architecture designed to handle large amounts of data • Provide version control to prevent loss of information • Provide one source of data available to all users • Prevent data from being lost and overridden • Provide for implementation security standards • Provide ability to capture and report on all data submitted by the taxpayer • Allow standardization of data submission • Allow input information to be available in multiple formats for reporting, analysis, and ad hoc queries

3. Web Applications

DOR/TAX has implemented three web applications which have expanded taxpayer self-service. Taxpayers now have the ability to file returns and license renewals, make payments, and submit additional information to DOR/TAX. The applications automate the receipt of information, so the staff does not have to enter the original data.

Unfortunately, the web applications reside on the same servers as the Permanent Fund Division's applications. DOR/TAX cannot make major changes between December and May due to the potential negative impact to the Permanent Fund Dividend applications.

The web applications built originally to allow the taxpayers to apply for licenses now perform additional functions. Since the initial implementation, the scope expanded to allow the web applications to accept return filings, payments, and additional information required from taxpayers. The applications stretch to provide accepting MS Excel spreadsheets for online filing, data submissions for the Economic Research Unit, and for providing information to the public. Unfortunately, the structure of the web applications lacks two important factors of good software, flexibility and scalability. When changes to existing services are required or taxpayers request new services the effort to perform those tasks is often excessive.

Online Tax Information System (OTIS)	
Age	3 years
Purpose	• Taxpayers use OTIS to submit tax returns and supporting information, make payments, and review a history of online transactions
Limitation/Problem	• Shares the same server as PFD – no changes between December and May • Online system was originally designed for part of the current functions - the system is not scalable to further additions and changes • For some tax types, the web application allows users to provide information in any format they would like which creates additional work for DOR/TAX to sort and standardize received data into a consistent format for analysis
An ITMS could	• Place online support for tax types on its own server allowing controlled changes as needed • Streamline and standardize data input to decrease taxpayer error • Streamline formats accepted from taxpayers to reduce workload • Allow input information to be available in multiple formats for reporting, analysis, and ad hoc queries

Online Permit and License (OPAL)	
Age	3 years
Purpose	• Taxpayers use OPAL to apply for licenses needed to conduct business and make payments for those licenses • Manufacturers and distributors use OPAL to fulfill requirements of filing monthly reports identifying pull-tab games and stamps
Limitation/Problem	• Shares the same server as PFD – no changes between December and May • Online system was originally designed for part of the current functions - the system is not scalable to additions and changes • For some tax types the web application allows users to provide information in any format they would like to, which creates additional work for DOR/TAX to sort and standardize received data into a consistent format for analysis
An ITMS could	• Place online support for tax types on its own server allowing controlled changes as needed • Streamline and standardize data input to decrease taxpayer • Streamline formats accepted from taxpayers to reduce workload • Allow input information to be available in multiple formats for reporting, analysis, and ad hoc queries
Public Reports and Queries - Online	
Age	Unknown
Purpose	• Used to obtain information on Alcoholic Beverage Licenses, Fisheries Business License, Gaming Distributors, Gaming Manufacturers, Gaming MBP, Gaming Operator, Gaming Permittee, Motor Fuel Qualified Dealer License, Municipalities Electing to Defer Motor Fuel Tax, Tobacco Approved for Sale and Importation and Tobacco Dealer License Query
Limitation/Problem	• Shares the same server as PFD – no changes between December and May • Only queries information in TAS – information residing in other systems and on Excel spreadsheets is not queried making most reports incomplete and inaccurate
An ITMS could	• Place online support for tax types on its own server allowing controlled changes as needed • Information and communications with taxpayers could be expanded with the possibility for two way communications allowing for web messaging and problem resolution with full tracking and history • Place all information in same database for complete and accurate reporting

4. Visual Studio C# Client Applications

Through careful design, implementation, testing, and deployment of applications, Visual Studio helps build very secure applications. The security technologies provided by .NET, the operating system, and web browsers are available to secure applications. The three applications below do not suffer from security concerns, but they do present more of a maintenance issue because they exist on a different platform from all other applications maintained by DOR/TAX. Integrating these applications onto one platform with other DOR/TAX applications would also reduce redundant data and the need to learn multiple systems.

Offtake Volume Reporting (OVR)	
Age	Unknown
Purpose	• Tracks well head production data submitted to DOR/TAX by Oil and Gas Production taxpayers • Provides Economic Research Unit with data for analysis and forecasting
Limitation/Problem	• Amount of data captured is limited because it requires manual entry into the OVR system - data may be contained in other systems • Time consuming for users to review and search for needed information
An ITMS could	• Allow information currently captured in separate systems or spreadsheets to be included in reports for OVR • Allow upload of EDI information provided to DNR to streamline filing Oil and Gas Royalty Reports and reduce taxpayer burden • Allow input information to be available in multiple formats for reporting, analysis, and ad hoc queries
Economic Monthly Report (EMR)	
Age	Unknown
Purpose	• Provides information for forecasting models used by the Legislature and Governor's office
Limitation/Problem	• Users must manually gather information, key and format it into MS Excel spreadsheets, upload it to EMR, and export into economic models
An ITMS could	• Streamline process by eliminating the need to gather data through separate methods and manipulating it outside the system • Use standard reporting tools to easily manipulate data • Allow input information to be available in multiple formats for reporting, analysis, and ad hoc queries

Gaming Stamp Manager	
Age	New
Purpose	• Tracks Gaming Tax pull-tab stamps from the time they are ordered by DOR/TAX through the time the game is played
Limitation/Problem	• Does not provide the ability for operators, permittees, or multiple beneficiary permittees (MBP) to file online • Cannot access this information from a taxpayer's Gaming Tax account • Allows duplicate pull-tab numbers to be entered
An ITMS could	• Expand the process to enable operators, MBP, and permittees filing information to be captured along with other information currently captured in one system • All information pertaining to a Gaming Tax account would be accessible from a single location within the system • Allow input information to be available in multiple formats for reporting, analysis, and ad hoc queries

5. Visual FoxPro Application

Visual FoxPro is a program used by DOR/TAX that does not comply with the State of Alaska's IT standards and is not consistent with DOR's designated *Application Development Platform and Database Standard*. There are many risks involved when using FoxPro databases, including the lack of version control, history maintenance, and data integrity as well as a vulnerability to data corruption. Application security when using Visual FoxPro is entirely dependent on locking users out of the application. Storing sensitive taxpayer information in these databases poses a high security risk.

Petroleum Property Tax	
Age	Over 10 years
Purpose	• Assists in the generation of Oil and Gas Property Tax assessments
Limitation/Problem	• In 2009, over $81 million in assessments processed through this application • Functionality similar to that of an MS Excel spreadsheet – users perform primarily work manually • Incomplete – lacking 40% of intended functionality • No IT staff experienced in Visual FoxPro • Minimal system documentation
An ITMS could	• Automate the assessment process using configurable rules designated by the users, statutes, and regulations • Include all needed functionality

	• One system platform to maintain for IT staff • Allow input information to be available in multiple formats for reporting, analysis, and ad hoc queries

6. Side-systems

Information that cannot be captured, manipulated, or compiled in the above systems is managed and maintained in MS Excel spreadsheets, referred to as "side-systems." The functionality utilized in MS Excel ranges from simple data capture of information to advanced manipulation of data exported from within the systems for reporting and tracking purposes.

There are risks involved when using MS Excel spreadsheets for DOR/TAX data. The data may contain sensitive taxpayer information which a spreadsheet cannot adequately secure. Manual capture and manipulation of data presents a high-risk of user error. There is no version control in spreadsheets and a risk of users overwriting each other's work if they are using the same spreadsheets.

In the article "Porting Mission-Critical Excel Workbooks to Web Applications," Mercer (2009) describes succinctly the issue DOR/TAX is experiencing today in the following paragraph:

> "Simply put, Excel is not the appropriate solution for reliable, efficient storage and processing of large amounts of data and it lacks the stability to do this in a safe way. If a user's machine were to lock up during a 20 minute long file opening procedure or aggregate calculation, this could mean the permanent destruction of said spreadsheet due to file corruption. Also, because these files often sit on users personal hard drives and not on managed servers, they often fall outside the net of the IT department's automated backup routines" (p. 3).

This same article makes mention of the limitations of integration for the future when using MS Excel by saying:

> "Excel is an application that plays very well with others. It will accept data in a number of different formats and convert that data to a spreadsheet format and vice versa. Because of these capabilities, many users often turn excel into a conduit for systems integration by using it to take data from certain systems, reformatting it and shipping it off to other systems. Although this is a perfectly acceptable use of Excel's capabilities, it is not a reliable long term systems integration strategy. This is especially true for mission critical systems, for which integrations will often require more advanced features such as record locking, batched transactions with rollback, message queuing, event logging, and scheduled processes" (Mercer, 2009, p. 4).

DOR/TAX pushes the use of MS Excel beyond Microsoft's intended use of the program and is using the program as a long term data storage tool because DOR/TAX does not have other tools available. There are better alternatives for mission-critical programs than relying on MS Excel workbooks within the marketplace. Mercer (2009) summarizes that by implementing one of those alternatives, "The gains in security, stability, and productivity are far from being negligible" (p. 5).

Two areas where MS Excel is the only tool available to management are: Revenue Sharing and Cigarette Tax Stamps Inventory Management.

DOR/TAX calculates Revenue Sharing (**$44 million** in 2009) by retrieving information from the main DOR/TAX database using Sybase InfoMaker queries. The Accounting and Collections Manager compiles bulk data into an MS Excel spreadsheet and manipulates the data to calculate the revenue sharing distributions. This complex process could be incorporated and automatically calculated within an ITMS. The system can populate revenue models, create online analytical processing (OLAP) cubes, and produce standard reports from integrated templates for review by the accounting staff before funds clear for distribution.

The Cigarette Tax Stamp Inventory which generates **$63 million** annually relies completely on MS Excel spreadsheets. An ITMS that includes an inventory module would provide tracking of inventory for comparison with returns information for better compliance.

7. Key Findings

To finance all state government operations, Alaska depends primarily on petroleum revenues. DOR/TAX manages the **$3 billion** Oil and Gas Production and Oil and Gas Property Tax programs using an eclectic mix of authorized and home-grown side-systems. These two programs rely heavily on unsecured, unstable MS Excel spreadsheets even though these programs bring in over **77% of *all* tax revenues**. MS Excel provides for management of return data and is the source of information for Oil and Gas Taxes. FoxPro and some very basic TAS functions supplement the MS Excel spreadsheets. Risks presented by relying on MS Excel and other side-systems for managing these critical revenue programs raises great concern within DOR/TAX.

DOR/TAX constructed the current tax systems as silos of information pertinent to only the tax types they serve because of needs during the time of tax implementation. There does not appear to be an overall architecture plan to the creation of the systems. The current systems make sharing data with other tax systems difficult, requiring custom interfaces or manual processes. DOR/TAX efficiencies are hampered and revenue dollars due the State may remain uncollected since taxpayer and tax data cannot be automatically compared across the different tax types.

> ***"...use of Excel's capabilities...it is not a reliable long term systems integration strategy."***

Tax systems that are designed as silos tend to enable the creation of business processes and rules that are "siloed." Processes that could be the same across the organization are not because they were developed by tax type rather than function. An ITMS would lend itself toward unified business rules and processes, thereby improving operational efficiencies.

B. Gap Analysis - Current vs. Future Business Processes

FAST examined DOR/TAX's current systems and evaluated the current processes. Below is an outline of each of the major processes, including Imaging and Archive, Entity, Returns, Taxpayer Accounting, Payments, Collections, Audit, Appeals, Refunds, Security, and Reporting as they are now, followed by an analysis of what is offered in a standard ITMS. The *Gap* section for each functional area compares the current and future states. Please refer to the business process flow diagrams contained in Appendix E for additional information.

1. Imaging and Archive

a) Current Tax System

DOR/TAX currently images returns, payments, and taxpayer correspondence. The only audit documents imaged are the Oil and Gas Corporate Income Tax documents. Return imaging occurs at different times in the returns handling process depending on the return type. For example, DOR/TAX images Corporate Income Tax returns before examination, whereas they image Charitable Gaming returns after examination. After imaging, paper copies of the documents are gathered and archived.

Main tasks performed in the imaging and archive processes include:

- Generating and printing sheet separators
- Reviewing images and making corrections to them
- Routing paper return documents to different units depending on type and status of the return
- Generating and printing box count sheets for archive boxes
- Obtaining approval from Records Officer to have box of documents archived
- Distributing archive box inventory lists

b) ITMS

An ITMS can provide easy access to images from within the application, providing side-by-side views of the data and the image. Captured images of filed returns can be displayed beside the data input screens, facilitating the data entry of return information. Rules can be set so the system will change focus and zoom in on different segments of the images as data entry operators complete the sections of the online data entry form. In some cases, the electronic copy of the document can replace the paper copy, alleviating the need to archive paper copies of documents.

Integrated imaging provides the following abilities:

- Rotate and correct images
- Create correspondence in the system rather creating, printing, and then imaging it
- Add notes to the image or annotate sections of the image
- Track image details such as date imaged, sequence number, and who imaged the document

An ITMS provides the capability to index images on-line individually or in bulk. DOR/TAX can apply an index to an image captured at the front end of processing, in a standardized process, in many ways to support their processing requirements. For example, DOR/TAX may wish to index an image by:

- Taxpayer
- Account
- Period
- Return
- Payment
- Collections case
- Audit case
- Other cases such as registrations and appeals

c) Gap

One major disadvantage to the current system is the lack of image support for all tax types. Currently, no image support exists for the tax types responsible for bringing in the most revenue to the state: Oil and Gas Production and Oil and Gas Property. Additionally, DOR/TAX does not have the capacity at this time to image Tobacco Licenses, Personal Consumption Cigarette Tax documents, or documents from Appeals. Implementing an imaging process to image documents as they come in the door would provide standardization and tracking of documents received by DOR/TAX.

2. Entity

a) Current Tax System

For the majority of tax types administered by DOR/TAX, the entity must first exist in TAS before any processing can begin. A taxpayer can register through DOR/TAX's online filing program, OTIS, or can send in a paper registration form to be keyed by someone in DOR/TAX. A taxpayer record can have multiple accounts/licenses, each with their own addresses. Even though the taxpayer can have multiple addresses, the Corporation Income Tax account address is selected by the TAS system as the default. An account has the ability to have both a Legal and DBA (Doing Business As) name.

It is difficult to edit taxpayer identification numbers. The tax agent must create a new entity and have the Accounting and Collections Unit transfer the correct returns and payments to the new entity or request the IT Unit make corrections behind the scenes. There is currently no way to validate or standardize addresses keyed by the taxpayer in OTIS, or when keyed directly into TAS. It is very difficult to track all entity and account data for reporting.

b) ITMS

An ITMS allows for consolidated taxpayer information where all attributes and account information for an entity can be accessed from one location.

Identities - An identity is a string of characters used to identify either a taxpayer or an account. An ITMS can automatically assign a unique taxpayer identification number and account identifier to all taxpayers and accounts, respectively. Multiple identities may be recorded for a taxpayer and are the most efficient means of searching for and locating either a taxpayer or an account. Identities for a taxpayer

can be maintained both at the taxpayer level and the account level. Taxpayer identities can be set to be masked for security purposes if required. Changes to identities and multiple identity types are often supported and available for use on correspondence as part of configuration.

Addresses - A taxpayer may have one or more addresses of various types (for example, location address or mailing address). All addresses for a taxpayer can easily be maintained from the taxpayer level, including military and foreign (non-US). In addition, taxpayers may have the same address type at different levels of their account, for example a mailing address can exist at the taxpayer level, and a different mailing address can be active for a specific tax account. The address type can be considered when issuing correspondence. Addresses are commence/cease dated, allowing the system to record official changes. An ITMS can also be interfaced with or include National Change of Address certification to provide for change of address information. Addresses entered can be verified using USPS Coding Accuracy Support System (CASS) to ensure the addresses entered are deliverable addresses.

Taxpayer and Account Creation - In an ITMS a taxpayer can be created with a submitted return, a taxpayer can register through on-line filing, or paper documents can be received and keyed for taxpayer creation. For Corporate Income Tax, the Modernized e-File (MeF) process can provide enough information to create a taxpayer if one does not exist.

In addition, an ITMS also provides the following capabilities:

- Configure multiple name, address, and contact types for each taxpayer and account
- View history of changes made to names, addresses, IDs, and contacts
- Allow correspondence to be mailed to different names and addresses based on the type of correspondence
- Configure site-specific attributes for each account and taxpayer type
- Associate related entities such as corporation to subsidiary corporation
- Provide easy access from accounts to the associated licenses
- Provide communication through flags or notes attached at various levels

Some tax types have no system at all, including the Oil and Gas Production Tax which brings in over $3 billion to the state annually.

c) Gap

An ITMS allows for consolidated taxpayer information with access to all attributes and account information from one location. Using CASS-certified address validation would allow DOR/TAX to receive a discount on postage and would lower the amount of correspondence returned due to invalid addresses. The ability to store multiple addresses, both at a taxpayer level and an account/license level,

and easily select (or let the system choose) the most appropriate address for certain types of correspondence reduces taxpayer confusion and time spent on taxpayer service.

Additionally, an ITMS provides the capability to present a taxpayer financial summary at a glance, view the entire taxpayer and all associated accounts, communicate between units within DOR/TAX about the taxpayer's status or account activity.

3. Returns

a) Current Tax System

Returns processing and examination is currently handled in multiple systems. Some tax types have no system at all, including the Oil and Gas Production Tax which brings in over **$3 billion** to the state annually.

The current return processes:

- Require keeping the return and payment together until the 3-day payment process is complete - examiners do not have access to the return during this time.
- Cannot store all of the required information from returns needed for reporting and analysis.
- Requires re-keying a substantial part of the return multiple times when making an adjustment to a return in the DEE systems.
- Legislative changes cannot be made to the Motor Fuels or Corporate Income Tax system without breaking the system, so new requirements are pushed into side-systems for implementation.
- Put imaging the return at the end of the process, meaning agents are working off of paper returns that can be easily misplaced or lost.
- Require a "Red Sheet" to be filled out for amended mining returns that gives instructions to the IT staff to correct the system behind the scenes.
- Require some returns go through system checks to look for problems; return stops for manual review on problem identification. Many of these checks are no longer necessary, but DOR/TAX cannot change the system to remove the invalid edit checks.
- Once DOR/TAX corrects a return, the taxpayer should receive the corrected information. Unfortunately, the information sent to the taxpayer cannot always be explained by DOR/TAX.
- Data Entry staff keys Oil and Gas Corporate Returns as Corporate Income Tax returns then users convert them back to Oil and Gas Corporate returns; if returns are misidentified then the funds show up in the wrong accounts receivable account.

b) ITMS

An ITMS provides a platform for easily adding and changing return rules and formats. If DOR/TAX determines new reporting requirements, or other conditions change which require new return formats, a modern ITMS allows the update of the return to capture and report on the additional information.

An ITMS provides the capability to:

- Easily configure return error rules for each return type – not just tax type.
- Easily configure fields and schedules for capture after satisfying validation and calculation rules.
- Display fields in the system like they appear on the paper return.
- Generate work tasks and easily assign and track returns that need correction or review.
- Easily change or edit information on a return once entered in the system.
- Log changes to the return, display changed field values, and provide an audit trail of who made the change and when it was changed.
- Allow users to easily amended returns within the application and show all versions of the return.
- Redirect a return (and/or payment) incorrectly applied to the taxpayer, account, or filing period without re-keying it.
- Receive the taxpayer's Federal return information with the state return through the standardized MeF program.
- Configure multiple file formats for taxpayers to provide return information in bulk - XML, import from MS Excel EDI, flat file, through FTP, web filing, or other electronic means.
- Easily track, identify, and action taxpayers with gap periods or non-filed returns.

c) Gap

The current tax systems present multiple procedures that perform, essentially, the same task. An ITMS can, at minimum, simplify and standardize the returns examination process resulting in fewer training hours, better taxpayer service, and faster turnaround time. An ITMS can gather processing statistics to analyze and tune return rules. DOR/TAX can then stop returns that need review and set tolerances to process automatically those that do not. Modern systems allow you to easily adapt to changing forms then capture and report on data from all schedules of a tax return. MeF capabilities allow DOR/TAX to obtain a taxpayer's federal return and the state return through a standard interface thereby requiring the taxpayer to file only once for both requirements. Amended returns could simply overlay the original and the system can calculate and adjust amounts to repost instead of having the examiner re-key the entire return for amended posting.

Legislative changes cannot be made to the Motor Fuels or Corporate Income Tax system without breaking the system, so new requirements are pushed into side-systems for implementation.

In addition to standardizing the returns workflow, an ITMS can present multiple tools to more efficiently manage that workflow. Reporting tools indicate how many returns are currently waiting for review and how many returns stop for each of the different, configurable, return suspension reasons. Reporting tools can also provide statistics on user efficiency including the number of returns worked and the dollar amount of adjustments made. These reports can range from a simple list in the system to automated emails of formal reports when a work list hits above a certain threshold.

4. Taxpayer Accounting

a) Current Tax System

In the current systems, all taxpayer accounting functions are performed manually and are primarily handled by the Accounting and Collections Unit. DOR/TAX performs many of the unit's calculations outside of the system using numerous Excel spreadsheets. DOR/TAX creates assessment letters manually using either a MS Word or MS Excel template. Sybase InfoMaker queries provide the basis for the distribution of shared taxes to municipalities and other stakeholders when the Accounting and Collections Manager manually embeds the results in Excel templates.

The main tasks performed by DOR/TAX include:

- Preparing and sending out bills to the taxpayer
- Sending copies of bills to imaging to attach to the taxpayer's account
- Performing adjustments and abatements
- Performing offsets of credits between tax periods and tax accounts
- Calculating penalties and interest including all refund interest
- Preparing and verifying distributions of shared taxes
- Working with IT to correct taxpayer records directly in the database when the current user interface prevents updates

b) ITMS

An ITMS can automate many of the manual processes currently done by the Accounting and Collections Unit.

An ITMS provides the capability to:

- Automatically generate assessment letters based upon a schedule and data contained in the system paying special attention to flags and other account attributes.
- Automatically calculate and apply consistently and fairly all penalties and interest based on configurable rules determined by DOR/TAX.
- Forecast penalty and interest amounts if DOR/TAX applied a hypothetical payment to an existing debt at a future date. Forecast payment plans and pay agreements.

- Provide a central location for all taxpayer information including taxpayer correspondence, assessment or credit changes, and notes clarifying the reasons for certain actions.
- Store "up-to-the-minute" information on all transactions and track revenue from a taxpayer's account to aggregate funds and funds to subsidiary general ledger accounts.
- Report balances of accounts receivables, payables, funds, and ledger accounts.
- Distribute revenue quickly, accurately, and automatically based upon configuration rules verified by examining pre-distribution information in reports, OLAP cubes, and queries.
- Generate a file processed by AKSAS to update automatically the general ledger for shared taxes fund accounting and subsidiary general ledger accounts adjustments.
- Create revenue models for forecasting, analysis, and economic research.
- Configure tax rates for each tax type, special rate periods for special circumstances, and court-ordered bankruptcy tax rates all through the on-line interface.
- Automatically offset debt on other accounts and periods based on rules determined by DOR/TAX – offsets can occur before billing or refunds to prevent sending out funds and then requesting the funds back from taxpayers.
- Offset refunds between taxes or intercept refunds (or PFD funds) automatically to pay liabilities.
- Adjust transactions with all transactions linked to the source transaction. Examples of adjustments include waivers, write-offs, protests, and petitions for relief.
- Reverse transactions that completely reverse a particular transaction from an account. The reversal transaction is associated with the original transaction to record the action. System can maintain history and provide who and when information for all transactions.
- Maintain filing periods and associate period attributes to taxpayers' accounts. Attributes provide the source for business rule configuration in returns or selection data for reports.
- Validate write-offs and write-off debts in bulk to retire uncollectable debts.
- Track offsetting credits and debits, adjust small balances, split transactions, and process external transactions.
- Participate in the IRS Corporate Taxpayer Offset Program that allows state agencies to intercept federal income tax refunds and apply them to delinquent state tax debt.

c) Gap

Alaska citizens from 5 municipalities, 13 boroughs, and 106 cities benefit from an accurate and correct distribution of the shared taxes managed DOR/TAX. Manual actions are responsible for ensuring DOR/TAX distributed shared taxes of over **$44 million,** to 124 communities throughout Alaska in 2009 (*Shared Taxes and Fees*, 2009). The current systems available to DOR/TAX offer only 48% of the capabilities available in a modern ITMS; only 3% of these take advantage of automation. Reducing tedious manual processes should allow for greater oversight and validation to ensure DOR/TAX distributes these critical funds accurately and efficiently.

In the current systems, DOR/TAX only sends bills when they first establish delinquency (excluding various collections notices discussed in the *Collections* section). Evidence from other jurisdictions indicates that the process of sending out a monthly bill increases revenue collection simply by keeping the debt fresh in the mind of the taxpayer - most taxpayers pay their bills when they receive reminders to pay, and when it is made easy for them. As an example, shortly after implementing their ITMS, the state of Montana saw a 39% increase in collections attributed, in part, to automatically sending account statements every month.

A full-featured ITMS provides a rich suite of functionality to maintain and report on taxpayer financial activity individually or en masse. By employing an ITMS, DOR/TAX could provide a better picture of the state of revenue with less manual effort and more precision.

5. Payments

a) Current Tax System

DOR/TAX accepts payments received through the mail, from walk-ins, from wire transfers, and from web applications. DOR/TAX follows different procedures for handling payments depending on whether they accept the payment in Juneau or Anchorage. There are four different internal applications, one external bank application, and many Excel spreadsheets used to track and process payment information.

The main payment tasks performed by DOR/TAX include:

- Manually keying payment information into CPS
- Reviewing the payment information in CPS - validated by three different people, by manually handling multiple documents
- Researching and applying payment information in TAS - often having to rely solely on the Accounting and Collections Unit for payment information
- Allocating single payments across multiple tax periods
- Depositing domestic checks to the bank through software provided by the bank
- Researching and analyzing accounts to figure out the amount of debt that should be credited

b) ITMS

An ITMS would streamline and simplify payment processing and maintenance. It would accept payments from all sources then use one system to process them. All payment information in the system would be accessible to all users with the proper security permissions. Information about payments entered into the system is available for reporting through numerous methods.

An ITMS provides the capability to:

- Secure payments manipulation to only users who should be able to make changes to the payments, but allow all users to view the payment information.

- Provide pending payments functionality to hold a payment until receipt of a return or posting of an audit, then automatically apply the payment upon receipt.
- Allow multiple payment types for more accurate payment application and better reporting
- Receive payment batches from multiple external sources for uploading payment information including electronic funds transfer, e-check, remittance processing, and credit card payments.
- Apply and direct payments to taxpayer accounts automatically. Allow payments to be split to different periods or accounts, either manually or automatically, according to configurable pay-off rules.
- Create payment batches on-line to process in the same manner as payment batches that are received from remittance processing machines. The same controls including batch validation are applied to batches processed using this function.
- Validate payment batches to ensure the batch has not yet processed, the batch is from a recognized data source, and the header information is consistent with the detail records
- Generate work tasks for batches and payments that cannot be processed automatically - queuing them for assignment, expedient tracking, correction, and resolution of issues
- Reverse a payment with a configurable reason to facilitate reporting and additional processing and then in the same transaction reverse all associated applicable transactions sourced from the payment
- Handle non-sufficient fund checks and notice of change files from banking institutions to debit taxpayer's accounts in order to recharge fees, add penalties, and reestablish tax liabilities as necessary
- Search for payment batches and individual payments using combinations of known information (e.g., check number, bank information, receipt date ranges, amount, or transaction number)
- Create processing documents to direct the payments not included in batches to multiple directions as necessary
- Track taxpayer banking information from checks received for payments
- Process ACH and IAT payments initiated by the taxpayer to debit the taxpayer's bank account
- Process change and correction files to update existing bank account information in the system or determine if specific ACH or IAT payments failed

c) Gap

Accepting payments is a critical part of any revenue agency. Currently all payments must be manually applied against a debt. An ITMS can automate this process. An ITMS can automate splitting a tax payment across multiple tax periods as well as multiple tax accounts. Payments can process differently depending on the payment source, e.g., a payment coming in without a return can hold waiting for a return, or a payment coming in with a bill can post immediately. DOR/TAX can report on different payment types separately or account for them differently. For example, DOR/TAX can designate a payment type to post to the Constitutional Budget Reserve Fund.

In the current systems, DOR/TAX only sends bills when they first establish delinquency (excluding various collections notices discussed in the *Collections* section). Evidence from other jurisdictions indicates that the process of sending out a monthly bill increases revenue collection simply by keeping the debt fresh in the mind of the taxpayer - most taxpayers pay their bills when they receive reminders to pay, and when it is made easy for them. As an example, shortly after implementing their ITMS, the state of Montana saw a 39% increase in collections attributed, in part, to automatically sending account statements every month.

A full-featured ITMS provides a rich suite of functionality to maintain and report on taxpayer financial activity individually or en masse. By employing an ITMS, DOR/TAX could provide a better picture of the state of revenue with less manual effort and more precision.

5. Payments

a) Current Tax System

DOR/TAX accepts payments received through the mail, from walk-ins, from wire transfers, and from web applications. DOR/TAX follows different procedures for handling payments depending on whether they accept the payment in Juneau or Anchorage. There are four different internal applications, one external bank application, and many Excel spreadsheets used to track and process payment information.

The main payment tasks performed by DOR/TAX include:

- Manually keying payment information into CPS
- Reviewing the payment information in CPS - validated by three different people, by manually handling multiple documents
- Researching and applying payment information in TAS - often having to rely solely on the Accounting and Collections Unit for payment information
- Allocating single payments across multiple tax periods
- Depositing domestic checks to the bank through software provided by the bank
- Researching and analyzing accounts to figure out the amount of debt that should be credited

b) ITMS

An ITMS would streamline and simplify payment processing and maintenance. It would accept payments from all sources then use one system to process them. All payment information in the system would be accessible to all users with the proper security permissions. Information about payments entered into the system is available for reporting through numerous methods.

An ITMS provides the capability to:

- Secure payments manipulation to only users who should be able to make changes to the payments, but allow all users to view the payment information.

- Provide pending payments functionality to hold a payment until receipt of a return or posting of an audit, then automatically apply the payment upon receipt.
- Allow multiple payment types for more accurate payment application and better reporting
- Receive payment batches from multiple external sources for uploading payment information including electronic funds transfer, e-check, remittance processing, and credit card payments.
- Apply and direct payments to taxpayer accounts automatically. Allow payments to be split to different periods or accounts, either manually or automatically, according to configurable pay-off rules.
- Create payment batches on-line to process in the same manner as payment batches that are received from remittance processing machines. The same controls including batch validation are applied to batches processed using this function.
- Validate payment batches to ensure the batch has not yet processed, the batch is from a recognized data source, and the header information is consistent with the detail records
- Generate work tasks for batches and payments that cannot be processed automatically - queuing them for assignment, expedient tracking, correction, and resolution of issues
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DOR/TAX has provided many avenues for taxpayers to make payments. The current payment batch entry and validation principles should not be lost when implementing an ITMS but rather improved upon. Adding the functionality provided by an ITMS to the current processes would provide enhanced visibility, better reporting, and increased clarity for users working with taxpayer accounts.

6. Collections

a) Current Tax System

In the current systems, all collections processing is manual. A DOR/TAX technician identifies a potential collection case and forwards it to the collector either by email or on paper.

DOR/TAX performs the following tasks manually:

- Tracks all collections in MS Excel
- Creates and stores all correspondence on paper
- Tracks all collection staging dates in MS Excel
- Files and tracks all liens and levies in separate MS Excel spreadsheets from the collection case
- Creates and tracks all payment plan agreements on paper and in MS Excel
- Retrieves bankruptcy information from multiple sources even if not connected to a collection case

b) ITMS

An ITMS provides the capability to:

- Provide automatic collection creation and staging.
- Provide automatic detection of payments.
- Provide automatic issuance of correspondence.
- Provide system tracking of collection stage and status and predict next steps.
- Provide levy and lien filing and tracking tools to create, search for, view, add periods, set line stages, add lien letters, view lien histories, and perform lien extensions.
- Share lien information with outside agencies and release liens in en masse.
- Provide bankruptcy tools, including automatic notice of taxpayer bankruptcy, electronic claims creation, and special handling of bankruptcy accounts. Use Electronic Bankruptcy Notification (EBN) technology through a free service provided by the Bankruptcy Noticing Center which enables federal bankruptcy courts to send notices electronically instead of in paper form.
- Provide collections recovery tracking and reporting.
- Associate images, received correspondence, pictures, and evidence to collection cases.
- Provide workflow tracking, assignment, and reminders.
- Provide risk calculation to increase collections efficiency.
- Create correspondence within the system automatically or from user intervention.
- Provide communications and indication that an account is involved in collections.
- Track and report on collections activities and recoveries.

- Maintain payment agreements and enable forecasting of payoffs by installment amount, or frequency of payment, and then monitor the taxpayer activity to ensure the taxpayer honors the agreement according to configurable integration rules.
- Establish garnishments, add debt sources, correspond with garnishees, and add garnishment vouchers.

c) Gap

The current systems in place only provide 32% of the capabilities normally found in modern tax divisions and DOR/TAX must perform all of these functions manually. The manual actions ensure DOR/TAX collects approximately **$12.7 million** in unpaid revenues each year.

The capabilities of an ITMS can reduce the reliance on many manual collections processes allowing collectors to focus on cases that are more difficult. Automating collections processes will increase efficiency which will in turn bring in more potential revenue to the state in a timelier manner. A modern ITMS should provide the ability to use accurate data to increase fairness in automated collections actions. The system should provide the ability to track the amount of money collected using each specific collections action, thereby allowing DOR/TAX to determine which actions to concentrate on for maximizing revenue collection.

Because the process is currently manual, it is not impossible to tell how much revenue goes uncollected or quantify current opportunities in this area. Experience in other jurisdictions does, however, provide proof that compliance increases when agencies establish regular and consistent billing and follow up with the taxpayer regularly soon after establishing the debt.

DOR/TAX may not need all of the tools described above immediately to follow up on existing collection cases. However in interviews with users, they frequently mentioned how upstream manual processes in other areas prevent the posting of returns and payments. When those areas become more efficient because of an ITMS, there may be more of a need to increase compliance efforts and for collectors to have the tools available to handle the increased workload.

7. Audit

a) Current Tax System

Note: When considering auditing, we make a distinction between auditing a return as it processes through the system and auditing a taxpayer's filing history after the returns post. The returns processes and procedures considered above cover the return reviews and individual return or desk audits. This section considers the field audit, normally performed at the taxpayer's location, conducted after receiving more information than provided on the returns.

Audit selection: In the current systems, there are several ways to determine which accounts to audit. Some units select audits based on a specific credit, some work off an audit plan, and others leave audit

selection to an auditor's discretion. One constant across all tax types is that the auditing process is manual.

The main audit tasks performed by DOR/TAX include:

- Identifying which taxpayers to audit
- Contacting taxpayers
- Creating correspondence using MS Word
- Determining audit findings using MS Excel
- Tracking statutes of limitation using MS Excel using a different spreadsheet
- Tracking outstanding audits and audit stages using an MS Excel tracking spreadsheet
- Preparing Audit Adjustment Reports and Tax Adjustment Reports using MS Word
- Keying audit data into the appropriate system to post audit

b) ITMS

An ITMS can automate many of the above processes as well as provide extra functionality to make the entire audit process more efficient and fair.

An ITMS provides the capability to:

- Manage audits in progress and report on audit recovery results.
- Manage audit details, track the statute of limitations, consider transactions in previous periods, view previous audit information for the taxpayer, and report on audit sources.
- Create and maintain work papers that contain detailed or summary information prepared in the system or imported from other sources.
- Import previous return history automatically into work papers reducing audit preparation time and manual re-keyinging of returns used in the audit.
- Create templates for work papers to allow the auditor to store the data, statistical information, and calculations that result in audit findings and adjustments. The work papers may be complex, taking into account external audit data, or a simple recording of findings from an external audit mechanism.
- Configure and track work papers to share between tax types or unique to each tax type.
- Configure multiple layers for review of work papers and/or the entire audit to allow for peer and manager concurrence and approval while providing status tracking.
- Use timekeeping tools to help auditors track and report their time spent on the audit or in audit-associated training, office processes, or other related time.
- Manage reporting tools for audit selection basing the decision on internal data, previous audit data, external data, warehouse data, or other sources.
- Automatically create audit adjustment reports based on information in the work papers.
- Allow auditors to work from anywhere using downloaded information, remote connection, or standalone capability.

- Automatically issue correspondence based on audit selection or information stored in the audit record.
- Associate images, received correspondence, pictures, and evidence to audit cases.
- Provide workflow tracking, assignment, and reminders.
- Prevent or allow certain actions on a taxpayer's record while the audit is in progress or after an audit posts to a taxpayer's account.
- Lock payments received during the audit so the system applies the credit only to audit liabilities as instructed by the taxpayer.
- Provide for due process and retention of taxpayers' rights while ensuring audit details are available for review and the processing of appeals.
- Allow other users to identify when an account is under audit, who is performing the audit, and what periods are involved in the audit - even if they do not have the security to view any other audit details.

c) Gap

DOR/TAX audit coverage is limited because, in some units, auditors are so busy ensuring the input data is correct they never get time to perform audits. As other parts of an ITMS receive automation enhancements, auditing may become routine and auditors may have more time to perform audits to ensure compliance and increase taxpayer knowledge. When this happens, the current tools will be insufficient to ensure the selection for audit is fair and equitable. An ITMS can provide the necessary tools to perform audit selection fairly and conduct audits more efficiently. Reporting tools can base their inputs on work performed and allow managers to measure and monitor results and distribute the workload fairly to auditors. Improved data accessibility provided by an ITMS should help determine which accounts will make better audit candidates.

With increased efficiency in other functional areas and by using automated selection tools, DOR/TAX should be able to perform better audits and include additional compliance audits in their audit plans. Compliance audits can bring in new, currently uncollected revenue. Timekeeping tools will help DOR/TAX track auditor actions, determine the most effective actions, and increase training or improve processes in areas that need attention. An ITMS will ultimately provide auditors with the capability to focus on auditing instead of spending their time "herding data" like they have to with their current systems.

8. Appeals

a) Current Tax System

The DOR/TAX Appeals Unit is currently responsible for processing between 50 and 100 appeals a year. Appeals information is stored and tracked externally using MS Excel spreadsheets until DOR/TAX reaches a decision. Users post all decisions manually to the system and make any adjustments manually.

The main tasks performed by DOR/TAX include:

- Receiving and processing requests for appeals
- Logging appeals into an MS Excel spreadsheet and tracking them
- Retrieving supporting documentation for appeal
- Maintaining correspondence and discussion with the taxpayer
- Interacting with other divisions to make sure inappropriate contact does not happen while the appeal is ongoing – for example, mailing collection letters to the taxpayer

b) ITMS

An ITMS has the ability to track and maintain appeal information during the appeal review rather than as an additional task in the appeal process. Tracking all appeal information in one system can consolidate appeal information, reducing the effort to collect appeal documents.

An ITMS provides the capability to:

- Secure appeal information to prevent unauthorized users from viewing and editing.
- Easily identify accounts involved in appeals to prevent inappropriate contact even for users without the security to view the appeal.
- Track appeals stages, statuses, decisions, and resolutions including who performed the tasks and when the tasks were completed.
- Link appeal cases to taxpayers based on the rules configured for a given appeal type. The case can stand independently and need not be associated with a particular taxpayer, account, or to the exact transaction under appeal.
- Define the business activity of processing an appeal including the configuration of steps, stages, decisions, and actions taken to perform the activity.
- Manage appeal documents, correspondence, and associated information.
- Stop certain automatic and manual processes during the processing of an appeal.
- Report aggregate or individual, historical, process, and procedural information resulting from appeals for business process improvement.
- Associate images, received correspondence, pictures, and evidence to appeal cases.
- Provide workflow tracking, assignment, and reminders.
- Report activities to higher appeal authorities with full disclosure of information from a central location within the system for cases that cannot receive resolution within DOR/TAX.

c) Gap

The biggest advantage an ITMS has over the existing system is the ability to identify which accounts or returns are currently in appeals. An appeal flag can prevent certain automated processes on an account. An example of this might be to stop collection activity for an account that is under appeal. An ITMS can also secure appeal information so that only those involved in the appeal can view and edit appeal information.

9. Refunds

a) Current Tax System

The refund issuance process involves many different people from the Accounting and Collections Unit as well as the appropriate tax type staff. DOR/TAX creates correspondence for refunds outside the system and spends time manually reviewing documentation and keying information into TAS, AKSAS, or an MS Excel spreadsheet. The only automated processes performed in AKSAS occur once DOR/TAX hands off the refund to the Treasury Division for issuance.

The main tasks performed by DOR/TAX include:

- Reviewing paper documentation for each refund request to verify that a refund or credit is available to issue.
- Using MS Excel spreadsheets to track refund details not tracked in the system such as refund status, issued date, and warrant number. DOR/TAX must update the spreadsheet multiple times throughout the refund process.
- Manually offsetting other debt owed prior to refund issuance.
- Manually calculating and applying any refund interest owed to the taxpayer.
- Manually entering information into AKSAS.
- Manually downloading information from AKSAS after a refund issuance to update the DOR Tax system.
- Mailing refunds to the taxpayer with supporting documentation if the refund amount is $50,000 or more(the Treasury Division mails refunds under $50,000 directly).

b) ITMS

An ITMS can ensure refunds are paid accurately and on time. It can automate many of the manual research processes currently performed and interface with external accounting systems, such as AKSAS, to provide quick and accurate turnaround to the taxpayer.

An ITMS provides the following capability to:

- Automatically create files to be processed by AKSAS rather than users re-keying information
- Automatically create of refund requests based on configurable rules designated by DOR/TAX
- Configure refund review rules with separate rule set for different tax types
- Configure multi-level approval for refunds

- Send a refund out as either a paper check or direct deposit
- Add refund-level notes for additional documentation on an individual refund
- Automatically post of refund interest based on applicable rules
- Automatically offset debts on different accounts for the same taxpayer
- Secure refund approvals to only allow certain users to approve refunds
- Deter fraud by detecting the number of refund checks to the same address/bank account, stopping refunds for suspected fraudulent taxpayers, and alerting users to suspect activity

c) Gap

The current process for issuing refunds is manual and very inefficient. It involves moving paper and emailing between the source unit and Accounting and Collections Unit, sometimes multiple times for the same refund. It also involves manually calculating refund interest, offsetting money to other accounts on the taxpayer, and entering information into AKSAS. An ITMS can automate most of the current process as well as eliminate the need to track refunds in an external spreadsheet. Approvals can happen between different units, but issue research can happen within the system and each party involved can receive an alert when a refund-related action is necessary. Configurable refund interest and offsets rules can apply allowing automatic posting upon refund approval. Refund information can pass back and forth between an ITMS and AKSAS automatically without human intervention. An ITMS provides a more efficient refunds process with less manual intervention, less manual calculations, and a quicker turnaround for the taxpayer.

One way to control fraud is through checks and balances integrated into an ITMS with change points only allowed through tracked and approved modifications.

Refund fraud is a big industry concern in tax departments at all levels of government. One way to control fraud is through checks and balances integrated into an ITMS with change points only allowed through tracked and approved modifications. The current system lacks these controls.

10. Security

a) Current Tax System

In the current tax systems, security is handled on two different levels. The first level of security consists of a user name and password to log into the system. The second level of security is a position-level security. Each user is assigned to a specific position in the system. Each position possesses different permissions to perform different actions. In addition to those, there are some exceptions where a

function is locked down to one or two users. In this case, permissions are usually hard-coded in the application.

b) ITMS

An ITMS will provide built-in security functionality for the application that is configurable, flexible, and easily changeable from within the application.

An ITMS provides the capability to:

- Secure different areas of the system using configuration.
- Secure individual links and buttons in each area using configuration - allowing separation of duties.
- View which taxpayers a user has visited and the actions performed on that taxpayer.
- Allow certain users to view information on certain taxpayers.
- Secure all information within the system.
- Add and edit users along with the roles assigned to them.
- Terminate a user's ability to access the system.
- Transfer one user's security settings to another.

c) Gap

An ITMS can provide more robust security and greater flexibility than the current systems. An ITMS puts all taxpayer data behind the same security wall to protect sensitive, confidential taxpayer data.

11. Reporting

a) Current Tax System

The current reporting capabilities are, for the most part, manual. There are some pre-defined reports that can be requested from the IT staff, but those rely on the information stored in one of the systems. Often, all the information needed for a report is not captured in the systems but must be gathered from paper documents and MS Excel spreadsheets then combined with the information from the automated systems.

The DOR/TAX Annual Report takes five to six months to compile.

Limitations of the reporting processes include:

- Most reports are created through a very resource-intensive, manual process in which data must be gathered from multiple sources
- The DOR/TAX Annual Report takes five to six months to compile
- For requests from outside agencies, including the Legislature, tax agents must be taken away from their daily responsibilities to compile data from multiple sources, a process which can take anywhere from a day to a couple weeks

- Some data is not available, and some numbers are unreliable, making some requests for data impossible to fulfill
- Limited data is captured off the return making it necessary, at times, to locate all paper returns from multiple boxes currently in storage

b) ITMS

An ITMS can provide automated reporting capabilities that do not demand users' time allowing them to perform their assigned duties. Since an ITMS can easily be changed to capture additional or new information, those details can easily be incorporated into new reports.

An ITMS provides the capability to:

- Locate and associate data within the system
- Present data in multiple formats, lists, and formal reports and manipulate the way data is viewed
- Configure reports within the system
- Automatically generate reports - daily, weekly, monthly, annually, etc.
- Automatically deliver reports by email
- Generate reports in real-time
- Store generated reports for a designated period of time
- Generate a PDF version of a report
- Store all data in the same system

c) Gap

While DOR/TAX has some reporting capabilities, there is a large gap between the current process and what an ITMS can provide.

An ITMS equipped with robust reporting capabilities can alleviate the current reporting pains. With all data for all tax types in the same place, canned queries and reports can be developed for reports that need to be run on a consistent database. OLAP cubes can be used to pull in a large set of data and allow the user to manipulate that data until they get the information they need. Plain English querying tools can allow a user to write simple queries without a programming background. These tools can provide accurate numbers quickly, without the extraordinary effort currently required.

Limited data is captured off the return making it necessary, at times, to locate all paper returns from multiple boxes currently in storage.

C. External Stakeholder Input

1. Current State

Stakeholders were asked several questions to formulate external perceptions of the current state with respect to DOR/TAX. Specifically, stakeholders were asked about DOR/TAX's reputation and services they currently receive. In the context of providing information about improvements to tax administration and additional services they would like to see DOR/TAX provide, insight into the current operating environment was also obtained. This feedback is particularly useful in determining how the limitations of existing systems and business processes affect external stakeholders.

a) Tax Division's Reputation

Stakeholders were asked,

> "Based on your interactions with the Tax Division, are there a few words that aptly describe their general reputation?"

By far, the most frequent response was, "responsive." It was noted that agency staff are "helpful, knowledgeable, and pay a high attention to detail." One observed, "The Tax Division has a great reputation for being helpful when taxpayers call," and another one said, "I rate them very high. They're accessible and provide good information. In one word, they're outstanding."

The professionalism of staff was specifically lauded. "They are professional and competent" and DOR/TAX is able to "hire good people and hold onto them." One stakeholder noted, "It's important that auditors understand good accounting principles, and Tax Division auditors do. That's not true with other agencies."

Several stakeholders mentioned the high caliber of employees in the economic section, calling them "competent," "respected," and "professional," capable of producing a "high quality product," even though they "occasionally struggle with their forecasts" and "have limited capabilities due to the limitations of the Tax Division's systems."

Personal characteristics mentioned in the interviews included "honesty" and "integrity." Several taxpayers noted that DOR/TAX seems to have a "very personal relationship with the taxpayer" and the "quality of the relationship is different – better – than in other jurisdictions." "The Tax Division has an open line of communication and I don't want to see that change. Their customer service is good – employees are friendly and helpful."

Although the number of stakeholders interviewed was small, two very different opinions emerged about audit staff's knowledge of the industries they are auditing. One taxpayer was very complimentary, "The Tax Division's people are more knowledgeable about the industry than most tax agencies. This helps them understand the context with which they're interpreting and applying regulations. It's clear the Tax Division values training and provides training to their employees – they don't outsource the training process to the company being audited."

Another taxpayer had a very different perspective,

> "The Tax Division has lost a lot of expertise and they don't appear to be training their new people about the industry. Companies shouldn't have to provide industry training to auditors, although we've given them ample training sessions and tutorials. At some point, the Tax Division should be able to use this information to train their own people."

While DOR/TAX was lauded by some as being a "good listener," another noted, "they listen, but they don't seem to hear what you're saying. There are opportunities to interact, but sometimes you feel like you're talking to a brick wall." Similarly, one taxpayer felt as though DOR/TAX, "operates in a vacuum – they do things without involving us, without seeking our participation." Another taxpayer felt, "they need more of a business acumen, more of a business sense."

Two stakeholders described the DOR/TAX as "inflexible" and "rigid," but one added, "...maybe that's something you want in a tax agency." The other was less forgiving, "I have found their views to be rigid, and they don't try to understand your business. They don't have the empathy you might expect."

Numerous stakeholders noted DOR/TAX is "under resourced with technology" an observation confirmed in conversations with a DOR/TAX employee who revealed, "word is out – taxpayers know our systems are broken."

Another stakeholder who was quite positive in their overall assessment of DOR/TAX noted, "On the negative side, if they don't like something, they'll write a regulation to get their way." Yet another observed, "The Tax Division has good intentions, but they aren't able to provide timely information for us regarding regulations and new legislation."

One interviewee's comments focused on taxpayer service,

> "As a small business, knowing what we need for registration, forms, permits, etc. is hard, especially when you're going through it for the first time. When I tried to find out what I needed, my interaction was cold. They should strive to be more business-friendly, more customer friendly."

b) Current operating environment

Numerous stakeholders noted DOR/TAX is "under resourced with technology" an observation confirmed in conversations with a DOR/TAX employee who revealed, "word is out – taxpayers know our systems are broken." One stakeholder commented, "You can't call yourself professional if you don't have a system that supports the efficient collection of data."

> ***"We file reports – but it's not clear what they do with the information because when an auditor shows up, they ask for the same information again."***

By far, the most common and consistent message was directed to the limitations and inflexibility of existing systems that impose a burden on taxpayer reporting and severely limit information available to legislators, executive agencies, and local governments.

Taxpayers were vocal in expressing their concerns and complaints about the need for duplicative reporting and the way in which information is collected,

> "Sometimes the same information needs to be reported three different ways for different systems and different sections. There is a high level of redundancy of reporting."
>
> "Taxpayers are asked to repeatedly provide the same information. If it was possible for systems to share data internally, they could avoid duplicative reporting by taxpayers."
>
> "The Tax Division doesn't understand the needs of large taxpayers – they aren't able to collect information in an efficient and effective manner. They ask for everything in an MS Excel spreadsheet but, as a large taxpayer, that simply doesn't work. Their latest request is for a spreadsheet with 95 tabs. The Tax Division uses FoxPro, but FoxPro is outdated and needs to be replaced."
>
> "The Tax Division keeps asking for the same data in different ways and in different formats – auditors need it one way, economists need it another, etc. They should be able to put the data into one system and extract it for whoever needs it and for whatever purpose they need it. There has got to be a better way – and spreadsheets are not the answer. For a taxpayer to have to hire someone to input data into a spreadsheet is backwards and very inefficient. It creates a lot of unnecessary work and cost."
>
> "The current process is inefficient and ineffective. It requires taxpayers to provide the same information multiple times. It is clear Tax Division's existing systems cannot organize and

> retrieve information very well. When the agency needs information, they ask for it from the taxpayer rather than retrieving it from their systems. That seems very inefficient."
>
> "We file reports – but it's not clear what they do with the information because when an auditor shows up, they ask for the same information again. Apparently, it's easier for them to get the information from us than to retrieve it from their systems."

While taxpayers find it difficult to report data, consumers of information including the legislature, executive branch agencies, and local governments commented on limitations on the information available to them. One stakeholder noted,

> "With the new Oil and Gas Tax, it's been a real struggle to get information from the Tax Division in any detail, especially for credits. We'd like to know answers to questions like how many taxpayers have applied, what is the revenue effect of each, and so on."

The value of this type of information was reiterated by another stakeholder,

> "We're interested in getting more information about tax credits. There are a lot of them, and it would be nice to have more info – What are they? Who's using them? How much do they cost? Are they working?"

Inflexibility in the way data is gathered and stored limits the ability to report information in ways stakeholders find would be useful. One stakeholder shared a specific example,

> "We requested the agency to present revenue production by oil field. The response we received was that information is structured by company and not by geographical area."

For purposes of accurate budgeting, one stakeholder emphasized the importance of the information provided by DOR/TAX,

> "We want access to all the information we need to estimate revenues. We need a further break down of the information. They mean well and they're getting closer, but they're not there yet."

Another stakeholder agreed,

> "We would like to see information presented on more of a cash flow basis – currently we see revenue net of credits. We'd like to see the total value with amounts that break out the royalty values, the production base, and so on. That would give us a lot more information, both for forecasting and for policy purposes."

Another topic that surfaced in stakeholder interviews was the timeliness of regulations and tax forms,

> "The biggest issue is timeliness of regulations. It's difficult to operate without regulations, instructions, and definitions – you're not sure how to report and you can't understand nuances."

The lack of a stable Oil and Gas Tax return was also cited as a problem, "It is simply not clear what we're supposed to file."

While taxpayers were vocal in expressing the need for tax forms and more guidance, at least one stakeholder noted,

> "The Legislature gave the Tax Division a huge job with the new Oil and Gas Tax, and the tax is incredibly complicated. Industry wants them to be done with their regulations already and companies want different interpretations. This is something the legislature is watching closely and they know it's a hard job. I'd say to the Tax Division, *don't lose focus*."

One stakeholder also mentioned concerns with the audit process noting,

> "Some audits take a long, long time. Difficulties getting interpretations make the process even more drawn out and complicated."

2. Future State

One of the most significant aspects of planning for the future is taking into consideration the needs of external stakeholders.

To obtain stakeholder input, two questions were posed to interviewees:

- In your opinion, is there anything DOR/TAX should be doing to improve tax administration? Are there areas that should receive additional attention and focus?
- Are there additional services you would like to see DOR/TAX provide?

Responses to these questions are organized and summarized based on the topics that were raised in interviews including: system improvements, reporting, and information sharing; electronic filing; taxpayer services; and other issues.

a) System Improvements, Reporting, and Information Sharing

Both taxpayers who are required to report data to DOR/TAX and stakeholders who rely on information from the agency cited the value of having a more modern and robust way to store and retrieve information. Taxpayers mentioned their desire to see an increase in the efficiency of their interactions with the agency,

> "The Tax Division should be able to retrieve information from one system rather than require taxpayers to provide the same data many times."

> "They need an automated system so they don't have to ask for the same information multiple times. Taxpayers should be able to provide data once, and the agency should be able to slice and dice it anyway they need to."

> "They should be able to put the data into one system and extract it for whoever needs it and for whatever purpose they need it."

> "The Tax Division needs a system that can organize and retrieve information while protecting and safeguarding confidential taxpayer information."

Taxpayers also mentioned the importance of consistency and predictability in their interactions with the agency, "We want a stable platform, not something that keeps changing all the time."

One important characteristic repeatedly mentioned by those who rely on information and reports from the agency is the need for flexibility,

> "A nimble system would allow the Tax Division to be more responsive and not spend as much effort as they currently do producing information and reports."

> "Flexibility is king. Quickly adapting to change is important for new revenue streams."

> "Make changes easy to implement. If changes cannot be made quickly someone will make a 'side-system' to go around the automation. Necessity is the mother of invention. If the people maintaining the system cannot be responsive then someone will build a side-system."

> "Alaska updates its technology very infrequently. The Tax Division will need to be able to adapt to the future – the possibility of new tax types or changes to current taxes. The legislature will make revisions to the Corporate Income Tax, mining taxes, and so on in the future. Flexibility is important along with the ability to work with new data. The more tools they have for analysis of data the better."

"The Tax Division needs a system that can organize and retrieve information while protecting and safeguarding confidential taxpayer information."

New ways of presenting information was also described as an important enhancement,

> "As a big user of data, it would be nice to see the Tax Division move to more of an internet basis for reporting information rather than all paper and publications. I'd like to see more innovation in how information is displayed and communicated, along with the ability to slice and dice data so you can see details and trends."

> "A lot of what we see is very static. You can't drill down into the data. The agency could do a better job of presenting data."

Some of the agencies that receive information from DOR/TAX including local government expressed a desire for more comprehensive data sharing agreements so they could access better and more complete information. It was also mentioned that it would be nice if the economic resources of the DOR/TAX

could be made more accessible to other agencies in government to increase the sophistication of analysis that is currently not possible.

b) Electronic Filing

Improvements in electronic filing were cited frequently as a means to improve tax administration,

> "We work with many different jurisdictions and, in comparison, the Tax Division needs a better platform to ease electronic reporting. They don't seem to benchmark with other jurisdictions to see how well they're doing or how they can improve."

> "Our number one priority is EDI (*electronic data interchange*). Reporting on spreadsheets multiple times is frustrating and extremely inefficient."

> "I'd like to see a state-of-the-art online tax filing system that can minimize the time and effort it takes for taxpayers to file."

While large taxpayers spoke of the need for EDI, the desires of smaller taxpayers were different. The need for simplified filing in general was stressed, of which electronic filing was an important part. Options currently exist and it was noted, "Their progress towards on-line filing is good" and "They're more innovative than other departments when it comes to on-line filing and renewing permits." One stakeholder stated,

> "On-line filing for small taxpayers is a nice service. However, it should not be mandatory since not all small taxpayers have computers. Once it becomes mandatory, it stops being a service."

The requirement to file the same information with different agencies was also noted.

> "Much of the information filed is identical, but you have to complete two different forms for two different agencies. Isn't there a way to complete one form that satisfies both agencies?"

> "Because different agencies have different systems, you have to log on multiple times. It would be nice if all of your interactions with multiple agencies could be handled electronically in a single transaction. That seems to be the direction things are going."

c) Taxpayer Service

A number of improvements in taxpayer services were mentioned, starting with a diligent push to make it as easy as possible to conduct business with DOR/TAX.

> "They should work hard to make it easier to do business. Simplicity should be their focus. People don't like paying taxes, and you should make it as simple as possible."

When asked about new services, one stakeholder responded,

> "I'm not as interested in new services as just trying to provide the right level of services. The Tax Division has regulations, but not at the level that would be useful."

Another stakeholder made the same point,

> "We would welcome timely, precise, and clear regulations together with the opportunity to provide feedback on proposed regulations and forms. The tax system should be self-administering – but it can't be without timely, precise, and clear information for taxpayers."

According to one interviewee, "Their goal should be that taxpayers have all the information they need."

Access to regulations was also brought up as an important issue,

> "It should be easier to access regulations – they need to be easily accessible, not just in a thick binder. Active taxpayer education is important."

> "Efficiency of customer service is something to work on. Excellent customer service is more than being nice. It means having all the information a taxpayer needs in one place so they don't have to call back five times to get what they need."

Several other ideas to improve tax administration were mentioned in various interviews,

> "It's important that people receive a notice and a reminder of what they should pay. People have so many different obligations, and notifications and reminders are very helpful."

> "As a taxpayer, it would be nice to be able to get a preliminary view/ruling regarding your filings. They offer that on an advisory basis, but it would be helpful to have something you can rely on."

> "My company is a big believer in statistical sampling. The Tax Division seems a little resistant. The agency should be using modern, valid techniques for sampling that, in turn, impose less of a burden on taxpayers."

> "There should be an easier way for innovative ideas (especially by small companies) to flourish without getting stifled by regulations. There is a need for more flexibility when it comes to the licensing of new products and process types."

d) Other Issues

As interviewees talked about actions DOR/TAX could take to carry out its mission and vision, several discussion points surfaced,

> "Maybe the agency is already doing this, but they should be working on and thinking about tax reform ideas for the future. Our revenues are trending down, so hopefully they're thinking about sources and options other than oil and gas."

> "As tax administration issues bubble up, the Tax Division should be making the legislature aware of them. Their mission statement includes *informing stakeholders*. When issues come to the attention of the legislature, it means they didn't get satisfaction from the Tax Division and it would be helpful if they could be more proactive in letting us know about those issues."

> "One big concern is if there are enough resources for audit, especially with the new tax regime. It's important to make sure they have money for the auditors they need to make sure the state is not being cheated."

e) Valuable Service to Maintain

Another question asked of stakeholders was,

> "Are there valuable services the Tax Division provides that you want to make sure they continue providing in the future."

Sometimes as organizations shift their attention to new challenges, they may overlook the importance of current activities that are valued by their stakeholders. This question was meant to help identify those types of valued services.

Responses to this question included the following,

> "The Tax Division cannot be derailed from its primary mission which is compliance and the collection of tax dollars."
>
> "The Revenue Sources publication" and "Input for the 10-year forecast."
>
> "Accurate reporting including motor fuel data reporting."
>
> "They have open lines of communication, and they shouldn't give that up. Customer service is pretty good – they're responsive, friendly, and helpful, and that should not change."
>
> "The agency has a great web site and it's easy to find information. They need to keep that up."
>
> "Their ability to provide good customer service to applicants and taxpayers is good; they answer phones quickly."
>
> "We wouldn't want the Tax Division to change the quality of their relationship with us – they have a very personal relationship that is different than most agencies in other jurisdiction."
>
> "The most valuable service they provide today is communication and accessibility. The ability to call and talk to someone is great."
>
> "I'd like to see them continue holding workshops and meetings prior to adopting regulations. These allow dialog and opportunity to express opinions and concerns. This should be a standard of practice for any set of regulations they consider."
>
> "Providing rulings to taxpayers is an important service. The Tax Division does this today and, by law, they are advisory, not binding. While we would prefer binding rulings, we would not like to see agency give up this practice."
>
> "They do a fabulous job with charitable gaming. There are some complaints, but they have a solid set-up and I'd hate to see that change."

3. Key Findings

One of DOR/TAX's key assets is their personnel; they have a reputation for being responsive, professional, and competent.

However, stakeholders know that DOR/TAX is "under-resourced with technology." Systems' limitations and inflexibility impose a burden on taxpayer reporting and severely limit information available to legislators, executive agencies, and local governments.

Taxpayers were vocal in expressing their concerns and complaints about the need for duplicative reporting and the way in which information is collected. Current reporting processes are inefficient and ineffective and create unnecessary work and cost for taxpayers.

Both taxpayers who are required to report data to DOR/TAX and stakeholders who rely on information from the agency cited the value of DOR/TAX having a more modern and robust way to store and retrieve information. Inflexibility in the way data is gathered and stored limits the ability to report information in ways stakeholders find is essential. Desirable system characteristics included flexibility and the capability to access and present information differently.

Improvements in electronic filing were cited frequently as a means to improve tax administration. For some large taxpayers, the number one priority was identified as EDI (*electronic data interchange*). For smaller taxpayers, the need for simplified filing in general was stressed, of which electronic filing is an important part.

Taxpayers expressed a strong desire for the right level of taxpayer services, making it as simple as possible to report and pay taxes. The importance of timely, precise, and clear information for taxpayers was emphasized along with taxpayer education and convenient access to regulations.

Systems' limitations and inflexibility impose a burden on taxpayer reporting and severely limit information available to legislators, executive agencies, and local governments.

V. Integrated Tax Management System Project

A. Project Vision Statement

DOR/TAX project envisions an ITMS with the following attributes:

> **"Comprehensive**: incorporates all information and revenue management functions of the Tax Division;
>
> **Robust**: requires minimal changes to program code as new tax types are implemented and existing tax types are changed; and
>
> **Integrated**: includes information about all taxpayers that is accessible by all tax units and, through security controls, with other departments.
>
> The desired solution will help the Tax Division enhance revenue collections via standardized user interfaces and processes, increased data accuracy and integrity, user-friendly reporting tools, automated prompts for staff to take action, and a case management system to streamline investigations" (State of Alaska Department of Revenue Tax Division [ADOR/TAX], 2009, pp. 2-3).

A new system will allow DOR/TAX to "spend *less* time on:

- Manual processes that are often duplicative
- Maintaining spreadsheets
- Maintaining files
- Tracking taxpayers
- Tracking deadlines
- Reconciling data currently in various separate databases
- Researching whether taxpayers filed and paid in a timely manner
- Generating routine correspondence and communication with taxpayers from scratch
- Working to develop management systems lacking in the current environment
- Writing and executing specialized queries for extracting data" (ADOR/TAX, 2009, p. 3)

A new system will enable DOR/TAX to "spend *more* time on:

- Core, mission-critical functions
- Audits
- Investigations
- Research and analysis
- Appeals
- Pursuing non-filers
- Collecting monies owed to the state
- Developing and enhancing core skills in staff

- Applying better information to improve taxpayer service
- Improving revenue forecasting models
- Managing workloads efficiently
- Developing procedures and desk manuals for business continuity" (ADOR/TAX, 2009, p. 3)

B. Goals and Objectives

ADOR/TAX (2009) states "the goals and objectives for an ITMS project might include the following:

- Provide comprehensive tax revenue and information functionality to improve the efficiency and effectiveness of overall tax administration processes.
- Meet time and budget constraints.
- Eliminate the need for paper-based processes through automated entry and workflow of documents such as tax returns and information report filings.
- Eliminate redundant data collection and storage systems throughout DOR/TAX.
- Reengineer existing processes to maximize human and system resources.
- Fully document all business processes and eliminate redundant processes.
- Increase staff efficiency and direct focus to their primary duties.
- Facilitate the accurate calculation of taxes by eliminating problems associated with error-prone data entry and inconsistent application of business rules due to manual processes.
- Provide staff with access to self-service information based on their roles.
- Provide taxpayers with the ability of ecommerce with a modernized and fully functional web portal.
- Provide appropriate security to meet the requirements of all Federal and State laws regarding confidentiality and security of personal information.
- Regardless of the implementation strategy chosen, ensure that the State owns and maintains its revenue management system with as minimal support as possible from outside vendors.
- Ensure that the system is expandable to meet the needs of future tax types using State IT resources to the maximum extent possible" (p. 4)

For a complete discussion of scope, please refer to *Scope Management* in section *VII.*

C. Critical Risk Factors

ITMS projects are complicated, high-risk projects. It is important to identify critical risk factors so that a strategic approach, effective procurement process, and a well thought out implementation plan are in place to maximize the opportunities for success.

The greatest overall risk to DOR/TAX in its efforts to achieve its vision is to not proceed with the procurement and implementation of an ITMS.

Risks fall generally fall into three categories: (1) technology, (2) business, and (3) delivery risks.

1. Technology Risks

Technology risks are technical or performance limitations that endanger the project's success. Technology risks with a high level of importance and impact include:

- Recreating the "legacy trap" – committing to a solution not capable of meeting future needs; this risk speaks to concerns about obsolescence, flexibility, and expandability
- Opting for "cutting edge" but unproven technology
- Imposing technical requirements that needlessly limit the range of viable solutions that may be considered; for example, imposing Alaska-specific requirements that preclude consideration of solutions that have been successful elsewhere
- Inadequate assessment of solution capabilities, architecture compatibility, and system functionality
- Inadequate planning for future maintenance and support

2. Business Risks

Business risks are those impediments that prevent the organization from realizing the business benefits of the new technology. Business risks with a high level of importance and impact include:

- Inadequate resources are made available for the project
- A reluctance to change Alaska-specific business processes to take advantage of modern integrated tax solutions
- An insufficient emphasis is placed on training, thus staff is not able to effectively utilize the new technology

3. Delivery Risks

Delivery risks are those that affect project implementation. Delivery risks with a high level of importance and impact include:

- Using an unproven or out-dated implementation methodology
- Lack of top management commitment and involvement
- Ineffective or weak project management without clear oversight and decision-making authority
- Not dedicating the right people to the project including a sufficient number of business and technical resources
- A wavering focus on scope, deadlines, and budget
- Inadequate internal and external communications
- Insufficient staff involvement and buy-in; in Alaska, this risk has a geographic dimension due to the separation of staff in Anchorage and Juneau

An effective mitigation strategy needs to focus on three key elements: choosing a sound implementation approach (See *Alternative Approaches*); using an effective procurement process that results in the selection of a strong solution and trusted business partner (See *Preparing for Procurement*); and carefully planning and managing the project to ensure successful delivery (See *Project Management Plan*).

It is important to identify critical risk factors so that a strategic approach, effective procurement process, and a well thought out implementation plan are in place to maximize the opportunities for success.

D. Alternative Approaches

The modernization of an agency's tax administration is a complex and risky undertaking. The strategy an agency chooses as it goes through the modernization process has a significant impact on its chances of success and the cost and schedule of the project, as well as an array of ancillary issues such as system functionality and performance, user training, maintenance, and future system enhancement.

Options available to states desiring to implement a modern, ITMS include custom, transfer, and commercial off-the-shelf (COTS) systems. These approaches are defined as follows:

- *Custom Built System:* Building an application system specifically for a single customer. Normally, a custom system is designed and built from the ground up for a specific agency by in-house resources, vendor resources, or some combination of the two.
- *Transfer System:* Obtaining a system used in another jurisdiction and fitting it to meet another customer's needs. A transfer system in this context is software in use at one revenue agency that is transferred, installed, and adapted to meet the needs of another revenue agency.
- *COTS System:* Obtaining a ready-made package designed to be configured to meet the needs of many customers. COTS in this context is a software product developed by a third-party who controls its ongoing support and evolution. It is bought, licensed, or acquired for the purposes of integration into a revenue agency. A COTS product might not allow modification at the source code level, but normally includes customization mechanisms to allow for easy extension and tailoring to meet each agency's requirements.

1. Industry Trends in the State Revenue Market

There has been considerable evolution in the state revenue market for tax systems in the past three decades. In the 1970s and 1980s, custom systems were the only option. Systems were built in-house or by vendors, and they often addressed a specific functional area such as registration, returns processing, collections, or audit. Many of the legacy systems states are seeking to replace today are siloed, custom systems with limited functionality built on aging platforms.

The concept of an ITMS built on a single platform capable of supporting multiple tax programs and functions had significant technical and business advantages and revenue agencies started moving in that direction. Systems were self-built or built by IT service providers such as IBM, Andersen Consulting, and Unisys.

In the late 1980s, the "transfer system" concept became an option for state tax agencies. Transfer systems offered advantages of reduced cost and risk because the core system already existed and was in production operation elsewhere. The existing code of a transfer system provided a head start on development. The additional development activities focused on changing existing code and adding new code to meet different business and functional needs of another jurisdiction. Once a transfer system was completed, it retained many characteristics of a custom system – a system built to meet the requirements and needs of a specific jurisdiction. Like a custom system, the jurisdiction owned the code and was responsible for modifying and changing it, possibly with vendor assistance, as changes in legislation or business requirements dictated.

Transfer systems were a popular option from the mid-80s through to the early 2000s. At least two vendors marketed and implemented transfer solutions – CGI/AMS (Advantage Revenue) and Accenture, (TAS).

COTS became an option for state revenue agencies after the turn of the 21st century. A Gartner Industry Research report, *COTS Is Becoming a Viable Option for Tax and Revenue Agencies' Application Modernization*, (Gartner, 2008) notes,

> "Historically, tax and revenue agencies preferred to custom-build mainframe-based systems, because the early stages of the maturity of applications and application development approaches made it difficult to cost-effectively build commercial off-the-shelf products with sufficient architectural flexibility to adjust to the variety of regulatory and business needs" (p. 2).

COTS solutions offer advantages such as lower risk, reduced cost, and quicker deployment of proven "out-of-the-box" functionality. Rather than building from the ground up or rewriting or replacing another agency's code, development focuses on tailoring extensions through configuration to meet a jurisdiction's unique business requirements. With many business rules (such as tax rates, penalty and interest rules) being configurable, changes can be made quickly without the need to rewrite code. Similarly, new tax types can be configured in the solution just as existing taxes are configured during the implementation project.

The ownership model of a COTS solution differs from custom and transfer alternatives since the product code is proprietary – the jurisdiction has a license to use it but does not own it. The responsibility for keeping up with changes in technology and core functionality is delegated or outsourced to the COTS vendor. This can be seen as an advantage since adapting to evolving technology is a significant

undertaking and the ability to regularly refresh technology is appealing. However, some agencies view lack of source code ownership as translating to lack of control.

A COTS solution also offers agencies an upgrade path as new software versions and technology become available. Although upgrading to new versions still requires some work, it is less resource-intensive than a technology model that required the periodic replacement of legacy systems.

The different ownership models for custom and transfer solutions in comparison to COTS mean different life-cycle cost structures. A COTS system typically has lower implementation costs than custom or transfer solutions, and jurisdictions need to plan for on-going software maintenance costs to keep current with service packs and new versions of the software. Upgrading to a new software version may or may not require the assistance of the vendor depending on the capabilities of the in-house IT unit and the significance of the changes from version to version. Implementation costs for a custom or transfer system are typically higher than a COTS solution, and jurisdictions need to plan for periodically rewriting, re-platforming, or replacing the legacy system.

Since 2000, COTS solutions have become the predominant option for an ITMS in state revenue agencies within the United States. In thirteen contract awards between 2000 and 2005, nine were for COTS solutions, three were for transfer solutions, and only one was a custom build. In fourteen awards between 2006 and 2010, twelve were for COTS solutions and two followed a custom approach. One of the two was a project to rewrite legacy system COBOL code to Java (Maine). The other was a custom-build project which produced the prototype for a COTS product offering (South Carolina). There have been no transfer system implementations in the past five years.

Since 2000, COTS solutions have become the predominant option for an ITMS in state revenue agencies within the United States.

Table 1 lists the approaches states have taken in implementing an ITMS during the past ten years.

The dramatic shift towards COTS solutions in the state revenue market may be based on experiences some agencies have had with other approaches.

- In the early 1990s, the New Mexico Tax and Revenue Department initiated a project to modernize its computer systems by designing and building its own custom system that would integrate its tax types into a single business application. Nine years and $49 million later, only one tax program was in production and a second under development. In early 2001, New Mexico decided to halt further development and acquire an off-the-shelf package through a competitive procurement process.
- Mississippi started a custom project in the late 1990's, but the tax system never was completed. Attempts to go live with the first of the 38 taxes in 1997 and 1998 failed and a third version of the

tax system provided in January 1999 had so many defects that testing could not be completed. Mississippi currently has a procurement process in progress and is seeking a COTS solution.

- Montana abandoned a custom system project after spending $39 million. In 2003, the Montana Legislature directed the agency to shut down the project due to data integrity and stabilization issues, and an overall lack of confidence in the system. The department was instructed to find a replacement system with a proven track record in another state. The resulting RFP specified a COTS solution.

Table 1: State Approaches to ITMS (2000-2010)

Custom	Transfer	COTS
Maine	Arizona	Alabama
New York	Connecticut	Arkansas
South Carolina	Nevada	Colorado
		Florida
		Georgia
		Idaho
		Illinois
		Kentucky
		Louisiana
		Maryland
		Michigan
		Minnesota
		Montana
		New Mexico
		North Carolina
		North Dakota
		Ohio
		Utah
		Vermont
		West Virginia
		Wisconsin

There are currently state revenue agency procurement processes in progress in Massachusetts, Pennsylvania, Mississippi, Oklahoma, and California (Franchise Tax Board). The Pennsylvania, Mississippi, and Oklahoma RFPs specifically request responses for COTS solutions. The Massachusetts and California RFPs do not specify or restrict the type of solution so long as responses meet the state's requirements.

Today, there are at least five companies with COTS solution offerings for the US market:

- SAP (Tax and Revenue Management)
- Revenue Solutions, Inc. (RSI Premier)
- Fast Enterprises (GenTax)
- Oracle (Enterprise Taxation Management or ETM)
- Tata Consultancy Services (Tax Mantra)

To our knowledge, there are no vendors actively marketing transfer system solutions for integrated tax in the US market today. In the past there were two vendors who marketed and implemented transfer solutions – CGI/AMS (Advantage Revenue) and Accenture (TAS). Neither of these companies have marketed or bid these solutions in the past five years. CGI is currently implementing Oracle's ETM product in several states and Accenture is implementing the SAP revenue solution in one state and has bid the SAP solution in several other states.

Custom systems remain an option for state revenue agencies. A custom solution can provide a high degree of flexibility which may be important for an agency that is very satisfied with its existing business processes and does not want to adapt them to a COTS solution. Custom systems, however, pose a higher degree of implementation risk and, historically, have been a more costly option.

There are undoubtedly a large number of IT service companies, some with revenue agency experience and many without, which may be interested in the opportunity to develop a custom tax solution. Companies active in the revenue market include Accenture, Capgemini, CGI, Deloitte, IBM, PricewaterhouseCoopers, and Unisys but their level of interest in building a custom solution and, more specifically, their interest in the Alaska market, are not known. Also, there is little information available about recent state revenue agency experiences with custom ITMS solutions, particularly for states considered comparable to Alaska. If there is an interest in pursuing a custom solution and learning more about the vendor community as well as custom system pricing, DOR/TAX should consider issuing a Request for Information (RFI) specifically inviting responses from vendors interested in proposing a custom solution.

2. DOR/TAX Experience

DOR/TAX has previous experiences with custom and transfer solutions, both which did not produce the desired results.

a) Custom Systems

Three of the agency's existing systems, TAS, CPS, and DEE Excise, are custom built systems. DOR/TAX indicates that they provide insufficient functionality, and are complicated, expensive, and time consuming to modify and maintain. Not all data needed to track and report on tax types is collected causing information provided to be incomplete. In planning for an ITMS, DOR/TAX intends to replace all three systems.

b) Transfer Systems

One system DOR/TAX uses for two tax types was a transfer system called Data Entry and Examination Motor Fuel/Corp. The current version neither meets the needs of the Tax Division nor can it be enhanced.

In evaluating the transfer approach, the *TRIMS* (ADOR/TAX, 2009) report noted:

> "This option was attempted back in 2000 with the purchase of the state of Wyoming's Mineral Tax System, a third-party product from Computing Alternative, Inc. This project, involving the adaptation of the product for Alaska's Corporate Income Tax and Motor Fuel Tax types, was unsuccessful due to cost overruns, system instability, data integrity issues, and the inability to generate meaningful reports. All of these problems have contributed to an existing system that requires significant business process work arounds and that operates at a 'snail's pace.' In some instances, it is actually faster to manually process a return than utilize the system. In addition, this system 'crashed' a few years ago making it impossible to supply required reports to the Federal Highway Administration (FHWA) regarding motor fuel used on Alaska's highways. Our failure to report almost resulted in FHWA withholding federal highway funds from Alaska's Department of Transportation" (pp. 14-15).

3. DOR/TAX Research

In 2007 and 2008, a series of three reports were prepared for DOR/TAX by the Alaska Information Technology Group (AITG). The studies identified requirements for an Oil and Gas Tax revenue system, conducted a high-level assessment of two approaches to developing a new system (custom and COTS), and reviewed two COTS solutions.

In the *Oil and Gas Tax System: Solutions Analysis,* AITG (2007) identified business, functional, and system requirements and, based on the preliminary requirements gathering phase of the project concluded,

> "the DOR needs to develop or acquire a comprehensive flexible, computerized system to track, calculate, and report tax data, starting with the data associated with the oil and gas production tax" (p. 2).

In the second study, *Oil and Gas Tax System Solutions Analysis*, AITG (2007) further investigated two potential solutions, a custom and a COTS solution. They concluded both the custom and the COTS solution can meet the requirements, and

> "...careful evaluation of all available options should be considered before moving forward with a solution" (AITG, 2007, p. 23).

The third AITG study, *Oil and Gas Tax System: COTS Solutions Analysis* (AITG, 2008), further analyzed two COTS solutions. As a part of the study, five states were surveyed that had implemented custom and COTS solutions for Oil and Gas Taxes. The three custom solutions all took longer to complete than had been scheduled (timeframes were underestimated by 33% to 50%) while the two COTS projects were completed on time. On a scale of 1 to 10 with 10 representing high satisfaction, the custom systems received ratings from New Mexico, North Dakota, and Wyoming of 7, 8, and 5 respectively. The COTS systems received rating from Louisiana and Montana of 10. Louisiana and Montana indicated they would "select the same system if they were to implement a new system today" (AITG, 2008, p. 10). Two of the three states who chose custom solutions (New Mexico and Wyoming) were not satisfied with the outcome. New Mexico said they "would not build the same system today" (AITG, 2008, p.10). Wyoming indicated the system was not properly developed, and work-around solutions became standard business practices. The system was described as "just works" (AITG, 2008, p. 10). The study recommended that Alaska budget $20 million for the cost of implementing a COTS solution for Oil and Gas Taxes (AITG, 2008, p. 10).

ADOR/TAX (2009) produced *TRIMS* which evaluates five alternative strategies:

- "Maintain and upgrade the existing system and method of operation
- Transfer an existing system from another state
- Transfer and modify an existing system from another state
- Custom build a new system
- Acquire and implement a COTS product" (p. 10)

DOR/TAX evaluated each option in terms of cost, ability to satisfy requirements, business process impact, time, and risk.

The *TRIMS* (ADOR/TAX, 2009) report concluded acquiring and implementing a COTS product is the best recommendation for the TRIMS project. COTS systems are developed by businesses that specialize in state and local tax revenue systems. In terms of time, the COTS solution is capable of a faster

implementation because the initial phases of production are not spent building core framework. Risk is minimized when using a COTS solution and is primarily contingent upon selecting a vendor who is successful in managing solutions and who can provide technology updates. ADOR/TAX (2009, p. 21) states,

> "COTS solutions typically have been tested in the user community at large and are considered a proven solution. At its core, the software will provide a stable and proven framework, which requires some configuration to meet the business requirements."
>
> "A custom solution, on the other hand, has not yet been proven and the framework must be developed from scratch. Typical risks include poor performance or unworkable code, where some features do not work as intended. These risks are compounded by the number and complexity of the business requirements, the programming languages and platforms utilized, and the systems that need to be integrated."
>
> "Agencies are sometimes wary of the COTS approach because they fear that future changes to the product will not be under their control, or that a vendor may eventually abandon support for the product or go out of business altogether. This risk can be significantly mitigated by selecting a vendor with a proven, long-term track record in designing, delivering, and supporting a revenue management solution, not as a sideline but as the primary strategic focus of their product offering; and who has demonstrated a commitment to maintain currency with evolving industry-standard technology platforms."
>
> "All states participating in the Tax Division's 2008 survey indicated satisfaction with the performance and scalability of their COTS tax management system implementations."

Furthermore, ADOR/TAX (2009, p. 19) concluded,

> "Considering all evaluation criteria together – cost, satisfaction of requirements, business process impact, time, and risk – the COTS implementation strategy represents the highest probability for a successful TRIMS project outcome."
>
> "After careful internal research and analysis, the Tax Division recommends that it is in the best interest of the State for the Division to acquire a commercial off-the-shelf (COTS) system that can be configured to meet the needs of the Division, the State, and the taxpayers and stakeholders we serve."

4. Next Steps

- If DOR/TAX is interested in a custom solution, it should consider issuing a Request for Information (RFI) specifically inviting responses from vendors interested in proposing a custom solution for DOR/TAX. The RFI should request a company profile, information about the technology to be used, a system description, pricing and schedule information, the company's experience implementing similar systems in jurisdictions comparable to Alaska, and any other information DOR/TAX believes would be useful in evaluating the costs and benefits of further pursuing a custom solution
- If DOR/TAX is interested in a COTS solution, they should issue an RFP specifying that responses must propose a COTS solution. In recent years, this approach was used in Arkansas, Mississippi, and Oklahoma.
- If DOR/TAX is interested in either a COTS or transfer solution, it should issue an RFP specifying that responses must propose a COTS or transfer solution. In recent years, this approach was used in Utah.

VI. Costs and Benefits

This section provides high-level information about the cost components of an ITMS and presents a range of costs for DOR/TAX as it estimates and budgets an appropriate level of resources for a new system. FAST reviewed and analyzed information DOR/TAX previously gathered from other state tax agencies about costs and benefits of an ITMS and supplemented it with additional survey information. Potential benefits and various funding approaches are presented in this section.

For an ITMS project, one of the critical risk factors is inadequate funding. If project costs are underestimated, the desired scope of the project may not be delivered, or the project may go over budget. It is important to set a realistic level of funding, recognizing that major components of the project will be subject to bid with multiple vendors providing pricing proposals for goods and services.

A. Cost Components

Cost components for a tax system project generally fall into five categories:

- Software
- Implementation services
- On-going maintenance and support
- Hardware
- Project operating expenses

Vendor-related cost components include software and implementation services. For budgeting purposes, these two cost components may be bundled together. Once the project is complete, there will also be on-going software maintenance and support costs.

In addition, a project incurs hardware costs and internal project operating costs such as those related to project space, equipment, and travel. If agency staff members (business and technical) are "loaned" to the project, they do not usually represent additional, marginal costs for which a budget is requested. However, this is an aspect of a project that needs to be carefully managed since a significant number of agency staff will be committed to the project – many on a full-time basis. If additional project-related staff are requested, those costs should be included in the project's operating budget request.

1. Software

The major element of software costs is the integrated tax software itself. There will also be third-party software licensing expenses for operating systems and database support.

Vendors use different pricing models for software licensing. Variations include enterprise licenses with no functional or program-based restrictions, and restricted licenses that limit permitted uses to only tax types or functionality that is specifically in-scope. Some vendors price licensing based on the number of users or "seats" while others are not limited with respect to the number of users, desktops, servers, or

office locations. As vendors respond to the RFP, it is important to understand the basis for their software license pricing, and to have them specify license restrictions and limitations.

2. Implementation Services

Vendor services are usually the single largest cost component for an ITMS implementation project. DOR/TAX is planning a project to replace all 22 taxes, implement more aggressive e-filing, implement a complete Data Warehouse, and integrate imaging. Required services will include services for system configuration, development, testing, conversion, and training. Consulting services to meet a variety of other needs may be requested or proposed including those related to business process redesign and project management. Project management includes the vendor's project manager and, at the discretion of the agency, may also include an independent project manager who works on behalf of the agency.

3. On-going Maintenance and Support

Software maintenance costs provide for modification of the software after delivery to cover bug fixes, improve performance, or add functionality. Sometimes software maintenance takes the form of a "warranty period" beyond the implementation project. Software maintenance may or may not include access to future version enhancements. In the initial project budget, it may be desirable to provide for some level of maintenance beyond the implementation project. For example, if the project is expected to be implemented over a three-year timeframe, including all costs for a five-year period may be prudent so that on-going software maintenance are visible and can be factored in to reflect both project-related and post-project costs. On-going support services may include vendor resources necessary to supplement agency resources after the implementation project is complete.

4. Hardware

Major hardware costs include servers running the ITMS application, related databases, storage area network (SAN) capacity, developer workstations, and client workstations. This hardware supports the production, development, and testing environments. Hardware needs are usually site-specific since they depend on whether an agency's existing hardware meets the new solution's specifications. In addition, there may be network, cabling needs, etc. that would be unique to each site.

5. Project Operating Expenses

Project operating expenses consist of general overhead expenses necessary to support a project including project space, equipment, travel, and other internal costs necessary to support activities, such as training and testing. These expenses are typically site-specific and reflect the marginal costs over and above an agency's normal operating expenses. They will vary depending, for example, on whether there is existing agency space to accommodate a project office. For DOR/TAX, travel costs should include project related travel that will be necessary between Juneau and Anchorage.

B. Pricing Strategy for DOR/TAX

In setting a budget for a major IT project, a jurisdiction wants to be sure it is able to obtain the functionality, performance, and delivery it seeks at a fair price. For an ITMS project, one of the critical risk factors is inadequate funding. Setting a budget too low may result in getting a system that does not meet the agency's needs. A jurisdiction also runs the risk of limiting the number of vendors that respond to an RFP and receiving attractively priced responses that carry high business and delivery risks.

Two primary ways used by jurisdictions to get information helpful in setting a budget:

- Information from the vendor community
- Information from other states in the process of implementing or have implemented an ITMS

DOR/TAX has used both of these means. For the past three or more years, the agency has participated in events such as the Federation of Tax Administrators Technology Conference and Exhibition, met and consulted with vendors to understand their product offerings and pricing, seen demonstrations of multiple solutions, and has had an independent consulting firm analyze different software solutions. They have received confidential cost estimates from three COTS vendors. DOR/TAX has also formally and informally surveyed other states to get information about project costs and schedule, as well as user satisfaction.

A budget for an ITMS for a five year period is estimated to be **$30 to $35 million**, and DOR/TAX is requesting a budget of **$35 million**.[2] This budget should be sufficient to attract a number of vendors offering a range of solutions to respond to an RFP. The strategy is prudent in that it allows the forces of competition to work in Alaska's favor by encouraging competition and by inviting competitive RFP responses to ensure the state is able to select the best system at a fair price.

C. Integrated Tax Management System Budget

Budget information for an ITMS project is presented by cost component for a five-year period. In developing these estimates, it is assumed that an RFP would solicit responses from vendors for software, services, and maintenance and support for a five year period. Since the implementation project itself may take less than five years, the vendor would be required to include maintenance and support in its pricing from the end of the implementation project through the fifth year. For example, if a vendor proposed a 2½ year implementation project, they would include 2½ years of maintenance and support in their response. If a vendor proposed a four year implementation project, they would include one year of maintenance and support in their response.

This provides flexibility to the vendor to propose costs and a schedule that they believe to be realistic and feasible, while providing to DOR/TAX assurances the project will be completed within five years and that all maintenance and support costs are included for a five year period.

[2] Due to proprietary vendor information, FAST estimated the budget based on information from other states.

Faster implementations will include longer periods of maintenance and support while longer implementation projects will include a shorter period of maintenance and support. DOR/TAX may wish to specify the maximum amount of time it will consider for the duration of the implementation project itself, e.g. four years.

Also, it is important to realize this approach will invite differences in how different vendors allocate pricing between implementation services and maintenance and support.

1. Vendor Software and Services

A budget for vendor software and services in the range of **$23 to $27 million** is within industry norm. This amount takes into consideration the number of tax types to be implemented (22), the functionality in scope including a data warehouse, taxpayer on-line services, imaging integration, and the services of an independent project manager. In substantiating this estimate, primary reliance is placed on recent cost information (2007 – 2009) obtained from other states that have procured and are in the process of implementing an ITMS. Secondary reliance is placed on cost information from small states (population less than 3 million) that implemented an ITMS in prior years (2003 – 2006).

It is important to note this estimate does not take into consideration confidential price information DOR/TAX has obtained from multiple COTS vendors. DOR/TAX should validate the estimate by comparing it to the information they have obtained.

This estimate may not be reflective of costs for a custom solution. If DOR/TAX would like more information about vendors and potential costs of a custom solution, they should consider issuing a Request for Information (RFI) specifically asking for information from the vendor community about offerings and pricing.

2. Maintenance and Support

A budget of **$2.0 to $2.5 million** per year for on-going maintenance and support after the project is completed is within the industry norm. For purposes of total project estimates shown, it is assumed the implementation project will be completed within three years, so two years of maintenance and support costs are included. Note that a faster implementation may require a higher amount for maintenance and support (more years), while a longer implementation may require a lesser amount (fewer years).

3. Hardware

DOR/TAX has estimated hardware related costs to be **$1.375 million** including costs for acquisition, installation, and testing.

FAST independently reviewed DOR/TAX's hardware estimates and based on experience in other jurisdictions determined this estimate to be reasonable. During the RFP process, DOR/TAX should request vendors to specify hardware requirements specific to the proposed solution so that hardware costs can be more precisely determined for each solution.

4. Project Operating Expenses

DOR/TAX has estimated internal operating costs to be **$1.0 million**, including funds for project office space, travel, and training. In addition, **$325,000** is associated with system integrated testing.

5. Total Project Budget

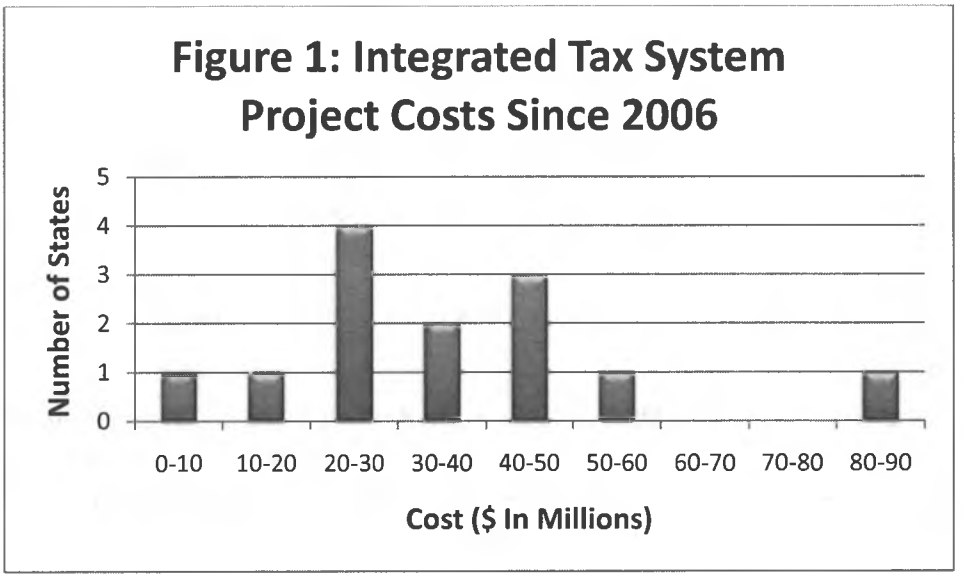
Table 2: Estimated Project Costs

Component	Amount – Low (millions)	Amount – High (millions)
Vendor Software and Services	$23.0	$27.0
Hardware	$1.375	$1.375
Project Operating Expenses	$1.325	$1.325
Maintenance and Support (2 years)	$4.0	$5.0
Total	$29.7	$34.7

D. Comparison Information from Other States

Since the year 2000, most state tax and revenue agencies (27 out of 50) have implemented or are in the process of implementing an ITMS. This provides a breadth of experience for DOR/TAX to draw from. The 27 states differ considerably in their population, total state revenues collected, tax structure, taxpayer base, and the complexity of individual tax types. There is also considerable variation in the scope of the tax system projects the states have undertaken.

Within the past five years, there have been 14 ITMS contract awards. Information obtained for 13 of the projects indicates system costs have ranged from **$8 million** to **$87 million**, with the six projects initiated since 2008 averaging **$43 million**. Figure 1 displays the range of costs for these 13 projects.



While this provides a "ballpark" indicator of total costs, individual state procurements are not perfectly comparable – the goods and services states choose to purchase often vary. Procurements typically involve software license and implementation services, while some may also include hardware, data warehouse and associated analytics, imaging, extended maintenance agreements, and/or extensive consulting services to address a variety of needs. Moreover, the scope of the implementations may range from a small number of taxes (1 to 4) to all of the tax types administered by the revenue agency (possibly 50 or more). For example, the two projects with costs under $20 million shown in the graph above involved the implementation of one tax with limited functionality (Michigan) and four taxes (Vermont). Given differences in project scope and the different vendors that may be involved, the duration of these projects also varies.

While the number of taxpayers in a jurisdiction has some bearing on costs, the complexity of the taxes, desired functionality, and the number of tax programs are much more significant factors. A high volume of taxpayers can affect software and hardware scalability and performance, but the functionality needed to process and administer a tax is not materially affected by a large or small number of taxpayers.

Generally, more recent procurements provide stronger indicators of current costs since they better reflect the current market. However, completed projects may provide better evidence of the benefits derived from an ITMS project since those jurisdictions have had the opportunity to establish a track record benchmarked against the performance of their legacy systems.

1. Comparison States – Small Populations

For purposes of providing additional comparative information related to small states, procurements in states with populations of less than three million during the last five years are examined in closer detail. This includes three states: Utah, Vermont, and Arkansas. To broaden the pool, procurements initiated since 2005 in states with a population of less than three million were also included, bringing in North Dakota and West Virginia. In addition, Montana is included in the comparison since Alaska often compares itself with Montana, both because of similar populations (less than one million) and because Montana, like Alaska, has a high dependence on severance taxes. Montana's project initiated in 2003, eight years before the potential start of an Alaska ITMS project.

Note: Information provided from other states is for the initial implementation project only. In some cases, additional tax types or functionality has been subsequently added. These additions are not included in the comparison since subsequent, incremental costs are harder to identify and track making comparisons are less reliable. Table 3 displays comparative summary information.

Table 3: Comparative Summary Information						
Inception Date	**State**	**2010 Population (000)**	**2008 Total State Tax Revenue* (Millions)**	**In-Scope Tax Types**	**Project Duration**	**Project Status**
2003	Montana	975	$2,457.0	53	48 mo.	Completed
2005	North Dakota	645	$2,312.1	19	24 mo.	Completed
2005	West Virginia	1,819	$4,881.9	42	42 mo.	Completed
2006	Utah	2,786	$6,109.3	26	37 mo.	Completed
2007	Vermont	622	$2,544.2	4	32 mo.	Completed
2008	Arkansas	2,889	$7,530.5	46	48 mo.	In-Progress
2011	Alaska	698	$8,424.7	22	--	Proposed
*Source: 2008 Annual Survey of State Government Finances, U.S. Bureau of Census						

Mississippi (population 2.952 million) is currently engaged in an ITMS procurement process. DOR/TAX should monitor the progress and results of this procurement since it is the first one involving a state with a population of less than 3 million since 2008. While a contract is yet to be awarded, it is worth noting that Mississippi received five vendor responses to their RFP.

Below is a short description of each of the six state projects.

a) Montana

In the late 1990's the Montana Department of Revenue chose a "design and build" (custom) strategy to modernize its many non-integrated and inflexible legacy systems. In 2003, after spending $39 million, the Montana Legislature directed the agency to shut down the project due to data integrity and stabilization issues, and an overall lack of confidence in the system. The department was instructed to find a replacement system with a proven record of accomplishment in another state.

Montana acquired a COTS solution and utilized a "proof of concept" approach, initially implementing six taxes over an 11-month period. Following the successful and on-time rollout of the first phase, subsequent phases brought 53 different tax types into production over the project's lifespan of 48 months.

b) North Dakota

The North Dakota project was a two-year, multi-phased project to convert most of the tax department's many aging computerized tax processing systems to a modern ITMS capable of quickly adapting to the state's frequently changing tax laws and regulations. The project replaced legacy tax systems designed 40+ years ago. Because legacy systems were limited by their age and effectiveness, the agency resorted to using supplemental tools such as MS Access and MS Excel to process and maintain significant elements of tax administration data.

North Dakota considered three alternatives for its modernization project:

- Migrating the existing systems to a modern hardware platform
- Designing and building a new system from scratch (custom development)
- Implementing a COTS solution

North Dakota elected a COTS approach in order to reduce risk, reduce cost, shorten the implementation schedule, take advantage of upgrades made to the core product, and enable the state to adapt quickly to future tax changes and business challenges. The project started in July 2005 and was completed in June 2007, bringing 19 taxes types into production during the four phases of the project.

c) West Virginia

As recently as 2006, the West Virginia State Tax Department used 23 out-dated operating systems to administer 42 different taxes. Separate systems created a segmented work environment for the department and led to inaccurate data and erroneous billings. They also inhibited good taxpayer service – tax service employees had to go into as many as nine different systems to answer a taxpayer's question. IT staff struggled with inflexible software tools and the department was able to make only limited changes to reflect new laws enacted by the legislature.

West Virginia started its ITMS project in 2005, implementing a COTS solution with the goals of enhancing tax collections, bringing the state tax administration into the 21st century, and providing taxpayers with the best possible service. Forty-two taxes rolled out over a 42-month project consisting of five phases. The state has been able to retire 20 of its legacy systems.

d) Utah

The Utah State Tax Commission administers over 40 major taxes and fees. Several of its largest taxes were administered using systems developed more than 20 years ago that were structured in silos containing one or more related tax types. The systems had grown increasingly complex, inflexible, and difficult to maintain. Facing the possible need to implement legislatively directed changes to the tax code, the Tax Commission feared it would be difficult, if not impossible, to implement changes using existing systems and technologies.

The Tax Commission's goal was to replace its core tax systems, and its RFP invited proposals for either COTS or transfer solutions. They selected a COTS solution and started the implementation project in April 2006. Imaging integration and several additional tax types were later added to the scope of the project including International Fuel Tax Agreement (IFTA) and International Registration Plan (IRP). As of September 2010, a total of 29 tax types have been implemented into production.

e) Vermont

Vermont undertook its ITMS project in 2007 based on the need to replace aging mainframe software applications with more modern and functionally rich software. Retirements of key mainframe developers reduced the department's ability to continue to maintain its older mainframe-based tax

systems which had evolved over a 30 year period. The agency also relied on PowerBuilder applications, built in the late 1990s, modified with customizations to provide functionality in support of business needs and statutory changes.

Vermont's strategy was to undertake a limited project (4 taxes), and expand it sometime in the future for full enterprise-wide use. This approach would allow the agency to consolidate processing on the new application by migrating remaining processing from legacy systems. Vermont selected COTS technology to leverage vendor support, better utilize internal IT capabilities, avoid technological obsolescence via upgrades, and reduce overall risk.

f) Arkansas

The Arkansas Division of Revenue's legacy tax systems consisted of four major tax systems plus a tax collection system designed and implemented between 1985 and 1993. Designed to support the reporting and collection of taxes, the systems did not have sufficient features to manage current tax laws. Reports requested from the legislature and executive branch agencies were very time consuming and difficult to produce. Given the age and architecture of the systems, they were difficult to manage and maintain, inflexible, and incapable of providing adequate support for tax section needs.

Arkansas issued an RFP seeking a COTS solution to replace their legacy systems. They started their 4-year project to implement 46 taxes in 2008. They have completed two of five scheduled phases and currently have 21 tax types in production. The project is scheduled to be completed by the first quarter of 2012.

2. Comparison of Scope and Component Costs

Table 3 compares the initial scope of ITMS projects in the six comparison states with the proposed scope for Alaska. In some cases, additional tax types and functionality were added into scope after the project was initiated.

Table 4: Comparison of Initial Scope

State	Data Warehouse	Taxpayer On-Line Services	Imaging	Other
Montana	Yes	No	No	--
North Dakota	Yes	No	No	Remote Support for Field Audits
West Virginia	Yes	Yes	Yes*	--
Utah	Yes	Yes	No	--
Vermont	No	No	No	
Arkansas	Yes	Yes	No	Remote Support for Field Audits and Collections
Alaska	Yes	Yes	Yes	--

*Integration with a preexisting imaging solution; excludes imaging system hardware and software

3. Vendor Software and Services

For purposes of this comparison, vendor software (including third-party software) and services are combined since a breakout between these two items was not obtained.

Table 4 compares vendor software and service costs for the ITMS projects in the six comparison states. They range from **$7.8 million** to **$27.0 million**. The number of tax/account types in scope range from 4 to 53, and the durations of the project ranged from 24 to 48 months. The functional scope also varies; five of the six include data warehouse functionality, three out of six include taxpayer on-line services, and only one out of the six includes imaging integration. Reasons for including or excluding certain functionality in a project's scope vary. For example, some agencies already have on-line taxpayer services functionality that they do not wish to replace. In other instances, cost constraints cause an agency to limit its scope.

While vendor software and services costs gathered from the six small states provide some helpful information, its use is limited by several factors. First, the data is somewhat old. The information from Arkansas is more than three years old relative to the potential start date of an Alaska project, and the information from Montana is eight years old. Second, the costs only relate to two COTS vendors. Today, there are at least four companies with COTS solution offerings for the US market, including SAP, RSI, FAST, and Oracle. A fifth vendor, Tata, has also responded to state RFPs in recent years with a proposed solution.

Table 5: Cost Comparison—Vendor Software and Services

State	Vendor Software and Services (millions)	Hardware (millions)	Inception Date	Tax / Account Types
Montana	$24.8	n/a	2003	53
North Dakota	$10.0	n/a	2005	19
West Virginia	$20.8	$1.5	2005	42
Utah	$22.5	n/a	2006	26
Vermont	$7.8	n/a	2007	4
Arkansas	$27.0	n/a	2008	46

a) Maintenance and Support

Average maintenance and support costs obtained for the six comparison states ranged from **$1.15 to $2.55 million** per year.

b) Hardware

Among the six comparison states, only West Virginia's project costs were inclusive of hardware for a total of **$1.5 million**. Many states are able to order hardware from pre-existing state contracts or may use separate procurements for hardware acquisition.

c) Project Operating Expenses

Project operating costs were not obtained from the comparison states since they tend to be based on factors and needs that are unique to each state.

E. Integrated Tax Management System Project Benefits

The benefits revenue agencies seek from a modern, ITMS generally fall into five categories:

- Increased compliance and the ability to collect revenues that are currently uncollected
- Operating efficiencies
- Enhanced taxpayer services
- More reliable data and improved reporting capabilities, both for external stakeholders and for internal management purposes
- Streamlining system maintenance through a unified technology platform

Below is a list of benefits DOR/TAX could expect to realize through an ITMS.

1. Increased Compliance

An ITMS is able to improve tax compliance by providing automated tools that enhance collection management, systematically identify and act on taxpayers who fail to file, improve audit selection, identify potential underreporting, and help discover taxpayers that not registered and paying taxes.

Currently, DOR/TAX does not have collection management tools that easily and quickly support the billing of underpayments and escalated actions to ensure payment. There is not a consolidated view of a taxpayer's accounts, so it is extremely cumbersome to determine if a taxpayer is current on all tax obligations, or may be due a refund for one tax yet have an outstanding balance for another. An ITMS would provide current and reliable accounts receivable information across all tax types, and enable DOR/TAX to support progressive actions to collect delinquent taxes, interest, and penalties.

Similarly, DOR/TAX does not currently have a means to identify systematically if a taxpayer has failed to file a tax return. Current, manual processes to detect non-filing are haphazard at best, and do not ensure timely identification and action. An ITMS would introduce the capability of determining if a taxpayer has failed to file an expected tax return and support rapid and automatic or employee-based actions to follow-up appropriately.

DOR/TAX auditors currently spend a high proportion of their time compiling, organizing, and reconciling data in preparation for an audit or examination. The manner in which the data is stored in numerous systems prevents easy retrieval of information. DOR/TAX must gather data from a variety of different

systems, databases, and spreadsheets, paper documents, and images of paper documents. Because it takes so long to prepare for an audit, fewer audits are completed and the audits that are performed take longer to complete.

Oftentimes, data cannot be retrieved and an agency employee will need to ask the taxpayer to provide it. This is time consuming and imposes a burden on the taxpayer. Current tools to analyze patterns of underreporting are limited to non-existent, and do not enable the agency to prioritize its audit resources effectively or focus its audit and examination activities on those areas of highest need. An ITMS would enable the agency to improve audit productivity and to target its audit coverage to maximize tax compliance.

DOR/TAX lacks tools to identify and pursue taxpayers that should be registered and paying taxes but are not. Modern data warehouse and discovery tools allow a tax agency to use internal and third-party data to discover potential non-filers and to follow-up appropriately through automatic or employee-based actions to ensure proper compliance and reporting.

2. Operating Efficiencies

DOR/TAX's current operating environment is characterized by a high degree of manual processes. Approximately 95% of the agency's business processes are manual, and many exist strictly to get information from one system or database into another or to reconcile information from multiple sources. DOR/TAX also uses manual processes for fundamental business purposes, for example, they distribute shared taxes of over **$44 million** to 124 communities throughout Alaska in 2009. Multiple systems and data sources create the need for multiple and diverse processes, contributing to organizational silos and the need for specialized knowledge to carry out various agency activities.

An ITMS would provide current and reliable accounts receivable information across all tax types, and enable DOR/TAX to support progressive actions to collect delinquent taxes, interest, and penalties.

A single, ITMS will present users with a consistent view of taxpayer information across all tax types and business functions. This facilitates a consistency of operations across the agency. This streamlines training, since employees use a common system with the same look and feel. Once employees know how to use the system, it is easier for them to learn other duties and take on new tasks since they are using tools and workflows that are already familiar to them.

An ITMS enables automation of high volume, routine tasks allowing agency staff to focus on resolving exceptions and engage in other value-added tasks such as compliance and taxpayer services. An implementation project involving a COTS solution will not only focus on installing new software, but it

also involves redesigning business processes so they are consistent with the software's capabilities. The implementation project will provide the opportunity to streamline agency business processes and align them with the best practices incorporated into the solution.

A new ITMS will provide immediate access to current and historical information regarding work in progress, including operational and management reports and ad hoc requests for information. This will allow managers to plan work and track performance and to redeploy resources as necessary to address high priority needs.

The availability of timely and meaningful information will provide DOR/TAX with a solid basis to develop and utilize a set of performance metrics that are clear, meaningful, realistic, and measurable, and that drive behavior that is consistent its mission, vision, and goals. By DOR/TAX's own admission, current performance measures are not very meaningful or current since they are limited to information that is pieced together and extracted from multiple systems.

3. Enhanced Taxpayer Services

Current systems do not provide a complete view of a taxpayer's file across tax types and functions. Since information is stored in various systems, databases, and spreadsheets, it does not lend itself to a timely or complete snapshot of a taxpayer's activities and status. Since data cannot be readily shared, taxpayers may be asked to report the same information multiple times in different formats to support the needs of different sections and purposes. Difficulty of retrieving information also means that an agency employee may ask the taxpayer to resubmit tax return information, since, from the employee's perspective, it is easier to get the information from the taxpayer than relying on the agency's systems. Limited e-government capabilities also present a burden, especially to large taxpayers.

An ITMS provides real-time access to taxpayer information. Since information is available for all taxes for which a taxpayer is liable, it provides a current and complete view of a taxpayer's file including all tax types, all historical information, and all business activities for the taxpayer. This allows an employee to provide accurate information to a taxpayer about their account or to answer a taxpayer's question without having to look up information from multiple sources. It also supports a "one-stop" experience for taxpayers since they do not need to shop around the agency to find an employee who has access to the information they are looking for. A real-time system allows taxpayer information to be updated regardless of a user's location.

Customer service is enhanced by additional taxpayer self-services via the Internet. This not only supports on-line filing and payment, but enables taxpayers to update contact information, look at previously filed tax information, or file an amended tax return. It would allow DOR/TAX to provide reminders to taxpayers about upcoming deadlines and offer a secure communication channel supporting the exchange of confidential taxpayer information.

Currently, some taxpayers are required to report tax information using complex spreadsheets. Especially for taxpayers who report large amounts of data, this imposes a substantial burden. A modern tax system enables the filing of tax information via Electronic Data Interchange (EDI) which is a structured means to transmit data from a taxpayer's system to the tax agency's system. This not only offers taxpayers tremendous efficiencies, but it reduces potential errors that can occur when data is transcribed from the taxpayer system into a spreadsheet.

An ITMS is able to store, maintain, and retrieve a large amount of data. This capability will enable DOR/TAX to simplify reporting requirements so that taxpayers do not have to report the same information multiple times. It will also allow employees access to the information they need without imposing on taxpayers to resubmit information they have already provided to the agency.

The availability of timely and meaningful information will provide DOR/TAX with a solid basis to develop and utilize a set of performance metrics that are clear, meaningful, realistic, and measurable, and that drive behavior that is consistent its mission, vision, and goals.

Currently, a substantial amount of DOR/TAX's employees' time is spent compiling, organizing, and reconciling data and on manual business processes. This distracts the agency from being able to focus its attention on value-added activities such as taxpayer services and compliance. One symptom is the level of information, instructions, and regulations available to taxpayers. For a tax system reliant on voluntary compliance, taxpayer information and education is an essential component of effective tax administration. Automation of high volume and routine tasks, together with the elimination of activities currently devoted to compiling, organizing, and reconciling data from disparate systems, databases, and spreadsheets, will enable DOR/TAX to refocus its attention on improving taxpayer services and compliance.

4. Enhanced Reporting Capabilities

A major issue repeatedly encountered while preparing this report is the lack of information about workload and day-to-day operating statistics indicating how much work DOR/TAX is accomplishing using current systems. The totals for current receivables, refunds outstanding, refund interest paid to date,

and total taxpayer balance could be obtained by DOR/TAX but only if someone is pulled away from their assigned duties to gather information from spreadsheets, paper documents, or information from images.

DOR/TAX cannot easily produce reports required by the legislature and policy makers because current systems prevent timely, complete, and correct extraction of data. Information is fragmented in 17 systems used to administer different aspects of its tax types, along with over 100 MS Excel spreadsheets, used in unofficial side-systems to track information other systems do not capture.

In order to provide accuracy in reporting, excessive hours are spent comparing, fixing, and formatting data manually prior to producing information for reports. Even with this exceptional effort, reports are often misleading or inaccurate due to incorrect, incomplete data, and, despite the best attempts of the professionals in TAX, human error. Current systems offer very limited reporting capabilities, but tools available are inflexible and oftentimes prevent the agency from producing information in the form and format desired by the OMB, the legislature, or the Governor's office.

A modern ITMS provides an integrated solution with a consistency of information across all business activities. It ensures more reliable information and improved analytical capabilities with data collected, stored, and retrieved in a single database providing real-time access and query capability. It provides the ability to sort, group, and filter data, and to view it with customizable parameters, along with more advanced capabilities to visualize, analyze, drill-down, and manipulate information to meet a variety of reporting and analytical needs.

Modern systems not only support traditional, presentation-ready reports, but also provide online, ad hoc query capabilities. Systems exist for DOR/TAX to enable the agency to manage the day-to-day processes and to measure and monitor system performance, personnel achievements, and work load. DOR/TAX could benefit by moving personnel back to jobs defined in their personnel descriptions and away from data entry or manual number crunching. Systems are available to DOR/TAX that can capture data automatically and allow managers to work on exceptions, allow auditors to perform audits, and allow compliance agents to perform compliance activities. Reporting capabilities in an ITMS can support an enhanced and flexible view of a subset of the system's database and allow for faster, more accurate and more dependable forecasts, analysis, and response to stakeholders.

An ITMS further allows the collection of information and distribution through scheduled email to allow managers to stay connected at all times with the processes for which they are responsible. Alerts, executive dashboards, and user-created system queries place additional tools in the hands of managers, supervisors, auditors, and other personnel to allow more informed decisions and to enhance the management of a division's operations. FAST found many managers working without any of these common tools.

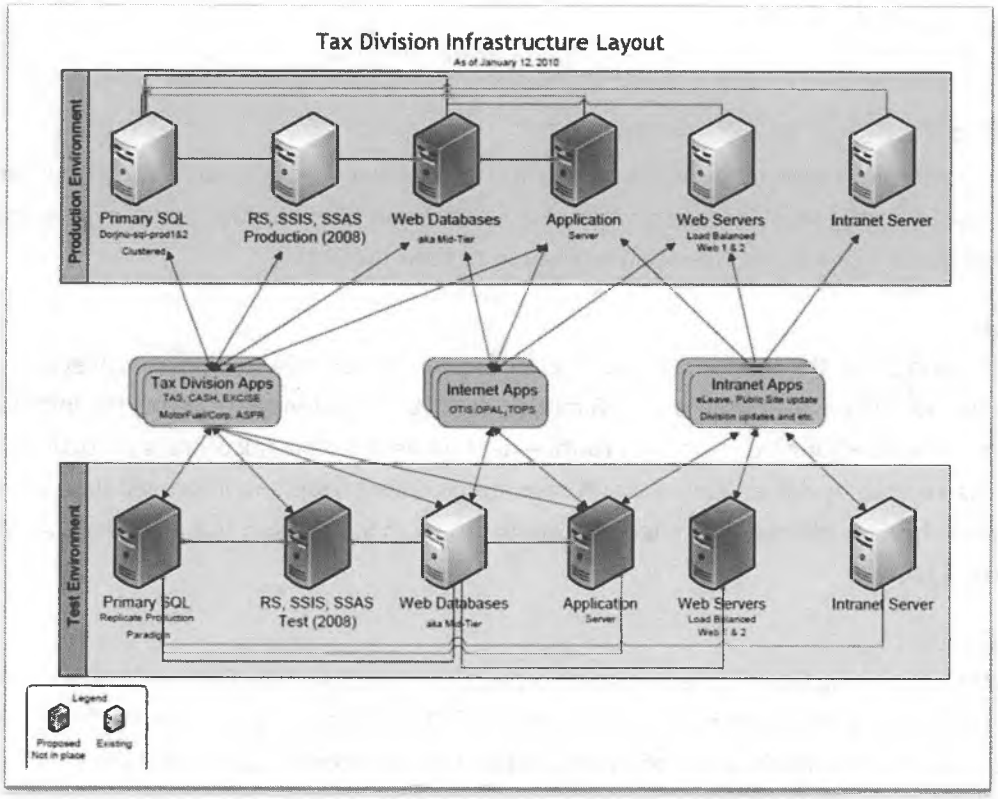
A data warehouse and OLAP cube capability extends information and analytic capabilities by enabling the loading, storage, and manipulation of DOR/TAX and third-party data. These tools leverage the

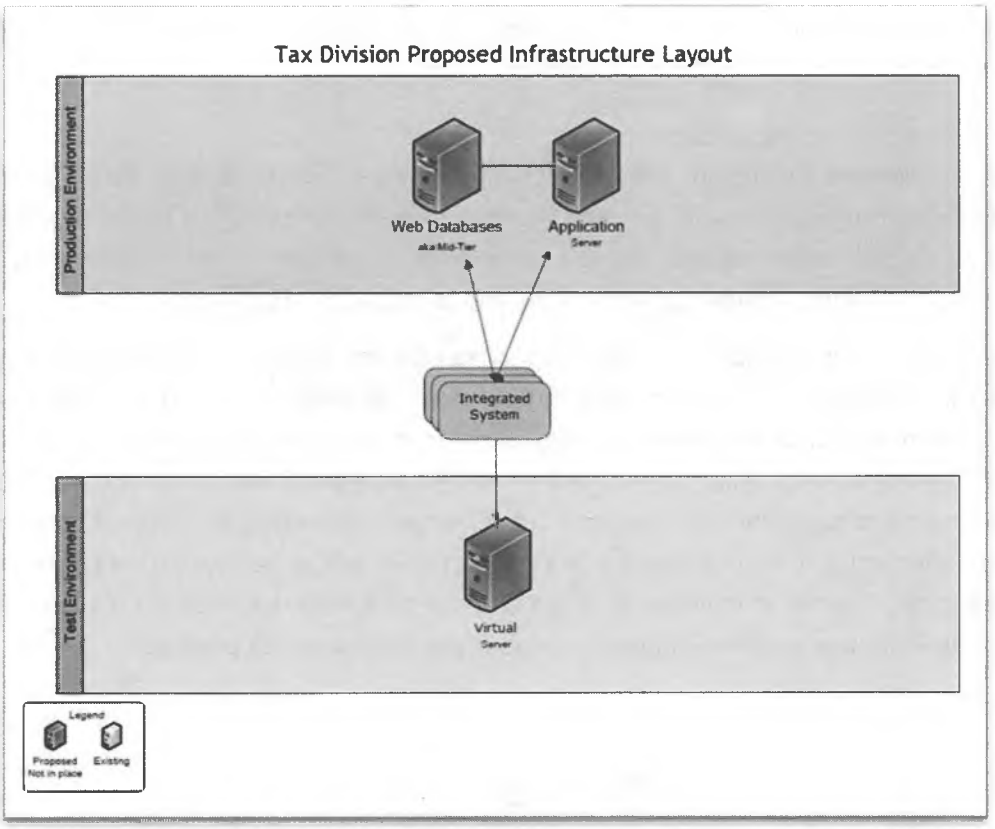
agency's ability to accumulate data from other government agencies and external sources to look for trends, improve forecasts, and increase compliance.

5. Streamlined System Maintenance

Multiple systems require a variety of skill sets for maintenance and development. An ITMS provides a single system with a common architecture and standard delivery platform. It is based on modern technology, so the skill sets needed to maintain and support the system are more closely matched with the education and training provided by universities and technical institutes today.

An upgrade to an ITMS would not only make users more efficient, it would also make technology maintenance more efficient. By being able to consolidate all of DOR/TAX's systems into one system, TAX is only responsible for maintenance of one group of servers, all using the same platform. Throttling can be used to move activity away from one server when service packs need to be applied or other maintenance needs to be performed. Dedicated development and testing environments can allow new development and testing to occur without affecting what users see in the production environment until it has passed testing. Server monitoring tools can give real-time statistics on server response times and be used to make sure the system is running as smoothly and efficiently as possible.





F. Benefits Realized in Other States

Benefits that have been reported by Montana, North Dakota, West Virginia, and Utah are summarized below. Vermont recently went into production and Arkansas' implementation is still in progress, so they have not yet reported benefits information attributed to their projects.

a) Montana

Between 2006 and 2008, the Montana Department of Revenue was able to increase collections from **$40 million to $58 million**, an increase of **$18 million** or 45%. The agency attributes the increase to streamlining and automating the pursuit of routine debt while directing tax officers to focus on complex, high-risk cases assisted by risk assessment and case management tools and improved data accuracy. During the same period, office audit collections increased from **$28 million** to **$41 million**, an increase of **$13 million** or 46%.

b) North Dakota

One year after completing their implementation project, the North Dakota Office of the State Tax Commissioner reported increased revenue collections of **$7.6 million**. They attributed the increase to better tools enabling the prioritization of collection cases and improved audit selection.

c) West Virginia

Prior to 2007, the West Virginia State Tax Department's Compliance Division averaged annual enforced collections of **$88.2 million**. Since 2008, the Division has averaged **$130.7 million** in annual enforced collections, an increase of 48%. The Division attributes the increases to the use of collection case management and risk assessment tools. Also, they have been able to refocus employees who previously performed manual non-revenue generating tasks on collection efforts.

The agency also implemented a new tax discovery program using its data warehouse, matching state records with the Federal Individual Master File (IMF). The program brought in **$460,000** in the first six months of operation.

d) Utah

The Utah State Tax Commission was able to increase individual income tax office audit assessments from **$18.5 million** in 2006 to **$28.6 million** in 2007, an increase of **$10.1** million or 55%. Recovery, as measured by assessments per hour, more than doubled, increasing from **$500** to **$1,010** per hour.

Withholding tax assessments directed at non-filers increased from **$5.5** million in 2006 to **$12.8** million in 2007, an increase of **$7.3** million or 133%. Recovery, as measured by assessments per hour, more than tripled from **$768** to **$2,312** per hour.

The Tax Commission attributes the increases to the use of analytical tools to select high-value audits. For both programs, the number of audits actually decreased between 2006 and 2007, but staff were able to focus their attention on more productive, high-value audits.

G. Funding Alternatives

Five different funding approaches are described for DOR/TAX consideration. While the most common model for public procurement is fixed price, other alternatives are available and some are being used for the procurement of an ITMS. Alternatives are briefly described below.

1. Fixed Price

A fixed price contract is one in which the price is preset and invariable, regardless of the actual costs incurred by the vendor. This approach is commonly used for public procurement in order to keep costs within a predetermined budget. The resources and hours that are required to complete the project may be greater or lesser than those originally estimated, but variations do not affect the amount paid to the vendor as long as the results (software, services, and artifacts, etc.) are delivered according to the terms of the contract. Changes in scope that mutually agreed on between the agency and the vendor may result in a change in the price.

2. Fixed Upper Limit, Time and Materials

This is a variation of the fixed price approach in which the vendor bills the client on a time and materials basis during the course of the project. If the hours and resources that are required to complete the project equal or exceed the original budgeted estimate, this approach is effectively equivalent to a fixed

price contract. However, if the required resources and hours are less than those budgeted, the project comes in under budget. The agency may have the option of investing the savings in additional functionality that may not have been in the project's original scope, or it may return the savings to the state. This approach was used by the state of Idaho in the procurement of its ITMS.

3. Proof of Concept

This is a cautious approach in which some aspect of a solution is tested on a pilot basis before a decision is made to proceed with the full project. For an ITMS project, it might mean putting a small number of taxes or some limited functionality into production before proceeding with the entire project. This approach is usually considered when there is a high degree of perceived risk and the jurisdiction is unwilling to fully commit funds until some element of success is demonstrated. Once the milestone has been reached and the jurisdiction is satisfied that the project's feasibility has been proven, the remainder of the project can proceed. If success is not demonstrated, the project can be abandoned or modified, and the jurisdiction's investment is minimized.

This approach was used by the state of Montana since the Department of Revenue's previous custom-build project was not successful and the legislature wanted to proceed with caution before fully funding another project. Five taxes were included in the proof of concept. Once they were successfully put into production within an eleven month period, the project continued with 47 additional taxes.

4. Benefits-based

A benefits-based project is one in which the procurement is funded from the additional revenues that are collected as a direct result of the project. The vendor is compensated as benefits are realized by the jurisdiction. This approach requires a well established baseline so that increases can be clearly measured.

Benefits-based projects will cost more since they entail greater risks on the part of the vendor. There are also cash flow considerations since the vendor will make investments up front but will not be compensated for them until sometime well into the project, or possibly even after the implementation is complete. However, there are advantages to this approach, particularly if budgets are tight and a project will not be authorized unless it is funded on this basis. The approach also ensures that benefits are received – if they are not, the jurisdiction does not pay the vendor for the project.

A number of different compensation models are possible. Compensation may be capped at a predetermined, fixed amount. Or, vendors may share in a revenue stream for the duration of the contract which means the greater the revenue stream, the greater the level of compensation. Compensation can be based on increased revenues, cost savings, or some combination of both. The agency's internal project-related costs are also taken into consideration and may be paid from the benefits received unless funding has been otherwise appropriated. It is important for the jurisdiction to plan for on-going system costs after the implementation project is complete and paid for.

To be successful, a strong partnership between the vendor and the agency is essential, and a mutual focus must be placed on achieving benefits. The agency needs to be prepared to step up and follow through on its commitment to increase revenues and/or achieve cost savings, recognizing there will be strong incentives on the vendor's part to generate benefits as early as possible. While a benefits-based project can produce other improvements such as enhanced taxpayer service, those will not be the primary focus of the project.

A jurisdiction will likely need explicit legal authority to authorize a benefits-based project.

This approach has been used by tax agencies in a number of jurisdictions both for compliance-related technology such as data warehouses and associated analytics, and for ITMS projects. States with benefit-based projects include Arizona, California, Hawaii, South Carolina, and Missouri.

5. Software as a Service

Software as a service is a relatively new concept sometimes called "software on demand" or a "hosted solution." Under this concept, the solution is deployed over the Internet via a web browser. Database and application servers are physically located at a vendor-maintained site. The vendor is responsible for managing and maintaining the server platforms and the application software, while the client is responsible for individual client workstations.

This option allows a jurisdiction to avoid upfront and ongoing hardware procurement and maintenance expenditures other than costs related to individual workstations. The vendor is responsible for procuring, managing, and maintaining the server platforms and application software, and for all server-side operations and activities such as day-to-day application and database software backup and recovery, database tuning, etc. The vendor provides support and maintenance for the deployed solution including new and revised documentation and defect repair, and addresses service pack analysis and installation as well as the installation and testing of new software versions.

One advantage of this approach is the opportunity for flexible pricing models such as subscription fees or charging per transaction. For example, the cost of hardware, software licensing, and configuration and implementation services, as well as on-going hosting, maintenance, and support could be included in a monthly, quarterly, or annual fixed subscription fee over the contract period (e.g. five years). This provides for stable and predictable payments over a period of time rather than having to finance a single lump sum upfront to cover the costs of a multi-year project.

VII. Implementation Roadmap

This section provides a roadmap for DOR/TAX as it prepares for an ITMS project. It focuses on activities leading up to two important milestones - the procurement process and the start of implementation. The selected business partner will work closely with DOR/TAX to plan many details of the implementation including the implementation methodology, project schedule, conversion approach, testing plan, and training approach. Nevertheless, this roadmap will identify factors contributing to a project's success irrespective of the chosen solution and business partner.

A. Preparing for Procurement: Activities Before the RFP Is Issued

1. Do Your Homework

As with any purchase, an understanding of the marketplace is critical to effective procurement of an ITMS. The rules associated with formal procurement processes often limit an agency's ability to carry out important research that is helpful to develop such an understanding. Some homework is in order before the issuance of an RFP imposes formal communication restrictions on the process.

Consider the following:

- Ask for vendor presentations and demonstrations
- Talk to (or visit) existing client sites:
- "Old" sites that have been in maintenance and support for a long period
- "New" sites that have only recently completed their initial implementation project
- "In progress" sites that are still working on their initial implementation project

As with any purchase, an understanding of the marketplace is critical to effective procurement of an ITMS.

2. Learn from Others

If there is a causal relationship between creating a good RFP procurement process and selecting a successful solution and business partner, then identifying states that have had a successful project and reviewing their RFP document and procurement process is useful. This will leverage the experience of others who have successfully procured and implemented an integrated tax solution.

Questions to ask about the procurement process include:

- Were there many vendor questions regarding the RFP?
- Could you have avoided those questions with further refinement of the RFP prior to issuance?
- How many amendments did you issue?
- In general, were you able to keep to your intended procurement schedule?
- Did you extend the due date? How many times? Why?

- Did the responses provide the information you expected?
- How difficult were the responses to evaluate?
- Was there a clear winner?
- Were there any appeals of the process or result?

Also, you can learn a great deal from those who have migrated taxes to production with an ITMS. Questions to ask about the implementation project include:

- Did implementation proceed smoothly?
- Was your implementation on time?
- Did your project stay within budget?
- Did the scope expand during the project and, if so, why?
- Were there any difficulties with the vendor/client relationship?
- Did you feel as though the vendor was consistently acting in your best interest?

Questions to ask about the ITMS solution include:

- Did it meet your needs at implementation?
- Was it flexible enough to change as your needs evolved?
- Is there any reason to think you would have to eventually replace it?
- Is the solution expanding beyond its original scope?
- Did any difficulties develop with the vendor/client relationship after the implementation project?

Topics to address when asking about their selected vendor include:

- Reputation (i.e., credibility, stability, longevity, management credentials)
- Technical support (scope and responsiveness)
- Willingness to negotiate changes and number of change requests needed
- Training support
- Ability to integrate technological changes into the ITMS product

3. Choosing a Funding Approach

Consider the pros and cons of using different funding approaches including:

- Fixed price
- Fixed upper limit, time and materials
- Proof of concept
- Benefits-based
- Software as a service

These funding approaches are described in section *VII. Funding Alternatives.*

4. Choosing the Type of Solution You Wish to Procure

Various options are available to DOR/TAX for an ITMS including custom, transfer, and commercial off-the-shelf (COTS) solutions. These alternatives are described in section *V. Alternative Approaches*. You should select the type(s) of solutions you want vendors to propose for DOR/TAX's consideration and evaluation.

- If DOR/TAX is interested in a custom solution, it should consider first issuing a Request for Information (RFI) specifically inviting responses from vendors interested in proposing a custom solution for DOR/TAX. The RFI should request a company profile, information about the technology to be used, a system description, pricing and schedule information, the company's experience implementing similar systems in jurisdictions comparable to Alaska, and any other information DOR/TAX believes would be useful in evaluating the costs and benefits of further pursuing a custom solution.
- If DOR/TAX is interested in a COTS solution, they should issue an RFP specifying that responses must propose a COTS solution. In recent years, this approach was used in Arkansas, Mississippi, and Oklahoma.
- If DOR/TAX is interested in either a COTS or transfer solution, they should issue an RFP specifying that responses must propose a COTS or transfer solution. In recent years, this approach was used in Utah.

B. Writing the RFP

It is often considered a "best practice" to contract for assistance in preparing the RFP. In order to avoid a conflict of interest, common procurement practices typically prohibit the company that assists in authoring an RFP from responding to that RFP.

While you will want to rely on the professional expertise of the firm you engage for RFP assistance, some general guidelines are provided for consideration.

1. Structure and Content

Consider the following general guidelines:

- Mandate a uniform structure for the response. This allows you to compare responses directly, topic by topic, in order to determine relative compliance, responsiveness, and merit.
- Minimize "essay" questions. Invitations to "describe" or "discuss" can lead to lengthy narratives that are time consuming and difficult to evaluate while the evaluations themselves can be difficult to quantify.
- State the agency's expectations and invite the vendor to concur or to propose and justify an alternative.
- Identify areas in which the agency has some flexibility and ask for the vendor's advice and recommendations – for example, the implementation schedule.

- When seeking a COTS solution, avoid prescribing implementation methodology. The approach to implementing a COTS product differs from custom development.
- Work the evaluation of an oral presentation and demonstration into the final score of the response.

2. Reference Sites

Consider the following:

- Request references from previous clients that are similar to your agency in size and project scope.
- Consider requesting contact information for all of the vendor's client sites – not only those sites that the vendor lists as "reference sites."
- As you check on references, do not limit your questions to pre-defined, fixed questions. Give yourself the flexibility to follow up on information provided by the reference contact.
- Participate in onsite visits to reference agencies and discuss their solution and implementation experiences.

3. Show and Tell

The DOR/TAX project manager must organize a competent and knowledgeable project team of functional and technical subject matter experts to participate in the contractual process (i.e., vendor analysis, vendor demonstrations, and evaluation of proposals.) The project manager must work closely with acquisition staff to ensure that each vendor demonstrates, and can provide examples and references, for services and work products that are consistent with contractual obligations proposed and responded to in the RFP.

Consider the following:

- Include an oral presentation and demonstration in the evaluation process. This will allow the agency to see the product and the proposed team first hand.
- Provide in advance a list of business functions to be demonstrated by the actual, proposed project staff.
- Allow time for questions and answers. In addition to allowing for clarification, this will allow you to evaluate the vendor staff with whom you may be working.
- Decide how much weight to place on product demonstrations in the final score – actual demonstrations may be more important than what a vendor writes or says about their product

Include an oral presentation and demonstration in the evaluation process.

4. Proposed Project Staff

Consider requesting resumes for key proposed staff such as project manager, application architect, training Lead, technical lead, and conversion lead. It is often difficult for a vendor to commit to, and provide resumes for, an entire project team. Consider the relative importance of experience and demonstrated success with the proposed solution in a tax agency vs. industry certifications (PMP, Microsoft, etc.).

5. Contract Terms

Consider the following:

- Include a sample contract. Ask for comments and suggested changes.
- Make terms and conditions reciprocal where appropriate (for example, relationship of parties, assignment, and confidentiality).
- Must all contractual issues be resolved at the time of the response submission? Alternatively, will the agency have the flexibility to negotiate the contact with the apparent successful vendor?
- Plan on entering into a long-term relationship with the vendor for software and services, such as ongoing software maintenance, new software releases, support, and other service

6. Financial Provisions

Consider the following:

- Deferred payment and bonding are forms of insurance. They increase costs to the agency, and it is important to ensure costs are not disproportionate to the benefit.
- Consider avoiding liquidated damages and indirect damages, and setting a reasonable limit on liability for direct damages.
- Liquidated damages and significant bond requirements can preclude some companies from even responding to an RFP.
- If a performance bond is necessary:
    - Subject only services to a bond; hardware, software license, and software maintenance should be excluded from bonding.
    - Stipulate that only a percentage of the service contract value be subject to bond – for example, 10% of the service contract value.
    - Tie the bond value to the value of the single phase of work in progress.
    - Permit the bond to take various forms (cash, letter of credit, surety).
- Consider a percentage holdback of payment until that phase of work is delivered successfully in lieu of a bond, but avoid combining a holdback with a bond – that is a form of double jeopardy with financial implications on the cost of the project.
- If a fixed price bid is being considered, avoid emphasis on consultant hours. Decide if the proposal needs to quantify project hours and require timesheets.

- Regardless of the funding model, consider a payment schedule that provides for progress payments based on project milestones.

7. Payment Schedule

Consider the following, especially for a COTS solution:

- Typical approach for one-time costs:
    - Initial license upon installation (for example, week two of the project)
    - Annual maintenance starts then and continues indefinitely
    - Services for each phase priced separately
- Two models for on-going costs:
    - Maintenance and support priced separately – lower initial cost, higher long term cost
    - Maintenance and support bundled - higher initial cost

8. Identifying requirements

When you are identifying requirements for a project, consider defining technical, functional, and management requirements.

a) Technical Requirements

Consider the following:

- When defining technical requirements, consider specifying that the solution is based on widely - used, non-proprietary, proven technology that has a solid history of upgradability.
- Consider whether you want to limit alternatives by specifying the programming language or other technical architecture components. There are many different and powerful technologies to choose from and this should not drive the business decision.

b) Functional Requirements

Consider the following:

- It is not feasible to develop an exhaustive list of detailed requirements across all the functional subject areas of an ITMS. Furthermore, it cannot be assumed that meeting every line item requirement in such a list – even if there are thousands – means that the solution is complete. The true measure of the completeness of an ITMS is the agency's ability to use it to administer tax without resorting to extensive manual processes, side-systems, and other software tools or products.
- The functional requirements list should be a yardstick by which solutions can be measured against one another. Therefore, express a reasonable number of requirements – enough to evaluate the solution but without exhaustively specifying it. Think in terms of 200-300 functional requirements not 2,000-3,000.

- Focus on business outcomes by clearly stating business requirements as a "what" without prescribing the "how."
- Avoid open-ended requirements such as open-ended requirements such as "including but not limited to" and "must meet all current and future standards."
- Avoid trying to eliminate your IT unit through requirements such as "must be able to change configuration without IT involvement" or "must be able to create report without IT involvement."

c) Management Requirements

Consider the following:

- Clearly mandate conformance with state law, department regulations, and oversight agency policy and practices.
- If you are implementing a COTS solution, be prepared to manage an iterative process with minimal formal signoffs and occasional "rework."
- Avoid specifying an implementation methodology, if you are implementing a COTS solution, most have methodologies that are designed for the product. Allow for alternative approaches, but make the vendor prove that the alternative has worked elsewhere.
- Decide whether to dictate the schedule, phases, and length of contract. If there is flexibility, allow the vendor to propose an approach.
- Limit paper deliverables to those required to know the project is on track and successful. Project integrity is often hindered when too much emphasis is placed on document development rather than system implementation.

9. Technical Platform

It is important that the platform be:

- Based on mainstream technology
- State-of-the-art and not at end-of-life
- Economical to acquire and maintain
- Pervasive in the industry to ensure availability of replacement parts and support resources
- Designed to meet the load and performance requirements of the solution

10. Functionality

Consider the following:

- Be precise about the meaning of "mandatory." Will not meeting a single mandatory requirement result in disqualification?

- For a COTS solution, the use of response categories for each function can assist by defining if the capability:
    - is in the base product and configurable "out-of-the-box" (requires no programming);
    - will be supported by site-specific (custom) programming;
    - will be supported in a future release of the product - should the new function be in beta test and demonstrable to qualify for this response?
    - is not directly supported by the product but will be supported through an interface to, or use of, other software; cannot or will not be supported.

11. Methodology

Ensure that the proposed methodology has been employed successfully (i.e. on time, on budget) to implement the proposed software for integrated tax administration for an agency of similar size and complexity.

Avoid an overly rigid scoring process. This can lead you to a vendor that looks good on paper but cannot substantiate its cost and experience claims.

12. Current Install Base

Require that the proposed solution has been in production for integrated tax administration for an agency of similar size and complexity for some minimum period of time, such as two full agency business cycles.

13. Vendor Record of Accomplishment

Require that the vendor and particularly the proposed key resources have implemented the proposed solution for integrated tax administration for an agency of similar size and complexity using the proposed methodology.

14. Vendor Financial Stability

Require that the vendor provide recent financial statements or other proof of stability.

15. Price

Consider a "best value" approach as an alternative to "low cost" when developing the scoring method. A best value approach is based on the combination of technical score and cost score.

16. Evaluation Approach

Avoid an overly rigid scoring process. This can lead you to a vendor that looks good on paper but cannot substantiate its cost and experience claims.

C. Alternate Method

The Oklahoma Tax Commission is using the Performance Information Procurement System (PIPS) in their current procurement process for an ITMS. PIPS is described as a "best value" selection and management process that can be used to purchase any type of product or service. The process provides clients with a tool to assist them in making an informed decision based on performance information and not based solely on price or marketing information. The process has a mechanism to document and manage the vendor/service during the project.

D. Preparing for the Project

1. Creating a Project Team

- Select a Project Champion - an agency executive or senior manager whose role is to promote the project both within and outside the agency including stakeholders who may be impacted by the changes. The Project Champion acts as the "cheerleader" for the project.
- Select a Project Sponsor - an agency executive who can provide high-level direction to the project and assume responsibility for approving all significant decision requests. The Sponsor also acts as the final level of issue resolution within the project.
- Establish a Steering Committee - comprised of senior user management and the project directors from both agency and vendor side. This committee assumes responsibility for deciding management, policy, and directional issues that affect the project, primarily from external sources. This committee should meet on a regular scheduled basis to discuss options, issues, and areas of concern. This forum also provides a venue to demonstrate new or upcoming project changes.
- Select a Project Communications Coordinator - Consider appointing a Project Communications Coordinator very early in project planning with the responsibility and authority to communicate the progress, needs, and accomplishments of the project. A critical task of this role is to inform staff and stakeholders of the project's progress and facilitate the flow of information for decision making. From time to time, the project Communications Coordinator will involve staff and other stakeholders to contribute.
- Consider an Independent Project Manager - An independent project manager can provide the link between the project stakeholders and vendors that will undertake the work. Additionally, the independent project manager will work with the vendor's project manager to form a team responsible for providing management of integration, scope, time, cost, quality, human resources, communication, and risks for the project.

2. Creating a Partnership Approach

In many implementations a "partnership approach" to project staffing is desired - some states have made this a requirement of the successful vendor. This approach helps ensure project success and incorporates good practices, into processes and plans and provides the basis for effective knowledge

transfer. The close day-to-day working relationship, between DOR/TAX and the vendor, should enable joint management and control of the project, manifested in several key areas:

- Support the open, unrestrained, and frequent exchange of information and ideas. This promotes efficient communication between the vendor's team and DOR/TAX representatives, stakeholders, and sponsors at the various organizational levels.
- Encourage direct participation by the DOR/TAX management team and stakeholders at meetings, status reviews, planning sessions, and via oversight activities.
- Invite the active participation and involvement of DOR/TAX managers in the measurement and control of risk and the resolution of problems and issues.
- Encourage active participation by DOR/TAX users in the development of testing plans, test material development, and actual testing to ensure we address actual user perspectives
- Ensure active participation by DOR/TAX technical staff (developers, support, and operations) in the installation of the environments and the development and configuration of the solution

DOR/TAX can begin planning and executing a data cleanup strategy immediately, even before an RFP has been issued and well before an implementation project begins.

DOR/TAX should require the successful vendor to align their working hours and holidays so the vendors are available to support DOR/TAX throughout the project. Additionally, because of its unique geographic location DOR/TAX should require the vendor to have a full time presence in the state during project implementation. Time lost due to fly-in/fly-out days prevents successful communication and does not provide responsive information exchange, effective executive oversight, or coordination with third-party vendors, user communities, or other stakeholders.

3. Preparing Data

Many revenue agencies contemplating a new ITMS are currently working with a suite of applications that are up to 30 or even 40 years old. Most of these applications outgrew their flexibility and expandability many years ago. Relaxed business rules representing the lowest common denominator of data edits may have resulted in inconsistencies, redundancies, and generally poor data quality overall.

The first step to prepare for conversion into a new system is to understand your data resource. The first step in doing that is to determine where to find the profound data resource knowledge. This may be in written documents but, all too often, written material is incomplete and out of date. Your best data resource information may come from your people.

DOR/TAX can begin planning and executing a data cleanup strategy immediately, even before an RFP has been issued and well before an implementation project begins.

Data cleanup should take a "work smarter, not harder" approach. Not all data needs to be cleaned - only the data that is likely to be converted. Two factors can help to determine what to clean:

- How old to convert, as governed by both statute and practicality?
- Which is the best source of redundantly held information?

Start by identifying the best sources, for example, where is the best address information, and cleaning the most current information in those sources. Automated means are preferable, but manual means may be necessary.

In addition to improving the data quality, the analysis needed to drive a cleansing process will be helpful in the conversion phase of a new system implementation. Time spent in reconnaissance is seldom wasted.

4. Determining the Location of the Project

One issue somewhat unique to DOR/TAX is that key employees needing to be involved in the day-to-day decision making during the implementation project are split between two locations, Juneau and Anchorage. This includes users who specialize in the same tax program and in some cases the same functional area. DOR/TAX needs to determine if the project staff will primarily be located in Anchorage, Juneau, or whether the project can operate with employees located in each of the two cities. The overriding issue to consider when making this decision is "What is the best location to ensure a successful project?"

When determining the project location, factors that should be taken into account include:

- Decision makers involved
- Staff buy-in to project decisions
- Interaction between project staff and system users
- Users and project staff needs for relocation or travel
- Communication capabilities between project staff at the two locations
- Strategy for knowledge transfer

VIII. Project Management Plan

This Project Management Plan (PMP) establishes the framework necessary for the execution of the procurement and configuration of a new ITMS for DOR/TAX. When fully populated, this framework for a PMP will outline the project scope, budget, configuration, resource requirements, and responsibilities necessary. This PMP will also outline the technical performance requirements for the management and control of the project from initiation through final delivery. The plan provides performance measurement criteria including major milestones. This PMP should be a living document subject to change as conditions warrant, or as project experience dictates.

A. Integration Management

1. Develop a Project Charter

DOR/TAX developed a project charter in 2008.[3]

2. Develop a Project Management Plan

This document serves part of that need as it begins to document the actions necessary to define, prepare, integrate, and coordinate a successful implementation of an ITMS.

3. Direct and Manage Project Execution

The process of tracking, reviewing and regulating the progress of the project to meet the objectives of DOR/TAX will be the responsibility of the project management team. DOR/TAX can make the team management selections mentioned in the previous section of this report before funding approval. DOR/TAX may also want to consider hiring an independent project manager.

Technology projects are high cost and high-risk endeavors. There are many examples of highly publicized failures. The successful projects have a number of things in common, one of which is a cohesive approach to overall project management.

Projects in Colorado, Idaho, Louisiana, Maine, Montana, North Dakota, and Utah employed an independent project manager with good results.

Projects in Arizona, New Mexico, West Virginia, and Wisconsin, have been successful without an independent project manager because the agency was able to dedicate and appoint talented resources from their own staff.

[3] Refer to the attached *Project Charter* for more information.

Some public sector agencies do not have personnel with proven project management skills or are unable to devote someone with the appropriate skills to the day-to-day details of coordinating a major technology implementation. Utilizing an independent project manager to provide professional project management services can add value to the overall execution and help ensure the success of an ITMS.

An independent project manager can provide a broader perspective from their exposure to similar projects. They can bring a working knowledge of proven project management methodologies and tools, system implementation strategies, and project risks. Hiring the right independent project manager with revenue system experience will bring an understanding of how ITMS implementations affect agency business processes, organizational structures, and resource requirements, enabling the project manager to help balance project needs with the continuing day-to-day activities of the agency.

A key benefit of using an independent project manager is the unfettered viewpoint they provide. They focus solely on the project, with no conflicting responsibilities within the agency. They have no organizational bias and are thus able to mediate controversial issues without fear of burning political or organizational capital. They are also independent of the system vendor, so they can provide an objective evaluation of status, help control project scope and manage change, and facilitate decision making. This independent viewpoint helps enable both the agency and the system vendor to focus on what they do best without distraction. Additionally, it facilitates the interaction between the agency's users and the vendor's project staff and provides an added level of confidence to outside stakeholders.

All projects involve change. Change management does not happen without a major change effort occurring in the organization.

4. Perform Integrated Change Control

All projects involve change. Change management does not happen without a major change effort occurring in the organization. Success of that change effort depends on a well-planned, well-executed, implementation program that prepares and enables stakeholders to utilize the new technology and adapt to the new work processes.

a) Sources of Change

Issues arising on the project normally take one of two forms, issues with differences in configuration and functionality or issues with and between personnel. Project management will concentrate on issue resolution at the lowest level and encourage open and effective communications between and within all levels.

The selected vendor should provide evidence of a method of managing changes to functionality in order to assist in scope management and provide a communication medium for the change. Subject matter

experts, team leads, and project managers must be empowered to devise solutions, present viable solutions for consideration, and make recommendations for change to ensure project success.

Not all people think alike. Expect differences in opinion, and celebrate the value different viewpoints bring to the project. Diversity of perspective can lead to a better result. It is only when the differences begin to adversely affect the project or take on a personal nature that intervention by the project management team becomes necessary. The vendor should strive to ensure all communications remain professional by providing team-building opportunities, learning opportunities, and issue resolution channels, thereby establishing a professional yet fun workplace early, and continually, throughout project execution.

b) Change Management Plan

DOR/TAX should ensure the successful vendor has a plan for both functional and/or configuration change management and business process change management.

The goals of a Change Management Plan are to:

- Facilitate the successful implementation of the ITMS
- Help DOR/TAX management anticipate issues, improve their change leadership skills, and manage risk related to the DOR/TAX staff's ability to adapt project-initiated changes
- Provide a framework for DOR/TAX to address the organizational changes resulting from this project

Normally, a project incorporates a Change Order process for situations in which the contemplated change will have a cost and schedule impact. Some non-cost and non-schedule decisions can be made informally by agency staff and management assigned to the project or within the executive oversight group. Between the two extremes of informal decisions and formal Change Orders, a Decision Request process can be helpful.

Specified in the Change Management Plan, Decision Requests are an established method of raising project scope problems, questions, or concerns in a timely, concise, and consistent way. Not all issues that come up during the project rise to the level of a Decision Request. The vast majority of issues will be resolved by the project team during the course of the project. For issues not resolved on the shop floor, a structured decision process with a Decision Request Form and associated procedures helps ensure the issues are presented to management in a complete and concise fashion. The issues are tracked through the decision-making process until resolved.

Additionally, a Decision Request Form helps ensure the team presents issues to decision makers in a complete and concise fashion. The form directs staff to include the issue origination date, the decision needed by date, and the project priority level. A Decision Request Form in conjunction with the Decision Request log tracks a decision from inception until resolution and serves as a historical archive for the project. When implementing a COTS product, for example, decision requests may take one of the following paths:

- Issue is determined a project issue
    - and is resolved internally by new, changed, or standardized business process.
    - and is resolved by a change in configuration (results in a Change Request).
    - and is resolved by a change to code (results in a Change Request).
- Issue is determined not a project issue and is resolved by changed communications.

Using change management techniques, communicated in a change management plan, DOR/TAX will be able to transform their current processes, technology, and work environment. With leadership forging the way, along with an involved group of stakeholders, an organization can manage and lead change effectively.

Human resource processes such as new organization design, job design, selection and performance management systems must be aligned with the future workplace to sustain lasting change. Technology can assist. In the course of preparing this project, it was noted that current performance metrics do not adequately provide clarity for managers nor do they provide adequate goals for the staff. The current performance measures are limited by the current technology.

These are ten common barriers to change which must be understood to successfully develop activities to avoid these challenges:

- Resistance to change
- Inadequate sponsorship
- Unrealistic expectations
- Poor project management
- Case for change not compelling
- Project team lacked skills
- Scope expansion
- No change management process
- No horizontal process view
- IT perspective not integrated

Employee resistance to change, inadequate sponsorship at the leadership levels, and the inability to manage expectations typically are the greatest challenge, especially if the overall program does not include strategies and actions to minimize these barriers. In addition, the lack of a developed case for change without a change leadership program makes it difficult for an organization to successfully transition.

The remaining barriers, team skills, scope expansion, no horizontal process view, and the IT perspective not integrated, are addressed through strong program and project management. A key message is that along with other important project areas, change is a significant component that must be planned and managed to successfully implement technology projects.

To obtain the goal of efficiency, DOR/TAX will need to build in transparency, create a flexible organization, and foster a culture that supports agency-wide teamwork, while maintaining individual accountability. To achieve this goal, DOR/TAX will need to review its organizational design and be open to job reclassification.

c) Business Process Reengineering

Installing an integrated tax solution is primarily a business process reengineering project. The solution incorporates and supports "best practice" tax administration, providing a suite of integrated tax functions that are designed to work together in a particular way. In addition to configuring the agency's business rules into the solution, the agency must "wrap itself around" those functions.

Throughout implementation and afterwards, opportunities for business process improvement (BPI) will surface. The new system will provide capabilities that were not previously available or it will simply take a different approach that supports streamlined business procedures. Occasionally, BPI opportunities will spawn or enable organizational changes – some of which may have been long contemplated and some which are newly devised.

While the agency should embrace these BPI opportunities, it is prudent to take a measured approach. Wholesale "boil the ocean" BPR and organizational change can actually hinder, or even endanger, an implementation project depending on an organization's capacity.

B. Scope Management

It is a natural tendency of internal stakeholders (and sometimes developers) to pile on additional requirements and enhancements that often substantially increase project risk, time, and/or cost. Effective control of the project scope involves collecting requirements, defining the scope, creating a work breakdown structure, verifying the scope, and controlling the scope. The independent project manager or state project manager in association with the vendor's project manager and the concurrence of the Project Steering Committee must have the ability to manage scope throughout the life of the project.

1. Collect Requirements

This report, combined with the previous research and studies performed by DOR/TAX since 2007 have provided a rich source of information that taken together can form the basis of the high level requirements for this project. The requirements will need further refinement, weighting, and revision for inclusion in a future RFP.

Requirements for a new tax system should include the following functional areas:

- Entity creation and maintenance
- Payment processing
- Returns processing
- Return issue / license renewal
- Non filer identification and processing
- Gap filer identification and processing
- Taxpayer transactions processing
- Refund processing

- Collections and compliance monitoring
- Taxpayer correspondence management
- Internet services for taxpayer self-service
- Integrated security
- Integrated reporting, OLAP cubes, analysis tools
- Integrated Imaging
- Revenue fund management
- Shared taxes processing
- Audit functionality and management
- Appeals case management
- Data capture and imaging support
- Integrated workflow management
- Data warehouse storage and management
- General case management
- Inventory management
- Interface capability

2. Define Scope

According to *In Search of Excellence in Project Management* (Kerzner, 1998), the scope statement becomes the basis for all future project decisions. Therefore, a clear understanding of project scope, its definition, and the manner in which scope changes would be implemented into the project is key to project success. Kerzner (1998) states, "Scope definition is extremely important to the success of any project" and "Scope 'creep' and scope 'leap' are often the root cause of project failure" (p. 13).

DOR/TAX defined the scope for this project in their *New Tax Revenue Management System: Project Charter* (ADOR/TAX, 2008) as follows:

> "A complete integrated tax processing software package, designed to support the Tax Division with the management of multiple taxes and licensing, and associated business and processing rules, with minimal changes to the program code – and meets state IT standards and federal (IRS) security standards. The package will support configuration covering almost all aspects of the system including returns, letters, penalty, interest, transactions (financial and non-financial) customer demographics, workflow, terminology and a robust user interface" (p. 5).

The scope of the ITMS project should contain the following components:

- Project management
- Implementation of the ITMS
- Implementation of hardware, software, and network infrastructure
- Conversion of legacy data
- Business process reengineering support
- Training of users, IT support staff, and management
- Documentation of site-specific procedures, processes and changed functions
- Post-implementation maintenance and support

The scope of the ITMS project should include all the functional activities for the following tax types:

- Oil and Gas Production
- Oil and Gas Conservations Surcharge
- Oil and Gas Property
- Corporate Income
- Tobacco
- Motor Fuel
- Alcoholic Beverages
- Commercial Passenger Vessel
- Large Passenger Vessel Gaming
- Vehicle Rental
- Tire Fee
- Mining License
- Fisheries Business
- Fishery Resource Landing
- Seafood Marketing
- Salmon Enhancement
- Seafood Development
- Dive Fishery Management
- Telephone Cooperative
- Electric Cooperative
- Gaming
- Estate

3. Create a Work Breakdown Structure (WBS)

Creating a WBS is the process of subdividing project deliverables and project work into smaller more manageable tasks. This report, building upon the previous work DOR/TAX performed, begins the process of creating a WBS by defining the objectives of the proposed ITMS project follows:

- Replacing all 17 official systems and over 100 MS Excel spreadsheets in side-systems, with one integrated system. Current legacy systems will be retired as the tax types they administer are integrated into the new system.
- Migrating all 22 tax types to a new ITMS better capable of serving the needs of Alaska's taxpayer base. The results of this project will provide for the technical and functional requirements of the identified taxes administered by DOR/TAX.
- Providing the ability to quickly adapt the tax types to the State's ever-changing tax laws and regulations
- Cleaning and preparing data for conversion from existing legacy systems
- Training users and operators to fully utilize system functionality
- Interfacing with current and new e-filing programs, including MeF
- Increasing compliance functions including non-filer, collections and audit
- Providing for data warehouse and integrated imaging capabilities
- Automatic distribution of shared taxes after user approval
- Configuration development that meets the State of Alaska and DOR's specific requirements while at the same time investigates potential process changes to improve efficiency and fairness.

Along with replacing the numerous MS Excel side-systems used to administer DOR/TAX's 22 tax types, work tasks during the project would also involve replacing and retiring existing legacy systems. TAX has identified the following systems for replacement with an ITMS:

- CPS
- TAS
- DEE Excise
- DEE Motor Fuel/Corp
- ASPR
- OTIS
- OPAL
- OVR
- EMR
- Fish and Game License Application
- Interest Engine for TAS
- UP Viewer
- Travel Document Image Viewer
- Oil and Gas Production Tax MS Access Databases
- Online Public Reports and Queries
- Gaming Stamp Manager
- Petroleum Property Tax Application

4. Verify Scope

DOR/TAX will perform this step when formally accepting the list of deliverables.

5. Control Scope

The project management team will control the scope by measuring, monitoring, and reporting on project metrics throughout the project. Project performance measures will assess the variance from the originally determined scope when requests for changes arise. When change happens, the project management team will update the associated project documents and stakeholders will receive communications that reflect the change.

The requirements documentation will form the basis for the scope. The team will use one or more of the following methods to track the variation from the base scope:

- Work completed vs. schedule
- Cost vs. budget
- Performance vs. expectations
- Open issues review
- Updated risk assessment

C. Time Management

1. Define the Activities

The WBS developed during scope development will aid in creation of the work packages necessary to accomplish the objectives envisioned. The project management team will perform this step during the initialization phase of the project.

2. Sequence of Activities

Once all the activities are known, the project management team will sequence the specific activities necessary for completion of the project. One of the important decisions to make for this type of project is which tax type(s) to implement first. This is a decision that will need inputs from the vendor, the independent project manager (if one is used) and the units involved. Factors that can influence the decision to implement one tax before the other are:

- Current processing capability
- Expected changes to legislation
- Current hardware limitations
- Due date for tax types
- Group readiness, or personnel availability, and impact on current group workload
- Other taxes implemented at the same time

3. Estimate Activity Resources and Durations

In finalizing the schedule during project initialization, the project management team will need to take into consideration the resources from the vendor and the user groups. These kinds of projects require

coordination with SMEs, project management, and developers to ensure testing, training and phases of implementation happen at specific points in the schedule.

4. Develop the Schedule

The project management team will develop an estimated project schedule prior to the project kick-off meeting. The schedule may be revised as situations dictate during implementation. However, projects tend to finish on time when the schedule is a driving factor and everyone is dedicated to meeting the schedule. The schedule will contain milestones for deliverables, wherever applicable. DOR/TAX developed a primary sample schedule in 2009 as a representative project schedule. Although envisioned as a 5-year plan, the project might be completed sooner depending on resources and requirements. DOR/TAX should allow the prospective bidder to propose a project schedule that meets the division's baseline criteria. The proposed schedule created by DOR/TAX is shown in the *TRIMS* (ADOR/TAX, 2009) report.

5. Control the Schedule

After the Project Management Team develops the project schedule depicting interrelationships of tasks and activities, milestones and durations the team will then implement the schedule and begin to manage and monitor the schedule to ensure project completion.

During implementation while reviewing progress reports and reports of other performance measures the Project Management team will forecast changes necessary to the schedule. When forecasts indicate a need to change, the team will assess those changes against both the schedule and the scope.

One of the best methods to ensure the control of the schedule is to ensure all stakeholders stay informed of issues relating to that schedule. In this instance, communication is the key to an effective schedule.

D. Cost Management

The cost section of this report provides alternatives, estimates, and comparisons for funding, costs, and methods used to pay for an ITMS project. When DOR/TAX and its funding authorities make those determinations, the project management team will be the key leaders to ensure the project stays within the budget. Some of the techniques the project management team will use to control costs are:

- Ensuring that all change requests are acted upon in a timely manner
- Managing changes when they happen
- Monitoring work performed

E. Quality Management

Providing a quality product on schedule and within budget is the primary objective of all team members. DOR/TAX must ensure the selected vendor has a plan for testing and metrics for quality control. DOR/TAX must measure quality by the degree in which the vendor meets the requirements and provide

feedback quickly and accurately. The project management team must insist on meeting project objectives in such a way as to:

- Prevent overworking the project team
- Provide enough time and resources to adequately detect errors early in the process

Quality principals from the *PMBOK Guide* (Project Management Institute [PMI], 2008) stress the following:

- Customer satisfaction: For this project, customer means all stakeholders including DOR/TAX users, managers, and taxpayers. The stakeholders must be able to notice a change for the better.
- Prevention over inspection: The vendor must employ quality methods, using verifiable tools and metrics to ensure they design and build a product with quality in mind.
- Continuous improvement: The selected vendor must learn and adapt and so must DOR/TAX. These projects are all about change and improvement of the current state. All changes should measure up to improvement.
- Management responsibility: Success in these types of projects depends heavily on management involvement. Even if DOR/TAX elects to hire an independent project manager, the management responsibility to provide quality people, quality advice, and prompt decisions to the project remains.

F. Human Resources Management

The processes described in this plan supplement existing regulations for establishing more detailed and specific relationships among stakeholders participating in this project.

1. Develop Human Resources Plan

In the 2008 project charter, DOR/TAX identifies specific individuals, the skills, and the roles necessary for the project. In some implementations, the personnel dedicated to the project change positions within the organization and their previous positions remain unfilled for the duration of the project. In other organizations, the people move back to their previous positions upon project completion.

Before the project begins, and before assigning personnel to the project DOR/TAX should determine:

- Who will project members report to?
- How will the assignment to the project affect positions?
- What happens when the project ends?

One of the most critical roles on an ITMS project team is the SME. These projects are often more of a business process redesign than a technology upgrade. That makes the expertise of a SME a valuable and essential resource worthy of close management. Some key considerations for SME management follow:

- Trust is an important selection criterion for a SME. Often the agency knows they selected the right person from the unit if it is painful to give them up for the project. The sacrifice of valuable

resources made during project execution will make a huge difference. The SME needs to be trusted to make good decisions and have the backing of their management in order to be successful.

- A SME's responsibility is to represent accurately their business units' needs to the Project Team, and to validate the deliverable. SMEs also carry information about the project back to their user community and assist with effective communications to other stakeholders. During each rollout, SMEs will test the product and perform tasks normally performed by the user community. SMEs are often the best source of feedback to the project team.
- SMEs should be co-located with other project team members to ensure day-to-day contact and effective knowledge transfer. SMEs co-located on to the shop floor often learn more about the agency and are exposed to all aspects of the system. Skills of SMEs often expand beyond their previous legacy job description.
- Often, at the close of a project, the SMEs receive recognition as system experts, and provide a very valuable resource to the agency. Proper planning, early in project implementation, for post-project usage of the SME's skills is essential to maintaining them as a resource long into the future.

2. Acquire Project Team

Another important consideration is the on-boarding of project team members. When team members join and leave the team has significant impact on the project and the implementation. Key members such as the project managers and leads should begin and end the project to maintain continuity throughout the implementation. SMEs can join the project and leave the project when it moves into areas outside their expertise. The human resources plan created by the project management team prior to the kick-off meeting should communicate to all stakeholders when the project will need certain members for the project.

3. Develop Project Team

Our experience has demonstrated co-location greatly facilitates involving business experts not otherwise assigned to the project in the discussions and decisions related to the new system. Co-location also facilitates team interaction, improves the competency of individuals, and enhances the project performance. DOR/TAX should also work with the selected vendor to:

- Ensure developers have or obtain the minimum qualifications for the technology used
- Establish conditions to allow effective knowledge transfer
- Provide numerous and varied opportunities for learning new processes and procedures

4. Manage Project Team

Effective communication will assist in managing team performance. Providing feedback, and being proactive when issues arise, will optimize team performance and help to ensure success. The project management team will establish project standards to influence the project team and set professional and ethical standards.

G. Communication Management

Effective and appropriate communication is the key to an efficient organization. Furthermore, effective communication is important to the successful delivery and completion for DOR/TAX because it helps to align everyone to a common goal. Throughout implementation, clear and timely communications will help ensure DOR/TAX has the information required to make informed decisions on the implementation. It will also help to ensure the user community not only adopts but also welcomes the new system.

Another purpose of communication planning is to ensure the core and extended project team members develop an effective communication strategy for affected stakeholders. Important to the project communication strategy is identifying key stakeholders, developing accurate and consistent messages, and delivering the messages effectively. Successful project team communication depends on all core and extended project members playing a role and taking personal responsibility in the messages they deliver.

Effective, comprehensive, and coordinated communication is also a fundamental component of sound project management. Accordingly, developing and executing a thorough communication plan is a critical success factor in implementing a new system.

DOR/TAX should ensure the selected vendor proposes a coordinated communication plan used to identify communication targets and sources, messages that will satisfy the informational needs of those targets, messages that DOR/TAX need to hear from its sources, and the most effective methods for delivering and receiving those messages.

H. Risk Management

According to the *PMBOK Guide* (PMI, 2008), project risk management comprises the processes concerned with identifying, analyzing, and responding to project risk. It includes maximizing the results of positive events and minimizing the consequences of adverse events.

The processes include:

- Determining risks likely to affect the project and documenting the characteristics of each
- Evaluating the risks and risk interactions to assess the range of possible project outcomes
- Defining enhancement steps for opportunities and responses to threats
- Responding to changes in risk over the course of the project

1. Identified Project Risks

When embarking on an integrated tax management project, DOR/TAX leaders will face several risks and challenges. One of the major risks to an implementation project is the desire to replicate exactly all functions previously performed in legacy systems. Working together the project manager team with the advice of the SMEs and the Team Leads can usually come to an agreed upon solution that provides the functionality necessary for users to be productive.

Other risks to the project include:

- Assisting managers of affected areas in balancing productivity while transitioning between legacy and the existing standalone applications to the new environment
- Finding the right way to involve everyone in the organization in the project
- Carefully monitoring and attending to the redirection needs
- Focusing on creating the new environment
- Defining the staffing requirements
- Developing and implementing policies to meet those needs
- Maintaining positive moral and helping the DOR/TAX staff transition from the legacy systems to the new ITMS

2. Risk Mitigation

To mitigate project risks, the project management team must develop a risk management plan as a subset of the project plan. The plan must identify and document the risks that are likely to affect the outcome of the project. The managers must also be able to evaluate and quantify each risk and assess the range of possible outcomes. In other words, the managers must be able to distinguish between high-risk problems and low-risk problems. In many cases, the risk may not warrant a response, but when the risk is significant, the managers must be able to develop a risk response plan and take the necessary actions to mitigate the risks in accordance with the risk management plan.

There are steps DOR/TAX can take during the procurement and planning stages to minimize risk. Among these are seeking a proven solution, seeking a proven vendor, seeking a proven approach and planning for risk management during the project.

a) Seeking a Proven Solution

Reviewing information technology implementations in general and tax systems in particular, the research history shows IT projects fail to meet expectations because the solution does not match the problem.

For an ITMS to qualify as "proven," consider the following requirements:

- The solution should be in production and operating for at least two complete fiscal business cycles (typically, two years).
- The solution should be in production at multiple tax agencies of similar size, complexity, and legislative framework.
- The solution should perform the core tax administration functions, including registration, returns processing, payment processing, accounting, refunds, collections, debt management, filing and payment compliance, audit, and revenue accounting.
- The solution should offer integrated supporting functions such as division-wide communications, security, workflow, imaging, correspondence, reporting, query, data analysis, data warehouse, data mining, leads management, and taxpayer self-service.

- The solution should perform the above functions for multiple tax types, including *all* of the major taxes and *most* of the minor taxes performed by DOR/TAX.
- The solution should be upgradable, extensible through configuration, and not at the end of its technological life-cycle.

b) Seeking a Proven Vendor and Approach

To qualify a proposing vendor as "proven," consider requiring the vendor has a proven record of accomplishment on multiple successful implementations using the proposed software for integrated tax administration and using the proposed implementation methodology.

c) Managing Risk during the Project

Project risks are uncertainties or vulnerabilities that may have an adverse effect on the project. Since every project carries some element of risk, it is important to manage risk proactively and through a well defined risk management process.

The risk management process seeks to minimize the impact of unplanned incidents on the project by:

- Identifying potential risks
- Analyzing risk characteristics
- Developing risk mitigation strategies
- Continuously tracking risks and mitigation strategies until danger has passed

The project's risk management plan should include the following:

- Roles and responsibilities of the participants
- Monitoring and control
- Escalation
- Risk analysis – a typical risk management matrix:
- Identification – What is the risk?
- Trigger – What is the event (if any) that could trigger the risk?
- Timeframe – When is the project exposed to the risk?
- Probability – How likely is the risk trigger to occur?
- Impact – What is the consequence of the risk?
- Severity Matrix – How will that consequence affect the project?
- Response Planning – What can be done to mitigate the risk?
- Contingency Planning – What can be done to recover from the consequence of the risk?

I. Implementation: Factors Leading to Success

In our experience, there are certain contributing factors that can greatly influence a project's outcome. Those that are within the influence of the agency are discussed below in terms of:

- Leadership support
- Staffing support
- Logistic support
- Technology support

1. Leadership Support

Activities in this area help leaders manage the change more effectively. Leaders must set focus and commitment, and create inspiration for people to change. Given that, leadership needs to commit to specific roles, responsibilities, and actions to lead the change initiative.

The following addresses leadership alignment and actions:

- Leadership alignment that ensures the leadership team embraces and commits to the vision of change - same goal, direction, and talk.
- Leadership action that focuses on encouraging the leadership team to develop tangible action plans and execute these plans to support change.
- Leadership management that sets direction, defines culture, and establishes structures and processes

As a result, it is critical to the success of the project that key decision-makers and top leadership remain engaged in the project through its completion.

The installation of an ITMS is a significant task. Inherent in any system change of this magnitude is a myriad of reactions to those changes within DOR/TAX. As a result, it is critical to the success of the project that key decision-makers and top leadership remain engaged in the project through its completion.

Leadership must make a clear and frequent message throughout DOR/TAX that the initiative is critical to the future success of the organization. At project kick-off and subsequent milestone events, DOR/TAX executives should deliver supportive acknowledgements to their employees. It is helpful for the leadership to discourage actions that undermine the project team's efforts such as unfounded negative comments.

In order to keep moving forward and on-track, DOR/TAX must make decisions timely. Our experience has shown that there must be a process in place for effective decision-making, and there needs to be

one person involved with the project who has authority to make decisions when there is a stalemate on a critical decision point.

One of the significant contributors to project failure is uncontrolled expansion of project scope. It is important for everyone to support fully the notion that the project's primary responsibility is to get the agreed-upon components of the project completed first.

Adherence to the project timeframe is imperative. DOR/TAX should communicate this expectation to everyone on the project and within the organization. Projects can stall for a number of reasons. Once the Project Management team allows a modification of the timeline, delays become inevitable. Project staff will generally respond and deliver when the leadership informs them there will be no tolerance for delays or missed milestones.

A new system provides an opportunity to adopt new best practice business processes. However, management must be open to new ideas and support the team through the change resistance that may occur. In some cases, those business practices are deeply ingrained in an agency and there can be significant resistance to change. There may even be situations where agencies have sponsored legislation because of legacy system limitations.

2. Staffing Support

It is vital that the project team has the staff it needs to operate. From experience, we have found that personnel involved in the project need to be free from their normal assignments, and that those assignments may need to be backfilled to eliminate the temptation of pulling team members off the project.

Three key factors in meeting adequate project staffing needs:

- Agency information technology staff should fully participate in the implementation
- Agency subject matter experts and users should participate at levels necessary to meet project deliverables and commitments
- Appropriate staff should be available to participate in a train-the-trainer training approach

Perhaps the most long lasting contribution to the success of the project for the organization to make is often the most painful. If you assign someone to the team and it hurts to release them, then you have usually selected the right person. Consider this an investment in your agency's future.

3. Logistic Support

Be prepared to provide accommodations for the project team with the following features:

- Office space - Ideally, the project team will have an office area that is co-located with agency staff. Although a separate workspace is acceptable, we have found that the co-location approach greatly facilitates involving business experts not otherwise assigned to the project in the discussions and decisions related to the new system.

- Worksite access - Project staff will likely require 24x7 access to the project worksite.
- Meeting space - The project team will need frequent access to meeting rooms.
- Workstations - Each project team member will need a workstation and connectivity.
- General office equipment - The project team will need the usual business office accessories.

4. Technology Support

For the most part, technology support will depend on the solution. The project team will need access to make changes to databases and application servers with the proper security to implement the ITMS solution and perform configuration as necessary. Local area network access, email access, and associated hardware support are often peripheral, yet essential, to project success.

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State of Alaska. Department of Revenue. Tax Division. (2009). *Shared taxes and fees annual report*. Retrieved from www.tax.alaska.gov

State of Alaska. Department of Revenue. Tax Division. (2009). *Tax revenue and information management system: Implementation strategy*.

APPENDIX A – Stakeholder Interview Participants

Steven Borrell, Executive Director, Alaska Miners Association, Inc. & Tom Healy, Rock Products Association

Randy Hoffbeck, North Slope Borough

John Boucher, Senior Economist and Jack Kreinheder, Chief Policy Analyst, Office of Management and Budget

Paul Wehe, Transportation Planner I, Alaska Department of Transportation

Susan Bell, Commissioner, Department of Commerce, Community, and Economic Development

Shellene Hutter, Biologist, Alaska Department of Fish and Game

Lisa Call, Severance Tax Senior Specialist, U.S. Financial Reporting & Accounting, Exxon Mobile

Maureen Dolphin, Supervisor, Alaska and Brian Pittman, Conoco-Philips

Paul Syring and Diane Colley, BP Exploration

Dennis Egan, State Senator (and his Aide, Jessie)

Deborah Grundmann, Chief of Staff, State Senator Charlie Huggins

Miles Baker, Chief of Staff, State Senator Bert Stedman

David Teal, Director, and Rob Carpenter, Fiscal Analyst, Legislative Finance Division

Andrew Varner, Executive Director, and Erik O'Brien, Economic Development Specialist, Southwest Alaska Municipal Conference

APPENDIX B – External Stakeholder Interview Questions

Q1: Tell me about your interaction with the Tax Division – which areas of the agency do you typically interact with?

Q2: (Share Tax Division's Mission and Vision). What is your general reaction to the Tax Division's Mission and Vision? Is it appropriate? Does it look like they're focusing on the right things? Is anything missing?

Q3: Based on your interactions with the Tax Division, are there a few words that aptly describe their general reputation?

Q4: In your opinion, is there anything the Division should be doing to improve tax administration? Are there areas that should receive increased attention and focus?

Q5: Are there additional services you would like to see the Tax Division provide to taxpayers?

Q6: Are there valuable services the Tax Division currently provides that you want to make sure they continue providing in the future?

Q 7: Is there any other feedback you would like me to share with the Tax Division?

APPENDIX C – Mission and Vision External Feedback

TAX desired contributions from external stakeholders to serve as an input for this study, and to provide validation prior to an annual review of its vision and mission statements. FAST interviewed 20 stakeholders including taxpayers, association representatives, legislators and legislative staff, state agency personnel, and a local government representative. After sharing a copy of the previous mission and vision statements, the questions posed to stakeholders were:

- What is your general reaction to TAX's mission and vision?
- Is it appropriate?
- Does it look like they're focusing on the right things?
- Is anything missing?

General Reaction and Comments

Feedback ranged from the vision and mission "look straightforward and complete" to several comments noting that the statements are "quite a blend of things" and that TAX could "tighten up their focus with fewer statements." One stakeholder observed, "A focus on fairness, efficiency, and effectiveness would seem about right." Another stakeholder put it this way:

> "They're not focused on the wrong things, but where do they place their emphasis? If they're focused on too many different things, they can't effectively focus on their central purpose which is collecting taxes to fund government services."

Mission: Collect taxes, inform stakeholders, regulate charitable gaming

Several stakeholders noted that collecting all the revenues due the state is TAX's primary purpose and is properly prominent in the mission statement.

A few interviewees had questions about the phrase "inform stakeholders." Several seemed unsure exactly what the phrase intended to communicate, "Inform them about what?" Who do they mean when they say "stakeholders?" One noted, "*Inform stakeholders* seems a little weak – it's more important to cooperate and partner than to inform." Another observed, "Being a resource to other agencies in the executive branch and to the legislature is important – it might be nice to go beyond *inform.*" Another added, "They don't say anything about playing well with others in state government and getting along well with the legislature."

Increase revenue collections and compliance

The most frequent comment throughout all the interviews was directed to the statement "increase revenue collections."

One stakeholder explained,

> "I'm not sure what the Tax Division means when they say they're trying to increase revenue collections. Shouldn't they just be trying to collect the correct amount that is due? Increasing compliance makes sense, but simply *increasing revenue collection* sounds like they're just out for money – even if taxpayers are already paying what they owe."

Another observed, "Trying to move the compliance needle closer to 100% is important. Collecting all the revenues that are due and doing it efficiently and effectively is important, too. But simply *increasing revenue* seems to communicate the wrong message." Another interviewee mentioned that accuracy is important in saying, "Collecting the right amount – no more and no less – should be part of their focus."

Others added that TAX should emphasize the concepts of simplicity and clarity:

> "It's not just about collecting money from taxpayers – the agency's focus should be making it as easy as possible to pay what you owe. It's like going to the dentist – you want the experience to be as painless as possible."

And:

> "Clarity of tax application is also important. As a taxpayer, it's hard to know what to report and providing clear instructions is part of the job."

The public has confidence in the division's integrity, efficiency, and fairness

Several stakeholders noted the importance of operating efficiently. Stakeholders specifically reminded us of the need to report the same information many times and in many different ways to satisfy TAX's various systems. One stakeholder said, "It's good they want to focus on efficiency because the Tax Division's inefficiency makes taxpayer interaction with the division inefficient."

Customers receive excellent service

Many persons interviewed commented on the importance of good customer service. One clarified,

> "It's not just about friendly service. If you have to call up five times to get the information you need, it's nice to talk to a friendly voice five times. But efficient and competent service is important, too. They should be able to provide the information you need quickly and easily."

The division maximizes the use of technology in its business processes; the division has online filing for each program it administers

Most stakeholders commented on the two vision statements addressing technology. There was concern that the statement implied using the latest technology just because it is new. "The important thing is to use technology wisely and effectively." The most frequent comment questioned the idea of *maximizing* the use of technology. One stakeholder explained:

> "It's not about arbitrarily using technology to the max – you use technology to improve customer service or increase the public's confidence in the Tax Division. Technology is a means to achieve the division's goals."

Another person also highlighted this area and reiterated:

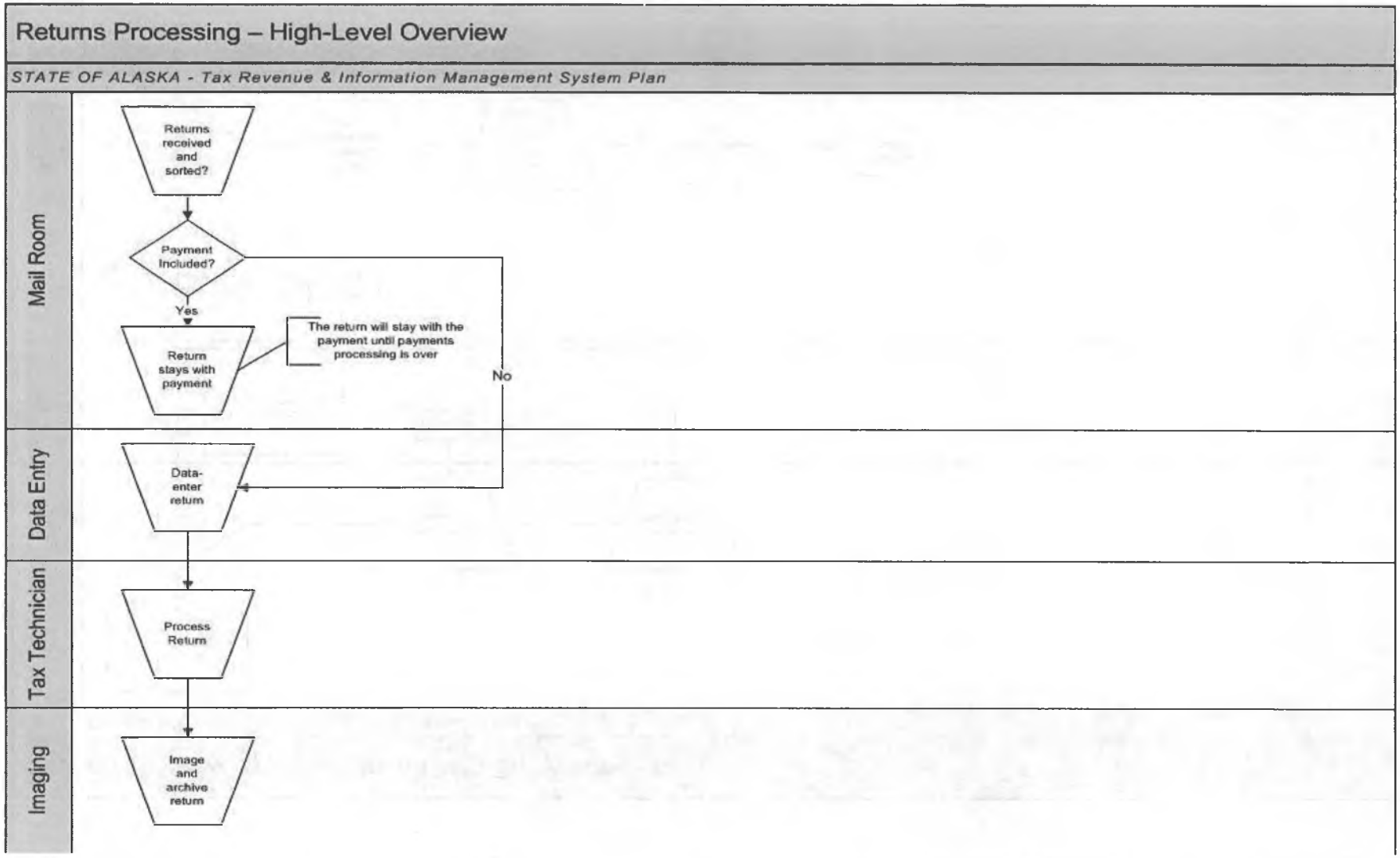
> "We don't want the Tax Division chasing all the latest technology just so they can have the new stuff. What's important to taxpayers is a stable platform, not something that is changing all the time."

Several thought the two technology statements were redundant and noted they both connected to efficiency. Several taxpayers also stated that they hoped TAX understood that online filing is more than just the ability to fill out a form on the Internet. Specifically, one person put it very simply:

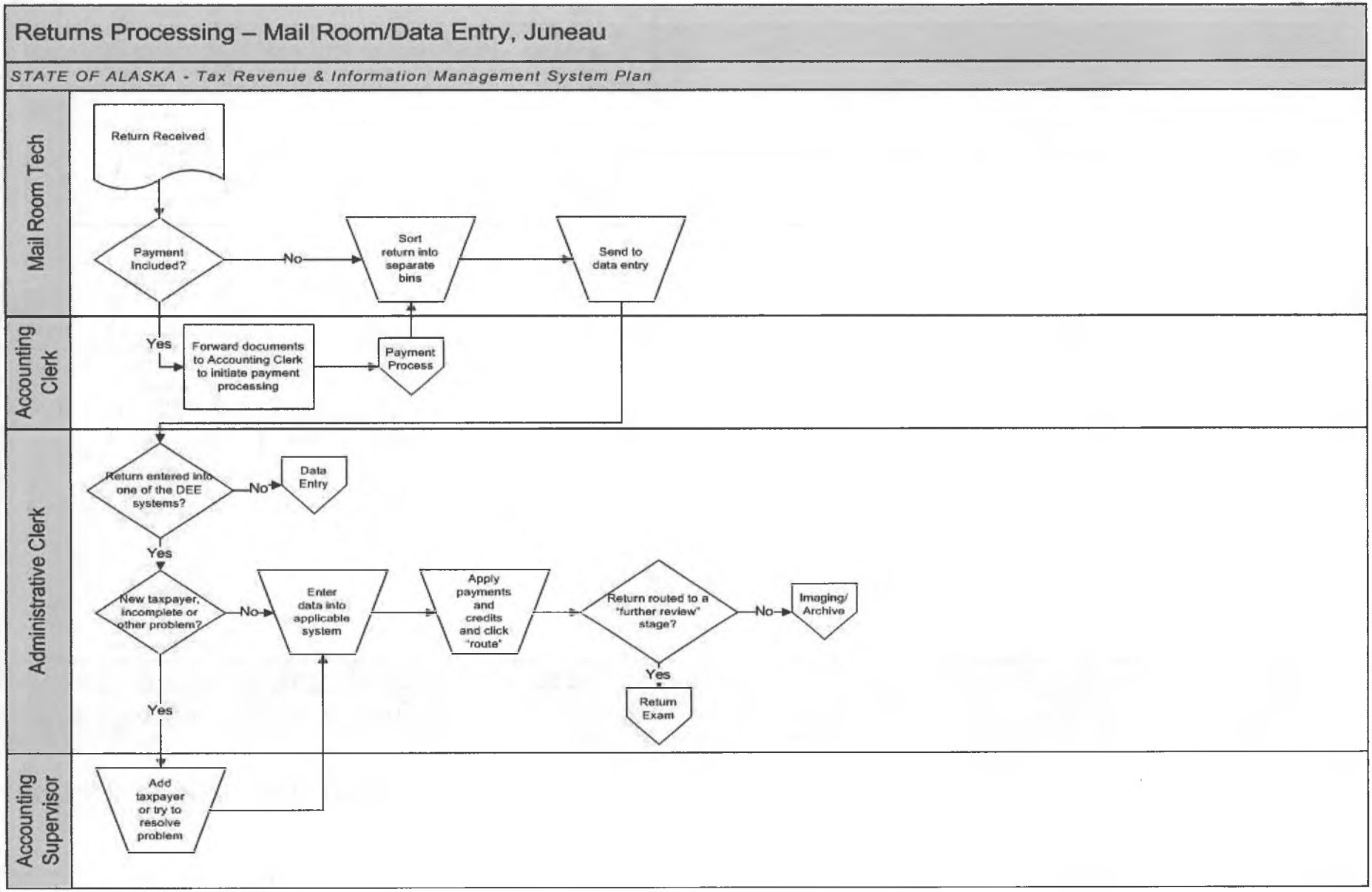
> "The Tax Division needs a better platform to ease electronic reporting. What's needed is electronic data interchange."

APPENDIX E – High-Level Diagrams

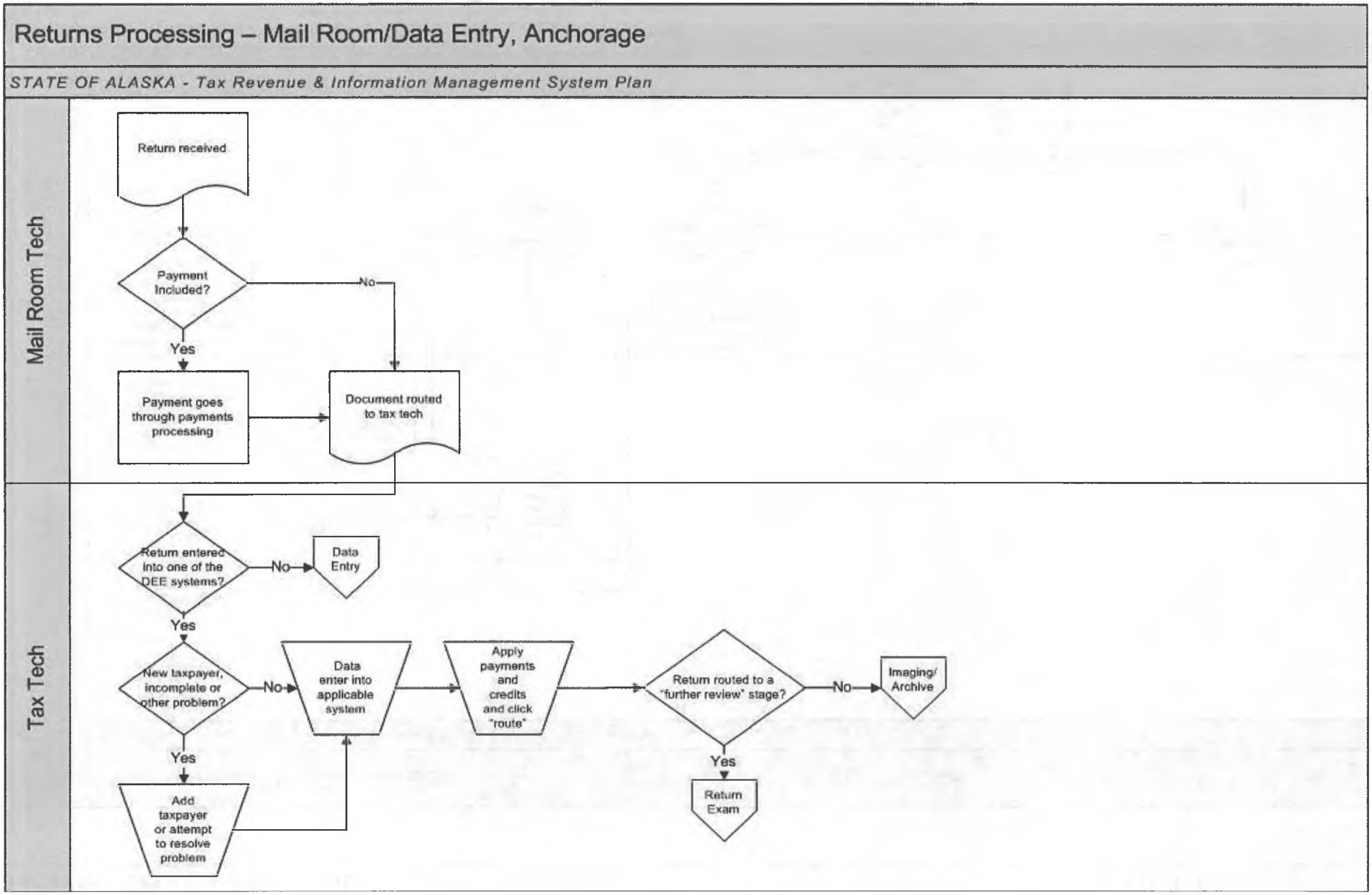
E. 1



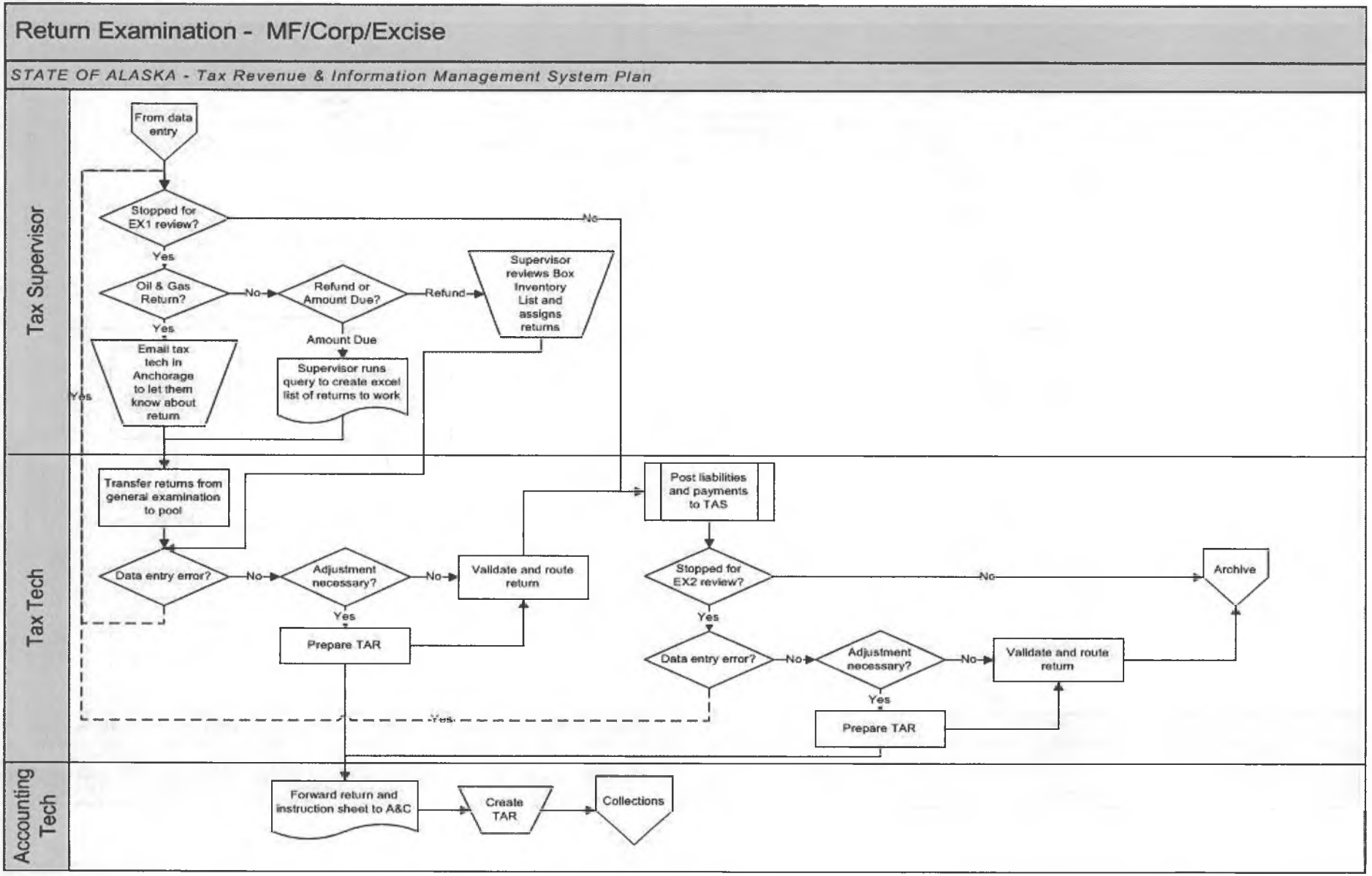
E. 2


Returns Processing – Mail Room/Data Entry, Juneau
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Mail Room Tech
Return Received
Payment Included?
No
Sort return into separate bins
Send to data entry
Accounting Clerk
Yes
Forward documents to Accounting Clerk to initiate payment processing
Payment Process
Administrative Clerk
Return entered into one of the DEE systems?
No
Data Entry
Yes
New taxpayer, incomplete or other problem?
No
Enter data into applicable system
Apply payments and credits and click "route"
Return routed to a "further review" stage?
No
Imaging/ Archive
Yes
Return Exam
Yes
Accounting Supervisor
Add taxpayer or try to resolve problem

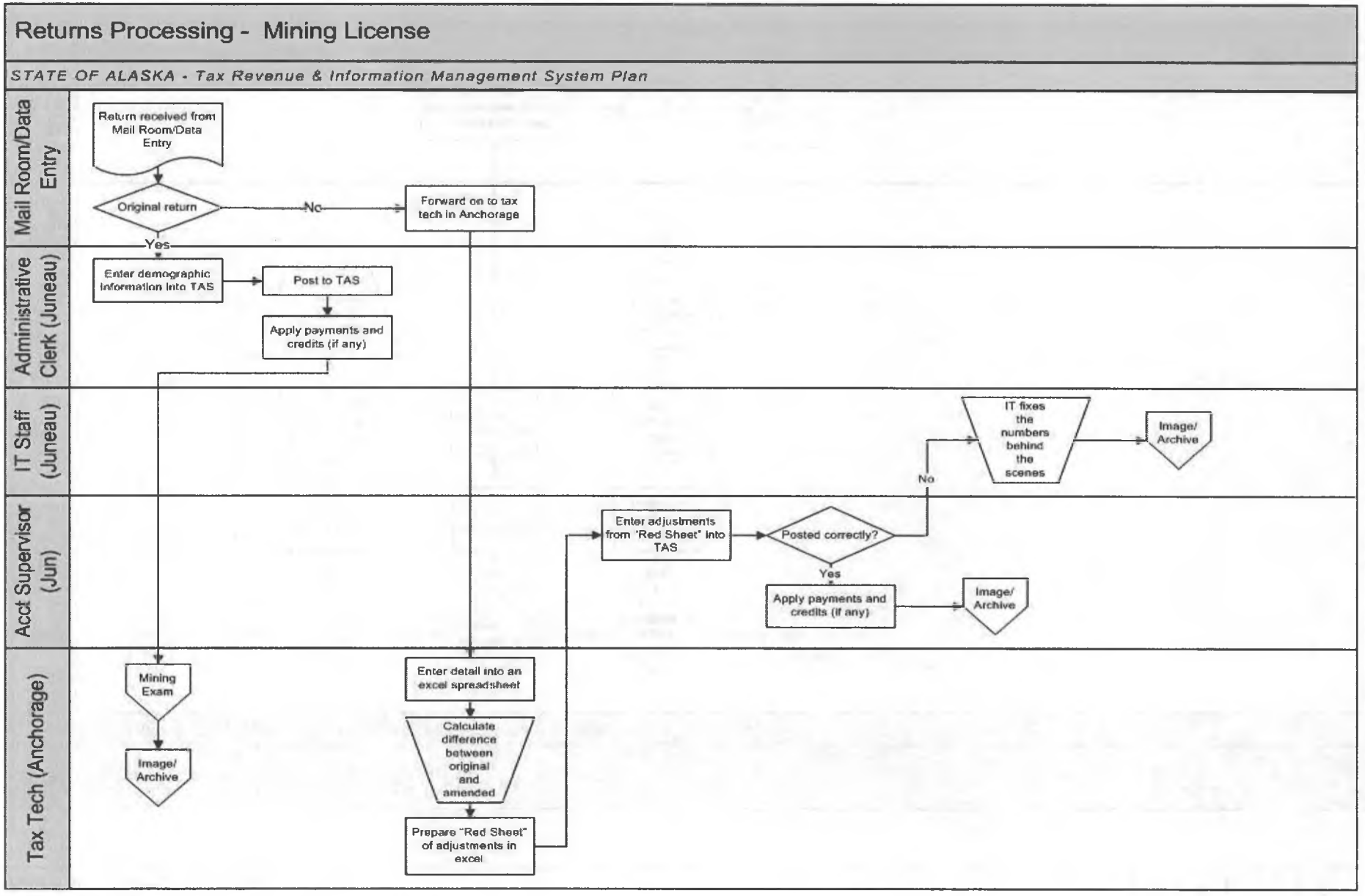
E. 3


Returns Processing – Mail Room/Data Entry, Anchorage
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Mail Room Tech
Return received
Payment Included?
No
Yes
Payment goes through payments processing
Document routed to tax tech
Tax Tech
Return entered into one of the DEE systems?
No
Data Entry
Yes
New taxpayer, incomplete or other problem?
No
Data enter into applicable system
Apply payments and credits and click "route"
Return routed to a "further review" stage?
No
Imaging/ Archive
Yes
Return Exam
Yes
Add taxpayer or attempt to resolve problem

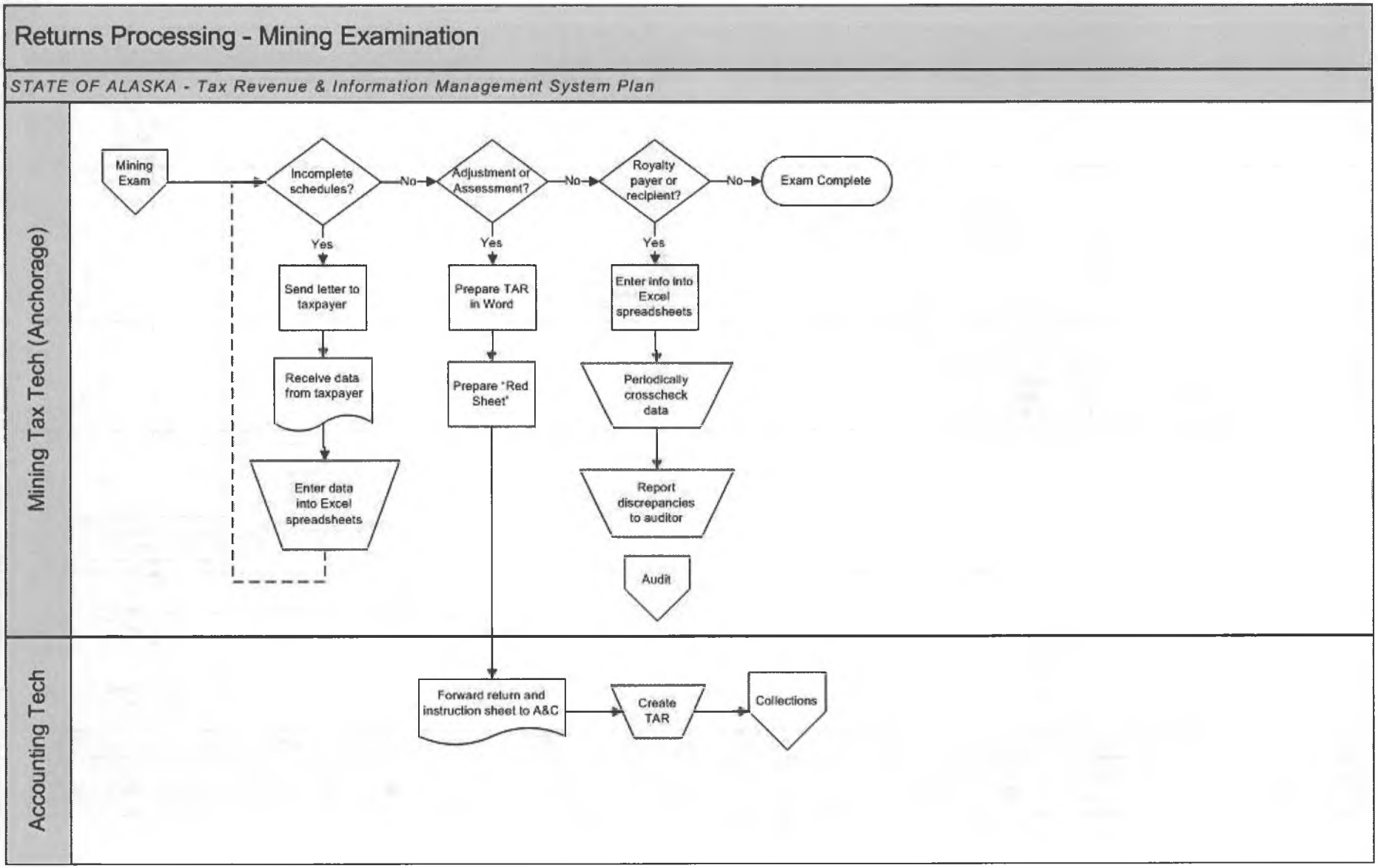
E. 4


Return Examination - MF/Corp/Excise
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Tax Supervisor
Tax Tech
Accounting Tech
From data entry
Stopped for EX1 review?
No
Yes
Oil & Gas Return?
No
Refund or Amount Due?
Refund
Supervisor reviews Box Inventory List and assigns returns
Yes
Email tax tech in Anchorage to let them know about return
Amount Due
Supervisor runs query to create excel list of returns to work
Yes
Transfer returns from general examination to pool
Post liabilities and payments to TAS
Data entry error?
No
Adjustment necessary?
No
Validate and route return
Yes
Prepare TAR
Stopped for EX2 review?
No
Archive
Yes
Data entry error?
No
Adjustment necessary?
No
Validate and route return
Yes
Prepare TAR
Yes
Forward return and instruction sheet to A&C
Create TAR
Collections

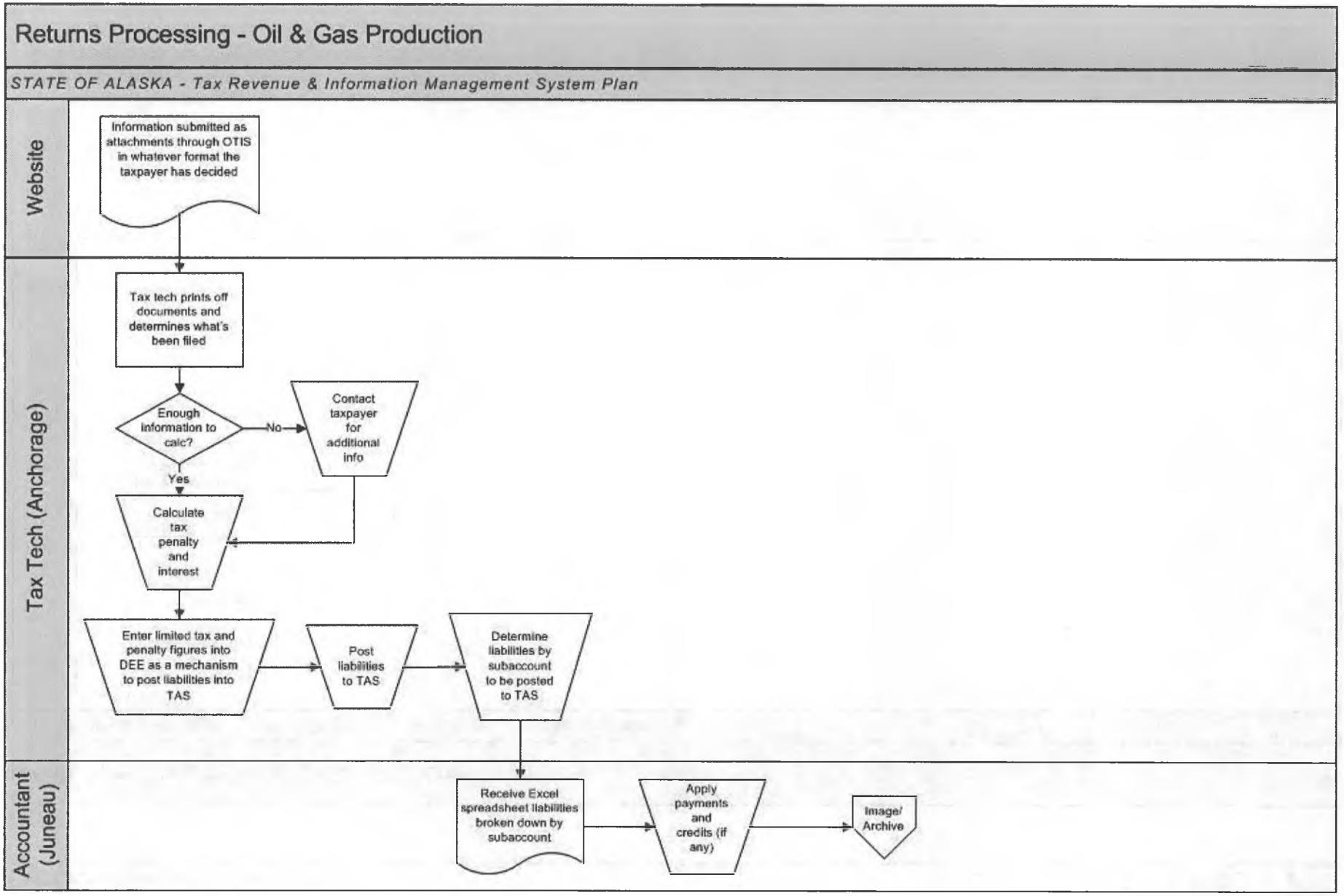
E. 5


Returns Processing - Mining License
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Mail Room/Data Entry
Administrative Clerk (Juneau)
IT Staff (Juneau)
Acct Supervisor (Jun)
Tax Tech (Anchorage)
Return received from Mail Room/Data Entry
Original return
No
Yes
Forward on to tax tech in Anchorage
Enter demographic information into TAS
Post to TAS
Apply payments and credits (if any)
IT fixes the numbers behind the scenes
Image/ Archive
No
Enter adjustments from "Red Sheet" into TAS
Posted correctly?
Yes
Apply payments and credits (if any)
Image/ Archive
Mining Exam
Image/ Archive
Enter detail into an excel spreadsheet
Calculate difference between original and amended
Prepare "Red Sheet" of adjustments in excel

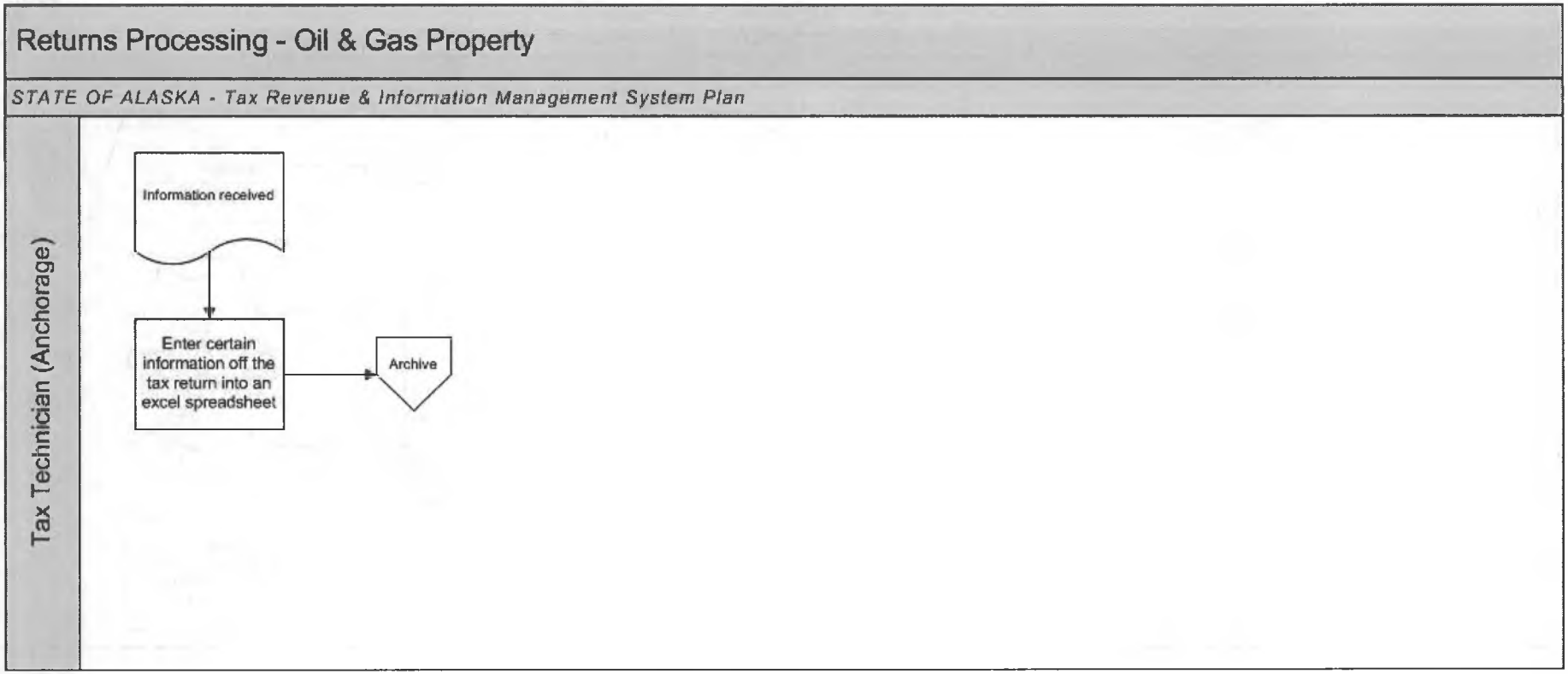
E. 6


Returns Processing - Mining Examination
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Mining Tax Tech (Anchorage)
Mining Exam
Incomplete schedules?
No
Adjustment or Assessment?
No
Royalty payer or recipient?
No
Exam Complete
Yes
Send letter to taxpayer
Receive data from taxpayer
Enter data into Excel spreadsheets
Yes
Prepare TAR in Word
Prepare "Red Sheet"
Yes
Enter info into Excel spreadsheets
Periodically crosscheck data
Report discrepancies to auditor
Audit
Accounting Tech
Forward return and instruction sheet to A&C
Create TAR
Collections

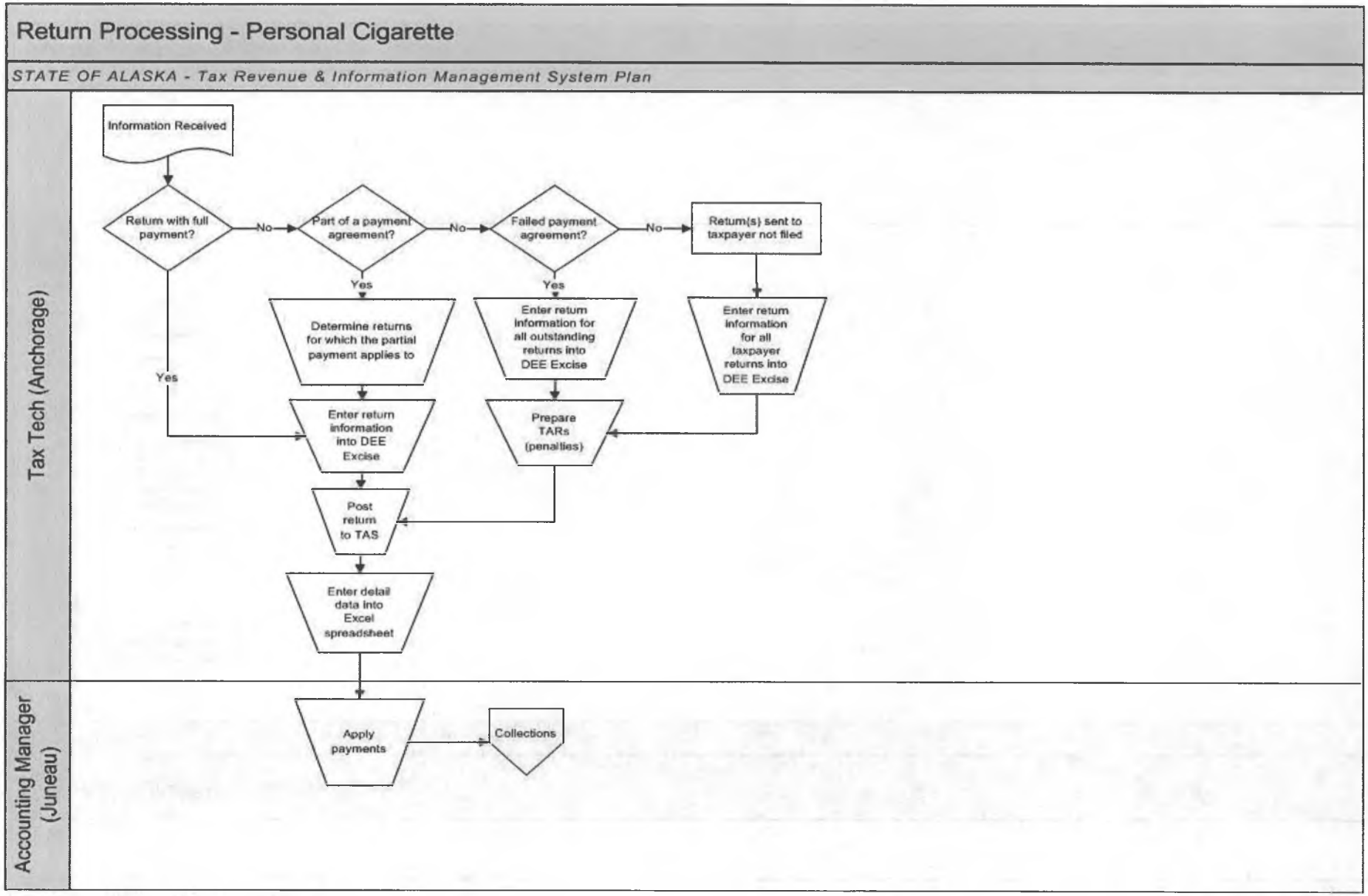
E. 7


Returns Processing - Oil & Gas Production
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Website
Information submitted as attachments through OTIS in whatever format the taxpayer has decided
Tax Tech (Anchorage)
Tax tech prints off documents and determines what's been filed
Enough information to calc?
No
Contact taxpayer for additional info
Yes
Calculate tax penalty and interest
Enter limited tax and penalty figures into DEE as a mechanism to post liabilities into TAS
Post liabilities to TAS
Determine liabilities by subaccount to be posted to TAS
Accountant (Juneau)
Receive Excel spreadsheet liabilities broken down by subaccount
Apply payments and credits (if any)
Image/ Archive

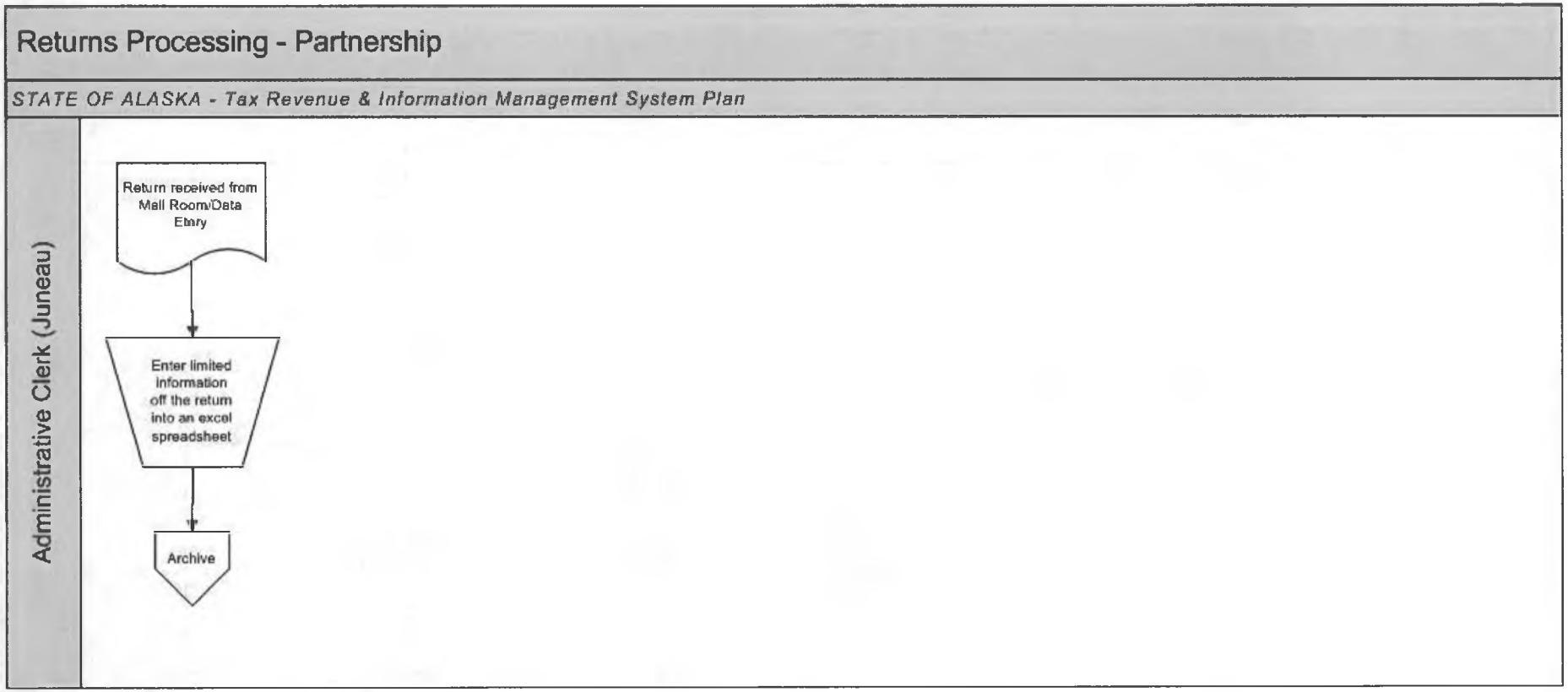
E. 8


Returns Processing - Oil & Gas Property
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Tax Technician (Anchorage)
Information received
Enter certain information off the tax return into an excel spreadsheet
Archive

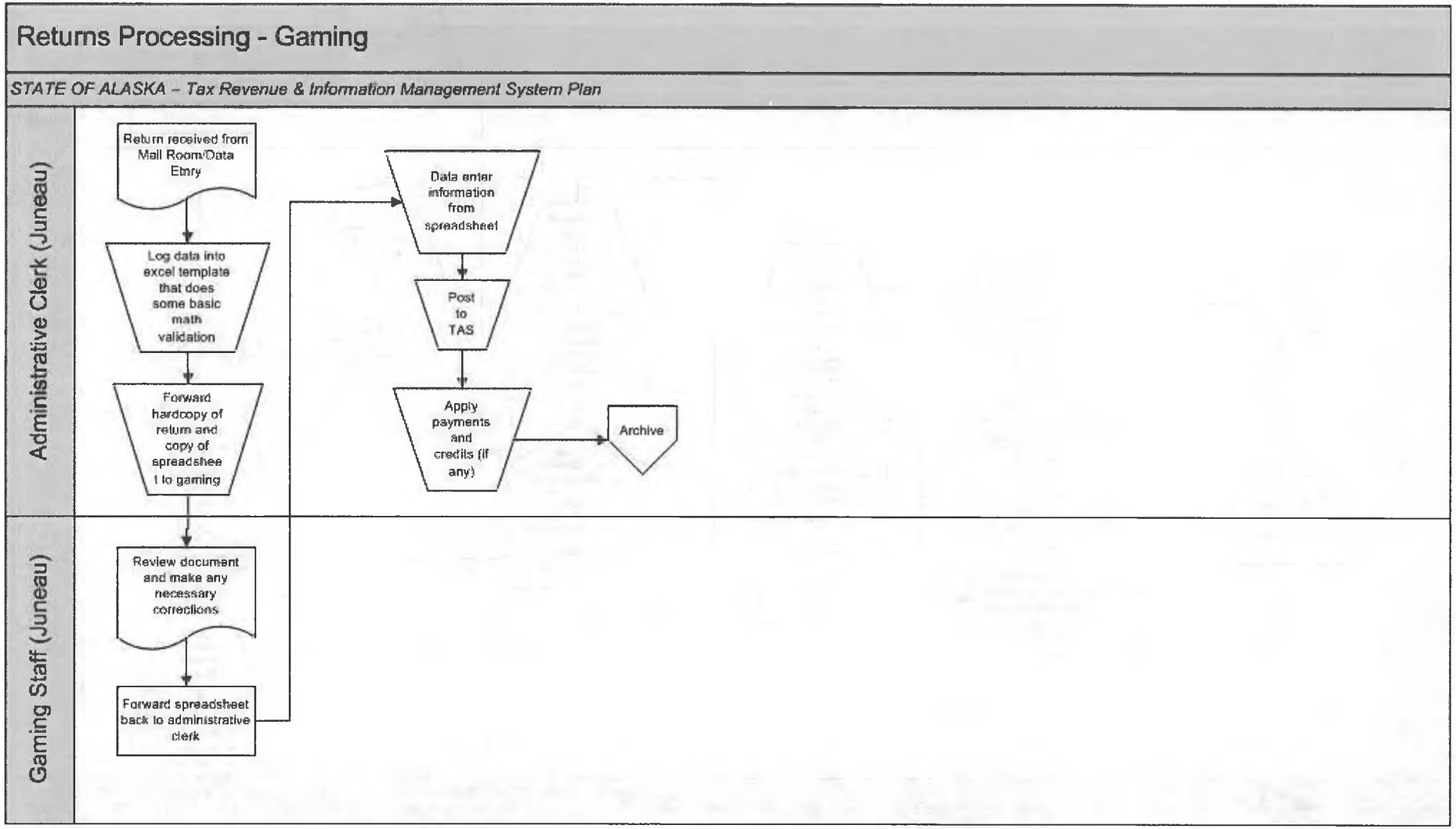
E. 9


Return Processing - Personal Cigarette
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Tax Tech (Anchorage)
Information Received
Return with full payment?
No
Part of a payment agreement?
No
Failed payment agreement?
No
Return(s) sent to taxpayer not filed
Yes
Yes
Yes
Determine returns for which the partial payment applies to
Enter return information for all outstanding returns into DEE Excise
Enter return information for all taxpayer returns into DEE Excise
Enter return information into DEE Excise
Prepare TARs (penalties)
Post return to TAS
Enter detail data into Excel spreadsheet
Accounting Manager (Juneau)
Apply payments
Collections

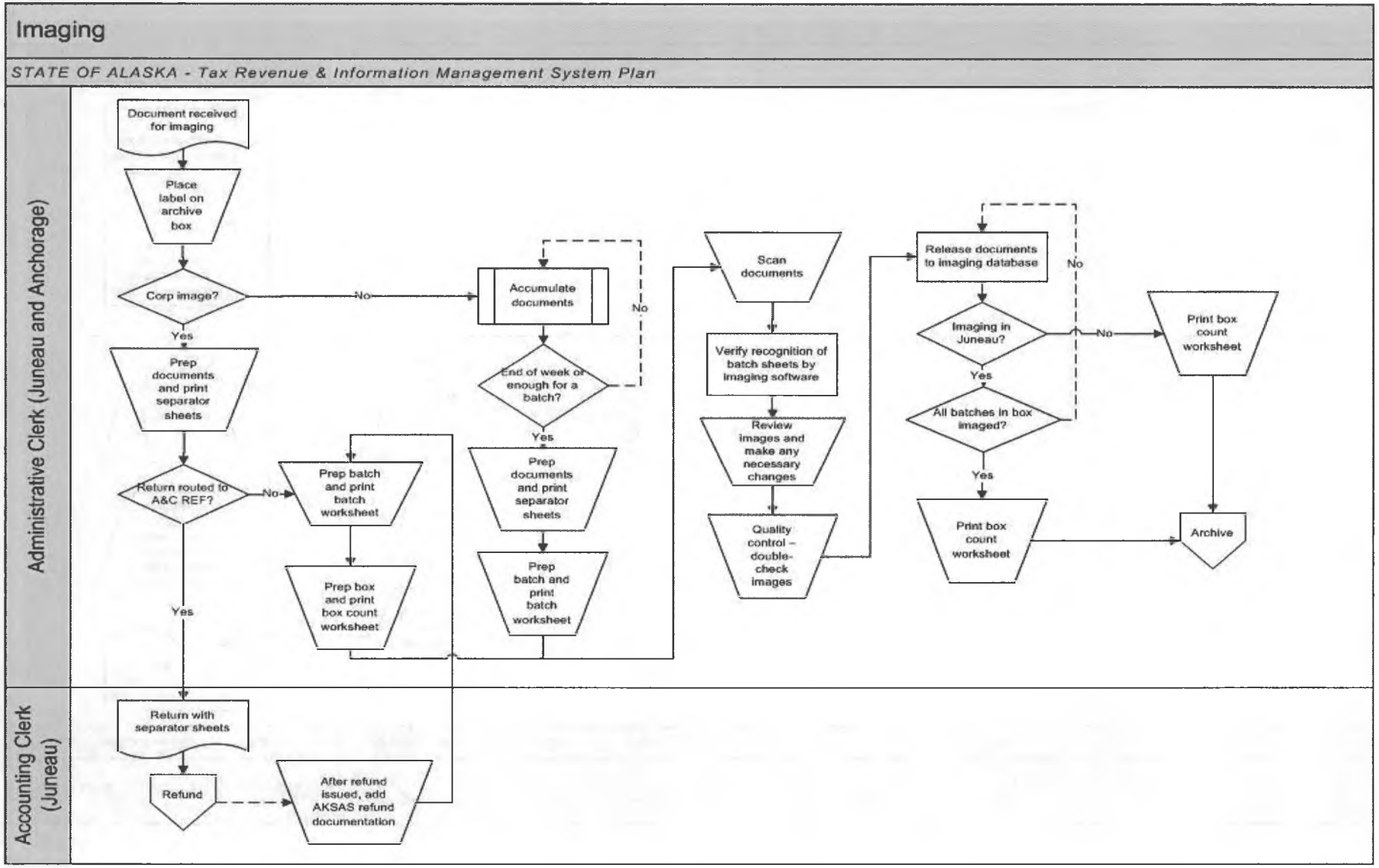
E. 10


Returns Processing - Partnership
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Administrative Clerk (Juneau)
Return received from Mail Room/Data Entry
Enter limited information off the return into an excel spreadsheet
Archive

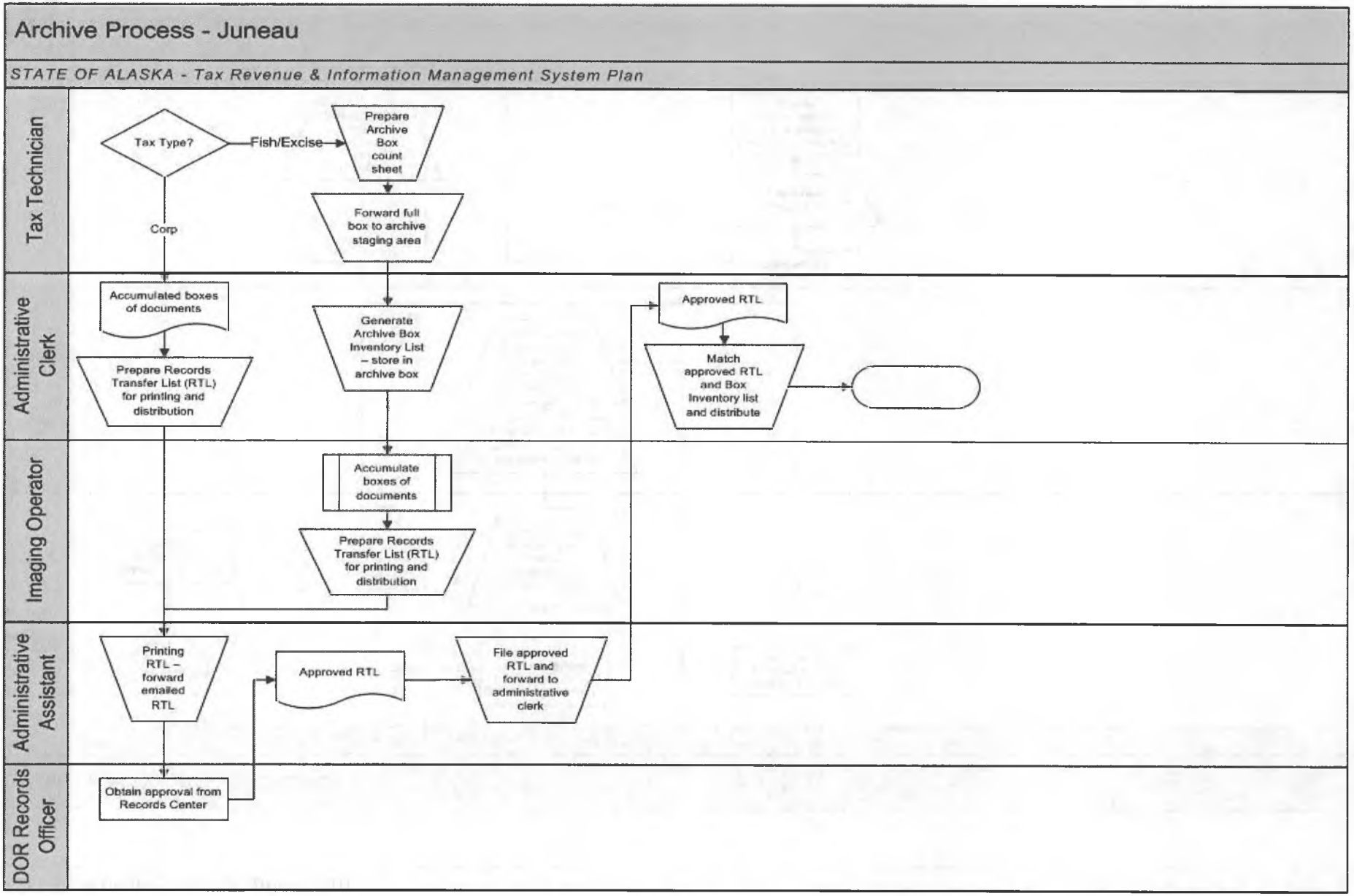
E. 11


Returns Processing - Gaming
STATE OF ALASKA – Tax Revenue & Information Management System Plan
Administrative Clerk (Juneau)
Gaming Staff (Juneau)
Return received from Mail Room/Data Entry
Log data into excel template that does some basic math validation
Forward hardcopy of return and copy of spreadshee t to gaming
Review document and make any necessary corrections
Forward spreadsheet back to administrative clerk
Data enter information from spreadsheet
Post to TAS
Apply payments and credits (if any)
Archive

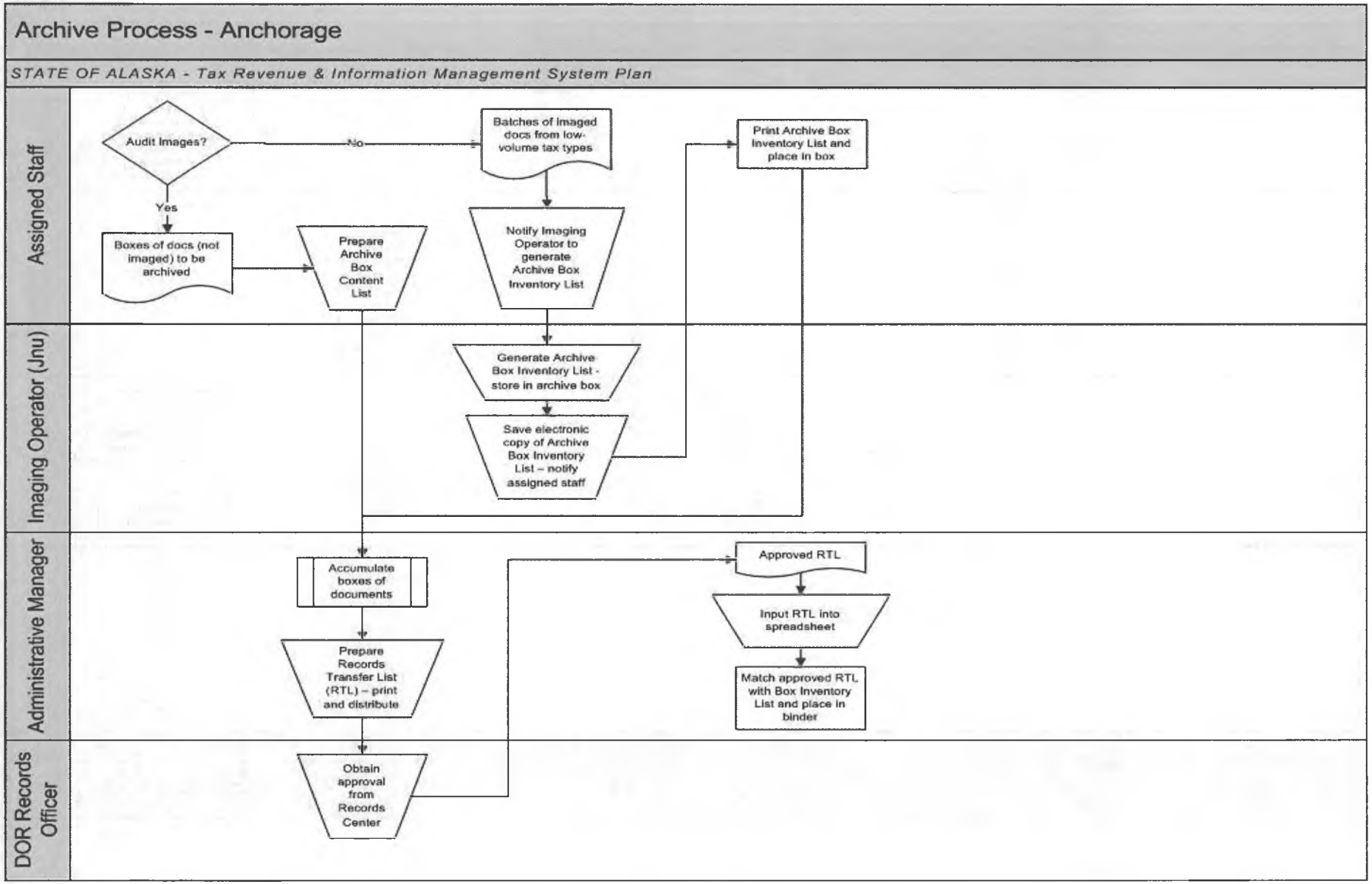
E. 12


Imaging
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Administrative Clerk (Juneau and Anchorage)
Accounting Clerk (Juneau)
Document received for imaging
Place label on archive box
Corp image?
No
Yes
Prep documents and print separator sheets
Return routed to A&C REF?
No
Yes
Prep batch and print batch worksheet
Prep box and print box count worksheet
Accumulate documents
End of week or enough for a batch?
No
Yes
Prep documents and print separator sheets
Prep batch and print batch worksheet
Scan documents
Verify recognition of batch sheets by imaging software
Review images and make any necessary changes
Quality control – double-check images
Release documents to imaging database
No
Imaging in Juneau?
No
Yes
All batches in box imaged?
No
Yes
Print box count worksheet
Print box count worksheet
Archive
Return with separator sheets
Refund
After refund issued, add AKSAS refund documentation

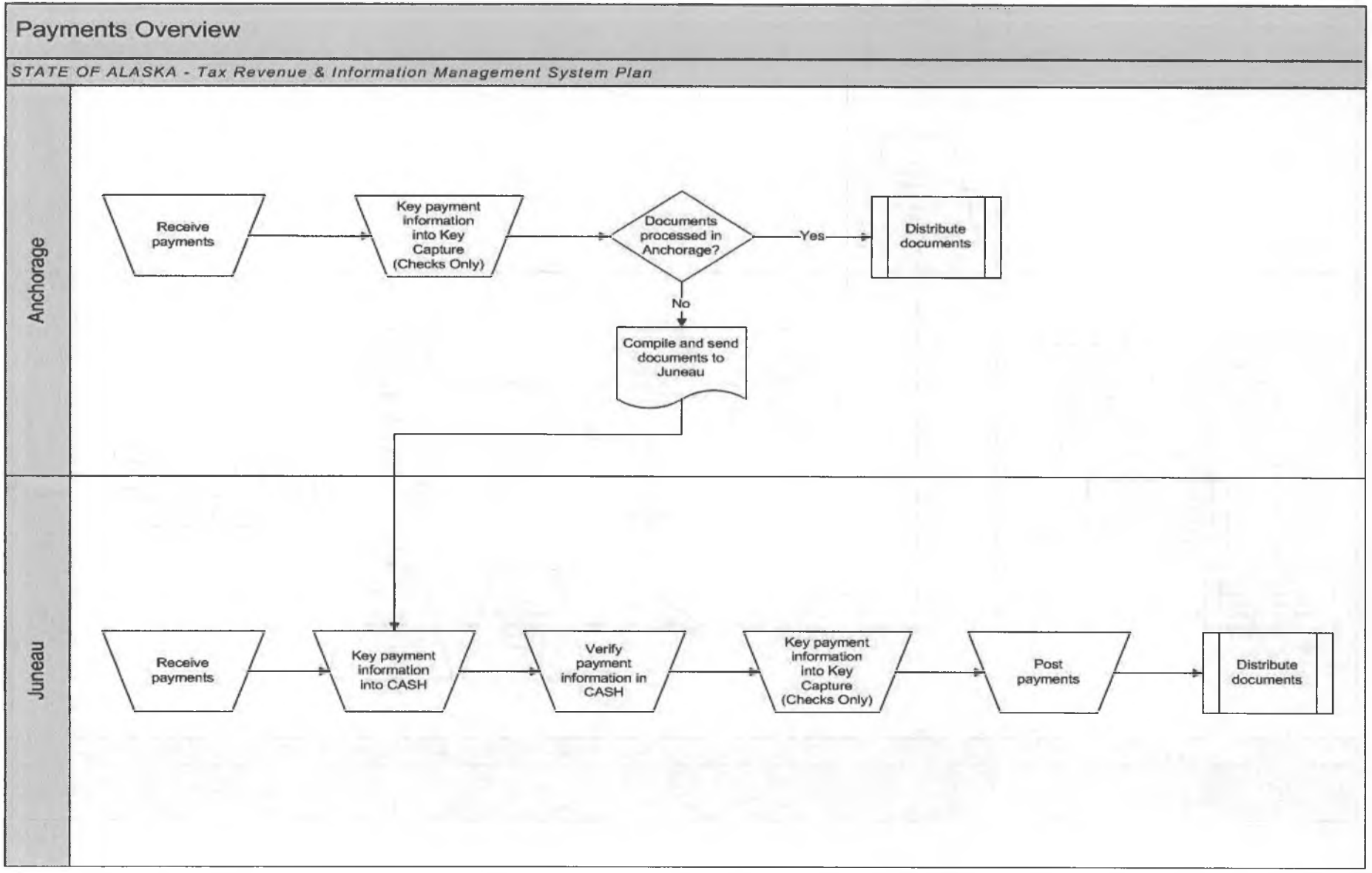
E. 13


Archive Process - Juneau
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Tax Technician
Administrative Clerk
Imaging Operator
Administrative Assistant
DOR Records Officer
Tax Type?
Fish/Excise
Corp
Prepare Archive Box count sheet
Forward full box to archive staging area
Accumulated boxes of documents
Prepare Records Transfer List (RTL) for printing and distribution
Generate Archive Box Inventory List – store in archive box
Approved RTL
Match approved RTL and Box Inventory list and distribute
Accumulate boxes of documents
Prepare Records Transfer List (RTL) for printing and distribution
Printing RTL – forward emailed RTL
Approved RTL
File approved RTL and forward to administrative clerk
Obtain approval from Records Center

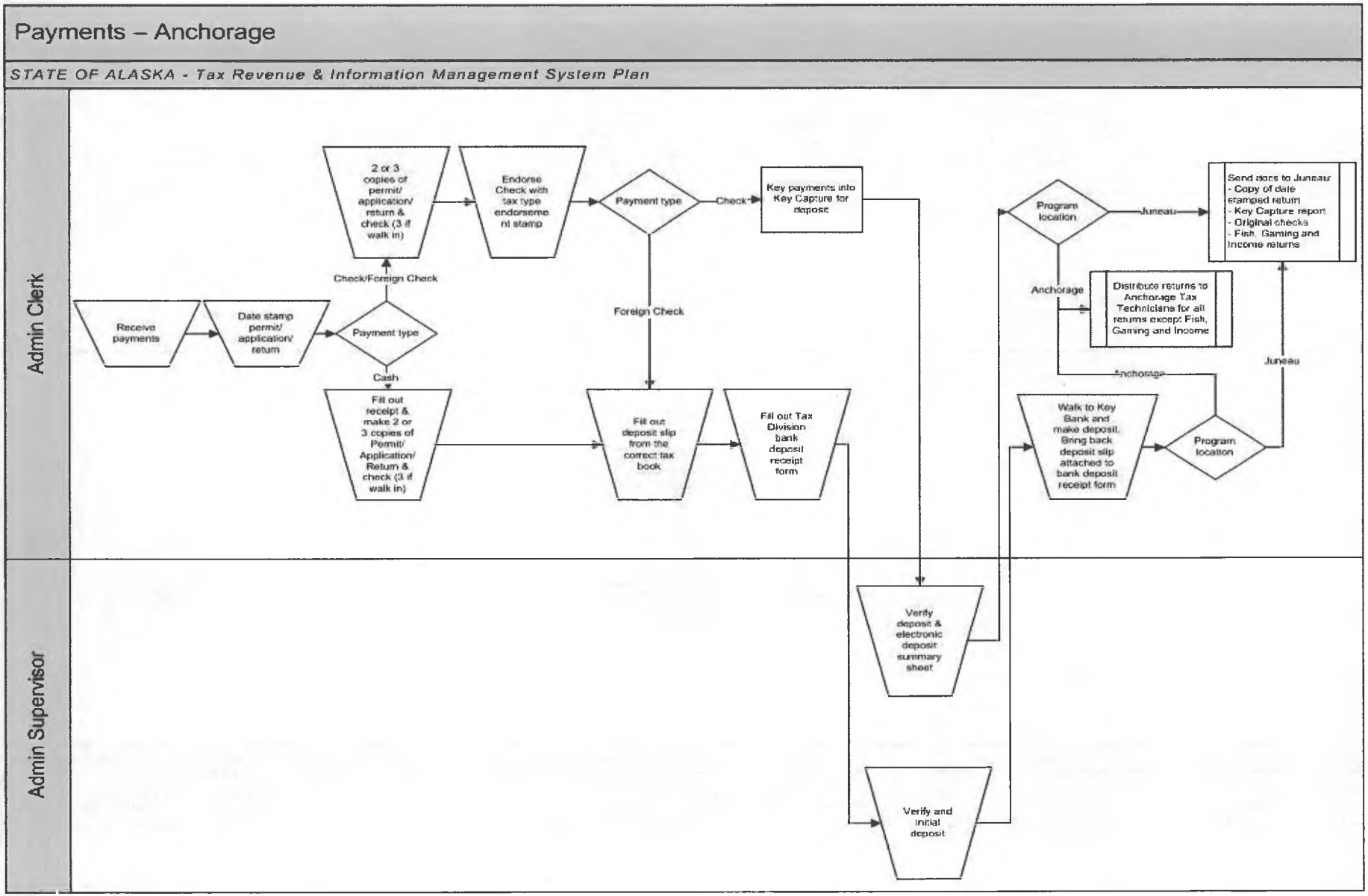
E. 14


Archive Process - Anchorage
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Assigned Staff
Imaging Operator (Jnu)
Administrative Manager
DOR Records Officer
Audit Images?
No
Yes
Batches of imaged docs from low-volume tax types
Print Archive Box Inventory List and place in box
Boxes of docs (not imaged) to be archived
Prepare Archive Box Content List
Notify Imaging Operator to generate Archive Box Inventory List
Generate Archive Box Inventory List - store in archive box
Save electronic copy of Archive Box Inventory List – notify assigned staff
Accumulate boxes of documents
Prepare Records Transfer List (RTL) – print and distribute
Obtain approval from Records Center
Approved RTL
Input RTL into spreadsheet
Match approved RTL with Box Inventory List and place in binder

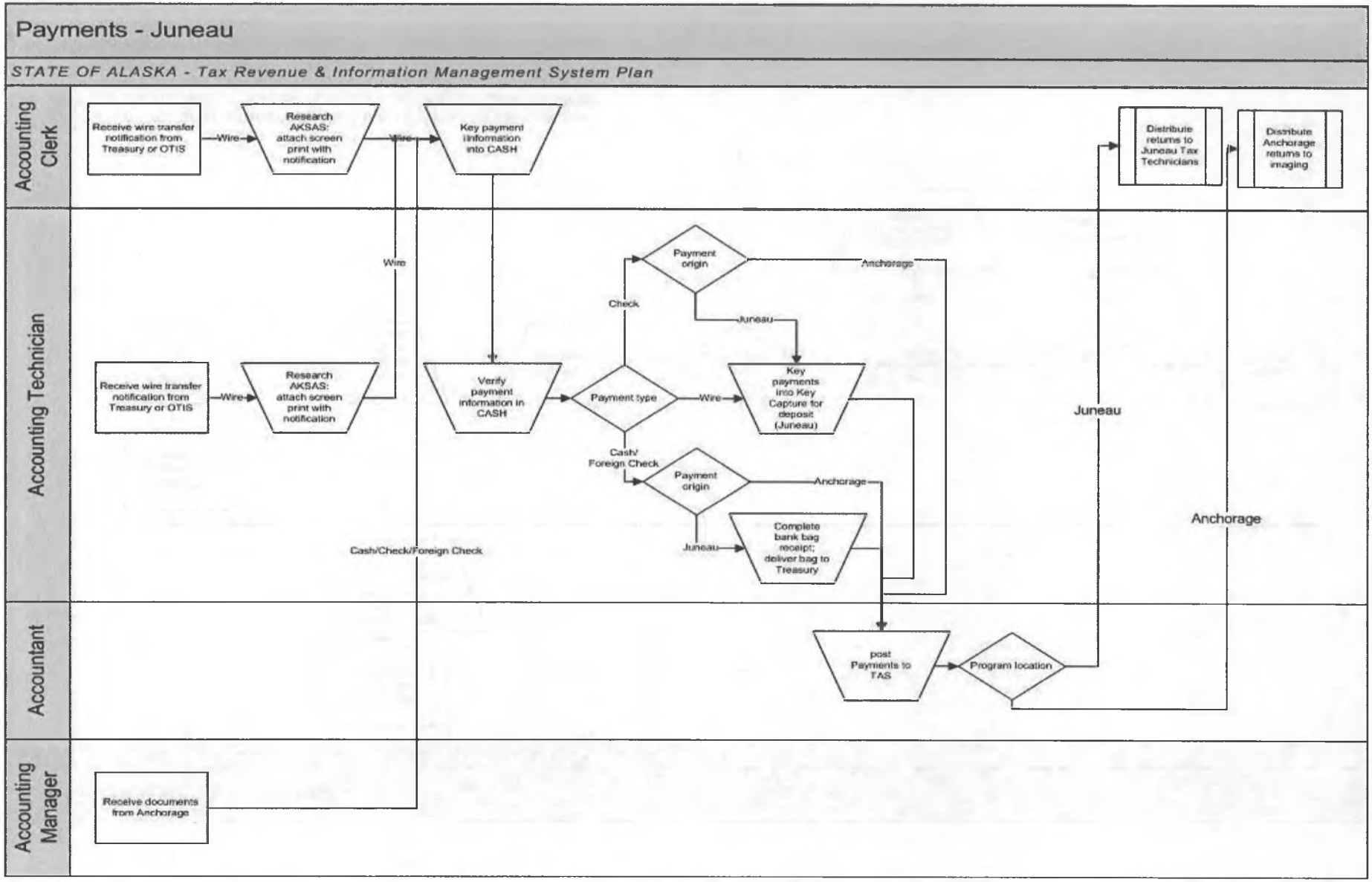
E. 15


Payments Overview
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Anchorage
Receive payments
Key payment information into Key Capture (Checks Only)
Documents processed in Anchorage?
Yes
Distribute documents
No
Compile and send documents to Juneau
Juneau
Receive payments
Key payment information into CASH
Verify payment information in CASH
Key payment information into Key Capture (Checks Only)
Post payments
Distribute documents

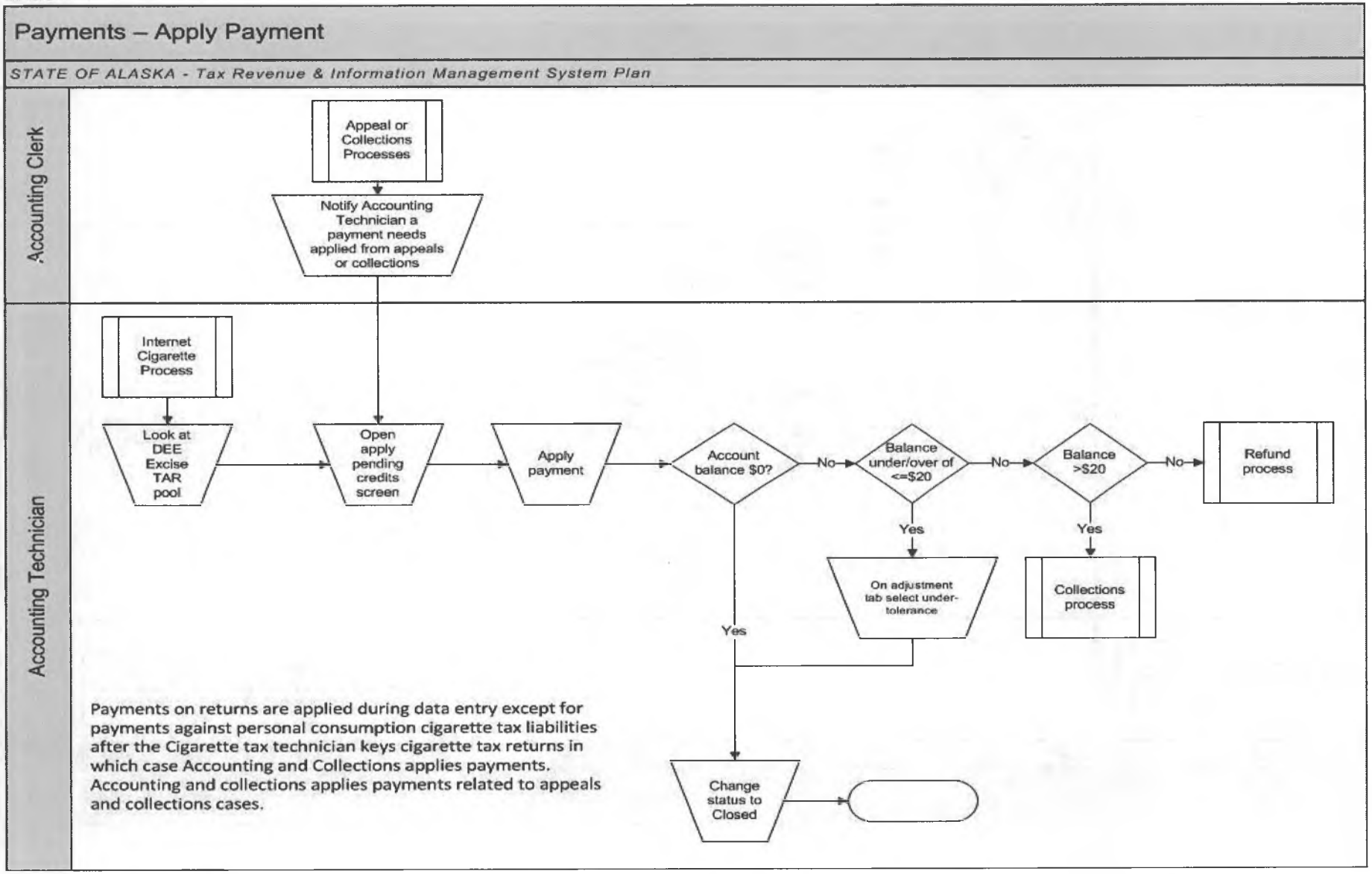
E. 16


Payments – Anchorage
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Admin Clerk
Admin Supervisor
Receive payments
Date stamp permit/ application/ return
Payment type
Check/Foreign Check
Cash
2 or 3 copies of permit/ application/ return & check (3 if walk in)
Endorse Check with tax type endorsement stamp
Payment type
Check
Foreign Check
Key payments into Key Capture for deposit
Fill out receipt & make 2 or 3 copies of Permit/ Application/ Return & check (3 if walk in)
Fill out deposit slip from the correct tax book
Fill out Tax Division bank deposit receipt form
Verify deposit & electronic deposit summary sheet
Verify and initial deposit
Program location
Juneau
Anchorage
Send docs to Juneau - Copy of date stamped return - Key Capture report - Original checks - Fish, Gaming and Income returns
Distribute returns to Anchorage Tax Technicians for all returns except Fish, Gaming and Income
Anchorage
Juneau
Walk to Key Bank and make deposit. Bring back deposit slip attached to bank deposit receipt form
Program location

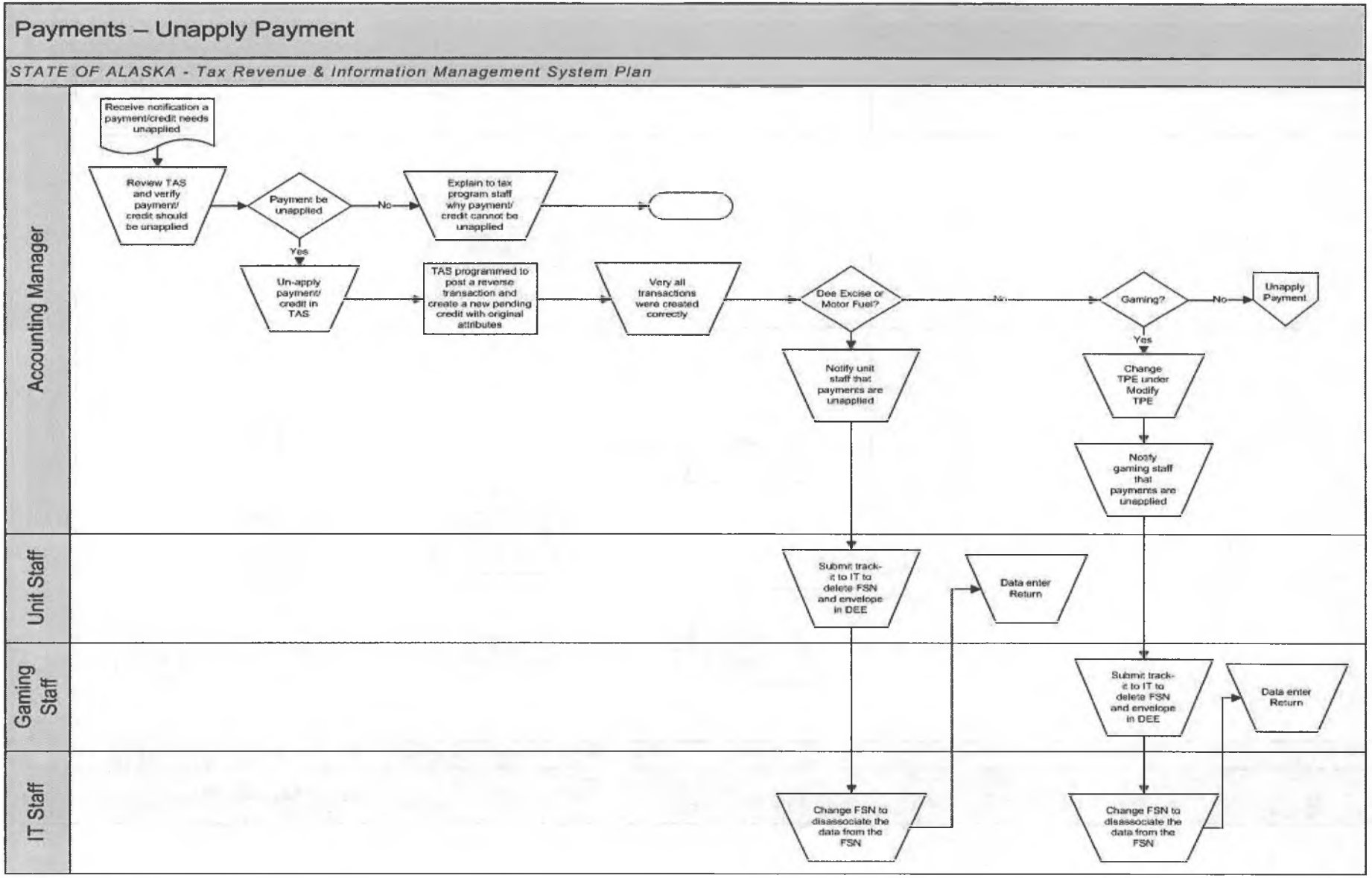
E. 17


Payments - Juneau
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Accounting Clerk
Accounting Technician
Accountant
Accounting Manager
Receive wire transfer notification from Treasury or OTIS
Wire
Research AKSAS: attach screen print with notification
Key payment information into CASH
Distribute returns to Juneau Tax Technicians
Distribute Anchorage returns to imaging
Payment origin
Anchorage
Check
Juneau
Receive wire transfer notification from Treasury or OTIS
Research AKSAS: attach screen print with notification
Verify payment information in CASH
Payment type
Key payments into Key Capture for deposit (Juneau)
Cash/ Foreign Check
Payment origin
Anchorage
Juneau
Complete bank bag receipt; deliver bag to Treasury
Cash/Check/Foreign Check
Juneau
Anchorage
post Payments to TAS
Program location
Receive documents from Anchorage

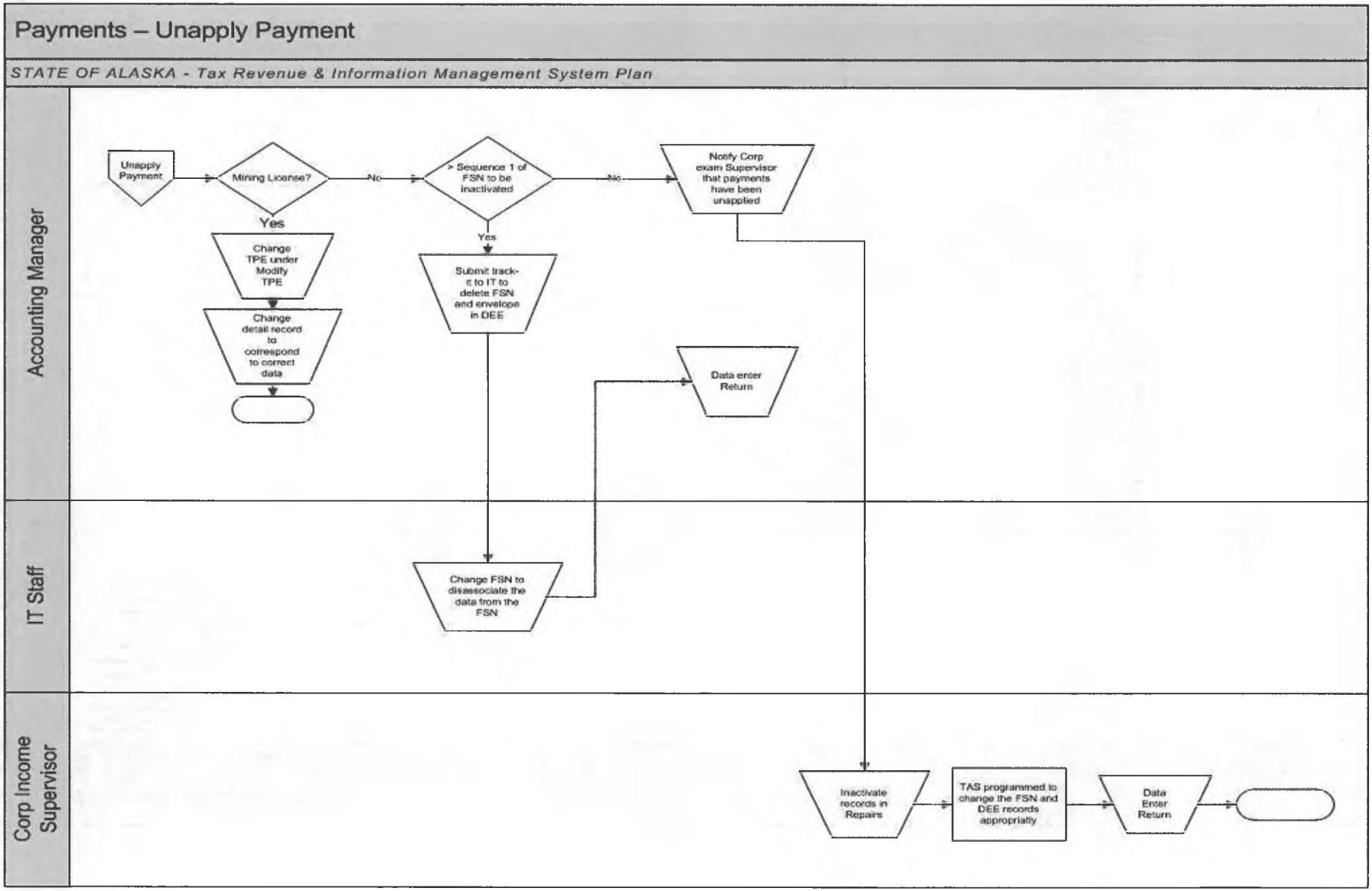
E. 18


Payments – Apply Payment
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Accounting Clerk
Accounting Technician
Appeal or Collections Processes
Notify Accounting Technician a payment needs applied from appeals or collections
Internet Cigarette Process
Look at DEE Excise TAR pool
Open apply pending credits screen
Apply payment
Account balance $0?
No
Balance under/over of <=$20
No
Balance >$20
No
Refund process
Yes
On adjustment tab select under-tolerance
Yes
Collections process
Yes
Change status to Closed
Payments on returns are applied during data entry except for payments against personal consumption cigarette tax liabilities after the Cigarette tax technician keys cigarette tax returns in which case Accounting and Collections applies payments. Accounting and collections applies payments related to appeals and collections cases.

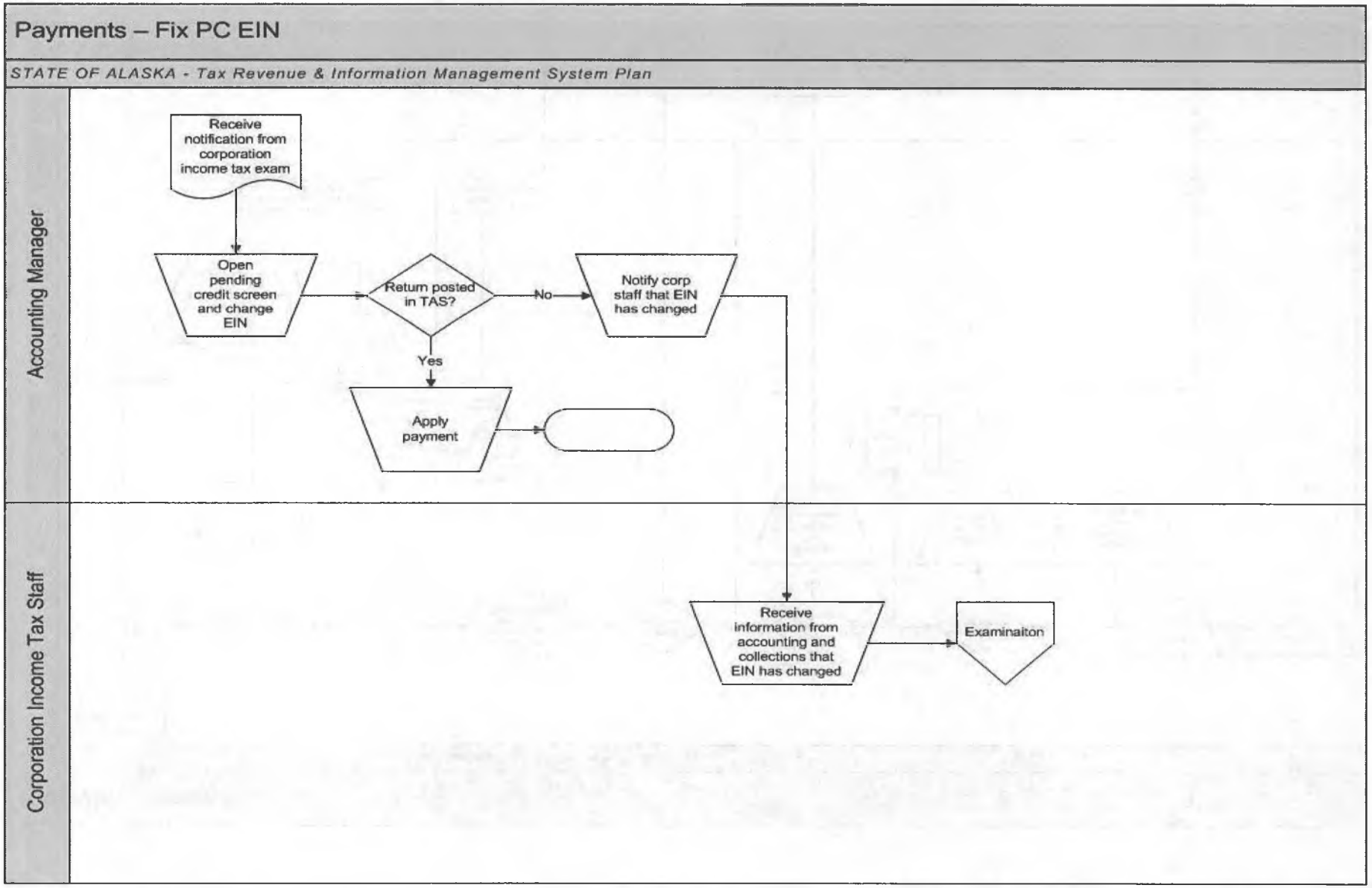
E. 19


Payments – Unapply Payment
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Accounting Manager
Unit Staff
Gaming Staff
IT Staff
Receive notification a payment/credit needs unapplied
Review TAS and verify payment/ credit should be unapplied
Payment be unapplied
No
Explain to tax program staff why payment/ credit cannot be unapplied
Yes
Un-apply payment/ credit in TAS
TAS programmed to post a reverse transaction and create a new pending credit with original attributes
Very all transactions were created correctly
Dee Excise or Motor Fuel?
No
Gaming?
No
Unapply Payment
Yes
Notify unit staff that payments are unapplied
Change TPE under Modify TPE
Notify gaming staff that payments are unapplied
Submit track-it to IT to delete FSN and envelope in DEE
Data enter Return
Submit track-it to IT to delete FSN and envelope in DEE
Data enter Return
Change FSN to disassociate the data from the FSN
Change FSN to disassociate the data from the FSN

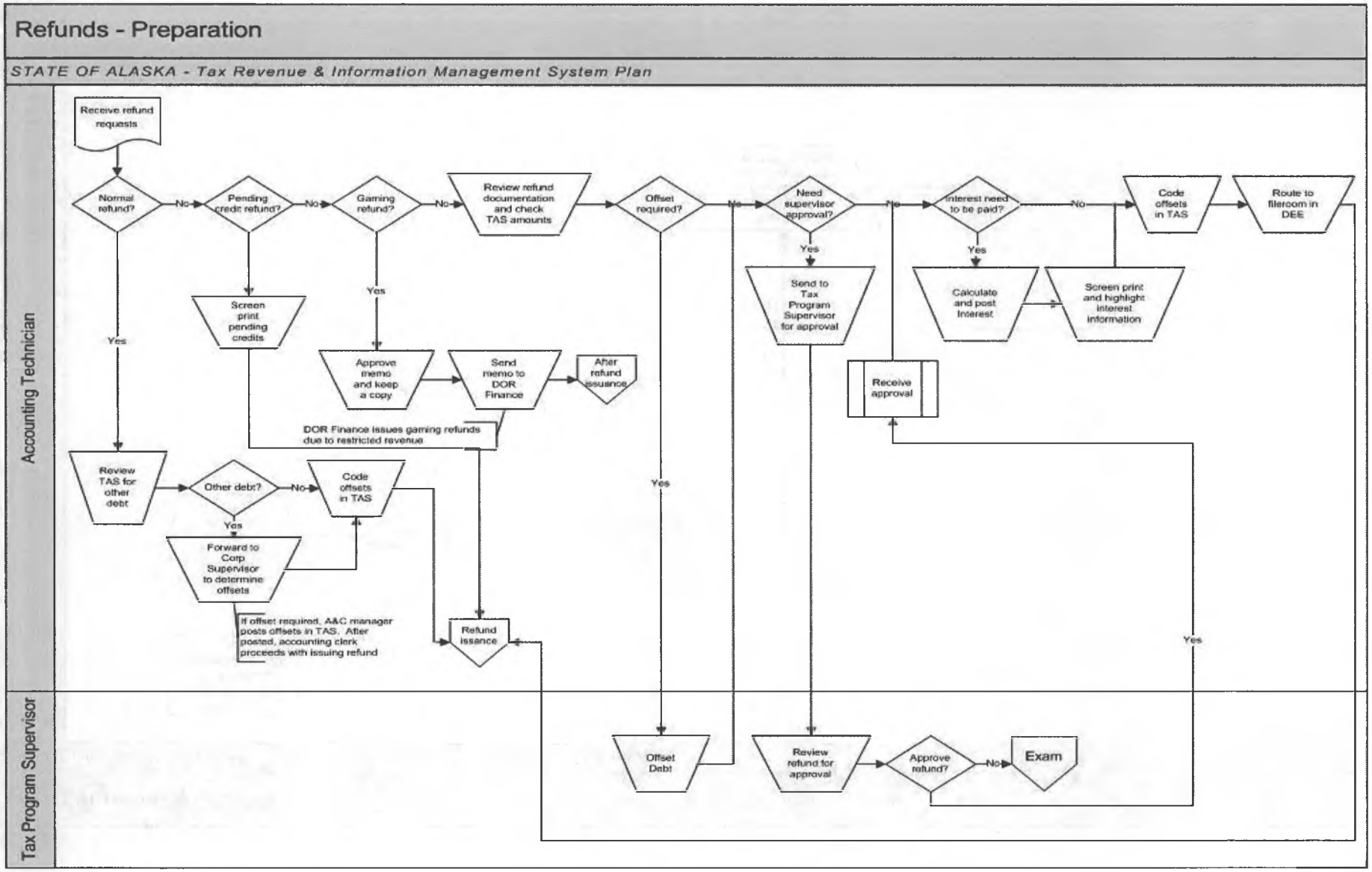
E. 20


Payments – Unapply Payment
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Accounting Manager
IT Staff
Corp Income Supervisor
Unapply Payment
Mining License?
No
Yes
> Sequence 1 of FSN to be inactivated
No
Yes
Notify Corp exam Supervisor that payments have been unapplied
Change TPE under Modify TPE
Change detail record to correspond to correct data
Submit track-it to IT to delete FSN and envelope in DEE
Data enter Return
Change FSN to disassociate the data from the FSN
Inactivate records in Repairs
TAS programmed to change the FSN and DEE records appropriatly
Data Enter Return

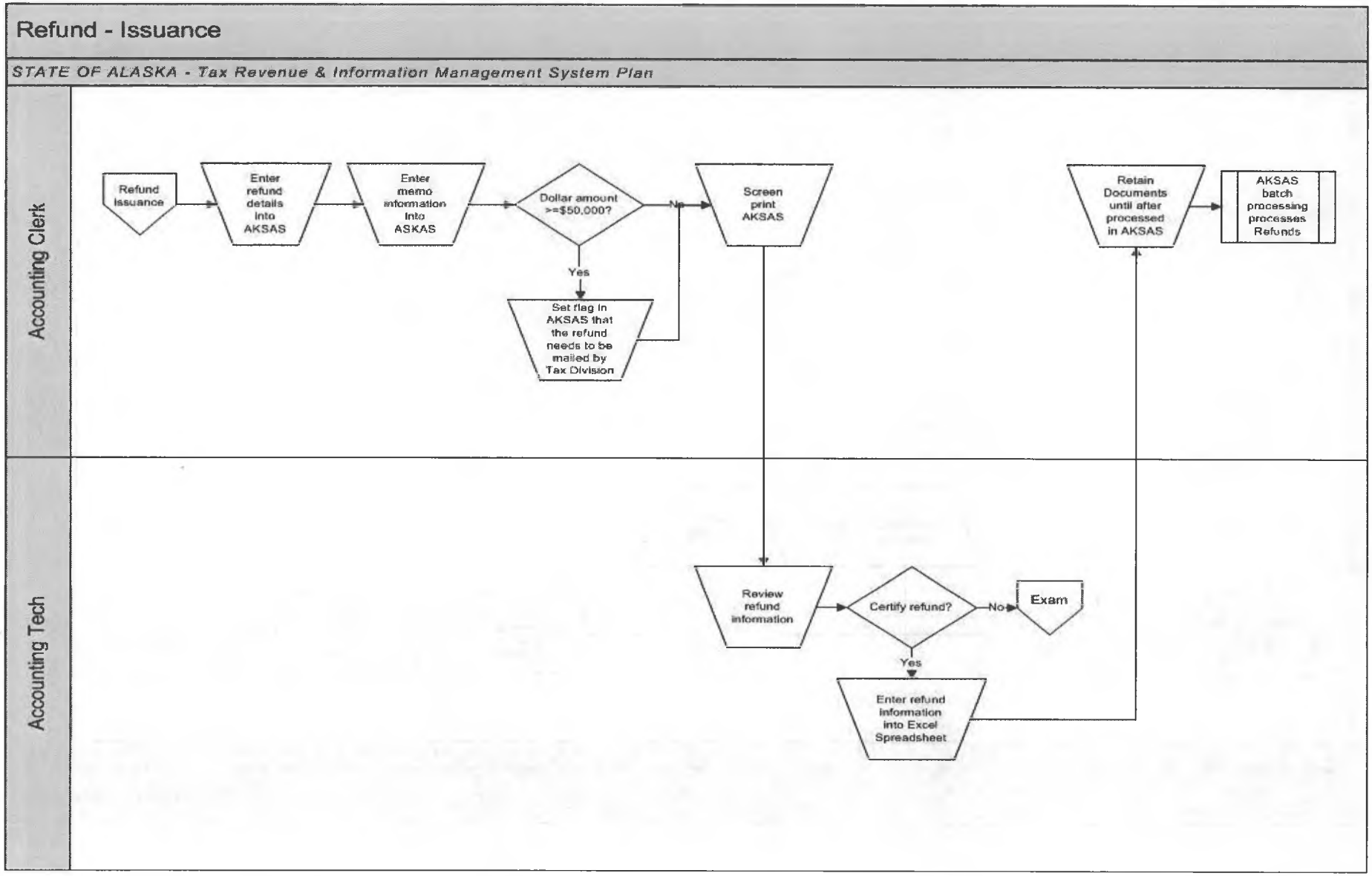
E. 21


Payments – Fix PC EIN
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Accounting Manager
Corporation Income Tax Staff
Receive notification from corporation income tax exam
Open pending credit screen and change EIN
Return posted in TAS?
No
Notify corp staff that EIN has changed
Yes
Apply payment
Receive information from accounting and collections that EIN has changed
Examinaiton

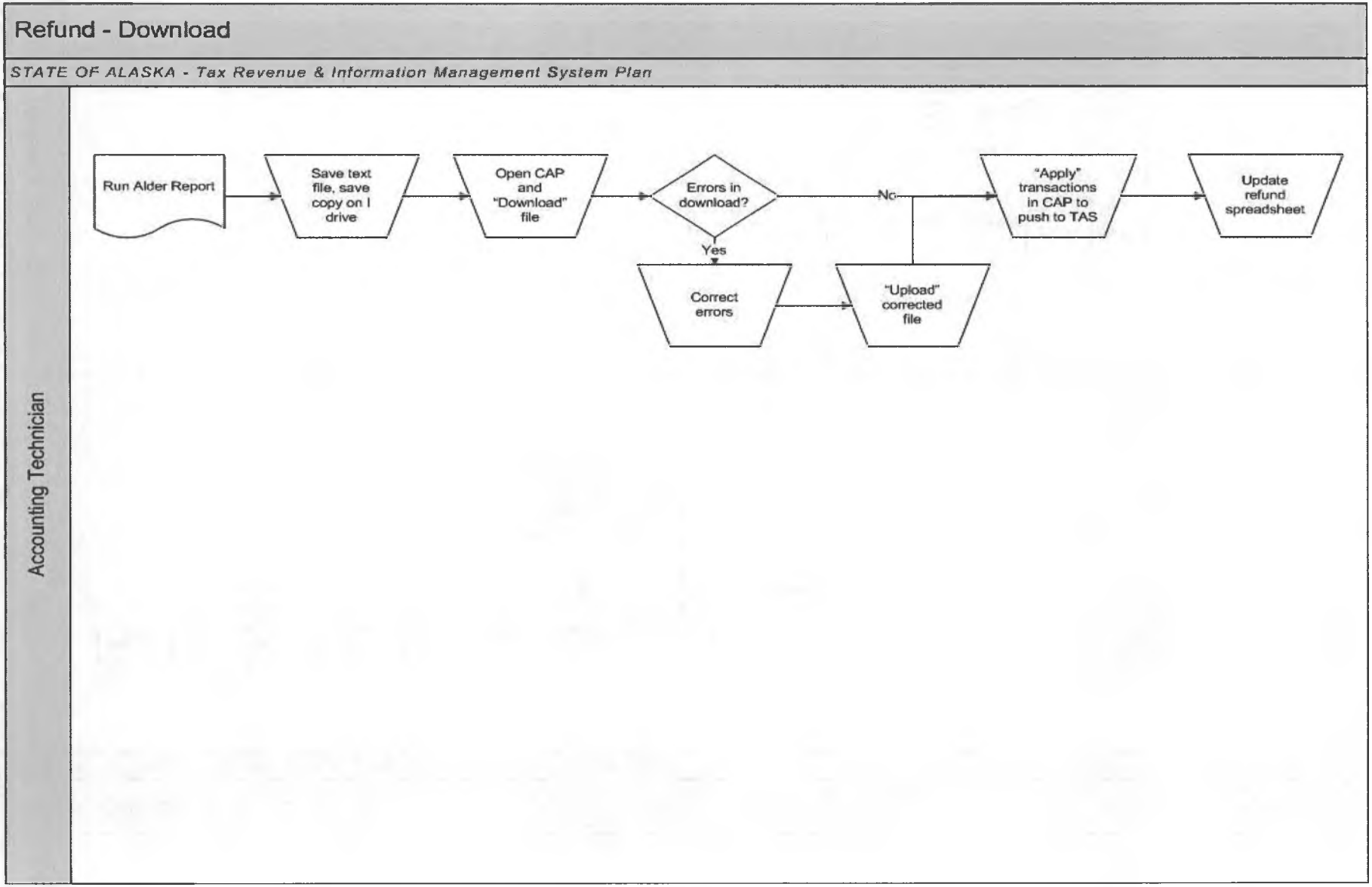
E. 22


Refunds - Preparation
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Accounting Technician
Tax Program Supervisor
Receive refund requests
Normal refund?
No
Pending credit refund?
No
Gaming refund?
No
Review refund documentation and check TAS amounts
Offset required?
No
Need supervisor approval?
No
Interest need to be paid?
No
Code offsets in TAS
Route to filecom in DEE
Yes
Screen print pending credits
Yes
Send to Tax Program Supervisor for approval
Yes
Calculate and post Interest
Screen print and highlight interest information
Approve memo and keep a copy
Send memo to DOR Finance
After refund issuance
Receive approval
DOR Finance issues gaming refunds due to restricted revenue
Review TAS for other debt
Other debt?
No
Code offsets in TAS
Yes
Forward to Corp Supervisor to determine offsets
If offset required, A&C manager posts offsets in TAS. After posted, accounting clerk proceeds with issuing refund
Refund issance
Yes
Yes
Offset Debt
Review refund for approval
Approve refund?
No
Exam

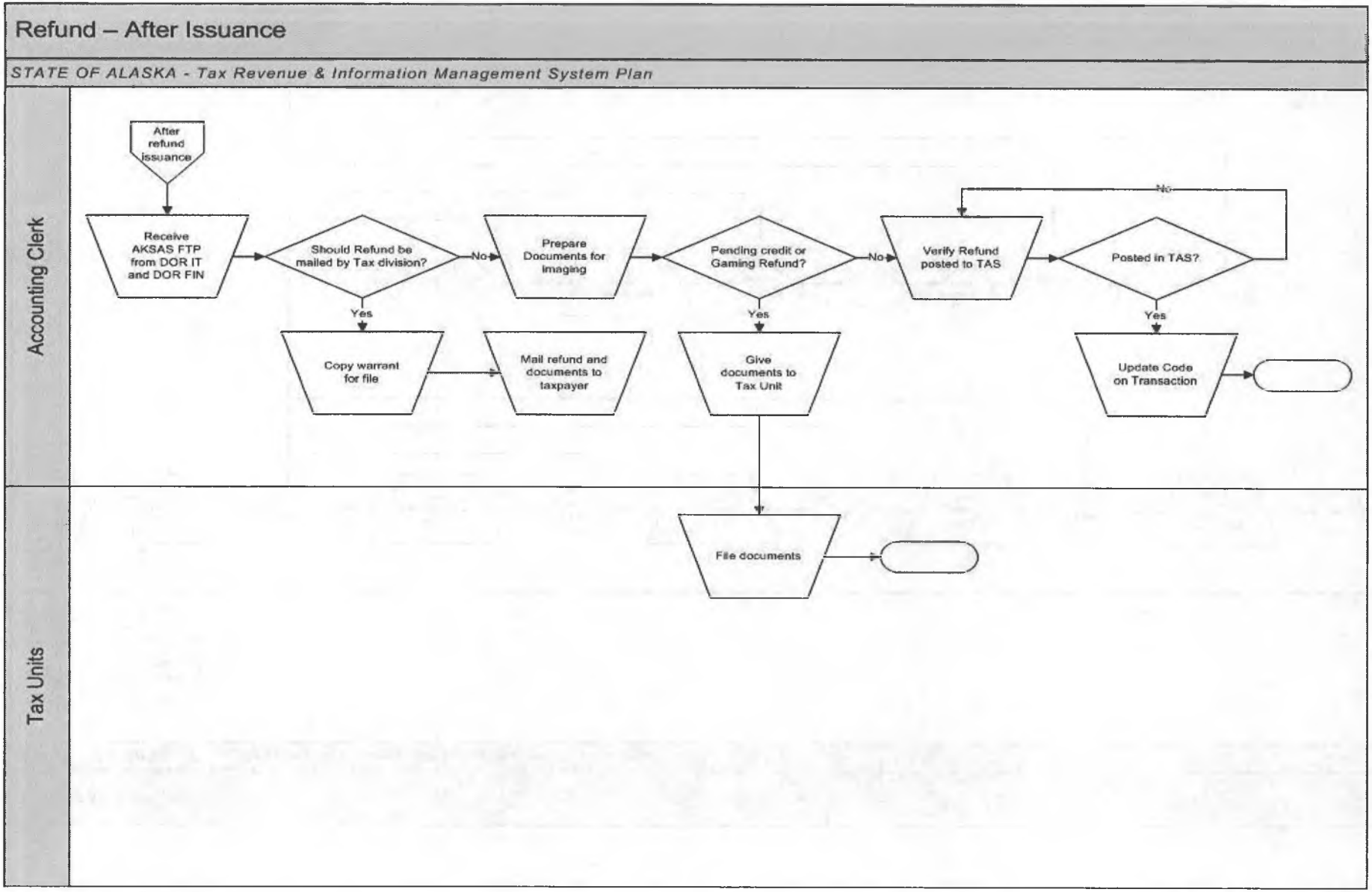
E. 23


Refund - Issuance
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Accounting Clerk
Accounting Tech
Refund Issuance
Enter refund details into AKSAS
Enter memo information into ASKAS
Dollar amount >=$50,000?
Yes
No
Set flag in AKSAS that the refund needs to be mailed by Tax Division
Screen print AKSAS
Retain Documents until after processed in AKSAS
AKSAS batch processing processes Refunds
Review refund information
Certify refund?
No
Exam
Yes
Enter refund information into Excel Spreadsheet

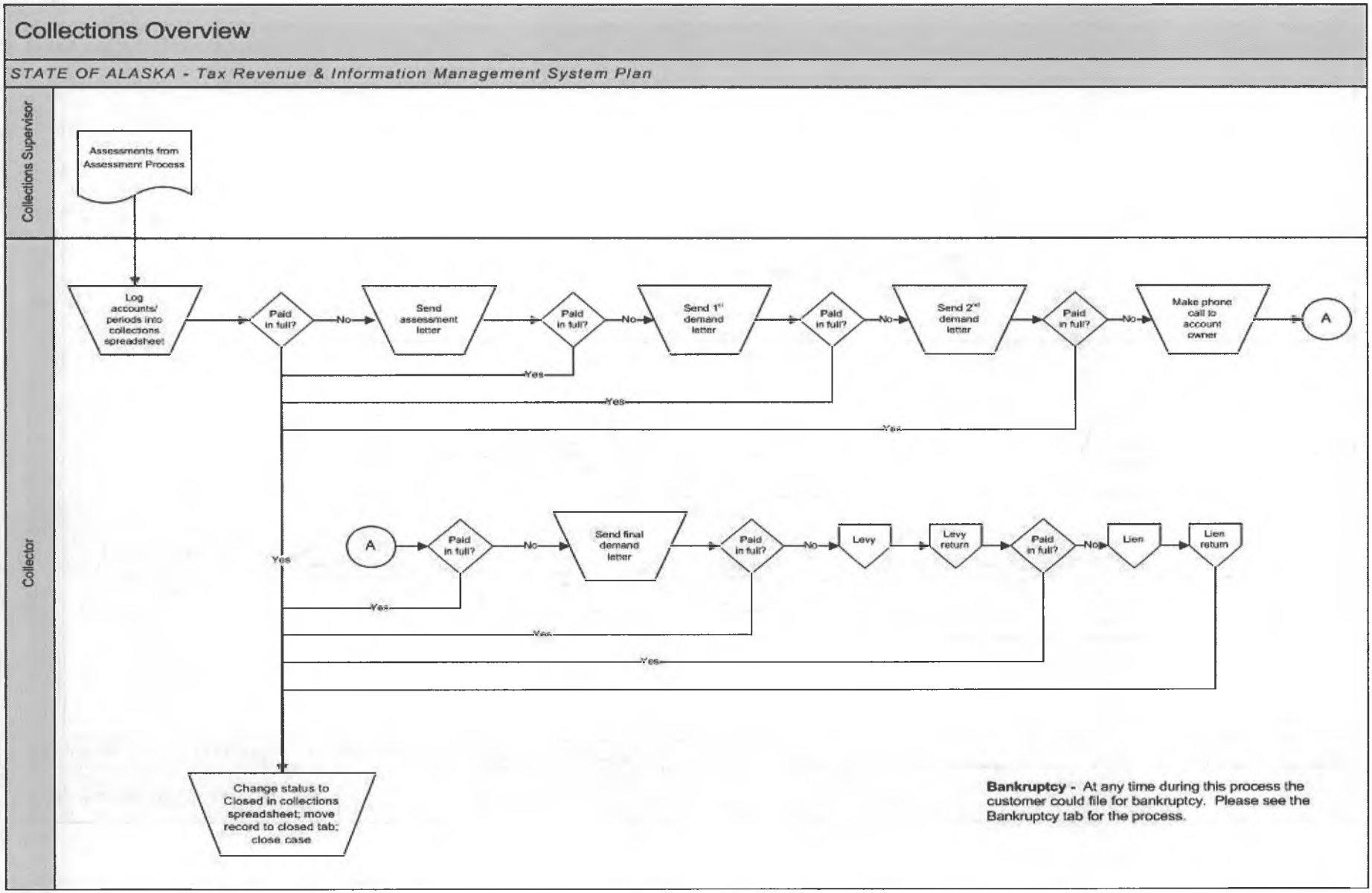
E. 24


Refund - Download
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Accounting Technician
Run Alder Report
Save text file, save copy on I drive
Open CAP and "Download" file
Errors in download?
No
Yes
"Apply" transactions in CAP to push to TAS
Update refund spreadsheet
Correct errors
"Upload" corrected file

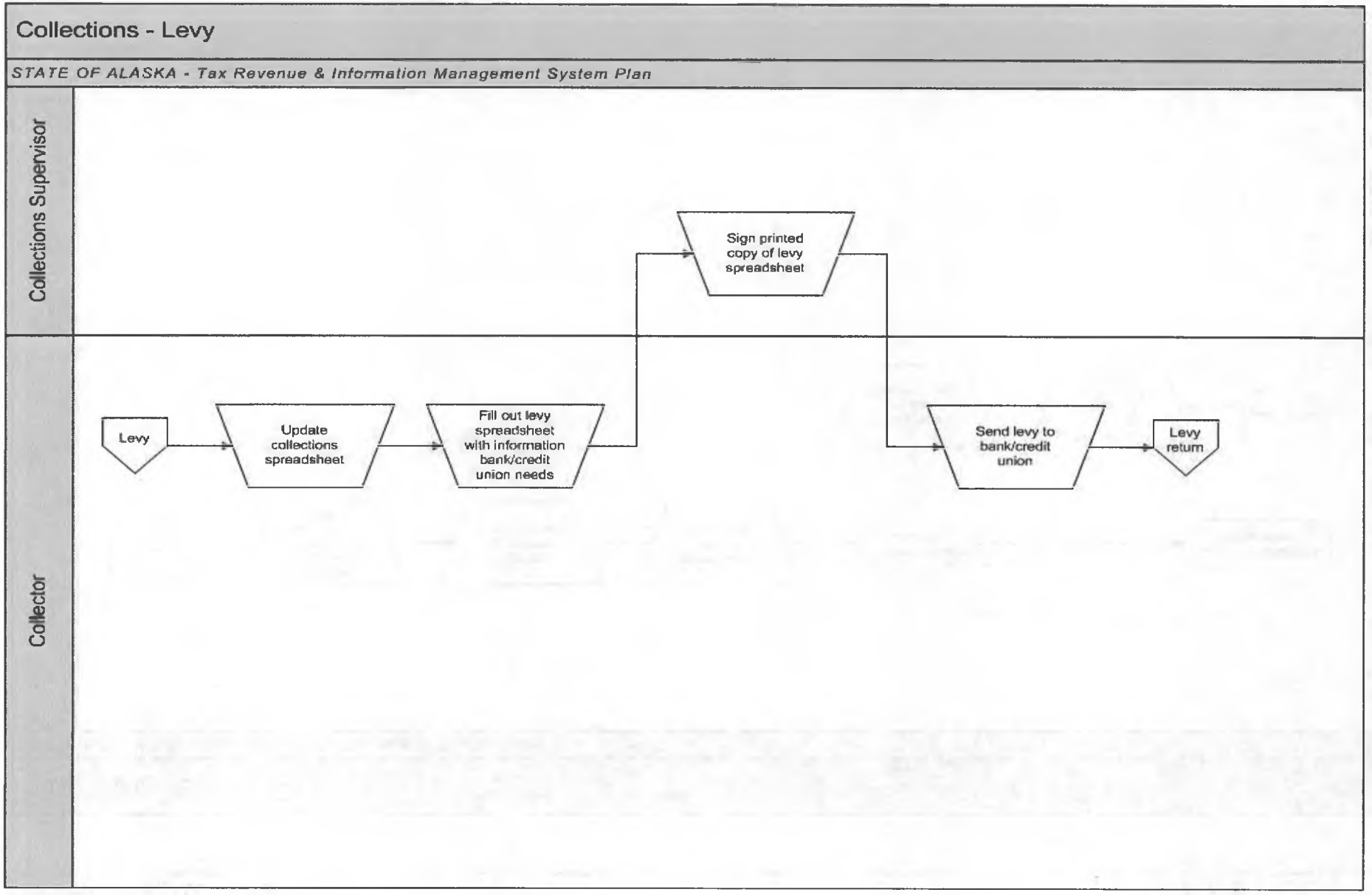
E. 25


Refund – After Issuance
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Accounting Clerk
Tax Units
After refund issuance
Receive AKSAS FTP from DOR IT and DOR FIN
Should Refund be mailed by Tax division?
No
Yes
Prepare Documents for imaging
Pending credit or Gaming Refund?
No
Yes
Verify Refund posted to TAS
Posted in TAS?
No
Yes
Copy warrant for file
Mail refund and documents to taxpayer
Give documents to Tax Unit
Update Code on Transaction
File documents

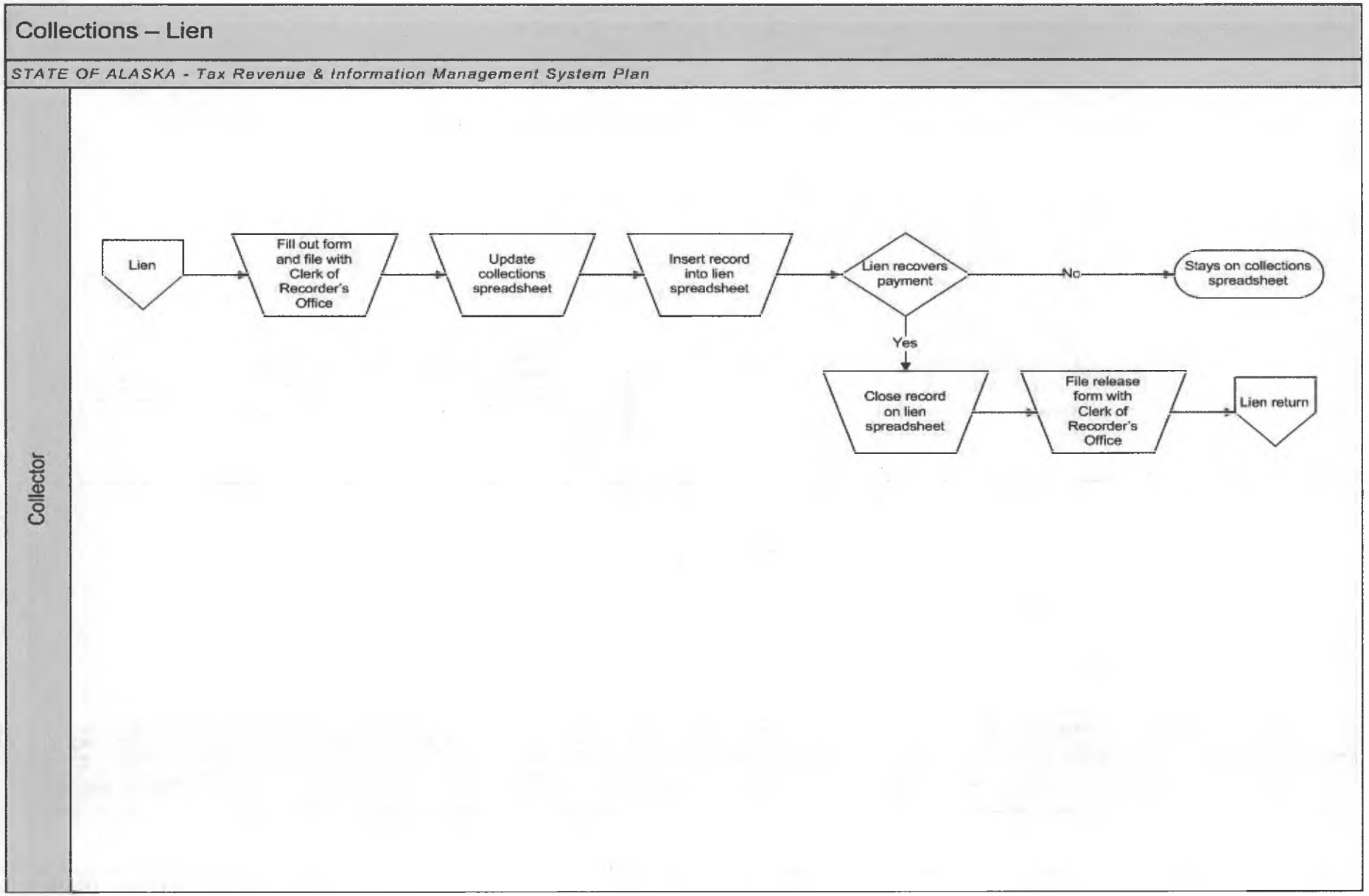
E. 26


Collections Overview
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Collections Supervisor
Collector
Assessments from Assessment Process
Log accounts/ periods into collections spreadsheet
Paid in full?
No
Send assessment letter
Paid in full?
No
Send 1st demand letter
Paid in full?
No
Send 2nd demand letter
Paid in full?
No
Make phone call to account owner
A
Yes
Yes
Yes
A
Paid in full?
No
Send final demand letter
Paid in full?
No
Levy
Levy return
Paid in full?
No
Lien
Lien return
Yes
Yes
Yes
Yes
Change status to Closed in collections spreadsheet; move record to closed tab; close case
Bankruptcy - At any time during this process the customer could file for bankruptcy. Please see the Bankruptcy tab for the process.

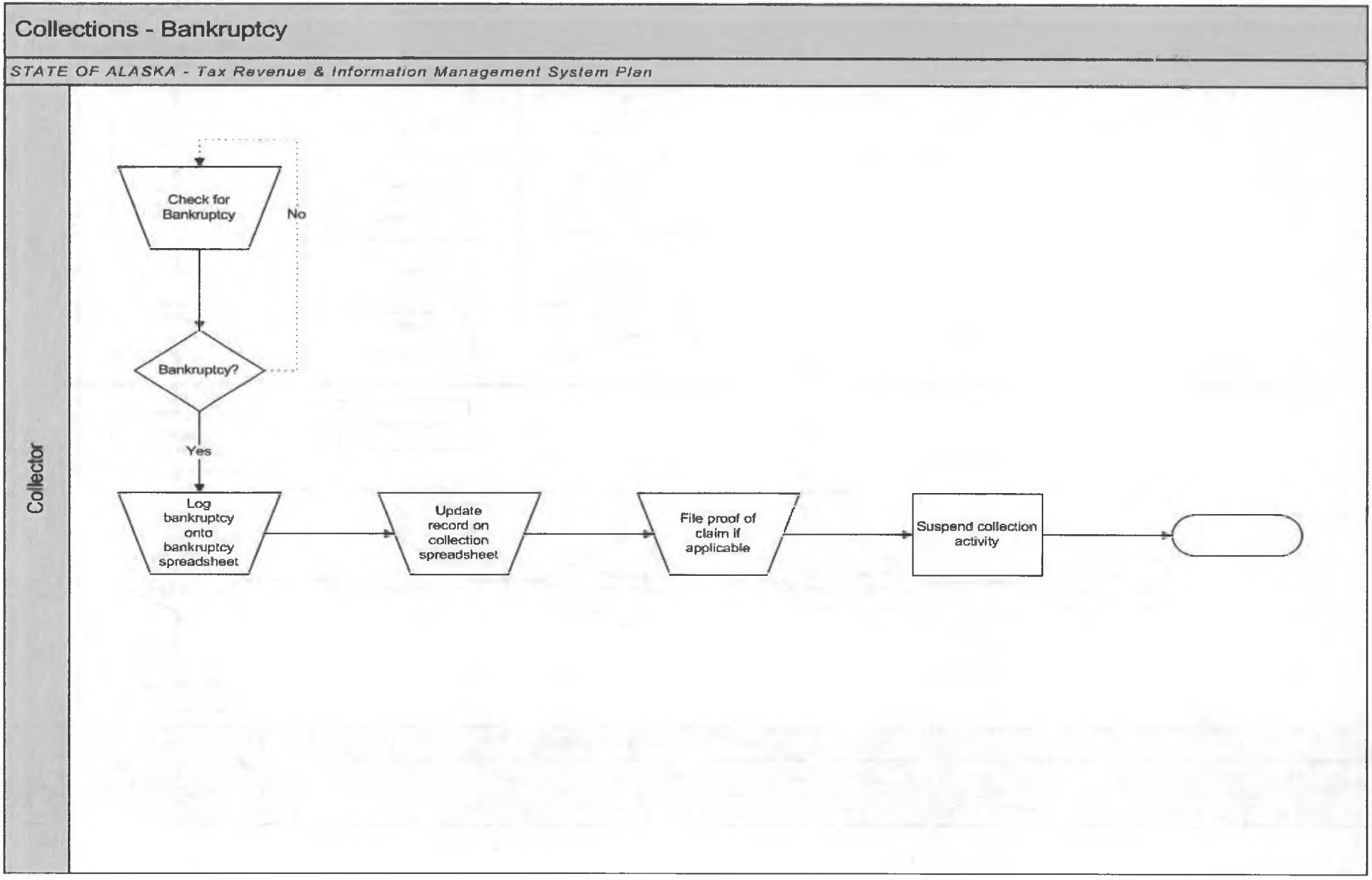
E. 27


Collections - Levy
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Collections Supervisor
Collector
Sign printed copy of levy spreadsheet
Levy
Update collections spreadsheet
Fill out levy spreadsheet with information bank/credit union needs
Send levy to bank/credit union
Levy return

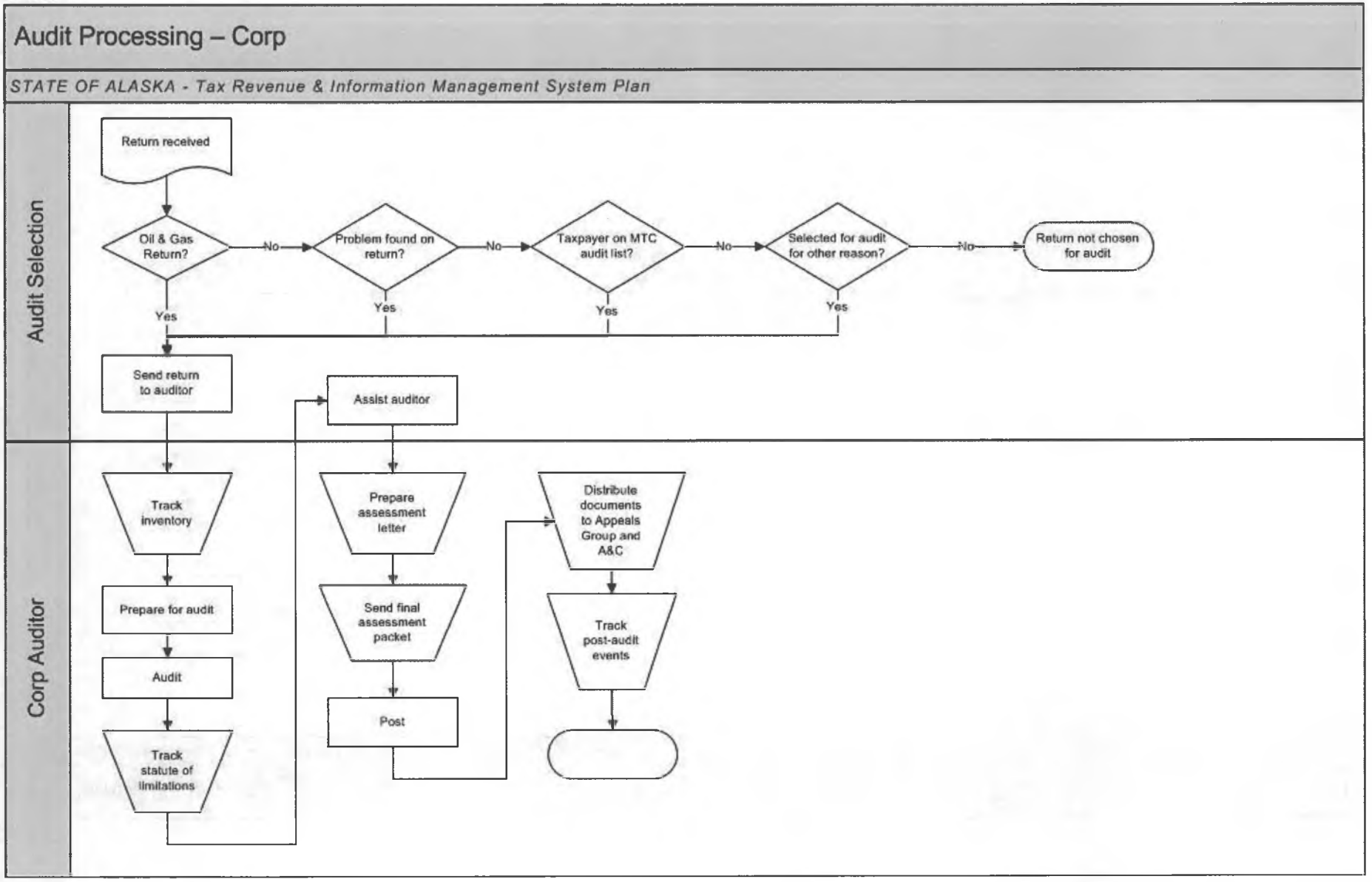
E. 28


Collections – Lien
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Collector
Lien
Fill out form and file with Clerk of Recorder's Office
Update collections spreadsheet
Insert record into lien spreadsheet
Lien recovers payment
No
Stays on collections spreadsheet
Yes
Close record on lien spreadsheet
File release form with Clerk of Recorder's Office
Lien return

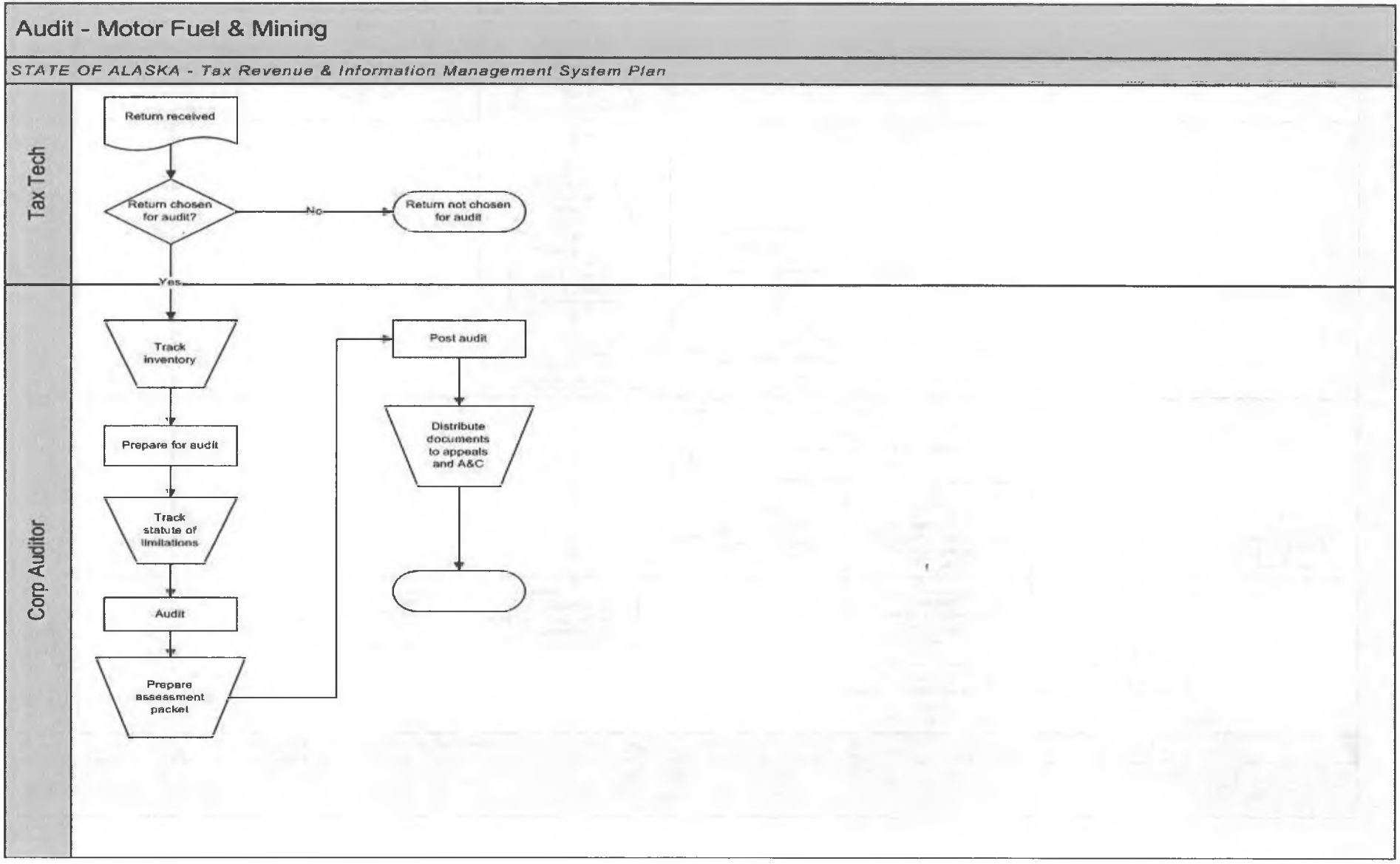
E. 29


Collections - Bankruptcy
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Collector
Check for Bankruptcy
No
Bankruptcy?
Yes
Log bankruptcy onto bankruptcy spreadsheet
Update record on collection spreadsheet
File proof of claim if applicable
Suspend collection activity

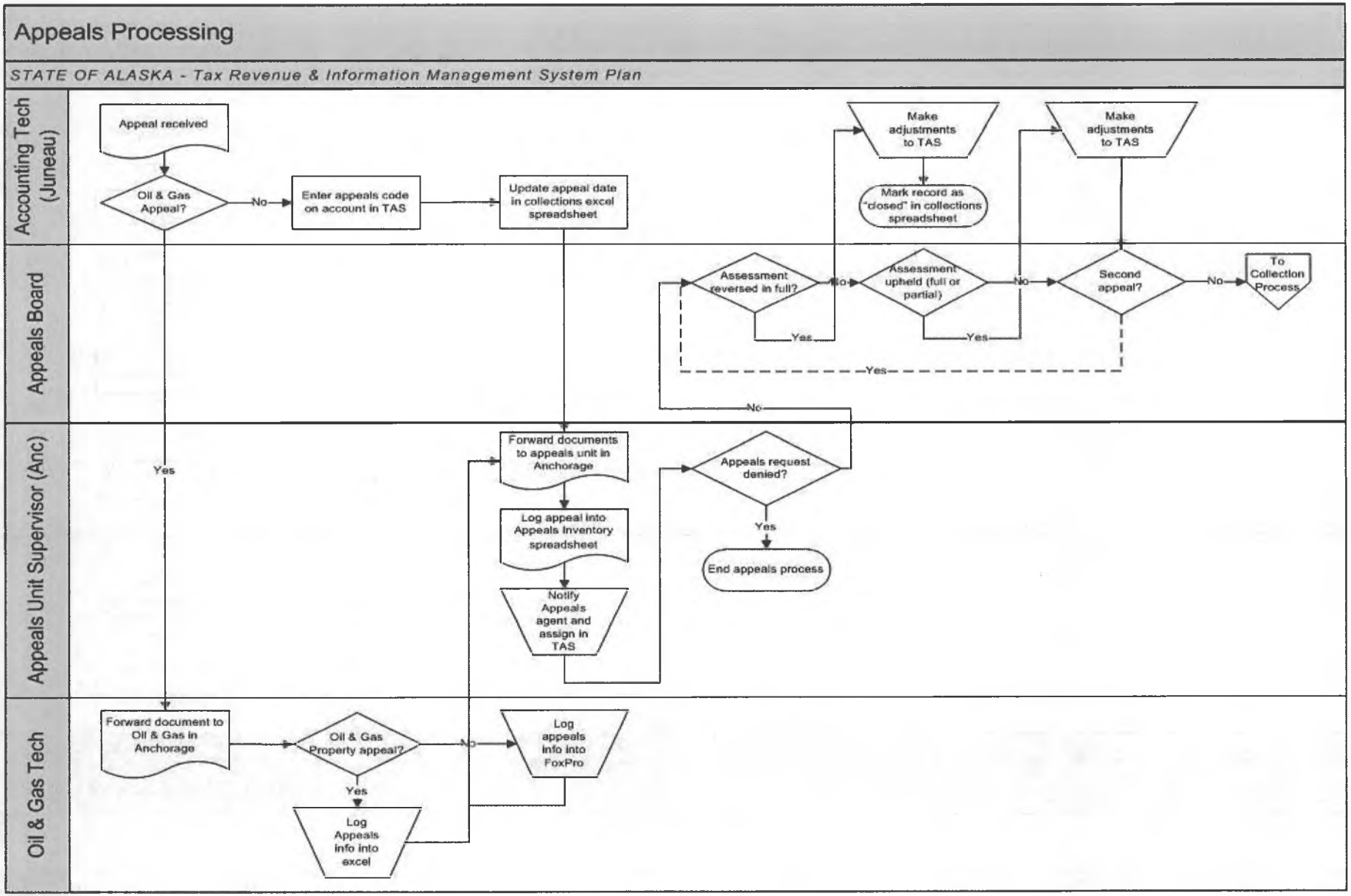
E. 30


Audit Processing – Corp
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Audit Selection
Corp Auditor
Return received
Oil & Gas Return?
No
Problem found on return?
No
Taxpayer on MTC audit list?
No
Selected for audit for other reason?
No
Return not chosen for audit
Yes
Yes
Yes
Yes
Send return to auditor
Assist auditor
Track inventory
Prepare for audit
Audit
Track statute of limitations
Prepare assessment letter
Send final assessment packet
Post
Distribute documents to Appeals Group and A&C
Track post-audit events

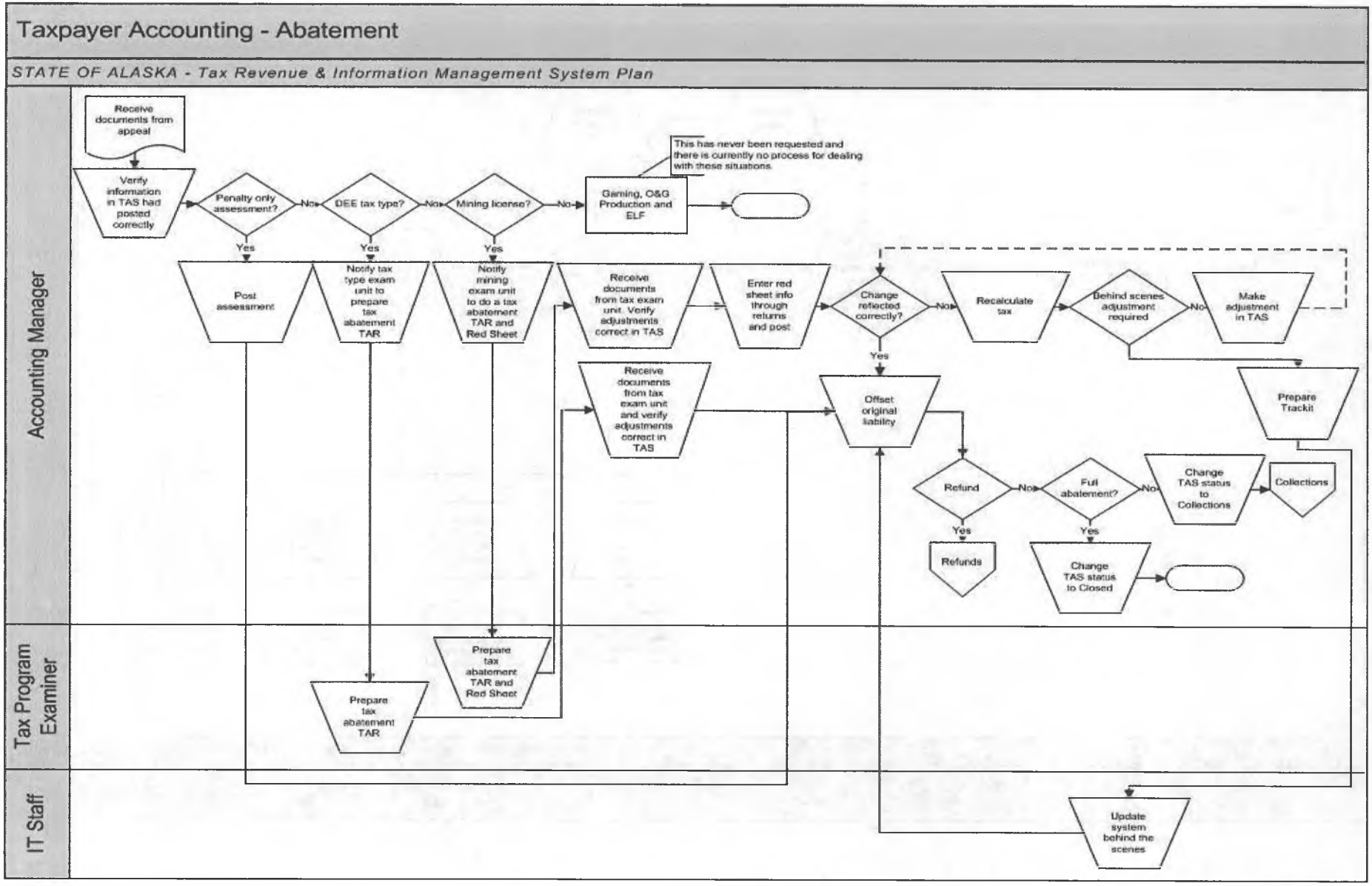
E. 31


Audit - Motor Fuel & Mining
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Tax Tech
Return received
Return chosen for audit?
No
Return not chosen for audit
Yes
Corp Auditor
Track inventory
Prepare for audit
Track statute of limitations
Audit
Prepare assessment packet
Post audit
Distribute documents to appeals and A&C

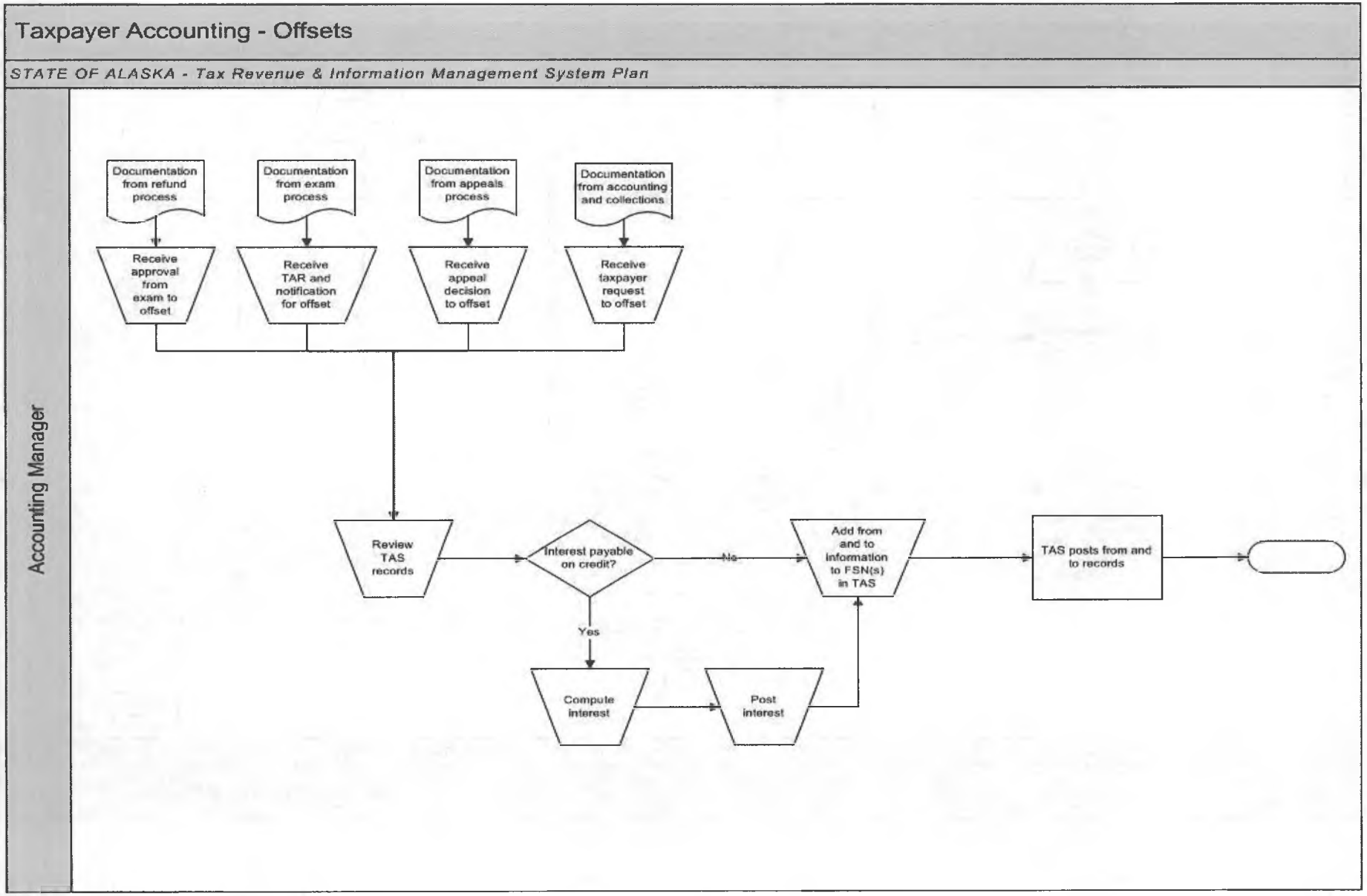
E. 32


Appeals Processing
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Accounting Tech (Juneau)
Appeals Board
Appeals Unit Supervisor (Anc)
Oil & Gas Tech
Appeal received
Oil & Gas Appeal?
No
Enter appeals code on account in TAS
Update appeal date in collections excel spreadsheet
Make adjustments to TAS
Mark record as "closed" in collections spreadsheet
Make adjustments to TAS
Assessment reversed in full?
No
Assessment upheld (full or partial)
No
Second appeal?
No
To Collection Process
Yes
Yes
Yes
No
Yes
Forward documents to appeals unit in Anchorage
Log appeal into Appeals Inventory spreadsheet
Notify Appeals agent and assign in TAS
Appeals request denied?
Yes
End appeals process
Forward document to Oil & Gas in Anchorage
Oil & Gas Property appeal?
No
Log appeals info into FoxPro
Yes
Log Appeals info into excel

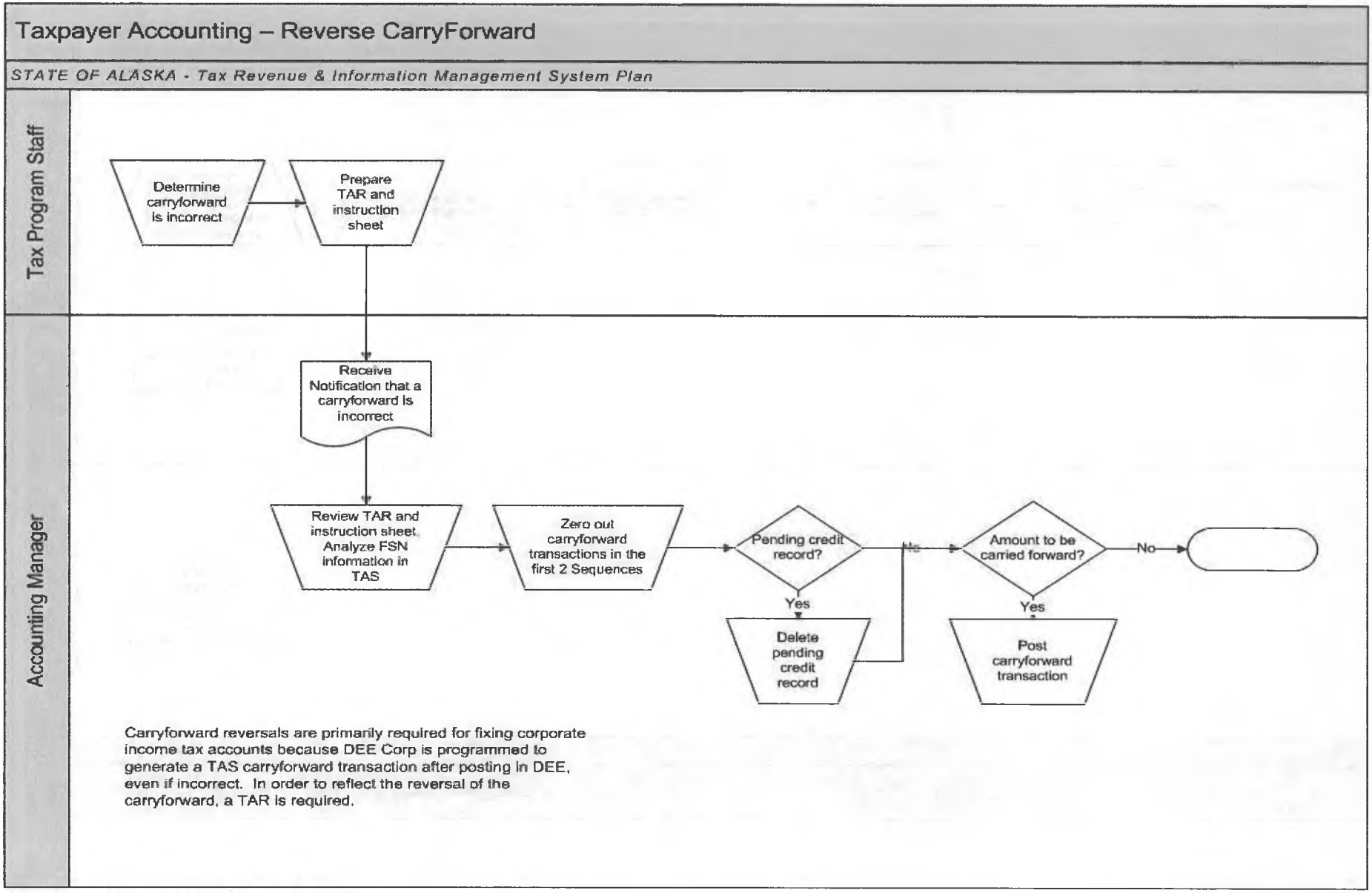
E. 33


Taxpayer Accounting - Abatement
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Accounting Manager
Tax Program Examiner
IT Staff
Receive documents from appeal
Verify information in TAS had posted correctly
Penalty only assessment?
DEE tax type?
Mining license?
Gaming, O&G Production and ELF
This has never been requested and there is currently no process for dealing with these situations.
Yes
No
Post assessment
Notify tax type exam unit to prepare tax abatement TAR
Notify mining exam unit to do a tax abatement TAR and Red Sheet
Receive documents from tax exam unit. Verify adjustments correct in TAS
Enter red sheet info through returns and post
Change reflected correctly?
Recalculate tax
Behind scenes adjustment required
Make adjustment in TAS
Receive documents from tax exam unit and verify adjustments correct in TAS
Offset original liability
Prepare Trackit
Refund
Full abatement?
Change TAS status to Collections
Collections
Refunds
Change TAS status to Closed
Prepare tax abatement TAR
Prepare tax abatement TAR and Red Sheet
Update system behind the scenes

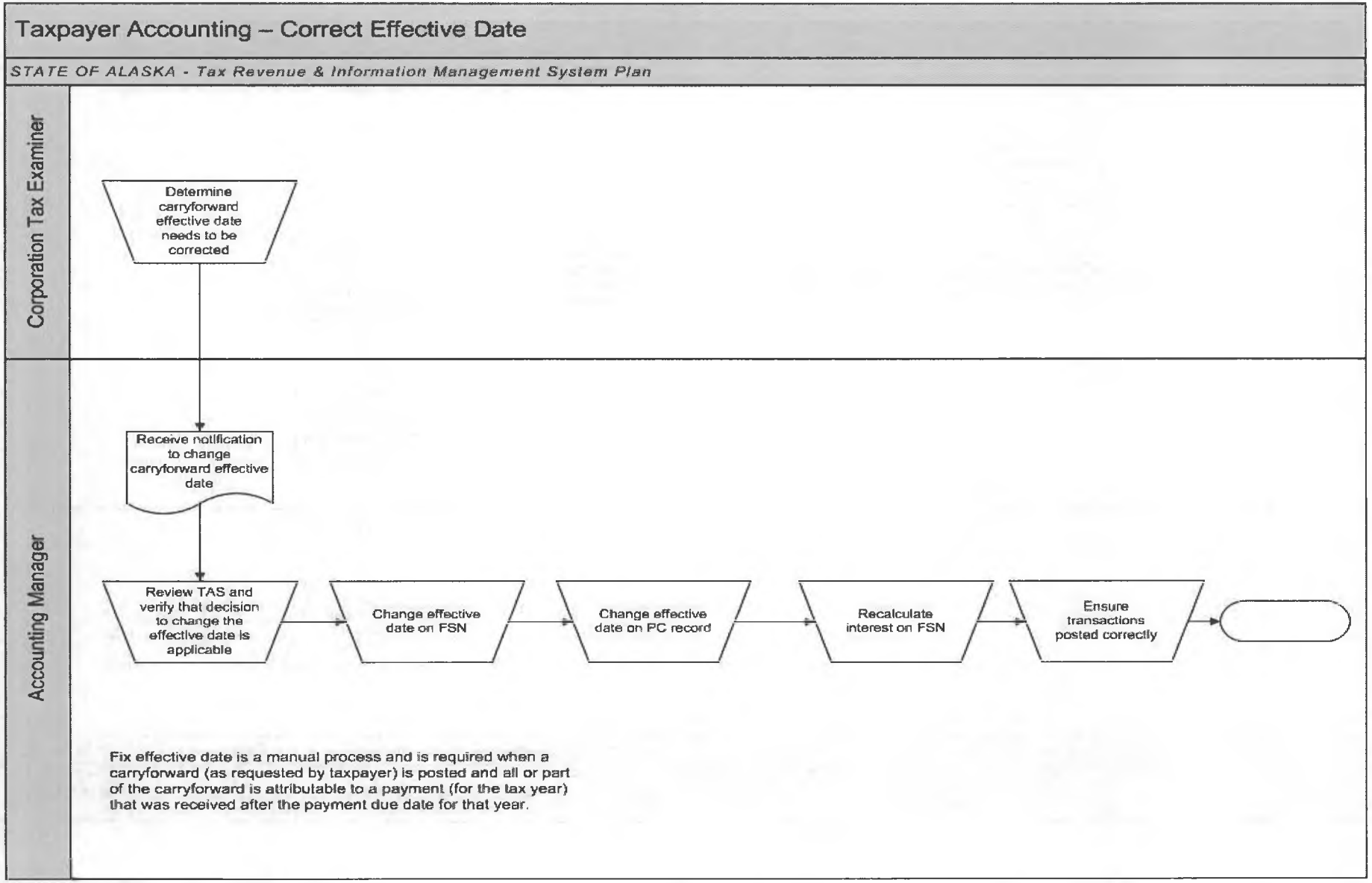
E. 34


Taxpayer Accounting - Offsets
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Accounting Manager
Documentation from refund process
Documentation from exam process
Documentation from appeals process
Documentation from accounting and collections
Receive approval from exam to offset
Receive TAR and notification for offset
Receive appeal decision to offset
Receive taxpayer request to offset
Review TAS records
Interest payable on credit?
No
Yes
Add from and to information to FSN(s) in TAS
TAS posts from and to records
Compute interest
Post interest

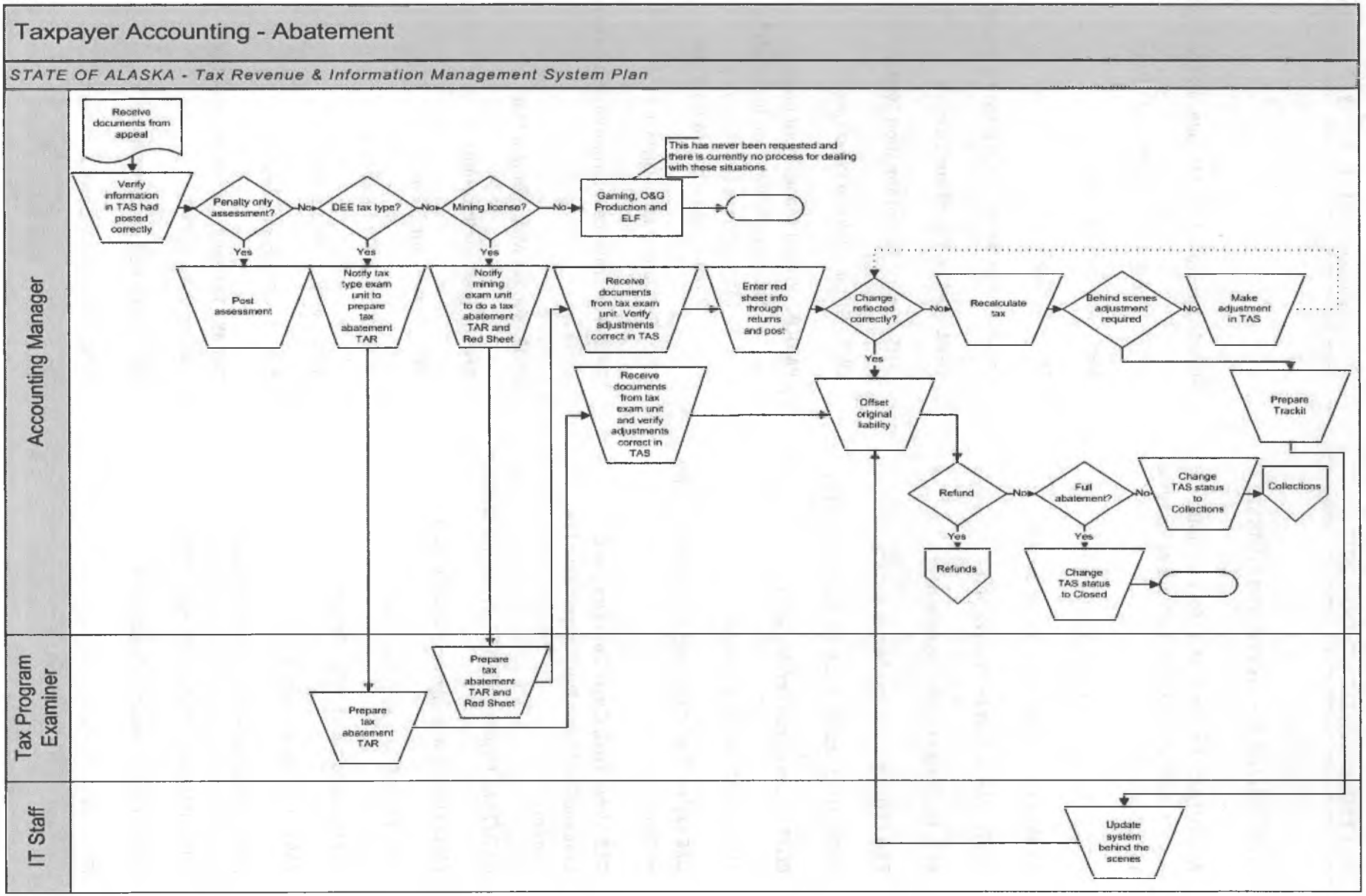
E. 35


Taxpayer Accounting – Reverse CarryForward
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Tax Program Staff
Accounting Manager
Determine carryforward is incorrect
Prepare TAR and instruction sheet
Receive Notification that a carryforward is incorrect
Review TAR and instruction sheet. Analyze FSN information in TAS
Zero out carryforward transactions in the first 2 Sequences
Pending credit record?
Yes
No
Delete pending credit record
Amount to be carried forward?
Yes
No
Post carryforward transaction
Carryforward reversals are primarily required for fixing corporate income tax accounts because DEE Corp is programmed to generate a TAS carryforward transaction after posting in DEE, even if incorrect. In order to reflect the reversal of the carryforward, a TAR is required.

E. 36


Taxpayer Accounting – Correct Effective Date
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Corporation Tax Examiner
Determine carryforward effective date needs to be corrected
Accounting Manager
Receive notification to change carryforward effective date
Review TAS and verify that decision to change the effective date is applicable
Change effective date on FSN
Change effective date on PC record
Recalculate interest on FSN
Ensure transactions posted correctly
Fix effective date is a manual process and is required when a carryforward (as requested by taxpayer) is posted and all or part of the carryforward is attributable to a payment (for the tax year) that was received after the payment due date for that year.

E. 37


Taxpayer Accounting - Abatement
STATE OF ALASKA - Tax Revenue & Information Management System Plan
Accounting Manager
Tax Program Examiner
IT Staff
Receive documents from appeal
Verify information in TAS had posted correctly
Penalty only assessment?
DEE tax type?
Mining license?
Gaming, O&G Production and ELF
This has never been requested and there is currently no process for dealing with these situations.
Yes
No
Post assessment
Notify tax type exam unit to prepare tax abatement TAR
Notify mining exam unit to do a tax abatement TAR and Red Sheet
Receive documents from tax exam unit. Verify adjustments correct in TAS
Enter red sheet info through returns and post
Change reflected correctly?
Recalculate tax
Behind scenes adjustment required
Make adjustment in TAS
Prepare TrackIt
Receive documents from tax exam unit and verify adjustments correct in TAS
Offset original liability
Refund
Full abatement?
Change TAS status to Collections
Collections
Refunds
Change TAS status to Closed
Prepare tax abatement TAR and Red Sheet
Prepare tax abatement TAR
Update system behind the scenes

APPENDIX F – Acronym Glossary

ADOR/TAX – Source citation for corporate author State of Alaska Department of Revenue Tax Division

AITG - Alaska Information Technology Group

AKSAS - Alaska State Accounting System

ASPR - Alaska Salmon Price Report

BPI - Business Process Improvement

BPR - Business Process Reengineering

CASS - USPS Coding Accuracy Support System

COTS - Commercial Off-the-Shelf

CPS - Cash Processing System

DEE Excise - Data Entry and Examination Excise System

DEE Motor Fuel/Corp - Data Entry and Examination Motor Fuel/Corporation Tax System

DOR/TAX - Department of Revenue Tax Division

EBN - Electronic Bankruptcy Notification

EDI - Electronic Data Interchange

EMR - Economic Monthly Report

FAST - Fast Enterprises, LLC

FHWA - Federal Highway Administration

IFTA - International Fuel Tax Agreement

IMF - Federal Individual Master File

IRP - International Registration Plan

ITMS - Integrated Tax Management System

MBP - Multiple Beneficiary Permittees

MeF - Modernized e-File

MS - Microsoft

OLAP - Online Analytical Processing Model

OPAL - Online Permit and License

OTIS - Online Tax Information System

OVR - Offtake Volume Reporting

PMBOK - Project Mangement Body of Knowledge, Standard for Project Management created by Project Management Institute

PFD - Permanent Fund Dividend

PIPS - Performance Information Procurement System

PMP - Project Management Plan

RFI - Request for Information

RFP - Request for Proposal

SAN - Storage Area Network

SME - Subject Matter Experts

TAS - Tax Processing System

TRIMS - Tax Revenue and Information Management System

UP - Unclaimed Property Viewer

WBS - Work Breakdown Structure

9.

Single Audit of the State of Alaska Feb. 28, 2011

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit

P.O. Box 113300
Juneau, AK 99811-3300
(907) 465-3830
FAX (907) 465-2347
legaudit@legis.state.ak.us

February 28, 2011

Honorable Members of the
Alaska State Legislature

The Honorable Sean Parnell
Governor
State of Alaska

The Honorable Daniel R. Levinson
Inspector General
Office of the Inspector General
U.S. Department of Health and Human Services

We are pleased to transmit the Single Audit of the State of Alaska for the fiscal year ended June 30, 2010. The audit was conducted in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards* issued by the Comptroller General of the United States, and complies with the federal Single Audit Act Amendments of 1996 and the related *OMB Circular A-133* issued by the U.S. Office of Management and Budget.

The report includes an opinion on the basic financial statements of the State of Alaska for FY 10, recommendations on financial and compliance matters, and required auditor's reports on internal controls and compliance, and the Schedule of Expenditures of Federal Awards.

The findings and recommendations included in this report are organized by department and include prior financial/compliance findings not fully corrected by the departments. Our FY 09 Single Audit contained 25 recommendations; this report presents a total of 30 recommendations, eight of which were presented at least in part last year. Included in this year's recommendations are four recommendations made to Alaska Housing Finance Corporation whose audit was performed by other auditors. With your active support and encouragement, we hope to continue seeing improvement in the implementation of these recommendations by the state agencies.

We would again like to acknowledge the professional assistance and cooperation of the Department of Administration's Division of Finance. The division has a strong professional commitment to excellence in the financial accounting and reporting for the State of Alaska. Its continued efforts towards resolving statewide accounting and reporting concerns are commendable.

We would also like to acknowledge the cooperation of all other state agencies involved during the conduct of this audit.

The dedicated staff of the Division of Legislative Audit remains committed to improving the financial accountability of the State of Alaska. Your active involvement is critical to improving that accountability. We are available to assist you in that effort.

Pat Davidson, CPA
Legislative Auditor

DEPARTMENT OF REVENUE

One recommendation was made to the Department of Revenue (DOR) in the *State of Alaska, Single Audit for the Fiscal Year Ended June 30, 2009*. Prior year Recommendation No. 2 is not resolved and is reiterated in this report as Recommendation No. 4.

No new recommendations have been made during the FY 10 statewide single audit.

Recommendation No. 4

DOR's commissioner should ensure staff within its Tax Division implement controls to improve the auditing of oil and gas severance tax revenues.

Prior Finding

In FY 08 and FY 09 significant deficiencies in controls were reported over the auditing of severance tax revenues by DOR's Tax Division. Control deficiencies included insufficient audit oversight, a lack of standard procedures to guide the audit process, inadequate reviews of audits, and untimely reviews and reconciliations of tax returns.

Title 43 of the Alaska Statutes gives DOR the authority to collect tax revenues for the State and to ascertain the correctness of such revenues. The department's main tool for ascertaining the correctness of severance tax revenues is its Tax Division audit section. There are no statutory requirements that DOR's tax auditors conduct their audits in accordance with industry audit standards such as those issued by the American Institute of Certified Public Accountants or the Government Accountability Office. Historically, DOR's audit section has relied upon standard audit programs and supervisor review and oversight to ensure that their audits are timely, accurate and that audit results can withstand the scrutiny of the administrative appeal process and, in some cases, litigation.

With the passage of PPT[2] and ACES[3] legislation, management's controls over the auditing of severance taxes deteriorated. The new laws are more complex to audit. The hiring and retention of experienced, competent audit staff has proven challenging. Delays in drafting PPT and ACES regulations have further disrupted the audit process.

Legislative Audit's Current Position

Significant control deficiencies continued over the auditing of oil and gas severance tax revenues in FY 10. A loss of experienced audit staff during FY 10 compounded the struggles that the audit section was already experiencing.

Our review of DOR's oil and gas severance tax audits and inquiries with DOR staff noted the following deficiencies:

- The division continues to conduct audits without developing standard processes including audit plans and procedures.
- A significant portion of an audit's methodology and results were insufficiently documented.
- The deficiencies in audit documentation forced the tax section to issue a less detailed report than what is issued as part of their standard report format.

[2] *Petroleum Profits Tax* (enacted in August 2006).
[3] *Alaska's Clear and Equitable Share* (enacted in November 2007).

- Audit supervisors did not review and approve audit methodology prior to audits being conducted.
- Audit supervisory reviews were limited, sporadically documented, and only conducted at the end of the audit.

Oil and gas severance taxes, totaling approximately $2.6 billion in FY 10, are a significant source of revenue for the State of Alaska. Insufficient internal controls over the auditing of severance tax revenue may result in the loss of revenue and increase the risk that tax revenue assessments will not hold upon appeal.

We recommend that DOR's commissioner take action to ensure that Tax Division management improves controls over the auditing of severance tax revenues. Specifically, standardized audit processes should be developed and implemented. Auditors also need more oversight and timely feedback during the audit process.

Agency Response – Department of Revenue

Item 1: *The division continues to conduct audits without developing standard processes including audit plans and procedures.*

Response: *We disagree. The division is, and has been, in the process of developing standard processes including audit plans and procedures. Development of standard processes is an ongoing project. As you are aware, the legislature significantly changed the way oil and gas production tax is calculated with the passage of the Petroleum Profits Tax (PPT) in 2006. In 2007, the legislature made further changes to the production tax through the passage of Alaska's Clear and Equitable Share (ACES) legislation. These two major pieces of legislation completely overhauled the production tax scheme and instituted a new tax credit program. The Division has worked diligently over the last four years to implement the changes while continuing to work on audits of tax returns filed under the previous tax structure. Implementation includes not only developing standard processes, but also drafting regulations, hiring and training new auditors, developing tax return forms, establishing tax credit audit and examination procedures, educating taxpayers, and various other duties that accompany the implementation of what is basically a new tax program. You are aware that the oil and gas production tax is administered without automated systems. This means that all processes are performed manually which further strains the Tax Division's limited resources. Although development of standard processes is not yet complete, this does not mean that the Division is not and has not been working on developing those processes.*

Item 2: *A significant portion of an audit's methodology and results were insufficiently documented.*

Response: We agree. The audit in question was started by a highly experienced individual who retired a few months after the audit was opened. The audit was then

transferred to another senior auditor who resigned his position before the audit was completed. The audit was transferred yet again to another senior auditor who had to quickly familiarize himself with all issues within the audit and complete the audit within a short period of time. As stated above, oil and gas production tax audits are conducted without the assistance of automated systems. All audit work, including transaction sampling and testing, is performed manually. Data for this particular audit included over 2 million documents with thousands of transactions per document. During the course of the audit, the auditors manually tested over 1 million transactions. The time it took to perform the manual testing caused the auditor to run out of time to complete proper documentation of audit findings prior to expiration of the statute of limitations. The Tax Division took the position that it was in the best interest of the state to issue the audit with insufficient documentation and with a less detailed audit report than to miss the statute of limitations and, in effect, issue no audit at all. The auditor was instructed to issue the audit, but continue to document audit findings and complete the audit report after the fact. The taxpayer was informed that it would receive a more comprehensive explanation of our adjustments at a later date.

Item 3: *The deficiencies in audit documentation forced the tax section to issue a less detailed report than what is issued as part of their standard report format.*

Response: *We agree. See explanation under Item 2, above.*

Item 4: *Audit supervisors did not review and approve audit methodology prior to audits being conducted.*

Response: *We agree, but disagree that this in an issue. It is not common practice for the Tax Division to approve audit methodology prior to audits being conducted. Audits are assigned to auditors based on their level of experience and their job class. Audits of the largest oil and gas production taxpayers are assigned to Oil and Gas Revenue Auditor IV's (OGRA IV). Under the class specifications, OGRA IV's "serve as lead auditor having complete responsibility for the largest oil and gas production tax . . . audits." The particular audit in question was assigned to an OGRA IV who was required to perform the audit with no day-to-day oversight. Audit methodology is at the auditor's discretion provided, however, that the end result is that the auditor has accurately evaluated tax liabilities. As stated previously in this letter, the Tax Division is still implementing what is essentially a new tax program and specific audit methodology has not yet been defined for these audits.*

Item 5: *Audit supervisory reviews were limited, sporadically documented, and only conducted at the end of the audit.*

Response: *We agree. Audit reviews in all programs are conducted at the end of audits. That is common practice in all audits in the audit profession. We also agree that supervisory reviews were limited and sporadically documented in some of the audits closed during the fiscal year. Again, this was due to the continual implementation of PPT, ACES and the new credit program. Implementation has put a strain on audit resources. Money requested to continue contract audits has been reduced which put further strain on our resources.*

However, management continually communicates with staff on tax issues via meetings and emails, and has discussions about the proper application of statutes and regulations. As a result of the poor documentation of the audit identified in issues 2 and 3, management has instituted the practice of meeting with the audit leads and team members on the largest audits at least once a month to discuss the progress of the audit and any issues that may have arisen that require management input.

The bulk of the findings in the audit report are attributable to:

- *staff turnover, particularly at the supervisory level;*
- *the inability to recruit senior level auditors at current pay levels, despite intensive recruitment efforts over the last two years; this means (1) less experienced auditors are working major audits, and (2) supervisors are having to spend time conducting complex audits, instead of using that time to supervise and developing audit manuals, processes and procedures; and*
- *lack of automated tax processing systems to manage and share information; this dramatically increases the amount of time needed to complete audits and review returns, and thus, siphons resources away from program development.*

As junior auditors in the Production Tax Audit Group gain experience, they will be able to take on more complex and higher volume audit work. This should relieve some of the resource strain, provided these auditors continue working for the Department once they reach senior levels. Over the last three years, great efforts have been made by the Department to obtain an automated tax processing system to manage and share information, but funding for this project has not yet been forthcoming.

Contact Person: *Ginger Blaisdell, Director*
Administrative Services Division
Telephone: (907) 465-2312

Legislative Auditor's Additional Comments

We reviewed DOR's response and nothing in the response persuades us to revise the recommendation.

10.

"State Tax Policy and Oil Production"

still – but it is still clear that in the absence of such an alternative policy, a higher gas tax would clearly boost economic efficiency.

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NINE

State Tax Policy and Oil Production

The Role of the Severance Tax and Credits for Drilling Expenses

Ujjayant Chakravorty, Shelby Gerking, and Andrew Leach

9.1 Introduction

Although most energy-producing states have levied taxes on the value of oil, natural gas, and coal production for many years, changes in these taxes have become headline news as state governments grapple with budget shortfalls brought about by the current recession. For instance, Alaska has increased the severance tax on the value of its oil production and attempted to stimulate future production by allowing a credit against this tax for expenditures on capital items, including drilling rigs, infrastructure, exploration, and facility expansion (Alaska Department of Revenue 2008). In late 2008, California Governor Arnold Schwarzenegger proposed levying a 9.9 percent production tax on the value of most onshore oil production to help close a projected $24 billion budget deficit, but he subsequently reversed his position (Casselman 2009; Skelton 2009). The Pennsylvania legislature is considering a proposal to levy a 5 percent tax on the value of natural gas produced from the giant Marcellus shale deposit, but the bill is opposed by industry leaders who contend that it would result in 30 percent less drilling as well as revenue reductions to state and local governments totaling $880 million over the next decade (George 2009).

These measures, both enacted and proposed, raise a number of long-standing and important questions about the effects of state energy taxes that go well beyond their potential to provide a solid revenue base to support public services. Given the overlapping tax bases claimed by states and the federal government, to what extent do state energy tax increases result in lower collections of federal tax revenues, including the federal corporate income tax? Do state energy taxes restrict production and encourage "high-grading" of energy reserves and by how much? Do state taxes tilt the time path of energy production to the present or to the future? How do upstream

subsidies for exploration and development work together with downstream taxes on production to influence the levels and time paths of production and tax collections? What are the implications of these taxes for the long-run sustainable use of nonrenewable natural resources? The analysis in this chapter bears directly on these questions. It also serves as a basis to examine proposed changes in federal tax policy, including the elimination of the percentage depletion allowance and the expensing of intangible drilling costs.

We adapt the Hotelling model developed by Pindyck (1978) to examine how a state's taxes and subsidies at different stages of resource exploration and production alter the behavior of oil producers and thus impact on exploration activity, additions to the reserve base, and the production of energy. In our model, returns to exploration are subject to diminishing returns, and the cost of production is affected both by the level of reserves and the level of output. Producers located in a given state are assumed to produce only a small fraction of world output and therefore face an exogenously determined price of oil. We calibrate the model using data from U.S. oil fields to evaluate the effects of alternative tax and subsidy policies on drilling and production, on tax revenue accruing to states and to the federal government, as well as on the time path of drilling expenditures and resource production.

A key result from the calibrated model is that oil production is closely linked to the size of the reserve base and is relatively insensitive to changes in oil prices. This outcome, which is broadly consistent with experience in the U.S. oil industry over the past 50 years, leads to the conclusion that the severance tax has little effect on production levels and serves mainly to redirect rents earned in the oil industry to the public sector. Thus, increases in severance taxes or a reduction in the subsidies provided to the oil and gas industry may lead to rent taxation and therefore have only marginal effects on the drilling and production of oil and few adverse impacts in terms of national security and increasing U.S. dependence on foreign oil.

Prior simulation studies (Deacon 1993; Kunce et al. 2003) also have considered aspects of these issues, but a novel feature here focuses on effects of combining subsidies for exploration and development with taxes on the value of energy production. The rationale for subsidizing exploration and development is to expand the reserve base and ultimately to stimulate oil production in much the same way as an investment tax credit (see Chirinko 2000) might increase capital formation and boost output in manufacturing. As previously indicated, this type of tax policy has been adopted by Alaska, and it has been suggested as a model for other states (Headwaters Economics 2009). It may also bear on national energy tax policy in light of the interest in stimulating drilling for new reserves.[1] The simulations suggest that a drilling expense credit may cost more than the incremental severance tax revenue obtained, although such credits may be worthwhile concessions if a state's objective is to generate greater support for increasing the severance tax rate.

The remainder of the chapter is organized into six sections. Section 9.2 reviews the issue of oil taxation in twelve major oil-producing states in the United States. Section 9.3 summarizes findings from the literature regarding temporal economic effects of state energy tax policies. Section 9.4 describes the extended Pindyck (1978) model that is used as a conceptual basis for our tax policy simulations. Section 9.5 discusses the way in which the model was parameterized. Section 9.6 presents simulation results, and Section 9.7 concludes.

9.2 Overview of State Taxation of the U.S. Oil Industry

Key taxes on nonrenewable resource development levied by state and local governments can be divided into three main groups: taxes on production, property, and income. In its simplest form, the production or severance tax is levied on the gross value (or volume) of production of the resource as it is "severed" from the ground. The severance tax is the most widely adopted state tax specifically applying to the U.S. oil industry and will receive the most attention in the discussion. State and local governments also levy property taxes on the assessed (quasi market) value of equipment *above* ground and/or reserves *beneath* the ground. Income taxes are levied against the accounting net income of extraction firms. Although these taxes are generally aimed at extracting economic rents earned by producers from the sale of nonrenewable resources, their effects on production, exploration, and development can differ substantially (see Section 9.3). The discussion in this section briefly summarizes how these taxes are applied in major oil producing U.S. states and how they interact with each other and with other taxes on energy producers levied at the federal level. A more detailed

[1] At the Republican National Convention in 2008, Michael Steele, former Lieutenant Governor of Maryland and currently Chairman of the Republican National Committee, underscored his view that more exploration for energy resources is needed with his now famous line, "Drill, Baby, Drill." This sentiment was echoed by Republican Vice-Presidential nominee, Sarah Palin, who as Governor of Alaska, signed legislation granting a partial credit for drilling expenses against severance tax liabilities paid at an increased tax rate. For further details, see Ball (2008).

state-by-state survey of taxation and regulation of oil and gas production is available from the Interstate Oil and Gas Compact Commission (2007) and a more up-to-date survey can be constructed from a Lexis-Nexis search of state statutes. Hellerstein (1983) provides a useful discussion of the legal basis for state taxation of natural resources.

Table 9.1 presents data on oil production, nominal (legislated) oil severance tax rates, effective severance tax rates, and nominal corporate income tax rates for the twelve U.S. states that produced the most oil in 2007.[2]

As shown, production in these states ranged from a high of 397 million barrels in Texas to a low of 20 million barrels in Utah. Nominal severance tax rates varied widely across states as well. All states except California levied a severance tax against the value of production.[3] As mentioned earlier, California is considering whether to adopt such a tax. In Alaska and Montana, nominal tax rates can exceed 10 percent. Other tax code features reflect important interstate differences.[4] Severance taxes are generally levied against the "net value" of production, where each state has its own definition of this concept. Some states, such as Wyoming, tax the value of production at the wellhead (the top of the well), whereas others, like Utah, tax the value of production at the wellfoot (the bottom of the well), which in effect allows a deduction for lifting costs. Most states subtract royalty payments (computed as a percentage of gross value of production) for production on public land in computing net production value for determining severance tax liabilities (Louisiana does not). Public land royalties are relatively more important in Alaska, Colorado, New Mexico, Utah, and Wyoming than in other states owing to their large shares of publicly owned land. State energy tax codes are subject to frequent changes as well. For instance, Alaska now allows producers to take a credit against severance tax liabilities for capital expenditures used in exploration and development, whereas this feature was not available in 2007 and thus is not reflected in Table 9.1.

In New Mexico and North Dakota, the severance tax is actually the sum of two or more different levies on net production value. In Colorado, severance taxes are paid at graduated rates that depend on the gross income of operators, and in Alaska, Oklahoma, and Utah prevailing rates depend on the price of oil. In Colorado, Kansas, and Wyoming, local governments levy a substantial tax against the value of energy production. Although this tax is generally called a property tax by tax administrators, it is in

[2] The year 2007 is the most recent year for which effective tax rate data could be assembled (see discussion below).

[3] California does levy a property tax on reserves in the ground (see below).

[4] See footnotes to Table 9.1.

Table 9.1. *Oil production (in Mbbl) and tax rates for selected U.S. states, 2007*

State	Production	Severance tax: Nominal rate	Severance tax: Effective rate	Corporate income tax rate[o]
Alaska	263,595	12.25–15%[a]	12%	1.0–9.4%
California	216,778	None	None	8.84%
Colorado	23,237	2–5%[b]	0.7%	4.63%
Kansas	36,490	4.33%[c]	3.0%[l]	4.0–7.35%
Louisiana	76,651	3.125–12.50%[d]	9.4%	4.0–8.0%
Montana	34,829	15.1%[e]	8.6%	6.75%
New Mexico	58,831	7.1%[f]	7.5%[m]	4.8–7.6%
North Dakota	45,058	5.0–11.5%[g]	–[n]	2.6–7.05%
Oklahoma	60,952	7.0%[h]	6.9%	6.0%
Texas	396,894	4.6%[i]	3.1%	1.0%[p]
Utah	19,520	3.0–5.0%[j]	2.4%	5.0%
Wyoming	54,130	4.0–6.0%[k]	5.3%	None

[a] Lower rate applies to fields in production less than 5 years; higher rate applies to fields in production more than 5 years.

[b] Rate depends on gross income of operator and excludes county ad valorem taxes at 4–10%.

[c] Excludes county ad valorem taxes of approximately 4%.

[d] Tax rate of 3.125% applies only to stripper well production.

[e] Rate applies to nonworking interest owners; working interest owners pay lower rates that vary by type of well.

[f] Rate is the sum of oil severance tax, oil school tax, and oil conservation tax; local ad valorem taxes at approximately 1.2% are excluded.

[g] Depends on the level of an oil extraction tax that varies by type of well; tax rate on stripper well production is 0%.

[h] Excludes ad valorem taxes that vary by county.

[i] Excludes county ad valorem levies and (small) state regulatory and conservation levies.

[j] Lower rate applies to first $13/bbl; higher rate applies above $13/bbl. Excludes county ad valorem levies; stripper well production is not subject to severance tax.

[k] Stripper well production taxed at 4%; other production taxed at 6%; excludes county levies at 5.9–7.7%.

[l] Effective rate is for oil and natural gas combined.

[m] Effective rate is for oil and gas combined.

[n] Insufficient information available.

[o] Tax rates depend on level of income before taxes for most states.

[p] This is the rate for a gross receipts tax that replaced the corporate income tax in 2007 (see Tax Foundation 2009a).

Sources: Production data from U.S. Department of Energy (2009b). Nominal severance tax rate data from Interstate Oil and Gas Compact Commission (2007). Effective severance tax rate data are authors' calculations (see text). State corporate income tax rate data from Tax Foundation (2009a).

effect a severance tax levied by local governments. Many states have granted innumerable exemptions and credits against state severance tax liabilities for special situations that may be encountered by operators. Production from stripper wells (wells that produce fewer than ten barrels per day), for example, is taxed at lower rates in some states than is production from better producing wells. Production from wells employing secondary or tertiary recovery methods is sometimes taxed at lower rates as well.

A further complicating feature in analyzing economic effects of state severance taxes is that states and the federal government levy other types of taxes on oil producers and tax bases interact, particularly at the state and federal levels. Except for Wyoming, all of the twelve states levy a corporate income or franchise tax that applies to oil producers. Nominal rates for this tax, taken from the Tax Foundation (2009a), are shown for each state in Table 9.1. State corporate income taxes often are levied on a similar base to that used in computing federal corporate income tax liabilities, but the state tax rates generally are lower than the top federal rates for this tax, which currently are in the 35 to 40 percent range (Tax Foundation 2009b). State corporate income tax payments are deductible against federal corporate income tax liabilities, and state and local production tax payments are deductible against both. In some states, federal corporate income tax payments are deductible in computing state corporation income taxes and in others it is not. Although local governments in most of the states utilize some form of a property tax on oil and gas extraction equipment, property taxes on reserves are levied only in relatively few states such as California and Texas.

State and local tax burdens on oil producers are endlessly compared in state tax commission and legislative hearings as industry representatives make their case for more favorable tax treatment. Yet, because of variations across states in the application of severance and other taxes, a comparison of nominal tax rates is not particularly useful. A judgment based on a comparison of nominal rates that one state's severance tax, for example, is higher than that in another state might easily be reversed once the potentially numerous exemptions, credits, incentives, deductibility, and other special features of tax law are accounted for. Instead, more meaningful comparisons across states can be obtained by computing effective tax rates expressed as the ratio of revenue collected from a particular tax to the value of production. The calculation of effective tax rates fully accounts for, without enumerating, state-specific aspects of tax treatment faced by producers and facilitates comparisons between states because the value of production is used as a common denominator.

Table 9.1 presents effective severance tax rates prevailing in 2007 for the twelve most important oil-producing states. Unfortunately, information regarding severance tax collections is neither available from a single source nor published in a common format. In consequence, data on severance tax collections needed for the numerators of the effective tax rates were obtained by searching state department of revenue reports available on the Internet and by directly contacting knowledgeable people in these agencies as questions arose. Estimates of the value of production in each state were obtained by multiplying production volumes by the average prevailing price per barrel of crude oil. State production volumes were obtained from the Energy Information Administration, U.S. Department of Energy (2009b). Average wellhead prices of oil in each state were taken from the American Petroleum Institute (2009). The price and production volume data exclude oil produced in the Outer Continental Shelf (OCS) that is not subject to state taxation. As shown in Table 9.1, among states that levy a severance tax, effective tax rates in 2007 vary from 0.7 percent in Colorado to 12 percent in Alaska. Because of the many special tax code features just discussed, these rates tend to be lower than corresponding nominal tax rates.

9.3 Prior Literature

A sizable literature deals with the economic effects of the three types of taxes discussed in the previous section. It may be useful to briefly describe this work before proceeding with the theoretical structure we assume in this chapter. Discussion is limited to intertemporal issues; thus, topics such as interstate tax shifting or "tax exporting" are ignored (Gerking and Mutti 1981; McLure 1969; Metcalf 1993). The severance tax is given the most detailed treatment because it has been widely adopted and because its effects are the focus of the simulations presented in Section 9.6.

9.3.1 Production Taxation

Hotelling's (1931) seminal analytic work considers a per unit severance tax in a model with an endogenous price (net of constant extraction costs) and the total exhaustion of fixed reserves. The severance tax is found to conserve the resource by extending the time it takes to exhaust the total pool. Herfindahl (1967) extends this result with a model that features an extraction cost function that depends on output. Under competition, the severance tax is shown to tilt production to the future (i.e., delay production), thereby

extending the life of the pool. The pool is fully exhausted at a postponed terminal period.

Burness (1976) reformulates the dynamic framework by including severance tax rates that vary over time. In this model, price is exogenous, reserves are fully depleted, and extraction cost depends only on output. The general proposition derived is that the severance tax will tilt production to the future if the tax rate is held constant or rises at a rate less than the discount rate. A severance tax that rises with the discount rate will not distort the time path of production. Conrad and Hool (1984) show that introducing varying grades of the resource into the model make no difference to this result.

Levhari and Leviatan (1977) allow for an extraction cost function that depends on both current and cumulative production so that as more of the resource is extracted over time, the more it costs to produce an incremental unit. Thus, in this model, the resource may not be fully exhausted. The effect of per unit severance taxation on time to exhaustion now is ambiguous. If the resource price is constant over time, terminal time is shortened and high-grading (removing ore of the highest grade while leaving lower grade ore in the ground) may occur. Nonetheless, if tax rates vary over time, then, as Heaps (1985) demonstrates, total recovery of the resource and the economic life of the resource can either increase or decrease but in opposite directions. Because these two effects of the tax work against each other, the net impact on depletion cannot be determined.

If resource quality varies across pools but is the same within a pool, Conrad (1978, 1981) shows that mine lives are shortened and lower-quality resource is left in the ground when a per unit severance tax is levied. Krautkraemer (1990) examines the effect of production taxation in a finite reserve model when resource quality varies within a given deposit. In addition to firms choosing the rate of extraction, they also choose the marginal grade cutoff at each point in time. A production tax induces high-grading at each instant of time and not just at the end of the production program. Interestingly, a production tax reduces total resource recovery and a low-grade resource left in the ground will not be extracted, even if at some point in the future the production tax is eliminated.

Uhler (1979) includes a brief examination, for the first time, of the effects of production taxation in a model of nonrenewable natural resource extraction with both production and exploration. The possibility of exploration means that the reserve base is no longer fixed. Also, when the model allows for exploration and reserve additions, the dynamics of the process become complex and equilibrium conditions no longer have closed form solutions.

Effects of production taxation, therefore, were examined with simulations. The model was parameterized for a small oil- and gas-producing region in Alberta, Canada. When a severance tax is imposed at a constant rate, operators decrease production and exploration in all periods while the endogenous price of the resource rises.

Deacon (1993) also simulates effects of severance taxation using the model developed by Pindyck (1978) and later applied by Yücel (1986, 1989). In Deacon's formulation, the oil industry is taken to be competitive, so the time path of the resource price is treated as exogenous. In the simulations, the resource price is assumed to rise in the early years of the production program, but at a rate less than the assumed 5 percent discount rate. Similar to the analytic results derived by Burness (1976) and others in models that abstracted from exploration, the application of an ad valorem severance tax tilts production to the future in comparison to a no-tax base case. Over the life of the program, however, the tax reduces output, implying that an important effect of the production tax is to induce high-grading. In addition, simulations show that a production tax reduces drilling in all periods and that drilling shuts down prematurely in comparison to the no-tax case.

Kunce et al. (2003) also simulate effects of production taxation using the Pindyck (1978) framework, but they parameterize the model for a single state (Wyoming) rather than the nation as a whole, as was the case in the Deacon (1993) study. They consider the effect of doubling the state's production tax on oil extraction in a setting where oil producers are assumed to be price takers. A key feature of this study was to embed the production tax in a broader tax system that allowed for interactive tax bases and tax shifting between the local, state, and federal governments. Simulations demonstrate that a hypothetical doubling of Wyoming's production tax leads to reduced drilling and reduced oil production in each subsequent period. Estimated production declines, however, are comparatively modest; the response of production with respect to the tax change turns out to be highly inelastic (−0.06). Thus, the main effects of the tax increase would be to rather dramatically increase Wyoming's severance tax revenue and to reduce federal corporate income taxes paid by producers.

9.3.2 Property Taxation

Taxation of property, specifically reserves, has received little attention in the literature on production from nonrenewable resources. One reason for this may be the practical complexity of levying such taxes. Nonetheless, Hotelling (1931) demonstrates that a constant percentage tax on the value of reserves

will induce firms to extract more rapidly as they attempt to "mine out from under the tax." Conrad and Hool (1981) show that a constant tax rate per unit of reserves encourages extraction of higher-grade resource in the early periods of the program, but the cutoff grades are lower, thus extending the life of the mine. The property tax is also examined by Heaps and Helliwell (1985) in a model that allows for new reserve investment. The tax is shown to tilt production to the present and to reduce investment in new deposits to avoid holding costs. Simulations by Gamponia and Mendelsohn (1985) show that a property tax on reserves results in tilting production to the present. Deacon (1993) obtains the same outcome in his simulation study and also confirms the Heaps and Helliwell (1985) result by showing that the property tax on reserves results in lower levels of drilling in the early years of the program.

9.3.3 Income Taxation

Burness (1976) analyzes a profits tax on a nonrenewable resource producer with fixed reserves and concludes that output trajectories will not change when the tax is applied at a constant rate. If the tax rate increases over time, however, firms will speed up depletion of the fixed reserve. Conrad and Hool (1984) model a progressive profits tax, finding that such a tax will not exhibit the neutrality of a flat rate profits tax with regard to the extraction path and grade selection. Deacon (1993) simulates a structure broadly similar to federal corporate income taxation with expensing of current and capitalized drilling costs. Simulated paths of extraction, drilling effort and reserves show little distortion from the no-tax base case. These results suggest that income taxation is the least distortionary among the three types of energy taxes imposed by U.S. states.

9.4 Conceptual Framework

We propose a simple dynamic model in the tradition of Hotelling (1931) and Pindyck (1978) with some modifications. The idea is to examine the producers' response when states or a social planner imposes a menu of taxes and subsidies on oil production. We consider three tax/subsidy instruments – a severance tax, a corporate income tax, and a subsidy on drilling expenditures. Producers choose the optimal amount of drilling (and therefore reserve additions) and production of oil to maximize profits.

The model is dynamic, with a known discount rate and no uncertainty. Resource producers face an output price of the commodity that is

exogenously determined. Ideally, output prices should be endogenously determined through the process of dynamic optimization, as in Pindyck (1978). However, because our goal is to examine the effect of various tax regimes under assumptions of alternative petroleum prices and a single U.S. state produces only a small fraction of world output, the exogenous price assumption may be a reasonable approximation. In any case, a partial equilibrium model with endogenous prices may leave too many factors that critically affect oil prices out of the model (e.g., international financial markets, world economic growth).

Let the output price of petroleum be given by $p(t)$ where the argument t denotes time. Then the social planner imposes a set of taxes $(1 - \alpha_p)$ such that the net price received by the producer is the fraction α_p times the price.[5] Thus, the production revenue accruing to producers of energy is given by $\alpha_p p q$ where q is the quantity of oil sold by the producer. We assume that whatever is extracted is sold – there is no storage.

Because we distinguish between production and exploration, we define reserves R at any given time t and the cumulative addition to the stock of petroleum given by x. The relationship between stocks and reserves is given by the differential equation

$$\dot{R}(t) = f(w, x) - q \tag{9.1}$$

That is, the change in reserves is equal to the addition in reserves net of production, as in Pindyck (1978). The function f represents the addition to reserves as a function of drilling effort w and cumulative additions to the stock x and we assume that $f_1 > 0$; $f_{11} > 0$; $f_2 < 0$ $f_{22} > 0$ and $f_{12} < 0$. More drilling effort (w) leads to higher reserve additions, but at a decreasing rate. Higher cumulative discoveries x cause current reserve additions to decline (at a decreasing rate). It is more difficult to add to the reserve base, the higher the discoveries made in the past. Finally, the marginal effect of reserve additions as a function of drilling decline with increases in cumulative stock. For convenience we assume that the stock of resource grows linearly with drilling effort. However, the cost of drilling increases in a convex fashion with drilling effort, given by $k(w)$ where $k'(w) > 0$; $k''(w) \geq 0$ and $k(0) = 0$. Finally, the total cost of extraction is given by $c(q, R)$ with $c_1 > 0$, $c_2 > 0$, $c_2 < 0$, $c_{22} > 0$ and $c_{12} < 0$.[6] That is, the total "lifting" cost increases with quantity produced – for instance,

[5] The tax parameter α_p and two other tax parameters to be defined momentarily are empirically specified in the next section.

[6] In Pindyck's (1978) original formulation, both average and marginal lifting costs depended on R but not on q.

as oil is extracted from greater depths – and it also decreases concavely with current reserves. This specification follows from the view that oil is produced using reserves (a form of capital) and nonreserve inputs (i.e., physical capital other than reserves and labor), so that extraction costs are positively related to output and negatively related to reserves. The cross-partial derivative c_{12} is assumed to be negative.

We introduce two other tax/subsidy parameters in this framework, namely, the portion $(1 - \alpha_c)$ of the production cost that is deductible in computing tax liabilities, so that the net production cost faced by firms is $\alpha_c c(q, R)$ and the part $(1 - \alpha_D)$ that is deductible by the firm, which implies that the net drilling cost payable by the firm is given by $\alpha_D k(w)$. The major goals in this chapter are to examine how the three different tax/subsidy policy instruments, given by α_p, α_c and α_D, affect drilling activity, reserve additions, and production, as well as to compare their corresponding revenue and welfare implications.

Finally, given a fixed discount rate $r > 0$ the social planner solves the following problem:

$$\underset{q,w,x,R}{Max} \int_0^{\infty} [\alpha_p p q - \alpha_c c(q, R) - \alpha_D k(w)] e^{-rt} dt \tag{9.2}$$

which is subject to the following equations:

$$\dot{x} = w \tag{9.3}$$

and

$$\dot{R} = f(w, x) - q \tag{9.4}$$

The current value Hamiltonian for this problem is

$$H = \alpha_p p q - \alpha_c c(q, R) - \alpha_D k(w) + \lambda w + \theta[f(w, x) - q] \tag{9.5}$$

so that the first-order conditions are given by

$$\alpha_p p \leq \alpha_c c_q + \theta \; (= \; iff \; q > 0) \tag{9.6}$$

$$\theta f_w \leq \alpha_D k_w - \lambda (= \; iff \; w > 0) \tag{9.7}$$

$$\dot{\lambda} = r\lambda - \theta f_x \tag{9.8}$$

$$\dot{\theta} = r\theta + \alpha_c c_R \tag{9.9}$$

along with transversality conditions not shown here. The co-state variable λ represents the shadow price of an additional unit of discovered oil. Note that the higher the cumulative discoveries, the lower the additions to reserves. Hence, the shadow price λ will be negative. The shadow price θ represents the discounted increment to profits resulting from the addition of one unit of reserves. Reserves decrease the cost of production and therefore θ should be positive.

An important implication of the model (see equation (9.6)) is that the firm will decide to produce ($q > 0$) if the discounted after-tax wellhead oil price net of marginal extraction costs exceeds the present value of future profits from an additional unit of reserves (θ).[7] Condition (9.7) equates the marginal benefits and costs of an additional well drilled. The benefits are in the form of an increase in reserve additions, which are given by the expression θf_w. The costs are twofold: the marginal cost of drilling net of drilling subsidies denoted by the term $\alpha_D k_w$ plus the negative effect on reserve additions from an addition to the cumulative resource stock given by λ.

Equations (9.8) and (9.9) give the time path of the derivatives for the two shadow prices λ and θ. The rate of increase in the shadow price λ has two components – the discount rate r and the fact that taking out a unit of resource increases the "cost" in the future through lower marginal reserve additions. Because f_x is assumed to be negative, the first term $r\lambda$ is negative and the second term $-\theta f_x$ is positive. At least initially the latter term is likely to be large because of the high value of reserve additions, in which case $\dot{\lambda}(t)$ is likely to be positive and the value of lambda, which is negative, will decline over time. In this model, then, additions to stock adversely impact reserve formation; hence, the interpretation is completely different than in the standard Hotelling model with no exploration activity. The extra cost of drilling is that it decreases the future benefit of drilling. The time path of the marginal value of a unit of reserve θ also increases at the rate of discount but is tempered by its effect on lifting costs – additions to reserves have the added benefit of helping reduce the cost of production, net of production subsidies. This is given by the negative term $\alpha_c c_R$.

In this chapter we do not focus on the analytics of this model, which is similar to the model developed by Pindyck with some key differences. The

[7] Notice that condition (9.7) differs from the corresponding condition derived by Pindyck (1978) in that marginal lifting costs increase with increases in q. Consequently, rather than producing at some maximum rate subject to constraints given by reserve levels, geology, and technology, the firm pays attention to how its lifting costs are affected by the level of output.

main difference is that his production costs are independent of reserves, whereas in our case, production costs decline with cumulative reserves. Moreover, here the focus is on the three tax/subsidy instruments, and we show how they play different roles in influencing production and drilling behavior by firms.

9.5 Calibration of the Simulation Model

Simulations from the model developed in the previous section are constructed based on estimates of the drilling cost, lifting cost, and reserve additions equations, specifying values for the tax/subsidy and other parameters.

9.5.1 Equation Estimates

Estimation of $k(w)$ and $f(w, x)$ are treated together because they are used to compute the marginal cost of reserve additions (k_w/f_w), a key relationship in the model described above. Drilling cost per foot is assumed to be linearly related to footage drilled, as shown in equation (9.10):

$$k(w)/w = \phi w + u \tag{9.10}$$

where ϕ is the parameter to be estimated and the disturbance term u is normally distributed. This specification ensures that the marginal cost of drilling is positive and increasing in footage drilled as long as $\phi > 0$. Using annual data for the United States from 1959 to 2007, with drilling cost per foot measured in year 2000 dollars and footage drilled measured in millions of feet, the least squares estimate of ϕ is 1.23 with t-statistic of 8.17.[8]

The production function for gross reserve additions is specified as

$$f(w, x) = A w^{\rho} e^{-\beta \cdot x} e^{v} \tag{9.11}$$

where A, ρ, and β are parameters to be estimated and the disturbance term e^v is assumed lognormally distributed with mean of unity and variance σ_v^2. Equation (9.11) is similar to the one describing the discovery process proposed by Uhler (1976) and later adopted by Pindyck (1978). The idea behind this equation is that the marginal product of drilling declines as footage drilled accumulates. Estimation of equation (9.11) used annual data from seven important oil-producing U.S. states (California, Kansas, Louisiana, New Mexico, Oklahoma, Texas, and Wyoming) for which complete information on the requisite variables was assembled for the period 1970–97.[9] Oil reserve additions are defined as extensions, new field discoveries and new reservoir discoveries in old fields. The footage drilled variable was defined as in equation (9.10) and the cumulative footage variable was created by adding year-by-year over the sample period for each state. After taking natural logarithms of equation (9.11) and with state-effects included, we obtain least squares estimates of $\rho = 0.95$ (t-statistic = 14.18) and $\beta = 0.000437$ (t-statistic = 1.37). The value of A (28.78) was selected so that the equation predicted U.S. reserve additions in 2007. This equation shows that the marginal product of drilling (f_w) decreases with footage drilled as well as with cumulative drilling, although the coefficient of cumulative drilling is insignificant at conventional levels.

Because data on oil extraction costs are weak, $C(q, R)$ could not be econometrically estimated. Instead, this equation was calibrated for the United States with a Cobb-Douglas functional form using methods described in Deacon (1993). Results show that if the output elasticity of nonreserve inputs is 0.35, then for 2007, $C/q = 458.1(q/R)^{1.86}$. The value of 458.1 is selected so that the right-hand side will predict average U.S. operating cost per barrel in 2007 of $7.56.[10] Note that the Cobb-Douglas form implies that extraction costs rise without limit as reserves approach zero and fall as production declines.

9.5.2 Specification of Tax/Subsidy Parameters

Values for the parameters α_j ($j = p, c, D$) were specified by choosing representative rates of state and federal taxes faced by oil producers and then inserting these values into equations (9.12) through (9.14).

$$\alpha_p = (1 - \tau_{us})(1 - \tau_s)(1 - \tau_r)(1 - \tau_p) + \tau_{us}(1 - \tau_r)\gamma \tag{9.12}$$

$$\alpha_c = (1 - \tau_{us})(1 - \tau_s) \tag{9.13}$$

$$\alpha_D = \{(1 - \tau_{us}\eta - (1 - \tau_{us})\delta)\} \tag{9.14}$$

In equations (9.12), (9.13), and (9.14), τ_{us} denotes the federal corporate income tax rate, τ_s is the state corporate income tax rate, τ_r denotes the royalty rate on production from public (state and federal) land, τ_p is the

[8] Data were taken from American Petroleum Institute (2009).

[9] Data were taken from American Petroleum Institute (various years).

[10] Data were taken from U.S. Department of Energy (2009a).

state severance tax rate, and δ represents the percentage of drilling costs that may be taken as a credit against state severance tax liabilities. This credit is a prominent tax code feature in Alaska. Also, γ represents the federal percentage depletion allowance weighted by the percentage of production attributable to eligible producers (nonintegrated independents), and $\eta = e + (1 - e)f$ denotes the expensed portion of current and capitalized drilling costs attributable to current period revenues for purposes of computing federal corporate income tax liabilities, where e is the percentage of current period drilling costs expensed for tax purposes and f is the present value of cost depletion deductions per unit of depletable expense (see Deacon 1993 for further details).

These equations do not capture all aspects of the tax code facing oil producers. Instead, they merely reflect important tax features and relationships between taxes affecting the oil industry in most states and at the federal level: (1) severance taxes are levied on the wellhead price of oil; (2) royalty payments for production on public land are deductible in computing state severance tax liabilities; (3) public land royalty payments, state severance taxes, and extraction costs are deductible in computing state corporate income tax liabilities; and (4) public land royalty payments, state severance taxes, and state corporate income taxes are deductible in computing federal corporate income taxes. Federal corporate income tax payments are adjusted because of the percentage depletion allowance and special treatment of drilling costs. These equations highlight interaction between tax bases and are more detailed than the corresponding treatment given by Moroney (1997) and Deacon et al. (1990). The equations incorporate the entire tax structure into the model, rather than simply analyzing one tax at a time as in Deacon (1993). Equations (9.12) through (9.14), however, ignore local taxes on the value of production as well as possible property taxes on reserves (levied by relatively few states). As noted in Section 9.2, state tax treatment of the oil industry is not uniform; the specification of the parameters α_j ($j = p, c, D$) would require reformulation to represent the tax structure of a particular state.

9.5.3 Values of Tax/Subsidy Parameters Used in Simulations

Four simulations of the model are considered in the following section. The base case simulation considers a situation in which no taxes are levied and no subsidies are allowed (No-tax Model A); the values for the tax parameters are $\alpha_p = 1$, $\alpha_c = 1$, $\alpha_D = 1$. The Low-tax Model B considers a situation in which the nominal severance tax rate is $\tau_p = 0.12$, the state corporate income tax rate is $\tau_s = 0.06$, and public land royalty payments as a fraction of total production value is $\tau_r = 0.09$. These choices for state corporate income tax and severance tax rates are broadly representative of actual nominal rates for these taxes (see Table 9.1). The public land royalty payment fraction is similar to actual values for oil-producing states in the western United States (Gerking 2005). At the federal level, the effective federal corporate income tax rate is set at $\tau_{us} = 0.30$. The current nominal depletion rate of 15 percent applies to about 60 percent of U.S. oil production; thus, $\gamma = 0.09$.[11] The expensed portion of current period drilling costs is approximately 40 percent for the industry, and the present value of depletion deductions for capitalized drilling cost can be approximated by $(q/R)/(r + (q/R))$, assuming that it is approximately 8 percent; therefore $\eta = 0.40 + (1 - 0.4)^*(0.08/(0.04 + 0.08)) = 0.8$. The parameter δ is set to zero. Thus, the tax policy parameters for Model B are $\alpha_p = 0.55$, $\alpha_c = 0.67$, $\alpha_D = 0.76$.

The High-tax Model C sets all taxes equal to their Model B values, except for the severance tax, which is set at $\tau_p = .25$. Hence, $\alpha_p = 0.47$, $\alpha_c = 0.67$, $\alpha_D = 0.76$. The Drilling Subsidy Model D sets all tax parameters equal to their Model C values, except that δ is set to 0.22, so that $\alpha_p = 0.47$, $\alpha_c = 0.67$, $\alpha_D = 0.61$.

9.5.4 Other Parameters

Each model uses a discount rate of $r = .04$, an oil price of $p = \$70$ per barrel, and is run for 110 periods at which point drilling all but ceases in the four models because it is no longer profitable. The initial value of reserves (R) was set to 20 billion barrels. This value approximates the quantity of proven reserves for the United States in 2007. The initial value of cumulative footage drilled was arbitrarily set to 2 billion feet, which is roughly equal to the cumulative footage for oil wells drilled in the United States in the past 30 years.

9.6 Discussion of Simulation Results

Results of simulations are obtained from solving the first-order equations of the model (equations (9.6) and (9.9)) after substituting values of the

[11] The percentage of production accounted for by nonintegrated independents was approximated by subtracting from unity the ratio of oil and natural gas liquids production by producers subject to USDOE financial reporting system (FRS) requirements to total oil and total natural gas liquids production. For 2007, this ratio was 0.612. Data were taken from U.S.Department of Energy (2009c, 2009d, 2009e).

Table 9.2. *Selected values from solutions for the four models: Year 1*

	Model A	Model B	Model C	Model D
Production in billions of barrels (q)	2.33	2.16	2.03	2.03
Drilled footage in millions of feet (w)	92.44	72.21	63.43	74.26
After-tax price per barrel received by producers ($\alpha_p P$)	\$70.00	\$38.50	\$32.90	\$32.90
After-tax marginal extraction cost of one additional barrel ($\alpha_c C_q$)	\$24.03	\$13.98	\$12.46	\$12.46
Reserve additions from drilling an additional million feet in billions of barrels (f_w)	0.0091	0.0092	0.0093	0.0092
Total reserve additions in billions of barrels (wf_w)	0.841	0.664	0.588	0.683
After-tax marginal cost of drilling one additional foot ($\alpha_D k_w$)	\$227.40	\$135.00	\$118.59	\$111.43
Beginning reserves in billions of barrels (R)	20	20	20	20
Ending reserves (R)	18.55	18.50	18.56	18.65
θ	\$45.80	\$24.50	\$20.50	\$20.50
λ	\$227.00	\$135.00	\$119.00	\$111.00

tax/subsidy parameters and specific equations for drilling costs (equation (9.10)), reserve additions (equation (9.11)), and lifting costs. Table 9.2 shows selected solution values for year 1 for the four models.

In year 1 for Model A, for example, solutions for the level of production and footage drilled are 2.3 billion barrels per year (6.4 million barrels per day) and 92.44 million feet, respectively. These values, together with initial reserves set to 20 billion barrels and $P = \$70$, imply that the marginal cost of extracting an additional barrel of oil is $c_q = \$24.03$ and the marginal cost of drilling an additional foot is \$227.40. Over the course of year 1, reserves fall because production exceeds reserve additions. The present value of future profits from an additional barrel of reserves is $\theta = \$45.80$ (see equation (9.6)), and the present value of drilling cost reductions from an additional unit of reserves is the negative of $\lambda = \$227$ (see equation (9.7)). Both of these two shadow prices steadily converge toward zero over time.

Values presented in Table 9.2 for Models B and C are interpreted similarly. In these two models, production and drilling are lower than in Model A, in part because the severance tax causes prices received by producers to fall disproportionately relative to extraction and drilling costs. In Model D, production is the same as for Model C because tax rates and initial values

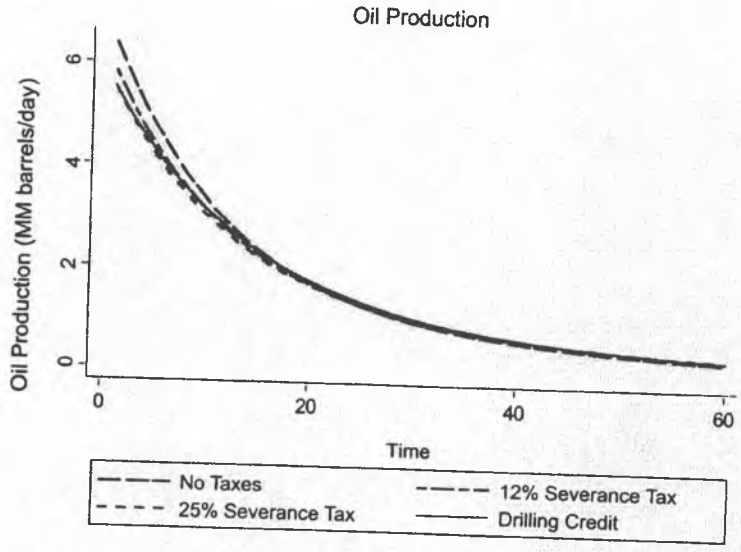

Figure 9.1. Oil production is quite insensitive to the tax structure in the U.S. case.

of reserves are the same, but footage drilled is higher because of the drilling expense subsidy. In all three models, the shadow values λ and θ converge toward zero over time, just as in Model A.

Figure 9.1 shows the time profile of oil production in millions of barrels per day for each of the four models.

In each model, production declines substantially over time. The no-tax case (Model A) shows the highest production rates. The introduction of taxes in Model B tilts production (slightly) to the future, as predicted by models of extraction from fixed reserves (see Section 9.4). Numerical calculations indicate that production rates for Model B are lower than for Model A until year 26, at which point production rates become higher for Model B than for Model A. In Model C, tilting of production to the future is more pronounced in comparison to Model A than it is for Model B because of the higher severance tax rate assumed. Production in Model C is lower in the early years of the program, but begins to exceed production in Model B by year 27. Introduction of the subsidy for drilling expenses tilts production back to the present in comparison with Model C. Model D production initially exceeds that for Model C, but is lower than that for Model C after year 48.

Figure 9.1 also shows that production is relatively insensitive to changes in tax rates and therefore to changes in prices received by operators. Cumulative production figures for the 110-year program period confirm this result (Table 9.3).

More specifically, comparing Model A with Model C, the arc elasticity of cumulative production with respect to a change in severance tax rates $((\Delta q/q)/(\Delta \tau_p/\tau_p))$ is only $(-1.4/38.7)(0.125/0.25) = -0.02$. This outcome implies that the arc elasticity of cumulative production with respect to a change in prices received by operators is $(-1.4/38.7)(56.7/-26.6) = 0.05$. Of course, these simple elasticity calculations are based on cumulative production totals and do not take the timing of production into account, but as shown in Figure 9.1, the time path of production does not differ greatly across the four models.

Oil production also would be insensitive to changes in the percentage depletion allowance rate (η) that can be used by nonintegrated independent producers in computing federal corporate income tax liabilities. As shown in equations (9.12) through (9.14), a reduction in either η or an increase in the severance tax rate τ_p lowers α_p while leaving α_c and α_D unchanged. In fact, given the values of the tax parameters used for Models B, C, and D, eliminating the percentage depletion allowance would have the same effect on production as a four percentage point increase in the severance tax. This parallel between changes in severance tax rates and the changes in the percentage depletion allowance may be of interest in light of the Obama Administration's proposal to eliminate the latter tax preference (see Krueger 2009). Of course, changes in the severance tax and changes in the oil depletion allowance will not have equivalent effects on the collection of other taxes at the state and federal levels.

Insensitivity of oil production to severance tax increases would be to some extent expected in these simulations because a key effect of the tax simply is to reduce industry profits. The assumed price of oil ($70/bbl) is relatively high by historical standards; thus, discounted profit is a relatively large percentage (80 percent) of discounted total revenue. In consequence, the array of taxes imposed in Model B can cut into profits without substantially altering drilling or production. Kunce et al. (2003) found somewhat greater responsiveness of oil production to changes in severance tax rates when setting P (P = $23) at a lower value than the one used in this study. In their simulations, which envision a lower ratio of profit to total revenue, the long-run elasticity of production to changes in the severance tax rate was −0.06.

Table 9.3. *Total drilling, production, tax collections, profits, and reserves for four models over the 110-year program*

	Model A no taxes	Model B 12% severance tax	Model C 25% severance tax	Model D 25% severance tax with drilling subsidy
Total production (in billions of barrels)	39.4	38.5	38.0	38.6
Total footage drilled (in billions of feet)	4.5	3.9	3.6	3.9
Discounted public land royalties (in billions of dollars)	$0	$131.0	$126.3	$129.3
Discounted severance tax Collections (in billions of dollars)	$0	$159.0	$319.2	$307.5
Effective severance tax Rate	0	0.109	0.228	0.212
Discounted state corporate income tax revenue (in billions of dollars)	$0	$60.9	$49.6	$50.8
Discounted federal corporate income tax revenue (in billions of dollars)	$0	$230.0	$182.5	$188.4
Discounted depletion allowance deductions (in billions of dollars)	$0	$119.2	$114.9	$117.7
Discounted pre-tax total revenue (in billions of dollars)	$1,544	$1,456	$1,403	$1,437
Discounted extraction costs (in billions of dollars)	$186.3	$151.8	$130.1	$133.0
Discounted drilling costs (in billions of dollars)	$125.6	$84.4	$68.3	$88.3
Discounted firm profits (in billions of dollars)	$1,231	$638	$527	$539
Beginning reserves (in billions of barrels)	20	20	20	20

In any case, the inelasticity of production with respect to severance tax and price changes suggests that severance tax collections computed as $s = \tau_p(1 - \tau_r)pq - \delta k(w)$ should increase roughly in proportion to changes in the tax rate when $\delta = 0$. As shown in Table 9.3, discounted (at 4 percent) severance tax collections over the 110-year program period total $159.0 billion for Model B and $319.2 billion for Model C. Effective severance tax rates for these two models are 0.109 and 0.228, respectively. These figures suggest that the arc elasticity of discounted severance tax collections with respect to a change in the effective tax rate is 0.95 (assuming unchanged royalty rates and oil prices). Model D, which includes the credit ($\delta = 0.22$) for drilling expenses, reflects smaller severance tax collections than Model C.

Table 9.3 indicates that severance tax rate increases result in lower collections of both state and federal corporate income taxes. Because of the deductibility of severance tax payments against these two taxes, discounted state corporate income tax collections fall from $60.9 billion in Model B to $49.6 billion in Model C, and discounted federal corporate income tax collections fall from $230.0 billion in Model B to $182.5 billion in Model C. Notice that the decline in federal corporate income tax collections is cushioned by declines in depletion allowance deductions ($119 billion to $114.9 billion) and in deductions for current and capitalized drilling costs. The value of these two deductions declines because both production and drilling are lower in Model D than in Model C. Also, discounted oil industry profits fall sharply when all taxes are imposed (compare Model A with Models B and C). In any case, the main effects of severance tax rate increases are to redirect (1) oil industry profits to the public sector and (2) tax payments from the federal level to the state level.

Although the specific way in which the model is parameterized may be responsible for the relative insensitivity of production to changes in oil prices and severance tax rates, results shown in Figure 9.1 and Table 9.3 are broadly consistent with U.S. experience over the past half-century. Figure 9.2 shows this by plotting total U.S. proven reserves (in billions of barrels), total U.S. production from proven reserves (in hundred millions of barrels), and the real price of crude oil (in year 2000 dollars).

Proven reserves stood at roughly 30 billion barrels from 1959 to1970, increased to nearly 40 billion barrels in 1971 with the discovery of oil in Prudhoe Bay, and then declined steadily thereafter to 20.9 billion barrels in 2007. Over this time period, production followed a similar pattern, remaining between 8 percent and 11 percent of reserves in each year; on average, production represented 9.2 percent of reserves with standard error

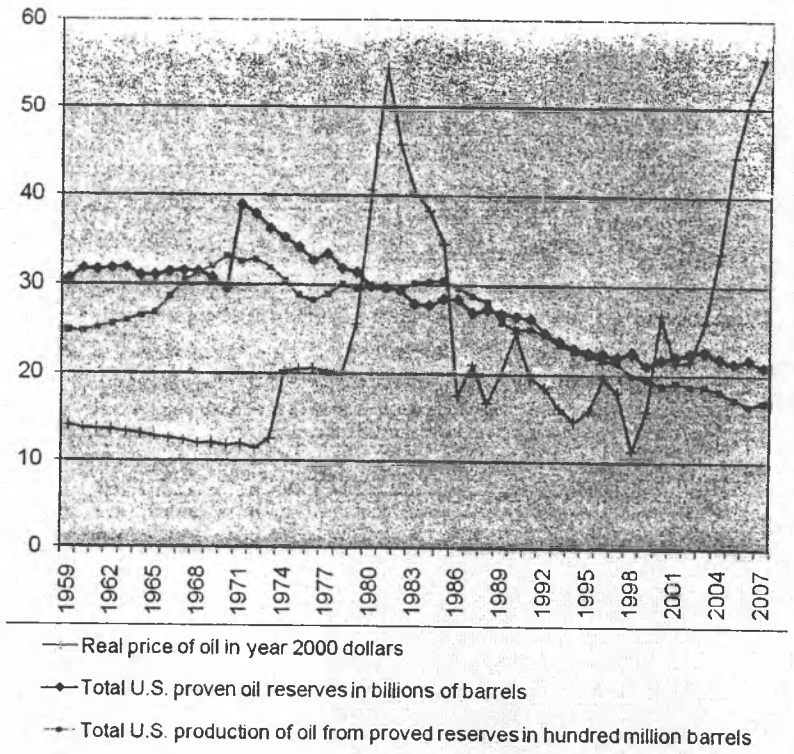

Figure 9.2. U.S. oil production has been insensitive to oil prices over the past 50 years.

of 1.34. Real crude oil prices, on the other hand, exhibited greater variability, but neither the spike in the late 1970s and early 1980s nor the price increase seen in recent years appears to have had much effect on production.

Drilling activity during the 110-year program shows greater percentage differences across the four models (see Figure 9.3 and Table 9.3) than were computed for production.

Model A has the most drilling in each year of the simulation period. Total drilling in Models B and C are lower by 13.3 percent and 20.0 percent, respectively, than in Model A, because the imposition of severance taxes reduces the future payoff from this activity. The effect of the 22 percent drilling expense credit in Model D is to increase drilling above the levels predicted for Model B, but still 13.3 percent below the level predicted for Model A. Total drilling over the 110-year simulation period (net of the starting value of 2 billion feet) is 4.5 billion feet for Model A, 3.9 billion feet for Model B, 3.6 billion feet for Model C, and 3.9 billion feet for Model D.

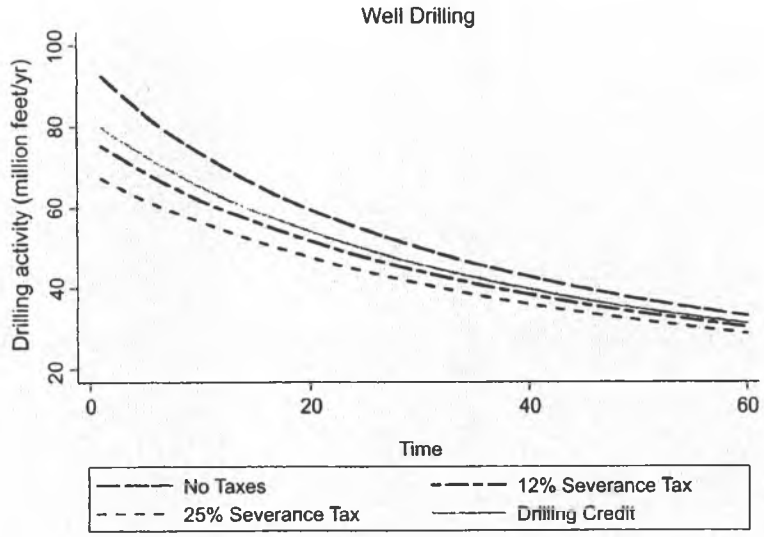

Figure 9.3. Drilling activity is more sensitive to the tax regime.

The figures presented in Table 9.3 imply that the long-run arc elasticity of footage drilled over the 110-year program with respect to the severance tax changes contemplated in Models B and C is −0.07. The corresponding price elasticity is 0.91. Thus, in percentage terms, drilling is more responsive to tax and price changes than is production. Figure 9.4 shows that these results are roughly consistent with the observed relationship between drilling footage and real oil prices (defined as in Figure 9.2) in the United States over the past 50 years.

As shown, drilling footage responds positively to changes in the real oil price, and a regression of the natural logarithm of footage drilled on the natural logarithm of the real price of crude oil yields a coefficient of the latter variable of 0.44 (t-statistic = 3.38). This estimate compares favorably with estimates produced by the simulation model.

Another perspective on the results for the time path of drilling and production can be obtained by focusing on the behavior of reserves. In all four models, initial reserves are set to 20 billion barrels. Drilling leads to annual reserve additions, and reserve additions are highest when more drilling is carried out. In consequence, reserve additions tend to be higher for Model A than for either Models B or C. Reserve additions also are higher for Model D than for Model B, again illustrating the effect of the drilling expense

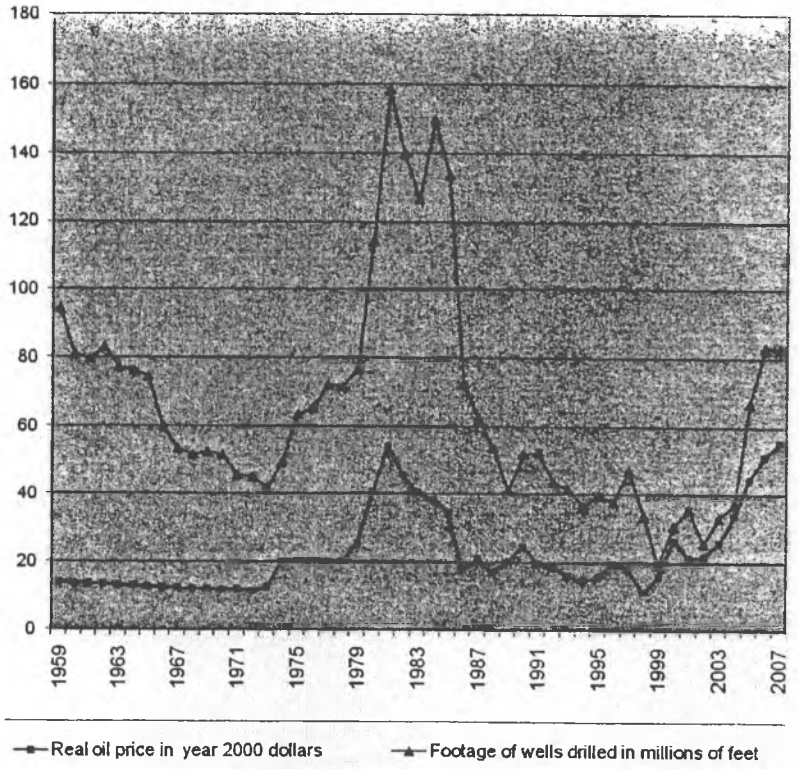

Figure 9.4. Price movements coincide with changes in footage of wells drilled.

subsidy. In all four models, however, annual reserve additions always are exceeded by annual production and thus reflect declining reserves over time. This outcome can be seen in Table 9.3 by comparing beginning reserves with the much smaller corresponding figures for ending reserves.[12] Moreover, this outcome is consistent with the previously discussed trends presented in Figure 9.2, which illustrate that U.S. proven reserves have declined by about 50 percent over the past half-century.

Table 9.3 presents additional information concerning the effect of the 22 percent drilling expense credit subsidy on drilling, production, reserves, and tax collections.[13] As discussed previously, the credit spurs drilling over

[12] The ending values for reserves reflect high-grading brought about by the severance tax, as discussed in the theoretical literature. For instance, ending reserves in Models B and C are 38 percent and 63 percent higher, respectively, than for Model A.

[13] Results presented below concerning effects of a drilling expense credit may also inform the current debate about the proposed elimination of the possibility to expense intangible

the life of the program, which adds to the reserve base and raises production (compare Models C and D). Discounted drilling expenditures rise by 29 percent ($20 billion), but because drilling expenditures rise at an increasing rate with footage drilled (see equation (9.10)), footage drilled rises by a smaller percentage (8 percent or 0.3 billion feet). The 0.6 billion barrel increase in production associated with the credit approximately offsets the effect on production of increasing the severance tax rate from 12 percent to 25 percent (compare Models B and D). Application of the credit results in 14 percent fewer remaining reserves at the end of the program (compare Models C and D) and roughly offsets the effect on ending reserves that results from the severance tax increase in Model C as compared with Model D.

The incremental production resulting from the drilling expense credit results in an increased present value of severance tax collections (gross of the credit) in Model D ($326.9 billion) as compared with Model C ($319.2 billion). Once the present value of drilling expense credits are subtracted, however, the net-of-credit present value of severance tax collections in Model D ($307.5 billion) ends up lower than in Model C by 3.7 percent, yet they are 93.4 percent higher in Model D than in Model B. Comparing Models D and C, $1.2 billion in lost severance tax revenue is regained through increased state corporate income tax collections; however, $5.9 billion in lost severance tax revenue is transferred to the federal government in the form of higher federal corporate income tax payments. In any case, the drilling expense credit results in a net loss in discounted state tax revenue of $10.5 billion. It costs about $17.50 in lost discounted state tax revenue (both severance tax and state corporate income tax) to produce an additional barrel of oil and about $35.00 of lost discounted state tax revenue to drill an additional foot. Additionally, each dollar of discounted state tax revenue lost because of the credit is associated with a $1.90 increase in drilling expenditures.

This outcome raises a question as to whether other public policy instruments, such as support for research to lower drilling costs or to increase finding rates, might spur drilling at lower cost to the state. Nonetheless, if a state's objective in granting the drilling expense credit is to gain support for increasing the severance tax rate from 12 percent to 25 percent, it is a relatively inexpensive concession. On the other hand, a state that expects the drilling expense credit to more than pay for itself through severance

drilling costs in computing federal corporate income tax liabilities. Both types of policies operate through α_D while leaving the other two tax parameters unchanged.

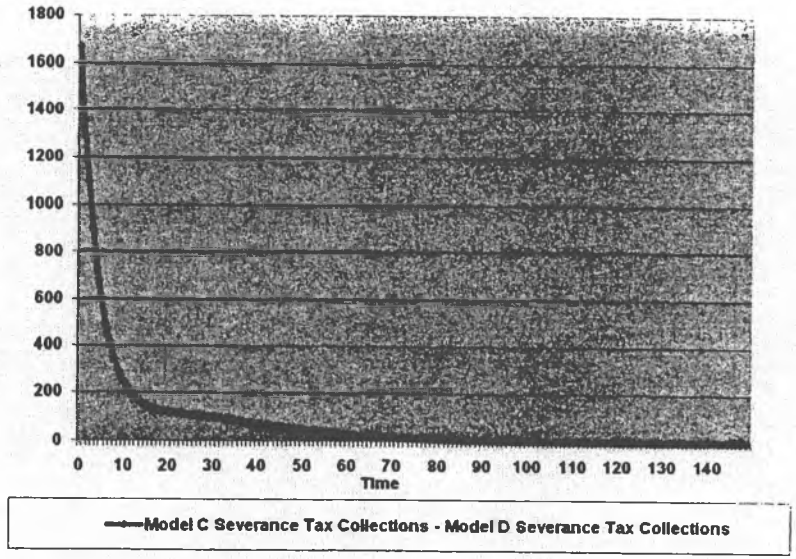

Figure 9.5. Discounted severance tax losses from the drilling expense credit accumulate over time.

tax collections will be disappointed because it simply generates too little incremental oil production. In fact, the drilling expense credit is not only cost-ineffective when evaluated over the entire program, it is cost-ineffective in each program year, as shown in Figure 9.5.

As can be seen from Table 9.2, the credit results in a 17 percent increase in drilling in year 1 (compare Models C and D), but no additional production and thus no additional revenue. Model D production begins to reflect the additional drilling in year 2 and exceeds that for Model C until year 48. During these years, severance tax losses in Model D compared to Model C are smaller than the value of the credit. As indicated, beginning in year 49, production in Model C is larger than that for Model D. Thus, in years 49 to 110, the loss in severance tax revenue in Model D compared to Model C exceeds the value of the credit.

A possible concern about these calculations is that they pertain to a model that is parameterized using U.S. oilfield data. In particular, one conjecture might be that a drilling credit might be financially more attractive in an area that has been less extensively explored, so that the marginal product of drilling in identifying new reserves would be higher. To check this idea, the simulation model was recalibrated by assuming that cumulative drilled footage prior to the start of the program was 500 million feet, rather than

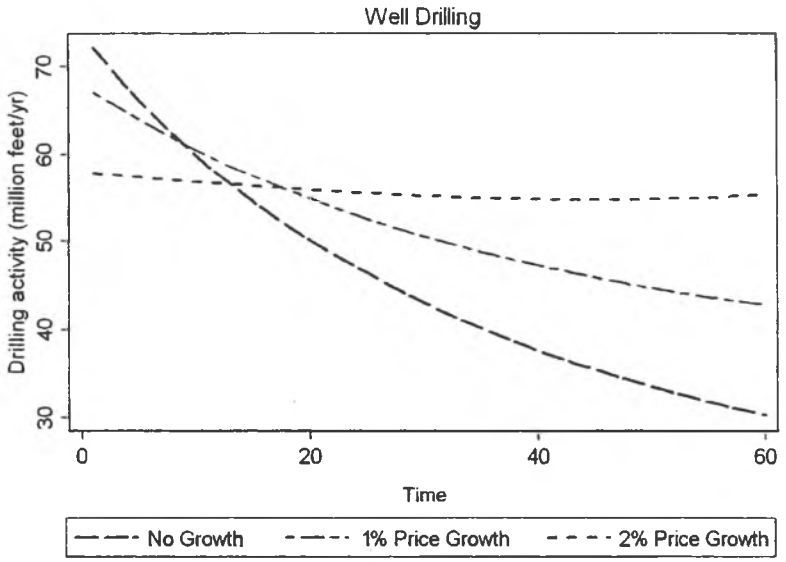

Figure 9.6. Oil drilling tilts to the future with exogenous growth in oil prices.

2 billion feet. This alteration roughly doubles the marginal product of drilling in identifying new reserves, which in turn stimulates drilling, reserve additions, and production. Therefore, Model C discounted severance tax collections are higher than those shown in Table 9.3. Model D discounted severance tax collections also are higher than in Table 9.3, but still lower than the comparable value for Model C. Thus, in both absolute and percentage terms, severance tax losses from the drilling expense credit are larger when cumulative footage drilled totals 500 million feet as compared with 2 billion feet.

It would also be of interest to construct a simulation using the actual path of oil prices over the last several decades. This price, however, exhibits sharp increases and decreases over time (see Figure 9.2), causing the simulation algorithm to break down. As a second choice, we performed a set of sensitivity analyses to reflect a forecast that oil prices will rise over time, at two exogenously given rates. Of course, with perfect foresight, prices cannot go up faster than the rate of discount, because then oil production will be postponed to the future. We thus assume exogenous growth rates in oil prices of 1 percent and 2 percent. As shown in Figure 9.6, drilling activity flattens out with a 2 percent growth in prices.

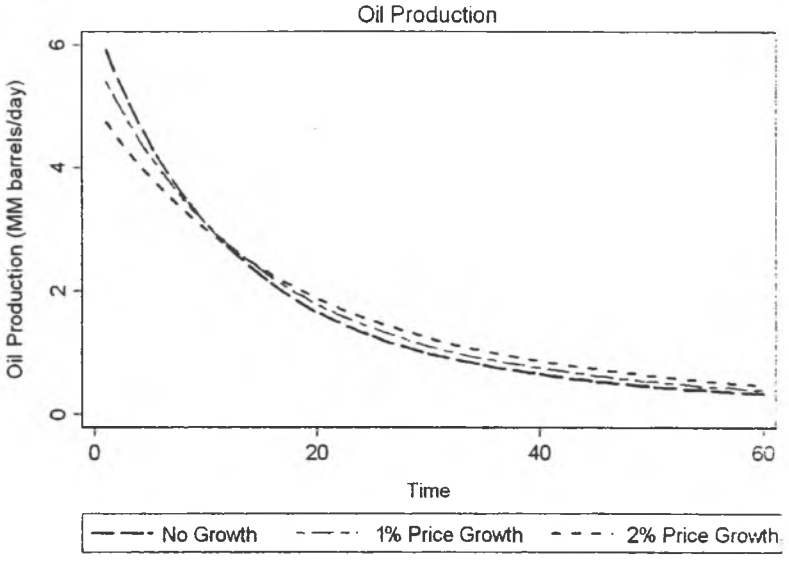

Figure 9.7. Oil production does not change appreciably with growth in oil prices.

However, oil production is relatively insensitive to oil price growth, as shown in Figure 9.7. This is because even though drilling activity shifts out to the future with an increase in prices, the decline in returns from cumulative drilling keeps production from leveling out in time. Production continues to fall, as in the case with constant prices. Figure 9.8 shows the change in reserve additions in the price growth scenario.

9.7 Concluding Remarks

This chapter described tax policies pursued by U.S. states that impact the oil industry. Three types of taxes are discussed: (1) the severance or production tax, (2) the property tax, and (3) the corporate income tax. The severance tax then is further analyzed in light of its widespread use in energy-producing states and its potential to generate revenues to support public services. The analysis is carried out using an adaptation of a conceptual model (Pindyck 1978) of exploration/development and production of exhaustible resources in which oil prices are taken as exogenous. This perspective is a useful simplification for an analysis of state taxes because no state produces enough oil to appreciably affect the world price. Simulations obtained from calibrating the model suggest that oil production volumes will be quite insensitive to

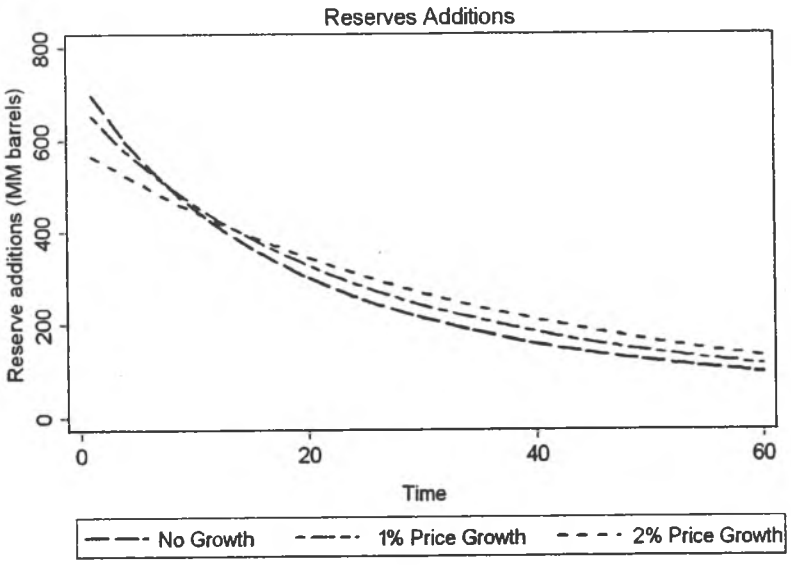

Figure 9.8. Reserve additions change only marginally with growth in oil prices.

price and severance tax rate changes. Thus, an increase in the severance tax rate is seen to generate proportionally more severance tax revenue, as its main effect is to redirect economic rents earned in the oil industry towards the public sector. An implication of this result turns out to be that the proposed elimination of the percentage depletion allowance, available to nonintegrated independent oil producers, may have much the same effect on production as a severance tax increase, although changes in the two types of tax measures may have quite different effects on the distribution of tax revenue between the state and federal levels of government.

Simulations based on the U.S. experience demonstrate that the credit for drilling expenses does turn out to increase drilling as intended. However, if the credit is applied in the United States, particularly in areas where a great deal of drilling has already occurred, its contribution to identifying new reserves may be rather limited. In other words, much of the continental United States has been extensively explored, so the chances of large oil discoveries probably are small. Simulations of the model show that the drilling expense credit does not generate enough incremental severance tax revenue to pay for itself. Additional work needs to be carried out to see whether alternative public policies to stimulate exploration and development might be more cost-effective as well as the extent to which the results presented continue to hold when the model is parameterized differently.

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11.

"Effectiveness of Severance Tax Incentives in the U.S. Oil Industry"

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Effectiveness of Severance Tax Incentives in the U.S. Oil Industry

MITCH KUNCE mkunce@uwyo.edu
Department of Economics and Finance, University of Wyoming, Laramie, WY 82071-3985, USA

Abstract

This paper develops a dynamic empirical framework that can be used to test the effectiveness of state-level severance tax incentives in the U.S. oil industry. The framework embeds U.S. state-level panel data estimates into Pindyck's (1978) widely received theoretical model of exhaustible resource supply and can be applied to any of 20 states that produce significant quantities of oil. The model allows for interactions between taxes levied by different levels of government and for the first time addresses potential interstate differences in exploration costs, extraction costs, and reserve additions. In general, results show that severance tax incentives (in the form of tax rate reductions) substantially reduce state tax revenue collected, but yield moderate to little change in oil drilling and production activity. This outcome suggests that states should be wary of arguments asserting that large swings in oil field activity can be obtained from changes in severance tax rates.

Keywords: state taxation, nonrenewable resources

JEL Code: H71, Q32

1. Introduction

For roughly twenty years, major oil and gas producing states have granted severance tax exemptions, reductions, incentives, and credits to oil and gas producers for the purpose of stimulating exploration, field development, production, and job creation.[1] For example, to date 2000, Alaska, Kansas, and Louisiana have offered 13 such incentive programs, Texas has granted 12, Oklahoma 10, New Mexico 8, and Wyoming 8 (Interstate Oil and Gas Compact Commission, 2001). Incentive programs, generally, involve across the board cuts in nominal severance tax rates levied or discounts against existing severance tax liabilities for special situations faced by producers. The inherent tradeoff state governments must consider when offering incentives involves the potential loss of tax revenue for purported gains in exploration and production activity. A key question then arises: Are severance tax incentives effective in this regard? Surprisingly, very little empirical evidence exists regarding this question despite the heavy reliance on taxation of oil, gas, and/or coal production in many states to fund public goods.

This paper develops a dynamic empirical framework that can be used to test the effectiveness of state-level severance tax incentives in the U.S. oil industry. The framework embeds U.S. state-level panel data estimates into Pindyck's (1978) widely received theoretical model of exhaustible resource supply and can be applied to any of 20 states that produce significant

quantities of oil. The model allows for interactions between taxes levied by different levels of government and for the first time addresses potential interstate differences in exploration costs, extraction costs, and reserve additions. As shown, costs, reserve additions, and tax structures vary considerably across states. Thus, this adapted model is arguably superior to and more comprehensive than previous efforts to develop general econometric and/or simulation models of taxation and natural resource exploration and production. Specifically, Deacon et al. (1990) and Moroney (1997) focus only on one state (California and Texas, respectively), and estimate econometric equations that may not be entirely consistent with a dynamic profit-maximizing framework. Pesaran (1990) estimates an econometric model of offshore oil production in the UK that can be better justified theoretically, but does not consider the role of taxes and estimates of the shadow price of oil in the ground are not always positive. Favero (1992) adds taxes to Pesaran's analysis, but again, estimates of the shadow price of oil in the ground are sometimes negative, suggesting that the model overstates the impact of taxation on profit. The Pindyck based simulation studies conducted by Yücel (1989) and Deacon (1993) examine effects of various types of tax changes on exploration and production but do not consider interactions between tax bases claimed by different levels of government, as well as possible interstate differences in exploration costs, extraction costs, and reserve additions. Also, these studies are aimed mainly at assessing the generality of theoretical results obtained in more limited settings rather than analyzing possible outcomes of changes in state tax policies.

Use of the modeling framework developed here is illustrated by simulating effects of reductions in *existing* state severance tax rates. Thus, results presented have the advantage of showing potential effects of specific state tax policy changes. Examining optimal tax regimes is beyond the scope of this analysis. In general, results show that severance tax rate cuts substantially reduce state tax revenue collected, but yield moderate to little change in oil drilling and production activity. This outcome suggests that states should be wary of arguments asserting that large swings in oil field activity can be obtained from changes in severance tax rates.

The remainder of the paper is divided into four sections. Section 2 presents the theoretical model used in the study. Section 3 presents empirical estimates of the model's parameters. Key estimates are obtained using panel data from the 20 most important oil-producing states over the period 1970–2000. Section 4 presents simulation results showing how oil exploration, reserves and production in Wyoming vary in response to severance tax reductions. Although the model developed can be applied to any of 20 states that produce significant quantities of oil, Wyoming is singled out because the estimates developed are likely to be at least broadly representative of what would be obtained for other states. Moreover, focusing on Wyoming highlights the state's heavy reliance on energy production taxes to fund public services. Implications and conclusions of this analysis are drawn out in Section 5.

2. Conceptual Framework and Model

The analysis presented in this paper extends Pindyck's (1978) model of nonrenewable resource development to incorporate key aspects of federal, state and local taxes facing the U.S. oil industry. Because the theoretical model is familiar, discussion later in this

section is kept to a minimum. Perfectly competitive producers are assumed to maximize the discounted present value of future operating profits from the sale of resources. The firm's problem is to take known future output prices and taxes as given and then choose optimal time paths for exploration and production. This assumption parallels the basic tax competition models, reviewed by Wilson (1999), where governments commit to a tax regime and then perfectly competitive firms react treating the structure as exogenous.[2] Whereas the studies reviewed by Wilson model firms that are to some extent geographically mobile, firms extracting nonrenewable resources are tied to an immobile reserve base that represents the key component of their capital stock. In consequence, extractive firms view time, rather than space, as the most important dimension over which to substitute in response to changes in tax policy. Substitutions over time, of course, alter relative rates of exploration and production occurring at different locations. Yet, timing of activities is the most important aspect of the extractive firm's problem and information about location choice can be recovered as a by-product simply by comparing rates of development for particular reserves. A single firm is used to represent the industry, so the common pool problem and well spacing regulations are ignored (McDonald, 1994). For simplicity and because of data constraints discussed in the next section, exploration is defined to include resource development, although the two activities clearly are not the same (Adelman, 1990). The aim of exploration is to add to the reserve base, which in the model represents a form of immobile capital.

Institutional features of taxation facing oil producers are complex, however, incorporating these aspects into the model is not difficult conceptually and distinctly separates it from previous efforts mentioned in the introduction. Tax structures vary considerably among states and tax bases interact, particularly between the state and federal level. For example, among the eight states responsible for about 89% of 2000 U.S. oil production (Alaska, California, Kansas, Louisiana, New Mexico, Oklahoma, Texas, and Wyoming), all states except California levy severance taxes against the value of output. Severance taxes dominate other forms of local taxation in Alaska, Wyoming, and Louisiana. Most states do not levy property taxes on the value of reserves in the ground (Texas and California do). Most states treat royalty payments (computed as a percentage of gross value of production) for production on public land as deductible items in computing severance tax liabilities (Louisiana does not). Public land royalties are prominent in Alaska, New Mexico, and Wyoming due to the large shares of publicly owned land. Most states levy a corporate income tax that applies to oil operators (Wyoming and Texas do not). Also, states have granted innumerable exemptions and credits (which differ by state) against various tax liabilities for special situations that may be encountered by operators. Hence, effective rather than nominal rates are incorporated in the model developed below. Within states, counties apply their own mill levies to compute property taxes on above-ground and down-hole equipment at different rates. However, taxation of structures and equipment are usually less important than other sources of revenue and are not treated in the model below.

Regarding federal taxes, all incorporated producers file federal corporate income tax returns that allow deductions for various types of operating costs and for state and local tax payments. Independent producers (those without downstream refining or retail interests) are permitted to take a percentage depletion allowance, while major producers are allowed only cost depletion, which is significantly less generous. Both major and independent

incorporated producers can expense intangible drilling costs incurred on their federal corporate income tax returns. The fact that some smaller producers are not incorporated and may therefore face alternative state and federal tax treatment is not treated here.

The firm's maximization problem now becomes

$$\max_{q,w} \quad \Omega = \int_0^\infty [qp - C(q, R) - D(w) - \gamma R]e^{-rt}\, dt \tag{1}$$

subject to

$$\dot{R} = \dot{x} - q \tag{2}$$

$$\dot{x} = f(w, x) \tag{3}$$

$$q \geq 0, \quad w \geq 0, \quad R \geq 0, \quad x \geq 0 \tag{4}$$

where a dot over a variable denotes a time rate of change, q denotes the quantity of oil extracted measured in barrels, p denotes the exogenous market price per barrel net of all taxes, $C(q, R)$ denotes the total cost net of taxes of extracting the resource, which is assumed to depend on production (q) and reserve levels(R), $D(w)$ denotes total cost of exploration for additional reserves net of taxes, w denotes exploratory effort, γ denotes the net of all tax constant effective property tax rate on reserves, r denotes the discount rate which represents the risk-free real rate of long-term borrowing, x denotes cumulative reserve additions (discoveries), $f(w, x)$ denotes the production function for gross reserve additions ($\dot{x}$) which is assumed to depend on current exploratory effort (w) and cumulative discoveries (x), and $\dot{R}$ denotes reserve additions net of production (q).[3] In this formulation, the net-of-tax price per barrel is related to the wellhead (pre-tax) price (p^*) according to $p = \alpha_p p^*$, where α_p is a constant comprised of federal, state, and local effective tax rates such that $0 < \alpha_p < 1$. Correspondingly, $C(q, R) = \alpha_c C^*(q, R)$ and $D(w) = \alpha_D D^*(w)$, where α_c and α_D also are constants generated from effective tax rates and lie on the unit interval. A more complete discussion of the tax policy parameters follows below in Section 3.3.

The Hamiltonian for this problem is

$$H = qpe^{-rt} - C(q, R)e^{-rt} - D(w)e^{-rt} - \gamma Re^{-rt} + \lambda_1[f(w, x) - q] + \lambda_2[f(w, x)]. \tag{5}$$

Differentiating H with respect to R, q, x, and w yields the maximum principle conditions

$$\dot{\lambda}_1 = (C_R + \gamma)e^{-rt} \tag{6}$$

$$pe^{-rt} - C_q e^{-rt} - \lambda_1 = 0 \tag{7}$$

$$\dot{\lambda}_2 = -f_x(\lambda_1 + \lambda_2) \tag{8}$$

$$-D_w e^{-rt} + f_w(\lambda_1 + \lambda_2) = 0. \tag{9}$$

From equation (7), operators will produce if the discounted net-of-tax price exceeds discounted extraction costs. A severance tax decrease will increase the net-of-tax price which could affect the production decision. In equations (6)–(9), λ_1 is the discounted shadow price of the reserve state, λ_2 is the discounted shadow price of cumulative reserve additions, and letter subscripts represent partial derivatives. The shadow price of cumulative reserve additions, λ_2, is expected to be negative (and small relative to λ_1) for oil because current reserve

discoveries will increase the amount of exploration needed in the future. From equations (8) and (9), the term $(\lambda_1+\lambda_2)$ equals the discounted value of the marginal cost of adding another unit of reserves by exploration $[D_w/f_w]e^{-rt}$. Because $0 < \alpha_D < 1$, this net marginal cost is lower than in the pretax case.

The evolution of q is obtained by differentiating equation (7) with respect to time and setting the result equal to equation (6) to eliminate $\dot{\lambda}_1$. This yields

$$\dot{q} = \frac{-r(p - C_q) + \dot{p} - C_{qR}\dot{R} - (C_R + \gamma)}{C_{qq}}. \tag{10}$$

The optimal time path of w, can be determined using equation (7) and equation (9) to solve for λ_2, differentiating with respect to time to obtain an expression for $\dot{\lambda}_2$, equating the result to equation (8) and rearranging terms:[4]

$$\dot{w} = \frac{D_w[(f_{wx}/f_w)\cdot \dot{f} - f_x + \mathrm{r}] + (C_R + \gamma)f_w}{[-D_w(f_{ww}/f_w)]} \tag{11}$$

Equation (11) shows that the trajectory of exploratory effort is determined by a tradeoff between the cost of finding new reserves and the extraction cost savings this new level of reserves yields. As specified in this model, a severance tax incentive (rate decrease) could increase incentives to explore and enhance reserves due to the subsequent increase in the net-of-tax price. This effect is discussed in more detail in Section 4. The numerator of equation (10) emphasizes the role reserves play in the optimal extraction path. If reserves rise, marginal extraction costs fall, thus increasing production. While general suppositions such as these can be drawn analytically, the complexity of the dynamic process just described may be best examined with simulation as developed below.

Boundary conditions can be established by first assuming that $D_w/f_w = 0$ when $w = 0$ (see Pindyck, 1978, pp. 846–847). In this situation, when production ceases at some terminal time T, exploration ceases at the same time because it is of no further value. Also, $\lambda_2(T) = 0$ as long as there are no terminal costs associated with cumulative discoveries. In consequence, from equation (9), $\lambda_1(T) = 0$ implies that operating profit on the last unit of reserves extracted is zero, $p = C_q$. An alternative terminal state centers on the case where $D_w/f_w = \Phi > 0$, when $w = 0$. In this situation, production will continue after exploratory effort ceases. Let $T_1 < T$ denote the time when $w = 0$. If exploratory effort is zero, $f_x = 0$, hence $\dot{\lambda}_2(T_1) = 0$ and $\lambda_2(T_1) = 0$. From (7) and (9), $p - C_q = \lambda_1(T_1)e^{rt} = \Phi = D_w/f_w$ which indicates that exploration will stop just as $p - C_q$ approaches marginal discovery cost, Φ. These two alternative terminal conditions are discussed in the next section as well as in connection with the simulations presented in Section 4.

3. Estimation

As shown in equations (10) and (11), the evolutions of w and q are nonlinear functions of both the levels of these variables and the previously defined tax parameters. Estimating these equations directly poses certain econometric issues (see Pesaran, 1990) and it is unclear how information from the transversality conditions would be incorporated. In consequence, rather than attempt to obtain econometric estimates of these two equations directly, equations

for exploration costs (D^*), production of reserve additions (f), and extraction costs (C^*) are estimated and then substituted into the model along with estimates of the tax policy parameters α_p, α_c, α_D, and γ (see Yücel, 1989; Deacon, 1993 for similar treatments). Effects of severance tax changes then are obtained by simulation. State-specific estimates of equations for D^* and f are treated together in Section 3.1 because they are used to compute the marginal cost of reserve additions (D^*_w/f_w) which is a crucial function of the model described above. The equation for C^* is treated in Section 3.2 and the tax parameters are derived in Section 3.3. Key interstate differences regarding all estimates are highlighted throughout the discussion below.

3.1. Marginal Cost of Reserve Additions

The before-tax marginal cost of reserve additions (D^*_w/f_w) is computed from estimates of equations for drilling costs and for the production of reserve additions. Drilling costs are modeled in equation (12) as proportional to drilling effort.

$$D^*(w) = \phi w e^u \tag{12}$$

This approach ensures that the objective function (see equation (1)) represents a perfectly competitive firm ($D_{ww} = 0$). In equation (12), ϕ is the parameter to be estimated, and the disturbance term e^u is lognormally distributed with mean of unity and variance σ_u^2. Data by state and over time on labor, capital, and other primary inputs to drilling are unavailable, so the annual number of wells drilled in a state is used as a measure of drilling effort (w). Data on footage drilled also could be used as a measure of w (see Deacon, 1993). However, in the data set applied (see below) the number of wells drilled is positively correlated with total footage drilled (Pearson correlation = .98). Also, total drilling cost is approximately proportional to both footage and the number of wells, so to some extent the two variables measure the same thing. As discussed in Section 2, cumulative reserve discovery (x) appears as an argument in the production function for new reserves (see equation (13) below). A proxy for x can be constructed from available data (American Petroleum Institute, 1971) on the total number of wells drilled by state since 1859 (when the first oil well was drilled in Pennsylvania), whereas corresponding data on total footage drilled since that date are not available. Thus, use of number of wells as a measure of drilling effort simplifies the simulations presented in Section 4 and eliminates the need for arbitrary assumptions about historical average depth per well.

The production function for reserve additions is specified as

$$f(w, x) = A w^{\rho} e^{-\beta \cdot x} e^v \tag{13}$$

where A, ρ, and β are parameters to be estimated and the multiplicative disturbance e^v is assumed lognormally distributed with mean of unity and variance σ_v^2. The functional form selected for f is similar to the equation describing the discovery process proposed by Uhler (1976) and later adopted and estimated by Pindyck (1978) and Pesaran (1990). The idea behind this equation is that the marginal product of exploration declines as reserve discoveries cumulate. As previously discussed, data on cumulative reserve discoveries of oil are unavailable, so the cumulative number of wells drilled by state was used as a proxy.

As in the drilling cost function, the annual number of wells drilled is used as a measure of w.

Drilling cost and reserve production functions are estimated using annual data from 20 U.S. states for which complete information on wells drilled, drilling costs, reserve additions, and cumulative drilling could be assembled for the period 1970–2000.[5] Regarding costs, operators report the total cost (both tangible and intangible) of each well completed (including dry holes) via the Joint Association Survey on Drilling Costs.[6] Oil reserve additions are comprised of extensions, new field discoveries and new reservoir discoveries in old fields as defined by the U.S. Department of Energy, Energy Information Administration (DOE/EIA). The 20 states included in the data set accounted for 98.5% of the total U.S. oil production over 1970–2000.

Data sources, definitions, and sample means of variables used in the analysis are presented in Table 1. All nominal costs are converted to year 2000 dollars using the GDP deflator. Equations (12) and (13) were estimated in natural logarithms. An instrument for the natural logarithm of *WELLS* was used in equation (13) because w is an endogenous variable in the model presented in Section 2 and a Durbin-Wu-Hausman test (see Davidson and MacKinnon, 1993, pp. 389–393) rejected the exogeneity of w at the 5% level. An instrument for w was obtained by predicting the natural logarithm of the number of wells drilled from the one-way fixed-effects regression reported in Table 2. Time-specific effects tested insignificant at conventional levels. *PRICE* and *CWELLS* were included as explanatory variables because they are exogenous variables in the model. *PRICE2*, *CWELLS2*, and *PRICE*CWELLS* were included to account for non-linearities expected in light of relationships in the model. All estimated coefficients are significantly different from zero at conventional levels. The marginal effect of *WELLS* with respect to *PRICE* increases at a decreasing rate. The Pearson correlation between the actual values of *LN(WELLS)* and the corresponding predicted values, *LN(PREDWELLS)*, is 0.96.

Estimates of the drilling cost equation (12) are obtained by regressing the natural log of drilling costs minus the natural log of wells on dummy variables for states and years. This two-way fixed effects approach is a simple way to control for heterogeneity across states and over time. Examples of state-specific effects include geologic conditions, geographic remoteness of on-shore oil and gas resources, and whether drilling occurs in off-shore coastal waters (note that most states in the data set are landlocked). Time varying factors common to all states may include technological advancement and macroeconomic cycles. For this equation, each state-specific effect for a given year, conveniently, becomes the state-specific estimate of ϕ.

Estimates of equation (13) are obtained in a one-way fixed effects framework that yields common estimates of the slope coefficients across states and corrects for first-order serial correlation.[7] The one-way fixed effects estimation with correction for serial correlation is used for four interrelated reasons. First, this approach is a simple way to control for, yet avoid enumerating, unique aspects of states that affect reserve additions, but do not change over time. Second, time-specific effects are not jointly significant at conventional levels, making estimation in a two-way fixed effects framework unnecessary. Third, the random-effects specification, in which state-specific effects are treated as error components, is rejected by a Hausman (1978) test at the 5% level of significance. Moreover, conditional estimates of

Table 1. Variable definitions, data sources, and sample means.

Variable	Definition	Source	Sample mean
TRCOST	Total drilling costs in millions of 2000 dollars, for oil wells by state and year.	American Petroleum Institute. *Joint Association Survey on Drilling Costs.* Annual.	332
WELLS	Total oil wells drilled in a state by year.	American Petroleum Institute. *Joint Association Survey on Drilling Costs.* Annual.	741
CWELLS	Cumulative total wells drilled in a state beginning in 1859.	American Petroleum Institute. *Petroleum Facts & Figures* (1971 ed.)	95492
TRCWELL	Total drilling cost per well drilled, by state and year, in millions of 2000 dollars.	American Petroleum Institute. *Joint Association Survey on Drilling Costs.* Annual.	0.723
FTWELL	Total footage per well drilled, by state and year.	American Petroleum Institute. *Joint Association Survey on Drilling Costs.* Annual.	5666
PRICE	Average wellhead price of oil per barrel, by state and year, in 2000 dollars.	American Petroleum Institute. *Basic Petroleum Data Book.* Feb. and Aug. Annually.	24.56
ADDED RESERVES	Oil reserve extensions, new field discoveries and new reservoir discoveries in old fields, by state and year in millions of barrels.	U.S. Energy Administration. *U.S. Crude Oil, Natural Gas, and Natural Gas Liquids Reserves.* Annual.	31.4
RESERVES	Proved reserves by state and year in millions of barrels.	American Petroleum Institute. *Basic Petroleum Data Book.* Feb. and Aug. Annually.	1320.5
PROD	Production by state and year in millions of barrels.	American Petroleum Institute. *Basic Petroleum Data Book.* Feb. and Aug. Annually.	126.4
PRICE2	Average real price squared.	–	757
CWELLS2	Cumulative total wells squared.	–	3.4E+10
PRICE CWELLS*	Interaction of real price and cumulative total wells.	–	2.4E+6

the effects on reserve additions obtained from fixed-effects are thought to be of greater interest than corresponding unconditional estimates obtained using random effects. Fourth, the null hypothesis of no serial correlation is rejected at the 5% level, hence, the equation was re-estimated with correction for first-order serial correlation.

Table 3 reports estimates of the drilling cost equation for 8 major producing states. The 2000 state-specific estimates of ϕ have been corrected for the fact that the equation was estimated in logarithmic form (see Greene, 1997, p. 279). As shown, R^2 is 0.93 with state- and time-specific effects jointly significant under the appropriate F-test. State-specific estimates of ϕ test different from each other, except for Texas and Oklahoma, at the 5% level. Results suggest that total drilling costs increase with w and that constant marginal drilling

Table 2. One-way fixed effects construction of instrument for *LN(WELLS)*.

Explanatory variable	Coefficient (*t*-statistic)
PRICE	0.062 (6.58)
PRICE2	−0.32E-3 (−2.34)
CWELLS	−0.33E-4 (−6.76)
CWELLS2	0.22E-10 (5.46)
PRICE ∗ *CWELLS*	0.72E-8 (1.82)
Summary statistics	
NT	620
R^2	0.86
F(19,596)[a]	49.55
F(30,565)[b]	1.18
Hausman[c]	45.20

[a]Test statistic for joint significance of state-specific effects.
[b]Test statistic for joint significance of time-effects after removing state-specific effects.
[c]Statistic for testing consistency of corresponding random effects estimates.

costs (D_w^*) differ substantially across the 8 states shown. Estimates of the reserve addition equation are shown in Tables 4 and 5. The coefficient of *LN(PREDWELLS)* is 0.56 and this estimate is significantly different from one and zero at conventional levels. The value of R^2 is 0.63 and the state-specific effects are jointly significant under the appropriate F-test. Also, the negative coefficient of *CWELLS*, though insignificant at conventional levels, suggests that reserve additions decline with the passage of time as new reserves become more difficult to identify. Table 5 shows the corrected state-specific intercept terms (A) for 8 major producing states. Results suggest that the marginal product of drilling (f_w) decreases with wells drilled and this marginal product would vary between states even if the number of wells drilled were the same in each.

Estimates of the two equations combined suggest that marginal cost of reserve additions (D_w^*/f_w) increases with drilling activity. As w increases, the marginal cost of drilling is constant, but the marginal product of drilling in finding new reserves (f_w) falls. Table 6 shows how pre-tax values of D_w^*, f_w, and D_w^*/f_w differ by state for 8 of the major producing states, assuming that the 2000 level of wells are drilled in each. Estimates of drilling cost per well (D_w^*) range from $132,907 in Kansas, where wells tend to be shallow, to $3,881,600 in Alaska, where the drilling experience is very different as compared to the lower 48 states. Marginal reserve additions from drilling (f_w) range from 11,051 barrels per well

Table 3. Two-way fixed effects, instrumental variable estimates of the drilling cost function (Corrected 2000 estimates of ϕ for 8 major producing states[a]).

State	Corrected fixed effect (t-statistic)
Alaska	3.881 (16.25)
California	0.277 (15.28)
Kansas	0.133 (24.05)
Louisiana	1.323 (3.38)
New Mexico	0.493 (8.41)
Oklahoma	0.357 (12.26)
Texas	0.352 (12.44)
Wyoming	0.601 (6.04)
Summary statistics	
NT	620
R^2	0.93
F(49,570)[b]	149.5

[a]See Greene (1997, p. 279) for specific details on intercept bias adjustment. 2000 time-effect added.
[b]Test of joint significance of state- and time-specific effects.

in Kansas to 177,067 barrels per well in Alaska. Thus, while drilling a well in Alaska is markedly more expensive than in Kansas, Alaska experiences a greater payoff from these more costly exploration and development efforts. In fact, estimates of the marginal cost of reserve additions, D_w^*/f_w, reflect somewhat less variation across states than do estimates of either D_w^* or f_w, ranging from a low of \$11.24 per barrel in Louisiana to a high of \$21.92 in Alaska. Although relatively little variation in D_w^*/f_w would be expected when operators are familiar with costs and payoffs from drilling in alternative locations, values of the marginal cost of reserve additions are not expected to be equal across states. For example, aside from random factors introduced in estimation, variation in D_w^*/f_w between states could be due to differences in oil quality, transportation costs, as well as other factors that can cause wellhead prices of oil to differ across states

3.2. Extraction Costs

Direct operating (lifting) cost for oil by region at depths of 2,000, 4,000, 8,000, and 12,000 feet are available from annual cost index studies published by the DOE/EIA for the period

Table 4. One-way fixed effects, instrumental variable estimates of the reserve additions function.

Explanatory variable	Coefficient (*t*-statistic)
LN(PREDWELLS)	0.56 (11.09)
CWELLS	−0.3E-5 (−1.26)
Summary statistics	
NT	620
R^2	0.63
F(19,579)[a]	22.2
F(30,568)[b]	1.12
RHO	0.394
Hausman[c]	15.1

[a]Statistic for testing joint significance of state-specific effects.
[b]Statistic for testing joint significance of time-specific effects after removing state effects.
[c]Statistic for testing consistency of corresponding random effects estimates.

Table 5. One-way fixed effects, instrumental variable estimates of the reserve additions function (Corrected estimates of *A* for 8 major producing states[a]).

State	Corrected fixed effect (*t*-statistic)
Alaska	1.57 (1.64)
California	0.78 (2.01)
Kansas	0.31 (1.17)
Louisiana	2.49 (1.82)
New Mexico	0.57 (1.68)
Oklahoma	0.62 (1.94)
Texas	0.52 (2.11)
Wyoming	0.78 (2.03)

[a]See Greene (1997, p. 279) for specific details on intercept bias adjustment.

Table 6. Pre-tax marginal drilling cost, marginal product of drilling, marginal cost of reserve additions for 8 major producing states[a].

State	D_w^* (in \$)	f_w (in bbls)	D_w^*/f_w
Alaska	3,881,600	177,067	21.92
California	277,119	14,717	18.83
Kansas	132,907	11,051	12.03
Louisiana	1,323,014	117,753	11.24
New Mexico	492,620	27,123	18.16
Oklahoma	356,754	23,477	15.20
Texas	351,654	24,219	14.52
Wyoming	600,911	39,238	15.31

[a]Evaluated at each state's actual 2000 wells drilled. State-specific cumulative wells total is set to actual 2000 values.

1970–2000. However, these data are of limited value for two reasons. First, cost estimates are not always disaggregated to the state level and cost estimates for other states may not be representative of all production. Second, through the mid-1980s, price controls on oil and/or gas distorted production incentives, making historical extraction costs difficult to compare with extraction costs in more recent years. As a compromise, following Deacon (1993), values of extraction cost parameters are calibrated for the following Cobb-Douglas function,

$$C(q, R) = \kappa q^{\varepsilon} R^{1-\varepsilon}, \tag{14}$$

where $\varepsilon = 1/\mu$, μ is the production share of non-reserve inputs, and κ is a constant that drives the production cost modeled to an average level of *lifting costs* representative of the 2000 DOA/EIA surveyed estimates described above. State-specific estimates for μ are established from the data on operating cost, drilling cost, production, reserve additions, and reserve levels described above (see Deacon, 1993 for specific calibration methods). Table 7

Table 7. Non-reserve production input share μ, and pre-tax marginal extraction cost for major producing states.

State	μ	C_q[a]
California	0.27	7.12
Kansas	0.17	4.99
Louisiana	0.21	9.11
New Mexico	0.31	6.87
Oklahoma	0.26	6.89
Texas	0.32	7.01
Wyoming	0.34	6.93

[a]Calculated at 2000 levels for production and reserves, in year 2000 dollars. The EIA does not provide data for Alaska.

shows the pre-tax marginal extraction costs (C_q^*) and the non-reserve input shares (μ) for 7 major producing states. The DOE/EIA does not estimate lifting costs for Alaska. As shown, real marginal extraction costs range from a low of \$4.99 per barrel in Kansas to a high of \$9.11 per barrel in Louisiana. The Cobb-Douglas form for extraction costs insures that these costs will rise without limit as reserves approach zero. This condition implies that a positive level of reserves will remain at any terminal time, denoted T_1. Likewise, the functional form invokes a strictly positive level of production given any positive level of reserves. Thus, simulations reported in Section 4 are based on the second of the two alternative boundary conditions discussed in Section 2. This condition implies that production continues after incentives for further exploration vanish and that the terminal date for maximizing discounted operating profits must be set arbitrarily. This fixed program period could be interpreted as the producer's relevant planning horizon.

3.3. *Tax Policy Parameters*

For most states in most years, γ and $\alpha_j (j = p, C, D)$ can be specified by noting whether reserves are subject to a property tax (see text equation (1)) and then evaluating the following equations:

$$\gamma = \{(1 - \tau_{us})(1 - \tau_s)\tau_R\} \tag{15}$$

$$\alpha_p = \{(1 - \tau_{us})(1 - \tau_s)(1 - \tau_r)(1 - \tau_p) + \tau_{us}(1 - \tau_r)\delta\} \tag{16}$$

$$\alpha_c = \{(1 - \tau_{us})(1 - \tau_s)\} \tag{17}$$

$$\alpha_D = \{(1 - \tau_{us})(1 - \tau_s)\eta\} \tag{18}$$

The derivation of equations (15)–(18) can be found in Appendix A. In (15)–(18), τ_{us} denotes the federal corporate income tax rate, τ_s denotes the state corporate income tax rate, τ_R denotes the property tax rate on reserves weighted by the per unit assessed value, τ_r denotes the royalty rate on production from public (state and federal) land, τ_p denotes the production (severance) tax rate, δ denotes the federal percentage depletion allowance weighted by the percentage of production attributable to eligible producers (nonintegrated independents), and η denotes the expensed portion of current and capitalized drilling costs attributable to current period revenues. The parameter η is made up of two components: (1) the percentage of current period drilling costs expensed and (2) the estimated present value of cost depletion deductions for the capitalized portion of current and past drilling expenditures. Producers are allowed to expense costs associated with drilling dry holes along with certain intangible costs (e.g., labor and fuel) for completed wells as they are incurred. All direct (tangible) expenditures for completed wells must be capitalized then depleted over the life of the producing well.

This formulation captures several aspects of the U.S. tax structure as it applies to the oil industry. (1) Federal royalty payments are deductible in computing state production tax liabilities. (2) Federal royalty payments, state production taxes, state property taxes on reserves, extraction costs, and certain drilling costs (described above) are deductible in computing both state and federal corporate income tax liabilities. (3) State corporate income taxes are deductible against federal corporate income tax liabilities. As noted in

Section 2, state tax treatment of the oil industry is not uniform and there are a number of situations in which these equations would have to be modified. Notice that this treatment of taxes in the model highlights the interaction between tax bases and is more detailed than the corresponding treatment given by Moroney (1997) and Deacon et al. (1990). Also, the entire tax structure is incorporated into the model, rather than simply analyzing one tax at a time as in Deacon (1993).

All tax parameters in equations (15)–(18) are effective rather than nominal rates. States grant numerous credits and exemptions against taxes levied, so nominal rates generally overstate amounts actually paid. State and local data required for these effective rate calculations are neither available from a central source nor compiled in a common format, so they were obtained directly from tax officials in each state. Royalty rates are computed as the sum of state and federal royalty payments divided by the gross value of production. Production tax rates are computed as total production tax collections divided by the gross value of production net of public land royalties. At the federal level, data from Statistics of Income (U.S. Department of Treasury, 1999–2000) for the oil and gas sector show that federal corporate taxes paid averaged about 11% of *net operating* income in 2000. The ratio of the federal effective to marginal rate was also applied to each state's top marginal corporate income tax rate to obtain an effective estimate. The current nominal percentage depletion rate is 15% and it applies to each state's percentage of non-integrated producers. Also, the expensed portion of current period drilling costs is approximately 42% for the industry and the present value of depletion deductions for capitalized drilling cost can be approximated by $(q/R)/(r + (q/R))$, assuming that the ratio of production to reserves is constant (see U.S. Department of Commerce, Bureau of the Census, 2000; Deacon, 1993). The ratio of production to reserves (q/R) varies across states but the industry expense share (42%) applies to all states.

4. Simulation Results

The model presented in Section 2 can be simulated for any of the 20 oil-producing states to obtain responses of exploration and production to reductions in severance taxes. The discussion below focuses mainly on severance tax rate reductions in just one state, Wyoming, for four reasons. First, this approach substantially reduces the amount of institutional detail that must be presented. Second, despite the large interstate differences in costs, reserve additions, and tax structures shown above, changes in severance taxes turn out to have quite similar comparative effects in each of the major oil producing states. Therefore, estimates for Wyoming are likely to be broadly representative of what would be obtained for other states. Third, simulation results reported are based on the assumption that severance tax reductions in one state do not affect the wellhead price of oil seen by operators in other states. This assumption is warranted in view of the fact that oil prices are determined in a world market. Also, as shown below, tax rate cuts considered appear to lead to comparatively small changes in output, so cross border effects are unlikely to be important in any case. Finally, taxation of oil extraction is a long-standing, contentious public policy issue in Wyoming partly because of heavy reliance on energy production taxes to fund public services.

Simulations for Wyoming were performed using the estimates of equations (12) and (13), the calibrated production cost parameters ($\varepsilon = 2.93, \kappa = 150$) of equation (14), and the tax parameters ($\alpha_p = 0.72, \alpha_c = 0.89, \alpha_D = 0.75, \gamma = 0$ as derived in Appendix A. As shown, severance tax changes will affect the price tax parameter, α_p. The discount rate, r, was set at 4% to reflect the risk-free real rate of long-term borrowing and the future price path was fixed at $25.00 per barrel each year reflecting the real sample mean for all 20 states. Other price trajectories (rising or falling) were simulated, but the alternative paths have little or no effect on the comparative results presented below. The initial value of reserves and cumulative wells drilled are fixed to year-end 2000 levels at 561 million barrels and 39,993 wells, respectively. To obtain numerical solutions for the time paths of drilling, production, and reserves, difference equation approximations are derived for the time rates of change in production and exploratory effort (equations (10) and (11) and for the state variable evolution equations (2) and (3)). For example, the evolution of reserves, equation (2), is approximated by the difference, $R_{t+1} - R_t = f_t - q_t$. The model is solved recursively by iterating over the initial values of the control variables, q and w, until transversality conditions are satisfied. Under these base case conditions, exploratory effort approaches zero after approximately 40 years, thus the terminal time (T_1) is set to 40 periods. The Solver algorithm in Microsoft Excel was used to generate numerical solutions.

Before the simulation results are discussed, a historical analysis of Wyoming's oil experience is warranted. Figure 1 depicts the actual time paths of real price, wells drilled, production, and reserves for Wyoming from 1970–2000. In this figure, the vertical axis shows wellhead price (dotted line) in year 2000 dollars × 10, wells drilled (dashed line) in

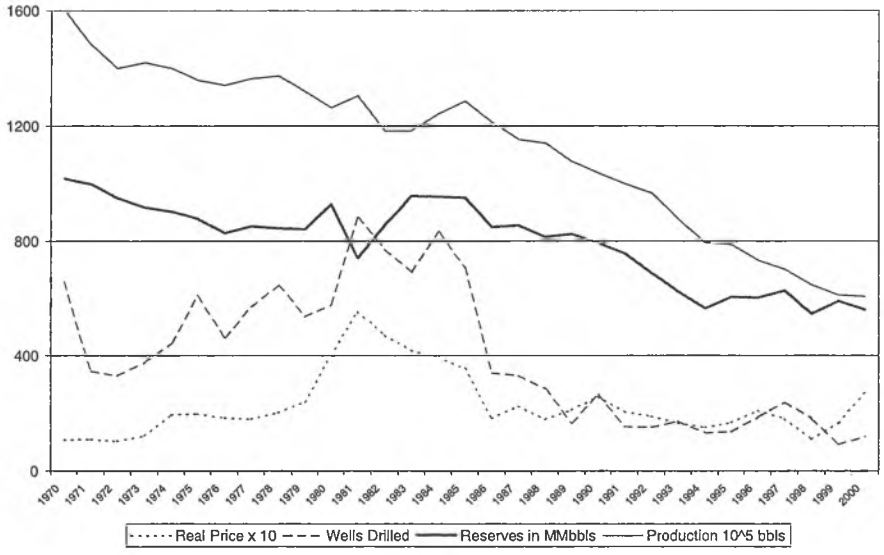

Figure 1. Wyoming oil 1970–2000.

total wells, production (solid line) in bbls $\times 10^5$, and reserves (bold line) in millions of barrels (MMbbls). In reviewing these data, several observations are noteworthy. Historical drilling appears sensitive to price. Oil wells drilled increased markedly during the high price period of the early 1980s. Extraction activity, however, appears to map the declining proved reserve level in the state. In fact, oil production continued to decline during the late 1970s and early 1980s even though real prices increased roughly 3 fold. As shown, the increased drilling effort of the early to mid 1980s failed to replenish the depleting oil reserves in the state.

As depicted in Figure 1, the low real prices for oil in the 1990's provided the oil industry incentive to lobby state legislatures for tax breaks intended to stimulate exploration and production. In 1999, both Wyoming and Oklahoma enacted oil producer recovery acts which lowered state level nominal severance taxes by approximately 25–35% on all oil production, provided that oil prices remain below a certain level.[8] Using this scenario as a back-drop, the comparative simulation below shows the results of a once-and-for-all reduction in Wyoming's effective severance tax on oil production by 2 percentage-points. Results presented have the advantage of showing how exploration and production might be expected to change over time in response to an *actual* constant policy change.

The solid lines in Figures 2–4 show the evolution of drilling, reserves, and production under the base case assumptions outlined above. Wells drilled fall steadily over time from

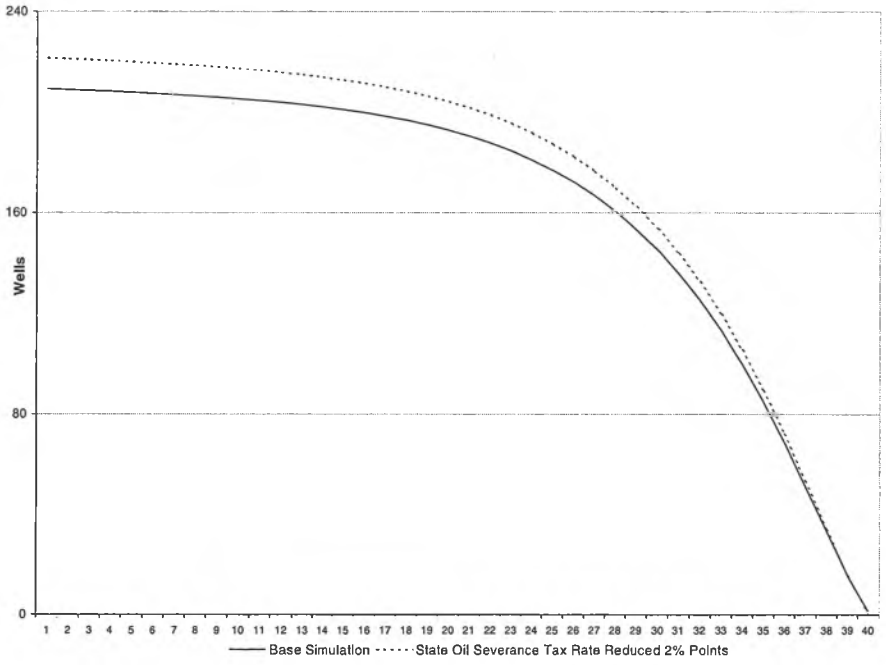

Figure 2. Wyoming oil (drilling).

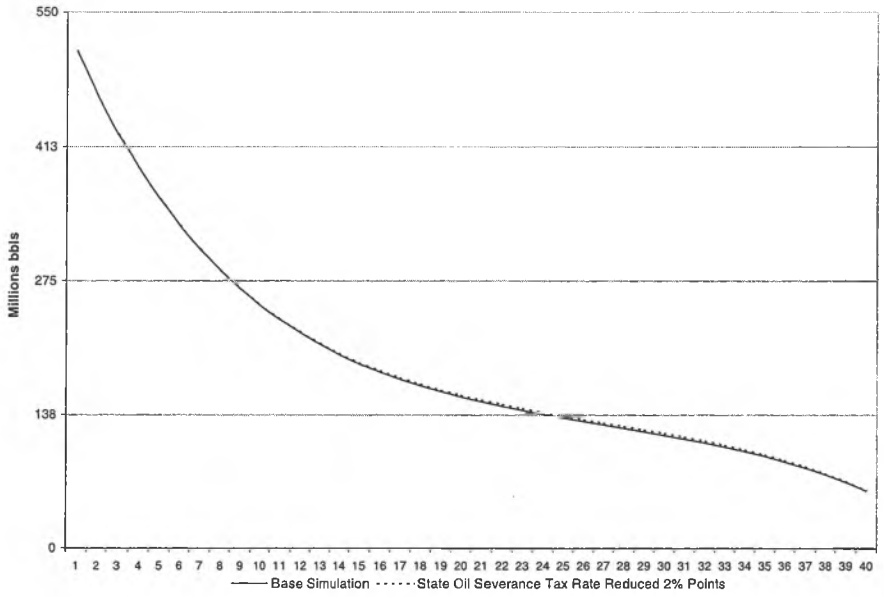

Figure 3. Wyoming oil (reserves).

209 in year 1 (2001) to 1 in year 40 (2040). Reserves also decline over this period from 510 MMbbls to 59 MMbbls with production declining from 59 MMbbls to 11 MMbbls. The dotted lines in these figures show the effects of a once-and-for-all reduction in the state oil severance tax by 2 percentage-points, which reduces the state effective rate from 5.8 to 3.8% and increases net-of-tax price by 40 cents (α_p increases by 0.016). As shown in Figure 2, the tax decrease increases drilling in the early years of the program when compared to the base simulation. Overall, drilling increases by 378 wells or 5.8% above the 40-year program base. With increased drilling in the early years, additional reserves are identified (15 million barrels more) and, as shown in Figure 3, proved reserves slightly rise in the out years.

Through the life of the program, the tax decrease results in increased production by about 14.9 million barrels, about 1.6% above the base solution. As Figure 4 depicts, this difference is roughly equal to the 15 million barrel increase in reserve additions that comes about because of the tax decrease. Also, the increase in output reflects a relatively low elasticity of production with respect to severance tax rate changes. Over the life of the program, this elasticity is approximately 0.05. Intuitively, while a decrease in the severance tax stimulates drilling activity, the additional drilling has a comparatively small effect on reserve levels. Given that over 63,000 wells (oil and gas) have been drilled in Wyoming to date 2000, prospects of a significant oil discovery are unlikely and the marginal product of drilling in finding new reserves is lower than in the past. As a consequence, reserve additions also respond inelastically to the severance tax decrease. Moreover, such small increases in

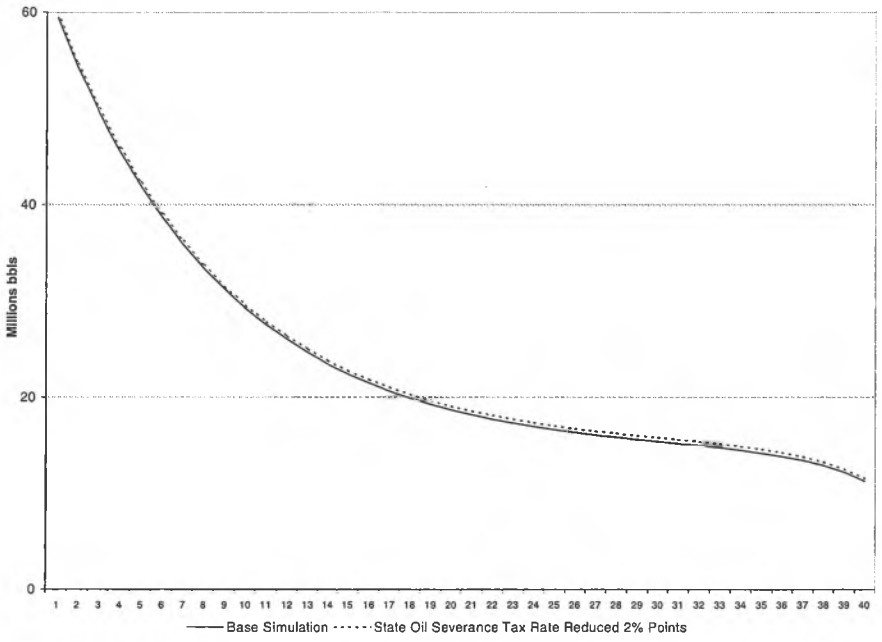

Figure 4. Wyoming oil (production).

net price (e.g., 40 cents per barrel) will unlikely affect production from existing wells and provides little incentive to reopen 'shut-in' wells.

The largest change associated with the 2 percentage-point reduction in state oil severance taxes is found in state production tax collections. Applying the discount rate of 4%, the tax change results in a decline in the present value of Wyoming *state* severance tax collections from $751 million to $498 million, a decline of over 33%. Alternatively stated, Wyoming would forego $669,312 in present value of severance tax revenue for each of the additional 378 wells drilled. Certainly, the incentive enhanced drilling effort may provide the state other forms of benefits (i.e., short-term rig employment and sales tax collections) but these additional benefits would have to be considerable in order to offset what appears to be an insurmountable loss of state tax revenue.

Because severance taxes are deductible in computing federal corporate income tax liabilities, tax payments to the federal government increase by $27 million (3.6% above the base case). Also, the 2 percentage-point severance tax decrease transfers state revenue to local governments because of the production stimulus. Discounted local production taxes increase by $12 million or 2% above the base case. The same can be said for discounted public land royalties which increase by 1.9% ($18 million) because of the increase in production. These results highlight the importance of the tax interactions described in Section 2 above.

The key result of this analysis is that oil reserve additions and production respond quite inelastically to reductions in severance tax rates. In the case at hand, a constant 2 percentage-point rate reduction increases overall simulated production by 1.6%—but decreases state severance tax revenue substantially in present value terms, by over 33%. This general outcome also applies to the other major oil producing states that levy a severance tax. In any case, oil-producing states should be wary of arguments promising large increases in oil exploration and production in response to cuts in severance tax rates.

5. Conclusions

This paper has adapted Pindyck's (1978) model of nonrenewable natural resource production to allow for an empirical test of the effectiveness of state oil severance tax incentives. Equations of the model are estimated econometrically from panel data on production, exploration and reserve additions for 20 states over the period 1970–00. The model is designed so that effects of changes in existing state severance tax rates on the evolution of exploration, reserves and production can be simulated into the mid-21st century. In general, results show that severance tax rate reductions result in a substantial loss of tax revenue, moderate increases in drilling, but little change in reserve additions and production. A key question regarding this general result is: Why does output of oil respond so grudgingly to changes in severance taxes? There appears to be four reasons why this is so. First, a reduction in severance taxes offers no *direct* stimulus for reserve exploration. A cut in the severance tax, as modeled, does nothing to directly stimulate reserve additions—operators get the future benefits of this tax incentive only if they drill *and only if they are successful.* In general, "upstream" incentives given at the beginning of the exploration-development-production process may provide a greater stimulus to production than "downstream" incentives given at the end of the process—e.g., cuts in severance taxes.

Second, operators do not see the full effect of state severance tax changes because of the many tax base and rate interactions at all levels. For example, severance taxes are deductible against federal corporate income tax liabilities. Therefore, when severance tax rates fall, federal corporate income tax liabilities rise and vice-versa. In fact, results herein suggest taxes should not be analyzed independently without reference to the entire tax structure applied by all levels of government; for example, a tax discount granted at one level may be partially offset by increased liabilities at another level. Therefore, operators do not receive the full value of tax reductions that may be granted by Wyoming and other states. Third, and in a related vein, a reduction in severance tax rates by 2 percentage-points has only a small impact on the net-of-tax price received by operators. The tax reduction simulated above increases the constant net-of-tax price by only 40 cents per barrel. This small increase cannot be expected to generate much in the way of *new* oil production.

Fourth, and most importantly, production of (as contrasted with exploration for) oil is driven mainly by reserves, not by prices, severance tax rates, or tax discounts. This is a basic fact of geology and is easily illustrated by reexamining Wyoming's own history of oil production. Since 1970, Wyoming oil reserves steadily declined from 1 billion barrels to 561 million barrels in 2000 (see Figure 1). In other words, despite much exploration over the past 31 years (over 12,300 wells drilled), production has drawn down reserves faster

than new discoveries have added to them. This implies that for states like Texas, Oklahoma, and Wyoming the prospect of major exploratory success is not particularly promising (see Moroney, 1997 for a similar analysis of Texas). Moreover, during the past 31 years, oil production declined from 160 million barrels in 1970 to 61 million barrels in 2000. In fact, oil production continued to decline during the late 1970s and early 1980s even though real (year 2000 dollars) oil prices rose by a factor of more than 3, from about $18/bbl. to more than $55/bbl. Thus, even comparatively large price increases are not expected to call forth much additional output.

The general conclusion that severance tax changes appear to be unimportant may be problematic to public officials in oil producing states hoping to stimulate local economic activity by lowering such rates. The prospect of modest increases in exploration and production comes at a considerable cost, the loss of substantial state tax revenue that must be offset. Rather, state officials may have the incentive to raise severance tax rates risking little in the way of loss to future oil field activity.

Appendix A

This appendix derives the (generalized) constant tax parameters numbered (15)–(18) in the text. Restating the producer's problem (bracketed terms in text equation (1)) accounting for all tax effects yields

$$\begin{aligned} & qp^* - qp^*\tau_r - qp^*(1-\tau_r)\tau_p - C^* - \eta D^* - \tau_R R - \tau_s[qp^* - qp^*\tau_r \\ & \quad - qp^*(1-\tau_r)\tau_p - C^* - \eta D^* - \tau_R R] - \tau_{us}\{qp^* - qp^*\tau_r - qp^*(1-\tau_r)\tau_p \\ & \quad - qp^*(1-\tau_r)\delta - C^* - \eta D^* - \tau_R R - \tau_s[qp^* - qp^*\tau_r \\ & \quad - qp^*(1-\tau_r)\tau_p - C^* - \eta D^* - \tau_R R]\}. \end{aligned} \tag{A.1}$$

Collecting terms from (A.1) gives

$$(1-\tau_{us})(1-\tau_s)[qp^* - qp^*\tau_r - qp^*(1-\tau_r)\tau_p - C^* - \eta D^* - \tau_R R] + \tau_{us}qp^*(1-\tau_r)\delta \tag{A.2}$$

which reduces to

$$\begin{aligned} & qp^*\{(1-\tau_{us})(1-\tau_s)(1-\tau_r)(1-\tau_p) + \tau_{us}(1-\tau_r)\delta\} - C^*\{(1-\tau_{us})(1-\tau_s)\} \\ & \quad - \eta D^*\{(1-\tau_{us})(1-\tau_s)\} - \tau_R R\{(1-\tau_{us})(1-\tau_s)\}. \end{aligned} \tag{A.3}$$

For a single barrel of q and R, (A.3) becomes

$$\alpha_p p^* - \alpha_c C^* - \alpha_D D^* - \gamma. \tag{A.4}$$

where

$$\gamma = \{(1-\tau_{us})(1-\tau_s)\tau_R\} \tag{A.5}$$

$$\alpha_p = \{(1-\tau_{us})(1-\tau_s)(1-\tau_r)(1-\tau_p) + \tau_{us}(1-\tau_r)\delta\} \tag{A.6}$$

$$\alpha_c = \{(1-\tau_{us})(1-\tau_s)\} \tag{A.7}$$

$$\alpha_D = \{(1-\tau_{us})(1-\tau_s)\eta\} \tag{A.8}$$

equate to equations (15)–(18) in the text.

Wyoming Tax Parameters

In developing a base simulation solution, equations (A.5)–(A.8) can be simplified because Wyoming does not have a state corporate income tax ($\tau_s = 0$) and does not levy a property tax against reserves in the ground ($\tau_R = 0$). For Wyoming, royalty rates are computed as the sum of state and federal royalty payments divided by the gross value of production and averaged 9.1% for oil in 2000. This percentage is higher than for other oil producing states because of the comparatively large share of Wyoming's production on public lands. Production tax rates are computed as total production tax collections divided by the gross value of production net of public land royalties. In Wyoming, there are both local and state levies against this net value of production. Local ad valorum taxes are based on the prior year's production value. The sum of the two average effective rates in 2000 totaled approximately 12.3% (local 6.5% and state 5.8%). Also, the current nominal percentage depletion rate of 15% applied to about 52% of Wyoming oil producers in 2000, thus $\delta = 7.8\%$. Also, the expensed portion of current period drilling costs is approximately 42% for the industry and the present value of depletion deductions for capitalized drilling cost can be approximated by $(q/R)/(r + (q/R))$, assuming that the ratio of production to reserves is constant (see Deacon, 1993). Wyoming's mean value of q/R was approximately 11% for the sample period, therefore $\eta = 0.42 + (1 - 0.42) * (0.11/(0.04 + 0.11)) = 0.84$. The base tax policy parameters for Wyoming are $\alpha_p = 0.72, \alpha_c = 0.89, \alpha_D = 0.75, \gamma = 0$.

Acknowledgments

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Notes

1. Severance or production taxes are typically ad valorem taxes levied on the net production value (or volume) of a resource as it is extracted from the ground or at the final point of sale.
2. Making tax rates endogenous to the problem considered here would be a logical and important extension of this research.
3. Pindyck's (1978) original specification of the extraction cost function is retained here in spite of the logical inconsistencies discussed by Livernois and Uhler (1987), Livernois (1987, 1988) and Swierzbinski and Mendelsohn (1989). These authors argue that Pindyck's extraction cost function is defensible when reserves are of uniform quality but in the presence of exploration, reserves must be treated as heterogeneous because the most accessible deposits are added to the reserve base first. They show that aggregation of extraction costs across heterogeneous deposits is not valid except under special circumstances. Another problem with this function is that extraction costs should be a function of γ. The extraction cost function derived from profit-maximization at a point in time subject to a production constraint would have γ as an argument because the reserve base is an input to oil and gas production. These complications are not treated in the analysis below because of severe data constraints on estimating the extraction cost function (see Section 3.2).

4. Equation (11) can be simplified by choosing a functional form for reserve additions such as the one used in Section 3 (see equation (13)). In this case, $(f_{xw}/f_w) \cdot f - f_x = 0$.
5. The Energy Information Administration and the American Petroleum Institute (2000) report annual production data for 31 states over this period, but data on reserve additions, cumulative drilling, and drilling costs are not available in all years for the 11 smallest producing states. The 20 states included are AK, AL, AR, CA, CO, IL, IN, KS, KY, LA, MI, MS, MT, ND, NE, NM, OK, TX, UT, and WY.
6. Major cost items are for labor, materials, supplies, machinery and tools, water, transportation, fuels, power, and direct overhead for operations such as permitting and preparation, road building, drilling pit construction, erecting and dismantling derricks/drilling rigs, drilling hole, casing, hauling and disposal of waste materials and site restoration. For additional details, see Joint Association Survey on Drilling Costs, Appendix A (1998).
7. Equation (13) was also estimated allowing for both state-specific intercepts and state-specific coefficients for ρ and β. This strategy was unsuccessful as it yielded mostly insignificant estimates of state-specific slope interactions.
8. Wyoming rescinded this legislation in 2000.

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12.

"State Taxation, Exploration, and Production in the U.S. Oil Industry"

STATE TAXATION, EXPLORATION, AND PRODUCTION IN THE U.S. OIL INDUSTRY*

Mitch Kunce
Department of Economics and Finance
University of Wyoming
Laramie, WY 82071-3985
mkunce@uwyo.edu

Shelby Gerking
Department of Economics
University of Central Florida
Orlando, FL 32812-1400
sgerking@bus.ucf.edu

William Morgan
Department of Economics and Finance
University of Wyoming
Laramie, WY 82071-3985
wemorgan@uwyo.edu

Ryan Maddux
University of Wyoming
Laramie, WY 82071-3985

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STATE TAXATION, EXPLORATION, AND PRODUCTION IN THE U.S. OIL INDUSTRY

Abstract

How do firms in nonrenewable resource industries respond to changes in state taxes? This paper employs state-specific estimates of Pindyck's (1978) widely cited model of natural resource supply to simulate effects of changes in state production (severance) tax policy on the timing of exploration and output by firms in the U.S. oil industry. The framework developed can be applied to any of 15 states that produce significant quantities of oil, and allows for interactions between taxes levied by different levels of government. Results of this study suggest that oil production is highly inelastic with respect to changes in production taxes. A production tax rate increase is shown to decrease early period exploration effort, affect little change in reserve additions and future production, and substantially increase discounted tax revenue. Policy implications of this outcome suggest that state officials may consider raising production tax rates as a way to increase revenue while risking little in the way of loss to future oil activity.

1. Introduction

How do firms in nonrenewable resource industries respond to changes in state taxes? It may be tempting to look for answers to this question in the empirical literature on effects of state taxation (see, for example, Bartik 1985, Helms 1985, Papke 1991, 1994, and Holmes 1998). These papers focus on firms with mobile capital that choose where to locate on the basis of factors affecting revenues and costs. This perspective, however, is not particularly relevant when looking at the behavior of firms extracting nonrenewable natural resources. Such firms cannot change location because they are tied to a geographically immobile reserve base that makes up a key component of their capital stock. On the other hand, extractive firms can and probably do alter the timing of their activities when state taxes and other public policies change. Yet, little is known about the extent to which they do this even though commercially valuable deposits of natural resources are found in most U.S. states and some states such as Texas, Oklahoma, Louisiana, Wyoming, and Alaska rely heavily on taxation of oil, gas, and/or coal production to fund public services.

This paper uses state-specific estimates of Pindyck's (1978) widely cited model of natural resource supply to simulate effects of changes in state production (severance) tax policy on the timing of exploration and output by firms in the U.S. oil industry. The framework developed can be applied to any of 15 states that produce significant quantities of oil, and allows for interactions between taxes levied by different levels of government. It is arguably superior to and more comprehensive than previous efforts to develop econometric and/or simulation models of taxation and natural resource exploration and production. For example, Deacon, DeCanio, Frech, and Johnson (1990)

and Moroney (1997) focus only on one state (California and Texas, respectively), and estimate econometric equations that may not be consistent with a dynamic profit-maximizing framework. Pesaran (1990) estimates an econometric model of offshore oil production in the UK that can be better justified theoretically, but does not consider the role of taxes. Simulation studies conducted by Yucel (1989) and Deacon (1993) examine effects of various types of tax changes on exploration and production, but do not consider interactions between tax bases claimed by different levels of government. Additionally, these studies do not allow for possible interstate differences in exploration and extraction costs and are aimed mainly at assessing the generality of theoretical results obtained in more limited settings (see, for example, Burness 1976, Conrad and Hool 1980, and Heaps 1985) rather than analyzing possible outcomes of changes in state tax policies.

Results of this study suggest that oil production is highly inelastic with respect to changes in production taxes so deadweight losses from altering these taxes are likely to be small. As a consequence, state officials may consider raising production tax rates as a way to increase revenue. It is worth noting in this context that because state production taxes are deductible against federal corporate income tax liabilities, increases in production tax rates increase state revenues partly at the expense of federal tax collections. These points are more fully discussed in Section 3 after developing the framework for the simulation model in the next section.

2. The Simulation Model

This section shows how Pindyck's (1978) model of nonrenewable resource development is adapted to simulate effects of state production tax changes. The

discussion begins with a brief overview of the Pindyck model and then discusses estimation of key equations and tax parameters.

Conceptual Model

The model assumes that perfectly competitive producers maximize the discounted present value of future operating profits from the sale of resources and because one such firm is chosen to represent the industry, the common pool problem and well-spacing regulations are not considered (see McDonald 1994 for discussion of these issues). The firm's problem is to take the future time path of output prices and taxes as given and then choose optimal time paths for exploration and production. This approach is similar to that taken in previously cited econometric studies of effects of changes in state tax policy on state economic growth and ignores the possibility that choices of tax bases and rates are endogenous (i.e., that governments consider the firm's objective function in choosing taxes that maximize community welfare). Also, the model defines exploration to include resource development, although the two activities clearly are not the same (Adelman 1990). The aim of exploration is to add to the reserve base, which as indicated in the introduction, is a form of geographically immobile capital.

The firm's maximization problem is

$$\max_{q,w} \Omega = \int_0^\infty [qp - C(q,R) - D(w) - \gamma R]e^{-rt}\,dt \tag{1}$$

subject to

$$\dot{R} = \dot{x} - q \tag{2}$$

$$\dot{x} = f(w,x) \tag{3}$$

$$q \geq 0, w \geq 0, R \geq 0, x \geq 0 \tag{4}$$

where a dot over a variable denotes a time rate of change, q denotes the quantity of oil extracted measured in barrels, p denotes the exogenous market price per barrel net of all taxes, $C(\cdot)$ denotes the total cost net of taxes of extracting the resource, which is assumed to depend on production (q) and reserve levels (R), $D(w)$ denotes total cost of exploration for additional reserves net of taxes, w denotes exploratory effort, γ denotes the net of all tax constant effective property tax rate on reserves, r denotes the discount rate which represents the risk-free real rate of long-term borrowing, x denotes cumulative reserve additions (discoveries), $f(\cdot)$ denotes the production function for gross reserve additions $(\dot{x})$, and $\dot{R}$ denotes reserve additions net of production (q).[1] In this formulation, the net-of-tax price per barrel is related to the wellhead (pre-tax) price (p^*) according to $p = \alpha_p p^*$, where α_p is a tax policy parameter such that $0 < \alpha_p < 1$. Correspondingly, $C(q,R) = \alpha_c C^*(q,R)$ and $D(w) = \alpha_D D^*(w)$, where α_c and α_D also are tax policy parameters that lie on the unit interval. These tax policy parameters are discussed more fully later on in this section.

Model Implementation

To implement the model, equations for exploration costs (D^*), production of reserve additions (f), and extraction costs (C^*) are estimated and then substituted into the model along with estimates of the tax parameters α_p, α_c, α_D, and γ. Effects of tax changes then are obtained by simulation. Estimates of the tax parameters are described first followed by discussion of estimates of equations for D^*, f, and C^*.

Tax Parameters

General considerations in developing estimates of the four tax policy parameters for major oil producing states are briefly outlined below and technical details are described in Appendix A. Among major oil producing states, tax structures vary considerably and tax bases interact, particularly between the state and federal level. For example, among the eight states responsible for about 89% of U.S. oil production (Alaska, California, Kansas, Louisiana, New Mexico, Oklahoma, Texas, and Wyoming), all states except California levy production taxes against the value of output. Production taxes dominate other forms of local taxation in Alaska, Wyoming, and Louisiana. Most states do not levy property taxes on the value of reserves in the ground (Texas and California do). Most states treat royalty payments (computed as a percentage of gross value of production) for production on public land as deductible items in computing severance tax liabilities (Louisiana does not). Public land royalties are prominent in Alaska, New Mexico, and Wyoming due to the large shares of publicly owned land. Most states levy a corporate income tax that applies to oil operators (Wyoming and Texas do not). Also, states have granted innumerable exemptions and credits (which differ by state) against various tax liabilities for special situations that may be encountered by operators. Within states, counties apply their own mill levies to compute property taxes on equipment at different rates. However, taxation of structures and equipment are usually less important than other sources of revenue and are ignored below.

Regarding federal taxes, all incorporated producers file federal corporate income tax returns that allow deductions for various types of operating costs and for state and local tax payments. Independent producers (those without downstream refining or retail

interests) are permitted to take a percentage depletion allowance, while major producers are allowed only cost depletion, which is significantly less generous. Both major and independent incorporated producers can expense intangible drilling costs incurred on their federal corporate income tax returns. The fact that some smaller producers are not incorporated and may therefore face alternative state and federal tax treatment is ignored.

The myriad of state-specific special features described above creates considerable complexity in tracking tax law over time. Rather than itemize tax code details, effective tax rates are used to translate dynamic tax policy into a tractable form. Effective rates can be expressed as the ratio of taxes (or royalties) collected from a particular tax to the value of production. Thus, the calculation of specific effective tax rates fully account for exemptions, incentives, different tax bases, and frequent changes in tax law both at the state and federal level. For a detail account of the taxation of the oil industry see Gerking, Morgan, Kunce, and Kerkvliet (2000), Chapter 2.

Marginal Cost of Reserve Additions

The before-tax marginal cost of reserve additions (D_w^* / f_w) is computed from estimates of equations for drilling costs and for the production of reserve additions. Drilling costs are assumed to be proportional to drilling effort as shown in equation (5)

$$D^*(w) = \phi w e^u \tag{5}$$

where ϕ is the parameter to be estimated and the disturbance term e^u is lognormally distributed with mean of unity and variance σ_u^2. The production function for reserve additions is specified as

$$f(w,x) = A w^{\rho} e^{-\beta \cdot x} e^{v} \tag{6}$$

where A, ρ, and β are parameters to be estimated and the disturbance e^v is assumed lognormally distributed with mean of unity and variance σ_v^2. Equation (6) is similar to the equation describing the discovery process proposed by Uhler (1976) and later adopted by Pindyck (1978) and Pesaran (1990). The idea behind this equation is that the marginal product of exploration declines as reserve discoveries cumulate.

Estimation used annual data from the 15 U.S. states for which complete information on variables needed could be assembled for the period 1970-98.[2] These states accounted for 96.5% of total U.S. oil production over this time period. Drilling costs are measured by total real costs (both tangible and intangible) of each well completed, including dry holes.[3] Nominal cost values were deflated using the 1995 GDP deflator. Oil reserve additions are defined as extensions, new field discoveries and new reservoir discoveries in old fields. The total number of wells drilled for each state since 1859 (when the first oil well was drilled in Pennsylvania) is used as a proxy for x. Data sources and sample means of variables used in the analysis are presented in Table 1.

Equation (5) and equation (6) were estimated in natural logarithms. Both equations used an instrument for the number of wells drilled because w is an endogenous variable in the model presented in Section 2. The instrument was obtained from the predicted values from a regression of the number of wells on cumulative drilling and the wellhead price as shown in Appendix A. Estimates of the drilling cost equation, equation (5), are obtained by regressing drilling cost per well on dummy variables for states and years. Coefficients of state and year dummies are jointly significant at the 1% level and the R^2 is 0.90. The idea behind using this approach is to get state- and time-specific estimates of ϕ. This parameter is expected to vary across states because of differences in

geologic conditions, geographic remoteness of on-shore oil resources, and whether drilling occurs in off-shore coastal waters (note that most states in the data set are landlocked). Time varying factors common to all states may include technological advancement and macroeconomic cycles. State-specific estimates of ϕ test different from each other, except Texas and Oklahoma, at the 5% level.

Estimates of equation (6), shown below in equation (7), allow for state-specific intercept terms (time-specific effects were jointly insignificant), common slope coefficients across states, and are corrected for first-order serial correlation (ρ =0.431).

$$\ln(ADDED\ RESERVES) = \ln A + \underset{(t)\ (5.33)}{0.69*\ln(PREDWELLS)} - \underset{(-1.37)}{0.000006*CWELLS}. \quad (7)$$

State-specific estimates of A are jointly significant at the 1% level and $R^2 = 0.40$.[4] These results show that the marginal product of drilling (f_w) decreases with wells drilled as well as with cumulative drilling, although the coefficient of cumulative drilling is insignificant at conventional levels.

Estimates of equations (5) and (6) combined show that the marginal cost of reserve additions (D_w^*/f_w) increases with drilling activity. As w increases, the marginal cost of drilling is constant, but the marginal product of drilling in finding new reserves (f_w) falls. Table 2 reports values of D_w^*, f_w, and D_w^*/f_w by state for seven major oil producing states. These estimates use 1998 values for numbers of wells drilled and cumulative drilling and are corrected for conversion from logarithms (see Greene 1997, p. 279). Estimates of D_w^* and f_w reflect considerable variation across the seven states. Estimates of marginal drilling cost range from $127,943 in Kansas to $1,218,758 in Louisiana. Marginal reserve additions from drilling (f_w) range from 7,460 barrels in Kansas to 64,862 barrels in Louisiana. Thus, while drilling in Louisiana is relatively

more expensive than in Kansas, Louisiana experiences a greater payoff from these more costly exploration and development efforts. Values of D_w^*/f_w for the seven states range from a low of $17.15 per barrel in Kansas to a high of $26.04 in Texas.

Extraction Costs

Because data on oil extraction costs are weak, $C(q, R)$ could not be econometrically estimated. Instead, this equation was calibrated for each state with a Cobb-Douglas functional form using methods described in Deacon (1993). Cost parameter calibration specifics are described in Appendix A. Results show that the 1998 marginal extraction costs range from a low of $4.89 per barrel in Kansas to a high of $8.81 per barrel in Louisiana. Additionally, the Cobb-Douglas form implies that extraction costs rise without limit as reserves approach zero and that a positive level of reserves will remain at any terminal time T. Thus, boundary conditions used in the simulations reported in Section 3 allow production to continue after incentives for further exploration vanish so that the terminal date for the exploration/production program must be set arbitrarily. This fixed program period could be interpreted as the producer's relevant planning horizon.

3. *Simulation Results*

The model presented in Section 2 can be simulated to obtain responses of exploration and production to changes in various types of taxes in any of 15 oil producing states. Simulations presented below focus on production tax changes in Wyoming. The production tax is the most important tax levied on the oil industry by oil producing states (see Section 2) and changes in production taxes turn out to have quite similar effects in all major oil producing states so results from one state are used to represent the others

(for results of tax changes in other major oil producing states, see Gerking, Kunce, Morgan, and Kerkvliet 2000). Also, simulations reported are based on the assumption that tax changes in one state do not affect the wellhead price of oil seen by operators in other states. This assumption probably is not unreasonable in view of the fact that oil prices are internationally determined and even the largest producing U.S. state (Texas) accounts for only a small percentage (4.2% from 1970-98) of world output.[5] Moreover, as shown below, tax changes considered lead to comparatively small changes in output, so these interstate effects are not likely to be important in any case.

Simulations for Wyoming were performed using the instrumental variable estimates of equations (5) and (6), the calibrated production cost function and the tax parameters, both derived in Appendix A. The discount rate, r, was set at 4% to reflect the risk-free real rate of long-term borrowing and the future price path was fixed at $23.00 per barrel each year reflecting the real sample mean for all 15 states. Other price trajectories were simulated, but the alternative paths have little or no effect on the comparative results presented below. The initial value of reserves and cumulative wells drilled were fixed to year-end 1998 levels at 550 million barrels and 40,439 wells, respectively. To obtain numerical solutions for the optimal time paths of drilling, production, and reserves, difference equation approximations are derived for the time rates of change in exploratory effort ($\dot{w}$), production ($\dot{q}$), and for the state variable evolution equations (2) and (3). For example, the evolution of reserves, equation (2), is approximated by the difference, $R_{t+1} - R_t = f_t - q_t$. The model is then solved recursively by iterating over the initial values of the control variables, q and w, until transversality conditions are satisfied. Under these base conditions, exploratory effort approaches zero

after approximately 40 years, thus the terminal time is set to 40 periods. The solver algorithm in Microsoft Excel was used to generate numerical solutions.

Before the simulation results are discussed, a historical analysis of Wyoming's oil experience is warranted. Figure 1 depicts the actual time paths of real price, drilling, production, and reserves for Wyoming from 1970-98. In this figure, the vertical axis shows price per bbl (dotted line) in \$1995 $\times$ 10, drilling (dashed line) in total wells, production (solid line) in bbls $\times$ 10^5, and reserves (bold line) in millions of barrels (MMbbls). In reviewing these data, several observations are noteworthy. Historical drilling appears sensitive to price. Total wells drilled increases markedly during the high price period of the early 1980s. Extraction activity, however, appears to map the declining proved reserve level in the state. In fact, oil production continued to decline during the late 1970s and early 1980s even though real prices increased 2 1/2 fold. The increased drilling experienced in the early to mid 1980s failed to replenish the depleting oil reserve in the state and production closely followed the reserve decline.

This apparent historical insensitivity of production to changes in price raises an interesting policy question: If severance tax changes are reflected in net price (as modeled in section 2), what are the effects of a severance tax increase? Many oil states, as previously described — including Wyoming, rely heavily on production taxes to fund local public goods and officials may have incentives to raise production taxes for the revenue. The inherent trade off to severance tax increases is the purported loss of economic activity generated by the industry within the state. To examine this, the first simulation conducted shows the effects of *doubling* Wyoming's effective state severance tax rate for the full 40-year program. Results detailing the simulated differences in the

timing of drilling, production, and discounted severance tax revenue for the full tax interaction model (outlined above) are presented in the top section of Table 3. Comparative individual program year results, divided into 10-year increments, show that doubling the state severance tax markedly decreases early period drilling. Drilling decreases by 19.4% in the first year of the simulated program and this difference converges to zero by year 40. Interestingly, 10 year fractional results show that 63.8% of the total 1208 well decrease occurs in the first 20 years of the program. Figure 2 graphically compares the effects of the tax increase (dotted line) to the base drilling solution (bold line). With less drilling in the early years of the program, fewer new reserves are identified and, as shown in Figure 3, future production of oil slightly diverges downward from the base solution. Production results presented in Table 3 show this gradual divergence — a 2.4% drop in year one falling to an 11.8% decline in year 40. Through the life of the program, doubling the state severance tax decreases total production by about 48 MMbbls or 5.7% below the base solution.

The largest change associated with doubling the state oil severance tax appears to come from discounted severance tax collections. As shown in Table 3, the tax increase results in an increase in the present value of Wyoming severance tax collections from $609 million to $1165 million, an increase of over 91%. The majority (87.6%) of this $556 million increase occurs in the first half of the simulated program due to the relatively small production loss generated by the tax increase and discounting. Because severance taxes are deductible in computing federal corporate income tax liabilities, discounted tax payments to the federal government decrease by $60 million or about 11% below the base simulation. Also, the severance tax increase transfers local government

revenue to the state because of the production decline. Discounted local production taxes decrease by $34 million or 5% below the base solution. The same can be said for discounted public land royalties which decrease by 4.6% ($50 million) because of the decrease in future production.

The tax interactions described above highlight a key feature of the model developed here — oil producers do not face the full effect of an increase in the severance tax rate. As shown, tax base and rate interactions partially offset the pure-effect of the severance tax rate increase. To illustrate this clearly, counterpart simulations were conducted where all tax effects, other than state level production tax rates, were effectively *zeroed out*. The lower section of Table 3 presents the counterpart Wyoming results. When all tax interactions are ignored, doubling the state severance tax decreases relative drilling by 32.8% and production by 11.2%, a decrease in activity roughly 2 times larger than found in the full tax interaction model examined above. Timing effects are similar to the full tax interaction model results. Because the severance tax increase now invokes a larger production loss, discounted state severance taxes increase by 83% as compared to the 91% increase in the full tax interaction model. Analyzing taxes individually appears to overstate the affects on exploration and production by ignoring potential offsets and tax base interactions. These results suggest that taxes should not be analyzed independently without careful reference to the entire tax structure applied by all levels of government.

General results of this study suggest that oil production is highly inelastic with respect to changes in production taxes. This inelastic response may provide incentives for state officials to substantially increase these taxes risking little in the way of reduced

industry activity while gaining much needed tax revenue. State severance tax increases clearly reduce the net price faced by producers but it is reserves, not net price, that drives production in this industry. Moreover, the effects of increased state severance taxes are partially offset by reduced tax collections by all other levels of government.

4. Conclusions

This paper has adapted Pindyck's (1978) model of nonrenewable natural resource production to take account of taxation at the federal and state-local government levels. Equations of the model are estimated from panel data on production, exploration and reserve additions for 15 states over the period 1970-98. The model is designed so that effects of changes in existing state production tax rates on the timing and evolution of exploration and production can be simulated into the mid-21st century. Results of this study suggest that oil production is highly inelastic with respect to changes in production taxes. A production tax rate increase is shown to decrease early period exploration effort, invoke little change in reserve additions and subsequently future production, and substantially increase discounted tax revenue. Policy implications of this outcome suggest that state officials may consider raising production tax rates as a way to increase revenue while risking little in the way of loss to future oil activity.

Endnotes

[1]Pindyck's (1978) original specification of the extraction cost function is retained here in spite of the logical inconsistencies discussed by Livernois and Uhler (1987), Livernois (1987), and Swierzbinski and Mendelsohn (1989). These authors argue that Pindyck's extraction cost function is defensible when reserves are of uniform quality but in the presence of exploration, reserves must be treated as heterogeneous because the most accessible deposits are added to the reserve base first. They show that aggregation of extraction costs across heterogeneous deposits is not valid except under special circumstances. Another problem with this function is that extraction costs should be a function of γ. The extraction cost function derived from profit-maximization at a point in time subject to a production constraint would have γ as an argument because the reserve base is an input to oil and gas production. These complications are ignored in the analysis below because of severe data constraints on estimating the extraction cost function.

[2] The Energy Information Administration and the American Petroleum Institute report annual production data for 31 states over this period, but data on reserve additions, cumulative drilling, and drilling costs are not available in all years for the 16 smallest producing states. The 15 states included in the panel are Alaska, Alabama, California, Colorado, Kansas, Louisiana, Michigan, Mississippi, Montana, North Dakota, New Mexico, Oklahoma, Texas, Utah, and Wyoming.

[3] Major cost items are for labor, materials, supplies, machinery and tools, water, transportation, fuels, power, and direct overhead for operations such as permitting and preparation, road building, drilling pit construction, erecting and dismantling derricks/drilling rigs, drilling hole, casing, hauling and disposal of waste materials and site restoration. For additional details, see Joint Association Survey on Drilling Costs, Appendix A (1998).

[4] Corrected (see Greene 1997, p. 279) state-specific intercept terms (and t-statistics) for 7 major producing states are: CA 0.17(2.01), KS 0.06(1.06), LA 0.57(2.21), NM 0.19(1.68), OK 0.07(1.94), TX 0.01(1.11), WY 0.29(2.03). Equation (6) was also estimated allowing for both state-specific intercepts and state-specific coefficients for ρ and β. This strategy was unsuccessful as it yielded mostly insignificant estimates of state-specific slope interactions.

[5]Source of world oil production for 1970-98, www.eia.doe.gov/emeu/international/petroleu.html.

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Table 1
Variable Definitions, Data Sources, and Sample Means
(Excludes federal OCS activity.)

Variable	***Definition***	***Source***	***Mean***
TRCOST	Total drilling cost in millions of 1995 dollars, by state and year.	American Petroleum Institute, *Joint Association Survey on Drilling Costs.* Annual.	427.6
ADDED RESERVES	Oil reserve extensions, new field discoveries and new reservoir discoveries in old fields, by state and year in millions of barrels.	US Energy Information Administration, *U.S. Crude Oil, Natural Gas and Gas Liquids Reserves Annual Report.* Annual	42.0
WELLS	Oil wells drilled in a state by year.	American Petroleum Institute, *Joint Association Survey on Drilling Costs.* Annual.	943
CWELLS	Cumulative total wells drilled in a state beginning in 1859.	American Petroleum Institute, *Petroleum Facts & Figures.* 1971 Ed.	1.07E+5
PRICE	Average well head oil price, by state and year, in 1995 dollars per barrel.	American Petroleum Institute, *Basic Petroleum Data Book.* Annual.	22.80
PRICE2	Average real price per barrel squared.	- -	656.3
CWELLS2	Cumulative oil wells squared.	- -	4.3E+10
*PRICE * CWELLS*	Interaction of real price and cumulative wells.	- -	2.5E+6

Table 2
Pre-Tax Marginal Drilling Cost, Marginal Reserve Additions,
and Pre-Tax Marginal Cost of Reserve Additions for 7 Major Producing States

State	D_w^* (in $)	f_w (in bbls)[a]	D_w^* / f_w [a]
California	274,675	11,464	23.96
Kansas	127,943	7,460	17.15
Louisiana	1,218,758	64,862	18.79
New Mexico	485,698	22,148	21.93
Oklahoma	345,706	15,223	22.71
Texas	342,266	13,144	26.04
Wyoming	593,162	34,627	17.13

[a] Assumes wells drilled at the actual 1998 count. State-specific cumulative wells total is set to actual 1998 values in all calculations.

Table 3
Timing of Drilling, Production,
and Discounted Severance Tax Revenue

Full Tax Interaction Model

	Individual Program Year:					
	Year 1	*Year 10*	*Year 20*	*Year 30*	*Year 40*	*Total*
Drilling (Base Solution, in wells)	211	203	187	132	2	6274
Drilling (Double Tax)	170	165	152	116	2	5066
Change from Base	-19.4 %	-18.7 %	-18.7 %	-12.1 %	0.0 %	-19.2 %
Production (Base, in MMbbls)	57.7	27.0	15.9	12.1	7.6	834.3
Production (Double Tax)	56.3	25.9	14.7	10.8	6.7	786.6
Change from Base	-2.4 %	-4.1 %	-7.5 %	-10.7 %	-11.8 %	-5.7 %
Severance Tax Revenue (Base, $MM)	66.6	21.3	8.2	4.2	1.9	608.6
Severance Tax Revenue (Double Tax)	130.2	41.0	15.2	7.4	3.3	1165.2
Change from Base	95.5 %	92.5 %	85.4 %	76.2 %	73.7 %	91.5 %

	10 Year Fractions of Total Change from Base Solution:			
	Years 1-10	*Years 11-20*	*Years 21-30*	*Years 31-40*
Drilling	33.0 %	30.8 %	25.9 %	10.3 %
Production	21.2 %	24.8 %	27.0 %	27.0 %
Severance Tax Revenue	67.2 %	20.4 %	8.4 %	4.0 %

No Tax Interaction Model

	Individual Program Year:					
	Year 1	*Year 10*	*Year 20*	*Year 30*	*Year 40*	*Total*
Drilling (Base Solution, in wells)	283	271	249	175	1	8363
Drilling (Double Tax)	189	183	168	119	1	5624
Change from Base	-33.1 %	-32.6 %	-32.4 %	-32.0 %	0.0 %	-32.8 %
Production (Base, in MMbbls)	59.6	28.8	18.0	14.2	9.0	911.0
Production (Double Tax)	57.0	26.4	15.3	11.4	7.2	809.3
Change from Base	-4.4 %	-8.3 %	-15.0 %	-19.7 %	-20.1 %	-11.2 %
Severance Tax Revenue (Base, $MM)	75.6	24.9	10.2	5.3	2.5	714.3
Severance Tax Revenue (Double Tax)	144.7	45.9	17.4	8.6	3.9	1307.8
Change from Base	91.4 %	84.3 %	70.6 %	62.3 %	56.0 %	83.1 %

	10 Year Fractions of Total Change from Base Solution:			
	Years 1-10	*Years 11-20*	*Years 21-30*	*Years 31-40*
Drilling	33.2 %	30.9 %	25.9 %	10.0 %
Production	21.0 %	25.1 %	26.9 %	27.0 %
Severance Tax Revenue	68.1 %	20.1 %	8.0 %	3.8 %

Figure 1. Wyoming Oil, 1970-98

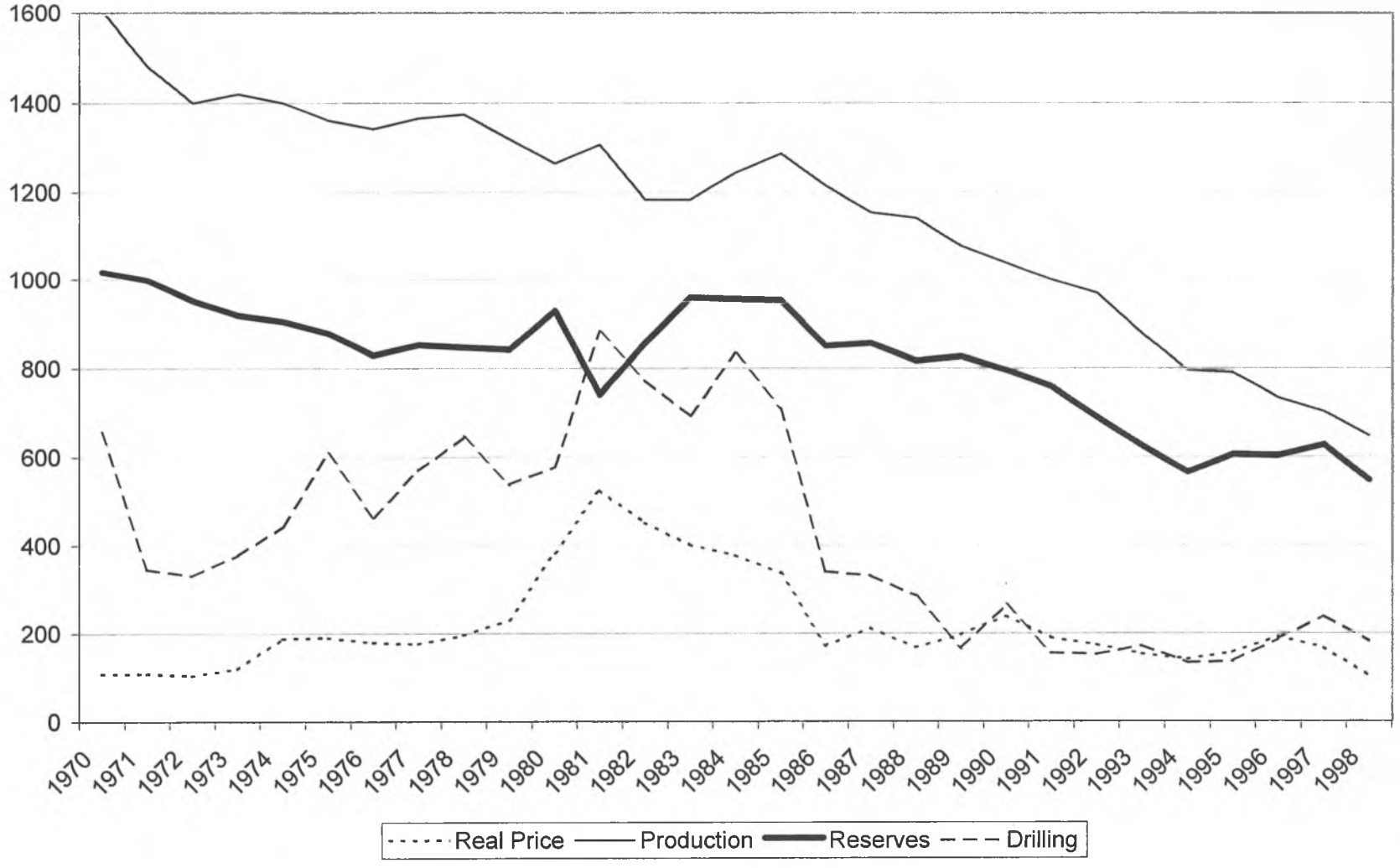


Figure 2. Wyoming Drilling

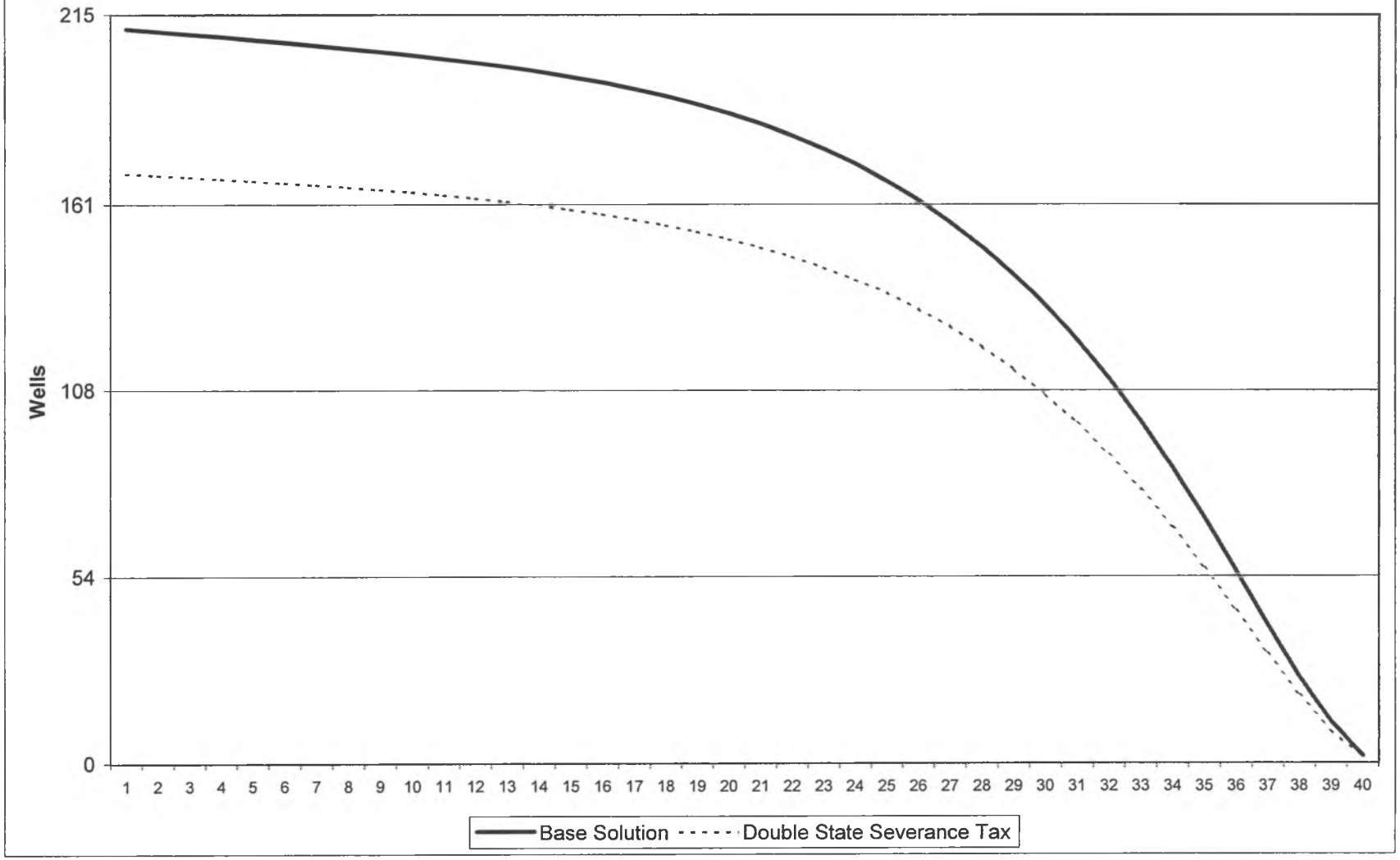
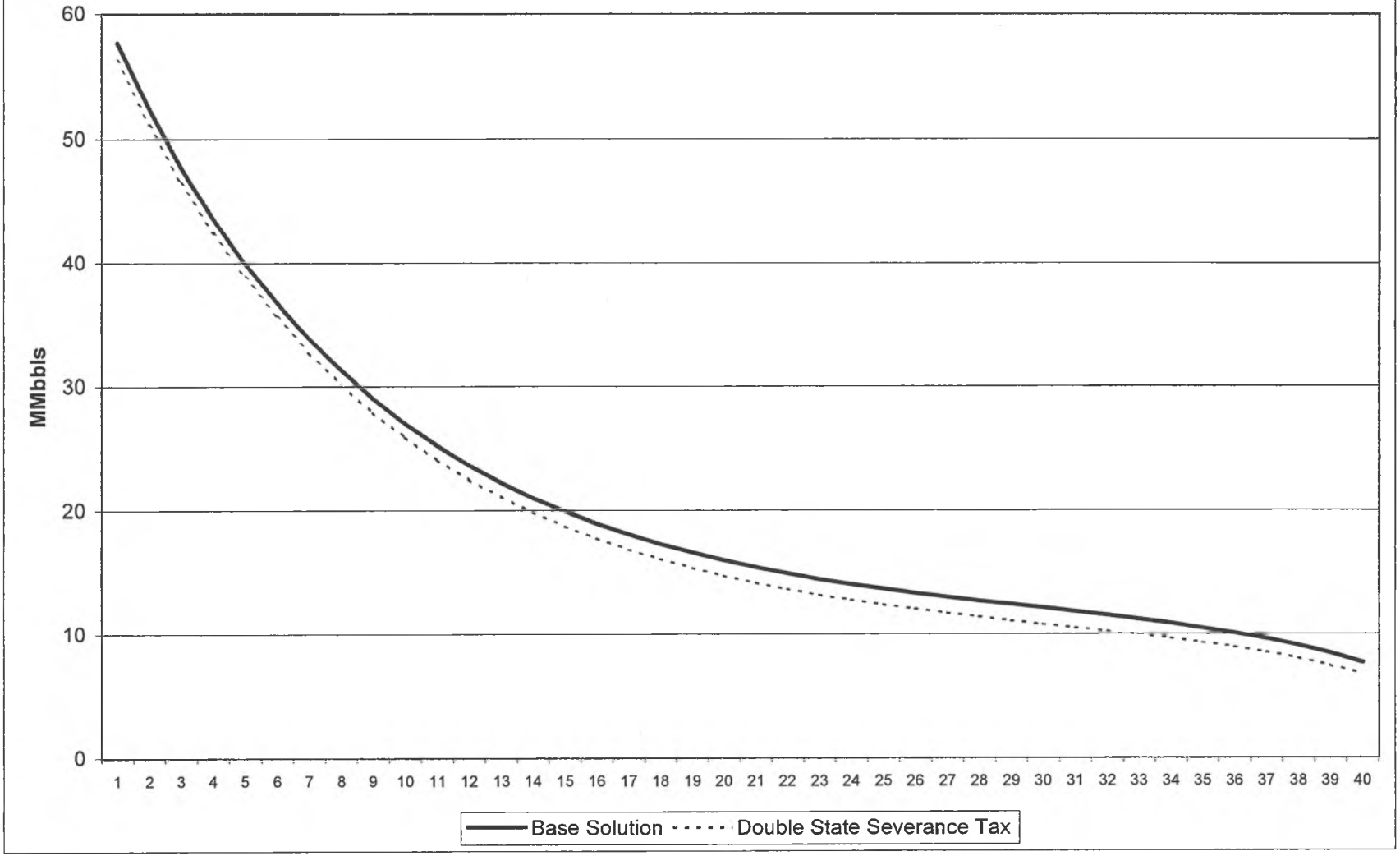


Figure 3. Wyoming Production



Appendix A

Tax Policy Parameters

For most states in most years, γ and α_j *(j=p,c,D)* can be specified by noting whether reserves are subject to a property tax (see text equation (1)) and then evaluating equations (A.1)-(A.4).

$$\gamma = \{(1-\tau_{us})(1-\tau_s)\tau_R\} \tag{A.1}$$

$$\alpha_p = \{(1-\tau_{us})(1-\tau_s)(1-\tau_r)(1-\tau_p)+\tau_{us}(1-\tau_r)\delta\} \tag{A.2}$$

$$\alpha_c = \{(1-\tau_{us})(1-\tau_s)\} \tag{A.3}$$

$$\alpha_D = \{(1-\tau_{us})(1-\tau_s)\eta\} \tag{A.4}$$

A derivation of equations (A.1)-(A.4) can be found in Gerking, Morgan, Kunce, and Kerkvliet (2000), Appendix C. In (A.1)-(A.4), τ_{us} denotes the federal corporate income tax rate, τ_s denotes the state corporate income tax rate, τ_R denotes the property tax rate on reserves weighted by the per unit assessed value, τ_r denotes the royalty rate on production from public (state and federal) land, τ_p denotes the production (severance) tax rate, δ denotes the federal percentage depletion allowance weighted by the percentage of production attributable to eligible producers (nonintegrated independents), and η denotes the expensed portion of current and capitalized drilling costs attributable to current period revenues. η is made up of two components: (1) the percentage of current period drilling costs expensed and (2) the estimated present value of cost depletion deductions for the capitalized portion of current and past drilling expenditures. Producers are allowed to expense costs associated with drilling dry holes along with certain intangible costs (e.g., labor and fuel) for completed wells as they are incurred. All direct

(tangible) expenditures for completed wells must be capitalized then depleted over the life of the producing well. In the illustration at hand, equations (A.1)-(A.4) can be simplified because Wyoming does not have a state corporate income tax ($\tau_s=0$) and does not levy a property tax against reserves in the ground ($\tau_R=0$).

This formulation captures several aspects of the U.S. tax structure as it applies to the oil industry. (1) Federal royalty payments are deductible in computing state production tax liabilities. (2) Federal royalty payments, state production taxes, state property taxes on reserves, extraction costs, and certain drilling costs (described above) are deductible in computing both state and federal corporate income tax liabilities. (3) State corporate income taxes are deductible against federal corporate income tax liabilities. As noted in text section 2, state tax treatment of the oil industry is not uniform and there are a number of situations in which these equations would have to be modified. Notice that this treatment of taxes in the model highlights the interaction between tax bases and is more detailed than the corresponding treatment given by Moroney (1997) or Deacon, DeCanio, Frech, and Johnson (1990). Also, the entire tax structure is incorporated into the model, rather than simply analyzing one tax at a time as in Deacon (1993).

All tax parameters in equations (A.1)-(A.4) are effective rather than nominal rates. States grant numerous credits and exemptions against taxes levied, so nominal rates generally overstate amounts actually paid. State and local data required for these effective rate calculations are neither available from a central source nor compiled in a common format, so they were obtained directly from tax officials in each state (see Gerking, Morgan, Kunce, and Kerkvliet 2000, Chapter 2). In developing the *base*

solution for Wyoming, royalty rates are computed as the sum of state and federal royalty payments divided by the gross value of production and averaged 9% for oil in the late 1990s. This percentage is higher than for other oil producing states because of the comparatively large share of Wyoming's production on public lands. Production tax rates are computed as total production tax collections divided by the prior year's gross value of production net of public land royalties. In Wyoming, there are both local and state levies against this one-year-lagged net value of production. The sum of the two average effective rates in the late 90's totaled approximately 11.9% (local 6.7% and state 5.2%). At the federal level, data from Statistics of Income (U.S. Department of Treasury, 1997-1998) for the oil and gas sector show that federal corporate taxes paid averaged about 10% of *net operating* income in 1998. Also, the current nominal percentage depletion rate of 15% applied to about 58% of Wyoming oil producers in 1998, thus δ = 8.7%. Also, the expensed portion of current period drilling costs is approximately 40% for the industry and the present value of depletion deductions for capitalized drilling cost can be approximated by $(q/R)/(r+(q/R))$, assuming that the ratio of production to reserves is constant (Deacon 1993). Wyoming's mean value of q/R was approximately 8% for the sample period 1996-1998, therefore $\eta = 0.40 + (1 - 0.4)*(0.08 / (0.04 + 0.08)) = 0.8$. The base tax policy parameters for Wyoming are $\alpha_p = 0.73$, $\alpha_c = 0.90$, $\alpha_D = 0.72$, $\gamma = 0$.

Estimate of an Instrument for WELLS

An instrument for the natural logarithm of *WELLS* was used as an explanatory variable in estimating both text equations (5) and (6) with *CWELLS* entering equation (6) as the proxy for x. Instrumental variable estimation is appropriate because w is an endogenous variable in the model presented in Section 2. An instrument for w was

obtained by predicting the natural logarithm of the number of wells drilled from the one-way fixed-effects regression reported in Table A.1. Time-specific effects tested insignificant at conventional levels and $R^2 = 0.91$. *PRICE* and *CWELLS* were included as explanatory variables because they are exogenous variables in the model. *PRICE2, CWELLS2,* and *PRICE*CWELLS* were included to account for non-linearities expected in light of relationships in the model (see Table 1 for descriptions). All estimated coefficients are significantly different from zero except the interaction term *PRICE*CWELLS*. The marginal effect of *WELLS* with respect to *PRICE* increases at a decreasing rate. The Pearson correlation between the actual values of ln*(WELLS)* and the corresponding predicted values, ln*(PREDWELLS)*, is 0.96.

Table A.1
Construction of Instrument ln*(PREDWELLS)*

Explanatory Variable	***Coefficient*** (t-statistic)
PRICE	0.064 (6.49)
PRICE2	-0.45E-3 (-2.90)
CWELLS	-0.22E-4 (-5.19)
CWELLS2	0.15E-10 (4.17)
*PRICE*CWELLS*	0.18E-7 (1.51)

Extraction Cost Function

Direct operating (lifting) cost for oil by region at depths of 2,000, 4,000, 8,000, and 12,000 feet are available from annual cost index studies published by the DOE/EIA

for the period 1970-1998. However, these data are of limited value for two reasons. First, cost estimates are not always disaggregated to the state level and cost estimates for other states may not be representative of all production. Second, through the mid-1980s, price controls on oil and/or gas distorted production incentives, making historical extraction costs difficult to compare with extraction costs in more recent years. As a compromise, following Deacon (1993), values of extraction cost parameters are calibrated for the following Cobb-Douglas function,

$$C(q, R) = \kappa q^{\varepsilon} R^{1-\varepsilon} , \qquad \text{(A.5)}$$

where $\varepsilon = 1/\mu$, μ is the production share of non-reserve inputs, and κ is a constant value that drives the production cost modeled to an average level of *lifting costs* representative of the 1998 DOA/EIA surveyed estimates described above. State-specific estimates for μ are established from the data on operating cost, drilling cost, production, reserve additions, and reserve levels described above (see Kunce, Gerking, and Morgan 2001 for specific calibration methods). Marginal extraction costs per barrel using 1998 data for 7 major producing states are: CA \$6.12, KS \$4.89, LA \$8.81, NM \$6.27, OK \$6.89, TX \$6.71, and WY \$6.43. The 1998 calibrated oil production cost parameters for Wyoming are $\varepsilon = 2.93$ and $\kappa = 141$.

13.

Gas and Water Handling Constraints handout

Gas and Water Handling Constraints On Alaska's North Slope
Excerpts from Articles and Reports, 1989-2011

Background Information

1989 Revenue Sources Book
Alaska Department of Revenue

> "The vast majority of Alaska production will continue to come from the now declining Prudhoe Bay field ... The decline in Prudhoe Bay production is now expected to be much more rapid than assumed in our Spring forecast. This reflects a more serious gas handling constraint. As more and more gas is produced with each barrel of oil, the amount of gas which must be re-injected back into the Prudhoe Bay field has increased substantially. Since it is anticipated that there will need to be more production downtime due to field and TAPS maintenance, the gas handling constraint will limit the ability to keep average annual oil production from falling. Installation of additional gas handling equipment, GHAX1 (gas handling and expansion 1), is scheduled to start late in 1990. A second expansion is in the planning stages. Once in place, the ability to re-inject up to 5.1 bcf/day of gas production will slow the rate of decline in oil production."

A Production Optimization System for Western Prudhoe Bay Field, Alaska
By D.A. Barnes, K. Humphrey, and L. Muellenberg of BPX America
Paper prepared for presentation at the 65th Annual Technical Conference and Exhibition of the Society of Petroleum Engineers held in New Orleans, LA, Sept 23-26, 1990.

> "For almost a decade the Prudhoe Bay field on the North Slope of Alaska has produced at a yearly average offtake rate of 1.5 million stock tank barrels of oil per day. As the reservoir depletes and field gas-oil ratios (GORs) increase, gas handling constraints make it difficult to achieve oil rate targets."

With Prudhoe Bay in Decline, What's Next for Alaska?
By James M. Davis (Senior Vice President for Exploration and Land) & Jerry R. Pollock (Manager, Prudhoe Bay Engineering) of ARCO Alaska, Inc.
Oil & Gas Journal, August 3, 1992

> "By any definition, Prudhoe Bay is declining and will continue to decline ... To accountants, Prudhoe decline began during 1988 when the field was no longer able to make its maximum allowable rate of 1.5 million b/d of oil. To engineers, the decline

began long before that ... Unfortunately, adding more wells can't keep the oil production rate up forever. We're already past the point where drilling can stave off a falling oil rate ... As the field matures, the production facilities reach their maximum capacities to handle produced water and gas. Wells with falling oil rates and increasing produced water or gas volumes have to be shut-in. Total field oil production drops."

Prudhoe Bay: Development History and Future Potential
By D.J. Szabo, BP Exploration (Alaska) Inc. and K.O. Meyers, ARCO Oil and Gas
Paper prepared for presentation at the SPE 1993 Western Regional Meeting, Anchorage, AK, 26-28 May 1993.

"Prudhoe Bay is seen by many as a mature oil field on an inevitable and irreversible decline ... The field's oil production capacity dropped below 1.5 MMSTB/D in 1988 *officially* signaling the start of decline. The onset of decline was a direct result of limited gas handling capacity as opposed to limited oil production capacity."

Alaskan North Slope Focus Shifts from Wildcats to Cutting Production Costs
Oil & Gas Journal, June 6, 1994

"Liquids production at Prudhoe Bay is constrained by the ability of field operators to process and reinject associated natural gas. Since 1988, the field's production has declined to 1.1 million b/d from 1.6 million b/d of hydrocarbon liquids. Installation of additional gas handling capacity will temporarily stem the decline in the near term and slow the rate of decline in the years ahead."

Prudhoe Bay Field: Facility Consolidations Pave the Way for an Economic Future
By K.D. Eager, BP Exploration; M.D. Briscoe, ARCO Alaska; R.A. Bolduc, Exxon
Paper prepared for presentation at the 1998 SPE Annual Technical Conference and Exhibition held in New Orleans, LA, 27-30 Sept 1998.

"The Prudhoe Bay Field on Alaska's North Slope has produced for twenty-one years. Prudhoe's gas and water production rates are at historic highs, but the oil production rate has declined to less than one-half of the peak rate achieved in the 1980s. As a result, significant excess oil treating capacity exists, with water and gas handling capacity constraining the current oil production rate. The owners of the Prudhoe Bay Unit developed a major facility consolidation plan in 1997 designed to rationalize this excess oil treating capacity while preserving existing gas and water handling capacity. The reconfigured facilities are expected to provide sufficient capacity at a lower cost to

accommodate projected oil, water and gas production rates over the remaining life of the Prudhoe Bay Field."

Optimization of Production from Mature Fields
By P. Wang & K. Aziz of Stanford University and M.L. Litvak of BP, USA
17th World Petroleum Congress, September 1 - 5, 2002, Rio de Janeiro, Brazil

"Oil production in the Prudhoe Bay and Kuparuk River fields is constrained by the gas handling limits of the surface facilities."

2003 Oil and Gas Report (for the period ending December 31, 2002)
Alaska Department of Natural Resources (Tom Irwin, Commissioner)
Division of Oil and Gas (Mark Myers, Director)

"From the beginning of Prudhoe Bay production, dissolved gas and water were separated from the crude oil and injected back into the reservoir. Over time the reservoir's proportion of both gas-and-water to oil increased. Eventually, oil production was constrained by the rate at which the separating plants could process gas and water."

North Slope of Alaska Facility Sharing Study
Prepared for Division of Oil & Gas, Alaska Department of Natural Resources
By Petrotechnical Resources Alaska, May, 2004

"The North Slope processing facilities have specific design capacity limits, indicating the amount of oil, water and gas which can be handled by the facility. If the handling capacity of one of these streams is reached for a given facility, it limits the overall production output from that facility. While some facilities may be producing below capacity for oil, they are often limited due to capacity constraints on total water production or gas production."

Alaska Oil Forecast Shaky
By Kristen Nelson, Petroleum News
Week of November 18, 2007

"While new oil is an issue in maintaining production levels, there are also issues at existing fields, where [Dudley] Platt said facilities expansion may be needed. He said the large facilities are 'maxed out on how much gas they can handle and they're getting

close to being maxed out on how much water they can handle. ... If they don't expand their facilities to handle that, the oil production will continue to go down.'"

Optimized EOR Design for the Eileen West End Area, Greater Prudhoe Bay
By M.N. Panda, SPE, Petrotechnical Resources of Alaska; J.G. Ambrose, BP Alaska; G. Beuhler, TNK-BP; and P.L. McGuire, BP Alaska
Copyright 2009, Society of Professional Engineers

"Eileen West End (EWE) initially was developed in the same style as Prudhoe Bay. To accomplish this, excess produced gas from Prudhoe Bay was injected into the EWE gas caps with a hope that the reservoir would produce with effective gravity drainage in a manner similar to that of Prudhoe Bay. Conductive faults and shale barriers, however, led to unexpected early gas breakthrough. High gas/oil ratios reduced the oil production rate, leading to a reduced recovery factor from the field."

New Developments in Upstream Oil and Gas Technologies
Hearing before the Committee on Energy and Natural Resources, United States Senate
Testimony by Kevin Banks, Director, Division of Oil and Gas, Alaska Dept of Natural Resources
May 10, 2011

"With the exception of development of heavy oil resources known to exist around the Prudhoe Bay, Kuparuk, and Milne Point fields, and potential resource plays (like the Bakken in North Dakota) that may exist on the North Slope on State controlled lands, the natural field declines cannot be replaced without access to production from Federal lands and the OCS. There are no known conventional resources on State or Native lands that are likely sufficient to replace the decline in the existing production rates."

Memo to Senator Joe Paskvan
From DNR Division of Oil and Gas
Re: North Slope Facilities Expansion
June 8, 2011

"... it is our belief that additional gas and water handling capacity investments will be necessary in some cases for continuing operation of maturing fields, development and expansion of satellite reservoirs, and to allow for facilities sharing with other new developments outside of current Units."

14.

North Slope of Alaska Facility Sharing Study

North Slope of Alaska Facility Sharing Study

Prepared for
Division of Oil & Gas
Alaska Department of Natural Resources



May 2004

By Bob Kaltenbach, Chantal Walsh, Cathy Foerster, Tom Walsh, Jan MacDonald, Pete Stokes, Chris Livesey and Will Nebesky



www.petroak.com

North Slope of Alaska
Facility Sharing Study

Executive Summary

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III. Physical Considerations

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90/95

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* Graphics created by Division of Oil and Gas

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Executive Summary

Facility sharing is critical for the future of the oil and gas industry on the North Slope. This study was commissioned by the Alaska Department of Natural Resources, Division of Oil and Gas to address issues associated with processing facility sharing agreements for future North Slope activity. The goals are: to characterize the existing facilities, their current throughput, and their theoretical capacities; to identify the needs and desires of independent producers and North Slope facility owners and operators; to describe how facility access is managed in other oil and gas provinces; and to develop guidelines for facility access on the North Slope. Exploration and drilling activities are not addressed in this study. Only issues related to facility sharing and availability of space in pipelines are addressed in this report.

Petrotechnical Resources of Alaska (PRA) prepared this report by: compiling existing facilities data from BP Exploration (Alaska), ConocoPhillips Alaska, and ExxonMobil; identifying capacity issues; surveying independent oil companies; reviewing existing facility sharing agreements; and preparing guidelines for third-party access to facilities.

While many North Slope processing facilities have spare capacity for oil, water, or gas handling, most facilities have reached capacity for handling at least one of these components. A summary of facility constraints and excess capacities at the field level includes:

1. Alpine currently meets capacity for oil, gas, and water injection, and planned facilities expansions likely will be filled by Alpine satellite development (Fjord, Nanuk, etc).
2. Badami is in warm shutdown, and theoretically has space available up to design capacities,
3. Endicott currently has spare oil capacity, but water and gas are at capacity limits,
4. Kuparuk currently has spare oil capacity, but water, total liquid and gas are at capacity limits,
5. Milne Pt. has oil and gas capacity available through 2015, water capacity until 2011,
6. Northstar has capacity available in oil and water handling, and will reach gas capacity by 2006,
7. Lisburne Production Center is currently at or near both gas and water capacity,

8. Prudhoe Bay facilities have room for oil, but gas production is at capacity limits and water handling is at or approaching capacity limits in all facilities.
9. Pipeline capacity for Alpine is full; Kuparuk, Milne Pt, Northstar, and Lisburne/ Pt. Mac are nearly full; and Badami, Endicott, and Prudhoe Bay have pipeline capacity available.

The reference facility sharing agreement suggested herein by PRA is based largely on Ballot No. 255 for Kuparuk, which has served as the standard for several subsequent North Slope facility sharing agreements. The PRA reference agreement includes examples of potential costs associated with facility access.

Only Kuparuk River, Prudhoe Bay, Lisburne, and Endicott production facilities have existing facility sharing and services agreements addressing satellite production. The existing facility sharing agreements, while created with only unitized production in mind, are de-facto templates for recent access negotiations. The joinder agreement (Appendix D) between Winstar and the Kuparuk River Unit is an example of the use of Ballots 255, 255A, and 260 for the Kuparuk River Unit allowing for third-party satellite production.

The guiding principles from the United Kingdom (U.K.) Code of Practice and Alberta's Jumping Pound formula have much in common with the existing North Slope facility sharing agreements. However, the U.K. and Alberta contracts provide for regulatory interdiction as needed to resolve disputes between negotiating parties, although emphasis on a cooperative approach to facility sharing has been successful in negating the need for government interdiction. Existing agreements between unit partners on the North Slope present the starting point for new third-party facility sharing agreements, and an understanding of these agreements will aid potential third-party producers in negotiating new agreements.

A survey of 15 independent oil companies currently interested in Alaska oil and gas exploration indicates that their primary concerns regarding access to existing facilities include: backout calculations, access fee methodology, timeliness of access negotiations, insurance requirements, and operatorship issues.

The report concludes that: 1. Interested parties should be able to negotiate an acceptable agreement and negotiations should be initiated as early as prospect maturity allows; 2. Development and communication of a process for facility access which is fair and

transparent will help to resolve any lack of trust, and create opportunity for expanded resource development; 3. Potential third-party producers need to provide operators with a well thought-out development plan and crude characteristics to support any request for facility access; 4. Facility operators need to communicate the backout methodology and terms, and respond to requests for access costs in a timely manner; 5. It must be recognized that backout is a valid concept , representing real lost or deferred barrels to the facility owners, for which reasonable compensation is justified; 6. Agreement must be reached on a simplified backout methodology for fields without a detailed dynamic plant model; and 7. The State of Alaska has options to help defray the impact of backout fees, and this may prove to be a decisive factor in the success of North Slope facility sharing.

North Slope of Alaska
Facility Sharing Study

Introduction

The State of Alaska, the North Slope operators and the companies having or seeking to purchase leases on the North Slope all recognize the need for business cooperation and efficient use of resources to maintain a vibrant North Slope oil and gas industry. The continued and increased production of North Slope crude oil and gas is a goal of all parties. This study addresses issues associated with the processing facility sharing agreements for future North Slope activity. The study characterizes existing facilities and their processing potential, identifies the needs and desires of independent oil and gas companies and North Slope facility owners and operators, and lays the groundwork for designing a template for successful facility access on the North Slope of Alaska which benefits all parties involved.

PRA believes that there is mutual benefit to the facility owners and third-party producers in adopting reasonable terms for facility access which are equitable and understandable. In other mature basins, such as the North Sea, facility owners offer an "Indicative Tariff", or ballpark figure for facility access cost to interested producers. A survey of interested independent oil and gas explorers was undertaken to gather their issues and concerns about the future development in Alaska (Appendix A). The North Slope operators responded to facility information and data request (Appendix B). PRA compiled these various data and information in preparation for this report.

The list of deliverables provided is:

- Definition of existing facilities and design capacity for: Alpine, Badami, Endicott, Kuparuk, Milne Point, Northstar, Pt Mac/Lisburne, and Prudhoe Bay Fields.
- Identification of constraints and excess capacity for: Alpine, Badami, Endicott, Kuparuk, Milne Point, Northstar, Pt Mac/Lisburne, and Prudhoe Bay Fields.

- Identification of facilities currently operating at capacity and areas that may need higher capacity based on satellite exploration activity.
- Compilation and communication of the North Slope facility owners/operators perspective on facility sharing.
- Assessment of facility sharing and back-out costs including a negotiation strategy template, and a review of facility sharing agreements in other places.
- Compilation and communication of the current Independent oil companies' perspective on facility sharing.

The issue of facility sharing is critical for the future of the oil and gas industry on the North Slope. A successful facility sharing agreement must provide a solution that is mutually satisfying to all parties. The existing owners and operators, the Independent producers looking to be active on the North Slope, and the State of Alaska all have a vested interest in seeing a process that enhances the oil and gas industry.

Potential producers have the burden of exploring and bringing the crude to the surface, negotiating a facility sharing agreement for the processing of their fluids, and transporting or establishing a custody transfer agreement at the outlet of the facility. The exploration and drilling activities have their own significant challenges, which are not addressed in this study. Only facility sharing issues and transportation issues, as they relate to availability of space in pipelines and tankers, are addressed in this report.

The PRA team analyzing and reviewing this study included the following individuals:

Cathy Foerster	Reservoir Engineer
Robert Kaltenbach	Facility Specialist/Cost Analyst
Jan MacDonald	Reservoir Engineer/Commercial Analyst
Chantal Walsh	Petroleum Engineer
Tom Walsh	Project Manager/Geophysicist
Pete Stokes	Petroleum Engineer/Business Consultant
Chris Livesey	Geologist

A tremendous amount of data and support to this study was provided by the North Slope Facility Owners and Operators: BP Exploration (Alaska) Inc., ConocoPhillips Alaska, Inc., and ExxonMobil. Additionally, the following Independent Oil companies submitted valuable insight and ideas to this evaluation: Winstar, Talisman, Alaska Venture Capital Group, Kerr McGee, and DevonCanada.

Guiding Principles for Facility Sharing Practices

Facility sharing is a key component in the future viability of the oil and gas industry on the North Slope and in order for successful sharing to take place, real mutual benefit to all parties must be demonstrated. Given the complexity of the business drivers represented by the parties, demonstration of mutual benefit is not a trivial exercise and it is helpful to define a basic set of guiding principles for facility sharing on which all parties can agree. Below is a list of guiding principles compiled from oral and written communication from a cross-section of contributors to this study, including facility owner and operator companies, potential third-party producers, and State of Alaska government officials.

The facility sharing process must:

- Be fair, equitable, and understandable to all parties
- Result in net increase in production, improve resource conservation, and reduce waste
- Not result in any new government regulation
- Preserve and promote operational integrity
- Preserve the integrity of unit rights/obligations, and tax partnerships
- Reduce financial and operational risk
- Introduce no significant adverse impact to existing production
- Provide timely access to indicative fee structure for bona fide inquirers
- Create a level playing field for all producers, where the "best" barrels are produced
- Allow for resolution of conflicts
- Compensate the facility owners for their historical capital costs and lost or deferred production
- Provide equitable sharing of ongoing costs among all users

Physical Considerations

Potential producers are faced with the burden of exploring for oil and gas, bringing it to the surface, processing their fluids either with their own facilities or negotiating a facility sharing agreement, and transporting or establishing a custody transfer agreement at the outlet of the facility. If the third party producers build their own processing facilities, the product stream will need to tie into a pipeline for transportation. The common carrier pipelines will accept the production as long as it meets their specifications.

The North Slope processing facilities have specific design capacity limits, indicating the amount of oil, water and gas which can be handled by the facility. If the handling capacity of one of these streams is reached for a given facility, it limits the overall production output from that facility. While some facilities may be producing below capacity for oil, they are often limited due to capacity constraints on total water production or gas production. In this case, additional production can be introduced into the facility by backing out existing wells, such as those with high GOR or WOR, and processing third party production of oil with lesser amounts of water and/or gas. The facility-owner's production volume that is deferred due to the introduction of third party processing is referred to as "backout" or "backout volume". Compensation for this backout volume is an item of particular interest in negotiating a facility sharing agreement. The method of calculating this backout volume is detailed later in the report.

Where facilities are producing at peak oil handling capacity, backing out high GOR or WOR oil will not result in additional oil production, and backout costs for satellite producers would be prohibitive. Additionally, the pipelines necessary for transporting the produced fluids must have room for additional volume if new production is to be introduced. It is essential to remember that, even if there is available processing capacity in the facilities, there must be room for additional oil in the downstream pipeline system to accommodate satellite production. (See section on pipeline volume and forecasts.)

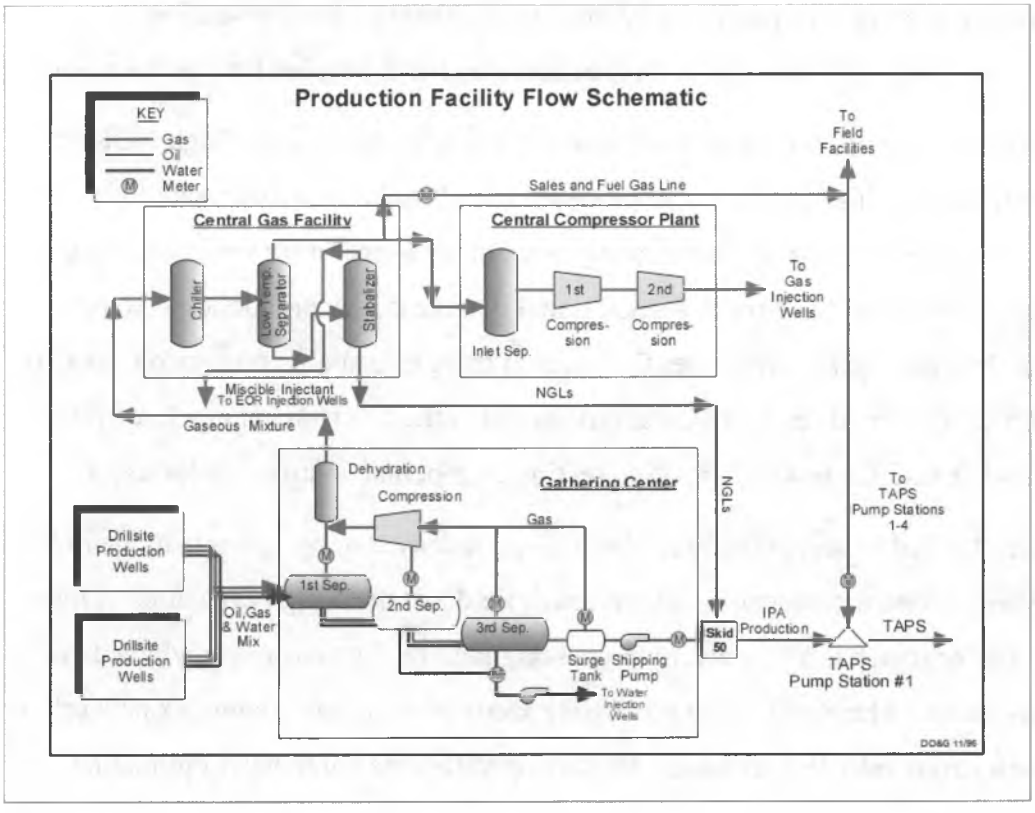
The first step toward understanding the North Slope facility sharing issues is to identify the processing infrastructure associated with each field and the design capacities of these facilities. The next step is to review, by processing facility, the constraints which drive the capacity limits. The North Slope processing facilities represent a complex network of systems with strong interdependencies. Facility operators are continually optimizing

production parameters to maximize sales oil volume and minimize cost, managing individual well production for hundreds of wells to match plant specifications and pipeline and tanker capacities. To understand how and where third party oil can be processed, all of these factors need to be considered.

North Slope Overview

There are eight primary operating areas on the North Slope of Alaska that currently process North Slope oil and gas (See Figure 1). These eight facilities are: Alpine, Badami, Endicott, Kuparuk, Milne Point, Northstar, Point McIntyre/Lisburne, and Prudhoe Bay. Northstar and Endicott are on man-made islands. Generally, the facilities consist of oil/gas/water separation, gas dehydration/compression/reinjection, water treatment/reinjection, and in some cases, NGL production. For a generic process flow diagram, see Figure 2. Individual facility process flow diagrams are shown in Figures 3 – 8. Oil is transported from each of the facilities into common carrier pipelines. The design capacities of each specific facility are shown below and compared with their current operating conditions. The forecast shows whether it is likely or unlikely that any new satellite production would incur backout costs.

Figure 2 **Generic Facility Flow Diagram**



Alpine

There is currently one producing pool (Alpine Participating Area) in the Colville River Unit (CRU). The major components of the basic facilities used by the CRU are: Alpine Processing Facility, Two Drillsites (CD-1 and CD-2), Alpine Pipeline, Seawater Treatment Plant (STP) pipeline, (Under a special agreement, STP supplies waterflood water to the CRU), the Alpine Main Camp, Spill Response Center, Warehouse, Airstrip, diesel supply line, roads and pipelines, and one Class 1 non-hazardous waste disposal well.

Oil processing at Alpine consists of 2 stages of 3-phase separation and a dehydrator to remove water to sales oil quality. Produced water is re-injected into injection wells at drillsite CD-1 (Colville Delta-1). Produced gas is compressed (through four stages) and flows into the gas injection header system. Gas is taken and mixed with indigenous natural gas liquids (NGLs) to form miscible injectant (MI). The MI is distributed to water-alternating-gas (WAG) injection wells at CD-1 and CD-2. Injection water consists of produced water and seawater from the Seawater Treatment Plant (STP).

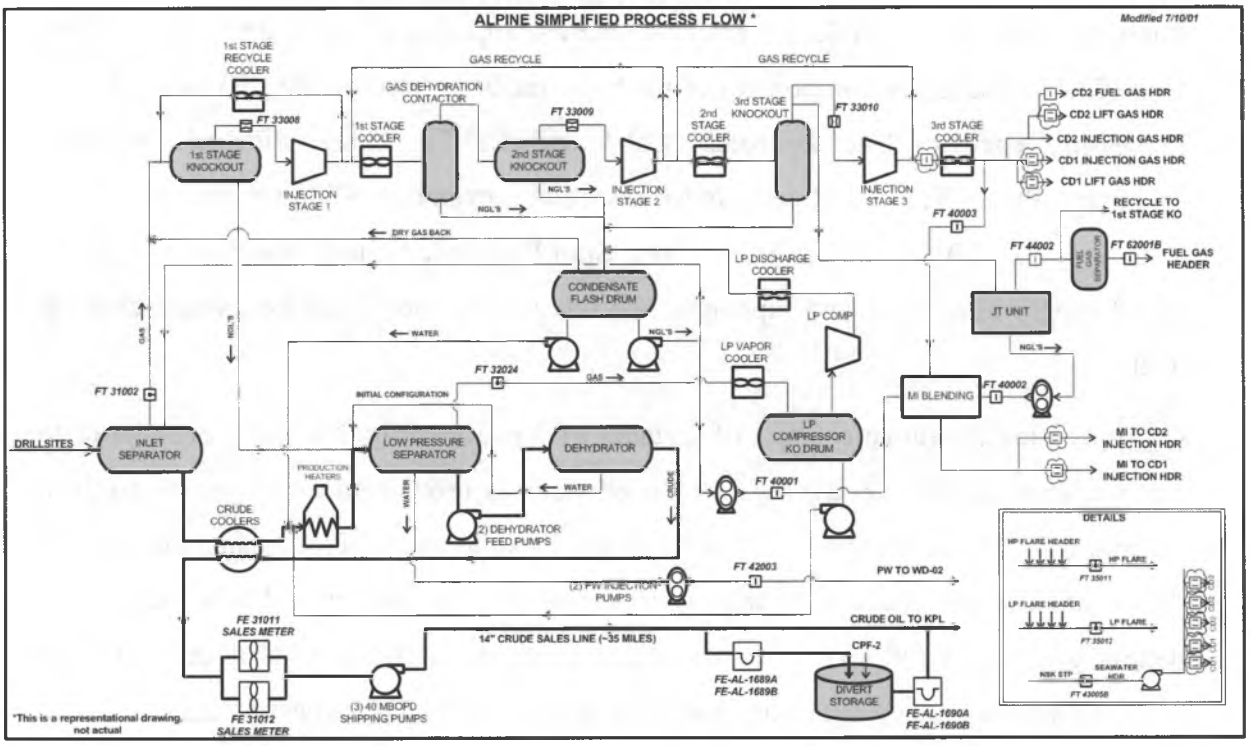
Table 1 depicts the 2003 production vs. original design capacity of the facility, along with the planned expansion capacity for late 2004 and 2005.

Table 1 Alpine Facility Operation vs. Capacity

Stream	2003 Oper/design	ACX-1 Design Late '04	ACX-2 Design '05	Units
Oil Production:	100,000/83,000	110,000	140,000	bopd
Gas Handling:	120/130	160	180	mmscfd
Water Handling:	4,000/10,000	100,000	100,000	bwpd
Water Injection:	80,000/80,000	140,000	140,000	bwpd

At this time, the Alpine Processing Facility has no spare capacity for new production. Alpine currently meets processing capacity for oil, gas, and water injection. Facilities expansions are planned for 2004 and 2005; however, it is likely that Alpine satellite development (Fjord, Nanuk, etc.) will offset most of the expanded capacity.

Figure 3 **Alpine Simplified Process Flow Diagram**



Badami

The Badami Field is currently in a warm shutdown. The production facilities consist of multi-stage oil/water/gas separation, water injection, gas treatment, compression and injection, and oil export facilities. A WAG injection and lift gas system are also in place at Badami.

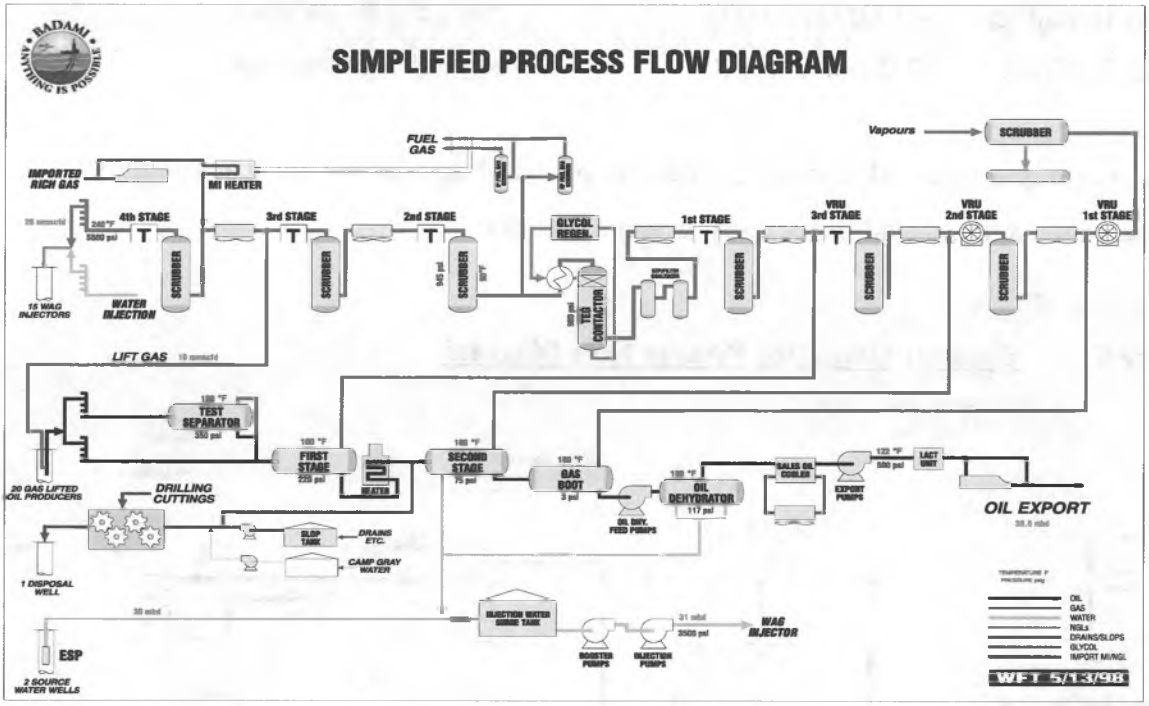
Access to the Badami facilities is by barge, ice road, rolligon, or air. Peripherals are an airstrip, a dock, a Class 1 non-hazardous waste disposal well, a grind-and-inject disposal well, and a source for electricity.

Table 2 **Badami Facility Operation vs. Capacity**

Stream	Operation/Capacity	Units
Oil Production:	0/35,000	bopd
Gas Handling:	0/25	mmscfd
Water Handling:	0/12,000	bwpd
Water Injection:	0/30,000	bwpd

Since Badami is in warm shutdown, there is theoretically space available up to the capacities shown. There may be additional costs associated with startup but there should not be any backout charges for processing here.

Figure 4 **Badami Simplified Process Flow Diagram**



Endicott

The Endicott facility consists of two man-made gravel islands located in the Beaufort Sea. Produced gas is separated from the crude oil and processed to remove NGLs. The NGL volumes are injected into the dry oil sales line subject to capacity available with existing pipeline vapor pressure specifications. NGLs not sold are blended to create a miscible injectant (MI) that is used in a water-alternating-gas enhanced oil recovery project. Any residual gas is reinjected into the reservoir to provide pressure support, used for fuel, or routed to the gas lift system to provide artificial lift. Produced water is treated before being reinjected into the reservoir. Seawater can also be treated before being injected.

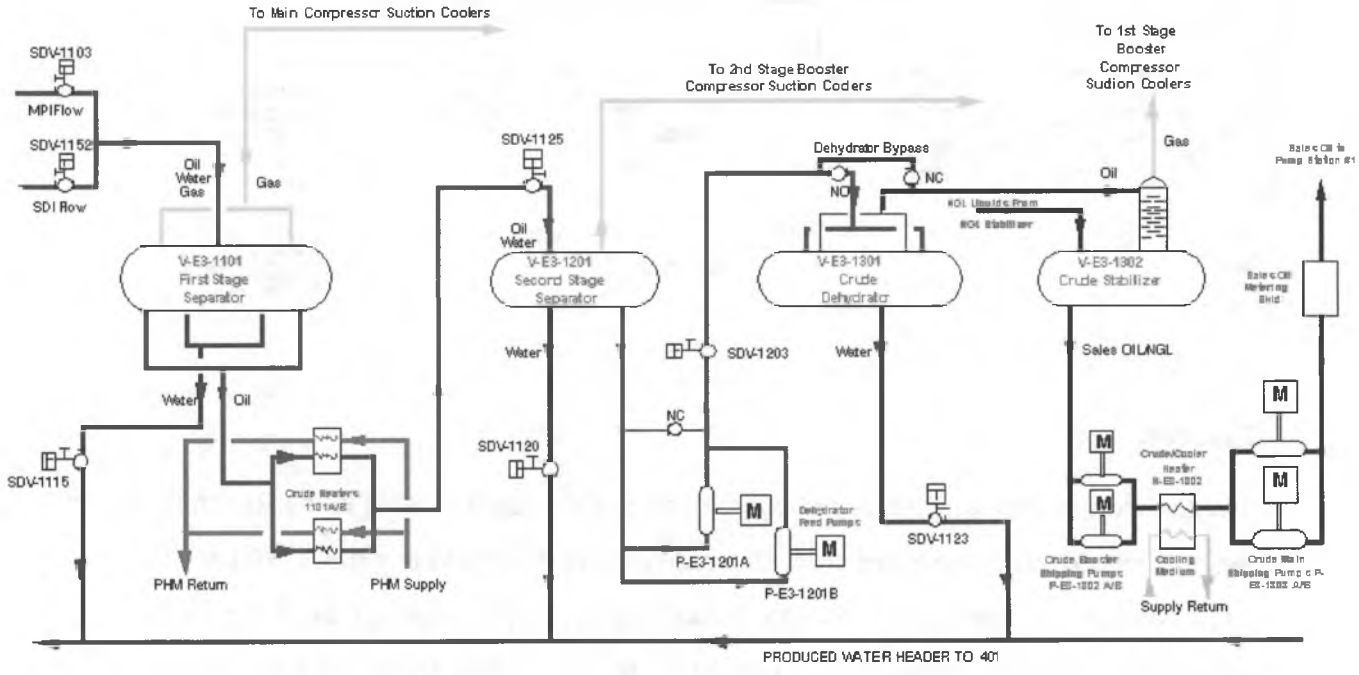
Endicott's two gravel islands are connected to each other, and linked to land by a gravel causeway.

Table3 **Endicott Facility Operation vs. Capacity**

Stream	Operation/Capacity	Units
Oil Production:	~25,000/115,000	bopd
Gas Handling:	~455/455	mmscfd design
Water Handling:	~210,000/225,000	bwpd design estimate.
Water Injection	~245,000/245,000	bwpd design estimate.

There currently is spare oil capacity at Endicott, but water and gas are at capacity limits. Any new production would likely result in some backout.

Figure 5 **Endicott Simplified Process Flow Diagram**



Kuparuk

The Kuparuk facilities consist of three Central Processing Facilities (CPF).

The production facilities consist of multi-stage oil/water/gas separation, water injection, gas treatment, compression and injection, and oil export facilities. There is a seawater treatment plant designed to prepare seawater for waterflood operations.

Access to Kuparuk is by a gravel spine road. Other facilities include a construction camp, spill response center, industrial center, warehouse, airstrip, topping plant and

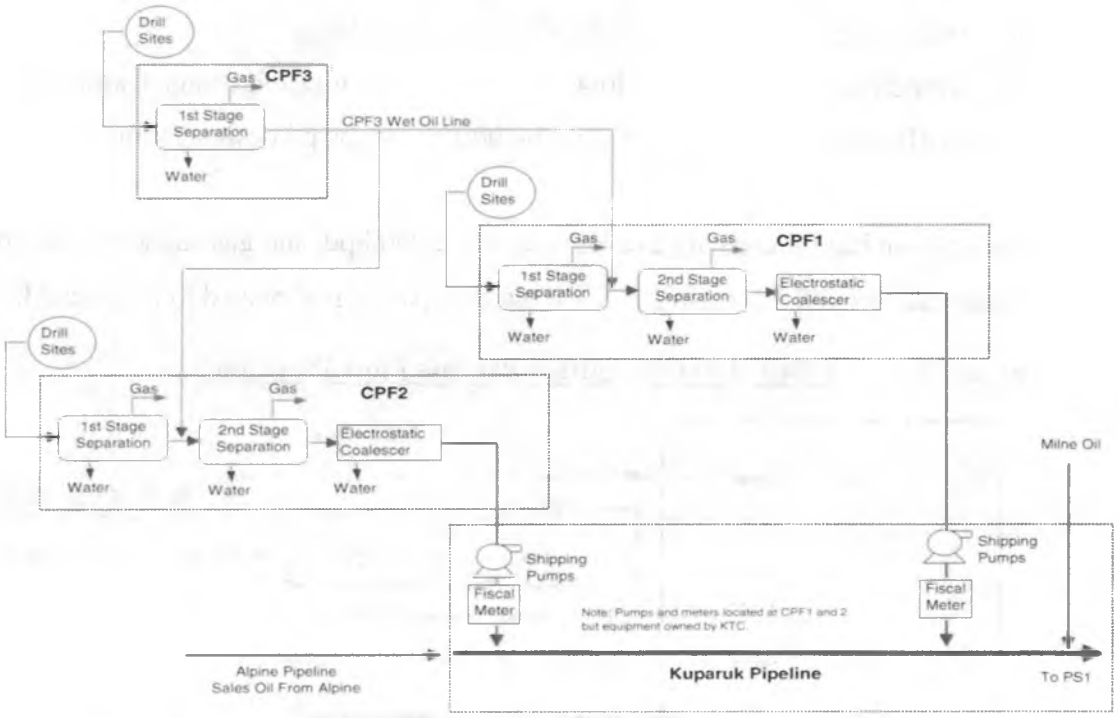
roads. There are four Class 2 non-hazardous waste disposal wells within the Kuparuk River Unit.

Table 4 Kuparuk facilities Operation vs. Capacity

Stream	CPF-1	CPF-2	CPF-3	Units
Oil Production	105,000/170,000	120,000/160,000	50,000/85,000	bopd
Gas Handling	200/200	260/260	150/150	mmscfd
Water Handling	250,000/250,000	250,000/250,000	100,000/125,000	bwpd
Water Injection	250,000/250,000	300,000/300,000	150,000/220,000	bwpd

There currently is spare oil capacity, but water, total liquid and gas production are at capacity limits. New production would result in backout.

Figure 6 Kuparuk Simplified Process Flow Diagram



Milne Point

The Milne Point Unit consists of a Central Facility Plant (CFP) and 12 producing / injecting well pads. The production facility is designed to separate oil, gas and water. After the gas is produced, it is compressed for gas injection and gas lift in the reservoir. After processing, all of the produced water is injected into the reservoir. Artificial lift at the Milne Point Field is a mix of ESPs, jet pumps and some gas lift, with ESPs being the most prevalent. Two pipelines transport liquids to and from Milne Pt. (NGL northbound, and oil southbound).

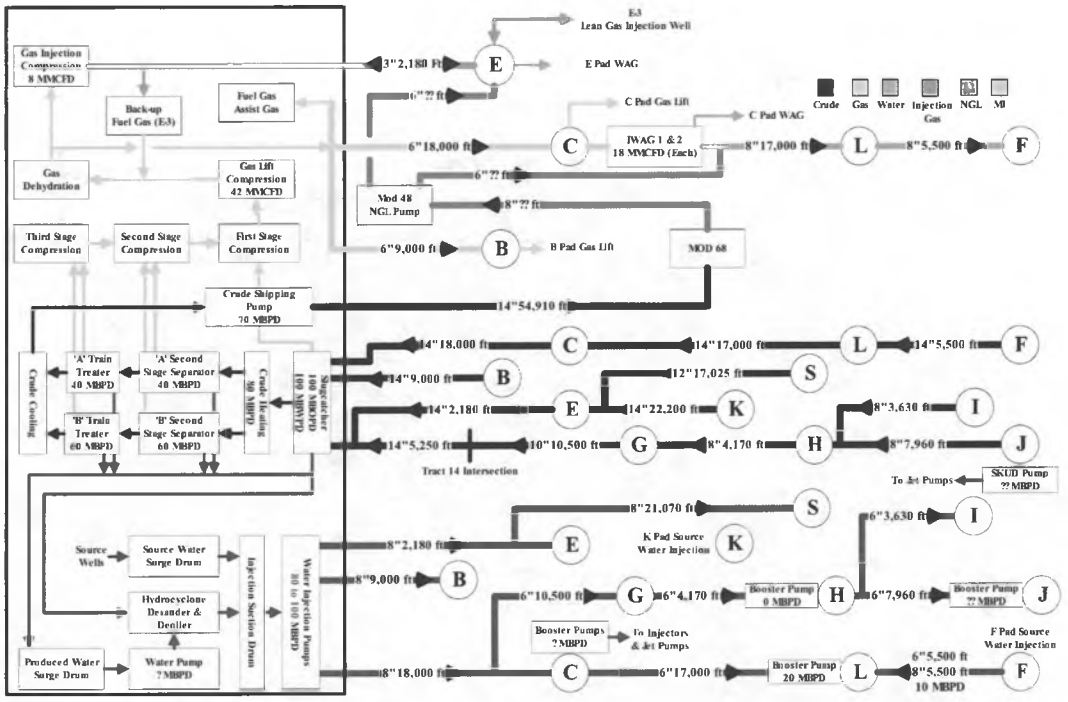
A permanent camp facility for up to 306 personnel is available. MPU currently utilizes ~40% of the space most of the time (~110 personnel). Transportation to and from Milne is by gravel road.

Table 5 **Milne Point Facility Operation vs. Capacity**

Stream	Operation/Capacity	Units
Oil Production:	~58,000/75,000	bopd
Gas Handling:	~40/42	mmscfd design estimate.
Water Handling:	~47,000/80,000	bwpd design estimate.

Milne Point has oil capacity available up to 12,000 bpd, and gas capacity available up to 2 mmscfd through 2015. In 2011, the water capacity is expected to be reached.

Figure 7 **Milne Point Simplified Process Flow Diagram**



Northstar

The Northstar facilities are on Seal Island, located 6 miles offshore of the Point Storkerson area in the Alaskan Beaufort Sea. Seal Island is a gravel island of approximately 5 acres. Two pipelines transport hydrocarbons to and from the Northstar Unit. The pipelines include one 10-inch common carrier pipeline from Seal Island to Pump Station No. 1 to transport the sales oil to TAPS. The second 10-inch pipeline is to import gas from the Central Gas Facility in the Prudhoe Bay Unit. The production facility is designed to separate oil, gas and water. Produced water is processed and disposed of into a Class 1 waste disposal well (there are two on the island). Following dehydration and NGL removal, produced gas is injected into the reservoir. Sales oil is cooled to Northstar export pipeline specification and shipped to TAPS. At the Pump Station No. 1 end of the export line, the sales oil is re-heated to TAPS specifications.

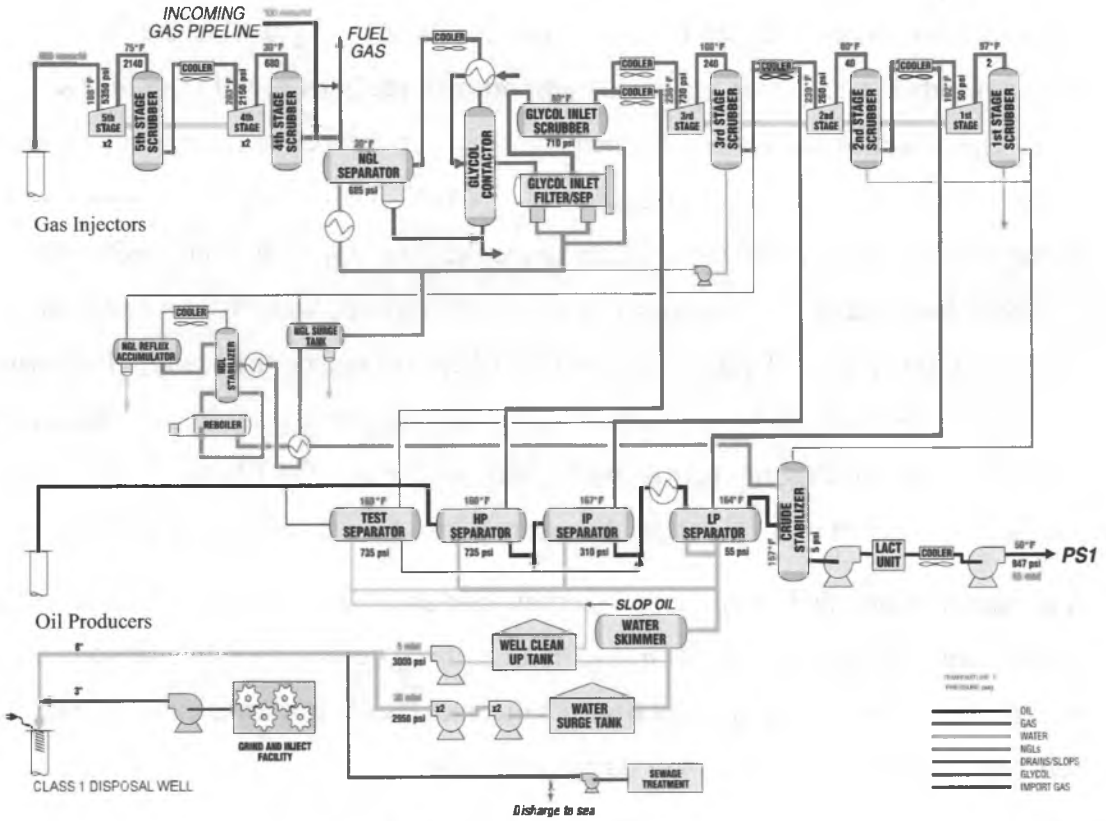
A permanent camp facility for up to 74 production and drilling personnel is also installed on the island. Multiple modes of transport are utilized depending on the season: an ice road during winter; barge, hovercraft and helicopter transport during summer; and helicopter and hovercraft transport during broken ice.

Table 6 Northstar Facility Operation vs. Capacity

Stream	Operation/Capacity	Units
Oil Production:	~65,000/77,000	bopd
Gas Handling:	~410/500-555	mmscfd design estimate.
Water Handling:	~7,500/30,000	bwpd design estimate.
Combined Water and Oil limit	~70,000/85,000	bfpd design estimate

Northstar will have capacity available in oil and water handling but is expected to reach gas capacity by 2006.

Figure 8 **Northstar Simplified Process Flow Diagram**



Point McIntyre/Lisburne

The Lisburne Production Center (LPC) consists of multi-stage oil/water/gas separation, water injection, gas treatment, compression and injection, NGL production facilities, and oil export facilities. The LPC also generates electric power.

The Pt. Mac/Lisburne facility has no camp. It houses personnel at the nearby Prudhoe Bay Main Construction Camp. Access to and from Point McIntyre/Lisburne is by gravel roads.

Table 7 **Pt. McIntyre/Lisburne Facility Operation vs. Capacity**

Stream	Operation/Capacity	Units
Oil Production:	~60,000/205,000	bopd
Gas Handling:	~375/470	mmscfd design
Water Handling:	~140,000/160,000	bwpd design estimate

The facility is currently at or near both gas and water capacity. New production would result in some backout.

Prudhoe Bay

The Prudhoe Bay facilities, the largest on the slope, consist of six separate major production processing centers with a central power station, central gas processing facility, central compressor (injection) facility, two operating centers, a central seawater treatment plant, a topping plant, and a plant to grind and inject drill cuttings. There is one grind-and-inject well, and three Class 2 non-hazardous waste disposal wells. The production facilities consist of multi-stage oil/water/gas separation, water injection, gas treatment, compression and injection, NGL production and oil export.

The main housing facilities for the Prudhoe Bay Field are the Eastern Operating Camp (EOC), the Western Operating Area Camp (BOC), and the Main Construction Camp (MCC). In addition to these, there are a number of support camps throughout the field. The PBU area can accommodate up to 963 people. (This figure does not include accommodations in Dead Horse.)

Table 8 **Prudhoe Bay Facility Operation vs. Capacity**

Stream	**Operation/Capacity**	**Units**
Oil Production:	~487,000/1,660,000	bopd
Gas Handling:	~8,700/8,700	mmscfd design estimate.
Water Handling:	~1,720,000/1,720,000	bwpd design.

There is room for oil, but gas production is at capacity limits and water handling is at or approaching capacity limits in all facilities. New production would result in some backout.

Projected Production and Pipeline Constraints/ Excesses

The following describes current and forecasted oil production for North Slope facilities. These numbers are for trend and probable outcomes and should not be taken as exact. The information was provided by the producers, with the exception of Endicott, Lisburne and Prudhoe, which were taken from the State of Alaska 2003 Revenue Source Book. Any new permits or emissions restrictions have not been addressed in this report. These rates are used for forecasting the pipeline usage. Also shown on the first row of the table are current pipeline capacities.

Table 9 **North Slope Pipeline Capacities and Projected Field Production**

MBPD Year	Badami Pipeline	Endicott Pipeline	Milne Pt. Pipeline	Alpine Pipeline	Kuparuk Pipeline	NorthStar Pipeline	TAPS Pipeline
Current Capacity	**35**	**100**	**65**	**100**	**400**	**65**	**1400**
2003	0	29	51	98	361	62	994
2004	0	30	52	99	359	68	997
2005	0	29	53	98	364	60	982
2006	0	27	57	103	376	50	968
2007	0	25	58	117	390	40	954
2008	0	24	59	117	379	32	923
2009	0	22	59	104	367	27	878
2010	35	56	59	86	338	20	852
2011	50	70	58	71	322	17	824
2012	48	66	57	60	300	15	775
2013	38	55	56	51	290	12	734
2014	31	47	56	44	273	10	691
2015	27	42	55	38	267	9	663

(a) Badami includes projected Liberty throughput

(b) Endicott includes Badami and Liberty throughput

(c) Kuparuk includes Alpine and Milne Pt. throughput

Before entering the oil and gas exploration and development business, a potential producer should consider the process required to transport hydrocarbons from the North Slope to market. Currently there are three market options for North Slope production: sales at the production facility, sales in Alaska, and sales on the West Coast. Sales at the production facility trigger no transportation issues for the producer, as the custody

transfer is at the outlet flange of the facility. The other two options will entail the use of one or more of the Common Carrier Pipelines in Alaska. These pipelines are regulated by State and Federal Commissions. These pipelines will not discriminate between shippers, but will prorate volumes if pipeline capacity is exceeded. Crude oil product must meet certain specifications to be accepted by the pipeline.

The pipeline specifications for the oil delivery to PS1 are as follows:

- Maximum basic sediment and water (BS&W) content of 0.35%
- Minimum delivery temperature of 105° F to prevent paraffin deposition
- Maximum delivery temperature of 142° F
- Maximum True Vapor Pressure of 14.2 psia

The existing TAPS system can handle more than 1.4 million barrels of oil a day. Alyeska Pipeline Services Company is currently evaluating a plan to redesign TAPS to transport approximately 1 million bpd, expandable up to about 1.14 million bpd with drag reducing agent.

These are only guidelines for capacity since the addition of drag reducing agent and operational variation can change the overall capacity. If the amount of production exceeds the capacity, the pipeline operators will reduce each producer's rate on a prorated basis until capacity is met. Therefore, new production going into a pipeline that is at capacity will cause a reduction in existing production so that all producers can ship their product. This production will not increase or decrease the total quantity, just redistribute the production allocated to each producer.

Each pipeline has a group of owners that will transport fluids for a per barrel charge (tariff). Transportation must be coordinated from point of production to market and may involve several pipelines and different shippers. TAPS will transport the product to the Port of Valdez. The product must be tanker transported from Valdez to the interstate market.

Figure 9 is a map of the North Slope pipelines and TAPS. Figures 10 - 16 are timelines of the pipeline capacity and potential excess shipping space. These figures are based on production profiles as shown in the State of Alaska 2003 Revenue Book and on information provided by producers.

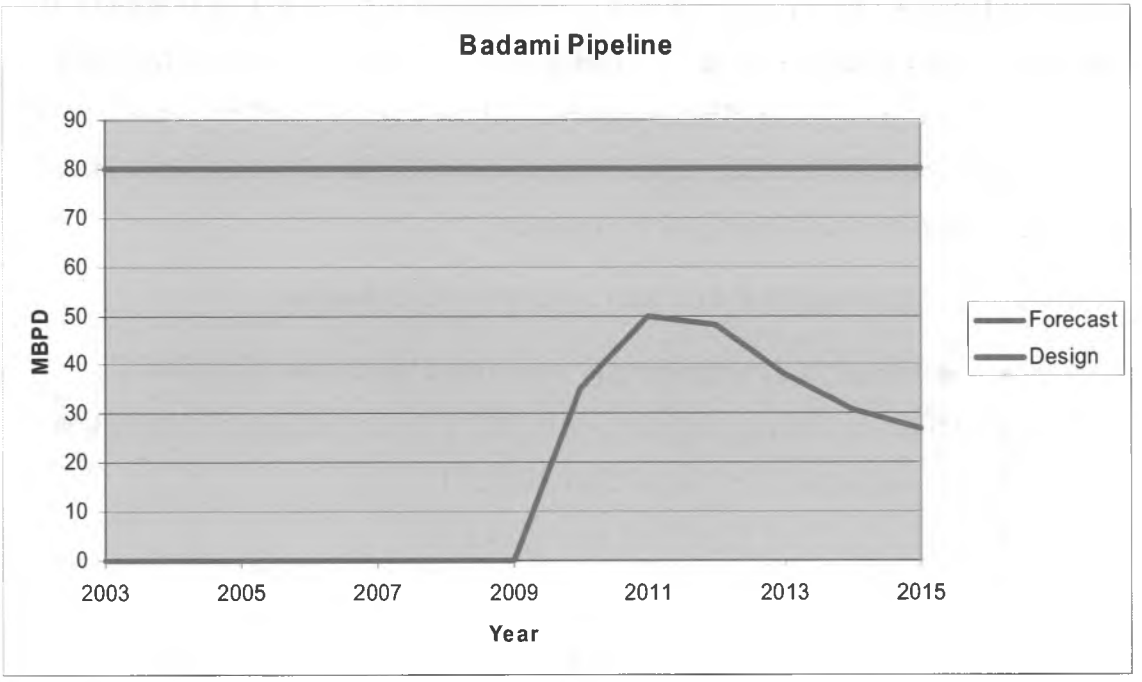


Figure 10

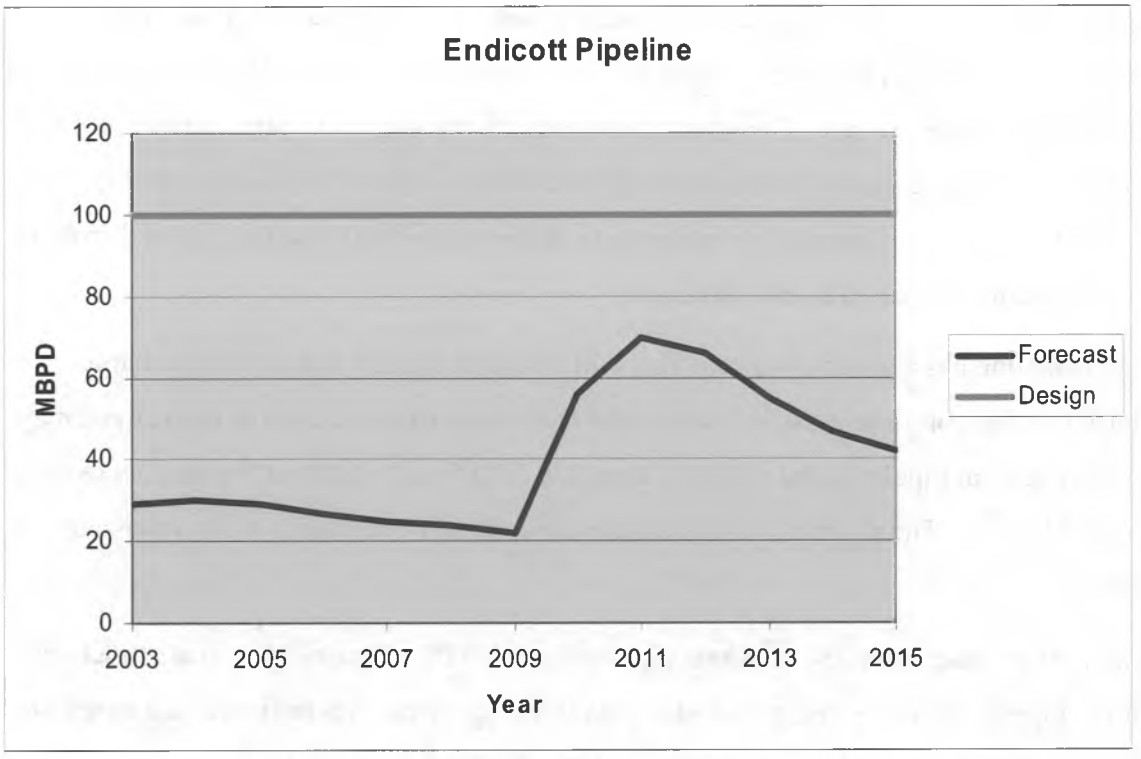


Figure 11

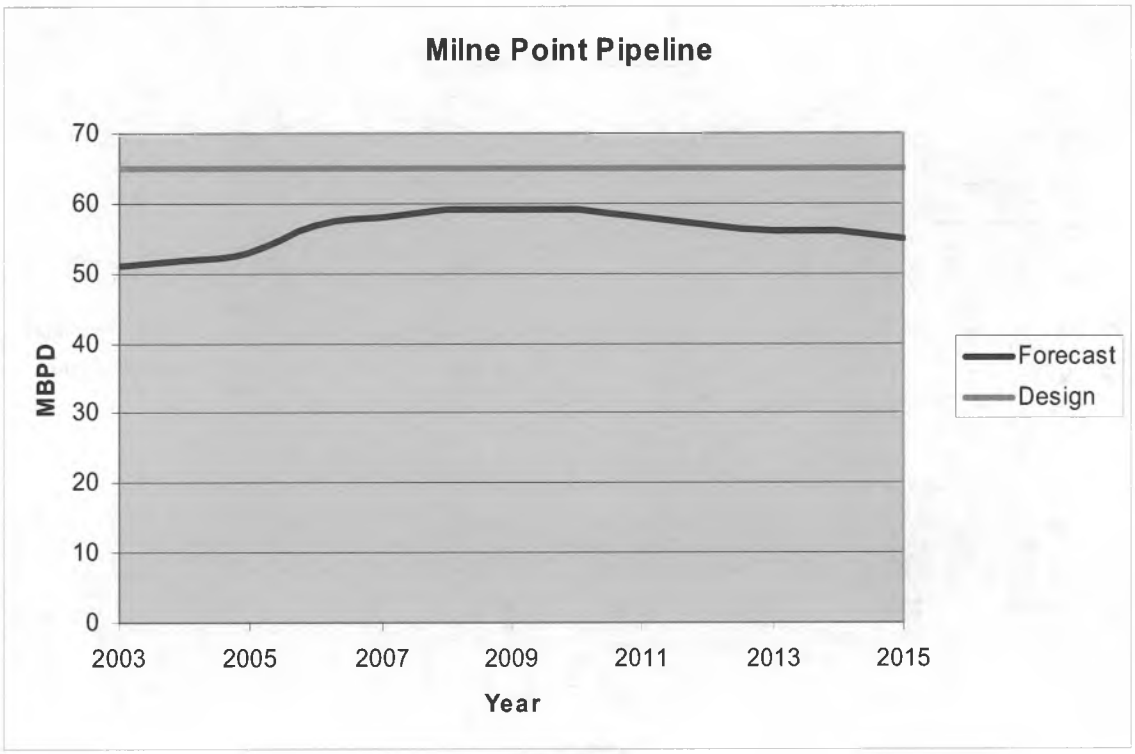


Figure 12

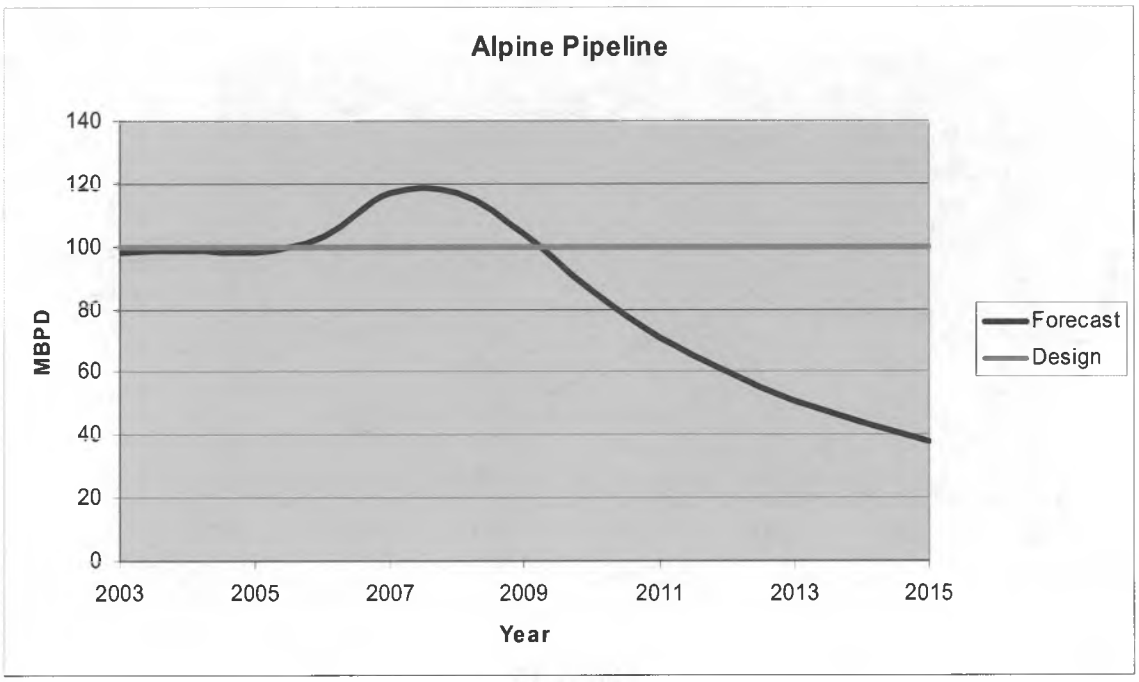


Figure 13

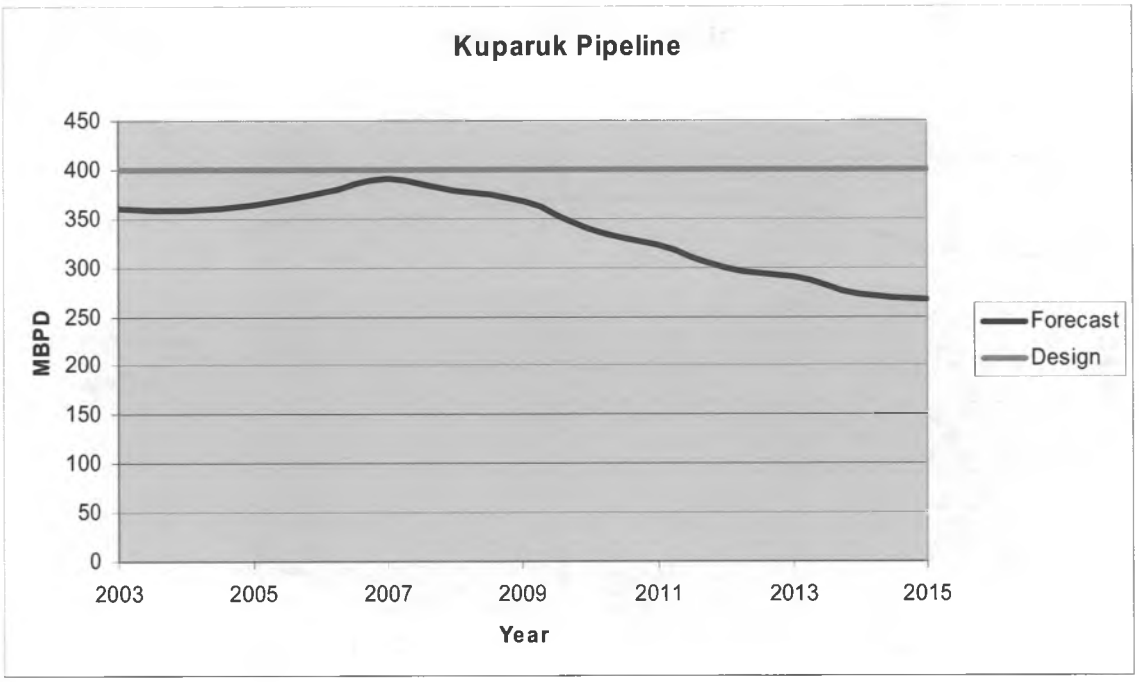


Figure 14

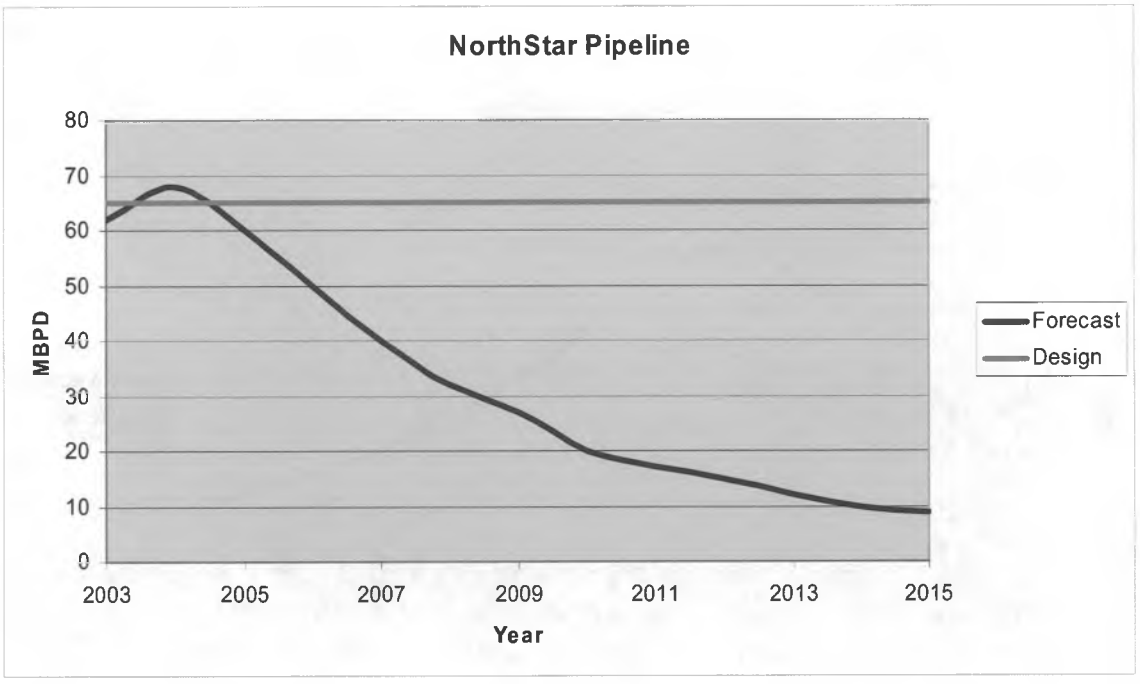


Figure 15

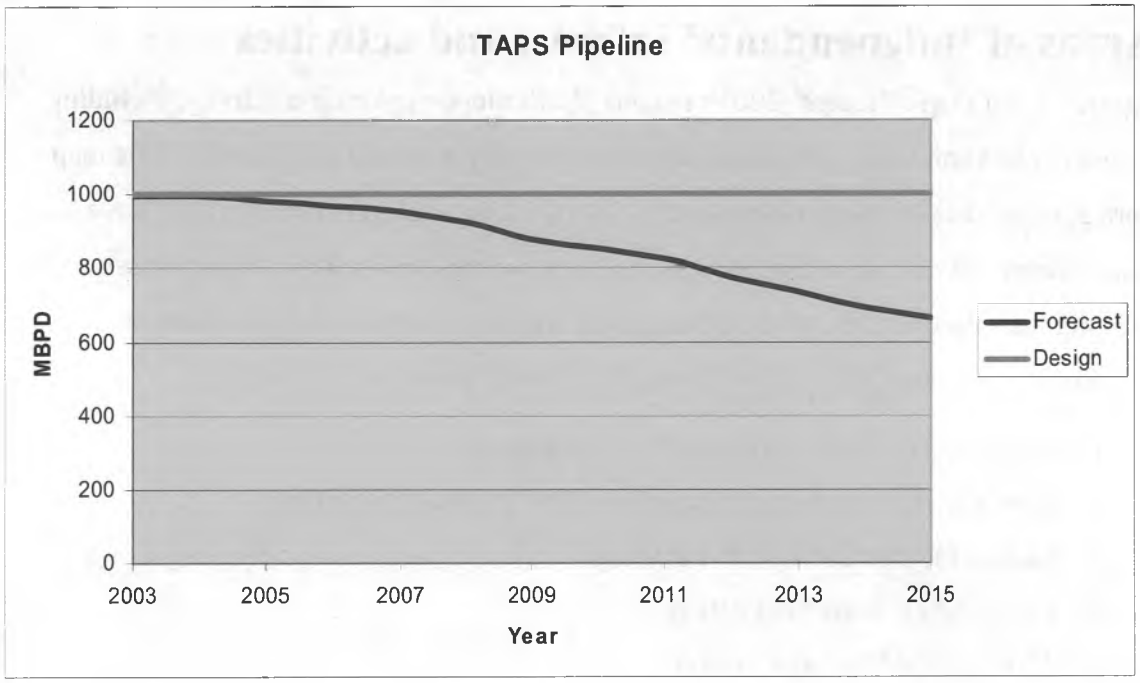


Figure 16

Table 10 illustrates the processing streams for which excess capacity is available, which streams are constrained, whether a backout calculation is likely, and status of pipeline capacity for each of the North Slope fields.

Table 10 **Facility and Pipeline Capacity/Constraint Summary**

Facility	Capacity Available for:	Constrained Stream	Backout	Pipeline
Alpine	none	oil, gas, water	likely	Full
Badami	oil, gas, water	none	not likely	Not Full
Endicott	oil	gas, water	likely	Not Full
Kuparuk	oil	gas, water	likely	Near Full
Milne Point	oil, gas, water	water 2011	maybe	*
Northstar	oil, gas, water	gas 2006	maybe	Near Full
Pt. Mac/Lis	oil, water,	gas	likely	Near Full
Prudhoe Bay	oil	gas, water	Certain	Not Full

- Feeds into Kuparuk Pipeline and dependent upon space there.

Areas of Independents' interest and activities

Figure 17 is a map of recent (2001-present) North Slope exploration activity, including recent exploration wells, unit boundaries, and recently acquired state leases. This map portrays the areas of interest expressed by North Slope explorers through their lease acquisitions and drilling activities, and indicates the areas most likely to put pressure on existing infrastructure. Some of the activities which, given successful exploration programs, will potentially impact the facility sharing landscape include:

1. Pioneer/Armstrong Oooguruk Unit evaluation
2. Kerr-McGee/Armstrong Nikaitchuq 2004 Exploration drilling
3. ConocoPhillips 2004 NPRA drilling
4. Pioneer 2004 lease acquisition
5. AVCG 2004 lease acquisition
6. Ultrastar 2004 lease acquisition

Pioneer and Armstrong partnered in 2003 to drill 3 exploration wells in the Oooguruk Unit northwest of KRU (yellow leases). They have announced a discovery in the Nuiqsut Fm., and are evaluating options for development of this discovery. This potential development could impact KRU facilities and/or the Kuparuk Pipeline.

Kerr-McGee and Armstrong drilled two wells (Nikaitchuq #1&2) northwest of MPU in 2004, and have announced a discovery in the Sag River Fm. Potential development here could impact MPU facilities, the Milne Point Pipeline, and the Kuparuk Pipeline.

ConocoPhillips has drilled a number of discovery wells to the west of CRU, all of which figure to impact the Alpine facilities, Alpine Pipeline, and Kuparuk Pipeline.

Pioneer acquired tracts in the 2003 North Slope and Beaufort Sea Areawide Lease Sales in the Hemi Springs area, as well as north of PBU, east of Northstar, and west of Kuparuk. Successful exploration programs associated with these lease acquisition could impact numerous production facilities.

AVCG added to their lease position in 2003 with acquisitions east and south of CRU, north of PBU, and west of KRU. They are considering stand-alone processing

options at this time, which would limit the facility impact to common carrier pipelines.

UltraStar Exploration added new leases to their portfolio in 2003 around Badami, and north of PBU, and successful drilling of their prospects could impact Badami, Pt. McIntyre/Lisburne and/or PBU facilities.

Most of the activity shown on the map is focused around existing facilities, with the exception of SWEPI and Unocal's lease acquisitions some 50 miles south of KRU, and Total's drilling nearly 50 miles west of CRU.

A critical constraint will be available processing and pipeline capacity to the west and north of KRU. Alpine satellites, NPRA, and the Oooooguruk and Nikaitchuq discoveries will all place significant pressure on the Kuparuk and Alpine pipelines. However, with enough new production potential realized, additional pipeline capacity may be justified.

Facility Sharing Negotiation Specifics

Guideline for Negotiation Strategy Template

PRA has put together a guideline for a facility sharing agreement based largely on Ballot No. 255 for Kuparuk. This guideline deals with the technical and accounting aspects and not the legal provisions of an agreement. All parties are advised to obtain legal counsel to protect their rights and limit their liabilities.

This guideline's purpose is to illustrate the anticipated components of a possible agreement and the expected ranges of costs associated with key components. It is not intended to be all inclusive. Every actual agreement will have its own particulars and be specific to that situation. The key to an agreement is to establish fair terms for utilizing existing infrastructure that provide third party owner(s) improved economics to develop and produce from nearby fields or other commercial paying reservoirs while compensating infrastructure owners for their existing investment, risk taking and operations. The facility owners have incurred substantial risk and invested large capital in their facilities. The third party owners can benefit from avoiding construction time,

permits (possibly) and risk of delays by using existing facilities. All parties can benefit by increased production and operations.

Any specific numbers in this guideline are for illustrative purposes and indicate possible ranges and are not intended to be fixed or binding on any party.

Facility Sharing Agreements Should Include the following provisions:

1. **Identification of Facility Owners**

This provision identifies the facility owners and their intentions.

2. **Identification of Third Party Owners**

This provision identifies the third party owners and their intentions.

3. **Definitions of Terms**

This provision defines terms of substance to this agreement for clarity.

4. **Definition of Facilities**

This provision defines facilities that are and are not included in this agreement.

5. **Definition of Third Party Facilities**

This provision defines facilities that are third party sole responsibility.

6. **Standards of Produced Fluids**

This provision defines fluid compatibility and physical limitations.

7. **Priorities Governing Production Processing**

This section states that the facility sharing agreement will maximize the total oil production. It sets priorities and defines impacts of operations. In order to maximize oil production, high GOR, high WOR wells will be curtailed first regardless of ownership. Wells of the facility owner could be shut-in or curtailed, thereby decreasing the facility owner's total production. The volume not produced by the facilities owners is "backed out" to make room for the third party production. To compensate the owners for this backout, the backout volume is calculated via a process described in more detail later in this report, and transferred to the facility owners from the third party owners. This backout volume is used to adjust the fee-appropriate volumes for the third. In other

words, the third party owners do not pay fees on the barrels they must give up as backout compensation

8. Produced Water and Seawater

Facility owners will provide to each third party a volume of water, for water injection, that is equal to the volume of water delivered to the facilities by the third party production facilities.

9. Excess Water Volumes

To the extent that additional produced water or seawater volumes are available and desired, facility owners will provide third party facilities with water volumes in excess of their water production where needed to maximize and optimize field development. A fee may apply for this excess volume.

10. Facility Access Fees

The facility owners will be compensated for their investment and ongoing costs incurred to provide facilities and processing of the third party fluids.

Capital Access Fee

This fee compensates the facility owners on an adjusted per barrel processed basis for their past capital investment. This fee recognizes that the facility owners have invested large sums in the past for the equipment and facilities that are available to the third party. Generally this fee would have a depreciation component and a rate of return component.

Capital Access Fee Surcharge

This fee compensates the facility owners for capital costs incurred after third party processing begins. This would apply if the third party did not participate in a joint capital project but the third party benefits from the project. This fee could be a per barrel charge and apply in capital increments. For example: a capital access fee of $0.025 per barrel imposed following each $25 million increment of cumulative gross amounts expended on joint capital projects and excess routine field CAPEX.

Abandonment Fee

This fee compensates facility owners for future abandonment costs that will be incurred during the abandonment of the facilities.

Abandonment Fee Surcharge

This fee is to cover abandonment costs for capital added after third party processing begins.

11. Accounting

For purposes of determining volumes of third party oil processed through facility equipment, the volumes specified in the monthly production and injection reports filed with the Alaska Oil and Gas Conservation Commission will be used less any adjustments caused by backout. Allocation among the owners will be determined by the parties.

12. Operating and Maintenance Costs

The facility owners incur operating and maintenance costs for all of the facilities and drillsites. The costs for any facilities not benefiting the third party facilities or production shall be excluded from the calculations.

Plant Liquid Processing Fee

The per-barrel fee shall be determined by dividing the O&M costs by the volume of total liquid production (oil plus water) processed in the facilities. The O&M costs can include total plant labor, direct operating costs and allocated field support costs which are attributed to gross liquid processing operations but do not include any O&M costs not benefiting the gross liquid processing operations.

Plant Gas Processing Fee

The per-mcf fee shall be determined by dividing the O&M costs by the volume of total gas production and lift gas processed in the facilities. The O&M costs can include total plant labor, direct operating costs and allocated field support costs which are attributed to gross gas processing operations but not include any O&M costs not benefiting the gross gas processing operations. The fee shall be applied to the allocated volume of fuel gas, flare gas, take-in-kind, shrinkage and lost gas attributable to third party fluids.

Common Drillsite

The per barrel fee shall be determined by dividing the O&M costs by the volume of total liquid production (oil plus water) processed in the facilities. The O&M costs can include total drillsite labor, direct operating costs and allocated field support costs which are

attributed to all drillsite operations but shall exclude charges for operations which do not benefit the third party production. The fee shall be applied to third party gross liquid production (oil plus water) processed through the facilities less any adjustments.

Water Fee

The per-barrel fee shall be determined by dividing the O&M costs by the total make-up water volume made available and used for injection in all reservoirs. The O&M costs can include total labor, direct operating costs and allocated field support costs which are attributed to seawater treatment plant operations and associated pipelines which carry seawater to the injection plants. This fee shall be applied to each barrel of make-up water injected into the third party reservoir.

Ad Valorem Tax Fee

The annual ad valorem taxes chargeable to the third party shall be determined by multiplying the total annual ad valorem taxes by the third party adjusted gross liquid production (oil plus water) processed in the facilities divided by the total liquid production (oil plus water) processed in the facilities.

13. Accounting

The fees for liquid and drillsite shall be applied to third party's gross liquid production (oil plus water) processed through the facilities less any adjustments.

14. Fluids Associated with Backout Oil

The adjusted backout volumes have an associated volume of water and gas. These volumes of water shall be the gross third party water production times the adjusted third party backout volume divided by the gross third party oil production. The gross third party gas production times the adjusted third party backout volume divided by the gross third party oil production is the associated gas volume.

15. Determination of Costs and Volumes

The costs shall be based on the actual booked costs and actual volumes of fluids processed. The third party volumes shall be those specified in the production and injection reports filed by the operator with the Alaska Oil and Gas Conservation Commission.

16. Routine Field Capex Share

Routine field CAPEX shall be allocated to the third party owners on third party's gross liquid production (oil plus water) processed through the facilities less any adjustments divided by the total liquid production processed through the facilities.

17. Joint Capital Projects

A joint capital project may be proposed by either the facility owners or the third party owners. The percentage voting and procedure for proposing the projects can be negotiated by the parties and set forth in this agreement. All construction and modifications shall be owned solely by the facility owners.

18. Volume Adjustments

Backout

There will be a volume adjustment to reflect a backout of production from the facility owners' production caused by the introduction of third party production. This volume would be further adjusted to account for quality, royalty, and tax. **See separate write up on Backout Methodology Guidelines.** This adjustment will transfer the processing fees to the receiving party for the backout volumes.

Quality

The differences in the characteristics of the oil production from the facilities and the oil production from the third parties will be recognized and compensated with a quality adjustment. These differences could be caused by API gravity differences, compositional differences and impurities. The compensation will be a transfer of barrels between the parties. The exact procedure and calculation would be negotiable after the determination of the Quality effect. A quality adjustment factor (QAF) will need to be established for each stream and agreed to by the parties. The QAF volume is equal to the gross oil production for the stream (adjusted for royalty and tax) times the QAF for the stream minus the QAF average divided by the QAF average. The QAF average is the total of each stream's gross oil production times its QAF divided by the sum of the gross oil production for all streams. If the resulting QAF volume is positive, the stream will receive barrels, if negative, the stream will deliver barrels. The methodology can be

simple, such as based on API gravity ratios, or can be more complex, such as based on component value.

Tax and Royalty

Backout is considered a financial transaction; thus the value of the backed out oil is transferred to the receiving party while the delivering party retains the reserves for booking purposes and payment of royalties and severance taxes. To calculate the net backout share allocated to each party, the backout volume is adjusted for severance tax and royalty to keep the receiving parties whole on an after severance tax and royalty basis. The net backout volume will equal the backout volume calculated using a processing facility dynamic model, times one minus the royalty, times one minus the ELF, times the severance tax rate.

Adj.BO=BO{1-Royalty}x{1-ELF}x{SEVTAX}.

For example: If 100 barrels is the calculated backout volume, the adjusted volume would be: first, 100 times (1-.125 Royalty) equals 87.5 barrels; second, 87.5 times (1- (0.15 severance tax rate times .9 ELF)) equals 75.68 barrels. This way the delivering party pays the Royalty and Tax and the receiving party gets the barrels royalty and Tax free.

Allocation and Metering

Third party owners shall pay for all metering investments required for processing their fluids. Facility operator will prepare and maintain all information necessary for the filing of any reports required by governmental regulatory authorities relating to volume, quality, and disposition of produced fluids.

The unit operator will conduct well tests or metering as required for the allocation of production and provide information to all parties. This information will be that necessary for the third party to file any reports required by government regulatory authorities relating to volume, quality, and disposition of produced fluids.

19. Gas Supply

Each third party owner shall be obligated to supply gas to satisfy gas consumed during third party operations and utilized in the facilities for processing the third party production. Third party owners shall be responsible for fuel gas consumed by its equipment and a proportionate share of the fuel gas used in the facilities.

20. Gas Use and Reinjection

Any gas not used and consumed shall be taken in kind, reinjected into the third party reservoir or injected into the facility owners' (FO) reservoir. The gas injected into the FO reservoir will be considered indigenous to the FO reservoir and no compensation for the gas will be given.

21. Warehouse Sharing

The third party facilities will be permitted to use facility materials for a percentage each year. The exact material and costs will be negotiated.

22. Legal and Accounting Rights

The agreement would have several provisions maintaining each party's various legal rights, indemnity and auditing procedures.

Example of Potential Costs

Although each case will have its own specifics, as an example of potential costs, a third party would expect to pay fees for KRU such as those shown below:

Table 11 **Example of potential costs**

Fee	**Typical range**	**Per**
Capital Access	$1.00-1.80	BBL Oil
Abandonment	$0.10-0.20	BBL Oil
Plant Liquid	$0.09-0.15	BBL Liq.
Plant Gas	$0.03-0.6	MCF
Drill Site	$0.11-0.15	BBL Liq.
Excess Water	$0.04-0.07	BBL Ex.Wtr.
Ad Valorem	$0.10-0.16	BBL Liq.

Possible ranges of Backout:

Backout could range from as low as 2% to as high as 50%. The PBU satellites range from 2% to 6%. The KRU satellites range from 3% to 30% with an average of 9%.

Backout Methodology Guidelines

The following procedures are guidelines for a hypothetical methodology for determining the impact of backout fluids in facility sharing agreements. It is not intended to be all inclusive and areas may be subject to negotiation for a specific agreement. Kuparuk Ballot 255A is generally followed as this guideline. This methodology is detailed, complex and heavily dependent on a detailed dynamic plant model. Presently, only the KRU and PBU facilities have such a model in place. Other facilities would have to develop such a model, make use of existing less sophisticated models or negotiate a method for determination of backout volumes. See Backout Methodology Alternatives Section.

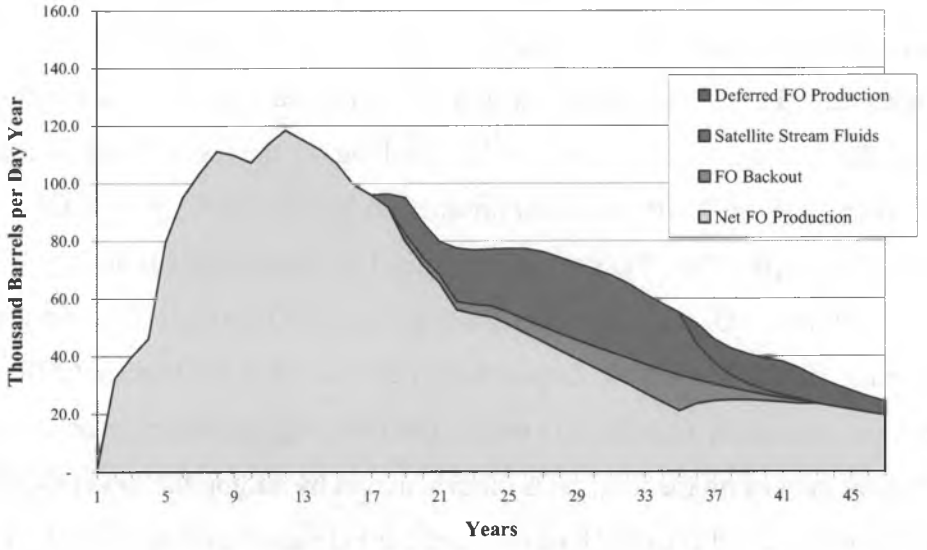
The owners of the existing processing facilities shall be designated as "FO" and the owners of the stream of fluids to be introduced into the facilities shall be designated as "SO". The term backout fluid means that volume of FO oil that will be deferred due to the limitations of the facilities if the SO fluids are processed.

The concept of backout is real, and it represents actual deferred or lost production, resulting in measurable loss of revenue to the facility owner. Backout only exists when the facilities are constrained in some manner, causing the combined streams to be larger than the capacity of the facilities. This is remedied by backing off the less efficient wells, such as those with high GOR or WOR, in lieu of production from lower GOR or WOR wells. In a simplified example, if the FO stream generates 100 mmscfd of gas and the facilities can handle 120 mmscfd, while the SO stream generates 30 mmscfd, then the gas handling is the limiting factor. For efficient operation of the facilities, the highest GOR wells would be backed out, likely from the FO wells, thus reducing the overall production for the FO but actually increasing the total sales oil production by adding the lower GOR SO oil. This reduction in FO oil is called backout, and the FO must be compensated for their lost or deferred production. This reduction volume is theoretically deferred until production in the far future. The effect of this time delay in production is financial and physical. The wells may not produce as efficiently when returned to service, the prices of oil will be different, today's value of the barrel will be discounted by the time delay of production and the facilities may be uneconomical to operate thereby not recovering all

of the barrels. These situations are not easy to define, and an overall modification factor can be negotiated to account for variance in these unknowns.

Figure 18 illustrates the impacts of backout on the production profile. Hypothetical facility owner (FO) production in thousands of barrels per day is shown in light blue. Satellite stream (SO) operator production (dark blue) begins in year 18 and is accompanied initially by modest rates of backout (grey). Over time backout increases as satellite stream fluids GOR increases, in this example to a peak of about 35% of FO gross production. Eventually satellite production ramps down and shuts in. In period 36, toward the end of field life, FO deferred production is re-established (magenta). In this illustration FO deferred production is less than cumulative backout, indicating that a portion of cumulative backout is not recovered. Thus, in addition to lost time value of money, FOs forego production due to backout.

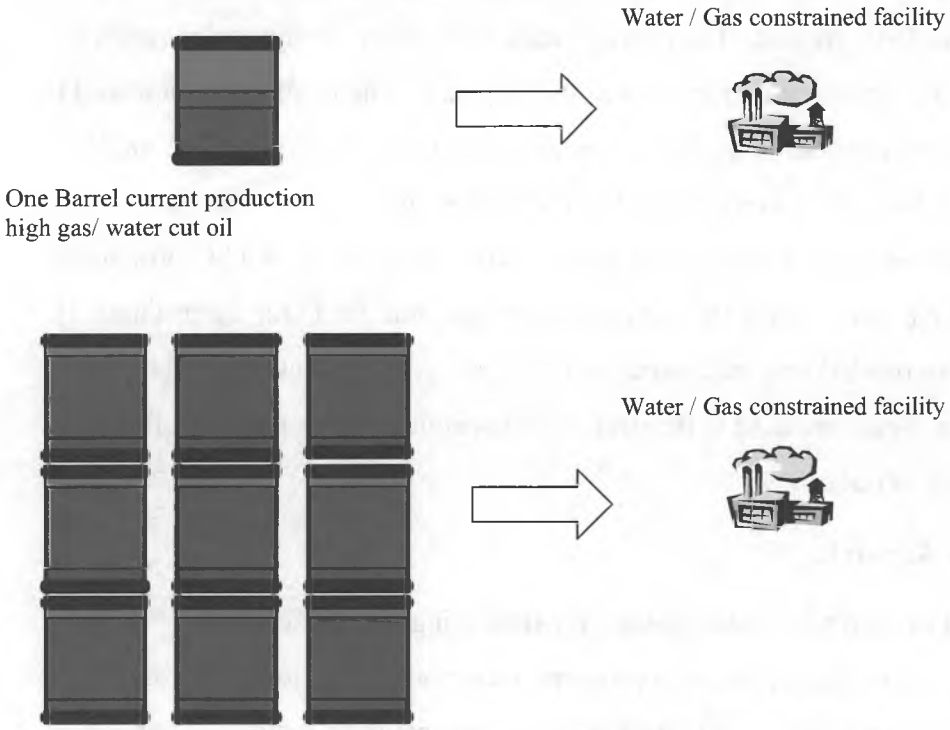
Figure 18 **Hypothetical Backout Illustration**



Backout can be caused by limitations in any or all of the following areas: oil handling, oil transmission, gas handling, gas treating, gas re-injection, water handling, water treating, water injection, electrical generation and pipeline proration. Figure 19 portrays the basic concept of backout, whereby a high GOR and WOR barrel of oil is backed out of the production stream to allow for multiple barrels of low GOR and WOR satellite oil

to be produced. The backed out barrel does have value, if produced, but it is relatively small in relation to the satellite barrels.

Figure 19 Backout concept



Application of General Backout Concepts:

- The backout calculations will be performed monthly.
- The basis of the calculations will be the average monthly allocated production and injection for that month (at the well level) as filed by the operator with the AOGCC.
- To the extent possible, the backout calculations will make use of logic that follows the optimization logic used in actual field operations.
- Adjustments will be made to account for any joint capital project participation by all parties.
- Changes in methodology will be made as appropriate to ensure the results reasonably reflect production adjustments.
- The operator shall be responsible for preparing the backout calculations.

Gas and Produced Water Backout:

This calculation is the first-order factor in calculating total backout, and it is based on plant gas handling and produced water capacity limits, as well as the relative GOR and WOR of the FO and SO streams. The operator uses a computer simulation program to model the day to day processing operations at the facilities. The results are compared to actual operations and calibration modifications are made to the model until the model results match actual operations to within 5%. Then the program is run with its optimization components to determine the basis for the calculations. All SO production is "turned off" in the calculations and the production potential for FO is determined. If there are more than one SO stream, a series of runs are made with one stream at a time "turned off". The results are used to determine the backout oil and the water oil ratio (WOR) of the backed out oil.

Water Injection Backout:

The operator will have to have methodology for simulating the impacts of reduced/increased water injection rates on the reservoir and production. This information will determine the relationship of oil rate backed out as a result of reduced water injection. Additional adjustments will be made to account for compressibility effects in the reservoir and to minimize possible double counting of backed out production. The WOR is used to determine the water injection backout for each SO stream.

Electrical Power Backout Calculations:

If electrical power generation capacity becomes a constraint to production, it is likely that high water cut wells being lifted with electric submersible pumps would be shut in to free up electrical capacity. It is also likely that these wells would be FO wells. To account for this possibility, a backout amount will be calculated.

The operator will verify each month whether any electrical power related production deferrals events occurred. If not, this calculation is not necessary. If an event occurred, causing lower FO production, the electrical power-related backout volume and the amount of power necessary to avoid this backout will be estimated. The total amount of electrical power used directly by the SO will be tabulated and adjusted for any funded electrical joint capital projects. The backout volume would be allocated according to the

SO usage. If the power necessary to avoid the backout is greater than the total SO usage, then the impact of this calculation is to lower the total calculated backout.

Proration Adjustment Backout Calculations:

Production impacts caused by common carrier or marine capacity prorations are to be shared by the FO and the SOs in percentages proportional to their gross share of pipeline volume. If no proration events occurred for the month, then no calculation will be made.

If there are proration impacts, a table of the **actual** production and the **estimated** production losses (actual proration) will be constructed for each stream. The difference between the target proration and the actual proration is the theoretical adjustment. If the number is negative, the stream will receive barrels and if positive, the stream will deliver barrels. For example, if the FO production rate is 100,000 bopd, and the SO production rate is 20,000 bopd, and a proration event calls for combined rate to be reduced to 60,000 bopd, then the FO rate would be prorated to 50,000 bopd, while the SO rate would be prorated to 10,000 bopd. However, if operational considerations dictate that one or the other stream does not reduce to the prorated value, the difference between that stream's actual production, and the prorated value triggers a backout calculation.

Modification Factor:

The parties will negotiate a further backout modification factor. Each stream's net backout shall be multiplied by the modification factor.

Backout Methodology Alternatives

Several facilities may not have a detailed dynamic plant model to simulate their facility operation. In that case, each facility will have to decide to either develop such a detailed model or devise an alternative method using their existing models to calculate backout. Each of these alternatives has associated costs that would be borne by all parties. Some suggested possibilities are:

- Gather information of shut-in and curtailed wells based on GOR and WOR and determine a theoretical production if these wells were not

curtailed. Prorate this number or an adjusted amount to the third parties for barrel delivery after royalty and tax.

- Hire an independent processor to simulate the field once a year and agree on a representative percentage to be applied throughout the year.
- Use a graph of the KRU or PBU satellite situation based on API, WOR and GOR to estimate the backout percentage.
- As long as the pipelines are not at capacity, the State of Alaska could consider implementing a program that takes the backout barrels from royalty barrels or a portion thereof.

Commercial Considerations

Commercial Framework

The concept and practice of facility sharing is not new to the North Slope of Alaska. Development of satellite fields within and adjacent to existing unit production has required unit operators and owners to create agreements allowing for processing of satellite production through existing or expanded facilities. Kuparuk River, Prudhoe Bay, Lisburne, and Endicott production facilities provide for access to satellite production through facility sharing and services agreements. The other North Slope units have not developed such agreements.

The existing facility sharing agreements were not created with non-unit production in mind, but they are de-facto templates for recent negotiations. The joinder agreement (Appendix D) between Winstar and the Kuparuk River Unit is an example of the use of Ballots 255, 255A, and 260 for the Kuparuk River Unit for third-party production.

Existing North Slope Facility Sharing agreements

The North Slope has a number of existing agreements in place for access to processing facilities. The fields that have not entered into infrastructure access agreements are: Alpine, Badami, Milne Point, and Northstar. There are agreements for Kuparuk (Ballots

255, 255A and 260), Endicott, and Prudhoe Bay/Pt Mac/Lisburne. These are summarized below:

Kuparuk

A series of ballots establishing facility access to the Kuparuk Participating Area (KPA) are 255, 255A and 260. These agreements provide for the processing of a third party's satellite fluids (oil, water and gas), as well as access to injection water, electricity and some common drillsite operations. The ballots offer 'modified available capacity access' and do not provide for 'firm capacity access' to the process facilities. This modified available capacity is based on the principle that the best wells will be produced to maximize facilities oil throughput, regardless of ownership. Therefore, assuming the facilities are operating at full utilization, available capacity for any party is a function of their well stream quality. Third parties pay for this facility access based on their satellite's actual utilization of the facilities.

Ballot 255 is the overriding ballot addressing the main principles of the sharing agreement, Ballot 255A is a detailed description of the methodology for the backout calculation, and Ballot 260 provides access to ancillary services. Ballots 255 and 255A are included in the appendix (E and F).

Ballot 255 Summary:

- Satellites pay a capital access fee to compensate KPA owners for investments made to put the process and related facilities in place. This fee is paid on a per-barrel- of-oil basis.
- The Satellites also pay a fee (on a per barrel-of-oil basis) to cover future process facility abandonment costs.
- Satellites pay fees to cover the satellite's proportional share of fluid processing and other common operation costs. These costs are determined yearly and based on actual costs and production from the previous year.

- Satellites compensate the KPA owners for deferred production in the event KPA production is 'backed-out' or restricted by satellite production. Backout is calculated according to the methodology described in Ballot 255A.
- An oil quality adjustment is made to account for the differences in the characteristics of KPA and satellite oil. The quality adjustment is determined monthly and paid in barrels at Pump Station 1. If satellite crude is superior to KPA crude, the satellite receives net barrels from the KPA. If satellite crude is inferior to KPA crude, then the KPA receives net barrels from the satellite.
- Satellite owners must provide sufficient and timely information regarding the Satellite plan of development and operation to enable the unit operator and KPA owners to assess the demands and impacts the satellite may have on KPA equipment, production and future operations.
- Satellite owners may install and operate their own wells and equipment. Satellite owners are responsible for any and all efforts and direct costs associated with satellite construction, permitting, maintenance, operation, taxes, royalty and abandonment.
- The unit operator is responsible for operating all KPA process facilities, pipelines and all wells on KPA drillsites as well as controlling the rate of production into the facilities. Either the unit operator or a sub-operator will be responsible for operating satellite equipment.
- Fluids must be compatible with KPA equipment. Satellite owners are responsible for any costs to bring satellite fluids into compatibility.
- In the event of competing demands for process capacity, the unit operator will strive to maximize total oil production through unit facilities. The best wells will be produced, the worst wells will be shut-in or curtailed, regardless of ownership. In the event that KPA production is deferred by this optimization of total oil production, KPA owners will be kept whole and compensated through the backout provisions.

- Satellite owners may propose KPA capacity expansions to meet their production requirements. The KPA and various satellite owners will pay for such capacity expansions in accordance to their relative benefit.

Ballot 260

Ballot 260 provides access to a wide range of services on an ad-hoc, as available, basis. Some of the key services included in the document are:

- Mobile and non-mobile equipment
- Emergency fire response
- Spill response
- Waste management
- Camp services
- Materials
- Solid oily waste management

Endicott:

Endicott has two facility sharing agreements (FSA) in place for Eider and Sag Delta North satellites and is a receiving entity under the IPA (Initial Participating Area) Ballot Agreement 98-202: Authorizing Use of IPA Equipment and IPA Services. These agreements provide for the development of the satellites using the Endicott facilities to process fluids. The general terms of the FSAs are outlined below and a summary of the IPA Ballot Agreement 98-202 is provided in the Prudhoe Bay Unit (PBU) and Pt. Mac/Lisburne section.

Endicott FSAs Summary:

- Describes scope of satellite operations and equipment needs
- Provides access to Endicott facilities for operations, gathering and treating of production

- Determines the satellite responsible for paying for any facility modifications
- Establishes fees for various services provided
- Establishes equipment access, O&M, abandonment, excess power, and make-up water fees
- Establishes fees for additional processing operations as applicable
- Sets production capacity priority based on competitive WOR/GOR if capacity limited
- Provides backout calculation for production and value adjustment for crude quality differences
- Provides fuel in-kind calculation

PBU and Pt. Mac/Lisburne:

There are three primary categories of facility sharing agreements relating to PBU facilities and services. First, there are a number of agreements that relate to operations of the Lisburne Production Center. Second, there are agreements related to processing PBU satellite production in facilities originally developed to produce the main Prudhoe reservoir ("IPA Facilities") (Ballot 97-196). Third, there is an agreement authorizing third-party sharing of certain equipment and services ("IPA Equipment and Services") (Ballot 98-202). The PBU Owners also have entered into agreements that address the use of specific equipment.

A summary of these categories of agreements follows:

1. Lisburne Production Center Agreements

The Lisburne Production Center (LPC) was developed to process production from the Lisburne Reservoir. In the early 1990s, agreements were developed to address what is called the Greater Pt. McIntyre Area ("GPMA"). These agreements allow the Pt. McIntyre, Niakuk, West Beach and North Prudhoe reservoirs ("Sharing PAs") to be processed through the LPC with Lisburne production, and for sharing between the IPA

Owners and the owners of the participating areas within the GPMA of certain support facilities, electrical power, vertical support members, source water and other facilities and services.

2. Facility Sharing Authorization Agreement (Ballot 97-196)

This agreement provides for the development of a Facility Sharing Agreement (FSA) for each satellite field under which production fluids from that satellite could be processed through the use of IPA Production Equipment. There are currently no FSAs with parties external to the Prudhoe Bay Unit.

Owners of a satellite seeking access to IPA facilities must provide specific information regarding the plans for development and operation of the satellite to enable the IPA owners to evaluate demands and impacts that regular production from the satellite will have on IPA production equipment and services, field development plans, and production levels. This information includes:

(i) The scope and timing of Satellite development, including location of Satellite well pads and facilities, projected number and timing of Satellite wells to be drilled on each well pad, and identification of specific facilities for which access, modification, use or tie-in is proposed;

(ii) Projections of satellite production to be delivered to IPA production equipment, the quantities of "returned" gas (gas lift, fuel or injection) and satellite produced water to be made available by the IPA owners to the satellite, all on a year-to-year basis;

(iii) Description of electrical power, gas, make-up water or other IPA production equipment and services for use by the satellite; and

(iv) Description of the stratigraphic horizon and areal extent for the portion of the satellite reservoir proposed for development with compositional descriptions and producing characteristics (e.g. temperatures and pressures) of the anticipated satellite production.

Based on this information, the IPA owners may enter into an FSA that will specify appropriate terms and conditions including:

Facility Sharing Analogs

The concept of Facility Sharing is a growing consideration in mature oil and gas basins around the world. Aside from the examples mentioned above on the North Slope, publicly available information pertaining to facility sharing agreements in other countries exists. Understanding these agreements is useful when negotiating future agreements for the North Slope. In general, the guiding principles from both the United Kingdom (U.K.) Code of Practice and Alberta's Jumping Pound formula are aligned with the existing North Slope facility sharing agreements. Both Alberta and the Offshore U.K. have mature oil and gas basins where the facility sharing concept has proven beneficial for operators, third party producers, and the government. Both examples reviewed provide for regulatory interdiction as needed to resolve disputes between negotiating parties, although the UK Code of Practice has not had to rely on the government intervention process to date. Emphasis on a cooperative approach to facility sharing has been successful in negating the need for government interdiction. Both facility sharing approaches outlined below are proven starting points for successful negotiations. Existing agreements between unit partners on the North Slope present the obvious starting point for new facility sharing agreements, and the highly cooperative approach adopted in the United Kingdom sets a good example for expanding these existing agreements to meet the needs of an expanding group of potential producers.

UK Offshore Infrastructure Code of Practice

The United Kingdom's "Indicative Tariff" Code of Practice for offshore oil and gas infrastructure is a cooperative industry document on the rules and procedures governing third party access to these facilities. This document provides a framework for easy, fair and non-discriminatory access to offshore oil and gas facilities. The process is supported by the oil and gas industry. It is not mandated or enforced by a government agency, however if a dispute over access does arise, there is a government body that has the legal authority to settle the differences. The framework for third party facility access is a combination of the Offshore Infrastructure Code of Practice for conducting commercial negotiations and the legal backstop of appealing to the UK Secretary of State for Trade and Industry to settle disputes over access. The real strengths of the system are the

Owners and the owners of the participating areas within the GPMA of certain support facilities, electrical power, vertical support members, source water and other facilities and services.

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(iii) Description of electrical power, gas, make-up water or other IPA production equipment and services for use by the satellite; and

(iv) Description of the stratigraphic horizon and areal extent for the portion of the satellite reservoir proposed for development with compositional descriptions and producing characteristics (e.g. temperatures and pressures) of the anticipated satellite production.

Based on this information, the IPA owners may enter into an FSA that will specify appropriate terms and conditions including:

i) The specific O&M fee, capital access fee, abandonment fee, backout, and volume adjustment factor (VAF) as well as fees for use of IPA area equipment and IPA services in support of subsurface satellite operations, additional processing operations and satellite drilling and construction activities, and fees for make-up water, additional electrical power or other items.

a) The O&M fee is to reimburse the IPA owners for the satellite's proportionate share of the IPA production equipment and services producing costs for base processing operations.

b) The capital access fee is to reimburse the IPA owners for investment in IPA production equipment.

c) The abandonment fee is to reimburse the IPA owners for a satellite's proportionate share of the estimated future abandonment costs for IPA production equipment accessed by that satellite.

d) Backout is the estimated volume of IPA oil that cannot be produced during a specified time period because of the processing of satellite produced fluids through IPA Production Equipment. The Satellite is responsible for keeping the IPA whole on deferred production by reimbursing the IPA for backout with a volume of satellite production.

e) VAF is a volume adjustment to a satellite's oil volume that reflects, among other things, the differences in physical quality, compositional differences and handling considerations of produced fluids from the IPA and satellites.

(ii) Incorporation of specific terms and conditions which address any issues raised by the information provided above including the commercial terms required for any satellite modification, joint equipment or additional services requested.

(iii) Scope and timing of development (including all satellite modification and joint equipment requirements), range of rates for satellite production and reservoir boundaries for which use of IPA production equipment and services will be allowed.

3. Ballot Agreement Authorizing Use of IPA Equipment and IPA Services (Ballot 98-202)

This agreement authorizes the use of certain IPA area equipment and services (not including oil and gas processing equipment) by other units/participating areas (receiving entities), establishes terms of compensation for use of IPA area equipment and services, and defines the allocation of liability between IPA owners and the receiving entities with respect to the use of IPA equipment and services.

IPA equipment and services under Ballot 98-202 are intended to be for incidental use of receiving entities. Use of IPA area equipment and services for other than incidental use would be subject to a separate agreement negotiated on a case-by-case basis. (Incidental use means use of equipment and services by a receiving entity that is in excess of the IPA owners' needs at the time of such use and that is insubstantial when compared to the IPA owners' use of such equipment or services.)

Equipment and Services include:

A) Mobile & non-mobile equipment
B) Airport shuttle bus services
C) Sewage disposal
D) Production lab
E) Wellhead services
F) Hot water plant
G) West Dock staging area
H) Drum disposal
I) Halon support services
J) Camp services
K) Projects & construction
L) Overhaul & rotating equipment
M) Scheurle trailer
N) Investment recovery
O) Flow measurement
P) Miscellaneous services
Q) Mukluk Pad
R) CTD work platform
S) Security checkpoint

4. Specific Equipment: Grind and Inject Plant Operating Agreement (IPA Ballot 97-201)

This agreement allows authorized parities to use the Grind and Inject Plant to dispose of drilling waste for a fee.

Facility Sharing Analogs

The concept of Facility Sharing is a growing consideration in mature oil and gas basins around the world. Aside from the examples mentioned above on the North Slope, publicly available information pertaining to facility sharing agreements in other countries exists. Understanding these agreements is useful when negotiating future agreements for the North Slope. In general, the guiding principles from both the United Kingdom (U.K.) Code of Practice and Alberta's Jumping Pound formula are aligned with the existing North Slope facility sharing agreements. Both Alberta and the Offshore U.K. have mature oil and gas basins where the facility sharing concept has proven beneficial for operators, third party producers, and the government. Both examples reviewed provide for regulatory interdiction as needed to resolve disputes between negotiating parties, although the UK Code of Practice has not had to rely on the government intervention process to date. Emphasis on a cooperative approach to facility sharing has been successful in negating the need for government interdiction. Both facility sharing approaches outlined below are proven starting points for successful negotiations. Existing agreements between unit partners on the North Slope present the obvious starting point for new facility sharing agreements, and the highly cooperative approach adopted in the United Kingdom sets a good example for expanding these existing agreements to meet the needs of an expanding group of potential producers.

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adherence to a timeline for the negotiation and the support from all parties to have a practical means of an early understanding of the availability and the approximate costs of bringing and processing hydrocarbons in existing facilities.

The owners maintain an up-to-date database on their offshore infrastructure. When a potential user requests this data, the owner has 10 days to respond with the requested data as well as an indication of the probable tariff. If interested in proceeding, the user formally contacts the owner and provides specifics as to the kind of hydrocarbon composition and specifications, along with the development strategy. Within 30 days, or a mutually agreed-upon timetable, the owner must reply to the prospective user with a detailed technical response to the specifics of the requested facility use. If the request from the user fits with the available access from the owners, the negotiations continue with another 30 day clock. The parties may agree in the process of these final negotiations to substantially change the standard terms they started with. The UK Department of Trade and Industry (DTI) website is a valuable source of information, and the Code of Practice can be found on their website: http://www.og.dti.gov.uk/regulation

The self-maintained database of the infrastructure owners is expected to include the following data:

a. Technical description: Hydrocarbon entry specification, pressure regimes/compressor curves at entry and exit, dehydration regime, process diagrams and other operating conditions;

b. Operational capability including measures of past performance and reliability. Planned changes affecting operational capability should be indicated;

c. Services that can be provided;

d. Indicative price of services;

e. Indicative forecast of available capacity normally for 5 years ahead, but for a longer period for significant infrastructure; and

f. Pertinent general contract terms: lifting procedures, ownership, priorities, system allocation principles, substitution terms, voting rights, etc.

Although this information does not constitute an offer capable of acceptance, it provides to the user the indicative terms, which can be used as a yardstick as negotiations progress toward settlement.

The prospective third-party user is expected to provide the following specific information on the service requested:

a. Production profiles;
b. Compositions;
c. Start-up date;
d. Broad outline of development concept;
e. Hydrocarbon specification (such as H2S, CO2, gravity etc).

While this 1996 offshore infrastructure code of practice is a working process for facility owners and potential third party users, it is still an evolving procedure. In 1998, the Petroleum Act was instigated to provide an appeal process for the Secretary of State to settle disputes over access. Further to this, in the spring of 2001, the UK Department of Trade and Industry responded to allegations that access to infrastructure was still a commercial barrier to oil and gas development with a study on the effectiveness of the voluntary Infrastructure Code. The results of the study found that although it is not necessary to replace or update the existing code, it is imperative to continue to check on its effectiveness at least every three years. At this time, even though the code is not a perfect system, it is still supported by the industry. Clearly this voluntary arrangement, in combination with a legal backstop for the governing body to step in to provide a means to settle disputes over access, is recognized as crucial for their continued offshore oil and gas development. Currently, Work Groups formed by the DTI are preparing a proposal to amend the Infrastructure Code of Practice with the key changes being:

- Allowing for the Secretary of State to become automatically involved in an infrastructure access request if insufficient progress is being made after a certain period (to be determined) and allowing the Secretary to set a tariff.
- Allowing for the provision of more information and transparency.

It is expected that this proposal will be published in May 2004.

There are no published examples of how the Code of Practice has worked, as these negotiations for infrastructure terms are confidential. Per the Code, indicative tariff offers are reported to the DTI, which are then published.

The Secretary of State, to date, has not been asked to formally intervene to set tariffs or enforce access. Operators have preferred to work out agreements among themselves rather than taking the risk of government intervention using methodology that is not clearly defined. The Secretary's office has participated informally in cases to move negotiations along when companies complain.

Alberta's Facility Sharing Agreement, the Jumping Pound Formula

Alberta Canada also has an industry-agreed-upon voluntary guideline for calculating oil and gas processing tariff ranges. The access to infrastructure is agreed to be an open and non-discriminatory access, in facilities where capacity is available. The Jumping Pound methodology is based on an industry-derived formula. The formula was developed for a case decided by Canada's National Energy Board (NEB) for the processing tariff charged at a gas processing plant at Jumping Pound in 1990.

The Alberta Jumping Pound Formula (JP 90/ 95) was developed jointly by a number of industry organizations as a guideline for parties to use in negotiating fair and reasonable fees on an everyday basis and to assist in dispute resolution. The Alberta Energy and Utilities Board (EUB) supported the initiative but did not play a major role in the development of the actual formula. The formula was developed to determine the components which form any tariff rate for oil and gas processing at plants, e.g. rate of return, rate base and range, operating costs, plant capacity, and special fee considerations. The two documents describing the JP 90/95 formula are *Gas Processing Fee, Jumping Pound 1990 (Jp-90), January 1990*, and *Joint Industry Task Force Report On Processing Fees JP-95, April 15, 1996*, which have some general examples of cases.

The calculation for the fee establishing the calculated return on the capital investment for the Jumping Pound Formula uses the original cost of the facilities as the Capital Base, depreciated in a straight line over the life of the project (normally set at 20 years). A return on capital is established as 15% before tax rate of return on the capital, and is

allocated among the owners of the facility as a capital allowance. Based on these costs, the fee for the facility access is prorated per total throughput. Additionally, there is a component of the formula that accounts for the sharing of the operating costs of the facility. This component is generally also prorated on a production basis.

Although the formula is used voluntarily by the industry as a starting place for negotiations on facility access, the key to Alberta's facility sharing practice is the regulatory board's legal power to ensure a third party gains access to infrastructure.

Where disputes on processing fees cannot be resolved on a voluntary basis, there is provision in the Alberta Oil and Gas Conservation Act (OGCA) for a party to apply to the EUB to set the fees. When the EUB has receives an application and determines that it is complete, a public hearing is scheduled to consider the application. The EUB has stated that, if application is made to the EUB to set processing fees, it will use the Jumping Pound Formula, unless there were compelling opposing reasons. The EUB gets very few applications requesting the setting of processing or transportation fees (one or two a year, typically), and has not yet set any such fees. All applications requesting fee-setting were withdrawn while the applications were being processed. The EUB encourages parties to continue negotiations or mediations in parallel with filing an application with the EUB. Typically once a EUB hearing date is set these negotiations or mediations result in resolution as the opposing party often does not want to be drawn into the regulatory arena through the public hearing process. Although the EUB has not yet set any fees, it remains prepared to do so.

The Alberta law dealing with third party access is set out in Part 9 of the OGCA. Disputes on access may result from a number of issues - volumes, delivery points, fees, drainage issues. The application requirements are set out in EUB Guide 65. (The OGCA and Guide 65 are available on the EUB web site www.eub.gov.ab.ca.) If the EUB approves an application, access is granted by means of an order which declares a party to be a common carrier (access to a pipeline), common processor (access to a gas processing plant), or common purchaser (access to market). An order can simply be a declaration; for example, Company XYZ is a common processor of gas from the Pipestone Viking F Pool. Additional direction can also be included to give effect to the order; for example, the order can allocate production among producers in a pool (a usual provision), specify the delivery point, or set out the fees. Usually an order does not deal

with all of these issues; the nature of the dispute that resulted in the application being filed with the EUB determines which issues are addressed. When a party is declared to be a common carrier, processor, or purchaser the OGCA requires it to treat parties without discrimination within the limitations of the order (within a pool, typically).

The EUB has no data to know how widely JP90/95 is used as a benchmark, as the vast majority of companies who want capacity in facilities they do not own (whether processing plants or pipelines) are able to privately negotiate satisfactory voluntary arrangements, and the matter does not come before the EUB. There is no requirement to file contracts that result from these negotiations.

Independent Oil Companies' Perspectives

PRA surveyed 15 independent oil companies currently interested in Alaska oil and gas exploration to get their perspective on facility access and to identify their needs in creating a template for negotiating access. Five of the companies contacted responded to the survey, and others provided feedback through informal discussions, including open discussions during a meeting of independent oil companies hosted by Alaska Governor Frank Murkowski in Juneau in December of 2003.

The questions asked of these companies are listed in Appendix A.

The key areas identified as concerns and issues are:

- Backout calculations;
- Capital access fee methodology;
- Timing of negotiations;
- Insurance requirements;
- Operatorship;
- Trust and access to supporting information.

Summary of Independent Company Concerns:

Backout calculations

manner. The operators recognize that a business opportunity exists for establishing a formal agreement with fair terms for processing third party production volumes in existing infrastructure.

In the State's view, expressed in the CHARTER FOR DEVELOPMENT of the Alaskan North Slope, the Commissioner of Natural Resources possesses the statutory, regulatory and contractual authority to require working interest owners to provide other producers access to production and other facilities, on terms that are non-discriminatory, just and reasonable. Under the Charter for Development, the Commissioner may require access whenever necessary to

1. maximize the economic and physical recovery of the State's oil or gas resources,
2. maximize competition among parties seeking to explore and develop the resources,
3. minimize the adverse effects of exploration, development, production and transportation activity,
4. or otherwise to protect the best interests of the State.

Also, as stated in the CHARTER FOR DEVELOPMENT of the Alaskan North Slope, BP and ConocoPhillips take no position on the State's view. BP and ConocoPhillips commit that they will not unreasonably withhold their voting support as facilities owners for allowing nearby satellites to have access to existing unit facilities on reasonable commercial terms.

Recent history indicates that the owners and operators are willing to negotiate access.

PRA compliments the commitments stated above and makes the following recommendations:

1. Nearly all of the existing facilities have the potential for developing or a precedent for facility sharing agreements. The Independent producers should expect to be able to negotiate an acceptable agreement. The negotiations should be initiated by independent producers as early as possible.

2. The largest obstacle to successful negotiations is a lack of trust. Development and communication of a process for third-party facility access which is fair and transparent will help to resolve this lack of trust, and create opportunity for expanded resource development.

3. The Independents need to provide operators with a well thought out development plan with as many crude characteristics as possible.

4. The most critical technical issue is the calculation of the backout volumes. The operators need to communicate the backout methodology and be able to respond to requests in a timely manner.

5. The Independents need to recognize backout is a valid concept, representing real lost or deferred barrels to the facility owners.

6. Both parties need to be ready to compromise on the backout methodology to simplify the calculations for fields without a detailed dynamic plant model.

7. The State of Alaska has shown interest in investigating methods to defray the backout impacts to the Independent producers, and this should be continued.

8. Significant positive progress has been made through the compilation of this report, and further investigation and communication should be energetically pursued to assure continuation of this progress.

Information Request for CPAI Operated Fields

- What are the maximum capacities, current and forecast throughput of oil, water and gas, and constraints on production facilities, from transportation pipeline to drill site level?
  - Are there any "quick wins" to increase available capacity?
- What are the opportunities and constraints associated with input oil quality?
  - What are the input specification requirements for the processing plants?
  - How leveraging is oil quality on processing and transportation costs?
- What agreements are currently in place which would impact facilities access?
  - Could you provide a summary description and/or copies of these agreements?
- If you were to design a template to offer facilities access, what would be the key components?
- How would you rank potential access opportunities for the ConocoPhillips operated fields?

Appendix C

Operator Facility Sharing Contacts

ConocoPhillips Alaska Inc.

Jim Ruud: 907-263-4933 Manager Land- Alaska
John Cookson: 907-265-6547. Engineering Advisor - Greater Kuparuk Area
Dan Kruse 907-265-1315 Manager - Subsurface GPA
John Whitehead: 907-265-6513 Vice President Western North Slope
Darren Jones: 907-263-4431 Vice President Greater Kuparuk Area
Meg Yeage: 907 263-3710 Vice President Greater Prudhoe Bay Area

http://www.conocophillipsalaska.com/facilityaccess/

BP Exploration (Alaska) Inc.

Mike Koy:	(907)561-5111	Commercial Manager, GPB Asset
R.L. Skillern:	(907)561-5111	Land Negotiater, Alaska
Daryl Kleppin	(907)561-5111	Commercial Manager, ACT! Asset

Appendix D

Joinder Agreement

Appendix E

KRU Ballot 255

Appendix F

KRU Ballot 255A

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SB 192 (FILE 2)

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16. Gleason Decision

17. Oil Industry Profitability in Alaska 1969 through 1987

18. BP Doc re: Cash Cow

19. Therriault Email

20. Revenue Source Book re ANS Production Decline handout

21. "With Prudhoe Bay in Decline, What's Next for Alaska?" (August 3, 1992)

22. Testimony to the US Senate by Kevin Banks, Director, Div of Oil and Gas (May 10, 2011)

23. Alaska Economic Trends: Alaska's Oil Industry (September, 2008)

15.

Robin Brenna & Craig Richards Presentation to Senate Resources Committee

Senate Resource Committee Presentation
By Robin O. Brena and Craig W. Richards



February 6 – February 8, 2012

Introduction

Decision Following Trial De Novo, Case No. 3AN-06-8446 CI
(2007-2009 Tax Years Consolidated) Assessed Valuations of the Trans Alaska Pipeline System (December 30, 2011)
("Gleason Decision")

Robin O. Brena—Counsel for the Fairbanks North Star Borough and Lead Counsel for the Municipalities in the 2007-09 Assessed Valuations Case for TAPS

Craig W. Richards—Counsel for the City of Valdez and Co-Counsel for the Municipalities in the 2007-09 Assessed Valuations Case for TAPS

Mr. Brena and Mr. Richards are testifying as to their own personal opinions as Alaskan residents and are not representing any client or being paid for their testimony.

Introduction
Robin O. Brena

Mr. Brena is a life-long Alaskan who grew up in Skagway. He has received a Masters of Business Administration ("MBA") and a Doctor of Jurisprudence ("JD") from the Willamette University and a Master of Laws in Real Property ("LL.M.") from the University of Miami. He has been the Chairman of the Real Estate Section of the Alaska Bar Association, Chairman of the Estate Planning and Probate Section of the Alaska Bar Association, and has taught Advanced Business Law at the University of Alaska.

Mr. Brena is the owner of Brena, Bell & Clarkson, P.C., an Anchorage law firm that emphasizes oil and gas, public utilities, tax assessment, real estate, commercial, regulatory, and telecommunications law. Representative current and prior clients in the oil and gas and tax assessment areas of practice are Fairbanks North Star Borough; Anadarko Petroleum Corp.; City of Valdez; Tesoro Corporation; Aurora Gas, LLC; Aurora Power Resources, Inc.; Murphy Exploration (Alaska) Inc.; Cook Inlet Energy, LLC; Agrium Inc.; Nabors Alaska Drilling, Inc.; Doyon Drilling, Inc.; Doyon Parker Joint Venture; Nordic-Calista Services No. 1; and Parker Drilling, Inc.

Mr. Brena has been involved in several major tax assessment cases in Alaska involving drilling rigs, an oil refinery, tankers, and pipelines. He has also been involved in the many of the major pipeline regulatory cases before the Federal Energy Regulatory Commission ("FERC"), the Regulatory Commission of Alaska ("RCA"), and the Washington Utilities and Transportation Commission ("WUTC") involving the Trans-Alaska Pipeline System ("TAPS"), Cook Inlet Pipeline System ("CIPL"), Cook Inlet Gas Gathering System ("CIGGS"), Kenai Pipeline Company ("KPL"), Olympic Pipeline, and Enstar.

Mr. Brena represented the Fairbanks North Star Borough and was the lead counsel for the Municipalities before the Honorable Judge Gleason in the ad valorem case concerning TAPS for the 2007-09 tax years.

Introduction
Craig W. Richards

Mr. Richards grew up in Fairbanks, Alaska, where he graduated from West Valley High School in 1993. He studied finance as an undergraduate at the University of Virginia, and holds a *Juris Doctor* from Washington & Lee University and a MBA from Duke University.

Mr. Richards practices law with Bill Walker and Joe Levesque at Walker & Levesque, LLC in Anchorage, Alaska. His practice focuses on finance, tax, municipal, and oil and gas law. Mr. Richards has been involved with numerous oil and gas taxation disputes, including those relating to TAPS and the tankers that call at Valdez. Through his representation of the Alaska Gasline Port Authority, as well as other clients, he has spent many years working on an LNG project to Valdez. He has also been actively involved in the proposal to truck North Slope gas to interior Alaska, and the proceedings related to the termination of the Point Thomson Unit. The firm also acts as bond counsel on TAPS' refinancings.

Mr. Richards, along with Mr. Walker, represented the City of Valdez before the Honorable Sharon Gleason in the recent de novo trial relating to the 2007 – 2009 assessed value of TAPS.

Introduction

1. This is a consolidated appeal of the State Assessment Review Board ("SARB" or "Board") Decisions of the 2007, 2008, and 2009 assessments of the Trans Alaska Pipeline System ("TAPS") for ad valorem tax purposes under AS 43.56. SARB assessed the value of TAPS for 2007 at $4.588895312 billion, for 2008 at $6.154447972 billion, and for 2009 at $9.045892 billion.

Gleason Decision ¶ 1

Introduction

599. [F]or the reasons expressed herein, this Court finds that as of January 1, 2007, 2008, and 2009, the "full and true value" of the Trans Alaska Pipeline System, "with due regard to the economic value of the property based on the estimated life of the proven reserves of gas or unrefined oil then technically, economically, and legally deliverable into the transportation facility" is $8.941 billion for 2007, $9.644 billion for 2008, and $9.249 billion for 2009.

Gleason Decision ¶ 599

Introduction

Source Materials

2007-2009 Decision:

http://akdemocrats.org/rep_gara/2012/01/05/sen-french-bp-withholds-oil-pipeline-evidence-credibility-in-oil-tax-debate-questioned/

2006 Amended Decision:

http://aws.state.ak.us/officeofadminhearings/Documents/TAX/TAX06SARB%20Amended%20Sup%20Ct%20decision.pdf

Overview

- Introduction
- Overview
- Market Structure
  - Integrated Operations with Concentrated Market Power
  - Stages of Development
  - Barriers to Competitive Entry
- The Life of TAPS
  - Price of ANS Crude Oil
  - Reserves and Throughput
  - Minimum Mechanical Throughput
- Access to Information
- Conclusion

Overview

546. Brent Eyre, on behalf of the Municipalities, employed a discounted cash flow income approach to value the integrated economic unit of which TAPS is a part at $40.2 billion in 2007, $44.2 billion in 2008, and $50.4 billion in 2009. Dr. James Smith, on behalf of the Owners, testified that Mr. Eyre's unit value of the integrated ANS enterprise should be reduced by slightly less than 10% for each year, for a value of $36.4 billion in 2007, $41.1 billion in 2008, and $46.0 billion in 2009.

Gleason Decision ¶ 546

Overview

Integrated Value of the ANS Unit

	Comparison of Valuation Results, Before and After Corrections (all values in $ billions)			
		Jan 1, 2007	Jan 1, 2008	Jan 1, 2009
	Results Reported by Mr. Eyre			
Eyre	System	$40.159	$44.208	$50.439
	TAPS	$8.812	$9.611	$10.688
	Results Obtained from Corrected Model			
Smith	System	$36.401	$41.079	$46.000
	TAPS	$0.259	$0.645	$2.555

TO-07-433 (Dr. Smith Chart)

Market Structure

Integrated Operations with Market Power

Concentrated Market Power Integrated Value of the Unit

- **Shows ANS unit will generate roughly $36 - $50 billion in discounted cash flow value**
- **Current Value of Parts of the Unit Substantially Less than $36 - $50 billion**
  - Taxable upstream assets, most valued on RCNLD, assessed at between $8-$10 billion for 2007 to 2009 [2007-2009 Trial Tr. 13040 (Greeley)]
  - Even under Dr. Smith's calculations, a $13 billion TAPS value leaves between $13 billion and $26 billion in unallocated unit value for non-taxable property
    - Includes intangibles (if any), leases, certain locally assessed property, etc. [*See* AS 43.56.020; AS 43.56210(5)(B)]
- **Unit Income is Sufficient to Justify:**
  - Billions in capital investment above the over $2 billion annual capital investment already anticipated in the integrated model
  - Replacing TAPS at $20+ billion
  - A $13+ billion TAPS value

Market Structure
Overview

- Integrated Operations with Market Power
- Stages of Development
- Barriers to Competitive Entry

Market Structure

Integrated Operations with Market Power

- Integrated Operations
- Market (ANS Basin) Dominance by Big 3
- Limited Competition

Market Structure

Integrated Operations with Market Power

69. The TAPS Owners did not and could not have independently financed the original construction of TAPS and they do not independently finance substantial improvements to TAPS. Instead, the affiliated production companies have financed TAPS' construction. And the evidence at trial demonstrated that all significant funding decisions for TAPS are not made by the TAPS Owners, but by the affiliated parent corporations or upstream producer affiliates of each Owner.

Gleason Decision ¶ 69

Market Structure

Integrated Operations with Market Power

70. As of the lien dates, the parent companies of the three largest owners of TAPS (BP, ConocoPhillips, and ExxonMobil) had a combined 95% ownership interest in TAPS. These same three parent companies also had a combined total in excess of 96% of the estimated production on the North Slope. This close correlation between estimated production and ownership interest in TAPS is expected to remain in place for the foreseeable future. . . . [E]ach of the five TAPS Owners has an affiliate with oil to be transported on TAPS.

Gleason Decision ¶ 70

Market Structure

Integrated Operations with Market Power

71. Each Owner's affiliated producer has an economic incentive to nominate its ANS production to its affiliated TAPS Owner. As explained by Charles Coulson, the President of BP Pipelines:

> There has been a strong pattern of shippers on TAPS nominating their barrels to affiliated pipeline companies. There are a variety of reasons for this behavior, but mostly it can be understood by thinking about integrated corporate economics. When an upstream affiliate ships barrels in its pipeline affiliate's space, it pays the published tariff rate to the pipeline affiliate, and no money leaves the corporate family.

Gleason Decision ¶ 71

Market Structure

Integrated Operations with Market Power

114. In the case of TAPS, AS 43.56.060(e)(2)'s reference to "economic value" and not "market value" is consistent with the reality that there is no market for TAPS as a standalone investment based solely on its tariff income. Even if there might be a buyer of TAPS based solely on its tariff income, the evidence at the trial de novo conclusively demonstrated that a TAPS Owner would not sell its interest in TAPS without the assurance that its affiliated oil from the Alaska North Slope could be shipped to market. . . .

Gleason Decision ¶ 114

Market Structure

Integrated Operations with Market Power

124. [F]or the evidence persuasively demonstrates that ANS producers would rebuild TAPS at a cost of billions of dollars to transport ANS petroleum products to market if TAPS was not in existence as of the lien dates. And the producers would replace TAPS not for the tariff income they might realize, but to monetize the approximately 7 to 8 billion barrels of proven reserves that were at the ANS as of the lien dates.

Gleason Decision ¶ 124

Market Structure

Integrated Operations with Market Power

549. As in the 2006 tax year litigation, the Court finds again that tariff income is not the primary driver of the economic value of TAPS under AS 43.56. As SARB has held, and as this Court has previously discussed in these findings, TAPS was not built or operated for tariff income, but to monetize the vast ANS reserves of the producer oil companies by bringing those reserves to market. In this regard Mr. Coulson, the President of BP Pipelines (Alaska) Inc. and the Chairman of the Owners' Committee for TAPS at the time, testified as follows:

> Q: It's fair to say that TAPS was built by the producers?
>
> THE WITNESS: Yes.
>
> Q. And it's fair to say that TAPS was built - that the economic driver was the integrated economics of bringing the Alaska North Slope oil to market?
>
> THE WITNESS: As I understand the history of TAPS, and indeed of most basin-opening developments, it's usually the resource owner that has to make the infrastructure development happen because of the risks associated with an undertaking like that.
>
> Q. And the reason that the resource owner takes those risks is in order to monetize the resource and bring it to market, correct?
>
> THE WITNESS: Yes.

Gleason Decision ¶ 549

Market Structure

Integrated Operations with Market Power

551. [T]he Owners' reliance upon the tariff income approach fails to recognize that TAPS was built, is operated, and would be replaced at an estimated cost of approximately $19 billion if it were not in existence, not because of a desire to realize tariff income, but because of the overwhelming economic value arising from its highly integrated use for transporting ANS production to market.

Gleason Decision ¶ 551

Market Structure

Integration – North Dakota

Testimony of Mr. Barry E. Sullivan (Munis' witness)

Q. And do you have a ... comparative sense between the TAPS system and other systems with regard to access for that independent shipper?

A. [I]n North Dakota, there's a new field called the Bakken field and it's ... a fairly hot area of exploration and development.

There's Enbridge Pipeline in the Bakken that has about 180 different shippers, and there are numerous marketers operating within that area that will buy and sell oil for you....

That contrasts with the situation on the North Slope where ... the producers themselves, the Big 3, do not sell oil at the North Slope and you can't buy oil at Pump Station 1 and transport it on TAPS. The policy of the Big 3 is to sell delivered oil in delivery markets.

Tesoro is the only shipper that's been able to buy North Slope oil and ship it on the TAPS system. So I think there's a big contrast between the way that the North Slope market works and other producing regions in North America.

2007-2009 Trial Tr. 8562-63

Market Structure

Integration – Gulf of Mexico

Testimony of Mr. Barry Sullivan (Munis' witness)

[I]f you compared what's happened in the North Slope of Alaska to the offshore Gulf of Mexico, which ... began, real exploration, probably back in the 1960s... you could look at the Gulf of Mexico today and it is an extremely competitive and well-explored area with numerous production companies and probably hundreds of different owners and producers that contrasts dramatically with what's happened in the North Slope.

And you don't have the level of competition on the North Slope that should be there after 35 years.

And I believe part of that is the vertical -- part of that can be caused by the vertical integration of the TAPS Carriers and their ownership of TAPS.

2007-2009 Trial Tr. 8556-58

Market Structure

Integrated Operations with Market Power

Testimony of Mr. Michael J. Remsha (Owners' witness)

Q. Okay. It is very simple. Let me go back to my hypothetical. Do you believe that the TAPS Owners would sell me TAPS for $20 billion for the expressed purpose of shutting it down?

A. Most likely not.

Q. Why not?

A. Because they want to be able to have the opportunity to take oil from the North Slope and bring it to market.

2007-2009 Trial Tr. 692

Market Structure

Stages of Development

- Role of Majors / Role of Independents
- ANS Oil Development
- ANS Gas Development
- Cook Inlet Development
  - Open Infrastructure (Agrium)
  - Limited Open Market (Enstar & Export)
  - Tax Policy

Market Structure

Barriers to Competitive Entry

- Access to Field Facilities
  - ARCO Merger Partial Opportunity
  - Telecommunications Industry Example
- Transportation by Common Carrier Pipelines
  - History of TAPS Rates
  - Tariff Provisions
    - Restrictions on New Shippers
    - Tankage Penalties
- Transportation by Tankers

Market Structure

Barriers to Competitive Entry

561. Historically, regulatory disputes concerning TAPS' tariff rates have most often been resolved by settlement among the parties rather than by a substantive determination by FERC or the RCA. The settlement that has governed TAPS' tariff rates for the majority of the time it has been in service has been the TAPS Settlement Agreement ("TSA"). The TSA contained a complex and unique rate methodology referred to as the TSM. Both the State and the TAPS Owners supported the TSA. An Explanatory Statement by the State of Alaska and the Department of Justice in support of the settlement stated, "Alaska and DOJ believe that as a settlement, the tariff stream produced by the TSM is a fair and reasonable attempt to achieve a tariff profile that will encourage economically efficient exploration of North Slope petroleum resources."

Gleason Decision ¶ 561

Market Structure

Barriers to Competitive Entry

562. The RCA found that under the TSM, between 1977 and 1996, the TAPS Owners collected, in 1997 dollars, $13.5 billion more than would have been collected under the current rate methodology used by the RCA to set rates on TAPS. Nevertheless, the TSM was approved by FERC.

Gleason Decision ¶ 562

Market Structure

Barriers to Competitive Entry

TAPS Settlement Methodology (TSM)

RCA Order 151:

http://rca.alaska.gov/RCAWeb/ViewFile.aspx?id=03D92432-C32B-4C77-A47A-5705B899FC10

FERC Opinion 502:

http://www.ferc.gov/whats-new/comm-meet/2008/061908/G-1.pdf

Market Structure
Source Materials

- Cicchetti Report (MUN7-0001)
- Sullivan Report (MUN7-0008)
- BP Tariff Memo (MUN7-0001 at 2455)

The Life of TAPS

Overview

- Price of ANS Crude Oil
- Reserves and Throughput
- Minimum Throughput

The Life of TAPS

Price of ANS Crude Oil

- Price Increases / Throughput Declines
- Value of Reserves / Engineering Solutions
- EIA Forecasts
- Real Price Growth

The Life of TAPS
Price of ANS Crude Oil

The EIA Price Forecasts Support Increasing Per Unit Throughput Value

- The Energy Information Administration (EIA) collects and publishes historic information and makes short- and long-term price forecasts
- Price Trends are up with increasing world demand.
- Since adopting NEMS in 1994, virtually all the future reference price forecasts post 1999 have underestimated actual crude prices
- Turning points follow crises, spare capacity, and worldwide demand/supply

The Life of TAPS

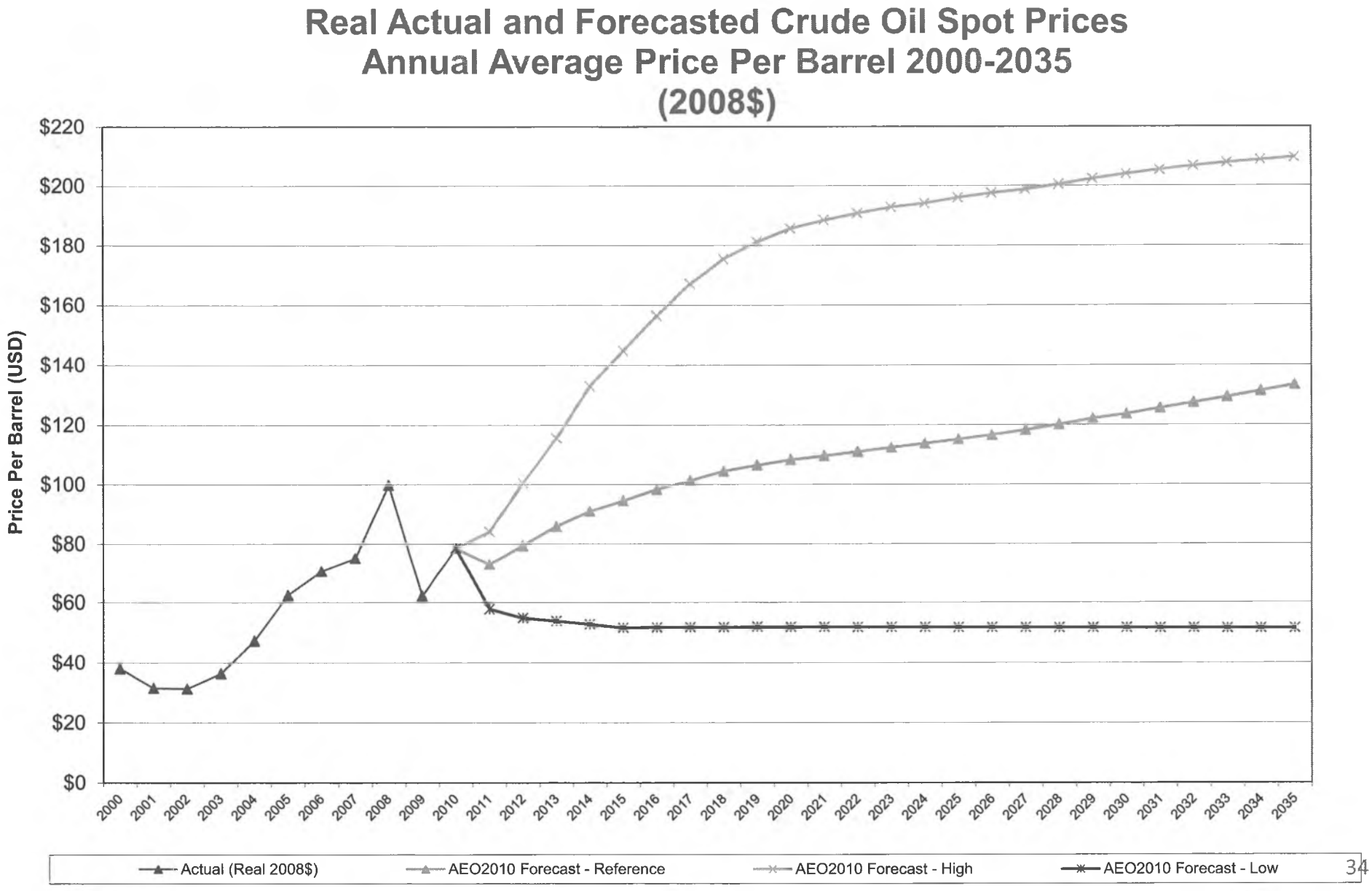
Price of ANS Crude Oil

480. Mr. Platt relied upon the U.S. Department of Energy's Energy Information Administration ("EIA") price forecast, which forecasted real market price growth for each of the three assessment years at approximately 1% per annum. Based on the evidence presented at trial, this Court finds that reliance on that forecast was reasonable. Oil prices during the three assessment years were volatile, such that the forward-looking projections made by the EIA during that period varied considerably. Yet the highest oil price forecasted by the EIA for calendar year 2011 during the assessment years was $74.08 per barrel, while the actual price of oil on October 18, 2011 was $113 per barrel. Mr. Platt also explained that due to the highly progressive nature of Alaska's production tax, oilfield economics at high real oil prices are not materially affected by price variations. Overall, this Court found Mr. Platt's production forecast and economic testing to be persuasive.

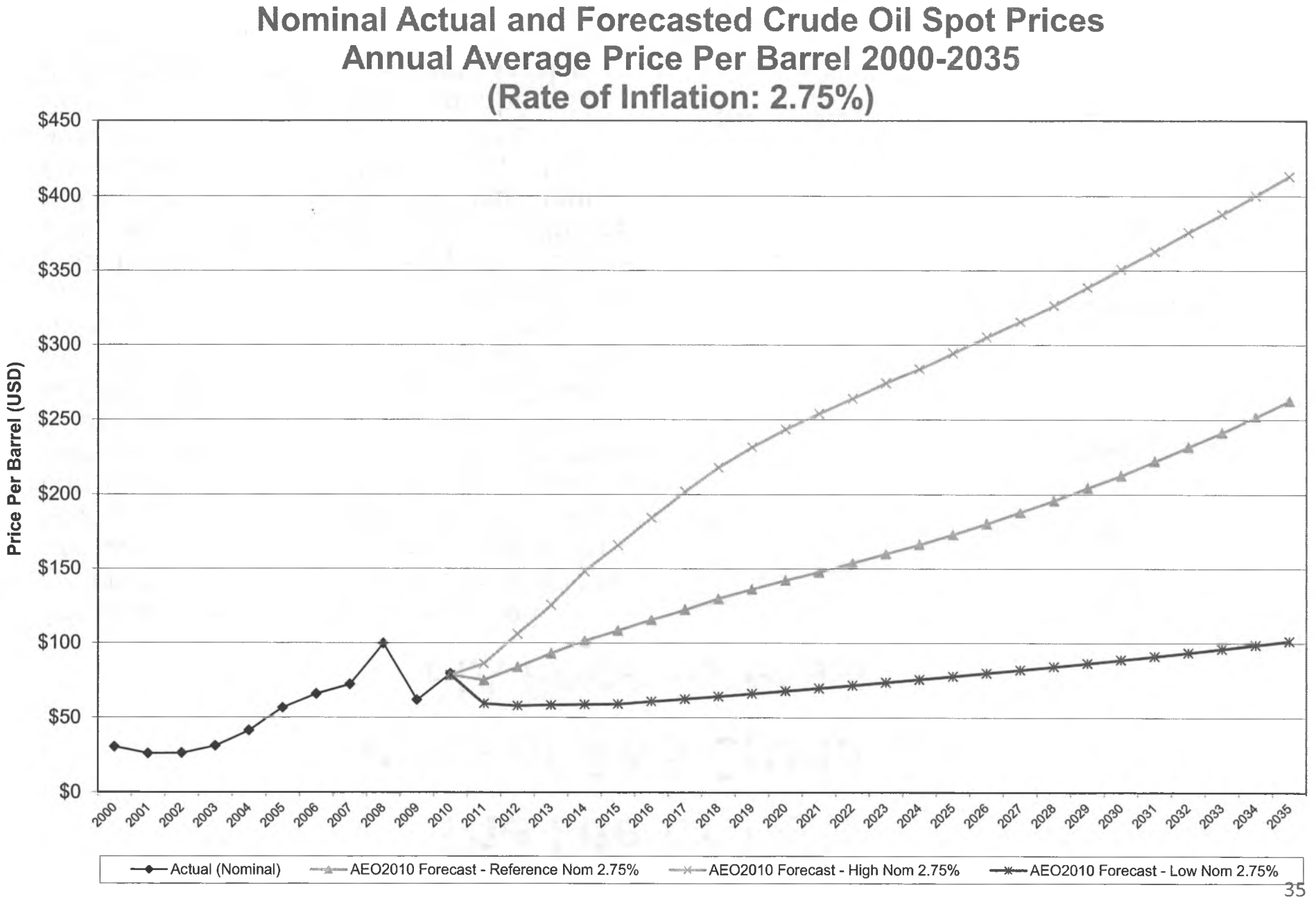
Gleason Decision ¶ 480

The Life of TAPS

Price of ANS Crude Oil



The Life of TAPS, Price of ANS Crude Oil



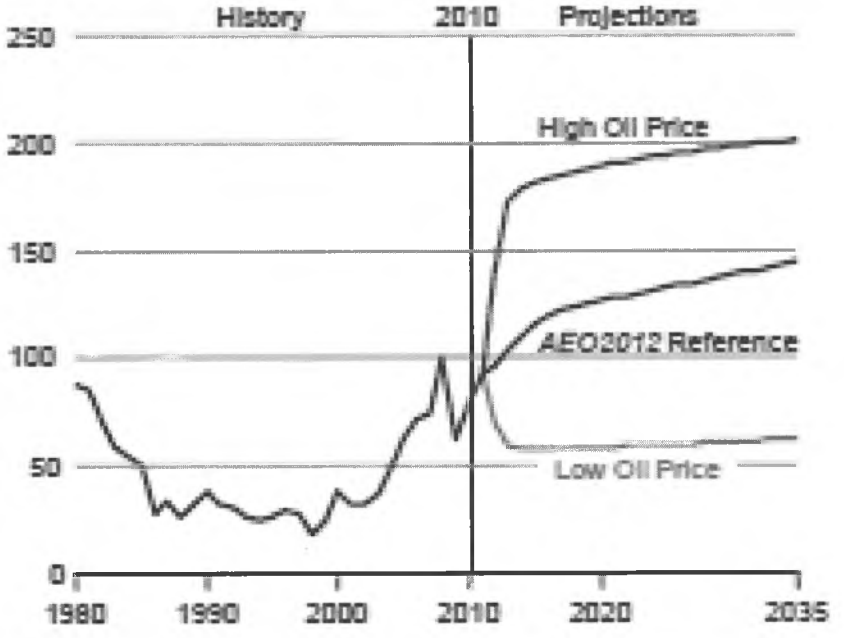
The Life of TAPS

Price of ANS Crude Oil

EIA Price Forecast

Prices for crude oil in 2011 remained generally in a range between $85 and $110 per barrel. In 2011, WTI prices were lower than Brent prices because of pipeline capacity constraints that prevented complete arbitrage between WTI and Brent prices. Real imported sweet crude oil prices (2010 dollars) in the AEO2012 Reference case rise to $120 per barrel in 2016 (Figure 5) as pipeline capacity from Cushing, Oklahoma, to the Gulf Coast increases, the world economy recovers, and global demand grows more rapidly than the available supplies of liquids from producers outside the Organization of the Petroleum Exporting Countries (OPEC). In 2035, the average real price of crude oil in the Reference case is about $145 per barrel in 2010 dollars, or about $230 per barrel in nominal dollars.

Figure 5. Average annual world oil prices in three cases, 1980-2035 (real 2010 dollars per barrel)



http://www.eia.gov/forecasts/aeo/er/pdf/0383er(2012).pdf

The Life of TAPS

Reserves and Throughput

- Judge Gleason's Decision as to the Life of TAPS is Based on a Limited Definition of Proved Reserves Only and Does Not Consider Probably, Possible, or Speculative Categories
- Proven Reserves Were 9.6 Billion Barrels (1977) and are 7-7.8 Billion Barrels (2007-09) / Approximately 16 Billion Barrels Produced
- Value of Reserves Has Increased Substantially / Life Linked to Value (Increase of $10 Barrel = 5.5 Years for TAPS)
- Internal Information / Financial Information Support Longer Life for TAPS

The Life of TAPS
Reserves and Throughput

In August 2007, DOE and the National Energy Technology Laboratory (NETL) Reported "Economically Recoverable" Reserves at High Prices and With Natural Gas Development*

	(2005-2050) Billion Barrels
Total	35-36
Without ANWR 1002	29.5
Without ANWR 1002 and Chukchi Sea	19.5
Without ANWR 1002, Chukchi Sea and Beaufort Sea	15.5
Without ANWR 1002, Chukchi Sea, Beaufort Sea, and No Natural Gas Development	9.5

***The DOE/NETL issued an Addendum to this Report in April 2009 with the same estimates.**

MUN7-9205 at 8

The Life of TAPS

Reserves and Throughput

Value of Remaining Crude for the Next 25 Years Will Exceed Current Cumulative Value of Oil Shipped

	Cumulative Value of TAPS Through 2010
Barrels	16.3 billion barrels
Nominal Value	$451.6 billion
Real Value (2008$)	$740.7 billion

	Future Value of TAPS: 2011 Through 2035	
	Low *	**High + Beaufort Starting in 2016 ***
	9.5 Billion Barrels Remaining	**19.5 Billion Barrels Remaining**
Barrels	5.9 billion barrels	10.9 billion barrels
Nominal Value	$800.5 billion	$1,539.6 billion
Real Value (2008$)	$593.5 billion	$1,122.1 billion

Source of Prices: EIA Annual Energy Outlook 2010 Forecast Reference Prices for Imported Crude Oil in Nominal$ and 2008$

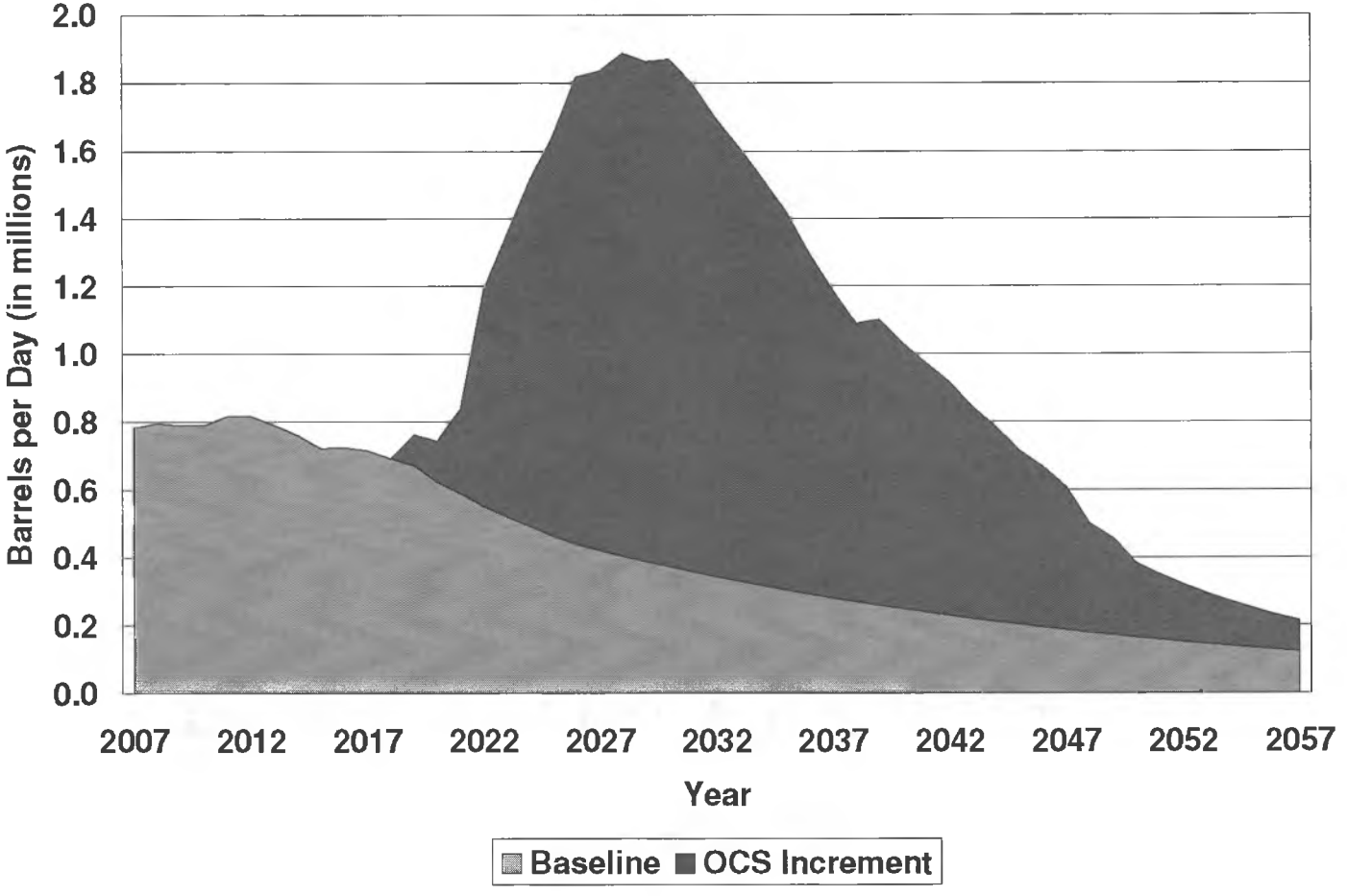
*See DOE/NETL for volumes through 2050, prorated through 2035.

MUN7-9205 at 13

The Life of TAPS

Reserves and Throughput

Oil Production with OCS



MUN7-0653, Page 8 of 10

MUN7-0653 at 8

THE LIFE OF TAPS - Reserves and Throughput

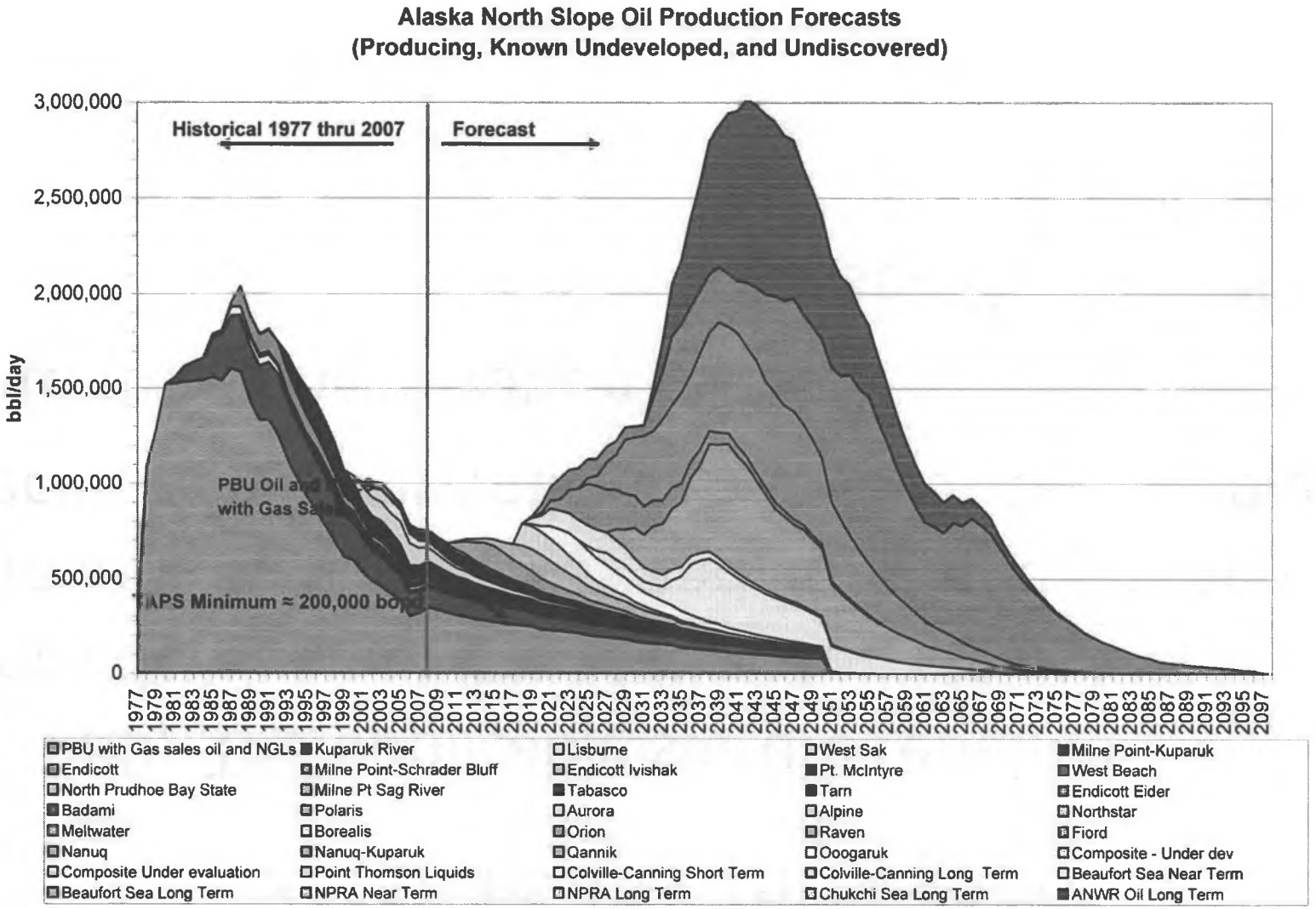


Figure 3-55. Alaska North Slope historical and forecast oil production from producing fields, known undeveloped fields, and undiscovered fields.

MUN7-0014 at 10 (Hite)

The Life of TAPS

Reserves and Throughput

439. The applicable statute requires consideration of the "estimated life of the proven reserves of gas and unrefined oil then technically, economically and legal deliverable into the transportation facility."

Gleason Decision ¶ 439

The Life of TAPS

Reserves and Throughput

465. Dudley Platt is one of the preeminent production forecasters in the state, although he is not a petroleum engineer. He began making oil production forecasts for the State of Alaska in 1989. Mr. Platt prepared a production forecast for the Department every year through 2009. This Court relied on Mr. Platt's production forecast to determine TAPS' end-of-life in the 2006 tax year trial.

Gleason Decision ¶ 465

The Life of TAPS

Reserves and Throughput

468. Decline curve analysis is one component in the determination of the economic life of ANS proven reserves? Mr. Platt's forecast incorporated a decline curve analysis at the pool level, as opposed to a well-by-well analysis used by both the Owners' and Department's witnesses? Mr. Platt persuasively testified that, based on his experience working in the oil industry, long-range production forecasters do not use decline curves on a well-by-well basis? Mr. Van Dyke explained that well-by-well analysis can work well for a small lease in Kansas with four wells, but not for a field with 1,000 wells that are regularly being turned on and off: "it's not the best approach to use a well-by-well method as compared to the pool - a pool level method to forecast production." Decline curve analysis at the well level requires subjective analysis of highly variable historic data to estimate future production rates for each well.

Gleason Decision ¶ 468

The Life of TAPS

Reserves and Throughput

501. Overall, this Court finds that Mr. Molli's Fall 2010 forecast, and the Assessor's adjustments to that forecast for each tax year, are considerably less reliable than the production forecast prepared by the Municipalities' witness Dudley Platt.

Gleason Decision ¶ 501

The Life of TAPS

Reserves and Throughput

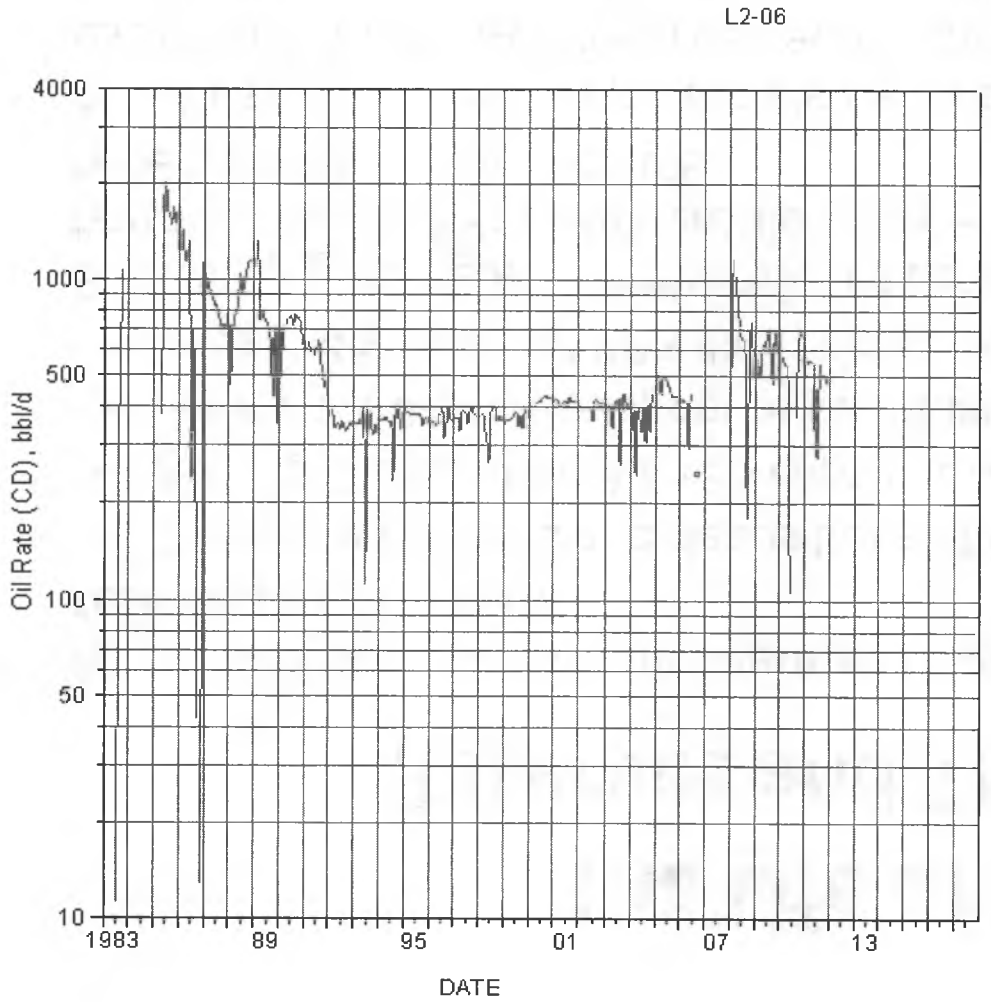
Pool v. Well-by-Well Forecasting

- In 2009 DOR changed from a pool to a well-by-well forecasting methodology
- "[A] pool based analysis is generally preferable to a well-based analysis." [Gleason Decision ¶ 471]
  - Not relied on by industry
    - Fine "for a small lease in Kansas with four wells, but not for a field with 1,000 wells that that are regularly being turned on and off . . ." [Gleason Decision ¶ 468]
    - Good modeling does not look at wells on a standalone basis
  - Backward looking
    - Requires "subjective analysis of highly variable historic data to estimate future production rates for each well." [Gleason Decision ¶ 494]
    - Often difficult to determine future performance of wells based on just historic data
      - Starts and stops, increasing production, etc.
      - DOR has historic data; it does not know of the story of each well
  - Not holistic, failing to reflect:
    - Industry estimates of oil in place or total recovery
    - Dynamic interaction of physical forces within reservoir, including interaction of wells
    - New projects and wells
      - Thus assumptions must be made about impacts on existing wells and new wells
  - When AS 43.56 enacted, DOR's opinion was "it could be done more accurately on a field basis, as one well could dry up immediately." [Gleason Decision ¶ 470]

The Life of TAPS

Reserves and Throughput

Example of Lisburne Well



For other examples of wells that are difficult to forecast – see Platt Examples in documents provided

The Life of TAPS
Reserves and Throughput

- Municipalities pursued all avenues to get actual field models and reserves information
  - Discovery requests and depositions of Owners
  - Argued Owners had Rule 34 control over production affiliate information
  - Served third-party subpoenas on affiliate producers
  - Sought discovery of BP's data rooms for attempted 2010 sale
- Ended up getting a "patchwork" of reserves and production forecasts from primarily BP; Court would not permit production of BPXA's reserves economic models
- Most useful produced materials related to BPPA's transportation cost estimates for BPXA's reserves economics model
- The BPXA reserves and production estimates in BPPA's possession confirm the reasonableness of:
  - The total barrels recovered under Mr. Platt's forecast
  - The estimated end-of-life of Prudhoe Bay field determined by Mr. Platt and as reflected in the Prudhoe Bay Royalty Trust 10-K filings

The Life of TAPS

Reserves and Throughput

492. The internal reserves and long term production forecasting information that was made available through discovery was not reviewed by two of the Owners' reserves witnesses, Mr. Hartz or Mr. Marks, and only cursorily reviewed by Mr. Hoolahan (and not synthesized into his analysis). Further, Mr. Hoolahan did not have representatives of the Owners or their affiliated producers review his reserves estimates to provide feedback. This is despite the fact that the internal reserves information presented at trial was substantially different from Mr. Hoolahan's conclusions. The fact that none of the Owners' reserves experts meaningfully addressed the BP internal reserves information at trial had a substantial negative impact on the weight this Court accorded to their testimony.

Gleason Decision ¶ 492

The Life of TAPS

Reserves and Throughput

495. The determination of the estimated proven reserves should be assessed in light of the evidence available to, and presented by, each of the parties. The Owners did not persuasively rebut the Municipalities' evidence regarding proven reserves, including information contained in filings by the BP Royalty Trust and the confidential reserves information produced in discovery.

Gleason Decision ¶ 495

The Life of TAPS

Reserves and Throughput

BP Royalty Trust End-of-Life

- The BP Prudhoe Bay Royalty Trust is a publicly traded trust that has a royalty interest in certain BP production
- Each year BPXA provides the Trust and their auditors, Miller and Lents, Ltd., with reservoir, production and other information
- In the past the Trust's 10-K included BPXA's opinion as to the end-of-life of Prudhoe
- "BP Alaska expects continued economic production from Prudhoe Bay field at a declining rate through 2075." [MUN7-4072 at 13]

The Life of TAPS

Reserves and Throughput

502. BP Exploration (Alaska), an affiliated company of one of the taxpayers in this case, BP Pipelines, provides SEC reserves information on the Prudhoe Bay field each year to the BP Prudhoe Bay Royalty Trust. The information is audited by an independent oil and gas consultant, Miller and Lents, before submission to the SEC. The Trust's SEC filing for year-end 2005, using the SEC's heightened "reasonable certainty" standard for proven reserves, represented that "BP Alaska expects continued economic production [from Prudhoe Bay] at a declining rate until the year 2065 ... ." In the year-end 2006, 2007 and 2008 SEC 10-K filings, BP represented continued economic production at Prudhoe Bay until 2062, 2075 and 2049, respectively. The 2049 economic end-of-life calculation for December 31, 2008 was based on the price of oil on that date of $44.60, while the December 31, 2006 economic end-of-life date was based on an oil price of $61.06. Both of these amounts were considerably below the average price of oil during those years and its predicted future price. The 2007 filing was based on the price of oil on December 31, 2007 of $96.01.

Gleason Decision ¶ 502

The Life of TAPS
Reserves and Throughput

503. The following chart sets out the assumed end-of-life in the Prudhoe Bay Royalty Trust SEC filings and as calculated by each of the parties' experts.

Comparison of Prudhoe Bay End-of-Life Determinations

	CY 2007	CY 2008	CY 2009
PB Royalty Trust	2062[837]	2075[838]	2049[839]
Muni @ 100,000 bbl/d	2067[840]	2066[841]	2068[842]
Muni @ Economic Limit	2075[843]	2075[844]	2075[845]
SOA @ 150,000 bbl/d	2040[846]	2040[847]	2040[848]
SOA @ Economic Limit	2043[849]	2044[850]	2053[851]
Hoolahan – Initial	2026[852]	2033[853]	2021[854]
Hoolahan – Corrected	2046[855]	2053[856]	2032[857]

Gleason Decision ¶ 503

The Life of TAPS

Reserves and Throughput

BP Royalty Trust End-of-Life

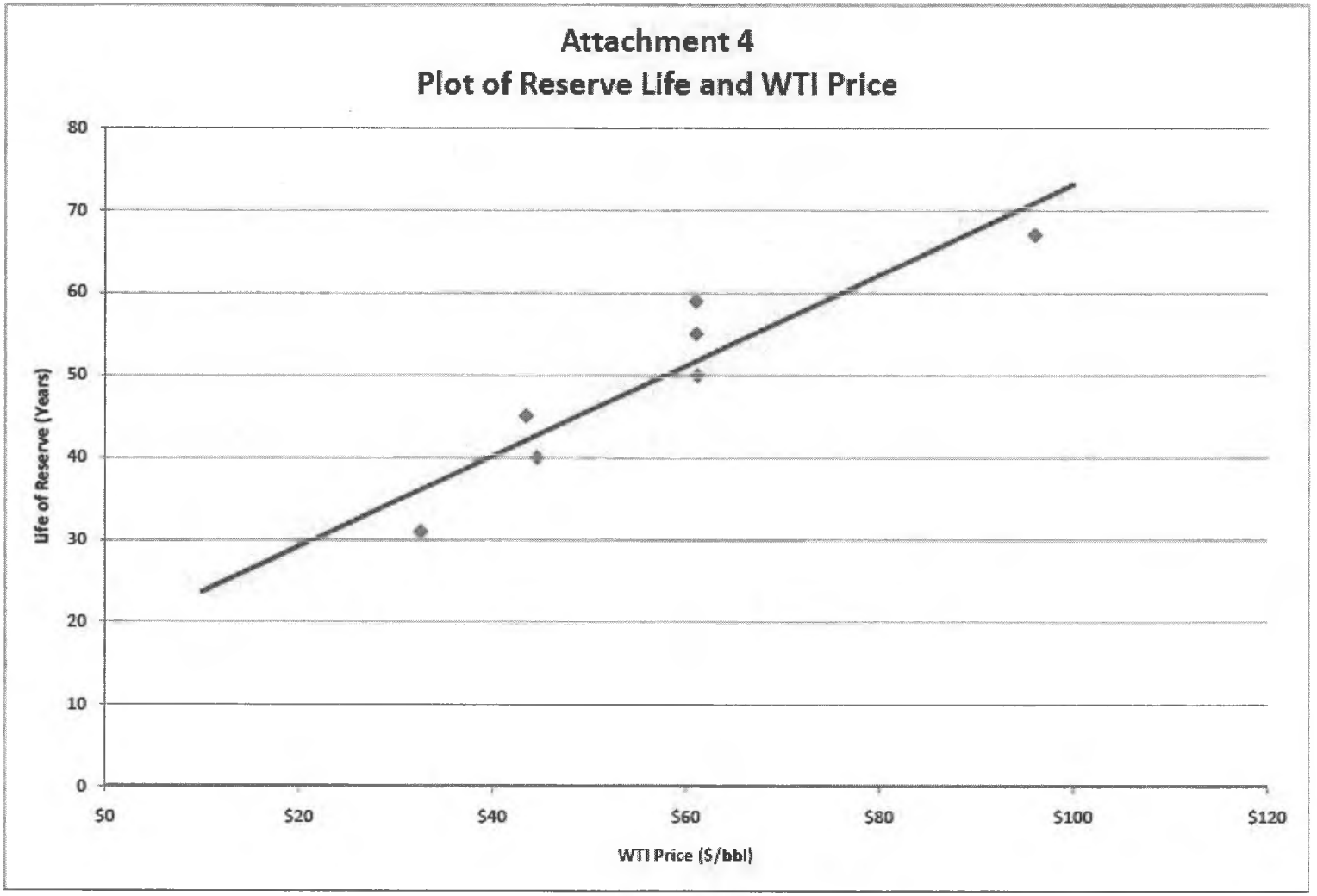
- The estimated end-of-life has varied each reporting year based on the price of oil
- From as low at 2049 in 2009 to as high as 2075 in 2008
- There is a strong correlation that for every $10 increase in oil prices, the economic life of Prudhoe Bay increases about 5.5 years [MUN7-0001 at 15-16 (Cicchetti)]

The Life of TAPS
Reserves and Throughput

24. I prepared a chart and some simple regressions in Attachment 4 to show the relation between economic life and WTI prices that BP relies upon in its various recent SEC 10-K filings. I plotted the relationship between the estimated life of the Prudhoe Bay reserves and WTI year-end prices. In particular, I found that for every $10 increase in year-end WTI prices, the economic life of Prudhoe Bay increases about 5.5 years. (See the linear regression in Attachment 4.)

MUN7-0001 at 15-16 (Cicchetti)

The Life of TAPS
Reserves and Throughput



MUN7-0001 at 121 (Cicchetti)

The Life of TAPS

Reserves and Throughput

506. With Point Thomson removed from Mr. Platt's corrected reserves estimates for 2007 and 2009, the total proven reserves for each of the lien dates is as follows:

2007 7.812 billion barrels

2008 7.759 billion barrels

2009 7.077 billion barrels

Gleason Decision ¶ 506

The Life of TAPS

Reserves and Throughput

- ANS will continue to economically produce oil, as demonstrated by BP, through 2075 based only on proved reserves

  – Assuming a minimal mechanical capacity of 100,000 bbl/d, the Court found the end-of-life of TAPS given current proved reserves is at least 2066. [Gleason Decision ¶ 505]

- Life of the ANS is even longer when production from heavy oil, ANWR, OCS, and other non-proved sources is considered

The Life of TAPS
Minimum Throughput

- Hydraulic Limit (None)
- Mechanical Limit (Less than 50,000 BPD)
- Operational Concerns (Solutions)
  - Temperature, Wax, Pigging, etc.
  - No Pipeline has Shut in Economic Production
  - Value of Oil Behind Pipe Dominates Solutions
    - 300,000 BPD to 100,000 BPD = 2 Billion of Proved Reserves
    - Engineering Solutions to Low Flow is Pennies / Value of Transporting Oil to Market is Dollars
  - Engineering Solutions Are Apparent

The Life of TAPS
Minimum Throughput

- **Alaska law doesn't contemplate a mechanical limit**
  - AS 43.56.060(e)(2) and 15 AAC 56.110(c) state life of operating pipelines to be "based on the estimated life of the proven reserves"
- **Economic life of other taxable pipelines in Alaska based on life of proven reserves, not a mechanical limit** [2007-2009 Trial Tr. 11565 (Hoffbeck)]
- **Common sense and expert testimony demonstrate no otherwise economic pipeline has shut in at 100,000, 50,000 BPD or below** [2007-2009 Trial Tr. 5130-31 (Riordan); Tr. 8266-68 (quoting Coulson Deposition); Tr. 11895 (Remsha)]
  - Proof is in the Tasting—No pipeline in the history of man has shut-in economic production due to pipeline operational concerns (Example: CIPL)
- **BP has identified engineering solutions to operate TAPS at ultra low flows**
  - Heating gets you to 70,000 BPD; below that options like fluid injection (to get flow rates up) will be identified as needed [MUN7-3020 at 8]
  - "When coupled with the fact that there is a practical limit to the number of heater locations be added, 50,000 BPD to 70,000 BPD is probably the [low flow] limit to [point source heating] due to wax deposition and pigging concerns. Further reduction in flow will require investigation of other options that maintain higher flow velocities, such as seawater commodity supplementation." [MUN7-3020 at 8]
- **Thus state law, Alaska tax practice for other pipelines, industry experience, and BP's own reserves booking contemplate no identifiable mechanical limit**

The Life of TAPS

Minimum Throughput

401. The Municipalities' expert Dr. Jerry Modisette testified that there is no hydraulic or mechanical minimum throughput limit because the pipeline will be within pressure constraints at flows down to zero and the pump rate can also go down to zero through reducing pumps, throttling, and recirculation. Former Alyeska Chief Operating Officer Dan Hisey concurred that there is no hydraulic or mechanical minimum throughput limit on TAPS. The Owners' expert, Ulli Pietsch, also testified that there is no hydraulic or mechanical reason that TAPS cannot operate down to 50,000 bbl/d. The inquiry therefore turns to whether there is an operational constraint that would prevent TAPS from transporting oil at some minimum capacity limit.

Gleason Decision ¶ 401

The Life of TAPS

Minimum Throughput

Testimony of Mr. Ulli Pietsch (Owners' Witness)

Q. I'm going to make this very simple. I want to ask you questions. I'm going to ask you questions in three buckets: Hydraulically, mechanically, and operationally.

A. Okay.

* * *

Q. So there is no reason that TAPS cannot hydraulically operate at a teaspoonful a day, correct?

A. Correct.

* * *

Q. Is there any mechanical reason, that assuming a proper recirculation system is in place, that TAPS cannot operate at 50,000 barrels a day?

A. No.

* * *

Q. Okay. So hydraulically and mechanically, there is no reason that TAPS, as it currently exists, cannot operate down to 50,000 barrels a day, assuming recirculation?

A. Correct.

2007-2009 Trial Tr. 2022-25

The Life of TAPS

Minimum Throughput

404. BPPA analyst John Haines testified at the trial in this case. In an email dated November 5, 2004, Mr. Haines stated:

> Momentum is starting to grow around booking more reserves based on an updated view of TAPS' minimum achievable rates ... Lastly, when TAPS rates reach 100 MBD [100,000 bbl/d] we stop. Our consultant thinks we can probably operate TAPS below this minimum rate, but we didn't want to push it any further at this time.

Gleason Decision ¶ 404

The Life of TAPS
Minimum Throughput

409. In its initial year-end 2004 reserves submission to the BP London office, which was scheduled a couple of months before the JTG Study was concluded, BP Exploration and BP Pipelines personnel determined "an effective TAPS minimum throughput level of 150,000 bbl/d at 2053," using "conservative assumptions." The report added:

> In the case of GPB [Greater Prudhoe Bay] and KRU [Kuparuk River Unit] (the biggest contributors to the reserves adds) each of these fields were still cash flow positive at 2064 (end of our tariff profile). The reserves coordinators arbitrarily chose to cut-off life at the earlier dates (2053 for GPB and 2047 for GKA) just to give themselves some future cushion.

Gleason Decision ¶ 409

The Life of TAPS

Minimum Throughput

406. In 2004, BP Pipelines retained JTG Technology Consortium to conduct a study to revisit the minimum throughput limit on TAPS, The 308-page JTG report was completed in 2005 ("JTG Study") and concluded that "the low flow limit of the existing 48-inch TAPS pipeline was determined to be a PS [Pump Station] 1 rate of 135 MB/day [135,000 bbl/d]."

Gleason Decision ¶ 406

The Life of TAPS

Minimum Throughput

408. BPPA and its affiliates relied upon the JTG Study's conclusion of a 135,000 bbl/d low-flow limit to create tariff profiles that BP then used to report its reserves for several years to the SEC.

Gleason Decision ¶ 408

The Life of TAPS

Minimum Throughput

412. BP Pipelines failed to provide the 2005 JTG Study in discovery for the 2006 ad valorem tax year proceedings. That study would have supported the Municipalities' position in that litigation that TAPS could operate down to 150,000 bbl/d or less, and may well have resulted in the Court finding a minimum capacity limit lower than the 200,000 bbl/d that this Court applied for that assessment year.

Gleason Decision ¶ 412

The Life of TAPS

Minimum Throughput

414. In 2010, BP Pipelines retained Phil Carpenter, a subject matter expert who was also used extensively by Alyeska in its Low Flow study, to determine whether TAPS could operate at levels below the 135,000 bbl/d threshold put forth in the 2005 JTG Study. At trial, Mr. Haines of BP Pipelines explained:

> The JTG study ... essentially had two different paths that you could live with ... One path was you would throw investments at TAPS and eventually the south leg would die at a rate of 135. You would start a railroading apparatus at that point. ... the south leg always died first because of the extraction of oil at Fairbanks at the Fairbanks refinery ... Except if you wanted to throw another $3 billion at the problem and replace the north leg with a replacement 20-inch line ... [so as to be able to transport down to 45,000 bbl/day] ... And the economic hurdle of paying for that $3 billion of replacement line investment created a very large stair-step in the economic profile, the granularity I was talking about.

Gleason Decision ¶ 414

The Life of TAPS

Minimum Throughput

415. In a May 19, 2010 email, Mr. Haines provided Mr. Carpenter with a copy of the 2005 JTG Study and explained:

> You probably want to start with the executive summary. As we discussed on the phone, our reserves reporting relied on a 'low oil Price' scenario and a 'high oil price scenario.' These are identified in the report as Scenario 2 and Scenario 3. What we are looking for in your work effort is some sort of intermediate solution that could be used to extend the limit beyond 135 MBD [135,000 bbl/d] (Scenario 2), but would not have a $3 billion hurdle that would allow us to get down to 45 MBD [45,000 bbl/d]. In other words, something for a "middle oil price" scenario.

Gleason Decision ¶ 415

The Life of TAPS

Minimum Throughput

416. A June 11, 2010 email from Mr. Carpenter contained a list of over a dozen low throughput options he had analyzed. On June 15, 2010, Mr. Haines responded back that:

> I've had a chance to talk to our upstream reserves guys, and they advise that Option 2 (run cold and sweep with freeze suppressant) sounds like it might be pushing things too far, because it requires achieving a level of confidence in the physics of the problem - a level of "proof" that our study will not be capable of fully defining. So, they agree we can drop it from the list ....

Mr. Haines then discussed the various other options, concluding:

> From a pragmatic viewpoint, it seems to me that item 1 (heaters) may be exactly what we're looking for (in terms of finding a sure-fire way to bridge between the 135 MBD [135,000 bbl/d] endpoint and the large capital cost of replacing the north leg). I say this because if we can find a way to lower the endpoint from 135 MBD [135,000 bbl/d] to say something in the range of 100 MBD [100,000 bbl/d] or less, that kind of solution would probably act to close the gap our reserves guys are seeking.

Gleason Decision ¶ 416

The Life of TAPS

Minimum Throughput

418. Consistent with that opinion, on July 20, 2010, Mr. Carpenter circulated a draft of the 2010 Carpenter Study: "The analysis concluded that point source heating of the oil is the best solution for operation of 100,000 [bbl/d]." Mr. Haines' response to the draft stated:

> Thanks for the updated report. This is shaping up nicely, and is exactly the "fit for purpose" product we were looking for. ... Probably the most significant edits we've made to your most recent draft involved turning on the railroad when the PS-1 rate hits 140 MBD [140,000 bbl/d] (and turning off the south leg), and running the north leg down to 70 MBD [70,000 bbl/d]. This means some of the south leg heaters will likely not be installed at rates below 140 MBD [140,000 bbl/d] (because of laminar flow issues).

Gleason Decision ¶ 418

The Life of TAPS

Minimum Throughput

420. The 2010 Carpenter Study did not foreclose lower throughput levels below its conclusions, acknowledging that other technologies apart from point source heating "may eventually offer better solutions with fewer unknowns, lower throughput limits and lower shutdown risk, but these options are less developed and well understood at this time." The Study stated that "50,000 [bbl/d] to 70,000 [bbl/d] is probably the limit for [the point source heating] approach due to wax deposition and pigging concerns. Further reduction in flow will require investigation of other options that maintain higher flow velocities, such as seawater commodity supplementation."

Gleason Decision ¶ 420

The Life of TAPS

Minimum Throughput

422. In the fall of 2010, BPPA used the lower minimum throughput determinations from the Carpenter Study in its transportation tariff calculations. Those calculations, in turn, were provided to BP Production forecasting personnel who then used that information to book BP's proven reserves in 2010. That BP relied upon the Carpenter Study's 100,000 to 70,000 bbl/d low flow estimate to book its reserves is compelling evidence that these figures may be reasonably relied upon by this Court to determine the assessed value of TAPS.

Gleason Decision ¶ 422

The Life of TAPS

Minimum Throughput

The Studies: Alyeska LoFIS

- The Alyeska Low-Flow Impact Study (LoFIS) was limited in scope: "Flow volumes of less than about 350,000 BPD subject TAPS operations and pipeline integrity to greater degrees of uncertainty that require investigation and study beyond that accomplished through the LoFIS. Measures to mitigate these issues utilizing the existing 48-inch pipe at throughputs below 350,000 BPD have not been determined at the date of this report."

  [Executive Summary of LoFIS Final Report (public version, June 15, 2011) at 3]
- Mr. McDevitt's deposition and trial testimony confirmed that the LoFIS team was subject to a 300,000 bbl/d limit. [2007-2009 Trial Tr. 10975-82] Mr. Haines also confirmed the limitation. [2007-2009 Trial Tr. 11404]

The Life of TAPS

Minimum Throughput

Alyeska Cannot Show A 300,000 bbl/d Limit

- Mr. McDevitt stated at trial that it was not possible for TAPS to operate under 300,000 bbl/d, but later changed his answer to "highly unlikely" when asked in the context of BP's booking practices. [2007-2009 Trial Tr. 11025-27, 11093]
- Mr. Carpenter was a subject-matter expert for water transport, hydraulic size formation and heat transfer in the Alyeska LoFIS team while he conducted his study for BP. [2007-2009 Trial Tr. 10960-61]
- Mr. Riordan testified that he did not know for a fact that the existing facility cannot operate at 100,000 bbl/d. [2007-2009 Trial Tr. 5129]

The Life of TAPS

Minimum Throughput

430. This Court finds the JTG and Carpenter studies, which were conducted by TAPS' largest Owner for the specific purpose of evaluating the ability of TAPS to operate at throughputs well below 300,000 bbl/d and relied upon by BP for booking its proven reserves, to be far more persuasive than the LoFIS study in determining TAPS' minimum throughput capacity.

Gleason Decision ¶ 430

The Life of TAPS

Minimum Throughput

431. At trial, the Municipalities' expert Dr. Jerry Modisette persuasively opined why he had determined that TAPS could operate at 100,000 bbl/d. Indeed, Dr. Modisette asserted TAPS could operate at far lower throughputs than that, particularly if the oil were recirculated through the pumps so as to raise its temperature - a project Alyeska is planning to try this winter.

Gleason Decision ¶ 431

The Life of TAPS

Minimum Throughput

432. With regard to the low-flow operational issues identified in the Alyeska study, including water dropout and corrosion, ice formation within the crude oil, ice lenses or frost heaves in the soil, and wax precipitation and deposition, the weight of the evidence at trial persuaded this Court that it is more likely than not that there will be engineering solutions to mitigate these problems on TAPS at throughputs down to 100,000 bbl/d or less.

Gleason Decision ¶ 432

The Life of TAPS

Minimum Throughput

The Operational Issues Can Be Mitigated

Hisey Chart

Issue/Concern	Mitigation Measures Available															
	Water			Heat			Pigging						Chemical Treatment			
	Lower Spec Limit	Remove	Improve Monitoring Capability	Recirculate	Point Source	Add, Repair, Replace Insulation	Increase Frequency	Add Launchers Receivers	Divert Incoming Stream	Install Washers	Modify Cleaning Pig Design	Modify Operating Procedure	Corrosion	Freeze Point	Emulsion	Wax Point
Wax																
pipe wall deposit				X	X	X	X	X		X	X				X	X
instrumentation	X	X	X	X	X	X								X	X	X
smart-pig data				X	X	X	X	X			X					X
cleaning volume				X	X	X	X	X	X	X	X				X	X
Ice																
equipment damage	X	X	X	X	X	X			X					X		
valve operation	X	X	X	X	X	X	X				X		X	X		
ice plugs	X	X	X	X	X	X	X	X			X		X	X		
Other																
Cold Restart	X	X	X	X	X	X						X		X	X	X
Frost Heave				X	X	X										
Increased corrosion	X	X	X				X	X					X	X	X	
Slack Line												X				
Crude Oil "gelling"				X	X	X									X	X

The Life of TAPS

Minimum Throughput

434. The August 2010 Larkspur Study estimates approximately $2 billion in undiscounted costs for heating TAPS so as to be able to transport 100,000 bbl/d. This is based on the 2010 Carpenter Study's use of substantial redundancy resulting in 70% excess heating capacity. Thus, the actual cost could well be considerably lower. However, even Larkspur's estimated expense is self-evidently economic in light of the value of TAPS' proven reserves, The Court was persuaded by Mr. Hisey's testimony that even if the heating and other mitigation measures cost upwards of hundreds of millions of dollars in the coming decades, it would still be economical to make such investments to keep TAPS operating at and below 100,000 bbl/d "to move North Slope crude oil and keep that transportation base available for future fields, future production."

Gleason Decision ¶ 434

The Life of TAPS

Minimum Throughput

437. This Court finds the conclusions reached in the 2005 JTG study, together with the opinions reached in the 2010 Carpenter Study and Larkspur Study, as well as the opinions of Dr. Modisette and Mr. Hisey, to be more credible and persuasive than Mr. McDevitt's opinion on TAPS' minimum throughput capacity.

Gleason Decision ¶ 437

The Life of TAPS

Minimum Throughput

438. For the foregoing reasons, and after careful consideration of all of the evidence presented at trial, this Court finds it more likely than not that TAPS can effectively transport throughputs at least down to a minimum flow rate of 100,000 bbl/d.

Gleason Decision ¶ 438

The Life of TAPS
Minimum Throughput
Maximum Limit of 100,000 BPD

- Mr. Hisey testified that even hundreds of millions of dollars in heating and other low flow mitigation efforts are economic to keep TAPS operating at and below 100,000 bbl/d [2007-2009 Trial Tr. 9000]
- Dr. Modisette testified that the Texaco Cal 20 pipeline uses more heating per unit than the worst case heating scenario for TAPS [2007-2009 Trial Tr. 9061-63]
- No witness was aware of a pipeline that shut in production for operational reasons when it was flowing economic oil [2007-2009 Trial Tr. 674 (Remsha); Tr. 5130-31 (Riordan); Tr. 8266-68 (quoting Coulson deposition); Tr. 9218 (Malvick); Tr. 11090 (McDevitt); Tr. 11895 (Remsha)]

The Life of TAPS

Minimum Throughput

Economics of Continued Operation

Forecast Year	Platt Production Rate Range (barrels/day)	Stranded Oil Volume Over Applicable Forecast Range	Average EIA Real Oil Price Forecast Over Applicable Time Period (per bbl)	Total Value of Stranded Oil
2009				
	300,000 to 100,000	2.0 billion bbl	$169.06	**$338,120,000,000**
	200,000 to 100,000	1.2 billion bbl	$177.25	$212,700,000,000
	150,000 to 100,000	0.7 billion bbl	$183.30	$128,310,000,000

SOURCES:

MUN7-4306, MUN7-4309, and MUN7-4313

MUN7-0017 p. 23

The Life of TAPS
Source Materials

- Platt Report (MUN7-0024)
- Platt Rebuttal Report (MUN7-0026)
- Hite Report (MUN7-0014)
- Van Dyke Report (MUN7-0017)
- Van Dyke Report Supplement (MUN7-0018)
- Unpredictable Wells Data
- BP Royalty Trust (MUN7-4072)
- JTG Report (MUN7-3000)
- Carpenter Study (MUN7-3020)
- Larkspur Study (MUN7-3044)
- Haines Testimony
- Modisette Report (MUN7-0028)
- Hisey Report (MUN7-0034)
- Hisey PowerPoint

Access to Information

- Relevant Statutes
- Department Will Not Use Subpoena Power
- The Department Overuses Taxpayer Confidential Designations
- Department Will Not Agree to a Joint Administrative Agreement

Access to Information

491. SARB observed the following in its Certificate of Determination for the 2007 assessment year:

> The Board also found that the Owners failed to take advantage of the opportunity to provide the Division with persuasive data to challenge the reserves estimates or throughput projections used by the Division if the Owners have such data. The Board found that the Owners chose not to the [sic] share information that the Owners and their parent companies possess regarding throughput and proven reserves with the Division or the Board and instead chose to present evidence and testimony from outside experts who did not have access to the information the Owners possess that was not already in the public record, and who lacked adequate direct experience with, or expertise about, the TAPS or the Alaska North Slope reserves.

Gleason Decision ¶ 491

Access to Information

5. AS 43.56.080 grants the Division certain investigative powers when assessing AS 43.56 properties, including the power to "enter any premise necessary for the investigation during reasonable hours," to "examine property and appropriate records," and to compel owner representatives "to appear for examination under oath by the department." There was no persuasive evidence presented at the trial de novo that the Division has ever exercised these powers with respect to the valuation of TAPS.

Gleason Decision ¶ 5

Access to Information

6. The Division broadly interprets what it considers "taxpayer confidential" information under applicable statutes and will not disclose such information to the Municipalities specifically or to the public generally. The Division considers all information that it receives from a taxpayer as "taxpayer confidential," even if it does not contain the particularities of a taxpayer's business affairs and is obtainable from the public domain. As a result, the Division did not provide the Owners' new replacement cost study by Stantec Consulting, Inc. ("Stantec") to the Municipalities.

Gleason Decision ¶ 6

Access to Information

7. AS 43.56.060(g) provides that "[t]he department may enter into agreements with a municipality for the cooperative or joint administration of the assessing authority conferred on the department by this section." The North Slope Borough previously had such an agreement with the Department. The City of Valdez and Fairbanks North Star Borough have never been parties to joint assessment agreements with the Department.

Gleason Decision ¶ 7

Access to Information

8. In its 2010 decision, SARB expressed its concerns regarding the Division's assessment practices:

> The Board believes that it is time for the Division to address the problems created by the way it handles taxpayer confidential information in the assessment process. The Division's failure to provide interested parties with the information on which the assessment was made in time to allow those parties meaningful input in the determination of the property's assessed value, before that determination is subject to limited review of an appeal before the Board, has the potential to throw the fundamental fairness of the AS 43.56 assessment process into question. The Board believes that, due to the Division's current practices with regard to the use of taxpayer confidential information in its AS 43.56 assessments, that process is close to broken and is headed in the wrong direction.

This Court concurs with the Board's observations in this regard.

Gleason Decision ¶ 8

Access to Information

Information at DOR Level

- History of TAPS Valuation
- DOR Process
- Access to Taxpayer Information
- Treatment of Taxpayer Information
- Consequence of Lack of Access to Information

Access to Information

History of TAPS Valuation

- DOR relying on TSM based rates lead the assessments falling from over $8 billion in the mid-1980s to $2.75 billion in 2001 [Gleason Decision ¶ 30]
- For decades the valuation of TAPS was a negotiated process that largely excluded the Municipalities
- The Municipalities fully engaged the process for the 2005 assessment

Access to Information

Observation About DOR's Process

- Key DOR staff are fair, dedicated, and highly competent
- The SARB has also been balanced and diligent
- However the DOR process–as related to information relied on in the taxation process–is close to broken. [Gleason Decision ¶ 8]

Access to Information

Access to Confidential Information

- Taxing authorities typically compel information
  - DOR can subpoena information, depose taxpayer representatives, and investigate property and records [AS 43.56.080; AS 29.45.130; AS 43.55.040(a)]
- DOR policy is to work cooperatively with industry, so it does not exercise these powers [Gleason Decision ¶ 8]
- Thus, DOR relies on information that a taxpayer volunteers or that is publicly available

Access to Information
Taxpayer Information

- The Alaska Public Records Act, AS 40.25.110, requires State documents to be subject to public examination

- Exception exists under AS 40.25.100(a) for tax information "that discloses the particulars of the business or affairs of a taxpayer" in which case the "information shall be kept confidential except when . . . required in an official investigation [or proceeding]"

- AS 43.05.230(a) also makes it unlawful to "divulge the amount of income or the particulars set out or disclosed in a report or return" except in conjunction with "investigations or proceedings"

Access to Information

Taxpayer Information

DOR narrowly reads taxpayer confidentiality statutes, denying public access to:

- All information provided by taxpayers
  - Non-sensitive correspondence, hypothetical studies, publicly available information, etc.
- Information provided for its production forecasting, which is a budgeting function [2007-2009 Trial Tr. 8813-14, Tr. 10874-877]
- The Municipalities
  - AS 43.56.060(g) allows for joint administration of taxes
  - North Slope Borough had such an agreement until recently

Access to Information

Consequence of Information Access

- Industry acts to prevent the best information from harming its position on taxes
  - Low flow documents
  - Royalty trust statements removed
  - BP Pipelines no longer participating in reserves function [2007-2009 Trial Tr. 11480]
  - As a matter of policy DOR does not compel the production of useful information
- DOR does not make publicly available taxpayer information in its possession
- Result–DOR and Legislature do not have access to information necessary to be informed about oil and gas tax issues in Alaska

Access to Information
Source Materials

- Alaska Statutes

Conclusion

- Open Access to Facilities
- Reasonable Transportation Rates
- Minimize Barriers to Entry
- Sound Tax Policy
  - Recognizes Market Structure
  - Recognizes Specific Behavior and Participants Most Likely to Be Impacted by Tax Incentives
  - Recognizes Stage of Development of Basin

THANK YOU

16.

Gleason Decision

IN THE SUPERIOR COURT FOR THE STATE OF ALASKA

THIRD JUDICIAL DISTRICT AT ANCHORAGE

BP PIPELINES (ALASKA) INC., EXXONMOBIL PIPELINE COMPANY, UNOCAL PIPELINE COMPANY, CONOCOPHILLIPS TRANSPORTATION ALASKA, INC. and KOCH ALASKA PIPELINE COMPANY, Owners, and ALYESKA PIPELINE SERVICE COMPANY, as Agent for the Owners,	)	
FAIRBANKS NORTH STAR BOROUGH and CITY OF VALDEZ,	)	
Appellants/Cross-Appellants,	)	
v.	)	
STATE OF ALASKA DEPARTMENT OF REVENUE, STATE ASSESSMENT REVIEW BOARD, and NORTH SLOPE BOROUGH,	)	
Appellees.	)	Case No. 3AN-06-08446 CI (Consolidated) 2007/08/09 Tax Years

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DECISION FOLLOWING TRIAL DE NOVO

2007, 2008, and 2009 Assessed Valuations of the Trans Alaska Pipeline System

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I. PROCEDURAL BACKGROUND

1. This is a consolidated appeal of the State Assessment Review Board ("SARB" or "Board") Decisions of the 2007, 2008, and 2009 assessments of the Trans Alaska Pipeline System ("TAPS") for ad valorem tax purposes under AS 43.56. SARB assessed the value of TAPS for 2007 at $4.588895312 billion, for 2008 at $6.154447972 billion, and for 2009 at $9.045892 billion.[1]

2. SARB's 2006 assessment of TAPS was also appealed to this Court. After a de novo trial of over five weeks in 2009, this Court issued an Amended Decision Upon Reconsideration Following Trial De Novo on October 26, 2010, ("Amended Decision") with respect to that tax year, which concluded that the assessed value of TAPS for 2006 was $9.977 billion. That decision is currently on appeal to the Alaska Supreme Court.

3. The appeal to this Court of the 2007 through 2009 tax years culminated in a non-jury trial that began on September 6, 2011 and lasted approximately nine weeks.[2] Thousands of pages of exhibits and extensive deposition testimony were admitted into the record, together with the trial testimony of the parties' many witnesses. The administrative record for each of the SARB proceedings in 2007 through 2009 was also submitted to the Court.[3] And the parties have each filed extensive proposed Findings of Fact and Conclusions of Law that altogether total approximately 900 pages. Based on all the

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[1] The three SARB decisions can be found in the trial exhibits at MUN7-0234 (2007), MUN7-0235 (2008) and MUN7-0236 (2009).

[2] *See* AS 43.56.130(i).

[3] Pursuant to the Court's Order Re Motion to File Expert Reports and Admit the SARB Record (July 26, 2011) at 6, the SARB record and hearing transcript for each of these years was admitted into the court record. *See also* Appellate Rule 609(b)(2).

evidence in the record, the arguments of counsel, the parties' proposed findings, and upon consideration of the applicable law, this Court is now entering the following Findings of Fact and Conclusions of Law.[4]

4. AS 43.56.010 *et seq.* are the statutes governing the ad valorem taxation of oil and gas property in Alaska. The statute provides for such property to be centrally assessed each year by the Tax Division ("Division") within the Department of Revenue ("Department"), based on a lien date of January 1. Taxpayers and affected local governments have the right to appeal the Division's assessed valuation to SARB, which is created within the Department. These parties then have a right to appeal from SARB to the Superior Court in the form of a trial de novo pursuant to AS 43.56.130. The TAPS Owners,[5] the Fairbanks North Star Borough, and the City of Valdez appealed SARB's 2007 decision to this Court. These parties, as well as the North Slope Borough, appealed SARB's 2008 and 2009 decisions to this Court. The three years were consolidated for purposes of trial. The Department and SARB are appellees in each of the three appeals.[6] The Municipalities have asserted to this Court that TAPS' assessed value should be $13.689 billion for 2007, $14.804 billion for 2008, and $14.422 billion for 2009.[7] The Owners have asserted that TAPS' assessed value should be $1.1 billion for 2007, $1.2 billion for 2008, and $1.3 billion

[4] This Court is cognizant of Civil Rule 52(a)'s specification that the Court "shall find the facts specifically and state separately its conclusions of law thereon." But for ease of comprehension of a decision with this number of issues and level of complexity, this Court has not segregated the conclusions of law, but instead notes that instances in which this Court is interpreting the law, as opposed to making factual findings, should be clear from the context of this decision. *See* Civil Rules 92, 94.

[5] The Owners of TAPS are BP Pipelines (Alaska) Inc., ConocoPhillips Transportation Alaska, Inc., ExxonMobil Pipeline Company, Koch Alaska Pipeline Company, and Unocal Pipeline Company (hereinafter "Owners").

[6] AS 43.56.040.

[7] Municipalities' Proposed Findings of Fact and Conclusions of Law ¶ 893.

for 2009.[8] The Department did not present an opinion of value for TAPS at the trial de novo for the three tax years at issue.[9]

5. AS 43.56.080 grants the Division certain investigative powers when assessing AS 43.56 properties, including the power to "enter any premise necessary for the investigation during reasonable hours," to "examine property and appropriate records," and to compel owner representatives "to appear for examination under oath by the department."[10] There was no persuasive evidence presented at the trial de novo that the Division has ever exercised these powers with respect to the valuation of TAPS.[11]

6. The Division broadly interprets what it considers "taxpayer confidential" information under applicable statutes and will not disclose such information to the Municipalities specifically or to the public generally.[12] The Division considers all information that it receives from a taxpayer as "taxpayer confidential," even if it does not contain the particularities of a taxpayer's business affairs and is obtainable from the public domain.[13] As a result, the Division did not provide the Owners' new replacement cost study by Stantec Consulting, Inc. ("Stantec") to the Municipalities.

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[8] TO-07-0004.0138.

[9] The Department indicated that it did not render opinions of value at the trial de novo

> because in doing so it would be rendering a supplemental assessment for each of the years in question, which, in turn would trigger a new round of administrative action and appeals for each tax year rather than a single and definitive presentation in a de novo context before the court.

Department's Proposed Findings of Fact and Conclusions of Law ¶ 6.

[10] AS 43.56.080.

[11] *See* Greeley Dep. at 209 (June 6, 2011).

[12] *See* AS 40.25.100(a); AS 43.05.230(a).

[13] Tr. 10875-77 (Bales).

7. AS 43.56.060(g) provides that "[t]he department may enter into agreements with a municipality for the cooperative or joint administration of the assessing authority conferred on the department by this section."[14] The North Slope Borough previously had such an agreement with the Department. The City of Valdez and Fairbanks North Star Borough have never been parties to joint assessment agreements with the Department.[15]

8. In its 2010 decision, SARB expressed its concerns regarding the Division's assessment practices:

> The Board believes that it is time for the Division to address the problems created by the way it handles taxpayer confidential information in the assessment process. The Division's failure to provide interested parties with the information on which the assessment was made in time to allow those parties meaningful input in the determination of the property's assessed value, before that determination is subject to limited review of an appeal before the Board, has the potential to throw the fundamental fairness of the AS 43.56 assessment process into question. The Board believes that, due to the Division's current practices with regard to the use of taxpayer confidential information in its AS 43.56 assessments, that process is close to broken and is headed in the wrong direction.[16]

This Court concurs with the Board's observations in this regard.

9. The procedural inadequacies at the agency level have by and large been remedied on appeal to this Court due to the applicability of the civil discovery rules, albeit at considerable expense and delay.

10. This Court interprets the phrase "proved at the hearing" of subsection (f) of AS 43.56.130 to permit a party to introduce new evidence at the trial de novo. As a result, while

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[14] AS 43.56.060(g).

[15] 2007 SARB Tr. 0137-0138 (Greeley).

[16] MUN7-0237 at 39.

the SARB hearings have each lasted a few days, the consolidated trial de novo before this Court for the 2007 through 2009 tax years' assessments lasted approximately nine weeks.

11. Nearly all the witnesses at the trial testified as experts or as hybrid fact and expert witnesses, and extensive expert reports were prepared. Their qualifications were set out in detail in their testimony and are not restated in this decision. In the 2006 tax year litigation, expert reports for all of the parties were admitted into evidence by stipulation of the parties. For the three tax years now at issue, the Owners maintained a hearsay objection to the admission of most of the expert reports, including most of the reports prepared by their own experts. In a July 26, 2011 "Order re Motion to File Expert Reports and Admit the SARB Record," this Court stated that Evidence Rule 803(23) could be an applicable exception to the hearsay rule for these reports in this proceeding. Over the objection of the Municipalities and the Department, the Owners were permitted to maintain their objection to the admission of most of the expert reports under Rule 803(23), including their own experts reports, while nonetheless seeking admission of their own reports.[17] During and after trial, most of the expert reports were admitted into the record.[18] However, given the extensive dispute between the parties with respect to most of the expert reports, this Court has minimized its consideration of those reports. Any expert report that was admitted over objection of any party has not been relied upon or considered by this Court in determining

[17] *See* Order re Expert Reports (Oct. 24, 2011).

[18] *See* Order Re Owners' Motion to Admit Exhibits (Nov. 29, 2011).

the assessed value of TAPS for the three years in question, excepting only those specific pages of reports identified in this decision.[19]

12. The proceedings surrounding these three tax years have been considerably more contentious than those held with respect to the 2006 tax year. Several hundred pretrial motions were filed and determined. This Court issued an Order Re Department of Revenue's Motion for Preclusion of Issues and Municipalities' Motion to Bar Relitigation on August 8, 2011 ("Collateral Estoppel Order"). That Order would have applied the doctrine of collateral estoppel so as to preclude the relitigation of many of the determinations reached by this Court in the 2006 tax year proceeding to the current tax years, while preserving each party's right to seek to introduce newly discovered evidence "that purports to demonstrate changed facts such that application of collateral estoppel would not be warranted."[20] However, for reasons that this Court strived to fully explain on record at trial on September 13 and 19, 2011, that Order was vacated and the trial de novo then proceeded with respect to all pending issues.[21]

13. The length of the trial proceeding was not primarily due to the fact that three years were heard at one time. Indeed, very little trial time was spent focusing on the differences between the three lien years. Rather, the evidence focused on each of the substantive issues applicable to all three tax years. Each of the parties presented a considerably more technical and in-depth analysis of many of the issues identified in the 2006 tax year proceeding.

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[19] There have been multiple occasions in recent months that this Court has reviewed expert reports for other purposes, such as to determine whether a motion to preclude testimony should be granted, or whether certain trial testimony fell within the scope of opinions discussed in the report. *See* Evidence Rule 104.

[20] Collateral Estoppel Order at 4.

[21] Tr. 2906-08 (Court).

14. Pursuant to this Court's August 25, 2011 Order Re Remaining Pretrial Issues and Amended Order Of Presentation, this Court heard testimony and evidence from each of the parties by topic area presented in the following order:

a. Appraisal Theory
b. Replacement Cost New (including contingency)
c. Economic/Regulatory/Contractual Issues
d. Mechanical Capacity – both upper and lower
e. Reserves/North Slope Production Forecasts
f. Appraisal/Valuation of TAPS

II. LEGAL STANDARDS

A. Taxation Authority

15. "The Alaska Constitution empowers the legislature to prescribe valuation standards."[22] "The legislature chose to define those standards broadly, requiring that property be assessed 'at its full and true value.'"[23]

16. AS 43.56.010 *et seq.* became law in 1973. These statutes provide that property used for oil and gas exploration, production, and pipeline transportation would not be valued for assessment purposes by municipalities under AS 29.45; instead these types of properties would each be uniformly and centrally assessed by the State.[24]

17. AS 29.45.080(b) provides that "[a] municipality may levy and collect a tax on the full and true value of taxable property taxable under AS 43.56 as valued by the Department of Revenue . . . ."

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[22] *Fairbanks N. Star Borough Assessor's Office v. Golden Heart Utils., Inc.*, 13 P.3d 263, 267-68 (Alaska 2000). *See also* Alaska Const., art. IX, § 3.

[23] *Golden Heart Utils.*, 13 P.3d at 267-68.

[24] *Minutes* at 50, 54, H. Fin. Comm., 8th Leg., 1st Spec. Sess. (Oct. 22, 1973); *Minutes* at 76, H. Fin. Comm., 8th Leg., 1st Spec. Sess. (Oct. 24, 1973); S.J. at 81-82, 8th Leg., 1st Spec. Sess. (Nov. 3, 1973); Amended Decision ¶ 15.

18. AS 43.56.060(e)(2) provides in relevant part:

> The full and true value of taxable property used or committed by contract or other agreement for pipeline transportation of gas or unrefined oil or in the operation or maintenance of facilities for the pipeline transportation of gas or unrefined oil is: . . .
>
> (2) determined on each January 1 thereafter with due regard to the economic value of the property based on the estimated life of the proven reserves of gas or unrefined oil then technically, economically, and legally deliverable into the transportation facility[.]

19. The Department of Revenue's implementing regulation for the statute provides:

> [T]he full and true value of pipeline property in operation is its economic value based upon the estimated life of proven reserves of the gas or oil then technically, economically and legally deliverable into the transportation facility. Economic value is determined by the use of standard appraisal methods such as replacement cost less depreciation, capitalization of estimated future net income, analysis of sales, or other acceptable methods. The valuation may include any item contributing to value including capitalized interest.[25]

This regulation has been in place since 1975 and in this precise form since 1982.

20. The implementing regulation differs slightly from the statute, as the regulation provides that "the full and true value of pipeline property in operation *is* its economic value based on the estimated life of proven reserves ..." (Emphasis added). If a statute and a regulation conflict, the provisions of the statute control.[26]

21. Each year, as part of the ad valorem assessment process, the property owners file a rendition with the Department identifying all taxable property.[27] There has been no

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[25] 15 AAC 56.110(c)

[26] *State v. Kenaitze Indian Tribe*, 83 P.3d 1060, 1064-1065 (Alaska 2004).

[27] The renditions filed by the TAPS Owners for each of the applicable years can be found in the SARB record as follows: 2007 R. 001076 – 1087; 2008 R. 003989 – 4036; 2009 R. 003528 – 3618.

claim or appeal point raised that the property identified in the TAPS Owners' renditions is not taxable under AS 43.56.060(e)(2). Nor does this Court find that there is any escaped property.[28] Accordingly, this Court finds that all property included in the 2007, 2008, and 2009 Owners' renditions is taxable under AS 43.56.060(e)(2).

B. Standard of Review and Burden of Proof

22. This Court has previously determined in the 2006 tax year proceeding, and again holds, that the appellants bear the burden of proof to demonstrate by a preponderance of the evidence that an adjustment from SARB's assessed value is warranted pursuant to the standard in AS 43.56.130(f): "The only grounds for adjustment of assessed value is proof of unequal, excessive, or improper valuation or valuation not determined in accordance with the standards set out in this chapter."[29]

23. This Court will accord deference to SARB's interpretation of the statutory premise of value established by the Legislature in AS 43.56.060(e)(2) because the legal interpretation of that statute "implicates agency expertise or the determination of fundamental policies within the scope of the agency's statutory functions."[30] The Board, in

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[28] Tr. 13063 (Greeley).

[29] *See* Amended Decision ¶ 20. In addition, a party could present a constitutional challenge to an administrative determination. *Id.* ¶ 20 n.9.

[30] *See Bullock v. State, Dept. of Comm. Affairs,* 19 P.3d 1209, 1213-14 (Alaska 2001) (applying "highly deferential" reasonable basis standard of review to the Department of Revenue's statutory interpretation regarding AS 43.56 property). *See also Storrs v. State Med. Bd.*, 664 P.2d 547, 552 (Alaska 1983) *cert. denied*, 464 U.S. 937 ("Statutory construction adopted by those responsible for administering a statute should not be overruled in the absence of 'weighty reasons.'"). In contrast, if the interpretation of a statute does not involve agency expertise, such that the "agency's specialized knowledge and experience would not be particularly probative as to the meaning of the statute," then this Court is to interpret the statute under the substitution of judgment standard, and "adopt the rule of law that is most persuasive in light of precedent, reason, and policy." *Williams v. Abood*, 53 P.3d 134, 139 (Alaska 2002). *See also* Sutherland § 66.4 at 48 (3rd ed. 2003) ("One of the most significant aids of construction in determining the meaning of revenue laws is the administrative interpretation given such acts by the agency that is responsible for its administration and enforcement.").

turn, has accorded deference to the Division in this regard. And yet this Court is cognizant that the volunteer Board had only a few days of testimony each year to consider the value of TAPS, whereas this Court had nine weeks of trial together with extensive pretrial motion practice. But having studied each of SARB's decisions for the three applicable tax years and the preceding years, this Court has found the Board's analysis, and particularly its discussion of appraisal theory, to be quite helpful in determining the assessed value of TAPS.

24. The Alaska Supreme Court has accorded broad discretion to taxing authorities in determining the valuation method.[31] The appellants must prove that the selected method was based on a fundamentally wrong principle of valuation.[32]

25. As to the application of appraisal methodology and all other issues that were not before the Board, this Court has engaged in original fact finding, and applied a preponderance of the evidence standard to determine whether SARB's assessed values resulted in unequal, excessive, or improper valuations.

26. In evaluating the evidence, the Court has considered Civil Pattern Jury Instruction 02.23:

> The evidence should be evaluated not only by its own intrinsic weight but also according to the evidence which is in the power of one party to produce and of the other party to contradict. If weaker and less satisfactory evidence is offered when it appears that stronger and

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[31] *See Marathon Oil Co. v. Dep't of Natural Res.*, 254 P.3d 1078, 1082 (Alaska 2011); *Horan v. Kenai Peninsula Borough Bd. of Equalization*, 247 P.3d 990, 998 (Alaska 2011); *Fairbanks N. Star Borough Assessor's Office v. Golden Heart Utils.*, 13 P.3d 263, 268 (Alaska 2000); *Cool Homes, Inc. v. Fairbanks N. Star Borough*, 860 P.2d 1248, 19262 (Alaska 1993); *N. Star Alaska Hous. Corp. v. Fairbanks Borough Bd. of Equalization*, 778 P.2d 1140, 1143-44 (Alaska 1989); *Twentieth Century Inv. v. City of Juneau*, 359 P.2d 783, 788 (Alaska 1961).

[32] *See N. Star Hous. Corp.*, 778 P.2d at 1144 n. 6.

more satisfactory evidence was within the power of one party to produce, the evidence should be viewed with caution.

C. History of Ad Valorem Tax Assessments of TAPS

27. SARB is a five-member board created within the Department. Its sole purpose is hearing appeals from assessed value determinations made by the Division under AS 43.56.[33] Each member of SARB is appointed by the Governor, confirmed by the Legislature, and must be knowledgeable of assessment procedures.[34] In its 2007 TAPS determination, SARB stated it "is designed to provide a balanced expert review of oil and gas production property valuation issues."[35]

28. Prior to 2001, there were no administrative or court proceedings addressing the value of TAPS. Instead, the Division prepared a valuation based on consideration of both the income and cost approaches, with the income approach the more dominant in the analysis. Then the Division would meet with the Owners, typically in an out-of-state hotel conference room, and TAPS' assessed valuation would be determined in a negotiated settlement reached between the Division and the TAPS Owners with little, if any, participation by the Municipalities.[36]

29. In 2001, the Division valued TAPS at $2.75 billion. Both the Owners and the Municipalities appealed that determination to SARB. There, each party "relied most heavily

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[33] AS 43.56.040.

[34] AS 43.56.040.

[35] MUN7-0234 at 21.

[36] MUN7-0234 at 4; Tr. 12419-12420 (Hoffbeck).

on projected TAPS tariff income data in setting their valuation estimates."[37] SARB stated in its 2009 Certificate of Determination:

> Because there had never been a replacement cost study for the TAPS, the 2001 cost value estimates had to be calculated based on the original cost of the TAPS. Having to adjust these original costs forward so many years made the valuations based on the original costs a very poor indicator of the 2001 value of the TAPS.[38]

30. In 2001, SARB concluded, based upon the evidence then available, that the Division's assessed value of $2.75 billion should be increased to $3.017 billion.[39]

31. From 2002 through 2004, the assessed valuation of TAPS remained at $3.017 billion as the result of negotiated agreements between the Division, the Owners and the Municipalities.[40]

32. In 2005, the Division set a $3 billion assessed valuation for TAPS.[41] In so doing, the Division relied primarily on the Replacement Cost New Less Depreciation ("RCNLD") approach because it had received updated replacement cost study information from both the Owners and the Municipalities.[42] In addition, "uncertainty about future tariff rates in 2005 led the Division to question whether the income approach using a capitalized estimated future tariff income stream still provided the most complete and reliable estimate of the value of TAPS."[43]

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[37] MUN7-0234 at 4.

[38] MUN7-0236 at 6.

[39] MUN7-0236 at 7.

[40] MUN7-0236 at 7.

[41] MUN7-0234 at 8.

[42] MUN7-0234 at 8.

[43] MUN7-0234 at 8.

33. Both the Owners and the Municipalities appealed the Assessor's 2005 determination to SARB.[44] After a three-day hearing, the Board agreed with the Division that the value of TAPS could not be accurately measured by the tariff income approach because the uncertainty of future tariff rates and other factors caused the value of future tariff income streams to understate the full and true value of TAPS.[45] SARB also concluded that neither the Owners nor the Municipalities had proven that the Division's $3 billion assessed value was "unequal, excessive, improper or otherwise contrary to the standards set out in AS 43.56," even though the Board found that it was "at the low end of an acceptable value range."[46]

34. Both the Owners and the Municipalities appealed the 2005 SARB Decision to the Superior Court. However, by stipulation of the parties, the appeals were dismissed.

35. In 2006, the Division relied on the same basic data and RCNLD methodology as it had in 2005, and determined that the assessed value of TAPS was $3.641 billion.[47]

36. The parties appealed the Division's 2006 assessment to SARB.[48]

37. SARB adjusted the 2006 assessed value from $3.641 billion to $4.3062718 billion.[49] The Owners, as well as the Fairbanks North Star Borough and City of Valdez, appealed to this Court. A five week trial de novo was held in the fall of 2009. Thereafter, this Court issued a 170-page decision in 2010 that relied on the cost approach to valuation

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[44] MUN7-0232 at 8.

[45] MUN7-0234 at 9.

[46] MUN7-0234 at 9.

[47] MUN7-0234 at 9.

[48] MUN7-0234 at 10.

[49] MUN7-0234 at 10.

and set the assessed value of TAPS for 2006 at $9.977 billion.[50] That Decision is presently on appeal to the Alaska Supreme Court.[51]

38. In 2007, the Division determined TAPS' assessed value was $4.578 billion.[52] Both the Owners and the Municipalities appealed to SARB. After a hearing, SARB concluded that the 2007 assessed value of TAPS was $4.588895312 billion.[53]

39. In its 2007 Decision, SARB held that the term "economic value" in AS 43.56.060(e)(2) "means more than the value obtained using a simple willing buyer, willing seller, open market model."[54] SARB reasoned:

> Often there is no open market for oil and gas transportation pipelines in production as stand alone properties. Often there is no willing buyer or a willing seller for an Alaska pipeline at [a] price that would reflect the pipeline's value. Attempts to create a model based on a willing buyer and willing seller may overstate or understate the value of such a pipeline because its value is often more closely tied to the economic life of [the] oil field it serves than its value in a theoretical open market without reference to the oil fields it serves. Hence Alaska Statute 43.56.060(e)(2) requires an assessed valuation based on the pipeline's economic value with due consideration given to the reserves the pipeline serves in estimating that economic value.[55]

40. In its 2007 Decision, SARB critiqued "the Division's frequent use of the term conservative in reference to some of its assumptions and estimates."[56] The Board added that "the object of an assessor valuing property under Alaska Statute 43.56.060(e)(2), is to make the best estimate of value, that is, to determine the pipeline's most likely value based

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[50] Amended Decision ¶ 511.

[51] S-14095; S-14116.

[52] MUN7-0234 at 2.

[53] MUN7-0234 at 24.

[54] MUN7-0234 at 14.

[55] MUN7-0234 at 14. *See also* Amended Decision ¶ 53.

[56] MUN7-0234 at 20. *See also* Amended Decision ¶ 53.

on the available evidence, not to make a conservative estimate of value, or the lowest estimate of value within an acceptable range of possible values."[57]

41. In 2008, the Division determined that the assessed value of TAPS was $7.16589746 billion.[58] The parties appealed to SARB. There, the Owners asserted that TAPS' assessed value should be $800 million; the Municipalities argued that TAPS' assessed value should be set no lower than $12 billion.[59] SARB agreed with the Division that "the Pro Plus cost study [advanced by the Municipalities] was generally more detailed and more reliable than the current and previous Mustang cost study."[60] However, SARB did not accept the Pro Plus contingency estimate of 25%.[61] The Board concluded that the increased reliability of the Pro Plus study should have resulted in the contingency going down, not up, and it therefore set the contingency at 5%.[62]

42. After adjusting the contingency percentage, SARB concluded that the assessed value of TAPS in 2008 was $6.15447972 billion.[63] SARB commented that an assessed value may increase from year to year due to the availability of more reliable data, "even if the actual value of the property did not change."[64]

43. By 2009, the Municipalities and the Department had received significant materials through the discovery process in the 2006 case before this Court.

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[57] MUN7-0234 at 20. *See also* Amended Decision ¶ 55.

[58] MUN7-0235 at 26.

[59] MUN7-0235 at 2.

[60] MUN7-0234 at 19.

[61] MUN7-0235 at 19-20.

[62] MUN7-0235 at 19-20.

[63] MUN7-0235 at 26.

[64] MUN7-0235 at 25.

44. In 2009, the Division accepted and relied upon the Municipalities' Pro Plus study but reduced the contingency from 25% to 10% and the owners' costs from 10% to 5%, and valued the property at $7.71506816 billion.[65] Both the Owners and the Municipalities appealed to SARB.

45. Before SARB in 2009, the Owners asserted that TAPS' value was less than $1 billion; the Municipalities argued that TAPS' assessed valuation should be set no lower than $12 billion.[66] SARB found that the Pro Plus witnesses had provided full support for a 25% contingency and owners' costs of 10%.[67] Accordingly, SARB adjusted the Division's value for these two items to result in an assessed valuation of $9.0458952 billion.[68]

46. In each of the 2007 through 2009 assessments of TAPS, both the Division and SARB concluded that:

a. after due consideration of the income and sales approaches, the cost approach was most applicable to value TAPS;

b. TAPS was a special use or special purpose property; and

c. the assessed value was based on the best cost studies then available to the Division and SARB, which in 2007 was comprised of a trended version of an older Mustang cost report, in 2008 was comprised of a Pro Plus pipeline replacement cost based on a cost-estimated "Spread 6" and factored for Spreads 1-5, combined with a Mustang Valdez marine terminal ("VMT")

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[65] MUN7-0236 at 2.

[66] MUN7-0236 at 2.

[67] MUN7-0236 at 17, 19.

[68] MUN7-0236 at 18.

replacement cost estimate, and in 2009 was comprised of a full Pro Plus pipeline and VMT cost estimate.[69]

47. In 2010, the Division valued TAPS at $9.20346143 billion.[70] The Owners presented a new cost study prepared by Stantec.[71] At the ensuing 2010 SARB hearing, the Owners asserted that TAPS was worth no more than $1.4 billion. The Municipalities asserted that TAPS' assessed valuation should be set at $11.8 billion.[72] The Board adjusted the Assessor's calculation of ad valorem taxes during construction and the economic end-of-life for TAPS, with a resultant valuation of $9,638,669,398.[73] That determination is presently on appeal to this Court, but a trial date has not yet been scheduled.

48. In 2011, the Division valued TAPS at $7.9329798 billion.[74] The Owners and Municipalities appealed that valuation to SARB. The Board found that the Division's valuation was improper because it failed to give this Court's decision in the 2006 TAPS appeal proper weight in making an economic end-of-life calculation.[75] After making this adjustment to the Division's valuation, the Board determined that the 2011 assessed valuation of TAPS was $8,671,720,679.[76] That determination is also on appeal to this Court.

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[69] Tr. 6758-52 (Greeley).

[70] MUN7-0237 at 1.

[71] MUN7-0237 at 19.

[72] MUN7-0237 at 2.

[73] MUN7-0237 at 42.

[74] MUN7-0238 at 2.

[75] MUN7-0238 at 19.

[76] MUN7-0238 at 34.

49. The Board's Certificates of Determination for 2010 and 2011 reflect careful consideration of this Court's rulings from the 2006 tax year to the years at issue before the Board, thereby according some degree of predictability of outcome in this complex and highly contentious process. However, this Court has not accorded weight to the Board's findings regarding the assessed value of TAPS in those subsequent years given the Owners' observation that to do so creates a degree of circularity that could impact the nature of this trial de novo for the 2007 through 2009 tax years.

50. James Greeley became the State Petroleum Property Assessor in 2007. No disparity or inequality in valuation methodology among AS 43.56 pipelines has been demonstrated during the lien years. There is no basis in the record to support a claim that the 2007, 2008, or 2009 TAPS assessment violates the equal protection clause under either the state or federal Constitution, or is otherwise impermissibly discriminatory.

51. The Court found in the 2006 tax year proceedings that the Department did not abruptly and without notice change its policy to consider the cost approach for the first time in 2005.[77] This Court again so finds with respect to the 2007 through 2009 tax years.

52. The Department's use of the cost approach does not constitute a "de facto regulation." The applicable regulation has expressly permitted reliance on a cost approach for over three decades.[78]

53. The record does not support a claim that the 2007, 2008, or 2009 assessment violates the due process clause of either the state or federal Constitution.

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[77] See Amended Decision ¶ 63.

[78] 15 AAC 56.110(c).

III. DESCRIPTION OF THE PROPERTY

A. Ownership

54. As of January 1 for each of the three tax years at issue, TAPS was owned by BP Pipelines (Alaska) Inc. (46.9%), ConocoPhillips Transportation Alaska, Inc. (28.3%), ExxonMobil Pipeline Company (20.3%), Koch Alaska Pipeline Company (3.1%), and Unocal Pipeline Company (1.4%).[79] Alyeska Pipeline Service Company ("Alyeska") is the operating agent for the Owners.[80]

55. TAPS is physically a single pipeline, but there are effectively five different pipelines because each TAPS Owner has an undivided ownership interest in TAPS. This ownership structure permits each individual Owner to use its portion of TAPS as part of the vertically integrated business operations of that Owner's affiliates. Each TAPS Owner maintains a separate tariff and each accepts nominations to its undivided ownership interest.[81]

56. Each Owner's entitlement to a portion of the pipeline's capacity or "space" is established under the Amended Capacity Settlement Agreement ("ACSA"), which together with the TAPS Operating Agreement provides that each Owner's share of pipeline capacity is equal to the pipeline ownership percentage multiplied by TAPS' capacity, which for each of the lien years was 1.1 million bbl/d.[82]

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[79] MUN7-0001 at 485; MUN7-0800 at 15.

[80] MUN7-0001 at 485; MUN7-0800 at 15.

[81] MUN7-0001 at 977 (Coulson); Tr. 8357-58, 8550 (Cicchetti).

[82] MUN7-0001 at 982-83 (Coulson).

B. Physical Description

57. TAPS is an 800-mile long, 48-inch diameter crude oil pipeline system that crosses three mountain ranges and over 800 rivers and streams during its traverse from the Alaska North Slope ("ANS") oil fields to the Valdez Marine Terminal ("VMT").[83] TAPS consists of the right-of-way, pipe, pumps, tanks, tanker loading facilities and associated equipment.[84] Approximately 420 miles of the 800-mile pipeline are aboveground and supported by 39,000 pairs of Vertical Support Members ("VSMs").[85] TAPS is the only pipeline transporting crude oil from the ANS, and is therefore a basin-opening transportation system. As of each lien date, there was no other viable transportation alternative to carry significant quantities of oil from the ANS to market.[86]

58. TAPS' taxable property includes only the tangible real and personal property from Pump Station 1 through the VMT and does not include intangible property, marine tankers, refineries, ANS proven reserves, ANS crude oil, ANS exploration property, or any property that is upstream of Pump Station 1.[87]

C. Original Construction and Strategic Reconfiguration

59. Construction of TAPS began in 1974 and was completed in the summer of 1977. It required 515 federal permits and 832 state permits.[88] There were 14 airfields of varying lengths built to support the construction of TAPS.[89] The construction workforce

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[83] MUN7-0001 at 965 (Coulson).

[84] Tr. 11751-11752 (Remsha).

[85] MUN7-0001 at 520, 547, 549.

[86] Tr. 8916 (Cicchetti); MUN7-01 at 3767 (Coulson).

[87] Tr. 529 (Remsha); Tr. 12903 (Greeley).

[88] MUN7-0001 at 502.

[89] MUN7-0001 at 484.

totaled approximately 70,000 employees, with a peak number of 28,000 employees working in October 1975.[90] At the time of its construction, TAPS was the largest privately funded construction project in U.S. history.[91] Before construction began, the estimated cost was set at $863 million. However, when finally completed in 1977, the final cost of TAPS was nearly ten times greater, at approximately $8 billion.[92]

60. The initial design capacity for TAPS in August 1970 was 600,000 barrels per day ("bbl/d") of throughput.[93] In July 1974, the design capacity was increased to 1.2 million bbl/d.[94] And soon after it was again adjusted to 1.42 million bbl/d.[95]

61. "Pursuant to an agreement among the TAPS carriers dated March 29, 1979, the Owners have utilized a chemical drag reduction known as 'DRA' to increase throughput in excess of TAPS' 1.42 million [bbl/d] design capacity."[96]

62. After the use of DRA was implemented, TAPS was able to transport 2.1 million bbl/d at its peak production in 1988. After peaking in the late 1980s, throughput on TAPS has gradually reduced. As of the January 1, 2007, 2008, and 2009 lien dates, the Department of Revenue estimated production of ANS crude oil and natural gas liquids ("NGLs") at 740,000 bbl/d for fiscal year 2007, at 731,000 bbl/d for fiscal year 2008, and at 691,000 bbl/d for fiscal year 2009.[97]

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[90] MUN7-0001 at 489.

[91] MUN7-0001 at 965 (Coulson).

[92] MUN7-0001 at 488.

[93] MUN7-0215 at 11. *See also* Tr. 7058 (Ray).

[94] MUN7-0215 at 62.

[95] TO-07-0179.0130. *See also* MUN7-0001 at 2026.

[96] TO-07-0190.0001 (FERC Order Approving Agreement, issued May 15, 1998).

[97] MUN7-0018 at 13, 20, 27. *Cf.* TO-07-0004 at 78, 111, 126.

63. The first oil began to flow through TAPS on June 20, 1977. The first tanker of crude oil left the VMT on August 1, 1977. At that time, ANS proven reserves were estimated at approximately 9.6 billion barrels. As of January 1, 2007, over 15 billion barrels of oil had been transported through TAPS.[98]

64. TAPS' design capacity of 1.42 million bbl/d has not been changed, except that a strategic reconfiguration ("SR") project of the pumps has been undertaken over the past several years. In that project, some of the original Legacy pumps have been taken out of service and others have been replaced with new variable speed pumps. The current physical capacity of the operating pumps on TAPS is 1.1 million bbl/d.[99] The mechanical capacity of those pumps is 760,000 bbl/d. Adding DRA to the oil increases the ability of the upgraded SR pumps to transport up to 1.1 million bbl/d. Alyeska has described the goal of SR as follows: "to position TAPS for more effective operation while maintaining or enhancing safety, operational integrity and environmental performance. The new system is modular and scalable and will provide flexibility for future increases or decreases in throughput."[100]

65. Jeff Ray of ExxonMobil Pipeline Company testified that the Owners are not currently maintaining 1.1 million bbl/d of physical capacity because two of the DRA injection sites can only use an older form of DRA. However, Mr. Ray also indicated that those two sites could be quickly modified to be able to use the newer DRA for "probably a couple million dollars," which would then bring the physical capacity to 1.1 million bbl/d.[101] Accordingly, this Court finds that TAPS' physical capacity during each of the lien years,

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[98] TO-07-0004.0408.

[99] MUN7-0215 at 107; Tr. 7037 (Ray).

[100] MUN7-1103 at 56. *See also* Tr. 2728-30 (Falcone).

[101] Tr. 7049-51 (Ray).

including its SR pumps and with DRA, was 1.1 million bbl/d. The design capacity of the mainline pipe and the VMT remained at 1.42 million bbl/d during each of the lien years.

D. Limited-Market Property

66. TAPS is a limited-market property because there is a very limited market for the purchase and sale of any ownership interest in TAPS. When interests in TAPS have changed hands, the buyers have purchased those interests as part of a broader transaction that has included the buyers' use of TAPS to transport ANS product to market. Each of the Owners has a right of first refusal should any other Owner elect to sell its interest in TAPS.[102]

67. TAPS' limited market or market participants are best defined as the shippers on TAPS – the ANS producers. It is these producers that would pay for TAPS, or if hypothetically TAPS did not exist as of the assessment dates, would pay to build or replace TAPS.[103]

E. Special-Purpose Property

68. TAPS is also a special-purpose property. It was specifically designed, constructed, and adapted for its particular use – to move affiliated crude oil from the ANS to Valdez. The ANS represents about 15% of the U.S. domestic crude oil production and TAPS is the only viable means of transporting that oil to market.[104]

F. Integrated Economics

69. The TAPS Owners did not and could not have independently financed the original construction of TAPS and they do not independently finance substantial

[102] Tr. 11355-56 (Podwalny); Tr. 11903 (Remsha).

[103] Tr. 11978 (Remsha); Tr. 12798 (Greeley).

[104] MUN7-0001 at 410; Tr. 8206-07, 8211 (Cicchetti).

improvements to TAPS. Instead, the affiliated production companies have financed TAPS' construction. And the evidence at trial demonstrated that all significant funding decisions for TAPS are not made by the TAPS Owners, but by the affiliated parent corporations or upstream producer affiliates of each Owner.[105]

70. As of the lien dates, the parent companies of the three largest owners of TAPS (BP, ConocoPhillips, and ExxonMobil) had a combined 95% ownership interest in TAPS.[106] These same three parent companies also had a combined total in excess of 96% of the estimated production on the North Slope.[107] This close correlation between estimated production and ownership interest in TAPS is expected to remain in place for the foreseeable future.[108] One of the other two TAPS Owners, Unocal, has an affiliate (Chevron) with substantial ANS production. The other TAPS Owner, Koch Alaska Pipeline Company, has an affiliate whose contract with the State provides it with oil for delivery to the largest refinery connected to TAPS (Flint Hills). Thus, each of the five TAPS Owners has an affiliate with oil to be transported on TAPS.[109]

71. Each Owner's affiliated producer has an economic incentive to nominate its ANS production to its affiliated TAPS Owner. As explained by Charles Coulson, the President of BP Pipelines:

> There has been a strong pattern of shippers on TAPS nominating their barrels to affiliated pipeline companies. There are a variety of reasons for this behavior, but mostly it can be understood by thinking about integrated corporate economics. When an upstream affiliate

[105] *See, e.g.*, Tr. 2708-09 (Falcone)

[106] Tr. 8550 (Sullivan). *See also* MUN7-0001 at 983 (Coulson).

[107] Tr. 8551 (Sullivan); MUN7-0001 at 971 (Coulson).

[108] MUN7-0001 at 984 (Coulson); Tr. 9272-74 (Platt).

[109] MUN7-0001 at 984 (Coulson).

> ships barrels in its pipeline affiliate's space, it pays the published tariff rate to the pipeline affiliate, and no money leaves the corporate family.[110]

72. In addition to serving as President of BP Pipelines, Mr. Coulson is Vice President of BP Shipping US. He explains, "those two roles allow me to manage BP's midstream assets here in Alaska."[111] Mr. Coulson's paycheck is from BP Exploration (Alaska), Inc. ("BPXA"); BP Pipelines does not maintain any bank accounts.[112] Accordingly, the TAPS tariffs that BP Pipelines collects are not paid to it but to another BP affiliate.[113] And if Alyeska proposed that the Owners expend money for a large project on TAPS, Mr. Coulson testified that BP would assess whether it fits with "what we want to do in Alaska corporately,"[114] with funding determinations for TAPS made by BP's upstream executive group.[115]

73. And yet while four of the five Owners are vertically integrated oil companies, there is no evidence that they operate collusively together as an economic unit or in concert with other producing or refining entities as an economic unit. Likewise, the proven reserves owned by an affiliate of one TAPS Owner are not integrated with the proven reserves of an affiliate of another TAPS Owner or with the proven reserves of an unaffiliated producer.[116]

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[110] MUN7-0001 at 984 (Coulson FERC Testimony, April 13, 2010). *See also* MUN7-0001 at 2411 (Jaffe Affidavit) ("The movement of petroleum through the pipeline is dominated by shipments in which the shipper is among the corporate affiliates of the carriers."); Tr. 7728-7729 (Toof); Tr. 8195 (Cicchetti).

[111] MUN7-0001 at 3717.

[112] MUN7-0001 at 3740.

[113] MUN7-0001 at 3749.

[114] MUN7-0001 at 3753.

[115] MUN7-0001, 3751-53.

[116] Tr. 7391 (Falcone).

G. Unique Regulatory Status

74. TAPS is a regulated pipeline, regulated by both the Regulatory Commission of Alaska ("RCA") and the Federal Energy Regulatory Commission ("FERC").

75. During the first several years of TAPS' operation, the amount of the tariff was in litigation. In 1985, the Owners and the State entered into the TAPS Settlement Agreement ("TSA"). For the next two decades, the tariffs were based on the TAPS Settlement Methodology ("TSM") and were not evaluated under the just and reasonable standard.[117] The TSM front-end loaded the recovery of the initial cost of TAPS to such a degree that the original investment was largely recovered by the late 1990s – decades before any reasonable estimate of the end of TAPS' economic life.[118]

76. The TSM also allowed an accelerated recovery of return in the form of an allowance per barrel. The RCA held that the TSM resulted in $9.9 billion (nominal dollars) or $13.5 billion (1997 dollars) more than would otherwise have been permitted under traditional cost of service regulation.[119] The higher tariffs during that time also resulted in lower production tax liability for the affiliated producers.

77. The TSA expired in 2005. Since then, there has been considerable litigation before FERC and the RCA with respect to the TAPS tariffs.

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[117] *BP Pipelines (Alaska), Inc.*, 119 F.E.R.C. ¶ 63,007 at ¶¶ 48, 54 (2007).

[118] Tr. 8567 (Sullivan).

[119] Tr. 8567 (Sullivan); MUN7-0001 at 1274.

IV. PREMISE OF VALUE

78. A premise (or standard) of value is included in all assessments and appraisals of property.[120]

79. The statutory premise of value in AS 43.56.060(e)(2) was interpreted by this Court in the Amended Decision.[121] Although this Court vacated the August 8, 2011 Collateral Estoppel Order for the 2007 through 2009 tax years and allowed the parties to present additional evidence and arguments regarding the premise of value at the trial de novo, this Court has not been persuaded that the conclusions reached by this Court in the Amended Decision regarding the premise of value should be abandoned, but has determined that they should be further refined as discussed herein. Further, this Court has also more thoroughly studied the legislative history of the statute as discussed below.

80. The terms "economic value" and "full and true value" have no generally accepted definitions in the appraisal profession.[122]

81. Different concepts of value arise from economic principles, including the concepts of value in exchange and use value.[123] Value is never a fact but always an opinion of worth at a given time in accordance with a definition of the standard of value.[124]

82. Value in exchange is also referred to as market value.[125] This concept generally is expressed as the amount that a willing buyer will pay and a willing seller will

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[120] American Society of Appraisers, *Valuing Machinery and Equipment: The Fundamentals of Appraising Machinery and Technical Assets* 2 (2d ed. 2005) [hereinafter *Valuing Machinery and Equipment*].

[121] Amended Decision ¶ 95.

[122] Tr. 11897-10 (Remsha); Tr. 12203, 12230-31 (Marchitelli). *See also* Amended Decision ¶ 64.

[123] *See generally* Appraisal Institute, *The Appraisal of Real Estate* 15-32.

[124] Tr. 513-14 (Remsha).

[125] *The Appraisal of Real Estate* at 23.

accept, in an arm's length negotiation, to transfer the property, with both buyer and seller being knowledgeable about the property.[126] Market value is a transactional-based concept.[127]

83. "Use value is the value a specific property has for a specific use. In estimating use value, the appraiser focuses on the value the real estate contributes to the enterprise of which it is a part without regard to the highest and best use of the property or the monetary amount that might be realized from its sale."[128] "If a property's current use is so specialized that there is no demonstrable market for it but the use is viable and likely to continue, the appraiser may render an opinion of use value if the assignment reasonably permits a type of value other than market value. Such an estimate should not be confused with an opinion of market value."[129]

84. Market value and use value can be the same value if the highest and best use of the property is its current use.[130]

85. Use value is distinct from investment value. "Investment value is the value of a property to a particular investor based on that person's (or entity's) investment requirements. In contrast to market value, investment value is value to an individual, not necessarily value in the market."[131] *The Appraisal of Real Estate* describes investment value as a "subjective"

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[126] *The Appraisal of Real Estate* at 23.

[127] *The Appraisal of Real Estate* at 22-25.

[128] *The Appraisal of Real Estate* at 27. "The term 'value in use' is often used by appraisers synonymously with 'use value,' but the former term has specific meanings in other contexts, which can cause confusion." *The Appraisal of Real Estate* at 28.

[129] *The Appraisal of Real Estate* at 28.

[130] Tr. 408 (Swain); Tr. 508-09, 515 (Remsha); Tr. 10342-48 (Tegarden); Tr. 12209 (Marchitelli); Tr. 12962-3 (Greeley); Tr. 958 (Eyre); Tr. 875 (Podwalny); Tr. 11632-33 (Hoffbeck).

[131] *The Appraisal of Real Estate* at 28-29.

type of value, and this Court has not interpreted the applicable statute as creating an investment value standard.

86. The Legislature's references in AS 43.56.060(e)(2) to "full and true value" and "economic value," along with its omission of the terms "open market," "willing seller and willing buyer," and "the estimated price that the property would bring in an open market," reflect an intent to accord flexibility to the Division and SARB when valuing pipeline property, particularly unique pipeline property like TAPS.[132]

87. That the Legislature could have required, but chose not to require, that the premise of value for pipeline property be a market value standard, lies in its omission of the terms "open market" and "willing seller and willing buyer" to describe the premise of value for such property – in contrast to its use of those terms for other property such as exploration property under AS 43.56.060(c).[133]

88. That AS 43.56.060(e) does not mandate a market value standard for the valuation of pipeline properties is fully supported by the legislative history.

89. In October 1973 two parallel bills, HB 1 and SB 1, were introduced by Governor Egan during a special session of the Alaska Legislature.[134] A version of HB 1 was

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[132] The rule of statutory construction that where a form of conduct, the manner of its performance and operation, and the persons and things to which it refers is expressly designated, there is an inference that all omissions should be understood as exclusions clearly is applicable here. *See, e.g.*, Norman J. Singer and J.D. Shambie Singer, 2A *Sutherland Statutory Construction* § 47:23 at 417 (7th ed. 2007) ("The force of the maxim is strengthened where a thing is provided in one part of the statute and omitted in another.") (citation omitted). *See also Ranney v. Whitewater Engineering*, 122 P.3d 214, 218-19 (Alaska 2005); *Croft v. Pan Alaska Trucking, Inc.*, 820 P.2d 1064, 1066 (Alaska 1991) (explaining that application of this principle of statutory construction "is particularly compelling where, as here, the scheme is purely statutory and without a basis in the common law"). *Cf.* Owners' Proposed Findings of Fact and Conclusions of Law ¶ 29. The parenthetical referencing of Sutherland's 6th Edition that is set forth in that proposed finding could not be located in that treatise.

[133] *See also* AS 29.45.110(a).

[134] H.J. at 4-6, 8th Leg., 1st Spec. Sess. (Alaska 1973) (letter from William A. Egan introducing HB 1); S.J. at 4-5, 8th Leg., 1st Spec. Sess. (Alaska 1973) (letter from William A. Egan introducing SB 1).

ultimately passed by the Legislature as the oil and gas property taxation statutes, AS 43.56.010 *et seq.*[135]

90. At the time of the special session, pipeline construction was imminent. Other bills had been introduced the previous year but failed to make it out of committee.[136] The 1973 legislative history demonstrates a tangible awareness of the time constraints imposed by the special session.[137]

91. Likely as a function of this time pressure, committee discussions of HB 1 were not always precise. On occasion, they blurred distinctions between methods of valuation, standards of valuation, depreciation bases, and types of property.

92. Much of the discussion surrounding HB 1 focused on the destination of the tax revenue and concerns about the creation of new "pipeline boroughs." The legislative history of AS 43.56.060 is not extensive, but what does exist is indicative of a legislative intent to give assessors the tools and flexibility so as to permit assessed valuations to be increased over time, as warranted.[138]

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[135] Specifically, a Senate Free Conference Committee substitute for a Senate Finance Committee Substitute for a House Finance Committee substitute for HB 1 was enacted. S.J. at 129.

[136] HB 460 [2007 R. 9472]; HB 598 [2007 R. 9492].

[137] *See, e.g.*, *Minutes* at 88, H. Comm. Community and Regional Affairs, 8th Leg., 1st Spec. Sess. (Alaska 1973) (Nov. 3, 1973) (Committee Report on Senate CS for CS for HB 1) ("There is no doubt also that we could produce a better bill if we had more time . . .") [2007 R. 9845]; *Minutes* at 139, S. Finance Comm., 1st Spec. Sess. (Alaska 1973) (Nov. 8, 1973) ("Sen. Palmer noted the effect of [the assessment] section was several years down the line, and he thought it would be more expedient to accept the House version at this time.") [2007 R. 9861]; *Minutes* at 10, S. Free Conference Comm., 1st Spec. Sess. (Alaska 1973) (Nov. 10, 1973) (Rep. Freeman presented the Committee's options as "deadlock" or "accept[ing] the mediocre bill before them"; within an hour, the Committee adopted the bill version that became the statute.) [2007 R. 9871].

[138] *See, e.g.*, *Minutes* at 21, H. Finance Comm., 8th Leg., 8th Leg., 1st Spec. Sess. (Alaska 1973) (Oct. 20, 1973) ("Mr. Condon, Assistant Attorney General, answered that with respect to production property, the value would be less using that approach. With respect to the pipelines, they use actual cost depreciation on an annual straight line allowance with no inflation factor. He said their pipeline formula would tend to lead to higher valuation.") [2007 R. 9708]; *Minutes* at 22, H. Finance Comm., 1st Spec. Sess. (Alaska 1973) (Oct. 20, 1973) ("Mr. Fink said valuations of this type of property seem difficult. He asked whether they couldn't take advantage of increased value.") [2007 R. 9710].

93. The Owners assert that at the time AS 43.56.060 was drafted, "economic value" was consistent with "market value" and that "the term economic value was at least partially familiar to legislators as being a reference to an assessment methodology using an income stream."[139] The Court finds this argument unavailing. In support of this assertion, the Owners cite to a sentence in a memorandum by a fiscal analyst to the Speaker of the House of Representatives dated October 17, 1973, prior to the House taking up HB 1.[140] The sentence reads: "Various methods and factors can be considered in arriving at assessed value including actual cost and the economic value or income stream the line is capable of producing."[141] The memo makes no reference to market value.[142]

94. AS 43.56.060 contains different definitions of "full and true value" for different types of property. In general terms, it specifies market value for exploration property, use of replacement cost less depreciation for production property, and economic value for transportation (pipeline) property.

95. In its original form, HB 1 set forth three approaches for the three types of property. Language that was not retained in the bill as finally enacted into AS 43.56.060 is italicized:

- Exploration property was to be assessed using market value: "the estimated price which the property would bring in an open market and under the then prevailing market conditions in a sale between a willing seller and a willing

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[139] Owners' Proposed Findings of Fact and Conclusions of Law ¶¶ 26, 35.

[140] R. 9922-23.

[141] R. 9922-23.

[142] R. 9922-23.

buyer both conversant with the property and with prevailing general price levels."[143]

- Production property was to be assessed "on the basis of *actual cost* less depreciation based on *units of production*."[144]

- Transportation property was to be assessed "with due regard to the economic *life* of the property based on the estimated life of the proven reserves of gas or unrefined oil then technically, economically and legally deliverable into the transportation facility."[145]

96. The assessment of production and transportation property received most of the attention in legislative deliberations. The minutes reflect that Attorney General John Havelock was actively involved with earlier versions of the bill,[146] was present at many of the House and Senate committee meetings, and the majority of the committees' valuation questions were directed to him.

97. HB 1 was referred to the House Finance Committee on October 17, 1973.[147] The House Finance Committee substitute ("HFCS") was adopted by the House on October 29, 1973.[148]

98. The House Finance Committee minutes indicate that the Committee considered and rejected both a market value approach and a reliance on the pipeline's value for rate regulation purposes for assessing transportation property.

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[143] H.B. 1, 8th Leg., 1st Spec. Sess. (Alaska 1973) [2007 R. 9645].

[144] H.B. 1, 8th Leg., 1st Spec. Sess. (Alaska 1973) [2007 R. 9645].

[145] H.B. 1, 8th Leg., 1st Spec. Sess. (Alaska 1973) [2007 R. 9645].

[146] *See, e.g.*, 2007 R. 9541 (Attorney General Havelock answering questions about HB 59, a predecessor bill, before the House Resources Committee earlier in 1973) (specific date unavailable).

[147] H.J. at 4, 8th Leg., 1st Spec. Sess. (Alaska 1973) (Oct. 17, 1973) [2007 R. 9903].

[148] H.J. at 58, 8th Leg., 1st Spec. Sess. (Alaska 1973) (Oct. 29, 1973) [2007 R. 9911].

99. The minutes also indicate that the Committee considered an actual cost valuation and a units-of-production depreciation method. At a hearing, Homer Burrell, then Director of the Division of Oil and Gas, asked the Committee, "How can you determine the full and true value of a $4 billion installation." One representative indicated that "the actual cost of construction conceivably could be the full and true value. Original construction costs could be used, and appreciated or depreciated accordingly." Mr. Burrell responded: "this apparently allows for inflation and deflation but that is all. When the oil is gone, [the pipeline] is worthless, although it still could be appraised at $4 billion. Units of production tie [the pipeline] to its economic life, but its physical life must be considered also." Mr. Burrell indicated that the uncertainty lay with whether the pipeline's physical life would be shorter or longer than its economic life. He added, "units of production depreciation covers the pipeline as long as there is oil going through it."[149]

100. When the subject of market value was raised, Attorney General Havelock's response was focused on production property:

> Mr. Fink referred to the method of valuation. He noted they had heard testimony and a good argument made for value of property at fair market value as opposed to their method. He wondered whether the method would make much difference.
>
> Mr. Havelock replied it would be a considerable change. The fair market value method would introduce an element of uncertainty in property that doesn't have a fair market value. He said the question was whether they were going to valuate production equipment on fair market value and create considerable uncertainty because there was not the same kind of market in production facilities. He asked how they would figure fair market value excluding intangibles that would go into the price. He didn't think the fair market value was appropriate,

[149] *Minutes* at 50, H. Finance Comm., 8th Leg., 1st Spec. Sess. (Oct. 22, 1973) [2007 R. 9735].

> and added that from the industry point of view it would give uncertainty because it would depend on the assessor.[150]

101. The House Finance Committee also discussed reliance on the pipeline's value for regulatory purposes, or "the ICC approach," so named after FERC's predecessor agency, the Interstate Commerce Commission.[151] The Committee minutes indicate that the approach was dismissed by Attorney General Havelock:

> Mr. Malone asked if it wouldn't simplify things if they just used the valuation placed on the pipeline for return by ICC. Mr. Havelock said no . . . Mr. Malone thought it would simplify the State's assessment procedure and put it on a parity with the tarrif [sic]. Mr. Havelock didn't think the State's problem was that complex.[152]

102. In this regard Larry Eppenbach, Deputy Commissioner of the Treasury, stated:

> Mr. Fink asked whether Mr. Eppenbach thought the value of the pipeline would go down over fifty years. Mr. Eppenbach believed ICC will reduce valuation from time to time and not increase it. . . . Mr. Eppenbach said that every indication they got was that ICC would reduce the value.[153]

103. Thus, the legislative history supports a conclusion that the House specifically considered and rejected an assessed value standard equal to the pipeline's value for rate-making purposes.

104. During the same legislative session at which HB 1 was introduced, an alternate bill, HB 9, was introduced to the House on October 22, 1973 and referred to the

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[150] *Minutes* at 21, H. Finance Comm., 8th Leg., 1st Spec. Sess. (Alaska 1973) (Oct. 20, 1973) [2007 R. 9708].

[151] *Minutes* at 21, H. Finance Comm., 8th Leg., 1st Spec. Sess. (Alaska 1973) (Oct. 20, 1973) [2007 R. 9708].

[152] *Minutes* at 23-24, H. Finance Comm., 8th Leg., 1st Spec. Sess. (Alaska 1973) (Oct. 20, 1973) [2007 R. 9711-12].

[153] *Minutes* at 22-24, H. Finance Comm., 8th Leg., 1st Spec. Sess. (Alaska 1973) (Oct. 20, 1973) [2007 R. 9710-12].

House Finance Committee.[154] HB 9 addressed exploration, production, and transportation property together in a single provision, and provided that the full and true value of all three types of property would be "the estimated price which the property would bring in an open market and under the then prevailing market conditions in a sale between a willing seller and a willing buyer both conversant with the property and with prevailing general price levels."[155] The House Finance Committee minutes do not reflect any discussion of HB 9, suggesting that the House was not interested in a unilateral market value approach to value the three different types of property.

105. After its adoption by the House on October 29, 1973, HFCS was sent to the Senate Finance Committee, which produced a committee substitute ("SFCS") that was forwarded to the Senate on November 8, 1973.

106. SFCS contained the final language for the ad valorem assessment of transportation property that appears in AS 43.56.060(e). It trimmed down HFCS by removing the "replacement cost" component added by the House, and substituted "economic value" for "economic life" for transportation property.[156] The following excerpts from the Senate Finance Committee minutes are informative:

> Referring to sub-section (2), page 5, line 7, Sen. Groh said the House version used replacement costs less depreciation versus the original version which used actual costs. Sen Palmer said this approach was used in the Kenai borough and it appeared satisfactory. Sen. Palmer moved the adoption of the House version. Sen. Groh noted there was

[154] H.J. at 25, 8th Leg., 1st Spec. Sess. (Alaska 1973) (Oct. 22, 1973). Another bill, HB 10, was introduced October 25, 1973, and adopted the assessment language of HFCS wholesale. H.J. at 34, 8th Leg., 1st Spec. Sess. (Alaska 1973) (Oct. 25, 1973); H.B. 10, 8th Leg., 1st Spec. Sess. (Alaska 1973) (offered Oct. 25, 1973) [2007 R. 9635-37].

[155] H.B. 9, 8th Leg., 1st Spec. Sess. (Alaska 1973) (offered Oct. 22, 1973) [2007 R. 9629].

[156] Senate CS for CS for HB 1, S. Finance Comm., 8th Leg., 1st Spec. Sess. (Alaska 1973) (offered Nov. 8, 1973) (emphasis added) [2007 R. 9667].

> a substantial difference between Kenai and a $4.5 billion pipeline, and the committee discussed which version should be adopted. Sen Lewis moved to replace the word "replacement" with "actual." Sen. Ray said fair market value would be more appropriate. Sen. Groh referred to the motion made by Sen. Lewis [to change "replacement" to "actual"], and Sen. Palmer asked that the record show the vote on this now was no commitment to the future. The motion passed by a vote of 4 to 3.
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> . . .
>
> Sen. Groh asked if there were any other suggestions regarding CSHB 1, and Sen. Ray said there were still problems with actual versus replacement costs. After discussion, Sen. Palmer noted the effect of this section was several years down the line, and he thought it would be more expedient to accept the House version at this time. Mr. Havelock said the Governor's version had different language, and the House version would not produce as much revenue. Sen. Palmer moved to rescind the committee's previous action [replacing "replacement" with "actual"]; upon vote the motion was accepted by a vote of 4 to 3. Sen. Butrovich moved and asked unanimous consent to adopt the Governor's wording ["with due regard to the economic life of the property"] in this section, and then amended his motion to include substituting "economic value" for "economic life." No objection, so ordered.[157]

107. Although the details of this deliberative process are difficult to discern, what can be gleaned from this otherwise opaque account is that the Senate Finance Committee did not seriously consider a market value approach, as it was mentioned only in passing and not voted upon.[158]

108. Based on this Court's review of the legislative history, an ICC-based or regulatory valuation was not discussed in the Senate.

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[157] *Minutes* at 138-39, S. Finance Comm., 8th Leg., 1st Spec. Sess. (Alaska 1973) (Nov. 8, 1973) [2007 R. 9860-61].

[158] *Minutes* at 138-39, S. Finance Comm., 8th Leg., 1st Spec. Sess. (Alaska 1973) (Nov. 8, 1973) [2007 R. 9860-61] ("Sen. Ray said fair market value would be more appropriate.").

109. The bill then went to a Free Conference Committee.[159] There, the House attempted to negotiate a return to "replacement cost" instead of "economic value" for the valuation of pipeline property in exchange for other concessions, but was unsuccessful.

110. The legislative history demonstrates that the House had a preference for valuing transportation property using an explicit "replacement cost" approach, while the Senate preferred an apparently less restrictive "economic value" approach, which Attorney General Havelock had advised Legislators would produce more revenue, and in the end, the Senate prevailed on this issue.

111. In its closing argument at the trial de novo before this Court, the Department stated that the legislative history, taken as a whole, "demonstrates some likelihood that the Legislature was fully cognizant of a willing buyer/willing seller standard when it enacted 43.56.060(e)(2)."[160] This Court agrees and further finds that the Legislature was also cognizant that the pipeline would be valued by the ICC for rate making purposes, and did not adopt such a premise for ad valorem tax purposes.

112. The Owners assert that the "Alaska tax system will not function properly if a pipeline valuation methodology is adopted that does not take governmentally established tariff levels into account."[161] They maintain that because the production tax is computed after the deduction of pipeline tariffs, "TAPS property tax value must take into account actual tariff income."[162] To do otherwise, the Owners maintain, "whipsaws North Slope producers

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[159] H.J. at 140, 8th Leg., 1st Spec. Sess. (Alaska 1973) (Nov. 10, 1973) [2007 R. 9913].

[160] Tr. 13272-73 (Department's closing).

[161] Owners' Proposed Findings of Fact and Conclusions of Law ¶ 787.

[162] Owners' Proposed Findings of Fact and Conclusions of Law ¶ 786.

and pipeline transportation companies, taxing pipeline companies as if they received high tariff income but taxing producers as if they incur low tariff expense."[163]

113. But this Court finds that valuing the pipeline without exclusive reliance on the tariff income does not result in taxing the pipeline companies as if they received a high tariff income. Rather, an assessed valuation that exceeds the net present value of the projected tariff income stream recognizes that the value of the pipeline exceeds that tariff income stream. This Court has previously determined, and again holds, that "the term 'economic value' as set forth in AS 43.56.060(e)(2) does not mandate, as a matter of law, the exclusive reliance on the regulated tariff income to value TAPS."[164]

114. In the case of TAPS, AS 43.56.060(e)(2)'s reference to "economic value" and not "market value" is consistent with the reality that there is no market for TAPS as a stand-alone investment based solely on its tariff income. Even if there might be a buyer of TAPS based solely on its tariff income, the evidence at the trial de novo conclusively demonstrated that a TAPS Owner would not sell its interest in TAPS without the assurance that its affiliated oil from the Alaska North Slope could be shipped to market. At trial, the Owners' appraisal expert Michael Remsha was asked if he believed that the TAPS Owners would sell TAPS to a "rich sheikh from Saudi Arabia"[165] for $20 billion "for the expressed purpose of shutting [TAPS] down."[166] Mr. Remsha replied that the Owners would "[m]ost likely not" sell

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[163] Owners' Proposed Findings of Fact and Conclusions of Law ¶ 786.

[164] *See* Order on Summary Judgment Motions at 5 (Sept. 24, 2007).

[165] Tr. 690 (Remsha).

[166] Tr. 692 (Remsha).

their interests in TAPS at that price under those circumstances, "[b]ecause they want to be able to have the opportunity to take oil from the North Slope and bring it to market."[167]

115. Highest and best use generally considers the most probable use that is physically possible, legally permissible, financially feasible, maximally productive, and results in the highest value.[168] The purpose of a highest and best use analysis is to evaluate alternative uses to assist the appraiser in determining the use which creates the highest value of the property.

116. A highest and best use analysis is not required to be made when valuing property under non-market value standards, including a use value standard, because a use value appraisal is literally valuing the current use.[169] Nonetheless, a highest and best use analysis can be helpful in considering the full and true value of TAPS. "The highest and best use of special-use property as improved is probably the continuation of its current use if that use remains viable."[170] The highest and best use of TAPS is its current use – the transport of ANS oil to market.[171] This use is physically possible, legally permissible, and maximally productive. TAPS would not provide maximum value on a standalone basis.

117. The fee simple interest, as an analytical tool, includes the full bundle of rights subject only to the four powers of government: police power, escheat, eminent domain, and taxation.[172] The taxable property does not include any external interest held by third parties

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[167] Tr. 692 (Remsha).

[168] *The Appraisal of Real Estate* at 278; *Valuing Machinery and Equipment* at 212.

[169] Tr. 12536 (Goodwin).

[170] *The Appraisal of Real Estate* at 294.

[171] Tr. 692 (Rein); Tr. 8196 (Cicchetti); MUN7-0001 at 3767 (Coulson).

[172] *The Appraisal of Real Estate* at 122.

who are not TAPS Owners, including any alleged "Shippers' interests."[173] When valuing TAPS for ad valorem tax purposes, the only interests that are valued are the TAPS Owners' undivided fee simple property interests in TAPS' taxable property. The right of a shipper to transport crude oil in a common carrier pipeline does not transfer a portion of the pipeline owner's fee simple property interest to that shipper.[174]

118. TAPS is a regulated common carrier pipeline and must accept and transport tendered oil for transportation without discrimination.

119. The Owners have asserted that the government regulation of the rates for transport on TAPS is a form of police power that diminishes the value of TAPS.[175] Regulation may diminish the value of the regulated property.[176] But as several witnesses testified at the trial, regulation may also have no effect on a property's value or increase its value.[177] This Court has previously held and again finds that an assessment must consider the extent to which the exercise of police power or any other governmental power impacts the value of the particular property being assessed. The Owners presented Professor Swain, Mr. Tegarden, and Mr. Marchitelli as theory witnesses, none of whom offered an opinion on whether regulation resulted in an increase or decrease in TAPS' ad valorem value, but indicated that the effects of rate regulation had to be taken into account.[178]

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[173] Tr. 12204-05 (Marchitelli).

[174] Tr. 12205-08 (Marchitelli). *Cf.* Tr. 12915-17 (Greeley).

[175] In this regard, the Owners appear to substantially misquote the definition of police power from *The Appraisal of Real Estate* in their proposed findings. The definition from that text does not identify either "income restrictions" or "rate regulations" as forms of police power. *Compare* Owners' Proposed Finding ¶ 789 *with The Appraisal of Real Estate* at 122.

[176] *Wash. Gas Light Co. v. Baker*, 188 F.2d 11, 19 (D.C. Cir. 1950) (citing *Fed. Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, 601 (1944)).

[177] Tr. 447 (Swain); Tr. 10318-10320 (Tegarden); Tr. 12258 (Marchitelli).

[178] Tr. 449 (Swain); Tr. 10318-10320 (Tegarden); Tr. 12261:25-12262:14 (Marchitelli).

120. Assuming, without deciding, that rate regulation is a form of police power, it does not alter the premise of value for TAPS, nor does it require that TAPS be valued for ad valorem tax purposes at the net present value of its projected tariff income. Rather, it requires the assessor to consider whether and to what extent rate regulation impacts the value of TAPS. Under a cost approach to valuation, this issue can be determined when addressing the degree of any economic obsolescence caused by rate regulation.

121. FERC and the RCA do not have jurisdiction to determine the proper value of TAPS for state ad valorem tax purposes. Their valuations of TAPS for purposes of establishing a tariff do not inform this Court as to the value of TAPS for ad valorem tax purposes under AS 43.56.060(e)(2).[179]

122. In 2007, SARB addressed the Owners' assertion that the assessed value of TAPS cannot exceed the value of its regulated tariff income stream.[180] The Board found that "[a] regulated tariff does not produce an income that would capture the current economic value of the pipeline."[181] Further, SARB concluded that "uncertainty about future tariff rates makes any valuation based on the capitalization of future tariffs very unreliable."[182]

123. SARB correctly concluded that tariff income is not the appropriate determinant of the full and true value of TAPS in the applicable tax years.[183] Mr. Hoffbeck's observations

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[179] *See Tenn. Gas Pipeline Co. v. Town of Hudson*, 766 A.2d 672, 675-76 (N.H. 2000) (holding that replacement cost method, not net book cost method, was the proper method for valuing the pipeline company's FERC-regulated property).

[180] MUN7-0234 at 13.

[181] MUN7-0234 at 13.

[182] MUN7-0234 at 13.

[183] *See* MUN7-0234 at 16; MUN7-0236 at 28 – 30.

on Mr. Mark's testimony that the bulk of the physical assets that are being valued in this case are no longer included in TAPS' rate base demonstrate that a tariff-based approach would fail to value all of TAPS.[184] Case law throughout the nation makes clear that, even under a market value standard, courts do not typically equate net book earnings with value for ad valorem tax purposes.[185]

124. As in the 2006 matter, this Court finds that Mr. Podwalny's description of TAPS as a non-investment property within each Owner's integrated system is consistent with the statute and best supports the Division's and SARB's determination with respect to the economic value of TAPS.[186] To the extent that there is a market for TAPS, it is the ANS producers (or an integrated refinery operation such as Koch). For the evidence persuasively demonstrates that ANS producers would rebuild TAPS at a cost of billions of dollars to transport ANS petroleum products to market if TAPS was not in existence as of the lien dates. And the producers would replace TAPS not for the tariff income they might realize, but to monetize the approximately 7 to 8 billion barrels of proven reserves that were at the ANS as of the lien dates.

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[184] Tr. 1241-22 (Hoffbeck).

[185] *See Tennessee Gas Pipeline Co. v. Town of Hudson*, 766 A.2d 672, 675-676 (N.H. 2001); *Polk County v. Tenneco, Inc.*, 554 S.W.2d 918, 922-23 (Tex. 1977) (concluding that the net book value did not measure the market value for the entire pipeline's property); *Boston Edison Co. v. Board of Assessor of Watertown*, 439 N.E.2d 763, 766-67 (Mass. 1982) (net book cost of property does not set an upper limit on the property's value for location taxation); *Appeal of Public Serv. Co. of N.H.*, 471 A.2d 1182, 1185-86 (N.H. 1984) (rejecting the taxpayer's argument that evidence demanded a finding that net book value was an appropriate measure of market value for all of utility's property); *Public Service Co. of N.H. v. Town of Ashland*, 377 A.2d 124, 125-26 (N.H. 1977) (holding that even though net book value provides the "rate base" upon which plaintiff's rate of return is calculated, the value of the property for tax purposes and the value for rate making purposes need not be the same); *Public Services Co. v. New Hampton*, 136 A.2d 591, 597 (N.H. 1957) (holding that value of property for tax purposes and its value for rate making purposes need not be the same).

[186] Amended Decision ¶ 91.

125. For the reasons set out above, this Court finds that SARB's determinations for the three tax years at issue, which strived to determine the full and true value of TAPS based on the economic value of its continued use in transporting ANS proven reserves to market, has not been demonstrated to constitute a fundamentally wrong principle of valuation.[187]

V. THE OWNERS' MAINTENANCE OF TAPS' CAPACITY OF 1.1 MILLION BBL/D WITH UPWARD SCALABILITY TO 2.1 MILLION BBL/D

126. TAPS' current design capacity is 1.42 million bbl/d.[188] However, some of the original Legacy pumps have been taken out of service and new SR pumps are being installed at four pump stations. The current upgraded pumps are able to transport up to 1.1 million bbl/d on a yearly average with a maximum of 1.14 million bbl/d during winter months.[189] With additional modular pumps, TAPS' current physical capacity can be increased. For example, Mr. Falcone indicated that if two additional pump stations were added, TAPS could transport 1.5 million bbl/d.[190]

127. Although TAPS cannot immediately transport 2.1 million bbl/d, the evidence persuasively establishes that with sufficient lead time, TAPS as currently configured is able to transport any volume up to 2.1 million bbl/d, should the need arise, with the installation of additional pumps and use of DRA.

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[187] Amended Decision ¶ 92.

[188] Tr. 7367 (Falcone); MUN7-0215 at 258.

[189] Tr. 7139-7143 (Ray).

[190] Tr. 2730 (Falcone).

128. DB-180 is an Alyeska document that evidences the design basis for TAPS. DB-180 indicates at four places that a throughput range for TAPS is 300,000 to 2.1 million bbl/d.[191] DB-180 also references the maximum or ultimate throughput of 2.1 million bbl/d in an additional four places in the document.[192] Thus, there are eight different places in DB-180 that specifically refer to a 2.1 million bbl/d standard as the maximum throughput of TAPS.

129. In accordance with the requirements of DB-180, the mainline pipe is currently maintained at a 2.1 million bbl/d throughput standard.[193] The evidence at trial persuasively demonstrates that neither the mainline 48-inch pipe nor any other part of TAPS is maintained based upon the current throughput or DOR forecasts for future production, but is instead maintained for considerably higher potential throughputs.[194]

130. Any proposed design change to DB-180 must be approved by the Joint Pipeline Office.[195] No evidence was introduced to demonstrate that DB-180's design criteria have been changed.[196] The Court finds that DB-180 continues to be the controlling document with regard to the design basis for TAPS, and that document sets forth 2.1 million bbl/d as the maximum throughput capacity.[197]

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[191] Tr. 5055-5059 (Hisey); MUN7-9023 at 209, 217, 239, 262.

[192] Tr. 5055-5059 (Hisey); MUN7-9023 at 217, 262, 268, 343.

[193] Tr. 4957, 4970, 6444 (Hisey); MUN7-2069 at 262.

[194] Tr. 6445 (Hisey).

[195] Tr. 4983, 5053-54 (Hisey); MUN7-9023 at 37-38.

[196] Tr. 7061-62 (Ray).

[197] MUN7-9023 at 209, 217, 239, 262, 268, 343.

131. The evidence at trial demonstrated that the current mechanical capacity of TAPS is 760,000 bbl/d and that with DRA, TAPS is currently physically able to transport 1.1 million bbl/d.[198]

132. In the Amended Capacity Settlement Agreement ("ACSA"), "TAPS Capacity" is a defined term that represents the "Pipeline's capacity set forth on Exhibit C."[199] In turn, "Exhibit C" sets forth the "TAPS Capacity Table" that establishes 1.1 million bbl/d as the "TAPS Capacity" after January 1, 2004 until the Agreement expires at the end of 2011.[200] An Owner's right to transport its percentage ownership share is based upon "Actual Daily Pipeline Capacity" which, in turn, is based upon "TAPS Capacity" as defined in "Exhibit C."[201] Exhibit C indicates "All volumes are in barrels."[202] The associated TAPS' Operating Agreement specifies that a barrel is "42 U.S. standard gallons at 60° Fahrenheit."[203]

133. The ACSA discussed "flow improvement" allocation as:

> [T]he allocation among the Owners of flow improvement that exceeds TAPS Capacity, whether achieved through the use of a drag reducing agent or through other means; provided, however, that such flow improvement shall be exclusive of any Capacity Cushion and shall be allocated only to the extent that it exceeds TAPS Capacity . . . .[204]

The concepts of flow and "flow improvement" with respect to TAPS are concepts related to

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[198] Tr. 7137-39 (Ray). This Court was unpersuaded by Mr. Ray's testimony that TAPS' current capacity is only 870,000 bbl/d because the Owners would need to spend approximately two million dollars to upgrade DRA injection sites before TAPS could carry 1.1 million bbl/d. *See* Tr. 7049-51 (Ray).

[199] MUN7-0215 at 213.

[200] MUN7-0215 at 225.

[201] MUN7-0215 at 213.

[202] MUN7-0215 at 225.

[203] TO-07-0179.0218.

[204] MUN7-0215 at 214-15.

the flow of oil[205] – which is related to physical capacity, not nominating capacity.

134. This Court finds that as between the Owners, a primary function of the ACSA was to resolve the nominating dispute among them. But the State was also a party to the agreement. Upon consideration of all the evidence, this Court is not persuaded by the Owners' assertion that the ACSA should be read to concern only a nomination process. A right to transport up to an ownership percent of 1.1 million bbl/d would have little meaning without the actual ability to transport those same barrels.

135. The Owners assert that the ACSA could only address nominating issues because FERC approved the ACSA pursuant to § 5(1) of the Interstate Commerce Act, and "Section 5(1) of the ICA applies to the ACSA only to the extent the ACSA provides for a 'pooling' arrangement that allocates pipeline capacity on a basis other than each TAPS Owner's percentage ownership share."[206] Yet the FERC order approving the ACSA does not expressly deem the agreement to constitute a pooling arrangement; rather, FERC stated it is approved "even if the Amended CSA is deemed to be a pool."[207]

136. The Owners' current reading of the ACSA is similar, if not identical, to the "mechanical capacity" position of certain of the Owners that was compromised away when all Owners reached agreement through the ACSA. The "mechanical capacity" position was that each Owner could only transport its ownership share of TAPS' current mechanical capacity.[208]

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[205] Tr. 7080-81 (Ray).

[206] Owners' Proposed Findings of Fact and Conclusions of Law ¶ 631.

[207] TO-07-0190.0008. In the FERC order approving the ACSA, the Commission also stated, "We concluded that the [TAPS] Quality Bank agreement was no more a pool than the joint operation of TAPS itself. We believe that the same reasoning is applicable to the Amended CSA." TO-07-0190.0007.

[208] Tr. 7062-63 (Ray).

137. The conduct of the Owners after execution of the ACSA further demonstrates that the parties intended for TAPS to have a physical capacity of 1.1 million bbl/d (with 1.14 million bbl/d capacity for winter flow rates). As held by the Alaska Supreme Court, the parties' conduct after entering into a contract is probative of intent. Conduct is a better indicator of intent than is testimony.[209] The Owners used a design basis for the SR project from 300,000 to 1.14 million bbl/d with upward scalability to 2.1 million bbl/d.[210] The SR project is not yet complete, but the Owners plan to complete it.[211] The Court finds that the Owners would not continue to spend over $700 million on SR to provide a capacity to transport up to 1.14 million bbl/d with upward scalability to 2.1 million bbl/d if such capacity and upward scalability were neither required nor desirable. The Alaska Supreme Court has held that "evidence that both parties made substantial investments in the plant supports a conclusion they each intended to retain the items in which they invested[.]"[212]

138. Also instructive to this Court were the Owners' representations to the RCA when seeking to abandon pump stations as part of their SR efforts. In that process, the Owners made a verified representation to the RCA:

> After completion of [Strategic Reconfiguration], TAPS will be able to transport up to 1.14 million barrels per day. Moreover, should there be any additional oil fields brought on line that would cause throughput to exceed the 1.14 million barrels per day figure, the design of the remaining TAPS pump stations will be modular and

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[209] *North Pac. Processors, Inc. v. City and Borough of Yakutat,* 113 P 3d 575, 585 (Alaska 2005). *See also Peterson v. Wirum*, 625 P2d. 866, 870 (Alaska 1981) (conduct during performance can be admissible extrinsic evidence but opinions expressed during litigation regarding parties' intent do not establish an issue of fact regarding the parties' reasonable expectations at the time they entered into the contract).

[210] Tr. 9198-99 (Malvick).

[211] Tr. 7140 (Ray).

[212] *North Pac. Processors*, 112 P.3d at 585 (citations omitted).

will allow current and increased throughput capability within 36 months by the addition of modular units[.][213]

139. AS 42.06.290(a) states that "[a] pipeline carrier may not abandon or permanently discontinue use of all or any portion of a pipeline or abandon or discontinue any service rendered by means of a pipeline . . . without the permission and approval of the commission[.]" Such approval may only occur "after due notice and hearing, and a finding by the commission that continued service is not required by public convenience and necessity."[214]

140. The RCA granted the Owners the right to abandon several pump stations based upon the representations of the Owners that they would maintain the capacity to transport 1.14 million bbl/d[215] and their representation "that should North Slope production ever exceed the 1.14 million barrels per day, the design of the remaining operating pump stations will allow for increased throughput capability within 36 months by adding modular units to those pump stations."[216] The RCA order also noted that the TAPS Owners had represented that the abandonment of those several pump stations "will not interfere with the TAPS' ability to accommodate current or future throughput requirements, and will have no impact on the stipulated capacity requirements under the Amended Capacity Settlement Agreement."[217] In a footnote, the RCA noted that the "TAPS carriers stated that the Amended Capacity Settlement Agreement provides a stipulated aggregate capacity of 1.1

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[213] MUN7-0218 at 19, 22.

[214] AS 42.06.290(a).

[215] MUN7-0219 at 11. Although this exhibit was not admitted into evidence, the Court has taken judicial notice of this RCA Order P-04-21 dated April 6, 2005.

[216] MUN7-0219 at 11.

[217] MUN7-0219 at 12-13.

million barrels per day for the years 2004 forward."[218] The Court finds that the Owners' representations to the RCA are consistent with this Court's reading of DB-180 and the ACSA. In the 2010 Amended Decision, this Court interpreted the ACSA to require the Owners to maintain a physical capacity of 1.1 million bbl/d. This Court again finds that the weight of the evidence presented at the trial of the 2007 through 2009 tax years supports that contractual interpretation of the ACSA. During the lien years the Owners had a legal duty to maintain TAPS' physical capacity to transport up to 1.1 million bbl/d with upward scalability should new fields be developed.

VI. CHOICE OF VALUATION METHOD

141. All parties agree and every appraiser testified that in appraising a property, appraisers typically consider three generally recognized approaches to value: the cost approach, the income approach, and the comparable sales approach.[219] The cost approach is based upon a principle of substitution.[220] This principle provides that a prudent buyer will not pay more for an existing property than the cost of acquiring a substitute property of equivalent utility.[221] The principle of substitution assumes replaceability without undue delay.[222] Under the income approach, "value is indicated by a property's earning power, based on the capitalization of income."[223] Under the comparable sales approach, "value is indicated by recent sales of comparable properties in the market and other supporting

[218] MUN7-0219 at 13, n. 41.

[219] Tr. 11766, 11966 (Remsha); Tr. 11229, 11238-39 (Podwalny); 1020 (Connolly).

[220] Tr. 1153-54, 1157-58 (Hoffbeck).

[221] *The Appraisal of Real Estate* at 38-39.

[222] *The Appraisal of Real Estate* at 380.

[223] *The Appraisal of Real Estate* at 130.

transactional information."[224] All parties fully litigated the issue of whether the cost, income, and sales comparison approaches are reliable indicators of value for TAPS in the 2007, 2008, and 2009 trial de novo.

142. The applicable statute and regulation require an assessment that captures the "economic value" of TAPS within the context of the ANS proven reserves. TAPS' economic value derives from its use in providing primarily affiliated transportation and market access for an entire oil region. Since 2005 through the lien years at issue, SARB has repeatedly held that the cost approach best captures the full economic value of TAPS consistent with AS 43.56.060(e)(2).[225]

143. The unique nature of TAPS as a limited-market and special-purpose property supports SARB's use of the cost approach as the only reliable indicator of value.[226] TAPS was specifically designed, constructed, and adapted to its particular use – to move affiliated ANS crude oil from the North Slope to Valdez.[227] A property with this unique function is properly valued under the cost approach.

144. Owners' expert Roger Marks recognized that if the tariffs are zero, it would be appropriate to value TAPS using the cost approach.[228] Mr. Marks also acknowledged that the Owners would probably operate TAPS even if it had no tariff income.[229]

145. The cost approach is particularly reliable when a property is first built or when

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[224] *The Appraisal of Real Estate* at 130.

[225] *See, e.g.* MUN7-0236 at 8-32.

[226] Tr. 11355-56 (Podwalny); Tr. 11903 (Remsha).

[227] Tr. 8196 (Cicchetti); MUN7-0001 at 3767 (Coulson Dep.).

[228] Tr. 7852-55 (Marks).

[229] Tr. 12170 (Marks).

it undergoes a substantial renovation.[230] At the time of the 2007, 2008, and 2009 valuations of TAPS, the $700 million SR project was underway to upgrade TAPS.[231]

146. The extensive cost studies presented by both the Municipalities and Owners further support reliance on the cost approach.

147. An income approach based solely upon tariff income is not reliable for valuing an integrated, special-purpose property that has been adapted to a specific use for which the income stream is not the economic driver or basis for the property's construction and continued use.[232]

148. In its 2009 Decision, SARB explained its rejection of the tariff-based income approach as follows:

> The fact that the TAPS produces a tariff income in addition to transporting oil would not justify reliance on an income approach, as opposed to the generally applied cost approach, because oil transportation, not the TAPS tariff income stream, is the motivation for ownership of the TAPS.[233]

149. The sales comparison approach is generally not reliable for valuing limited-market properties or special-purpose properties such as TAPS when there are no comparable sales, or when the sales that do exist are not comparable because the subject property has been adapted to a particular use at a particular location.[234]

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[230] Tr. 11994 (Remsha).

[231] Tr. 7140 (Ray).

[232] Tr. 12348 (Connolly); Amended Decision ¶ 120.

[233] MUN7-0236 at 30.

[234] *Fed. Reserve Bank of Minneapolis v. State*, 313 N.W.2d 619, 622-624 (Minn. 1981); MUN7-0234 at 17 (2007 SARB); MUN7-0236 at 30 (2009 SARB); *Valuing Machinery and Equipment* at 6.

150. In addition, the sales comparison approach is not generally used for valuing properties that are integrated with other properties because each sale has to be substantially adjusted to reflect only the portion of the integrated enterprise being valued.[235]

151. The standard treatise for machinery and technical specialties ("MTS") states:

> The income approach to value is not widely used today by most MTS appraisers; the reasons given include the difficulty in determining income that can be directly related to a specific asset, the concern over the reliability of income forecasts, and the multitude of variables involved in this valuation approach. . . . The sales comparison approach is not feasible when the subject property is unique.[236]

152. Other courts have similarly held that regulated pipelines should not be valued for ad valorem purposes under either the income or comparable sales approach.[237]

153. The Division and SARB considered all three of the primary approaches to valuation before determining that the Replacement Cost New Less Depreciation ("RCNLD") approach was appropriate.[238] Based upon the evidence presented at the trial de novo, this Court finds that reliance on the cost approach is appropriate to determine the "full and true" value of TAPS for 2007, 2008, and 2009.

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[235] TO-07-0004.0087 (American Appraisal). In the case of TAPS, every sale of an interest in TAPS has been part of a larger integrated transaction.

[236] *Valuing Machinery and Equipment* at 122, 159-60.

[237] *Transcontinental Gas Pipeline Corp.*, 545 A.2d at 746; *Tenneco*, 104 A.D.2d at 514; *Matter of Onondaga County Water Dist. v. Bd. of Assessors of Town of Minetto*, 350 N.E.2d 390, 392 (N.Y. 1976); *Tex E. Transmission Corp. v. E. Amwell Twp.*, 13 N.J. Tax 24, 28-29 (N.J. Tax Ct. 1992); Amended Decision ¶ 12.

[238] MUN7-0234 at 2, 13, 16-17; MUN7-0235 at 2, 15-16; MUN7-0236 at 2, 27-32.

VII. THE COST APPROACH

154. There are three starting points for the application of the cost approach: original cost, reproduction cost, or replacement cost.[239] The use of original cost, either in nominal dollars or indexed to current dollars, is a limited but useful indicator of the cost to build TAPS today. TAPS cost approximately $8 billion to build in 1977 dollars – an amount that the Division calculated as equal to $23.4 billion for 2009 based upon trending the original cost using Marshall & Swift.[240] SARB noted the $19.8 billion Pro Plus RCN compared favorably to the original trended cost for that lien year.[241]

155. Reliance on a trended original cost as the basis for valuing TAPS is not warranted because TAPS' original design has been substantially updated and a trended original cost would not capture the value of the asset in place as of the lien dates.

156. A reproduction cost is the cost to replicate an exact duplicate or replica of what is in place, which could include substantial obsolescence.[242]

157. A replacement cost analysis replaces TAPS' current equivalent utility based on modern design, materials, and construction techniques.[243] The Owners and the Municipalities both presented replacement cost new ("RCN") estimates to the Board and to this Court in the de novo trial, although as discussed herein the Municipalities' RCN was far more similar to the existing TAPS than the RCN presented by the Owners.

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[239] *The Appraisal of Real Estate* at 378.

[240] MUN7-0236 at 31 n. 10 (SARB 2009 Decision).

[241] MUN7-0236 at 31 n. 10 (SARB 2009 Decision).

[242] *The Appraisal of Real Estate* at 385.

[243] *The Appraisal of Real Estate* at 385-86; Tr. 580 (Remsha).

A. Replacement Cost New

158. RCN is "the current cost of a similar new property having the nearest equivalent utility as the property being appraised, as of a specific date."[244] It has also been defined as "the estimated cost to construct, as of the effective date, a substitute for the [property] being appraised using contemporary materials, standards, design, and layout."[245]

159. In an *Appraisal Journal* article titled *Replacement of What?* that was relied upon by Mr. Hoffbeck at trial, Donald Treadwell opined that:

> The selection of an appropriate replacement model in the cost approach is critical to the appraisal. The use of a replacement model that is significantly different from the subject may challenge implicit assumptions concerning the extent of functional and economic obsolescence incurred by components of the subject.[246]

160. RCN estimates fall along a continuum from a complete redesign to a near reproduction.[247] This Court finds that the concerns raised in the Treadwell article and discussed by Mr. Hoffbeck in the context of the historical examples of redesign persuasively demonstrate why it is important to use the correct replacement property and then adjust the RCN using the tools set out in the appraisal literature such as functional and economic obsolescence adjustments to arrive at the value of the subject property.

161. This Court finds that the evidence does not support the Assessor's apparent assertion that at least some components of the Pro Plus estimate may be reproduction estimates. Rather, the Pro Plus estimate replaced the utility of TAPS, but utilized modern and current design, materials and construction techniques in its design, work plan, and

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[244] *Valuing Machinery and Equipment* at 186; Tr. 580 (Remsha).

[245] *The Appraisal of Real Estate* at 385.

[246] MUN7-0046 at 25; Tr. 1056 (Hoffbeck).

[247] Tr. 12773 (Greeley).

estimate. And, as further discussed herein, the Assessor's placement of the Stantec design as somewhere in the middle of the continuum between a redesign and a reproduction is not supported by the evidence.

1. A Summary of the Cost Studies

162. In 2007, SARB relied on Mustang Engineering's 2006 RCN trended forward one year, which estimated a replacement cost of $8,276,423,150.[248] At the de novo trial, no party supported the Mustang cost study.

163. Before SARB in 2007, the Owners also presented evidence on a 30-inch pipeline study prepared by Mustang.[249] The conceptual design basis assumptions included: 850,000 bbl/d maximum flow with the use of DRA, X-100 pipe, and seven pump stations.[250] SARB did not rely upon this 30-inch pipeline study in its 2007 decision.[251]

164. In 2008, the Municipalities first presented the Pro Plus study to SARB.[252] The Department and the Board relied upon the Pro Plus RCN cost estimate of $17.02 billion.[253] For that year, Pro Plus adjusted the original cost of the VMT for superadequacy, inflation-trended the revised cost, and accepted Mustang's numbers for several items that they had insufficient information to independently estimate.[254] The estimate was made before any significant discovery had been obtained by the Municipalities.

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[248] MUN7-0234 at 12.

[249] 2007 R. 13059-84.

[250] 2007 R. 13059-84.

[251] 2007 R. 584-98 (MUN7-0234 at 11-24).

[252] MUN7-0235 at 15.

[253] 2008 R. 11515-11825.

[254] MUN7-0235 at 15.

165. By 2009, Pro Plus had received new information from discovery in the 2006 de novo tax case and had added the expertise of an engineering firm specializing in marine terminals. Before SARB, Pro Plus estimated the RCN of the entire system, including the VMT, at $21.1 billion in 2009.[255] After some adjustment, SARB found that the RCN was $19.805 billion.[256]

166. Also before the Board in 2009 was a hydraulic analysis conducted by Mustang Engineering on behalf of the Owners.[257] The hydraulic analysis assumed a 42-inch pipeline from Prudhoe Bay to Valdez at "the current flow rate of 1 million bbl/d."[258] Mustang concluded that "[t]o obtain a flow rate of 1 MMBOPD [million bbl/d], the 42-inch system requires a full complement of 12 pump stations. There is virtually no capacity over 1 million bbl/d in the 42-inch pipeline."[259] Mustang also conducted a cost analysis between the 42-inch and 48-inch line and concluded that

> [w]hen comparing the base 48" system with a potential 42" system, the 42" system would require an approximate increase in investment, due to the higher horsepower requirements, of $275MM and an approximate decrease due to saving pipe material and installation costs of $150MM. The net investment cost difference is an increase of $125MM for installation of a 42" line versus a 48" line. This rough estimate does not include the additional operating costs for 12 pump stations, as opposed to 6, or spare parts costs (included in the program management fees).[260]

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[255] 2009 R. 16-67.

[256] MUN7-0236 at 18.

[257] 2009 R. 10341-46; Tr. 6870-71 (Greeley).

[258] 2009 R. 10343.

[259] 2009 R. 10345.

[260] 2009 R. 10345.

167. In evaluating the Stantec 30-inch pipeline, this Court has accorded some weight to the opinion of the Owners' experts in 2009 before SARB that a 42-inch pipeline was inadequate to transport throughput of over 1 million bbl/d.

168. The Owners first presented the Stantec cost study to SARB in 2010. The Owners presented a similar Stantec cost study to SARB in 2011.

169. In both 2010 and 2011, SARB held that reliance on the Stantec 30-inch pipeline for valuing TAPS "would have been improper" because "costing a hypothetical property that is so different from the existing property, to measure obsolescence, is an extreme and inappropriate use of this appraisal technique."[261]

170. In its Amended Decision, this Court relied upon the Pro Plus RCN and found that as of January 1, 2006, a replacement pipeline with utility equivalent to TAPS would cost approximately $18 billion to replace.[262]

171. At the trial de novo before this Court for the current tax years, the Municipalities presented the Pro Plus cost studies which estimated the cost to replace TAPS' equivalent utility in 2007 at $19.606 billion, in 2008 at $21.471 billion, and in 2009 at $21.263 billion.[263] The Owners presented the Stantec cost studies estimating the cost to replace TAPS with a 30-inch pipeline at $9.352 billion in 2007, $9.702 billion in 2008, and $9.721 billion in 2009.[264]

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[261] *See* MUN7-0238 at 30-31.

[262] Amended Decision ¶ 511.

[263] Tr. 3787 (Ellwood); MUN7-0008 at 1627-1628.

[264] TO-07-0021 at 8; TO-07-0023 at 8; TO-07-0025 at 8. The Stantec figures do not include interest during construction and ad valorem taxes, which were computed by American Appraisal.

172. Pro Plus used a design criteria of 1.1 million bbl/d maximum throughput for all three lien years with a 48-inch diameter pipe size.[265]

173. Stantec used a 30-inch pipeline with a design basis of 900,000 bbl/d for 2007, 800,000 bbl/d for 2008, and 750,000 bbl/d for 2009.[266]

174. The following chart compares some of the design parameters of the existing TAPS, the Pro Plus RCN, and the Stantec RCN:

	TAPS	Pro Plus RCN	Stantec RCN
Diameter:	48"	48"	30"
Maximum Capacity of Mainline Pipe:	2.1 million bbl/d	2.1 million bbl/d	Unknown – no more than 1.1 million bbl/d
Maximum Pressure:	1,180 psi	1,180 psi	2,158 psi
Velocity at 1.1 million bbl/d:	10 ft/s	10 ft/s	15 ft/s
Number of Miles Aboveground:	420	420	629
Vertical Support Members:	Dual-pile	Dual-pile	Mono-pile
Thermosyphons:	Inside VSMs	Inside VSMs	Freestanding
Aboveground Pipe Support Spacing:	60 ft.	60 ft.	90 ft.

[265] Tr. 3716 (Ellwood); Tr. 4460 (Steindorff).

[266] Tr. 4472 (Steindorff); TO-07–00021 at 7; TO-07–00023 at 7; TO-07-00025 at 7.

2. The Stantec Hypothetical Pipeline Is Not an Acceptable Comparison Property to TAPS for Ad Valorem Tax Purposes

175. The parties extensively litigated whether this Court should adopt the Stantec 30-inch pipeline or the Pro Plus 48-inch pipeline as the basis for the RCN calculation for the 2007, 2008, and 2009 tax years. The Municipalities presented evidence and argued that the Stantec 30-inch pipeline is too different from the existing TAPS such that it cannot provide a reasonable basis for determining the full and true value of TAPS. They further argued that the Stantec 30-inch pipeline is premised on an inappropriate appraisal technique and as a practical matter, it will not be able to operate within reasonable design parameters.

176. The Owners presented extensive engineering testimony in support of the Stantec RCN. They also rely on Mr. Hisey and Mr. Greeley's testimony to support their 30-inch pipeline design. Mr. Hisey testified that a 48-inch pipeline would likely not be the optimal design for a new pipeline if TAPS' throughput was projected not to exceed 900,000 or 700,000 bbl/d. But Mr. Hisey also testified that the optimal size for a pipeline that would be similar to and have the same utility as the existing TAPS would be a 48-inch pipeline. In that regard, he stated "the 30-inch design would not be the right design for any of the operating years . . . in question, 2007, 2008, and 2009 . . . I cannot assess how you call it a similar design to the existing facility; no, it's not similar at all."[267]

177. Although it appeared that the Assessor Mr. Greeley testified that he would choose the Stantec RCN over the Pro Plus RCN, the Department's counsel stated in closing that Mr. Greeley was not choosing between the two cost studies.[268] Regardless, this Court

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[267] Tr. 5052, 6457-58 (Hisey).

[268] Tr. 6809 (Greeley); 8461 (Johnson).

gives little weight to Mr. Greeley's testimony regarding the Stantec cost study since he demonstrated a lack of knowledge about key components of that study.[269]

178. None of the approximately twenty experts testifying in the RCN section of this case could identify a single crude oil pipeline that had been built with each of the characteristics of Stantec's 30-inch pipeline design.

179. Mr. Hoffbeck identified certain criteria to determine whether a proposed replacement property should be used as the starting point in a cost approach, which this Court has found helpful to consider:

a. whether there are legal restrictions that would make the proposed property unacceptable, and if so whether there is a likelihood they can be removed;

b. whether the proposed replacement property is of similar quality and like utility to the subject property;

c. whether the replacement property is an appropriate application of appraisal theory for use in the assessment process;

d. whether the design will operate as specified;

e. whether the design captures all direct and indirect costs associated with the construction of the replacement property, and if not, whether the estimate can be adjusted to reflect all of those costs; and

f. whether the replacement property is similar enough to the subject property to permit the accurate identification and quantification of obsolescence.[270]

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[269] For example, Mr. Greeley was unable to answer questions regarding the amount of horsepower required for the pumps in Stantec's cost study, or whether all three trains of pumps need to be running at 1.1 million bbl/d. Tr. 6962-6970 (Greeley). In addition, Mr. Greeley testified that he "looked at the equipment rates that were used for the construction of the Valdez Marine Terminal;" however, Stantec did not determine equipment rates, but rather its equipment costs are based on a percentage of direct labor. *Compare* Tr. 13000-13003 (Greeley) *with* Tr. 2496-97 (Rein).

[270] Tr. 11523-11554 (Hoffbeck).

a. Legal Restrictions

180. The TAPS Owners have commited to the RCA to maintain and expand TAPS' existing capacity if needed in the future. The Stantec design is inconsistent with these commitments and resultant RCA order and would require RCA approval.[271] This Court finds such approval improbable. The RCA would have to determine that the abandonment of TAPS' current 1.1 million bbl/d capacity and its upward scalability above that throughput is in the public interest – a finding likely to be challenged by existing and future stakeholders seeking to expand and optimize Alaska North Slope development.[272]

181. The Stantec RCN pipeline also does not meet the design specifications for the existing property as found in Alyeska's DB-180.[273] The DB-180 under the Design Criteria Section 4.3.2 specifies that:

> TAPS is designed to transport crude oil from Prudhoe Bay to Valdez, Alaska. Throughput range for the system is .3 to 2.1 MMSBPD [million bbl/d] under steady conditions of operations, although it should be noted that this may require installation of short term DRA injection facilities at various locations to reach the high end of this range.[274]

The General Hydraulic Criteria and Considerations Section of DB-180 states:

> [t]he mainline and facilities of the trans-Alaska pipeline system shall be designed to transport crude oil or other hydrocarbons from Prudhoe Bay, Alaska at nominal rates to Valdez, Alaska between 0.3 to 2.1 MMSBPD [million bbl/d]. Hydraulic design criteria shall apply to the mainline, mainline facilities, and connection facilities throughout this range of design mainline unless otherwise specified.[275]

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[271] AS 42.06.290(a).

[272] Tr. 11526 (Hoffbeck).

[273] Tr. 4466 (Steindoff); Tr. 5170 (Riordan); Tr. 3391-92 (Annett).

[274] MUN7-9023 at 209; Tr. 4956, 4985, 4989-90, 5055-56, 6445 (Hisey).

[275] MUN7-9023 at 217; Tr. 5056-19 (Hisey).

DB-180 also states that, "[t]he mainline pumps at the designated pump stations are required to pump from 0.3 to 2.1 MMSBPD [million bbl/d]."[276] The piping systems are also "maintained to sustain maximum operating conditions up to 2.1 million barrels per day under all operating conditions allowed per *49 CFR 195, Transportation: Transportation of Hazardous Liquids by Pipeline*."[277] Although TAPS cannot currently transport 2.1 million bbl/d, if the pump stations that have been ramped down are brought back on line and DRA injection sites upgraded, then TAPS can transport 2.1 million bbl/d.

182. While Mr. Riordan of Alyeska suggested that DB-180 could be unilaterally changed by the Owners without following the formal process outlined in the DB-180, the evidence at trial persuaded the Court otherwise.[278] The DB-180 clearly provides that the Joint Pipeline Office ("JPO") must approve any change or variance of the TAPS design basis criteria set forth in DB-180.[279] And while Mr. Hisey, former Chief Operating Officer for Alyeska, acknowledges that editorial changes, such as naming buildings, are made to the DB-180 without regulatory approval, he could not recall any specific change to the DB-180 related to capacity or throughput that was made without regulatory approval.[280]

183. Further, as discussed above, this Court has again concluded that the Amended Capacity Settlement Agreement required the TAPS Owners to maintain at least 1.1 million bbl/d capacity during the lien years.

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[276] MUN7-9023 at 239; Tr. 4989-4990, 5057 (Hisey).

[277] MUN7-9023 at 352; Tr. 5058 (Hisey).

[278] Tr. 5173-5174 (Riordan); Tr. 6448-49 (Hisey); Tr. 3392 (Annett); MUN7-9023 at 37.

[279] Tr. 5173 (Riordan); Tr. 4956, 4988, 5053-55, 5059, 6448-49 (Hisey). *See also* MUN7-9023 at 35, 37; Tr. 3392 (Annett) (discussing DB-180).

[280] Tr. 4988-89 (Hisey).

184. The Owners failed to establish by a preponderance of the evidence that the existing RCA requirements and the DB-180 design basis would permit the Stantec 30-inch pipeline to be built as a replacement for TAPS.[281]

b. The Stantec Design Is Not of Similar Quality and Like Utility

185. A replacement property should be "a similar new property having the nearest equivalent utility as the property being appraised."[282]

186. Utility in the appraisal context is not necessarily limited to how the property is currently being used.[283] The Owners' lead appraiser, Mr. Remsha, acknowledged that a 30-inch pipeline and 48-inch pipeline have "quite different utility from each other."[284] "By definition, utility is any aspect of the property that would create a desire for ownership. It's significantly different from the concept of usefulness, which is how it is currently being used."[285] Mr. Hoffbeck persuasively testified that TAPS' utility is more than its ability to ship oil at the current throughput levels[286] – it also includes TAPS' flexibility and upward scalability.

187. TAPS is 48 inches in diameter; the Stantec RCN is 30 inches. Mr. Remsha indicated that he has never before used a different diameter replacement pipe than the subject property for an RCN.[287]

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[281] Tr. 822 (Podwalny).

[282] *Valuing Machinery and Equipment* at 44.

[283] Tr. 1060 (Hoffbeck).

[284] Tr. 12502 (Remsha).

[285] Tr. 1061 (Hoffbeck).

[286] Tr. 11532 (Hoffbeck).

[287] Tr. 579, 12506 (Remsha).

188. Mr. Remsha acknowledges that the design capacity for TAPS as of the lien dates was 1.42 million bbl/d.[288] Yet American Appraisal based their RCN on a pipe that could not meet that design capacity of TAPS, no matter how much DRA is used.[289]

189. At Stantec's 1.1 million bbl/d case, the 30-inch pipeline will be operating over 15 feet per second ("ft/s").[290] For Stantec's 2007 case, the velocity will be 12.7 ft/s; for the 2008 case, the velocity will be 11.3 ft/s; and for the 2009 case, the velocity will be 10.6 ft/s.[291]

190. The current TAPS, as well as the Pro Plus RCN, will operate at velocities of less than 10 ft/s for throughputs of up to 1.1 million bbl/d.[292] In defending the high velocities in their design, Alyeska engineer Joe Riordan testified that TAPS' velocities "approach[ed] 12 feet per second" when throughput was at its very highest at 2.136 million bbl/d.[293] However, TAPS was built with robust engineering to transport 2.1 million bbl/d at high velocities for temporary periods of time. In contrast, the Stantec design is built only to the minimum specifications necessary to transport the throughput for each of the lien years at issue. Moreover, at 2007 throughputs and at 1.1 million bbl/d, the Stantec RCN is designed to operate at velocities well above the maximum ever attained on TAPS' 48-inch mainline pipe.

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[288] Tr. 534, 12506-07 (Remsha).

[289] Tr. 2086 (Pietsch).

[290] Tr. 4489 (Steindorff) (relying on MUN7-1182).

[291] Tr. 4489, 4504-07 (Steindorff) (relying on MUN7-1182).

[292] Tr. 4489, 4506-07 (Steindorff).

[293] Tr. 1594 (Riordan).

191. In comparing existing and planned pipelines ranging from 30 inches to 42 inches in diameter, the highest velocity is 7 ft/s.[294] The evidence persuasively demonstrates that the high velocities in Stantec's RCN exceed industry standards for crude oil pipelines and may cause surge pressure issues.[295]

192. TAPS was constructed and is operated at typical pressures for North American pipelines. DB-180 requires that the TAPS' internal design pressure be between 700 psi and 1180 psi, depending on the grade of pipe.[296] Similarly, Pro Plus's design operates at 1,180 psi.[297]

193. The Stantec 30-inch pipeline operates at far higher pressures than TAPS or a typical long-distance crude oil pipeline.[298] Stantec's design operates at 2,158 psi – approximately twice the pressure of the existing TAPS.[299]

194. There is no evidence in the record of a long-distance crude oil pipeline operating at such high pressures in North America.[300]

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[294] Tr. 4489 (Steindorff) (relying on MUN7-1182).

[295] Tr. 4489-90, 4504-07 (Steindorff) (relying on MUN7-1182). DB-180 requires that the surge pressure rises do not exceed the internal design pressure by more than 10%. MUN7-9023 at 156.

[296] MUN7-9023 at 156, 174.

[297] Tr. 4469 (Steindorff).

[298] Tr. 3802-03 (Ellwood); Tr. 2032-34 (Pietsch); Tr. 2971-73 (Ziehr); Tr. 5152 (Riordan); Tr. 4469-70 (Steindorff); Tr. 4953-54 (Hisey); MUN7-0009 at 4-5; MUN7-0029.

[299] Tr. 4469 (Steindorff).

[300] Tr. 2035-36 (Pietsch) ("Q. Has any 30-inch high pressure crude oil pipeline ever been demonstrated to operate in the world? A. At what we designed the pressure? No."); Tr. 2032-34: 18 (Pietsch) ("Q. Are you aware of any cross-country crude oil pipeline that operate at over 2000 psi? A. No"; "Q. Are you aware of any long-distance cross-country crude oil pipeline that operates at 1500 psi? A. I'd say no"); Tr. 2972 (Ziehr) ("Q. In fact, you are not aware of any pipeline in the world that's a cross-country crude oil pipeline that operates 1400 psi, correct? A. Personally not aware of it, correct"); Tr. 2971 (Ziehr) (acknowledging that his company had never built a cross-country crude oil pipeline anywhere that operated above 1480 psi); Tr. 5152 (Riordan) ("Q. Have you ever done a project—a cross country pipeline project at these kinds of pressures in the past? A. No, sir"); Tr. 3116-17 (Meyer) ("Q. Are you aware of any ... long-distance crude oil pipeline in the world that operates above 1480? ... A. I am not.").

195. Through cross-examination of a Pro Plus expert, the Owners referred to one example of a high-pressured crude oil pipeline, the 30-inch Endymion. However, the Endymion is a 90-mile subsea pipeline that has an entirely different design related to the external water pressure on the underwater pipe.[301] This Court does not find this subsea pipeline to be similar to TAPS.

196. The operation of a pipeline at higher operating pressures is not as operationally or environmentally safe as the operation of a pipeline at lower operating pressures.[302] Operation at higher pressure also requires greater horsepower and has less of a safety margin than operation at lower pressures.[303]

197. The Stantec design does not have equivalent utility to TAPS with respect to operating pressure.

198. At any given throughput level a 30-inch pipeline will require more horsepower than a 48-inch pipeline due to frictional loss.[304] For example, at a flow rate of 800,000 bbl/d, the 30-inch pipeline requires approximately 110,000 horsepower while the 48-inch pipeline requires approximately 58,000 horsepower.[305]

199. The Stantec 30-inch pipeline would require more DRA than a 48-inch pipe at any given throughput.[306] Very large amounts of DRA are necessary to attempt to reach 1.1 million bbl/d throughput.[307] This is substantially different from the existing TAPS.

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[301] Tr. 3941-42 (Ellwood). Mr. Riordan acknowledged that the Endymion is not a cross-country pipeline. Tr. 5155 (Riordan).

[302] Tr. 4960-62 (Hisey).

[303] Tr. 4958-59 (Hisey).

[304] Tr. 5063 (Hisey); Tr. 3799-3800 (Ellwood); Tr. 4472-82 (Steindorff); Tr. 8123-28 (Modisette).

[305] Tr. 4472-75 (Steindorff); MUN7-0008 at 24.

[306] Tr. 5063 (Hisey).

200. The aboveground portions of TAPS' mainline pipe are supported on dual-pile vertical support members ("VSMs") with thermosyphons integrated into the design to maintain the appropriate ground temperature. VSMs are a unique method for supporting aboveground pipe in areas where there is concern that the warm crude oil pipeline would thaw the permafrost, causing settlement that may result in loss of support for the pipeline.[308] Thermosyphons help maintain the tundra in a frozen state as necessary. The aboveground VSMs on TAPS are in a zig-zag pattern to accommodate pipe expansion and contraction, as well as seismic activity which they have successfully withstood.

201. Unlike TAPS, the aboveground portion of Stantec's 30-inch line is supported almost entirely by single or mono-pile VSMs.[309] While there are mono-pile VSMs on the Alaska North Slope and at Valdez, the evidence persuasively demonstrates that mono-pile VSMs have never been proven to support long-distance crude oil transmission pipelines or pipelines in warm permafrost zones.[310]

202. The mono-pile VSMs that have found limited use have not been integrated with thermosyphons to maintain ground temperatures.[311] One of the Owners' experts, Mr. Carson, testified that he is unaware of the use of thermosyphons with mono-pile supports

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[307] MUN7-1553.

[308] MUN7-0008 at 15.

[309] TO-07-0021 at 10.

[310] Tr. 3115 (Meyer) ("Q. Are you familiar with any cross-country crude oil pipelines built on monopiles that ... has not been built into frozen ground. A. On monopiles, no, I am not. Q. Anywhere in the world today? A. I am not"); Tr. 4466 (Steindorff) ("The unproven technology and the application thereof is in the form of the mono-piles and the thermosyphons. We know of no long-distance, cross-country pipeline of any size that's on mono-piles. I don't think anybody's given us an example yet"); Tr. 4483-84 (Steindorff); Tr. 4973-74 (Hisey) (Stantec's mono-pile design has not been tested with the size of line and conditions that would be required for the 800 mile pipeline from Pump Station 1 to Valdez, unlike the original TAPS' VSM design which was subject to full scale testing for an extended period of time, to ensure adequate lateral support, so that if the pipeline moves, it will not affect the loading on the VSM"); Tr. 6454-66 (Hisey).

[311] Tr. 3803-05, 3816-18 (Ellwood); Tr. 3202-03 (Carson).

anywhere in the world.[312] He testified that he would do full scale testing of the technology for at least a season or two in the field before relying on it for a project like the replacement of TAPS.[313] Likewise, Mr. Ellwood testified that he knows thermosyphons work and he knows mono-piles work, but he has never seen this combination supporting a major oil pipeline in a warm permafrost region.[314] In addition, pipeline operations could be impacted because there is no mechanical protection for the freestanding thermosyphons in the Stantec RCN.[315]

203. The thermosyphon study used in the Stantec replacement estimate was prepared by John Zarling, who was not a witness at trial.[316] Dr. Zarling's files were not provided to opposing counsel in discovery, nor had they been provided to the trial witnesses sponsoring the Stantec thermosyphons, Dr. Meyer and Mr. Carson of Michael Baker.[317] Thus, Mr. Carson could not tell the Court whether Dr. Zarling's analysis was correct,[318] and the Owners did not persuasively establish that the thermosyphon approach proposed for the Stantec 30-inch pipeline study is reliable.[319]

204. This Court finds that Michael Baker's mono-pile VSM design at 90-foot spacing does not provide the same level of pipe support and redundancy as the existing dual-pile

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[312] Tr. 3210 (Carson).

[313] Tr. 3212 (Carson). *See also* Tr. 4973-75 (Hisey); Tr. 4466-68, 6614 (Steindorff).

[314] Tr. 3804, 6649-52 (Ellwood).

[315] Tr. 3819-20 (Ellwood).

[316] Tr. 3200-02 (Carson); Tr. 3112-23 (Meyer).

[317] Tr. 3200-01 (Carson).

[318] Tr. 3209 (Carson).

[319] Tr. 3200-3202 (Carson).

supports at 60-foot spacing on TAPS.[320] Evidence was presented that the smaller the diameter of the pipe, the closer the necessary spacing becomes.[321] And yet Stantec has proposed to increase the spacing from 60 feet to 90 feet for its 30-inch pipeline. The Owners' experts, Dr. Meyer and Mr. Carson, testified that if two adjacent supports failed, the Stantec pipeline would touch the ground.[322] Dr. Meyer acknowledged that the existing TAPS design requires that the pipe remains suspended in the event of two adjoining VSM failures.[323]

205. The Stantec pipeline design work by Michael Baker also deviates from DB-180 for geometry changes, wind loading, and temperature differentials.[324]

206. Over two hundred more miles of the Stantec 30-inch pipeline are aboveground and supported by VSMs than on the current TAPS.[325] The evidence persuasively showed that there are more safety risks and reliability issues for an aboveground pipeline.[326]

207. The decision to build the majority of the pipeline aboveground was not made by the Owners' structural engineer experts (Dr. Meyer and Mr. Carson) who were hired to design the VSMs, but rather by the Owners' hydraulics expert, Mr. Pietsch.[327] Dr. Meyer and Mr. Carson were told that the majority of the pipeline needed to be built aboveground so as to aid Mr. Pietsch's hydraulics and heat transfer.[328]

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[320] Tr. 4466, 4484 (Steindorff); Tr. 3128 (Meyer).

[321] Tr. 4484, 4487-88 (Steindorff) (discussing MUN7-1167 at 2).

[322] Tr. 3129 (Meyer); Tr. 3204 (Carson).

[323] Tr. 3128 (Meyer).

[324] Tr. 3121-22, 3123, 3125-26 (Meyer). *Compare* TO-07-0013 at 17 *with* MUN7-9023 at 173-174.

[325] Tr. 3198 (Carson); TO-07-0021 at 10 (stating "[m]ajor portions (approximately 629 miles) of the pipeline are constructed aboveground using Vertical Support Members (VSM)"). *Cf.* MUN7-0001 at 490.

[326] Tr. 3801 (Ellwood).

[327] Tr. 3118 (Meyer).

208. Michael Baker's report "Aboveground Pipeline Verification" provides several pipe configurations, including 90-degree bends. These bends are needed in the Stantec design to take up the growth/shrinkage of the pipeline as it expands and contracts with changes in temperature.[329]

209. Mr. Pietsch indicated that he did not account for the 90-degree bends in his simulations and acknowledged that the use of 90-degree bends would affect the simulation results since every bend carries a pressure drop in the oil.[330]

210. For the foregoing reasons, this Court finds that the Stantec pipeline, including the mono-pile VSMs and thermosyphon design, is of lower or lesser quality than the current design on TAPS.

211. A work pad is an area built up with additional fill and stabilized to provide a site on which to perform work.[331] Pro Plus and Stantec disagree on whether gravel or ice should be utilized for the work pad on that portion of the right-of-way located north of the Brooks Range.[332]

212. Use of ice pads could complicate the construction of a new pipeline, as it would eliminate the ability to perform any construction during a significant portion of the year where neither ice nor snow would be available to construct roads or pads.[333]

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[328] Tr. 3118-19 (Meyer). Mr. Rein, the primary witness on the Stantec RCN, testified that he was unaware that Mr. Pietsch had decided the percentage of the Stantec pipeline that would be aboveground. Tr. 5304 (Rein).

[329] TO-07-013 at 12-14.

[330] Tr. 2030-32 (Pietsch); Tr. 6668 (Ellwood).

[331] Tr. 3862 (Ellwood); MUN7-0008 at 7.

[332] *Compare* MUN7-0008 at 14 *with* TO-07-0021 at 21.

[333] Tr. 6484 (Tise).

213. The continuing utility of an ice pad is far less than the utility of a granular work pad. Alyeska has continued to maintain the gravel work pad for over 30 years for contingency purposes and for oil spill response. It is also useful to deploy personnel, heavy equipment, and materials for maintenance purposes.[334]

214. The fact that Stantec will not have a granular work pad adjacent to all of the 800-mile pipeline means that the Stantec RCN is of lesser utility than TAPS in this regard.

215. In the Keystone Canyon area, Michael Baker selected a different route for the Stantec RCN from the current route, placing the 30-inch pipeline along the highway. Although this new route could cause disruptions to the community and traffic and safety issues for the public during construction,[335] this Court finds that the Stantec proposed re-route would provide the same or similar utility as the current TAPS route.

216. Dr. Hite, an expert witness for the Municipalities, persuasively testified that large quantities of technically and economically recoverable oil exist in the Beaufort and Chukchi Seas, the Alaska National Wildlife Refuge, the National Petroleum Reserve Alaska, and the Central North Slope. Dr. Hite cited to a number of sources to support his testimony, including a federal evaluation and assessment of oil resources in Arctic Alaska that estimates there are potentially 30.85 billion barrels of economically recoverable oil available for shipment down TAPS.[336]

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[334] Tr. 1243-45 (Baldridge).

[335] Tr. 5797 (Karlik); Tr. 3860-62 (Ellwood); Tr. 4165 (Tise); Tr. 4471-72 (Steindorff).

[336] Tr. 9613-26 (Hite); MUN7-001 at 4226.

217. Dr. Hite persuasively testified that if production within the National Petroleum Reserve-Alaska, the Chukchi Sea, and the Beaufort Sea were brought online, ANS production could total 1.5 million bbl/d.[337]

218. Although the potential recoverable oil reserves identified by Dr. Hite are not proven reserves, Dr. Hite's testimony is relevant in determining TAPS' utility and what constitutes an appropriate replacement property that is reflective of TAPS' utility. This is best reflected by the fact that the TAPS Owners are maintaining upward scalability of TAPS so as to be able to transport increased throughputs.

219. Stantec's pump station design is based on the assumption that the throughput rates during the lien years are the maximum throughputs.[338] The Owners' hydraulics expert Mr. Pietsch indicated that his 1.1 million bbl/d simulations for the Stantec RCN "were not the design plan rates. They were what I would call a maximum capacity test."[339] Mr. Pietsch added, "To me, maximum capacity is the highest...the system can flow at."[340]

220. Mr. Pietsch also performed a tank utilization study for the VMT, but testified that the maximum volume he used to determine tank utilization was 739,000 bbl/d.[341]

221. This Court finds that for the purposes of determining TAPS' value under the RCNLD method, a proposed replacement pipeline (before depreciation) must have an upward and downward flexibility to transport levels of throughput that is similar to the existing pipeline. Stantec's design significantly narrows the broad range of operating

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[337] Tr. 9629-31(Hite).

[338] Tr. 5317 (Pietsch) (Stantec pipeline could not transport 2.1 million bbl/d; "It is designed for the throughputs that are used for each tax year.")

[339] Tr. 1957 (Pietsch).

[340] Tr. 1957 (Pietsch).

[341] Tr. 2123-25 (Pietsch).

capacities and conditions of the current TAPS, and thus does not have flexibility in throughput levels that is similar to the current TAPS.[342] It is not of similar quality and like utility to the existing TAPS.

c. Appraisal Theory

222. Under the cost approach, the goal is to estimate the cost of a new property with equal utility to the subject property, not a new plant with new utility.[343] When as a factual matter, the physical plant, the capacity, the operations, and the capabilities of a hypothetical plant are different from the subject property, it does not give sufficient guidance on how to value the existing subject property.[344] This is particularly true where the components of the subject property all contribute to the value of the property.

223. Other tribunals have found that a substitute property cannot be so dissimilar from the asset being valued that it does not represent a reasonable substitute. For example, in *American Crystal Sugar Company v. County of Polk,* the Minnesota Tax Regulation Division addressed whether it was proper appraisal practice under the cost approach to rely upon a cost study utilizing a hypothetical property with a substantially different design and capacity.[345] The taxpayer argued that if the property were replaced, the building would be vastly different, but its expert appraiser could not identify any current

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[342] Tr. 6453-54 (Hisey); Tr. 8108-16 (Modisette).

[343] *The Appraisal of Real Estate* at 385; *Valuing Machinery and Equipment* at 44; Tr. 580 (Remsha); *American Crystal Sugar Co. v. County of Polk*, 2009 WL 2431376 at 21 (Minn. Tax Regular Div. 2009); *Fire Ins. Exch. v. Superior Court of Los Angeles*, 10 Cal. Rptr. 3d 617, 635 (Cal. App. 2d 2004); *Xerox Corp. v. Board of County Commissioners*, 87 P.3d 189, 192 (Colo. Ct. App. 2003) (holding that the cost approach is essentially an estimate of the cost of replacing the subject property with a new property that is equivalent in function and utility).

[344] *American Crystal Sugar Co. v. County of Polk*, 2009 WL 2431376 at 21 (Minn. Tax Regular Div. 2009).

[345] 2009 WL 2431376 at 18 (Minn. Tax Regular Div. 2009).

sugar beet plant that incorporated all of the modern design features that he proposed.[346]

The Minnesota tax division found that:

> As a factual matter, under the Petitioner's cost approach, the physical plant, the capacity, the operations and the capabilities of the hypothetical plant are completely different [than what exists]. While the hypothetical plant may be an ideal standard, it does not give us sufficient guidance in how to value [the existing property] as it stands.[347]

The tax division further explained:

> Under the cost approach we seek to value the building of a new plant with equal utility, not new utility. This would be like asking an appraiser to value a modest three bedroom house and getting back an appraisal on a ten bedroom mansion because that is what the owner would really want to build.[348]

Like the taxpayer in *American Crystal Sugar Company v. County of Polk,* the Owners' cost study is based on a hypothetical property that has very different capacity, operations, and capabilities than what currently exists on TAPS.

224. The Ohio Tax Board in *General Motors v. Cuyahoga County Board of Revision* reached a similar conclusion:

> Appellant has failed to demonstrate that its theoretical Greenfield model is, in fact, an "equal" substitute for this facility. Its characteristics vary substantially. It is much smaller. This, in our view, limits its flexibility for adaptation of other uses. It is less likely to be adaptable to shifts in future production requirements because of this limited size. Less space is available for storage or other ancillary needs. Its utility is not "equivalent."[349]

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[346] 2009 WL 2431376 at 18 (Minn. Tax Regular Div. 2009).

[347] 2009 WL 2431376 at 19 (Minn. Tax Regular Div. 2009).

[348] 2009 WL 2431376 at 19 (Minn. Tax Regular Div. 2009).

[349] *General Motors v. Cuyahoga County Board of Revision,* 1995 WL 38387 *13 (Ohio Bd. Tx. App. 1995).

225. The Owners have referenced *Chevron U.S.A., Inc. v. City of Perth Amboy*[350] and assert that it is more on point than *American Crystal*. The Perth Amboy refinery was a fully integrated crude oil refinery until mid-1983 with a rated capacity of 168,000 bbl/d that processed a range of crude oils and produced a range of finished products.[351] After mid-1983, it became a 60,000 bbl/d refinery of heavy crude producing only one product: asphalt.[352] The New Jersey Tax Court held in 1988 that the property was correctly valued as an asphalt plant, as it could not return to full operations without a substantial investment – at a minimum, approximately $80 to $100 million.[353]

226. Unlike the Perth Amboy refinery, which had been an asphalt plant for five years at the time of the Tax Court's decision, TAPS' capacity and utility are unchanged – it is not currently a 30-inch, high pressure pipeline on mono-pile VSMs with freestanding thermosyphons.

227. A replacement property that does not incorporate all of the utility of the existing facility assumes that market participants do not place a value on all of the capabilities of the existing facility. But here, the evidence persuasively demonstrates that value has been placed on all of the capabilities of the existing facility including the ability of the 48-inch pipe to transport up to 2.1 million bbl/d of throughput. In effect, the Owners would redefine the subject property which is TAPS to instead constitute a pipeline that only transports the current throughput, with limited upward scalability. In this Court's view, such an approach is

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[350] 10 N.J. Tax 114 (N.J. Tax Ct. 1988), *superseded by Chevron U.S.A. v. City of Perth Amboy*, 11 N.J. Tax 480 (N.J. Super. App. Div 1989).

[351] *Perth Amboy*, 10 N.J. Tax at 118.

[352] *Perth Amboy*, 10 N.J. Tax at 118.

[353] *Perth Amboy*, 10 N.J. Tax at 147.

inconsistent with appraisal theory and would result in a fundamentally improper valuation of TAPS. Instead, under appraisal theory, the statute's directive to accord "due regard" to the proven reserves and the current throughput should be addressed in the context of depreciation, and specifically economic obsolescence, of the subject pipeline.

228. Mr. Greeley, the State Assessor, testified that he had no specific knowledge of any cross-country pipeline in Alaska being valued by the Department based on a replacement cost new redesign that used a different diameter pipe than existed in the subject property.[354]

229. AS 43.56.060(e) directs that a pipeline be assessed "with due regard to the economic value of the property based on the estimated life of the proven reserves."[355] Under standard appraisal theory, this statutory language does not warrant nor require that the existing property's upward scalability be ignored.[356] Rather, the RCN should be based upon TAPS' actual design capacity. The fact that TAPS has upward scalability to carry throughputs of up to 2.1 million bbl/d enhances the pipeline's value. The Stantec design does not adequately incorporate this upward scalability.

d. The Stantec Design Is Unproven and Unknown

230. For many of the same reasons that this Court concluded that the Stantec design is not of similar quality and like utility to TAPS, the Court was not persuaded that the Stantec 30-inch pipeline design is physically possible and capable of being safely and effectively operated. The Stantec hypothetical 30-inch pipeline is, in part, based upon the

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[354] Tr. 6851-52 (Greeley). *See also* Tr. 12679 (Greeley); Tr. 6905 (Goodwin) (testifying that common carrier pipelines in Alaska are not valued based on redesign studies).

[355] AS 43.56.060(e)(2) (emphasis added).

[356] *See generally Valuing Machinery and Equipment* at 99-100.

application of design criteria that are unproven for cross-country pipelines, including its high pressure and its mono-pile VSMs without internal or integrated thermosyphons.[357]

231. A proposed replacement property should actually exist or be based on a proven design and technology for a particular environment, rather than based on an untested concept that does not have the same capability or utility as the existing subject property.[358] This Court found Mr. Connolly's testimony regarding this topic to be particularly persuasive.[359]

232. When Stantec decided to use a 30-inch pipe for their cost estimate, they gave no consideration to a 1.1 million bbl/d throughput capacity.[360] That higher capacity was added several months later.[361]

233. Stantec uses six pump stations for its 2007 RCN, based on a design capacity of 900,000 bbl/d. It has five pump stations at the 750,000 bbl/d case for 2009.[362] To transport 1.1 million bbl/d, Stantec adds a seventh operating station.[363] This variation in pump stations for different throughputs is an indication that the Stantec design has minimal flexibility.[364] Mr. Hisey testified, "The 30-inch line that's running at or near its maximum design capacity, in my mind, wouldn't have much flexibility left. There wouldn't be much

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[357] Tr. 4646-48 (Steindorff).

[358] Tr. 998-1003 (Connolly); *American Crystal Sugar Co. v. County of Polk*, 2009 WL 2431376 at 19 (Minn. Tax Regular Div. 2009).

[359] Tr. 999-1003 (Connolly).

[360] Tr. 3308-09 (Fiske).

[361] Tr. 8081-85, 8098-8100, 8111-12 (Modisette).

[362] Tr. 4472-73 (Steindorff). The 800,000 case for 2008 is also six pumps. Tr. 4472 (Steindorff); Tr. 5317 (Rein).

[363] Tr. 4472 (Steindorff).

[364] Tr. 4472-77 (Steindorff)

room for error. There wouldn't be much room for catch-up, either on day-to-day basis or a long-term basis."[365]

234. The Stantec design as proposed requires 80% drag reduction from DRA in order to be able to transport 1.1 million bbl/d.[366] Mr. Pietsch's initial simulation in November 2009 based on a lower design capacity assumed 50%-65% drag reduction was reasonable. But in December 2010, Mr. Pietsch increased that to 80% drag reduction after acknowledging that there was not enough horsepower in the pumps to transport 1.1 million bbl/d if only 65% drag reduction was achieved.[367]

235. Mr. Pietsch utilized 80% drag reduction in his 1.1 million bbl/d simulation but acknowledged that he does not know of any other cross-country crude oil pipeline that operates with over 50% drag reduction effectiveness.[368] Although Mr. Pietsch had authored papers on DRA reduction, he was not aware of any published literature using that high of a level of drag reduction.[369] The maximum DRA reduction that he has ever seen for a crude oil pipeline was a simulation of the original TAPS Legacy pumps at 60%.[370]

236. Stantec relied on a promotional ConocoPhillips web page regarding a DRA product that indicated an 80% drag reduction could be attained. But the 80% drag reduction advertised on the web page is for an unspecified light crude and does not indicate pipe diameter or velocity (both of which could affect DRA performance).[371]

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[365] Tr. 4960 (Hisey).

[366] Tr. 2076-81 (Pietsch); Tr. 5148-49 (Riordan); Tr. 8078-80 (Modisette); Tr. 3865-66 (Ellwood), Tr. 4492-94 (Steindorff).

[367] Tr. 2076-79 (Pietsch); Tr. 8078-80 (Modisette).

[368] Tr. 2079 (Pietsch).

[369] Tr. 2079 (Pietsch).

[370] Tr. 2080 (Pietsch).

[371] Tr. 8103-07 (Modisette).

237. Dr. Modisette persuasively testified that there would be significant degradation of the DRA in the Stantec pipeline caused by the shear stress at the wall due to the higher flow velocity in the 30-inch pipeline.[372]

238. This Court was not persuaded that the requisite levels of drag reduction could be achieved on the Stantec pipeline.

239. Mr. Steindorff and Mr. Ellwood relied upon exhibit MUN7-1182, which lists seven pipelines with flow rates between 450,000 bbl/d and 1.0 million bbl/d, to support their opinion that the Stantec 30-inch pipeline design cannot effectively transport the actual throughputs during the lien years or the design criteria for TAPS.[373] All of these pipelines have a larger diameter than the Stantec pipeline. Consistent with these findings, several witnesses testified that they do not know of a 30-inch pipeline anywhere in the world today that operates in excess of 500,000 bbl/d.[374]

240. Mr. Pietsch acknowledged that he has never simulated a 30-inch diameter pipeline that was actually constructed in which the design capacity was 1.1 million bbl/d, 900,000 bbl/d or 700,000 bbl/d.[375] He has never before simulated a 30-inch crude oil pipeline that had one half the 1.1 million bbl/d flow rate of what he simulated in this case – i.e. 550,000.[376] Further, Mr. Pietsch did not know of a 30-inch crude oil pipeline anywhere in

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[372] Tr. 8113-14 (Modisette).

[373] Tr. 6664-65 (Ellwood) (testifying that he relied upon exhibits MUN7-1196 to MUN7-1199, which include the underlying data for MUN7-1182); Tr. 4454-55 (Steindorff).

[374] Tr. 3203 (Carson), Tr. 6895 (Greeley); Tr. 2029-30 (Pietsch); Tr. 6665 (Ellwood); Tr. 12500 (Remsha). *See also* Tr. 5297 (Rein) (testifying that he is not aware of a similar pipeline anywhere in North America or the world similar to the Stantec pipeline design).

[375] Tr. 2029, 2072 (Pietsch).

[376] Tr. 2029, 2031-32 (Pietsch).

the world that was operating at 1.1 million bbl/d.[377] And he acknowledged that Stantec's ability to transport any throughput above 1.1 million bbl/d would be very limited.[378]

241. Mr. Pietsch also indicated that he had not done a simulation to show that the Stantec Valdez Terminal could operate at 1.1 million bbl/d.[379]

242. Many of the Owners' witnesses expressed absolute confidence in the design of the Stantec RCN. But this Court was left unpersuaded that the high level of confidence that was expressed was supported by the evidence. In this regard, the Court notes that the very high level of confidence with the 30-inch Stantec design was in direct contrast to the markedly pessimistic testimony by the Owners' witnesses about the ability of TAPS to operate below 300,000 bbl/d.

243. The Owners failed to persuade this Court that the Stantec design could operate as designed. Rather, this Court finds its design is unproven and unknown.[380]

e. The Stantec Design Does Not Capture All Costs

244. An RCN cost estimate should include all of the indirect and direct costs necessary to actually engineer and construct the replacement property. This Court was not persuaded that the Stantec RCN adequately captured all those costs. To cite one example, Stantec's study is not close to final bid, yet it has a contingency of less than 4%.

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[377] Tr. 2029-30 (Pietsch).

[378] Tr. 2086 (Pietsch)

[379] Tr. 2093 (Pietsch).

[380] Tr. 11541 (Hoffbeck).

f. The Stantec Design Does Not Permit Adequate Quantification of Obsolescence

245. This Court finds that using an RCN with a smaller design capacity in order to take into account the obsolescence inherent in a subject property which is not using all of its capacity would result in over-counting of depreciation if that same obsolescence is also deducted from the reduced sized RCN in the depreciation stage of the cost analysis.[381]

246. Additionally, adopting an RCN that is markedly dissimilar to the actual property being assessed and is instead designed based only on projected throughputs during each lien year would substantially increase the costs associated with determining the value of TAPS each year, since such an approach would likely require a new RCN each year with each increase or decrease in the throughput. In this regard, Mr. Hoffbeck's explanation of Mr. Treadwell's analysis is persuasive: the complications associated with a property redesign for a replacement cost study should be avoided. Instead, any obsolescence in the subject property may and should be cured with obsolescence adjustments to an RCN of similar quality and like utility to the subject property.[382]

247. The Stantec team has had extensive experience working in Alaska and other cold climates, as well as with Alyeska. Overall, this Court finds that the team effectively and capably undertook the task they were charged to undertake – to design a pipeline that appears to meet the minimum operating standards possible for crude oil transportation at the lowest cost, based on a design capacity determined from average daily throughput for each of the lien years. But, as explained in the above findings, that hypothetical pipeline is not an appropriate RCN to use to determine the assessed value of TAPS.

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[381] Tr. 11543-54 (Hoffbeck).

[382] Tr. 1056 (Hoffbeck).

248. Alyeska employee Joe Riordan's loyalty and commitment to his employer was established beyond a reasonable doubt. And Mr. Riordan was very helpful to this Court in explaining some of the fundamentals of pipeline design and operations. And yet Mr. Riordan played a very active role in the development of the Stantec cost study. Indeed, he described himself as the "director" over the "cast" of experts for the Stantec RCN.[383] This Court finds it more likely than not that Mr. Riordan's extensive involvement in many aspects of the Stantec RCN constrained the experts from forming independent opinions and resulted in an effort to minimize the overall cost of the Stantec RCN even if not technologically justifiable.

249. Stantec's RCN uses a 30-inch pipeline with physical properties, operations, design capacity, and capabilities that are completely different from the existing TAPS. It so deviates from the existing TAPS that it can not serve as a reasonable proxy in a replacement cost new study. In addition, its unproven design, including its high operating pressures, high velocities, high operating costs, and design issues related to the VSMs and freestanding thermosyphons make it more likely than not that such a pipeline would never be built – which is perhaps best demonstrated by the fact that there is no existing pipeline in the world that bears any reasonable approximation to the Stantec design.

250. For the above-stated reasons, the Court finds that Stantec's 30-inch pipeline is not an appropriate replacement pipeline to use as the basis for the application of the cost approach.

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[383] Tr. 1557, 1562 (Riordan).

3. The Pro Plus RCN

a. The Pro Plus Experts

251. The Pro Plus replacement cost estimate was prepared by pipeline and marine terminal engineers, contractors, and cost estimators with extensive experience, including engineer Gerald Steindorff, pipeline design expert John Ellwood, estimating and construction specialists Earl Tise and M. Kieth Phillips, and engineers Stan Lloyd and Jerry Baker, who specialize in marine facilities.[384] Each witness's qualifications were discussed on record in detail.

252. The Pro Plus experts have a combined total of over 250 years of hands-on experience in engineering, project management, estimating, and construction of pipelines and terminal facilities.[385] They have collectively estimated, managed and constructed several thousands of miles of cross-country pipeline in rugged terrain.[386] With the exception of Mr. Baker, all of the Pro Plus experts testified before this Court. Mr. Phillips testified by perpetuated video deposition.

253. In addition, Dr. Jerry Modisette conducted hydraulic modeling to analyze the viability of the Pro Plus and Stantec pipeline designs. Dr. Mark Cronshaw addressed the RCN contingencies.

b. The Pro Plus Design

254. The Pro Plus design is a 48-inch diameter pipeline that is of similar quality and like utility to the existing TAPS.

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[384] Phillips Dep. 28.

[385] Tr. 4459-60 (Steindorff); Tr. 4076 (Ellwood).

[386] *See* Tr. 4080-8 (Tise); Tr. 3688-96, Tr. 3701 (Ellwood); Tr. 4460 (Steindorff); Phillips Dep. 71 (Aug. 22, 2011).

255. Pro Plus states that its design basis is 1.1 million bbl/d with upward scalability.[387] This is essentially the same design basis as the existing TAPS pumps.[388] But this Court finds that the Pro Plus 48-inch mainline pipe and VMT are comparable to the design capacity of the existing TAPS, which is 1.42 million bbl/d.[389]

256. Pro Plus's dual-pile VSM design is identical to the existing pilings and provides the necessary level of safety and protection against thawing of the permafrost as the existing facility.[390] Pro Plus spaces the VSMs at approximately 60 foot intervals, per DB-180 requirements.[391]

257. Pro Plus used floating roof tanks instead of the existing fixed roof tanks at the VMT. This Court finds that the Pro Plus VMT design is of similar quality and like utility to the existing TAPS.

258. Like TAPS, Pro Plus's pumps have three trains installed side by side, one pump per train.[392] The pumps are in parallel operation.[393] Pro Plus's operating stations each have the same installed horsepower as on the TAPS SR pumps.[394] However, Pro Plus has five operating stations, whereas the existing TAPS has four that have or will get the new SR pumps. Like the TAPS' SR pumps, the Pro Plus pumps have variable speed drive.[395]

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[387] MUN7-0008 at 10.

[388] MUN7-9023 at 239; MUN7-1506 at 11, 13; MUN7-1553 at 6.

[389] MUN7-0215.; Tr. 3716 (Ellwood); Tr. 2731 (Falcone); Tr. 7139-40 (Ray); MUN7-1137; MUN7-1553 at 6-7; MUN7-1182.

[390] Tr. 3721 (Ellwood).

[391] Tr. 4500-02 (Steindorff); MUN7-9023 at 72; MUN7-0008 at 15. *See also* Tr. 3128-29 (Meyer).

[392] Tr. 4474 (Steindorff); Tr. 8085 (Modisette).

[393] Tr. 4474 (Steindorff).

[394] Tr. 4472 (Steindorff).

[395] Tr. 4472 (Steindorff).

Like TAPS, at each station, Pro Plus has three 6500-horsepower units. At lower throughputs, one set of pumps is unnecessary and serves as a spare.[396]

259. Pro Plus uses a granular work pad along most of the length of the pipeline.[397] A granular work pad provides the ability to work in multiple seasons, reduces the risk of non-completion, and provides summer access for continued maintenance of TAPS and contingency purposes.[398] Mr. Baldridge, an Alyeska employee, testified to the utility and benefit of TAPS having the current work pad.[399] The Court finds that Pro Plus's use of granular work pads is reasonable, and that the continued benefit of the existing work pads on TAPS would not be captured in an RCN of TAPS that used predominantly ice roads.

260. Pro Plus used the existing route of TAPS with some minor realignments – about three tenths of a mile – to facilitate directional drilling at some of the river crossings and in the Fairbanks area to avoid the buildup area that did not exist when the original route was selected.[400] The Court finds that Pro Plus's route has the same utility as the current route and the slight deviations are reasonable.

261. The Owners established that Pro Plus's estimate did not include all of the essential components for a pipeline from PS 1 to Valdez – for example, the Pro Plus estimate did not include safety flares at PS 1.[401] But the goal of an RCN estimate is for

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[396] Tr. 4472-73 (Steindorff); Tr. 8085 (Modisette).

[397] Tr. 3862-63 (Ellwood).

[398] Tr. 1243-45 (Baldridge); 3862-63 (Ellwood).

[399] Tr. 1243-45 (Baldridge); 3862-63 (Ellwood).

[400] Tr. 3719-20, 3861 (Ellwood); Tr. 4471, 4512 (Steindorff).

[401] Tr. 1595 (Riordan).

comparison purposes to an existing property. It is not intended to be a fully detailed, comprehensive cost estimate.

c. The Pro Plus Cost Estimate

i. Direct Costs

262. In preparing pipeline construction estimates, costs are identified as direct and indirect. The Pro Plus estimate categorizes the following direct costs: Survey, Pipeline Material, Pipeline Installation, Pump Station Facilities, Pump Station Installation, Meter Station Facilities, Meter Station Installation, Valdez Marine Terminal, and Pipeline Systems.[402] Pro Plus estimated the direct costs at $11.4 billion for 2007, $12.5 billion for 2008, and $12.4 billion for 2009.[403]

a) Pipeline Materials

263. The Pro Plus RCN utilizes many of the original quantities for TAPS to determine the necessary pipeline material. Pipe diameter, wall thickness, grade, and lengths used are those described in the "Alyeska Facts" booklet.[404] The line pipe estimate includes the 48-inch pipe used to transport crude oil, the 8-inch and 10-inch pipe used to transport fuel gas, and the 18-inch pipe used for the VSM:

> [W]e have carefully reviewed these quantities, sizes, etc. and have concluded they are still the most appropriate for the 1.1 million barrel per day design flow used as the basis for the RCN estimates. Maintaining the pipe diameter, wall thickness, etc. the same as the original design should not be confused with the use of modern versus 1970's materials. The estimated costs presented herein are based on up to date material specifications, steel pipe manufacturing process, coatings, welding processes, etc. Utilizing the same diameter and wall thickness for the pipe provides the same functionality as the

[402] MUN7-0008 at 1628; Tr. 3726-27 (Ellwood); Tr. 4634-35 (Steindorff).

[403] MUN7-0008 at 1628.

[404] MUN7-1103.

> existing facilities while minimizing costs through use of modern materials and construction methods.[405]

The Alyeska Facts book is updated regularly and contains one of the best public sources of the actual materials in place on TAPS.

264. The Pro Plus team then developed C-plans, which Mr. Ellwood and Mr. Tise explained are used to generate "a take-off of things that needed to be included in the [Pro Plus] estimate," such as the contours and grades of the terrain, the number of flume pipes, the river and road crossings, and the placement of valves.[406] As an example, referencing Aerial Maps 27 and 28 of the C-Plans, Mr. Tise testified:

> I used that to indicate that we left the pipeline above ground at mile 12 1/2; and if you will look at Aerial Map 28, you will see that below mile 53 – in fact, I think we carried it as 53 1/2. But you will notice that the pipelines come from belowground to above ground. So it's been 40 miles of pipe belowground.[407]

265. After some study, Pro Plus adopted the above and below ground configurations on the existing TAPS.[408] Mr. Tise calculated the number of miles of above and below ground pipe for each section, indicating the mile where the pipe transitions from above to below ground,[409] then used the Alyeska Atlas to verify his takeoffs.[410]

266. For the VSMs, Mr. Ellwood and Mr. Steindorff testified that they used information provided by the Joint Pipeline Office ("JPO") to determine the amount of steel

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[405] MUN7-0008 at 14.

[406] Tr. 3743-44; 3791 (Ellwood); Tr. 4117-38 (Tise) MUN7-1100.

[407] Tr. 4133 (Tise); MUN7-1100 at 155.

[408] MUN7-0008 at 9; Tr. 4133-34 (Tise)

[409] Tr. 4145 (Tise); Tr. 4449 (Steindorff); MUN7-1113 at 6-9.

[410] Tr. 4133, 4145-46; MUN7-1101.

needed for the VSMs and then calculated the weight of that steel and obtained budgetary quotes to fabricate the VSMs.[411]

267. Pro Plus utilized the same grade of line pipe as the existing TAPS – X-65 and X-70, with wall thicknesses of .462 inches and .562 inches.[412]

268. The Owners critiqued Pro Plus's choice of X-65 and X-70 grade steel instead of the X-80 grade that was used in the Stantec cost estimate.[413] X-80 grade has a greater yield strength and would have been necessary for the higher pressure on Stantec's 30-inch pipe.[414] But Mr. Steindorff persuasively testified that X-65 and X-70 grade steel are the most appropriate and most economical choice for the 48-inch pipeline.[415] A thinner, higher grade pipe could cause problems with the 48" pipe such as ovality, buckling and bending.[416] The evidence also demonstrates that X-65 and X-70 are commonly used steel strengths in modern pipelines.[417]

269. Mr. Steindorff provided a detailed explanation on how Pro Plus derived the materials costs of its 48-inch mainline pipe.[418] Pro Plus estimates that a 48-inch mainline pipe would cost $1,791 per ton for 2007, $2,548 for 2008, and $2,033 per ton for 2009.[419]

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[411] Tr. 3798, 3869-70 (Ellwood); Tr. 4449 (Steindorff); MUN7-1109. Pro Plus had this information regarding the steel members before the 2006 ad valorem tax matter and it was incorporated into the study presented to this Court. Tr. 3870 (Ellwood).

[412] Tr. 3716-17 (Ellwood); Tr. 4509-12 (Steindorff).

[413] Tr. 5090-92 (Riordan).

[414] Tr. 1589 (Riordan); Tr. 2953 (Ziehr).

[415] Tr. 4511-12, 6618-19 (Steindorff). *See also* Tr. 3716:16-17, 3892-94 (Ellwood).

[416] Tr. 3716-17 (Ellwood); Tr. 4509-12 (Steindorff).

[417] *See e.g.*, Tr. 5449 (Jens); Tr. 6499-6500 (Tise); Tr. 6534-35 (Tise).

[418] Tr. 6599-6602 (Steindorff).

[419] Tr. 6599 (Steindorff); MUN7-0008 at 44, 575, 1107.

Pro Plus solicited quotes directly from several North American mills (rather than obtaining them as Michels Canada did from pipeline distributors for Stantec).[420]

270. Logistically, Pro Plus railed the pipe to Seattle for transport by barge and rail to Valdez and Fairbanks to double-jointing yards.[421] From the double-jointing yards, the pipe would be trucked to stockpiles along the right-of-way for use by the pipeline contractor.[422]

271. At trial, Pro Plus indicated that its materials estimates should not have included a line item for insulation of the work pad, which they had estimated at approximately $34 million per year.[423]

b) Pipeline Installation

272. Pro Plus relied upon numerous documents to determine the costs for the pipeline installation, together with their expertise and experience. These documents included the Alyeska Contingency Plan ("C-Plan") drawings, Alyeska Facts booklet, TAPS ROW Map Atlas, Google Earth, and the Alyeska alignment sheets (G-100 Drawings).[424]

273. The Owners' experts particularly criticized Pro Plus's productivity rates, labor rates, and equipment rates.

274. Productivity rates can be impacted by several factors, including weather, terrain, time of year, start and completion dates, environmental restrictions, contractor availability, and the availability of labor and equipment.[425]

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[420] Tr. 6599-6600 (Steindorff) (relying on MUN7-1105).

[421] Tr. 6600 (Steindorff); MUN7-1106 at 1-4.

[422] Tr. 6600 (Steindorff); MUN7-1106.

[423] *See, e.g.* MUN7-0008 at 1107.

[424] Tr. 3792-93 (Ellwood); Tr. 3793-94 (Ellwood); Tr. 4117-18 (Tise); MUN7-1100; MUN7-1101; MUN7-1103.

[425] Phillips Dep. 37, 39, 40, 43, 44, 46, 47, 51, 52.

275. Mr. Tise discussed in detail how March Charts and crew-up sheets were created and utilized by Pro Plus to determine pipeline installation costs.[426] He explained how the C-Plans assisted in the determination of the progress rate in each section. For example, utilizing page 125 of the C-Plans,[427] Mr. Tise stated:

> [i]f you can look at the contours, you can see how close they are together, being in that section, it's going uphill from just below Pump Station 12. And from experience, I know that those grades are 30 percent to 70 percent; and I know that they were also – more than half of them were rock. So that helped in crewing-up, seeing how much progress we could get. And then if you look above Pump Station 12, you notice that it's flat. So we have designations from flat to mountain, of about six of them, that just increase in the degree of difficulty ... This section was about 147 miles. And we came up with how much of it was flat, how much of it was rolling, and so forth to come up with progress rates.[428]

276. The Owners' experts argue that Pro Plus's productivity rates for welding are too low, and therefore affect the overall construction schedule. However, based on the evidence presented, this Court finds that the welding rates do not control the pace of the Pro Plus RCN construction project.[429] Mr. Ellwood persuasively testified that "[i]n a pipeline job, the whole operation must move only as fast as the slowest crew. And in our view, what we call putting the pipe in the ditch or, in this case on the VSMs, in places will control the pace for the most of this project."[430]

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[426] Tr. 4147-50, 6529-30 (Tise); MUN7-1115; MUN7-1116;Phillips Dep. 23-24; Tr. 3747-48 (Ellwood); Tr. 4147-48 (Tise); Tr. 4449 (Steindorff); MUN7-1115; Phillips Dep. 23-24, 25-26, Tr. 3749-50 (Ellwood), Tr. 4147-48 (Tise); MUN7-1115.

[427] MUN7-1100.

[428] Tr. 4120-21 (Tise).

[429] Phillips Dep. 37-39; Tr. 3740 (Ellwood).

[430] Tr. 3740 (Ellwood).

277. In determining the productivity rate, Pro Plus also considered the shortage of pipeliners during the lien years due to extensive pipeline construction activity in the United States during that time.[431] Given that shortage and the remote and isolated location of Alaska, Mr. Tise testified that in the lien years,

> [y]ou're not going to get the A team and you're not going to get the B team; they're all already working ... the journeymen hours are for those three years [It's] more than any three-year – back ... to 1965. Even including the years that [TAPS] was being built, you've already exceeded the man-hours for those years by about 300 percent ....[432]

278. In addition, Pro Plus took into account that 420 miles of the pipeline will be above-ground and that those portions will take longer to install because the pipe has to fit into all the VSM supports through challenging terrain.

279. Regardless of what work sets the pace for the pipeline construction, this Court finds that Pro Plus's overall welding rates are reasonable.[433] Pro Plus estimates approximately 50 joints per day.[434] As Mr. Phillips explained, the welders will have to achieve 75 joints on some days in order to achieve an average of 50 joints per day because there will be days in which none or very little welding is achieved due to weather, delays in the other crews, or equipment failures.[435]

280. Pro Plus's estimate includes the cost of automatic welding for sections 1, 3, 4, and 5 and manual welding for sections 2 and 6.[436] Pro Plus assumed that because manual

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[431] Phillips Dep. 39-42.

[432] Tr. 4168 (Tise). *See also* Phillips Dep. 39-42 (relying on MUN7-1201 (Hours Worked in the Pipeline Industry, Historical (Cash) Based (1965-2011)).

[433] *See* Tr. 4152-56 (Tise); Phillips Dep. 63-64.

[434] Phillips Dep. 52-53.

[435] Phillip Dep. 52-54.

[436] Phillips Dep. 56-57, 62; Tr. 4462 (Steindorff).

welding would be needed in difficult constructions areas in sections 2 and 6 -- specifically in Atigun Pass and Thompson Pass[437] -- manual welding should be used in each of those entire sections.

281. This Court found the Owners' critique on this issue persuasive. That is, this Court was unpersuaded that because of the challenges presented by Atigun Pass and Thompson Pass, the entire two spreads that encompassed those passes should be manually welded.[438] But overall, this Court finds that Pro Plus's productivity rates are reasonable.

282. The majority of the experts acknowledged that the owners, contractors, and unions would negotiate and enter into a project labor agreement for the construction of a pipeline system and marine terminal of the length, size, and complexity of TAPS.[439] Mr. Ellwood persuasively testified that before committing the billions of dollars needed to build a pipeline, a project labor agreement would be needed to provide some certainty to the labor situation.[440]

283. An owner that was contemplating the building of a new TAPS would want to assure predictability, labor certainty, and a "no-strike" condition to assure the completion of the project.[441] Contractors would need to know the rates they would have to pay their labor

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[437] Tr. 4462-63 (Steindorff).

[438] Phillips Dep. 59-60.

[439] Tr. 3751 (Ellwood); Phillips Dep. 73-74; Tr. 2994 (Ziehr); Tr. 5427 (Jens); Tr. 6159 (Bock); Tr. 5656 (Sherman); Tr. 5801 (Karlik); Tr. 4938 (Dotson) (indirectly); TO-07-0021 at 0700; Tr. 4427 (Steindorff).

[440] Tr. 3751 (Ellwood).

[441] Phillips Dep. 86; Tr. 3751 (Ellwood).

force prior to bidding the project. The unions would want to ensure their members obtain adequate wages, benefits, and living and working conditions.[442]

284. This Court finds that the evidence persuasively showed that a labor agreement for constructing TAPS would start with the Pipe Line Contractors Association ("PLCA").[443] The PLCA negotiates wages, benefits, working conditions, and other terms with the four main pipeline trades (Journeyman, Laborers, Teamsters, and Operators) and publishes the labor rates for each state annually.[444] However, no labor rate has been published by the PLCA for Alaska during the years at issue in this litigation.[445]

285. Pro Plus's estimate tries to determine what the outcome of the PLCA negotiation would have been.[446] Pro Plus did not call any local Alaska labor unions to determine their current rates, even for those trades that are not covered by the PLCA.[447] Labor rates from local unions typically are lower than PLCA rates.[448]

286. Pro Plus's estimate assumes that all workers doing similar work will be paid the same regardless of the location of their assignments.[449] For example, Pro Plus assumes that a crane operator working on the pipeline and a crane operator working at the VMT would both receive the same wages because the project labor agreement would be negotiated to cover all workers. At least with respect to work at the VMT, this Court was not

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[442] Tr. 3751-53 (Ellwood).

[443] Phillips Dep. 73-74; Tr. 3751-52 (Ellwood); Tr. 2994 (Ziehr); Tr. 4938 (Dotson); TO-07-0021 at 0700; Tr. 4494-95 (Steindorff); Tr. 5656 (Sherman).

[444] Phillips Dep. 12-13, 73-74; Tr. 3752 (Ellwood), 4143 (Tise); MUN7-1117 at 8-9.

[445] Tr. 3754 (Ellwood).

[446] Tr. 4494-95 (Steindorff); Tr. 3752; Tr. 3754, 4033-34 (Ellwood).

[447] Tr. 4033-34 (Ellwood).

[448] Tr. 4497 (Steindorff).

[449] Phillips Dep. 87-89; Tr. 4426-27 (Lloyd).

persuaded that this assumption was reasonable. Rather, more likely than not a worker who was expected to stay in camps and operate cranes at remote locations along the pipeline route would expect and obtain a higher wage than a crane operator who would be residing in Valdez for the duration of his employment on the project.

287. The Pro Plus study utilized the published PLCA rates for California for each year and added approximately 15% as a likely incentive to get workers to Alaska for the job.[450] Pro Plus also added double time for Sundays and included four hours wages per day when the worker was off-duty (paid only when the worker returned to the job).[451] Pro Plus experts testified that the remote location, the camp and weather conditions, and the worker's isolation from their families warranted these adjustments to the labor rates that would be negotiated for the construction of TAPS.[452]

288. Pro Plus did not include any per diem or welder rig rates;[453] had they done so, their estimated rates estimated would have been higher.[454]

289. Relying on a comparison of a Lower 48 journeyman rate with the Alaska journeyman rate during construction of TAPS in the 1970's, Mr. Tise noted that the increase in wages for Lower 48 journeymen working in Alaska for construction of TAPS was between 19 – 28%.[455] That range is higher than the rate utilized by Pro Plus, which added 15% to the California rates.[456]

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[450] Phillip Dep. 31-32, 73, 78-79; Tr. 3762-63 (Ellwood); Tr. 5669-70 (Sherman).

[451] Phillips Dep. 84-85; Tr. 3762-63 (Ellwood).

[452] Phillip Dep. 31-32, 73, 78-79, 84-85.

[453] *Cf.* TO-07-0044 at 0068.

[454] Phillips Dep. 81-82.

[455] Tr. 4141-42 (Tise); MUN7-1117 at 3.

[456] Phillips Dep. 77-78; Tr. 3766 (Ellwood); Tr. 4140 (Tise); MUN7-117 at 8-17; MUN7-1205.

290. The Owners hired Hawk Consultants LLC ("Hawk") to critique the RCN estimate prepared by Pro Plus for the 2007 to 2009 lien years. The Hawk experts did not present a comprehensive critique of the Pro Plus estimate, but only looked at certain limited topics. And each Hawk expert only reviewed his assigned portion of the Pro Plus estimate and did not read any depositions of Pro Plus experts or their transcripts either before this Court in the 2006 litigation or before SARB in 2009, 2010, or 2011.[457]

291. Jeff Sherman was one member of the Hawk team who looked at labor rates. Of note, Mr. Sherman's overall production cost per mile for the welding crew (which would have necessarily included all of those factors) was very close to that of Pro Plus's estimate.[458] Mr. Sherman calculated that the Pro Plus cost per mile for their welding crew was $98,712.[459] Hawk's cost per mile was $98,907.[460]

292. Overall, this Court finds that Pro Plus's rates for the four PLCA trades are reasonable, including its use of the California base rate with 15% markup, except that this Court was persuaded by the Owners' experts that the use of Sunday double time and compensation at the rate of four hours per day on off dates would, more likely than not, not be included within a project labor agreement.

293. Pro Plus determined the wage rates for the remaining trades and the salaried staff by adjusting from the PLCA rates. But this Court was persuaded by Mr. Sherman's testimony that the labor rates used for the non-PLCA trades and the salaried staff in the Pro Plus estimate are generally too high. While some upward adjustment to those wages from

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[457] Tr. 5637 (Sherman).

[458] Tr. 5677 (Sherman).

[459] Tr. 5676-77 (Sherman).

[460] Tr. 5676-77 (Sherman). *See also* TO-07-0044.0075; Tr. 5715-16 (Sherman).

Alaska labor rates is warranted due to the fact that a project of this magnitude will necessarily increase the cost of labor and due to the remoteness of the work, overall this Court finds that Pro Plus's adjustment overcompensated for these factors for the non-PLCA trades and the salaried staff.

294. To determine equipment rates, Pro Plus used bids from previous big-inch, cross-country pipelines information from Caterpillar Company, and prices for 2007, 2008, and 2009 from PipeLine Machinery, a pipeline rental/sales company in Houston.[461]

295. Hawk consultant witnesses criticized the Pro Plus cost estimate for having equipment on site for the full duration of the construction. Mr. Ellwood testified that it is necessary to have equipment for the duration of the project because in many of the construction sites equipment will not be available, particularly on short notice.[462] Pro Plus testified that there is a limited amount of construction equipment available for rent in Alaska. For example, Mr. Tise testified that in 2008, there was no 594 sideboom in Alaska to rent.[463] Contractors also do not want to rely upon small-scale dealers to service their needs so they will not rent locally.[464] Equipment rented out of state entails additional cost to winterize it and transfer it to Alaska.[465] But this Court was persuaded by the Hawk experts that there appears to be at least some instances where the Pro Plus estimate had included too much or too many days of equipment in its estimate.

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[461] Phillips Dep. 31, 93-98; Tr. 4162-64 (Tise); MUN7-1118.

[462] Tr. 3738 (Ellwood). *See also* Phillips Dep. 69-71.

[463] Tr. 6529 (Tise).

[464] Tr. 4024 (Ellwood).

[465] Tr. 3775 (Ellwood).

296. Pro Plus applied a mark-up of 15% of the subcontract amount for a handling fee.[466] Hawk Consultants assert that this percentage is too high.[467] This Court was persuaded that a 15% handling fee for handling the subcontracts in this case is too high, and that 10% would be a more appropriate amount -- the same amount that Pro Plus applied to owner's costs, which has somewhat comparable oversight responsibilities.

297. Mr. Tise and Mr. Steindorff provided detailed explanations on how Pro Plus derived their pipeline camp cost estimates.[468] They also explained their reliance on the budgetary quote from International Camp Sales and Services, Inc., and the additional costs that were not included in that bid such as transportation to the site, erection costs, commissioning costs, and single man sleepers.[469] While the original TAPS construction had 29 camps, Pro Plus reduced the number of camps necessary to 6 larger camps and a total of 13 camp locations. The total camp capacity is 10,750 beds.[470] Pro Plus has anticipated in its RCN that "the peak manpower will be approximately one-third of the peak manpower during the initial construction."[471]

298. While the Owners' experts from Hawk critiqued the Pro Plus pipeline camp estimates, the Stantec estimates were higher. For example, in 2009, Stantec estimated

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[466] MUN7-0008 at 95, 96.

[467] Tr. 5969 (Bock).

[468] Tr. 4158-61 (Tise); Tr. 6606-08 (Steindorff); MUN7-0008 at 737.

[469] Tr. 4937-4938 (Dotson). *See also* Tr. 4937-38 (Dotson); Tr. 4158-61 (Tise); Tr. 6606-08 (Steindorff) (relying on MUN7-1112 at 8-10).

[470] MUN7-0008 at 17. *See also* MUN7-1103 at 14.

[471] MUN7-0008 at 17

camp costs at $1.6 million,[472] while Pro Plus estimated camp costs for that year at approximately $1.4 million.[473]

299. For these reasons, the Court finds that the Pro Plus experts adequately demonstrated that their cost estimate for the pipeline camps is reasonable.

300. Pro Plus included a line item for miscellaneous expenses that will be incurred by the contractor totaling 40% of direct labor for each lien year.[474] Within the miscellaneous expenses, Pro Plus includes 20% of direct labor for small tools and consumables.[475] Mr. Phillips and Mr. Tise testified that 20% of direct labor for small tools and consumables is typical for contractors.[476] But based on the totality of the evidence presented at trial on this issue, this Court finds these amounts should be no more than 10% of direct labor. Pro Plus has also accounted for the cost of safety orientation, environmental orientation, background checks, physicals, and administrative work related to turnovers within the 40%, and Pro Plus has assumed that these costs will be 15% of direct labor costs.[477] With respect to these items, this Court also found Hawk's analysis persuasive, and concludes that these expenses should total no more than 10% of labor costs. Pro Plus also calculated that the contractors will incur 5% of direct labor costs for unscheduled overtime. But this Court finds that including this as a separate entry in addition to the 30% adjustment that Pro Plus identifies

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[472] TO-07-0025 at 0651.

[473] MUN7-0008 at 42 ($712,195,300 for camp materials) and MUN7-0008 at 204, 253, 303, 352, 401, 450 (approximately $113,000,000 for pipeline camp installation cost for spreads 1-5 and $144,000,000 for spread 6).

[474] Phillips Dep. 93-99. *See, e.g.,* MUN7-0008 at 58, 95, 114, 132, 150, 169, 186, 203.

[475] Phillips Dep. 94-97, 98.

[476] Phillips Dep. 94-95.

[477] Phillips Dep. 96-98

for "weather equipment labor" entails a significant risk of double counting.[478] With these adjustments, this Court finds that the total miscellaneous expenses should be no more than 20% of direct labor.

301. Pro Plus's estimate also includes a 30% contractor's risk for "weather equipment labor."[479] Typically this cost is embedded in the contractors' bids, and the owner does not know the exact percentage utilized in the contractor's bid.[480] In a project of this size and scope, the contractor will assume a certain amount of risk associated with weather, equipment, and labor in its bid.[481] But this Court found persuasive the Owners' assertion that Pro Plus's estimate of this amount is too high. Given the other concerns separately identified with respect to the over-estimation of equipment usage and staff and non-trade wage rates, no more than 25% should be allocated for contractor's risk in the Pro Plus bid, an amount comparable to the overall contingency that has also been included in the Pro Plus cost estimate.

c) Pump Station Facilities

302. Pro Plus's estimated costs of the pump and meter stations are based on the design specified in the "Alyeska Facts" booklet, the "Pipeline Oil Discharge Prevention and Contingency Plan" ("C-Plan"), and the Design Specification for the SR project currently being implemented, along with modern design and construction techniques common to the industry.[482] Budgetary quotes were obtained for major equipment and material.[483] For other

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[478] Phillips Dep. 96-97.

[479] Phillips Dep. 100-101.

[480] Phillips Dep. 19-22.

[481] Phillips Dep. 100-103.

[482] Tr. 4460-61 (Steindorff).

items, Pro Plus relied on estimates based on previous project experience and a historical database.[484]

303. The 2007 "Alyeska Facts" booklet states that there are six pump stations that were then currently operating: Pump Stations ("PS") 1, 3, 4, 5, 7 and 9. Of these, PS 5 is a relief station that does not contain mainline pumps.[485] PS 7 currently has the original Legacy pumps. The 2007 Facts book does not include PS 7 as one of the pump stations that is scheduled for the strategic reconfiguration (SR) pump upgrades.[486] In an order dated April 6, 2005, the RCA concluded that "pump stations 7 and 12 are no longer necessary for future TAPS operation."[487] However, PS 7 is the location of Alyeska's current recirculation project to increase the heat of the oil without the cost of acquiring a heater.[488]

304. The Pro Plus cost estimate generally follows SR and DB-180 and the SNC Lavalin Study with respect to the pumps, tanks, fuel gas line, power generation, and maintenance systems.[489] But the Pro Plus cost estimate differs by designing PS 7 to have the newer SR pumps and by adding pig launchers and receivers to further simplify pipeline operations.[490] The existing PS 7 does not contain any SR pumps as of the respective lien dates, nor is there any electric utility tie-in to PS 7.[491] Upon consideration of all the evidence, this Court finds Pro Plus's inclusion of PS 7 with SR pumps in its RCN was not

[483] Tr. 4451 (Steindorff); MUN7-1100; MUN7-1103; MUN7-1127-1131; MUN7-0008 at 23-24.

[484] MUN7-1127 to MUN7-1131.

[485] MUN7-1103 at 48. *See also* Tr. 3724 (Ellwood).

[486] MUN7-1103 at 56.

[487] MUN7-1506 at 11.

[488] Tr. 9011-13 (Modisette).

[489] Tr. 4460-61 (Steindorff).

[490] Tr. 4513 (Steindorff).

[491] Tr. 1200 (Baldridge).

unreasonable, and that the difference between the Pro Plus RCN and the existing TAPS in this regard is best addressed in determining depreciation.

305. Pro Plus's design did not include a PS 12, although that station may be necessary to the cold restart operations of TAPS. Given that TAPS has not ever used PS 12 for cold restart, the omission of this pump station from the Pro Plus RCN was reasonable. In any event, if PS 12 was required it would increase the cost of the RCN.[492]

306. Pro Plus created schematics, process flow diagrams, and conceptual layout plans for the pump station facilities.[493] The Owners' experts criticized Pro Plus for not including certain items in their process flow diagram.[494] But the process flow diagram was created to show the main flow of the crude oil; it was not intended to show auxiliary systems and minor piping.[495]

307. Owners' expert Mr. Riordan persuasively testified that the majority of the pipeline in the Pro Plus pump station was 48 inches which was unnecessary and costly.[496] Instead, smaller diameter piping can be used within the pump stations.

308. The Pro Plus installation costs of the pump stations are based on modular construction and developed utilizing the same "crew up" methodology that Pro Plus used for the pipeline installation. Mr. Ellwood and Mr. Tise persuasively testified that the "crew-up"

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[492] *See* Owners' Proposed Findings of Fact and Conclusions of Law ¶ 58. *See also* Tr. 1199-1200 (Baldridge).

[493] Tr. 3744-45; 3746 (Ellwood); Tr. 4451; MUN7-1132.

[494] Tr. 1640-43 (Riordan); Tr. 4513-16 (Steindorff).

[495] Tr. 4514 (Steindorff) (discussing MUN7-1132 at 11).

[496] Tr. 5097-99 (Riordan). *See also* Tr. 4516-17 (Steindorff). The piping into the pumps is 24 inches. Tr. 4516-17 (Steindorff); Tr. 3732 (Ellwood).

method is used by contractors for facility work because it provides detailed information, such as the equipment, manpower, and the duration required for the work.[497]

309. A comparison of Pro Plus's direct cost estimate for pump stations with Stantec's is helpful.[498] In 2007, Stantec's estimate for the direct cost of pump stations is $812,871,643 for its 900,000 bbl/d throughput design. The additional cost for the 1.1 bbl/d throughput totals $415,044,990, for a total cost of approximately $1.2 billion.[499] Pro Plus's estimate of the total direct cost for all the pump station facilities, including installation and materials, is comparable at $1.0245540 billion for the 2007 lien year.[500]

310. Apart from the concerns identified as stated above (including those identified with respect to pipeline installation that would be applicable here as well), based on the evidence presented at the de novo trial, this Court is persuaded that overall Pro Plus's cost estimate for pump stations resulted in a proper valuation.

d) Valdez Marine Terminal

311. Lloyd Engineering performed the estimating work for the VMT portion of the Pro Plus estimate. Mr. Lloyd estimated the terminal facilities taking into account the relationship between the terminal, the pipeline minimum and maximum capacities, pipeline shut down allowance, the weather in Valdez, and berth availability for the tanker fleet.[501]

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[497] Tr. 3732-42, 6652-54 (Ellwood); Tr. 4117-18 (Tise); Tr. 4495-96 (Steindorff).

[498] *Compare* TO-07-0021 at 546, 684 *with* MUN7-0008 at 41-42.

[499] TO-07-0021 at 546, 684.

[500] MUN7-0008 at 41-42 ($507,139,600 plus $495,315,800).

[501] MUN7-0008 at 25-26.

The evidence demonstrated that the Pro Plus VMT design matches the flexibility of the 48-inch pipeline design and maintains the current flexibility of TAPS.[502]

312. Mr. Lloyd estimated a lay berth and two loading berths in the Pro Plus VMT.[503] The Owners critique the inclusion of the third lay berth. However, the evidence convincingly shows that the existing third berth is used and useful to TAPS and should be maintained. For example, in a December 2008 application to the RCA to decommission berths 1 and 3 for crude off loading purposes, the Owners stated that they intend "to continue using Berth 3." They added that:

> [a]part from loading crude oil, "Berth 3 is currently and frequently used and useful as a layover berth in various circumstances, as for example, when Hinchinbrook Entrance is closed due to adverse weather conditions in the Gulf of Alaska, for crew member medical evacuations, for vessel repairs, or in support of oil spill drills.[504]

313. Alyeska employee Tom Stokes agreed that the third berth has been used occasionally at the VMT, such as when the VMT was forced to close down and the pipeline was required to go into proration because of bad weather.[505]

314. The Court finds that two loading berths and one lay berth should reasonably be considered part of the existing useful property as of each of the lien dates and included in the RCN.

315. The Pro Plus cost studies advanced for the years 2007 through 2009 use floating roof tanks, unlike the 2006 study.

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[502] Tr. 4477, 6451-52 (Lloyd). Mr. Stokes, Alyeska employee, testified that there is no minimum throughput limitation for the existing VMT to function. Tr. 3453 (Stokes). Mr. Stokes further testified that none of the projects that are currently being considered at the VMT would impact the throughput or the availability of the facility. Tr. 3453 (Stokes).

[503] Tr. 4355-56 (Lloyd); MUN7-9020; MUN7-1522 at 6.

[504] MUN7-1522 at 6.

[505] Tr. 3459-60 (Stokes). *See also* Allen Dep. at 26 (discussing bad weather in Valdez disrupting operations).

316. As in the 2006 ad valorem tax matter, Mr. Lloyd indicated that his VMT estimate is based on a 1.1 million bbl/d throughput. But he also considered new information as to the lower flow rates possible on the pipeline.[506] In order to match the range of capacity of the pipeline, Mr. Lloyd changed his estimate to utilize internal floating roof tanks.[507] Properly designed floating roof tanks will provide greater flexibility for throughputs of less than 1.1 million bbl/d.[508]

317. Mr. Lloyd testified that he maintains his concerns about using internal floating roof tanks in a severe seismic zone.[509] As in the 2006 appeal, he again looked to the 2003 Tank Consultant, Inc. ("TCI")/Nyman Report.[510] These were consultants hired by Alyeska to evaluate the use of floating roof tanks at the VMT; their report has not been updated. Mr. Lloyd accounted for the cautions expressed in the TCI/Nyman report by limiting the operating volume of the tanks to approximately 430,000 barrels versus the stated capacity of 510,000 barrels in each of the existing tanks.[511]

318. But with the decreased tank volume, the needed number of tanks increased from the 15 tanks in operation at TAPS during the lien years to 18, including one spare.[512] Mr. Lloyd's estimate provided sufficient storage for 6.6 days of throughput at 1.1 million bbl/d, with a total capacity of 7,222,000 barrels.[513] The total capacity of the existing 15 tanks is 7,650,000 barrels.[514]

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[506] Tr. 4345-51 (Lloyd); MUN7-0008 at 27; MUN7-1553 at 6 (Section 5.2); MUN7-218 at 19.

[507] Tr. 3721 (Ellwood); Tr. 4359-60 (Lloyd).

[508] MUN7-0008 at 26.

[509] Tr. 4363 (Lloyd).

[510] Tr. 4363-66, 4373-74 (Lloyd); MUN7-1552; MUN7-1508.

[511] Tr. 4326-66 (Lloyd); MUN7-0008 at 31-32.

[512] Tr. 4365-67 (Lloyd); Tr. 3454 (Stokes) MUN7-0008 at 31-32. *See also* MUN7-1519.

319. Mr. Stokes of Alyeska testified that during 2007 through 2009 there were 15 tanks in service at the VMT. He also confirmed that currently only 13 tanks are in actual use, with the two additional tanks undergoing cleaning and inspection.[515] A total of 18 tanks were originally constructed at the VMT. Mr. Stokes agreed that the additional three out-of-service tanks provide more flexibility to the Owners should a reason to put them back into service arise.[516]

320. This Court finds that the Pro Plus tank design is a reasonable replacement for the existing TAPS tank design, and is reflective of the design capacity of the existing VMT, which is at least 1.42 million bbl/d. In fact, the existing VMT handled throughputs of 2.1 million bbl/d when all of its 18 tanks were in operation.

321. Pro Plus has estimated 10 million cubic yards of excavation will be needed to construct the VMT site.[517]

322. Mr. Lloyd testified about the excavation work when the VMT was originally constructed. He explained that "the amount of material excavated in the Terminal had escalated from a planned 4 million cubic yards to approximately 15 million cubic yards."[518] In any modern Greenfield development of the VMT site, the same soil conditions would be present as existed during the original construction.[519] As in the 2006 de novo trial, Mr. Lloyd persuasively testified at the current proceeding that it would be essential to fill behind

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[513] MUN7-0008 at 32.

[514] MUN7-9023 at 333.

[515] Tr. 3454-55 (Stokes).

[516] Tr. 3458 (Stokes).

[517] Tr. 4358-59 (Lloyd).

[518] Tr. 4358; MUN7-1513.

[519] Tr. 4381-82 (Lloyd).

Jackson Point.[520] Overall, this Court was persuaded that Pro Plus's estimated 10 million cubic yards of excavation is reasonable.

323. The Owners also critique Mr. Lloyd's VMT cost estimate because of the methodology of crewing up the work instead of using a "process estimation" methodology. Process estimation determines the building materials necessary, then uses an estimating manual to determine the man-hours for each item.[521] It is a common way for engineers to cost projects.[522] But Mr. Ellwood indicated the approach that Pro Plus used was commonly used by contractors, and that process estimation on the VMT was problematic because it is a one of a kind, unique property.[523] On balance, this Court was not persuaded that Pro Plus's use of the crew-up method for estimating the cost of the VMT was unreasonable.

324. Pro Plus has estimated that the clearing and grading at the VMT would take 310 days.[524] But this Court found persuasive Hawk's observation that this crew needs to be "done and gone to make the terrain available for other crews."[525] And this Court concurred with Hawk's critique regarding the VMT camp. 450 days for VMT camp installation would appear excessive, while 78 workers at the camp, including 16 truck drivers and 24 laborers, as well as 28 pick-up trucks also appears excessive.[526] Yet it bears noting that Hawk's revised estimate for the direct costs for the VMT totaled $1.3 billion.[527] In contrast, Stantec's

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[520] Tr. 4385-86 (Lloyd); MUN7-1535 to MUN7-1538.

[521] Tr. 3732-36 (Ellwood).

[522] Tr. 3732-33 (Ellwood).

[523] Tr. 3734-35 (Ellwood).

[524] MUN7-0008 at 544, 545.

[525] TO-07-0044.0008. *See also* Owners' Proposed Findings of Fact and Conclusions of Law ¶ 390.

[526] MUN7-0008 at 516, 555; TO-07-0044.0011.

[527] TO-07-0044.0021

cost estimate for the VMT was higher – at 1.693 billion – even though Stantec had fewer tanks and far less proposed excavation.[528]

ii. Indirect Costs, Including Contingency

325. "Indirect costs are percentages that might be applied to all or some portion of the direct costs."[529] The indirect costs applied by Pro Plus include (1) project and construction management, engineering, and inspection, (2) owners' costs, (3) ad valorem taxes and interest during construction, and (4) contingency. Each of these items is typically calculated as a percentage of direct costs associated with a project.

326. In 2006, the Division did not include any program manager costs in its RCN estimate.[530] In its 2006 assessment, SARB determined there should be a program manager profit of 3% of direct costs.[531] Beginning in 2008, SARB adopted a project management fee of 7.5% that included construction management, engineering, and inspection in addition to the project management fee.[532] The Pro Plus cost estimate for the 2006 tax year and adopted by this Court in the Amended Decision included an allowance of 7.5% of its direct costs for all project management costs.[533]

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[528] TO-07-0021.0013.

[529] Tr. 3741 (Ellwood).

[530] MUN7-0235 at 11.

[531] Amended Decision ¶ 328.

[532] Amended Decision ¶ 328; MUN7-238 at 18 ($701,220,443/$9,349,605,900 = 7.5%).

[533] Amended Decision ¶ 333.

327. For tax years 2007 to 2009, Pro Plus again estimated program management costs at 7.5% of direct costs.[534] The Court again finds that a project management fee of 7.5% is appropriate.

328. In 2008, SARB reduced Pro Plus's estimation of owners' costs from 10% to 5%.[535] Mr. Ellwood, at the 2009 SARB hearing, testified why 10% was the appropriate allowance for these costs.[536] In 2009, the Board agreed 10% was appropriate, stating that "[t]he Board found particularly persuasive the testimony from the Municipalities' witnesses on the importance, in a project like the TAPS, of having personnel from the owners to shadow contractor personnel and closely monitor the ongoing construction work in order to limit delays and cost-overruns."[537]

329. In this Court's Amended Decision for the 2006 tax year, Pro Plus's proposed owners' costs of 10% of direct costs were likewise adopted.[538]

330. In these proceedings, Pro Plus continues to maintain that 10% of direct costs appropriately measures owners' costs.[539] The Court finds the percentages reasonable for the 2007 to 2009 tax years.

331. A replacement TAPS would be subject to ad valorem taxes during construction ("AVTDC").[540] In the 2006 tax year trial, the "Pro Plus team used Mr. Greeley's method of

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[534] Tr. 3741 (Ellwood). Stantec similarly estimated engineering costs at 5% of direct construction costs for the main pipeline, and 12% for the pump stations and terminals. TO-07-0025.0684.

[535] MUN7-0236 at 15, 17.

[536] 2009 SARB Tr. 299-301 (Ellwood).

[537] MUN7-0236 at 20.

[538] Amended Decision ¶ 342.

[539] Tr. 3741-42 (Ellwood). Stantec used a figure of 9% for owners' costs. Tr. 3274 (Fiske); TO-07-0025.684.

[540] AS 43.56.060(e)(1); 15 AAC 56.110(b)(1).

calculating the ad valorem tax that had also been accepted by SARB."[541] The Court adopted that method as appropriate for determining the assessed value of TAPS for the 2006 tax year.[542]

332. In 2010, SARB determined that the Assessor's calculation required certain refinements to comply with Alaska law under 15 AAC 56.110(b)(1).[543]

333. In Alaska, the "full and true value" of an oil pipeline during construction is determined by the "actual cost incurred or accrued with respect to the property as of the date of assessment."[544] The regulation that implements this portion of the statute explains how certain costs should be taxable as incurred, such as construction machinery, while those that relate to the entire project should be prorated over the time taken to complete the entire project.[545]

334. Pro Plus's AVTDC computation provided a breakdown between the two categories of costs – those that the regulation requires be accrued and those that are taxable as incurred – for each tax year.[546] Based upon that breakdown, and applying the accrual schedule found in the example in 15 AAC 56.110(b)(1) over a seven year construction period, Pro Plus calculated the AVTDC at $657,521,600 for 2007, $721,816,800 for 2008, and $713,929,600 for 2009.[547] This Court finds that Pro Plus's method is consistent with the applicable regulation.

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[541] Amended Decision ¶ 348 (internal citation omitted).

[542] Amended Decision ¶ 352.

[543] MUN7-0237 at 30-32.

[544] AS 43.56.060(e)(1).

[545] 15 AAC 56.110(b)1)

[546] MUN7-0008 at 39, 57, 588, 1119.

[547] MUN7-0008 at 56, 587, 1118.

335. For the 2006 tax year, the Court previously concluded that Pro Plus's methodology for the inclusion of interest during construction ("IDC"), calculated based upon a percentage of project spending spread over a seven-year period and assuming 100% debt financing at a cost of 6%, was appropriate for determining the assessed value of TAPS.[548] Consistent with that approach, Pro Plus's estimate for 2007, 2008 and 2009 included $1,949,285,100, $2,134,744,500, and $2,114,060 for IDC, respectively.[549] This Court finds that Pro Plus's method to calculate interest during construction is reasonable.

336. It is standard practice to include a contingency in a cost estimate to account for uncertainty about the actual cost. The Municipalities' expert Dr. Mark Cronshaw stated that the Association for the Advancement of Cost Engineering ("AACE") defines contingency as "an amount added to an estimate to allow for items, conditions, or events for which the state, occurrence, or effect is uncertain and that experience shows will likely result, in aggregate, in additional costs."[550] The appropriate amount of contingency depends on the desired level of certainty that the actual cost of a project will not exceed the estimated cost.[551] As Dr. Cronshaw testified in the 2006 trial and again in these proceedings, a standard approach to determine contingency is the P50 or 50% level of confidence (i.e., the contingency amount that – when added to the base estimate – makes it equally likely that the project will actually cost more or less than the estimate).[552]

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[548] Amended Decision ¶¶ 350, 352.

[549] MUN7-0008 at 55, 586, 1117.

[550] Tr. 4675 (Cronshaw).

[551] Tr. 4684-85 (Cronshaw).

[552] Tr. 4695; 4699-4700 (Cronshaw). *See also* Tr. 3637-38 (Allison); Amended Decision ¶ 353.

337. In the 2006 trial, the Court determined a 25% contingency was appropriate.[553] In 2007, the Department used an 8% contingency, which appears to have been adopted by SARB.[554] In 2008, the Division reduced Pro Plus's proposed contingency factor from 25% to 20%. On review to SARB, the Board concluded that the contingency factor should be no more than 5%.[555] In 2009, the Division used a 10% contingency factor, which the Board rejected as improper and instead employed a 25% contingency.[556] This was in response to the additional information provided to SARB by Dr. Cronshaw and the Pro Plus team, which SARB found constituted the "most persuasive" evidence before the Board.[557] SARB held "It was clear to the Board that based on their careful assessment of these risks, the 25% contingency factor in the 2009 Pro Plus cost study was justified."[558]

338. Dr. Cronshaw relied upon the AACE in preparing his opinion in this case. As explained by Dr. Cronshaw:

> AACE describes five classes of estimate. Class 5 is a preliminary cost estimate that has a very wide range because of substantial uncertainty. Class 1 is a control estimate that's usually prepared for financial control purposes during a project, so after the detailed engineering has been completed and so on. And class 3 is something between.[559]

A conceptual study would have a relatively high contingency because the detailed design basis, engineering, and permitting would not yet have occurred, while a budgetary estimate

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[553] Amended Decision ¶ 366.

[554] MUN7-0234 at 12.

[555] MUN7-0235 at 18-20.

[556] MUN7-0236 at 18.

[557] MUN7-0236 at 19.

[558] MUN7-0236 at 19.

[559] Tr. 4719 (Cronshaw).

would employ a lower contingency if a detailed cost estimate had been prepared.[560] The Pro Plus team determined that the RCN project would appropriately be labeled somewhere between a Class 3 and a Class 4.[561]

339. The contingencies estimated by the parties in this case were substantially different. Experts for both the Municipalities (Dr. Mark Cronshaw) and the TAPS Owners (Mr. Jerald Allison) ran Monte Carlo analyses to model the uncertainty associated with the project to arrive at a contingency estimate for the TAPS RCN.

340. From his Monte Carlo analysis, Dr. Cronshaw concluded that contingencies of 36%, 39%, and 37% are the appropriate amounts for a P50 case for the Pro Plus study for years 2007, 2008, and 2009.[562]

341. The Court finds Dr. Cronshaw presented a comprehensive and well-documented contingency analysis consisting of extensive materials that were admitted into the record. He also carefully followed the recommended procedures of the AACE. Dr. Cronshaw verified the reasonableness of his Monte Carlo analysis by comparing his findings with the recommended AACE ranges.[563] Although the AACE ranges apply strictly only to process facilities, the fact that Dr. Cronshaw's analysis was within the ranges provides a check on the reasonableness of his conclusions.[564] Additionally, as discussed below, Dr.

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[560] Tr. 4718-19 (Cronshaw).

[561] Tr. 4719 (Cronshaw).

[562] Tr. 4679; 6331 (Cronshaw).

[563] Tr. 4720 (Cronshaw).

[564] Tr. 4720 (Cronshaw).

Cronshaw verified his analysis by comparing the contingency with cost overruns from numerous actual projects, including TAPS' projects, further validating his results.[565]

342. Although Dr. Cronshaw determined a substantially higher contingency was appropriate, Pro Plus, based on the experience and consensus of the team, chose a 25% contingency.[566] Mr. Ellwood expressed his confidence in the number chosen by the Pro Plus team: "We think that's a very reasonable number. We have had many, many discussions amongst the team about what to do, and we have checked that number against what other corporations do; and we're all, I think, entirely comfortable with it. I know I am."[567] Dr. Cronshaw estimated that Pro Plus's use of a 25% contingency meant there would be at least an 84% chance that the actual cost of the project would exceed Pro Plus's final cost estimate.[568]

343. The contingency adopted by Stantec for its 30-inch hypothetical pipeline, as calculated by Mr. Allison through his Monte Carlo analysis, was 3.3%, 3.4%, and 3.5% for tax years 2007, 2008, and 2009, respectively.[569]

344. At a theoretical level it appears that a major difference between the Stantec contingency and the Pro Plus contingency is that Stantec concluded the project had little or no uncertainty due to it being an estimate to build a replacement for TAPS as of fixed dates in the past.[570] Stantec concluded that because much was known about TAPS today due to

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[565] Tr. 4725-27 (Cronshaw); 6314-15 (Cronshaw).

[566] Tr. 3742 (Ellwood); 4680 (Cronshaw), 6331-32 (Cronshaw); 6496 (Tise).

[567] Tr. 3742 (Ellwood).

[568] Tr. 4680 (Cronshaw).

[569] Tr. 3607-08 (Allison); 4752 (Cronshaw); 5762 (Karlik).

[570] Tr. 5841-42 (Karlik).

it already having been constructed, there was minimal uncertainty in such items as the labor rates and the cost of obtaining such items as permits for construction, thus a contingency of approximately 3.5% was appropriate.[571] Yet the Stantec design is substantially different from the existing line with its smaller diameter, higher pressure line, single support VSMs and DRA with 80% drag reduction. Further, the Stantec design relies on freestanding thermosyphons and an extensive use of ice roads, both of which also differ from the original design and construction.[572] As Dr. Cronshaw concluded, "it seems curious to assert that the contingency for that different design [Stantec] would be much lower because one knows something about the existing 48" line."[573]

345. Mr. Allison's trial testimony on this topic conflicted with his deposition testimony.[574] At trial Mr. Allison was asked, "[T]he fact that this was a replacement cost new was not a significant part of the debate in terms of the elicitation, was it?"[575] Mr. Allison responded:

> No, as a matter of fact, I think – I don't think that's correct. I think we did talk about that this is a replacement cost new . . . we talked about that the fourth quadrant is considerably smaller for an RCN . . . I know we talked about it when we discussed the fourth quadrant.[576]

But counsel then repeated the identical question that had been asked to Mr. Allison at his deposition. There, Mr. Allison, reading from his deposition testimony at trial, stated: "The fact that it was a replacement project had no impact on how the elicitation was done and

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[571] Tr. 5761-62 (Karlik); 5796 (Karlik); 5841-42 (Karlik).

[572] Tr. 4751 (Cronshaw).

[573] Tr. 4751 (Cronshaw).

[574] Tr. 3631-32 (Allison).

[575] Tr. 3627 (Allison).

[576] Tr. 3627-28 (Allison).

how the number was derived whatsoever . . . ."[577] On redirect, later at trial, counsel for the Owners asked Mr. Allison, "Did you explain, in your deposition, what you think the typical range of contingency is for a replacement cost estimate?"[578] Inexplicably, Mr. Allison responded: "My recollection is that I would have expected it to be less than what it would be for a normal construction process."[579] Mr. Allison did not attempt to explain why his deposition testimony directly contradicted his testimony at trial.

346. An additional example of Mr. Allison's unreliability as a witness was evidenced when he testified regarding a typical range for contingency. On direct he was asked, "Do you have in mind the typical range of contingency that you would expect for a replacement cost new estimate?"[580] Mr. Allison responded: "Probably somewhere between 2 and 5 percent . . . ."[581] But on cross, counsel read a similar question asked of Mr. Allison during his deposition: "What would you think the typical range of contingency is for a replacement cost estimate in a study of the level and detail of the Stantec study?"[582] Mr. Allison testified at his deposition (as read at trial): "My answer is: I don't have an opinion on a range of percentage estimate that would be correct, right, typical, or anything else for a replacement project because I've never done comparative studies and I've never read – anybody that did comparative studies."[583]

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[577] Tr. 3631-32 (Allison).

[578] Tr. 3657 (Allison).

[579] Tr. 3657 (Allison).

[580] Tr. 3657 (Allison).

[581] Tr. 3657 (Allison).

[582] Tr. 3660 (Allison).

[583] Tr. 3660 (Allison).

347. Because of his inconsistent sworn statements, this Court finds Mr. Allison was not a credible witness. Rather, this Court concurs with Dr. Cronshaw's observation that Stantec's contingency was unreasonably low, particularly for a project at the conceptual stage only.[584]

348. Carlton Karlik also testified for the Owners about the appropriate contingency to be used in a TAPS RCN analysis. He testified that with an RCN, there is much less unknown about a project than a Greenfield original construction project, thus less risk is involved, and hence a lower contingency is appropriate.[585] However, Mr. Hisey testifying for the Municipalities asserted that even a completed project carries a contingency of 2% to 3% to account for remaining unknowns such as startup, completion and potential litigation costs.[586] To that end, Mr. Hisey testified that he has reviewed hundreds, if not thousands, of Alyeska funding authorizations ("AFEs"), and he has never seen a construction AFE with a contingency in the 3% to 4% range.[587]

349. Moreover, Charles Coulson, the President of BP Pipelines (Alaska) testified at his deposition in this case that he was unsure of the standard contingency for TAPS projects.[588] But before FERC, Mr. Coulson testified that a 30% contingency at the outset of a project would be "normal." Before FERC he also testified, "When you get down to the

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[584] Tr. 4253 (Cronshaw).

[585] Tr. 5759-62, 5840-41 (Karlik).

[586] Tr. 4980 (Hisey).

[587] Tr. 4978 (Hisey).

[588] MUN7-0001 at 3879.

execute phase of a particular project, where the engineering design is completed, you'd expect the contingency to be much lower, five or ten percent in some cases."[589]

350. As in the 2006 tax year trial, Mr. Karlik did not determine a specific contingency.[590] Instead he testified for the Owners that a range of 5% to 10% contingency was typical when doing a replacement cost new estimate (versus an original construction estimate).[591] But based on the totality of evidence presented on contingency, the Court again finds Mr. Karlik's testimony unpersuasive.[592]

351. Dr. Cronshaw thoroughly validated the reasonableness of the Pro Plus team's 25% contingency. In addition to performing his Monte Carlo analysis and comparing the range of his calculations to the AACE literature (as discussed above), he looked at cost overruns experienced by other megaprojects and at TAPS' specific projects.

352. Dr. Cronshaw testified regarding the MacKenzie Valley Project. In 2004, the project presented its cost estimate to the National Energy Board in Canada of $3.8 billion, with a 28% contingency.[593] By 2005, after project expenditures of $600 million,[594] the estimate had grown to $7.8 billion, nearly doubling the estimate from the previous year.[595]

353. Additional examples offered by Dr. Cronshaw in support of his opinion included the Nord Stream Pipeline in the Baltic Sea.[596] There, the cost estimate was €5 billion in

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[589] MUN7-0001 at 3879-80.

[590] Amended Decision ¶ 358.

[591] Tr. 5762 (Karlik); 4750 (Cronshaw).

[592] Amended Decision ¶ 358.

[593] Tr. 4725 (Cronshaw) (the figure includes a 5% risk allowance).

[594] Tr. 6317-18 (Cronshaw).

[595] MUN7-0010 at 44; Tr. 4723-24 (Cronshaw).

[596] MUN7-0010 at 44, Tr. 4726 (Cronshaw).

2005, rising nearly 50% to €7.4 billion in 2008.[597] Another example was the BTC pipeline from Azerbaijan to Turkey which was reported to have an expected 30% cost growth from its original estimate to nearly $3 billion.[598] While some of the cost overruns in the above mentioned projects may be attributable to changes in scope, overall these examples supported Dr. Cronshaw's opinion that historically, large-scale projects experience notable cost growth.

354. Regarding the Denali Gasline, after $135 million had been invested to develop a cost estimate, Mr. Coulson indicated the contingency for the project was "in the neighborhood of 30%."[599]

355. Dr. Cronshaw persuasively opined that TAPS' own projects also support a 25% contingency as the minimum appropriate contingency to achieve a proper assessed valuation of TAPS. Dr. Cronshaw referred to an Aerospace Corporation report dated July 1977 which indicated that as of mid-1974, the expected cost to complete TAPS was $4.088 billion.[600] By that point, significant components of the project were already in place: the pipe had been purchased, haul roads had been constructed, project labor agreements had been signed, the Federal "Alaska Pipeline Act" had been passed, contractors such as Bechtel and Fluor had been retained, and other key contracts had been assigned.[601] Three years later, in 1977, the actual project cost was $7.815 billion – nearly double the 1974 estimate.[602]

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[597] MUN7-0010 at 44; Tr. 4726 (Cronshaw).

[598] MUN7-0010 at 44; Tr. 4727 (Cronshaw).

[599] Coulson Dep. 167-68; MUN7-0001 at 3877.

[600] MUN7-1151 at 12. The original estimate from 1969 indicated in that exhibit was under $1 billion.

[601] MUN7-2554 at 47-48; Tr. 4731 (Cronshaw).

[602] Tr. 4731 (Cronshaw).

356. Another real-world example supporting a contingency substantially higher than that offered by the Owners relates to SR. As part of discovery, the Owners provided certain AFEs related to the Owners' budgetary approval of SR of TAPS. In March 2004, the Owners authorized SR in the amount of $233 million (after $10 million had already been spent on engineering).[603] In 2005, Alyeska prepared supplemental AFEs seeking approval of an additional $168.2 million to complete SR.[604] Then, in 2007, Alyeska submitted supplemental AFEs for additional expenditures that raised the cost of completing SR to $696 million, or about a 185% cost overrun.[605] Moreover, the 2007 supplemental AFE included an 18.5% contingency – after much of the SR had already been completed and substantial cost overruns already incurred.[606] In reviewing the AFEs, Dr. Cronshaw also noted that the extensive cost overruns were not attributable to a change in scope but rather design development issues.[607]

357. Dr. Cronshaw also referred to a 2005 Fluor Cost Study to support his opinion that a 25% contingency is reasonable. The study was prepared for the Owners for FERC ratemaking proceedings to set out the cost for the dismantling and removal of TAPS. The 2005 Fluor updated cost estimate included a 25% contingency which Fluor stated: "is consistent with the contingency factor used in the 1983 estimate."[608] Alyeska later prepared

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[603] Tr. 4733 (Cronshaw).

[604] Tr. 4734 (Cronshaw).

[605] Tr. 4737 (Cronshaw).

[606] Tr. 4737 (Cronshaw); MUN7-0011 at 2-3.

[607] Tr. 4735 (Cronshaw).

[608] MUN7-2569 at 4; Tr. 4739-40 (Cronshaw).

a 2007 update to the Fluor study which also used a 25% contingency for all but a few cost categories (e.g., the contingency for the VMT was 22%).[609]

358. A 2010 study of the cost of heaters to operate TAPS at declining throughput levels prepared by Larkspur Associates, LLC ("Larkspur") for BP Pipelines also validates a contingency of no less than 25%. The study was a detailed estimate of the cost of all the heater facilities by location along the pipeline that may be necessary to operate TAPS down to 100,000 bbl/d. As to contingency, the report stated,

> The conceptual estimates include contingency at 40 percent based on an accuracy range of +35% / -20% as reviewed and determined based on AACE published documentation (see attached). Based on the process information and quantities presented, estimate approach and experience of the project team we recognize that there has been very little design work done to date to reflect a lower percentage or a tighter accuracy range.[610]

359. Larkspur further supported its 40% contingency by noting that although the project was in an early stage, there was a significant amount of known cost information: "Based on the approach used in developing the costs which are based on a significant amount of historical project information and current actual cost information we believe the estimates are between a Class 3 – 4 as published by AACE."[611] The Pro Plus team also considered its TAPS' RCN a Class 3 to 4 project, yet utilized a lesser contingency of 25%.[612]

360. The Larkspur study also points out that, "Several sites (MP 31, MP 39, MP 75, MP 178, MP 211, MP 629) not currently corresponding to an existing pump station or

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[609] MUN7-2568 at 17; Tr. 4740-41 (Cronshaw).

[610] MUN7-3044 at 19.

[611] MUN7-3044 at 19.

[612] Tr. 4717-19 (Cronshaw).

developed site location are required . . . ."[613] The study specifically refers to those sites as "Greenfield."[614] But where heater facilities are costed for installation at existing sites the study calls them "Brownfield."[615] Yet for both Greenfield and Brownfield locations, Larkspur uses the same 40% contingency.[616] This is at odds with Mr. Karlik's unsupported assertion that "RCN estimates require less contingency than Greenfield new ventures."[617]

361. These validations, in addition to Dr. Cronshaw's rigorous Monte Carlo modeling and associated analysis, fully persuade the Court that the 25% contingency employed by Pro Plus is reasonable for a RCN of TAPS. Further, based upon the evidence presented at the trial de novo, the Court finds that a contingency of less than 25% would result in an improper valuation of TAPS for the three years at issue.

4. Conclusion of the RCN of TAPS

362. Both the Owners and the Municipalities submitted extensive cost studies and provided detailed testimony regarding each of the proposed replacement TAPS.

363. For the reasons set forth above, this Court has concluded that the Stantec pipeline is not an appropriate design to use as the basis for the application of the cost approach in the valuation of TAPS.

364. Overall, the Pro Plus RCN is an appropriate RCN to use as the basis for the application of the cost approach. Throughout this litigation, Pro Plus experts have strived to

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[613] MUN7-3044 at 4.

[614] MUN7-3044 at 7-10, 13.

[615] MUN7-3044 at 9.

[616] *See, e.g.*, MUN7-3044 at 8 and 38 (MP 39 Greenfield at 40%) *versus* MUN7-3044 at 9 and 49 (PS 3 Brownfield also at 40%).

[617] TO-07-0046 at 2.

thoroughly answer questions posed by the Court and on cross-examination.[618] Conversely, the Stantec experts were unable to answer numerous questions about the details of their cost estimate on cross-examination.[619]

365. Overall, this Court finds that the Pro Plus cost estimates are reliable. However, as set forth above, this Court has identified several concerns with the Pro Plus cost estimates. It is neither necessary nor feasible to make a precise adjustment in the Pro Plus RCNs to account for each of these concerns – the goal of an RCN, in any event, is to arrive at an estimate of the cost of replacing TAPS with a modern day equivalent of similar quality and like utility – not a precise amount. But this Court does find that some adjustment to the Pro Plus RCN is warranted to account for the concerns that have been identified in the preceding findings. Based upon this Court's consideration of all the evidence, the Court finds that a 10% reduction in Pro Plus's RCN cost estimates for each of the lien years is warranted to arrive at amounts that this Court has determined would better reflect the estimated cost to replace TAPS in each of the lien years with a new pipeline transportation system of similar quality and like utility.

366. The Owners asserted that the RCNs should be compared to the cost estimates that were prepared for the Denali pipeline and Trans Canada gas pipeline project. But due to confidentiality restrictions, no witness was able to provide detailed testimony to this Court about either of those cost estimates. As a result, this Court did not accord weight to either of

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[618] *See, e.g.*, Tr. 3725-26, 3737-38, 3742, 3764-65, 3777-78, 3858-59, 3870, 3949, 6698-99 (Ellwood); Tr. 4440, 4461, 4471, 4473-74, 4484-85, 4511-13, 4516-17, 4632-33, 6612 (Steindorff); Tr. 4954-55, 4961-64, 4968, 4979, 4983, 5060, 6368 (Hisey) (sealed); Tr. 3898-4057 (Ellwood); Tr. 4178-4245 (Tise); Tr. 4394-4424 (Lloyd); Tr. 4518-74, 4608-31 (Steindorff).

[619] *See, e.g.*, Tr. 3314-15, 3327-28, 3329-30, 3331-32, 3330, 3337-38, 3341-42, 3359, 3363-64 (Fiske); Tr. 2511-16, 2516-18, 2520-22, 2532-33, 2538, 2541, 2542, 2543 (Rein).

those cost estimates, while recognizing that, had confidentiality issues been addressed, the information in those estimates could have been quite helpful for comparison purposes.

367. The 2007, 2008 and 2009 RCN cost estimates advanced by Pro Plus were $19.606 billion for 2007, $21.471 billion for 2008, and $21.263 billion for 2009. Reducing each of these amounts by 10% results in the following determinations by this Court of the Replacement Cost New for TAPS for each of the tax years at issue:

2007	$17.645 billion
2008	$19.324 billion
2009	$19.137 billion

B. Depreciation

1. Methods of Calculating Depreciation

368. Once the RCN is determined, the appraisal analysis requires a calculation of the amount of depreciation. "Depreciation is the difference between the contributory value of an improvement and its cost at the time of appraisal."[620] The three types of depreciation traditionally recognized by appraisers are physical deterioration, functional obsolescence, and economic obsolescence.[621] The traditional definitions of these terms are:

> *Physical deterioration* is the loss in value or usefulness of a property due to the using up or expiration of its useful life caused by wear and tear, deterioration, exposure to various elements, physical stresses, and similar factors.
>
> *Functional obsolescence* is the loss in value or usefulness of a property caused by inefficiencies or inadequacies of the property itself, when compared to a more efficient or less costly replacement property that new technology has developed.

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[620] *The Appraisal of Real Estate* at 391.

[621] *Valuing Machinery and Equipment* at 43; *The Appraisal of Real Estate* at 391-92; Tr. 11251-52 (Podwalny).

> *Economic obsolescence* (sometimes called "external obsolescence") is the loss of value of a property by factors external to the property. These may include such things as the economics of the industry; availability of financing; loss of material and/or labor sources; passage of new legislation; changes in ordinances; increased cost of raw materials, labor, or utilities (without an offsetting increase in product price); reduced demand for the product; increased competition; inflation or high interest rates; or similar factors.[622]

369. The three principal methods for estimating depreciation are: (1) the market extraction method; (2) the economic age-life method; and (3) the breakdown method.[623] The market extraction method and the economic age-life method are the primary methods used by most appraisers to estimate the total depreciation in a property; each is "applied to the whole property and are easier to understand and use."[624]

370. In its simplest form, the economic age-life method considers all three forms of depreciation using a single calculation.

371. The market extraction method relies upon the availability of comparable sales from which depreciation can be extracted.[625] In the case of TAPS, direct comparable sales information is not available, so that method is not appropriate.[626]

372. The breakdown method of depreciation calculates each form of depreciation (physical, functional, and economic) separately.[627] The breakdown method "is primarily used when the appraisal assignment requires that each form of depreciation be accounted

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[622] *Valuing Machinery and Equipment* at 67. *See also The Appraisal of Real Estate* at 391-92; Amended Decision ¶ 378.

[623] *The Appraisal of Real Estate* at 409.

[624] *The Appraisal of Real Estate* at 409.

[625] *The Appraisal of Real Estate* at 416.

[626] Tr. 12349 (Connolly).

[627] *The Appraisal of Real Estate* at 424.

for in the appraisal report,"[628] and is "used when the market extraction and economic age-life methods cannot be applied."[629] The Owners' appraiser Michael Remsha used this method.

373. The Court was not persuaded by Mr. Remsha's application of the breakdown method to depreciate TAPS. Mr. Remsha opined that TAPS was 60% physically depreciated each of the tax years at issue.[630] As part of his calculation, and despite new SR pumps being installed during the lien years, he concluded that the weighted chronological age of TAPS' pumps was 29 years, and that their entire service life was 35 years – such that the newly installed pumps had only 6 years of life remaining by his calculations during each of the three lien years.[631] Given the recent $700 million in SR investment, Mr. Remsha's determinations in this regard were not credible.

374. Mr. Remsha also quantified an inutility penalty for TAPS based upon a projection of future inutility of the 30-inch Stantec pipeline.[632] But during the lien years, the 30-inch Stantec pipeline would be operating well over any reasonable maximum capacity for a 30-inch pipeline such that use of a future projection of unused capacity based on the maximum design capacity that Stantec asserted for its 30-inch pipeline is unwarranted. Moreover, the 30-inch pipeline is quite different from TAPS and may not reasonably be used as a standard to determine TAPS' depreciation.

375. Another concern with Mr. Remsha's approach is that with his breakdown method, TAPS is worth more when he assumed it could no longer transport oil below a

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[628] *The Appraisal of Real Estate* at 425.

[629] *The Appraisal of Real Estate* at 425.

[630] TO-07-0004.0253.

[631] TO-07-0004.0253.

[632] TO-07-0004.0079-88 (projected future inutility used as a basis for deduction from the current economic value of TAPS).

300,000 bbl/d throughput than it would be worth if it could transport oil down to 200,000 bbl/d.[633] This illogical result indicates a major flaw in Mr. Remsha's depreciation methodology.

376. For the foregoing reasons, this Court did not apply the breakdown method to depreciate TAPS.

377. In addition to the standard depreciation approaches, this Court also considered the use of a units-of-production method to depreciate TAPS. This method is more typically employed in depreciation for accounting purposes, not appraisal depreciation.[634] "This method places emphasis on the total units to be produced and the rate of production. It takes into consideration the service life of an asset and thereby permits exhaustion of natural resources to be taken into account."[635] The units-of-production approach has also been termed "the life-of-the-reserves" depreciation methodology because the valuation is "based on the estimated reserves of the system rather than the calendar years that those reserves are estimated to be in production."[636]

378. The Municipalities assert that "unit-of-production depreciation would not consider reserves growth and tend to overstate depreciation."[637] Yet the applicable statute directs valuation "based on the estimated life of the proven reserves of gas and unrefined oil

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[633] *See* TO-07-0004.0249. Indicated value was $2.2 billion with 200,000 bbl/d mechanical throughput limitation, and $2.3 billion with 300,000 bbl/d mechanical throughput limitation.

[634] *Valuing Machinery and Equipment* at 406.

[635] *South Dakota Public Utilities Commission v. Federal Energy Regulatory Commission*, 668 F. 2d 333, 335, n.2 (8th Cir. 1982).

[636] *Natural Gas Clearinghouse v. Fed. Energy Regulatory Comm'n*, 965 F. 2d 1066, 1070 n.5 (D.C. Cir. 1992).

[637] Municipalities' Proposed Findings of Fact and Conclusions of Law ¶ 611.

then technically, economically, and legally deliverable into the transportation facility"[638] – not valuation based on future oil and gas that may become proven reserves at some time in the future, but are not proven reserves as of the valuation date. Particularly where this Court has determined that the RCN should include the full utility of the TAPS' 48-inch pipeline's ability to transport up to 2.1 million bbl/d, the units-of-production approach might better capture the full degree of obsolescence that the property currently has by incorporating the proven reserves as of the lien dates into the valuation more precisely than the economic age-life method.

379. Roger Marks noted that the units-of-production approach had been used under the TAPS Settlement Methodology for TAPS' tariffs for many years, and that under that methodology the original rate base was fully depreciated by the end of the 1990s.[639] In his view, extending TAPS' economic life for additional decades on a straight line basis using the economic age-life method would effectively take "most of those previously depreciated costs and deem . . . them un-depreciated again, which again, reduces the RCN adjustment and increases the ad valorem tax."[640] This argument was not persuasive to the Court, as the "value" of the asset for rate-making purposes is not related to its "full and true value" as defined by AS 43.56.060(e) for ad valorem tax purposes.[641] This Court was more persuaded by Mr. Marks' additional argument that "depreciation depicts . . . the decline of the service potential... and the argument for units of production economically is that . . . for an asset like a pipeline, it more accurately mirrors...how the asset was used over its

[638] AS 43.56.060(e)(2)

[639] Tr. 12127, 12147 (Marks).

[640] Tr. 12147 (Marks).

[641] *See also* Municipalities' Proposed Findings of Fact and Conclusions of Law ¶ 603.

life . . . ."[642] Thus, the approach recognizes that the economic value of TAPS was considerably higher in 1988, when the average daily throughput was over 2 million bbl/d,[643] than it will be in 2070, when the Municipalities estimate that total ANS production of current proven reserves will be less than 100,000 bbl/d.

380. Under a units-of-production approach, in the event that additional reserves are proven on the ANS in the future, then the value of TAPS for ad valorem tax purposes would increase based upon those additional reserves.

381. This Court finds that the legislative history, while inconclusive, indicates that the Legislature was aware of the units-of-production approach and did not specifically reject it when valuing pipeline property for ad valorem tax purposes. For example, at an October 1973 House Finance committee meeting, Homer Burrell addressed each of the sections of HB1. His description of the depreciation method for pipeline property appears to be a units-of-production approach:

> Pipeline and pipeline equipment. [It] is depreciated on the economic life except in the event the physical life is different. Taking a $4 billion installation as the cost with production high in the initial years, it would decrease rather steeply and then level off as production levels off. It will depreciate to probably half value during the first ten years, and is to the oil companies' advantage. However, if more oil is discovered (assuming the pipeline has an unlimited physical life) the line would again increase and flatten out, depending on how much oil is discovered.[644]

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[642] Tr. 12151 (Marks).

[643] TO-07-0004.0027.

[644] *Minutes* at 50, H. Finance Comm., 8th Leg., 1st Spec. Sess. (Oct. 22, 1973) [2007 R. 9736]. In an ensuing paragraph of the minutes, Mr. Burrell is quoted as stating "the pipeline is not depreciated on units of production but on straight line." From the context of that statement, however, it appears that he was referring there to the use of straight line depreciation that is explicitly referenced in the second portion of the statute that would apply only in the event that "too much line is built and oil is depleted" – i.e., "when the production rate is low." *Id.* at 9736. *Cf.* Municipalities' Proposed Finding ¶ 606.

382. AS 43.56.060(e)(2) explicitly directs the use of "straight line depreciation" only for those pipelines that have an economic life that is materially shorter than the estimated physical life. Arguably, this demonstrates that the Legislature was well aware of the concept of straight line depreciation and decided not to mandate its use for pipelines in operation such as TAPS.

383. The total barrels of oil transported on TAPS from the date of the pipeline's inception up to each of the lien dates was as follows:[645]

January 1, 2007: 15,278,153,140

January 1, 2008: 15,548,315,190

January 1, 2009: 15,805,814,856

384. Based on this Court's conclusion that the proven reserves on the ANS are between 7 and 8 billion barrels during the lien years, as discussed herein, a units-of-production deprecation methodology would result in a determination that TAPS was currently approximately two-thirds depreciated during the lien years.

385. While this Court has given careful consideration to a units-of-production approach, this Court finds that the Division and SARB should be accorded the first opportunity to consider its potential applicability to the depreciation of TAPS. The approach is not necessarily a standard appraisal methodology.[646] And it is clear that the economic age-life analysis applied by the Division and the Board during each of the lien years is a standard methodology. Stated differently, this Court does not find that the Board's lack of

[645] TO-07-0004 at 260, 338, 408.

[646] *See* 15 AAC 56.110(c).

reliance on a units-of-production deprecation methodology constituted a fundamentally wrong principle of valuation.

386. The economic age-life method was used by the Division and SARB for the lien years at issue, with additional depreciation deductions for functional and external obsolescence.[647] The Court also applied a modified economic age-life method for the 2006 lien year.[648]

387. In the economic age-life method, depreciation is estimated by calculating the ratio between the effective age of the property and its economic life expectancy using the following formula:

[Effective Age / Total Economic Life] x Total Cost = Depreciation.[649]

388. Economic useful life is the "estimated period of time that a new property may be profitably used for the purpose for which it was intended."[650] In estimating a property's economic life, "[a]ll aspects of a property and its market, including the quality and condition of the construction, the functional utility of the improvements, and market and locational externalities must be considered."[651] "An improvement's total economic life begins when it is built and ends when the improvement no longer contributes value for the use to which it was originally intended and is no longer the highest and best use of the underlying land."[652]

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[647] MUN7-0234 at 6.

[648] Amended Decision ¶¶ 386, 421.

[649] *The Appraisal of Real Estate* at 420; *Valuing Machinery and Equipment* at 81-82. *See also* Amended Decision ¶ 380.

[650] *Valuing Machinery and Equipment* at 565.

[651] *The Appraisal of Real Estate* at 413.

[652] *The Appraisal of Real Estate* at 412.

389. In the case of TAPS, AS 43.56.060(e)(2) requires the Court to determine its economic value based upon the estimated life of the proven reserves that are then technically, economically, and legally deliverable into the pipeline as of the lien date. Thus, under the statute, these proven reserves serve as a proxy for the economic life of the pipeline for ad valorem tax purposes.

390. The economic age-life method is "limited in that [it] typically reflect[s] a straight line pattern of depreciation."[653] As explained in *The Appraisal of Real Estate*, "this method assumes that every building depreciates on a straight-line basis over the course of its economic life. The straight-line pattern is only an approximation of the total depreciation of a property at a specific point in time."[654]

391. The economic age-life method requires a determination of the "life of the line" – meaning the precise year in the future that TAPS will no longer transport proven reserves. Without a scaling adjustment, the approach can lead to an overestimation of the value of pipeline property that transports declining proven reserves. By way of example, the Municipalities' appraiser Mr. Podwalny assumed that TAPS' economic end-of-life on January 1, 2007 would be December 31, 2067.[655] Based on that assumption, and using the Pro Plus RCN, he determined that the value of TAPS was $12.893 billion as of that lien date.[656] But in their proposed Findings, the Municipalities advocate an end-of-life date for TAPS of 2075 – eight years later than Mr. Podwalny had assumed.[657] Making just that one change adjusts

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[653] *The Appraisal of Real Estate* at 421.

[654] *The Appraisal of Real Estate* at 421.

[655] MUN07-0035 at 28.

[656] MUN07-0035 at 51.

[657] Municipalities' Proposed Findings of Fact and Conclusions of Law ¶ 893.

the value of TAPS to $13.689 billion – an increase of nearly $800 million– or approximately 6% – over Mr. Podwalny's valuation based solely on this eight year adjustment over 50 years off into the future. In the Court's view, this demonstrates that an exclusive reliance on straight-line economic age-life depreciation without scaling does not accord "due regard to the economic value of the property based on the estimated life of the proven reserves."[658] This is particularly true when it is undisputed that oil reservoirs typically have long tails of production, meaning that their production typically falls off fairly sharply after several years and then continues at a relatively low rate of production for many, many years thereafter.

392. This Court finds that SARB's reliance on the economic age-life method with appropriate modifications to include all functional and external obsolescence was not the application of a fundamentally wrong principle of valuation. Further, application of that methodology has been fully supported by the extensive evidence presented to this Court at the trial de novo.

2. Life of the Line

393. Application of the economic age-life method to depreciate TAPS requires a determination of TAPS' minimum throughput capacity, as well as a determination of the estimated life of the remaining proven reserves on the ANS.

a. Minimum Throughput Capacity

394. AS 43.56.060(e)(2) requires the Court to consider the estimated life of proven reserves "technically, economically, and legally deliverable *into* the transportation facility." (emphasis added) The statute does not expressly require the Court to consider the

[658] AS 43.56.060(e)(2).

transportation facility's hydraulic, mechanical, or operational capacity to transport all of those proven reserves.

395. The Municipalities argue that consideration of the pipeline's ability to transport all of those reserves that are deliverable is "an exhaustive and unnecessary exercise."[659] They also assert that the Legislature's use of proven reserves as the proxy for the economic life of TAPS tends to understate the actual economic life of TAPS, and that to impose an additional minimum throughput limit would compound this understatement of the pipeline's actual economic life. The Municipalities also assert that common sense and expert testimony demonstrate no otherwise economic pipeline has shut down at 100,000 bbl/d, 50,000 bbl/d, or below.[660] At trial, many expert witnesses testified they were unaware of any pipeline that had suspended transportation service for oil that was otherwise economic to produce due to mechanical, hydraulic or operational limitations of the pipeline.[661]

396. Randy Hoffbeck, the former Assessor, testified that TAPS has been the only pipeline in Alaska that has been assessed using a minimum throughput capacity determination.[662] All other pipelines use the economic life of the proven reserves to determine the pipeline's value, without regard to the hydraulic, mechanical, or operational characteristics of the pipeline.[663]

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[659] Municipalities' Proposed Findings of Fact and Conclusions of Law at ¶ 613.

[660] Tr. 5130-31 (Riordan); Tr. 8266-68 (Cicchetti); Tr. 11895 (Remsha).

[661] Tr. 674, 11895 (Remsha); Tr. 5130-31 (Riordan); Tr. 8266-68 (quoting Coulson Dep.); Tr. 9218 (Malvick); Tr. 11090 (McDevitt).

[662] Tr. 11565 (Hoffbeck).

[663] Tr. 11565 (Hoffbeck).

397. The Assessor has interpreted the statute to require a minimum throughput determination.[664] In this regard, the Assessor testified that "the idea is that it is not a reserve that can't get transported to market and it won't get delivered to the facility if the facility can't transport it as of the lien date."[665] The Owners concur that a determination should be made as to TAPS' minimum throughput capacity for ad valorem tax purposes.[666] SARB has adopted this approach during each of the lien years.

398. This Court finds that SARB's interpretation of the statute to require a minimum throughput determination is reasonable and will be applied by this Court. There is likely a minimum throughput level at which point crude oil will no longer be transportable on TAPS. Thus, an owner of a pipeline may seek to demonstrate by a preponderance of the evidence that there is a specified minimum throughput limit that impacts the amount of proven reserves that are technically deliverable into the pipeline as of the lien date.

399. In 2006, the Assessor determined that the minimum throughput of TAPS was 200,000 bbl/d or less, which the Board adopted for subsequent tax years and this Court also adopted in its Amended Decision for the 2006 tax year.[667]

400. At the trial for the 2007 through 2009 tax years, the Assessor advanced 150,000 bbl/d as TAPS' minimum throughput.[668] The Owners have asserted that TAPS will be unable to transport oil "when TAPS throughput at Pump Station 1 reaches between

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[664] *See, e.g.*, MUN7-0236 at 23-24.

[665] Tr. 8716-17 (Greeley).

[666] *See, e.g.*, Owners' Proposed Findings of Fact and Conclusions of Law ¶¶ 422-543.

[667] MUN7-0233 to MUN7-0238; Amended Decision ¶¶ 389 – 390.

[668] Tr. 8717-20 (Greeley).

350,000 and 300,000 barrels per day."[669] The Municipalities have asserted that if a minimum throughput limitation is applied, that "more likely than not, TAPS will operate at least until flow becomes laminar (non-turbulent) at 40,000 to 50,000 bbl/d."[670]

401. The Municipalities' expert Dr. Jerry Modisette testified that there is no hydraulic or mechanical minimum throughput limit because the pipeline will be within pressure constraints at flows down to zero and the pump rate can also go down to zero through reducing pumps, throttling, and recirculation.[671] Former Alyeska Chief Operating Officer Dan Hisey concurred that there is no hydraulic or mechanical minimum throughput limit on TAPS.[672] The Owners' expert, Ulli Pietsch, also testified that there is no hydraulic or mechanical reason that TAPS cannot operate down to 50,000 bbl/d.[673] The inquiry therefore turns to whether there is an operational constraint that would prevent TAPS from transporting oil at some minimum capacity limit.

402. When an upstream oil production company books its proven reserves to the Securities Exchange Commission ("SEC"), it needs to perform an economic analysis to determine the financial feasibility of bringing the oil to market. One determinant in this process is the projected tariff rate to transport the oil on TAPS. In making that determination, an upstream ANS producer needs to make an assumption about TAPS' minimum throughput capacity so that the cost of transportation per barrel can be computed. The effect of a lower throughput capacity increases the total amount of proven reserves

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[669] Owners' Proposed Findings of Fact and Conclusions of Law ¶ 535.

[670] Municipalities' Proposed Findings of Fact and Conclusions of Law ¶ 617.

[671] Tr. 9007-12 (Modisette).

[672] Tr. 8825-26 (Hisey).

[673] Tr. 2024-25 (Pietsch).

expected to be transported through TAPS, thereby decreasing the tariff on a per-barrel basis and extending the economic life of the oil fields.

403. Until approximately 2004, BP used 300,000 bbl/d as the minimum throughput capacity of TAPS for purposes of booking its Alaska North Slope SEC reserves.[674] At that point, BP began to consider whether the new variable speed pumps and recirculation piping associated with SR would permit the adoption of a substantially lower limit (and thus the booking of more reserves).

404. BPPA analyst John Haines testified at the trial in this case. In an email dated November 5, 2004, Mr. Haines stated:

> Momentum is starting to grow around booking more reserves based on an updated view of TAPS' minimum achievable rates . . . Lastly, when TAPS rates reach 100 MBD [100,000 bbl/d] we stop. Our consultant thinks we can probably operate TAPS below this minimum rate, but we didn't want to push it any further at this time.[675]

405. **[CONFIDENTIAL – SEE SEALED ENVELOPE.]** [redacted]

[redacted]

[redacted]

[674] MUN7-4406; MUN7-3046 at 1.

[675] MUN7-9094 at 1, 2 (confidentiality waived on record at Tr. 11421).



406. In 2004, BP Pipelines retained JTG Technology Consortium to conduct a study to revisit the minimum throughput limit on TAPS. The 308-page JTG report was completed in 2005 ("JTG Study") and concluded that "the low flow limit of the existing 48-inch TAPS pipeline was determined to be a PS [Pump Station] 1 rate of 135 MB/day [135,000 bbl/d]."[677]

407. The 135,000 bbl/d minimum throughput level set forth in the 2005 JTG Study was to be achieved with the addition of heat, although the study also allowed for other necessary modifications such as additional booster pumps, scraper trap valves, and piping for pigging.[678] Ulli Pietsch, the Owners' hydraulics expert in this trial, conducted the pressure and temperature simulations for the JTG Study.[679]

408. BPPA and its affiliates relied upon the JTG Study's conclusion of a 135,000 bbl/d low-flow limit to create tariff profiles that BP then used to report its reserves for several years to the SEC.[680]

[redacted]

[677] MUN7-3000 at 6.

[678] MUN7-3000 at 33, 75, 80.

[679] Tr. 2043-44, 2046 (Pietsch).

[680] Tr. 11413-17 (Haines).

409. In its initial year-end 2004 reserves submission to the BP London office, which was scheduled a couple of months before the JTG Study was concluded, BP Exploration and BP Pipelines personnel determined "an effective TAPS minimum throughput level of 150,000 bbl/d at 2053," using "conservative assumptions."[681] The report added:

> In the case of GPB [Greater Prudhoe Bay] and KRU [Kuparuk River Unit] (the biggest contributors to the reserves adds) each of these fields were still cash flow positive at 2064 (end of our tariff profile). The reserves coordinators arbitrarily chose to cut-off life at the earlier dates (2053 for GPB and 2047 for GKA) just to give themselves some future cushion.[682]

410. The JTG Study contained an alternative rail option that envisioned building a $3 billion 20-inch replacement pipeline from the North Slope to Fairbanks, and then using rail to transport the oil from Fairbanks to tidewater. That approach would allow reserves to be booked down to 45,000 bbl/d, if justified by high oil prices.[683]

411. **[CONFIDENTIAL – SEE SEALED ENVELOPE.]** [redacted]

[681] MUN7-9094 at 8.

[682] MUN7-9094 at 8 (confidentiality waived on record at Tr. 11425).

[683] Tr. 11411 (Haines); MUN7-3046 at 1.

[redacted]

412. BP Pipelines failed to provide the 2005 JTG Study in discovery for the 2006 ad valorem tax year proceedings.[685] That study would have supported the Municipalities' position in that litigation that TAPS could operate down to 150,000 bbl/d or less, and may well have resulted in the Court finding a minimum capacity limit lower than the 200,000 bbl/d that this Court applied for that assessment year.[686]

413. In closing arguments to this Court, Owners' counsel asserted that the 2005 JTG Study was consistent with a 200,000 bbl/d limit south of Fairbanks because the study has a range of 200,000 to 135,000 bbl/d as the minimum limit, apparently referring to a North Pole off-take alternative scenario in the study.[687] This position is not supported by the evidence; the JTG Study unambiguously states that "the low-flow limit of the existing 48" TAPS pipeline was determined to be a PS [Pump Station] 1 rate of 135 MB/Day [135,000 bbl/d]."[688] And whatever the Owners' position as to how the 2005 JTG Study should be interpreted, the Owners' failure to bring that study forward resulted in the other parties, SARB, and this Court not being able to consider it until its production in the proceedings for the 2007 to 2009 tax years.

414. In 2010, BP Pipelines retained Phil Carpenter, a subject matter expert who was also used extensively by Alyeska in its Low Flow study, to determine whether TAPS could operate at levels below the 135,000 bbl/d threshold put forth in the 2005 JTG Study. At trial, Mr. Haines of BP Pipelines explained:

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[685] Tr. 13580-81 (Mahoney).

[686] Amended Decision ¶ 122.

[687] Tr. 13580-81 (Mahoney).

[688] MUN7-3000 at 6, 7.

> The JTG study . . . essentially had two different paths that you could live with . . . One path was you would throw investments at TAPS and eventually the south leg would die at a rate of 135. You would start a railroading apparatus at that point. . . . the south leg always died first because of the extraction of oil at Fairbanks at the Fairbanks refinery . . . Except if you wanted to throw another $3 billion at the problem and replace the north leg with a replacement 20-inch line . . . [so as to be able to transport down to 45,000 bbl/day] . . . And the economic hurdle of paying for that $3 billion of replacement line investment created a very large stair-step in the economic profile, the granularity I was talking about.[689]

415. In a May 19, 2010 email, Mr. Haines provided Mr. Carpenter with a copy of the 2005 JTG Study and explained:

> You probably want to start with the executive summary. As we discussed on the phone, our reserves reporting relied on a 'low oil price' scenario and a 'high oil price scenario." These are identified in the report as Scenario 2 and Scenario 3. What we are looking for in your work effort is some sort of intermediate solution that could be used to extend the limit beyond 135 MBD [135,000 bbl/d] (Scenario 2), but would not have a $3 billion hurdle that would allow us to get down to 45 MBD [45,000 bbl/d]. In other words, something for a "middle oil price" scenario.[690]

Thus, the 2010 Carpenter Study was undertaken by BP Pipelines to obtain a minimum throughput level below 135,000 bbl/d that did not have a "$3 billion hurdle" associated with it that could be used for purposes of BP booking its proven reserves.[691]

416. A June 11, 2010 email from Mr. Carpenter contained a list of over a dozen low throughput options he had analyzed.[692] On June 15, 2010, Mr. Haines responded back that:

> I've had a chance to talk to our upstream reserves guys, and they advise that Option 2 (run cold and sweep with freeze suppressant) sounds like it might be pushing things too far, because it requires

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[689] Tr. 11410-11 (Haines).

[690] MUN7-3046 at 1.

[691] Tr. 11411 (Haines); MUN7-3046 at 1.

[692] MUN7-3046 at 30.

> achieving a level of confidence in the physics of the problem – a level of "proof" that our study will not be capable of fully defining. So, they agree we can drop it from the list . . . .[693]

Mr. Haines then discussed the various other options, concluding:

> From a pragmatic viewpoint, it seems to me that item 1 (heaters) may be exactly what we're looking for (in terms of finding a sure-fire way to bridge between the 135 MBD [135,000 bbl/d] endpoint and the large capital cost of replacing the north leg). I say this because if we can find a way to lower the endpoint from 135 MBD [135,000 bbl/d] to say something in the range of 100 MBD [100,000 bbl/d] or less, that kind of solution would probably act to close the gap our reserves guys are seeking.[694]

417. On June 28, 2010 Mr. Carpenter provided Mr. Haines with a "status update on the low flow work" in which he opined:

> . . . I am beginning to think that it looks surprisingly good for ultra low flow below 100,000 [bbl/d]. . . Heating needs actually go down with decreasing flow after a certain point. In addition to heaters, the primary upgrades required are oil separation facilities in Valdez (which could rely to great extent on the existing tank system) plus a water treatment plant. Other upgrades would be safety upgrades required to deal with an extended pipeline shutdown. This option is particularly interesting because it also offers the possibility of shipping heavy viscous crude oil that may be coming down the line in the future. It does not currently appear that there are any downstream side effects.[695]

418. Consistent with that opinion, on July 20, 2010, Mr. Carpenter circulated a draft of the 2010 Carpenter Study: "The analysis concluded that point source heating of the oil is the best solution for operation of 100,000 [bbl/d]."[696] Mr. Haines' response to the draft stated:

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[693] MUN7-3046 at 29.

[694] MUN7-3046 at 29. *See also* Tr. 11449-50 (Haines).

[695] MUN7-3052 at 1.

[696] MUN7-3056 at 6 (BP Pipeline interlineations omitted).

> Thanks for the updated report. This is shaping up nicely, and is exactly the "fit for purpose" product we were looking for. . . . Probably the most significant edits we've made to your most recent draft involved turning on the railroad when the PS-1 rate hits 140 MBD [140,000 bbl/d] (and turning off the south leg), and running the north leg down to 70 MBD [70,000 bbl/d]. This means some of the south leg heaters will likely not be installed at rates below 140 MBD [140,000 bbl/d] (because of laminar flow issues).[697]

419. The final version of the 2010 Carpenter Study was dated August 16, 2010 and concluded that TAPS could effectively operate down to throughputs between 100,000 bbl/d and approximately 70,000 bbl/d.[698] To operate at those throughputs, the study concluded that "[p]oint source heating of the oil (via heaters located at various intervals along the pipeline) is currently the best solution for enabling operations down to low throughput."[699]

420. The 2010 Carpenter Study did not foreclose lower throughput levels below its conclusions, acknowledging that other technologies apart from point source heating "may eventually offer better solutions with fewer unknowns, lower throughput limits and lower shutdown risk, but these options are less developed and well understood at this time."[700] The Study stated that "50,000 [bbl/d] to 70,000 [bbl/d] is probably the limit for [the point source heating] approach due to wax deposition and pigging concerns. Further reduction in flow will require investigation of other options that maintain higher flow velocities, such as seawater commodity supplementation."[701]

421. On August 23, 2010, Larkspur issued the companion report to the Carpenter Study. The Larkspur Study details the location, estimated cost, and timing (based upon flow

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[697] MUN7-3051 at 1.

[698] Tr. 10404-07 (Haines); MUN7-3020 at 6-8.

[699] MUN7-3020 at 6. *See also id.* at 8 (laminar flow at "about 50,000 BPD").

[700] MUN7-3020 at 7.

[701] MUN7-3020 at 8.

rates) of the heaters necessary to operate all of TAPS down to 100,000 bbl/d.[702] Together with the Carpenter Study, the Larkspur Study demonstrates that the TAPS Owners are already considering the expenditure of significant resources to transport daily throughputs on TAPS far below the 300,000 to 350,000 bbl/d minimum throughput limit that the Owners are advancing in this case.

422. In the fall of 2010, BPPA used the lower minimum throughput determinations from the Carpenter Study in its transportation tariff calculations. Those calculations, in turn, were provided to BP Production forecasting personnel who then used that information to book BP's proven reserves in 2010.[703] That BP relied upon the Carpenter Study's 100,000 to 70,000 bbl/d low flow estimate to book its reserves is compelling evidence that these figures may be reasonably relied upon by this Court to determine the assessed value of TAPS.

423. At trial, the Owners maintained that TAPS' minimum throughput limit is much higher. They referred to the extensive work done on the 2011 Alyeska Low Flow Impact Study ("LoFIS"), as testified to by Alyeska employee Pat McDevitt, in support of their position that TAPS has an operational lower capacity limit of 300,000 to 350,000 bbl/d.[704] Mr. Carpenter, who prepared the BP Pipelines 2010 study for reserves purposes, was also a

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[702] MUN7-3044; MUN7-3045. Thus, although BP Pipelines edited the final version of the 2010 Carpenter Study to reflect BP Pipelines' preference to "turn on" the North Pole Refinery, and thus assumes a limit of 140,000 bbl/d on the South leg, Larkspur's work is consistent with Mr. Carpenter's original analysis that did not distinguish between the low flow limits on the North and South legs.

[703] Tr. 11415-17 (Haines).

[704] Tr. 10751 (McDevitt).

core member of the Alyeska LoFIS team, with subject matter expertise in water transport, hydraulic size formation, and heat transfer.[705]

424. The LoFIS was an $11 million study by Alyeska that reviewed many potential low-flow issues – including water dropout and corrosion, ice formation within the crude, wax deposition, and potential pipe displacement due to ice lenses in the soil. The public version of the Low Flow Study expressly concluded that "[f]low volumes of less than about 350,000 BPD subject TAPS operations and pipeline integrity to greater degrees of uncertainty that require investigation and study beyond that accomplished through the LoFIS. *Measures to mitigate these issues utilizing the existing 48-inch pipe at throughputs below 350,000 BPD have not been determined at the date of this report.*"[706] Similarly, Mr. Haines testified that Mr. Carpenter and Larkspur "concluded that [TAPS] could run down to lower levels than what I understood the Alyeska team was currently examining," and that 300,000 bbl/d was the "lower range of [the LoFIS] effort."[707] This was also consistent with Mr. McDevitt's testimony that the purpose of LoFIS was "to look at TAPS' low flow down to 300,000 bbl/d".[708] This Court finds, based on the evidence presented at trial, that the LoFIS was primarily limited to studying operating challenges with throughputs down to 300,000 bbl/d and not below that level.[709] Its focus was not to determine TAPS' minimum throughput capacity.

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[705] Tr. 10960-61 (McDevitt): MUN7-3020 at 12-14.

[706] Executive Summary of Low Flow Impact Study Final Report at 3 (public version, June 15, 2011), *available at* http://www.alyeska-pipe.com/Inthenews/LowFlow/LoFIS_Summary_Report_P6%2027_ExSum.pdf) (emphasis added). *See* Evidence Rule 201.

[707] Tr. 11403-04 (Haines).

[708] Tr. 10979 (McDevitt). *See also* MUN7-3056 at 6-7 (confidential statement by Mr. Carpenter).

[709] Tr. 10975-82 (McDevitt); Tr. 11404 (Haines).

425. While the LoFIS discussed many potential problems at lower throughputs and recommended further study for solutions, it did not establish by a preponderance of the evidence that TAPS cannot operate below 300,000 bbl/d. Although Pat McDevitt, the project manager for LoFIS, testified that it is "not possible" for TAPS to operate below 300,000 bbl/d, this Court found that testimony, when considered with all of the other evidence at trial presented on this topic, to be completely unpersuasive.[710] Mr. McDevitt declined to present himself as a subject matter expert in any of his areas of concern.[711] Furthermore, no other expert made an absolute statement as to TAPS' minimum capacity. For example, Alyeska engineer Joe Riordan testified that he did not know for a fact that TAPS could not operate at 100,000 bbl/d.[712] This Court concurs with the Department's assertion that in the case of Mr. McDevitt, "it is difficult to separate advocacy from engineering analysis that has been fully vetted and tested."[713]

426. Mr. McDevitt did not clearly articulate a specific reason why TAPS would cease to operate at any particular capacity level, but instead articulated a number of operational concerns that have not yet been fully studied.[714] For example, when asked for the primary reason why TAPS would be unable to operate below 300,000 bbl/d, he indicated low velocity pigging could constrain TAPS' operation at low flows.

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[710] Tr. 11025-27, 11093 (McDevitt).

[711] Tr. 10963-68 (McDevitt).

[712] Tr. 5129 (Riordan).

[713] Department's Proposed Findings of Fact and Conclusions of Law ¶ 202.

[714] Tr. 11027-28 (McDevitt).

427. Pigging becomes more critical as the oil slows and the temperature of the oil decreases, because wax precipitation and deposition increase.[715] This wax deposition is primarily addressed through increased pigging of the pipeline. The August 2010 Carpenter Study used a 7-day pigging schedule with approximately 20 pigs in the pipeline for its 70,000 bbl/d scenario.[716] Mr. Carpenter nonetheless recognized that "pipeline scraper and inspection pig viability at low flow is a considerable concern at very low flow,"[717] and recommended that "Alyeska and/or its Owners implement a long-term research and development program to implement mission critical pigs."[718] But over one year after that report was issued, Mr. McDevitt testified at trial that he was unaware of any conceptual engineering work underway at Alyeska to address these pigging issues, and was unaware of any pig manufacturer that had been contacted for the purpose of designing, developing or testing low velocity pigs for TAPS.[719]

428. As noted above, BP pipelines provided extensive comments on a July 20, 2010 draft of Mr. Carpenter's Study. One exchange related to Alyeska's low flow work. BP Pipelines commented that:

> Recognizing that your work here goes beyond (and has a somewhat different focus than) the [Alyeska] Low Flow team's work, we want to ensure that everything said in this report would not contradict the work done by the Low Flow team or be in conflict with what their report might say when it is issued in 3Q. In particular, we've been picking up some recent rumors that the Low Flow team's optimism about achieving very low throughput rates has started to wane a little in

[715] Tr. 10918 (McDevitt).

[716] MUN7-3020 at 40.

[717] MUN7-3020 at 40.

[718] MUN7-3020 at 40.

[719] Tr. 11075-77, 11085 (McDevitt). *See also* Tr. 9224 (Malvick).

> recent months, but we don't know if there's any merit to this. So, we were hoping you could bring us up to speed on Friday.[720]

Mr. Carpenter responded: "I think that your concern is valid. The primary concerns are (1) the ability to pig the line at very low flow and (2) the impact of shutdowns and slowdowns on oil temperature and wax accumulation."[721] Another drafting note by BP Pipelines stated:

> Phil, I'm wondering whether you could develop a list of the additional heaters required to get down to say 70-80,000 [bbl/d]. This way we could get a sense of how impractical the number of heaters is getting to be as the rate goes below 100 MBD [100,000 bbl/d]. If it looks like maybe 3 or 4 more heating stations will do the job, then perhaps it is still within the range of being economic. I know this says nothing about the ability to pig at such low rates, or whether wax sedimentation is insurmountable. I guess what I'm trying to say is – is there any room to move this number lower without pushing the boundaries of good engineering judgment? Or, is 100 [100,000 bbl/d] about the limit of how low you think TAPS can go with point heating.[722]

Mr. Carpenter's response was:

> My biggest concern with ultra flow and heating is the ability to pig and the potential for wax sedimentation/sludge accumulation in laminar flow. I've refined my numbers a bit and right now the laminar flow limit in the north end is about 70,000 [bbl/d], which probably eliminates that sludge issue but does not solve the pig issue.[723]

429. Thus, while Mr. Carpenter expressed concerns with pigging, he was sufficiently confident the "pig issue" could be solved that he concluded TAPS could operate at the "70,000 [bbl/d] benchmark" discussed in his report.[724]

430. This Court finds the JTG and Carpenter studies, which were conducted by TAPS' largest Owner for the specific purpose of evaluating the ability of TAPS to operate at

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[720] MUN7-3056 at 6-7.

[721] MUN7-3056 at 7.

[722] MUN7-3056 at 8.

[723] MUN7-3056 at 8.

[724] MUN7-3020 at 10.

throughputs well below 300,000 bbl/d and relied upon by BP for booking its proven reserves, to be far more persuasive than the LoFIS study in determining TAPS' minimum throughput capacity.

431. At trial, the Municipalities' expert Dr. Jerry Modisette persuasively opined why he had determined that TAPS could operate at 100,000 bbl/d. Indeed, Dr. Modisette asserted TAPS could operate at far lower throughputs than that, particularly if the oil were recirculated through the pumps so as to raise its temperature – a project Alyeska is planning to try this winter.[725]

432. With regard to the low-flow operational issues identified in the Alyeska study, including water dropout and corrosion, ice formation within the crude oil, ice lenses or frost heaves in the soil, and wax precipitation and deposition, the weight of the evidence at trial persuaded this Court that it is more likely than not that there will be engineering solutions to mitigate these problems on TAPS at throughputs down to 100,000 bbl/d or less.[726]

433. Heating the pipeline will likely be a major component of any low-flow mitigation approach. Mr. Malvick stated that Alyeska is currently studying and planning for heating TAPS via installation of point source heaters, enhanced recycling of crude at pump stations, bringing Pump Station 7 back into service as a heating station, enhanced pipeline insulation, and waste heat recovery at Pump Stations 3 and 4.[727] As of the time of trial in late 2011, Alyeska and the Owners had not yet purchased any heaters for TAPS.[728]

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[725] Tr. 9014-15 (Modisette).

[726] *See, e.g.*, Tr. 8961-62 (Hisey).

[727] Tr. 1969, 1974, 1978-80 (Malvick).

[728] Tr. 1828-29 (Riordan).

434. The August 2010 Larkspur Study estimates approximately $2 billion in undiscounted costs for heating TAPS so as to be able to transport 100,000 bbl/d.[729] This is based on the 2010 Carpenter Study's use of substantial redundancy resulting in 70% excess heating capacity.[730] Thus, the actual cost could well be considerably lower. However, even Larkspur's estimated expense is self-evidently economic in light of the value of TAPS' proven reserves. The Court was persuaded by Mr. Hisey's testimony that even if the heating and other mitigation measures cost upwards of hundreds of millions of dollars in the coming decades, it would still be economical to make such investments to keep TAPS operating at and below 100,000 bbl/d "to move North Slope crude oil and keep that transportation base available for future fields, future production."[731]

435. As noted above, Mr. Haines used the 2010 Carpenter Study and the Larkspur Study as the basis for TAPS' minimum throughput capacity in developing the per barrel transportation tariffs that BP relied upon to book its proven reserves.[732] At the trial de novo, Owners' counsel asked Mr. Haines what weight he would give the 2010 Carpenter Study today if he were to determine TAPS' minimum throughput capacity, after Alyeska's $11 million low flow study had been completed.[733] Mr. Haines testified:

> It seems to me that if I had to sit back and do tariffs again, I would be – have to give a lot of weight to – to the one that seems to me to be – have more depth behind it and engineering facts, and that would have to be – I would have to seriously weight what I saw with – with the Alyeska result.[734]

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[729] MUN7-3045 at 2.

[730] MUN7-3020 at 29-31.

[731] Tr. 9000 (Hisey).

[732] Tr. 11474-75 (Haines).

[733] Tr. 11484 (Haines).

[734] Tr. 11485-86 (Haines).

Thus, Mr. Haines did not say that he believed the 2010 Carpenter Study was inaccurate, presented incorrect information, or was improper to rely upon to book reserves in the past or future, but only that he would "seriously weigh" the Alyeska opinions presented at trial by Mr. McDevitt.

436. The Owners did not seek to have Mr. Carpenter testify at trial, notwithstanding the Court's specific indication during trial that a motion could be brought to do so.[735]

437. This Court finds the conclusions reached in the 2005 JTG study, together with the opinions reached in the 2010 Carpenter Study and Larkspur Study, as well as the opinions of Dr. Modisette and Mr. Hisey, to be more credible and persuasive than Mr. McDevitt's opinion on TAPS' minimum throughput capacity.

438. For the foregoing reasons, and after careful consideration of all of the evidence presented at trial, this Court finds it more likely than not that TAPS can effectively transport throughputs at least down to a minimum flow rate of 100,000 bbl/d.

b. Proven Reserves

i. The Definition of Proven Reserves

439. The applicable statute requires consideration of the "estimated life of the proven reserves of gas and unrefined oil then technically, economically and legal deliverable into the transportation facility."[736]

440. Various definitions of the term "proven reserves" have been advanced by the parties and considered by this Court during the course of these proceedings.[737] For the

[735] Tr. 11505 (Court); Alaska Civil Pattern Jury Instruction 02.23.

[736] AS 43.56.060(e)(2).

2006 tax year, this Court declined to further define proven reserves beyond the statutory language, and held that the statute required an estimation of the total proven reserves, and then a determination made as to which of those proven reserves were deliverable to the pipeline as of the valuation date.[738]

441. In an order issued on August 16, 2011, this Court again declined to create a more refined definition of "proven reserves" than is set forth in the statute, and again held that the statutory phrase "then technically, economically and legally deliverable" provides a further restriction on the amount of proven reserves that can be considered in determining the full and true value of TAPS.[739]

442. In their proposed findings, the Owners urge this Court to adopt a requirement that reserves be proven to a level of "reasonable certainty" before they can be considered as "proven reserves" for ad valorem tax purposes. They cite to the Securities and Exchange Commission ("SEC") definition, which effective January 1, 2010, provides as follows:

> Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.[740]

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[737] *See* Owners' Mot. for Rule of Law on Meaning of Proven Reserves within AS 43.56 (May 27, 2011); Municipalities' Opp'n to TAPS Owners' Mot. for Rule of Law on Meaning of Proven Reserves within AS 43.56 (June 29, 2011); 2007 R. 3541- 3561; Tr. 9705-06 (Van Dyke).

[738] *See* Order re TAPS Owners' Motions of May 27, 2011 at 2, n. 3 (Aug. 16, 2011).

[739] *See* Order re TAPS Owners' Motions of May 27, 2011 at 2 (Aug. 16, 2011).

[740] 17 CFR § 210.4-10 (effective 2010); Owners' Proposed Findings of Fact and Conclusions of Law ¶ 698.

443. The Owners note that publicly traded companies listed on the U.S. stock exchange must report their proven reserves using this SEC definition.[741] They assert that "[t]he SEC rules provide for a consistent and reliable industry understanding of the term and the meaning of 'proven reserves' for booking those reserves for financial reporting and for public disclosures."[742] They argue that this standard should be adopted by this Court for the ad valorem assessment of TAPS, as it reflects "current technical understanding of the term as used in the United States."[743]

444. In effect, the Owners' urge the adoption of a heightened burden of proof so as to require that the reserves be proven to a level of "reasonable certainty" before they can be considered in the ad valorem assessment of TAPS.

445. A 1965 Society of Petroleum Engineers' ("SPE") definition of "proved reserves" in effect when AS 43.56 was enacted read as follows:

> Proved Reserves–The quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in the future from known oil and gas reservoirs under existing economic and operating conditions. They represent strictly technical judgments, and are not knowingly influenced by attitudes of conservatism or optimism.[744]

446. There is a similarity between AS 43.56.060(e)(2) and the 1965 SPE definition for "proved reserves," and it is possible that Legislators considered the SPE definition when drafting the ad valorem tax statutes.[745] And yet, as this Court has previously noted, the Legislature did not articulate any particular confidence level in the statutory definition of

[741] Tr. 9867-68 (Hoolahan).

[742] Owners' Proposed Findings of Fact and Conclusions of Law ¶ 697.

[743] Owners' Proposed Findings of Fact and Conclusions of Law ¶ 702.

[744] 2007 R. 3546.

[745] *See* 2007 R. 3534.

"proven reserves" for ad valorem tax purposes, such as proven by a "preponderance of the evidence" or "reasonable certainty."[746]

447. "Preponderance of the evidence is the general burden of persuasion in civil cases."[747] On occasion, such as with civil statutes that are quasi criminal in nature, the Alaska Supreme Court has established a higher burden. But in this tax case, and in the absence of a clear legislative articulation of a heightened standard, the preponderance of the evidence standard should control.

448. Moreover, no persuasive justification has been demonstrated here for creating a heightened burden of proof for ad valorem tax purposes. Government reporting agencies such as the SEC require a heightened burden of proof from oil producers that the reserves they are asserting as proven have actually been ascertained to a degree of reasonable certainty. That heightened burden, however, is imposed upon the entities that have full access to the data they are required to submit, and is intended for investors to be able to rely upon in formulating investment decisions.

449. The history of this case demonstrates that it has been exceedingly difficult for the Municipalities to obtain any proven reserves information from the Owners and their affiliates. Only a limited amount of reserves information has been made available to the Municipalities – and certainly not due to a lack of effort on their part both before the trial court and on repeated petitions for review to the Alaska Supreme Court. To require a

[746] *See* Amended Decision ¶ 396.

[747] *Fernandes v. Portwine*, 56 P.3d 1, 6 (Alaska 2002) (citing *Addington v. Texas*, 441 U.S. 418, 423 (1979) (the burden in typical civil cases is preponderance of the evidence); *Spenard Action Comm.*, 902 P.2d at 775 (the general civil standard is preponderance of the evidence); *Cavanah v. Martin*, 590 P.2d 41, 42 (Alaska 1979) ("The standard of proof in civil cases is proof by a preponderance of the evidence."). *See also* AS 43.05.435(1) (in tax appeals heard by administrative law judge, the judge shall "resolve a question of fact by a preponderance of the evidence, or if a different standard of proof has been set by law for a particular question, by that standard of proof.").

heightened burden of proof of the proven reserves from the Municipalities when they have been unable to obtain all of the proven reserves information they have so vigorously sought from the Owners and their affiliates could result in an ad valorem valuation that is not a "full and true value" of the pipeline. This Court finds it more likely that a construction of the statute "that rigidly adopted the petroleum industry's concept of proved reserves would lead to impermissible inequities in tax assessment."[748]

450. The Owners also cite to AS 01.10.040(a) in urging the adoption of the SEC definition. This statute provides that "[t]echnical words and phrases and those which have acquired a peculiar and appropriate meaning, whether by legislative definition or otherwise, shall be construed according to the peculiar and appropriate meaning."[749] But the record demonstrates that in addition to the reserves information that an oil producer provides to the SEC using the government's reporting standards, an oil producer also maintains its own proprietary reserves information, which can be based on a variety of different economic and other assumptions from the SEC requirements.[750] The record establishes that the term "proven reserves" has not acquired a peculiar or appropriate meaning. Accordingly, this Court finds that for ad valorem tax purposes under AS 43.56, reserves must be proven by a preponderance of the evidence, and not by any heightened standard.

451. The word "then" preceding "technically, economically and legally deliverable into the transportation facility" in AS 43.56.060(e)(2) imposes a temporal restriction that

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[748] *Maples v. Kern County Assessment Appeals Bd.*, 103 Cal. App. 4th 172, 196 (Cal. Ct. App. 2002). *See also* Municipalities' Proposed Findings of Fact and Conclusions of Law ¶¶ 677, 678.

[749] Owners' Proposed Findings of Fact and Conclusions of Law ¶ 691.

[750] Tr. 9718-24 (Van Dyke).

requires that for proven reserves to be included in the valuation analysis of TAPS, they must be technically, economically, and legally deliverable as of the valuation dates each year.

452. This Court interprets the requirement that the oil be "technically" deliverable into the pipeline to mean that the technology exists as of the lien date for the oil to be deliverable to the pipeline. This Court again finds that the existence of pipeline and production facilities to a particular field as of the lien date is not a prerequisite for those reserves to be considered technically deliverable under the statute, so long as the technology exists for the oil to be deliverable to the pipeline as of the lien date.[751] This finding is consistent with many definitions of the term "proven reserves," including those adopted by the SEC and the SPE, which distinguish between proved developed reserves and proved undeveloped reserves.[752] Reserves that do not have infrastructure in place are still considered proven, but are categorized as proved undeveloped.[753]

453. Further, as previously discussed in this decision, this Court adopts the Board's interpretation of the statutory provision that reserves be "technically deliverable ... into the transportation facility" to permit a pipeline owner to prove by a preponderance of the evidence that a pipeline has a minimum throughput capacity.

454. This Court finds that the "legally deliverable" requirement is satisfied so long as the totality of the circumstances demonstrate that it is reasonable to assume that all necessary permits and licenses to allow for the extraction of proven reserves from a given

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[751] *See* Amended Decision ¶ 401.

[752] Tr. 9872 (Hoolahan).

[753] Tr. 10084 (Hoolahan).

pool will be granted or renewed, and there exist no legal prohibitions against delivering those reserves to TAPS as of the lien date.

455. In the case of the Point Thomson Unit ("PTU"), the Department of Natural Resources had terminated the unit as of November 2006, so reserves from the PTU should not be included in the proven reserves as of the January 1, 2007 lien date because of the legal prohibition on development. In December 2007, the Superior Court reversed the unit termination decision and remanded the matter back to the agency for further proceedings. Thus, the PTU should be included as legally deliverable proven reserves as of the January 1, 2008 lien date.[754] But as of the January 1, 2009 lien date, the unit had again been terminated by the agency, and the appeal to the superior court was pending. Thus, the PTU should not be included in the proven reserves analysis as of that date. The PTU satellites have been included as proven reserves in all three of the lien years since no persuasive evidence was presented that they were included within the agency's unit termination decisions.

456. This Court was completely unpersuaded by the testimony of the Owners' witness Jack Hartz that the "legally deliverable" provision set forth in the statute includes only those quantities of oil that are contained in reservoirs for which the producers, as of the lien date, have every permit and license necessary to allow immediate extraction and delivery of crude oil to TAPS.[755] Such an approach would result in an improper valuation of the pipeline.

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[754] *See ExxonMobil v. State*, Superior Ct. Case No. 3AN-06-13751 CI.

[755] Tr. 10143-45 (Hartz).

457. Natural gas liquids ("NGLs") produced at Prudhoe Bay that are contractually committed for shipment to Kuparuk would not be legally deliverable to TAPS.[756] However, the Owners failed to present sufficient evidence as to the amount of such reserves.[757]

458. To be economically deliverable, the anticipated price for a barrel of oil to be delivered to market must exceed the cost of its production, including the cost of transportation. Each party performed an economic analysis of the proven reserves for this proceeding.

459. Thus, so long as oil in each of the three categories of ANS production established by the Department of Revenue – producing, under development, and under evaluation – was economically, technically, and legally deliverable into TAPS as of the lien date, as proven by a preponderance of the evidence, that oil should be included when estimating the economic life of TAPS for ad valorem tax purposes.

460. This is consistent with the testimony of experts in this case and before SARB that "technically, economically, and legally" are common elements of proved reserves definitions,[758] and that their determination of "proven reserves" would not have been materially different had the "technically, economically, and legally" language been absent.[759] That is because each of these three requirements are explicitly or implicitly contained in most, if not all, definitions of proved reserves.

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[756] Tr. 10038 (Hoolahan).

[757] There are references to the exclusion of these NGLs in some of Mr. Hoolahan's charts, but the amounts are unspecified. *See, e.g.*, T0-07-0092 at 39, 46, 53.

[758] Tr. 10579-81 (Greeley); Tr. 10037-38 (Hoolahan); Tr. 10527-29 (Molli); Tr. 9831-32, 9837-39 (Van Dyke); Tr. 9412 (Platt); 2007 SARB Tr. 0765, 0772 (Garb).

[759] Tr. 9870-71 (Hoolahan); Tr. 9708-09 (Van Dyke).

461. The economically recoverable proven reserves estimates, in billions of barrels of oil, presented by each of the parties at trial were as follows:

Party	2007	2008	2009
Owners Hoolahan (Initial Report) [760]	1.884	1.949	1.307
Owners Hoolahan (Corrected)[761]	4.163	4.119	3.092
Department of Revenue Molli / Greeley[762]	5.436	5.169	4.929
Municipalities Platt / Van Dyke[763]	8.198	7.759	7.362

In addition to the foregoing, confidential proven reserves estimates from BP Exploration (Alaska) Inc. were provided through discovery and admitted as evidence. The Owners and the Department did not present any witness that directly addressed BPXA's confidential estimates.

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[760] T0-07-0146.147. These are Mr. Hoolahan's 1P estimates – which he defines as "proved developed reserves." T0-07-0007.08.

[761] T0-07-92 (corrected) at 22. These are Mr. Hoolahan's 2P estimates – which he defines as "proved plus probable developed reserves" with some augmented data from Mr. Molli. T0-07-0007.08. The 1P estimates do not appear in his corrected report.

[762] SOA7-6 at 11. Note, however, this assumes a 150,000 million bbl/d throughput limitation. Actual proved reserves would be higher.

[763] MUN7-4306 at 6; MUN7-4313 at 6; MUN7-4309 at 7.

462. **[CONFIDENTIAL – SEE SEALED ENVELOPE.]** [redacted]

[redacted]

463. The parties also presented some evidence of reserves information that has been made publicly available through various government agencies. This included a Department of Energy Report dated August 2007 which estimated that the remaining

[redacted]

economically recoverable oil from existing fields on the ANS was between 6 and 7 billion barrels as of December 31, 2004.[770]

464. The Owners' appraiser Michael Remsha did not rely upon the Owner's reserves expert Shaun Hoolahan's proven reserves estimates, but instead used the Department of Revenue's throughput projections to which he applied a discount. His discounted remaining throughput projections as of the lien dates ranged from 2.0 billion barrels to 6.2 billion barrels.[771]

ii. The Municipalities' Production Forecasts and Reserves Estimates Generally Provide a Reliable Basis for Determining TAPS' Estimated Proven Reserves

465. Dudley Platt is one of the preeminent production forecasters in the state, although he is not a petroleum engineer. He began making oil production forecasts for the State of Alaska in 1989.[772] Mr. Platt prepared a production forecast for the Department every year through 2009.[773] This Court relied on Mr. Platt's production forecast to determine TAPS' end-of-life in the 2006 tax year trial.[774]

466. Mr. Platt used a comprehensive "lease sale to abandonment" approach to his forecasting in which he considered lease acquisition, unitization and field development, and how multiple pools produce using evolving technologies and numerous reservoir drive mechanisms to common surface facilities.[775]

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[770] MUN7-0001-4232.

[771] TO-07-0004.0260.

[772] Tr. 9338 (Platt).

[773] MUN7-0238 at 21.

[774] Amended Decision ¶ 398.

[775] Tr. 9343-48 (Platt).

467. Mr. Platt also testified that he relies upon reports filed by the producers with the Alaska Oil & Gas Conservation Commission in determining what proved reserves are technically recoverable.[776] Those reports detail not only industry estimates regarding the quantities of oil in place, but also industry estimates regarding the amounts of oil recoverable using established methods of extraction.[777] These estimates are based on standard industry techniques, including seismic mapping, computer simulation, and exploratory drilling.[778] The evidence at trial demonstrated that the estimates of the economic life of Prudhoe Bay reported by the BP Prudhoe Bay Royalty Trust ("Royalty Trust") to the SEC correlate well with Mr. Platt's economic models when he used the SEC fixed price for comparison purposes.[779]

468. Decline curve analysis is one component in the determination of the economic life of ANS proven reserves.[780] Mr. Platt's forecast incorporated a decline curve analysis at the pool level, as opposed to a well-by-well analysis used by both the Owners' and Department's witnesses.[781] Mr. Platt persuasively testified that, based on his experience working in the oil industry, long-range production forecasters do not use decline curves on a well-by-well basis.[782] Mr. Van Dyke explained that well-by-well analysis can work well for a small lease in Kansas with four wells, but not for a field with 1,000 wells that are regularly being turned on and off: "it's not the best approach to use a well-by-well method as

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[776] Tr. 9351-52 (Platt).

[777] Tr. 9351-52 (Platt).

[778] Tr. 9351-53 (Platt); Tr. 9384-85 (Platt).

[779] Tr. 9388-89 (Platt).

[780] Tr. 10498-99 (Molli).

[781] Tr. 9356 (Platt).

[782] Tr. 9431-32 (Platt).

compared to the pool – a pool level method to forecast production."[783] Decline curve analysis at the well level requires subjective analysis of highly variable historic data to estimate future production rates for each well.[784]

469. **[CONFIDENTIAL – SEE SEALED ENVELOPE.]** [redacted]

[redacted]

[redacted]

470. The legislative history of AS 43.56 supports the use of a pool forecasting methodology. At a 1973 Finance Committee hearing on the bill, "Mr. Heier asked if the Division of Oil & Gas could furnish the state assessor's office projections well by well as to future productions. Mr. Burrell [of the Division] said it could be done more accurately on a field basis, as one well could dry up immediately."[786]

471. Based on the evidence presented at trial, this Court finds that for determining the economic life of TAPS, a pool-based analysis is generally preferable to a well-based analysis.

472. One of the components of a decline curve analysis is the "b-factor." Mr. Platt, on a pool basis, and Mr. Molli, on a well-by-well basis, both used b-factors to depict the rate at which oil production declines over the life of the projection. Mr. Platt was criticized for his use of b-factors greater than the value of 1.0 for several pools because some theorists maintain that b-factors must fall between the value of zero and one, and may never be greater than the value of one.

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[783] Tr. 9764 (Van Dyke).

[784] Tr. 9425-28 (Platt); Tr. 9429-32 (Platt); Tr. 9356 (Platt).

[redacted]

[786] *Minutes* at 50, H. Finance Comm., 8th Leg., 1st Spec. Sess. (Oct. 22, 1973) [2007 R. 9736].

473. A b-factor greater than 1.0 projects infinite production over an infinite period of time.[787] Yet Mr. Molli acknowledged at trial that when a b-factor of .5 is used it takes approximately two billion years for production to converge to close to zero.[788] Thus, whether a b-factor assumption models a pool or well that produces for two billion years or forever is not significant, because forecasters use economic tests to terminate production at some point several decades in the future – long before two billion years.[789]

474. **[CONFIDENTIAL – SEE SEALED ENVELOPE.]** [redacted]

475. Mr. Platt used b-factors for Prudhoe Bay of 1.0 for 2009, and 1.054 for both 2008 and 2007.[792]

476. Witnesses for both the Department and the Owners asserted that Mr. Platt had overestimated short-term production. But Mr. Platt persuasively testified that the major reason for that over-estimation was due to short-term interruptions in production and the

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[787] Tr. 10503-04 (Molli).

[788] Tr. 10546 (Molli).

[789] Tr. 10546-47, 10559–61 (Molli).

[redacted]

[792] SOA7-12 at 5.

delay of ANS fields and projects coming online, such that the oil he forecasted will eventually be recovered.[793]

477. Mr. Platt's economic testing assumed that a pool will stop producing oil during the first year that the costs for extracting the oil from that pool exceed the revenue generated from the sale of that oil.[794] He also assumed that operating costs would remain flat over the life of a given field. In reality, real operating costs typically decrease over the economic life of the field.[795]

478. Economic testing of reserves also requires forecasting the future price of oil. There are several methods: (1) "point in time" forecasting, which uses the price of oil on a specific date as the price for all future oil sales;[796] (2) basing the price on historical data over an established time period;[797] and (3) setting prices based upon a forward-looking forecast.[798]

479. Until 2010, the SEC required producers to use "point-in-time" forecasting using the price of oil on the last trading day of the relevant calendar year as the price for all future sales.[799] For investors, such an approach permits a meaningful comparison among different companies. But this Court finds that the historical "point in time" method of price forecasting for ad valorem tax purposes results in substantial year-to-year volatility of economic end-of-

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[793] Tr. 9447-48 (Platt); Tr. 9989-90 (Hoolahan).

[794] Tr. 9371-72 (Platt).

[795] Tr. 9374-75 (Platt); Tr. 9407-09 (Platt) (confidential); Tr. 9561-62 (Platt) (confidential); MUN7-4406 at 3, 5; Tr. 10066-67 (Hoolahan).

[796] Tr. 10029 (Hoolahan).

[797] Tr. 10620-21 (Greeley).

[798] Tr. 9376-79 (Platt); Tr. 9558-60 (Platt).

[799] Tr. 9420-21 (Platt).

life estimates. The SEC ameliorated the volatility of this approach to some degree when it amended its regulations in 2010 to use the monthly average price of oil during the prior year instead of December 31.[800] The Court finds it more reasonable for the purposes of economic testing under AS 43.56.060(e)(2) to use a historical average of prices or credible forward-looking oil price forecasts.

480. Mr. Platt relied upon the U.S. Department of Energy's Energy Information Administration ("EIA") price forecast, which forecasted real market price growth for each of the three assessment years at approximately 1% per annum.[801] Based on the evidence presented at trial, this Court finds that reliance on that forecast was reasonable. Oil prices during the three assessment years were volatile, such that the forward-looking projections made by the EIA during that period varied considerably. Yet the highest oil price forecasted by the EIA for calendar year 2011 during the assessment years was $74.08 per barrel, while the actual price of oil on October 18, 2011 was $113 per barrel.[802] Mr. Platt also explained that due to the highly progressive nature of Alaska's production tax, oilfield economics at high real oil prices are not materially affected by price variations.[803] Overall, this Court found Mr. Platt's production forecast and economic testing to be persuasive.

iii. The Forecasts and Reserves Estimates Offered by the Owners' Witnesses were not Persuasive

481. The Owners presented economist Roger Marks to testify with respect to proven reserves. Mr. Marks' testimony regarding the reserves estimates he derived from

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[800] Tr. 9386-87 (Platt); Tr. 9949-50 (Hoolahan).

[801] Tr. 9376-79 (Platt).

[802] Tr. 9565-67 (Platt). *See also* Tr. 10039-40 (Hoolahan).

[803] Tr. 9565-66 (Platt).

the oil producers' SEC filings was not persuasive.[804] His testimony was at odds with Mr. Van Dyke's testimony regarding the SEC filings by the BP Prudhoe Bay Royalty Trust. This Court found Mr. Van Dyke's testimony to be considerably more persuasive, in large part because Mr. Van Dyke correlated his findings with the BPXA confidential reserves information and also referred the Court specifically to the precise language and numbers in the SEC filings that informed his analysis.[805]

482. Petroleum engineer Shaun Hoolahan presented production forecasts and reserves estimates on behalf of the Owners. For a number of reasons, this Court found his conclusions to be unpersuasive.

483. Unlike all the other production forecasts presented in this case, Mr. Hoolahan's reports do not specify the expected amount of oil production each year for each of the fields over the projected life of that field. Instead, that information is set out in aggregated charts that are imprecise.

484. Mr. Hoolahan testified whether his estimated production had been higher or lower than the actual production for the past few years. But the testimony did not include the amount of production he had estimated, but simply indicated whether his prediction had been too high or too low.[806] Without knowing the amounts he had predicted to compare to actual production, the analysis was unpersuasive.

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[804] Tr. 10391-93 (Marks).

[805] Tr. 9727-33 (Van Dyke). The testimony there refers to MUN7-4072 (excerpts of the BP Royalty Trust SEC filings), which was admitted as MUN7-0001 at tab 58, p. 2006. At closing arguments, Owners' counsel distributed and referred to various pages from what appeared to be SEC 10-k 2008 filings from ConocoPhillips.

[806] *See generally* T0-07-0007 at 103-119.

485. Mr. Hoolahan testified that he used only publicly available information to perform his initial analysis.[807] The reason for this is not clear, given that the record in this case demonstrates that at least one of the TAPS Owners, BPPA, has had access to ANS reserves information through its affiliate. Mr. Hoolahan acknowledged that he had insufficient information for a proper assessment of proved undeveloped reserves.[808] He later augmented his report with information he received from the Department's expert Mr. Molli to increase his proven undeveloped estimates.[809]

486. Mr. Hoolahan assumed five years of new wells from the date of each assessment. After that, he assumed that no new wells would be drilled on the ANS.[810] This restrictive assumption is not reasonable, based upon this Court's review of all the evidence.

487. Mr. Hoolahan used what he termed a "cut-cum" methodology on a well-by-well basis to assess ANS reserves, which is shorthand for water cut vs. cumulative oil.[811] Although this Court has been presented with considerable amounts of complicated technological information during this case, and has strived and in large part succeeded in understanding it, this Court found Mr. Hoolahan's lengthy explanation of the methodology that he used to determine ANS reserves to be virtually incomprehensible. Additional efforts by this Court to try to understand Mr. Hoolahan's methodology by reviewing his reports were also unsuccessful, particularly because no actual production estimates by year or other data was provided except in conclusory form and imprecise charts.

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[807] Tr. 10074 (Hoolahan).

[808] Tr. 10072 (Hoolahan).

[809] Tr. 10074 (Hoolahan).

[810] Tr. 9930-31 (Hoolahan).

[811] Tr. 9877-78, 9961 (Hoolahan).

488. Mr. Hoolahan indicated that he allowed his forecast to be guided by Mr. Hartz's restrictive interpretation of the term "legally deliverable."[812] And he testified that he had analyzed only 12 of the 36 pools on the ANS because of time constraints.[813] These limitations further impacted the reliability of Mr. Hoolahan's estimates.

489. Mr. Hoolahan asserted that his results were comparable to Mr. Molli's results. However, Mr. Hoolahan was comparing his P2 case, which consisted of both proved and probable reserves, to Mr. Molli's proved reserves, and only after Mr. Hoolahan made a number of adjustments to Mr. Molli's calculations. This Court was not persuaded that Mr. Hoolahan's results were comparable to Mr. Molli's results.

490. Since ANS producers have access to field-specific information, internal industry information is very likely to assist forecasters in attaining the most reliable estimates regarding future ANS production and the volume of proven reserves that are likely to flow into TAPS during its economic life.[814] But the Owners have chosen not to offer into evidence or have their witnesses meaningfully review any internal reserves estimates and related documentation. This is despite the fact that a number of BP Pipelines and BP Exploration internal documents that were received through discovery were moved into evidence and discussed by the Municipalities' witnesses in their testimony at trial.

491. SARB observed the following in its Certificate of Determination for the 2007 assessment year:

> The Board also found that the Owners failed to take advantage of the opportunity to provide the Division with persuasive data to challenge

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[812] Tr. 10070 (Hoolahan).

[813] Tr. 10070-71 (Hoolahan).

[814] Tr. 10450-51 (Molli).

> the reserves estimates or throughput projections used by the Division if the Owners have such data. The Board found that the Owners chose not to the [sic] share information that the Owners and their parent companies possess regarding throughput and proven reserves with the Division or the Board and instead chose to present evidence and testimony from outside experts who did not have access to the information the Owners possess that was not already in the public record, and who lacked adequate direct experience with, or expertise about, the TAPS or the Alaska North Slope reserves.[815]

492. The internal reserves and long term production forecasting information that was made available through discovery was not reviewed by two of the Owners' reserves witnesses, Mr. Hartz or Mr. Marks, and only cursorily reviewed by Mr. Hoolahan (and not synthesized into his analysis).[816] Further, Mr. Hoolahan did not have representatives of the Owners or their affiliated producers review his reserves estimates to provide feedback.[817] This is despite the fact that the internal reserves information presented at trial was substantially different from Mr. Hoolahan's conclusions. The fact that none of the Owners' reserves experts meaningfully addressed the BP internal reserves information at trial had a substantial negative impact on the weight this Court accorded to their testimony.

493. The failure of the Owners (and the Department) to address the confidential data provided in discovery is further demonstrated by the fact that neither party has submitted any proposed findings that require confidentiality.

494. The Owners maintain that any deficiency in this regard was remedied by the Department's access to and reliance upon highly confidential proven reserves information in

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[815] MUN7-0234 at 15.

[816] Tr. 10162 (Hartz); Tr. 10403 (Marks); Tr. 10062 (Hoolahan).

[817] Tr. 10077 (Hoolahan).

the preparation of its forecasts.[818] This argument is unpersuasive. Having had the opportunity to compare the limited confidential data that the Department has received from the producers with the confidential reserves information that was received from BPXA in discovery, this Court is fully persuaded that the best available reserves information in this case is BPXA's confidential documentation with respect to those fields in which it has an interest, and not the documents produced to or maintained by the Department.[819]

495. The determination of the estimated proven reserves should be assessed in light of the evidence available to, and presented by, each of the parties.[820] The Owners did not persuasively rebut the Municipalities' evidence regarding proven reserves, including information contained in filings by the BP Royalty Trust and the confidential reserves information produced in discovery.

iv. The Department's Production Forecasts and Reserves Estimates Are Unreliable

496. Petroleum engineer Frank Molli performed a production forecast for the Department. The Assessor, Mr. Greeley, then made various adjustments to the forecast and also applied an economic test to it.

497. The Court finds that although Mr. Molli considered the three categories of proven reserves, his well-by-well analysis and methodology failed to capture significant barrels of oil that should be properly included in forecasts for each of the assessment

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[818] Owners' Proposed Findings of Fact and Conclusions of Law ¶ 719.

[819] *See, e.g., Department's Proposed Findings of Fact and Conclusions of Law* ¶ 24 ("In the 2007 through 2009 assessments, the assessor sought information from the TAPS Owners and, as to reserves and production forecasting information related to their affiliate ANS producers, received very little.")

[820] Alaska Civil Pattern Jury Instruction 02.23

years.[821] Mr. Molli also did not save all of the data necessary to permit a complete review of his work product.[822] And Mr. Molli did not prepare a forecast for each assessment year,[823] but rather presented his forecast from the Fall 2010 Revenue Sources Book, which the Assessor then adjusted backwards for each of the three lien years.[824]

498. Consistent with his critique of Mr. Platt's use of b-factors over 1.0, Mr. Molli testified that he adjusted all of his b-factors to be no greater than 1.0.[825] But at trial Mr. Molli was unable to articulate why he had set his b-factors at 1.0 as opposed to within the range prescribed by the authorities he relied on: "So why did you arbitrarily adjust your b factors greater than 1 down to 1 rather than .7?", Mr. Molli responded "That's a good question. I just left them at 1."[826]

499. Mr. Molli did not attempt to incorporate BPXA's internal forecasts into his analysis or use them to validate the reasonableness of his results.[827] As with the Owners' experts, Mr. Molli's failure to do so had a substantial negative impact on the weight this Court accorded to his reserves analysis.

500. Mr. Greeley, without Mr. Molli's input, adjusted the data contained in Mr. Molli's forecast to retroactively produce proxy forecast figures for the three lien years.[828] Mr.

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[821] Tr. 9757-59 (Van Dyke) (confidential).

[822] Tr. 10472-43 (Molli) (confidential); Tr. 10543-45 (Molli).

[823] Tr. 10532 (Molli).

[824] Tr. 10446 (Molli); Tr. 10589-97 (Greeley) (confidential).

[825] Tr. 10456 (Molli); Tr. 10548-50 (Molli); Tr. 9441-44 (Platt); MUN7-4360 at 2-5.

[826] Tr. 10550 (Molli).

[827] Tr. 10533-35 (Molli).

[828] Tr. 10446 (Molli); Tr. 10587-88 (Greeley).

Greeley does not have a background in reservoir engineering or production forecasting.[829] Mr. Greeley's reports did not explain the methodology he used to retroactively create the proxy forecasts for the assessment years, nor did he sufficiently explain that methodology at trial.[830]

501. Overall, this Court finds that Mr. Molli's Fall 2010 forecast, and the Assessor's adjustments to that forecast for each tax year, are considerably less reliable than the production forecast prepared by the Municipalities' witness Dudley Platt.

v. Conclusions on the Proven Reserves

502. BP Exploration (Alaska), an affiliated company of one of the taxpayers in this case, BP Pipelines, provides SEC reserves information on the Prudhoe Bay field each year to the BP Prudhoe Bay Royalty Trust.[831] The information is audited by an independent oil and gas consultant, Miller and Lents, before submission to the SEC.[832] The Trust's SEC filing for year-end 2005, using the SEC's heightened "reasonable certainty" standard for proven reserves, represented that "BP Alaska expects continued economic production [from Prudhoe Bay] at a declining rate until the year 2065 . . . ."[833] In the year-end 2006, 2007 and 2008 SEC 10-K filings, BP represented continued economic production at Prudhoe Bay until 2062, 2075 and 2049, respectively.[834] The 2049 economic end-of-life calculation for December 31, 2008 was based on the price of oil on that date of $44.60, while the

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[829] Tr. 10660-61 (Greeley).

[830] Tr. 10592 (Greeley) (confidential).

[831] MUN7-0001 at 3000. *See also* 15 U.S.C. § 78ff(a) (up to $15 million and 20 years in prison for a natural person, up to $25 million for companies).

[832] MUN7-0001 at 3002.

[833] MUN7-0001 at 3031.

[834] MUN7-0001 at 3018, 3009, 2049.

December 31, 2006 economic end-of-life date was based on an oil price of $61.06.[835] Both of these amounts were considerably below the average price of oil during those years and its predicted future price.[836] The 2007 filing was based on the price of oil on December 31, 2007 of $96.01.

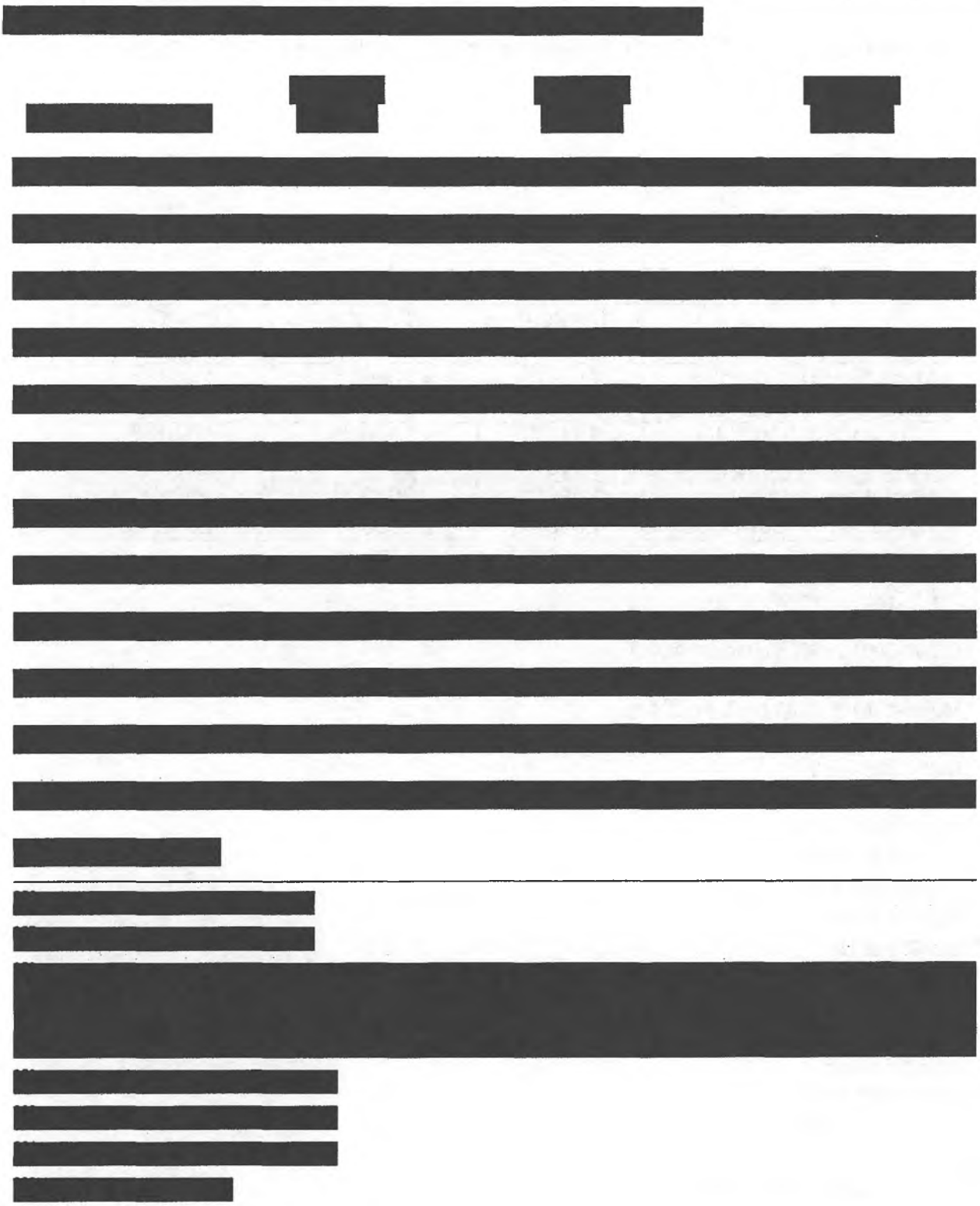
503. The following chart sets out the assumed end-of-life in the Prudhoe Bay Royalty Trust SEC filings and as calculated by each of the parties' experts.

Comparison of Prudhoe Bay End-of-Life Determinations

	CY 2007	CY 2008	CY 2009
PB Royalty Trust	2062[837]	2075[838]	2049[839]
Muni @ 100,000 bbl/d	2067[840]	2066[841]	2068[842]
Muni @ Economic Limit	2075[843]	2075[844]	2075[845]
SOA @ 150,000 bbl/d	2040[846]	2040[847]	2040[848]
SOA @ Economic Limit	2043[849]	2044[850]	2053[851]
Hoolahan – Initial	2026[852]	2033[853]	2021[854]
Hoolahan – Corrected	2046[855]	2053[856]	2032[857]

[835] MUN7-0001 at 3000.
[836] Tr. 8199-8202.
[837] MUN7-0001 at 3018 (Dec. 31, 2006).
[838] MUN7-0001 at 3009 (Dec. 31, 2007).
[839] MUN7-0001 at 3000 (Dec. 31, 2008).
[840] MUN7-4306 at 6.
[841] MUN7-4313 at 6.
[842] MUN7-4309 at 7.
[843] MUN7-0024 at 19.
[844] MUN7-0024 at 19.
[845] MUN7-0024 at 19.
[846] SOA7-7 at 18.
[847] SOA7-7 at 19.
[848] SOA7-7 at 20.
[849] SOA7-113 at 1.
[850] SOA7-114 at 1.
[851] SOA7-115 at 1.
[852] TO-07-0007.0151.
[853] TO-07-0007.0152.
[854] TO-07-0007.0152.
[855] TO-07-0092 (corrected) at 10.

504. **[CONFIDENTIAL – SEE SEALED ENVELOPE.]** [redacted]



505. Using a 100,000 bbl/d minimum throughput limitation, this Court finds that the total proven reserves as determined by the Municipalities is the best available estimate as of each of the lien dates except that this Court will remove the production forecast for Point Thomson for 2007 and 2009, for the reasons expressed above. For 2007, subtracting Point Thomson reserves from the Municipalities' reserves calculations results in an end-of-life of 2065 for that year. Because of the timing of Point Thomson production in the 2009 forecast, removing that unit from the production forecast does not affect the end-of-life calculation for 2009 – it remains at 2068.[863] For 2008, as noted above, the end-of-life based on a 100,000 bbl/d minimum capacity is 2066.

506. With Point Thomson removed from Mr. Platt's corrected reserves estimates for 2007 and 2009, the total proven reserves for each of the lien dates is as follows:

2007	7.812 billion barrels[864]
2008	7.759 billion barrels[865]
2009	7.077 billion barrels[866]

3. Application of the Economic Age-Life Method

a. TAPS' Effective Age

507. The first step in the application of the economic age-life method requires a determination of the effective age of the property. An effective age estimate should consider

[863] MUN7-4306 at 6; MUN7-4309 at 6.

[864] MUN7-4306 at 6 (8.198 less .386 = 7.812).

[865] MUN7-4313 at 6.

[866] MUN7-4309 at 7 (7.362 less 284.6 = 7.0774).

the condition and utility of the property. If a property has received typical maintenance, its effective age and its actual age may be the same.[867]

508. TAPS began transporting oil in the summer of 1977. Thus, as of the lien dates its actual age was between 30 and 32 years.

509. TAPS is well-maintained. In 2001, the Owners asserted in the right-of-way renewal application that "TAPS' physical life is considered virtually unlimited given the execution of appropriate surveillance, maintenance, repair, and replacement programs."[868] This Court finds that with continued prudent management of the pipeline and with routine investment in heaters should they be required, TAPS' physical life will extend for the duration of its projected economic life.

510. In recent years Alyeska has undertaken SR of the pumps. Alyeska also completed an upgrade of the ballast water treatment facility at the VMT during the lien years.[869] Such extensive renovations and upgrading of TAPS have a significant positive effect on the physical condition of TAPS.[870]

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[867] *The Appraisal of Real Estate* at 412.

[868] MUN7-8511 at 5 (Owners' Right of Way Renewal Application).

[869] Tr. 3450 – 3456 (Stokes).

[870] *See The Appraisal of Real Estate* at 414.

511. Based on the foregoing, this Court will make a one-year adjustment to the actual age of TAPS as of each lien date to arrive at its economic age, for the same reasons such an adjustment was made in the 2006 tax year proceeding.[871] With that one-year adjustment, the economic age-life depreciation percentage for TAPS for each year is:

2007: (2007 – 1977.5 – 1.0) / (2065 – 1977.5) = 28.5 / 87.5 = 32.57%

2008: (2008 – 1977.5 – 1.0) / (2066 – 1977.5) = 29.5 / 88.5 = 33.33%

2009: (2009 – 1977.5 – 1.0) / (2068 – 1977.5) = 30.5 / 90.5 = 33.70%

512. This Court finds that using this effective age for TAPS reasonably captures all physical deterioration associated with the asset.

b. Additional Functional Obsolescence

513. Functional obsolescence is defined as obsolescence "caused by a flaw in the structure, materials, or design of the improvement when compared with the highest and best use of the most-effective functional design requirements at the time of appraisal."[872]

514. The use of an appropriate replacement cost study eliminates "many, but not all, forms of functional obsolescence such as superadequacies and poor design."[873] One measure of the functional obsolescence arising out of excess capital costs is the "difference between the reproduction cost and replacement cost."[874]

515. The Pro Plus replacement cost studies resolve much of TAPS' functional obsolescence associated with excess capital costs. Evidence of this may be found by comparing the Pro Plus cost study to TAPS' trended original reproduction cost based upon a

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[871] *See also* Municipalities' Proposed Findings of Fact and Conclusions of Law ¶ 744.

[872] *The Appraisal of Real Estate* at 434.

[873] *The Appraisal of Real Estate* at 386.

[874] *Valuing Machinery and Equipment* at 88.

construction index such as Marshall and Swift.[875] SARB made such a comparison in 2009 and considered it a "valuable indicator."[876] Specifically, SARB noted that the Division's calculation of a $23.4 billion for 2009 based upon trending the original cost of TAPS using Marshall & Swift "compares favorably" with the $19.8 billion Pro Plus RCN adopted by SARB for that lien year.[877]

516. Functional obsolescence may also arise from the need to expend excess operating and capital expenses for the subject property compared with the most economical similar new property that has the equivalent utility.[878]

517. The 2007, 2008, and 2009 Pro Plus RCN cost studies propose a replacement pipeline that is very similar to what TAPS is likely to look like when the pipeline SR is complete.[879] Therefore, SARB reasonably relied on the projected costs in the actual SR pipeline plan to determine the necessary capital expenditures as well as excess operating costs to measure and calculate the current functional obsolescence.[880] SARB tax-adjusted these projected SR costs and discounted them to arrive at the following present value amounts as of each lien date of the functional obsolescence associated with completion of pipeline SR and the ballast water treatment facility projects: $242,639,688 in 2007,

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[875] MUN7-0227 at 8 ("The Department relied on its policy of consistently applying the Marshall and Swift annual petroleum cost index to update original costs for all oil and gas properties in Alaska, which it has done for more than 30 years.")

[876] MUN7-0236 at 31 (SARB 2009 Decision).

[877] MUN7-0236 at 31 n.10.

[878] *Valuing Machinery and Equipment* at 88.

[879] However, the Pro Plus RCN has one more upgraded pump station than is currently planned on TAPS, which this Court has considered through scaling below.

[880] 2009 R. 124-25. These figures were derived from the Alyeska Long Term Plan.

$228,384,344 in 2008, and $250,150,655 in 2009.[881] The Court adopts these costs and finds that they would not otherwise be captured through the economic age-life methodology.

518. The Owners assert that additional adjustments for functional obsolescence are required to reflect excess operating costs and excess capital costs associated with TAPS when compared with the 30-inch Stantec pipeline.[882] However, as detailed above, this Court has found that the 30-inch Stantec RCN pipeline is not a proper replacement property for TAPS. Therefore, a comparison of the operating costs between the existing TAPS and the Stantec RCN is not a proper measure of TAPS' functional obsolescence.

519. The Owners have also included the future costs of heaters as a functional obsolescence deduction. But to date, the Owners have made no decision as to the number, type, or manufacturer of heaters nor have any bids to acquire and install heaters been requested.[883] While some amount of heaters seem likely to be required at some indeterminate point in the future, heaters were not required at all for the operation of TAPS during the lien years or today. The Owners failed to establish by a preponderance of the evidence that a functional obsolescence deduction for the future cost of heaters was warranted during the lien years. The cost, timing, and precise needs are too speculative to be considered when determining the economic value of TAPS from 2007 to 2009.

520. The Owners also seek functional obsolescence deductions for projected costs to replace the ballast water treatment facility, install internal floating roofs on the crude oil

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[881] *See* MUN7-0234 at 12; MUN7-0235 at 18; R. 10669 (2009 SARB). *See also* MUN7-0035 at 51, 55, 59.

[882] TO-07-0004.0074-76 (functional obsolescence deduction for excess operating expenses); TO-07-0004.0076 (functional obsolescence deduction for excess capital expense).

[883] TO-07-0004 at 75.

storage tanks, and modify the vapor recovery systems at the VMT.[884] But the evidence at trial was inconclusive as to whether this list of projects would ever be sanctioned or built. Steven Schudel of Alyeska explained the status of potential reconfiguration at the VMT. He indicated that Alyeska was studying its options and awaiting an EPA ruling before determining how to proceed.[885] He testified that option one "would retain the existing facilities and then you do whatever upgrades you have to do to comply with the [as yet un-promulgated EPA] regulations."[886] This Court finds that an adjustment for functional obsolescence for additional projects that may or may not be undertaken at the VMT is unwarranted for the 2007 to 2009 tax years.

521. This Court finds persuasive the Board's determination on this issue in 2007, when the Owners put forward a list of proposed adjustments for functional obsolescence due to alleged inefficiencies in TAPS. In rejecting those adjustments, the Board held:

> The Board concluded that, as of the assessment date, the timing and need for changes to the TAPS that form the basis for the Owners' claims for the need to account for additional obsolescence due to low flow conditions and other factors are too speculative to require an additional downward adjustment to the TAPS value. The further that possible impacts on value of the TAPS are pushed out into the future, the less these future contingencies, such as adding additional reserves to future throughput or incurring additional costs, are likely to impact current value. The Board agreed with the Municipalities and the Division that an assessor should generally wait at least until a property owner has definite plans to incur specific costs before the assessor gives those projected costs much weight in making an estimate of value.[887]

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[884] *See, e.g.*, T0-07-.0004.0076 (valuation as of Jan. 1, 2009).

[885] Tr. 1349-1351 (Schudel).

[886] Tr. 1350 (Schudel).

[887] MUN7-0234 at 19-20. *See also* Amended Decision ¶ 433.

522. This Court also notes that appraisal theory directs that curable items of functional obsolescence be deducted from the RCN before the age-life ratio is applied to the RCN, and not after.[888]

c. Additional Economic Obsolescence

523. Economic obsolescence, or external obsolescence, is the loss of value of a property caused by factors external to the property.[889]

i. Scaling

524. This Court applied an economic age-life depreciation analysis in the 2006 tax year, and also held that an additional $932 million of depreciation for economic obsolescence was warranted. Specifically, this Court held that "[w]hile TAPS is required to have a design capacity of at least 1.1 million bbl/d, the fact that capacity is not all being used to transport affiliated oil reduces the utility and value of TAPS as of the lien date."[890]

525. When depreciating using the economic age-life method, this Court continues to find that application of scaling to TAPS is warranted because the economic age-life method would not otherwise capture all of the depreciation in TAPS that is attributable to its current superadequacy in relation to the proven reserves that are presently available to be transported on TAPS. Thus, while this Court has determined that an RCN must be of equivalent utility to TAPS – both in terms of the ability of the post-SR pumps to transport 1.1 million bbl/d and in terms of the 48-inch pipeline's and VMT's ability to handle capacities of up to 2.1 million bbl/d – that determination does not mean that this Court must or should disregard the fact that during the lien years, the throughput on TAPS was far less than those

[888] *The Appraisal of Real Estate* at 422.

[889] *Valuing Machinery and Equipment* at 67. *See also The Appraisal of Real Estate* at 391-92.

[890] Amended Decision ¶ 439.

capacity levels such that the economic value of TAPS was less that it would have been had TAPS been transporting 2.1 million bbl/d during the lien years. Not to apply a scaling factor in these circumstances would result in an improper valuation of TAPS, particularly since the statute directs that economic value be determined with due regard to proven reserves, and not probable or potential reserves.

526. The Municipalities also assert that scaling physical facilities based upon capacity that is not obtainable without the additional expense of DRA is not appropriate. They assert that to do otherwise would scale the capacity created by DRA, which is an operating expense rather than a capital item. Thus, they assert that if scaling is applied now or in the future, it should only be calculated based only upon TAPS' actual mechanical capacity of 760,000 bbl/d.[891]

532. This Court has given careful consideration to the appropriate application of scaling to TAPS so as to account for its economic obsolescence that results from its underutilization during the lien years. SARB has applied the scaling approach utilized by the Division in each of the lien years. Under that approach, an underutilization ratio was obtained by dividing the average daily throughput into the legally required capacity of 1.1 million bbl/d, using a scale factor of .45. The basis for the scale factor is found in a BP-generated analysis.[892]

533. Neither of the appealing parties met their burden of proof that the .45 scaling factor employed by the Division and accepted by the Board was improper.

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[891] Municipalities' Proposed Findings of Fact and Conclusions of Law ¶ 791.

[892] *See* 2009 R. 6505-06.

534. This Court has discussed in detail when addressing the appropriate RCN to apply to TAPS that to be of equal utility to TAPS, an RCN must include the same design capacity that is currently specified for the pipeline and the VMT – 1.42 million bbl/d. Thus, while Pro Plus has asserted that its design basis for its RCN is 1.1 million bbl/d, the evidence demonstrates that capacity is derived from the number of installed pumps. The Pro Plus RCN 48-inch mainline pipe has the same capacity as the existing TAPS 48-inch pipeline, and the actual tank capacity at the existing TAPS VMT is comparable to the Pro Plus VMT, which is a design capacity of 1.42 million bbl/d. While this Court does find merit in the Municipalities' assertion that scaling to the 2.1 million bbl/d capacity achieved with DRA would be inappropriate, a scaling adjustment for underutilization of the 48-inch pipe and the VMT based on TAPS' existing capacity of 1.42 million bbl/d is warranted. The Division and SARB's use of 1.1 million bbl/d design as the denominator for those components of TAPS resulted in an improper valuation.

535. With respect to the pumps, the Municipalities have asserted that scaling, if used at all, should be based against the mechanical capacity of the existing TAPS of 760,000 bbl/d. But given that the Pro Plus RCN has one more SR pump station than the existing TAPS, this Court finds that scaling the pumps to a 1.1 million bbl/d capacity is warranted.[893]

536. The other applicable inputs to make this scaling deduction are as follows:

- Using the Pro Plus RCN, an average of approximately 8.7% of the direct costs are associated with the pump stations and meter stations during the three lien

[893] *See generally* TO-07-0063.

years. The balance of the costs, or 91.3 %, is associated with the 48-inch mainline pipe and the VMT.

- The DOR projected throughput for TAPS during each of the lien years was as follows:[894]

  2007 – 740,000 bbl/d

  2008 – 731,000 bbl/d

  2009 – 691,000 bbl/d

- A scaling factor is an exponential calculation, and thus results in less of a reduction than would occur with a percentage adjustment. Applying a .45 scaling factor to the above figures would result in the following additional percentage adjustments to the RCN after application of the additional functional obsolescence and the economic age-life calculation:

2007	Pipeline & VMT	25.4%
	Pump Stations	16.3%
2008	Pipeline & VMT	25.8%
	Pump Stations	16.8%
2009	Pipeline & VMT	27.7%
	Pump Stations	18.9%

ii. No Additional Economic Obsolescence Adjustment Is Warranted

532. The Owners assert that a significant additional economic obsolescence adjustment is warranted because TAPS is a regulated pipeline, and the effects of that regulation lower the pipeline's value.[895] But they have produced no credible evidence that

[894] MUN7-0018 at 13, 20, 27.

[895] TO-07-0004 at 70-71.

establishes that the regulated status of TAPS has had any impact on the economic value of TAPS. This Court finds that TAPS would operate in much the same manner regardless of its regulated status. Tariff income that the Owners earn for shipping another producer's oil is in addition to the primary value that TAPS has for each Owner – the shipment of that Owner's affiliated oil.

527. The evidence persuasively demonstrated that TAPS was profitable as of each of the lien dates, and that it would be reproduced if it did not presently exist. There were over seven billion barrels of proven reserves remaining on the North Slope as of each lien date for 2007, 2008, and 2009 – an amount comparable to the estimated 9.6 billion barrels of proven reserves when TAPS began operation in 1977. The New York Supreme Court, Appellate Division has held that "[w]hile an allowance for economic obsolescence may be made when the property is not worth the reproduction cost, depending upon the earning capacity after production, it cannot be made in these circumstances where petitioner is profitable and the property would be reproduced. That petitioner is a regulated [pipeline] utility does not alter this conclusion."[896]

528. The Owners' appraisal experts used what is termed an income shortfall method in an effort to calculate the percentage return differential between the projected tariff rate and a hypothetical unregulated rate, which was then discounted to present value.[897] Using this approach, the Owners' appraisal expert, Mr. Remsha of American Appraisal, concluded that the income shortfall due to a buyer's inability to reset the rate base and collect a higher return is approximately $1,030,000,000 in 2007, $845,000,000 in 2008, and

[896] *Tenneco, Inc. v. Town of Cazenovia,* 104 A.D.2d 511, 514 (N.Y. App. Div. 1984).

[897] TO-07-0004 at 86, 115, 130.

$730,000,000 in 2009.[898] Terming that amount to constitute economic obsolescence, American Appraisal concluded that the value of TAPS under the RCNLD approach was identical to the value it concluded under the income approach of $1.1 billion for 2007, $1.2 billion for 2008, and $1.3 billion for 2009.

529. This Court rejected this same application of an income shortfall method in the 2006 tax year proceeding that was advanced then by the Owners' expert appraiser, Ms. Spletter.[899]

530. Mr. Remsha acknowledged that if economic obsolescence in the form of income shortfall is applied, it makes no difference whether the RCN is $10 billion or $100 billion – the RCNLD would be identical using the income shortfall approach.[900] Similarly, he testified that it did not matter whether the Pro Plus cost study or the Stantec cost study was used, the RCNLD would be the exact same result. Other appraisers persuasively testified that the effect of applying an income shortfall method is to eliminate the independent value of the cost approach by altering it to an income approach.[901]

531. Aside from the conceptual circularity of the income shortfall approach, its particular application to TAPS is inappropriate for the same reasons that this Court has rejected the tariff income approach.[902] Since tariff income is not a driver of the economic

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[898] TO-07-0004 at 86, 115, 130.

[899] Amended Decision ¶¶ 452-56.

[900] Tr. 11914-15 (Remsha). *See also* Reilly Dep. 133 (June 2, 2011).

[901] Tr. 908-09 (Eyre); Tr. 12365-66 (Goodwin).

[902] *See* Tr. 12365-66 (Goodwin).

value of TAPS, its application to the cost approach is inappropriate. Mr. Eyre's testimony with regard to this topic was particularly helpful to the Court.[903]

532. The Owners did not present any new law or facts different from the 2006 tax year proceeding to support their use of a capitalized income shortfall method. This Court finds, as it did in the 2006 matter, that such a method should not be applied to determine economic obsolescence of TAPS.[904]

533. The Western State Association of Tax Administrators ("WSATA") Appraisal Handbook rejects the income shortfall method:

> A few appraisers attempt to measure obsolescence by comparing a company's actual earnings with the theoretical earnings that should have been achieved by the company with the assets on hand if they were earning a fair return on cost. This method is an improper variation of method often used for individual properties, where it can be demonstrated that the subject property is not technologically capable of producing as much operating income (cash flow) as new replacement property. When used to compare company earnings with theoretical company earnings, the method simply forces the cost approach to agree with the capitalized earnings approach.[905]

The WSATA Appraisal Handbook has wide acceptance by the approximately 35 states that do unit valuations and has undergone a comprehensive peer review process.[906]

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[903] Tr. 908-09 (Eyre).

[904] Amended Decision ¶¶ 462-64.

[905] WSATA Appraisal Handbook at 31 (Aug. 1989).

[906] Tr. 11123-24, 11141-44 (Eyre).

534. Several appellate courts have also recognized that the income shortfall method is circular.[907] As the New Jersey Supreme Court explained in *Transcontinental Gas Pipe Line Corp. v. Bernards Township*, a depreciated regulated pipeline has a value distinct from its tariff income that derives from its use:

> Under the cost approach as it applies to special purchase property, the costs of a third person in acquiring the property is not the relevant inquiry; the very reason the cost approach is being utilized is that the property is so uniquely suited to its current use and user that a market sale to a third person is not an accurate indication of its value. Rather, the determination made in applying the cost approach is how much would a prudent person pay to replace the property. Since the people with the greatest interest in replacing special purchase property are the people for whom it was designed and built, and, in addition, are the people who must assume the cost of property taxation, the relevant question to ask in applying the cost approach to utility property is how much the ratepayers would pay to replace the property.[908]

535. In *Transcontinental*, the New Jersey Supreme Court also held:

> The purposes of FERC regulation and ad valorem property taxation are drastically different: FERC is primarily concerned with ensuring that investors receive an adequate return on the property that has been invested. For such purposes, the original value of the property invested is an appropriate measure of value. For property tax purposes, however, it is necessary to determine the present cost of replacing the property. Under the cost approach, this is assumed to be the value of the property to the ratepayers, reflecting increases in construction costs, the current demand of consumers, availability and cost of alternate energy sources, and other factors. FERC's regulatory system reflects these factors only as of the time an asset enters the rate base; it makes no attempt to update them until an asset's functional lifespan is reached and it is eventually replaced at

[907] *See United Tel. Co. of Nw., Inc. v. Dep't of Revenue*, 770 P.2d 43, 51 (Or. 1989) ("[a]djusting one approach to make it rely on the result or the same indication of value as another approach effectively eliminates a relevant perspective from consideration); *Delta Air Lines, Inc. v. Dep't of Revenue*, 984 P.2d 836, 849 (Or. 1999); *Tenneco*, 104 A.D.2d at 514 ("It appears then that [the taxpayer's expert's] concept of economic obsolescence is nothing more than an attempt to convert the RCNLD approach into an income capitalization approach. This is not permissible."); *see also Tenn. Gas Pipeline Co.*, 766 A.2d at 675-76; *Transcont'l. Gas Pipe Line Corp. v. Bernards Twp.*, 545 A.2d 746, 763 (N.J. 1988).

[908] *Transcont'l. Gas Pipe Line*, 545 A.2d at 758 (citations omitted). *See also* Amended Decision ¶ 459.

> current costs. Since depreciated original cost fails to reflect the value of all of the interests in utility property and undervalues those it does recognize, we decline to accept it as a true measure of a utility property's worth.[909]

536. Similarly, the Montana State Tax Appeal Board ("STAB") rejected the analysis of one of the Owners' experts in this case: "STAB rejected [Thomas] Tegarden's income shortfall approach because, among other reasons, it failed to account for income from properties that PacifiCorp had purchased with deferred income taxes" in 2005.[910] STAB also rejected the income shortfall method for its inaccuracies.[911] In 2011, the Montana Supreme Court found that the STAB was entitled to deference regarding its determination that there was no economic obsolescence when the owners' entire case for economic obsolescence was premised on the income shortfall method.[912]

537. An income shortfall adjustment is not appropriate for determining the full and true value of TAPS during the lien years at issue. The Owners failed to establish that the Division and SARB erred in refusing to apply the income shortfall method to determine economic obsolescence. Rather, if the income shortfall method was applied based on tariff income, the RCNLD valuation would no longer reflect the "full and true" economic value of TAPS as a critical component of the integrated ANS production and transportation system.

538. The record does not support the proposition that the regulatory status of TAPS negatively affects its economic value. Instead, the Court is fully persuaded that TAPS would continue to operate in much the same fashion as it does today whether it was subject to

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[909] *Transcont'l. Gas Pipe Line*, 545 A.2d at 760 (citations omitted). *See also* Amended Decision ¶ 460.

[910] *See Pacific Corp. v. State*, 253 P.3d 847, 848, 854-55 (Mont. 2011).

[911] *Pacific Corp. v. State*, 253 P.3d at 855.

[912] *Pacific Corp. v. State*, 253 P.3d at 854-55.

regulation or not. Each Owner's affiliated producer would be likely to continue to transport its oil on its affiliated pipeline space and would continue to pay the costs associated with such transportation. The record supports the proposition that the regulatory status of TAPS may positively shape its economic value. For example, the regulation of TAPS permits the Owners to share the costs associated with the operation of TAPS and realize a profit from independent shippers.[913] Dr. Cicchetti referred to this profit opportunity as the "icing on the cake."[914] Further, the regulatory status of TAPS also increases the value of each integrated enterprise by permitting each producer to deduct the tariff rate when calculating its royalty and production taxes to the State of Alaska.[915]

539. This Court has given careful consideration to the fact that TAPS is regulated by both FERC and the RCA, and has concluded that the Owners have failed to demonstrate that the value of TAPS for purposes of ad valorem property taxation under AS 43.56 is negatively impacted by either its regulatory status or its current or projected tariff income. No additional adjustment for economic obsolescence is warranted.

C. RCNLD Conclusion of Value

540. This Court has found that the replacement cost new estimate of value for TAPS is $17.645 billion in 2007, $19.324 billion in 2008, and $19.137 billion in 2009. Then functional obsolescence that is not captured under the economic age-life depreciation is deducted in the amount of $242,639,688 for 2007, $228,384,344 for 2008, and $250,150,655 for 2009, as well as the value of the land and ROW of $194 million each year.

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[913] Tr. 8299-8301 (Cicchetti).

[914] Tr. 8300 (Cicchetti).

[915] Tr. 8252-53 (Cicchetti); Tr. 7721-23 (Toof).

From there, economic age-life depreciation based on an end-of-life calculation is applied of 32.57% for 2007, 33.33% for 2008, and 33.70% for 2009. Then an additional deduction for economic obsolescence based on scaling is made in the amount of $2.856 billion for 2007, $3.152 billion for 2008, and $3.338 billion for 2009. Then the value of the land and the right-of-way are added back. The result is a total RCNLD of $8.941 billion for 2007, $9.644 billion for 2008, and $9.249 billion for 2009.

VIII. THE INCOME APPROACH

A. The Integrated Income Approach to the Valuation of TAPS

541. The income approach determines the value of a property based upon the expected future benefits to its owner.[916] The principle of anticipation is fundamental to the income approach.[917]

542. The income approach is generally used in valuing commercial business and properties that are bought and sold by investors because of the income they generate. The approach values the entire business entity. The income approach is not widely used by machinery and equipment appraisers because of "the difficulties in determining income that can be directly related to a specific asset, the concern for reliability of income forecasts, and a multitude of variables involved in this valuation approach."[918]

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[916] *Valuing Machinery and Equipment* at 159-60, 571.

[917] *The Appraisal of Real Estate* at 446.

[918] *Valuing Machinery and Equipment* at 159-60.

543. Since 2005 the Division and SARB have considered the income approach for TAPS multiple times, but have rejected it each time as an unreliable indicator of economic value.[919]

544. When applying the income approach to a property that is a part of an integrated economic enterprise, an appraiser may consider the income generated by the entire integrated economic enterprise and then allocate a portion of that income and the resulting value back to the part of the integrated enterprise for which a value is to be determined.[920] This integrated income approach is a form of unit valuation which is defined as the "evaluation of a group of integrated assets that are functioning as an economic unit."[921] Standard appraisal practice allows a unit to be composed of regulated and non-regulated properties.[922]

545. When deciding the proper unit to value, appraisers look at the integrated use of the business property.[923] In particular, an appraiser looks to the physical, functional, and economic integration of the properties to determine the proper unit.[924] In the case of TAPS, its integration with upstream properties makes the proper unit to value one that is composed of upstream and midstream Alaska properties.[925]

546. Brent Eyre, on behalf of the Municipalities, employed a discounted cash flow income approach to value the integrated economic unit of which TAPS is a part at $40.2

[919] Tr. 12417-18 (Hoffbeck).

[920] Tr. 11123 (Eyre).

[921] Tr. 11125 (Eyre).

[922] Tr. 11125 (Eyre).

[923] Tr. 11128 (Eyre).

[924] Tr. 11128-29 (Eyre).

[925] Tr. 11128-31, 11134 (Eyre).

billion in 2007, $44.2 billion in 2008, and $50.4 billion in 2009.[926] Dr. James Smith, on behalf of the Owners, testified that Mr. Eyre's unit value of the integrated ANS enterprise should be reduced by slightly less than 10% for each year, for a value of $36.4 billion in 2007, $41.1 billion in 2008, and $46.0 billion in 2009.[927]

547. A commonly used factor for allocating unit value is invested cost, wherein the invested cost of the property subject to assessment is divided by the total amount of invested costs in the unit as a whole.[928] After adjusting invested costs for inflation, Mr. Eyre determined that the allocated value of the whole unit to TAPS was approximately $8.8 billion (21.9%) in 2007, $9.6 billion (21.7%) in 2008, and $10.7 billion (21.2%) in 2009.[929]

548. This Court was not persuaded that the integrated income approach should be relied upon to determine the economic value of TAPS for the lien years at issue, particularly where, as here, a comprehensive replacement cost new study has been accepted as modified by the Court, such that a considered application of the cost approach can be relied upon. The integrated income approach is more dependent upon volatile assumptions related to reserves, oil prices, and allocation than the cost approach. However, Mr. Eyre's valuation is a useful frame of reference and supports the assessed valuation of TAPS as determined by this Court for the lien years at issue. It also demonstrates that the tariff income approach advocated by the Owners fails to capture all elements of TAPS' economic value.

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[926] Tr. 11137 (Eyre).

[927] Tr. 12073, 12082 (Smith).

[928] Tr. 11137-38 (Eyre).

[929] Tr. 11138-39 (Eyre).

B. The Tariff Income Approach Does Not Capture the Full and True Value of TAPS Under AS 43.56.060(e)(2)

549. As in the 2006 tax year litigation, the Court finds again that tariff income is not the primary driver of the economic value of TAPS under AS 43.56. As SARB has held, and as this Court has previously discussed in these findings, TAPS was not built or operated for tariff income, but to monetize the vast ANS reserves of the producer oil companies by bringing those reserves to market.[930] In this regard Mr. Coulson, the President of BP Pipelines (Alaska) Inc. and the Chairman of the Owners' Committee for TAPS at the time, testified as follows:

> Q: It's fair to say that TAPS was built by the producers?
>
> THE WITNESS: Yes.
>
> Q. And it's fair to say that TAPS was built - that the economic driver was the integrated economics of bringing the Alaska North Slope oil to market?
>
> THE WITNESS: As I understand the history of TAPS, and indeed of most basin-opening developments, it's usually the resource owner that has to make the infrastructure development happen because of the risks associated with an undertaking like that.
>
> Q. And the reason that the resource owner takes those risks is in order to monetize the resource and bring it to market, correct?
>
> THE WITNESS: Yes.[931]

550. The evidence also demonstrated that each Owner's interest in TAPS is a component of an integrated economic enterprise.[932]

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[930] Tr. 7729-30 (Toof); Tr. 8931 (Grasso) ("[T]he Owners aren't in the market to build a pipeline for its tariff income, but to get the – but to monetize the reserves on the North Slope."); Tr. 8482 (Brown); Tr. 8546-47 (Sullivan); Tr. 8249-50 (Cicchetti). *See also* Amended Decision ¶¶ 94, 471, 478.

[931] MUN7-0001 at 3767 (Coulson Dep.).

[932] Tr. 8249-65 (Cicchetti); Tr. 8539-40; 8546-8547 (Sullivan); Tr. 8891-92, 8934 (Grasso).

551. In contrast to Mr. Eyre's approach, which considered the income from the entire integrated economic enterprise, the Owners assert that the tariff income from TAPS, and only that income, is the appropriate proxy to capture the entire economic value of TAPS.[933] The Owners' reliance upon the tariff income approach fails to recognize that TAPS was built, is operated, and would be replaced at an estimated cost of approximately $19 billion if it were not in existence, not because of a desire to realize tariff income, but because of the overwhelming economic value arising from its highly integrated use for transporting ANS production to market.[934]

552. The Owners' position that the tariff income is a primary driver of the economic value of TAPS is at odds with the extensive system of crude oil pipelines on the ANS that are fully integrated with North Slope production and fully maintained but have no tariff income associated with their operation.[935]

553. In valuing TAPS for ad valorem purposes, the Department applied the cost approach without any reliance on the tariff income from 1977 to 1985, and then beginning again in 2005 to date.[936] In 2001, the Department used a tariff-based income approach. For all the other years in between, the record suggests that the Department apparently relied upon a negotiation process that considered different valuation approaches including the tariff income approach, but many details of those negotiations have not been made available to this Court by either the Department or the Owners.[937]

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[933] TO-07-0004 at 0096, 0102, 0103, 0105.

[934] Tr. 8249-65, 8299-8302 (Cicchetti); Tr. 8480-81 (Brown); Tr. 8546-47 (Sullivan); Tr. 8891-92 (Grasso).

[935] Tr. 7851-52 (Marks); Tr. 12682-83 (Goodwin); Tr. 2725-26 (Falcone); Amended Decision ¶ 476.

[936] Tr. 12691 (Goodwin); 2009 R. 483-84; Amended Decision ¶ 477.

[937] Tr. 6816-17 (Greeley); MUN7-0234 at 4; Tr. 12419-20 (Hoffbeck).

554. The unique ownership structure of TAPS, the almost complete dependency of TAPS Owners on their affiliated and parent companies to build, operate, and improve TAPS, the use of TAPS by each Owner as part of its vertically integrated enterprise, and the history of ownership interests in TAPS all indicate that tariff income is not determinative of the economic value of TAPS.[938] The sheer magnitude of the economic value realizable from the use of TAPS to monetize ANS reserves makes it far more likely than not that TAPS would continue to operate much as it does today or in 2007, 2008, or 2009, even if there was no tariff income at all.[939]

555. The tariff income approach incorrectly assumes that there would be a hypothetical buyer interested solely in the tariff income of TAPS to whom the TAPS Owners would agree to sell their interests. But the sales of ownership interests in TAPS have been to buyers that subsequently used TAPS as part of their integrated operations.[940] The weight of the evidence demonstrates that there is not nor ever has been a market for TAPS based on its tariff income.[941] This is not unexpected considering the economic realities of developing isolated crude oil fields in Alaska. This Court finds that the tariff income approach proposed by the Owners is based on a fundamentally wrong premise of value, as it assumes that there is a willing buyer and a willing seller of TAPS based solely on its tariff income as a stand-alone investment.

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[938] Tr. 8255-57 (Cicchetti).

[939] Tr. 12170 (Marks) (in response to the question of whether the TAPS Owners would operate TAPS even if they were not allowed tariff recovery, Mr. Marks responded, "I believe they would.").

[940] Tr. 8878 (Marchitelli); Tr. 12682 (Goodwin); Huck Dep. at 147-49 (May 2, 2011).

[941] Tr. 8891 (Grasso); Tr. 8547 (Sullivan) (tariff income is not the driver of investments; access to the ANS reserves is the driver of TAPS investment decisions); MUN7-0001 at 3766-3767 (Coulson Dep.) (in response to the question whether Mr. Coulson was aware of any pipeline in Alaska that was built by a nonproducer, Mr. Coulson responded, "I am not aware of any.").

556. Tariff income is a regulatory, not an economic construct that has little place in determining the economic value of a pipeline used primarily for affiliated transportation.[942] Likewise, the value determination of TAPS for ratemaking purposes is not the same as the value determination of TAPS for ad valorem tax purposes.

557. Several other courts have recognized the distinction between ratemaking and the determination of a property's value for ad valorem taxation purposes, both with respect to pipeline properties,[943] as well as other types of properties.[944] As the New Jersey Supreme Court in *Transcontinental Gas Pipe Line Corp. v. Bernards Township* explained:

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[942] Tr. 8293-8294 (Cicchetti).

[943] *See Questar Pipeline v. Utah State Tax Comm'n*, 850 P.2d 1175, 1178 (Utah 1993) (property tax appraisers of gas pipelines were within their rights when, after taking the consequences of FERC rate regulation into consideration, they did not alter their final opinions when adopting a method of valuation inconsistent with the FERC rate base value); *Transcont'l. Gas Pipe Line Corp.*, 545 A.2d 746 (1988) ("Courts in other states have long recognized a definite distinction between the valuation of public utility property for ratemaking purposes, determined pursuant to statutes applicable thereto, and the valuation of the same property pursuant to different statutes for ad valorem tax purposes.") (internal quotations omitted); *Mich. Wis. Pipe Line Co. v. Iowa State Bd. of Tax Rev.*, 368 N.W.2d 187, 191-192 (Iowa 1985) (board of tax review did not err in failing to set property tax of gas pipeline in a manner consistent with its FERC rate base even when evidence was offered that FERC rate base determined value for sales of comparable pipelines); *Mobil Pipeline Co. Rohmiller*, 522 P.2d 923, 936-937 (Kan. 1974) ("This issue, the regulations of earnings computed on a 'rate base,' was the major thrust of the public utility in attacking the assessment of its Kansas property in *Northern Natural Gas Co. v. Dwver*, [492 P.2d 147 (Kan. 1971)]. The Court there recognized a definite distinction between the valuation of public utility property for rate making purposes, determined pursuant to statutes applicable thereto, and the valuation of the same property pursuant to different statutes for ad valorem tax purposes.").

[944] *Matter of Long Island Lighting Co. v. Assessor for Town of Brookhaven*, 246 A.D.2d 156, 165 (N.Y. App. Div. 1998) ("[W]e note that we have previously held that a utility's rate base is an inappropriate factor to consider in the assessment of specialty property."); *S. Bell Tel. & Tel. v. Markham*, 632 So.2d 272 (Fla. Dist. Ct. App. 1994) (appraiser must consider effects of government regulation, *i.e.*, the rate base that controls earnings, under the controlling statute, but such regulation need not be determinative of property tax value), *Cent. Me. Power v. Town of Moscow*, 649 A.2d 320, 325 (Me. 1994) (The limit on return that an owner of dam utility property may earn on its investment because of its rate base is a factor that should be taken into account in valuation but is "emphatically not automatically determinative of the facility's just valuation" for property tax purposes.); *Consumers Power Co. v. Big Prairie Twp.*, 265 N.W.2d 182 (Mich. Ct. App. 1978) (the ad valorem assessing tax tribunal did not err in utilizing the adjusted depreciated reconstruction-cost method in assessing a dam rather than using the depreciated net cost value used by the FPC for ratemaking purposes), *superseded by statute; Pub. Serv. Co. of N.H.*, 377 A.2d at 125-126 ("[E]ven though net book value (original cost less depreciation) provides the rate base upon which plaintiff's rate of return is calculated, the value of the plant for tax purposes and the value for rate-making purposes need not be the same.") (internal quotations omitted); *Town of Barnet v. New England Power Co.*, 296 A.2d 228 (Vt. 1972) ("Fair market value should not rely upon one criterion and the values shown by the various methods of valuation

> [T]he fact that FERC's regulatory scheme includes a value determination for its own [ratemaking] purposes does not bind municipalities to that figure for the purpose of ad valorem property taxation.[945]

558. For the foregoing reasons, this Court finds that a valuation of TAPS based upon its tariff income would not capture the full and true value of TAPS.

C. Tariff Income Is Not a Reliable Indicator of Economic Value

559. Even if tariff income was relevant to determining the economic value of TAPS, the projected future tariff income advanced by the Owners has not been demonstrated to be sufficiently reliable to determine the economic value of TAPS.

560. Under rate regulation, an owner is entitled to recover operating costs, a return of investment through a depreciation deduction, and a reasonable return based on unrecovered investment. Essentially, the return or profit from the tariff income is based entirely upon the unrecovered investment or rate base. In the case of TAPS, several experts testified that the original investment in TAPS has already largely been fully recovered through accelerated depreciation.[946] Accordingly, the current return under the tariff income approach does not accurately reflect the economic value associated with the original investment in TAPS, as there is virtually no rate base or return under the tariff income approach associated with the majority of the existing TAPS' facilities.[947] For

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should be weighed and not averaged by the board. The bases of valuation for taxation purposes and for rate-making have been uniformly recognized as different.") (citations omitted).

[945] 545 A.2d 746, 758 (N.J. 1988) (citation omitted); *County of Wayne v. Mich. State Tax Comm'n*, 682 N.W.2d 100, 126 (Mich. 2004); *Tenn. Gas Pipeline Co. v. Town of Hudson*, 766 A.2d 672, 675-676 (N.H. 2000) (holding that replacement-cost method, not the net-book-cost method, was the proper method for valuing the pipeline company's FERC-regulated property). *See also* Amended Decision ¶ 81.

[946] Tr. 1212 (Marks) (testifying that "by the mid 90s it shows about 95 percent of TAPS had been depreciated under TSM. By the late '90s, essentially 100 percent of TAPS had been depreciated under TSM"). *See also* Tr. 7715-16 (Toof); Tr. 12421-22 (Hoffbeck); Tr. 12689-88 (Goodwin).

[947] Tr. 12687-88 (Goodwin).

example, the original investment associated with the mainline pipe and VMT is almost fully recovered, such that there is little to no rate base associated with the economic contribution of either the mainline pipe or the VMT to the ongoing operations of TAPS.[948] The current return on TAPS only reflects the additional investment associated with recent capital expenditures on TAPS such as the SR project.[949] Thus, an income approach based on tariff income as advanced by the Owners would result in TAPS not being taxed at its full and true value.[950]

561. Historically, regulatory disputes concerning TAPS' tariff rates have most often been resolved by settlement among the parties rather than by a substantive determination by FERC or the RCA.[951] The settlement that has governed TAPS' tariff rates for the majority of the time it has been in service has been the TAPS Settlement Agreement ("TSA"). The TSA contained a complex and unique rate methodology referred to as the TSM. Both the State and the TAPS Owners supported the TSA. An Explanatory Statement by the State of Alaska and the Department of Justice in support of the settlement stated, "Alaska and DOJ believe that as a settlement, the tariff stream produced by the TSM is a fair and reasonable attempt to achieve a tariff profile that will encourage economically efficient exploration of North Slope petroleum resources."[952]

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[948] Tr. 12421-22 (Hoffbeck); Tr. 12687-88 (Goodwin).

[949] Additions to the property used by a carrier to provide service will increase the rate base, the return on the rate base, and consequently the tariff income. In the case of TAPS, although the TAPS Owners made additional capital expenditures for TAPS in the SR project, the prudency of those expenditures is being challenged in the current joint rate proceeding before FERC and the RCA, and the rate effect of the SR expenditure is at this time unknown.

[950] Tr. 12421-12422 (Hoffbeck); Tr. 12687-12688 (Goodwin).

[951] *See, e.g.*, Tr. 8933 (Grasso).

[952] TO-07-0031.0119.

562. The RCA found that under the TSM, between 1977 and 1996, the TAPS Owners collected, in 1997 dollars, $13.5 billion more than would have been collected under the current rate methodology used by the RCA to set rates on TAPS.[953] Nevertheless, the TSM was approved by FERC.[954]

563. Settlements are approved by FERC under a fair and reasonable standard and in the public interest standard and not under a just and reasonable standard.[955] FERC may also approve black-box settlements under which the rate is known but not the methodology used to calculate the rate.[956] One of the Owners' regulatory experts, Dr. Toof, acknowledged that "settlement rates are a beast unto themselves."[957]

564. In 2005 and 2006, after the TSM had expired, FERC set just and reasonable rates under the Opinion No. 154-B methodology for 2005 of $1.92 and for 2006 of $2.02.[958] Under FERC doctrine, however, the last "clean rate," meaning the last unprotested TSM rate for 2004, was used as the floor for refunds for 2005 and 2006.[959] That rate was from $3.00 to $3.20.[960] The TAPS Owners also filed for rate increases in 2007 and 2008, which were

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[953] MUN7-0001 at 1140, 1274, 1513-1516 (excerpts from RCA Order No. 151, Nov. 27, 2002) ("We now compare the past annual DOC revenue requirements . . . with the past annual TSM revenue requirements. Exhibit 7, Schedule 2 reveals that TSM has, on a cumulative basis, provided the Carriers with an opportunity to recover $9.9 billion more than their costs as determined by the DOC revenue requirements. In 1997 dollars, the net present value of the cumulative stream of revenue requirement difference is $13.5 billion . . . ."); Tr. 8496-8500 (Brown); Tr. 8542-43 (Sullivan) ("The underlying principles in that TAPS Settlement Agreement provided for the highest return on any pipeline I have ever done an analysis on.").

[954] Tr. 7292 (Kelly).

[955] Tr. 7292 (Kelly).

[956] Tr. 7293 (Kelly).

[957] Tr. 7730 (Toof).

[958] *BP Pipelines (Alaska) Inc.*, 125 FERC ¶ 61,215 at ¶ 103, 115 (2008).

[959] *BP Pipelines (Alaska) Inc.*, 125 FERC ¶ 226 (2008) (Op. No. 502).

[960] *BP Pipelines (Alaska) Inc.*, 127 FERC ¶ 61,047 at ¶ 39 & n.37 (2009).

resolved under a "black-box" settlement.[961] The TAPS Owners' filed rates for 2009 and 2010 are currently under litigation at FERC.[962]

565. The Owners have tried to predict future tariffs for the next several decades in order to determine the net present value of that tariff income stream to apply in this ad valorem tax case. The Owners presented the testimony of former FERC Commissioner Suedeen Kelly in support of their position that the FERC Opinion No. 154-B methodology is straightforward and can be used to predict net cash flow over the long term and that settlement rates on TAPS would not vary significantly from what would result under Opinion No. 154-B.[963] However, Ms. Kelly did not opine as to what future tariffs this Court should apply under a tariff-based income approach. And although Ms. Kelly served as a FERC Commissioner, she had never been in a FERC hearing room on a TAPS matter.[964] Ms. Kelly is currently an attorney whose law firm represents ExxonMobil Corporation[965] and acknowledged that she was not an expert in ad valorem tax matters. At trial, in response to a question from the Court, Ms. Kelly answered that FERC could have abandonment authority over oil pipelines, but she subsequently corrected that testimony and stated that FERC had no such authority.[966]

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[961] Tr. 8933 (Grasso). The TSA required the TAPS Owners to file yearly rates using the TSM. Tr. 7647 (Toof). The TSM ended in 2008. Tr. 7668 (Toof). The TAPS Owners have each filed for multiple rate increases in 2009 and 2010. *See* Tr. 8890-91 (Grasso). This process of filing multiple rate increases is known as "pancaking." Amended Decision ¶ 492.

[962] Tr. 7667 (Toof).

[963] Tr. 7211, 7212, 7216 (Kelly).

[964] Tr. 7287-89 (Kelly)

[965] Tr. 7258 (Kelly).

[966] Tr. 7179-80, 7298-7303 (Kelly).

566. Ms. Kelly had no knowledge of how rates established under the TSM would compare to rates established under Opinion No. 154-B.[967] Ms. Kelly did not know the specifics of the TAPS Owners' 2007-2010 rate filings at FERC and was not aware of the TAPS SR proceeding pending at FERC.[968] Based on the foregoing, this Court was not persuaded by Ms. Kelly's testimony regarding FERC rate setting, including Opinion No. 154-B methodology and its application to determine TAPS' tariffs.

567. This Court was also unpersuaded by Dr. Toof's testimony that TAPS' tariffs have been stable and predictable.[969] Dr. Toof has never sponsored an Opinion No. 154-B revenue requirement before the FERC.[970] Dr. Toof has never prepared a rate filing and does not consider himself a rate of return expert.[971] Although Dr. Toof in the TAPS' FERC rate case took the position that the TSM produced just and reasonable rates, Presiding Judge Cintron, the Commission, and the Court of Appeals for the D.C. Circuit all disagreed with Dr. Toof's position on this issue.[972]

568. This Court finds that the regulatory status of TAPS is so unique that the projection of future tariffs for it would be less reliable and less predictable than for other regulated pipelines.[973] When asked "Is there any crude oil pipeline in the United States that

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[967] Tr. 7295-96 (Kelly).

[968] Tr. 7296-98 (Kelly).

[969] Tr. 7681 (Toof).

[970] Tr. 7704 (Toof).

[971] Tr. 7705-06 (Toof).

[972] Tr. 7706 (Toof).

[973] Tr. 8539-8540 (Sullivan).

is in the unique regulatory status of TAPS [and the pipelines that feed into TAPS] before the FERC?" Dr. Toof responded, "They are carved out as an entity unto themselves."[974]

569. Mr. Grasso demonstrated the instability of the TAPS tariff by noting that the Owners recently filed testimony with FERC in support of their own filed rates that supported different rates than they had originally filed. Mr. Grasso explained:

> To further - what I would say to undermine the stability of the 154-B, in 2009 the Owners filed tariff rates at the FERC between $4.01 and $4.10. That case, as you know, is now subject to a proceeding called the SR proceeding, strategic reconfiguration, of which a 154-B cost-of-service is one component.
>
> Two years after the fact of 2009, testimony's [sic] filed in January of 2011 by the Owners to support their rates. Well, in January 2011, the rate that's supported for 2009 is $3.88. So two years after the fact, when rates were filed and collected at the $4.10 range, they're supporting $3.88.
>
> So, historically, it's tough to hit the mark using 154-B.[975]

570. This Court critiqued the TAPS Owners in the 2006 tax year proceeding for failing to advance a rate expert to support the Owners' tariff income assumptions.[976] In this case, the Owners again did not advance an expert who could support their specific tariff income assumptions. Regulatory Economics Group, LLC. ("REG") performed the cost-of-service calculations for American Appraisal,[977] which American Appraisal used to value TAPS based on the tariff income approach. But no witness from REG testified at trial. The Owners' rate experts at trial, Ms. Kelly and Dr. Toof, did not review or support REG's rate model or the rate calculations produced under that model.

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[974] Tr. 7715 (Toof).

[975] Tr. 8891-92 (Grasso).

[976] Amended Decision ¶ 488.

[977] TO-7-0004.0102.

571. The REG rate calculations that American Appraisal used are not reliable. An example is the rate calculations for 2009. As discussed earlier, the TAPS Owners' FERC rate filings for 2009 ranged from $4.01 to $4.10 per barrel, and the rate advocated by the expert for the Owners in the 2009 FERC rate case is $3.88 per barrel. But in this ad valorem tax case, the Owners are proposing far lower rates of $3.07, $3.40, $3.03, and $3.25 per barrel on January 1, 2009.[978] The lower the projected tariff, the lower the net present value of the income stream.

572. Regulatory rate models are not intended to be used to predict future cash flows. Consistent with that reality, Dr. Toof declined to predict the outcome of the current TAPS' rate proceedings before FERC and the RCA.[979]

573. In sum, the evidence at trial persuasively demonstrated that TAPS' tariffs do not provide a stable or predictable foundation upon which to base the economic value of TAPS.[980]

574. SARB has repeatedly found that tariff income alone does not capture the economic value of the pipeline. As SARB explained in its 2007 Decision:

> The value of a pipeline's tariff income stream is generally only a portion of the value of the pipeline. That portion is the value of the original investment, plus capital expenditures and a reasonable return on these outlays of capital, which make up the tariff rate base. The tariff regulatory process attempts to ensure that shippers pay the pipeline owners only once for the capital costs through their tariff payments. . . . The tariff is based on depreciated capital costs, not current market value as a stand-alone property or the pipeline's current value as part of an economic unit. A regulated tariff does not

[978] TO-07-0004.0195; TO-07-0004.0208; TO-07-0004.0219; TO-07-0004.0232.

[979] Tr. 7740-41 (Dr. Toof acknowledged that at his deposition he had declined to predict the outcome of the strategic reconfiguration case pending at FERC and the RCA, since he "was not in the prediction business.").

[980] Tr. 8884-91 (Grasso).

produce an income that would capture the current economic value of the pipeline.[981]

575. For all the foregoing reasons, and consistent with the determinations made by many other courts, this Court finds that the Owners have failed to demonstrate that the Division and SARB's use of the RCNLD approach and its rejection of a tariff income approach was unreasonable and unsupported by the record. Instead, the record clearly demonstrates that the use of the RCNLD methodology to value TAPS for ad valorem tax purposes is a fundamentally sound valuation determination.

IX. THE COMPARABLE SALES APPROACH

576. The third primary approach to valuation is the comparable sales approach. "In the sales comparison approach, the appraiser develops an opinion of value by analyzing closed sales, listings, or pending sales of properties that are similar to the subject property."[982]

577. The sales comparison approach is most reliable when there is an active market providing a sufficient number of sales of comparable property that can be independently verified through reliable sources.[983] The "important concepts are 'active market' and 'verifiable information.'"[984] The sales comparison approach "is not feasible when the subject property is unique" or "if an active market for that property does not exist."[985]

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[981] MUN7-0234 at 16. *See also* MUN7-0235 at 15, 17; MUN7-0236 at 30.

[982] *The Appraisal of Real Estate* at 297.

[983] *Valuing Machinery and Equipment* at 122.

[984] *Valuing Machinery and Equipment* at 122.

[985] *Valuing Machinery and Equipment* at 122.

578. It is uncontested that TAPS is a unique, limited-market and special purpose property.[986]

579. As explained by the Minnesota Supreme Court:

> Because the [property] is specially adapted to a unique use and will not readily be sold to another user, the very nature of special purpose property is such that market value cannot readily be determined by the existence of an actual market, and therefore other methods of valuation, such as reproduction cost, must be resorted to . . . . Usually . . . comparable sales are not available for a [property] that is special use property. Nor is the income approach always directly relevant. Thus, where the owner is less interested in the income the property will generate than in occupying a [property] uniquely suited for the owner's special type of business, the reproduction cost minus depreciation method has been held to be appropriate for determining the market value of a [property], rather than an income approach.

Fed. Reserve Bank of Minneapolis v. State, 313 N.W.2d 619, 622 - 624 (Minn. 1981) (quotations omitted).

580. *The Appraisal of Real Estate* specifies that a proper "market analysis and highest and best use analysis are fundamental to the sales comparison approach."[987]

581. The record demonstrates that sellers of an interest in TAPS sell when they no longer have an integrated use for TAPS. Similarly, the record demonstrates that buyers of an interest in TAPS buy only when they have an integrated use for TAPS.[988] In short, the purchase and sale of interests in TAPS have been driven by each oil producing company's integrated economics rather than by tariff income.[989]

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[986] Tr. 11903 (Remsha); Loke Dep. 60 (June 1, 2011).

[987] *The Appraisal of Real Estate* at 299-300.

[988] Tr. 12682 (Goodwin).

[989] Tr. 12682 (Goodwin).

582. Mr. Sullivan, on behalf of the Municipalities, persuasively discussed the fundamental differences between the transfer of pipeline interests in Alaska and the pipeline markets in the Lower 48.[990] He noted that there is only one independent shipper on TAPS after 34 years of operation.[991] He compared the market dynamics of the ANS and TAPS with two major oil producing basins in the Lower 48, the North Dakota basin and the Gulf Coast basin. He explained that in those Lower 48 markets, the pipelines are not owned or dominated by affiliates of the oil producers. Instead there are hundreds of independent producers, shippers, and marketers in each of those basins.[992] The Court was persuaded that comparing sales from different markets with fundamentally different market drivers than those existing in Alaska or for TAPS is not helpful in framing the economic value of TAPS.

583. Other courts have recognized that the absence of comparable sales and a meaningful income stream typically result in the use of the cost approach for limited-use and special-purpose property.[993]

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[990] Tr. 8550-64 (Sullivan). *See also* Tr. 12311-12 (Podwalny); Tr. 12682 (Goodwin).

[991] Tr. 8539-40, 8562-64 (Sullivan).

[992] Tr. 8562-65 (Sullivan).

[993] *See, e.g., Brooklyn Union Gas Co. v. State Bd. of Equalization*, 482 N.E.2d 77, 83 (N.Y. 1985); *Guild Wineries & Distilleries v. County of Fresno*, 51 Cal. App. 3d 182, 187-88 (Ca. Ct. App. 1975); *First Wis. Bankshares Corp. v. United States*, 369 F. Supp. 1034, 1039 (E.D. Wis. 1973).

584. As with the tariff income approach, the sales comparison approach has been repeatedly considered but determined not to be a reliable approach for determining the economic value of TAPS by both the Division and SARB. Thus, in 2007, SARB held that "there was no comparable property or representative sales of partial interests to make a reliable comparable sales valuation of the TAPS."[994] And in 2009 SARB found as follows:

> The 2009 comparable sales value estimates could not be relied on due to the same problems that these valuations have suffered from since they were first considered in the 2001 TAPS assessment. There are no other pipeline properties that are similar enough to the TAPS to obtain an accurate assessed value from sales. The historical partial sales of the TAPS were not arms-length transactions and were not independent of other transactions between the buyer and seller. Grossing up small partial sales creates distortions in the values obtained.[995]

At trial, the Assessor agreed that the sales comparison approach should not be relied on by this Court due to a lack of comparables, and the partial interest sales of TAPS were old and uninformative.[996]

585. At trial, the Owners' appraiser Michael Remsha sponsored a sales comparison approach on behalf of the Owners for the years at issue.[997] But Gary Loke and not Mr. Remsha was the appraiser for American Appraisal that did the work and drafted the relevant parts of the appraisal associated with the sales comparison approach.[998] Mr. Loke was not offered by the Owners as a witness at trial. Mr. Remsha indicated he personally did not

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[994] MUN7-0234 at 17 (2007 SARB).

[995] MUN7-0236 at 30 (2009 SARB).

[996] Tr. 12982-84 (Greeley).

[997] Tr. 11845-51 (Remsha).

[998] Tr. 11895-96 (Remsha).

investigate or verify the sales that were used in the sales comparison approach.[999] Mr. Remsha indicated Mr. Loke would have been the best person to answer questions about American Appraisal's sales comparison approach.[1000]

586. For a sales comparison approach to be helpful, the sales need to be compared with the subject and "[i]f the comparable sale is not identical to the subject, the selling price of the comparable *must* be adjusted to indicate what the selling price of the comparable would have been if the comparable had been identical to the subject."[1001] There are several elements of comparability that must be considered when adjusting the selling price of the comparable back to the subject including age, condition, capacity, features, location, motivation of the parties, price, quality, time of sale, and type of sale.[1002]

587. Mr. Loke looked at fourteen Lower 48 pipeline sales, and used an earnings multiples analysis to project value to TAPS based on these sales. He did not make any other adjustments so as to compare these properties to TAPS.

588. With regard to these fourteen transactions, American Appraisal did not speak with the seller or buyer, or otherwise independently verify or confirm the transaction details.[1003] This failure to verify was the case even where BP was a party to the transaction.[1004] Mr. Loke did not know whether any of the fourteen sales transactions were due to merger and acquisition regulatory requirements.[1005] Mr. Loke was apparently

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[999] Tr. 11896 (Remsha).

[1000] Tr. 11895-97 (Remsha).

[1001] *Valuing Machinery and Equipment* at 124 (emphasis added).

[1002] *Valuing Machinery and Equipment* at 126-128.

[1003] Loke Dep. 74-75, 86-87, 104-05 (June 1, 2011).

[1004] Loke Dep. 86-87 (June 1, 2011).

[1005] Loke Dep. 95-96 (June 1, 2011).

unaware that Transaction No. 14 was between related parties until he learned of that detail from comments made by Mr. Connolly at his deposition.[1006]

589. Of the fourteen sales transactions considered, only four were deemed by Mr. Loke to be relevant as an indicator of value for TAPS.[1007] The sales prices of the four selected transactions ranged from a high of $2.4 billion to a low of $158 million.[1008] Mr. Loke did not consider any of the four selected sales to be limited market properties and, as noted above, made no adjustments to those sales in an effort to reflect comparability with TAPS.[1009]

590. Mr. Loke testified that he had a "very challenging time" finding public domain information with regard to transfers of fractional TAPS' interests.[1010] He relied on information that he received from counsel for the Owners, but acknowledged that obtaining information in this manner was not a standard or common practice.[1011]

591. One of the Owners' other appraisal experts, Thomas Tegarden, testified at trial that he "would agree there is a lack of comparable sales."[1012]

592. The weight of the evidence presented at the trial de novo demonstrates that there are no comparable sales that inform the economic value of TAPS.

[1006] Loke Dep. 69-70 (June 1, 2011).

[1007] Loke Dep. 98 (June 1, 2011).

[1008] TO-07-0004 at 89 (American Appraisal); Loke Dep. 67-68 (June 1, 2011).

[1009] Loke Dep. 101 (June 1, 2011).

[1010] Loke Dep. 103-107 (June 1, 2011).

[1011] Loke Dep. 103-107 (June 1, 2011).

[1012] Tr. 10313 (Tegarden).

X. RECONCILIATION AND CONCLUSION

593. USPAP does not require reliance upon any particular method of appraisal. Instead, it provides as follows:

> In developing a real property appraisal, an appraiser must reconcile the quality and quantity of data available and analyzed within the approaches used, and reconcile the applicability or suitability of the approaches used to arrive at the conclusion(s).[1013]

594. The record before this Court reflects that the Division and SARB carefully considered each of the three major approaches to value, as well as the fact that TAPS is a regulated pipeline. No party has demonstrated that reliance on the cost approach was improper, or unsupported by the record, or constituted a "clear adoption of a fundamentally wrong principle of valuation."[1014]

595. This Court has also carefully considered each of the three approaches to value – the cost approach, the income approach, and the sales approach. Based upon all of the evidence presented to this Court over the course of the nine-week trial de novo concerning the assessed value of TAPS from 2007 to 2009, this Court will rely solely on the cost approach for the 2007, 2008, and 2009 assessments.

596. For the reasons discussed in Section VII of this decision, this Court relies on the Pro Plus cost study for the valuation for TAPS, as adjusted herein.

597. This Court has been presented with considerably more evidence than was before either the Division or SARB, including extensive cross-examination of all of the experts and other witnesses, and has concluded that in certain respects, SARB's 2007, 2008, and 2009 valuation of TAPS resulted in an improper valuation of TAPS, particularly

[1013] USPAP Standard 1-6.

[1014] *See N. Star Alaska Hous. v. Bd. of Equal.*, 778 P.2d 1140, 1144 n.7 (Alaska 1989).

with regard to the amount of the RCN, the amount of the scaling adjustment, and the lower limit of TAPS' capacity. Also, evidence at trial persuasively demonstrated that the life of TAPS based on its proven reserves and incorporating its minimum capacity throughput limitations as of the lien dates for 2007, 2008, and 2009 is at least until 2065.

598. Based on the foregoing, the following is a summary of this Court's determination of the assessed value for TAPS as of January 1, 2007, 2008 and 2009,[1015] set forth in millions of dollars:

Jan.1, 2007	Jan. 1, 2008	Jan. 1, 2009	
$17,645	**$19,324**	**$19,137**	**Replacement Cost New (RCN)**
($194)	*($194)*	*($194)*	*Less Land & ROW*
($243)	*($228)*	*($250)*	*Less Additional Functional Obsolescence*
$17,208	**$18,902**	**$18,693**	**RCN Less Land & ROW & Additional FO**
($5,605) *32.57%*	*($6,300)* *33.33%*	*($6,300)* *33.70%*	*Less Economic Age-Life Depreciation*
$11,603	**$12,602**	**$12,393**	**RCN Less Economic Age-Life Depreciation**
($2,691)	*($2,968)*	*($3,134)*	*Less Scaling of Pipe and VMT*
($165)	*($184)*	*($204)*	*Less Scaling of Pumps*
$8,747	**$9,450**	**$9,055**	**RCN Less All Depreciation**
$194	*$194*	*$194*	*Plus Land & ROW*
$8,941	**$9,644**	**$9,249**	**TOTAL RCNLD (in millions)**

[1015] The Court's Amended Decision ¶ 509, as well as SARB's decisions in 2007 and 2008, *see, e.g.*, MUN7-0236 at 13, 15, had deductions for certain non-taxable assets and the Valdez Terminal Office building. Because those assets were not included in the Pro Plus Study, the adjustments are no longer necessary.

The primary reasons for the variations from year to year are due to market changes in the estimates made by Pro Plus in its RCN for the cost of steel and labor rates as of each of the lien dates.

599. This matter concerns the assessed valuation of TAPS as of January 1, 2007, 2008, and 2009. It is before the Superior Court pursuant to a specific statute that accords to taxpayers and affected municipalities the right to a trial de novo before the Superior Court of an administrative determination of the value of pipeline property.[1016] Pursuant to that statute, this Court conducted a non-jury trial lasting approximately nine weeks in the fall of 2011. For the reasons expressed herein, this Court finds that as of January 1, 2007, 2008, and 2009, the "full and true value" of the Trans Alaska Pipeline System, "with due regard to the economic value of the property based on the estimated life of the proven reserves of gas or unrefined oil then technically, economically, and legally deliverable into the transportation facility"[1017] is $8.941 billion for 2007, $9.644 billion for 2008, and $9.249 billion for 2009.

ENTERED at Anchorage, Alaska this 30th day of December 2011.

Sharon Gleason
SHARON L. GLEASON
Superior Court Judge

I certify that on 12.30.11
a copy was mailed to each of the following
at their address of record:
Anne Masner
Judicial Assistant / ~~Deputy Clerk~~
Seedorf, Mahoney, Palumbo, Garatoni, Gabel, Diemer, Johnson, Long, Richards, Brena, & Broker

[1016] AS 43.56.130(i).

[1017] AS 43.56.060(e)(2).

17.

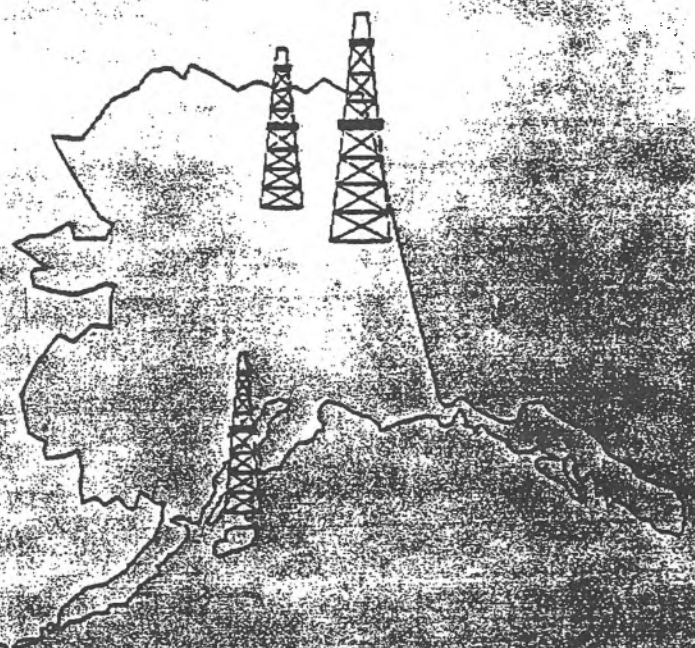
Oil Industry Profitability in Alaska 1969 through 1987

115 RGV-E

Oil Industry Profitability

in Alaska

1969 through 1987



Prepared for the Department of Revenue
State of Alaska

by

Edward B. Deakin
Distinguished Enterprise Professor
Director, Institute of Petroleum Accounting
University of North Texas

Price Waterhouse Centennial Professor of Accounting
University of Texas

March 15, 1989

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Edward B. Deakin is the Distinguished Enterprise Professor at the University of North Texas in Denton, Texas. He directs the Institute of Petroleum Accounting there. He is on leave from his position as the Price Waterhouse Centennial Professor of Accounting at the University of Texas and has also held professorships at Stanford University and the University of Kuwait. Professor Deakin has written more than fifty articles and books, many of which addressed [illegible] petroleum accounting [illegible] to the U.S. [illegible] Interior, and Tre[illegible] industry [illegible] advised several [illegible] the State of [illegible] as a number of private com[illegible] [illegible] Standard[illegible] industry [illegible] and [illegible]

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SUMMARY

Total Profit. The oil industry received an estimated $42.6 billion in profit from production and transportation activities in Alaska from 1969 through 1987. The $42.6 billion represents amounts accruing to producers after accounting for all expenses, including exploration, lease acquisition and income taxes, and allowing for recovery of investment costs (depreciation). The main section of this report presents details of profit for each calendar year. The technical section of this report describes each component of the profit, investment and cash flow elements. Below is a summary statement.

Total Alaska Oil Profit
1969 through 1987
(billions of dollars)

Revenues:		
Production revenues	$ 97.6	
TAPS revenues	33.7	
Total Revenues		**$131.3**
Expenses:		
Depreciation	12.1	
Operating Expenses	9.1	
Exploration Expenses	4.1	
Overhead	.8	
Interest	7.5	
Royalty	11.8	
Severance Taxes	10.4	
Property Taxes	3.5	
State Income Taxes	3.6	
Windfall Profit Taxes	6.4	
Federal Income Taxes	19.4	
Total Expenses		88.7
Profit		**$ 42.6 Billion**

Profit per barrel: $6.59

Alaska North Slope (ANS) production contributed $29.1 billion to profit, with $27.8 billion of this amount attributable to Prudhoe Bay and $1.3 billion

attributable to Kuparuk. TAPS provided $12.4 billion. Production in Alaska other than ANS production added $1.1 billion in profit. (Lisburne is included with Prudhoe Bay and Milne Point with Kuparuk. Endicott did not have significant production until after 1987. Alaska production other than ANS production is at Cook Inlet).

Shares. The $42.6 billion in after-tax profit that accrued to the oil industry compares to $29.3 billion in State of Alaska receipts from oil industry activities during this period. During the same period, Federal government receipts were $25.8 billion from these activities.

Investment. From 1969 through 1987, the industry invested $25.0 billion in ANS development costs and for TAPS. $13.1 billion of this represents the initial costs of Prudhoe Bay and TAPS. Of the $25.0 billion investment, $11.6 billion has been recovered through depreciation charges ($6.6 billion from Prudhoe, $1.0 billion from Kuparuk and $4.0 billion from TAPS).

Rates of Return on Investment. Cash flows from all Alaska investments from 1976 through 1987, assuming no debt, total $61.3 billion ($41.8 billion of profit plus $12.0 billion of depreciation plus $7.5 billion of interest[1]). Comparing these cash flows to the investment amounts over time implies that the after-tax rate of return on Alaska investments has been 29.7% from 1976 through 1987. Assuming that 75% of the initial investment was borrowed, an assumption that is indicated by available data, the rate of return on the investment is 43.7% after tax.

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[1]Interest is added back under the assumption of no debt because there would be no interest expense if the entire project were funded with equity. This analysis incorporates all ANS investments prior to 1976 into 1976 and 1977. A more detailed timing of these investments was beyond the scope of this study. As indicated in the technical discussion, the effects of this assumption create minimal changes in the results.

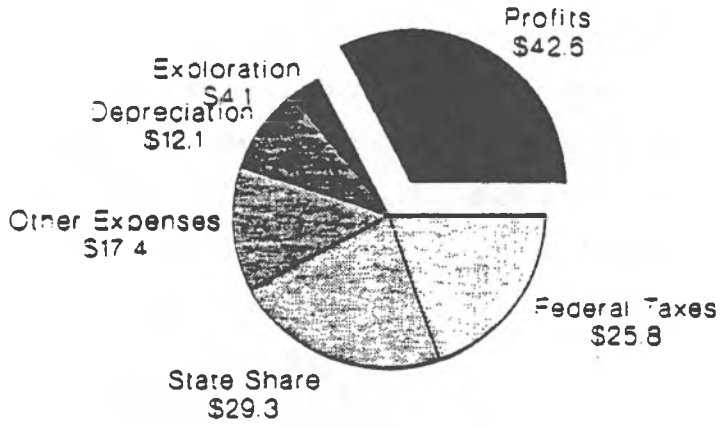
These rates of return compare to the long run rate of return on the New York Stock Exchange of 10% *before* tax. [*Wall Street Journal* (February 20, 1989)] The prime rate peaked at 21.5% *before* tax in 1982, but that was an exceptional year. During this period, a prime rate of 10% to 18% *before* tax was more typical. Using an average effective tax rate of 36%, which approximates the tax rate observed in this study, the equivalent after-tax return on the New York Stock Exchange is 6.4%. The equivalent peak prime rate after an effective tax rate of 36% is 13.76%.

Reinvestment of Alaska Cash Flows. Subsequent to the initial investment for Prudhoe Bay field and TAPS, the industry invested $15.8 billion for ANS development and exploration throughout Alaska from 1978 through 1987. This includes $3.9 billion in exploration expenses which are not included in the analyses of profits from individual fields. The reinvestment rate has been 27.8% of cash flows received during this period.

Seventy-five sources of data about Alaska oil operations were researched to develop this report. Although details do not exist on each and every data item, the information available in the references is sufficient to develop a reasonably accurate picture of industry profit. A study of the data suggests that the actual profit number could be as low as $41 billion or as high as $47 billion. The estimate reported here is at the conservative end of this range.

Figure 1 graphs the relationship among the revenues, expenses and profit for all Alaska oil production and transportation activities.

Figure 1
Revenues, Expenses and Profit
All Alaska Oil Activities
(billions of dollars)



The $42.6 billion in profit is what the producers received after accounting for all expenses, including exploration, lease acquisition, and after allowing recovery of the costs of investments in Alaska oil activities related to the useful lives of the investments.[1]

From 1977 through 1987, virtually all of these profits were earned from the Alaska North Slope (ANS). ANS production contributed $29.1 billion to profit, with $27.8 billion of this amount attributable to Prudhoe Bay. Total production profit for the Prudhoe Bay field is given in Table 2.

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[1] Details of how the profit estimates were obtained are provided in the technical discussion. Some of the amounts could not be readily determined from publicly available data or the data were ambiguous. In these situations, a conservative approach was taken. As a result, this report gives a low-end estimate of oil industry profits. Throughout this report, the sum of the individual numbers may not add to identical totals due to rounding.

Oil Industry Profit in Alaska: 1969-1987
Overview

How profitable is the oil industry in Alaska? This is a question of major significance to the State of Alaska and to its residents because the State's share of the revenues from oil production and transportation activities are a primary factor in determining the State's General Fund revenues as well as the additions to the Permanent Fund. This report looks at available information on industry activities in Alaska to derive a picture of the profit attained from these activities. The results of the study indicate that the oil industry received $42.6 billion in after-tax profit from 1969 through 1987 from oil production and from TAPS. The components of this profit estimate are given in Table 1:

Table 1
Total Alaska Oil Profit
1969 through 1987
(billions of dollars)

Revenues:		
Production revenue	$ 97.6	
TAPS revenue	33.7	
Total Revenues		**$131.3**
Expenses:		
Depreciation	12.1	
Operating Expenses	9.1	
Exploration Expenses	4.1	
Overhead	.8	
Interest	7.5	
Royalty	11.8	
Severance Taxes	10.4	
Property Taxes	3.5	
State Income Taxes	3.6	
Windfall Profit Taxes	6.4	
Federal Income Taxes	19.4	
Total Expenses		88.7
Profit		**$ 42.6 Billion**

Profit per barrel: $6.59

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Table 2
Total Prudhoe Bay Production Profit
1977 through 1987
(billions of dollars)

Production Revenue	$ 83.5
Less Expenses:	
Depreciation	6.6
Operating Expenses	4.4
Overhead	.7
Interest	1.3
Royalty	10.0
Severance Taxes	9.9
Property Taxes	1.4
State Income Taxes	2.5
Windfall Profit Taxes	5.9
Federal Income Taxes	13.0
Profit	**$ 27.8 Billion**

Profit per barrel: $5.81

Figure 2 shows the division of these revenues, expenses and profit.

Figure 2
Revenues, Expenses and Profit
Prudhoe Bay Production
(billions of dollars)

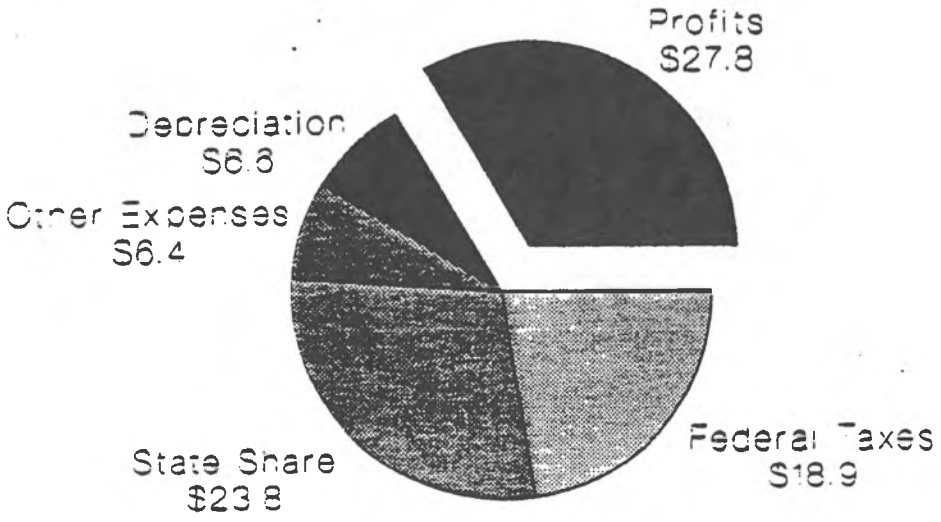

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Table 3 shows Prudhoe Bay production profit for the oil producers on a year-by-year basis from 1977 through 1987.

Table 3
Profit from Prudhoe Bay Production
(millions of dollars)

1983 - 1987:

	1987	*1986*	*1985*	*1984*	*1983*
Production Revenue	$6,573	$4,327	$9,847	$10,097	$10,079
Expenses:					
Depreciation	1,074	1,110	873	710	632
Operating Expenses	740	514	535	578	394
Overhead	109	104	139	89	93
Interest	146	139	141	119	119
Royalty	787	518	1,179	1,209	1,207
Severance Taxes	787	571	1,300	1,333	1,331
Property Taxes	150	148	150	148	147
State Income Taxes	83	37	165	171	172
Windfall Profit Taxes			39	211	426
Federal Income Taxes	917	0	2,212	1,469	1,756
Profit	**$1,780**	**$1,186**	**$3,114**	**$4,061**	**$3,801**
Profit per barrel:	**$3.55**	**$2.40**	**$6.25**	**$8.26**	**$7.75**

1977 - 1982:

	1982	*1981*	*1980*	*1979*	*1978*	*1977*
Revenue	$11,271	$13,330	$9,541	$5,892	$1,849	$ 717
Expenses:						
Depreciation	581	510	476	320	254	38
Operating Expenses	504	546	182	184	157	46
Overhead	77	51	15	2	0	2
Interest	139	17	10	156	203	117
Royalty	1,350	1,596	1,143	706	221	86
Severance Taxes	1,488	1,291	924	622	195	76
Property Taxes	147	146	146	123	104	30
State Income Taxes	168	669	550	367	67	30
Windfall Profit Taxes	1,375	3,089	797			
Federal Income Taxes	2,125	1,971	2,086	383	9	32
Profit	**$3,315**	**$3,443**	**$3,212**	**$3,030**	**$ 639**	**$ 260**
Profit per barrel:	**$6.78**	**$7.09**	**$6.61**	**$7.39**	**$1.84**	**$2.58**

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Total revenues, costs and profit from Alaska production activities from 1969 to the end of 1987 are given in Table 6.

Table 6
Total Alaska Production Profit
1969 through 1987
(billions of dollars)

Production Revenue	$ 97.6
Less Expenses:	
Depreciation	8.1
Operating Expenses	5.3
Exploration Expenses	4.1
Overhead	.8
Interest	1.7
Royalty	11.8
Severance Taxes	10.4
Property Taxes	1.8
State Income Taxes	2.7
Windfall Profit Taxes	6.4
Federal Income Taxes	14.3
Profit	**$ 30.2 Billion**
Profit per barrel: $4.96	

A graph showing the distribution of these revenues, expenses and profit is shown in Figure 3.

Figure 3
Revenues, Expenses and Profit
All Alaska Production
(billions of dollars)

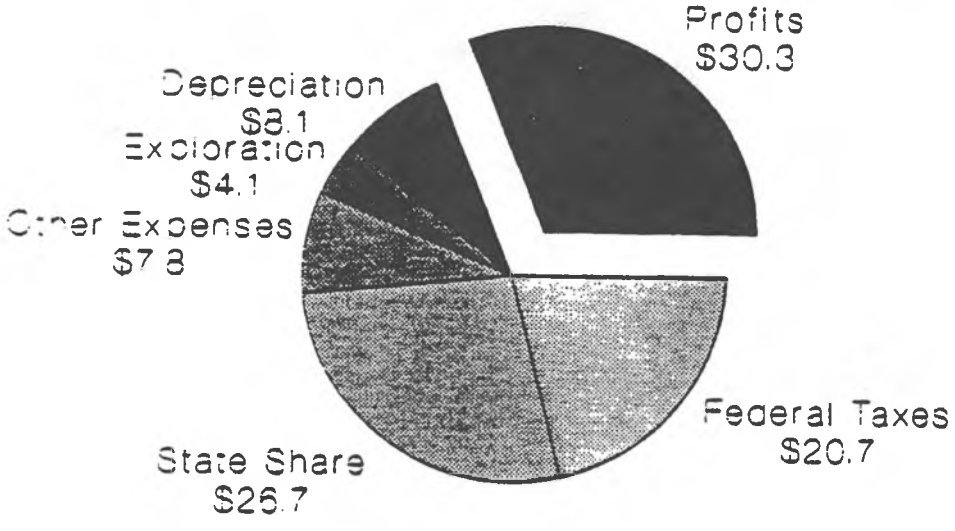

Table 7 shows the annual profits received from production activities in Alaska from 1969 through 1987.

Table 7
Total Alaska Production Profit
1969 through 1987
(millions of dollars)

1983 - 1987:

	1987	*1986*	*1985*	*1984*	*1983*
Production Revenue	$8,046	$5,367	$11,735	$11,592	$11,564
Depreciation	1,394	1,418	1,123	866	779
Operating Expenses	940	653	679	678	500
Exploration Expenses	288	288	514	258	818
Overhead	139	133	173	106	111
Interest	192	183	183	148	150
Royalty	970	647	1,414	1,397	1,393
Severance Taxes	871	623	1,403	1,395	1,388
Property Taxes	197	192	188	172	159
State Income Taxes	92	37	182	189	174
Windfall Profit Taxes			39	235	475
Federal Income Taxes	1,007	0	2,424	1,627	1774
Profit	**$1,956**	**$1,192**	**$3,413**	**$4,521**	**$3,841**
Profit per barrel:	**$3.18**	**$2.01**	**$5.83**	**$8.15**	**$6.97**

1978 - 1982:

	1982	*1981*	*1980*	*1979*	*1978*
Revenue	$12,785	$14,484	$9,961	$6,321	$2,254
Expenses:					
Depreciation	698	540	504	345	280
Operating Expenses	506	571	183	188	176
Exploration Expenses	647	419	176	174	274
Overhead	91	55	16	2	a
Interest	171	18	10	167	247
Royalty	1,641	1,745	1,198	762	272
Severance Taxes	1,536	1,291	923	622	195
Property Taxes	165	151	152	130	113
State Income Taxes	175	702	556	369	66
Windfall Profit Taxes	1,491	3,314	861		
Federal Income Taxes	2,212	2,067	2,110	399	8
Profit	**$3,452**	**$3,610**	**$3,270**	**$3,161**	**$ 623**
Profit per barrel:	**$6.33**	**$6.96**	**$6.21**	**$6.97**	**$1.56**

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Table 7 (continued)
Total Alaska Production Profit
1969 through 1987
(millions of dollars)

1973 - 1977:

	1977	*1976*	*1975*	*1974*	*1973*
Revenue	$ 1,054	$ 380	$ 396	$ 372	$ 377
Expenses:					
Depreciation	53	16	16	16	16
Operating Expenses	64	16	15	10	3
Exploration Expenses	25	25	25	25	25
Overhead	3	a	a	a	a
Interest	177	1	1	a	a
Royalty	131	46	48	45	45
Severance Taxes	76	28	27	15	15
Property Taxes	31	12	13	13	13
State Income Taxes	49	23	24	24	24
Federal Income Taxes	52	85	91	89	89
Profit	**$ 394**	**$ 133**	**$ 142**	**$ 140**	**$ 140**
Profit per barrel:	**$2.49**	**$1.94**	**$1.94**	**$1.89**	**$1.33**

1969 - 1972:

	1972	*1971*	*1970*	*1969*
Revenue	$ 283	$ 279	$ 278	$ 227
Expenses:				
Depreciation	16	16	17	14
Operating Expenses	3	2	1	1
Exploration Expenses	25	25	25	25
Overhead	a	a	a	a
Interest	a	a	a	a
Royalty	34	34	34	27
Severance Taxes	12	11	8	6
Property Taxes	13	10	14	13
State Income Taxes	17	17	17	13
Federal Income Taxes	63	63	64	50
Profit	**$ 99**	**$ 98**	**$ 100**	**$ 79**
Profit per barrel:	**$1.23**	**$1.22**	**$1.17**	**$1.04**

a. Less than $1 million.

TAPS PROFIT

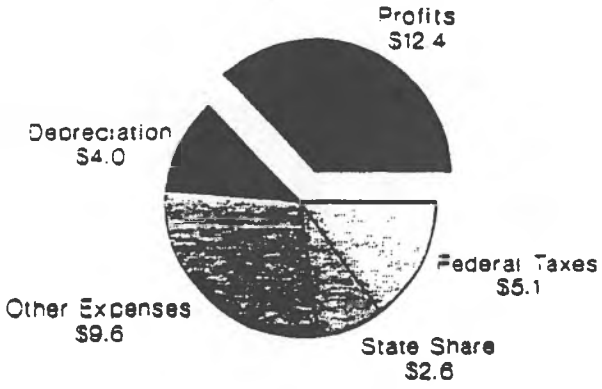
The Trans-Alaska Pipeline System (TAPS) is owned by the Prudhoe Bay producers in approximately the same proportion as their ownership interest in the Prudhoe Bay field. Profit from TAPS, therefore, accrues to the same producers. Table 8 shows the overall revenues, expenses and profit for TAPS from 1978 through 1987.[2]

Table 8
Total Estimated TAPS Profit
(billions of dollars)

Revenue	$ 33.7
Expenses:	
Depreciation	4.0
Operating and Administrative	3.8
Interest	5.8
Property Taxes	1.7
State Income Taxes	.9
Federal Income Taxes	5.1
Profit	**$12.4 Billion**
Profit per barrel: $2.41	

The distribution of these items are shown in Figure 4.

Figure 4
TAPS Revenues, Costs and Profit
(billions of dollars)



[2]The one-half year of activity during 1977 when TAPS started does not have a significant effect on the results. Data from that year are unavailable.

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A year-by-year comparison of TAPS profit is shown in Table 9.

Table 9
Annual TAPS Profit
(millions of dollars)

1983 through 1987:

	1987	*1986*	*1985*	*1984*	*1983*
Revenue	$2,765	$3,080	$3,578	$3,926	$3,899
Expenses:					
Depreciation	299	310	309	431	475
Operating and Administrative	255	343	247	387	483
Interest	150	440	411	570	579
Property Taxes	147	164	168	171	165
State Income Taxes	57	55	73	71	66
Federal Income Taxes	631	0	984	610	674
Profit	**$1,226**	**$1,768**	**$1,386**	**$1,686**	**$1,457**
Profit per barrel:	**$2.08**	**$3.07**	**$2.44**	**$3.17**	**$2.77**

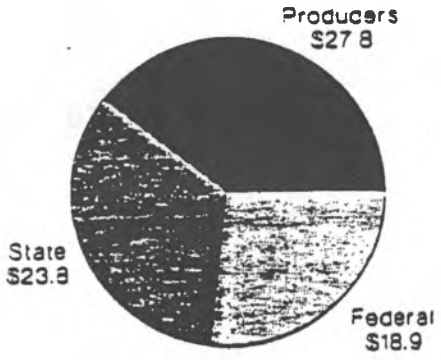
1978 to 1982:

	1982	*1981*	*1980*	*1979*	*1978*
Revenue	$3,896	$3,605	$3,554	$2,963	$2,394
Expenses:					
Depreciation	467	431	503	421	355
Operating and Administrative	498	474	435	330	381
Interest	648	681	720	771	846
Property Taxes	168	171	168	174	174
State Income Taxes	63	203	162	119	60
Federal Income Taxes	802	599	617	129	8
Profit	**$1,250**	**$1,046**	**$ 949**	**$1,019**	**$ 570**
Profit per barrel:	**$2.42**	**$2.15**	**$1.95**	**$2.49**	**$1.64**

SHARES

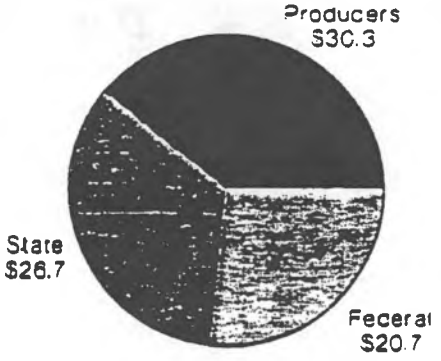
At the super-giant Prudhoe Bay field, producers earned $27.8 billion. The State received $23.8 billion from Prudhoe Bay and the Federal government received $18.9 billion. This is shown visually in Figure 5. The nearby giant Kuparuk field added $1.3 billion to producer profit, $1.2 to the state and $0.6 billion to the Federal government's revenues.

Figure 5
Shares
Prudhoe Bay Production
(billions of dollars)



The sharing from all production in Alaska between 1969 and 1987 is shown in Figure 6, with $30.3 billion to the producers, $26.7 billion to the State and $20.7 billion to the Federal government.

Figure 6
Shares
All Alaska Production
(billions of dollars)



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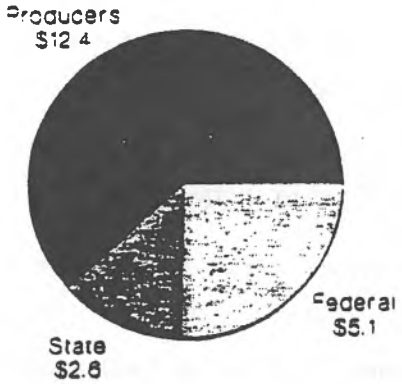
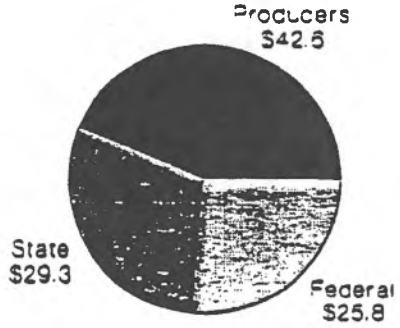
TAPS profit of $12.4 billion went to the producers, $2.6 billion went to the State through property and income taxes and $5.1 billion went to the Federal government through income taxes. This distribution is shown in Figure 7.

Figure 7
TAPS Shares
(billions of dollars)



A summary of the distribution for all Alaska oil operations is shown in Figure 8. The $42.6 billion in after-tax profit that accrued to the oil producers compares to $29.3 billion in State of Alaska receipts from oil industry activities during this period. During the same period, Federal government receipts were $25.8 billion from these activities. Figure 8 shows the relationship between industry profit and the state and federal receipts from oil industry revenues.

Figure 8
Shares
All Alaska Production and Transportation
(billions of dollars)



ADDITIONAL BENEFITS OF ANS OIL

ANS producers receive profits from Alaska oil outside of Alaska which provides an additional bonus beyond what it would cost if they had to purchase imported oil. An additional profit of approximately $0.7 billion went to the producers through the operation of the U.S. Department of Energy crude oil entitlements program. Producers are believed to earn additional profit through the refining of ANS crude because, among other things, they have access to a secure source of crude oil. If they did not have the ANS crude, it would be necessary for them to acquire crude from foreign sources.

Others estimate that profits on tanker operations and trans-Panama shipment activities added between $.25 and $1.00 profit per barrel of ANS crude produced. These additional profits would have been received on the nearly 6 billion barrels of ANS production. These added profits are not included in the $42.6 billion of total oil industry profit in Alaska covered in this report.

INVESTMENTS MADE ON THE ALASKA NORTH SLOPE

Figure 9 shows the relative amounts of money invested in projects to produce ANS crude. The greatest investment was $9.4 billion in TAPS. The total investment to date in Prudhoe Bay was $8.7 billion. This includes the waterflood project and the miscible gas injection project as well as infield drilling. The investment in Kuparuk was $4.3 billion which includes amounts for the newly installed waterflood project that had not been in operation during the period of this study. Milne Point cost $575 million. Endicott and Lisburne each cost approximately one billion dollars. As of the end of 1987, Milne Point had been shut in, while Endicott and Lisburne had just begun operations too recently to have a significant impact on the revenue numbers reported here. The investments made in Cook Inlet during this period were not significant relative to the ANS investments during this period.

Figure 9
ANS Investments
(billions of dollars)

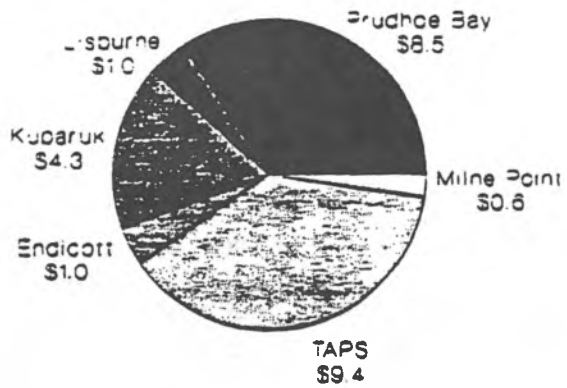


Table 10 shows the timing of the investments in Prudhoe Bay and other ANS projects together with an estimate of the timing of the investment in TAPS. These investment timings are based on information from the producers and may not be exact.

Table 10
ANS Investments
(millions of dollars)

Year	*Project*	*Amount*
1987	Prudhoe gas	$ 720
1987	Kuparuk waterflood	900
1987	Endicott	1,000
1986	Lisburne	1,000
1985	Prudhoe gas plant	720
1984	Milne Point	570
1983	Prudhoe waterflood	2,000
1981	Kuparuk	3,400
1981	Prudhoe drilling	1,100
1980	Prudhoe drilling	250
1979	Prudhoe drilling	250
1977	Prudhoe*	1,850
1977	TAPS*	4,700
1976	Prudhoe*	1,850
1976	TAPS*	4,700
Total		**$ 25,015**

*These amounts were spent over the period 1969 through 1977, with the majority of the funds spent later in the construction phase of the project.

Cash flows can be related to these investments to compute a rate of return on the investment in Alaska. Assuming the entire investment was made with equity funds, cash flows are deemed equal to profit plus depreciation and interest. A schedule of these "all-equity" cash flows is shown in Table 11.

Table 11
All-Equity Cash Flows
(millions of dollars)

		---Cash Flows---		Net
Year	*Investment*	*Production*	*TAPS*	*Cash Flow*
1987	2,620	3,542	1,675	2,597
1986	1,000	2,793	2,518	4,311
1985	720	4,719	2,106	6,105
1984	570	5,512	2,687	7,629
1983	2,000	4,770	2,511	5,281
1982	0	4,321	2,365	6,686
1981	4,500	4,168	2,158	1,826
1980	250	3,764	2,172	5,686
1979	250	3,673	2,211	5,634
1978	0	1,151	1,771	2,922
1977	6,550	655	0	-5,895
1976	6,550	0	0	-6,550

The equivalent rate of return earned on this stream of cash flows after tax is 29.7%.

As it happened, a substantial portion of the investment was financed with borrowed monies. The 1978 Sohio annual report to shareholders indicated that 75% of the company's funds were from debt. In this case, the investments in 1976 and 1977 as shown in Table 11 would be $1,638 net each year. This is 25% of the investment outflows in those years. The remainder would have been financed with debt. Interest expense would be incurred on this debt and the debt would have to be repaid. The cash flow data in Table 12 is the profit plus depreciation. These cash flows include a deduction for interest expense. Assuming that all of the cash flows were used to pay of the debt as quickly as possible, the loan repayment would have consumed all of the cash flows in 1978

through 1979 and all but $2,131 million in 1980. The net cash flows in each year are shown in column 4 of Table 12.[3]

Table 12
Cash Flows with 75% Borrowing
(millions of dollars)

		----Cash Flow----		Net Cash
	Investment	*Production*	*TAPS*	*Flow*
1987	2,620	3,350	1,525	2,255
1986	1,000	2,610	2,078	3,688
1985	720	4,536	1,695	5,511
1984	570	5,364	2,117	6,911
1983	2,000	4,620	1,932	4,552
1982	0	4,150	1,717	5,867
1981	4,500	4,150	1,477	1,127
1980	250	3,754	1,452	2,131
1979	250	3,506	1,440	0
1978	0	903	925	0
1977	6,550	478	0	-1,160
1976	6,550	0	0	-1,637

The rate of return implied from the stream of cash flows shown in Table 12 is 43.7%.

REINVESTMENT OF ALASKA PROFIT

A question of importance to Alaska is what happens to the profit earned from oil activities in Alaska. It has been necessary for the industry to make certain investments to maximize production from the Prudhoe Bay field. Initial investments are shown in 1976 and 1977 in Table 10. Reinvestments are shown in Table 10 for the years 1978 through 1987. In addition, the industry has reinvested through exploration.

Reinvestments shown in Table 10 are added to exploration expenses to obtain total reinvestments for the period 1978 through 1987. These reinvestments are shown in the first column of Table 13. For the years 1978

[3]Loan repayments took place over a longer time period, but it is not feasible within this project to determine actual repayment dates for ANS investment-related debt. This model assumes earlier repayment, but also includes the later interest costs reported by the producers. The net effect of this is to understate the rate of return.

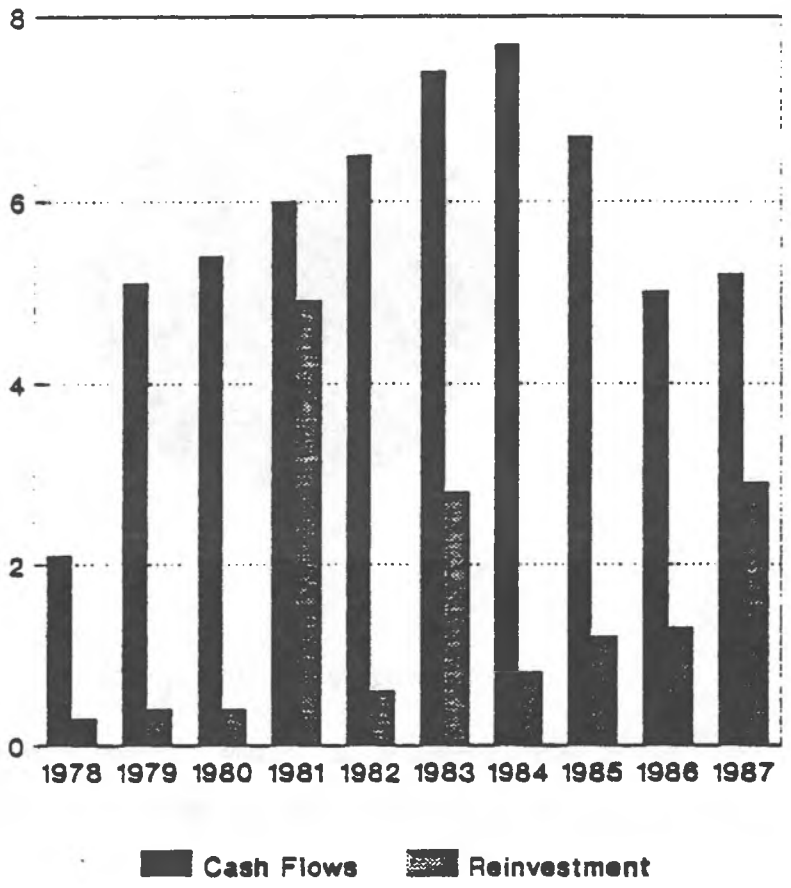
through 1987, these reinvestments are compared to cash flows received from Alaska oil operations. These cash flows are equal to profit plus depreciation and exploration expenses. They are shown as the third and fourth columns in Table 13. Each year's ratio of reinvestment to cash flows is shown in the last column of Table 13.

Table 13
Reinvestment and Reinvestment Flows
(millions of dollars)

	Re-	*—Cash Flows—*			*Reinvestment*
Year	*investment*	*Production*	*TAPS*	*Total*	*Ratio*
1987	2,908	3,638	1,525	5,163	56.32%
1986	1,288	2,898	2,078	4,976	25.88%
1985	1,234	5,050	1,695	6,745	18.30%
1984	828	5,622	2,117	7,739	10.70%
1983	2,818	5,438	1,932	7,370	38.24%
1982	647	4,797	1,717	6,514	9.93%
1981	4,919	4,569	1,477	6,046	81.36%
1980	426	3,930	1,452	5,382	7.92%
1979	424	3,680	1,440	5,120	8.28%
1978	274	1,177	925	2,102	13.04%

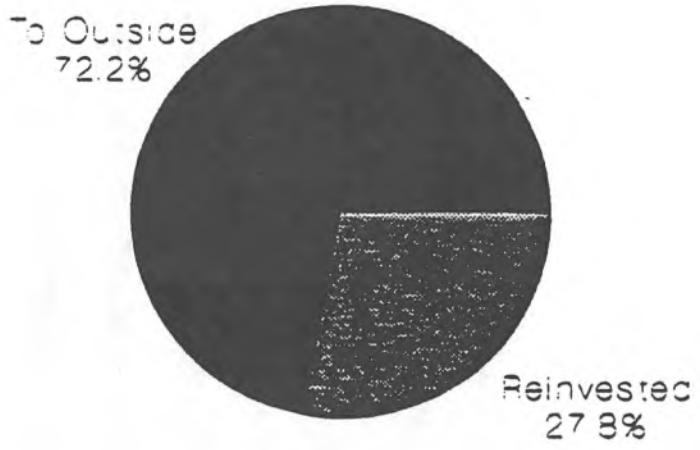
Table 13 indicates that 27.8% of the cash flows from oil and gas industry activities in Alaska was reinvested in Alaska. The reinvestment is shown graphically in Figure 10.

Figure 10
Reinvestment in Alaska by Years
(billions of dollars)



The relationship between the percentage of funds reinvested in Alaska oil projects and those which flow outside is shown in Figure 11.

Figure 11
Overall Reinvestment of Oil Industry Flows
(percentage)



HOURLY PROFIT RATE

Looking at these profits as an hourly earnings number may bring the amounts into better perspective. After-tax profits have been earned by the producers at the rate of $463,144 per hour, twenty-four hours per day for each day of the first ten and one-half years of ANS production.

SENSITIVITY OF ESTIMATES

Where possible, the different assumptions used to develop these profit estimates were studied in more detail to see how sensitive the profit estimates were to the different assumptions. When in doubt, a conservative approach was taken. A total of $7.5 billion in potential profit increases related to assumptions

that were resolved in favor of conservatism was ignored. By contrast, a total of $.6 billion in potential profit decreases related to assumptions were also ignored.

After considering the impact of all potential adjustments due to the assumptions used in the report, the range of profit estimates runs from a minimum of $41 billion to a maximum of $47 billion. The $42.6 billion reported here is at the low end of this range.

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Oil Industry Profitability in Alaska

1969 through 1987

TECHNICAL DISCUSSION

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Oil Industry Profitability in Alaska
1969 through 1987
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Technical Discussion

The profit estimates reported in this report were developed from publicly available information about oil industry activities in Alaska. Although a substantial amount of information exists about oil industry activities in Alaska, a complete picture of profit from Alaska activities is not published in any known reference. Assembling a report on oil industry profit requires gathering information from a number of different sources, piecing together an overall picture of profit and cross-checking the estimate obtained in this manner with other data sources. In the end, the profit estimate should be quite close to the actual results.

Throughout this report the terms "approximate" and "estimate" appear quite frequently. These terms are necessary because public data do not exist which would enable one to compute Alaska profit precisely. The approach taken here, when there are questions about amounts, is to take the conservative approach. The profit reported then will represent the low end of the range. This section of the report provides details on how the pieces of the puzzle were assembled and how the resulting profit estimates were cross checked. After all of this, some questions still remain. The effect of these remaining questions is covered in Section III of this technical discussion.

APPROACH TO MEASURING ALASKA OIL COMPANY PROFIT

In its most fundamental form, profit is the amount that is left over from revenues after paying all expenses including income taxes and an allowance for the cost of the initial investment. In accounting terms, estimation of profit becomes more complex because accountants must relate revenues to expenses that occur in different times. Accounting profits therefore are based on an

analysis of transactions that took place in the past with appropriate adjustments to determine the profit attributable to a specific period of time. In this report, profit from Alaska oil industry activities are estimated over the period 1969 through 1987.[1]

Alaska oil producers earn profit from the production, transportation and sale of crude oil. The primary sources of these profits are production from Prudhoe Bay field on the Alaska North Slope (ANS) and TAPS.

A company engaged in Alaska oil activities can estimate its own profit rather readily by extracting transaction data from its own books and by making appropriate adjustments. To make such an estimate from the outside is much more complex because a significant portion of company data is kept private. Hence, it is necessary to identify that information which is public and piece together a picture of the profitability of Alaska oil operations. This task requires obtaining as much information as possible and then making assumptions about the missing data and, where possible, cross-checking the results with other public data sources. This is the process followed to develop the profit estimates reported here.

For example, Standard Oil Company of Ohio (formerly Sohio, now BP America) includes a section in its corporate annual report that states its profit from Alaska oil production operations. (See Appendix A for an example of this disclosure.) If every other producer obtained the same revenues per barrel of crude oil and incurred the same costs to produce that oil, one could project from the Sohio data to all Alaska production. However, this approach cannot be used because it is widely known that Sohio sells most of its ANS crude on the U.S. Gulf Coast whereas other producers sell their crude oil on the U.S. West Coast.

[1] See Financial Accounting Standards Board, *Statement of Financial Accounting Concepts No. 3*, Pars. 12 and 56 - 62 for a comprehensive discussion of profit concepts.

Prices in the two markets differ. According to Barclay's de Zoete Wedd (1988), U.S. West Coast prices are about $1 lower than the Gulf Coast, but it costs about $2.45 more to ship a barrel of crude oil to the Gulf Coast. To obtain revenues for all producers, it is necessary to adjust Sohio revenues by taking account of the differences in crude oil values. This is one of the many adjustments necessary to obtain an estimate of profit.

The more assumptions that need to be made, the more questions that will arise about the profit number that is obtained. However, there are alternate sources of information that can be used to compare a significant portion of the data used to compute profit. To the extent that these alternate sources are consistent, the computed profits will be more reliable. The most important item in the profit equation is revenue. Fortunately, estimates of producers can be checked against Alaska severance tax collections. For most of the period covered by this report, the Alaska severance tax is stated as 15% of the value of producers' production, subject to certain adjustments. This implies that for production subject to the 15% rate, an amount equal to 15% of production revenue should approximate the reported severance tax collections by the State of Alaska. Similar comparisons can be made for production subject to other severance tax rates.

In addition, the estimate included in this report is not the only estimate of oil industry profit in Alaska. Financial analysts and others have, from time to time, estimated profit from Alaska oil industry activities. (See Appendices B and C for examples.) The numbers reported here have been checked, to the extent possible, with other data sources.

Not all of the numbers can be checked and many of the alternate information sources use different bases for reporting their data. The last part of section III of

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this report discusses the effects that substantial questions raised by the estimation process are likely to have on the total estimated profit. As noted in this report, most of the effects are quite small. This is an unavoidable problem. Indeed, it is very likely that producers are unable to estimate their own profits down to the last cent because of the assumptions that they make in developing their profit numbers. The point is that the estimate developed here is, on balance, consistent with other estimates of profits earned in Alaska. Indeed, the total effect of questions about alternate treatments is that the profit reported here is on the conservative side. One may perhaps argue that total profit is $2 billion higher or lower than this estimate, but such a debate should not detract from the validity of the overall picture presented here.

The first part of this report develops estimated revenues from production activities, essentially the gross receipts from operations. This report focuses on the revenues that accrue to the producers, net of royalty. This is defined as "working interest revenue." To calculate working interest revenue, it is necessary to know production and the value of each barrel of production. Those matters are discussed in Section I under "Production Revenues".

Section II covers the expenses that must be deducted from revenues to obtain profit for this project. These expenses include depreciation, severance taxes, operating expenses, windfall profit taxes, exploration expenses, overhead and interest. Each of these items is discussed in turn. Both the State of Alaska and the U.S. government levy taxes on income as defined in their laws. These are expenses for accounting purposes and are also presented in Section II. Royalties are eliminated from revenues reported by oil and gas producers. In Section III, royalties are included as a separate line item to determine both the working interest (producers') revenues and total revenues.

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The third section of the report gives the detailed statements of profit for Prudhoe Bay, Kuparuk and all Alaska production. This section also includes a discussion of the sensitivity of the profit estimates to cost estimates, missing data, various allocations, and other factors on the profit estimates.

The fourth section of the report shows the profit earned from TAPS. Here it is reasonable to rely extensively on Sohio Pipeline Company's disclosures. Other data sources generally confirm the Sohio Pipeline information.

Each part of this technical discussion is designed to provide further detail about the way the data presented in the report was developed. To the extent possible, the report follows accounting practices and conventions that enable one to obtain a reasonable estimate of the profitability of Alaska's oil industry activities. The resulting estimates give an accurate, although not exact, picture of the profitability of Alaska's oil industry operations.

Profit has been estimated for Prudhoe Bay, Kuparuk, all Alaska production and TAPS. After making all of the calculations and cross-checking available data, total oil industry profit in Alaska is estimated as $42.6 billion. This includes $27.8 billion from Prudhoe Bay, $1.3 billion from Kuparuk and $12.4 billion from TAPS. An additional $1.1 billion was earned elsewhere in Alaska.

After looking at the effects of all of the estimates made on reported profit, a range within which the actual number is likely to fall can be developed. The low end of this range is $41 billion and the high end is $47 billion. The estimated profit of $42.6 billion reported here is in the low end of this conservative estimated range.

Finally, reported profit is based on public information which was available at the time this report was written. It is entirely possible that data not available

could affect the analysis. Any such data would be welcomed to advance the goal of obtaining a more precise estimate of Alaska oil industry profit.

I. PRODUCTION REVENUES

PRODUCTION ESTIMATES

Production estimates for crude oil and natural gas were obtained from different data sources and compared. Since the foundation of reported profit depends on production estimates, it is important to note how the estimates compare. Moreover, each company's reported accounting data are based on its production estimates. Thus, the production data are needed for making certain computations from company reports. The estimates for crude oil are discussed first in this section, followed by the estimates for natural gas.

Crude Oil. Production estimates were obtained from the corporate annual reports of Arco, Sohio and BP America, the Alaska Oil and Gas Conservation Commission Statistical Series, DeGolyer and MacNaughton's *20th Century Petroleum Statistics* (1987) and the *International Petroleum Encyclopedia*, as well as from the *U.S. Energy Statistics Sourcebook* (1988). As shown below, the estimates provided by each of these sources differ with respect to the time periods covered, the level of detail and the volumes of production.

The producers' corporate annual reports present production information in terms of barrels per day of production. The data as reported by each company are shown in Table I-1.

Arco presented separate information on the production from Prudhoe Bay, Kuparuk and Lisburne for the years 1980 through 1987. From 1978 on, Sohio/BP presented data for all of its Alaska operations. Prior to 1982, virtually all of Sohio/BP's production was from the Prudhoe Bay field. These data facilitated obtaining production estimates for each of those fields.

Table I-1
Company Net Production Data
(000 barrels per day)

	------Arco Reports------			
Year	*Prudhoe*	*Kuparuk*	*Lisburne*	*Sohio/BP*
1987	324.9	122.0	15.0	827.2*
1986	306.9	109.9	4.1	706.4#
1985	304.9	94.9	8.5	699.7
1984	326.1	71.7	8.9	617.9
1983	336.4	69.9	10.0	594.8
1982	292.4	61.8	na	676.6
1981	275.5	2.1	na	698.2
1980	274.7			696.4
1979	248.6**			590.8
1978	213.3**			506.8
1977	213.3**			143.8
1976	78.4**			
1975	27.9**			

* BP America data.
# Sohio data. BP America reported 781.4 thousand barrels per day.
** Arco's total Alaska production.

The data reported in Table I-1 were converted to an annual number by multiplying the daily figures by 365. The company statistics were then divided by the company's proportionate share in production to arrive at an estimate of total production based on each company estimate. Adjustments were made for the 1982 redetermination of each company's Prudhoe Bay share of production. The estimates of total Prudhoe Bay production based on Arco's and Sohio/BP's corporate disclosures are in the first two columns of Table I-2, below. The estimates of total Kuparuk production based on Arco's corporate disclosures are in the first column of Table I-3, below. The corporate disclosures give the company's working interest production (net of royalty).

The Alaska Oil and Gas Conservation Commission provides gross production by field for all years covered by this study. The *International Petroleum Encyclopedia* reports gross production from major fields by year. However, the *Encyclopedia* is not complete. In certain years it does not show all fields.

The DeGolyer and MacNaughton statistics are based on the U.S. Department of Energy reports and show gross production from Alaska. They do not show production from specific fields.

The *U.S. Energy Statistics Sourcebook* data show total ANS production for 1981 through 1987 and total Alaska production for prior years. An assumed 1/8 royalty interest was deducted from this number to arrive at an estimate of ANS working interest production. Production from Kuparuk and Lisburne (based on Arco's disclosures) were deducted to arrive at an estimate of Prudhoe Bay production. These data are in Column 3 of Table I-2.

The estimates presented under each method differed. To test the different estimates for reasonableness, TAPS and Kuparuk pipeline throughputs were analyzed. This analysis is based on the assumption that all of Kuparuk production (including royalty oil) should equal the Kuparuk pipeline throughput. TAPS throughput should be comprised of Kuparuk, Lisburne, and Prudhoe Bay crude, including royalty oil. Deducting Kuparuk, Lisburne and Prudhoe Bay royalty oil should give the working interest production from Prudhoe Bay.

Annual total TAPS throughput for 1982 through 1987 was obtained from the Arco annual report. Similar data for 1980 to 1981 were obtained from the Sohio report. Royalty interests as well as Lisburne and Kuparuk production were deducted from total TAPS throughput to obtain an estimate of Prudhoe Bay production. The results of this analysis are shown in Column 5 of Table I-2.

In addition to these estimates, data on total production from Prudhoe Bay, including royalty, were presented in the *International Petroleum Encyclopedia*. These data were available for 1983, 1984, 1985, and 1987. Royalty of 1/8 was deducted from gross production to obtain another estimate of Prudhoe Bay working interest production for comparison purposes.

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The sources that provided reasonably complete data series included Arco, Sohio/BP, the *U.S. Energy Statistics Sourcebook*, the Alaska Oil and Gas Conservation Commission statistics and the analysis of pipeline throughput. The estimated working interest production from Prudhoe Bay based on each of these different estimates is shown in Table I-2. After reviewing the data and the different levels of complexity required for each alternate estimate, it appears that the Alaska Oil and Gas Conservation Commission (AOGCC) statistics provided a reasonable, conservative and consistent data series over the period covered by this report.

Table I-2
Annual Production Estimates: Prudhoe Bay
Net of Royalty
(000,000 barrels per year)

Year	*Arco*	*Sohio/BP*	*U.S. Energy Data Sourcebook*	*AOGCC Statistics*	*Pipeline Throughput Analysis*
1987	544.5	592.0	507.3	500.8	520.9
1986	500.1	508.8	493.6	494.5	493.8
1985	496.8	503.9	497.8	498.5	497.3
1984	531.4	467.5	492.1	491.9	489.6
1983	547.4	458.6	487.3	490.8	486.1
1982	492.7	490.0	489.2	489.2	488.4
1981	493.4	480.8	486.7	485.8	495.0
1980	527.7	479.6	517.7	486.0	479.1
1979	na	406.9	447.4	409.9	na
1978	na	349.0	392.5	348.0	na
1977	na	99.1	148.1	100.9	na

For 1977 through 1986, production estimates used for computing Prudhoe Bay profit are based on the AOGCC statistics shown in Table I-2. The 1987 estimate used the AOGCC estimate for Prudhoe Bay plus Arco's estimate for Lisburne. The production number chosen was neither the highest nor the lowest for all years. It is generally believed that the AOGCC estimates are reliable and acceptable estimates of field production.

Kuparuk production estimates are based on 7/8 of Kuparuk pipeline throughput as reported by Arco. The 7/8 number reflects the net working interest

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production. The *International Petroleum Encyclopedia* also reported estimated production from Kuparuk. The *International Petroleum Encyclopedia* data were adjusted to reflect a 1/8 royalty interest. The AOGCC reported Kuparuk production was adjusted to reflect a 1/8 royalty interest also. These different annual working interest production estimates for Kuparuk are reproduced in Table I-3.

Table I-3
Annual Production Estimates: Kuparuk
Net of Royalty
(000,000 barrels per year)

Year	*Arco*	*International Petroleum Encyclopedia*	*AOGCC Statistics*
1987	90.4	87.1	89.6
1986	87.2	na	82.2
1985	70.3	69.6	69.7
1984	40.2	32.6	40.4
1983	38.3	34.0	34.9
1982	28.4	na	28.6
1981	na	na	.1

The Arco data are slightly higher for most of the years of Kuparuk production. Since the differences are minor, the Arco production data were used for Kuparuk. The very small production from Milne Point and Endicott would be included with Kuparuk. However, the amounts are too small to affect the analysis.

Lisburne production was reported by Arco at 14.4 million barrels in 1987. The *International Petroleum Encyclopedia* and the AOGCC reported this production at 14.3 million barrels in 1987. This amount has been included with Prudhoe Bay production in subsequent analysis.

For 1981 through 1987 and for years prior to 1978, other Alaska production was reported separately in the *U.S. Energy Statistics Sourcebook.* These data were used for comparison for those periods. For 1978 through 1980, other Alaska production was estimated as the difference between total Alaska production as reported in the *U.S. Energy Statistics Sourcebook* and ANS

production as computed in the two tables above. The results gave significantly higher estimates of other Alaska production during those three years. It was not possible to ascertain the reasons for the difference between these data and the AOGCC data. The two series of working interest production estimates for non-ANS production reproduced in Table I-4.

Table I-4
Non-ANS Production Estimates
Net of Royalty
(millions of barrels)

Year	*AOGCC Statistics*	*U.S. Energy Statistics Sourcebook*
1987	14.3	14.1
1986	15.4	15.4
1985	14.8	14.8
1984	19.3	19.2
1983	21.7	21.7
1982	24.0	24.0
1981	27.1	27.2
1980	31.7	98.1
1979	37.5	91.4
1978	43.8	87.1
1977	49.1	61.4
1976	58.6	55.5
1975	63.0	61.1
1974	63.2	61.8
1973	64.0	63.3
1972	64.4	63.8
1971	69.0	70.0
1970	73.2	73.2
1969	65.0	64.7

The Alaska Oil and Gas Commission statistics were used for purposes of non-ANS production in this report. The differences between AOGCC and an approach based on the Energy Statistics Sourcebook appears significant only in the years 1977 through 1980. During that period, the AOGCC data appear more reliable because the significant increase in production indicated for 1978 - 1980 by the *U.S. Energy Statistics Sourcebook* cannot be confirmed from other sources. It appears that this increase is a statistical fluke. In other years the two

data series track one another closely. It is unlikely that the differences in other years would have any substantial effect on the results.

Natural Gas. Estimation of natural gas production was simplified because there were fewer data sources. BP/Sohio provided information about gas production in their annual reports. All of Sohio's gas production was on the North Slope, and most of that was produced from Prudhoe Bay for use in production operations. Estimates of natural gas production in column 1 of Table I-5 are based on these data. The *U.S. Energy Statistics Sourcebook* provided data on total Alaska natural gas production. This data series is gross of royalty. Adjusting the *U.S. Energy Statistics Sourcebook* data for a 1/8 royalty and deducting the Sohio-based estimate of ANS production gives an estimate of ANS natural gas working interest production and other Alaska natural gas working interest production. The non-ANS production data computed by this method are reported in column 3 of Table I-5. These estimates were compared with AOGCC data and with data reported by the U.S. Department of Energy. The differences were not significant.

Table I-5
Natural Gas Production Estimates
Net of Royalty
(billions of cubic feet)

Year	*ANS per BP/Sohio*	*All Alaska per Sourcebook*	*Non-ANS Estimate*
1987	80.1	314.8	234.6
1986	70.4	266.7	196.4
1985	55.5	281.2	225.6
1984	41.8	253.0	211.2
1983	39.4	242.1	202.7
1982	35.8	231.3	195.5
1981	33.2	212.2	179.0
1980	48.5	201.8	153.2
1979	25.6	193.2	167.5
1978	20.5	177.7	157.2
1977	8.0	164.4	156.4
1976			145.3
1975			140.2
1974			112.8
1973			114.6
1972			110.0
1971			106.4
1970			97.6
1969			44.5

REVENUE ESTIMATES

Production data multiplied by the price per unit of production gives gross revenues. The question is how to obtain an accurate estimate of the price per barrel of ANS crude oil given that the oil is disposed of at different prices.

There are several estimates of ANS per barrel revenue which must be considered when preparing a total revenue estimate. The approach used here was based primarily on the weighted average of the reported per barrel prices given in the producers' corporate annual reports. Adjustment was made to reflect the transportation and quality differences between Kuparuk and Prudhoe Bay crude. These adjustments were based on information provided by Salomon Brothers and Barclay's.

The first set of data used were the reported per barrel prices for crude oil obtained from the annual reports of Sohio and Arco as well as the *U.S. Energy*

Statistics Sourcebook. These data are presented in columns 1 through 3 respectively of Table I-6. In 1988, Barclay's produced a report on BP which, among other things, detailed revenues at Pump Station 1 for 1985 through 1987. This information is included in column 4 of Table I-6 for comparison.

Estimates given in Table I-6 are based on overall production. It is necessary to disaggregate the data for Prudhoe Bay and for Kuparuk. Given that Arco reported production for both fields, and that its per barrel revenue is, effectively, a weighted average of the prices from these two fields, it is possible to disaggregate the prices if the difference between the two prices is known. The difference between the Prudhoe Bay price and the Kuparuk price would be due to the Kuparuk pipeline tariff and a quality differential between the two fields.

Table I-6
Per Barrel ANS Revenue Data
(Pump Station #1)

Year	*Sohio*	*Arco*	*Sourcebook*	*Barclay's*
1987		$ 10.95	$ 10.84	$ 10.74
1986	$ 7.38	6.43	6.45	6.76
1985	16.92	16.81	16.98	17.83
1984	17.78	17.11	17.91	
1983	17.73	17.31	17.69	
1982	19.97	19.08	19.92	
1981	23.86	22.65	23.23	
1980	16.79	16.95	16.87	
1979	10.72	na	10.57	
1978	4.56	na	5.21	
1977			5.84	
1976			5.02	
1975			4.92	
1974			3.62	
1973			3.23	
1972			3.17	
1971			3.01	
1970			2.90	
1969			na	

According to Barclay's, the Kuparuk pipeline tariff is $1.00 per barrel. Barclay's also estimated that the quality differential is $.50. For the years 1982 and 1983, these estimates are consistent with other sources. Therefore, the

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Kuparuk price should be $1.50 per barrel less than the Prudhoe Bay price for 1982 and 1983. In 1984, the new Kuparuk pipeline was brought on stream and a new pipeline tariff established. *Petroleum Intelligence Weekly* (February 1988) and other sources indicate that the price difference between Prudhoe Bay and Kuparuk for 1982 and 1983 should equal $.95 per barrel. In later years the difference declines. The $.95 per barrel differential together with the average per barrel ANS price data were used to construct estimates of the price of crude oil for each field.

The formula for generating these estimates is developed as follows. For 1984 through 1987, Arco's average per barrel price:

$$\frac{P_{Kuparuk} \times (X - \$0.95) + P_{Prudhoe} \times X}{\text{Total Production}}$$

Where P = Production for each field and
X = Price for Prudhoe Bay

Using the formula for 1987, for example, gives the following price estimates:

$\frac{122.0 \times (X - \$0.95) + 324.9 X}{446.9}$	=	10.95
X (Prudhoe Bay Price)	=	11.21
X - $ 0.95 (Kuparuk Price)	=	10.26

Similar estimates are obtained for each other year when Kuparuk was in production.

The amounts reported in Table I-6 and the field prices obtained from the calculations discussed above provide a starting point for determining the final estimate. The per barrel revenue amounts for Arco are widely believed to be greater than for Sohio because a greater portion of Arco's ANS crude is disposed of on the U.S. West Coast and, therefore, avoids the extra cost of the longer marine voyage and trans-Panama shipment.[2] The realizations for Exxon are

[2]See Barclay's de Zoete Wedd (1988), *Petroleum Intelligence Weekly* (Feb. 1, 1988) and Salomon Brothers (1987) for discussions of the differences in dispositions.

also believed to be somewhat greater than for Sohio because Exxon's dispositions occur almost exclusively on the U.S. West Coast. For these reasons, the per barrel data given in Table I-6 probably understate actual realizations. This belief is confirmed by reports by financial analysts such as Salomon Brothers and *Petroleum Intelligence Weekly* who use higher realization prices for Arco's ANS crude.

As a result of all these factors, it appeared that the revenue number needed to be adjusted for the greater proportion of dispositions on the West Coast by producers other than Arco and Sohio. Examination of price differentials for West Coast and Gulf Coast dispositions as well as cost differences suggests that, conservatively, crude oil disposed of on the West Coast should have a value that is approximately $1 per barrel greater on the North Slope than crude oil disposed of elsewhere. Because public data are limited on the precise value of each North Slope company's crude oil, the revenue here is based on the assumption that Arco and Sohio's average disposition prices were as reported in their 10-K's and that other producers obtained an average of $1 more per barrel for their crude. The difference is presumed due to Arco's netback method. The results are more consistent with outside analysts' observations and tie more closely to the State's reported severance tax collections. The Alaska Department of Revenue's report of revenue sources states that severance tax collections totalled $10.2 billion over the period 1969 through 1987. The analysis in this report gives a total severance tax collection of $10.4 billion. The amounts are within a 2.3% margin of error.

Estimates of total revenue for Prudhoe Bay were calculated by using a weighted average price for Prudhoe Bay crude oil. It was assumed that 51% of Prudhoe Bay crude was sold at the price reported by Sohio and 21% at the price calculated for Arco. The remaining 28% of Prudhoe Bay production was

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assumed to have been sold at a price that was $1 per barrel greater than that reported by Arco. This approximates the dispositions indicated in other information sources.[3] Data were available to make these calculations for the years 1980 through 1986. In 1987, Sohio was no longer in existence as a separate entity. Its successor, BP America, did not report weighted average ANS crude prices. Dividing BP America's Alaska revenues by its ANS production gives a substitute estimate. For 1978 and 1979, data limitations required use of Sohio's prices. The 1977 average price was based on the *U.S. Energy Statistics Sourcebook* because other data were not available. Comparing all of the different estimates across time, it does not appear that using different base estimates will have a significant effect on the results.

An alternate method for computing Prudhoe Bay revenue is to take Sohio's price per barrel times total production. This should provide a lower overall estimate since Sohio's price realizations are expected to be lower due to their additional transportation costs.[4] The weighted-average revenue estimate used in this report is 1.19% greater over the eleven-year production history. Given that Sohio's prices are expected to be lower, this lends further support to the assertion that the estimate used in this report is reasonably close, and probably somewhat conservative, relative to the actual revenue realized.[5]

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[3]It may be possible to derive more accurate estimates of revenue. Examination of public and private data sources indicated in the list of references suggests that the resulting revenue estimates will be somewhat greater than those reported here.

[4]The per barrel prices reported in the 10-K are different from what one would expect given that Sohio's transportation costs downstream of Valdez are higher than the costs for Arco. The reasons for this discrepancy are unknown. The *Sourcebook* data series and the Barclay's data suggest that the per barrel numbers used here are not consistently the highest nor the lowest. Moreover, the different series are usually within a few cents per barrel of each other. At best, it appears that the data are approximately consistent. It is not possible to obtain an exact estimate of these revenues.

[5]Indeed, on a weighted average basis over the life of ANS production, an estimate using Sohio's price alone should be approximately 7% lower than actual realizations.

Kuparuk revenue was based on the calculated Kuparuk price per barrel times the production estimate for Kuparuk. The Kuparuk price was estimated by taking the weighted average Prudhoe Bay price and deducting $0.95 per barrel for the years 1984 through 1987 and deducting $1.50 per barrel for 1982 and 1983. The results conform to the prices reported in such other sources as *Petroleum Intelligence Weekly*, Salomon Brothers and Barclays de Zoete Wedd (1988).

For 1977 through 1987, price data for non-ANS crude was obtained from DeGolyer and MacNaughton's *20th Century Petroleum Statistics* (1988), which is derived from U.S. Department of Energy statistics. The DeGolyer and MacNaughton data report Tier I and Tier II prices, but do not indicate how much crude was sold under either price level. For lack of any available data, it has been assumed that 1/2 was Tier I and 1/2 was Tier II. Prior to 1977, the composite published Alaska prices are directly available from the *U.S. Energy Sourcebook*. Other Alaska crude oil revenue was based on the AOGCC production data times the prices obtained from DeGolyer and MacNaughton for 1978 through 1987 and from the *Sourcebook* for prior years. There does not appear to be a substantial difference between the estimates obtained under other methods not described here.

A summary of the estimated revenues realized for Prudhoe Bay (including Lisburne), Kuparuk (including Milne Point) and all other Alaska crude oil production is provided in Table I-7. These revenue data are net of royalty. In Section III, an adjustment is made to add royalty to these revenues and then to deduct it as an expense.

Table I-7
Crude Oil Revenue Data
(millions of dollars)

Year	*Prudhoe*	*Kuparuk*	*Other Alaska*	*Total*
1987	$5,695	$ 942	$ 232	$6,869
1986	3,729	575	191	4,495
1985	8,600	1,145	343	10,088
1984	8,842	685	468	9,995
1983	8,823	631	539	9,993
1982	9,842	528	674	11,044
1981	11,665		873	12,538
1980	8,304		284	8,568
1979	5,136		285	5,421
1978	1,587		291	1,878
1977	631		262	893
1976			294	294
1975			329	329
1974			311	311
1973			232	232
1972			208	208
1971			218	218
1970			221	221
1969			189	189

Natural Gas. Natural gas price estimates were available for Arco for the years 1983 through 1987. Sohio presented natural gas price data for 1977 through 1986. These numbers were used to estimate revenues from natural gas on the North Slope for the years when Prudhoe Bay was in production. The numbers are relatively close in amount. A weighted average was used for the years when both Arco and Sohio published these data. The assumption was that the Arco price was attributable to 76% of the production, the Sohio price was attributable to 24%, and the missing data are proportional to these numbers. Separate data were not available for Kuparuk.

Other Alaska gas prices were based on the *U.S. Energy Sourcebook* unit prices and are shown in column 3 of Table I-8. All of the unit price data are given for comparative purposes in Table I-8.

Table I-8
Natural Gas Price Data
(dollars per thousand cubic feet)

Year	*Sohio*	*Arco*	*Sourcebook*
1987		$ 1.14	$ .50
1986	$ 1.06	1.16	.74
1985	1.06	1.28	.73
1984	1.06	1.10	.73
1983	1.97	1.03	.63
1982	2.20		.62
1981	2.08		.73
1980	1.96		.52
1979	2.00		.52
1978	2.02		.40
1977	na		.39
1976			.30
1975			.17
1974			.18
1973			.15
1972			.24
1971			.25
1970			.25
1969			.25

na. Not available.

Multiplying the unit price data from Table I-8 times the production data from Table I-5 gives an estimate of total revenues. The revenue estimates for natural gas are given in Table I-9.

A comparison of Table I-9 with Table I-7 shows that natural gas revenues are not significant in dollar terms for the Alaska North Slope. Hence, the inability to subdivide ANS natural gas revenues between Prudhoe Bay and Kuparuk will not have a meaningful effect on the analysis. By contrast, natural gas revenues are significant for the remainder of Alaska. In some years they account for more than one-half of the reported revenues.

Table I-9
Natural Gas Revenue Data
(millions of dollars)

Year	*Prudhoe*	*Other Alaska*	*Total*
1987	$ 91	$ 117	$ 208
1986	80	145	225
1985	68	165	233
1984	46	154	200
1983	49	128	177
1982	79	121	200
1981	69	131	200
1980	95	80	175
1979	51	87	138
1978	41	63	104
1977		61	61
1976		44	44
1975		24	24
1974		20	20
1973		17	17
1972		26	26
1971		27	27
1970		24	24
1969		11	11

Combining natural gas revenues from Table I-9 with the crude oil revenues reported in Table I-7 yields the total revenue estimates for each major area in Alaska. These estimates are shown in Table I-10. It is these revenue estimates that form the basis for the profit analysis which follows. To obtain profit, it is necessary to deduct expenses incurred to earn the revenues reported in this section. Estimation of these expenses is the next topic in this report.

Table I-10
Producers' Revenue Data
(millions of dollars)

Year	*Prudhoe*	*Kuparuk*	*Other Alaska*	*Total*
1987	$5,786	$ 942	$ 349	$7,077
1986	3,809	575	336	4,720
1985	8,668	1,145	508	10,321
1984	8,888	685	622	10,195
1983	8,872	631	667	10,170
1982	9,921	528	795	11,244
1981	11,734		1,004	12,738
1980	8,399		364	8,763
1979	5,187		372	5,559
1978	1,628		354	1,982
1977	631		323	923
1976			338	338
1975			353	353
1974			331	331
1973			249	249
1972			234	234
1971			245	245
1970			245	245
1969			200	200
Totals	**$73,523**	**$4,507**	**$ 7,889**	**$85,918**

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II. PRODUCTION EXPENSES

Production expenses fall into nine major categories: depreciation, severance taxes, operating expenses, windfall profit taxes, exploration costs, overhead, interest, state and federal income taxes. Federal income taxes, severance taxes and depreciation are larger in amount relative to the other expenses. Overhead, interest and state income taxes are relatively low. The ability to estimate each of these cost categories accurately varies. The most difficult to estimate are overhead and interest. Fortunately, these are relatively small in amount. Severance taxes and depreciation are relatively easy to estimate. Federal income tax estimates depend on several assumptions. The effect of the assumptions on reported profit is tested later in this technical discussion.

Each of the expense categories and the method of determining the expense is discussed in this section.

DEPRECIATION

Depreciation represents a pro rata share of the initial cost of the investment in drilling, lease acquisition, production facilities and other similar costs over the periods or products that benefit from those investments. Depreciation expense also includes a provision for future dismantlement of the facilities and for restoration of the affected sites. Unlike most other expenses, depreciation does not require a current outlay of cash; it is a current accounting for a prior or an anticipated outlay.

There were three company sources for estimates of depreciation on the Alaska North Slope: (1) BP America's 1987 annual report, (2) Sohio's annual reports from 1977 to 1986, and (3) Arco's 10-K's. In addition, the public data reported here were compared to Alaska property tax information. The results

suggest that use of private data would tend to support the findings reported here. The data and the limitations of the data from each source is addressed in turn.

In its 1987 Annual Report, BP America provided an estimate of its 1986 and 1987 Alaska depreciation which, when divided by its Alaska production, gave a per barrel depreciation amount. However, when BP purchased the outstanding shares of Sohio, it paid a premium over the book value of the assets of Sohio. BP added this premium to its asset base and depreciated this premium along with the cost of the assets. As a result, BP America's Alaska depreciation reflects not only a portion of the costs actually incurred in Alaska, but an additional amount which reflects payments to Sohio shareholders. This latter amount was not part of the cost to acquire oil producing facilities in Alaska. Rather, it reflects BP's purchase of shares from Sohio stockholders. The amortization of this cost is not a cost of operating BP America's Alaska properties, but rather is a transfer payment.[6] As a result, BP America's depreciation numbers overstate amortization of the costs incurred in Alaska and would understate profit.

In its annual reports for 1981 to 1986, Sohio provided a per barrel total production cost amount with and without depreciation. Subtracting the reported production costs without depreciation from production costs with depreciation yields the depreciation per barrel for Alaska production.

Certain of Arco's 10-K reports stated its depreciation charge for Alaska production activities as a total dollar amount. Dividing these amounts by each year's Alaska production volumes gave an estimate of Arco's per barrel Alaska depreciation. This is referred to below as the Arco production-based estimate.

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[6]See Barclay's de Zoete Wedd 1988 report on British Petroleum, p. 4, for the reasons why BP was willing to pay a premium for the remaining outstanding shares of Sohio.

Arco's 10-K also gave its Alaska producing property plant and equipment. When these amounts were divided by Arco's proved reserves each year, an alternate estimate of per barrel depreciation was obtained. This is referred to as Arco's reserve-based estimate. These are composite estimates for all Alaska production, so that adjustments are necessary to obtain estimates for crude oil for each significant field. The alternate estimates are given in Table II-1.

Table II-1
Unit Depreciation Data
($ per equivalent barrel)

			Arco	
Year	*BP America*	*Sohio*	*Production*	*Reserves*
1987	$ 2.83		$ 2.21	2.49
1986	2.26	$ 2.15	2.56	2.62
1985		1.51	2.47	2.47
1984		1.34	1.65	2.17
1983		1.14	1.81	1.92
1982		1.11	1.56	1.73
1981		1.07	1.30	1.23
1980		1.05		.96
1979		.90		
1978		.84		

These depreciation numbers reflect a weighted average of both Kuparuk and Prudhoe Bay. It is generally recognized that Prudhoe Bay depreciation is lower than Kuparuk. For example, Barclay's de Zoete Wedd (1988) reported Prudhoe Bay depreciation in 1987 at $2.00 per barrel and Kuparuk at $3.80. If Barclay's estimates are correct, and assuming that Arco's depreciation is approximately equal to Sohio's, Arco's 1987 weighted average depreciation per barrel should equal:

$$\frac{\$3.80 \times 122 + \$2.00 \times 340}{122 + 340} = \$2.475$$

where 122 and 340 represent Arco's daily average production from Kuparuk and Prudhoe Bay (plus Lisburne) fields as shown in Table I-1, above. Based on this calculation, $2.475 should be the weighted average per barrel depreciation shown in Arco's annual reports. However, Table II-1 suggests that Arco's

weighted average depreciation is about $2.21 to $2.49. Averaging these two estimates gives $2.35, which is probably the best estimate of Arco's North Slope production depreciation available from Arco's financial statements.[7] This suggests that the $3.80/$2.00 estimates of depreciation for each field are too high.[8]

Given that Sohio's weighted average depreciation number for 1986 was $2.15 and that was an average of the lower-depreciation Prudhoe Bay and the higher-depreciation Kuparuk, it is likely that Arco's 1986 Prudhoe Bay depreciation was no more than $2.15 per barrel. This amount is slightly higher than the Barclay's estimate. Presumably, Sohio's depreciation for Prudhoe Bay alone would be lower than $2.15, so the basis used here could result in an understatement of profit. Assuming Prudhoe Bay depreciation is $2.15 per barrel, then we can solve for Kuparuk using the equation:

$$462 \times \$2.35 = 122\ X + 340 \times \$2.15$$

$$X = \underline{\$2.91}$$

This equation states that Arco's weighted average depreciation per barrel ($2.35) should equal the Kuparuk production times the unknown depreciation for Kuparuk plus the estimated $2.15 per barrel depreciation for Prudhoe Bay. The result suggests a $2.91 per barrel depreciation estimate for Kuparuk.

If Kuparuk depreciation is $2.91 per barrel, then Prudhoe Bay depreciation per barrel for the years when Kuparuk and Prudhoe Bay were both in production is as given in Table II-2, below. The numbers in Table II-2 should be compared

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[7]Salomon Brother's financial analysis of Arco's operations states that Arco's Alaska depreciation is lower than Sohio's. This is the opposite of the data from the financial statements. Public data are not available which would enable us to resolve this disparity. The data in this report are based on the higher estimate from the 10-K's, even though this may overstate depreciation and understate profit.

[8]Salomon Brothers Inc. reported an estimate of $1.60 per barrel 1985 depreciation for Prudhoe Bay and $1.75 for 1987. They reported 1985 Kuparuk depreciation at $3.75 per barrel and 1986 at $3.55 This confirms the suggestion that Barclay's Prudhoe Bay depreciation is too high. The effects of alternate depreciation estimates on the reported profit for each field are discussed in Section III.

with other sources. For example, *Petroleum Intelligence Weekly* estimated Prudhoe Bay depreciation at $2.25 in 1987, $2.17 in 1986 and $1.53 in 1985. Salomon Brothers estimated Arco's Prudhoe Bay depreciation at $1.80 in 1987, $1.75 in 1986 and $1.60 in 1985.

Table II-2
Estimated Prudhoe Bay Depreciation
($ per barrel)

Year	*Amount*
1987	$ 2.15
1986	2.25
1985	1.75
1984	1.44
1983	1.29
1982	1.19
1981	1.05
1980	.98
1979	.78
1978	.73
1977	.38

These data are higher than Sohio's reported weighted average depreciation charges, but appear more reasonable than the Barclay's numbers. The numbers are lower than Arco's weighted average, which is consistent with expectations. Moreover, they are higher than the Salomon Brothers numbers. In brief, depreciation based on these numbers is a "middle-of-the-road" approximation.

Since depreciation expense for each field was computed using a weighted average based on working interest production from each field, total depreciation for both fields taken together will be approximately the same. That is, Prudhoe Bay might be assigned too much depreciation as a result of this process, but that will be offset by lower depreciation charges to Kuparuk. The "bottom-line" effect of this is discussed in Section III.

Prior to the start of Kuparuk production, depreciation estimation is simplified. For each of the years 1978 through 1981, a weighted average of the reported per-barrel depreciation numbers for Arco and Sohio was used. There was one

estimate of Sohio's depreciation each year. There were three Arco estimates in 1981, two in 1980, and one for each of 1978 and 1979. It was assumed that Sohio's depreciation number was applicable to 72% of field production and Arco's to 28%. This ratio reflects Sohio's 53% of overall production to the total production for which depreciation data are available (53% Sohio; 21% Arco). It is assumed that the missing data equals a weighted average of the available data.

For 1977, the only depreciation estimate was that based on Arco's production. Lacking any alternate estimate, it was used for that year. Since production in that year was relatively low, it is unlikely that changing the estimate by a reasonable amount will have a substantial effect on the results.

Per-barrel depreciation estimates for Prudhoe Bay are reported in Table II-2, above. Kuparuk depreciation is estimated at $2.91 per barrel. Although this estimate of Kuparuk depreciation is lower than that reported by some of the financial analysts discussed above, Barclay's reports that Kuparuk had an original estimated 1.9 billion barrels of recoverable crude oil. Given estimated investment in Kuparuk of $4.3 billion a depreciation charge of $2.28 per barrel (i.e. $4.3 billion/1.9 billion) is indicated. The $2.91 per barrel estimate may result in understatement of Kuparuk profit.

Total depreciation for each field is the product of crude oil production times the per-barrel amount. For non-ANS production, gas is converted to equivalent barrels using the standard 6 mcf of gas = 1 bbl. crude oil energy content ratio. It was assumed that non-ANS depreciation per barrel was 1/3 of ANS per-barrel depreciation. Use of this assumption yields total depreciation amounts that are relatively close to what one would expect given non-ANS investment and production levels. Total depreciation amounts for each year are presented in

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Table II-3. These data represent the depreciation expense numbers included in the production profit estimates in Section III.

Table II-3
Total Depreciation Expense
(millions of dollars)

Year	*Prudhoe*	*Kuparuk*	*Total Alaska*
1987	$1,074	$ 263	$ 1,394
1986	1,110	253	1,418
1985	873	204	1,123
1984	710	117	866
1983	632	112	779
1982	581	83	698
1981	510		540
1980	476		504
1979	320		345
1978	254		280
1977	38		53
1976			16
1975			16
1974			16
1973			16
1972			16
1971			16
1970			17
1969			14
Totals	**$6,579**	**$1,032**	**$8,127**

SEVERANCE TAXES

Severance taxes are levied on the gross value of production which accrues to producers (i.e., working interest production). In Alaska, prior to 1981 severance taxes were 12.25% of production. Subsequent to 1981, the amount was revised to 15% of production (except that it remained 12.25% for the first five years of a field's commercial production). An economic limit factor is applied to production from each field which causes the actual severance tax to be lower than the statutory rate. The 1981 Legislation suspended the application of the economic limit factor at Prudhoe Bay until mid-1987. Prior to 1981, it was estimated that the severance tax on Prudhoe Bay production averaged approximately 11%. From 1982 to mid-1987, the Prudhoe Bay severance tax was estimated at 15%. From the middle of 1987 on, the Prudhoe Bay severance

tax was estimated at 12.25%.[9] Severance taxes on Kuparuk production have been estimated to range between an effective rate of 8% and 9%. A 9% rate was used for this study for Kuparuk. Recent severance tax returns suggest that by 1987 the economic limit factor reduced severance taxes on non-ANS Alaska production to close to zero. The effect of changes in the non-ANS depreciation amounts does not have a meaningful impact on reported profit.

To determine profit from oil producing activities, it is necessary to deduct severance taxes from revenues. Severance taxes are not reported separately for Alaska production in the annual reports of the producers. Therefore, the effective severance tax rates were applied to revenues reported here to obtain estimated severance tax expense for 1977 through 1987 for each field. For prior years, Alaska Department of Revenue reported collections were used as the severance tax expense. This amount corresponds closely to the expense that would be estimated if the statutory rate were applied to the production values.

The Alaska Department of Revenue reports severance tax collections from oil production in Alaska. Over time, severance tax expense as deducted to compute profit should tend to equal severance tax collections by the state. There is one significant wrinkle in this comparison. In 1975, the State levied a reserves tax which was allowed as a later credit against severance tax due later. The amount of the reserves tax was $493.7 million. This tax was considered a credit against severance tax payments due. Thus, when comparing severance tax collections to recorded expense, it is necessary to include this $493.7 million as a collection.

The estimated severance taxes for Prudhoe Bay, Kuparuk, non-ANS, and the total expense are summarized in Table II-4. These amounts are compared to

[9]Effective severance tax rates are based on *Petroleum Intelligence Weekly* (February 1, 1988).

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severance tax collections, including the reserves tax, as reported by the Department of Revenue. The results of the comparison indicate that the estimates are quite close to collections as they should be over time.[10]

Table II-4
Severance Taxes
(millions of dollars)

Year	*Prudhoe*	*Kuparuk*	*Non-ANS Alaska*	*Total Expense*	*Revenue Collections#*	
1987	$ 787	$ 85	$ 0	$ 871	$ 649	
1986	571	52	0	623	1,108	
1985	1,300	103	0	1,403	1,389	
1984	1,333	62	0	1,395	1,393	
1983	1,331	57	0	1,388	1,494	
1982	1,488	48	0	1,535	1,572	
1981	1,291		0	1,291	1,170	
1980	924		0	924	507	*
1979	622		0	622	174	*
1978	195		0	195	108	*
1977	76		0	76	295	*
1976			28	28	251	*
1975			27	27	27	
1974			22	22	22	
1973			11	11	11	
1972			11	11	11	
1971			11	11	11	
1970			8	8	8	
1969			6	6	6	
Totals	**$9,918**	**$ 406**	**$ 124**	**$10,441**	**$10,206**	

* Reflects differences due to reserves tax included in 1976 and 1977 collections but credited against later liabilities.

#Alaska revenue data are reported on a fiscal year basis. Company expense data are reported on a calendar year basis. This difference can affect some of the comparisons.

It is likely that some of non-ANS production during 1977 through 1987 incurred a severance tax liability. However, the amounts are too low to affect the analysis. Total severance tax expense reported in the analysis of profit is $10,441 million. Total actual tax collections amount to $10,206 million. The difference is 2.3%. It is possible that this difference is due to overstatement of effective severance tax rates or the delay between the time when severance

[10]Expense should exceed collections because collections are reported when received by the Alaska Department of Revenue and expenses are reported when the related production occurs.

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taxes are due and when they are collected. The difference may also be due to the revenue estimates used. In any event, it is unlikely that the differences will have a significant effect on the results of the analysis.

OPERATING EXPENSES

Operating expenses are those costs which are necessary to continue production from an oil or gas field. They include well workover costs, fuel, maintenance and similar items. Information on these costs for the years 1980 to 1986 is available in the corporate annual reports of Sohio. Financial analyst reports include estimates of operating expenses as determined through meetings with company officials as well as based on their evaluation of operating costs.

For this report, operating expenses reported by Sohio were analyzed first. Sohio reports operating expenses combined with production taxes, windfall profit taxes and its net profits interest payments to BP America. It was necessary to separate production and windfall profit taxes from Sohio's reported data since these taxes are reported on another line in this income statement. The net profits interest payments to BP America would be an expense to Sohio, but a revenue item to BP America. This is a transfer payment between two field owners. The transfer payment needs to be cancelled when estimating income for the total project.

Net profits interest payments were reported in the notes to Sohio's financial statements. Severance taxes were estimated using the effective severance tax rates times the reported revenues. Windfall profit taxes were reported on a per-barrel basis in Arco's annual reports. These estimates were used to obtain an estimate of Sohio's windfall profit taxes. As described below, the resulting estimated windfall profit tax expense was lower than the reported windfall profit

tax collections by the U.S. Internal Revenue Service. As a result, the estimates of operating expenses may be higher than actual.

Table II-5 summarizes Sohio's reported production expenses, the computed estimates of severance and windfall profit taxes and the net profits interest payments to BP. The last column of Table II-5 is estimated operating expenses for the ANS based on the Sohio data.

Table II-5
Sohio's Operating Expenses
(millions of dollars)

Year	*Production Costs*	*Severance and Windfall Profit Taxes*	*Net Profits Interest*	*Operating Expenses*
1986	$ 727	$ 271	$ 44	$ 412
1985	1,216	680	108	428
1984	1,113	649	36	428
1983	1,021	699	0	322
1982	1,685	1,199	92	394
1981	2,550	2,030	153	367
1980	1,181	862	145	174

The resulting operating expenses were analyzed to see if they were mathematically related to revenues or production. It appeared that the operating expenses were not related to revenues and were only weakly related to production levels. Regression analysis, a statistical technique used to compare two sets of data (such as operating expenses and revenues), found no relationship between the numbers. This leads to the suggestion that these expenses are fixed costs. Further study of the expenses showed that they increased when the Prudhoe Bay waterflood project was installed and when the gas reinjection recovery program was installed. This further supports the suggestion that these costs are fixed with respect to annual production and revenues.

The best available overall estimate of production costs, then, is based on the relationship of Sohio's interest in Prudhoe Bay field. Thus, total ANS operating

expenses are estimated as equal to Sohio's operating expenses divided by Sohio's interest in Prudhoe Bay field. These expenses were subdivided between Prudhoe Bay and Kuparuk based on relative revenues from each field. Admittedly, this may misstate the precise relationship since operating expenses are not a function of annual revenues. However, there are no other direct operating expense data sources available publicly from the companies. The results of the calculations used for this estimate are presented in Table II-6.

Table II-6
Estimated Total Operating Expenses
(millions of dollars)

Year	*Prudhoe*	*Kuparuk*	*Total*
1987	$ 890	$ 218	$1,137
1986	662	152	845
1985	685	160	867
1984	726	120	850
1983	541	96	659
1982	651	92	771
1981	692		722
1980	328		335
1979	307		318
1978	261		289
1977	76		95
1976			28
1975			27
1974			23
1973			16
1972			14
1971			15
1970			15
1969			12
Totals	**$5,820**	**$ 837**	**$7,038**

Production costs for 1987 and for 1977 through 1979 were estimated based on an approximate relationship between revenues and these costs. Given the lack of other company data on these costs, reliance on revenues is one way available to approximate the operating expenses for the missing years.[11] There is a significant increase in the estimated operating expenses between 1980 and

[11] Although production costs are not related to revenues mathematically, there are relatively few options available for estimating costs attributable to each field. Since production costs are low relative to revenues, it is probable that the effect on reported profit is minor.

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1981. This is probably due to the differences in windfall profit taxes included in the Arco data used to derive the windfall profit tax number and the Sohio data used as a basis for operating costs before deducting windfall profit taxes. As noted in the section on windfall profit taxes, Arco-based windfall profit tax numbers result in an expense that is lower than when using the I.R.S. collection data. It is possible that the use of Arco windfall profit tax numbers in the operating cost computation overstates operating costs with a resulting understatement of profit.

Other analysts such as *Petroleum Intelligence Weekly* and Salomon Brothers estimate that operating costs amount to an average of $1 per barrel of ANS crude oil production. *International Petroleum Finance* estimates operating costs at $.91 per barrel. The results here average $1.08 per barrel. Therefore, even though the expense number is calculated based on a number of assumptions, the outcome of the calculations follows closely, and conservatively, the costs indicated by other observers.

For 1984 to 1986, the operating costs per barrel for the Prudhoe Bay field should be greater than in prior years due to installation of the waterflood program. Since the method used here is based on a combined operating cost for Prudhoe Bay and for Kuparuk, it is probable that the costs for Kuparuk are somewhat overstated during 1984 to 1986 and the costs for Prudhoe Bay are understated by a like amount. The results could be a shifting of profit from Kuparuk to Prudhoe Bay in the amount of up to $100 million over the six-year period of Kuparuk operations. It does not appear that this is a significant amount relative to the profit for each field.

Production costs also include property taxes. Company data do not show the property taxes in Alaska separate from other production costs. Therefore, it is necessary to use alternate sources. Barclay's estimated Prudhoe Bay property

taxes at $.50 per barrel and Kuparuk at $.30. Non-ANS was estimated at $.25. The results were compared to Department of Revenue data and are comparable.

Production costs, net of property taxes, are obtained by deducting the property tax collections from the production costs reported in Table II6. Table II-7 shows the Alaska and municipal property taxes for the areas covered in this report. Table II-8 gives the production expenses net of property taxes.

Table II-7
Property Taxes
(millions of dollars)

Year	*Prudhoe*	*Kuparuk*	*Total*
1987	$ 150	$ 44	$ 197
1986	148	41	192
1985	150	35	188
1984	148	20	172
1983	147	17	159
1982	147	14	165
1981	146		151
1980	146		152
1979	123		130
1978	104		113
1977	30		31
1976			12
1975			13
1974			13
1973			13
1972			13
1971			13
1970			14
1969			13
Totals	**$1,438**	**$ 171**	**$1,754**

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Table II-8
Operating Expenses
Net of Property Tax
(millions of dollars)

Year	*Prudhoe*	*Kuparuk*	*Total*
1987	$ 740	$ 174	$ 940
1986	514	110	653
1985	535	125	679
1984	578	100	678
1983	394	77	500
1982	504	78	606
1981	546		571
1980	182		183
1979	184		188
1978	157		176
1977	46		63
1976			14
1975			15
1974			10
1973			3
1972			1
1971			2
1970			1
1969			1
Totals	**$4,382**	**$ 666**	**$5,284**

WINDFALL PROFIT TAXES

The Crude Oil Windfall Profit Tax Act of 1980 levied a tax on the "windfall profit from a barrel of crude oil." The windfall profit was defined as the difference between the base price (essentially the price before oil price decontrol) and the selling price. The tax was in effect until 1988 although crude oil price declines rendered the effective amount of the tax at zero for years after 1985. In addition, ANS fields outside the Sadlerochit reservoir were exempt from the tax.

There are two primary sources of data concerning the windfall profit tax on Alaska crude oil production. The first is Arco's reported windfall profit tax per barrel of Alaska crude oil production. The second is the U.S. Internal Revenue Service *Statistics of Income Bulletin* which reported the aggregate windfall profit tax collections on ANS crude oil as a separate line item. Arco's per barrel windfall profit tax statistics are reproduced in Table II-9.

Table II-9
Windfall Profit Tax per Barrel
Arco Annual Report Data
($ per barrel)

Year	*Amount*
1985	$ .05
1984	.11
1983	.42
1982	1.59
1981	4.80
1980	2.03

To obtain the total windfall profit tax attributable to Prudhoe Bay, the Arco per barrel numbers were multiplied by field production. In addition, the Arco per barrel numbers were multiplied by the ratio of the all-company average field price to the Arco reported field price. This latter adjustment is designed to reflect the fact that other producers sold their ANS crude for a price that was different than that reported by Arco.[12]

Estimates of non-ANS crude windfall profit taxes were constructed by estimating the windfall profit on this crude and multiplying by a composite windfall profit tax rate. It was assumed that 1/2 of the crude was taxed at the 70% rate for old oil and 1/2 was taxed at a 30% rate. The base price was estimated as equal to the 1979 Cook Inlet price reported by DeGolyer and MacNaughton, adjusted for inflation for 1980 through 1985. The per barrel numbers obtained by this method were as follows in Table II-10:

Table II-10
Non-ANS Windfall Profit Tax
($ per barrel)

1985	$ 0.00
1984	1.42
1983	2.58
1982	5.46
1981	9.42
1980	1.91

[12]See Production Revenue section for further detail on this issue.

These per barrel amounts were multiplied by reported non-ANS production from column 1 of Table I-4 to obtain total windfall profit taxes for other Alaska production.

Estimated windfall profit taxes for Prudhoe Bay field and for all of Alaska are reproduced in column 1 of Table II-11. The computed amounts were compared to the reported collections from the *Statistics of Income Bulletins* shown in column 2 of Table II-11.

Table II-11
Windfall Profit Tax Expense
(millions of dollars)

Year	*Estimated for Prudhoe Bay*	*U.S. Internal Revenue Service ANS Collections*	*All Alaska*
1985	$ 26	$ 39	$ 39
1984	57	211	235
1983	215	426	475
1982	827	1,375	1,491
1981	2,487	3,089	3,314
1980	1,006	797	861
Totals	**$4,618**	**$5,937**	**$6,415**

Table II-11 shows that the U.S. Internal Revenue Service reported higher ANS windfall profit tax collections than those obtained using the Arco data adjusted for estimated price differences among the producers. The possibilities for these discrepancies are two-fold. First, the Arco-based revenue estimates may be too low as noted in the section on Production Revenue. Second, Arco may have had available to it adjustments to the windfall profit tax arising from the net income limitation provisions of the tax act. This part of the Act stated that windfall profit should not exceed 90% of the net income per barrel based on statutory computational rules. The net income limitation provision would not have been captured in the Internal Revenue Service data.

Column 3 of Table II-11 is the sum of the U.S. Internal Revenue Service reported ANS windfall profit tax collections plus the windfall profit taxes estimated for non-ANS production.

The difference between the two data sources is $1.3 billion. In the interest of providing a more conservative estimate of profit from Alaska oil operations, the higher figures of the Internal Revenue Service are used as the basis for Alaska windfall profit taxes.

EXPLORATION EXPENSES

Exploration expenses represent the costs incurred in finding new oil and gas deposits as well as certain costs incurred in defining an existing deposit. Data were not available to assign exploration costs to specific fields during this period. Moreover, there are few data series which overlap, so comparisons across estimates are not possible.

The U.S. Bureau of the Census provides data on Alaska oil industry exploration expenditures for 1978 to 1982 through its *Current Industrial Surveys.* The American Petroleum Institute *Joint Association Survey* provided the 1984 estimate of exploration expenditures. Both of these sources separated offshore expenditures from onshore. Presumably, the offshore expenditures were in Federal waters. These are the best sources of exploration expenditure data available, but they only were available for the years indicated.

For years prior to 1978, it was estimated that exploration expenditures totalled $25 million per year. This amount was compared to exploration drilling data obtained from the Alaska Oil and Gas Conservation Commission. The AOGCC provides numbers of wells drilled. The estimated exploration expenditures in 1969 to 1977 provided here would have financed the levels of drilling indicated by the AOGCC.

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For 1983 and for 1985 to 1986 it was assumed that exploration costs equalled double the amount that Sohio reported as Alaska exploration expenses. It was assumed that 1987 exploration equaled 1986, although this is a conservative estimate. Comparing the amounts provided to the AOGCC drilling statistics indicates that these amounts would have easily financed the exploration activities reported by the AOGCC. Table II-12 shows the estimates of exploration expenses included in determining Alaska oil industry profit.

Table II-12
Exploration Expenses
(millions of dollars)

Year	*Amount*	
1987	$ 288	
1986	288	
1985	514	
1984	258	
1983	818	
1982	647	
1981	419	
1980	176	
1979	174	
1978	274	
1969 - 1977	25	annually
Total	**$ 4,081**	

OVERHEAD AND INTEREST EXPENSES

Overhead expenses are those that by their very nature cannot be traced directly to a particular activity. These costs are common to all activities in the company. The generally accepted accounting procedure is to allocate these costs to each activity that benefits from the cost on some basis that reflects either benefits received or cause-and-effect.[13] Frequently, as here, allocations are made in more than one step. Here, the first step is to allocate company overhead to Alaska operations. The second step is to allocate overhead to each field in Alaska.

[13]See, for example, E. Deakin and M. Maher, *Cost Accounting 2nd. ed.* (1987), pp. 96 - 101. This topic has been addressed in detail by the former U.S. Cost Accounting Standards Board. The Cost Accounting Standards Board methodology is followed as closely as possible based on available data.

Sohio is the only producing company operating in Alaska from which sufficient data were available to make an allocation of overhead to Alaska activities based on assets and on revenues. In its corporate annual reports, Sohio presents segment information which, among other things, states Sohio's "Corporate and other" expenses. This line item was used as a proxy for the overhead cost.

To allocate this overhead, a two-factor formula was used. The two factors are value of crude production in Alaska to all company sales, and oil and gas property in Alaska to all Sohio property plant and equipment other than property plant and equipment related to the company's "corporate and other" activities.

Sohio data were available for 1977 through 1986. In 1987, BP America succeeded Sohio as a result of BP's buyout of the minority interest in Sohio. This purchase was accounted for by adding the extra funds paid to Sohio shareholders in excess of the book value of the assets received being attributed to the book values of the Sohio assets acquired. In effect, BP increased the accounting-based cost of its Alaska assets by a proportional amount of its payment to Sohio shareholders. This payment did not increase the actual costs expended in Alaska. Rather, it represented a transfer from BP to the former Sohio shareholders. As a result, the 1987 data necessary to perform the allocation would be affected by the amount of this transfer payment. Since this payment would result in attributing costs disproportionately to the actual costs incurred in Alaska, 1987 overhead was estimated by taking 1986 overhead and adding 4.5% for inflation.

A third factor commonly used in these formulas is payroll. These data are not publicly available. If the payroll data were available, the resulting allocation would be lower than that reported here because Sohio has proportionately fewer

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employees in Alaska than the average of its assets and sales. The allocation method here used the value of Alaska production relative to total company sales. This ratio includes sales that have not been made to third parties. If third-party sales only were included, the allocation of overhead to Alaska operations would be lower than that reported here.

The result of this calculation is the first step in the allocation of Sohio overhead to all Alaska operations. Dividing the resulting allocation by Sohio's proportionate share in the Prudhoe Bay field yields an estimate of the total overhead attributable to Alaska by all producers. This is based on the assumption that other producers have a similar overhead structure to Sohio's and that the Prudhoe Bay ratio is a reasonable basis for estimating overall overhead. More complex allocations which include estimates of Kuparuk production have insignificant effects on the reported allocation.

To allocate to Prudhoe Bay and Kuparuk, overhead allocated to Alaska was subdivided in proportion to the revenues reported for Prudhoe Bay and Kuparuk. The original data used for the allocations and the results are give in Table II-13.

Table II-13
Overhead Allocations
(millions of dollars)

	Sohio Total			*Allocated to*		
Year	*Overhead*	*Assets*	*Revenues*	*Prudhoe*	*Kuparuk*	*Total*
1987				$ 109	$ 20	$ 139
1986	$ 234	$ 14,006	$ 10,022	105	20	133
1985	270	16,468	13,818	139	25	173
1984	160	16,421	12,251	89	11	106
1983	172	15,181	12,067	93	11	111
1982	132	14,347	13,529	77	8	91
1981	86	13,096	14,140	51		55
1980	24	8,506	11,346	15		16
1979	4	7,927	11,346	2		2
1978	-1	8,107	8,222	-		-1
1977	6	7,578	3,523	2		3
Totals				**$ 681**	**$ 94**	**$ 830**

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This allocation assumes that overhead is proportional between Kuparuk and Prudhoe Bay. Such an assumption would usually be consistent with general accounting practices.

For lack of any data on the subject it was assumed that overhead for non-ANS activities was proportional to the revenues for those activities.[14] To obtain total overhead attributable to Alaska, the Prudhoe Bay and Kuparuk overhead were increased proportionately by the ratio of total Alaska production revenues to Prudhoe Bay and Kuparuk revenues. For years prior to 1977, overhead was estimated as a percentage of revenues based on the revenue percentage over the years 1977 through 1987. Overhead in each of the years prior to 1977 averaged less than $150,000.

Although these allocations are subjective and complex, they suggest that the overhead amounts are not so highly significant as to have a material effect on estimated profit. Aggregate overhead over the period of ANS production is estimated at $830 million. This is on the order of 2% of total profit. Even major changes in this number will have a minor effect on total profit.

To test one aspect of a source of variation in the overhead allocations, a composite estimate based on Arco's reported corporate and other expense using a two-factor formula was calculated. For most of the period at issue, Arco did not report its Alaska assets separately in its annual reports. These data were obtained from its SEC Form 10-K, Schedule VI.[15] Arco's total assets were obtained from its annual report segment disclosures. Total revenues were

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[14]Non-ANS overhead accounts for approximately 10% of the total overhead reported here. Similarly, non-ANS production is a small portion of total production in Alaska. In addition, as noted for the ANS, overhead is a small portion of overall costs and revenues. The effect of misstatements of the overhead will not have a significant impact on this analysis.

[15]In 1980 and 1981, Arco reported Alaska producing property plant and equipment in its annual report. The amounts were $1,087.7 million and $1,451.1 million respectively. The company reported Alaska property in its 10-K schedule for the same years as $1,789.2 million and $2,273.5 million respectively. The differences are substantial which suggests that the two series may not be comparable.

obtained from the annual report, but Alaska revenues had to be estimated by multiplying reported per barrel prices by reported Alaska production. Assuming that Arco accounted for 21% of Alaska activities and Sohio 51%, weighting the two overhead estimates gave a composite amount of $1,233 million over the period 1977 - 1987.

A second test of overhead variation is to construct an estimate using a payroll factor in the allocation formula. If Alaska payroll is assumed equal to 5% of each company's payroll, estimated overhead attributable to Alaska is $357 million over the period 1977 through 1987. The overhead amount included in the reported profit estimate is midway between these two numbers. Over the same period, the overhead estimate in this report averages 16.1¢ per barrel.

Interest expense was handled in a similar manner. Again, interest costs were based on data from Sohio's corporate annual reports because that was the only readily available source.[16]

Net interest expense for Sohio was reported in Sohio's segment disclosures in its annual reports or on the face of its income statements for 1977 through 1986. Since interest costs are related to the investment in assets rather than to sales, allocations of interest to Alaska were based on the ratio of property plant and equipment in Alaska to total company property plant and equipment. The result of this apportionment was the estimated interest expense attributable to Alaska.

The second step of the interest allocation required producing an estimate of interest attributable to Alaska by all producers. This was based on dividing

[16]Arco reports some of the data required for this calculation, but the data are reported in different places which may not be consistent as noted in the overhead allocation discussion. It appears that Arco and Exxon experienced a lower overall rate of interest than Sohio. Therefore, Arco's and Exxon's interest costs should be lower than Sohio's. The amounts involved are small relative to the total reported income.

Sohio's assumed Alaska interest expense by its proportional interest in the Prudhoe Bay field. As with the overhead allocation, the results were not particularly sensitive to further refinement. The estimated total Alaska interest expense was subdivided between properties based on depreciation expense. This is more appropriate than sales because depreciation is considered more closely related to assets than to sales. Sohio's total company interest and assets and the resulting estimated interest allocations to the Kuparuk and Prudhoe Bay fields are given in Table II-14.

Table II-14
Interest Allocations
(millions of dollars)

	—Sohio Data—		*——Allocated to——*		
Year	*Net Interest*	*Assets*	*Prudhoe*	*Kuparuk*	*Total*
1987			$ 146	$ 32	$ 192
1986	$ 242	$14,006	139	32	183
1985	299	16,468	141	33	183
1984	242	16,421	119	20	148
1983	254	15,181	119	21	150
1982	300	14,347	139	20	171
1981	46	13,096	17		18
1980	22	8,306	10		11
1979	357	7,927	156		167
1978	458	8,107	203		247
1977	246	7,578	117		177
Totals			**$ 1,306**	**$ 159**	**$ 1,675**

The "net interest" column is Sohio's total corporate interest expense net of interest income. The "assets" column is Sohio's total assets less those designated as assets devoted to "corporate" (i.e., overhead) activities. Sohio's portion of net interest expense was allocated to Alaska based on the formula apportionment. The result was "factored up" to reflect an approximation of the total interest expense incurred by all Alaska producers.

For years prior to 1977, average estimated interest expense allocable to Alaska was less than $200,000 per year.

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STATE INCOME TAXES

The State of Alaska levies an income tax on the income derived from oil and gas production operations in the State. During the 1977 - 1981 period, this tax was based on a direct measure of the income earned in the state. The statutory tax rate was 9.4% until 1981 when it rose to 11% for that year. Subsequent to 1981, the tax was levied using an indirect method referred to as modified formula apportionment. The latter tax is based not on a direct computation of the revenues accrued less expenses attributable to Alaska, but rather is based on a measure of the proportion of certain Alaska activities to overall company activities. The computed proportion is multiplied by overall company income to derive an estimate of income attributable to Alaska. *Petroleum Intelligence Weekly* suggests that the effective tax rate under this methodology is approximately 3%. As shown in Table II-15, a comparison of tax expense computed at the 3% rate is reasonably close to tax collections.

Individual company data on the Alaska income tax liability is not publicly available. The estimate of Alaska income tax is obtained by multiplying computed Alaska income by the effective tax rates for the periods at issue. The results are reported in Table II-15.

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Table II-15
State Income Taxes
(millions of dollars)

Year	*Prudhoe Bay*	*Kuparuk*	*Total**	*Reported Collections**
1987	$ 83	$ 10	$ 92	$ 128
1986	37	2	37	134
1985	165	19	182	169
1984	171	11	189	265
1983	172	10	174	236
1982	168	8	175	669
1981	669		702	860
1980	550		556	548
1979	367		369	233
1978	67		66	33
1977	30		49	36
Prior to 1977			150	150
Totals	**$2,479**	**$ 60**	**$ 2,741**	**3,461**

*Alaska revenue data are reported on a fiscal year basis. Company expense data are reported on a calendar year basis. This difference can affect some of the comparisons. The collections include TAPS income taxes which are estimated to total $900 million.

The estimates differ from collections in part because of differences in the timing of when receipts are received by the State and when the expenses are reported on the income statements. Over the period 1969 through 1987, reported collections totalled $3.5 billion. The income statements here indicate total expenses of $3.6 billion, including the $.9 billion for TAPS. The differences are within a 5% margin of error.

FEDERAL INCOME TAXES

The U.S. government levies taxes on corporate income at statutory rates that ranged from 34% to 48% over the period 1969 through 1987. Under Federal rules, taxable income is net of state income taxes. Certain credits and deductions are allowed in the Federal taxing scheme which reduce the effective tax rates. It has been estimated that during the 1969 through 1980 period, the effective tax rates for oil companies averaged on the order of 29% (*Oil and Gas Journal*, (September 16, 1985), p. 76). This estimate was used for the 1969 to 1976 period.

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For Alaska oil income after the start-up of Prudhoe Bay, this estimated Federal rate is unlikely to reflect actual Federal taxes. The taxes currently payable divided by estimated taxable income gives a number referred to as the effective tax rate. One important factor which results in a difference between statutory rates and effective rates is the Federal tax rules designed to provide an incentive to new investment like TAPS and tangible equipment on the North Slope. For example, an investment tax credit equal to 10% of the cost of tangible equipment was in effect during most of this period. This credit would serve to reduce Federal taxable income. That the effective tax rates were lower for Alaska producers may be seen by examining effective tax rates for these producers during the 1977 through 1986 period.

Effective tax rates for the major ANS producers were obtained from their corporate annual reports. The effective rate is the current Federal tax payments divided by reported net income. This information, as available, is reproduced in Table II-16.

Table II-16
Effective Federal Tax Rates

Year	*Arco*	*Sohio*	*Exxon*
1986	-55.49	-52.44	na
1985	40.94	41.53	23.18
1984	33.22	26.56	29.16
1983	19.68	31.60	33.81
1982	17.08	39.06	25.38
1981	16.23	36.41	23.93
1980	16.16	39.37	33.35
1979	12.30	11.22	35.29
1978	6.34	1.34	38.28
1977	na	10.19	na

It is widely presumed that Sohio's financial data was driven almost exclusively by its Alaska operations.[17] For this reason, Sohio's effective tax rates would tend to reflect the actual tax liability for Alaska oil operations during

[17] A review of Sohio's corporate annual reports from 1978 through 1986 indicate that over 90% of its profit arose from its Alaska activities.

the 1977 - 1986 period. Many oil companies, including the ANS producers, wrote-off substantial amounts from losing operations. The significant write-offs taken in 1986 resulted in negative Federal taxes for Alaska oil producers who accounted for most Alaska activities. Therefore, a zero effective Federal rate was used in 1986.

Although financial accounting standards for a company require that recognition be given currently to the possibility that some income tax benefits may need to be paid back to the government in the future, it appears from a review of the effective tax rates in Table II-16 that in this industry, the payback period continues to be deferred indefinitely. Use of current effective tax rates for the purposes of this study reflects better the economic consequences to the company of these investments than the use of statutory rates. In future years as tax benefits decline, these producers may be required to pay taxes in excess of the statutory rate.

With the merger of Sohio into BP, the assumption that Sohio's activities reflect Alaska closely would no longer hold. In addition, beginning in 1987, the tax law reduced many of the incentives for new investment. As a result, actual taxes are probably closer to the statutory rate. Therefore, the 34% statutory rate was used for 1987.

The Federal income tax expense used to estimate Alaska oil production income is reproduced in Table II-17.

These data were obtained by multiplying revenues from Table I-10 less expenses (covered in Tables II-3 (depreciation), II4 (severance taxes), II-6 (operating expenses), II-11 (windfall profit tax), II-12 (exploration expenses), II-13 (allocated overhead), II-14 (allocated interest), and II-15 (state income taxes)) by the related effective tax rates.

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Over the entire period 1969 through 1987, Federal income taxes as shown in this report are 32.0% of estimated taxable income. This is higher than the 29% effective rates in the *Oil and Gas Journal* study. The net effect is that the estimates in this report are conservative and may tend to understate actual income.

Table II-17
Federal Income Taxes
(millions of dollars)

Year	*Prudhoe*	*Kuparuk*	*Total*
1987	$ 917	$ 105	$1,007
1986	0	0	0
1985	2,212	247	2,424
1984	1,469	91	1,627
1983	1,756	102	1,774
1982	2,125	104	2,212
1981	1,971		2,067
1980	2,086		2,110
1979	383		399
1978	9		8
1977	32		52
1976			63
1975			68
1974			66
1973			47
1972			44
1971			47
1970			47
1969			37
Totals	**$ 12,960**	**$ 651**	**$ 14,099**

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III. PRODUCTION PROFIT

The result of all of the calculations in Sections I and II is to generate a statement which indicates the profit earned from oil and gas production in Alaska. This part of the report is divided into three parts: (1) profit for Prudhoe Bay, (2) Kuparuk and (3) all production in Alaska.

Table III-1
Profit from Prudhoe Bay Production
(millions of dollars)

1983 - 1987:

	1987	*1986*	*1985*	*1984*	*1983*
Production Revenue	$6,573	$4,327	$9,847	$10,097	$10,079
Expenses:					
Depreciation	1,074	1,110	873	710	632
Operating Expenses	740	514	535	578	394
Overhead	109	104	139	89	93
Interest	146	139	141	119	119
Royalty	787	518	1,179	1,209	1,207
Severance Taxes	787	571	1,300	1,333	1,331
Property Taxes	150	148	150	148	147
State Income Tax	83	37	165	171	172
Windfall Profit Tax			39	211	426
Federal Income Tax	917	0	2,212	1,469	1,756
Profit	**$1,780**	**$1,186**	**$3,114**	**$4,061**	**$3,801**
Profit per barrel	**$3.55**	**$2.40**	**$6.25**	**$8.26**	**$7.75**

1977 - 1982:

	1982	*1981*	*1980*	*1979*	*1978*	*1977*
Revenue	$11,271	$13,330	$9,541	$5,892	$1,849	$ 717
Expenses:						
Depreciation	581	510	476	320	254	38
Operating Expenses	504	546	182	184	157	46
Overhead	77	51	15	2	0	2
Interest	139	17	10	156	203	117
Royalty	1,350	1,596	1,143	706	221	86
Severance Taxes	1,488	1,291	924	622	195	76
Property Taxes	147	146	146	123	104	30
State Income Tax	168	669	550	367	67	30
Windfall Profit Taxes	1,375	3,089	797			
Federal Income Tax	2,125	1,971	2,086	383	9	32
Profit	**$3,315**	**$3,443**	**$3,212**	**$3,030**	**$ 639**	**$ 260**
Profit per barrel	**$6.78**	**$7.09**	**$6.61**	**$7.39**	**$1.84**	**$2.58**

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Total profit over the eleven year production history of the Prudhoe Bay field are estimated as shown in Table III-2. The profit statements in Table III-1 are based on the producers' interest in the production. This is standard accounting practice, but the methodology excludes royalty interests which are important for the State of Alaska. Royalty interests have been estimated as equal to 1/7 of the producers' working interest less a gathering charge of $.63 per barrel. The state royalty is added to the producers' revenue to obtain revenues before royalty as shown in Table III-2.

Table III-2
Total Prudhoe Bay Production Profit
1977 through 1987
(billions of dollars)

Production Revenue	$ 83.5
Less Expenses:	
Depreciation	6.6
Operating Expenses	4.4
Overhead	.7
Interest	1.3
Royalty	10.0
Severance Taxes	9.9
Property Taxes	1.4
State Income Taxes	2.5
Windfall Profit Tax	5.9
Federal Income Taxes	13.0
Profit	**$ 27.8 Billion**
Profit per barrel: $5.81	

The estimate of profit from the Kuparuk field is also based on the combination of the data from Sections I and II of this report and is reproduced in Table III-3.

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Table III-3
Annual Kuparuk Production Profit
1982 through 1987
(billions of dollars)

	1987	*1986*	*1985*	*1984*	*1983*	*1982*
Production Revenue	$1,055	$ 644	$1,282	$ 767	$ 707	$ 591
Expenses:						
Depreciation	263	254	204	117	112	83
Operating Expenses	174	110	125	100	77	78
Overhead	20	20	25	11	11	7
Interest	32	32	33	20	21	20
Royalty	113	69	137	82	76	63
Severance Taxes	85	52	103	62	57	48
Property Taxes	44	41	35	20	17	14
State Income Taxes	10	2	19	11	10	8
Federal Income Taxes	105	0	247	91	102	104
Profit	**$ 207**	**$ 65**	**$ 351**	**$ 254**	**$ 222**	**$ 165**
Profit per barrel:	**$2.31**	**$.79**	**$5.04**	**$6.28**	**$6.37**	**$5.80**

Combining the data for the six years of Kuparuk production gives overall Kuparuk profit as shown in Table III-4. State royalty was computed for Kuparuk in the same manner as for Prudhoe Bay.

Table III-4
Total Kuparuk Production Profit
1982 through 1987
(billions of dollars)

Production Revenue	$ 5.1
Less Expenses:	
Depreciation	1.0
Operating Expenses	.7
Overhead	.1
Interest	.2
Royalty	.5
Severance Taxes	.4
Property Taxes	.2
State Income Taxes	.1
Federal Income Taxes	.6
Profit	**$ 1.3 Billion**
Profit per barrel:	**$3.66**

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Oil industry profit from production activities in Alaska are shown on a year-by-year basis in Table III-5.

Table III-5
Total Alaska Production Profit
1969 through 1987
(millions of dollars)

1983 - 1987:

	1987	*1986*	*1985*	*1984*	*1983*
Production Revenue	$8,046	$5,367	$11,735	$11,592	$11,564
Depreciation	1,394	1,418	1,123	866	779
Operating Expenses	940	653	679	678	500
Exploration Expenses	288	288	514	258	818
Overhead	139	133	173	106	111
Interest	192	183	183	148	150
Royalty	970	647	1,414	1,397	1,393
Severance Taxes	871	623	1,403	1,395	1,388
Property Taxes	197	192	188	172	159
State Income Tax	92	37	182	189	174
Windfall Profit Tax			39	235	475
Federal Income Tax	1,007	0	2,424	1,627	1774
Profit	**$1,956**	**$1,192**	**$3,413**	**$4,521**	**$3,841**
Profit per barrel:	**$3.18**	**$2.01**	**$5.83**	**$8.15**	**$6.97**

1978 - 1982:

	1982	*1981*	*1980*	*1979*	*1978*
Revenue	$12,785	$14,484	$9,961	$6,321	$2,254
Expenses:					
Depreciation	698	540	504	345	280
Operating Expenses	506	571	183	188	176
Exploration Expenses	647	419	176	174	274
Overhead	91	55	16	2	a
Interest	171	18	10	167	247
Royalty	1,641	1,745	1,198	762	272
Severance Taxes	1,536	1,291	923	622	195
Property Taxes	165	151	152	130	113
State Income Tax	175	702	556	369	66
Windfall Profit Tax	1,491	3,314	861		
Federal Income Tax	2,212	2,067	2,110	399	8
Profit	**$3,452**	**$3,610**	**$3,270**	**$3,161**	**$ 623**
Profit per barrel:	**$6.33**	**$6.96**	**$6.21**	**$6.97**	**$1.56**

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Table III-5 (continued)
Total Alaska Production Profit
1969 through 1987
(millions of dollars)

1973 - 1977:

	1977	*1976*	*1975*	*1974*	*1973*
Revenue	$ 1,054	$ 380	$ 396	$ 372	$ 377
Expenses:					
Depreciation	53	16	16	16	16
Operating Expenses	64	16	15	10	3
Exploration Expenses	25	25	25	25	25
Overhead	3	a	a	a	a
Interest	177	1	1	a	a
Royalty	131	46	48	45	45
Severance Taxes	76	28	27	15	15
Property Taxes	31	12	13	13	13
State Income Tax	49	23	24	24	24
Federal Income Tax	52	85	91	89	89
Profit	**$ 394**	**$ 133**	**$ 142**	**$ 140**	**$ 140**
Profit per barrel:	**$2.49**	**$1.94**	**$1.94**	**$1.89**	**$1.33**

1969 - 1972:

	1972	*1971*	*1970*	*1969*
Revenue	$ 283	$ 279	$ 278	$ 227
Expenses:				
Depreciation	16	16	17	14
Operating Expenses	3	2	1	1
Exploration Expenses	25	25	25	25
Overhead	a	a	a	a
Interest	a	a	a	a
Royalty	34	34	34	27
Severance Taxes	12	11	8	6
Property Taxes	13	10	14	13
State Income Tax	17	17	17	13
Federal Income Tax	63	63	64	50
Profit	**$ 99**	**$ 98**	**$ 100**	**$ 79**
Profit per barrel:	**$1.23**	**$1.22**	**$1.17**	**$1.04**

a. Less than $1 million

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Total industry profit from production for the years 1969 through 1987 are shown in Table III-6, below. State royalty was computed in the same manner as for the Prudhoe Bay field.

Table III-6
Total Alaska Production Profit
1969 through 1987
(billions of dollars)

Production Revenue	$ 97.6
Less Expenses:	
Depreciation	8.1
Operating Expenses	5.3
Exploration Expenses	4.1
Overhead	.8
Interest	1.7
Royalty	11.8
Severance Taxes	10.4
Property Taxes	1.8
State Income Taxes	2.7
Windfall Profit Tax	6.4
Federal Income Taxes	14.3
Profit	**$ 30.2 Billion**

Profit per barrel: $4.96

As stated throughout the report, this is the best estimate available of Alaska oil industry production profit. There are, however, some questions concerning the profit numbers which are necessary to understand the possible range within which the actual profit number might fall.

Revenue Issues. As noted in Section I, revenues have been estimated based on a weighted average of all producers. The resulting revenue amount is 1.19% greater than that which would be obtained using Sohio's data alone. The question is what effect would using estimated realizations have on the reported profit numbers. Over the production history of the Alaska North Slope, approximately 50% of ANS crude was sold on the U.S. West Coast where net realizations are approximately $1.40 greater than sales on the Gulf Coast

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(Barclay's, 1988, p. 3). West Coast sales have been made almost entirely by producers other than Sohio. Under this assumption, revenues would increase by $1.8 billion with a resulting increase in after-tax profit of $ 1.0 billion. This was determined by taking the estimated average realization of $17.68 for Sohio and adding the extra value of West Coast sales for 50% of production. This step indicates that this approach would yield an additional average realization of $.37 per barrel over all 4.8 billion barrels of working interest production.

A second issue related to revenues is the 1986 Arco severance tax settlement. Arco paid $243 million in this settlement. Assuming that Arco's annual report data were based on its original pricing methodology, and that the severance tax rate was 15%, this would imply that the Arco revenue data which was used in this analysis understated revenues by $1.6 billion. After allowing for 15% severance tax, 3% Alaska income tax and 34% effective Federal income tax, the net profit effect is a $.8 billion increase. Part of the settlement may have been interest, but it is also likely that the settlement rate was less than 15%. If the net effect of these two factors is to offset each other, as expected, the profit increase suggested here is supported.

An additional revenue issue is the 1988 $171 million settlement on income taxes by Arco. The extent to which this settlement affected revenues and expenses is not public information. Presumably there would be an addition to the relevant items in the Arco income statements if those statements had been prepared on the basis which Arco used for its Alaska income tax. To the extent that the financial statements relied on here are the same as that used in the tax return, profit would be understated.

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It should be noted with respect to both of these settlements with Arco that they are not final settlements. The outcome of ongoing litigation and its effect on profit estimates cannot be ascertained at this time.

Depreciation Expense. For the Prudhoe Bay field, the per barrel depreciation estimates used amounted to $2.15 in 1987, $2.25 in 1986 and $1.75 in 1985. *Petroleum Intelligence Weekly* (February 1, 1988) estimates Prudhoe Bay depreciation at $2.25, $2.17 and $1.53 for those years, respectively. On average for those years, this suggests that the depreciation estimates reported here may be too high by approximately $.07 per barrel. If this is the case, depreciation for Prudhoe Bay may be overstated by $336 million over the eleven-year production history. After a 3% Alaska income tax and a 34% estimated Federal income tax, this would imply that profit is understated by $217 million.

As noted in Section II, other sources have estimated Kuparuk depreciation at up to $3.80 per barrel, which is $.89 per barrel more than the average estimate included in this report. If these other estimates are correct, this would imply that Kuparuk depreciation needs to be increased by $307 million. This would decrease Kuparuk after-tax profit by approximately $198 million.

Operating Costs. This report indicates that operating costs, including property taxes were $1.08 per barrel over the life of Prudhoe Bay field. *International Petroleum Finance* estimates these costs at $.91 per barrel. *Petroleum Intelligence Weekly* estimates the costs at approximately $1.03 per barrel. This suggests that the estimate in this report may be between $.05 and $.17 per barrel greater than other estimates. At $.05 per barrel, after-tax profit would increase by $153 million and at $.17 the effect would be a $522 million increase in profit.

Windfall Profit Taxes. Based on Arco's estimates, total Prudhoe Bay windfall profit tax would equal $4.6 billion. Using the U.S. Internal Revenue Service data, windfall profit tax collections for the ANS totalled $5.9 billion. The latter number was used even though the net income limitation provisions of the tax act may have served to reduce the expense. On the other hand, the data reported by Arco would have been before any settlement of audit differences. The indicated range for windfall profit tax expense is, therefore, $1.3 billion before tax and an estimated $ .8 billion after tax, subject to possible adjustments as a result of settlements. Profit reported here may, therefore, be too low by up to $ .8 billion.

Overhead. As noted in Section II, overhead included in this report was estimated at $ .8 billion for the period of Prudhoe Bay production. Had a weighted average based on Arco's and Sohio's data been used in a two-factor allocation, overhead would have increased by $ .4 billion, which translates into an approximately $ .3 billion after tax decrease in profit compared to the amounts reported here.

On the other hand, using a three-factor formula for estimating overhead based on the Arco/Sohio composite results in overhead of $ .4 billion, which is $ .4 billion less than the amount used in this report. This would imply that profit had been understated by $.3 billion after tax.

Interest Expense. Analysis of the interest costs of Arco and Sohio suggests that the differences attributable to this factor amount to less than $50 million. Since adequate data are not available and since the amount is low relative to the total profit, this analysis has not been pursued further.

Federal Income Taxes. The estimated effective tax rate for Alaska oil production for this report is 32.1%. This is equal to the $14.2 billion in income taxes divided by pre-tax income of $44.3 billion. If the Federal income taxes had

been based on the estimated 29% effective tax rate for the industry, income taxes would have decreased by $1.0 billion, with a corresponding decrease in reported profit to producers.

Using the effective tax rates for the primary Alaska oil producers given in Table II-16, the unweighted average current effective tax rate is 26.3% for 1978 to 1985. The rate is negative in 1986. Had the Federal income taxes in this report been based on the average effective rate for the producers over this eight-year period, the amount would have been $11.5 billion, which is $2.7 billion less than that included in this report. This amount would pass directly through as an increase in profit of $2.7 billion.

Summary. The questions raised in this section cannot be resolved without additional data. For this reason, the effect of the different assumptions on profit are summarized so that one can adjust the results according to their own interpretation of the data. The effect of each assumption is given in Table III-7.

Table III-7
Effect of Assumptions on Profit
(billions of dollars)

Item	Increase in Profit	Decrease in Profit
Use of West Coast prices	$ 1.0	
Arco severance tax settlement	.8	
Outside Prudhoe depreciation estimates	.2	
Outside Kuparuk depreciation estimates		$ .3
Use of *Petroleum Intelligence Weekly* operating costs	.2	
Use of *Petroleum Finance* operating costs	.5	
Use of Arco windfall profit tax data	.8	
Composite two-factor overhead		.3
Three-factor overhead	.3	
39% Federal tax rate	1.0	
Composite company rate	2.7	
Total increases	$ 7.5	
Total decreases		$ 0.6

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A review of these alternative estimates indicates that the profit reported here is within a reasonable range of actual profit and is probably on the conservative side.

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IV. TAPS PROFIT

GENERAL METHODOLOGY

A review of data sources on the Trans Alaska Pipeline System indicates that the annual reports filed by Sohio Pipeline Company reflect quite closely a .3334 interest in pipeline revenues and expenses. This occurs in part because nearly 100% of Sohio Pipeline Company's activities are related to TAPS. Effective tax rates were used to estimate Federal income taxes for the reasons stated above. Sohio Pipeline Company reports were available for 1978 through 1987. Due to the short production period in 1977, the pipeline probably broke even or had such a small profit or loss that it would not affect the results.[18] For 1985 through 1987, Sohio Pipeline Company provided a separate statement of TAPS revenues, costs and profit. Most of the costs were incurred jointly through Alyeska and, thus, would be shared by all pipeline owners *pro rata*. The remaining expenses appear quite close to those indicated by other observers as appropriate for TAPS in total. Operating data in Table IV-1 represent the information reported in the Sohio Pipeline Company annual reports divided by .3334. Alaska income tax estimates were based on an effective rate of 9.4% during 1978 to 1981 and an effective rate of 3% thereafter. The Federal rate was estimated in the same manner as for production.

The amounts reported in Table IV-1 were compared to other sources. Property taxes were compared to the Alaska Department of Revenue's *Revenue Sources* reference. The amounts are quite similar.

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[18] 1977 throughput would have been approximately 28% of 1978 throughput. This would imply revenues of $690 million. Operating and administrative expenses are estimated at one-half of 1978. Depreciation would probably have been proportional to throughput. Property taxes would have been the same as in 1978. Interest expense would be approximately $236 million for an estimated before-tax loss of $20 million, which is not significant relative to other revenues and expenses.

Table IV-1
TAPS Profit Projected from Sohio Pipeline Co.
(millions of dollars)

1983 through 1987:

	1987	*1986*	*1985*	*1984*	*1983*
Revenues	$2,765	$3,080	$3,578	$3,926	$3,899
Expenses:					
Operating and Administrative	255	343	247	387	483
Depreciation	351	364	363	507	558
Property Taxes	147	164	168	171	165
Interest	150	440	411	570	579
Alaska Income Taxes	56	53	72	69	63
Federal Income Taxes	633	0	993	609	669
Profit	**$1,174**	**$1,716**	**$1,325**	**$1,614**	**$1,382**

1978 to 1982:

	1982	*1981*	*1980*	*1979*	*1978*
Revenues	$3,896	$3,605	$3,554	$2,963	$2,394
Expenses:					
Operating and Administrative	498	474	435	330	381
Depreciation	549	507	591	495	417
Property Taxes	168	171	168	174	174
Interest	648	681	720	771	846
Alaska Income Taxes	61	167	154	112	54
Federal Income Taxes	795	645	645	102	9
Profit	**$1,178**	**$ 961**	**$ 842**	**$ 980**	**$ 513**

Arco reported TAPS depreciation in its 10-K's for 1981 through 1987. The amounts were factored to reflect 100% depreciation for TAPS as shown in Table IV-2. The amounts for depreciation obtained in this manner were 38% lower than the amounts obtained from the Sohio analysis. Over the life of TAPS, the depreciation estimate is based on a weighted average of the Sohio and Arco depreciation data. The weighted average is based on Arco's 22% interest in TAPS and Sohio's 33% interest. The method assumes that the missing data are equivalent to the weighted average of the data that are available. The resulting depreciation expense number is $700 million lower than it would have been using the Sohio data alone.

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Table IV-2
Arco-based TAPS Depreciation Estimates
(millions of dollars)

Year	*Arco 10-K*	*Estimated Total*
1987	$ 60.0	$ 272.3
1986	60.0	272.3
1985	60.0	272.3
1984	60.0	272.3
1983	58.9	267.7
1982	57.3	260.5
1981	80.4	365.5

Reducing the depreciation estimate increases taxable profit and income taxes. Alaska income tax was increased by $34 million based over the life of TAPS. Federal income tax was increased by $204 million over the same period. Apportioning the depreciation adjustment over the life of TAPS to date results in the schedule of TAPS profit shown in Table IV-3.

Table IV-3
TAPS Profit
(millions of dollars)

1983 through 1987:

	1987	*1986*	*1985*	*1984*	*1983*
Revenues	$2,765	$3,080	$3,578	$3,926	$3,899
Expenses:					
Operating and Administrative	255	343	247	387	483
Depreciation	299	310	309	431	475
Property Taxes	147	164	168	171	165
Interest	150	440	411	570	579
Alaska Income Taxes	57	55	73	71	66
Federal Income Taxes	631	0	984	610	674
Net Profit	**$1,226**	**$1,768**	**$1,386**	**$1,686**	**$1,457**
Profit per barrel:	**$2.08**	**$3.07**	**$2.44**	**$3.17**	**$2.77**

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Table IV-3 (continued)
TAPS Profit
(millions of dollars)

1978 to 1982:	*1982*	*1981*	*1980*	*1979*	*1978*
Revenues	$3,896	$3,605	$3,554	$2,963	$2,394
Expenses:					
Operating and Administrative	498	474	435	330	381
Depreciation	467	431	503	421	355
Property Taxes	168	171	168	174	174
Interest	648	681	720	771	846
Alaska Income Taxes	63	203	162	119	60
Federal Income Taxes	802	599	617	129	8
Net Profit	**$1,250**	**$1,046**	**$ 949**	**$1,019**	**$ 570**
Profit per barrel	**$2.42**	**$2.15**	**$1.95**	**$2.49**	**$1.64**

Estimates of revenues and expenses included in this report were compared to information provided in connection with the TAPS settlement methodology. It appears from comparison with the data available to us that the revenue estimates here are approximately $400 million greater than indicated by the TAPS settlement data. The alternate estimates of operating and administrative expenses for 1978 to 1984 are within approximately $50 million. The estimates of Federal income taxes are lower in this report because the other sources used the statutory rate for tax expense purposes. Since the long-run relationship between before-tax profit and tax expense shows that the statutory rate overstates actual tax outlays, the effective rate is used in this income computations.

TAPS settlement data from Deloitte Haskins and Sells indicate that operating expenses average $.58 per barrel. The estimate in this report is $.64 per barrel. The Deloitte Haskins and Sells data indicate depreciation of $.59 per barrel. Before the Arco adjustment, the estimate in this report was $.80 per barrel. After the Arco adjustment, the estimate here is $.68 per barrel. The Federal income

tax allowance indicated from the Deloitte Haskins and Sells (DH&S) analysis of TAPS costs is $.75 per barrel. The estimate in this report is $.86 per barrel. The expense estimates used in the profit estimates reported here are consistently higher than those indicated by DH&S. Thus, profit reported here is lower than would be indicated using the DH&S data.

Barclay's de Zoete Wedd (1988) estimate cash costs of $.65 per barrel for TAPS. This would include operating and administrative costs plus property taxes. The estimate of these costs in this report is $.92 per barrel. Barclay's de Zoete Wedd estimates depreciation at $.80 per barrel, which is the same as used here after accounting for the Arco adjustment.

Petroleum Intelligence Weekly estimated that pipeline profit was $2.18 per barrel in 1985, $.64 per barrel in 1986 and $.53 per barrel in 1987. The estimates used in this report are $.75, $.94 and $.60 for each of those years respectively. Over the three-year period, they estimate a total profit of $6.1 billion. The profit reported here is $4.2 billion before the depreciation adjustment.

For the years 1983 through 1987, Arco reported the net income after tax of Arco Pipeline Inc., which holds Arco's interest in TAPS. Assuming that all of the income of Arco Pipeline is related to TAPS (which appears to be the case),[19] TAPS income for each of these years projected from the Arco Pipeline data would be $1.3 billion, $1.3 billion, $1.5 billion, $1.4 billion and $1.4 billion for a total over the five-year period of $6.9 billion. The estimate based on Sohio data is $7.2 billion. A weighted average estimate of profit based on 21.4% Arco ownership and 33.34% Sohio ownership gives a profit estimate for the four-year period for which both data series are available of $7.1 billion, which is within 2% of the estimate reported here.

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[19] TAPS income so completely dwarfs income from other pipelines that substantially all the income is attributable to TAPS.

Each of the sources which has looked into TAPS revenues, profit and costs has developed varying profit estimates. It appears that the adjusted profit indicated in Table IV-3 represent a "middle-of-the-road" estimate. Over the period of TAPS operation, estimated total profit is as follows in Table IV-4:

Table IV-4
Total Estimated TAPS Profit
(billions of dollars)

Revenues	$ 33.7
Expenses:	
Depreciation	4.0
Operating and Administrative	3.8
Interest	5.8
Property Taxes	1.7
Alaska Income Tax	.9
Federal Income Tax	5.1
Profit	**$12.4 Billion**

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V. OTHER INFORMATION

Downstream Profit. The profit data which have been developed in this report do not include any profits earned beyond Valdez. It has been reported elsewhere that producers may earn between $.25 and $1.00 per barrel in profits on tanker and trans-Panama canal shipping operations. These profits serve to reduce the net cost of Alaska oil landed on the U.S. West and Gulf Coasts.

There is some evidence that U.S. West Coast prices are lower because of Alaska oil production than they would be without Alaska production. This occurs because prices of crude oil on the U.S. West Coast tend to average $1.00 per barrel less than prices on the U.S. Gulf Coast. If imported crude oil had to be substituted for Alaska crude on the U.S. West Coast, prices there would be at least equal to prices on the U.S. Gulf Coast. Indeed, a substantial argument can be made that prices on the U.S. West Coast would be greater than Gulf Coast prices because shipping costs for imported crude oil would be greater f.o.b. the West Coast than the Gulf Coast. Thus, there can be additional refining profits from Alaska crude which have not been included in this analysis.

These downstream profit issues are beyond the scope of this project. They do indicate, however, that the producer's economic benefits of Alaska oil production extend beyond the profit obtained within the boundaries of the State of Alaska.

Shares. The revenues from Alaska oil and gas production and transportation go to pay for costs incurred in those activities, state taxes and royalties, federal taxes and profit to the producers. The shares of revenues received by the producers, state and federal governments are itemized in Table V-1.

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Table V-1
Shares
(billions of dollars)

	Producers	*State*	*Federal Government*
Royalties		$ 11.8	
Severance taxes		10.4	
Property taxes*		3.5	
Income taxes		3.6	$ 19.4
Windfall profit taxes			6.4
Production profit	$ 30.2		
TAPS profit	12.4		
Totals	**$ 42.6**	**$ 29.3**	**$ 25.8**
Percentages	**43.6%**	**30.0%**	**26.4%**

* Includes local property taxes.

Profit as an Hourly Rate. Forty-two billion dollars is a significant number and one that is difficult to put in perspective. Relating the number to an hourly rate over 10.5 years of production (91,980 hours at 24 hours per day, 365 days per year) gives a rate of $463,144 profit received after tax.

Return on Investment. It is also possible to relate profit received by Alaska producers to the investment made in TAPS and production activities. This analysis is referred to as return on investment. The analysis compares cash flows to investments.

Investment in TAPS was an estimated $9,400 million in 1975 to 1977. The initial investment in Prudhoe Bay was an estimated $3,700 million.[20] Over time, this investment was increased as a result of infield drilling, the waterflood project and the gas miscible fluid project. The estimated total accumulated investment in Prudhoe Bay is $8,700 million. As of 1987, the investment in Kuparuk is estimated to total $4.3 billion. This includes a portion of the waterflood project which was being installed in 1987 - 1988. The investment is Milne Point was

[20]Some of these expenditures were made as early as 1969. However, more precise dates are not available for these outlays. If the $900 million in 1969 lease bonuses is accounted for as a 1969 outlay, the rate of return (assuming no debt) drops to 28.1%. Alternatively, this analysis placed no value on the ANS properties for cash flows received after 1987. Assuming that these cash flows are worth $10 billion, the rate of return (assuming no debt) increases to 31.1%. Similary adjustments would be required to the returns assuming debt.

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$575 million. Lisburne had an estimated investment cost of $1,000 million and Endicott an estimated project cost of $1,000 million. A summary of the estimated investments in the ANS is given in Table V-2. These amounts are based on estimates in Arco's and Sohio's annual reports and compared to other estimates.

Table V-2
Investment Schedule
(millions of dollars)

Year	*Prudhoe*	*TAPS*	*Other ANS*	*Total*
1987	$ 720		$1,900	$2,620
1986			1,000	1,000
1985	720			720
1984			570	570
1983	2,000			2,000
1982				0
1981	1,100		3,400	4,500
1980	250			250
1979	250			250
1978				0
1977	1,850	4,700		6,550
1976	1,850	4,700		6,550

Assuming 100% equity investment, cash returns on these investments would be equal to the reported profit numbers plus depreciation and interest. This is based on the fact that if one invested 100% equity, one would incur no interest costs. Column 1 of Table V-3 shows the production profit from Table III-5. Column 2 of Table V-3 is the depreciation on production. Column 3 is the sum of profit plus depreciation. Column 4 is the interest costs. Adding the profit plus depreciation from column 3 and the interest from column 4 gives the "all-equity cash flows" from production shown in column 5 of Table V-3.

The same process was followed for TAPS which yields the data in the fifth column of Table V-4.

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Table V-3
Production Cash Flows
(millions of dollars)

Year	Profit	Deprec-iation	Profit plus Deprec.	Interest	Profit, Deprec. & Interest	Explor-ation	Profit, Deprec. & Explor.
1987	$1,956	$1,394	$3,350	$192	$3,542	$288	3,638
1986	1,192	1,418	2,610	183	2,793	288	2,898
1985	3,413	1,123	4,536	183	4,719	514	5,050
1984	4,498	866	5,364	148	5,512	258	5,622
1983	3,841	779	4,620	150	4,770	818	5,438
1982	3,452	698	4,150	171	4,321	647	4,797
1981	3,610	540	4,150	18	4,168	419	4,569
1980	3,250	504	3,754	10	3,764	176	3,930
1979	3,161	345	3,506	167	3,673	174	3,680
1978	623	280	903	248	1,151	274	1,177
1977	425	53	478	177	655	25	503

Table V-4
TAPS Cash Flows
(millions of dollars)

Year	Profit	Depreciation	Profit & Deprec.	Interest	Profit, Deprec. & Interest
1987	$1,226	$ 299	$1,525	$ 150	$1,675
1986	1,768	310	2,078	440	2,518
1985	1,386	309	1,695	411	2,106
1984	1,686	431	2,117	570	2,687
1983	1,457	475	1,932	579	2,511
1982	1,250	467	1,717	648	2,365
1981	1,046	431	1,477	681	2,158
1980	949	503	1,452	720	2,172
1979	1,019	421	1,440	771	2,211
1978	570	355	925	846	1,771

The total all-equity cash flows are shown in Table V-5. The first column is the investment flow from Table V-2. The second column is the production cash flow plus interest and depreciation from Table V-3. The third column is the TAPS cash flow plus interest and depreciation from Table V-4. The last column is the sum of the production and TAPS cash flows minus the investment flows.

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Table V-5
All-equity Cash Flows
(millions of dollars)

		---Cash Flows---Net		
Year	*Investment*	*Production*	*TAPS*	*Cash Flow*
1987	$2,620	$3,542	$1,675	$2,597
1986	1,000	2,793	2,518	4,311
1985	720	4,719	2,106	6,105
1984	570	5,512	2,687	7,629
1983	2,000	4,770	2,511	5,281
1982	0	4,321	2,365	6,686
1981	4,500	4,168	2,158	1,826
1980	250	3,764	2,172	5,686
1979	250	3,673	2,211	5,634
1978	0	1,151	1,771	2,922
1977	6,550	655	0	-5,895
1976	6,550	0	0	-6,550

The equivalent rate of return earned on this stream of cash flows after tax is 29.7%.

According to the Sohio annual report of 1978, approximately 75% of the investment was financed with debt. In this case, the investments in 1976 and 1977 as shown in Table V-2 would be $1,638 million net each year. This is 25% of the investment outflows in those years. The remainder would have been financed with debt. Interest expense would be incurred on this debt and the debt would have to be repaid. The cash flow data from columns 3 of Tables V-3 and V-4 is the profit plus depreciation. These cash flows include a deduction for interest expense. These cash flow numbers are shown in column 2 and 3 of Table V-6. Assuming that all of the cash flows were used to pay off the debt as quickly as possible, the loan repayment would have consumed all of the cash flows in 1978 through 1979 and all but $2,131 million in 1980. The net cash flows in each year are shown in column 4 of Table V-6.

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Table V-6
Cash Flows with 25% Equity
(millions of dollars)

		—Cash Flow—		Net Cash
	Investment	*Production*	*TAPS*	*Flow*
1987	$2,620	$3,350	$1,525	$2,255
1986	1,000	2,610	2,078	3,688
1985	720	4,536	1,695	5,511
1984	570	5,364	2,117	6,911
1983	2,000	4,620	1,932	4,552
1982	0	4,150	1,717	5,867
1981	4,500	4,150	1,477	1,127
1980	250	3,754	1,452	2,131
1979	250	3,506	1,440	0
1978	0	903	925	0
1977	6,550	478	0	-1,160
1976	6,550	0	0	-1,637

The rate of return implied from the stream of cash flows shown in Table V-6 is 43.7%.

REINVESTMENT RATIOS

A question of interest is the extent to which cash flows from Alaska oil and gas operations are reinvested in Alaska. Reinvestment is defined as investments in ANS projects subsequent to the initial investment in Prudhoe Bay and TAPS plus exploration costs. These amounts are shown in column 1 of Table V-7. The relevant cash flows for reinvestment analysis are the production cash flows plus exploration costs and the cash flows from TAPS. Interest costs are deducted in determining these cash flows. The production amounts are shown in the last column of Table V-3. The production cash flows are shown in column 2 of Table V-7 and the TAPS cash flows are shown in column 3 of Table V-7. The total cash flows are shown in column 4 of Table V-7. The last column of Table V-7 is the ratio of reinvestment to the cash flows.

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Table V-7
Reinvestment Ratios
(millions of dollars)

Year	Re-investment	----Cash Flows---- Production	TAPS	Total	Reinvestment Ratio
1987	$2,908	$3,638	$1,525	$5,163	56.32%
1986	1,288	2,898	2,078	4,976	25.88%
1985	1,234	5,050	1,695	6,745	18.30%
1984	828	5,622	2,117	7,739	10.70%
1983	2,818	5,438	1,932	7,370	38.24%
1982	647	4,797	1,717	6,514	9.93%
1981	4,919	4,569	1,477	6,046	81.36%
1980	426	3,930	1,452	5,382	7.92%
1979	424	3,680	1,440	5,120	8.28%
1978	274	1,177	925	2,102	13.04%
Totals	$15,766			$57,157	

The data from Table V-7 indicate that the ANS producers are reinvesting approximately 27.8% of their cash flows in Alaska.

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Appendix A
Sohio's 1982 Annual Report Disclosure

Supplementary Information on Oil and Gas Exploration, Development and Production Activities

This section provides information required by Statement of Financial Accounting Standards No. 69 (FASB 69), Disclosures about Oil and Gas Producing Activities, which was issued in November 1982. FASB 69 aims to establish a comprehensive set of disclosures for oil and gas producing activities that replaces disclosures formerly required by either the Financial Accounting Standards Board (FASB) or the Securities and Exchange Commission (SEC), or both.

Three general disclosure areas comprise the information in this section. The first area provides historical information about costs and revenues, including the Company's aggregate recorded investment in oil and gas properties, annual costs incurred and a separate statement of the results of operations for producing activities. The second area contains the Company's petroleum engineers' quantity estimates for proved oil and gas reserves and the major factors causing changes in these reserve estimates. The final area of disclosure represents our compliance with the FASB's requirement to assign a monetary value to proved reserve quantities and changes therein using a standardized formula.

The Company has provided additional commentary throughout this section that is important for a proper understanding of the nature of the data provided and its inherent limitations.

Historical Information

Millions of Dollars	1982			1981			1980		
	Total	Alaska	Lower 48 States	Total	Alaska	Lower 48 States	Total	Alaska	Lower 48 States
Capitalized Costs as of December 31									
Proved properties	$8,319	$4,100	$1,857	$3,648	$3,387	$ 461	$2,935	$2,884	$331
Unproved properties	1,295	600	795	675	138	688	489	43	446
	9,614	4,700	1,795	4,673	3,523	1,150	3,424	2,877	727
Accumulated depreciation, depletion and amortization	1,747	1,200	546	1,320	956	364	988	717	269
	$4,747	$3,872	$1,194	$3,353	$2,567	$ 786	$2,436	$2,160	$458
Costs incurred for the year ended December 31									
Acquisition of properties	$ 600	$ 400	$ 200	$ 300	$ –	$ 300	$ 140	$ 2	$138
Exploration	416	64	352	353	65	288	148	30	118
Development	1,140	884	346	898	827	671	368	304	32

Results of Operations for Producing Activities

The following summarizes the "Results of Operations for Producing Activities" as defined by FASB 69, for the years ended December 31, 1982, 1981 and 1980. As required, financing costs are not included in this statement. Income taxes are included in the results, but were computed under FASB guidelines using statutory tax rates, while considering the effects of permanent differences and tax credits relating to oil and gas producing activities.

Millions of Dollars	1982			1981			1980		
	Total	Alaska	Lower 48 States	Total	Alaska	Lower 48 States	Total	Alaska	Lower 48 States
Revenues	$6,497	$4,100	$ 900	$8,282	$5,110	$ 270	$4,488	$4,316	$481
Production costs	1,801	1,000	110	2,070	2,000	120	1,247	1,181	66
Depreciation and depletion	284	870	40	288	272	17	285	270	15
Exploration expenditures									
Geological and geophysical	130	30	60	107	77	30	37	7	30
Abandonment and impairment of unproved properties	163	7	156	78	4	70	68	16	52
Dry hole costs	80	6	80	174	14	160	48	13	27
Other	104	10	92	83	4	48	31	8	23
	485	57	481	370	48	324	176	36	138
	3,613	5,017	988	3,338	2,000	440	1,708	1,488	218
Income before interest and income taxes	2,784	3,183	(3208)	3,884	3,240	(1884)	2,780	2,828	(38)
Income taxes	1,348	1,838	(1488)	1,878	1,778	(81)	1,378	1,574	(118)
	$1,432	$1,888	$ (1488)	$1,178	$1,478	$ (1803)	$1,272	$1,252	$(178)

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Appendix B
Barclay's de Zoete Wedd Prudhoe Bay Model (1988)

PROFITABILITY MODEL FOR PRUDHOE BAY FIELD

($/Barrel)	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Alaskan Crude Price*	28.48	14.07	17.37	14.01	14.50	18.23	15.98	16.79	17.62	18.51	21.28
Less:											
Tanker Freight+	(3.24)	(2.71)	(2.60)	(2.70)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)
TAPS charge	(5.31)	(4.50)	(3.93)	(2.11)	(2.60)	(2.25)	(2.25)	(2.45)	(2.65)	(2.90)	(3.15)
Pipeline Loss	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)
Value at Pump Station Cnv	17.83	6.76	10.74	8.10	8.80	9.88	10.64	11.24	11.87	12.51	15.03
Severance Tax	(2.59)	(0.68)	(1.29)	(0.97)	(1.06)	(1.19)	(1.28)	(1.35)	(1.42)	(1.50)	(1.80)
Field Operating Costs	(1.00)	(0.90)	(0.90)	(0.90)	(0.95)	(0.95)	(1.00)	(1.05)	(1.10)	(1.15)	(1.20)
Field Overheads	(0.20)	(0.20)	(0.20)	(0.20)	(0.20)	(0.23)	(0.25)	(0.25)	(0.30)	(0.30)	(0.30)
Depreciation & Depletion	(1.60)	(2.00)	(2.00)	(2.10)	(2.20)	(2.20)	(2.30)	(2.40)	(2.40)	(2.45)	(2.45)
Ad Valorem Tax	(0.30)	(0.30)	(0.30)	(0.30)	(0.31)	(0.32)	(0.34)	(0.35)	(0.36)	(0.38)	(0.38)
Pre-tax Earnings Per Barrel	12.14	2.48	6.05	3.63	4.08	4.87	5.47	5.84	6.29	6.73	8.38
Operating Profit ($m)	3015	617	1529	934	1058	1269	1278	1257	1282	1277	1621

NOTES:

* *The Alaskan crude price is a weighted average of the prices received for sales on the West and Gulf Coasts; Gulf Coast sales normally fetch around $1/barrel more than those on the West Coast. We assume 1/3 of sales are made on the West Coast with the balance on the Gulf.*

\+ *Tanker freight is again a weighted average of the rate for deliveries from Valdez to the West and Gulf Coasts. Because shipping costs to the Gulf Coast are normally some $0.40/barrel higher, sales on the West Coast are more profitable to BP despite the fact that the crude oil commands a lower price than on the Gulf (see Section 5 below). In 1989 we have assumed that tanker costs rise by around $0/barrel due to an increase in the use of expensive to operate Jones Act vessels (see Section 5), partly offset by a 70,000 barrel/day increase in shipments by pipeline from the West to Gulf Coasts (which is some 60¢/barrel cheaper than transport by ship via Panama).*

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Appendix C
Salomon Brothers' Arco Alaska Profits Model (1987)

Figure 5. Atlantic Richfield Company — Actual and Projected Alaskan Production Earnings, 1986-92E
(Dollars Per Barrel, Unless Otherwise Indicated)

	1986	1987	1988E	1989E	1990E	1991E	1992E	1993E
Prudhoe Bay Field								
Selling Price — West Texas Intermediate Crude	$20.00	$15.75	$17.50	$20.00	$22.00	$24.00	$25.00	$26.00
Prudhoe Bay Field Crude Price[a]	14.80	11.20	12.90	15.70	17.25	19.15	20.15	21.10
Transportation Deductions								
Tanker to U.S. Gulf Coast	$4.50	$3.80	$3.85	$4.10	$4.25	$4.40	$4.50	$4.60
Trans-Alaska Pipeline Charge	3.20	4.75	3.90	3.50	3.25	3.00	3.00	3.00
Equals: Prudhoe Bay Field Wellhead Price	$12.02	$8.65	$9.15	$11.70	$13.75	$15.75	$16.65	$17.50
Production Expenses								
Severance Tax	$2.30	$1.50	$1.50	$1.50	$1.80	$2.13	$2.25	$2.36
Windfall Profit Tax	0.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Field Operating Expenses	0.90	0.75	0.80	0.85	0.90	0.95	0.95	1.00
Depreciation and Depletion	1.60	1.75	1.80	1.85	1.90	1.95	2.00	2.05
Unit Operating Profit	$12.15	$2.85	$3.05	$7.42	$9.09	$10.72	$11.45	$12.09
Prudhoe Net Production (mb/d)	308.5	307.1	307.0	306.0	306.0	296.0	286.0	245.0
Prudhoe Operating Profit (Dollars in Millions)	$1,368	$297	$560	$834	$1,022	$1,116	$1,112	$1,081
Kuparuk River Field								
Kuparuk River Field Crude Price in U.S. Gulf[a]	$20.80	$15.05	$16.70	$19.10	$21.00	$22.90	$23.90	$24.80
Transportation Deductions								
Tanker to U.S. Gulf Coast	$4.50	$3.80	$3.85	$4.10	$4.25	$4.40	$4.50	$4.60
Transmission Pressure Charge	3.20	4.75	3.90	3.50	3.25	3.00	3.00	3.00
Kuparuk River Spur Line Charge	0.07	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Equals: Kuparuk Field Wellhead Price	13.13	6.45	8.30	10.65	12.95	14.45	15.75	16.80
Production Expenses								
Severance Tax	$1.30	$0.45	$0.85	$0.85	$1.05	$1.20	$1.25	$1.25
Field Operating Expenses	2.50	1.85	1.85	1.80	1.85	1.90	1.95	2.00
Depreciation and Depletion	3.75	3.55	3.55	3.65	3.75	3.85	3.90	4.00
Unit Operating Profit	$5.60	$0.20	$2.45	$4.55	$6.20	$7.50	$8.65	$8.25
Kuparuk Net Production (mb/d)	94.9	109.9	110.0	110.0	110.0	110.0	110.0	110.0
Kuparuk Operating Profit (Dollars in Millions)	$296	$8	$98	$183	$248	$317	$347	$371
Lisburne Acreage								
Lisburne Formation Crude Price in U.S. Gulf[a]		$14.95	$16.65	$19.00	$20.90	$22.80	$23.75	$24.70
Transportation Deductions								
Tanker to U.S. Gulf Coast		$3.80	$3.85	$4.10	$4.25	$4.40	$4.50	$4.60
Trans-Alaska Pipeline Charge		4.75	3.90	3.50	3.25	3.00	3.00	3.00
Equals: Lisburne Wellhead Price		6.40	8.90	11.40	13.40	15.40	16.25	17.10
Production Expenses								
Severance Tax		$0.64	$0.80	$1.15	$1.35	$1.55	$1.65	$1.70
Field Operating Expenses		2.70	2.75	2.75	2.85	2.90	3.00	3.10
Depreciation and Depletion		4.00	6.00	6.00	6.00	6.00	6.00	6.00
Unit Operating Profit		$2.941	$0.751	$1.50	$3.20	$4.96	$5.60	$6.38
Lisburne Net Production (mb/d)		4.1	15.0	20.0	30.0	25.0	40.0	40.0
Lisburne Operating Profit (Dollars in Millions)		$41	$84	$11	$36	$68	$82	$93
Total Alaskan Operating Profits Before Exploration Expenses (Dollars in Millions)	$1,664	$381	$842	$1,028	$1,306	$1,496	$1,541	$1,544
MEMO: Net Alaskan Crude Oil Production (mb/d)	403.4	421.2	432.0	438.0	446.0	436.0	410.0	396.0

[a] Wellhead prices of Prudhoe Bay, Kuparuk River and Lisburne crude are computed as the netback prices of West Texas Intermediate crude oil, based on the historical relationships of these crude prices to the WTI crude prices.
[b] Lisburne production began in the fourth quarter of 1986.
Mb/d = Thousand barrels per day. E Estimate.

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Appendix D

Alaska Oil Industry Development Time Line

1954 - BLM issues 272 oil and gas leases.

1957 - Swanson River oil discovered.

1962 - Cook Inlet oil discovered (Middle Ground Shoals)

1965 - Three additional Cook Inlet oil fields discovered (Granite Point, McArthur River, Trading Bay)

1967 - Prudhoe Bay oil is discovered. With over 10 billion barrels of reserves, it is a "super-giant" and the largest oil field in North America.

- Middle Ground Shoals, Granite Point and Trading Bay begin production.

1969 - Prudhoe Bay lease sale.

- Kuparuk River oil discovered. With a billion barrels of reserves it is a "giant" and is second only to Prudhoe Bay as the most productive field in the United States and Canada.

1977 - Prudhoe Bay oil Begins flowing to Valdez through Trans-Alaska Pipeline System (TAPS).

1978 - Endicott oil discovered.

1985 - Milne Point begins production.

1986 - Lisburne begins production.

- Kuparuk production peaks at 300,000 barrels per day.

1987 - Endicott begins production.

- Milne Point shuts down.

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Appendix E

Total ANS Production and TAPS Profits
1977 through 1987
(millions of dollars)

1982 - 1987

	1987	*1986*	*1985*	*1984*	*1983*	*1982*
Revenue	10393	8051	14707	14790	14685	15758
Expenses:						
Depreciation	1636	1674	1386	1258	1219	1131
Operating Expenses	1169	967	907	1065	954	1080
Overhead	129	124	164	100	104	84
Interest	328	611	585	709	719	807
Royalty	900	587	1316	1291	1283	1413
Severance Taxes	872	623	1403	1395	1388	1536
Property Taxes	341	353	353	339	329	329
State Income Taxes	150	94	257	253	248	239
Windfall Profit Taxes			39	211	426	1375
Federal Income Taxes	1653	0	3443	2170	2532	3031
Profits	3215	3018	4854	5999	5483	4733
Profit ($ per barrel)	5.45	5.23	8.54	11.27	10.43	9.14

1977 - 1981

	1981	*1980*	*1979*	*1978*	*1977*
Revenue	16935	13095	8855	4243	717
Expenses:					
Depreciation	941	979	741	609	38
Operating Expenses	1020	617	514	538	46
Overhead	51	15	2	0	2
Interest	698	730	927	1049	117
Royalty	1596	1143	706	221	86
Severance Taxes	1291	924	622	195	76
Property Taxes	317	314	297	278	30
State Income Taxes	872	712	486	127	30
Windfall Profit Taxes	3089	797			
Federal Income Taxes	2570	2703	512	17	32
Profits	4490	4161	4048	1209	260
Profit ($ per barrel)	9.24	8.56	9.88	3.47	2.58

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18.

BP Document re: Cash Cow

File name = DSP Elect Sanction Mail, doc
Find numerous unbedded documents

Exhibit No. SOA-588
Docket Nos. IS09-348-004 et al., RCA Docket Nos. P-08-9 et al
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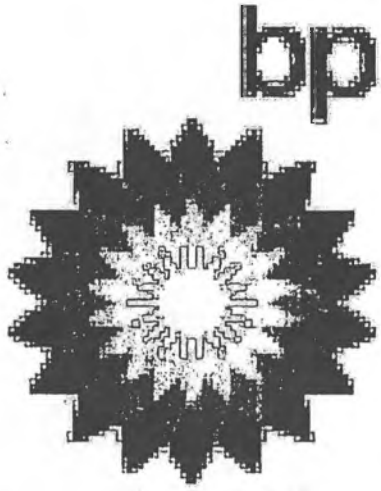
Restricted

Alaska Business Unit
Mid-Stream Alaska
Trans-Alaska Pipeline Pump Station Electrification



Decision Support Package – Sanction
February 9, 2004

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1. Executive Overview

1.1 THE RECOMMENDATION

The Alaska Business Unit recommends rebuilding 4 of the remaining TAPS pump stations by replacing aging mainline Avon Rolls Royce direct drive turbine pumps with high efficiency turbine electrical generators and electrical pumps; and replacing existing facility housing with "non-occupied structures" that require less maintenance. Electrifying the TAPS pump stations, coupled with lifecycle control replacement, will allow automation and reduce manpower at Pump Stations 1, 3, 4 and 9. Electrifying all of the pump stations translates to an annualized Operating & Maintenance cost savings of $44mm (gross) by 2008 and will allow TAPS to forego more than $114m in expense and $44m Capital (gross) in costly upgrades to the aging Avons, associated facilities and their enclosure buildings over the next 10 years.

The BP Capital request is as follows:

$ million	Gross Project	BP Net
Capital Requested for Sanction	$172	$81
Engineering Tolerance	20	9
Reference Value for Sanction	192	90

1.2 THE HISTORY OF THE TRANS ALASKA PIPELINE SYSTEM and TAPS Overview

The discovery of a giant crude oil field at Prudhoe Bay on the North Slope of Alaska in 1968 began a period of unprecedented petroleum industry activity in the state. Construction work associated with the Prudhoe Bay discoveries included installation of production facilities on the North Slope and an 800-mile pipeline from the oil fields to a marine tanker loading facility in the city of Valdez. This pipeline system, marine loading facility, and ship escort and vessel response system (SERVS) are collectively called the Trans-Alaska Pipeline System (TAPS).

Based on forecasted production and recovery lifecycles of the North Slope fields, the original anticipated economic life of TAPS was 25 years. However, due to enhanced recovery techniques, revised reserve volumes, and development of new fields, TAPS is now being positioned to operate for another 30 years.

To support this operational commitment, Alyeska Pipeline Service Company (Alyeska) and the TAPS Owners have initiated a redesign of the pipeline pump stations and control systems. The Valdez Marine Terminal and SERVS are also being studied, but these studies are not as advanced as the pipeline. Preliminary engineering for the pipeline pump station redesign was completed in 2003 and the TAPS Owners are evaluating the results.

TAPS was originally designed for a 1.5mmbopd throughput (excluding Drag Reducing Agents) and has been operated for 25 years using personnel to monitor pipeline and pump station operations. Although this practice has worked well, it is no longer cost effective. Current technology used by other pipelines all over the world includes electronic monitoring and control systems that are more efficient and reliable.

The pipeline reconfiguration project is a proposal to utilize those technologies to enhance TAPS operational efficiency. This "proven technology" will reduce future operating costs and maximize

efficiency far into the future. None of these changes compromise safety or operational integrity. In fact, safety, operational integrity, and environmental performance will be enhanced with Strategic Reconfiguration.

Background for Pump Station Strategic Reconfiguration (SR)

For several years, Alyeska has been engaged in engineering studies to identify ways to improve operational efficiency through technology upgrades, increased use of automation, and reduction of infrastructure to minimize transportation costs and extend the economic life of the pipeline and North Slope oil fields. This will be accomplished through equipment upgrades and the resulting reductions in Operations and Maintenance (O&M) costs.

The SR pipeline study was formalized in 2001 when an Alyeska Reconfiguration Studies team and TAPS Owners planning team jointly examined eleven proposed alternatives. The initiative was complete in January 2002 with a recommendation of two strategies for further study, electrification and hybrid (see following page). A third option, direct drive turbines, was later added to the list.

Electrification is the installation of electrically driven crude oil pumps at certain pump stations combined with increased automation and upgraded control systems. It includes a dramatic reduction of utility systems and associated facility infrastructure and allows un-staffing of pump stations.

The hybrid option strategy was an attempt to make best use of existing equipment while achieving the SR objectives of simplified infrastructure and reduced O&M costs. It consists of automation of existing crude pump drive packages and utility systems and includes the same upgraded control systems that would be installed for electrification. This option does not have capacity flexibility to accommodate future throughput changes and has been abandoned as an alternative.

The direct drive turbine option, a variation of the electrification theme using gas turbines instead of electric motors, incorporates many of the same concepts but is mechanically more complex and slightly less reliable. At the current stage of engineering, adopting this alternative implies expensive engineering and construction delays and therefore this alternative was abandoned.

Costs for each option were compared to an inertia case, which consists of the current practice of maintenance and equipment lifecycle replacement. This is the status quo case and subjects Alyeska to the lowest operating reliability and highest ongoing O&M expense of any alternative.

TAPS Construction History and Reliability

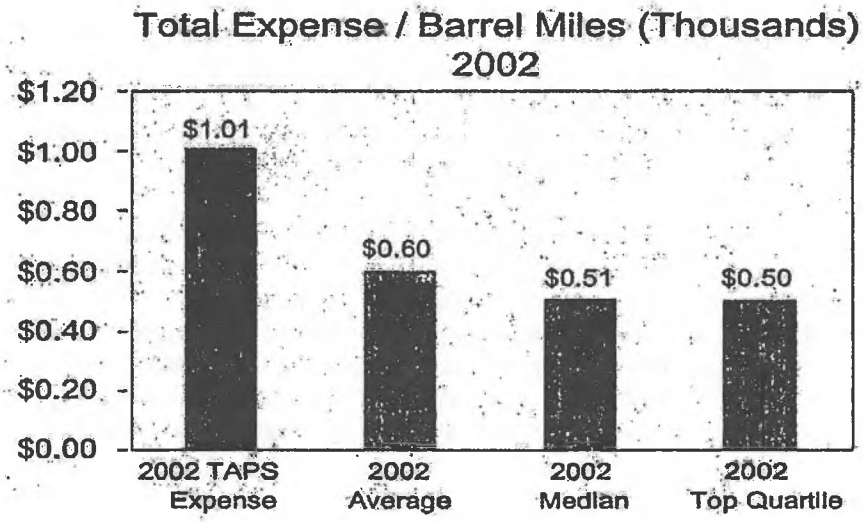
One of the first challenges in developing the North Slope fields was creating a transportation system to move the vast reserves of the Sadlerochit field in Prudhoe Bay to market. Engineers decided a large-diameter pipeline from the North Slope to a marine tanker loading facility at an ice-free port was the answer. Alyeska Pipeline was created to construct, operate and maintain TAPS for the Owner companies. Originally eight in number, TAPS Owners are now BP Pipelines (Alaska), Phillips Transportation Alaska, ExxonMobil Pipeline Co., Williams Alaska Pipeline Co. (whose interest is currently under a purchase agreement with Koch) and Unocal Pipeline Co.

Despite many engineering, political, and regulatory hurdles and a cost of more than $8 billion, construction of TAPS was completed in June 1977. The first oil left Pump Station 1 on June 20, 1977 and the tanker *ARCO Juneau* steamed out of the Valdez marine terminal laden with Alaska North

Slope (ANS) crude on August 1 that same year. Since then, more than 14 billion barrels of ANS crude have been transported through the pipeline, with throughput peaking in 1988 at nearly 2.1 million barrels per day. Current throughput is relatively stable at just under 1 million barrels per day.

While reliability throughout the history of TAPS has averaged well above 99 percent, other pipelines have achieved this same reliability through the use of modern technology and automation. Due to steadily increasing regulatory oversight, aging of the system, increase in personnel costs and inherent inefficiencies in original design, TAPS has risen in cost per barrel mile to lead its U.S. large pipeline peers in the transportation cost category.

The chart below shows how TAPS compares to other large pipelines based on benchmark data obtained from the Association of Oil Pipelines (AOPL).



Preliminary engineering studies indicated the electrification option is the only alternative satisfying the project objectives of reliability, efficiency and cost-versus-savings. Direct drive turbines is the next best alternative, but has slightly reduced reliability and savings coupled with increased on-going maintenance. The hybrid case did not meet project objectives. Recommended implementation strategies for pipeline electrification are outlined as follows.

- Power generation upgrades, electrification and automation of Pump Stations 1, 3, 4 & 9.
- Consider removal, retirement and disposal of all above grade unused equipment and facilities at Pump Stations.
- Install control and communication modules at Pump Stations.

Electrification satisfies the following objectives established under Strategic Reconfiguration:

- Maintains safety and operational integrity.
- Improves operational efficiency and environmental performance.
- Shows highest economic rate of return with the least economic risk.
- Allows unstaffing of pump stations through remote control capabilities.
- Is scalable to future throughput requirements.
- Will maintain required reliability through use of technology rather than on-site staff.
- Is proven technology currently in use in the industry.

Pump Station Reconfiguration-Electrification Major Project Milestones

- Workforce plan approved – 4Q2003
- OSCP amendments approved – 4Q2003
- SCADA upgrade complete – 4Q2004
- Communications module installation complete – 4Q2005
- PS control systems upgrade complete – 4Q2005
- PS1, 3, 4 & 9 electrification complete – 4Q2005

Methodology for Project Savings/Cost Determination

Alyeska used a rigorous methodology for the development of project scope and determining costs/savings. A strategic plan, developed by Alyeska's Planning Team, was adopted by Alyeska management and the TAPS Owners. This process resulted in two options for which conceptual design was completed: electrification/automation and inertia. Third party validation confirmed the cost and concept of each option and identified electrification/automation as the best choice. From this work, 2003 long range planning assumptions were defined and used as the basis for company-wide planning.

The Alyeska organization and the SR project team then embarked on parallel paths while working toward a common goal. The project team formalized project scope, completed preliminary engineering, developed an operations philosophy and finalized project costs. Simultaneously, company managers identified staffing requirements, major maintenance that could be eliminated, and determined project savings. Benchmarking with industry peers and verification by cross-functional groups within the company validated outcomes and identified additional savings opportunities and other synergies. Final assurance included executive review, approval and commitment.

1.3 Electrification: Old versus New

Although electrifying pump stations sounds complex, it is really a straightforward solution to achieve the project objectives of efficiency, cost reduction and extension of economic life of the system. This section compares facilities and process equipment installed on TAPS now to post-electrification and discusses changes to Alyeska's O&M philosophy.

Description of TAPS

TAPS is a crude oil transportation system that begins at PS1, the gathering and storage center for all North Slope producers, and terminates at a marine terminal storage and tanker loading facility located in Valdez on the shores of Prince William Sound. The 48-inch pipeline is 800 miles long, crosses three major mountain ranges, 34 major rivers and achieves a maximum elevation of 4,379 feet at Atigun Pass located 166 miles south of PS1. Of the 800 miles, 420 are above ground and 380 are buried, with 62 RGVs installed to reduce spill volumes in the event of a breach in the pipe.

Twelve pump stations are designed into the system although not all are active pumping stations. PS5 is a relief and reinjection station while PS11 is installed with mainline isolation valves only as its additional pumping capacity was never required. Of the remaining ten stations with pumping

Critical Energy Infrastructure Information

quantities of Drag Reducing Agent (DRA) were injected upstream. However, DRA is expensive and operating PS7 is more economical to meet horsepower and maximum operating pressure requirements at current flow rates.

As North Slope production began to drop off in the mid-1990's, full pipeline design capacity was no longer needed. As a result, five pump stations are currently off line in a stand-by configuration called rampdown. PS8 & 10 were ramped down in 1996, PS2 & 6 in 1997, and PS12 in 2003.

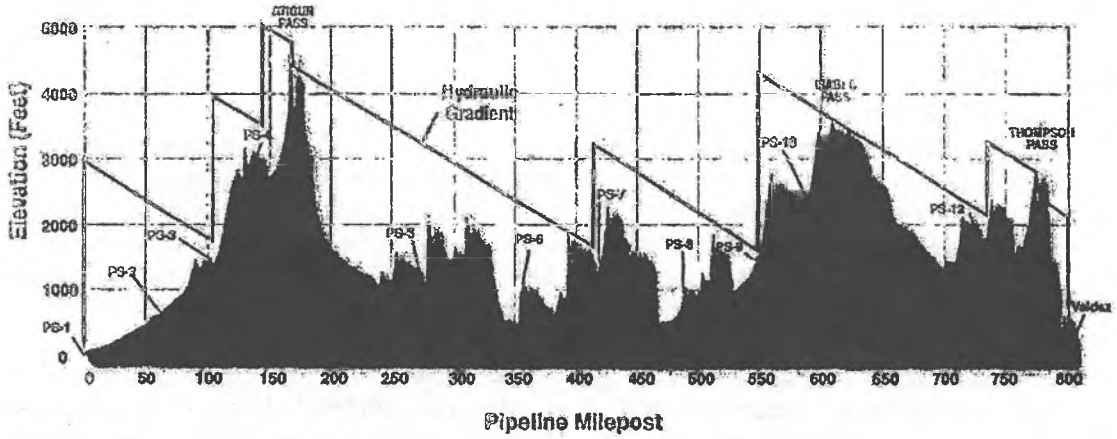
Pump Driver Package: Old Vs. New

The pump driver package installed on TAPS is a reliable but dated Avon gas turbine coupled to either a Byron-Jackson or United centrifugal pump. PS1, 3, and 4 drivers use natural gas as a fuel source while PS7 & 9 use liquid turbine fuel.

Each station with pumping capability has three such drive packages installed with the exception of PS2 & 7, which have two. During peak throughput in the late 1980's there were no spare drivers on TAPS; every installed unit was needed to meet horsepower requirements for the high flow rates. Although dependable over the years, these drive packages and appurtenances are complex and labor intensive to operate and maintain to the standards required on TAPS.

Electrification will replace the existing pump driver packages with skid-mounted electric motors and modern centrifugal pumps. The engineered design is very flexible and allows for many of these skids to be installed in parallel to accommodate throughput rates up to system capacity of over 2 million barrels per day (Mbpd). Initially, three of these driver packages will be installed at PS1, 3, 4 & 9; this configuration supports throughput up to 1.12 Mbpd. Adding two more skids at each location will provide 1.5 Mbpd capacity. Taking units off-line will allow reduced throughput rates in the several hundred thousand barrel/day range while remaining within acceptable equipment operating parameters. Variable frequency drives (VFD) will be installed for control of the motors; replacement motor control centers (MCC) will handle power distribution.

Trans Alaska Pipeline System
Elevation Profile



Power Generation: Old Vs. New

Due to the remoteness of TAPS, most pump stations need to generate their own electrical power. This is currently accomplished with various numbers of skid-mounted 450 kilowatt Garrett and 800 kilowatt Solar turbine generator packages. Due to obsolescence and age of equipment, it is increasingly difficult to maintain these generator sets. Under electrification, PS1 has the option to tie into the existing North Slope grid for power needs or self generate. Power generation at PS3 & 4 will be accomplished with modern skid-mounted turbine generators while PS9 will purchase power from a local utility. There will be no change at PS7.

PS1, 3 & 4 use processed natural gas received from North Slope producers for general fuel needs such as mainline pump drivers, power generation and facility heating. Following reconfiguration, this fuel gas will still be used for primary power generation.

Process Control: Old Vs. New

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Critical Energy Infrastructure Information

Telecommunications: Old Vs. New

Critical Energy Infrastructure Information

Fire Systems: Old Vs. New

Fire detection and suppression is particularly important on TAPS due to remote facility locations. Fire systems currently installed at the pump stations include various combinations of smoke, gas and flame detectors that initiate suppression actions and equipment shutdowns; flooding agents include water, halon and foam. Many of these systems are designed around occupancy requirements of a staffed facility and will not be needed following reconfiguration.

Maintaining these systems has become particularly problematic in recent years because original pipeline design included large enclosed process areas (see photo). Fire codes have changed since TAPS was engineered. This has created compliance issues that can be more effectively resolved with new equipment.

Critical Energy Infrastructure Information

Housing, Utilities and Staffing: Old Vs. New

Even though some remote control capabilities are designed into TAPS, the pump stations are currently staffed 24 hours a day, 365 days a year due to equipment monitoring requirements, remote control system deficiencies, and oil spill response needs. This necessitates the pump stations to operate and maintain a wide range of life support utility systems such as potable water, wastewater, heating and ventilation, waste disposal, food preparation appliances, and vehicle refueling and maintenance. The extreme Arctic conditions under which these systems operate make maintenance difficult and expensive.

Additionally, field staffing requires a large infrastructure for such things as living quarters, office space, telephone and data systems, and a materials supply network. Remote airports are required, emergency evacuation must be considered, medical care provided and even such things as mail and package delivery accomplished. In essence, a typical pump station is equivalent to a small city with a resident population of 40 – 50 with peaks as high as 130 during busy project seasons.

With the application of new technology, that can be changed. The top photo below shows an aerial view of Pump Station 3 in its current configuration. Contrast that to the photo underneath, which is what PS3 could look like after SR and possible later removal of unused equipment when approved by Owners and regulators. It is easy to see the impact of Strategic Reconfiguration to installed infrastructure and facilities. There will be fewer buildings in use, simplified communications and process control, upgraded pump/driver packages, and no assigned staff. A reduction of approximately 15 percent of the total current workforce is possible because of the reduced workload.

New Technology – Less Infrastructure – Same Throughput

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Strategic Reconfiguration represents a 30-year leap in technology. This new technology requires far less infrastructure, and operating facilities are greatly simplified.

At top left is an aerial view of PS3 in its current configuration. Note the large number of buildings, interconnecting hallways, and outlying support facilities. Because pump stations are currently staffed around the clock, on-site housing is required, creating the need for life support systems such as water and wastewater treatment, heating, food preparation, trash incineration, fire suppression, vehicle maintenance and additional power generation.

By implementing modern technology, the need for full-time staff is eliminated. This means the decommissioning or removal of housing units, reduction of utility systems, and elimination of support facilities.

The lower photo depicts PS3 post-reconfiguration; as can be seen, the changes are significant. TAPS-wide, at least 75 buildings could be decommissioned and 27 more could be simplified. Removing work from the system provides significant, sustainable cost reductions.

Synergies: OSCP/Support Services/Maintenance

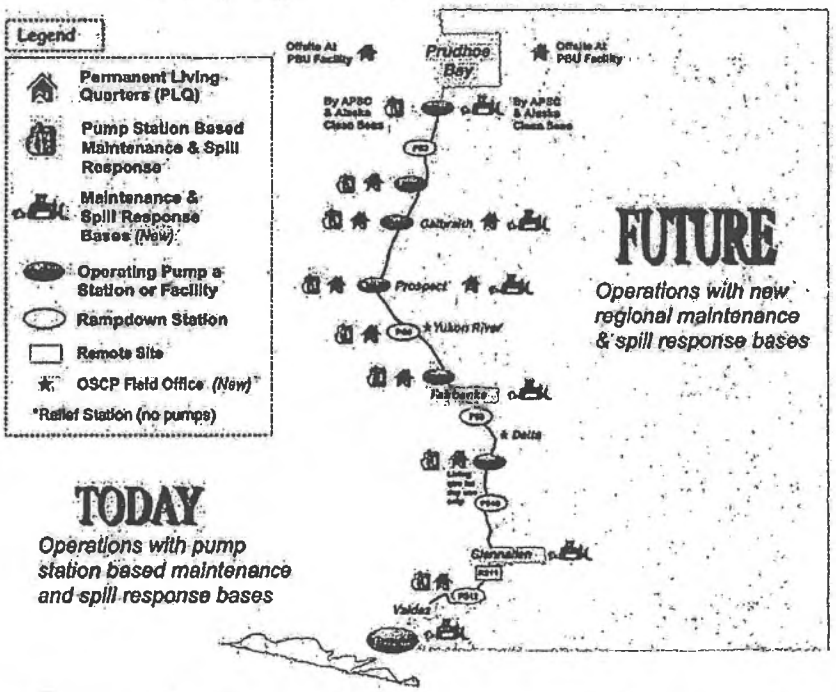
Although pipeline SR as a stand-alone concept is strictly a technology driven solution to achieve efficiency and cost savings, there are several other business considerations that, when combined with SR implementation, will produce increased operating and business efficiencies. These synergies are outlined below.

- Oil Spill Contingency Plan (OSCP) amendments accommodate unstaffing of remote facilities while maintaining and/or improving response capabilities using regional response bases and additional pre-deployed equipment. Although the total number of staff in the field will be reduced, the number of initial responders will not change.

- Operations philosophy changes as a result of electrification allow elimination of all operation technician functions as well as a greatly reduced infrastructure of buildings, services, and field-based support groups.

- Maintenance philosophy changes allow centralized dispatch for scheduled maintenance. This approach creates efficient use of personnel while supporting OSCP amendments and ongoing Right-of-Way (ROW) maintenance.

TAPS Maintenance and Spill Response



- The scalability of the electrification solution accommodates a wide range of future increases or decreases in throughput and allows those changes to be accomplished at a much lower cost.

Critical Energy Infrastructure Information

Details of the design can be found in the Preliminary Engineering Design Report:



Prelim Eng Main Doc.pdf

2. Business Case

2.1 Strategic context and Business Objectives for the Alaska Business Unit

As described in the Pump Station Electrification Appraise FM of March 2003, Alaska's role in BP's portfolio is to provide a stable production base and cash flow to fuel growth elsewhere in the business while improving margins and returns. Driving cost savings in TAPS is a key element in delivering margin improvement of BP's North Slope production.

Over the past three years the TAPS Owners and Alyeska have studied a number of potential business efficiency opportunities. Preliminary engineering studies confirmed that Pump Station Electrification is the single largest driver of pipeline cost improvement and efficiency. Preliminary engineering studies have also confirmed electrifying and automating all 4 pump stations will allow Alyeska to eliminate over 285 full time positions, many of those in field locations where wage and locations premiums are very high. Currently, remote crews at these pump stations require expensive catering, transportation and other costly support services systems. Eliminating these positions translates to an annualized expense savings improvement of over $41mm gross (+$16mm net BP) by 2007 over APSC 2003 Base O&M.

2.2 Project Economics

Assumptions:

Electrification was modelled against a "Base/Inertia Case". The Base Inertia Case assumes continued use of the Avon-driven pumps, normal upgrades to remaining facilities and a reasonable allowance for continued operational improvement. In 2012 O&M is increased by $4m annually to account for expected higher annual maintenance caused by turndown effects.

The Electrification case assumes self generation at PS 1, 3 & 4. It assumes GVEA power is supplied via the existing power grid to PS 9.

The Electrification case assumes that beginning about 2009 the APSC annual License to Operate Capital will decrease about $6m under the Base/Inertia Case due to reduced Corporate Projects. This reduction is consistent with the capital funding expected in the APSC Long Range Plan and matches the BP estimate for Non-Pump Station related capital projects after electrification.

The Electrification Case assumes P[Highly Confidential Material Redacted] Savings and P[Highly Confidential Material Redacted] Capital. It also assumes [Highly Confidential Material Redacted] of the annual O&M savings accrue starting in 2006, with full savings in 2007. It assumes some buildings at the reconfigured pump stations can be abandoned in place.

[Highly Confidential Material Redacted] Inflation was applied to O&M and Capital costs. Throughput was assumed to be declining at a [Highly Confidential Material Redacted] annual rate (and used to calculate fuel savings).

BP's equity in TAPS is 46.9% and our throughput share is assumed to average [Highly Confidential Material Redacted] over the period of evaluation. This is a cost reduction investment hence there is no sensitivity to oil price.

Sources of Value:

BP value is manifested in improved wellhead netback prices due to reduced tariffs. Summary economics are presented in the table below.

Summary Economics (Electrification vs. Base Case)

	Sanction Capital (Net) $m	Past Savings Thru '03 Gross (Net) $m
Midstream	81	32 (12.7)
Upstream	–	–
AKHU	81	32 (12.7)

Highly Confidential Material Redacted

Highly Confidential Material Redacted

Financial Impact (Electrification vs. Base Case) $m

Alaska BU	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Tariff Change ($/bbl)	$0.00	$0.05	$0.06	($0.09)	($0.10)	$0.00	($0.05)	($0.12)	($0.21)	($0.36)
Opex Savings	1.8	4.3	11.9	24.3	23.8	24.1	21.5	22.3	20.5	27.6
Incremental Capex *	(47.4)	(48.3)	2.6	2.6	1.2	3.7	2.8	2.5	2.8	4.6
Post Tax Cash Flow	(37.4)	(44.3)	13.9	25.4	15.7	16.9	17.8	18.8	16.9	23.5
RCOP Impact	1.1	1.2	6.9	17.5	16.8	19.0	16.4	17.2	15.2	21.4
Net Income Impact	0.6	0.6	4.3	11.2	10.7	12.2	10.5	11.0	9.7	13.7
NI/boe	$0.01	$0.01	$0.05	$0.14	$0.12	$0.13	$0.12	$0.15	$0.15	$0.23

* Incremental Capex includes life cycle replacement expenditures.

PS 1 and PS 9 Power Options

Optimizing the investment and commercial terms for power purchases at PS 1 and PS 9 are key drivers of value. At PS 9 Golden Valley Electric Association (GVEA) will provide commercial power through a utility grid. Delivery of power to PS 9 will require GVEA to upgrade their transmission system. GVEA will pass on that cost to APSC either through an installation fee or through a rate premium. Negotiating the cost of this upgrade into the power rate saves $10.6m gross in CAPEX. At PS 1, sharing power with the Prudhoe Bay Central Power Facility could save $16m gross in CAPEX. The recommended target case assumes PBU will provide no power since the PBU Owners have failed to deliver a Memorandum of Understanding for Power Costs.

Expected Value "Base Case" for Subsequent Value Tracking

Details of the expected Value Case are presented below. Electrification investment spending occurs primarily in 2004 and 2005.

Table 2. Investment Profile

APSC Investment Profile (APSC Gross CAPEX)	2004	2005	2006	2007	2008	2009
Inertia Base Case Capex	53.8	61.3	60.4	59.2	59.3	60.0
Elect Investment Case Capex (21mW, no LB CAPEX)	147.0	176.1	58.0	54.0	58.0	57.0
Net Incremental Investment	93.2	114.8	-2.4	-5.2	-1.3	-3.0

Savings delivery is best tracked on a gross APSC basis. The case below assumes that the Incremental O&M Savings is deliverable through electrification. Note that the underlying performance improvement is about $41m.

Table 3. Savings

APSC Gross Spending/Savings Profile	2004	2005	2006	2007	2008
Inertia Case	451.9	480.3	471.6	420.4	403.2
Electrification Case (17 mW, no LB CAPEX)	447.2	456.2	426.3	355.3	343.3
Avoided Major Maintenance	4.6	23.9	21.5	18.4	18.7
Incremental Annualized O&M Savings	-0.1	-0.1	-23.9	-46.6	-41.3

2.3 Principal Commercial Risks

Regulatory: Any major change in TAPS facilities requires Joint Pipeline Organization (JPO) and Alaska Department of Environmental Compliance (ADEC) approval.

The JPO has been supportive of the project and has confirmed through its own benchmarking exercise that TAPS electrification will better align the operation with other North American pipeline systems in terms of facilities and operations. The Argonne Benchmarking Study is attached:


JK001.pdf

Conditional approval was received from both agencies as of December 31, 2003.

JPO Finding of No Significant Environmental Impact:


Fonsi.pdf

JPO Notice to Proceed with Stipulations:


03-009RN.pdf

ADEC approved the OSCP on December 31 with "Specified Conditions". The "conditions" have no impact on project economics or schedule.

ADEC OSCP Approval:


JK001.pdf

RCA Issues:
We have considered the risk that the Regulatory Commission of Alaska (RCA) will exert approval authority over the proposed facility changes. The Owners have worked to mitigate this risk by clarifying to the RCA the separate nature of Electrification and the decision to remove ramped down facilities. Additionally, BP has prepared a legislative solution in case the RCA seeks to intervene. Should the RCA move to disallow Electrification cost recovery on intrastate shipments, such costs would be rolled over to our interstate tariff for recovery hence there should be minimal impact to value.

Dismantlement, Removal and Restoration:
Costs associated with dismantlement, removal and restoration (DR&R) of the affected stations (1, 3, 4 & 9), estimated at $10m ($4.7 m BP net), are excluded from the economics. These costs are

deemed discretionary, as the associated structures can be abandoned in-place until such time as the TAPS Owners move forward with a sanctioned DR&R project. There remains a minimal regulatory risk that the TAPS Owners could be challenged to remove idle equipment from TAPS.

Sanction/Schedule/Governance: Achieving sustainable savings from manpower reductions requires executive will. Given our governance role through the Owners Committee, BP is well positioned to ensure the proper focus and incentives are in place to assure delivery. As indicated in the graph below, a delay in delivering costs savings by one year could result in significant BP NPV loss. The Alyeska President is firmly committed to achieving and sustaining projected cost reductions with many of the organizational realignment activities already underway in anticipation of sanction.

Management of Change: Assuring successful cutover to new operating facilities is an important factor for staff and regulatory support. We do not have a robust transition plan in place today. However, Alyeska has appointed a senior leader with single point accountability to create a comprehensive MOC plan. Additionally, BP will elevate MOC focus to the Owners Committee to ensure executive ownership.

Project Cost Management: Cost and scope control are critical considerations for delivery. Extra measures are in place to ensure that the project is ring-fenced from other project spending to avoid scope-creep or inappropriate time-writing to the project. APSC has appointed a commercial leader to manage project logistics, SCM and provide robust cost controls. BP will require transparency in monthly project financial reports to the TAPS Owners.

Higher Grid Power Costs – The cheapest source for electrical power at PS 1 is spare capacity from the Prudhoe Bay Unit Central Power Station, however only about 4 MW are available. The PBU Working Interest Owners have failed to deliver requested commercial terms to APSC. As a result, the project assumes all PS 1 power will need to be self-generated.

Savings Delivery – About 50% of the anticipated savings is derived from the reduction in the support organization due to fewer field-operating personnel and less anticipated engineering support. Achieving these savings requires a major manpower severance program and careful management of change to ensure that operating integrity is not sacrificed. It is also important to ensure that all expected savings are captured. Roles and accountabilities in the re-organization have been defined. A severance plan has been created.

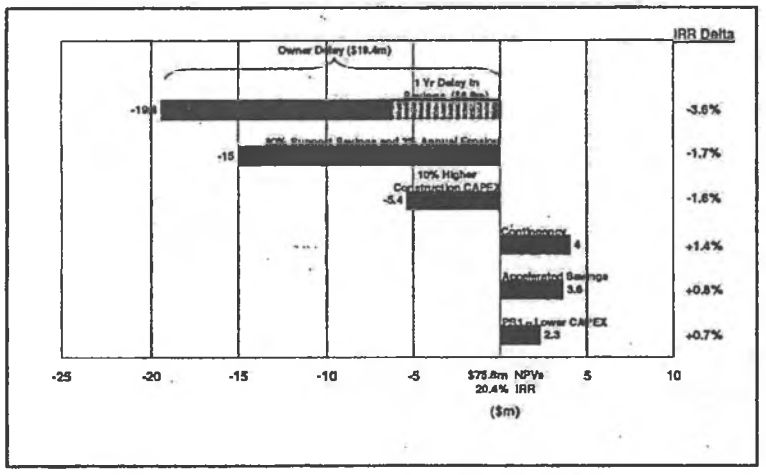
Other Risks-Alyeska has created the following detailed risk mitigation plans to assure operating integrity and safety including:

Safety Management Plan
Environmental Management Plan
Workforce Reduction Plan
Critical Skill Retention Study and Plan
Project Execution Plan
Quality Management Plan

Technical Risk Issues and Track Record – The technology to automate and electrify pump stations is not new, virtually all of Alyeska's peers in the recent AOPL Pipeline benchmarking study have automated pump stations. The primary driver of cost difference between TAPS and AOPL comparator Pipelines is driven by this lack of automation.

2.4 Economic Sensitivities

Below is a summary of value adding options/Economic Sensitivities and their impact on project economics:



Sensitivities & Value Adding Options / Delivery Risks

- Owner Delay – Delay would result in loss of value due to opportunity loss, addition of mandatory life cycle spend that had been previously deferred, loss of accelerated federal tax depreciation benefits, and additional project team cost.
- Under-delivery of Savings and Erosion – Executive will is required to deliver and sustain projected cost savings. Management commitments and governance processes are in place to assure delivery.
- Capital Cost Overrun – Adequate FEL has been performed and project management systems are in place.
- Contingency/ Value Engineering – Delivery of project contingency capex savings through ongoing value engineering processes.
- Accelerated Savings – Early delivery of organization opex savings pre-startup.
- PS1 Lower Capex (PBU Power Purchase) – Option to purchase part of Pump Station 1 power requirement from PBU.

2.5 Key Project Milestones and Schedule Overview

Milestones

BP SET Approval	February 2004
TAPS Owner Approval	March 2004
Award of Major Contracts	April 2004
Facility foundation work	Summer 2004
Remote Communication Module tie-in	Summer 2004
Module Shipment and connection	Spring 2005
Start-up and Testing	October 2005
Commissioning	December 31, 2006

Project Schedule Overview

The project is operating on a tight schedule in order to meet fire system commitments and to obtain tax benefits by December 31, 2004. Realizing organizational savings as quickly as possible is leveraging.

Delay of the project will result in lost O&M savings, lost tax benefits, increased major maintenance costs (including fire and gas system upgrades), and increased program management costs. The unfavorable impacts of a one-year delay are estimated in the range of $40 million to $60 million.

Key deliverables are as follows. See the attached project schedule for additional details.

AFE Approval	March 1, 2004
Authorize equipment manufacture	March 1, 2004

Tie-ins (2), RD Comm. Modules	Summer 2004
PS 4, PS 5, PS 7 & PS 9 foundations	Summer 2004
Major equipment in fabrication shops	Fall 2004
Module piling at PS 1 & PS 3	Winter 2005
Module shipment, start interconnect	Spring 2005
Mechanical Completion	October to December 2005
Startup and Commissioning	November 2005 to Jan 2006

3.0 Execute Phase Planning

3.1 Project Execution Strategy and Plan

The project execution plan outlines the purpose of the project, the organization of the project management, and is composed of sub-plans in safety, Construction, Procurement, Environment and Quality Management.

It defines the project scope, describes the physical changes in the facilities, describes the "Project Success Factors" and sets project cost targets.

The execution plan also defines the roles and accountabilities for project personnel. Details of the Project Execution Plan can be found in the attached document:



Project_Execution_Plan.pdf

3.2 HSE Management and Issues

HSE Planning and Strategy

A complete Environmental Management Plan was developed for Pump Station Electrification that describes the permitting and compliance management processes required for executing the Pipeline Electrification Project. It is included below:



PEP HSE p8-10 .pdf

An Environmental Assessment (EA) was also completed and is provided in the Reference Documents. The EA concluded that Pump Station Electrification project will significantly reduce the environmental impact of the TAPS System.



Env Mgt Plan Rev 0 DRAFT Nov 7...

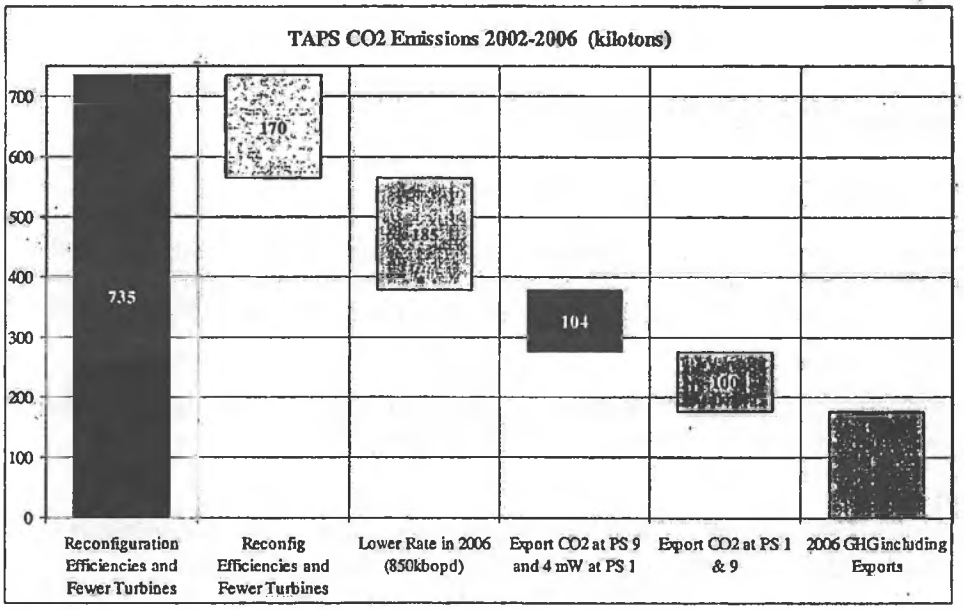
A complete Safety Management Plan has been created for the project including a preliminary HAZOP, Safety Integrity Level analysis and Risk Assessment. The details of the HAZOP are included in the following document:

Hazop.pdf

Emissions Reductions

This project will significantly reduce the physical footprint of TAPS pump stations, eliminate about 50% of the current TAPS CO_2 emissions and improve safety by reducing manpower in the field where historically the highest "recordable incident" rates have occurred.

A significant reduction in air emissions will occur when the Rolls Royce Avon turbines are eliminated:



These modeled Carbon Dioxide reductions were estimated using an APSC fuel consumption model.

3.3 Contracting Strategy

During Preliminary Engineering a contracting and procurement strategy was developed for the execution phase of this project. The details of that plan can be found in the following document:


PEP Contracting Strategy p28-35.pdf


Contracting Plan - SRP 10.02.0...

3.4 Execution Organization

The project organization developed to execute the final design and construction of the Reconfigured Pump Stations was developed in the Preliminary Engineering phase. Organization charts representing those organizations can be found in the following document:


PEP Exe Org Exhibit 1-2-3 p65-67.pdf

4.0 "Operate Phase" Planning

4.1 Redefining the operating organization:

The shift to automated pump stations requires addressing 3 groups of operating personnel, the pump station operators, pump station maintenance personnel and pump station oil spill support. The pump station operators will be replaced by telemetry and station controls. They are eliminated from the future organization.

Oil Spill response will be regionalized as described below. No significant reduction in OSCP staff will occur however they will be redeployed along the line.

4.2 Oil Spill Plans

Since construction, TAPS utilized Oil Spill Responders and equipment staged at operational Pump Stations along TAPS. De-manning the pump stations requires redefining the oil spill contingency plan to be able to provide the same level of oil spill response by responders now based in Regional Oil Spill Centers rather than at the pump stations. ADEC and the JPO have

Critical Energy Infrastructure Information

The details of the Regionalized Oil Spill Plan can be found in the attached document:

(Insert Oil Spill Plan)

The new plan has no reduction in spill responder staff, and no net reduction in response time for the secondary responders. The relocation of staff to urban centers and a transition of some of the staff to urban work schedules will reduce costs.

Both the JPO and ADEC have conditionally approved the Regional Oil Spill Plan despite public criticism from an APSC Maintenance Supervisor. That criticism was directed at training, supervisor/worker ratios, initial response capabilities and equipment staging locations. Both

APSC and the JPO seriously considered the issues raised and many were either addressed by APSC internally or addressed by the JPO in their conditional approval letter.

4.3 Regionalized Maintenance

Pump Station maintenance personnel will also be re-deployed through a "regionalization". Maintenance Centers will be located at Prudhoe Bay, Galbraith, Prospect, Fairbanks, Delta, Glenallen and maintenance staff will be withdrawn from the Pump Stations.

5.0 Assurance:

Throughout 2003 APSC, and their contractors (SNC-Lavalin and Hinz), undertook a series of peer reviews with the TAPS Owners and other appropriate oversight groups. These included three BP "No Wreck Reviews" (June, October and January 2004), two IPA FEL reviews (November and January 2004), a "Value Engineering" challenge session (December 2003) and five cost review/challenge sessions. Those assurance activities are described below and documented in Section 8 (Reference Documents).

5.1 Value Engineering

Value Engineering Overview
A Value Engineering Study was completed for Alyeska Pipeline Services Company (APSC) on the Strategic Reconfiguration Project, Pump Station Electrification and Control System Automation scope, for the Trans Alaska Pipeline System (TAPS).

The initial Value Engineering Study was completed on November 5th, 6th and 7th, 2003. The Preliminary Engineering Design phase of the project has been completed and the project team is working on a transition engineering phase pending project approval by the TAPS Owners.

The objectives of the VE Study were to:

A. Identify cost saving opportunities and improvements to the value of the design.
B. Select the minimum scope necessary to reduce operating costs by de-manning pump station facilities.
C. Do so without compromising reliability, availability, safety and system integrity goals established for this project.

Value Engineering Key Results
The VE team prepared 56 idea proposals and based on the proposal evaluations made recommendations to APSC Project Management. Of the 56 idea proposals produced, 8 idea proposals were deferred for further evaluation during detailed engineering, 27 were rejected and 21 were accepted.

The successful implementation of these 21 idea proposals could result in a total savings of $18,033,000.

The detailed Value Engineering Report:



VE Final Report.doc

5.2 No Wrecks

At the request of BP, APSC held a series of "No Wreck" reviews in the BP format with "No Wreck" tools as guides to facilitate peer discussion of the Electrification Project.

Three "No Wreck Reviews" were held, one in June 2003 to get an early view on project status and to ensure that key risks were identified and addressed in the Preliminary Engineering Studies. This meeting identified gaps associated with operations integration and important risks associated with regulatory issues (Regulatory Commission of Alaska).

The second "No Wreck" was held in October 2003 and meant to determine how close the project was to sanction and to identify gaps to close before 1Q 2004 sanction reviews began. This review helped to more clearly define the TAPS Owner expectations around risked costs, Value Engineering, and the separation of the project from other ongoing reconfiguration activities.

A final "No Wreck" was held in January 2004 as a final test to determine if the project had adequately addressed the October No Wreck feedback and to prepare a forum in which technical experts could review the preliminary engineering studies and if appropriate endorse the project.

A summary of the final Jan 2004 "No Wreck" feedback:



TAPS One pager .doc

5.3 Head of Discipline (HOD) Review and TVP Endorsement

Concurrent with the final "No Wreck Review" technical endorsements were received from EPTG Operations, Energy Efficiency, HSE, EPTG rotating equipment specialists, EPTG electric motor specialists and EPTG Projects. Those endorsements are included in the document above. Detailed feedback from the HOD Reviewers is included in the Powerpoint presentation below:



TAPS Review Peer Feedback.ppt ...

5.4 IPA

Two IPA reviews were held. The first was in November 2003 when very little formal documentation for the project existed and again in January, 2004, after virtually all of the Preliminary Engineering documentation was complete.

The January IPA review revealed an FEL Index of 5.0 . That FEL index level is consistent with well planned major projects and benchmarks very favorable versus other successful BP Major Projects.



IPA Final Report
2.16.04.pdf

19.

Therriault Email

From: Jim Dodson [mailto:jdodson@investfairbanks.com]
Sent: Monday, August 02, 2010 10:02 AM
To: Jim Dodson; Ali Knabe (ali.knabe@alaska.edu); Andrew Niemiec (andrew_niemiec@dot.state.ak.us); Andrew P. Garrigus P.E. (agarrigus@myeterra.com); Andy Warwick (warwick@gci.net); B.B. Allen (Bill_Allen@commerce.state.ak.us); Bill Satterberg (bill@satterberg.net); Bob Hajdukovich (info@frontierflying.com); Bob Hajdukovich (bob@frontierflying.com); Brian Rogers (chancellor@uaf.edu); hbfate@gci.net; buz@jackovich.com; croberts@ci.fairbanks.ak.us; d_westlake@hotmail.com; Jim Dodson; Gary Wilken (garywilken@me.com); Gene Therriault (genet@gci.net); Jeffry J Cook (jeff.cook@fhr.com); John Binkley (jbinkley@alaska.net); Michael K. Henry; Mike Kelly (representative_mike_kelly@legis.state.ak.us); rwien@florcraft.nu; Tim Beck (tbeck@ptialaska.net); Tim Beck (tbeck@ptialaska.net); Bill Sackinger; Chris Storhok (cstorhok@co.fairbanks.ak.us); Dave Hoffman; DeLaina Storhok; Doug Smith; Frank Abegg; Jim Whitaker (jwhitaker@acsalaska.net); Luke Hopkins (mayor@co.fairbanks.ak.us); Therriault, Gene (GOV); Paul M Park; Paul Martz; Paul Metz (ffpam@uaf.edu); William Sackinger; Amy Cook (acook@carlile.biz); Bob Shefchik; Carol E. Lewis (celewis@alaska.edu); Cynthia Henry (hops@gci.net); Damian Thomas (damian_ak@hotmail.com); Dan Britton (dwbritton@fngas.com); Dan Gavora (dgavora@doyonutilities.com); Jack Hebert (jack@cchrc.org); Jesse VanderZanden (jesse.vanderzanden@alaska.gov); Kathryn Dodge (kdodge@co.fairbanks.ak.us); Luke Hopkins; Matt Want; Steve Lundgren (slundgren@denalistatebank.com); Terry Strle; Tony Johansen; (scott.v.bell@gmail.com); Buzz Otis; Buzz Otis; James M. Collins; Jerry Sadler (AERINC4@alaska.net); Jim Haseiberger (jimh@alaskatent.com); Jim Johnsen (johnsenj@doyon.com); Joe Faulhaber (hellojoe02@gmail.com); Paul McCarthy; Paul Robinson; Ralph Seekins; Reinhard Neuhauser; Tim Cerny (tcerny@fdifairbanks.com)
Subject: Gene Therriault response to my distribution of the Alaska Digest article

Please find below Gene Therriault response to my distribution of the Alaska Digest article. Following Gene's response is my reply to Gene (in blue)

Jim

Dear Jim:

On July 12 you e-mailed a copy of a column written by Brad Keithley with the following comment from yourself:

> "I have attached, for your information, an article I copied from the Alaska Dispatch. After reading this article I hope you question, as I do, the focus that some of Alaska's political leaders have on building a gas line for the purpose of

exporting Alaska gas. State gas revenue is not going to replace the revenue the state receives from oil production. Business as usual is not working".

I believe Mr. Keithley's column suffers from a fundamental lack of understanding of the geology, engineering and economics of energy production on the North Slope of Alaska. In order to provide a more complete picture of what the administration is doing to encourage oil and gas development in Alaska, I offer the following information.

Despite the suggestion to the contrary, Governor Parnell is focused on future oil and gas development in Alaska. However unlike oil, North Slope natural gas requires a new pipeline to be constructed in order for the reserves to be commercialized. This infrastructure is critical for development of our gas reserves and for long term production of oil on the North Slope.

Like many world class basins, the North Slope has a large endowment of both oil and natural gas. In basins of this magnitude, production of oil is typically initiated first because it generates a higher rate of return on investment than gas. Over time natural gas becomes a more important economic component of the field as the easiest and least costly oil is produced. Finally, when the gas is monetized, it benefits from the infrastructure investments that have already been amortized and helps to carry a portion of the ongoing operation and maintenance costs of the fields. This sharing of infrastructure lowers the exploration and development risk for additional oil and gas to be produced from the field. This increases the economic value of marginal oil fields and extends the life of existing but declining oil fields. Two examples of this trend are the Gulf of Mexico Shelf and the Western Canadian Sedimentary Basin

The suggestion that Governor Parnell is backing efforts to access our natural gas resources on the North Slope just to fill the state treasury and in doing so has miscalculated the revenue that gas will produce is false. A natural gas pipeline benefits all Alaskans as well as the North Slope producers. In addition to state revenue, the pipeline will provide residents with access to a long term supply of reasonably priced energy as well as employment opportunities. The revenue stream from a large diameter pipeline was modeled three years ago and determined to be significant. Under expected prices scenarios, a North Slope gasline delivering 4.5 BCF of natural gas and natural gas liquids per day is projected to produce an average total annual revenue after tariffs of more than $10 billion for the state, producers, and the federal government to split. The states revenue share alone will be in the billions of dollars per year.

The volumetric component of this operation is critical to keep in mind not only for the potential revenue stream but perhaps more importantly because shipping costs per unit

drop significantly as the volume transported goes up. In addition, as gas production increases, it will carry a larger portion of the existing operating costs relieving the economic pressure on remaining oil that exists in harder to produce formations and smaller less economic fields. In order to maximize the economics of a gasline project to the upstream owners (highest wellhead value), the transportation tariffs and processing costs need to be minimized. This is done in large part by maximizing the volume and BTU value of the gas transported which creates very beneficial economies of scale and much lower tariffs.

The beneficiaries of increased gas production and lower transportation costs will not only be the producers and the state treasury. Individual Alaskans will also benefit as the cost of the providing natural gas energy in-state goes down delivering more affordable fuel and a lower cost feed stock for value added processing. Decreasing the cost of transportation and processing through creation of a high volume operation will also lower the barrier to entry for natural gas production from new discoveries and previously discovered but undeveloped fields. If companies know they will be able to get either resource to market, they are more likely to drill wells.

Today, companies put off drilling certain exploration wells if they believe they are more likely to find natural gas than oil. Extending the life of older oil fields and improving the economics for new developments and discoveries including viscous oil means that more oil will flow through TAPS, slowing or reversing oil decline and extending the life of the pipeline. All of this activity will result in trucking jobs, maintenance jobs, exploration jobs and countless other jobs associated with expansion of activity on the North Slope. These are the economics Governor Parnell is striving to achieve by linking our world class natural gas resources to the market. In short, development of natural gas means development of more oil.

It appears that one of the main objectives of Mr. Keithley's piece is to strike at the validity of the ACES oil and gas tax. He mounts this challenge by suggesting that as a result of passing the ACES tax in 2007 ConocoPhillips has now experienced its first summer season in 40 years with no active onshore exploration. What Keithley fails to disclose is that ConocoPhillips did have onshore activity planned for the 2010 summer season; however, this activity was curtailed when the US Army Corps of Engineers failed to issue the necessary permits for a new river crossing of the Colville River. This permit difficulty has been widely reported in the press including the August 1, 2010 Petroleum News which carried the following statement:

> ConocoPhillips next planned step-out from Alpine, the CD5 or Alpine West development, lies in the extreme east of the National Petroleum Reserve-Alaska. This development has been stymied by a refusal by the U.S. Army Corps of

Engineers to allow the construction of a bridge across the Nigliq Channel of the Colville River.

Mr. Keithley also fails to acknowledge that as a net profit tax mechanism coupled with investment credits, ACES taxes less profitable fields at a lower rate and provides incentives for encouraging their development. The article also does not mention the increased tax credits and deductions that Governor Parnell won in legislation he proposed this year (nor the ones he proposed that the Legislature did not approve) that have increased the incentives to invest in new development in Alaska.

Major producers like ConocoPhillips and BP have reported strong profits from their Alaskan operations under the ACES system. For example, in 2009, ConocoPhillip's Alaska activity accounted for 12% of its worldwide production but 29% of its corporate profits. In addition, the August 1, 2010 edition of the Petroleum News recently detailed ConocoPhillip's current year earnings and concluded that "ConocoPhillips' exploration and production activities continue to be more profitable in Alaska than across the Lower 48".

Keithley also makes the assertion that smaller, more nimble oil and gas exploration and production companies do not have the resources, financial, technical or managerial strength to develop projects in Alaska. However, he does not address the success of companies like Pioneer Resources, Armstrong or Anadarko Petroleum in our state.

Finally, the Chukchi and Beaufort Sea portions of the OCS have both proven large oil and gas discoveries and significant potential for world class discoveries. Governor Parnell has been and remains a strong and vocal advocate in Washington DC for increased access to these areas for exploration and development. It was the unfortunate spill in the Gulf that has lead to a deferral of this activity by the Secretary of Interior. This deferral has delayed multibillion dollars of planned investments offshore of the North Slope by Shell and others.

I hope this message provides useful information as you engage in discussions on Alaska's oil and gas future. Having previously worked as a Deputy Director for the Alaska Division of Oil and Gas as well as past employment with ConocoPhillips Alaska, I believe Governor Parnell understands the balance that must be struck to encourage full development of North Slope's potential while protecting the shareholder rights of the Alaska citizens.

Please consider forwarding this message to the distribution list that you sent the Brad Keithley column to. If you would like a clean copy as a word document, please let me know and I will send it to you.

Gene Therriault
Senior Policy Advisor on In-state Energy

Dear Gene and Gary,

The reason I sent out the AD article was to demonstrate that Alaska's natural gas is not going to replace the value, to state government, of Alaska's crude oil production. The simple truth is that natural gas has a dollar value of on a btu equivalent basis of 1/8 or less of that of crude. In other words Gary's old "Bridging the Gap" model does not work. The discussion we are having and the political leaders (McGuire, Ramras and company) I am talking are those that are proposing to build a in-state bullet line from the North Slope to Cook Inlet for the purpose of reducing Anchorage's energy shortage and exporting the balance. That is business as usual and in case you haven't notice, business as usual is not working. I would be more than happy to discuss this in more detail and if I had your distribution list I would include them on my reply.

Jim

Jim Dodson
President & CEO
FAIRBANKS
Economic Development
CORPORATION
907-452-2185
jdodson@investfairbanks.com
www.investfairbanks.com

From: Jim Dodson
Sent: Monday, July 12, 2010 9:15 AM
To: Ali Knabe (ali.knabe@alaska.edu); Andrew Niemiec (andrew_niemiec@dot.state.ak.us); Andrew P. Garrigus P.E. (agarrigus@myeterra.com); Andy Warwick (warwick@gci.net); B.B. Allen (Bill_Allen@commerce.state.ak.us); Bill Satterberg (bill@satterberg.net); Bob Hajdukovich (info@frontierflying.com); Bob Hajdukovich (bob@frontierflying.com); Brian Rogers (chancellor@uaf.edu); hbfate@gci.net; buz@jackovich.com; (croberts@acsalaska.net); d_westlake@hotmail.com; Jim Dodson; Gary Wilken (garywilken@me.com); Gene Therriault (genet@gci.net); Jeffry J Cook (jeff.cook@fhr.com); John Binkley (jbinkley@alaska.net); Michael K. Henry; Mike Kelly (representative_mike_kelly@legis.state.ak.us); rwien@florcraft.nu; Tim Beck (tbeck@ptialaska.net); Tim Beck (tbeck@ptialaska.net); 'Bill Sackinger'; 'Chris Storhok (cstorhok@co.fairbanks.ak.us)'; 'Dave Hoffman'; DeLaina Storhok; 'Doug Smith'; 'Frank Abegg'; Jim Dodson; 'Jim Whitaker (jwhitaker@acsalaska.net)'; 'Luke Hopkins

(mayor@co.fairbanks.ak.us)'; 'Paul M Park'; Paul Martz; 'Paul Metz (ffpam@uaf.edu)'; 'William Sackinger'; 'Amy Cook (acook@carlile.biz)'; 'Bob Shefchik'; 'Carol E. Lewis (celewis@alaska.edu)'; 'Cynthia Henry (hops@gci.net)'; 'Damian Thomas (damian_ak@hotmail.com)'; 'Dan Britton (dwbritton@fngas.com)'; 'Dan Gavora (dgavora@doyonutilities.com)'; 'Jack Hebert (jack@cchrc.org)'; 'Jesse VanderZanden (jesse.vanderzanden@alaska.gov)'; 'Kathryn Dodge (kdodge@co.fairbanks.ak.us)'; 'Luke Hopkins'; 'Matt Want'; 'Steve Lundgren (slundgren@denalistatebank.com)'; 'Terry Strle'; 'Tony Johansen'; (scott.v.bell@gmail.com); 'Buzz Otis'; 'Buzz Otis'; James M. Collins; Jerry Sadler (AERINC4@alaska.net); 'Jim Haselberger (jimh@alaskatent.com)'; Jim Johnsen (johnsenj@doyon.com); Joe Faulhaber (hellojoe02@gmail.com); 'Paul McCarthy'; 'Paul Robinson'; Ralph Seekins; Reinhard Neuhauser; Tim Cerny (tcerny@fdifairbanks.com)
Subject: Document1

I have attached, for your information, an article I copied from the Alaska Dispatch. After reading this article I hope you question, as I do, the focus that some of Alaska's political leaders have on building a gas line for the purpose of exporting Alaska gas. State gas revenue is not going to replace the revenue the state receives from oil production. Business as usual is not working.

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jdodson@investfairbanks.com
www.investfairbanks.com

20.

Revenue Source Book re: ANS Production Decline handout

Revenue Sources Books, Alaska Department of Revenue
Excerpts re: North Slope Production Decline, 1988 - 1994

October 1988 Revenue Sources

"It is important to emphasize that the North Slope producers, while not agreeing on the exact date, have concluded that North Slope production will commence to decline in either FY 89 or FY 90."

Spring 1989 State Revenue Forecast

"Alaskan production is expected to fall to about half its present levels by the later 90's ... Therefore, only a combination of budget cuts, more efficient programs, and new revenues will allow the State to move into the 90s without significant disruptions in public services ..."

Fall 1989 Revenue Sources Book

"The fall in oil production means that the inevitable decline in the huge Prudhoe Bay field has started sooner than we predicted ... This forecast assumes that production from the Prudhoe Bay field will continue to fall steadily, and will drop to less than half its present level in less than 10 years."

"Some observers may believe that exploration will discover another Prudhoe Bay. Prudhoe Bay is the largest oil field in North America, and finding such a 'supergiant' is extremely rare."

"The State of Alaska is standing on a precipice. Only a combination of budget cuts, more efficient programs, and new revenues will keep the State from falling a long way ..."

"The decline in production from the Prudhoe Bay field is a central issue for Alaska ... The decline in Prudhoe Bay production is now expected to be much more rapid than assumed in our Spring forecast."

Spring 1990 Revenue Sources Book

"The bad news for Alaska's revenue outlook is that oil production is falling (the second year in a row) and Trans Alaska Pipeline tariffs are going up. Expensive repairs to the pipeline will raise the cost of shipping Alaskan oil and reduce the wellhead value on which our taxes and royalties are figured ... We need to confront the fact that Alaska's oil production in a dozen years will be one-fourth the present level. Unless production increases four fold, or the price for oil quadruples (to $80), we are at the precipice ... The decline in production from the Prudhoe Bay field is a central issue for Alaska."

Fall 1990 Revenue Sources Book

"The success of recent projects to increase production from all existing North Slope oil fields, and the prospect of new production, will postpone serious decline in Alaska production for a couple more years. However, barring discovery of new reserves, production will begin to fall dramatically. This forecast assumes that production will fall to half of current levels within 12 years ... Statewide oil production is expected to decline 10% to 12% through 1995 and 50% by the year 2003."

Fall 1991 Revenue Sources Book

"Oil production from the North Slope continues to decline as the mammoth Prudhoe Bay field and the other smaller fields are depleted. This problem is not going away and the farther the decline curve is projected into the future, the bigger the problem becomes."

Spring 1992 Revenue Sources Book

"The long-term revenue outlook is dominated by the depletion of petroleum reserves of the Prudhoe Bay oil field ... Despite the start of the irreversible decline at the Prudhoe Bay field this year, continued success in reservoir management in all fields will hold statewide production decline throughout fiscal year 1995 to less than 9% total (3% per year)."

Fall 1993 Revenue Sources Book

"Summer maintenance on the North Slope, installation of the GHX-2 facility at Prudhoe Bay and the start-up of the West Beach, Point McIntyre and North Prudhoe Bay State fields have slowed the decline of ANS production ... Field enhancement, the addition of three new North Slope satellite oil fields and the prospect of a commercial find in Cook Inlet should keep the decline in Alaska production from four to five percent per year through 1999."

Spring 1994 Revenue Sources Book

"The Prudhoe Bay field, which accounts for two-thirds of Alaska statewide production, is in irreversible decline."

21.

"With Prudhoe Bay in Decline, What's Next for Alaska?"
Aug.3, 1992

OIL&GAS JOURNAL
International Petroleum News and Technology

WITH PRUDHOE BAY IN DECLINE, WHAT'S NEXT FOR ALASKA?

By James M. Davis (Senior Vice President for Exploration and Land) & Jerry R. Pollock (Manager, Prudhoe Bay Engineering) of ARCO Alaska, Inc.

August 3, 1992

Anchorage

Almost every day, it seems, someone is mentioning Prudhoe Bay-its development activities, the direction of its oil production, and more recently its decline rate.

Almost as frequently, someone is mentioning the number of companies abandoning exploration in Alaska.

The state faces a double-edged dilemma: decline of its most important oil field and a diminished effort to find a replacement for the lost production.

ARCO has seen the Prudhoe Bay decline coming for some time and has been planning for it. We have reduced staff, and ARCO and BP Exploration are finding cost-effective ways to work more closely together through such vehicles as shared services.

At the same time, ARCO is continuing its high level of Alaskan exploration.

This article will assess the future of Prudhoe Bay from a technical perspective, review ARCO's exploration plans for Alaska, and suggest what the state can do to encourage other companies to invest in this crucial producing region and exploratory frontier.

THE PRUDHOE DECLINE

By any definition, Prudhoe Bay is declining and will continue to decline.

Our calculations show the field decline rate will average 8-10%/year through the year 2000. Year to year the rate may be more or less than 8-10% because projects such as the GHX-2 gas handling facility will serve to offset the field's natural decline.

To accountants, Prudhoe decline began during 1988 when the field was no longer able to make its maximum allowable rate of 1.5 million b/d of oil. To engineers, the decline began long before that.

When Prudhoe first met its maximum allowable production rate in 1979, it took only 218 wells to produce 1.5 million b/d. By 1988 it took 916 wells -- some producers, some injectors -- to produce the same amount. Well production had declined by a factor of four, dropping from 7,000 b/d/well initially to less than 1,700 b/d/well.

In other words, to keep production up, the number of wells had to be quadrupled. Between 1979 and 1988, 700 wells were drilled at a cost, including related facilities, of more than $3.5 billion.

Facility and basic infrastructure improvements also were made, costing about $9 billion. This includes installation of the central gas facility and the seawater treatment plant.

These outlays were in addition to an original $9 billion invested to put Prudhoe Bay on line. Investment to date in Prudhoe totals about $22 billion.

Investment in new wells, facilities, and infrastructure enabled Prudhoe to produce at 1.5 million b/d of oil for 9 years -- 3 years longer than originally forecast, longer than anyone ever thought possible.

FINITE RESERVES

Unfortunately, adding more wells can't keep the oil production rate up forever. We're already past the point where drilling can stave off a falling oil rate. Oil reserves are finite.

Today it takes 1,100 wells, each averaging about 1,200 b/d, to make the current field rate of 1.3 million b/d of oil.

The cost of drilling these wells has not gone down, but production benefits have. That's why we are trying so hard to control costs and to recognize and account for those costs we cannot control -- such as taxes and regulatory compliance costs. All additional costs hurt future investment opportunities.

Water production, effectively nil for the first few years of field life, now exceeds 1 million b/d. By 2000, water production is expected to exceed 1.5 million b/d.

Gas production is more than three times what it was initially -- currently about 5.2 bscfd. GHX-1 helped raise the field gas handling capacity to that level. Following installation of GHX-2 in 1994, gas production will increase again, to 7.5 bscfd, enabling us to produce the higher GOR wells.

But there is an economic limit to adding facilities.

As the field matures, the production facilities reach their maximum capacities to handle produced water and gas. Wells with falling oil rates and increasing produced water or gas volumes have to be shut-in. Total field oil production drops.

The number of wells is going up, and the volumes of water and gas that have to be handled from each well are also going up. These are the three main items that tend to drive costs up in Prudhoe Bay.

Though field oil rates continue to fall, costs per barrel -- including capital investments and operating expenses -- keep on rising.

Profitability is being eroded by the effects of declining production. We are seeing more projects at Prudhoe that have marginal economic returns. We need to find more cost-effective means to do our work so we can keep investing in new projects to develop new reserves.

That's why we're sharing field services with our co-operator, BP Exploration, and why we've entered into an era of partnering with vendors and contractors.

INVESTMENT PLANS

Future development investments fall broadly into four categories: enhancing productivity of existing wells, drilling additional development wells, expanding existing facilities to handle increasing amounts of produced water and gas, and improving and implementing technologies to enhance oil recovery.

Of the field's total production rate, about 85,000 b/d of oil results from ongoing remedial well work.

Each year for the next 5 years we plan 50 fracture jobs, 300 chemical treatments, 200 nonrig workovers, 85 rig workovers, and 35 sidetrack replacement wells. Well work is expected to cost about $600,000/day for the next 5 years -- about $1 billion for the period.

In development drilling, 250-400 additional wells are planned for Prudhoe Bay field through the end of this decade, costing a total of $1-1.5 billion. Currently there are three development drilling rigs working in Prudhoe, and we hope to sustain this level of activity through 2000.

This level of development drilling is expected to increase field recovery by about 175 million bbl.

Prudhoe Bay field's first major gas handling expansion project, GHX-1, was installed in late 1990. By yearend 1990, GHX-1 was contributing about 100,000 b/d of oil to the field rate. Additional GHX-1 gas compressor upgrades remain in progress.

Field production did not increase 100,000 b/d in 1991 when compared with 1990. The field rate was essentially flat year to year. GHX-1 with its 100,000 b/d additional rate merely offset the decline from the rest of the field.

Our largest project under way is the second major phase of gas handling expansion, called GHX-2.

This $1.4 billion project enables wells that are producing high gas volumes to continue producing oil. In addition, GHX-2's gas handling process is designed to recover natural gas liquids from produced gas. The NGLs will be shipped by the pipeline and sold along with the oil.

GHX-2 is also expected to contribute 100,000 b/d of production by 1995, again helping to offset the 8-10%/year field decline.

Taken together, GHX-1 and GHX-2 are expected to boost field recovery by about 800 million bbl over the life of the field. Work on GHX-2 has begun at Prudhoe Bay.

EOR work received a boost recently when the Alaska Oil and Gas Conservation Commission approved the operators' request to double what already is the world's largest miscible injection EOR project. Planned expansions will increase recovery by 150-220 million bbl. Facility modifications being implemented with GHX-2 are an integral part of these projects.

These four projects -- well work, drilling, GHX-2, and EOR -- total $3.54 billion in planned investments during the next several years. We hope that more projects can be added to this list over time.

FUTURE PRODUCTION

Prudhoe Bay was found with 22 billion bbl of oil in place. Recovery of 9.6 billion bbl of oil from the field was initially forecast back in 1977.

However, continued development has increased expected recovery to more than 12 billion bbl of oil.

We've already produced about 7.5 billion bbl of oil, leaving about 4.5 billion bbl of reserves and 10 billion bbl in place as a target for the future, an incentive for new projects and improving technology. Still, investment decisions are getting tougher.

With the reality of Prudhoe's declining production, sustaining Alaska's oil production and revenues will require opening up new fields and new areas for exploration.

New reserves need to be brought on line on the North Slope if the TransAlaska Pipeline's rate is to be maintained.

New fields would help Prudhoe Bay by lowering transportation costs from where they otherwise would be -- and perhaps even extend Prudhoe's productive life.

EXPLORATION OVERVIEW

For these reasons, and in view of the fact that more than 85% of the state's income comes from royalties and taxes on oil production, it is disturbing to see that the Alaskan rig count ended 1991 at its lowest level in 17 years. There is not much promise of improvement in 1992.

If Alaska and the Alaskan oil industry are to remain healthy over the long term, we must continue to explore for new sources of oil -- and we must be successful.

In terms of exploration, ARCO plans to spend $600 million in Alaska during the next 5 years. In 1992, we expect to see 15-25 exploration wells drilled in the state, with ARCO participating in 75-80% of them.

In Cook Inlet last year, ARCO and its partner Phillips Petroleum Co. announced an oil discovery at the Sunfish prospect. A jack up rig is drilling a follow-up well to further evaluate the discovery.

Last winter ARCO operated five drilling rigs on exploration prospects, the most activity of any company in Alaska.

This included the BLT well north of Anchorage, which found natural gas but did not flow at commercial rates -- a real disappointment to us. The BLT was a unique well for Alaska in that the mineral ownership included private land.

The local economy benefitted from 37 local people who were employed at the rig site and more than $1.5 million spent locally for services and supplies.

ARCO and partners also drilled the Cabot prospect in federal waters off Barrow, the third western Beaufort Sea exploratory well.

We recently completed a four well exploration program in the Colville area, west of Kuparuk on the North Slope.

ARCO has completed negotiations in putting together a group of companies to drill an exploratory well this summer at the Kuvlum prospect in the eastern Beaufort. ARCO will hold the largest interest in the group of six companies.

ARCO is the only company active in the interior basins. We have an agreement with Doyon in the Nations River basin, near the Canadian border, where we have completed extensive geological studies and seismic and other geophysical studies.

We are researching new drilling systems for work in this area that are less costly and have less impact on the environment. We are looking for a partner to help us drill the prospects that have been identified.

This exploratory activity is aimed at preserving ARCO's future in Alaska.

COMPETITION NEEDED

Other oil companies, including many that do not have production in Alaska, have announced in recent months they are giving up their exploration efforts in the state and intend to invest their exploration dollars in foreign countries.

This is disturbing news because it is in both the state's interest and ARCO's interest that Alaska maintain an aggressive exploration program, with a vigorous service industry supporting it.

Why does ARCO want competition in Alaska?

First: Given the high cost of exploration and the low chance of commercial success, we need partners to share the risk. Onshore, it costs $5-10 million to drill a single well. Offshore, the cost can range from $20 million to $50 million or more.

The only way to stay within a reasonable budget and still participate in a significant number of wells is to team up with other companies.

Second: Because of the way land is traditionally leased, in relatively small blocks, companies must form partnerships to create a leasehold large enough to justify an exploratory well.

While we need such partnerships, coming to agreement on when a well will be drilled, and how costs and production will be shared, is difficult, especially if the companies have differing views of Alaska.

Third: A single company cannot alone support a viable service industry.

Now to a key question: Why is Alaska, like the U.S. in general, losing the battle for exploration capital?

Uncertainty over taxation and regulation is one of the reasons the industry is exploring less in Alaska and the Lower 48 and investing those dollars overseas.

Lack of access to land -- in particular large blocks of land -- is another.

And in Alaska the lack of exploration success on the Outer Continental Shelf is yet another reason.

Industry has spent $10 billion exploring the Alaskan OCS through 1990, including 75 dry holes. More than $6.5 billion of that went for lease sale bonuses and rentals. Only $3 billion went for actual drilling costs.

The majority of companies conducting Alaskan OCS exploration have had little participation in onshore drilling.

Given the record of dry holes offshore, it should come as no surprise that these companies are reassessing their positions and looking elsewhere.

AIRCO'S PLANS

Why isn't ARCO taking its exploration dollars out of the state?

Two good reasons: We are exploring onshore as well as offshore. And we have had exploration success.

Since the late 1980s we have had an exploration program balanced between the onshore and the offshore. With the lack of success in the OCS, ARCO, unlike some of its competitors, was able to easily redirect efforts onshore.

Over the past 4 years, ARCO has invested more than 250 man-years in basic regional studies of Alaska. This summer marks the 37th consecutive year that ARCO has had geologic field parties in Alaska. No other company matches that record.

We believe these investments give us an edge over our competitors. This understanding has led us to aggressively invest in both state and federal acreage.

In addition, our people live and work in Alaska and are able to communicate routinely and in a timely way with state agencies. But the most important reason ARCO maintains an aggressive exploration program in Alaska is that ARCO has had exploration success.

We made the discovery at Swanson River in 1957 that helped achieve statehood for Alaska. We also discovered the Prudhoe Bay, Kuparuk River, Lisburne, and Point McIntyre fields. Last fall we announced the Sunfish discovery in Cook Inlet.

We believe that Alaska offers a resource base that is as prospective as anywhere in the world, especially in view of continually evolving technology. If we didn't, we would not be Alaska's most active explorer.

COMPETING COUNTRIES

But Alaska competes with countries that offer a business environment compatible with the exploration process and that encourage exploration.

Those countries grant concessions on large contiguous blocks of acreage. Exploration rights are valid for a period appropriate to the process. Stipulations are known up front, including terms of operations, environmental requirements, and development requirements.

In addition, partnerships are known ahead of time as they are developed prior to joint bidding for the concessions.

Of course there are work requirements. But no company bids on these types of concessions unless it plans to conduct activities.

So what can the state do to reverse the trend to overseas investment?

For one thing, the state must be a strong advocate of a stable and truly area-wide OCS lease sale program in Alaska.

The state should also support the opening of the Arctic National Wildlife Refuge Coastal Plain -- not only for the bonuses it would receive but also because a good discovery in ANWR would also justify construction of a pipeline to connect with the TransAlaska Pipeline and perhaps open up added opportunities.

The state also must do more to entice explorers back to Alaska and onshore. While the state has done a good job in allowing access to state lands and has provided reasonable stability in administrative processes, there is room for improvement.

We see a continual escalation of permitting requirements. Each additional permit is more stringent in its stipulations.

The value of this escalation is doubtful, both from an environmental perspective and certainly from a cost/benefit viewpoint. As an example, it recently took 3 years to permit a new drill pad in Kuparuk field.

There is also opportunity to streamline the permitting process. More than time is lost in the maze of paperwork. ARCO employs 35 people full time, and others spend part of their time to handle the permits required to drill about a dozen exploratory wells each year, as well as for development projects. If some of those people could be redirected to identifying exploration prospects, we could have a much better chance of finding the reserves that both Alaska and ARCO need.

EXPLORATION UNITS

Another way the state could help is in actively encouraging the formation of exploration units.

The exploration unit concept is a powerful way for the state to level the playing field in competition with other countries. It allows the combining of tracts with different expiration dates and different owners into a unit held together beyond individual lease expiration dates, as long as expected work is done.

We see the current process of forming units becoming more burdensome. What should take a week for administrative review by the state is now taking many months.

We are happy to hear that the state is now considering a form of the concession arrangement. The state and native corporations could and should work together in the interior basins to offer large blocks of land for exploration.

The completion of the state's land selections, which the Department of Natural Resources has identified as a top priority, offers a unique opportunity to aid the exploration process.

Lands can be selected to preserve access to prospective oil and gas resources and for transportation corridors for pipelines, if exploration is successful.

It would be difficult to restore Alaska to previous high levels of exploration activity. But with these improvements, the state can at least stem the tide of retreating exploration dollars.

Such new life to Alaskan exploration is essential as production from the old giant Prudhoe Bay continues its long, steady decline.

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22.

Testimony to U.S. Senate by Kevin Banks, Director, Division of Oil & Gas May 10, 2011

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NEW DEVELOPMENTS IN UPSTREAM OIL AND GAS TECHNOLOGIES

HEARING

BEFORE THE

COMMITTEE ON ENERGY AND NATURAL RESOURCES UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

TO

RECEIVE TESTIMONY ON NEW DEVELOPMENTS IN UPSTREAM OIL AND GAS TECHNOLOGIES

MAY 10, 2011



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APPENDIXES

APPENDIX I

Responses to Additional Questions

RESPONSE OF KEVIN R. BANKS TO QUESTION FROM SENATOR BINGAMAN

Question 1. As a regulator for Alaska—do you feel that there are adequate safety and oil spill prevention and mitigation technologies available for E&P operators and drillers in the advent that a blowout or some other type of oil spill should occur onshore in arctic areas?

Answer. Since the Exxon Valdez oil spill, oil spill response planning and equipment staging and availability have improved dramatically. As a direct result of the State's oil spill response program outlined in AS 46.04.200, the Alaska Department of Environmental Conservation, (ADEC) develops, annually reviews, and revises, as necessary, the State Oil and Hazardous Substance Contingency Plans (Unified Plan and Subarea Contingency Plans). These plans address all oil and gas related contingency planning activity in the state. The Unified plan is a coordinated and cooperative effort by government agencies and was written jointly by the Alaska Department of Environmental Conservation, the U.S. Coast Guard and the U.S. Environmental Protection Agency. The Unified Plan is then divided into 10 Subarea Contingency Plans (SCP) that concentrate on issues and provisions specific to that region or subarea.

As identified in the Unified Plan, ADEC, as the State of Alaska's lead agency for responses to oil and hazardous substance spills, has developed a network of response equipment packages positioned in at-risk areas throughout the state.

ADEC also requires that all municipalities, operators of facilities and private owners be able to respond to spills and must itemize all spill response equipment required in their respective spill response contingency plans. Through the Unified Plan and the Subarea Contingency Plans, the ADEC has a comprehensive list of spill response equipment available to be deployed throughout the state.

In the North Slope subarea specifically, BPXA, ConocoPhillips Alaska and other companies operating in the North Slope oilfields have a substantial amount of spill response equipment, as identified in their respective contingency plans. In the event of a spill in this area, the industry spill response cooperative, Alaska Clean Seas, would provide much of the required response equipment and personnel. Industry equipment would also be utilized, especially when the company is identified as the responsible party for the spill.

While appropriate response equipment is staged throughout Alaska and the North Slope, due to its vastness and sometimes extreme weather conditions, there is always the logistical challenge of getting the right piece of equipment to the right location at the right time.

RESPONSES OF KEVIN R. BANKS TO QUESTIONS FROM SENATOR MURKOWSKI

Question 1. As you are aware, there has been a strong effort to find new sources of oil to keep the Trans-Alaska Pipeline System operating at sound levels. With Prudhoe Bay, Alaska has a super-enhanced oil recovery operation because so much gas is being re-injected into that huge field.

a. Can you address how Prudhoe was originally estimated to be maybe one third its size or less, and how much greater the recovery has been as technology has advanced?

Answer. A reference to Alaska Department of Natural Resources (DNR) report from January 1982—TAPS start up was June 1977—estimated that the Prudhoe

Bay, Sadlerochit reservoir in 1980 contained 7.8 billion barrels of recoverable oil. (DNR January 1982. Historical and Projected Oil and Gas Consumption) The most recent report published by DNR says that by the end of 2009, the Prudhoe Bay Unit produced 12.6 billion barrels of oil and still had remaining reserves of 2.4 billion- a total of 15 billion (DNR 2010 Annual Report). Total production to date from all of the fields on the North Slope exceeds 16 billion barrels.

This growth of the Prudhoe Bay field over time can be attributed to two causes: technological advances in recovery methods, and the fact that as drilling progresses, additional reserves were added with discovery and development of over-and underlying horizons, and around the periphery of the field.

Question 1b. Can you describe the progress that has been made, through the use of modern technologies, in shrinking the footprint for drilling areas, roads, and other facilities?

Answer. In my written submission to the committee I provided several examples that show how the drilling technologies, including especially the use of extended reach drilling has significantly reduced the size of drill sites on the surface and the number of drill sites required to reach the oil reservoirs underground. To illustrate the point, one of the earliest drill sites built in the in the 1970's at Prudhoe Bay (DS-1), covered 65 acres of tundra. Well spacing, the distance between the well heads on the site, was 160 feet. Each early Prudhoe Bay drill site could accommodate 25-30 wells. These wells could be deviated from vertical only about a mile.

The Alpine field (the Colville River Unit) is a recent example of how far the technology has advanced to reduce the industry's onshore footprint. The typical Alpine drill site is only 13 acres and supports 54 wells. Extended reach drilling means that the wells can reach four miles from vertical and intercept 50 square miles of the reservoir from a single location on the surface. Alpine is also the first oil field on the North Slope that is not supported by a year-round road. During the winter, the operator builds an ice road to the central Alpine facility and equipment is staged there for summer work. Operations during the summer months are supported by air.

Question 2. Is it fair to say that the technologies born in Alaska have grown out of necessity? In other words, has the combination of strict environmental laws and the economic considerations of not wanting to drag many new rigs and new equipment that great of a distance caused a natural inclination to make the most of seismic data, shrink footprints, reach further from one pad, and try to squeeze as much from one well as possible?

Answer. Yes, it is fair to say that these technologies have been born out of necessity. We would add that the driving forces behind technological advancements reflect regulatory insistence and industry commitment to maximize economic benefit and recovery while minimizing the development footprint. It has been necessary to engineer the development of smaller fields at reduced costs, adopting more innovations to increase recovery efficiency, both at the level of individual wells and entire fields.

The fact that the in-place oil volumes in several of the North Slope's largest fields (Prudhoe Bay, Kuparuk, and the various heavy oil reservoirs) are so enormous means that the economic return associated with increasing total recovery by even 1-2% is worth major investments in new technologies that make that additional recovery feasible. On the other hand, many of the North Slope's smaller fields face major economic challenges that were mitigated in large part by technological advances and efficiencies that originated in the giant fields nearby.

The following are examples of some of the many technologies that have been created or refined in developing the major oil fields of the North Slope:

Technology	Impact
Extended reach drilling	Dramatically fewer surface pads needed to access reservoir.
Horizontal/designer wells	Improves reservoir drainage relative to vertical wells.
Coiled tubing drilling	Reduces noise, fuel consumption, emissions, cost, surface area.
Multi-lateral drilling	Drains more of reservoir per surface well location.
Grind-and-inject	Zero surface discharge of drilling wastes.
Reservoir modeling	Models oil-in-place, drainage, injection, pressure, etc. in 3-D over time.
WAG, MWAG, MI, etc.	Enhanced oil recovery methods, beyond simple waterflooding.
Gas cap water injection	Stabilizes reservoir pressure, increasing oil recovery.
Gravity survey surveillance	Monitors movement of reservoir fluids over time.
3-D and 4-D seismic	Sharper imaging of reservoir compartments, fluid movements, etc..
BrightWater EOR treatments	Improves waterflood efficiency by blocking off thief zones.
Low-salinity water injection	Liberates oil molecules bound to clay particles in the reservoir rock.
Heavy oil extraction methods	Several different methods in development to enhance recovery, depending on reservoir temperature, oil viscosity, etc..

a. Would the other witnesses like to comment on the Alaska experience and how it's allowed operations elsewhere to advance?

Question 3. Some have suggested that the Trans-Alaska Pipeline System is perfectly capable of operating soundly until mid-century, even with no access to federally controlled oil deposits. As one of the State's leading oil experts, can you describe the throughput decline of TAPS and what it will take to maintain its operation through that point in the future?

Answer. TAPS was originally designed to move about 1.5 million barrels per day. Throughput peaked at 2.03 million barrels per day in 1988-a rate achievable with the application of drag reducing agents and other improvements. Throughput has declined in all but two years since 1988. Current throughput is about 0.6 million barrels per day. Most forecasts show continued decline into the future.

The TAPS line has already begun to be impacted by lower throughput. During the shut-down in January 2011 (leak at Pump Station No. 1), there was concern about being able to restart the line due to the temperature. TAPS will have some material operational issues as the flow rate reaches 0.3 million barrels per day. The operational issues are primarily related to the temperature of the crude as it moves through the pipeline. With less flow and without mitigating investments, the temperature may fall below 32 F. Lower temperatures may allow ice to form inside the pipeline that could damage equipment and cause possible frost heaving on buried sections of the pipeline route. Lower temperatures will also lead to more build-up of wax on the inside of the pipeline, and increase the viscosity of the crude moving in TAPS.

More than 99% of TAPS throughput comes from fields on State or Native lands or from State waters. Production from Federal lands and the OCS today amounts to less than two thousand barrels per day.

With the exception of development of the heavy oil resources known to exist around the Prudhoe Bay, Kuparuk, and Milne Point fields, and potential resource plays (like the Bakken in North Dakota) that may exist on the North Slope on State controlled lands, the natural field declines cannot be replaced without access to production from Federal lands and the OCS. There are no known conventional resources on State or Native lands that are likely sufficient to replace the decline in the existing production rates.

Conoco-Phillips and Anadarko want to expand the Alpine field by developing a new drill site (CD-5). New production would come from State, Native, and Federal lands (~60 miles west of TAPS). This development is on hold awaiting permits from the Corps of Engineers to allow construction of a bridge over the Colville River. The permit was first requested in 2005. Development in the National Petroleum Reserve Alaska (NPRA) can only proceed once the Alpine bridge over the Colville River is complete. Thankfully, the Administration has proposed having lease sales in the NPRA annually. We hope that these sales will be accompanied by a willingness of federal agencies to allow permits for development (e.g., CD-5 project) and that lands with high resource potential (e.g., north of Teshekpuk Lake) can be made available for leasing with appropriate environmental safeguards.

There are current plans to develop an oil and gas field on State lands at Point Thomson (Miles east of TAPS). Development at Point Thomson has also been delayed due to Corps of Engineers permitting issues. Development of resources at Point Thomson would extend the feeder lines for TAPS about 30 miles east of the Badami field. This would lessen development costs and could lead to development in this relatively unexplored area. It is also at the boundary to ANWR and the 1002 area.

Question 4. Can you talk about the new technologies we're hearing about in terms of allowing for development of an area where the law doesn't currently allow for conventional access? In other words, are there applications for this technology that would provide an opportunity to extract resources from the 1002 area subsurface without having any permanent or significant impacts on the surface area?

Answer. Although it remains unclear how far, if at all, the Sourdough or Pt. Thomson reservoirs discovered on State leases near the Canning River delta might extend beneath the 1002 area, there is the potential that extended reach drilling could at least partially develop these reservoirs. Without more detailed subsurface data on these and other prospects along ANWR's western border and along the coastline adjacent to state submerged waters, it will not be possible to accurately evaluate how much of these reservoirs would benefit from extended reach drilling techniques. Three-dimensional seismic acquisition and near-vertical exploration and delineation drilling would have to occur inside the 1002 area. These activities can be conducted in the winter with zero or minimal permanent surface impact. Allowing these activities would help answer the question of whether how much oil extended-reach production wells drilled from outside ANWR would be economically viable.

RESPONSES OF THOMAS DAVIS TO QUESTIONS FROM SENATOR BINGAMAN

Question 1. Are there recent advances that will help reduce the footprint of seismic activities in environmentally sensitive areas, both in terms of active seismic data acquisition and passive?

Answer. Yes, major advances have occurred with the advent of wireless seismic technology and increased sensitivity and numbers of seismic sensors. Wireless recording systems now leave only human footprints in terms of placement of recording systems. The weight and power consumption of these wireless recorders is such that a person can carry several devices and plant them in environmentally sensitive areas provided they are accessible to humans. There has been recent experimentation with dropping these devices from helicopters as well, but retrieval remains an issue. These devices can record up to a month without being serviced. They contain GPS receivers and the clocks in the devices are synchronized and are highly accurate. The devices can be placed in active recording mode to record generated sources from hydraulic vibrators, weigh drops, or dynamite, for example. They can also be placed in continuous recording mode when the intention is to record passively the natural seismicity or induced seismicity, for example, from drilling or completion operations.

Question 2. Have there been any recent advances in downhole seismic instrumentation that allows an operator to see further into the formation from the wellbore to areas that may not have been adequately imaged using conventional 2-or 3-Dimensional seismic data?

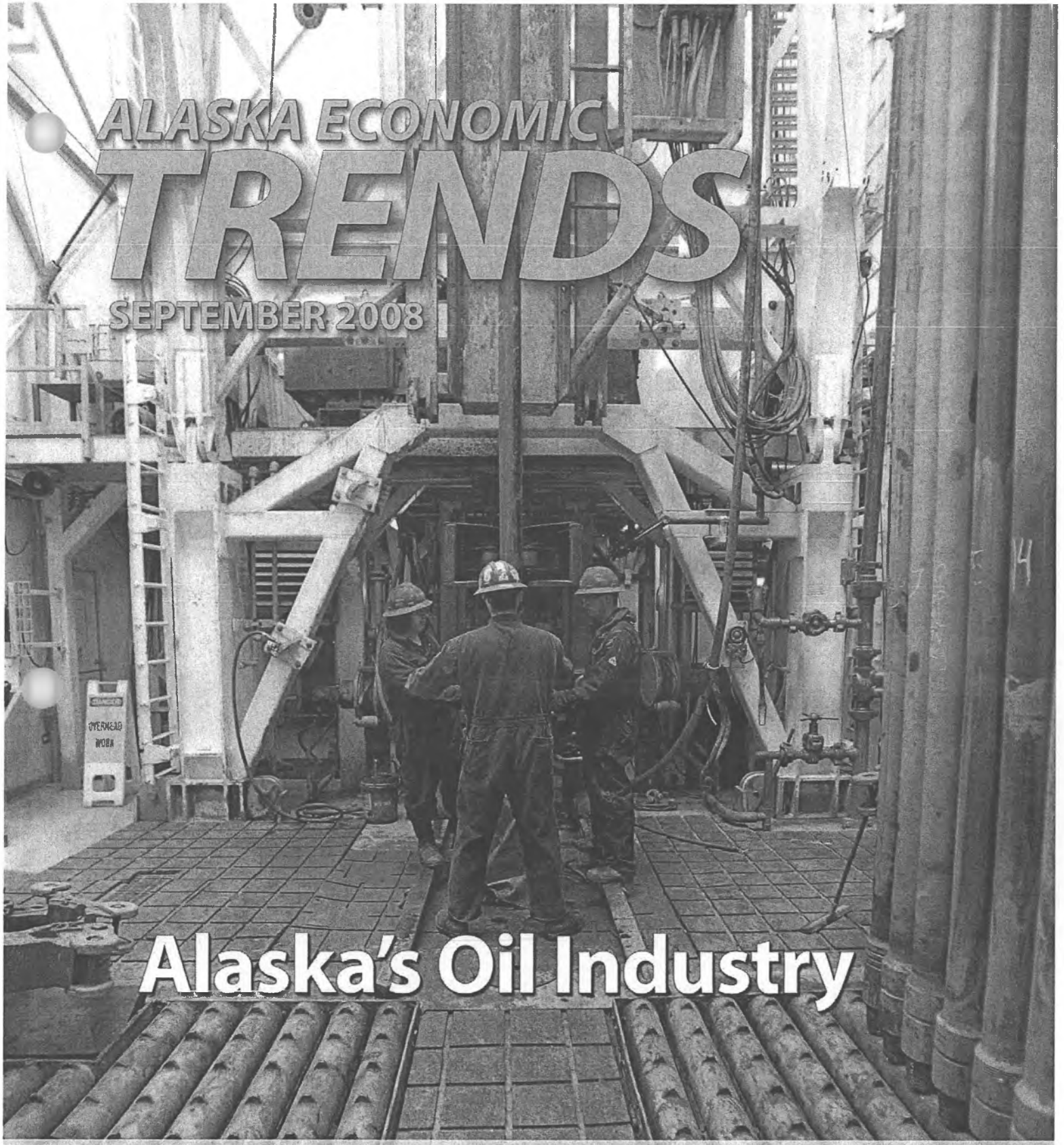
a) Or to areas that cannot be accessed at the surface due to environmental sensitivities?

b) In other words, is there a borehole version of conventional seismic?

Answer. Yes, major advances have occurred in downhole seismic recording technology as well. We have developed capabilities to record with borehole arrays of receivers spanning different intervals and within different wells. The closer we can

23.

Alaska Economic Trends: "Alaska's Oil Industry" Sept. 2008



ALASKA ECONOMIC TRENDS

SEPTEMBER 2008

Alaska's Oil Industry

WHAT'S INSIDE

Employment Scene
Two economic indicators, two different storylines

ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT
Sarah Palin, Governor
Commissioner Click Bishop

ALASKA ECONOMIC TRENDS

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Brynn Keith, Chief
Research and Analysis

Susan Erben, Editor
Sam Dapcevich, Graphic Artist

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Cover: Workers are shown in August on Pioneer Natural Resources' Nabors Rig 19AC in the Beaufort Sea, five miles from shore in about five feet of water. The rig is part of Pioneer's Oooguruk project, which entailed building a gravel island, according to Pioneer officials. The company, with its minor partner, Eni Petroleum, made North Slope history when it finished the $500 million-plus project in June. That made Pioneer, whose headquarters are in Dallas, the first independent oil company to operate a producing oil field on the North Slope. Photo: © Judy Patrick Photography

Alaska's Oil Industry 4
Producing a third less oil but providing a record number of jobs

Employment Scene 15
Two economic indicators, two different storylines

Trends Authors



Neal Fried, an Alaska Department of Labor and Workforce Development economist in Anchorage, specializes in the Anchorage/Mat-Su region's employment, wages and the cost of living. To reach him, call (907) 269-4861 or email him at Neal.Fried@alaska.gov.



Dan Robinson, a Department of Labor economist in Juneau, specializes in statewide employment and wages. To reach him, call (907) 465-6036 or email him at Dan.Robinson@alaska.gov.



Alaska's Resources Provide Economic Opportunity

By Governor Sarah Palin

Alaska's natural resources have painted our past and present economic landscape, and our future depends on wise management of Alaska's resource bounty.

Currently, oil revenues provide 88 percent of the state general fund. Thanks to oil revenues, wise Alaskans created the Permanent Fund that has returned about $15 billion in dividends to Alaskans.

Energy generates more than a quarter of the state's gross state product and its riches trickle down through every pocket of the state's economy. Yet the energy industry employs only 4 percent of Alaska's workers, even with a 34 percent growth since 2000 to about 12,000 jobs in June 2008.

Most of Alaska's oil jobs are concentrated in the industry's production and management centers. More than half, 58 percent, are employed on the North Slope, followed by 21 percent in Anchorage. Of the remainder, 10 percent are on the Kenai Peninsula, 7 percent in the Fairbanks North Star Borough, 2 percent in Valdez and 2 percent elsewhere in the state.

Last November, with the hard work of our Legislature, we adopted legislation that ensured a fair share of our oil's value for Alaska and Alaskans. With current higher oil prices, the state's revenue from oil taxes could reach $10 billion to $14 billion this fiscal year.

Our Legislature recently agreed that we must help Alaska families get through the tough winter ahead by sharing the state's oil resources with a one-time, special payment of $1,200 to each Alaskan eligible for the 2008 Permanent Fund Dividend.

But our longer-term prosperity will come from a gasline. With the Legislature's Aug. 1 decision to award the Alaska Gasline Inducement Act license to TransCanada, we can finally look ahead to bringing Alaska's natural gas from the North Slope to our homes, businesses and fellow Americans in the Lower 48.

We are one of the most resource-rich regions in the world. Yet, as we take advantage of our tremendous economic opportunities, we must address the large percentage of nonresidents and an emerging workforce skills gap as a high number of workers approach retirement.

The Alaska Department of Labor and Workforce Development's AGIA Training Plan is a roadmap that will help enhance Alaska's existing training programs so that Alaskans are provided opportunities to acquire or upgrade skills in preparation for gasline jobs. This time we won't rely on imported workers.

Strong partnerships are being created – within state government between the Department of Labor, Alaska Department of Education and Early Development and the entire University of Alaska system, along with other training providers, business and industry. Our efforts have resulted in numerous system improvements, including construction academies in a number of communities that train both Alaska youth and adults for jobs in the construction industry, expansion of the allied health and engineering programs at the University of Alaska, and the Alaska Career Ready Program in the Department of Education and Early Development.

We will continue our efforts to fund vocational, career and technical education that begins in our schools, relevant job training and apprenticeship opportunities to mentor new workers, among other critical needs.

Our natural resources – including our human resources – must be responsibly developed to ensure that Alaska's future is in capable hands.

Alaska's Oil Industry

By Neal Fried,
Economist

Producing a third less oil but providing a record number of jobs

There's little doubt that the discovery of oil in Prudhoe Bay transformed Alaska's economy far beyond anyone's imagination. With as much as a third of the state's current economic activity somehow tied to oil, it certainly deserves a prominent place on Alaska's economic stage.

Part of the prosperity of Alaska's oil industry is defined by the direct jobs it creates around the state. The number of jobs isn't large, but they're some of the most sought-after jobs in Alaska. They require a highly skilled work force and their wages are the highest in the state. Aside from the lure of big paychecks, oil industry jobs have a bit of romance to them too – the excitement of discovery and the brawny work environment.

All that might partly explain why many Alaskans are relentless in their efforts to create more opportunities in the oil industry, whether it's a new discovery, developing the Arctic National Wildlife Refuge or building a gas pipeline. However, this article will focus on past and current employment trends in the industry to explain why its work force reached record levels in 2008, 20 years after oil production peaked.

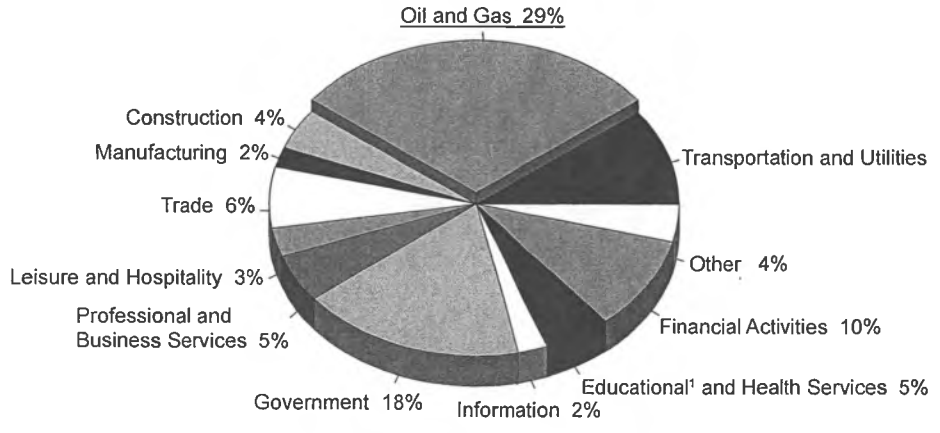
A relatively small employer with a big roar

Oil revenue makes up 88 percent of the state general fund's unrestricted revenue. The stream from oil revenue could reach $10 billion to $14 billion this fiscal year,[1] according to some estimates.

The Alaska Permanent Fund, made possible by oil, has dispersed roughly $15 billion in dividends since it began giving them in 1982. On a local level, the oil industry is often one of the largest property taxpayers. It generates more than a quarter of the state's gross state product.[2] (See Exhibit 1.) There are many other ways oil showers down on Alaska's economy as well.

But given all of that, the oil industry still isn't a very big direct employer.

1 A Large Slice of Alaska's Gross State Product
Alaska, 2006



[1]Private education only
Source: U.S. Department of Commerce, Bureau of Economic Analysis

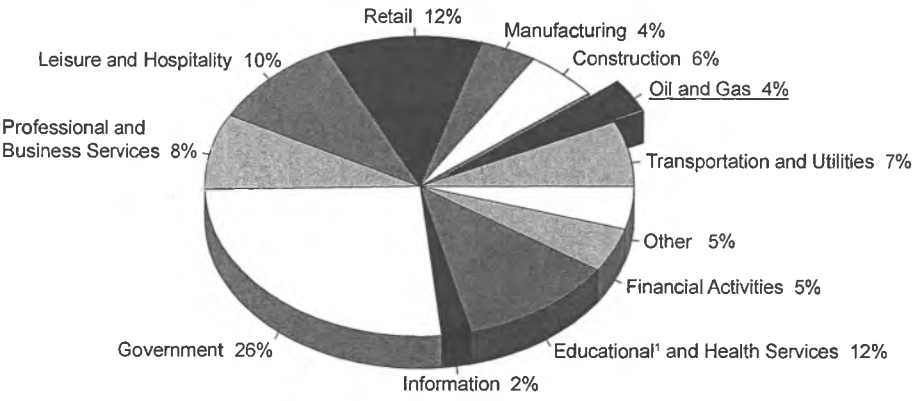
[1] The current fiscal year is fiscal year 2009, which runs from July 1, 2008, to June 30, 2009.
[2] Gross state product for Alaska is a measurement similar to the gross national product, though it's limited to the production that takes place within the state's borders. It's the sum of value added from all industries in the state.

In this article, direct oil and gas industry employers are defined as oil producers and oil field service companies – firms such as ASRC Energy Services, ConocoPhillips, CH2M Hill, Doyon Drilling, Peak Oilfield Services Company, Halliburton and Kuukpik Drilling. In technical terms, they fall into three groups: oil and gas extraction, drilling oil and gas wells, and support activities for oil and gas operations.[3]

Using that relatively narrow definition, oil and gas employment (referred to as oil industry employment for the rest of this article) in June stood at 12,600.

Oil Industry Employment – Small But Mighty 2

Alaska's wage and salary employment, 2007



[1]Private education only
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Those jobs represent 4 percent of all wage and salary employment in Alaska, based on 2007 average annual employment numbers. (See Exhibit 2.)

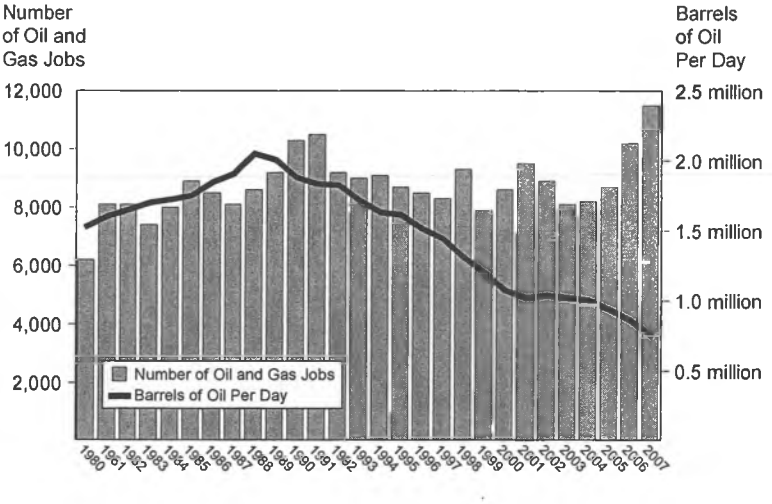
If the narrow oil industry employment definition were broadened to include pipeline transportation – mostly Alyeska Pipeline Service Co. – and petroleum refineries and other downstream operations, the share would be slightly higher.

Because the oil industry's average wage is more than twice the statewide average wage, its payroll impact is more impressive. Alaska's oil industry payroll in 2007 added up to $1.3 billon, which represented 9 percent of all wage and salary payroll. If pipelines and downstream operations such as refineries are included, the share grows to nearly 11 percent.

Another recent example of the oil industry's influence on wages is reflected in payroll growth. Between 2006 and 2007, the oil industry's payroll grew by 18.8 percent. The total state payroll grew by 5.8 percent, the largest increase since 2000.

Less Oil Production But More Jobs 3

Alaska, 1980 to 2007



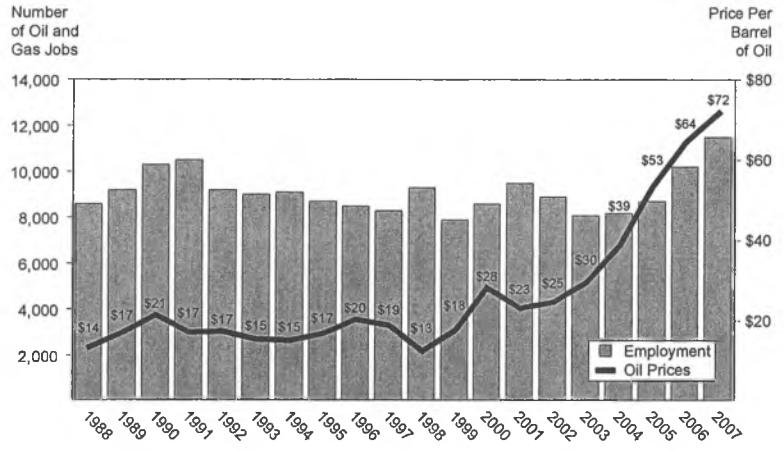
Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Department of Revenue, Tax Division

There are certainly thousands of other direct jobs that service the oil industry but aren't categorized as jobs with oil industry employers. Out of the more than 9,000 jobs in Prudhoe Bay in 2007, more than 1,500 weren't with oil industry employers.

For example, NANA Management Services is one of the larger employers in Prudhoe Bay. Its

[3] These are based on the North American Industry Classification System, or NAICS: 211, oil and gas extraction; 213111, drilling oil and gas wells; and 213112, support activities for oil and gas operations.

4 Oil Prices Impact Industry Employment
Alaska, 1988 to 2007



Source: Alaska Department of Revenue, Tax Division; and Alaska Department of Labor and Workforce Development, Research and Analysis Section

decade have had a powerful effect on employment levels.

Examples include the widespread use of horizontal drilling, ultra extended-reach drilling, 3-D and 4-D seismic surveys, drill bit sensors and other advancements that reduced the number of wells that need to be drilled.

According to the Federal Reserve Bank of Dallas, the national oil and gas industry was the leader in productivity gains throughout the 1990s and continues to be an above-average performer. In other words, the oil industry has been able to perform more work using fewer workers.

employment falls into the four categories of catering, accommodations, facilities management and construction.

Other direct jobs associated with oil industry activity but not categorized as oil industry employment include those for security, transportation, engineering and logistic employers, among others.

Alaska's oil industry employment first peaked in 1991

For most of the past 15 years, Alaska's oil industry employment levels have fluctuated from year to year, with an overarching declining trend accompanied by periods of recovery. (See Exhibit 3.) Oil production peaked in 1988, and shortly after that, oil industry employment peaked in 1991 at 10,700. It wouldn't be until 2006 that the 10,000 barrier would be broken again.

Nationally, oil industry employment had peaked nearly a decade earlier in 1982, a testament at the time to the relative youth of Alaska's oil industry.

Other factors aside from production levels and prices explain the changing size of the oil industry's work force, both nationally and in Alaska. Dramatic improvements in technology in the last

Therefore, a decline in employment – nationally and in Alaska – wasn't always tied to a decline in production. The major oil producers also increasingly began using contractors, consultants, outside suppliers and temporary workers to perform many tasks, instead of adding to their permanent staff. That meant that both gains and losses in the industry weren't always captured among the oil industry employers.

One of the largest contractions in Alaska's oil industry work force took place from 1991 to 1992. BP, along with other oil industry employers and contractors, went through a period of major restructuring and consolidation in response to declining oil prices. The downsizing cost the industry 1,300 jobs – a record one-year loss.

Weak oil prices and other factors buffeted the industry again in 1995, when Atlantic Richfield Co. made major cuts to the size of its work force.

By 1998, employment in Alaska's oil patch began to recover with the development of the Alpine, Tarn and Badami fields, the drilling at West Sak, and preliminary work at North Star, Liberty and other fields.

Oil prices plunged from nearly $19 per barrel in 1997 to $13 in 1998 and record job losses followed. (See Exhibit 4.) For the first time since 1983, Alaska's oil industry employment fell be-

low 8,000 and the losses reverberated throughout the state's economy.

Finally, in 2000, recovery kicked in and by 2001, oil industry employment reached a 10-year high, nearly 2,000 jobs higher than the industry's nadir in 1999. The near concurrent development of both the Alpine and North Star oil fields were the two major reasons for the upswing in activity. What gave the oil industry's employment numbers some extra loft was the construction of large oil modules in Kenai and Anchorage. Before that, they were built in the Lower 48 or overseas.

The year 2000 marked a historic event: Alaska's largest oil industry employer and discoverer of Prudhoe Bay, Atlantic Richfield, disappeared from the scene when it sold its assets to BP and ConocoPhillips. The sale was a signal to many observers that Alaska's oil industry was moving into its very "mature" stage of development, and – barring any major field discoveries, the opening of ANWR for exploration or construction of a gas line – the industry's employment trajectory was most likely on a permanent downward sloping curve.

Oil industry employment climbs to new record

The following four years appeared to reinforce that view. With most of the work completed on the North Star and Alpine fields, oil industry employment began to fall steeply in 2001 and then hover at the 8,000 level through 2004. What made that peculiar was the fact that the price of oil was recovering nicely from its 2001 low of $23 a barrel to $39 in 2004. Even so, it appeared as if Alaska's oil work force was entering an era of stagnation and enduring decline.

Finally, and possibly due to four years of above-average oil prices that by 2005 had more than doubled from the 2001 low, the oil industry began to stir again in 2005.

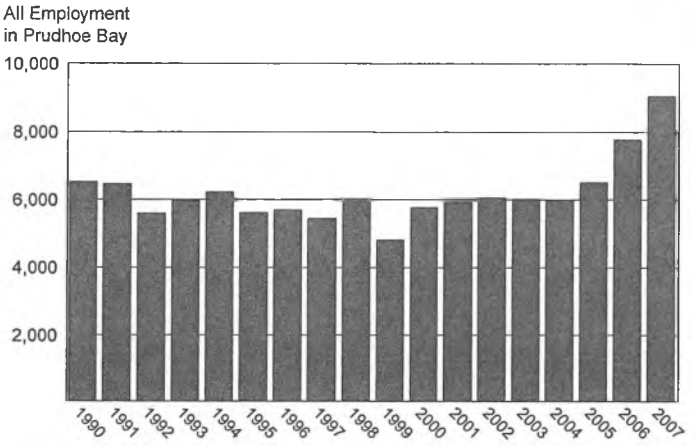
Unlike many earlier recoveries, this one wasn't tied to one or two projects. Instead, there were a lot of smaller ones: continued work on heavy oil in West Sak, an increase in the production of viscous oil, the repair of Prudhoe Bay production wells, work around Alpine, the building of new connecting pipelines, and the continued development of a number of satellite fields.

Then in early 2006, a section of BP's pipeline sprung a leak. It eventually turned out to be the largest oil spill in the North Slope's history.

Soon afterward, BP discovered additional corrosion problems, forcing the company to shut down the pipeline for a short period.

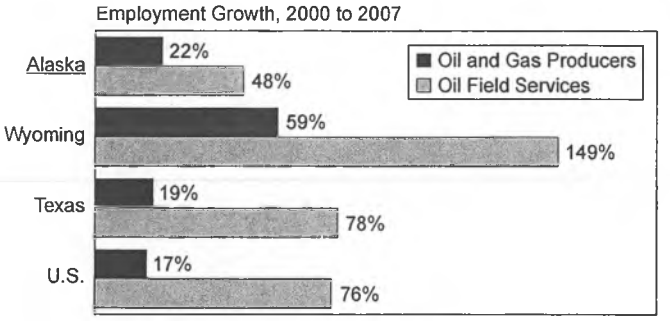
The spill and corrosion led BP to spend more than $260 million in 2007 and 2008 to replace 16 miles of pipeline in Prudhoe Bay and up-

Prudhoe Reaches New Heights 5
Prudhoe Bay employment, 1990 to 2007



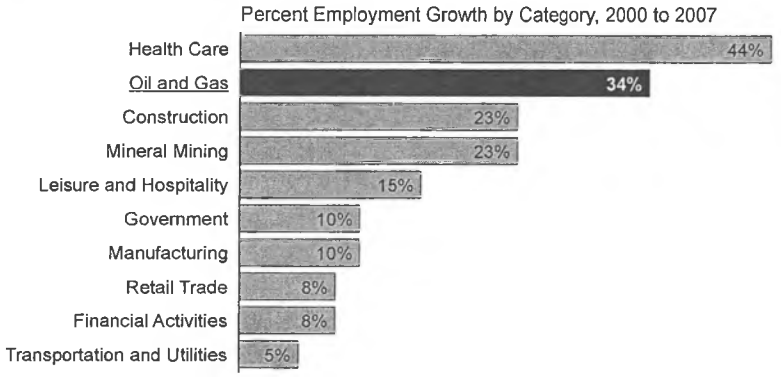
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Oil and Gas Job Growth 6
Selected states and the U.S., 2000 to 2007



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; Wyoming Department of Employment; and Texas Workforce Commission

7 Strong Growth Since 2000
Alaska, 2000 to 2007



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

grade the company's facilities. Undoubtedly, that helped turbo-charge Prudhoe Bay employment numbers in late 2006 and early 2007. (See Exhibit 5.)

In fact, the University of Alaska's statewide construction forecast for 2007 predicted that construction dollars tied to oil industry activity would grow by 30 percent, single-handedly keeping overall statewide construction spending in the black that year.

Oil-related construction represented 38 percent of all construction dollars in 2007, compared to 28 percent in 2004. In a similar vein, the Alaska Department of Revenue estimates that capital expenditures made by the oil industry on the North Slope nearly doubled between 2004 and 2007.

The growing list of independent producers and other new players was another contributing factor to the upswing in activity. Shell Oil, for example, returned to the state in 2005; the company brought two drilling ships to drill four wells in the Beaufort Sea in 2007. Shell's plans were shelved due to permitting problems, but the company continues to work on the project. It has also launched plans for other offshore drilling programs.

In fact, Shell was the largest bidder in the 2008 Chukchi lease sale that netted $2.7 billion, making it the highest lease bid in Alaska's history. The surprise wasn't just the dollar amount; it was also its location. The leases are 50 miles offshore and hundreds of miles from any onshore infrastructure. Such an investment could possibly be ushering in a new kind of oil development in Alaska.

Another example of a newcomer that's mixing things up in the industry is Pioneer Natural Resources. The company, with its minor partner, Eni Petroleum, made North Slope history when it finished the $500 million-plus development of its offshore Oooguruk project in June. That made Pioneer the first independent to operate a producing oil field on the North Slope.

Other independents, newcomers and companies that have returned to the North Slope are either pursuing development in Alaska or have plans to do so. Those include FEX, Brooks Range Petroleum, Pacific Energy Resources, Statoil-Hydro and Petro Canada.

All that new activity is reflected in the oil industry's employment numbers. By 2006, oil industry employment reached near-record levels, and by 2007, the industry's employment zoomed past the 11,000 mark for the first time in history.

Another record was set last January when oil industry employment surpassed the 12,000 mark. It has remained at those new lofty levels through the first half of this year.

It's not unusual that most of that growth came from the oil field services side of employment and not the producers. (See Exhibit 6.) Typically, most of the changes in the level of oil industry employment come from the oil field service side of the industry. The producers, however, also grew – particularly BP.

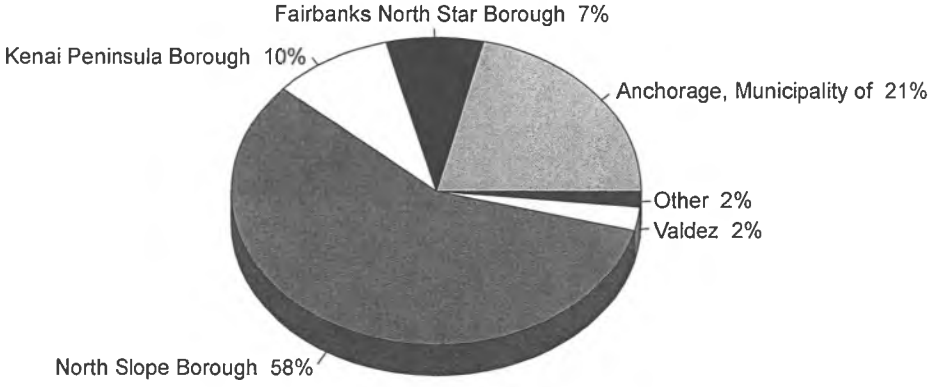
BP's employment in 2000 was 1,018. By 2006 it reached 1,508 and it continued to grow. Some of BP's growth resulted from the company buying up Atlantic Richfield's assets. However, who would have thought that 20 years after oil production peaked in Alaska, the state's oil industry work force would reach new record-levels and oil would again become one of the fastest-grow-

ing industries in the state? (See Exhibits 3 and 7.)

Most of the work force is on the North Slope, in Anchorage and on the Kenai Peninsula

Nearly 90 percent of Alaska's oil industry employment is concentrated in three areas: Anchorage, and the North Slope and Kenai Peninsula boroughs. (See Exhibits 8 and 9.) The latter two are where all of the oil is produced; Anchorage is the state headquarters for many oil industry players.

Where the Oil and Oil-Related Jobs Are 8
Alaska, 2007



Note: This exhibit includes oil and gas, refinery, urea and pipeline employment.
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Not surprisingly, the North Slope has the largest concentration of the oil industry's work force. Nearly half the North Slope's wage and salary employment stems from the oil industry.

Alaska's mature oil province, the Kenai Peninsula Borough, is home to oil and gas production, pipeline transportation, a liquid natural gas facility[4] and an oil refinery. The borough also had a urea-ammonia fertilizer plant that used natural gas as its feedstock, but it closed in late 2007.

Combined, all those players represent 7 percent of the Kenai Peninsula Borough's wage and salary employment. Alone, the oil industry represents 5 percent. Because oil industry wages are more than twice the borough's average wage, the oil industry is responsible for 12 percent of the borough's wage and salary payroll.

In Valdez, most direct oil industry employment is tied to transporting oil from the North Slope through the trans-Alaska oil pipeline. Alyeska Pipeline Service Co. is the single-largest employer. SERVS[5] is also a large employer. According to a recent Alaska Oil and Gas Association study, oil-related activity in 2007 generated nearly a quarter of Valdez's employment and more than a third of its payroll.

Although direct oil industry employment in the Fairbanks North Star Borough is relatively small, it's one of the North Slope's major logistic and supply centers. The same study attributes 3,250 jobs in Fairbanks to oil-related employment – 5.5 percent of the borough's wage and salary employment.

Fairbanks is also home to two oil refineries; Valdez has one.

A commuter work force

Although most jobs in the oil industry are concentrated in specific geographic areas, its work force is drawn from all around Alaska and the rest of the United States. That's particularly true for the North Slope, where only a few of the oil industry workers are North Slope residents.

After Anchorage residents, Matanuska-Susitna Borough residents and then Kenai Peninsula Borough residents form the second- and third-largest groups of Alaska residents who are North Slope workers, according to the 2000 Census. And there's little reason to believe that's changed since then. There's probably no area in the state that doesn't send some of its labor force to work somewhere in Alaska's oil fields.

[4] Also called an LNG facility

[5] SERVS is an acronym for Ship Escort/Response Vessel Systems. SERVS is an Alyeska subsidiary but the employment for SERVS and Alyeska is counted separately.

9 Oil and Related Employment by Area
Alaska, 2007

	Oil Industry Employment	Petrochemical and Refinery Employment[1]	Pipeline Transportation Employment	Total Oil and Oil-Related Industry Employment
Statewide	11,656	603	842	13,101
North Slope Borough	7,497	--	43	7,540
Anchorage, Municipality of	2,439	32	337	2,808
Kenai Peninsula Borough[1]	909	325	14	1,248
Fairbanks North Star Borough	656	180	144	980
Southeast Fairbanks Census Area	--	--	18	18
Valdez	31	32	253	316
Yukon-Koyukuk Census Area	--	--	33	33
Other	124	34	--	158

[1]The Kenai Peninsula Borough portion of the petrochemical and refinery employment category consists of the borough's Agrium plant and Tesoro refinery employment.

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

As far as the oil industry's importance to the economies of different states, there's little doubt Alaska ranks first. (See Exhibit 12.) However, a person wouldn't guess that by looking at the size of Alaska's oil industry work force.

Alaska produced 15 percent of the nation's domestic oil supply in 2007 but employed only 3 percent of the U.S. oil and gas work force. (See Exhibit 13.) Texas produced 75 percent more oil than Alaska the same year but its oil industry work force was 195,000 strong – 17 times as large as Alaska's. (See Exhibit 11.)

For example, in the Mat-Su Borough, where no oil industry exists, about 6 percent of the borough's working population commutes to the North Slope to work. That's not surprising because Mat-Su's average wage for all industries is a third lower than the state's average oil industry wage.

A different twist on that story is the fact that the Kenai Peninsula Borough, which has the second-highest concentration of oil industry jobs within its boundaries – the North Slope has the highest – also exports many of its residents to work in the oil industry elsewhere in the state.

Number of nonresidents in the industry grows

Over the past decade, between 25 percent and 31 percent of Alaska's oil industry workers have been nonresidents (see Exhibit 10), and wages paid to nonresidents in the industry have grown from $243 million to $328 million. The year 2006 was a record year for the number and percentage of nonresidents in the industry.

How does Alaska compare to other oil-producing states?

Since 1979, Alaska has been the nation's No. 2 oil-producing state. If federal offshore production is included, Alaska ranks third behind Louisiana. (See Exhibit 11.)

It's not just among the big producing states where that imbalance exists. In New Mexico, for instance, oil production in 2007 was less than a quarter as large as Alaska's but New Mexico's oil industry work force was more than 3,000 larger. Many of the states mentioned produce more gas than Alaska. (The gas work force is included in the employment numbers.) More on that later.

But that doesn't explain most of the difference. There are a host of reasons that explain Alaska's much-smaller oil industry work force, in light of its tremendous production.

One big reason is simply that Alaska's oil fields enjoy large economies of scale. Prudhoe Bay, which is still responsible for 36 percent of the state's oil production, is the largest oil field in the nation and doesn't need a huge work force to produce its oil. Other fields on the North Slope, such as Kuparuk – the nation's second-largest – and Alpine, Milne Point and Liberty, keep company with the nation's larger oil fields. In fact, 14 of the nation's 100 largest oil fields are in Alaska.

In Texas, Oklahoma, Wyoming and other oil-producing states, some oil is produced from very small fields. There are 400,000 marginal fields or stripper wells operating in the U.S. and

a stripper well produces 10 barrels of oil or less per day. In many of the states, there are literally thousands of families and small companies engaged in producing oil and gas – something nearly totally absent in Alaska.

The U.S. Census Bureau in 2006 identified 65 oil and gas establishments in Alaska, versus 754 in Wyoming, 1,305 in Oklahoma and 6,472 in Texas.

Another example of the difference between Alaska and other states is the number of wells being drilled. The Baker Hughes rig count for July was four for Alaska versus 923 in Texas. Even the count in Montana was higher than Alaska's. If Alaska's oil fields weren't as remote, employment in Alaska's oil patch would be considerably higher. Oil fields now considered marginal or simply noneconomic would be economic in a less remote environment.

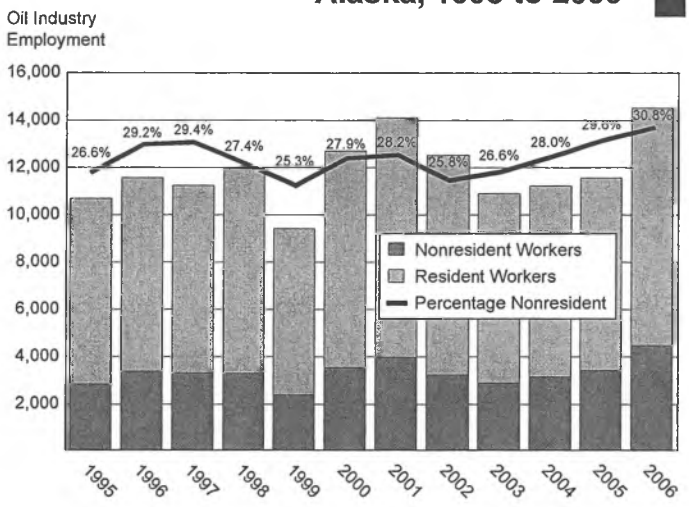
Alaska is also less likely to be home to an oil industry headquarters or regional center, which also cuts into the size of its oil industry work force.

That's also true for many of the oil field service companies and contractors. Other functions, such as corporate, research and sometimes exploration, take place outside Alaska. For example, Houston alone is home to more than 85,000 oil and gas industry workers who are serving Texas' needs but also the rest of the nation's and the world's.

Yet, there are a group of firms in Alaska that are homegrown and have their headquarters in the state. They include companies such as ASRC Energy Services (the largest oil industry employer in the state), AES-Houston Contracting Company, Peak Oilfield Service Company, Udelhoven Oilfield System Services, Doyon Drilling and others. Just recently, Arctic Slope Regional Corporation announced it would no longer just be an oil service contractor – it would get involved in exploration and oil production as well.

But what is also true is that nearly all Alaska's oil industry work force is in the state solely to produce oil and gas in Alaska, not to provide

Share of Nonresidents Grows 10
Alaska, 1995 to 2006



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

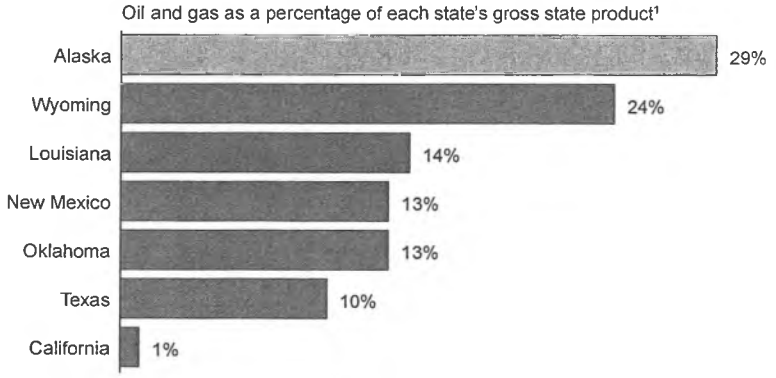
Oil and Gas Industry Employment by State 11
Production and number of establishments, 2006 and 2007

	2007				2006	
	Oil and Gas Employment	Petroleum Refinery Employment	Pipeline Transportation	Oil Production (in thousands of barrels)	Gas Production (in millions of cubic feet)	Number of Oil and Gas Establishments
Alaska	11,656	400	842	270,481	444,724	65
Texas[1]	195,031	21,151	13,428	475,069	5,513,739	6,472
California	18,346	12,893	2,750	249,698	315,209	525
Colorado	18,913	--	--	23,903	1,202,821	907
Louisiana[1]	46,610	--	2,441	468,383	1,361,119	1,438
Oklahoma	43,236	--	--	63,447	1,688,985	1,305
New Mexico	15,070	--	--	59,876	1,609,223	609
Wyoming	17,730	--	--	53,039	1,816,201	754
U.S. Total	437,600	--	--	1,862,908	19,381,895	18,118

[1]These categories include federal offshore Gulf of Mexico oil production. They don't include offshore natural gas production.

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; the labor departments for Texas, California, Colorado, Louisiana, Oklahoma, New Mexico and Wyoming; U.S. Department of Energy, Energy Information Administration; and U.S. Census Bureau

12 An Outsized Effect on Alaska
Alaska and other states, 2006



[1]The percentages in this exhibit are estimates only. Due to the unavailabilty of Bureau of Economic Analysis detail, an assumption of support mining activities was made. The oil and gas contribution for the states, with the exception of Alaska, may be slightly too high.
Source: U.S. Department of Commerce, Bureau of Economic Analysis

their services elsewhere in the country or world. There are of course exceptions. Some Alaska-based firms have taken their arctic and other types of expertise and performed work Outside, but they're the exception.

Not only does Alaska have a considerably smaller oil extraction work force, it also has a smaller transportation infrastructure and fewer downstream operations, such as refineries. (Texas' refinery capacity is 4.6 million barrels per day compared to Alaska's 375,000.) And while Alaska has an 800-mile pipeline and a number of smaller ones, its pipelines don't compare to the thousands of miles of pipelines that snake through other states.

Alaska refineries for the most part only service local demand, which is relatively small. One exception is the jet fuel the state's refineries process for the huge international cargo fleet operating out of Anchorage. Alaska's refineries include Flint Hills and Petro Star in Fairbanks, Tesoro in Kenai, Petro Star in Valdez and two very small refineries on the North Slope.

Until recently, Alaska had only two downstream operations other than refineries, and that number was whittled down to one when Agrium's Kenai Peninsula fertilizer plant closed last year, as mentioned earlier. The only player now is ConocoPhillips' liquid natural gas facility on the Kenai Peninsula, which exports its product to Japan.

Among America's energy producers, Alaska is among the slow-growers

Alaska obviously isn't the only state or country enjoying the resurgence in oil industry activity – oil at $100-plus a barrel does wonders for the industry. Although a record number of oil and gas industry workers are currently working in Alaska's oil fields and the oil industry is now one of the most dynamic in the state, Alaska is growing more slowly compared to most other oil and gas producing states.

Oil industry employment in the rest of the U.S. began to grow in 2004, two years before it started to grow in Alaska. Between 2000 and 2007, employment in the U.S. grew by 44 percent versus 34 percent for Alaska. In contrast, employment in Wyoming more than doubled (113 percent) and in Texas it grew by 49 percent over the same period.

There are probably a number of reasons for Alaska's less-robust growth. One certainly is its remoteness and associated costs. However, there are other reasons. In all other energy-producing states, there are far more players in the industry and they come in all different sizes, which probably makes them more nimble – whereas Alaska is dominated by a handful of large companies that tend to move more slowly in a changing environment.

Another big reason for the difference is the role natural gas is playing in the upswing in employment activity. Unfortunately, there's no current method to separate oil from gas-related employment.

While oil production in many states and the nation as a whole has been in decline since the mid-1970s, that hasn't been the case for natural gas production. In fact, nationally, natural gas production in 2007 reached its second-highest level in 27 years. Probably the only reason it was higher in the early 1980s was because gas production was often a byproduct of oil exploration.

A natural gas boom is taking place in many parts of the country, particularly in the Rocky Mountain states, and New Mexico, Oklahoma and Texas. Natural gas production in the past decade has doubled in Colorado and Montana, and has more than doubled in Wyoming, now one of the nation's largest natural gas producers.

Most current growth in Wyoming's oil and gas work force is tied to the production of gas, although oil production has also edged up in the past two years.

Nearly all Alaska's natural gas production has been in Cook Inlet. It peaked in 1996 and has gradually declined.

High earnings are its big attraction

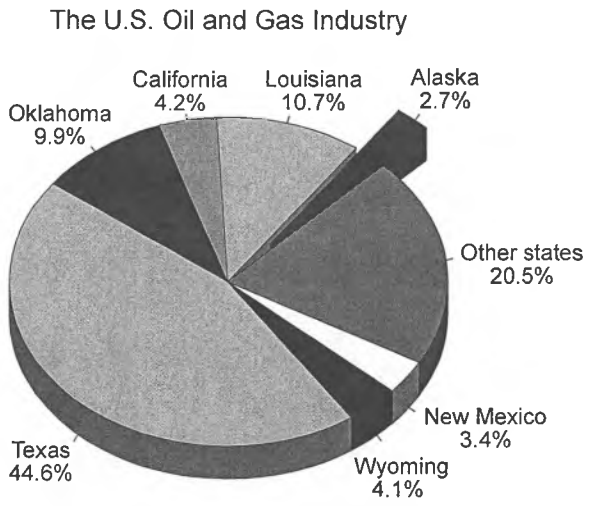
It's a well-known fact that wages in Alaska's oil industry are an outlier on the high side. The average annual wage for an oil industry job in 2007 was $108,538. (See Exhibit 14.) That's nearly two and a half times more than the statewide average of $43,524.

There are several reasons for the difference in pay, but what factors weigh heavier and which are less important isn't clear. Certainly, the profitability of the industry plays a role. The level of the required skills and experience, along with the demanding work schedules, are also factors.

Overtime, mostly stemming from shift schedules on the North Slope or on Cook Inlet platforms, plays a big role too. The most common shifts are week on/week off or two weeks on/two weeks off. Remote-based employees often work 84 hours a week, which means 40 hours of straight time and 44 hours of overtime.

Other reasons for the higher pay include the remote work site settings, the hazards of some occupations, and the extreme climate workers encounter on Alaska's oil fields. Workers' prolonged periods of separation from their families are definitely a factor in the equation. Longer tenure in the industry is also reflected in hourly pay rates.

A Small Share of the Nation's Jobs 13
Oil and gas employment, 2007



Sources: U.S. Department of Labor, Bureau of Labor Statistics; the labor market information Web sites for California, Louisiana, New Mexico, Oklahoma, Texas and Wyoming; and Alaska Department of Labor and Workforce Development, Research and Analysis Section

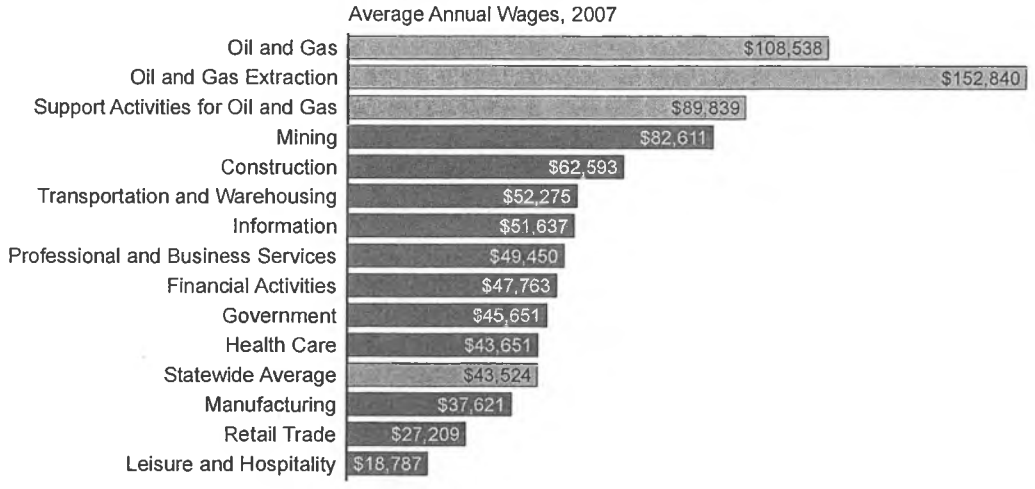
Wages in oil producer companies tend to be higher than those in oil field or drilling support firms – the average annual wage for the producers was $152,840. And more job security usually exists with the producers. Work in oil field or drilling support companies often tends to be more project-orientated, which explains to some degree their more volatile employment levels. Annual wages among the non-oil industry employers in the oil patch are considerably below the annual wages for both the oil producer companies and the oil field or drilling support companies.

Big stuff must happen to keep these numbers positive

Employment in the oil industry has waxed and waned over time, but after oil production peaked, it was logical to believe that the labor force in the industry would generally follow oil production's declining trend. There were periods with flurries of activity to help stem the production decline, and employment would rally for a while, but further declines followed.

Yet in 2007, record oil prices, an oil spill and other activity pushed employment to record

14 Oil Industry's Wages Are Highest in Alaska
Alaska, 2007



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

highs, all while oil production continued to decline. However, it's probably clear that without other major developments or discoveries, the higher employment numbers will be temporary and those numbers will resume the broader downward trend.

There are ventures on the horizon, though, that might stem future losses and propel the oil industry to new heights, launching the state into a new oil and gas epoch. It all started with Cook Inlet, then moved on to Prudhoe Bay. Alaska could now be on the threshold of a new era by becoming one of the nation's largest gas producers.

Employment Scene

By Dan Robinson,
Economist

Two economic indicators, two different story lines

Alaska's seasonally adjusted unemployment rate rose two-tenths of a percentage point in July to 6.9 percent. June's preliminary rate was revised down one-tenth of a percentage point to 6.7 percent.

After steadily rising for most of 2007 and the first part of 2008, the state's rate has bounced around over the last four months and has not revealed a clear trend. For its part, the U.S. rate continued its gradual climb, rising two-tenths of a percentage point in July to 5.7 percent, a full percentage point higher than in July 2007.

Similar trends for Alaska and U.S. unemployment rates

The Alaska and U.S. rates have followed the same broad trends since at least 2001. (See Exhibit 1.) The national recession in the early part of the 2000s drove the U.S. rate from a low point of 4.2 percent to a high of 6.3 percent. After a lag of several months, Alaska's rate followed a similar course, rising from 6 percent to almost 8 percent between 2001 and 2003.

After the recession ended, the U.S. rate steadily fell until it reached a low point of 4.4 percent in early 2007. Alaska's rate fell by roughly the same margin and bottomed out at 6 percent in early 2007. Since then, both the U.S. and Alaska rates have climbed as the nation has likely entered another recessionary period.

Looking just at unemployment rates, it may be tempting to conclude that Alaska's economy follows the same business cycles as the nation, and that both economies are currently in the midst of a slowdown. The rates seem to suggest that when the nation's economy is thriving Alaska's is doing likewise and that recessions afflict both economies during roughly the same time periods.

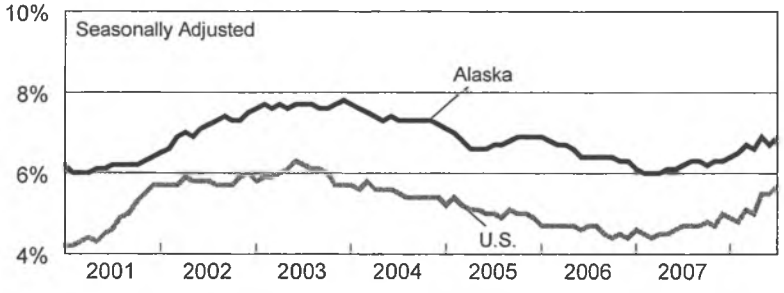
Job growth tells a different story

But unemployment rates can be a complicated economic indicator, and although they provide important information about the percentage of the labor force looking for work, they shouldn't be seen as a simple barometer of an economy's health – especially at the state level.

A more simple and straightforward tool for assessing the health of an economy is the rate of growth in payroll jobs. Unlike unemployment rates, which over the short term can rise as an economy strengthens and fall as an economy weakens, an increase in payroll jobs almost always equates to economic growth and a decline in the payroll job count almost always means economic distress.

At the national level, the pattern of payroll job growth and loss is generally a reverse image of the rising and falling of the unemployment rate. For example, the U.S. economy registered job losses during the 2001-2002 recession as the unemployment rate climbed, and is showing losses again in 2008 as the unemployment rate has pushed upward. (See Exhibits 1 and 2.)

1 Unemployment Rates, Alaska and U.S.
January 2001 to July 2008



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Department of Labor, Bureau of Labor Statistics

2 Payroll Employment, Alaska and U.S.
January 2001 to July 2008



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and U.S. Department of Labor, Bureau of Labor Statistics

But Alaska's payroll numbers over those same years bear little resemblance to the state's pattern of rising and falling unemployment rates. Unlike the up-and-down U.S. payroll numbers, Alaska's data show consistent, moderate growth in payroll employment[1] with little apparent relationship to trends in the unemployment rate. (See Exhibits 1 and 2.)

Reconciling the two indicators

All this begs the question of how unemployment rates can rise in Alaska without payroll jobs falling as they nearly always do for the nation. The most likely explanation is that Alaska's unemployment rates over the 2001 to 2008 period have been driven more by a slosh of workers back and forth to the state from neighboring states than by changes in Alaska's ability to sustain and increase its count of payroll jobs.

As separate and distinct from the rest of the U.S. as Alaska can seem, it's important to remember that workers from other states can freely move to Alaska in search of employment and that Alaskans can freely move to other states when opportunities beckon.

The flow of workers to and from the U.S. is a much more regulated affair, with immigration laws and regulations limiting movement. With a more static labor pool, the nation generally sees corresponding changes in unemployment rates and payroll employment: when unemployment rates show a sustained upward trend, payroll jobs are usually falling and vice versa.

As a state with a highly seasonal, resource-based economy – and a climate that's not for everyone – Alaska has a particularly fluid resident population. About 6 percent of residents are new to the state each year and roughly that percentage also leave.

The number of people who migrate to Alaska – whether seasonally or with the intention of staying longer and making Alaska their home – is affected by the relative health of their home economies. If good jobs are plentiful locally, a person is less likely to look to Alaska for employment.

The same is true of Alaskans weighing the pros and cons of leaving the state for employment-related reasons. If the U.S. is in the midst of a recession, an Alaskan in search of work is less likely to leave the state than when the U.S. economy is strong and jobs are easier to come by.

Consequently, the number of unemployed workers and the unemployment rate in Alaska appear to have risen and fallen more in response to the rising and falling of the U.S. economy than to changes in the state's ability to generate job growth, which has been remarkably consistent for more than two decades.

It's important to recognize, though, that there are other possible explanations for why Alaska's unemployment rate could have been up and down during periods of relatively consistent payroll job growth. As noted, the rate is a compli-

[1] The jagged line of the graphed Alaska data also show the difficulty of seasonally adjusting numbers in a state where seasonal patterns are dramatic and occasionally shift due to the timing of fish harvesting and, less frequently, changes in weather patterns. The much smoother seasonally adjusted data for the U.S. reveal a more predictable seasonality, both in terms of the timing of seasonal movements and the magnitude of the movements. Because of Alaska's unruly seasonal patterns, the seasonally adjusted data aren't as reliable in interpreting changes from one month to the next as they are for the U.S. The seasonally adjusted data for Alaska are still useful, though, because over a period of several months they reveal changes in underlying trends more effectively than unadjusted data can.

cated indicator. Even assuming no migration to and from Alaska, the unemployment rate would change as the state's existing population moved in and out of the labor force.[2]

Job growth states benefiting from oil and gas boom

Through the first seven months of 2008, 28 of the 50 states registered a decline in payroll jobs and the nation as a whole lost more than 450,000 jobs.

On a percentage basis, the state with the biggest loss was Rhode Island with a 2.1 percent drop, followed by Florida, Arizona, Nevada and Indiana. (See Exhibit 3.)

Bucking the national trend are Texas and several other states that are benefiting from strong growth in the oil and gas industry. Alaska is tied with Montana and Wyoming for the fourth-highest growth rate in the country so far in 2008.

Nationwide, the natural resources and mining sector, which includes the oil and gas industry in addition to coal mines and other mining employers, has added about 40,000 jobs so far in 2008.

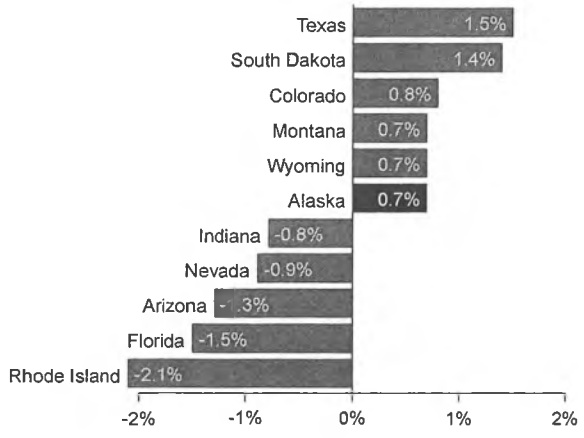
Payroll data follow seasonal trends

July and August are Alaska's peak employment months and the unadjusted payroll numbers show the expected seasonal increase. The net gain from June to July was 3,600 jobs as most of the state's seasonal employers shifted into their highest gears.

Seafood processing employment jumped by an estimated 5,800 in July and the construction and accommodations industries both added 600 jobs. Those additions more than compensated for the large seasonal decline in local government (-5,200) as public schools let out for the summer.

Alaska Doing Better than Most States 3

Payroll job growth in 2008,[1] highs and lows



[1] December 2007 to July 2008
Source: U.S. Department of Labor, Bureau of Labor Statistics

Job growth mostly in Anchorage/Mat-Su and Northern regions

Nearly all the state's over-the-year job growth was in the Anchorage/Mat-Su and Northern regions. (See Exhibit 6.) Growth in the Northern region is obviously driven by oil and gas, but so is much of the Anchorage/Mat-Su growth.

The oil companies' job counts in Anchorage have grown by an estimated 300 over the year and high levels of activity for the industry have stimulated growth in a variety of other industries. The Mat-Su Borough's growth continues to come predominately from its connection to Anchorage's job market.

A dramatic range of unemployment rates in July

July unemployment rates throughout the state ranged from a high of 26.8 percent in the Wade Hampton Census Area to a low of 1.5 percent in the Bristol Bay Borough. (See Exhibit 5.) Local unemployment rates were generally higher over the year, following the statewide trend. The only exception big enough to be of consequence was the North Slope Borough, which had a 4.7 percent rate in July compared to 6.0 percent in July 2007.

[2] To be counted as unemployed, a person must be actively seeking work. So when a retired person decides to go back to work and starts looking for a job or a student who has recently graduated begins a job search, the number of unemployed people rises even though the population hasn't changed. The labor force, which is the universe from which the unemployment rate is calculated, consists of two parts: 1) those people who aren't working but actively seeking work, and 2) those people who are working (there are some exceptions where people are counted as employed even though they aren't working -- people on paid leave, for example).

4 Nonfarm Wage and Salary Employment

Alaska

	Preliminary 7/08	Revised 6/08	Revised 7/07	Changes from: 6/08	Changes from: 7/07
Total Nonfarm Wage and Salary[1]	342,300	338,700	339,400	3,600	2,900
Goods-Producing[2]	57,200	50,600	57,000	6,600	200
Service-Providing[3]	285,100	288,100	282,400	-3,000	2,700
Natural Resources and Mining	15,200	15,100	14,100	100	1,100
Logging	300	300	400	0	-100
Mining	14,900	14,800	13,700	100	1,200
Oil and Gas	12,800	12,600	11,500	200	1,300
Construction	20,500	19,900	20,700	600	-200
Manufacturing	21,500	15,600	22,200	5,900	-700
Wood Product Manufacturing	400	400	400	0	0
Seafood Processing	17,200	11,400	17,900	5,800	-700
Trade, Transportation, Utilities	69,900	68,800	69,100	1,100	800
Wholesale Trade	7,000	6,900	6,900	100	100
Retail Trade	38,700	38,200	38,100	500	600
Food and Beverage Stores	6,800	6,700	6,900	100	-100
General Merchandise Stores	9,500	9,400	9,500	100	0
Transportation, Warehousing, Utilities	24,200	23,700	24,100	500	100
Air Transportation	6,900	6,800	6,800	100	100
Truck Transportation	3,500	3,400	3,500	100	0
Information	7,000	6,900	7,000	100	0
Telecommunications	4,300	4,300	4,300	0	0
Financial Activities	15,500	15,400	15,500	100	0
Professional and Business Services	27,100	27,100	26,400	0	700
Educational[4] and Health Services	37,000	37,300	36,700	-300	300
Health Care	27,000	27,100	26,800	-100	200
Leisure and Hospitality	39,300	38,700	39,600	600	-300
Accommodations	11,900	11,300	12,000	600	-100
Food Services and Drinking Places	22,100	22,100	22,100	0	0
Other Services	11,700	11,700	11,700	0	0
Government	77,600	82,200	76,400	-4,600	1,200
Federal Government[5]	17,700	17,400	17,600	300	100
State Government	24,400	24,100	24,000	300	400
State Government Education[6]	5,700	5,800	5,600	-100	100
Local Government	35,500	40,700	34,800	-5,200	700
Local Government Education[7]	16,800	21,900	16,400	-5,100	400
Tribal Government	3,800	3,700	3,800	100	0

Notes for all exhibits on this page:

[1] Excludes the self-employed, fishermen and other agricultural workers, and private household workers; for estimates of fish harvesting employment, and other fisheries data, go to labor.alaska.gov/research/seafood/seafood.htm

[2] Goods-producing sectors include natural resources and mining, construction and manufacturing.

[3] Service-providing sectors include all others not listed as goods-producing sectors.

[4] Private education only

[5] Excludes uniformed military

[6] Includes the University of Alaska

[7] Includes public school systems

[8] Fairbanks North Star Borough

Sources for Exhibits 4 and 5: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and the U.S. Department of Labor, Bureau of Labor Statistics
Sources for Exhibit 6: Alaska Department of Labor and Workforce Development, Research and Analysis Section; also the U.S. Department of Labor, Bureau of Labor Statistics, for Anchorage/Mat-Su and Fairbanks

5 Unemployment Rates By borough and census area

SEASONALLY ADJUSTED	Prelim. 7/08	Revised 6/08	Revised 7/07
United States	5.7	5.5	4.7
Alaska Statewide	6.9	6.7	6.2
NOT SEASONALLY ADJUSTED			
United States	6.0	5.7	4.9
Alaska Statewide	6.1	6.8	5.6
Anchorage/Mat-Su Region	5.7	6.2	5.2
Municipality of Anchorage	5.3	5.8	4.9
Mat-Su Borough	7.3	7.9	6.7
Gulf Coast Region	6.4	7.5	5.8
Kenai Peninsula Borough	6.7	7.3	6.0
Kodiak Island Borough	5.4	9.3	5.5
Valdez-Cordova Census Area	6.0	6.6	5.4
Interior Region	5.9	6.5	5.2
Denali Borough	2.2	2.5	2.1
Fairbanks North Star Borough	5.5	6.1	4.8
Southeast Fairbanks Census Area	7.6	8.4	7.0
Yukon-Koyukuk Census Area	15.0	14.9	12.8
Northern Region	9.3	9.8	9.5
Nome Census Area	13.2	13.3	12.8
North Slope Borough	4.7	5.2	6.0
Northwest Arctic Borough	12.1	12.9	11.0
Southeast Region	5.2	6.1	4.6
Haines Borough	4.2	7.6	3.1
Juneau Borough	4.3	4.9	3.9
Ketchikan Gateway Borough	4.5	5.5	3.9
Prince of Wales-Outer Ketchikan CA	12.6	12.0	11.1
Sitka Borough	5.1	5.7	4.6
Skagway-Hoonah-Angoon CA	5.9	7.0	5.8
Wrangell-Petersburg Census Area	7.6	10.1	6.1
Yakutat Borough	5.6	6.3	4.1
Southwest Region	10.7	12.4	9.5
Aleutians East Borough	6.4	9.2	5.3
Aleutians West Census Area	4.7	6.8	3.8
Bethel Census Area	15.1	15.5	13.3
Bristol Bay Borough	1.5	2.7	1.5
Dillingham Census Area	8.0	10.6	7.2
Lake and Peninsula Borough	5.1	5.5	3.6
Wade Hampton Census Area	26.8	23.4	25.2

6 Nonfarm Wage and Salary Employment By region

	Preliminary 7/08	Revised 6/08	Revised 7/07	Changes from: 6/08	Changes from: 7/07	Percent Change: 6/08	Percent Change: 7/07
Anch/Mat-Su	173,300	175,500	171,600	-2,200	1,700	-1.3%	1.0%
Anchorage	153,300	155,300	152,500	-2,000	800	-1.3%	0.5%
Gulf Coast	33,600	33,000	33,500	600	100	1.8%	0.3%
Interior	49,000	49,000	49,400	0	-400	0.0%	-0.8%
Fairbanks[8]	39,900	39,900	39,900	0	0	0.0%	0.0%
Northern	19,700	19,600	18,600	100	1,100	0.5%	5.9%
Southeast	42,500	40,450	42,700	2,050	-200	5.1%	-0.5%
Southwest	23,850	21,250	24,000	2,600	-150	12.2%	-0.6%

For more current state and regional employment and unemployment data, visit our Web site. We have a new address:

laborstats.alaska.gov

A Safety Minute

A Focus on Crane Safety

Serious crane accidents across the country are making news this construction season. One occurred in July when a crane tipped over and crushed a bystander during a steeple-mounting ceremony in Oklahoma. In the past several months, accidents in Nevada, New York, Florida and Texas have claimed the lives of workers and bystanders.

"These crane accidents illustrate the importance of crane and jobsite safety," said Labor Commissioner Click Bishop. "In Alaska we haven't had a crane-related fatality for several years and I intend to keep it that way with a proactive safety effort. We ask ail employers who use cranes to review crane lifting and safety policies, check cranes for mechanical integrity, and ensure crane operators are qualified and use appropriate safety procedures."

While there's no state requirement for crane operator certification, Alaska's Occupational Safety and Health regulations require employers who use cranes to ensure every operator has appropriate training, knowledge and experience, and is physically fit to operate a crane. It's the employer's responsibility to adequately inspect and maintain the crane and rigging.

It's also critical for employers to ensure that employees assisting with the lift are properly trained – including signaling, load limits and rigging techniques – and are aware of the hazards of operating a crane.

"I ask that all employers, safety professionals, crane operators and other concerned Alaskans stand by me and make sure that 'we all go home safely tonight,'" Bishop said.

For help with crane standards in Alaska, employers should contact the Alaska Department of Labor and Workforce Development's Alaska Occupational Safety and Health Consultation and Training Section at (800) 656-4972. The section is within the department's Labor Standards and Safety Division.

Employer Resources

Workers' Compensation Requirements

The Alaska Workers' Compensation Act requires all employers with one or more employees in Alaska to have workers' compensation insurance, unless the employer has at least 100 employees and has been approved as a self-insurer.

Employers purchase workers' compensation insurance from commercial insurance carriers. Once employers have insurance, they're required to post in their workplaces an Employer's Notice of Insurance, which insurance companies provide. Employers must also submit proof of insurance to the Workers' Compensation Division, the administrative arm of the Workers' Compensation Board.

Executive officers of for-profit corporations are required to have workers' compensation insurance unless they choose to waive coverage by filing a waiver with the division.

If employers are unable to obtain insurance coverage from a commercial carrier, they can purchase insurance through a state-assigned risk pool. And if employers feel their insurance premium is incorrectly calculated, they can request arbitration.

For more information or forms, call the Workers' Compensation Division at (907) 465-2790 or visit the division's Web site. Go to the Alaska Department of Labor and Workforce Development Web site at labor.alaska.gov. Under "Division Links" on the left, click on "Workers' Compensation." Then under "Quick Links" on the right, click on "Employer Information." For the Employer's Notice of Insurance form, under "Quick Links," click on "Forms."

SB 192 (FILE 3)

<TARGET><BILL>SB 192</BILL><SUBJECT>SB 192 (FILE 3)</SUBJECT><COMM>SFIN27</COMM></TARGET>

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5. Discussion Slides: Gerald Kepes, PFC Energy (March 15, 2012)

6. March 16, 2012 - Testimony by Industry:
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   - Alaska Oil and Gas Conservation Commission (AOGCC)
   - Alaska Support Industry Alliance
   - Resource Development Council for Alaska (RDC)

1.

Updated Fiscal Notes

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB192(RES)**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB192CS(RES)-DNR-DOG-03-13-12
Title: Oil and Gas Production Tax Rate
Sponsor: Senate Resources Committee
Requester: Senate Finance

Dept. Affected: Natural Resources
Appropriation: Oil and Gas
Allocation: Oil and Gas
OMB Component Number: 439

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	743.4		743.4	743.4	441.2	441.2	441.2
Travel							
Services	139.0		139.0	99.0	47.5	47.5	47.5
Commodities	75.0						
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**957.4**	**0.0**	**882.4**	**842.4**	**488.7**	**488.7**	**488.7**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	957.4		882.4	842.4	488.7	488.7	488.7
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**957.4**	**0.0**	**882.4**	**842.4**	**488.7**	**488.7**	**488.7**

POSITIONS							
Full-time	**8**	0	8	8	5	5	5
Part-time							
Temporary							

CHANGE IN REVENUES	***	***	***	***	***	***	***

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

The committee substitute has added a provision to create a petroleum information management system. The Division of Oil and Gas develops, stores, and maintains much of the information identified for inclusion in the system.

Prepared by: William C. Barron, Director — Phone: 907-269-8800
Division: Division of Oil and Gas — Date/Time: 3/13/12 4:00 PM
Approved by: Daniel Sullivan, Commissioner — Date: 3/13/2012
Department of Natural Resources

(Revised 11/18/2011 OMB)

Analysis

Sections 2 and 3 amend AS 31.05 by adding a new section (AS 31.05.031) which requires the Alaska Oil and Gas Conservation Commission (AOGCC) to develop and maintain an electronic petroleum information management system (PIMS) to archive state oil and gas information. The system will only include non-confidential information identified in this bill and other information AOGCC determines "necessary and relevant" to oil and gas exploration, development, and production. The Division of Oil and Gas (DOG) collects and maintains much of the information and materials listed in the proposed bill.

DOG will be a major contributor to the petroleum management system - likely designing, developing, and maintaining the system and associated materials. DOG currently houses the following information on: 1) unit and joint operating agreements, 2) state oil and gas exploration licenses and oil and gas leases, 3) exploration activities including seismic data, drilling reports, logs, geological models and maps, 4) development activities including development plans minus expenditure projections and reservoir characteristics, 5) facility maps and studies, and 6) abandonment plans and progress reports. DOG will conceivably have a role in contributing other information AOGCC deems "necessary and relevant" to oil and gas exploration, development, and production. DOG stores and maintains more than 40 years of information from Alaska's oil and gas activities. We find the directives in the proposed bill to initiate a significant undertaking by our department and others involved in supplying the requested information.

The committee substitute calls for providing information "in a form that is suitable for the commission to include in the petroleum information management system." Without sufficient knowledge of what will be construed to be "suitable" for the commission, it is assumed our information will need to re-integrated into new formats compatible with a sophisticated system easily navigated by the public. The AOGCC and DOG data collection and management systems are different in scale and scope, and synchronizing the systems will take considerable resources. In some cases, information could be linked or transferred to the PIMS site quickly; however, the information requested in the bill will demand extensive time and resources to adapt, redact, and restructure records and materials before inclusion in the PIMS.

Developing and maintaining a petroleum information management system will not likely provide any more information to the public than is currently available from our division. Non-confidential oil and gas information is currently available on DOG's website or upon request in electronic and hard copy formats. We estimate the proposed bill will initially require eight new FTEs with supporting costs and lease space expense in the division and funds necessary to hire contractors for information technology work.

The division would need five new natural resources specialists (2 NRS II and 3 NRS III) with one administrative assistant (range 12) and two analysts (range 20) for IT functions during build-out starting in FY13. In addition to staff increases, supporting costs and leased space, approximately $75,000 in funding for software, licenses, and back-up systems is needed in FY 13. After the system build-out and population, we should be able to maintain the system with 4-5 FTEs. We project roughly $75,000 for IT contract services in FY13 and FY 14, $35,000 in FY15, and potentially no funds thereafter. Since we are not forecasting additional state revenue for these sections of the proposed bill, the significant costs incurred in developing and maintaining a new location for DOG information results in a negative fiscal impact to the state for years to come.

Storage for DOG seismic data (2-3 terrabytes) is too large to be stored in existing storage and therefore the division anticipates needing to contract with an electronic storage provider which could cost hundreds of thousands of dollars annually. This could happen as soon as the start of the system in FY 2013 and would be triggered by the need to segregate and store existing data within DNR. The Division has not yet formally priced this cost of data storage but DNR internal IT managers estimate a significant cost.

Analysis Continued

CSSB192(RES) will also have impacts on oil production which impacts royalty revenue tracked by DO&G. Section 6 imposes a hard minimum tax (a minimum tax that cannot be reduced by credits) of 10% on production from large legacy fields (cumulative production over a billion barrels and current production over 100,000 barrels a day). Currently, the only fields that would qualify are the Prudhoe Bay and Kuparuk Units. Section 6 would substitute this tax for a minimum tax of 4% (when the West Coast ANS price exceeds $25 per barrel) on the gross value at the point of production for the North Slope. This minimum can be reduced by credits.

The proposed hard minimum tax on production tax value at the Prudhoe Bay and Kuparuk Units will tend to discourage investment by Unit owners if those owners perceive the possibility of the minimum tax applying. If the minimum tax applies then the owners lose the tax benefits associated with the ability to deduct additional spending in both fields. All else equal, this will have an indeterminate negative impact on royalty revenue at Prudhoe Bay and Kuparuk.

Section 7 lowers the rate of increase in the production tax rate from 0.4% to 0.35% per dollar of production tax value per barrel above $30 until the total tax rate (the base 25% plus the index based or progressive rate) equals 50%.

This bill also requires a separate production tax value per barrel calculation for gas sold outside the State. Section 14 would have the Department of Revenue issue regulations allocating costs to exported gas based on the gross value at the point of production for that gas versus that of other oil and gas production. Requiring a separate production tax value per barrel calculation for gas sold outside the State will have an indeterminate impact on royalty revenue. This impact will depend upon the anticipated relative profitability on a per unit basis of oil and gas production from the North Slope a decade or more from now.

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **CS SB 192 (RES)**
Fiscal Note Number:
Publish Date:

Identifier (file name): SB192CS(RES)-DOR-TAX-03-09-12
Title: Oil and Gas Production Tax Rates
Sponsor: (S) Resources
Requester: (S) Finance

Dept. Affected: Revenue
Appropriation: Treasury and Taxation
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	214.8		214.8	214.8	214.8	214.8	214.8
Travel	10.0		10.0	10.0	10.0	10.0	10.0
Services	504.4		9.4	9.4	9.4	9.4	9.4
Commodities	1.0		1.0	1.0	1.0	1.0	1.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**730.2**		**235.2**	**235.2**	**235.2**	**235.2**	**235.2**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	730.2		235.2	235.2	235.2	235.2	235.2
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**730.2**	**0.0**	**235.2**	**235.2**	**235.2**	**235.2**	**235.2**

POSITIONS							
Full-time	**2.0**		2	2	2	2	2
Part-time							
Temporary							

CHANGE IN REVENUES	***		***	***	***	***	***

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated to reflect changes provided for in the CS, version E.

Prepared by: Dan Stickel and Cherie Nienhuis, Economists — Phone: 907-465-3279
Division: Tax — Date/Time: 3/9/12 4:11 PM
Approved by: Bryan D. Butcher, Commissioner — Date: 3/9/2012
Department of Revenue

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** CS SB 192 (RES)
2012 LEGISLATIVE SESSION

Analysis

The revenue impact of this bill is indeterminate.

This bill makes several changes to the oil and gas production tax system. Each of the major changes, along with its potential revenue impact, is discussed below.

1. **Makes changes to the progressive surcharge.** The "progressive surcharge" applies when the Production Tax Value (PTV) of all oil and gas produced in the state exceeds $30 per barrel of oil equivalent (BOE). Under current law, the surcharge is 0.4% per $1 of PTV between $30 and $92.50 per BOE, and it is 0.1% per $1 of PTV between $92.50 and $342.50 per BOE, for a maximum surcharge rate of 50%. The surcharge rate is not bracketed: it applies to the entire PTV, not just the incremental value. Under this bill, the surcharge rate is changed to 0.35% per $1 of PTV between $30 and $101.43, plus 0.1% per $1 of PTV between $101.43 and $201.43, for a maximum surcharge rate of 35%. The surcharge rate continues to apply to the entire PTV, not just the incremental value. The effective date of this provision is January 1, 2013. Under Fall 2011 forecast assumptions, this change would reduce revenue by $125 million in FY 2013, $230 million in FY 2014, and approximately $200 million per year in FY 2015- FY 2018.

2. **Creates a $10 per barrel allowance for production increases**. This provision of the bill creates an allowance, by effectively reducing the production tax value by $10 per barrel, for each barrel sent down the Trans Alaska Pipeline System (TAPS) by a company above their prior year level. The allowance is applicable only against the base tax rate of 25% and therefore the monetary value to the company is $2.50 per barrel. The allowance is calculated and refunded by the Department independent of the tax and progressivity calculation and therefore does not impact the tax and progressivity rates applied. Under the Fall 2011 production forecast, several companies would receive this allowance in certain years during the time horizon of this fiscal note, but the total tax revenue impact (and therefore benefit to producers) is less than $25 million total for all companies for all years.

3. **Implements a 10% gross minimum tax for units with over 1 billion barrels cumulative production and over 100,000 barrels per day production in the most recent year**. This provision of the bill creates a minimum tax of 10% of gross value for certain units, and deductions and credits cannot reduce the net tax for those units below 10% of gross value. Currently, the only units for which this provision would apply would be Prudhoe and Kuparuk. Under Fall 2011 revenue forecast assumptions, this provision would result in a tax increase for certain companies in certain years during the time horizon of this fiscal note, increasing state revenue by less than $25 million per year. At lower oil prices, this provision would result in a significant increase in revenue to the state, amounting to over $400 million per year increased revenue at a $40 oil price.

As part of the minimum tax language, this bill makes changes to the calculation of the community revenue sharing fund provision at AS 29.60.850. This bill changes the calculation of the community revenue sharing fund appropriation to be the lesser of 20% of the progressivity for oil and gas for the previous year or the difference between the amount of revenue received under the minimum tax and 25% of the production tax value for oil and gas subject to the minimum tax in the previous year. The bill retains the maximum appropriation provisions. This provision, as currently written, increases the complexity of the calculation, but will likely not materially impact the amount of revenue appropriated.

4. **Provides for a new petroleum information management system, to be implemented by the Alaska Oil and Gas Conservation Commission (AOGCC)**. This provision of the bill provides for a new information management system for publicly available oil and gas information, to be operational before January 1, 2014. The only responsibility of the Department of Revenue would be to provide certain information to AOGCC on a regular basis. These responsibilities could be implemented using existing resources.

5. "Decouples" Some Oil and Gas for Progressivity. This bill separates some oil and natural gas for purposes of calculating the progressivity portion of the production tax under AS 43.55 (also known as "decoupling"). Currently, all oil and gas are combined for purposes of calculating a single progressivity rate. Under this bill, two progressivity rates would be calculated. The first progressivity surcharge would be based on oil, Cook Inlet gas, and gas used in state. The second progressivity surcharge would be calculated based on gas other than Cook Inlet gas and gas used in state. The bill instructs the Department of Revenue , to the extent possible, to provide for the allocation of lease expenditures in proportion to the gross value at the point of production for the oil and gas produced.

Analysis Continued

For purposes of the tax calculation, exploration expenditures and development expenditures for non-producing leases or units would be allocated within geographic areas based on the gross value at the point of production of existing oil and gas production.

There would be minimal revenue impact during the time period included in this fiscal note as gas that is produced in Cook Inlet or used in state is not impacted by this bill. Small amounts of gas sales that would be decoupled prior to a major gas sale are expected to impact revenue to the state by less than $10 million per year.

Under the current ACES system without the separate progressivity calculations, the state may receive less tax revenue with oil production and major gas sales, compared to oil production alone. This effect is due primarily to lower value gas diluting the progressivity surcharge on higher value oil under a combined tax. Under this bill, once major North Slope gas sales begin, exported gas will be subject to the separate progressivity calculation. Our modeling suggests that under this bill, and with addition of major gas sales to oil production, state revenue would be equal to or higher than revenue with oil only.

Additionally, this provision would generally increase tax revenue to the state, compared to the current tax system with a combined progressivity calculation, from major gas sales along with oil production. The amount of tax revenue increase is primarily dependent on oil and gas price and volume assumptions, along with some minor assumptions regarding expenditures and tariffs, but could be in excess of $1 billion per year.

Costs to Implement

With the change in tax structure with decoupling, the department will need to develop comprehensive regulations. Significant regulations work would also be required to implement the other provisions of this bill, with some interrelations between the various provisions of the bill. The Department would require an additional $495,000 for regulatory work and public participation in regulations for the package of regulations. With passage of this bill in the 2012 legislative session, the workshop and public forum process would likely begin in the summer or fall of 2012, and the majority of the regulation costs would be incurred in FY 13.

Specific costs for each major regulation project include the following:
$75,000 for contracted professional services for regulation consulting.
$270,000 for regulations costs including Department of Law, public notice and registry.
$150,000 for public forums for education of taxpayers and public participation, including preparation materials and legal support, and possibly travel.

In addition to the one-time costs, the provisions of this bill will require two additional positions to handle the increased complexity of the tax law created by this legislation, in particular the increased workload associated with the gross floor, additional production allowance, and reporting requirements of this bill. The positions would be an Oil and Gas Revenue Auditor IV (Range 24) and a Tax Technician III (Range 14), at an annual cost of $235,200.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB192**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB192CS(FIN)-DOA-AOGCC-03-8-12
Title: Oil and Gas Production Tax Rates
Sponsor: Senate Resources Committee
Requester: Senate Finance

Dept. Affected: Administration
Appropriation: AK Oil & Gas Conservation Commission
Allocation: Alaska Oil and Gas Conservation Commission
OMB Component Number: 2010

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	1,579.0		1,579.0	1,579.0	1,579.0	1,579.0	1,579.0
Travel							
Services	32,520.0		5,015.0	5,015.0	5,015.0	5,015.0	5,015.0
Commodities	320.0		25.0	25.0	25.0	25.0	25.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**34,419.0**	**0.0**	**6,619.0**	**6,619.0**	**6,619.0**	**6,619.0**	**6,619.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	34,419.0		6,619.0	6,619.0	6,619.0	6,619.0	6,619.0
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**34,419.0**	**0.0**	**6,619.0**	**6,619.0**	**6,619.0**	**6,619.0**	**6,619.0**

POSITIONS							
Full-time	**15**		**15**	**15**	**15**	**15**	**15**
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

The committee substitute has added a provision to create a petroleum information management system.

Prepared by: Cathy P. Foerster, Chair, Commissioner — Phone: 907-793-1228
Division: Alaska Oil and Gas Conservation Commission — Date/Time: 3/13/12 4:50 PM
Approved by: John Cramer, Deputy Commissioner — Date: 3/8/2012
Department of Administration

(Revised 11/18/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB192

Analysis

The AOGCC, an independent quasi-judicial State agency, is the State's permitting and regulatory authority over hydrocarbon and geothermal wells. The Commission's duties include ensuring the maximum recovery of hydrocarbon and geothermal resources, preventing hydrocarbon and geothermal waste, ensuring well safety, and protecting underground sources of drinking water and correlative rights. Given the nature of the Commission's duties and responsibilities, apart from support personnel, it is staffed by expert petroleum engineers and petroleum geologists. Because its expertise is so carefully tailored to its statutory duties and responsibilities, the Commission functions well and Alaska has an unrivaled record with regard to well safety and production.

Section 3 of the committee substitute for SB 192 seeks to effectuate a substantial change in the AOGCC by requiring the Commission to establish, operate and maintain an electronic petroleum information management system comprised of available and non-confidential information. The vast majority of the information the Commission must include in the petroleum information management system has nothing to do with the Commission's mission or function – "unit and joint operating agreements," exploration licenses and leases, "work programs and budgets," "development plans," operating and capital expenditures and projections, "oil and gas sales, revenue and pricing," transportation agreements, abandonment plans and budgets, resident and non-resident hiring information, training opportunities, and other information "the commission determines necessary and relevant to the oil and gas production tax and to the exploration, development, and production of oil and gas resources." Much of this information is currently already gathered and maintained by other state agencies or is not available to any state agency.

After careful review and consideration of Section 3, the AOGCC is of the view that Section 3 radically changes the AOGCC's longstanding role as the State's petroleum technology and geology experts and jeopardizes the Commission's ability to discharge its primary duties and responsibilities in those realms. The Commission has neither the expertise nor the infrastructure to construct, maintain and operate information management systems, computer systems, and the gathering of information on other subjects not related to the safe, efficient production of hydrocarbon resources from wells. Implementation of Section 3 will create – at a substantial fiscal outlay – an additional distinct state bureaucracy within the AOGCC which duplicates functions currently performed by other state agencies.

The AOGCC's non-confidential information is already publically available on its website. Other agencies are currently working to provide similar web availability of their data. Once those agencies do so, the information will be far more readily accessible to the public on those websites and at a substantially reduced cost.

Analysis Continued

Breakdown of costs:

Position	Annual Salary and Benefits
Deputy Director	$145.0
Petroleum Facilities Engineer	$236.0
Petroleum Geologist II	$145.0
Petroleum Geologist I	$132.0
Petroleum Economist II	$118.0
Analyst Programmer V	$118.0
Analyst Programmer V	$118.0
Analyst Programmer III	$ 89.0
Statistical Technician II	$ 73.0
Statistical Technician II	$ 73.0
Microfilm Operator I	$ 61.0
Microfilm Operator I	$ 61.0
Microfilm Operator I	$ 61.0
Executive Secretary II	$ 75.0
Administrative Assistant I	$ 74.0

Services

Lease Space	$ 105.0
(Space for 15 staff plus contractors, approximately 2,500 s.f. @ $3.50 per s.f. annually)	
Construct space for new positions	$ 100.0
Core Services	$ 75.0
Specialized Software	$ 20.0
Data/Phones	$ 20.0
Training (for current and new staff)	$ 200.0
Building a new stand alone computer system	$ 28,000.0
Upgrading current RBDMS system	$ 4,000.0
(production & consulting costs begin in year 2 and out)	
Annual Maintenance and server hosting	$ 4,700.0

Commodities

Computers, Monitors - one time costs	$ 45.0
Office Furniture, Chairs - one time costs	$250.0
Supplies	$ 25.0

2.

CSSB 192 Oil & Gas Production Tax Rates

Presentation by Senator Paskvan

March 13, 2012

Committee Substitute for Senate Bill 192 (RES)

Oil and Gas Production Tax Rates

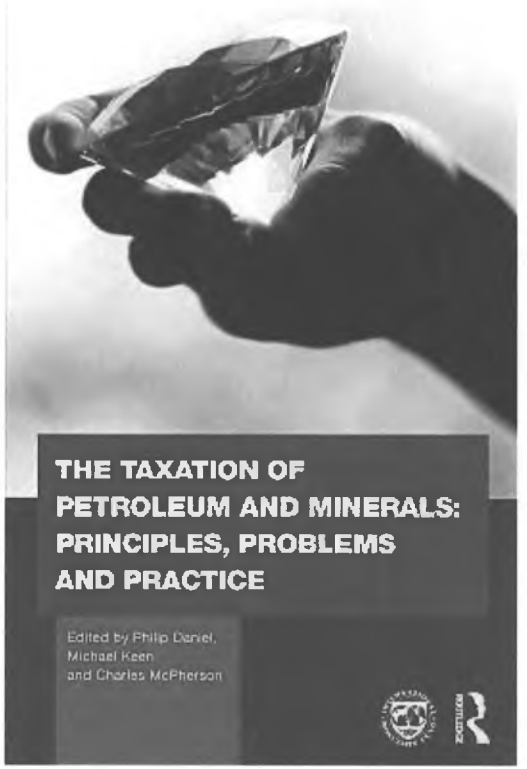


Senate Finance Committee
Tuesday, March 13

CSSB 192(RES) Overview

- Intro: Alaska is an Owner State
- Summary of DOR Reports
- Lessons Learned
- Basic Petroleum Economics
- DOR's "Facts To Begin the Conversation"
- CSSB 192(RES): Rationale and Overview
- Optimism for Alaska's Future

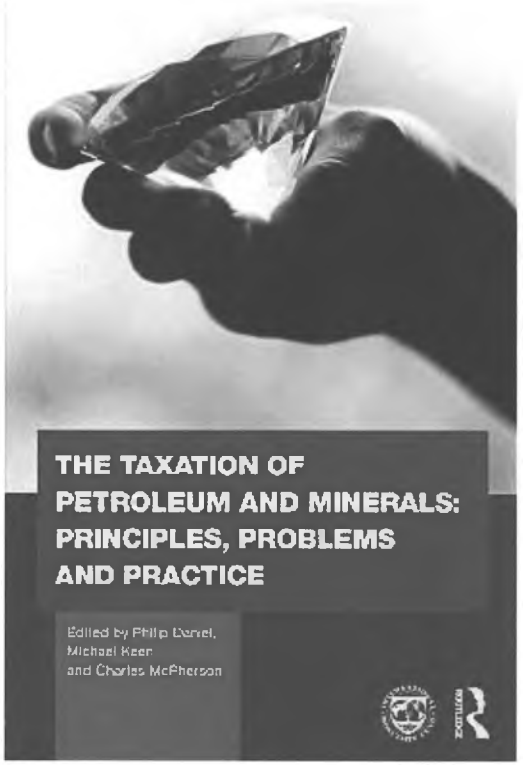
Alaska is an Owner State



"There are few areas of economic policymaking in which the returns to good decisions are so high – and the punishment of bad decisions so cruel – as in the management of natural resources wealth."

From the Preface, page ii

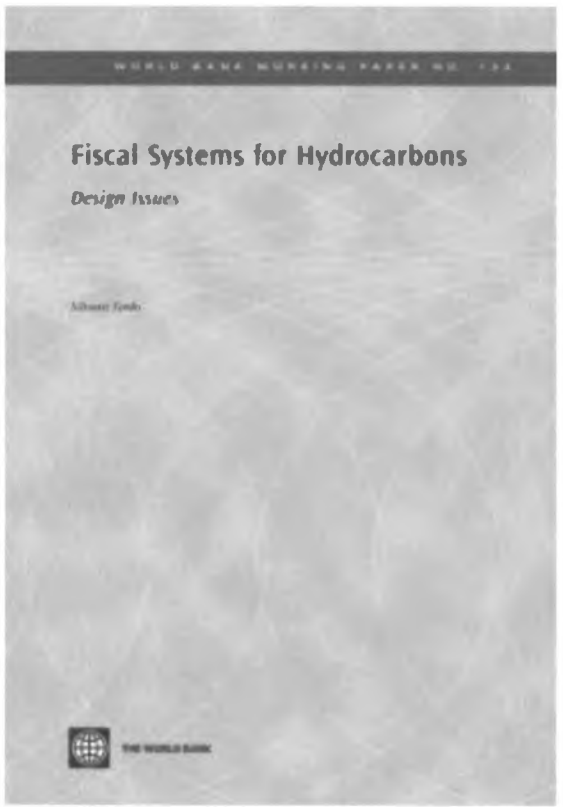
Alaska is an Owner State



"The central objective in designing petroleum fiscal regimes is easily stated. It is to acquire for the state in whose legal territory the resources in question lie, a fair share of the wealth accruing from the extraction of that resource, whilst encouraging investors to ensure optimal economic recovery of the hydrocarbon resources. How to achieve this balance is a subject of enduring controversy."

From Chapter 4 Petroleum Fiscal Regimes: Evolution and Challenges (page 89)

Alaska is an Owner State

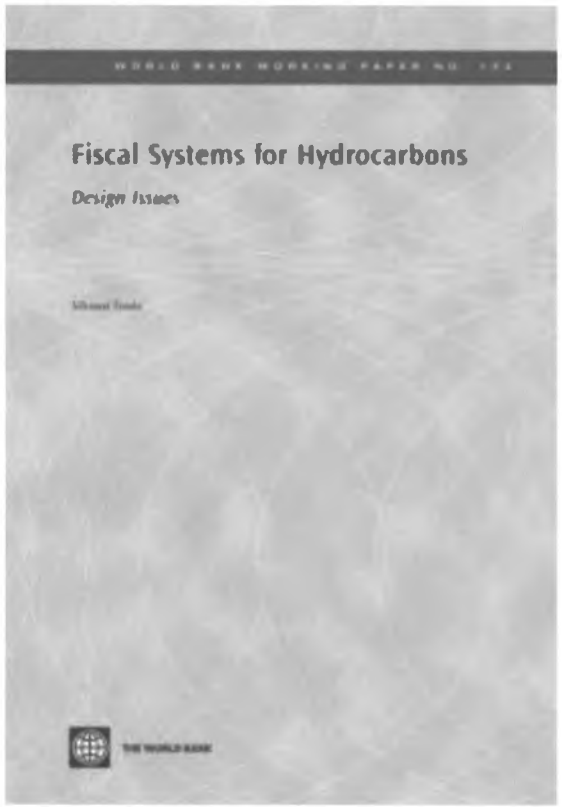


Chapter 5: Designing Efficient Fiscal Systems

Although the host government and the investor may share one common objective – the desire for the project to generate high levels of revenue – their other objectives are not entirely aligned:

Host governments aim to obtain the maximum value (not volume) for their countries over time in terms of net receipts for treasury. Their goal is to maximize the wealth from their natural resources and, at the same time, attract foreign investment. Host governments also have development and socioeconomic objectives, such as job creation, transfer of technology, and development of local infrastructure.

Alaska is an Owner State



Chapter 5: Designing Efficient Fiscal Systems (continued)

Oil companies aim to ensure that the return on capital is consistent with the risk associated with the project and with the strategic objectives of the corporation.

"Meeting the Challenge"

Bob Bartlett, Alaska Constitutional Convention





Where such vast resources potential exists one need not be clairvoyant to foresee an influx of interests wanting to develop these resources …

This moment will be a critical one in Alaska's future history. Development must not be confused with exploitation at this time. The financial welfare of the future state and the well-being of its present and unborn citizens depend upon the wise administration and oversight of these developmental activities.

Two very real dangers are present. The first, and most obvious, danger is that of exploitation under the thin disguise of development. The taking of Alaska's mineral resources without leaving some reasonable return for the support of Alaska governmental services and the use of all the people of Alaska will mean a betrayal in the administration of the people's wealth.

The second danger is that outside interests, determined to stifle any development in Alaska which might compete with their activities elsewhere, will attempt to acquire great areas of Alaska's public lands in order NOT to develop them until such time as, in their omnipotence and the pursuance of their own interests, they see fit. If large areas of Alaska's patrimony are turned over to such corporations the people of Alaska may be even more the losers than if the lands had been exploited. (November 8, 1955)

CSSB 192(RES) Overview

- Intro: Alaska is an Owner State
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ACES Status Report

Alaska Department of Revenue (January 14, 2010)

Letter from DOR Commissioner Galvin to Gov Parnell:

- "The ACES Status Report evaluates whether ACES is meeting its intended goals of providing a fair share of revenue to the state while encouraging investment in new oil and gas exploration and development activities."
- "The status report shows that ACES successfully allowed the state to share in the benefits of high oil prices while accommodating fluctuations in production costs and oil prices. ACES adjusted when oil prices tumbled and kept the oil operations in Alaska highly profitable relative to other oil provinces."
- "Since ACES passed the legislature, overall spending on oil and gas activities on the North Slope has increased. However … it would be premature to attribute the increased level of oil company investment to the success of ACES."

ACES Status Report

Alaska Department of Revenue (January 14, 2010)

Letter from DOR Commissioner Galvin to Gov Parnell (cont):

"Oil taxes are clearly an important factor in industry investment decisions. However, it is misleading to isolate their influence from other key factors, such as world oil prices, geologic potential, access to land, resources and markets, costs of infrastructure and support services, and the legal and regulatory framework. As noted in the report, the true merit of Alaska's current fiscal system can only be determined when it is evaluated in conjunction with these other variables."

ACES Status Report

Alaska Department of Revenue (January 14, 2010)

ACES Structure and Tax Rate (page 9 – 11):

"As with any tax, ACES may be evaluated using a variety of different metrics, including 'effective,' 'nominal,' and 'marginal' tax rate comparisons. While each of these can be helpful under the appropriate circumstances, each is also subject to certain limitations. It is important when using these metrics to understand their relative value and how they reflect upon the objectives of the tax system …"

"The 'marginal tax rate' is the rate theoretically applied to each dollar increase in oil price … With a net based tax system, this metric shows a company the impact of making additional investment, because each dollar they invest is 'subsidized' by the government based on the amount of marginal tax they have avoided paying on that dollar … For example, a marginal tax rate of up to 87% initially sounds excessive. However, at that same price level, the effective tax rate is less than 40%. The marginal rate of 87% actually represents that state's 'portion' of any new investment made at such high prices."

ACES Status Report

Alaska Department of Revenue (January 14, 2010)

Conclusion (page 15):

"Overall, the information reviewed by the department indicates that ACES is performing as expected when it was passed by the Legislature in 2007. The economic provisions are resulting in the revenue levels anticipated, and the investment incentives appear to distribute the increased tax burden in a fashion that continues to encourage reinvestment, though the experience with the credit program could be improved for new explorers. Challenges remain in the implementation by the department, but they are manageable and the department is positioned to meet those challenges."

Production Tax Status Report to the Legislature by DOR (January 18, 2011)

From the Executive Summary (pages 1 – 2)

- **Industry Investment** – Investment in the form of capital expenditures has increased in each of the four fiscal years since implementation of the net profits tax, however, it is unclear how much of the capital expenditures were drilling or well-related and how much were maintenance or facilities-related.
- **Impact on Exploration, Development, and Production** – Exploration has generally increased from 2003, when the EIC credit was implemented, but has dropped off in 2010. Development continues in three relatively new North Slope projects, yet production continues to decline.
- **Industry Employment and New Entrants** – Industry employment rose steadily from 2006 through 2009, but dipped slightly in 2010. The number of companies filing annual tax returns doubled between 2006 and 2009, indicating interest by companies that are either new or returning to the Alaska oil and gas industry.

Production Tax Status Report to the Legislature by DOR (January 18, 2011)

From the Executive Summary (cont.)

- **Use and Expansion of Tax Credits** – The amount of credits used has increased annually since 2006 and we expect the trend to continue as new credit programs were added in the 2010 legislative session.
- **Tax Administration and Compliance** – The department continues to write regulations for the new tax system, and the first audits under the net profits tax have been completed. The department has, however, been hampered in its tax reporting and compliance efforts by the lack of a centralized database to house and manage the large volumes of oil and gas data it receives.
- **Conclusions and Recommendations** – Based on the multiple changes to the tax laws over the past few years, drawing any conclusion about their effect on Alaska's investment climate is difficult. However, what is clear is that production continues to decline. The state should continue to monitor its competitiveness with other oil and gas jurisdictions worldwide and be prepared to change its tax structure as needed.

Production Tax Status Report to the Legislature by DOR (January 18, 2011)

Conclusion and Recommendations (Pages 14 – 15):

"A government's fiscal regime is just one element for oil and gas companies to consider when weighing options for where to invest. Many other elements, such as resource risk, political risk, environmental factors, and availability of labor and equipment, also play a part in companies' decisions about where to invest. It is very difficult to separate these factors in order to determine the extent to which a government's fiscal system influences investment choices.

"While it is untenable to blame a tax system for the lack of industry investment, it is equally untenable to claim that the tax system is the reason increased activity or investment occurs. The past three years have seen dramatic swings in oil prices from a high of $134 per barrel to a low of $38 per barrel just 6 months later. An economic recession stifled investment and business activity in the United States and much of the developed world for over a year. The economic activity of the past three years may not have been the best benchmark by which to judge the impact of a tax system …

"… State officials should continue to monitor the state's competitiveness in oil and gas opportunities, and be prepared to modify it as the need arises."

HB 110 PRODUCTION TAX ON OIL AND GAS

January 18, 2011: Read the First Time – Referrals

SB 49 PRODUCTION TAX ON OIL AND GAS

January 19, 2011: Read the First Time – Referrals

CSSB 192(RES) Overview

- Intro: Alaska is an Owner State
- Summary of DOR Reports
- **Lessons Learned**
- DOR's "Facts To Begin the Conversation"
- CSSB 192(RES): Rationale and Overview
- Optimism for Alaska's Future

Comprehensive Plan and Feasibility Study by FAST Enterprises, LLC (October, 2010)

Excerpts from the Executive Summary

The Alaska Department of Revenue's Tax Division (DOR/TAX) relies on a patchwork of 17 automated systems and over 100 manual "side-systems" to administer 22 tax programs.

- DOR/TAX manages over $3 billion in Oil and Gas Tax revenue using an eclectic mix of home-grown side-systems that include multiple databases and unsecured, unstable spreadsheets stretched well beyond their intended use. Storing sensitive taxpayer information in these databases and spreadsheets poses a high security risk.

- The 17 systems used to administer different taxes and functions have been pieced together over the past 15 years without integration or an overall architecture. The systems do not scale to meet current needs and are inflexible and difficult to maintain. Since the initial development of the systems, many tax laws have changed and the systems have not changed accordingly.

Comprehensive Plan and Feasibility Study by FAST Enterprises, LLC (October, 2010)

Excerpts from the Executive Summary (continued)

- DOR/TAX employees spend a higher proportion of their time compiling, organizing, and reconciling data than actually auditing, examining, analyzing, forecasting, or managing tax programs.

- The limitations and inflexibility of existing systems impose a burden on taxpayers. Current reporting processes are inefficient and ineffective, and create unnecessary work and cost. As one taxpayer stated, "the Tax Division's inefficiency makes taxpayer interaction with the division inefficient."

- DOR/TAX cannot easily produce reports required by the legislature and policy makers because the current systems prevent timely, complete, and correct extraction of data. Reports can be inaccurate and misleading due to incorrect and incomplete data and human error.

Department of Revenue Additional Information

Single Audit of the State of Alaska (Feb 28, 2011)

- Recommendation: "DOR's commissioner should ensure staff within its Tax Division implement controls to improve the auditing of oil and gas severance tax revenues."
- Legislative Audit's Current Position: "Significant control deficiencies continued over the auditing of oil and gas severance tax revenues in FY10. A loss of experienced audit staff during FY10 compounded the struggles that the audit section was already experiencing."

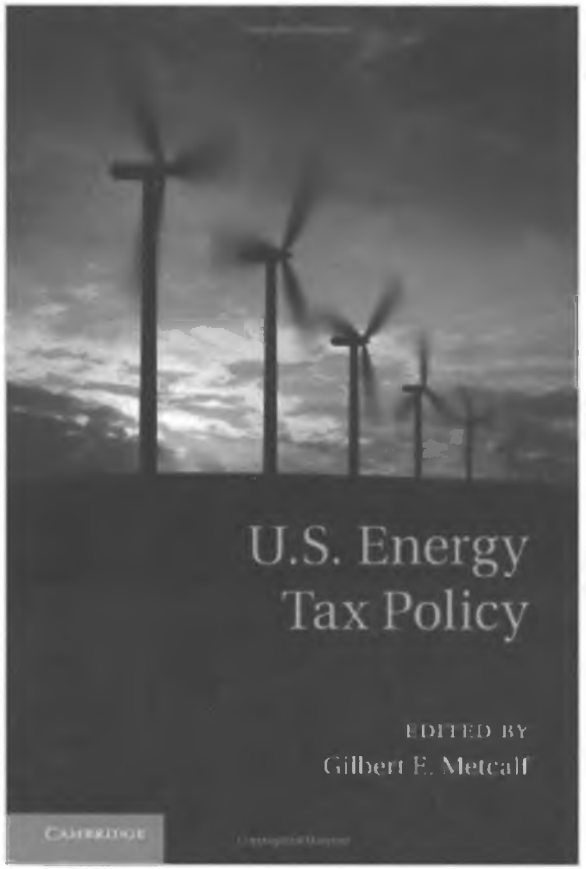
Decision Following Trial De Novo: 2007, 2008, and 2009 Assessed Valuations of the Trans Alaska Pipeline System (December 30, 2011)

- "The Department's Production Forecasts and Reserves Estimates are Unreliable" (page 170)

U.S. Energy Tax Policy (2011)

(Chapter 9) State Tax Policy and Oil Production:

The Role of the Severance Tax and Credits for Drilling Expenses



Introduction

"Although most energy-producing states have levied taxes on the value of oil, natural gas, and coal production for many years, changes in these taxes have become headline news as state governments grapple with budget shortfalls brought about by the current recession. For instance, Alaska has increased the severance tax on the value of its oil production and attempted to stimulate future production by allowing a credit against this tax for expenditures on capital items, including drilling rigs, infrastructure, exploration, and facility expansion (Alaska Department of Revenue 2008)."

By Ujjayant Chakravorty, Shelby Gerking, and Andrew Leach

State Tax Policy and Oil Production:
The Role of the Severance Tax and Credits for Drilling Expenses

Questions about the effects of state energy taxes, for example:

- Do state taxes tilt the time path of energy production to the present or to the future?
- Do upstream subsidies for exploration and development work together with downstream taxes on production to influence the levels and time paths of production and tax collections?
- What are the implications of these taxes for the long-term sustainable use of nonrenewable natural resources?

State Tax Policy and Oil Production:
The Role of the Severance Tax and Credits for Drilling Expenses

Key Finding #1:

- "Oil production is closely linked to the size of the reserve base and is relatively insensitive to changes in oil prices. This outcome, which is broadly consistent with experience in the U.S. oil industry over the past 50 years, leads to the conclusion that the severance tax has little effect on production levels (p. 306)."

State Tax Policy and Oil Production:

The Role of the Severance Tax and Credits for Drilling Expenses

Key Finding #2

- "The simulations suggest that a drilling expense credit may cost more than the incremental severance tax revenue obtained, although such credits may be worthwhile concessions if a state's objective is to generate greater support for increasing the severance tax rate (p. 307)."

Additional Research

"Effectiveness of Severance Tax Incentives in the U.S. Oil Industry" (Mitch Kunce, International Tax and Public Finance, 2003)

- "In general, results show that severance tax rate cuts substantially reduce state tax revenue collected, but yield moderate to little change in oil drilling and production activity. This outcome suggests that states should be wary of arguments asserting that large swings in oil field activity can be obtained from changes in severance tax rates."

Additional Research

"State Taxation, Exploration, and Production in the U.S. Oil Industry" (Mitch Kunce et al, Nov 26, 2001)

- "Results of this study suggest that oil production is highly inelastic with respect to changes in production taxes."

Gas and Water Handling Constraints

"While new oil is an issue in maintaining production levels, there are also issues at existing fields, where [Dudley] Platt said facilities expansion may be needed. He said the large facilities are 'maxed out on how much gas they can handle and they're getting close to being maxed out on how much water they can handle. … If they don't expand their facilities to handle that, the oil production will continue to go down.'"

"Alaska Oil Forecast Shaky"
By Kristen Nelson, Petroleum News
Week of November 18, 2007

Gas and Water Handling Constraints

North Slope of Alaska Facility Sharing Study

Prepared for Division of Oil & Gas, Alaska Department of Natural Resources

By Petrotechnical Resources Alaska, May, 2004

"The North Slope processing facilities have specific design capacity limits, indicating the amount of oil, water and gas which can be handled by the facility. If the handling capacity of one of these streams is reached for a given facility, it limits the overall production output from that facility. While some facilities may be producing below capacity for oil, they are often limited due to capacity constraints on total water production or gas production."

Gas and Water Handling Constraints

1989 Revenue Sources Book
Alaska Department of Revenue

"The vast majority of Alaska production will continue to come from the now declining Prudhoe Bay field … The decline in Prudhoe Bay production is now expected to be much more rapid than assumed in our Spring forecast. This reflects a more serious gas handling constraint. As more and more gas is produced with each barrel of oil, the amount of gas which must be re-injected back into the Prudhoe Bay field has increased substantially. Since it is anticipated that there will need to be more production downtime due to field and TAPS maintenance, the gas handling constraint will limit the ability to keep average annual oil production from falling. Installation of additional gas handling equipment, GHAX1 (gas handling and expansion 1), is scheduled to start late in 1990. A second expansion is in the planning stages. Once in place, the ability to re-inject up to 5.1 bcf/day of gas production will slow the rate of decline in oil production."

Gas and Water Handling Constraints

A Production Optimization System for Western Prudhoe Bay Field, Alaska

By D.A. Barnes, K. Humphrey, and L. Muellenberg of BPX America

Paper prepared for presentation at the 65th Annual Technical Conference and Exhibition of the Society of Petroleum Engineers held in New Orleans, LA, Sept 23-26, 1990.

"For almost a decade the Prudhoe Bay field on the North Slope of Alaska has produced at a yearly average offtake rate of 1.5 million stock tank barrels of oil per day. As the reservoir depletes and field gas-oil ratios (GORs) increase, gas handling constraints make it difficult to achieve oil rate targets."

Gas and Water Handling Constraints

Prudhoe Bay: Development History and Future Potential

By D.J. Szabo, BP Exploration (Alaska) Inc. and K.O. Meyers, ARCO Oil and Gas

Paper prepared for presentation at the SPE 1993 Western Regional Meeting, Anchorage, AK, 26-28 May 1993.

"Prudhoe Bay is seen by many as a mature oil field on an inevitable and irreversible decline … The field's oil production capacity dropped below 1.5 MMSTB/D in 1988 *officially* signaling the start of decline. The onset of decline was a direct result of limited gas handling capacity as opposed to limited oil production capacity."

Gas and Water Handling Constraints

Prudhoe Bay Field: Facility Consolidations Pave the Way for an Economic Future

By K.D. Eager, BP Exploration; M.D. Briscoe, ARCO Alaska; R.A. Bolduc, Exxon

Paper prepared for presentation at the 1998 SPE Annual Technical Conference and Exhibition held in New Orleans, LA, 27-30 Sept 1998.

"The Prudhoe Bay Field on Alaska's North Slope has produced for twenty-one years. Prudhoe's gas and water production rates are at historic highs, but the oil production rate has declined to less than one-half of the peak rate achieved in the 1980s. As a result, significant excess oil treating capacity exists, with water and gas handling capacity constraining the current oil production rate. The owners of the Prudhoe Bay Unit developed a major facility consolidation plan in 1997 designed to rationalize this excess oil treating capacity while preserving existing gas and water handling capacity. The reconfigured facilities are expected to provide sufficient capacity at a lower cost to accommodate projected oil, water and gas production rates over the remaining life of the Prudhoe Bay Field."

Gas and Water Handling Constraints

Prudhoe Bay Field: Facility Consolidations Pave the Way for an Economic Future
By K.D. Eager, BP Exploration; M.D. Briscoe, ARCO Alaska; R.A. Bolduc, Exxon

Paper prepared for presentation at the 1998 SPE Annual Technical Conference and Exhibition held in New Orleans, LA, 27-30 Sept 1998.

(Continued)

"Oil production rates are projected to continue to decline in the future. In developing the field development and management plans for 2000 and beyond, the PBU Working Interest Owners recognize the need to reduce lifting cost commensurate with the decline in oil production to maintain an economic asset for as long as possible. The Prudhoe Bay Facility Optimization Project will play an important role in achieving reduced lifting costs."

Gas and Water Handling Constraints

Optimization of Production from Mature Fields
By P. Wang & K. Aziz of Stanford University and M.L. Litvak of BP, USA
17th World Petroleum Congress, September 1 - 5, 2002, Rio de Janeiro, Brazil

"Oil production in the Prudhoe Bay and Kuparuk River fields is constrained by the gas handling limits of the surface facilities."

2003 Oil and Gas Report (for the period ending December 31, 2002)
Alaska Department of Natural Resources (Tom Irwin, Commissioner)
Division of Oil and Gas (Mark Myers, Director)

"From the beginning of Prudhoe Bay production, dissolved gas and water were separated from the crude oil and injected back into the reservoir. Over time the reservoir's proportion of both gas-and-water to oil increased. Eventually, oil production was constrained by the rate at which the separating plants could process gas and water."

Gas and Water Handling Constraints

Q: Does DNR agree that oil throughput at Prudhoe Bay is constrained by the ability of field operators to process and re-inject associated natural gas?

A: Yes, gas processing is a significant constraint in Prudhoe Bay. While new wells could be drilled with lower GOR's, other high GOR wells have to be shut-in because of the gas processing limitation.

Q: As of the early 1990's, does DNR agree that Prudhoe Bay was past the point where well drilling could stave off a falling oil rate?

A: Yes. The Prudhoe Bay Unit WIO had a very aggressive drilling program in 1986-1992. In addition, a major gas handling expansion (GHX-1) occurred in the late 1980s which helped stem decline. Significant delay in the production plateau would have been difficult.

(Source: Memo from DNR to Senator Paskvan re: "Responses to the 30 questions from September 22, 2011" (January 17, 2012).

Overview of the Gleason Decision

- Market Structure
- The Life of TAPS
- Access To Information

Overview of the Gleason Decision

Market Structure

Overview of the Gleason Decision

The Life of TAPS

Overview of the Gleason Decision

Access To Information

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- Optimism for Alaska's Future

Expanded Basic Petroleum Economics

Course Level: Basic

About The Course:

- Could you answer the following three questions for your next project:
  - What will it cost?
  - What is it worth?
  - Will it earn sufficient profit?
- Before undertaking any project, these questions should be answered.

Source: PetroSkills 2012 Training Guide

Example

- Estimates of drilling cost per well range from $132,907 in Kansas, where wells tend to be shallow, to $3,881,600 in Alaska, where the drilling experience is very different as compared to the lower 48 states.
- Marginal reserve additions from drilling range from 11,051 barrels per well in Kansas to 177,067 barrels per well in Alaska.
- Thus, while drilling a well in Alaska is markedly more expensive than in Kansas, Alaska experiences a greater payoff from these more costly exploration and development efforts.

(Source: "Effectiveness of Severance Tax Incentives in the U.S. Oil Industry," 2003, page 573 – 574)

Will it earn sufficient profit?

"Oil Industry Profitability in Alaska 1969 through 1987"

The oil industry received an estimated $42.6 billion in profit from production and transportation activities in Alaska from 1969 through 1987 … Alaska North Slope (ANS) production contributed $29.1 billion to profit, with $27.8 billion of this amount attributable to Prudhoe Bay and $1.3 billion attributable to Kuparuk. TAPS provided $12.4 billion. Production in Alaska other than ANS production added $1.1 billion in profit.

Shares. The 42.6 billion in after-tax profit that accrued to the oil industry compares to $29.3 billion in State of Alaska receipts from oil industry activities during this period. During the same period, Federal government receipts were $25.8 billion from these activities (page I and II).

(Source: "Oil Industry Profitability in Alaska 1969 through 1987," Prepared for the Department of Revenue, State of Alaska, by Edward Deakin, Distinguished Enterprise Professor and Director, Institute of Petroleum Accounting, University of North Texas, March 15, 1989.)

Will it earn sufficient profit?

"Oil Industry Profitability in Alaska 1969 through 1987"

Additional Benefits of ANS Oil

ANS Producers receive profits from Alaska oil outside of Alaska which provides an additional bonus beyond what it would cost if they had to purchase imported oil. An additional profit of approximately $0.7 billion went to the producers through the operation of the U.S. Department of Energy crude oil entitlement program. Producers are believed to earn additional profit through the refining of ANS crude because, among other things, they have access to a secure source of crude oil. If they did not have the ANS crude, it would be necessary for them to acquire crude from foreign sources.

Others estimate that profits on tanker operations and the trans-Panama shipment activities added between $.25 and $1.00 profit per barrel of ANS crude produced. These additional profits would have been received on the nearly 6 billion barrels of ANS production. These added profits are not included on the $42.6 billion of total oil industry profit in Alaska covered in this report (page 13).

These downstream profit issues are beyond the scope of this project. They do indicate, however, that the producer's economic benefits of Alaska oil production extend beyond the profit obtained within the boundaries of the State of Alaska (p. T-70).

(Source: "Oil Industry Profitability in Alaska 1969 through 1987," Prepared for the Department of Revenue, State of Alaska, by Edward Deakin, Distinguished Enterprise Professor and Director, Institute of Petroleum Accounting, University of North Texas, March 15, 1989.)

Will it earn sufficient profit?

"Oil Industry Profitability in Alaska 1969 through 1987"

Hourly Profit Rate

"Looking at these profits as an hourly earning number may bring the amounts into better perspective. After-tax profits have been earned by the producers at the rate of $463,144 per hour, twenty-four hours per day for each day of the first ten and one-half years of ANS Production (page 19)."

(Source: "Oil Industry Profitability in Alaska 1969 through 1987," Prepared for the Department of Revenue, State of Alaska by Edward Deakin, Distinguished Enterprise Professor and Director, Institute of Petroleum Accounting, University of North Texas, March 15, 1989.)

Will it earn sufficient profit?

Lord John Browne, Chief Executive, BP

Address to shareholders (April 15, 2004)

- "In periods of high oil prices such as the one we find ourselves in today, the group generates significant 'excess free cash flow' after capital expenditure and dividends. Rather than using this cash to reduce debt … we are committing to return … 100 percent of this excess free cash flow to our investors, for as long as oil prices remain above $20 a barrel, all other things being appropriate (*Sarah Takes on Big Oil*, page 16)."

Will it earn sufficient profit?

"Alaska's role in BP's portfolio is to provide a stable production base and cash flow to fuel growth elsewhere in the business while improving margins and returns."

Sidenote:

"Over the past three years the TAPS Owners and Alyeska have studied a number of potential business efficiency opportunities … Preliminary engineering studies have also confirmed electrifying and automating all 4 pump stations will allow Alyeska to eliminate over 285 full time positions, many of those in field locations where wage and locations premiums are very high. Currently, remote crews at these pump stations require expensive catering, transportation and other costly support services systems. Eliminating these positions translates to an annualized expense savings improvement of over $41mm gross (+16mm net BP) by 2007 over APSC 2003 Base O&M."

(Source: BP, Alaska Business Unit, Mid-Stream Alaska, Trans-Alaska Pipeline Pump Station Electrification, 2004, Page 13)

Will it earn sufficient profit?

Gene Therriault,

Senior Policy Advisor on In-State Energy, Parnell Administration

Email Correspondence, August 2, 2010

"Major producers like ConocoPhillips and BP have reported strong profits from their Alaskan operations under the ACES system. For example, in 2009, ConocoPhillips' Alaska activity accounted for 12% of its worldwide production but 29% of its corporate profits. In addition, the August 1, 2010 edition of Petroleum News recently detailed ConocoPhillips current year earnings and concluded that "ConocoPhillips' exploration and production activities continue to be more profitable in Alaska than across the Lower 48.'"

Will it earn sufficient profit?

BP Prudhoe Bay Royalty Trust (BPT)

"In the past 10 years, BPT has earned a total return of 2,248%. A $5,000 investment just 10 years ago would be worth $117,400 right now … To give you an idea of how strong a return that is, integrated oil giant Chevron returned 231% over the same period. That would have turned $5,000 into $16,550. Not bad, but nowhere near what BP Prudhoe Bay Royalty Trust did.

"And those royalties are on top of capital gains. BPT's share price gained 667% during the past 10 years thanks to rising oil prices, while Chevron's stock price went up only 137%.

"The thing is, BPT not only beat Chevron... it beat out just about every major oil company over the same period. And that's only part of the equation. Go back a few more years, and the major oil and gas companies aren't even in BPT's league.

"BPT has generated total returns of 5,089% since 1990 -- beating the "big" names in the oil and gas industry. Chevron ... Exxon ... Shell ... you name it."

(Source: Seeking Alpha website, "BP Prudhoe Bay Royalty Trust: Why Worry About This High Yielder?," January 25, 2012)

Will it earn sufficient profit?

BP Prudhoe Bay Royalty Trust (BPT)



(Source: Seeking Alpha website, "BP Prudhoe Bay Royalty Trust: Why Worry About This High Yielder?," January 25, 2012)

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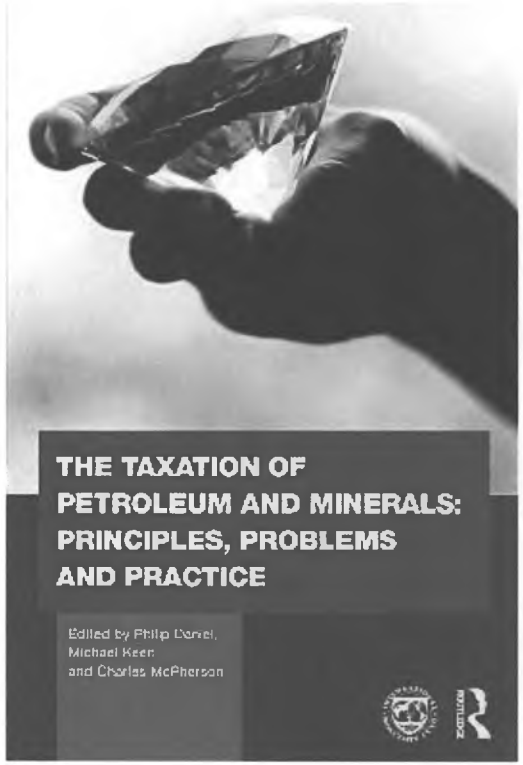
Department Of Revenue's Facts to Begin the Conversation

- Oil Prices Began to Climb to All-Time Highs Starting Mid-2000s
- TAPS Throughput Continues Steady Decline
- Other Oil Producing Regions Enjoying Production and Employment Booms
- Competition is High – Many Other Areas To Invest Around the World

Source: Senate Resources Committee (February 10, 2012)

Oil Prices Began to Climb to All-Time Highs Starting Mid-2000s



Chapter 7: Evaluating fiscal regimes for resource projects: An example from oil development

"The unprecedented rises in the internationally traded prices of crude oil and natural gas (petroleum) between 2002 and 2008, and the sudden fall after July of 2008, have concentrated attention once again on how petroleum revenues are shared between owners of the resource in the ground (usually governments) and the companies that extract the petroleum (page 187)."

Oil Prices Began to Climb to All-Time Highs Starting Mid-2000s

Fiscal Regimes in a Volatile Oil Price Era: What Options Exist for Balancing the Interest of the Resource Country and Investor Company?

By Humphrey Onyeukwu, SPE, Centre for Energy, Petroleum, Mineral Law and Policy, University of Dundee

Paper presented at the CPS/SPE International Oil and Gas Conference, Beijing, China, June 2010

"The challenge of a fiscal policy in a volatile price oil era is ensuring a high share of value is secured for the Government. At the same time, the fiscal policy strives to encourage the exploration of these valuable resources without harming the commercial interest of the oil companies. Price volatility fundamentally alters the sharing formula; it is therefore imperative for a correct balance to be achieved between the competing state interests and the oil companies. The question becomes how equilibrium can be achieved in a petroleum fiscal system design, which guarantees a suitable government take and avoids the negative effect of instability and re-negotiation of fiscal terms."

TAPS Throughput Continues Steady Decline

Revenue Sources Book (October, 1988)

Alaska Department of Revenue

"It is important to emphasize that the North Slope producers, while not agreeing on the exact date, have concluded that North Slope production will commence to decline in either FY 89 or FY 90."

TAPS Throughput Continues Steady Decline

Revenue Sources Book (Fall 1989)
Alaska Department of Revenue

"The fall in oil production means that the inevitable decline in the huge Prudhoe Bay field has started sooner than we predicted ... This forecast assumes that production from the Prudhoe Bay field will continue to fall steadily, and will drop to less than half its present level in less than 10 years."

"Some observers may believe that exploration will discover another Prudhoe Bay. Prudhoe Bay is the largest oil field in North America, and finding such a 'supergiant' is extremely rare."

"The State of Alaska is standing on a precipice. Only a combination of budget cuts, more efficient programs, and new revenues will keep the State from falling a long way ..."

"The decline in production from the Prudhoe Bay field is a central issue for Alaska ... The decline in Prudhoe Bay production is now expected to be much more rapid than assumed in our Spring forecast."

TAPS Throughput Continues Steady Decline

Revenue Sources Book (Spring 1992)

Alaska Department of Revenue

"The long-term revenue outlook is dominated by the depletion of petroleum reserves of the Prudhoe Bay oil field ... Despite the start of the irreversible decline at the Prudhoe Bay field this year, continued success in reservoir management in all fields will hold statewide production decline throughout fiscal year 1995 to less than 9% total (3% per year)."

TAPS Throughput Continues Steady Decline

Revenue Sources Book (Spring 1994)

Alaska Department of Revenue

"The Prudhoe Bay field, which accounts for two-thirds of Alaska statewide production, is in irreversible decline."

TAPS Throughput Continues Steady Decline

With Prudhoe Bay in Decline, What's Next for Alaska?

By James M. Davis (Senior Vice President for Exploration and Land) & Jerry R. Pollock (Manager, Prudhoe Bay Engineering) of ARCO Alaska, Inc.

Oil & Gas Journal, August 3, 1992

"By any definition, Prudhoe Bay is declining and will continue to decline…

"To accountants, Prudhoe decline began during 1988 when the field was no longer able to make its maximum allowable rate of 1.5 million b/d of oil. To engineers, the decline began long before that …

"Unfortunately, adding more wells can't keep the oil production rate up forever. We're already past the point where drilling can stave off a falling oil rate. Oil reserves are finite. …

"As the field matures, the production facilities reach their maximum capacities to handle produced water and gas. Wells with falling oil rates and increasing produced water or gas volumes have to be shut-in. Total field oil production drops."

TAPS Throughput Continues Steady Decline

Hearing before the Committee on Energy and Natural Resources, United States Senate

New Developments in Upstream Oil and Gas Technologies: Testimony by Kevin Banks, Director, Division of Oil and Gas, Alaska Department of Natural Resources (May 10, 2011)

"With the exception of development of heavy oil resources known to exist around the Prudhoe Bay, Kuparuk, and Milne Point fields, and potential resource plays (like the Bakken in North Dakota) that may exist on the North Slope on State controlled lands, the natural field declines cannot be replaced without access to production from Federal lands and the OCS. There are no known conventional resources on State or Native lands that are likely sufficient to replace the decline in the existing production rates."

TAPS Throughput Continues Steady Decline

Senate Resources Committee, March 1, 2012

Testimony by Scott Jepsen, Vice President, External Affairs, ConocoPhillips Alaska

CO-CHAIR PASKVAN asked if Alaskans should expect to see 1 million barrels a day from state lands in conventional oil with the $5 billion investment over the next 10 years.

MR. JEPSEN said the 1 million barrels a day is a good aspirational goal, but he didn't think they could get there. It would probably take some other types of technologies than what is in the state right now. He hoped shale oil pans out and Great Bear plus some offshore help. State lands have potential, but he didn't know where they would see the upside in terms of getting to that 1 million barrels a day.

(Source: Draft Minutes, SEN RES Committee, March 1, 2012, BASIS website)

Other Oil Producing Regions Enjoying Production and Employment Booms

Resurging North American Oil Production and the Death of the Peak Oil Hypothesis

"The transfer of technology that caused the surge in natural gas production is transforming the outlook for oil production in the U.S. The unrelenting increase in oil rig count has been driven by two major forces: the sustained, high price of the commodity and the promise of improved oil production using the technology that has transformed the gas sector.

"Advances in the use of horizontal drilling and hydraulic fracturing have unlocked vast reserves of hydrocarbons originally trapped in highly dense shale rocks. The two shale oil plays that have benefited most from this transformation so far are the Bakken and Eagle Ford."

(Source: Citi Investment Research & Analysis, 15 February 2012
https://www.citigroupgeo.com/pdf/SEUNHGJJ.pdf?source=email_rt_mc&ifp=0)

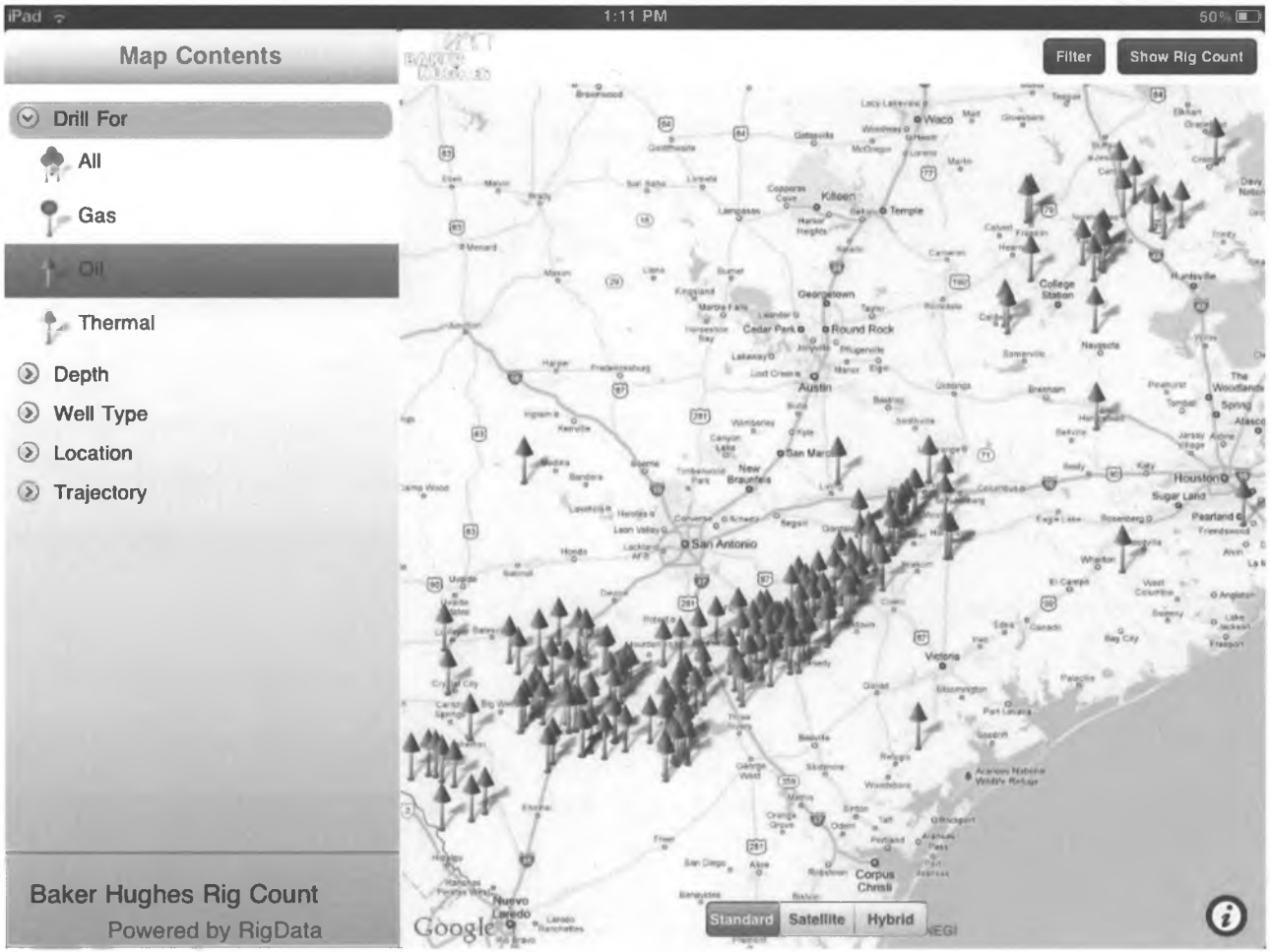
Baker Hughes Rig Count
Bakken, North Dakota



Baker Hughes Rig Count
Bakken, North Dakota



Baker Hughes Rig Count
Eagle Ford, Texas



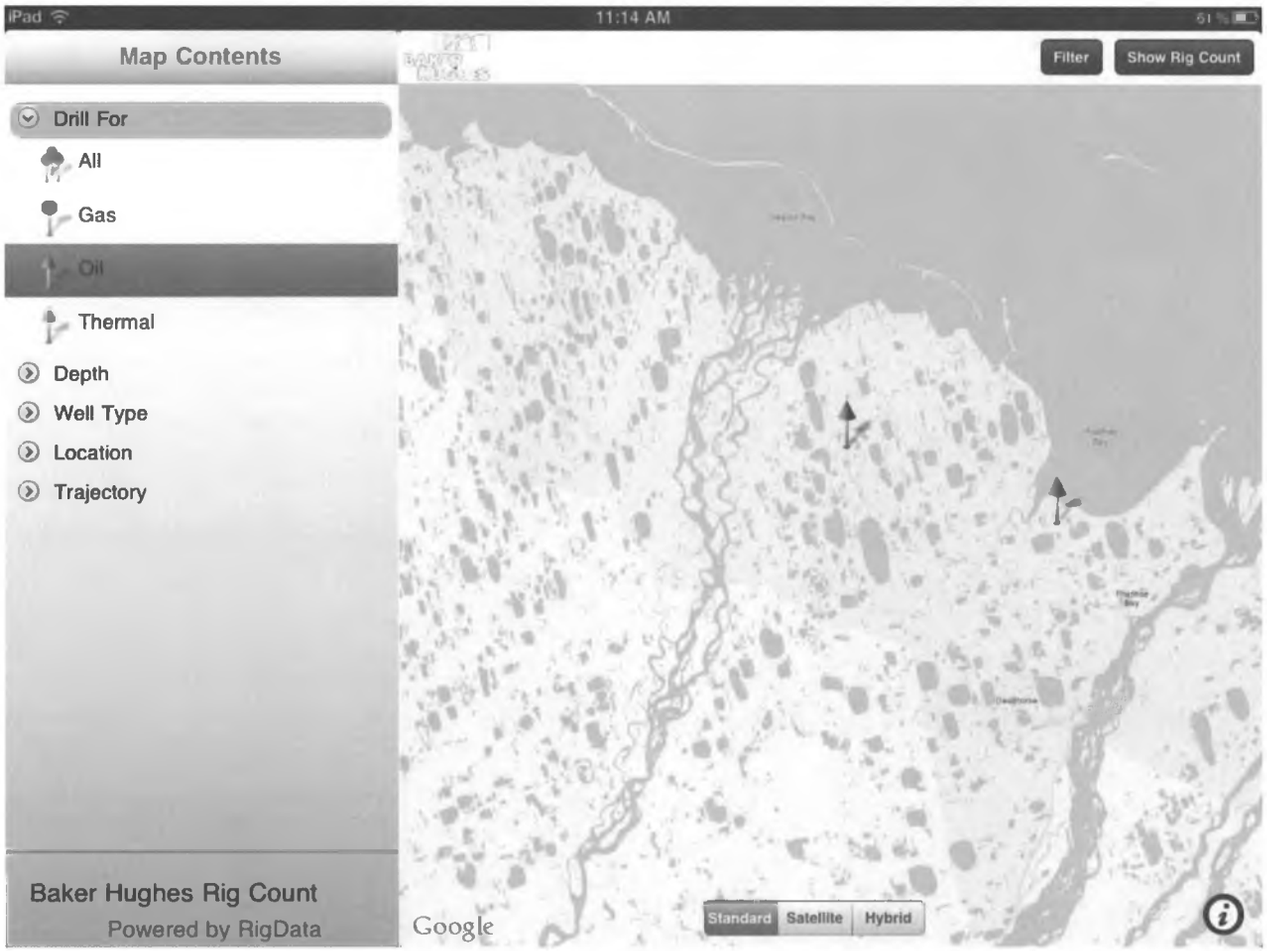
Baker Hughes Rig Count
Eagle Ford, Texas



Baker Hughes Rig Count
Alaska North Slope



Baker Hughes Rig Count
Alaska North Slope



Other Oil Producing Regions Enjoying Production and Employment Booms

Alaska Economic Trends: Alaska's Oil Industry
September, 2008

"Dramatic improvements in technology in the last decade have had a powerful effect on employment levels.

"Examples include the widespread use of horizontal drilling, ultra extended-reach drilling, 3-D and 4-D seismic surveys, drill bit sensors and other advancements that reduced the number of wells that need to be drilled (page 6)."

Other Oil Producing Regions Enjoying Production and Employment Booms

Alaska Economic Trends: Alaska's Oil Industry
September, 2008

"According to the Federal Reserve Bank of Dallas, the national oil and gas industry was the leader in productivity gains throughout the 1990s and continues to be an above-average performer. In other words, the oil industry has been able to perform more work using fewer workers (page 6)."

Other Oil Producing Regions Enjoying Production and Employment Booms

Alaska Economic Trends: Alaska's Oil Industry September, 2008

How does Alaska compare to other oil-producing states?

"As far as the oil industry's importance to the economies of different states, there's little doubt Alaska ranks first. However, a person wouldn't guess that by looking at the size of Alaska's oil industry work force

"Alaska produced 15 percent of the nation's domestic oil supply in 2007 but employed only 3 percent of the U.S. oil and gas work force … (page 10)."

Other Oil Producing Regions Enjoying Production and Employment Booms

How does Alaska compare to other oil-producing states? (cont)

"There are a host of reasons that explain Alaska's much-smaller oil industry work force, in light of its tremendous production.

"One big reason is simply that Alaska's oil fields enjoy large economies of scale. Prudhoe Bay is the largest oil field in the nation and doesn't need a huge work force to produce its oil …

"In Texas, Oklahoma, Wyoming and other oil-producing states, some oil is produced from very small fields. There are 400,000 marginal fields or stripper wells operating in the U.S. and a stripper well produces 10 barrels of oil or less per day. In many of the states, there are literally thousands of families and small companies engaged in producing oil – something nearly totally absent in Alaska."

Other Oil Producing Regions Enjoying Production and Employment Booms

Technology advances (see slide 62) lead to more drilling and more jobs in the new, unconventional (i.e., shale) oil plays in North Dakota and Texas.

At the same time, technology advances (see slides 69 and 70) lead to fewer wells and fewer jobs in the mature, conventional oil plays on Alaska's North Slope.

Competition is High – Many Other Areas To Invest Around the World

- ANS is a world class basin
- Vertical Integration of BP, ConocoPhillips, and ExxonMobile
- Transition from majors only to mid-majors and independents
- Growth of NOCs limits "areas to invest"
- Concept of immobile capital

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CSSB 192(RES)
Rationale and Overview

- Preserves Industry-Friendly Components of ACES
- Reduces the Rate and Cap of Progressivity
- Rewards Increased Production
- Establishes a Gross Minimum Tax
- Separates oil and natural gas for purposes of calculating the progressivity portion of the production tax
- Creates an Oil Information System

CSSB 192(RES)

Preserves Industry-Friendly Components of ACES

- Preserves Deductions of Capital Expenditures, Operating Expenditures, and Transportation Costs (i.e., net profits tax)
- Preserves Tax Credits
- Preserves Royalty Rate
- Preserves Royalty Modification

CSSB 192(RES)

Reduces the Rate and Cap of Progressivity

- Retains the original trigger of $30 in Production Tax Value (PTV); at which point the progressive tax rate is calculated at .35% per dollar increase in PTV up to 50% ($101.43);

- At 50% ($101.43), the CSSB 192 adds a second trigger on the progressive tax rate calculation that lowers the progressive tax rate to .1% on PTV up to 60% ($201.43);

- Adds a statutory maximum tax rate of 60% under the production tax statutes.

CSSB 192(RES)

Rewards Increased Production

- Companies that increase their North Slope production levels from one year to the next will earn an allowance on the oil they produce above the prior year.
- The allowance reduces their Production Tax Value (or PTV) by $10 for the new barrels of oil produced. This allowance should not be confused with a tax credit or a lowering of tax rates.
- It is a reduction in the PTV used to calculate production tax.

CSSB 192(RES)

Establishes a Gross Minimum Tax

- This provision of the legislation will establish a production tax floor of 10% of the gross value of oil at the point of production for legacy fields in Alaska. The floor would apply only to fields which have already produced a billion barrels of oil and are still producing 100,000 barrels a day on average.
- This provision is intended to alleviate concerns that the current floor does not adequately protect the state when oil prices are low. In fact, at prices as low as $70, the state may take in more with a 10% gross floor than it would with ACES.
- As consultants have told us, ACES needs to be durable in a wide range of price environments. This provision helps achieve that goal and protects the state at the downside.

CSSB 192(RES)

Separates oil and natural gas for purposes of calculating the progressivity portion of the production tax

- This legislation separates oil and natural gas for purposes of calculating the progressivity portion of the production tax.
- Under current law, the tax rate is based on the combined BTU value of oil and gas. However, oil and gas can, and do, have vastly different values on a BTU basis. Currently, a BTU of oil is worth much more than a BTU of gas. Accordingly, once a major gas sale starts, overlaying the existing oil production, the BTU value of the combined oil and gas would be much lower than it was for oil alone.
- This legislation removes the dilution effect by having progressivity calculated distinctly for oil and gas. This will result in no reduction in oil taxes from a major gas sale.

CSSB 192(RES)

Creates an Oil Information System

- Concerns have been raised about oil and gas information that is not available to legislative policy-makers and the public. While much of the information is confidential under law, there is a considerable amount that is public, but it is scattered among several agencies and can, at times, be difficult to find.
- This provision in law will begin the process of making information more available to the policy-makers, public, and oil and gas companies who may be seeking to do business in Alaska's oil fields.
- Alaska Oil and Gas Commission (AOGCC) will be required to develop an electronic Petroleum Information Management System that will contain public information currently gathered by the commission, as well as the Departments of Revenue, Natural Resources and Labor & Workforce Development.
- The legislation directs the departments that have control over the various aspects of the information to provide what is not confidential to the commission in a form suitable for distribution.

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Optimism for Alaska's Future

- 7 – 8 billion barrels of oil (plus heavy, shale, OCS, NPR-A, ANWR)
- ANS is worth more now than it was in 1977
- Spending Forecast is Up: Above and Below Ground Infrastructure Rebuilt
- Cathy Foerster, AOGCC: ANS is Healthy
- DNR Ad: "Alaska: We're Open for Business"
- North Slope Booms

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Questions?

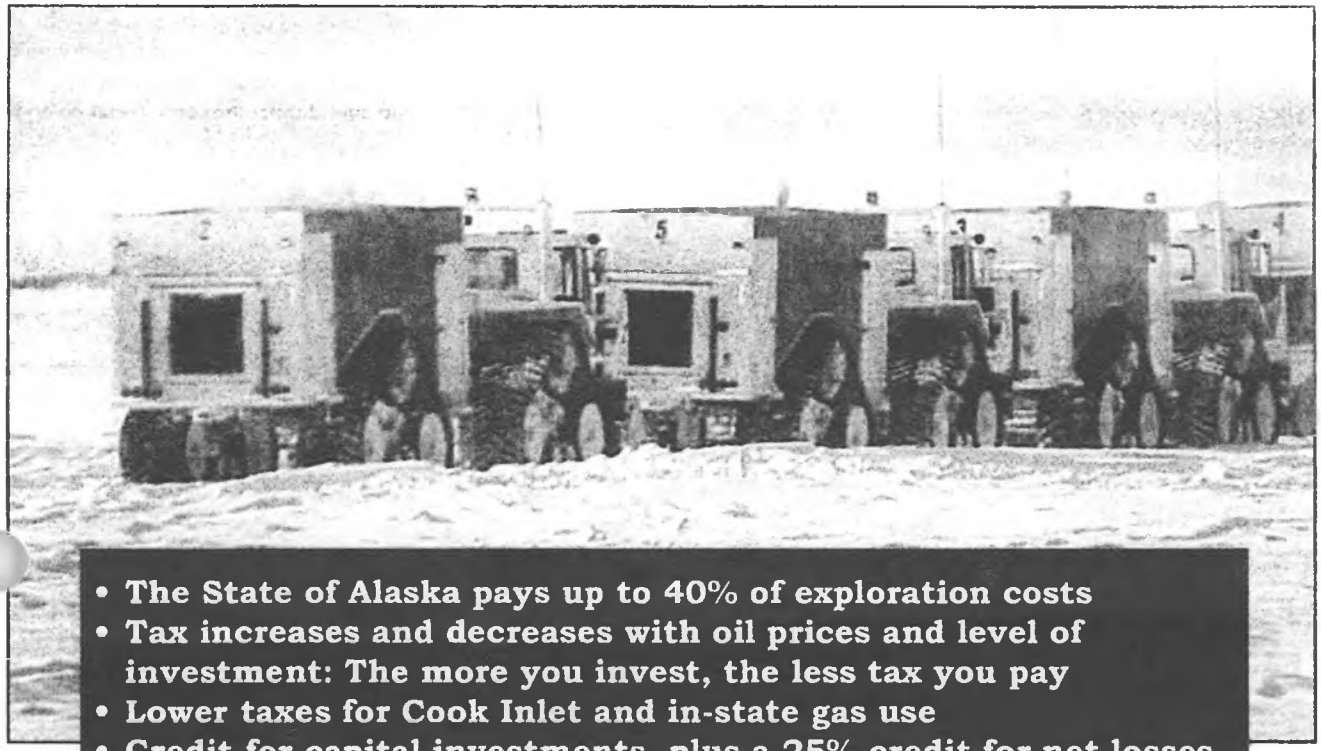


voir integrity question is pertinent to RCA certification of CINGSA's facility, in that a lack of reservoir integrity would undermine wise defective," the commission said in a March 17 order. "Therefore, we deny the petition for consideration."

Contact Alan Bailey at abailey@petroleumnews.com

"For someone new to the state or for a company that does not already have a large production base ... credits for capital investment and the credit for net operating losses are very advantageous."

Savant Resources, 2009



- **The State of Alaska pays up to 40% of exploration costs**
- **Tax increases and decreases with oil prices and level of investment: The more you invest, the less tax you pay**
- **Lower taxes for Cook Inlet and in-state gas use**
- **Credit for capital investments, plus a 25% credit for net losses**

Alaska is successfully encouraging investment from companies that are new to the state, with the number of petroleum companies doing business in the state almost doubling between 2006 and 2008.

Legacy producers on the North Slope are investing in their own assets, leaving room for new players, as evidenced by Pioneer's Oooguruk (production started in 2008) and ENI's Nikaitchuq (expected to start production in 2010).

The past two years of lease sales on the North Slope successfully leased a total of 1,276,207 acres, all to smaller companies.

"[T]he state has been a good partner for new explorers."

(Brooks Petroleum Corporation, 2008)

Alaska: We're Open For Business!

Alaska Department of
NATURAL RESOURCES
DIVISION OF OIL & GAS

Division of Oil and Gas
550 West 7th Avenue, Suite 1100
Anchorage, Alaska 99501-3560
tel: 907-269-8800
http://www.dog.dnr.state.ak.us/oil/

3.

Response to Questions March 13, 2012

SPE 49063

Prudhoe Bay Field: Facility Consolidations Pave the Way for an Economic Future

K. D. Eager, BP Exploration, M. D. Briscoe, ARCO Alaska, Inc., R. A. Bolduc, Exxon Company, USA

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This paper was prepared for presentation at the 1998 SPE Annual Technical Conference and Exhibition held in New Orleans, Louisiana, 27–30 September 1998.

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Abstract

The Prudhoe Bay Field on Alaska's North Slope has produced for twenty-one years. Prudhoe's gas and water production rates are at historic highs, but the oil production rate has declined to less than one-half of the peak rate achieved in the 1980's. As a result, significant excess oil treating capacity exists, with water and gas handling capacity constraining the current oil production rate. The owners of the Prudhoe Bay Unit ("PBU") developed a major facility consolidation plan in 1997 designed to rationalize this excess oil treating capacity while preserving existing gas and water handling capacity. The reconfigured facilities are expected to provide sufficient capacity at a lower cost to accommodate projected oil, water and gas production rates over the remaining life of the Prudhoe Bay Field.

This paper describes the Prudhoe Bay Surface Facility Optimization Project, from conceptual engineering initiatives in 1996, through preliminary engineering, economic justification, attainment of support from operations personnel and approval by the working interest owners of the Prudhoe Bay Field. Technical challenges and the challenges of projecting benefits associated with the consolidations were resolved through networking and technical discussions throughout the BPX, ARCO and Exxon world-wide organizations. The ultimate approval of the plan by the PBU Working Interest Owners is a clear example of teamwork and information sharing on a global scale.

Introduction

The Prudhoe Bay Field first produced oil in June, 1977. Daily production reached a plateau between 1979 and 1989 at 1.6 million barrels of oil and condensate. The field has since declined to a total daily production rate of 750 thousand barrels (combined oil, condensate, and natural gas liquids "NGLs"). Production to date has been approximately 9.5 billion barrels of liquid hydrocarbons with significant additional remaining reserves. During the field's development, gas production has increased to a current annual average of 7.5 BCFD with funded projects planned to increase gas offtake to about 8.3 BCFD. Gas production is expected to remain stable into the foreseeable future. Currently, produced gas is stripped of saleable components and either reinjected for gas cycling and pressure maintenance or consumed as fuel in operations on Alaska's North Slope. Daily water production is currently 1.3 million barrels and is expected to remain relatively stable for the foreseeable future.

The field was developed with six large oil separation facilities, three ARCO operated Flow Stations (Eastern Operating Area, EOA) and three BPX operated Gathering Centers (Western Operating Area, WOA). Each facility was designed with a nominal oil handling capacity of 330 to 360MBD. Current oil production rates at the facilities range from a low of 75MBD to a high of 180MBD. Oil production rates are projected to continue to decline in the future. In developing the field development and management plans for 2000 and beyond, the PBU Working Interest Owners recognize the need to reduce lifting cost commensurate with the decline in oil production to maintain an economic asset for as long as possible. The Prudhoe Bay Facility Optimization Project will play an important role in achieving reduced lifting costs.

Opportunity for Consolidations Identified

Figure 1 highlights the forecast oil production rate with the capacity of separation facilities in the WOA. The three existing WOA facilities each have four separation trains for a total of 12 trains. Expected oil production will be less that the capacity of one separation facility within several years. The situation in the EOA is similar.

In 3Q 1996 a small team consisting of members from BP, ARCO, and Exxon was chartered with the goal of developing possible scenarios to decommission facilities no longer required to maintain projected

production rates. The team was to use as a starting point, the various ideas, studies and informal proposals circulating within the Operator's organizations. If economic scenarios were developed, the team was to complete conceptual studies and develop plans for moving the concepts into preliminary engineering. Team members were based in Alaska and the United Kingdom. Some outside contractor and operations resources were utilized for short periods during the conceptual phase.

Project Development

The team investigating facility decommissioning and consolidation opportunities rationalized the various proposals into a single preliminary engineering proposal during the second half of 1996. In late 1996, the PBU Working Interest Owners funded a preliminary engineering study focused on field wide consolidation. A combined operator, owner, and contractor team conducted the study.

The overall objective of the preliminary engineering study was to evaluate and justify economically the decommissioning of under-utilized crude oil processing equipment that is excess to current and future needs. Boundary conditions were established for the team requiring the reconfigured facilities to have the ability to handle and produce crude oil, condensate, gas, water, NGLs, and miscible injectant ("MI") at rates no lower than the existing facilities could handle and produce with projected Prudhoe Bay Field oil, gas, and water production rates. Further, the proposed facility configuration could not compromise safety, reliability, and product quality, and should maintain the ability to accommodate known potential future new developments.

Preliminary Engineering

Existing Facilities. Prudhoe Bay wells are located on centralized gravel pads and directionally drilled to reservoir targets. Local manifolds at the well pads route the flow to common flowlines. Flowlines route the flow to the six separation facilities.

As shown in Figure 2, Prudhoe Bay's installed separation facilities utilize three stages of separation in a parallel high pressure/low pressure scheme. Production from high-pressure wells is separated in two phase 1st stage separators at 650 psig (HP separators). Production from low pressure wells is separated in large three phase separators/slug catchers at 170 psig (LP separators). The oil/water outlet from the 1st stage HP separators is combined with the oil outlet from the 1st stage LP separators in two phase 2nd stage separators at 80-110 psig, where additional gas is removed. The oil outlet from the 2nd stage separators is routed into oil dehydrators where remaining water is removed via electrostatic grids at 50-60 psig. Remaining gas is removed in the final 3rd stage separators (or stock tanks) at slightly higher than atmospheric pressure. Fluid composition and temperature leaving the facility is important because NGLs are blended into the crude oil stream downstream of the 3rd stage separators for transportation through the Trans Alaska Pipeline System and the operating procedures call for maximizing the volume of NGLs blended.

Figure 3 is a simplified process flow diagram of the produced water handling facilities at a typical Prudhoe Bay separation facility. Produced water removed in the LP separators and the oil dehydrators is combined in water skim tanks. Oil is removed from the produced water in the skim tanks via internal design and residence time, providing water quality sufficient for reservoir reinjection. Water from the skim tanks is routed to booster and injection pumps for injection into the producing intervals while excess volumes are injected into a higher non-producing formation. Several of the separation facilities were equipped with further water treatment facilities, generally gas flotation cells ("GFCs"). The GFCs proved difficult to optimize, and their use has been discontinued at all but one separation facility as better upstream separation operation and better overall optimization achieved sufficient water quality.

Figure 4 is a simplified process flow diagram of the gas compression and dehydration facilities at a typical Prudhoe Bay separation facility. The majority of gas (500-1900 MMSCFD per separation facility) is produced through high pressure wells and is separated in the 1st stage HP separators at 650psig. Gas separated at lower pressures is treated, compressed, and mixed with the high pressure gas stream. The majority of this gas is separated in the 1st stage LP separators at 170 psig (approximately 600 MMSCFD per separation facility) and compressed in the Low Pressure System 'LPS' compressors. Relatively small volumes of gas are separated in the 2nd stage separators (roughly 30 MMSCFD per separation facility) at approximately 80 psig and compressed in Intermediate Pressure 'IP' compressors. An even smaller volume of gas is separated in the 3rd stage separators (under 20 MMSCFD per facility) at slightly above atmospheric pressure and compressed in the Stock Tank Vapor 'STV' compressors that discharge into the IP compressors.

The combined high pressure gas stream is routed directly to local gas dehydration facilities within the separation centers. Once dehydrated to -40F, gas is routed to the Central Gas Facility for NGL and MI extraction. Residue gas from the Central Gas Facility is then compressed in the Central Compression Facility for reinjection into the reservoir gas cap.

Production Forecasts. The three major owner companies initially established a single consensus

production forecast for use in preliminary engineering. This was accomplished by using the higher of the three companies' production forecasts for each separation facility and pressure system. The projected production capacities then served as lower limits for acceptable facility capacity. During preliminary engineering, the project team developed capacity tables for each major equipment item in each consolidated and receiving facility. The projected capacities were compared to the production forecasts to develop pinch point tables that identified limiting equipment and feasible consolidation timing.

Development of planned consolidation scope. Initial studies aimed at eliminating under-utilized equipment recognized that the separation facilities had considerable excess oil processing capacity while operating at near design limits for water and gas handling. Further discussion and study identified that the bulk of fluids were separated in the 1st stage HP and LP separators. Thus, if water and gas could continue to be processed at each facility while transporting partially processed "fizzy oil" from the outlet of the 1st stage separators to a centralized oil processing center, large parts of some facilities could be decommissioned. This concept led the study team to conclude that four of the six separation centers could eventually be converted into partial processing facilities while maintaining two full processing facilities.

Preliminary Engineering focused on determining how to apply the partial-processing concept to the existing Prudhoe Bay separation facilities. The concept can be summarized as follows:

1. Maintain first stage separation at all six separation facilities.
2. Use existing idle or converted cross country flowlines to transport partially processed "fizzy oil" from the outlet of first stage separators at partial processing facilities to the inlet of second stage separators at full processing facilities for final processing.
3. Decommission second and third stage separators, dehydrators/treaters, and the IP and STV gas compression systems in partial processing facilities.
4. Decommission related utility systems, some water treatment facilities, and all other equipment identified as no longer necessary.

Figure 5 provides a simplified schematic of the post consolidation arrangement for one of the sending and receiving facility combinations (figure is simplified to one production train at each facility). Figure 6 depicts the overall final consolidation plan ultimately recommended by the team.

Under the proposed plan consolidations would proceed as follows:

1. The first phase in 1998 will convert Gathering Center 3 to a partial processing facility, routing its oil to Flow Station 3 for final processing.
2. The second phase, planned for 2000, will convert Flow Station 2 to a partial processing facility, routing its oil to Flow Station1. Water from both facilities will be processed at Flow Station 2.
3. The third phase will consolidate Gathering Centers 1 and 2. The timing and direction of this consolidation could be impacted by the development of satellite reservoirs located near these processing facilities. This consolidation could occur as early as 2000, or as late as 2003. If Gathering Center 2 is used for processing most satellite fluids, then Gathering Center 1 will be converted to a partial processing facility, with its oil used to fill remaining Gathering Center 2 capacity with excess oil routed to Flow Station 3 via Gathering Center 3. If Gathering Center 1 is used for processing most satellite fluids, then Gathering Center 2 will be converted to a partial processing facility and its oil will be routed to Gathering Center 1 for final processing.
4. The fourth phase of consolidation. Planned for 2004, will convert Flow Station 3 to a partial processing facility, routing its oil and the partially processed oil from Gathering Center 3 into Flow Station 1.
5.

Preliminary Engineering Challenges. As preliminary Engineering progressed, significant bottlenecks were identified at the proposed receiving facilities in dehydrator water handling and in the IP and LP gas compressors. Design assumptions used to develop consolidation concepts originally assumed the 1st stage HP and LP separators would remove 97% of the entrained gas and the 1st stage LP separators would remove 80% of the water. These assumptions, particularly with relation to water separation, later proved to be limiting.

With 80% of the water assumed to be removed at the sending facility, the receiving facilities' oil dehydrators/treaters' capacity was determined to be insufficient under most scenarios when the facility received fizzy oil from more than one partial processing facility. This capacity limitation would delay extensive consolidation by 5 or more years. Capacity comparisons showed that reliable separation of 90% water (rather than the initial assumption of 80% separation) in the 1st stage LP separators would overcome the water handling capacity bottlenecks at the receiving facility.

The team set out to determine whether it was reasonable to assume reliable 90% water separation in the 1st stage LP separators was achievable. Field testing of the existing facilities demonstrated that water

separation was better than 95% in clean (solids free) vessels, but only 75-85% in dirty (solids filled) vessels. Considerable support was enlisted to validate the high separation efficiency assumptions. Laboratory bottle testing was completed to determine theoretical oil-water separation limits based on fluid composition and modeling was completed in the UK to determine theoretical separator capability. A world-wide survey of ongoing operations was used to determine separation efficiency at other, similar operations. Finally, ongoing testing was used for several months to validate performance of clean separators and to validate feasibility of using on line solids removal with sand jet systems to maintain clean vessels.

Based on this work, the team accepted higher water separation assumptions as the design basis for later consolidations when two partial processing facilities would be sending fizzy oil to a single full processing center. Another mitigating factor was that the intervening years between the first and second consolidation to a full processing facility allowed time to test separator performance and validate design basis assumptions. Given the importance of the water separation assumptions to the proposed consolidations, as well as the ongoing savings associated with avoiding periodic vessel cleanouts, the PBU Working Interest Owners approved installation of on-line solids removal sand jetting systems in all 1st stage LP separators not already so equipped.

Capacity constraints in the receiving facilities were also encountered in handling the gas produced off of the 3rd stage separators. The capacity of the STV gas compression systems is utilized at or near its installed capacity to keep the vapor pressure of the final oil stream as low as possible to allow the maximum possible blending of NGLs downstream of the separation facilities. Routing partially processed crude oil from sending to receiving facilities would require that all of the gas entrained in the fizzy oil be handled in the receiving facility's STV and IP gas compressors. In some cases the existing capacity of the STV and IP gas compressors were used as limits that deferred the planned facility consolidation dates. In other cases, economic solutions were developed to accelerate consolidation timing.

In the case of the first consolidation, GC-3 into FS-3, a modification was proposed to reduce the amount of entrained gas in the fizzy oil stream as much as possible. This modification would route the oil outlet of the 1st stage HP separators (flashed at 650-670 psig) through the LP 1st stage separators (flashed at 150 psig). It was also proposed to compress other very low pressure gas streams from tank sweep gas, gas dehydration stripping gas, and other small sources through a new gas compressor which would discharge into the first stage LP separators. The resulting fizzy oil stream leaving GC-3 would have a low enough volume of entrained gas that the existing IP and STV gas compression capacity at FS-3, the receiving facility would be sufficient without modification.

Project Justification

Benefits Development. Benefits associated with the proposed consolidations were projected using the following techniques:

1. A bottoms up approach was utilized to develop projected direct and indirect cost savings. Savings in maintenance costs for each equipment item were projected based on eight years of historical data. The operations representatives on the team estimated savings associated with a reduced number of operations personnel. Indirect savings associated with reduced requirements for personnel support costs such as transportation, living quarters, meals and training, were estimated based on incremental changes in these costs. The bottoms-up approach provided the foundation for justification of the program.
2. The total direct and indirect savings were compared to the total operations and maintenance budgets as a reasonableness check. The direct savings estimates were not changed based on this comparison, but the estimated reduction in indirect costs was increased. It was assumed that the magnitude of the consolidations would allow for a larger reduction in personnel support costs than estimated on an incremental basis.
3. Benchmarking within BP's world-wide operations was utilized to further validate the estimated savings in direct costs. This approach uses a detailed comparison of equipment in service with known performance in other assets, makes adjustments for local productivity, and allows a close approximation of operations and maintenance costs of in service equipment.

Facility Reliability. Another area of analysis during project justification was projecting the future reliability of consolidated facilities. With consolidated facilities, planned or unplanned events at a receiving facility would impact production from the upstream partial processing facility, while failures of equipment removed from service at a partial processing facility would be eliminated. The team developed a detailed history of all production impacts at all Prudhoe Bay separation facilities for the previous eight years and used that as a basis for projecting future facility reliability. An analysis was completed of each production-impacting event to determine whether the proposed consolidations would eliminate, leave neutral, or increase the magnitude of a similar event in the future. The projections made using this method, with reasonable uncertainty bands, were used in analysis of the proposed consolidations.

Attention will be given to mitigating possible production impacts as the planned consolidations are engineered and implemented.

Workforce and Owner Support.

Workforce Support. Both of the operators encountered organizational and cultural challenges in estimating the benefits associated with the proposed facility consolidations. This resulted from operating cultures that had largely focused on growth and development of new reserves for some twenty years. While both operators had made significant strides to reduce field manpower and lifting costs since 1990, there had not been significant decommissioning of facilities to accompany decline.

Attaining full workforce support of the planned consolidations is an ongoing challenge and is being fostered through a broad communication and implementation plan. An important aspect of the implementation effort has been ensuring that people who are affected by changes understand what is intended and have input to the process. A small, behind the scenes team has been used extensively during the first phase implementation to foster work force support. The team has used the following tools to help develop support:

1. Workshops
2. Informal Meetings
3. Posters (A series of high level communications posters explaining what, why, how, when, etc.)
4. Newsletters and other intranet communications
5. "Townhall" meetings (presentations to large groups of staff)
6. Toolbox meetings at the start or end of workdays with operations staff
7. Assigning staff to the project design and implementation teams to foster knowledge transfer and communication.

Owner Sanction and Project Go-Ahead. Following completion of preliminary engineering in 1997, the Prudhoe Bay Working Interest Owners endorsed the facility consolidation plan as proposed. The first phase, consolidation of Gathering Center 3 into Flow Station 3, was funded and implementation is underway. The phased nature of the consolidation plan will allow validation of estimated implementation costs, estimated production impacts, estimated benefits, and operability assumptions before proceeding with additional phases. The plan is also flexible to accommodate possible satellite reservoir developments. Future consolidations will be authorized and funded to accomplish remaining portions of the plan as economic development plans for each affected facility are completed.

Several smaller projects identified during the study are also being implemented during 1998. These projects, mostly implemented in the WOA, include the decommissioning of a single oil treating train from service at Gathering Center 1 and Gathering Center 2, the installation of on-line solids removal at Gathering Center 1 and Gathering Center 2, the decommissioning of gas flotation cells and related equipment at Gathering Center 2 and Gathering Center 3 and the elimination of other minor equipment.

Lessons Learned

1. There is benefit to 'taking the long view' when developing new oil field infrastructure. It may be possible to incorporate features into original facility designs that could lower full-life costs by allowing efficient consolidation of facility infrastructure as a field's production declines.
2. It may be possible to reduce operating costs or extend field life in mature fields by consolidating under-utilized equipment and/or utilizing idle equipment in a way it was not originally contemplated, but for which it is suitable.
3. Facility infrastructure consolidation represents significant change in how a field is operated. Organizational resistance to such change is to be expected and may require a significant culture shift to successfully capture the associated benefits. In the case of Prudhoe, the focus on development and expansion has been expanded to include consolidating and elimination of equipment where economic.
4. Communicating early, openly, and frankly about options and eventualities is essential to securing work force acceptance and support of change.
5. Approaching the development of consolidation plans, designs, and justification with an integrated owner, operator, and engineering contractor team is crucial to success. A team approach with common goals and objectives is the most effective means of developing support for a complex program.
6. Early and frequent involvement of the individuals who ultimately will sanction the project in significant decisions is instrumental in obtaining project approval in a timely manner.

Practices that Contributed to Project Success

The project team was staffed from the beginning of the preliminary engineering phase with representatives from both operator's operations, maintenance, and construction organizations. This proved to be instrumental in securing operations endorsement of design and performance assumptions, isolation and decommissioning methods, safety considerations, fire protection, and other areas. During later phases of the preliminary design effort, representatives from the previously selected construction contractor assigned staff to the project to assist in developing detailed

construction strategy, layouts, and detailed, target-costed cost estimates. As the project has progressed from preliminary design towards 3Q 1998 installation and operation, cost estimates completed during preliminary engineering have proved to be generally valid and there have been only minor disagreements with operations and maintenance organizations regarding project details, implementation, and operation.

All of the participants in the conceptual and preliminary engineering phases of the project utilized global resources to validate assumptions, solve technical challenges, and provide design assurance. ARCO, BPX, and Exxon provided technical assistance from research centers in Dallas, London, and Houston to solve challenges around multiphase flow in regimes not previously modeled, separator performance capability, chemical compatabilities, and other areas. Operations input was provided from worldwide networks at both ARCO and BP, including input from Gulf of Mexico, North Sea, and Middle East operations. Operations input was instrumental in increasing operator confidence regarding water separation performance and assumptions. Contractor staff utilized consultant resources to solve challenging multiphase flow problems. Finally, a peer assist process was used at several points in the design process to validate and improve assumptions related to project design and cost, project benefits, production impacts, cost estimates, and project schedules. That process brought worldwide experience to a single location for concentrated, facilitated reviews and problem solving sessions (generally concentrated to 1-3 days).

Summary

The Prudhoe Bay owners are now proceeding with the first phase of a new multi-year facility consolidation plan. With successful implementation of the initial phase, the planned consolidations can continue for another 5-7 years and will result in a flexible, optimized, lower cost operation that will support long term development of the field. Teamwork, communications, and willingness to change were instrumental in developing and sanctioning the consolidation program.

Acknowledgments

The authors would like to thank all those who have contributed to this paper, especially co-workers at Nana-Colt Engineering, ARCO Alaska, Inc., BP Exploration, and Exxon Company, USA.

This paper reflects the views of its authors and does not necessarily reflect the views of ARCO Alaska, Inc., and/or BP Exploration (Alaska), Inc., and/or Exxon Company, USA.

Figure 1: Western Operating Area Production Rate vs Time and Separation Facility Capacity (Peak Upside Rate Case)

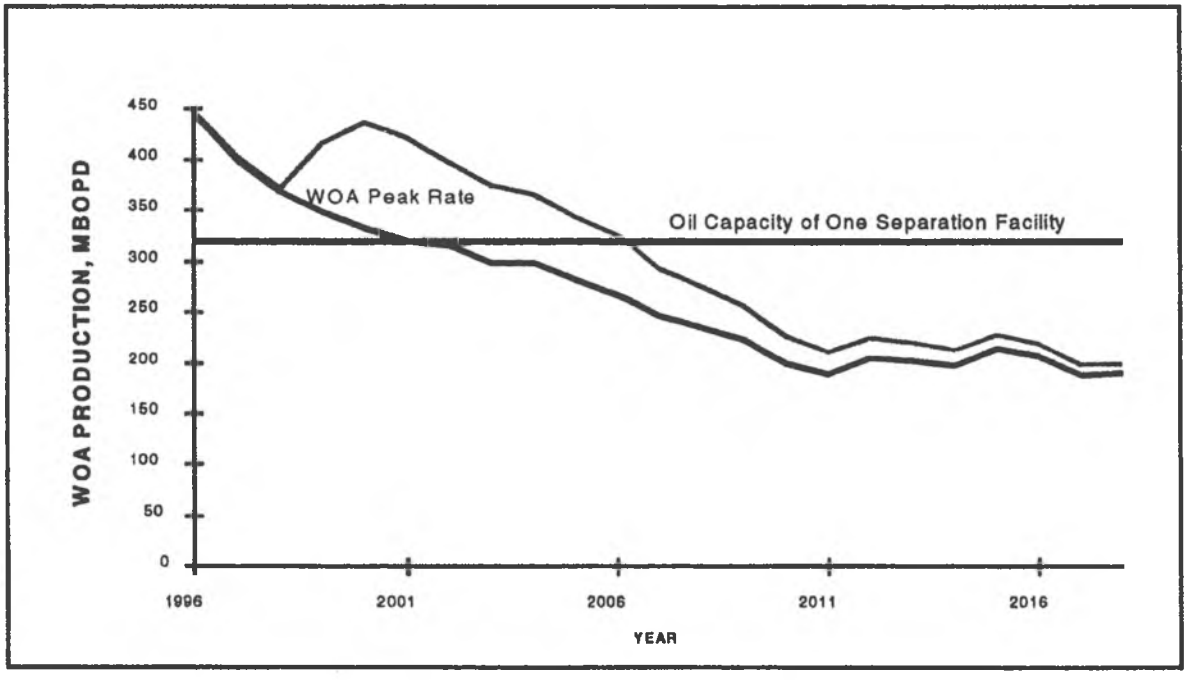


Figure 2: Simplified Separation Facility Oil Processing System

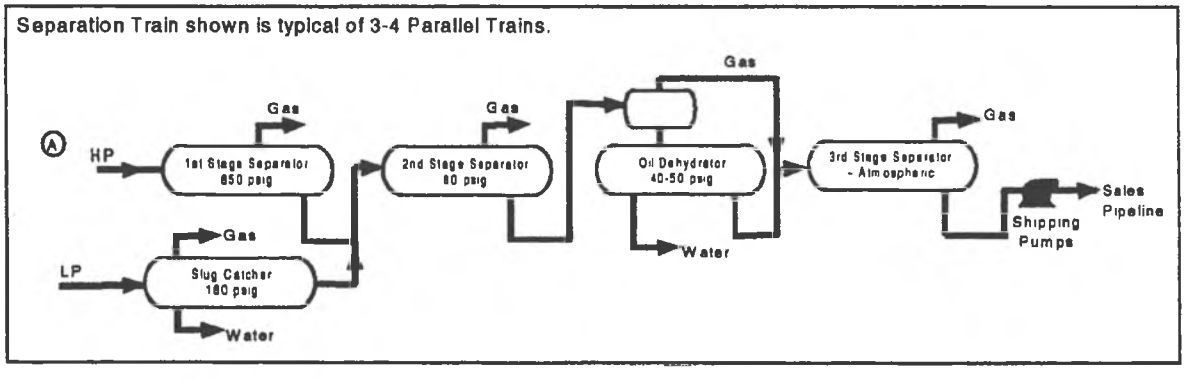


Figure 3: Separation Center Water Processing System

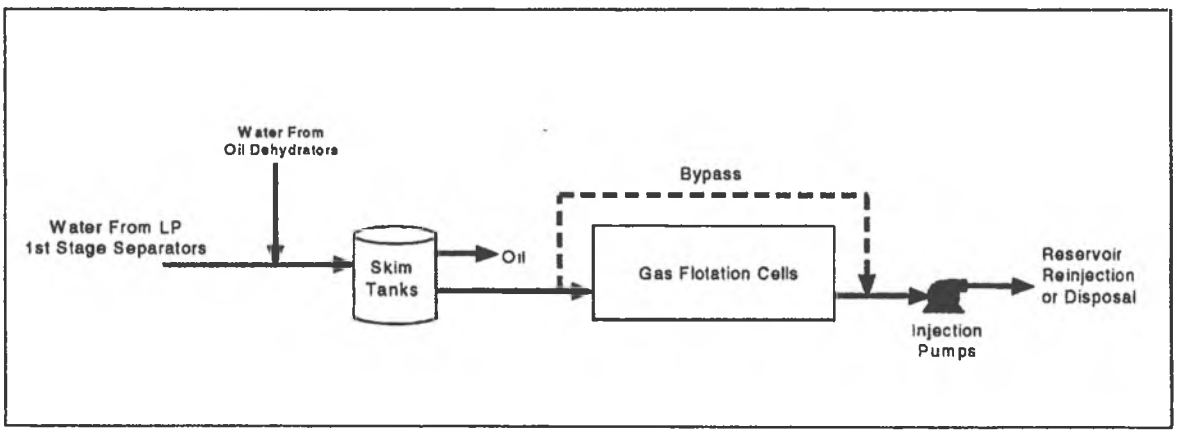


Figure 4: Separation Center Gas Processing System

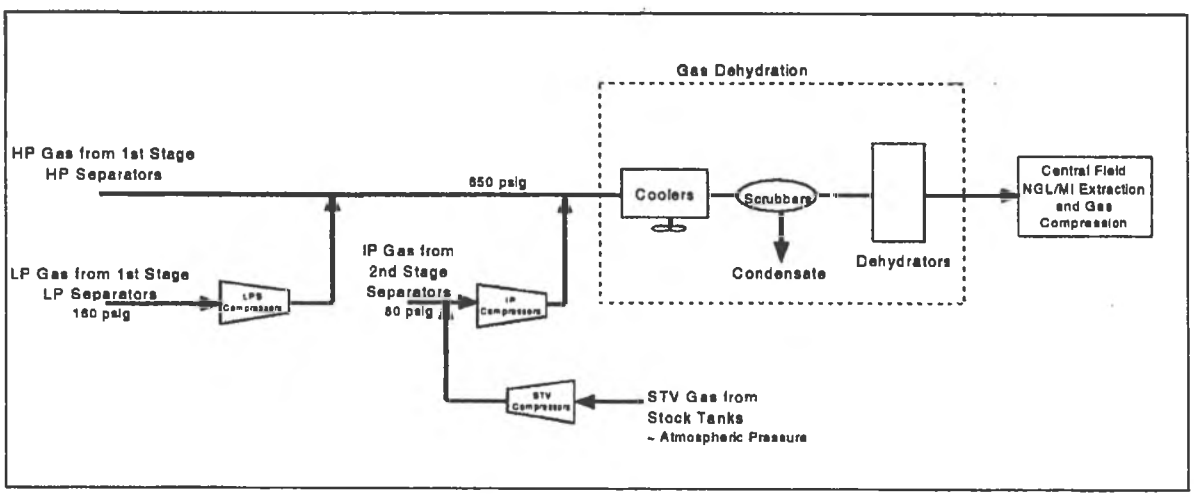


Figure 5: Simplified Facility Schematic After Consolidation (Shaded Areas are Decommissioned)

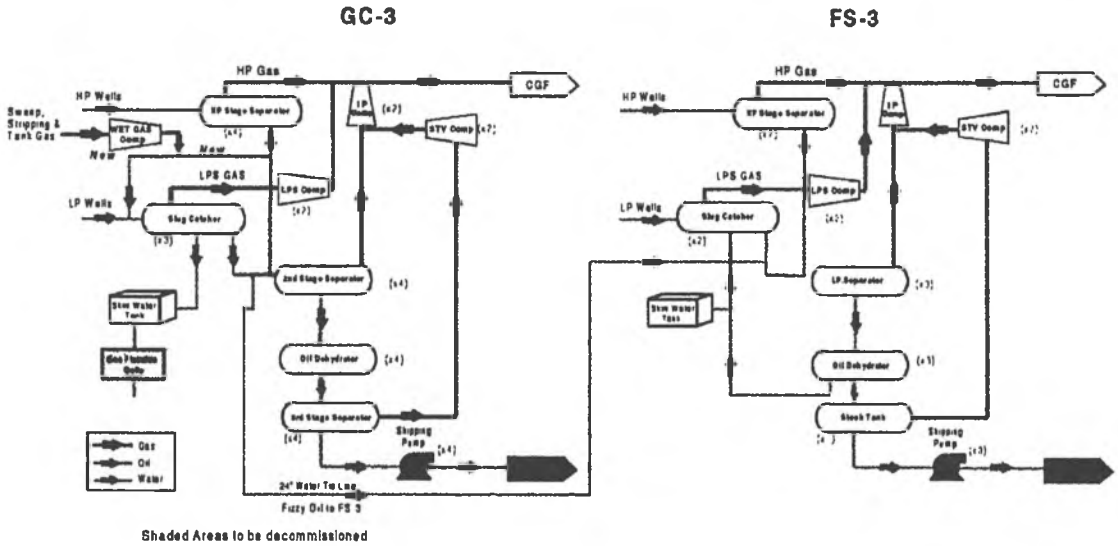
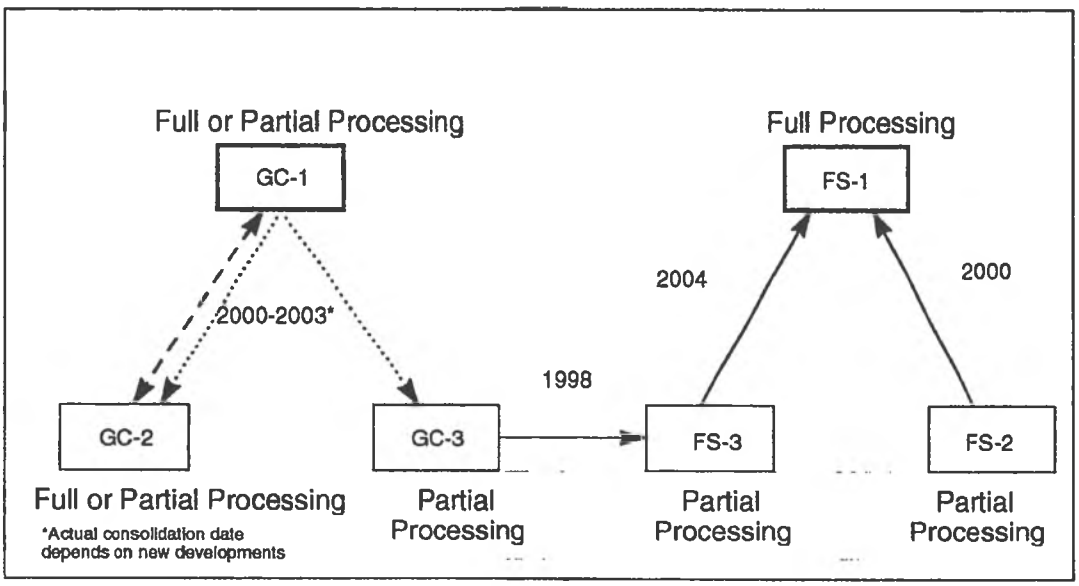


Figure 6: Prudhoe Bay Field Facility Consolidation Plan



MEMORANDUM
Department of Natural Resources

State of Alaska
Division of Oil & Gas

TO: James Clark
Chief of Staff
Office of the Governor

DATE: January, 02, 2002

FILE NO.:

PHONE NO.: 269-8800
FAX: 269-8938

THRU:

SUBJECT: Oil and Gas Briefing Paper

FROM: Mark Myers
Director

Jim,

Thank you for last week's the opportunity to provide some input to you , the Governor and the Lieutenant Governor last week. As you requested during the meeting, I am attaching a short oil and gas issues paper. Obviously, a short paper only scratches the surface of some very complex and difficult issues that are key to the Governor's goal of increasing production. We at the Division would welcome the opportunity to provide you with a longer and more detailed briefing. A more detailed briefing would take about two hours and could be accomplished on short notice, subject to your availability.

I am emailing this package, however I also send a hard-copy that includes a Gas Pipeline Supply map generated by the Division in September, 2002.

Again, thank you for the opportunity to provide suggestions to you on oil and gas policy.

Meeting the Governor's Goal
Increasing Oil & Gas Production by Three Percent Per Year

Division of Oil and Gas
January 2, 2002

Oil production from the main reservoirs in Alaska's largest producing fields is dropping by approximately 10% per year. Production from satellite fields, increased development of heavy oil resources, and the development of Pt Thomson will in the short term offset this decline, but, these alone will not be sufficient to meet the Governor's goal of increasing oil and gas production by three percent per year in 2005 and later years. To meet the Governor's goal, a significant number of new oil and gas fields will need to be discovered and brought on line. We at DNR believe that the geologic potential exists on the North Slope and Beaufort Sea for the discovery of sufficient reserves to meet the goal. However, for that to be accomplished there must be a dramatic increase in the number of exploratory wells drilled in the near future and new discoveries must be rapidly delineated and developed (See attached graph). The State can and should play an important role in stimulating this new wave of exploration.

Mergers and market concentration on the North Slope have created a non-competitive environment in which three majors have a near monopoly that gives them a large competitive advantage in exploration, development, production, and transportation. It is this uneven playing field that has raised the barrier to new entrants, from smaller independents through large integrated majors. As long as these majors invested sufficient capital for exploration and development activities, the State accepted the consequences of the oligopoly. Since the existing majors no longer are willing to invest sufficient resources on exploration or development, the State must look elsewhere. The State must look beyond the existing majors to the new wave of independents and remaining majors. This situation parallels the experience in other oil and gas basins worldwide, several of which have successfully made this transition.

Independent oil and gas companies are bullish on Alaska and prepared to explore and drill as long as certain barriers to entry can be diminished. The State can help reduce those barriers to entry. Oil and gas companies make their investment decisions based on their evaluation of the geologic potential of an area, economics, and their tolerance for risk. Independents are excited about Alaska's geologic potential. However, they are concerned about the near-monopoly on access to facilities, the high cost of TAPS pipeline transportation, the uncertainty of access to a gas pipeline, the timeliness and certainty of permitting, and access to data. The State can address these concerns and make for a more competitive environment at the same time. Accordingly, the administration may want to consider one or more of the following potential courses of action, each of which is relatively low cost:

1. Streamline permitting.

2. Provide easy and expanded access to data critical to the evaluation of oil and gas prospects.

3. Require that fees to existing underutilized facilities by just and reasonable.

4. Sell a portion of the State's royalty gas to guarantee exploration in the North Slope Foothills.

5. Assure a lower pipeline tariff for explorers by leaving a portion of the in-state oil market to those without an ownership interest in TAPS, selling only enough royalty oil to assure in-state refiners access to affordable crude.

6. Stop defending TSM-based TAPS tariffs and consider actions that may encourage those without an ownership interest in TAPS to challenge the interstate tariff.

Additionally, if the State chooses to offer financial incentives, it may want to target those financial incentives to accomplish the Governor's three percent goal. Specifically, it may want to:

1. Condition any incentives for the construction of a gas pipeline on the granting of access to that gasline on terms more typically akin to oil pipelines than gas pipelines.

2. Condition any incentives targeted at existing fields on the granting of access to facilities under cost-sharing terms deemed reasonable by the State (e.g. use utility rate-making principles).

3. Limit any program of exploration incentive credits by time and volume, and to fields a specified distance from existing areas of production.

Several of the low cost and subsidized means of providing for a more competitive environment, and hence more production, are discussed below.

1. Selling Royalty Gas to Foothills Explorers.

The Foothills area is a gas-prone region. It will not be explored by those seeking oil alone, and it will not be explored absent access to a gas pipeline in sufficient volumes to allow for commercial development. To acquire a commercially viable quantity of space in the gas pipeline, the Foothills explorers must commit to pipeline capacity in an initial "open-season" for the pipeline, which will be conducted shortly after an initial decision to build the pipeline is announced. During the open season, the Foothills explorers will be required to sign contracts obligating them to pay for pipeline space for a period as long as twenty-five years, regardless of whether they are successful in finding gas to fill that space. Companies will make this type of commitment only if they are certain they will have access to gas to ship. The State can provide that certainty by offering to sell a portion of its Prudhoe Bay and Pt. Thomson royalty gas to Foothills explorers, who could then carry the royalty gas in their pipeline capacity until such time as they have enough of their own Foothills gas to fill the pipeline capacity they must pay for.

Following competitive bidding, DNR, Anadarko, and EnCana agreed on terms for the sale of royalty gas to Anadarko and EnCana, though the contracts will not become effective unless this administration chooses to prepare a final best interest finding in favor of the sale and the legislature approves the sale this legislative session. Under the proposed contracts, Anadarko and EnCana offer to pay the State as much as it would receive for its gas if left in-value with the Prudhoe Bay and Pt. Thompson producers, plus an upfront premium of $350,000, a premium of

$2 million for every five years of purchases, and a per/MCF premium of $0.02 in years 1-5, $0.04 in years 6-10, $0.06 in years 11-15, etc. They also commit to spend not less than $50 million on exploration in the Foothills, and to local hire, local training, a preference for in-state gas use, and a preference for in-state gas processing. Northern Economics concluded that the State would be bettered by $6.4 billion if the royalty sale proceeds and the explorers are successful in the Foothills; net benefits to the State would be lower in the event of exploration failure.

To capture the benefits of sale of royalty gas to Anadarko and Encana, the administration must issue a final best interest finding in favor of the sale within the next month, and must submit the proposed sale to the legislature for approval in the 2003 legislative session.

2. The TAPS Tariff – Making It Just and Reasonable

On November 27, 2002, the Regulatory Commission of Alaska issued a decision in which it concluded that the intrastate TAPS tariff exceeded just and reasonable rates by $9.9 billion (20%) from 1977-1996, and by 57% from 1997-2000. The rationale provided by the RCA extends, logically, to interstate tariffs, which apply to 90% of Alaska's North Slope oil, though the matter has yet to be brought before FERC.

Explorers—indeed all without an ownership interest in TAPS—would be well served by a TAPS tariff limited to just and reasonable rates. If the RCA decision is projected into the future and applied to both intrastate and interstate barrels, it could improve company economics by $1-2/bbl. This difference is substantial, and apt to be decisive for a number of potential new projects. However, the State needs to act to maximize the benefits of the RCA decision.

While there may be legal impediments that limit or prevent the State from sharing in the benefits of the RCA decision when it comes to calculating royalties and production taxes on existing production, the State should nonetheless support lower tariffs for independents, in-state refiners, and anyone willing to invest new capital in exploring remote regions of Alaska. To this end, the administration may want to consider the following:

a. *Sell royalty oil to the in-state market, but only in such volumes as to assure the availability of the in-state market to those without an ownership interest in TAPS.* Until such time as there is a successful challenge to the interstate tariff, a lower tariff will be available only to the in-state market, which totals 90,000-100,000 b/d. Companies such as Forest Oil, Murphy, Anadarko, and Chevron-Texaco currently have North Slope production, but no ownership interest in TAPS. Their production levels should be totaled, and the State should consider not competing against them for that volume of the in-state market. The State's restraint in its royalty oil sales will send the clear message that it is intent on improving the economics for new players and minority interests. And while the State's royalty income will be somewhat diminished by its failure to monopolize the higher-value, in-state market, perhaps that is appropriate given the State's historic role in creating tariffs recently adjudged too high.

b. *Stop defending the TAPS Settlement Agreement and TAPS Settlement Methodology.* While the State historically defended the TSM, it did so before a regulatory body had adjudged the consequent rates as grossly excessive. Given the RCA's decision, it is time to

stop defending the TSM. Arguably, there will be a further cost to stopping—to "losing"—due to the interstate make-up provisions of the TAPS Settlement Agreement, but that cost is no greater than 10% of the total of excess tariffs paid under the TSM. Moreover, the Carriers will appeal the RCA decision with or without State participation; hence, the State will obtain any alleged advantages of a reversal of the RCA decision regardless of whether it participates in an appeal.

c. *Examine ways to encourage a challenge to the TAPS interstate rate.* While the terms of the TAPS Settlement Agreement may prevent the State from appearing before FERC in support of lowers tariffs, the State might be able to create an incentive for another party to undertake the task and costs of such a proceeding. For example, if legal, perhaps the State could sell a portion of its royalty oil to an interstate shipper on price terms that would share the benefits of a decrease in FERC-approved tariffs.

3. Conditioning Incentives for the Construction of a Gas Pipeline.

The State may want to consider conditioning any incentives for the construction of a gas pipeline on the granting of access to that gasline on terms more typically akin to oil pipelines than gas pipelines.

Pipeline regulation is an artifact of Lower 48 practices and the prior regulation of natural gas prices. As a consequence, different rules and practices prevail for oil and gas pipelines, though there is little pragmatic difference between a single ANS oil pipeline and a single ANS gas pipeline in the absence of pipeline regulation. Nonetheless, TAPS has been regulated as a common carrier, and consequently potential shippers can obtain pipeline space on relatively short notice and for short periods of time; in the event of excess demand for pipeline space, pipeline capacity is prorated among all. Conversely, the federal government will regulate an Alaska gas pipeline as a contract carrier. Parties wishing pipeline space sign contracts obligating them to pay for that space years before pipeline construction begins; commitments to space may extend for 15-25 years. Consequently, access may be denied for 15-25 years, or may be limited to expansion capacity, which itself is too limited in volume and too uncertain in timing as to warrant exploration risk and expense.

While the State could not normally dictate that a gas pipeline be a common carrier, or something more akin to a common carrier, it can condition the grant of pipeline incentives on improved terms for access. The national energy bill considered by Congress this year included certain terms intended to improve access; that bill may or may not become law in the next year, and if it does, the access terms may or may not remain intact. The State may want to consider conditioning any pipeline incentives—such as a property tax holiday—on access terms equal to or stronger than those included in the national energy bill.

4. Streamline Permitting

Three major permitting issues need to be resolved. Permits must be issued in a timelier manner, permit requirements must be consistent with stipulations and mitigation measures supported by science and engineering data, and the process for the permit applicant must be clear, efficient, and reliable. There are multiple different models and organizational structures that could be used to accomplish these goals, all of which have advantages and disadvantages. These alternatives

will not be discussed in this briefing paper. However, there are several key improvements that should be made independent of organizational structure.

The current permitting system does a poor job of analyzing and managing risks. Many of the issues involving oil and gas permits revolve around mitigating very low risk but high impact events, such as large spills or well blowouts at a remote location. In order to properly assess and mitigate these events, the state needs a higher level of technical expertise in the permitting agencies. For example, DEC would be well-served by having an experienced drilling engineer on staff. Additionally, risk management issues often cross agency lines of responsibility but are poorly understood or communicated between agencies. It is imperative that division and department managers, directors and commissioners have the technical knowledge, policy coordination and willingness to work together to achieve the common goal of timely and environmentally responsible permitting of oil and gas projects. Given the reality of limited staffs and funding, it is also extremely important that managers are constantly prioritizing work and deadlines based on the larger best interest of the state. Finally, the state should be aggressive in pursuing and encouraging the use of newly developed technology that can both decrease risk and environmental footprint. This support must be institutionalized within the regulatory regime. Anadarko's Arctic Platform and well-capping are two such examples of this new technology.

One of the significant inefficiencies in the permitting process is overlap and redundancy of standards and agency requirements. For example, past delays in oil and gas project permitting has been caused by the inefficient interaction between ACMP and ADEC's air quality permitting and contingency spill plan approval processes. A possible solution for this and other redundancies is to reinterpret the regulatory requirements to avoid separate agency determinations under the same standard.

From a Division of Oil and Gas perspective, our greatest historical problems with permitting have come from delays caused by internal agency elevations on lease sales or exploration licenses. Many of these delays are the result of conflict between the Southcentral Region of the Division of Habitat and Restoration of the Department of Fish and Game and DNR. These internal elevations have in some cases delayed the issuance of leases or licenses for more than a year. From the Division's perspective, the Division of Habitat and Restoration has often used the process as a negotiating tool to gain concessions and to extend their authority beyond that justified by current statutes and regulations. These politically-motivated elevations must be eliminated. Elevations should only occur when the elevating agency can support their concerns with solid scientific and other factual data. The elevation process should not be used as a standard interagency negotiating tool with the associated effect of creating long delays in projects and leasing.

5. Access to Data

Independent oil and gas companies and newly involved major oil companies lack data crucial to their evaluation of the North Slope and other basins. This data includes seismic, well log and core data. The State should do all it can to assist in making this data readily available. In addition the State—possibly in conjunction with USGS--should expand and focus geological research and publication-in order to provide baseline non-confidential information to industry. Specifically, the State should require that seismic data be made public 10 –15 years after it is

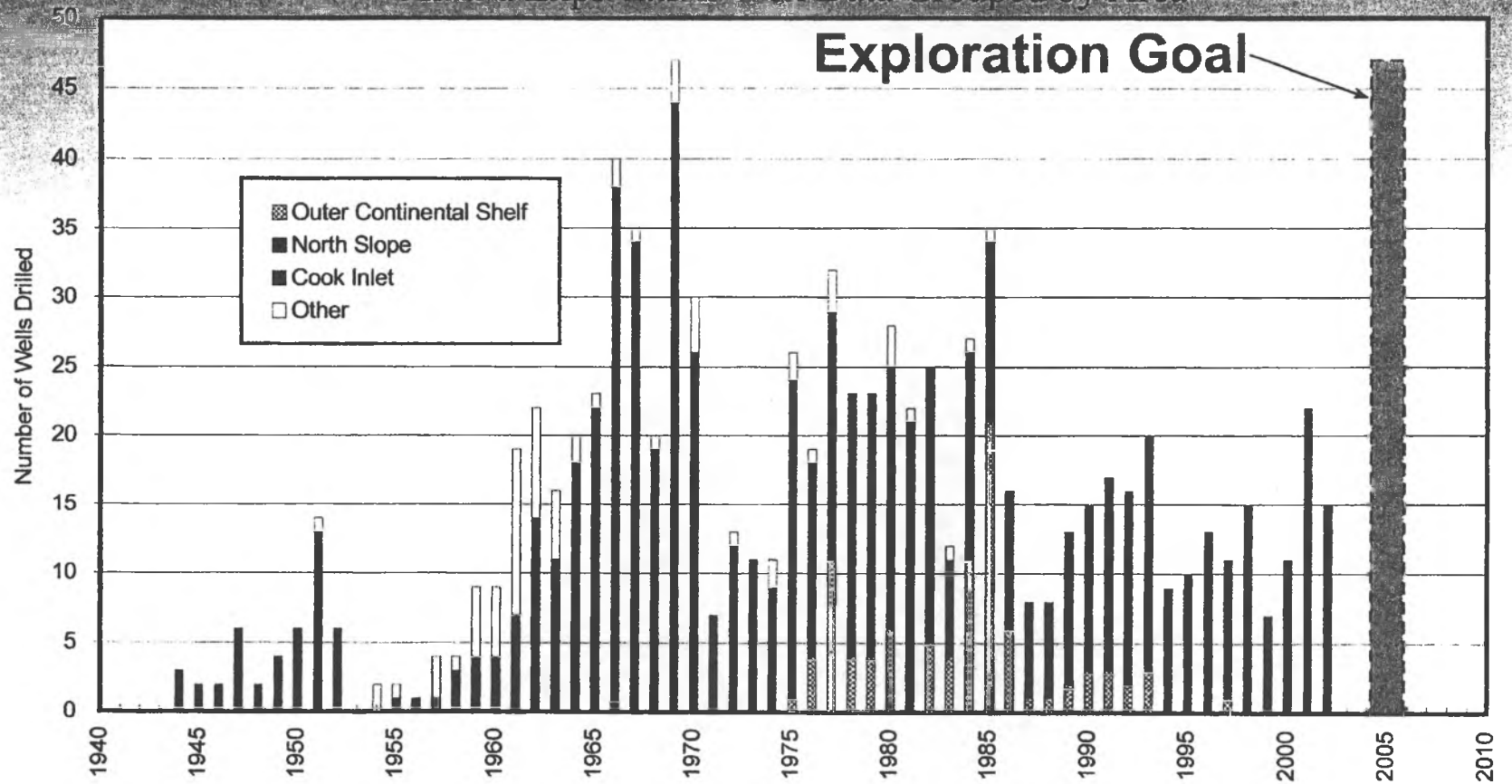
acquired or require that it be made available for purchase at low cost through a brokerage system. The State should continue its effort to create a WEB-based system for downloading publicly available well log data. The State should require that a 1/3 section of each core be given to the State, instead of the current core chips every foot. This standard is used in Canada with great success. This data would become public information on the same schedule as currently used for well data. Furthermore, the State's current core facility is entirely inadequate. The State should build or lease a new facility, which would also contain the publicly available well and seismic database. This facility could be built in conjunction with the United States Geologic Survey, United States Department of Energy, Bureau of Land Management, Minerals Management Service and/or the University of Alaska. I am pursuing your suggestion that we investigate the seafood processing facility to determine its feasibility as a core facility.

6. Access to Remote Areas For Oil and Gas Exploration and Development

As exploration and development activities move away from established core areas that can be reached through the existing infrastructure or with relatively short length ice roads, different methods will need to be used for physical access. Given significant variations in terrain, climate, biological and cultural environment, and the geology of these remote exploration sites, no single method will be used for access.

The State can improve access by encouraging the development of new lighter weight drilling rigs that are more readily transportable by air or rolligon, eliminating the need for some ice roads. Other technologies that should be encouraged are the use of removable mats for temporary roads and Anadarko's elevated arctic platform. Finally, the State should evaluate the need for new and improved roads to remote areas, new airstrips, and remote exploration and equipment storage pads (insulated ice, mat, or gravel). Any decision on roads and airstrips should target the areas of highest oil and gas potential and should consider the needs of local communities. The State will need to address complaints that new roads may increase cumulative environmental impacts and will face strong opposition from environmental organizations and others opposed to oil and gas exploration in ANWR and other remote areas.

In Order to Increase Alaskan Oil Production the Number of Exploration Wells Drilled per Year Must Dramatically Increase.



Number of Alaskan Exploration Wells Drilled per Year

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Oil and Gas Consolidation

Two options: Create a Department of Oil and Gas/Department of Energy: or strengthen the DNR Division of Oil and Gas (DO&G)

Department of Oil and Gas or Department of Energy Approach

Positives:

- Direct access to Governor, and Cabinet.
- Some efficiency gains if the Alaska Oil and Gas Conservation Commission (AOGCC), most permitting functions, some of Department of Law's (DOL), Department of Community and Economic Development's and DO&G's functions are consolidated.
- Department would have higher public visibility and potentially a more unified approach when dealing with industry and the federal government on oil and gas issues than do the various divisions.
- A new and separate department may have the ability to create an exempt workforce at near industry salaries that would allow the state to recruit and retain highly-skilled experts throughout the Department

Negatives:

- Will require substantial legislation with new regulations and long period of reorganization
- A substantial part of the efficiency gain would come from combining the AOGCC and the DO&G. This will be opposed by industry, which prefers an independent AOGCC
- Will place in separate Departments the surface ownership responsibilities that are currently under the Division of Mining, Land and Water (DMLW) and the subsurface responsibilities under DOG
- Substantial consolidation of oil and gas permitting into a single Department will require duplication of permitting staff for non-oil and gas permitting (mining, timber, infrastructure, fishing, manufacturing etc), which would presumably need to remain in the current agencies.

Recommendations to Strengthen the Existing Oil and Gas Structure Within DNR

- Permitting: Expanded use of large mine coordinator model with respect to oil and gas exploration and development permitting

- Move Habitat Division of the Department of Fish and Game and the Division of Governmental Coordination into DNR.

- Return royalty audit authority to the Division of Oil and Gas and recruit a very experienced and highly motivated auditor with an industry background to lead the audit group.

- Create a research section within the Division of Oil and Gas to include focused geoscience and engineering research, and commercial studies.

- State Geologist position should be in Anchorage. To the extent that Division of Geological and Geophysical Surveys (DGGS) Energy Section stays independent of DO&G, its research effort should place a higher-emphasis on applied basin analysis in support of exploration and development. Under this option, DGGS should have at least one position in Anchorage filled with an experienced petroleum geoscientist.

- Increase joint research efforts with the United States Geological Survey, Department of Energy and University of Alaska on projects that have significant impact to commercial oil and gas development

- In order to accelerate the process of bringing new production on line, increase DOG staffing in unitization, leasing and permitting.

- Full funding of DO&G to fill existing vacant positions (reservoir engineer, permitter/inspector and accounting technician

- Rebuild the Royalty Accounting system so that it integrates better with other key state systems and can be used more efficiently and effectively for commercial analysis in advance of audits and royalty reopeners.

- Build or lease a modern core facility to replace the inadequate facility at Eagle River. The facility should contain an oil and gas well log library. This facility will create a one-stop data center for independents. Advocate for funding support from DOE, USGS, MMS, NSF, universities, and industry.

- Increase funding for outside experts with respect to commercial issues including facilities access, gasline and royalty reopeners.

- Increase very focused promotional efforts toward attracting new companies to Alaska beyond AAPG and NAPE.

- Create a more positive attorney-client relationship with the Department of Law, particularly with respect to policy decisions and direction.

INCREASING PRODUCTION AND REVENUE – DIVISION OF OIL AND GAS						
				Impact Timing/ Duration		
No.	Category	Item	Action	Short	Medium	Long
1.	Increase Exploration Access & Activity	Seismic Data	Released to public after reasonable time		X	
			Fed/ State seismic data sharing		X	
		Well Data	Limit confidential Period		X	
			Fed/ State well data sharing		X	
		Basic Research	More emphasis on basic Oil & Gas basic geologic & geophysical research		X	
			Increased federal funding		X	
			Acquire specific expertise		X	
			Reprioritization of DGGS effort		X	
			Public access to basic research - Locate effort in Anchorage to facilitate industry-government relationship;		X	
			DOE grant for digital Log, Mapping, & Lease Sale data	X		
			Modern core data public repository		X	
			Better coordination with USGS, MMS, DOE, and BLM	X		
		Increase outreach to Independents.	Engage in technical discussions; provide information, data, advice	X		
		Facilities	Study cost & cost-sharing; Report findings	X		
			Facilitate reasonable published commercial facility access fees; Regulate if necessary	X	X	

No.	Category	Item	Action	Short	Medium	Long
			Study ways to pool equipment (rigs, spill prevention & cleanup)		X	
			Use Unitization Authority proactively to protect correlative rights, state's interests, and enhance competition.	X		
		Pipelines & Other Transportation	Assure reasonable access to contract carrier & other transportation. (See also Pipeline in section 4, above)	X	X	
2.	Incentives	Federal Incentives	EOR / Heavy Oil Tax Credit; OCS Royalty Reduction		X	
			Section-29 Credits for Coal Bed Methane		X	
			Gasline price floor credit (state royalty share included)		X	
			Oil/Gas exploration tax credit for Foothills / Interior Basins.		X	
		State Incentive	EIC credits for exploration; make it focused & discretionary [Caution: impact of state credits are dampened by federal tax deductibility]	X		
			EOR credit external to unit if in state's interest; revise royalty reduction statutes	X		
			Increase chargeable acreage cap in specific areas with specified conditions	X		
			EIC to be non-transferable and used only in field of exploration	X		

No.	Category	Item	Action	Short	Medium	Long
3.	Permitting	Process/Administration	Streamline; quicker; coordinated; better risk management;	X		
			Education & awareness	X		
			Progressive leadership	X		
			High technical expertise		X	
			Scientific management		X	
			Better state-fed-local coordination	X		
			Extend tundra travel and winter drilling seasons	X		
			Emphasis on creative efficient solutions – not problems	X		
			Assure timely permits and reasonable Permit Terms (E.g., PTU $150 million per year revenue gain)	X		
		Stipulation & Mitigation Measures	Stop Authority Creep; Limit Elevation	X		
			Justify stipulation with data/ evidence (where's the beef?)		X	
		Federal Acreage	Encourage development of known, undeveloped fields – Liberty, Hammerhead, Kuuvlum.		X	
4.	Unitization	Exploration & development requirements	More aggressive; Tougher commercial & work-commitment terms upon unitization.	X		

No.	Category	Item	Action	Short	Medium	Long
5.	Leasing	Accelerate lease issuance	Eliminate current one-year delay	X		
		Work Commitments	Areas near infrastructure – short terms and/or work commitments	X		
			Areas with no infrastructure – apply work commitments	X		
		Exploration Licensing	Modify Licensing; more emphasis on Shallow Gas; more discretion to DNR commissioner	X		
		Lease Sale Policy	Higher minimum bids; use reservation prices to assert option to reject bids	X		
			More leasing coordination with Native Organizations & Fed	X		
			Increase lease rental rates			
6.	Infrastructure	State-built basic infrastructure	Roads, Transportation & Communication Systems			
7.	Federal Revenue Sharing	NPRA	Reallocate revenues to state general fund			
		ANWR	90/10 per Statehood Act v. 50/50 as proposed in legislation			
8.	State Taxes	Production Tax	Tax Rate– Modify (statute)			
		ELF	Add progressive price term			
		ELF	Modify definition of "Field" (Administrative)			
		Property Tax	Modify allocation between boroughs and state Gen Fund.			
		Tax Audit	Make audit more thorough and aggressive; increase field work			

No.	Category	Item	Action	Short	Medium	Long
9.	State Royalty	Audit Authority	Change from DOR to DNR	X		
		NPSL's	Examine cost allocation methodologies to be certain they are appropriate and equitable		X	
		Process & Admin	Make more thorough & timely	X		
			Increase skill level		X	
			Accelerate Electronic Reporting	X		
		Re-openers	Capture Full Value; pro-active monitoring of markets & costs		X	
			Increase analysis of data		X	
			Increase support from legal and outside experts	X		
			Increase in-house training	X		
			Fund Legal support through DNR budget	X		
			Redistribute royalty revenue away from Perm Fund (Repeal Chp.13 to pre-1979 status)		X	
10.	General Commercial	Conflict of interest	Enforce standards w/ outgoing employees	X		
		RIK Oil and Gas	Maximize	X		
		Pipeline Tariffs	Limited to actual and reasonable		X	
			TAPS – Revisit Settlement; conduct comprehensive review		X	
			New Pipelines – Re-evaluate need for settlements		X	
			Support non-PL owners before FERC – (Interpret duty to defend clause correctly – Initial hearing; not ongoing.)		X	
			Gasline deductions – actual and reasonable		X	

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Prudhoe Bay: Development History and Future Potential

by D. J. Szabo, BP Exploration (Alaska), Inc. and K. O. Meyers, ARCO Oil and Gas

SPE Members

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ABSTRACT

Prudhoe Bay Field is the largest producing field in North America. Prudhoe Bay is currently expected to yield at least 25% more reserves than estimated at field start up. This paper briefly describes the history of the field and some of the key developments that have taken place which have contributed to improved recovery efficiency. These incremental developments have resulted from a process of continuous surveillance, interpretation of field performance, management of multiple reservoir mechanisms, efficient utilization of the gas resource, and exploitation of the existing field infrastructure.

There are four dominant recovery processes currently at work in Prudhoe Bay; Gas Cap Expansion/Gravity Drainage, Waterflood, Miscible Flood, and Gas Cycling. Continuous management of these processes and analysis of field performance leads to identification of attractive targets for further development. Major components of the current field development plan are described in this paper.

Prudhoe Bay is seen by many as a mature oil field on an inevitable and irreversible decline. The major Owners in Prudhoe Bay continue to pursue incremental developments to mitigate decline and supplement proved reserves. Unit technical studies are typically done in multi-company, multi-disciplinary work teams. The pooling of resources in this manner has enabled efficiency gains and has promoted the sharing of ideas and best practices. The current view of potential future development targets and some of the opportunities under consideration for development of these targets are discussed.

Reference and illustrations at end of paper

INTRODUCTION

Prudhoe Bay field was discovered in early 1968 by ARCO and Exxon with the drilling of the Prudhoe Bay State #1 well. A confirmation well was drilled by BP Exploration in 1969. The next 8 years saw frenetic activity as ARCO, BP, Exxon and other companies with lease holdings in the vicinity worked to delineate the reservoir, resolve equity participation, put together an initial plan of development, and design and construct the initial infrastructure.

Prudhoe Bay came on stream in June of 1977, rapidly ramping up production until the field's maximum allowable rate was reached in 1979 at 1.5 MMSTB/D. This plateau rate was maintained until 1988. The current production rate from the field is approximately 1.15 MMSTB/D.

In late 1992 the 8 billionth barrel of liquids was produced from Prudhoe Bay. Pertinent Prudhoe Bay facts are listed in Table 1.

GEOLOGICAL SETTING

The Prudhoe Bay Field is a combination structural and stratigraphic trap. A regional cross section representative of the Alaskan North Slope is shown in Figure 1. (Ref 1). The Unitized intervals are of Triassic age and include the Sag River Formation, Shublik Formation, and the Sadlerochit Group. The most important interval is the Ivishak Sandstone of the Sadlerochit Group which contained more than 95% of

the unitized original liquids in place and accounts for the vast majority of proven and potential reserves. The Geological setting has been described in detail (Ref. 1, 2, 3).

RESERVOIR CHARACTERIZATION

Reservoir character plays an important role in the selection of reservoir processes to be applied for efficient depletion of the reservoir and interpretation of field performance for management and optimization.

The Owners' understanding of reservoir character and its influence on reservoir performance has evolved through time. (Ref 4) For example, in early 1992 after fully two thirds of the expected recoverable reserves had already been produced from Prudhoe Bay, the Owners embarked on an ambitious two year study to better describe the lower most and poorest quality section of the reservoir. This effort is in support of ongoing performance analysis and depletion studies aimed at identifying effective means to improve ultimate recovery from the interval. (Ref. 5) Stochastic modeling techniques have been successfully applied to advance our ability to interpret field performance and predict future behavior. (Ref. 6) Today the reservoir description toolbox contains methods for developing a lithology based deterministic sand/shale description, stochastic methods for generating multiple realizations of interwell reservoir character that honor observed well data, and a wide range of field surveillance data with which to condition the various plausible reservoir descriptions developed. Reservoir descriptions are routinely generated for input to reservoir simulation models using these tools. We have learned that close interaction between reservoir describers and reservoir modellers is necessary to ensure the description is fit for purpose. (Ref. 7)

Reservoir description is also critical for characterization of the remaining targets enabling definition of incremental development potential.

FLUID DISTRIBUTION

The Prudhoe Bay reservoir was saturated at discovery and had a large gas cap in direct communication with the oil rim. This fan-shaped reservoir dips at 1 to 2 degrees from Northeast to Southwest. There is a very large associated aquifer. The gas cap directly overlies approximately two thirds of the oil rim.

A variable thickness but areally extensive zone of relatively low API gravity crude is found at the oil/water contact. This zone is termed the Heavy Oil Tar (HOT). The HOT plays an important role in reservoir performance acting as a partial barrier to water influx.

In addition to the oil target in the oil rim, there are significant liquid resources in place in the original gas cap. The condensate yield of gas cap gas at original conditions was approximately 30 STB/MMCF. The gas cap also contains a significant amount of "relict" oil. This oil exists in the liquid phase at very low saturations and is a remnant of the saturation and geological history of the reservoir.

An approximate distribution of original liquids in place is given in Figure 2.

A schematic cross-section illustrating the initial fluid distribution is shown in Figure 3.

DEVELOPMENT OVERVIEW

The initial development plan for Prudhoe Bay envisioned 500 or more wells on nominal 160 acre spacing. The area under the initial gas cap would be depleted by gravity drainage, while the peripheral areas downdip from the GOC would be subject to a waterflood due to anticipated inefficient pressure support from the gas cap.

The initial development plan also anticipated gas sales starting up within 5 years of first oil production. Gas sales for other than local fuel have not materialized to date and as a result field development planning has been modified accordingly. Gas sales prospects are discussed briefly later in this paper.

Maximum allowable oil offtake rate was set at 1.5 MMSTB/D for the field. Condensate and Natural Gas Liquids could be produced in addition to the "black oil". The maximum allowable offtake rate was specified by the Alaska State Oil and Gas Conservation Commission (AOGCC) based on testimony by the Owners and consultants contracted by the AOGCC.

The oil column was in excess of 400 feet thick in the heart of the reservoir. Early development wells were completed with a minimum of 100 feet of standoff to the Gas Oil Contact (GOC) and 50 feet of standoff to the Water Oil Contact (WOC). Initial well capacities were often in excess of 20 MB/D.

At field start up in June 1977, 63 wells were available for production. Development drilling has continued unabated since then. The total number of development wells drilled to date is greater than 1100. Drilling is a key component of many incremental reservoir development projects. Virtually all of the reservoir is developed on nominal 80-acre spacing today. There are plans to drill up to 300 more wells by the end of the

decade associated with various improved recovery projects.

Aside from drilling, two major projects dominate the development history of Prudhoe Bay; waterflood and produced gas handling capacity expansions.

A brief description of each of these major projects gives insight to the range of development studies that have been undertaken since field start up.

Waterflood Development

Development optimization studies have continued from before startup through present day. In the early stages of field depletion a major effort was undertaken to define the appropriate scope and timing for the planned waterflood. Early in field life reservoir performance data was gathered providing insight into the effectiveness of primary depletion in various parts of the reservoir. The operators used this early performance data to optimize the scope of the waterflood project. Ultimately it was agreed among the PBU Owners that the waterflood would cover the majority of downdip areas beyond the extent of the original gas cap and the Eastern "Flow Station 2" area of the field.

Key parameters in defining waterflood scope were reservoir character, aquifer strength, production performance, the timing of gas sales, and water sources.

Key components of the installed waterflood infrastructure include a sea water treatment plant with a design capacity of 2 MMBW/D of water, two water injection plants (one on each side of the field to boost injection pressure) and several miles of seawater distribution lines with diameters ranging from 6 to 40 inches. By mid 1984, the water distribution network and sea water treatment plant were installed and commissioned. The seawater treatment plant was commissioned with a daily capacity of 1.5 MMBW/D.

Seawater injection commenced in the fall of 1984 into the North West Fault Block (NWFB), Eastern Peripheral Wedge Zone (EPWZ), and the Flow Station 2 (FS-2) areas of the field. The Western Peripheral Wedge Zone (WPWZ) came on line in mid-1985. The major waterflood areas are shown in plan view in Figure 4.

Since waterflood start-up, a considerable amount of attention has been applied to the management of the floods and interpretation of performance results. (Ref. 8, 9) Many unexpected challenges have arisen and been dealt with. Reservoir character has been a dominant factor in waterflood performance as expected. The challenges varied in the different areas of the waterflood. High permeability contrast in "single zone" targets, poor injectivity/productivity, and vertical barriers providing effective isolation have all been encountered. In spite of the challenges, waterflood performance has exceeded all expectations. Ultimate recovery by waterflood is expected to be in excess of 50% in all the major flood areas. Supplementing the strong waterflood performance is an ongoing Miscible Gas flood which will ultimately affect the entire waterflood area.

The applicability of EOR techniques was under study even before the waterfloods started up. At Prudhoe Bay, the Owners found themselves in the position of having to process a large stream of produced gas with no commercial market. The gas was reinjected into the gas cap to provide pressure support, but it was recognized early on that there was a captive source for a hydrocarbon miscible injectant. Recognition of this resource provided incentive for the Owners to develop a comprehensive EOR program. Unit studies led to a pilot Miscible Injection project with start up in 1982, the Flow Station 3 Injection Project (FS3IP). The large scale Prudhoe Bay Miscible Gas Project (PBMGP) started up in 1987. Further expansions to the PBMGP were certified in 1992. Details of the process selection and initial design have been described in detail. (Ref. 10, 11, 12)

The latest certification covers the entire waterflood area including prospective waterflood expansion targets adjacent to the current floods. Ultimately more than 130 injectors may be converted to water-alternating-gas (WAG) injectors. The volume of MI available for the PBMGP is expected to peak near 700 MMSCF/D upon completion of the Gas Handling Expansion Phase 2 project in 1994. A map of the current extent of the PBMGP and future expansion areas is shown in Figure 5.

Manufacture of MI for the PBMGP is part of a comprehensive project that also enables extraction of NGL's from separator off gas. The Central Gas Facility (CGF) is the key facility component of this project. It was installed in 1986 and was expected to process 3 BCF/D of separator off-gas to produce up to 50 MB/D of NGL for blending with the crude stream into the Trans Alaska Pipeline System (TAPS) as well as 250 MMCF/D of Miscible Injectant (MI) for the PBMGP. CGF modifications made since the plant started up allow 5.5 BCF/D of gas to be processed, yielding approximately 70 MB/D of NGL and 400 MMCF/D of miscible injectant.

Gas Handling Capacity/Gas Cycling

The initial plan of development called for installed gas handling capacity of more than 2 BCF/D. This design was predicated on a larger waterflood than was ultimately implemented and the expectation of an early gas sale.

As the reservoir matured and the prospect of gas sales in the near future dimmed, it became apparent that the gas handling capacity of the field would become a limiting factor in field production. Free gas production became more and more difficult to avoid in the Gravity Drainage area. (Ref. 13)

Through a series of incremental steps involving facility debottlenecking, compressor upgrades, pipeline upgrades, and installation of the CGF the gas handling capacity of the field was increased from 2.4 BCF/D in 1986 to approximately 3.9 BCFD by 1988.

Installation of the CGF and associated increases in Field Gas Offtake (FGO) offered the Operators increased flexibility to further optimize the recovery of gas cap condensate, gas cap relict oil, and residual oil from behind the encroaching gas front in the gravity drainage area by managing the distribution of field gas offtake.

The success of historical gas offtake increments in boosting field production and reserves led to further optimization efforts. A significant increment in facilities would be required to increase gas handling capacity further. The prospect of large capital expenditures required a detailed assessment of the reservoir benefits that would flow from increases in gas handling. The reservoir benefits of a gas handling expansion have been characterized as "Black Oil" or separator liquid recovered as a result of being able to produce wells at higher Gas - Oil Ratios (GOR's), "Vapor Phase" or additional separator liquids recovered as a result of cycling additional gas through the reservoir which displaces condensate laden rich gas and vaporizes residual oil, relict oil, and retrograde condensate, "NGL" which is liquids recovered at the CGF by processing a greater volume of separator off-gas, and "EOR" which is oil recovered as a result of manufacture and application of a larger volume of miscible injectant in the miscible floods. After developing a more thorough understanding of the nature of the reservoir benefits, and a considerable amount of facilities engineering study and optimization, the Unit agreed to the funding and implementation of the Gas Handling Expansion 1 project (GHX-1) in 1987. This project was implemented in late 1990 increasing the field gas offtake from an annual average of 3.9 BCF/D to 5.5 BCF/D. In 1990, the Owners agreed to a second GHX project (GHX-2) which will be implemented in two stages beginning in 1993 with an increase in peak FGO capacity of 1.3 BCF/D in the Western Operating Area (WOA) of the field. The second phase for installation in 1994 will increase peak FGO capacity by a similar amount in the Eastern Operating Area (EOA). Upon completion of GHX-2 total field gas offtake capacity will be 7.5 BCF/D annual average.

Understanding the reservoir benefits of gas handling expansions has led to more emphasis on the management of the gas cycling process and awareness of the "compositional" nature of the reservoir. Estimates of remaining reserves suggest that the expected future production from Prudhoe Bay can be attributed in approximately equal thirds to continued black oil production from the gravity drainage area of the field, continued production from the waterflood/ EOR areas, and vapor borne liquids - condensate, NGL, and vaporized relict and residual oil recovered as separator liquids primarily from gravity drainage area wells.

THE INTEGRATED SYSTEM

Prudhoe Bay has evolved through time to an extensive facility infrastructure fully integrated with the reservoir processes to optimize recovery. This "System" is depicted schematically in Figure 6. Bottlenecks in the system dictate the field's production capacity.

Many of the projects implemented in Prudhoe Bay represent the largest of their kind in the world. Integration between projects is extremely important and adds another dimension to the complexity of developing incremental opportunities. Any perturbation in the integrated facility/reservoir system needs to be fully understood and its impacts on the existing developments, both competitive and synergistic, need to be quantified and accounted for.

Learning to identify what and who needs to be involved in assessment of a development opportunity has been one of the significant advances in being able to maximize the value captured from the Prudhoe Bay resource.

HISTORICAL PERFORMANCE

Prudhoe Bay cumulative production had exceeded 8 billion barrels of liquids by the end of 1992. Historical production performance is shown in Figure 7.

The field's oil production capacity dropped below 1.5 MMSTB/D in 1988 "officially" signaling the start of decline. The onset of decline was a direct result of limited gas handling capacity as opposed to limited oil production capacity. GOR's have continued to rise in the field as the reservoir and in particular the gravity drainage process has matured. Aggressive well workover and stimulation programs and ongoing field development programs have been able to mitigate the overall rate of production decline, holding it to an average of approximately 5% per year over the last 5 years. The field's underlying "base" decline rate is difficult to ascertain given the pace of wellwork and in-

cremental development activity. Individual well declines vary widely, but on a regional basis tend to average in the 15% to 25% per year range.

RESERVES GROWTH

The success of the ongoing field development program has translated into reserves growth of more than 25% since field start up. Prior to field start up, the Operators' estimate of recoverable reserves was 9.6 BSTB. Today recoverable hydrocarbon liquid reserves are expected to approach or even exceed 12 BSTB.

Estimated ultimate recovery of liquids from Prudhoe Bay is approaching 50% of estimated original in place liquid volumes. Projected recovery factors in this range may suggest limited upside associated with incremental development. A closer look at reservoir performance on a regional basis reveals some very attractive development opportunities. In some sections of the reservoir, projected recovery factors are in excess of 60% while in others, projected recovery factors are significantly below average. Analysis of the relative maturity or success of reservoir processes helps define the most attractive targets for incremental development.

CAPTURING INCREMENTAL VALUE

Reservoir Surveillance

An extensive surveillance program was implemented during the early stages of development which is still maintained. This program includes open and cased hole logs, core acquisition, production and injection logs, repeat formation tester (RFT), pressure, chemical and radioactive tracer, and detailed production data. This data has proved critical to the interpretation of field performance, management of the reservoir for optimum depletion, and as a basis for defining incremental developments.

Reservoir surveillance methods have evolved through time driven mainly by demands of the complex data set we are working with and facilitated by advances in technology for managing and visualizing the data captured.

The key to our reservoir surveillance effort is a numeric "static" model of the reservoir. The static model is a volumetric model with a framework created from "hard" well and seismic data. All hard data recovered from specific wells is hung on this framework. The static model also contains digital versions of maps of virtually all mappable parameters which have been created from the available hard data. Mapped surfaces are stored on a very fine grid which can be interrogated at any point in space to get an interpretation of the reservoir and fluid character.

Base input data for all reservoir models and most other reservoir studies is derived from the static model.

The static model also allows us the flexibility to update the "tank" with observations of present day fluid contacts so that a "current" picture of the reservoir's attributes can be output or displayed for any section of the reservoir under study.

In Prudhoe Bay, the fact that multiple mechanisms can be active in any part of the reservoir complicates interpretation of surveillance data and makes predictions of future performance difficult. Throughout the life of the field, variations in offtake distribution have caused lateral fluxes to vary in direction, magnitude, and composition. Complexities like this demand that multiple tools and in most cases, a multidisciplinary team are required to interpret field performance.

Reservoir description is one of the key controls on reservoir performance, interpreting reservoir behavior, and predicting future performance. The description of the Prudhoe reservoir has evolved over the years. In the early days of field production, having a good handle on reservoir description was not critical since for the most part wells were completed in relatively homogeneous, high quality sands, and it was adequate to have a feel for the position of any large, correlatable reservoir events. Any anomalies in well performance or fluid movement could be reconciled with a relatively primitive reservoir description.

The dependence of reservoir performance on reservoir character has been amplified as the field has matured. It is not surprising that the regions of the reservoir holding the most potential for further exploitation are the more complex and/or lower quality reservoir zones.

Reservoir Management

Reservoir management is a broad topic which will be defined here as the integration of available information on reservoir performance, facility infrastructure, and predicted future performance to maximize the value of the asset.

Prudhoe Bay presents a considerable challenge in reservoir management because of the complexities of the reservoir and facility constraints.

Effective reservoir management will lead to capture of maximum value from the asset with the currently installed infrastructure and reservoir processes. It will also enable the identification of opportunities for in-

cremental developments. Day to day operations are managed by region - with the major regions being the Gravity Drainage and Waterflood/ EOR areas.

In the gravity drainage area, the primary producing constraint is gas handling capacity, therefore the basic reservoir management strategy is to maximize daily oil rate within gas handling constraints and without jeopardizing long-term reservoir performance. Producing characteristics of the gravity drainage area have been described in Ref. 13.

In the waterflood /EOR flood areas, the basic reservoir management strategy is the same, but the guidelines applied are specific to the waterflood/EOR mechanisms. The overall objective is to mature the oil recovery process as rapidly as possible with a minimum of produced water and maximum efficiency of the available miscible injectant.

The supply of miscible injectant is finite, being dictated by the CGF gas processing capacity. Efficient use of the available MI is critical for maximizing the economic value of the EOR flood. Novel methods for monitoring EOR flood response and efficiently distributing the available MI to target EOR flood patterns have been implemented. (Ref. 14, 15, 16)

Development Opportunities

A discussion of future development opportunities requires a description of the expected nature of the reservoir fluid distribution at the end of field life with the current development plan. Background on the reservoir description that is dictating where those resources will reside is also required.

An integrated understanding of reservoir character, reservoir performance, facility capacities and limitations, and reservoir management objectives allows the Owners to identify opportunities for capturing incremental value. These opportunities can involve optimization of reservoir processes, implementation of new/improved reservoir processes, facility debottlenecking and expansions or changes in reservoir management guidelines.

Large increases in facility capacity are prohibitively expensive and at this time appear unwarranted. There are expected to be opportunities for improved recovery from the reservoir through incremental developments, optimization of existing processes or improvements in reservoir management strategy.

A look at the reservoir with the approximate fluid distribution at the present time gives an indication of the character of potential development targets in Prudhoe Bay.

Targets that have been identified for future development include:

Zone 1. Zone 1 is probably the largest "conventional" development target. Development of Zone 1, the lowermost reservoir interval, has lagged the other zones in the reservoir because of its relatively poor quality and consequent inability to compete hydraulically with the other zones in multi-zone completions. Until recently, development of Zone 1 as a stand-alone target wasn't competitive with other development opportunities. In the gravity drainage area of the field, the gravity drainage process is expected to be relatively inefficient in Zone 1. Poor vertical and lateral connectivity will result in a significant oil "Pad" at the base of the oil column which we will be unable to produce at competitive GOR's. Recovery from this zone may be enhanced by drilling on denser well spacing, the application of non-conventional (horizontal or very high angle wells at 85 to 95 degrees), and possibly by implementing a waterflood. Unit technical work predicts a target of up to 1.5 BSTB oil in place in Zone 1 at the end of field life if no further development occurs. This potential development target is actively being addressed from several aspects by multi-company, multi-disciplinary work teams.

The only waterflood/EOR flood area with significant oil in place in Zone 1 is the northern part of the FS-2 area. The depletion maturity of Zone 1 lags the other intervals in this flood primarily due to poor reservoir quality which impedes the ability of Zone 1 to compete hydraulically in production and injection. Dedicated Zone 1 waterflood development was begun in this area in 1991 with a successful in-fill drilling program. Further dedicated Zone 1 development is planned for 1994.

Waterflood/EOR Areas. Performance of the water and miscible floods has been outstanding in aggregate, generally exceeding all early expectations. Pattern by pattern and regional performance analysis helps identify areas that are performing relatively poorly. Anomalous performance may be due to several factors including reservoir quality, reservoir structure, pattern geometry, flood rate, etc. Kwan discussed some of the techniques used for identification of anomalous waterflood behavior in Ref. 9. Exceptional performance in parts of the waterflood/EOR flood area has raised expectations for the entire flood and has heightened the Operator's awareness of opportunities which may be available. In 1991 a Unit technical team recommended a novel program to redevelop a portion of the NWFB waterflood/EOR flood area. This project would increase the well density from nominal 80 acre to 60 acre spacing and convert the existing inverted 9-spot flood pattern to a line drive. This program, termed High Viscous to Gravity

Ratio Flooding (HVGR), was expected to improve recovery in the target area from 62% to 66%! (Ref. 17)

A systematic program of Pattern Size Reduction (PSR) is ongoing in the WPWZ waterflood/EOR area to improve flood performance in an area that has lagged behind the field average. (Ref. 18)

Peripheral Development. Development of the periphery of the field, both down-dip and up-dip, has lagged behind the more productive heart of the field due to relatively thin LOC, relatively low productivity, and expectations of difficulty in competing for facility capacity due to either high water cut or high GOR. The target in the up-dip periphery is Zone 1 which has been discussed. In the down-dip periphery the target is upper Zone 4, another relatively low quality interval. The greatest challenge in this part of the reservoir is achieving a completion that will sustain flow at economic rates.

In both the up-dip and down-dip periphery, the application of high angle well technology promises to unlock more reserves. In both cases the reservoir thickness is not sufficient for successful fracturing and the productivity gains achievable with high angle wells present an opportunity to capture the reserves. In 1992, 13 wells were drilled in peripheral areas targeting less than 75 feet of oil column. Continuing advances in drilling technology are providing the opportunity for cost-effective development in the periphery.

Gravity Drainage Area. The gravity drainage process is very efficient in PBU however it is a time-dependent process. Unit studies indicate that the residual oil saturations in the depleted part of the GD area will be between 20% and 30% at the end of field life. This residual oil represents a target of 3 - 4 billion barrels of oil that is well defined in terms of location and character and is readily accessible through the more than 600 wellbores that are expected to have been drilled in the GD area by the end of field life.

Selective infill drilling may access reserves isolated structurally, or otherwise inefficiently depleted. Increasing well density to 40-acre spacing over the entire area cannot be justified at this time, but advances in drilling technology which would enable more efficient wells or less expensive wells could change this outlook.

Further increases in gas handling capacity are currently not being contemplated, but remain a possibility under more favorable economic conditions.

Enhancing the gas cycling process by managing lean gas sweep may allow some of the GD residual oil to be recovered through vaporization.

Potential Future Opportunities

The Owners are continuing to identify development opportunities in the field. The opportunities do not become a part of the Unit Field Development Plan until technical studies have been completed to assess their viability and the Owners reach consensus on the project. There are several opportunities which are currently under study. Potential projects include:

Pressure Management. This project would involve injecting a large volume of water into the gas cap area to mitigate the rate of pressure decline in the reservoir. Increased reservoir pressure over the remaining life of the field could yield incremental oil reserves through enhanced inflow performance throughout the field, improved vaporization efficiency, displacement of rich gas cap gas to producing wells, and reduced shrinkage. Risks associated with this project include potential impairment of the gravity drainage process by unfavorable water flux, potential impairment of gas recovery, and potential water handling problems.

40-acre Infill Drilling. The reservoir is currently developed on nominal 80-acre spacing. Studies are ongoing to define the potential for adding to the reserve potential by increasing the well density. The work is focused on the gravity drainage area. Attractiveness will depend on reservoir character. There is potential for more than 200 locations if the reservoir benefits can be defined with reasonable certainty and if drilling and tie-in costs can be reduced substantially.

Fieldwide HVGR. This project would extend the concept applied in the NWFB HVGR project to the rest of the waterflood/EOR areas. Success of HVGR is dependent upon reservoir character and sufficient MI availability. As many as 150 new wells may be required to address all the potential target areas. Controlling facility and drilling costs will be critical to the viability of this project.

Gas Sales. The gas resource in Prudhoe Bay is large. Recoverable dry gas for sale is expected to be in excess of 20 trillion cubic feet after accounting for estimated North Slope fuel usage.

To date, produced gas has been reinjected into the reservoir to enhance oil production in the absence of a gas sale. Gas reinjection benefits oil production by helping to maintain reservoir pressure, cycling through the reservoir and vaporizing residual oil and condensate, and by supplying the components to make the hydrocarbon miscible injectant used in the EOR flood.

Gas sales will have an impact on oil production. The most immediate effect would be an increase in the rate of reservoir pressure decline. The amount of gas cir-

culating through the reservoir will be reduced and the amount of Miscible Injectant that can be made will also be reduced. Counteracting these losses, gas sales may prolong the economic life of the oil rim resulting in incremental oil recovery. Quantification of these reservoir impacts is largely a function of the timing and rate of gas sales.

The Owners are continuing to assess the opportunity for gas sales and the potential impacts of a gas sale on ongoing development. However, reservoir management is only one challenge among many which must be addressed to realize commercialization of the gas resource.

Other Targets

Other targets include the "minor reservoirs" which were unitized along with the Ivishak, but which have been relatively unattractive compared to ongoing Ivishak development. There are plans to drill the first dedicated Sag River producing wells in the 1993 drilling program. Improved drilling and completion technology is a key to unlocking more of this resource.

At the end of field life, more than 12 Billion barrels of hydrocarbon liquids are expected to be left in the reservoir. This is oil that is unrecoverable using processes and knowledge available to us today. This target is one that attracts a great deal of attention from the Owners who are continuously investing in Research and Development to try and identify means to unlock more of the resource. Capturing only 10% of this target represents more than a billion barrels of oil - far more than any recent field discovery in the United States.

Prudhoe Bay development has provided an integrated infrastructure hub on the North Slope. There are several small discoveries in the vicinity of Prudhoe Bay which are uneconomic as stand-alone developments. It may be feasible to develop these pools if capacity in Prudhoe Bay facilities becomes available. The Prudhoe Bay Owners are investigating options for development of some of these pools.

CAPTURING DEVELOPMENT OPPORTUNITIES

Unit Process

The process for reaching consensus on future development opportunities in the Unit has evolved through time and is far more efficient today than it was just a few years ago. A large part of this improvement can be attributed to recent emphasis on development of a consensus Unit Depletion Plan.

Unit Depletion Plan. In early 1992 representatives of the Major Owners met to identify and work through barriers to a consensus Unit Depletion Plan. A prioritized list of key technical issues that would need to be addressed was agreed and Unit teams put in place to address them. All Owners recognized that further development would be impaired if Unit consensus could not be achieved on these or any other technical issues that may arise. It was agreed that the most efficient means of achieving technical consensus would be to form work teams with representation from all the major Owners and consensus work plans. Also, the Owners may need different levels of technical support on the various issues and work plans have to accommodate (within reason) the needs of all companies on each issue. Finally, and perhaps most importantly, the Owners realized an opportunity to minimize duplication of effort, to share best practices, and to build a healthier work environment through cooperation. The Depletion Plan Elements now represent the key opportunities being addressed in the Unit at this time. This will ultimately result in the capture of more value for all the Prudhoe Bay Owners.

Work Process

The entire petroleum industry has been evaluating business processes recently. Various terms have been used to describe these efforts to simplify and streamline processes, provide higher quality products, and empower employees to identify and implement improvements. "Process Evaluation Teams" and "Continuous Improvement Process Teams" typically identify significant opportunities for process efficiency improvement through improved communication. This was true in Prudhoe Bay as well. An "assembly line" process for working up development opportunities had prevailed historically whereby Geoscientists would work up the reservoir description for an area of the reservoir, the Reservoir Engineers would develop a scheme for improving recovery from the reservoir, the Facilities Engineers would design and build a facility to accommodate the new project, the commissioning team would install the project on the North Slope and then they would hand it over to the Operations people to manage. We all know that if each of these steps is carried out independently, there is a high probability that the project will be sub-optimum. Considerable animosity can also be experienced along the way as specifications are not understood or are not reasonable or appropriate.

Placing emphasis on who the customers are for the product to be delivered and who the suppliers of input to each stage of the process has helped overcome inefficiency in the work process. In practice multi-disciplinary teams are set up at the outset, common

goals and objectives are agreed, and workplans are established which accommodate continuous feedback between disciplines throughout the project.

SUMMARY

Efficient development of additional reserves has been achieved in Prudhoe Bay Field.

A thorough understanding of reservoir mechanisms and reservoir description facilitated by working in multi-disciplinary teams supported by a comprehensive surveillance program is required for development of a major oil field like Prudhoe Bay.

Effective management of a large resource like that available in Prudhoe Bay can yield attractive incremental development opportunities as the field matures.

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The observations and opinions expressed in this paper are those of the authors and are not necessarily shared by the Prudhoe Bay Unit Working Interest Owners.

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Table 1

Prudhoe Bay Facts

Operators:

Western Operating Area - BP Exploration
Eastern Operating Area - ARCO

Ownership:

	Oil Rim %	Gas Cap %
BP Exploration	50.7	13.8
ARCO	21.8	42.6
EXXON	21.8	42.6
Mobil	1.9	0.3
Phillips	1.9	0.3
Chevron	0.7	0.5
Others	1.2	0.0

Production Startup:

June 19, 1977

Cumulative Liquid Production to 12/31/92:

8.0 Billion STB

Current Production Rates (1993):

Hydrocarbon Liquids:	1.15 MMSTB/D
Gas:	5.6 BCF/D
Water:	1.3 MMB/D

Total Production and Injection Wells at 12/31/92:
1115

Figure 1

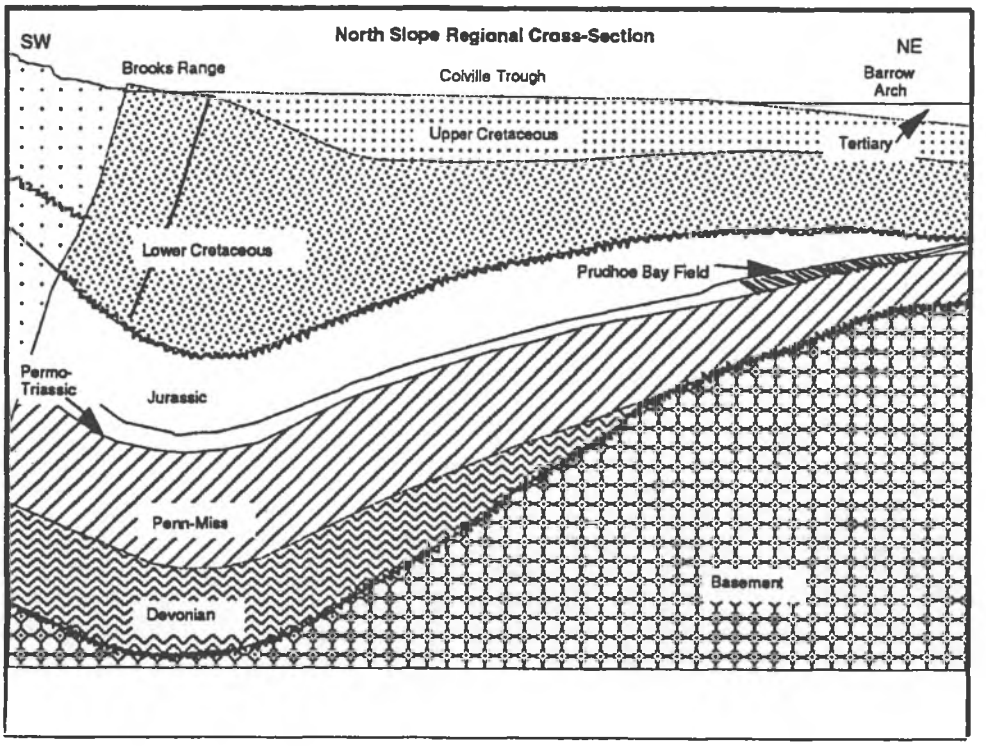


Figure 2

Prudhoe Bay Original Liquids In Place

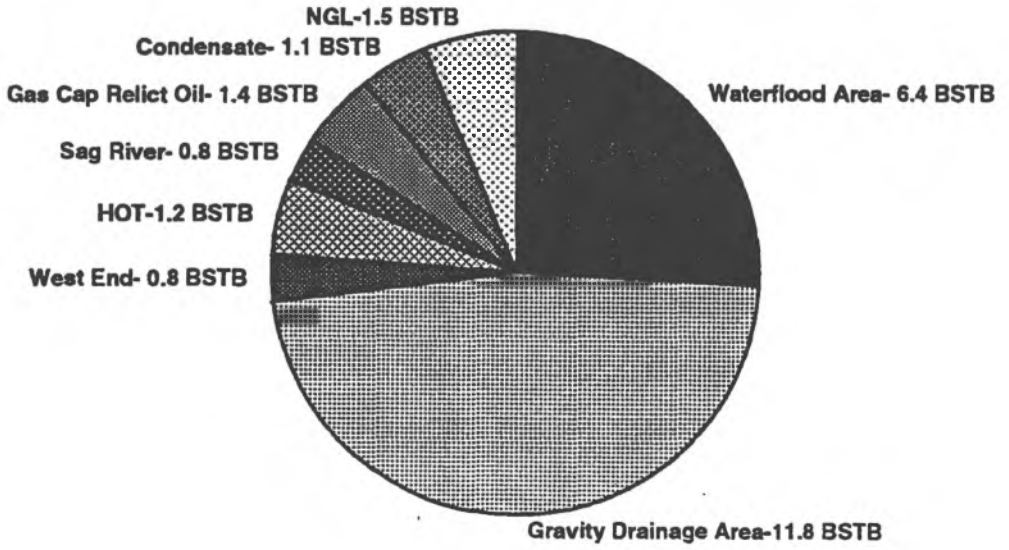


Figure 3

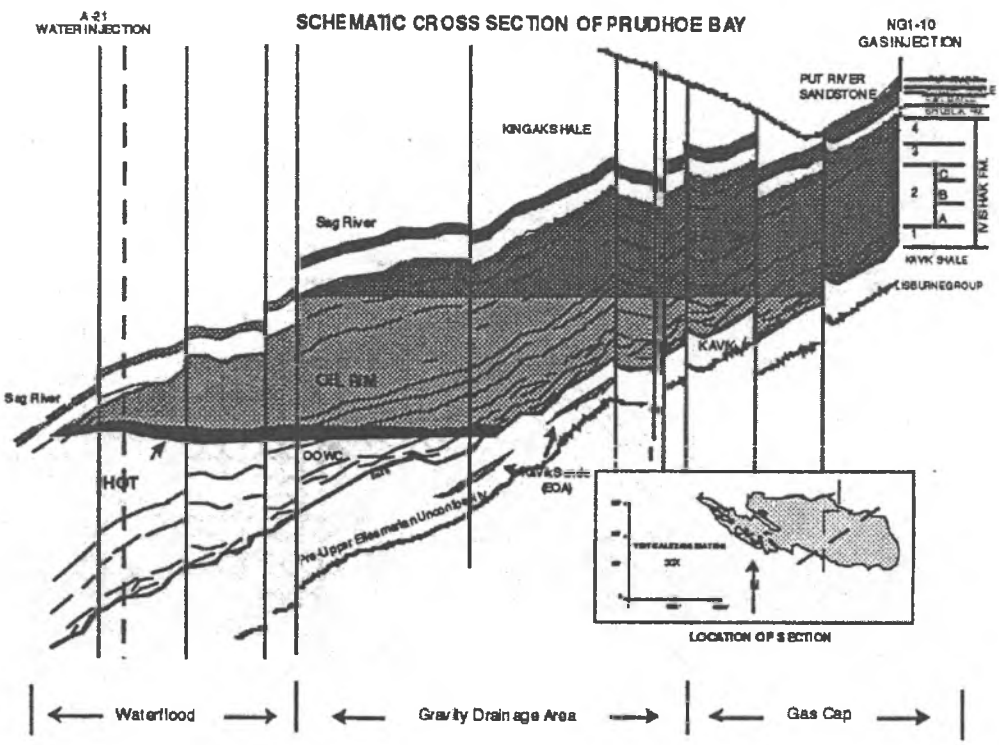


Figure 4
PBU DEVELOPMENT PROJECTS

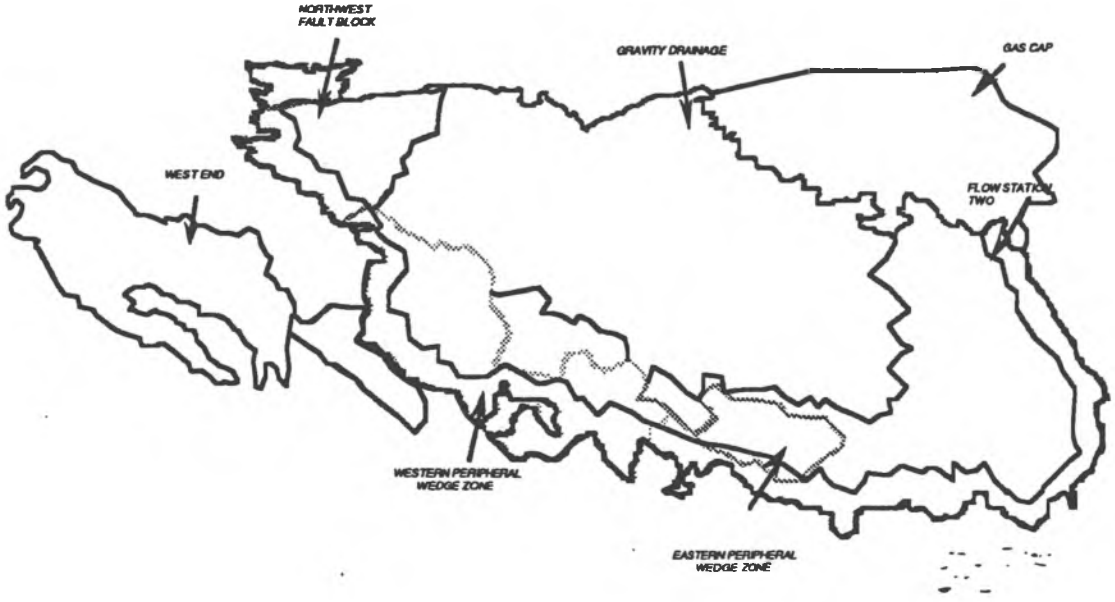
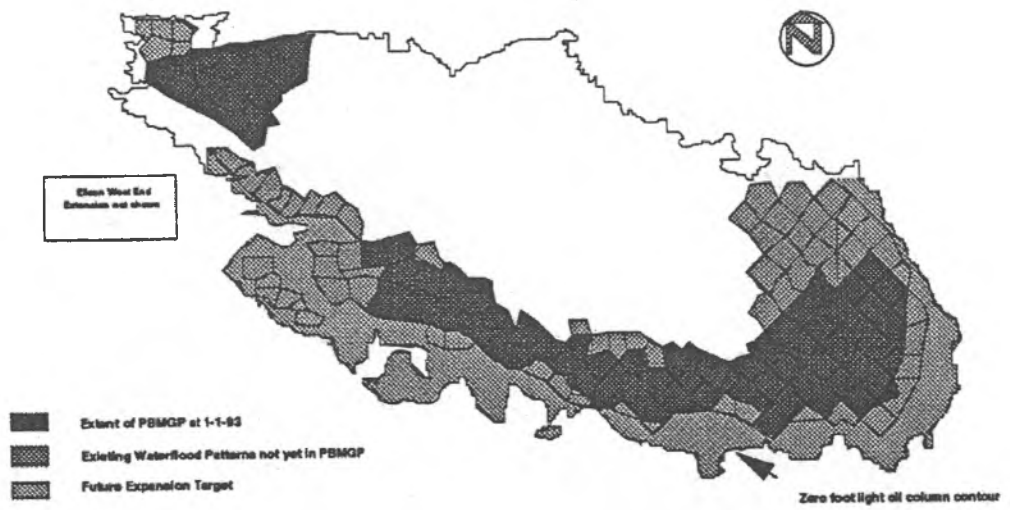


Figure 5



Delineation of PBMGP at 1-1-1993 and future expansion targets

Figure 6

PBU Facilities/Reservoir Schematic

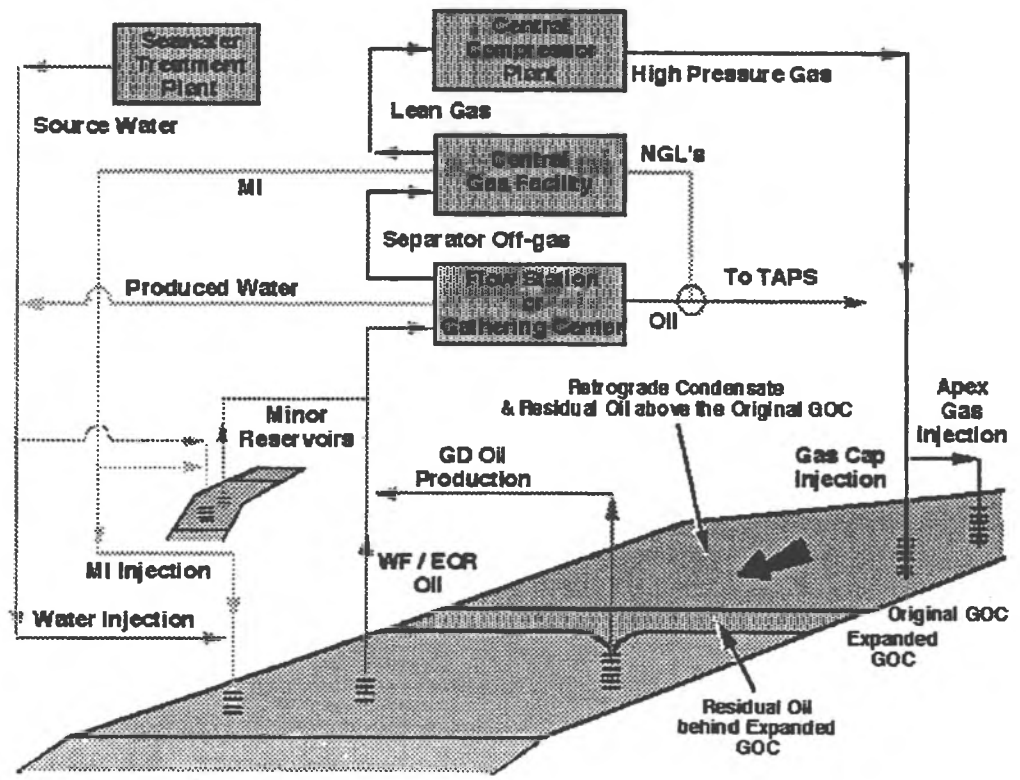
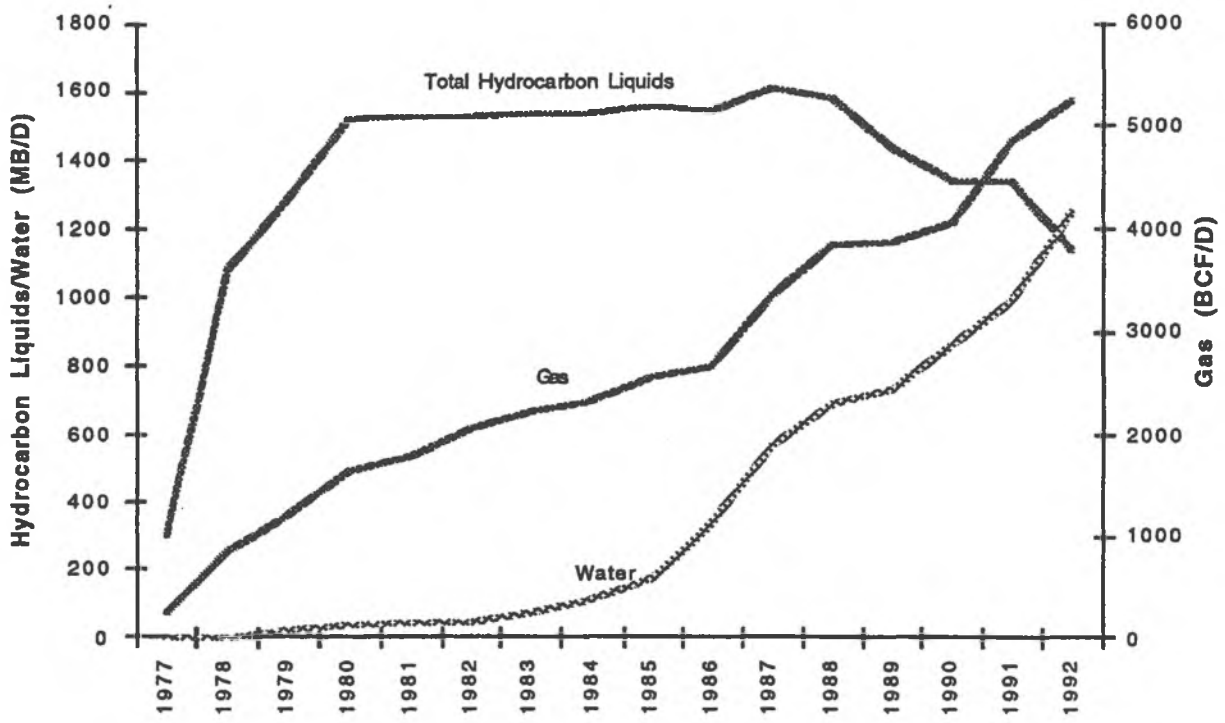


Figure 7

HISTORICAL PRODUCTION (Annual Average Rates)



OPTIMIZATION OF PRODUCTION FROM MATURE FIELDS

P. Wang, Khalid Aziz — Stanford University, USA

M. L. Litvak — BP, USA

Abstract

In many mature fields, the production of oil, gas, and water is facility constrained. For such fields, optimal use of existing surface facilities is the key to increasing well rates and/or reducing production costs. Here we propose solution procedures for such nonlinearly constrained production optimization problems. The objective function of the optimization problem is oil or gas production from the field. Production is subject to multiple flow rate constraints at separators, pressure constraints at specific nodes of the gathering system, total gas-lift volumes, and maximum velocity constraints for pipelines. The control variables are the well rates, gas-lift rates, and well allocations to flow lines.

The problem is formulated as a mixed integer nonlinear optimization problem and is solved by a heuristic nonlinear optimization method. The optimization algorithm is coupled with models for multiphase fluid flow in the reservoir and surface pipeline network in a commercial reservoir simulator+.

The proposed procedure was tested in a Gulf of Mexico oil field and a published example, and then applied to the Prudhoe Bay field in the North Slope of Alaska. Results demonstrate the effectiveness and business value of the developed tools.

Introduction

In some mature fields, oil production is constrained by the gas and/or liquid handling capacities of surface facilities. While facility expansion may be an option to increase rates, it may not be the optimal choice. An economic alternative is to make optimal use of existing production facilities. In this study, we address the following operational decisions to enhance production:

1. How to control well rates with chokes?
2. How to distribute available lift-gas among specified wells?
3. How to route fluids by switching well connections to flow lines?

These operational decisions are constrained by multiple capacity constraints in production facilities and wells, along with velocity constraints in flow lines to avoid excessive corrosion/erosion.

Various aspects of the gas-lift optimization problem have been studied by Kanu et al.[1], Buitrago et al.[2], Nishikiori et al.[3], and Martinez et al.[4] using various optimization techniques, i.e., the equal-slope method, a Quasi-Newton method, and a genetic algorithm. Fang and Lo[5] proposed a linear programming model to optimize lift-gas subject to multiple nonlinear flow rate constraints. In these studies various gas injection scenarios were evaluated using gas-lift performance curves for individual wells, ignoring interactions among wells. Dutta-Roy et al.[6] analysed a gas-lift optimization problem with two wells sharing a common flow line. They pointed out that when flow interactions among wells are significant, nonlinear optimization tools are needed. They applied a Sequential

Quadratic Programming (SQP) method to a linearly constrained gas-lift optimization problem with 13 wells and showed the advantages of their method.

Oil production in the Prudhoe Bay and Kuparuk River fields is constrained by the gas handling limits of surface facilities. Barnes et al.[7] presented the Western Production Optimization Model (WPOM) for the Prudhoe Bay field. This model maximizes oil production while minimizing the need for gas processing. Their model allocates the oil rate and gas rate to surface facilities and wells based on the "incremental GOR" concept, which produces the next incremental barrel with the lowest GOR. Litvak et al.[8] built an integrated reservoir and gathering system model of the Prudhoe Bay field, and employed some heuristic methods to allocate well connections to manifolds. Gas-lift rates were allocated based on gas-lift tables of gas-liquid ratio, liquid well rate and water cut. Lo et al.[9] developed a linear programming (LP) model that allocates well rates subject to multiple facility constraints. This LP model was then used as a screening tool to evaluate development opportunities at the Kuparuk River field. Stoisits et al.[10,11] applied a neural network to determine optimal allocation of lift-gas to wells subject to multiple gas constraints in the same filed. The neural network was trained by results obtained from nodal analysis[++] simulations. In 1997, Stoisits et al.[12] addressed the production optimization problem at Kuparuk River field using a genetic algorithm. In their study, the decision variables were production well status (shut-in or open) and incremental GOR for drill sites. A neural network model was used for the surface pipeline network.

In most commercial reservoir simulators[13,14], rate constraints on facilities are handled sequentially by ad hoc rules. For example, first, gas constraints are considered at the lowest predictive well management (PWM) level. Ad hoc rules based on the gas-oil ratio of production wells are applied to scale well rates and meet the gas constraint. Then, water, liquid, and oil rate constraints at the lowest PWM level are sequentially handled and the procedure is repeated for the next PWM level, etc. Furthermore, gas-lift optimization is usually considered separately from well rate optimization using, for example, the following approach. First, lift-gas rates are determined for specified wells based on their gas-lift performance curves or other information. Then, these lift-gas rates are scaled using some rules to match constraints on total amount of available gas. A number of such procedures are available in commercial reservoir simulators. In some cases, these procedures may not yield the optimal solution. Also, using such approaches, it is difficult to determine how much of the gas handling capacity should be used for gas-lift and what portion should be allocated for other purposes.

In summary, available literature does not provide robust procedures for the simultaneous optimization of well rates, lift-gas rates, and well connections. Either only a part of the problem is addressed, or ad hoc rules are used that lead to sub-optimal operations. Hence, it is necessary to design approaches that can simultaneously optimize all control variables subject to all constraints. In the approach presented here, different control variables are optimized using different algorithms, yet these algorithms can be combined together in a flexible manner to optimize all control variables simultaneously. The optimization tools are tested on a synthetic case based on an oil field in the Gulf of Mexico (GoM) and on a published example, and then successfully applied to the Prudhoe Bay oil field.

Proposed Methodology

Description of the Optimization Problem

The type of constraints considered in this study include the following: minimum pressure at the bottomholes and/or tubingheads of production wells; maximum/minimum oil, gas, water, and/or liquid flow rate in production wells; minimum pressure at the inlet/outlet of flow lines; maximum oil, gas, water, and/or liquid handling capacities of surface facilities; maximum fluid velocities in pipelines to mitigate excessive erosion/corrosions; and maximum amount of gas available for gas-lift at different PWM levels. The objective is to increase the short-term oil production by allocating well rates and lift-gas rates.

In some fields, well connections to separation facilities can be switched. On such fields, the optimization algorithm should also guide the operator on when and how to switch well connections so that the production facility is fully utilized.

In summary, we wish to optimize well production rates, lift-gas rates, and connections to the separation facilities in a way that maximizes total oil/gas production subject to applicable constraints. This problem is formulated as a mixed integer optimization problem:

$$\text{maximize} \quad \sum_{i}^{n_w} \sum_{p=o,g} w_{p,i} q_{p,i}(x,y), \tag{1a}$$

$$\text{subject to} \quad c_j(x,y) \le 0, \quad j = 1,\ldots,m, \tag{1b}$$

$$y \in \Omega_{wc} \tag{1c}$$

where n_w is the number of production wells; $w_{p,i}$ is the weighting coefficient for $q_{p,i}$, the flow rate of phase p from well i; c_j represents the jth constraint; x is the continuous decision variable, namely, the well rates and the lift-gas rates; and y is an integer variable indicating well connections; Ω_{wc} represents the domain of feasible well connections.

Overall Methodology

A commercial compositional simulator[15] that can simultaneously simulate multiphase fluid flow in reservoirs, well tubing strings, and surface pipelines was used. The gathering system had a tree-like structure without loops. Flow line junctions are modeled as nodes of the tree. Each node can have any number of input connections but only one output connection. A link represents sequentially connected flow devices (pipeline, choke, etc.). Two nodes can be connected by a link or a flow device. The pressure and rate constraints are imposed on either wells or nodes. Well bottomhole and/or tubinghead pressure constraints are considered (See Litvak et al[16] for details).

The optimization tools are combined with the solution procedure for modeling flow in the coupled reservoir and gathering system in the following manner (Step 1–5 define one outer iteration of the coupling procedure):

1. Start with pressure and fluid compositions in reservoir gridblocks calculated in the previous outer iteration. Use well lift-gas rates and well connections from the previous outer iteration as initial guesses.

2. For well i, perform the following operations:

   a. Switch well i from its current output connection to a new feasible output connection.

   b. Determine well production rates from pressure drop calculations in well tubing strings and surface pipeline network system subject to pressure constraints in wells and nodes16. These rates are used as additional maximum well constraints in Step 2(c).

   c. Invoke optimization tools to redefine well rates and lift-gas rates to maximize the objective function (1a) subject to flow rate and velocity constraints. (These optimization tools are described in the next section).

   d. Repeat Step 2(a)–2(c) for all feasible output connections of well i. Define the output connection that produces the maximum objective function value as the best output connection of well i.

   e. Decide if well i should be switched to the new connection as determined in 2(d), based on operational rules.

3. Select a new well and repeat Step 2.

4. Based on user selected criteria, repeat Steps 2 and 3 until convergence.

5. Determine active constraints in wells and nodes. Linearize multiphase fluid flow equations for well tubing strings and the surface pipeline network system (numerical derivatives are used). Add these equations to the linearized fluid flow equations for reservoir gridblocks.

6. Solve the linearized system of equations, and repeat Steps 1 to 6 until convergence of outer iteration.

7. March to the next time step.

In Step 2 to 4 only a small portion of the domain of feasible well connections is considered, this is referred to in this work as the partial enumeration method. Step 2(e) and (4) are rule based and operational policies can be enforced at these stages. In the current implementation, the user may define the maximum total number of well reconnections allowed and the flow rate threshold for well switching.

The optimization tools used in Step 2(c) for well rates and lift-gas rates allocation can be invoked without performing well connection optimization.

Optimization Tools Used for Well Rates and Lift-Gas Rates Allocation

Three methods with increasing robustness but decreasing efficiency are used for the allocation of well rates and lift-gas rates in Step 2(c) of the overall methodology: a linear programming method, a separable programming method, and a genetic algorithm. Various techniques were developed to provide flexibility in handling problems of different sizes and complexity.

Let $q_{p,i}^{\max}$, $p = o, g, w$, be the well rates for well i from step 2(b). The linear programming (LP) method scales these rates to satisfy flow rate and velocity constraint. Assume that the water cut and gas liquid ratio of each well is constant. Then any flow rate between 0 and $q_{p,i}^{\max}$ can be

expressed as $\alpha_i q_{p,i}^{\max}$, where $\alpha_i \in [0,1]$ is the rate-scaling factor of well i. Consequently, the objective function and the constraint functions in problem (1) are linear functions of α_i. Hence problem (1) with fixed well connections becomes a linear programming problem, which can be solved by either the simplex method[17] or the interior point method[18]. In this study, we use the simplex method, because the optimal solution from the simplex method is always an extreme point of the feasible region.

The separable programming (SP) method extends the work of Fang and Lo[5]. In this method, we take the well header pressure from the previous optimization iteration as the minimum pressure constraints on that well head and perform nodal analysis to obtain a gas-lift performance curve for each well. Besides, the relationship between the oil flow rate and the formation gas or water flow rate can also be approximated by piecewise linear curves. Hence the lift-gas, formation gas, or water flow rate can be regarded as functions of a single variable (the oil flow rate of that well). And problem (1) with fixed well connections becomes a separable programming problem. An SP problem can be reformulated as a linear programming problem or a mixed integer programming problem[18].

In the SP method, the gas-lift performance curves and inflow performance curves are obtained by ignoring interactions among wells. This is reasonable when the flow through well chokes is critical (reaches sonic velocity) or the pressure drop across tubing strings is dominant. However, there are cases when flow interactions cannot be ignored. In such cases, We need to evaluate gas-lift performance by rigorous simulation. Consequently a nonlinear optimization algorithm has to be employed. Currently we use a genetic algorithm for its robustness and ease of use. In the genetic algorithm, we take the lift-gas rate as the decision variable, and evaluate the performance of a lift-gas distribution scenario in the following manner. First, we perform rigorous facility simulation with the allocated lift-gas subject to the pressure constraints. Then the LP method is used to scale the well rates if certain flow rate or velocity constraints are violated, and assign the optimal function value from the LP method as the fitness of the corresponding lift-gas distribution. Other aspects of the genetic algorithm can be found in Goldberg[19].

Applications

In this section, we first test the LP method and the partial enumeration method on a synthetic case based on an oil field in the Gulf of Mexico (GoM). Then we applied the SP method to a published gas-lift example. Finally we applied the developed tools to the giant Prudhoe Bay field in the North Slope of Alaska.

Gulf of Mexico Oil Field Example

An integrated reservoir and surface pipeline network model has been built for one of the Gulf of Mexico oil field. Our test example is based on this reservoir.

Five production wells, A1–A5, are tied to a 40-slot conventional fixed-leg platform. Ten production wells were drilled from a 10-slot subsea template and connected to the platform by two 22000 feet long pipelines. On the platform, a three-stage separator processes the produced fluids. Wells A1–A5 can be tied to any stage of the separator. Wells B1–B10 can be connected to either the

low-pressure stage or the high-pressure stage of the separator. Figure 1 illustrates the production system.

For evaluation purposes, we impose two hypothetical constraints on the gathering system. The separator has a maximum of 30 MMSCF/D gas handling capacity and a maximum of 5000 STB/D water handling capacity. Moreover, the separator cannot receive gas from either pipeline at a rate more than 12 MMSCF/D. Our job is to maximize the oil production by selecting appropriate well rates and well connections.

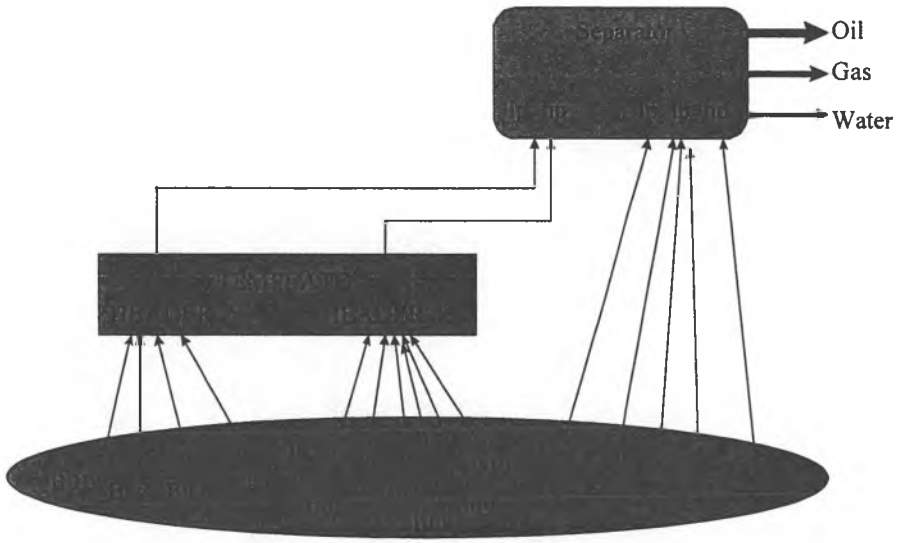
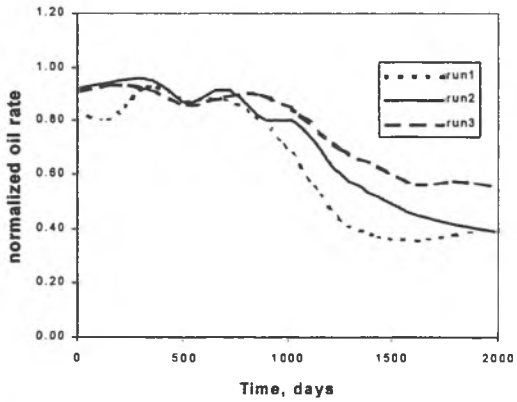


Figure 1: Gulf of Mexico oil field gathering system

We made three predictive runs using a commercial simulator. Each run predicts the oil production for about five years. In the first run, we sequentially checks flow rate constraints and scale the well rates. In the second run, we apply the LP method to select the well rates. In the third run, we apply the partial enumeration method with the LP method to optimize the well rates and well connections simultaneously. The results are plotted in Figure 2–6.



run1: scale well rates sequentially.

run2: scale well rates using LP method

run3: optimize well rates and well connections

Figure 2: Normalized total oil rate

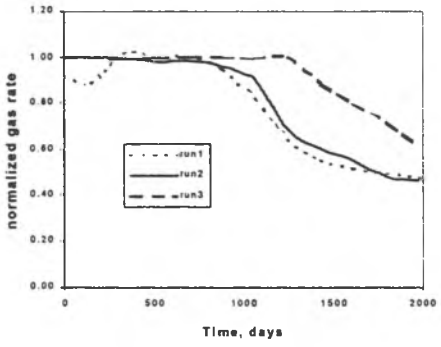


Figure 3: Normalized total gas rate

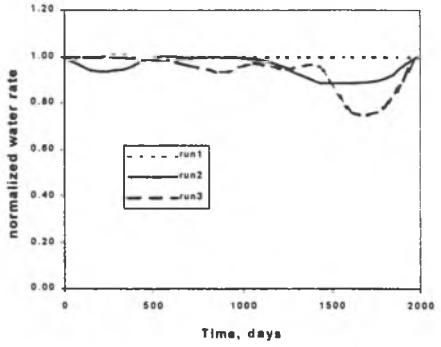


Figure 4: Normalized total water rate

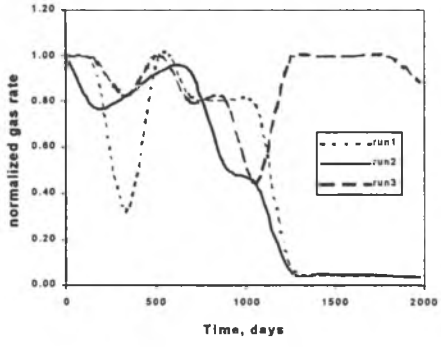


Figure 5: Normalized gas rate at HEADER_Y

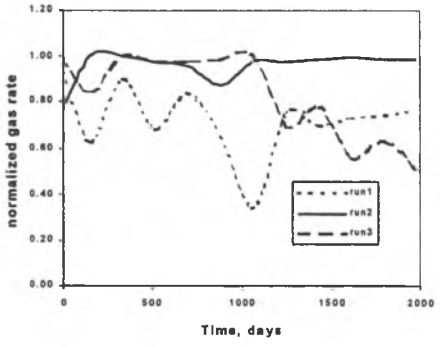


Figure 6: Normalized gas rate at HEADER_Z

The well rates are normalized by some fixed oil, gas, and water rates. Figure 2 shows that run2 can produce at a much higher rate than run1. Run3 is even better. Over five years, run1 predicts 11.2% more oil than run1, and run3 shows 18.9% more oil than run1. The excellent performance of run2 and run3 can be explained by Figure 4–6. As shown in Figure 4, the oil production in run1 is always limited by the water rate constraint. This is due to the fact that the procedure in run1 first scales the highest GOR wells to meet gas constraints, and then scale the highest water cut wells to meet water constraints. This results in a suboptimal solution. Run2 checks all constraints simultaneously; as a consequence, it scales well rates differently. This fact is demonstrated in Figure 6, where most of the time production in run2 is limited by the gas constraint on HEADER_Z, while that is not the case for run1. The fact that run3 outperforms run2 can be explained as follows. At later times, without well switching, most of the producing capacity of HEADER_Y is wasted, while HEADER_Z is constrained by gas rate. The algorithm in run3 identified this imbalance and a high GOR well was switched from HEADER_Z to HEADER_Y.

A Gas-lift Optimization Example

This example is from Buitrago et al2. The problem is to optimize oil production from a set of 56 wells with 225,000 MSCF/D of available gas (Gas-lift performance data are presented in Buitrago et al2). Some of these wells can not flow without gas-lift. Buitrago et al[2] solved the problem by both the Equal-Slope method and the Ex-In method, a stochastic algorithm that calculates the descent direction heuristically. In this study, we solve this problem by the SP method. For wells that can not flow without gas-lift, their gas-lift performance curves are not concave. Thus we introduce an integer variable for each such well, and formulate the gas-lift optimization problem as a mixed integer problem. The problem is then solved by the branch and bound method[20], which reduces the mixed integer problem to a sequence of linear programming problems.

Table 1 compares the performance of the SP method with the Equal-slope method and the Ex-In method. Results for the Equal-Slop method and the Ex-In method are taken from Buitrago et al[2]. The SP method outperformed both the Equal-Slope method and the Ex-In method for this example.

	Equal-Slope	Ex-In	Separable Programming		
			(1)	(2)	(3)
Gas-lift Volume (MSCF/D)	22,508	20,454	22,500	14,175	17,040
Oil Rate (STB/D)	21,265	21,790	22,632	21,265	21,790

Table 1: Gas-lift allocation results obtained from different methods

(1) Allocate all available lift-gas of 22500 MSCF/D

(2) Minimize lift-gas use for oil rate of 21265 STB/D

(3) Minimize lift-gas for oil rate of 21790 STB/D

To demonstrate the efficiency of the SP method, we applied it to other problems created by cloning the 56-well example discussed above. For example, in the second case, we have 560 wells and 22,5000 MSCF/D injection gas available. All computations were performed on a Sun-Enterprise 5500 machine with 4GB of RAM and 2GB of swap space. The second row of Table 2 shows the computational time (wall clock time). The third row of Table 2 shows the number of LP problems solved in the process of solving the mixed integer programming problem. Clearly, the SP method is very efficient for this problem.

Number of Wells	56	560	3360
Wall Clock Time (second)	0.27	3.06	140.29
Number of LP problem solved	5	6	40

Table 2: Computational time for the SP method on various problems

Application to Prudhoe Bay Oil Field

Litvak et al[8] has a good description of the Prudhoe Bay Field. The following short description is extracted from this paper.

> "Production wells are tied to 22 well pads in the Western Operating Area (WOA) and 16 drill sites in the Eastern Operating Area (EOA). Most production wells can be switched between high and low-pressure headers at the well pad manifolds. Gas-lift is used in some production wells with high water cut. Gas-lift wells can be tied only to low-pressure headers. Well chokes are installed in well pad manifolds.
>
> The production stream from individual well pads and drill sites is sent without any separation to three gathering centers in the WOA and to three flow stations in EOA. Well pads and drill sites are tied to separator banks through high pressure and/or low-pressure flow lines. Each gathering center and flow station has four three-stage separator banks. Separator banks can operate in high pressure or low-pressure mode with first separation stage pressure of about 670 psig and 150 psig, respectively.
>
> Separator off-gas is routed from the gathering centers and flow stations to the central gas facility where natural gas liquids and miscible injectant are extracted. The natural gas liquids are then blended with the oil stream coming from the separators. The miscible injectant is used in the enhanced oil recovery project. The lean gas, after compression in the central compression plant, is reinjected into the gas cap for pressure maintenance."

The oil production in the Prudhoe Bay field is constrained by the gas handling capacity. To maximize oil production without expansion of existing gas handling capacity the developed optimization tools have been applied. Well connections to high pressure or low pressure flow lines as well as well production rates are selected to maximize total oil production from the field subject to the gas and water constraints in gathering centers and velocity constraints in flow lines. Integrated reservoir and surface pipeline network model has been applied. The optimization system is applied on a daily basis. The performance of the partial enumeration method is verified by two approaches by optimizing well connections and well rates in the WOA. In the first approach, we start with the partial enumeration method from six randomly generated well connection configurations. In the second approach, we use a genetic algorithm to solve the same problem. Their convergence histories are shown in Figure 7. All the partial enumeration runs converge to approximately the same oil well rate after 300 function evaluations. The genetic algorithm also converges to approximately the same oil well rate after 600 generations. Each generation takes 10 function evaluations. Hence, in this case the partial enumeration method outperforms the genetic algorithm.

To demonstrate the advantage of optimizing the well connections and well rates simultaneously, we present two optimization runs for the whole Prudhoe Bay field. In the first run, we optimize well rates only using the LP method. In the second run, we optimize well rates and well connections simultaneously by the combined use of the partial enumeration method and the LP method. All other aspects of these two runs are same. Results show that the second run improves oil production by 2.55% compared to the first run, which is significant for this large field. On an IBM RS6000 computer, a typical simultaneous optimization run takes about 850 seconds.

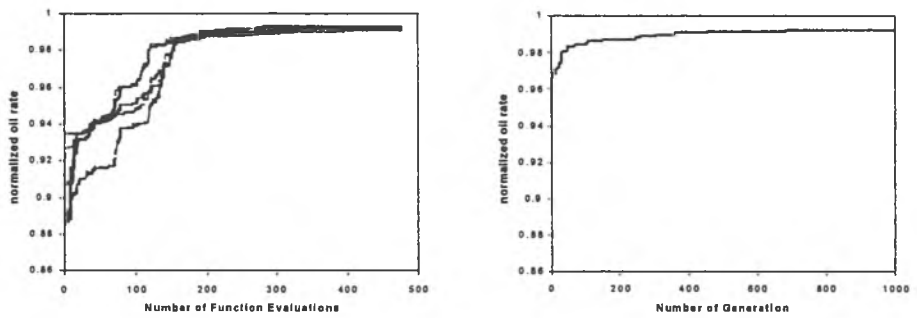


Figure 7: Convergence history of the partial enumeration method (Left); Convergence history of the genetic algorithm (Right). The oil well rate is normalized by a fixed oil rate.

Discussion

The production optimization problem addressed is nonlinearly constrained with discrete decision variables. It is difficult to design a solution procedure that is both robust and computationally feasible. We have proposed a unique approach for the efficient optimization of the entire system. This is accomplished by optimizing continuous variables and discrete variables using different optimization algorithms. For example, by the combined use of the partial enumeration method and the LP method, we can optimize well connections and well rates simultaneously, even for large production systems as in the Prudhoe Bay field.

Our approach is also flexible. According to the problem characteristics and time available for optimization, different rates allocation procedure can be used during the well connection optimization. A more rigorous but time consuming rates allocation method may be employed after the well connections are optimized.

There are some limitations of our approach. For gas-lift optimization problems, the LP and SP method is efficient, but it can not handle the interactions among wells. The genetic algorithm is robust but inefficient. It is desirable to have an efficient algorithm that can also handle flow interactions. In addition, we only optimize short-term oil production based on static reservoir conditions. We have not considered reservoir dynamics during the optimization step. We are currently investigating the impact of decisions based on this approach on long term oil recovery.

Conclusions

1. A mixed integer programming model is formulated to optimize well rates, gas-lift allocations, and well connections subject to multiple constraints. A partial enumeration method for well connection optimization and several tools for gas-lift optimization are developed.
2. The optimization tools are incorporated in a commercial code. The approach presented can be used for production control or reservoir development.
3. The optimization tools were successfully tested and applied to a mature oil field.

Acknowledge-ments

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Nomenclature

c_j	jth constraint function in the optimization problem
m	number of constraints
n_w	number of wells
$q_{p,i}$	flow rate of phase p from well i
$q_{p,i}^{\max}$	maximum flow rate of phase p from well i defined in the linear programming method
$w_{p,i}$	weighting coefficient for flow rate of phase p from well i
x	continuous decision variable, namely, well rates and lift-gas rates
y	discrete decision variable, namely, well connection indicator
Ω_{wc}	domain of feasible well connections

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+ For the work reported here the VIP simulator of Landmark Graphics Corporation was used.

++ Nodal analysis is a trade mark of Schlumberger limited.

4.

Department of Revenue Comments on CSSB 192 March 14, 2012



Presentation to the
Senate Finance Committee
Department of Revenue 3-14-12

Presentation Organization

- DOR position on bill and individual components of bill
- Comparison to ACES and CS HB 110 (FIN)
- Suggested improvements to bill

Components of CSSB 192

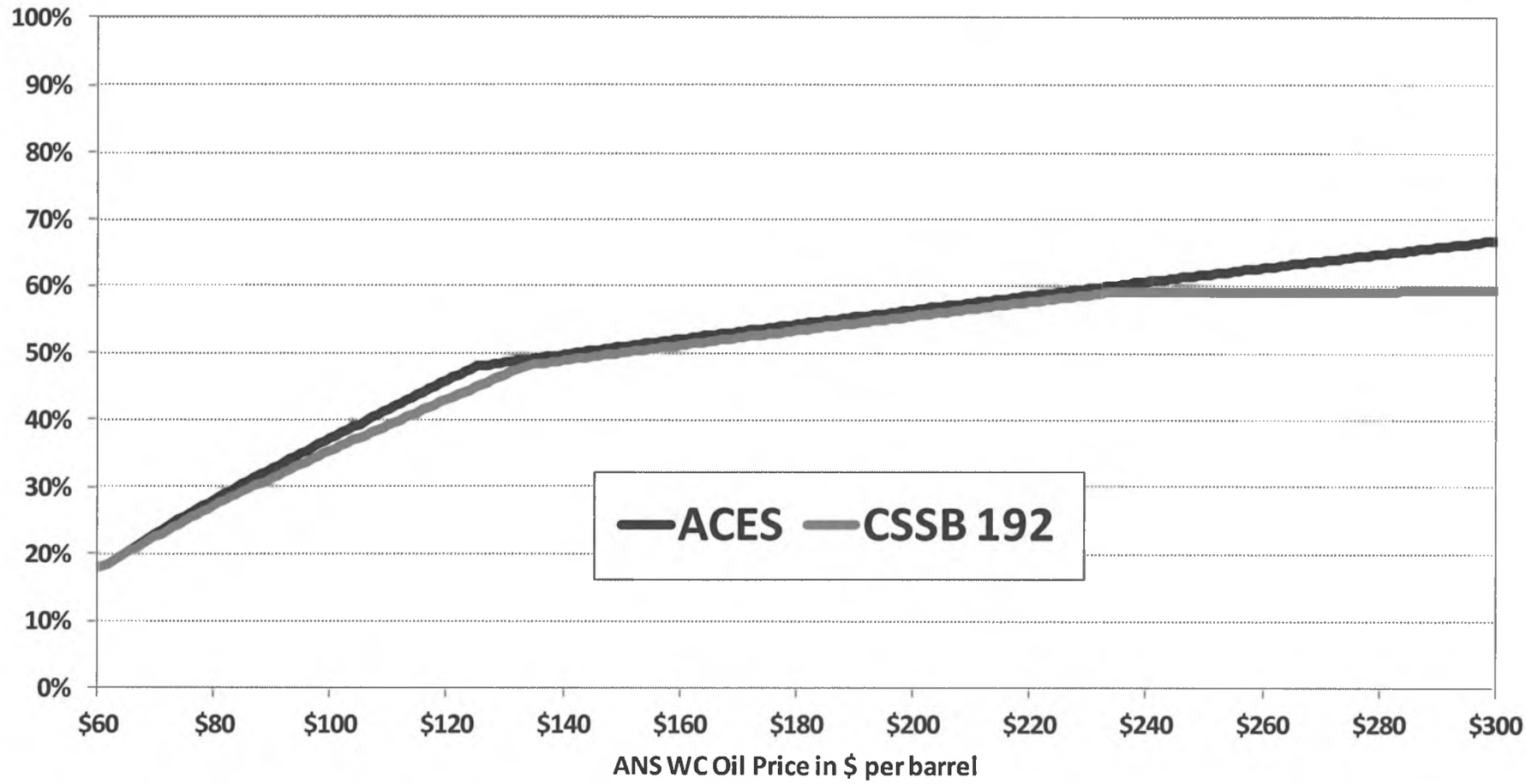
- Progressive surcharge
- Allowance for production increases
- Gross minimum tax
- Petroleum information system
- Decoupling some oil and gas

CS SB 192

Changes to progressive surcharge

1. Changes the progressivity rate over $30 / barrel production tax value from 0.4% to 0.35%
2. Changes the trigger point that slows the rate of progressivity to 0.1%, from $92.50 to $101.43 / barrel production tax value
3. Changes the maximum production tax rate from 75% to 60% (would apply over $201.43 / barrel production tax value)
4. Based on our Fall 2011 forecast, reduces revenue by $125 million in FY 13, $230 million in FY 14, and $200 million / year in FY 15.

Effective Production Tax Rates: ACES and CSSB 192 (progressivity only)



Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Progressive Surcharge

- Changes do not do enough to provide a meaningful change that would influence investment decisions.
- The biggest benefit from this provision comes at very high prices, from the change in maximum tax rate.
- Suggestions:
  - Keep the lower maximum tax rate; consider a 50% cap on maximum rate.
  - Consider a bracketed approach, so that higher rates apply only to additional profit and not to the first dollar of profit.
  - Or, consider further reductions in slope of progressivity to provide a meaningful change.

Allowance for production increases

- Describe allowance
- Revenue impact
- Examples
- Does not create an incentive that would alter an investment decision
- Does increase complexity for DOR and taxpayers
- Suggestion: New field incentives, or provide allowance by means of a credit

CS SB 192

Allowance for production increases

- Allowance for each additional barrel sent down TAPS, over prior year's level.
- Effectively reduces PTV by $10 per additional barrel, only for the base rate of 25% = $2.50 per additional barrel.
- Not part of production tax calculation; benefit is calculated and refunded by DOR.
- Based on our Fall 2011 forecast, reduces revenue by less than $25 million total for all companies, for all years.

Allowance for production increases: Example

- Major producer with 200,000 barrels per day
- Invests $1 billion per year to achieve modest decline rate in legacy fields
- Invests an additional $5 billion to develop several marginal fields and in-field projects in legacy fields
- Increases production 5% to 210,000 barrels per day, and maintains that level for several years.
- First year benefit is $9.1 million
- Benefit in following years is ZERO

Allowance for production increases

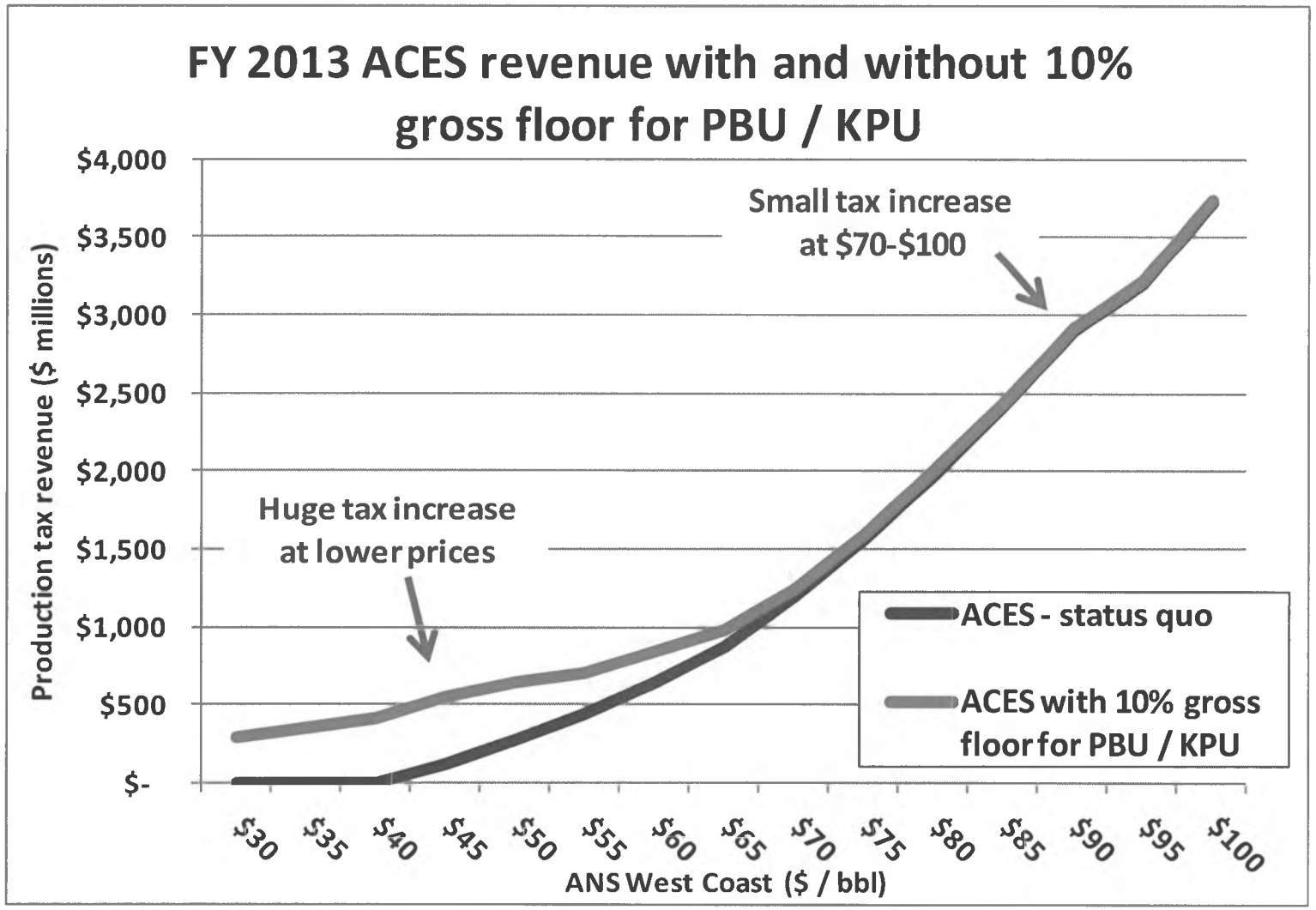
- Allowance does not provide a meaningful change that would influence investment decisions.
- A very small benefit, for only one year, with no benefit for maintaining production.
- Mechanism requires DOR to track and calculate the benefit.
- Suggestions:
  - Consider replacing this incentive with reduced tax rates for new fields or incentives for in-field development.
  - If this concept is furthered, use a credit as the mechanism as it would be easier to administer.
  - If this concept is furthered, acknowledge that maintaining production would be a significant accomplishment for some producers.

CS SB 192

Gross Minimum Tax

- 10% gross minimum tax for certain fields
- Applies only to units with over 1 billion barrels cumulative production and over 100,000 barrels per day in most recent year
- Effectively applies only to Prudhoe and Kuparuk
- "Hard floor" – credits cannot be used to reduce tax for these fields below 10% of gross value.
- Also changes community revenue sharing provisions
- Based on our Fall 2011 forecast, increases revenue by less than $25 million per year.
- At $40 / barrel, increases revenue by over $400 million per year.

Gross Minimum Tax vs. Status Quo



Community Revenue Sharing

- This bill impacts appropriations to the community revenue sharing fund
- Currently 20% of revenue from progressivity
- Would change to lesser of:
  - 20% of progressivity revenue, or
  - Difference between 25% of PTV from fields subject to 10% minimum tax, and minimum tax for those fields.
- Maintains existing limit on revenue sharing: $60 million or the amount that brings fund balance to $180 million.
- Increases complexity of the calculation, but not likely to materially impact the amount of revenue appropriated.
- If this change ever would make a difference it would be to the detriment of municipalities.

Gross Minimum Tax

- Provision will impact some companies at current prices.
- Provision creates a substantial tax increase at lower prices (<$60 / barrel).
- Creates a disincentive to investment in Prudhoe and Kuparuk, Alaska's most important fields.
  - Including development drilling, expansions such as new pads and facilities, and heavy oil development
- Mechanism requires DOR to track and calculate the benefit.
- Suggestions:
  - Remove this provision as it represents a tax increase.
  - If this concept is furthered, allow credits to be applied against minimum tax so there is still some incentive to invest at lower prices.
  - If this concept is furthered, consider removing the change to community revenue sharing language.

CS SB 192

Petroleum Information System

- New information system to be implemented by AOGCC.
- Operational before January 1, 2014.
- Suggestions:
  - Consider need in context of DOR efforts to make more information available.
  - Defer to AOGCC on challenges with this provision.

CS SB 192

Decoupling Some Oil and Gas

- Identical to SB305
- Creates 2 separate progressivity calculations:
  1. Oil, Cook Inlet gas, and gas used in state
  2. Gas other than Cook Inlet and used in state

- Allocates lease expenditures based on Gross Value

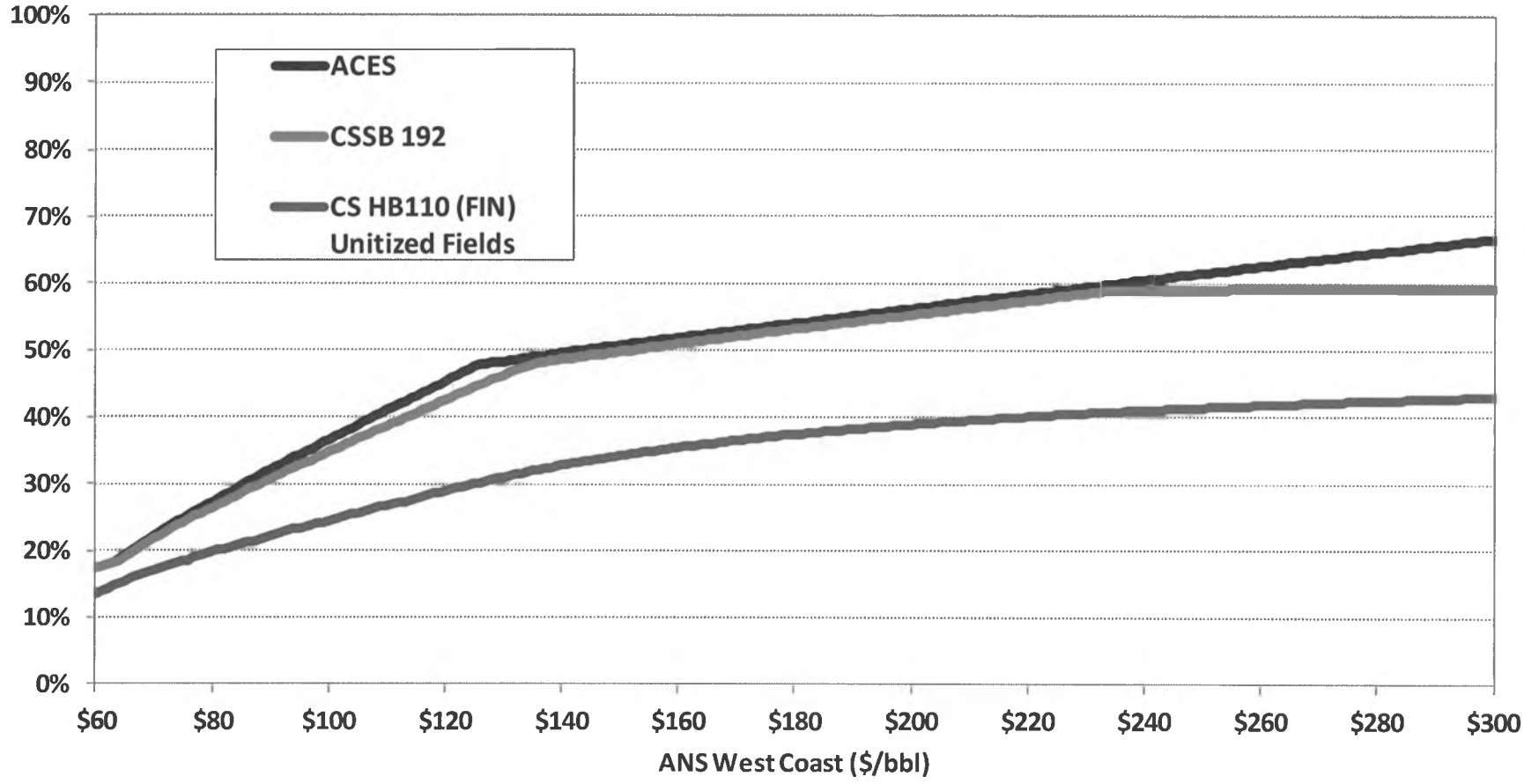
- Revenue impacts:
  - Less than $10 million / year prior to major gas sale
  - Could increase revenue by over $1 billion / year with major gas sale

Comparison to ACES and CS HB 110 (FIN)

Key Revenue provisions of ACES, CSSB 192, and HB 110

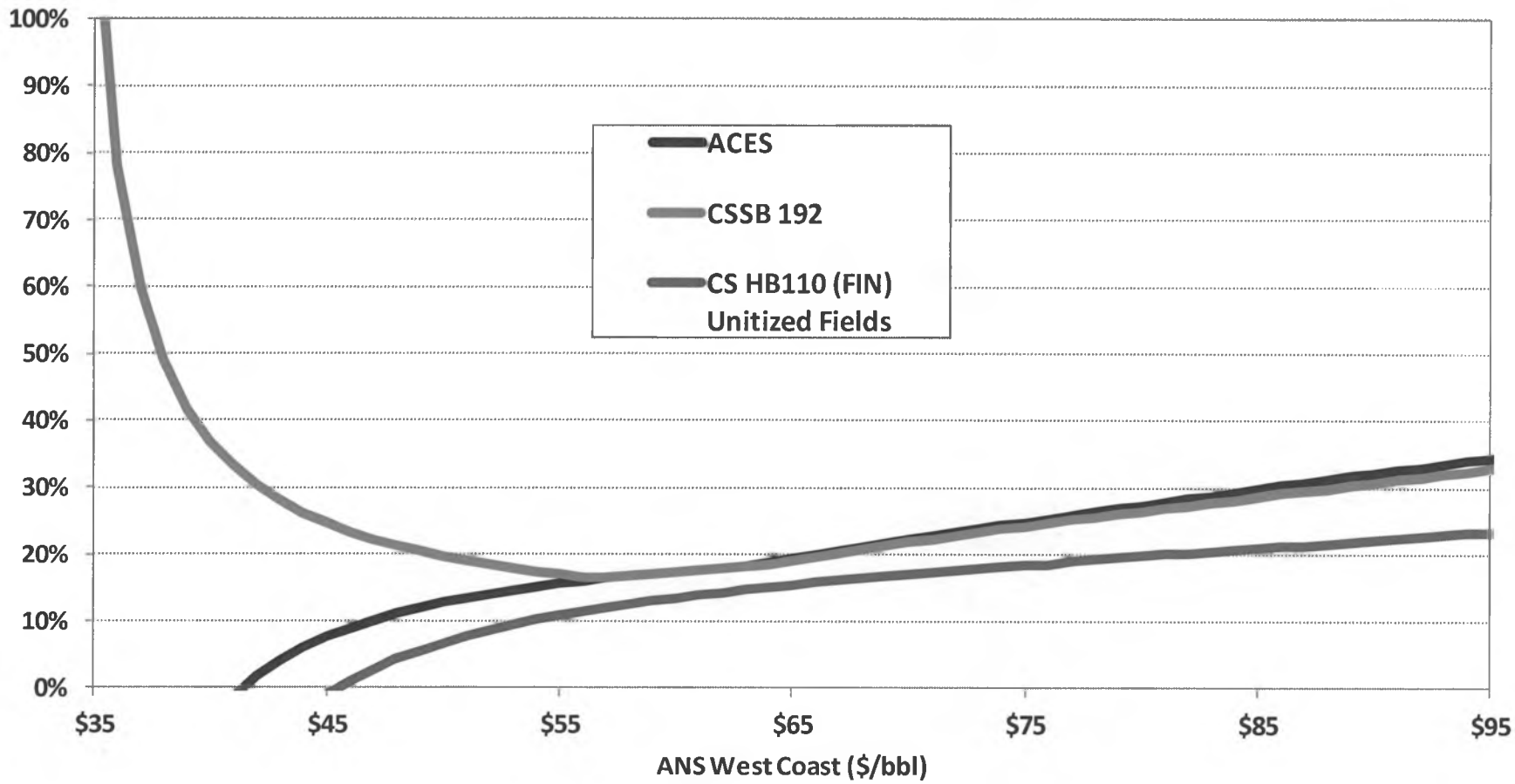
	ACES	CSSB 192	CS HB 110 (FIN)
Progressivity (based on PTV per barrel)	Not bracketed, rate applies to entire PTV $30 to $92.50: 0.4% per $1 $92.50 to $342.50: 0.1% per $1	Modifies ACES structure. $30 to $101.43: 0.35% per $1 $101.43 to $201.43: 0.1% per $1	Bracketed, rate applies only to incremental value $30 to $42.50: 27.5% total tax rate $42.50 to $55: 32.5% total tax rate, etc
Maximum tax rate	75%	60%	50%
New production incentives	Existing credits	$10 / barrel allowance for increased production	Lower tax rate for new fields, in-field drilling credits, extends sunset for small producer and exploration credits
Minimum tax	Ranges from 4% of gross for prices >$25 to zero for prices <$15, credits allowed.	Increases tax to 10% gross for PBU/KPU, no credits allowed.	Existing provisions

Effective Production Tax Rates: ACES, CS SB 192, CS HB 110 (FIN)



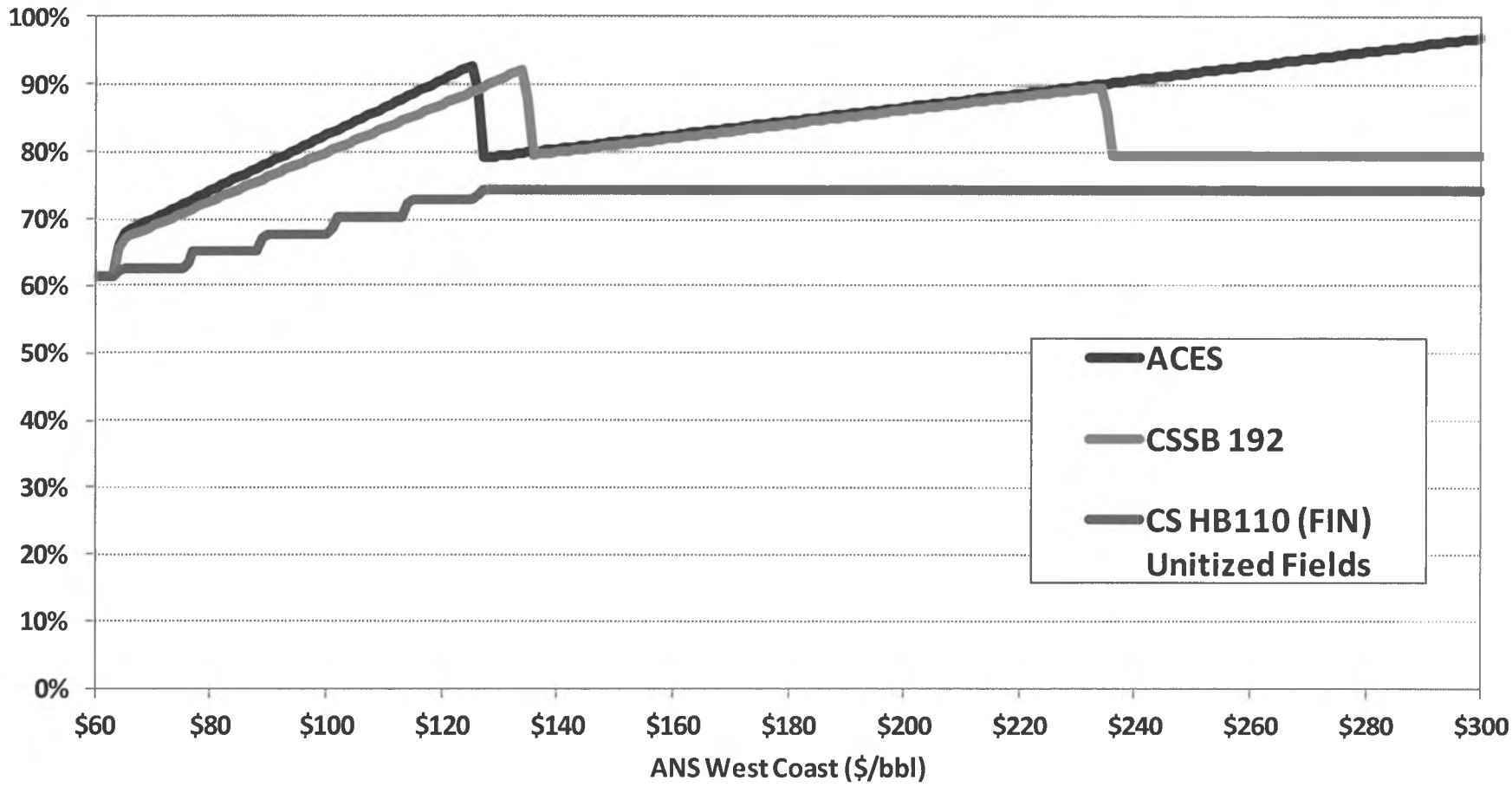
Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Effective Production Tax Rates: ACES, CS SB 192, CS HB 110 (FIN) Impact of 10% gross tax



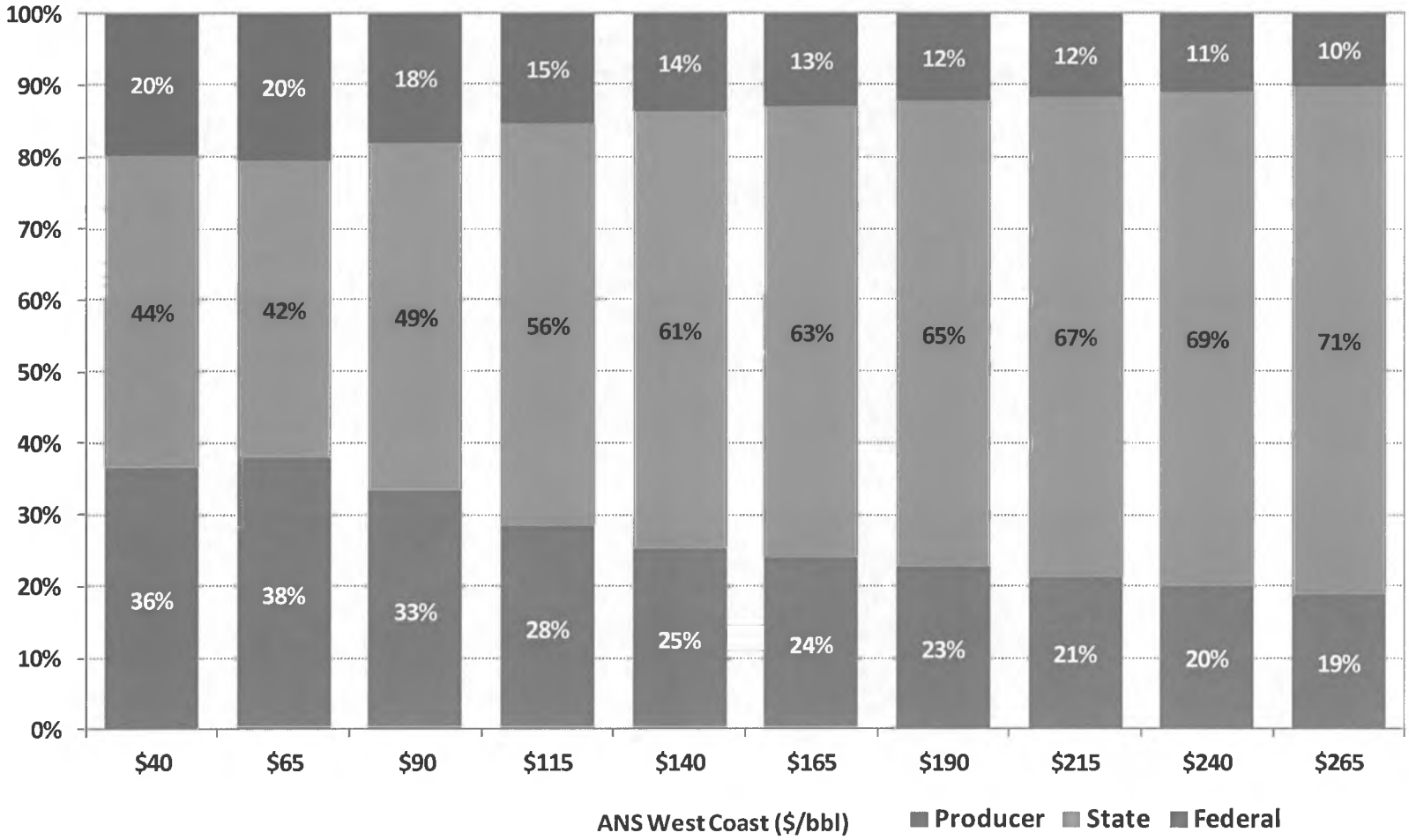
Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.
Assumes that 80% of production is impacted by 10% gross minimum tax with no credits allowed against gross tax.

Marginal Government Take: ACES, CS SB 192, CS HB 110 (FIN)



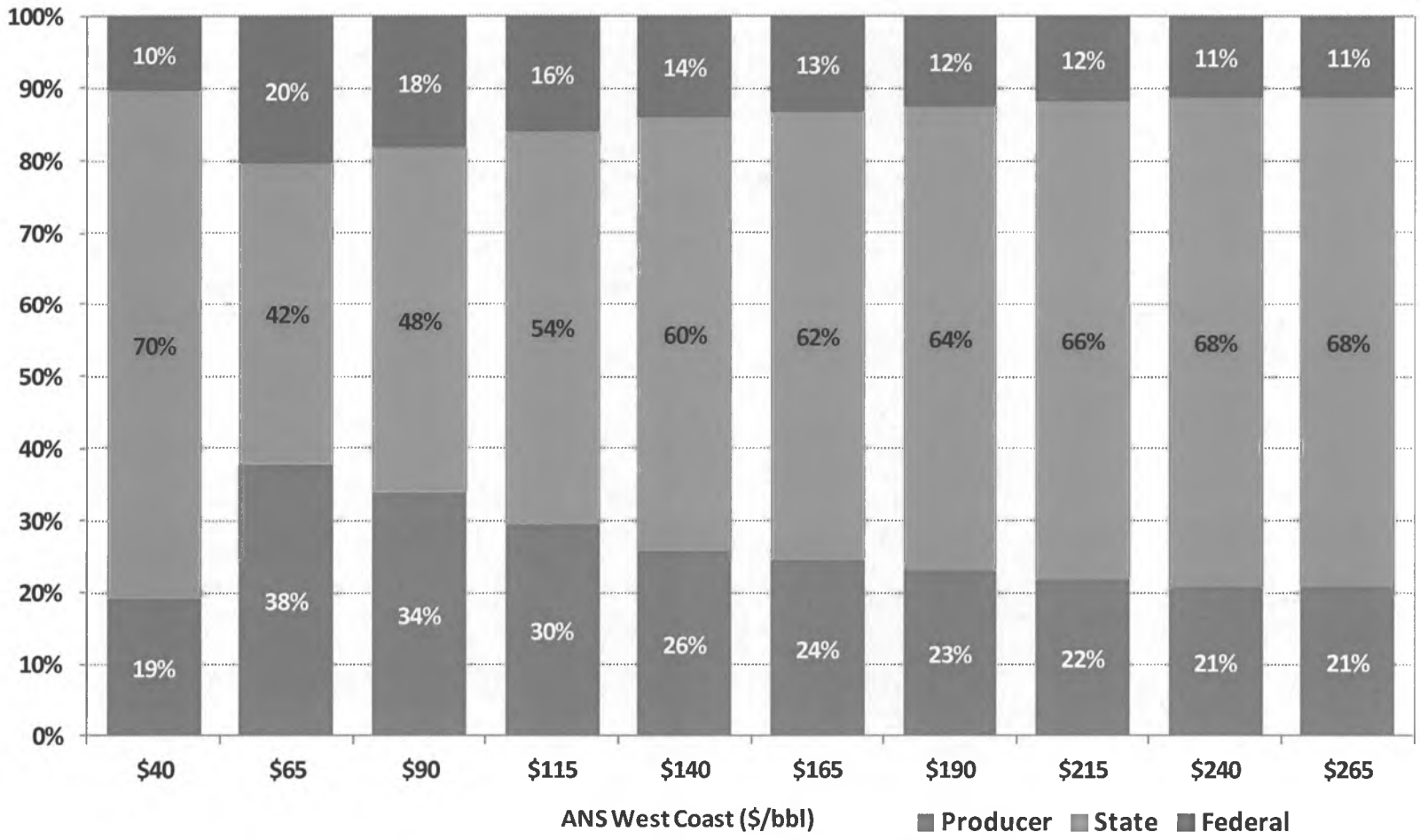
Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Share of Profit under ACES



Profit defined as total gross value of all oil produced, less transportation costs and lease expenditures.
Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Share of Profit under CSSB 192



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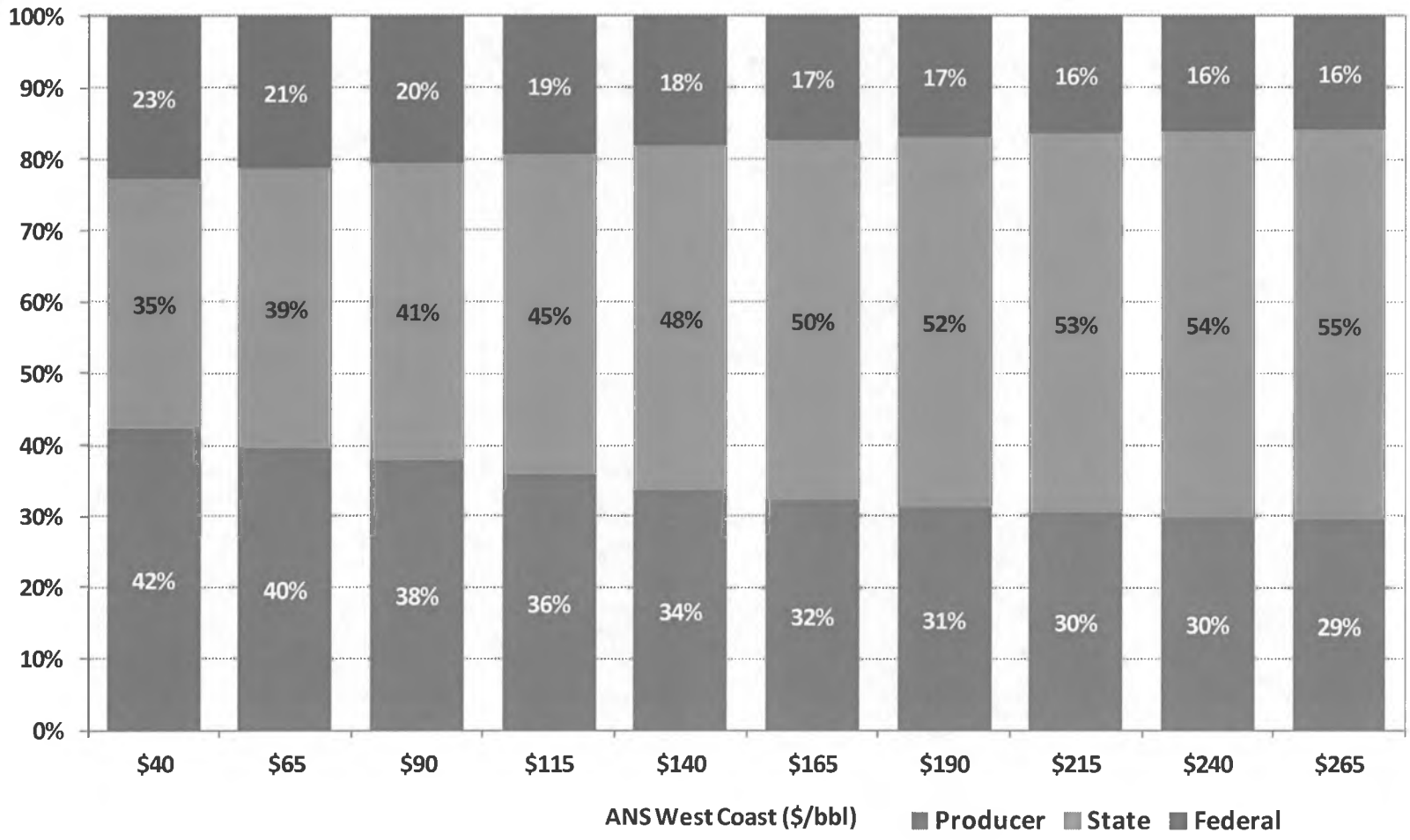
Assumes that 80% of production is impacted by 10% gross minimum tax with no credits allowed against gross tax.

Share of Profit under CS HB 110 (FIN)



Profit defined as total gross value of all oil produced, less transportation costs and lease expenditures.
Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

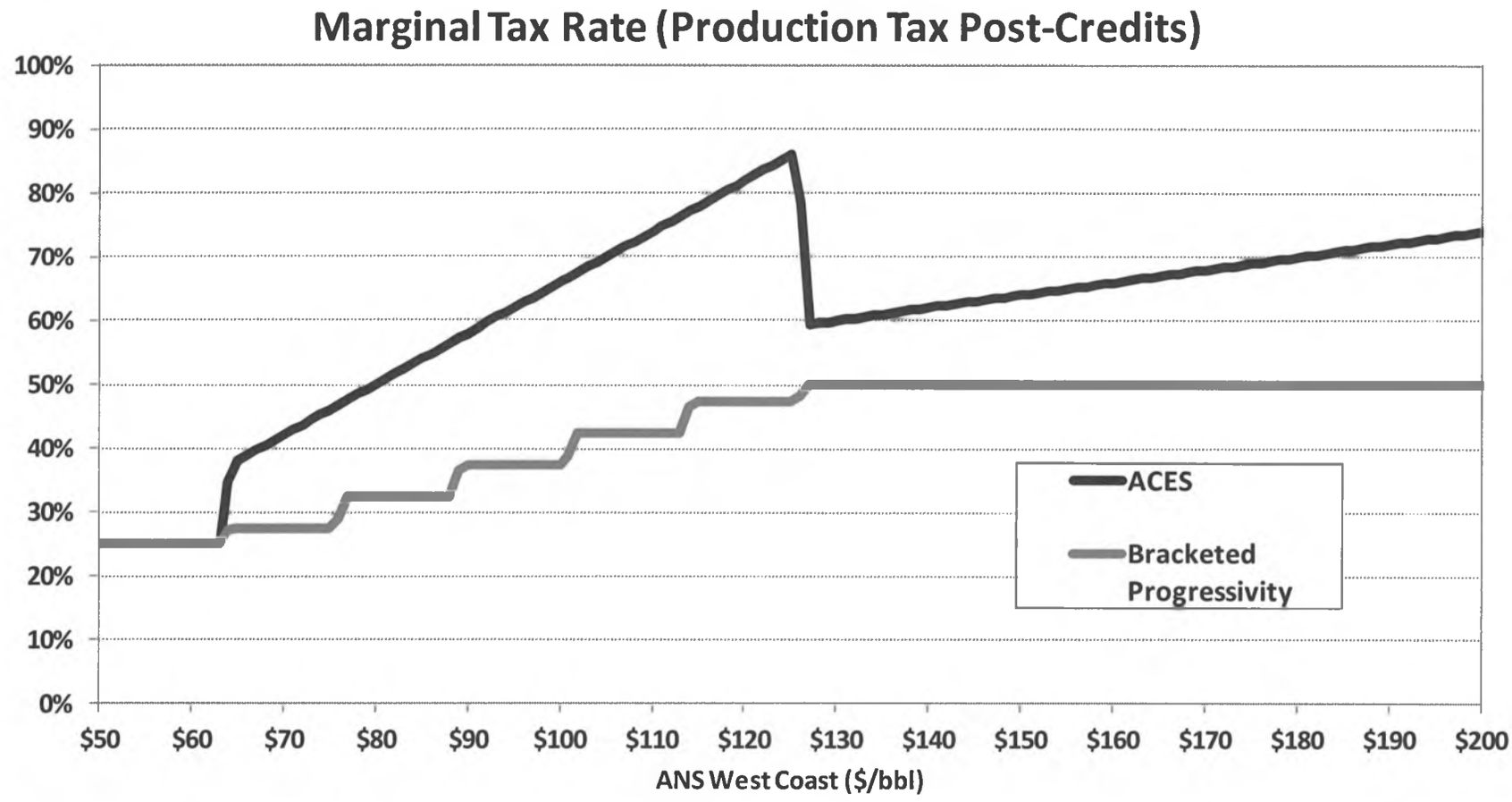
Suggested improvements

- Bracketed progressivity
- Lower cap on progressivity
- Reduced tax for new fields
- Increased credits for in-field drilling

Bracketed progressivity

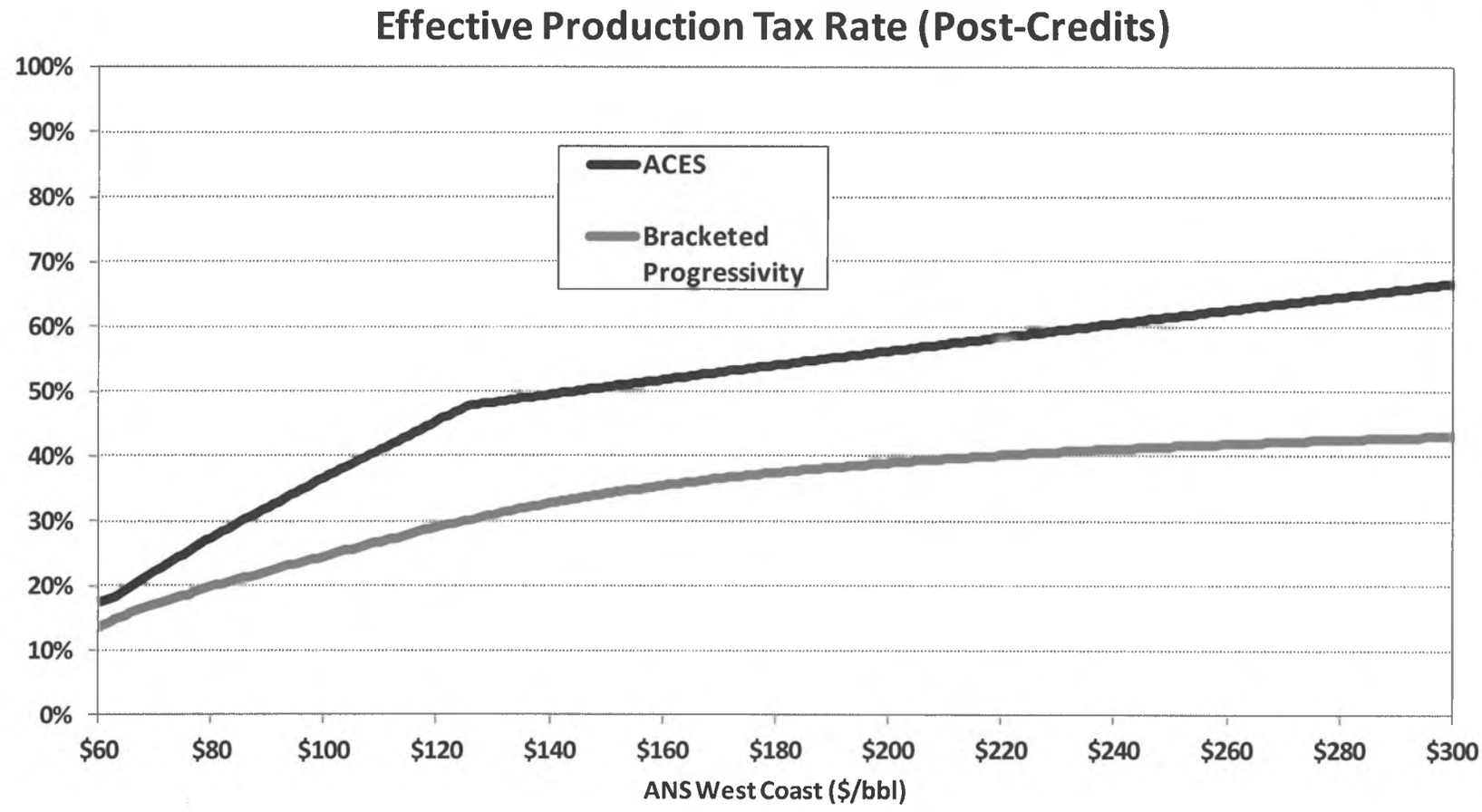
- ACES and CSSB 192 apply progressive tax rate to the entire production tax value
- Tax on the first $1 of value can vary from 25% to 75% (ACES) or 60% (CSSB 192)
- Bracketed approach applies progressive tax only to the incremental value
  - Similar to how income tax brackets work…
- Other jurisdictions with price progressive systems use a bracketed approach
- Companies have committed $5 billion under this tax change

Bracketed progressivity



Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Bracketed progressivity

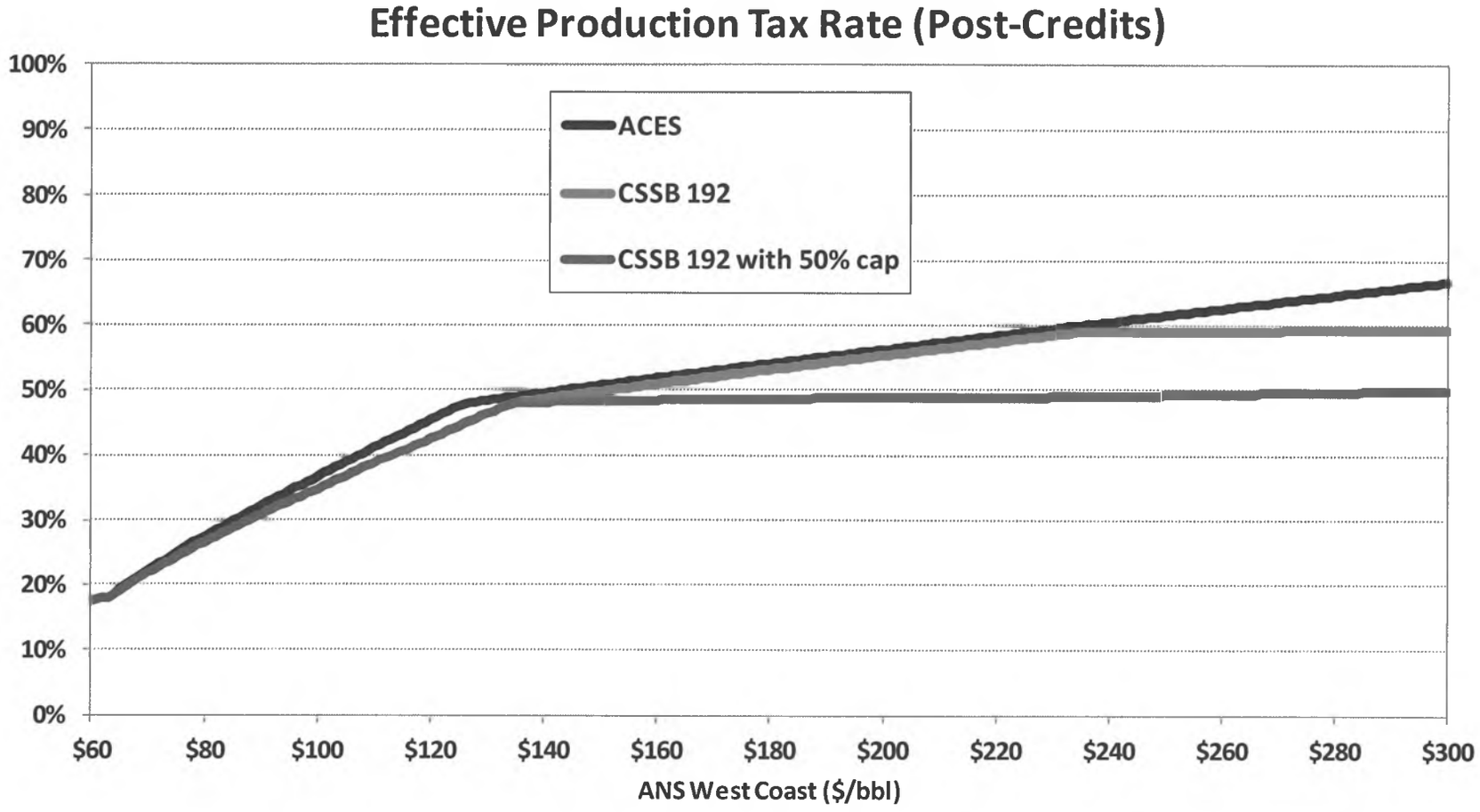


Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Lower cap on progressivity

- Part of a bracketed or non-bracketed approach
- Provides the "upside potential" companies need to make investments attractive at higher prices.
- 60% cap in CSSB 192 would only apply at prices over ~$240 / barrel
- 50% cap in CSSB 192 would apply at prices over ~$140 / barrel

Lower cap on progressivity

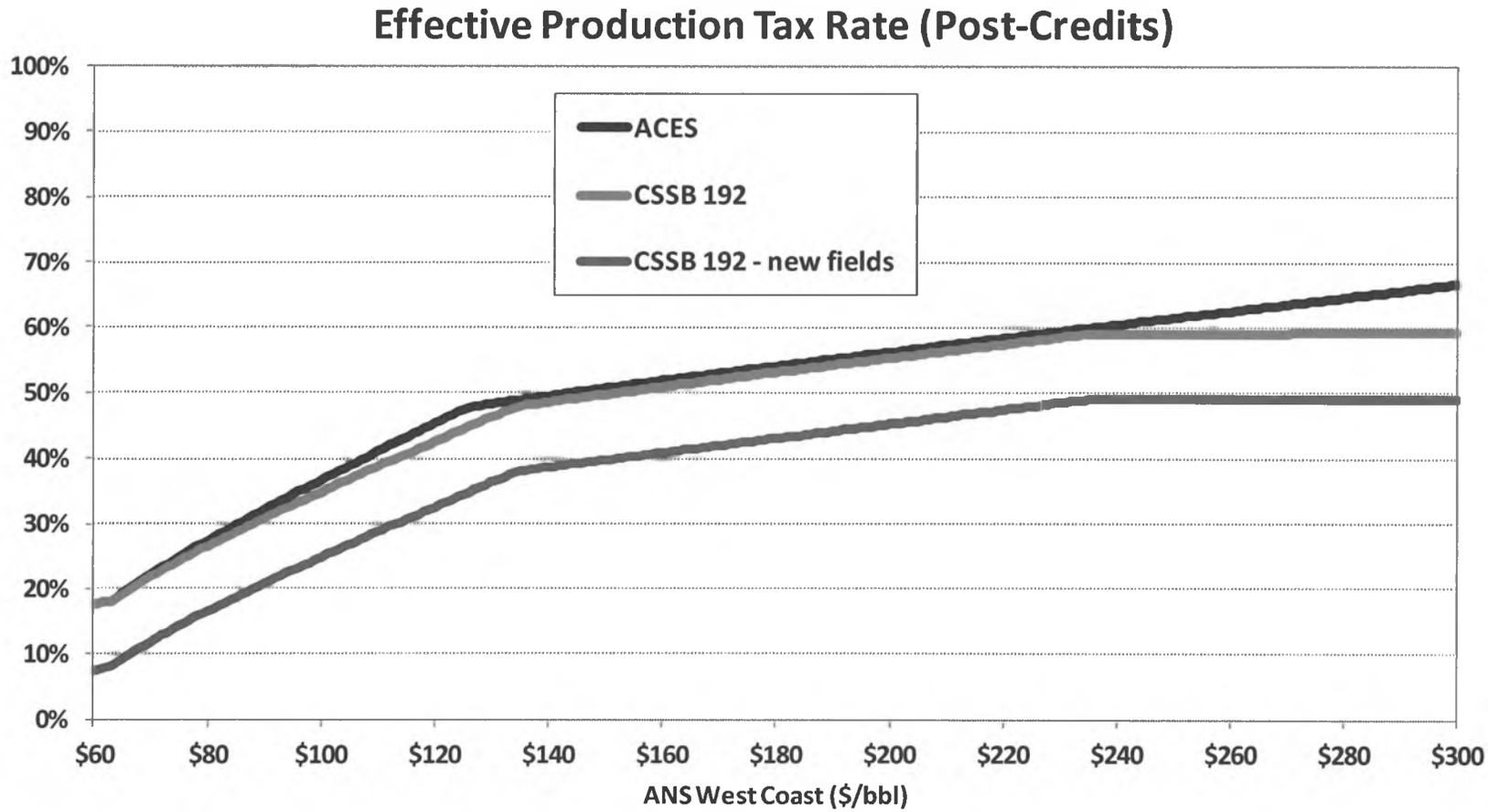


Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Reduced tax for new fields

- Provide a lower tax rate to incentivize new fields over the life of the project.
- No fiscal impact for many years
- Would apply primarily to production that is not even in our current forecast – the state has "nothing to lose"

Reduced tax for new fields



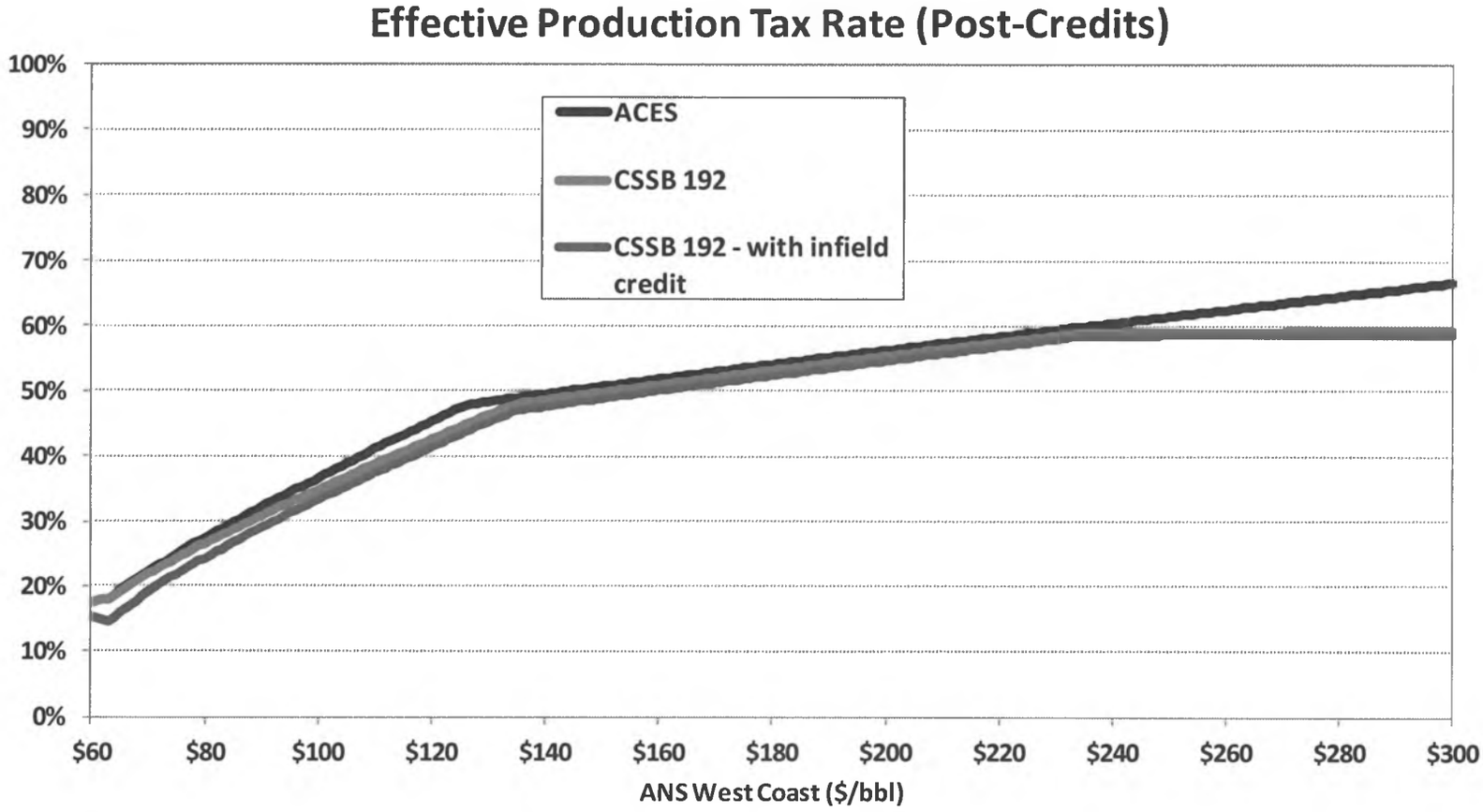
Example reduces all tax rates by 10% for "new fields"

Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Increased credits for in-field drilling

- Existing 40% credit for well-related lease expenditures outside North Slope.
- Recommend extending credit to include North Slope.
- Makes in-field development work more attractive to companies.
- Improves economics of developing new North Slope fields, and increasing production from existing fields.

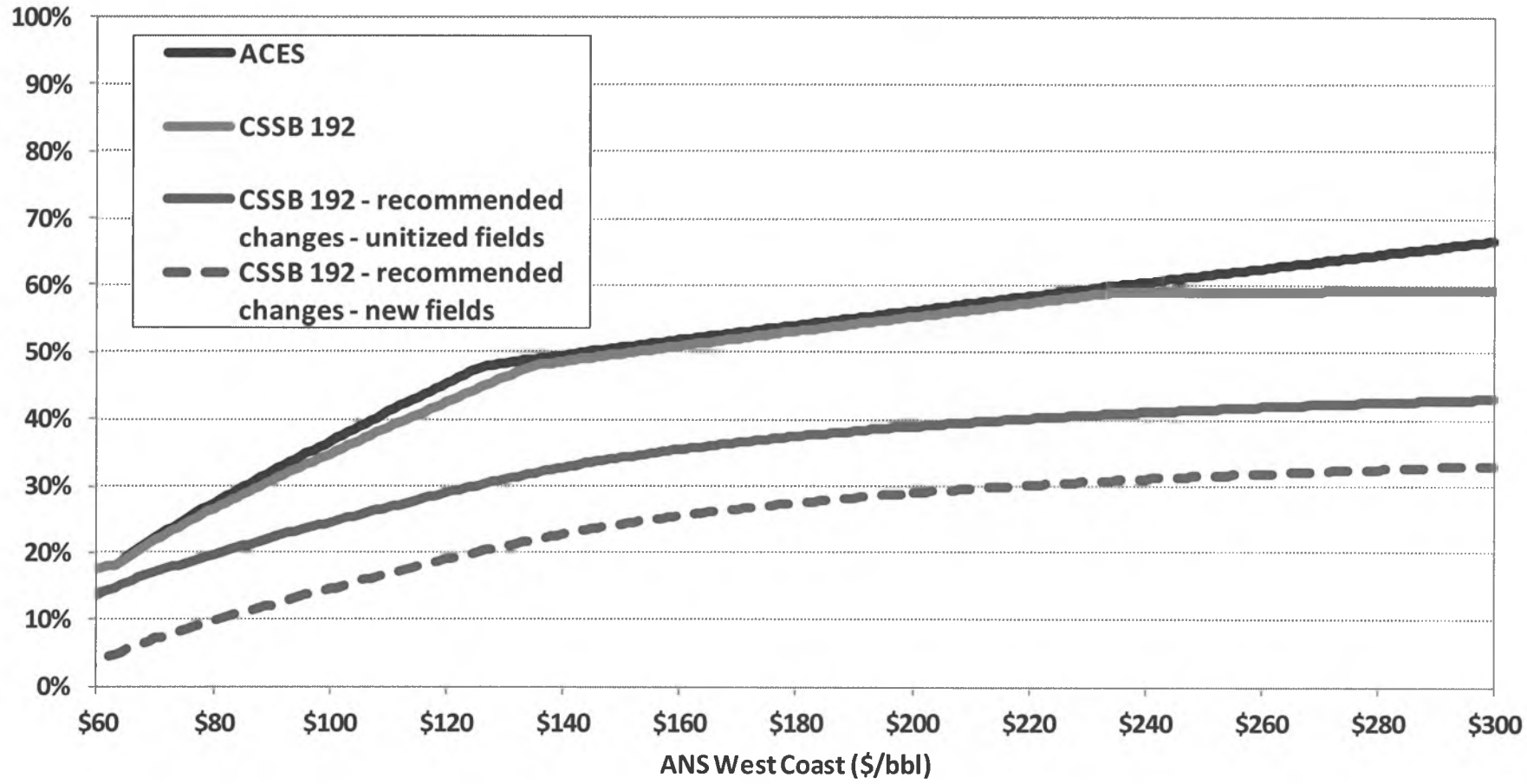
Increased credits for in-field drilling



Example assumes that 50% of qualified capital expenditures qualify for higher 40% credit

Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Summary: Effective Production Tax Rates: ACES, CS SB 192, CS SB 192 with recommended changes



Assumes FY 2012 Transport costs of $8.72/ bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.

Questions ?

5.

Discussion Slides: Gerald Krepes, PFC Energy March 15, 2012



Discussion Slides: Alaska Senate Finance Committee

March 15, 2012

Gerald Kepes
Partner and Head of Upstream & Gas
PFC Energy

PFC Energy

Background – Key Fiscal Terms Concepts

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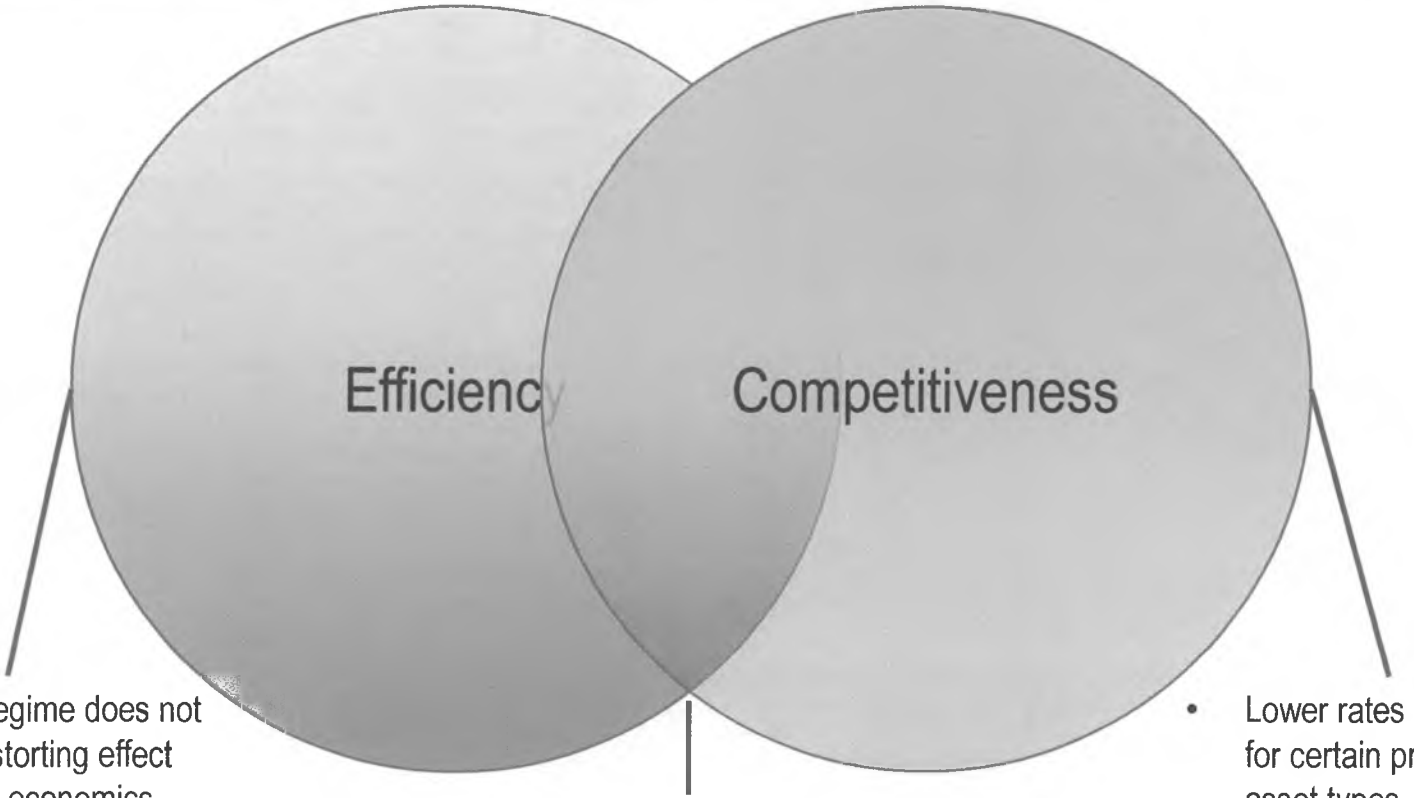
Fiscal Regime Design: Finding the Intersection of Efficiency and Competitiveness

- Fiscal regime design is fundamentally about maximizing State revenues, subject to two important constraints
  - **Efficiency:** Not distorting investment choices, or preventing marginal investments that would otherwise have been made
  - **Competitiveness:** There is a global market for upstream dollars

Fiscal Regime Design: Finding the Intersection of Efficiency and Competitiveness



- Efficient regime does not have a distorting effect on project economics
- If rates are too high, other jurisdictions could be more successful in attracting capital as a result

- Regime does not distort investment
- Rates are internationally competitive, given fundamental attractiveness of the opportunity

- Lower rates may mean for certain projects or asset types, the regime is highly internationally competitive

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Relative Government Take (Definition)

$$\textbf{Relative Government Take} = \frac{\text{Government Take}}{\text{Divisible Income}}$$

Divisible Income equals Gross Revenues less costs, including capex and transportation costs.

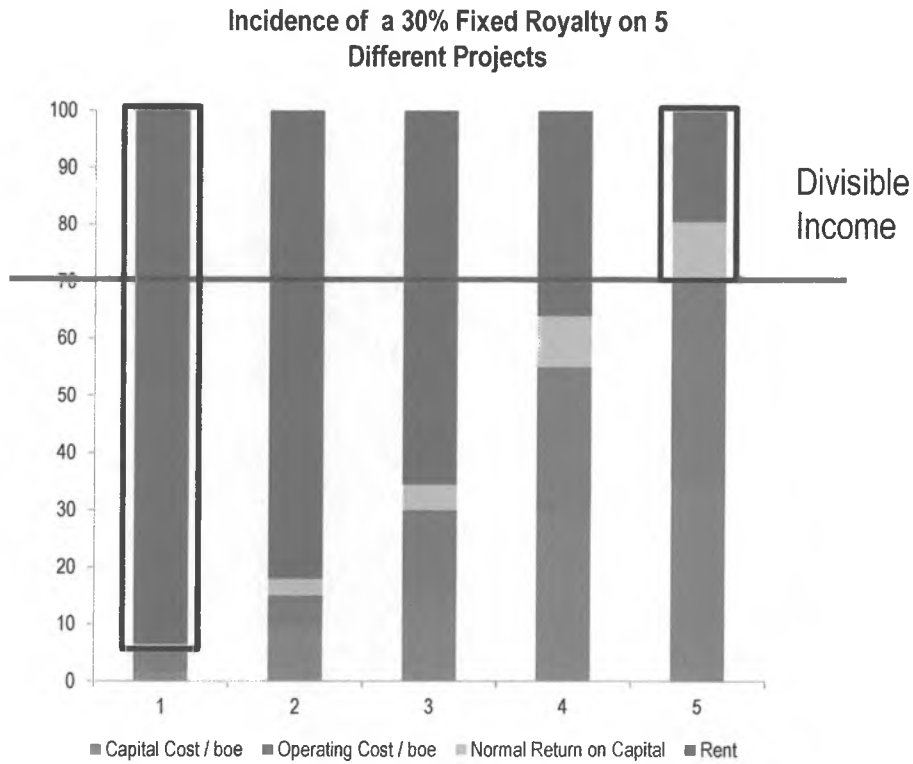
Government Take includes all payments the government mandates in its function as a sovereign:

- Royalties
- Land rental fees, property taxes
- Production taxes
- Income taxes

Government Take does not include amounts the government earns via a direct equity stake

Fixed Royalty Systems: Inefficient, But Potentially Highly Competitive

- Given varying project costs, and varying prices, fixed percentage royalty systems are **inefficient** because they distort investment, making previously economic projects uneconomic at a given price
  - Government Take from a fixed royalty system can be very high when costs are high or prices are low – 100% in the example of project 5
- In high price environments, however, fixed royalty systems can be very competitive
  - Government Take can be very low when prices are high, or costs are low – only ~33% in the example of project 1



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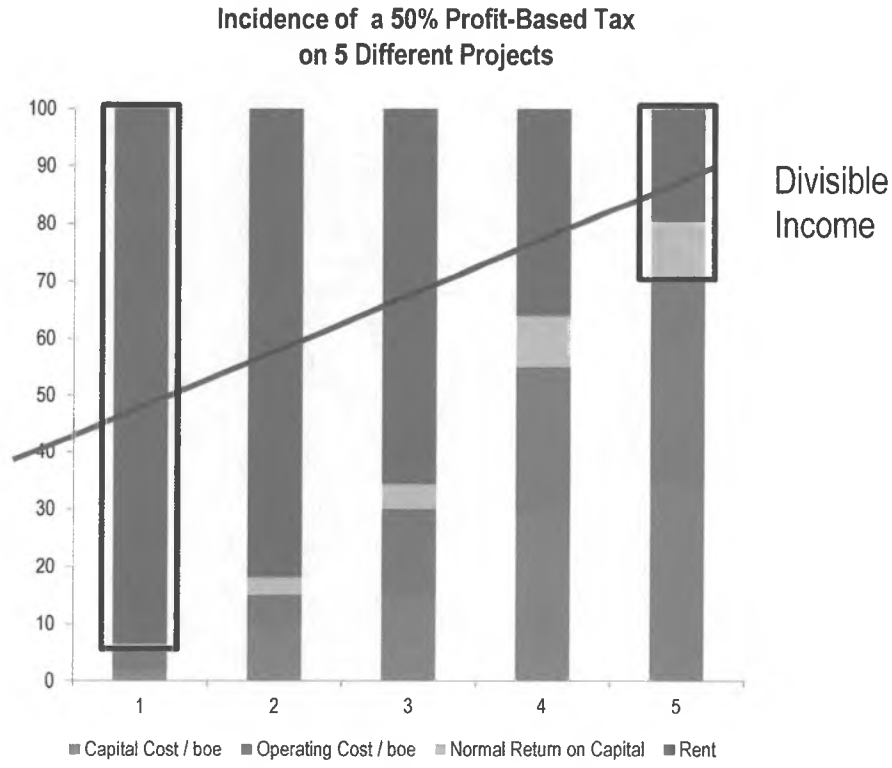
Profit-Based Fiscal Systems: More Efficient, But May Be Less Competitive

- A Profit-Based fiscal system may be
  - A contractual arrangement, such as a Production Sharing Contract
  - A tax which applies to revenues less costs
- Such systems can be capable of **raising greater revenue**, while **reducing inefficiency**
  - In low oil price environments, or high cost environments, Profit-Based Systems are less likely to make marginal projects non-economic
- By capturing more rent in high oil price environments, or low cost environments, however, they may also not compete with royalty regimes
  - Projects 1 and 2 would be significantly more attractive to undertake under a royalty regime



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Alaska's Oil & Gas Competitive Context

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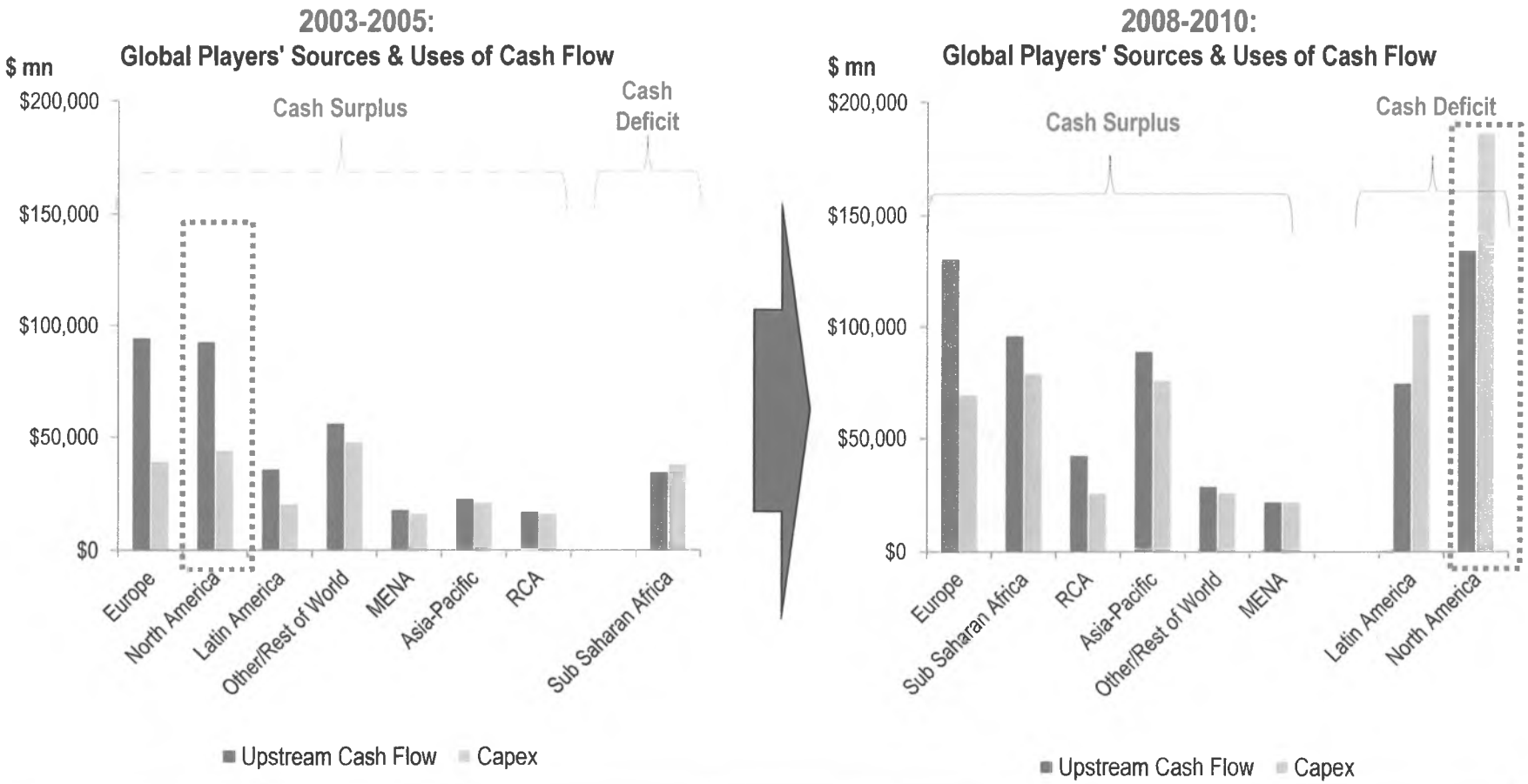
Fixed-Royalty Jurisdictions in US Lower 48 Are A Key Competitor to Alaska for Investment Dollars



It is now an exception not to be targeting unconventionals in North America as a major growth platform.

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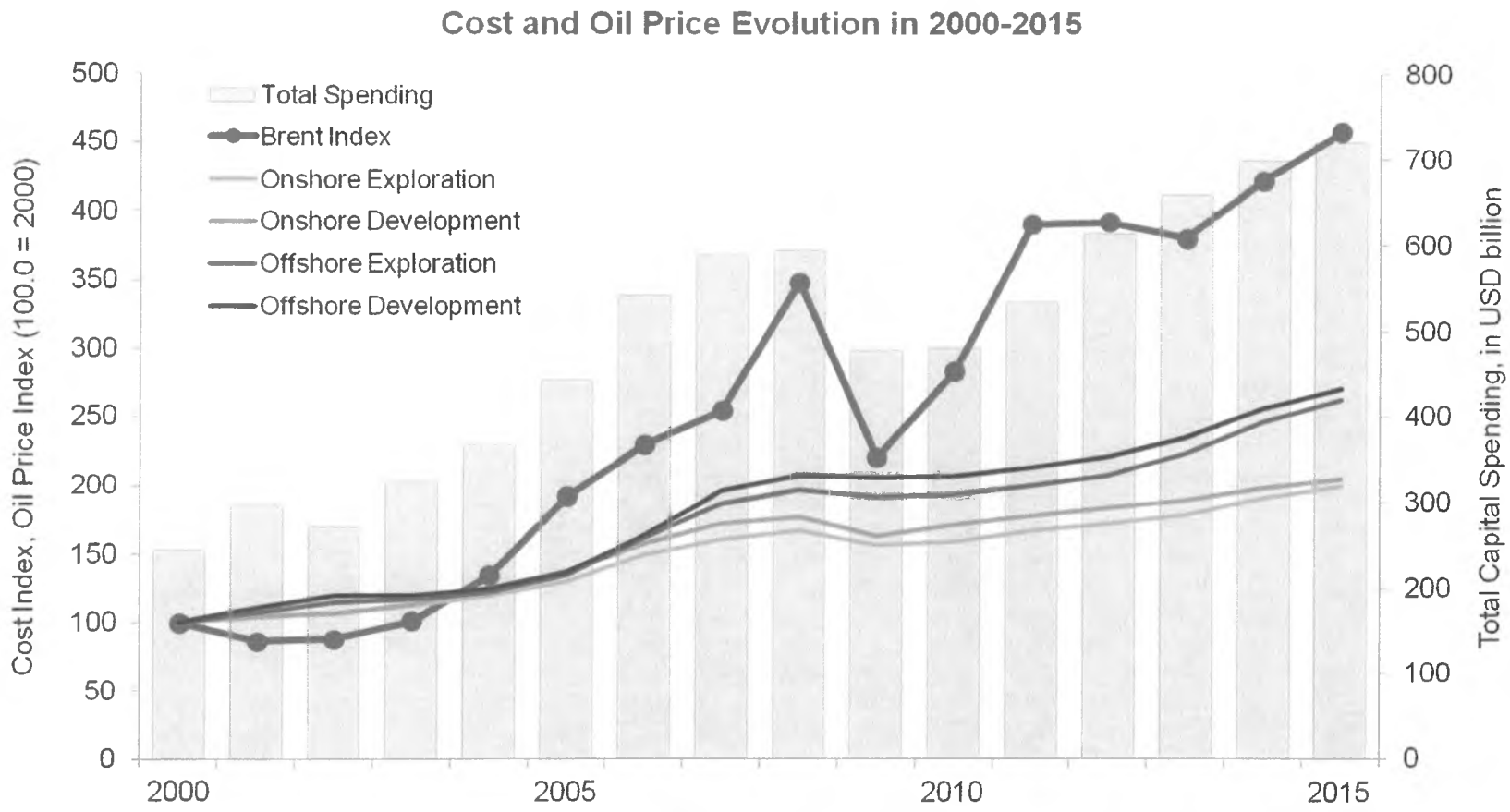
All eyes on the price .. But what about cost…

- Overall spending in the industry is mostly driven by Oil Prices, no so much by costs.
- Costs in 2015 expected to increase x2.5 times from 2000 standards …. Oil prices will increase 450%



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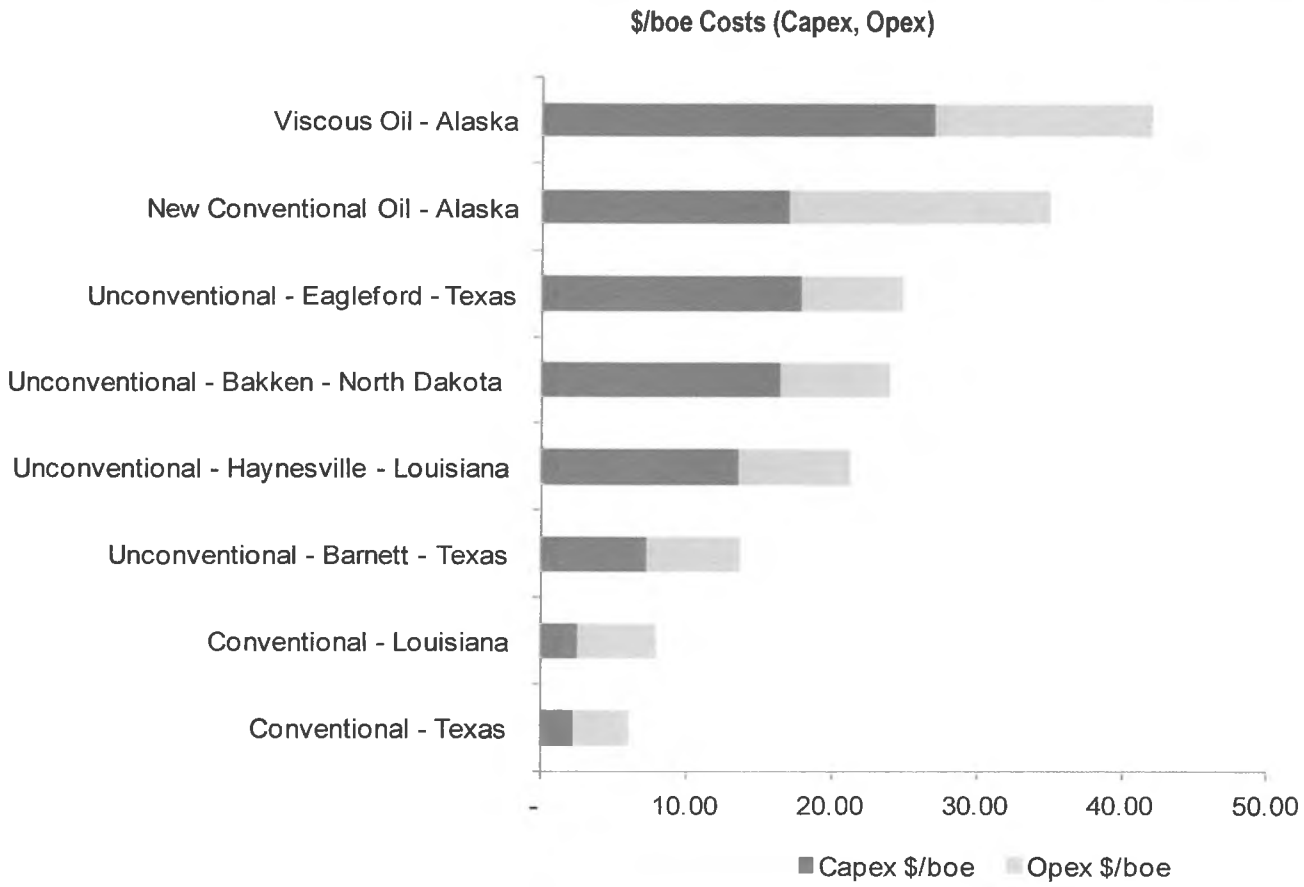
Alaska's Days of "Easy Oil" Are Gone: High Costs and High Government Take Present Challenges



Costs are significantly higher in Alaska than the Lower 48 – even compared to unconventionals. Meanwhile, Alaska's Government Take has risen significantly over recent years, meaning new project economics can be very challenging

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Evolution of the ACES fiscal regime

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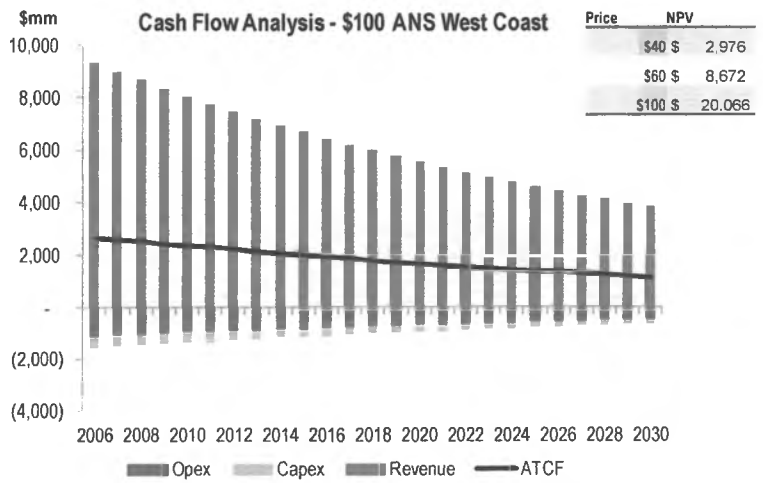
Cost Assumptions Underlying Fiscal Analysis

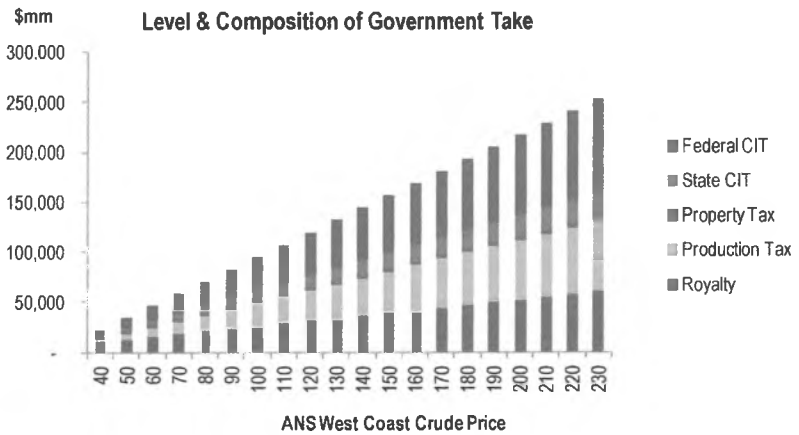
- Two key forms of analysis have been undertaken on project economics and government take levels in this presentation
- **Existing Producer** Analysis examines the economics of the fiscal regime for an existing producer, producing 200 mb/d in 2012, with a 6% annual production decline rate, and with the following costs:
  - $12/ flowing bbl operating expenditure
  - $5/ flowing bbl maintenance capital expenditure
- **New Development** Analysis examines the development-forward lifecycle economics of the fiscal regime for the development of a new 10 mb/d development for a producer without existing base production. Assumed costs are:
  - $17/ flowing bbl operating expenditure
  - $17/bbl reserves development capital expenditure
  - $1/ flowing bbl maintenance capital expenditure

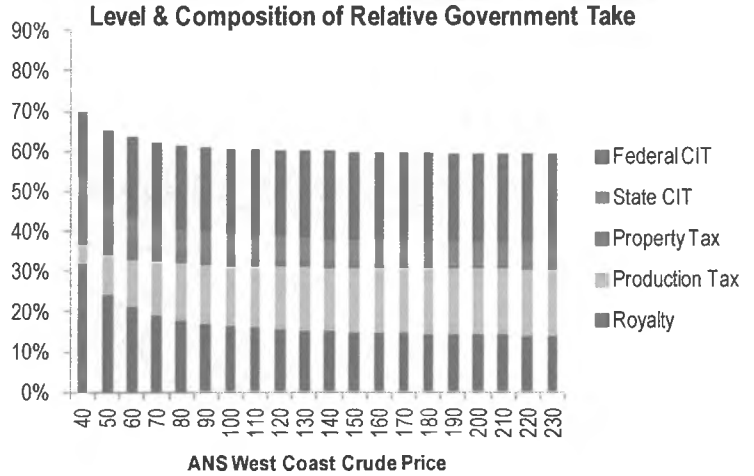
PPT As Originally Proposed (Existing Producer)



Price	NPV
$40	$ 2,976
$60	$ 8,672
$100	$ 20,066

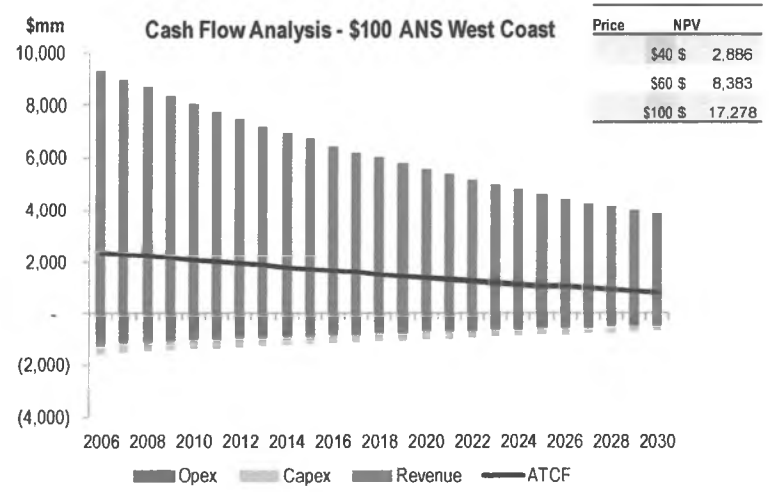
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	32%	5%	12%	4%	53%	17%	70%
50	24%	10%	8%	5%	47%	19%	65%
60	21%	12%	5%	5%	44%	20%	63%
70	19%	13%	4%	5%	42%	20%	62%
80	18%	14%	3%	5%	41%	21%	62%
90	17%	14%	3%	6%	40%	21%	61%
100	17%	15%	3%	6%	40%	21%	61%
110	16%	15%	2%	6%	39%	21%	60%
120	16%	15%	2%	6%	39%	21%	60%
130	15%	16%	2%	6%	38%	22%	60%
140	15%	16%	2%	6%	38%	22%	60%
150	15%	16%	2%	6%	38%	22%	60%
160	15%	16%	1%	6%	38%	22%	60%
170	15%	16%	1%	6%	38%	22%	60%
180	14%	16%	1%	6%	38%	22%	59%
190	14%	16%	1%	6%	38%	22%	59%
200	14%	16%	1%	6%	37%	22%	59%
210	14%	16%	1%	6%	37%	22%	59%
220	14%	16%	1%	6%	37%	22%	59%
230	14%	17%	1%	6%	37%	22%	59%





PFC Energy

PPT As Enacted (Existing Producer)



Price	NPV
$40	$ 2,886
$60	$ 8,383
$100	$ 17,278

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	32%	6%	12%	4%	55%	16%	71%
50	24%	11%	8%	5%	48%	18%	66%
60	21%	15%	5%	5%	46%	19%	65%
70	19%	18%	4%	5%	46%	19%	65%
80	18%	21%	3%	5%	48%	18%	66%
90	17%	25%	3%	5%	50%	18%	67%
100	17%	28%	3%	4%	52%	17%	69%
110	16%	31%	2%	4%	53%	16%	70%
120	16%	33%	2%	4%	55%	16%	71%
130	15%	35%	2%	4%	56%	15%	72%
140	15%	37%	2%	4%	57%	15%	72%
150	15%	38%	2%	4%	58%	15%	73%
160	15%	39%	1%	4%	59%	14%	74%
170	15%	40%	1%	4%	60%	14%	74%
180	14%	41%	1%	4%	60%	14%	74%
190	14%	42%	1%	4%	61%	14%	74%
200	14%	42%	1%	4%	61%	14%	74%
210	14%	42%	1%	4%	61%	14%	74%
220	14%	42%	1%	4%	61%	14%	74%
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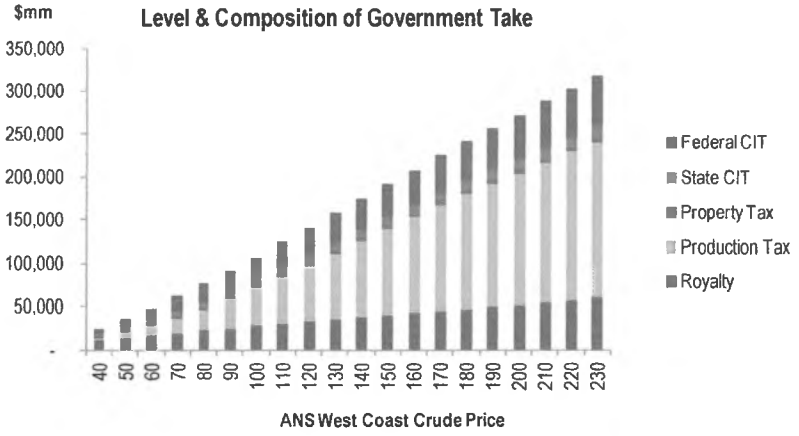
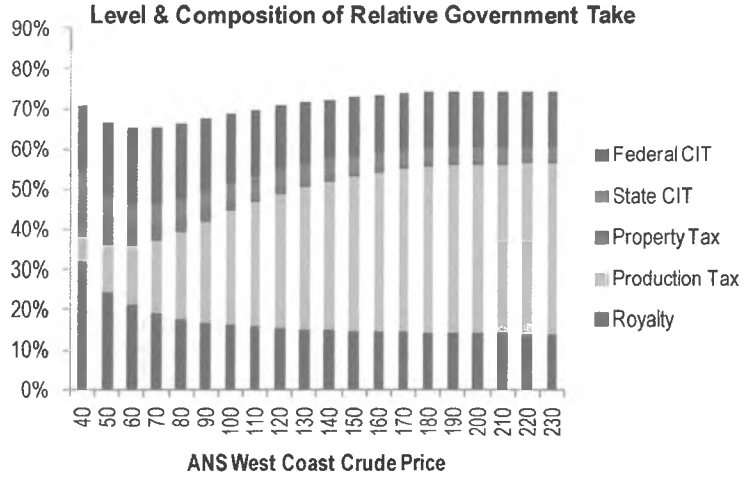
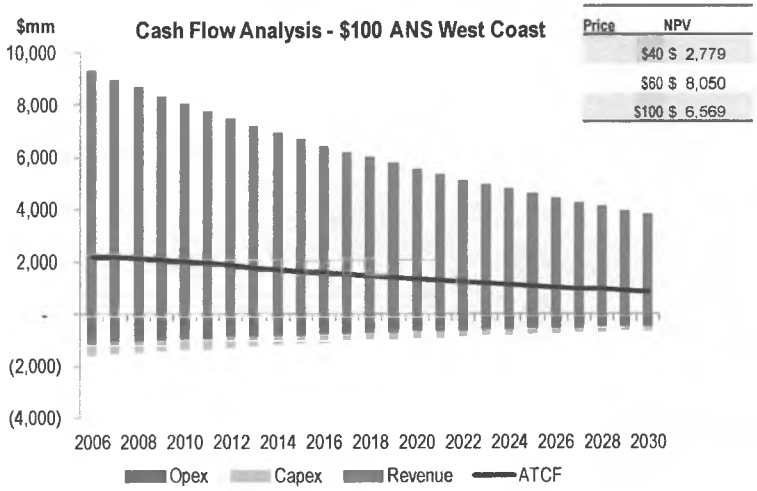


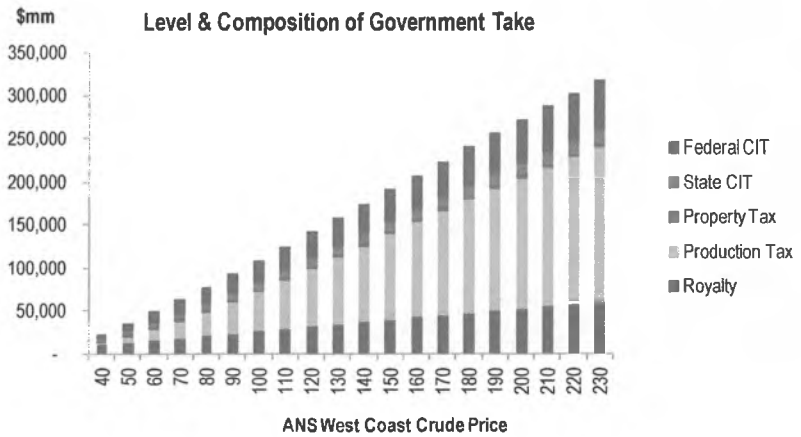


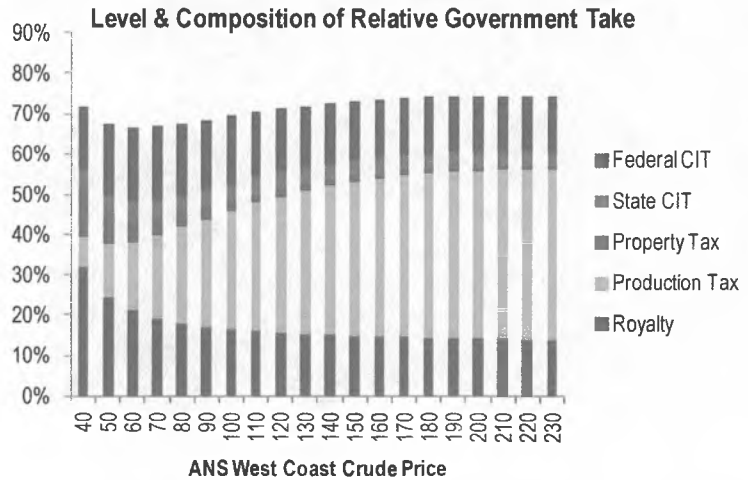
PFC Energy

ACES As Proposed (Existing Producer)



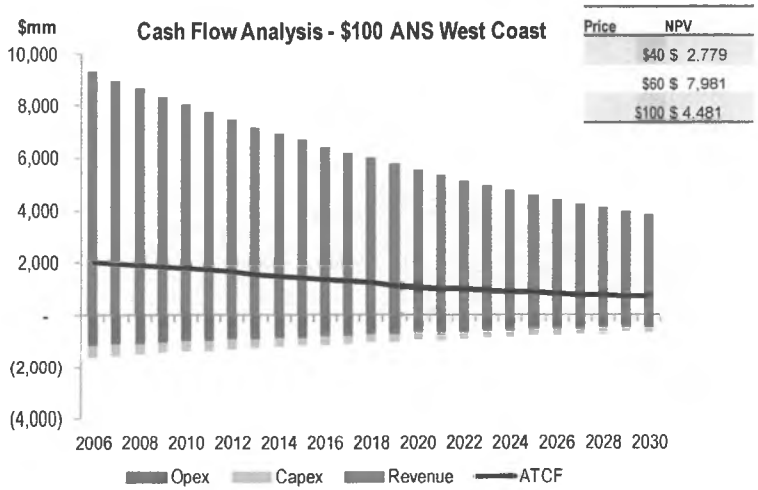
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	32%	8%	12%	4%	56%	16%	72%
50	24%	13%	8%	5%	50%	18%	68%
60	21%	17%	5%	5%	48%	18%	67%
70	19%	21%	4%	5%	49%	18%	67%
80	18%	24%	3%	5%	50%	18%	68%
90	17%	27%	3%	4%	51%	17%	68%
100	17%	29%	3%	4%	53%	17%	69%
110	16%	32%	2%	4%	54%	16%	70%
120	16%	34%	2%	4%	56%	16%	71%
130	15%	36%	2%	4%	57%	15%	72%
140	15%	37%	2%	4%	58%	15%	73%
150	15%	38%	2%	4%	59%	15%	73%
160	15%	39%	1%	4%	59%	14%	74%
170	15%	40%	1%	4%	60%	14%	74%
180	14%	41%	1%	4%	60%	14%	74%
190	14%	41%	1%	4%	61%	14%	74%
200	14%	42%	1%	4%	61%	14%	74%
210	14%	42%	1%	4%	61%	14%	74%
220	14%	42%	1%	4%	61%	14%	74%
230	14%	42%	1%	4%	61%	14%	74%





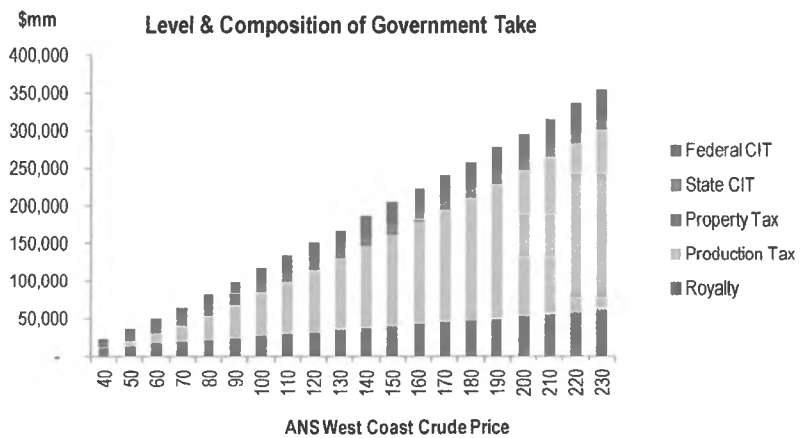
PFC Energy

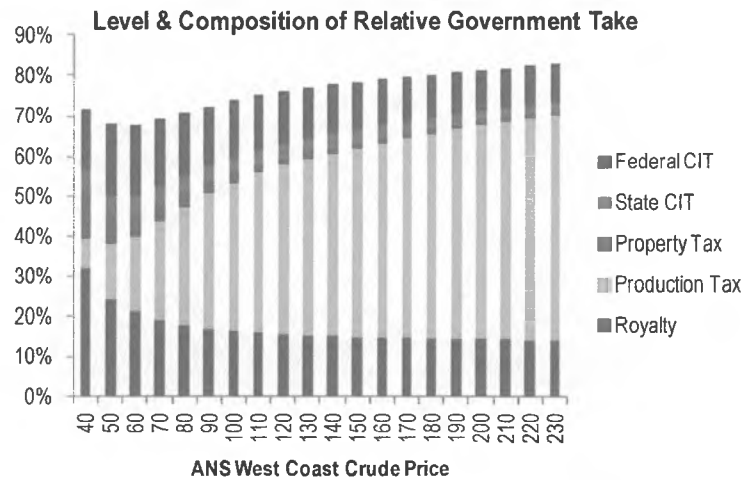
ACES As Enacted (Existing Producer)



Price	NPV
$40	$ 2.779
$60	$ 7,981
$100	$ 4.481

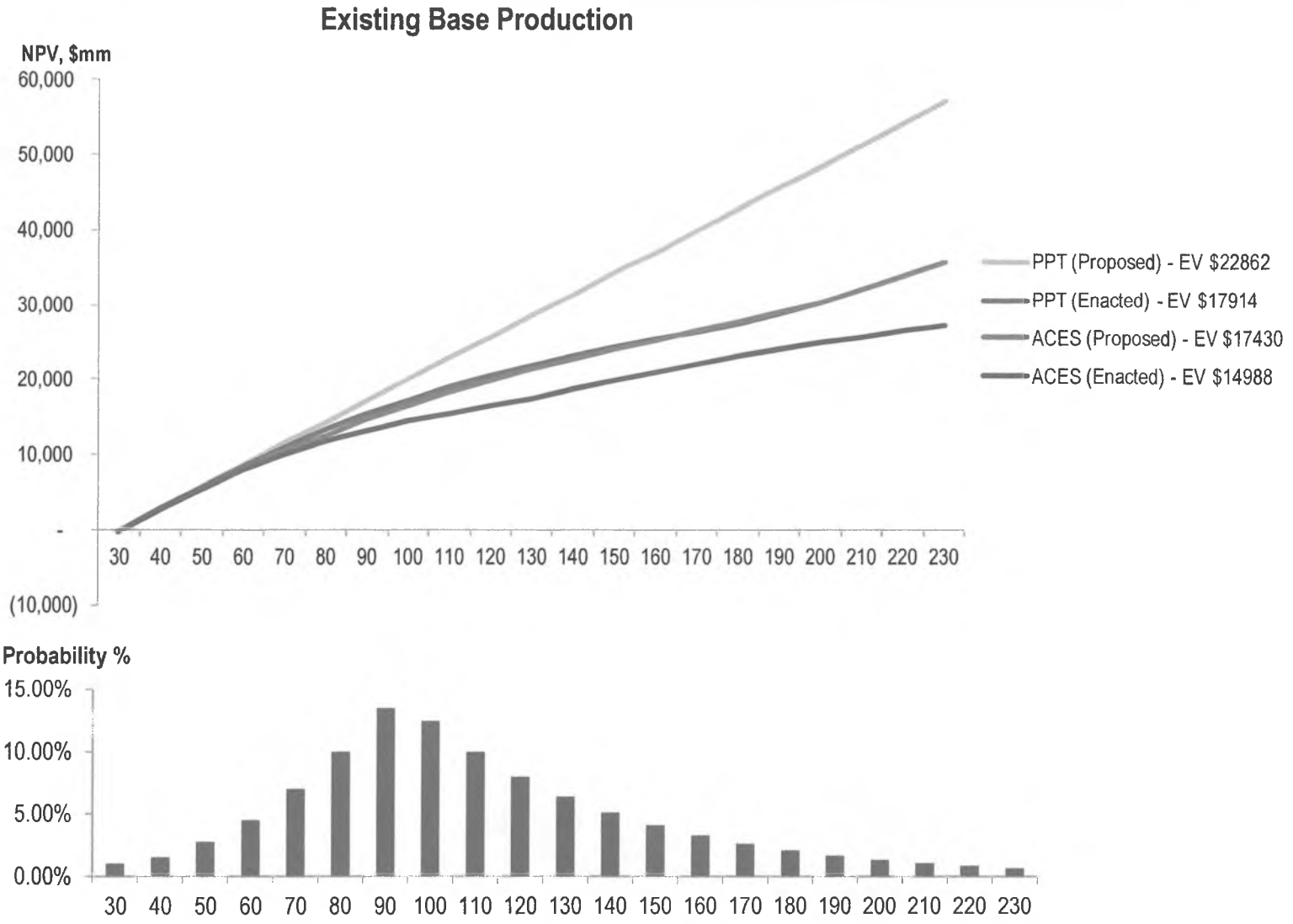
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	32%	8%	12%	4%	56%	16%	72%
50	24%	14%	8%	5%	50%	18%	68%
60	21%	19%	5%	5%	50%	18%	68%
70	19%	24%	4%	4%	52%	17%	69%
80	18%	29%	3%	4%	55%	16%	71%
90	17%	33%	3%	4%	57%	15%	72%
100	17%	37%	3%	4%	60%	14%	74%
110	16%	40%	2%	4%	62%	13%	75%
120	16%	42%	2%	3%	63%	13%	76%
130	15%	44%	2%	3%	65%	12%	77%
140	15%	46%	2%	3%	66%	12%	78%
150	15%	47%	2%	3%	67%	12%	78%
160	15%	48%	1%	3%	68%	11%	79%
170	15%	50%	1%	3%	69%	11%	80%
180	14%	51%	1%	3%	69%	11%	80%
190	14%	52%	1%	3%	70%	10%	81%
200	14%	53%	1%	3%	71%	10%	81%
210	14%	54%	1%	3%	72%	10%	82%
220	14%	55%	1%	2%	73%	10%	82%
230	14%	56%	1%	2%	74%	9%	83%





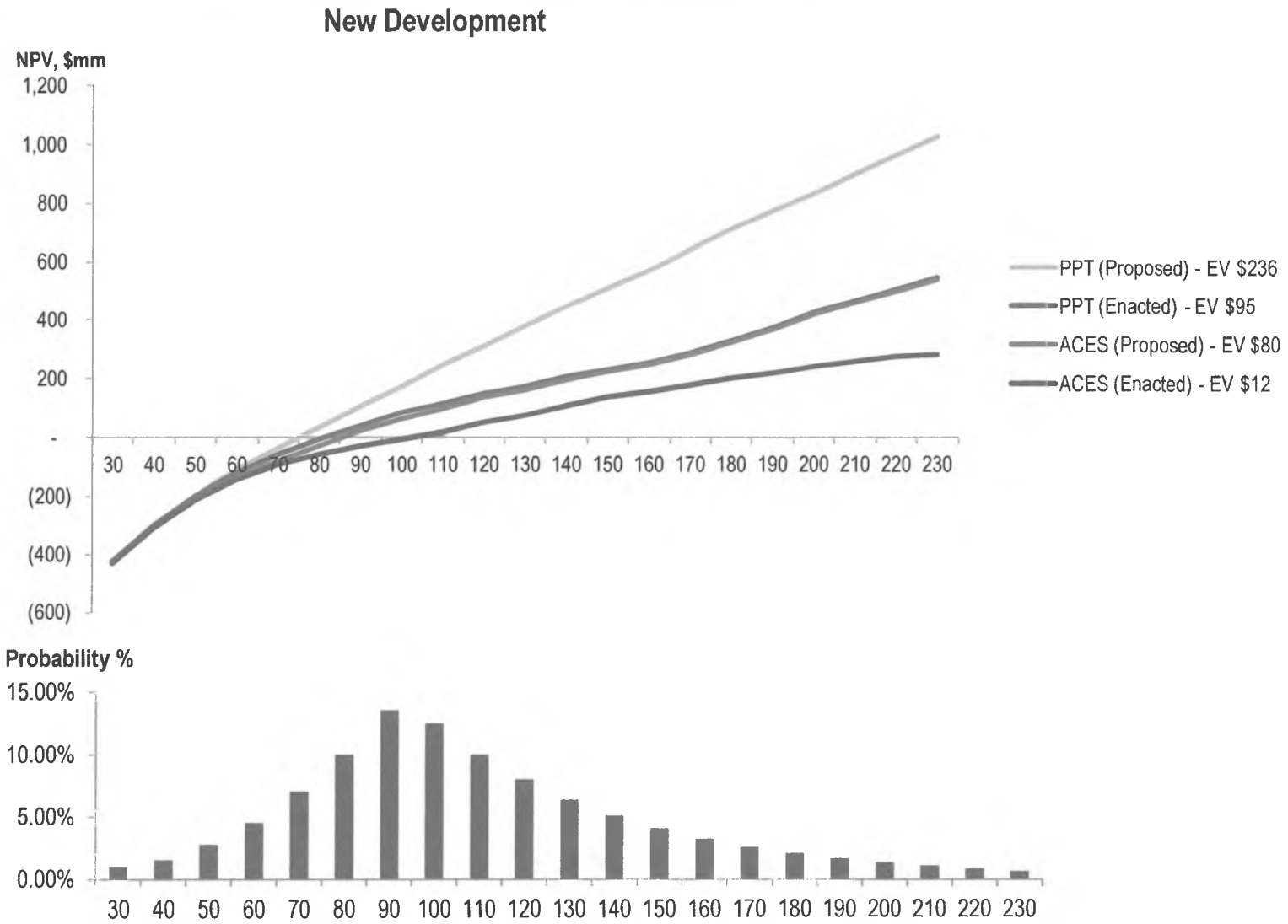
PFC Energy

Limitations on Price Upside: A Probabilistic Approach



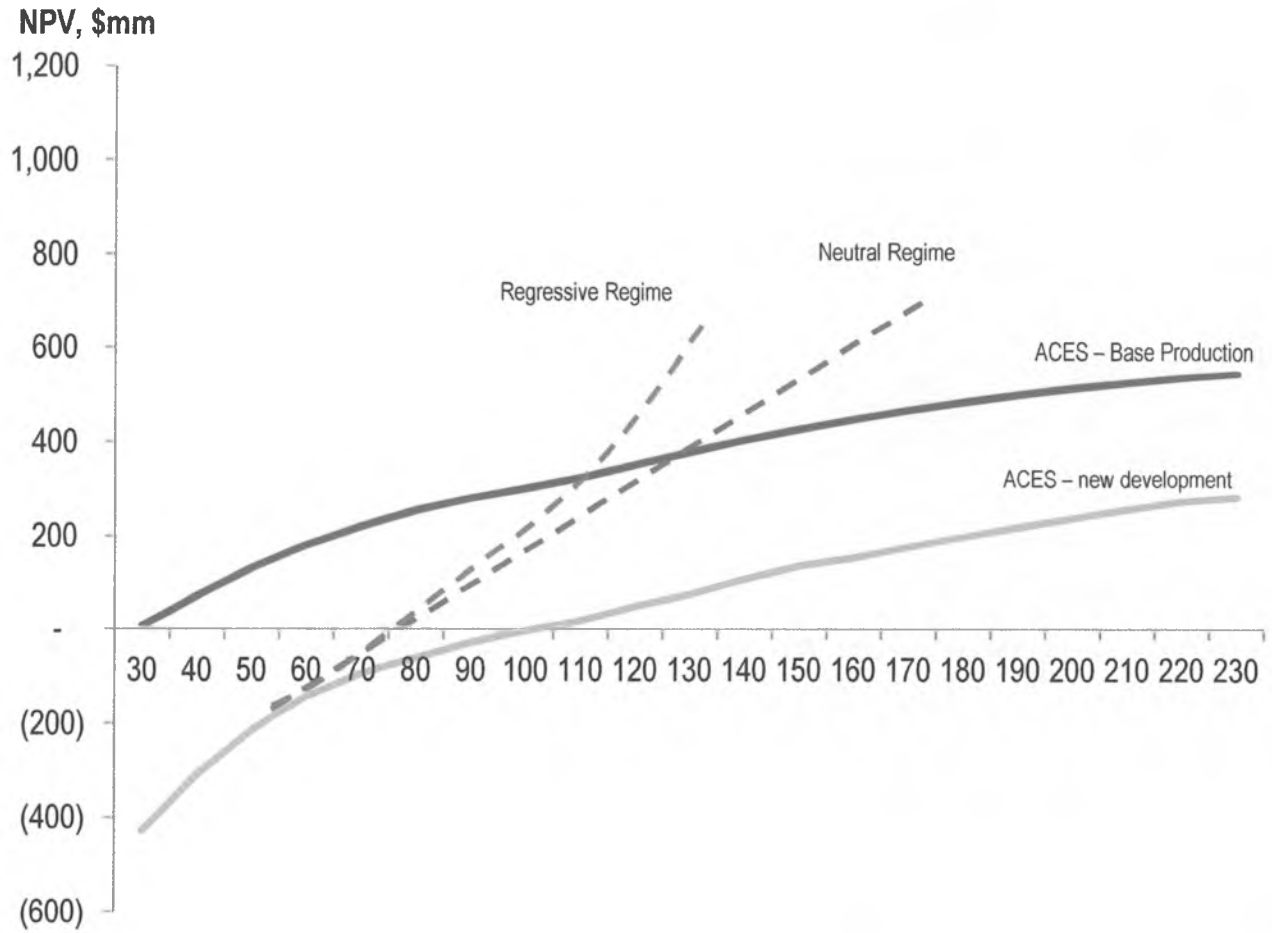
PFC Energy

Limitations on Price Upside: A Probabilistic Approach



PFC Energy

ACES Impact on Oil-Price Upside, and on High Cost Development Economics



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ACES: Global Competitiveness

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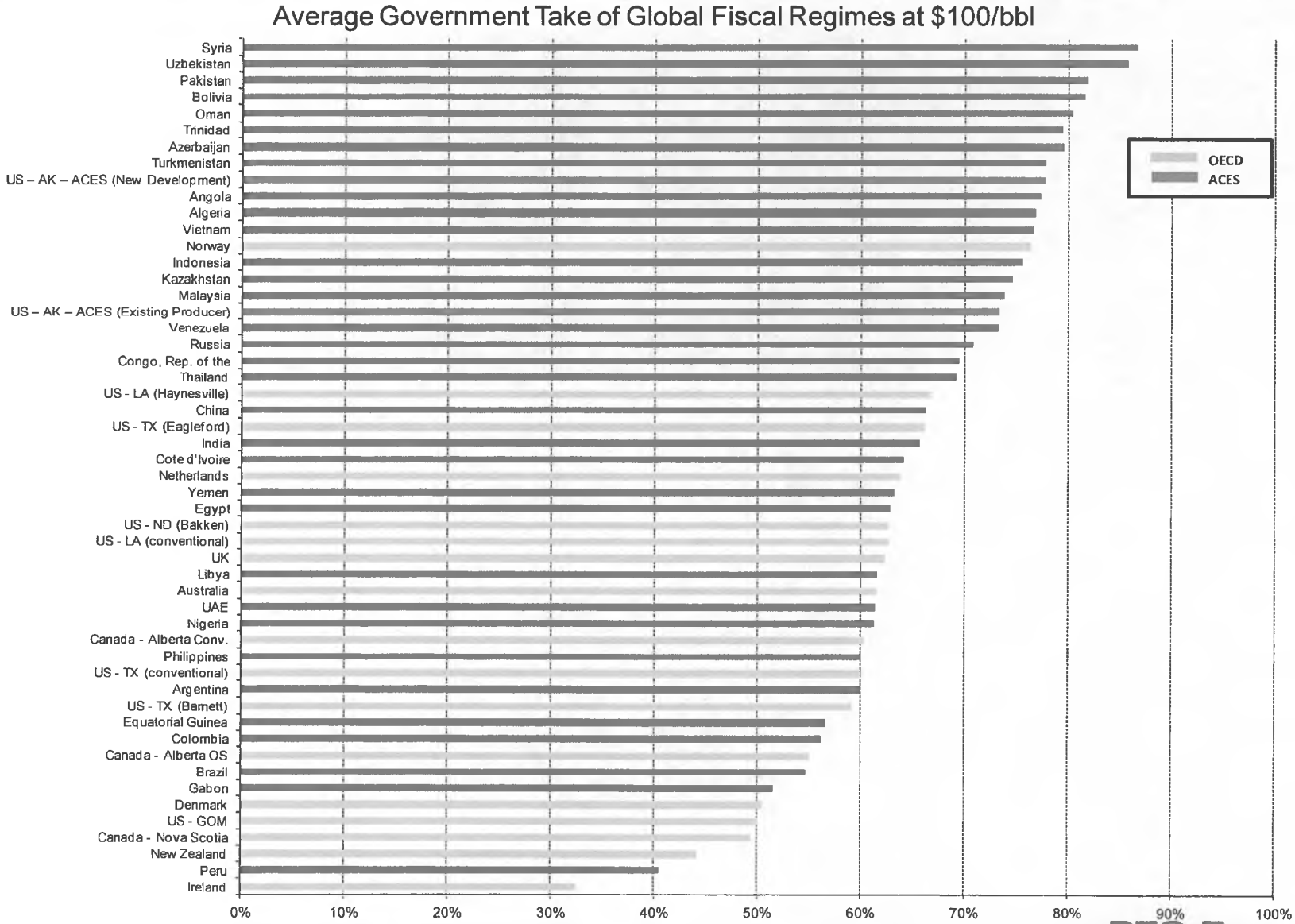
Regime Competitiveness: Average Government Take



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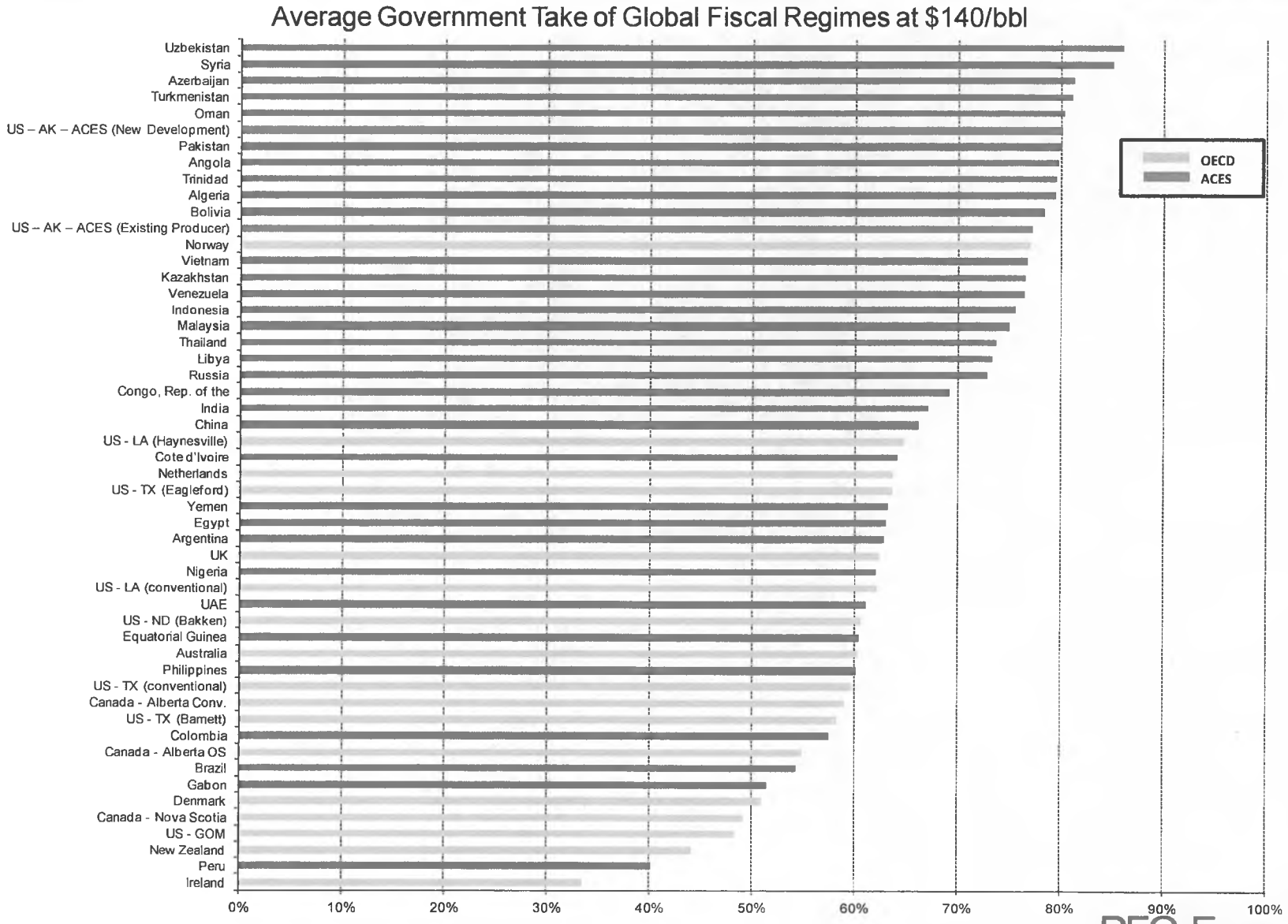
Regime Competitiveness: Average Government Take



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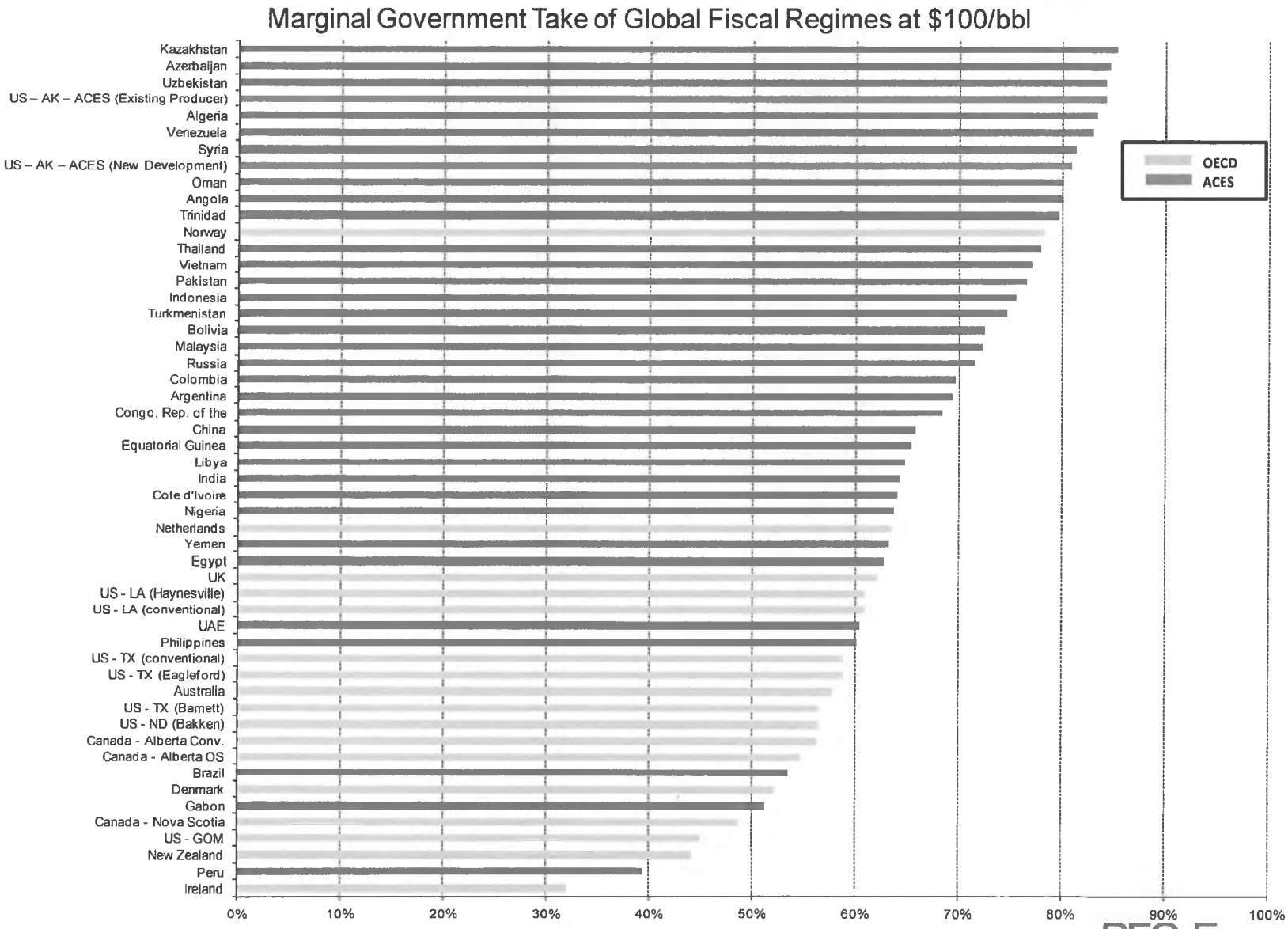
Regime Competitiveness: Marginal Government Take



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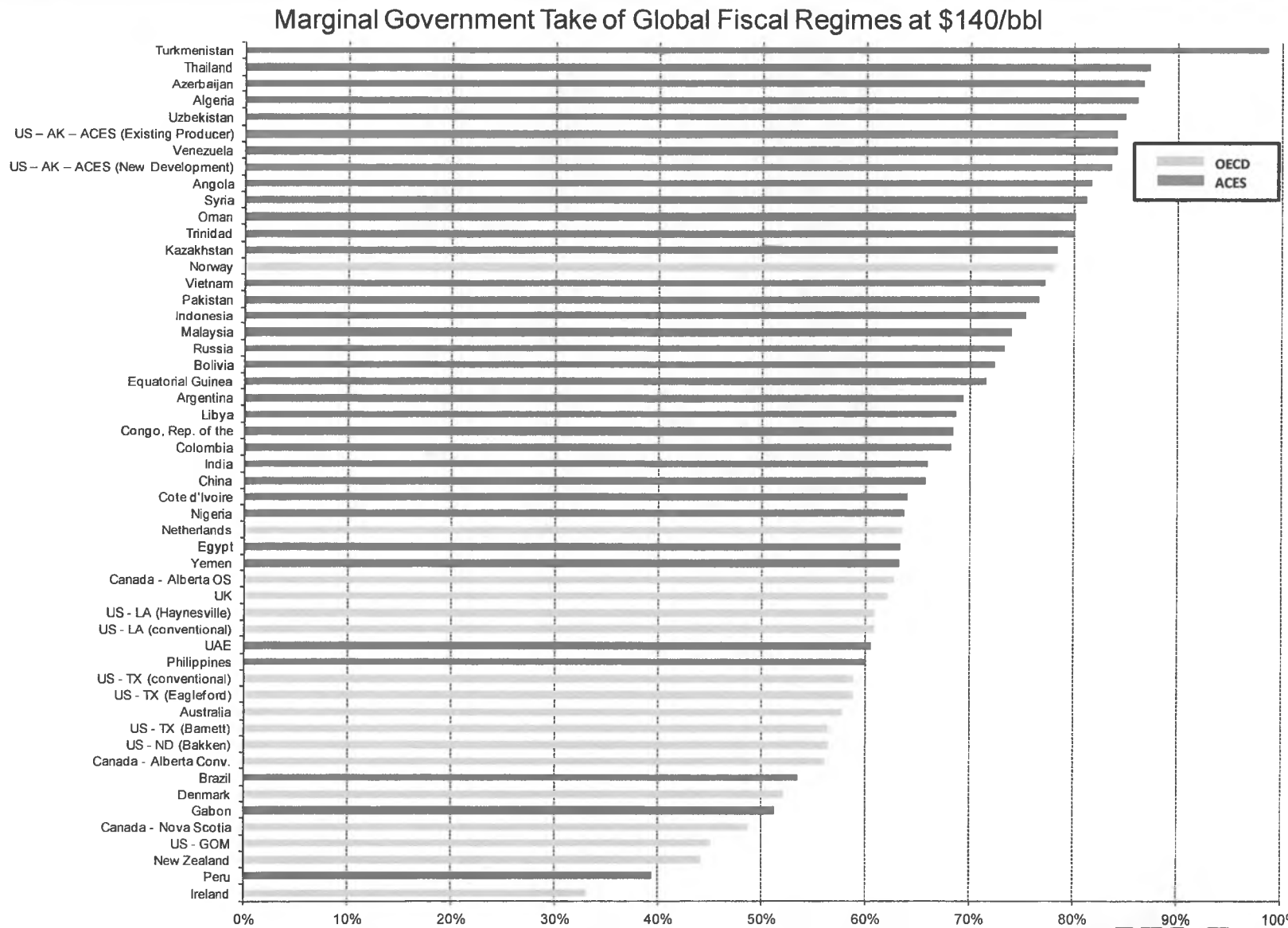
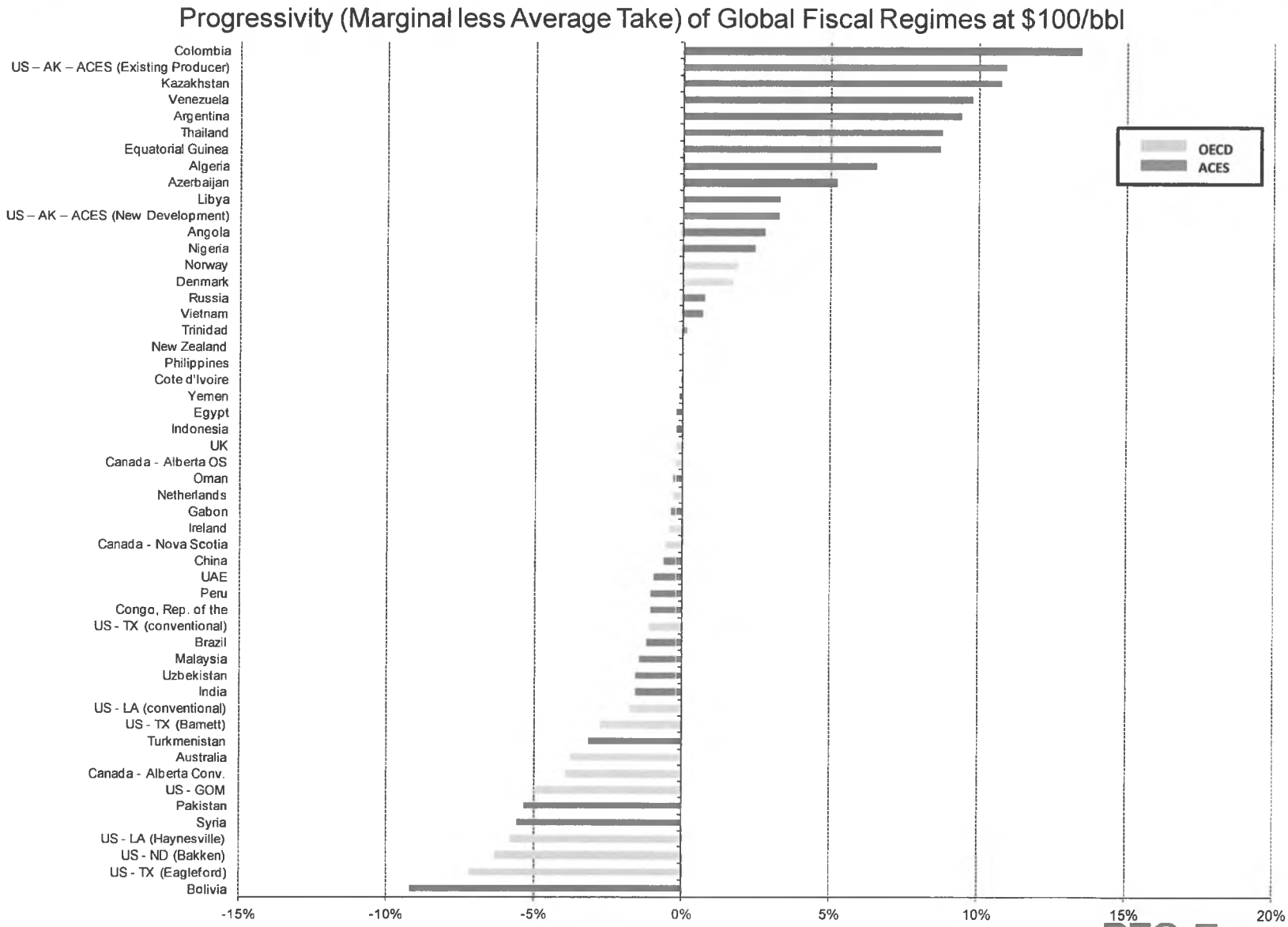
Regime Competitiveness: Marginal Government Take



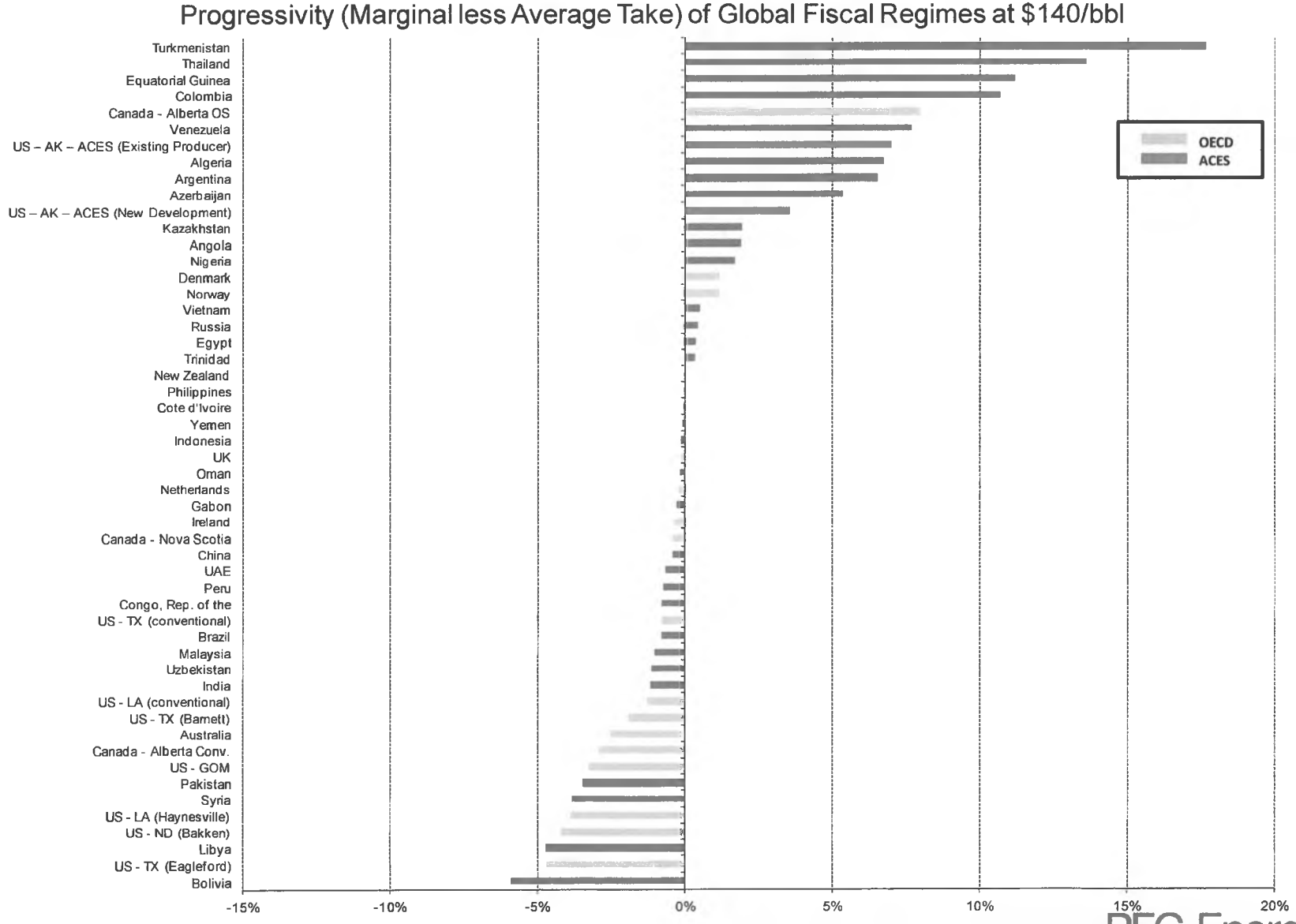
PFC Energy

Benchmarking Progressivity for a Range of Global Regimes



PFC Energy

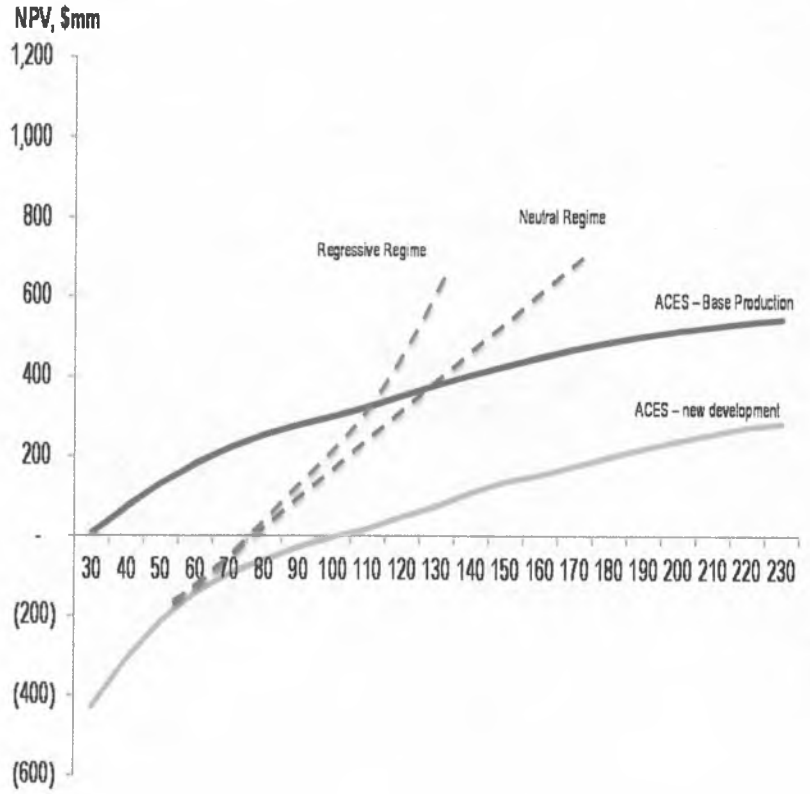
Benchmarking Progressivity for a Range of Global Regimes



PFC Energy

ACES – Effective as a Harvest Area Fiscal Regime

- ACES appears to work well as a "harvest" regime
  - Existing **mature fields remain profitable**, including capital work required to achieve ~6% decline (renewal capex)
  - **Maximum 'rent'** extracted from a declining production base is captured for the state
- ACES inhibits the development of new projects and resources that might help stem or even reverse the decline
  - ACES is **not progressive with regard to costs**, so high government take applies even to very high cost projects
  - Existing system of capital credits etc appears to do more to encourage 'renewal capex' than it does new production spending
  - Progressivity can have a major **detrimental impact on breakeven prices** for high-cost projects at current oil prices



PFC Energy

Options to Spur New Developments

Approach	Implementation Options	Advantages	Disadvantages
Uniform lowering of Government Take	•Bracketing •Reduced Base Rate •Increased Progressivity Thresholds •Reduced Progressivity Rates •Progressivity Caps	•Does not require increased complexity •May present opportunities for simplification	•Incentivizing new high cost resources through this method alone requires giving substantial 'rent' back to producers on the mature producing assets
Differentiation between old and new production	•Allowance for New Oil •Switching in part away from Net Profits taxation to Gross Revenue Taxation, to enable different tax rates for different production streams without separate cost accounting and tax returns •Use of some combination of definitions for incremental production, ie base decline rate, regulator-agreed new programs, new areas	•Allows significant reductions in Govt Take on new and costlier developments (including heavy oil etc) without requiring significant reductions on the mature producing assets	•Administrative difficulties around definitions of 'new production'
Enhancements to cost progressivity of ACES	•Changes to allowable cost deduction or credits mechanism etc to provide greater 'uplift' for high capital and operating costs, while restricting negative Production Tax in marginal cases •Enhancements to royalty relief	•Does not require structural change away from ACES	•Increases already high complexity and opacity •May exacerbate problem of poor cost control incentives •Increases likelihood of unintended consequences •Likely less significant impact than new production differentiation

PFC Energy

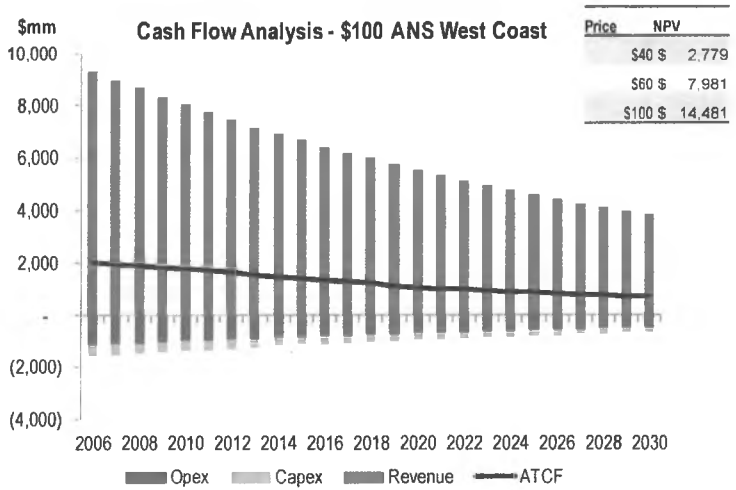
ACES v CSSB192

ACES			
Is Production Tax Bracketed?		No	
Are oil and gas assessed separately?		No	
Rates for non-bracketed system:			75% maximum
<= 30	$ 30.00	PTV/BOE	25% base
> 30 but <= 92.5	$ 92.50	PTV/BOE	0.40% progressivity
> 92.5		PTV/BOE	0.10% progressivity

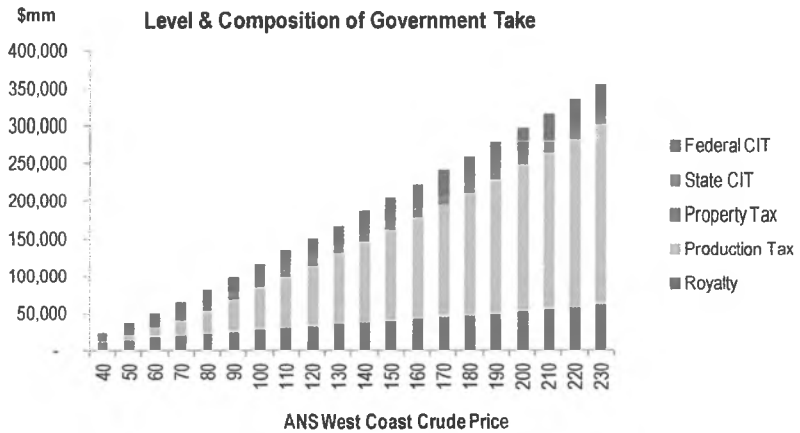
CSSB 192			
Is Production Tax Bracketed?		No	
Are oil and gas assessed separately?		Yes	
Rates for non-bracketed system:			60% maximum
<= 30	$ 30.00	PTV/BOE	25% base
> 30 but <= 101.43	$ 101.43	PTV/BOE	0.35% progressivity
> 101.43		PTV/BOE	0.10% progressivity
Allowance for New Oil	$10		
Threshold for Increase:	Previous Year's Production		

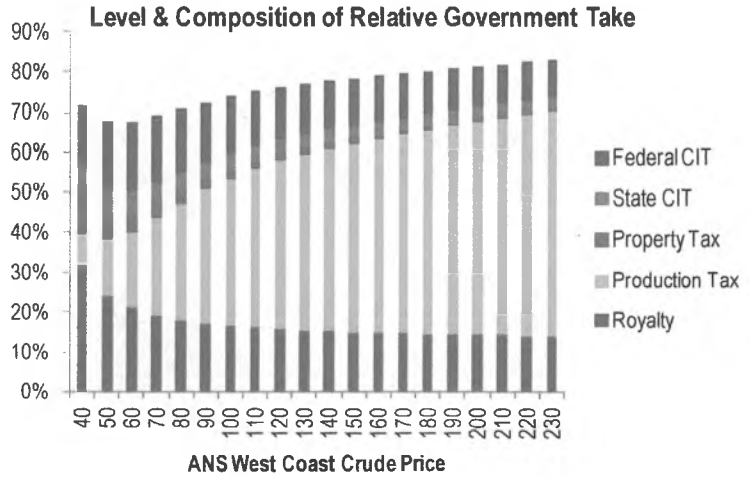
PFC Energy

ACES (Existing Producer)



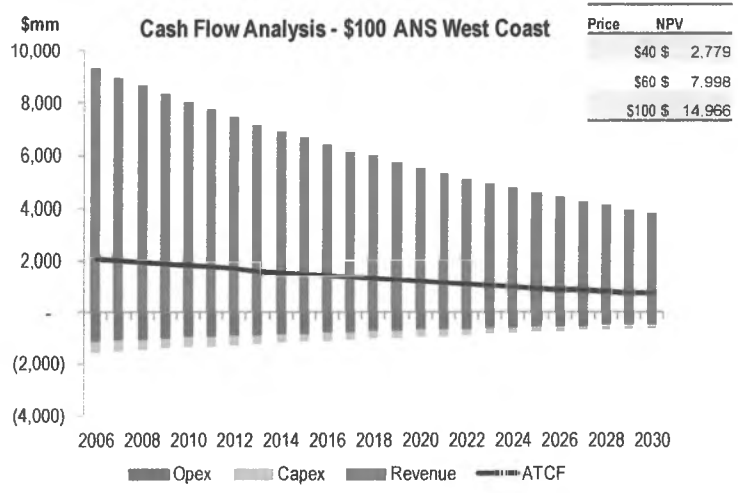
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	32%	8%	12%	4%	56%	16%	72%
50	24%	14%	8%	5%	50%	18%	68%
60	21%	19%	5%	5%	50%	18%	68%
70	19%	24%	4%	4%	52%	17%	69%
80	18%	29%	3%	4%	55%	16%	71%
90	17%	33%	3%	4%	57%	15%	72%
100	17%	37%	3%	4%	60%	14%	74%
110	16%	40%	2%	4%	62%	13%	75%
120	16%	42%	2%	3%	63%	13%	76%
130	15%	44%	2%	3%	65%	12%	77%
140	15%	46%	2%	3%	66%	12%	78%
150	15%	47%	2%	3%	67%	12%	78%
160	15%	48%	1%	3%	68%	11%	79%
170	15%	50%	1%	3%	69%	11%	80%
180	14%	51%	1%	3%	69%	11%	80%
190	14%	52%	1%	3%	70%	10%	81%
200	14%	53%	1%	3%	71%	10%	81%
210	14%	54%	1%	3%	72%	10%	82%
220	14%	55%	1%	2%	73%	10%	82%
230	14%	56%	1%	2%	74%	9%	83%





PFC Energy

CSSB 192 (Existing Producer)



Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	32%	8%	12%	4%	56%	16%	72%
50	24%	14%	8%	5%	50%	18%	68%
60	21%	18%	5%	5%	50%	18%	67%
70	19%	24%	4%	4%	51%	17%	69%
80	18%	28%	3%	4%	54%	16%	70%
90	17%	32%	3%	4%	56%	15%	72%
100	17%	35%	3%	4%	58%	15%	73%
110	16%	38%	2%	4%	60%	14%	74%
120	16%	41%	2%	3%	62%	13%	75%
130	15%	43%	2%	3%	63%	13%	76%
140	15%	44%	2%	3%	64%	13%	77%
150	15%	45%	2%	3%	65%	12%	77%
160	15%	46%	1%	3%	66%	12%	78%
170	15%	47%	1%	3%	66%	12%	78%
180	14%	48%	1%	3%	67%	12%	78%
190	14%	49%	1%	3%	67%	12%	79%
200	14%	49%	1%	3%	67%	11%	79%
210	14%	50%	1%	3%	68%	11%	79%
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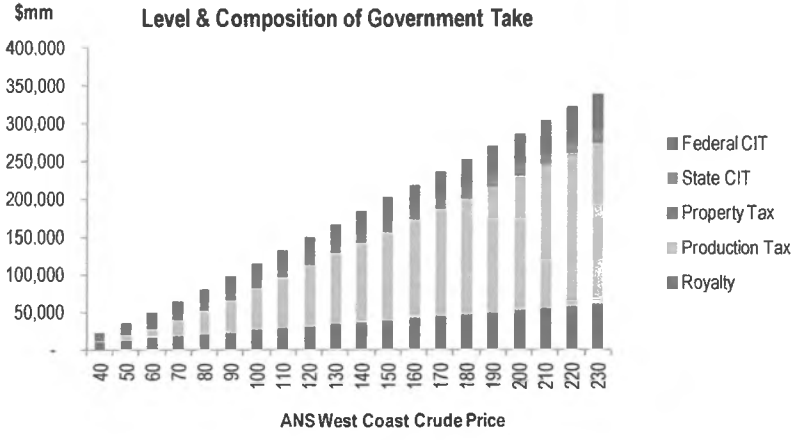
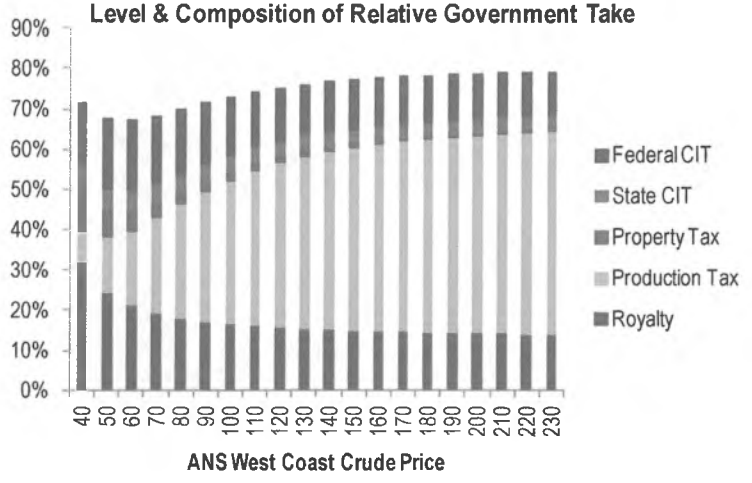
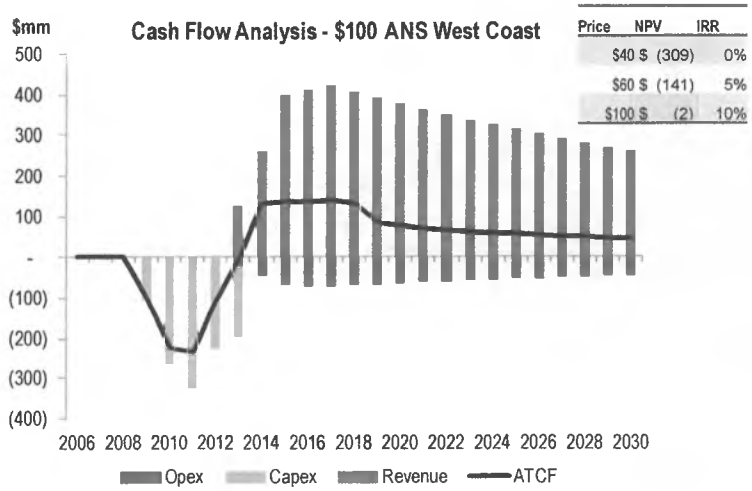
230	14%	50%	1%	3%	68%	11%	79%



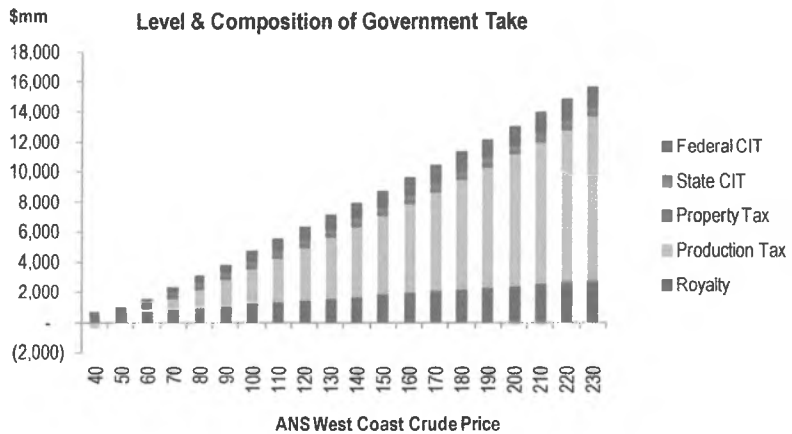


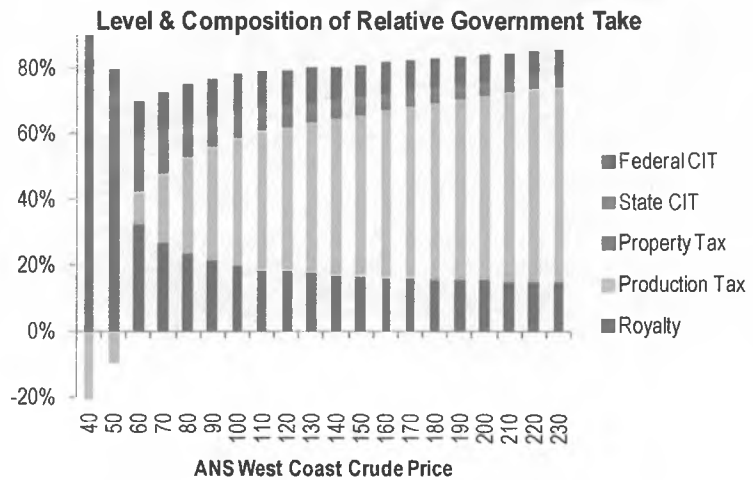
PFC Energy

ACES (New Development)



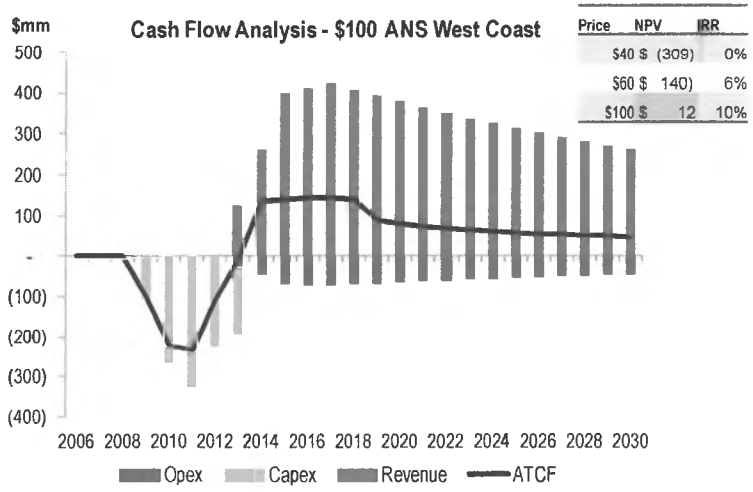
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	162%	-119%	99%	0%	142%	0%	142%
50	48%	-10%	23%	2%	63%	7%	70%
60	32%	10%	13%	3%	58%	11%	70%
70	26%	21%	9%	3%	60%	12%	73%
80	23%	29%	7%	3%	63%	12%	75%
90	21%	35%	6%	3%	65%	12%	77%
100	20%	39%	5%	3%	67%	11%	78%
110	19%	42%	4%	3%	68%	11%	79%
120	18%	44%	4%	3%	69%	11%	80%
130	17%	46%	3%	3%	69%	11%	80%
140	17%	48%	3%	3%	70%	10%	81%
150	17%	49%	3%	3%	71%	10%	81%
160	16%	51%	2%	3%	72%	10%	82%
170	16%	52%	2%	2%	73%	9%	83%
180	16%	54%	2%	2%	74%	9%	83%
190	16%	55%	2%	2%	75%	9%	84%
200	15%	56%	2%	2%	76%	8%	84%
210	15%	57%	2%	2%	76%	8%	85%
220	15%	58%	2%	2%	77%	8%	85%
230	15%	59%	2%	2%	78%	8%	85%



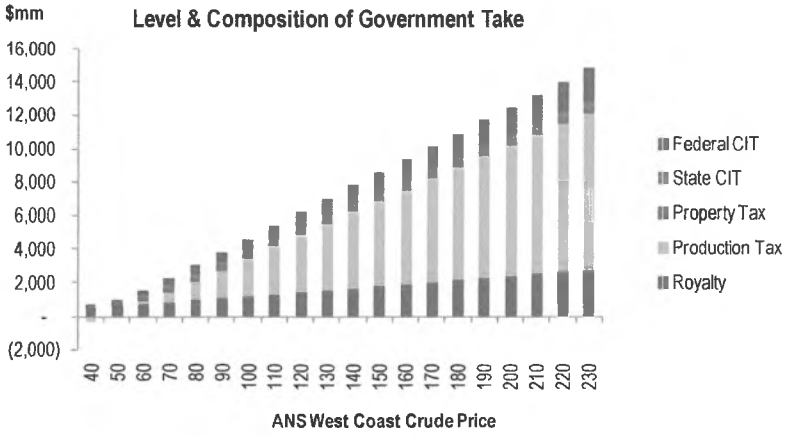


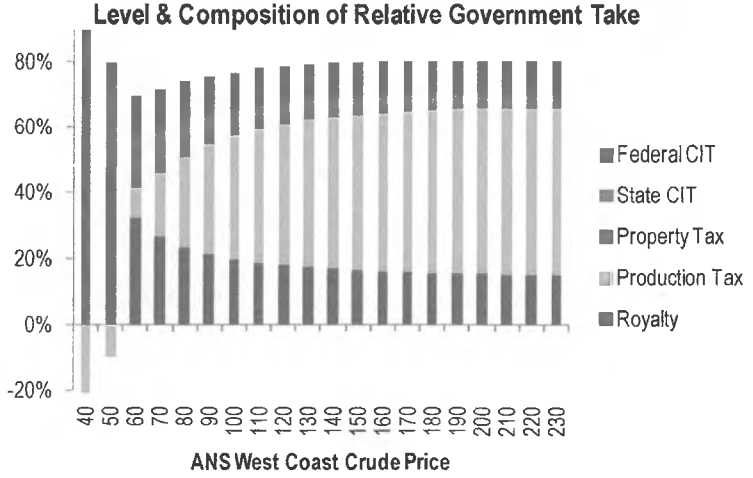
PFC Energy

CSSB 192 (New Development)



Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	162%	-119%	99%	0%	142%	0%	142%
50	48%	-10%	23%	2%	63%	7%	70%
60	32%	9%	13%	3%	58%	12%	69%
70	26%	20%	9%	3%	59%	13%	72%
80	23%	28%	7%	3%	61%	13%	74%
90	21%	33%	6%	3%	63%	12%	76%
100	20%	37%	5%	3%	65%	12%	77%
110	19%	41%	4%	3%	67%	11%	78%
120	18%	43%	4%	3%	68%	11%	79%
130	17%	45%	3%	3%	68%	11%	79%
140	17%	46%	3%	3%	69%	11%	80%
150	17%	47%	3%	3%	69%	11%	80%
160	16%	48%	2%	3%	70%	11%	80%
170	16%	49%	2%	3%	70%	11%	80%
180	16%	49%	2%	3%	70%	10%	80%
190	16%	50%	2%	3%	70%	10%	80%
200	15%	50%	2%	3%	70%	10%	80%
210	15%	50%	2%	3%	70%	10%	80%
220	15%	51%	2%	3%	70%	10%	80%
230	15%	51%	2%	3%	70%	10%	80%





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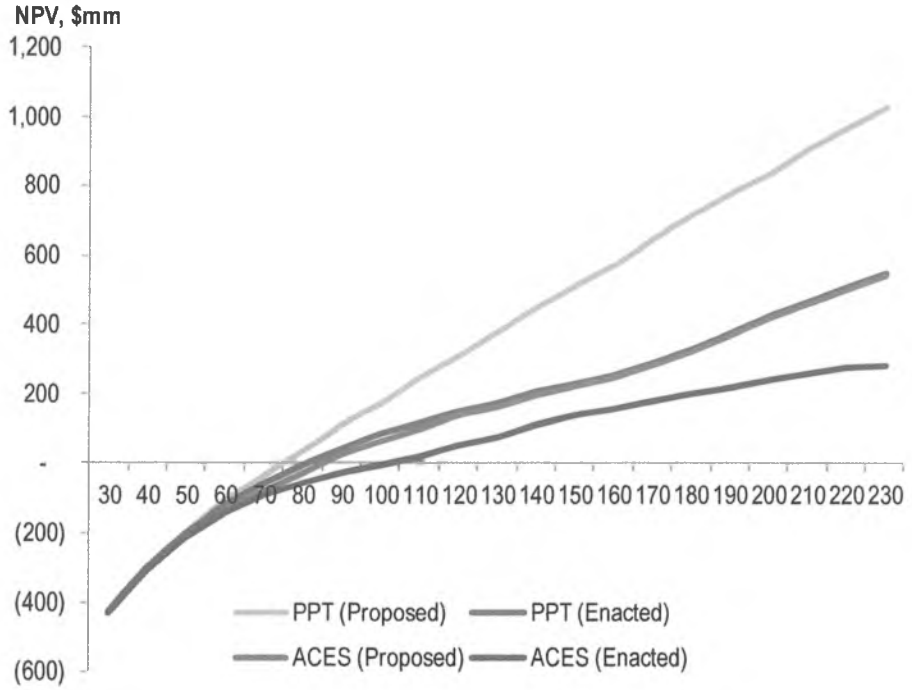
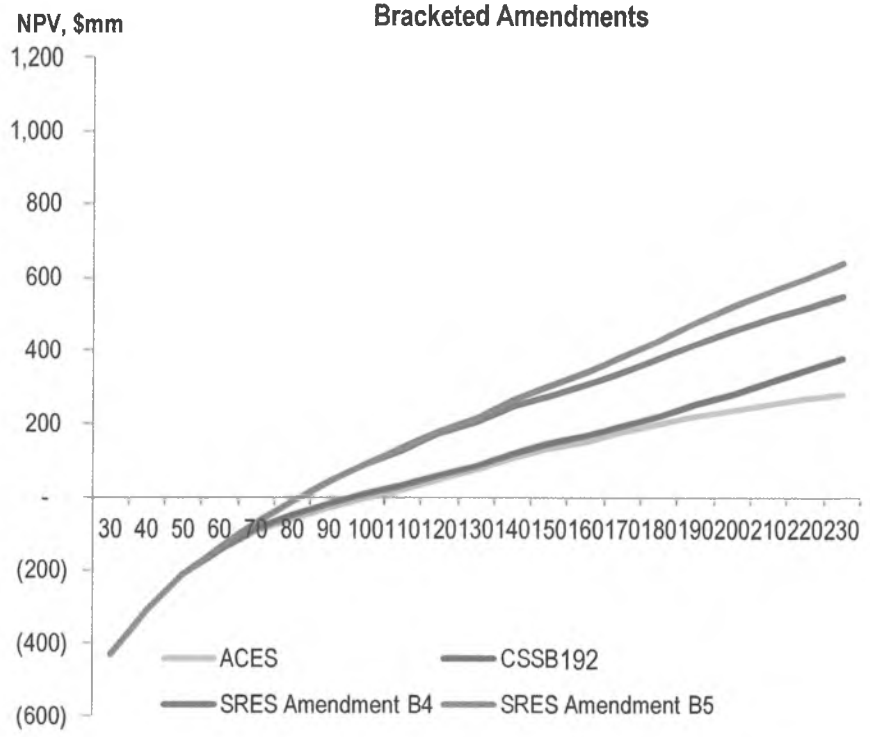
Progressivity Impact on New Development Project Economics

ACES v Predecessor Regimes (Actual & Proposed)



ACES & CSSB 192 v Bracketed Amendments



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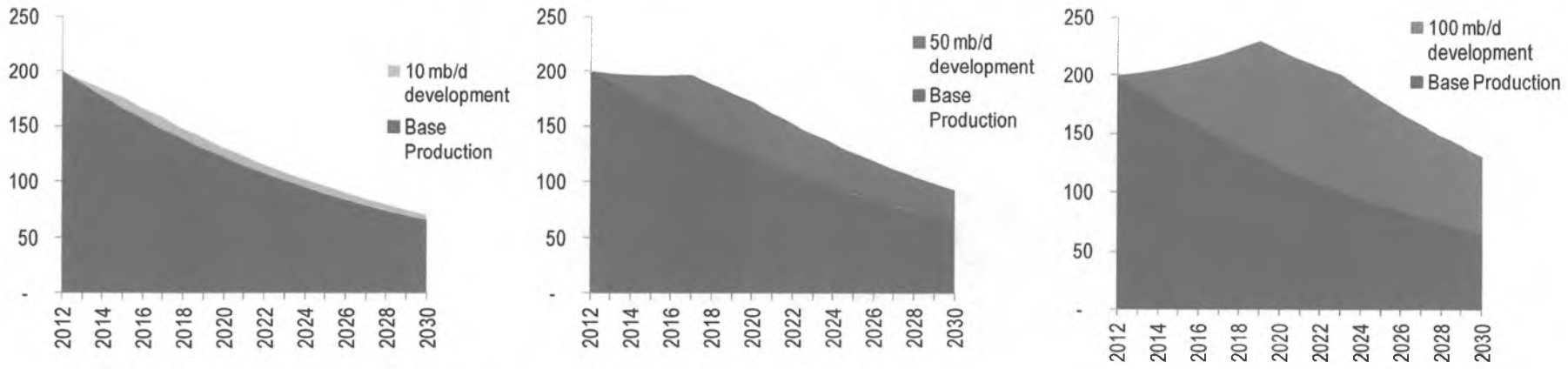
New Oil Allowance:
Incremental Production on a Declining Base

- Central to understanding the impact of the "allowance for 'new oil'" is an understanding of the impact of new source production on a company's total production volumes, when that new source production is added to a declining base portfolio
  - The charts below assume a 6% decline rate for an existing North Slope producer currently producing 200 mb/d, and examine hypothetical new source projects that peak at 10mb/d, 50 mb/d and 100 mb/d respectively(on a working interest basis)
  - Given the pace at which such projects typically reach peak production, only the100 mb/d peak production new source development is actually capable of adding production that is incremental to prior years' volumes



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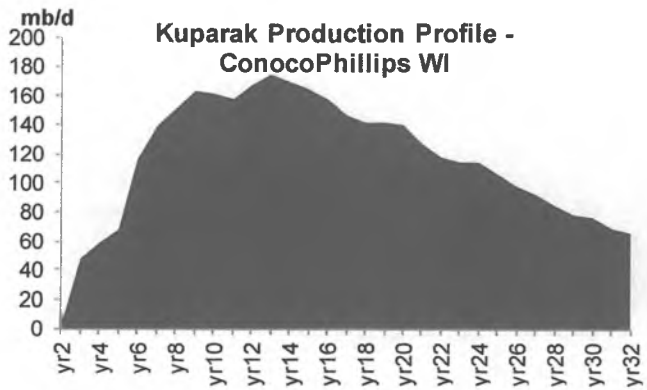
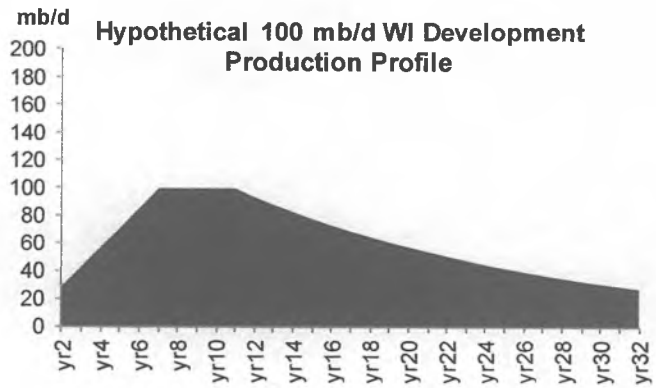
A Hypothetical 100 mb/d (Working Interest) development

- A new source development that produced 100 mb/d at peak for a working interest partner would be a very significant new development. By way of comparison, Kuparak, the second largest field in North America, peaked at ~320 mb/d gross production
  - This represented **working interest production** to ConocoPhillips (the operator and majority shareholder) of **170 mbo/d**
  - Kuparak took 11 years (from 1981 to 1992) to reach this peak level of production
- Since it would take a development on the scale of 100 mb/d (working interest) to achieve "new oil" for an existing producer under the terms of the amendment, a development of this size has been modeled in the following analysis
  - A 7 year ramp-up to peak production has been assumed
  - Such a development would likely eclipse today's production from Kuparak (122 mb/d gross, 66mb/d working interest to the majority shareholder)
  - It is important to note that this is a significantly more aggressive new-source production profile than is currently foreseen in recent statements by the major operators on their current development pipelines, even in the most optimistic circumstances





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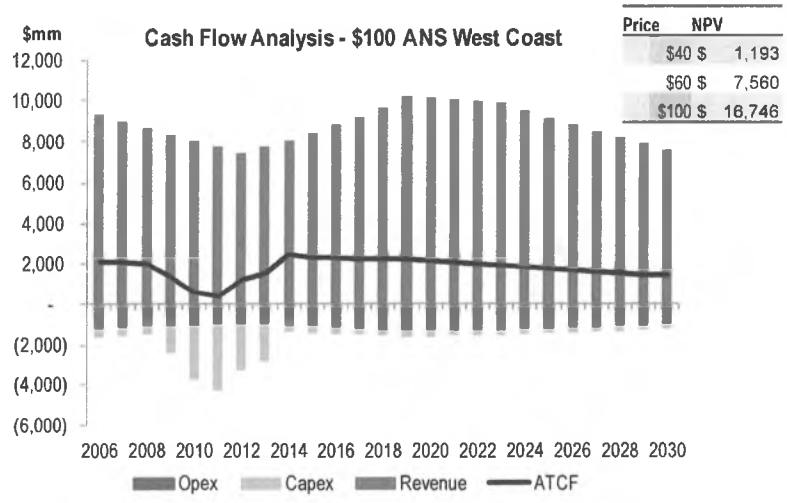
Assumptions

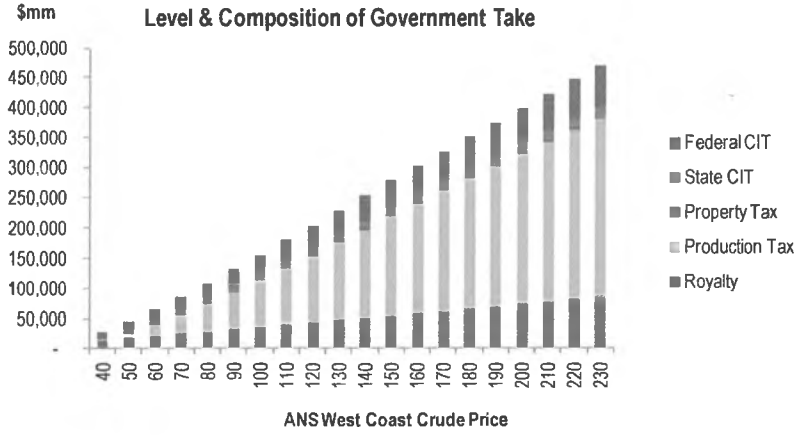
- The following analysis assumes
  - A 6% base portfolio decline, in the case of a producer currently producing 200 mb/d
  - Costs for the base production portfolio of:
    - $12/ flowing bbl operating expenditure
    - $5/ flowing bbl maintenance capital expenditure
  - Costs for the 100 mb/d (working interest) New Development project of:
    - $13/ flowing bbl operating expenditure
    - $13/bbl reserves development capital expenditure
    - $1/ flowing bbl maintenance capital expenditure
  - These costs are deliberately somewhat lower than the previously referenced 10 mb/d new development, since the hypothetical development modeled is significantly larger, and thus likely to have somewhat lower costs on a $/bbl basis

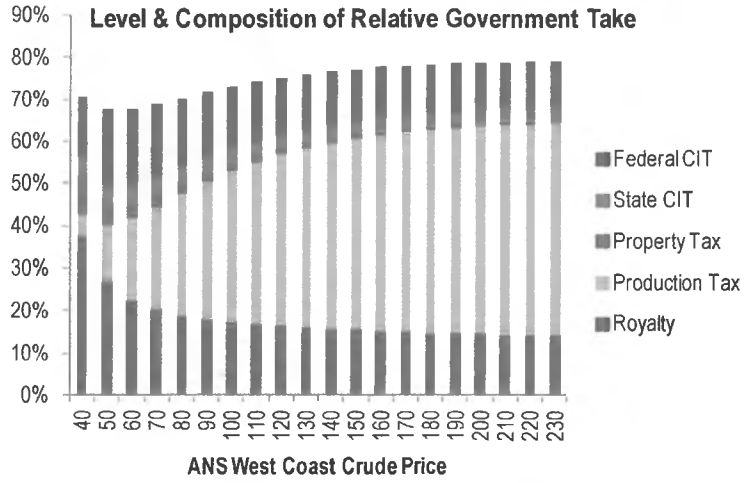
CSSB 192 Excluding New Oil Allowance (Existing Producer)



Price	NPV
$40	$ 1,193
$60	$ 7,560
$100	$ 16,746

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	38%	5%	9%	4%	56%	15%	71%
50	27%	13%	5%	5%	50%	18%	68%
60	23%	19%	4%	5%	50%	18%	68%
70	20%	24%	3%	4%	52%	17%	69%
80	19%	29%	2%	4%	54%	16%	70%
90	18%	33%	2%	4%	56%	15%	72%
100	17%	36%	2%	4%	58%	15%	73%
110	17%	38%	2%	4%	60%	14%	74%
120	16%	41%	1%	4%	62%	14%	75%
130	16%	42%	1%	3%	63%	13%	76%
140	15%	44%	1%	3%	64%	13%	77%
150	15%	45%	1%	3%	65%	12%	77%
160	15%	46%	1%	3%	66%	12%	78%
170	15%	47%	1%	3%	66%	12%	78%
180	15%	48%	1%	3%	67%	12%	78%
190	15%	49%	1%	3%	67%	12%	79%
200	14%	49%	1%	3%	67%	12%	79%
210	14%	49%	1%	3%	67%	11%	79%
220	14%	50%	1%	3%	68%	11%	79%
230	14%	50%	1%	3%	68%	11%	79%





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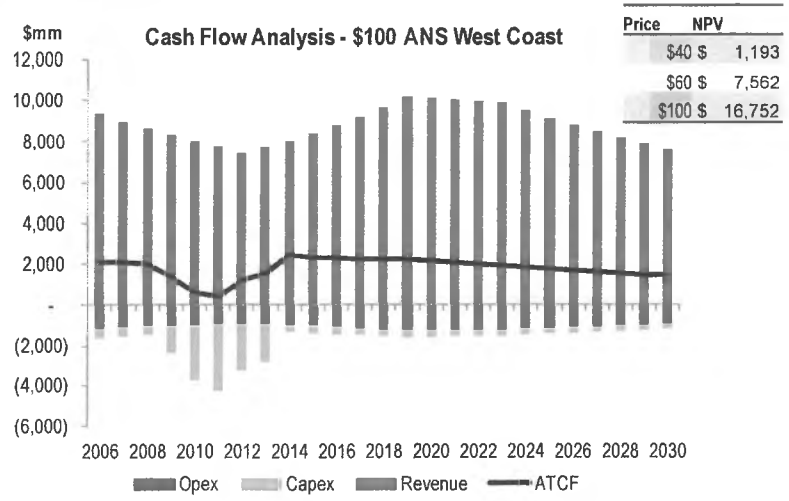
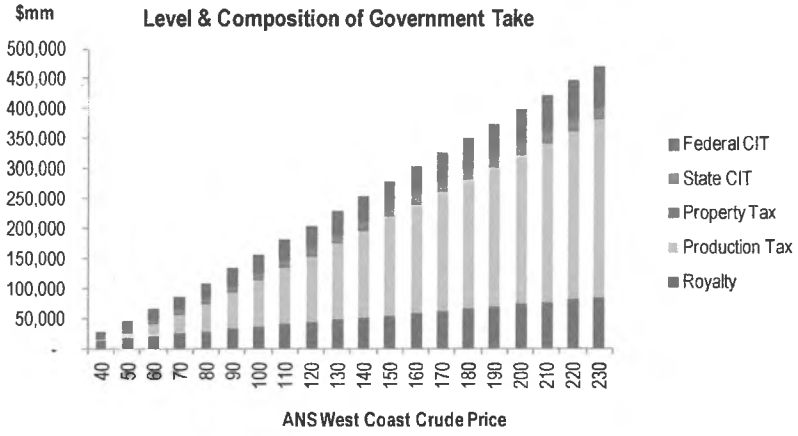
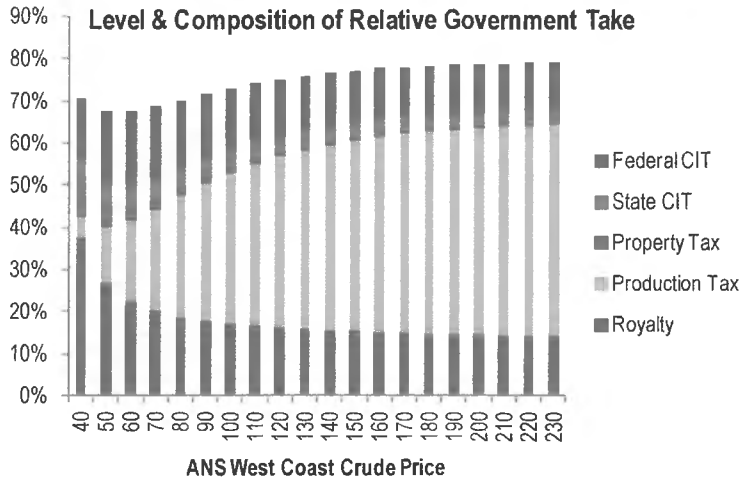
CSSB 192 Including $10 New Oil Allowance (Existing Producer)



Price	NPV
$40	$ 1,193
$60	$ 7,562
$100	$ 16,752

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	38%	5%	9%	4%	56%	15%	71%
50	27%	13%	5%	5%	50%	18%	68%
60	23%	19%	4%	5%	50%	18%	68%
70	20%	24%	3%	4%	52%	17%	69%
80	19%	29%	2%	4%	54%	16%	70%
90	18%	33%	2%	4%	56%	15%	72%
100	17%	36%	2%	4%	58%	15%	73%
110	17%	38%	2%	4%	60%	14%	74%
120	16%	41%	1%	4%	62%	14%	75%
130	16%	42%	1%	3%	63%	13%	76%
140	15%	44%	1%	3%	64%	13%	77%
150	15%	45%	1%	3%	65%	12%	77%
160	15%	46%	1%	3%	66%	12%	78%
170	15%	47%	1%	3%	66%	12%	78%
180	15%	48%	1%	3%	67%	12%	78%
190	15%	49%	1%	3%	67%	12%	79%
200	14%	49%	1%	3%	67%	12%	79%
210	14%	49%	1%	3%	67%	11%	79%
220	14%	50%	1%	3%	68%	11%	79%
230	14%	50%	1%	3%	68%	11%	79%





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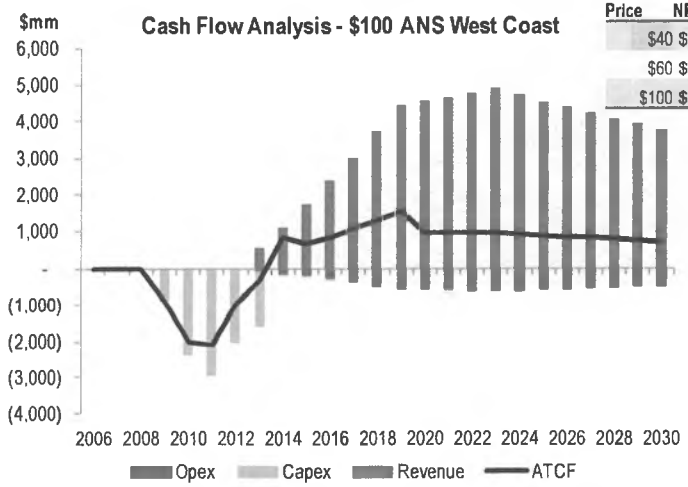
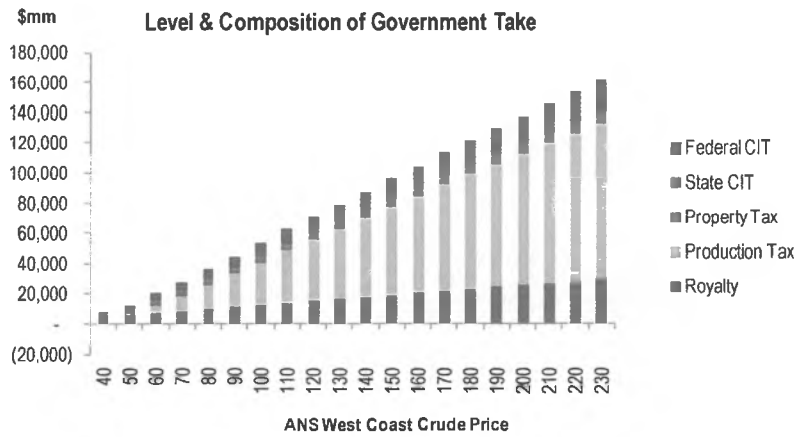
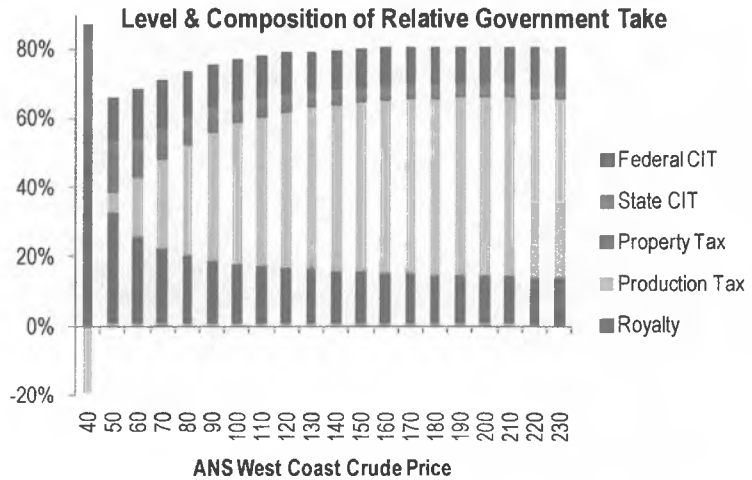
CSSB 192 Excluding New Oil Allowance (New 100 mb/d Development)



Price	NPV	IRR
$40	$ -2,224	3%
$60	$ -913	7%
$100	$ 276	11%

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	56%	-19%	25%	1%	64%	5%	68%
50	33%	5%	12%	3%	54%	13%	66%
60	26%	17%	8%	4%	55%	14%	69%
70	22%	25%	6%	4%	57%	14%	71%
80	20%	32%	5%	3%	60%	13%	74%
90	19%	37%	4%	3%	63%	12%	75%
100	18%	40%	3%	3%	65%	12%	77%
110	17%	43%	3%	3%	66%	12%	78%
120	17%	45%	3%	3%	67%	12%	79%
130	16%	46%	2%	3%	68%	11%	79%
140	16%	48%	2%	3%	69%	11%	80%
150	16%	49%	2%	3%	69%	11%	80%
160	16%	50%	2%	3%	70%	11%	80%
170	15%	50%	2%	3%	70%	11%	81%
180	15%	51%	2%	3%	70%	11%	81%
190	15%	51%	1%	3%	70%	11%	81%
200	15%	51%	1%	3%	70%	11%	81%
210	15%	51%	1%	3%	70%	11%	81%
220	15%	51%	1%	3%	70%	11%	81%
230	14%	51%	1%	3%	70%	11%	80%





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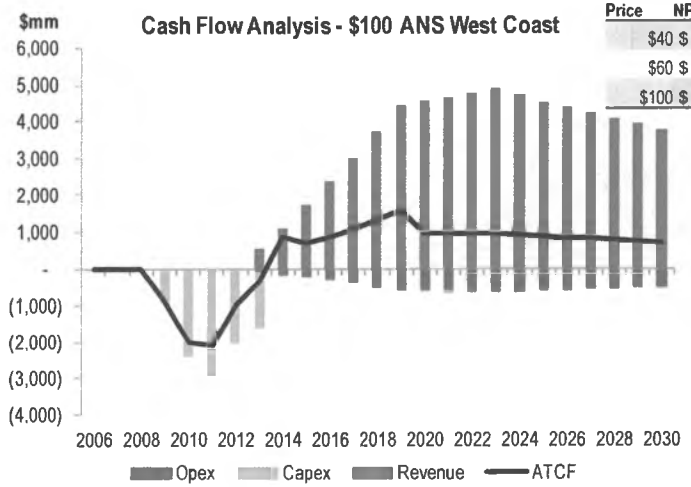
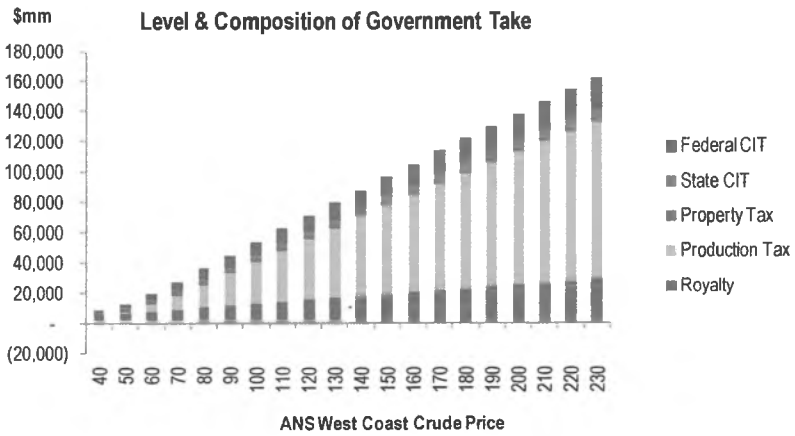
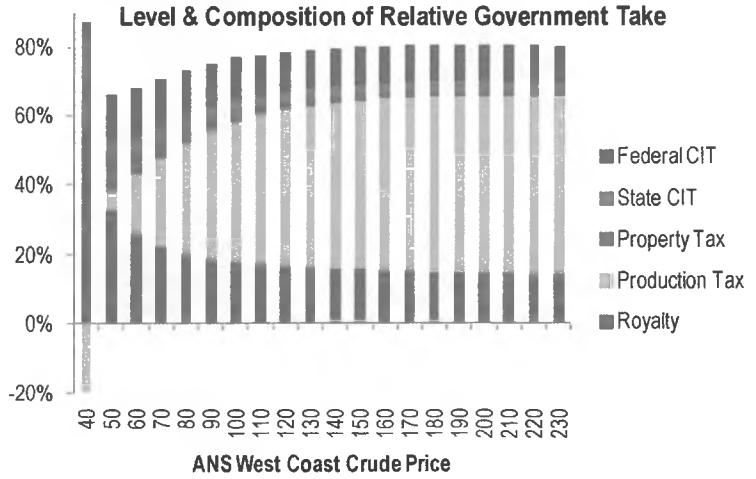
CSSB 192 Including $10 New Oil Allowance (New 100 mb/d Development)



Price	NPV	IRR
$40	$ -2,207	3%
$60	$ -879	7%
$100	$ 327	11%

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	56%	-20%	25%	1%	63%	5%	68%
50	33%	5%	12%	3%	53%	13%	66%
60	26%	17%	8%	4%	54%	14%	68%
70	22%	25%	6%	4%	57%	14%	71%
80	20%	32%	5%	3%	60%	13%	73%
90	19%	37%	4%	3%	63%	12%	75%
100	18%	40%	3%	3%	65%	12%	77%
110	17%	43%	3%	3%	66%	12%	78%
120	17%	45%	3%	3%	67%	12%	79%
130	16%	46%	2%	3%	68%	11%	79%
140	16%	48%	2%	3%	69%	11%	80%
150	16%	49%	2%	3%	69%	11%	80%
160	16%	49%	2%	3%	69%	11%	80%
170	15%	50%	2%	3%	70%	11%	80%
180	15%	50%	2%	3%	70%	11%	80%
190	15%	51%	1%	3%	70%	11%	80%
200	15%	51%	1%	3%	70%	11%	81%
210	15%	51%	1%	3%	70%	11%	81%
220	15%	51%	1%	3%	70%	11%	80%
230	14%	51%	1%	3%	70%	11%	80%





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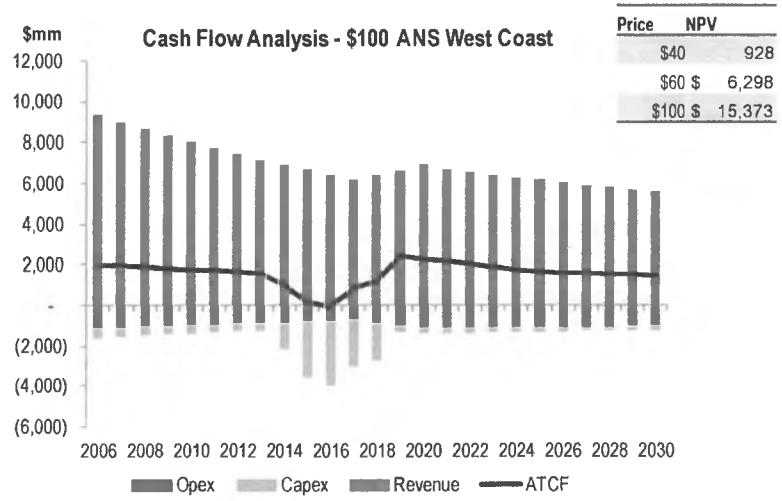
Oil / Gas Decoupling

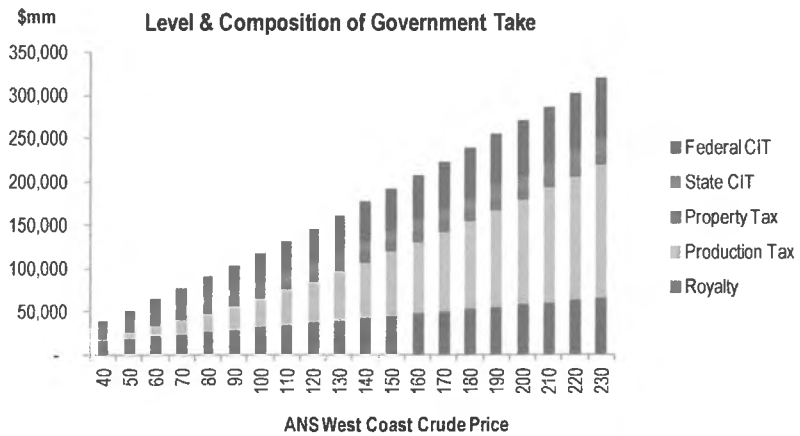
- Under ACES, production tax value is assessed on a combined BTU-equivalent basis for both oil and gas production
  - So long as no major gas export project is under development, this has no impact
  - In the event of the development of a major gas export project, however, when gas prices are significantly lower than oil prices, this could lead to significant reductions in Government Take
- CSSB 192 includes a provision to de-couple the calculation of production tax value on North Slope gas sold out-of-state, in order to eliminate this impact of gas production
  - The impact of the decreased government take without decoupling is only pronounced with very low gas prices, and very large gas production
  - In order to illustrate the impact at the extreme, the following analysis thus assumes a $1/mcf net-back sale price for North Slope gas, and a 2018 1bcf/d gas project. Under less extreme scenarios, the difference with and without decoupling would be significantly less

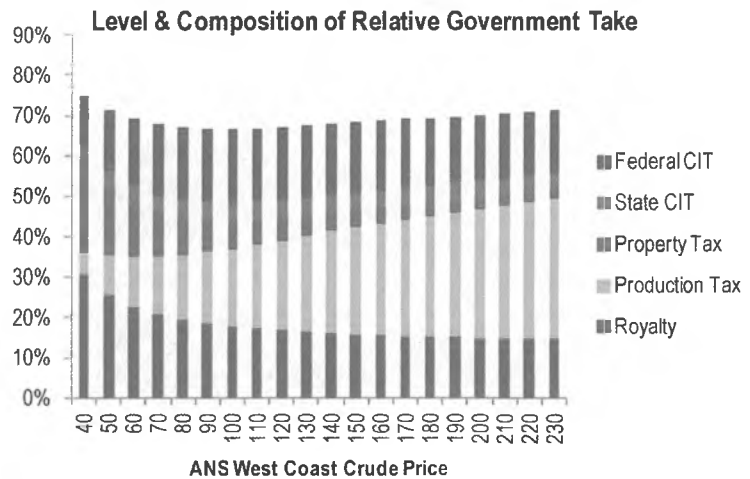
CSSB 192 – Existing Producer with 2018 Gas Project, No Decoupling



Price	NPV
$40	928
$60	$ 6,298
$100	$ 15,373

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	31%	5%	23%	3%	63%	12%	75%
50	25%	10%	17%	4%	56%	15%	71%
60	23%	13%	13%	4%	53%	17%	69%
70	21%	14%	11%	5%	50%	17%	68%
80	19%	16%	9%	5%	49%	18%	67%
90	19%	18%	8%	5%	49%	18%	67%
100	18%	19%	7%	5%	49%	18%	67%
110	17%	21%	6%	5%	49%	18%	67%
120	17%	22%	6%	5%	49%	18%	67%
130	16%	24%	5%	5%	50%	18%	67%
140	16%	25%	5%	5%	51%	17%	68%
150	16%	26%	4%	4%	51%	17%	68%
160	16%	28%	4%	4%	52%	17%	69%
170	15%	29%	4%	4%	52%	17%	69%
180	15%	30%	4%	4%	53%	17%	69%
190	15%	31%	3%	4%	53%	16%	70%
200	15%	32%	3%	4%	54%	16%	70%
210	15%	33%	3%	4%	55%	16%	71%
220	15%	34%	3%	4%	55%	16%	71%
230	15%	35%	3%	4%	56%	15%	71%





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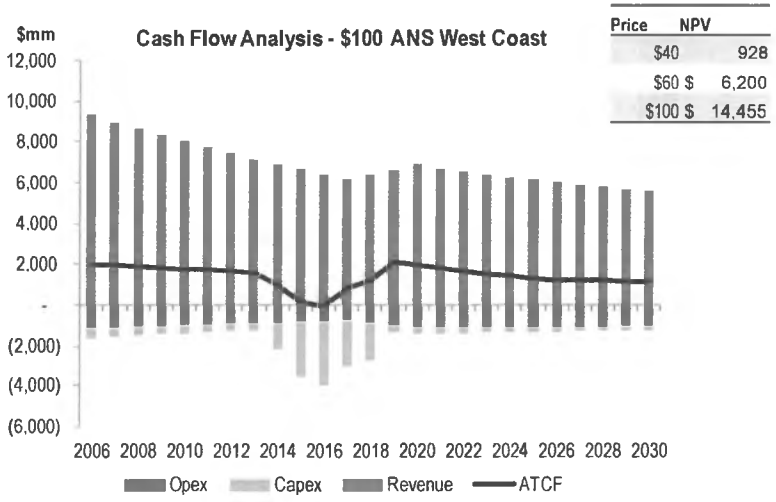
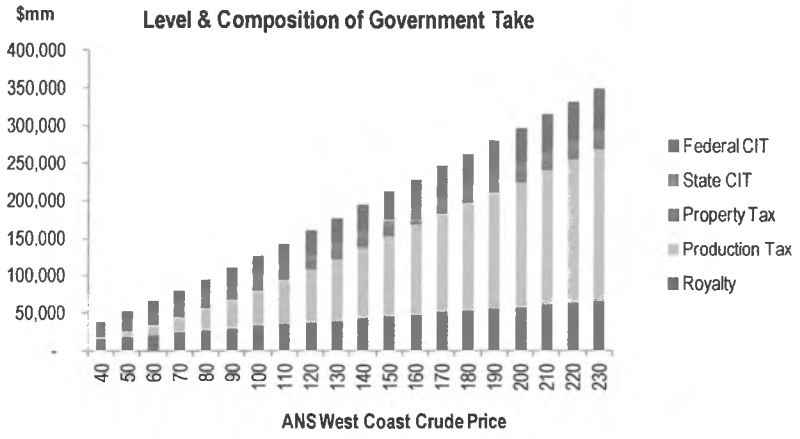
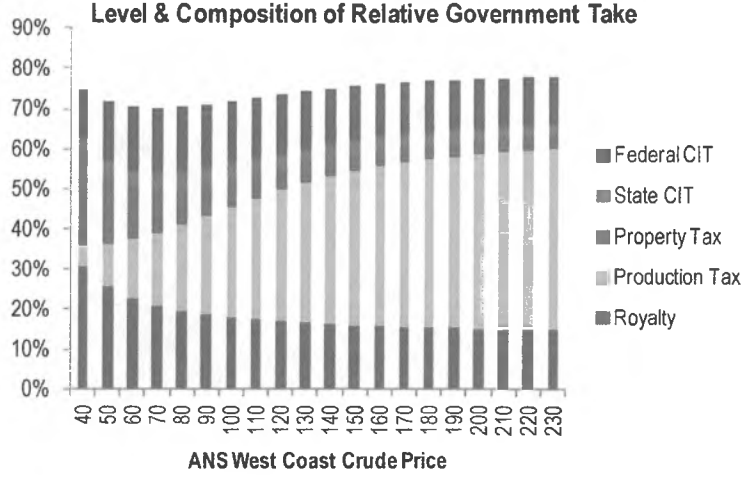
CSSB 192 – Existing Producer with 2018 Gas Project, Including Decoupling



Price	NPV
$40	928
$60	$ 6,200
$100	$ 14,455

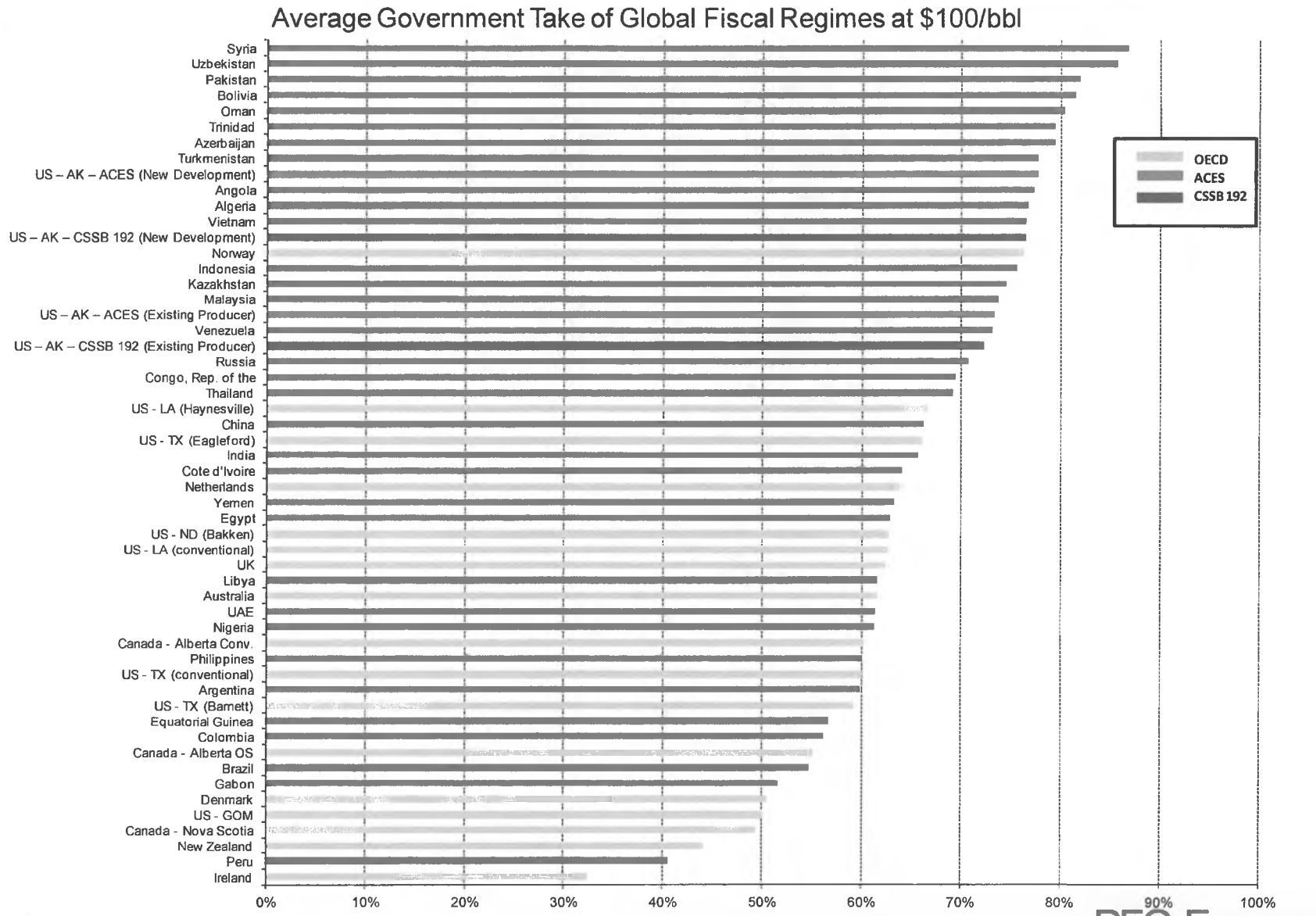
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	31%	5%	23%	3%	63%	12%	75%
50	25%	11%	17%	4%	57%	15%	72%
60	23%	15%	13%	4%	55%	16%	71%
70	21%	18%	11%	4%	54%	16%	70%
80	19%	22%	9%	4%	54%	16%	70%
90	19%	25%	8%	4%	55%	16%	71%
100	18%	28%	7%	4%	56%	15%	72%
110	17%	30%	6%	4%	58%	15%	73%
120	17%	33%	6%	4%	59%	14%	73%
130	16%	35%	5%	4%	60%	14%	74%
140	16%	37%	5%	4%	61%	14%	75%
150	16%	39%	4%	3%	62%	13%	76%
160	16%	40%	4%	3%	63%	13%	76%
170	15%	41%	4%	3%	64%	13%	76%
180	15%	42%	4%	3%	64%	13%	77%
190	15%	43%	3%	3%	65%	12%	77%
200	15%	44%	3%	3%	65%	12%	77%
210	15%	44%	3%	3%	65%	12%	78%
220	15%	45%	3%	3%	66%	12%	78%
230	15%	46%	3%	3%	66%	12%	78%





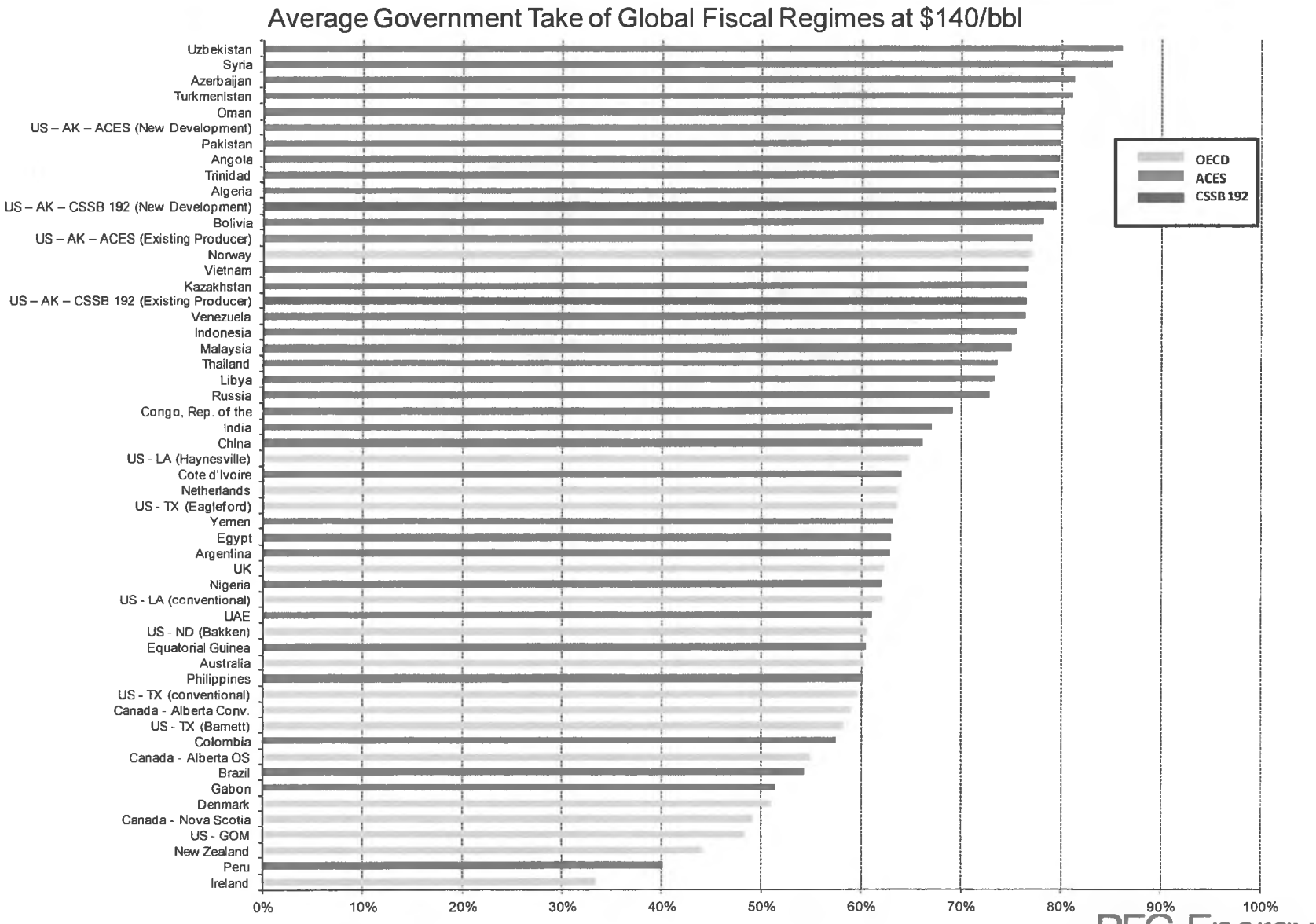
PFC Energy

Regime Competitiveness: Relative Government Take



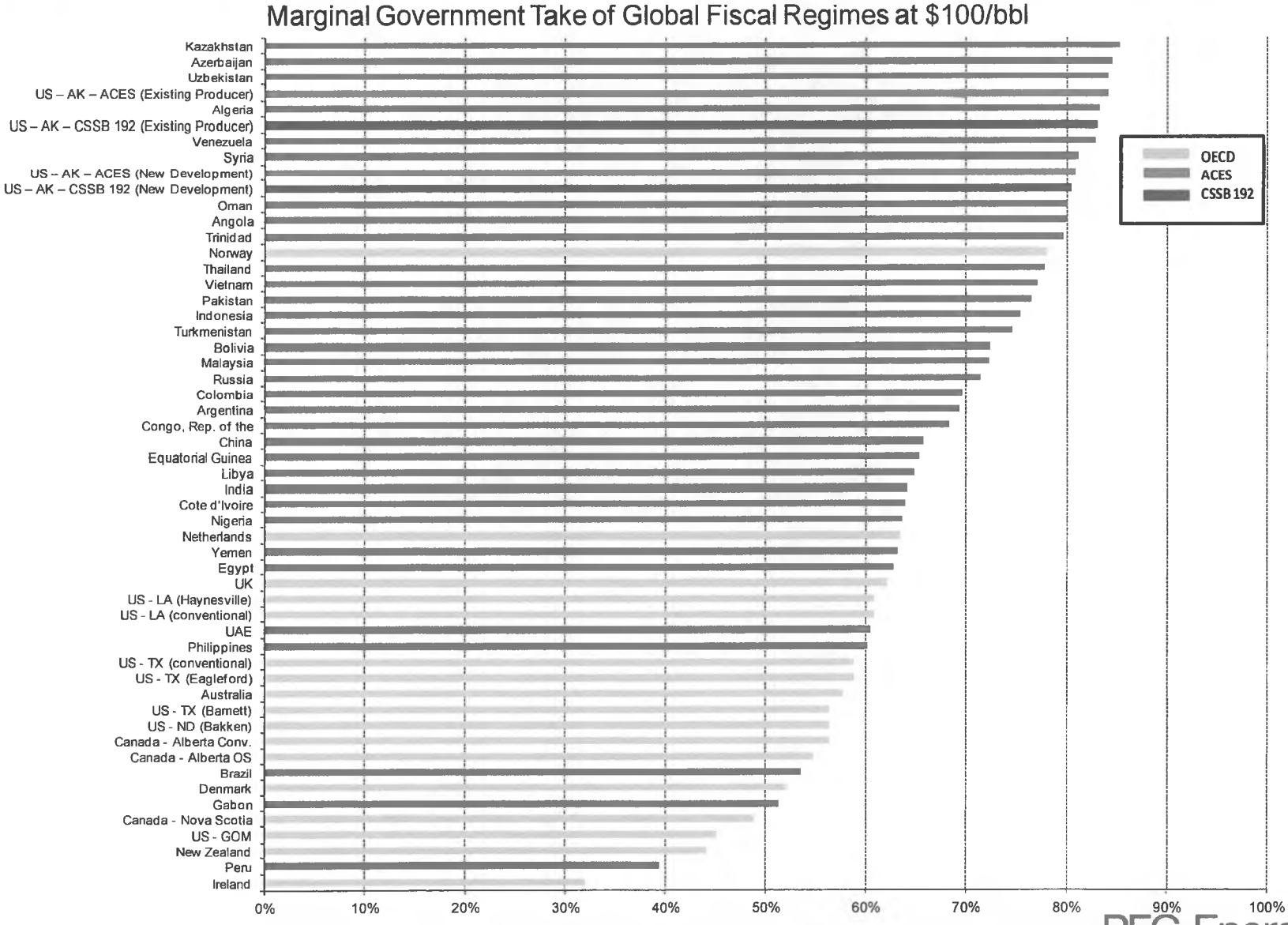
PFC Energy

Regime Competitiveness: Relative Government Take



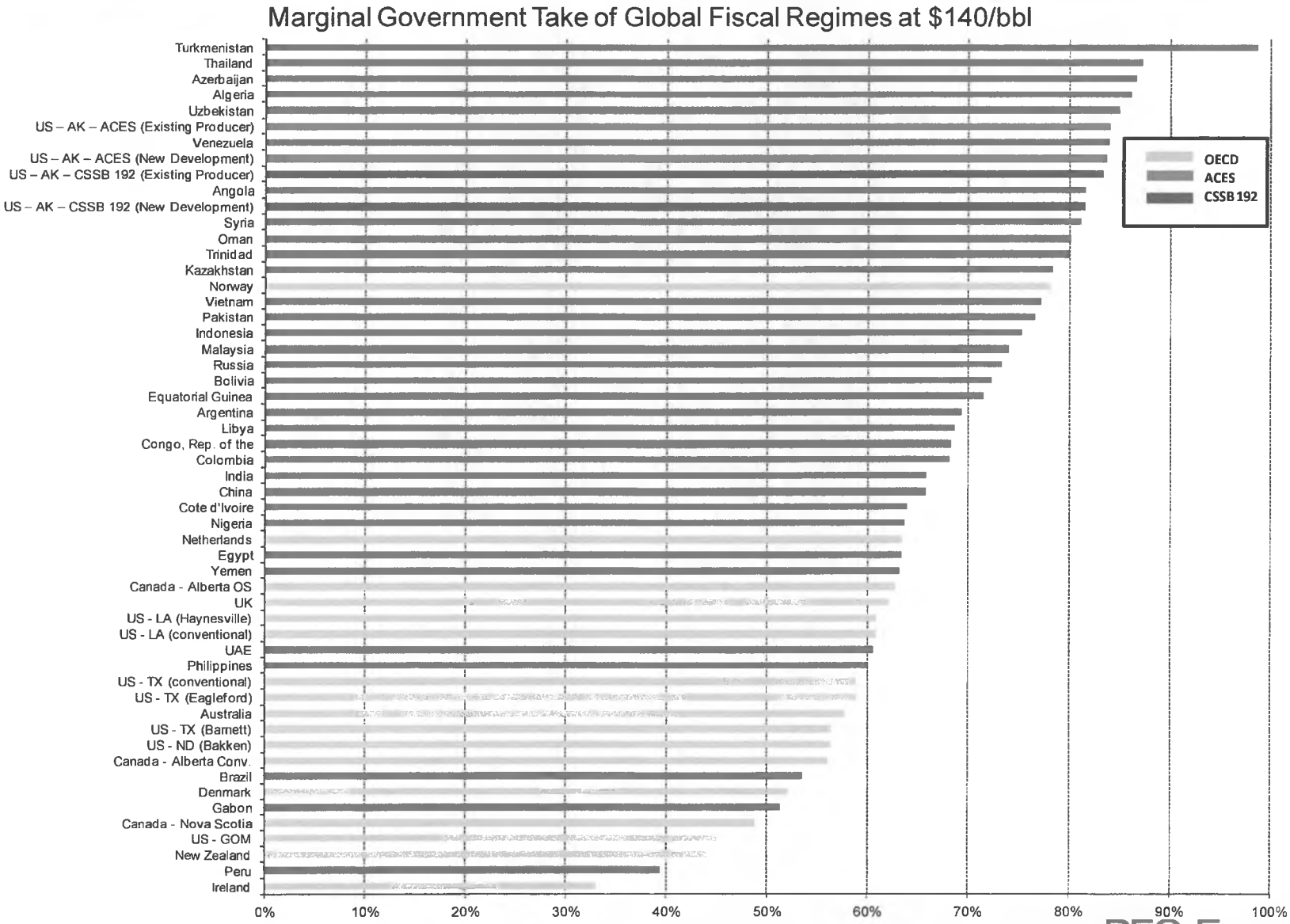
PFC Energy

Regime Competitiveness: Relative Government Take



PFC Energy

Regime Competitiveness: Relative Government Take



PFC Energy

Conclusions – Changes to Progressivity, Overall Government Take, and Oil/Gas Decoupling

- CSSB 192 uses two key mechanisms to reduce government take relative to ACES
  - A reduction in the rate of progressivity that applies above $30/bbl Production Tax Value (PTV) from a 0.4% increase for each one dollar increase in PTV, to a 0.35% increase
  - A reduction in the maximum rate of production tax, from 75% at $342 PTV, to 60% at $202 PTV
- The impact of the reduction in the progressivity coefficient on overall levels of government take and on project economics is limited to around a single percentage point of government take at $100 ANS crude
- The impact of the 60% maximum rate for production tax is more significant, but only at very high oil prices.
  - On a current-year basis, government take under CSSB 192 would be significantly lower than under ACES only at ANS crude oil prices above $230
  - On a project-lifecycle basis, that threshold may be lower, as a result of the impact of bracket-creep (since progressivity thresholds are specified in nominal terms) – but the impact on project economics at likely price levels remains negligible

Conclusions – New Oil Allowance

- Even under highly aggressive assumptions regarding the potential for a new-source development for a given company, the impact of the $10 allowance for "new oil" is almost undetectable
  - In the context of both a development by an existing producer, and a development by a new producer, Relative Government Take changes only by fractions of a percentage point, at most
  - For an existing producer, portfolio NPV rises by only a tenth of a percentage point
  - For a new producer, the impact on project value is greater, but remains insignificant in the context of a $10 billion capital development
- The major reason for this is because rather than providing an ongoing allowance for new-source production, the amendment provides an allowance only for production that, in a given year, is incremental to the previous year's production
  - For an existing producer with declining base production, only a very large development is capable of producing "new oil" under this development at all
  - Even for a new producer, the value of the allowance remains highly limited
- An allowance which was instead provided for new-source production could potentially have a greater impact, however adequately defining such new-source production could be difficult in practice, particularly in an environment where most new production will come from existing areas

Global Strategy & Portfolio Overview of Major Alaska Producers

PFC Energy

BP: Company Overview

Strategic Signature

- BP is a global integrated company, with production in 16 countries and upstream operations in an additional 10 countries.
- In 2010, total global production averaged ~3,773 mboe/d, making it the second largest company in the peer group (superseded by ExxonMobil (~4,450 mboe/d). The Russia & Central Asia (RCA) and North America regions accounted for ~55% of 2010 production.
- BP recorded a 4.5% drop in production in 2010 over 2009, reflecting the impact of asset sales, the post-Macondo slowdown in US GOM deepwater activity, and continued decline from the company's deepwater and mature shallow water assets.
- Much of the post-Macondo portfolio rationalization program (targeting $30 bn in asset sales including mid/downstream assets) has been completed. The result is a pared down and more focused geographic portfolio.
- BP expects growth of 1%-2% per annum through 2015. BP's growth strategy is three-pronged based on Deepwater Basins, Global Gas, and Giant Oilfield Development. BP's deepwater position is based on operations in the US GOM, Angola, Egypt and Brazil. The Global Gas position is principally comprised of US, Trinidad & Tobago, and North Sea. Giant oil fields are dispersed throughout the global portfolio. Based on PFC Energy projects, growth is unlikely before 2015.
- The growth strategy above includes ~$20 bn net investment commitment to 16 projects sanctioned over 2010-2011. This is expected to curb ROCE performance for the coming 2-3 years.
- With the burden of the Macondo oil spill and reparations continuing through the mid-term, BP will be hard pressed to outperform its peers on any key metrics, leaving the company open to calls for more radical restructuring.

Company Overview

- **HQ:** London
- **Employees:** 79,700
- **2010 Reserves:** 17,826 mmboe
- **2010 Production:** 3,773 mboe/d
- **3 Yr Production Growth:** 0.27% CAGR (2007-2010)
- **Nov 2011 Market Cap:** $137 bn
- **Nov 2011 P/E Ratio:** 6.03
- **2010 Corp Revenue:** $297 bn
- **2011 Upstream Capex (Est.):** $17 bn

Technological Competence

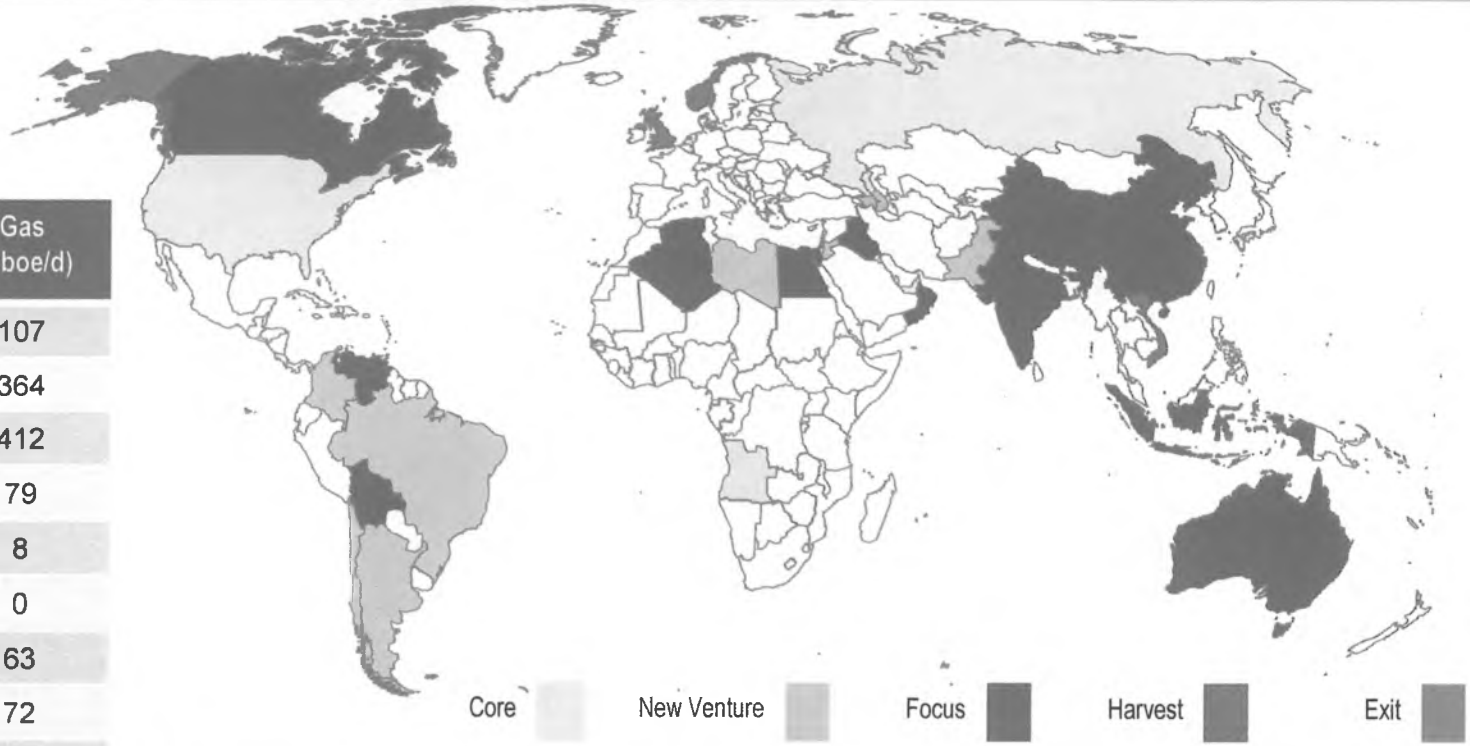
EOR & Recovery	Offshore	Heavy Oil	Unconven-tionals	Oil Sands	LNG
✓	✓	✓	✓	✓	✓

Partnership History

Date	Partner	Region (or Country)	Type
2007	Husky	Canada	Sunrise Oil Sands
2008	Chesapeake	US	Unconventional
2009	CNPC	Iraq	Rumaila TSA
2011	Reliance	India	Offshore Gas

PFC Energy

BP: Global Areas of Upstream Operations



	Liquids (mboe/d)	Gas (mboe/d)
Russia	856	107
US	594	364
T&T	36	412
UK	137	79
UAE	190	8
Angola	170	0
Argentina	75	63
Egypt	59	72
Azerbaijan	103	22
Australia	30	77
Indonesia	2	71
Norway	40	3
Canada	7	34
Algeria	17	21
Pakistan	10	25
Venezuela	23	2

	Liquids (mboe/d)	Gas (mboe/d)
China	0	16
Vietnam	0	13
Bolivia	0	2
Brazil	0	0
Chile	0	0

	Liquids (mboe/d)	Gas (mboe/d)
Iraq	0	0
Oman	0	0
Jordan	0	0
Libya	0	0
India	0	0

PFC Energy

BP Global Production Portfolio - 2010

Canada: modest conventional production, with future potential tied to oil sands

Russia: BP's largest producing country (963 mboe/d), representing ~26% of 2010 output. Substantial long term growth potential. Continued interest in Russia (and Arctic) expansion, despite limitations arising from the TNK-BP joint venture.



US: 2nd largest producing country, with core **deepwater** area. Activity slowed post-Macondo, yet expect strong future growth. **Onshore L48** is key gas area (~22% of 2010 global output), with focus on unconventionals. **Alaska** potential tied to commercialization of Prudhoe Bay resources.

UK: Declining position from mature offshore assets. High-value operating area, generating large cash flows.

Trinidad & Tobago: Core gas producing area tied to Atlantic LNG.

Argentina: onshore & shallow water assets (held by PAE) were to be sold to Bridas, but transaction failed in 4Q:11.

Angola: Sole presence in SSA is Angola deepwater. High growth from 2002-2009, now challenged with start-up of several unsanctioned projects

Iraq: Development of Rumailia oil field

mboe/d

0
500
1,000
1,345

Asset Type

- Conventional Onshore
- Conventional Shallow
- Deepwater
- Oil Sands
- Other
- Unconventional

Azerbaijan: Participation in 2 large-scale projects: Azeri-Chirag-Guneshli & Shah Deniz.

UAE: Core position through equity affiliates, though concession are being re-negotiated

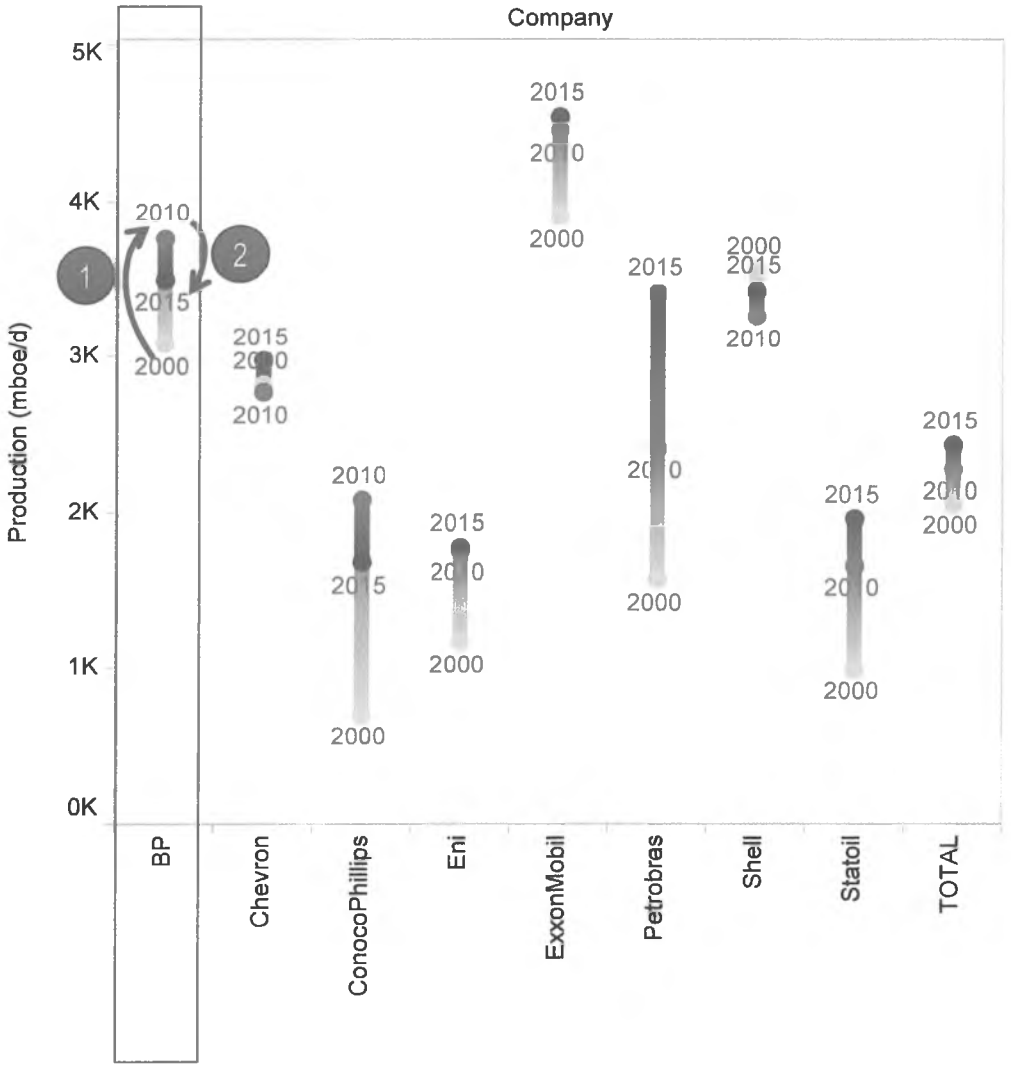
India: 2011 Partnership with Reliance for exploration in shallow and deepwater.

Australia and **Indonesia** are key gas producing areas tied to investments in LNG.

PFC Energy

Total Portfolio Evolution: BP vis-à-vis the Competition

Production (mboe/d) in 2000, 2010 and 2015 (PFC Forecast): BP and Peers



In 2010, BP was the second largest producer of the peer group. Yet, from 2010 to 2015, BP and COP are the only two companies to experience a reduction.

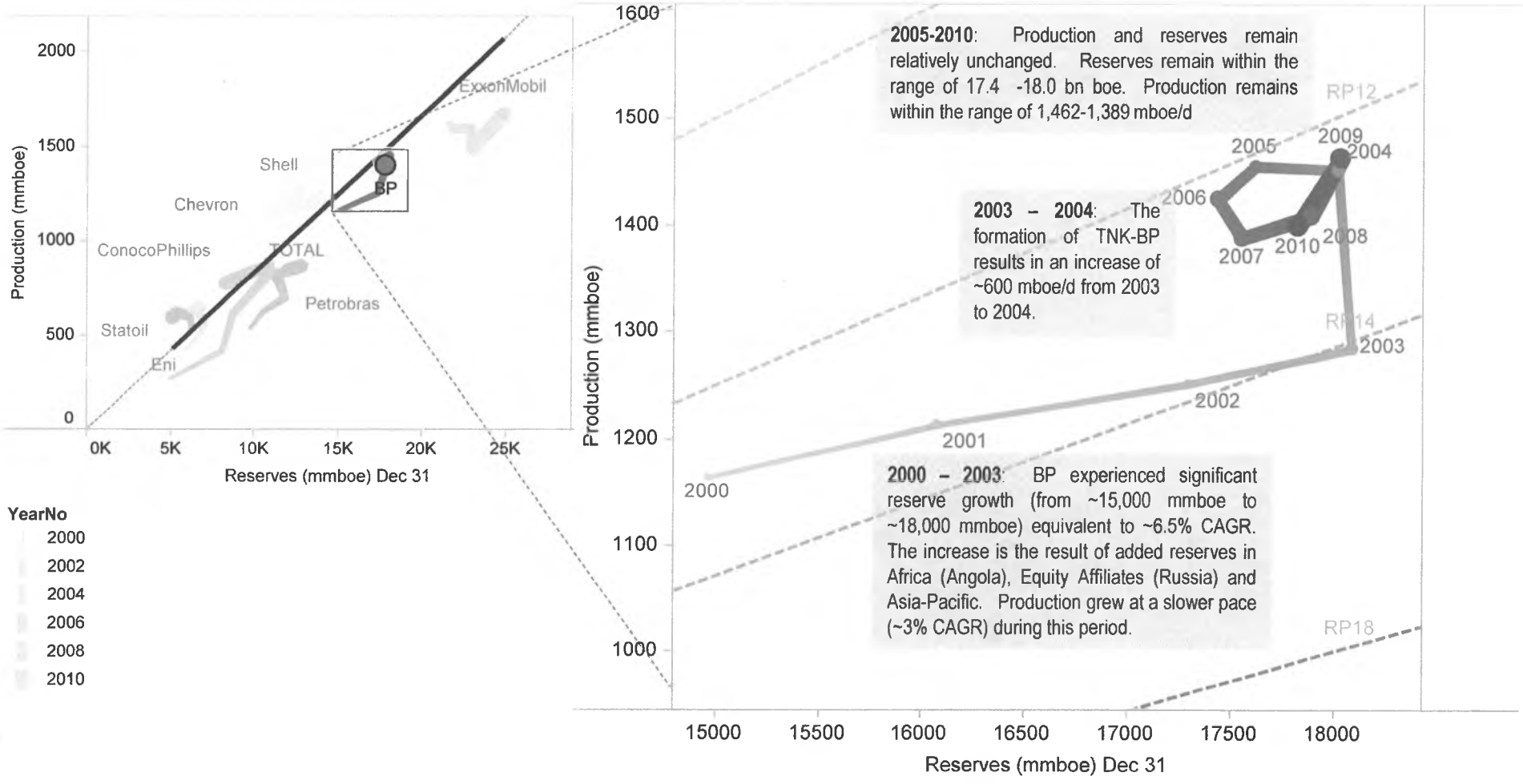
1. **2000-2010:** Production increases from ~3,080 mboe/d to ~3,780 mboe/d due to addition of Russia (~960 mboe/d), Trinidad & Tobago (~250 mboe/d) and Angola (~170 mboe/d). This expansion offsets declines from Europe (~660 mboe/d and North America ~350 mboe/d) .

2. **2011-2015:** BP's production is expected to decline from 2000-2015, due mostly to the post-Macondo asset divestiture program, combined with curbed activity in the GOM deepwater.

PFC Energy

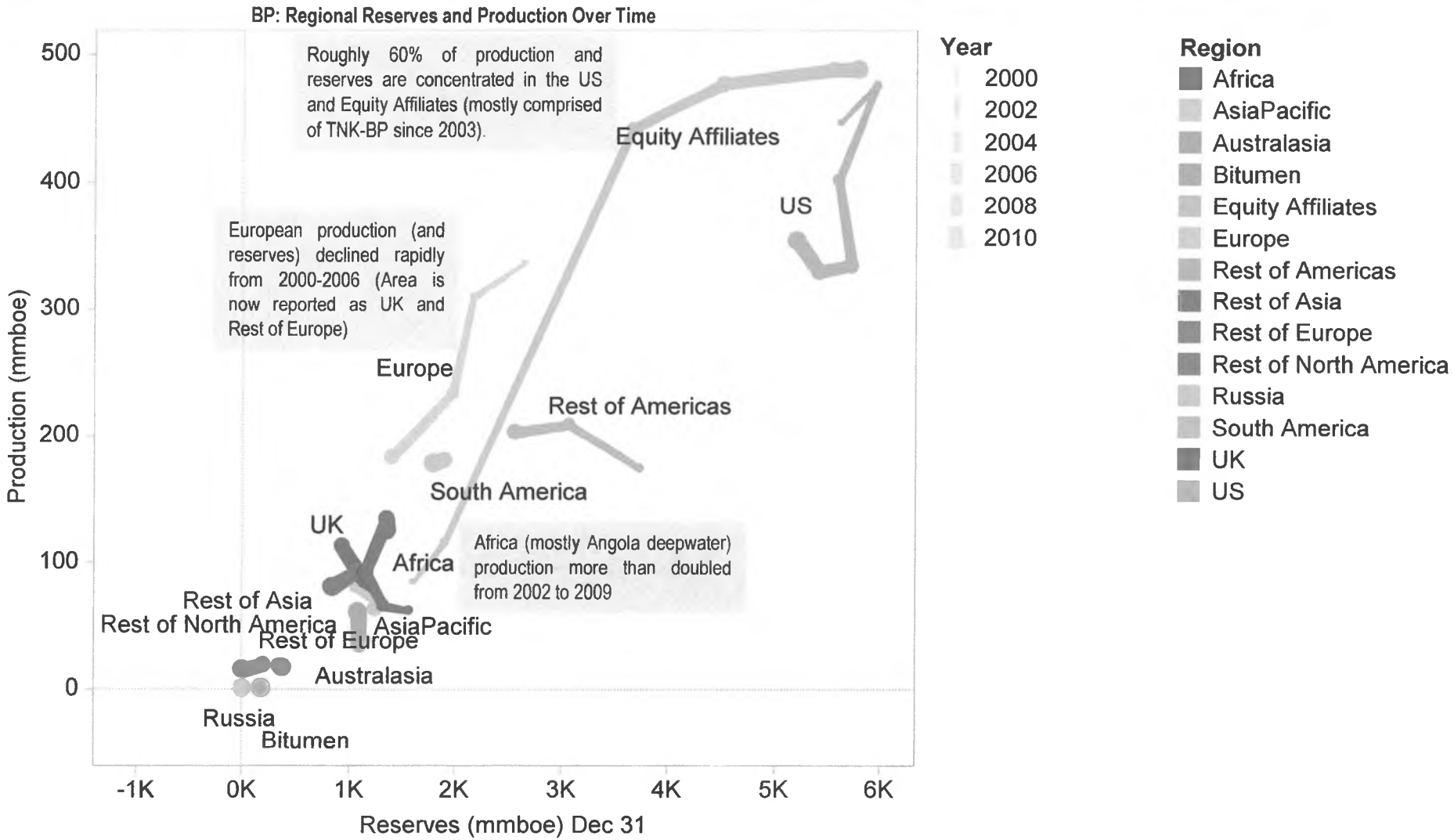
Reserves and Production: BP vis-à-vis the Competition

Reserves and Production (mmboe) 2000-2010: BP and Peers



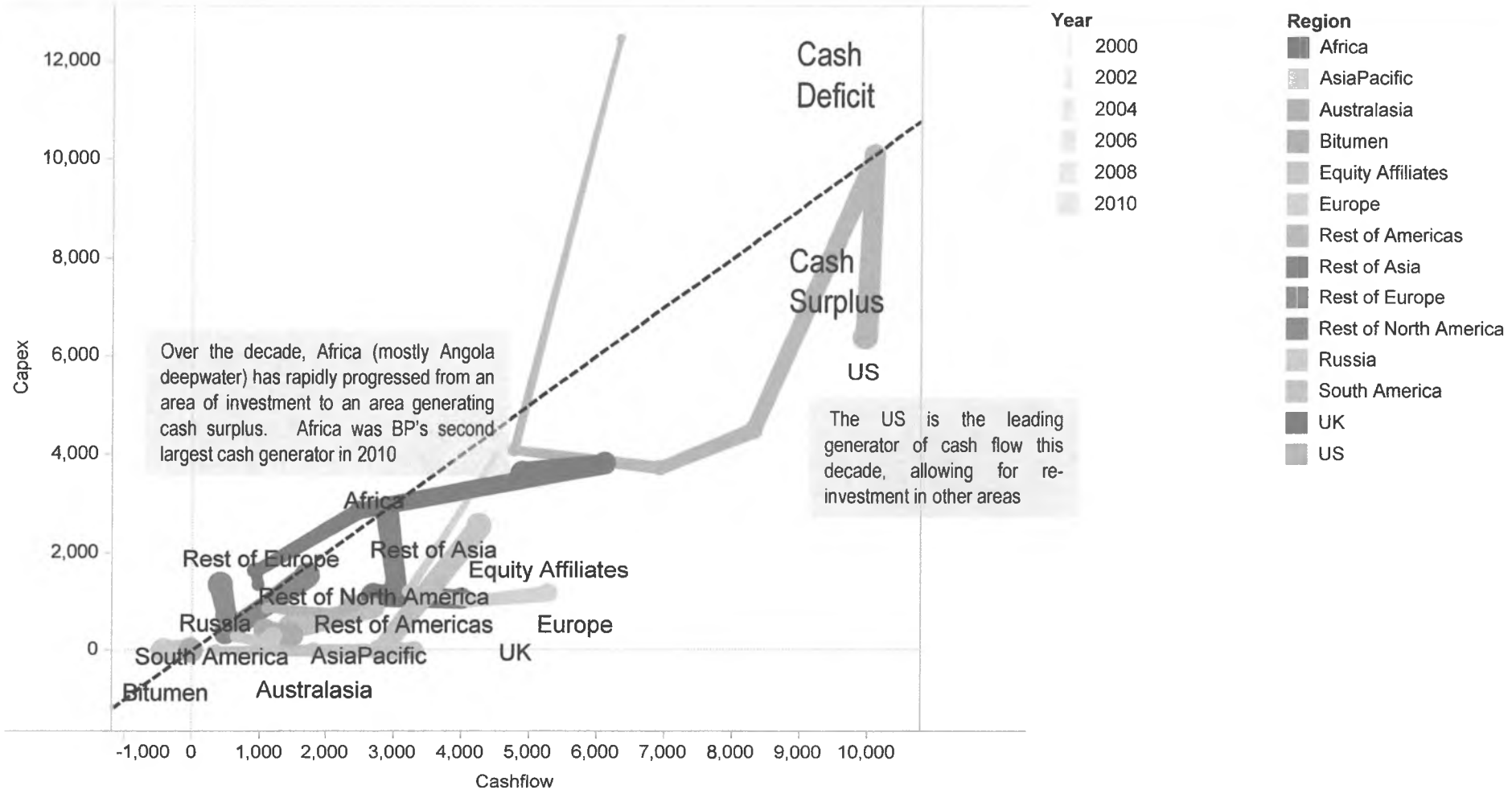
PFC Energy

Reserves and Production:
BP Intra-Portfolio Performance



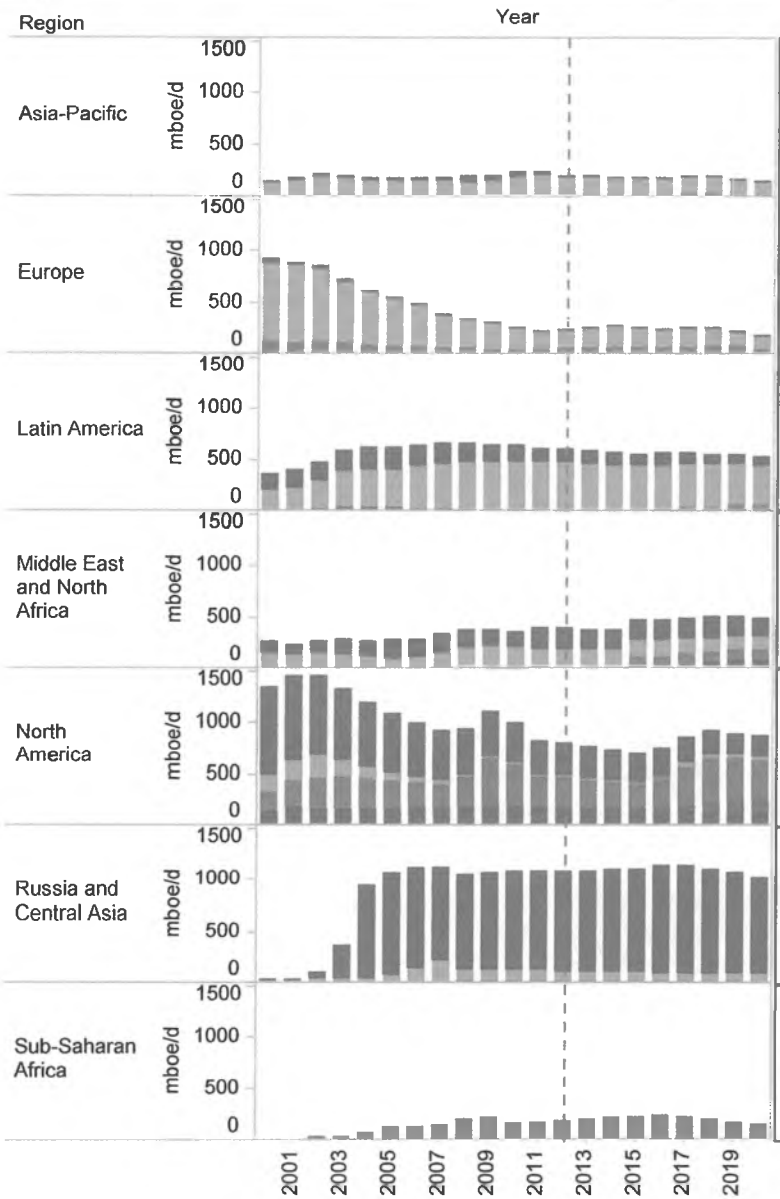
PFC Energy

How the Portfolio is Financed:
Sources and Uses of Cash



PFC Energy

Global Production:
Evolution of the Portfolio



Asia Pacific: Relatively small producing area (~6% of 2010 output). Production largely from offshore Australia and Indonesia with lesser volumes from China. Partnership with Reliance (India) creates exploration opportunities. Focus on deepwater and CBM. Divested assets in Pakistan and farmed down in Vietnam.

Europe: Mature and generally declining production position in the UK and Norway, mostly in shallow waters. Exploration and development projects are ongoing, often leveraging BP's existing infrastructure and assets in the region.

Latin America: Growth driven by shallow water gas developments in Trinidad & Tobago. Focus on onshore gas commercialization in Bolivia. Failed to sell Argentine assets (held through PAE) to Bridas in 2011. Brazil deepwater offers mid- to long-term potential from newly acquired deepwater acreage.

Middle East & North Africa: Position built from collaboration with NOCs (Adma-Opco, GUPCO, Sonatrach, LNOC, etc.). Substantial new source growth expected from Iraq, Egypt deepwater, offshore Oman. Exploration opportunities in Jordan.

North America: Second largest production region & largest cash flow generator. Deepwater GOM holds significant growth potential after years of investment. US L48 portfolio is material, yet declining, source of gas, with a growing emphasis on shale gas. Additional future growth from Canadian oil sands.

Russia & Central Asia: Principally comprised of TNK-BP venture created in 2003, now BP's largest source of production, characterized as long-life, slow decline output. In Azerbaijan, production is from large-scale ACG and Shah-Deniz. The Region is the largest source of new source volumes through 2015.

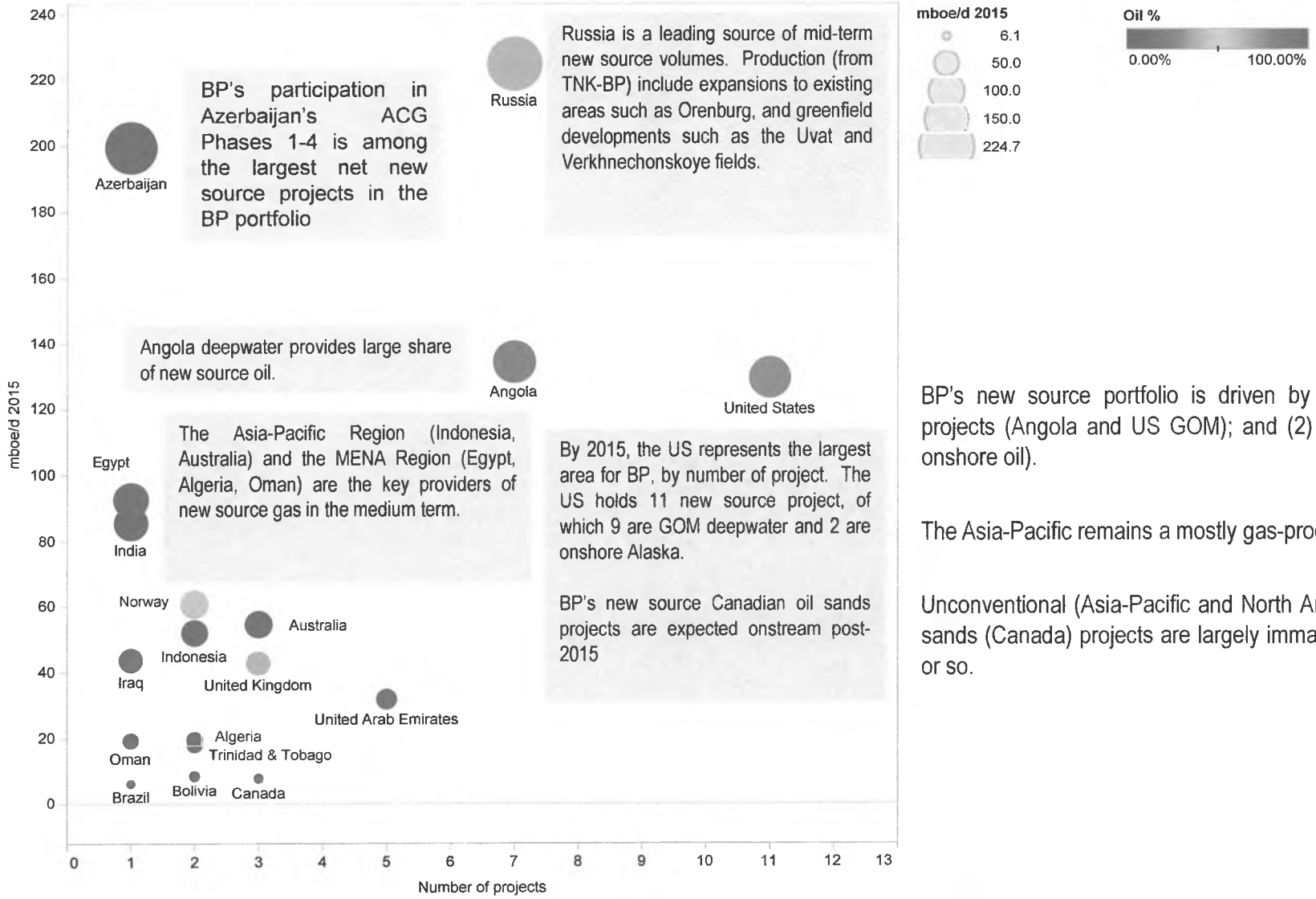
Sub-Saharan Africa: Operates only in the Angola deepwater play, which quickly emerged as a key oil-producing country. BP has collaborated with operators TOTAL (Block 17) and Chevron (Block 15). In the future, development of BP-operated blocks 31 and 18 is expected to reverse the recent decline in production.

Asset Type
- Conventional Onshore
- Conventional Shallow
- Deepwater
- Oil Sands
- Other
- Unconventional

PFC Energy

Global Production:
Country Growth Project Analysis

BP: New Source Production – Number of Projects by 2015 Production and Oil/Gas Split



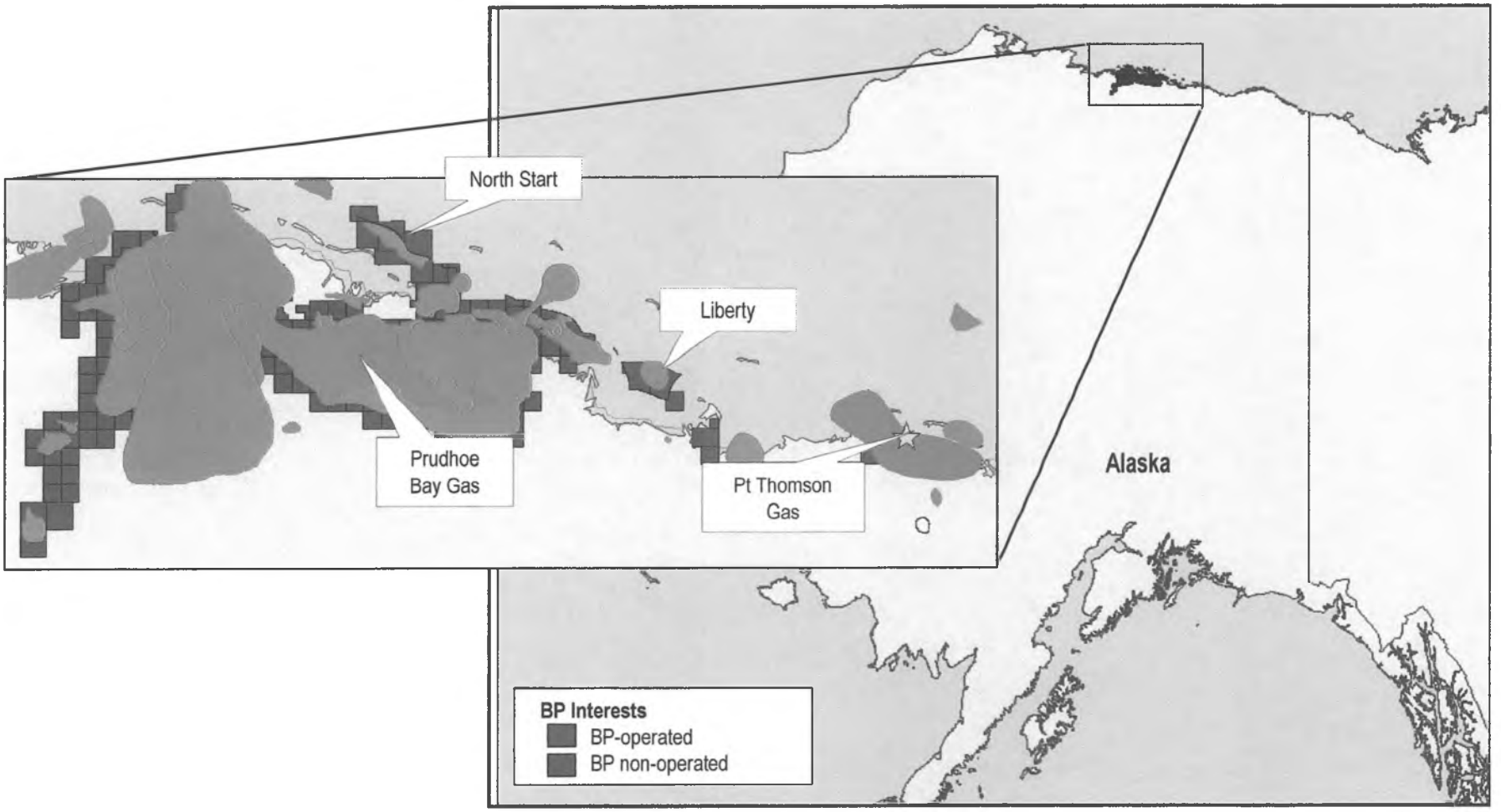
BP's new source portfolio is driven by (1) Deepwater projects (Angola and US GOM); and (2) Russia (mostly onshore oil).

The Asia-Pacific remains a mostly gas-production area.

Unconventional (Asia-Pacific and North America) and oil sands (Canada) projects are largely immaterial until 2020 or so.

PFC Energy

BP in Alaska



PFC Energy

BP Alaska Activity & PFC Energy Assessment

Alaska Designation	Activity	PFC Energy Assessment
Harvest Area	• Most of BP's assets are located on the **North Slope**, where production volumes have generally declined because of the maturity of the asset base and/or gas infrastructure constraints. Liquid production has declined from ~224 mboe/d in 2006 to ~166 mboe/d in 2010, while gas production has fallen from ~67 mmcf/d to ~46 mmcf/d over the same period. • BP's largest source of production is the **Greater Prudhoe Area** (26% w.i., operated), covering ~150,000 acres with more than 1,000 active wells. Gas resources are currently stranded because of the lack of pipeline capacity to southern markets. BP and ConocoPhillips had teamed up to propose a new natural gas pipeline (**Denali**) to run from Prudhoe Bay through western Canada to US markets. However, in May 2011, the partners announced that plans for the pipeline had been terminated, citing the lack of long-term purchase contracts. The proposed pipeline would have accommodated 4 bcf/d of natural gas. • BP and partners are moving forward with the development of gas liquids on the ~8 tcf **Point Thomson** field (32% w.i., non-operator). The gas cycling project is expected to produce ~10 mb/d of liquids; first production is targeted for 2014. Full field development awaits gas transport infrastructure. • In the **Beaufort Sea**, BP has suspended work on the extended-reach drilling program on the **Liberty** oil field (100% w.i.), pending revision of project design and schedule. • BP is also seeking to develop viscous (**Kuparuk**) and heavy (**Milne**) oil resources on the North Slope.	**Current production volumes are modest and declining, yet significant potential lies in the long-term commercialization of Prudhoe Bay and Point Thomson gas resources. Cancellation of the Denali gas pipeline proposal leaves BP as a potential supplier to an alternative pipeline-export option, should one be approved and developed.**

PFC-Identified Challenges

- Re-establish its operator profile in the global deepwater: While its competitors extend their commitments to global LNG, unconventional shale gas exploitation, and oil sands development in order to drive future portfolio growth, BP has deepened its commitment to the global deepwater play, despite the ongoing fallout from the Macondo oil spill. Expansion of its US GOM lease holdings (through the Devon portfolio acquisition), entry into the Brazil deepwater, and a material commitment to the K-G Basin deepwater play in India, together with phased field development offshore Angola and West Nile Delta in Egypt, positions BP as arguably the premier deepwater player in the Global Player peer group. BP will be under the spotlight regarding its future conduct and performance throughout the global deepwater basins.
- Resolve shareholder relationship issues within the TNK-BP JV: Accounting for ~26% of total worldwide production in 2010 (and ~36% of total worldwide oil production), the TNK-BP position is absolutely core to the BP portfolio from a volumetric perspective. However, the unsuccessful attempt to partner with Rosneft in the Russia Arctic raises concern over how much value TNK-BP can continue to create for BP. With TNK-BP now focused on international expansion, must BP settle for lower returns from what has until now been a highly lucrative position?
- Complete the portfolio rationalization process: The strength of the global asset transactions market prompted BP to expand its divestiture program from an initial $20 bn to $30 bn, divesting large swaths of its portfolio deemed non-Core and/or non-aligned with the company's growth focus. While the company did not plan on the depth of portfolio rationalization undertaken to date, this is a rare opportunity to high-grade asset holdings with the blessing of shareholders and analysts alike. BP is expecting to complete the divestiture process by end-2011.
- Determine a path forward in the Brazil deepwater: Having secured Brazil government approval to acquire the Devon asset portfolio, BP has established a foothold in the Brazil deepwater, with potentially the largest operated pre-salt portfolio outside Petrobras. The next step is to determine the appropriate approach to growth in the pre-salt play. With legislation now in place granting NOC Petrobras a minimum 30% w.i. and operatorship in all unlicensed pre-salt acreage, this may be another case of executing a strategic alliance (similar to that secured with Reliance in India and proposed with Rosneft in the Russia Arctic).
- Accelerate development of US Onshore unconventional gas resource: BP received a very competitive price for the Permian Basin and Western Canada conventional gas assets sold to Apache (totaling ~75 mboe/d of production and ~340 mmboe of reserves, equivalent to ~$24.60/boe of reserves in the ground or ~$109,000/flowing boe of production). This is particularly so given what is shaping up to be an extended period of gas price weakness in the North America market. To make up for lost volumes, BP may look to accelerate production from its ~10 tcf of reserves in the Woodford, Fayetteville, Haynesville, and Eagle Ford shale gas plays.
- Accelerate development of BP's oil sands leases: BP has built up a material oil sands lease portfolio in Western Canada, including 50% w.i. in the Sunrise in situ development project (sanctioned in November 2010), a 75% w.i. in the Terre de Grace in situ project (secured in March 2010 from Value Creation for ~$900 mn), and 50% w.i. in the Kirby in situ oil sands leases (with the other 50% divested to Devon in March 2010). Full development of these projects could represent 500-600 mbo/d of stable, long-life oil production, complementing the "Giant Oil Fields" growth platform and providing a portfolio buffer against the steep decline production profiles associated with deepwater developments.

ConocoPhillips: Company Overview

Strategic Signature

- Following two years of corporate net income losses, steep decline in its share price, and a persistently high debt-to-capital ratio, in March 2010 ConocoPhillips announced a new strategic pathway, directing proceeds from a ~$15 bn asset and joint venture divestment program to reduce its debt-to-capital position, increase near-term shareholder returns, shift further out of the downstream, and position the company for future growth from a smaller but higher-value portfolio position.
- Since the announcement of the 2010-2012 Restructuring Plan, ConocoPhillips has executed on ~$7 bn in asset sales, divested its entire 20% equity interest in LUKOIL, and directed proceeds from these sales to debt reduction and share repurchase. In July 2011, ConocoPhillips announced the next step in its restructuring: the creation of two separate corporate entities, Downstream and a pure play, E&P.
- With production in 15 countries and upstream operations in an additional 7 countries, ConocoPhillips' most recent guidance suggests production reaching a low of ~1.5 mmboe/d in 2012, recovering to 1.64-1.69 mmboe/d by 2015. The company will rely on a large, diversified upstream portfolio positioned heavily in OECD countries (namely the US, Canada, Australia, UK, and Norway, which accounted for ~72% of worldwide production in 2010).
- Growth of 0.5% per annum from 2012 through 2015 is forecast to come from Global Gas/LNG, SAGD Oil Sands, and Unconventional developments. However, as ConocoPhillips now stands to compete with the Independent, non-integrated oil & gas companies, the company's future strategy remains uncertain.

Company Overview

- **HQ:** Houston, TX
- **Employees:** 29,600
- **2010 Reserves:** 8,310 mmboe
- **2010 Production:** 2,078 mboe/d
- **3 Yr Production Growth:** -3.7% CAGR (2007-2010)
- **Nov 2011 Market Cap:** $96.1 bn
- **Nov 2011 P/E Ratio:** 9.27
- **2010 Corp Revenue:** $189 bn
- **2011 Upstream Capex (Est.):** $12 bn

Technological Competence

EOR & Recovery	Offshore	Heavy Oil	Unconven-tionals	Oil Sands	Other
✓	✓		✓	✓	

Partnership History

Date	Partner	Region (or Country)	Type
2003	LUKOIL	Russia	Various
2006	Cenovus	Canada	Oil Sands
2008	Origin Energy	Australia	LNG

PFC Energy

ConocoPhillips: Global Areas of Upstream Operations



Country	Liquids (mboe/d)	Gas (mboe/d)
USA L48	142	279
USA Alaska	230	14
USA GOM	18	3
Russia	336	42
Canada	109	164
United Kingdom	74	101
Norway	137	35
Indonesia	17	232
Australia/ Timor Sea	31	58
China	68	0
Libya	46	1
Nigeria	20	24
Vietnam	24	2
Algeria	13	0
Qatar	3	9

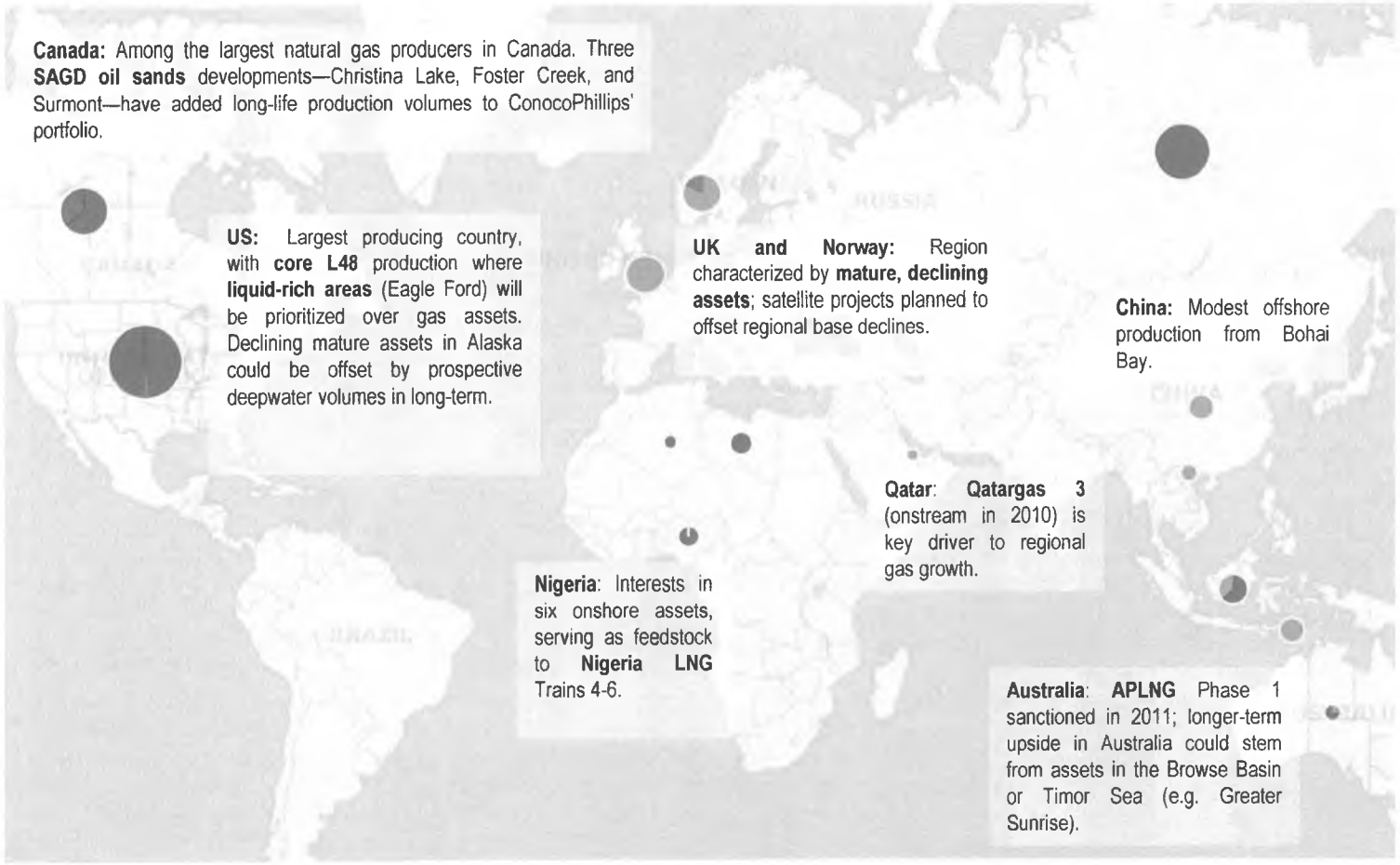
Country	Liquids (mboe/d)	Gas (mboe/d)
Angola	0	0
Bangladesh	0	0
Brunei	0	0
Greenland	0	0
Kazakhstan	0	0
Malaysia	0	0
Poland	0	0
Peru	0	0

Core
New Venture
Focus
Harvest
Exit

PFC Energy

ConocoPhillips Global Production Portfolio - 2010

Russia: LUKOIL sale leaves ConocoPhillips with modest production from its two joint ventures in Russia (Polar Lights Company and Naryanmarneftegaz). Regional production is forecast to drop from 21% of worldwide production in 2009 to a projected 3% in 2011.



Canada: Among the largest natural gas producers in Canada. Three **SAGD oil sands** developments—Christina Lake, Foster Creek, and Surmont—have added long-life production volumes to ConocoPhillips' portfolio.

US: Largest producing country, with **core L48** production where **liquid-rich areas** (Eagle Ford) will be prioritized over gas assets. Declining mature assets in Alaska could be offset by prospective deepwater volumes in long-term.

UK and Norway: Region characterized by **mature, declining assets**; satellite projects planned to offset regional base declines.

China: Modest offshore production from Bohai Bay.

Qatar: **Qatargas 3** (onstream in 2010) is key driver to regional gas growth.

Nigeria: Interests in six onshore assets, serving as feedstock to **Nigeria LNG** Trains 4-6.

Australia: **APLNG** Phase 1 sanctioned in 2011; longer-term upside in Australia could stem from assets in the Browse Basin or Timor Sea (e.g. Greater Sunrise).

Algeria: Onshore oil field production; additional volumes from El Merk (EMK) expected for 2012 start-up.

Libya: Legacy onshore Waha concession; above ground conflict will delay new source oil projects.

mboe/d

0
500
1,000
1,345

Asset Type

- Conventional Onshore
- Conventional Shallow
- Deepwater
- Oil Sands
- Other
- Unconventional

Vietnam: Continued development of mature Cuu Long Basin; **potential divestment target**.

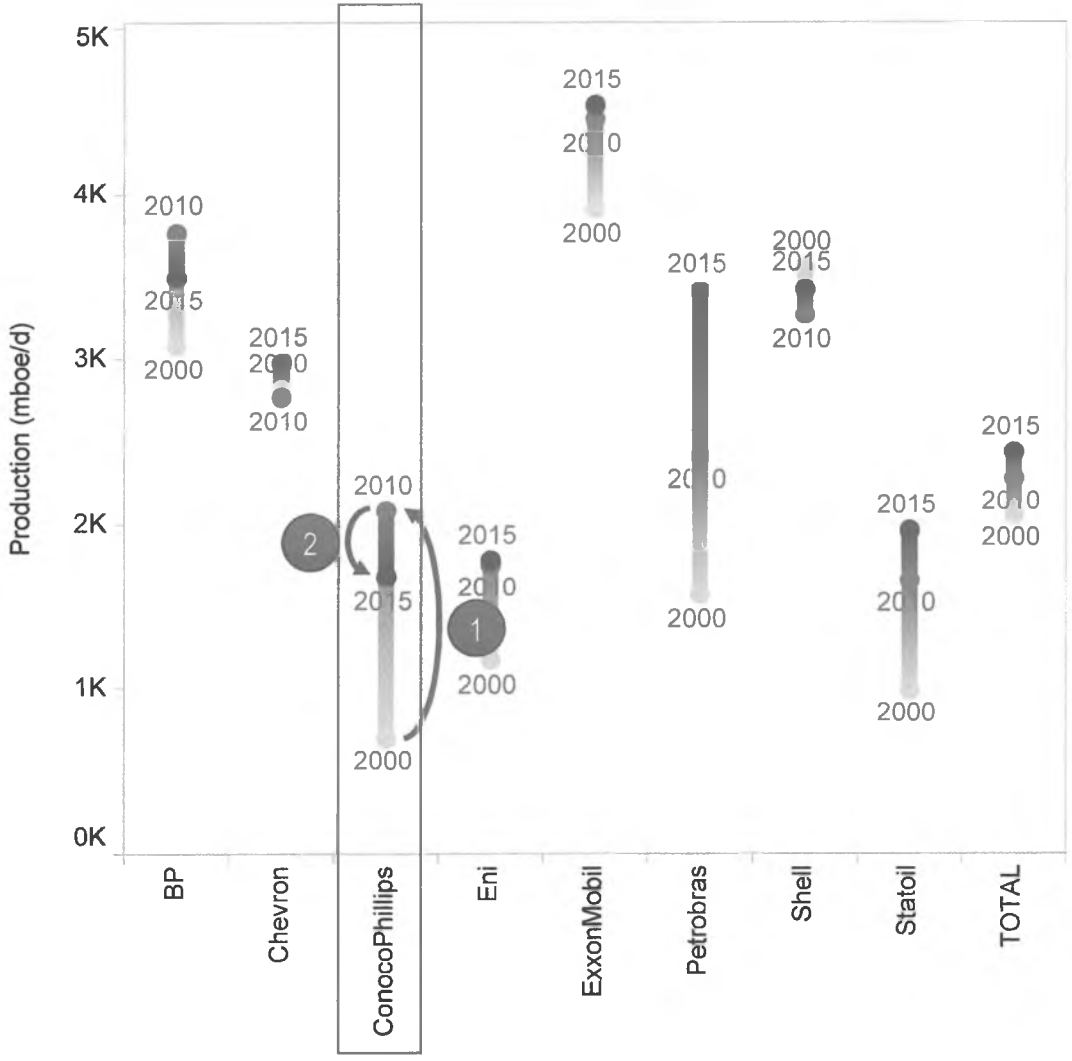
Malaysia: Development of **deepwater** fields (Gumusut-Kakap and Kebabangan) will bring Malaysia into ConocoPhillips' producing country portfolio.

Indonesia: Largest contributor to Asia-Pacific production; ongoing development of **Corridor PSC** and **South Natuna Block B**.

PFC Energy

Total Portfolio Evolution:
ConocoPhillips vis-à-vis the Competition

Production (mboe/d) in 2000, 2010 and 2015 (PFC Forecast): ConocoPhillips and Peers



ConocoPhillips' 2010-2012 Restructuring Plan will see the company become the largest of the Independent, non-integrated international oil & gas companies, compared to its former position as the third-smallest of PFC Energy's expanded Global Player peer group.

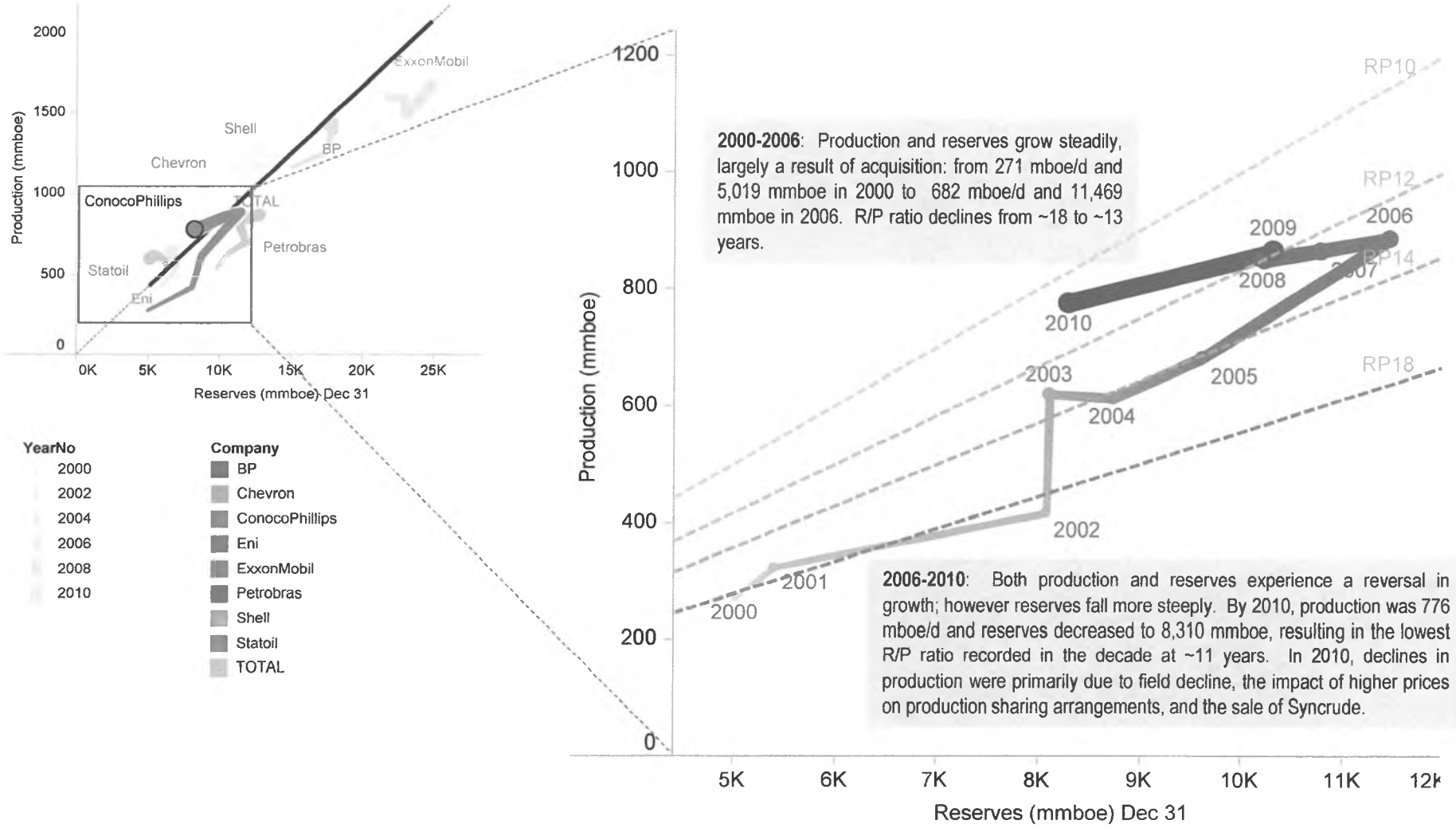
1. **2000-2010:** Production increases largely driven by the merger of Conoco and Phillips in the beginning of the decade (growing volumes from 698 mboe/d in 2000 to 1,082 mboe/d in 2002) and the Burlington Resources purchase in 2006 (growing volumes from 1,824 mboe/d in 2005 to 2,358 mboe/d in 2006). The gradual acquisition of a 20% stake in LUKOIL was a key driver to mid-decade growth.

2. **2011-2015:** ConocoPhillips's production is expected to decline from 2010-2015, due to the company's intensive asset divestiture program (the initial ~$15 bn asset and joint venture divestment program was expanded in 2011 when ConocoPhillips announced it would shed an additional $5 bn-$10 bn in non-Core assets by end-2012). Volumes are forecast to decline from ~2,078 mboe/d in 2010 to ~1,674 mboe/d in 2015.

PFC Energy

Reserves and Production:
ConocoPhillips vis-à-vis the Competition

Reserves and Production (mmboe) 2000-2010: ConocoPhillips and Peers

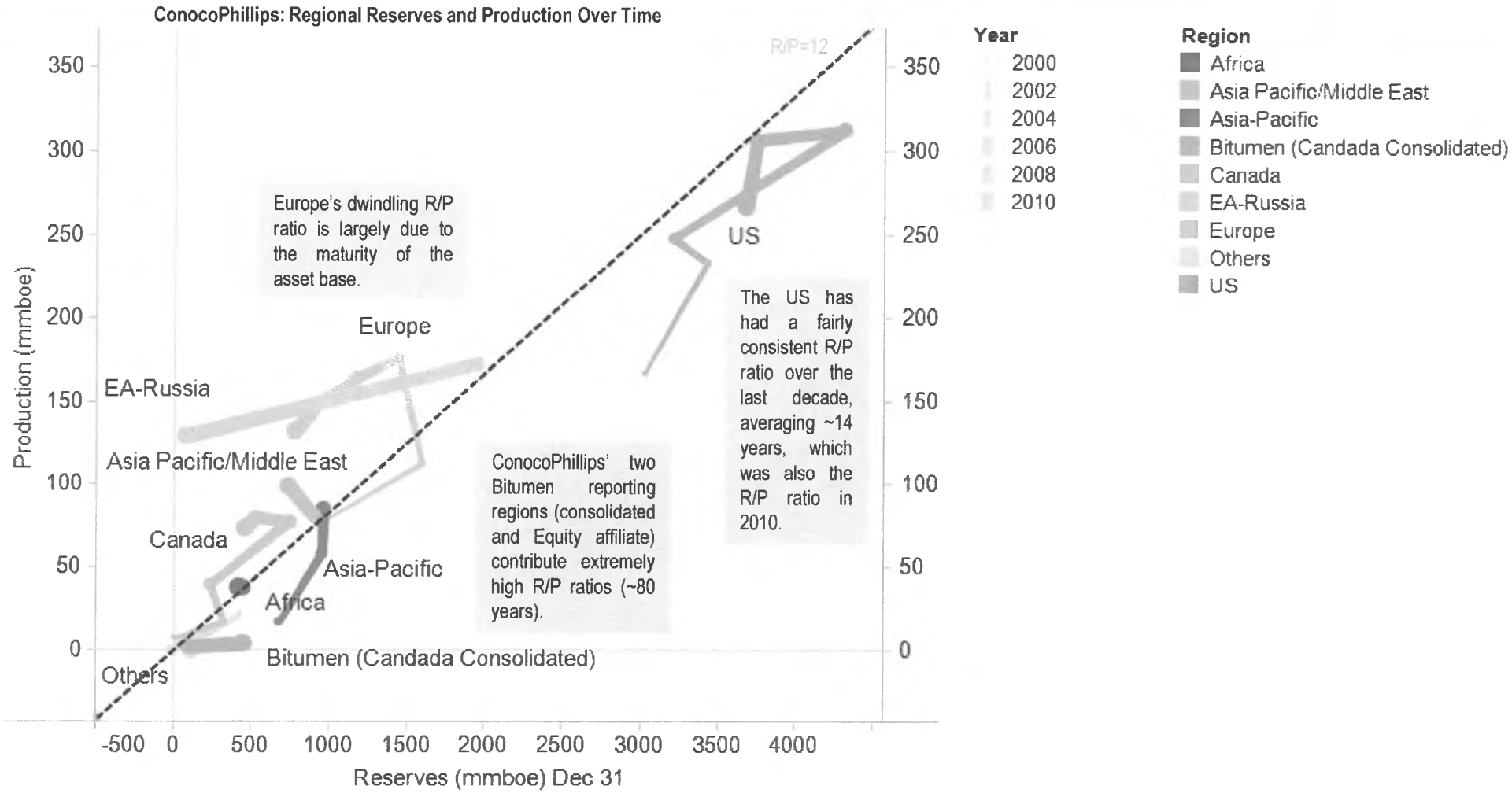


2000-2006: Production and reserves grow steadily, largely a result of acquisition: from 271 mboe/d and 5,019 mmboe in 2000 to 682 mboe/d and 11,469 mmboe in 2006. R/P ratio declines from ~18 to ~13 years.

2006-2010: Both production and reserves experience a reversal in growth; however reserves fall more steeply. By 2010, production was 776 mboe/d and reserves decreased to 8,310 mmboe, resulting in the lowest R/P ratio recorded in the decade at ~11 years. In 2010, declines in production were primarily due to field decline, the impact of higher prices on production sharing arrangements, and the sale of Syncrude.

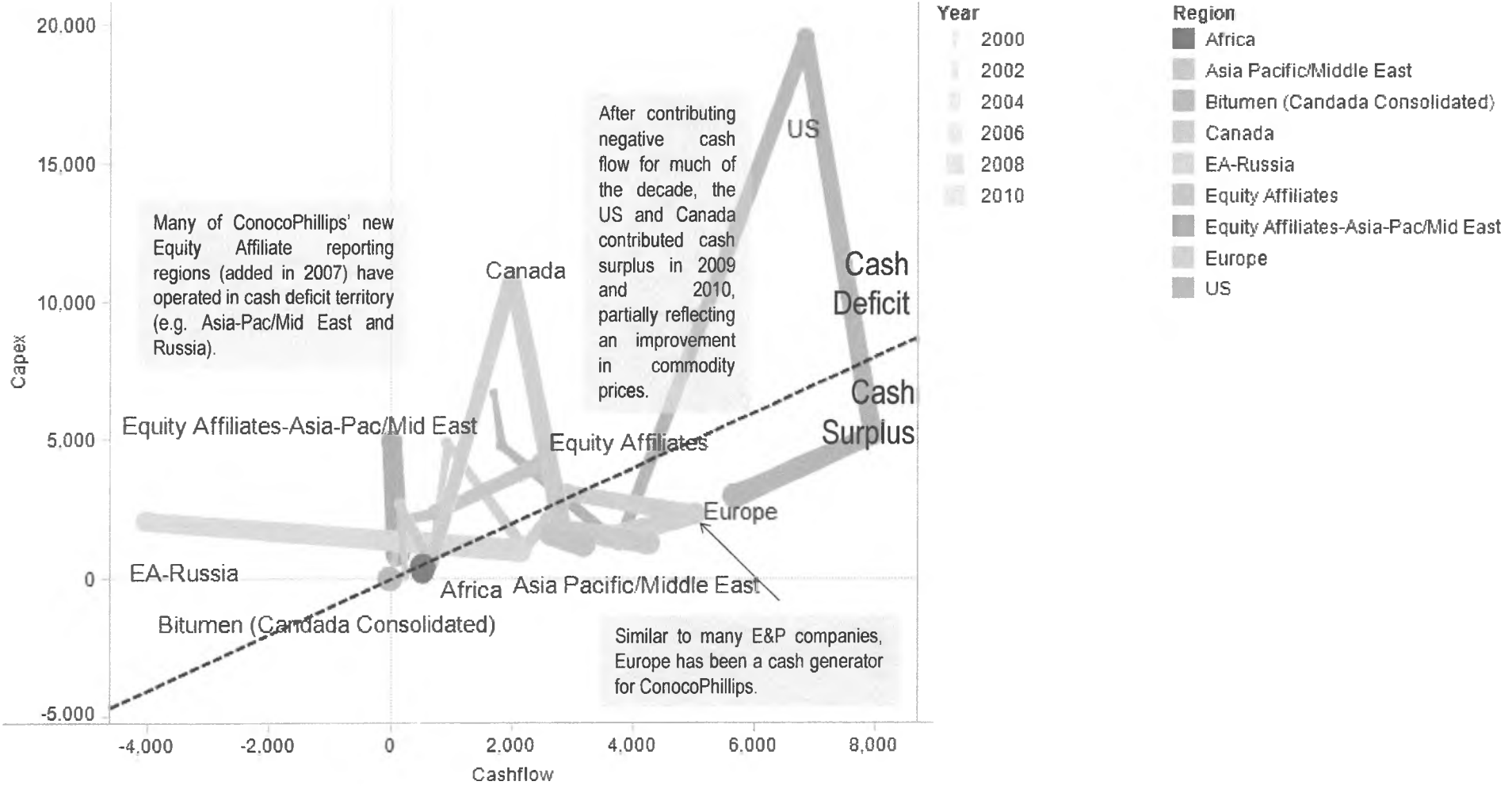
PFC Energy

Reserves and Production:
ConocoPhillips Intra-Portfolio Performance



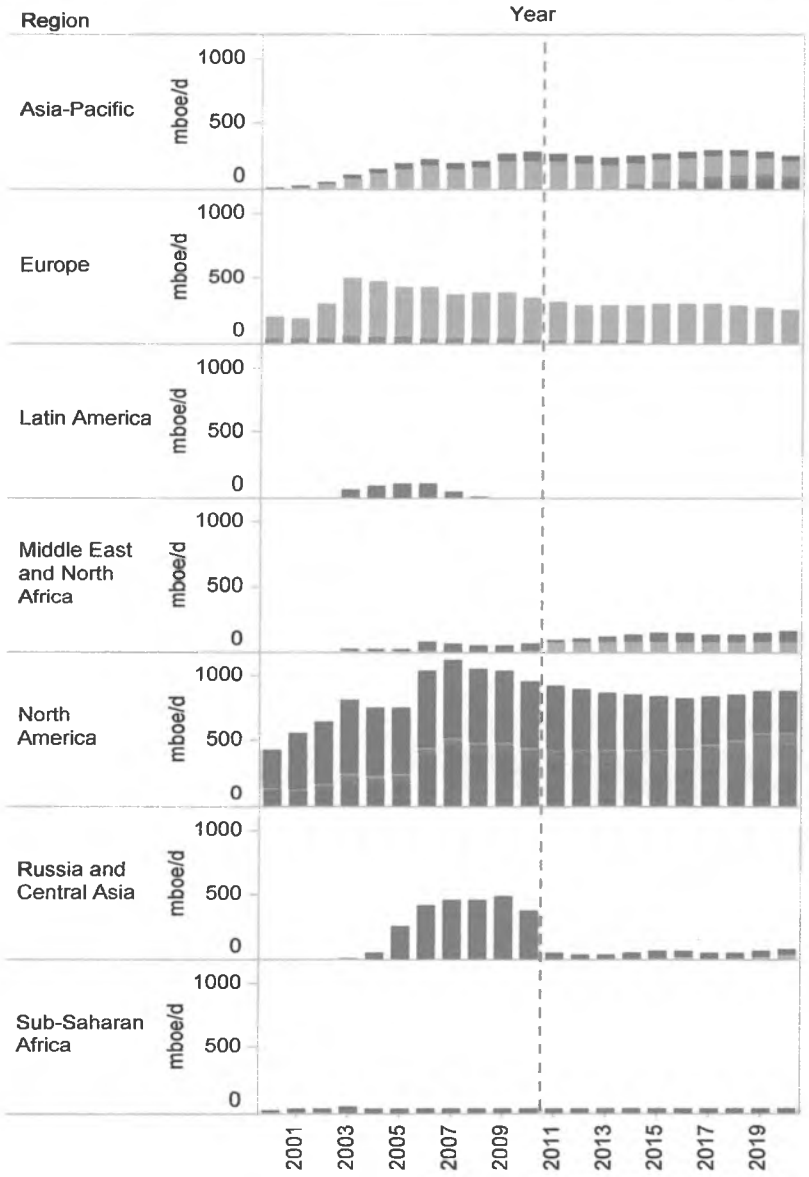
PFC Energy

How the Portfolio is Financed: Sources and Uses of Cash



PFC Energy

Global Production:
Evolution of the Portfolio



Asia Pacific: Project queue 14 projects deep makes Asia-Pacific the largest development pipeline in all of ConocoPhillips' portfolio. Region estimated to occupy 20% of 2011 upstream capex. New projects in both legacy countries (Indonesia, Vietnam) are being complimented by start ups in Malaysia (Gumusut-Kekap, Kebabangan) and Australia (APLNG).

Europe: Mature and generally declining production position in the UK and Norway, mostly in shallow waters. Satellite projects poised to somewhat offset base declines.

Latin America: After reaching historic peak production in 2005, volumes fell to zero in 2009. The Latin America portfolio, largely acquired through the Burlington transaction, has never been a material part of ConocoPhillips' global operations. With no new volumes anticipated in the portfolio, a complete exit from the region could be likely.

Middle East & North Africa: Future growth is largely tied to the Qatargas 3 LNG project and El Merk (EMK) in Algeria. Longer-term growth is poised to stem from Libya (as yet unsanctioned joint NC 98 and North Gialo developments) assuming a timely re-commencement of upstream activities.

North America: Largest production region & cash flow generator. New growth initiatives focus on exploitation of Eagle Ford shale liquids and Canadian oil sands (Christina Lake, Foster Creek, and Surmont), which are projected to reverse the decline in Canadian production by 2014 and deliver medium- and long-term volume growth.

Russia & Central Asia: LUKOIL sale leaves ConocoPhillips with only modest production from its two joint ventures in Russia and few growth opportunities within the remaining portfolio. The sole growth asset is an 8.4% stake in the Kashagan field, which continues to face major challenges.

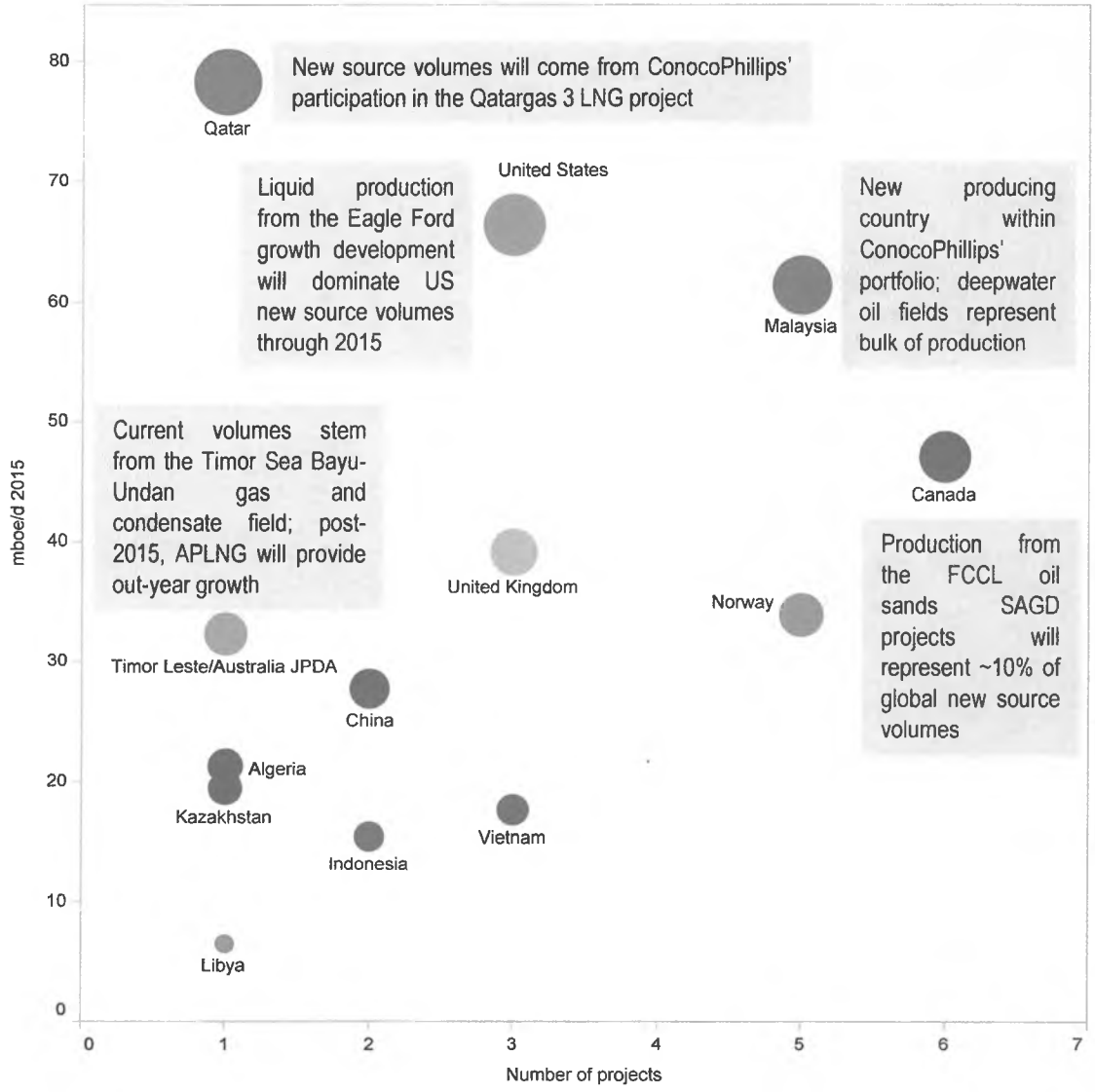
Sub-Saharan Africa: Onshore assets serve as feedstock to Nigeria LNG Trains 4-6. Longer-term upside tied to feedstock for the yet-to-be-sanctioned Brass LNG plant, while 2011 re-positioning in Angola could provide exploration opportunities critical to securing new source ventures for long-term growth.

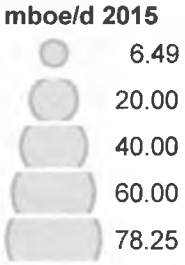
Asset Type
- Conventional Onshore
- Conventional Shallow
- Deepwater
- Oil Sands
- Other
- Unconventional

PFC Energy

Global Production:
Country Growth Project Analysis

ConocoPhillips: New Source Production – Number of Projects by 2015 Production and Oil/Gas Split





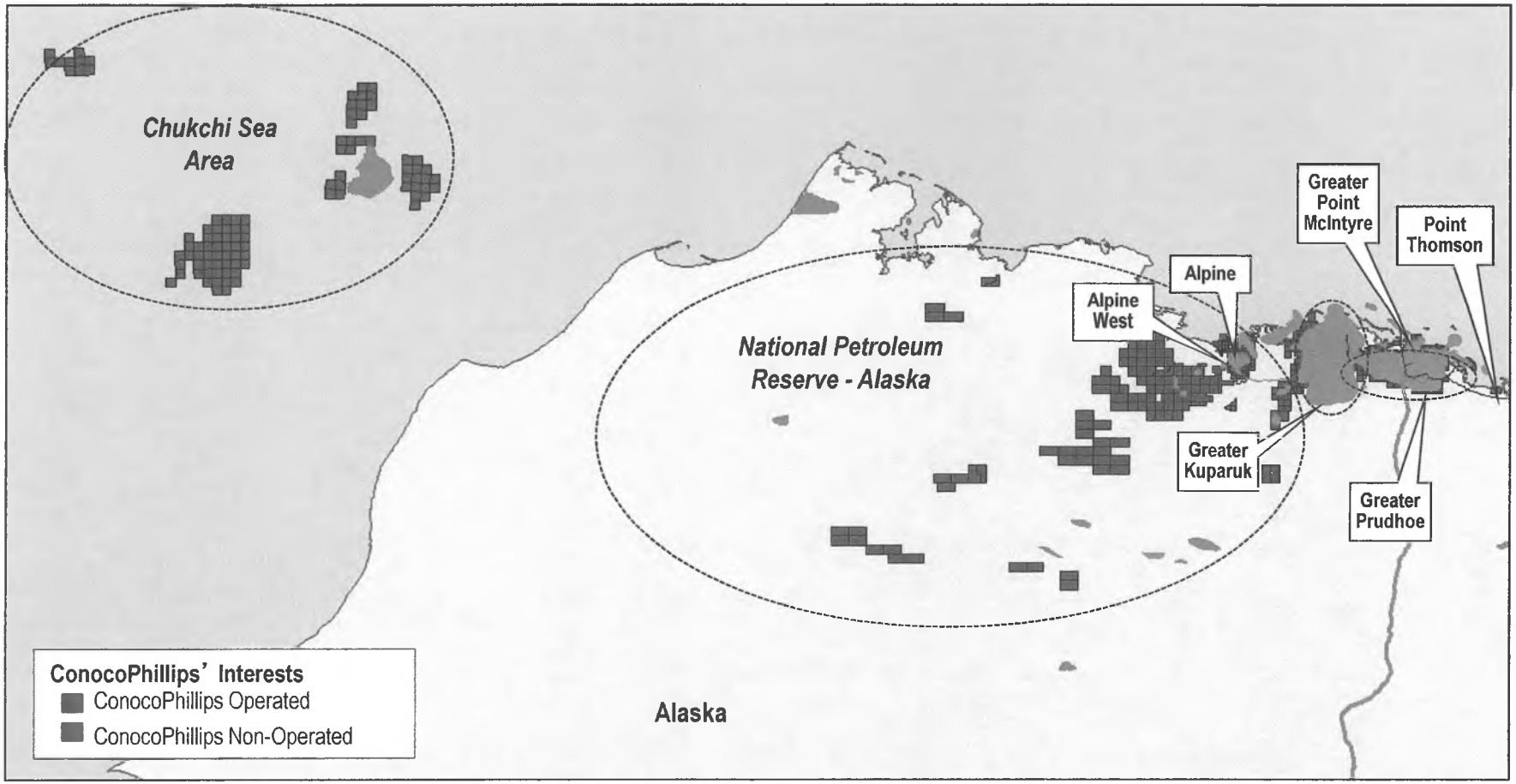


ConocoPhillips's new source portfolio is driven by (1) Shallow water gas production (Qatar); (2) Canadian SAGD Oil Sands Developments; and (3) US Unconventional production (Eagle Ford).

Deepwater projects, sourced mainly from the Asia-Pacific region (Malaysia) and the US GOM deepwater (mostly non-operated positions), will ramp up steadily over the decade; by 2020 deepwater is poised to represent 7% of global volumes (compared to ~2% in 2010).

PFC Energy

ConocoPhillips in Alaska – North Slope



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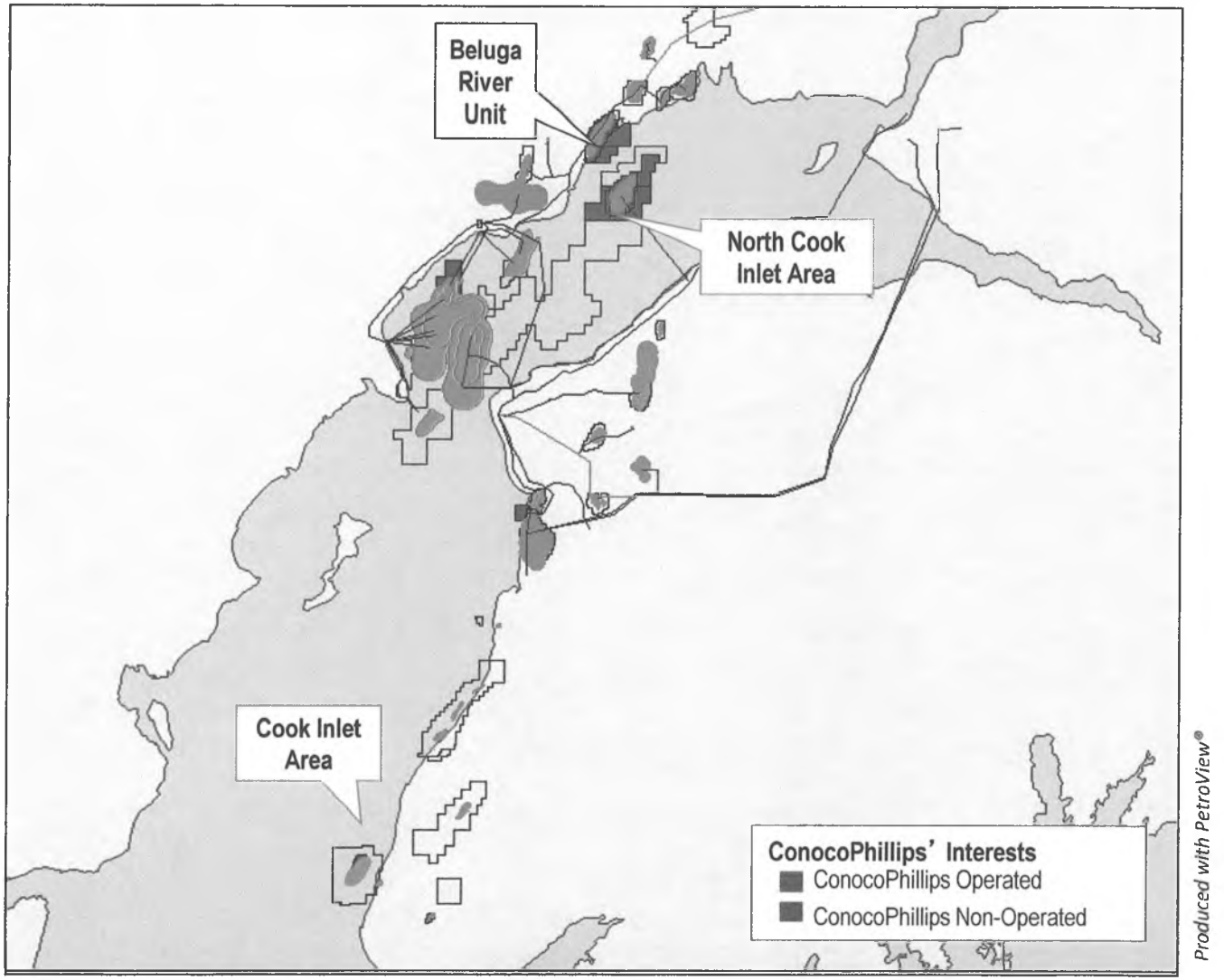
PFC Energy

ConocoPhillips in Alaska – Cook Inlet

ConocoPhillips' Interests in the Cook Inlet (Alaska)



PFC Energy

ConocoPhillips **Alaska Activity & PFC Energy Assessment**

Alaska Designation	Activity	PFC Energy Assessment
Core Area	• ConocoPhillips' assets in Alaska are legacy assets acquired from Arco Alaska in 2000 and include the Greater Prudhoe Area, Greater Prudhoe Bay Area, Greater Kuparuk Area, Western North Slope, and Cook Inlet Area. The company's largest producing area in Alaska is the Greater Prudhoe Area, a collection of mature, long-life fields. Production from the mature Alaska portfolio has been in slow decline since 2004. In 2010, net production from Alaska averaged 230 mb/d of oil and 82 mmcf/d of gas, accounting for ~21% of US production. • ConocoPhillips and BP have been joint proponents of the **Alaska Gas Pipeline** (or **Denali Pipeline**), intended to accelerate commercialization of Prudhoe Bay gas through Western Canada and into US markets. In 2010, the partners officially withdrew their support for the proposed project, in response to continued US gas price weakness and absence of buyer commitments. This places substantial uncertainty around further commercialization of ConocoPhillips' Alaska gas resources. • Activity in the ConocoPhillips-operated Greater Kuparuk Area (GKA), has recently focused on development of viscous oil resources. The GKA, located 40 miles west of Prudhoe Bay on the North Slope, includes the Kuparuk field and its satellites: West Sak, Tarn, Tabasco, Meltwater, and Palm. Heavy oil resources **West Sak** and **Ugnu** (52.2% w.i., operated) are potential projects currently in the appraisal phase. Expected gross peak production is ~23 mboe/d.	As Alaska's largest oil and gas producer, ConocoPhillips holds a leading position in the region. Although the company continues to target smaller projects within the GKA (West Sak and Ugnu) and NPR-A (Alpine West, Greater Moose's Tooth unit and Fiord West), ConocoPhillips will ultimately need expanded access to Asia gas markets in order to reverse the downward production trend in Alaska.

COP Alaska Activity & PFC Energy Assessment

Alaska Designation	Activity	PFC Energy Assessment
Core Area	• In the Western North Slope, ConocoPhillips faces regulatory challenges surrounding project development in the NPR-A region. In order to offset declines at the **Alpine** field (78% w.i., operated) and its three satellites, Nanuq, Fiord, and Qannik, ConocoPhillips is exploring development of additional satellite fields in the adjacent NPR-A, an area that requires distinct permit approval. **Alpine West** (or **CD-5**), a proposed Alpine satellite project, has been significantly delayed due to local opposition and regulatory barriers. Most recently, in early 2010, the U.S. Army Corps of Engineers denied a permit for a bridge that would provide access to the CD-5 site, a move that will further delay the project (originally planned for 2012) and several additional developments that would depend on the infrastructure. Other possible projects on the NPR-A include the **Greater Moose' s Tooth** unit and **Fiord West**, which are both in appraisal phases. • While ConocoPhillips has three primary gas fields in the Alaska region–the North Cook Inlet, Beluga River, and Point Thomson–**Point Thomson** (5% w.i., non-operated) remains the only potential new source development. In 2010, development activities continued with the drilling of two appraisal wells. First production of gas liquids is anticipated in 2014. Longer-term growth potential lies in commercialization of the gas reserves, which is in turn dependent on construction of a long-distance gas trunk line. • In 2010, ConocoPhillips and Statoil engaged in an asset swap wherein ConocoPhillips sold a 25% w.i. in 50 of its **Chukchi Sea** leases to Statoil in exchange for financial payment and a 50% w.i. interest in 16 Statoil-operated Gulf of Mexico leases, as well as Statoil' s 25% w.i. in five additional GOM leases already operated by ConocoPhillips. All of the involved GOM blocks are in the emerging Lower Tertiary play. ConocoPhillips plans to begin exploratory drilling on its Chukchi acreage in 2013.	

PFC-Identified Challenges

- Competing as a "Pure Play" E&P Company: The separation of ConocoPhillips into two, stand-alone Upstream and Downstream entities is scheduled to be finalized in 1H:2012. The ~85% of total portfolio value residing in E&P assets will thereby become the largest "pure play" E&P Independent, a competitor landscape position the company held uncomfortably prior to the Burlington Resources acquisition in 2006. Can ConocoPhillips Upstream compete successfully in the Independent's space by delivering either leading shareholder returns or leading production growth? Or has it simply re-established its original dilemma—too large to compete with the faster moving International Independents, and too small to compete with the Global Players? And if so, does it survive?
- Re-Establishing a Value Proposition: ConocoPhillips' new strategic focus on Sustained Value Generation is intended to re-establish the company's competitive advantage in the E&P space. In the near-term, the 2010-2013 Restructuring Plan will deliver a smaller company with limited medium-term production growth and improved, but unlikely to be leading, ROCE and financial performance. Clearly, the cannibalization of the company's assets and recycling of proceeds to shareholders in order to shore up share valuation and total shareholder returns is a stop-gap strategy at best. Given continuing financial and operational challenges (ROCE, production cost, upstream net income, etc.), ConocoPhillips may struggle to deliver a value proposition that will compete successfully in either the Global Player or International Independents peer group.
- Improving Operational Performance: While showing improvement in finding and development costs, ConocoPhillips ranks at or near the bottom of the expanded Global Players peer group in net income/boe, production costs/boe, and Upstream ROCE. The current portfolio high-grading has already delivered Upstream ROCE improvement (from 7% in 2009 to 10% in 2010) and should deliver improvement in operational metrics; both Syncrude and the LUKOIL holdings were arguably underperforming positions. With long lead time, large scale, capital intensive developments like Qatargas 3, Jasmine, Kashagan Phase 1, and Surmont poised to deliver material production and cash flow, ConocoPhillips should see the flow-through benefits in terms of more competitive ROCE and operational metrics.
- Delivering Production Growth: The share repurchase program accompanying portfolio rationalization under the Restructuring Plan is projected to deliver ~3% growth in per share production in 2010 and 2011. However, physical volumes will decline in absolute terms over the 2010-2011 period—by ~208 mboe/d in 2010 from 2009 levels, and a further ~360 mboe/d in 2011 from 2010. The only region poised to deliver higher production volumes in 2020 versus 2010 is the relatively minor MENA region, projected to reach ~177 mboe/d in 2020 versus 72 mboe/d in 2010. New source volumes in Canada and the North Sea will struggle to offset mature asset declines, delivering flat production in the core North America and Europe regions, while the LUKOIL sell-down will dampen what was once considered a core driver of future growth for the company. While boasting a 10 bn boe resource base, it is not clear how ConocoPhillips will deliver the promised surge in organic growth over the 2015-2020 period from its captured portfolio—although the enhanced capex spend in the Eagle Ford play is a good starting point. Barring a material acquisition (certainly not out of the question), the company will be looking to its exploration portfolio to deliver a medium term "engine of growth".

ExxonMobil: Company Overview

Strategic Signature

- ExxonMobil is the largest global integrated company (volumes averaged ~4,450 mboe/d in 2010), with production in 21 countries and upstream operations in an additional 20 countries.
- ExxonMobil has long adhered to a growth strategy based on scale, basin dominance, and execution excellence, which has required the company to seek continuous access to investment opportunities of adequate size and materiality.
- In 2010, faced with the commissioning of the final elements of the company's Qatar project portfolio (the final four approved LNG trains at RasGas and Qatargas, and Phase 2 of the Al Khaleej gas project), declining production in Europe and Asia-Pacific, and already holding a considerable stake in the Canadian oil sands, ExxonMobil took an aggressive move into unconventional shale gas exploitation.
- The 2009 acquisition of XTO Energy brings materiality to ExxonMobil's technical expertise in tight gas, CBM, and shale oil and gas exploitation, with ~2.3 bcf/d and 87 mboe/d of production, proved reserves of ~2.3 bn boe, and a resource base of 7.5 bn boe. From a position of basin dominance in the US Onshore, ExxonMobil will seek to build a global unconventional portfolio; as such, the company has already begun purchasing prospective acreage in Argentina, Germany, Poland, Indonesia, and, most recently, China.
- Largely a result of the acquisition, ExxonMobil recorded a 13% increase in production in 2010 over 2009. The company will seek growth of 4-5% per annum over the 2009-2014 period.

Company Overview

- **HQ:** Irving, Texas
- **Employees:** 83,600
- **2010 Reserves:** 24,809 mmboe
- **2010 Production:** 4,447 mboe/d
- **3 Yr Production Growth:** 2.2% CAGR (2007-2010)
- **Nov 2011 Market Cap:** $386 bn
- **Nov 2011 P/E Ratio:** 9.71
- **2010 Corp Revenue:** $370 bn
- **2011 Upstream Capex (Est.):** ~$28 bn

Technological Competence

EOR & Recovery	Offshore	Heavy Oil	Unconven-tionals	Oil Sands	Other
✓	✓		✓	✓	✓

Partnership History

Date	Partner	Region (or Country)	Type
2011	Sinopec	China	Unconventional
2011	Rosneft	Russia	Offshore Oil & Gas

ExxonMobil has a limited history of partnership, preferring instead to purchase and operate material positions independently

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ExxonMobil: Global Areas of Upstream Operations

Country	Liquids (mboe/d)	Gas (mboe/d)
Qatar	232	644
USA	408	433
Nigeria	391	2
Norway	246	117
Netherlands	0	340
Canada	242	86
UAE	246	0
United Kingdom	80	92
Kazakhstan	127	24
Angola	141	0
Malaysia	48	86
Australia	51	55
Germany	0	91
Equatorial Guinea	53	0
Russia	43	8
Indonesia	13	36
Chad	43	0
Azerbaijan	21	0
Argentina	0	9
Papua New Guinea	7	0
Thailand	0	4



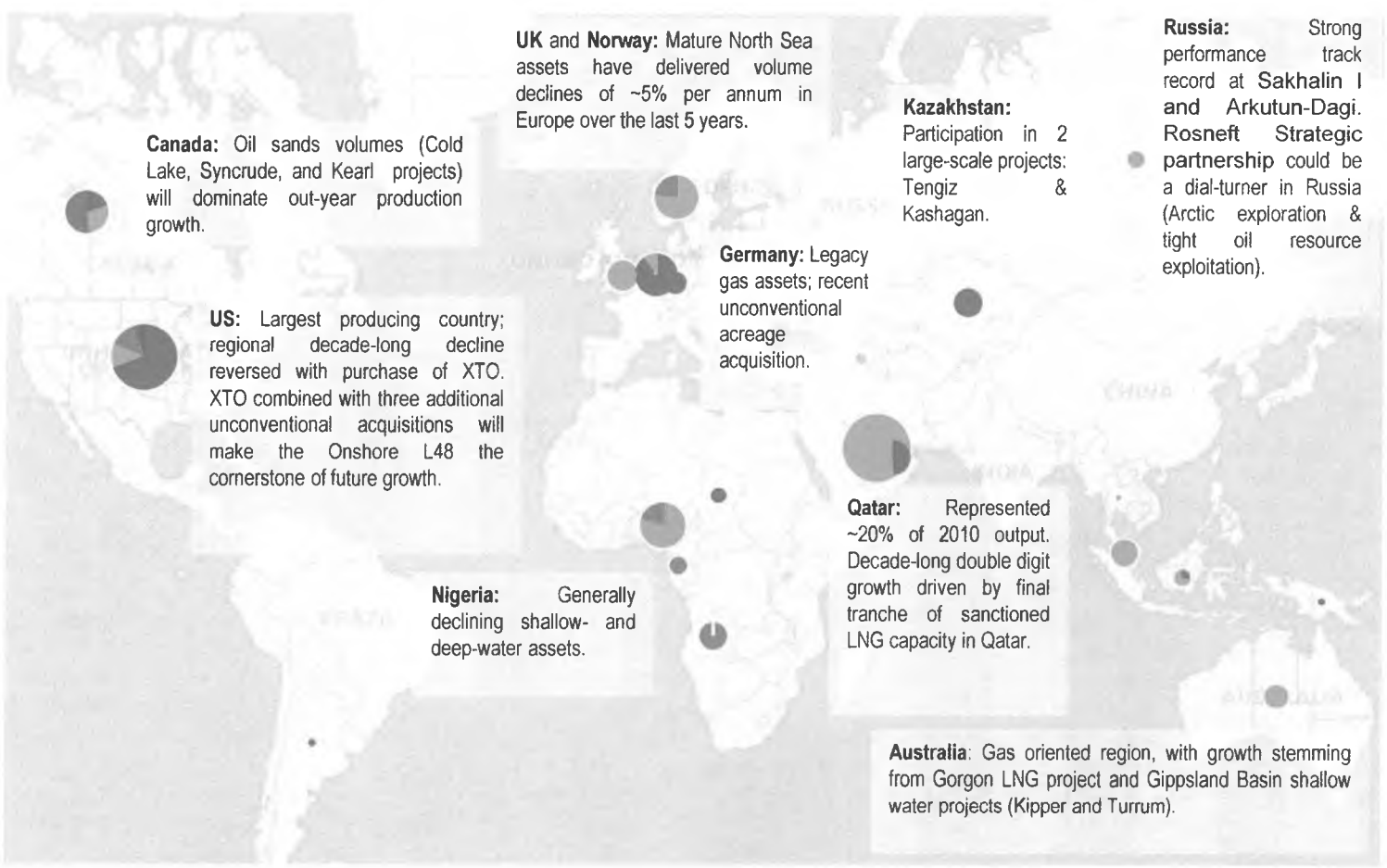
Country	Liquids (mboe/d)	Gas (mboe/d)
Brazil	0	0
Cameroon	0	0
Colombia	0	0
Congo	0	0
Greenland	0	0
Guyana	0	0
Hungary	0	0
Iraq	0	0
Ireland	0	0
Italy	0	0
Libya	0	0

Country	Liquids (mboe/d)	Gas (mboe/d)
Madagascar	0	0
New Zealand	0	0
Philippines	0	0
Poland	0	0
Romania	0	0
Tanzania	0	0
Turkey	0	0
Vietnam	0	0
Yemen	0	0

Core
New Venture
Focus
Harvest
Exit

PFC Energy

ExxonMobil Global Production Portfolio - 2010



Canada: Oil sands volumes (Cold Lake, Syncrude, and Kearl projects) will dominate out-year production growth.

UK and **Norway:** Mature North Sea assets have delivered volume declines of ~5% per annum in Europe over the last 5 years.

Germany: Legacy gas assets; recent unconventional acreage acquisition.

Kazakhstan: Participation in 2 large-scale projects: Tengiz & Kashagan.

Russia: Strong performance track record at Sakhalin I and Arkutun-Dagi. Rosneft Strategic partnership could be a dial-turner in Russia (Arctic exploration & tight oil resource exploitation).

US: Largest producing country; regional decade-long decline reversed with purchase of XTO. XTO combined with three additional unconventional acquisitions will make the Onshore L48 the cornerstone of future growth.

Qatar: Represented ~20% of 2010 output. Decade-long double digit growth driven by final tranche of sanctioned LNG capacity in Qatar.

Nigeria: Generally declining shallow- and deep-water assets.

Australia: Gas oriented region, with growth stemming from Gorgon LNG project and Gippsland Basin shallow water projects (Kipper and Turrum).

Indonesia: Near-term gas volumes will hold production steady as ExxonMobil positions for new ventures in the unconventional space (coal bed methane).

Malaysia: Key gas producing area; focus on enhanced oil recovery (EOR) and field life extension schemes.

Argentina: legacy, declining gas assets; recent acreage positioning in prospective shale Neuquen Basin.

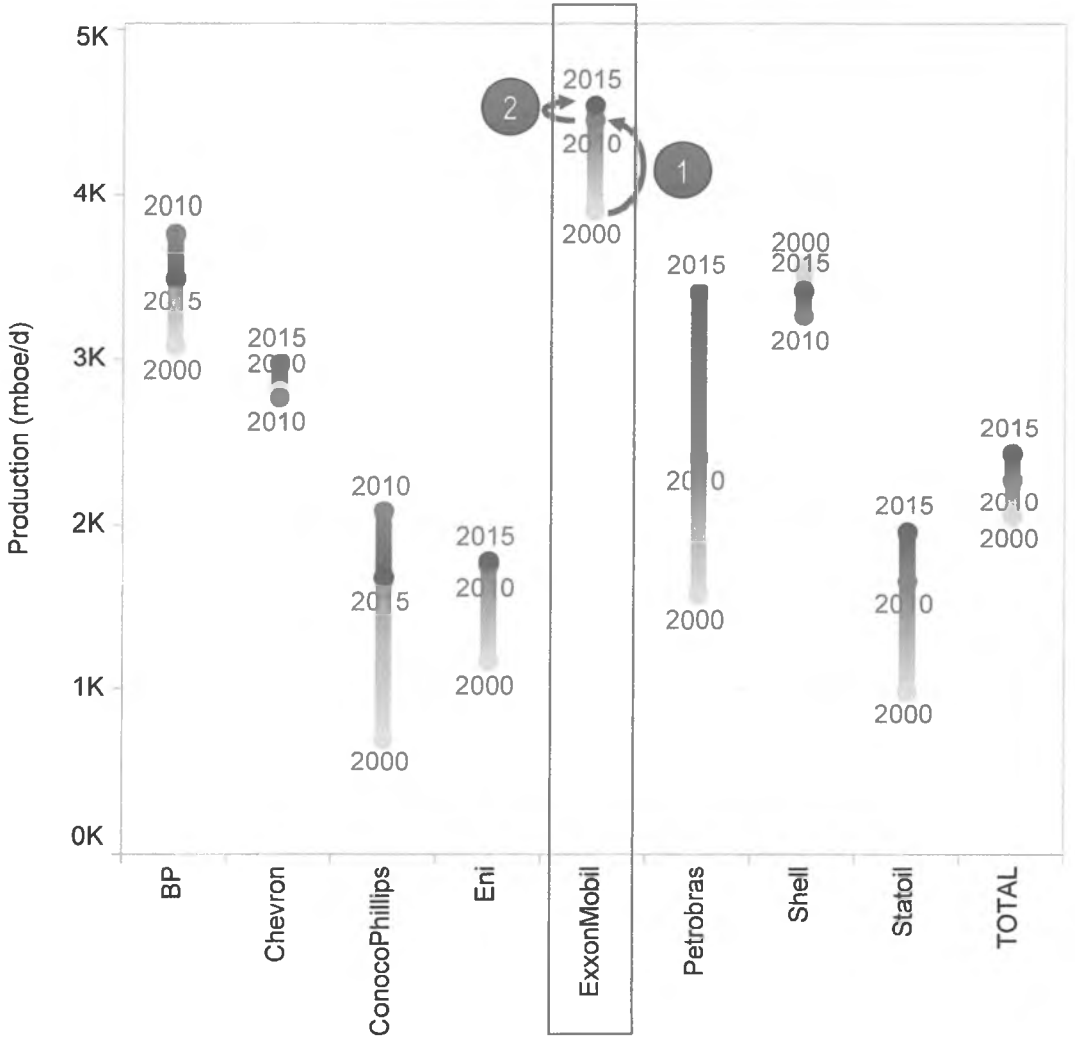
Angola: Multi-field new source developments (Kizomba Satellites Phase 1, Pazflor, and CLOV) drive regional growth.

Papua New Guinea: Formerly small contributor to the ExxonMobil portfolio, PNG will rise in prominence within the portfolio through the monetization of gas reserves at PLNG.

PFC Energy

Total Portfolio Evolution: ExxonMobil vis-à-vis the Competition

Production (mboe/d) in 2000, 2010 and 2015 (PFC Forecast): ExxonMobil and Peers



Averaging ~4.45 mmboe/d in 2010, ExxonMobil continues to lead its peer group in terms of production.

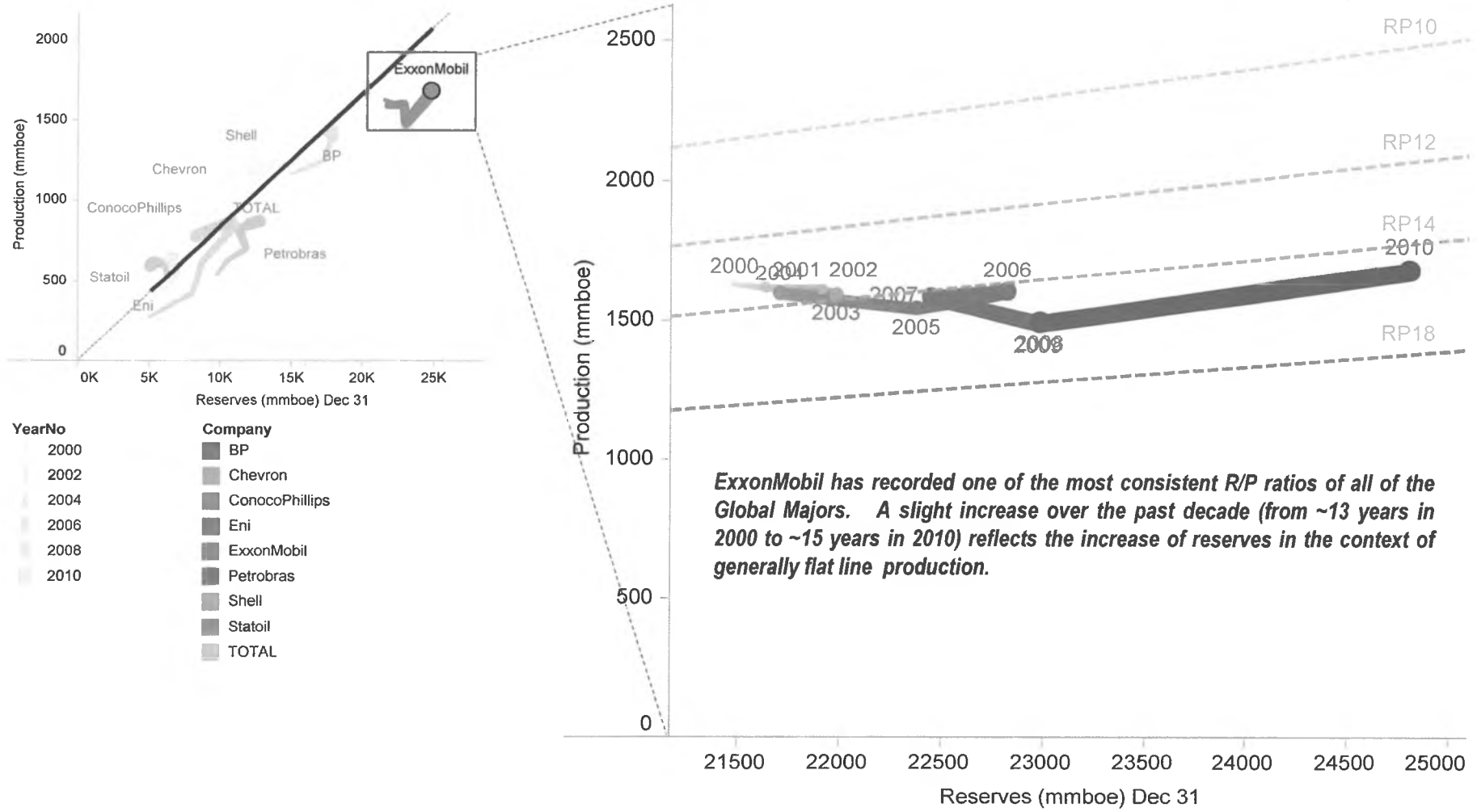
1. **2000-2010:** For much of the last decade, production oscillated, rising between 2000 and 2002 and then again 2005-2007; however, by 2009 production volumes were only slightly above levels recorded at the start of the decade, averaging ~3.92 mmboe/d. In 2010, ExxonMobil secured production growth of ~13% (~6% excluding the XTO acquisition), reaching ~4.45 mmboe/d. For a company that has prided itself on organic reserves and production growth, the XTO acquisition marks a considerable departure in growth strategy for ExxonMobil.

2. **2011-2015:** ExxonMobil's production is forecast to grow modestly between 2010 and 2015, reaching only ~4.54 mmboe/d in 2015. While PFC Energy estimates are lower than ExxonMobil targets, the absence of guidance regarding growth projects associated with the XTO portfolio make the pace of future growth uncertain.

PFC Energy

Reserves and Production: ExxonMobil vis-à-vis the Competition

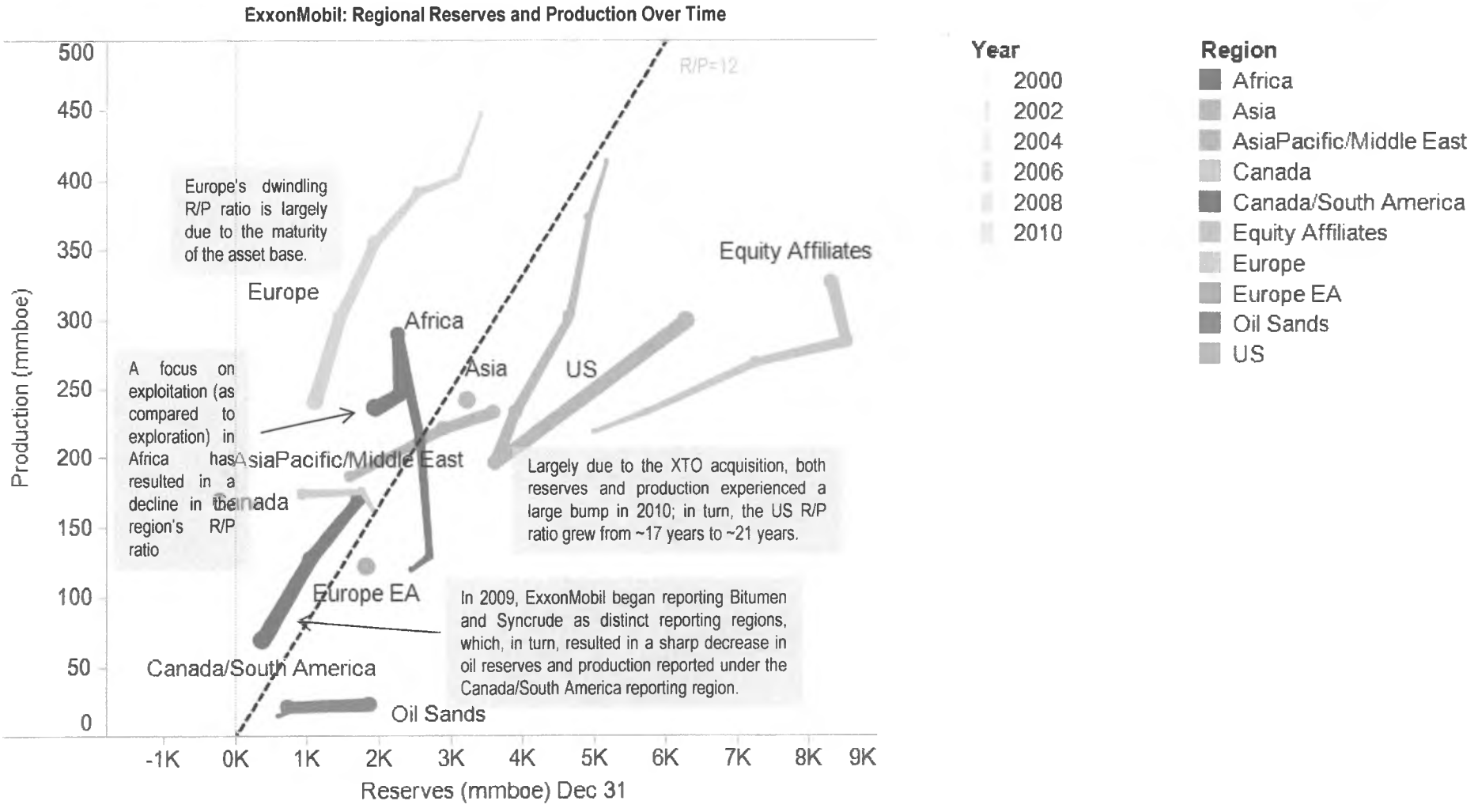
Reserves and Production (mmboe) 2000-2010: ExxonMobil and Peers



ExxonMobil has recorded one of the most consistent R/P ratios of all of the Global Majors. A slight increase over the past decade (from ~13 years in 2000 to ~15 years in 2010) reflects the increase of reserves in the context of generally flat line production.

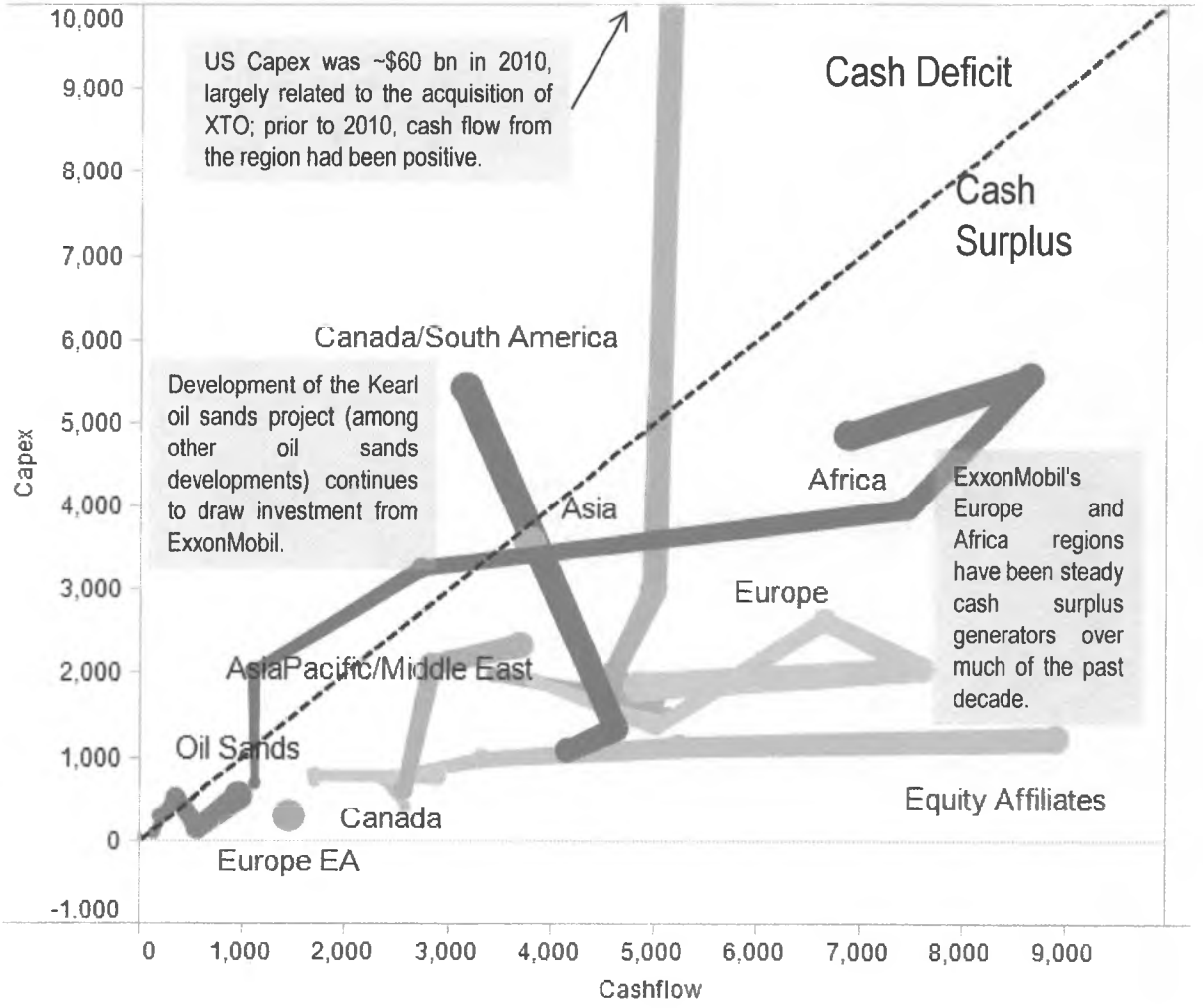
PFC Energy

Reserves and Production: ExxonMobil Intra-Portfolio Performance



PFC Energy

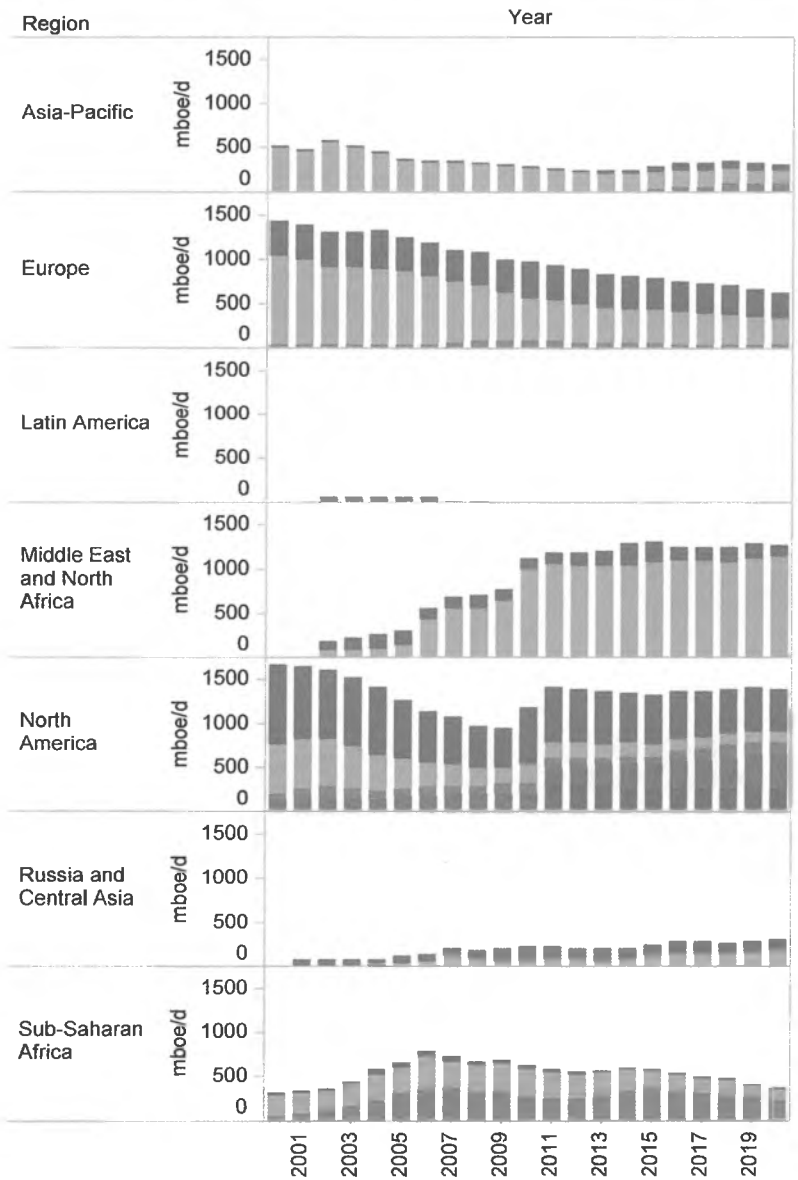
How the Portfolio is Financed: Sources and Uses of Cash





PFC Energy

Global Production:
Evolution of the Portfolio



Asia Pacific: Declines in ExxonMobil's relatively mature Asia-Pacific portfolio have been consistent for most of the past decade. A revival in regional production (though medium to long term in nature) is based primarily on two large gas export projects: Papua New Guinea LNG and Gorgon LNG (Australia).

Europe: Mature and generally declining production position. Positive net cash flow enables, in part, financing of frontier exploration in both unconventionals and the deepwater: ExxonMobil will seek to leverage the capabilities of XTO in Germany and Poland, while also assessing the prospectivity of the Turkish Black Sea.

Latin America: At 9 mboe/d, the region has no material impact on the ExxonMobil portfolio. Production is sourced solely from mature, declining gas assets in Argentina. The recent acquisition of 130,000 net acres of prospective shale gas resource in the Neuquen basin is part of a global strategy to leverage XTO capabilities in unconventional resource plays.

Middle East & North Africa: The rapid growth in MENA production that ExxonMobil experienced between 2002 and 2010 is on the cusp of reaching plateau, as the final Qatargas, RasGas, and Al-Khaleej phases have come onstream. While ExxonMobil will record growth from the West Qurna I project, upside in Iraq remains unclear.

North America: The acquisition of XTO Energy will drive a resurgence in regional production. A focus on Fayetteville, Haynesville/Bossier, Barnet, and Woodford shale gas plays, and transitioning portfolio to a more balanced oil:gas ratio in the out-years. A suite of Canadian oil sands developments and potential offshore projects will also contribute growth.

Russia & Central Asia: Major growth 2005-2010 was driven by a handful of mega-projects (Tengiz and Kashagan, Sakhalin I, and Azeri-Chirag-Guneshli); future performance relies heavily on subsequent development phases of these projects, most of which face challenges. The Rosneft partnership could provide additional long-term opportunity.

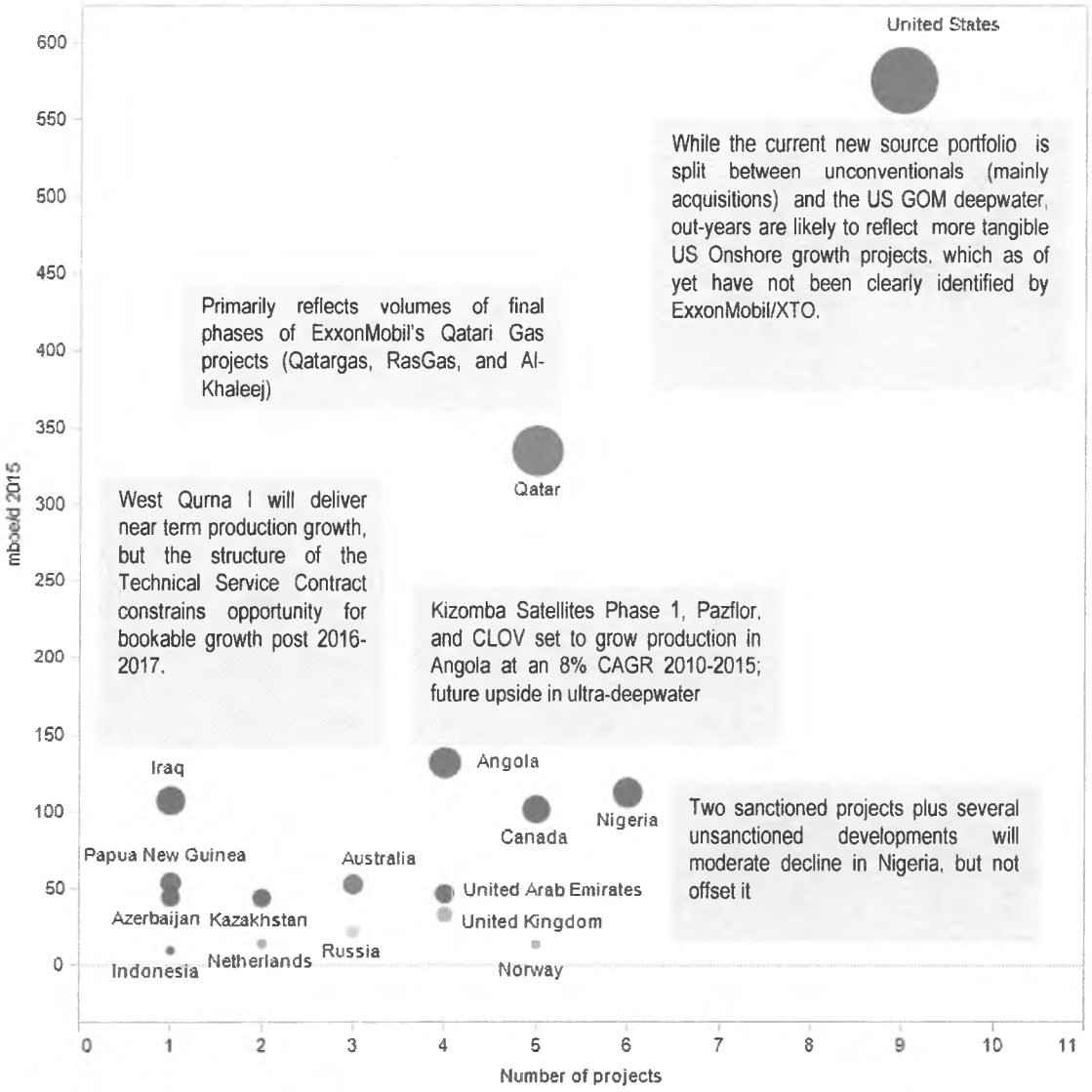
Sub-Saharan Africa: Growth in SSA has leveled off as new developments struggle to keep pace with steep deepwater decline rates. The primary bright spot in portfolio is Angola, where three new projects (Pazflor, Kizomba Satellites, and PSVM) are scheduled to come onstream over the next two years.

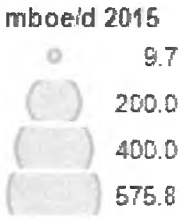
Asset Type
- Conventional Onshore
- Conventional Shallow
- Deepwater
- Oil Sands
- Other
- Unconventional

PFC Energy

Global Production:
Country Growth Project Analysis

ExxonMobil: New Source Production – Number of Projects by 2015 Production and Oil/Gas Split







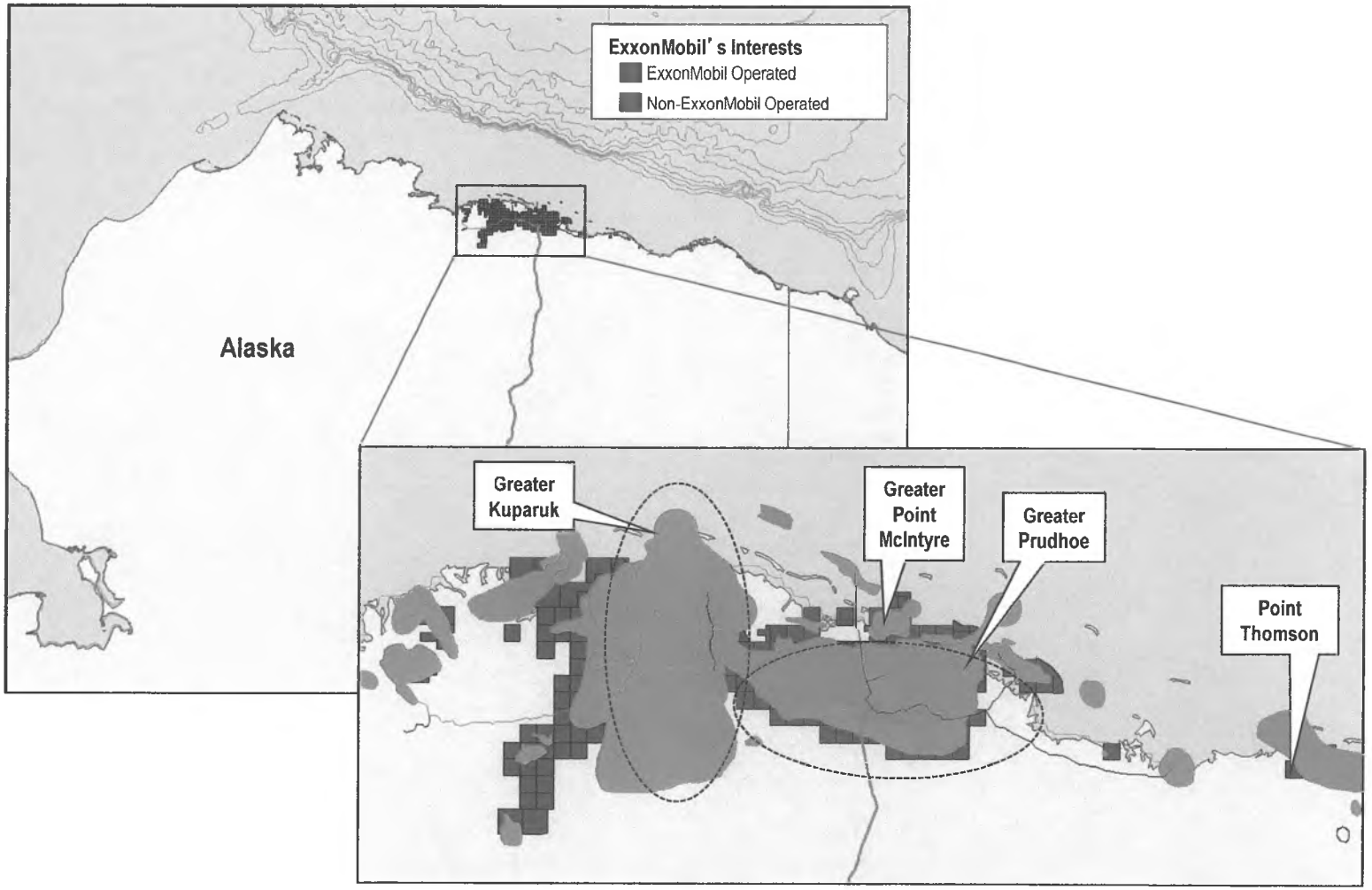
ExxonMobil's US new source portfolio will dwarf new source production from all other countries. Through 2015, the US will contribute nearly 40% of global new source incremental volumes, 99% of which will stem from the company's unconventional activities (acquisitions plus the Piceance tight gas development).

Production from Qatar will primarily be tied to development of the North Field and the Qatargas and RasGas LNG projects, while the rest of the new source landscape reflects ExxonMobil's expansive upstream portfolio.

International unconventional developments are likely to be largely immaterial until 2020 or thereafter.

PFC Energy

ExxonMobil in Alaska – North Slope



PFC Energy

ExxonMobil **Alaska Activity & PFC Energy Assessment**

Alaska Designation	Activity	PFC Energy Assessment
Harvest Area	• In Alaska, ExxonMobil holds interests in the **Greater Prudhoe**, **Greater Point McIntyre**, and **Greater Kuparuk** areas. The company is one of the largest North Slope producers, although production from the region is declining; 2010 net production averaged 117 mb/d of liquids. • Development activities continued at **Point Thomson** in 2010 (35% w.i., operated), and first production of gas liquids is anticipated in 2014. The longer-term potential lies in commercialization of the gas reserves, which is dependent on building a gas pipeline.	**Material harvest position.** As the largest holder of discovered gas resources on the North Slope and a co-operator of the Prudhoe Bay Western Region development, ExxonMobil holds a leading position in Alaska.

PFC-Identified Challenges

- Deliver on unconventional resource positioning: The XTO Energy acquisition and subsequent shale gas acreage transactions have made ExxonMobil a force in the North America unconventional resource play. That said, the company has provided limited guidance on pace of forward development despite continued acreage accumulation. Furthermore, given the weak US gas price environment, it is unclear how rapidly ExxonMobil's management will grow sales volumes. ExxonMobil is counting on additional long-term value arising from the XTO transaction through development of its expanding portfolio of International unconventional resource holdings.
- Execute on Asia-Pacific LNG Projects: ExxonMobil has a queue of LNG developments in Asia-Pacific, including Gorgon LNG (operated by Chevron), PNG LNG, and the potential Scarborough gas field development, all of which are poised to generate longer-term volume growth. Each of these projects comes with significant technical challenges—CO_2 capture and disposal at Gorgon LNG, remote gas field development and long distance pipeline transport in the case of PNG LNG, and the remote offshore location of the Scarborough field in the Carnarvon Basin (which may result in the field being dedicated as feedstock supply to the Pluto or Wheatstone LNG projects, rather than a greenfield LNG development). Performance will be critical to ensuring long-term regional portfolio growth.
- Maintain leadership in share buy-back and dividend performance: ExxonMobil has been a clear peer group leader in returns to shareholders, distributing ~$19.7 bn through dividends and share buy-backs in 2010 and spending ~$114 bn on share repurchase over the 2006-2010 period. With the increased emphasis being placed on unconventional gas resources to deliver future volume growth, shareholders will be looking for ExxonMobil to continue its leading dividend and share buy-back performance, as the core differentiator from its faster growing (in volumetric terms) peer group companies.
- Replace volume growth from Qatar North Field commercialization: With full ramp-up of the final four liquefaction trains at the RasGas and Qatargas LNG complexes, and continued imposition of a development moratorium for the North Field resource by the Qatar government, ExxonMobil will be challenged to deliver material global growth.
  - It is not clear how aggressively ExxonMobil will look to develop its US Onshore unconventional gas resources, given current and projected gas pricing in the North America market;
  - Monetization of captured frontier gas resources in North America (Alaska North Slope, Mackenzie Delta) continues to face delays in the form of regulatory hurdles (recently removed for the Mackenzie Valley gas pipeline project) and gas market supply-demand balances;
  - Development of captured oil reserves in the Caspian region have experienced significant delays and cost over-runs, and are coming under increased political risk through accelerating resource nationalism;
  - ExxonMobil was successful in securing a growth position in Iraq through the West Qurna-1 redevelopment project, but will have to share the larger Iraqi resource prize with a number of IOCs and NOCs. It is not clear that Iraq can become a Core growth area for the company.

Main Regional Offices

Asia

PFC Energy, Kuala Lumpur
Level 27, UBN Tower #21
10 Jalan P. Ramlee
50250 Kuala Lumpur, Malaysia
Tel (60 3) 2172-3400
Fax (60 3) 2072-3599

PFC Energy, Singapore
9 Temasek Boulevard
#09-01 Suntec Tower Two
Singapore 038989
Tel (65) 6407 1440
Fax (65) 6407 1501

PFC Energy, China
79 Jianguo Road
China Central Place Tower II, 9/F, Suite J
Chaoyang District
Beijing 100025, China
Tel (86 10) 5920-4448
Fax (86 10) 6530-5093

Europe

PFC Energy, France
19 rue du Général Foy
75008 Paris, France
Tel (33 1) 4770-2900
Fax (33 1) 4770-5905

PFC Energy International, Lausanne
1-3, rue Marterey
1003 Lausanne, Switzerland
Tel (41 21) 721-1440
Fax: (41 21) 721-1444

North America

PFC Energy, Washington D.C.
1300 Connecticut Avenue, N.W.
Suite 800
Washington, DC 20036, USA
Tel (1 202) 872-1199
Fax (1 202) 872-1219

PFC Energy, Houston
2727 Allen Parkway, Suite 1300
Houston, Texas 77019 ,USA
Tel (1 713) 622-4447
Fax (1 713) 622-4448

www.pfcenergy.com | info@pfcenergy.com

PFC Energy

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PFC Energy has adjusted data where necessary in order to render it comparable among companies and countries, and used estimates where data may be unavailable and or where company or national source reporting methodology does not fit PFC Energy methodology. This has been done in order to render data comparable across all companies and all countries.

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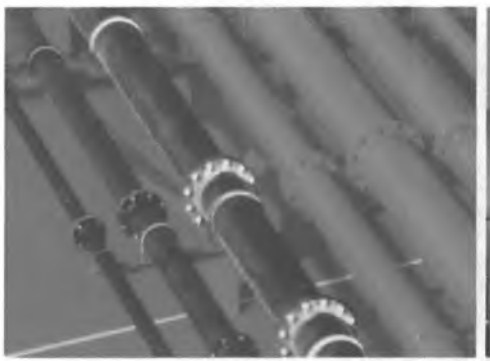



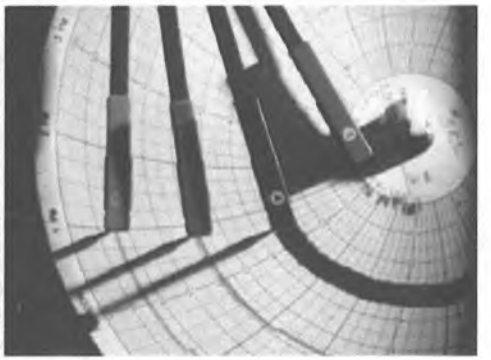



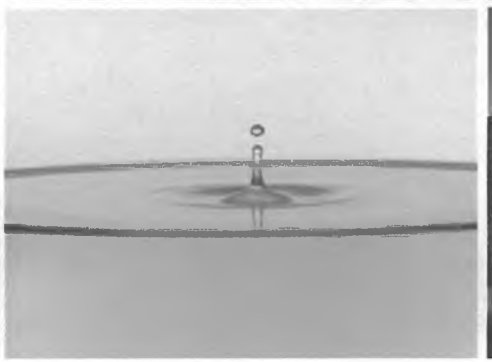



PFC Energy

6.

Testimony by Industry March 16, 2012

Alaska Oil and Gas Association
Alaska Oil and Gas Conservation Commission
Alaska Support Industry Alliance
Resource Development Council for Alaska



AOGA

OIL & GAS: FUELING ALASKA'S ECONOMY

Senate Finance Committee

March 16, 2012

Kara Moriarty, Executive Director



AOGA Member Companies



Decoupling – Sections 5 & 11 of CSSB 192 (RES)

- AOGA Opposes Proposed Language
- Proposed Language results in a tax increase
- Recognize need to eventually resolve the concern that combining the value of gas with that of oil when significant gas sales occur will reduce the tax on the oil, unless they are decoupled.
- AOGA open to trigger mechanism, but reserve right to evaluate proposed language

AOGA Opposes CSSB 192 (RES) – March 16, 2012

Petroleum Information Management System
Sections 2 & 3 of CSSB 192 (RES)

- New section would blur the current clear authorities & accountability of DOR (Taxation Power) & AOGCC (Police Power)

- Could lead to companies providing the same information over and over or in different formats to different agencies

- Proprietary/confidential information may not be adequately safeguarded

- Creates unrealistic expectations about public access to certain specific kinds of information

- May create federal disclosure issues

Progressivity & "base" tax rate
Sections 5, 7, and 8 of CSSB 192 (RES)

- 25% base rate is too high
- CS does not provide brackets – brackets are meaningful
- CS lowers starting slope by merely 1/8
- The new cap will not be reached until approximately $244/barrel

New Minimum Tax – or "Floor"
Section 13 of CSSB 192 (RES)

- Only applies to legacy fields (Prudhoe & Kuparuk)
- Creates a disincentive to invest in legacy fields, especially at low prices
- Requires allocation of costs among the two fields & a producer's interest in their other fields

Summary

- AOGA Opposes CS SB 192 (RES)
- Overall government take for Alaska would still be too high under this CS
- AOGA supports meaningful changes – such as progressivity brackets
- Tax Policy does affect business decisions
- CS will not improve ability to attract more investment
- CS will not lead to more production

Impact of Section 3, CS SB 192 on AOGCC

The AOGCC, an independent quasi-judicial State agency, is the State's permitting and regulatory authority over hydrocarbon and geothermal wells. The Commission's duties include ensuring the maximum recovery of hydrocarbon and geothermal resources, preventing hydrocarbon and geothermal waste, ensuring well safety, and protecting underground sources of drinking water and correlative rights. Given the nature of the Commission's duties and responsibilities, apart from support personnel, it is staffed by expert petroleum engineers and petroleum geologists. Because its expertise is so carefully tailored to its statutory duties and responsibilities, the Commission functions well and Alaska has an unrivaled record with regard to well safety and production.

Section 3 of the committee substitute for SB 192 seeks to effectuate a substantial change in the AOGCC by requiring the Commission to establish, operate and maintain an electronic petroleum information management system comprised of available and non-confidential information. The vast majority of the information the Commission must include in the petroleum information management system has nothing to do with the Commission's mission or function – "unit and joint operating agreements," exploration licenses and leases, "work programs and budgets," "development plans," operating and capital expenditures and projections, "oil and gas sales, revenue and pricing," transportation agreements, abandonment plans and budgets, resident and non-resident hiring information, training opportunities, and other information "the commission determines necessary and relevant to the oil and gas production tax and to the exploration, development, and production of oil and gas resources." Much of this information is currently already gathered and maintained by other state agencies or is not available to any state agency.

After careful review and consideration of Section 3, the AOGCC is of the view that Section 3 radically changes the AOGCC's longstanding role as the State's petroleum technology and geology experts and jeopardizes the Commission's ability to discharge its primary duties and responsibilities in those realms. The Commission has neither the expertise nor the infrastructure to construct, maintain and operate information management systems, computer systems, and the gathering of information on other subjects not related to the safe, efficient production of hydrocarbon resources from wells. Implementation of Section 3 will create – at a substantial fiscal outlay – an additional distinct state bureaucracy within the AOGCC which duplicates functions currently performed by other state agencies.

The AOGCC's non-confidential information is already publically available on its website. Other agencies are currently working to provide similar web availability of their data. Once those agencies do so, the information will be far more readily accessible to the public on those websites and at a substantially reduced cost.

THE ALLIANCE

...for responsible development of Alaska's Oil, Gas & Mineral Resources

THE ALLIANCE & CSSE 192

Doug Smith
President/CEO – Little Red Services
Government Affairs Chair –
Alaska Support Industry Alliance

Presentation Organization

- Background
- Impact to Member Companies
- Observations
- Questions

Our story hasn't changed...

- Alliance members, at their own expense, have traveled to Juneau more than 10 times during the 27th Alaska Legislature
- We have consistently advocated for significant tax reform
- Members and their employees have participated in every public testimony opportunity in 2011/2012
- The McDowell Report confirmed the facts we've presented
  - Alliance companies average between 70% and 90% Alaska hire
  - Alliance companies employ non-residents who were formerly long-term Alaska residents
  - Record employment on the North Slope has not led to a reduction in the production decline

Alliance Member Composition

- The Alliance is comprised of 460 member businesses
- 35,000 employees
- Our membership is comprised of businesses in 43 different sectors from Automotive to Welding
- Our mission statement is to "promote responsible exploration, development and production of oil, gas and mineral resources for the benefit of all Alaskans"

The current investment climate impact on Alliance members

- Continued decline in projects
  - Three largest fabrication shops in the state are currently operating at a loss, with little to no work, in order to keep core employees on staff
- Alaskan companies are looking for work, resulting in many relocating or shifting resources and investment to the lower 48 (CIRI, Solsten, Fairweather, Builders Choice, Northern Industrial Training, Carlile, Lynden, Peak Oilfield Services, Cruz Construction…)

Jobs

- As indicated in the McDowell study, record high employment on the North Slope **does not** represent a thriving oil industry
  - 2000 – 108,000 barrels of annual production for every job
  - 2010 – 28,000 barrels of annual production for every job
- Loss of highly trained professionals to outside competition
- Reduction of jobs based in Anchorage and Fairbanks like engineers, fabrication work, etc.

My Company – Little Red Services

- Letter in your committee packet
  - Relocating an asset from production-related activity to maintenance activities that do not increase production
- Financing
  - Banks outside of Alaska are concerned about our current tax policy and its potential impact on future financial forecast of our service company

The future of Alliance members in the oil business…

Oil tax reform must address the following:

- Existing light oil production
- New light oil production
- Viscous
- Exploration
- New companies and investment in the Alaska market

Observations

- Existing production
  - Low-cost light oil (existing production)
    - "Government take of 70-75% is reasonable. It is maybe slightly on the high side." *(PVM slide 28, presentation to Alaska Support Industry Alliance)*

Observations

- New production
  - The allowance for production increases in CSSB 192 does not reflect the recommendation of Dr. van Meurs: "the 60-65% government take for more costly new light oil resources as proposed in HB 110 and HB 17 is a reasonable level from an international perspective." *(PVM slide 38)*
  - Dr. van Meurs includes in-field drilling of existing fields as new high-cost light oil production *(PVM slide 16)*
  - Dr. van Meurs "The main reason for major companies to be in a harvest mode is that projects outside Alaska are more attractive. No large attractive projects available in Alaska under current fiscal terms for major oil companies" *(PVM slide 15)*

Observations

- New Production, continued…
  - Both Gabon and Trinidad applied an approximate 12 percent drop in order to attract new investment in an effort to offset declining production *(PVM slide 31)*
    - Marginal government take in Gabon at $100/bbl is 52%
    - Marginal government take in Alberta is 57%
    - Marginal government take in Alaska under ACES is over 80%
      (PFC Energy, slide 49)

Observations

- Viscous (called heavy by Dr. van Meurs)
  - Dr. van Meurs "To be competitive Alaska would have to offer government takes for heavy oil at 55-60%." *(PVM Slide 42)*
- Exploration
  - Tax credits have stimulated significant exploration this season
  - Will this result in the required investment to bring new discoveries to production under the current ACES tax structure?

Observations

- New companies in the Alaska market
  - CSSB 192 does not simplify our tax structure for companies looking to invest in new markets and it does not make us competitive for new projects
  - ACES does not compete well when developing higher cost light oil *(PVM slide 37)*
  - "ACES inhibits the development of new projects and resources that might help stem or even reverse decline." *(PFC slide 28)*

Observations

- There is probably a point where industry and the State share the pain of low prices
  - Industry should not have to give up total profits to taxes
  - The State treasury should not collect zero tax at low prices
- A healthy partnership should exist on both ends of the price spectrum

Observations

- Decoupling may be in the State's best interest if it is revenue-neutral to industry
- The Alliance feels this bill, in its current form, does not go far enough to encourage a significant shift in investment
- Although we have touched on several points from Dr. van Meurs on different types of production and corresponding tax rates it would be difficult to implement the approach
- The method and levers to be adjusted is the challenge before the senate but we support a magnitude of change that would place us in the middle of a comparative chart produced by PFC Energy

Testimony of Resource Development Council for Alaska to
Senate Finance Committee,
Regarding CSSB192(RES)
March 16, 2012

Good morning Co-Chairs Stedman and Hoffman and members of the committee. My name is Rick Rogers, Executive Director of the Resource Development Council for Alaska (RDC). RDC is a statewide membership-funded non-profit trade association representing the common interest of the Forestry, Fishing, Tourism, Mining and Oil and Gas industries in Alaska. Our membership is truly a broad cross section of Alaska businesses including the aforementioned industries as well as communities, all twelve Alaska Native Regional Corporations, organized labor, utilities and support business that recognize the important role resource development plays in our economy.

RDC thanks the committee for this invited testimony. I regret being unable to be with you today in Juneau, and appreciate the LIO and staff facilitating testimony from Anchorage. I have prepared no slides for today's presentation.

RDC is appreciative of this committee's recognition of the need to improve the investment climate in Alaska's oil and gas industry to stem TAPS throughput decline. I hope to emphasize the sense of urgency and the broad base of support from RDC membership towards meaningful adjustment to the production tax to achieve a more attractive investment climate in Alaska. Some of the most vocal proponents of production tax reform among our membership are not directly involved in the oil and gas industry. The business community is fearful what continued TAPS throughput decline will do to our economy as a whole.

We are convinced that ACES in its current form is retarding investment and contributing to an accelerating production decline. Alaska is sitting on the edge of a fiscal cliff. A sobering outlook can be found in the Governor's budget, the ten-year budget projection that shows several plausible scenarios with significant budget deficits by 2014. While meaningful tax reform will result in short-term revenue decline, long term it is imperative that we sacrifice some short-term tax revenues to reinvigorate production. From the RDC perspective, this is about acting in the long-term interest of Alaskans.

The long-term discussion needs to be how to encourage more production. Taxing ourselves to prosperity is not a strategy. The CS to SB192 as currently drafted will not provide the improved business climate that results in the investment needed to increase production.

- The changes to the progressivity formula in CSSB192(RES) are insufficient to change investment behavior. RDC has heard this from both industry and the Department of Revenue.

- The allowances for new production in the bill have minimal impact, approximately $25 million per year according to the Department of Revenue March 14 testimony to this committee.

- The gross minimum tax is a tax increase of up to $400 million per year at $40 oil and according to the bill's sponsor statement this is a tax increase at prices up to $70/bbl. We cannot expect tax increases to stimulate investment.

This is a historic turning point for Alaska. Rhetoric characterizing tax reform as a "give away" that legislators must "stand up to" unfortunately mischaracterizes the objective. The Senate Finance Committee is faced with making tough choices necessary to empower the private sector to increase Alaska's productivity to the ultimate benefit of its citizens. We are looking to the Senate Finance committee to provide the leadership necessary to make meaningful reforms that will result in needed investment and resulting production.

Ironically as currently drafted the bill is a giveaway because it will not increase production, which I think we all agree is the ultimate objective. RDC is interested in meaningful results that move the needle, slowing and then reversing production decline. As currently drafted CSSB192(RES) will not move the needle. PPT and then ACES tripled production taxes since 2005, contributing to an accelerating production decline in spite of robust oil prices. DOR analysis suggests this bill makes little difference compared to ACES. Tripling up while "tweaking" down is not going to result in the investment needed to move the needle to increase investments that will lead to more production.

Some have suggested meaningful tax reform that really makes a difference to the investment climate is somehow inconsistent with Title 8 of Alaska's constitution. I do

not recall Governors Hammond, Sheffield, Cooper, Hickel, Knowles or Murkowski being accused of failing to uphold Alaska's constitution when they had far lower oil and gas production taxes than we do today. These governors presided under more balanced fiscal regimes, and RDC encourages this legislature to return to a more balanced fiscal regime for the mutual benefit of Alaska and the industry. This is not to suggest we support going back to the economic limit factor (ELF), but clearly we need something far more substantive than CSSB192(RES) as currently drafted.

RDC supports HB110 because it will move the needle. The producers have committed $5 billion in new investment if meaningful reform such as HB110 passes, and they have said that $5 billion is just a start. While some have criticized the validity of those commitments, I cannot envision a rational corporate strategy that would make those types of commitments and then not follow through.

Investment decisions are made based on a multitude of variables, few of which the Alaska Legislature has any control over. Alaska is one of the highest-cost jurisdictions in the world. Alaska has immense challenges due to limited infrastructure, federal jurisdiction over wetlands, limited drilling seasons and other hurdles. Companies need to assess project economics on all these variables, and burdening production with taxes that are too high has discouraged investment. We should be in a boom of investment at $120 oil, but we are seeing flat investment and an associated accelerating decline curve. For example, Conoco Phillips Alaska capital investment is flat in Alaska vs. a 104% increase in the Lower-48 (2010-2011).

I understand the Senate has rejected HB110 and has chosen a different path. RDC does not care which legislative vehicle gets us across the goal line. We do care that it is substantive, significant, and meets the objective of encouraging private capital to return to the North Slope. The legislature is setting the stage for Alaska's future. Will it be a future of accelerating declines or a flattening decline curve and eventually increased production? If SB192 is the vehicle of choice, it needs far more meaningful adjustments to progressivity or adjustments to other "levers" to approximate a revenue curve more in keeping with HB110.

RDC is glad that exploration credits, which are working, have not been reduced or removed in CSSB192(RES). Exploration is an important element, however exploration credits need to be part of a broader approach leading to increases in near term and long-term production. When new oil is found we need an investment climate to

encourage its production.

Geology, federal regulatory oversight, remoteness, high costs, short drilling seasons, and volatile commodity prices are all out of the State's control. The bottom line is tax policy is one of the few variables in the oil and gas business that the State can control. We are going to get what we ask for. If we continue with a policy that discourages investment and directs it elsewhere, Alaskan's better start battening down the hatches as we are entering a very dark time for Alaska's economy that I fear it will make the 80's look like a walk in the park.

A better approach is to make substantive changes that result in compelling fiscal terms leading to robust activity to slow and reverse the production decline. This discussion is about what is best for Alaska, not what is best for the oil and gas industry. The oil and gas industry has the capacity to do great things in Alaska; we need to set the stage and turn it loose. We did not get to 16.5 billion barrels of production by being timid. It's time for some bold action to get Alaska back on track.

The producers are the ones making the investments. There are many places for the industry to invest and Alaska does have to compete. Consultants can offer helpful direction, but the companies at the end of the day are the ones making the investments. Please listen to them and take to heart the criteria that companies look at when deciding where to invest.

Thank you Chairman and members of the committee for hearing from RDC on this most important issue for Alaska's future.

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27. BP Testimony to Senate Finance: Damian Bilbao, Head of Finance, Developments & Resources, and Tom Williams, Senior Tax & Royalty Counsel (April 6, 2012)

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32. CSSB 192(FIN) Work Drafts: Version U (4/5/12), Version O (4/5/12), Version T (4/2/12)

17.

Discussion Slides: Janak Mayer, Manager, Upstream & Gas PFC Energy March 30, 2012



Discussion Slides: Alaska Senate Finance Committee

March 30, 2012

Janak Mayer
Manager, Upstream & Gas
PFC Energy

PFC Energy

Difficulties in Existing Fiscal Structure

- The incorporation of progressivity into the Profit-Based Production Tax (Net) in ACES creates two significant problems
  - Large-scale gas production at low gas prices could in the future significantly reduce production tax revenue from existing oil production
    - Resolving this problem within the framework of ACES requires significant complexity
    - Approach to decoupling in CSSB 192 requires ability to split costs between oil and gas production, creating high degree of administrative burden, and limiting capacity of state to effectively audit
  - Options for incentivizing new production are limited, and relatively complex
    - Proposed incentives within existing framework focus on either allowances to reduce Production Tax Value , or revenue exclusions (tax holiday)

Summary of Progressive Severance Tax (Gross) Structure

- A Progressive Severance Tax (Gross) option would instead remove progressivity from the Profit-Based Production Tax (Net), instead levying this tax at the flat, base rate of 25%
- To retain an element of progressivity, a new Progressive Severance Tax (Gross) would then be added to the system. The tax would:
  - Be non-deductible for Profit-Based Production Tax purposes
  - Be levied on gross production (net of royalties)
  - Be levied solely on oil
  - The tax would use a progressivity structure not dissimilar to that under the current system, with progressivity coefficients that apply at different thresholds.

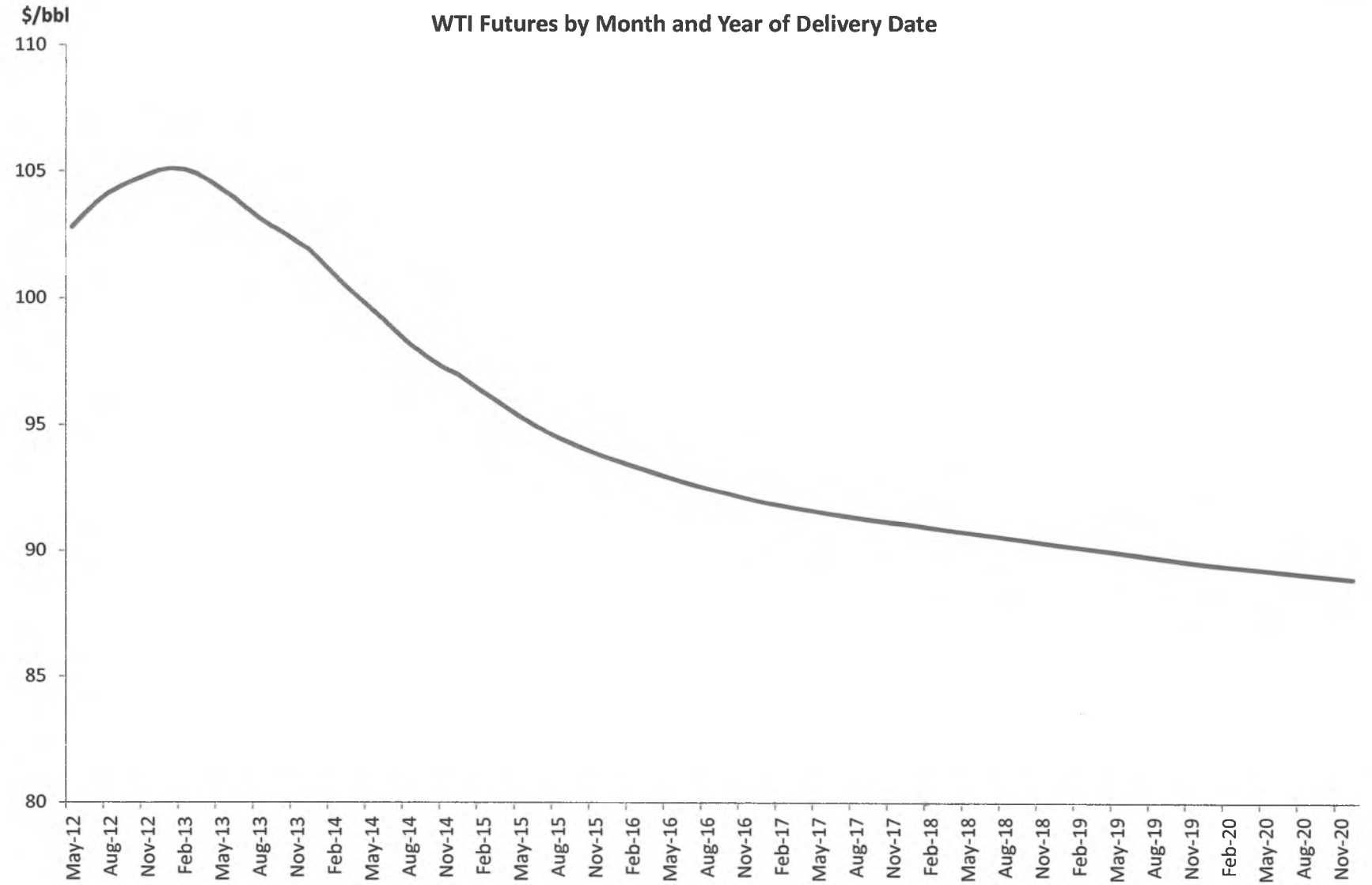
Summary of Progressive Severance Tax (Gross) Options

- The first option for the Progressive Severance Tax would use the following parameters:
  - No severance tax below $65 Gross Value at Point of Production (GVPP)
  - Progressivity of .25% commencing at a threshold of $65 GVPP
  - At $125 GVPP, a tax rate of 15% is reached. At this point, progressivity is reduced to 0.05%
  - Progressivity is capped 20%
- A second option, which would freeze government take at 70% at $100/bbl might look like this:
  - No severance tax below $60 Gross Value at Point of Production (GVPP)
  - Progressivity of .25% commencing at a threshold of $60 GVPP
  - At $100 GVPP, a tax rate of 10% is reached. At this point, progressivity is reduced to 0.03%
  - Progressivity is capped 20%

Benefits of Progressive Severance Tax (Gross) Structure

- By removing progressivity from the Profit-Based Production Tax (Net), and having the progressive element of the structure be a Progressive Severance Tax (Gross), two things become much easier to achieve
  - The issue of gas production reducing production tax revenue ceases to be a problem without progressivity in the Profit-Based Production Tax
    - Complex provisions to split costs between oil and gas production under CSSB 192 are thus no longer required
  - Significant incentives can be provided to new production, by eliminating or reducing the Progressive Severance Tax (Gross) for new production
- A wide range of levels of government take can be achieved using this structure, depending on the parameters applied

WTI Light Sweet Crude - Forward Curve



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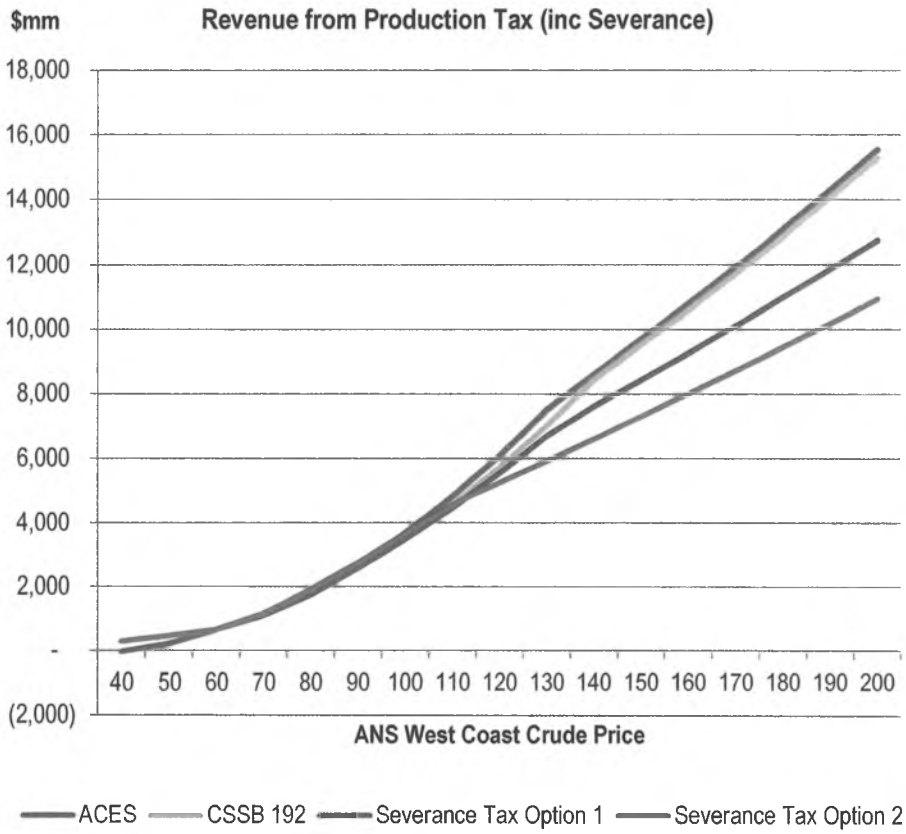
FY 2013 Revenue Comparison

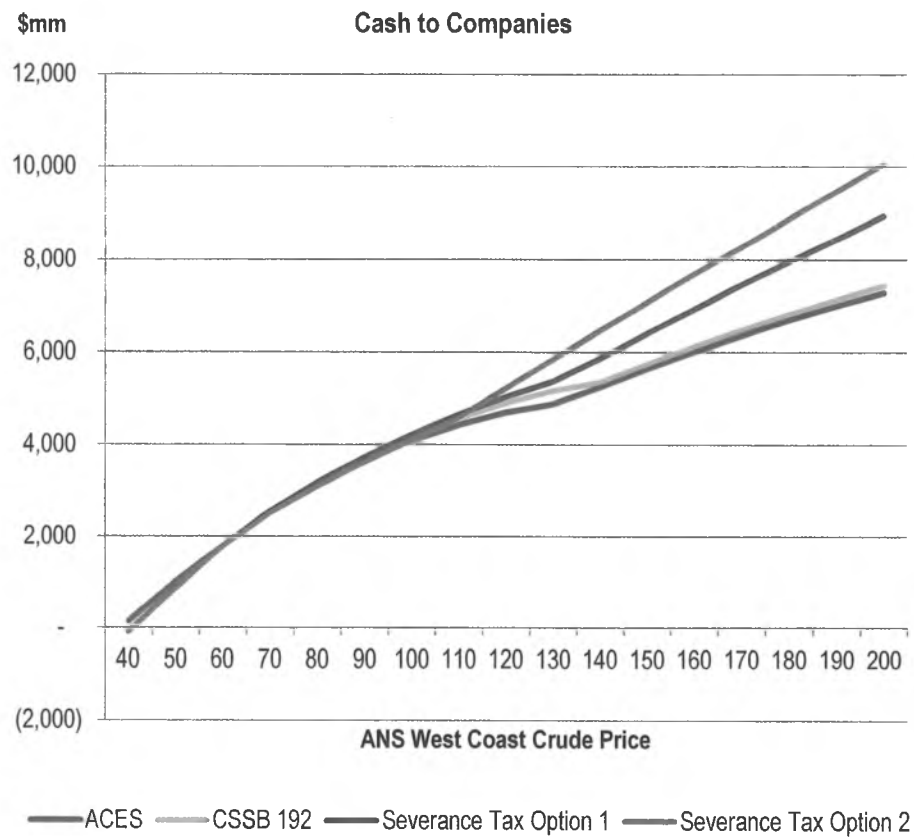
ANS West Coast Oil Price	Production Tax				Total State Take				Total Government Take				Cash to Companies				FY 2013 % Government Take			
	ACES	CSSB 192	Severance Tax Option 1	Severance Tax Option 2	ACES	CSSB 192	Severance Tax Option 1	Severance Tax Option 2	ACES	CSSB 192	Severance Tax Option 1	Severance Tax Option 2	ACES	CSSB 192	Severance Tax Option 1	Severance Tax Option 2	ACES	CSSB 192	Severance Tax Option 1	Severance Tax Option 2
40	(39)	289	289	289	1,352	1,660	1,660	1,660	1,427	1,660	1,660	1,660	139	(95)	(95)	(95)	91%	106%	106%	106%
50	222	461	461	461	1,983	2,202	2,202	2,202	2,527	2,669	2,669	2,669	1,010	868	868	868	71%	75%	75%	75%
60	653	653	653	653	2,769	2,769	2,769	2,769	3,728	3,728	3,728	3,728	1,780	1,780	1,780	1,780	68%	68%	68%	68%
70	1,109	1,106	1,084	1,157	3,577	3,575	3,555	3,621	4,943	4,941	4,929	4,972	2,536	2,538	2,551	2,508	66%	66%	66%	66%
80	1,831	1,792	1,754	1,909	4,631	4,595	4,560	4,702	6,318	6,294	6,272	6,364	3,133	3,157	3,179	3,087	67%	67%	66%	67%
90	2,692	2,599	2,571	2,747	5,811	5,725	5,699	5,861	7,775	7,719	7,703	7,807	3,648	3,703	3,720	3,615	68%	68%	67%	68%
100	3,691	3,527	3,474	3,671	7,117	6,966	6,918	7,099	9,314	9,216	9,184	9,302	4,080	4,178	4,209	4,092	70%	69%	69%	69%
110	4,827	4,575	4,463	4,577	8,549	8,318	8,215	8,320	10,935	10,785	10,718	10,786	4,430	4,581	4,647	4,579	71%	70%	70%	70%
120	6,102	5,744	5,538	5,240	10,108	9,781	9,592	9,319	12,638	12,425	12,302	12,125	4,698	4,911	5,034	5,212	73%	72%	71%	70%
130	7,515	7,035	6,700	5,914	11,794	11,354	11,047	10,327	14,424	14,138	13,939	13,470	4,884	5,170	5,370	5,838	75%	73%	72%	70%
140	8,614	8,445	7,598	6,597	13,192	13,037	12,261	11,345	16,023	15,922	15,417	14,822	5,257	5,357	5,862	6,458	75%	75%	72%	70%
150	9,684	9,512	8,417	7,291	14,563	14,406	13,402	12,372	17,604	17,502	16,849	16,179	5,647	5,749	6,402	7,072	76%	75%	72%	70%
160	10,787	10,601	9,253	7,996	15,965	15,794	14,559	13,408	19,205	19,094	18,291	17,543	6,017	6,128	6,931	7,679	76%	76%	73%	70%
170	11,925	11,723	10,106	8,710	17,399	17,214	15,732	14,454	20,827	20,707	19,744	18,913	6,367	6,487	7,450	8,281	77%	76%	73%	70%
180	13,098	12,880	10,977	9,435	18,864	18,665	16,921	15,509	22,470	22,340	21,207	20,289	6,696	6,825	7,959	8,876	77%	77%	73%	70%
190	14,305	14,072	11,864	10,171	20,361	20,148	18,126	16,574	24,133	23,994	22,680	21,671	7,004	7,143	8,457	9,465	78%	77%	73%	70%
200	15,546	15,298	12,769	10,917	21,890	21,662	19,346	17,649	25,816	25,668	24,163	23,060	7,292	7,440	8,945	10,048	78%	78%	73%	70%

Note: Consistent with DOR methodology, these revenue numbers do not include payments for tax credits which are not claimed against current production, as these are accounted for separately in the budget. In 2013, DOR forecasts a potential liability of $400mm for these credits.

PFC Energy

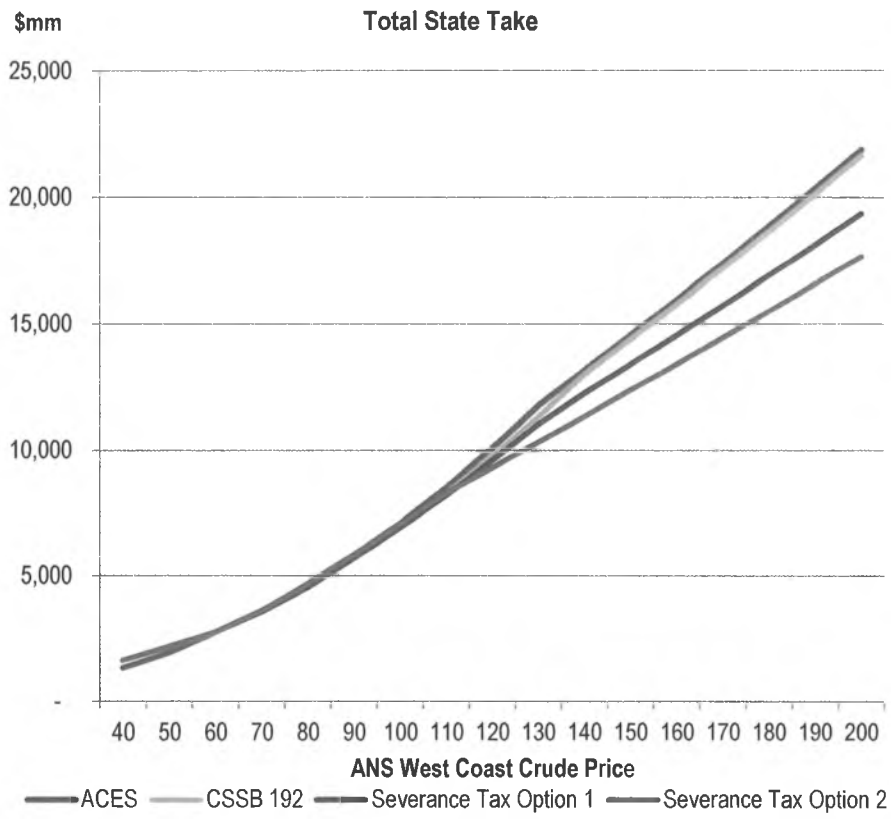
FY 2013 Revenue Comparison

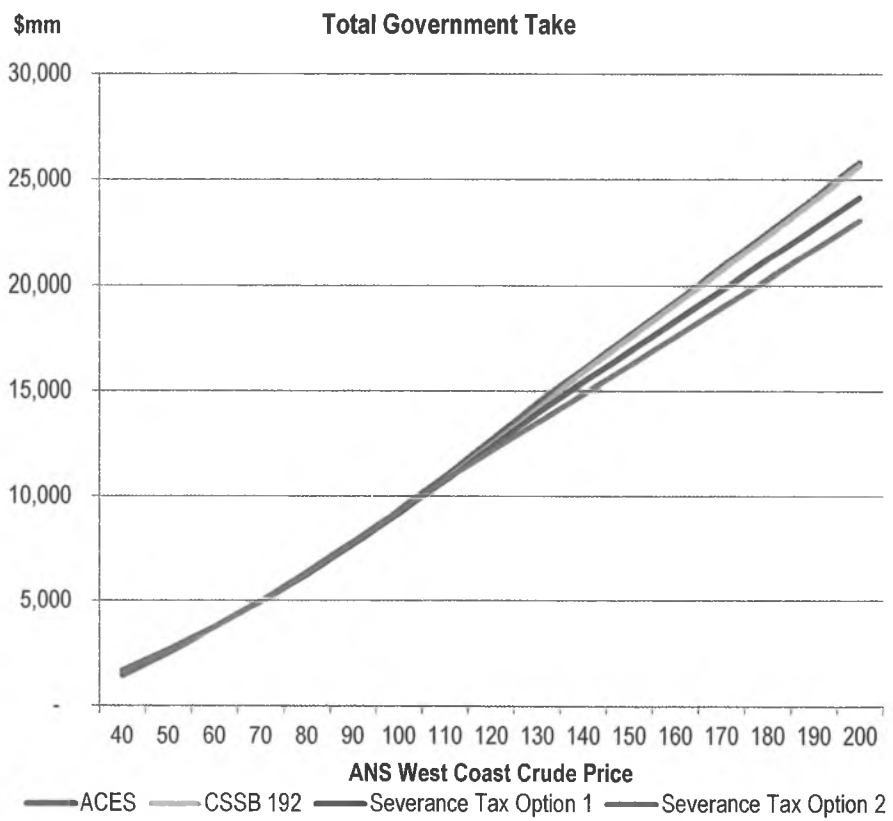




PFC Energy

FY 2013 Revenue Comparison



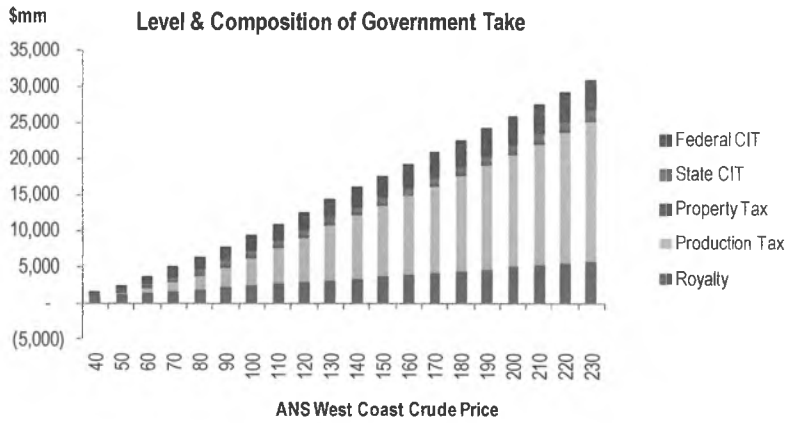


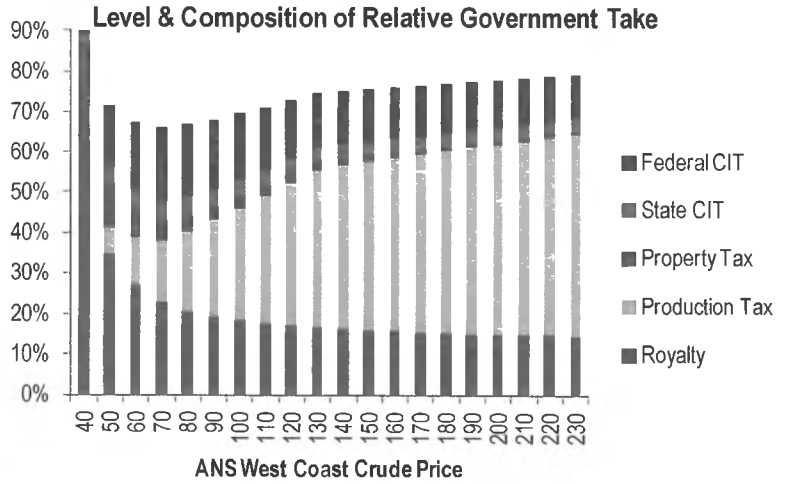
PFC Energy

ACES (FY 2013)

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	986	(39)	386	20	1,352	75	1,427
50	1,232	222	386	143	1,983	544	2,527
60	1,479	653	386	251	2,769	959	3,728
70	1,725	1,109	386	358	3,577	1,366	4,943
80	1,971	1,831	386	442	4,631	1,687	6,318
90	2,218	2,692	386	515	5,811	1,964	7,775
100	2,464	3,691	386	576	7,117	2,197	9,314
110	2,711	4,827	386	625	8,549	2,386	10,935
120	2,957	6,102	386	663	10,108	2,530	12,638
130	3,204	7,515	386	689	11,794	2,630	14,424
140	3,450	8,614	386	742	13,192	2,831	16,023
150	3,696	9,684	386	797	14,563	3,041	17,604
160	3,943	10,787	386	849	15,965	3,240	19,205
170	4,189	11,925	386	898	17,399	3,428	20,827
180	4,436	13,098	386	945	18,864	3,605	22,470
190	4,682	14,305	386	988	20,361	3,771	24,133
200	4,929	15,546	386	1,029	21,890	3,926	25,816
210	5,175	16,822	386	1,066	23,450	4,070	27,520
220	5,421	18,133	386	1,101	25,042	4,203	29,245
230	5,668	19,478	386	1,133	26,665	4,325	30,990

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	63%	-3%	25%	1%	86%	5%	91%
50	35%	6%	11%	4%	56%	15%	71%
60	27%	12%	7%	5%	50%	17%	68%
70	23%	15%	5%	5%	48%	18%	66%
80	21%	19%	4%	5%	49%	18%	67%
90	19%	24%	3%	5%	51%	17%	68%
100	18%	28%	3%	4%	53%	16%	70%
110	18%	31%	3%	4%	56%	16%	71%
120	17%	35%	2%	4%	58%	15%	73%
130	17%	39%	2%	4%	61%	14%	75%
140	16%	40%	2%	3%	62%	13%	75%
150	16%	42%	2%	3%	63%	13%	76%
160	16%	43%	2%	3%	63%	13%	76%
170	15%	44%	1%	3%	64%	13%	77%
180	15%	45%	1%	3%	65%	12%	77%
190	15%	46%	1%	3%	65%	12%	78%
200	15%	47%	1%	3%	66%	12%	78%
210	15%	48%	1%	3%	67%	12%	78%
220	15%	49%	1%	3%	68%	11%	79%
230	15%	50%	1%	3%	68%	11%	79%



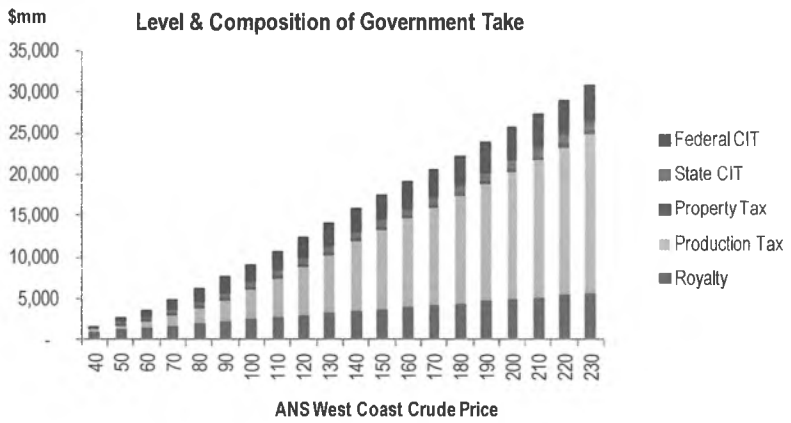


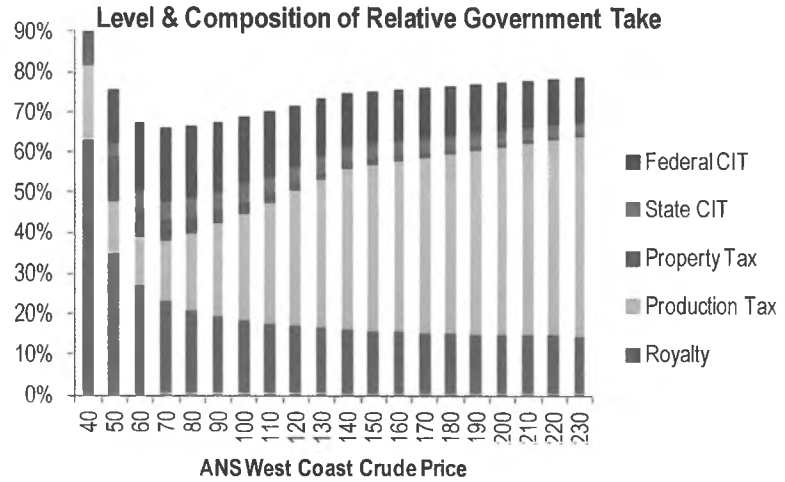
PFC Energy

CSSB 192 (FY 2013)

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	986	289	386	-	1,660	-	1,660
50	1,232	461	386	122	2,202	467	2,669
60	1,479	653	386	251	2,769	959	3,728
70	1,725	1,106	386	358	3,575	1,367	4,941
80	1,971	1,792	386	445	4,595	1,700	6,294
90	2,218	2,599	386	522	5,725	1,994	7,719
100	2,464	3,527	386	589	6,966	2,250	9,216
110	2,711	4,575	386	646	8,318	2,466	10,785
120	2,957	5,744	386	693	9,781	2,645	12,425
130	3,204	7,035	386	729	11,354	2,784	14,138
140	3,450	8,445	386	756	13,037	2,885	15,922
150	3,696	9,512	386	811	14,406	3,096	17,502
160	3,943	10,601	386	865	15,794	3,300	19,094
170	4,189	11,723	386	915	17,214	3,493	20,707
180	4,436	12,880	386	963	18,665	3,675	22,340
190	4,682	14,072	386	1,008	20,148	3,846	23,994
200	4,929	15,298	386	1,050	21,662	4,006	25,668
210	5,175	16,559	386	1,089	23,209	4,155	27,363
220	5,421	17,854	386	1,125	24,786	4,293	29,079
230	5,668	19,184	386	1,158	26,396	4,419	30,815

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	63%	18%	25%	0%	106%	0%	106%
50	35%	13%	11%	3%	62%	13%	75%
60	27%	12%	7%	5%	50%	17%	68%
70	23%	15%	5%	5%	48%	18%	66%
80	21%	19%	4%	5%	49%	18%	67%
90	19%	23%	3%	5%	50%	17%	68%
100	18%	26%	3%	4%	52%	17%	69%
110	18%	30%	3%	4%	54%	16%	70%
120	17%	33%	2%	4%	56%	15%	72%
130	17%	36%	2%	4%	59%	14%	73%
140	16%	40%	2%	4%	61%	14%	75%
150	16%	41%	2%	3%	62%	13%	75%
160	16%	42%	2%	3%	63%	13%	76%
170	15%	43%	1%	3%	63%	13%	76%
180	15%	44%	1%	3%	64%	13%	77%
190	15%	45%	1%	3%	65%	12%	77%
200	15%	46%	1%	3%	65%	12%	78%
210	15%	47%	1%	3%	66%	12%	78%
220	15%	48%	1%	3%	67%	12%	78%
230	15%	49%	1%	3%	68%	11%	79%





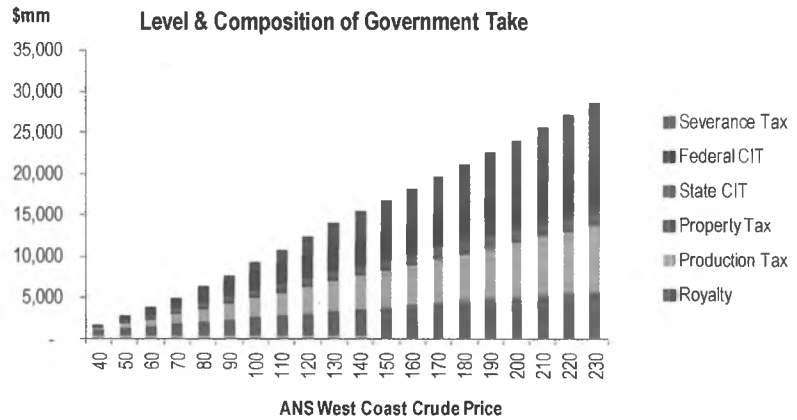
PFC Energy

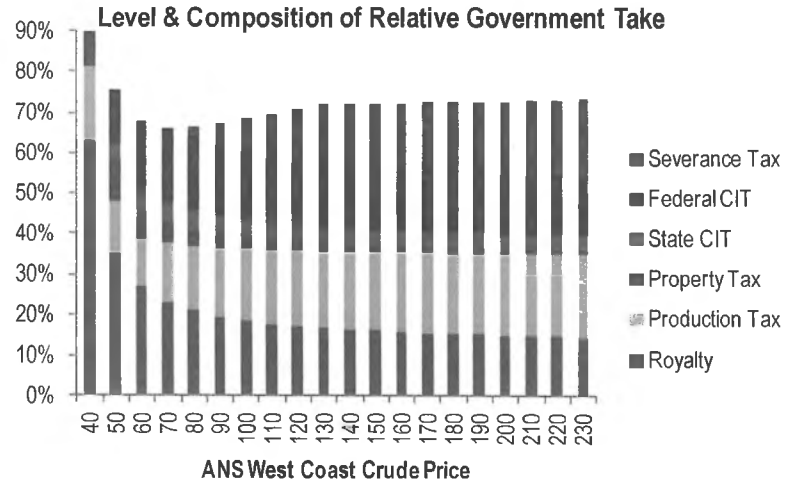
Severance Tax – 20% Maximum (FY 2013)

.25% progressivity from $65 to $125, then .10% progressivity

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	986	289	386	-	1,660	-	1,660
50	1,232	461	386	122	2,202	467	2,669
60	1,479	653	386	251	2,769	959	3,728
70	1,725	1,084	386	360	3,555	1,373	4,929
80	1,971	1,754	386	449	4,560	1,712	6,272
90	2,218	2,571	386	525	5,699	2,003	7,703
100	2,464	3,474	386	594	6,918	2,267	9,184
110	2,711	4,463	386	656	8,215	2,502	10,718
120	2,957	5,538	386	710	9,592	2,711	12,302
130	3,204	6,700	386	758	11,047	2,891	13,939
140	3,450	7,598	386	827	12,261	3,157	15,417
150	3,696	8,417	386	903	13,402	3,447	16,849
160	3,943	9,253	386	978	14,559	3,732	18,291
170	4,189	10,106	386	1,051	15,732	4,012	19,744
180	4,436	10,977	386	1,123	16,921	4,285	21,207
190	4,682	11,864	386	1,193	18,126	4,554	22,680
200	4,929	12,769	386	1,262	19,346	4,817	24,163
210	5,175	13,692	386	1,329	20,582	5,074	25,656
220	5,421	14,631	386	1,395	21,834	5,326	27,160
230	5,668	15,588	386	1,460	23,102	5,572	28,674

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	63%	18%	25%	0%	106%	0%	106%
50	35%	13%	11%	3%	62%	13%	75%
60	27%	12%	7%	5%	50%	17%	68%
70	23%	14%	5%	5%	48%	18%	66%
80	21%	19%	4%	5%	48%	18%	66%
90	19%	23%	3%	5%	50%	18%	67%
100	18%	26%	3%	4%	52%	17%	69%
110	18%	29%	3%	4%	53%	16%	70%
120	17%	32%	2%	4%	55%	16%	71%
130	17%	35%	2%	4%	57%	15%	72%
140	16%	36%	2%	4%	58%	15%	72%
150	16%	36%	2%	4%	58%	15%	72%
160	16%	37%	2%	4%	58%	15%	73%
170	15%	37%	1%	4%	58%	15%	73%
180	15%	38%	1%	4%	58%	15%	73%
190	15%	38%	1%	4%	58%	15%	73%
200	15%	39%	1%	4%	58%	15%	73%
210	15%	39%	1%	4%	59%	14%	73%
220	15%	39%	1%	4%	59%	14%	73%
230	15%	40%	1%	4%	59%	14%	73%





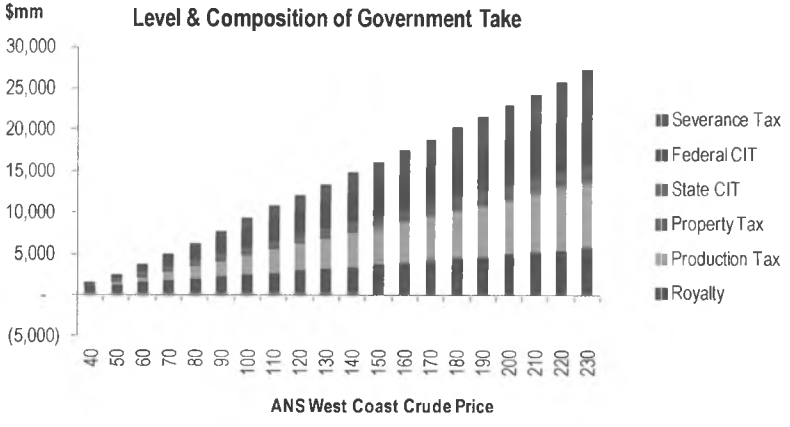
PFC Energy

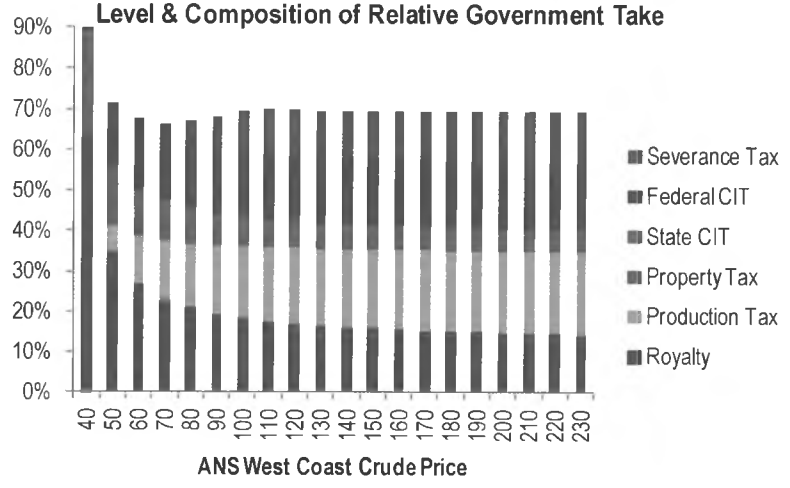
Severance Tax – 20% Maximum (FY 2013)

.25% progressivity from $60 to $100, then .03% progressivity

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	986	(39)	386	20	1,352	75	1,427
50	1,232	222	386	143	1,983	544	2,527
60	1,479	653	386	251	2,769	959	3,728
70	1,725	1,157	386	354	3,621	1,350	4,972
80	1,971	1,909	386	436	4,702	1,662	6,364
90	2,218	2,747	386	510	5,861	1,947	7,807
100	2,464	3,671	386	577	7,099	2,203	9,302
110	2,711	4,577	386	646	8,320	2,466	10,786
120	2,957	5,240	386	735	9,319	2,806	12,125
130	3,204	5,914	386	824	10,327	3,143	13,470
140	3,450	6,597	386	911	11,345	3,477	14,822
150	3,696	7,291	386	998	12,372	3,808	16,179
160	3,943	7,996	386	1,083	13,408	4,135	17,543
170	4,189	8,710	386	1,168	14,454	4,459	18,913
180	4,436	9,435	386	1,252	15,509	4,780	20,289
190	4,682	10,171	386	1,335	16,574	5,097	21,671
200	4,929	10,917	386	1,418	17,649	5,411	23,060
210	5,175	11,673	386	1,499	18,733	5,721	24,454
220	5,421	12,439	386	1,580	19,826	6,029	25,855
230	5,668	13,216	386	1,659	20,929	6,333	27,262

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	63%	-3%	25%	1%	86%	5%	91%
50	35%	6%	11%	4%	56%	15%	71%
60	27%	12%	7%	5%	50%	17%	68%
70	23%	15%	5%	5%	48%	18%	66%
80	21%	20%	4%	5%	50%	18%	67%
90	19%	24%	3%	4%	51%	17%	68%
100	18%	27%	3%	4%	53%	16%	69%
110	18%	30%	3%	4%	54%	16%	70%
120	17%	30%	2%	4%	54%	16%	70%
130	17%	31%	2%	4%	53%	16%	70%
140	16%	31%	2%	4%	53%	16%	70%
150	16%	31%	2%	4%	53%	16%	70%
160	16%	32%	2%	4%	53%	16%	70%
170	15%	32%	1%	4%	53%	16%	70%
180	15%	32%	1%	4%	53%	16%	70%
190	15%	33%	1%	4%	53%	16%	70%
200	15%	33%	1%	4%	53%	16%	70%
210	15%	33%	1%	4%	53%	16%	70%
220	15%	34%	1%	4%	54%	16%	70%
230	15%	34%	1%	4%	54%	16%	70%





PFC Energy

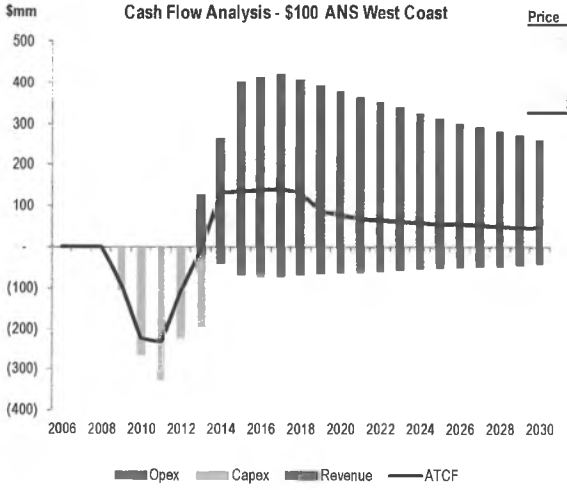
Incentives for New Production

- Significant incentives can be provided to new production, by eliminating or reducing the Progressive Severance Tax (Gross) on any combination of:
  - Production from new areas
  - Production from new plans of development (determined through the regulatory process to be for "new production")
  - Production above a fixed decline rate
- Here, a reduced rate of Progressive Severance Tax has been modeled, using the following parameters for new production:
  - Base rate of 0%
  - Progressivity of .05% commencing at a threshold of $65 (gross value at point of production)
  - Progressivity is capped 5%
- Following slides show a new, high-cost 10 mb/d development under
  - The regular rate
  - The reduced rate (with a time limit of 7 years)
  - The reduced rate (with no time limit)

Note on Impact of Inflation

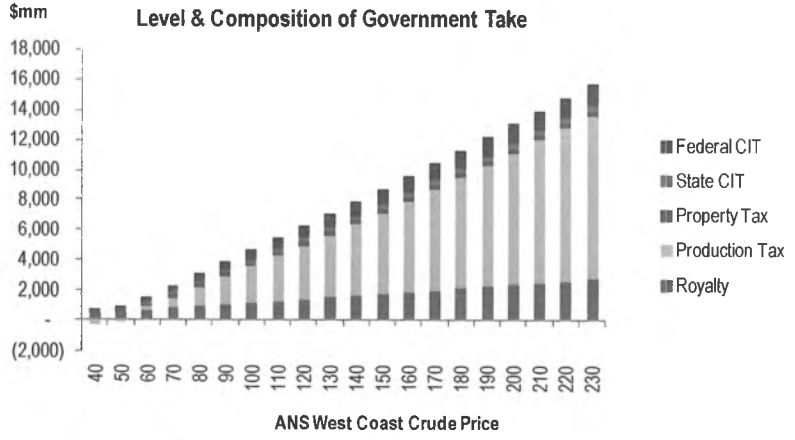
- Under ACES, thresholds and coefficients for progressivity are specified in nominal terms, without indexation
  - As a result, when economics over the long-term rather than just 2013 are examined, we see the effects of 'bracket creep' or 'stealth tax'
  - In real terms, as prices increase, thresholds for progressivity decrease, and the higher take that comes with progressivity occurs at lower and lower price levels
- Severance tax options are also currently shown assuming nominal thresholds
  - As a result, in the charts, the impact of the severance tax can be seen below the $60/$65 level at which it applies – a result of bracket-creep over the lifetime of a project
- It is strongly worth considering the application of price indexation to thresholds for progressivity

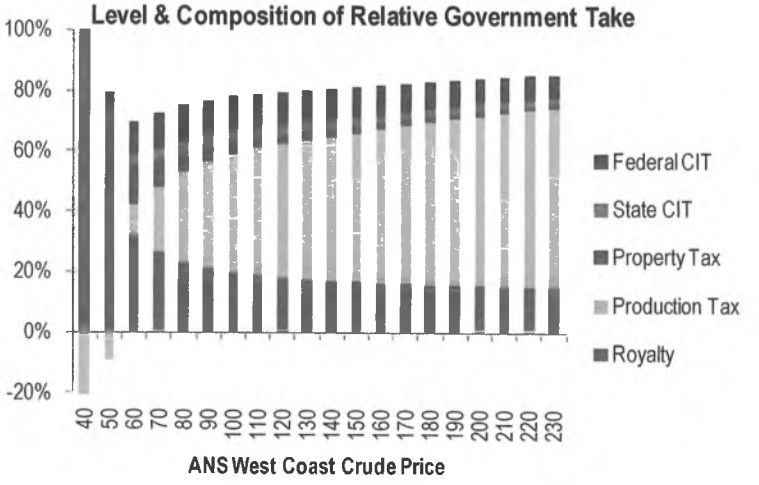
ACES (New Development)



Price	NPV	IRR
$40	$ (308)	0%
$60	$ (140)	5%
$100	$ (2)	10%

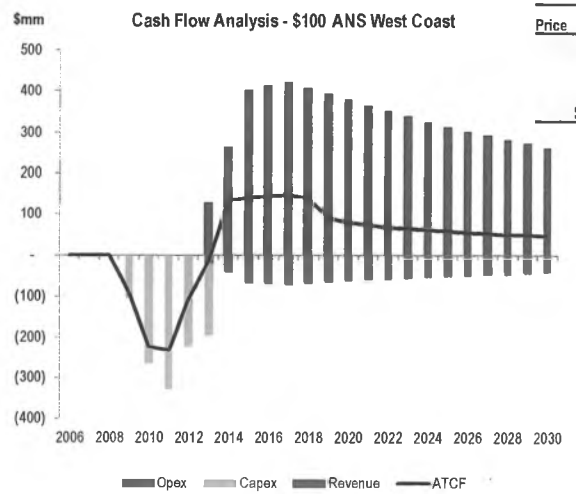
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	156%	-114%	96%	0%	138%	0%	138%
50	47%	-9%	23%	2%	63%	7%	70%
60	32%	10%	13%	3%	58%	11%	70%
70	26%	22%	9%	3%	60%	12%	73%
80	23%	30%	7%	3%	63%	12%	75%
90	21%	35%	6%	3%	65%	12%	77%
100	20%	39%	5%	3%	67%	11%	78%
110	19%	42%	4%	3%	68%	11%	79%
120	18%	44%	4%	3%	69%	11%	80%
130	17%	46%	3%	3%	69%	11%	80%
140	17%	48%	3%	3%	70%	10%	81%
150	17%	49%	3%	3%	71%	10%	81%
160	16%	51%	2%	3%	72%	10%	82%
170	16%	52%	2%	2%	73%	9%	83%
180	16%	54%	2%	2%	74%	9%	83%
190	16%	55%	2%	2%	75%	9%	84%
200	15%	56%	2%	2%	76%	8%	84%
210	15%	57%	2%	2%	76%	8%	85%
220	15%	58%	2%	2%	77%	8%	85%
230	15%	59%	2%	2%	78%	8%	85%





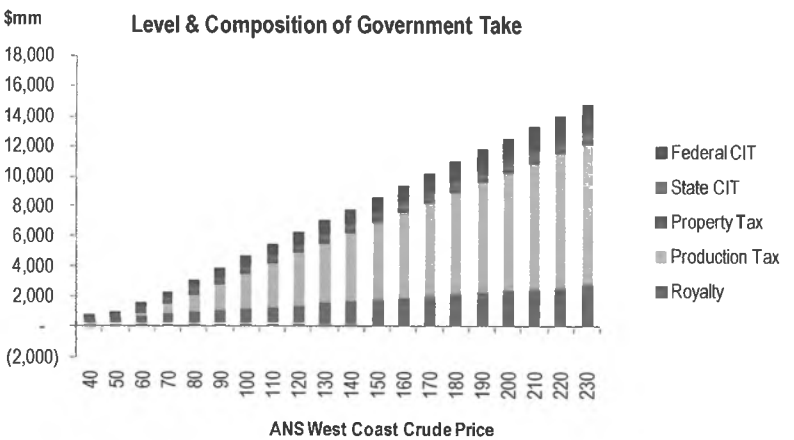
PFC Energy

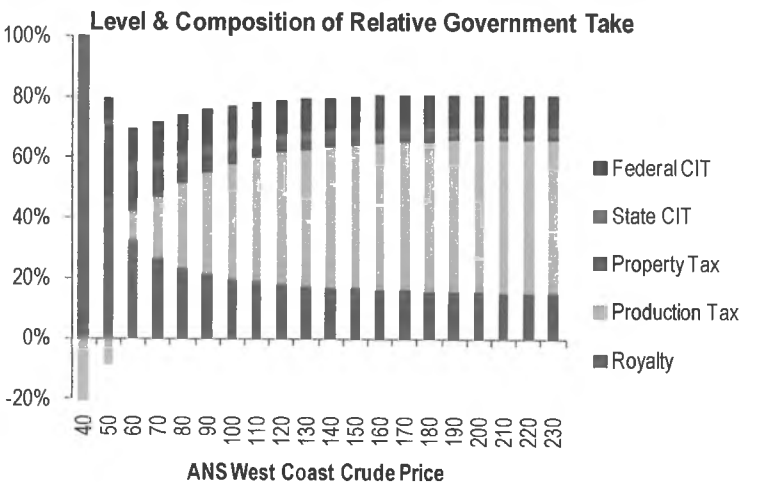
CSSB 192 (New Development)



Price	NPV	IRR
$40	$ (327)	0%
$60	$ (142)	5%
$100	$ 7	10%

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	156%	-81%	96%	0%	170%	0%	170%
50	47%	-9%	23%	2%	64%	7%	70%
60	32%	9%	13%	3%	58%	12%	70%
70	26%	20%	9%	3%	59%	13%	72%
80	23%	28%	7%	3%	62%	13%	74%
90	21%	34%	6%	3%	64%	12%	76%
100	20%	38%	5%	3%	65%	12%	77%
110	19%	41%	4%	3%	67%	11%	78%
120	18%	43%	4%	3%	68%	11%	79%
130	17%	45%	3%	3%	69%	11%	80%
140	17%	46%	3%	3%	69%	11%	80%
150	17%	47%	3%	3%	69%	11%	80%
160	16%	48%	2%	3%	70%	11%	80%
170	16%	49%	2%	3%	70%	10%	80%
180	16%	50%	2%	3%	70%	10%	81%
190	16%	50%	2%	3%	70%	10%	81%
200	15%	50%	2%	3%	70%	10%	81%
210	15%	51%	2%	3%	70%	10%	81%
220	15%	51%	2%	3%	70%	10%	80%
230	15%	51%	2%	3%	70%	10%	80%

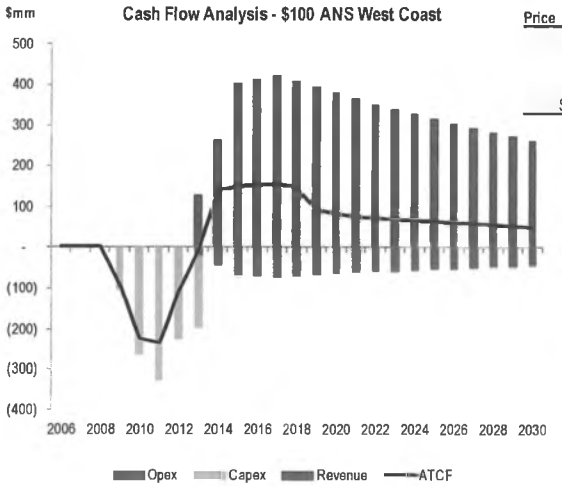




PFC Energy

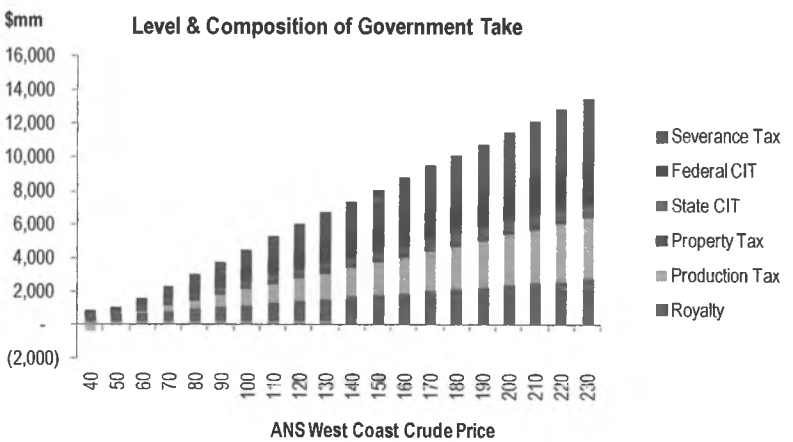
Severance Tax – 20% Maximum (New Producer)

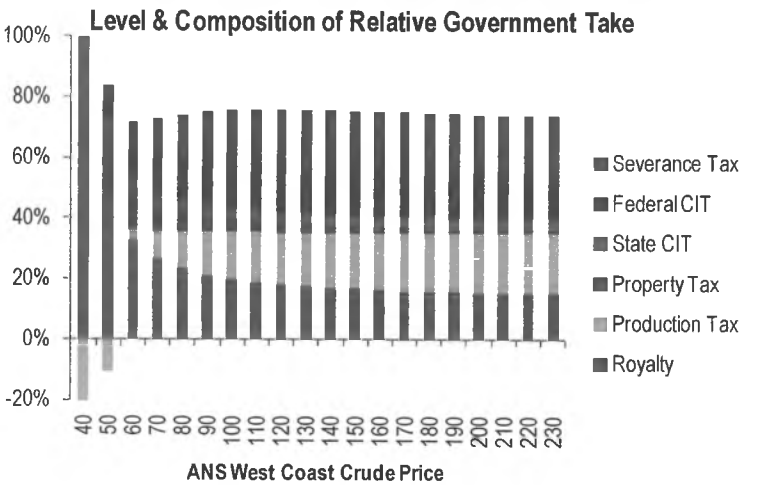
.25% progressivity from $65 to $125, then .10% progressivity



Price	NPV	IRR
$40	$ (306)	0%
$60	$ (137)	5%
$100	$ 29	11%

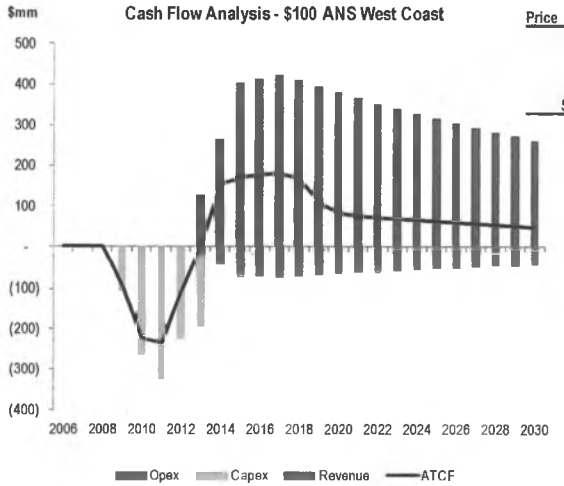
Price	Royalty	Severance Tax	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	156%	4%	-115%	96%	0%	140%	0%	140%
50	47%	6%	-11%	23%	1%	67%	6%	73%
60	32%	9%	3%	13%	3%	61%	10%	71%
70	26%	13%	9%	9%	3%	61%	12%	73%
80	23%	16%	12%	7%	3%	62%	12%	74%
90	21%	18%	14%	6%	3%	63%	12%	75%
100	20%	20%	15%	5%	3%	63%	12%	75%
110	19%	21%	16%	4%	3%	63%	13%	76%
120	18%	21%	17%	4%	3%	63%	13%	76%
130	17%	22%	17%	3%	3%	63%	13%	76%
140	17%	22%	18%	3%	3%	63%	13%	75%
150	17%	22%	18%	3%	3%	62%	13%	75%
160	16%	21%	18%	2%	3%	62%	13%	75%
170	16%	21%	19%	2%	3%	62%	13%	75%
180	16%	21%	19%	2%	4%	61%	13%	75%
190	16%	21%	19%	2%	4%	61%	13%	74%
200	15%	21%	19%	2%	4%	60%	13%	74%
210	15%	20%	19%	2%	4%	60%	14%	74%
220	15%	20%	19%	2%	4%	60%	14%	74%
230	15%	20%	20%	2%	4%	60%	14%	74%





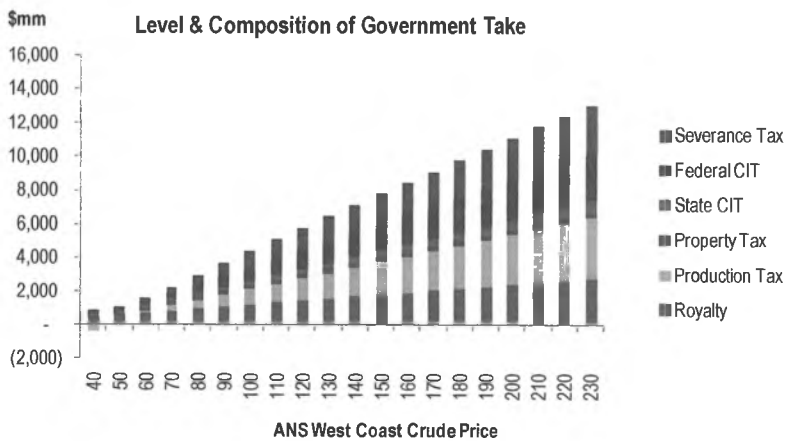
PFC Energy

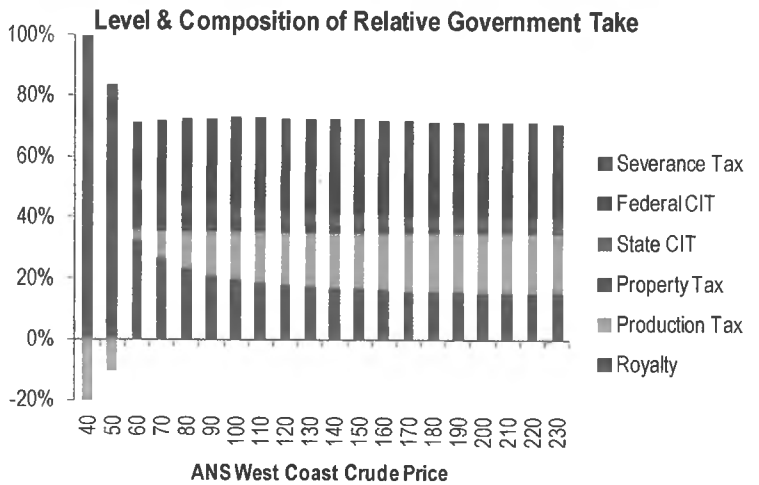
Severance Tax – 20% Maximum with first 7 years at 5% (New Producer) .25% progressivity from $65 to $125, then .10% progressivity



Price	NPV	IRR
$40	$ (306)	0%
$60	$ (137)	5%
$100	$ 77	12%

Price	Royalty	Severance Tax	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	156%	4%	-115%	96%	0%	140%	0%	140%
50	47%	6%	-11%	23%	1%	67%	6%	73%
60	32%	9%	3%	13%	3%	61%	10%	71%
70	26%	12%	9%	9%	3%	60%	12%	72%
80	23%	15%	12%	7%	3%	60%	12%	73%
90	21%	16%	14%	6%	3%	61%	12%	73%
100	20%	17%	15%	5%	3%	60%	13%	73%
110	19%	18%	16%	4%	3%	60%	13%	73%
120	18%	18%	17%	4%	3%	60%	13%	73%
130	17%	18%	17%	3%	4%	59%	13%	73%
140	17%	18%	18%	3%	4%	59%	14%	73%
150	17%	18%	18%	3%	4%	59%	14%	72%
160	16%	17%	18%	2%	4%	58%	14%	72%
170	16%	17%	19%	2%	4%	58%	14%	72%
180	16%	17%	19%	2%	4%	57%	14%	72%
190	16%	17%	19%	2%	4%	57%	14%	71%
200	15%	17%	19%	2%	4%	57%	15%	71%
210	15%	16%	19%	2%	4%	57%	15%	71%
220	15%	16%	19%	2%	4%	56%	15%	71%
230	15%	16%	20%	2%	4%	56%	15%	71%

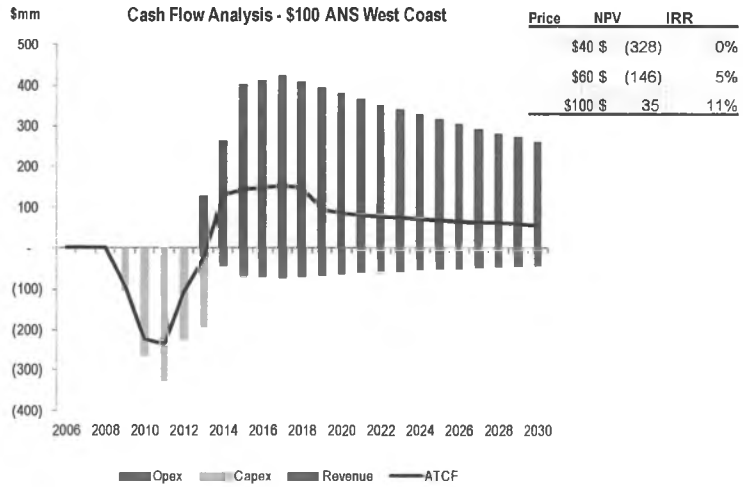




PFC Energy

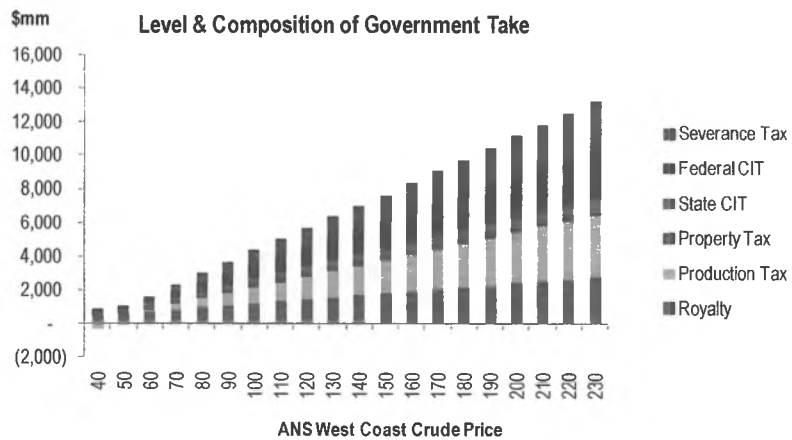
Severance Tax - 20% maximum (New Development)

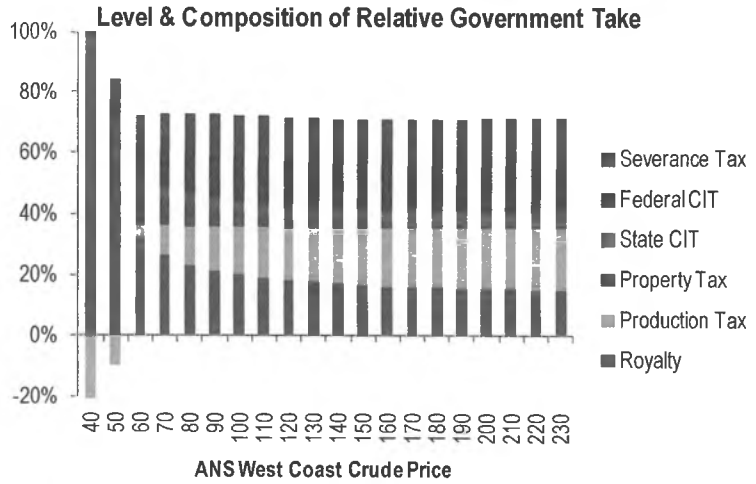
.25% progressivity from $60 to $100, then .03% progressivity



Price	NPV	IRR
$40	$ (328)	0%
$60	$ (146)	5%
$100	$ 35	11%

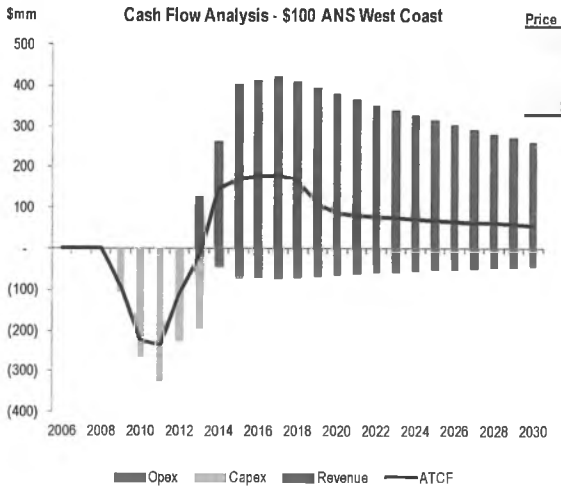
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	156%	-81%	96%	0%	170%	0%	177%
50	47%	-10%	23%	1%	62%	5%	75%
60	32%	4%	13%	3%	52%	10%	72%
70	26%	10%	9%	3%	48%	12%	73%
80	23%	13%	7%	3%	46%	13%	73%
90	21%	15%	6%	4%	45%	14%	73%
100	20%	16%	5%	4%	44%	14%	73%
110	19%	17%	4%	4%	43%	14%	72%
120	18%	17%	4%	4%	43%	15%	72%
130	17%	18%	3%	4%	42%	15%	72%
140	17%	18%	3%	4%	42%	15%	71%
150	17%	18%	3%	4%	42%	15%	71%
160	16%	19%	2%	4%	41%	15%	72%
170	16%	19%	2%	4%	41%	15%	71%
180	16%	19%	2%	4%	41%	15%	71%
190	16%	19%	2%	4%	41%	15%	71%
200	15%	19%	2%	4%	40%	15%	72%
210	15%	20%	2%	4%	40%	15%	72%
220	15%	20%	2%	4%	40%	15%	72%
230	15%	20%	2%	4%	40%	15%	72%





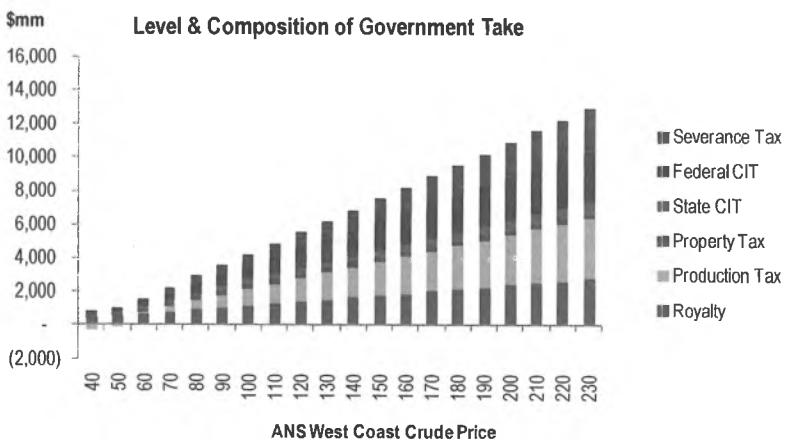
PFC Energy

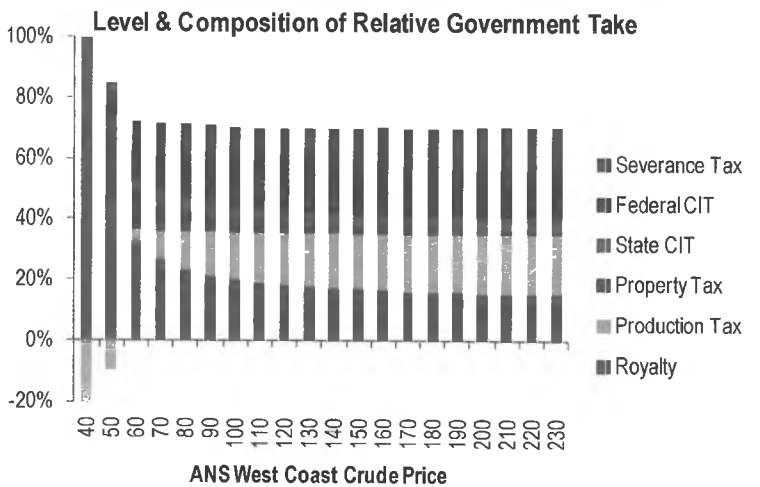
Severance Tax – 20% Maximum with first 7 years at 5% (New Producer) .25% progressivity from $60 to $100, then .03% progressivity



Price	NPV	IRR
$40	$ (328)	0%
$60	$ (145)	5%
$100	$ 84	12%

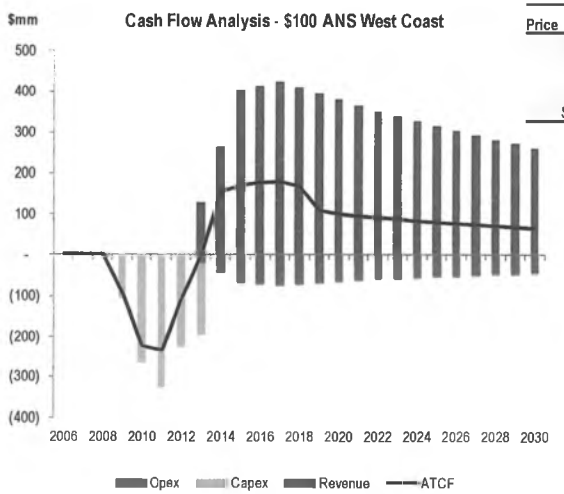
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	156%	-81%	96%	0%	170%	0%	177%
50	47%	-10%	23%	1%	62%	5%	75%
60	32%	4%	13%	3%	52%	10%	72%
70	26%	10%	9%	3%	48%	12%	72%
80	23%	13%	7%	3%	46%	13%	71%
90	21%	15%	6%	4%	45%	14%	71%
100	20%	16%	5%	4%	44%	14%	70%
110	19%	17%	4%	4%	43%	15%	70%
120	18%	17%	4%	4%	43%	15%	70%
130	17%	18%	3%	4%	42%	15%	70%
140	17%	18%	3%	4%	42%	15%	70%
150	17%	18%	3%	4%	42%	15%	70%
160	16%	19%	2%	4%	41%	15%	70%
170	16%	19%	2%	4%	41%	15%	70%
180	16%	19%	2%	4%	41%	15%	70%
190	16%	19%	2%	4%	41%	15%	70%
200	15%	19%	2%	4%	41%	15%	70%
210	15%	20%	2%	4%	41%	15%	70%
220	15%	20%	2%	4%	40%	15%	70%
230	15%	20%	2%	4%	40%	15%	70%





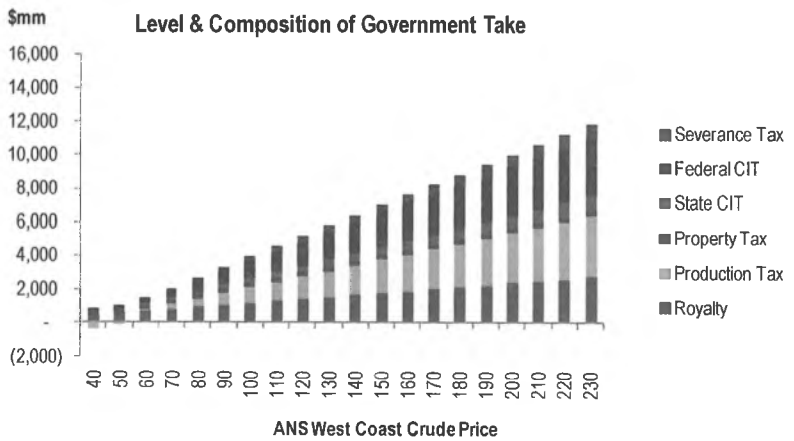
PFC Energy

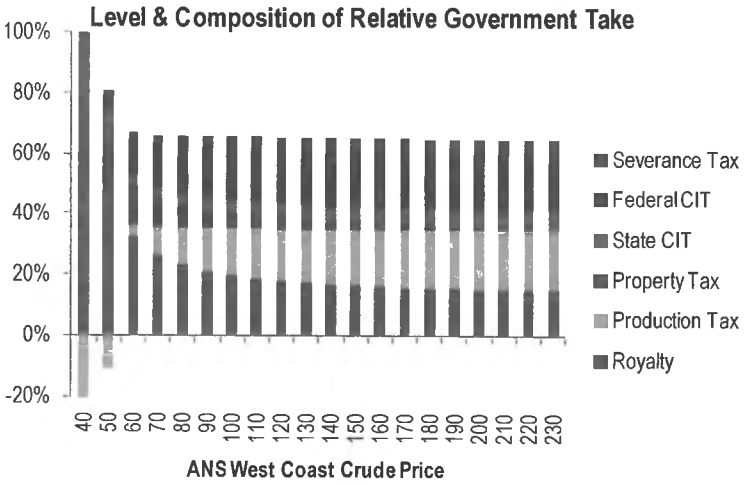
Severance Tax – 5% Maximum (New Producer)



Price	NPV	IRR
$40	$ (306)	0%
$60	$ (131)	6%
$100	$ 119	13%

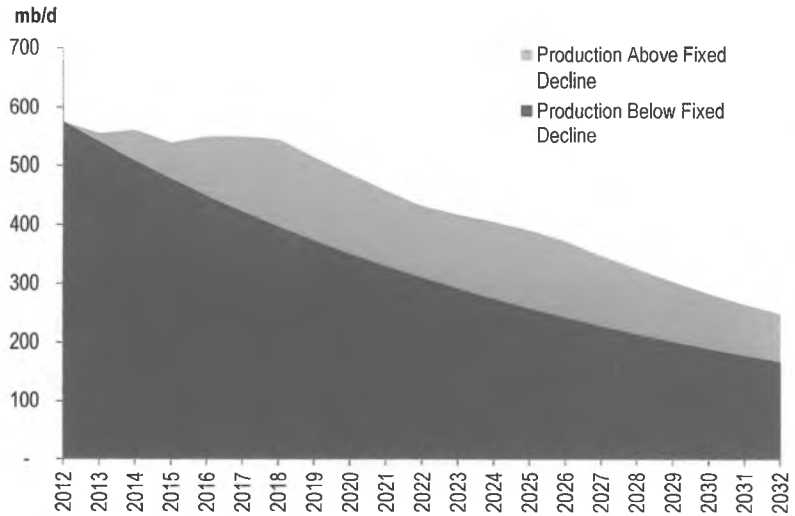
Price	Royalty	Severance Tax	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	156%	1%	-115%	96%	0%	137%	0%	137%
50	47%	1%	-11%	23%	2%	63%	7%	69%
60	32%	2%	3%	13%	3%	54%	13%	67%
70	26%	3%	9%	9%	4%	51%	15%	66%
80	23%	4%	12%	7%	4%	50%	16%	66%
90	21%	4%	14%	6%	4%	49%	16%	66%
100	20%	5%	15%	5%	4%	49%	17%	66%
110	19%	5%	16%	4%	4%	49%	17%	66%
120	18%	5%	17%	4%	5%	48%	17%	65%
130	17%	5%	17%	3%	5%	48%	17%	65%
140	17%	5%	18%	3%	5%	48%	17%	65%
150	17%	5%	18%	3%	5%	47%	18%	65%
160	16%	5%	18%	2%	5%	47%	18%	65%
170	16%	5%	19%	2%	5%	47%	18%	65%
180	16%	5%	19%	2%	5%	47%	18%	65%
190	16%	5%	19%	2%	5%	46%	18%	65%
200	15%	5%	19%	2%	5%	46%	18%	65%
210	15%	5%	19%	2%	5%	46%	18%	65%
220	15%	5%	19%	2%	5%	46%	18%	65%
230	15%	5%	20%	2%	5%	46%	19%	64%





PFC Energy

20 Year Revenue Impact of Reduced Rate for New Production (Using Severance Tax Option 1)



20 Year NPV of Cash Flows - Severance Option 1

ANS West Coast Oil Price	Production Tax		Total State Take		Total Government Tak		Cash to Companies	
	High Rate Only	Reduced Rate for New Production	High Rate Only	Reduced Rate for New Production	High Rate Only	Reduced Rate for New Production	High Rate Only	Reduced Rate for New Production
40	2,397	2,397	18,074	18,074	22,497	22,497	7,800	7,800
50	5,155	5,127	25,267	25,241	35,402	35,385	18,407	18,424
60	10,952	10,718	35,245	35,030	50,117	49,978	27,205	27,345
70	18,969	18,227	47,256	46,576	66,154	65,712	34,682	35,124
80	29,238	27,781	61,330	59,995	83,532	82,664	40,817	41,685
90	40,501	38,236	76,314	74,239	101,501	100,152	46,361	47,709
100	52,361	49,303	91,845	89,044	119,825	118,005	51,550	53,370
110	64,411	60,646	107,550	104,101	138,263	136,022	56,625	58,866
120	76,124	71,799	122,946	118,985	156,501	153,926	61,900	64,475
130	86,904	82,096	137,488	133,084	174,182	171,320	67,732	70,595
140	97,030	91,691	151,431	146,540	191,475	188,296	73,952	77,131
150	107,336	101,401	165,539	160,102	208,875	205,341	80,066	83,599

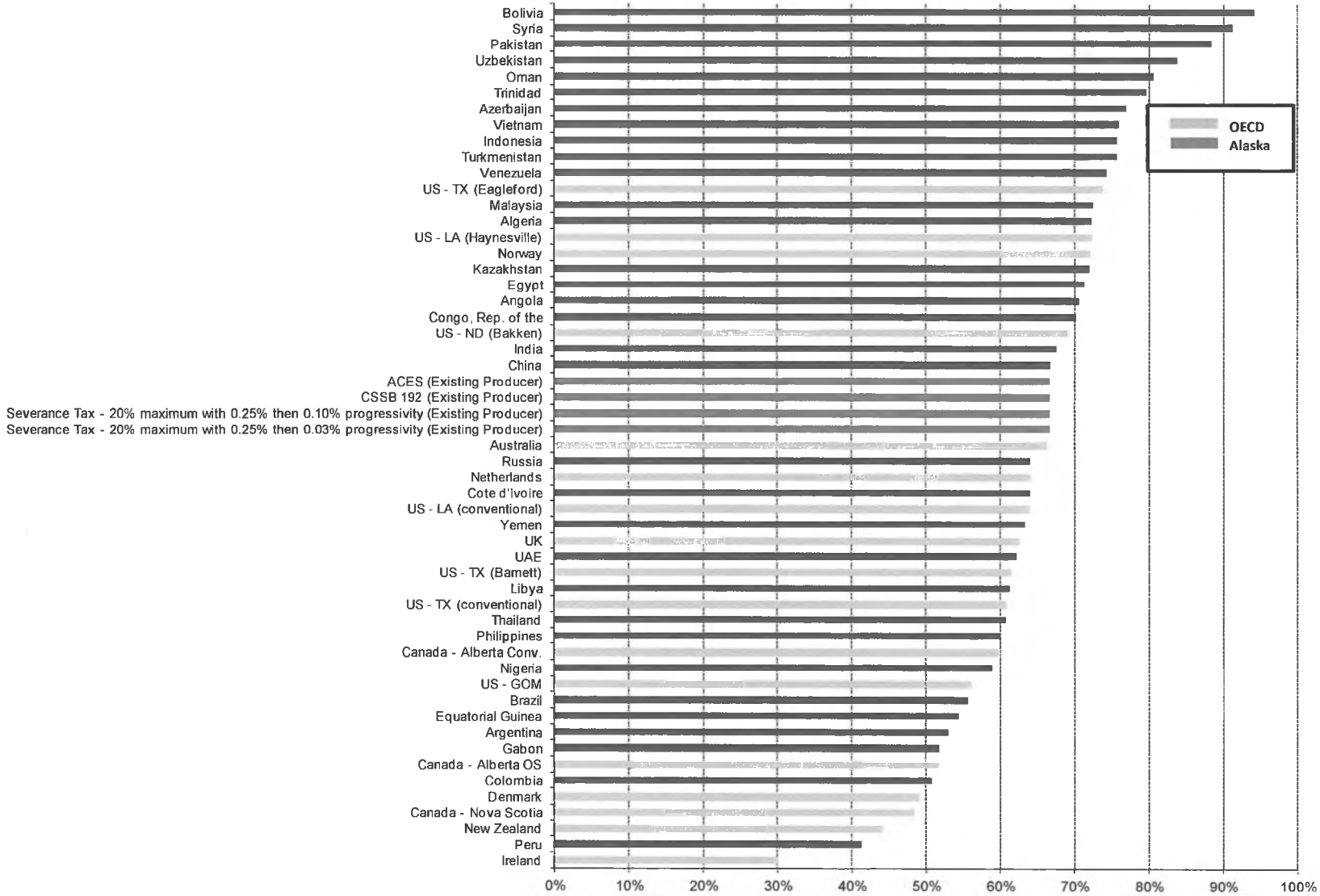
20 Year NPV of Cash Flows - Severance Option 2

ANS West Coast Oil Price	Production Tax		Total State Take		Total Government Tak		Cash to Companies	
	High Rate Only	Reduced Rate for New Production	High Rate Only	Reduced Rate for New Production	High Rate Only	Reduced Rate for New Production	High Rate Only	Reduced Rate for New Production
40	2,397	2,397	18,074	18,074	22,497	22,497	7,800	7,800
50	5,323	5,257	25,421	25,361	35,502	35,463	18,307	18,346
60	11,634	11,269	35,870	35,536	50,523	50,306	26,799	27,016
70	20,482	19,563	48,641	47,800	67,055	66,507	33,781	34,328
80	30,396	28,904	62,391	61,024	84,221	83,333	40,128	41,016
90	40,472	38,512	76,287	74,492	101,484	100,317	46,378	47,545
100	49,999	47,776	89,681	87,645	118,419	117,095	52,956	54,280
110	58,364	55,970	102,011	99,818	134,663	133,238	60,225	61,650
120	66,563	63,978	114,188	111,820	150,808	149,269	67,593	69,132
130	74,910	72,095	126,501	123,924	167,041	165,365	74,873	76,549
140	83,405	80,307	138,951	136,113	183,363	181,518	82,065	83,909
150	92,050	88,595	151,537	148,372	199,773	197,716	89,167	91,224

PFC Energy

Regime Competitiveness: Relative Government Take

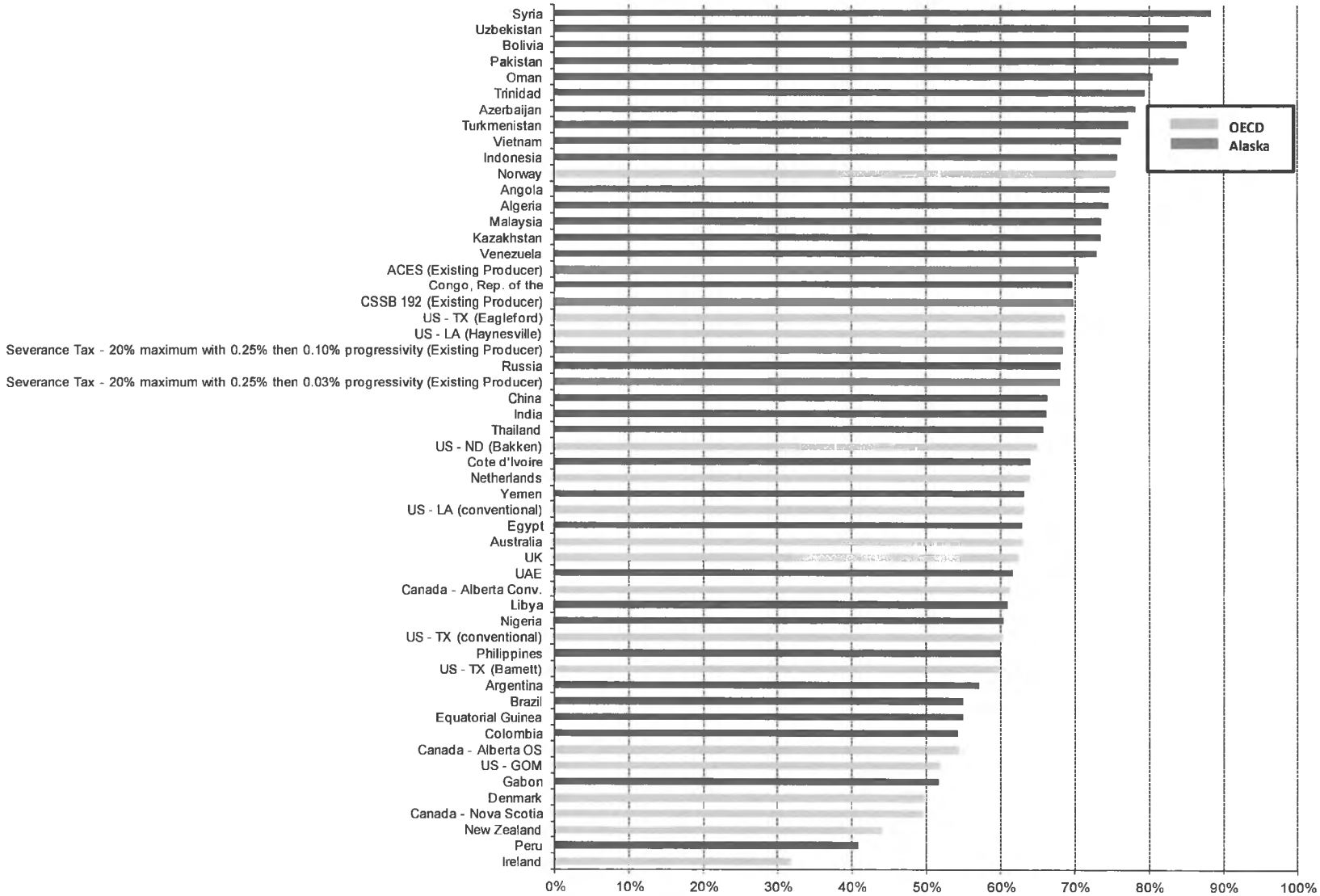
Average Government Take of Global Fiscal Regimes at $60/bbl



PFC Energy

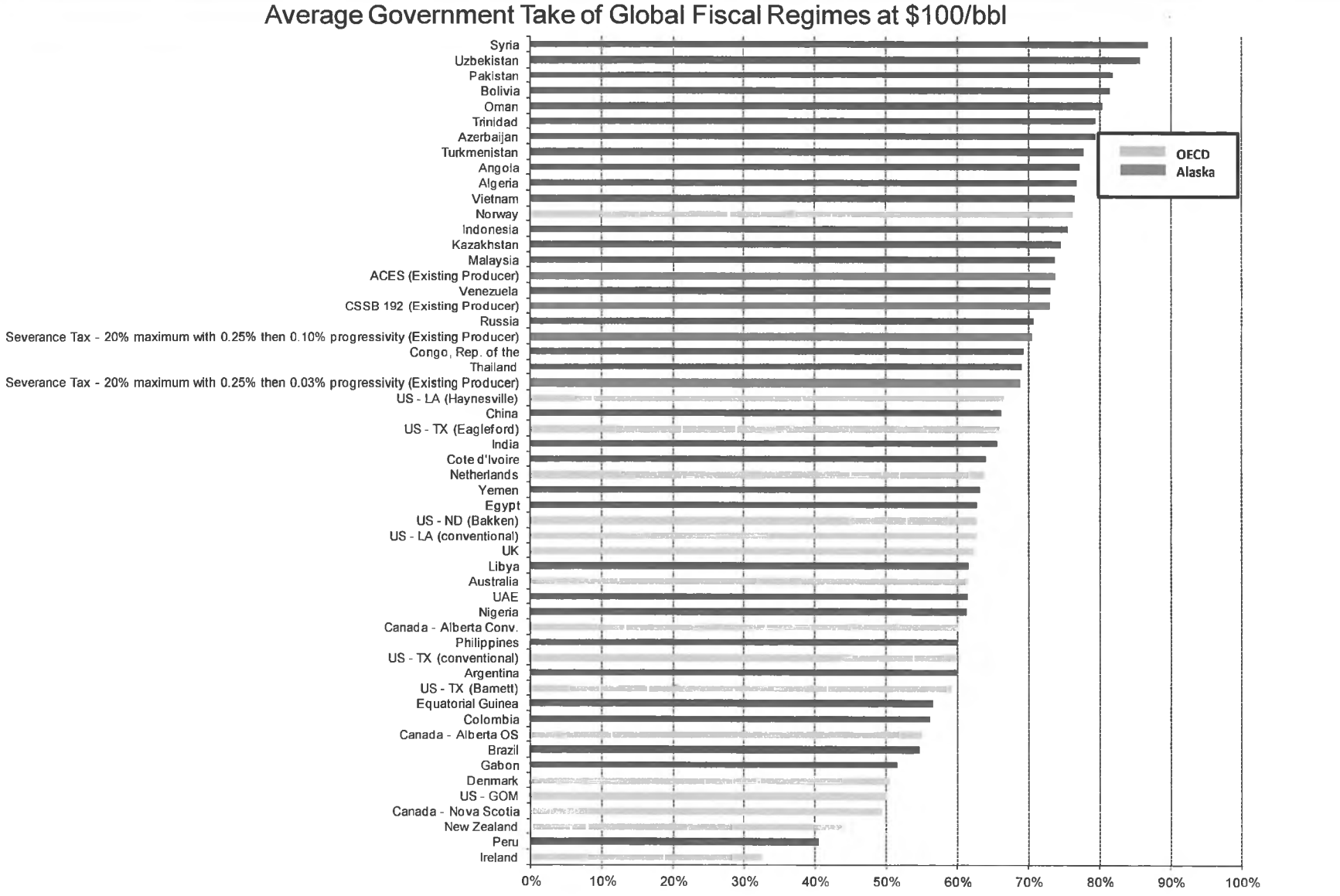
Regime Competitiveness: Relative Government Take

Average Government Take of Global Fiscal Regimes at $80/bbl



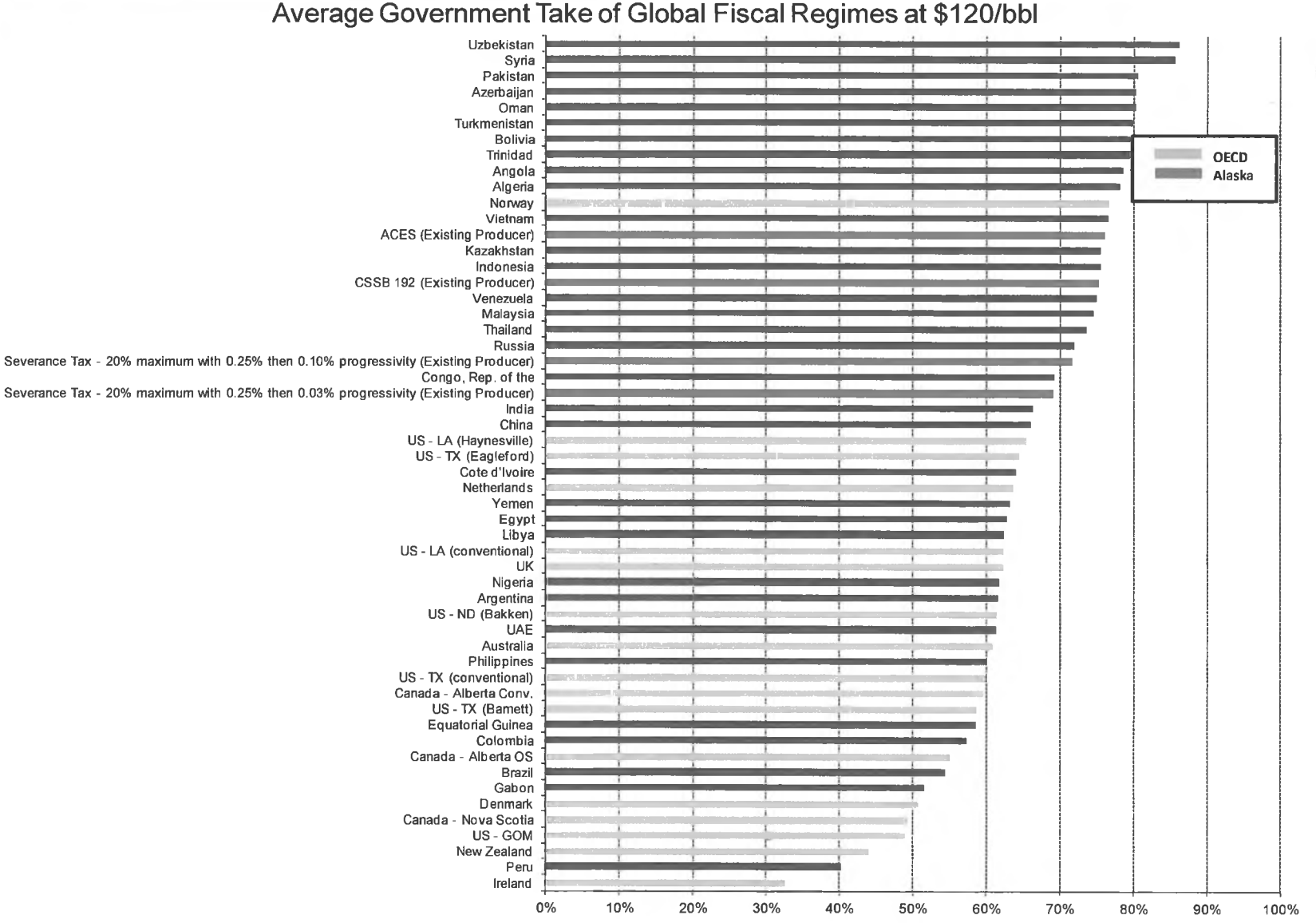
PFC Energy

Regime Competitiveness: Relative Government Take



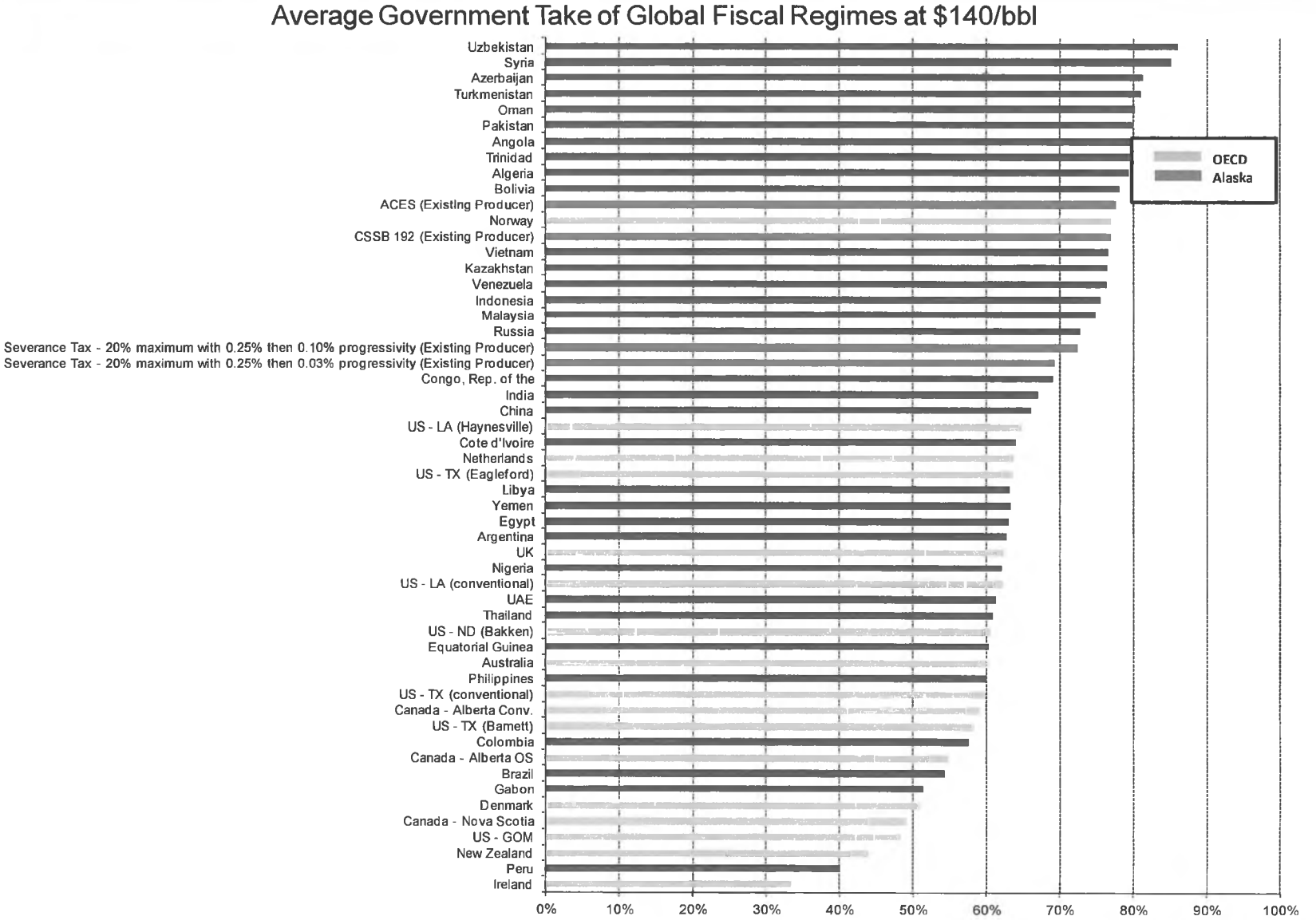
PFC Energy

Regime Competitiveness: Relative Government Take



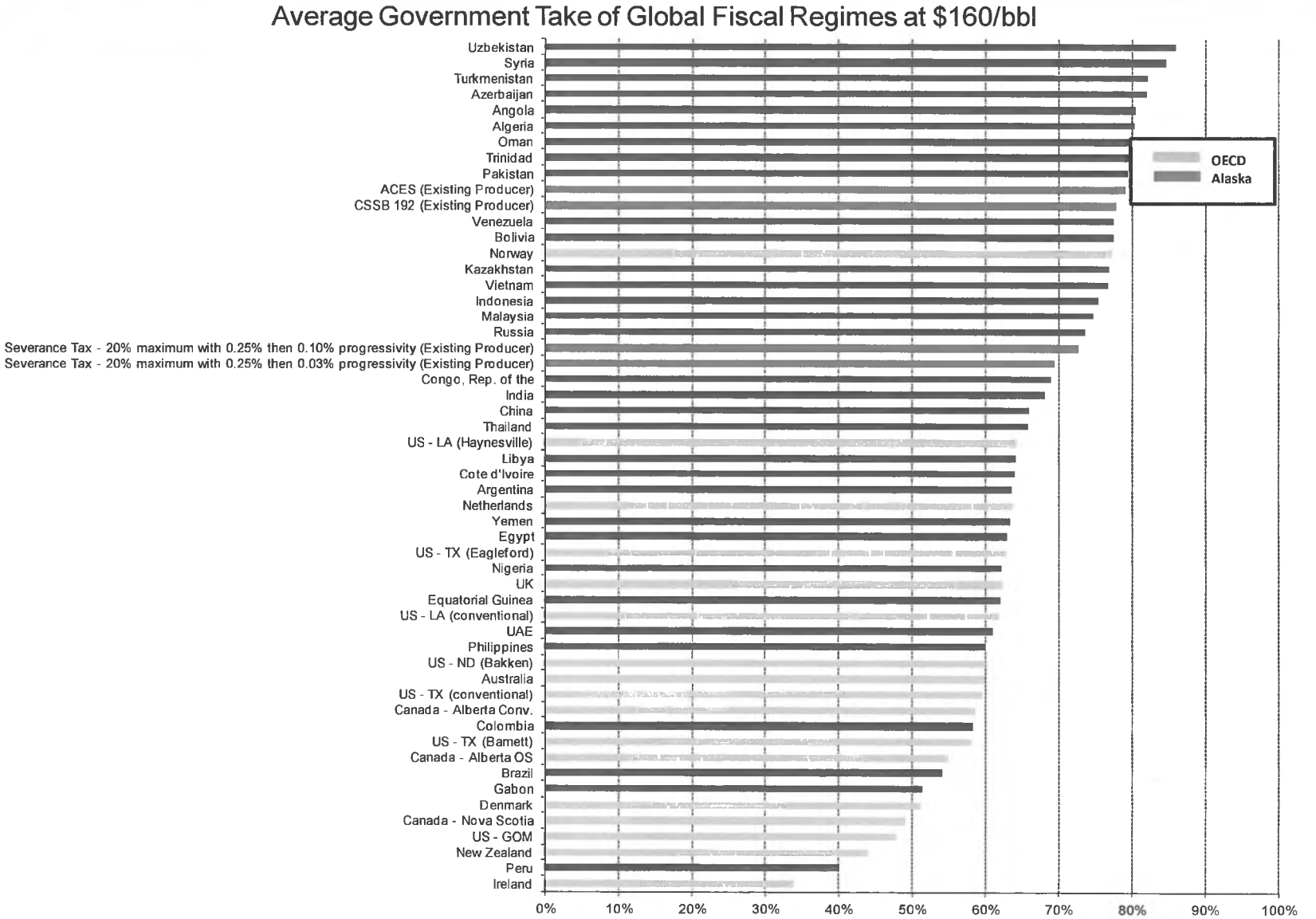
PFC Energy

Regime Competitiveness: Relative Government Take



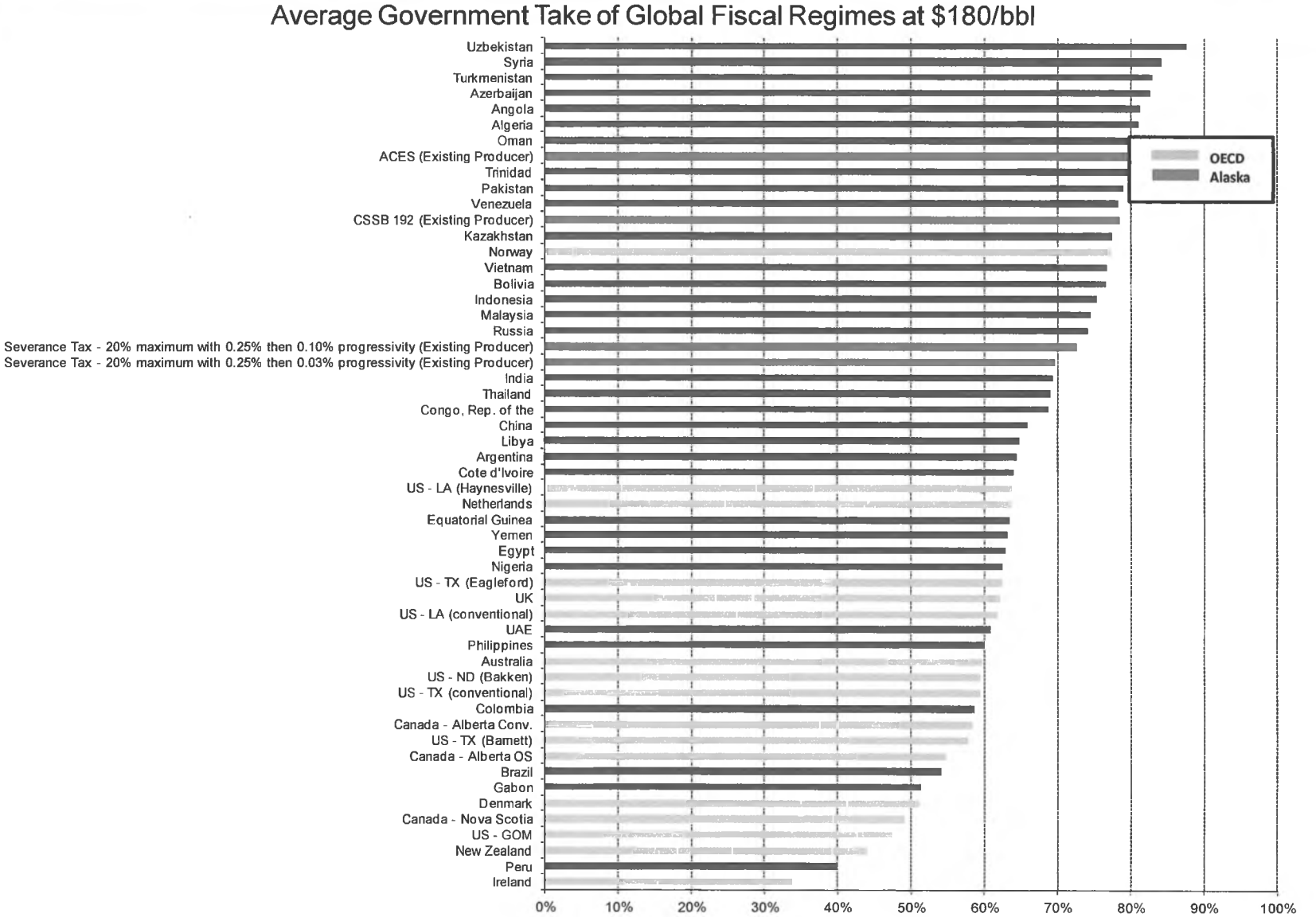
PFC Energy

Regime Competitiveness: Relative Government Take



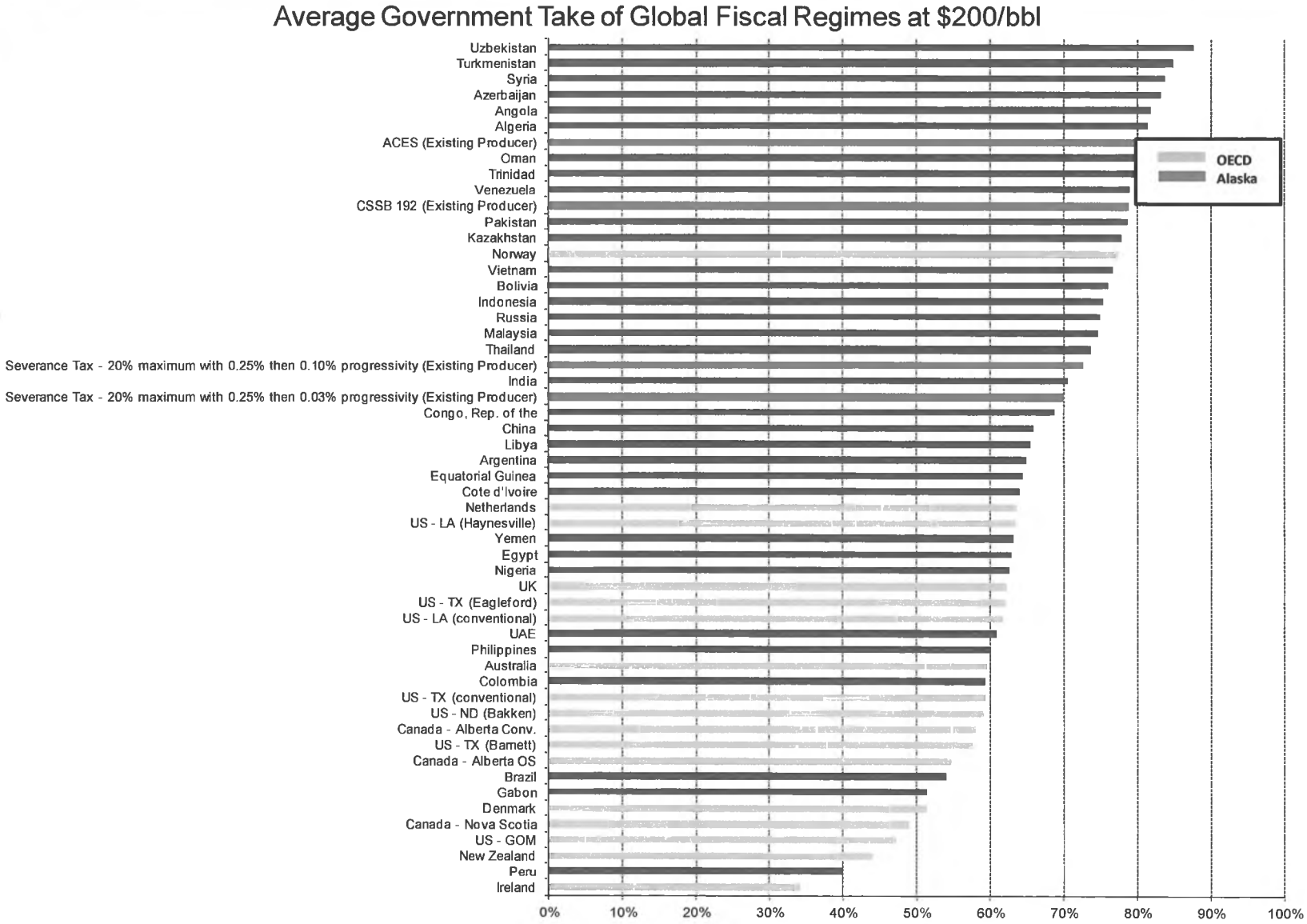
PFC Energy

Regime Competitiveness: Relative Government Take



PFC Energy

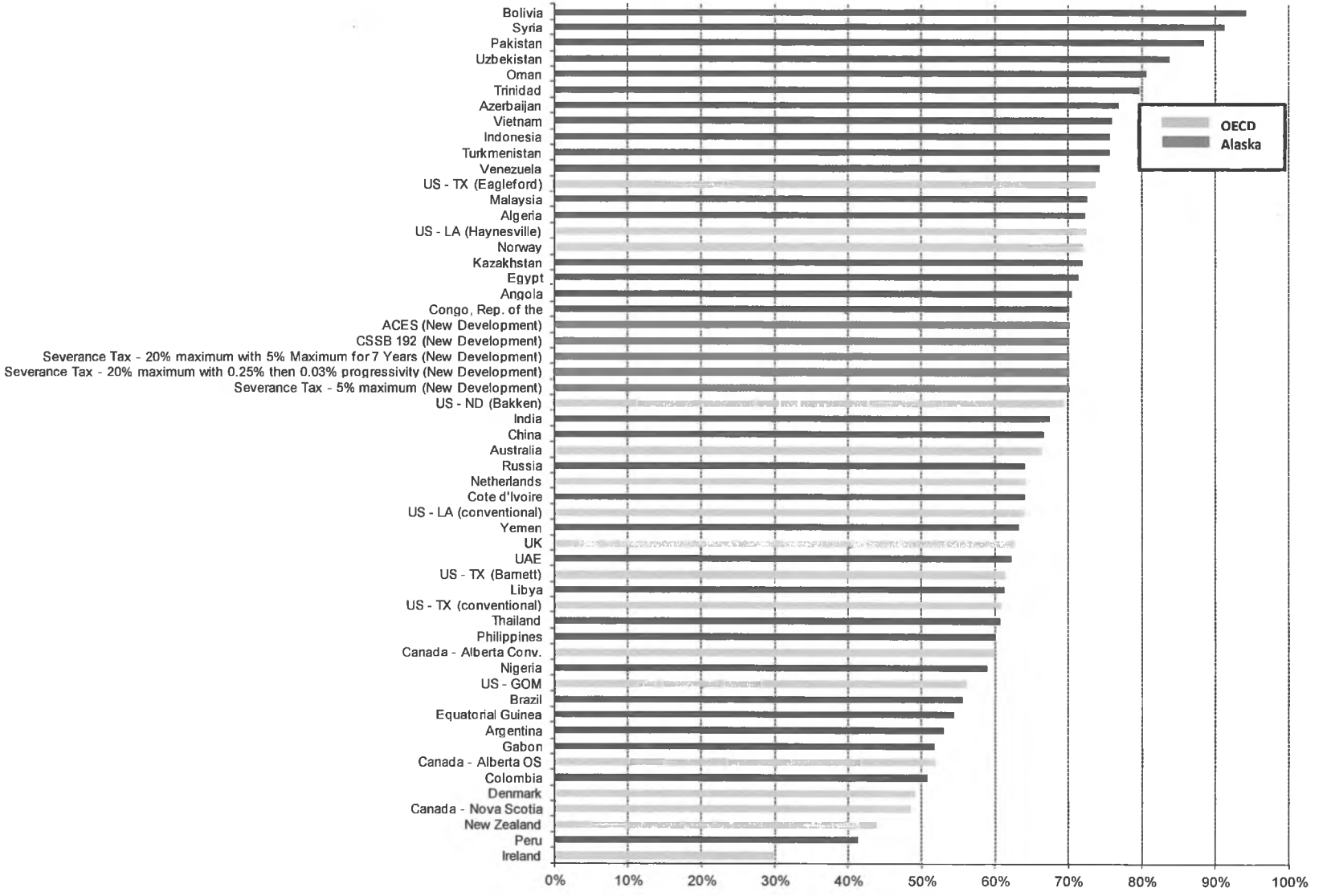
Regime Competitiveness: Relative Government Take



PFC Energy

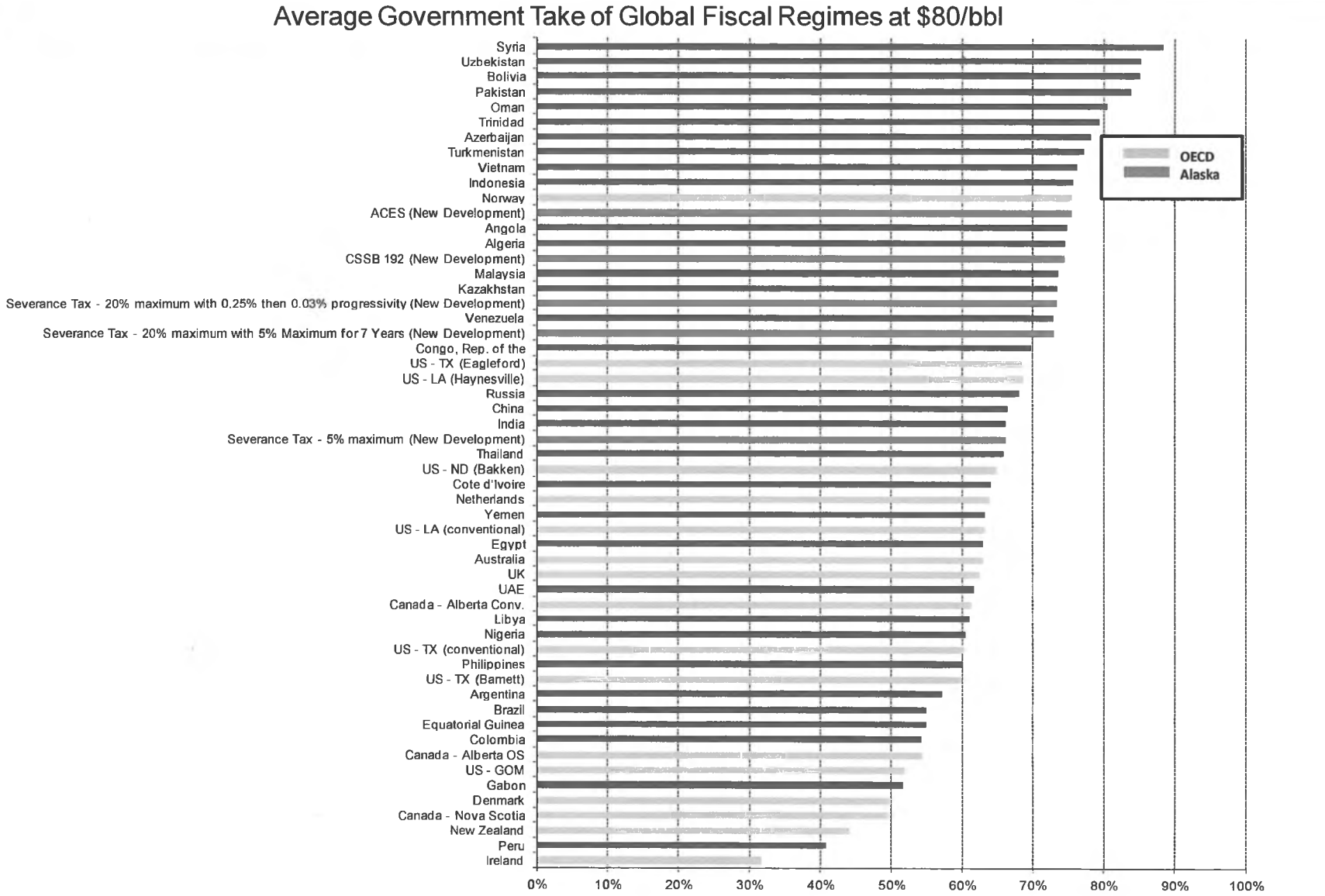
Regime Competitiveness: Relative Government Take

Average Government Take of Global Fiscal Regimes at $60/bbl



PFC Energy

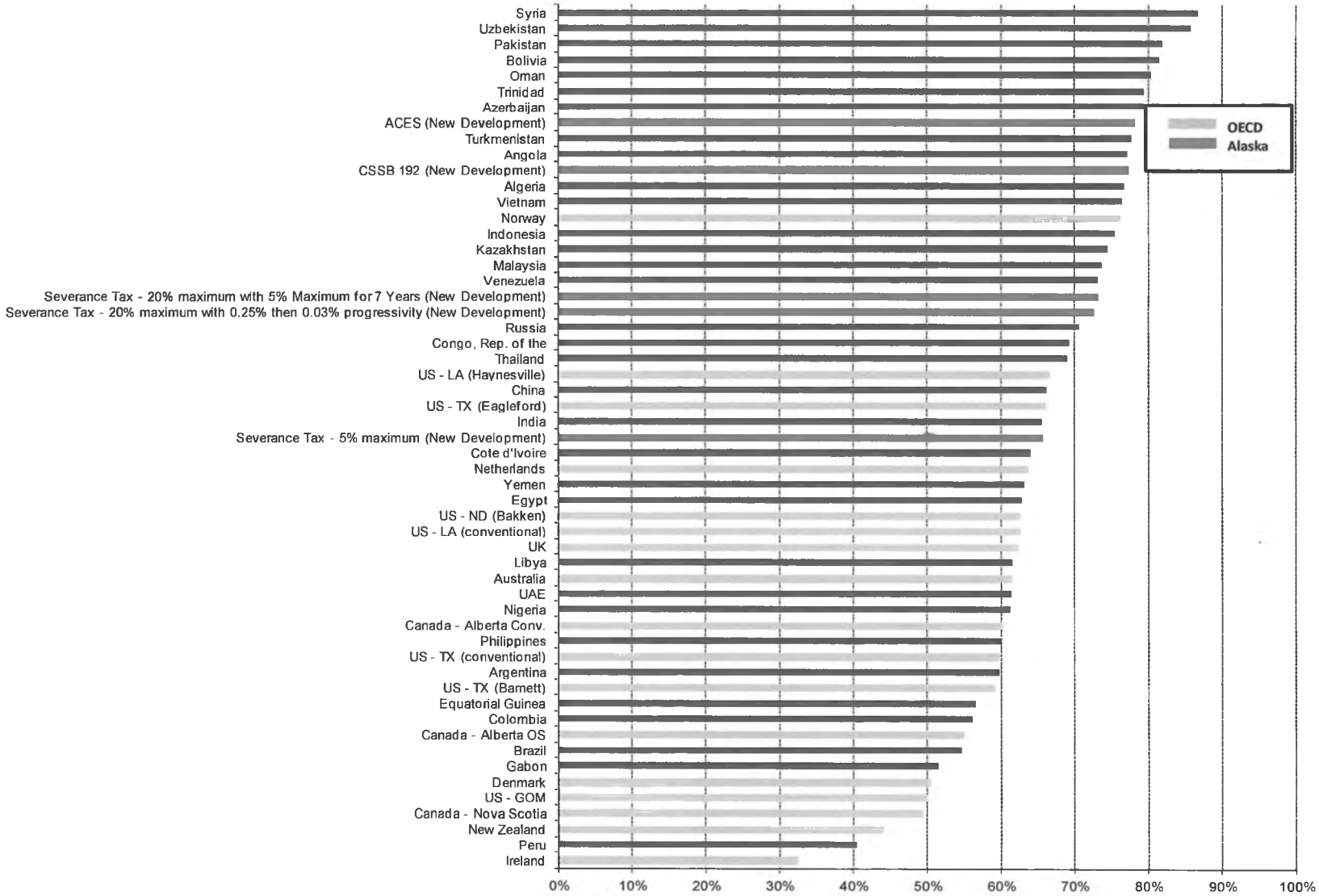
Regime Competitiveness: Relative Government Take



PFC Energy

Regime Competitiveness: Relative Government Take

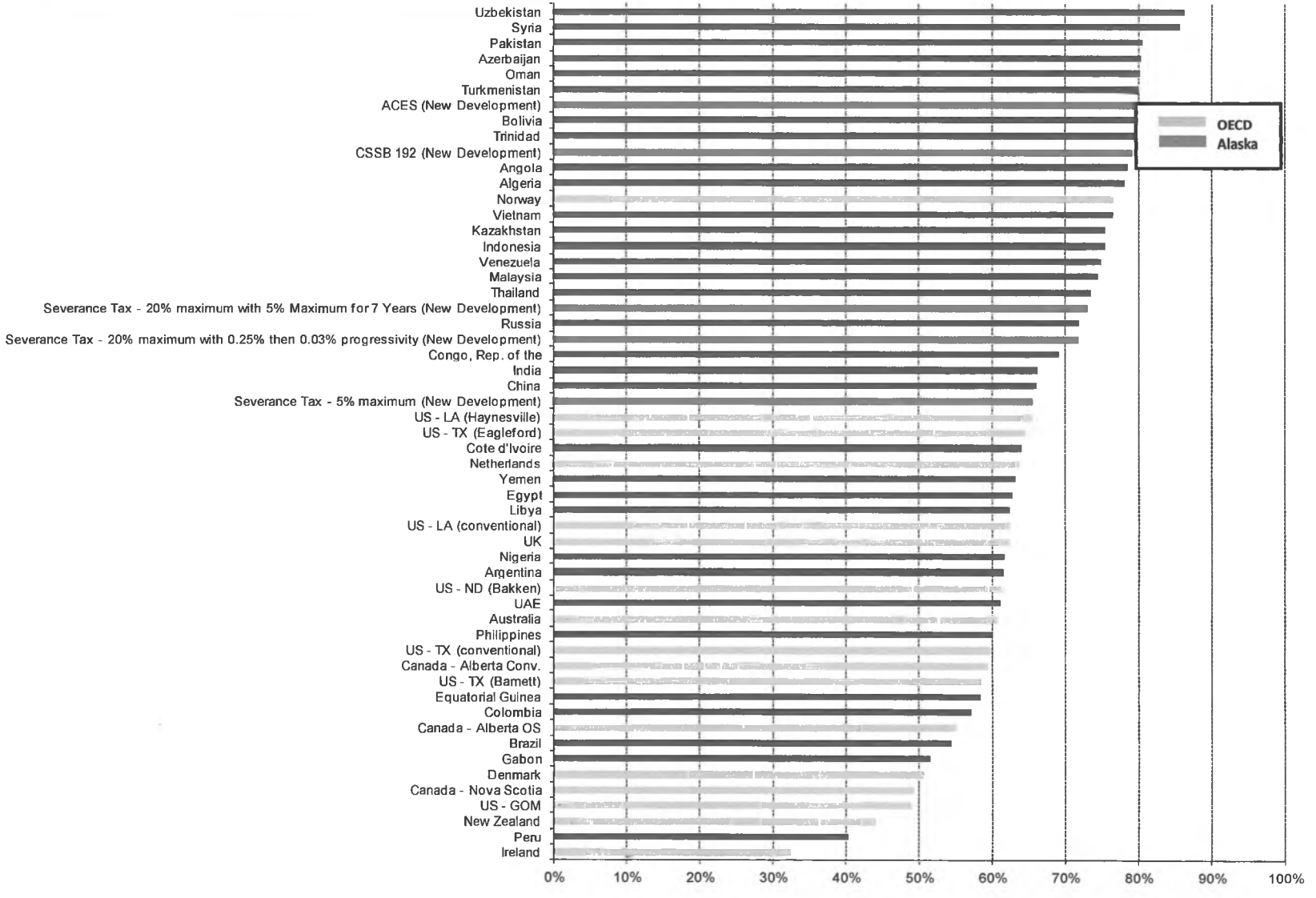
Average Government Take of Global Fiscal Regimes at $100/bbl



PFC Energy

Regime Competitiveness: Relative Government Take

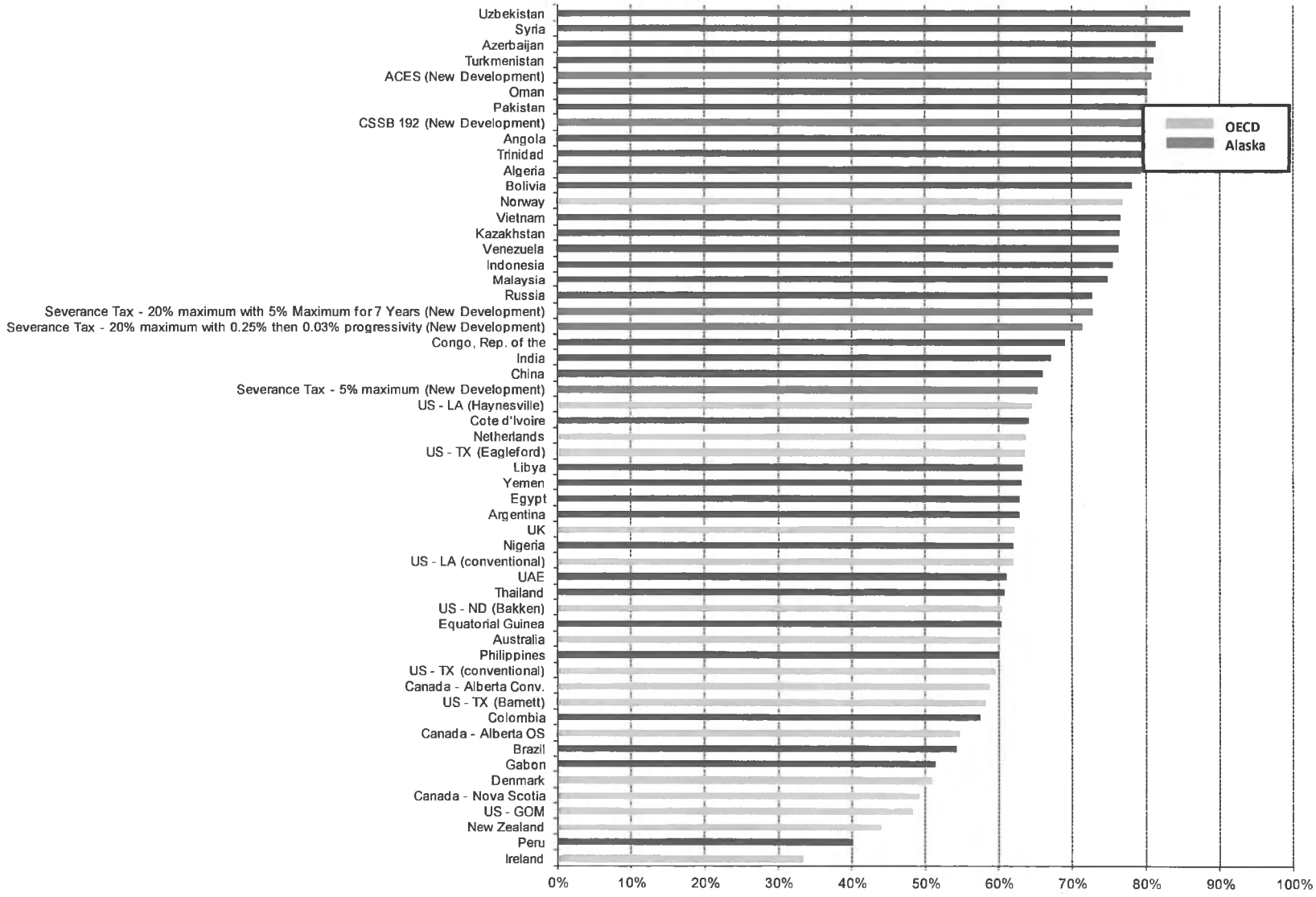
Average Government Take of Global Fiscal Regimes at $120/bbl



PFC Energy

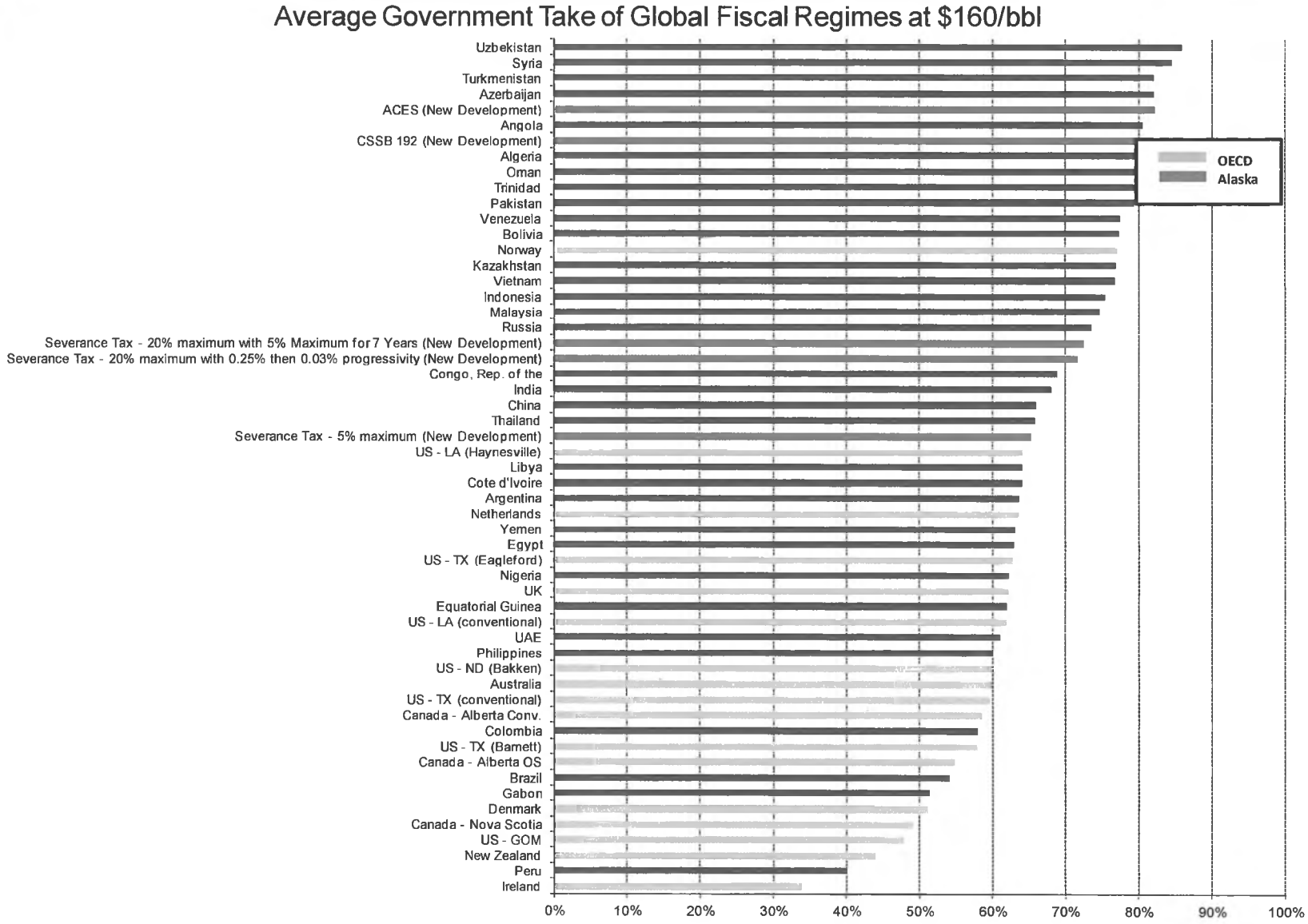
Regime Competitiveness: Relative Government Take

Average Government Take of Global Fiscal Regimes at $140/bbl



PFC Energy

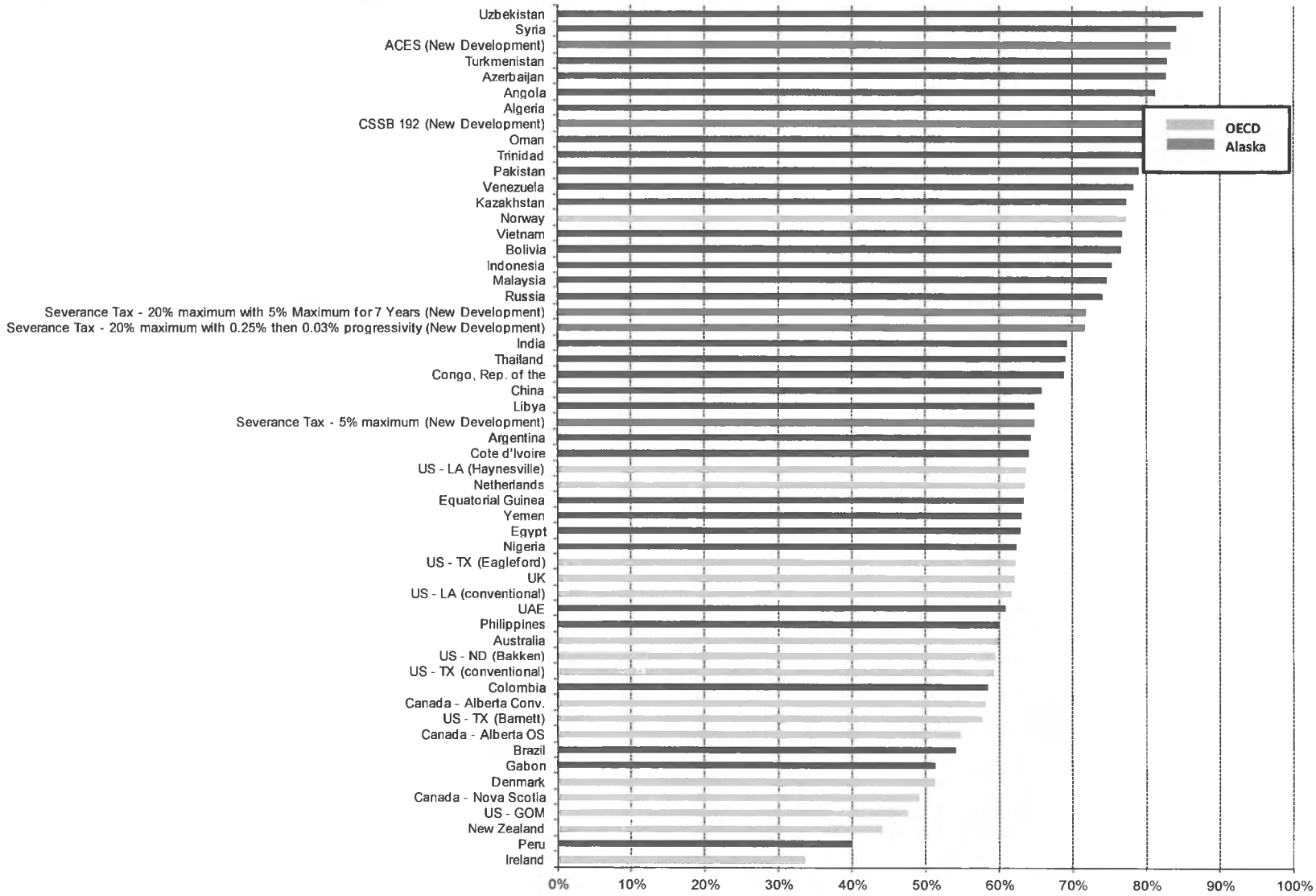
Regime Competitiveness: Relative Government Take



PFC Energy

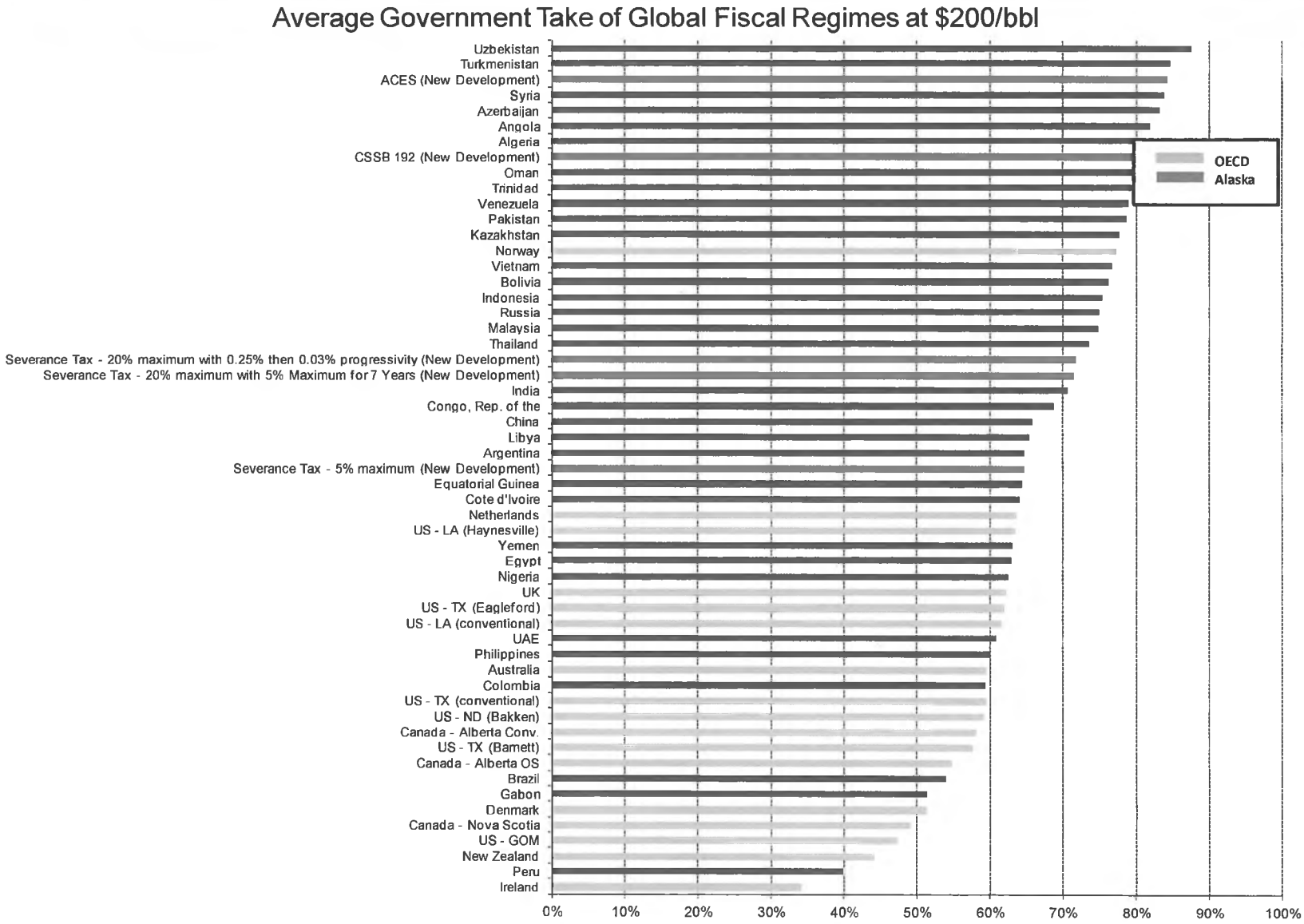
Regime Competitiveness: Relative Government Take

Average Government Take of Global Fiscal Regimes at $180/bbl



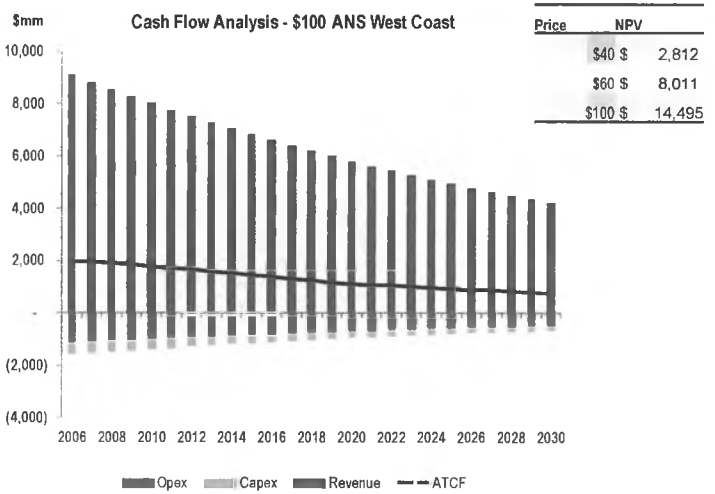
PFC Energy

Regime Competitiveness: Relative Government Take



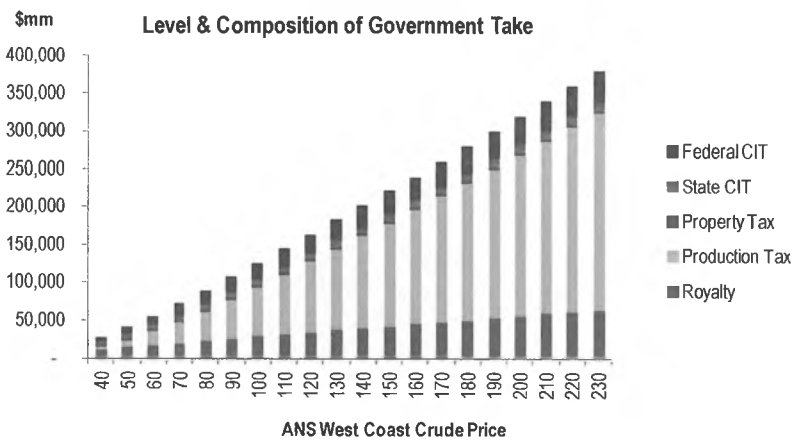
PFC Energy

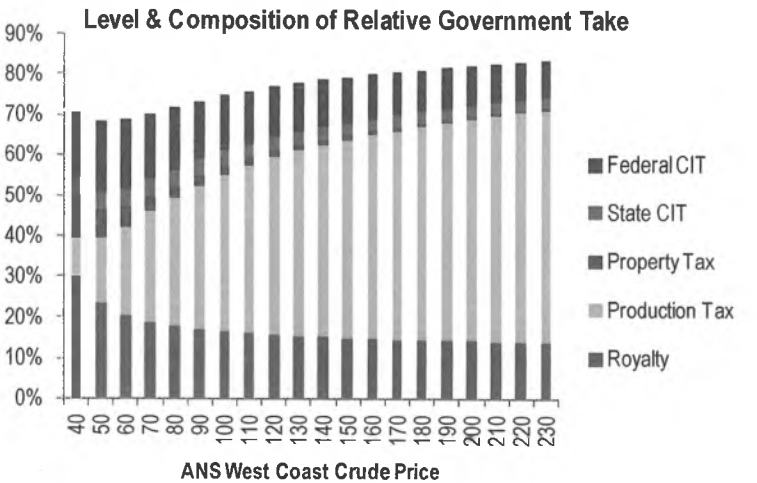
ACES (Existing Producer)



Price	NPV
$40	$ 2,812
$60	$ 8,011
$100	$ 14,495

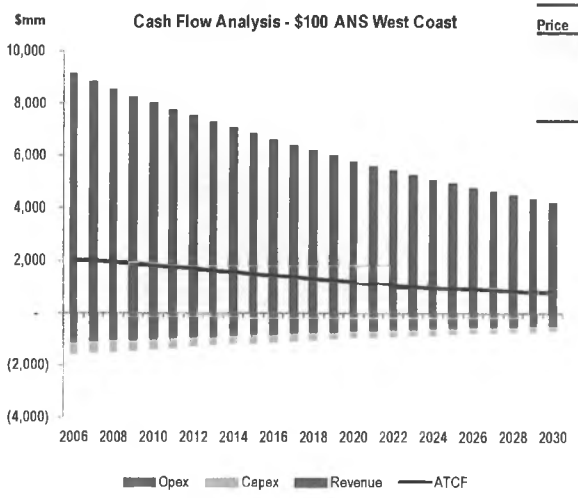
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	30%	9%	11%	4%	54%	16%	71%
50	23%	16%	7%	5%	51%	17%	68%
60	20%	22%	5%	4%	52%	17%	69%
70	19%	27%	4%	4%	54%	16%	70%
80	18%	31%	3%	4%	56%	15%	72%
90	17%	35%	3%	4%	59%	15%	73%
100	16%	39%	2%	4%	61%	14%	75%
110	16%	41%	2%	3%	63%	13%	76%
120	16%	44%	2%	3%	64%	13%	77%
130	15%	46%	2%	3%	66%	12%	78%
140	15%	47%	2%	3%	67%	12%	79%
150	15%	49%	1%	3%	68%	11%	79%
160	15%	50%	1%	3%	69%	11%	80%
170	14%	51%	1%	3%	70%	11%	80%
180	14%	52%	1%	3%	71%	10%	81%
190	14%	54%	1%	3%	72%	10%	82%
200	14%	55%	1%	3%	72%	10%	82%
210	14%	55%	1%	2%	73%	9%	82%
220	14%	56%	1%	2%	74%	9%	83%
230	14%	57%	1%	2%	74%	9%	83%





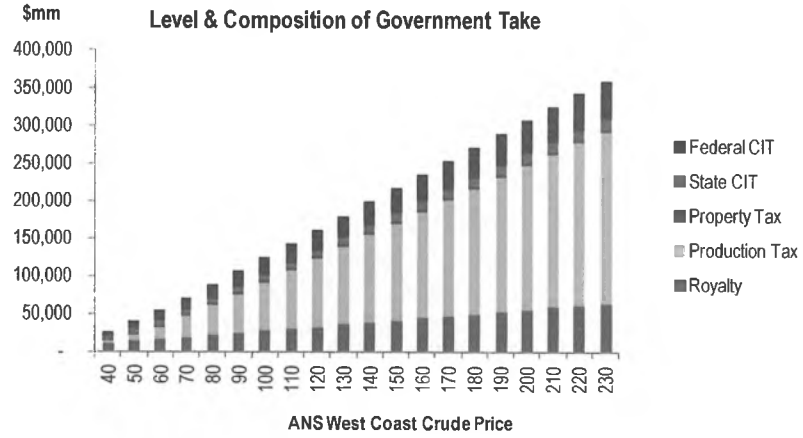
PFC Energy

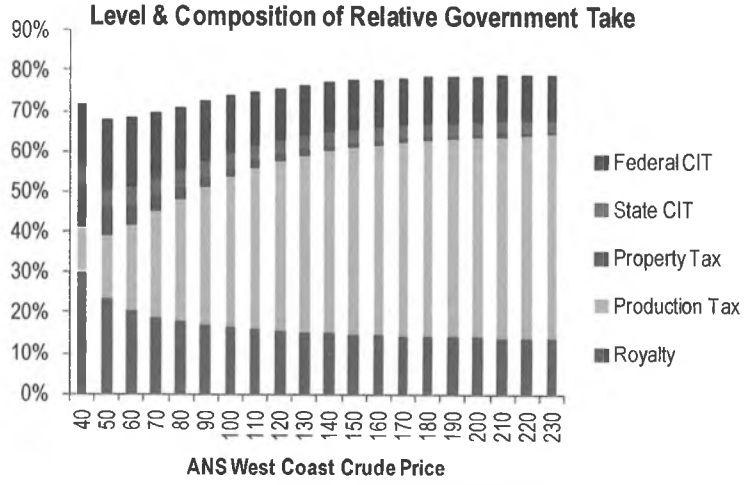
CSSB 192 (Existing Producer)



Price	NPV
$40	$ 2,588
$60	$ 8,029
$100	$ 14,982

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	30%	11%	11%	4%	56%	16%	72%
50	23%	16%	7%	5%	51%	17%	68%
60	20%	21%	5%	5%	51%	17%	68%
70	19%	26%	4%	4%	53%	17%	70%
80	18%	30%	3%	4%	55%	16%	71%
90	17%	34%	3%	4%	58%	15%	72%
100	16%	37%	2%	4%	60%	14%	74%
110	16%	40%	2%	4%	61%	14%	75%
120	16%	42%	2%	3%	63%	13%	76%
130	15%	44%	2%	3%	64%	13%	77%
140	15%	45%	2%	3%	65%	12%	77%
150	15%	46%	1%	3%	65%	12%	78%
160	15%	47%	1%	3%	66%	12%	78%
170	14%	48%	1%	3%	66%	12%	78%
180	14%	48%	1%	3%	67%	12%	78%
190	14%	49%	1%	3%	67%	12%	79%
200	14%	49%	1%	3%	67%	11%	79%
210	14%	50%	1%	3%	68%	11%	79%
220	14%	50%	1%	3%	68%	11%	79%
230	14%	50%	1%	3%	68%	11%	79%

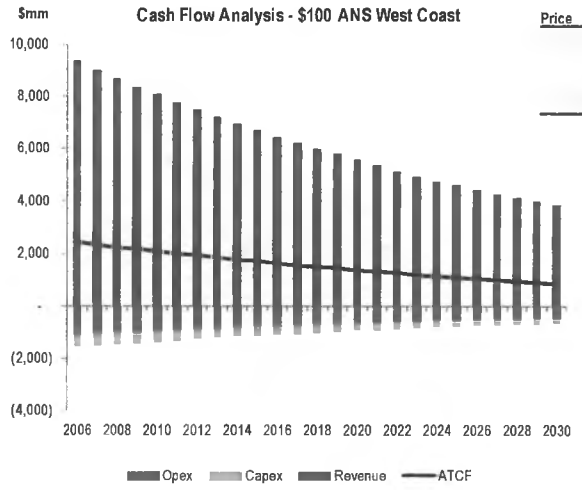




PFC Energy

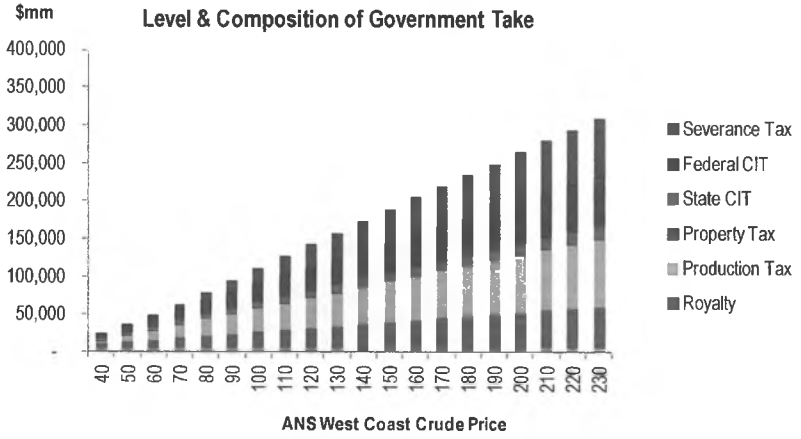
Severance Tax - 20% maximum (Existing Producer)

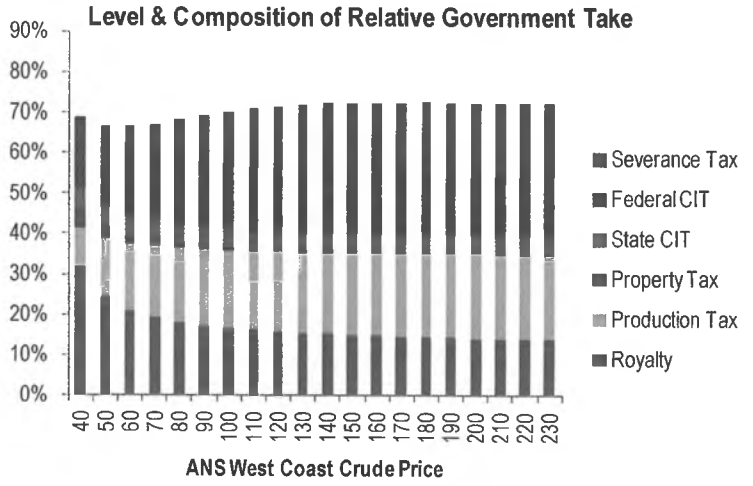
.25% progressivity from $65 to $125, then .10% progressivity



Price	NPV
$40 $	3,209
$60 $	8,458
$100 $	16,757

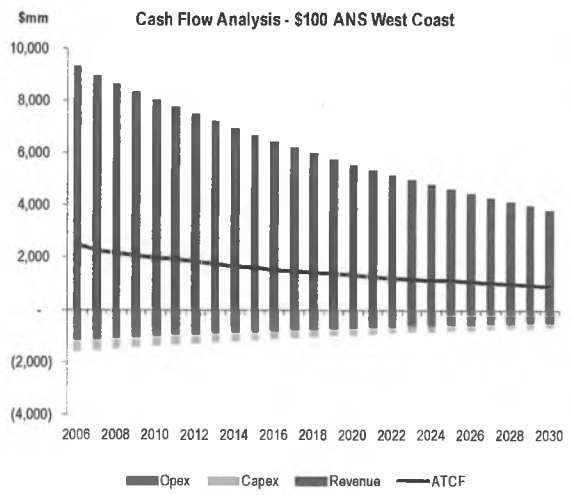
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	32%	9%	5%	5%	51%	17%	69%
50	24%	14%	3%	5%	47%	18%	67%
60	21%	16%	2%	5%	44%	18%	67%
70	19%	18%	2%	5%	43%	18%	67%
80	18%	18%	1%	5%	42%	17%	68%
90	17%	19%	1%	4%	42%	17%	69%
100	17%	19%	1%	4%	41%	16%	70%
110	16%	20%	1%	4%	41%	16%	71%
120	16%	20%	1%	4%	40%	15%	72%
130	15%	20%	1%	4%	40%	15%	72%
140	15%	20%	1%	4%	40%	15%	72%
150	15%	20%	1%	4%	40%	15%	72%
160	15%	20%	1%	4%	40%	15%	72%
170	15%	21%	1%	4%	40%	15%	73%
180	14%	21%	1%	4%	39%	15%	73%
190	14%	21%	0%	4%	39%	15%	73%
200	14%	21%	0%	4%	39%	15%	72%
210	14%	21%	0%	4%	39%	15%	72%
220	14%	21%	0%	4%	39%	15%	72%
230	14%	21%	0%	4%	39%	15%	72%





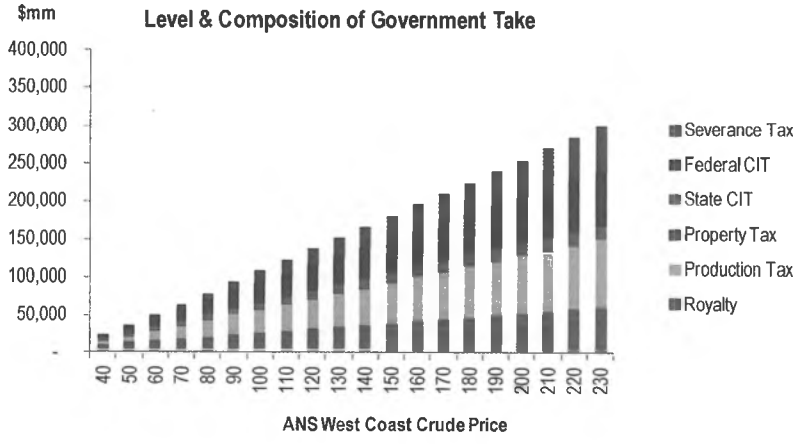
PFC Energy

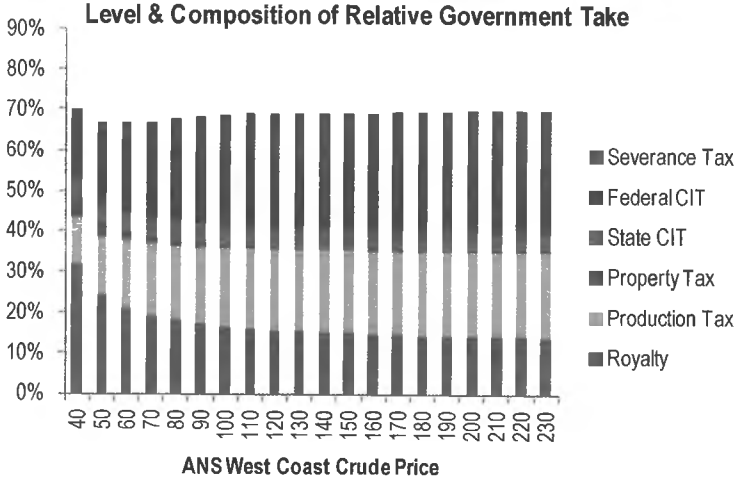
Severance Tax - 20% maximum (Existing Producer)
.25% progressivity from $60 to $100, then .03% progressivity



NPV	
$40 $	3,117
$60 $	8,420
$100 $	16,768

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	32%	11%	5%	4%	53%	17%	70%
50	24%	14%	3%	5%	46%	18%	67%
60	21%	16%	2%	5%	44%	18%	67%
70	19%	18%	2%	5%	43%	18%	67%
80	18%	18%	1%	5%	42%	17%	68%
90	17%	19%	1%	4%	42%	17%	68%
100	17%	19%	1%	4%	41%	17%	69%
110	16%	20%	1%	4%	41%	17%	69%
120	16%	20%	1%	4%	41%	17%	69%
130	15%	20%	1%	4%	41%	17%	69%
140	15%	20%	1%	4%	40%	17%	69%
150	15%	20%	1%	4%	40%	17%	69%
160	15%	20%	1%	4%	40%	17%	69%
170	15%	21%	1%	4%	40%	17%	69%
180	14%	21%	1%	4%	40%	16%	69%
190	14%	21%	0%	4%	40%	16%	70%
200	14%	21%	0%	4%	40%	16%	70%
210	14%	21%	0%	4%	40%	16%	70%
220	14%	21%	0%	4%	40%	16%	70%
230	14%	21%	0%	4%	40%	16%	70%





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18.

Department of Revenue Response to Questions April 1, 2012

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

SEAN PARNELL, GOVERNOR
333 Willoughby Avenue, 11th Floor
P.O. Box 110400
Juneau, Alaska 99811-0400
Phone: (907) 465-2300
Fax: (907) 465-2389

The Honorable Bert Stedman
Alaska State Senator
State Capitol, Room 516
Juneau, Alaska 99801

March 30, 2012

Dear Senator Stedman:

This letter is in response to a request from your office to provide a summary of all state revenues generated from oil and gas activities in Cook Inlet, and all deductible lease expenditures and applicable tax credits from oil and gas activities in Cook Inlet. You had requested that we provide this information as forecasted for FY 2012 and FY 2013.

The Department of Revenue forecasts oil and gas production from Cook Inlet, and royalties attributable to that production. The Department also forecasts property tax revenue by property, and therefore has Cook Inlet-specific projections. The Department does not forecast other revenues attributable specifically to Cook Inlet, for two reasons: (1) production tax received for Cook Inlet production is less than one percent of the total production tax received by the State; and (2) companies do not separate out state corporate income tax paid for Cook Inlet operations from other oil and gas operations in the state. Credit activity for Cook Inlet is also difficult to determine, as some companies have oil and gas operations in Cook Inlet and other parts of the state, and credits are not always identified by the region in which they were earned.

We can, however, provide your office with a summary of estimates for the items you requested, for historical years. It is important to note that this summary was compiled manually from various sources, including monthly information reports, annual tax returns, property tax records, and credit spreadsheets. Most of these sources contain unaudited, company-reported data that may or may not be accurate. As such, the information in the enclosed table should be viewed as estimates only.

The attached table shows estimated actual data for the fiscal years 2009, 2010, and 2011.

I hope this answer addresses your questions about Cook Inlet. Please let me know if you need further information.

Sincerely,

Bruce Tangeman
Deputy Commissioner

Estimated Lease Expenditures, Credits, and Revenue related to Cook Inlet Oil and Gas Activity, FY 2009 - FY 2011 in $Millions			
	FY 2009	FY 2010	FY 2011
Lease Expenditures			
Operating Expenditures	$201.31	$164.44	$190.14
Capital Expenditures	$297.29	$161.94	$109.55
Total Lease Expenditures	**$498.60**	**$326.38**	**$299.69**
Production Tax Credits	**$11.17**	**$9.13**	**$43.11**
Production Tax Revenue after Credits	<$10.00	<$10.00	<$10.00
Royalty Revenue	$81.31	$78.24	$78.63
Property Tax Revenue	$3.51	$3.57	$3.49
Corporate Income Tax Revenue	-- indeterminate --		
Total Revenue after Credits excluding State Corporate Income Tax	**<$95.00**	**<$92.00**	**<$93.00**

Sources: Monthly Information Forms, Annual Tax Filings, Credit spreadsheets, property tax records.

Notes: This information was compiled manually from unaudited, company-reported data. Some of the information, such as the production tax credit information, is not reported separately when companies have oil and gas operations in Cook Inlet and other parts of the state. As such, this information should be used for illustration only and be considered estimates.

19.

Discussion Slides:

Janak Mayer, Manager, Upstream & Gas and Tony Reinsch, Senior Director Upstream & Gas

PFC Energy

April 2, 2012



Discussion Slides: Alaska Senate Finance Committee

April 2, 2012

Janak Mayer
Manager, Upstream & Gas
PFC Energy

Tony Reinsch
Senior Director, Upstream & Gas
PFC Energy

PFC Energy

Tax Credits Under ACES

Credit	Rate	Qualifying Expenditures	Certificates Can Be Submitted to State for Cash?
AS 43.55.023(a) Qualified Capital Expenditures Credit	20%	Qualified Capital Expenditures (including exploration)	Yes
AS 43.55.023(b) Carried-Forward Annual Loss Credit	25%	Excess Lease Expenditures (where Production Tax liability is insufficient to deduct costs)	Yes
AS 43.55.023(l) Well Lease Expenditure Credit	40%	Well Lease Expenditures (Intangible Drilling Costs) below North Slope	Yes
AS 43.55.025(a)(1-4) Alternative Credit for Exploration	30%	Exploration expenditures for wells more than 3 miles outside an existing area (if outside Cook Inlet)	Yes
AS 43.55.025(a)(1-4) Alternative Credit for Exploration	40%	Exploration expenditures for wells more than 25 miles outside an existing area (10 miles in Cook Inlet)	Yes
AS 43.55.025(a)(5) Cook Inlet Jack Up Rig	Up to 100%	First 3 unaffiliated wells drilled by same jack-up rig in Cook Inlet	Yes
AS 43.55.019 Education Credit	Max $5 million	Cash donations to educational institutions	No
AS 43.55.023(i) Transitional Investment Credit	20%	Expenses before March 31 2006 (pre-PPT)	No
AS 43.55.024(a) Middle Earth Credit	$6 million	Production below North Slope and outside Cook Inlet (Expires 2016)	No
AS 43.55.024(c) Small Producer Credit	$12 million	Producers with less than 50 mb/d average production (Expires 2016)	No

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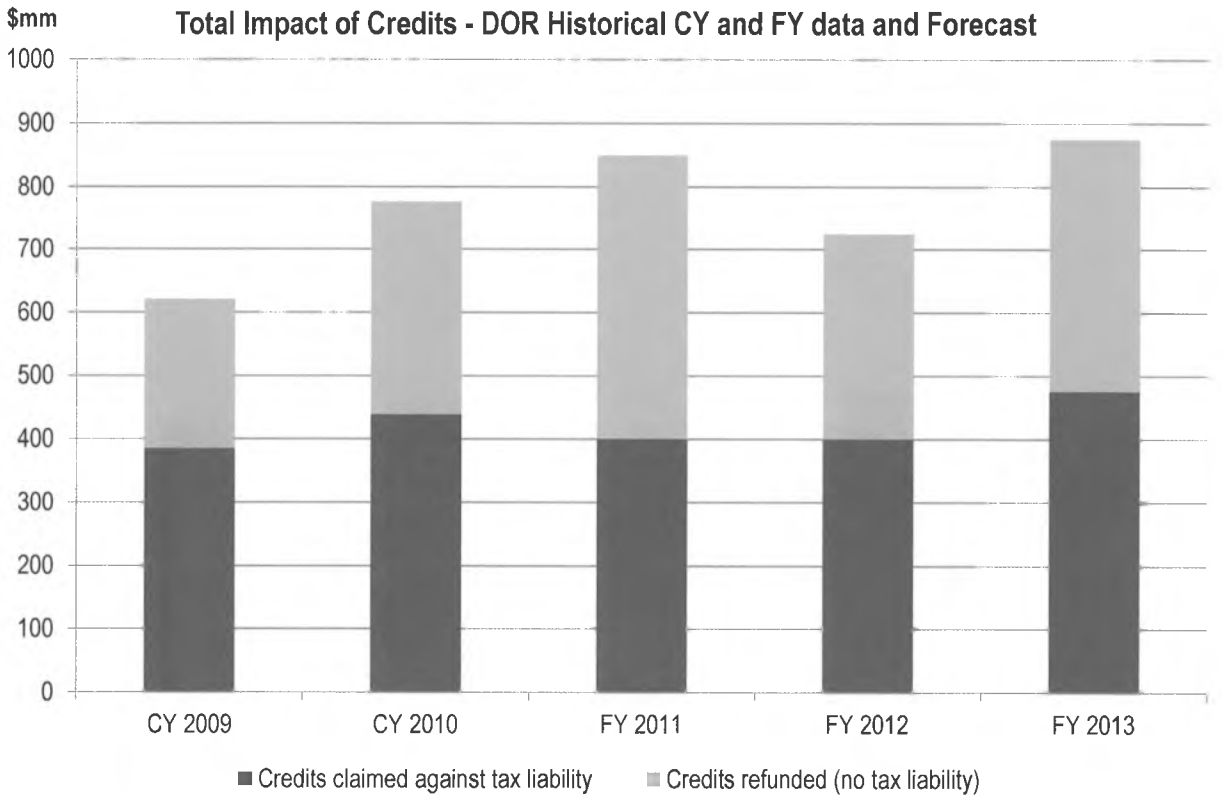
Total Impact of Credits



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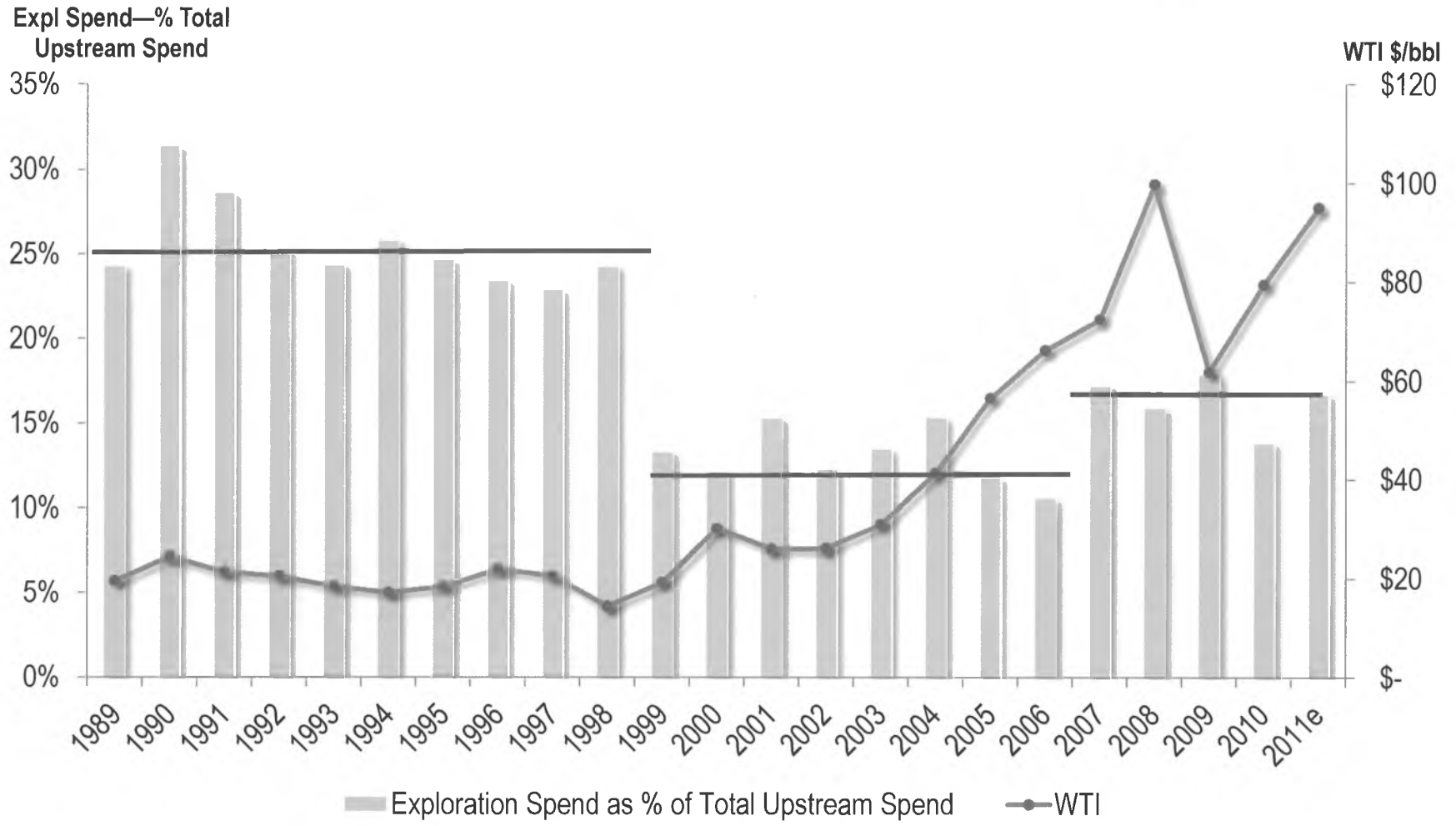
Exploration Credits

Content

- ***Recent Trends in Exploration Activity and Basin Focus***
- Credits and Incentives: Lessons from the Past
  - National Energy Program (Canada)
  - Norwegian Continental Shelf (Norway)
- Development Cycle Time: Incenting the Required Activities

Rebound in Exploration Spending

Exploration Spend as % of Total Upstream Spend*



* *Data reflects Total Consolidated Operations for BP, CVX, ExxonMobil (excludes purchase of XTO), TOTAL, Shell, Eni (1992-2011 only), Anadarko, Apache, BG, ConocoPhillips, Devon, Hess, Marathon, Repsol, and Talisman*

Source: Upstream Competition Service

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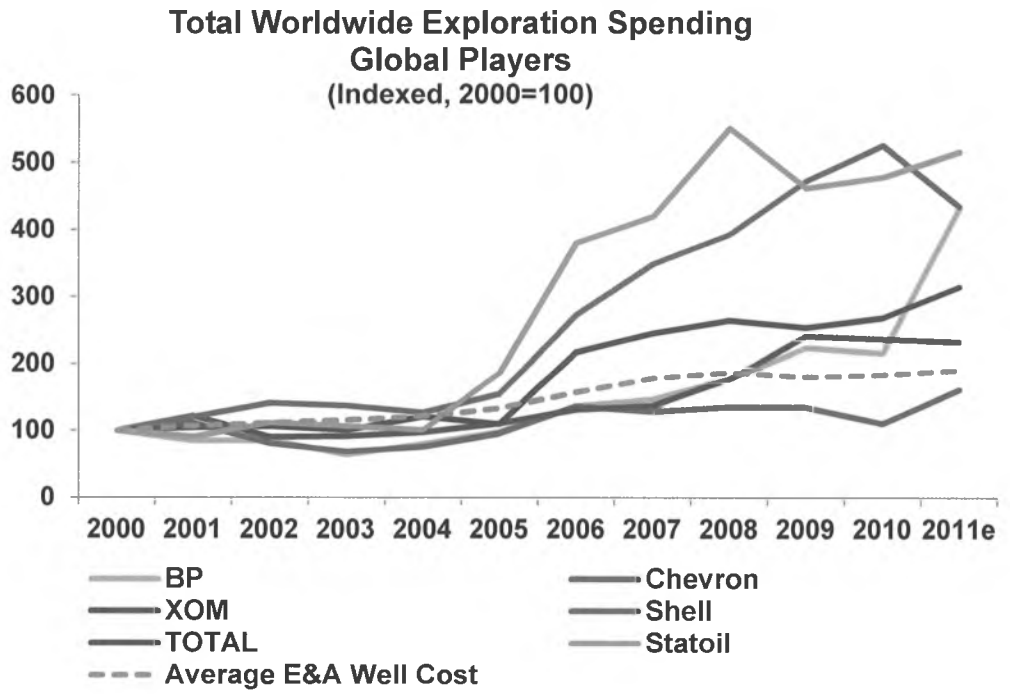
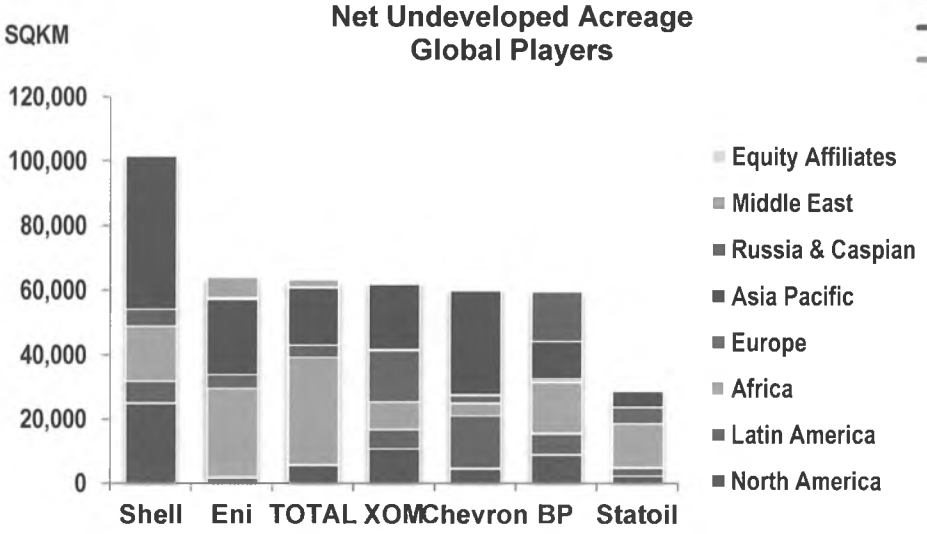
Trend in Worldwide Exploration: Global Players

- Exploration spending by many of the Global Players accelerated sharply in 2005-2006 as focus shifted to restocking the portfolio of development projects
- Statoil (North Sea) and Shell (Asia, North America) were early movers, quadrupling exploration spending since 2004
- The growth represents real activity gains, substantially outpacing the Exploration & Appraisal (E&A) Index





- Shell is the leader in undeveloped acreage holdings, at over 100 million sq.kms, in keeping with their "Last Land Grab" growth strategy.
  - Majority of acreage held by the Majors is in Asia and Africa; North America is material undeveloped acreage holding for Shell, XOM, and BP

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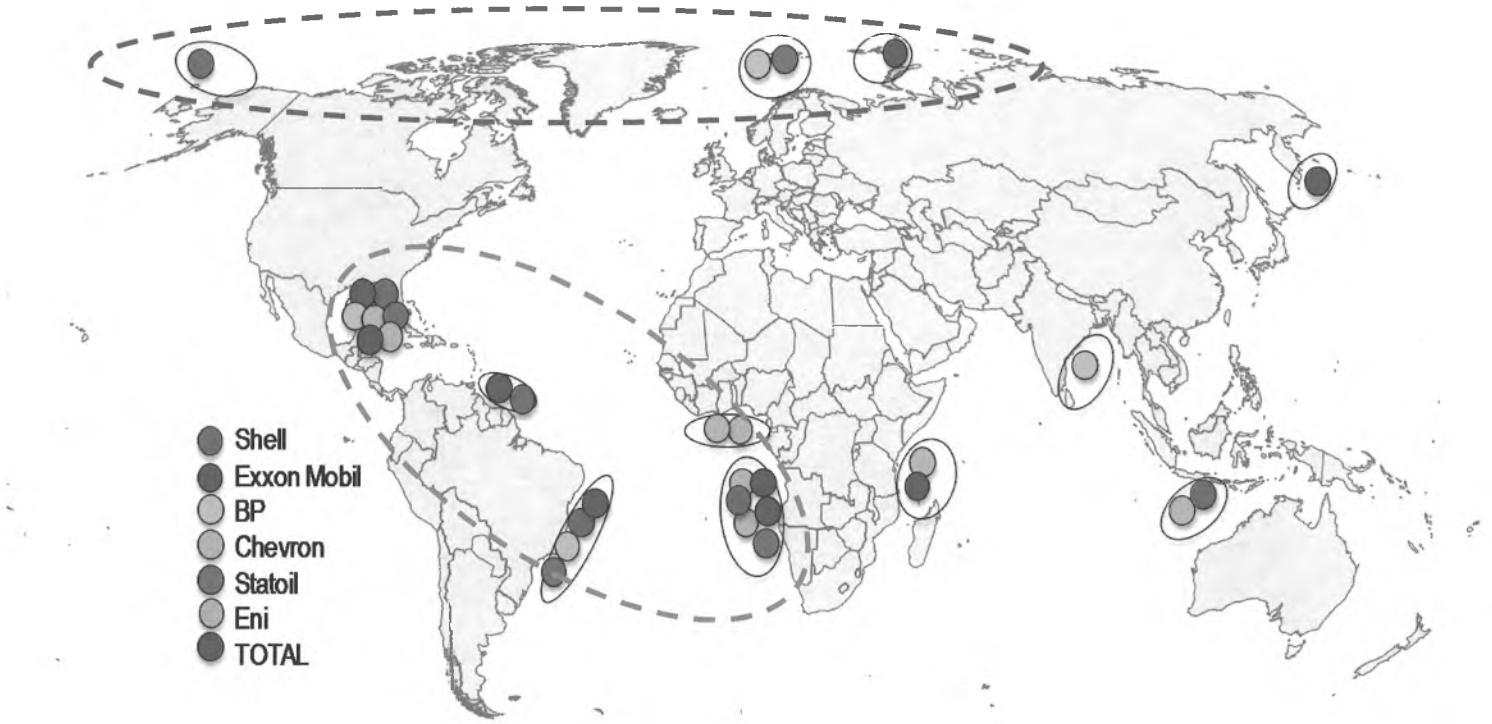
Selected Global Players: Regions of Exploration Focus

- Setting aside the move by virtually all of the Global Players into the US/Canada onshore resource plays (oil sands, shale gas. Shale oil), the focus of exploration interest is in the deepwater plays of the Atlantic Basin
- Emerging interest in a return to the Arctic Resource play, led by Shell in the Chuckchi Sea, BP and Statoil in the Norway and Barents Deepwater, and ExxonMobil securing a strategic association with Rosneft in the Russia Arctic
- Of note is the near complete decline of the Middle East as a growth driver for these large companies



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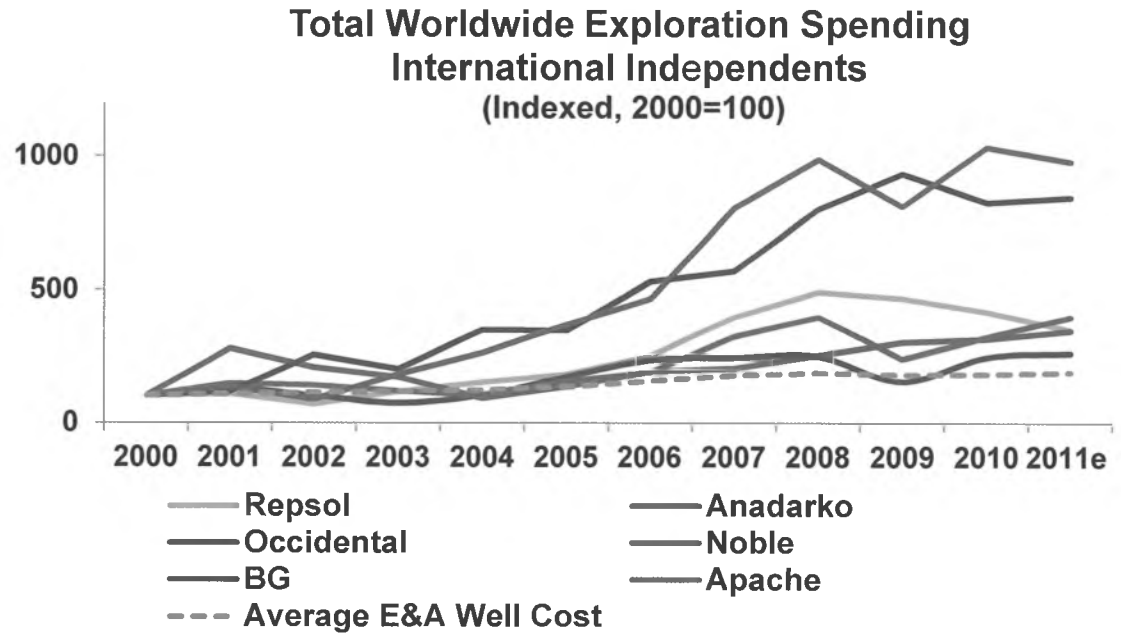
Trend in International Exploration: Independents

- The International Independents are a more disparate group when it comes to exploration activity:
  - Some, like Anadarko, have been material exploration players through the last decade;
  - Some, like BG and Apache, have aggressively growth their exploration activities through the past decade;
  - Others, like Occidental and Noble, have focused on development activity in a small number of play areas
- Exploration spending by Anadarko, BG, and Apache has hovered around the $1.3-1.5 bn mark for the last few years, high for the Indies and ~60% that of the smaller Global Players



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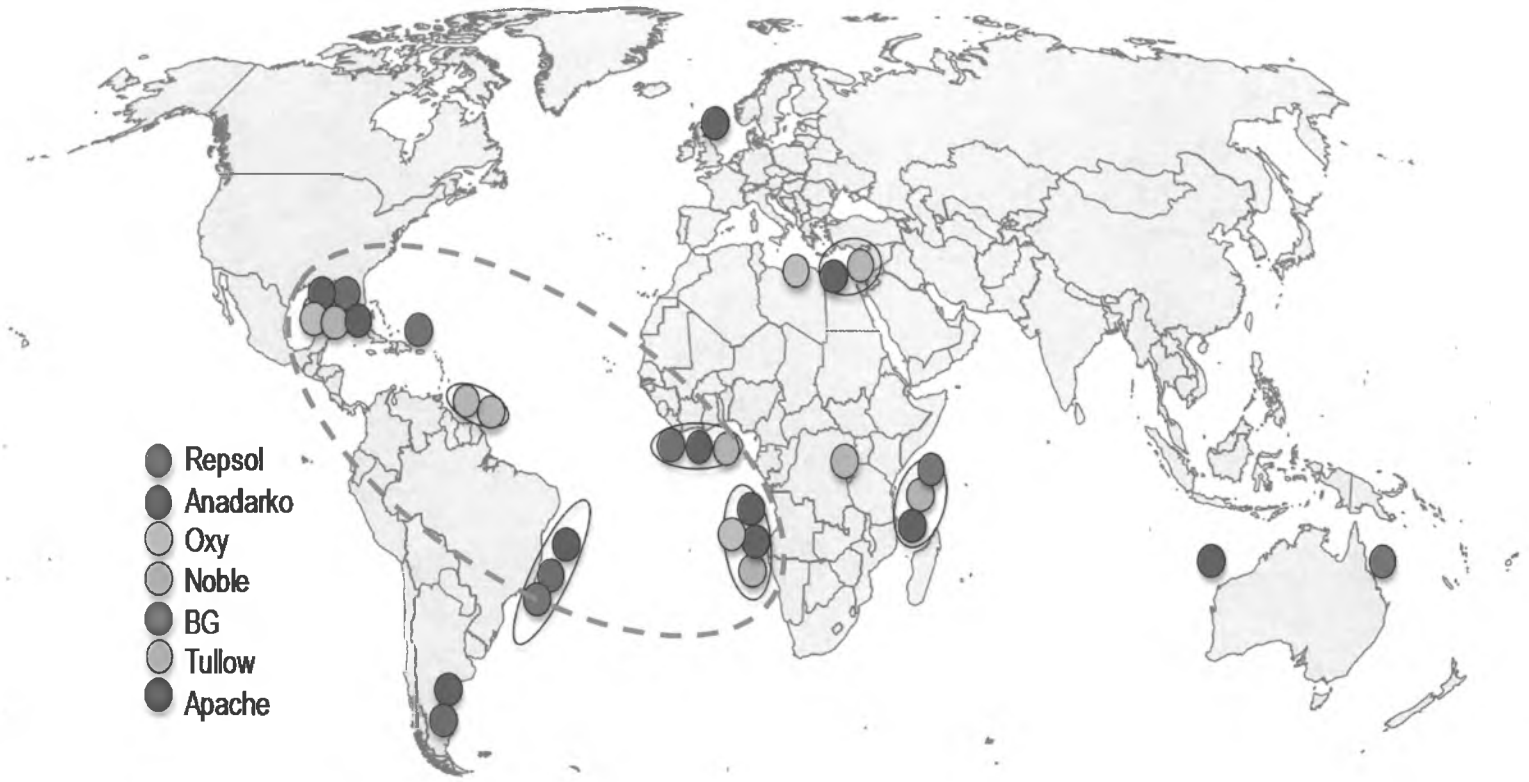
Selected International Players: Regions of Exploration Focus

- The Independents are similarly positioned in the US/Canada onshore resource plays (oil sands, shale gas. Shale oil), and the deepwater plays of the Atlantic Basin
- The Independents are also at the forefront of new basin development, such as the Equatorial Margin, East Africa Deepwater, South America "North Tier" deepwater play, Argentina shale gas, and Lake Albert basin (Uganda)
- The Independents are not as prominent in the high cost, high risk exploration opportunities in the Arctic offshore



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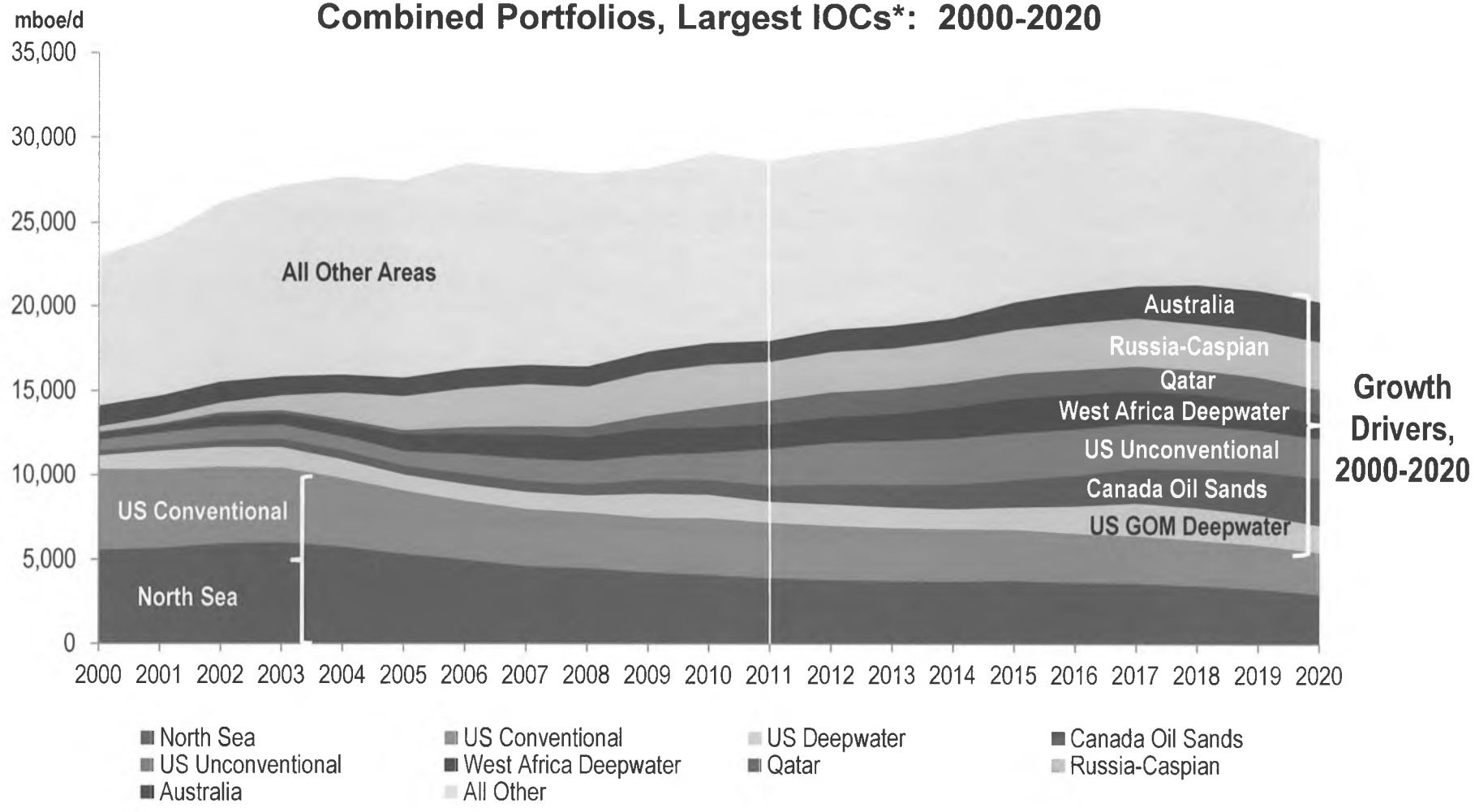
IOC Growth Centered on Successful "New Frontiers"…



Source: Upstream Competition Service

** Includes: Anadarko, Apache, BG, BHP, BP, CNRL, Chevron, ConocoPhillips, Devon, EnCana, Eni, ExxonMobil, Hess, Husky Oil, Marathon, Murphy, Nexen, Noble Energy, Oxy, Repsol , Santos, Shell, Suncor, Talisman, TOTAL, Woodside*

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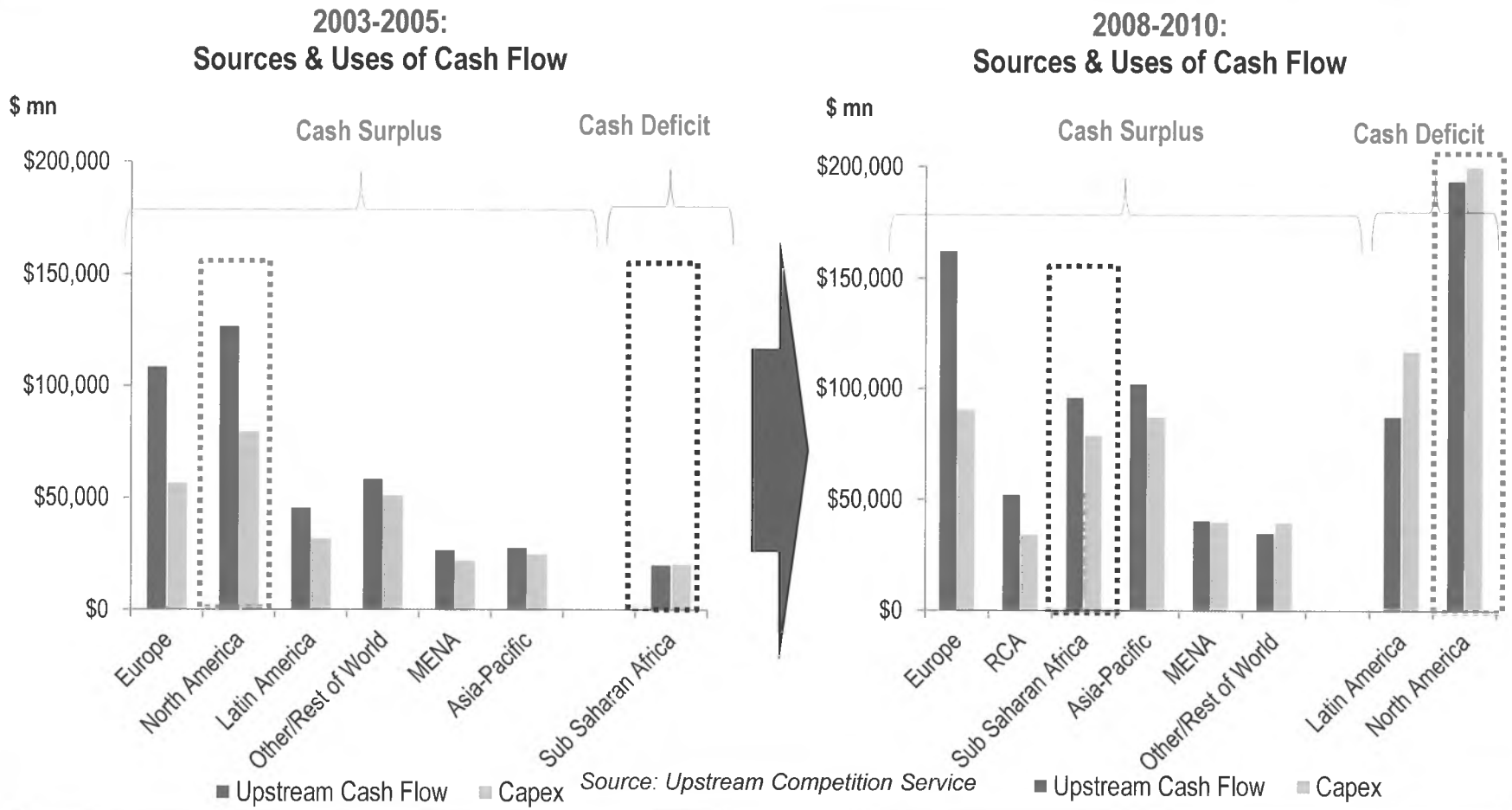
…Financed by Redirection of Free Cash Flow



Source: Upstream Competition Service

Along with Europe, Sub-Saharan Africa is now a key cash generating region for the Global Players—with surplus cash flow now supporting growth in North America

** Includes data from the following companies: Anadarko, Apache, BG, BHP, BP, CNRL, Chevron, ConocoPhillips, Devon, EnCana, Eni, ExxonMobil, Hess, Husky Oil, Marathon, Murphy, Nexen, Noble Energy, Oxy, Petrobras, Repsol YPF, Santos, Shell, Statoil, Suncor, Talisman, TOTAL, Woodside*

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Content

- Recent Trends in Exploration Activity and Basin Focus
- ***Credits and Incentives: Sharing Exploration Risk***
  - National Energy Program (Canada)
  - Norwegian Continental Shelf (Norway)
- Development Cycle Time: Incenting the Required Activities

Exploration and Government Risk Taking

- By and large, Governments have refrained from engaging in the business of upstream risk
  - In emerging basins, nascent National Oil Companies (NOCs) will usually have "back-in provisions" within Poduction Sharing contracts, allowing entry into development projects as an equity participant at the point of sanction. Are prohibited from engaging in exploration activity
  - In more mature basins, the NOC may engage fully from license award to production (Petora in Norway, ONGC in India, PDVSA in Venezuela) assuming it has internalized the necessary degree of technical sophistication and dry-hole tolerance
- Exploration credits/rebates are, in essence, a direct engagement by the government in exploration risk. As such, they have been used sparingly outside of the context of the tax and royalty regime

Canada's National Energy Program: An Experiment in Intervention Gone Awry

- The NEP was introduced to both enhance Canadian ownership in Upstream activities, and to accelerate the discovery and development of domestic resources to enhance security of supply and support energy subsidies to domestic consumers

Jurisdiction	Petroleum Incentive Payments: Exploration Activity	Other Government Risk Sharing	Comments

Alberta	• Cdn Ownership >50%: 10% approved costs
	• Cdn Ownership >60%: 25% approved costs
	• Cdn Ownership >65%: 35% approved costs
		• Development projects:
		  • Cdn Ownership > 10%: 10% approved costs
		  • Cdn Ownership >65%: 20% approved costs
		• Same applied to oil sands and EOR developments
			• Incentives provided to both exploration and development activities

Federal Lands	• Cdn Ownership >50%: 35% approved costs • Cdn Ownership >60%: 65% approved costs • Cdn Ownership >65%: 80% approved costs	• PetroCanada given 25% carried back-in option, convertible up to sanction decision. Paid by P-C share of production (grossed up by 15% per annum to reflect interest and inflation)	• Incentive exploratory well had to be >3 miles from a cased well, OR to a deeper horizon => incented deeper drilling in less prospective areas • 5 year Royalty holiday applied on production

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National Energy Program (Canada) and Exploration Incentives

- NEP introduced substantial distortions into the E&P decision making process. In particular, incented Upstream activity towards less prospective and higher cost areas, and introduced "artificial" demand for Upstream services
  - Drilling costs (seismic, rigs, etc.) accelerated rapidly as demand soared in new and unsupported exploration environments
  - Many companies were effectively "drilling for PIP grants" with commercial discoveries representing the Failure case

Exploration Well Costs	Canadian Arctic	Atlantic Offshore
1966-1970	$4.3 mm	$1.2 mm
1971-1975	$3.6 mm	$3.8 mm
1976-1980	$24.4 mm	$22.4 mm
1981-1985	**$63.2 mm**	**$45.8 mm**
1986-1990	$44.2 mm	$20.5 mm

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Canada's National Energy Program:

- The decline in crude prices in the mid-1980s forced the withdrawal of virtually all aspects of the NEP
- Alberta:
  - PIP grants replaced by Royalty Tax Credits (75% rising to 90% with maximum credit per well)
  - Exploration Incentives restructured as either:
    - 12 month Royalty holiday on eligible wells to a maximum per well;
    - Royalty exemption on cumulative production, linked to well depth and location
    - Exploration Drilling Incentive Program: 50% credit set off against subsequent royalties
  - Moved away from credits/rebates outside of the royalty and tax environment => *reward success, not simply effort.*
- Federal:
  - PetroCanada back-in eliminated;
  - Royalty linked to "payout" of development
    - 1% royalty rising to 5% at rate of 1% per 18 months
    - Royalty jumps to 30% net CF after Payout
  - Exploration Tax Credit of 25% for well costs above $5 mm, used to reduce Federal Income Tax. If not taxable => direct refund of up to 40% of non-utilized credit

Norwegian Continental Shelf: Incentives in a Modern Context

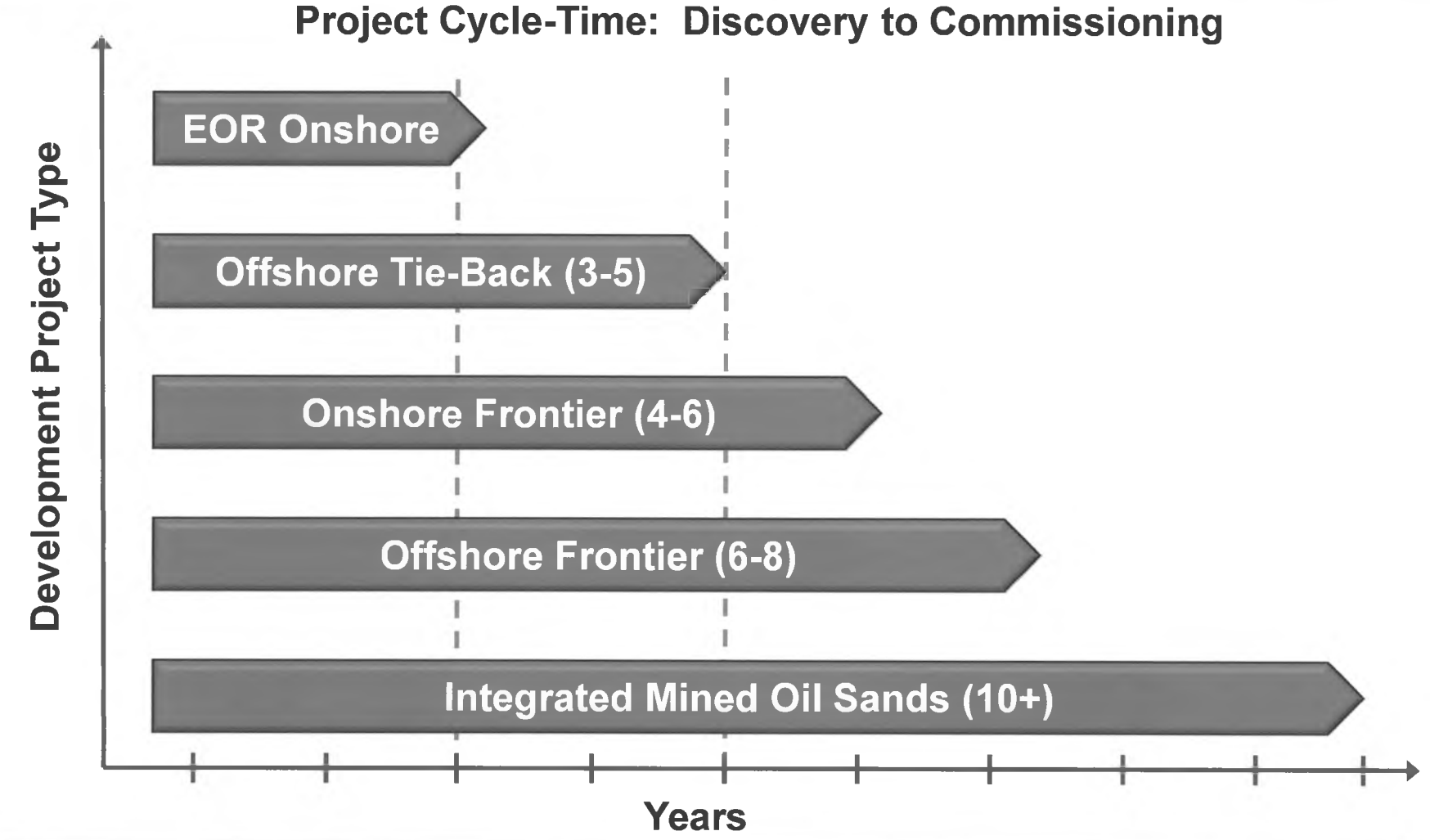
- Oil production in Norway peaked in 2001 and has fallen by ~45% since then. Growth in gas production allowed BOE volumes to rise till 2004, and have been in decline ever since
- Fiscal system provides incentives for exploration activity

Initiative		Comment
Base Production Tax	• 25%	• Applied to net income from Petroleum activities
Special Tax	• 50%	• Applied to net income geenrated from petroleum activities, to capture resource rent above "normal profits"
Government Investment	• Petoro	• Engages in exploration and development activity as full equity partner; pays share of costs and receives 100% of revenue from its working interest position
Exploration Incentives	• 78%	• Applies to companies in non-taxable position. Since government allows uplift of loss carry-forward at a risk-free interest rate, it is indifferent between refund or offset • Introduced to expand the competitor landscape, bringing in new Upstream companies
License access		• All companies require ***pre-approval for financial, technical, and operating capability*** prior to bidding on a License in the Norwegian Continental Shelf (NCS)

Content

- Recent Trends in Exploration Activity and Basin Focus
- Credits and Incentives: Lessons from the Past
  - National Energy Program (Canada)
  - Norwegian Continental Shelf (Norway)
- ***Development Cycle Time: Incenting the Required Activities***

Cycle Time to Production



Tool and Target: Direct Incentives to the Desired Outcome

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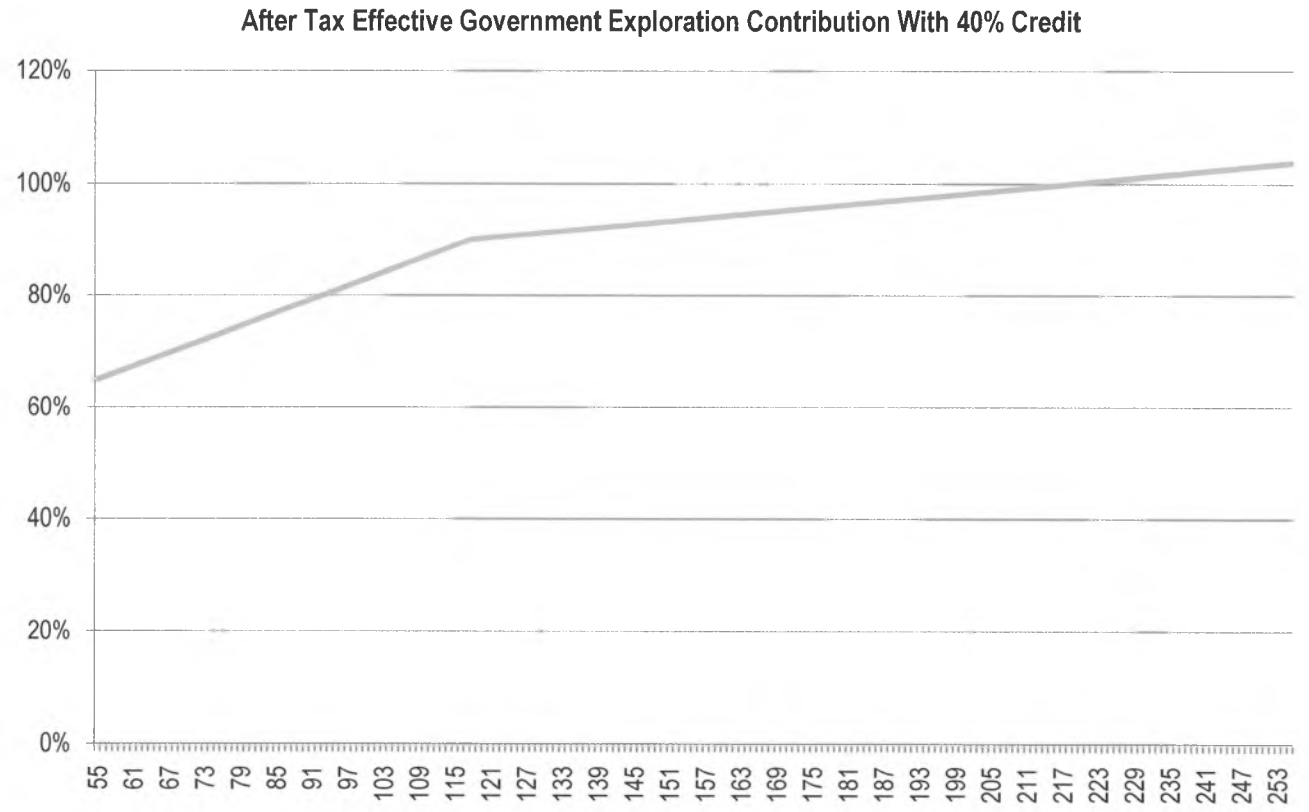
High Levels of Exploration Support under ACES



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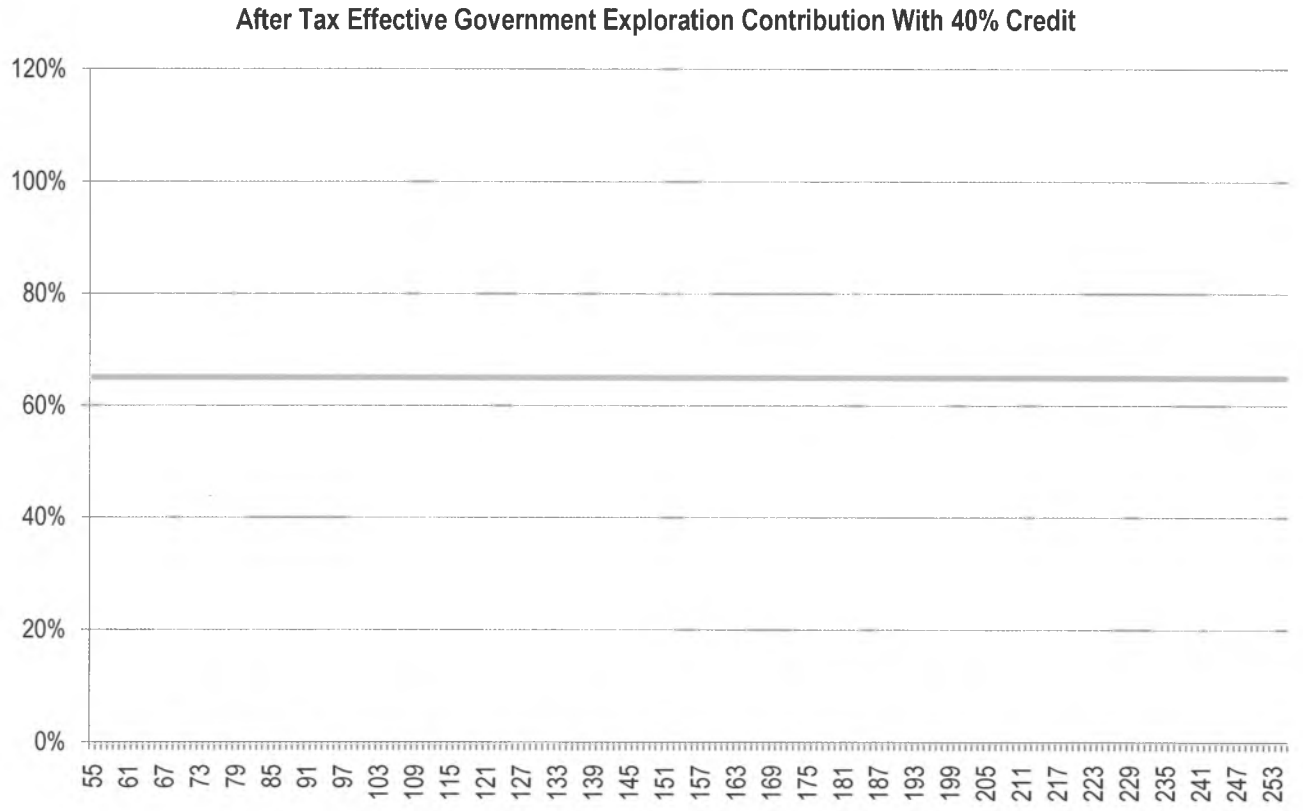
Reduced Levels of Exploration Support under Progressive Severance Option



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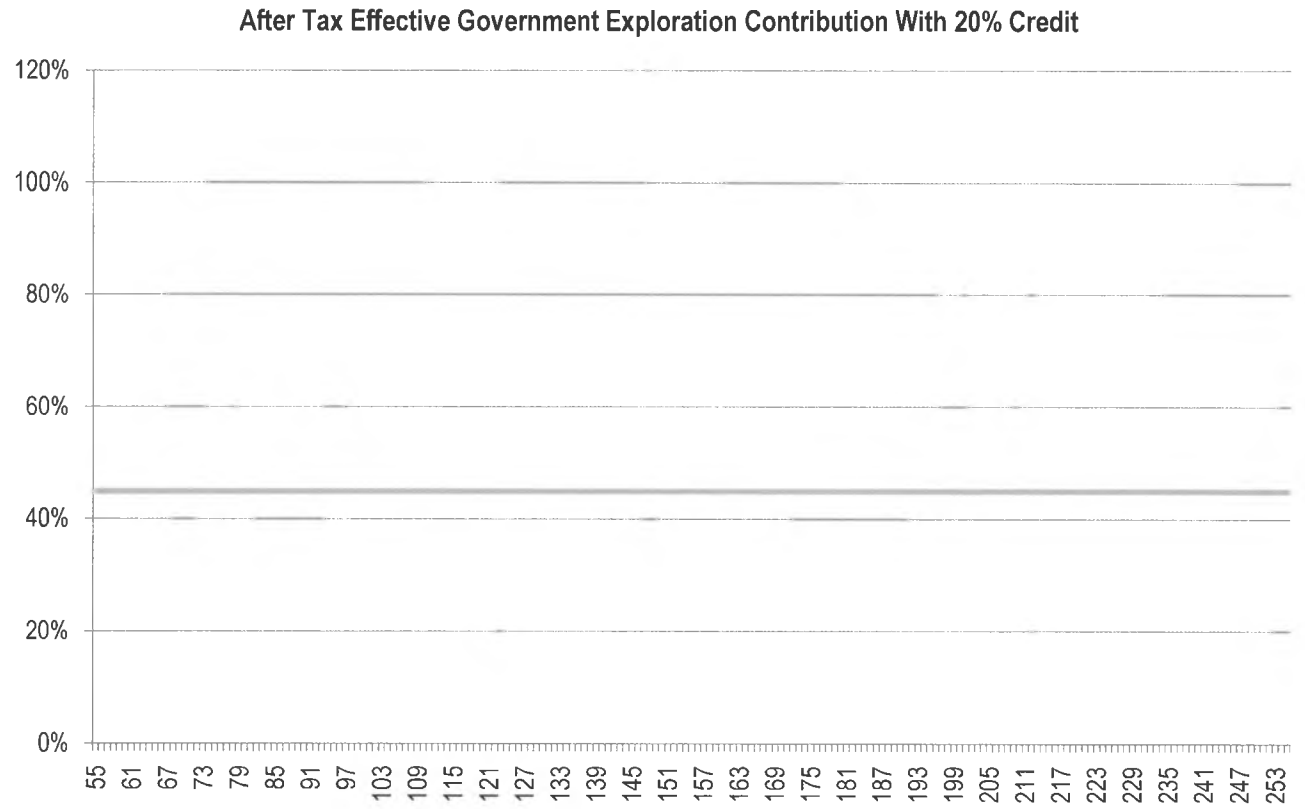
Levels of Exploration Support under Progressive Severance Option with 20% Exploration Credit



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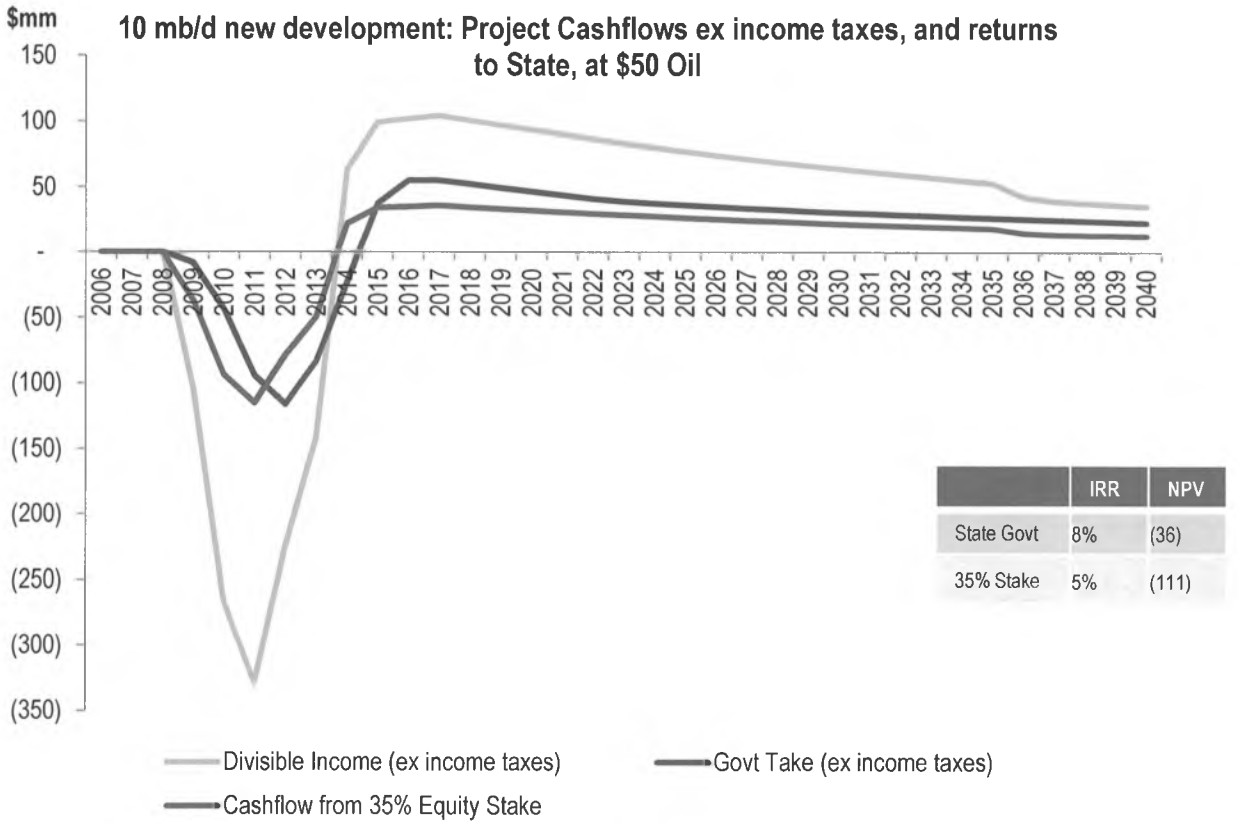
Capital Credits

PFC Energy

Capital Credit – Return on Investment Under ACES at $50 Oil



	IRR	NPV
State Govt	8%	(36)
35% Stake	5%	(111)

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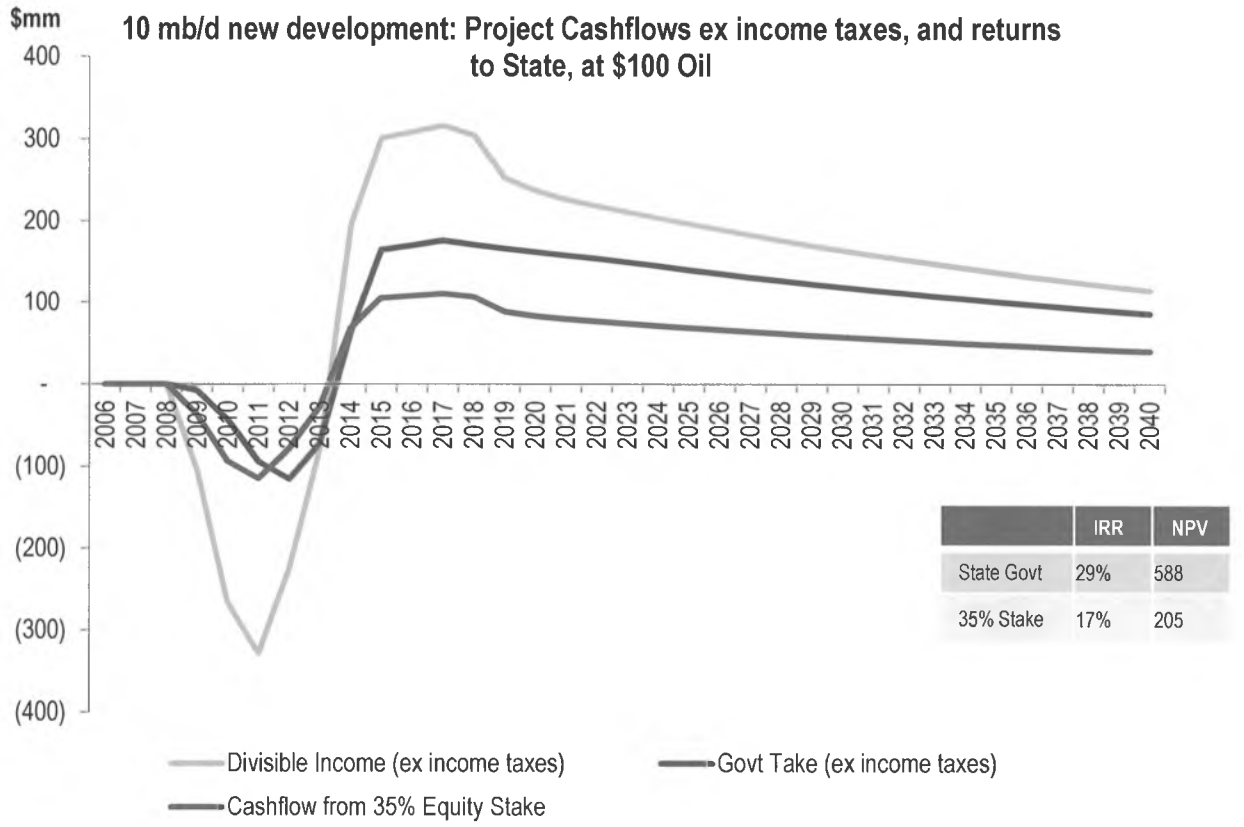
Capital Credit – Return on Investment Under ACES at $100 Oil



	IRR	NPV
State Govt	29%	588
35% Stake	17%	205

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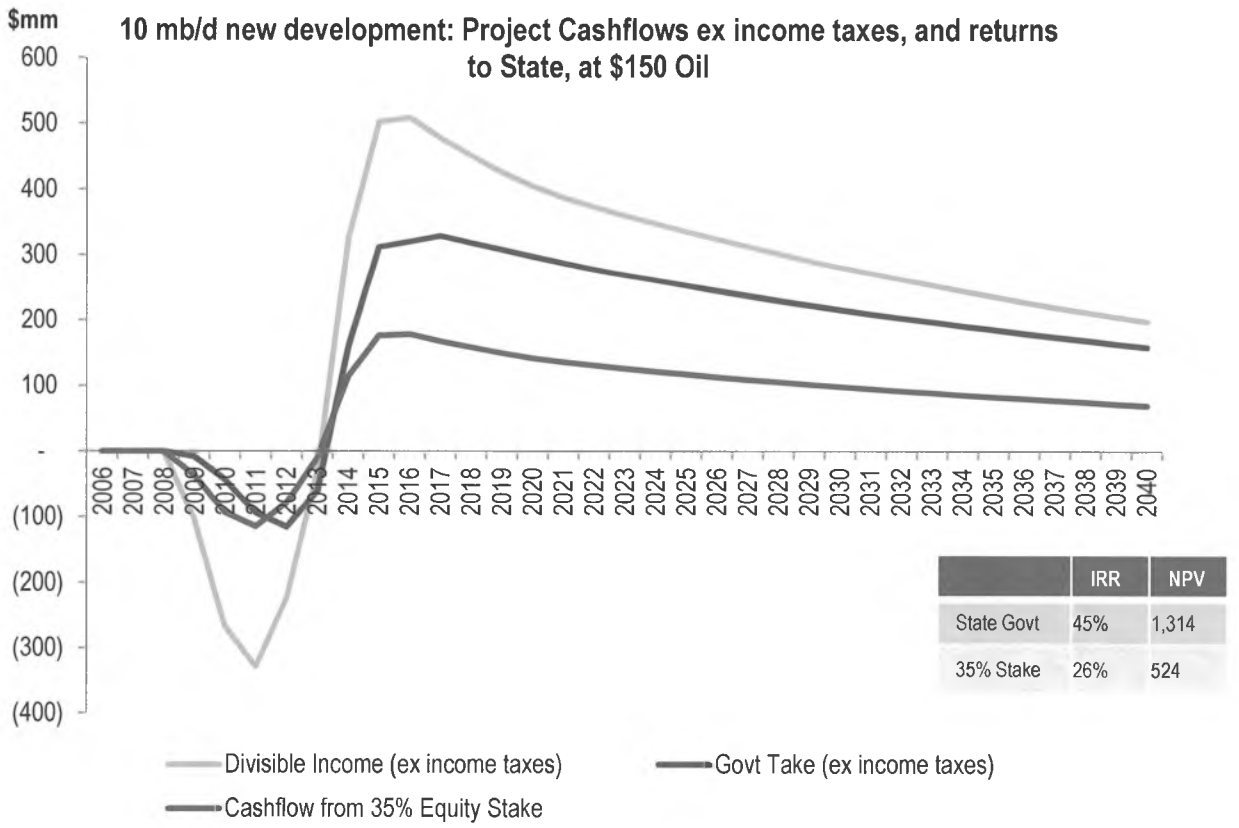
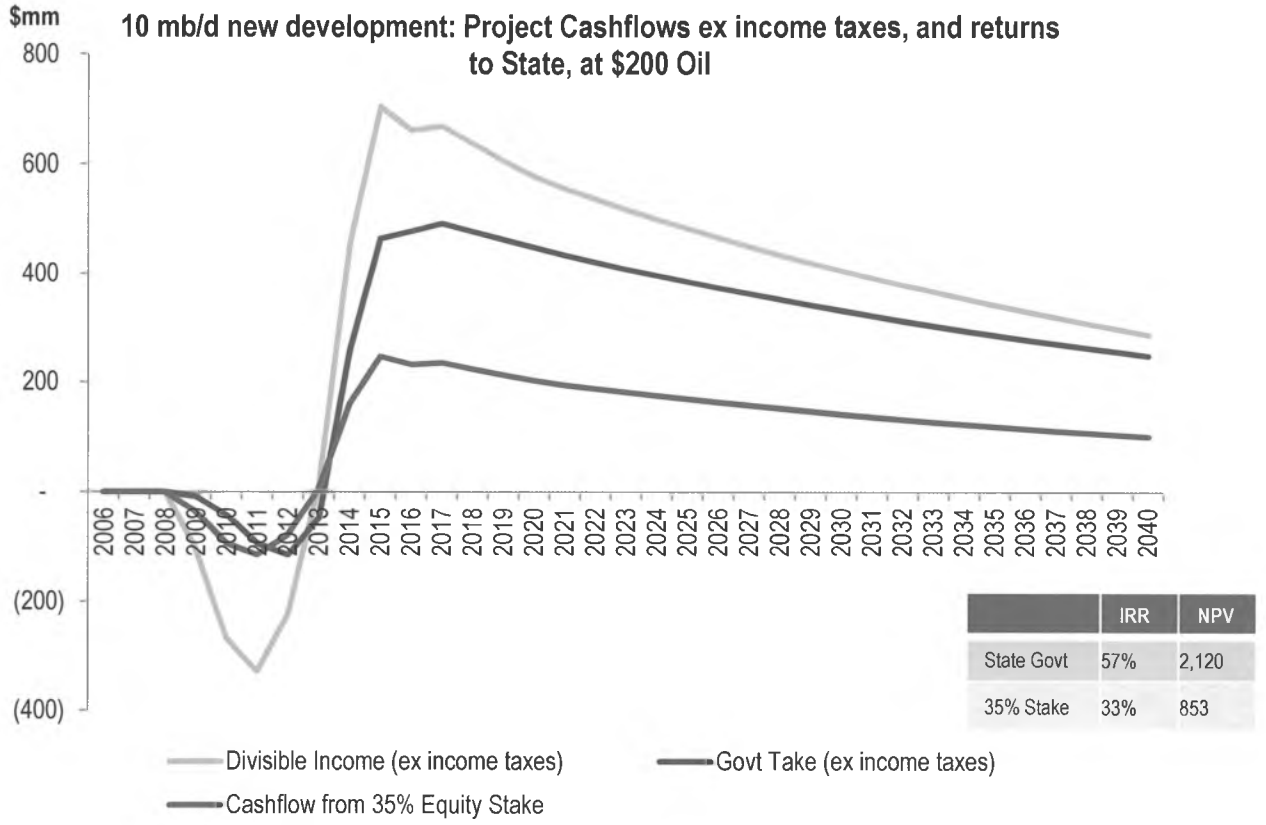
Capital Credit – Return on Investment Under ACES at $150 Oil



	IRR	NPV
State Govt	45%	1,314
35% Stake	26%	524

PFC Energy

Capital Credit – Return on Investment Under ACES at $200 Oil



	IRR	NPV
State Govt	57%	2,120
35% Stake	33%	853

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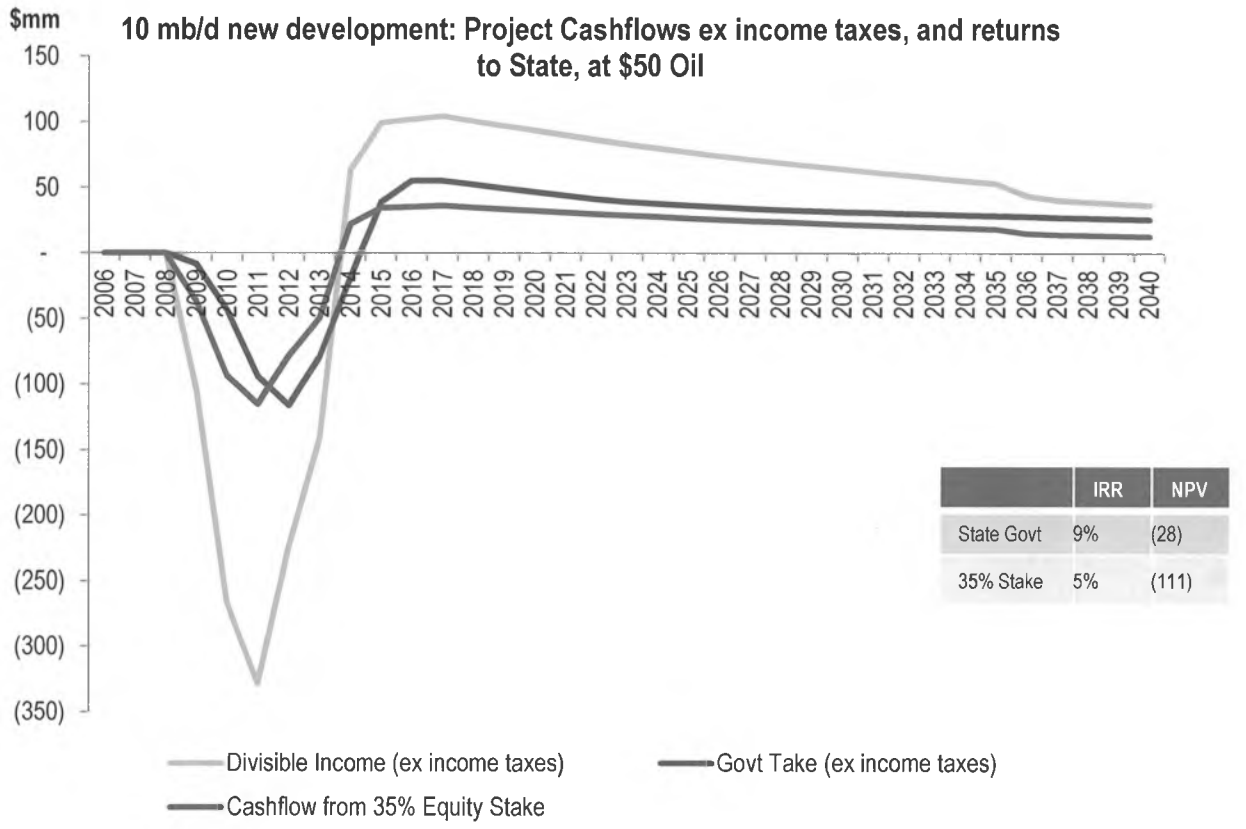
Capital Credit – Return on Investment Under Severance Option 1 at $50 Oil



	IRR	NPV
State Govt	9%	(28)
35% Stake	5%	(111)

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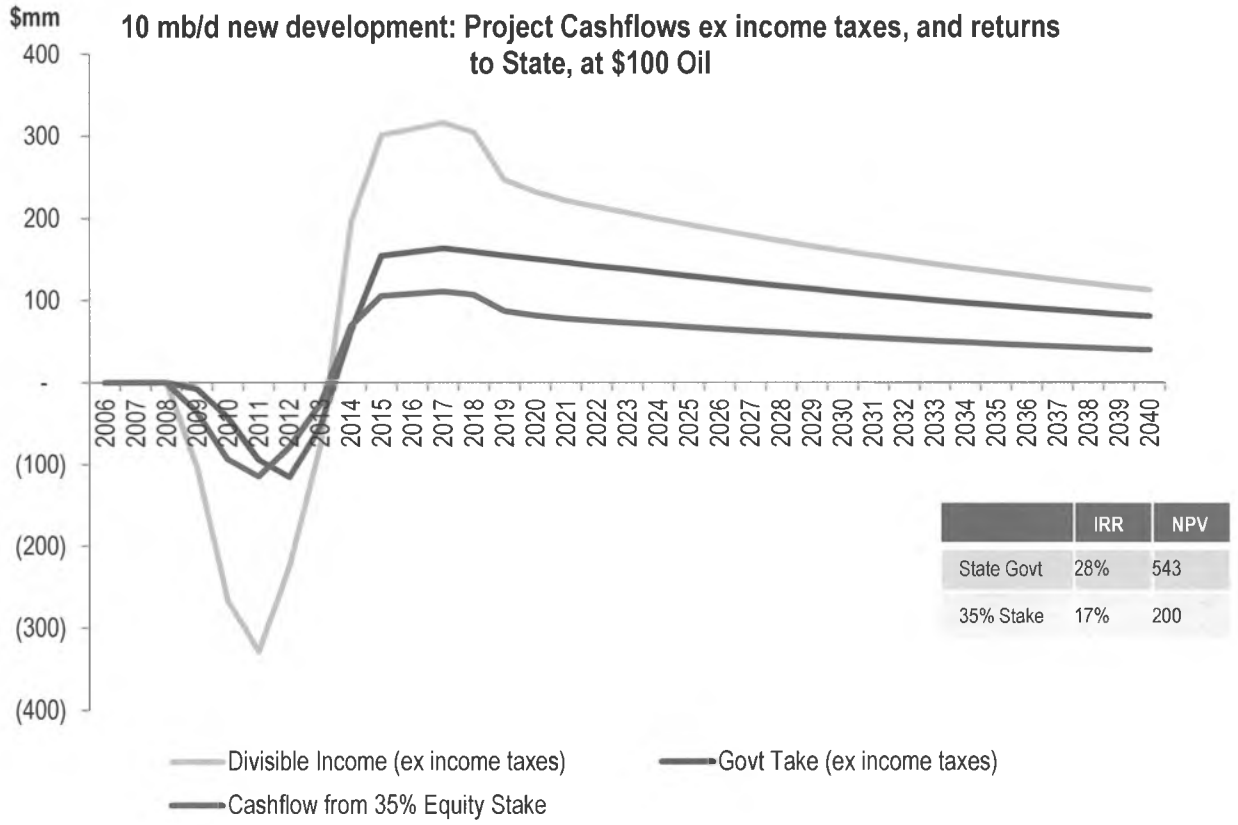
Capital Credit – Return on Investment Under Severance Option 1 at $100 Oil



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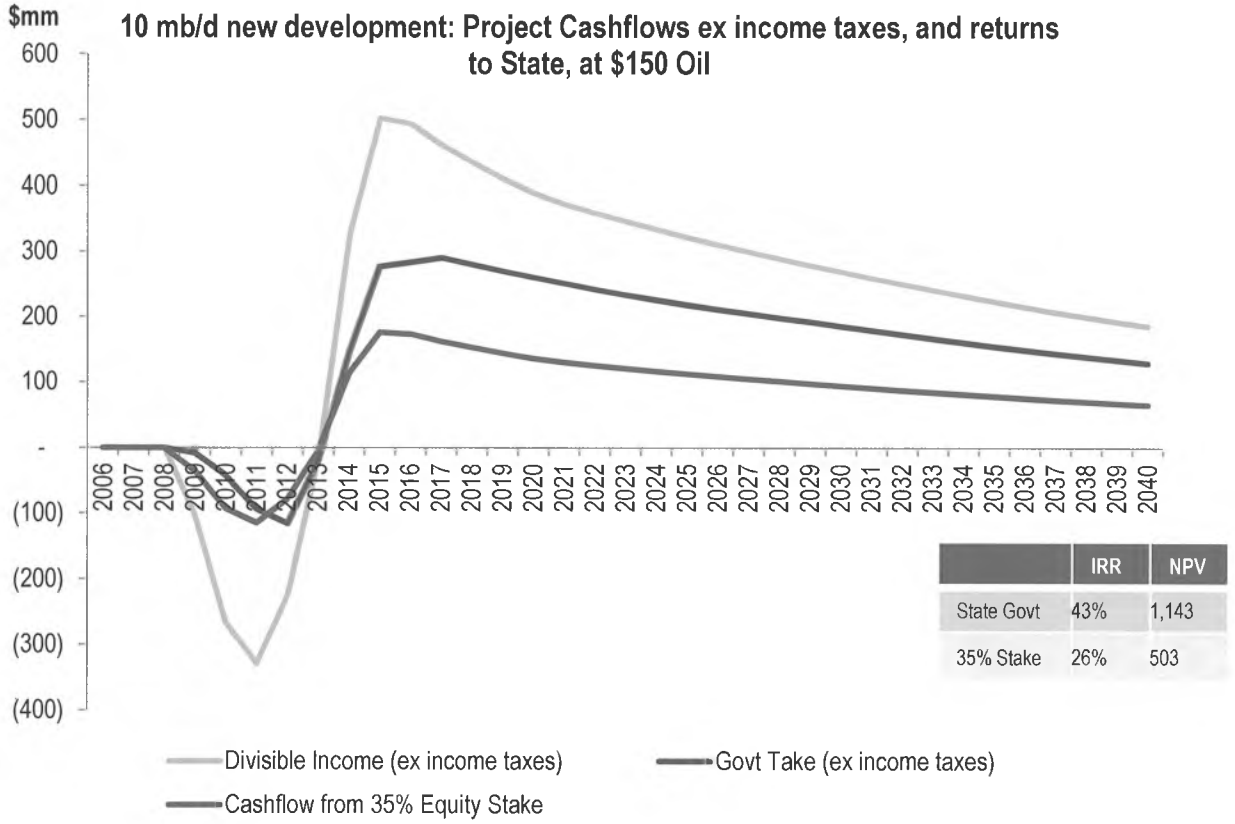
Capital Credit – Return on Investment Under Severance Option 1 at $150 Oil



	IRR	NPV
State Govt	43%	1,143
35% Stake	26%	503

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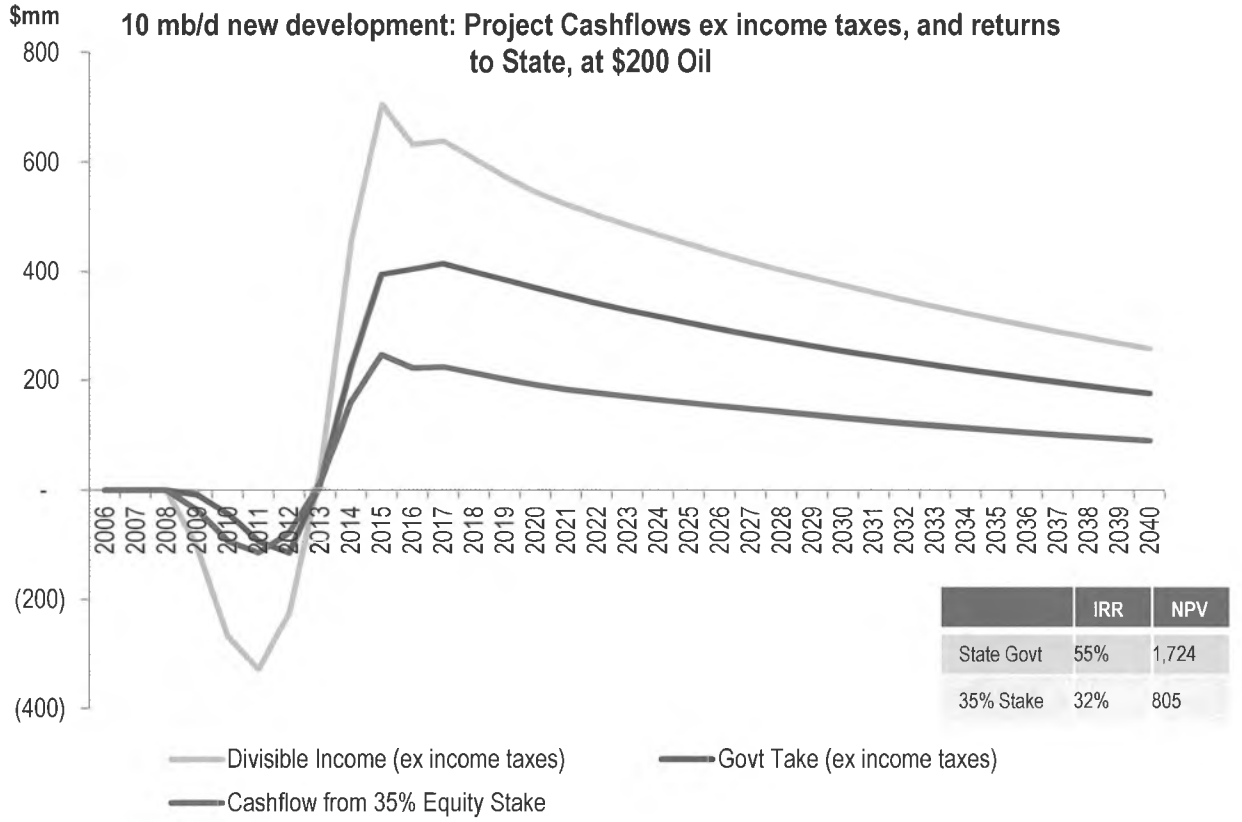
Capital Credit – Return on Investment Under Severance Option 1 at $200 Oil



	IRR	NPV
State Govt	55%	1,724
35% Stake	32%	805

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20.

Table of Tax Credits

Table of Tax Credits under AS 43.55 - The Alaska

Below is a table relating to credits under AS 43.55, the Oil and Gas Production Tax, for the State of Alaska. This is intended as an informational guide current statutes and regulations, refer to the official printed version of the statutes and regulations. Thi

Credits under AS 43.55 *Updated 1/17/12, DMG*	Credits that May be Issued as Certificates and Submitted to the State for Cash Purchase					
	AS 43.55.023(a)(1)	**AS 43.55.023(a)(2)**	**AS 43.55.023(b)**	**AS 43.55.023(*l*)(1)**	**AS 43.55.023(*l*)(2)**	**AS 43.55.**
Informal Title	Qualified Capital Expenditures Credit	Qualified Capital Expenditures Credit in Relation to Exploration	Carried-Forward Annual Loss Credit	Well Lease Expenditure Credit	Well Lease Expenditure Credit in Relation to Exploration	Alternative Explo
Initial and Most Recent Effective Date(s)	4/1/2006, amended 7/1/2007	4/1/2006, amended 7/1/2007	4/1/2006, amended 7/1/2008	7/1/2010	7/1/2010	2003, amen
Credit Percentage / Amount	20%	20%	25% (pre-7/1/07 20%)	40%	40%	30% (pre-7/1/08
Description	A Qualified Capital Expenditure (QCE) must be a lease expenditure and treated as a capitalized cost under 26 IRC. For credits south of 68 degrees North latitude these are issued as one certificate. For the North Slope, these credits are issued as two certificates (one available in year issued, the other available the following calendar year).	A Qualified Capital Expenditure (QCE) must be a lease expenditure and related to exploration. For credits south of 68 degrees North latitude these are issued as one certificate. For the North Slope, these credits are issued as two certificates (one available in year issued, the other available the following calendar year).	The carried forward annual loss is calculated for each segment by taking 25% of excess lease expenditures (lease expenditures not deductable in calculating production tax values). For credits south of 68 degrees North latitude these are issued as one certificate. For the North Slope, these credits are issued as two certificates (one available in year issued, the other available the following calendar year).	A Well Lease Expenditure (WLE) must be a lease expenditure, QCE, AND an Intangible Drilling and Development Cost (IDC) south of 68 degrees North latitude.	A Well Lease Expenditure (WLE) must be a lease expenditure, QCE, AND an Intangible Drilling and Development Cost (IDC) related to exploration south of 68 degrees North latitude.	These credit defined by b and regulati directly relate explorati performing a An explorat receive eith 40% dependi and seismi may receiv
DNR Data Requirements	No	Yes	No	No	Yes	Y
Location Requirements	No	No	No	Yes - must be south of 68 degrees North latitude	Yes - must be south of 68 degrees North latitude	For some o there ar requiremer wells a
Regulations*	15 AAC 55.310-320	15 AAC 55.310-320	15 AAC 55.310-320	None	None	15 AAC
Combinations	Same expenditures may also qualify for credit under AS 43.55.023(b)	Same expenditures may also qualify for credit under AS 43.55.023(b)	Same expenditures may also qualify for credit under AS 43.55.023(a), (l), or 025(a)(1-4)	Same expenditures may also qualify for credit under AS 43.55.023(b)	Same expenditures may also qualify for credit under AS 43.55.023(b)	Same expe also qualify AS 43.
Uses to Credit	Applied directly to tax or issued as a certificate and then transferred, applied to tax, or "cashed" out with the State under AS 43.55.028 - or a combination of the above. Note: the recipient of a transferred certificate may not "cash" out the certificate with the State.	Applied directly to tax or issued as a certificate and then transferred, applied to tax, or "cashed" out with the State under AS 43.55.028 - or a combination of the above. Note: the recipient of a transferred certificate may not "cash" out the certificate with the State.	Applied directly to tax or issued as a certificate and then transferred, applied to tax, or "cashed" out with the State under AS 43.55.028 - or a combination of the above. Note: the recipient of a transferred certificate may not "cash" out the certificate with the State.	Applied directly to tax or issued as a certificate and then transferred, applied to tax, or "cashed" out with the State under AS 43.55.028 - or a combination of the above. Note: the recipient of a transferred certificate may not "cash" out the certificate with the State.	Applied directly to tax or issued as a certificate and then transferred, applied to tax, or "cashed" out with the State under AS 43.55.028 - or a combination of the above. Note: the recipient of a transferred certificate may not "cash" out the certificate with the State.	Applied dir issued as a then transfe tax, or "cash State under or a comb above. Note a transferre not "cash" o with t
Filing Requirements	Form 0405-330 must be submitted as well as all backup required under regulation to support the credit claim.	Form 0405-330 must be submitted as well as all backup required under regulation to support the credit claim.	Form 0405-330 must be submitted as well as all backup required under regulation to support the credit claim.	Form 0405-330 must be submitted as well as all backup required under regulation to support the credit claim.	Form 0405-330 must be submitted as well as all backup required under regulation to support the credit claim.	Form 040 submitted backup re regulation cred

*Other regulations under 15 AAC 55 may apply to these credits, this section only lists the regulations directly related. Please read all of 15 AAC 55 for complete information and treatments of the

Updated 03/23/2012 @10:12 a.m by Don McDonald

21.

Discussion Slides: Janak Mayer, Manager, Upstream & Gas, PFC Energy April 3, 2012



Discussion Slides: Alaska Senate Finance Committee

April 3, 2012

Janak Mayer
Manager, Upstream & Gas
PFC Energy

PFC Energy

Difficulties in Existing Fiscal Structure

- The incorporation of progressivity into the Profit-Based Production Tax (Net) in ACES creates three significant problems
  - Large-scale gas production at low gas prices could in the future significantly reduce production tax revenue from existing oil production
    - Resolving this problem within the framework of ACES requires significant complexity
    - Approach to decoupling in CSSB 192 requires ability to split costs between oil and gas production, creating high degree of administrative burden, and limiting capacity of state to effectively audit
  - Combination of high credits with high tax rates can produce excessive levels of support for certain spending, and weak incentives for cost control
    - Effective After-Tax rate of Government support for exploration can be over 100% at high price levels
  - Options for incentivizing new production are limited, and relatively complex
    - Proposed incentives within existing framework focus on either allowances to reduce Production Tax Value , or revenue exclusions (tax holiday)

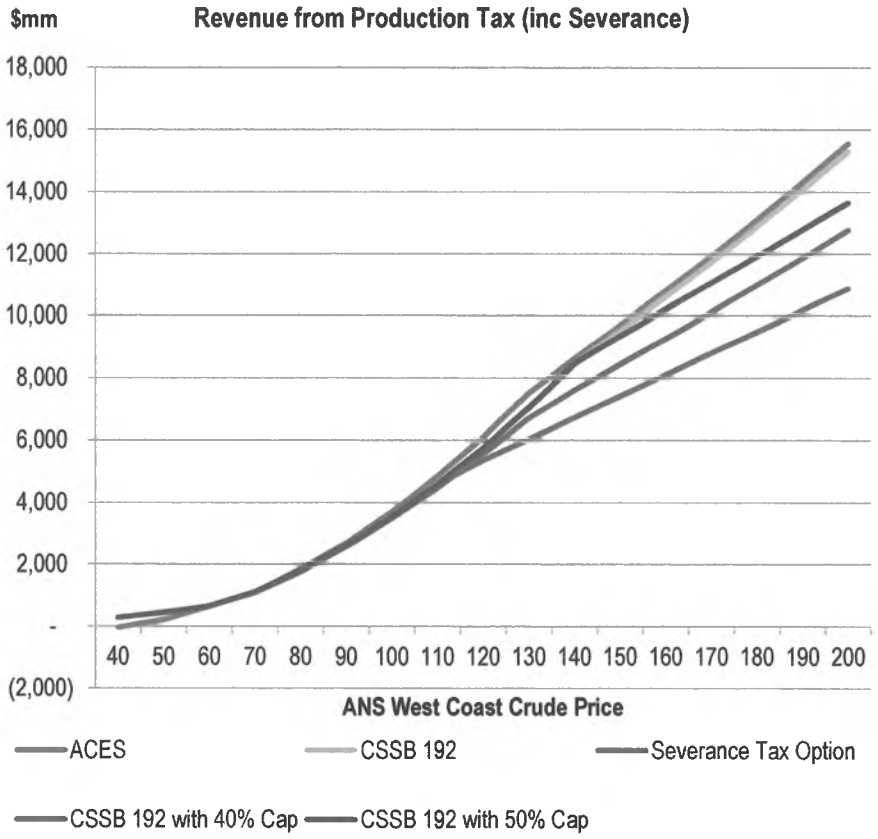
Summary of Progressive Severance Tax (Gross) Structure

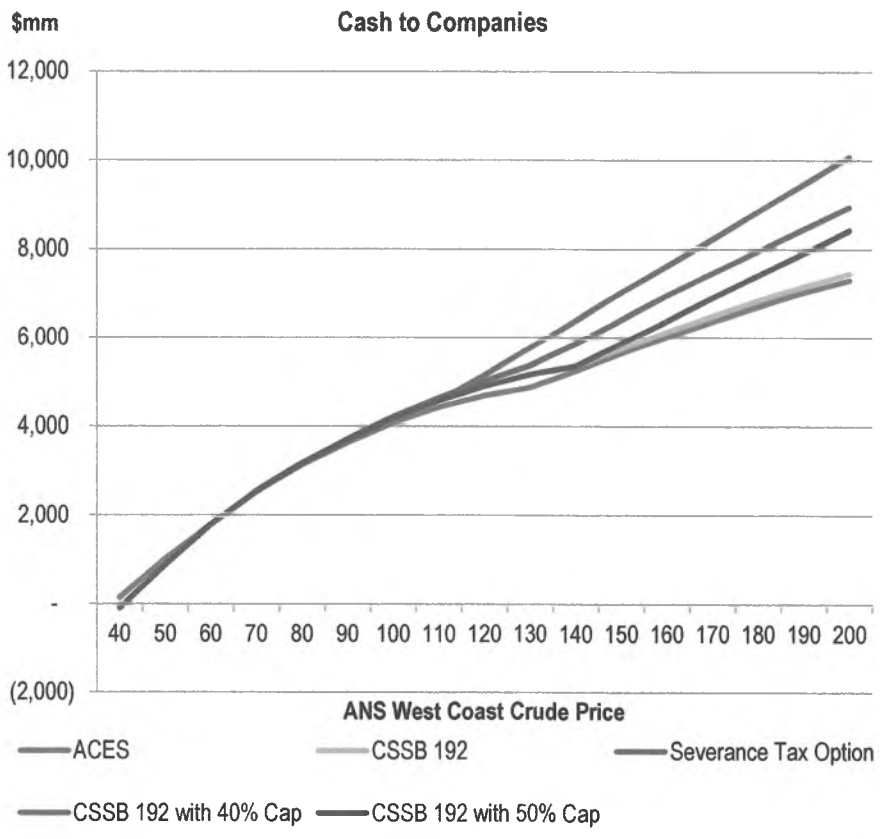
- A Progressive Severance Tax (Gross) option would instead remove progressivity from the Profit-Based Production Tax (Net), instead levying this tax at the flat, base rate of 25%
- To retain an element of progressivity, a new Progressive Severance Tax (Gross) would then be added to the system. The tax would:
  - Be non-deductible for Profit-Based Production Tax purposes
  - Be levied on gross production (net of royalties)
  - Be levied solely on oil
  - The tax would use a progressivity structure not dissimilar to that under the current system, with progressivity coefficients that apply at different thresholds.
- The proposed Progressive Severance Tax would use the following parameters:
    - No severance tax below $65 Gross Value at Point of Production (GVPP)
    - Progressivity of .25% commencing at a threshold of $65 GVPP
    - At $125 GVPP, a tax rate of 15% is reached. At this point, progressivity is reduced to 0.05%
    - Progressivity is capped at 20%

Benefits of Progressive Severance Tax (Gross) Structure

- By removing progressivity from the Profit-Based Production Tax (Net), and having the progressive element of the structure be a Progressive Severance Tax (Gross), two things become much easier to achieve
  - The issue of gas production reducing production tax revenue ceases to be a problem without progressivity in the Profit-Based Production Tax
    - Complex provisions to split costs between oil and gas production under CSSB 192 are thus no longer required
  - Much of the issue of excessive spending support ceases to be a problem
    - Even with 40% exploration credit, effective after-tax Government support for exploration flat at 65%
  - Significant incentives can be provided to new production, by eliminating or reducing the Progressive Severance Tax (Gross) for new production
- A wide range of levels of government take can be achieved using this structure, depending on the parameters applied

FY 2013 Revenue Comparison





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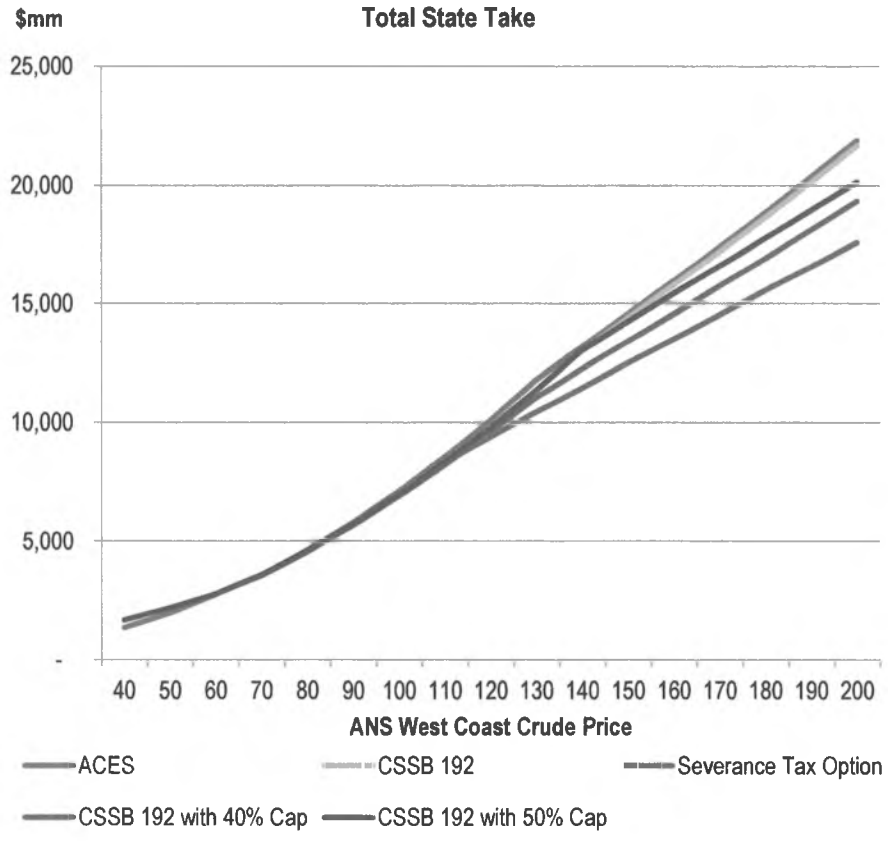
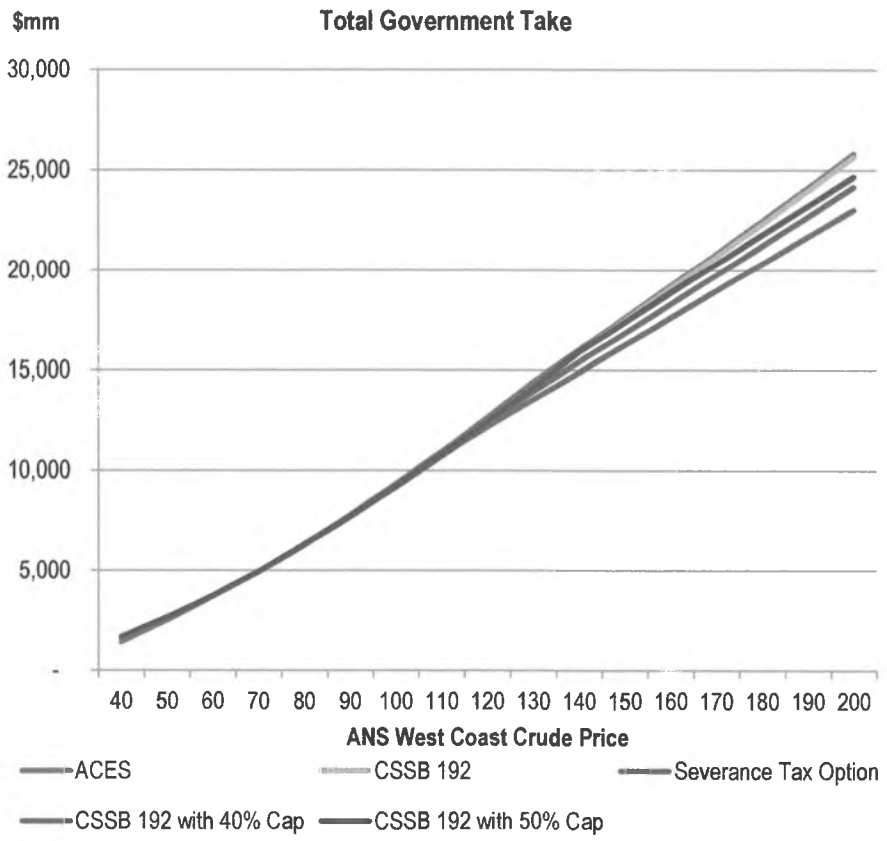
FY 2013 Revenue Comparison





PFC Energy

FY 2013 Revenue Comparison

ANS West Coast Oil Price	Production Tax					Total State Take					Total Government Take				
	ACES	CSSB 192	CSSB 192 with 40% Cap	CSSB 192 with 50% Cap	Severance Tax Option	ACES	CSSB 192	CSSB 192 with 40% Cap	CSSB 192 with 50% Cap	Severance Tax Option	ACES	CSSB 192	CSSB 192 with 40% Cap	CSSB 192 with 50% Cap	Severance Tax Option
40	(39)	289	289	289	289	1,352	1,660	1,660	1,660	1,660	1,427	1,660	1,660	1,660	1,660
50	222	461	461	461	461	1,983	2,202	2,202	2,202	2,202	2,527	2,669	2,669	2,669	2,669
60	653	653	653	653	653	2,769	2,769	2,769	2,769	2,769	3,728	3,728	3,728	3,728	3,728
70	1,109	1,106	1,106	1,106	1,084	3,577	3,575	3,575	3,575	3,555	4,943	4,941	4,941	4,941	4,929
80	1,831	1,792	1,792	1,792	1,754	4,631	4,595	4,595	4,595	4,560	6,318	6,294	6,294	6,294	6,272
90	2,692	2,599	2,599	2,599	2,571	5,811	5,725	5,725	5,725	5,699	7,775	7,719	7,719	7,719	7,703
100	3,691	3,527	3,527	3,527	3,474	7,117	6,966	6,966	6,966	6,918	9,314	9,216	9,216	9,216	9,184
110	4,827	4,575	4,575	4,575	4,463	8,549	8,318	8,318	8,318	8,215	10,935	10,785	10,785	10,785	10,718
120	6,102	5,744	5,340	5,744	5,538	10,108	9,781	9,410	9,781	9,592	12,638	12,425	12,184	12,425	12,302
130	7,515	7,035	6,030	7,035	6,700	11,794	11,354	10,433	11,354	11,047	14,424	14,138	13,539	14,138	13,939
140	8,614	8,445	6,720	8,445	7,598	13,192	13,037	11,457	13,037	12,261	16,023	15,922	14,895	15,922	15,417
150	9,684	9,512	7,410	9,327	8,417	14,563	14,406	12,480	14,236	13,402	17,604	17,502	16,250	17,391	16,849
160	10,787	10,601	8,100	10,189	9,253	15,965	15,794	13,503	15,417	14,559	19,205	19,094	17,605	18,849	18,291
170	11,925	11,723	8,790	11,052	10,106	17,399	17,214	14,527	16,599	15,732	20,827	20,707	18,960	20,307	19,744
180	13,098	12,880	9,480	11,914	10,977	18,864	18,665	15,550	17,780	16,921	22,470	22,340	20,315	21,765	21,207
190	14,305	14,072	10,170	12,777	11,864	20,361	20,148	16,573	18,961	18,126	24,133	23,994	21,671	23,223	22,680
200	15,546	15,298	10,860	13,639	12,769	21,890	21,662	17,597	20,143	19,346	25,816	25,668	23,026	24,681	24,163

	Cash to Companies					FY 2013 % Government Take				
	ACES	CSSB 192	CSSB 192 with 40% Cap	CSSB 192 with 50% Cap	Severance Tax Option	ACES	CSSB 192	CSSB 192 with 40% Cap	CSSB 192 with 50% Cap	Severance Tax Option
40	139	(95)	(95)	(95)	(95)	91%	106%	106%	106%	106%
50	1,010	868	868	868	868	71%	75%	75%	75%	75%
60	1,780	1,780	1,780	1,780	1,780	68%	68%	68%	68%	68%
70	2,536	2,538	2,538	2,538	2,551	66%	66%	66%	66%	66%
80	3,133	3,157	3,157	3,157	3,179	67%	67%	67%	67%	66%
90	3,648	3,703	3,703	3,703	3,720	68%	68%	68%	68%	67%
100	4,080	4,178	4,178	4,178	4,209	70%	69%	69%	69%	69%
110	4,430	4,581	4,581	4,581	4,647	71%	70%	70%	70%	70%
120	4,698	4,911	5,152	4,911	5,034	73%	72%	70%	72%	71%
130	4,884	5,170	5,769	5,170	5,370	75%	73%	70%	73%	72%
140	5,257	5,357	6,385	5,357	5,862	75%	75%	70%	75%	72%
150	5,647	5,749	7,001	5,860	6,402	76%	75%	70%	75%	72%
160	6,017	6,128	7,617	6,373	6,931	76%	76%	70%	75%	73%
170	6,367	6,487	8,234	6,887	7,450	77%	76%	70%	75%	73%
180	6,696	6,825	8,850	7,400	7,959	77%	77%	70%	75%	73%
190	7,004	7,143	9,466	7,914	8,457	78%	77%	70%	75%	73%
200	7,292	7,440	10,082	8,428	8,945	78%	78%	70%	75%	73%

Note: Consistent with DOR methodology, these revenue numbers do not include payments for tax credits which are not claimed against current production, as these are accounted for separately in the budget. In 2013, DOR forecasts a potential liability of $400mm for these credits.

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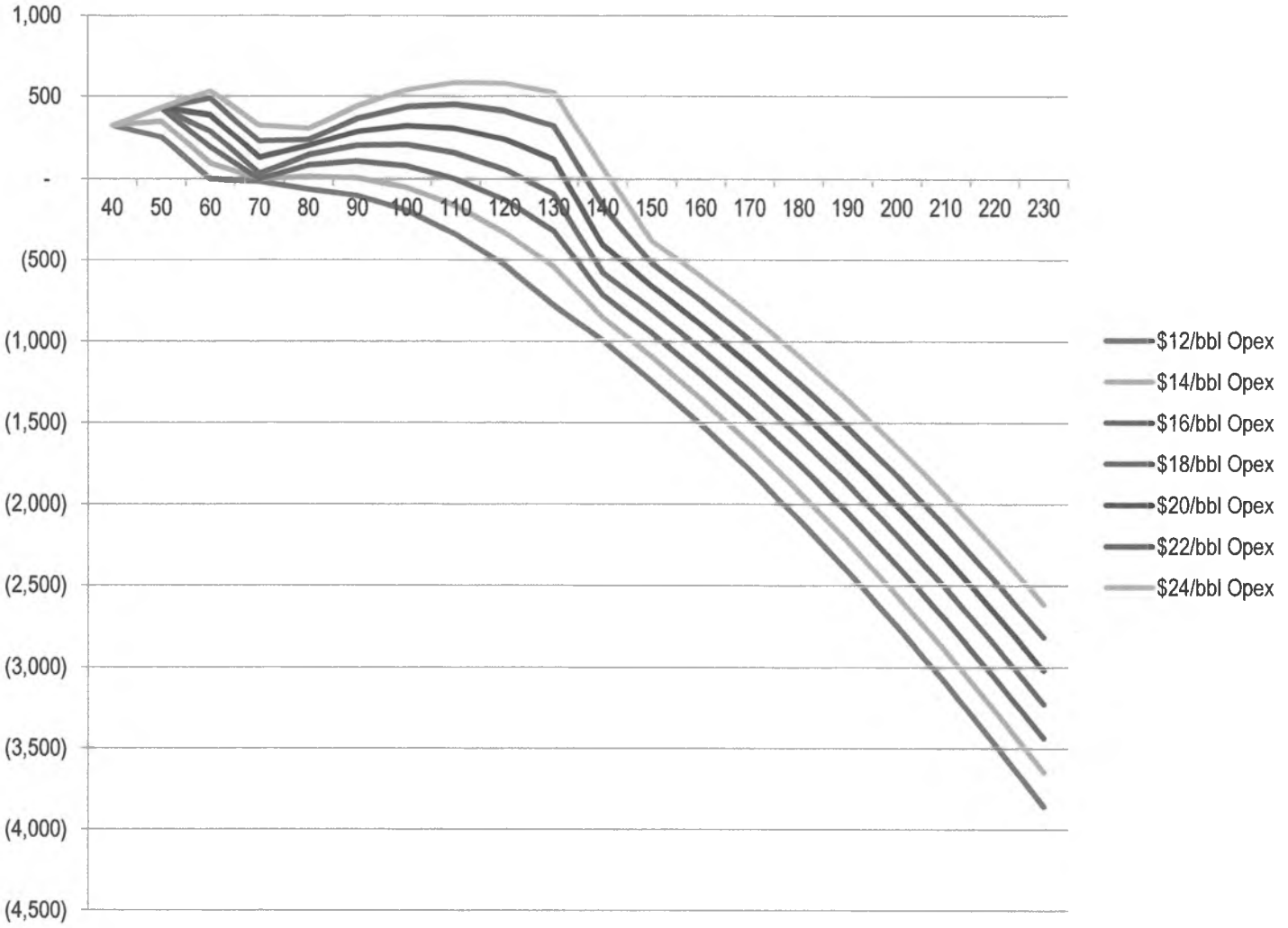
FY 2013 Revenue Comparison – Adjusted for Credits Not Claimed Against Current Production

ANS West Coast Oil Price	Production Tax					Total State Take				
	ACES	CSSB 192	CSSB 192 with 40% Cap	CSSB 192 with 50% Cap	Severance Tax Option	ACES	CSSB 192	CSSB 192 with 40% Cap	CSSB 192 with 50% Cap	Severance Tax Option
40	(439)	(111)	(111)	(111)	(111)	952	1,260	1,260	1,260	1,260
50	(178)	61	61	61	61	1,583	1,802	1,802	1,802	1,802
60	253	253	253	253	253	2,369	2,369	2,369	2,369	2,369
70	709	706	706	706	684	3,177	3,175	3,175	3,175	3,155
80	1,431	1,392	1,392	1,392	1,354	4,231	4,195	4,195	4,195	4,160
90	2,292	2,199	2,199	2,199	2,171	5,411	5,325	5,325	5,325	5,299
100	3,291	3,127	3,127	3,127	3,074	6,717	6,566	6,566	6,566	6,518
110	4,427	4,175	4,175	4,175	4,063	8,149	7,918	7,918	7,918	7,815
120	5,702	5,344	4,940	5,344	5,138	9,708	9,381	9,010	9,381	9,192
130	7,115	6,635	5,630	6,635	6,300	11,394	10,954	10,033	10,954	10,647
140	8,214	8,045	6,320	8,045	7,198	12,792	12,637	11,057	12,637	11,861
150	9,284	9,112	7,010	8,927	8,017	14,163	14,006	12,080	13,836	13,002
160	10,387	10,201	7,700	9,789	8,853	15,565	15,394	13,103	15,017	14,159
170	11,525	11,323	8,390	10,652	9,706	16,999	16,814	14,127	16,199	15,332
180	12,698	12,480	9,080	11,514	10,577	18,464	18,265	15,150	17,380	16,521
190	13,905	13,672	9,770	12,377	11,464	19,961	19,748	16,173	18,561	17,726
200	15,146	14,898	10,460	13,239	12,369	21,490	21,262	17,197	19,743	18,946

PFC Energy

Impact of Rising Operating Costs

Revenue Difference Between ACES and Progressive Severance Option under Different Opex/bbl Assumptions



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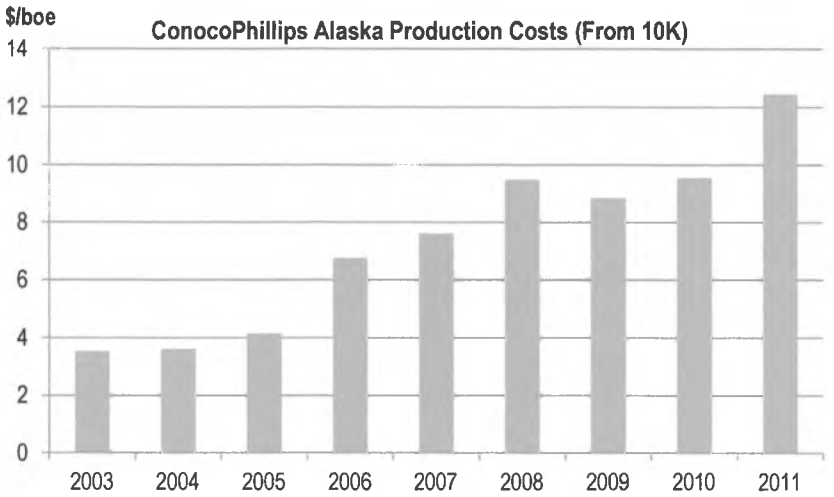
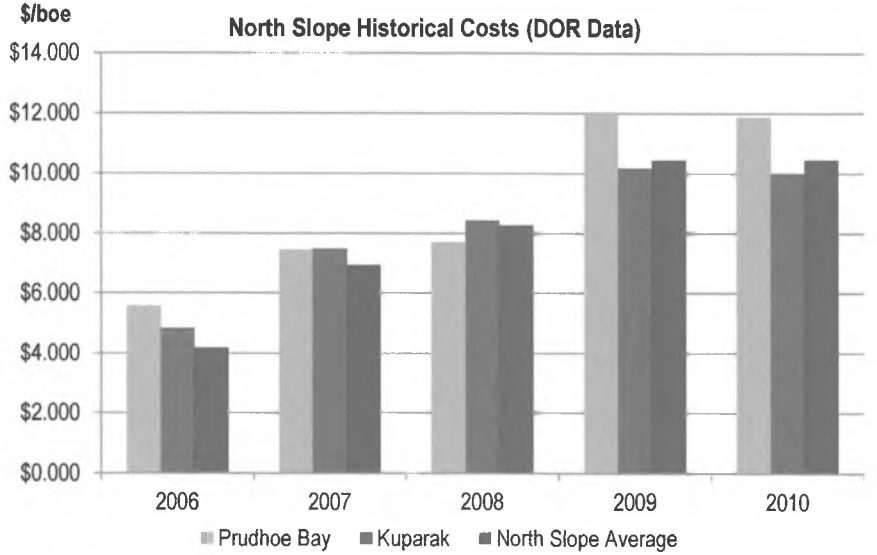
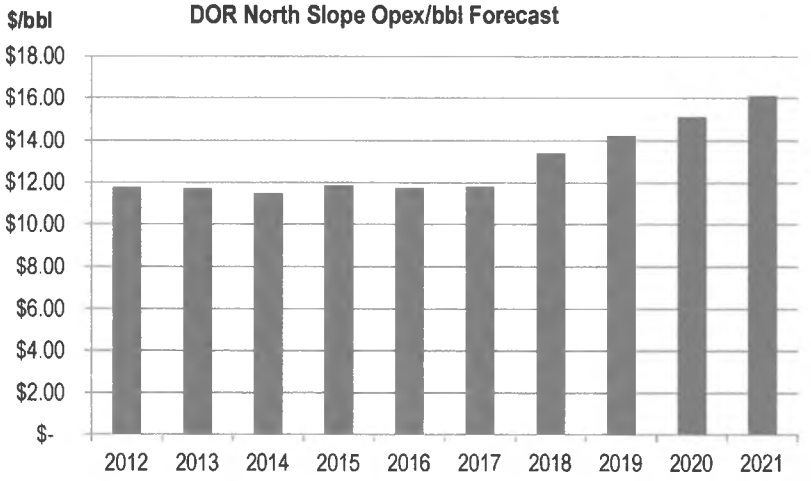
Data on Operating Costs







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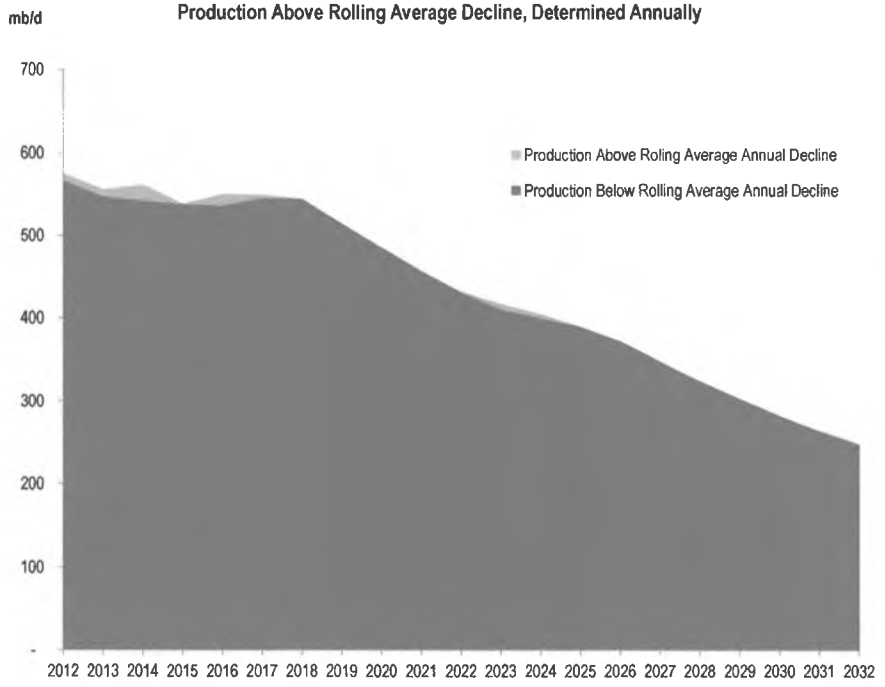
Impact of Inflation

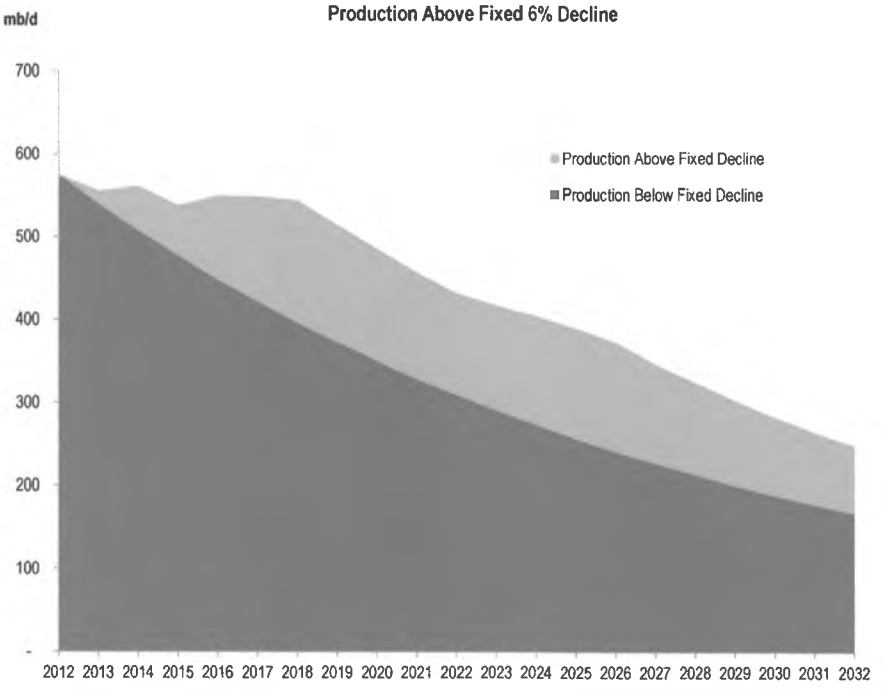
- Under ACES, thresholds and coefficients for progressivity are specified in nominal terms, without indexation
  - As a result, when economics over the long-term rather than just 2013 are examined, we see the effects of 'bracket creep' or 'stealth tax'
  - In real terms, as prices increase, thresholds for progressivity decrease, and the higher take that comes with progressivity occurs at lower and lower price levels
- Similarly, unless progressive severance thresholds are indexed to inflation, progressive severance will apply at steadily lower thresholds over time
  - Indexing thresholds will also go some way to addressing the cost sensitivity issue

Incentives for New Production

- Significant incentives can be provided to new production, by eliminating or reducing the Progressive Severance Tax (Gross) on any combination of:
  - Production from new areas
  - Production from new plans of development (determined through the regulatory process to be for "new production")
  - Production above a fixed decline rate
- One possibility for a reduced rate of Progressive Severance Tax is:
  - No severance tax below $65 Gross Value at Point of Production (GVPP)
  - Progressivity of .05% commencing at a threshold of $65 GVPP
  - Progressivity capped at 5%

Production Above a Decline – Fixed v Annual Calculation





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22.

Discussion Slides: Janak Mayer, Manager, Upstream & Gas, PFC Energy April 4, 2012



Discussion Slides: Alaska Senate Finance Committee

April 4, 2012

Janak Mayer
Manager, Upstream & Gas
PFC Energy

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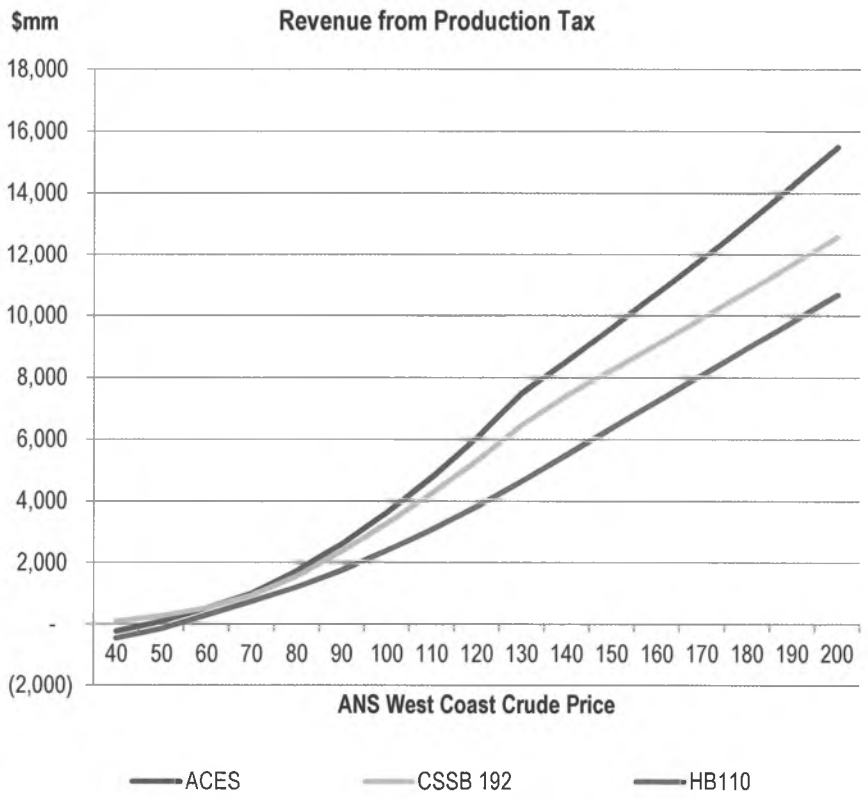
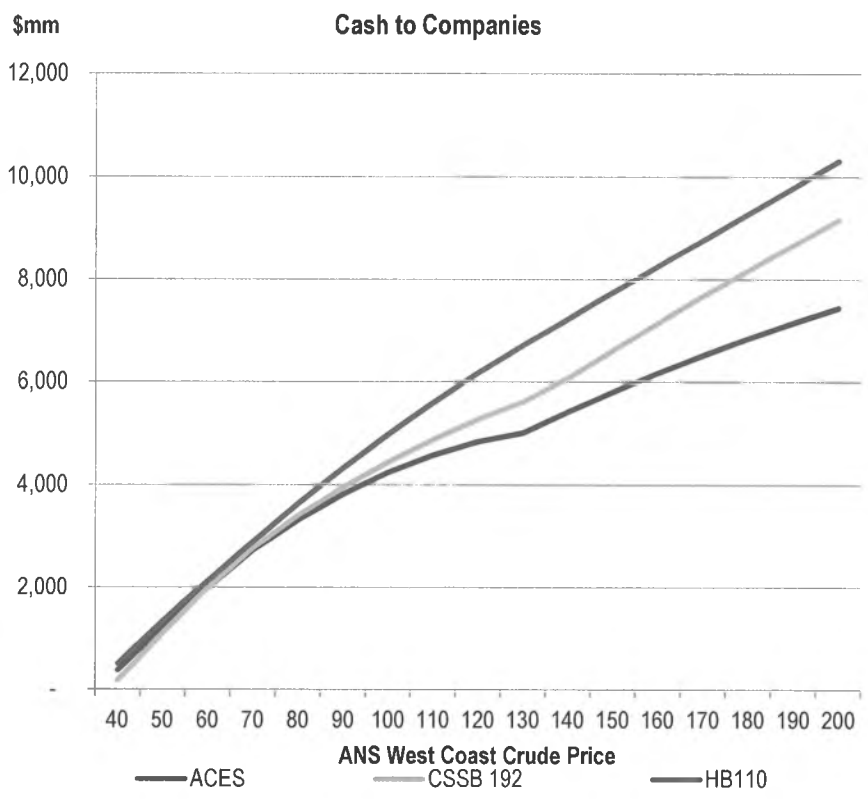
PFC Energy

FY 2013 Revenue Comparison





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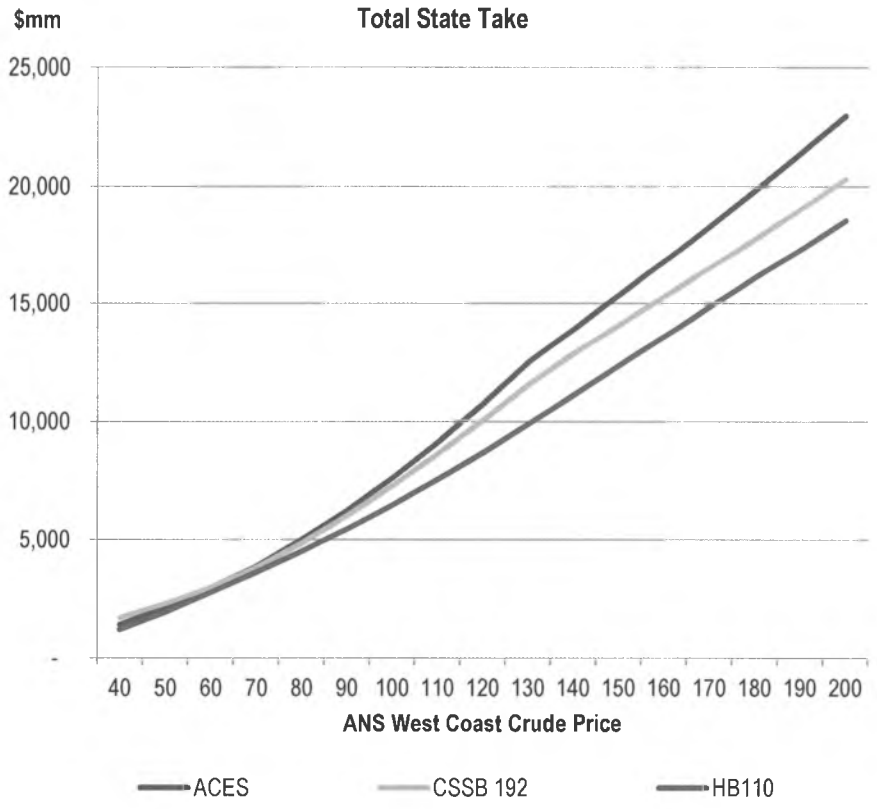
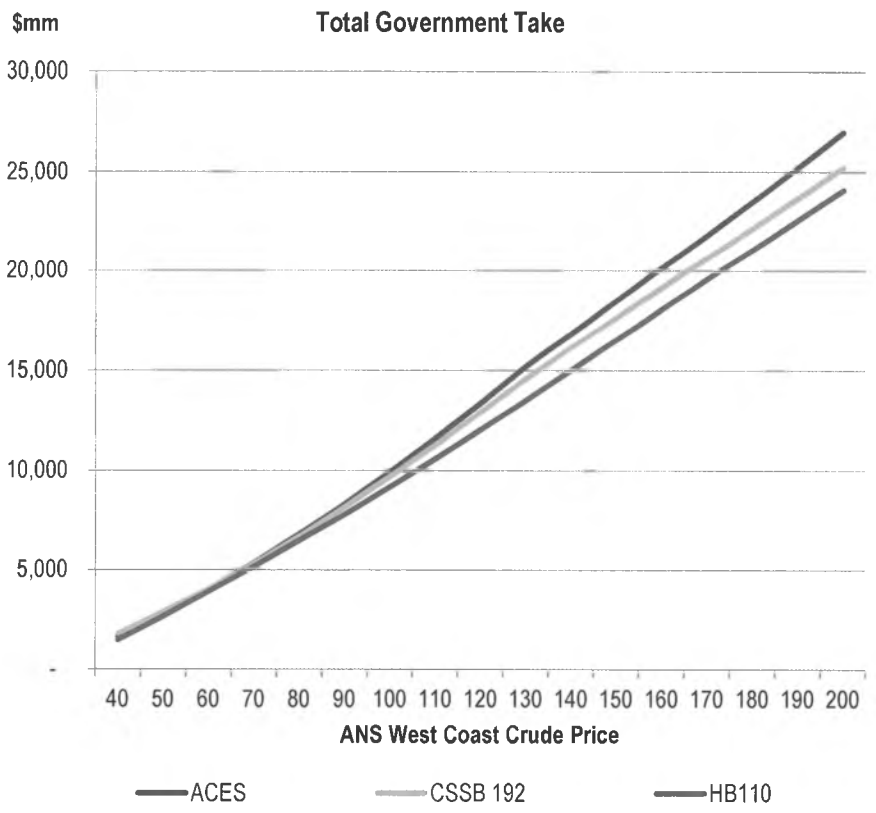
FY 2013 Revenue Comparison





PFC Energy

FY 2013 Revenue Comparison

ANS West Coast Oil Price	Production Tax			Total State Take			Total Government Take			Cash to Companies			FY 2013 % Government Take		
	ACES	CSSB 192	HB110	ACES	CSSB 192	HB110	ACES	CSSB 192	HB110	ACES	CSSB 192	HB110	ACES	CSSB 192	HB110
40	(233)	92	(458)	1,413	1,711	1,207	1,616	1,810	1,482	378	184	512	81%	91%	74%
50	82	265	(143)	2,148	2,315	1,941	2,803	2,912	2,669	1,218	1,109	1,352	70%	72%	66%
60	513	513	288	2,989	2,989	2,783	4,060	4,060	3,926	1,988	1,988	2,122	67%	67%	65%
70	996	944	729	3,878	3,831	3,634	5,347	5,316	5,188	2,727	2,758	2,886	66%	66%	64%
80	1,736	1,574	1,204	5,002	4,854	4,515	6,787	6,690	6,470	3,314	3,411	3,631	67%	66%	64%
90	2,613	2,384	1,763	6,252	6,042	5,473	8,308	8,172	7,802	3,819	3,955	4,325	69%	67%	64%
100	3,628	3,281	2,387	7,629	7,310	6,491	9,913	9,705	9,173	4,241	4,448	4,981	70%	69%	65%
110	4,782	4,263	3,075	9,132	8,657	7,568	11,599	11,290	10,583	4,582	4,890	5,598	72%	70%	65%
120	6,073	5,332	3,828	10,761	10,082	8,705	13,367	12,926	12,031	4,840	5,281	6,176	73%	71%	66%
130	7,503	6,488	4,648	12,517	11,587	9,902	15,218	14,613	13,518	5,016	5,620	6,716	75%	72%	67%
140	8,550	7,437	5,510	13,922	12,903	11,138	16,841	16,178	15,031	5,420	6,082	7,230	76%	73%	68%
150	9,623	8,255	6,372	15,352	14,099	12,374	18,479	17,665	16,544	5,808	6,622	7,743	76%	73%	68%
160	10,730	9,089	7,235	16,813	15,310	13,611	20,138	19,161	18,057	6,175	7,152	8,257	77%	73%	69%
170	11,873	9,941	8,097	18,306	16,537	14,847	21,818	20,668	19,570	6,522	7,672	8,770	77%	73%	69%
180	13,049	10,811	8,960	19,830	17,780	16,084	23,518	22,185	21,083	6,849	8,182	9,284	77%	73%	69%
190	14,261	11,697	9,822	21,386	19,038	17,320	25,239	23,712	22,596	7,155	8,681	9,797	78%	73%	70%
200	15,506	12,601	10,685	22,974	20,312	18,557	26,980	25,250	24,109	7,440	9,170	10,311	78%	73%	70%

Note: Consistent with DOR methodology, these revenue numbers do not include payments for tax credits which are not claimed against current production, as these are accounted for separately in the budget. In 2013, DOR forecasts a potential liability of $400mm for these credits.

PFC Energy

FY 2013 Revenue Comparison – Adjusted for $400mm Credits Not Claimed Against Current Production

ANS West Coast Oil Price	Production Tax			Total State Take		
	ACES	CSSB 192	HB110	ACES	CSSB 192	HB110
40	(633)	(308)	(858)	1,013	1,311	807
50	(318)	(135)	(543)	1,748	1,915	1,541
60	113	113	(112)	2,589	2,589	2,383
70	596	544	329	3,478	3,431	3,234
80	1,336	1,174	804	4,602	4,454	4,115
90	2,213	1,984	1,363	5,852	5,642	5,073
100	3,228	2,881	1,987	7,229	6,910	6,091
110	4,382	3,863	2,675	8,732	8,257	7,168
120	5,673	4,932	3,428	10,361	9,682	8,305
130	7,103	6,088	4,248	12,117	11,187	9,502
140	8,150	7,037	5,110	13,522	12,503	10,738
150	9,223	7,855	5,972	14,952	13,699	11,974
160	10,330	8,689	6,835	16,413	14,910	13,211
170	11,473	9,541	7,697	17,906	16,137	14,447
180	12,649	10,411	8,560	19,430	17,380	15,684
190	13,861	11,297	9,422	20,986	18,638	16,920
200	15,106	12,201	10,285	22,574	19,912	18,157

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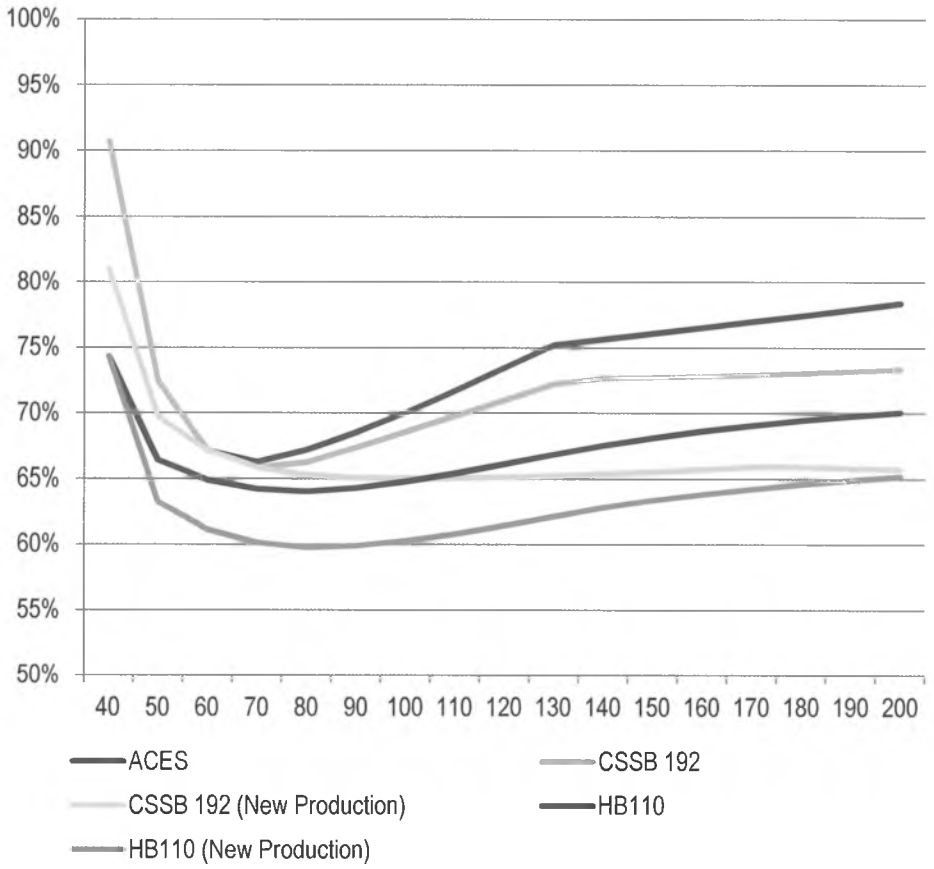
Total Government Take Comparison Including New Production Incentives

ANS West Coast Oil Price	FY 2013 % Government Take				
	ACES	CSSB 192	CSSB 192 (New Production)	HB110	HB110 (New Production)
40	81%	91%	81%	74%	74%
50	70%	72%	70%	66%	63%
60	67%	67%	67%	65%	61%
70	66%	66%	66%	64%	60%
80	67%	66%	65%	64%	60%
90	69%	67%	65%	64%	60%
100	70%	69%	65%	65%	60%
110	72%	70%	65%	65%	61%
120	73%	71%	65%	66%	61%
130	75%	72%	65%	67%	62%
140	76%	73%	65%	68%	63%
150	76%	73%	66%	68%	63%
160	77%	73%	66%	69%	64%
170	77%	73%	66%	69%	64%
180	77%	73%	66%	69%	65%
190	78%	73%	66%	70%	65%
200	78%	73%	66%	70%	65%



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23.

Discussion Slides: Janak Mayer, Manager, Upstream & Gas, PFC Energy April 4, 2012 (PM)



Discussion Slides: Alaska Senate Finance Committee

April 4, 2012

Janak Mayer
Manager, Upstream & Gas
PFC Energy

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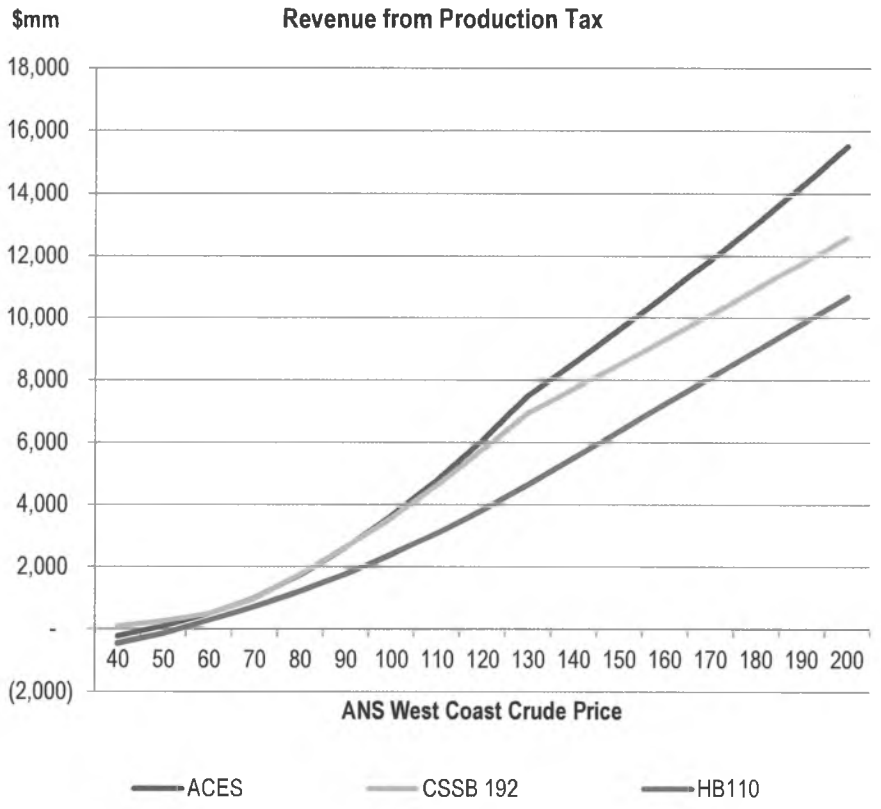
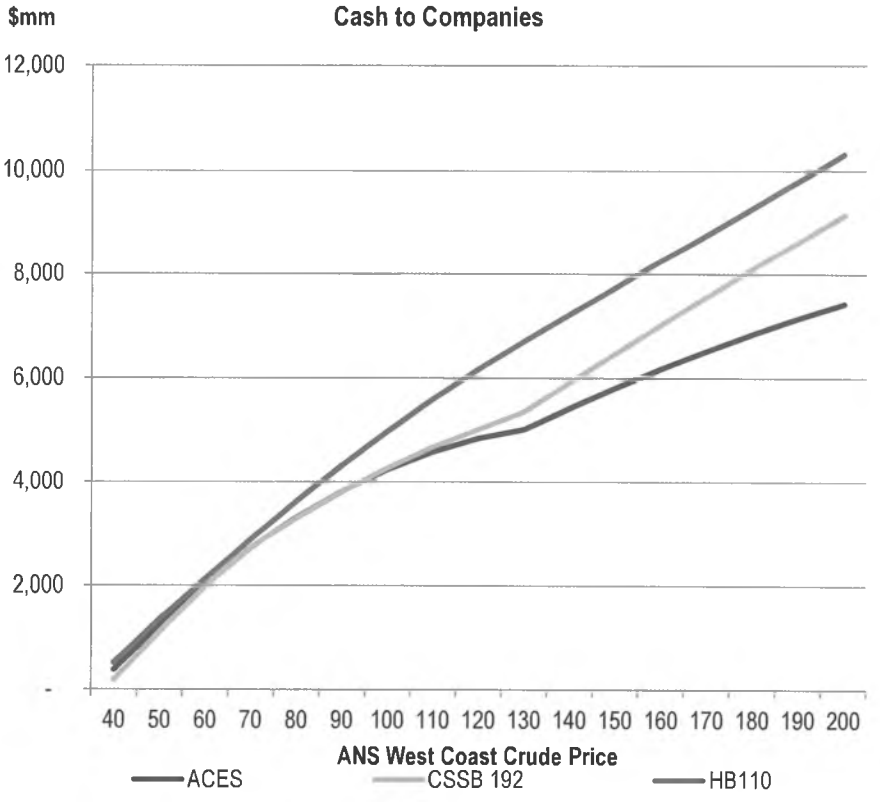
Summary of Progressive Severance Tax (Gross) Structure

- A Progressive Severance Tax (Gross) option would instead remove progressivity from the Profit-Based Production Tax (Net), instead levying this tax at the flat, base rate of 25%
- To retain an element of progressivity, a new Progressive Severance Tax (Gross) would then be added to the system. The tax would:
  - Be non-deductible for Profit-Based Production Tax purposes
  - Be levied on gross production (net of royalties)
  - Be levied solely on oil
  - The tax would use a progressivity structure not dissimilar to that under the current system, with progressivity coefficients that apply at different thresholds.
- The proposed Progressive Severance Tax would use the following parameters:
    - No severance tax below $60 Gross Value at Point of Production (GVPP)
    - Progressivity of .27% commencing at a threshold of $60 GVPP
    - At $120 GVPP, a tax rate of 16.2% is reached. At this point, progressivity is reduced to 0.03%
    - Progressivity is capped at 20%

FY 2013 Revenue Comparison





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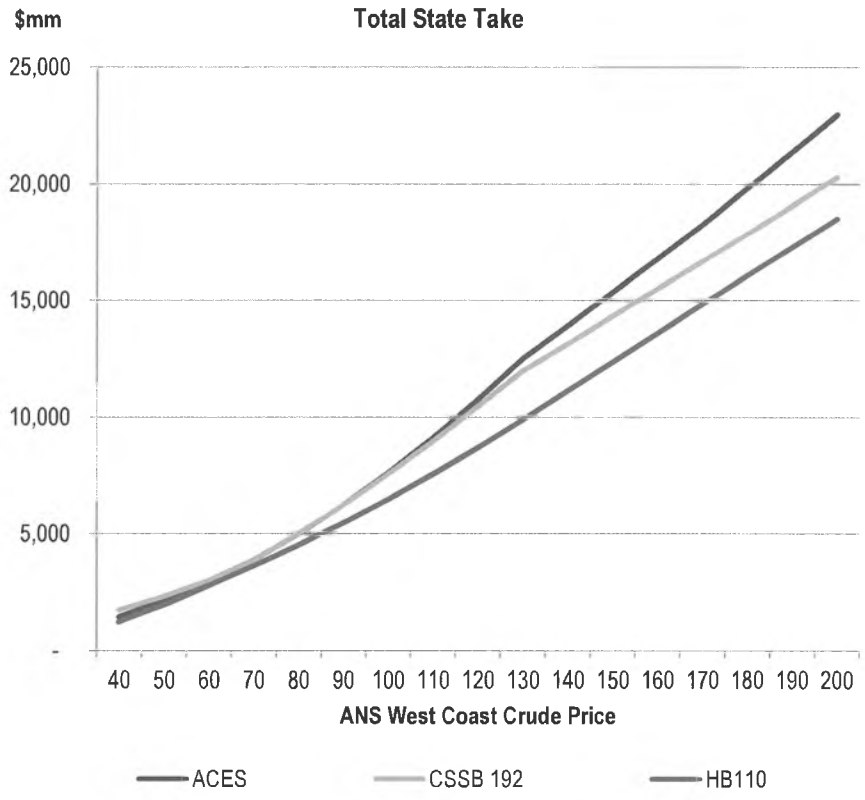
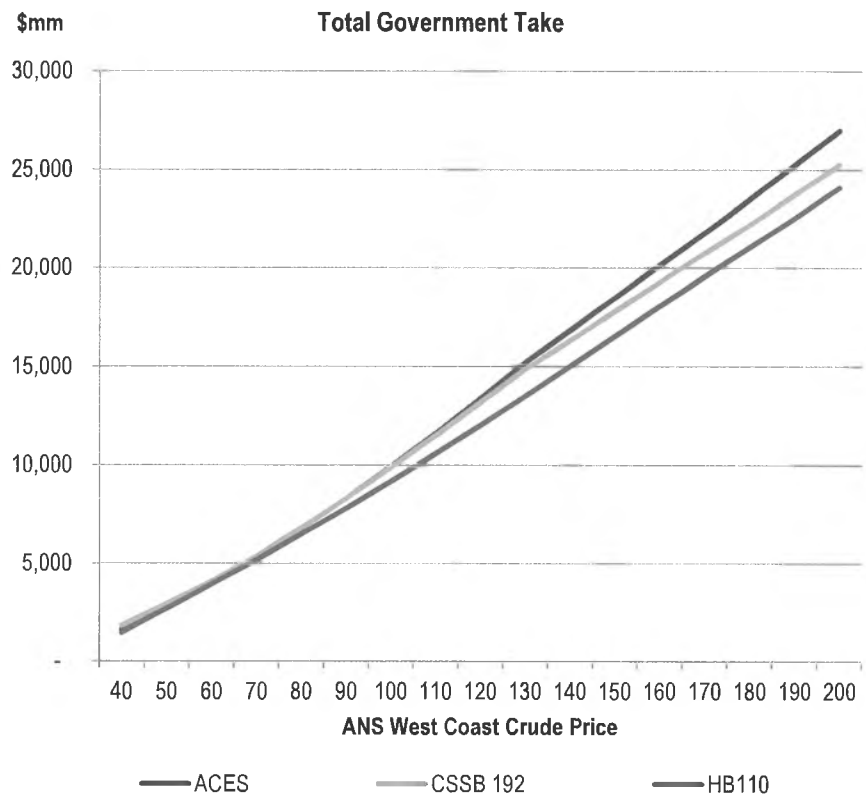
FY 2013 Revenue Comparison





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FY 2013 Revenue Comparison

ANS West Coast Oil Price	Production Tax			Total State Take			Total Government Take			Cash to Companies			FY 2013 % Government Take		
	ACES	CSSB 192	HB110	ACES	CSSB 192	HB110	ACES	CSSB 192	HB110	ACES	CSSB 192	HB110	ACES	CSSB 192	HB110
40	(233)	92	(458)	1,413	1,711	1,207	1,616	1,810	1,482	378	184	512	81%	91%	74%
50	82	265	(143)	2,148	2,315	1,941	2,803	2,912	2,669	1,218	1,109	1,352	70%	72%	66%
60	513	513	288	2,989	2,989	2,783	4,060	4,060	3,926	1,988	1,988	2,122	67%	67%	65%
70	996	985	729	3,878	3,868	3,634	5,347	5,340	5,188	2,727	2,734	2,886	66%	66%	64%
80	1,736	1,756	1,204	5,002	5,021	4,515	6,787	6,799	6,470	3,314	3,302	3,631	67%	67%	64%
90	2,613	2,620	1,763	6,252	6,259	5,473	8,308	8,313	7,802	3,819	3,815	4,325	69%	69%	64%
100	3,628	3,577	2,387	7,629	7,582	6,491	9,913	9,882	9,173	4,241	4,272	4,981	70%	70%	65%
110	4,782	4,627	3,075	9,132	8,990	7,568	11,599	11,507	10,583	4,582	4,674	5,598	72%	71%	65%
120	6,073	5,770	3,828	10,761	10,484	8,705	13,367	13,187	12,031	4,840	5,020	6,176	73%	72%	66%
130	7,503	6,934	4,648	12,517	11,996	9,902	15,218	14,879	13,518	5,016	5,354	6,716	75%	74%	67%
140	8,550	7,714	5,510	13,922	13,157	11,138	16,841	16,343	15,031	5,420	5,917	7,230	76%	73%	68%
150	9,623	8,504	6,372	15,352	14,327	12,374	18,479	17,813	16,544	5,808	6,474	7,743	76%	73%	68%
160	10,730	9,304	7,235	16,813	15,506	13,611	20,138	19,289	18,057	6,175	7,025	8,257	77%	73%	69%
170	11,873	10,114	8,097	18,306	16,695	14,847	21,818	20,771	19,570	6,522	7,569	8,770	77%	73%	69%
180	13,049	10,935	8,960	19,830	17,894	16,084	23,518	22,259	21,083	6,849	8,107	9,284	77%	73%	69%
190	14,261	11,766	9,822	21,386	19,101	17,320	25,239	23,754	22,596	7,155	8,640	9,797	78%	73%	70%
200	15,506	12,608	10,685	22,974	20,319	18,557	26,980	25,254	24,109	7,440	9,166	10,311	78%	73%	70%

Note: Consistent with DOR methodology, these revenue numbers do not include payments for tax credits which are not claimed against current production, as these are accounted for separately in the budget. In 2013, DOR forecasts a potential liability of $400mm for these credits.

PFC Energy

FY 2013 Revenue Comparison – Adjusted for $400mm Credits Not Claimed Against Current Production

ANS West Coast Oil Price	Production Tax			Total State Take		
	ACES	CSSB 192	HB110	ACES	CSSB 192	HB110
40	(633)	(308)	(858)	1,013	1,311	807
50	(318)	(135)	(543)	1,748	1,915	1,541
60	113	113	(112)	2,589	2,589	2,383
70	596	585	329	3,478	3,468	3,234
80	1,336	1,356	804	4,602	4,621	4,115
90	2,213	2,220	1,363	5,852	5,859	5,073
100	3,228	3,177	1,987	7,229	7,182	6,091
110	4,382	4,227	2,675	8,732	8,590	7,168
120	5,673	5,370	3,428	10,361	10,084	8,305
130	7,103	6,534	4,248	12,117	11,596	9,502
140	8,150	7,314	5,110	13,522	12,757	10,738
150	9,223	8,104	5,972	14,952	13,927	11,974
160	10,330	8,904	6,835	16,413	15,106	13,211
170	11,473	9,714	7,697	17,906	16,295	14,447
180	12,649	10,535	8,560	19,430	17,494	15,684
190	13,861	11,366	9,422	20,986	18,701	16,920
200	15,106	12,208	10,285	22,574	19,919	18,157

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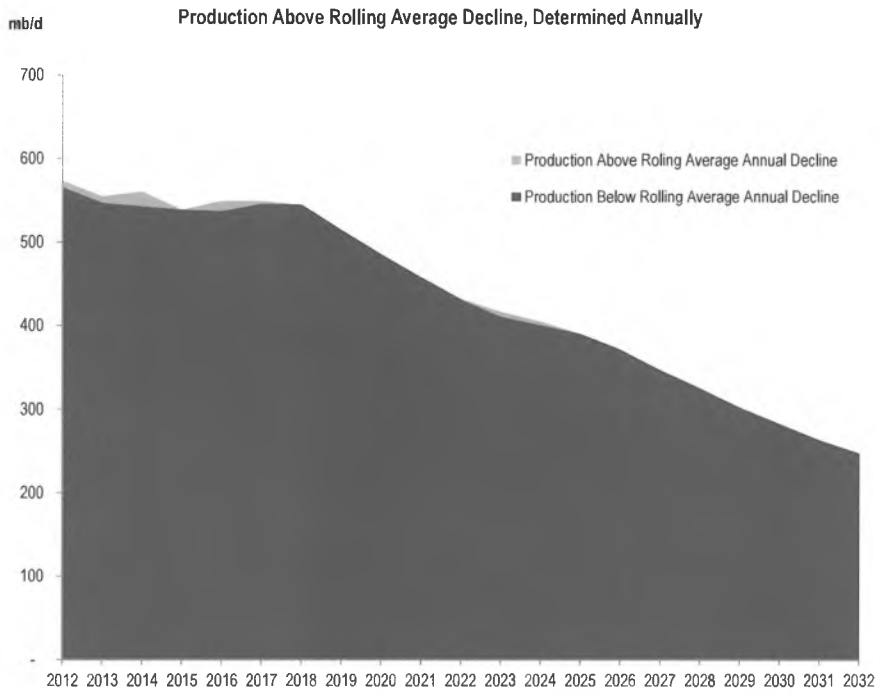
Issues with Tax Floor for Large Fields

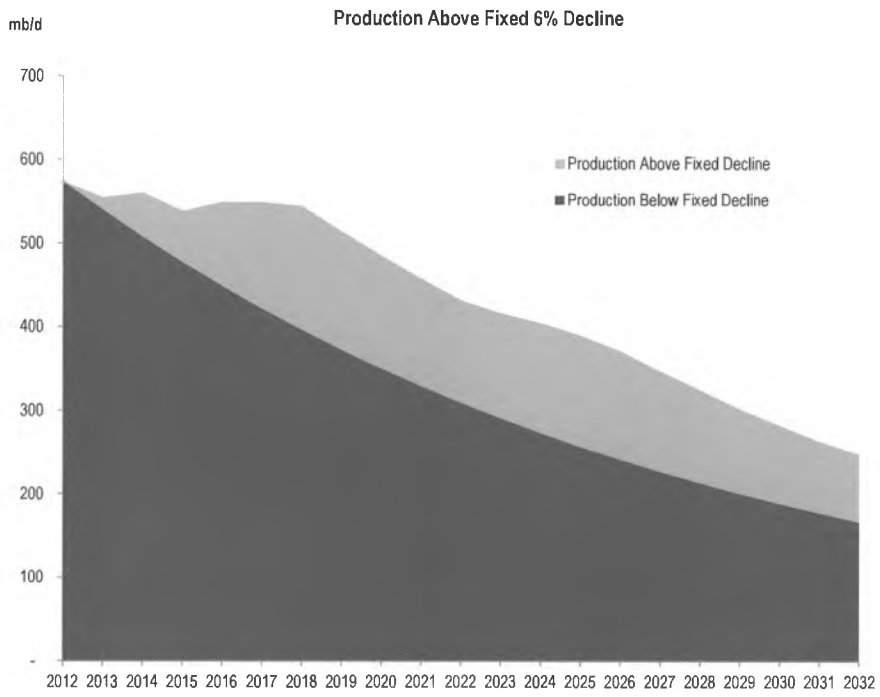
- Two significant issues with specifying the tax floor for large fields only
  - Specifying particular units to which a floor applies means that costs then need to be allocated at the unit level – costs for Prudhoe and for Kuparuk need to be calculated separately to that for all other production
  - The 100 mb/d production threshold may create an undesirable incentive
- An administratively easier approach would be to make the distinction at the company, rather than the asset level
  - If the desire is simply to ensure that small producers do not face this floor, this can be more easily accomplished directly
  - One option would be to use the existing definition of a "small producer" for credit purposes, and exclude such producers from the floor

Incentives for New Production

- Significant incentives can be provided to new production, by eliminating or reducing the Progressive Severance Tax (Gross) on any combination of:
  - Production from new areas
  - Production above a fixed decline rate
- One possibility for a reduced rate of Progressive Severance Tax is:
  - No severance tax below $60 Gross Value at Point of Production (GVPP)
  - Progressivity of .05% commencing at a threshold of $60 GVPP
  - Progressivity capped at 5%
  - Reduced rate applied for 7 years
- Since Production above a decline curve cannot have a specific time limit, one option would be an intermediate regime with no time limit for incremental production, for instance:
  - Progressivity of .14% commencing at a threshold of $60 GVPP
  - At $120 GVPP, a tax rate of 8.4% is reached. At this point, progressivity is reduced to 0.03%
  - Progressivity is capped at 10%

Production Above a Decline – Fixed v Annual Calculation





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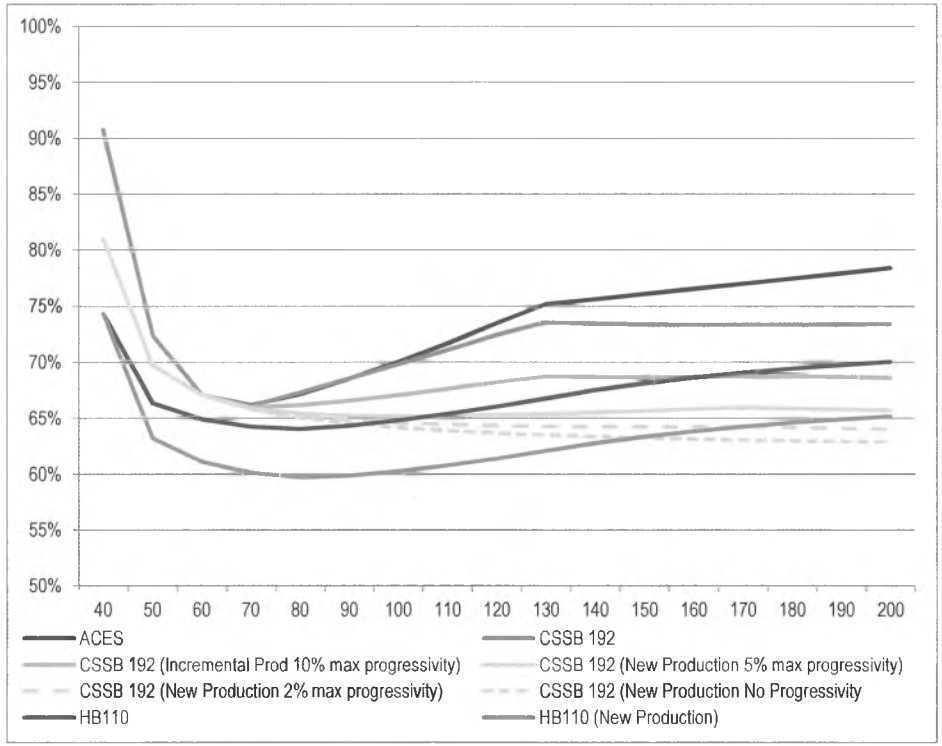
Total Government Take Comparison Including New Production Incentives

ANS West Coast Oil Price	FY 2013 % Government Take							
	ACES	CSSB 192	CSSB 192 (Incremental Prod 10% max progressivity)	CSSB 192 (New Production 5% max progressivity)	CSSB 192 (New Production 2% max progressivity)	CSSB 192 (New Production No Progressivity	HB110	HB110 (New Production)
40	81%	91%	81%	81%	81%	81%	74%	74%
50	70%	72%	70%	70%	70%	70%	66%	63%
60	67%	67%	67%	67%	67%	67%	65%	61%
70	66%	66%	66%	66%	66%	66%	64%	60%
80	67%	67%	66%	65%	65%	65%	64%	60%
90	69%	69%	67%	65%	65%	65%	64%	60%
100	70%	70%	67%	65%	65%	64%	65%	60%
110	72%	71%	68%	65%	64%	64%	65%	61%
120	73%	72%	68%	65%	64%	64%	66%	61%
130	75%	74%	69%	65%	64%	64%	67%	62%
140	76%	73%	69%	66%	64%	63%	68%	63%
150	76%	73%	69%	66%	64%	63%	68%	63%
160	77%	73%	69%	66%	64%	63%	69%	64%
170	77%	73%	69%	66%	64%	63%	69%	64%
180	77%	73%	69%	66%	64%	63%	69%	65%
190	78%	73%	69%	66%	64%	63%	70%	65%
200	78%	73%	69%	66%	64%	63%	70%	65%



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24.

Discussion Slides: Janak Mayer, Manager, Upstream & Gas, PFC Energy April 5, 2012



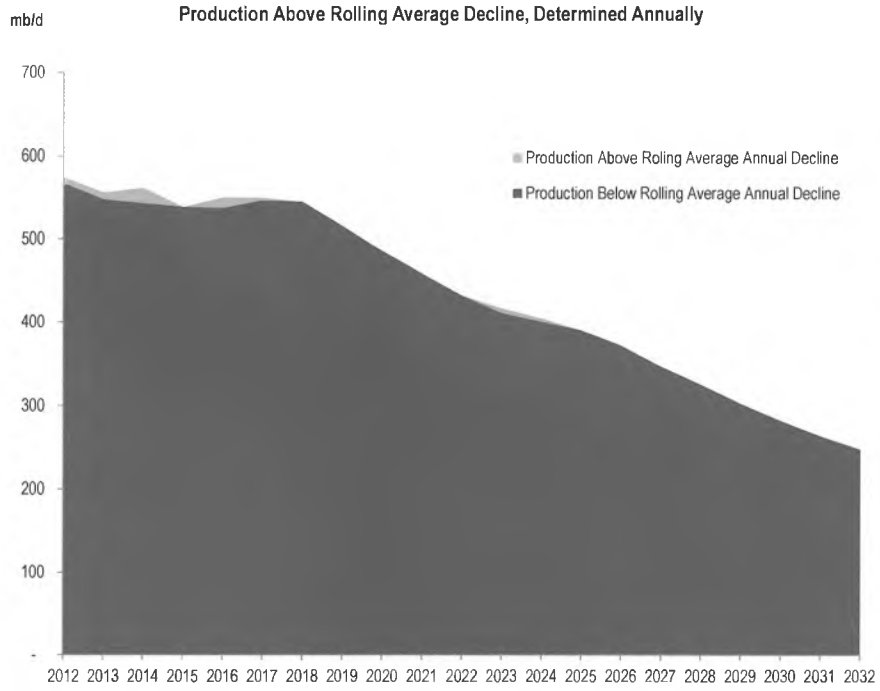
Discussion Slides: Alaska Senate Finance Committee

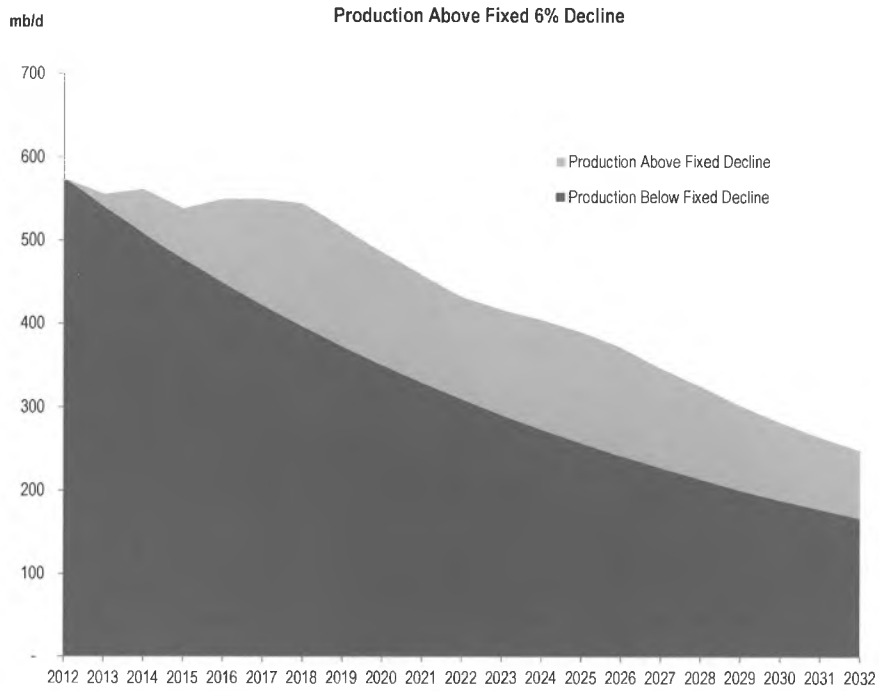
April 5, 2012

Janak Mayer
Manager, Upstream & Gas
PFC Energy

PFC Energy

Production Above a Decline – Fixed v Annual Calculation





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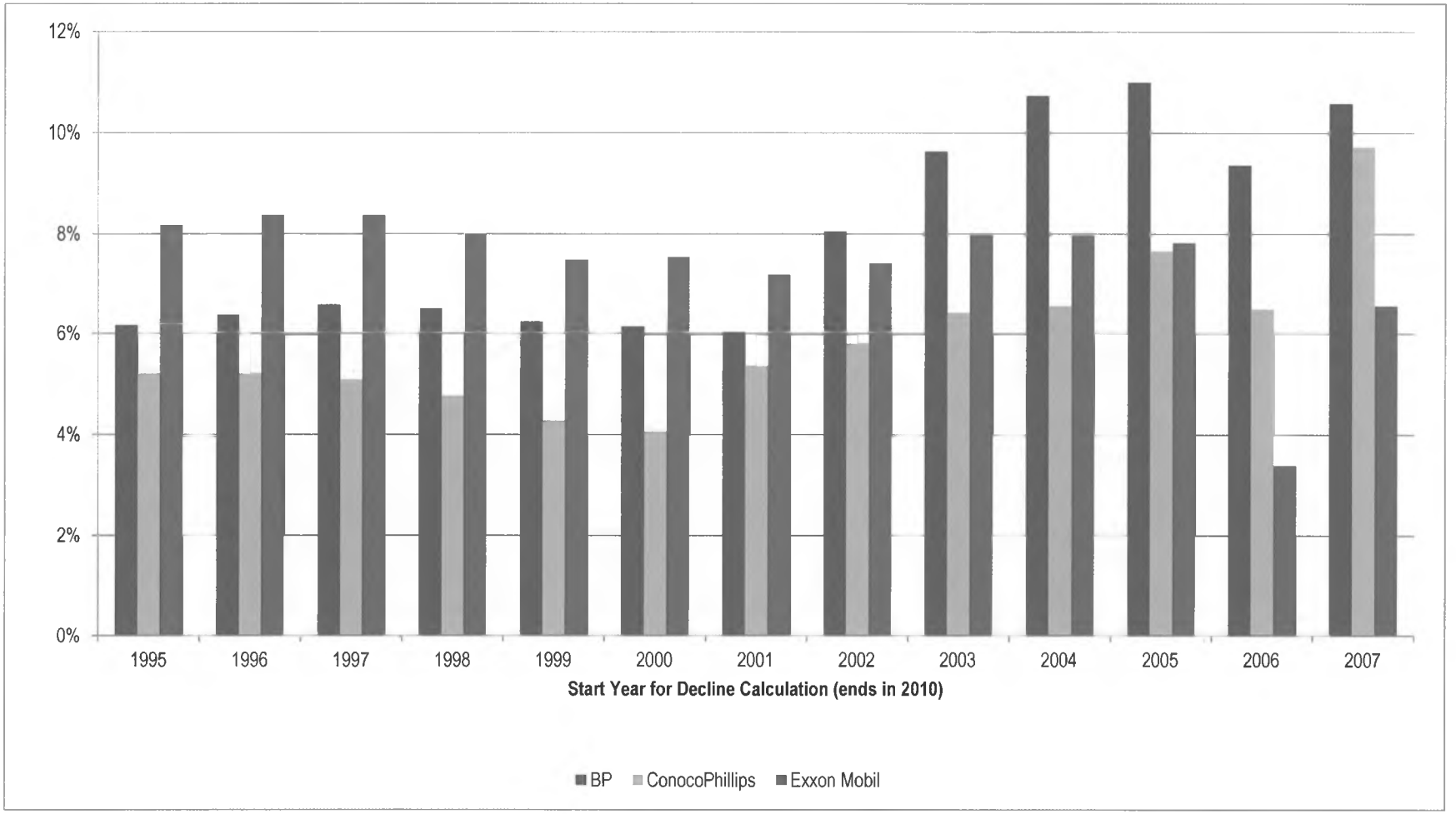
Approximate Decline Rates to 2010 by Start Year



PFC Energy

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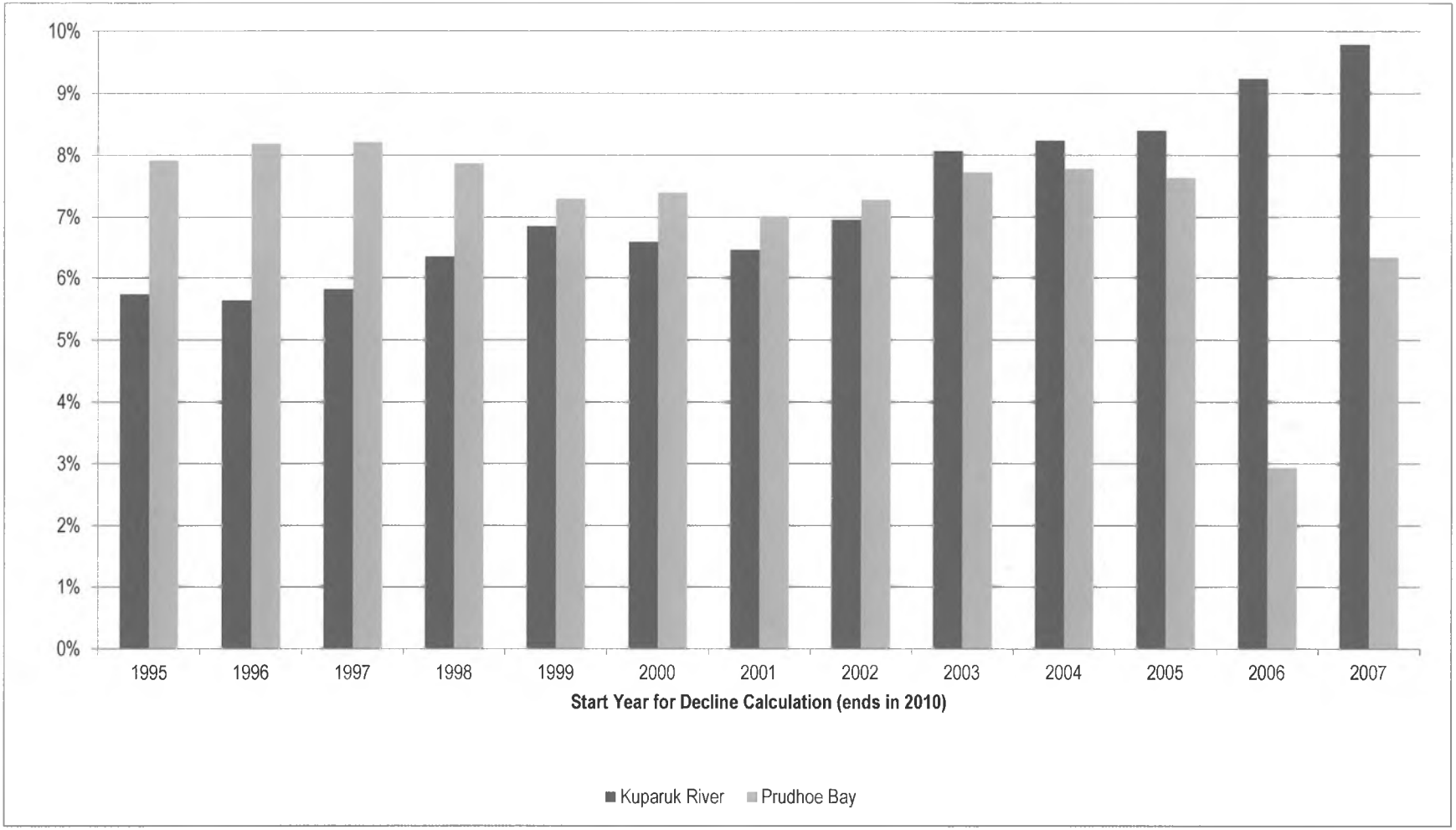

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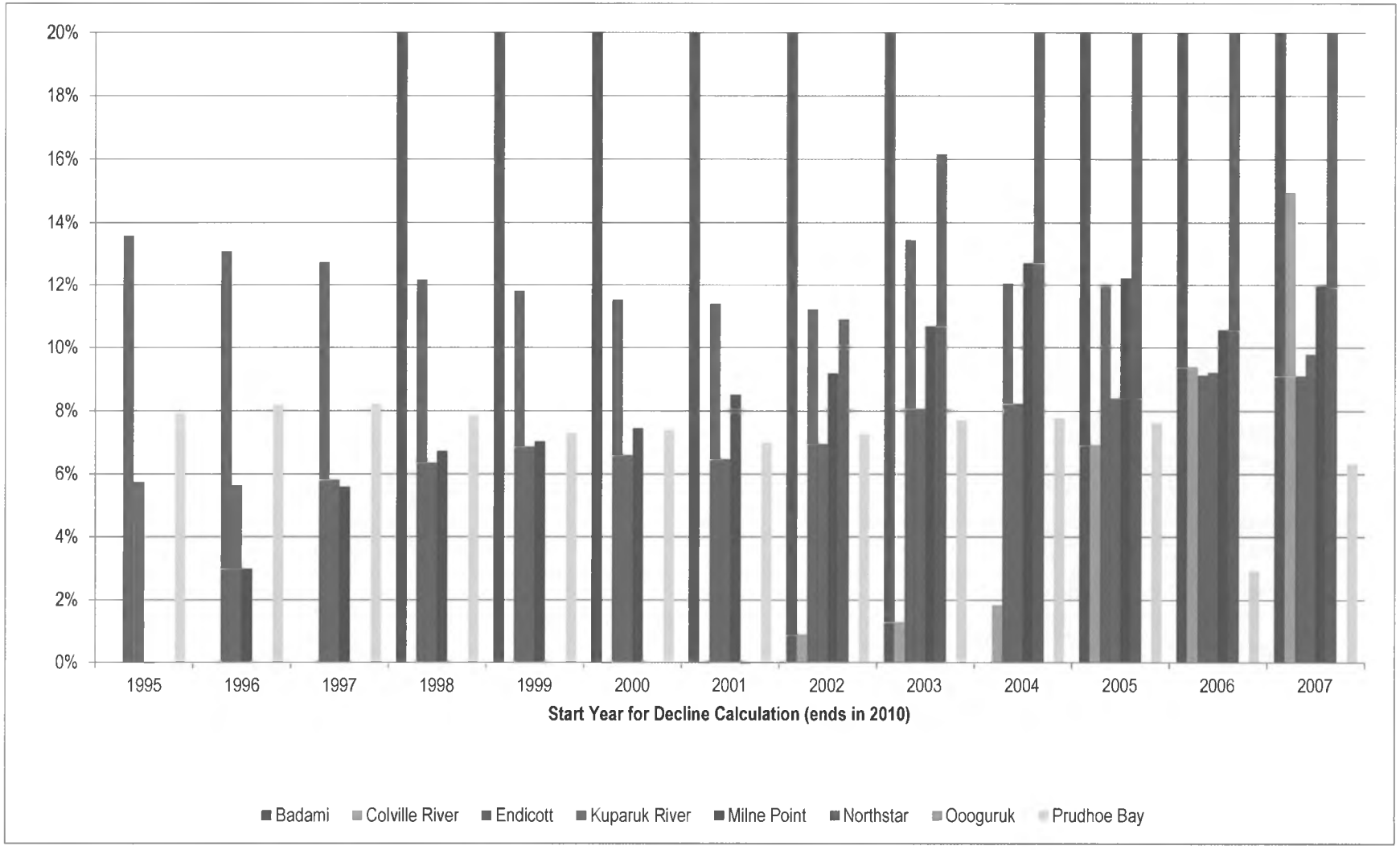
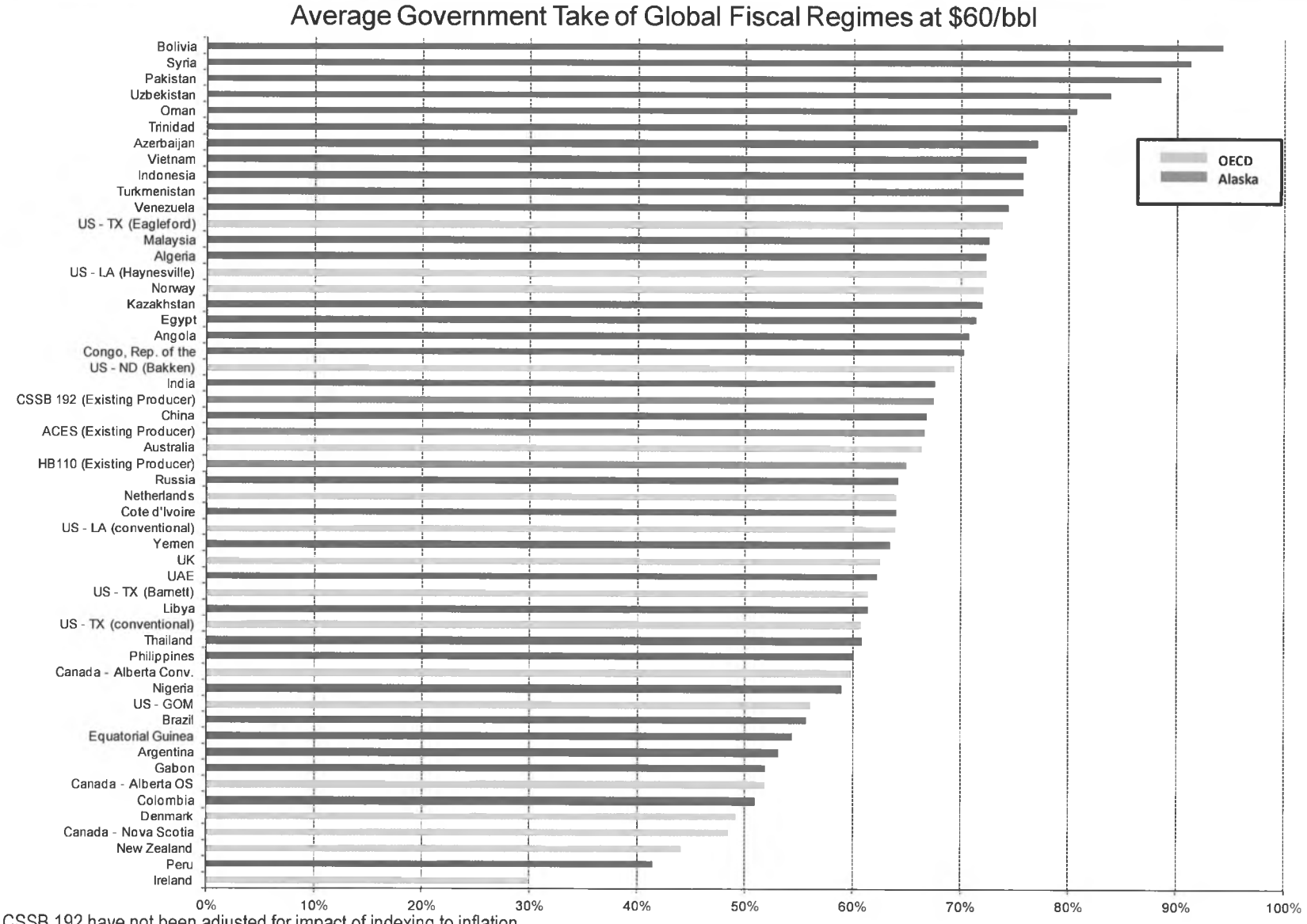


PFC Energy

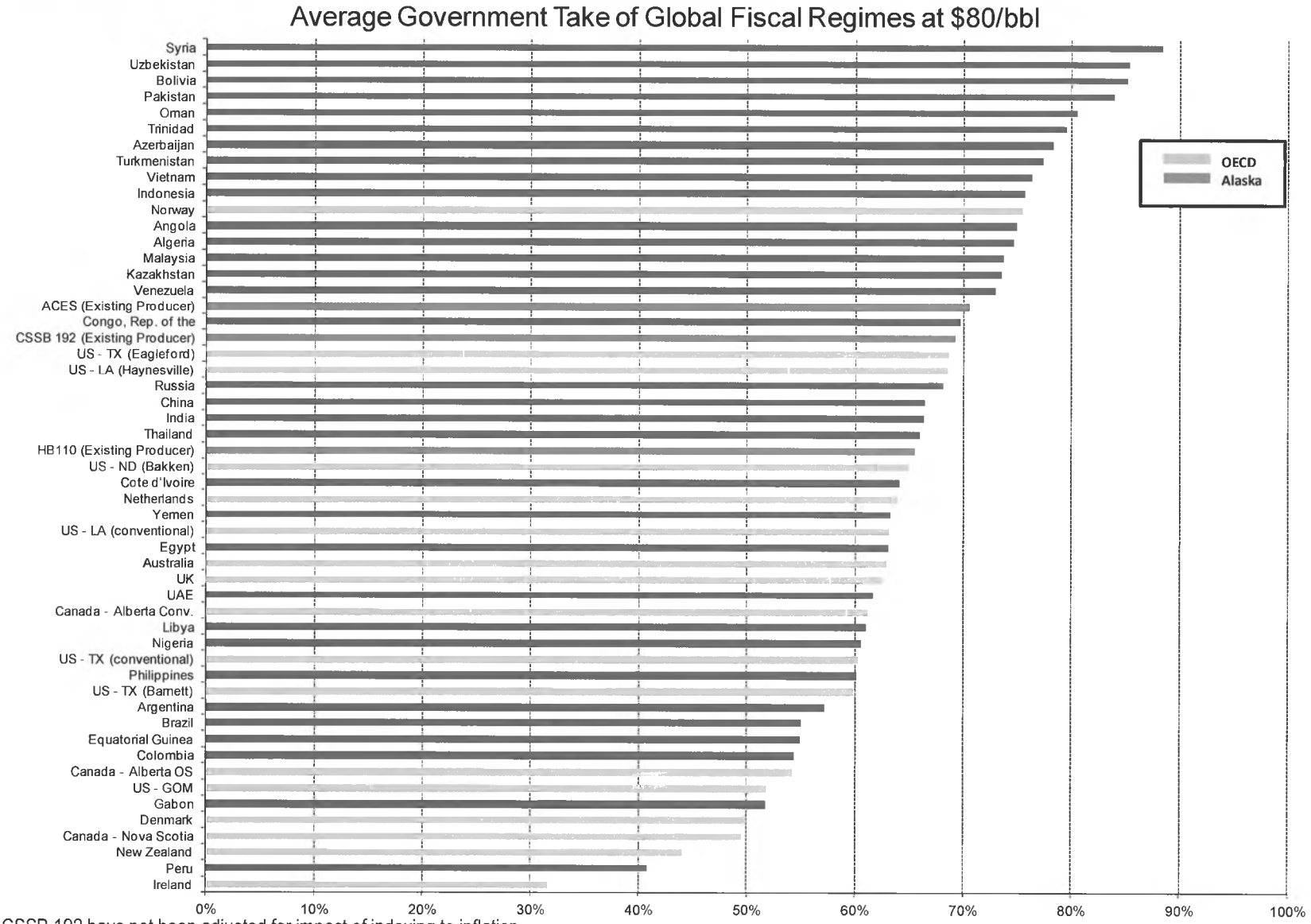
Regime Competitiveness: Relative Government Take



Note: CSSB 192 have not been adjusted for impact of indexing to inflation

PFC Energy

Regime Competitiveness: Relative Government Take



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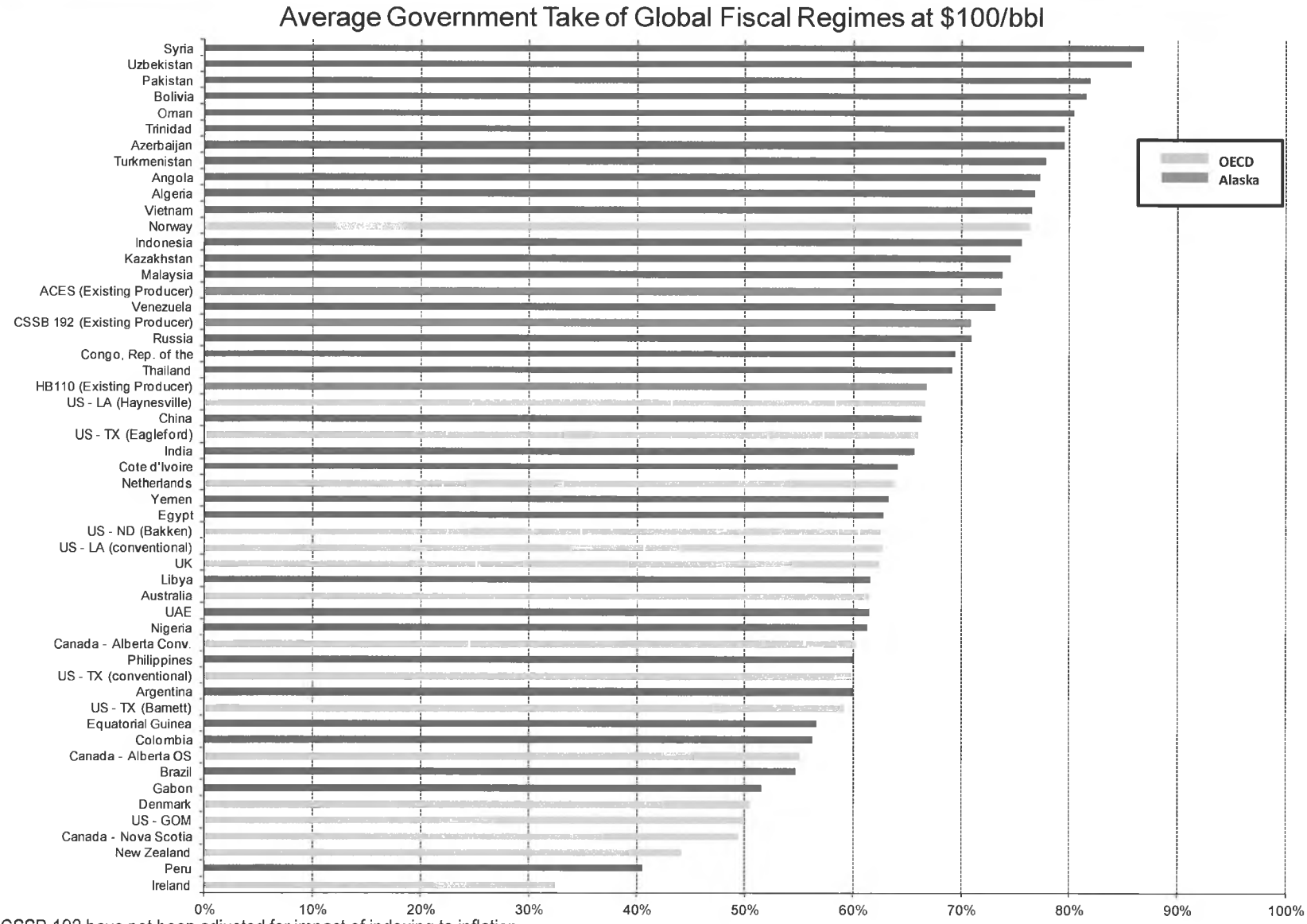
PFC Energy

Regime Competitiveness: Relative Government Take



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PFC Energy

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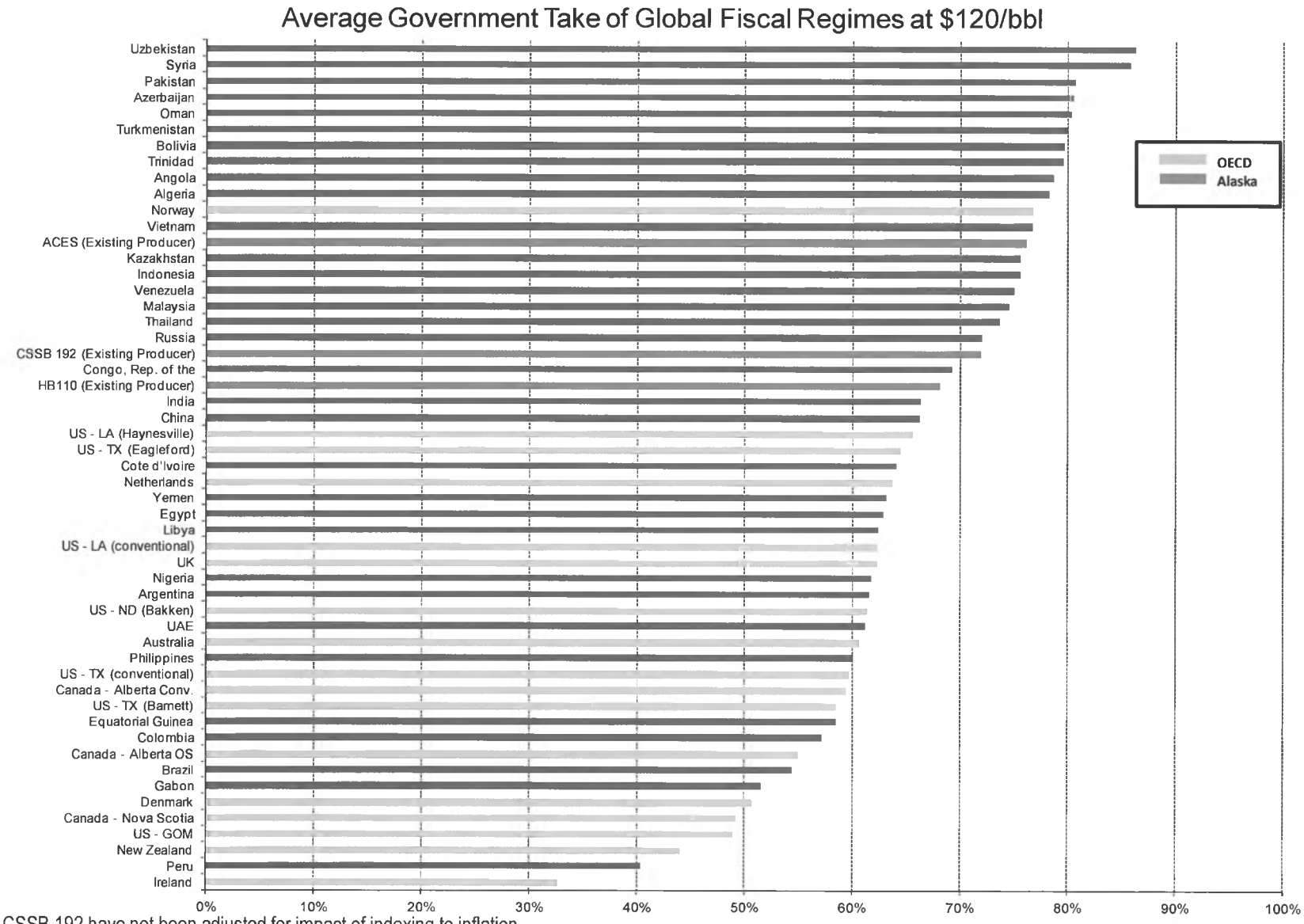

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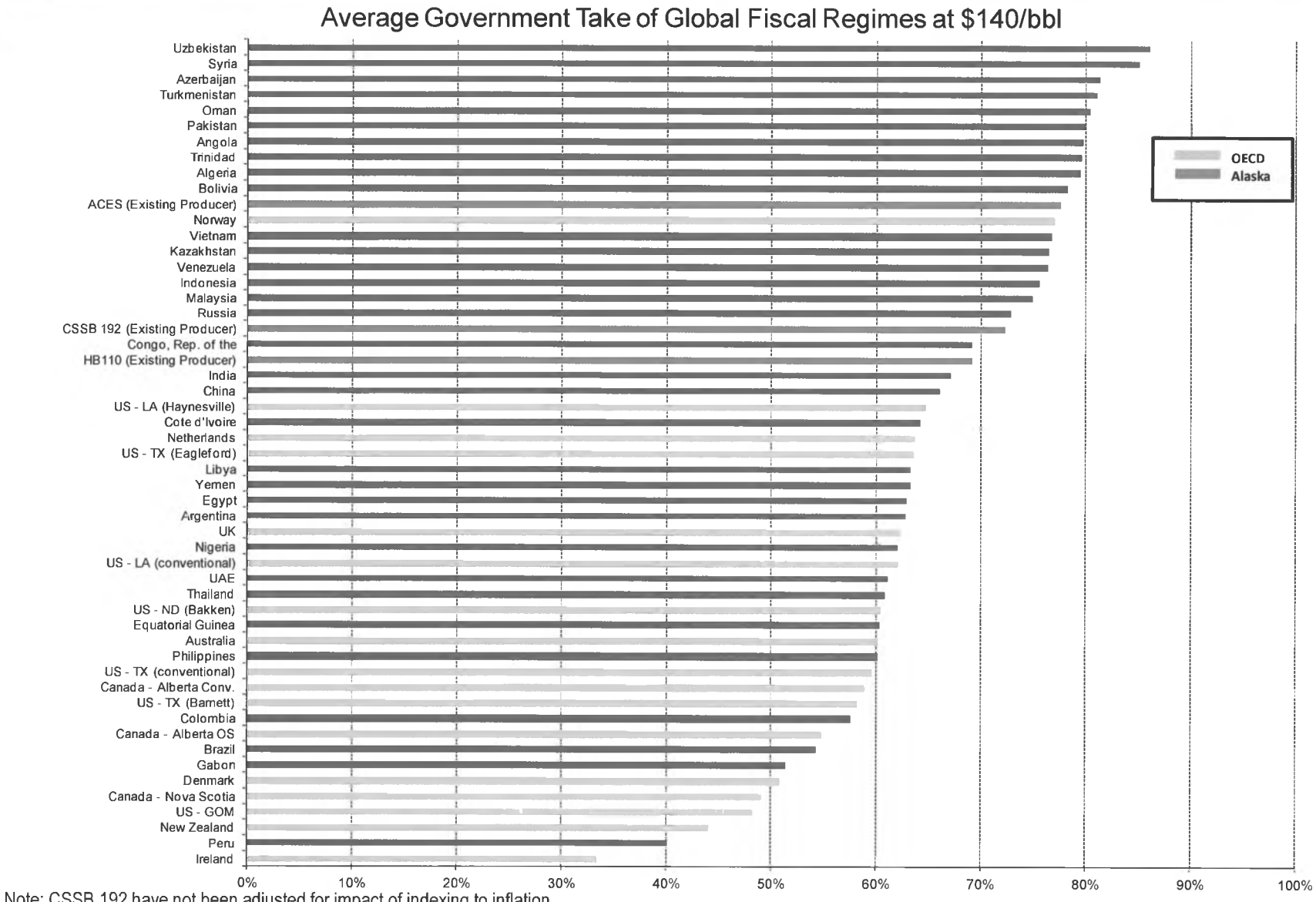

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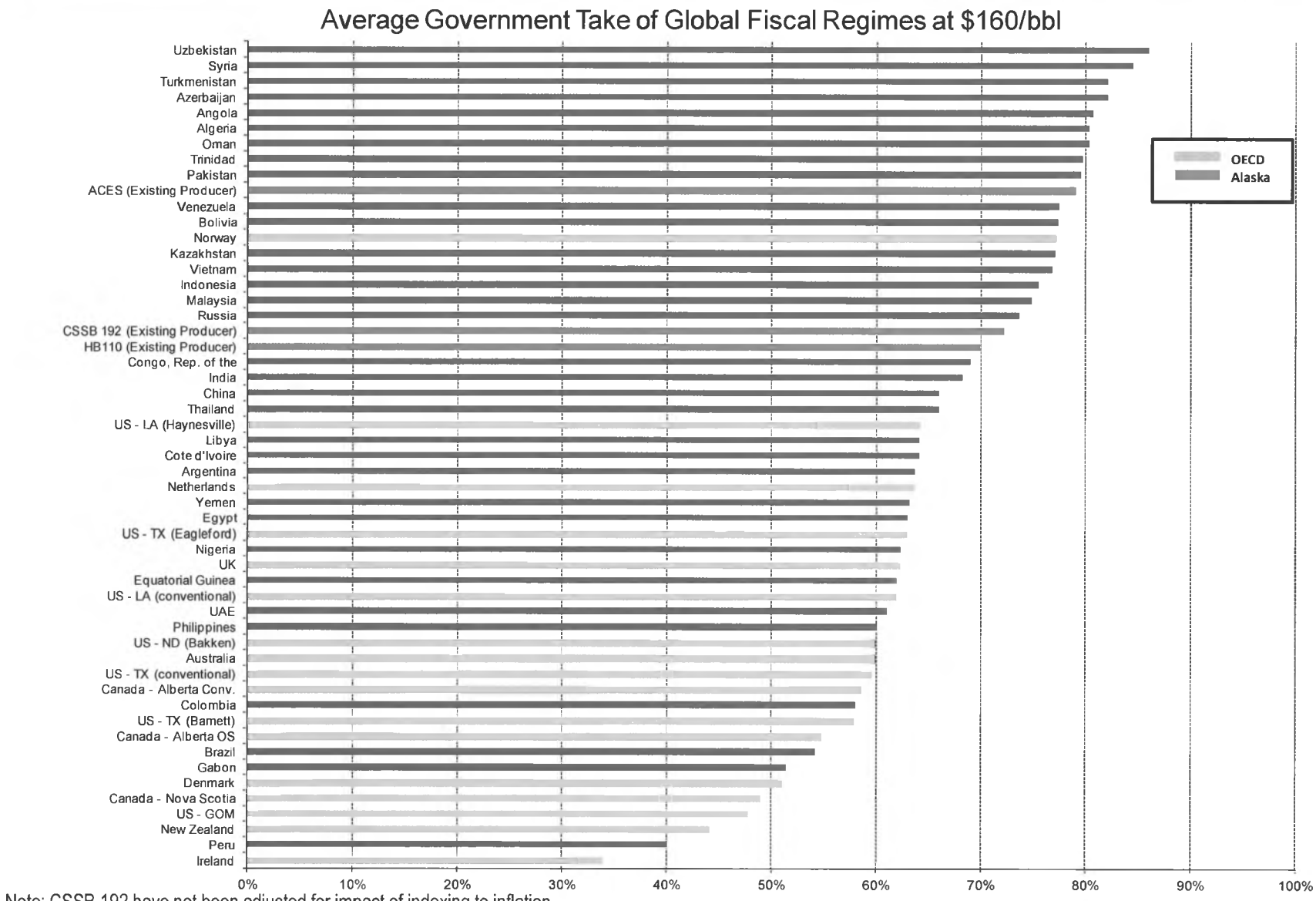

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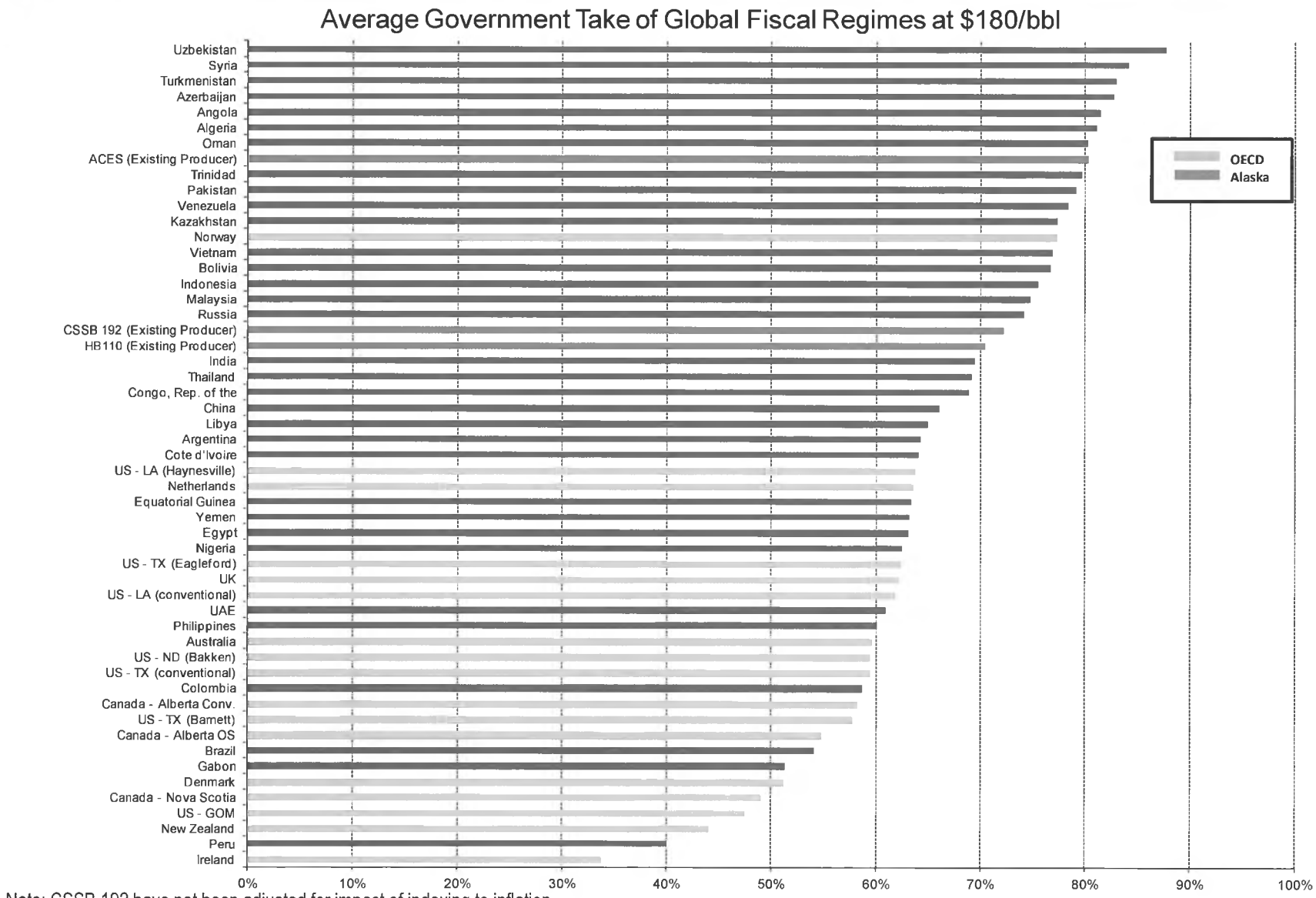

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PFC Energy

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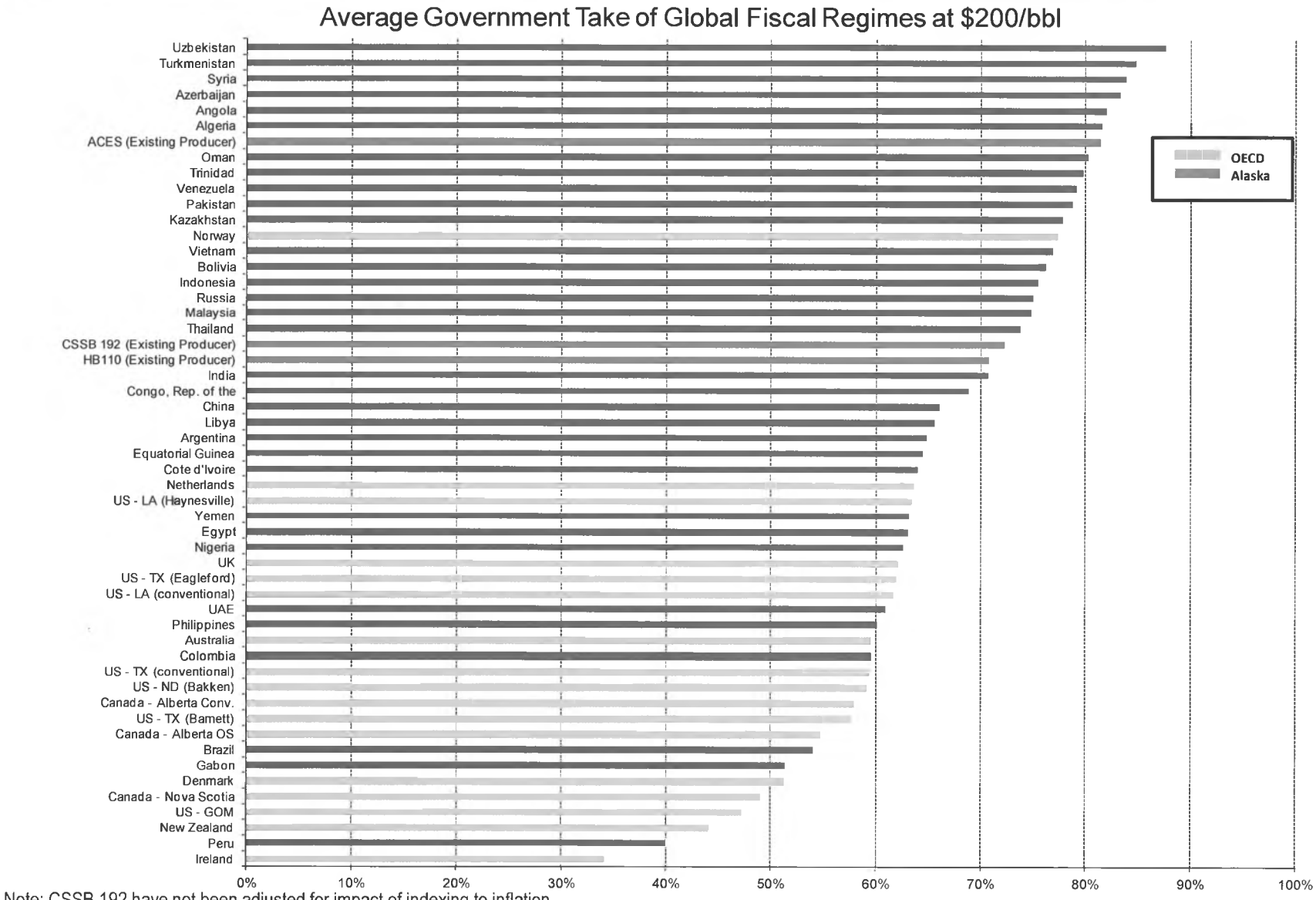

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PFC Energy

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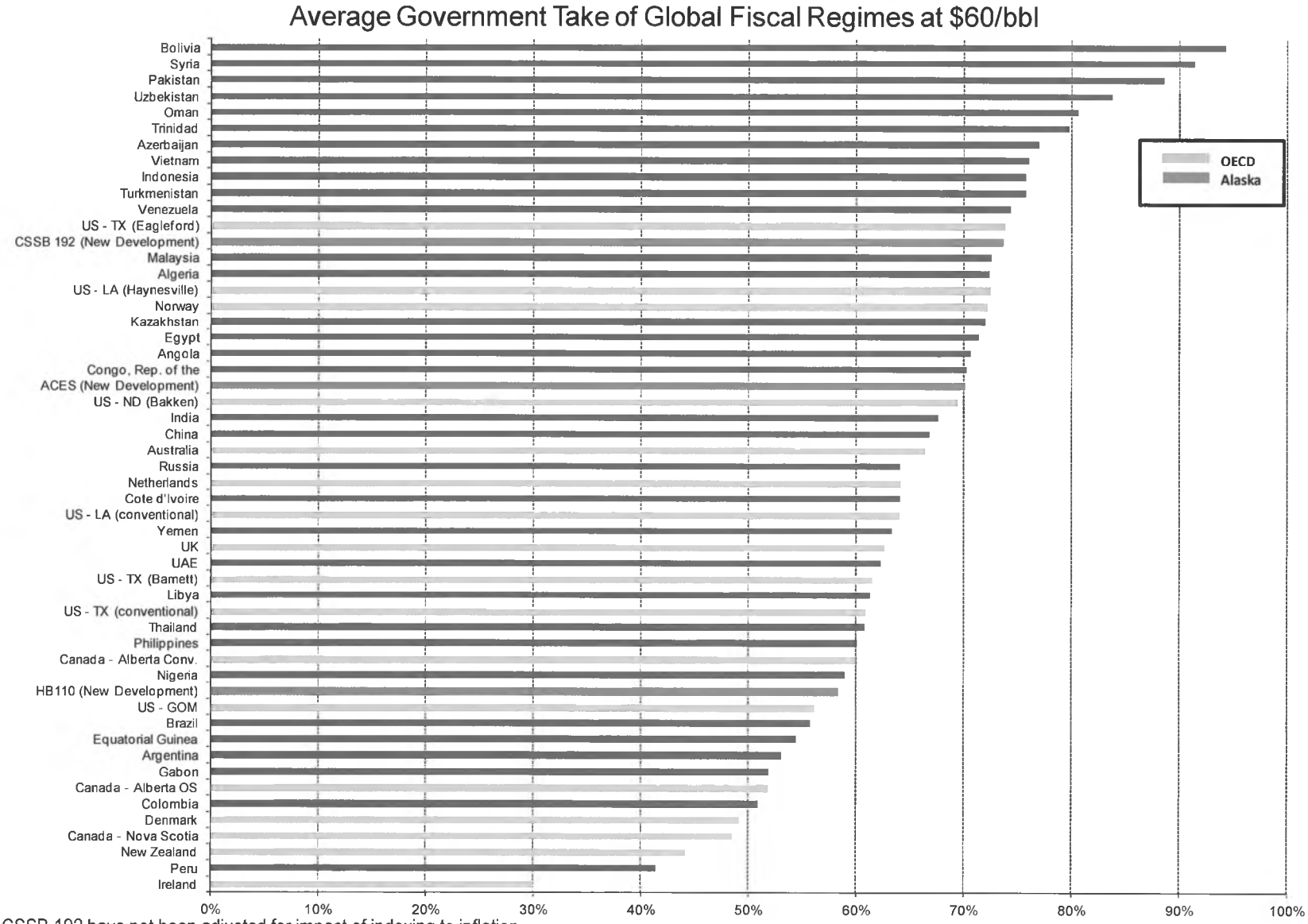

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PFC Energy

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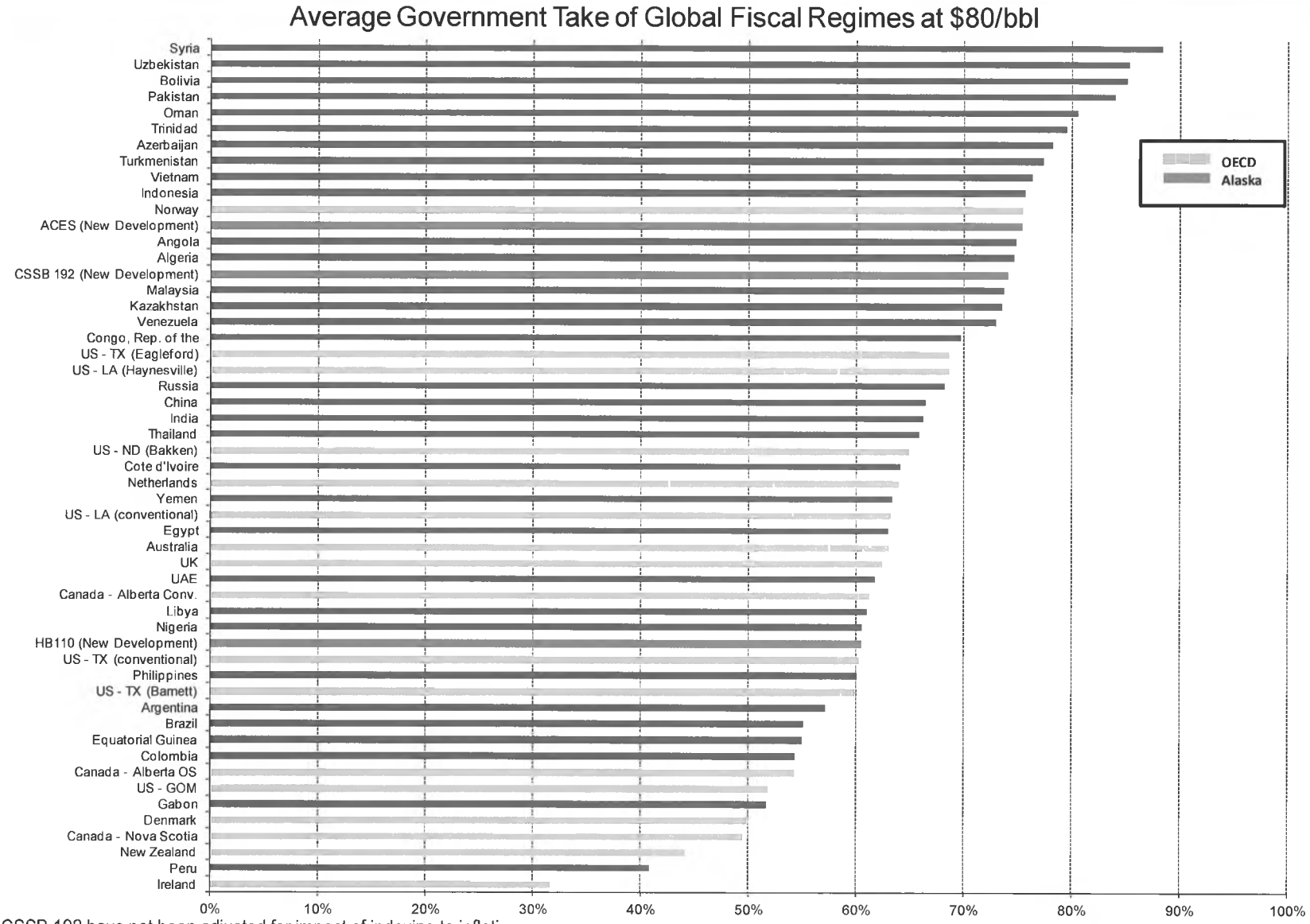

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PFC Energy

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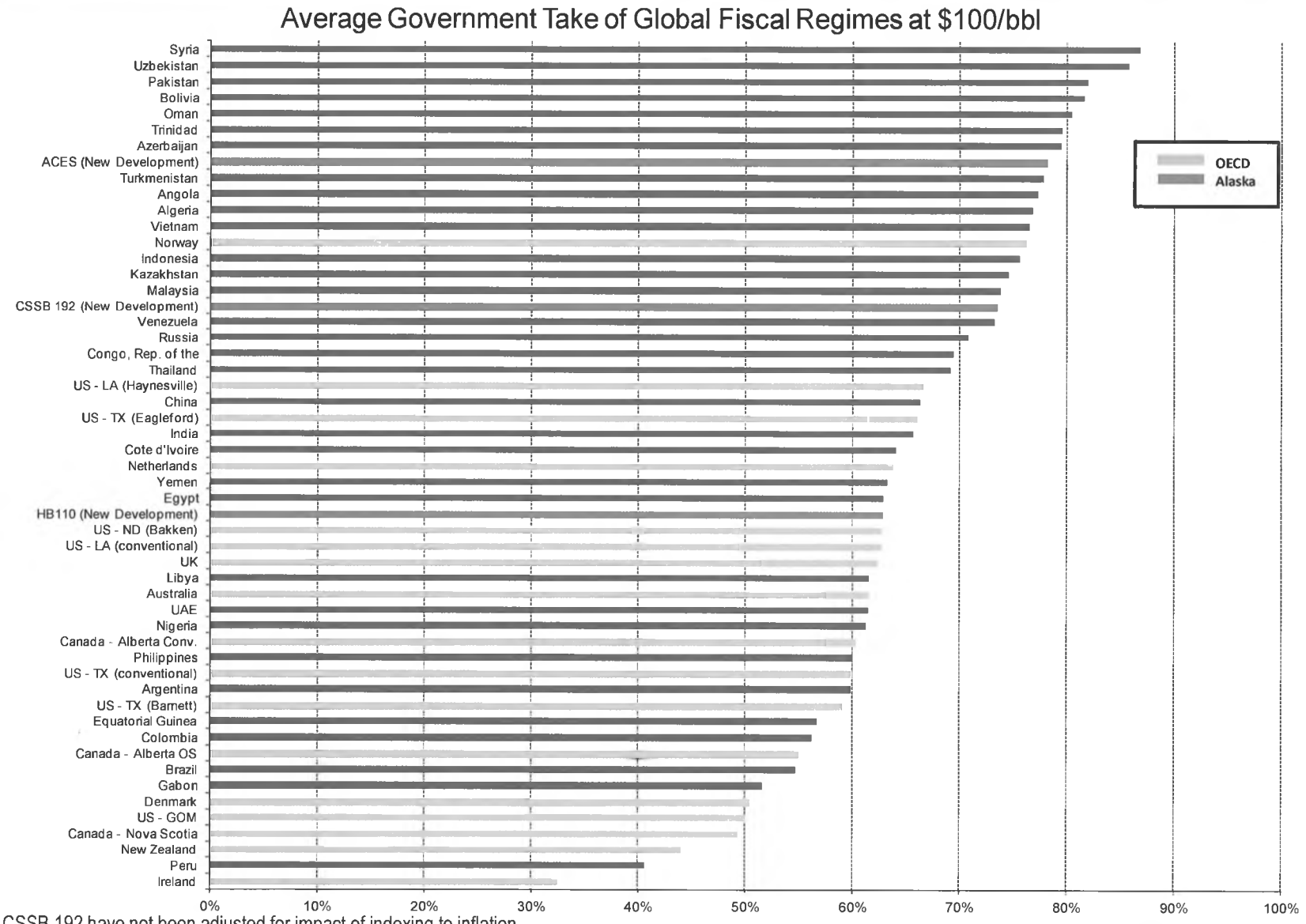

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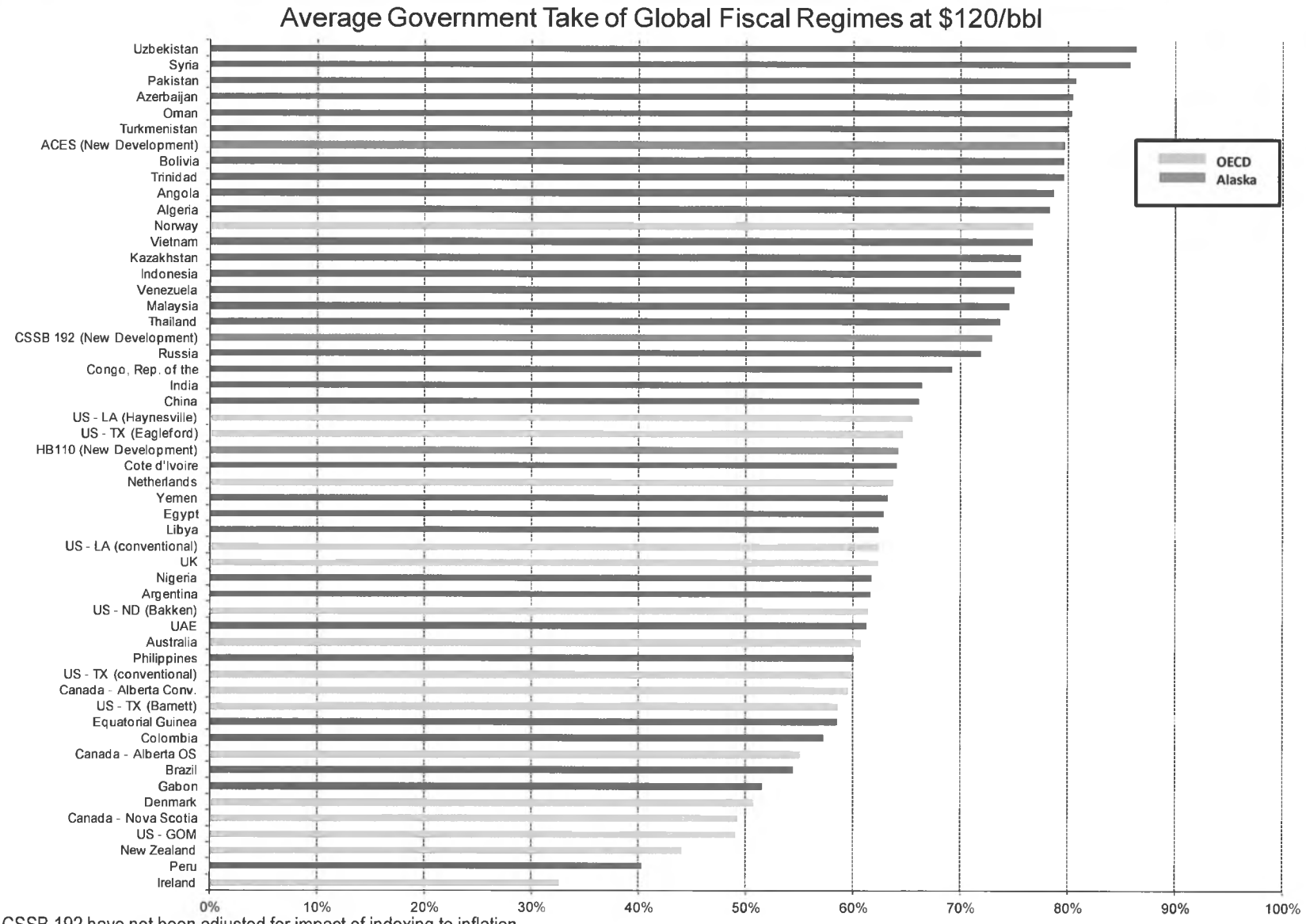

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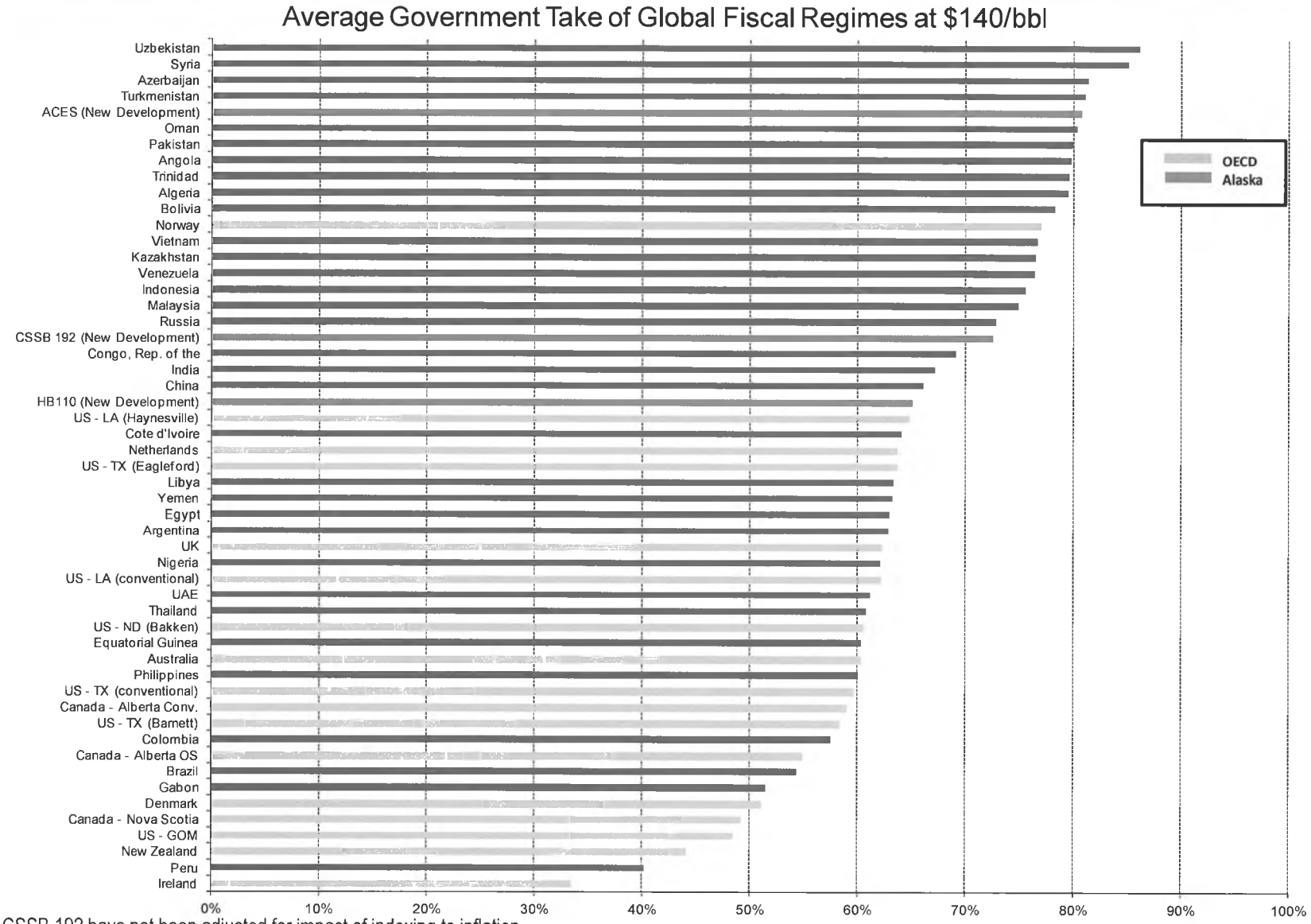

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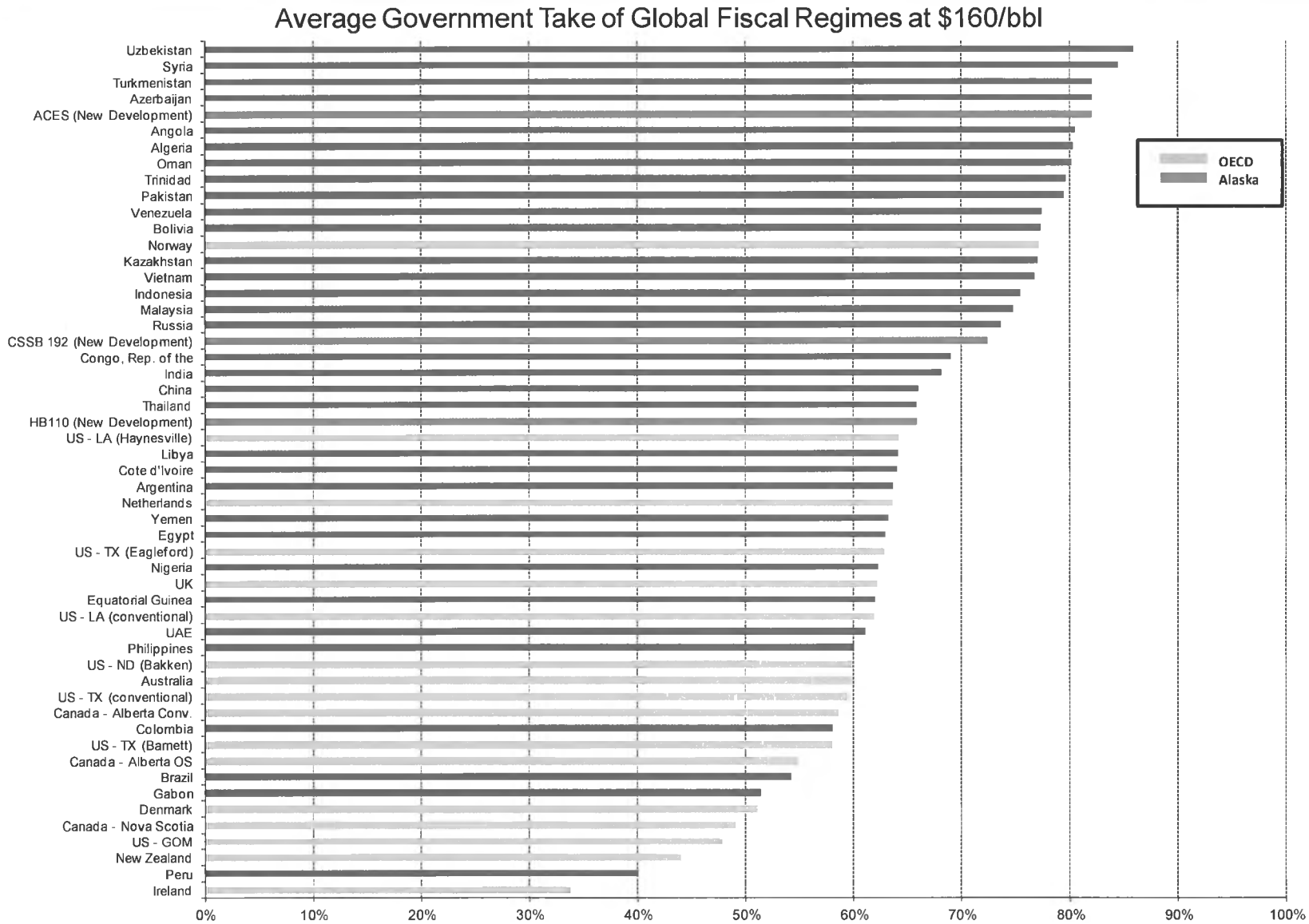

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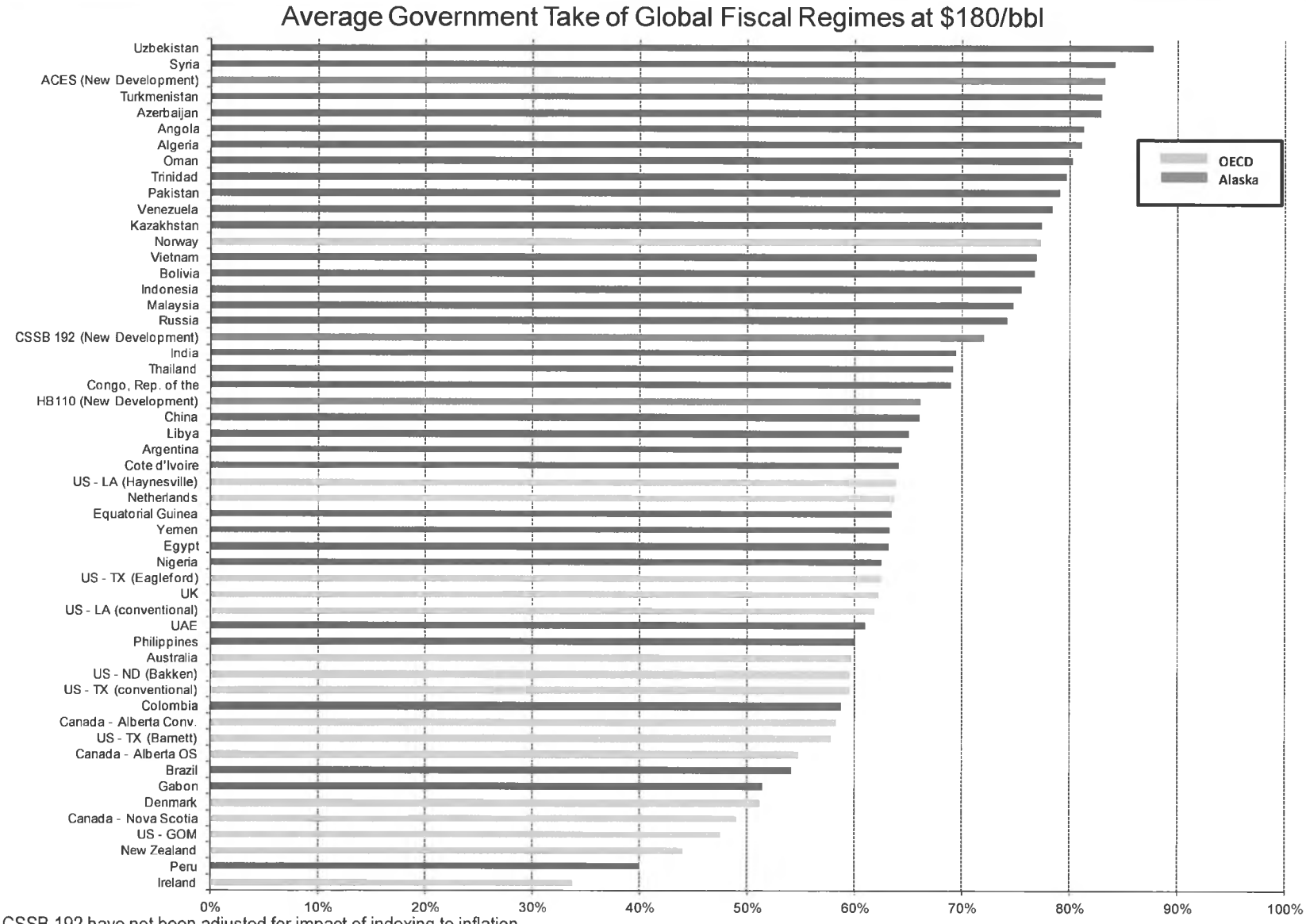

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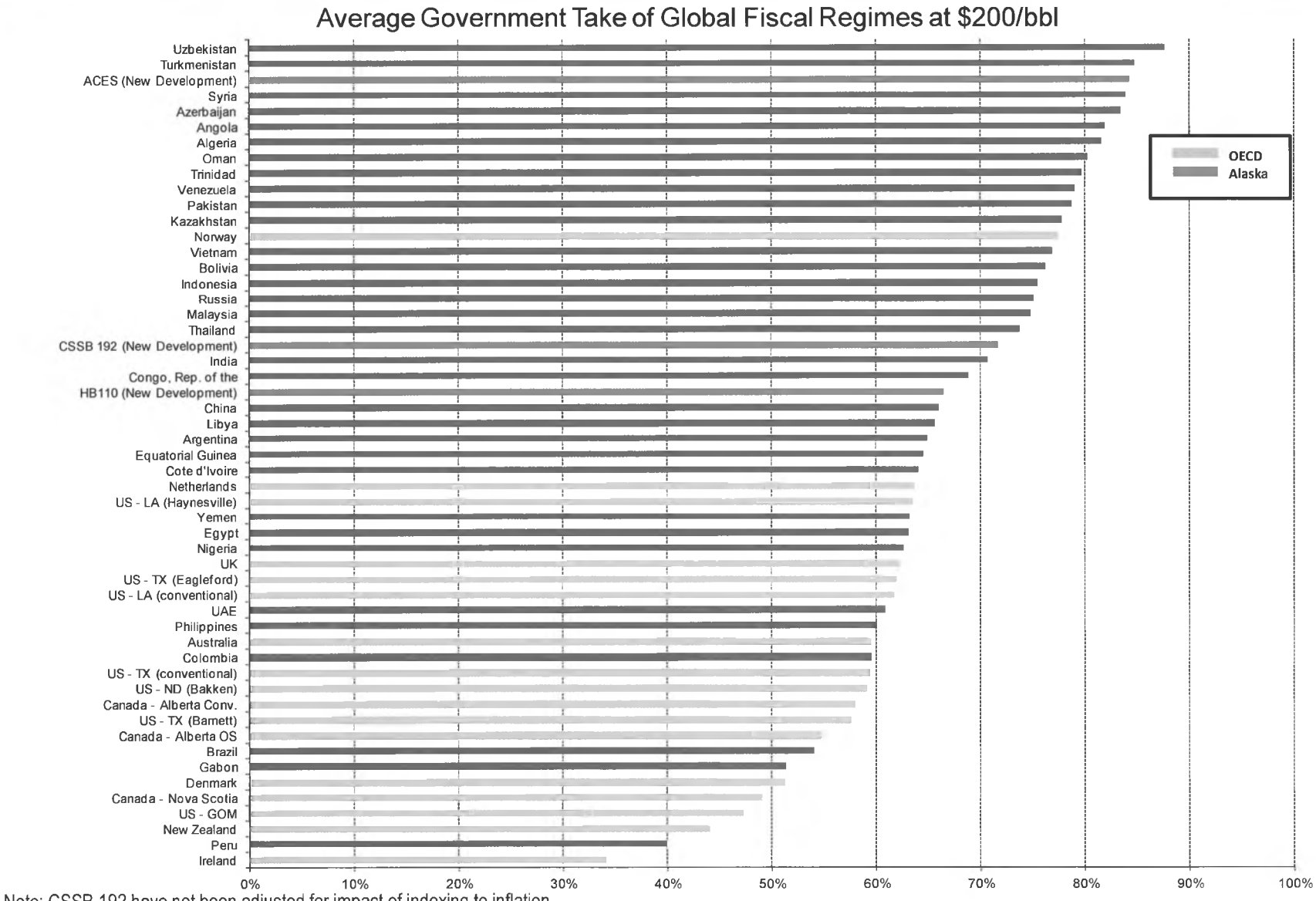


Note: CSSB 192 have not been adjusted for impact of indexing to inflation

PFC Energy

25.

Department of Revenue Comments on CSSB 192(FIN) Version O April 6, 2012

Comments on CSSB 192 (FIN) Work Draft 27-LS1305\O

Presentation to the Senate Finance Committee
Department of Revenue
April 6, 2012

Presentation Organization

- DOR comments on components of CSSB 192(FIN) Version O
- DOR comments on complexity of tax law changes and additional requirements for Department

Questions To Consider

- Does this bill make Alaska more competitive?
- Does this bill make Alaska more appealing to potential investors?
- Does this bill make our tax structure less complicated & more understandable to investors?
- Are these changes meaningful enough to compete for investment capital?

CSSB 192 (FIN) Changes from Current Law

- Change to progressivity calculation
  - For currently producing fields
  - For production from currently producing fields exceeding a production target
  - For new fields
- Change to minimum tax
- Change to lease expenditure allocation
- Petroleum information management system

Impact of Change to Progressivity on Production Tax Liability

- Tax is increased for many companies below $100 per barrel
- Tax is about the same as current law at $100 per barrel (on average)
- Tax is a small reduction for many companies above $100 per barrel
- Tax change will impact all companies differently

Comments on Change to Progressivity

- Tax effect of progressivity change on currently producing fields is *very sensitive* to a producer's lease expenditures
  - Appears to reduce incentive to invest in North Slope fields
  - Appears to reduce incentive to develop high cost fields
  - Appears to encourages harvest mode and keeping development costs low
  - Appears to reward those that did the least to stem the decline during ACES

Comments on Minimum Tax

- Provision creates a substantial tax increase at lower prices (<$60/barrel).
- Creates a disincentive to investment for qualifying producers
- Could create incentive to stay below 50,000 BOE/day

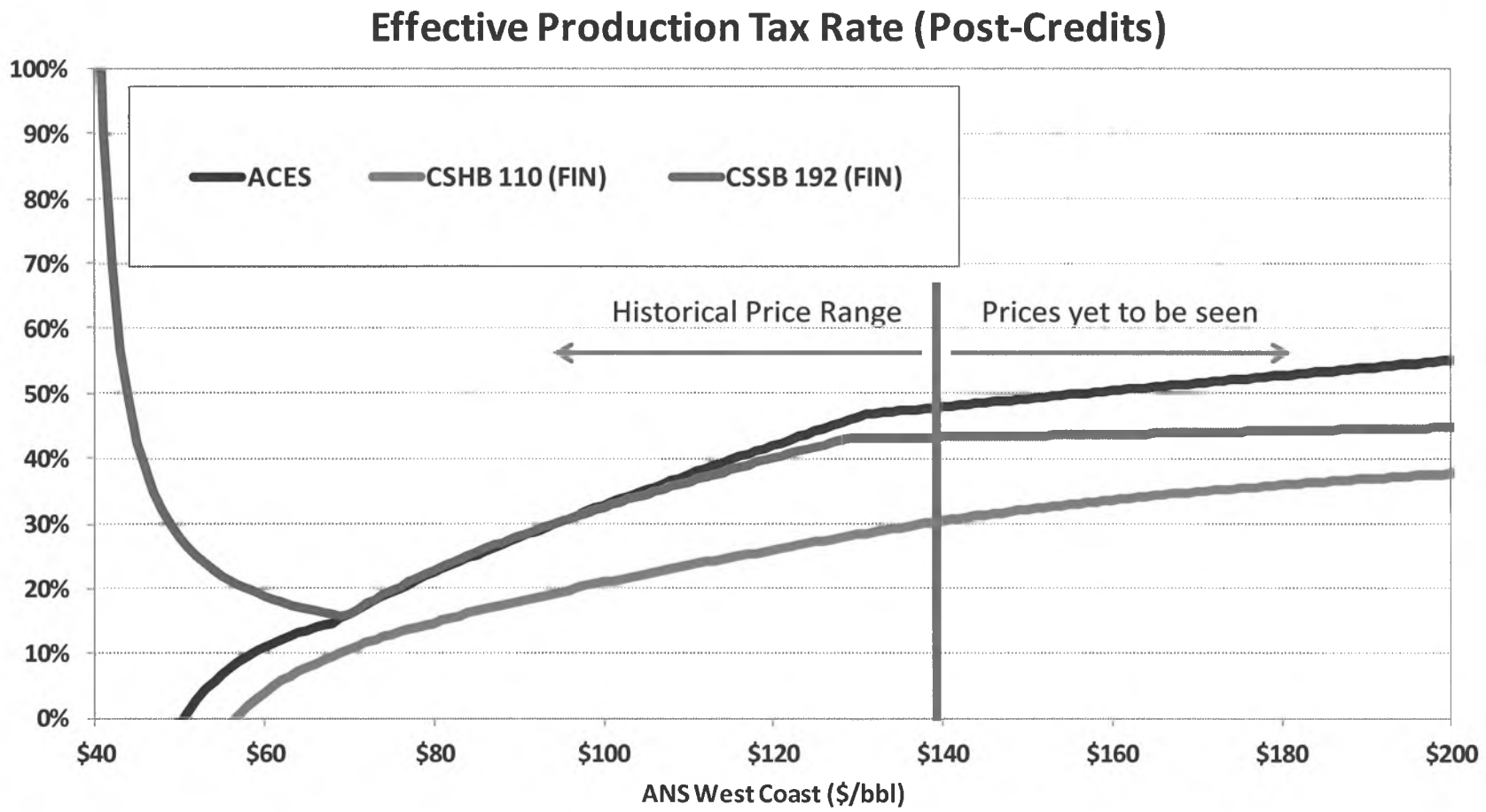
Petroleum Information Management System (PIMS)

- Requires the Department to have the information management system in place by January 1, 2014
- Competes with core mission of the Tax Division, which is to assess and collect taxes
- Competes with daily staff goals of interacting with taxpayers, forecasting revenues, and auditing tax returns
- Will likely delay the completion of those core duties and result in slower responses to legislative policy questions

PIMS Continued

- Millions of data elements would have to be manually uploaded to the system, in various formats including electronic copies of Excel spreadsheets, PDFs, Word documents, and in hard copy format
- Determination would have to be made as to the confidentiality of each item for uploading to the system, which would take thousands of employee hours
- Department currently has only begun long-awaited Tax Revenue Management System (TRMS) project, which is expected to take 3 – 5 years to complete
- PIMS would likely delay the implementation of that important tax-specific project
- Would require significant funding and additional staff resources for the Department

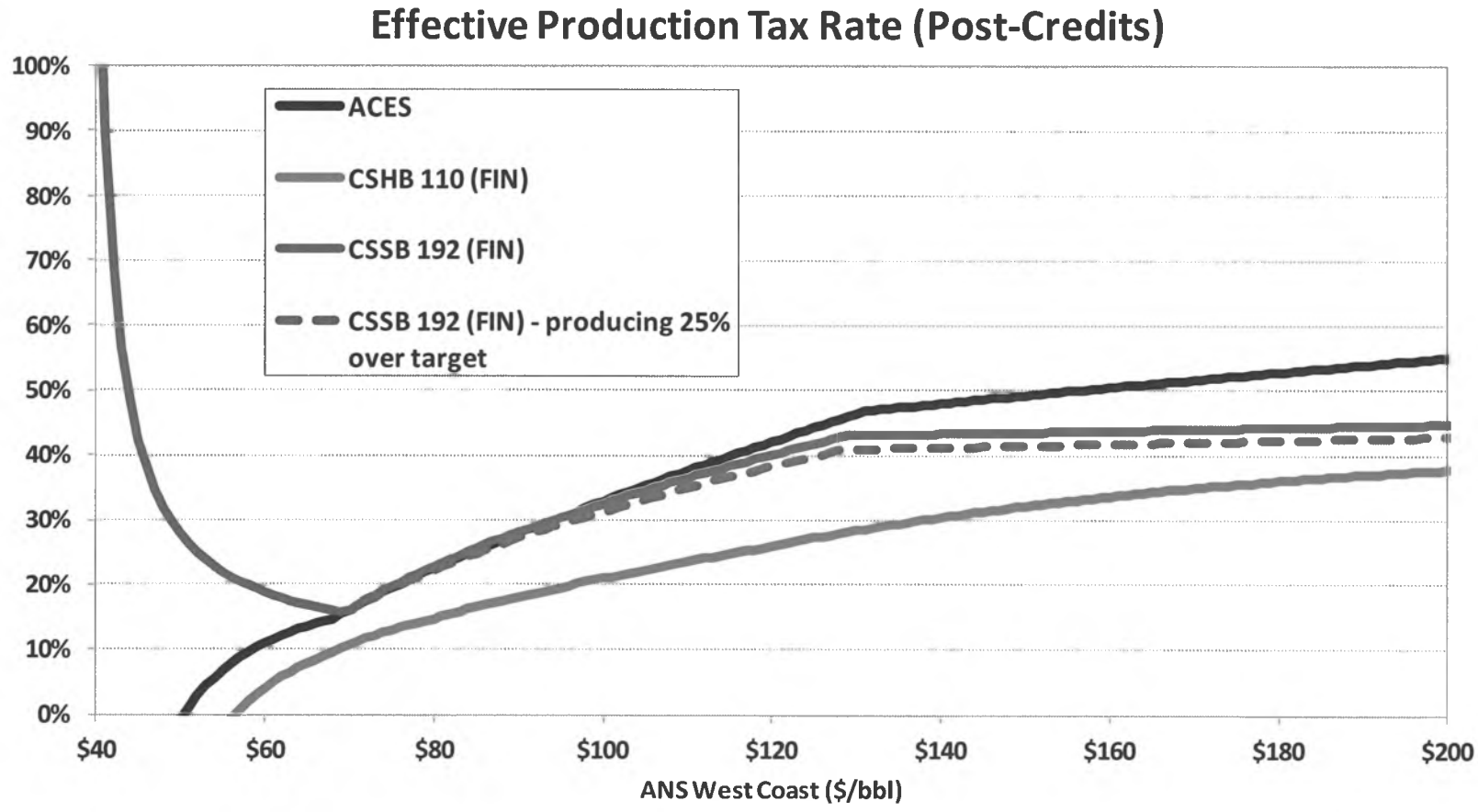
Effective tax rates



Assumes FY 2013 Transport costs of $8.56/ bbl, Opex of $13.75 per taxable barrel, and Capex of $15.36 per taxable bbl.

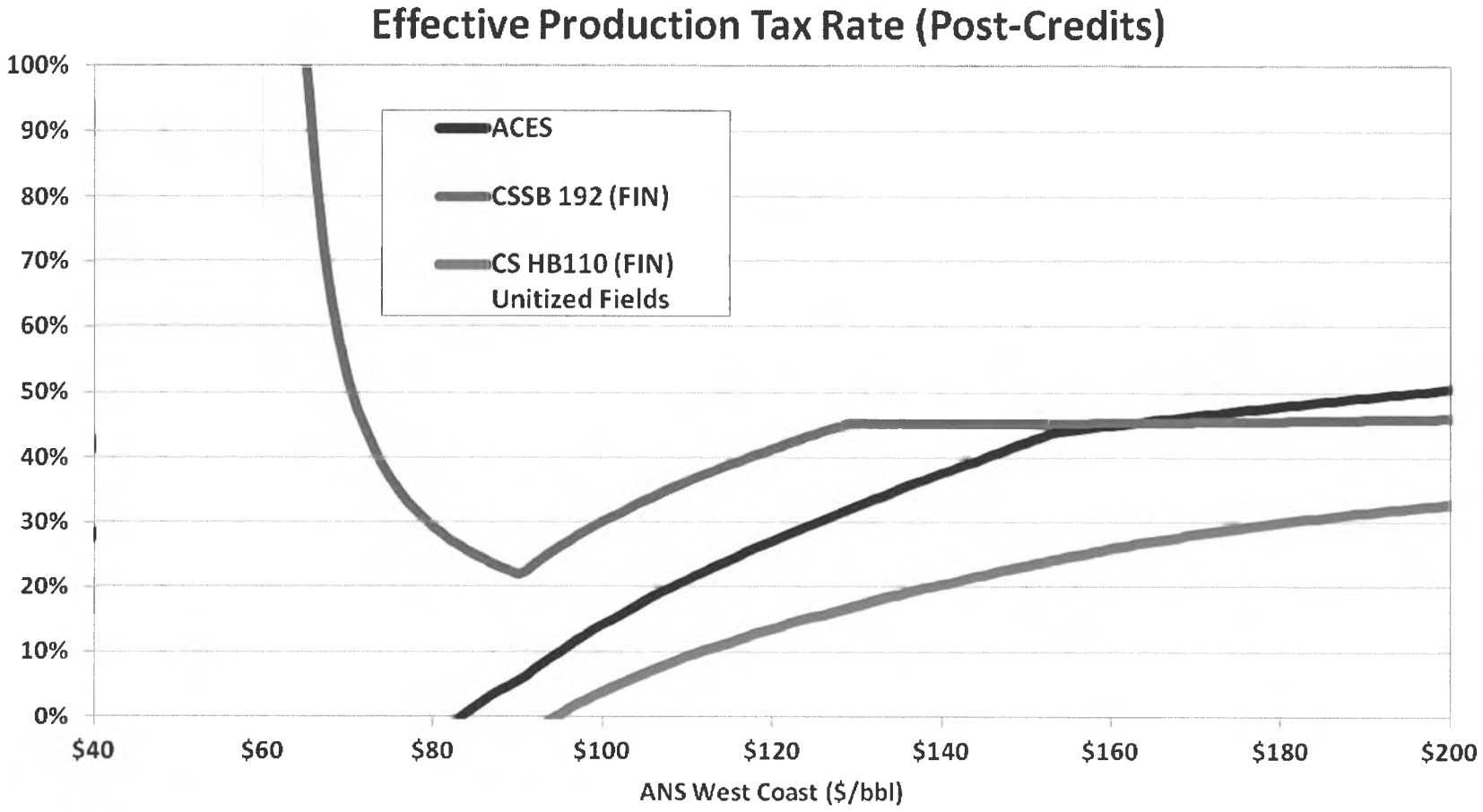
Effective tax rates

Impact of producing 25% over target (i.e. 1/5 of production at lower rate)



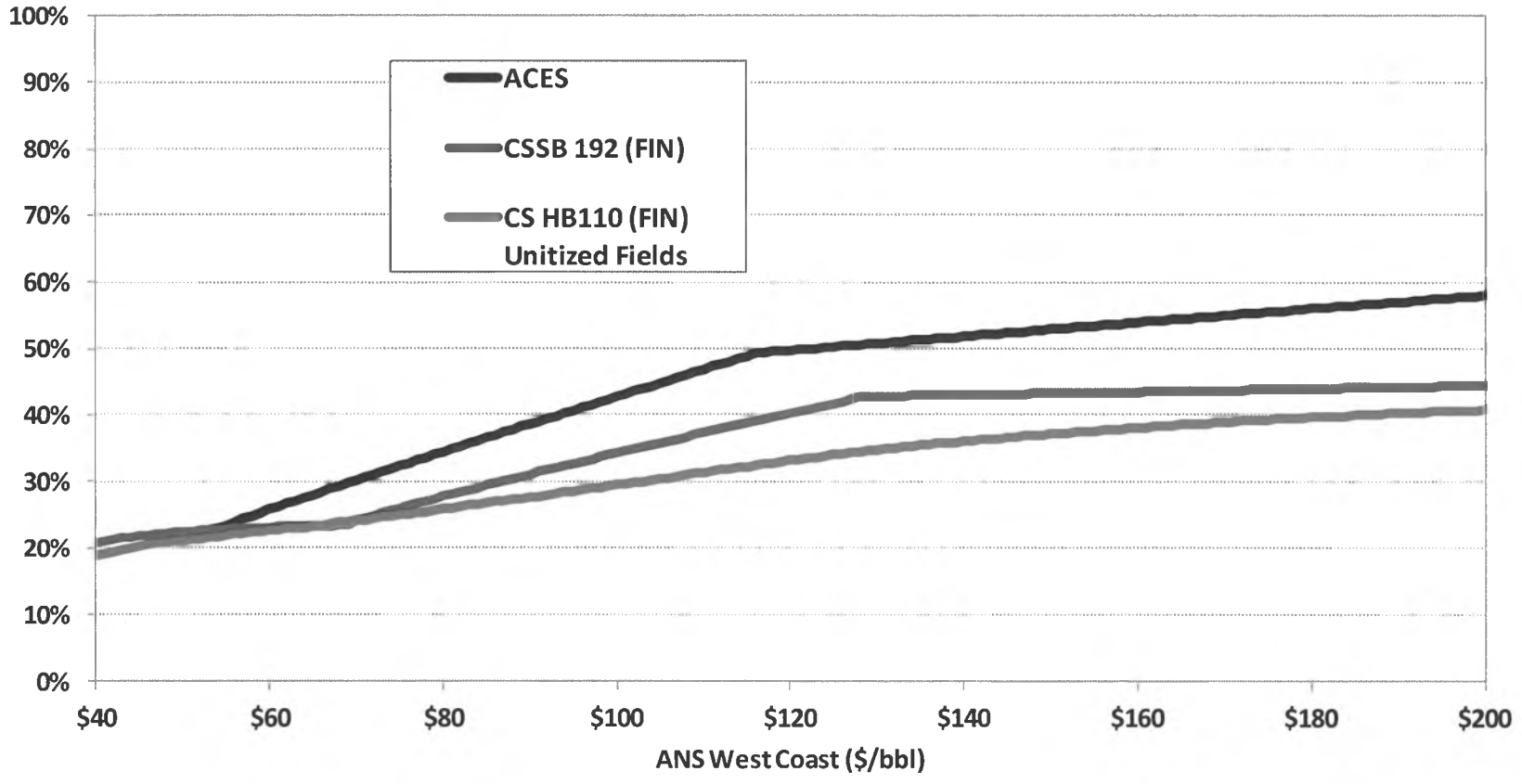
Assumes FY 2013 Transport costs of $8.56/ bbl, Opex of $13.75 per taxable barrel, and Capex of $15.36 per taxable bbl.

Effective tax rates
High-cost producer



Assumes FY 2013 Transport costs of $8.56/ bbl, Opex of $20 per barrel, and Capex of $25 per bbl.

Effective tax rates
Low-cost producer



Assumes FY 2013 Transport costs of $8.56/ bbl, Opex of $10 perbarrel, and Capex of $3 per bbl.

Summary of DOR Comments on CSSB 192(FIN)

- Changes move in the wrong direction – they discourage investment and encourage harvest mode
- Changes to progressivity do not adequately address government / producer take imbalance
- One of the most complicated tax structures in the world will be made even more complicated
- Additional duties of PIMS will add a significant burden to a Department already dealing with years of significant tax changes
- This change will likely require a complete overhaul of the 70+ regulations put in place over the past 4 years
- There appears to be potential constitutionality issues

Questions ?

26.

Comments on CSSB 192(FIN) Version O

Kara Moriarty,
Executive
Director, AOGA
April 6, 2012

Alaska Oil and Gas Association

AOGA

121 W. Fireweed Lane, Suite 207
Anchorage, Alaska 99503-2035
Phone: (907) 272-1481 Fax: (907) 279-8114

6 April 2012

The Honorable Bert Stedman, Co-Chair
The Honorable Lyman Hoffman, Co-Chair
Senate Finance Committee
Alaska State Capitol
Juneau, AK 99801

Re: Work-Draft "O" of CSSB 192(FIN)

Dear Senators Stedman and Hoffman and Members of the Senate Finance Committee:

On behalf of the member companies of the Alaska Oil and Gas Association, who account for the majority of oil and gas exploration, production, transportation, refining and marketing in this state, I would like to offer the following comments regarding work-draft "O" of a Senate Finance CS for Senate Bill 192. Despite the diversity of our membership, my comments reflect a 100% consensus among them.

On March 16 we testified to you about the Senate Resources version of the Bill. At that time we told you that, unless one is satisfied to see North Slope oil production continue to decline at about 6% a year or more, meaningful changes need to be made to the present ACES tax. We pointed out a number of measures that the Resources CS could have taken but didn't, as well as a number of things that it proposed to do that would be counterproductive.

Despite all the time and effort that have gone into work-draft "O", we have to say that this new CS also falls short of the meaningful tax change that is called for in order to meet the challenge of stopping decline, much less the even harder goal of getting back to a million barrels a day flowing through the TAPS oil pipeline.

The CS does indeed provide a slightly less onerous tax treatment for new fields and increases in production. But we would remind you that two very new fields — Oooguruk and Nikaitchuq — are each expected to peak at around 20,000 barrels a day. This year the North Slope at a 6% decline will decline by roughly 40,000 barrels a day, as much as these two new fields *combined*. In other words, to offset the decline, two new fields like Oooguruk and Nikaitchuq would need to come into production *each* year. These slight improvements are not likely to generate even this level of development.

The producers of the existing non-legacy fields on the Slope, and the developers of any new fields that may be discovered, need as much production as possible flowing from the legacy

fields through the TAPS oil pipeline in order to keep the costs affordable to ship their oil from the Slope to its refinery destinations. Unaffordably high transportation costs could cripple the economics of any new fields that might be found, as well as the economics of non-legacy fields currently in production.

In other words, the North Slope oil province is like a tree, with the two great legacy fields being its trunk, and with the other fields being branches rising out of the trunk. If one peels the bark off all the way around the trunk and make it unhealthy, all the other branches will become unhealthy too, no matter how robust they might have been if the trunk had stayed strong.

It has been openly acknowledged during the Committee's hearings that the intent is to keep the tax essentially the same as the present tax for the legacy fields at $100 oil, and work-draft "O" reflects that intent. But that intent is just the opposite of what we urged you to do in our March 16th testimony on the Resources CS, and it is the opposite of what we urge you to do now.

Throughout the Twenty-seventh Legislature, AOGA and others have been testifying about what is happening with their businesses on the North Slope, about the interrelationship between the level of new investment each year and the rate of decline in ANS production, and about the effects taxes have on investment decisions. These explanations are not threats, but they are not bluffs either. They have been candid attempts to describe to you how those companies evaluate their investment opportunities here against their opportunities elsewhere, and how Alaska's tax regime can influence the decisions about which opportunities to take.

Those decisions reflect the expectations of the companies' respective shareholders that each company will chose the opportunities that it perceives to be best, all things considered – including taxes. If an Alaskan opportunity is better than one elsewhere and there is enough budgeted money only for one of them, the shareholders expect, and in a very real sense demand, that the Alaska opportunity be taken. The reductions in the level of companies' investments in Alaska since the enactment of ACES are not any kind of retaliation for ACES' enactment, nor does a company cut back here to spite its face. The investments are nothing more, and nothing less, than the result of the competition of the Alaskan opportunities against opportunities elsewhere.

Any one is free to believe that the declining investments and declining production on the North Slope are due to something other than these reasons ... but they will be mistaken. Unfortunately, by the time they are proven to be mistaken, the opportunity for Alaska to have addressed the situation will have passed. And there aren't any "do overs."

Without meaningful tax relief for the legacy fields as well as the other production, the bark will continue to be peeled off the tree trunk, harming the entire tree. Work-draft "O" threatens harm for every member in AOGA.

Thank you, Mr. Chairman and Members of the Senate Finance Committee, for this opportunity to share our deep and grave concerns with you about work-draft "O" of the Finance CS. We respectfully ask you to take another look at what it would do, and to replace it with a CS

that would provide meaningful tax change to enable the additional investments the state and its future need.

In closing, let me repeat that these comments have the unanimous support of AOGA's members: Apache, BP, Chevron, eni petroleum, ExxonMobil, Flint Hills, Hilcorp, Marathon, Petro Star, Pioneer, Repsol, Shell, Statoil, Tesoro, XTO Energy, and Alyeska Pipeline Service Company. Thank you for this opportunity to share them with you.

Very truly yours,

ALASKA OIL AND GAS ASSOCIATION

Kara Moriarty

Kara Moriarty
Executive Director

Cc: Governor Sean Parnell
All Members of the Alaska State Legislature

27.

BP Testimony to Senate Finance:

Damian Bilbao, Head of Finance, Developments & Resources and Tom Williams, Senior Tax & Royalty Counsel

April 6, 2012



BP Testimony to Senate Finance

Damian Bilbao, Head of Finance, Developments and Resources

Tom Williams, Senior Tax & Royalty Counsel

April 6, 2012

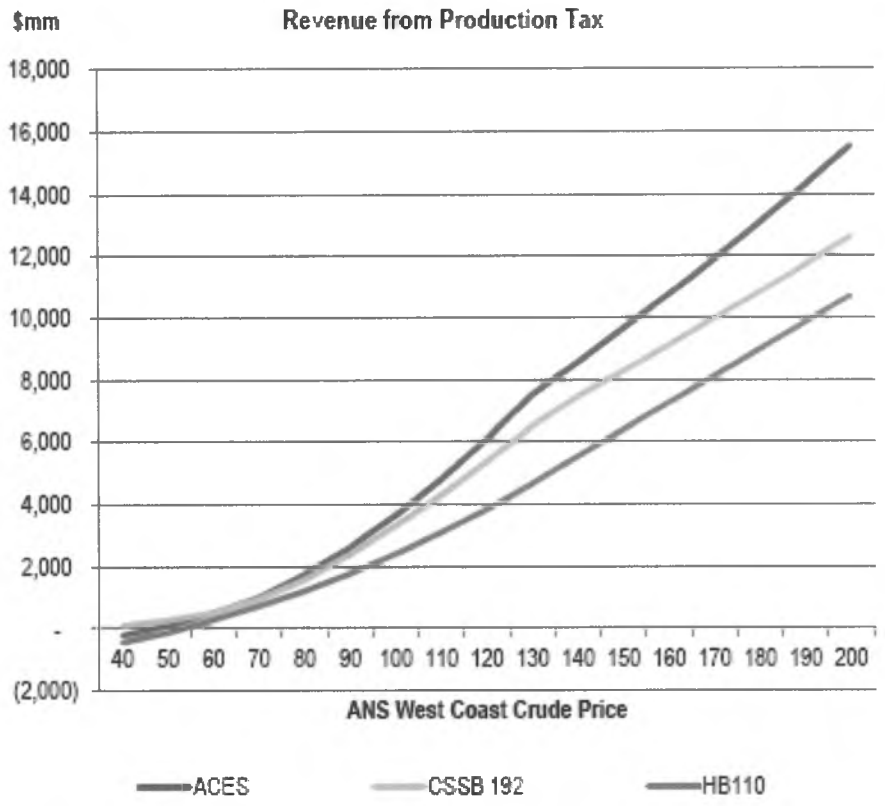
bp

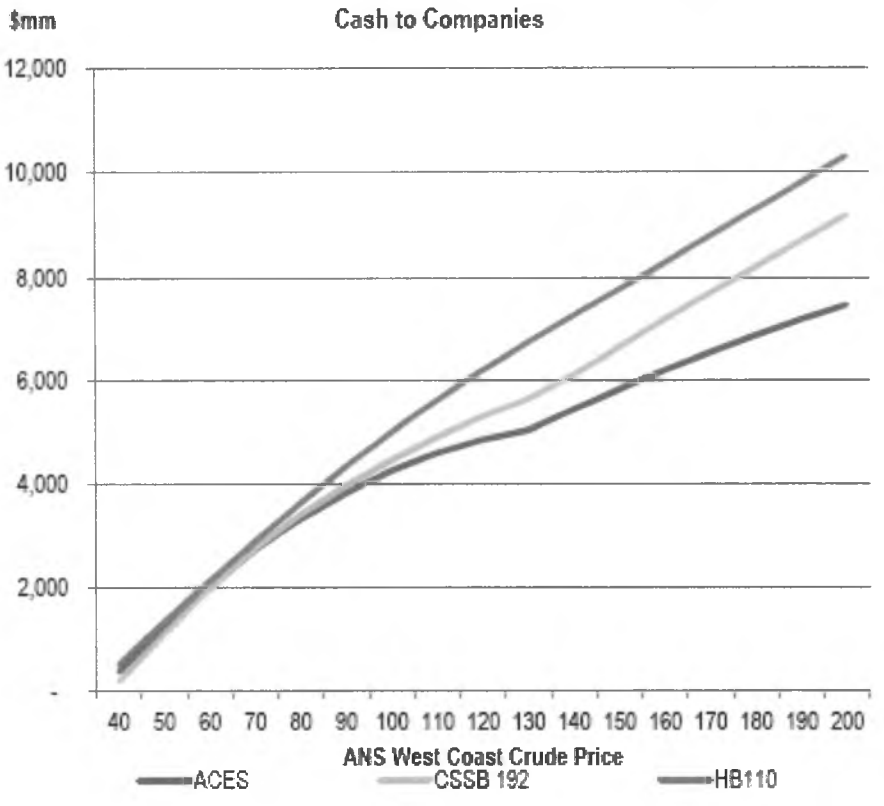
Key Messages

- CSSB 192 (Fin):
  - is a **tax increase** that will cause us to re-evaluate existing activity plans
  - is **not meaningful** and will **not** lead to more investment
  - likely to create **misalignment between producers** that slows/stops activity
  - creates **more disincentive than ACES** to invest in the long-term

bp

CSSB 192(T) Will Not Draw More Investment





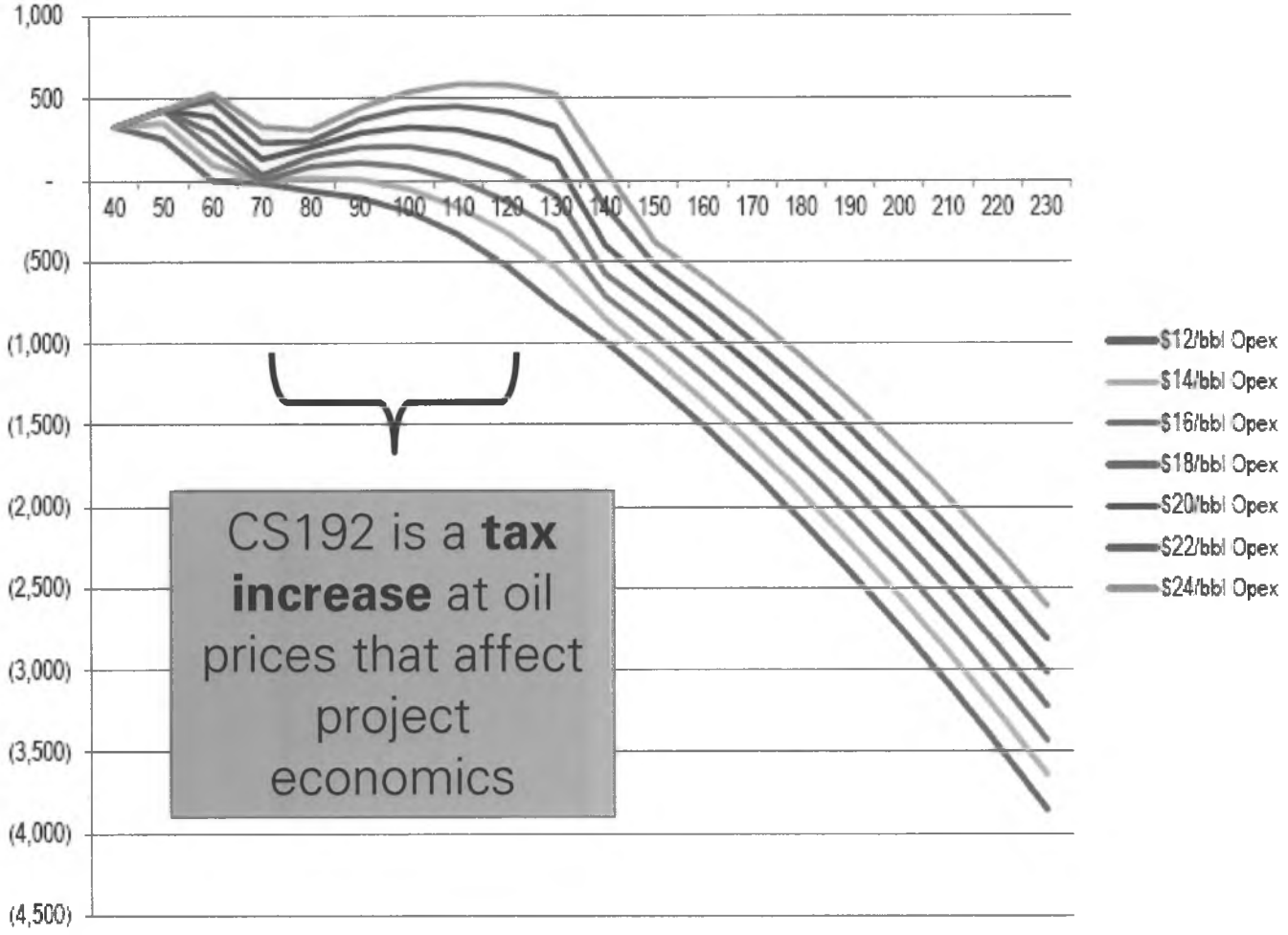
And CSSB 192(O) is less attractive

Source: PFC Senate Finance Presentation, April 4, 2012

bp

CSSB 192(O) is a Tax Increase

Revenue Difference Between ACES and Progressive Severance Option under Different Opex/bbl Assumptions



Source: PFC Senate Finance Presentation, April 4, 2012

bp

Unintended Consequences

Incremental Production Incentives		
Issue	**Concept**	**Impact to the state**
Economic risk	Existing production from the legacy fields is the foundation for North Slope present and future; SB 192 penalizes the base business	Weakens the foundation of the Alaska economy
Likely misalignment between operators	SB 192 provides each producer with a different production target; creating misalignment around projects	Delay of short-term projects
Short versus Long-term focus	SB 192 provides a financial incentive to shift effort and resources away from long-term projects in support of short-term rate	Delay of long-term projects

bp

What does meaningful look like

EFFICIENCY

+

TECHNOLOGY

+

TAX CHANGE

=

PRODUCTION GROWTH

SB192-O

Oil Progressivity Table		
Price	Cumulative Rates	Progressivity Rate
Base Tax	25.0%	-
$60.00	-	0.27%
$120.00	16.2%	0.03%
$246.67	20.0%	

Meaningful Tax Change

Oil Progressivity Table		
Price	Cumulative Rates	Progressivity Rate
Base Tax	22.5%	-
Min Tax	5.0%	
$80.00	-	0.20%
$130.00	10.0%	0.10%
$180.00	15.0%	-

No alternative provides meaningful tax change with a 25% base rate

28.

ConocoPhillips Discussion of CSSB 192: Bob Heinrich, VP Finance & Scott Jepsen, VP External Affairs April 6, 2012

ConocoPhillips
Alaska

Senate Finance

Discussion of CSSB192

Bob Heinrich, VP Finance
Scott Jepsen, VP External Affairs
ConocoPhillips Alaska

April 6, 2012

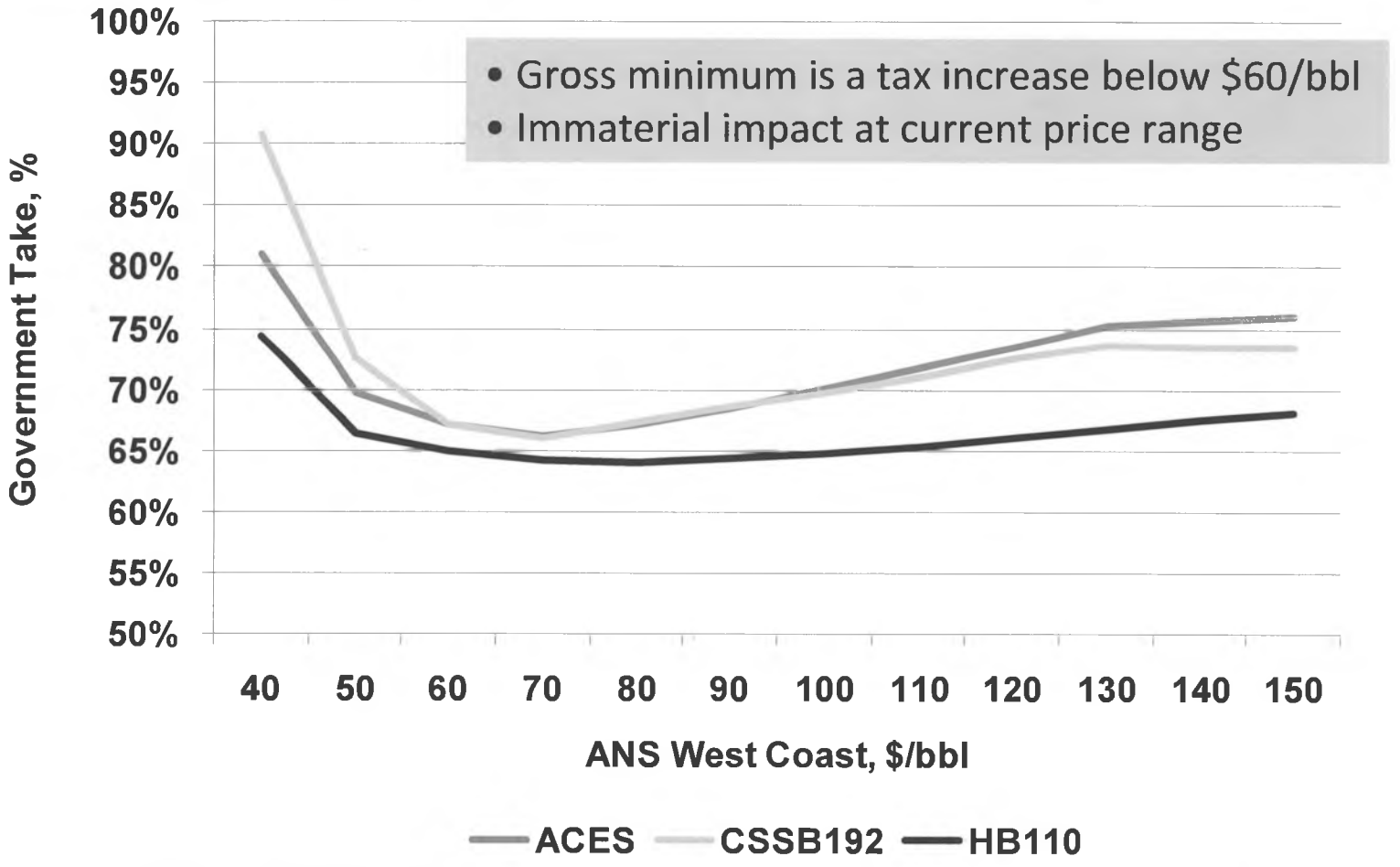
CSSB192 – Observations

ConocoPhillips Alaska

- Tax rate on base still too high
- New oil incentive insufficient to offset high base tax rate
- Floor represents a tax increase at low prices
- Indexing is a positive step
- CSSB192 insufficient to improve the investment climate and attract capital necessary to stem the decline

Government Take Comparison vs ACES

ConocoPhillips Alaska

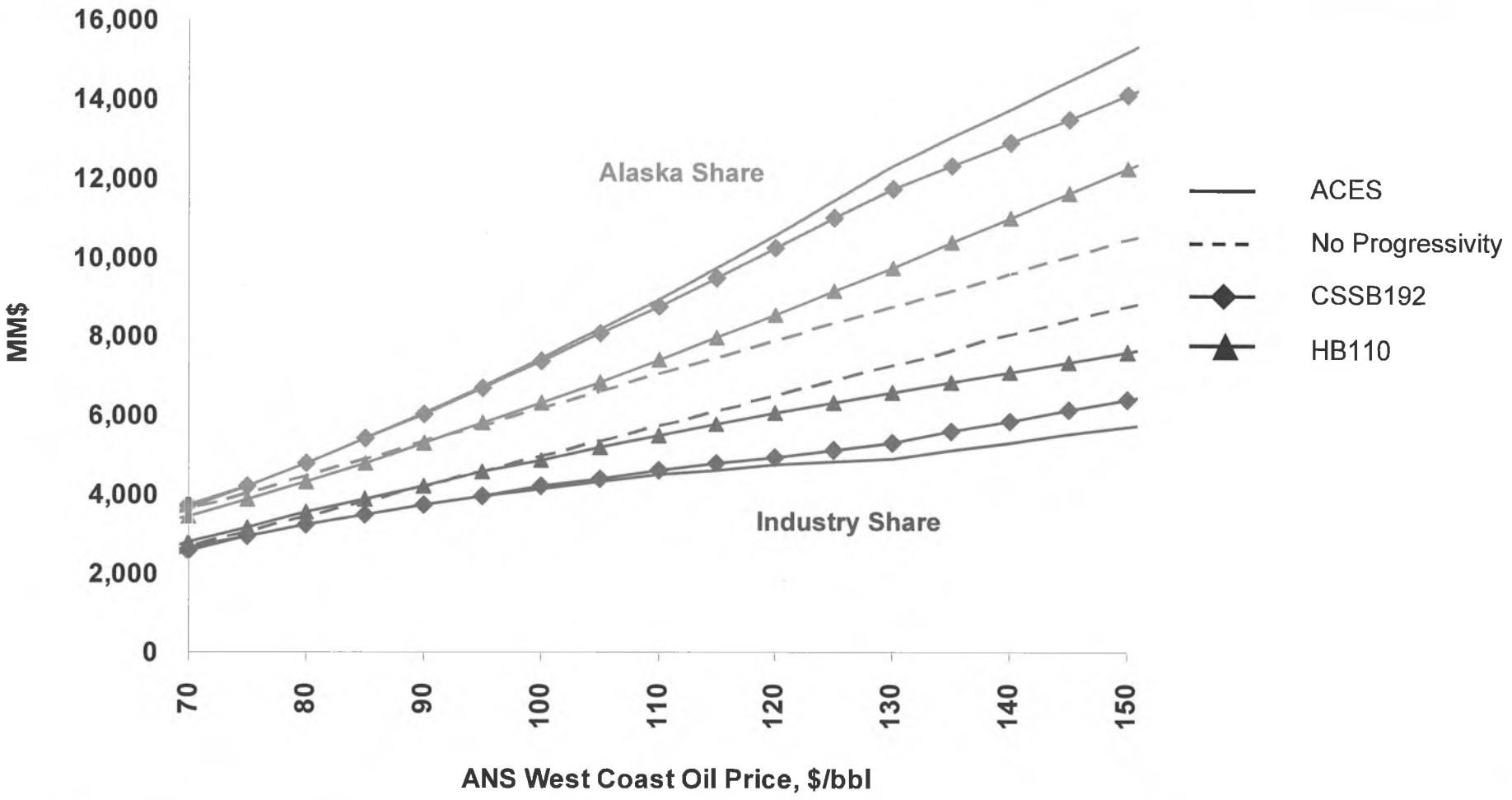


CSSB192 does not improve the investment climate

Source: PFC Energy, April 4, 2012 1:30PM slide deck (data from Page 5, graphed on Page 10)

State / Industry Share

ConocoPhillips Alaska



CSSB192 Base Tax - does not improve the investment climate

Based on Fall 2011 RSB for FY2013
Assume 35% federal tax rate, 9.4% SIT rate

Alaska Share includes royalty, severance tax, income tax, and property tax

Production Incentive

ConocoPhillips Alaska

- New production incentive insufficient to overcome high base tax rate
- All new production investments challenged by costs and smaller targets
- Maintaining base decline will require more investment over time
- Increases complexity
- Production incentive does not go as far as HB-110

ConocoPhillips Commitment

ConocoPhillips Alaska

Last spring, ConocoPhillips made the following commitments to Alaska if HB110 or similar legislation is passed:

- We will pursue increased drilling activity on the North Slope
- We will aggressively pursue more satellite developments at Alpine and Kuparuk
- We will work with partners to develop major projects at Prudhoe Bay
- We will proactively pursue other projects that can move the needle on oil production

An Open Letter to All Alaskans from ConocoPhillips

Our Commitment to Moving Alaska Forward

Dear Alaskans:

The oil industry in Alaska is at a crossroads. The amount of oil in the Trans Alaska Pipeline is declining at a faster rate than projected even a year ago. State and federal officials are, for the first time, talking openly about the challenges with TAPS low flow in light of the recent shut down of TAPS.

No other state's production has declined more than Alaska in the past eight years. But it doesn't have to be that way. The oil industry and the state of Alaska must work together now to put more oil in the pipeline and bridge the more than 10-year gap between now and when oil from offshore and other sources can hopefully refill TAPS.

Governor Parnell has introduced a bill, HB 110/SB 49, to reduce oil taxes in an effort to restart development and create new jobs. However, some have questioned the oil industry's commitment to Alaska.

In Alaska this week, ConocoPhillips reinforced that commitment to the state. If the business environment is changed, we at ConocoPhillips will do more to help bring Alaska's challenged oil to the market.

We will increase our drilling activity on the North Slope.

We will proactively pursue more North Slope projects that can move the needle on oil production while employing Alaskans and creating new opportunities for Alaska businesses.

We will work with BP and ExxonMobil to advance significant projects like Gas Partial Processing (GPP) and IPAD at Prudhoe Bay.

We will aggressively pursue more satellite developments at both Kuparuk and Alpine.

Our company believes Governor Parnell's goal of producing 1 million barrels of oil per day is a goal around which we can all unite.

At ConocoPhillips, we believe in the potential that Alaska has to offer. We have demonstrated our commitment to the environment by continuing to operate in the cleanest and safest way we can. We have shown a long history of investment, both human and financial, to bring the resources of this great state to the market. We have stood with many Alaska companies, including Alaska Native corporations, to build an oil and gas industry that has provided many jobs to Alaskans.

If the Legislature provides for an effective date of 2012, ConocoPhillips will do our part to accelerate new activity on the North Slope.

Alaska has tremendous resource potential, and we at ConocoPhillips have over 50 years in Alaska in solving technical and environmental challenges associated with oil development. We support improving the investment climate and believe changing oil taxes will lead to a better future with more production and jobs for Alaska families than the current path we are on.

Sincerely,

Trond-Erik Johansen
President
ConocoPhillips Alaska Inc.

Jim Mulva
Chairman and Chief Executive Officer
ConocoPhillips

ConocoPhillips
Alaska's Oil & Gas Company

29.

Fiscal Notes
April 7, 2012

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB192**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB192CS(FIN)-DOA-AOGCC-4-6-12
Title: Oil and Gas Production Tax Rates
Sponsor: Senate Resources
Requester: Senate Finance

Dept. Affected: Administration
Appropriation: AOGCC
Allocation: Alaska Oil and Gas Conservation Commission
OMB Component Number: 2010

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	150.0		150.0	150.0	150.0	150.0	150.0
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**150.0**	**0.0**	**150.0**	**150.0**	**150.0**	**150.0**	**150.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	150.0		150.0	150.0	150.0	150.0	150.0
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**150.0**	**0.0**	**150.0**	**150.0**	**150.0**	**150.0**	**150.0**

POSITIONS							
Full-time							
Part-time							
Temporary	**1**		1	1	1	1	1

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

CSSB 192 has been significantly amended as to the responsibilities of Alaska Oil and Gas Conservation Commission in this bill.

Prepared by: Jody J. Colombie — Phone (907) 793-1221
Division: Alaska Oil and Gas Conservation Commission — Date/Time 4/7/12 1:08 PM
Approved by: John Cramer, Deputy Commissioner — Date 4/6/2012
Department of Administration

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB192

Analysis

CSSB 192 states that the Alaska Oil and Gas Conservation Commission is responsible to provide the Department of Revenue its non-confidential data in a format usable by the Department of Revenue's system. In order for the Alaska Oil and Gas Conservation Commission to accomplish this they must hire one contract employee to establish and maintain a link to Department of Revenue's database, as well as to answer questions and provide other miscellaneous support.

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **CS SB 192 (FIN)**
Fiscal Note Number:
Publish Date:

Identifier (file name): SB192CS(FIN)-DOR-TAX-04-07-12
Title: Oil and Gas Production Tax Rates
Sponsor: (S) RES
Requester: (S) FIN

Dept. Affected: Revenue
Appropriation: Treasury and Taxation
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	943.9		943.9	943.9	943.9	943.9	943.9
Travel	50.0		50.0	50.0	50.0	50.0	50.0
Services	12,532.6		1,037.6	1,037.6	1,037.6	1,037.6	1,037.6
Commodities	4.0		4.0	4.0	4.0	4.0	4.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**13,530.5**		**2,035.5**	**2,035.5**	**2,035.5**	**2,035.5**	**2,035.5**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	13,530.5		2,035.5	2,035.5	2,035.5	2,035.5	2,035.5
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**13,530.5**	**0.0**	**2,035.5**	**2,035.5**	**2,035.5**	**2,035.5**	**2,035.5**

POSITIONS							
Full-time	**8.0**		8	8	8	8	8
Part-time							
Temporary							

CHANGE IN REVENUES	***		***	***	***	***	***

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated to reflect changes provided for in the CS, version U.

Prepared by: Dan Stickel and Cherie Nienhuis, Economists — Phone: 907-465-3279
Division: Tax — Date/Time: 04/07/12 2:40pm
Approved by: Bruce Tangeman, Deputy Commissioner — Date: 4/7/2012
Department of Revenue

(Revised 8/17/2011 OMB)

Analysis

The revenue impact of this bill is indeterminate.

This bill makes several changes to the oil and gas production tax system. Each of the major changes, along with its potential revenue impact, is discussed below.

1. **Creates three different progressive surcharge tax rates that are based on the gross value at the point of production.** Under this bill, the progressive surcharge is changed from one based on the net value of oil and gas production to one based on the gross value at the point of production (GVPP) of oil. The three rates are as follows: for oil in fields that are currently under production, the rate is 0.27% per dollar when the GVPP reaches $60 per barrel, and then decreasing to .03% per dollar at a price $60 over the initial threshold, up to a maximum progressive tax rate of 20%. For the first 7 years of production for oil produced from a lease or property containing land that was not in a unit or commercial production prior to January 1, 2008, the rate is 0.05% per dollar when the GVPP reaches $60 per barrel up to a maximum progressive tax rate of 5%. For producers that increase oil production above a company-specific production target based on each company's decline rate from 2008 and 2011, the rate for that incremental production is 0.14% per dollar when the GVPP reaches $60 per barrel, and then decreasing to .03% per dollar at a price $60 over the initial threshold, up to a maximum progressive tax rate of 10%. The initial $60 progressive surcharge tax thresholds would be adjusted annually by the increase in U.S. consumer price index for all urban consumers. Under Fall 2011 forecast assumptions, these provisions would impact revenue by the following amounts.

Change in State Revenue due to Progressivity Provisions of CSSB 192(FIN) in $millions

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
"Base" production from currently producing fields	-110	-75	+25	-150	-225	-200
"Incremental" production from currently producing fields	-10	-75	-75	-125	-150	-175
Qualifying new fields	0	0	0	0	0	-150
Total	-120	-150	-50	-275	-375	-525

2. **Implements a 10% gross minimum tax for companies with average daily production of more than 50,000 BTU-equivalent barrels per day.** This provision of the bill creates a minimum tax of 10% of GVPP for companies producing more than 50,000 BTU-equivalent barrels per day. There are currently three companies that are subject to this provision. Under Fall 2011 revenue forecast assumptions, this provision would not result in a tax increase for any companies, unless oil prices are $80 per barrel or below. At a $50 per barrel oil price, the increase in revenue to the state ranges between $500 million and $650 million per year over the time horizon of this fiscal note.

3. **Requires that the Department of Revenue develop regulations to allocate lease expenditures between oil and gas.** This provision of the bill instructs the Department of Revenue, when lease expenditure allocation is necessary, to allocate lease expenditures between oil and gas based on gross value at point of production "to the extent possible." This provision is expected to impact revenue to the state by less than $10 million per year.

4. **Provides for a new Petroleum Information Management System to be implemented by the Department of Revenue**. This provision of the bill provides for a new information management system for publicly available oil and gas information, to be operational before January 1, 2014. This provision is a major new responsibility for the Department, to be implemented on an accelerated timeframe, and will compete with the core mission of the Tax Division, which is to assess and collect taxes.

The bill has an effective date of January 1, 2013.

Agency Costs for Implementing Changes to Production Tax
This bill would require the Department of Revenue to draft and pass several new regulations to address the changes in progressive surcharge tax rates, the minimum tax rates, and the allocation of costs between oil and gas. The Department of Revenue expects that it would need a reimbursable services agreement with the Department of Law and other costs totaling $495,000. With passage of this bill in the 2012 legislative session, the workshop and public forum process would likely begin in the summer or fall of 2012, and the majority of the regulation costs would be incurred in FY 13.
(continued on next page)

Analysis Continued

Specific costs for each major regulation project include the following:
$75,000 for contracted professional services for regulation consulting.
$270,000 for regulations costs including Department of Law, public notice and registry.
$150,000 for public forums for education of taxpayers and public participation, including preparation materials and legal support, and possibly travel.

In addition to the one-time costs, the provisions of this bill will require four additional auditor positions to handle the increased complexity of the tax law created by this legislation. The positions would be at the Oil and Gas Revenue Auditor IV (Range 24) level, at an annual cost of $546,000 for payroll and benefits, with additional cost for office space, supplies, travel, etc.

Agency costs for Petroleum Information Management System
Estimated one-time costs to the Department of Revenue for the Petroleum Information Management system are approximately $12 million. This includes an estimated $10 million for contract services to procure, design, build, and implement the system. An additional $2 million is estimated for procurement of new hardware (data storage devices, servers, etc.) to create a robust system that can be replicated for access in both Juneau and Anchorage. An increased annual cost of $1 million per year is estimated for ongoing system maintenance, support, storage, server space, and licensing.

Additional staff resources would be required to oversee the information management program, and maintain the data warehouse and disaster recovery plans. We estimate that we would need the following new positions: one Petroleum Economist II (Range 22), one Analyst Programmer V (Range 22), one Database Administrator (Range 15), and one Office Assistant III (Range 11). The total annual cost for these four positions is $397,900 for payroll and benefits, with additional cost for office space, supplies, travel, etc.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB192(FIN)**
Fiscal Note Number:
() Publish Date:

Identifier (file name): CSSB192(FIN)-DNR-O&G-04-06-12
Title: Oil and Gas Production Tax Rate
Sponsor: Senate Resources Committee
Requester: Senate Finance

Dept. Affected: Natural Resources
Appropriation: Oil and Gas
Allocation: Oil and Gas
OMB Component Number: 439

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	743.4	0.0	743.4	743.4	441.2	441.2	441.2
Travel							
Services	139.0		139.0	99.0	47.5	47.5	47.5
Commodities	75.0						
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**957.4**	**0.0**	**882.4**	**842.4**	**488.7**	**488.7**	**488.7**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	957.4		882.4	842.4	488.7	488.7	488.7
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**957.4**	**0.0**	**882.4**	**842.4**	**488.7**	**488.7**	**488.7**

POSITIONS							
Full-time	8	0	8	8	5	5	5
Part-time							
Temporary							

CHANGE IN REVENUES	***	***	***	***	***	***	***

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

The Senate Finance committee substitute moves the petroleum information management system from the Department of Administration to the Department of Revenue. The Division of Oil and Gas develops, stores, and maintains much of the information identified for inclusion in the system.

Prepared by: William C. Barron, Director — Phone: 907-269-8800
Division: Division of Oil and Gas — Date/Time: 4/6/12 5:00 PM
Approved by: Daniel Sullivan, Commissioner — Date: 4/6/2012
Department of Natural Resources

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB192(FIN)

Analysis

CSSB 192 version U has an indeterminate impact on state royalty revenue. There are tax benefits for new fields, and for old fields at certain price and cost combinations. However, at low oil prices or at high operating costs, the proposed tax incentives become burdens. It is difficult to determine whether the proposed changes will increase or decrease oil production, and therefore, royalty revenue to the State.

Section 10 amends AS 31.05 by adding a new section (AS 44.25.025) which requires the Department of Revenue (DOR) to develop and maintain an electronic petroleum information management system (PIMS) to archive state oil and gas information. The system will only include non-confidential information identified in this bill and other information identified in section 10 relating to oil and gas exploration, development, and production. The Division of Oil and Gas (DO&G) collects and maintains much of the information and materials listed in the proposed bill.

DO&G will be a major contributor to the petroleum management system - likely designing, developing, and maintaining the system and associated materials. DO&G currently houses the following information on: 1) unit and joint operating agreements, 2) state oil and gas exploration licenses and oil and gas leases, 3) exploration activities including seismic data, drilling reports, logs, geological models and maps, 4) development activities including development plans minus expenditure projections and reservoir characteristics, 5) facility maps and studies, and 6) abandonment plans and progress reports. DO&G will conceivably have a role in contributing other information DOR needs for oil and gas exploration, development, and production. DO&G stores and maintains more than 40 years of information from Alaska's oil and gas activities. We find the directives in the proposed bill to initiate a significant undertaking by our department and others involved in supplying the requested information.

It is assumed our information will need to re-integrated into new formats compatible with a sophisticated system easily navigated by the public. The DOR and DO&G data collection and management systems may be different in scale and scope, and synchronizing the systems will take considerable resources. In some cases, information could be linked or transferred to the PIMS site quickly; however, the information requested in the bill will demand extensive time and resources to adapt, redact, and restructure records and materials before inclusion in the PIMS.

Developing and maintaining a petroleum information management system will not likely provide any more information to the public than is currently available from our division. Non-confidential oil and gas information is currently available on DO&G's website or upon request in electronic and hard copy formats. We estimate the proposed bill will initially require eight new FTEs in the division and funds necessary to hire contractors for information technology work.

The division would need five new natural resources specialists (2 NRS II and 3 NRS III) with one administrative assistant (range 12) and two analysts (range 20) for IT functions during build-out starting in FY13. In addition to staff increases, approximately $75,000 in funding for software, licenses, and back-up systems is needed. Storage for DO&G seismic data (2-3 terrabytes) would need to be contracted to electronic storage provider which could cost hundreds of thousands of dollar annually. After the system build-out and population, we should be able to maintain the system with 4-5 FTEs. We project roughly $75,000 for contract services in FY13 and FY 14, $35,000 in FY15, and potentially no funds thereafter. Since we are not forecasting additional state revenue for these sections of the proposed bill, the significant costs incurred in developing and maintaining a new location for DO&G information results in a negative fiscal impact to the state for years to come.

30.

Discussion Slides: Janak Mayer, Manager, Upstream & Gas, PFC Energy April 9, 2012



Discussion Slides: Alaska Senate Finance Committee

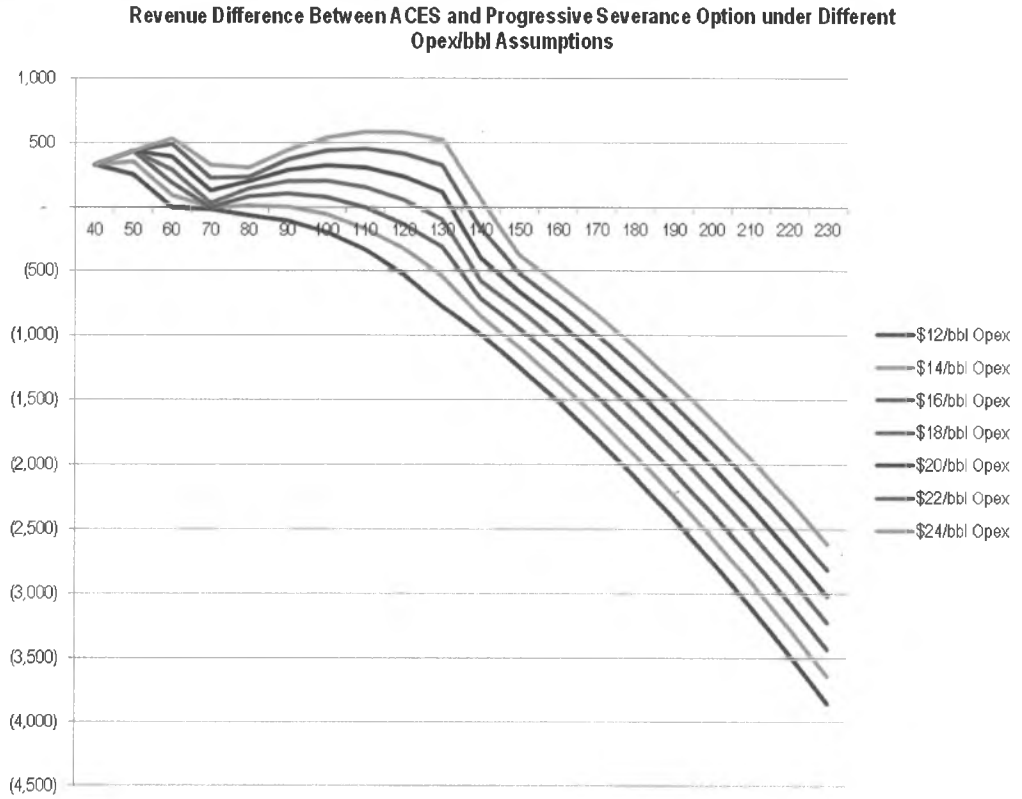
April 9, 2012

Janak Mayer
Manager, Upstream & Gas
PFC Energy

PFC Energy

Cost Sensitivity – From April 3 Testimony and Discussion

Impact of Rising Operating Costs

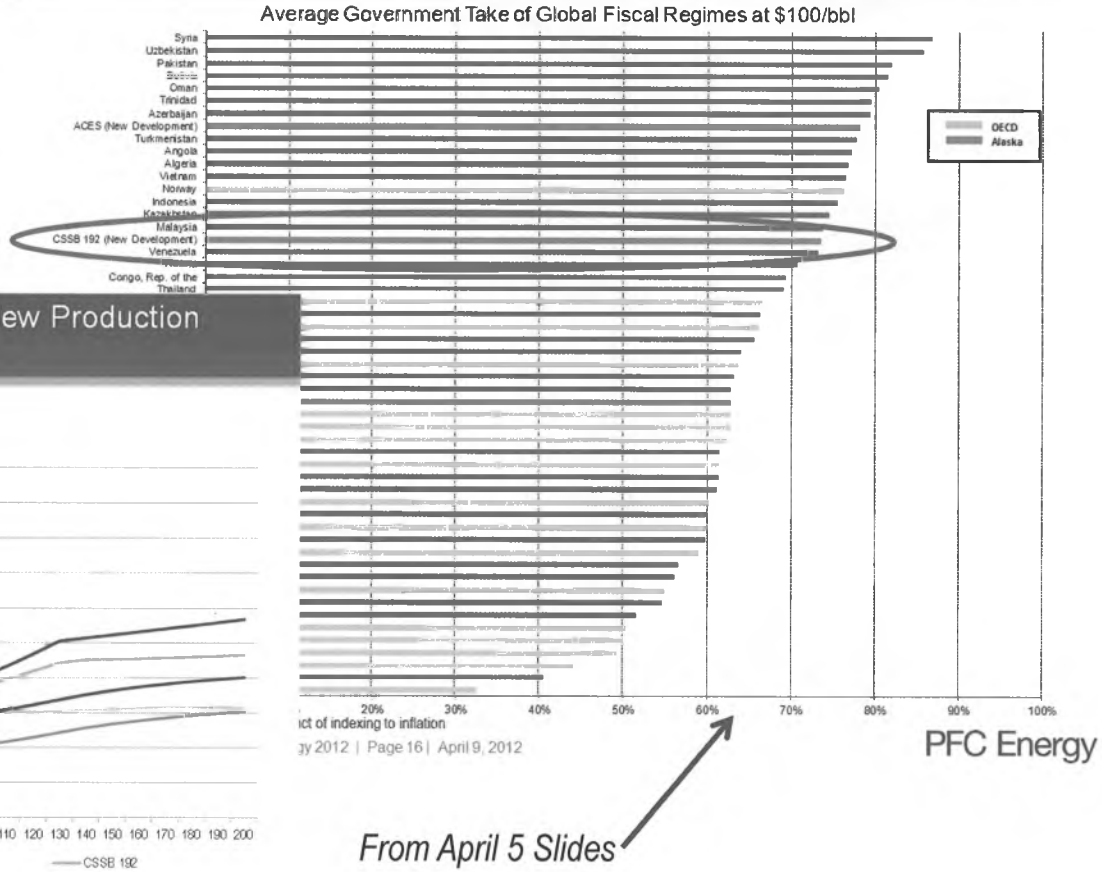


PFC Energy

PFC Energy

FY 2013 v Lifecycle Analysis – Impact of Costs & 7 year Time Limit

Regime Competitiveness: Relative Government Take

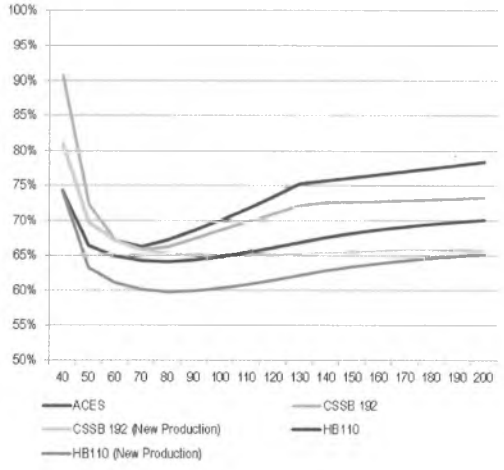


From April 4 Slides

Total Government Take Comparison Including New Production Incentives

FY 2013 % Government Take

ANS West Coast Oil Price	ACES	CSSB 192	CSSB 192 (New Production)	HB110	HB110 (New Production)
40	81%	91%	81%	74%	74%
50	70%	72%	70%	66%	63%
60	67%	67%	67%	65%	61%
70	66%	66%	66%	64%	60%
80	67%	66%	65%	64%	60%
90	69%	67%	65%	64%	60%
100	70%	69%	65%	65%	60%
110	72%	70%	65%	65%	61%
120	73%	71%	65%	66%	61%
130	75%	72%	65%	67%	62%
140	76%	73%	65%	68%	63%
150	76%	73%	66%	68%	63%
160	77%	73%	66%	69%	64%
170	77%	73%	66%	69%	64%
180	77%	73%	66%	69%	65%
190	78%	73%	66%	70%	65%
200	78%	73%	66%	70%	65%



From April 5 Slides

PFC Energy

PFC Energy

Some Goals Are Mutually Exclusive

- Achieve decoupling
- Reduce high levels of support for spending, and poor incentives for cost control
- Minimize complexity, including need for separate cost accounting
- Reduce government take on new/incremental production
- No increases on any taxpayers
- Revenue neutral at $100+ /bbl
- More even split between state and companies above $100/$120 / bbl

Some Goals Are Mutually Exclusive

ACES with 40% Cap

- Achieve decoupling
- Reduce high levels of support for spending, and poor incentives for cost control
- Minimize complexity, including need for separate cost accounting
- Reduce government take on new/incremental production
- No increases on any taxpayers
- Revenue neutral at $100+ /bbl
- More even split between state and companies above $100/$120 / bbl

Some Goals Are Mutually Exclusive

ACES with 40% Cap & SB305-style decoupling

- Achieve decoupling
- Reduce high levels of support for spending, and poor incentives for cost control
- Minimize complexity, including need for separate cost accounting
- Reduce government take on new/incremental production
- No increases on any taxpayers
- Revenue neutral at $100+ /bbl
- More even split between state and companies above $100/$120 / bbl

PFC Energy

Some Goals Are Mutually Exclusive

HB110

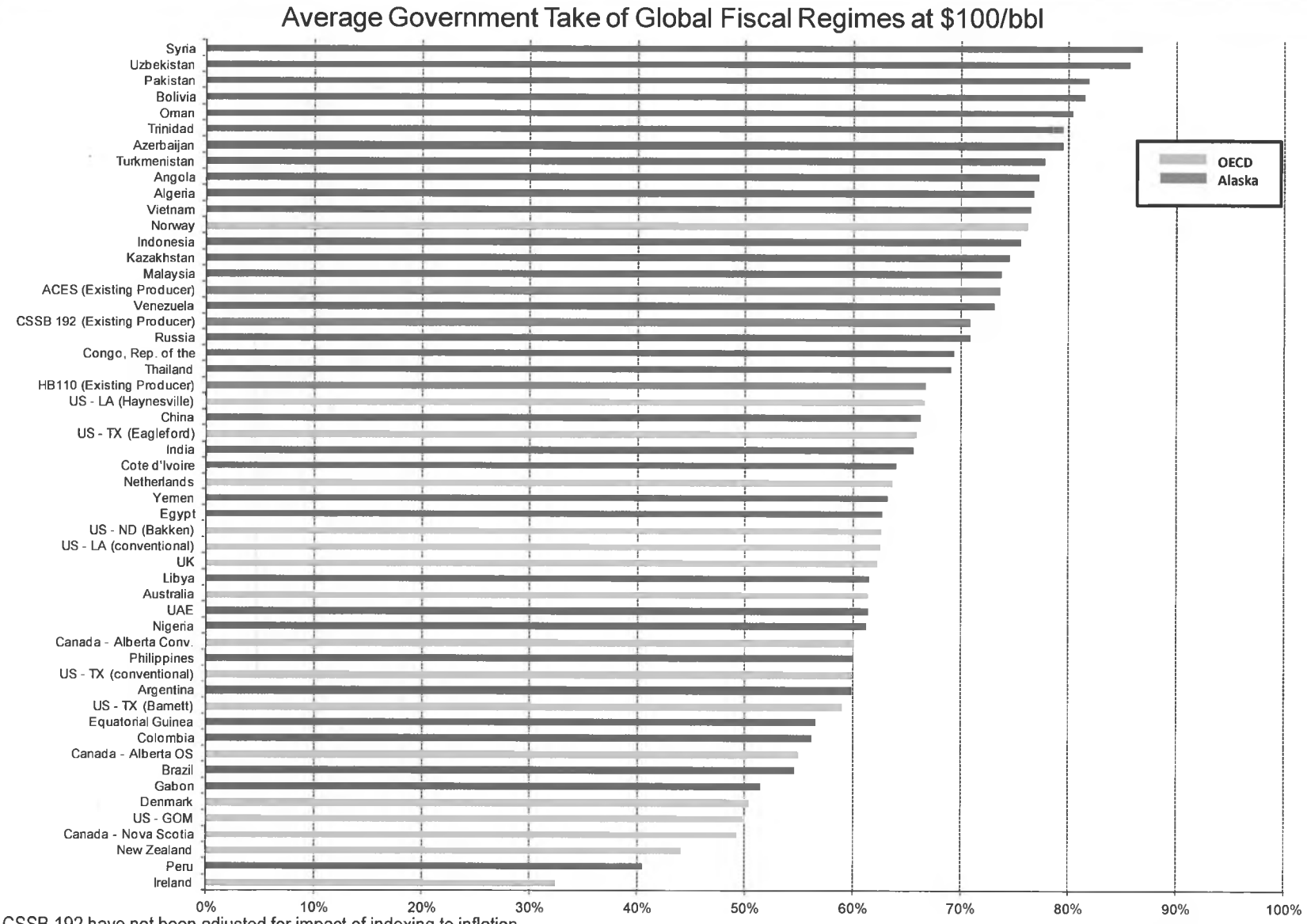
- Achieve decoupling
- Reduce high levels of support for spending, and poor incentives for cost control
- Minimize complexity, including need for separate cost accounting
- Reduce government take on new/incremental production
- No increases on any taxpayers
- Revenue neutral at $100+ /bbl
- More even split between state and companies above $100/$120 / bbl

Some Goals Are Mutually Exclusive

CSSB192

- Achieve decoupling
- Reduce high levels of support for spending, and poor incentives for cost control
- Minimize complexity, including need for separate cost accounting
- Reduce government take on new/incremental production
- No increases on any taxpayers
- Revenue neutral at $100+ /bbl
- More even split between state and companies above $100/$120 / bbl

Regime Competitiveness: Relative Government Take



Note: CSSB 192 have not been adjusted for impact of indexing to inflation

PFC Energy

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB192(FIN)**
Fiscal Note Number:
() Publish Date:

Identifier (file name): CSSB192(FIN)-DNR-O&G-04-06-12
Title: Oil and Gas Production Tax Rate
Sponsor: Senate Resources Committee
Requester: Senate Finance

Dept. Affected: Natural Resources
Appropriation: Oil and Gas
Allocation: Oil and Gas
OMB Component Number: 439

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	743.4	0.0	743.4	743.4	441.2	441.2	441.2
Travel							
Services	139.0		139.0	99.0	47.5	47.5	47.5
Commodities	75.0						
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**957.4**	**0.0**	**882.4**	**842.4**	**488.7**	**488.7**	**488.7**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	957.4		882.4	842.4	488.7	488.7	488.7
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**957.4**	**0.0**	**882.4**	**842.4**	**488.7**	**488.7**	**488.7**

POSITIONS							
Full-time	8	0	8	8	5	5	5
Part-time							
Temporary							

CHANGE IN REVENUES	***	***	***	***	***	***	***

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

The Senate Finance committee substitute moves the petroleum information management system from the Department of Administration to the Department of Revenue. The Division of Oil and Gas develops, stores, and maintains much of the information identified for inclusion in the system.

Prepared by: William C. Barron, Director — Phone: 907-269-8800
Division: Division of Oil and Gas — Date/Time: 4/6/12 5:00 PM
Approved by: Daniel Sullivan, Commissioner — Date: 4/6/2012
Department of Natural Resources

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB192(FIN)

Analysis

CSSB 192 version U has an indeterminate impact on state royalty revenue. There are tax benefits for new fields, and for old fields at certain price and cost combinations. However, at low oil prices or at high operating costs, the proposed tax incentives become burdens. It is difficult to determine whether the proposed changes will increase or decrease oil production, and therefore, royalty revenue to the State.

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31.

Discussion Slides: Janak Mayer, Manager, Upstream & Gas, PFC Energy April 11, 2012



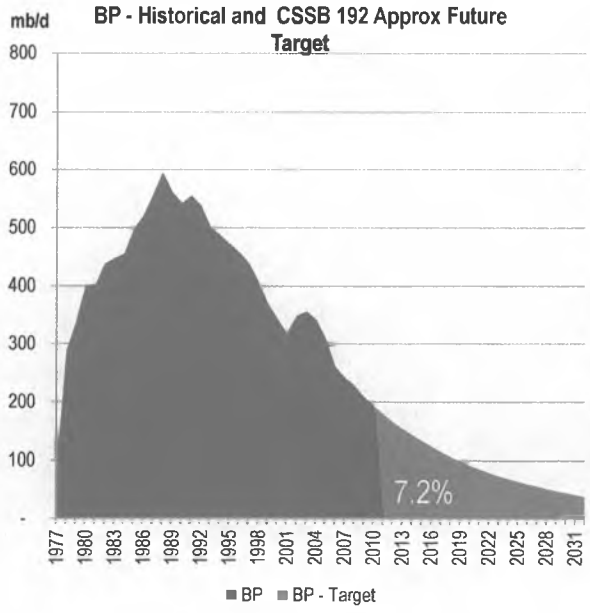
Discussion Slides: Alaska Senate Finance Committee

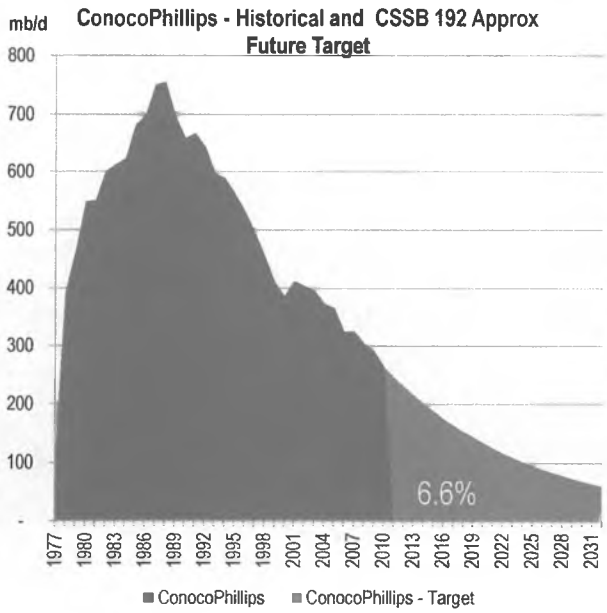
April 11, 2012

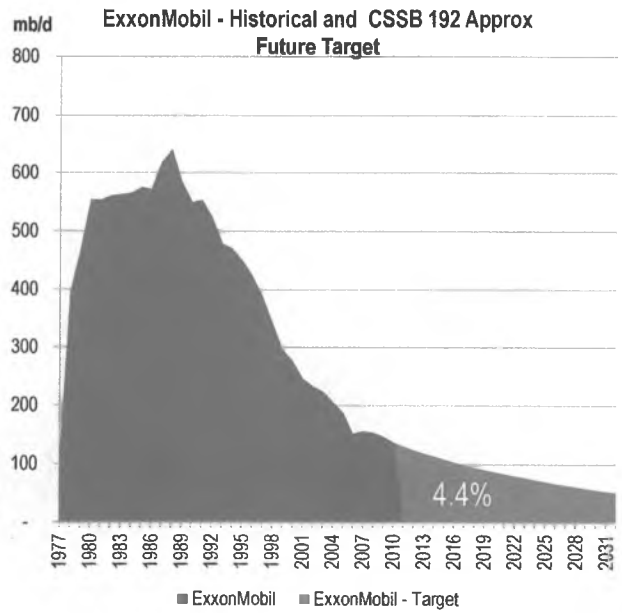
Janak Mayer
Manager, Upstream & Gas
PFC Energy

PFC Energy

CSSB 192 – Approximated Company Decline-Based Production Targets



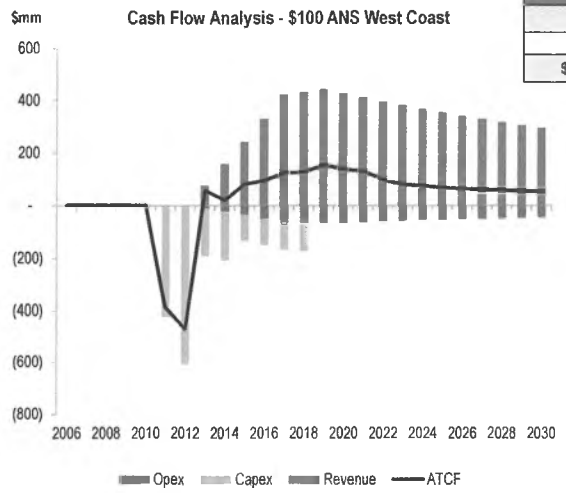




	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
BP	369	343	318	349	356	342	309	260	242	228	209	180	167	155	144	133	124	115	107	99	92	85	79	74	68	63
ConocoPhillips	411	386	412	404	395	373	365	325	326	305	292	248	232	216	202	189	176	165	154	144	134	125	117	109	102	95
ExxonMobil	296	276	247	234	224	206	188	151	156	153	146	130	124	119	114	109	104	99	95	91	87	83	79	76	72	69

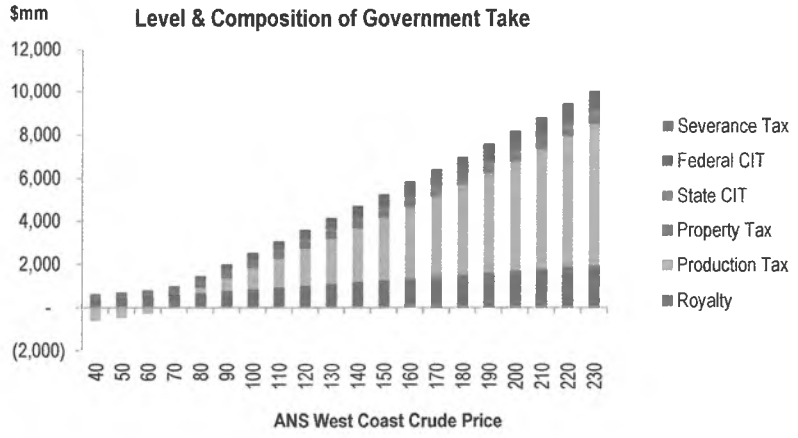
PFC Energy

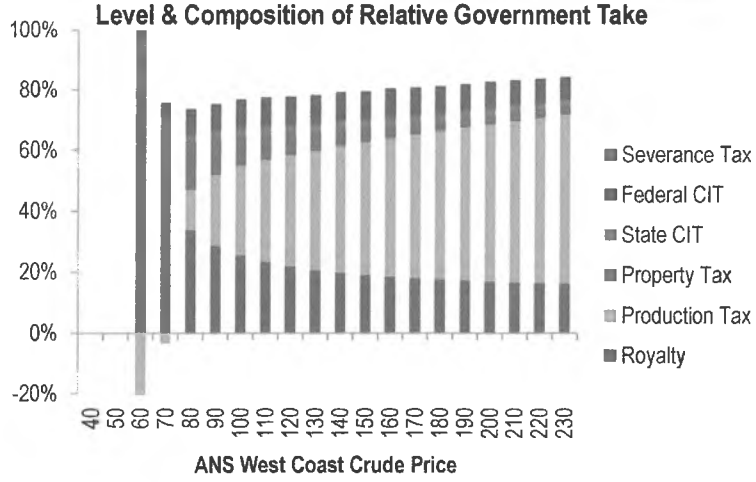
ACES
($34/bbl Capex New Development)



Price	NPV	IRR
$40	$ (459)	-8%
$60	$ (288)	1%
$100	$ (89)	7%

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40							
50							
60	77%	-45%	48%	0%	79%	0%	79%
70	44%	-3%	24%	2%	66%	6%	72%
80	34%	13%	16%	2%	65%	9%	74%
90	28%	24%	12%	2%	66%	9%	75%
100	25%	30%	9%	3%	67%	10%	77%
110	23%	34%	8%	3%	67%	10%	77%
120	22%	37%	7%	3%	68%	10%	78%
130	20%	40%	6%	3%	68%	10%	78%
140	19%	42%	5%	3%	69%	10%	79%
150	19%	44%	5%	3%	70%	10%	79%
160	18%	46%	4%	3%	71%	10%	80%
170	18%	47%	4%	2%	71%	9%	81%
180	17%	49%	4%	2%	72%	9%	81%
190	17%	50%	3%	2%	73%	9%	82%
200	17%	52%	3%	2%	74%	9%	83%
210	16%	53%	3%	2%	75%	9%	83%
220	16%	54%	3%	2%	76%	8%	84%
230	16%	56%	3%	2%	76%	8%	84%

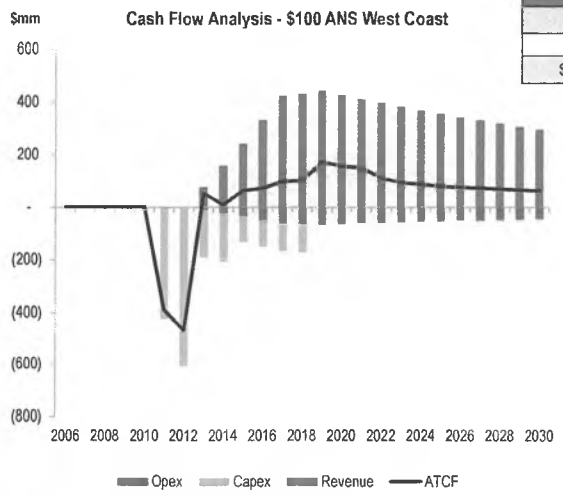




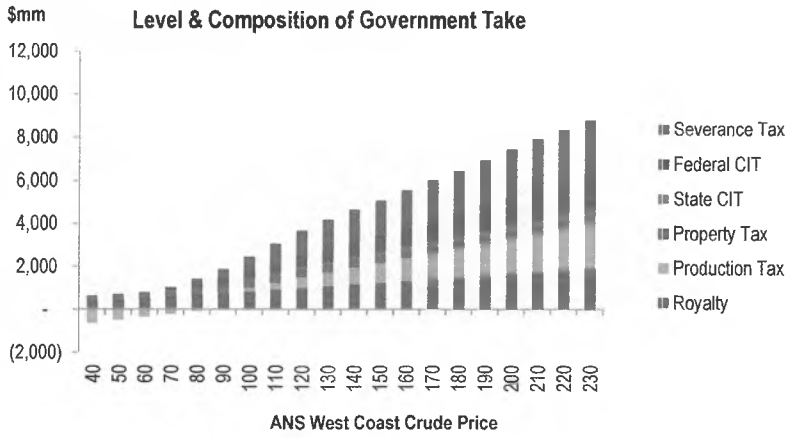
PFC Energy

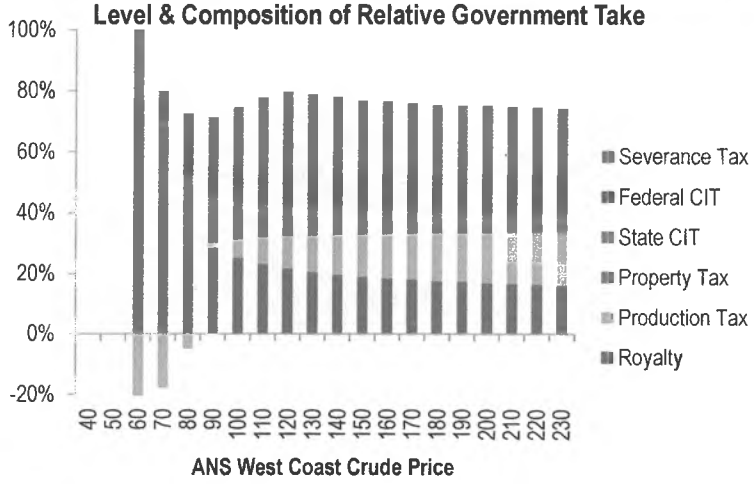
CSSB 192 20% Max Rate
($34/bbl Capex New Development)

Price	NPV	IRR
$40	$ (459)	-8%
$60	$ (279)	2%
$100	$ (97)	7%



Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40							
50							
60	77%	-56%	48%	0%	69%	0%	69%
70	44%	-15%	24%	2%	55%	7%	62%
80	34%	5%	16%	3%	57%	11%	68%
90	28%	17%	12%	3%	60%	11%	71%
100	25%	25%	9%	3%	63%	12%	75%
110	23%	33%	8%	3%	67%	11%	78%
120	22%	38%	7%	3%	69%	11%	80%
130	20%	39%	6%	3%	68%	11%	79%
140	19%	39%	5%	3%	67%	12%	78%
150	19%	39%	5%	3%	65%	12%	77%
160	18%	39%	4%	3%	65%	12%	77%
170	18%	39%	4%	3%	64%	12%	76%
180	17%	39%	4%	3%	63%	12%	75%
190	17%	39%	3%	3%	63%	13%	75%
200	17%	39%	3%	3%	62%	13%	75%
210	16%	39%	3%	3%	62%	13%	75%
220	16%	39%	3%	3%	61%	13%	75%
230	16%	39%	3%	3%	61%	13%	74%

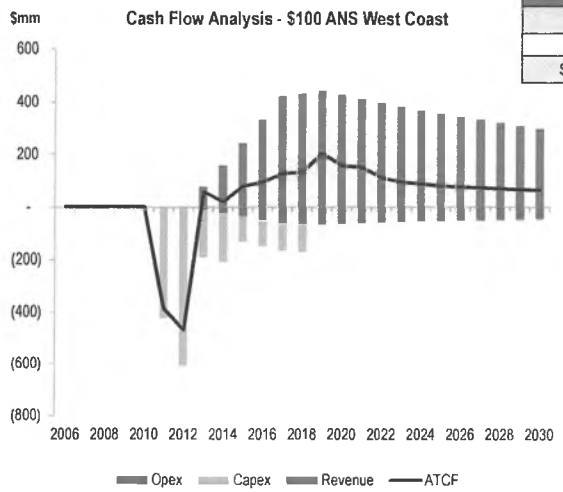




PFC Energy

CSSB 192 5% Max Rate for 7 yrs
($34/bbl Capex New Development)

Price	NPV	IRR
$40	$ (459)	-8%
$60	$ (279)	2%
$100	$ (51)	8%



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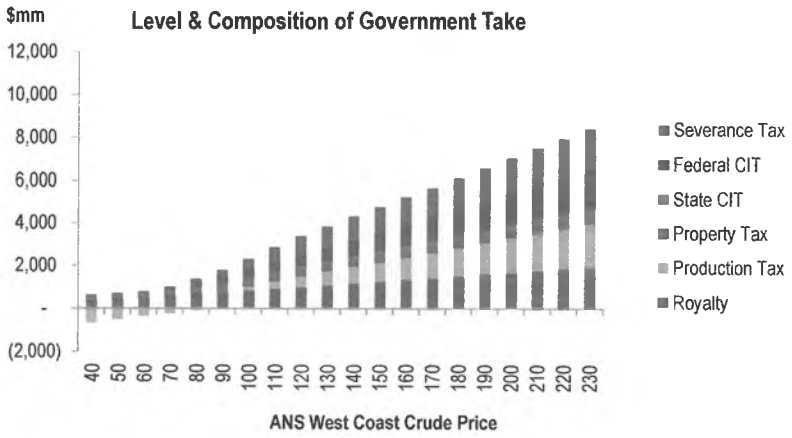
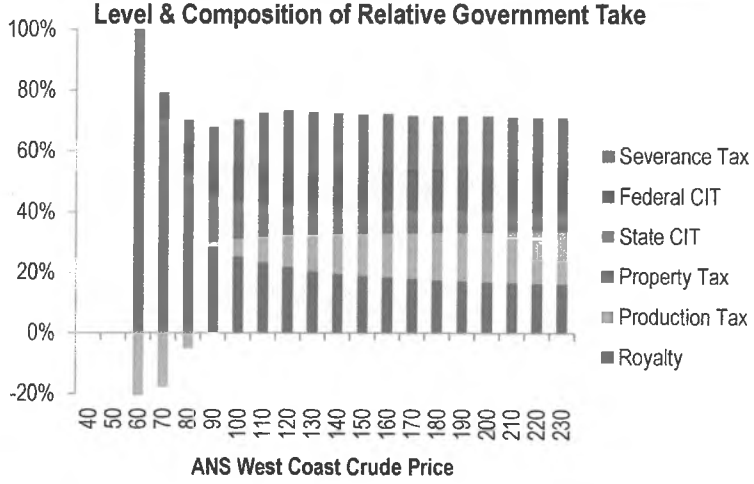
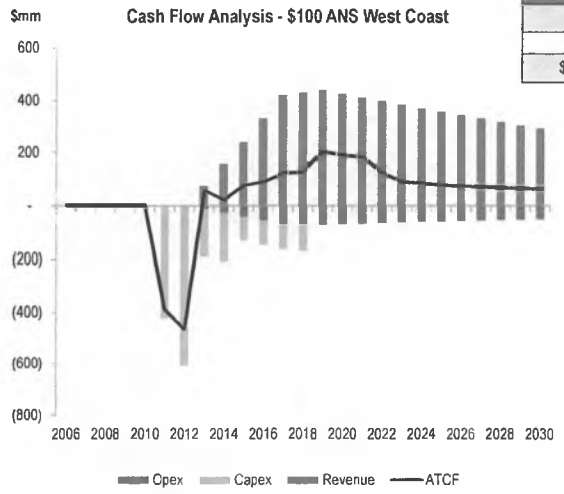
90	28%	13%	12%	3%	56%	11%	68%
100	25%	21%	9%	3%	58%	12%	70%
110	23%	28%	8%	3%	62%	11%	73%
120	22%	32%	7%	3%	63%	11%	74%
130	20%	32%	6%	3%	62%	11%	73%
140	19%	33%	5%	3%	61%	12%	73%
150	19%	33%	5%	3%	60%	13%	72%
160	18%	33%	4%	3%	59%	13%	72%
170	18%	33%	4%	3%	58%	13%	72%
180	17%	33%	4%	4%	58%	14%	72%
190	17%	33%	3%	4%	58%	14%	71%
200	17%	34%	3%	4%	57%	14%	71%
210	16%	34%	3%	4%	57%	14%	71%
220	16%	34%	3%	4%	57%	14%	71%
230	16%	34%	3%	4%	56%	15%	71%





PFC Energy

CSSB 192 5% Max Rate for 10 yrs
($34/bbl Capex New Development)



Price	NPV	IRR
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120	22%	28%	7%	3%	59%	12%	71%
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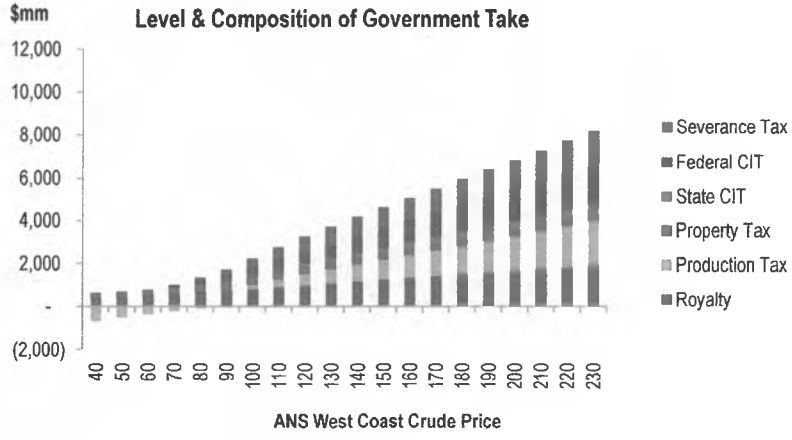
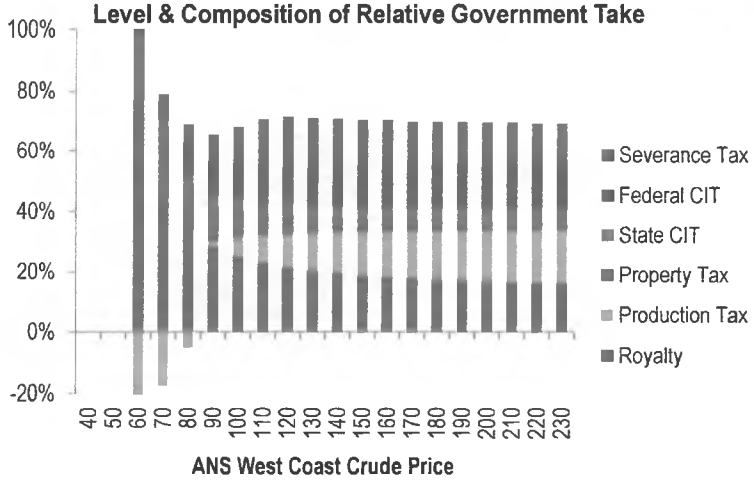
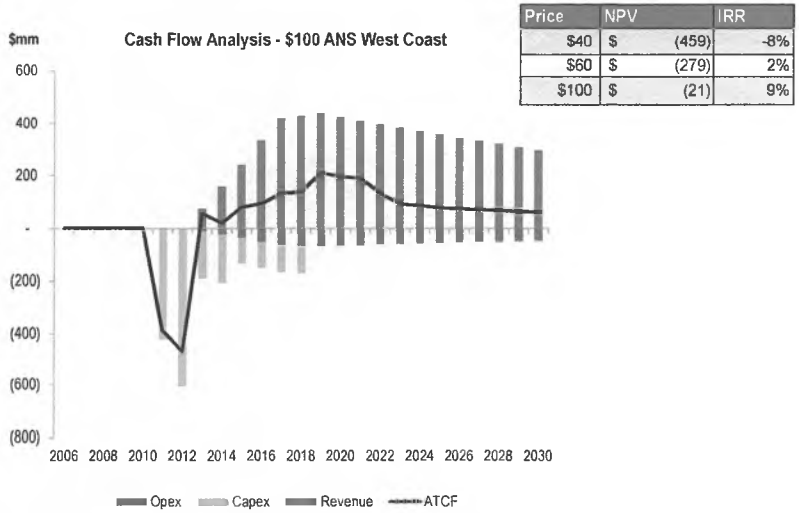
140	19%	29%	5%	3%	57%	13%	71%
150	19%	29%	5%	4%	57%	14%	70%
160	18%	30%	4%	4%	56%	14%	70%
170	18%	30%	4%	4%	55%	14%	70%
180	17%	30%	4%	4%	55%	15%	70%
190	17%	30%	3%	4%	55%	15%	70%
200	17%	30%	3%	4%	54%	15%	70%
210	16%	31%	3%	4%	54%	15%	69%
220	16%	31%	3%	4%	54%	15%	69%
230	16%	31%	3%	4%	54%	16%	69%





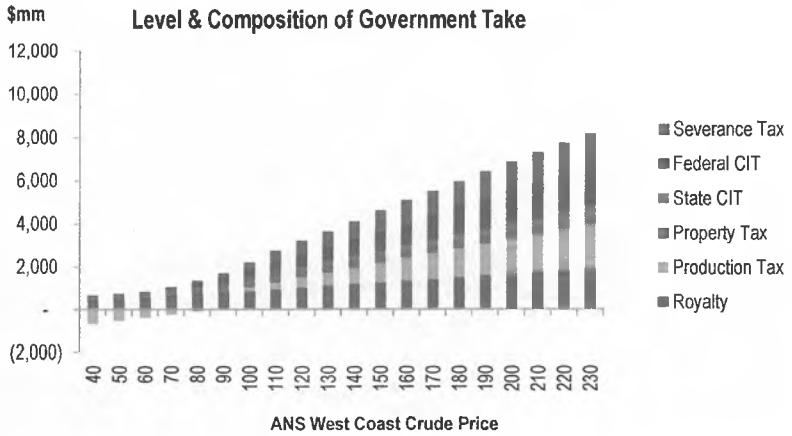
PFC Energy

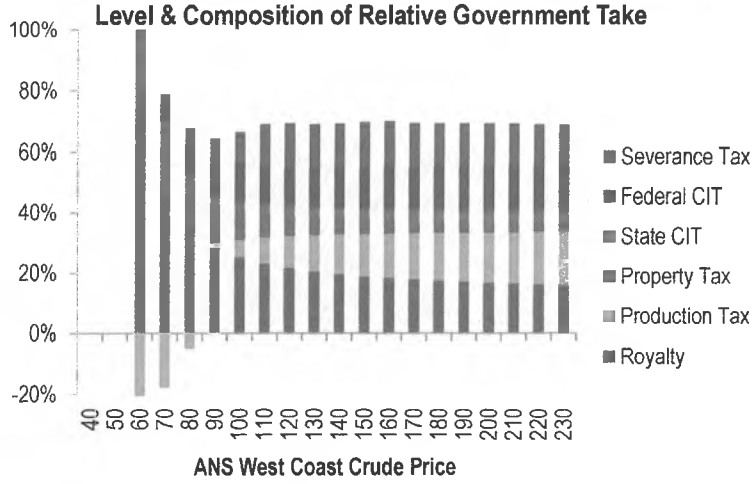
CSSB 192 5% Max Rate, $90 Threshold, for 10 yrs
($34/bbl Capex New Development)



Price	NPV	IRR
$40	$ (459)	-8%
$60	$ (279)	2%
$100	$ (21)	9%

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40							
50							
60	77%	-56%	48%	0%	69%	0%	69%
70	44%	-16%	24%	2%	54%	7%	61%
80	34%	0%	16%	3%	53%	11%	63%
90	28%	10%	12%	3%	53%	11%	65%
100	25%	17%	9%	3%	54%	12%	67%
110	23%	23%	8%	3%	57%	12%	69%
120	22%	26%	7%	3%	57%	12%	69%
130	20%	27%	6%	3%	56%	13%	69%
140	19%	28%	5%	4%	56%	14%	69%
150	19%	29%	5%	4%	56%	14%	70%
160	18%	30%	4%	4%	56%	14%	70%
170	18%	30%	4%	4%	55%	14%	70%
180	17%	30%	4%	4%	55%	15%	70%
190	17%	30%	3%	4%	55%	15%	70%
200	17%	30%	3%	4%	54%	15%	70%
210	16%	31%	3%	4%	54%	15%	69%
220	16%	31%	3%	4%	54%	15%	69%
230	16%	31%	3%	4%	54%	16%	69%

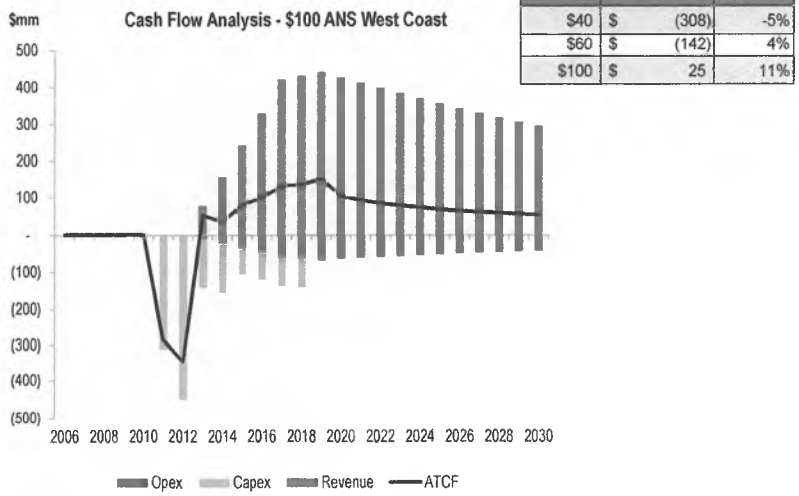




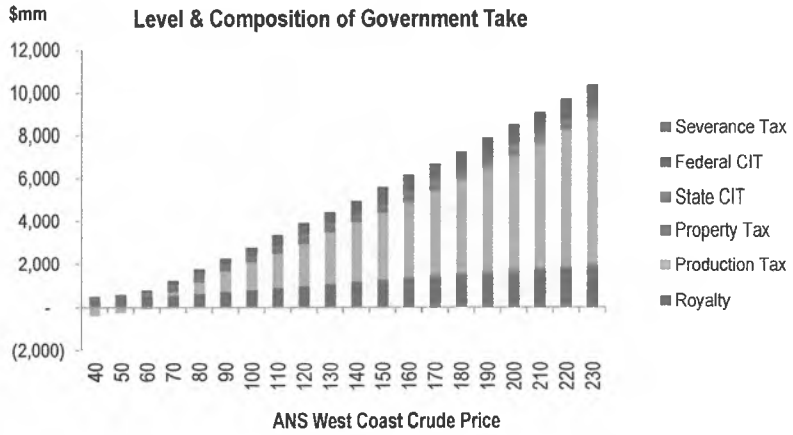
PFC Energy

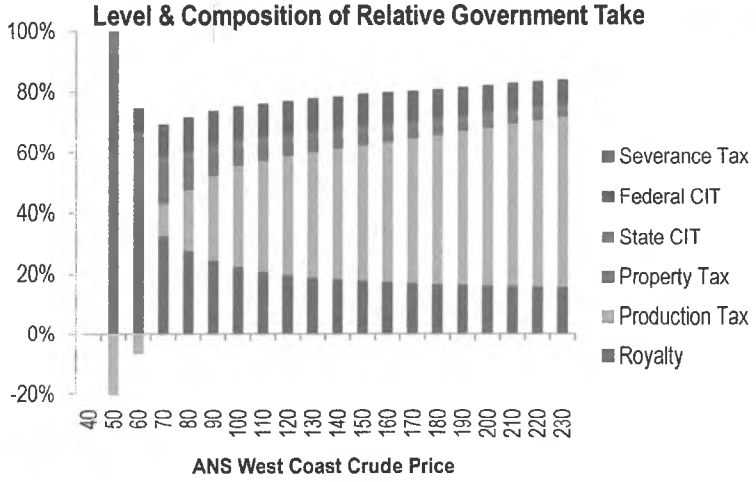
ACES
($25/bbl Capex Incremental Development)

Price	NPV	IRR
$40	$ (308)	-5%
$60	$ (142)	4%
$100	$ 25	11%



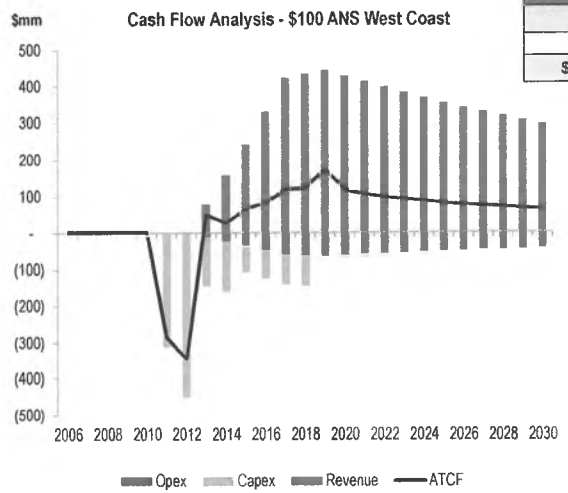
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40							
50	91%	-60%	50%	0%	81%	0%	81%
60	44%	-7%	21%	2%	60%	8%	68%
70	33%	10%	13%	3%	59%	11%	69%
80	27%	21%	9%	3%	60%	11%	72%
90	24%	29%	7%	3%	63%	11%	74%
100	22%	34%	6%	3%	64%	11%	75%
110	21%	37%	5%	3%	65%	11%	76%
120	20%	39%	5%	3%	66%	11%	77%
130	19%	42%	4%	3%	67%	11%	78%
140	18%	43%	4%	3%	68%	11%	78%
150	18%	45%	3%	3%	69%	11%	79%
160	17%	47%	3%	3%	69%	10%	80%
170	17%	48%	3%	3%	70%	10%	80%
180	16%	50%	3%	3%	71%	10%	81%
190	16%	51%	2%	2%	72%	9%	81%
200	16%	52%	2%	2%	73%	9%	82%
210	16%	54%	2%	2%	74%	9%	83%
220	16%	55%	2%	2%	75%	9%	83%
230	15%	56%	2%	2%	76%	8%	84%





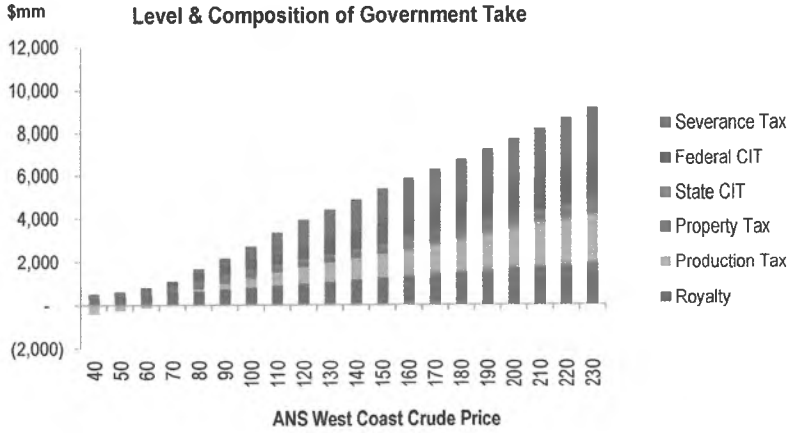
PFC Energy

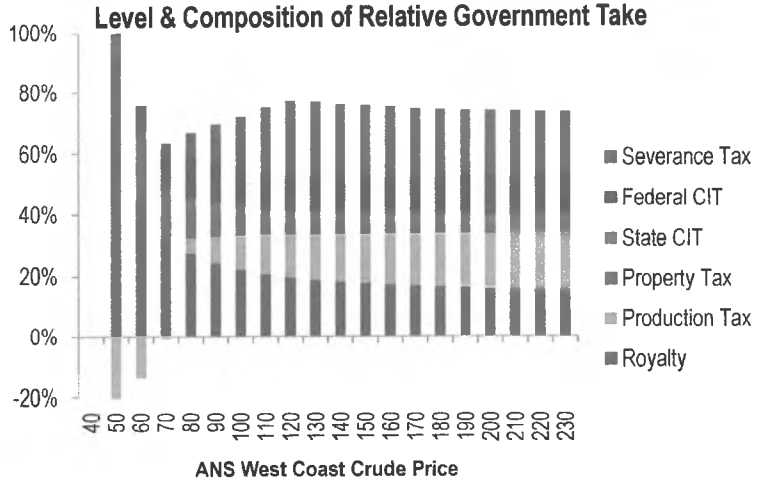
CSSB 192 20% Max Rate
($25/bbl Capex Incremental Development)



Price	NPV	IRR
$40	$ (308)	-5%
$60	$ (133)	5%
$100	$ 25	11%

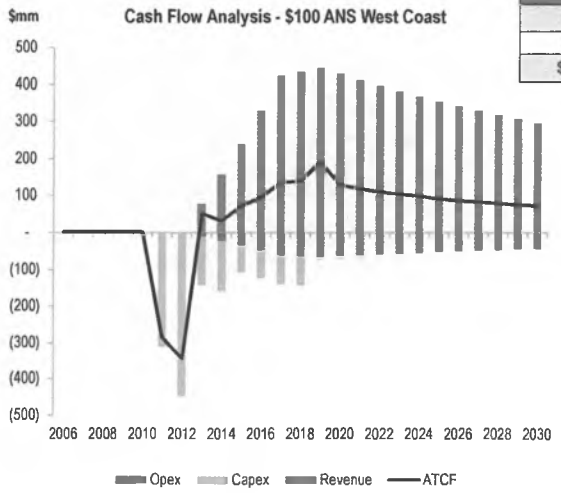
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40							
50	91%	-61%	50%	0%	80%	0%	80%
60	44%	-14%	21%	2%	54%	9%	62%
70	33%	1%	13%	3%	50%	13%	63%
80	27%	13%	9%	4%	53%	14%	67%
90	24%	22%	7%	4%	57%	13%	70%
100	22%	28%	6%	3%	60%	13%	72%
110	21%	35%	5%	3%	64%	12%	76%
120	20%	39%	5%	3%	66%	11%	77%
130	19%	39%	4%	3%	65%	12%	77%
140	18%	39%	4%	3%	64%	12%	76%
150	18%	39%	3%	3%	63%	13%	76%
160	17%	39%	3%	3%	63%	13%	76%
170	17%	39%	3%	3%	62%	13%	75%
180	16%	39%	3%	3%	62%	13%	75%
190	16%	39%	2%	3%	61%	13%	74%
200	16%	39%	2%	3%	61%	13%	74%
210	16%	39%	2%	4%	61%	13%	74%
220	16%	39%	2%	4%	60%	14%	74%
230	15%	39%	2%	4%	60%	14%	74%





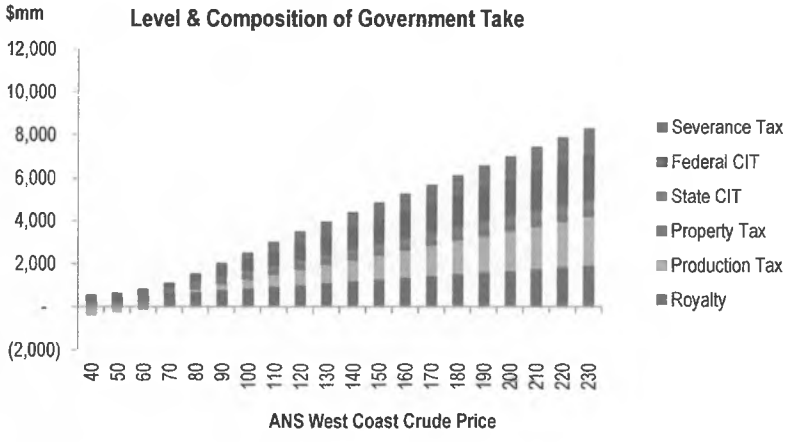
PFC Energy

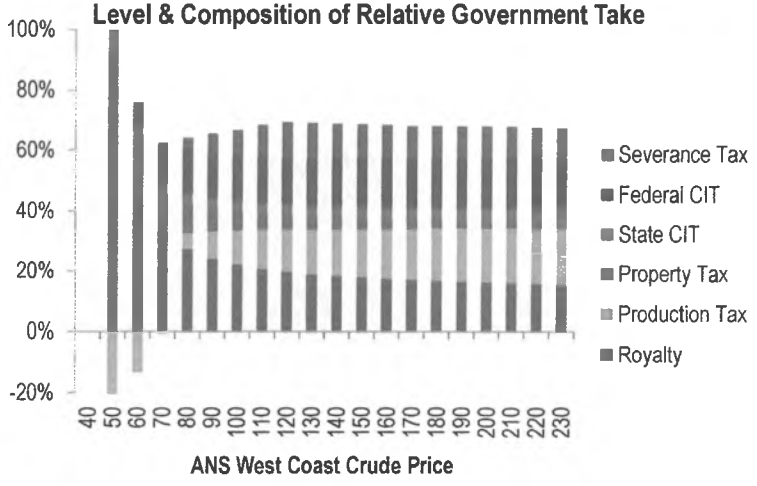
CSSB 192 10% Max Rate
($25/bbl Capex Incremental Development)



Price	NPV	IRR
$40	$ (308)	-5%
$60	$ (133)	5%
$100	$ 72	13%

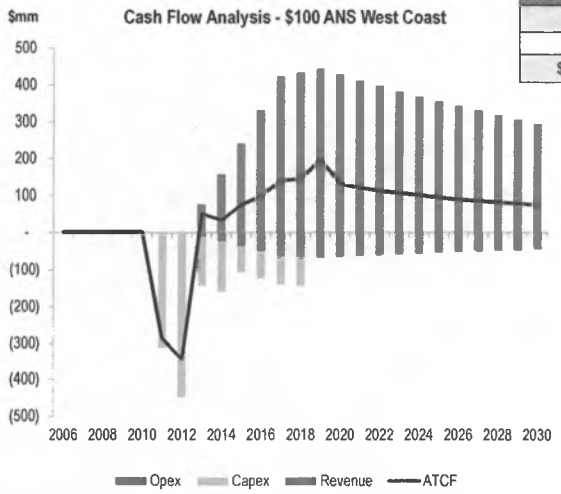
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40							
50	91%	-61%	50%	0%	80%	0%	80%
60	44%	-14%	21%	2%	54%	9%	62%
70	33%	0%	13%	3%	49%	13%	62%
80	27%	9%	9%	4%	50%	14%	64%
90	24%	16%	7%	4%	51%	15%	66%
100	22%	20%	6%	4%	52%	15%	67%
110	21%	24%	5%	4%	54%	15%	68%
120	20%	26%	5%	4%	54%	15%	69%
130	19%	27%	4%	4%	54%	15%	69%
140	18%	28%	4%	4%	53%	15%	69%
150	18%	28%	3%	4%	53%	16%	69%
160	17%	28%	3%	4%	52%	16%	68%
170	17%	28%	3%	4%	52%	16%	68%
180	16%	28%	3%	4%	52%	16%	68%
190	16%	29%	2%	4%	51%	16%	68%
200	16%	29%	2%	4%	51%	17%	68%
210	16%	29%	2%	4%	51%	17%	68%
220	16%	29%	2%	4%	51%	17%	68%
230	15%	29%	2%	4%	51%	17%	67%





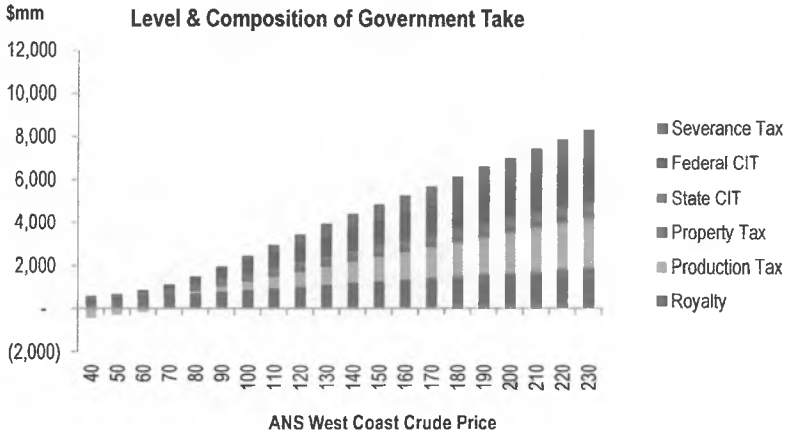
PFC Energy

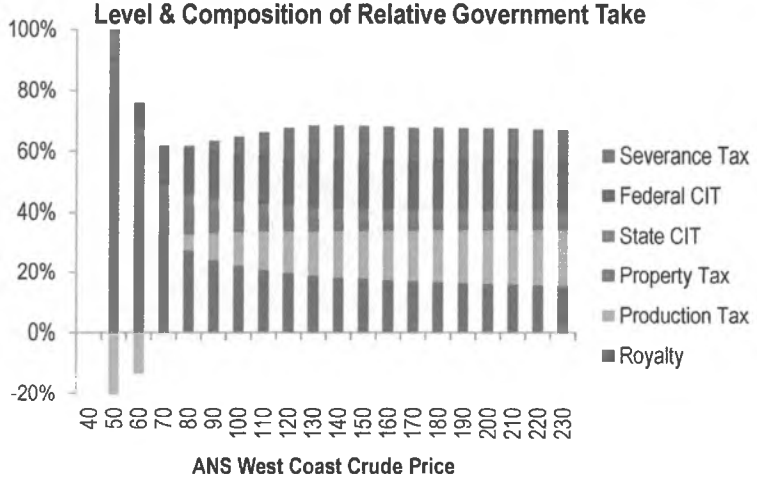
CSSB 192 10% Max Rate, $70 Threshold
($25/bbl Capex Incremental Development)



Price	NPV	IRR
$40	$ (308)	-5%
$60	$ (133)	5%
$100	$ 87	13%

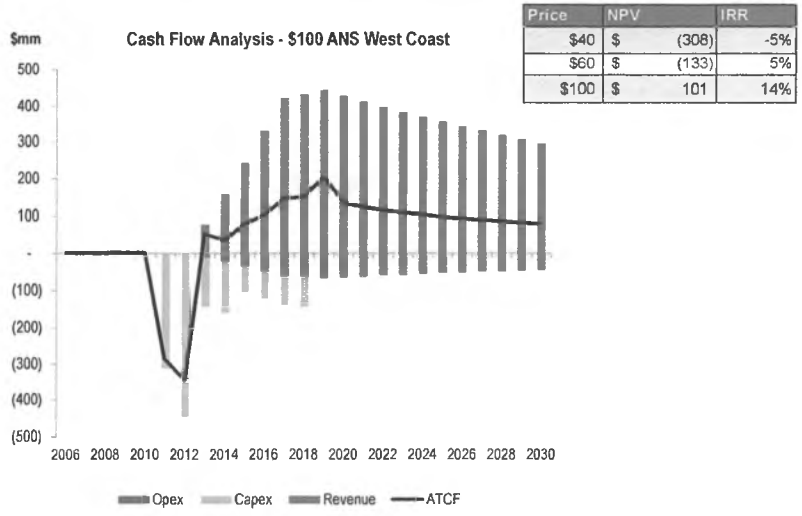
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40							
50	91%	-61%	50%	0%	80%	0%	80%
60	44%	-14%	21%	2%	54%	9%	62%
70	33%	-1%	13%	3%	48%	13%	61%
80	27%	6%	9%	4%	47%	15%	62%
90	24%	13%	7%	4%	48%	15%	63%
100	22%	17%	6%	4%	50%	15%	65%
110	21%	21%	5%	4%	51%	16%	67%
120	20%	25%	5%	4%	53%	15%	68%
130	19%	27%	4%	4%	54%	15%	69%
140	18%	28%	4%	4%	53%	15%	69%
150	18%	28%	3%	4%	53%	16%	69%
160	17%	28%	3%	4%	52%	16%	68%
170	17%	28%	3%	4%	52%	16%	68%
180	16%	28%	3%	4%	52%	16%	68%
190	16%	29%	2%	4%	51%	16%	68%
200	16%	29%	2%	4%	51%	17%	68%
210	16%	29%	2%	4%	51%	17%	68%
220	16%	29%	2%	4%	51%	17%	68%
230	15%	29%	2%	4%	51%	17%	67%





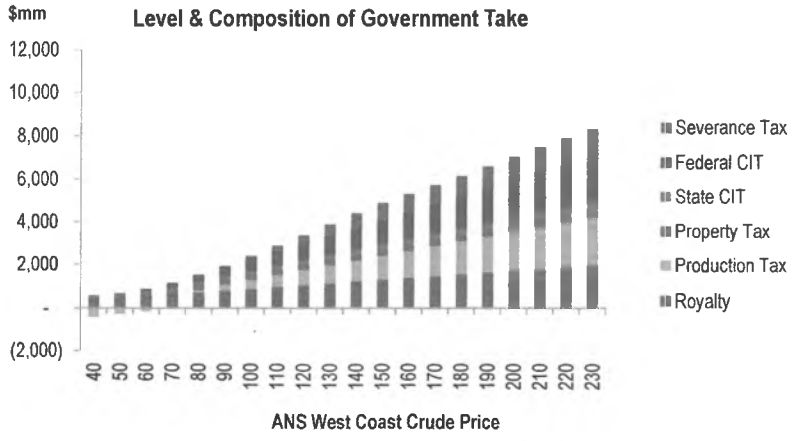
PFC Energy

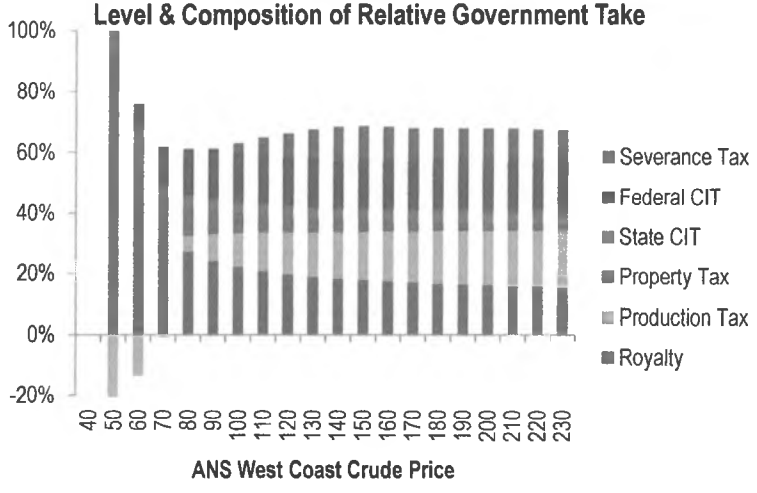
CSSB 192 10% Max Rate, $80 Threshold
($25/bbl Capex Incremental Development)



Price	NPV	IRR
$40	$ (308)	-5%
$60	$ (133)	5%
$100	$ 101	14%

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40							
50	91%	-61%	50%	0%	80%	0%	80%
60	44%	-14%	21%	2%	54%	9%	62%
70	33%	-1%	13%	3%	48%	13%	61%
80	27%	5%	9%	4%	46%	15%	61%
90	24%	10%	7%	4%	45%	16%	61%
100	22%	15%	6%	4%	47%	16%	63%
110	21%	19%	5%	4%	49%	16%	65%
120	20%	22%	5%	4%	50%	16%	66%
130	19%	25%	4%	4%	52%	16%	68%
140	18%	27%	4%	4%	53%	16%	68%
150	18%	28%	3%	4%	53%	16%	69%
160	17%	28%	3%	4%	52%	16%	68%
170	17%	28%	3%	4%	52%	16%	68%
180	16%	28%	3%	4%	52%	16%	68%
190	16%	29%	2%	4%	51%	16%	68%
200	16%	29%	2%	4%	51%	17%	68%
210	16%	29%	2%	4%	51%	17%	68%
220	16%	29%	2%	4%	51%	17%	68%
230	15%	29%	2%	4%	51%	17%	67%





PFC Energy

Comparison of Oil Tax Proposals

	Achieves decoupling	Reduces high levels of support for spending/poor incentives for cost control	Minimizes complexity	Reduces gov take on new/ incremental production	No increase on any taxpayers	Revenue neutral at $100+/bbl	More even split between state and companies above $100-$120/bbl
CSSB192	●	●	●	●		●	●
HB110		●		●	●		●
ACES w/40% Cap			●		●	●	●
ACES w/40% Cap & SB305-Style Decoupling	●					●	●

Prepared by Senate Finance - 4/9/2012

32.

CSSB 192(FIN)
Work Drafts
Version U (4/5/12)
Version O (4/5/12)
Version T (4/2/12)

27-LS1305\U
Bullock
4/5/12

Adopted 4/6/12

CS FOR SENATE BILL NO. 192(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RESOURCES COMMITTEE

A BILL

FOR AN ACT ENTITLED

"An Act relating to the oil and gas production tax; providing for a minimum tax on oil and gas production so that the state receives a minimum production tax of 10 percent of the gross value at the point of production for certain oil and gas production; relating to that part of the monthly production tax on the gross value at the point of production of oil produced by a producer that produced oil in 2008 and 2011 but did not produce a volume of taxable oil in excess of a defined target volume or that did not produce taxable oil before January 1, 2008, and produced taxable oil for more than seven consecutive years during a specified time period, and providing that the applicable tax rate on the gross value at the point of production on that category of oil production is 0.27 percent multiplied by the number that represents the difference between the average gross value at the point of production for a barrel of oil and $60 or, if the average gross value at the point of production is greater than $60 above the base amount of $60, that the applicable

New Text Underlined [DELETED TEXT BRACKETED]

tax rate is the sum of 16.2 percent and the product of 0.03 percent multiplied by the number that represents the difference between the average monthly gross value at the point of production for a barrel of oil and $60 above the base amount of $60, except that the tax rate applicable to that category of oil production may not exceed 20 percent; relating to that part of the monthly production tax on the gross value at the point of production of oil produced by a producer that produced oil in 2008 and 2011 and produces a volume of taxable oil for the year in excess of a defined target volume, and providing that the applicable tax rate on the gross value at the point of production for that category of oil production is 0.14 percent multiplied by the number that represents the difference between that average monthly gross value at the point of production for a barrel of oil and the base amount of $60 or, if the average gross value at the point of production is greater than $60 above the base amount of $60, that the applicable tax rate is the sum of 16.2 percent and the product of 0.03 percent multiplied by the number that represents the difference between the average monthly gross value at the point of production for a barrel of oil and $60 above the base amount of $60, except that the tax rate applicable to that category of oil production may not exceed 20 percent; relating to that part of the tax on the gross value at the point of production of oil produced by a producer during the first seven consecutive years after the start of sustained production or during the first seven consecutive years of sustained production after December 31, 2012, whichever is later, from a lease or property containing land that was not or previously had not been within a unit or in commercial production before January 1, 2008, and providing that the applicable tax rate on the gross value at the point of production for that category of oil is determined by multiplying the monthly gross value at the point of production of the taxable oil produced during the month by the tax rate

determined by multiplying 0.05 percent by the number that represents the difference between that average monthly gross value at the point of production for a barrel of oil and the base amount of $60, except that the tax rate determined for that category of oil production may not exceed five percent; relating to payments of the oil and gas production tax; relating to an adjustment to the base amount of $60 based on an increase in the United States Consumer Price Index for all urban consumers for the most recent year; relating to the allocation of lease expenditures and adjustments to lease expenditures; relating to the duties of the Department of Revenue; relating to a petroleum information management system; relating to the duties of the Alaska Oil and Gas Conservation Commission, the Department of Natural Resources, and the Department of Labor and Workforce Development that relate to providing the Department of Revenue with certain information relating to oil and gas; and providing for an effective date."

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

* **Section 1.** AS 43.55.011(e) is amended to read:

(e) There is levied on the producer of oil or gas a tax for all oil and gas produced each calendar year from each lease or property in the state, less any oil and gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest. Except as otherwise provided under (f), (j), (k), and (o) of this section, the tax is equal to the sum of

(1) the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

(2) the sum, over all months of the calendar year, of the tax amounts determined under (g) of this section **on the gross value at the point of production of oil**.

* **Sec. 2.** AS 43.55.011(f) is repealed and reenacted to read:

(f) Except for oil and gas subject to (i) of this section and gas subject to (o) of this section, the provisions of this subsection apply to oil and gas produced by a producer that had average daily oil and gas production during the most recent calendar year of more than 50,000 BTU equivalent barrels. Notwithstanding any contrary provision of law, a producer may not apply tax credits to reduce its total tax liability under (e) and (g) of this section for oil and gas produced from all leases or properties below 10 percent of the total gross value at the point of production of that oil and gas. If the amount of tax calculated by applying the tax rates in (e) and (g) of this section to the total production tax value of the oil and gas taxable under (e) and (g) of this section produced from all of the producer's leases or properties is less than 10 percent of the total gross value at the point of production of that oil and gas, the tax levied by (e) and (g) of this section for that oil and gas is equal to 10 percent of the total gross value at the point of production of that oil and gas.

*** Sec. 3.** AS 43.55.011(g) is repealed and reenacted to read:

(g) For each month of the calendar year for which the producer's average monthly gross value at the point of production for a barrel of taxable oil is above the base amount of $60, the producer shall determine the tax for the purposes of (e)(2) of this section as follows:

(1) for oil not subject to (2) or (3) of this subsection produced by a producer that produced oil in 2008 and 2011, for oil not subject to (3) of this subsection produced by a producer who did not produce oil in 2008 and 2011, and for oil production that was subject to (3) of this subsection but is no longer subject to (3) of this subsection, the amount of tax is determined by multiplying the monthly gross value at the point of production of the taxable oil produced during the month by the tax rate calculated as follows:

(A) if the producer's average monthly gross value at the point of production for a barrel of the taxable oil for the month is not more than $60 above the base amount of $60, the tax rate is 0.27 percent multiplied by the number that represents the difference between that average monthly gross value at the point of production for a barrel of oil and the base amount of $60; or

(B) if the producer's average monthly gross value at the point of production for a barrel of taxable oil is more than $60 above the base amount of $60, the tax rate is the sum of 16.2 percent and the product of 0.03 percent multiplied by the number that represents the difference between the average monthly gross value at the point of production for a barrel of oil and $60 above the base amount of $60, except that the tax rate determined under this subparagraph may not exceed 20 percent;

(2) for oil not subject to (3) of this subsection produced by a producer that produced taxable oil in 2008 and 2011 that is in excess of the target volume determined under (q) of this section, the amount of tax on the volume of oil above the target volume is determined by multiplying the monthly gross value at the point of production of the taxable oil produced during the month by the tax rate calculated as follows:

(A) if the producer's average monthly gross value at the point of production for a barrel of the taxable oil for the month is not more than $60 above the base amount of $60, the tax rate is 0.14 percent multiplied by the number that represents the difference between that average monthly gross value at the point of production for a barrel of oil and the base amount of $60; or

(B) if the producer's average monthly gross value at the point of production for a barrel of taxable oil is more than $60 above the base amount of $60, the tax rate is the sum of 8.4 percent and the product of 0.03 percent multiplied by the number that represents the difference between the average monthly gross value at the point of production for a barrel of oil and $60 above the base amount of $60, except that the tax rate determined under this subparagraph may not exceed 10 percent;

(3) for oil produced by a producer during the first seven consecutive years after the start of sustained production or during the first seven consecutive years of sustained production after December 31, 2012, whichever is later, from a lease or property containing land that was not or previously had not been within a unit or in commercial production before January 1, 2008, the amount of tax is determined by

multiplying the monthly gross value at the point of production of the taxable oil produced during the month by the tax rate determined by multiplying 0.05 percent by the number that represents the difference between that average monthly gross value at the point of production for a barrel of oil and $60, except that the tax rate determined under this paragraph may not exceed five percent; after the rate determination of this paragraph no longer applies, oil produced from a lease or property that was subject to the rate determination under this paragraph is subject to the rate determination under (1) of this subsection; in this paragraph, "sustained production" has the meaning given in AS 43.55.025(*l*).

*** Sec. 4.** AS 43.55.011 is amended by adding new subsections to read:

(p) Beginning on March 1, 2014, and on March 1 of each year thereafter, the commissioner shall adjust the base amount of $60 in (g) of this section by the percent increase in the annual United States Consumer Price Index for all urban consumers for the most recent year. The index for January 2013 is the reference base index. The commissioner shall publish the percent increase and the adjusted base amount on the department's Internet website as soon as is practicable after the commissioner determines the adjusted base amount. The adjustment made by the commissioner is retroactive to January 1 of the year in which the adjustment is made. The department shall adopt a regulation providing for the payment of the increase in an installment payment required under AS 43.55.020(a) that results from the retroactive application of the adjustment to the base amount of $60 in (g) of this section.

(q) When determining whether a producer is subject to (g)(1) or (2) of this section,

(1) the target volume is determined under the following formula, where V is the volume of the oil produced by the producer in 2011, D is the decline percentage calculated by taking the cube root of the ratio of the volume of taxable oil produced by the producer in 2011 to the volume of taxable oil produced by the producer in 2008, and Y is the year, expressed in four digits, for which the target volume is being determined:

$$\text{Target Volume} = V \times D^{(Y - 2011)};$$ and

(2) the target volume for a producer that increases its volume of

production through the purchase, merger, or other acquisition of another producer is the sum of the producer's target volume and the target volume for the producer that is purchased, merged with, or otherwise acquired; however, if the producer that is purchased, merged with, or otherwise acquired did not have production in 2008 and 2011, the volume of the increased production that is attributable to the purchase, merger, or other acquisition may not be considered for the purpose of determining whether the producer that acquired the additional production has increased the volume of production above its target volume.

* **Sec. 5.** AS 43.55.020(a) is amended to read:

(a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i) shall pay the tax as follows:

(1) an installment payment of the estimated tax levied by AS 43.55.011(e) **and (g)**, net of any tax credits applied as allowed by law, is due for each month of the calendar year on the last day of the following month; except as otherwise provided under (2) of this subsection, the amount of the installment payment is the sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment payment may not be less than zero:

(A) for oil and gas produced from leases or properties in the state outside the Cook Inlet sedimentary basin but not subject to AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f), the greater of

(i) zero; or

(ii) the sum of **the tax determined under AS 43.55.011(g) on the gross value at the point of production for oil produced for the month added to the product of** 25 percent and [THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g) MULTIPLIED BY] the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the leases or properties under AS 43.55.160 from the

gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated;

(B) for oil and gas produced from leases or properties subject to AS 43.55.011(f), the **greater** [GREATEST] of

(i) **10 percent of the gross value at the point of production for oil and gas described in AS 43.55.011(f)** [ZERO;

(ii) ZERO PERCENT, ONE PERCENT, TWO PERCENT, THREE PERCENT, OR FOUR PERCENT, AS APPLICABLE, OF THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL AND GAS] produced [FROM ALL LEASES OR PROPERTIES] during the month for which the installment payment is calculated; or

(ii) [(iii)] the sum of **the tax determined under AS 43.55.011(g) on the gross value at the point of production for oil produced for the month added to the product of** 25 percent and the tax rate calculated for the month under AS 43.55.011(g) [MULTIPLIED BY] the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for those leases or properties under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from those leases or properties during the month for which the installment payment is calculated;

(C) for oil and gas produced from each lease or property subject to AS 43.55.011(j), (k), or (o), the greater of

(i) zero; or

(ii) the sum of **the tax determined under AS 43.55.011(g) on the gross value at the point of production for the oil produced for the month added to the product of** 25 percent and [THE TAX RATE CALCULATED FOR THE MONTH UNDER

AS 43.55.011(g) MULTIPLIED BY] the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160 for oil or gas, respectively, produced from the lease or property from the gross value at the point of production of the oil or gas, respectively, produced from the lease or property during the month for which the installment payment is calculated;

(2) an amount calculated under (1)(C) of this subsection for oil or gas produced from a lease or property subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced during the month for the amount of taxable oil produced during the calendar year;

(3) an installment payment of the estimated tax levied by AS 43.55.011(i) for each lease or property is due for each month of the calendar year on the last day of the following month; the amount of the installment payment is the sum of

(A) the applicable tax rate for oil provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the oil taxable under AS 43.55.011(i) and produced from the lease or property during the month; and

(B) the applicable tax rate for gas provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the gas taxable under AS 43.55.011(i) and produced from the lease or property during the month;

(4) any amount of tax levied by AS 43.55.011(e) **and (g)** or (i), net of

any credits applied as allowed by law, that exceeds the total of the amounts due as installment payments of estimated tax is due on March 31 of the year following the calendar year of production.

* **Sec. 6.** AS 43.55.160(c) is amended to read:

(c) Notwithstanding any contrary provision of AS 43.55.150, for purposes of calculating **the tax due under AS 43.55.011(g)** [A MONTHLY PRODUCTION TAX VALUE UNDER (a)(2) OF THIS SECTION], the gross value at the point of production of the oil and gas is calculated under regulations adopted by the department that provide for using an appropriate monthly share of the producer's costs of transportation for the calendar year.

* **Sec. 7.** AS 43.55.160 is amended by adding new subsections to read:

(f) For purposes of (a) of this section, a lease expenditure is applicable to oil or gas produced from a lease or property, or to oil or gas produced from leases or properties in an area of the state, if the lease expenditure is

(1) a cost to explore, develop, or produce oil or gas from that lease or property, or to explore, develop, or produce oil or gas from one of those leases or properties in that area of the state, respectively; and

(2) incurred on or after the commencement of commercial production of oil or gas from the lease or property.

(g) For purposes of (a) of this section, a lease expenditure incurred during a calendar year to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, shall be allocated as provided in a regulation adopted by the department under AS 43.55.165(h) to and among oil, gas subject to AS 43.55.011(o), and gas not subject to AS 43.55.011(o) produced by the producer during that calendar year from leases or properties in the same area of the state as the land being explored or the lease or property being explored or developed, respectively.

(h) For purposes of (f) and (g) of this section, an area of the state is one of the following:

(1) land north of 68 degrees North latitude;

(2) land outside the Cook Inlet sedimentary basin not including any

land north of 68 degrees North latitude; or

(3) the Cook Inlet sedimentary basin.

* **Sec. 8.** AS 43.55.165(h) is amended to read:

(h) The department shall adopt regulations that provide for reasonable methods of allocating costs between oil and gas, between gas subject to AS 43.55.011(o) and other gas, and between leases or properties in those circumstances where an allocation of costs is required to determine lease expenditures that are costs of exploring for, developing, or producing oil deposits or costs of exploring for, developing, or producing gas deposits, or that are costs of exploring for, developing, or producing oil or gas deposits located within different leases or properties. **When adopting a regulation for determining a reasonable method of allocating lease expenditures between the production of oil and the production of gas, the department shall, to the extent possible, provide for the allocation of lease expenditures in proportion to the gross value at the point of production for oil produced and gas produced.**

* **Sec. 9.** AS 43.55.170 is amended by adding a new subsection to read:

(d) The department shall adopt regulations that provide for reasonable methods of allocating the adjustments to a producer's lease expenditures in (a) of this section and the payments and credits described in (b) of this section between oil and gas, between gas subject to AS 43.55.011(o) and other gas, and between leases or properties in those circumstances where an allocation of costs is required to determine lease expenditures that are costs of exploring for, developing, or producing oil deposits, or costs of exploring for, developing, or producing gas deposits, or that are costs of exploring for, developing, or producing oil or gas deposits located within different leases or properties. When determining a reasonable method of allocating the adjustments to a producer's lease expenditures between the production of oil and the production of gas, the department shall consider allocating the adjustments in proportion to the lease expenditures allocated to the production of oil and the production of gas under regulations adopted by the department under AS 43.55.165(h).

* **Sec. 10.** AS 44.25 is amended by adding a new section to read:

Sec. 44.25.025. Petroleum information management system. (a) The Department of Revenue shall develop and maintain an electronic petroleum information management system to collect, secure, distribute, store, retrieve, and archive information related to oil and gas exploration, development, and production in the state. The purposes of the petroleum information management system are to improve the administration of the oil and gas production tax and to facilitate exploration, development, and production of oil and gas resources. The petroleum information management system shall be accessible by the public.

(b) To the extent the information is available and is not confidential, the petroleum information management system must include the following information:

(1) unit and joint operating agreements;

(2) state oil and gas exploration licenses and oil and gas leases;

(3) for exploration activities,

(A) exploration work programs and budgets;

(B) seismic data;

(C) drilling reports;

(D) logs;

(E) well tests;

(F) geological models and maps;

(4) for development activities,

(A) development plans with operating and capital expenditure projections;

(B) construction progress reports;

(C) drilling reports;

(D) reservoir characterization;

(5) for production activities,

(A) production work programs and budgets;

(B) oil and gas sales, revenue, and pricing;

(C) transportation agreements;

(D) production data;

(E) injection data;

(F) operating and capital expenditures;

(G) facility maps and studies;

(6) for abandonment of oil and gas wells, leases, and production and transportation facilities,

(A) abandonment plans and budgets;

(B) progress reports;

(7) for oil and gas related employment information,

(A) the number of resident and nonresident hires for each year;

(B) training opportunities; and

(8) other information the Department of Revenue determines necessary and relevant to the oil and gas production tax and to the exploration, development, and production of oil and gas resources.

(c) The Alaska Oil and Gas Conservation Commission, the Department of Natural Resources, and the Department of Labor and Workforce Development, in consultation with the Department of Revenue, shall provide information described in (b) of this section that is not confidential and within the control of the commission and each department to the Department of Revenue for inclusion in the petroleum information management system. The information provided by the Alaska Oil and Gas Conservation Commission or by a department under this subsection shall be in a form suitable for the Department of Revenue to include in the petroleum information management system.

* **Sec. 11.** AS 43.55.160(a)(2) is repealed.

* **Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section to read:

IMPLEMENTATION OF THE PETROLEUM INFORMATION MANAGEMENT SYSTEM. The Department of Revenue shall develop and implement a work plan for the development of the petroleum information management system required by AS 44.25.025, enacted by sec. 10 of this Act, so that the system is operational before January 1, 2014.

* **Sec. 13.** Sections 1 - 9 and 11 of this Act take effect January 1, 2013.

* **Sec. 14.** Except as provided in sec. 13 of this Act, this Act takes effect immediately under AS 01.10.070(c).

adopted 4/5/12

27-LS1305\O
Bullock
4/5/12

CS FOR SENATE BILL NO. 192(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RESOURCES COMMITTEE

A BILL

FOR AN ACT ENTITLED

"An Act relating to the oil and gas production tax; providing for a minimum tax on oil and gas production so that the state receives a minimum production tax of 10 percent of the gross value at the point of production for certain oil and gas production; relating to that part of the monthly production tax on the gross value at the point of production of oil produced by a producer that produced oil in 2008 and 2011 but did not produce a volume of taxable oil in excess of a defined target volume or that did not produce taxable oil before January 1, 2008, and produced taxable oil for more than seven consecutive years during a specified time period, and providing that the applicable tax rate on the gross value at the point of production on that category of oil production is 0.27 percent multiplied by the number that represents the difference between the average gross value at the point of production for a barrel of oil and $60 or, if the average gross value at the point of production is greater than $60 above the base amount of $60, that the applicable

New Text Underlined [DELETED TEXT BRACKETED]

tax rate is the sum of 16.2 percent and the product of 0.03 percent multiplied by the number that represents the difference between the average monthly gross value at the point of production for a barrel of oil and $60 above the base amount of $60, except that the tax rate applicable to that category of oil production may not exceed 20 percent; relating to that part of the monthly production tax on the gross value at the point of production of oil produced by a producer that produced oil in 2008 and 2011 and produces a volume of taxable oil for the year in excess of a defined target volume, and providing that the applicable tax rate on the gross value at the point of production for that category of oil production is 0.14 percent multiplied by the number that represents the difference between that average monthly gross value at the point of production for a barrel of oil and the base amount of $60 or, if the average gross value at the point of production is greater than $60 above the base amount of $60, that the applicable tax rate is the sum of 16.2 percent and the product of 0.03 percent multiplied by the number that represents the difference between the average monthly gross value at the point of production for a barrel of oil and $60 above the base amount of $60, except that the tax rate applicable to that category of oil production may not exceed 20 percent; relating to that part of the tax on the gross value at the point of production of oil produced by a producer during the first seven consecutive years after the start of sustained production or during the first seven consecutive years of sustained production after December 31, 2012, whichever is later, from a lease or property containing land that was not or previously had not been within a unit or in commercial production before January 1, 2008, and providing that the applicable tax rate on the gross value at the point of production for that category of oil is determined by multiplying the monthly gross value at the point of production of the taxable oil produced during the month by the tax rate

determined by multiplying 0.05 percent by the number that represents the difference between that average monthly gross value at the point of production for a barrel of oil and the base amount of $60, except that the tax rate determined for that category of oil production may not exceed five percent; relating to payments of the oil and gas production tax; relating to an adjustment to the base amount of $60 based on an increase in the United States Consumer Price Index for all urban consumers for the most recent year; relating to the allocation of lease expenditures and adjustments to lease expenditures; relating to the duties of the Department of Revenue; relating to a petroleum information management system; relating to the duties of the Alaska Oil and Gas Conservation Commission, the Department of Natural Resources, and the Department of Labor and Workforce Development that relate to providing the Department of Revenue with certain information relating to oil and gas; and providing for an effective date."

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

*** Section 1.** AS 43.55.011(e) is amended to read:

(e) There is levied on the producer of oil or gas a tax for all oil and gas produced each calendar year from each lease or property in the state, less any oil and gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest. Except as otherwise provided under (f), (j), (k), and (o) of this section, the tax is equal to the sum of

(1) the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

(2) the sum, over all months of the calendar year, of the tax amounts determined under (g) of this section **on the gross value at the point of production of oil**.

*** Sec. 2.** AS 43.55.011(f) is repealed and reenacted to read:

(f) Except for oil and gas subject to (i) of this section and gas subject to (o) of this section, the provisions of this subsection apply to oil and gas produced by a producer that had average daily oil and gas production during the most recent calendar year of more than 50,000 BTU equivalent barrels. Notwithstanding any contrary provision of law, a producer may not apply tax credits to reduce its total tax liability under (e) and (g) of this section for oil and gas produced from all leases or properties below 10 percent of the total gross value at the point of production of that oil and gas. If the amount of tax calculated by applying the tax rates in (e) and (g) of this to the total production tax value of the oil and gas taxable under (e) and (g) of this section produced from all of the producer's leases or properties is less than 10 percent of the total gross value at the point of production of that oil and gas, the tax levied by (e) and (g) of this section for that oil and gas is equal to 10 percent of the total gross value at the point of production of that oil and gas.

*** Sec. 3.** AS 43.55.011(g) is repealed and reenacted to read:

(g) For each month of the calendar year for which the producer's average monthly gross value at the point of production for a barrel of taxable oil is above the base amount of $60, the producer shall determine the tax for the purposes of (e)(2) of this section as follows:

(1) for oil not subject to (3) of this subsection produced by a producer that produced oil in 2008 and 2011 but failed to produce a volume of taxable oil for the year in excess of the target volume determined under (q) of this section, for oil not subject to (3) of this subsection produced by a producer who did not produce oil in 2008 and 2011, and for oil production that was subject to (3) of this subsection but is no longer subject to (3) of this subsection, the amount of tax is determined by multiplying the monthly gross value at the point of production of the taxable oil produced during the month by the tax rate calculated as follows:

(A) if the producer's average monthly gross value at the point of production for a barrel of the taxable oil for the month is not more than $60 above the base amount of $60, the tax rate is 0.27 percent multiplied by the number that represents the difference between that average monthly gross value at the point of production for a barrel of oil and the base amount of $60;

or

(B) if the producer's average monthly gross value at the point of production for a barrel of taxable oil is more than $60 above the base amount of $60, the tax rate is the sum of 16.2 percent and the product of 0.03 percent multiplied by the number that represents the difference between the average monthly gross value at the point of production for a barrel of oil and $60 above the base amount of $60, except that the tax rate determined under this subparagraph may not exceed 20 percent;

(2) for oil not subject to (3) of this subsection produced by a producer that produced taxable oil in 2008 and 2011 and produces a volume of taxable oil for the year in excess of the target volume determined under (q) of this section, the amount of tax is determined by multiplying the monthly gross value at the point of production of the taxable oil produced during the month by the tax rate calculated as follows:

(A) if the producer's average monthly gross value at the point of production for a barrel of the taxable oil for the month is not more than $60 above the base amount of $60, the tax rate is 0.14 percent multiplied by the number that represents the difference between that average monthly gross value at the point of production for a barrel of oil and the base amount of $60;

or

(B) if the producer's average monthly gross value at the point of production for a barrel of taxable oil is more than $60 above the base amount of $60, the tax rate is the sum of 8.4 percent and the product of 0.03 percent multiplied by the number that represents the difference between the average monthly gross value at the point of production for a barrel of oil and $60 above the base amount of $60, except that the tax rate determined under this subparagraph may not exceed 10 percent;

(3) for oil produced by a producer during the first seven consecutive years after the start of sustained production or during the first seven consecutive years of sustained production after December 31, 2012, whichever is later, from a lease or property containing land that was not or previously had not been within a unit or in

commercial production before January 1, 2008, the amount of tax is determined by multiplying the monthly gross value at the point of production of the taxable oil produced during the month by the tax rate determined by multiplying 0.05 percent by the number that represents the difference between that average monthly gross value at the point of production for a barrel of oil and $60, except that the tax rate determined under this paragraph may not exceed five percent; after the rate determination of this paragraph no longer applies, oil produced from a lease or property that was subject to the rate determination under this paragraph is subject to the rate determination under (1) of this subsection; in this paragraph, "sustained production" has the meaning given in AS 43.55.025(*l*).

*** Sec. 4.** AS 43.55.011 is amended by adding new subsections to read:

(p) Beginning on March 1, 2014, and on March 1 of each year thereafter, the commissioner shall adjust the base amount of $60 in (g) of this section by the percent increase in the annual United States Consumer Price Index for all urban consumers for the most recent year. The index for January 2013 is the reference base index. The commissioner shall publish the percent increase and the adjusted base amount on the department's Internet website as soon as is practicable after the commissioner determines the adjusted base amount. The adjustment made by the commissioner is retroactive to January 1 of the year in which the adjustment is made. The department shall adopt a regulation providing for the payment of the increase in an installment payment required under AS 43.55.020(a) that results from the retroactive application of the adjustment to the base amount of $60 in (g) of this section.

(q) For purposes of determining whether a producer is subject to (g)(1) or (2) of this section, the target volume is determined under the following formula, where V is the volume of the oil produced by the producer in 2011, D is the decline percentage calculated by taking the cube root of the ratio of the volume of taxable oil produced by the producer in 2011 to the volume of taxable oil produced by the producer in 2008, and Y is the year, expressed in four digits, for which the target volume is being determined:

$$\text{Target Volume} = V \times D^{(Y - 2011)}$$

*** Sec. 5.** AS 43.55.020(a) is amended to read:

(a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i) shall pay the tax as follows:

(1) an installment payment of the estimated tax levied by AS 43.55.011(e) **and (g)**, net of any tax credits applied as allowed by law, is due for each month of the calendar year on the last day of the following month; except as otherwise provided under (2) of this subsection, the amount of the installment payment is the sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment payment may not be less than zero:

(A) for oil and gas produced from leases or properties in the state outside the Cook Inlet sedimentary basin but not subject to AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f), the greater of

(i) zero; or

(ii) the sum of **the tax determined under AS 43.55.011(g) on the gross value at the point of production for oil produced for the month added to the product of** 25 percent and [THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g) MULTIPLIED BY] the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the leases or properties under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated;

(B) for oil and gas produced from leases or properties subject to AS 43.55.011(f), the **greater** [GREATEST] of

(i) **10 percent of the gross value at the point of production for oil and gas described in AS 43.55.011(f)** [ZERO;

(ii) ZERO PERCENT, ONE PERCENT, TWO PERCENT, THREE PERCENT, OR FOUR PERCENT, AS

APPLICABLE, OF THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL AND GAS] produced [FROM ALL LEASES OR PROPERTIES] during the month for which the installment payment is calculated; or

(ii) [(iii)] the sum of **the tax determined under AS 43.55.011(g) on the gross value at the point of production for oil produced for the month added to the product of** 25 percent and the tax rate calculated for the month under AS 43.55.011(g) [MULTIPLIED BY] the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for those leases or properties under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from those leases or properties during the month for which the installment payment is calculated;

(C) for oil and gas produced from each lease or property subject to AS 43.55.011(j), (k), or (o), the greater of

(i) zero; or

(ii) the sum of **the tax determined under AS 43.55.011(g) on the gross value at the point of production for the oil produced for the month added to the product of** 25 percent and [THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g) MULTIPLIED BY] the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160 for oil or gas, respectively, produced from the lease or property from the gross value at the point of production of the oil or gas, respectively, produced from the lease or property during the month for which the installment payment is calculated;

(2) an amount calculated under (1)(C) of this subsection for oil or gas

produced from a lease or property subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced during the month for the amount of taxable oil produced during the calendar year;

(3) an installment payment of the estimated tax levied by AS 43.55.011(i) for each lease or property is due for each month of the calendar year on the last day of the following month; the amount of the installment payment is the sum of

(A) the applicable tax rate for oil provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the oil taxable under AS 43.55.011(i) and produced from the lease or property during the month; and

(B) the applicable tax rate for gas provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the gas taxable under AS 43.55.011(i) and produced from the lease or property during the month;

(4) any amount of tax levied by AS 43.55.011(e) **and (g)** or (i), net of any credits applied as allowed by law, that exceeds the total of the amounts due as installment payments of estimated tax is due on March 31 of the year following the calendar year of production.

*** Sec. 6.** AS 43.55.160(c) is amended to read:

(c) Notwithstanding any contrary provision of AS 43.55.150, for purposes of calculating **the tax due under AS 43.55.011(g)** [A MONTHLY PRODUCTION TAX VALUE UNDER (a)(2) OF THIS SECTION], the gross value at the point of production of the oil and gas is calculated under regulations adopted by the department that provide for using an appropriate monthly share of the producer's costs of

transportation for the calendar year.

* **Sec. 7.** AS 43.55.160 is amended by adding new subsections to read:

(f) For purposes of (a) of this section, a lease expenditure is applicable to oil or gas produced from a lease or property, or to oil or gas produced from leases or properties in an area of the state, if the lease expenditure is

(1) a cost to explore, develop, or produce oil or gas from that lease or property, or to explore, develop, or produce oil or gas from one of those leases or properties in that area of the state, respectively; and

(2) incurred on or after the commencement of commercial production of oil or gas from the lease or property.

(g) For purposes of (a) of this section, a lease expenditure incurred during a calendar year to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, shall be allocated as provided in a regulation adopted by the department under AS 43.55.165(h) to and among oil, gas subject to AS 43.55.011(o), and gas not subject to AS 43.55.011(o) produced by the producer during that calendar year from leases or properties in the same area of the state as the land being explored or the lease or property being explored or developed, respectively.

(h) For purposes of (f) and (g) of this section, an area of the state is one of the following:

(1) land north of 68 degrees North latitude;

(2) land outside the Cook Inlet sedimentary basin not including any land north of 68 degrees North latitude; or

(3) the Cook Inlet sedimentary basin.

* **Sec. 8.** AS 43.55.165(h) is amended to read:

(h) The department shall adopt regulations that provide for reasonable methods of allocating costs between oil and gas, between gas subject to AS 43.55.011(o) and other gas, and between leases or properties in those circumstances where an allocation of costs is required to determine lease expenditures that are costs of exploring for, developing, or producing oil deposits or costs of exploring for, developing, or producing gas deposits, or that are costs of exploring for,

developing, or producing oil or gas deposits located within different leases or properties. **When adopting a regulation for determining a reasonable method of allocating lease expenditures between the production of oil and the production of gas, the department shall, to the extent possible, provide for the allocation of lease expenditures in proportion to the gross value at the point of production for oil produced and gas produced.**

*** Sec. 9.** AS 43.55.170 is amended by adding a new subsection to read:

(d) The department shall adopt regulations that provide for reasonable methods of allocating the adjustments to a producer's lease expenditures in (a) of this section and the payments and credits described in (b) of this section between oil and gas, between gas subject to AS 43.55.011(o) and other gas, and between leases or properties in those circumstances where an allocation of costs is required to determine lease expenditures that are costs of exploring for, developing, or producing oil deposits, or costs of exploring for, developing, or producing gas deposits, or that are costs of exploring for, developing, or producing oil or gas deposits located within different leases or properties. When determining a reasonable method of allocating the adjustments to a producer's lease expenditures between the production of oil and the production of gas, the department shall consider allocating the adjustments in proportion to the lease expenditures allocated to the production of oil and the production of gas under regulations adopted by the department under AS 43.55.165(h).

*** Sec. 10.** AS 44.25 is amended by adding a new section to read:

Sec. 44.25.025. Petroleum information management system. (a) The Department of Revenue shall develop and maintain an electronic petroleum information management system to collect, secure, distribute, store, retrieve, and archive information related to oil and gas exploration, development, and production in the state. The purposes of the petroleum information management system are to improve the administration of the oil and gas production tax and to facilitate exploration, development, and production of oil and gas resources. The petroleum information management system shall be accessible by the public.

(b) To the extent the information is available and is not confidential, the

petroleum information management system must include the following information:

(1) unit and joint operating agreements;

(2) state oil and gas exploration licenses and oil and gas leases;

(3) for exploration activities,

(A) exploration work programs and budgets;

(B) seismic data;

(C) drilling reports;

(D) logs;

(E) well tests;

(F) geological models and maps;

(4) for development activities,

(A) development plans with operating and capital expenditure projections;

(B) construction progress reports;

(C) drilling reports;

(D) reservoir characterization;

(5) for production activities,

(A) production work programs and budgets;

(B) oil and gas sales, revenue, and pricing;

(C) transportation agreements;

(D) production data;

(E) injection data;

(F) operating and capital expenditures;

(G) facility maps and studies;

(6) for abandonment of oil and gas wells, leases, and production and transportation facilities,

(A) abandonment plans and budgets;

(B) progress reports;

(7) for oil and gas related employment information,

(A) the number of resident and nonresident hires for each year;

(B) training opportunities; and

(8) other information the Department of Revenue determines necessary and relevant to the oil and gas production tax and to the exploration, development, and production of oil and gas resources.

(c) The Alaska Oil and Gas Conservation Commission, the Department of Natural Resources, and the Department of Labor and Workforce Development, in consultation with the Department of Revenue, shall provide information described in (b) of this section that is not confidential and within the control of the commission and each department to the Department of Revenue for inclusion in the petroleum information management system. The information provided by the Alaska Oil and Gas Conservation Commission or by a department under this subsection shall be in a form suitable for the Department of Revenue to include in the petroleum information management system.

* **Sec. 11.** AS 43.55.160(a)(2) is repealed.

* **Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section to read:

IMPLEMENTATION OF THE PETROLEUM INFORMATION MANAGEMENT SYSTEM. The Department of Revenue shall develop and implement a work plan for the development of the petroleum information management system required by AS 44.25.025, enacted by sec. 10 of this Act, so that the system is operational before January 1, 2014.

* **Sec. 13.** Sections 1 - 9 and 11 of this Act take effect January 1, 2013.

* **Sec. 14.** Except as provided in sec. 13 of this Act, this Act takes effect immediately under AS 01.10.070(c).

Adopted 4/3/12

27-LS1305\T
Bullock
4/2/12

CS FOR SENATE BILL NO. 192(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RESOURCES COMMITTEE

A BILL

FOR AN ACT ENTITLED

"An Act relating to the oil and gas production tax; relating to the minimum tax on oil and gas production; relating to the tax rates applicable to the production of oil as the gross value at the point of production of oil increases above $65; relating to payments of the oil and gas production tax; relating to the allocation of lease expenditures and adjustments to lease expenditures; relating to the duties of the Department of Revenue; relating to a petroleum information management system; relating to the duties of the Alaska Oil and Gas Conservation Commission, the Department of Natural Resources, and the Department of Labor and Workforce Development that relate to providing the Department of Revenue with certain information relating to oil and gas; and providing for an effective date."

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

*** Section 1.** AS 43.55.011(e) is amended to read:

(e) There is levied on the producer of oil or gas a tax for all oil and gas produced each calendar year from each lease or property in the state, less any oil and gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest. Except as otherwise provided under (f), (j), (k), and (o) of this section, the tax is equal to the sum of

(1) the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

(2) the sum, over all months of the calendar year, of the tax amounts determined under (g) of this section **on the gross value at the point of production of oil**.

*** Sec. 2.** AS 43.55.011(f) is repealed and reenacted to read:

(f) Except for oil and gas subject to (i) of this section and gas subject to (o) of this section, the provisions of this subsection apply to oil and gas produced from each lease or property within a unit or nonunitized reservoir that has cumulatively produced 1,000,000,000 BTU equivalent barrels of oil or gas by the close of the most recent calendar year and from which the average daily oil and gas production from the unit or nonunitized reservoir during the most recent calendar year exceeded 100,000 BTU equivalent barrels. Notwithstanding any contrary provision of law, a producer may not apply tax credits to reduce its total tax liability under (e) and (g) of this section for oil and gas produced from all leases or properties within the unit or nonunitized reservoir below 10 percent of the total gross value at the point of production of that oil and gas. If the amount of tax calculated by multiplying the tax rates in (e) and (g) of this section by the total production tax value of the oil and gas taxable under (e) and (g) of this section produced from all of the producer's leases or properties within the unit or nonunitized reservoir is less than 10 percent of the total gross value at the point of production of that oil and gas, the tax levied by (e) and (g) of this section for that oil and gas is equal to 10 percent of the total gross value at the point of production of that oil and gas.

*** Sec. 3.** AS 43.55.011(g) is repealed and reenacted to read:

(g) For each month of the calendar year for which the producer's average monthly gross value at the point of production for a barrel of taxable oil

(1) produced from each lease or property within a unit or nonunitized reservoir that has been in production for more than seven years or has cumulatively produced 1,000,000,000 barrels of oil by the close of the most recent calendar year and from which the average daily oil and gas production from the unit or nonunitized reservoir during the most recent calendar year exceeded 100,000 barrels of oil is more than $65, the amount of tax for purposes of (e)(2) of this section is determined by multiplying the monthly gross value at the point of production of the taxable oil produced during the month by the tax rate calculated as follows:

(A) if the producer's average monthly gross value at the point of production for a barrel of the taxable oil for the month is not more than $125, the tax rate is 0.25 percent multiplied by the number that represents the difference between that average monthly gross value at the point of production for a barrel of oil and $65; or

(B) if the producer's average monthly gross value at the point of production for a barrel of taxable oil is more than $125, the tax rate is the sum of 15 percent and the product of 0.05 percent multiplied by the number that represents the difference between the average monthly gross value at the point of production for a barrel of oil and $125, except that the sum determined under this subparagraph may not exceed 20 percent;

(2) not included in (1) of this subsection is more than $65, the amount of tax for purposes of (e)(2) of this section is determined by multiplying the monthly gross value at the point of production of the taxable oil produced during the month by the tax rate determined by multiplying 0.05 percent by the number that represents the difference between that average monthly gross value at the point of production for a barrel of oil and $65, except that the tax rate determined under this paragraph may not exceed five percent.

* **Sec. 4.** AS 43.55.020(a) is amended to read:

(a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i) shall pay the tax as follows:

(1) an installment payment of the estimated tax levied by AS 43.55.011(e) **and (g)**, net of any tax credits applied as allowed by law, is due for

each month of the calendar year on the last day of the following month; except as otherwise provided under (2) of this subsection, the amount of the installment payment is the sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment payment may not be less than zero:

(A) for oil and gas produced from leases or properties in the state outside the Cook Inlet sedimentary basin but not subject to AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f), the greater of

(i) zero; or

(ii) the sum of **the tax determined under AS 43.55.011(g) on the gross value at the point of production for oil produced for the month added to the product of** 25 percent and [THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g) MULTIPLIED BY] the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the leases or properties under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated;

(B) for oil and gas produced from leases or properties subject to AS 43.55.011(f), the **greater** [GREATEST] of

(i) **10 percent of the gross value at the point of production for oil and gas described in AS 43.55.011(f)** [ZERO;

(ii) ZERO PERCENT, ONE PERCENT, TWO PERCENT, THREE PERCENT, OR FOUR PERCENT, AS APPLICABLE, OF THE GROSS VALUE AT THE POINT OF PRODUCTION OF THE OIL AND GAS] produced [FROM ALL LEASES OR PROPERTIES] during the month for which the installment payment is calculated; or

(ii) [(iii)] the sum of **the tax determined under AS 43.55.011(g) on the gross value at the point of production for oil produced for the month added to the product of** 25 percent and the tax rate calculated for the month under AS 43.55.011(g) [MULTIPLIED BY] the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for those leases or properties under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from those leases or properties during the month for which the installment payment is calculated;

(C) for oil and gas produced from each lease or property subject to AS 43.55.011(j), (k), or (o), the greater of

(i) zero; or

(ii) the sum of **the tax determined under AS 43.55.011(g) on the gross value at the point of production for the oil produced for the month added to the product of** 25 percent and [THE TAX RATE CALCULATED FOR THE MONTH UNDER AS 43.55.011(g) MULTIPLIED BY] the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible under AS 43.55.160 for oil or gas, respectively, produced from the lease or property from the gross value at the point of production of the oil or gas, respectively, produced from the lease or property during the month for which the installment payment is calculated;

(2) an amount calculated under (1)(C) of this subsection for oil or gas produced from a lease or property subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in

AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced during the month for the amount of taxable oil produced during the calendar year;

(3) an installment payment of the estimated tax levied by AS 43.55.011(i) for each lease or property is due for each month of the calendar year on the last day of the following month; the amount of the installment payment is the sum of

(A) the applicable tax rate for oil provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the oil taxable under AS 43.55.011(i) and produced from the lease or property during the month; and

(B) the applicable tax rate for gas provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the gas taxable under AS 43.55.011(i) and produced from the lease or property during the month;

(4) any amount of tax levied by AS 43.55.011(e) **and (g)** or (i), net of any credits applied as allowed by law, that exceeds the total of the amounts due as installment payments of estimated tax is due on March 31 of the year following the calendar year of production.

* **Sec. 5.** AS 43.55.160(c) is amended to read:

(c) Notwithstanding any contrary provision of AS 43.55.150, for purposes of calculating **the tax due under AS 43.55.011(g)** [A MONTHLY PRODUCTION TAX VALUE UNDER (a)(2) OF THIS SECTION], the gross value at the point of production of the oil and gas is calculated under regulations adopted by the department that provide for using an appropriate monthly share of the producer's costs of transportation for the calendar year.

* **Sec. 6.** AS 43.55.160 is amended by adding new subsections to read:

(f) For purposes of (a) of this section, a lease expenditure is applicable to oil or gas produced from a lease or property, or to oil or gas produced from leases or

properties in an area of the state, if the lease expenditure is

(1) a cost to explore, develop, or produce oil or gas from that lease or property, or to explore, develop, or produce oil or gas from one of those leases or properties in that area of the state, respectively; and

(2) incurred on or after the commencement of commercial production of oil or gas from the lease or property.

(g) For purposes of (a) of this section, a lease expenditure incurred during a calendar year to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, shall be allocated as provided in a regulation adopted by the department under AS 43.55.165(h) to and among oil, gas subject to AS 43.55.011(o), and gas not subject to AS 43.55.011(o) produced by the producer during that calendar year from leases or properties in the same area of the state as the land being explored or the lease or property being explored or developed, respectively.

(h) For purposes of (f) and (g) of this section, an area of the state is one of the following:

(1) land north of 68 degrees North latitude;

(2) land outside the Cook Inlet sedimentary basin not including any land north of 68 degrees North latitude; or

(3) the Cook Inlet sedimentary basin.

* **Sec. 7.** AS 43.55.165(h) is amended to read:

(h) The department shall adopt regulations that provide for reasonable methods of allocating costs between oil and gas, between gas subject to AS 43.55.011(o) and other gas, and between leases or properties in those circumstances where an allocation of costs is required to determine lease expenditures that are costs of exploring for, developing, or producing oil deposits or costs of exploring for, developing, or producing gas deposits, or that are costs of exploring for, developing, or producing oil or gas deposits located within different leases or properties. **When adopting a regulation for determining a reasonable method of allocating lease expenditures between the production of oil and the production of gas, the department shall, to the extent possible, provide for the allocation of**

lease expenditures in proportion to the gross value at the point of production for oil produced and gas produced.

* **Sec. 8.** AS 43.55.170 is amended by adding a new subsection to read:

(d) The department shall adopt regulations that provide for reasonable methods of allocating the adjustments to a producer's lease expenditures in (a) of this section and the payments and credits described in (b) of this section between oil and gas, between gas subject to AS 43.55.011(o) and other gas, and between leases or properties in those circumstances where an allocation of costs is required to determine lease expenditures that are costs of exploring for, developing, or producing oil deposits, or costs of exploring for, developing, or producing gas deposits, or that are costs of exploring for, developing, or producing oil or gas deposits located within different leases or properties. When determining a reasonable method of allocating the adjustments to a producer's lease expenditures between the production of oil and the production of gas, the department shall consider allocating the adjustments in proportion to the lease expenditures allocated to the production of oil and the production of gas under regulations adopted by the department under AS 43.55.165(h).

* **Sec. 9.** AS 44.25 is amended by adding a new section to read:

Sec. 44.25.025. Petroleum information management system. (a) The Department of Revenue shall develop and maintain an electronic petroleum information management system to collect, secure, distribute, store, retrieve, and archive information related to oil and gas exploration, development, and production in the state. The purposes of the petroleum information management system are to improve the administration of the oil and gas production tax and to facilitate exploration, development, and production of oil and gas resources. The petroleum information management system shall be accessible by the public.

(b) To the extent the information is available and is not confidential, the petroleum information management system must include the following information:

(1) unit and joint operating agreements;

(2) state oil and gas exploration licenses and oil and gas leases;

(3) for exploration activities,

(A) exploration work programs and budgets;

(B) seismic data;

(C) drilling reports;

(D) logs;

(E) well tests;

(F) geological models and maps;

(4) for development activities,

(A) development plans with operating and capital expenditure projections;

(B) construction progress reports;

(C) drilling reports;

(D) reservoir characterization;

(5) for production activities,

(A) production work programs and budgets;

(B) oil and gas sales, revenue, and pricing;

(C) transportation agreements;

(D) production data;

(E) injection data;

(F) operating and capital expenditures;

(G) facility maps and studies;

(6) for abandonment of oil and gas wells, leases, and production and transportation facilities,

(A) abandonment plans and budgets;

(B) progress reports;

(7) for oil and gas related employment information,

(A) the number of resident and nonresident hires for each year;

(B) training opportunities; and

(8) other information the Department of Revenue determines necessary and relevant to the oil and gas production tax and to the exploration, development, and production of oil and gas resources.

(c) The Alaska Oil and Gas Conservation Commission, the Department of

Natural Resources, and the Department of Labor and Workforce Development, in consultation with the Department of Revenue, shall provide information described in (b) of this section that is not confidential and within the control of the commission and each department to the Department of Revenue for inclusion in the petroleum information management system. The information provided by the Alaska Oil and Gas Conservation Commission or by a department under this subsection shall be in a form suitable for the Department of Revenue to include in the petroleum information management system.

* **Sec. 10.** AS 43.55.160(a)(2) is repealed.

* **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to read:

IMPLEMENTATION OF THE PETROLEUM INFORMATION MANAGEMENT SYSTEM. The Department of Revenue shall develop and implement a work plan for the development of the petroleum information management system required by AS 44.25.025, enacted by sec. 9 of this Act, so that the system is operational before January 1, 2014.

* **Sec. 12.** This Act takes effect January 1, 2013.

SENATE FINANCE COMMITTEE REPORT

DATE: 3/5/12

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 192

SB 192-OIL AND GAS PRODUCTION TAX RATES

"An Act relating to the oil and gas production tax; and providing for an effective date."

and recommends:

[X] be **replaced** with **CS** SB 192 (FIN) *[ ] Same Title [X] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	**Fiscal**	**Indet.**	**Zero**	**FN #**
DNR	X			
ADM	X			
REV	X			

PREVIOUS FISCAL NOTE(S)				
Dept.	**Fiscal**	**Indet.**	**Zero**	**FN #**

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	THOMAS	✓			
	EGAN	✓			
	McGuire				✓
	OLSON	✓			
	ELLIS	X			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓			

SB 201

<TARGET><BILL>SB 201</BILL><SUBJECT>SB 201</SUBJECT><COMM>SFIN27</COMM></TARGET>

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

Senator Bert Stedman, Co-Chair
State Capitol, Room 516
Juneau, AK 99801-1182
(907) 465- 3873 - Phone
(907) 465-3922 - Fax
Senator_Bert_Stedman@legis.state.ak.us

Official Business

Senator Lyman Hoffman, Co-Chair
State Capitol, Room 518
Juneau, AK 99801-1182
Phone - (907) 465- 4453
Fax - (907) 465- 4523
Senator_Lyman_Hoffman@legis.state.ak.us

AGENDA

Tuesday, March 20, 2012
9:00 AM

SB 91 – Sport Fishing Guiding Services
CSSB 91(FIN) work draft Version M
NEW $FN-DFG - Sport Fisheries

SB 201 – Oil and Gas Corporate Taxes
SB 201 Version A
Previously Published #1 $FN-DOR - Taxation and Treasury

SB 146-Snow Classic
SB 146 Version A
Previously Published #1 FN-DOR - Taxation and Treasury

ALASKA STATE LEGISLATURE

Session

State Capitol, Rm. 101
Juneau, AK 99801
(907) 465-2435
Fax: (907) 465-6615

Interim

716 W. 4th Ave, Ste. 540
Anchorage, AK 99501
(907) 269-0120
Fax: (907) 269-0122

Senator_Bill_Wielechowski@legis.state.ak.us



Chair
State Affairs Committee

Co-chair
Joint Armed Services Committee

Vice Chair
Resources Committee
Judiciary Committee

Member
Administrative Regulation Review

SENATOR BILL WIELECHOWSKI

Sponsor Statement: SB 201

SB 201 would re-institute the "separate accounting" method of calculating corporate income tax for the oil and gas industry. This method was used from 1978-1981 but was discontinued after the industry sued. While the state ultimately won on all points before the Alaska Supreme Court, separate accounting was never re-instated. Instead, corporate income taxes have been assessed based on an apportionment of worldwide earnings.

In recent testimony before the Senate Resources and Finance Committees, international oil and gas consultant Pedro Van Meurs called the apportionment method cumbersome, an obstacle to new investment, and not in the state's best interest. He recommended that Alaska return to separate accounting.

Various estimates have been made of the loss in revenue that has resulted from the state's use of the "unity tax" method of apportioning world-wide earnings. In 2000, the Department of Revenue (DOR) estimated that Alaska had lost $4.7 billion between 1982 and 1997. More recently DOR estimated that the state would have collected about $250 million more in oil industry corporate income taxes during each of the past 5 years had "separate accounting" been in effect.

Regardless of whether the state would gain or lose revenue under separate accounting, it is a simpler and more equitable method of taxing the industry. The corporate income tax paid by international oil and gas companies operating in Alaska should not be decreased based on less profitable investments in other parts of the world or increased based on more profitable investments elsewhere. Instead, taxes should be paid based on Alaska earnings as they for small Alaska businesses throughout the state.

Please join me in supporting SB 201.

LEGAL SERVICES

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

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

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

MEMORANDUM March 2, 2012

SUBJECT: Sectional Summary for SB 201 (Work Order No. 27-LS1333\A)

TO: Senator Bill Wielechowski
Attn: Michelle Sydeman

FROM: Emily Nauman ELN
Legislative Counsel

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

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

Section 1 amends the definition of "barrel" in AS 29.60.599, substituting it with the text that will be lost with the repeal of AS 43.20.072.

Section 2 extends the exploration incentive credit provided by AS 41.09.010 to AS 43.21.

Section 3 directs corporations engaged in production or transportation of crude oil or natural gas to determine net income under AS 43.21.

Section 4 substitutes a descriptive list exempting oil and gas companies from the affiliated group reporting requirements of AS 43.20.073(f) with a reference exempting taxpayers subject to AS 43.21.

Section 5 adds AS 43.21, the former Oil and Gas Corporate Income Tax that was repealed in 1982. Credits applicable to income taxes paid under AS 43.20 are extended to AS 43.21 in AS 43.21.320, with exception of the education tax credit, which is not extended to income taxes calculated under AS 43.21. A requirement that legislators have access to information provided by corporations to the SEC has been added at AS 43.21.420. Additionally, minor changes have been made, including updating dates, cross references, and language.

Section 6 extends periodic payment provisions for stranded gas development projects to taxes paid under AS 43.21.

Section 7 repeals AS 43.20.072, the previous oil and gas tax provisions.

Section 8 states that AS 43.21 applies only to taxable income earned or received after December 31, 2012.

Section 9 directs the Department of Revenue to develop regulations to effect AS 43.21 and to develop transitional regulations.

Section 10 gives an immediate effective date to sec. 9, allowing the department to proceed with development of regulations immediately.

Section 11 gives the effective date for the remainder of the bill as January 1, 2013.

ELN:ljw
12-174.ljw

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **SB 201**
Fiscal Note Number: 1
Publish Date:

Identifier (file name): SB201-DOR-TAX-03-16-12
Title: Oil and Gas Corporate Taxes
Sponsor: Senator Wielechowski
Requester: Senate Finance

Dept. Affected: Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services			246.6	493.2	493.2	493.2	493.2
Travel				25.0	25.0	25.0	25.0
Services			2.3	4.7	4.7	4.7	4.7
Commodities							
Capital Outlay			5.0				
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**253.9**	**522.9**	**522.9**	**522.9**	**522.9**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF			253.9	522.9	522.9	522.9	522.9
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**253.9**	**522.9**	**522.9**	**522.9**	**522.9**

POSITIONS							
Full-time			4	4	4	4	4
Part-time							
Temporary							

CHANGE IN REVENUES	**0.0**	**0.0**	**0.0**	***	***	***	***

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version.

Prepared by: Johanna Bales, Deputy Director — Phone (907) 269-6628
Division: Tax — Date/Time 3/16/2012 12:00 p.m.
Approved by: Alicia Egan, Legislative Liaison — Date 3/16/2012
Department of Revenue

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB 201
2012 LEGISLATIVE SESSION

Analysis

Bill Language:
This bill would repeal the current corporate income tax on oil and gas corporations under AS 43.20.072 (worldwide combination and apportionment) and replace it with a corporate income tax based on separate accounting. Current oil and gas corporate income tax is based on a formula where total worldwide income of a corporation's unitary group is apportioned to Alaska based on the amount of property, extraction and sales attributable to Alaska. This bill would require Alaska oil and gas corporations to calculate income tax for their oil and gas producing and transportation companies based on income earned solely in Alaska. If oil and gas companies are also engaged in activities other than oil and gas production and transportation, this bill would require those companies to calculate and pay tax on those other activities based on worldwide combination and apportionment. This bill would require oil and gas corporations to file a return by April 15 each year providing information the department needs to calculate each corporation's taxable income and income tax. This bill requires the department to calculate each corporation's income tax and send an assessment by August 15 each year to each company subject to the tax. Corporations must then pay the amount of tax as calculated by the department by September 30 of each year. This bill also requires the department to prepare a report each year showing the aggregate amount of income and deductions by category reported by all oil and gas corporate income tax taxpayers. The department would also be required to disclose specific information about a taxpayer if the taxpayer is a publicly traded company and if the information was included in a report filed with the US Securities Exchange Commission (SEC) and the SEC publicly disclosed the information.

Revenues:
The department does not have enough information to accurately and fully estimate the change in oil and gas corporate income tax as a result of this legislation. Preliminary estimates show that under separate accounting, oil and gas corporations would have paid, on average, approximately $190 million more during each of the last 5 fiscal years in corporate income tax if this legislation had been in effect. This bill has an effective date of January 1, 2013. Oil and gas corporations would report under the new method beginning in April 2014 and tax would not be due until September 30, 2014. Therefore, we do not expect to see a change in corporate income tax as a result of this legislation until FY 2015.

Expenditures:
As stated above, this bill would required the Department of Revenue to calculate the amount of tax due by each oil and gas corporation operating in the state based on information each company provided the department. The department would have approximately 4 months to make the calculation of corporate income tax and send assessments to each taxpayer. In addition, the department would be required under this legislation to prepare a report showing aggregate information of all taxpayers and specific information of publicly traded companies. Under the current oil and gas corporate income tax, the calculation of taxable income starts with federal taxable income and then is adjusted for certain Alaska modifications. Currently, the department relies on federal corporate income tax audits as an additional audit resource. As such, the department does not audit down to the invoice level. The calculation of taxable income under separate accounting does not start with federal taxable income and, as such, the department will not be able to rely on federal audits to ensure that taxpayers are properly reporting and must conduct full scale audits including auditing down to the invoice level. There are currently 26 oil and gas corporate income tax filers. The department will have to calculate each taxpayers tax liability each year and conduct more comprehensive audits as well as provide a report each year to the legislature. The department believes it will need four additional corporate income tax auditor III's to handle the increased work as a result of this legislation. In addition, the department will need increased travel funds of approximately $25,000 each year to spend enough time at a corporation's place of business to conduct in-depth audits. Since the first tax returns would not be filed until April 2014, the four positions would not be needed until January 1, 2014. Expenditures in FY2014 reflect hiring of the four positions half-way through the fiscal year.

LEGISLATIVE RESEARCH SERVICES

Alaska State Legislature
Division of Legal and Research Services
State Capitol, Juneau, AK 99801

(907) 465-3991 phone
(907) 465-3908 fax
research@legis.state.ak.us

Memorandum

TO: Senator Bill Wielechowski
FROM: Chuck Burnham, Legislative Analyst
DATE: March 19, 2012
RE: Conoco Phillips: Global Distribution of Net Income and Production
LRS Report 12.250

You asked about Conoco Phillips Company's net income and petroleum production. Specifically, you wanted to know what proportion of net income and production occurs in Alaska, and how the company's profits on a per barrel of oil equivalent (BOE) basis compare to those in the rest of its geographic areas of operation.

Table 1 (following page) shows net income figures for Conoco Phillips (COP) generated in selected jurisdictions for the eleven years 2000-2010. In accordance with your request, the table also includes our calculation of Alaska net income as a percentage of U.S. and overall net income. As you can see, COP's Alaska net income ranged from $829 million in 2000 to $2.55 billion in 2005.[1] Similarly wide variability in profit was seen across the jurisdictions in which COP operates, with total U.S. net income ranging from $1.15 billion in 2002 to nearly $5 billion in 2008. (Please note that net income figures for 2009 do not reach 100 percent in Figure 1 because the company lost $37 million in its lower 48 operations. Therefore, in effect, Alaska operations represented the total of domestic net income for that year.) Overall, the company's net income from operations in the state accounted for between roughly 19 percent and 51 percent of total profits, and averaged nearly 30 percent over the eleven years in question. Figure 1 illustrates these data.

The measure "barrel of oil equivalent" (BOE) expresses the volume of a given fuel required to equal the amount of energy contained in one standard U.S. barrel of crude oil (42 gallons).[2] Although an imperfect measure, calculating the BOE for various forms of hydrocarbons (oil, natural gas, natural gas liquids, etc.) is useful in that it allows for certain comparisons to be made in a much easier to understand, apples-to-apples format. It is important to note, however, that the BOE of a given substance is most useful for comparing volume to energy content ratios. The measure is less effective for comparing the relative value of BOEs.[3] However, your question, as we understand it, does not concern the value of a given petroleum product or a comparison of the values of various such substances, but rather the profit generated by the production of a specific amount of energy—that of a barrel of oil or its equivalent.

Table 2 provides the proportions of BOE production for COP in Alaska, the Lower 48 states, and combined international jurisdictions. Over the years 2000 to 2010, Alaska operations accounted for an average of about 24 percent of the company's BOE production, as illustrated in Figure 2. Over the same timeframe, COP earned an average profit of over $15 per BOE in Alaska, compared to roughly $10 per BOE for its global operations. As Figure 3 shows, net income per BOE in Alaska over recent years has been both substantially higher and less volatile than that in other states and international operations.

We hope this is helpful. If you have questions or need additional information, please let us know.

[1] All dollar figures are rounded.

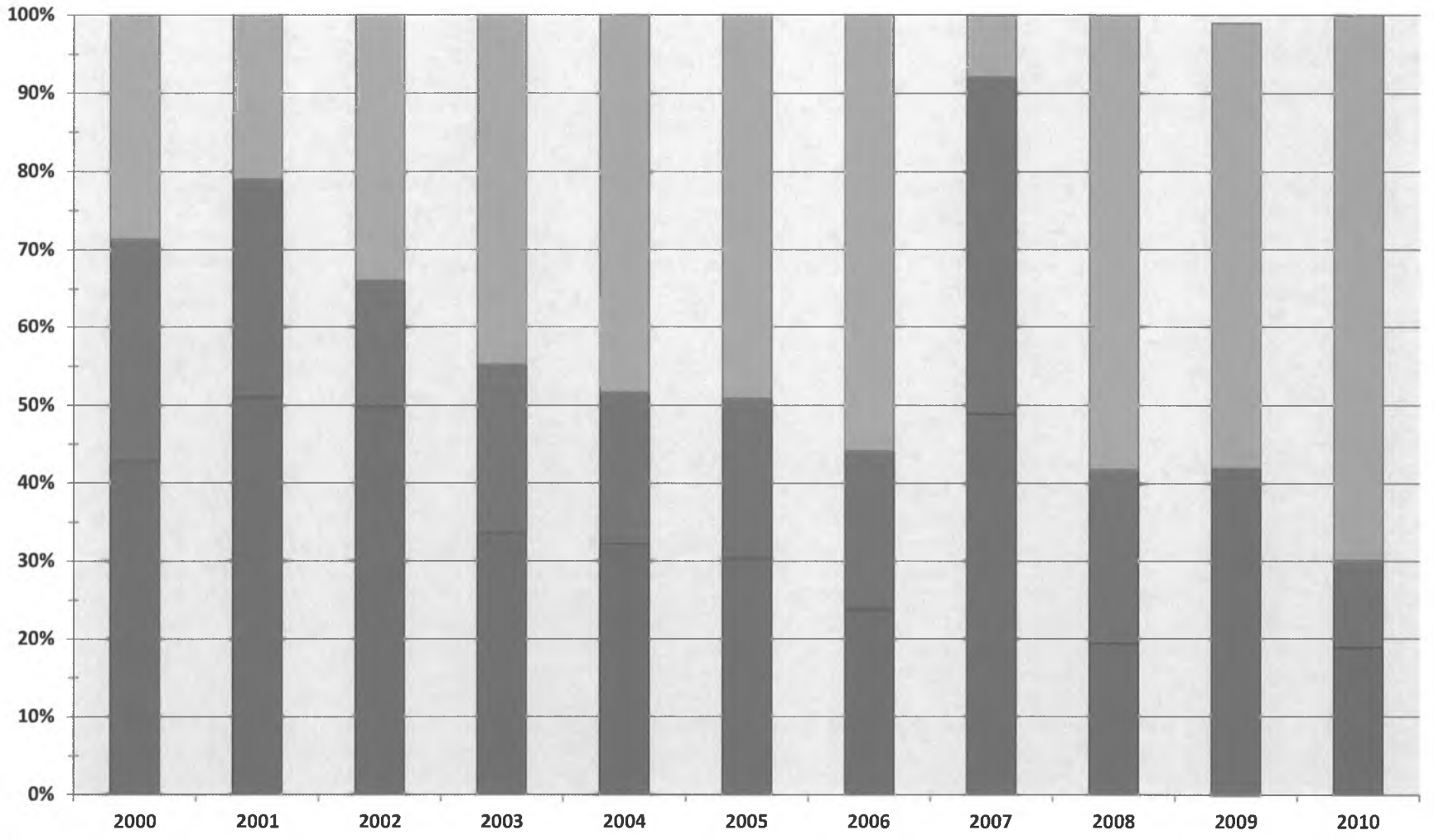
[2] Please note that the amount of energy provided by a given amount of crude oil (or any fuel) varies by production location or, more precisely, the grade of oil produced. Therefore, BOE figures should be viewed as estimates.

[3] For example, the BOE of natural gas is typically cited at roughly 5,800 cubic feet (cf), or 5.8 thousand cubic feet (Mcf). At today's prices (Alaska North Slope [ANS] crude spot prices and national average wellhead price for natural gas), one barrel of ANS is worth nearly $123 while the BOE of 5.8 Mcf of natural gas is valued at just over $18.

Table 1: ConocoPhillips Net Income (Millions of Dollars)												
Jurisdiction	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**Totals**
Alaska	$ 829	$ 866	$ 870	$ 1,445	$ 1,832	$ 2,552	$ 2,347	$ 2,255	$ 2,315	$ 1,540	$ 1,735	**$ 18,586**
Lower 48	$ 559	$ 476	$ 286	$ 929	$ 1,110	$ 1,736	$ 2,001	$ 1,993	$ 2,673	$ (37)	$ 1,033	**$ 12,759**
International	$ 557	$ 357	$ 593	$ 1,928	$ 2,760	$ 4,142	$ 5,500	$ 367	$ 6,976	$ 2,101	$ 6,430	**$ 31,711**
Total	$ 1,945	$ 1,699	$ 1,749	$ 4,302	$ 5,702	$ 8,430	$ 9,848	$ 4,615	$11,964	$ 3,604	$ 9,198	**$ 63,056**
Alaska Net Income as Percent of Overall Total	42.6%	51.0%	49.7%	33.6%	32.1%	30.3%	23.8%	48.9%	19.3%	42.7%	18.9%	**29.5%**

Source: Legislative Research calculations based on annual filings of form 10-K with the U.S. Securities and Exchange Commission posted to the EDGAR online database, *http://www.sec.gov/edgar/searchedgar/webusers.htm* .

Figure 1: ConocoPhillips: Global Net Exploration and Producation Income by Percent Accrued in Selected Jurisdiction



Net income for 2009 does not reach 100 percent for 2009 because the company lost $37 million in its lower 48 operations. Therefore, in effect, Alaska represented the total of domestic net income for that year.

Table 2: ConocoPhillips: Net Income per Barrel of Oil Equivalent (BOE)												
Jurisdiction	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**Average**
Alaska	$8.97	$6.01	$6.19	$10.43	$14.36	$20.38	$21.08	$20.66	$22.84	$15.73	$19.47	**$15.10**
Lower 48	$9.13	$8.02	$3.77	$8.42	$10.56	$15.96	$10.63	$9.80	$14.39	($0.20)	$6.26	**$8.79**
International	$5.35	$3.61	$3.33	$5.69	$9.27	$12.33	$13.17	$1.06	$18.96	$3.89	$17.62	**$8.57**
Global	$7.54	$5.62	$4.43	$7.32	$10.75	$14.79	$13.73	$7.02	$18.26	$4.39	$14.86	**$9.88**
Proportion of BOE Production												**Average**
Alaska	35.9%	47.6%	35.6%	23.6%	24.1%	22.0%	15.5%	16.6%	15.5%	11.9%	14.4%	**23.9%**
Lower 48	23.8%	19.6%	19.2%	18.8%	19.8%	19.1%	26.2%	30.9%	28.3%	22.2%	26.7%	**23.1%**
International	40.4%	32.7%	45.1%	57.6%	56.1%	59.0%	58.2%	52.5%	56.2%	65.9%	58.9%	**53.0%**

Notes: "Barrel of oil equivalent" expresses the amount of a given fuel required to equal the amount of energy contained in one standard U.S. barrel of crude oil (42 gallons). For instance, a generally accepted BOE approximation for natural gas is 5,800 cubic feet (5.8 Mcf). Please note, however, that the amount of energy provided by a given amount of crude oil (or any fuel) varies by production location or, more precisely, the grade of oil produced. Therefore, BOE figures should be viewed as estimates. The figures in this table are the results of dividing net income by the aggregate BOE production of oil, natural gas, and natural gas liquids.

Source: Legislative Research calculations based on annual filings of form 10-K with the U.S. Securities and Exchange Commission posted to the EDGAR online database, *http://www.sec.gov/edgar/searchedgar/webusers.htm* .

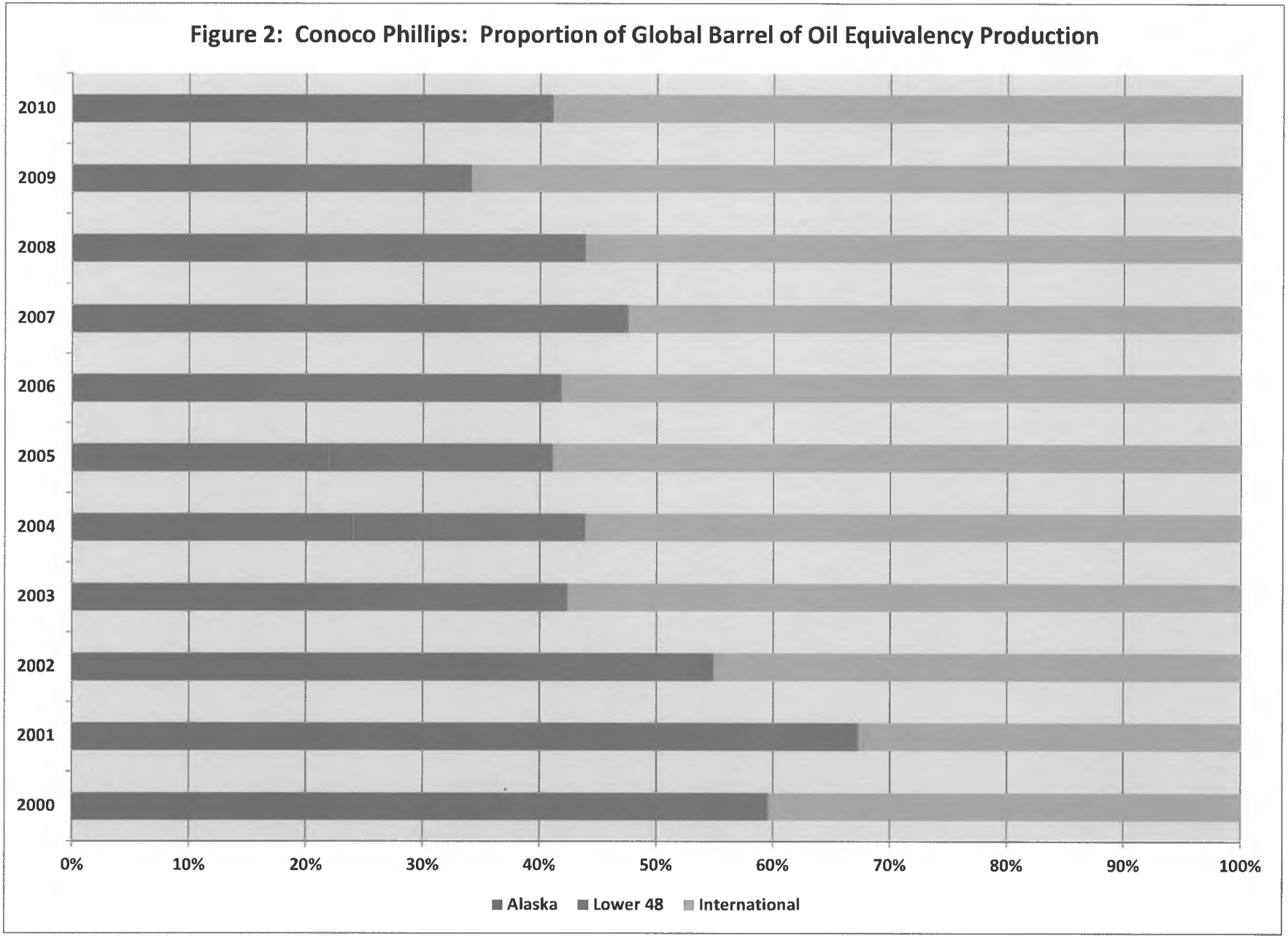
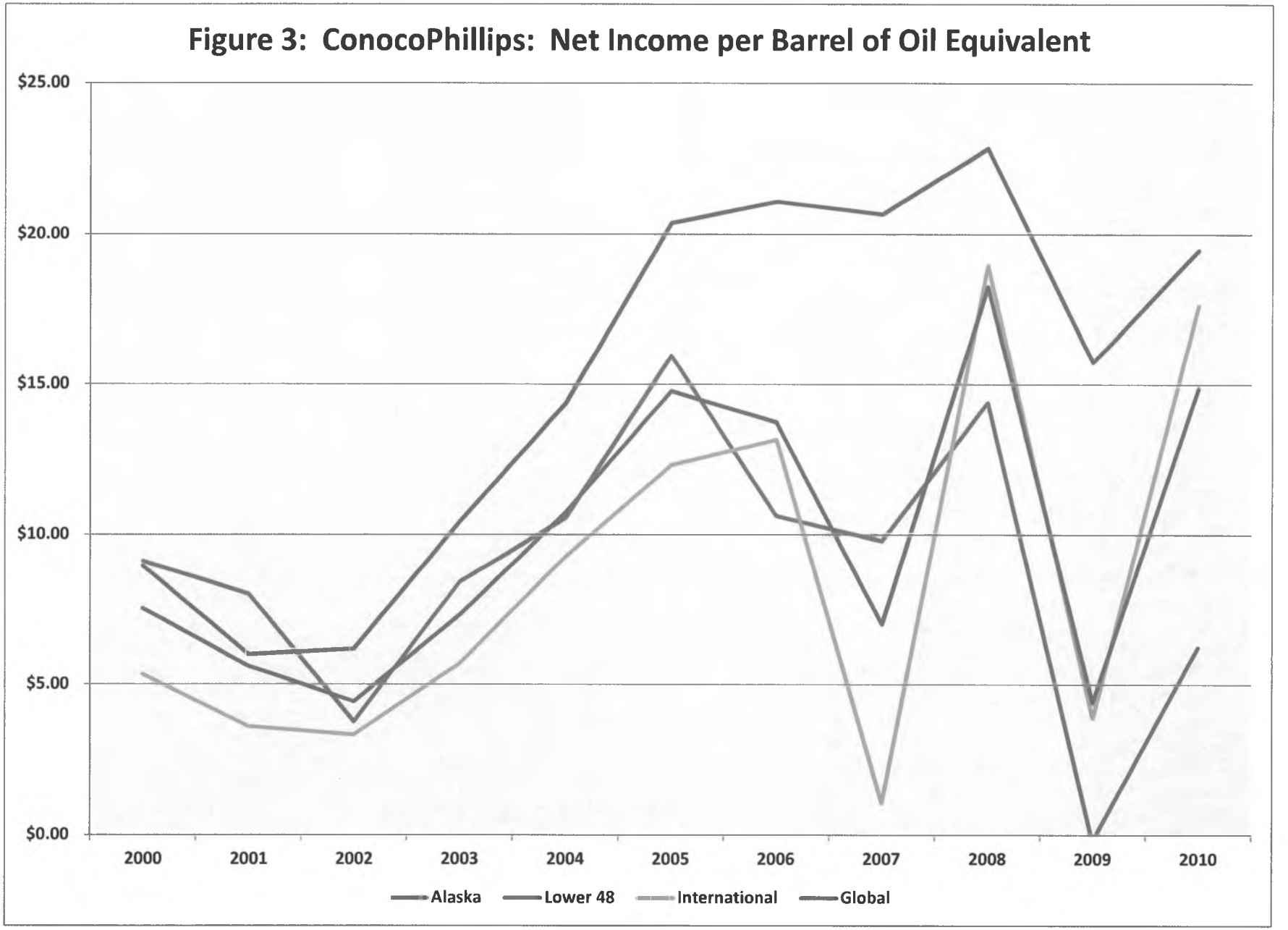


Figure 2: Conoco Phillips: Proportion of Global Barrel of Oil Equivalency Production
2010
2009
2008
2007
2006
2005
2004
2003
2002
2001
2000
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
Alaska
Lower 48
International

Figure 3: ConocoPhillips: Net Income per Barrel of Oil Equivalent



To: Rep. Paul Seaton

From: Roger Marks

Date: March 9, 2012

Re: Jurisdictions that Require Separate Accounting - Revised

Per your March 1 request to Rep. Hawker, the following discusses the jurisdictions both international and domestic that require separate accounting for deriving taxable income for oil and gas corporate income taxes. This memo supersedes my March 7 note.

At the national level, of the 57 countries in BP's 2011 "Statistical Review of World Energy"[1] that produce either a minimum of 80,000 barrels per day of oil, or 0.1 billion cubic feet per day of gas (see attached), nearly all of them impose a corporate income tax.[2] (Iran, Libya, Mexico, and Trinidad and Tobago do not.)

At the national level, in all cases the tax is calculated on a separate accounting basis. This takes one of three different forms. In some cases the taxable income is ring fenced on a project basis or an area basis. In some cases taxable income is based on the worldwide income of the domestic producers (recognizing foreign taxes paid). And in some cases the taxable income is based on domestic sourced income. But again, in all cases, a separate accounting approach is used to derive taxable income for corporate income taxes at the national level.

At the sub-national level, there are only two instances where political subdivisions are empowered to levy corporate income taxes: the United States (state level) and Canada (provincial level). In most other nations local income is usually raised through either gross proceeds taxes, or indirect taxes such as sales or property taxes.

In the U.S. there are 24 oil producing states that have a corporate income tax. Twenty-two of them use apportionment. In general they use payroll, sales, and property factors. Some states use equal weight for all three factors. Some give greater weights to some factors over others. Some do not use all the factors. Only Alaska uses an extraction (production) factor to derive oil and gas income (in lieu of payroll). (This is tied up in the history of the relationship between the state corporate income tax and the production tax in Alaska.)

Some of these states use worldwide income to apportion. Some use water's edge.

In one of these states, Louisiana, the taxpayer can solicit the state to use separate accounting if a) it can demonstrate apportionment yields an unfair result, b) the unit of the taxpayer's business operating in the state could be successfully operated independently of the units in other states, c) the unit makes all of its sales in the state or derives all of its gross revenues from sources in the state, *and* d) any merchandise or products sold by the unit in the state are either i) produced by

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[1] BP Statistical Review of World Energy, June 2011

[2] Sources: Ernst & Young, KPMG. Van Meurs, Wood Mackenzie

the taxpayer in Louisiana, ii) purchased by the taxpayer from nonaffiliated sources, iii) purchased from an affiliated source at not more than the price at which similar merchandise or products in similar quantities could be purchased from nonaffiliated sources, *or* iv) transferred from another department of the taxpayer's business at not more than the actual cost to the taxpayer. It is unclear how many taxpayers, if any, are doing this, but I would opine that given the criteria, most major integrated producers would not qualify for separate accounting.

Two states use separate accounting for oil and gas: Mississippi and Oklahoma.

In Canada the provinces apportion worldwide income using a 50/50 sales/payroll factor formula.

Production[a]

Thousand barrels daily	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Change 2010 over 2009	2010 share of total
US	7733	7688	7626	7400	7228	6896	6841	6847	6734	7271	7513	3.2%	8.7%
Canada	2721	2677	2858	3004	3085	3041	3208	3297	3251	3224	3336	4.3%	4.2%
Mexico	3450	3560	3585	3780	3824	3760	3683	3471	3167	2979	2954	-0.8%	3.7%
Total North America	13904	13926	14069	14183	14137	13696	13732	13616	13151	13474	13804	2.5%	16.6%
Argentina	819	830	818	806	754	725	716	690	682	676	651	-3.8%	0.8%
Brazil	1268	1337	1439	1565	1542	1716	1809	1833	1899	2029	2137	5.3%	2.7%
Colombia	711	677	601	564	551	554	550	561	616	685	801	16.9%	1.0%
Ecuador	409	416	401	427	535	541	545	520	514	496	495	*	0.6%
Peru	100	98	98	92	94	111	116	114	120	145	157	8.2%	0.2%
Trinidad & Tobago	138	135	155	164	152	171	174	154	140	151	146	-4.3%	0.2%
Venezuela	3239	3142	2895	2554	2907	2937	2908	2613	2568	2438	2471	1.4%	3.2%
Other S. & Cent. America	130	137	152	153	144	142	139	141	130	133	131	-1.6%	0.2%
Total S. & Cent. America	6813	6772	6819	6834	6880	6896	6981	6826	6670	6753	6994	3.5%	8.9%
Azerbaijan	282	301	311	313	315	452	654	888	915	1035	1037	0.5%	1.3%
Denmark	363	348	371	368	390	377	342	311	287	265	249	-6.6%	0.3%
Italy	95	86	115	116	113	127	120	122	108	96	106	11.7%	0.1%
Kazakhstan	744	836	1018	1111	1297	1356	1426	1434	1554	1688	1757	4.4%	2.1%
Norway	3346	3418	3333	3264	3189	2969	2779	2551	2459	2358	2137	-9.4%	2.5%
Romania	131	130	127	123	119	114	105	99	98	93	88	-4.7%	0.1%
Russian Federation	6536	7056	7698	8544	9287	9652	9789	9978	9888	10035	10270	2.2%	12.9%
Turkmenistan	144	162	182	202	193	192	186	199	207	210	216	2.8%	0.3%
United Kingdom	2667	2476	2463	2257	2028	1809	1636	1698	1526	1452	1339	-7.7%	1.6%
Uzbekistan	177	171	171	166	152	126	125	114	114	107	97	-12.8%	0.1%
Other Europe & Eurasia	465	466	501	509	497	469	458	453	432	411	374	-7.0%	0.5%
Total Europe & Eurasia	14950	15450	16289	16973	17580	17542	17580	17885	17589	17745	17881	0.4%	21.8%
Iran	3865	3802	3709	4183	4248	4234	4286	4327	4327	4198	4245	0.9%	5.2%
Iraq	2614	2523	2116	1344	2030	1833	1909	2143	2428	2442	2460	0.6%	3.1%
Kuwait	2206	2148	1905	2329	2475	2618	2680	2636	2782	2480	2506	0.6%	3.1%
Oman	959	960	904	824	796	778	742	715	754	813	865	5.9%	1.0%
Qatar	757	754	764	879	992	1028	1110	1197	1378	1345	1508	13.5%	1.7%
Saudi Arabia	9491	9209	8928	10164	10638	11114	10853	10449	10846	9803	10007	0.7%	12.0%
Syria	546	581	546	527	495	460	436	415	398	375	365	-2.7%	0.5%
United Arab Emirates	2620	2551	2390	2695	2847	2983	3140	3053	3088	2750	2848	3.5%	3.3%
Yemen	450	466	457	446	420	416	380	345	304	287	264	-7.9%	0.3%
Other Middle East	48	47	49	48	48	34	32	35	33	37	36	0.6%	*
Total Middle East	23547	23139	21803	23442	24991	25456	25605	25309	26338	24629	25326	1.7%	30.3%
Algeria	1578	1562	1630	1852	1946	2015	2003	2076	1983	1918	1905	-0.3%	2.0%
Angola	746	742	905	870	1103	1405	1421	1694	1875	1794	1851	3.8%	2.3%
Chad	–	–	–	24	168	173	153	144	127	118	122	3.5%	0.2%
Republic of Congo (Brazzaville)	254	234	236	217	223	245	278	228	241	270	282	6.1%	0.4%
Egypt	781	758	751	740	721	696	697	710	722	742	736	-0.6%	0.9%
Equatorial Guinea	91	177	230	266	351	358	342	350	347	307	274	-10.8%	0.3%
Gabon	327	301	295	240	235	234	235	230	235	230	245	6.5%	0.3%
Libya	1475	1427	1375	1485	1623	1745	1815	1820	1820	1652	1650	-0.1%	2.0%
Nigeria	2155	2274	2103	2238	2431	2409	2420	2306	2113	2061	2402	16.2%	2.9%
Sudan	174	217	241	265	301	305	331	466	480	470	466	-1.5%	0.6%
Tunisia	78	71	74	68	71	73	70	97	89	83	80	-4.7%	0.1%
Other Africa	144	134	135	138	164	154	153	166	162	156	143	-8.0%	0.2%
Total Africa	7804	7857	8026	8411	9236	9002	9118	10216	10204	9806	9806	4.2%	12.2%
Australia	809	733	730	624	582	580	551	565	555	520	562	8.9%	0.6%
Brunei	193	203	210	214	210	206	221	194	175	168	172	2.5%	0.2%
China	3252	3306	3346	3401	3481	3637	3706	3737	3800	3800	4071	7.1%	5.2%
India	726	727	753	756	773	738	762	769	788	754	826	9.6%	1.0%
Indonesia	1456	1387	1289	1176	1130	1080	996	972	1003	990	966	-0.3%	1.2%
Malaysia	735	719	757	776	793	758	747	763	768	730	716	-3.1%	0.8%
Thailand	176	181	204	236	223	265	296	305	321	331	334	0.9%	0.4%
Vietnam	328	350	354	364	427	388	367	337	317	345	370	6.9%	0.5%
Other Asia Pacific	200	185	193	195	235	286	305	320	340	329	312	-4.7%	0.3%
Total Asia Pacific	7874	7811	7837	7742	7864	7953	7940	7961	8054	7979	8059	4.9%	10.2%
Total World	74988	74988	74979	77805	80868	81446	81725	81944	81815	80678	81869	2.2%	100.0%
of which: OECD	21531	21314	21440	21174	20775	19870	19483	19114	18414	18471	18480	0.2%	22.1%
Non-OECD	53361	53692	53760	56800	59793	61616	62266	62430	63600	61807	63005	2.7%	77.9%
OPEC	31145	30640	29261	31020	33776	34051	35098	34757	35722	33085	34324	2.5%	41.5%
Non-OPEC[b]	35734	35806	35907	35566	35385	34806	34315	33991	33466	33899	34282	1.9%	41.7%
European Union	3493	3385	3339	3128	2902	2650	2422	2388	2222	2086	1951	-6.5%	2.4%
Former Soviet Union	8014	8660	9533	10499	11407	11839	12316	12795	12827	13214	13484	2.0%	16.6%

[a] Includes crude oil, shale oil, oil sands and NGLs (the liquid content of natural gas where this is recovered separately). Excludes liquid fuels from other sources such as biomass and coal derivatives.
* Less than 0.05%.
[b] Includes Former Soviet Union.
Note: Annual changes and shares of total are calculated using million tonnes per annum figures.

Production*

Billion cubic metres	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Change 2010 over 2009	2010 share of total
US	543.2	555.5	536.0	540.8	526.4	511.1	524.0	545.6	570.8	582.8	**611.0**	4.7%	19.3%
Canada	182.2	186.5	187.9	184.7	183.7	187.1	188.4	182.5	176.4	163.9	**158.6**	-2.5%	5.0%
Mexico	38.3	38.2	39.4	41.1	42.6	45.0	51.5	53.6	54.2	54.9	**55.3**	0.7%	1.7%
Total North America	763.7	780.1	763.5	766.6	752.8	743.3	763.9	781.6	801.5	801.6	**825.1**	3.0%	26.0%
Argentina	37.4	37.1	36.1	41.0	44.9	45.6	46.1	44.8	44.1	41.4	**40.1**	-3.0%	1.3%
Bolivia	3.2	4.7	4.9	6.4	9.8	11.9	12.9	13.8	14.3	12.3	**14.4**	16.8%	0.4%
Brazil	7.5	7.7	9.2	10.0	11.0	11.0	11.3	11.2	13.7	11.7	**14.4**	23.5%	0.5%
Colombia	5.9	6.1	6.2	6.1	6.4	6.7	7.0	7.5	9.1	10.5	**11.3**	7.2%	0.4%
Peru	0.3	0.4	0.4	0.5	0.9	1.5	1.8	2.7	3.4	3.5	**7.2**	108.4%	0.2%
Trinidad & Tobago	14.5	15.5	18.0	26.3	27.3	31.0	36.4	39.0	39.3	40.6	**42.4**	4.4%	1.3%
Venezuela	27.9	29.6	28.4	26.2	28.4	27.4	31.5	29.5	30.0	28.7	**26.5**	-0.7%	0.9%
Other S. & Cent. America	3.4	3.5	3.4	3.1	3.1	3.4	4.1	3.9	3.7	3.2	**2.9**	-9.9%	0.1%
Total S. & Cent. America	100.2	104.5	106.7	118.7	131.7	138.6	151.1	152.5	157.6	151.9	**161.2**	6.2%	5.0%
Azerbaijan	5.1	5.0	4.7	4.6	4.5	5.2	6.1	9.8	14.8	14.8	**15.1**	2.2%	0.5%
Denmark	9.2	8.4	8.4	8.0	9.4	10.4	10.4	9.2	10.1	8.4	**8.2**	-3.0%	0.3%
Germany	16.9	17.0	17.0	17.7	16.4	15.8	15.6	14.3	13.0	12.2	**10.6**	-12.7%	0.3%
Italy	15.2	14.0	13.4	12.7	11.9	11.1	10.1	8.9	8.5	7.3	**7.6**	3.6%	0.2%
Kazakhstan	10.4	10.5	10.7	12.6	20.0	22.6	23.9	26.8	29.8	32.5	**33.6**	3.3%	1.1%
Netherlands	58.1	62.4	60.3	58.1	68.5	62.5	61.6	60.5	66.6	62.7	**70.5**	12.4%	2.2%
Norway	49.7	53.9	55.5	73.1	78.5	85.0	87.6	89.7	90.3	103.7	**106.4**	2.5%	3.3%
Poland	3.7	3.9	4.0	4.0	4.4	4.3	4.3	4.3	4.1	4.1	**4.1**	0.5%	0.1%
Romania	13.8	13.6	13.2	13.0	12.8	12.4	11.9	11.5	11.4	11.3	**10.9**	-2.9%	0.3%
Russian Federation	528.5	526.2	538.8	561.5	573.3	580.1	595.2	592.0	601.7	527.7	**588.9**	11.6%	18.4%
Turkmenistan	42.5	46.4	48.4	53.5	52.8	57.0	60.4	65.4	66.1	36.4	**42.4**	16.4%	1.3%
Ukraine	16.2	16.6	17.0	17.6	18.4	18.6	18.7	18.7	19.0	19.3	**18.6**	-3.8%	0.6%
United Kingdom	108.4	105.8	103.6	102.9	96.4	88.2	80.0	72.1	69.6	59.7	**57.1**	-4.3%	1.8%
Uzbekistan	51.1	52.0	51.9	52.0	54.2	54.0	54.5	59.1	62.2	60.0	**59.1**	-1.5%	1.8%
Other Europe & Eurasia	11.1	10.9	11.2	10.6	11.0	10.9	11.5	10.8	10.3	9.7	**10.0**	3.0%	0.3%
Total Europe & Eurasia	938.9	946.6	967.6	1001.9	1032.5	1038.0	1051.7	1053.2	1086.5	969.9	**1043.1**	7.6%	32.6%
Bahrain	6.8	9.1	9.5	9.6	9.8	10.7	11.3	11.6	12.7	12.6	**13.1**	2.4%	0.4%
Iran	60.2	66.0	75.0	81.5	84.9	103.5	108.6	111.9	116.3	131.2	**136.5**	5.6%	4.3%
Iraq	3.2	2.8	2.4	1.6	1.0	1.5	1.5	1.5	1.9	1.2	**1.3**	8.7%	•
Kuwait	9.6	10.5	9.5	11.0	11.9	12.2	12.5	12.1	12.8	11.2	**11.6**	3.5%	0.4%
Oman	8.7	14.0	15.0	16.5	18.5	19.8	23.7	24.0	24.1	24.8	**27.1**	9.4%	0.9%
Qatar	23.7	27.0	29.5	31.4	36.2	46.8	50.7	63.2	77.0	80.3	**116.7**	30.7%	3.6%
Saudi Arabia	49.8	53.7	56.7	60.1	65.7	71.2	73.5	74.4	80.4	78.5	**83.9**	7.0%	2.6%
Syria	5.5	5.0	6.1	6.2	6.4	5.5	5.7	5.6	5.3	5.7	**7.8**	37.3%	0.2%
United Arab Emirates	38.4	44.9	43.4	44.8	46.3	47.8	49.0	50.3	50.2	48.8	**51.0**	4.5%	1.6%
Yemen	–	–	–	–	–	–	–	–	–	0.8	**6.2**	704.6%	0.2%
Other Middle East	0.3	0.3	0.3	0.3	1.5	1.9	2.6	3.0	3.7	3.1	**3.5**	15.0%	0.1%
Total Middle East	208.1	233.3	247.2	262.9	286.1	318.9	339.1	357.8	384.3	407.1	**480.7**	15.2%	14.4%
Algeria	84.4	78.2	80.4	82.8	87.0	88.2	84.5	84.8	85.8	79.6	**80.4**	1.1%	2.5%
Egypt	21.0	25.2	27.3	30.1	33.0	42.5	54.7	55.7	59.0	62.7	**61.3**	-2.2%	1.9%
Libya	5.9	6.2	5.9	5.5	8.1	11.3	13.2	15.3	15.9	15.9	**15.8**	-0.6%	0.5%
Nigeria	12.5	14.9	14.2	19.2	22.8	22.4	28.4	35.0	36.0	24.8	**33.6**	35.7%	1.1%
Other Africa	6.5	6.9	6.6	7.2	8.9	9.9	10.4	12.3	15.8	16.3	**17.8**	9.4%	0.6%
Total Africa	130.3	131.5	134.4	144.9	154.7	174.3	191.2	203.1	211.5	199.2	**209.0**	4.9%	6.5%
Australia	31.2	32.1	32.2	32.7	35.8	37.2	40.2	41.9	41.6	47.9	**50.4**	5.1%	1.6%
Bangladesh	10.0	10.7	11.4	12.3	13.2	14.5	15.3	16.3	17.9	19.7	**20.0**	1.3%	0.6%
Brunei	11.3	11.4	11.5	12.4	12.2	12.0	12.6	12.3	12.2	11.4	**12.2**	6.7%	0.4%
China	27.2	30.3	32.7	35.0	41.5	49.3	58.6	69.2	80.3	85.3	**96.8**	13.5%	3.0%
India	29.4	29.4	27.6	28.5	29.2	29.6	29.3	30.1	30.5	30.2	**30.9**	2.3%	1.0%
Indonesia	65.2	63.3	69.7	73.2	70.3	71.2	70.3	67.6	69.7	71.9	**72.0**	0.0%	2.3%
Malaysia	45.3	46.9	48.3	51.8	53.9	61.1	63.3	64.6	64.7	64.1	**66.5**	3.7%	2.1%
Myanmar	3.4	7.0	8.4	9.6	10.7	12.2	12.6	13.5	12.4	11.5	**12.1**	4.9%	0.4%
Pakistan	21.5	22.7	24.6	30.4	34.5	35.5	36.1	36.8	37.5	38.4	**38.5**	2.7%	1.2%
Thailand	20.2	19.6	20.5	21.5	22.4	23.7	24.3	26.0	28.8	30.9	**36.3**	17.4%	1.1%
Vietnam	1.6	2.0	2.4	2.4	4.2	6.4	7.0	7.1	7.5	8.0	**9.4**	16.7%	0.3%
Other Asia Pacific	9.0	9.5	10.9	10.7	10.1	11.1	14.2	16.9	17.7	17.9	**17.3**	-3.4%	0.5%
Total Asia Pacific	272.1	282.0	300.2	321.2	337.4	363.9	383.7	402.2	420.7	446.4	**493.2**	10.5%	15.4%
Total World	2413.4	2477.0	2519.6	2616.5	2694.8	2777.0	2960.7	2964.5	3062.1	2975.3	**3193.3**	7.3%	100.0%
of which: OECD	1073.9	1086.6	1086.4	1092.8	1091.9	1076.4	1092.9	1102.2	1134.3	1126.3	**1158.8**	2.9%	36.5%
Non-OECD	1339.5	1391.4	1433.0	1523.7	1602.1	1701.6	1787.9	1848.3	1927.8	1849.5	**2033.5**	9.9%	63.5%
European Union	231.9	232.8	227.6	223.6	227.3	212.0	201.3	187.5	180.4	171.5	**174.9**	2.0%	5.5%
Former Soviet Union	654.2	657.1	671.4	702.1	723.4	737.7	759.0	772.1	793.8	690.9	**757.9**	9.7%	23.7%

*Excluding gas flared or recycled.
•Less than 0.05%.

Source: includes data from Cedigaz.

Notes: As far as possible, the data above represents standard cubic metres (measured at 15°C and 1013 mbar); because it is derived directly from tonnes of oil equivalent using an average conversion factor, it does not necessarily equate with gas volumes expressed in specific national terms.

Annual changes and shares of total are calculated using million tonnes of oil equivalent figures.

Natural gas production data expressed in billion cubic feet per day is available at www.bp.com/statisticalreview

SB 201:

Separate Accounting of Income Taxes For the oil and Gas Industry

Fact Sheet

- This bill would re-institute the separate accounting method of calculating corporate income tax paid by the oil industry.

- Since oil production in Alaska began, the state has been strongly urged by industry to use a proportion of worldwide profits or a "unitary tax" method for calculating their income tax.

- In 1978, Alaska realized that we were losing significant revenue under the "unitary" system, so the legislature passed Separate Accounting. Under Separate Accounting, revenues generated in Alaska, less expenses, were the basis for the 9.4% state corporate income tax.

- The oil companies sued. They lost in the lower court and appealed to the State Supreme Court.

- Four years late, the State reverted to the old unitary system because the legislature feared there was a potential cost of $1.8 billion if we lost. At the time the legislature saw that as too great a potential liability with the 1981 treasury balance.

- However, in 1985 the state won on all points at the Alaska Supreme Court, and the United States Supreme Court declined the oil companies' appeal request, stating there was no federal issue.

- Unfortunately, separate accounting has never been reinstated.

- For years, the companies have said they could not do separate accounting since they did not track their revenues and costs that way. While that may have been true under the old ELF gross tax system, it is not true under the profit-based PPT or ACES.

- We also now know they do 'separate accounting' for other oil provinces.

- If we take just the $1.8 billion (the difference between income tax revenue generated under the unitary system and separate accounting between the years 1978-1981) and divide that by four years, it equals an underpayment of $450 million per year.

- Multiply that by 30 years, and the state may have lost up to $13.5 billion (more than the total unfunded liability for the PERS/TRS systems).

- In 2000, the Department of Revenue estimated that we had lost $4.7 billion between 1982 and 1997.

- Recently international oil industry consultant Pedro Van Meurs testified to the legislature that he believes the unity tax method is cumbersome, an obstacle to new investment, and not in the state's best interest.

- As oil industry representatives have recently said that Alaska has comparatively strong cash margins, it appears the state may still be losing revenue under the unity tax method.

- The income tax oil companies pay in Alaska may be effectively lowered by less profitable investments around the world. Conversely, if oil development in Alaska is less profitable than elsewhere, as some have stated, this would result in a tax cut for the oil industry.

- Small Alaska-based businesses pay corporate income taxes based on their Alaska earnings. For simplicity and equity, multinational oil companies should do the same.

Variables in Net Income Calculation under Separate Accounting (AS 43.21)

Separate Accounting applied a 9.4 percent tax rate to oil companies' net income. Statutes defined net income as gross income minus the following:

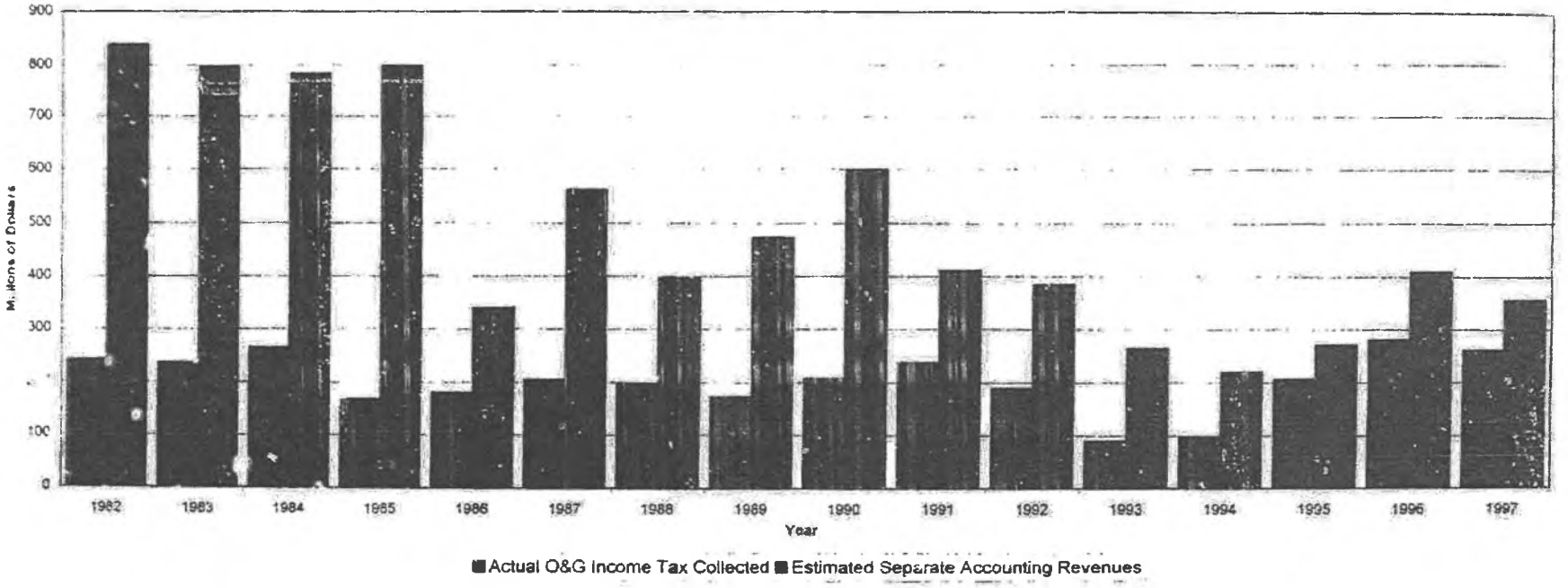
- Royalties;
- Production Taxes;
- Transportation Costs;
- Oil and Gas Conservation Taxes;
- State and Municipal Property Taxes;
- Direct Operating Costs;
- Depreciation of property (production equipment);
- Amortization of lease acquisition payments and property taxes, including capitalized interest on property incurred before commencement of production;
- Interest expenses not capitalized during construction, limited to the sum of total interest paid multiplied by the total value of the corporation's real and tangible property used for production divided by the value of all real and tangible property of the consolidated business (group of corporations holding ownership control). Such limitation does not apply if the corporation can show that the amount paid exceeds the result of the calculation described above;
- Expenses incurred for failed exploration (costs recoverable are for acquisition of abandoned properties, dry holes, and geologic / geophysical exploration);
- Overhead and administrative costs limited by the same multiplier as for interest expenses;
- Income divided among Native Corporations under ANCSA; and
- Federal windfall profits tax on oil under IRS Code Section 4986, which was repealed in August 1988.

Comparison of Actual Oil and Gas Corporate Income Tax Collected with Estimated Revenues using a Separate Accounting Income Tax Approach (In Millions)

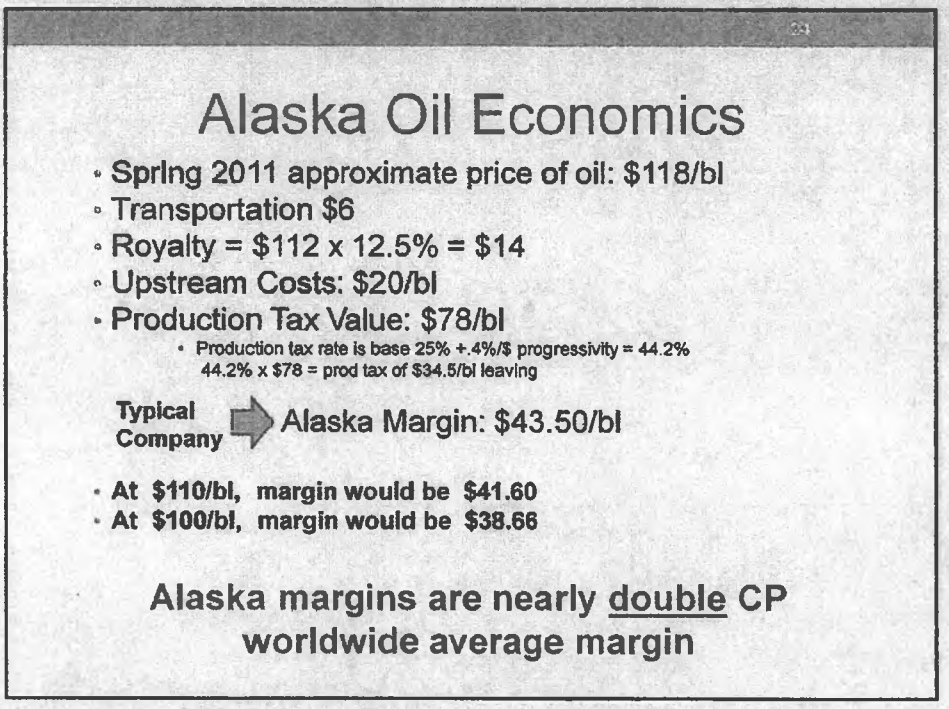
	Actual O&G Income Tax Collected	Estimated Separate Accounting Revenues	Difference
1982	242.50	837.62	595.12
1983	236.00	796.15	560.15
1984	265.10	782.86	517.76
1985	163.60	797.00	628.40
1986	181.00	341.00	160.00
1987	205.00	562.00	357.00
1988	198.00	396.00	198.00
1989	174.00	473.00	299.00
1990	208.00	598.00	390.00
1991	237.00	410.00	173.00
1992	189.00	385.00	196.00
1993	90.00	264.00	174.00
1994	98.00	219.00	121.00
1995	206.00	270.00	64.00
1996	281.00	408.00	127.00
1997	259.00	355.00	96.00
TOTALS	**$3,238.20**	**$7,894.63**	**$4,656.43**

Source: 1986-97 calendar year data from DOR letter D. Dickinson to J. Donohue Sept. 23, 1999; 1982-85 fiscal data is from DOR report dated Oct. 31, 1985, Wright to Nordale, In re HB353; data for second half of 1985 not available at this time.

Comparison of Actual Oil and Gas Corporate Income Tax Collected with Estimated Revenues using a Separate Accounting Income Tax Approach Assuming Existing AS 43.20 Rate



Source: 1986-97 calendar year data from DOR letter, D. Dickinson to J. Donohue, 9/23/99; 1982-85 fiscal data is from DOR report dated 10/31/85, Wright to Nordale, in re HB353. Data for second half of 1985 not available at this time. Since the actual income tax collections for FY82 (the phase out year) included revenue from both separate accounting and modified apportionment, the actual income tax collections for FY82 depicted on the chart includes an estimate of revenue from modified apportionment as if it had been in effect for the entire fiscal year.



Alaska is close to Eagle Ford at nearly twice the global portfolio average margin. Therefore, comparative oil profits do not explain the low reinvestment rate for Alaska. The companies tell us that each has its own 'hurdle rate' for return on investment before a project can be profitable enough to be selected for investment. Obviously, nearly double the margin of funded projects pass that test.

We now know that the upstream cost for ConocoPhillips is only $15.48/bl in Alaska instead of the assumed $20/bl. This means that an additional $4.52 per barrel is added to the typical company margin, making ConocoPhillips' Alaska Margin **$48.02/bl.**

"On average, it costs ConocoPhillips $15.48 to produce a barrel of oil in Alaska" – Mary Ann Kah, ConocoPhillips' Chief Economist
January 15th, 2012 Alaska Journal of Commerce *Slope producers lay out scenario with proposed oil changes*

Slide prepared by the office of Representative Seaton. Full presentation available at http://housemajority.org/seaton/pdfs/27/HB_110_Aces_or_Not_11292011.pdf

Annual Report



Fiscal Year 2011

Available online at www.tax.alaska.gov

Corporate Income Tax AS 43.20

Description
Alaska levies a corporate income tax on Alaska taxable income.

For purposes of computing taxable income, Alaska, like many states, adopts the federal Internal Revenue Code (IRC) by reference, unless excepted to or modified by specific Alaska statutes.

For a corporation doing business only in Alaska, its taxable income is federal taxable income with certain Alaska modifications.

A corporation that does business both inside and outside Alaska apportions a percentage of the corporation's total income to Alaska using a formula. The Alaska percentage or "apportionment factor" is an average of three factors: property, payroll, and sales, inside and outside the state.

When a corporation is part of a group of corporations that operates as a unit to conduct a business, the taxpayer must apportion to Alaska a percentage of the combined incomes of all of the corporations in the "unitary" or "combined" group.

Corporate income is taxed at graduated rates ranging from 1 percent to 9.4 percent.

For unitary groups that are not oil and gas companies, Alaska adopts "water's edge combination." The combined group generally includes only those corporations with significant U.S. activity.

Oil and gas companies combine on a worldwide basis. Also, oil companies use a "modified" apportionment formula of property, sales, and extraction. The extraction factor is the production of oil and gas in Alaska divided by production everywhere.

Rate
Alaska taxes corporate income at graduated rates ranging from 1 percent to 9.4 percent divided over 10 tax brackets.

Returns and Payments
Corporations file returns annually, with the return due three and one-half months after the close of the tax year, one month after the federal tax return is due. Alaska honors the federal filing extensions.

Corporations must make quarterly estimated payments and the total tax is due two and one-half months from the end of the tax year. There are no extensions to pay the tax. Estimated payments of more than $100,000 and payments accompanying a return greater than $150,000 must be made online or by wire transfer.

Exemptions
Generally, Alaska follows the IRC when determining an entity's taxable status.

Alaska adopts the flow-through federal provisions that exempt S-Corporations from tax. Federally, S-Corporations are treated as partnerships and S-Corporation shareholders report their proportionate share of the corporation's earnings.

Alaska treats Limited Liability Companies (LLCs) as partnerships if they file as partnerships federally. Electric and telephone cooperatives pay tax under AS 10.25 and are exempt from the corporate income tax.

Credits
Under Alaska's blanket adoption of the IRC, taxpayers can claim all federal incentive credits. Federal credits that refund other federal taxes are not allowed. Multistate taxpayers apportion their total federal incentive credits. Alaska specific credits include:

Education - Taxpayers that contribute to Alaska two-year or four-year universities or colleges for direct instruction, research or educational support purposes or school district/ state-operated vocational technical education and training schools may claim a tax credit for 50% of the first $100,000, 100% of the contribution over $100,000 and up to $300,000 and 50% of the remaining amount over $300,000. The total allowable credit may not exceed $5 million.

Minerals Exploration Incentive - Taxpayers may claim a credit for 100% of eligible costs of exploration activities related to determining existence, location, extent, or quality of a locatable mineral or coal deposit. An approved exploration incentive credit may not exceed $20 million and must be applied within 15 tax years after the credit is approved. Application of the credit is limited to the lesser of 50%of the taxpayer's mining license tax liability or 50% of its corporate tax liability.

Oil and Gas Exploration Incentive - Taxpayers may take a credit for up to 50% on state land (or 25% on non - state lands) of eligible oil and gas exploration costs. An approved oil and gas exploration incentive credit may not exceed $5 million per project and is limited to $30 million per taxpayer. Taxpayers may apply the credit against 100% of corporation net income taxes due.

Gas Exploration and Development - Taxpayers may take a corporate income tax credit for 10% of qualifying expenditures incurred in exploration and development of natural gas reserves in Alaska, except for the North Slope. The credit may be applied against 50% of the tax liability. Beginning 1/1/2010 this credit is increased to 25% and it may be applied against 75% of the tax liability.

Gas Storage Facility Tax Credit - Taxpayers may take a credit for costs incurred to establish a gas storage facility in Alaska. The available credit is $1.50 per 1,000 cubic feet of gas storage capacity, with a maximum credit available of $15,000,000 or 25% of costs incurred to establish the facility. This is a refundable tax credit.

Film Production - Taxpayers may take a credit for certain expenses incurred in producing films in Alaska. The credit varies from 30% to 44% and is administered by the Alaska Department of Commerce, Community, and Economic Development (DCCED) in cooperation with the Department of Revenue. This credit may be transferred.

Disposition of Revenue - The Division deposits most corporate net income tax collections into the General Fund. For oil and gas corporations only, the Division deposits collections from audit assessments into the Constitutional Budget Reserve Fund.

History

1949 - The territorial legislature enacts the Alaska Net Income Tax Act. It is 10% of the federal income tax liability on income earned in Alaska. The tax applies to individuals and corporations.

1959 - Alaska adopts the Uniform Division of Income for Tax Purposes Act (UDITPA) within AS 43.20. This is a model statute that was developed by the states to address concerns of the U.S. Congress that states were collectively taxing more than 100% of the earnings of multistate corporations. UDITPA requires multistate corporations to apportion a percentage of their total income to the state by the apportionment formula of property payroll and sales. The standard UDITPA formula apportions 100% of the corporation's

A voter initiative passed in August 2006 subjects cruise ship operators to the Alaska corporate income tax.

income among the states where the taxpayer does business.

1970 - Alaska enacts the Multistate Tax Compact in AS 43.19, and becomes one of the early members of the Multistate Tax Commission. The Compact incorporates the standard three-factor apportionment formula of UDITPA. A main purpose of the Compact and the Commission is to promote the enactment of UDITPA, and the uniform application of UDITPA apportionment formula by the states. Uniform application of UDITPA promotes the full reporting of income by taxpayers and avoids the taxation of the same income by more than one state.

1975 - The legislature repeals the original tax and makes major revisions. Alaska enacts its own tax rates rather than basing the tax on the federal tax liability. Alaska adopts the federal Internal Revenue Code ("IRC") by reference, unless excepted to, or modified by other Alaska statutes. The tax rate was 5.4% of Alaska taxable income with a surtax of 4% based on federal surtax exemptions. For 1975, the surtax exemption was $50,000.

1978 - The legislature finds that the standard three-factor apportionment formula does not fairly reflect Alaska income for oil and gas corporations. Alaska enacts AS 43.21, and requires oil and gas companies to calculate Alaska taxable income using separate accounting. The oil and gas companies challenge AS 43.21.

1980 - The legislature repeals the parts of AS 43.20 that impose the individual income tax and retains the exemption for S-Corporations.

1981 - In an effort to stem the growing amount of disputed oil and gas income taxes and related litigation, the legislature seeks a compromise tax method. The legislature repeals separate accounting under AS 43.21, and enacts AS 43.20.072, the current "modified" apportionment formula for oil and gas corporations. The modified formula drops the payroll factor and adds the "extraction factor." The legislature also enacts the current graduated tax rate structure with a maximum rate of 9.4%.

1987 - The legislature enacts the Alaska Education Credit.

1991 - The legislature enacts "water's edge apportionment" with AS 43.20.073. Water's edge apportionment does not apply to oil and gas taxpayers, who continue to report on a worldwide basis.

1998 - The Department of Revenue wins the OSG Bulkships case. The Alaska Supreme Court holds that AS 43.20 does not adopt the IRC Section 883 by reference. Federally, Section 883 exempts from tax foreign corporations that operate ships and aircraft, and avoids double taxation. The Court says that formulary apportionment in AS 43.19 also avoids double taxation and therefore AS 43.19 is an exception to Section 883. During the next session, the legislature specifically adopts Section 883 and grants explicit tax exemption to the foreign corporations operating cargo ships, cruise ships, and aircraft in Alaska.

2006 - A voter initiative that subjects cruise ship operators to Alaska corporate income tax passes in August 2006. Prior to the initiative, cruise ship operators were exempt from taxation through the Department's adoption of IRC Section 883.

2008 - The legislature amends the education credit provisions to include cash contributions accepted for secondary level vocational courses and programs by a school district in Alaska, and by a state-operated

vocational technical education and training school.

The legislature authorizes tax credits for qualified film production expenditures incurred in Alaska. Tax credits may be sold, transferred, exchanged, or conveyed, and must be used within three years after being granted by DCCED. The maximum of credits claimed by all taxpayers over the life of the credit program may not exceed $100 million.

2010 - The legislature amends the education credit by increasing the maximum credit allowed from $150,000 to $5 million effective January 1, 2011. In addition, the legislature expands contributions eligible for the credit to include contributions made for construction and maintenance of facilities by state operated vocational education schools and two or four-year colleges. The increase in the credit from $150,000 to $5 million expires December 31, 2013. On January 1, 2014, the maximum credit allowed will revert to $150,000.

The legislature expands the Gas Exploration and Development Credit, increasing it from 10% to 25% effective January 1, 2010. The utilization limit was raised from 50% to 75% of the tax liability.

The legislature authorizes tax credits for expenditures to establish gas storage in Alaska. The available credit is $1.50 per 1,000 cubic feet of gas storage capacity, with a maximum credit available of $15,000,000 or 25% of costs incurred to establish the facility. This is a refundable tax credit.

2011 - The legislature enacted legislation extending the date that the $5 million annual education credit limit expires from January 1, 2014 to January 1, 2021. It is then scheduled to return to $150,000. In addition, the legislature expanded contributions eligible for the credit to include contributions made after June 30, 2011 to annual intercollegiate sports tournaments, Alaska Native cultural or heritage programs for public school staff and students, and a facility in the state that qualifies as a coastal ecosystem learning center under the Coastal American Partnership.

Figure 7 - Corporate Income Tax Liabilities Statistics – Original Returns

	Oil and Gas Corporations			Other than Oil and Gas Corporations			All Corporations		
Tax Liability Reported	**# Filers**	**Amount**	**% Total**	**# Filers**	**Amount**	**% Total**	**# Filers**	**Amount**	**% Total**
Above $1 million	10	$305,730,424	99.91%	23	$65,025,269	62.92%	33	$370,755,693	90.57%
$500,000 - $1 million	0	0	0.00%	12	7,876,080	7.62%	12	7,876,080	1.92%
$100,000 - $499,999	1	105,555	0.03%	80	17,321,855	16.76%	81	17,427,410	4.26%
$50,000 - $99,999	1	55,618	0.02%	72	5,109,289	4.94%	73	5,164,907	1.26%
$10,000 - $49,999	3	92,908	0.03%	243	6,171,164	5.97%	246	6,264,072	1.53%
$1,000 - $9,999	1	7,766	0.00%	431	1,635,086	1.58%	432	1,642,852	0.40%
$100 - $999	1	216	0.00%	472	188,094	0.18%	473	188,310	0.05%
$1 - $99	0	0	0.00%	786	22,161	0.02%	786	22,161	0.01%
Zero Tax	9	0	0.00%	12903	0	0.00%	12.912	0	0.00%
Total	**26**	**$305.992.487**	**100.00**	15,022	**$103.348.998**	**100.00**	15.048	**$409.341.485**	**100.00**

Note: This figure shows the amount of total tax liability as reported on original corporate income tax returns filed during FY 2011. The Tax Division accounts for, and reports revenue based on receipt date of payments. Corporate taxpayers are required to make estimated tax payments throughout the year. Therefore, corporate income tax revenue reported in Figure 3 and this figure may be different. The difference between revenue reported in the two figures is due primarily to estimated tax payments received in a preceding or subsequent fiscal year.

NewsBank inc. America's News

Oil tax proposal harkens to the past

Anchorage Daily News (AK) - Sunday, February 26, 2006

Author: *GREGG ERICKSON COMMENT ; Commentary*

Gov. Frank Murkowski has rolled out his new oil and gas tax legislation. Administration officials describe the scheme as a wonderful innovation, designed to rationalize Alaska's oil taxes for the next 30 years.

Why 30 years? Because that's the duration of the "no-changes" promise Exxon Mobil and BP say they must have under the Stranded Gas Act if they are to agree to fiscal terms on a gas line.

"The oil companies have asked us to pass this new tax because they want certainty," explained Senate Resources Committee Chair Tom Wagoner, R-Kenai.

Legislators, even those like Wagoner, who is usually super-friendly to oil companies, are starting to worry where this may be heading. "I've told the oil companies that I will not lock up an oil tax for 30 years," he said.

That's a sensible caution. Whether legislators can legally lock in a taxing scheme is so constitutionally crazy that it suggests the companies could be assuming the "stranded gas" process will fail. From their perspective, that's not such a bad outcome. Exxon has said it wants Alaska to wait until the company has a pipeline to its Canadian gas reserves in the Mackenzie Delta. Waltzing Murkowski and legislators down a years-long garden path to a dead end could fit right in with its plans for delaying development of Alaska gas.

Setting aside the motives that may have put it on the table, the principle behind Murkowski's tax legislation makes sense. Hardly anyone in Juneau realizes it, but stripped of its industry-favoring "incentives," Murkowski's proposal is nearly identical to the "separate-accounting" oil and gas income tax the state adopted in 1978. The history of Alaska's experiment with separate accounting suggests that a cleaned-up version of the governor's tax could serve the state well for a long time.

Before separate accounting, the oil companies -- masters of tax avoidance -- were able to escape paying state corporate income tax on roughly three-quarters of their Alaska oil profits. Separate accounting and Murkowski's proposed tax on petroleum profits rely on a simple concept: If the companies keep a separate set of books for Alaska, we can make sure their taxes reflect their real profits.

The 1978 separate-accounting law took only 9.4 percent of oil profits for the treasury, but the plan raised more money than its proponents dreamed, largely because the new system responded with ruthless efficiency to the effect of rising oil prices on profits. From 1978 to 1981, when the tax was repealed, oil prices quadrupled, while the state's corporate tax revenue from oil producers soared, growing from less than $21 million in fiscal 1978 to $860 million in fiscal 1981.

Oil producers spared no effort to defeat the system, filing multiple lawsuits, and eventually taking their claims of Alaska's "overreaching" to the U.S. Supreme Court. They lost in every venue.

In 1981, however, the companies helped engineer a late-session leadership coup in the state House: Al Adams, D-Kotzebue, three other rural representatives and Russ Meekins, D-Anchorage, bolted from the 22-member Democratic majority and joined a Republican-Libertarian coalition, ousting House Speaker Jim Duncan and replacing him with Republican Joe Hayes. The new speaker replaced Democrat Tony Vaska with Republican Rick Halford on a crucial conference committee. Halford (who later claimed he was duped by the industry) joined with the other House Republican, and on June 17, 1981, the conference committee accepted the Senate's proposal to replace separate accounting with a modified severance tax.

Revenue Commissioner Tom Williams, now a tax attorney for BP, and the man who later dreamed up the concept of the state's Stranded Gas Act, told Gov. Jay Hammond the change would likely have little effect on

revenues and persuaded the governor not to veto the bill.

State economists later calculated the change from separate accounting cost the state billions. Gov. Steve Cowper, elected in 1986 -- a year marked by the oil-price collapse to $6.50 per barrel -- was feeling the pinch as he tried to craft his first budget. Cowper asked his staff to give him options for raising revenue. They unanimously recommended a return to separate accounting, but that was not to be -- for reasons I will relate in this space next Sunday.

Gregg Erickson of Juneau was director of research for the Legislature during 1975-1979, and later served as chief economist in the office of then-Gov. Steve Cowper. Erickson's e-mail is gerickso@alaska.com.

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NewsBank inc. America's News

State oil tax struggle is nothing new

Anchorage Daily News (AK) - Sunday, March 5, 2006

Author: *GREGG ERICKSON COMMENT ; Commentary*

When newly elected Gov. Steve Cowper took office in December 1986, he found himself facing a crisis. Oil prices had taken a huge nosedive during 1986, and so had state revenue. "Basically the government was going to shut down in the middle of next year unless something happened," Cowper recalled. "The first thing I thought was to troop out every revenue measure that was in bounds."

Cowper's advisers, led by Revenue Commissioner Hugh Malone, suggested a separate accounting income tax on petroleum companies, a tax very similar to the measure Gov. Frank Murkowski introduced last month. The state had a separate accounting oil tax in 1978, and it worked well, but under pressure from the oil industry the measure was repealed three years later, in 1981. The dramatic events surrounding that repeal, which I described last Sunday, were a watershed in Alaska political life.

Unlike so many other oil-rich countries and provinces, Alaskans had chosen to maximize their state's cash income from the industry, rather than jobs for workers or fat contracts for local businesses. And Alaskans sought development of the state's oil and gas resources by offering them on an intensely competitive, level playing field. No sweetheart deals.

Because of these choices, Alaskans were able to increase their share of oil profits from less than 20 percent in the 1960s to over 35 percent at the end of the 1970s, establish a Permanent Fund to save oil money for future generations, and build billions worth of infrastructure.

That changed in 1981. The Alaska oil industry, increasingly concentrated in the hands of three companies, set about a campaign to mold Alaskans' aspirations away from cash income for the government, and toward jobs and contracts, but they didn't do this alone. A growing number of Alaska households did not know or much care about Alaska's history of capitalist exploitation, and many of these households were directly dependent on oil industry jobs. Most of all, a growing percentage of Alaskans -- including Steve Cowper -- were seeing the growth of state government as a self-serving reaction to overabundant oil revenue rather than an appropriate governmental response to real needs.

Cowper went into the 1986 campaign firmly against raising industry taxes. "I was not interested in beating on the oil companies," he now recalls. Facing a post-election crisis, he took a pass on separate accounting, proposing a personal income tax. That went nowhere, but fortunately, oil prices rose. Together with budget cuts, that averted the predicted fiscal crunch.

Oil prices continued to gyrate, however, and state revenue was further eroded by a delayed-action tax break the oil industry had inserted in the 1981 bill that repealed separate accounting. The delayed tax break, effective in 1987, caused severance tax revenue to drop abruptly. Again squeezed by falling revenue, Cowper's advisers suggested just fixing the severance tax. Nobody really liked the idea, but it was the only thing that looked as if it had even a chance of flying in the Legislature.

In the first months of the 1989 session, the proposed severance tax change, which modified the economic limit factor, foundered as climbing oil prices relieved some of the fiscal stress. But in March, the Exxon Valdez oil spill caused an opposite shift. People, particularly were mad at the industry those from coastal areas.

The tax passed the House in April, but in May failed its initial Senate vote, 9-11. Malone, Cowper's chief strategist, knew that Sen. Mike Szymanski, one of the votes the industry was counting on to kill the measure, planned to switch at the last minute, but that would leave the tally at a 10-10 tie, one vote shy of passage.

Cowper seemed more optimistic. He'd had several heart-to-heart talks with Bethel Republican Sen. John Binkley. "I think he voted his district and his conscience," was how Cowper later explained Binkley's change of heart and vote.

The oil lobbyists were in shock. They tried to get Senate President Tim Kelly to hold the bill so they could try again on a vote to rescind, but Kelly, who was unhappy with the industry over the spill, had already sent the measure back to the House. Cowper signed it the next day.

Gregg Erickson of Juneau was director of research for the Legislature from 1975 to 1979, then served as chief economist in the office of Gov. Steve Cowper. E-mail, gerickso@alaska.com.

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Eagle Ford could nudge Alaska for COP

ConocoPhillips' plans to invest $2 billion this year on liquids-rich shale plays could mean the Lower 48 edges out Alaska oil

Eric Lidji

For Petroleum News

ConocoPhillips' most recent quarterly report presented a typical view of the Houston major's exploration and production activities in the United States, but not a complete one.

Discussing the future with analysts in late March, company executives suggested that the balance between Alaska and the Lower 48 might be changing in the coming years.

For a while now, ConocoPhillips has earned more from its exploration and production activities in Alaska than it has in the Lower 48, sometimes a little and sometimes a lot.

Of the $2.7 billion the company earned from E&P worked in the United States last year, $1.7 billion came from Alaska and the rest came from the Lower 48. In the first quarter of 2011, the company earned $549 million in Alaska and $314 million in the Lower 48.

Those earnings don't reflect production levels, though.

ConocoPhillips produced 629,000 barrels of oil equivalent per day in the first

quarter, or 364,000 bpd of oil and natural gas liquids and 1.6 billion cubic feet of natural gas.

That production is lopsided by region. In the Lower 48, ConocoPhillips produced 150,000 bpd of oil and 1.5 billion cubic feet of natural gas per day, while in Alaska the company produced 214,000 bpd of oil and 67 million cubic feet of natural gas per day.

Alaska is usually more profitable for ConocoPhillips because oil trades at a premium to natural gas. And with the delivered price of Alaska North Slope crude oil at around $123 per barrel and Henry Hub at around $4.60 per mcf, that spread has rarely been wider.

So when you crunch the numbers, Alaska accounted for about 63 percent of ConocoPhillips' U.S E&P profits and 35 percent of its production in the first quarter.

COP investing in shale

That balance could flip in the next few years, though.

ConocoPhillips is investing heavily in three liquids-rich shale plays in the Lower 48 this year, the Eagle Ford of South Texas, the North Barnett of North Texas and the Bakken of North Dakota, and also plans to ramp up operations in the Permian basin of West Texas.

The company plans to spend $2 billion in those plays this year to produce some 170,000 barrels of oil per day by 2013, Greg Garland, senior vice president for exploration and production in the Americas, said at the March analysts meeting. That target, if achieved, would push the Lower 48 ahead of Alaska, both in terms of production and profits.

Like many companies, ConocoPhillips is incredibly bullish about liquids-rich Lower 48 shale right now and plans to drill 450 gross wells across the four plays this year. That's in addition to the 240 wells the company plans to drill in "other competitive areas."

13 rigs in Eagle Ford this year

In the Eagle Ford alone, ConocoPhillips budgeted $1.4 billion this year, with plans to run 13 rigs and three dedicated hydraulic fracturing crews to drill 144 wells on 220,000 acres with the goal of producing 30,000 boe per day by the end of the year, 75 percent liquids.

"The Eagle Ford is a game changer," Garland said. "It's a game changer for the industry and for our company."

In the Bakken, ConocoPhillips holds 460,000 acres with a resource potential of

400 million barrels of oil equivalent and more than 1,700 "high-value drilling opportunities."

ConocoPhillips expects to produce 20,000 boe per day from the Bakken this year.

ConocoPhillips budgeted $400 million in the Permian basin and North Barnett Shale this year. The company holds 65,000 acres with a resource potential of some 200 million barrels of oil equivalent in the North Barnett, and more than 1 million acres with a resource potential of 700 million barrels of oil equivalent in the prolific Permian basin.

ConocoPhillips expects to produce 65,000 boe per day from the two plays this year.

Alaska budget flat

By comparison, ConocoPhillips "will invest $350 million in exploitation this year, all at very good returns," Garland said. ConocoPhillips budgeted $900 million for capital expenses in Alaska this year, but expects actual spending to be somewhat lower.

"We expect ConocoPhillips Alaska's 2011 capital budget spending to be basically flat from 2010," ConocoPhillips spokeswoman Natalie Lowman told Petroleum News in February. "The 2011 capital budget includes contingency funding if we are successful in getting improvements in State fiscal terms, and resolving permitting issues with Alpine satellites." ConocoPhillips spent $730 million in 2010, its lowest level since 2007.

ConocoPhillips did not drill any traditional North Slope exploration wells this winter or last winter, but maintains ventures, such as the Alpine West satellite and Chukchi Sea prospects that it plans to pursue as soon as it overcomes permitting and legal hurdles.

Garland said ConocoPhillips still likes its "strong cash margins" in Alaska, as well as its "significant infrastructure position" and "extensive operating capability."

Shale plays remain immature

ConocoPhillips likes the Eagle Ford because of economics.

Garland said the play offered $45 per barrel margins last year, twice the average of ConocoPhillips' global portfolio. Since January 2010, well costs have fallen 40 percent.

Those plays face some obstacles, though, particularly in the short term.

Garland said that resources like rigs and hydraulic fracturing crews are "stretched

thin" in the Eagle Ford, and CFO Jeff Sheets said that some production in the Eagle Ford could remain shut-in until pipeline infrastructure catches up to drilling levels, around 2013.

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From the office of Senator Wielechowski

Washington Post: How much do oil companies really pay in taxes?

By Steven Mufson, Published: May 11, 2011

Just how much do big oil companies pay in taxes?

Exxon Mobil says it pays plenty — more in U.S. taxes than it earned in the United States last year.

Not so, say critics of the oil industry; the Center for American Progress says the oil giant's effective federal income tax rate is about half the 35 percent standard for U.S. companies. The liberal-leaning think tank, citing Exxon Mobil's filings with the Securities and Exchange Commission, says the corporation didn't pay any federal income tax in 2009.

It all depends on how you count.

Exxon Mobil counts everything — not just federal income taxes, but also local property taxes, state taxes, gasoline taxes and payroll taxes. The Center for American Progress (CAP) and other analysts count only the company's federal corporate income taxes.

"We pay our fair share of taxes," said Kenneth Cohen, Exxon Mobil's vice president for public affairs, who in a conference call recently lumped more than $6 of sales, state and local taxes together with every $1 of federal income tax paid in 2010.

But Exxon Mobil's tax rate is "lower than the average American's," Daniel Weiss, an energy expert at CAP, countered in an analysis that put the company's U.S. federal income tax rate in 2010 at just 17.2 percent.

The tax debate may turn into the most combustible issue when top executives from five oil giants appear before a congressional committee on Thursday.

Most congressional Democrats and the Obama administration want to end or limit tax benefits — or tax breaks — for oil companies.

The provisions targeted include the industry's use of a tax break that since 2004 has trimmed the corporate tax rate for manufacturers; oil-depletion allowances that all but the biggest firms use to recover drilling costs, sometimes more than 100 percent of those costs; and the expensing of "intangible" drilling costs at a rate higher than that used by most non-oil companies to recover investment costs.

Those investment incentives have helped make the oil industry one of the most profitable, when measured by cash flow and return on investment. Soaring gasoline prices — as of Wednesday, $3.96 a gallon for regular nationwide — have revved up the issue.

"The oil companies charging these exorbitant prices are picking through New Yorkers' pockets through the tax code, collecting billions of dollars every year in unnecessary taxpayer subsidies," Sen. Charles E. Schumer (D-N.Y.) said Wednesday. "This is completely unacceptable, and those big oil companies should know that the jig is up."

But those tax incentives have survived previous political onslaughts. The expensing of intangible drilling costs — including exploration and development — dates to 1916. The oil-depletion allowance dates to 1926.

The idea of eliminating these tax breaks isn't new. In 1984, the Reagan Treasury Department's original tax reform blueprint got rid of the provisions, but it was never passed into law. Some breaks were later limited. The biggest firms, such as Exxon Mobil, have not qualified for the depletion allowance since the 1970s, but other large oil firms known as independents still do.

Deciphering how it all affects the bottom line isn't easy. Oil companies get credits in the United States for taxes paid to foreign nations where they produce crude oil. Exxon spokesman Alan T. Jeffers said there are 35 IRS agents who work full time auditing the company's books.

Rhetoric aside, Exxon and CAP agree on many figures. Jeffers conceded that the company had a net federal income tax credit of $156 million in 2009, but he says that was the result of favorable audits of returns dating back a decade or more.

Cohen highlighted "total taxes and duties to the U.S. government" of $9.8 billion in 2010. But only $1.3 billion of that went to federal income taxes, the company said in SEC disclosures used by CAP. While that's a big figure, worldwide income before taxes was $57 billion that year, and U.S. income was $7.7 billion.

Whether it's a good idea to get rid of the tax breaks has little to do with property taxes or how much companies collect and pass on to the government in gasoline, sales and payroll taxes, says Eric Toder, a tax expert at the Urban Institute.

"All corporations are big tax collectors," Toder said. "That's not really the issue."

Oil companies complain, and Toder agrees, that when it comes to the manufacturers' tax break, they are being unfairly targeted over something other businesses enjoy (although Toder questions whether any companies should get it).

"We don't characterize them as subsidies," said Kurt Glaubitz, a Chevron spokesman. "They're available to all companies in the oil industry and are similar to those in other industries." He said the manufacturers' tax allowance effectively cuts Chevron's corporate tax rate by two percentage points.

But Toder sees other tax incentives as unnecessary because they are designed to reward investments that are already richly rewarded, especially given high oil prices.

Exxon says that its profits are in line with what other companies make and that it earns just 9 cents on every dollar of sales. That, Cohen said, is a "number you won't hear in Washington."

"That's about half (or less) of what companies in pharmaceuticals or computers make, just to name a few," Cohen said on a company blog. "But strangely, there's not much talk about reducing their tax deductions."

But Wall Street analysts don't generally pay attention to that — and when Exxon talks to investors, it says they shouldn't, either. It tells them to watch the company's "return on capital employed," or ROCE. Those returns are huge — as high as 34 percent in 2008.

"The Corporation has consistently applied its ROCE definition for many years and views it as the best measure of historical capital productivity in our capital-intensive, long-term industry, both to evaluate management's performance and to demonstrate to shareholders that capital has been used wisely over the long term," Exxon said in an SEC filing.

mufsons@washpost.com

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Parsing Exxon's tax bill



The oil giant said it paid more in U.S. taxes than it made in U.S. profits as Congress debates cutting industry subsidies. Critics say Exxon's tax bill is far lower than it seems. By Steve Hargreaves, senior writerMay 4, 2011: 6:48 PM ET

NEW YORK (CNNMoney) -- Exxon Mobil wants to tell you something: It pays taxes. A lot of them.

In the first months of this year, Exxon (XOM, Fortune 500) says it paid $3.1 billion in taxes in the United States -- more than even the $2.6 billion in profit it made selling oil and gas.

To get to that number, the company includes the federal and state gasoline taxes that the company collects from drivers and passes on to government coffers. It also includes payroll taxes the company pays on behalf of its employees.

The company is highlighting its overall tax contributions to make a point: It wants Americans to see just how much the company and its activities add to the overall tax rolls.

"We are one of the largest taxpayers in the United States," said Alan Jeffers, an Exxon spokesman.

For Exxon -- and the oil industry overall -- the message is urgent.

Led by President Obama and key Democratic lawmakers, Congress is pushing to eliminate $4 billion a year in tax breaks enjoyed by the oil industry. With gas at $4 a gallon, it's not a popular time for politicians to defend oil industry subsidies. Even some top Republicans have recently suggested they might support eliminating the breaks.

Critics say Exxon Mobil and the industry is going too far in making its argument.

Big Oil's $38 billion defense

"They are counting taxes they don't pay," said Bob McIntyre, a director at Citizens for Tax Justice. "Payroll taxes are on the workers, sales taxes are on the consumers."

Throwing in those seemingly superfluous tax figures seems like an unnecessary move, especially considering that even without them the income tax the company pays is pretty high.

Exxon's average effective U.S. income tax rate over the last six years is about 29%, according to the firm's security filings and an interview with a top Exxon tax lawyer. It's one of the highest rates for any industry.

Jeffers said the company highlighted its overall tax contributions because it's important for people to see just how much the firm and its activities add to the overall tax rolls.

Exxon's income tax rate is below the 35% rate mandated by corporate tax law, but it's widely believed most U.S. companies don't pay that rate thanks to generous loopholes in the tax code.

0:00 /02:46'Age of cheap oil is over'

The loopholes are designed to let U.S. companies compete with their foreign counterparts, which often have a lower corporate tax rate.

Jeffers noted that Exxon's tax bill can fluctuate wildly from year to year. In 2008 the company paid over 35% of its profit to the government, while in 2009 it was near zero due to an overpayment from the year before. In 2010 it was about 18%.

Tax Justice Center's McIntyre said his own calculations show Exxon's tax rate over the last three years is a bit less than the company is claiming, although it's still in the same ball park.

Still, he said the industry has plenty of money and that what it pays in taxes is too low. McIntyre believes the oil industry should lose its $4 billion a year in tax breaks and that loopholes for companies in general should be closed.

"The oil industry is awash in tax subsidies, subsidies they obviously don't need," he said. "We have a budget deficit."

Jeffers said it's unfair to single out the oil industry and take away the tax breaks that other manufacturers enjoy. He noted that while the industry's profits seem large, its profit margins are about average and that it's only being singled out because gas prices are high.

If it's the deficit we're concerned about, Jeffers said opening up more areas to oil and gas drilling in this country would do more to add jobs and inject revenue into government coffers than simply upping the tax rate.

"Taxes don't create economic activity, they take from it," he said.

Jeffers and McIntyre might as well be proxies for the Republican House and Democrat-controlled Senate. In the next few weeks Democrats will push for an end to tax breaks and Republicans will call for more drilling.

Let the dogfight begin. ■

Exxon Says It Does Pay U.S. Income Taxes



Christopher Helman, Forbes Staff

Recently we published the story "What the Top U.S. Companies Pay In Taxes," and a related blog post, "Big Oil's Tax Bill." What's received the most attention from readers and bloggers was our assertion that ExxonMobil, despite recording more than $15 billion in income taxes, "paid none of its 2009 income taxes in the U.S."

Although I came up with that by reading the company's annual 10-k filing with the SEC, ExxonMobil spokesman Alan Jeffers assures me that this is wrong, that Exxon did indeed pay substantial income taxes to the U.S. Treasury in 2009, and that it overpaid taxes in 2008. How much? Well, Jeffers says so far he's not at liberty to disclose that information. "That's not something we're required to disclose, nor do we."

So what gives? Jeffers explains that what ExxonMobil reports in its annual consolidated financial statements is just accounting, that the numbers reflect expenses or credits recorded throughout the year and "do not represent our tax bill," which has not yet been filed, let alone settled. The financial results listed in the 10-k "is an accurate reflection of what it is, but not what you thought it was," says Jeffers.

What the financial statement says is that ExxonMobil, in 2009, after a handful of deferrals, recorded a total U.S. income tax benefit (i.e., a refund) of $46 million. Next to this, it shows total non-U.S. income taxes of $15.165 billion.

My mistake was in thinking that these figures somehow reflected actual tax benefits and liabilities. So what we should have written was that ExxonMobil "recorded" no U.S. income taxes for 2009 instead of "paid." All you re-bloggers out there, please note the clarification. Mea culpa.

And for all you commenters outraged that Exxon isn't paying taxes in the U.S., don't worry, it is. Our article only focused on income taxes, but it's worth noting that the 10-k also records $7.7 billion in other taxes in the U.S. (like sales taxes) and more than $50 billion of other taxes and duties paid (I mean recorded) overseas.

There's a lingering issue here. If Exxon's income tax line items don't mean what they say, then what does that imply about other important stuff? Are "earnings after income taxes," really $19.28 billion? Are earnings per share really $3.99? Does it all wash out? We've asked Exxon to explain and will let you know what they say.

Forbes.com

Beltway

What The Top U.S. Companies Pay In Taxes

Christopher Helman, 04.01.10, 3:00 PM ET

HOUSTON -

As you work on your taxes this month, here's something to raise your hackles: Some of the world's biggest, most profitable corporations enjoy a far lower tax rate than you do--that is, if they pay taxes at all.

The most egregious example is General Electric. Last year the conglomerate generated $10.3 billion in pretax income, but ended up owing nothing to Uncle Sam. In fact, it recorded a tax benefit of $1.1 billion.

Avoiding taxes is nothing new for General Electric. In 2008 its effective tax rate was 5.3%; in 2007 it was 15%. The marginal U.S. corporate rate is 35%.

How did this happen? It's complicated. GE's tax return is the largest the IRS deals with each year--some 24,000 pages if printed out. Its annual report filed with the Securities and Exchange Commission weighs in at more than 700 pages.

Inside you'll find that GE in effect consists of two divisions: General Electric Capital and everything else. The everything else--maker of engines, power plants, TV shows and the like--would have paid a 22% tax rate if it was a standalone company.

It's GE Capital that keeps the overall tax bill so low. Over the last two years, GE Capital has displayed an uncanny ability to lose lots of money in the U.S. (posting a $6.5 billion loss in 2009), and make lots of money overseas (a $4.3 billion gain). Not only do the U.S. losses balance out the overseas gains, but GE can defer taxes on that overseas income indefinitely. The timing of big deductions for depreciation in GE Capital's equipment leasing business also provides a tax benefit, as will loan losses left over from the credit crunch.

But it's the tax benefit of overseas operations that is the biggest reason why multinationals end up with lower tax rates than the rest of us. It only makes sense that multinationals "put costs in high-tax countries and profits in low-tax countries," says Scott Hodge, president of the Tax Foundation. Those low-tax countries are almost anywhere but the U.S. "When you add in state taxes, the U.S. has the highest tax burden among industrialized countries," says Hodge. In contrast, China's rate is just 25%; Ireland's is 12.5%.

Corporations are getting smarter, not just about doing more business in low-tax countries, but in moving their more valuable assets there as well. That means setting up overseas subsidiaries, then transferring to them ownership of long-lived, often intangible but highly profitable assets, like patents and software.

As a result, figures tax economist Martin Sullivan, companies are keeping some $28 billion a year out of the clutches of the U.S. Treasury by engaging in so-called transfer pricing arrangements, where, say, Microsoft's overseas subsidiaries license software to its U.S. parent company in return for handsome royalties (that get taxed at those lower overseas rates).

SB 201:

Separate Accounting of Oil and Gas Corporate Income Taxes

Senate Finance Committee
March 20, 2012

Senate Bill 201 would reinstate the separate accounting method of calculating corporate income tax paid by the oil and gas industry.

Under separate accounting, oil and gas companies pay tax on the income they earn within a particular jurisdiction as opposed to a share of their worldwide earnings.

This method is used by **EVERY** oil and gas producing nation in the world, including the United States, according to a March 9, 2012, analysis by Roger Marks, requested by LB&A.

It is also used by some U.S. states, including Oklahoma and Mississippi, and is offered as an option to O&G taxpayers in Louisiana.

Since oil production in Alaska began, the O&G industry has strongly urged the State to use a worldwide apportionment method for calculating their income tax.

- The O&G industry is the only industry in Alaska that uses this method.

- The income of other multinational corporations operating in Alaska is apportioned on a "water's edge" or U.S.-only basis.

- In the mid-70s, Alaska realized that it would lose significant revenue under the apportionment method.

- After 63 hearings and 4 years of analysis and debate, the legislature adopted separate accounting in 1978.

Under AS 43.21, revenues generated in Alaska, less expenses, became the basis for the 9.4% state corporate income tax.

The oil companies sued. They lost in the lower court and appealed to the State Supreme Court.

Four years later, in 1982, the State reverted to the apportionment system because the legislature feared a potential cost of $1.8 billion if Alaska lost.

12. The estimated total refund liability of the State is:

YEAR	ESTIMATED TOTAL REFUND LIABILITY
1978	$ 122,000,000
1979	311,000,000
1980	570,000,000
1981	821,000,000
TOTAL	$1,824,000,000

Further your affiant saith naught.

Robert D. Heath, Commissioner
Department of Revenue

SUBSCRIBED AND SWORN TO before me this 27th day of April, 1984.

At the time, the legislature saw that as too great a liability, given the treasury balance in 1981.

However, two years later, the state won on all points at the Alaska Supreme Court, and in 1986, the United States Supreme Court declined the oil companies' appeal request, stating there were no federal issues.

Separate accounting has never been reinstated.

In 2000, the Department of Revenue estimated that Alaska lost $4.7 billion between 1982 and 1997 because of the switch from separate accounting to apportionment.

Comparison of Actual Oil and Gas Corporate Income Tax Collected with Estimated Revenues using a Separate Accounting Income Tax Approach (In Millions)

	Actual O&G Income Tax Collected	Estimated Separate Accounting Revenues	Difference
1982	242.50	837.62	595.12
1983	236.00	796.15	560.15
1984	265.10	782.86	517.76
1985	163.60	797.00	628.40
1986	181.00	341.00	160.00
1987	205.00	562.00	357.00
1988	198.00	396.00	198.00
1989	174.00	473.00	299.00
1990	208.00	598.00	390.00
1991	237.00	410.00	173.00
1992	189.00	385.00	196.00
1993	90.00	264.00	174 00
1994	98.00	219.00	121.00
1995	206.00	270.00	64.00
1996	281.00	408.00	127.00
1997	259.00	355.00	96.00
TOTALS	**$3,238.20**	**$7,894.63**	**$4,656.43**

The DOR fiscal note for this bill also estimates that Alaska is losing about $250 million a year due to its use of worldwide apportionment as opposed to separate accounting.

Statements made over the past decade by oil industry executives support the conclusion that Alaska loses income using formulary apportionment.

" ... Norway, the U.K., **Alaska**, Indonesia, all have relatively high, higher than average margins."

Jeffrey Wayne Sheets, CFO and Senior VP of Finance for ConocoPhillips, in a 2011 Q3 conference call.

"Talk about Alaska, we like Alaska. . . . Last year 240,000 BOE a day, **strong cash margins** in this area ... We'll invest $350 million in exploitation this year, all at **very good returns**."

From Greg Garland, Senior Vice President of Exploration and Production for the Americas with ConocoPhillips. Said on March 23, 2011.

" ... Alaska's role in BP' s portfolio is to provide a **stable production base and cash flow to fuel growth elsewhere** in the business while **improving margins and returns**."

Alaska Business Unit, Mid-Stream Alaska, Trans-Alaska Pipeline Pump Station Electrification Decision Support Package – Sanction, February 9, 2004, page 13

These statements are confirmed by information contained in Securities and Exchange Commission filings, which show that per BOE earnings in Alaska for ConocoPhillips are nearly double what they are in the Lower 48 or the rest of the world.

A Legislative Research report issued yesterday compares net income per BOE from Alaska, the Lower 48 and the rest of the world from 2000-2010.

- Alaska average: $15.10
- Lower 48 average: $8.79
- Rest of world average: $8.57

One cause of this difference in net income per BOE is lower value gas production in other jurisdictions intermingled with higher value oil production. But this intermingling is exactly what occurs with formulary apportionment.

Figure 3: ConocoPhillips: Net Income per Barrel of Oil Equivalent

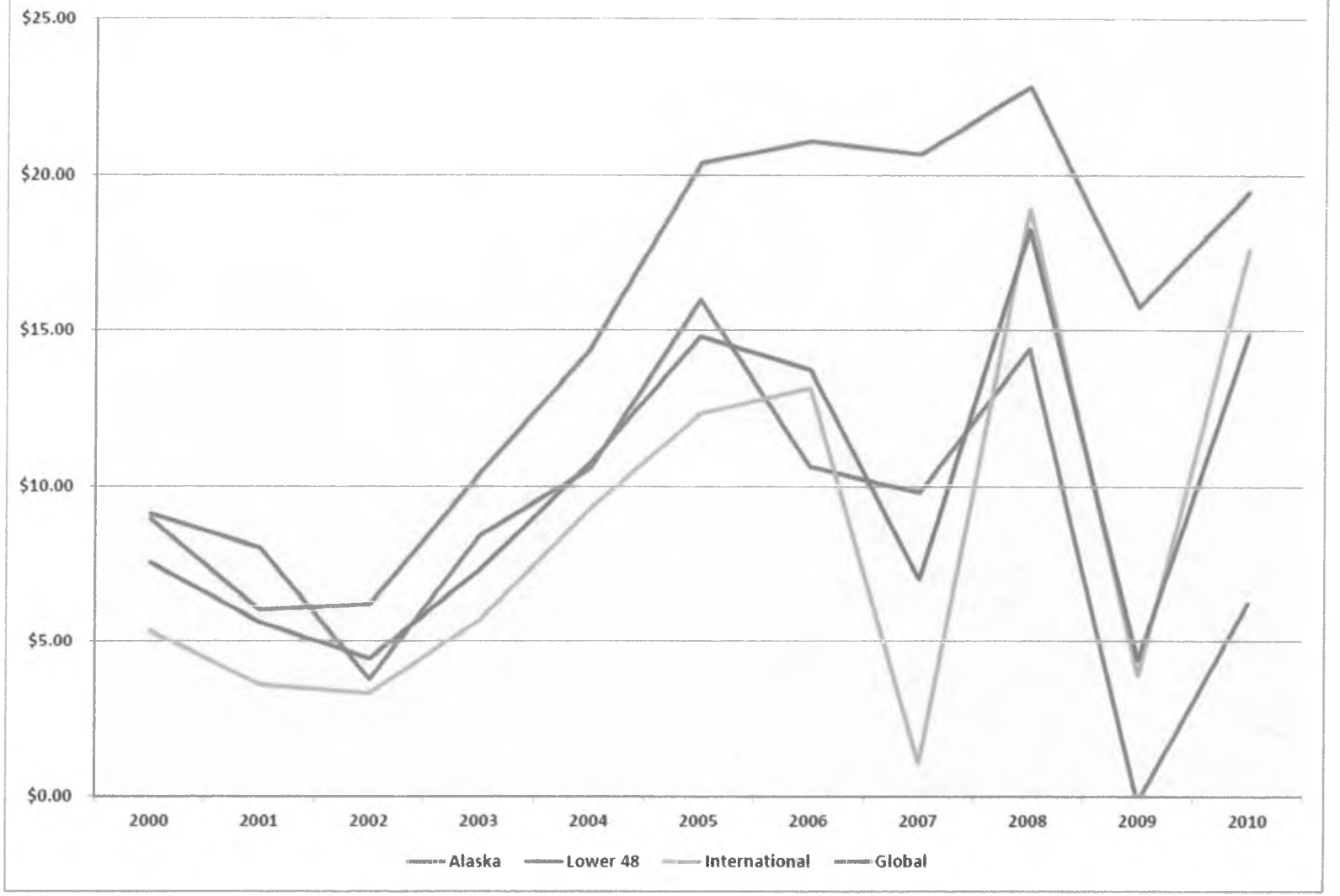

Table 2: ConocoPhillips: Net Income per Barrel of Oil Equivalent (BOE)

Jurisdiction	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Average
Alaska	$8.97	$6.01	$6.19	$10.43	$14.36	$20.38	$21.08	$20.66	$22.84	$15.73	$19.47	**$15.10**
Lower 48	$9.13	$8.02	$3.77	$8.42	$10.56	$15.96	$10.63	$9.80	$14.39	($0.20)	$6.26	**$8.79**
International	$5.35	$3.61	$3.33	$5.69	$9.27	$12.33	$13.17	$1.06	$18.96	$3.89	$17.62	**$8.57**
Global	$7.54	$5.62	$4.43	$7.32	$10.75	$14.79	$13.73	$7.02	$18.26	$4.39	$14.86	**$9.88**
Proportion of BOE Production												**Average**
Alaska	35.9%	47.6%	35.6%	23.6%	24.1%	22.0%	15.5%	16.6%	15.5%	11.9%	14.4%	**23.9%**
Lower 48	23.8%	19.6%	19.2%	18.8%	19.8%	19.1%	26.2%	30.9%	28.3%	22.2%	26.7%	**23.1%**
International	40.4%	32.7%	45.1%	57.6%	56.1%	59.0%	58.2%	52.5%	56.2%	65.9%	58.9%	**53.0%**

Notes: "Barrel of oil equivalent" expresses the amount of a given fuel required to equal the amount of energy contained in one standard U.S. barrel of crude oil (42 gallons). For instance, a generally accepted BOE approximation for natural gas is 5,800 cubic feet (5.8 Mcf). Please note, however, that the amount of energy provided by crude oil (or any fuel) varies by production location or, more precisely, the grade of oil produced. Therefore, BOE figures should be viewed as estimates. The figures in this table are the results of dividing net income by the aggregate BOE production of oil, natural gas, and natural gas liquids.

Source: Legislative Research calculations based on annual filings of form 10-K with the U.S. Securities and Exchange Commission posted to the EDGAR online database, *http://www.sec.gov/edgar/searchedgar/webusers.htm* .

Recently international oil industry consultant Pedro Van Meurs testified to this committee that he believes worldwide apportionment is cumbersome, an obstacle to new investment, and not in the state's best interest.

Pedro Van Meurs: "I have always been in favor of calculating the Alaska portion of the corporate income tax entirely on the revenues and costs attributable to Alaska and not to any other part of the world."

Pedro Van Meurs on worldwide apportionment: "It messes up significantly the Alaska possibility for giving these kind of incentives, making these kind of rules, allowing international companies to benefit."

Pedro Van Meurs on apportionment: "It makes the tax system very cumbersome to run. In fact, it is actually an obstacle to investment in Alaska because it is very difficult to explain to any newcomer how you even have to calculate your state corporate income tax."

Pedro Van Meurs concluding statement on separate accounting: "It gives you far more political freedom to pursue the interests of the state the way the state wants to do."

A review of the history of this issue is instructive as the legislature reconsiders separate accounting and other changes to our oil tax regime.

- In 1949, the territorial income tax enacted. This tax remain essentially unchanged until 1978.

- Income of multi-state corporations in Alaska was apportioned on the basis of three factors: property, payroll and sales.

- This method of apportionment was developed principally for mercantile businesses.

- Over many years, it became apparent that it **systematically under-calculates income attributable to oil production**.

The oil industry in testimony will likely tell you that Alaska should maintain formulary apportionment to be consistent with many other states, avoid the potential for duplicative taxation, and sidestep the administrative burdens associated with separate accounting.

However, all of the constitutional issues regarding duplicative and discriminatory taxation have been resolved, and the fiscal benefits of separate accounting clearly outweigh the costs and administrative challenges.

- According to the fiscal note submitted by DOR, separate accounting would have generated about $250 million more in each of the 5 preceding fiscal years.

- The cost of administering the system are estimated to be about $525,000/year, primarily to hire 4 new tax auditors.

- Thus the benefits are roughly 475 times greater than the costs.

TOP FIVE OIL COMPANIES
CORPORATE INCOME TAX COMPARISON

	2006	2007	2008	2009	2010	Avg.
Production Tax Value (PTV)	8,269,253,754	12,373,309,410	16,639,085,462	8,123,576,735	10,267,505,397	
Production Tax net of Credits	1,648,686,505	3,486,434,327	7,121,145,726	2,033,891,379	3,023,427,665	
PTV net of Production Tax/ Subtotal Production Income	6,620,567,249	8,886,875,083	9,517,939,736	6,089,685,356	7,244,077,732	
Transportation Income *	(24,892,884)	186,438,182	(653,974,506)	(456,078,939)	(454,804,489)	
Taxable Income **(A)**	6,595,674,365	9,073,313,265	8,863,965,230	5,633,606,417	6,789,273,243	
Tax @ 9.4% **(B)**	619,993,390	852,891,447	833,212,732	529,559,003	638,191,685	
Actual Corporate Income Tax Paid **(C)**	630,307,274	570,389,248	642,563,992	293,204,318	385,633,537	
Difference **(B - C)**	(10,313,884)	282,502,199	190,648,740	236,354,685	252,558,148	190,349,978
Effective Tax Rate Paid **(C /A)**	9.6%	6.3%	7.2%	5.2%	5.7%	

* Using FERC Form 6, Net Carrier Operating Income. Certain companies may include Transportation activities outside of Alaska.

(A) Taxable income does not include apportioned other income.

(C) Certain 2006-2008 returns are audited and/or amended.

- It's true that until the 1970s, Alaska lacked the resources and staff to administer a corporate income tax effectively.
- Returns were generally accepted as filed and field audits were never conducted. However, that is not the case today.

As the development of Prudhoe Bay approached, interest within the legislature on appropriate methods of taxation increased.

Legislative consultants warned that Alaska would receive little income tax from the O&G industry, not only because of the apportionment formula, but also because the state tax was based on federally taxable income, which usually amounted to very little.

They argued that income tax should be tied to profitability, rather than production, property, payroll, sales, or other variables which do not represent the health or viability of the industry.

These arguments are true today.

Since little of Alaska's oil is sold instate, the sales factor, which is still part of the formula, minimizes income generated from Alaska.

The property factor is also not as reflective of value as one might expect. It does not include the value of oil or gas in the ground, and facilities are valued at their original cost, not their value today.

Formulary apportionment also fails to recognize the greater profitability of production, compared with refining or retail sales.

It doesn't reflect that not all facets or areas of a company are equally profitable.

In addition, formulary apportionment treats companies with the same earnings (those doing business only in Alaska and multinational corporations) differently.

"The three-factor formula bestows a benefit on multistate oil companies that is not shared by other Alaskan businesses. It allows those corporations to pay tax on only a fraction of their Alaska income, which substantially lowers their effective tax rate..."

State of Alaska brief to Alaska Supreme Court, April 27,1984

During the hearings on AS 43.21, legislators asked about this:

- Senator John Huber: "Does SOHIO object to paying 9.4% on its true net income the same as they would have to if they were strictly an Alaskan corporation?"
- SOHIO Vice President Richard Donaldson: "Yes"

In 1977, the Department of Revenue acknowledged some of the drawbacks of formulary apportionment, including:

1. the federal tax base on which it is based (for U.S. corporations) allows for significant and undesirable erosions in the tax base;

2. the polices underlying many federal tax exemptions, credits and deductions are irrelevant to or inconsistent with state objectives; and

3. none of the property, payroll or sales factors truly represent O&G producing activity in Alaska.

During the same period, the O&G industry made many of the same arguments heard today about ACES.

They said separate accounting :

1. would have an adverse impact on exploration and development investment in Alaska;

2. was unnecessary because Alaska already imposed one of the highest tax burdens of any state on the O&G industry; and

3. illustrated the instability of the Alaska business climate.

- Exxon released a "Business Climate Analysis" showing Alaska ranked 47th and 48th out of the 50 states on 2 important measures of business friendliness.

- The company argued that separate accounting would make it worse.

Despite O&G industry opposition to separate accounting in Alaska, it's interesting to note that elsewhere they have sued to be able to use this methodology.

Even in Alaska, industry has sued in support of the right to use separate accounting.

(See State of Alaska v. Amoco Production Company, 676 P. 2d 595, Supreme Court of Alaska.)

Separate accounting has several additional benefits the sponsor would like to highlight:

1. It doesn't tax a company until that company makes a profit. Under apportionment, companies begin to pay taxes as soon as they set up shop in Alaska. In this manner, separate accounting encourages new business development.

2. If a company invests in Alaska, it drives down that company's corporate income tax. It is an incentive to additional investment.

3. If oil development in Alaska becomes less profitable than elsewhere, that change in profitability is reflected in the corporate income tax. Under that circumstance, it would result in a well-deserved tax cut for the oil industry.

4. The separate accounting methods proposed in SB 201 are nearly identical to methods used by other states, the IRS, and other nations. They are also consistent with OECD model treaties.

In closing, as the State argued in 1984 to the Alaska Supreme Court, separate accounting "foregoes the surrogates and assumptions of mathematical formulas and looks instead at actual revenues and costs of in-state operations."

State of Alaska brief, April 27, 1984, page 41.

It is a fair and equitable method of assessing corporate income taxes that is used successfully around the world and in other U.S. states.

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

SEAN PARNELL, GOVERNOR
333 Willoughby Avenue, 11th Floor
P.O. Box 110400
Juneau, Alaska 99811-0400
Phone: (907) 465-2300
Fax: (907) 465-2389

The Honorable Bert Stedman
Alaska State Legislature
State Capitol, Room 516
Juneau, Alaska 99801

March 24, 2012

Dear Senator Stedman,

You asked for clarification of some of the information contained in a PowerPoint presentation prepared by the sponsor of SB 201, separate accounting for oil and gas corporations and presented during a hearing in Senate Finance on March 20, 2012. Specifically, you requested the following:

1. In slide 4, the bill sponsor stated, "This method [separate accounting] is used by Every oil and gas producing nation in the world, including the United States . . ." In testimony offered by the Department of Revenue, we stated that the U.S. does not calculate tax on a separate accounting basis, the U.S. calculates tax on a "separate entity" basis. You requested an explanation of the difference between "separate accounting" and "separate entity" reporting.

   Separate accounting requires a corporation to determine the amount of taxable income earned within each taxing jurisdiction and pay tax only on the amount earned within a specific jurisdiction. For example, to compute Alaska taxable income on a separate accounting basis, a corporation that conducts activity within and outside Alaska would determine the income earned in Alaska and pay tax on those earnings only to Alaska. Other income earned by the corporation outside Alaska, would not be subject to tax by Alaska.

   Separate entity reporting requires a corporation located within a specific jurisdiction to pay tax on the corporation's entire net income regardless of where the activity took place. Under U.S. federal tax law, companies that are incorporated in the U.S. that conduct activity both within the U.S. and in foreign countries are taxed on their total net income regardless of the fact that some of that income was earned outside the U.S. Thus, the U.S. government taxes a domestic corporation on all of its worldwide income. This method is not separate accounting, it is separate entity reporting.

2. On slide 39, you asked DOR to explain why transportation income reported by the oil and gas companies in 2007 was a positive amount when, in all other years, they reported losses.

   The transportation income or loss as shown on this slide was aggregated from Federal Energy Regulatory Commission (FERC) Form 6 – Annual Report of Oil Pipeline Companies filed by the various oil and gas corporations operating in Alaska. This information is publicly available and can be found on FERC's website at www.ferc.gov. We reviewed the FERC reports and the anomaly is attributed to filings made by BP Pipelines (Alaska), Inc. In all years, pipeline transportation revenue and expenses are fairly constant for all companies except BP. In calendar year 2007, BP Pipelines (Alaska), Inc. reported significantly more pipeline revenue than in the succeeding three years. There is nothing within the FERC report that explains this sudden and apparently one-time increase in pipeline revenue. DOR doesn't have any further insight that it can provide regarding this increase.

3. On slide 39, you asked why the "Actual Corporate Income Tax Paid" did not agree with total corporate income tax as shown in DOR's Revenue Sources Book (RSB).
   As explained during testimony provided by the department, slide 39 is an analysis of corporate income tax of the top 5 oil companies operating in Alaska. Other smaller oil and gas producing companies were not included in this analysis as DOR was requested to do a "quick" analysis based on criteria given to DOR by the sponsor of the House version of SB 201. However, we believe that the top 5 oil companies is a fair representation of the total oil and gas corporate tax paid in calendar years 2006 through 2010. Below is a reconciliation of Actual Corporate Income Tax Paid as shown on slide 39 to total oil and gas corporate income tax collected as reported in the RSB for FY 2007 through FY 2011. It is important to note that the RSB is reported on a fiscal year and cash basis. Corporate income tax returns are filed on a calendar year and accrual basis. For example, corporate income tax payments for calendar year 2010 are reported in both the FY 2010 and the FY 2011 RSB. Most of the difference between the amount reported on the returns and the RSB are timing differences related to estimated tax payments.

Corporate Income Tax As Filed (Tax Returns) Compared to As Collected (RSB)

As Reported	FY 2007/ CY 2006 (Millions)	FY 2008/ CY 2007 (Millions)	FY 2009/ CY 2008 (Millions)	FY 2010/ CY 2009 (Millions)	FY 2011/ CY 2010 (Millions)
RSB	$594.4	$605.8	$492.2	$447.9	$542.1
Tax Returns	$630.3	$570.4	$642.5	$293.2	$385.6
Difference	($35.9)	$35.4	($150.3)	$154.7	$156.4

The additional tax reported in the RSB for FY 2011 is primarily due to estimated tax payments made in FY 2011 by corporations for their calendar year 2011 tax year which ended December 31, 2011. We expect these estimated tax payments will be reported by oil and gas corporations as total corporate income tax for calendar year 2011 when they file their returns in October of this year.

We believe this letter addresses all of the questions you currently have related to SB 201. If you have further questions, please contact Johanna Bales by email at johanna.bales@Alaska.gov or call her at (907) 269-6628.

Sincerely,

Bruce Tangeman
Deputy Commissioner

Cc: The Honorable Lyman Hoffman, Co-Chair Senate Finance Committee
The Honorable Donald Olson, Senate Finance Committee Member
The Honorable Dennis Egan, Senate Finance Committee Member
The Honorable Joe Thomas, Senate Finance Committee Member
The Honorable Johnny Ellis, Senate Finance Committee Member
The Honorable Lesil McGuire, Senate Finance Committee Member



AOGA

OIL & GAS:
FUELING
ALASKA'S
ECONOMY

Senate Finance Committee

March 20, 2012

Kara Moriarty, Executive Director



AOGA Member Companies



Corporate Income Taxes

Question:
How much income of a multistate or international business is properly attributable to its in-state assets and activities so it can be taxed by that state?

Separate Accounting

Looks at what the business actually has and does in the state and then seeks to determine directly the net-income as if that in-state portion of the business stood alone – separate from the rest of the business.

Separate Accounting

Challenges:

- In-state portion of a business does not actually stand alone from the rest of the business.

- Very complicated and difficult to unravel transactions between or among parts of the same overall business.

- IRS has intense, detailed regulations governing transactions between corporate affiliates, which separate accounting requires.

Apportionment

Starts with a "pie" containing the apportionable income for the in-state and outside business together and then determines how wide a "slice" is attributable to the income-generating potential of the in-state portion of the business. It is the "slice" that is then taxes by the state.

Apportionment

- Avoids the need to unravel transactions.

- Avoids the analytical difficulties that arise when a unitary business as a whole is greater than the sum of its individual parts.

- The width of a company's "slice" of their respective business's "pie" is the average of the percentages of that business's real or tangible property (at cost), its sales, and its oil and gas production that is present within the state.

IN THE SUPREME COURT FOR THE STATE OF ALASKA

ATLANTIC RICHFIELD COMPANY; ARCO PIPE LINE COMPANY; BP ALASKA, INC.; EXXON CORPORATION; EXXON PIPELINE COMPANY; SOHIO ALASKA PETROLEUM COMPANY; and SOHIO PIPE LINE COMPANY, Appellants, vs. STATE OF ALASKA; ALASKA DEPARTMENT OF REVENUE; ALASKA DEPARTMENT OF ADMINISTRATION; COMMISSIONER OF REVENUE ROBERT D. HEATH, and COMMISSIONER OF ADMINISTRATION LISA RUDD, Appellees.	Supreme Court No. S-52 Superior Court Nos. 3AN-79-1903 Civil 3AN-80-1542 Civil

APPEAL FROM THE SUPERIOR COURT
THIRD JUDICIAL DISTRICT
HONORABLE VICTOR D. CARLSON

BRIEF OF APPELLEES

NORMAN C. GORSUCH
ATTORNEY GENERAL
Pouch K, State Capitol
Juneau, Alaska 99811
(907) 465-3600

By: Deborah Vogt
Kathryn Kolkhorst
Assistant Attorneys General

Filed April 27, 1984 in the
Supreme Court of the State
of Alaska

DAVID A. LAMPEN, CLERK

By: Mona Torrence
Deputy Clerk

Additional Counsel for State of Alaska

ROGOVIN, HUGE & LENZNER
1730 Rhode Island Ave., N.W.
Washington, D.C. 20036

Mitchell Rogovin
George T. Frampton, Jr.
Michael D. Lowe
Jeffrey Blattner

BIRCH, HORTON, BITTNER
MONROE & PESTINGER
130 Seward St., Suite 411
Juneau, AK 99801

Jonathan K. Tillinghast

PRESTON, THORGRIMSON,
ELLIS & HOLMAN
420 L St., Suite 404
Anchorage, AK 99501

John R. Messenger

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The Congress shall have Power ...

To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes.

United States Constitution, art. I, § 10

No State shall ... pass any ... Law impairing the Obligation of Contracts,

United States Constitution, amend. XIV, § 1

nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.

Alaska Constitution, art. I, § 1

all persons are equal and entitled to equal rights, opportunities, and protection under the law.

Alaska Constitution, art. II, § 18

Laws passed by the legislature become effective ninety days after enactment. The legislature may, by concurrence of two-thirds of the membership of each house, provide for another effective date.

Alaska Constitution, art. IX, § 1

The power of taxation shall never be surrendered. This power shall not be suspended or contracted away,

Sec. 1, ch. 110, SLA 1978

* Section 1. LEGISLATIVE FINDINGS AND INTENT. The legislature finds and declares that the method of apportioning income for tax purposes under the "Uniform Division of Income for Tax Purposes" formula embodied in the Multistate Tax Compact (AS 43.19) and AS 43.20.065 does not fairly represent the extent of the business activities in this state of multistate corporations engaged in the production and pipeline transportation of crude oil and natural gas in Alaska. The legislature therefore intends that, in accordance with the provisions of art. IV, sec. 18 of the Multistate Tax Compact

(AS 43.19), the income tax of all corporations engaged in the production or pipeline transportation of oil or natural gas in or directly associated with this state shall be assessed by the tax administrator under this Act. The legislature further intends that the assessment of income tax against a multistate corporation engaged in the production or pipeline transportation of oil or natural gas shall be commensurate with the tax that would be assessed against a corporation owning and operating only those assets of the multistate corporation which are in or directly associated with this state.

AS 43.19.010 Article IV

Article IV. Division of Income.

1. As used in this Article, unless the context otherwise requires:

(a) "Business income" means income arising from transactions and activity in the regular course of the taxpayer's trade or business and includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations.

(b) "Commercial domicile" means the principal place from which the trade or business of the taxpayer is directed or managed.

(c) "Compensation" means wages, salaries, commissions and any other form of remuneration paid to employees for personal services.

(d) "Financial organization" means any bank, trust company, savings bank, industrial bank, land bank, safe deposit company, private banker, savings and loan association, credit union, cooperative bank, small loan company, sales finance company, investment company, or any type of insurance company.

(e) "Nonbusiness income" means all income other than business income.

(f) "Public utility" means any business entity (1) which owns or operates any plant, equipment, property, franchise, or license for the transmission of communications, transportation of goods or persons, except by pipe line, or the production, transmission, sale, delivery, or furnishing of electricity, water or steam; and (2) whose rates of charges for goods or services have been established or approved by a federal, state or local government or governmental agency.

(g) "Sales" means all gross receipts of the taxpayer not allocated under paragraphs of this Article.

(h) "State" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, and any foreign country or political subdivision thereof.

(i) "This state" means the state in which the relevant tax return is filed or, in the case of application of this Article to the apportionment and allocation of income for local tax purposes, the subdivision or local taxing district in which the relevant tax return is filed.

2. Any taxpayer having income from business activity which is taxable both within and outside this state, other than activity as a financial organization or public utility or the rendering of purely personal services by an individual, shall allocate and apportion net income as provided in this Article. If a taxpayer has income from business activity as a public utility but derives the greater percentage of income from activities subject to this Article, the taxpayer may elect to allocate and apportion the taxpayer's entire net income as provided in this Article.

3. For purposes of allocation and apportionment of income under this Article, a taxpayer is taxable in another state if (1) in that state the taxpayer is subject to a net income tax, a franchise tax measured by net income, a franchise tax for the privilege of doing business, or a corporate stock tax, or (2) that state has jurisdiction to subject the taxpayer to a net income tax regardless of whether, in fact, the state does or does not.

4. Rents and royalties from real or tangible personal property, capital gains, interest, dividends or patent or copyright royalties, to the extent that they constitute nonbusiness income, shall be allocated as provided in paragraphs 5 through 8 of this Article.

5. (a) Net rents and royalties from real property located in this state are allocable to this state.

(b) Net rents and royalties from tangible personal property are allocable to this state: (1) if and to the extent that the property is utilized in this state, or (2) in their entirety if the taxpayer's commercial domicile is in this state and the taxpayer is not organized under the laws of or taxable in the state in which the property is utilized.

(c) The extent of utilization of tangible personal property in a state is determined by multiplying the rents and royalties by a fraction, the numerator of which is the number of days of physical location of the property in the state during the rental or royalty period in the taxable year and the denominator of which is the number of days of physical location of the property everywhere during all rental or royalty periods in the taxable year. If the physical location of the property during the rental or royalty period is unknown or unascertainable by the taxpayer, tangible personal property is utilized in the state in which the property was located at the time the rental or royalty payer obtained possession.

6. (a) Capital gains and losses from sales of real property located in this state are allocable to this state.

(b) Capital gains and losses from sales of tangible personal property are allocable to this state if (1) the property had a situs in this state at the time of the sale, or (2) the taxpayer's commercial domicile is in this state and the taxpayer is not taxable in the state in which the property had a situs.

(c) Capital gains and losses from sales of intangible personal property are allocable to this state if the taxpayer's commercial domicile is in this state.

7. Interest and dividends are allocable to this state if the taxpayer's commercial domicile is in this state.

8. (a) Patent and copyright royalties are allocable to this state: (1) if and to the extent that the patent or copyright is utilized by the payer in this state, or (2) if and to the extent that the patent or copyright is utilized by the payer in a state in which the taxpayer is not taxable and the taxpayer's commercial domicile is in this state.

(b) A patent is utilized in a state to the extent that it is employed in production, fabrication, manufacturing, or other processing in the state or to the extent that a patented product is produced in the state. If the basis of receipts from patent royalties does not permit allocation to states or if the accounting procedures do not reflect states of utilization, the patent is utilized in the state in which the taxpayer's commercial domicile is located.

(c) A copyright is utilized in a state to the extent that printing or other publication originates in the state. If the basis of receipts from copyright royalties does not permit allocation to states or if the accounting procedures do not reflect states of utilization, the copyright is utilized in the state in which the taxpayer's commercial domicile is located.

9. All business income shall be apportioned to this state by multiplying the income by a fraction, the numerator of which is the property factor plus the payroll factor plus the sales factor, and the denominator of which is three.

10. The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in this state during the tax period and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used during the tax period.

11. Property owned by the taxpayer is valued at its original cost. Property rented by the taxpayer is valued at eight times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the taxpayer less any annual rental rate received by the taxpayer from subrentals.

12. The average value of property shall be determined by averaging the values at the beginning and ending of the tax period but the tax administrator may require the averaging of monthly values during the tax period if reasonably required to reflect properly the average value of the taxpayer's property.

13. The payroll factor is a fraction, the numerator of which is the total amount paid in this state during the tax period by the taxpayer for compensation and the denominator of which is the total compensation paid everywhere during the tax period.

14. Compensation is paid in this state if:

(a) the individual's service is performed entirely within the state;

(b) the individual's service is performed both inside and outside the state, but the service performed outside the state is incidental to the individual's service within the state; or

(c) some of the service is performed in the state and (1) the base of operations or, if there is no base of operations, the place from which the service is directed or controlled is in the state, or (2) the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual's residence is in this state.

15. The sales factor is a fraction, the numerator of which is the total sales of the taxpayer in this state during the tax

period, and the denominator of which is the total sales of the taxpayer everywhere during the tax period.

16. Sales of tangible personal property are in this state if:

(a) the property is delivered or shipped to a purchaser, other than the United States Government, within this state regardless of the f.o.b. point or other conditions of the sale; or

(b) the property is shipped from an office, store, warehouse, factory, or other place of storage in this state and (1) the purchaser is the United States Government or (2) the taxpayer is not taxable in the state of the purchaser.

17. Sales, other than sales of tangible personal property, are in this state if:

(a) the income-producing activity is performed in this state; or

(b) the income-producing activity is performed both in and outside this state and a greater proportion of the income-producing activity is performed in this state than in any other state, based on costs of performance.

18. If the allocation and apportionment provisions of this Article do not fairly represent the extent of the taxpayer's business activity in this state, the taxpayer may petition for or the tax administrator may require, in respect to all or any part of the taxpayer's business activity, if reasonable:

(a) separate accounting;

(b) the exclusion of any or more of the factors;

(c) the inclusion of one or more additional factors which will fairly represent the taxpayer's business activity in this state; or

(d) the employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's income.

AS 43.20.011(e)

(e) There is imposed for each taxable year upon the entire taxable income of every corporation derived from sources within the state a tax consisting of a normal tax equal to 5.4

per cent of taxable income, and a surtax which is equal to 4.0 per cent of taxable income. For purposes of this chapter the surtax exemption for a taxable year follows §§ 1561 and 1563 of the Internal Revenue Code. The tax of a corporation engaged in the production or transportation of crude oil or natural gas shall be determined and paid in accordance with ch. 21 of this title.

Chapter 21. OIL AND GAS CORPORATE INCOME TAX.

Sec. 43.21.010. APPLICATION [REPEALED EFFECTIVE JANUARY 1, 1982]. AS 43.21.010--43.21.120 applies to every corporation doing business in the state which derives income from the production of oil or gas from a lease or property in the state or from the pipeline transportation of oil or gas in the state. The tax calculated under AS 43.21.010--43.21.120 is measured by the total taxable income of the corporation during the tax period as determined under AS 43.21.020--43.21.040 and is calculated at the rates established under AS 43.20.011(e).

Sec. 43.21.020. DETERMINATION OF TAXABLE INCOME FROM OIL AND GAS PRODUCTION [REPEALED EFFECTIVE JANUARY 1, 1982]. (a) The taxable income of a corporation from the production of oil and gas from a lease or property in the state shall be the corporation's net income as calculated by the department in accordance with this section.

(b) Gross income of a corporation from oil and gas production shall be the gross value at the point of production of oil or gas produced from a lease or property in the state. The department shall by regulation determine a uniform method of establishing the gross value at the point of production. In making its determination the department may use the actual prices or values received for the oil or gas, the posted prices for the oil or gas in the same field, or the prevailing prices or values of oil or gas in the same field. In addition, in its determination of gross value at the point of production of oil or gas produced from a lease or property, the department shall determine the reasonable costs of transportation from the point of sale to the point of production of the oil or gas. Transportation costs set by a tariff properly on file with the Alaska Pipeline Commission or other regulatory agency shall be considered prima facie reasonable, but if a tariff properly on file with a regulatory agency is subsequently amended, changed, or overturned retroactively, the reasonable costs of transportation shall be recomputed for that period using the newly determined tariff.

(c) Net income from oil and gas production shall be determined by the department by deducting from gross income the following:

(1) royalties paid in kind or in value;

(2) taxes imposed under AS 43.55.011--43.55.150 and AS 43.57.010 which are actually paid or incurred by the corporation on the production from a lease or property in the state;

(3) taxes imposed under AS 43.56.010--43.56.210 and AS 29.53.010--29.53.460 which are actually paid or incurred by the corporation on property used directly in the production of oil or gas from a lease or property in the state, including property used in production, gathering, treatment, or preparation of the oil or gas for pipeline transportation, but only if those property tax payments were due and payable only after the date of commercial production from the lease or property with which the property was associated;

(4) the direct costs incurred by or for the corporation in operating the lease or property, including the direct costs of producing, gathering, treating, or preparing the oil or gas for pipeline transportation, but not of any payments received for those activities and not including any indirect cost or overhead expense;

(5) depreciation (using the unit of production method or such other reasonable methods as the department may by regulation establish) on property used directly in the production, gathering, treatment, or preparation of the oil or gas for pipeline transportation including amortization of capitalized interest for investments in this property at a rate not to exceed the average cost of borrowed capital to the taxpayer during the year in which it is capitalized;

(6) the amortization of lease acquisition payments and taxes paid or incurred under AS 43.56.010--43.56.210 and AS 29.53.010--29.53.460 (including capitalized interest on both) for or on producing properties before the commencement of commercial production from the lease or property for which the property is being used;

(7) interest expense of the corporation, not capitalized during construction, that was paid or incurred in connection with property in Alaska; however, unless (f) of this section applies, the interest expense may not exceed that portion of the total interest paid by the consolidated business of which the corporation is a part, determined by multiplying the total interest by a fraction, the numerator of which is the value of the corporation's real and tangible personal property used directly in the production of oil or gas from a lease or property in the state and the denominator of which is the value of all real and tangible personal property of the consolidated business;

in this subsection, "total interest paid by the consolidated business" does not include interest expense arising from intercompany obligations within the consolidated business except to the extent that the interest expense reflects a pass-through of interest on a third-party borrowing by the parent or other member of the consolidated business with the purpose, expressed at the time of the third-party borrowing, of financing Alaska business activity of the taxpayer corporation;

(8) expenses incurred by the corporation after December 31, 1977, of unsuccessful exploration of oil or gas in the state including the acquisition costs of abandoned properties, dry hole costs, and the costs of geologic and geophysical exploration related to those abandoned properties;

(9) general overhead or administrative expense incurred by the corporation attributable to deriving income from the production of oil or gas from a lease or property in the state to the extent, except as provided in (f) of this section, that it does not exceed that portion of the total general overhead or administrative expense incurred by the consolidated business of which the corporation is a part, determined by multiplying the total general overhead or administrative expense by a fraction, the numerator of which is the value of the corporation's real and tangible personal property used directly in the production of oil or gas from a lease or property in the state and the denominator of which is the value of all real and tangible personal property of the consolidated business;

(10) the amount of income from the production of oil and gas from a lease or property that is divided among the regional native corporations under sec. 7(i) of the Alaska Native Claims Settlement Act (P.L. 92-203);

(11) the tax imposed by sec. 4986 of the Internal Revenue Code that is paid or incurred by the taxpayer for oil production from leases or properties in the state.

(d) Deductions from gross income under this section shall not include expenses previously deducted on a return filed under AS 43.20.011--43.20.350.

(e) Where a corporation subject to AS 43.21.010--43.21.120 shares the production or proceeds of the production from a lease or property through a working interest, royalty interest, overriding royalty interest, production payment, net profit interest, joint venture or other agreement, the department shall allocate the deductions from gross income between the corporation and the persons with whom it has such an agreement in accordance with the terms of the agreement.

(f) If a corporation demonstrates to the satisfaction of the department that it paid or incurred actual expenses for interest or for general overhead or administration attributable to deriving income from the production of oil or gas from a lease or property in the state in an amount greater than the amount determined under (c)(7) or (c)(9) of this section, the department may allow the corporation to deduct the greater amount.

Sec. 43.21.030. DETERMINATION OF INCOME FROM OIL AND GAS PIPELINE TRANSPORTATION [REPEALED EFFECTIVE JANUARY 1, 1982]. (a) Except as provided in (c) of this section, taxable income attributable to the transportation of oil in a pipeline engaged in interstate commerce in Alaska shall be determined by the department and shall be the amount reported or that would be required to be reported to the Federal Energy Regulatory Commission or its successors as net operating income, less those portions of interest and general administrative expense attributable to the pipeline transportation of oil in the state, except that taxable income shall also include taxes on or measured by income. The department shall establish regulations governing the determination of interest and general administrative expense attributable to pipeline transportation of oil in the state.

(b) Except as provided in (c) of this section, taxable income attributable to the transportation of natural gas in a pipeline engaged in interstate commerce in Alaska shall be determined by the department and shall be the amount reported or that would be required to be reported to the Federal Energy Regulatory Commission as net operating income less that portion of interest and general administrative expense attributable to pipeline transportation in the state, except that the taxable income shall also include taxes on or measured by income. The department shall establish regulations governing the determination of interest and general administrative expense attributable to pipeline transportation of natural gas in the state.

(c) Taxable income attributable to the transportation of oil or natural gas in Alaska of any corporation not under the Federal Energy Regulatory Commission jurisdiction, or of a corporation under the jurisdiction of the Federal Energy Regulatory Commission but not reporting the operation of pipelines in Alaska separately from the operation of pipelines elsewhere, shall be determined by the department and shall be based upon an amount equal to that which would have been reported to the Federal Energy Regulatory Commission under (a) of this section in the case of oil pipelines, or (b) of this section in the case of natural gas pipelines, had the corporation been, in fact, under Federal Energy Regulatory Commission jurisdiction for

the taxable year and required to report on the operation of Alaska pipelines separately from the operation of pipelines elsewhere.

Sec. 43.21.040. DETERMINATION OF INCOME FROM ACTIVITIES OTHER THAN OIL AND GAS PRODUCTION OR PIPELINE TRANSPORTATION [REPEALED EFFECTIVE JANUARY 1, 1982]. (a) Taxable income of a corporation subject to AS 43.21.010--43.21.120 from activities in this state other than the production of oil or gas from a lease or property in the state or the pipeline transportation of oil or gas in the state shall be determined in accordance with the method established in art. IV of AS 43.19.010 and in AS 43.20.071, as modified by (b)--(f) of this section.

(b) The total taxable income of the consolidated business is its entire income less the portion of that entire income attributable to worldwide production and pipeline transportation of oil and gas. In this section,

(1) for a member of a consolidated business who is required to file under the Internal Revenue Code, "entire income" means taxable income under Subtitle F and chapter 1 of Subtitle A of the Internal Revenue Code of 1954, as amended, except that those provisions adopted after December 31, 1975, which change or modify exemptions from tax are not adopted by reference as a part of this section until the second January 1 following the effective date of the federal law;

(2) for a member of a consolidated business who is not required to file under the Internal Revenue Code, "entire income" means book income, except that a taxpayer may elect to report his income as the income would be determined under (1) of this subsection.

(c) The numerator and denominator of the property factor, of the payroll factor and of the sales factor shall be calculated without reference to that portion of property, payroll or sales directly related to the production of oil or gas from a lease of property in the state or the pipeline transportation of oil or gas in the state.

(d) Repealed by § 17 ch 116 SLA 1981.

(e) Repealed by § 17 ch 116 SLA 1981.

(f) The value attributed to vessels transporting Alaskan oil or gas of the consolidated business which are not owned or effectively owned by the consolidated business shall be excluded from the property factor.

Sec. 43.21.050. ASSESSMENT OF INCOME AND TAX [REPEALED EFFECTIVE JANUARY 1, 1982]. (a) The department shall assess taxable income and the amount of tax payable on that taxable income.

(b) On or before August 15 of each year the department shall send to every corporation taxable under AS 43.21.010--43.21.120 a notice of assessment showing the amount of income taxable under AS 43.21.010--43.21.120 for the previous year and the amount of tax payable on that taxable income.

(c) For purposes of AS 43.21.010--43.21.120 the department may combine taxable incomes of corporations subject to tax under AS 43.21.010--43.21.120 who are part of the same consolidated business.

(d) If the methods of allocation and apportionment provided in AS 43.21.010--43.21.120 do not fairly represent the extent of a corporation's business activity in the state, the corporation may petition for or the department may require, in respect to all or any part of the corporation's business activity, if reasonable, the employment of any method authorized under art. IV, sec. 18, of the Multistate Tax Compact (AS 43.19.010) to effectuate an equitable allocation and apportionment of the corporation's income. The commissioner shall include in his annual report required in AS 43.21.110 a report on all relief granted under this subsection, including for each case a statement of the changes in tax liability resulting from the granting of relief, the tax years involved, and a description of the method of determining taxable income that was substituted for those provided in AS 43.21.010--43.21.120.

Sec. 43.21.060. RETURNS [REPEALED EFFECTIVE JANUARY 1, 1982]. On or before April 15 of each year, a corporation subject to tax under AS 43.21.010--43.21.120 shall submit a return in a form prescribed by the department setting out information required by the department to determine taxable income. For purposes of AS 43.21.010--43.21.120, the department may require corporations subject to tax under AS 43.21.010--43.21.120 who are part of the same consolidated business to file a single return.

Sec. 43.21.070. PAYMENT OF TAX [REPEALED EFFECTIVE JANUARY 1, 1982]. The tax levied under AS 43.21.010--43.21.120 is payable to the department on or before September 30 of each year or in installments, including prepayments of estimated tax, at the times and under the conditions the department may by regulation require. This tax is payable on the due date set out in this section even though the assessment is under appeal or the validity, enforceability or application of AS 43.21.010--

43.21.120 or any provision of AS 43.21.010--43.21.120 is challenged before the department or in the courts.

Sec. 43.21.080. TRANSITIONAL RULES [REPEALED EFFECTIVE JANUARY 1, 1982]. The department shall provide by regulation transition rules for corporations subject to tax under AS 43.20.011--43.20.350 before July 9, 1978 to avoid double taxation of the same income or double deduction of the same expense of those corporations as a result of becoming subject to tax under AS 43.21.010--43.21.120.

Sec. 43.21.090. REGULATIONS [REPEALED EFFECTIVE JANUARY 1, 1982]. The department may adopt regulations in accordance with the Administrative Procedure Act (AS 44.62.010--44.62.650) as appropriate to administer and enforce AS 43.21.010--43.21.120.

Sec. 43.21.100. PENALTIES [REPEALED EFFECTIVE JANUARY 1, 1982]. The penalties established in AS 43.20.011--43.20.350 apply to AS 43.21.010--43.21.120.

Sec. 43.21.110. PUBLIC REPORTING [REPEALED EFFECTIVE JANUARY 1, 1982]. (a) The commissioner of revenue shall compile and transmit to the legislature an annual consolidated report of state revenues and taxation policies under AS 43.21.010--43.21.120. This report shall include total aggregate income tax paid by corporations covered under AS 43.21.010--43.21.120 and aggregate income and deductions by category, so classified as to prevent the identification of particular returns or reports.

(b) The legislative auditor shall transmit to the legislature an annual report reviewing the actions of the department in administering AS 43.21.010--43.21.120.

Sec. 43.21.120. DEFINITIONS [REPEALED EFFECTIVE JANUARY 1, 1982]. Unless the context requires otherwise the definitions contained in AS 43.55.140 are applicable to AS 43.21.010--43.21.120. In addition, in AS 43.21.010--43.21.120

(1) "base of operations" means the closest point on land to the offshore oil or gas production operations from which goods, services and supplies flow to those offshore oil or gas production operations;

(2) "consolidated business" means a corporation or group of corporations having more than 50 percent common ownership direct or indirect, or a group of corporations in which

there is common control either direct or indirect as evidenced by any arrangement, contract or agreement.

JURISDICTIONAL STATEMENT

This is an appeal from a May 27, 1983, grant of summary judgment by the superior court. The lower court ruled that Alaska's separate accounting for oil and gas production and pipeline transportation, AS 43.21, is constitutional. This court has jurisdiction pursuant to AS 22.05.010 and AS 22.05.020.

ISSUES PRESENTED FOR REVIEW

Is the Alaska Legislature's decision to employ separate accounting to estimate appellants' in-state oil and gas production and pipeline transportation income consistent with the Commerce, Due Process, and Equal Protection Clauses of the United States Constitution and the Equal Protection Clause of the Alaska Constitution?

STATEMENT OF THE CASE

A. Introduction

On February 8, 1968, Atlantic Richfield Company struck the largest oil field ever discovered in the United States. The Prudhoe Bay field is so large that oil from the next three largest fields in America would not fill it. Its recoverable oil reserves exceed nine billion barrels, while estimates of total field size reach 20 billion barrels.

The single outlet for this oil is the Trans Alaska Pipeline ("TAPS"). This 900 mile long, 48-inch line carries 1.6 million barrels of oil each day to its destination at Valdez. There, the oil is loaded onto ocean tankers destined for refineries in Washington, California, the Gulf of Mexico and the eastern seaboard. The Prudhoe Bay Field and the Trans-Alaska Pipeline are owned virtually in their entirety by three corporations -- Atlantic Richfield Company, Exxon Corporation and Standard Oil of Ohio.

Prudhoe Bay operations were profitable when production commenced in June 1977. Since then, however, external economic and political factors -- including deregulation, the Iranian revolution, and OPEC pricing practices -- have more than doubled the value of Alaskan oil with no commensurate increase in costs. As a result, between 1978-81, and wholly apart from earnings in marine transportation, refining, and marketing, Arco, Exxon, and Sohio earned $21 billion in net income solely from production and

pipeline transportation of Alaska oil. See Appendix A. These profits have had a profound effect on each of these companies, most notably on Sohio because it is the smallest of the three:

> Once severely short of crude, Sohio's bonanza from its huge reserves of Alaskan oil skyrocketed 1979 profits to $1.2 billion, a phenomenal 2,200% blast in just one decade.

R. 684.

Under the Oil and Gas Corporate Income Tax (AS 43.21), these companies paid approximately $2 billion in income taxes on that $21 billion profit. They have sued to get those taxes back.

This lawsuit involves three corporations that made substantial profits from valuable assets in Alaska, and that now object to paying taxes on that income at the same rate as any other corporation. The essence of this case is revealed in testimony during legislative consideration of AS 43.21:

> Senator [John] Huber: Does Sohio object to paying 9.4% on its true net income the same as they would have to if they were strictly an Alaskan corporation?
>
> [Sohio Vice President Richard] Donaldson: Yes.

R. 4661-62 [D.7-172, F. 27]

B. The Nature of This Case

Every state that imposes a net income tax must devise some method of determining the portion of a multistate taxpayer's

income that is earned within the state. From 1959 to 1978, Alaska used a three-factor formula under the Uniform Division of Income for Tax Purposes Act ("UDITPA") for estimating the Alaska income of all multistate corporations. 1/ AS 43.19; AS 43.20.065; AS 43.20.051-.150 (repealed 1975). 2/

In Alaska's early statehood years, while its economy was marginal and diverse, the UDITPA formula was a satisfactory means of apportioning the income of all multistate corporations. The formula, however, was developed principally for mercantile businesses.

Over several years, the Alaska legislature was advised that the UDITPA formula systematically underestimated income attributable to oil production in Alaska. The legislature was told that, as a result of this underattribution, multistate oil companies paid income taxes on their Alaska production earnings at an effective 2%-3% rate, while in-state oil producers and other Alaska industries paid taxes far closer to the 9.4%

1/ Formulas such as UDITPA rely on certain indicators of business activity -- such as payroll, property, and sales -- to estimate in-state income. A multistate business' indicators, or factors, which are located in the taxing state, are compared with the business' factors located everywhere. The resulting fraction is multiplied against the business' overall income, producing an estimate of in-state income.

2/ UDITPA was approved by the National Conference of Commissioners on Uniform State Laws in 1957, and Alaska was the first state to adopt the model act. In 1970, Alaska adopted the Multistate Tax Compact, which also contains UDITPA, and joined the Multistate Tax Commission. Ch. 124, SLA 1970.

statutory rate. Moreover, under any formula, multistate oil producers owning and operating identical assets in Alaska would pay widely disparate taxes. The legislature enacted AS 43.21 to equalize effective tax rates both between multistate oil companies and other taxpayers, and among multistate oil companies themselves. Sec. 1, ch. 110, SLA 1978.

AS 43.21 changes only the method of estimating in-state income. Once that in-state income is determined, it is taxed at the same 9.4% rate applicable to all corporations. AS 43.20.011(e). AS 43.21 apportions the worldwide income of a taxpayer by separate accounting. Separate accounting identifies gross revenues from activities in the state and then deducts the costs associated with that income. If goods are shipped out of the state for further processing, separate accounting establishes an "arm's-length" price for the value of the goods as they leave the state. That transfer price is used to determine the taxpayer's gross income from the goods.

The legislature believed itself on safe ground in choosing separate accounting -- a method that (1) was, at one time, the only method used in the United States to apportion multistate income; (2) is still the method preferred by other states with substantial oil production activity; and (3) has been upheld by the supreme courts of those states. This lawsuit challenges that choice.

If the companies prevail, they will be entitled to a refund of their AS 43.21 taxes, but will have an alternate

liability for tax years 1978-81 of approximately $620 million. Their net refund, including interest, would be approximately $1.8 billion. 3/ Affidavit of Robert D. Heath, attached as Appendix A.

On the state's motion for summary judgment, the superior court held that AS 43.21 is constitutional. R. 17460-62. The companies have appealed from that ruling.

C. The Principles and Operation of AS 43.21

AS 43.21 applies to any corporation that earns income from oil or gas production or pipeline transportation in the state. AS 43.21.010. The statute uses separate accounting to apportion income from oil production and pipeline transportation activities. AS 43.21.020-.030. Income from all other activities in the state is apportioned by a formula. AS 43.21.040. Together, this income is taxed at the statutory rate of 9.4%.

3/ In 1981, the legislature repealed AS 43.21 for tax years beginning after December 31, 1981, and replaced it with a modified formula. Ch. 116, SLA 1981. The legislature did so primarily to avoid further growth in the $2 billion contingent liability caused by this litigation. Although most believe that the companies stand little chance of success in this case, the legislature concluded that any chance was intolerable in light of the massive amounts in controversy. See Hearings Before the Joint Gas Pipeline Committee, May 29, 1984; R. 533, Memorandum by Comm'r Thomas K. Williams to Gov. Jay S. Hammond, October 1, 1980 at 2, R. 572.

1. Separate Accounting of Oil Production and Pipeline Transportation Income.

The separate accounting provisions of AS 43.21 measure only the net income from production and pipeline transportation of oil in Alaska. Income generated by production or pipeline transportation activities elsewhere, and subsequent profits earned from marine transportation, refining, and marketing of Alaska oil after it leaves the state, are excluded from the AS 43.21 tax base. As a result, the net income that Alaska taxes is only about 25% of the ultimate value of Alaska oil. See Chart 1. The remaining 75% represents value added by transportation, refining, and marketing activities "downstream" from Alaska production, and also includes the costs of producing the oil. Id.

The separate accounting of oil production income begins with the determination of gross income. AS 43.21 defines gross income as the value of the oil at the point of production -- that is, the wellhead. 4/ AS 43.21.020; 15 AAC 21.900(24). If the oil is not sold at the point of production, but instead is sold at an outside refinery, the refinery price is used as the first step in determining wellhead value. Finally, if the oil is

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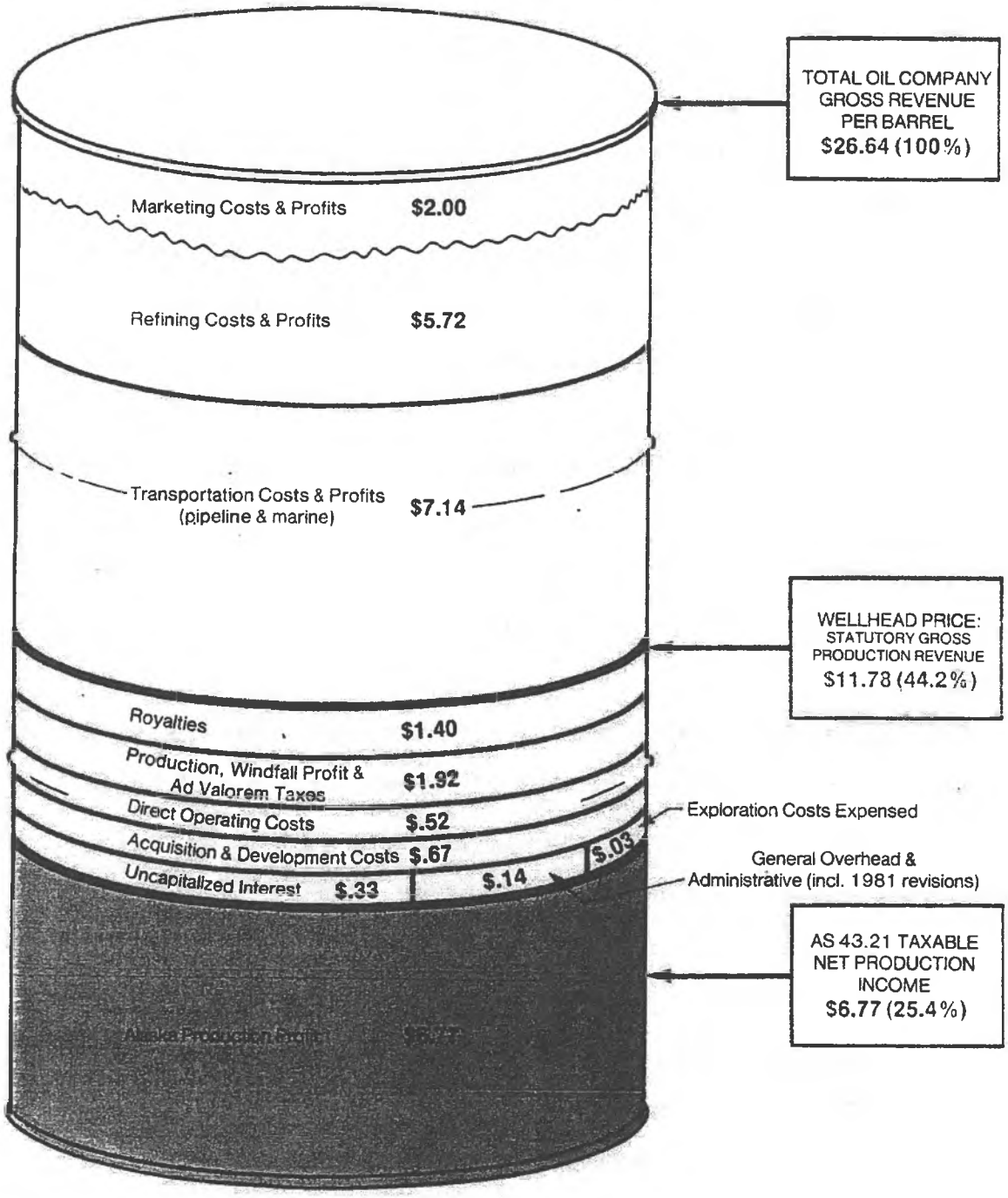
4/ In this brief, the word "wellhead" is used as a shorthand term for the point of production. It is not meant to be used in any technical sense, nor is it intended to distinguish between the point where the oil first comes out of the ground and the point at which the oil is accurately measured into a pipeline.

ESTIMATED REVENUES AND COSTS
PER BARREL OF ALASKAN CRUDE OIL
1978 - 1980



SOURCE: Deakin 2d Supplemental Affidavit ¶ 15, R. 16917, 16929.

CHART 1

transferred unsold to the producer's refinery, a transfer value is established based upon comparable arm's-length sales or other market indicators.

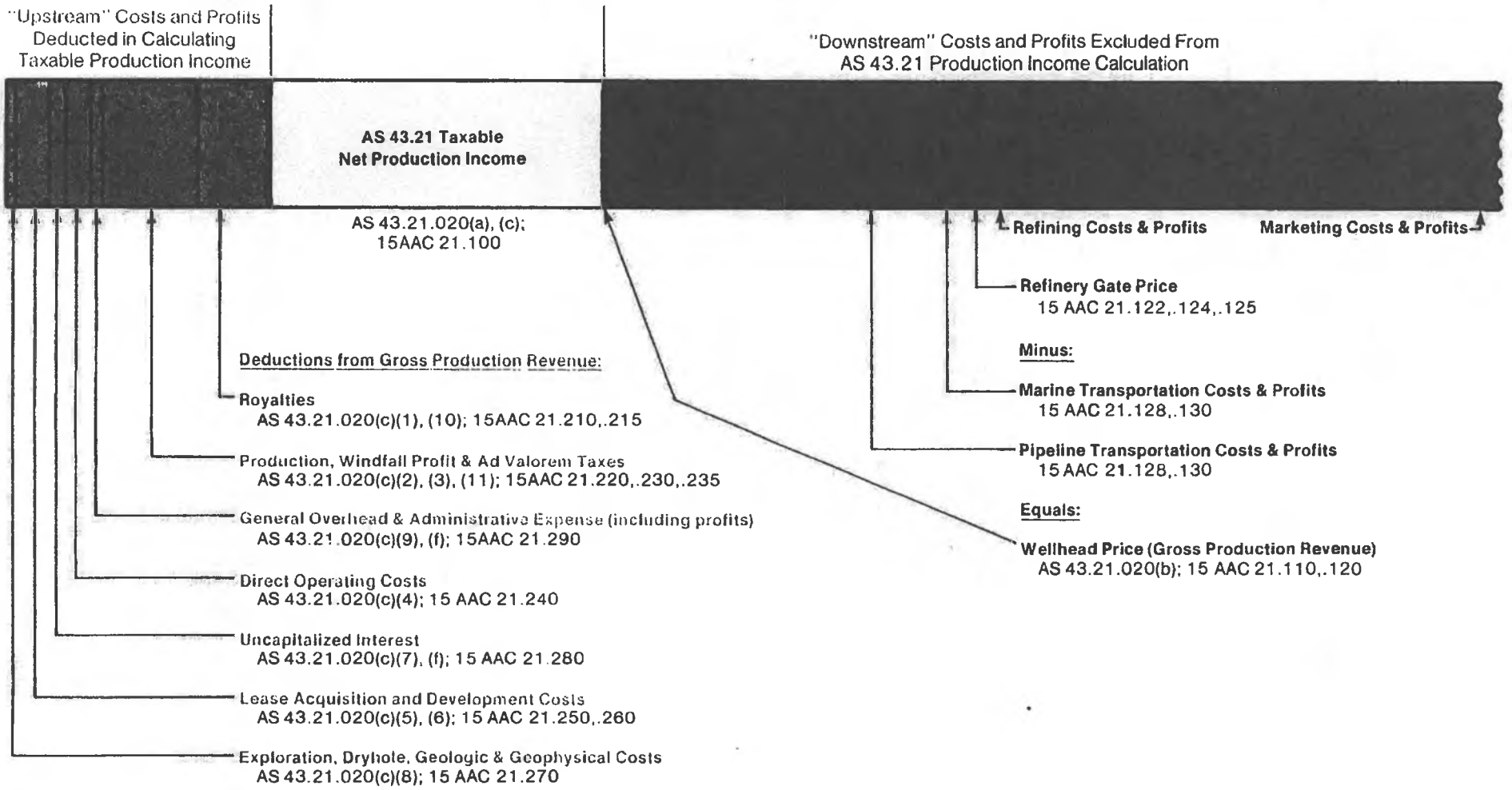
Whenever a refinery price or transfer value is used, the full costs and profits of transporting the oil between the wellhead and the refinery are subtracted, or "netted back," to arrive at wellhead value. AS 43.21.020(b); 15 AAC 21.120-.130. This "netback" process is common in separate accounting methodology. It is also the process used in calculating the state's severance tax and royalties, and the federal windfall profit tax.

Between 1978 and 1980, the refinery gate price of North Slope crude oil averaged $18.92 per barrel. See Chart 1; R. 16917, 16929 (Deakin). After "netting back" to the wellhead, the gross value of the oil at the point of production averaged $11.78. Id.

Once a wellhead value has been determined, the costs of producing the oil are deducted. AS 43.21 permits the taxpayer to deduct every cost associated with producing Alaska oil, regardless of where those costs are incurred. AS 43.21.020(c). The various cost components, and their relative significance, are best portrayed graphically. See Chart 2.

One particular cost component warrants note. The Act permits a deduction for "general overhead or administrative expense ... attributable to deriving income from the production of oil or gas ... in the state." AS 43.21.020(c)(9). These

AS 43.21 TAXABLE NET PRODUCTION INCOME CALCULATION
EXCLUDES ALL COSTS AND PROFITS OF UPSTREAM AND DOWNSTREAM ACTIVITIES



costs -- which the companies would now make the focus of this lawsuit -- include corporate management, legal and accounting services, financing, personnel management, and research and development. They are deductible whether or not they are incurred in the state, so long as they are properly allocated to the production of oil and gas in Alaska. 5/ While these activities are large in number, they constitute only 2.8% of the cost of producing oil in Alaska. See Chart 2; R. 16929; Regulations also permit a deduction for reasonable profits attributable to these activities, if the taxpayer allocates profits in this manner on its own books of account. 15 AAC 21.290(b).

Oil and gas pipeline operators are required by federal and state regulatory agencies to maintain separate books for each pipeline system. Because all pipelines in Alaska are wholly in-state, the items of income and expense related to Alaska pipeline transportation can be easily ascertained. Under AS 43.21.030, a taxpayer's net Alaska income from pipeline transportation is keyed to the amount reported to the Federal Energy Regulatory Commission as net operating income.

5/ 15 AAC 21.290 allows the deduction of "general overhead and administrative expense ... which is properly allocated (on the basis of personnel time sheets, office space or another basis having general currency in the oil and gas industry)" to operations, lease acquisition or exploration in the state. If these expenses relate to both Alaska and out-of-state activities, continued

2. The Use of a Formula For All Other Income

AS 43.21.040 employs the UDITPA formula to apportion the other income of an AS 43.21 taxpayer to the state -- with one major difference. Worldwide oil production and pipeline transportation income is subtracted from the corporation's apportionable income, and the company's factors attributable to the production and pipeline transportation of oil in Alaska are excluded from the formula.

D. Proceedings Below

Appellants Arco, Exxon, and Sohio argued below that AS 43.21 violated the Commerce, Due Process, and Equal Protection Clauses of the United States Constitution, and the Equal Protection Clause of the Alaska Constitution. The case was decided on the state's motion for summary judgment. The record of that motion is divisible into three categories. Most of the record comprises the legislative history of AS 43.21, which was compiled and indexed by the state. R. 1628-12689. Second, there are competing affidavits from various economists and accountants presenting divergent economic theories on how oil production income is generally earned, and how, as a matter of policy, it

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5/ continued
the regulation allocates those costs on the basis of in-state and out-of-state acreage, or another basis "if that other basis is more appropriate."

should be apportioned. Compare, e.g., R. 13069 (Church), R. 12986 (Davidson), R. 13111 with R. 1538 (Deakin), R. 1512 (Horst), and R. 1269 (Conrad).

Finally, there are a large number of affidavits submitted by the companies which describe various activities performed outside Alaska, that the companies assert generate a portion of Alaska production profits taxed by AS 43.21. See, e.g., R. 13220-13476 (Sohio Affidavits); R. 13552-13808 (Arco Affidavits); R. 13811 - 14248 (Exxon Affidavits). The state did not contest those factual allegations because the mere existence of these support functions -- which is all that these affidavits demonstrate -- is of no constitutional importance. Conversely, the companies offered no evidence that these activities generated any actual portion of oil production profits, or for that matter that they were profitable at all.

To warrant a trial on a Commerce Clause challenge, the taxpayer must offer quantitative evidence which shows that a particular tax base for a particular year is grossly disproportionate to actual in-state earnings. Container Corp. v. Franchise Tax Board, ___U.S.___, 77 L.Ed.2d 545, 556 (1983); Hans Rees' Sons, Inc. v. North Carolina ex rel. Maxwell, 283 U.S. 123, 125 (1931). The companies offered nothing in this regard. They did not even place their tax returns in the record. Rather, they rested their challenge upon the assertion that separate accounting inevitably fails to recognize that certain

out-of-state activities generate some portion of oil production earnings, and is thus inherently invalid. For this reason, the companies informed the lower court that they were not obliged to undertake any "elaborate showing." R. 12763. See also Appellants' Opening Brief at 45 (hereafter the companies' brief is referred to as "C.B.").

On May 27, 1983, Judge Carlson granted the state's motion for summary judgment. R. 17460-62. He found that the only factual dispute between the parties involved the competing economic and accounting theories presented by the parties' expert affidavits. These divergent theoretical contentions "are facts only in the sense that they provide premises in the process of legal reasoning, they are not that type of fact for which trial is mandated." R. 17460.

SUMMARY OF ARGUMENT

The lower court concluded that separate accounting is a permissible means of apportioning the income of a multi-jurisdictional taxpayer. Shortly after that decision, the United States Supreme Court reached the same conclusion in Container Corp. v. Franchise Tax Board, ___U.S.___, 77 L.Ed.2d 545 (1983). The lesson of Container is that a Commerce Clause challenge to a state's use of separate accounting is subject to the same standards applicable to mathematical formulas. The companies have failed to meet, or even attempt to meet that standard, which requires the companies to prove by "clear and cogent evidence"

that the amount of income attributed to Alaska by AS 43.21 is "grossly disproportionate" to actual in-state earnings. Accordingly, the judgment below must be affirmed.

When Alaska became a major oil-producing state, the legislature, after considerable study, adopted the traditional method of separate accounting long used by other oil-producing states -- including Louisiana, Oklahoma, and Mississippi -- to estimate in-state income from oil production. The separate accounting laws of these states are identical in all material respects to AS 43.21. Gross income is measured by the in-state value of locally-produced oil. Net income is then calculated by deducting the direct and indirect costs of producing that oil, whether those costs are incurred in or out of the state. This same method is used by the federal government to calculate the United States income of a foreign corporation producing oil in this country for sale abroad, and by various international tax conventions to which this country is a party.

The basis for this common preference for separate accounting is the recognition that this method of apportionment fairly estimates oil production income attributable to the jurisdiction. Further, it is commonly recognized that the three-factor UDITPA formula systematically underattributes income to the producing state. UDITPA assumes that oil production income is principally generated by a company's managers, geologists, accountants and salesmen, together with fixed assets such as office buildings and equipment. The oil reserves

themselves, however, are not counted in the "property" factor as an income producing asset. By contrast, separate accounting looks to the amount and value of oil produced when apportioning income.

The supreme courts of other oil-producing states have sustained their separate accounting statutes against the same challenges that the companies make here. In so doing, they have affirmed that separate accounting is a more accurate method of apportioning oil-production income than is UDITPA. Webb Resources, Inc. v. McCoy, 401 P.2d 879, 889 (Kan. 1965); Texas Co. v. Cooper, 107 So.2d 676, 690-91 (La. 1958); Magnolia Petroleum Co. v. Oklahoma Tax Comm'n, 121 P.2d 1008 (Okla. 1941).

This litigation is an attack on the use of separate accounting by oil-producing states. The heart of the companies' case is their contention that these states are precluded from using separate accounting because other states in which they also do business employ mathematical formulas. Sohio thus alleged, as Count I of its amended complaint in this action, that

> [f]ormulary apportionment is constitutionally preferred, and the tax based on Alaska's separate accounting may not constitutionally coexist with taxes imposed by other states on the basis of formulary apportionment.

R. 261.

This core argument was rejected in Container. The Court there held that "both geographic accounting and formula apportionment are imperfect proxies" for the elusive goal of allocating income; neither is more or less prone to

misallocation; and it would thus be perverse to force the states to substitute one inherently imprecise means for another. Container, 77 L.Ed.2d at 564.

The Court reiterated in Container that the Due Process and Commerce Clauses do not impose a single, uniform methodology on the states for attributing the taxable income of a multijurisdictional business. Only Congress has the ability to do so. Yet, despite repeated opportunities to enter this field over the past several decades, and after wide-ranging studies and legislative hearings, Congress has declined to require the states to use any particular method of income attribution.

After Container, the companies in this case had two options: either to withdraw their appeal, or to pretend that what they had attacked below as separate accounting was not in fact "true separate accounting" at all. The companies chose the latter, arguing here that the deference owed to state apportionment rules, including "true separate accounting," does not apply to AS 43.21. The Alaska law, they maintain, is not separate accounting because it fails to account for certain outside contributions to oil production income. And because of that peculiarity, it is not a form of apportionment.

The argument that AS 43.21 is not "true" separate accounting is ridiculous. It functions precisely like the laws of other oil-producing states, the Internal Revenue Code, and international tax conventions.

Moreover, AS 43.21, like every separate accounting statute, is very much a form of apportionment. It estimates that portion of a taxpayer's worldwide income which should be attributed to the taxing state, and in so doing "apportions" a part of that worldwide income to the state. Its purpose is the same as that of any mathematical formula. As the Court said in Container, the separate accounting "approach divides the pie on the basis of formal accounting principles. The formula apportionment method divides the same pie on the basis of a mathematical generalization." 77 L.Ed.2d at 568. Each is a method of "apportioning" a part of the oil company's worldwide income to a state.

The issue in this case, then, is not whether Alaska's tax is "apportioned" -- it certainly is that. The issue is whether the statute achieves a fair apportionment. And, as noted above, the test of fair apportionment is whether or not the statute has in fact grossly overattributed income to the taxing state.

The companies did not attempt to show that AS 43.21 in fact attributed substantially more income to Alaska than they actually earned here. Instead, they chose to rest their case upon the entirely theoretical objection that AS 43.21 inherently taxes some profits attributable to the activities of personnel in other states.

There are three fundamental failings to this argument. First, if one assumes that activities in one state contribute to

profits in another, then contributions made to Alaska oil production by out-of-state activities are only one side of a two-way street. As these companies' annual reports and public pronouncements make clear, the steady profits available from Alaska production activities contribute to the profitability of these companies' operations in other parts of the world. Thus, profits from Alaska crude have permitted these companies to modernize refineries in California, acquire new production properties in the Gulf of Mexico, and diversify into other industries which have no connection with Alaska. However, AS 43.21, like all separate accounting laws, does not attempt to tax any of this added value.

Second, every separate accounting jurisdiction -- including other oil-producing states, other nations and the United States -- treats the expenses associated with the many activities discussed by the companies as deductible costs of production; no separate accounting system treats them as what accountants call "profit centers." Nothing in the United States or Alaska Constitutions requires Alaska, and Alaska alone, to view out-of-state support activities as "profit centers."

Third, an identical argument was made and rejected in Moorman Mfg. Co. v. Bair, 437 U.S. 267 (1978). In Moorman, the taxpayer argued that Iowa's single-factor sales formula inherently taxed income earned by manufacturing activities in Illinois. The Court, however, held that the constitution does not invalidate a state income tax simply because it reaches some

income which does not have its source in the taxing state. Due process, the Court said, requires only that income attributed to the state be rationally related to in-state values. To establish that a state's income-allocation method fails this test, a taxpayer must prove that the state has attributed an amount of income which is grossly disproportionate to its actual in-state earnings.

The companies' argument regarding their outside support activities spins a circle from which one may only escape by recognizing it as such. The companies concede that no apportionment method is perfect; indeed, this inherent imprecision is the reason that a taxpayer must prove a grossly disproportionate result. The companies argue, however, that because AS 43.21 is not perfect, it is therefore not a form of apportionment and is thus per se invalid. Because the companies believe that AS 43.21 is facially invalid, they have placed nothing in the record which indicates whether they would attribute 30%, 3%, or 0.003% of the income taxed by AS 43.21 to outside activities.

Because the companies declined to make any showing of a grossly disproportionate attribution of income, the court below was presented with what amounted to a default, or total absence of proof. Despite an enormous record, there was no evidence which, if taken as true, would make the companies' prima facie case. There was, in short, no need for a trial to test allegations that were never made.

Since AS 43.21 is fairly apportioned, the companies' multiple taxation argument falls as well. Container confirmed that multiple taxation is simply the evil that the fair apportionment test is designed to avoid. If a tax statute is fairly apportioned, it does not create an unconstitutional risk of multiple taxation. The minimal risk of overlapping taxation that may arise from a diversity of apportionment rules is a matter for Congress to address.

The companies' principal multiple taxation argument -- that AS 43.21 taxes "100%" of production income from Alaskan oil, while other states which use a formula are also entitled to "tax a share" of that same income -- is based upon their belief that formulas and separate accounting are automatically asymmetrical. The Court in Container held that they are not. Separate accounting taxes "100%" only in the sense that every state taxes 100% of the income which it apportions to itself. Moreover, no other state has a "right" to tax a share of the income apportioned to Alaska by separate accounting. The inclusion of Alaska production income, and indeed all worldwide income, in the apportionable base of various formulas does not mean that mathematical formulas take a share of every extra-territorial component of income. Rather, the theory upon which apportionment formulas have been sustained is that they will, once all calculations are completed, produce an amount of net income which is an acceptable approximation of income from activities within the taxing state.

According to the companies, traditional geographical separate accounting is no longer a constitutionally accepted way of estimating the domestic income of a multijurisdictional company. That argument would, if accepted, invalidate the separate accounting statutes of a number of other oil producing states -- statutes consistently sustained by the highest courts of those states. It is an argument foreclosed by the United States Supreme Court in Container, and it should be rejected by this court as well.

ARGUMENT

I. THE ALASKA LEGISLATURE CHOSE SEPARATE ACCOUNTING AS THE MORE REASONABLE MEANS OF ESTIMATING THE IN-STATE INCOME OF MULTISTATE OIL PRODUCERS.

The Alaska Legislature's decision to replace UDITPA with separate accounting was made for two related reasons. First, the legislature learned that the three-factor formula, when applied to oil production activities, results in companies paying taxes on only a fraction of the income which they actually earn in Alaska. See Appendices B and C. 6/ Second, and

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6/ Appendix B is a compilation of representative citations to the legislative history of AS 43.21 which support the legislature's findings. Appendix C has two parts. Part 1 is a narrative summary of the legislative history which was submitted with the state's summary judgment motion. R. 1218-68. Part 2 is the state's response to the companies' legislative history narrative. R. 16931-59. That company narrative (R. 12840-83) was submitted as a separate appendix to their brief.

of that underattribution, use of the three-factor formulas bestows a benefit on multistate oil companies that is not shared by other Alaskan businesses. It allows those corporations to pay tax on only a fraction of their Alaska income, which substantially lowers their effective tax rate, while other businesses -- both local oil producers and other multistate industries -- pay taxes at the full statutory rate of 9.4% on all income earned in Alaska. Id. These conclusions are set out in the legislature's findings:

> 1. [The three-factor apportionment formula in UDITPA] does not fairly represent the extent of the business activities in this state of multistate corporations engaged in the production and pipeline transportation of crude oil and natural gas in Alaska; and
>
> 2. [T]he assessment of income tax against a multistate corporation engaged in the production or pipeline transportation of oil or natural gas shall be commensurate with the tax that would be assessed against a corporation owning and operating only those assets of the multistate corporation which are in or directly associated with this state.

Sec. 1, ch. 110, SLA 1978.

The legislature, in choosing an alternative to UDITPA, drew precisely the same conclusion reached by the taxing authorities of other producing states: that separate accounting is the most accurate way to measure the income of an oil producer. After four years of study, Alaska chose the system used by those other states, including Mississippi, Oklahoma, and

Louisiana. R. 3040 [D. 8-130, F. 14 at 48]; R. 1929 [D. 8-018, F. 4 at 10]; R. 7881 [F. 62 at 66]. 7/

Prior to 1978, Alaska used the UDITPA formula for the same reason other states use it. It is simple and easy to administer; it avoids the possibility of taxpayer manipulation associated with the setting of transfer prices under separate accounting; and as a general rule, it produces a fair, rough approximation of a taxpayer's in-state earnings. R. 5369-70 [D. 7-139, F. 35A at V-15, V-16]. During early statehood years, Alaska's economy was as diversified as it was marginal, and the state lacked the wherewithal to engage in sophisticated tax accounting. During the 1960's, for example, the state's limited auditing capabilities permitted only mathematical checks on tax returns. Appendix C at 10 (R. 1226). Using UDITPA as a rough norm was expedient. If it underattributed the income of a particular industry, the fiscal consequences were likely to be small. In short, when a state has a diversified economic base, misattribution for one segment of that economy will in all probability be diluted and absorbed by other economic activity. R. 5369-70 [D. 7-139, F. 35A at V-15, V-16]; R. 1546, 1554, 1558 (Deakin).

7/ Legislative history documents referred to in this brief are cited to the record and also to the filing system of that history. Thus, "D. 8-111, F. 22" means that the document originated in 1978, is the 111th document from that year, and is found in legislative history file 22.

The three-factor formula employed by UDITPA is based on two assumptions that are typically valid for most economic enterprises. The first is that all segments of an integrated enterprise are equally profitable. See, e.g., Container, 77 L.Ed.2d at 565 n.20. The second is that payroll, property, and sales are the only contributors to income, and each contributes equally. Id. UDITPA was developed principally for mercantile industries. Blind application of UDITPA to other industries may, as Professor Jerome Hellerstein has recently noted, sacrifice fairness on the altar of consistency:

> The methods used by the States in dividing income from interstate and international business could benefit from closer attention by the tax committees of State legislatures and tax administrators to the need to devise apportionment methods that respond to the characteristics of various industries. Some of the awkward and unsatisfactory apportionments of income that are currently being made by the States are due to the oft-forgotten fact that the standard three factor formulas were developed and designed to meet the needs of manufacturing and mercantile industries, and are poorly adapted to a good many other businesses.

J. Hellerstein, State Taxation: Corporate Income and Franchise Taxes 689 (1983).

The legislature concluded that UDITPA was indeed poorly adapted to the oil production industry. Sec. 1, ch. 110, SLA 1978. See generally Appendices B and C. It would attribute to the state only 20%-25% of the income earned in Alaska by oil producers. As even industry information demonstrated, oil producers would pay an effective tax rate of 2%-3%, while other

businesses paid the statutory 9.4%. See Charts 3 and 4; R. 1700-01, 1703 [D. 8-125, F. 2 at 2-3, 5]. See also R. 2344, 2346-47, 2350, 2353 [D. 8-126, F. 5 at 23,25-26, 29, 32]; R. 1920-22 [D. 8-018, F. 4 at 1-3]. See also Appendix B.

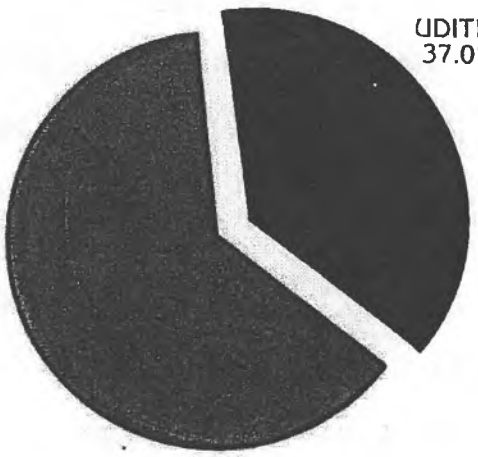
As early as 1971, the New York economics firm of Walter Levy and Associates began warning the legislature that the use of UDITPA to tax impending Prudhoe Bay production profits would result in a gross underattribution of income to Alaska. R. 9858-59. Levy, and his associates Milton Lipton and Richard Kilgore, advised the state that the sales, property, and payroll factors of the UDITPA formula were not suited for apportioning oil production income. 8/ Moreover, those factors were in turn applied against the taxpayer's income as determined under the Internal Revenue Code, which for the oil industry in particular was riddled with subsidies having little or nothing to do with Alaska's tax policies. R. 3831-32 [D. 7-018, F. 22 at 5-6]; R. 9858-59 [F. 36-37]; R. 9741-42 [F. 62 at 26-27]. They predicted that unless Alaska changed its income tax attribution method for oil production, most oil production income earned in Alaska would escape taxation. R. 9894 [F. 65 at 14].

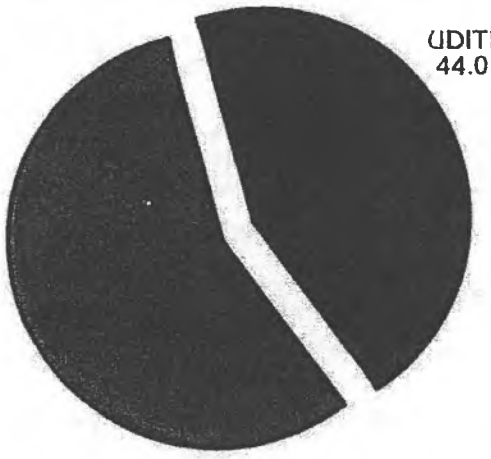
8/ R. 9226 [D. 5-014, F. 56 at 21-23]; R. 9307-08 [D. 5-045, F. 56 at 8-9]; R. 8450-51 [D. 6-107, F. 48 at 1-3]; R. 7172 [D. 6-031, F. 43 at 7]; R. 3858-59, 3864-65, 3878 [D. 7-019, F. 22 at 2, 3, 10, 11, 24]; R. 3982 [D. 7-022, F. 22 at 3];R. 1920-22 [D. 8-018, F. 4 at 1-3]; R. 2024-26, 2036-37, 2042 [D. 8-127, F. 4 at 15-17, 27-28, 33].

UDITPA Tax Base As A Percentage of Prudhoe Bay Net Income

From Exxon Estimates (1976—1990)

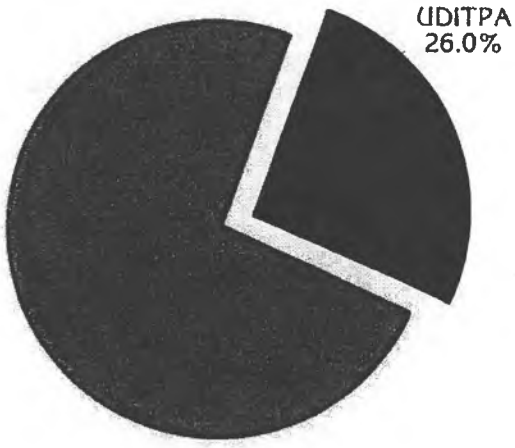
L.H. Doc. 7-036, File 26 at 13(R. 4348)
L.H. Doc. 7-037, File 26 at 18, 21(R. 4367, 4370)
See R. 16955





As Estimated By Arthur Anderson (Life of Field)

L.H. Doc. 8-080, File 13 at Exhibit VIII(a) (R. 2899)
See R. 16955—16956



As Estimated By W.J. Levy & Assoc. From Sohio Submission One (1978)

L.H. Doc. 6-124, File 50 at 1-4(R. 8527-8530)
See R. 16954-16955

CHART 3

In 1974, the legislature directed the Legislative Council to conduct an "interim study of the corporate tax structure in Alaska and of possible alternate systems ...." HCR 78, 8th Leg., 2d Sess. (1974 Alaska). In 1975, Senate President Chancy Croft created the Special Committee on Revenue and Taxation, beginning a four-year debate on the appropriate means of apportioning the income of Prudhoe Bay producers. R. 9322-23 [D.5-015, F. 57]. From 1975-78, 11 major tax bills were considered in the course of 63 hearings. R. 10453-10770; Appendix C at 3 (R. 1220). The legislative history of AS 43.21 is large and comprehensive, reflecting a breadth of analysis by tax experts, economists, and attorneys from all sides of the controversy. 9/

9/ The legislative history is before this court in a uniquely usable fashion. As part of its summary judgment motion, the state assembled every document which was before the legislature during its deliberations, and transcribed every hearing. A complete set of indices allows easy access by subject matter or witness. A separate binder contains all versions of every bill. The result is a research tool unique in Alaska litigation.

The companies would prefer that this court ignore this source, dismissing it as mere bulk. C.B. at 65. Rather, they suggest that the court rely upon a sparsely-cited, argumentative appendix prepared by their counsel. C.B. at 65 n.23. This appendix relies largely on two sources. One is a post-enactment analysis by Mike Bradner, who was not a legislator when AS 43.21 was enacted and who admits that his personal theories about legislative motivation are not supported by the legislature's deliberations on AS 43.21. See Appendix C at 72-75. (R. 16940-43). The second are the 1975 writings of one Prof. Witherspoon, who was briefly retained by the legislature to offer his thoughts on a then-pending property tax bill, and who disappeared from the scene in 1976. Appendix C at 66-67 (R. 16935-37).

The Senate relied extensively on Levy, Lipton, and Richard Kilgore. Appendix C at 3 (R. 1256). The House retained economist Michael Tanzer, who in 1977 issued a major report on projected Prudhoe Bay rates of return. The report was valuable to the legislature in deciding whether the underattribution of income inherent in UDITPA was necessary to maintain a healthy oil industry in the state. Tanzer concluded that Prudhoe Bay producers would earn a 35% rate of return, making it obvious that this incentive was not necessary. 10/ R. 6054-56 [D. 6-003, F. 39 at 5-7].

The Hammond administration retained Professors Jerome Zeifman and Kenneth Ainsworth, who had served, respectively, as chief counsel and staff economist to the congressional Willis Committee. R. 5356 [D. 7-139, F. 35A at V-2]. The Willis Committee's 1964 report on state income taxation remains one of the most comprehensive reviews of state apportionment rules. 11/ Zeifman and Ainsworth's 1977 report, "The Taxation of the Petroleum Industry Under Alaska's Corporate

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10/ Tanzer's estimates, in fact, were understated. Tanzer, after all, could not foresee the doubling of world oil prices which occurred after the enactment of AS 43.21.

11/ Report of the Special Subcommittee on State Taxation of Interstate Commerce of the Committee on the Judiciary, H. Rep. No. 1480, 88th Cong., 2d. Sess. (1964) (referred to herein as the Willis Report.)

Income Tax," is an invaluable source document in understanding the shortcomings of UDITPA. R. 3233-89 [D. 7-001, F. 18].

The oil industry, in turn, utilized Arthur Anderson & Co. and several law professors, as well as their substantial in-house resources. They also relied on the work of Wainwright Securities. Both Anderson and Wainwright submitted lengthy reports which, in fact, did much to substantiate the legislature's conclusions. R. 2839-2938 [D. 8-080, F. 13]; R. 4879-4963 [D. 7-061, F. 32].

From this pool of expertise, and the staff resources of the legislature and administration, the legislature concluded that the assumptions upon which UDITPA relied do not hold for oil production income, and, of the available alternatives, separate geographic accounting is the most fair, and most accurate.

A. The UDITPA Formula Does Not Fairly Apportion Oil Production Income.

1. The Sales Factor

Under UDITPA, sales receipts are credited solely to the destination state -- that is, the state where the goods are ultimately sold. AS 43.19.010 Art. IV, §§ 16-17. If Alaska oil is delivered to California and sold to a third party there, the full gross sales price is credited to California. Because that gross price includes all costs and profits earned to that point -- including production profits -- the destination sales factor irrebutably presumes that all income from the production of North

Slope oil is earned in California. R. 5371-72 [D. 7-139, F. 35A at V-17 to V-18]. If, however, the oil is merely transferred to a refining division in California, and then sold to a retailer in Arizona, Arizona becomes the destination state, and the presumption is that all North Slope production profits are earned in Arizona.

The destination sales factor of UDITPA originates not from economic reason, but from political influence. It was devised at the behest of manufacturing states in order to provide a more favorable climate for local industry. Willis Report, supra, at 123-28. A destination-state sales factor, as the United States Supreme Court has observed, is akin to a situsing rule, which specifically allocates income on the basis of a legal fiction, without taking a fair look at how income is actually generated. General Motors Corp. v. District of Columbia, 380 U.S. 553 (1965).

In mercantile industries, it may well be that the value of manufacturing activities in the state of origin is substantially enhanced by marketing activities in the state of destination. As Exxon has acknowledged, however, oil production income is "fully earned at the wellhead," largely because the price of crude oil is principally a function of external market conditions and scarcity value. R. 1554-55.

Under UDITPA, then, Alaska's sales factor would be virtually nothing, regardless of the amount of oil taken from Prudhoe Bay. R. 3865 [D. 7-019, F. 22 at 11]; R. 9226 [D. 5-014,

F. 56 at 21]. The companies acknowledge that only a "tiny fraction" of North Slope oil sales are credited to Alaska under UDITPA -- in the case of Arco, 1.5%. C.B. at 22, 50. Thus, as the Department of Revenue concluded in its comprehensive 1977 tax study:

> Although there are problems with each of the three factors, the use of the uniform sales factor produces the greatest distortion of oil and gas corporation activity in Alaska. That is, the total value of petroleum products is assigned only to the state where the final destination sale is made. No value is assigned to the state where the petroleum is produced.

R. 5371 [D. 7-139, F. 35A at V-17].

It is the function of the property and payroll factors of UDITPA to moderate the extreme effects of the sales factor, which by itself will lead to taxation of extraterritorial values. General Motors Corp. v. District of Columbia, 380 U.S. at 561. With respect to oil production, however, the remaining factors compound, rather than cure, the problem.

2. The Property Factor

In calculating the value of property to be placed in Alaska's numerator, UDITPA, by following industry accounting practice, does not include the value of the oil reserves. 12/ Instead, the property factor includes only the cost of the wells

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12/ The United States Securities and Exchange Commission has continued

and appurtenances which produce that oil, and the acquisition cost of the lease. AS 43.19.010 Art IV, § 11; R. 1546-1550. As a result, and as the legislature was informed, Prudhoe Bay assets were valued under UDITPA at about one percent of their worth. R. 8377 [D. 6-096, F. 46 at 1]. The greatest income producing asset that an oil producer owns is its oil reserves. Alaska's property factor was largely unaffected by either the discovery or production of Prudhoe Bay reserves, although those reserves, rather than the value of the surface structures, are determinative of the profitability of the field.

In proceedings before the Federal Energy Regulatory Commission, the companies acknowledged the deficiencies in the valuation of production property:

> [A]ccounting for cost completely ignores the discovery value of assets added through exploration. For successful companies this can result in substantial understatement of the value of assets.
>
> As is generally the case for companies with oil and gas reserves, Sohio reports its Prudhoe Bay reserves on its balance sheet at cost, which is

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12/ continued
noted:

> The discovery of oil and gas is the most significant event in exploration, development, and production activities. Traditional accounting methods do not provide for recognition of this event in recording the assets or earnings of companies engaged in this industry ....

R. 1549.

> considerably less than informed estimates of the value of such reserves.

R. 1548.

There are, moreover, several accounting rules which further warp the UDITPA property factor. For example, the Internal Revenue Code allows many costs that are incurred in building surface structures -- intangible drilling costs ("IDC's") -- to be expensed rather than capitalized, as similar costs would be in any other industry. 26 U.S.C. § 263; R. 1550. Thus, they are both excluded from the value of the structure and subtracted from the companies' net income against which the UDITPA factors will ultimately be applied. IDC's, then, hit the producing state coming and going: the property value is reduced, and overall income is diluted.

3. The Payroll Factor

Under UDITPA, payroll is included in a state's numerator only if the employee is based in the state. AS 43.19.010 Art. IV, §§ 13-14; R. 1558-59. Many oil company employees working in Alaska are not based in the state, but are on temporary, remote-location assignment.

Moreover, much production work is done not by employees, but by independent contractors. R. 1550, 1559-60. Payments to independent contractors do not appear in the payroll factor. R. 1550, 1559-60. Rather, they are expensed as IDC's,

which -- again -- dilute both the property factor and apportionable income.

Finally, oil production activities are not labor intensive. R. 3865 [D. 7-019, F. 22 at 11]; R. 3885 [D. 7-020, F. 22 at 3]. They are, instead, property intensive -- assuming, as UDITPA does not -- that "property" includes the oil reserves. Simply put, it takes far less labor to produce a dollar of production income than it does to produce a dollar of marketing income. Id. Sohio provides a telling example. Based on its 1978-80 annual reports, 90% of its total worldwide income was due to Alaska production profits. R. 1559 (Deakin). Nevertheless, less than 10% of its employees were based in Alaska. C.B. at 50.

4. The Disproportionality of Production Profits

Production activities are the most profitable segment of an integrated oil company's operations. R. 1561-64. At the same time, however, they account for the smallest contribution to UDITPA's factors. Id. With respect to Exxon in particular, and the oil industry in general, exploration and production accounts for only 20%-30% of an integrated companies' sales, property and payroll, but 70%-90% of the companies' net income. Id. For Alaska, with a sales factor close to zero, the disparity is unquestionably even more severe.

Edward Deakin, a professor of accounting at the University of Texas, has estimated the cumulative effects of this deflation of the UDITPA factors for a typical Alaskan oil

producer. He concludes that UDITPA attributes to a producing state about 20% of income earned in that state. R. 1543, 1546-47, 1557, 1560-61. That is commensurate with the conclusion reached by the legislature three years before Deakin's study. It is also in accord with the companies' concessions in this litigation. According to the companies, between 1978-80, UDITPA would have attributed to Alaska only about 9% of Arco's total income, while separate accounting attributed 46%. Similarly, UDITPA would have attributed only 24% of Sohio's total income, while separate accounting attributed 91%. C.B. at 50. This disparity, moreover, has been frequently cited by courts when holding that the use of UDITPA for oil production income led to a manifestly unfair result. Texas Co. v. Cooper, 107 So.2d 676 (La. 1958) (UDITPA income: $1.5 million; separate accounting income: $13 million); Webb Resources, Inc. v. McCoy, 401 P.2d 879 (Kan. 1965) (UDITPA income: $40,000; separate accounting income: $157,000); Amoco Production Co. v. Armold, 518 P.2d 453 (Kan. 1974) (UDITPA income: 2.7% of worldwide; separate accounting income: 23% of worldwide).

The disproportionality of production profits to production factors undermines UDITPA's central assumption that all property, payroll, and sales are equally profitable. UDITPA's problems for oil production are intrinsic. For example, while production is responsible for some 70% of an average integrated oil company's profits, production sales as a percentage of all gross receipts average only 20% industry wide.

R. 1556-57. If all sales were equally profitable, 20% of gross receipts would represent 20% of the companies profits. Thus, even if Alaska were to modify UDITPA by employing an origin sales factor, there would still exist a 350% margin of error as to that factor.

The weaknesses of UDITPA were corroborated by independent analysis. In a 1977 "Industry Review" of North Slope oil prepared for investors, Wainwright Securities concluded:

> From Alaska's standpoint, passage of the [income] tax would undoubtedly resolve some glaring deficiencies in its current income tax treatment. Also, it would ensure that the North Slope Oil producers pay something resembling the 9.4% nominal tax rate imposed on domestic (Alaskan) corporations doing business only in the state -- versus the 2-3% rate that otherwise would apply to a multinational oil company.

R. 4911-12 [D. 7-061, F. 32 at 33-34] (emphasis added).

B. The Legislature Had Good Reasons For Choosing Separate Accounting Over a Modified Formula.

Realizing that UDITPA systematically distorts production income attributable to Alaska does not in itself compel the use of separate accounting. Indeed, much of the debate before the legislature centered on whether to employ separate accounting -- which was favored by the legislature -- or a modified formula, which was favored by the administration. See Appendix C at 35-59; R. 1248-68 et seq. The Hammond administration initially opposed separate accounting for the very reasons that it is disfavored by some states -- the possibility of

taxpayer manipulation in setting a transfer price. R. 3621-22 [D. 7-173, F. 19 at 15-16].

Separate accounting, however, is frequently utilized to apportion oil production income because crude oil is commonly traded and has an ascertainable value. The oil industry must report the wellhead value of its oil production for a variety of purposes -- including the state severance tax and lease royalties. See e.g., AS 43.55. In 1978, prior versions of separate accounting bills were amended by the legislature to allow the Department of Revenue to rely upon these independent calculations of wellhead value. R. 1846 [D. 8-132, F. 2 at 3]; SCS for CSHB 322. That satisfied the administration's objections. Id.

These two approaches -- a modified formula applied against book rather than federal taxable income, and separate accounting -- were each predicted to generate comparable amounts of additional revenue. 13/ R. 5174-76 [D. 7-153, F. 34];

13/ Under UDITPA, a state's factors are multiplied against federal taxable income. Federal taxable income is reduced from book income (income reported to shareholders) by a variety of deductions which do not reflect actual costs. The oil industry enjoyed special subsidies, including the expensing of intangible drilling costs and the then-existing percentage depletion allowance. These were in addition to liberal use of early depreciation, net operating loss carryforwards and investment tax credits. As a result, the effective federal tax rate for the eight oil companies doing business in Alaska in 1977 was between 1.8% and 35.6%, instead of the 48% statutory rate. Sohio and Arco had effective federal tax rates of 4.2% and 14%, respectively. R. 5362 [D. 7-139, F. 35A at V-8].

R. 3132 [D. 8-101, F. 17]. The separate accounting approach was chosen because it squarely addressed the issue of tax equity. 14/ Under separate accounting, producers with equal volumes of production and equal costs in Alaska would pay the same tax, whether they were local or multi-state companies, and regardless of their worldwide company structure. See Chart 4. Under modified apportionment they would not, as industry reports themselves demonstrated.

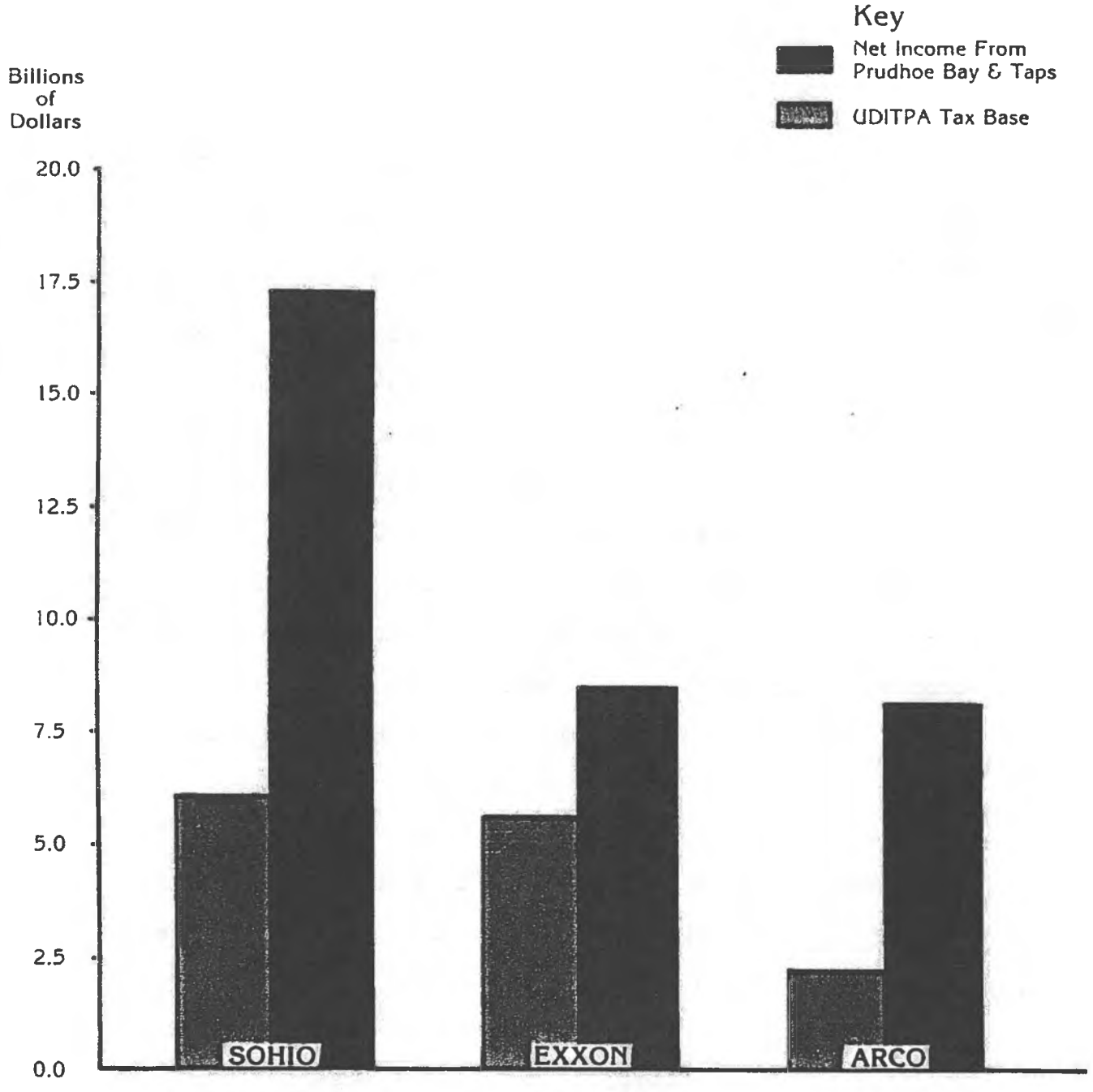
Two industry reports in particular made the unintended point that companies with identical holdings would pay vastly different taxes under any formula. In 1976, Sohio presented "Sohio Submission One," which postulated three oil producers, each owning one-third of Prudhoe Bay, but each having very different configurations outside of Alaska. R. 8510 [D. 6-122, F. 50 at 4]. Although Alaska production income was identical for the three, the Alaska tax base attributed to each by UDITPA differed dramatically. R. 8518 [D. 6-122, F. 50 at Table 1A]; R. 8529

14/ R. 4759 [D. 7-054, F. 30 at 1] (Croft) ("the income tax is not designed to pick up additional money but to try to establish equal treatment between companies operating within the state"); R. 1704 [D. 8-125, F. 2 at 6] (Gallagher) ("If we're seeking to raise money -- I think the most effective way is through a severance tax."); R. 1661 [D. 8-006, F. 1 at 1] (Croft) ("the [modified formula] proposal is 'unfair' because it just tinkers with the formula ... separate accounting [is the] most equitable method because under it every corp[oration] pays [the] same effective tax rate."); R. 3309 [D. 7-004, F. 18 at 13] (Ziefman).

Net Income From Prudhoe Bay and Taps

Compared With UDITPA Tax Base

(Life of Field)



Source: Arthur Anderson Study, Exhibit VIII(a)(R. 2899)

CHART 4

[D. 6-124, F. 50 at 3](Lipton); R. 3829 [D. 7-018, F. 22 at 3] (Lipton); R. 8526 [D. 6-123, F. 50 at 3] (Tanzer).

A 1978 industry-sponsored report by Arthur Anderson & Co. illustrated the same point. Exxon and Arco, with nearly identical earnings from Prudhoe Bay and TAPS over the life of the field, would pay vastly different taxes both under UDITPA and the proposed modified formula:

(in millions)	Arco	Exxon	Sohio
Net income from Prudhoe Bay and TAPS:	$8,145	$8,510	$17,249
Taxable income under UDITPA:	2,208	5,639	6,065
Taxable income under modified formula:	4,623	9,013	12,336

R. 2899 [D. 8-080, F. 13 at Table VIII(a)]; R. 2947 [D. 8-081, F. 13 at Supplemental Table II]. See Chart 4. As the Legislative Affairs Agency advised the Subcommittee on Oil and Gas, the modified formula would increase state revenue, but "the issue of tax equity as raised by many legislators in the past has [not] been adequately addressed. Conversely, there is much in the [separate accounting] proposal to recommend it on the grounds of equity ...." R. 4697 [D. 7-041, F. 28 at 3]. See also, R.4704-05 (Lipton) [D. 7-042, F. 28 at 5 and 6].

Thus, separate accounting was chosen as the fairest means of apportionment precisely because it looked only at actual in-state earnings. A modified apportionment formula, the legislature concluded, would simply be "tinkering," that is,

substituting one group of arguable assumptions for another. R. 1661 [D. 8-006, F. 1 at 1].

Separate accounting was not chosen because it would inherently cause more income to be attributed to the state. As Milton Lipton advised the legislature, separate accounting has no inherent bias, and could result in decreased taxation for less profitable enterprises. R. 2156 [D. 8-131, F. 4 at 12]; R. 1941 [D. 8-018, F. 4 at 22]. As it happened, oil prices rose dramatically after AS 43.21 was enacted, resulting in income to the producers and revenue to the state far beyond the highest projections of any 1978 forecaster. 15/ As the Department of Revenue told the legislature, had oil prices instead dropped as dramatically, income attributable to the state by separate accounting would also have declined. R. 5450 [D. 7-139, F. 35A at VI-16].

II. SEPARATE ACCOUNTING, AS EMPLOYED BY AS 43.21, FAIRLY APPORTIONS OIL PRODUCTION INCOME TO ALASKA

A. Introduction

The Commerce Clause issues raised by this appeal were recently decided by the United States Supreme Court. In

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15/ In 1976, the legislature projected that the 1981 OPEC-set price of crude oil at the refinery would be $16.82 per barrel. R. 8409 [D. 6-102, F. 47 at 3]. The actual 1981 price was $37.05 per barrel. See "Monthly Energy Review," Energy International Administration, United States Dep't of Energy, July 1983.

Container, the Court reaffirmed what the lower court here had already concluded -- that separate accounting, of the kind employed by AS 43.21, is a permissible means of apportioning a unitary business' worldwide income. It is compatible with the use of mathematical formulas by other jurisdictions, and it is no less fair than the three-factor UDITPA formula.

Without question, every state must divide, or "apportion," the income of multistate taxpayers in some manner. Ohio may not, for example, tax all of Sohio's income simply because the company is headquartered in that state. Sohio also does business in Alaska, which entitles Alaska to tax a portion of its multistate income. Because of the inherent imprecision of all income attribution methods, and the eminently debatable nature of the true source of income, no one apportionment system is superior:

> In the case of a more-or-less integrated business enterprise operating in more than one State, however, arriving at precise territorial allocations of "value" is often an elusive goal, both in theory and in practice. For this reason and others, we have long held that the Constitution imposes no single formula on the States.

Container, 77 L.Ed.2d at 552 (citing Mobil Oil Corp. v. Comm'r of Taxes of Vermont, 445 U.S. 425, 438 (1980), Butler Bros. v. McColgan, 315 U.S. 501, 507-509 (1942), Underwood Typewriter Co. v. Chamberlain, 254 U.S. 113, 121 (1920), and Wisconsin v. J. C. Penney Co., 311 U.S. 435, 445 (1940). To establish that a state has exceeded the bounds of the Commerce and Due Process Clauses,

a taxpayer must meet the "'distinct burden of showing by "clear and cogent evidence" that [the state tax] results in extraterritorial values being taxed ....'" 77 L.Ed.2d at 552 (quoting Exxon Corp. v. Wisconsin Dep't of Revenue, 447 U.S. 207, 221 (1980), quoting Butler Bros. v. McColgan, 315 U.S. at 507, quoting Norfolk & Western Railway Co. v. North Carolina ex rel. Maxwell, 297 U.S. 682, 688 (1936)).

In reiterating the familiar standards of the Commerce and Due Process Clauses, the Court in Container held that a state's system for apportioning the income of a multistate taxpayer must meet two requirements. First, it must be "internally consistent," so that its use in every jurisdiction would result in the taxpayer being taxed on no more than 100% of his income. 77 L.Ed.2d at 556. Second, the state's system must actually reflect a reasonable sense of how income is generated. The burden of proof rests with the taxpayer to show by "clear and cogent evidence" that the tax is either "inherently arbitrary" or produces a "grossly distorted result" by taxing income "out of all appropriate proportions to the business transacted in that state." 77 L.Ed.2d at 556.

Alaska's separate accounting statute meets both of these requirements. First, it is internally consistent. If separate accounting were employed by all the states, a taxpayer

would be taxed on exactly 100% of its income. 16/ Second, AS 43.21 "actually reflect[s] a reasonable sense of how income is generated." Id. It does so by foregoing the surrogates and assumptions of mathematical formulas and looking instead at actual revenues and costs of in-state operations. Moreover, despite ample opportunity to do so, the companies have not produced any evidence whatsoever that, if true, would show that AS 43.21 has produced "a grossly distorted result" in its attribution of income to this state. Id.

B. The Fair Apportionment Test Applies to Separate Accounting.

To avoid the deferential standards applied in Container and the many cases preceding it, the companies imply that this deference is due only to mathematical formulas, which is to say that separate accounting is not a permissible means of apportionment. That argument is hopelessly at odds with the court's decision in Container.

The taxpayer in that case did business overseas and in California. Its overseas operations were, true to the

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16/ The companies here make an additional "internal consistency" argument, which involves the interaction of AS 43.21 and Alaska's general corporate income tax law -- AS 43.20. That argument is premised on the erroneous conclusion that separate accounting and UDITPA are theoretically incommensurate, and in tandem lead to multiple taxation. Therefore, responding to this particular matter is deferred until Section III of this brief, which deals with the companies' various multiple taxation claims.

international norm, taxed on the basis of separate accounting. California, on the other hand, applied its UDITPA formula to the company's worldwide income. The taxpayer argued that separate accounting and UDITPA were theoretically incommensurate, and thus would inevitably lead to multiple taxation. In other words, since foreign nations had already taxed foreign income in full under separate accounting, nothing was left for California to tax through UDITPA. Furthermore, because the United States courts could not control the tax structure of foreign nations, they therefore must force California to excise that separately accounted income from its UDITPA base.

The Court closely scrutinized the taxpayer's grievance, noting that foreign commerce was involved. Nonetheless, the court held that there was no "automatic 'asymmetry'" between the two methods. 77 L.Ed.2d at 572 (emphasis in original) (quoting from Japan Line, Ltd. v. County of Los Angeles, 441 U.S. 434 (1979)). Separate accounting and UDITPA were compatible alternate means of apportioning multijurisdictional income:

> One way of deriving locally taxable income is on the basis of formal geographical or transactional accounting .... The unitary business/formula apportionment method is a very different approach to the problem of taxing businesses operating in more than one jurisdiction.

77 L.Ed.2d at 553 (citations omitted). Although "very

different," the Court found neither more inherently reliable. 17/

> Both geographical accounting and formula apportionment are imperfect proxies for an ideal which is not only difficult to achieve in practice, but also difficult to describe in theory ....
>
> * * * *
>
> [W]e have seen no evidence demonstrating that the margin of error (systematic or not) inherent in the three-factor formula is greater than the margin of error (systematic or not) inherent in the sort of separate accounting urged upon us by appellant ....

77 L.Ed.2d at 564-565. It is of course true that separate accounting taxes 100% of a portion of the taxpayer's worldwide income, while UDITPA taxes a portion of the whole. That, however, means neither that separate accounting is in some manner unapportioned, nor that a separately accounted tax base reaches income that other jurisdictions have a right to tax. The two methods simply follow different routes to the same goal:

17/ Separate accounting "often ignores or captures inadequately the many subtle and largely unquantifiable transfers of value that take place among the components of a single enterprise," 77 L.Ed.2d at 553, while

> [E]ven the three-factor formula is necessarily imperfect ....
>
> * * *
>
> First, the one-third-each weight given to the three factors is essentially arbitrary. Second, payroll, property, and sales still do not exhaust the entire set of factors arguably relevant to the production of income. Finally, the relationship

continued

> Here ... we are faced with two distinct methods of allocating the income of a multi-national enterprise. The "arm's-length" approach divides the pie on the basis of formal accounting principles. The formula apportionment method divides the same pie on the basis of a mathematical generalization.

77 L.Ed.2d at 568. The "same pie," of course, is the company's worldwide income. Since neither is inherently more reliable, and both reach the same goal, there is no basis for elevating either separate accounting or mathematical formulas to constitutional primacy:

> Allocating income among various taxing jurisdictions bears some resemblance, as we have emphasized throughout this opinion, to slicing a shadow ... [I]t would be perverse, simply for the sake of avoiding double taxation, to require California to give up one allocation method that sometimes results in double taxation in favor of another allocation method that also sometimes results in double taxation.

77 L.Ed.2d at 571.

Container breaks no new ground in viewing separate accounting and formula apportionment as different in means, but identical in goal. In earlier cases involving oil production income, for example, courts have either required or upheld the use of separate accounting to satisfy the statutory and constitutional requirement of fair apportionment of an integrated

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17/ continued
between each of the factors and income is by no means exact.
77 L.Ed.2d at 565, and n.20.

multistate business. 18/ Indeed, UDITPA itself recognizes separate accounting as a permissible means of apportionment. Section 18 provides that if the three-factor formula does not achieve an equitable apportionment of income, alternative means of apportionment are authorized -- specifically including separate accounting. 19/

The commentators are in accord. "The purpose of separate accounting and of formula apportionment is exactly the same -- to divide the net income and assign portions of it geographically." W. Beaman, Paying Taxes to Other States: State and Local Taxation of Non-Resident Businesses ¶ 7.20 (1963). That same conclusion is reached throughout the literature. 20/

18/ Standard Oil Co. v. Thoresen, 29 F.2d 708 (8th Cir. 1928); Fisher v. Standard Oil Co. 12 F.2d 744 (8th Cir. 1926); Webb Resources, Inc. v. McCoy, 401 P.2d 879 (Kan. 1965); Texas Co. v. Cooper, 107 So.2d 676 (La. 1958); Skelly Oil Co. v. Comm'r of Taxation, 131 N.W.2d 632 (Minn. 1964); Magnolia Petroleum Co. v. Oklahoma Tax Comm'n, 121 P.2d 1008 (Okla. 1941); and Standard Oil Co. v. Wisconsin Tax Comm'n, 223 N.W. 85 (Wis. 1929).

19/ AS 43.19.010 Art. IV, § 18 provides that if UDITPA does not "fairly represent the extent of the taxpayer's business activity in the state" the department may use four alternatives, the first of which is "separate accounting."

20/ See Keesling and Warren, The Unitary Concept in the Allocation of Income, 12 Hast. L.J. 42, 43-45 (1960); G. Altman and F. Keesling, Allocation of Income in State Taxation, 89-90 2nd ed. (1950); Hellerstein, State Income Taxation of continued

In short, courts and commentators understand that separate accounting is very much a form of income apportionment of equal dignity with mathematical formulas. As such, it is subject to the same standards that the Supreme Court applies to all income division systems.

C. AS 43.21 is "True" Separate Accounting and is Subject to the Fair Apportionment Test.

The companies have scrupulously avoided the term "separate accounting" in their brief. Their aim is to place some distance between themselves and Container. To this end, their brief refers to separate accounting only once, where AS 43.21 is contrasted to "true separate accounting -- i.e., a system ... that would have attempted to measure, and tax, only income actually earned in Alaska." C.B. at 65. In so doing, they imply that AS 43.21 is not separate accounting at all, but is rather a mutant of no known ancestry, and certainly of no relation to the arm's-length method at issue in Container.

AS 43.21 is "true" separate accounting, both generally, and with respect to the companies' principal complaints. Those complaints are that AS 43.21 looks to out-of-state sales to measure gross income, and that it fails to account for alleged

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20/ continued
Multijurisdictional Corporations; Reflections on Mobil, Exxon, and H.R. 5076, 79 Mich. L. Rev. 113, 117 (1980); Ebel, An Examination of State Worldwide Unitary Formula Apportionment, 1 Multistate Tax Comm'n Rev. 1 at 1 (March 1984).

contributions to production income from outside activities. On both counts, AS 43.21 is identical with the "arm's-length" method described in Container, the separate accounting methods used by several of our sister states, the United Nations and Office of Economic Cooperation and Development ("OECD") model treaties, and the Internal Revenue Code. It is also the same separate accounting system used by these companies when they file separate accounting tax returns, often by choice, in other states.

Separate accounting is simply this: revenues associated with an in-state activity are attributed to that state, and the costs associated with those revenues are deducted to arrive at net income. 21/ So far as possible, every cost is allocated to the income-producing activity that it supports. "[G]eneral overhead expense items are associated with specific revenue on some acceptable accounting basis." 22/ If a product or commodity is not sold in the state, but is instead shipped out-of-state for sale or further processing, separate accounting establishes a "transfer price" for that product as it leaves the state. 23/

21/ Keesling & Warren, supra at 43.

22/ P. Hartman, Federal Limitations on State and Local Taxation, 522 (1981). See also J. Hellerstein, supra, at 323.

23/ G. Altman & F. Keesling, supra, at 38; see also, testimony on behalf of oil industry by Gary Boren, R. 2214-2260 [D. 8-029, F. 5 at V-1]; R. 2244.

AS 43.21 does just that. Gross income attributable to Alaska is measured by the "value [of the oil] at the point of production." AS 43.21.020(b). If the oil is sold at the wellhead, that sale is the gross income attributable to Alaska from that oil. Since most North Slope oil is not sold at the wellhead, its value is netted back from the first point at which value can be established. This is done by deducting from the sales price those transportation costs and profits which are incurred from the point of production to the point of sale. AS 43.21.020(b). AS 43.21 then provides for the deduction of every cost associated with producing that income. AS 43.21.020(c). The taxpayer may allocate general overhead and administrative costs to Alaska production on any acceptable accounting basis. AS 43.21.020(c)(9).

Neither the fact that Alaska oil is sold out-of-state, nor the fact that an outside sales price must sometimes be used as the starting point for determining gross income, makes AS 43.21 different from other separate accounting laws. Nor does AS 43.21's treatment of out-of-state support activities distinguish it from "true" separate accounting. Under traditional separate accounting principles, precisely the same support activities marqueed in the companies' brief are universally accounted only as expenses, whether they occur in the income-producing state or in some other state.

The use of an imputed transfer value to establish the gross income of a separately accounted activity is the

cornerstone of every separate accounting law. By definition, a transfer value must be imputed precisely because the commodity is not sold in-state.

The separate accounting provisions of other states are identical in setting a transfer value notwithstanding out-of-state sales. 24/ So, too, is the Internal Revenue Code (IRC) in determining the United States source income of foreign corporations, setting transfer values between commonly controlled entities, and calculating foreign tax credits. 25/

The OECD Model Convention for the Avoidance of Double Taxation with Respect to Taxes on Income and on Capital, 26/ and the United States Draft Model Income Tax Treaty, 27/ employ an

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24/ Compare AS 43.21.020(b) and 15 AAC 21.110, .120 with Louisiana: La. Admin. Code art. 47:224.3.B.b. Mississippi: Miss. Code Ann. § 27-7-23(c)(2)(B)(iii); Miss. Reg. 1.27-7-23(7)(o). Oklahoma: Okla. Stat. Ann. tit. 68, § 2358, A.4.a; See Magnolia Petroleum Co. v. Oklahoma Tax Comm'n., 121 P.2d 1008, 1011 (Okla. 1941).

25/ IRC §§ 861-864; Treas. Reg. § 1-863-1(b) (income from United States oil well is United States income whether oil sold "within or without the United States"); Treas. Reg. § 1-863 (income from United States oil well is United States income whether oil sold "within or without the United States"); IRC § 482; Treas. Reg. § 1.482-2(e)(1),(2),(3) (gross income is transfer price even if there is no local sale); See also, Treas. Reg. §§ 1-482-2(e)(1)(ii) and (v), 1.613-3(a); IRC § 907 (foreign tax credits). Compare IRC § 907(d) with AS 43.21.020(b).

26/ Reprinted in 1 CCH Tax Treaties ¶151 (hereinafter OECD Model Convention).

27/ Model of June 16, 1981, reprinted in 1 CCH Tax Treaties, ¶158 (hereinafter United States Model Treaty).

arm's-length separate accounting methodology that is virtually identical in this respect to Alaska's, requiring production income to be attributed to the point of production, based upon its market or wellhead value irrespective of the point of ultimate sale. 28/

AS 43.21's treatment of support activities such as technical services, head office functions, and legal and accounting services is identical to that of other separate accounting laws. If anything, AS 43.21 is more liberal, and allows more flexibility in this respect than other separate accounting laws. Many overhead costs support more than one income producing activity, and most separate accounting laws apportion those costs under a rigid formula. AS 43.21, on the other hand, uses a formula method only as a presumption for allocating the expenses of these activities, permitting the taxpayer to show that actual overhead costs were greater. AS 43.21.020(f). Further, AS 43.21 is unique in that it allows an attribution of profit to these activities if the taxpayer in fact considers them profit generating. See 15 AAC 21.290(b). 29/

28/ United States Model Treaty art. 7, ¶2; R. 1514, 1520-23. OECD Model Convention art. 7, ¶2. R. 1520-23.

29/ The companies complain that the regulation allowing an attribution of profit, although retroactive, was not adopted until after their annual reports were filed, and that the regulation permits a reporting technique prohibited by Securities and Exchange Commission rules. In fact, SEC rules permit this continued

The separate accounting laws of our sister oil-producing states allow only the costs of these activities to be deducted. 30/ The Internal Revenue Code is the same: costs, wherever incurred, are subtracted from gross income with no attribution of profit. 31/ Interest and research expense is allocated to the income producing activities to which it relates. 32/ Overhead and supervisory expenses are apportioned to the activities which they support with no profit added. 33/

Federal transfer price regulations are substantially identical: "Marketing, managerial, administrative, technical, or other services" are deducted at cost with no profit; unless they are rendered solely in support of one geographic activity, they are apportioned among the activities which they support. 34/ Likewise, the OECD model treaty allows only the expense of

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29/ continued
type of reporting, and, on the issue of timing, annual reports can be amended. R. 16920-21 (Deakin). The companies' argument reduces to a claim that AS 43.21 is unconstitutional because it uses the same accounting rules that the companies themselves employ.

30/ Compare Alaska: AS 43.21.020(c)(9); 15 AAC 21.210-.290 with Louisiana: La. Admin. Code art. 47:244.3.A, B.3; Mississippi: Miss. Code Ann. § 27-7-23(c)(2)(B); Miss. Reg. 1.27-7-23(7)(c)(2); see also Webb Resources, Inc. v. McCoy, 401 P.2d at 890 (Kansas).

31/ Treas. Reg. §§ 1.863-1(c), 1.861-8(a)(1).

32/ Treas. Reg. § 1.861-8(a), (e).

33/ Treas. Reg. § 1.861-8(b)(3), (c)(1).

34/ Treas. Reg. § 1.482-2(b)(1), (3). See also § 1.482-2(b)(6).

outside support activities to be deducted. The commentary to the treaty specifically prohibits any "commission" being added above actual cost. Horst Deposition at 369-370.

In sum, the fair apportionment standards restated in Container apply to separate accounting, and, most assuredly, AS 43.21 is separate accounting. This section's remaining task is to demonstrate that AS 43.21 meets those standards.

D. AS 43.21 Meets the Fair Apportionment Standard

The means of apportionment employed by a state "must actually reflect a reasonable sense of how income is generated." Container, 77 L.Ed.2d at 556. The burden is on the taxpayer to establish that the tax statute is "inherently arbitrary." Underwood Typewriter Co. v. Chamberlain, 254 U.S. at 121. In other words, the taxpayer must show that there is not even a "modicum of reasonable relation" between the in-state activities which are used to measure the tax, and some rational sense of how income is generated. General Motors Corp. v. District of Columbia, 380 U.S. at 561. Alternatively, the taxpayer must "prove by 'clear and cogent evidence' that the income attributed to the State ... has 'led to a grossly distorted result,'" Container, 77 L.Ed.2d at 556 (citations omitted). This subsection shows first that AS 43.21 is anything but "inherently arbitrary," and, second, that this conclusion is not altered in the slightest by the companies' complaints regarding out-of-state contributions to Alaska income. Subsection E shows that the

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companies have declined to submit proof that AS 43.21 has produced a "grossly distorted result."

1. AS 43.21 Reflects a Reasonable Sense of How Income is Generated.

By relying directly on the value of the oil at the point of production, net of all direct and indirect costs incurred in producing it, AS 43.21's separate accounting reflects a "reasonable sense of how [production] income is generated." The highest courts of two other oil-producing states have held that "[w]here the direct method of income allocation can be employed, all suspicion of unconstitutional taxation is dispelled." Webb Resources, Inc. v. McCoy, 401 P.2d at 889; Magnolia Petroleum Co. v. Oklahoma Tax Comm'n, 121 P.2d at 1011. In contrast, these same courts, in the course of requiring or allowing separate accounting for integrated multistate oil companies as the fairest and most accurate means of apportionment, have held that the application of the UDITPA formula would produce a "manifestly unfair" result. Texas Co. v. Cooper, 107 S.2d 676; Magnolia Petroleum Co. v. Oklahoma Tax Comm'n, 121 P.2d 1008; Webb Resources, Inc. v. McCoy, 401 P.2d 879.

Oil production activities are particularly amenable to separate accounting because oil production accounting is done, for a wide variety of purposes, on a lease-by-lease basis. R. 1566-70 (Deakin). These purposes include net profit share

leasing, percentage depletion, and accounting between joint owners of a lease. Id. Wellhead value must be calculated for the federal windfall profit tax, state severance tax, and royalties. Id. Both the United States Bureau of the Census and the Department of Energy require that oil production costs and revenues be reported separate from other operations. Id. Thus, every oil producer knows precisely the revenues and expenses that are associated with each lease.

The unique susceptibility of oil production income to separate accounting permeates applicable case law. The supreme court of Kansas has held that separate accounting produces a fair result because:

> [T]he gross revenues, drilling costs and operating costs could be determined by state lines .... [The taxpayer] knows the exact number of barrels of oil produced from each well; it knows the location of each well; the taxpayer can also determine the exact cost of drilling and the exact cost of equipping each well, as well as the direct costs of operation within the geographical area of the state.

Webb Resources, Inc. v. McCoy, 401 P.2d at 890.

For many industries the establishment of an "in-state value" may be difficult. Much depends upon whether the commodity produced in-state has an independent market value so that an arm's-length price can be determined. Horst Deposition at 155-156. If it cannot, the potential for profit shifting -- by attributing an artificially low price to the value of in-state activity -- is significant. Id. at 85. But because crude oil has an intrinsic value, and is commonly traded as crude oil

(that is, without further processing) its value can be confidently established.

Crude oil value at the point of production separates in-state production income from any downstream income for two reasons. First, and as Exxon has noted, it is widely accepted within the industry itself that "exploration and production income is fully earned at the wellhead." R. 1554-55. To Exxon, viewing production income as fully earned in the production state "is in accordance with generally accepted accounting principles, because crude oil has a known, realizable value." R. 1555.

Second, wellhead value is an arm's-length price. An arm's-length price, of course, is one that allocates to the seller or transferrer of the crude a market rate of return on his producing activity. R. 1530 (Horst). It is also a price at which the refiner or buyer expects to purchase the crude and still earn a profit on refining and resale. Id. Use of a wellhead value therefore segregates and excludes from the AS 43.21 tax base any profit attributable to Alaska oil downstream of the point of production.

Because of its accuracy, separate accounting is the choice of other oil-producing states including Louisiana,

Mississippi, and Oklahoma. 35/ The Comptroller General's report explains the reason:

> [T]he States generally use separate accounting only to determine the income of certain kinds of [multijurisdictional corporations] earned within their jurisdictions. These businesses, (primarily general merchandising, oil and gas, and construction companies) use separate accounting because it conforms more to their financial accounting procedures and, for these specific situations, more accurately reflects income than formula apportionment.

GAO Report to the Chairman, House Committee on Ways and Means: Key Issues Affecting State Taxation of Multijurisdictional Corporate Income Need Resolving, 3 (1982) (emphasis added); R. 17023.

Separate accounting is also preferred by the federal government for various purposes, including apportioning the income of multinational taxpayers, and this preference is shared by other countries. See Container, 77 L.Ed.2d at 565, 569-70. A similar preference is found in model international tax

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35/ Excluding Texas and Wyoming, which imposed no corporate income taxes, from 1976 to 1980 more than 91% of domestic crude oil was produced in eight states with 40 million barrels or more of annual production. Statistical Abstract of the United States at 730 (1983). The statutes of four of those states (Alaska, Louisiana, Mississippi, and Oklahoma) required separate accounting for oil production income. Of the top five producing states, Texas (first) had no income tax and California (fourth) required formula apportionment, while Louisiana (second), Alaska (third) and Oklahoma (fifth) all required separate accounting for oil and gas production income. Id.

conventions established to encourage international trade and investment by reducing double taxation. 36/

Finally, there are three other sponsors of separate accounting who warrant note -- Arco, Exxon and Sohio. For many years, these companies, of their own chosing, filed separate accounting returns in Alaska even though state law at the time required use of UDITPA. R. 873-1198. Moreover, historically and at least through 1981, these companies chose to file separate accounting returns in states where it was to their advantage to do so. R. 1605-08. In Texas Co. v. Cooper, 107 So.2d at 682, the court rejected the taxpayer's criticisms of separate accounting in light of the fact that the taxpayer "actually use[s] that method in those states where it wants to use it ...." The same critical eye would seem warranted here.

In short, the companies ask this court to heed what they say, and not what they do. More boldly, they seek a ruling that the income allocation method used by the United States, the United Nations, the OECD, and several of our sister states lacks even a modicum of reasonableness. That contention falls of its own weight.

36/ OECD Model Double Taxation Convention, supra, Art. 5, §2, Art. 7, §2; United States Model Treaty, supra, Art. 5, §2; United Nations Model Convention Between Developed and Developing Countries, Art. 7. See, R. 1514-15, 1520-22, 1523 (Horst).

But separate accounting need not be the best means of estimating local oil production income; the "inherently arbitrary" test is not nearly so demanding. Even the crudest of formulas has passed. See Moorman, 437 U.S. at 273, 274. In fact, the Supreme Court has never invalidated a state income tax law under this threshold requirement.

There are three distinct reasons for this judicial restraint. First, the Court has recognized that the task of ascertaining the true source of income is as difficult as "slicing a shadow." Container, 77 L.Ed.2d at 570. As the record in this case abundantly demonstrates, equally qualified economists and accountants disagree on whether separate accounting, or some variety of mathematical formula, is a fairer means of apportioning the production income of a multistate oil company. 37/ An effort to divine the true source of income, and hence the fairest means of apportionment, would be an exercise not only in judicial legislation, but in judicial alchemy.

Second, even if that theoretical bar could be surmounted, establishing a constitutional norm would require the judiciary to craft a lengthy and technical tax code. It would involve not only choosing a particular method, but also prescribing at length the precise rules relating to every element

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37/ Compare R. 1514-17, 1523-34 (Horst), R. 1542-48, 1564-70 (Deakin) with R. 12996-13001 (Davidson), R. 13072-74, 13082-84 (Church).

of that method. "[T]he adoption of a uniform code ... would require a policy decision based on political and economic considerations that vary from State to State ...." Moorman, 437 U.S. at 279. "Because that task [is] essentially legislative, we declined to undertake it ...." Container, 77 L.Ed.2d at 557.

Finally, any attempt to select between competing economic theories would restrict "the vastness of the state's taxing power and the latitude that the exercise of that power must be given before it encounters constitutional constraints." Norfolk & Western Railway Co. v. Missouri State Tax Comm'n, 390 U.S. 317, 326 (1968). With regard to state apportionment laws in particular, the Court has recognized that:

> At best, the responsibility for devising just and productive sources of revenue challenges the wit of legislators. Nothing can be less helpful than for courts to go beyond the extremely limited restrictions that the Constitution places upon the states and to inject themselves in a merely negative way into the delicate processes of fiscal policy-making. We must be on guard against imprisoning the taxing power of the states within formulas that are not compelled by the Constitution ....

Wisconsin v. J. C. Penney Co., 311 U.S. at 445 (emphasis added).

2. AS 43.21's Treatment of Out-of-state Activities Does Not Render the Statute Inherently Arbitrary.

In spite of this deferential standard, the companies argue that AS 43.21 is inherently arbitrary because it "inevitably" taxes out-of-state contributions to Alaska production income. The companies have catalogued an array of

logistical, financial and support services which they claim occur principally out-of-state, and which they believe are responsible for an unspecified portion of profits attributable to the production of Alaska oil. Because AS 43.21 views the profits from production of Alaska oil as earned in Alaska, companies believe that the statute "inevitably" taxes out-of-state values, and hence is facially invalid. They also imply that AS 43.21 arbitrarily ignores the contributions of out-of-state sales activities and that the statute thus taxes value added downstream of the point of production. Their arguments fail for three reasons.

a. The Treatment of Out-of-state Support Activities is Merely a Matter of Economic Theory.

How one treats support activities is a matter of economic theory. Under the separate accounting approach, income is viewed as being earned when and where the principal operating activity occurs. In other words, production income is earned where the oil is produced, refining income is earned where the oil is refined, and marketing income is earned where the products are sold. Support segments are not treated as separate enterprises that could generate income on their own, but are instead viewed, by tax collectors and taxpayers alike, as "cost centers."

Separate accounting's refusal to go further and attribute a portion of oil production profits to outside

management has been before the courts already. The companies' complaint, in fact, is old hat.

In Shaffer v. Carter, 252 U.S. 37 (1920), an Illinois resident who earned income from oil production in Oklahoma complained that his Oklahoma production income was at least partially a function of the management and financing skills of his Illinois office. The Court held, however, that his oil production income could fairly be viewed solely as local Oklahoma income. "At most," the court held, "there might be a question whether the value of the service of management rendered from without the state ought not to be allowed as an expense in producing the [Oklahoma] income." 255 U.S. at 55. AS 43.21, of course, resolves that question in favor of the taxpayer.

In Webb Resources, Inc. v. McCoy, 401 P.2d 879 (Kan. 1965), the court held that separate accounting was feasible for Kansas oil production because the oil company knew precisely how many barrels of oil were produced in Kansas and could "determine the exact cost of drilling and the exact cost of equipping each well, as well as the direct costs of operation" within the state. As to a lengthy list of out-of-state support activities virtually identical to the companies' illustrations in this appeal, the court held that "these expenses are ordinarily considered to be general or overhead type of expenses which are required in any

type of business which crosses state lines." 38/ 401 P.2d at 890 (emphasis added). As with AS 43.21, the expenses, and only the expenses, of these out-of-state contributions were deducted -- an approach which survived challenge under the Commerce Clause.

Moreover, looking to out-of-state sales to compute local value does not convert a separate accounting statute into a tax on out-of-state sales. A subsequent sale merely determines when income is realized, and not where or how much income is earned. R. 1529-30 (Horst). This argument was dispensed with years ago in Texas Co. v. Cooper, where, in this regard, the taxpayer "bitterly assail[ed]" the transfer price set by Louisiana for oil shipped to the taxpayer's refinery in another state. He argued that there could be "no taxable gain upon the oil sent outside of the State to be refined, and not sold herein." 107 So.2d at 687. The court responded that:

> [B]y definition the use of the separate accounting method to determine net profits of an interstate corporation attributable to a given State utilizes the use of market value in assigning worth to

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38/ The uncontested facts in that case, like this one, indicated that the following functions were performed outside the taxing state: head office, geologists, landmen, production supervisors, company officers, decisions regarding exploration and drilling, legal services, hiring and firing of key personnel, contracting for services, equipment and supplies (which produced economies of scale), and financing. Webb Resources, Inc., 401 P.2d at 881, 884.

> products at a given stage shipped for further processing to another State ....

Id. at 688 (emphasis added). See also Magnolia Petroleum Co. v. Oklahoma Tax Comm'n, 121 P.2d at 1011-12 (even though there were no actual sales, value at time of shipment "clearly reflected the financial gain or loss at the time the oil left the state").

Additionally, the "netback" methodology of AS 43.21 does not tax value added downstream from the point of production. Transportation profits are attributed to transportation activities. The transportation costs deducted under AS 43.21 begin with the published rate for the Trans Alaska Pipeline. AS 43.21.020(b); 15 AAC 21.130(b)(1). That rate obviously includes a profit. Similarly, if marine transportation is done by a third party, the carrier's full rates (including, obviously, his profit) are deducted. 15 AAC 21.130(b)(2). If the company's own vessels carry the oil, the regulations allow the deduction of full costs, plus port fees, plus a management fee, plus a rate of return (either the one set out in the regulation or the one imputed by the taxpayer itself). 15 AAC 21.130(b)(3).

b. The Companies' Quarrel With AS 43.21's Treatment of Out-of-state Sales and Support Activities Ignores the Fact that Separate Accounting Does Not Capture the Value that Alaska Activity Adds to These Companies' Out-of-state Operations.

If it is true that activities in one state contribute to the profitability of activities in another, that principle is surely a two-way street. Just as Alaska may capture

contributions flowing to it, it equally foregoes the contributions which it may make to other states. As the Wisconsin Supreme Court stated in Standard Oil Co. v. Wisconsin Tax Comm'n:

> We regard as unsound the argument submitted to sustain the commission's [preference for a formula] in this case. If the manufacturing profits of the plaintiff company are increased by means of the sales operations in the State of Wisconsin, the converse is true that the sales operations in Wisconsin benefit by the manufacturing operations of the plaintiff corporation in other states. The argument cannot be applied one way and not the other.

223 N.W. 85, 88 (Wis. 1929) (emphasis added). 39/

Indeed, the companies' annual reports illustrate contributions to profitability in other states derived from Alaskan activities. Alaska production may have been financed by out-of-state activities, but the great revenues these companies have earned from Alaskan crude has allowed them to enhance their portfolios, to revamp their refineries, explore and produce in other states and nations, and invest and diversify throughout the world. 40/ Undoubtedly these Alaska-financed activities

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39/ See also Webb Resources, Inc., 401 P.2d at 890 ("Whether the taxpayer could conduct its wildcatting operations in other states without the profits derived from the production of oil and gas in Kansas is not the question or the test [as to whether separate accounting is proper].").

40/ See e.g., Sohio 1981 Annual Report: "Over the next ten years the company's planned [nationwide] investment of about $30 billion in dollars of the day for exploration and production will

continued

generate additional corporate profits for the companies. Yet AS 43.21 does not capture any of the income which the companies' own economists would view as attributable to Alaska.

c. The Companies' Precise Out-of-state Contributions Argument was Made and Rejected in Moorman.

In Moorman, the taxpayer challenged the validity of Iowa's single-factor formula on the ground that it inevitably failed to account for outside contributions to income. The taxpayer's goods were sold in Iowa, while its manufacturing was conducted in neighboring Illinois. The Iowa statute taxed the full value of Iowa sales without recognizing the contributions made to that income from Illinois payroll and property.

The taxpayer argued that he could avoid a multiple tax burden only by moving his entire manufacturing operation from Illinois to Iowa. This is the same argument made by the companies here, through a hypothetical intended to show that Alaska's tax base is insensitive to the location of their support

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40/ continued
draw largely on cash flow from Alaska." Id. at 8. "[I]ncreases [in funds provided from operations], mainly a result of the company's Prudhoe Bay and Alaska-related projects, have been used to increase dividends, expand oil and gas exploration efforts.... [1981 capital expenditures included] "acquisitions of Kennecott and coal properties from United States Steel Corporation and the purchase of offshore leases in the Gulf of Mexico." Id. at 28. See also R. 687.

activities. C.B. at 21, 30. Justice Powell found that same hypothetical appealing in his dissent.

> This surcharge on Iowa sales increases to the extent that a business' plant and labor force are located outside Iowa. It can be avoided altogether only by locating all property and payroll in Iowa ....

Moorman, 437 U.S. at 283. The majority, however, held that this multiple tax burden was not a function of any intrinsic irrationality of Iowa's formula, but was due instead to the fact that Iowa and Illinois used different apportionment methods. Without proof that so great a portion of Illinois profits had been misattributed to Iowa that the latter's tax base was grossly distorted, the taxpayer could not show "that the method of apportionment was inherently arbitrary." 437 U.S. at 274.

The Court rejected the taxpayer's challenge for three reasons. First, even if one assumed that Iowa's tax inevitably touched income partially earned out-of-state. "[T]he Constitution does not invalidat[e] an apportionment formula whenever it may result in taxation of some income that did not have its source in the taxing State ...." 437 U.S. at 272.

That holding simply reflects practical reality. No apportionment rule accounts for all plausible contributions to income, and each is resultantly vulnerable to attractive hypotheticals illustrating its insensitivity and accordingly, to the companies, its "arbitrary" nature. For example, under UDITPA, a production well in state A which produces 100 barrels per day, and a production well in state B which produces 10,000

barrels per day, may be assumed to produce identical income. This is because the UDITPA property factor ignores the principal profit-producing asset in an oil company's portfolio: its oil reserves. At the same time it assigns income on the basis of property which produces little income, such as a moribund refinery, or no income whatsoever, such as expensive pollution control facilities. The point, simply, is that while hypotheticals may have a curiosity value, they are of little constitutional significance in judging the underlying rationality of a state's apportionment law.

Second, the Court in Moorman rejected the argument made by the companies here -- that contributions to local income from outside capital and labor were inherent, and that the taxing state's law therefore "inevitably" taxed out-of-state values. The Court viewed this as simply a debatable economic theory:

> Whatever merit such an assumption might have from the standpoint of economic theory or legislative policy, it cannot support a claim in this litigation that Iowa in fact taxed profits not attributable to activities within the State ....

437 U.S. at 272. "Doubts about the wisdom of the economic assumptions underlying the challenged formula," the Court ruled, were simply not relevant to the constitutional question. 437 U.S. at 275 n.8. Thus, the companies' premise here -- that out-of-state logistical, management, and planning activities are responsible for "earning" a portion of Alaska production profits

-- is only an economic theory that is not shared by those who employ separate accounting.

Finally, in Moorman the Court held that the taxpayer had failed to show that Moorman's Illinois manufacturing activities were, in fact, operated at so great a profit that Iowa's disregard for those activities by use of a single-factor sales formula led to a "grossly disproportionate" result. 437 U.S. at 271-272. Absent such evidence, the Court could not invalidate the statute.

Here as well, the affidavits submitted by the companies

> [do] not contain any separate accounting analysis showing what portion of appellant's profits was attributable to [its activities in other states]. But appellant contends that we should proceed on the assumption that at least some portion of the income from [in-state activity] was generated by [out-of-state] activities .... Indeed, a separate accounting analysis might have revealed that losses in [other states] prevented appellant from earning more income from [the taxing state].

Moorman, 437 U.S. at 272. It is to that absence of proof that we now turn.

E. The Oil Companies Have Offered No Evidence That AS 43.21 Produces a Grossly Distorted Result.

The companies are entitled to relief in this litigation only upon "clear and cogent evidence" that the income Alaska attributes to this state is in fact "out of all appropriate proportions to the business transacted in [the] State," or has "led to a grossly distorted result." Container, 77 L.Ed.2d at 556 (citations omitted). The taxpayer's burden is great.

Indeed, only twice this century has the Supreme Court invalidated a state income tax under the Commerce Clause. In Hans Rees' Sons, Inc. v. North Carolina, the Court struck down the application of North Carolina's single-factor formula which apportioned to the state between 66% and 85% of the taxpayer's net income, when no more than 22% of its income had its source in that state. 283 U.S. at 134. See Container, 77 L.Ed.2d at 564. In Norfolk & Western Railway Co. v. Missouri State Tax Comm'n, the second case, the Court found the requisite "grossly distorted result" because the statute attributed to the state more than twice the value of the taxpayer's rolling stock. 390 U.S. at 321-22.

Cases in which a taxpayer was unable to sufficiently establish the inaccuracy of the tax are perhaps more instructive. In each of the following cases, the result was "not unreasonable," and was therefore constitutional:

	Taxed Income	Actual In-state Income
Butler Bros, 41/	$93,000	Loss of $83,000
Bass Ratcliff, 42/	27,000	none
Underwood, 43/	630,000	43,000

41/ Butler Bros. v. McColgan, 315 U.S. 501, 506 (1942).

42/ Bass, Ratcliff & Gretton, Ltd. v. State Tax Comm'n, 266 U.S. 271, 184 (1924).

43/ Underwood Typewriter Co. v. Chamberlain, 254 U.S. 113, 120 (1920).

The companies here cannot meet their burden of proof, and instead attempt to avoid it by misquoting the seminal case of Hans Rees' Sons, which they claim absolves them of the need for any factual showing. In fact the express holding of the case, which the companies consciously omit, is directly to the contrary. C.B. at 49. 44/ The companies have not disclosed how much income they believe they earned in Alaska, nor have they indicated by what percentage, or dollar amount AS 43.21 has misattributed income. They have certainly had ample opportunity

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44/ The full quote, with the omitted portions emphasized, reads:

> Evidence which was found to be lacking in the Underwood and Bass cases is present here. These decisions are not authority for the conclusion that where a corporation manufactures in one State and sells in another, the net profits of the entire transaction, as a unitary enterprise, may be attributed, regardless of evidence, to either State. In the Underwood case, it was not decided that the entire net profits of the total business were to be allocated to Connecticut because that was the place of manufacture, or, in the Bass case, that the entire net profits were to be allocated to New York because that was the place where sales were made. In both instances, a method of apportionment was involved which, as was said in the Underwood case, "for all that appears in the record, reached, and was meant to reach, only the profits earned within the State." The difficulty with the evidence offered in the Underwood case was that it failed to establish that the amount of net income with which the corporation was charged in Connecticut under the method adopted was not reasonably attributable to the processes conducted within the borders of that State; and in the Bass case the court found a similar defect in proof with respect to the transactions in New York.

283 U.S. at 132, 133.

to do so. They alone have access to their own detailed internal accounting information, and in Exxon v. Wisconsin and Exxon v. South Carolina, Exxon was able to disclose exactly how much income it earned in a particular state. 45/ Nonetheless, here the companies have declined to undertake what they have called "an elaborate showing," resting instead on the alleged theoretical failings of separate accounting. R. 12763. Indeed, they have not even placed their tax returns in the record.

The companies have amassed a compendium of affidavits describing various activities that occur outside Alaska, and which they believe are responsible for a portion of the AS 43.21 tax base. A summary of those functions consumes much of the companies' brief. Noticeably lacking, however, is any suggestion of the profits attributable to those activities -- or, for that matter, any evidence that these activities were profitable at all. The point is best illustrated by the "dramatic" examples highlighted at pp. 25-26 of the companies' brief:

1) Counsel assert that Arco's Alaska profits have increased as a result of reversing the flow of the Line 90 pipeline. That pipeline does not even carry Alaska crude, and

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45/ Exxon Corp. v. Wisconsin Dep't of Revenue, 447 U.S. 207 (1980), transcript of 1974 hearing before Tax Appeals Comm'n at A193 and A204; Exxon Corp. v. South Carolina Tax Comm'n., 258 S.E.2d 93 (1979), dismissed for want of substantial federal question, 447 U.S. 919 (1980), Exxon's Jurisdictional Statement to the United States Supreme Court at 5.

the record gives no indication of any particular savings attributable to that pipeline. R. 13075, 13637-38.

2) Alaska profits, counsel argue, are in part the result of a "slugging" technology developed elsewhere. Exxon's affiant, however, acknowledges that the technology has not been used for Alaska activities, saying only that if it were used in the future, it might result in some savings. R. 13866-67.

3) According to counsel, the Puerto Amuelles terminal is responsible for "millions of dollars" of Sohio profits which are included in the AS 43.21 tax base. Sohio's affiants, however, do not allege that Sohio even owns or financed that terminal, or that it has saved Sohio any money whatsoever. R. 13353, 13417.

4) Arco's AS 43.21 tax base, counsel say, includes Arco profits attributable to a drag reduction additive developed elsewhere. Arco's affiant, however, does not allege that Arco developed that additive, much less that it resulted in any particular income. R. 13568-69.

Apparently, this is the best that the companies can offer. 46/ Indeed, among the companies' affidavits, only the

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46/ Alternatively, the companies offer a comparison between the UDITPA factors of Arco and Sohio and the percentages of their book and federal taxable income which was taxed by AS 43.21 during 1978-80. C.B. at 50. The federal taxable income comparison (85% for Arco and 106% for Sohio) is meaningless. That measure of income includes numerous advantages such as early

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affidavit of William Baumol addresses the issue of quantifying misattributed profits. R. 13021-13068. Baumol states that Alaska's "overattribution" of income to itself, including the alleged capture of profits from out-of-state activities, "cannot be exactly measured but may well be extremely large." R. 13031. He suggests that the state be required to demonstrate the insignificance of these activities.

Although it is plainly not Alaska's burden to do so, the state accepted Mr. Baumol's invitation. Its affidavits show that the companies' own measures of Alaskan production income -- as reported in their filings with the United States Department of Energy and the Securities and Exchange Commission; in their tax returns filed in other states; and in their reports to the United States Census Bureau -- all calculate their Alaskan production

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46/ continued
depreciation, deduction for intangible drilling costs and the like which are not incorporated into AS 43.21. More importantly, profits in Alaska may be offset by losses in other states. In Webb Resources, Inc. v. McCoy, Kansas attributed 137% of the taxpayer's federal taxable income to that state by separate accounting. 401 P.2d at 891. The court merely noted that "the taxpayer's profitable business is located in Kansas" while its "expenses are being incurred primarily in other states." Id. The book income comparisons (46% for Arco and 91% for Sohio) fare no better; the companies have not told this court what they believe thay earned in Alaska or any other state, and the percentages cited in their brief may, in fact, represent precisely Alaska earnings. Finally, the comparison between UDITPA and separate accounting merely confirms the legislature's finding that UDITPA seriously underattributes oil production income to the state. See Charts 3 and 4.

income as equal to or as much as 20% greater than the AS 43.21 tax base. 47/ Moreover, that same evidence suggests that the contribution of outside activities to Alaskan income was de minimis, amounting to a conceivable misattribution of income of less than 1%. 48/

The companies took issue in the superior court with the state's affidavits, claiming that they were unreliable and irrelevant. Yet even assuming that this were true, and the state's evidence were discounted, this would still leave nothing on the companies' side of the evidentiary ledger. The burden of proof is upon them, and their failure to raise a genuine issue of fact inevitably resulted in the grant of summary judgment.

III. SINCE AS 43.21 IS FAIRLY APPORTIONED, IT DOES NOT IMPOSE AN IMPERMISSIBLE THREAT OF MULTIPLE TAXATION.

The very purpose of the fair apportionment test is to minimize or avoid multiple taxation. "Logically, it is impossible when the tax is fairly apportioned, to have the same income taxed twice." Northwestern States Portland Cement Co .v.

47/ Because some of this information was received under a protective order, it was submitted to the lower court under seal. A chart showing how these other measures compare with AS 43.21 appears at R. 16833. See also R. 16912-17 (Deakin).

48/ Id. at 16921-22 (Deakin).

Minnesota, 358 U.S. 450, 462 (1959). Thus, if the taxing state has made an honest effort to estimate in-state income, it has done all that the Commerce Clause demands. Container, 77 L.Ed.2d at 564-65.

In the practical world, where different division-of-income methods may be used, the potential for overlapping taxation exists despite fair apportionment by each state. The threat -- or reality -- of overtaxation lies not in any intrinsic fault with any of those divergent systems, but is simply the result of those systems being different. Only by imposing a uniform and detailed tax code could overlapping taxation be avoided. For reasons discussed before, that is a task the Court will not undertake.

Container disposes of the companies' multiple taxation arguments, holding that precisely the same friction alleged to exist in this case -- that is, the use of separate accounting by one jurisdiction and a formula by another -- in fact creates no friction at all. After determining that California's three factor formula was fair, the Court turned to whether California was obligated to exclude separately accounted foreign income from its formula in order to avoid double taxation.

The Court, relying on Moorman, held that if the disparity of systems were "entirely domestic," rather than international, that disparity would "make little constitutional difference ...." 77 L.Ed.2d at 556, 566.

In view of the international implications, however, the Court applied "additional scrutiny" to the differing methods. 77 L.Ed.2d at 566. Even under that intensified scrutiny, however, the Court found that (1) there was no "automatic asymmetry" between the two, and (2) the two methods of apportionment were equally fair means of measuring income:

> [I]t would be perverse, simply for the sake of avoiding double taxation, to require California to give up one allocation method that sometimes results in double taxation in favor of another allocation method that also sometimes results in double taxation.

77 L.Ed.2d at 571.

Container strips the companies of the theoretical underpinning of their principal multiple taxation arguments. These claims are: (1) if every state applied Alaska's tax laws, multiple taxation would inevitably result; and (2) because Alaska taxes 100% of oil production income earned in the state -- income that other states are also allowed to tax -- AS 43.21 inevitably results in multiple taxation. C.B. at 29-41. This second argument is made both as a matter of theory and purported "fact." Thus, various affidavits purport to demonstrate, inter alia, that while Alaska taxes 100% of North Slope production income, other states which employ a formula method tax 30% of that same income. The result, the companies say, is that as much as 130% of the companies' production income from Alaskan oil is being taxed in the aggregate.

These arguments hinge on the validity of the companies' assertion that Alaska, by separately accounting Alaska oil production income, and other states, by using a formula that apportions a percentage of worldwide income, are reaching the same income. If that were true, there would exist an "automatic asymmetry" (Container, 77 L.Ed.2d at 572) similar to that present in the property tax case of Japan Line, Ltd. v. County of Los Angeles, 441 U.S. 434 (1979). In that case, Japan, without apportionment, taxed the entire value of certain cargo containers. Because Japan taxed the full value of those containers, the Court held -- in the interest of international tax symmetry -- that even though California's tax was fairly apportioned, it could not tax a portion of the value of the same containers. Otherwise, two jurisdictions would be taxing more than 100% of the same value.

From the outset, the companies have rested their multiple taxation claims on their belief that the same friction that existed between Japan and California is present when one jurisdiction uses separate accounting and another uses formula apportionment. This is clearly not the case, as the Court held in Container:

> In Japan Line, we relied strongly on the fact that one taxing jurisdiction claimed the right to tax a given value in full, and another taxing jurisdiction claimed the right to tax the same entity in part -- a combination resulting necessarily in double taxation. 441 U.S., at 447, 452, 455. Here, by contrast, we are faced with two distinct methods of allocating the income of a multi-national enterprise. The "arm's-length"

> approach divides the pie on the basis of formal accounting principles. The formula apportionment method divides the same pie on the basis of a mathematical generalization. Whether the combination of the two methods results in the same income being taxed twice or in some portion of income not being taxed at all is dependent solely on the facts of the individual case.

77 L.Ed.2d at 568.

Thus, separate accounting of income, unlike a property tax, simply takes the whole of a portion, as formulas take a portion of the whole. In Container, California included Bolivia income in its apportionable base. That does not mean, however, that California taxed a portion of income which Bolivia, through its separate accounting, had already taxed in full. Instead, it merely looked at all the company's income as a first step in calculating California earnings. Similarly, Alaska, through separate accounting, is not taxing anything that other states also have a right to tax. As in Container, this case "involves a tax on income rather than a tax on property" -- a fact which makes it "clearly distinguishable." 77 L.Ed.2d at 568.

There is nothing remarkable or improper about Alaska -- or any other state -- taxing 100% of the income that it determines is earned within the state. Every state that uses UDITPA taxes 100% of the income attributed to it by the three-factor formula.

Conversely, no other state has a right to tax a share of the oil production income earned in Alaska. The fact that the companies' worldwide income, including Alaska income, is used in

the tax base of the formula method does not mean that states using that method are licensed to or do engage in extraterritorial taxation. A 2% apportionment fraction in Wisconsin does not mean that Wisconsin is entitled to tax 2% of Exxon's profits in every other state, including Alaska. It means, instead, that 2% of Exxon's sales, property, and payroll are located in Wisconsin, and that inasmuch as income is presumed to follow these factors in precise proportion, Wisconsin may therefore presume that 2% of Exxon's overall income was earned in the state. Wisconsin no more taxes 2% of Exxon's income in each other jurisdiction than it foregoes taxing 98% of Exxon's income earned in Wisconsin.

The companies' misuse of Japan Line likewise explains their view of Mobil Oil Corp. v. Comm'r of Taxes of Vermont, 445 U.S. 425 (1980), and Exxon Corp. v. Wisconsin Department of Revenue, 447 U.S. 207 (1980). These cases involved claims that the Commerce Clause prohibits certain categories of income from being included in the apportionable base of the UDITPA formula. In Mobil, the exclusion sought by the taxpayer was premised on the legal fiction of the situs of intangibles. The taxpayer in that case argued that Vermont was required to exclude from its apportionable base all dividend income received from the taxpayer's unitary subsidiaries -- on the theory that intangible income should be deemed earned in the state of commercial domicile. The Court's response to this attempt to erode the unitary theory on the basis of "talismanic" fictions was

predictable, and as the dissent noted, makes the case rather "unremarkable." 445 U.S. at 445. Mobil, then, had nothing to do with separate accounting.

In Exxon, the taxpayer urged that because its oil production income in one state could be accurately estimated by the taxpayer's own separate accounting, the Commerce Clause required all other states to excise that income from their formulary base. Again unremarkably, the Court held that, because Exxon's operations were unitary, each state could look to all of Exxon's profits as a first step in calculating that state's income.

The companies argue that Mobil and Exxon stand for the proposition that separate accounting is prohibited by the Commerce Clause, relying upon the statement in Mobil that fictional situsing of dividend income is "theoretically incommensurate" with apportionment (445 U.S. at 444), and the observation in both Mobil and Exxon that states are entitled to deference in defining the scope of the unitary business and need not recognize any "exclusive" right of certain states to tax segments of that unitary income. 445 U.S. at 446; 447 U.S. at 229-30. From that language, the companies jump to their conclusion that when Alaska has "exclusively" taxed income through separate accounting, it has done something "theoretically incommensurate" with other states' use of a formula. In other words, they argue that the "automatic asymmetry" of Japan Line is present here as well.

Container presented the facts that would have proved the companies' theory, if it were correct. The foreign jurisdictions in that case taxed the foreign income "in its entirety" by separate accounting. California then included that foreign income in its UDITPA apportionable income. As in Japan Line, the United States Supreme Court could not force the foreign jurisdictions to change. Also as in Japan Line, foreign commerce was involved, requiring "additional scrutiny." Finally, as in Japan Line, the foreign tax method was the international norm. If the two different methods were "theoretically incommensurate," or caused the "automatic asymmetry" present in Japan Line, then the Court would necessarily have stricken California's otherwise fair tax. Instead, the Court affirmed what Alaska has argued in this case -- that formula apportionment and separate accounting are simply two alternative ways to divide the same pie, and any asymmetry "depend[s] solely on the facts of the individual case." 77 L.Ed.2d at 568.

Mobil and Exxon are unexceptional extensions of an unbroken line of income tax cases that have allowed states wide latitude in fashioning their income tax systems. As noted by Professor Walter Hellerstein, a scholar relied upon by the companies, these cases have only a positive impact on the validity of AS 43.21:

> While Mobil and Exxon gave broad approval to formulary apportionment as a constitutionally permissible method of determining a corporation's state income tax base, those decisions did not

> denigrate all other methods the state might choose. Indeed, both Mobil and Exxon reflect the Court's long-standing view that the states enjoy broad leeway in their choice and implementation of division-of-income methods.
>
> It is true ... that Mobil implicitly ... indicated a constitutional preference for apportionment of ... dividends. But that was only because the two competing methods of income division at issue -- specific allocation to a single situs and formulary apportionment among the states -- were "theoretically incommensurate." By contrast, there is nothing "theoretically incommensurate" about separate accounting and formulary apportionment.
>
> Both methods recognize that more than one state may legitimately tax a share of a multistate enterprise's income, although they employ different techniques for determining that share. The Court's opinions thus provide doctrinal support for the proposition that the Constitution is indifferent to a state's choice of separate accounting versus formulary apportionment as a division-of-income method, and this certainly strengthens the case for Alaska's choice of separate accounting in AS 43.21.

R. 17092-93. Other commentators, including those also relied upon by the companies, agree. 49/

49/ See Recent Developments, State Taxation of Foreign-Source Income: Mobil Oil Corp. v. Commissioner of Taxes, 66 Cornell L. Rev. 805 at 807 n.13 (1980); The Supreme Court: 1979 Term, 94 Harv. L. Rev. 75 at 117 n.3 (1980); Recent Development, Taxation: Inclusion of Foreign Source Dividend Income in State Apportionment Formula, 22 Harv. Int'l. L.J. 492 n.1 (1981). The commentators lend more support to the state's position than they do the companies'. For example, they generally agree that the burden is on the taxpayer to demonstrate actual multiple taxation, and even if the taxpayer sustains that burden, some degree of multiple taxation is nevertheless constitutionally permissible. Recent Developments, State Taxation of Foreign-Source Income: Mobil Oil Corp. v. Commissioner of Taxes, supra at 809 n.19, 816 n.57, n.58; The Supreme Court: 1979 Term, supra at 122 n.40; Recent Development, Taxation: Inclusion of

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By blindly insisting that Mobil and Exxon hold that separate accounting poses the same "automatic asymmetry" created by the unapportioned property tax in Japan Line, the companies feel free to attack AS 43.21 on the basis of property and gross receipts tax cases, which simply do not bear on the issues presented by this appeal. The property tax cases cited by the companies all involve the taxation of property that moves from state to state: rolling stock, trucks, airplanes, barges, etc. It is unquestionably true that the Court has consistently prohibited any one state from taxing the full value of transient property, as it would have prohibited Japan's tax in Japan Line if imposed by a state. However, as the Court ruled in Container:

> We distinguished property from income taxation in Mobil Oil Corp., 445 U.S. at 444-446, and Exxon Corp., 447 U.S. at 228-229, suggesting that "[t]he reasons for allocation to a single situs that often apply in the case of property taxation carry little force" in the case of income taxation. 445 U.S. at 445.

The companies claim that AS 43.21 is indistinguishable from the state-of-origin gross receipts taxes found void in Evco v. Jones, 409 U.S. 91 (1972), J. D. Adams Mfg. Co. v. Storen, 304

49/ continued
Foreign Source Dividend Income in State Apportionment Formula, supra at 493, 496 n.36. These commentators also generally agree with the state that the courts show great deference to the states in the implementation of state tax policy. Hellerstein, supra, 79 Mich. L. Rev. at 118, 171; Recent Developments, State Taxation of Foreign-Source Income: Mobil Oil Corp. v. Commissioner of Taxes, supra at 817; Taxation of Multistate Corporations -- Mobil, Exxon, and Colorado, 9 Colo. Law 2058, 2059 (1980).

U.S. 307 (1938), and Gwin, White & Prince, Inc. v. Henneford, 305 U.S. 434 (1939). This argument is without merit for three reasons.

First, AS 43.21 is not a gross receipts tax; it is a tax on net income. From 1977 to 1981, the gross receipts from the ultimate sale of a barrel of Alaska oil averaged $26.00. The per barrel AS 43.21 tax base in those years, however, was $6.77. See Chart 1.

Second, inasmuch as gross receipts taxes are different from net income taxes, different apportionment rules have emerged. 50/ The Supreme Court

> [H]as taken the position that the difference between taxes on net income and taxes on gross receipts from interstate commerce warrants different results. Further, the rationale of the decisions striking down taxes involving gross receipts has not been applied to taxes imposed on net income derived from interstate commerce.

P. Hartman, Federal Limitations on State and Local Taxation 461 (1981). Thus, while a state-of-origin gross receipts tax is prohibited, an income tax using a state-of-origin sales factor is not. International Harvester Co. v. Evatt, 329 U.S. 416 (1947).

50/ Gross receipts taxes are imposed on the entire value of the final product, including any value that may have been added by other states through transportation, processing, packaging and marketing. Thus, a tax by either the origin or the destination state is, by its very nature, unapportioned. Therefore courts have established an admittedly arbitrary rule allowing only the destination state to levy the tax. Douglas v. Glacier State Telephone Co., 615 P.2d 580 (Alaska 1980).

continued

Third, even if AS 43.21 were a gross receipts tax, it would be constitutional. The Court has always distinguished between a gross receipts tax on interstate sales and a tax on manufacturing or production activities measured by gross receipts from interstate sales. P. Hartman, supra at p. 443. A gross receipts tax on oil production income is simply a severance tax; it is constitutional even though the measure of the tax is receipts from interstate sales. Commonwealth Edison v. Montana, 453 U.S. 609, 617 (1981).

As a result, the companies' premise that AS 43.21 taxes a base that other states have a right to tax is meritless. So, then, are their sundry factual claims. Their affidavits purporting to show "130% multiple taxation" are nothing more than illustrations of their erroneous premise that states using a formula method of apportionment are "taxing a share" of income earned in Alaska. Other states, with an aggregate apportionment fraction of 30%, do not tax, nor are they entitled to tax, 30% of the AS 43.21 tax base.

The companies' "internal consistency" argument 51/ is also based upon the assumption that separate accounting and

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50/ continued
Additionally, gross receipts tax liability arises even if the taxpayer incurs a loss, and this tax is thus "inherently more burdensome than income tax[es]." Moorman, 437 U.S. at 281.

51/ The companies' "internal consistency" argument arises out of the combination of AS 43.20 and AS 43.21. Because the former continued

formula apportionment are automatically asymmetrical -- a view precluded by Container. The fact is that if all states were to adopt Alaska's taxing system no more than 100% of all income would be taxed -- notwithstanding the use of separate accounting under AS 43.21 and the use of a three-factor formula under AS 43.20.

The "internal consistency" requirement referred to in Container has its origin in W. Beaman, Paying Taxes to Other States: State and Local Taxation of Non-Resident Businesses at ¶ 3.20 (1963). Beaman makes it clear, as does the Court in Container, that the test is theoretical in nature -- proceeding as it does from a hypothetical, and focusing on whether overtaxation will logically and necessarily result. The test, as Beaman explains, would be violated if a state used an origin factor for sales originating in the state and a destination factor for sales consummated in the state. The combination of

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applies to a unitary group of corporations and the latter only to the corporation that produces oil, an AS 43.20 taxpayer (for example, Arco's marine transportation subsidiary) may be unitary with an AS 43.21 taxpayer. If, and only if, (1) the income from AS 43.21 production activities is included in the calculation of the AS 43.20 taxpayer's tax liability (which it is not, as discussed below); (2) the unitary business has a separate production subsidiary (which Exxon does not); and (3) the production activities are more profitable than the overall business of the unitary taxpayer, then that combination, if applied everywhere, could lead to multiple taxation.

Of course, if all of a taxpayer's Alaska activities are carried out by a single AS 43.21 corporation, all production income is explicitly excluded from the calculation of "other" income. AS 43.21.040.

these two formulas by every state would inevitably lead to 200% of all income being taxed.

Necessarily, the companies' affidavits, which purport only to show that -- for these particular taxpayers, with this particular corporate structure, in these particular years -- the universal adoption of Alaska's system would result in over-taxation, are irrelevant. For different taxpayers, with different corporate structures, under different economic conditions, undertaxation would result. These affiants' conclusions are therefore "dependent solely on the facts of the individual case." Container, 77 L.Ed.2d at 568 and are of no legal significance.

At the present time, production activities are more profitable industry-wide than are other activities. In Container, the Court accepted the obvious fact that if the more profitable components of an industry -- in that case its foreign operations -- are separately accounted, while less profitable segments are subjected to a formula, aggregate overtaxation might well result. 77 L.Ed.2d at 564-65. See Union Oil Co. of California v. State, Dep't of Revenue, ___P.2d___, Op. No. 7389 at 5 n.3 (February 10, 1984). This is the point of the Tompkins Affidavit (R. 13744-46; C.B. at 52-53), which, through 24,000 hypothetical computer runs, shows that the universal adoption of Alaska's tax system would be more likely to result in overtaxation as relative production profits increase.

The issue, then, is whether this demonstrates an inevitability of overtaxation from the universal adoption of Alaska's system. According to the dissent in Container, it does; given current economic conditions, overtaxation is "the logical expectation in a large proportion of the cases." 77 L.Ed.2d at 577 (Powell, J., dissenting). According to the majority, however, this is not enough. The Court is concerned only with "automatic asymmetry" caused by intrinsic theoretical inconsistency. 77 L.Ed.2d at 572. Thus, the taxpayer's individual circumstances are no more pertinent when they are recast -- through vehicles like the Tompkins affidavit -- as typical of current industry conditions.

Indeed, economic conditions can change. A drop in OPEC crude prices, unaccompanied by lower prices at the pump, may well make production profits disproportionately small in years to come, which means that Alaska's tax system would -- if universally adopted -- tend to undertax income in the aggregate. Thus, under the companies' view, Alaska's system may be facially and intrinsically invalid in 1978, but facially and intrinsically valid in 1990. That is a misuse of the internal consistency test, and the companies' affidavits do not prove their intended point.

What is of even greater importance, however, is that Tompkins -- like his counterparts at Exxon (Oscar Jones) and Sohio (E. Wayne Tanner) -- has based his affidavit on an erroneous interpretation of AS 43.20. See R. 13742-13808,

14204-08, and 13454-56 respectively. Properly interpreted, that law removes even the practical possibility of overtaxation caused by current industry circumstances. It does so because, in calculating AS 43.20 income, all production income everywhere is excluded from the apportionable base -- precisely the result demanded by the taxpayer in Container.

Alaska Tax Ruling 82-2 (ATR 82-2) recognized that, in enacting AS 43.21, the legislature chose to view production income as properly apportionable by the separate accounting method. 52/ Accordingly, the legislature intended to exclude production income from the apportionable base of AS 43.20. Each of the companies' affidavits, however, assumes that production income is included in the AS 43.20 tax base. This erroneous assumption makes the affidavits simply irrelevant.

The companies quarrel with the validity of ATR 82-2, raising procedural objections under the Administrative Procedures Act (AS 44.62). These arguments, however, fail to recognize that the ruling was not an exercise in rulemaking, but rather an

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52/ Alaska Tax Ruling 82-2 was adopted in the context of determining the AS 43.20 liability of Alaska Interstate Co. That company's AS 43.21 liability had already been determined under Rev. Dec. 81-29 which, contrary to the companies' assertion (C.B. at 53), specifically did not interpret AS 43.20. R. 17267. Thus, the first time the issue was raised before the department, the department ruled in favor of the taxpayer. That ruling was accepted by the department and incorporated into the superior court decision in AIA v. State of Alaska, No. 3AN-81-7286 (Super. Ct., 3rd Jud. Dist. at Anchorage, 1982).

adjudicatory decision adopted by the superior court. Thus, the arguments are indistinguishable from those rejected by this court in Wien Air Alaska, Inc. v. Dep't of Revenue, 647 P.2d 1087 (Alaska 1982). The validity of ATR 82-2 is not and cannot be a subject of this suit. The companies are not contesting their tax liability under AS 43.20; nor are they in a position to challenge ATR 82-2. Under that ruling, each of these companies will receive a substantial refund.

The companies' make one argument regarding ATR 82-2 that is silly. Recognizing that the internal consistency test is hypothetical, they ask the court to assume -- hypothetically -- that every state would adopt both AS 43.20 and AS 43.21. C.B. at 57. They then suggest, however, that the court should not assume that every state would interpret AS 43.20 as Alaska does, because that would be hypothetical. Id. The argument merits no response.

The companies' last multiple taxation argument is that if the UDITPA factors attributable to Alaska production, and the AS 43.21 tax base, are subtracted from the formulas of other states, the tax bases of those formula states will drop. C.B. at 57. This, they believe, shows that AS 43.21 has resulted in multiple taxation. In truth, it shows merely that, under the current economic circumstances of these companies, production profits are disproportionate to production factors -- leading to a result, as we have seen, which is "dependent solely on the facts of the individual case." Container, 77 L.Ed.2d at 568.

In conclusion, as long as states use different methods to apportion income, there will be risks of over- or undertaxation of the income. As the Supreme Court has noted: "... Congress has long debated, but has not enacted, legislation designed to regulate state taxation of income." Mobil Oil Corp. v. Comm'r of Taxes of Vermont, 447 U.S. at 448. Following the introduction of numerous bills 53/ and the holding of numerous hearings 54/ Congress has not found a risk of multiple taxation sufficient to warrant the imposition of uniform rules upon the states. Thus, the companies arguments as to multiple taxation must be rejected.

53/ H.R. 11789, 89th Cong., 2d Sess. (1966); H.R. 16491, 89th Cong., 2d Sess. (1966); H.R. 2158, 90th Cong., 1st Sess. (1967); H.R. 7906, 91st Cong., 1st Sess. (1969); S. 317, 92d Cong., 1st Sess. (1971); S. 1883, 92d Cong., 1st Sess. (1971); S. 4080, 92d Cong., 2d Sess. (1972); H.R. 977, 93rd Cong., 1st Sess. (1973); S. 1245, 93rd Cong., 1st Sess. (1973); H.R. 9, 94th Cong., 1st Sess. (1975); S. 2080, 94th Cong., 1st Sess. (1975); H.R. 669, 95th Cong., 1st Sess. (1977); H.R. 5, 96th Cong., 1st Sess. (1979); S. 983, 96th Cong., 1st Sess. (1979); H.R. 6402, 97th Cong., 2d Sess. (1982).

54/ State Taxation of Interstate Income: Hearings Before the Senate Select Comm. on Small Business, 86th Cong., 1st Sess. (1959); State Taxation of Interstate Commerce: Hearings on S.J. Res. 113, S. 2213 and S. 2281 Before the Senate Finance Comm., 86th Cong., 1st Sess. (1959); Hearings on H.R. 11798 Before the Special Subcomm. on State Taxation of Interstate Commerce of the House Judiciary Comm., 89th Cong., 2d Sess. (1966); Hearings Before the Subcomm. on State Taxation of Interstate Commerce of the Senate Finance Comm., 93rd Cong., 1st Sess. (1973) (cited in text as "the Mondale Committee"); Interstate Taxation: Hearings on S. 2173 Before the Senate Judiciary Comm., 95th Cong., 1st and 2d Sess. (1977-1978); State Taxation of Interstate Commerce and Worldwide Corporate Income: Hearings on S. 983 and S. 1688 continued

IV. THE COMPANIES' EQUAL PROTECTION CLAIM AMOUNTS TO AN ERRONEOUS ACCUSATION OF IMPROPER PURPOSE.

A. Introduction and Legal Standard

In enacting AS 43.21 after some four years of intensive debate, the legislature explained its intended goals -- to cure UDITPA's inability to accurately measure the oil production income of a multistate taxpayer, and to ensure that the effective tax rate paid by multistate oil companies approached the 9.4% rate applicable to all taxpayers. Sec. 1, ch. 110, SLA 1978.

The companies' response is two-fold:

1) The words of sec. 1, ch. 110, SLA 1978 are lies, and conceal a hidden motive to subject multistate oil companies to "specially heavy taxation" (C.B. at 60); and

2) Less discriminatory alternatives exist to accomplish the legislature's intended goals -- a point made both as an ostensible separate basis for invalidating the law, and as evidence of the legislature's alleged insincerity.

As a matter of legislative history, the companies are wrong on both counts. Moreover, as a matter of law, the companies' claims are irrelevant.

54/ continued
Before the Subcomm. on Taxation and Debt Management Generally of the Senate Finance Comm., 96th Cong., 2d Sess. (1980).

Alaska's equal protection standard involves a three-step analysis:

> 1) first, the nature of the constitutional interest involved must be identified;
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> 2) second, in light of that interest, the validity of the purposes of the statute must be analyzed; and
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> 3) third, also in light of that interest, an analysis must be made of whether the means chosen have a sufficient relationship to the goals of the statute.

ALPAC v. Brown, ___P.2d___, Op. No. 2789 at 10-11 (February 17, 1984). The importance of the interest involved is "the most important variable in fixing the appropriate level of review," and determines the degree of scrutiny required under the remaining components of the test. Id. at 10.

The companies have not, and do not quarrel with the fact that freedom from disparate taxation lies at the low end of those interests protected by the Equal Protection Clause. 55/ The state noted below -- without disagreement -- that in tax cases since Isakson v. Rickey, 550 P.2d 359 (Alaska 1976), this

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55/ Tax laws have certainly received minimal scrutiny under federal law. As the United States Supreme Court recently stated, "[l]egislatures have especially broad latitude in creating classifications and distinctions in tax statutes." Regan v. Taxation With Representation, ____U.S.____, 76 L.Ed.2d 129, 138 (1983). See also Austin v. New Hampshire, 423 U.S. 656, 661-62 (1975); Kahn v. Shevin, 416 U.S. 351, 355 (1974); Allied Stores of Ohio, Inc. v. Bowers, 358 U.S. 522, 526-27 (1959); Welch v. Henry, 305 U.S. 134, 144-45 (1938); Carmichael v. Southern Coal & Coke Co., 301 U.S. 495, 509, (1937).

court has applied little more than the traditional rational basis standard of review, finding it unnecessary to undertake that balancing of means and interest which is integral to state equal protection analysis involving more substantial rights. Pharr v. Fairbanks North Star Borough, 638 P.2d 666 (Alaska 1981); Ketchikan Gateway Borough v. Breed, 639 P.2d 995 (Alaska 1981); State v. Reefer King Co. Inc., 559 P.2d 56, 65 (Alaska 1976). See also Williams v. Zobel (Zobel I), 619 P.2d 422, 427 (Alaska 1980).

The companies have not asserted that the legislature's stated goals are illegitimate, or that the means chosen by the legislature are unfairly or insubstantially related to these ends. They have, in short, failed to make an equal protection claim. The companies portrayal of a dishonest legislature conspiring to single them out for specially heavy taxation is meant less to fit equal protection protocol, and more to make weight. 56/

56/ To that end, the companies imply that certain briefs written by the Attorney General in other cases "prove" that the legislatures' motives in enacting AS 43.21 were dishonest. C.B. at 62-64. According to them, if the Attorney General has ever defended the economic theory underlying UDITPA, the legislature is bound to accept that theory both before and after the brief is written. The companies have it backwards: the legislature enacts the laws, and the Attorney General enforces and defends them.

Moreover, the companies are hardly in a position to complain of inconsistency. They have not explained why their economic theories vary from year to year, and continue to vary from state to state. Each of these companies, for example, persistently tried to file separate accounting returns in Alaska when UDITPA was required by statute. R. 873-1198.

B. The Record Amply Demonstrates That The Legislature's Statutorily Identified Purposes Were Genuine.

The companies claim that the stated purposes of AS 43.21 (1) could not have been real because there were other means of accomplishing those ends; or (2) even if real, those purposes were not dominant. The companies shamelessly allege that the legislature's conclusion that UDITPA would underestimate oil income is "not supported by the record." C.B. at 66-67. They further assert that it is "unlikely" that the legislature was concerned about tax equity. C.B. at 68. These statements are simply wrong, and presume that this court will heed the companies' advice to ignore the legislative history before it. C.B. at 65. The legislature's consideration of the shortcomings of UDITPA for oil production income, and its concern with tax equity have been set out in Section I and Appendix C to this brief. Additionally, Appendix B lists 75 of the major documents that support the legislature's conclusions. Finally, between pages 1628 and 9923 of the record on appeal this court will find ample evidence, from many qualified and objective experts, supporting the legislature's conclusions.

The companies claim that the real motive behind AS 43.21 was the legislature's desire "to extract the maximum amount of money from the oil industry, and to shift from Alaska residents to the oil industry the burden of satisfying Alaska's

revenue goals." C.B. at 69. 57/ For this proposition, the companies cite the opinion testimony of certain witnesses before the legislature. It should be recalled, however, that the legislative process leading to the enactment of AS 43.21 spanned four years. The state has assembled and submitted every document and transcript related to that debate, a record of some 8,300 pages. The state did not selectively include only those documents that buttress its litigation position. As a result, it is not surprising that one can find comments which would support a variety of alleged motives. Indeed, it is the very function of the legislative hearing process to encourage the expression of divergent views.

Over the course of some 63 hearings, the legislature was told by every conceivable interest what to do, and why it should do it. When it enacted AS 43.21, however, the legislature made its intent perfectly clear in section 1, chapter 110, SLA 1978. As this court has stated, a search for "real"

57/ Similarly, the companies argue that AS 43.21 should receive extra scrutiny because it is "tailored." C.B. at 47-48. The term "tailored tax" is used in Complete Auto Transit, Inc. v. Brady, 430 U.S. 274, 289 n.15 (1977) to describe those state laws that impose peculiar tax burdens on particular industries. AS 43.21 is not a "tailored tax." It was enacted to end discrimination, not to create it. The tax was designed to equalize the tax rate paid by all industries in Alaska, and to end the advantage given to the oil industry, which was taxed at a much lower effective rate than any other industry. See sec. 1, ch. 110, SLA 1978.

legislative motive would transform equal protection jurisprudence "into a parade of legislator's affidavits containing their perceptions" of that motive. Alaska Public Employees Association v. State, 525 P.2d 12, 16 (Alaska 1974). See also Union Oil Co. v. Dep't of Revenue, 560 P.2d 21 (Alaska 1977), Lynden Transport, Inc. v. State, 532 P.2d 700, 716 (Alaska 1975). Thus, in Minnesota v. Clover Leaf Creamery Co., 449 U.S. 456 (1981), the Supreme Court refused to consider evidence of a discriminatory purpose, holding:

> In equal protection analysis, this Court will assume that the objectives articulated by the legislature are actual purposes of the statute, unless an examination of the circumstances forces us to conclude that they "could not have been a goal of the legislation".

449 U.S. at 463 n.7 (citations omitted). The same principle, the Court held, applied to the appellee's Commerce Clause challenge.

C. Once a Legitimate Purpose is Identified, The Legislature is Not Required to Choose the Means Most Favorable to The Taxpayers.

The companies ask this court to examine the means chosen by the legislature under a "least restrictive alternative" analysis. That is entirely inappropriate in a minimal scrutiny case such as this. "Less drastic means," as Professor Ed Gunther has pointed out, is only used by the United States Supreme Court when strict scrutiny is required. Under State v. Ostrosky, 667 P.2d 1184 (Alaska 1983) and ALPAC v. Brown, this analysis would be appropriate only when the nature of the constitutional right

involved is extremely weighty. 58/ Here the nature of the right involved is insubstantial. There is no basis for "less drastic means" analysis.

Moreover, AS 43.21 actually furthers the legislature's goals more effectively than any available alternative -- including the modified formula suggested by the companies. C.B. at 67. Modifying UDITPA was, in fact, the principal alternative considered by the legislature. It was rejected because it did not further the legislature's goals. As discussed in Section I, the legislature concluded that separate accounting better achieves tax equity among oil-producing corporations than does any apportionment formula. Under any formula, the same Alaska properties operated by differently structured corporations produced vastly different tax results. R. 1934-35 [D. 8-018, F. 4 at 15-16]. See Chart 4.

Finally, the companies claim that they are entitled to special protection because their "potential influence [is] limited" in Alaska. C.B. at 60. This argument is without merit.

Multinational corporations are not a suspect class. It is true that these companies cannot vote; nor can any corporation. Corporate influence is exercised through the participation of employees in the political process, and by

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58/ See Gunther, Forward: In Search of Evolving Doctrine on A Changing Court: A Model for a Newer, Equal Protection, 86 Harv. L. Rev. 1, 21 (1972).

lobbying. In this regard: out of $2,352,203.29 spent by various organizations to influence legislative or administrative action during the 1978 Alaska legislative session, AS 43.21 taxpayers spent 49%, or $1,178,688.56. APOC 1978 Annual Report, Table 47.

The oil industry was also well represented in the political process during the deliberation and passage of AS 43.21. Dozens of oil industry representatives made the concerns of the industry known during the four years of legislative deliberation. 59/

59/ All together 95 separate documents in the legislative history involve industry comment. See "Author Index" under "Industry" for a complete listing of industry presentations to the legislature. R. 10868-10986. See for example, testimony of Crawford Thomas of the Alaska Oil and Gas Association (AOGA), R. 2384-95]D. 8-126, F. 5]; of Gary Boren (AOGA), R. 2188-2203 [D. 8-026, F. 5]; R. 2206-13 [D. 8-028, F. 5]; R. 2214-60 [D. 8-029, F. 5]; of John Warren for Union Oil, R. 2262-64 [D. 8-031, F. 5]; R. 2265-98 [D. 8-032, F. 5]; of Dick Donaldson of Sohio, R. 2605-30 [D. 8-050, F. 7]. The industry comments included an objection to an income tax as a disincentive to investment R. 6237-38 [D. 6-014, F. 40; R. 6242-72 [D. 6-016, F. 40; R. 7462-75 [D. 6-050, F. 43]; R. 4598 [D. 7-147, F. 27]; a request that Alaska maintain an attractive business climate R. 7413-26 [D. 6-048, F. 43]; R. 7427-61 [D. 6-049, F. 43]; a denial that the oil industry had refused to pay its fair share in taxation (R.7546 [D. 6-060, F. 43]; R. 2640-51 [D. 8-053, F. 7]); general criticisms of separate accounting (R. 4316-24 [D. 7-034, F. 26]; R. 2183-84 [D. 8-024, F. 5]; R. 2206-13 [D. 8-028, F. 5]; R. 2446-56 [D. 8-038, F. 6]); requests for no legislative change in order to stabilize taxes (R. 2605-30 [D. 8-050, F. 7]); criticism of the Tanzer Report (see R. 6039-6144, R. 7547-7553 [D. 6-061, F. 43]; R. 6311-14 [D. 6-010, F. 40]; R. 6234-36 [D. 6-013, F. 40]; R. 6277-85 [D. 6-018, F. 40]; R. 6306-27 [D. 6-021, F. 40]; R. 7222 [D. 6-034, F. 43); general comments about high tax burden (R. 8357-62, D. 6-091, F. 46); expressing preference for the then-existing system (R. 8470-73 [D. 6-112, F. 49]; R. 4109-16 [D. 7-027, F. 24]; R. 2262-64 [D. 8-031, continued

The power to tax is a fundamental attribute of sovereignty, 60/ and the state's interest in the execution of its taxing structure is substantial. In view of the insubstantial nature of the companies' constitutional interest, the legitimacy of the purposes of the statute, and the closeness of the fit between the purposes and the statute, AS 43.21 easily meets equal protection requirements.

V. AS 43.21 DOES NOT DISCRIMINATE AGAINST INTERSTATE COMMERCE BECAUSE IT TREATS INTRASTATE AND INTERSTATE OIL COMPANIES EVENHANDEDLY.

AS 43.21 taxes all oil companies equally, no matter where they are domiciled or headquartered, and it fairly

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59/ continued
F. 5]); a denial that the federal tax base was unduly eroded by federal subsidies (R. 2188-2203 [D. 8-026, F. 5]; R. 2459-2515 [D. 8-041, F. 6]; opinions that oil industry high profitability was a myth (R. 8709-23 [D. 6-146, F. 54]; R. 4292-4305 D. 7-032, F. 26]); opinions that stable oil tax policy would promote employment (R. 3183-3191 D. 8-106, F. 17]); comments on potential legal problems of separate accounting (R. 4122-82 D. 7-029, F. 25]; R. 4117-18 D. 7-028, F. 24]; R. 4825-73 D. 7-058, F. 31]; R. 2427-2445 [D. 8-037, F. 6]); criticism of Zeifman & Ainsworth report (R. 3233-89) (R. 4183-4229 [D. 7-030, F. 25]; R. 2265-98 D. 8-032, F. 5]); criticism of the Vanik report which concluded that the oil industry paid a 2%-3%effective tax rate (R. 2206-13 [D. 8-028, F. 5]; R. 2214-60 [D. 8-029, F. 5]; R. 2427-45 D. 8-037, F. 6]; R. 2598-2601 [D. 8-048, F. 7]).

60/ Merrion v. Jicarilla Apache Indian Tribe, 455 U.S. 130, 137 (1982); Bode v. Barrett, 344 U.S. 583 (1953); Kirtland v. Hotchkiss, 100 U.S. 558 (1879); Philadelphia & Reading R. Co. v. Pennsylvania, 82 U.S. 146 (1873); Dobbins v. Comm'rs of Erie County, 16 Pet. 435, 10 L.Ed 1022 (1842)

apportions income to Alaska. A state tax that is facially neutral, and that is fairly apportioned, does not discriminate against interstate commerce. Container, 77 L.Ed.2d at 556.

In Complete Auto Transit, Inc. v. Brady, 430 U.S. 274 (1977) the requirement of fair apportionment and the prohibition against discrimination were set out as separate tests, 61/ and indeed the two are not coterminous. Westinghouse Electric Corp. v. Tully, ___U.S.___, Slip Op. at 10 (April 24, 1984). Yet aside from forbidding "obvious" facial discrimination, the court recently held in Container that Complete Auto's prohibition against discrimination

> [M]ight have been construed to require that a state apportionment formula not differ so substantially from methods of allocation used by other jurisdictions in which the taxpayer is subject to taxation so as to produce double taxation of the same income, and a resultant tax burden higher than the taxpayer would incur if its business were limited to any one jurisdiction. At least in the interstate commerce context, however, the anti-discrimination principle has not in practice required much in addition to the requirement of fair apportionment.

61/ In Complete Auto, the Court established a four-prong Commerce Clause test. The tax will be sustained when it (1) is applied to an activity with a substantial nexus with the taxing state; (2) is fairly apportioned; (3) does not discriminate against interstate commerce; and (4) is fairly related to the services provided by the state. 430 U.S. at 277-78. The companies do not contest that they have a substantial nexus with the State of Alaska, and, as has previously been demonstrated, Alaska's separate accounting is fairly apportioned. This section deals with the companies challenges based on the third and fourth prongs of the Complete Auto test: discrimination against commerce, and the relationship of the tax to services provided by the state.

Container, 77 L.Ed.2d at 557 (emphasis added).

The companies nonetheless argue that, quite apart from AS 43.21's fairness in apportioning their income, the statute discriminates against interstate commerce because in practice it threatens to result in multiple taxation -- a burden allegedly caused by the interaction of Alaska's laws and the more prevalent UDITPA formula employed by other states. In support of that argument, the companies use precisely the same "discriminatory impact" analysis relied upon by the dissent in Moorman. 62/ As both Container and Moorman held, however, avoiding the practical consequence of multiple taxation caused by divergent state apportionment rules is a job left to Congress.

In claiming that a facially neutral, fairly apportioned tax nonetheless discriminates against interstate commerce if it poses a practical threat of multiple taxation, or if the affected taxpayers are principally interstate businesses, the companies also rely on cases such as Maryland v. Louisiana, 451 U.S. 725 (1982) and Boston Stock Exchange v. State Tax Commission, 419 U.S. 318 (1977). That reliance is misplaced, for these cases involved "a tax [which], on its face, [was] designed to have discriminatory economic effects." Westinghouse Electric Corp. v. Tully, Slip Op. at 17 (emphasis added).

62/ Justice Powell, relying as the companies do here on cases such as Nippert v. City of Richmond, 327 U.S. 416, 429-432 continued

In Boston Stock Exchange, the state statute established lower tax rates for, and set a tax ceiling on in-state stock transfers. 429 U.S. 321-28. In Maryland v. Louisiana, the state's tax laws by their terms gave only local users a series of exemptions from and credits to a natural gas use tax. 451 U.S. 731-34. Similarly, in Westinghouse Electric Corp. v. Tully, the state of New York allowed a franchise tax credit for the export sales of Domestic International Sales Corporations ("DISC's"), but only if, in the words of the statute, the export goods were "shipped from a regular place of business of the taxpayer within [New York]." Slip Op. at 4. Indeed, in Westinghouse, the court confirmed that, in the tax field, it is a facial preference for local commerce, and not disproportionate consequences, which is constitutionally relevant. Slip Op. at 17.

Under these cases, AS 43.21 might discriminate against interstate commerce if, for example, it permitted the companies to deduct the cost of support activities related to Alaska oil production only if these activities were conducted in Alaska. That type of express "geographical limitation" would suffer from the same flaw at issue in Westinghouse, where the necessary effect of New York's discriminatory DISC credit was to predicate a company's New York tax liability on the percentage of its

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62/ continued
(1946), would have invalidated Iowa's law because of the practical risk of multiple taxation that it created. 437 U.S. at 288.

commerce undertaken locally. Slip Op. at 7, 10. Under AS 43.21, however, the location of deductible costs is a matter of indifference. Indeed, the companies' complaint is not that Alaska law creates any incentive for them to move operations into the state. By their own admission, if they did so their AS 43.21 liability would remain constant. C.B. at 21. Rather, they argue that the combined effect of Alaska's tax laws and the tax laws of other states together produces an incentive for such a move, since their total nationwide tax liability would be reduced if they moved their operations to Alaska. In the words of the Court in Container, the companies are arguing that they face a "resultant tax burden higher than [they] would incur if [their] business were limited [to Alaska]." 77 L.Ed.2d. at 557. As already noted, Container and Moorman rejected claims based on that precise argument.

The companies' assertion that AS 43.21 falls disproportionately on interstate businesses is barred by Commonwealth Edison v. Montana, 453 U.S. 609 (1981). The companies argue that the purpose of AS 43.21 was to favor local Alaska interests by shifting a disproportionate share of the cost of state government to a small number of multistate companies. C.B. at 73. This assertion of disproportionate burden, to the extent it concerns legislative motive, fares no better than it did under the Equal Protection Clause. Their claim, moreover, simply echoes that of the taxpayers in Commonwealth Edison -- a case decided after this lawsuit was filed. This litigation was

initiated in large part on the companies' hope that the Supreme Court would reach the opposite result in that case. See companies' complaints. R. 289 (Exxon); R. 265 (Sohio); R. 12702 (Arco). The appellants in Commonwealth Edison -- Montana coal producers and their out-of-state customers -- argued that because 90% of Montana's coal was shipped out of state, Montana was discriminating against commerce by exporting its tax base to out-of-state consumers. They also argued that Montana was exploiting a "monopoly" position created by the geographic location of scarce natural resources. Id. at 619. Finally, they argued that they were shouldering too heavy a tax burden, because (1) the amount of their taxes, and as well their share of total state taxes collected, was disproportionate to their presence in the state; (2) the amount of their taxes was disproportionate to the services provided them by the state; and (3) the state was placing 50% of its tax revenues in a permanent fund, and not using it for current government expenses. Id. at 613.

Each of these arguments was rejected in Commonwealth Edison under the fourth prong of Complete Auto, which requires that the measure of the tax be reasonably related to the taxpayer's activities in the state. These same arguments were also rejected when recast as a discrimination claim. As the Court stated, the taxpayers' claims of discriminatory burden "ultimately collapsed" into fourth prong analysis. The court found "no real discrimination," since "the tax burden is borne according to the amount of coal consumed and not according

to any distinction between in-state and out-of-state consumers." Id. at 619.

This case is Commonwealth Edison revisited. AS 43.21 on its face, treats intrastate and multistate oil-producing and pipeline companies uniformly. 63/ It taxes these companies evenhandedly -- in proportion to the profit they make in Alaska. The AS 43.21 tax base is not dependent upon whether the taxpayer is an Alaska or a multistate business, or whether the oil is consumed locally or out-of-state. Under Alaska's separate accounting, state borders are "essentially irrelevant," as Commonwealth Edison held was the goal of the Commerce Clause. 453 U.S. at 619.

Furthermore, and as the court held in Commonwealth Edison, the fact that multistate or "out-of-state" companies bear a large share of the tax burden of operating state government simply does not raise a discrimination claim. If AS 43.21 fairly apportions, as it does, the companies' tax base increases in direct proportion to in-state profit. If that base is large -- either in the absolute or as a percentage of all state taxes --

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63/ In an attempt to show that AS 43.21 was "contrived" to fall only on interstate business, the companies' counsel speculate, without personal knowledge, that no intrastate taxpayers filed an AS 43.21 return in three of the four years of the tax. C.B. at 68 n.27, 72-73. This is not true. See Affidavit of Thomas K. Williams, then Commissioner of Revenue. R. 17007-17009. Because of the confidentiality protections of AS 43.05.230, Commissioner Williams was unable to reveal taxpayer names. R. 17009.

the companies have only their own Alaska success to blame. Requiring Alaska to ameliorate the tax consequences of the companies' own profitability would place interstate commerce not in a position of equality, but a position of privilege.

> "It was not the purpose of the Commerce Clause to relieve those engaged in interstate commerce from their just share of state tax burden even though it increases the cost of doing business." 64/

Commonwealth Edison is thus dispositive of the companies' discrimination claims. The companies cannot help but agree, and simply seek to preserve the point for further appeal. C.B. at 43 n.13.

After Commonwealth Edison and Container, a fairly apportioned tax which does not facially discriminate between local and interstate components of the same industry does not discriminate against commerce. The fourth prong of Complete Auto imposes only one requirement beyond nexus with the taxing state -- that the measure of the tax must be "reasonably related to the extent of the [taxpayer's] contact [with the state]." 453 U.S. at 626. 65/ "The simple fact is that the appropriate level

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64/ Commonwealth Edison at 623-24, quoting Colonial Pipeline Co. v. Traigle, 421 U.S. 100, 108 (1975), quoting Western Live Stock v. Bureau of Revenue, 303 U.S. 250, 254 (1938).

65/ The Court held:

> [T]he fourth prong of the Complete Auto Transit test imposes the additional limitation that the measure of the tax must be reasonably related to the extent of the contract, since it is the

continued

or rate of taxation is essentially a matter for legislative, and not judicial, resolution." Id. at 627.

VI. AS 43.21 DOES NOT VIOLATE THE CONTRACT CLAUSE.

The companies claim that Alaska, by increasing taxes on oil production, has abridged the terms of their Prudhoe Bay leases in violation of the Contract Clause of the United States Constitution. The threshold inquiry under the Contract Clause is whether the state law operates "as a substantial impairment of a contractual relationship." Energy Reserves Group, Inc. v. Kansas Power & Light Company, ___U.S.___, 74 L.Ed.2d 569, 580 (1983).

The companies do not assert that there has been any impairment of any actual lease provision, much less a substantial impairment. C.B. at 75-77. In truth, in entering into those leases, the state could not, and did not, contract away its power as a sovereign to tax income earned in the state. The Alaska

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65/ continued

> activities or presence of the taxpayer in the State that may properly be made to bear a 'just share of the tax burden.' Western Live Stock v. Bureau of Revenue, 303 U.S. at 254.

Commonwealth Edison, 453 U.S. at 626. As the dissent pointed out, any ad valorem tax will now satisfy the fourth prong. Id. at 645.

Without explanation, the companies claim that Alaska's separate accounting is not related to the extent of their contacts with the state. C.B. at 42-43. AS 43.21 taxes profits made on the in-state production of oil, just as Montana taxed the gross value of local coal. If anything, then, Alaska's taxation of the net income from in-state production is fundamentally fairer than Montana's tax on the gross receipts from in-state production.

Constitution provides: "The power of taxation ... shall not be ... contracted away ...." 66/

The companies' argument that the state's oil lease contracts impliedly immunize its lessees from changes in the state's tax laws confuses the state's "role as commercial partner with its role as sovereign." Merrion v. Jicarilla Apache Tribe, 455 U.S. 130 (1982). Jicarilla disposes of this issue:

> Even where the contract at issue requires payment of a royalty for a license or franchise issued by the governmental entity, the government's power to tax remains unless "it has been specifically surrendered in terms which admit of no other reasonable interpretation." St. Louis v. United R. Co., 210 U.S. 266, 280 (1908).

Id. at 148. Accord, Lake Superior Consolidated Iron Mines v. Lord, 271 U.S. 577, 581-82 (1926). See also Exxon Corp. v. Eagerton, Comm'r. of Revenue of Alabama, ___U.S.___, 76 L.Ed.2d 497, 509-512 (1983).

VII. AS 43.21 IS PROPERLY RETROACTIVE TO JANUARY 1, 1978.

The companies believe that article II, section 18 of the Alaska Constitution and AS 01.10.070(a) and (f)(3) require that a retroactivity provision receive a two-thirds vote of the legislature in order to be valid. C.B. at 77-78. 67/ This

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66/ Alaska Const. art. IX, § 1.

67/ Section 4 of chapter 110, 1978 SLA provides that the Act applies retroactively to January 1, 1978. Section 5 provides that the Act was effective immediately.

argument has no basis in the constitution or statutes cited. 68/ It has also been rejected by the Utah Supreme Court (with respect to a similar Utah constitutional provision), 69/ and by Judge Kalamarides in North Slope Borough v. Gallagher, No. 3AN-76-4703 (Super. Ct., 3rd Jud. Dist. at Anchorage, August 22, 1977), rev'd on other grounds sub nom. North Slope Borough v. Sohio Petroleum Corp., 585 P.2d 534 (Alaska 1978). R. 17138-41.

The companies fail to distinguish between an effective date clause and a retroactivity clause. The former requires a two-thirds vote: the latter does not. Regardless of when an act becomes effective, it may govern transactions or events occurring prior to the applicable effective date, or, as in this case, may concern income earned prior to its enactment. AS 43.21 had an immediate effective date, and sec. 5, ch. 110, SLA 1978 -- which established that effective date -- was passed by the constitutionally requisite two-thirds vote. Once it became applicable law, by its terms it governed income earned beginning January 1, 1978. 70/ Nothing more is required by either statute or the Alaska Constitution.

68/ The only reference to retroactivity requirements in the Alaska statutes is at AS 01.10.090, which says "[n]o statute is retrospective unless expressly declared therein."

69/ Mecham v. State Tax Commission, 410 P.2d 1008, 1009 (Utah 1966).

70/ The 1977 edition of the Manual of Legislative Drafting continued

VIII. THE LOWER COURT PROPERLY ENTERED SUMMARY JUDGMENT IN FAVOR OF THE STATE.

There are no genuine issues of material fact involved in this case. The state has not contested a single material allegation in the companies' factual affidavits, nor does it need to. The companies' claims that AS 43.21 is not a form of separate accounting, is an unapportioned tax, is inherently arbitrary, and leads to double taxation, are all issues of law. At most, these issues involve competing theories of economists and accountants on how income is earned. As the lower court properly ruled, the dispute among theorists here involves legislative facts for which a trial is neither necessary nor appropriate. State v. Erickson, 574 P.2d 1, 4-6 (Alaska 1978); Usery v. Tamiami Trail Tours, Inc., 531 F.2d 224, 244-45 (5th Cir. 1976). C.B. at 79.

70/ continued
(Legislative Affairs Agency) was used for both the 1977 and 1978 sessions of the legislature. That manual sets out the interplay between effective dates and retroactivity sections, clearly treating them as two distinct matters:

> The language [of a bill] providing for retroactive application should be set out in a separate section immediately preceding the effective date section, and where retroactive application of a portion or all of a bill is desired, an immediate effective date should be used in conjunction with the retroactivity section and the sections in the bill desired to be retroactive.

Id. at 11 (emphasis added). See Rule 10 of the Uniform Rules of the Alaska State Legislature (May 3, 1977); Rule 12, February 1973.

Only one triable issue could have been raised in this litigation -- that for these companies in these years, AS 43.21 produced a grossly distorted tax base. See Section E. The state's summary judgment motion forced the companies to "[t]ell us now what evidence you have to support your position." Braund Inc. v. White, 486 P.2d 50, 54 (Alaska 1971). "The theory underlying a motion for summary judgment is substantially the same as that underlying a motion for directed verdict." 486 P.2d at 53. The burden of proving a grossly distorted result is on the companies, and among their many affidavits, there exist no allegations which, if taken as true, would entitle the companies to relief. There is simply no need for a trial. Indeed, of the seven alleged material issues listed in the companies' brief, the issue of grossly distorted result is not to be found. C.B. 79-80.

As they did below, the companies seek to avoid summary judgment by quarreling with the state's evidence on the practical consequences of various out-of-state support functions. C.B. at 79-80. The state, however, bears no burden of proof on the merits of this lawsuit. Its motion seeks to test the companies' prima facie case. See 6 Moore's Federal Practice ¶ 56.08 at 56-136 (2d ed. 1983). Thus, even if the state's evidence were disbelieved in its entirety, the companies' evidentiary ledger would remain blank.

Finally, the companies suggest that summary judgment should not be granted in cases involving "important constitutional issues," suggesting that the state's motion is governed by Ault v. Alaska State Mortgage Ass'n, 387 P.2d 698 (Alaska 1963). C.B. at 78. Ault, however, stands only for the proposition that disputed legislative facts should not be resolved on the basis of one conclusory, seven-paragraph affidavit. 387 P.2d at 700. In this case, the court has a virtual library of material on any economic or accounting matter that it might find pertinent. This court has regularly approved the use of Civil Rule 56 to resolve important constitutional questions, and the companies' alleged exception to that rule simply does not exist. 71/

In summary, even if every material allegation in the companies' affidavits were considered to be true, and the state's affidavits were discounted, the state would nonetheless be entitled to judgment as a matter of law.

71/ See, e.g., Williams v. Zobel (Zobel II), 619 P.2d 448 (Alaska 1980); Douglas v. Glacier State Telephone Co., 615 P.2d 580 (Alaska 1980); Hicklin v. Orbeck, 565 P.2d 159 (Alaska 1977); State v. Lewis, 559 P.2d 630 (Alaska 1977); DeArmond v. Alaska State Development Corp., 376 P.2d 717 (Alaska 1962).

CONCLUSION

The judgment of the superior court is correct and should be affirmed.

Respectfully submitted April 27, 1984.

By: _____
NORMAN C. GORSUCH
ATTORNEY GENERAL
Pouch K, State Capitol
Juneau, Alaska 99811
(907) 465-3600

By: _____
Deborah Vogt
Assistant Attorney General

By: Kathryn Kolkhorst
Kathryn Kolkhorst
Assistant Attorney General

BIRCH, HORTON, BITTNER,
PESTINGER AND ANDERSON

By: _____
Jonathan K. Tillinghast

PRESTON, THORGRIMSON,
ELLIS AND HOLMAN

By: _____
John R. Messenger

ROGOVIN, HUGE & LENZNER
Mitchell Rogovin
George T. Frampton, Jr.
Michael D. Lowe
Jeffrey Blattner

FR
By: _____
Mitchell Rogovin

IN THE SUPREME COURT FOR THE STATE OF ALASKA

ATLANTIC RICHFIELD COMPANY; ARCO PIPE LINE COMPANY; BP ALASKA, INC.; EXXON CORPORATION; EXXON PIPELINE COMPANY; SOHIO ALASKA PETROLEUM COMPANY; and SOHIO PIPE LINE COMPANY,	)	
Appellants,	)	
vs.	)	
STATE OF ALASKA; ALASKA DEPARTMENT OF REVENUE; ALASKA DEPARTMENT OF ADMINISTRATION; COMMISSIONER OF REVENUE ROBERT D. HEATH, and COMMISSIONER OF ADMINISTRATION LISA RUDD,	)	Supreme Court No. S-52
Appellees.	)	Superior Court Nos. 3AN-79-1903 Civil 3AN-80-1542 Civil

APPENDIX A OF BRIEF OF APPELLEES

IN THE SUPREME COURT FOR THE STATE OF ALASKA

ATLANTIC RICHFIELD COMPANY; ARCO PIPE LINE COMPANY; BP ALASKA, INC.; EXXON CORPORATION; EXXON PIPELINE COMPANY; SOHIO ALASKA PETROLEUM COMPANY; and SOHIO PIPE LINE COMPANY, Appellants, vs. STATE OF ALASKA; ALASKA DEPARTMENT OF REVENUE; ALASKA DEPARTMENT OF ADMINISTRATION; COMMISSIONER OF REVENUE ROBERT D. HEATH, and COMMISSIONER OF ADMINISTRATION LISA RUDD, Appellees.	)	Supreme Court No. S-52 Superior Court Nos. 3AN-79-1903 Civil 3AN-80-1542 Civil

AFFIDAVIT OF ROBERT D. HEATH

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

I, ROBERT D. HEATH, being first duly sworn declare:

1. I am Commissioner of the Department of Revenue for the State of Alaska and have held that post since January 21, 1983.

2. I directed my staff to prepare the following estimates based on information from department collection records, tax returns, taxpayer financial reports and other sources.

3. The figures for AS 43.21 earnings and tax liability are based upon initial collections less refunds and credits plus audit assessments collected. Because AS 43.21 tax returns are still being audited, the figures below are not final

collections. Moreover, certain retroactive refunds and credits for AS 43.21 tax years are still being processed.

4. Estimates of AS 43.20 taxes under a modified approach are based upon best available information.

5. The figures below reflect the most current information on the earnings and taxes collected by the State of Alaska under AS 43.21 and my best judgment on what would have accrued had AS 43.20, as presently amended, been in effect during the same period. These figures pertain only to the appellants in the above-captioned action, and do not consider either the AS 43.21 or possible AS 43.20 liability of other taxpayers.

6. The figures below are expressed in millions of current dollars and have been rounded to the nearest $1 million.

7. Total net income subject to tax under AS 43.21 is:

YEAR	AS 43.21 EARNINGS TAXED
1978	$ 1,588,000,000
1979	4,125,000,000
1980	7,637,000,000
1981	7,617,000,000
TOTAL	$20,967,000,000

8. Total AS 43.21 net collections to date:

YEAR	AS 43.21 NET COLLECTIONS
1978	$ 148,000,000
1979	387,000,000
1980	648,000,000
1981	838,000,000
TOTAL	$2,021,000,000

9. Estimated alternate tax liability under the AS 43.20 modified formula apportionment approach would be:

YEAR	AS 43.20 ESTIMATED ALTERNATE TAX
1978	$ 66,000,000
1979	165,000,000
1980	216,000,000
1981	176,000,000
TOTAL	$ 623,000,000

10. The net tax difference between AS 43.21 tax liabilities and estimated AS 43.20 tax liabilities is:

YEAR	DIFFERENCE BETWEEN AS 43.21 AND AS 43.20 TAX LIABILITY
1978	$ 82,000,000
1979	222,000,000
1980	432,000,000
1981	662,000,000
TOTAL	$1,398,000,000

11. The estimated interest that would be payable on a refund of the difference between AS 43.21 and AS 43.20 tax liabilities:

YEAR	INTEREST ON ESTIMATED REFUND*
1978	$ 40,000,000
1979	89,000,000
1980	138,000,000
1981	159,000,000
TOTAL	$426,000,000

*Interest through 4/27/84

12. The estimated total refund liability of the State is:

YEAR	ESTIMATED TOTAL REFUND LIABILITY
1978	$ 122,000,000
1979	311,000,000
1980	570,000,000
1981	821,000,000
TOTAL	$1,824,000,000

Further your affiant saith naught.

Robert D. Heath, Commissioner
Department of Revenue

SUBSCRIBED AND SWORN TO before me this 27th day of April, 1984.

Mary Lu Lacine
Notary Public, State of Alaska
My commission expires: 12/9/84

IN THE SUPREME COURT FOR THE STATE OF ALASKA

ATLANTIC RICHFIELD COMPANY; ARCO PIPE LINE COMPANY; BP ALASKA, INC.; EXXON CORPORATION; EXXON PIPELINE COMPANY; SOHIO ALASKA PETROLEUM COMPANY; and SOHIO PIPE LINE COMPANY,	)	
Appellants,	)	
vs.	)	
STATE OF ALASKA; ALASKA DEPARTMENT OF REVENUE; ALASKA DEPARTMENT OF ADMINISTRATION; COMMISSIONER OF REVENUE ROBERT D. HEATH, and COMMISSIONER OF ADMINISTRATION LISA RUDD,	)	Supreme Court No. S-52
Appellees.	)	Superior Court Nos. 3AN-79-1903 Civil 3AN-80-1542 Civil

APPENDIX B OF BRIEF OF APPELLEES

Appendix B

1. Memo from Franklin Fleeks, tax counsel, to Senator John Huber, Chair, Committee on Taxation and Revenue, 10/9/75, R. 8920-21 [D. 5-005, F. 55 at 1-2].

2. Testimony of Milton Lipton before House Finance Committee 2/13/75, R. 9039 [D. 5-009, F. 56 at 100].

3. Testimony of Milton Lipton before Special Committee on Taxation and Revenue, 2/14/75, R. 9122-26 [D. 5-011, F. 56 at 39-43.

4. Testimony of Milton Lipton before Senate Resources Committee, 4/14/75 R. 9165-66 [D. 5-012, F. 56 at 39-40.

5. Testimony of Milton Lipton before House Resources Committee 4/14/75, R. 9185, 9194-97 [D. 5-013, F. 56 at 17, 26-29].

6. Testimony of Milton Lipton before the Legislative Council, 11/5/75, R. 9225-26 [D. 5-014, F. 56 at 20-23].

7. Testimony of Milton Lipton before the Joint House and Senate Resources Committee, 4/16/75, R. 9237-38, 9247-50 [D. 5-045, F. 56 at 8-9, 18-21].

8. Memo from Franklin Fleeks, tax counsel, Committee on Taxation and Revenue to Senator John Huber, 10/16/75, R. 9449-50 [D. 5-027, F. 58 at 8-9].

9. Testimony of Milton Lipton before the Senate Resources Committee, 2/12/75, R. 9005 [D. 5-007, F. 56 at 24].

10. Testimony of Milton Lipton before Special Committee on Taxation and Revenue, 2/12/75, R. 9014-15 [D. 5-008, F. 56 at 8-9].

11. Minutes from a talk between Dick Kilgore of Levy Associates and Senator Huber, Senator Colletta and Judy Whitney, 7/29/75, R. 9385-89 [D. 5-021, F. 57 at 1-5].

12. First staff report of Interim Committee on Taxation and Revenue, 1/9/76, R. 6334 [D. 6-022, F. 41 at 4].

13. Second staff report of Special Committee on Taxation and Revenue, 3/16/76, R. 6491, 6503 [D 6-023, F. 41 at 4, 16].

14. Final report of Special Committee on Taxation and Revenue, 6/29/76, R. 6581, 6584-5, 6588-6591 [D. 6-024, F. 41 at 3, 6-7, 10-13].

15. Memo from Gregg Erickson, Director of Legislative Research Services to Chancy Croft, Chair, Interim Committee on Oil and Gas Leasing and Taxation Policy, 9/23/76, R. 6805-6807 [D. 6-026, F. 42 at 8-10].

16. Letter from Senators Huber, Orsini, Rodey to Senator Croft, 5/29/76, R. 6796-97 [D. 6-025, F. 42 at 1-2].

17. Testimony of Milton Lipton before Subcommittee on Oil and Gas Leasing and Taxing Policies, 11/6/76, R. 6817-18 [D. 6-029, F. 42 at 1-2].

18. Testimony of Steve Cowper before House Resources Committee Hearing, 4/12 - 4/14/76, R. 6821-22 [D. 6-196, F 42 at 1-2].

19. Testimony of Milton Lipton before Senate Resources Committee 5/5, 5/7 - 5/10/76, R. 6927 [D. 6-203, F. 42 at 11].

20. Testimony of Ed Sterner before the Senate Resources Committee, 5/11 - 5/15/76, R. 7043 [D. 6-209, F. 42 at 26].

21. Testimony of Milton Lipton before Senate Resources Committee, 4/28, 30, 5/3/76, R. 7110-13 [D. 6-214, F. 42 at 19-22].

22. Testimony of Milton Lipton before the House and Senate Resources Committee Joint Hearing, 3/23/76, R. 7172 [D. 6-031, F. 43 at 7].

23. Testimony of Milton Lipton before Senate Resources, 3/24/76, R. 7515, 7522-23 [D. 6-058, F. 43 at 2, 9-10].

24. Special Report of H.C. Wainwright & Co. 1/22/76, R. 7984 [D. 6-068, F. 45 at 1].

25. Memo from research department of L.F. Rothschild, "Proposed Tax Changes in Alaska" 1/28/76, R. 8006 [D. 6-071, F. 45 at 1].

26. Testimony of Milton Lipton before Senate Resources Committee, 5/3/76, R. 8332-33 [D. 6-085, F. 46 at 10-11].

27. Report by W.J. Levy Consultants Corp., "Approaches to Corporate Income Taxation of Oil Industry Operations in Alaska", 12/76, R. 8449-51 [D. 6-107, F. 48 at 1-3].

28. Statement of work by John Messenger and Gregg Erickson, 9/2/76, R. 8474 [D. 6-115, F 49 at 1].

29. Notes by Michael Tanzer on Sohio Submission One, 12/8/76, R. 8526 [D. 6-123, F 50 at 3].

30. Report by W.J. Levy Consultants Corp. "A Note on Sohio Submission One," 11/76, R. 8527-32 [D. 6-124, F. 50 at 1-6].

31. "Oil/Gas Taxation in Alaska", prepared by Baerbel R. Sorensen, 7/76 - 12/76, R. 8829-30, 8835-36 [D. 6-158, F. 54 at 45-46, 51-52].

32. The Taxation of the Petroleum Industry Under Alaska's Corporate Income Tax by Jerome M. Zeifman and Kenneth G. Ainsworth, 1/77, R. 3236-37, 3254-61 [D. 7-001, F. 18 at 2-3, 20-27].

33. Testimony of Kenneth Ainsworth before Joint House and Senate Resources, 3/21/77, R. 3490 [D. 7-177, F. 18 at 19].

34. Statements of Senator John Huber before Joint House and Senate Resources Committee meeting, 3/21/77, R. 3352 [D. 7-004, F. 18 at 56].

35. Testimony of Commissioner Sterling Gallagher before the Joint House and Senate Resources Committee, 3/24/77, R. 3616 [D. 7-173, F. 19 at 10].

36. Notes/outline on oil and gas taxation, undated, R. 3591 [D. 7-143, F. 19 at 2].

37. Testimony of Richard Kilgore of Levy Consultants for the Joint Senate and House Resource Committee, 3/21/77, R. 3829 [D. 7-018, F. 22 at 3].

38. Memo from Dick Haggart to Subcommittee on Oil and Gas Leasing and Taxing Policies, 1/5/77, R. 4695-96 [D. 7-041, F. 28 at 1-2].

39. Letter of transmittal for legislation by Governor Jay Hammond to Hugh Malone, Speaker of the House, 3/8/77, R. 4752-53 [D. 7-051, F. 30 at 1-2].

40. Testimony of John Messenger before House Finance Committee, 5/9/77, R. 4755 [D. 7-052, F 30 at 2].

41. Finance Committee Chairman's Report for CS for HB 322, R. 4758 [D. 7-053, F. 30 at 1].

42. Statements of Senator Croft before Senate Finance Committee, 5/21/77, R. 4759 [D. 7-054, F. 30 at 1].

43. Wainwright Securities Inc., Industry Review of Petroleum Industry: North Slope Oil and Gas, 4/1/77, R. 4911-12 [D. 7-061, F 32 at 33-34].

44. Memo from Brian Rogers to Representative Clark Gruening, 4/11/77), R. 4877 [D. 7-060, F. 32 at 3.

45. Memo from Commissioner Sterling Gallagher to Governor Jay Hammond, 11/14/77, R. 5208 [D. 7-096, F 35 at 1].

46. Memo from Kay Brown to Senator John Rader, 2/27/78, R. 1628 [D. 8-001, F. 1 at 1].

47. Memo from Kay Brown to Senator John Rader, 2/6/78, R. 1632-33 [D. 8-002, F. 1 at 1-2].

48. Memo from Steve Mizera to John Messenger, 2/10/78, R. 1638 [D. 8-003, F. 1 at 2].

49. Testimony of Gregg Erickson before Senate Resources Committee, May 1978, R. 1654-55, 1658 [D. 8-005, F. 1 at 11-12].

50. Memo from Kay Brown to Senator John Rader, 12/22/77, R. 1661 [D. 8-006, F. 1 at 1].

51. Letter from Representative Hugh Malone to Janice Helmick, 4/17/78, R. 1663-64 [D. 8-007, F. 1 at 1-2].

52. Testimony of Sterling Gallagher before Senate Resources Committee 2/22/78, R. 1699-1704 [D. 8-125, F 2 at 1-6].

53. Letter from Attorney General Avrum Gross to Governor Hammond, 6/22/78, R. 1690-91 [D. 8-014, F. 2 at 1-2].

54. Letter from Governor Jay Hammond to Representative Hugh Malone and Senator John Rader, 7/5/78, R. 1695 [D. 8-015, F. 2 at 1].

55. Testimony of Milton Lipton before Joint Resources Committee, 1/25/78, R. 1920-22 [D. 8-018, F. 4 at 1-3].

56. Testimony of Milton Lipton before Senate Resources Committee, 3/15/78, R. 2024-26, 2036-37, 2042 [D. 8-127, F. 4 at 15-17, 27-28, 33].

57. Testimony of Milton Lipton before Senate Resources Committee, 4/28/78, R. 2146 [D. 8-131, F. 4 at 1].

58. Alaska's Oil and Gas Tax Structure: A Study with Recommendations for Improvement, prepared by the State of Alaska Department of Revenue, 2/77, R. 5369-72 [D. 7-139, F. 35A at V-15 - V-18].

59. Statements of Senator Huber before Senate Resources Committee, 2/8/78, R. 3000 [D. 8-130, F. 14 at 8].

60. Testimony of Robert Moore before Senate Resources Committee hearing, 2/8/78, R. 3013-15 [D. 8-130, F. 14 at 21-23].

61. Statements of Senator Huber before Senate Resources Committee, 2/24/78, R. 2339, 2341 [D. 8-126, F. 5 at 18, 20].

62. Statements of Senator Croft before Senate Resources Committee, 2/24/78, R. 2344, 2346-47, 2350, 2353 [D. 8-126, F. 5 at 23, 25-26, 29, 32].

63. Prudhoe Bay Field and Trans-Alaska Pipeline System, Comparative State Tax Burden Study, by Arthur Anderson & Co., 1/78, R. 2899 [D. 8-080, F. 13 at Exhibit VIII(a)].

64. Memo from Richard Haggart, Research Analyst, Legislative Affairs Agency to Senator Kay Poland, 3/31/78, R. 2794 [D. 8-067, F. 11 at 3].

65. Memo from Barbara Sorenson, Research Analyst, Legislative Affairs Agency to Representative Nels Anderson, 5/27/76, R. 8377-80 [D. 6-096, F. 46 at 1-4].

66. Testimony of John Messenger before Senate Finance Committee, 6/5/78, R. 1841 [D. 8-129, F. 2 at 11].

67. Statements of Senator Huber before Senate Resources Committee hearing, 4/3/78, R. 1861 [D. 8-132, F. 2 at 18].

68. Testimony of Richard Kilgore before Senate and House Resources Committee, 3/22/77(a.m.), R. 3856-57, 3864-65, 3878 [D. 7-019, F. 22 at 2, 3, 10, 11, 24].

69. Testimony of Richard Kilgore before Senate Resources Committee, 3/ /77, R. 3885 [D. 7-020, F. 22 at 3].

70. Testimony of Frank Fleeks before Joint House and Senate Resources Committee, 3/24 - 3/25/76, R. 7672 [D. 6-177, F. 43 at 2].

71. Testimony of Ed Sterner before House and Seante Resources Committee 3/24 - 3/25/78, R. 7682, 7686 [D. 6-177, F. 43 at 12, 16].

72. Testimony of Milton Lipton before House Resources Committee, 3/25 - 3/26/76, R. 7840 [D. 6-188, F. 43 at 5].

73. Transcript of telephone conversation with Walter Levy and several Senators, 5/13/70, R. 9893-94, [File 65 at 13-14].

74. Testimony of Walter Levy and Milton Lipton before the Pipeline Impact Committee, 3/23/71, R. 9857-58 [File 64 at 36-37].

75. Testimony of Milton Lipton before House and Senate Resources Committee, 3/6/74, R. 9739, 9741, 9778-79 [File 62 at 24, 26, 63-64].

IN THE SUPREME COURT FOR THE STATE OF ALASKA

ATLANTIC RICHFIELD COMPANY; ARCO PIPE LINE COMPANY; BP ALASKA, INC.; EXXON CORPORATION; EXXON PIPELINE COMPANY; SOHIO ALASKA PETROLEUM COMPANY; and SOHIO PIPE LINE COMPANY,	)	
Appellants,	)	
vs.	)	
STATE OF ALASKA; ALASKA DEPARTMENT OF REVENUE; ALASKA DEPARTMENT OF ADMINISTRATION; COMMISSIONER OF REVENUE ROBERT D. HEATH, and COMMISSIONER OF ADMINISTRATION LISA RUDD,	)	Supreme Court No. S-52
Appellees.	)	Superior Court Nos. 3AN-79-1903 Civil 3AN-80-1542 Civil

APPENDIX C OF BRIEF OF APPELLEES

SUMMARY OF LEGISLATIVE HISTORY

Introduction

Passage of the Oil and Gas Corporate Income Tax (AS 43.21) in June 1978 culminated four years of increasingly intense public debate over the appropriate method of taxing the income of oil and gas corporations. The documents assembled here constitute the formal and informal legislative record of that debate for the years 1975 through 1978, the period during which the income taxation of the oil and gas industry was being considered.

Underlying the arguments for or against tax revision were widely differing views of fairness. The industry clearly preferred the status quo. It rejected as unfair the idea that the state could change the rules of the game after oil and gas leases had been executed. That the state would tax beyond its present needs was also viewed as unfair.

Those in favor of tax revision countered that since the industry was earning tremendous profits, fairness dictated that it pay more taxes. Since these valuable nonrenewable resources belonged to future as well as present generations of Alaskans, it was argued that the oil and gas revenues should be raised to satisfy future needs.

Despite this underlying issue of fairness, the documentary record assembled here contains few explicit

discussions of it. Rather, the debate focused on specific legal, economic and administrative issues.

The Issues

The documents included in this history delineate the issues which emerged in the course of the debate. Almost all the issues fell into at least one of the following categories:

1. Constitutional and statutory constraints on Alaska's taxing powers.

2. Industry profitability and the adequate reflection of that profitability in the state's income tax system.

3. Revenues that could be expected from a given tax policy and the requirement for such revenue in the future.

4. Tax burden of particular proposals and the resulting overall tax burden imposed by local, state and federal jurisdictions.

5. The effects of tax changes on future investment decisions.

6. Equity of tax burden among different businesses.

7. Administrative burdens of different tax proposals.

8. Public opinion in Alaska on pending tax proposals.

The number of issues discussed, their exhaustive treatment and the modifications made to legislation as a result of the debate of these issues are reflected in the entire legislative history and indicate the deliberate legislative process that was at work. As the documents here reflect, the

legislature held 63 hearings. At these hearings, the legislature heard numerous witnesses and considered dozens of legal and economic reports over a four-year period. In these testimonies and reports, the legislature received widely divergent viewpoints as expressed by legislators, legislative staff, administration officials, consultants, oil industry representatives, business interests, Native leaders, municipal officials, public interest groups, and other concerned citizens.

The Participants

As the documents here reflect, there was a core group of participants who were particularly important in the corporate income tax debate. These participants were important because they provided the legislature with the most detailed information on and analysis of the issues that were considered. Perhaps singularly important among them was the firm of Walter J. Levy and Associates. Walter Levy, Milton Lipton and Richard Kilgore of that firm began the corporate income tax debate with their criticisms of AS 43.20 and fathered the basic separate accounting concept which ultimately became the basis for AS 43.21. While the Alaska Senate relied on the economic advice of Milton Lipton, the Alaska House retained Michael Tanzer of Tanzer Economic Associates as its economic consultant. Tanzer Economic Associates, a New York based economic consulting firm, produced the first detailed oil and gas profitability study for the Alaska State Legislature.

Also important were Professors Jerome Zeifman and Kenneth Ainsworth. They were retained by the legislature and the administration and were relied on extensively by the administration in its corporate income tax proposal. Zeifman and Ainsworth had substantial experience in the state tax field having served as Chief Counsel and Staff Economist, respectively, for the Special Subcommittee on State Taxation on Interstate Commerce of the U.S. House of Representatives (Willis Committee). The Willis Committee produced the "Report of the Special Subcommittee on State Taxation of Interstate Commerce of the Committee on the Judiciary of the House of Representatives," H. Rep. No. 1480, 88th Cong., Sess. (1964) which is probably one of the most detailed studies of state income taxation to date.

Other consultants having less important roles included Paul Hartman, Joseph Witherspoon, Walter Meed (law school professors), Edward Schaffer, Joseph Kemp and Nial Trimble (economists).

Within the legislature there were many legislators who were actively involved in the income tax debate. Senator Chancy Croft, Senator John Huber and Representative Steve Cowper were among the most actively involved having each proposed legislation revising the corporate income tax.

Senator Chancy Croft served as president of the Senate during the 1975 and 1976 legislative sessions. He served as chairman of the Interim Committee on Oil and Gas Leasing and Taxing Policies in 1976 and was a member of the Senate Resources

and Finance Committees in 1977 and 1978. Senator John Huber was chairman of the Special Committee on Taxation and Revenue in 1975 and 1976 and served on the Senate Resources Committee in 1977 and 1978. Representative Steve Cowper served as a member of the House Finance Committee in 1975 and 1976 and as its chairman in 1977 and 1978. Staff of the Legislative Affairs Agency's Research Division, Finance Division, legislative committees, and individual legislators, played important roles in analyzing testimony and reports. They also provided independent information to the legislature. Gregg Erickson and Richard Haggart of the Legislative Affairs Agency, Research Division; Jim Rhode, staff assistant to the House Finance Committee; and Kay Brown and Connie Barlow, legislative assistants to Senator John Radar made extensive analysis of the income tax issue and their analysis is contained in this legislative history.

Commissioner Sterling Gallagher, Deputy Commissioner John Messenger, Petroleum Revenue Director Tom Williams and other officials of the Alaska Department of Revenue participated extensively throughout the legislative consideration of the corporate income tax issue. In addition to their policy recommendations, the Alaska Department of Revenue provided specific technical and administrative information and analysis to the legislature in its consideration of the issues.

There was also participation by officials of several Native corporations, business leaders, consumer groups and other concerned citizens.

The taxpayers, their consultants and industry organizations participated extensively in the legislative debate. Those industry members who participated the most in the public debate included Richard Donaldson (SOHIO), Ken Showalter (SOHIO), Monty Taylor (EXXON), Marc Singletory (ARCO) and Larry Wilson (UNION OIL). The Alaska Oil and Gas Association (AOGA) coordinated a substantial portion of the industry presentations. For example, it commissioned a public opinion survey by Dittman Research Associates on oil and gas taxation. It retained several lawyers including John Warren, Gary Boren and Leonard Kust, who testified on the industry's behalf in 1978. AOGA also hired the accounting firm of Arthur Anderson and Company to prepare a comparative tax burden study.

The Forum

Some part of the public debate over the corporate income tax revision took place outside the legislature. There were many newspaper articles, editorials and radio and television stories that carried information about the corporate income tax issue as well as the positions of the various participants. The industry carried on an extensive newspaper, radio and television advertising campaign which served to present their position on the taxation issues. In addition, various participants made

speeches to community groups and business organizations. Although none of this portion of the public debate is included in the documentary history, it largely mirrored the debate within the legislature. For example, the arguments made by the industry in its advertisements and in speeches before business groups were arguments which were made to the legislature in the form of testimony and position papers. Similarly, newspaper articles reported the positions contained in reports and in testimony given before the legislature.

The documentary history here contains the public debate within the legislature. It contains the testimony, reports, position papers, memoranda and letters that were presented to legislative committees and individual legislators. There were several committees which considered income tax legislation and which received the information and analysis contained in the documents compiled here. There were two standing committees in each house of the legislature which considered the corporate income tax issue. These committees were the Resources and Finance Committees. In addition to these standing committees, there were two special committees that were established to review the income tax issue. These special committees were the Special Committee on Taxation and Revenue established in 1975 and the Interim Committee on Oil and Gas Leasing and Taxing Policies established in 1976.

The Larger Context

The issues were not considered in a vacuum, and the legislative history documents reflect that fact. Discovery of the Prudhoe Bay oil field, receipt of $900 million on bonus bids at the 1969 lease sale, construction of the Trans Alaska Pipeline, consideration of a proposed gas pipeline, exploration in the Outer Continental Shelf, the formation of the OPEC oil cartel and its effect on world oil prices and federal price controls all provided the backdrop for consideration of the corporate income tax issue. Government expenditures to meet the needs of the state grew despite delays in receiving revenue from North Slope production. The impact of oil industry activities, particularly construction, on the state's economy and life style was a significant concern of legislators. The massive influx of people and capital associated with building the Trans Alaska Pipeline had touched most Alaskans and while many of the effects were positive, the problems of that impact were considered by the legislature.

Policymakers may also have been influenced by their deliberations on related oil and gas issues, such as leasing policy, environmental questions, such as oil spill legislation, and -- most significantly -- the severance tax (which were all under review during this same period).

SETTING THE STAGE 1949-1974

Between 1949, when the territory's corporate income tax was adopted (ch. 115, SLA 1949) and 1978, the structure of the corporate income tax had remained relatively unchanged. The Alaska tax base piggy-backed the federal tax base. The income of multi-state corporations was apportioned to Alaska based upon a three factor formula consisting of property, payroll and sales. Until 1978, Alaska's corporate tax structure was the model of state tax uniformity. In 1959, Alaska adopted the Uniform Division of Income for Tax Purposes Act. This Act, providing a uniform method of apportioning income of multistate corporations, was drafted by the National Conference of Commissioners on Uniform State Laws and was approved in July 1957.

In 1970, Alaska adopted the Multistate Tax Compact (ch. 124, SLA 1970) and joined the Multistate Tax Commission. The compact and its governing Multistate Tax Commission were designed to, among other things, bring some measure of uniformity to the administration of corporate income taxes across the nation. In addition, the commission provided a mechanism under which states could pool their auditing and enforcement efforts with respect to taxpayers doing business in more than one state.

Until the 1970s, there had not been much criticism of the state's corporate income tax system. At least two studies had reviewed Alaska's tax structure before 1970 -- Revenue and Taxation in Alaska (Alaska Legislative Council, January, 1962); Review of the Alaska Tax Structure (Peat, Marwick, Mitchell &

Co., December 31, 1968). Although these studies contained some mild criticism of Alaska's corporate income tax, they essentially supported the basic structure of the federal tax base and uniform apportionment.

Until the 1970s, Alaska lacked the resources and staff to administer the corporate income tax effectively. Until the mid-1970s corporate income tax returns were generally accepted as filed, whether they reported on an apportionment or separate accounting basis. Until the mid-1970s, no field audits were conducted and only mathematical checks of corporate returns were made.

As Alaska's tax officials in the early 1970s began to review the corporate tax returns that had been filed in Alaska, talked with tax administrators in other states and participated in joint audits of the Multistate Tax Commission, they became convinced that apportionment was the right approach. They saw separate accounting as a method used by multi-state corporations for tax avoidance. This view was bolstered by the fact that most multi-state companies who had reported on a separate accounting basis in past years had reported no income in Alaska. Unlike their support for formula apportionment, Alaska tax officials became increasingly disenchanted with the federal tax base. For example, in 1975 the Department of Revenue proposed that Alaska adopt its own tax rate schedule and disallow certain special federal deductions, credits and exemptions.

In addition to the Department of Revenue, other voices of dissatisfaction with the corporate income tax were raised during the early part of the 1970s.

The Advice of Walter J. Levy & Associates

As early as 1970, legislative consultant Walter Levy predicted Alaska would not see much income tax revenue from the oil companies unless the tax law was changed. 1/ He elaborated on this in 1971 noting that Alaska should expect to receive relatively little income tax revenues from the industry, not only because of the apportionment formula, but also because the state tax was based on federal taxable income which he asserted usually amounts to very little anyway. 2/

Walter Levy's colleague, Mr. Milton Lipton, was also speaking out about the need for corporate income tax revision in the early 1970s. Speaking before the Senate Resources Committee in 1973, he advised the legislature to insure that, "... incomes earned in the state are within the state's income taxing power." 3/

1/ Walter Levy, "Transcript of Telephone Conversation, May 13, 1970," p. 14.

2/ Walter Levy, "Testimony Before the Pipeline Impact Committee by Walter Levy and Milton Lipton, March 23, 1971," pp. 36, 37.

3/ Milton Lipton, "Remarks Made by Milton Lipton on October 22, 1973 Before the Senate Resources Committee," p. 20.

Lipton argued that the state's income taxing power is the only way it will be able to insure a reasonable sharing of the economic benefits of resource production in the state.

In addressing a joint meeting of the House and Senate Resources Committees in 1974, responding to detailed questions from Representatives Tom Fink and Russ Meekins, Milton Lipton again urged the legislature to review the state's corporate income tax. Lipton said the existing law would result in many pressing problems when it came to taxing corporate income from oil and gas operations. He urged the state to: (1) identify and tax the income generated in Alaska directly, not by apportionment; (2) establish a method of putting that income within reach of the taxing authorities; and (3) establish a state policy with respect to costs and expenses allowable under state law. He pointed out that oil and gas production will be much more profitable than other business activities in the state, and revisions to the corporate income tax should take that into account. 4/ Until 1974, the legislature ignored this advice.

In 1974, the legislature signified its beginning interest in the corporate tax issue by adopting HCR 78. The resolution directed the Legislative Council to conduct "an

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4/ Milton Lipton in, "Joint Hearing of the House and Senate Resources Committees, March 6, 1974," (no page number).

interim study of the corporate income tax structure in Alaska and of possible alternate systems... [considering] among other things, the effects of using the federal system as a model, the methods of reporting income and the problems of income shifting..."

Though proposals for conducting a corporate income tax study were submitted to the Legislative Council [L.H. Doc. 5-029, File 58; L.H. Doc. 5-030, File 58], 5/ apparently no action occurred on the resolution that year. The debate on the corporate income tax would begin in earnest in the following year.

ANALYSIS BEGINS -- 1975

In 1975, a new administration and legislature was preoccupied with solving an immediate fiscal crisis. The state's general fund, which had contained the $900 million from the 1969 Prudhoe Bay lease sale, was rapidly depleting and oil revenues from Prudhoe Bay production were still two years away. To solve the problem, the state passed the Oil and Gas Reserves Ad Valorem Tax. This temporary tax was meant to tide the state over until production from Prudhoe Bay began in 1977. Despite the

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5/ Where documents are contained in the accompanying files, they are referenced here by our assigned document number and the file number where the document can be located; the first digit of the number identifies the year of its creation, i.e., document 7-083 bears a 1977 date.

legislature's preoccupation with the immediate fiscal problem, the legislature did begin its consideration of the income tax issue.

On January 27, 1975, Senate President Chancy Croft wrote to Governor Hammond informing him of his appointment of a Special Committee on Revenue and Taxation to study the corporate income tax. He noted that the appointment of the committee was done pursuant to the passage of HCR 78 in the previous session. The committee was to coordinate the consideration of income tax proposals including those mentioned by the governor in his budget address. Croft directed the committee "to review the following areas:

1. The corporate tax structure.
2. The corporate tax structure of the oil industry with particular emphasis on such things as percentage depletion allowance and investment tax credit.
3. The advantages and disadvantages of taxation of oil in place by elimination of the present exemption.
4. Possible revision of the severance tax law in light of increasing oil prices.
5. The difference between rates of taxation of oil and of gas.
6. Such other matters relating to taxation of the oil and gas industry in particular, and taxation in general, as it deems advisable."

Senator John Huber was appointed the chairman of the Special Committee on Revenue and Taxation and Senators Pat Rodey and Joe Orsini were appointed as additional members. The committee soon became known as the "Huber Committee" [L.H.

Doc. 5-015, File 57]. In a letter dated January 30, 1975, Governor Hammond applauded the appointment of the special committee and pledged his administration's support [L.H. Doc. 5-016, File 57].

In mid-February 1975, Milton Lipton testified before the Senate Resources Committee on ways the state could quickly raise substantial additional oil revenues to deal with the immediate revenue crisis. During his testimony, he also urged the legislature to undertake an in-depth study of the state's corporate income tax because he believed the existing tax was "ineffectual legislation" [L.H. Doc. 5-007, at 24, File 56].

Speaking before Senator Huber's Special Committee on Taxation and Revenue, Lipton reiterated that one of the most equitable ways for taxing the oil industry was through a corporate income tax. In order to do this, he argued, it is absolutely essential that Alaska properly identify the income earned within the state. Lipton admitted that establishing the gross revenues and acceptable deductions would be difficult, but he argued that it was a manageable problem [L.H. Doc. 5-008, File 56]. A contrary view was expressed in a letter to Senator Huber from another consultant, Bob Paschall [L.H. Doc. 5-006, File 57]. Lipton made very similar remarks to the legislature's Finance Committee [L.H. Doc. 5-009, File 56].

Lipton was suggesting some form of separate or direct accounting (the terms were used interchangeably).

In subsequent testimony to Senator Huber's committee, Lipton spelled out in greater detail the problems with the state's existing income tax. Lipton explained the problem was not the tax rate, but how taxable income was identified. He noted that the apportionment formula did not work well for Alaska because sales in Alaska are infinitesimal and suggested that the formula allows oil companies to allocate foreign income elsewhere, depletion elsewhere, etc. He suggested that the state attempt some form of "direct" accounting of income earned within the state and concluded by saying the state would remain at a distinct disadvantage if it sticks with the apportionment formula method of identifying taxable income [L.H. Doc. 5-011, File 56].

In February, the administration presented a tax package to the legislature which contained some revisions to the existing corporate income tax. These proposals were the first major bills designed to correct deficiencies with Alaska's corporate income tax system. One major deficiency to be remedied by the legislation was the constantly eroding federal tax base. The proposed changes included adopting Alaska's own tax rate schedule, and eliminating certain tax credits, deductions and other federally allowed exemptions from the computation of Alaska's tax base. Those proposals were enacted later that year [ch. 70, SLA 1975; ch. 153 SLA 1975]. During discussion of this legislation, the relative merits of formula apportionment and separate accounting were discussed by the Department of Revenue. The department explained the past problems of inadequate

enforcement of formula apportionment rules and the resultant reporting of separate accounting losses by multistate oil companies. The department clearly favored formula apportionment over separate accounting because separate accounting presented the problems of determining gross value when a "sale" may never have taken place at the wellhead, calculating allowable deductions, and the potential for corporate manipulations of profits [L.H. Doc. 5-033, File 59; L.H. Doc. 5-034, File 57]. The revenue officials gave examples showing the advantages of apportionment over separate accounting. With these conflicting opinions by Walter Levy and Associates and the Department of Revenue, the debate over separate accounting versus formula apportionment was joined.

In April, Milton Lipton was again before the legislature to discuss ways to raise revenues to meet the budget deficit. Once more he departed from the state's immediate fiscal problems and spoke about the state's need to make long term decisions on its corporate income tax structure. He stated that the income tax is the ultimate tool by which the state could receive its fair share of the benefits of oil production. He argued that the income tax is keyed to profitability, rather than production, property or some other value which does not represent the health and viability of industry or its ability to pay. Lipton asserted that he had been trying to make this point for six years, and he strongly urged the legislature to study and revise the corporate tax law [L.H. Doc. 5-007, File 56; L.H.

Doc. 5-008, File 56; L.H. Doc. 5-009, File 56; L.H. Doc. 5-010, File 56; L.H. Doc. 5-011, File 56; L.H. Doc. 5-012, File 56; L.H. Doc. 5-013, File 56].

Although the corporate income tax issue was discussed several times more during the legislative session, no specific legislation was introduced or considered. With adjournment of the 1975 session of the legislature, Senator Huber's Committee on Taxation and Revenue began serious and detailed consideration of the corporate income tax. The committee hired its staff, consisting of Frank Fleeks, as tax counsel, Edwin Sterner as the committee's economist, and Ms. Terry Berman as research assistant. The staff began work on the corporate income tax issue in the interim between legislative sessions.

In July, Senators Huber and Colletta met with Dick Kilgore, of Walter J. Levy and Associates, to discuss the corporate income tax [L.H. Doc. 5-012, File 56]. Kilgore stated that the formula apportionment method of income taxation appeared inappropriate for taxing the income from oil and gas producing activities in Alaska. First, since virtually none of the Prudhoe Bay oil would be sold in-state, the sales factor would be nearly zero. Second, the payroll factor would be almost as slight as the sales factor since the big employment area in the oil industry is not in production, transportation or refining, but in marketing, which occurs nearly entirely outside Alaska. Kilgore cited the Department of Revenue statistics which showed that the formula would end up apportioning about four percent of a typical

North Slope producer's income to Alaska, while a direct accounting system could allocate up to one-third of their income to the state.

Kilgore suggested that establishing a gross value or selling price for the product would not be difficult. Allocating deductions on the other hand, would be a problem and he cited examples.

He also cited serious administrative problems in substituting a crude oil production factor for one of the other apportionment factors.

In November 1975, Milton Lipton was in Alaska to address the Legislative Council where he repeated his comments and those of Richard Kilgore on the corporate income tax. Lipton said the two major alternatives available to the legislature were either a direct accounting system or significant modifications to the apportionment formula. Lipton also stated that he thought that direct accounting would be the most effective and the fairest way of taxing this income. Lipton did recognize that direct accounting may have legal problems but that he could not provide professional input on that issue [L.H. Doc. 5-014, File 56].

Though much of the impetus to study the corporate income tax came from the Alaska Senate (hereinafter "Senate"), the Alaska House of Representatives (hereinafter "House"), was also interested. The House Finance Committee, chaired by Representative Malone, had a Subcommittee on Revenue Sources

chaired by Steve Cowper which, in 1975, contracted with New York oil and gas economic consultant, Michael Tanzer, to review the Alaskan oil industry's profitability and taxability. Tanzer produced an august draft entitled, Alaska: Preliminary Thoughts on Oil Profits and Taxation. Senators Croft and Huber, along with the Huber Committee's staff, and Representative Malone and Finance Committee Aide Jim Rhode offered comments on these drafts in September and October [L.H. Doc. 5-001, File 55; L.H. Doc. 5-002, File 55; L.H. Doc. 5-003, File 55; L.H. Doc. 5-004, File 55; L.H. Doc. 5-005, File 55]. In November, Tanzer produced another draft of his report entitled, Alaska's Prudhoe Bay Oil: Profitability and Taxation Potential [L.H. Doc. 5-006, File 55].

THE CONSIDERATION OF SPECIFIC LEGISLATION--1976

If 1975 was marked by the beginning exploration of the corporate income tax problems, then 1976 was the year when the state's policy options for solving those problems began to emerge in concrete form.

Oil and gas income tax bills were introduced in both houses of the Alaska legislature and committee hearings were held but no bill emerged from committee in either house.

The year began with oil tax reports being submitted in both the House and in the Senate. On January 9, Michael Tanzer's first report, Alaska's Prudhoe Bay Oil: Profitability and Taxation Potential, was released to the public by Representative Steve Cowper [L.H. Doc. 6-003, File 39].

At virtually the same time, Senator Huber released the first staff report from his Special Committee on Taxation and Revenue [L.H. Doc. 6-022, File 41].

The Tanzer report was the state's first significant effort at determining the profitability of the Prudhoe Bay oil reserves. Tanzer estimated the 1964--1995 costs of developing the Prudhoe Bay oil field and then estimated 1964--1995 income. The two figures were used to calculate the rate of return and profitability for SOHIO/BP, EXXON, and ARCO. Tanzer calculated the rate of return using a discounted cash flow (DCF) analysis.

According to the report, existing taxes (state and federal) would allow for DCF annual rates of return in the 28 to 40 percent range, with 35 percent being the rate under a medium oil price assumption. The report showed that if the state corporate tax rate were increased from 5 to 50 percent, it would still allow DCF rates of return to the industry of 19 to 30 percent per year. The state's share would increase from 26 to 61 percent if a 50 percent income tax rate were imposed.

Tanzer also concluded that even with very high taxes, profits would be high enough to provide incentives for additional exploration and development in Alaska.

Another topic was Tanzer's suggestion that Alaska use its oil money to become more active in the oil sector, either through joint ventures with oil companies or by contracting directly with drilling companies. These conclusions were controversial and it did not take long for highly critical

comments, letters, and testimony on the Tanzer report to reach the legislature. Dean Olson, an economist working with Joe Josephson on behalf of BP, said the Tanzer report had serious conceptual and methodological errors [L.H. Doc. 6-010, File 40; L.H. Doc. 6-012, File 40; L.H. Doc. 6-021, File 40; L.H. Doc. 6-034, File 43]. In particular, Olson cited the following errors:

(1) lumping together corporations with different investment capabilities and requirements;

(2) failing to apply probabilistic mathematics to future benefits;

(3) failing to include all costs; and

(4) using unsupported 'net' profit estimates [L.H. Doc. 6-010, File 40; L.H. Doc. 6-012, File 40; L.H. Doc. 6-021, File 40; L.H. Doc. 6-034, File 43].

Standard Oil of California (SOCAL) criticized Tanzer and the legislature, saying budget needs and other factors should be the basis of taxation, not profitability. SOCAL pointed out that looking at the profitability of one oil field skews the picture, and that Tanzer's failure to look at Cook Inlet operations, or the operations of the remaining Prudhoe owners weakened the Tanzer report [L.H. Doc. 6-014, File 40].

Exxon Corporation (EXXON) presented detailed criticisms of the Tanzer report saying its most serious errors were

(1) exclusion of bonus bids in 1969;

(2) failing to include true exploratory risks;

(3) failing to include the transportation investments necessary to market the oil such as the Trans Alaska Pipeline; and

(4) exclusion of other Prudhoe Bay participants.

EXXON said these plus numerous other factors ranging from fairness and comparative tax burdens to inaccurate figures, led them to conclude Tanzer's conclusions were erroneous [L.H. Doc. 6-016, File 40; L.H. Doc. 6-048, File 43].

Several of the regional Native corporations, particularly the Bristol Bay Native Corporation and the Arctic Slope Regional Corporation, criticized the Tanzer report and the notion of increasing taxes on the oil and gas industry. Their concern was that such actions would prevent them from profitably developing oil and gas on their lands [L.H. Doc. 6-015, File 40; L.H. Doc. 6-019, File 40; L.H. Doc. 6-021, File 40]. However, some Native leaders not associated with management of the regional corporations, notably including Eben Hobson, Mayor of the North Slope Borough supported the idea of increased taxation of the oil industry [L.H. Doc. 6-017, File 40].

The Net Proceeds and Excess Value Taxes

In addition to a discussion of industry profitability, the staff report of the Huber Committee concluded that the existing corporate income tax law with its apportionment formula was inadequate because the major components of sales, property and payroll were assigned outside Alaska. The staff recommended

levying a tax on income from the property (as opposed to the income of the corporation), defined as a net proceeds tax.

The report explained that the net proceeds tax works by deducting statutorily established expenses from the gross proceeds from the sale of the products. If the product was shipped from Alaska without being sold, the sales figure would be determined by the sale of the state's royalty oil on the open market or other means. The staff said it would be logical to tax net proceeds at the standard 9.4 percent corporate income tax rate.

The staff also suggested levying a surtax on excess profits. Though complex in detail the basic idea was to identify excessive income defined in terms of an excessive return on capital investment and tax that income at a higher rate. The theory behind the proposal was to tax only the income which did not have a direct impact upon the investor's long-term investment plans, or to tax profits due solely to prices in excess of the long-term price. The obvious problem with this approach was that it required looking into the future to forecast the long-term price. The staff report suggested empowering the Department of Revenue to make this forecast and revise it annually as needed. The committee staff then recommended taxing the excess income or that amount above that received from the long-term price at the rate of 41 percent. It was recommended that this tax would be in addition to the standard 9.4 percent rate -- for a total tax rate on excess income of about 50 percent.

The committee staff's proposed oil and gas properties net proceeds tax was subsequently introduced as HB 699 in the House and SB 620 in the Senate, and the "oil and gas properties excess value surtax" was introduced as HB 703 in the House and as SB 621 in the Senate [see HB 699, SB 620, HB 703 and SB 621, Formal Legislative History].

While the Tanzer report produced an outcry of criticism from the oil industry and Alaska's Native corporations, these groups were relatively silent on the report by the staff of the Committee on Taxation and Revenue. One group which did comment extensively on the report of Huber's staff report as well as the Tanzer report was the New York investment banking community, from which the oil companies were then seeking investment capital for Prudhoe Bay development [L.H. Doc. 6-066, File 45; L.H. Doc. 6-067, File 45; L.H. Doc. 6-068, File 45; L.H. Doc. 6-069, File 45; L.H. Doc. 6-070, File 45; L.H. Doc. 6-071, File 45; L.H. Doc. 6-072, File 45; L.H. Doc. 6-073, File 45; L.H. Doc. 6-137, File 45]. The investment bankers, as expressed in their reports, were not as concerned about the proposed changes in the severance and normal corporate income taxes, as they were about the proposed surtax on excess income. Some reports concluded that notwithstanding the proposed tax laws, the Prudhoe Bay investments would remain profitable for investors [L.H. Doc. 6-066, File 45; L.H. Doc. 6-067, File 45; L.H. Doc. 6-068, File 45; L.H. Doc. 6-069, File 45; L.H. Doc. 6-070, File 45; L.H.

Doc. 6-071, File 45; L.H. Doc. 6-072, File 45; L.H. Doc. 6-073, File 45; L.H. Doc. 6-173, File 45].

While the net proceeds tax and the excess value surtax centered on the profits from producing oil and gas, it failed to account for other oil and gas income such as the income from transportation, refining and marketing. It also did not tax income from non-oil and gas related activities. Critics of this approach expressed concern that the lack of taxes on these other activities gave oil and gas companies an unfair advantage over other firms. [L.H. Doc. 6-059, File 43].

On February 17, Representative Cowper introduced an Oil Production Income Tax, HB 803, which incorporated some of the concepts in the special committee's net proceeds and surtax bills, but also contained different ideas about how to revise the corporate income tax. Unlike the special committee's bills, Cowper's legislation taxed the income of corporations derived from producing the oil rather than taxing the income from the property. Cowper's bill established the gross value of the oil at its first point of sale or at the refinery, whichever was lower, but provided authority to the Department of Revenue to establish this value. The bill then allowed direct production and exploration costs to be deducted from the gross value to arrive at the tax base. No deductions were allowed for indirect costs or expenses outside Alaska. That portion of the difference between the gross value and the deductible costs, which did not exceed 125 percent of the costs was considered the normal tax

base and was taxed at the rate of 10 percent. The difference that exceeded 125 percent of the costs was considered the surtax base and was taxed at the rate of 40 percent. The tax was in addition to, rather than in lieu of the normal corporate income tax. The bill also provided that oil produced from nongovernmentally owned lands was exempt. [see HB 803, Formal Legislative History].

In mid-March of 1976, Representative Cowper introduced a sponsor substitute for HB 803 (SSHB 803), which did not alter the basic approach set out in the original bill, but amended it with technical changes; and in early April introduced a Second Sponsor Substitute for HB 803 (2d SSHB 803), which did contain many substantive changes. [see HB 803, Formal Legislative History].

The April bill reduced the normal tax rate to 9.4 percent and the surtax was deleted completely. This version also allowed payments under the new tax to be applied as a credit against the existing corporate income tax, and dropped the exemption for oil produced from nongovernmental lands. Since the payments under 2d SSHB 803 were a credit against the corporate income tax, nonproducing activities of oil producing firms could be left untaxed [L.H. Doc. 6-094, File 46].

The staff of the Special Committee on Taxation and Revenue released a second report on March 16 [L.H. Doc. 6-023, File 41]. This report justified the committee's tax proposals, in part, by saying they were part of an effort to see

multi-national/multi-state oil and gas corporations treated the same way a domestic Alaskan corporation would be treated, and to obtain a larger share of the profits caused by the increase in world oil prices.

In March, extensive hearings were held by the Joint House and Senate Resources Committees on the proposed oil and gas legislation (March 23--March 30, 1976). More than 30 statements were received. The testimony began with Milton Lipton [L.H. Doc. 6-013, File 40], who repeated his opinion that the existing law needed to be changed and that the formula apportionment system had inherent weaknesses. Although he agreed that it was important to know the industry's profitability, he said that the DCF methodology used by Tanzer might be inappropriate. Mostly, Lipton talked about the net proceeds tax and the direct accounting approach and about the excess value surtax as a new idea. Lipton expressed severe doubts about being able to forecast the long term price of oil and cautioned that the state should not tax profits before they occur. As important considerations, Lipton reminded the committees that Alaska law should be consistent with federal energy policy, and not remove incentives for additional investment.

The oil industry argued against the proposed tax measures in their testimonies. In general, they said the bill:

1) would have an adverse impact on exploration and development investment in Alaska;

2) was not needed since sufficient revenues already existed;

3) was inequitable since it modified existing agreements;

4) was unnecessary because Alaska already imposed one of the highest tax burdens on the oil and gas industry of any state in the union;

5) would raise prices and taxes in the rest of the United States, possibly resulting in federal intervention;

6) was inappropriate in its basing of new and increased taxes on only one profitable field;

7) was inappropriate because the profitability estimates were inaccurate; and

8) illustrated the instability of Alaska's business climate.

[L.H. Doc. 6-038, File 43; L.H. Doc. 6-040, File 43; L.H. Doc. 6-048, File 43; L.H. Doc. 6-049, File 43; L.H. Doc. 6-050, File 43; L.H. Doc. 6-054, File 43; L.H. Doc. 6-060, File 43; L.H. Doc. 6-061, File 43; L.H. Doc. 6-062, File 43]. Native corporation leaders generally echoed these sentiments [L.H. Doc. 6-032, File 43; L.H. Doc. 6-033, File 43; L.H. Doc. 6-035, File 43; L.H. Doc. 6-036, File 43; L.H. Doc. 6-037, File 43].

In addition to this testimony, EXXON released a "Business Climate Analysis" report prepared for it by the Fantus Company, Inc. to show that Alaska had a very poor business climate. Fantus ranked Alaska 47th and 48th out of the 50 states on two tables showing business climate [L.H. Doc. 6-143, File 53]. The industry argued that the passage of these new proposals would only make Alaska's business climate worse.

Representative Cowper testified that he thought the bills should be passed because they established a public sharing

of the windfall profits, created stability, and provided incentives for development on Native lands [L.H. Doc. 6-039, File 43]. A number of others also testified on the issues ranging from business representatives against new taxes, to some individuals in favor of them.

Toward the end of the hearings the Administration presented its views. First, Tom Williams, Director of Petroleum Revenue, testified that the Huber and Cowper bills would reduce the assessed value of the Prudhoe Bay field, thus reducing reserves tax collections in FY 77. Williams suggested that since Prudhoe profits were a few years off, it might be premature to change the income tax law especially since an immediate change in the income tax law would reduce reserve tax revenues which were needed to fund government expenditure until Prudhoe Bay production began. Williams also expressed concern that the net proceeds tax might shelter pipeline owners from taxes, and said the surtax could depress the federal ceiling price for Prudhoe Bay crude [L.H. Doc. 6-059, File 43].

On March 31, Governor Hammond delivered his statement on taxation policy to the Joint Resources Committee [L.H. Doc. 6-063, File 43]. Hammond said he was interested in taxing profits, but that taxes needed to leave sufficient income to encourage exploration and development. Hammond said that while he could support severance tax changes, he could not endorse the other measures because they were difficult to administer, and they created other problems such as depressing reserves tax

receipts and federal ceiling prices. The governor suggested further in-depth study over the 1976 interim (an approach later accepted by the legislature in SCR 101).

After the joint hearings in late March, the Senate and House Resources Committees each began respectively to work on the legislation. The House Resources Committee, chaired by Nels Anderson, took up 2d SSHB 803. The Administration, Native corporations and the oil industry again testified on the legislation [L.H. Doc. 6-091, File 46; L.H. Doc. 6-092, File 46].

On April 15, a motion to table 2d SSHB 803 failed and the subsequent motion to pass the bill out of committee with individual recommendations carried. A majority of members recommended "do not pass" [L.H. Doc. 6-093, File 46]. No more action on the oil and gas corporate income tax bills occurred in the House during 1976.

In the Senate, SB 747, a new tax bill entitled the "Oil and Gas Properties Excess Values Surtax" was introduced on April 15 by the Special Committee on Taxation and Revenue. It included Lipton's suggestions of the previous month. This bill differed from the committee's previous surtax bill (HB 703, SB 621) by allowing recovery of 2.5 times the cumulative capital investment before invoking the surtax on "excess value." SB 747 also reduced the surtax rate from the 41 percent of HB 103/SB 621 to 33-1/3 percent. In other ways, SB 747 was very similar to the previous surtax bills. [see SB 747, Formal Legislative History].

In early May, Milton Lipton testified before the Senate Resources Committee and reiterated his advocacy of direct accounting. In his testimony, he acknowledged that the direct accounting approach might violate the Multistate Tax Compact and might raise a question of double taxation under the U.S. Constitution. He suggested that the legislature get a legal opinion on these issues. Lipton observed that both SB 620 and HB 803 were unnecessarily complicated, and suggested waiting until next year to polish up legislation. Lipton did, however, warn against letting the issue die [L.H. Doc. 6-085, File 45]. Lastly, Lipton said SCR 101 [L.H. Doc. 6-108, File 49], calling for an in-depth tax study, had merit.

On May 12, Tom Williams of the Department of Revenue testified before the Senate Resources Committee and echoed his earlier testimony. Williams testified that SB 620 would be very difficult to administer, would discourage oil and gas exploration and development in Alaska, might depress reserves tax receipts, and would invite litigation [L.H. Doc. 6-065, File 44].

The legislative session ended in 1976 without an oil and gas corporate income tax bill being passed out of a Senate committee. Senator Huber's Special Committee on Taxation and Revenue expired at the end of the session.

The final report of Senator Huber's Special Committee on Taxation and Revenue was published in Senate Journal Supplement No. 14 [L.H. Doc. 6-024, File 41]. As part of the final report, Huber and the committee staff made arguments for

new and increased taxes on the profits from oil and gas operations in Alaska. The final report contains many supporting documents for these arguments [L.H. Doc. 6-024, File 41].

The legislature did, however, pass SCR 101, a resolution calling for the study of alternative oil and gas leasing and taxing policies by both the Legislative Council and governor, with recommendations to be presented at the beginning of the next legislative session [L.H. Doc. 6-108, File 49].

During the summer and fall of 1976, the Research Division of the Legislative Affairs Agency and the Department of Revenue, pursuant to SCR 101, began their studies of the oil and gas tax structure. Each asked for comments from the oil industry [L.H. Doc. 6-117, File 49; L.H. Doc. 6-109, File 49; L.H. Doc. 6-113, File 49].

The Department of Revenue and the Legislative Affairs Agency jointly contracted with Jerome Zeifman and Paul Hartman, two law professors experienced in state tax law issues, to review the legal issues which had been raised regarding the corporate income tax in the previous session.

The committee established to conduct the legislature's tax and leasing study was the Interim Committee on Oil and Gas Leasing and Taxing Policies chaired by Senator Chancy Croft.

Throughout the fall, this interim committee met to review the work of the legislative staff, the Administration, and their consultants with regard to the tax study. At the November 6 meeting of the committee, Milton Lipton testified in

favor of a net proceeds type tax. At the meeting, Croft instructed the staff to draft a net proceeds tax similar to the one suggested by Milton Lipton [L.H. Doc. 6-027, File 42; L.H. Doc. 6-028, File 42; L.H. Doc. 6-029, File 42].

While the legislature and the Administration were in the process of completing their respective studies, the oil industry was conducting its own studies. Late in October of 1976, SOHIO submitted to the Department of Revenue and the Legislative Affairs Agency the first of two documents which it had prepared on the state tax issue. Sohio Submission One projected tax payments of three hypothetical companies each of which had one-third ownership in Prudhoe Bay and the Trans Alaska Pipeline System (TAPS). The document concluded that the oil industry already was paying its fair share of taxes to Alaska [L.H. Doc. 6-122, File 50; L.H. Doc. 6-125, File 50].

Michael Tanzer and Walter J. Levy and Associates commented on Sohio Submission One saying that it proved the inadequacy of the present income tax by showing the effective tax rate was only 2 to 2½ percent and that companies with the same earnings pay different amounts of tax [L.H. Doc. 6-123, File 50; L.H. Doc. 6-124, File 50].

Sohio Submission Two was a comparative tax burden study to show that Alaska's existing tax burden already equaled or exceeded the tax burdens imposed by other oil producing states. This document concluded that it would be unfair to increase

substantially Alaska's tax burden since Alaska already had the highest comparative tax burden [L.H. Doc. 6-126, File 50].

Also in the fall of 1976, the "Mortada Report" was published. This document was prepared for the Federal Energy Administration to help the FEA establish price levels on Prudhoe Bay oil. The report contained a lower estimate of profitability than the Tanzer report and was cited by the oil industry to support its arguments against increased taxation [L.H. Doc. 6-138, File 45].

THE ISSUES NARROW--1977

As part of the tax study mandated by SCR 101, the Administration and the legislature hired professors Jerome Zeifman and Kenneth Ainsworth to study the corporate income tax. In January 1977, they completed their work and submitted a report entitled The Taxation of the Petroleum Industry Under Alaska's Corporate Income Tax [L.H. Doc. 7-001, File 18]. Zeifman and Ainsworth concluded that both the current methods of determining taxable income and apportioning income were ineffectual. The apportionment formula was deficient because it "operates in such a way as to reduce the amount of taxable income attributable to Alaska by corporations which extract non-renewable petroleum resources from the State." They stated that the use of the federal tax base was inappropriate because it is substantially eroded below normal accounting net

income principles and because it provided taxpayers with subsidies to develop oil properties in non-Alaskan areas.

To solve these problems, Zeifman and Ainsworth recommended changing the tax base from federal taxable income to "book" income which is that income attested by a certified public accountant and reported to shareholders in the company's annual report. They also recommended using a modified three-factor apportionment formula substituting an extraction factor for the sales factor. Lastly, they recommended including in Alaska's share of the fractions, the property, payroll and extraction occurring on the Outer Continental Shelf serviced by Alaskan bases. Finally, Zeifman and Ainsworth recommended structuring the tax as a franchise or privilege tax, rather than a traditional income tax. They acknowledged some doubt about the constitutionality of including OCS activities in the numerator of the fraction applicable to Alaska, but thought that by enacting a privilege tax rather than a direct income tax, the risk of an unconstitutional statute was minimized.

To support its finding of the eroded federal tax base, Zeifman and Ainsworth pointed to the projected federal tax expenditures prepared by the Congressional Budget Office. These federal tax expenditure projections showed the amount of federal taxes that were foregone as a result of certain special federal tax deductions, exemptions and credits. Zeifman and Ainsworth recommended the use of a modified apportionment formula to correct the inappropriate apportionment results they saw from a

review of the corporate income tax returns that had been filed by oil and gas corporations.

In their report, Professors Zeifman and Ainsworth argued that it would be a real mistake to adopt a separate accounting system of taxation, as it often results in companies reporting negative incomes and would present Alaska with huge enforcement and audit problems since the firms involved are experts in tax avoidance. The professors said this was a major reason to adopt an approach which would allow a continuation of the Multistate Tax Commission's joint audit program. Zeifman and Ainsworth recommended against a net proceeds tax on roughly the same grounds.

With respect to the legal merits, the professors said that separate accounting was most often promoted by multi-national corporations as a substitute for apportionment but those efforts had been rejected by most tax administrators, the U.S. Supreme Court and the Judiciary Committee of the U.S. House of Representatives. It was promoted by multi-national corporations because it offers multiple opportunities for tax avoidance, a problem which Zeifman and Ainsworth concluded cannot be cured simply by giving the Department of Revenue the ability to determine the value of the oil.

Zeifman and Ainsworth pointed out that until the mid-1970s, the oil companies had invoked a "loophole" in the Multistate Tax Compact (article IV, section 18) which allowed them to use a version of separate accounting, and noted that

under that system, they had essentially avoided paying any tax. Zeifman and Ainsworth made it clear that they did not think the state was able to develop sufficient audit capabilities to deal with these separate accounting problems. Lastly, Zeifman and Ainsworth cautioned that tax inequities against domestic Alaskan companies (by allowing unfair tax advantage to big companies) could result from allowing a net proceeds tax to be in lieu of or a credit to the normal corporate income tax.

During January 1977, Paul Hartman, as a part of the tax study, commissioned under SCR 101 produced a series of legal memoranda on specific income tax issues. In Memorandum No. I: Problems of Affiliated Corporations and the Multistate Tax Compact [L.H. Doc. 7-161, File 18A], Hartman concluded that the Multistate Tax Compact does allow states to require combined reporting, but suggests that it might be best to authorize this statutorily. In Memorandum No. II: Use of Separate Accounting to Determine Taxable Income from Multistate Business Activities in Taxing State [L.H. Doc. 7-162, File 18A], Hartman reviewed the case law on separate accounting and formula apportionment but did not reach a conclusion on whether Alaska could adopt a separate accounting system. In Memorandum No. III: Review and Summary Comments on House Bill 145 [L.H. Doc. 7-163, File 18A], Hartman concluded that HB 145, as drafted, had substantial constitutional problems and advised against enacting it.

At a January 25 meeting of the Interim Committee on Oil and Gas Leasing and Taxing Policies, Milton Lipton testified that

the basic failing of the modified apportionment proposal by Zeifman and Ainsworth was that it would result in significant tax inequities between domestic and multi-state corporations in Alaska. Lipton also said that he favor using a modified version of the federal taxable income rather than "book" income. He argued that the separate accounting methodology is both workable and equitable. Following Lipton's testimony, Chairman Croft directed the staff to draft a separate accounting bill [L.H. Doc. 7-042, File 28].

On January 31, Croft's committee introduced HB 145 in the House and SB 105 in the Senate, identical separate accounting bills. In order to determine a "sales" price, the bills used the wellhead value reported for severance tax purposes. From this gross income amount, specified expenses were to be deducted to arrive at the net income. The net income from pipeline transportation systems was tied to existing accounting systems of the Interstate Commerce Commission, the Alaska Pipeline Commission, the Federal Power Commission or the Alaska Public Utilities Commission. Non-oil production or transportation income was taxed according to the standard formula apportionment under the existing corporate income tax. The bill also required public reporting of gross income, deductible expenses, net income and taxes paid by the corporations. The Alaska Pipeline and Alaska Public Utilities Commissions were required to certify the accuracy of the information presented to the Department of Revenue. [see HB 145 and SB 105, Formal Legislative History].

The Alaska Oil and Gas Association, in January 1977, issued two reports on the subject of taxation. One of the reports, entitled Alaska's Fiscal Condition - Present and Future, argued that the Department of Revenue's and the Legislative Affairs Agency's data indicated the state would have sufficient revenues to meet public needs throughout the foreseeable future. The report projected a $4.6 billion surplus by FY 85 based on existing tax laws [L.H. Doc. 7-056, File 31]. The other report entitled, Alaska Taxation of the Petroleum Industry, argued that, because the general fund already received a large percentage of its revenues from the oil and gas industry, that the industry was already paying its fair share of taxes [L.H. Doc. 7-057, File 31]. The report said that, as a result of joining the Multistate Tax Compact in 1970, Alaska had collected income taxes even when oil and gas companies earned no income in Alaska. The report said Alaska should continue to abide by the compact because the compact assured each state of obtaining its fair share of taxes while protecting taxpayers from duplicative taxation. AOGA concluded by saying that, since Alaska already imposed one of the highest tax burdens in the nation and would be receiving sufficient revenues under existing laws, new tax laws should not be enacted.

On February 11, the Department of Revenue (the department) released its report entitled Alaska's Oil and Gas Tax Structure: A Study with Recommendations for Improvement [L.H. Doc. 7-139, File 35A]. The report provided an overview of oil

and gas operations in Alaska; described Alaska's existing oil and gas tax structure; examined the deficiencies of the corporate income tax; and made recommendations for improving the tax.

This comprehensive study of the state's oil and gas tax structure adopted in its recommendations many of the Zeifman and Ainsworth suggestions. The department concluded that use of the federal tax base allowed for significant and undesirable erosions in the tax base. The department found that the policies underlying many of the federal tax exemptions, credits and deductions were irrelevant to, or in conflict with, state objectives.

The department also concluded that the standard apportionment formula failed to allocate the appropriate amount of income to Alaska from multi-state oil and gas business. The department found that while none of the property, payroll or sales factors truly represented the oil and gas income producing activities in Alaska, the destination-oriented sales factor was responsible for the greatest degree of distortion.

To resolve these problems, the department followed the recommendations of Professors Zeifman and Ainsworth to substitute "book" income for the tax base instead of federal taxable income, and to substitute an extraction factor for the sales factor in the apportionment formula.

The department also opposed strongly the use of separate accounting because of its tax avoidance possibilities and its difficulty to administer.

Testifying before the House and Senate Resources Committees, Monty Taylor of EXXON criticized the department's study for trying to solve technical taxation problems through substantial tax increases. Taylor said the recommendations were unnecessary and undesirable because (1) the state would receive surplus revenues from the existing tax structure, (2) additional taxation would discourage new investment, and (3) additional taxes would alter the profitability of Prudhoe Bay operations and constitute a breach of good faith over the executed leases. Taylor also argued that Prudhoe Bay operations will not be excessively profitable, and declared that the industry's rate of return estimates had declined since 1969 [L.H. Doc. 7-032, File 26; L.H. Doc. 7-033, File 26].

On March 9, the Governor, as part of a total tax package, introduced an oil and gas corporate franchise tax bill (HB 322 and SB 236). The bill imposed a privilege tax (as recommended by Zeifman and Ainsworth) on corporations with gross receipts in excess of $250 million per year, more than 50 percent of which comes from oil or gas related sales. The tax rate was 9.4 percent and would be in lieu of the normal corporate income tax. The tax base would be the higher of federal taxable income or "book" income as reported to shareholders. The bill modified the apportionment formula by substituting an extraction factor for the sales factor, and included in the numerator of these fractions, the property, payroll and extraction factors on the

OCS serviced from Alaskan bases. [see HB 322 and SB 236, Formal Legislative History].

In his transmittal letter, Governor Hammond said that his bill corrected three major deficiencies in the existing corporate income tax. First, it eliminated the "eroded" federal tax base by using the net income reported to shareholders as the tax base. Second, it more accurately measured the corporate business activity in the state by substituting an extraction factor for the apportionment formula sales factor. Third, it allocated to the state some of the income earned from OCS activities that impact the state.

Also introduced at about the same time, was an oil and gas properties net proceeds tax (SB 202) by Senators Huber, Willis and Croft. SB 202 was identical to SSSB 620, the net proceeds bill introduced the previous legislative session by Senator Huber's Committee on Taxation and Revenue. Senate Bill 202 never moved from committee. [see SB 202, Formal Legislative History].

Michael Tanzer's second major report to the legislature, entitled Impact of Increased Taxation on Oil Exploration and Development in Alaska was released on March 25 [L.H. Doc. 7-012, File 20]. Tanzer reviewed the historical experience of oil taxation increases in other countries and concluded that it was not possible to predict whether an increase in taxation would discourage investment. He pointed out that the

oil industry always said that increased taxes would deter additional investment.

Tanzer also recalculated oil industry profitability from Prudhoe Bay operations, and found the industry to be enjoying a 37 percent DCF rate of return. Per barrel profits were calculated at between $1.40 and $2.70, which compared favorably with the $0.15 to $0.30 received in most OPEC nations. Tanzer concluded that substantially increased taxation would not end the attractiveness of Alaska to the oil companies as a place for additional exploration and development. He recommended substantially increasing tax rates, temporarily ceasing leasing, investing increased tax revenues in an exploratory survey and then either directly contracting for drilling or undertaking joint ventures with the oil companies.

In March, legislative hearings were held and testimony was received for and against the various tax proposals before the legislature. On March 21, Professors Zeifman and Ainsworth testified before the Joint House and Senate Resources Committees and answered questions about their study and their recommendations [L.H. Doc. 7-004, File 18].

Commissioner of Revenue, Sterling Gallagher, and Deputy Commissioner, John Messenger, testified before the Joint Resources Committees on the governor's corporate income tax legislation. Gallagher reviewed the Department's tax study and repeated its findings and conclusions. Gallagher and Messenger also responded to questions regarding the profitability of oil

producing activities in Alaska and Alaska's relative tax burden [L.H. Doc. 7-005, File 19; L.H. Doc. 7-006, File 19].

Some of the Native corporations, particularly the Arctic Slope Regional Corporation, stated their opposition to any increase in taxes. Their argument was that anything which impaired Alaska's business climate would harm them, and in particular increased taxation would result in a lower level of oil development and investment [L.H. Doc. 7-014, File 21; L.H. Doc. 7-015, File 21; L.H. Doc. 7-016, File 21]. North Slope Borough Mayor, Eben Hobson testified in favor of increased taxation [L.H. Doc. 7-017, File 21].

Richard Kilgore of Walter J. Levy & Associates also testified extensively on both modified apportionment and the separate accounting methodologies that were before the legislature [L.H. Doc. 7-018, File 22; L.H. Doc. 7-019, File 22; L.H. Doc. 7-020, File 22]. Kilgore said that book income is readily available and contains fewer erosions than federal taxable income. Kilgore also stated, however, that book income allows a great deal of flexibility in how income is reported and thought this could result in other problems. Kilgore offered his view that the extraction factor would be difficult to calculate because it would be difficult to determine a firm's worldwide extraction. Kilgore said the criterion for selecting from among the differing approaches should be how well or accurately the modified apportionment approach or the separate accounting approach reflect the income actually earned in Alaska. With the

use of models, Kilgore proceeded to show that the modified apportionment approach was reasonably accurate for a company like EXXON, but not so for a company like ARCO. He commented that a major failing of the apportionment method was its assumption that all facets and areas within a company are equally profitable which fails to recognize the higher profitability of developing fields such as Prudhoe Bay. Kilgore stated that while the modified apportionment formula approach would increase revenues, it would create inequities. Kilgore concluded that separate accounting more accurately reflected income earned in Alaska and was the preferred approach if it was legally and administratively possible.

Several members of the oil industry also testified on the tax proposals. On March 25, Larry Wilson, tax counsel for Union Oil, argued that separate accounting could not possibly determine the profits derived within a state for a unitary business. Wilson also criticized separate accounting as exposing taxpayers to multiple taxation, and said the approach may violate the Fourteenth Amendment to the U.S. Constitution. Wilson also said the proposal to include OCS activities in the formula was unconstitutional [L.H. Doc. 7-029, File 25].

Richard Donaldson of SOHIO criticized the Department of Revenue's tax study. Donaldson argued that the proposals could be viewed as a confiscation of an equity interest or a modification of the lease contracts; that the taxes were biased against interstate commerce; that they were unfair and

discriminatory; that they would result in multiple taxation; and, failed to meet other constitutional requirements. Over the course of his testimony and the following colloquy, Donaldson raised several legal and policy objections to the tax proposals [L.H. Doc. 7-038, File 27; L.H. Doc. 7-039, File 27].

Also in March, the Alaska Oil and Gas Association issued a report entitled State Income Taxation of Multistate Oil Companies Operating in Alaska: A Discussion of Various Proposals and Their Effects on Taxpayers. The report set out a history of state income taxation of multistate businesses, the need for uniformity, and the effects on taxpayers from deviation from uniformity, e.g., duplicative taxation. The report discussed the harm to the oil companies from the franchise, net income and net proceeds taxes [L.H. Doc. 7-058, File 31].

Whether Prudhoe Bay was unusually profitable continued to be a major issue. The oil companies argued that Prudhoe Bay rates of return were only in the 11 to 18 percent range [L.H. Doc. 7-032, File 26; L.H. Doc. 7-033, File 26]. The Administration and the legislature's consultants often testified that Prudhoe Bay would be unusually profitable with rates of return in the 20 to 40 percent range [L.H. Doc. 7-012, File 20; L.H. Doc. 7-006, File 19]. The Department of Revenue also testified that regardless of the specific rate of return figure used, the adoption of the tax proposals would affect profitability by less than one percentage point [L.H. Doc. 7-009, File 19].

Another issue throughout 1977 was the oil revenues which the state could expect to receive. These revenues were dependent upon many unknown factors including the world market price, federal price ceilings and transportation costs. Throughout the year the Department of Revenue and the Research Division of the Legislative Affairs Agency were constantly revising their estimates of anticipated revenues. The uncertainty about whether the state would soon be faced with large surpluses or large deficits seemed to increase over this period [L.H. Doc. 7-070, File 34; L.H. Doc. 7-075, File 34; L.H. Doc. 7-078, File 34; L.H. Doc. 7-081, File 34; L.H. Doc. 7-082, File 34; L.H. Doc. 7-084, File 34; L.H. Doc. 7-090, File 34; L.H. Doc. 7-092, File 34].

After reviewing the testimony, the House Resources Subcommittee on Oil and Gas chaired by Representative Merle Snider and including Representative Malone, recommended that the full committee consider and pass out HB 322. The subcommittee gave its reasons for this action and concluded that HB 322 would benefit Alaskans without discouraging oil industry development [L.H. Doc. 7-045, File 28].

Curiously, on April 5, the House Resources Committee passed out both HB 322 (the Administration bill) and HB 145 (Croft's interim committee's separate accounting bill).

These bills then moved on to the House Finance Committee which began its consideration of these measures. Many of the same groups which had testified before the resources

committees also testified before the House Finance Committee. The Department of Revenue repeated the Administration's position on April 14, and additionally rebutted the oil industry's arguments that Alaska has one of the highest tax burdens in the country. The department presented its case that compared to other oil producing states, Alaska's existing tax burden was in the middle of the range and even with enactment of the Administration's tax package, the burden would still not be the greatest [L.H. Doc. 7-009, File 19; L.H. Doc. 7-011, File 19; L.H. Doc. 7-150, File 36].

The oil and gas industry also testified extensively repeating their position on new oil taxes [L.H. Doc. 7-025, File 23; L.H. Doc. 7-026, File 24; L.H. Doc. 7-027, File 24].

Jerome Zeifman reiterated his findings and recommendations made earlier and added that the state should not be too concerned with duplicative taxation or violating the principles of uniformity because no multi-national company had ever been able to prove it had been taxed on more than 100 percent of its income. Further, he pointed out that many states already deviate significantly from the uniformity principle [L.H. Doc. 7-022, File 23]. He also stated that the legislature could adopt a provision allowing relief for a taxpayer proving multiple taxation.

The House Finance Committee also heard from many new witnesses. Dr. Edward Schaffer, professor of economics at the University of Alberta, said the oil industry had threatened to

leave Alberta when taxes were raised there, but did not leave. Schaffer also argued it was perfectly appropriate for the state to raise its taxes even after it signed leases with the oil companies [L.H. Doc. 7-022, File 23].

Another new witness was Dr. Joseph Kemp from the University of Aberdeen, Scotland. Kemp reviewed the North Sea experience for the House Finance Committee, particularly with regards to its profitability, tax increases and their impacts, and other related concerns [L.H. Doc. 7-023, File 23; L.H. Doc. 7-066, File 33].

Nial Trimble, an economist also familiar with North Sea oil development, testified that

(1) all over the world the oil industry threatens to leave when taxes are increased, so the response to Alaska's proposal is typical;

(2) Alaska has more potential for successful exploration than other places and it is this, rather than taxes, which is the primary criterion;

(3) Alaska's taxes will not raise consumer prices; and

(4) that oil companies' actions will be dictated by where the oil is.

Trimble concluded that compared to other parts of the world, taxation in Alaska was relatively low, and profits were outstanding, and therefore it was not likely that the oil companies would leave the state [L.H. Doc. 7-021, File 23].

A number of private individuals also testified both for and against the tax proposals [L.H. Doc. 7-024, File 24; L.H. Doc. 7-025, File 23].

The House Finance Committee, on May 10, passed out of committee with a majority of do pass recommendations, a Committee Substitute for HB 322. The substitute essentially preserved the Administration's (and Zeifman's) approach with Zeifman's new recommendations.

On May 11, Chairman Steve Cowper, in the chairman's report, explained the bill and its benefits to Alaska. Also on that day, CSHB 322 passed the House of Representatives.

Following the Joint Resources Committee hearings in March, the Senate, too, took action. On April 27, the Senate Resources Committee adopted and passed out of committee a Committee Substitute for SB 105, which refined the separate accounting procedures outlined in the original SB 105. The new substitute bill made changes to accommodate the technical points made by Milton Lipton, the constitutional problems raised by Paul Hartman and Administrative concerns raised by the Department of Revenue [L.H. Doc. 7-046, File 29; L.H. Doc. 7-050, File 29]. Four members of the committee signed "no recommendation" and two members signed "do pass." The bill was next referred to the Senate Finance Committee.

On May 14, the Senate received the House-passed CSHB 322 and referred it to the Resources and Finance Committees.

On May 19, the Senate Resources Committee adopted a Senate Committee Substitute for CSHB 322. The Senate Committee Substitute "stripped" the House bill and replaced it with the

separate accounting measure that had passed out as CSSB 105 on April 27.

On May 21, the Senate Finance Committee took up CSHB 322. Senator Tillion noted that a Finance Committee Substitute had been prepared (also a separate accounting bill) and he preferred that version. The commissioner of revenue testified in favor of the House-passed bill, and Senator Croft responded in favor of the separate accounting methodology saying it would establish equal treatment between companies operating in Alaska.

Senate Finance Committee Chairman Sackett said he preferred the Senate Resources Committee Substitute, and the Senate Resources Committee Substitute for CSHB 322 was passed out of the Senate Finance Committee with individual recommendations [L.H. Doc. 7-054, File 30; Formal Legislative History].

The Senate committee made it clear that they preferred the separate accounting method of corporate income taxation over the modified formula apportionment method endorsed by the House and the Administration. Neither the House nor the Administration were prepared to change their minds and the 1977 session of the legislature adjourned without a bill passing the full Senate.

SYNTHESIS AND RESOLUTION--1978

During 1977, the discussions in the legislature had mostly shifted away from whether it should revise its corporate income tax to the question of how that goal should be

accomplished. On the several approaches which had been suggested in 1976, two had survived -- the Senate's separate accounting method and the Administration/House modified apportionment approach.

At the beginning of the 1978 legislative session, Commissioner Gallagher and oil industry representatives each requested that the income tax bill be returned to the Senate Resources Committee for further testimony. Gallagher wanted to present more information on the problems of separate accounting and the oil industry wanted to convince the Senate not to pass any income tax bill.

To provide additional support for their position against changing the corporate income tax, the industry contracted with four major consultants. By early 1978, these experts' work was unveiled.

Three of AOGA's consultants addressed the legal questions raised by the two bills on which attention now focused. The first of these was Gary Boren, a Professor of Law at Washington University in St. Louis, who prepared a report entitled The Effects of House Bill 322 and Senate CS for CS for House Bill 322 on Uniformity and Equity [L.H. Doc. 8-029, File 5]. Boren's basic point was that the failure to allow all taxpayers to use federal taxable income as the income tax base resulted in illegal discrimination. Boren further argued that no plausible justification can support elimination of the sales factor. He claimed that in substituting an extraction factor,

Alaska would have a formula unique to itself, which, because it would result in double taxation and discrimination, would be unconstitutional. He argued the separate accounting methodology would be costly, subject to manipulation, arbitrary and unfair, was unconstitutional and raised the specter of Congress stepping in to impose a federal solution to state income taxation. Boren testified before the Senate Resources Committee in February [L.H. Doc. 8-023, File 5; L.H. Doc. 8-024, File 5; L.H. Doc. 8-025, File 5; L.H. Doc. 8-026, File 5; L.H. Doc. 8-027, File 5; L.H. Doc. 8-028, File 5; L.H. Doc. 8-029, File 5].

John S. Warren prepared a report entitled Position Paper on Alaska Oil and Gas Taxation in which he asserted that Alaska's existing tax structure was modern, simple, inexpensive, fair, prevented under and over taxation and contended that all legislative proposals detracted from these values. If the proposals were enacted, the Department of Revenue could no longer rely on federal auditors and Alaska would be forced out of the Multistate Tax Compact, and be deprived of the Multistate Tax Commission's joint audit program. Warren, too, testified before the Senate Resources Committee in February [L.H. Doc. 8-030, File 5; L.H. Doc. 8-031, File 5; L.H. Doc. 8-032, File 5; L.H. Doc. 8-033, File 5; L.H. Doc. 8-034, File 5].

Leonard Kust, a Wall Street tax attorney, prepared two reports released in January. Kust's first report was entitled A Summary of State Taxation of Multi-state Business Income--History

and Present Status. This report was a brief history and overview of the issue nationwide.

Kust's second report, Income Taxation of Multistate Corporations Engaged in Oil and Gas Production and Transportation in Alaska. His arguments generally paralleled the arguments presented by Boren.

AOGA's fourth consultant was a nationally recognized accounting firm, Arthur Anderson and Company. Their January report entitled Prudhoe Bay Field and Trans-Alaska Pipeline System--Comparative State Tax Burden Study indicated that existing law in Alaska imposed the greatest tax burden of any of the major oil and gas producing states, and the legislation being considered magnified the problem considerably [L.H. Doc. 8-080, File 13; L.H. Doc. 8-081, File 13; L.H. Doc. 8-090, File 14]. Bob Moore, a tax partner in Arthur Anderson and Company, testified before the Senate Resources Committee on the study and related issues in February and March [L.H. Doc. 8-090, File 14].

The response to the Arthur Anderson study was immediate [L.H. Doc. 8-083, File 14; L.H. Doc. 8-084, File 14; L.H. Doc. 8-087, File 14; L.H. Doc. 8-088, File 14; L.H. Doc. 8-089, File 14].

The most lengthy rejoinder came from the Department of Revenue which pointed out that Alaska's ranking in comparative tax burdens would be much lower had Anderson used a different methodology and taken a broader approach. The department also pointed out some specific errors in the report [L.H. Doc. 8-089,

File 14]. Dick Haggart of the legislative research staff made some of the same arguments [L.H. Doc. 8-084, File 14].

In addition, it was argued that one unintended showing of the Arthur Anderson study was that the current income tax was not accurately measuring income earned in Alaska and that the separate accounting method most accurately reflected that income. Milton Lipton and others argued that the tables in the study showed that the present income tax apportioned income much below the income earned in Alaska whereas the separate accounting equaled the income earned in Alaska. [L.H. Doc. 8-018, File 4].

In February, representatives of individual oil companies came before the Senate Resources Committee to testify that they were already paying their fair share, that Alaska already imposes the highest tax burden, and that the increased taxes will drive away investment in oil exploration and development [L.H. Doc. 8-048, File 7; L.H. Doc. 8-049, File 7; L.H. Doc. 8-050, File 7; L.H. Doc. 8-051, File 7; L.H. Doc. 8-052, File 7; L.H. Doc. 8-053, File 7].

EXXON, in its efforts to convince the legislature not to increase taxes, contracted with Dittman Research Associates to conduct a public opinion poll. The findings of that poll, published in a report entitled, Public Opinion Concerning Oil Industry Taxation were released in February. The report stated that three out of four Alaskans thought oil industry taxation should remain the same or be lowered [L.H. Doc. 8-054, File 8;

L.H. Doc. 8-055, File 8; L.H. Doc. 8-056, File 8; L.H. Doc. 8-057, File 8].

Crawford Thomas, another AOGA consultant, testified that the Multistate Tax Compact has higher status than state law, and that corporations could continue to use the standard apportionment system regardless of Alaska's laws [L.H. Doc. 8-097, File 15]. Representatives of other business interests also testified against the taxes asserting that it would cause a slowdown in the state's economic growth [L.H. Doc. 8-092, File 15; L.H. Doc. 8-093, File 15; L.H. Doc. 8-094, File 15; L.H. Doc. 8-095, File 15; L.H. Doc. 8-096, File 15]. The Arctic Slope Regional Corporation also testified against the new taxes [L.H. Doc. 8-098, File 16; L.H. Doc. 8-099, File 16; L.H. Doc. 8-100, File 16].

Commissioner Gallagher testified at the February hearings with the Administration's position as to what kinds of problems exist with the current tax structure, why the problems exist, and how the Administration proposes to solve these problems. The solutions proposed by the Administration and the House were preferable to the solutions proposed by the Senate [L.H. Doc. 8-013, File 2].

One of the areas of concern to the legislature over this period was the legal impact on Alaska's membership in the Multistate Tax Compact and the Multistate Tax Commission if it enacted any of the proposed bills. Though many of the oil industry's representatives threatened it would force Alaska out

of the compact and the commission, the legislature's own legal counsel offered opinions to the contrary; they concluded that neither of the proposed bills would force Alaska out of the compact or commission [L.H. Doc. 8-034, File 5; L.H. Doc. 8-058, File 9; L.H. Doc. 8-059, File 9; L.H. Doc. 8-060, File 9; L.H. Doc. 8-061, File 9].

Later in the session, a compromise bill was worked out which contained elements of both the separate accounting bill (SB 145) adopted by the Senate Resources Committee and the governor's franchise tax bill (CSHB 322). It was unveiled in May, when John Messenger and Gregg Erickson appeared with a suggested compromise before the Senate Resources Committee [L.H Doc. 8-005, File 1]. The features of the bill were explained in a summary prepared by the Department of Revenue [L.H. Doc. 8-011, File 2]. The Department of Revenue stated that it had accepted the separate accounting approach set out in the compromise bill because the bill now had features which would avoid the profit shifting problems contained in some of the separate accounting approaches [L.H. Doc. 8-005, File 1; L.H. Doc. 8-011, File 2].

Milton Lipton testified on the new proposed bill. He raised specific technical problems with the bill as well as policy objections to the book income and OCS features of the compromise bill. The Department of Revenue responded to Milton Lipton's comments on the technical issues and reiterated their position in favor of using book income and the inclusion of the OCS factors. The proposed committee substitute was modified

to take into account the technical changes proposed by Milton Lipton and the Department of Revenue and was passed out of both the Senate Resources and Finance Committees (SCS CSHB 322 (Resources)). The bill was approved by the Senate on June 7 and accepted by the House on June 9.

On July 5, 1978, Governor Hammond signed the new oil and gas income tax measure into law saying, "The passage of this bill culminates three years of joint effort by the executive and legislative branches to rectify substantial defects in the former taxation scheme which, by incorporating various federally available tax loopholes and by using an inappropriate apportionment formula, allowed oil and gas corporations to avoid their share of the state tax burden. Although the representatives of the two branches debated at great length and with great vigor as to what was the best method of obtaining this end, I feel it is important to emphasize that the efforts of the executive and the legislative branches were from the beginning motivated by their common goal, i.e., to decrease the opportunity for income shifting and concomitant tax avoidance and to more accurately measure the income producing activity in the state."

LEGISLATIVE HISTORY RESPONSE

I. Introduction

As a part of its legislative history filing submitted with its summary judgment motion, the state provided a "Summary of Legislative History." 6/ That summary provided a straightforward overview of the entire legislative history of AS 43.21 by highlighting the issues, the participants, the forum, the context and the arguments raised during the debate over the oil and gas corporate income tax. In its Memorandum of Points and Authority in Support of Motion for Summary Judgment, the state again highlighted portions of the legislative record but used those portions of the legislative record which were specifically related to the taxpayers' arguments. S.B. at 17 et seq. The previous discussion adequately highlighted the major points of the legislative history, and, of course, the legislative record speaks for itself. This discussion of the legislative history responds specifically to the theories and comments contained in the taxpayers' legislative history. T.B., Appendix C.

6/ Appendix 2 to the Affidavit of John R. Messenger.

The taxpayers' theory of the legislature's intent assumes that the purposes set out in the preamble to AS 43.21 7/ are fraudulent. The taxpayers allege that the legislature had a more "simple," "understandable," yet "fundamentally wrong" motive -- greed, (T.B. at 2, 70) and that the legislature satisfied its voracious appetite for revenue by changing the income tax method for these taxpayers.

The legislative process leading to the enactment of AS 43.21, conducted responsibly and openly as it was during the years covered by this record, encouraged the expression of diverse views. It was considered by two legislatures over a four-year period. It stimulated 63 hearings, dozens of reports and studies, and testimony by uncounted lobbyists, economists, accountants, security analysts, lawyers, corporate officials, government officials, public interest groups, and just plain citizens. Appendix 2 to the Affidavit of John R. Messenger. The debate touched on a number of issues -- some of which are legally irrelevant but which were important for an informed legislative debate on a subject of vital public policy. These issues included the economic effects of various tax measures on the oil industry in Alaska -- including future exploration and development, administrative difficulties involved with tax method changes, comparative tax burden with other states, Congressional

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7/ Section 1, ch. 110, SLA 1978.

reaction to proposed tax changes and the moral fairness of changing the tax methods for the oil industry. If one wishes to take isolated comments out of context, the resulting record probably contains some support for virtually any legislative motive that one could conceive.

II. The Taxpayers' Legislative Motive Theory

The taxpayers pepper their brief with an unrelenting series of comments, suggestions and inferences that the four-year examination of the oil and gas corporate income tax structure was motivated solely out of an unwholesome desire for more revenue by an avaricious legislature. 8/ Like the movie makers of old,

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8/ The taxpayers' characterizations of the men and women who served in the Alaska legislature are purposely scattered through their brief. When assembled in one place, however, it is easier to appreciate the extremes to which their rhetoric has taken them: "[T]he State's increasing appetite for revenues." T.B. at 2. "Alaska's rather stingy list of deductions ..." T.B. at 9. "'[H]onest effort' by the legislature ... is absent ..." T.B. at 33. "[H]ow great is the culpability of state's tax scheme." T.B. at 37. The four years of work on the challenged legislation was "not a serious attempt to measure income 'actually' earned in Alaska ..." T.B. at 46. Legislators succumbed to "an impatient avidity for immediate and immoderate gain." T.B. at 55. "The legislature simply decided to ... grab everything for itself." T.B. at 61. The legislature was not "honestly trying to remedy the deficiencies in UDITPA." T.B. at 62. The legislature's purpose was "to extract the maximum amount of money possible ..." T.B. at 66.

the taxpayers have hoped that their subliminal message of gluttony will register on the reader's subconscious.

Having badgered the reader with innuendo, the taxpayers proceed to construct their legislative motive theory in three parts. The first are token comments taken from a handful of documents in 1975 and 1976. 9/ These comments, argue the taxpayers, show that the legislature was "urged" and resultantly "charted the course" to use its taxing power to undo the state's "bad deal" on prior oil and gas leases. T.B. at 67, 68, 71.

The second is a statement taken from a 1979 historical study of oil taxation in Alaska which hypothesizes that Alaska's dual landowner and governmental roles probably allowed the legislature to do what the taxpayers now argue, they in fact accomplished. 10/ T.B. at 70. The third is a collection of statements regarding relative shares of Prudhoe Bay revenues made during the 1981 legislative consideration of changes to AS 43.21. Appendix C at 86-89.

9/ Witherspoon memorandum [L.H. Doc. 5-020, File 57]; Huber statement quoted in Donaldson memorandum, Affidavit of Richard Donaldson, Exhibit A; Report of the Senate Special Committee on Taxation and Revenue [L.H. Doc. 6-024, File 41]; Tanzer reports [L.H. Doc. 5-001, File 55; L.H. Doc. 6-003, File 39]; Gallagher letter to Boucher, Gallagher Deposition, Exhibit 60; Cowper Testimony [L.H. Doc. 6-039, File 43]; Cowper letter to Spahr, Affidavit of William Rozell, Tab 95.

10/ Historical Review of Alaska Petroleum Taxes, 1955-1978 (April 1979). [Attached as Exhibit I to Appendix C].

The weakness of the taxpayers' characterization is apparent on its face. The taxpayers cite nothing from the formal legislative record of AS 43.21 which would support their argument. Nothing from the bills themselves, the legislative journals, the committee reports, nor the governor's letters of transmittal or signature lend the slightest support to the taxpayers' argument. Nor is there any continuous thread or consistent theme to their theory. Their constructed purpose is built solely upon connecting isolated 1975 and 1976 comments with a few post hoc statements made in 1979 and 1981.

Moreover, the taxpayers' citations in support of their argument are less weighty than they appear. String citations periodically refer to one document cited several different

ways. 11/ Quotes, at times, are mischaracterized, 12/ and support for legislative purpose in part consists of self-serving

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11/ For example, nn. 94, 95, and 98 of taxpayers' brief (T.B. at 64) cite a single document as

> "Deposition of Sterling Gallagher, Exhibit 68 at 31-32; Deposition of Thomas K. Williams, Exhibit 76 at 31; and [L.H. Doc. 6-204 at 31-32, File 42].

12/ For example, at n.125 (T.B. at 70), a paraphrase is shown as a quotation and a quotation is incorrectly attributed. The cited document [L.H. Doc. 5-021] is a memorandum of a conversation between Dick Kilgore, Senator Huber, Senator Colletta, and Judy Whitney. The quote comes not from Senator Huber but from the unknown author of this document. It is not clear from the text whether the material used by the taxpayers is a paraphrase of Senator Huber, Dick Kilgore, or someone else.

Another example is seen at n.117 (T.B. at 69). The quotation is taken out of context. Dr. Tanzer did not say that Alaska should emulate other countries. He did observe that "it is worth noting" what other countries have done. The full quotation is as follows:

> While the ultimate decision on questions of fairness can only be made by the people and their representatives, and not by economic consultants, it is worth noting that such decisions have faced many other countries also. That is, once OPEC changed the ground rules of international oil in 1973 by doubling and redoubling the price of crude oil, the changed circumstances have forced governments in oil producing countries outside of OPEC to reconsider the tax rates they have levied. (Emphasis added).

Further, the taxpayers frequently cite to material which has nothing to do with and does not contain the quote or proposition offered. See T.B. at 69, n.117(c); T.B. at 69 n.118; Appendix C at 10, n.7. Paraphrases are occasionally offered as quotations (Appendix C at 15 - 18), and material is either added without brackets or deleted without ellipses. T.B. at 64 n.94; T.B. at 64, n.95; T.B. at 68, n.115; T.B. at 69, n.121; Appendix C at 10, n.7; Appendix C at 11, 17-23.

testimony from their own supporting witnesses. 13/

The preeminent taxpayer citations for an illegitimate legislative purpose are the quotes attributable to Professor Joseph P. Witherspoon, a law professor consultant to Senator Huber in 1975. 14/ The quotations from Professor Witherspoon are characterized by the taxpayers as "charting the course that the State was to follow." T.B. at 67. The "charting" document is a draft memorandum. It exists in two versions, both clearly incomplete, both ending abruptly as if the author's work had been interrupted. Neither version is signed by the purported author. than draft memorandum. It exists in two versions, both clearly incomplete, both ending abruptly as if the author's work had been interrupted. Neither version is signed by the purported author.

But even assuming that the memo was completed and was seen by a legislator, it is completely irrelevant here because Professor Witherspoon was not talking about the income tax issue but was talking about the state's imposition of a new property tax on oil and gas reserves which would serve as an independent source of tax revenues. 15/ At no place in the unfinished memo

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13/ See, e.g., the six citations to the legislative record on page 16 of Taxpayers' Appendix C.

14/ T.B. at 67, citing excerpts from L.H. Doc. 5-020, File 57.

15/ On page 4 of the memo it states "In this context, the ad valorem property tax on oil and gas in place has a special justification as a new independent source of substantial tax (continued)

is the income tax addressed. Further, the legislature rejected Witherspoon's advice to impose an oil and gas reserve property tax "as a new and independent source of substantial tax revenue" and adopted instead a temporary two-year property tax to carry the state through a period of budget deficits. 16/

In any event, after consulting with Senator Huber on the property tax in 1975, Professor Witherspoon disappears from the legislative scene and never shows up again in the legislative record. Professor Witherspoon's unfinished memo can hardly be said to have "charted the course" since it did not deal with income tax and was not discussed by the legislature in the context of the income tax at all. If anyone can be said to have been the harbinger of the income tax issue it was Milton Lipton, who began advising the legislature about the deficiencies of the state's corporate income tax in the early 1970s. 17/

A second source of citations used by the taxpayers for their constructed purposes are some statements and documents relating to the so-called "Huber Bills." 18/ This series of

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15/ (continued)
revenues at this time." [L.H. Doc. 5-020, File 57 at 4 (both versions)].

16/ The oil and gas reserves property tax, AS 43.58, was also allowed as a credit against current and future severance tax liabilities.

17/ See Summary of Legislative History, Appendix 2 to Affidavit of John R. Messenger, pp. 9-11.

18/ SB 567, SB 620, SB 621, SB 747.

bills introduced in 1976 would have increased the upper rate of the state's severance tax from 8 to 14 percent, created an excess value surtax at a 41 percent tax rate, and imposed a net proceeds tax. None of these concepts were adopted by the legislature and in fact not one of the bills moved from a single committee. The first document in this group cited by the taxpayers is a statement attributed to Senator Huber from a memo to file entitled "Huber tax package" authored by SOHIO attorney Richard Donaldson and dated five days after the conversation with Senator Huber. 19/ This aide -- memoir prepared by SOHIO counsel is clearly self-serving and created in anticipation of litigation. There is no evidence, needless to say, that Senator Huber himself ever saw Mr. Donaldson's memorandum. Nor do we have the full conversation or context of the statements or which portions of the conversation represent quotes and which ones are paraphrases. In any event, the alleged statements by Senator Huber related to the Huber bills which never moved from committee.

A second document within this group of cited authorities is a letter from Commissioner Sterling Gallagher to H.A. Boucher dated February 5, 1976. 20/ In the letter the taxpayers cite from the following:

19/ T.B. at 68, citing from Affidavit of Richard Donaldson, Exhibit A at 4.

20/ T.B. at 69, citing Gallagher Deposition, Exhibit 60.

> It seems to me what these bills really do is readjust the royalty provisions of the 1969 sale. We are saying that we made a poor dealin the past and are now using our sovereign tax powers to correct that mistake. Whether this is equitable is a question that can only be answered by the people of Alaska.

The taxpayers neglect, however, to cite earlier in the letter where Commissioner Gallagher states "[i]t would be premature to comment on any tax bills before they are introduced so I will not comment at this time on the Huber taxation package." The accuracy of the perception of tax bills not yet introduced is self-evident. But even assuming that the perception was correct, those bills included a 14 percent severance tax, a 41 percent excess value surtax and a net proceeds tax, all of which did not move out of committee, and none of which formed the basis of the income tax bill that passed.

A third source cited by the taxpayers includes a letter from Representative Cowper to Charles Spahr. THe taxpayers cite this letter for the propostion that HB 803 21/ was designed to amend the lease contracts. This letter was written in response to a letter from Charles Spahr to Representative Cowper. 22/ As with other quotes cited by the taxpayers, this is an example in

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21/ H.B. 803 was similar to the Huber Proceeds Tax.

22/ Taxpayers' Appendix C at 19 citing Affidavit of William Rozell, Tab 95.

which statements were made in response to the recurring moral claim by the industry that tax increases were "unfair," violated a "basic relationship between the state and the companies," and "represented a significant modification of the spirit and intent of the original leasing agreements entered into in the 1960s." Id.; L.H. Doc 7-032, File 26 at 2. The characterization is industry's, not Rep. Cowper's and Cowper was simply responding that this moral claim was offset by changes in the world oil prices. 23/

What matters, however, in the context of these statements from 1975 and 1976 is that any inference of using the taxing power to rewrite the leases was soundly rejected by State policy makers responsible in later years for advancing specific income tax bills. For example, in a February 20, 1976 memorandum. 24/ forwarded to the Administration's Financial Options Task Force, Commissioner Gallagher states in the context of the State's revenue options:

> If the legislature, on the basis of facts and rational analysis, believes that contracts previously entered into are inadequate and will not obtain the state's goal of optimizing the disposition of its resources, then bilateral

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23/ The same type of moral fairness rejoinder is contained in (1) the testimony of Dr. Edward Schaffer, T.B. at 69, citing L.H. Doc. 7-022, File 23; (2) the testimony of Dr. Vic Fisher, T.B. at 69 citing L.H. Doc. 7-024, File 23; and the (3) statements of Michael Tanzer, T.B. at 69, L.H. Doc. 5-001, File 55.

24/ This was just two weeks after the introduction of the "Huber Bills."

> renegotiations or litigation to void the contracts is appropriate. The use of the taxing authority to, in effect unilaterally renegotiate contracts is a misuse and abuse of taxing powers. If it so used these powers, government would undermine public confidence in the equity of its tax policy and the "bona fides" of any of its contracts.

Gallagher Deposition, Exhibit 51 at 2-3.

This strong position established from the outset a policy that rejects what the taxpayers would have us believe. This frank and open examination and thorough analysis of the taxation issue characterized the debate which was to continue for three more years.

Thus, the taxpayers here advance a handful of dubious items which they would have this court superimpose upon the legislature's stated purposes -- which are themselves supported by the bulk of the legislative record. With the exception of the testimony of two witnesses during 1977, all of the cited examples of "illicit purpose" come from 1975 and 1976. There is simply no common thread to their manufactured purpose. Indeed even the beginning of the thread is frayed. The "chart" from which Professor Witherspoon supposedly plotted the course of this nefarious taxing scheme is an incomplete draft of a memo written about a property tax proposal which did not pass.

Most of the examples cited by the taxpayers are in fact rejoinders to fairness and moral arguments which were raised by the oil companies in the first place. As concerned legislators, consultants, and citizens, some participants sought not only legal and economic answers to the arguments raised by the oil

companies but moral ones as well. Thus, Senator Huber and Representative Cowper were not content merely to cite article IX, section 1 of the Alaska Constitution to the oil industry officials when they spoke of the state breaking faith with its lease agreements. Instead, they met the companies' moral arguments with what they perceived as the state's moral rejoinder.

As discussed above, the taxpayers use a statement from a 1979 historical taxation study by Michael Bradner as support for their proposition that the legislature did in fact adopt AS 43.21 with a purpose to amend, unilaterally oil and gas leases. Mr. Bradner wrote this report as a private consultant. As a post hoc observation of one who was not even in the legislature when AS 43.21 was enacted, it is, of course, totally irrelevant. 25/ Nonetheless, it should be made clear that Mr. Bradner is referring to his personal theories, and is not purporting to characterize legislative intent. Mr. Bradner's statement reads

> In response to the charge that the state was abridging royalty contracts, it is likely very true that the dual owner/government role of the state allowed the state to do just that.

25/ See Alaska Public Employees' Association v. State, 525 P.2d 12 (Alaska 1974); Lynden Transport, Inc. v. State, 532 P.2d 700 (Alaska 1975); Union Oil Co. of California v. Dept. of Revenue, 560 P.2d (1977).

Michael Bradner, Historical Review of Alaska Petroleum Taxes - 1955-1978, April 1979 at 41.

It is clear, however, that Bradner was not talking in this passage about the purpose of AS 43.21, but about his theory of the economic advantage held by a governmental entity which is both a landowner and sovereign. Bradner's political theory is discussed on pages 3 and 4 of his Historical Review under the title Royalty and Taxes:

> Royalty and Taxes
>
> The State of Alaska has had two predominant revenue relationships with its petroleum resource. As a government the state has the inherent right to levy and collect taxes on its resources. However, as a public lands state, Alaska also has the dual benefit of also being owner of the resource. The latter role as owner allows the state to sell or lease the resource, and in so doing establish whatever sale or lease terms the prospective bidder is willing to pay at the time of contract.
>
> The state can adjust its share of the resource by either increasing general taxes on the resource, or by adjusting the lease terms. However, the problem with adjusting lease terms is that adjustments to such contracts can only be made for new leases. One of the issues of early tax battles in Alaska was the challenge that the state was really abridging the royalty provisions of oil leases by tax increases. The thrust of such argument was that the dual owner/taxor role gave the state an unfair advantage to redress unhappiness over lease terms with tax hikes. It is true that in most states, with some exception in regard to offshore lands of coastal states, that the "usual owner" is in the private sector, with government being confined as the taxing body. The state's dual role in Alaska is certainly the more unusual, and likely does offer some special advantage as well as alternative policy opportunity to the state. As the state entered its decade of policy change the opportunity was

> present to approach revenue issues through taxation, leasing, or some combination of both approaches.
>
> The pathway into the escalating tax battles of the 1970s was perhaps selected by historical circumstance. The sheer magnitude of the Prudhoe Bay discovery, together with the fact that the leases were already set in terms, left Alaska policymakers no other course but to pursue taxation as the only course to ascertain what they perceived as "the state's fair share." While the tax battle started well prior to Prudhoe Bay, the escalated fight that Prudhoe Bay destined to follow has perhaps set aside and overshadowed leasing issues for a decade.

Id. at 3, 4.

In essence, Bradner's political theory is that a government is able to use its taxing power in an economic sense to right perceived inequities in the deals struck by the government landowner. From these premises, Bradner recites all the oil and gas related tax changes since the leases were signed and then hypothesizes that the state's taxing power allowed the state to rewrite the leases. Thus, the premised political-economic theory is that whenever the state exercised its taxing power with respect to the oil and gas industry it was able to change the share of that oil and gas resource. Bradner does not argue that the purpose of any legislation was rewrite the lease terms, but that the dual role of government allowed a change in economic shares of the resource which would not be available to a private citizen. Bradner is merely observing an obvious political and economic fact of life -- that a government, unlike a private citizen, can increase its revenue both as a landowner or a sovereign, each having its own limitations. In

any event, Bradner was not talking about the income tax itself but the "tax issues of a decade." Bradner's conclusion comes in a final section of the report entitled "1979 and the Tax Issues of a Decade."

The first two sentences of a separate section dealing with the corporate income tax tell the real story:

> In 1978 the Alaska Legislature came to grips with the issue of creating a special corporate income tax to apply to the petroleum industry. The issue is complex and its details perhaps not of importance to the theme of this report, but the issue was driven along politically by the allegation that the petroleum industry was unfairly able to escape an equitable application of the state's regular corporate income tax law.

Id. at 38. In other words, the "complex" issues and "details" of the corporate income tax legislation conflicted with Bradner's theme about why all post-lease tax changes were made. Even ignoring the facts surrounding the income tax issue, however, Bradner still has to admit that the income tax issue was premised on the belief that the corporate income tax (UDITPA) was inequitable as applied to the oil industry.

Thus, the taxpayers use of the Bradner report is not of any help to them since it does not cite any support for the theory and is based solely on post hoc logic. Moreover, Bradner admits that the income tax issue was driven by the allegations of an unequitable corporate income tax for the oil industry.

The third piece used by the taxpayers to construct their theories are statements made during legislative

consideration of 1981 income tax legislation. 26/ These comments regarding a "30 percent share" of oil revenues were all made in the context of legislation specifically proposed in 1981 and in particular response to settlement offers of the taxpayers to the state. The "30 percent" concept is merely a benchmark against which one party's settlement offer with respect to this lawsuit could be measured against another's. Offered as they were in good faith settlement discussions, they are inadmissible. Alaska Rule of Evidence 408.

That state officials might use a shorthand description of a settlement offer is not surprising. The taxpayers made similar offers. Affidavit of Richard Donaldson, Exhibit B. These statements had nothing to do with the purposes of legislation enacted three years earlier. In fact, nowhere in the legislative record here is there any discussion of a "30 percent share."

The taxpayers only half-heartedly argue that the legislative record supports their other theory of legislative motive -- that the legislature was trying to discriminate against interstate commerce. T.B. at 54. The taxpayers do not cite any evidence in their brief. In their legislative history, the

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26/ Appendix C at 89, citing PR 7-88 at 2.

taxpayers rely primarily in this context on various proposals to exempt Native interests from taxation. Appendix C at 57-59. None of those proposals became law, and there was no such exemption in the bill that passed. 27/

III. The Legislature's Stated Purposes.

In contrast to the sparse citations advanced by the taxpayers, the evidence supporting the legislature's stated purposes is overwhelming. The reasons of the legislature are set out in the preamble of the statute:

> [T]he method of apportioning income for tax purposes under the "Uniform Division of Income for Tax Purposes" formula embodied in the Multistate Tax Compact (AS 43.21) and AS 43.20 does not fairly represent the extent of the business activities in this state of multistate corporations engaged in the production and pipeline transportation of crude oil and natural gas in Alaska.
>
> . . .
>
> [T]he assessment of income tax against a multistate corporation engaged in the production or pipeline transportation of oil or natural gas shall be commensurate with the tax that would be assessed against a corporation owning and operating only those assets of the multistate corporations which are in or directly associated

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27/ The taxpayers argue that the 1981 amendments to AS 43.21 gave special exemptions to Native oil income. The only 1981 provisions relating to Native corporations, however, were those which allowed Native corporations to deduct the amounts required to be shared under Section 7(i) of the Alaska Native Claims Settlement Act. 43 U.S.C. 1601 et seq. Amounts received under this federally-mandated sharing are required to be reported as investment income rather than production income. These rules being in accord with federal income tax rules.

with the state.

Sec. 1, ch. 110, SLA 1978.

The record in its entirety reflects an exhaustive examination of the income tax issue to solve the problem of the unrepresentative UDITPA three-factor formula and to make the measurement of income tax between multistate and non-multistate equal.

It is not surprising that in discussing a tax statute, the amount of revenues involved by the change were discussed. It was not, however, the focus of the legislature nor even a major consideration. The legislature searched for a more accurate and equitable measurement of income earned in the state. In every single version of the income tax bill the rate of tax remained at 9.4 percent. Indeed, there was almost an indifference to the amount of tax that would be raised. Legislators were not swayed from one competing method (modified apportionment) to another (separate accounting) by claims that the latter would collect more money.

The original sponsor of the separate accounting bill, Senator Croft, is paraphrased in the Senate Finance Committee minutes of May 21, 1977 as follows:

> Senator Croft stated that it was his understanding that the income tax is not designed to pick up additional money but to try to establish equal treatment between companies operating within the state.

[L.H. Doc. 7-054, File 30 at 1].

In fact, the legislature was cautioned time after time that separate accounting was not guaranteed to bring in more money and in fact was likely to bring in less money in some situations. Milton Lipton summed it up for the Senate Resources Committee on April 28, 1978:

> Secondly, I think it is not correct that always and inevitably separate accounting means higher in -- taxable income and higher tax revenues than the apportionment -- uh -- approach. Uh -- it doesn't because separate accounting will either -- will either raise the taxable income or reduce the taxable income, raise the income tax revenues or reduce the income tax revenues, depending upon the circumstances of a company's producing operations here in Alaska. It may very well be that the separate accounting, for example, for many of the producers in the Cook Inlet may give them lower income tax liabilities than under the apportionment formula. And if you will recall one of the major objections by -- by other consultants to the separate accounting approach and in favor of the franchise approach was that for three years when the Cook Inlet producers themselves opted for separate accounting, none of them ever showed any taxable income whatsoever and paid no -- no taxes to the State. And therefore separate accounting falls by the wayside as a device to increase income. But if your -- if your approach is that we can identify true income generated in Alaska, we will take our chances with an increase in income where there are profits, we may suffer in other instances even lower tax income than by the apportionment approach if in fact there is very little profitability, or if that company with modest profitability is doing a lot of exploration elsewhere and writing it off. (Emphasis added).

L.H. Doc. 8-131, File 4 at 12. And also on January 25, 1978, before the Joint House and Senate Resource Committee.

> The purpose is not to get higher taxation, but it gives you a direct fix on what the profitability of the industry's operations are... [T]he House Bill ... largely isolates the income taxed in

> Alaska, and hence the Alaskan corporate income tax revenues, from what happens in Alaska.

L.H. Doc. 8-018, File 4 at 22.

The legislature was also told that if the purpose was just to collect more money, the severance tax rather than the income tax was the most effective means. As Commissioner Gallagher put it:

> If we're seeking to raise money -- I think the most effective way is through a severance tax. But it has been traditional in states also to have an income tax in addition to capture the net profits. I think we should also have an effective income tax bill that -- and the issue, I guess, is whether we're going to have an effective and efficient tax system in capturing those things that we're trying to capture.

L.H. Doc. 8-125, File 2 at 6.

Professor Zeifman also gave the same advice to the legislature when he stated that the severance tax was the best approach for simply raising money and that the income tax was inappropriate if that was the purpose. L.H. Doc. 7-004, File 18 at 13.

Even the choice between the competing income tax bills was not made on the basis of which one would collect the most money. In a confidential memorandum to Senate President John Rader from his legislative aide, Senator Croft's attitude toward the competing bills was clearly delineated:

> [C]roft ... says he is not committed to going with the governor's [indecipherable handwritten comment] bill, just for sake of getting tax increase. Says the franchise proposal is "Unfair" because it just tinkers with the formula. Says separate accounting is most equitable method

> because under it every corp. pays same effective tax rate.

L.H. Doc. 8-006, File 1 at 1.

In fact, the revenue estimates of the two competing bills were nearly identical. L.H. Doc. 7-153, File 34; L.H. Doc. 8-101, File 17.

Instead, the legislature was searching for an income tax which more accurately reflected activities in the state and would put multistate companies on a commensurate level with other oil and gas producers and pipeline transporters.

As discussed in the state's opening memorandum and in the Summary of the Legislative History, the Department of Revenue conducted a comprehensive review of the oil and gas tax structure entitled: Alaska's Oil and Gas Tax Structure: A Study with Recommendations for Improvement. L.H. Doc. 7-139, File 35A. In its 1977 study, the Department concluded that there were two basic failings of the corporate income tax as applied to oil and gas production and pipeline transportation: (1) an eroded federal tax base; and (2) an inappropriate apportionment formula. With respect to the UDITPA formula applied to oil and gas production and pipeline transportation the department explained the deficiencies:

> Although there are problems with each of the three factors [property, payroll and sales], the use of the uniform sales factor produces the greatest distortion of oil and gas corporation activity in Alaska. That is, the total value of petroleum products is assigned only to the state where the final destination sale is made. No value is assigned to the state where the petroleum is

> produced. Instead of prorating that value added to the final product by the various phases of the business, the destination sales factor gives sole weight to the marketing side of the business.

Id. at V-17, 18.

Commissioner Sterling Gallagher further explained the problem in testimony before a joint House and Senate Resources Committee hearing shortly after the Department's Tax Study was published:

> The present apportionment formula of property, payroll and sales is designed to measure the activity of general merchantile business. It does not accurately measure the activities of natural resource companies and it does not take into account the unique contribution made by natural resources themselves. The present destination-oriented formula does not give any weight to the scarcity value of the non-renewable resource which is really what determines the income or profit for a natural resource company.

L.H. Doc. 7-005, File 19 at 15 and 16.

The Department of Revenue reiterated these deficiencies to the legislature, time and time again during 1977 and 1978. L.H. Doc. 7-173, File 19 at 10 et seq.; L.H. Doc. 80125, File 2 at 2 et seq.

The taxpayers attack the department's work with a series of unsubstantiated allegations:

> [1] No studies were done on the subject [the UDITPA formula does not fairly represent the business activities of the oil industry] by the Department of Revenue. T.B. at 60.
>
> [2] No data sufficient to examine the application of the UDITPA formula to the oil industry or to unitary businesses of any kind were provided to the State's consultants. T.B. at 60.

[3] The Administration simply presumed its conclusions. T.B. at 60.

For each of these broad conclusions, the taxpayers cite portions of the Depositions of Sterling Gallagher, John Messenger and Thomas K. Williams as well as the State's Response to Request for Admission, No. 150. T.B. at 60. These citations are misrepresentations.

The essence of the testimony by these three individuals is that they could not recall all of the information and studies that were relied on by the department or its consultants. Even though five years have expired since these matters were considered, they were able to point out some of the items considered including tax returns, the department's experience in administering the state's tax system, the Zeifman and Ainsworth report, Sohio Submission One, reports by investment banking firms and the Tanzer reports. 28/ The State's Response to Request for Admission No. 150 also does not support the taxpayers' broad assertion since the state's only admission here is that it knows of no studies concerning UDITPA and extractive industries other than oil and gas. That aside, the Department's conclusions -- based as they were upon its tax administration experience, tax

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28/ Deposition of Sterling Gallagher at 20-29, 112-117, 53-63; Deposition of John R. Messenger at 121-127, 54-81, 204-207; Deposition of Thomas K. Williams at 14-18.

returns, the Ziefman and Ainsworth report as well as other reports and analysis that came before can hardly be said to have been presumed. Moreover, it is the basis of the legislature's conclusions which are relevant here.

The taxpayers also attempt to discredit the evidence of the failings of UDITPA by citing 1976 testimony of Sterling Gallagher and Thomas K. Williams for the proposition that the oil industry was paying its fair share, at an effective tax close to nine percent. T.B. at 3, 4. 29/ The cited statements of Sterling Gallagher, however, only relate to the effects of 1975 legislation on the federal tax base not to the effectiveness of UDITPA formula. 30/ The statements by Thomas K. Williams had nothing to do with the effective tax rates or the UDITPA formula. In any event, this testimony was given before the department had begun its comprehensive tax study. L.H.Doc. 7-139, File 35A.

The Department of Revenue was not alone in advising the legislature about the deficiencies of UDITPA and the taxpayers' attempt to belittle the legislature's reasoning process by repeatedly referring to deficiencies in an administrative record simply will not work. The deficiencies in the three-factor

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29/ The testimony cited is found at L.H. Doc. 6-204, File 42.

30/ In another part of his testimony, Sterling Gallagher noted problems with the three-factor formula. Id. at 8.

formula were noted by a host of others: Milton Lipton - L.H. Doc. 8-128, File 4 at 1, 16; Richard Kilgore - L.H. Doc. 7-018, File 22 at 3, 14; Governor Hammond - L.H. Doc. 7-051, File 30 at 1, 2; Senator Croft - L.H. Doc. 7-054, File 30 at 1; Representative Cowper - L.H Doc. 7-053, File 30 at 1; Professors Ziefman and Ainsworth - L.H. Doc. 7-004, File 18.

Evidence of the deficiencies was well documented to the legislature from studies conducted by a number of other sources: the Legislative Affairs Agency, L.H. Doc. 6-096, File 46; L.H. Doc. 6-103, File 48; The Revenue and Taxation Committee Staff, L.H. Doc. 6-024, File 41; Professors Ziefman and Ainsworth, L.H. Doc. 7-001, File 18; Walter J. Levy and Associates, L.H. Doc. 6-124, File 50; Wainwright Securities, L.H. Doc. 7-061, File 32. The conclusions reached in each of these studies were based upon information available to them, both public and confidential, as well as information provided by the industry itself.

The Ziefman and Ainsworth Study was one analysis which documented the failings of UDITPA. L.H. Doc. 7-001, File 18. Based upon their several years experience in analyzing state income tax systems for the United States Congress and upon their analysis of financial reports and income tax returns filed by oil

and gas corporations in Alaska as well as other items, 31/ Professors Ziefman and Ainsworth concluded that "the present method [for determining entire taxable income and the Alaska method for apportioning income] is ineffective and embodies policies which the Alaska Legislature ought appropriately to reevaluate."

The taxpayers try to downplay the significance of this report by alleging that Zeifman and Ainsworth only looked at separate accounting returns, not formula apportionment returns. Appendix C at 52. That is not true. As the report shows, they examined both formula apportionment and separate accounting returns. 32/

The staff of the Special Committee on Taxation and Revenue reported on their own analysis in that Committee's first report:

> From studies done by the staff, the current corporate income tax law does not reach the net profits of the out-of-state producing companies. The Multistate Tax Compact with its allocation formula is inadequate for production of revenue -

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31/ For other sources relied upon by Ziefman and Ainsworth see L.H. Doc. 7-001, File 18 at 2, for their experience in state taxation see id. at 52.

32/ The taxpayers also complain that the Ziefman and Ainsworth Study only looked at 1975, and earlier, tax returns. Appendix C at 52. Those returns were, of course, the most current information available at that time.

> from resource companies. The allocation formula based on sales, property, and payroll does short change the State of Alaska. The major components of sales, property, and payroll are located outside of the state.

L.H. Doc. 6-022, File 41 at 4. The committee's subsequent reports provided volumes of documentation for this assertion. L.H. Doc. 6-023, 6-024, File 41.

The Legislative Affairs Agency found that UDITPA provided perverse results when applied to the Prudhoe producers. For example, the studies of Dr. Barbara Sorenson were, contrary to taxpayers assertions, (Appendix C at 69) a careful and detailed review of the workings of UDITPA. The two memoranda (L.H. Doc. 6-096, File 46 and 6-103, File 48) demonstrate the gross disparity among the income tax liabilities of the three major Prudhoe Bay producers (L.H. Doc. 6-103, File 48 at 1). In a memorandum later in 1976, Gregg Erickson, Director of Legislative Research, called legislators' attention to the implications of Dr. Sorenson's studies, noting that:

> one obvious question would be whether or not this disparity is justified and, if not, how it can best be eliminated or mitigated. A number of outside observers, including Milton Lipton, have strongly recommended that Alaska go to some sort of "direct or separate accounting." Under such an arrangement net taxable income in Alaska would be determined by calculating the value of oil and gas exported from the state and subtracting therefrom the costs of getting it to the state's borders. Under such an arrangement there would be little reason to expect that domestic and multistate corporations would pay different effective tax rates.

L.H. Doc. 6-026, File 42 at 9.

Others from outside Alaska observed the obvious problems with the application of UDITPA to Alaska oil production. In a comprehensive 85-page analysis of Alaska's petroleum tax policies and oil development prospects issued in April 1977, Wainwright Securities, Inc. noted that there were "glaring deficiencies" in the state's corporate income tax as it was applied to oil producers. They further noted that passage of the Administration's proposed legislation "would ensure that the North Slope producers pay something resembling the 9.4 percent nominal tax rate imposed on domestic (Alaskan) corporations doing business only in the state -- versus the two to three percent rate that otherwise would apply to a multinational oil company." L.H. Doc. 7-061, File 32 at 33-34.

Like virtually every piece of publicly released research prepared by securities firms, the Wainwright analysis contained the standard "boiler plate" language disclaiming liability for any investment which might be made in reliance on the study. Taxpayers' attempt to discredit the study on the basis of that disclaimer is without foundation. Appendix C at 70.

But perhaps the best evidence on the deficiency of the UDITPA formula comes from the taxpayers and their consultants. SOHIO, EXXON, and Arthur Anderson & Co. presented detailed studies to the legislature which revealed in dramatic terms the deficiency of UDITPA to apportion anywhere near the income attributable to their Alaska activities. The taxpayers seek to

skirt these damaging admissions by saying that they were only using the state's definition of Alaska income as described in the tax bills and were not meant to reflect what should be properly assigned to Alaska. Appendix C at 65. The evidence shows otherwise. Each of these studies computed income derived from Alaska operations independent of any tax base set out in a particular bill. They computed as well the income which would be assigned to Alaska under the three-factor UDITPA formula. The two items were not even close, and confirmed to the legislature what others had said -- the effective tax rates for these taxpayers were well below 9.4 percent.

The taxpayers were understandably nervous about providing the legislature with the specific facts and figures that could conceivably have refuted the mounting evidence of UDITPA's failings. 33/ However, they did want to provide the state with their views on how their total Alaska tax burden stacked up against that of other states. In doing this they inadvertently provided the best evidence of all that UDITPA would insure them a nearly free ride on Alaska income taxes.

33/ On June 16, and again on June 22, 1976, the Director of Legislative Research wrote all major Alaska oil companies requesting specific assistance in determining the future incidence and impacts of existing and proposed income taxes. L.H. Doc. 6-109, 6-110, File 49. Arco responded on August 5, pleading overwhelming "uncertainties," and suggesting that the numbers weren't really needed anyhow. L.H. Doc. 6-112, File 49 at 1. On October 4, Exxon finally responded with a flat refusal (continued)

In October of 1976 SOHIO provided the state with its Sohio Submission One. L.H. Doc. 6-122, File 50. The study hypothesized three oil companies, (in much the same manner as Dr. Sorenson's first memorandum), each with an identical one-third ownership in Prudhoe Bay, but with differing activities outside Alaska. 34/ On its face, the study showed that notwithstanding the identity of their assumed Alaska activities, 35/ their UDITPA tax liabilities would be vastly different. In 1977 the company with the largest income tax bill was shown paying almost four times as much as the firm with the smallest. 36/

Milton Lipton, in an analytic review of Sohio Submission One found evidence of another UDITPA deficiency. The taxable income attributed to Alaska would be less than 26 percent of the income implicitly resulting from the Alaska operations of these three hypothetical companies. 37/ Michael Tanzer independently confirmed Lipton's finding. Based on the Sohio

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33/ (continued)
to discuss income tax numbers. L.H. Doc. 6-119, File 49 at 1. Sohio was more forthcoming. L.H. Doc. 6-111, 6-113, File 49.

34/ One company was assumed to be a California based marketing and refining company with no oil production other than at Prudhoe. Another was a large integrated domestic firm, and the third a major international oil company. L.H. Doc. 6-122, File 50 at 4.

35/ Id.

36/ Id. at Table 1-A.

37/ L.H. Doc. 6-124, File 50 at 3. For testimony on his analysis see L.H. Doc. 7-018, File 72 at 3.

data "the State of Alaska will realize an effective income tax rate only about 1/4 the normal rate ....", much less than even Tanzer had expected. L.H. Doc. 6-123, File 50 at 3.

In March of 1977 Exxon presented an analysis along the same lines, for the purpose of showing how little profit they expected to make on Prudhoe Bay. L.H Doc. 7-035, 7-036, 7-037, File 26. The study also showed how small a proportion of total Alaska income would be reached by UDITPA -- between 1976 and 1990 the total was expected to come to $1,152 million for the entire field, on before income tax profits of $33,073 million over the same period, implying an effective state tax rate of less than 3.5 percent. 38/

The crowning confirmation of the disparity between the taxpayers' own assessment of their net income from their Prudhoe Bay activities and their income as apportioned by UDITPA came in January 1978 when the Alaska Oil and Gas Association presented a study prepared by the Houston, Texas, office of Arthur Anderson & Co., a national accounting firm. L.H. Doc. 8-080, File 13. There was nothing implicit in the Anderson study. There, in what

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38/ The Exxon analysis is considerably more sketchy than Sohio Submission One, and was compiled by Exxon based on "public data." The projected income tax figures are found at p. 13 of the first set of attached tables. Id. Profits before income tax for these years are found on p. 18 of the second set of tables (t9tled "Yearly Analysis of Net Cash Flow") by adding back "Federal Income Tax" to "Net Cash Flow;" this sum is identified as "B[efore] I[ncome] T[ax] Profit" on p. 21 of the second set of tables.

was later to become the famous "table VIII(a)," were the numbers for "Alaska Income Tax", "Alaska Taxable Income," and "Net Income From Prudhoe Bay and TAPS." L.H. Doc. 8-080, File 13 at table VIII(a). The calculations in the report are for the four major participants in TAPS and Prudhoe Bay: Sohio, Arco, Exxon, and B.P. over the period 1977-2001.

This Alaska income figure in the table -- $37,294 million for the four firms analyzed -- was no artificial construct designed with a "stingy set of deductions." It was Arthur Anderson's assessment of the income generated from Prudhoe Bay and TAPS by the four major oil companies. Calculated without reference to any tax base, but rather to the accountants professional judgment of the geographic source of the income. 39/

According to Arthur Anderson, "Alaska Taxable Income" would be only four percent of "net income from Prudhoe Bay and TAPS," giving an effective tax rate of only 4.1 percent. Moreover, it dramatically demonstrated how arbitrary and perverse the UDITPA allocation was with respect to two companies (Arco and Exxon) whose ownership in Prudhoe Bay and TAPS (and thus their activity in Alaska) was essentially identical. Exxon would pay

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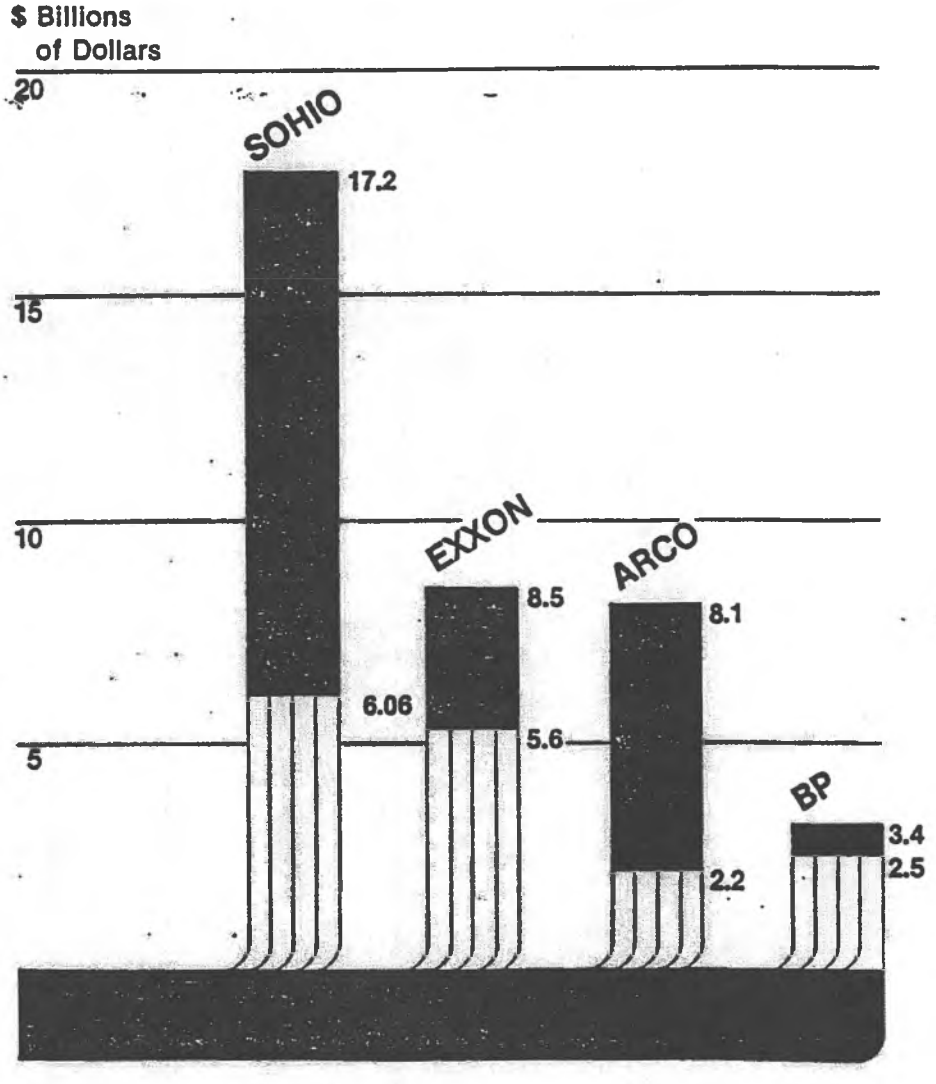
39/ Under careful questioning by Senator Croft, Robert Moore, of Arthur Anderson emphasized that the figure for "net income from Prudhoe Bay and TAPS" represented an accounting judgment. L.H. Doc. 8-130, File 14 at 21-24.

"NET INCOME FROM PRUDHOE BAY FIELD AND TAPS"
AND
"ALASKA INCOME TAX"
as seen by
Arthur Anderson Study Exhibit VIII (a)
(Calculation of Alaska Income Tax Under 43.20)



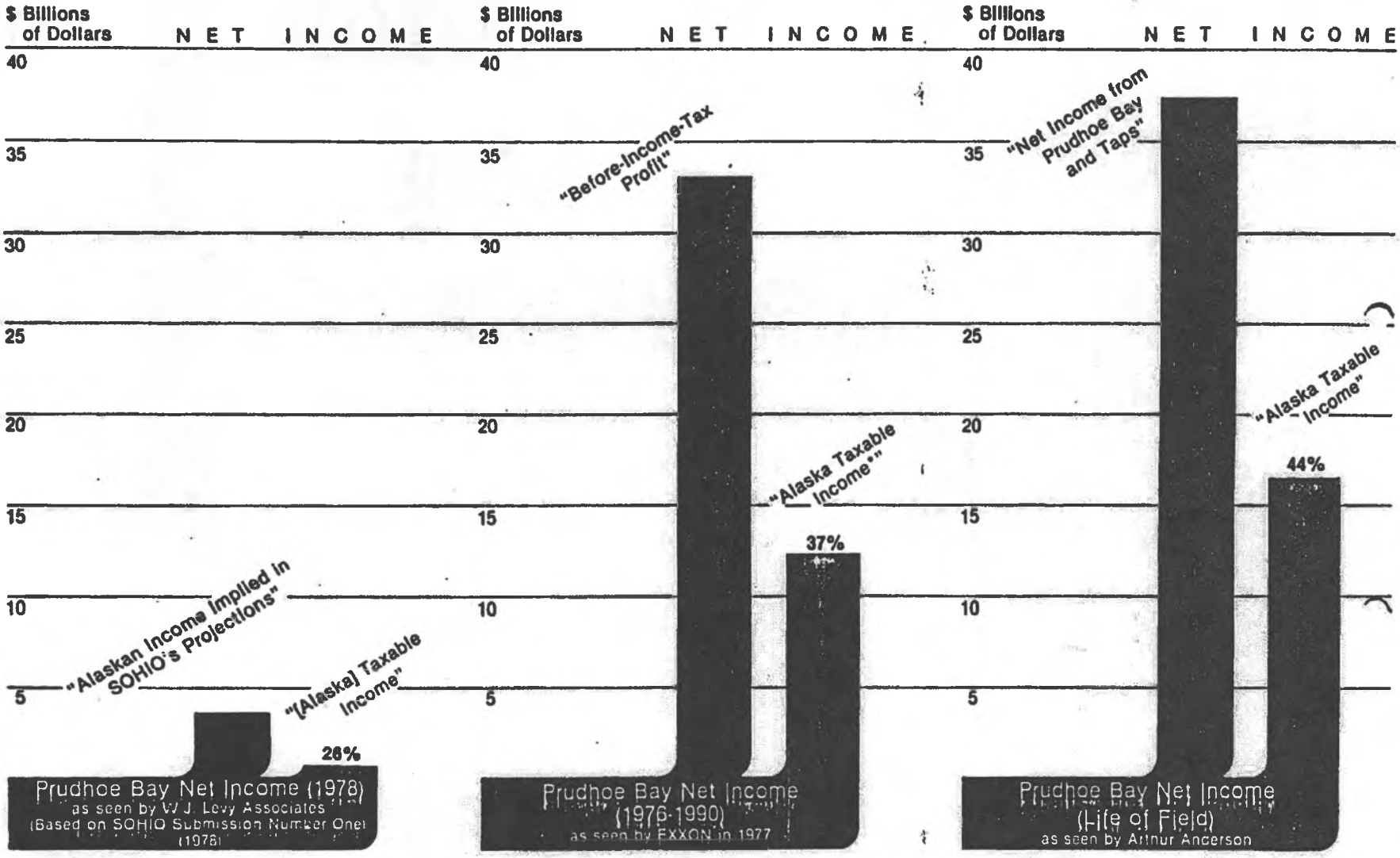


FIGURE II

*Calculated from "Alaska Income Tax"

$530 million in corporate income taxes to Alaska, Arco only $206 million. The disparities are shown in Figure I.

The figures which emerged from these three studies, shows graphically in Figure II, confirmed what everyone by the knew. UDITPA simply didn't work very well when applied to Alaska oil production activities.

CONCLUSION

The massive legislative record reflects not an avaricious legislature but one which was searching for a more effective and equitable income tax for the oil and gas industry. The legislature wanted the oil industry to pay a tax representing 9.4 percent of their income earned in the state; the taxpayers did not. The taxpayers' position was frankly admitted before the legislature. A candid example of this position is shown in this exchange between Senator Huber and Richard Donaldson of Sohio in a hearing before the Senate Resources Committee in 1977.

> Senator Huber: If I may continue, Madame Chairman. Does Sohio object to paying 9.4 percent on its true net income the same as they would have to if they were strictly an Alaskan corporation?
>
> Mr. Donaldson: Yes.

L.H. Doc. 7-172, File 27.

There lay the rub.

SB 203

<TARGET><BILL>SB 203</BILL><SUBJECT>SB 203</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT
First Committee of Referral

DATE: 2/17/12

FURTHER:

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 203

SB 203-ENERGY ASSISTANCE PROGRAM & VOUCHERS

"An Act establishing an energy assistance program in the Department of Revenue to issue an energy voucher to Alaska permanent fund dividend recipients; and relating to the analysis and recommendation of an energy assistance program by the governor."

and recommends:

[✓] be **replaced** with **CS** SB203 (FIN) [ ] *Same Title* [✓] *New Title*

[ ] adopt **previous CS** _____ (_____) [ ] *Same Title* [ ] *New Title*

[ ] attached amendment(s)

[ ] adopt _____ Letter of Intent

[ ] further referral to _____ Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
Rev	✓			
Rev	✓			
ADM	✓			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	EGAN	X			
	OLSON	✓		✓	
	ELLIS	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman			✓	

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CS SB 203 (FIN)**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB203CS(FIN)-DOR-PFD-03-28-12
Title: Energy Assistance Program & Voucher
Sponsor: Senators Thomas, Paskvan, Hoffman, Wagoner, Ellis
Requester: Senate Finance

Dept. Affected: Revenue
Appropriation: Tax & Treasury
Allocation: Permanent Fund Dividend
OMB Component Number: 981

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	72.9						
Travel							
Services	218.6						
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**291.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	291.5						
1050	PFD Fund (DGF)							
1037	GF/MH (UGF)	0.0						
1178	temp code (UGF)							
TOTAL		**291.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary	2						

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (If initial version, please note as such)

Updated for CS in Senate Finance version M.

Prepared by: Deborah M. Bitney — Phone: 465-4785
Division: Permanent Fund Dividend — Date/Time: 3-28-12 5:00pm
Approved by: Alicia Egan , Legislative Liaison — Date: 3/29/2012
Department of Revenue

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** CS SB 203 (FIN)
2012 LEGISLATIVE SESSION

Analysis

PFD expects this fiscal note to change as more clarification and information is provided to the Department of Revenue. Note corrected fund source.

The bill creates an energy benefit by means of a voucher for Adults who are determined eligible for the 2012 PFD. The bill proposes the energy benefit to be distributed no later than December 1, 2012. The bill also tasks the Governor with determining how to make the program permanent through the PFD Division.

PFD expects increased appeals of ineligible applicants because of the value of the benefit added to dividend eligibility, a situation similar to that of the 2008 Resource Rebate at which time the Informal Appeals unit received approximately 900 additional appeals by applicants who were ineligible as a matter of law . Additional appeals staff, Range 12 PFD Tech II is needed to render informal appeals decisions within the staturorily designated time frame of 180 days.

Additionally, approximately 100 additional Formal level appeals were heard by Administrative Law Judges with Office of Administrative Hearings in which the divisions decision the applicant was ineligible was upheld. OAH RSA expected in the amount of $113.6.

As the value and benefit of the annual dividend program increases, so does the potential for fraud. $105.K is requested to hire a firm that would assist the division in auditing existing applicants and creating new audit recommendations for continued assurance that opportunity for fraud is minimized.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB 203 (FIN)**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB203CS (FIN)-DOR-AHFC-04-03-12
Title: Energy Assistance Program & Vouchers
Sponsor: Senator Thomas
Requester: Senate Finance Committee

Dept. Affected: Revenue
Appropriation: Alaska Housing Finance Corp.
Allocation: AHFC Operations
OMB Component Number: 110

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	1,495.0		742.5	448.5	448.5	299.0	299.0
Travel	50.0		25.0	15.0	5.0	5.0	5.0
Services	13,195.0		763.5	460.0	460.0	313.4	313.4
Commodities							
Capital Outlay	10.0						
Grants, Benefits							
Miscellaneous	250.0						
TOTAL OPERATING	**15,000.0**	**0.0**	**1,531.0**	**923.5**	**913.5**	**617.4**	**617.4**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1061	CIP Rcpts (Other)	15,000.0		1,531.0	923.5	913.5	617.4	617.4
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**15,000.0**	**0.0**	**1,531.0**	**923.5**	**913.5**	**617.4**	**617.4**

POSITIONS							
Full-time	**10**		5	3	3	2	2
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 465,000.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Reflects changes to personal services in FY15-FY18.

Prepared by: Stacy Schubert, Director Governmental Relations & Public Affairs — Phone: 907-301-4556
Division: Alaska Housing Finance Corporation — Date/Time: 4/3/12 1:30 PM
Approved by: Dan Fauske, Alaska Housing Finance Corporation — Date: 4/3/2012
Department of Revenue

(Revised 11/18/2011 OMB)

Analysis

This bill requires Alaska Housing Finance Corporation (AHFC) to issue an energy voucher to each adult eligible for the permanent fund dividend in 2012. The energy voucher would be redeemable for 250 gallons of heating oil, the monetary equivalent of 35,000 cubic feet of natural gas, or the monetary equivalent of 1,500 kilowatt-hours of electricity. The voucher would be redeemable with a qualified energy distributor.

AHFC would be required to specify a date in 2012 for which each qualified distributor shall submit its retail prices for the fuel or energy source, and to issue payment for the published price of fuel on a certain date to a qualified distributor upon receipt of a voucher.

The energy distributor would credit the full amount to the recipient's account upon receipt of payment by AHFC. The energy voucher must be issued to eligible recipients not more than 30 days following the issuance of 2012 permanent fund dividend, and is valid for four months from date of issuance. The voucher is nontransferable except under specific circumstances including:

By a tenant to a landlord for rent deduction if the tenant does not pay directly for energy use or is unable to access an eligible distributor;

By an individual who is unable to access an eligible distributor. The individual may receive a check for $250 from AHFC; or

If the voucher recipient dies before the voucher is issued or redeemed, it may be transferred to a personal representative or successor.

AHFC would be required to work closely with Department of Revenue (PFD division) to access qualified recipient information to develop and implement the voucher program with appropriate controls.

Section 2 of this bill directs the Office of the Governor to provide a report to the legislature before October 1, 2012 that analyzes and recommends an energy assistance program to be implemented in the fiscal year ending June 30, 2014.

Fund Amount:
In developing this fiscal note, there is an assumption that capital funds will be appropriated. A complete and accurate fiscal impact will be dependent on a number of factors which are presently unknown and include:

The date specified and agreed on by AHFC of the reimbursable price for the energy provided in each community; and

The number of participating distributors, number of Alaskans eligible to receive the voucher, and number of vouchers reimbursed for a negotiated rent reduction or a $250 check.

Given the above-mentioned uncertainty, AHFC estimates cost impact of this bill will range from $325,000,000 to $465,000,000.

Analysis Continued

Administrative Costs:
AHFC recognizes that it will not be possible to ramp up staff capacity to achieve the objectives described in the bill within the time constraints established in the bill; therefore, AHFC intends to contract the majority of the work to obtain services, including, but not limited to:

Establish dedicated program database for tracking, administration and management of voucher recipients and distributors;
Create and establish dedicated website with online claim filing capabilities;
Establish and maintain toll-free telephone number at call center for customer support;
Develop and implement an outreach program, including possible grassroots campaign to reach Alaska residents;
Provide direct mail notice to Alaska residents and potentially qualified distributors regarding the program;
Receive and process distributor requests for qualification;
Establish procedures to qualify distributors for participation in the program;
Maintain list of qualified distributors;
Receive and process distributor claims for reimbursement;
Create and issue personalized, nontransferable uniquely numbered vouchers to Alaska residents;
Issue reimbursement checks to distributors who submit valid claims for reimbursement;
Track voucher redemption;
Handle replacement voucher requests, as needed;
Process claims for a $250 check in lieu of the voucher and determine eligibility, as required;
Issue $250, as needed, to eligible recipients, as required ;
Create and issue 1099s for recipients, as required.
Receive and process administrative mail from distributors and/or Alaska residents;
Providing reporting of status of the administrative activities; and
Maintain a record of all program contacts and responses thereto.

This fiscal note is based on the bill language that establishes the "voucher program" as a one year program. Given the scope and nature of utilization of contract services, extensive ramp-up will be required. Some elements for appeal processes extend up to six years, and there will be costs for the ramp down and dismantling of the program.

This estimate is based upon the possible requirements of AHFC as established in the bill. AHFC staff will be required to manage the necessary contract(s). Additional staff and expenses include administration, information systems, human resources, audit, and accounting support, computers and office space and systems, communications and travel.

Furthermore, as one of the state's largest landlords, AHFC's public housing division will be required to respond to tenant inquiries as it relates to the negotiation allowed under Section 1 (g) of the bill.

Total estimated operating costs for FY13 are $15 million. This amount is listed as CIP Receipts as it will come from the capital appropriation.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version **SB203**
Fiscal Note Number
() Publish Date

Identifier (file name) SB203-DOA-OAH-3-8-12
Title Energy Assistance Program & Vouchers
Sponsor Senator Thomas
Requester Senate Finance

Dept. Affected Administration
Appropriation Centralized Administrative Services
Allocation Office of Administrative Hearings
OMB Component Number 2771

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	113.6						
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**113.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1007	I/A Rcpts (Other)	113.6						
TOTAL		**113.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version

Prepared by Terry L. Thurbon, Chief Administrative Law Judge — Phone 465-1886
Division Office of Administrative Hearings — Date/Time 3/8/12 1:50 PM
Approved by John Cramer, Deputy Commissioner — Date 3/8/2012
Department of Administration

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB203

Analysis

This bill provides for issuance of energy vouchers to adults eligible for the 2012 Permanent Fund Dividend (PFD), and for the vouchers to be redeemed with qualified distributors of heating oil, natural gas and electricity. Applicants determined to be ineligible for the PFD are entitled to a formal hearing conducted by the office of administrative hearings. The department of revenue, PFD division, estimates an increase of 100 formal appeals. The bill contemplates that those would be concluded within 12 months after filing.

Under the bill, distributors determined not to be qualified also would be entitled to an administrative hearing. The department of revenue could, but is not required to, ask the office of administrative hearings to conduct the distributor appeal hearings as voluntary referrals pursuant to AS 44.64.030(b). The number of distributor appeals that would reach the formal appeal level and be heard by the office of administrative hearings could be quite small, or even non-existent if the department of revenue elected not to refer them to the office.

The bill also provides that the energy voucher not be considered income for financial needs-based assistance programs, unless so required by federal law. If disputes arise between assistance claimants and assistance program managers in the department of health and social services about whether the energy voucher is required by federal law to be treated as income, this could affect the complexity of some cases, or possibly lead to an unquantifiable increase in cases, reaching the formal hearing stage before the office of administrative hearings.

OAH does not anticipate that the resulting one-time, limited duration spike in caseload would increase the office's caseload beyond OAH's capacity to handle the additional cases at approved staffing levels that will be in place as of the July 1, 2012 effective date of Executive Order 116. OAH might need to act sooner than planned to fill an existing vacancy, or if the crush of time-sensitive PFD eligibility appeals so dictated, might need to bring on board a temporary ALJ to handle some of the cases. The cost to OAH of performing the services would be recovered from the affected departments through interagency receipts, based on the time commitment required for hearings and mediations. The $113.6 figure corresponds to the department of revenue's estimate, based on 2008 Resource Rebate experience, of the increase in interagency receipts it would have to pay from the permanent fund to OAH for the anticipated increase of 100 cases. Whether OAH would in fact need to increase expenditures or need increased interagency receipts authority in that amount depends on unpredictable caseload dynamics.

CS FOR SENATE BILL NO. 203(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS THOMAS, Paskvan, Hoffman, Wagoner, Ellis, Olson, French, Kookesh, Egan

A BILL

FOR AN ACT ENTITLED

"An Act establishing an energy assistance program in the Alaska Housing Finance Corporation to issue an energy voucher to Alaska permanent fund dividend recipients; relating to the analysis and recommendation of an energy assistance program by the governor; and providing for an effective date."

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

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

ALASKA ENERGY VOUCHER. (a) To help residents meet the high cost of energy in the state in 2011, the Alaska Housing Finance Corporation shall establish a program under which the corporation will issue not more than one energy voucher to each adult or emancipated minor who

(1) in 2011, was permitted to apply for a permanent fund dividend on the person's own behalf and who was determined by the Department of Revenue to be eligible for the permanent fund dividend paid in 2012; or

(2) did not apply for the permanent fund dividend paid in 2012 but certifies, on a form provided by the corporation that bears notice that false statements made in the form are punishable by law, that the person was eligible for the permanent fund dividend paid in 2012 and is determined by the corporation to have otherwise been eligible for the permanent fund dividend paid in 2012.

(b) An energy voucher issued under this section is redeemable for the monetary equivalent of 250 gallons of heating oil, the monetary equivalent of 35,000 cubic feet of natural gas, the monetary equivalent of 31,000,000 British thermal units of hot water or steam district heat, or the monetary equivalent of 1,500 kilowatt-hours of electricity. For purposes of this subsection, the monetary equivalent of 250 gallons of heating oil, 35,000 cubic feet of natural gas, 31,000,000 British thermal units of hot water or steam district heat, or 1,500 kilowatt-hours of electricity is the retail price of 250 gallons of heating oil, 35,000 cubic feet of natural gas, 31,000,000 British thermal units of hot water or steam district heat, or 1,500 kilowatt-hours of electricity as approved for each distributor qualified under (e) of this section. The corporation shall specify a date in 2012 for which each distributor that wants to be qualified under (e) of this section shall submit the retail price of 250 gallons of heating oil, the retail price of 35,000 cubic feet of natural gas, the retail price of 31,000,000 British thermal units of hot water or steam district heat, or the retail price of 1,500 kilowatt-hours of electricity, as applicable. On receipt of a voucher and eligible claim, the corporation shall issue a payment to the qualified distributor of the monetary amount determined under this subsection using the retail price approved by the corporation under (e) of this section for a qualified distributor for the applicable type of energy, district heat, or fuel. On receipt of the payment from the corporation, a qualified distributor shall credit the full amount of the payment to the account that services the primary physical residence of the recipient of the voucher. A payment made under this section may not be used for costs unassociated with the purchase of the energy, district heat, or fuel, may not be transferred between customer accounts, and may not be paid out in cash. If an account with a remaining balance from a payment made under this section is closed, a qualified distributor shall return the balance of the account attributable to the energy voucher to the corporation.

(c) The energy voucher

(1) must be numbered and state the name of the person to whom the voucher

is issued;

(2) must require the recipient of the voucher to sign, and date, and certify, on a form bearing notice that false statements made in the form are punishable by law, that the recipient of the voucher is complying with all the requirements of the voucher, including the requirement that the voucher amount be used to supply heating oil, natural gas, district heat, or electricity to the voucher recipient's primary physical residence in the state;

(3) is nontransferable and may not be sold, transferred, or traded for any other compensation, except as provided in (g) and (*l*) of this section;

(4) is redeemable only at a distributor qualified under (e) of this section and may not be split among multiple distributors;

(5) is not valid for submission to a distributor more than four months after the date the energy voucher is issued;

(6) is valid for heating oil, natural gas, district heat, or electricity delivered to the voucher recipient's primary physical residence in the state; and

(7) shall be issued by the corporation not more than 30 days following the issuance in 2012 of the permanent fund dividend.

(d) A distributor qualified under (e) of this section shall, within 30 days after accepting the voucher, issue a document acknowledging receipt of the voucher to the person exchanging the voucher. The corporation shall issue the amount determined under (b) and (e) of this section to the qualified distributor for an energy voucher not later than 20 days after receiving an eligible claim from a qualified distributor. Submitted claims must include

(1) the number of the voucher;

(2) the name of the recipient, as stated on the voucher; and

(3) the address or other identifying information requested by the corporation listed on the heating oil, natural gas, district heat, or electricity account that the voucher will credit.

(e) The corporation shall maintain a list of qualified distributors eligible to accept and redeem vouchers. A distributor of oil, natural gas, district heat, or electricity is qualified if the distributor

(1) is licensed to do business in the state;

(2) is regularly engaged in the business of distributing oil, natural gas, district

heat, or electricity;

(3) submits a retail price of oil, natural gas, district heat, or electricity, as applicable, for the quantities described in (a) of this section, submits all evidence for that retail price requested by the corporation, and responds to inquiries of the corporation related to that retail price, and the corporation finds that retail price is representative of the price charged under similar circumstances; and

(4) meets other eligibility requirements that the corporation may adopt under AS 18.56.088 or emergency regulations adopted under sec. 3 of this Act.

(f) In determining the eligibility of an individual under a public assistance program, a heating assistance program, or a veterans' benefits program in which eligibility for assistance is based on financial need, the state may not consider an energy voucher as income or resources received by the recipient or by a member of the recipient's household. An individual whose

(1) supplemental security income benefit payment under 42 U.S.C. 1381 - 1383f is reduced solely because of the receipt of energy assistance under this section is entitled to receive from the state, for a period not to exceed 12 months, the same level of benefit payment as the individual would have received under 42 U.S.C. 1381 - 1383f had energy assistance not been received under this section; or

(2) nutrition assistance or benefits under 42 U.S.C. 1786 (Special Supplemental Nutrition Program for Women, Infants, and Children) or 7 U.S.C. 612c (Commodity Supplemental Food Program) are reduced solely because of the receipt of energy assistance under this section is entitled to receive, notwithstanding the assistance limit in AS 47.25.130(a), cash assistance under AS 47.25.120 - 47.25.300 (general relief assistance), for a period not to exceed 12 months, in the same amount as the individual would have received under 42 U.S.C. 1786 (Special Supplemental Nutrition Program for Women, Infants, and Children) or 7 U.S.C. 612c (Commodity Supplemental Food Program) had energy assistance not been received under this section.

(g) A recipient of an energy voucher who does not pay directly for the heating oil, natural gas, district heat, or electricity used in the recipient's primary physical residence or who does not have reasonable access to a qualified distributor of the type of fuel, district heat, or electricity used in the recipient's primary physical residence in the state may certify that

fact on a form provided by the corporation bearing notice that false statements made in the form are punishable by law, and may exchange the voucher with the corporation

(1) if applicable, for a replacement voucher in the name of the landlord or owner of the recipient's primary physical residence in the state, the value of which may, subject to negotiations between the landlord and tenant, be deducted from rent; or

(2) upon certification that the $250 will be used toward rent, energy, or heating costs at the recipient's primary physical residence in the state, for a check for $250 in the name of the recipient of the energy voucher.

(h) Except as provided in (j) of this section or as may be provided by regulations adopted by the corporation, an energy voucher issued under this section is not valid unless it is signed and dated by the individual named on the face of the voucher.

(i) A replacement voucher issued to a landlord under (g) of this section is not valid until the landlord certifies on a form provided by the corporation bearing notice that false statements made in the form are punishable by law that the amount of the voucher will be used to provide energy or heat to the primary physical residence of the original recipient of the voucher and certifies to the amount that the landlord will apply against the rent of the original recipient of the voucher.

(j) Certification or signature on an energy voucher or other certification under this section required of an individual who is disabled or incapacitated may be signed or certified by the individual's legal guardian or other authorized representative. An individual may complete, sign, and redeem an energy voucher on behalf of a member of the armed forces of the United States who is serving on active duty outside of the United States if the individual has a power of attorney from the member of the armed forces that, in specific or general terms, authorizes the individual to redeem the voucher.

(k) An individual who is disabled or incapacitated may not maintain a claim against the state or an officer or employee of the state based on the manner in which the guardian or authorized representative other than a public agency of the state managed or disposed of an energy voucher received on behalf of the disabled or incapacitated individual.

(l) If a person is eligible for an energy voucher but dies before the energy voucher is issued or redeemed, the energy voucher may be transferred to a personal representative of the estate or to a successor claiming personal property under AS 13.16.680.

(m) In addition to any criminal penalties imposed by state law, if an individual or qualified distributor is convicted of a crime in connection with a false statement made in a certification required under this section, in a submission for a reimbursement under (d) of this section, or in connection with forging an energy voucher, and the conviction is not reversed, vacated, or set aside, or if an individual or qualified distributor is found by the Alaska Housing Finance Corporation to have bought, sold, traded, or otherwise violated the terms of the voucher, that individual or qualified distributor forfeits the energy voucher, or the monetary amount received from the voucher, and the individual is not eligible for a future permanent fund dividend.

(n) If an individual is aggrieved by a decision of the Department of Revenue with respect to the individual's eligibility for a permanent fund dividend, and thus an energy voucher under (a)(1) of this section, the individual may request that the department review its decision under AS 43.23.015(g).

(o) If an individual or distributor is aggrieved by a decision of the Alaska Housing Finance Corporation with respect to the individual's authority to claim an energy voucher on behalf of another, or reimbursement of a distributor, or other decision under (a)(2), (e), (g), or (m) of this section, the individual or distributor may request that the corporation review its decision. Within 12 months after an administrative appeal under this subsection is filed, the corporation shall provide the individual or distributor with a final written decision. If the individual or distributor is aggrieved by the final written decision of the corporation, the individual or distributor may appeal that decision to the superior court in accordance with AS 44.62.560. An appeal to the court under this subsection does not entitle the aggrieved individual or distributor to a trial de novo. The appeal shall be based on the record of the administrative proceeding from which appeal is taken, and the scope of appeal is limited to matters contained in the record of the administrative proceeding.

(p) If the corporation determines that an energy voucher or a cash payment made in exchange for a voucher should not have been issued to an individual or a reimbursement should not have been made to a distributor, the state may use all collection procedures or remedies available under AS 43 to recover the energy voucher or the cash value of the voucher that was improperly issued or for which reimbursement was improperly made. Except as provided in (q) of this section, a notice of an improperly issued voucher or improper

reimbursement shall be sent to the individual or distributor, as applicable, within

(1) three years after the energy voucher was issued if the notice is sent to an individual; or

(2) three years after the distributor received reimbursement if the notice is sent to a distributor.

(q) The three-year time limit under (p) of this section for the corporation to send notice of an improperly issued voucher or an improper reimbursement is extended to six years if the corporation determines that the individual or distributor

(1) exercised gross negligence or reckless disregard with respect to a material fact in connection with a false statement on the energy voucher or submission for reimbursement; or

(2) forged an energy voucher.

(r) If notice is not sent within the time required under (p) or (q) of this section, administrative or judicial proceedings may not be commenced for recovery of an improperly issued energy voucher or improper reimbursement.

(s) An energy voucher, account credit, or cash payment provided under this section is exempt from garnishment, levy, or execution by a private party or the state.

(t) To the extent allowed by federal law and notwithstanding other state law that may be to the contrary, the department shall, on request of the corporation, electronically provide the corporation with information about applicants who the department has determined are eligible for the permanent fund dividend paid in 2012. Information requested by the corporation under this subsection may include the name of the applicant, the physical and mailing address of the applicant, the date of birth of the applicant, the social security number of the applicant, and any other information necessary to execute the energy voucher program. Information from the department may be used by the corporation only for the purpose of executing the energy voucher program created under this section.

(u) In this section,

(1) "corporation" means the Alaska Housing Finance Corporation created under AS 18.56;

(2) "department" means the Department of Revenue;

(3) "disabled" means physically or mentally unable to sign an energy voucher

or make a certification required in this section because of serious emotional disturbance, visual, orthopedic, or other health impairment, or developmental disability that is attributable to mental retardation, cerebral palsy, epilepsy, autism, or other cause;

(4) "incapacitated" means the ability to receive and evaluate information or to communicate decisions is impaired for reasons other than minority to the extent that the person lacks the ability to provide the essential requirements for the person's physical health or safety without court-ordered assistance.

*** Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to read:

ANALYSIS AND RECOMMENDATION OF AN ENERGY ASSISTANCE PROGRAM. (a) The governor shall take public testimony, consider the recommendations from organizations involved in providing energy or energy assistance to Alaskans, analyze the energy assistance options in (b) of this section, and analyze alternate options to those proposed in (b) of this section for providing energy assistance to Alaskans and, before October 1, 2012, the governor shall provide a report to the legislature making a recommendation for an energy assistance program to be implemented in the fiscal year ending June 30, 2014, that

(1) correlates the amount of assistance to the local cost of residential heating, taking into consideration the price of fuel and heating degree days in each community;

(2) is implemented based on crude oil price or heating oil price;

(3) has total funding based on state revenue;

(4) minimizes administrative costs;

(5) makes participation of fuel distributors voluntary;

(6) includes a hold harmless provision for recipients of public assistance and veterans' benefits; and

(7) includes penalties for fraud, including ineligibility for a future permanent fund dividend.

(b) The governor shall analyze the following options and may analyze alternate options to provide energy assistance to Alaskans:

(1) a fuel price reduction program with the following features:

(A) state reimbursement to a heating oil or natural gas distributor of a

portion of the wholesale purchase price of fuel that the distributor sold to heat residential structures;

(B) an amount of reimbursement necessary to reduce the wholesale purchase price of a distributor by a specified amount or to a specified price;

(C) a limit on the amount of fuel that a person may purchase and for which a distributor received a state reimbursement; and

(2) an individual account program with the following features:

(A) application on a permanent fund dividend application for energy assistance in the form of a state payment to the applicant's account with a fuel distributor or electric utility;

(B) assistance based on heating degree days and the cost of energy in the community;

(C) electronic selection of

(i) a fuel distributor or electric utility to receive the individual's energy assistance payment; and

(ii) an optional amount from the applicant's dividend to be deposited in the individual's account with a fuel distributor or electric utility;

(D) a statewide base amount to be sent with the applicant's permanent fund dividend for an applicant for energy assistance who fails to select a fuel distributor or electric utility to receive the individual's energy assistance payment.

(c) The governor's report to the legislature under (a) of this section shall evaluate

(1) the estimated cost of the program for the first five years;

(2) the cost of administering the program compared to the assistance provided;

(3) whether the program provides the highest level of assistance to the individuals with the highest heating costs; and

(4) whether the program can be structured so that energy assistance is not subject to federal taxation.

(d) In this section, "heating degree days" means the average temperature for a day minus the reference temperature of 65 degrees Fahrenheit.

*** Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to read:

EMERGENCY REGULATION AND PROCUREMENT PROVISIONS. Notwithstanding AS 18.56.088, the Alaska Housing Finance Corporation may adopt emergency regulations under AS 44.62.250 and 44.62.260 necessary to implement the Alaska energy voucher program in sec. 1 of this Act without making written findings under AS 44.62.250. The legislature finds that the adoption of emergency regulations is necessary to implement this Act and for the immediate preservation of public health and general welfare. In addition, the Alaska Housing Finance Corporation is exempt from AS 36.30, including AS 36.30.015(f), for the purposes of implementing the Alaska energy voucher program.

*** Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).

Adopted 4/14/12

27-LS1363\E
Nauman
4/3/12

CS FOR SENATE BILL NO. 203( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATORS THOMAS, Paskvan, Hoffman, Wagoner, Ellis, Olson, French, Kookesh, Egan

A BILL

FOR AN ACT ENTITLED

"An Act establishing an energy assistance program in the Alaska Housing Finance Corporation to issue an energy voucher to Alaska permanent fund dividend recipients; relating to the analysis and recommendation of an energy assistance program by the governor; and providing for an effective date."

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

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

ALASKA ENERGY VOUCHER. (a) To help residents meet the high cost of energy in the state in 2011, the Alaska Housing Finance Corporation shall establish a program under which the corporation will issue not more than one energy voucher to each adult or emancipated minor who

(1) in 2011, was permitted to apply for a permanent fund dividend on the person's own behalf and who was determined by the Department of Revenue to be eligible for the permanent fund dividend paid in 2012; or

(2) did not apply for the permanent fund dividend paid in 2012 but certifies, on a form provided by the corporation that bears notice that false statements made in the form are punishable by law, that the person was eligible for the permanent fund dividend paid in 2012 and is determined by the corporation to have otherwise been eligible for the permanent fund dividend paid in 2012.

(b) An energy voucher issued under this section is redeemable for the monetary equivalent of 250 gallons of heating oil, the monetary equivalent of 35,000 cubic feet of natural gas, the monetary equivalent of 31,000,000 British thermal units of hot water or steam district heat, or the monetary equivalent of 1,500 kilowatt-hours of electricity. For purposes of this subsection, the monetary equivalent of 250 gallons of heating oil, 35,000 cubic feet of natural gas, 31,000,000 British thermal units of hot water or steam district heat, or 1,500 kilowatt-hours of electricity is the retail price of 250 gallons of heating oil, 35,000 cubic feet of natural gas, 31,000,000 British thermal units of hot water or steam district heat, or 1,500 kilowatt-hours of electricity as approved for each distributor qualified under (e) of this section. The corporation shall specify a date in 2012 for which each distributor that wants to be qualified under (e) of this section shall submit the retail price of 250 gallons of heating oil, the retail price of 35,000 cubic feet of natural gas, the retail price of 31,000,000 British thermal units of hot water or steam district heat, or the retail price of 1,500 kilowatt-hours of electricity, as applicable. On receipt of a voucher and eligible claim, the corporation shall issue a payment to the qualified distributor of the monetary amount determined under this subsection using the retail price approved by the corporation under (e) of this section for a qualified distributor for the applicable type of energy, district heat, or fuel. On receipt of the payment from the corporation, a qualified distributor shall credit the full amount of the payment to the account that services the primary physical residence of the recipient of the voucher. A payment made under this section may not be used for costs unassociated with the purchase of the energy, district heat, or fuel, may not be transferred between customer accounts, and may not be paid out in cash. If an account with a remaining balance from a payment made under this section is closed, a qualified distributor shall return the balance of the account attributable to the energy voucher to the corporation.

(c) The energy voucher

(1) must be numbered and state the name of the person to whom the voucher

is issued;

(2) must require the recipient of the voucher to sign, and date, and certify, on a form bearing notice that false statements made in the form are punishable by law, that the recipient of the voucher is complying with all the requirements of the voucher, including the requirement that the voucher amount be used to supply heating oil, natural gas, district heat, or electricity to the voucher recipient's primary physical residence in the state;

(3) is nontransferable and may not be sold, transferred, or traded for any other compensation, except as provided in (g) and (*l*) of this section;

(4) is redeemable only at a distributor qualified under (e) of this section and may not be split among multiple distributors;

(5) is not valid for submission to a distributor more than four months after the date the energy voucher is issued;

(6) is valid for heating oil, natural gas, district heat, or electricity delivered to the voucher recipient's primary physical residence in the state; and

(7) shall be issued by the corporation not more than 30 days following the issuance in 2012 of the permanent fund dividend.

(d) A distributor qualified under (e) of this section shall, within 30 days after accepting the voucher, issue a document acknowledging receipt of the voucher to the person exchanging the voucher. The corporation shall issue the amount determined under (b) and (e) of this section to the qualified distributor for an energy voucher not later than 20 days after receiving an eligible claim from a qualified distributor. Submitted claims must include

(1) the number of the voucher;

(2) the name of the recipient, as stated on the voucher; and

(3) the address or other identifying information requested by the corporation listed on the heating oil, natural gas, district heat, or electricity account that the voucher will credit.

(e) The corporation shall maintain a list of qualified distributors eligible to accept and redeem vouchers. A distributor of oil, natural gas, district heat, or electricity is qualified if the distributor

(1) is licensed to do business in the state;

(2) is regularly engaged in the business of distributing oil, natural gas, district

heat, or electricity;

(3) submits a retail price of oil, natural gas, district heat, or electricity, as applicable, for the quantities described in (a) of this section, submits all evidence for that retail price requested by the corporation, and responds to inquiries of the corporation related to that retail price, and the corporation finds that retail price is representative of the price charged under similar circumstances; and

(4) meets other eligibility requirements that the corporation may adopt under AS 18.56.088 or emergency regulations adopted under sec. 3 of this Act.

(f) In determining the eligibility of an individual under a public assistance program, a heating assistance program, or a veterans' benefits program in which eligibility for assistance is based on financial need, the state may not consider an energy voucher as income or resources received by the recipient or by a member of the recipient's household. An individual whose

(1) supplemental security income benefit payment under 42 U.S.C. 1381 - 1383f is reduced solely because of the receipt of energy assistance under this section is entitled to receive from the state, for a period not to exceed 12 months, the same level of benefit payment as the individual would have received under 42 U.S.C. 1381 - 1383f had energy assistance not been received under this section; or

(2) nutrition assistance or benefits under 42 U.S.C. 1786 (Special Supplemental Nutrition Program for Women, Infants, and Children) or 7 U.S.C. 612c (Commodity Supplemental Food Program) are reduced solely because of the receipt of energy assistance under this section is entitled to receive, notwithstanding the assistance limit in AS 47.25.130(a), cash assistance under AS 47.25.120 - 47.25.300 (general relief assistance), for a period not to exceed 12 months, in the same amount as the individual would have received under 42 U.S.C. 1786 (Special Supplemental Nutrition Program for Women, Infants, and Children) or 7 U.S.C. 612c (Commodity Supplemental Food Program) had energy assistance not been received under this section.

(g) A recipient of an energy voucher who does not pay directly for the heating oil, natural gas, district heat, or electricity used in the recipient's primary physical residence or who does not have reasonable access to a qualified distributor of the type of fuel, district heat, or electricity used in the recipient's primary physical residence in the state may certify that

fact on a form provided by the corporation bearing notice that false statements made in the form are punishable by law, and may exchange the voucher with the corporation

(1) if applicable, for a replacement voucher in the name of the landlord or owner of the recipient's primary physical residence in the state, the value of which may, subject to negotiations between the landlord and tenant, be deducted from rent; or

(2) upon certification that the $250 will be used toward rent, energy, or heating costs at the recipient's primary physical residence in the state, for a check for $250 in the name of the recipient of the energy voucher.

(h) Except as provided in (j) of this section or as may be provided by regulations adopted by the corporation, an energy voucher issued under this section is not valid unless it is signed and dated by the individual named on the face of the voucher.

(i) A replacement voucher issued to a landlord under (g) of this section is not valid until the landlord certifies on a form provided by the corporation bearing notice that false statements made in the form are punishable by law that the amount of the voucher will be used to provide energy or heat to the primary physical residence of the original recipient of the voucher and certifies to the amount that the landlord will apply against the rent of the original recipient of the voucher.

(j) Certification or signature on an energy voucher or other certification under this section required of an individual who is disabled or incapacitated may be signed or certified by the individual's legal guardian or other authorized representative. An individual may complete, sign, and redeem an energy voucher on behalf of a member of the armed forces of the United States who is serving on active duty outside of the United States if the individual has a power of attorney from the member of the armed forces that, in specific or general terms, authorizes the individual to redeem the voucher.

(k) An individual who is disabled or incapacitated may not maintain a claim against the state or an officer or employee of the state based on the manner in which the guardian or authorized representative other than a public agency of the state managed or disposed of an energy voucher received on behalf of the disabled or incapacitated individual.

(l) If a person is eligible for an energy voucher but dies before the energy voucher is issued or redeemed, the energy voucher may be transferred to a personal representative of the estate or to a successor claiming personal property under AS 13.16.680.

(m) In addition to any criminal penalties imposed by state law, if an individual or qualified distributor is convicted of a crime in connection with a false statement made in a certification required under this section, in a submission for a reimbursement under (d) of this section, or in connection with forging an energy voucher, and the conviction is not reversed, vacated, or set aside, or if an individual or qualified distributor is found by the Alaska Housing Finance Corporation to have bought, sold, traded, or otherwise violated the terms of the voucher, that individual or qualified distributor forfeits the energy voucher, or the monetary amount received from the voucher, and the individual is not eligible for a future permanent fund dividend.

(n) If an individual is aggrieved by a decision of the Department of Revenue with respect to the individual's eligibility for a permanent fund dividend, and thus an energy voucher under (a)(1) of this section, the individual may request that the department review its decision under AS 43.23.015(g).

(o) If an individual or distributor is aggrieved by a decision of the Alaska Housing Finance Corporation with respect to the individual's authority to claim an energy voucher on behalf of another, or reimbursement of a distributor, or other decision under (a)(2), (e), (g), or (m) of this section, the individual or distributor may request that the corporation review its decision. Within 12 months after an administrative appeal under this subsection is filed, the corporation shall provide the individual or distributor with a final written decision. If the individual or distributor is aggrieved by the final written decision of the corporation, the individual or distributor may appeal that decision to the superior court in accordance with AS 44.62.560. An appeal to the court under this subsection does not entitle the aggrieved individual or distributor to a trial de novo. The appeal shall be based on the record of the administrative proceeding from which appeal is taken, and the scope of appeal is limited to matters contained in the record of the administrative proceeding.

(p) If the corporation determines that an energy voucher or a cash payment made in exchange for a voucher should not have been issued to an individual or a reimbursement should not have been made to a distributor, the state may use all collection procedures or remedies available under AS 43 to recover the energy voucher or the cash value of the voucher that was improperly issued or for which reimbursement was improperly made. Except as provided in (q) of this section, a notice of an improperly issued voucher or improper

reimbursement shall be sent to the individual or distributor, as applicable, within

(1) three years after the energy voucher was issued if the notice is sent to an individual; or

(2) three years after the distributor received reimbursement if the notice is sent to a distributor.

(q) The three-year time limit under (p) of this section for the corporation to send notice of an improperly issued voucher or an improper reimbursement is extended to six years if the corporation determines that the individual or distributor

(1) exercised gross negligence or reckless disregard with respect to a material fact in connection with a false statement on the energy voucher or submission for reimbursement; or

(2) forged an energy voucher.

(r) If notice is not sent within the time required under (p) or (q) of this section, administrative or judicial proceedings may not be commenced for recovery of an improperly issued energy voucher or improper reimbursement.

(s) An energy voucher, account credit, or cash payment provided under this section is exempt from garnishment, levy, or execution by a private party or the state.

(t) To the extent allowed by federal law and notwithstanding other state law that may be to the contrary, the department shall, on request of the corporation, electronically provide the corporation with information about applicants who the department has determined are eligible for the permanent fund dividend paid in 2012. Information requested by the corporation under this subsection may include the name of the applicant, the physical and mailing address of the applicant, the date of birth of the applicant, the social security number of the applicant, and any other information necessary to execute the energy voucher program. Information from the department may be used by the corporation only for the purpose of executing the energy voucher program created under this section.

(u) In this section,

(1) "corporation" means the Alaska Housing Finance Corporation created under AS 18.56;

(2) "department" means the Department of Revenue;

(3) "disabled" means physically or mentally unable to sign an energy voucher

or make a certification required in this section because of serious emotional disturbance, visual, orthopedic, or other health impairment, or developmental disability that is attributable to mental retardation, cerebral palsy, epilepsy, autism, or other cause;

(4) "incapacitated" means the ability to receive and evaluate information or to communicate decisions is impaired for reasons other than minority to the extent that the person lacks the ability to provide the essential requirements for the person's physical health or safety without court-ordered assistance.

*** Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to read:

ANALYSIS AND RECOMMENDATION OF AN ENERGY ASSISTANCE PROGRAM. (a) The governor shall take public testimony, consider the recommendations from organizations involved in providing energy or energy assistance to Alaskans, analyze the energy assistance options in (b) of this section, and analyze alternate options to those proposed in (b) of this section for providing energy assistance to Alaskans and, before October 1, 2012, the governor shall provide a report to the legislature making a recommendation for an energy assistance program to be implemented in the fiscal year ending June 30, 2014, that

(1) correlates the amount of assistance to the local cost of residential heating, taking into consideration the price of fuel and heating degree days in each community;

(2) is implemented based on crude oil price or heating oil price;

(3) has total funding based on state revenue;

(4) minimizes administrative costs;

(5) makes participation of fuel distributors voluntary;

(6) includes a hold harmless provision for recipients of public assistance and veterans' benefits; and

(7) includes penalties for fraud, including ineligibility for a future permanent fund dividend.

(b) The governor shall analyze the following options and may analyze alternate options to provide energy assistance to Alaskans:

(1) a fuel price reduction program with the following features:

(A) state reimbursement to a heating oil or natural gas distributor of a

portion of the wholesale purchase price of fuel that the distributor sold to heat residential structures;

(B) an amount of reimbursement necessary to reduce the wholesale purchase price of a distributor by a specified amount or to a specified price;

(C) a limit on the amount of fuel that a person may purchase and for which a distributor received a state reimbursement; and

(2) an individual account program with the following features:

(A) application on a permanent fund dividend application for energy assistance in the form of a state payment to the applicant's account with a fuel distributor or electric utility;

(B) assistance based on heating degree days and the cost of energy in the community;

(C) electronic selection of

(i) a fuel distributor or electric utility to receive the individual's energy assistance payment; and

(ii) an optional amount from the applicant's dividend to be deposited in the individual's account with a fuel distributor or electric utility;

(D) a statewide base amount to be sent with the applicant's permanent fund dividend for an applicant for energy assistance who fails to select a fuel distributor or electric utility to receive the individual's energy assistance payment.

(c) The governor's report to the legislature under (a) of this section shall evaluate

(1) the estimated cost of the program for the first five years;

(2) the cost of administering the program compared to the assistance provided;

(3) whether the program provides the highest level of assistance to the individuals with the highest heating costs; and

(4) whether the program can be structured so that energy assistance is not subject to federal taxation.

(d) In this section, "heating degree days" means the average temperature for a day minus the reference temperature of 65 degrees Fahrenheit.

*** Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to read:

EMERGENCY REGULATION AND PROCUREMENT PROVISIONS. Notwithstanding AS 18.56.088, the Alaska Housing Finance Corporation may adopt emergency regulations under AS 44.62.250 and 44.62.260 necessary to implement the Alaska energy voucher program in sec. 1 of this Act without making written findings under AS 44.62.250. The legislature finds that the adoption of emergency regulations is necessary to implement this Act and for the immediate preservation of public health and general welfare. In addition, the Alaska Housing Finance Corporation is exempt from AS 36.30, including AS 36.30.015(f), for the purposes of implementing the Alaska energy voucher program.

*** Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).

ADOPTED 3/27/12

27-LS1363\D
Nauman
3/26/12

CS FOR SENATE BILL NO. 203( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATORS THOMAS, Paskvan, Hoffman, Wagoner, Ellis, Olson, French, Kookesh, Egan

A BILL

FOR AN ACT ENTITLED

"An Act establishing an energy assistance program in the Alaska Housing Finance Corporation to issue an energy voucher to Alaska permanent fund dividend recipients; relating to the analysis and recommendation of an energy assistance program by the governor; and providing for an effective date."

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

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

ALASKA ENERGY VOUCHER. (a) To help residents meet the high cost of energy in the state in 2011, the Alaska Housing Finance Corporation shall establish a program under which the corporation will issue not more than one energy voucher to each person who, in 2011, was an adult or an emancipated minor who was permitted to apply for a permanent fund dividend on the person's own behalf and who was determined by the Department of Revenue to be eligible for the permanent fund dividend paid in 2012.

(b) An energy voucher issued under this section is redeemable for the monetary

equivalent of 250 gallons of heating oil, the monetary equivalent of 35,000 cubic feet of natural gas, or the monetary equivalent of 1,500 kilowatt-hours of electricity. For purposes of this subsection, the monetary equivalent of 250 gallons of heating oil, 35,000 cubic feet of natural gas, or 1,500 kilowatt-hours of electricity is the retail price of 250 gallons of heating oil, 35,000 cubic feet of natural gas, or 1,500 kilowatt-hours of electricity as approved for each distributor qualified under (e) of this section. The corporation shall specify a date in 2012 for which each distributor that wants to be qualified under (e) of this section shall submit the retail price of 250 gallons of heating oil, the retail price of 35,000 cubic feet of natural gas, or the retail price of 1,500 kilowatt-hours of electricity, as applicable. On receipt of a voucher and eligible claim, the corporation shall issue a payment to the qualified distributor of the monetary amount determined under this subsection using the retail price approved by the corporation under (e) of this section for a qualified distributor for the applicable type of energy or fuel. On receipt of the payment from the state, a qualified distributor shall credit the full amount of the payment to the account that services the principal residence of the recipient of the voucher. A payment made under this section may not be used for costs unassociated with the purchase of the energy or fuel, may not be transferred between customer accounts, and may not be paid out in cash. If an account with a remaining balance from a payment made under this section is closed, a qualified distributor shall return the balance of the account attributable to the energy voucher to the state.

(c) The energy voucher

(1) shall be numbered and state the name of the person to whom the voucher is issued;

(2) must require the recipient of the voucher to sign, and date, and certify, on a form bearing notice that false statements made in the form are punishable by law, that the recipient of the voucher is complying with all the requirements of the voucher, including the requirement that the voucher amount be used to supply heating oil, natural gas, or electricity to the voucher recipient's primary residence in the state;

(3) is nontransferable and may not be sold, transferred, or traded for any other compensation, except as provided in (g) and (*l*) of this section;

(4) is redeemable only at a distributor qualified under (e) of this section and may not be split among multiple distributors;

(5) is not valid for submission to a distributor more than four months after the date the energy voucher is issued;

(6) is valid for heating oil, natural gas, or electricity delivered to the voucher recipient's primary residence in the state; and

(7) shall be issued by the corporation not more than 30 days following the issuance in 2012 of the permanent fund dividend.

(d) A distributor qualified under (e) of this section shall, within 30 days after accepting the voucher, issue a document acknowledging receipt of the voucher to the person exchanging the voucher. The corporation shall issue the amount determined under (b) and (e) of this section to the qualified distributor for an energy voucher not later than 20 days after receiving an eligible claim from a qualified distributor. Submitted claims must include

(1) the number of the voucher;

(2) the name of the recipient, as stated on the voucher; and

(3) the address or other identifying information requested by the corporation listed on the heating oil, natural gas, or electricity account that the voucher will credit.

(e) The corporation shall maintain a list of qualified distributors eligible to accept and redeem vouchers. A distributor of oil, natural gas, or electricity is qualified if the distributor

(1) is licensed to do business in the state;

(2) is regularly engaged in the business of distributing oil, natural gas, or electricity;

(3) submits a retail price of oil, natural gas, or electricity, as applicable, for the quantities described in (a) of this section, submits all evidence for that retail price requested by the corporation, and responds to inquiries of the corporation related to that retail price, and the corporation finds that retail price is representative of the price charged under similar circumstances; and

(4) meets other eligibility requirements that the corporation may adopt under AS 18.56.088 or emergency regulations adopted under sec. 3 of this Act.

(f) In determining the eligibility of an individual under a public assistance program, a heating assistance program, or a veterans' benefits program in which eligibility for assistance is based on financial need, the state may not consider an energy voucher as income or resources received by the recipient or by a member of the recipient's household.

(g) A recipient of an energy voucher who does not pay directly for the heating oil, natural gas, or electricity used in the recipient's residence or who does not have reasonable access to a qualified distributor of the type of fuel or electricity used in the recipient's residence in the state may certify that fact on a form provided by the corporation bearing notice that false statements made in the form are punishable by law, and may exchange the voucher with the corporation

(1) if applicable, for a replacement voucher in the name of the landlord or owner of the residence in the state in which the recipient resides, the value of which may, subject to negotiations between the landlord and tenant, be deducted from rent; or

(2) upon certification that the $250 will be used toward rent, energy, or heating costs at the recipient's primary residence in the state, for a check for $250 in the name of the recipient of the energy voucher.

(h) Except as provided in (j) of this section or as may be provided by regulations adopted by the corporation, an energy voucher issued under this section is not valid unless it is signed and dated by the individual named on the face of the voucher.

(i) A replacement voucher issued to a landlord under (g) of this section is not valid until the landlord certifies on a form provided by the corporation bearing notice that false statements made in the form are punishable by law that the amount of the voucher will be used to provide energy or heat to the primary residence of the original recipient of the voucher and certifies to the amount that the landlord will apply against the rent of the original recipient of the voucher.

(j) Certification or signature on an energy voucher or other certification under this section required of an individual who is disabled or incompetent may be signed or certified by the individual's legal guardian or other authorized representative. An individual may complete, sign, and redeem an energy voucher on behalf of a member of the armed forces of the United States who is serving on active duty outside of the United States if the individual has a power of attorney from the member of the armed forces that, in specific or general terms, authorizes the individual to redeem the voucher.

(k) An individual who is disabled or incompetent may not maintain a claim against the state or an officer or employee of the state based on the manner in which the guardian or authorized representative other than a public agency of the state managed or disposed of an

energy voucher received on behalf of the disabled or incompetent individual.

(*l*) If a person is eligible for an energy voucher but dies before the energy voucher is issued or redeemed, the energy voucher may be transferred to a personal representative of the estate or to a successor claiming personal property under AS 13.16.680.

(m) In addition to any criminal penalties imposed by state law, if an individual or qualified distributor is convicted of a crime in connection with a false statement made in a certification required under this section, in a submission for a reimbursement under (d) of this section, or in connection with forging an energy voucher, and the conviction is not reversed, vacated, or set aside, or if an individual or qualified distributor is found by the Alaska Housing Finance Corporation to have bought, sold, traded, or otherwise violated the terms of the voucher, that individual or qualified distributor forfeits the energy voucher, or the monetary amount received from the voucher, and the individual is not eligible for a future permanent fund dividend.

(n) If an individual is aggrieved by a decision of the Department of Revenue with respect to the individual's eligibility for a permanent fund dividend, and thus an energy voucher, the individual may request that the department review its decision under AS 43.23.015(g).

(o) If an individual or distributor is aggrieved by a decision of the Alaska Housing Finance Corporation with respect to the individual's authority to claim an energy voucher on behalf of another, or reimbursement of a distributor, or other decision under (e), (g), or (m) of this section, the individual or distributor may request that the corporation review its decision. Within 12 months after an administrative appeal under this subsection is filed, the corporation shall provide the individual or distributor with a final written decision. If the individual or distributor is aggrieved by the final written decision of the corporation, the individual or distributor may appeal that decision to the superior court in accordance with AS 44.62.560. An appeal to the court under this subsection does not entitle the aggrieved individual or distributor to a trial de novo. The appeal shall be based on the record of the administrative proceeding from which appeal is taken, and the scope of appeal is limited to matters contained in the record of the administrative proceeding.

(p) If the corporation determines that an energy voucher or a cash payment made in exchange for a voucher should not have been issued to an individual or a reimbursement

should not have been made to a distributor, the state may use all collection procedures or remedies available under AS 43 to recover the energy voucher or the cash value of the voucher that was improperly issued or for which reimbursement was improperly made. Except as provided in (q) of this section, a notice of an improperly issued voucher or improper reimbursement shall be sent to the individual or distributor, as applicable, within

(1) three years after the energy voucher was issued if the notice is sent to an individual; or

(2) three years after the distributor received reimbursement if the notice is sent to a distributor.

(q) The three-year time limit under (p) of this section for the corporation to send notice of an improperly issued voucher or an improper reimbursement is extended to six years if the corporation determines that the individual or distributor

(1) exercised gross negligence or reckless disregard with respect to a material fact in connection with a false statement on the energy voucher or submission for reimbursement; or

(2) forged an energy voucher.

(r) If notice is not sent within the time required under (p) or (q) of this section, administrative or judicial proceedings may not be commenced for recovery of an improperly issued energy voucher or improper reimbursement.

(s) An energy voucher, account credit, or cash payment provided under this section is exempt from garnishment, levy, or execution by a private party or the state.

(t) To the extent allowed by federal law and notwithstanding other state law that may be to the contrary, the department shall, on request of the corporation, electronically provide the corporation with information about applicants who the department has determined are eligible for the permanent fund dividend paid in 2012. Information requested by the corporation under this subsection may include the name of the applicant, the address of the applicant, the date of birth of the applicant, the social security number of the applicant, and any other information necessary to execute the energy voucher program. Information from the department may be used by the corporation only for the purpose of executing the energy voucher program created under this section.

(u) In this section,

(1) "corporation" means the Alaska Housing Finance Corporation created under AS 18.56;

(2) "department" means the Department of Revenue;

(3) "disabled" means physically or mentally unable to sign an energy voucher or make a certification required in this section because of serious emotional disturbance, visual, orthopedic, or other health impairment, or developmental disability that is attributable to mental retardation, cerebral palsy, epilepsy, autism, or other cause; "disabled" does not mean "incompetent."

*** Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to read:

ANALYSIS AND RECOMMENDATION OF AN ENERGY ASSISTANCE PROGRAM. (a) The governor shall take public testimony, consider the recommendations from organizations involved in providing energy or energy assistance to Alaskans, analyze the energy assistance options in (b) of this section, and analyze alternate options to those proposed in (b) of this section for providing energy assistance to Alaskans and, before October 1, 2012, the governor shall provide a report to the legislature making a recommendation for an energy assistance program to be implemented in the fiscal year ending June 30, 2014, that

(1) correlates the amount of assistance to the local cost of residential heating, taking into consideration the price of fuel and heating degree days in each community;

(2) is implemented based on crude oil price or heating oil price;

(3) has total funding based on state revenue;

(4) minimizes administrative costs;

(5) makes participation of fuel distributors voluntary;

(6) includes a hold harmless provision for recipients of public assistance and veterans' benefits; and

(7) includes penalties for fraud, including ineligibility for a future permanent fund dividend.

(b) The governor shall analyze the following options and may analyze alternate options to provide energy assistance to Alaskans:

(1) a fuel price reduction program with the following features:

(A) state reimbursement to a heating oil or natural gas distributor of a portion of the wholesale purchase price of fuel that the distributor sold to heat residential structures;

(B) an amount of reimbursement necessary to reduce the wholesale purchase price of a distributor by a specified amount or to a specified price;

(C) a limit on the amount of fuel that a person may purchase and for which a distributor received a state reimbursement; and

(2) an individual account program with the following features:

(A) application on a permanent fund dividend application for energy assistance in the form of a state payment to the applicant's account with a fuel distributor or electric utility;

(B) assistance based on heating degree days and the cost of energy in the community;

(C) electronic selection of

(i) a fuel distributor or electric utility to receive the individual's energy assistance payment; and

(ii) an optional amount from the applicant's dividend to be deposited in the individual's account with a fuel distributor or electric utility;

(D) a statewide base amount to be sent with the applicant's permanent fund dividend for an applicant for energy assistance who fails to select a fuel distributor or electric utility to receive the individual's energy assistance payment.

(c) The governor's report to the legislature under (a) of this section shall evaluate

(1) the estimated cost of the program for the first five years;

(2) the cost of administering the program compared to the assistance provided;

(3) whether the program provides the highest level of assistance to the individuals with the highest heating costs; and

(4) whether the program can be structured so that energy assistance is not subject to federal taxation.

(d) In this section, "heating degree days" means the average temperature for a day minus the reference temperature of 65 degrees Fahrenheit.

*** Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to

read:

EMERGENCY REGULATION AND PROCUREMENT PROVISIONS. Notwithstanding AS 18.56.088, the Alaska Housing Finance Corporation may adopt emergency regulations under AS 44.62.250 and 44.62.260 necessary to implement the Alaska energy voucher program in sec. 1 of this Act without making written findings under AS 44.62.250. The legislature finds that the adoption of emergency regulations is necessary to implement this Act and for the immediate preservation of public health and general welfare. In addition, the Alaska Housing Finance Corporation is exempt from AS 36.30, including AS 36.30.015(f), for the purposes of implementing the Alaska energy voucher program.

*** Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).

Alaska Housing
FINANCE CORPORATION

April 4, 2012

The Honorable Senator Bert Stedman
AK State Capitol, Room #516
Juneau, AK 99801

Dear Senator Stedman:

Thank you for allowing Alaska Housing Finance Corporation (AHFC) the opportunity to share information about Senate Bill 203, the energy assistance program and vouchers bill. As you are aware since the bill was first heard in the Senate Finance committee on Feb. 23, a number of significant changes have been adopted, most notably in our opinion, naming AHFC as the administrator of the program.

Our staff appreciates the ability to provide technical assistance to the bill sponsor and his staff. We have undertaken a significant effort to evaluate language in the bill, identify resources currently available to AHFC and those that would be required to implement SB 203 in the timeframe established in the bill.

AHFC recognizes the high cost of fuel plaguing rural areas and the Interior of our state. It is not the prerogative of AHFC to either support or oppose legislation so my intent is simply to provide you information about the challenge that AHFC is being asked to assume. Should SB203 proceed into law, AHFC will be required to issue vouchers within 30 days to each adult who was eligible for a Permanent Fund Dividend (PFD) in 2011. We will rely on PFD's data to determine eligibility into the program.

Should the Governor sign the bill into law by July 1, 2012, AHFC will have approximately three months to ready the program to include establishing a standard agreement or MOU with approximately 300 energy distributors-suppliers. AHFC will be responsible to print and issue individually numbered vouchers to 450,000 to 550,000 Alaskans with the vast majority of vouchers going out in November but additional vouchers to follow as PFD eligibility is determined. Each eligible recipient may choose to redeem their voucher for oil, natural gas, or electricity in their service area. Where distributors/suppliers choose not to participate in the program or where recipients do not have an account with a distributor, the recipient may choose instead to redeem his/her voucher for $250 and apply funds toward rent relief.

Further, SB 203 allows for a negotiation between a landlord and tenant. To illustrate three points:

1) In the case of an eligible recipient who happens to be a renter in Fairbanks, the renter could choose to split the value of the voucher 50/50 with his landlord. Should the landlord agree to the trade and for discussion purposes, the value of the voucher was $1,200. Under scenario, the renter would receive a rent reduction of $600, and the landlord would benefit from an additional $600 in energy relief.
2) Because AHFC will be required to provide 1099s for income that exceeds $600, tax counsel advises that both the tenant and the landlord in the scenario presented should receive 1099s and it is likely that the check will qualify as a taxable event.
3) If the renter in the scenario presented was a recipient of one of AHFC's Housing Choice Vouchers, a program funded by the federal department of Housing & Urban Development, the IRS would likely consider the event taxable; however, AHFC would consider the payment a one-time event not countable as family income so there would be no negative impact to the family relative to AHFC housing.

The bill specifies that AHFC will choose a date in 2012 for which to determine a fuel price, and because the recipient will have up to four months from time of issuance to redeem their voucher, again for illustration purposes, the practical effect is for a community whose oil price is $4.00/gallon on Jan. 15, the date AHFC selects under this hypothetical scenario, the cash value for this voucher would be $1,000. The distributor would credit the individual's account at time of receipt. If that voucher was redeemed on Dec. 1, 2012 and fuel prices were $5.00/gallon, the practical effect is that the consumer would receive 200 gallons of fuel. If, on the other hand, the price of fuel dropped to $3.00/gallon, the consumer would receive 333 gallons of fuel.

Upon delivery of the fuel or credit to an individual's account, AHFC would reimburse the distributor for the full value of the voucher. The bill requires AHFC to reimburse the distributor within 20 days of receiving eligible claims.

A few additional noteworthy points:

- For those individuals who choose to use their voucher to pay for electricity and are engaged in the PCE program, the value of the voucher will be applied post-PCE.
- AHFC does not have the current resources in-house to develop, manage and substantially dismantle this program in one year as is required in the bill. As a result, we have submitted a fiscal note that accounts for 10 full-time positions in the first year and ratcheting down to just two positions in the final year of the program. In the beginning, the majority of these positions will be dedicated to I.S. infrastructure development, contract administration with vendors AHFC engages, internal audit functions and appeals, and customer service and administrative support largely dedicated to our own clients in public housing and those who benefit from the Housing Choice Voucher program. Toward the end of the program in FY17 and FY18, we envision the primary duties of AHFC staff will be continued contract compliance and audit.
- My staff has been actively engaged in conversations with contractors who may be able to support the project as required in SB 203 and we will seek to bring those onboard as soon as possible under the authority granted to AHFC in Sec. 3 that allows for emergency regulation and procurement provisions. A detailed description of the duties we expect to contract is provided on page two of the fiscal note provided.

Finally, costs included in the fiscal note account for $310 million-$450 million in fuel reimbursement. The largest variable in this range is the number of Alaskans who might be eligible to participate, followed by the wide differential in actual cost of fuel by source.

Combined, operations, contract and fuel costs are estimated not to exceed $465,000,000 in FY13.

We appreciate the tremendous trust the legislature has placed in our leadership at Alaska Housing Finance Corporation and your confidence in our ability to execute significant projects. Please contact me if you have questions or concerns; I have staff standing by in your committee to answer questions the committee may pose.

Sincerely,

Daniel R. Fauske

Daniel R. Fauske
CEO/Executive Director

Cc: Governor Sean Parnell
Senator Lyman Hoffman, Co-Chair, Senate Finance
Senator Joe Thomas, SB 203 Sponsor

Senator Joe Thomas
March 26, 2012

Senate Bill 203: Energy Relief for Alaskans

Work draft CS 27-LS1363\D

Purpose: To provide Alaskans with relief from the effects of high energy costs and create a program to help residents deal with high energy costs during the transition to an affordable energy source.

Section 1: The state will send a voucher to every adult PFD recipient in the fall of 2012. This can be redeemed at a fuel distributor or utility of your choice for the value of 250 gallons of heating oil, 350 CCF of natural gas, or for 1,500 KWH of electricity.

- The recipient decides whether to use the voucher for heating oil or natural gas or electricity, then gives the voucher to the distributor of their choice. If the recipient does not already have an account with the distributor, they open an account.
- Distributors send the vouchers to the state and submit claims for payment that list the voucher number, name of voucher owner, the delivery address and other information.
- Upon receipt of a claim from a distributor, the state sends payment to the distributor to be credited to the voucher recipient's account.
- The amount of the state payment will be calculated by multiplying the quantity of fuel provided by the voucher, by the distributor's retail price on a specific date in 2012.
- The credit may be used only for energy at the recipient's primary residence in Alaska, and may not be transferred to another account or paid in cash to the account holder.
- The credit may be used to pay a recipient's debt with the distributor.
- Each voucher may only be used at one distributor.
- Distributors can decide whether to deliver fuel immediately after they receive a voucher, or to wait until they receive payment from the state.
- The credit remains in the account until it is spent on energy delivered to the recipient's home.
- If the account is closed before all the credit is used, the distributor sends the balance back to the state.
- Vouchers state the recipient's name, may not be sold or transferred, and require signature by both the recipient and the distributor.
- Recipients who certify that they do not pay directly for heating oil, natural gas or electricity at their primary residence may return their vouchers to the state and receive either: a replacement voucher in the name of their landlord, or a check for $250. Individuals may also qualify for $250 if they do not have a qualified distributor in their community.
- Participation by distributors is voluntary, and interested businesses can apply to be added to the list of qualified distributors.
- The program will be administered by the Alaska Housing Finance Corporation (AHFC).

Section 2: The Governor must evaluate options and make a recommendation for the best energy relief program that can be instituted in 2013 and beyond.

This recommendation is due October 1, 2012. This analysis must include an evaluation of a "fuel price reduction" program, an "individual account" program, and alternate options.

Section 3: AHFC may adopt emergency regulations and is exempt from procurement law for the purpose of implementing the energy voucher program rapidly.

Section 4: This legislation takes effect immediately.

March 26, 2012

SB 203: Energy Relief

Summary of Changes Contained in draft Committee Substitute 27-LS1363\D

1. Purpose (page 1, line 8)
   Clarifies that the purpose of the energy voucher program is to provide Alaskans with relief from the effects of high 2011 energy costs, which correlates with the residency period for the permanent fund dividend paid in 2012.

2. AHFC administers voucher program (page 1, line 9 and throughout)
   Substitutes Alaska Housing Finance Corporation for Department of Revenue as the state agency responsible for administering Section 1 of the bill, the energy voucher program.

3. Specific date for fuel price calculation and crediting consumer's energy account (page 2, lines 6-19)
   Directs AHFC to calculate the price of the energy for which each voucher is redeemed based on the distributor's retail price on a specific date or dates in 2012 selected by AHFC. Upon receipt of a claim from a distributor, AHFC will send payment to the distributor to be credited to the voucher recipient's energy account. The credit may be used for new deliveries of energy or to pay arrears. The credit may only be used for energy purchases and associated taxes, and may not be transferred to another account or paid in cash to the account holder. If an account with a voucher credit balance is closed, the distributor must submit the balance to the state.

4. Amounts and types of fuel (page 1, line 14)
   The voucher is redeemable for the monetary equivalent of 250 gallons of heating oil, 350 CCF of natural gas or 1,500 KWH of electricity. The amounts were selected with the objective of providing approximately 2 months of energy based on estimates of average statewide residential consumption. A $250 cash option has been provided to residents who do not purchase electricity, oil or gas for their primary residence, or do not have access to a qualified distributor, to assist them in purchasing alternative fuels or paying their rent. A renter whose heat and electricity are included in rent has the alternative of requesting reissuance of the voucher to their landlord in exchange for a rent reduction.

5. Voucher issuance and expiration (page 3, line 1 and line 7)
   AHFC will issue the voucher no more than 30 days after the Department of Revenue issues the individual's PFD. The voucher must be redeemed with a distributor, or returned to AHFC for the $250 payment or reissuance to a landlord, within 4 months of issuance. The distributor must issue a receipt for the voucher to the recipient, and must submit a claim to AHFC within 30 days.

6. Location of fuel delivery (page 2, line 23)
   The voucher recipient must sign and date a certification that the account into which the voucher reimbursement will be deposited is for energy delivered to their primary residence in Alaska.

7. Reissuance of voucher to landlord (page 4, line 16)
   The request for reissuance of a voucher to a landlord must state the amount of the mutually agreed -upon rent reduction, and be signed by both parties, as well as certify that the reissued voucher will be used for energy at the original recipient's primary residence in Alaska.

8. Eligibility for $250 (page 4, line 3 and line 10)
   Applicants for the $250 payment must certify they will use the money for rent or energy at their primary residence in Alaska. Eligibility for the $250 payment is expanded to include voucher recipients who certify that they do not have reasonable access to a qualified distributor in the Alaska community where their primary residence is located.

9. Qualified distributors (page 3, line 21)
   As part of the application process, distributors must submit the retail price they charged on the date specified by AHFC, along with any information required by AHFC to verify that price. AHFC may require information or evidence related to the price and must determine that the price is representative of the price charged under similar circumstances.

10. Qualified PFD recipients (page 1, line 10)
    States that a voucher will be issued to each person who was an adult or emancipated minor in 2011 and was determined by the Department of Revenue to be eligible for the PFD paid in 2012.

11. Garnishment (page 6, line 20)
    States that vouchers, account credits and cash payments cannot be garnished by the state or a private party.

12. AHFC emergency regulation authority and exemption from procurement rules (page 9, lines 2-9)
    Grants AHFC the authority to adopt emergency regulations and exempts AHFC from procurement laws to enable the agency to implement the program rapidly.

13. Appeals of AHFC decisions (page 5, lines 14-29)
    States that the existing Department of Revenue appeal process for PFD denial is the appeal process for denial of a voucher. The bill also creates an AHFC appeal process for challenging AHFC decisions about distributor qualifications, voucher claims, and payments, and violations of the laws governing the voucher program.

14. Penalties for violating the energy relief law (page 6, line 2)
    Adds forfeiture of state payments and reimbursements related to the voucher program to the penalties for violating the laws governing the program.

15. Voucher recipients who cannot act on their own behalf (page 4, line 22 and page 7, line 4)
    Amends language regarding signature of vouchers on behalf of impaired people, so it mirrors the PFD law regarding disabled and incompetent applicants.

16. AHFC access to PFD information (page 6, line 22)
    Directs the Department of Revenue to provide in electronic format all information about Permanent Fund Dividend recipients that AHFC needs to administer the energy relief program, including social security numbers.

17. Public input into energy assistance program analysis and recommendation (page 7, line 12)
    Amends section 2 of the bill by adding the requirement that, before issuing his report and recommendation, the governor takes public comment and considers recommendations from organizations involved in providing energy or energy assistance to Alaskans.

18. Immediate effective date (page 9, line 10)
    Adds an immediate effective date to the bill and the title.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version **SB203**
Fiscal Note Number
() Publish Date

Identifier (file name) SB203-DOA-OAH-3-8-12
Title Energy Assistance Program & Vouchers
Sponsor Senator Thomas
Requester Senate Finance

Dept. Affected Administration
Appropriation Centralized Administrative Services
Allocation Office of Administrative Hearings
OMB Component Number 2771

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	113.6						
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**113.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1007	I/A Rcpts (Other)	113.6						
TOTAL		**113.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version

Prepared by Terry L. Thurbon, Chief Administrative Law Judge — Phone 465-1886
Division Office of Administrative Hearings — Date/Time 3/8/12 1:50 PM
Approved by John Cramer, Deputy Commissioner — Date 3/8/2012
Department of Administration

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB203

Analysis

This bill provides for issuance of energy vouchers to adults eligible for the 2012 Permanent Fund Dividend (PFD), and for the vouchers to be redeemed with qualified distributors of heating oil, natural gas and electricity. Applicants determined to be ineligible for the PFD are entitled to a formal hearing conducted by the office of administrative hearings. The department of revenue, PFD division, estimates an increase of 100 formal appeals. The bill contemplates that those would be concluded within 12 months after filing.

Under the bill, distributors determined not to be qualified also would be entitled to an administrative hearing. The department of revenue could, but is not required to, ask the office of administrative hearings to conduct the distributor appeal hearings as voluntary referrals pursuant to AS 44.64.030(b). The number of distributor appeals that would reach the formal appeal level and be heard by the office of administrative hearings could be quite small, or even non-existent if the department of revenue elected not to refer them to the office.

The bill also provides that the energy voucher not be considered income for financial needs-based assistance programs, unless so required by federal law. If disputes arise between assistance claimants and assistance program managers in the department of health and social services about whether the energy voucher is required by federal law to be treated as income, this could affect the complexity of some cases, or possibly lead to an unquantifiable increase in cases, reaching the formal hearing stage before the office of administrative hearings.

OAH does not anticipate that the resulting one-time, limited duration spike in caseload would increase the office's caseload beyond OAH's capacity to handle the additional cases at approved staffing levels that will be in place as of the July 1, 2012 effective date of Executive Order 116. OAH might need to act sooner than planned to fill an existing vacancy, or if the crush of time-sensitive PFD eligibility appeals so dictated, might need to bring on board a temporary ALJ to handle some of the cases. The cost to OAH of performing the services would be recovered from the affected departments through interagency receipts, based on the time commitment required for hearings and mediations. The $113.6 figure corresponds to the department of revenue's estimate, based on 2008 Resource Rebate experience, of the increase in interagency receipts it would have to pay from the permanent fund to OAH for the anticipated increase of 100 cases. Whether OAH would in fact need to increase expenditures or need increased interagency receipts authority in that amount depends on unpredictable caseload dynamics.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB 203**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB203-DOR-PFD-02-28-12
Dept. Affected: Revenue
Title: Energy Assistance Program & Voucher
Appropriation: Tax & Treasury
Allocation: Permanent Fund Dividend
Sponsor: Senators Thomas, Paskvan, Hoffman, Wagoner, Ellis
Requester: Senate Finance
OMB Component Number: 981

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	72.9						
Travel							
Services	213.6						
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**286.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)	286.5						
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**286.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary	2						

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial note.

Prepared by: Deborah M. Bitney — Phone: 465-4785
Division: Permanent Fund Dividend — Date/Time: 2/28/12 1:26pm
Approved by: Alicia Egan , Legislative Liaison — Date: 2/28/2012
Department of Revenue

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SB 203
2012 LEGISLATIVE SESSION

Analysis

PFD expects this fiscal note to change as more clarification and information is provided to the Department of Revenue.

The bill creates an energy benefit by means of a voucher for Adults who are determined eligible for the 2012 PFD. The bill proposes the energy benefit to be distributed no later than December 1, 2012. The bill also tasks the Governor with determining how to make the program permanent through the PFD Division.

PFD expects increased appeals of ineligible applicants because of the value of the benefit added to dividend eligibility, a situation similar to that of the 2008 Resource Rebate at which time the Informal Appeals unit received approximately 900 appeals by applicants who were ineligible as a matter of law . Additional appeals staff, Range 12 PFD Tech II is needed to render informal appeals decisions within the staturorily designated time frame of 180 days.

Additionally, approximately 100 Formal level appeals were heard by Administrative Law Judges with Office of Administrative Hearings in which the divisions decision the applicant was ineligible was upheld. OAH RSA expected in the amount of $113.6.

As the value and benefit of the annual dividend program increases, so does the potential for fraud. $100.K is requested to hire a firm that would assist the division in auditing existing applicants and creating new audit recommendations for continued assurance that opportunity for fraud is minimized.

This fiscal note is written assuming distribution of the energy vouchers will be handled by AHFC, per the sponsor statement and conversations with the bill sponsor.

STATE OF ALASKA

DEPT. OF HEALTH & SOCIAL SERVICES

Alaska Commission on Aging

SEAN PARNELL, GOVERNOR

P.O. BOX 110693
JUNEAU, ALASKA 99811-0693
PHONE: (907) 465-3250
FAX: (907) 465-1398

March 13, 2012

The Honorable Lyman Hoffman, Co- Chair
Senate Finance Committee
Alaska State Capitol, Room 518
Juneau, AK 99801-1182

The Honorable Bert Stedman, Co-Chair
Senate Finance Committee
Alaska Capitol, Room 516
Juneau, AK 99801-1182

Subject: Support for SB 203, Energy Assistance Program & Vouchers

Dear Chair Hoffman and Chair Stedman:
The Alaska Commission on Aging (ACoA) is pleased to offer our support of SB 203, a bill to establish an energy assistance program that would issue an energy voucher to all Alaskan Permanent Fund Dividend recipients. SB 203 is an interim measure to help Alaskans manage their high utility bills until more affordable energy supplies come on line. SB 203 also requires the Executive Branch to evaluate and make recommendations for a cost efficient and effective energy assistance program to be instituted by FY2014. This legislation is sponsored by Senator Joe Thomas and co-sponsored by Senators Paskvan, Ellis, Olson, Egan, Wagoner, French, Kookesh and you, Senator Hoffman.

The price of heating fuel is expensive but especially hard felt by Alaskans on a fixed income. As the price of heating fuel increases, older Alaskans spend more of their fixed incomes on heating their homes, especially Elders who live in rural and remote communities where energy costs are the highest. During the winter, seniors often spend much of their day at home. Older adults typically experience cooler body temperatures than younger people. Many live in older and sometimes drafty homes that are less energy efficient and poorly insulated. In order to save money, some seniors turn down their thermostats way low and may even resort to closing off rooms during the winter or more dangerous practices such as using their kitchen stoves for heat. They also cut back on food and prescription medication expenditures, measures that can compromise their health and quality of life.

ACoA supports SB 203 and believes that this program will help all Alaskans with their heating bills, especially older Alaskans. Please feel free to contact Denise Daniello, ACoA's executive director, by phone (465-4879) or email (denise.daniello@alaska.gov) should you have questions or require additional information.

Sincerely,

Sharon Howerton-Clark
Chair, Alaska Commission on Aging

Sincerely,

Denise Daniello
ACoA Executive Director

Cc: Senator Ellis
Senator McGuire
Senator Egan
Senator Thomas
Senator Olson

City of Mountain Village
P.O. Box 32085
Mountain Village, Alaska 99632-0085
(907) 591-2929 or 2715
Fax (907) 591-2920

Resolution No. 12-02

A RESOLUTION of the City of Mountain Village to support Senate Bill 203-The Energy Voucher Bill

WHEREAS : the Council of the City of Mountain Village humbly request the Alaska Department of Revenue utilize the $3.7 billion surplus revenue to provide vouchers to every Adult Permanent Fund Dividend recipient and also develop a program to help residents deal with high heating costs during the transition to more affordable energy supplies.

WHEREAS : the City of Mountain Village recognizes and are fully aware of the high cost of living for the residents in Rural Alaska.

NOW, THEREFORE, BE IT RESOLVED THAT : The City of Mountain Village respectfully request that the State of Alaska Department of Revenue provide immediate energy relief vouchers based on the local cost of home heating, price of fuel and average temperatures of the communities using the $3.7 billion dollars of surplus generated from Alaska Permanent Fund Dividend Program.

CERTIFCATION

PASSED AND APPROVED BY A QUORUM OF City of Mountain Village this 13th day of March 2012, with a vote of 6 in favor, ___ against, ___ abstain, and 1 absent.

BY: _____
Mayor

Attest: _____
City Clerk

From: Fred Beans [mailto:fred.beans@ymail.com]
Sent: Friday, February 24, 2012 12:22 PM
To: Sen. Donny Olson
Cc: City of Mtn. Vil; atcadmin@gci.net; Paul Beans
Subject: SB 203

Honorable Senator Donald Olson,
The icy grip of old man winter is loosening and spring is close at hand. No doubt we will see him again.
My name is Frederick Beans, born and raised, for over a half a century, in Mountain Village. In my time, I've seen the decline of jobs , the hey days of Commercial Fishing is at its lowest, and I've also witnessed our People resorting to the handouts of the Government, not only that, but the increase of the price of a barrel of crude oil, of which the State of Alaska gets its revenue from. The price oil is on the rise, in part, due to the unrest in the Middle East, and I don't see it dropping any time in the future, which in turn is raising the cost of living, out here in the Bush.
As the Mayor of Mountain Village, I sincerely and wholeheartedly support Senate Bill 203, of which you are a co-sponsor of. I feel the Bill is a stepping stone in relieving some of the hardships we are facing, and will be facing, in the future. I also hope a program, of this nature, will be developed, to aid us in living in this Great State of Alaska.
I will bring this before the City Council, at our next meeting, and, I will push for a resolution in support of SB 203. I will also encourage the other entities to do so. Thank You very much.

Sincerely Yours,
Fred P. Beans,
Mayor of Mountain Village.

From: D. Robbins [mailto:drobbins.r@gmail.com]
Sent: Wednesday, March 21, 2012 4:08 PM
To: Sen. Lyman Hoffman; Sen. Joe Thomas
Cc: Sen. Donny Olson; Sen. Dennis Egan; Sen. Lesil McGuire; Sen. Johnny Ellis
Subject: RE: SB 203 Energy Assistance Program and Vouchers

Co-Chair Hoffman,
Co-Chair Thomas,
Committee members,

I hope you will find time to schedule a hearing soon for SB 203 *Energy Assistance Program and Vouchers.*

The bottom line with folks is staying warm and having food on the table. I saw some of my family going through a lot of stress last winter, and me for/with them, due to the costs running up for heating and utility bills. My (adult) kids were fortunate enough to be able to put the delivery costs on a credit card and hopefully pay it off over the summer. It is still a drag on the budgets and another year like the last one is going to really hurt. I live in my daughter's downstairs apartment, and am only indirectly hurt by this, but it is a big concern.

Some seniors and others who do not have as dependable jobs are beginning to have to choose to stay warm or have healthy food or other things like school clothes for their kids who just keep growing.

Please allow a public hearing and let people tell you about their situations. I fear there are many who are struggling and some are simply leaving Fairbanks.

Sincerely,

Doris Robbins

--
Doris Robbins

(907) 374-0597
1281 Overhill Dr.
Fairbanks AK 99709-6753
drobbins.r@gmail.com

-----Original Message-----
From: Poms@legis.state.ak.us [mailto:Poms@legis.state.ak.us]
Sent: Tuesday, February 21, 2012 9:20 AM
To: Grier Hopkins
Subject: New Pom:SB 203 Energy Assistance Program & Vouchers

Robert Pope
344 W Corral Ave

Soldotna 99669,

SB 203 is needed! The people of Alaska, especially in the bush communities, are suffering from high energy costs and need relief NOW, not in the future. If we get a pipeline built we can sunset this bill. Remember, the money you are spending belongs to the people of Alaska.

Catherine Reardon

From: pat pletnikoff <pat714swet@yahoo.com>
Sent: Friday, February 17, 2012 1:12 PM
To: Catherine Reardon
Cc: Patricia Walker
Subject: Energy Relief Plan

Hi: Please let Senator Thomas know we appreciate fully his efforts to help relieve energy costs to Alaskans. The group of Senators are absolutely correct in that relief is necessary. Our families here at St. George often must either heat their homes or cut down on grocery purchases. A hard choice for anyone. But, with the high unemployment situation facing our people, this proposed relief is welcome and justified. We are grateful for the efforts of the Senators. Thank you, Pat Pletnikoff, Mayor, City of St. George

The Association of Village Council Presidents
Regional Housing Authority
PO Box 767
405 Ptarmigan Road
Bethel, Alaska 99559
Ph 907-543-3121
Fax 907543-2270
www.avcphousing.org

March 12, 2012

Sen. Lyman Hoffman
Alaska State Senate
State Capitol Room 518
Juneau AK, 99801

Rep. Bob Herron
State House of Representatives
State Capitol, Room 411
Juneau, AK 99801-1182

RE: SB 203 Energy Relief Plan

Dear Sen. Hoffman and Rep. Herron,

After a short respite from the cold weather, our temperatures have dropped once again to the -20s at nights and our people continue to work at keeping their homes warmed with anything they could afford or find. The cost of trying to keep warm is still outrageous, to say the least.

The AVCP Regional Housing Authority (RHA) is in receipt of a press release and draft bill regarding SB 203. When the AVCP RHA Board of Commissioners met recently, they adopted a resolution, which is attached, supporting SB 203. The Commissioners believe the benefits from SB 203 will be very welcomed by us all in Alaska.

We recommend that SB 203 be amended to provide, if at all possible, the vouchers go to heads of families, and raise the vouchers to 500 gallons or 3,000 KWHs, and include wood vouchers as another option where available.

A cord of wood is about $500. A cord in the long run supplies more BTUs than an equivalent cost of heating fuel. A cord (2,500 lbs) provides 7,000 BTUs per lb. or 17,500,000 BTUs. One gal. of stove oil has 135,000 BTUs; thus, 17.5 million divided by 135,000, gets about 130 gals worth of heating oil. If fuel oil costs $6.40 (Bethel price), it costs $830 to buy that 130 gals versus $500 for a cord of wood. Immediately, one has a $330 savings buying wood, or buys more BTUs with that $830 when using it all on wood.

Rural Alaska, as you know, always suffers the most when it comes to paying for heating

and electricity. You might have heard on KYUK radio or read in the Anchorage Daily News about some people in Bethel paying up to $800-plus monthly bills this winter for their heating. In villages around Bethel, people were burning trash, wood from abandoned buildings, and icy green brush from riversides.

Other villages have their own stories:

Kotlik

In Kotlik, a tribal council worker says nearly all community household are coming to the tribal council and asking for LIHEAP and/or emergency assistance. There are only 150 jobs for the 600 population. Stove oil costs $6.65 and gas is $7.25. Therefore, people that get pay checks first buy stove oil and food, and worry about bills later. Even wood gathering is hard to do, due to the cost of gasoline.

Nunam Iqua (Sheldon's Point)

As in Kotlik, a few jobs are available in Nunam per a tribal council worker, so most people cannot afford to buy heating fuel. Lucky for the village, there is a sandbar near the village where people can get wood to burn if they are able to get it. But elders who have little help are calling upon the tribal council for energy assistance every day, and such assistance is backlogged to November; they are even asking for any CITGO assistance. Nunam is assigned 11 emergency energy vouchers, but those are currently exhausted. People are asking for loans or try to borrow money to buy needed items and heating fuel, or to pay bills. One community member racked up $800 in electricity using an electric heater and oven when a toyostove broke down for a few days.

Hooper Bay

In Hooper Bay, the city manager says people in his village are "looking" for anything that will burn, whether cardboard, old shoes, clothing and any scrap of wood that becomes available. He said people are chain-sawing down unused city property buildings at night and taking the lumber home for wood. Still members in town have been coming all winter long to the city asking for any scraps of lumber that may become available. People are stealing wood from each other, the city manager said, and collecting and burning low-quality woods such as cottonwood gotten from the shoreline.

Nunapitchuk

A head of household from Nunapitchuk said he was getting tired of getting their stove oil stolen from their tank so they set an old bear trap below it. In the middle of one night they finally caught a thief, who howled loudly and made a ruckus when caught. But, by the time they went out to go check the trap, the villain had escaped loose. The head of household said they have less stove oil stolen now.

Examples of stove oil and gas costs in Y-K Delta villages:

<u>Mumtram Pikkai, Inc., Goodnews Bay, AK.</u>

$ 5.31 heating, $ 6.17 gas, plus 3% sales tax. This winter, Goodnews Bay is using up two years' supply of heating fuel. The village is very low on stove oil now, and will have to request for more stove oil from any local available supplies like the school. Price will

go up at the spring barge delivery.

Qanirtuuq, Inc., Quinhagak, AK.
$6.75 heating, $ 6.82 gas, plus 3% sales tax. The supplier was out of stove oil in February, but bought some from the LKSD School and AVEC.

Nunapitchuk Ltd.
$6.00 heating, $6.85 gas, plus 4% sales tax.

City of Upper Kalskag.
$6.50 for both heating and gas.

Iqfijouaq Co. Inc., Eek, AK.
$7.00 for bothheating and gas, plus 2% sales tax. Stove oil might not last to this coming spring.

Akiachak Fuel Sales, Inc.
$6.86 heating, $ 6.90 gas. Plus 5% sales tax.

Kokarmiut Corp., Akiak, AK.
$6.85 heating, $ 6.80 gas.

In light of the above examples, AVCP Housing is very grateful that you, our representatives in Juneau, are trying to work on a plan to help rural Alaskans deal with their high energy costs. The Sarah Palin-era Energy Dividend was of great assistance when it was enacted and distributed – many rural Alaskans then received a very great benefit. But today, high energy costs are unrelenting and rural residents still need relief in this area, since there is rarely any kind of long-lasting relief for this, even for the wider population of Alaska. The lack of relief is resulting in a low-state of anarchy in a village like Hooper Bay, but since it's involving only wood, criminal matters aren't being brought up.

Therefore, thank you very much for your thoughtfulness in developing SB 203. On behalf of the AVCP RHA Board of Commissioners and staff, I thank you for your continued assistance to the Yukon-Kuskokwim Delta region, other rural Alaska areas, and the rest of the state and its people.

Sincerely,

Ron Hoffman
President/CEO

Cc: Sen. Joe Thomas, Fairbanks
Sen. Joe Paskan, Fairbanks
Sen. Tom Wagoner, Kenai
Sen. Johnny Ellis, Anchorage
Sen. Donny Olson, Golovin

The Association of
Village Council Presidents
Regional Housing Authority
(907) 543-3121 (800) 478-4687

Box 767
Bethel, AK 99559
(907) 543-3933(FAX)

BOARD OF COMMISSIONERS
ASSOCIATION OF VILLAGE COUNCIL PRESIDENTS
REGIONAL HOUSING AUTHORITY

RESOLUTION 12-05

A RESOLUTION SUPPORTING SB 203, THE ALASKA ENERGY RELIEF PLAN

WHEREAS; Rural Alaskans were hit with one of the coldest weather spans in the winter of 2011-2012, causing a major hardship for struggling families (Alaska had an average 5.8°F between November-January, but dropped to the -20s and -30s for up to two weeks at a time); and

WHEREAS; The Alaska Senate is proposing to utilize a portion of the State's $3.7 billion surplus to help Alaska families in coping with high energy prices via Senate Bill 203, and provide Alaskans with immediate energy relief through fuel vouchers and develop a program to help residents deal with high heating costs during the transition to more affordable energy supplies; and

WHEREAS; SB 203 would direct the Alaska Dept. of Revenue to send a voucher to every adult Permanent Fund Dividend recipient in the fall of 2012, which can be redeemed at the fuel distributor of their choice for either 250 gallons of heating oil, an equivalent amount of natural gas, or 1,500 KWH of electricity; and

WHEREAS; SB 203 calls for the State to evaluate several options for on-going energy relief and recommend by Oct. 1, 2012, the best or most viable program that can be put into effect for 2013 and beyond.

NOW, THEREFORE, BE IT RESOLVED That the AVCP RHA Board of Commissioners hereby supports SB 203, and wholeheartedly encourages the Alaska State Legislature to pass the bill as soon as possible and immediately send it to Gov. Sean Parnell for this signature.

CERTIFICATION

The foregoing resolution was passed by the Board of Commissioners of the Association of Village Council Presidents Regional Housing Authority in a duly called meeting where a quorum was present, this 23rd day of February, 2012, by a vote of 5 ayes, 0 nays and 0 abstaining.

Robert Nick
Chairman

ATTESTED TO:

Secretary

Bristol Bay
Native Corporation *Enriching Our Native Way of Life*
111 West 16th Avenue, Suite 400 / Anchorage, Alaska 99501-5109 / (907) 278-3602 / Fax (907) 276-3924

February 24, 2012

The Honorable Joe Thomas
Alaska State Senate
State Capitol Room 514
Juneau, AK 99801

RE: Letter of Support for Senate Bill 203

Dear Senator Thomas,

Bristol Bay Native Corporation strongly supports Senate Bill 203, the creation of an energy voucher program.

The high and unstable price of energy is a serious issue for families and businesses in the Bristol Bay region, and immediate relief is severely needed. The average price of heating fuel is $5.85 per gallon; the average price of electricity, based on PCE reports is $0.5967 per kWh.

Energy assistance is very important as it provides immediate relief to low-income families. We recognize the need for assistance for all Alaskans as a necessary short-term solution to any energy plan set forth. We know the importance of energy efficiency and conservation, and alternative energy policies, programs and projects that help offset the need for fossil fuels.

We recognize SB 203 requests the executive branch to evaluate program options for energy assistance beyond the temporary voucher program. To that point, we respectfully recommend that rural entities such as regional corporations and non-profits be included in those discussions, analyses and recommendations to the fullest extent possible.

Bristol Bay Native Corporation appreciates your concern with the high cost of energy, and supports your efforts in finding solutions to continue to provide relief until a transition to more affordable energy supplies is realized.

Sincerely,

Jason Metrokin
President & CEO

Cc: The Honorable Gary Stevens
The Honorable Lyman Hoffman
The Honorable Bryce Edgmon
The Honorable Alan Austerman

BRISTOL BAY NATIVE ASSOCIATION

P.O. BOX 310
DILLINGHAM, ALASKA 99576
PHONE (907) 842-5257

Tuesday, February 22, 2012

Tribal Councils Served by BBNA:

Aleknagik
Chignik Bay
Chignik Lagoon
Chignik Lake
Clarks Point
Curyung
Egegik
Ekuk
Ekwok
Igiugig
Iliamna
Ivanof Bay
Kanatak
King Salmon
Kokhanok
Koliganek
Levelock
Manokotak
Naknek
New Stuyahok
Newhalen
Nondalton
Pedro Bay
Perryville
Pilot Point
Port Heiden
Portage Creek
South Naknek
Togiak
Twin Hills
Ugashik

The Honorable Joe Thomas
Alaska State Senate
State Capitol Room 514
Juneau AK, 99801

RE: Letter of Support for Senate Bill 203, "Energy Voucher"

Dear Mr. Thomas,

The Bristol Bay Native Association is writing to express support of Senate Bill 203, the creation of an energy voucher program.

The high and volatile price of energy is a serious issue for families and businesses in the Bristol Bay region, and immediate relief is severely needed. The average price of heating fuel is around $5.85 per gallon; and the average price of electricity, based on PCE reports, is around .5967 per kWh.

We are very familiar with the importance of energy assistance and the immediate relief it provides to low-income families as the administrator of LIHEAP & AKHAP programs for the region. In general, we recognize the need for assistance for all Alaskans as a necessary short-term solution to any energy plan set forth. We also recognize the importance of energy efficiency and conservation, and alternative energy policies, programs and projects that help offset the need for fossil fuels.

We recognize SB 203 requests the executive branch to evaluate program options for energy assistance beyond the temporary voucher program. To that point, we respectfully recommend that rural entities such as regional non-profits be included in those discussions, analyses and recommendations to the fullest extent possible.

The Bristol Bay Native Association appreciates your concern with the high cost of energy, and supports your efforts in finding solutions to continue to provide relief until a transition to more affordable energy supplies is realized.

Sincerely,

Ralph Andersen
President & Chief Executive Officer

Cc: Senator Gary Stevens
Senator Lyman Hoffman
Representative Bryce Edgmon
Representative Alan Austerman



KAWERAK , INC. • P.O. Box 948 • Nome, AK 99762

TEL: (907) 443-5231 • FAX: (907) 443-4452

SERVING THE VILLAGES OF:
BREVIG MISSION
COUNCIL
DIOMEDE
ELIM
GAMBELL
GOLOVIN
KING ISLAND
KOYUK
MARY'S IGLOO
NOME
SAVOONGA
SHAKTOOLIK
SHISHMAREF
SOLOMON
STEBBINS
ST. MICHAEL
TELLER
UNALAKLEET
WALES
WHITE MOUNTAIN

Co-Chair Senator Hoffman, Co-Chair Senator Stedman
Senate Finance Committee
State Capitol Room 506
Juneau, AK 99801-1182

Feb. 23, 2012

RE: Senate Bill 203

Honorable Co-Chair Hoffman, Honorable Co-Chair Stedman:

Kawerak, Inc., is a regional Native non-profit, serving 20 Tribes in the Bering Strait. Kawerak supports SB203 because it will provide badly needed heating assistance next winter, and will help the state move forward towards an assistance program that truly meets our needs.

This winter is particularly difficult. January 2012 was the coldest month on record. Heating degree days are 23% above average. At the same time fuel oil costs an average of $6.33 / gallon across the region. Prices over $7 are not uncommon.

Today, high energy costs, aggravated by low income and high unemployment, are increasing the burden in our already economically distressed communities. As energy prices rise, the amount of money available for household necessities dwindles, and the quality of life is suffering as a consequence. SB203 provides the security we need for the coming year.

Kawerak supports section two of SB 203 because it moves us forward towards a program that better meets our needs. It directs the Governor's office to evaluate different ways to provide heating assistance, and to make recommendations to the legislature next session.

Kawerak requests legislators pass SB203 this session. It helps insure residents will have the energy they need next winter, and puts us on the course towards a program that meets Alaska's energy needs in years to come.

MBahnke

Melanie Bahnke, Executive Vice-President

BRISTOL BAY NATIVE ASSOCIATION

P.O. BOX 310
DILLINGHAM, ALASKA 99576
PHONE (907) 842-5257

Tuesday, February 22, 2012

Tribal Councils Served by BBNA:

Aleknagik
Chignik Bay
Chignik Lagoon
Chignik Lake
Clarks Point
Curyung
Egegik
Ekuk
Ekwok
Igiugig
Iliamna
Ivanof Bay
Kanatak
King Salmon
Kokhanok
Koliganek
Levelock
Manokotak
Naknek
New Stuyahok
Newhalen
Nondalton
Pedro Bay
Perryville
Pilot Point
Port Heiden
Portage Creek
South Naknek
Togiak
Twin Hills
Ugashik

The Honorable Joe Thomas
Alaska State Senate
State Capitol Room 514
Juneau AK, 99801

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The Bristol Bay Native Association appreciates your concern with the high cost of energy, and supports your efforts in finding solutions to continue to provide relief until a transition to more affordable energy supplies is realized.

Sincerely,

Ralph Andersen
President & Chief Executive Officer

Cc: Senator Gary Stevens
Senator Lyman Hoffman
Representative Bryce Edgmon
Representative Alan Austerman

ALASKA STATE LEGISLATURE

SENATOR JOE THOMAS

Senate Bill 203:

"An Act establishing an energy assistance program in the Department of Revenue to issue an energy voucher to Alaska permanent fund dividend recipients; and relating to the analysis and recommendation of an energy assistance program by the governor."

Alaskans are struggling to heat their homes in the face of high energy costs. This crisis is under-cutting families and stifling local economies, particularly in communities with the harshest climates and highest fuel costs.

Senate Bill 203 provides Alaskans with energy relief through fuel vouchers this fall, and develops a program to help residents deal with high heating costs during the transition to more affordable energy supplies.

SB 203 directs the Alaska Department of Revenue to send a voucher to every adult Permanent Fund Dividend recipient in the fall of 2012, which can be redeemed at the fuel distributor or utility of their choice for either 250 gallons of heating oil, an equivalent amount of natural gas, or 1,500 KWH of electricity. By providing an equal amount of fuel to each adult, the voucher system accounts for the disparate cost of different fuels and prices in different locations.

Renters and others who certify that they do not pay directly for home heating oil, natural gas or electricity may request the reissuance of their voucher in the name of their landlord or a $250 cash payment.

The second section of the bill requires the governor to analyze two specific options for energy relief in FY14 and beyond: a "fuel price reduction program" and an "individual account program." The executive branch may also analyze alternatives to those options before making a recommendation. The analysis and recommendation are due back to the legislature by October 1, 2012.

The program recommended by the state must correlate the amount of assistance to the local cost of residential heating, taking into consideration the price of fuel and "heating degree days" in each community, as well as satisfy other requirements designed to ensure an efficient and equitable program.

SB 203 will provide needed relief this year, and develop a program to help families in the future. I ask for your support.

January – May: State Capitol – Juneau, Alaska 99801 – (907) 465-2327 – 1 (800) 336-7383 – Fax (907) 465-5241
June – December: 1292 Sadler Way Ste 203 – Fairbanks, Alaska 99701 – (907) 456-8161 – Fax (907) 456-8163
Senator.Joe.Thomas@legis.state.ak.us

Senator Joe Thomas
February 17, 2012

Senate Bill 203 : Energy Relief for Alaskans

Purpose: to provide Alaskans with immediate energy relief and create a program to help residents deal with high energy costs during the transition to more-affordable energy supplies.

Section 1: State sends a voucher to every adult PFD recipient in the fall of 2012, which can be redeemed at a fuel distributor or utility for 250 gallons of heating oil, or for the natural gas BTU equivalent, or for 1,500 KWH of electricity.

- Fuel distributors apply to be added to the list of qualified distributors.
- Vouchers are numbered, state the recipient's name and are non-transferable.
- Vouchers may be redeemed at any qualified fuel distributor in the state.
- Fuel may be delivered to any address in the state.
- Recipients who certify that they do not pay directly for home heating oil, natural gas or electricity may return their vouchers to the department and receive either: a replacement voucher in the name of their landlord, or a check for $250.
- Distributors submit claims for reimbursement to the state that list voucher numbers, names of voucher owners, fuel delivery addresses and the retail price of fuel on the delivery date.
- The program will be administered by the Department of Revenue/AHFC

Section 2: Executive branch evaluates options and makes a recommendation for an energy assistance program for Alaskans in 2013 and beyond.

The analysis and recommendation are due October 1, 2012. The analysis will include evaluation of a "fuel price reduction" program, an "individual account" program and alternate options, as well as a recommendation for the best program that can be instituted in FY14:

<u>Fuel price reduction option:</u>

The state makes payments to fuel distributors to lower the price they charge Alaskans for residential heating fuel.

Distributors of heating oil and natural gas submit to the state proof of the wholesale purchase price for the fuel they distribute, and the state reimburses those distributors the amount necessary to effectively reduce that wholesale price a specified amount or to a specified price. Distributors receive this reimbursement for all fuel they sell in the state for residential heating. The executive branch analysis will include consideration of the limiting the number of gallons each Alaskan may purchase at the reduced rate.

---more---

Individual account option:

Alaskans apply through the annual PFD process and qualify for an amount of money to be deposited by the state in an account in their name at a fuel distributor or electric utility of their choice in their community. The amount of assistance varies depending on energy costs and heating degree days in each community.

The Permanent Fund Division creates an electronic system similar to "pick-click-give" through which applicants may select a fuel distributor or utility. Individuals who do not select a fuel distributor or utility receive a standard, statewide "base" amount of assistance in the form of a check to their PFD mailing addresses. The executive branch analysis will consider allowing Alaskans to deposit a portion of their PFD's into their fuel accounts, in addition to their energy assistance.

The executive branch analysis of the options and its recommended program must include evaluation of the following:

1. Whether the program can be structured so the resulting energy assistance will not be subject to federal taxation.
2. The estimated cost of the program in FY14 and for the following 4 years.
3. The cost of administering the program relative to the assistance provided to Alaskans.
4. The extent to which the program provides the most assistance to those Alaskans who have the highest heating costs.

The recommended program must include the following:

- Amount of assistance correlated to the cost of home heating in different communities.
- Program triggered by ANS crude oil price or a heating oil price, and total program funding level dependent on state revenue.
- Penalties for fraud similar to PFD provisions, including loss of future PFD's.
- Voluntary participation by fuel distributors.
- Administrative costs kept to a minimum.

AkWarm FUEL COST SURVEY - JANUARY 2012

Name	#1 Oil Price per gallon
Akiachak	$6.89
Akiak	$6.85
Akutan	$3.80
Alakanuk	$6.45
Alatna	$7.00
Anaktuvuk Pass	$1.55
Anchor Point	$3.85
Anchorage	$3.78
Anderson	$4.22
Angoon	$5.36
Aniak	$5.87
Anvik	$5.25
Arctic Village	$10.00
Atka	$7.43
Atmautluak	$5.56
Atqasuk	$1.40
Auke Bay	$4.35
Barrow	$1.00
Beaver	
Bethel	$6.13
Betties	$7.45
Big Lake	$3.80
Bird Creek	$3.78
Brevig Mission	$4.88
Buckland	$7.42
Cantwell	$4.25
Chalkyitsik	$6.75
Chefornak	$7.14
Chena Hot Springs	$4.25
Chenega	$6.00
Chickaloon	$3.80
Chicken	$4.50
Chignik	$3.65
Chignik Lake	$5.32
Chistochina	$4.06
Chitina	$3.99
Chuathbaluk	$6.80
Chugiak	$3.80
Circle	$5.50
Clam Gulch	$3.80

Clark's Point	$6.00
Clear	$4.22
Coffman Cove	$4.38
Cold Bay	$5.39
Cooper Landing	$4.01
Copper Center	$4.06
Cordova	$4.63
Craig	$4.23
Crooked Creek	$7.55
Deering	$6.44
Delta Junction	$3.96
Denali Nat'l Park	$4.25
Dillingham	$5.47
Dot Lake	$4.15
Douglas	$4.53
Dutch Harbor	$3.64
Eagle	$4.75
Eagle River	$3.78
Eek	$7.14
Egegik	$5.05
Ekwok	$6.75
Elfin Cove	$5.02
Elim	
Emmonak	$6.94
English Bay/Nanwal	$5.77
Ester	$3.93
Evansville	$7.45
Fairbanks	$3.93
False Pass	$4.77
Fort Yukon	$5.70
Gakona	$4.10
Galena	$5.39
Gambell	$6.95
Girdwood	$3.78
Glenallen	$4.07
Golovin	$5.00
Goodnews Bay	$5.47
Grayling	$5.00
Gulkana	$4.06
Gustavus	$5.00
Haines	$4.52

Halibut Cove	$4.64
Healy	$4.24
Hollis	$4.03
Holy Cross	$6.87
Homer	$4.12
Hoonah	$4.77
Hooper Bay	$7.37
Hope	$4.00
Houston	$3.88
Hughes	$9.00
Huslia	$6.00
Hydaburg	$4.19
Igiugig	$8.09
Iliamna	$7.96
Indian	$3.78
Juneau, Airport	$4.53
Juneau, City of	$4.53
Kake	$5.75
Kaktovik	$2.60
Kaltag	$5.75
Karluk	$5.00
Kasaan	$4.25
Kasigluk	$6.85
Kasilof	$3.76
Kenai	$3.76
Kenny Lake	$4.06
Ketchikan	$4.12
Kiana	$7.00
King Cove	$5.51
King Salmon	$5.16
Kipnuk	$6.13
Klawock	$4.25
Klukwan	$5.48
Kobuk	$9.30
Kodiak	$4.26
Kokhanok	$8.02
Kongiganak	$6.38
Kotlik	$6.85
Kotzebue	$6.28
Koyuk	$6.63
Kwethluk	$6.18
Kwigillingok	$6.45
Larsen Bay	$5.74
Levelock	$4.90
Lime Village	$7.61

Lower Kalskag	$6.50
Manokotak	$5.97
Marshall	$6.73
McCarthy	$4.50
McGrath	$7.47
Mekoryok	$5.47
Mentasta Lake	$4.06
Metlakatla	$3.98
Meyers Chuck	$4.79
Minto	$5.05
Moose Pass	$3.83
Mountain Village	$7.76
Naknek	$5.16
Napaimute	$7.00
Naukati	$4.33
Nelson Lagoon	$5.98
Nenana	$4.28
New Stuyahok	$6.55
Newhalen	$7.31
Nikiski	$3.66
Nikolaevsk	$3.86
Nikolai	$7.50
Ninilchik	$3.66
Nome	$5.83
Nondalton	$7.00
Noorvik	$6.00
North Pole	$4.17
Northway	$4.15
Nuiqsut	$2.05
Nulato	$5.70
Nunapitchuk	$7.06
Nunum Iqua	$6.76
Old Harbor	$5.92
Oscarville	$6.15
Ouzinkie	$4.86
Palmer	$3.91
Paxson	$3.96
Pelican	$5.15
Petersburg	$4.27
Pilot Point	$5.41
Pilot Station	$7.32
Pitkas Point	$6.03

Point Baker	$5.30
Point Hope	$1.69
Point Lay	$1.45
Port Graham	$5.20
Port Lions	$5.13
Port Protection	$5.26
Quinhagak	$6.18
Ruby	$5.30
Russian Mission	$5.75
Saint George	$5.76
Saint Mary's	$6.85
Saint Michael	$7.02
Saint Paul	$5.62
Salcha	$3.98
Sand Point	$5.30
Savoonga	$5.78
Saxman	$4.24
Scammon Bay	$7.48
Seldovia	$5.51
Seward	$3.98
Shishmaref	$6.58
Shungnak	$9.78
Sitka	$4.35
Skagway	$4.45
Slana	$4.06
Sleetmute	$7.35
Soldotna	$4.03
South Naknek	$5.16
Stebbins	$7.20
Sterling	$3.91
Stevens Village	$6.76
Sutton	$3.80
Talkeetna	$3.80
Tanana	$5.61
Tazlina	$4.06
Teller	$6.03
Thorne Bay	$4.38
Togiak	$5.97
Tok	$4.05
Toksook Bay	$7.45
Tonsina	$4.20
Trapper Creek	$3.80

Tuluksak	$6.50
Tuntutuliak	$6.80
Tununak	$6.75
Unalakleet	$6.62
Unalaska	$4.67
Upper Kalskag	$6.50
Valdez	$4.30
Venetie	$8.50
Wainwright	$1.50
Wales	$7.98
Ward Cove	$3.98
Wasilla	$3.88
Whale Pass	$4.38
White Mountain	$5.30
Whittier	$3.99
Willow	$3.80
Wrangell	$4.78
Yakutat	$5.17

NOTES:

1. Prices include city and borough sales tax, where applicable. If there is a varied cost structure, based on quantity, the price is for 200-400 gallons, delivered.

2. These prices are from one vendor in each community. In some communities, there may be other vendors with different prices.

3. In communities where fuel is barged in, prices are constant between deliveries. In communities on the highway system, prices are much more volatile and could change weekly.

SB 210

<TARGET><BILL>SB 210</BILL><SUBJECT>SB 210</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/26/12

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 210

SB 210-CRIMES AGAINST CHILDREN

"An Act relating to crimes against children; establishing a new aggravating factor at sentencing in certain crimes against children; relating to criminal nonsupport; adding to the list of crimes against children that bar the Department of Public Safety from issuing to a person a license to drive a school bus; adding an exception to a provision that requires the Department of Health and Social Services to make timely, reasonable efforts to provide family support services to prevent out-of-home placement of a child; and providing for an effective date."

and recommends:

[X] be **replaced** with **CS** SB 210 (FIN) *[ ] Same Title [X] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
COR		X		

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
ADM			X	6
CRT		X		5
ADM		X		4
DPS			X	3
LAW		X		2
ADM		X		1

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	EGW	✓			
	McGuire	✓			
	Olson	✓			
	Ellis	X			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓			

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **SB 210(JUD)**
Fiscal Note Number:
Publish Date:

Identifier (file name): SB 210-DOC-OC-03-16-12
Title: "An Act relating to crimes against children; and providing for
Sponsor: Senator McGuire
Requester: Senate Finance Committee

Dept. Affected: DOC
Appropriation: Admin & Support
Allocation: Commissioner's Office
OMB Component Number: 694

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**	**	**	**	**	**	**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**	**	**	**	**	**	**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (If initial version, please note as such)

Analysis reflects changes made in Senate Judiciary Committee

Prepared by: Leslie Houston, Director — Phone: 907-465-3339
Division: Admin. Services, Department of Corrections — Date/Time: 4/2/12 8:10 AM
Approved by: Joseph D. Schmidt, Commissioner — Date: 4/2/2012
Department of Corrections

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB 210

Analysis

SB 210 amends existing law on crimes of assault in the third degree if a person causes injury to a child under the age of 12. Current law reads under the age of 10 years.

This bill also adds a new section to existing statute to include crimes of endangering the welfare of a child in the first degree if, being a parent, guardian, or other person legally charged with the care of the child under 16 years of age, the person recklessly fails to provide adequate food or liquids to a child, causing protracted impairment of the child's health.

And lastly, the bill further defines "serious physical injury".

The fiscal impact of the passage of this legislation on the Department of Corrections is indeterminate. If passed, the Department of Corrections will monitor possible future fiscal impacts.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB 210(JUD)**
Fiscal Note Number: 6
(S) Publish Date: 3/26/12

Identifier (file name): SB210-DOA-DMV-2-24-2012
Title: Crimes Against Children
Sponsor: Senator McGuire
Requester: Senate Judiciary

Dept. Affected: Administration
Appropriation: Motor Vehicles
Allocation: Motor Vehicles
OMB Component Number: 2348

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version

Prepared by: Whitney Brewster — Phone: 907-269-5559
Division: Motor Vehicles — Date/Time: 2/24/12 5:15 PM
Approved by: John Cramer, Deputy Commissioner — Date: 2/24/2012
Department of Administration

(Revised 1/17/2012 OMB)

FISCAL NOTE #6

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB 210(JUD)

Analysis

This bill creates tougher penalties on crimes committed against a child. This bill impacts the Division of Motor Vehicles (DMV) by adding to the list of disqualifying offenses for school bus drivers. In addition to the current disqualifying offenses listed in AS 28.15.046, the DMV would be prohibited from issuing a school bus endorsement to someone who has been convicted of a newly created offense in SB 210 within 20 years of the time of application.

It is anticipated that this bill will have no fiscal impact on the Division of Motor Vehicles (DMV).

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: CSSB 210(JUD)
Fiscal Note Number: 5
(S) Publish Date: 3/26/12

Identifier (file name): SB210-ACS-TRC-2-24-2012
Title: Crimes Against Children
Sponsor: Senator McGuire
Requester:

Dept. Affected: Alaska Court System
Appropriation: Trial Courts
Allocation:
OMB Component Number: 768

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	****	****	****	****	****	****	****

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		****	****	****	****	****	****	****

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version

Prepared by: Nancy Meade, General Counsel
Division: Alaska Court System
Phone: 907-463-4736
Date/Time: 2/24/2012 1:00 p.m.

Approved by: Nancy Meade for Christine Johnson, Administrative Director
Alaska Court System
Date: 2/24/2012

(Revised 11/17/2011 OMB)

FISCAL NOTE #5

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB 210(JUD)

Analysis

Senate Bill 210 amends the definitions of certain crimes, including assault and endangering the welfare of a minor, by making certain activities either new crimes or more serious crimes. This could have the effect of changing the number and types of criminal cases that are filed with and handled by the court system.

Although the court does not anticipate a significant increase in new cases or in felony case filings, the changes made in this bill will likely result in at least some changes in the number or types of fiings. The precise impact of the changes is speculative, however, and the court therefore submits an indeterminate fiscal note.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB 210(JUD)**
Fiscal Note Number: **4**
(S) Publish Date: **3/26/12**

Identifier (file name): SB210-DOA-PDA-2-24-12
Title: Crimes Against Children
Sponsor: Senator McGuire
Requester: Senate Judiciary

Dept. Affected: Administration
Appropriation: Legal and Advocacy Services
Allocation: Public Defender Agency
OMB Component Number: 1631

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	****	****	****	****	****	****	****

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		****	****	****	****	****	****	****

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version

Prepared by: Quinlan Steiner — Phone: 907 334-4414
Division: Public Defender Agency — Date/Time: 2/24/12 9:52 AM
Approved by: John Cramer, Deputy Commissioner — Date: 2/24/2012
Department of Administration

(Revised 1/17/2012 OMB)

FISCAL NOTE #4

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB 210(JUD)

Analysis

This bill amends AS 11.41.200(a) by adding several components regarding children to the definitions of assault in the first, second, and third degrees. Assault in the first degree is modified by including the following: an adult *intentionally* causing "serious bodily harm" to a child under 16 years of age with a disability, an adult *recklessly* causing "serious bodily harm" to a child under 12 years of age, and an adult *recklessly* causing "serious bodily harm" on multiple occasions to a child under the age 16 with a disability. Assault in the first degree is a class A felony that carries a sentence of up to 20 years imprisonment.

Assault in the second degree is modified by including the following: an adult *knowingly* causing serious "bodily harm" to a child under 16 years of age with a disability, an adult *recklessly* causing "physical injury" to a child under 12 years of age, and an adult recklessly causing "physical injury" on multiple occasions to a child under the age of 16 with a disability. Assault in the second degree is a class B felony that carries a sentence of up to 10 years imprisonment.

Assault in the third degree is modified by changing the age range, from 10 years of age to 12 years of age, when an adult causes physical injury to a child and the injury would cause a reasonable caregiver to seek medical attention from a healthcare professional and changes the age arrange from 10-16 years of age to 12-16 years of age when an adult *knowingly* causes "physical injury to a child and the injury reasonably requires medical treatment. Assault in the third degree is a class C felony that carries a sentence of up to five years imprisonment.

Additionally, this bill amends the crime of endangering the welfare of a minor by including exposing the child to various controlled substances. Penalties for violation of this provision range from a class A misdemeanor to a class B felony with a potential sentence of up to 10 years imprisonment. This bill also makes several changes to the statutes defining criminal non-support by including monetary support ordered in another jurisdiction and basic sustenance to the definition of "support," among others.

Finally, this bill makes changes to AS 12.55.155 by adding as an aggravator for sentencing crimes that resulted in serious bodily harm to a child that resulted in extended or substantial impairment to the child's mental health.

Although the Public Defender Agency cannot predict the number of new cases that will be charged nor the number of cases that will be upgraded to more serious felonies under this bill, these modifications are likely to increase the level, and therefore the cost, at which these cases are charged and litigated. The Agency, therefore, submits an indeterminate fiscal note.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version	**CSSB 210(JUD)**
Fiscal Note Number	3
(S) Publish Date	3/26/12

Identifier (file name)	SB210-DPS-DET-02-24-12	Dept. Affected	Public Safety
Title	CRIMES AGAINST CHILDREN	Appropriation	Alaska State Troopers
		Allocation	AST Detachments
Sponsor	Senator McGuire		
Requester	(S) JUD	OMB Component Number	2325

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by	Lt. Rodney Dial	Phone	(907) 247-4480
Division	Alaska State Troopers	Date/Time	2/24/12 10:15 AM
Approved by	Joseph A. Masters, Commissioner	Date	2/24/2012
	Department of Public Safety		

(Revised 1/17/2012 OMB)

FISCAL NOTE #3

STATE OF ALASKA **BILL NO.** CSSB 210(JUD)
2012 LEGISLATIVE SESSION

Analysis

This bill amends AS 11.41.200 (Assault in the first degree) by adding sections to include a person 18 years of age or older, causing serious bodily harm to a child under the age of 16 years who has a disability, or a child under the age of 12 years. The bill also amends AS 11.41.210 (Assault in the second degree) by making similar changes.

The bill amends AS 11.51.100 (Endangering the welfare of a child in the first degree) by adding a section making it a crime to recklessly expose a child to the unlawful manufacture, use, display, or delivery of a schedule IA – VIA controlled substance, and by setting new penalties.

The bill makes changes to AS 11.51.120 (Criminal nonsupport) regarding monetary support and necessary food and water.

The bill amends AS 12.55.155 (Factors in aggravation and mitigation) by adding a new section regarding children who were seriously harmed that resulted in protracted and substantial impairment of the child's mental health.

The bill amends AS 28.15.046 (licensing of school bus drivers) to prevent the Department of Administration, Division of Motor Vehicles, from issuing a license to an applicant who has been convicted of "Endangering the welfare of a minor in the first degree" in the previous 20 years.

Finally, this bill amends AS 47.10.086 (Reasonable efforts) and AS 47.10.990 (Definitions) by adding sections referencing "Serious bodily harm."

Passage of this legislation will have no fiscal impact on the Division of Alaska State Troopers.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version	**CSSB 210(JUD)**
Fiscal Note Number	2
(S) Publish Date	3/26/12

Identifier (file name)	SB210-LAW-CRIM-02-24-12	Dept. Affected	Law
Title	An Act relating to crimes against children; establishing a new aggravating factor at sentencing in certain...	Appropriation	Criminal
		Allocation	Criminal Justice Litigation
Sponsor	Senator MCGUIRE		
Requester	(S) Judiciary	OMB Component Number	2202

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	***	***	***	***	***	***	***
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	***	***	***	***	***	***	***

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		***	***	***	***	***	***	***

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by	Eileen Donahue, Division Operations Manager	Phone	465-5427
Division	Administrative Services	Date/Time	2/24/12 6:15 PM
Approved by	Michael C. Geraghty, Attorney General	Date	2/24/2012
	Department of Law		

(Revised 1/17/2012 OMB)

FISCAL NOTE #2

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB 210(JUD)

Analysis

SB 210 makes changes to the substantive assault law by adopting new crimes addressing harm to children under 12 years old and to disabled children under 16 years old.

It also adopts new crimes prohibiting exposure to the use, manufacture, display, or delivery of controlled substances. It also makes changes in the crime of criminal nonsupport, and sentencing factors for crimes involving child victims.

The fiscal impact to Department of Law is indeterminate.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB 210(JUD)**
Fiscal Note Number: 1
(S) Publish Date: 3/26/12

Identifier (file name): SB210-DOA-OPA-2-24-12
Title: Crimes Against Children
Sponsor: Senator McGuire
Requester: Senate Judiciary

Dept. Affected: Administration
Appropriation: Legal and Advocacy Services
Allocation: Office of Public Advocacy
OMB Component Number: 43

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	****	****	****	****	****	****	****

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		****	****	****	****	****	****	****

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version

Prepared by: Richard Allen, Director — Phone: 907 269-3504
Division: Office of Public Advocacy — Date/Time: 2/24/12 9:45 AM
Approved by: John Cramer, Deputy Commissioner — Date: 2/24/2012
Department of Administration

(Revised 1/17/2012 OMB)

FISCAL NOTE #1

STATE OF ALASKA **BILL NO.** CSSB 210(JUD)
2012 LEGISLATIVE SESSION

Analysis

This bill amends AS 11.41.200(a) by adding several components regarding children to the definitions of assault in the first, second, and third degrees. Assault in the first degree is modified by including the following: an adult *intentionally* causing "serious bodily harm" to a child under 16 years of age with a disability, an adult *recklessly* causing "serious bodily harm" to a child under 12 years of age, and an adult *recklessly* causing "serious bodily harm" on multiple occasions to a child under the age 16 with a disability. Assault in the first degree is a class A felony that carries a sentence of up to twenty (20) years imprisonment.

Assault in the second degree is modified by including the following: an adult *knowingly* causing serious "bodily harm" to a child under 16 years of age with a disability, an adult *recklessly* causing "physical injury" to a child under 12 years of age, and an adult recklessly causing "physical injury" on multiple occasions to a child under the age of 16 with a disability. Assault in the second degree is a class B felony that carries a sentence of up to ten (10) years imprisonment.

Assault in the third degree is modified by changing the age range, from 10 years of age to 12 years of age, when an adult causes physical injury to a child and the injury would cause a reasonable caregiver to seek medical attention from a healthcare professional and changes the age arrange from 10-16 years of age to 12-16 years of age when an adult *knowingly* causes "physical injury to a child and the injury reasonably requires medical treatment. Assault in the third degree is a class C felony that carries a sentence of up to five (5) years imprisonment.

Additionally, this bill amends the crime of endangering the welfare of a minor by including exposing the child to various controlled substances. Penalties for violation of this provision range from a class A misdemeanor to a class B felony with a potential sentence of up to ten (10) years imprisonment. This bill also makes several changes to the statutes defining criminal non-support by including monetary support ordered in another jurisdiction and basic sustenance to the definition of "support," among others.

Finally, this bill makes changes to AS 12.55.155 by adding as an aggravator for sentencing crimes that resulted in serious bodily harm to a child that resulted in extended or substantial impairment to the child's mental health.

This bill creates new crimes that will have a fiscal impact on the Office of Public Advocacy. At this point it is impossible to predict what that impact will be with regards to the number of new cases that will be charged or the number of cases that will be upgraded to more serious felonies under this bill, these modifications are likely to increase the level, and therefore the cost, at which these cases are charged and litigated. The Office of Public Advocacy, therefore, submits an indeterminate fiscal note.

CS FOR SENATE BILL NO. 210(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATOR MCGUIRE

A BILL

FOR AN ACT ENTITLED

"An Act relating to crimes against children; and providing for an effective date."

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

*** Section 1.** AS 11.41.220(a) is amended to read:

(a) A person commits the crime of assault in the third degree if that person

(1) recklessly

(A) places another person in fear of imminent serious physical injury by means of a dangerous instrument;

(B) causes physical injury to another person by means of a dangerous instrument; or

(C) while being 18 years of age or older,

(i) causes physical injury to a child under **12** [10] years of age and the injury would cause a reasonable caregiver to seek medical attention from a health care professional in the form of diagnosis or treatment;

(ii) causes physical injury to a child under **12** [10] years

of age on more than one occasion;

(2) with intent to place another person in fear of death or serious physical injury to the person or the person's family member, makes repeated threats to cause death or serious physical injury to another person;

(3) while being 18 years of age or older, knowingly causes physical injury to a child under 16 years of age but at least **12** [10] years of age and the injury reasonably requires medical treatment;

(4) with criminal negligence, causes serious physical injury under AS 11.81.900(b)(56)(B) to another person by means of a dangerous instrument; or

(5) commits a crime that is a violation of AS 11.41.230(a)(1) or (2) and, within the preceding 10 years, the person was convicted on two or more separate occasions of crimes under

(A) AS 11.41.100 - 11.41.170;

(B) AS 11.41.200 - 11.41.220, 11.41.230(a)(1) or (2), 11.41.280, or 11.41.282;

(C) AS 11.41.260 or 11.41.270;

(D) AS 11.41.410, 11.41.420, or 11.41.425(a)(1); or

(E) a law or ordinance of this or another jurisdiction with elements similar to those of an offense described in (A) - (D) of this paragraph.

*** Sec. 2.** AS 11.51.100(a) is amended to read:

(a) A person commits the crime of endangering the welfare of a child in the first degree if, being a parent, guardian, or other person legally charged with the care of a child under 16 years of age, the person

(1) intentionally deserts the child in a place under circumstances creating a substantial risk of physical injury to the child;

(2) leaves the child with another person who is not a parent, guardian, or lawful custodian of the child knowing that the person is

(A) registered or required to register as a sex offender or child kidnapper under AS 12.63 or a law or ordinance in another jurisdiction with similar requirements;

(B) charged by complaint, information, or indictment with a

violation of AS 11.41.410 - 11.41.455 or a law or ordinance in another jurisdiction with similar elements; or

(C) charged by complaint, information, or indictment with an attempt, solicitation, or conspiracy to commit a crime described in (B) of this paragraph; [OR]

(3) leaves the child with another person knowing that the person has previously physically mistreated or had sexual contact with any child, and the other person causes physical injury or engages in sexual contact with the child**; or**

(4) recklessly fails to provide adequate food or liquids to a child, causing protracted impairment of the child's health.

*** Sec. 3.** AS 11.51.100(f) is amended to read:

(f) Endangering the welfare of a child in the first degree under (a)(1)**, (2), or (4)** [OR (2)] of this section is a class C felony.

*** Sec. 4.** AS 11.81.900(56) is amended to read:

(56) "serious physical injury" means

(A) physical injury **to a person of any age** caused by an act performed under circumstances that create a substantial risk of death; [OR]

(B) physical injury **to a person of any age** that causes serious and protracted disfigurement, protracted impairment of health, protracted loss or impairment of the function of a body member or organ, or that unlawfully terminates a pregnancy; **or**

(C) physical injury to a person under 12 years of age that causes

(i) serious disfigurement;

(ii) impairment of health, by serious bruising or other injury, that reasonably requires medical evaluation or treatment by a health care professional;

(iii) loss or impairment of the function of a body member or organ; or

(iv) serious impediment of blood circulation or breathing;

* **Sec. 5.** This Act takes effect July 1, 2012.

Alaska State Legislature

Session:
State Capitol 125
Juneau, AK 99801
Phone: (907) 465-2995
Fax: (907) 465-6592

Interim:
716 W 4th Avenue, Suite 300
Anchorage, AK 99501-2133
Phone: (907) 269-0250
Fax: (907) 269-0249

Senator Lesil McGuire

Sponsor Statement for 210

"An Act relating to crimes against children."

On February 8, 2012 the Children's Justice Task Force (CJA) a federally-mandated, state-wide multidisciplinary group presented their findings to the Joint Senate Judiciary and HESS Committees with their system recommendations for improvement through criminal legislation. I became aware through this presentation, research, and other important conversations that we have shortcomings in the current criminal laws regarding the prosecution of harm to children.

Those that suffer from these short comings are Alaska's children and the numbers are staggering. In 2008, approximately 12,400 children were likely victims of at least one incident of maltreatment, which breaks down to 34 children per day. In the instance of a child death, 1 out of every 5 was related to maltreatment.

SB 210 works with the recommendations from CJA to create tougher penalties on crimes committed against a child. The bill will create increased criminal liability for assaults to children by modifying the current definition of "serious physical injury" and increases penalties when a parent intentionally withholds adequate food or liquids.

Together, the Legislature can assist our future generations by providing them with laws that protect their rights and create safer communities for their growth and development. I urge your support for this legislation.

BOARD RESOLUTION OF THE CHILDREN'S PLACE

ADOPTED ON MARCH 14, 2012

The undersigned, being the Board Chair and Executive Director of The Children's Place **"The Children's Place"**, a 501(c)(3) private, not for profit agency providing support and coordination of services related to the evaluation, investigation, and treatment of child abuse to the communities in the Matanuska-Susitna Valley, with the approval, direction, and concurrence of the Board of Directors of The Children's Place **"The Board of Directors"**, hereby sign the following resolution in support of SB 210, "An Act Relating to Crimes Against Children":

WHEREAS:

1. The Children's Place and the Board of Directors has become aware through presentation, research, and other important conversations brought by the Children's Justice Act Task Force that the State of Alaska has shortcomings in the current criminal laws regarding the prosecution of harm to children, and;
2. The Children's Place and the Board of Directors are aware that SB 210 works with the recommendations from the Children's Justice Act Task Force to create tougher penalties on crimes committed against children, and;
3. The Children's Place and the Board of Directors knows that in 2008, over 12,000 children were likely victims of at least one type of child maltreatment – approximately 34 children each day; that 1 out of every 5 infant deaths in Alaska Is related to maltreatment; that Alaska has one of the highest rates of maltreatment-related infant mortality in the nation; and that child abuse has life-long implications including adverse effects on adult physical and mental health, and;
4. The Children's Place and the Board of Directors believes that young children may be unable to describe what has happened to them (due to age, developmental status or knowledge base) in a way that fits Alaska's current assault or strangulation statues, and;
5. The Children's Place and the Board of Directors is aware that in some situations, current Alaska state laws do not allow perpetrators of serious child physical abuse and neglect to be held appropriately accountable, and;
6. The Children's Place and the Board of Directors believes that criminal penalties for harming children should be higher than those penalties for harming adults who are much more likely to be able to defend themselves, and;
7. The Children's Place and the Board of Directors requests the Legislature assist our future generations by providing them with laws that protect their rights and create safer communities for their growth and development.

IT IS RESOLVED THAT:

The Children's Place and the Board of Directors urge your support for this legislation.

Kibe Lucas, Board Chair
The Children's Place

Jennifer Burkmire, Executive Director
The Children's Place

27-LS1362\T
Wayne
4/2/12
R/o 4/3/12

CS FOR SENATE BILL NO. 210( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATOR MCGUIRE

A BILL

FOR AN ACT ENTITLED

"An Act relating to crimes against children; and providing for an effective date."

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(C) while being 18 years of age or older,

(i) causes physical injury to a child under **12** [10] years of age and the injury would cause a reasonable caregiver to seek medical attention from a health care professional in the form of diagnosis or treatment;

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of age on more than one occasion;

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(4) with criminal negligence, causes serious physical injury under AS 11.81.900(b)(56)(B) to another person by means of a dangerous instrument; or

(5) commits a crime that is a violation of AS 11.41.230(a)(1) or (2) and, within the preceding 10 years, the person was convicted on two or more separate occasions of crimes under

(A) AS 11.41.100 - 11.41.170;

(B) AS 11.41.200 - 11.41.220, 11.41.230(a)(1) or (2), 11.41.280, or 11.41.282;

(C) AS 11.41.260 or 11.41.270;

(D) AS 11.41.410, 11.41.420, or 11.41.425(a)(1); or

(E) a law or ordinance of this or another jurisdiction with elements similar to those of an offense described in (A) - (D) of this paragraph.

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(a) A person commits the crime of endangering the welfare of a child in the first degree if, being a parent, guardian, or other person legally charged with the care of a child under 16 years of age, the person

(1) intentionally deserts the child in a place under circumstances creating a substantial risk of physical injury to the child;

(2) leaves the child with another person who is not a parent, guardian, or lawful custodian of the child knowing that the person is

(A) registered or required to register as a sex offender or child kidnapper under AS 12.63 or a law or ordinance in another jurisdiction with similar requirements;

(B) charged by complaint, information, or indictment with a

violation of AS 11.41.410 - 11.41.455 or a law or ordinance in another jurisdiction with similar elements; or

(C) charged by complaint, information, or indictment with an attempt, solicitation, or conspiracy to commit a crime described in (B) of this paragraph; [OR]

(3) leaves the child with another person knowing that the person has previously physically mistreated or had sexual contact with any child, and the other person causes physical injury or engages in sexual contact with the child**; or**

(4) recklessly fails to provide adequate food or liquids to a child, causing protracted impairment of the child's health.

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(f) Endangering the welfare of a child in the first degree under (a)(1)**, (2), or (4)** [OR (2)] of this section is a class C felony.

*** Sec. 4.** AS 11.81.900(56) is amended to read:

(56) "serious physical injury" means

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(B) physical injury **to a person of any age** that causes serious and protracted disfigurement, protracted impairment of health, protracted loss or impairment of the function of a body member or organ, or that unlawfully terminates a pregnancy; **or**

(C) physical injury to a person under 12 years of age that causes

(i) serious disfigurement;

(ii) impairment of health, by serious bruising or other injury, that reasonably requires medical evaluation or treatment by a health care professional;

(iii) loss or impairment of the function of a body member or organ; or

(iv) serious impediment of blood circulation or breathing;

* **Sec. 5.** This Act takes effect July 1, 2012.

SB 217

<TARGET><BILL>SB 217</BILL><SUBJECT>SB 217</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/14/12

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 217

SB 217-PHARMACY AUDITS

"An Act establishing procedures and guidelines for auditing pharmacy records; and providing for an effective date."

and recommends:

[X] be **replaced** with **CS** SB 217 (FIN) [X] *Same Title* [ ] *New Title*

[ ] adopt **previous CS** _____ (_____) [ ] *Same Title* [ ] *New Title*

[ ] attached amendment(s)

[ ] adopt _____ Letter of Intent

[ ] further referral to _____ Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
CED			X	2
ADM			X	1

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	Egan	✓			
	Olson			✓	
	Ellis	X			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Sfedman			✓	

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSSB 217(L&C)**
Fiscal Note Number: 2
(S) Publish Date: 3/14/12

Identifier (file name): SB217-DCCED-CBPL-03-09-12
Title: Pharmacy Audits
Sponsor: Senate Labor & Commerce
Requester: Senate Labor & Commerce

Dept. Affected: DCCED
Appropriation: Corps, Bus & Professional Licensing
Allocation: Corps, Bus & Professional Licensing
OMB Component Number: 2360

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1156	Rcpt Svcs (DGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required,*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required;*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (If initial version, please note as such)

This version updates the sponsor and requestor.

Prepared by: Don Habeger, Director — Phone: 465-2536
Division: Corporations, Business and Professional Licensing — Date/Time: 2/24/2012 10:00am
Approved by: JoEllen Hanrahan, Director Administrative Services — Date: 3/9/2012
Commerce, Community and Economic Development

Revised 1/17/2012 (MB)

FISCAL NOTE #2

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSSB 217(L&C)

Analysis

SB 217 establishes standards and guidelines for an audit of a licensed pharmacy in the state of Alaska performed by an insurer, managed care company, a third-party payor, pharmacy manager or any entity that represents such companies.

This bill will have no fiscal impact to the Division of Corporation, Business and Professional Licensing.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version	**CSSB 217(L&C)**
Fiscal Note Number	1
(S) Publish Date	3/14/12

Identifier (file name)	SB217-DOA-DRB-2-27-12	Dept. Affected	Administration
Title	Pharmacy Audits	Appropriation	Centralized Administrative Services
		Allocation	Health Plan Administration
Sponsor	Labor & Commerce		
Requester	Senate Labor & Commerce	OMB Component Number	2152

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version

Prepared by	Jim Puckett, Director	Phone	465-4471
Division	Division of Retirement & Benefits	Date/Time	2/27/12 1:15 PM
Approved by	John Cramer, Deputy Commissioner	Date	2/27/2012
	Department of Administration		

FISCAL NOTE #1

STATE OF ALASKA **BILL NO.** CSSB 217(L&C)
2012 LEGISLATIVE SESSION

Analysis

The intent of this bill is to establish standards for an audit of pharmacy records carried out by an insurer, a managed care company, a third-party payor, a pharmacy benefits manager, a health plan administered by the state, or any entity that represents such companies.

The division of Retirement and Benefits actuarial (Buck Consulting) does not anticipate there will be any financial impact on the AlaskaCare health plans.

CS FOR SENATE BILL NO. 217(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE LABOR AND COMMERCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

"An Act establishing procedures and guidelines for auditing pharmacy records; and providing for an effective date."

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

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

INTENT. This Act is intended to establish standards for an audit of pharmacy records carried out by an insurer, a managed care company, a third-party payor, a pharmacy benefits manager, a health plan administered by the state, or any entity that represents such companies.

*** Sec. 2.** AS 08.80 is amended by adding a new section to read:

Sec. 08.80.477. Pharmacy audits. (a) When an audit of the records of a pharmacy licensed in this state is conducted by an insurer, managed care company, hospital or medical service corporation, third-party payor, or pharmacy benefits manager,

(1) for each audit cycle, the auditor shall provide the pharmacy or

pharmacist with notice of the audit at least two weeks before conducting the initial on-site audit;

(2) unless the pharmacy and the auditor agree otherwise, the audit may not be scheduled to occur during the first seven business days of a month because of the high volume of prescriptions that are filled during that time;

(3) an insurer, managed care company, hospital or medical service corporation, third-party payor, or pharmacy benefits manager may not conduct an audit within 90 days after an audit in which no errors were found; in this paragraph, "error" does not mean a clerical error, record keeping error, or typographical error;

(4) the audit of a claim shall occur within two years after the date the claim was submitted;

(5) if the audit involves clinical or professional judgment, the audit must be conducted by or in consultation with a pharmacist licensed in this or another state;

(6) each pharmacy shall be audited using the same standards and parameters as other similarly situated pharmacies;

(7) an auditor may not use the accounting practice of extrapolation to establish an overpayment or underpayment or for calculating recoupment or penalties;

(8) a finding of overpayment or underpayment by the auditor must be based on an actual overpayment or underpayment and may not be based on a projection based on the number of patients served who have a similar diagnosis or on the number of similar orders or refills for similar drugs;

(9) calculations of overpayment by an auditor may not include dispensing fees unless a prescription was not dispensed, a physician denied authorization to dispense the prescription, or the dispensing violated a term of a contract;

(10) an auditor may not assess a charge-back, recoupment, or other penalty against a pharmacy solely because a prescription is mailed or delivered at the request of a patient as part of a routine business practice of the pharmacy;

(11) to the extent that an audit finds clerical or record keeping errors in a required document or record, the pharmacy may not be subject to recoupment unless

the clerical or record keeping error results in actual financial harm to an insurer, managed care company, hospital or medical services corporation, third-party payor, pharmacy benefits manager, or a customer;

(12) the preliminary audit report must be delivered to the pharmacy within 120 days after the completion of the audit;

(13) interest may not accrue from the date of completion of the audit to the delivery date of the preliminary audit report, unless an auditor finds proof of intent to commit fraud;

(14) a pharmacy shall be allowed at least 30 days following receipt of a preliminary audit report to produce documentation to address a discrepancy found during the audit; a pharmacy may use any record, including the records of a hospital, physician, or other health care provider, or other written or electronic record to validate a pharmacy record;

(15) the insurer, managed care company, hospital or medical service corporation, third-party payor, or pharmacy benefits manager shall establish a written appeal process by which a pharmacy may appeal an unfavorable preliminary or final audit report;

(16) the final audit report must be delivered to the pharmacy within 90 days after receipt of the preliminary audit report or final appeal;

(17) the auditor may not receive compensation based on the percentage of the amount recovered by the auditor;

(18) the auditor shall provide a copy of the final report to a health benefit plan sponsor affected by the audit;

(19) patient information accessed in the course of an audit is confidential and may not be used for marketing purposes.

(b) This section does not apply to

(1) a criminal investigation; or

(2) state Medicaid programs.

(c) In this section, "health benefit plan" has the meaning given in AS 21.54.500.

* **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to

read:

APPLICABILITY. This Act applies to pharmacy audits conducted after the effective date of this Act.

* **Sec. 4.** This Act takes effect January 1, 2013.

ADOPTED 4/13/12 AM

27-LS1411\I
Martin
4/10/12

CS FOR SENATE BILL NO. 217( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATE LABOR AND COMMERCE COMMITTEE

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(2) unless the pharmacy and the auditor agree otherwise, the audit may not be scheduled to occur during the first seven business days of a month because of the high volume of prescriptions that are filled during that time;

(3) an insurer, managed care company, hospital or medical service corporation, third-party payor, or pharmacy benefits manager may not conduct an audit within 90 days after an audit in which no errors were found; in this paragraph, "error" does not mean a clerical error, record keeping error, or typographical error unless the auditor finds proof of intent to commit fraud;

(4) the audit of a claim shall occur within two years after the date the claim was submitted;

(5) if the audit involves clinical or professional judgment, the audit must be conducted by or in consultation with a pharmacist licensed in this or another state;

(6) each pharmacy shall be audited using the same standards and parameters as other similarly situated pharmacies;

(7) an auditor may not use the accounting practice of extrapolation to establish an overpayment or underpayment or for calculating recoupment or penalties;

(8) a finding of overpayment or underpayment by the auditor must be based on an actual overpayment or underpayment and may not be based on a projection based on the number of patients served who have a similar diagnosis or on the number of similar orders or refills for similar drugs;

(9) calculations of overpayment by an auditor may not include dispensing fees unless a prescription was not dispensed, a physician denied authorization to dispense the prescription, or the dispensing violated a term of a contract;

(10) an auditor may not assess a charge-back, recoupment, or other penalty against a pharmacy solely because a prescription is mailed or delivered at the request of a patient as part of a routine business practice of the pharmacy;

(11) to the extent that an audit finds clerical or record keeping errors in

a required document or record, the pharmacy may not be subject to recoupment unless there is proof of intent to commit fraud or the clerical or record keeping error results in actual financial harm to an insurer, managed care company, hospital or medical services corporation, third-party payor, pharmacy benefits manager, or a customer;

(12) the preliminary audit report must be delivered to the pharmacy within 120 days after the completion of the audit;

(13) interest may not accrue from the date of completion of the audit to the delivery date of the preliminary audit report, unless an auditor finds proof of intent to commit fraud;

(14) a pharmacy shall be allowed at least 30 days following receipt of a preliminary audit report to produce documentation to address a discrepancy found during the audit; a pharmacy may use any record, including the records of a hospital, physician, or other health care provider, or other written or electronic record to validate a pharmacy record;

(15) the insurer, managed care company, hospital or medical service corporation, third-party payor, or pharmacy benefits manager shall establish a written appeal process by which a pharmacy may appeal an unfavorable preliminary or final audit report;

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(17) the auditor may not receive compensation based on the percentage of the amount recovered by the auditor;

(18) the auditor shall provide a copy of the final report to a health benefit plan sponsor affected by the audit;

(19) patient information accessed in the course of an audit is confidential and may not be used for marketing purposes.

(b) This section does not apply to

(1) a criminal investigation; or

(2) an investigation or audit by a governmental agency, including state Medicaid programs.

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*** Sec. 4.** This Act takes effect January 1, 2013.

ADOPTED 4/13/12 FM

27-LS1411\E
Martin
4/13/12

CS FOR SENATE BILL NO. 217( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATE LABOR AND COMMERCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

"An Act establishing procedures and guidelines for auditing pharmacy records; and providing for an effective date."

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

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

INTENT. This Act is intended to establish standards for an audit of pharmacy records carried out by an insurer, a managed care company, a third-party payor, a pharmacy benefits manager, a health plan administered by the state, or any entity that represents such companies.

*** Sec. 2.** AS 08.80 is amended by adding a new section to read:

Sec. 08.80.477. Pharmacy audits. (a) When an audit of the records of a pharmacy licensed in this state is conducted by an insurer, managed care company, hospital or medical service corporation, third-party payor, or pharmacy benefits manager,

(1) for each audit cycle, the auditor shall provide the pharmacy or

pharmacist with notice of the audit at least two weeks before conducting the initial on-site audit;

(2) unless the pharmacy and the auditor agree otherwise, the audit may not be scheduled to occur during the first seven business days of a month because of the high volume of prescriptions that are filled during that time;

(3) an insurer, managed care company, hospital or medical service corporation, third-party payor, or pharmacy benefits manager may not conduct an audit within 90 days after an audit in which no errors were found; in this paragraph, "error" does not mean a clerical error, record keeping error, or typographical error;

(4) the audit of a claim shall occur within two years after the date the claim was submitted;

(5) if the audit involves clinical or professional judgment, the audit must be conducted by or in consultation with a pharmacist licensed in this or another state;

(6) each pharmacy shall be audited using the same standards and parameters as other similarly situated pharmacies;

(7) an auditor may not use the accounting practice of extrapolation to establish an overpayment or underpayment or for calculating recoupment or penalties;

(8) a finding of overpayment or underpayment by the auditor must be based on an actual overpayment or underpayment and may not be based on a projection based on the number of patients served who have a similar diagnosis or on the number of similar orders or refills for similar drugs;

(9) calculations of overpayment by an auditor may not include dispensing fees unless a prescription was not dispensed, a physician denied authorization to dispense the prescription, or the dispensing violated a term of a contract;

(10) an auditor may not assess a charge-back, recoupment, or other penalty against a pharmacy solely because a prescription is mailed or delivered at the request of a patient as part of a routine business practice of the pharmacy;

(11) to the extent that an audit finds clerical or record keeping errors in a required document or record, the pharmacy may not be subject to recoupment unless

the clerical or record keeping error results in actual financial harm to an insurer, managed care company, hospital or medical services corporation, third-party payor, pharmacy benefits manager, or a customer;

(12) the preliminary audit report must be delivered to the pharmacy within 120 days after the completion of the audit;

(13) interest may not accrue from the date of completion of the audit to the delivery date of the preliminary audit report, unless an auditor finds proof of intent to commit fraud;

(14) a pharmacy shall be allowed at least 30 days following receipt of a preliminary audit report to produce documentation to address a discrepancy found during the audit; a pharmacy may use any record, including the records of a hospital, physician, or other health care provider, or other written or electronic record to validate a pharmacy record;

(15) the insurer, managed care company, hospital or medical service corporation, third-party payor, or pharmacy benefits manager shall establish a written appeal process by which a pharmacy may appeal an unfavorable preliminary or final audit report;

(16) the final audit report must be delivered to the pharmacy within 90 days after receipt of the preliminary audit report or final appeal;

(17) the auditor may not receive compensation based on the percentage of the amount recovered by the auditor;

(18) the auditor shall provide a copy of the final report to a health benefit plan sponsor affected by the audit;

(19) patient information accessed in the course of an audit is confidential and may not be used for marketing purposes.

(b) This section does not apply to

(1) a criminal investigation; or

(2) state Medicaid programs.

(c) In this section, "health benefit plan" has the meaning given in AS 21.54.500.

*** Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to

read:

APPLICABILITY. This Act applies to pharmacy audits conducted after the effective date of this Act.

*** Sec. 4.** This Act takes effect January 1, 2013.

HCCMCA
HEALTHCARE COST MANAGEMENT
CORPORATION

April 13, 2012

Senate Finance Committee
Honorable Bert Stedman, Chair
120 4th Street State Capitol, Rm. 516
Juneau, AK 99801-1182

Dear Senator Stedman,

HCCMCA is a coalition of over 35 Alaska and Northwest based self-funded and employer-sponsored health benefit plans. These funds represent over 65,000 covered lives in Alaska.

I was prepared to testify this morning via teleconference regarding SB 217, with concerns this bill does not do enough to protect the legal and fiduciary integrity of trustees and administrators of our Taft-Hartley and other trust funds. Many of our concerns are similar to those Director Jim Puckett described in his testimony.

Unfortunately, a copy of the most recent CS being considered by the committee was not available here at the Fairbanks LIO. Nevertheless, based on the testimony and description given, HCCMCA's position is that the proposed CS changes do not go far enough. For example, we think the provision limiting the number of scripts that can be audited to 75 during a single audit is overly restrictive and burdensome for auditors contracted by our health plans.

Regarding overall policy questions, in Section 2, we submit Alaska boroughs, municipalities and school districts should be included in the definition of governmental agencies (entities?) which are exempted from coverage by the bill. We also believe the committee should evaluate whether ERISA preempts application of this statute to Taft-Hartley trust funds.

In sum, we prefer SB 217 be held in committee and a work group formed allowing interested parties to better evaluate and understand the issues during the interim.

Feel free to contact me if you have any questions.

Sincerely,

Fred G. Brown
Executive Director

Cc: Senator Dennis Egan

Keeping health care affordable for workers and their families

1469 Holy Cross Drive, Fairbanks, AK 99709
(907) 474-4226 ▪ Toll-free (888) 474-4226 ▪ www.hccmca.org

Alaska State Legislature

State Capitol, Room 510
Juneau, Alaska 99801
Phone: (907) 465-4947
Fax: (907) 465-2108

Committee Members:
Senator Dennis Egan, Chair
Senator Joe Paskvan, V. Chair
Senator Bettye Davis
Senator Linda Menard
Senator Cathy Giessel

Senate Labor and Commerce Committee

Senate Bill 217 Pharmacy Audits

Sponsor Statement

Passage of Senate Bill 217 will establish procedures and guidelines for auditing pharmacy records so that all pharmacies are held to the same standards. It has been introduced by request of the Alaska Pharmacists Association.

The legislation would help assure all pharmacies in the state face reasonable audits, but it would especially help small-business pharmacies who, because of their smaller pool of assets, may face dire consequences due to an unreasonable audit.

Senate Bill 217 would set requirements for auditing pharmacy records by an insurer, a managed care company, a third-party payor, or a pharmacy benefits manager. Where there are disagreements between an auditor and a pharmacy, the measure would allow for an appeal in the case.

Pharmacists acknowledge that audits are a good tool to protect the public and detect fraud or abuse, but they say that, sometimes, audits may be unreasonable and used in a way to deprive them of fair reimbursement for their services. There may be times when pharmacists may give someone the right drug in the right dose, but because of a clerical or typographical error in billing, they may not get paid what they are due.

Senate Bill 217 is aimed at protecting the public from potential abuse, while at the same time assuring that pharmacists face fair, reasonable and consistent audits.

Supporters of this measure include the Alaska Pharmacists Association, the National Community Pharmacists Association, and the National Association of Chain Drug Stores.

Alaska State Legislature

State Capitol, Room 510
Juneau, Alaska 99801
Phone: (907) 465-4947
Fax: (907) 465-2108

Committee Members:
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Senator Bettye Davis
Senator Linda Menard
Senator Cathy Giessel

Senate Labor and Commerce Committee

CSSB 217 Pharmacy Audits

Sectional Analysis

Section 1. States the intent of the bill is to set standards for auditing pharmacy records.

Section 2. Amends Chapter 08.80, Pharmacists and Pharmacies, by adding a new section, 08.80.477, that sets out requirements for auditing pharmacy records by an insurer, a managed care company, a third-party payor, a pharmacy benefits manager, a health plan administered by the state, or an entity that represents such companies.

Some of those procedures cover:

- Notice requirements for audits;
- Scheduling of audits;
- Retrospective limitations;
- Auditor qualifications;
- Audit standards;
- Errors;
- Access to previous reports;
- Limits on providing audit reports;
- Prohibitions against extrapolation and projections;
- Requiring findings of actual overpayment;
- Exclusion of dispensing fees;
- Time limits relating to reports;
- Documentation;
- Appeals;
- Regulating auditor compensation;
- Limiting accrual of interest;
- Excluding applicability to criminal investigations or investigations by a governmental agency.

Section 3. Applies the bill to audits that occur after the immediate effective date set in Section 4.

Section 4. Provides for an immediate effective date.

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Senate Bill 217 Pharmacy Audits

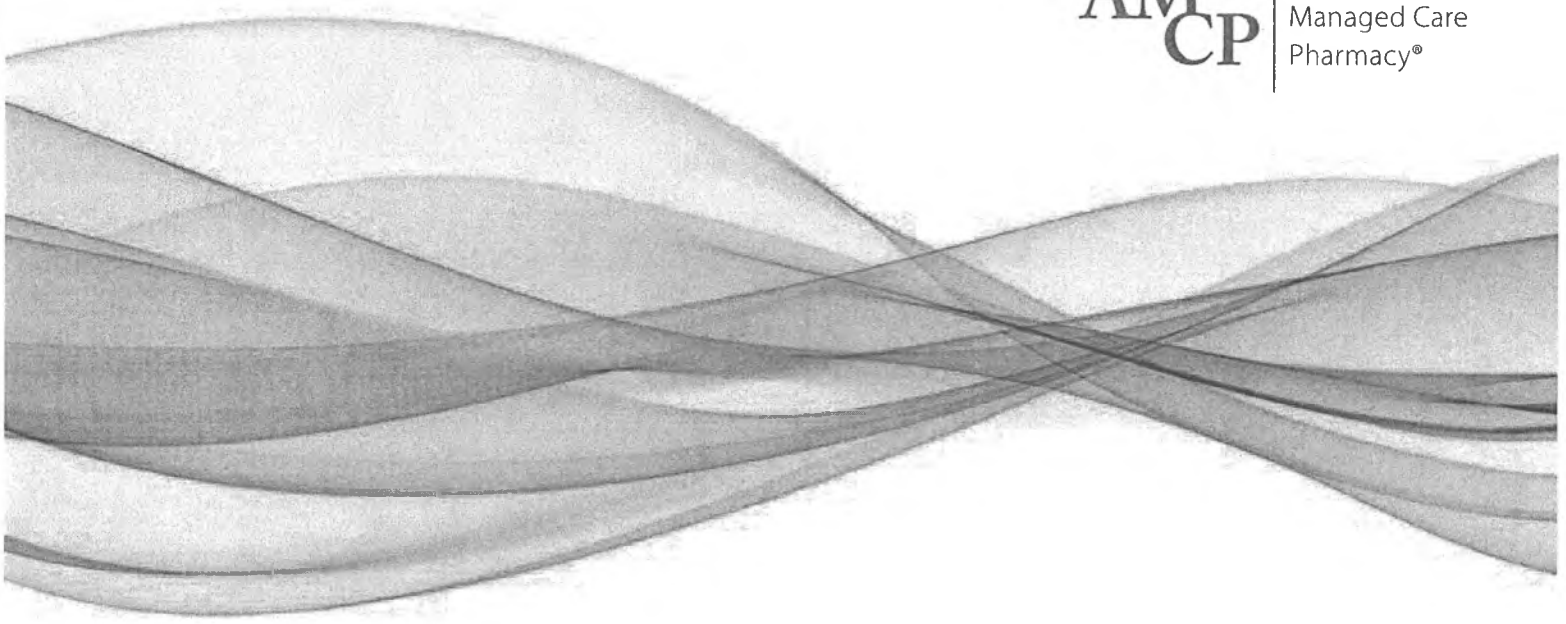
Summary of Changes
SB 217 \A to CSSB 217 (L&C) \B

Sec. 1.

- P.1, line 8. The word "such" is replaced by "those" for clarity.

Sec. 2.

- P.2, line 7. A new paragraph (3) is added limiting to 75 the number of prescriptions an auditor may audit in a single audit.
- P.2, line 15. A new paragraph (7) is added to limit the audit to requirements no stricter than state or federal law.
- P.2, line 18. The phrase "may not be the basis for finding of fraud" replaces "may not constitute fraud."
- P. 2, line 21. The phrase "provide information only" replaces "only provide information" for grammatical correctness and clarity.
- P.2, line 13. A new paragraph (13) is added to ensure that a prescription mailed or delivered at the request of a patient may not be the basis for a charge-back, recoupment or penalty.
- P. 3, line 7. Documented phone calls from a prescriber or prescriber's agent, is added to the list of items that can be used to validate a pharmacy record.
- P. 3, lines 25 – 27. Subsection (b) is rewritten to clarify that this bill does not apply to Medicaid audits.



AMCP Academy of Managed Care Pharmacy®

Model Audit Guidelines

for Pharmacy Claims

100 North Pitt Street | Suite 400
Alexandria, VA 22314

800 827 2627 | 703 683 8416
Fax 703 683 8417

www.amcp.org

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Members of the AMCP Community Pharmacy Outreach Advisory Council Task Force

Julie Lenhard, PharmD, RPh, Chair
Wegmans Food Markets
Member of the AMCP Community Pharmacy Outreach Advisory Council

Lowell Anderson, DSc
Center for Leading Healthcare Change, University of Minnesota
Appointed by the American Pharmacists Association

John Cronin, PharmD, JD
Fredrickson Mazeika & Grant LLP
Appointed by the American Society of Pharmacy Law

Leanne Kent, CPhT
The Kroger Co.
Appointed by the Food Marketing Institute

Brian J. Correia, CFE
CVS Caremark
Appointed by AMCP

Charlie Oltman, MBA, CHC
Target
Appointed by AMCP

G. William Strein, MSPH, RPh
Medco Health Solutions
Member of the AMCP Community Pharmacy Outreach Advisory Council

Michael Tocco, MEd, RPh
Integrated Pharmacy Solutions, Inc.
Member of the AMCP Community Pharmacy Outreach Advisory Council

Theresa Tolle, FAPhA, RPh
Baystreet Pharmacy
Appointed by the American Pharmacists Association

Lonny Wilson, DPh
Pharmacy Providers of Oklahoma
Appointed by the National Community Pharmacists Association

Carolyn Ha, PharmD
Associate Director, Professional Affairs
National Community Pharmacists Association

April Shaughnessy, RPh, CAE, Project Staff Liaison
Director, External Relations
Academy of Managed Care Pharmacy

NOTE: The *AMCP Model Guidelines for Pharmacy Claims* do not necessarily represent the views of the individual Task Force members or their organizations.

January 2012

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INTRODUCTION

In 2009, the Academy of Managed Care Pharmacy (AMCP) established the Community Pharmacy Outreach Advisory Council to address issues that managed care pharmacy and community pharmacy share and that would lead to an enhanced relationship. The Council identified auditing of pharmacy claims as a high priority issue largely because of the friction it causes for both community and managed care pharmacy. The Council conducted a poll to learn about the issues that both practices had with auditing and determined that model guidelines for pharmacy claims auditing could serve as the foundation to address the issue.

The *AMCP Model Audit Guidelines for Pharmacy Claims* are the result of over a year-long effort by a Task Force comprised of pharmacists in managed care organizations[1] (MCOs), community practice and law; auditing administration; third party management; and, network administration.

It is important to note that while these *Guidelines* were developed for MCOs and community pharmacies as a way to improve the relationship between the parties, the contract between the MCO and the pharmacy should define the actual audit process. These *Guidelines* are offered to assist MCO's in developing a pharmacy claims audit program, and to help pharmacy providers to better understand the audit requirements and process.

THE ROLE OF AUDITS

Historically, health care services, including prescription medications, were paid by the patient as an out of pocket expense. These payments may then have been reimbursed by a third party or self-funded insurance plan. Over the twentieth century health care insurance evolved from indemnity pre-paid insurance, to managed care emerging as a major mechanism of coverage. The growth of plan design, administration and payment by third-party entities, coupled with increases in the total costs of care, have required oversight of plans and their financial services. Audits of claims made by pharmacies and payments made to pharmacies are included in the oversight process.

The auditing of pharmacy claims serves two main purposes: 1) detecting fraud, waste and abuse, and 2) validating data entry and documentation to ensure they meet regulatory and contractual requirements.

Fraud, Waste and Abuse

While a pharmacy may find audits unpleasant and disruptive as they are currently conducted, all providers need to recognize that audits remain the primary method presently available for MCOs to determine network pharmacy compliance and to identify fraud, waste and abuse (FWA) within the prescription drug benefit, as these contribute to the rising cost of health care.

With the launch of Medicare Part D in 2006 came an increase in federal funding of pharmacy benefits and a corresponding increase in the scrutiny of pharmacy claims and billing practices. Under the Centers for Medicare and Medicaid's (CMS) oversight of federally funded programs, plans and provider networks are subject to performance monitoring for compliance with and adherence to fraud, waste and abuse requirements that are well defined in federal law. The federal standards have led to an increasing level of oversight of pharmacy claims in commercial plans as well, and are reaching into the specialty pharmacy practices associated with long term care and home infusion pharmacies. Regardless of professional setting, an appreciation of the changing environment in which MCOs operate is essential for contemporary pharmacy practice and operation.

[1] Managed Care Organization (MCO) is used throughout the *Guidelines* and is defined as all types of MCOs including, but not limited to, health plans, PBMs, HMOs and contracted agents.

Data Entry and Documentation

Another purpose of audits is to validate the correct entry of required pharmacy claims information. These are the audits most commonly experienced by MCOs and pharmacies, and are among those that cause the most difficulties.

The misunderstandings that arise from data verification are often preventable. The MCO should supply the pharmacy provider with a document that defines the requirements on which it may base an audit. This document must be updated and communicated as changes occur. The actual audits should be conducted in a manner that leads to continuous quality improvement of the services of the provider, rather than as a source of revenue. Further, the provider must review and be comfortable with these documents before it agrees to a contract. Once a contract is entered into, it is incumbent on the provider to commit to review and comply with the requirements.

PHILOSOPHY and RESPONSIBILITIES

The audit is both a contract management essential and a public relations opportunity for the MCO. It is possible that the in-pharmacy audit is the only time the pharmacy provider and a representative of a MCO will ever meet in an official capacity. The way in which an audit is conducted can contribute substantially to the pharmacy staff's attitude about the MCO, and the MCO representative's attitude about the pharmacy's practice, and can affect the ongoing working relationship between the two parties and ultimately, patient care.

The audit experience, regardless of outcome, is often shared broadly with colleagues in the pharmacy practice community and back to the MCO. Experiences the pharmacy staff has with auditing, drug benefit design, benefit management, and help desk interaction can affect the attitude of the pharmacy staff towards the MCO. Therefore, the pharmacy staff is in a position to affect consumer perception of the health benefit broadly and the MCO's drug benefit specifically.

The audit provides an important opportunity for the MCO to market itself to the pharmacy staff by sharing the goals of the benefit design, discussing the importance of adherence to the contract, and gathering important market information from the pharmacy. The net result can be an improved relationship between the parties.

It is much easier for the pharmacy staff to understand the requirements of a MCO subject to audit if the goals of the drug benefit are shared. In many cases these goals are quite simple, e.g., target generic dispensing rates, adherence to formulary and compliance.

The audit process is a means of ensuring that pharmacy procedures and reimbursement mechanisms are consistent with regulatory and MCO contractual requirements. With increasing oversight of the cost of the many elements of health care, the frequency and nature of audits of pharmacy claims can only be expected to increase.

It is imperative that pharmacists-in-charge, and their staff, understand the dispensing and billing requirements and the implications of non-compliance. The pharmacy organization should consider appointing a "compliance officer" for the purpose of monitoring regulatory and MCO requirements and to ensure optimal performance of pharmacies.

A properly designed audit process should be transparent and have a fair design and implementation. Such a structure goes a long way towards fulfilling its purpose of assuring the performance of the pharmacy network. The auditors and the pharmacy staff must understand the elements of the audit process.

There are several considerations that will positively affect audit performance outcomes:

PHILOSOPHY and RESPONSIBILITIES

continued

Bilateral understanding and adherence to contract obligations: Both parties to the contract, and their representatives, should understand the obligations under the contract. This requires affirmative action of both parties.

Transparency of audit guidelines, dispensing requirements and process: It is important to the process that the MCO makes the audit elements and audit process available to the network in a clearly defined usable manner, and updates this information when changes are made. If included in the contract, it is helpful if these porocesses appear in a separate section labeled as "audit elements." Without this transparency, the pharmacy may be left with the assumption that the audit is merely a way for the MCO to make more money. In the interest of compliance with the requirements, the MCO should routinely offer audit tips to its pharmacy network.

Risk- or Incentive-based Auditing: Auditing of pharmacy claims that are paid for as a percentage of findings may lead to overzealous interpretation and frivolous recoupment of payment. It is strongly recommended that MCOs should avoid contracting pharmacy claims auditing based upon this practice.

State dispensing regulations and published MCO claim submission requirements must work in concert: Audit requirements should not require the pharmacy staff to act contrary to state regulations. However, the claim submission requirements regarding plan benefit design, and the audit of same, may be additive to state laws, rules and regulations to the extent that the MCO requires it to correctly administer its defined benefit.

Prescription Order Documentation: Pharmacy practice often requires modifications to the original prescription order after consultation with the prescriber or patient. These consultations must be documented by the pharmacist on the prescription order or electronic record. For example, a "use as directed" instruction on the prescription order needs further clarification to support appropriate billing of the claim.

Electronic documentation and records: With an ever increasing shift to electronic prescribing and record keeping, it is imperative that electronic documentation (e.g. prescription orders, transaction notes, etc.) become acceptable for audit purposes. It is, however, critical that electronic documentation and records are complete, secure and of high quality to ensure their readability and authenticity.

All participants to an audit need to be informed and professional: When an audit is seen as reasonable, transparent and fair in design and implementation, the entire process is raised to a professional and quality improvement level. On the part of the MCO this would include timely notice of pending audit and its purpose, timely arrival to conduct the audit, timely notification of results, and a reasonable appeals process, as well as professional demeanor by the auditors. On the part of the pharmacy it would be understanding of the contract, audit requirements and dispensing requirements, being prepared for the audit, providing a member of the pharmacy staff to assist the auditor, as well as a professional demeanor of the pharmacy staff. A bilateral professional level of performance can make the audit process run smoothly, be educational and improve quality.

THE AUDIT PROCESS

Over the years different types of audits have been developed to address changes in benefit and billing processes. Concurrent Daily Review Auditing was developed to attempt to make immediate changes to a claim before payment was made to the pharmacy. Another type, Retrospective Audits (desk, mail or in person) were designed to validate appropriate service by the pharmacy and help to detect FWA. And finally, an Investigative Audit is used after the normal audit processes have led to fraud.

Description of Audit Types

Concurrent Daily Review Audit is an audit of claims that may trigger the MCO to review them for various reasons (e.g. atypical quantities or excessive dosage). This type of audit focuses on the rationality of quantity and dosage form pairing. Once identified, typically a telephone call is made or an email is sent, usually immediately (generally within the same day but no later than 72 hours of claim submission), to the dispensing pharmacy to obtain an understanding of the claim submission. The claim concern is usually resolved at the time of notification by the pharmacy's electronic resubmission of the claim.

Retrospective Audit is a retrospective, usually quite detailed, analysis of the total volume of claims submitted by a pharmacy. Retrospective audits may be conducted using one of three different types of pharmacy claims audits:

- **Desk Top Audit** is conducted by contacting the pharmacy via fax, email, the U.S. mail or contracted mail services as defined in the contract between the parties. The pharmacy may be asked to provide photocopies of the specific prescription orders, signature logs, wholesaler invoices or other documentation within a date range of claims paid to the pharmacy. The pharmacy will be given a due date to submit the requested information. The requested information may be returned by fax, email or U.S. Mail.
- **In-Pharmacy Audit** is conducted by contacting the pharmacy via email, U.S. mail, or other channel as defined in the contract between the parties, prior to the scheduled on-site audit date. The notification may include the audit time frame and types of documents that will be reviewed during the on-site audit and optimally blinded prescription order number ranges that will be reviewed. These audits may be conducted during regular business hours and the auditor should make reasonable efforts to minimize disruptions to the pharmacy. The pharmacy may be expected to have the documentation to support the audit period readily retrievable and accessible. A member of the pharmacy staff should be dedicated to assist the auditor. When the audit is complete, the auditor should provide general feedback to the assigned pharmacy staff member.
- **Investigational Audit** differs from MCO to MCO, but typically it is broader than a pharmacy claims audit and may be initiated from a medical, dental or another type of claim. An investigational audit is usually a more extensive audit and can involve regulatory and law enforcement. Typically this type of audit commences when there is clear evidence based upon preliminary reviews or audits that reveal fraud or abuse by patient or provider. This type of audit will not be addressed by these Guidelines due to the individual nature of this type of audit.

Audit Process: Outline of Procedures

I. Concurrent Daily Review Audits

Concurrent Daily Review Audits are a great way for a MCO to monitor its network and work with pharmacy to identify claims that were submitted incorrectly so that these claims can be corrected prior to payment by the MCO. Pharmacy claims audits, with retroactive recovery of prior payments, may lead to friction between a pharmacy and MCO. The Concurrent Daily Review Audit process is a way to ease this friction by identifying claims immediately, and allowing for correction of the claims through a reversal and rebilling process. Pharmacy can appreciate this audit process as it avoids the notion that pharmacy claims audits are merely a revenue source for a MCO. This audit process creates more of a partnership between a MCO and pharmacy.

Documentation

When a relationship is established between a pharmacy and an MCO, there should be formal written documentation either included as contractually defined in the body of the contract or in the provider manual that includes specific information on the audit process. For Concurrent Daily Review Audits the following information[2] may be pertinent:

- Documentation of the audit process
- Documented list of items necessary to satisfy the audit which can include some or all of the following:
  - Prescription order copies
    - Original prescription orders or
    - Electronic scanned images

    Note: Regardless of the copy type, it is important that the prescription order copy must be able to be verified as a legitimate order with legible content and containing pertinent documentation on the prescription. For the electronic copies, documentation for the prescription may be in electronic transaction notes with a date and time stamp. It is important to be sure that all the necessary information related to the prescription order dispensing is provided. Usually, it is to the benefit of the community pharmacy to make sure its prescription copies are legible and all supporting documentation is presented.
  - Physician Notes
  - Additional Documentation
    - Electronic documentation on the dispensing of the prescription order with a date and time stamp of when the documentation occurred.
    - Written documentation on the dispensing of the prescription order that is dated as to when the documentation occurred.
- Timeframes should be outlined
  - Timeframe for a pharmacy to submit audit documentation for a concurrent audit. *Suggested timeframe:* At least 10 to 14 calendar days.
  - Timeframe of initial results to be sent to the pharmacy. *Suggested timeframe:* Within 24 to 48 hours after receiving initial documentation.
  - Timeframe for additional supporting documentation to be submitted. *Suggested timeframe:* Within 10 to 14 calendar days.
  - Timeframe to send final results to the pharmacy. *Suggested timeframe:* Within 24 to 48 hours after receiving any additional supporting documentation.

[2] There may be state laws regarding auditing pharmacy claims that differ from the Model Guidelines outlined.

Audit Process: Outline of Procedures

continued

- Types of discrepancies
  - Documentation on which discrepancies can be reviewed again if the pharmacy submits additional documentation
  - Each MCO may adopt its own unique policies regarding documents that are acceptable for additional review
- Documented appeals process
- Process for resolution of issues raised by the audit. This is typically handled through a reversal and rebilling process.

Procedures

1. The MCO identifies claims for audit.
   Guidance: The number of prescription orders to be audited typically ranges from 1 to 5. The prescription orders audited are typically no more than 7 to14 calendar days old and dependent on payment cycles.
2. The MCO can deliver the audit notification to the pharmacy via encrypted email or telephone call.
   Guidance: The audit notification should include the following information:
   a. Pharmacy response time
   b. Documentation needed to satisfy the audit request
   c. Contact within the auditing department at the MCO to answer any questions
   d. Expectation of when the pharmacy will receive initial results
3. The pharmacy is required to compile all audit documentation for submission to the MCO. The documentation should include everything necessary to satisfy the audit.
   Guidance: All documentation should be emailed or faxed back to the MCO within 14 calendar days. It may be to the benefit of the pharmacy if the pharmacy is able to provide the documentation right away. This may allow for prescription orders to be corrected prior to the prescription sale. Typically the pharmacy is given the opportunity to reverse the original claim and rebill the claim correctly. This process allows for corrections to be made prior to the payment of the claim which prevents any audit chargebacks from occurring.
4. The MCO then reviews all audit documentation submitted by the pharmacy, and creates an initial findings report for the pharmacy.
   Guidance: This report would typically be emailed to the pharmacy within 24 to 48 hours of receipt of the original documentation. The initial results should include a listing of all claims reviewed followed by the audit discrepancy, or indicate if there is no discrepancy.
5. The pharmacy will typically receive the initial audit results via email. At this time all claims should be reviewed to determine the following:
   a. No discrepancies are found.
   b. Pharmacy agrees with the audit discrepancy. The pharmacy may find that the prescription has not yet been dispensed to the customer and pharmacy can correct the prescription and prepare it for future fills. If the prescription has been dispensed, the pharmacy can make the correction in the system to prepare for future refills.

Audit Process: Outline of Procedures

continued

c. Pharmacy disagrees with the audit discrepancy and would like to submit additional documentation supporting the prescription order dispensing. The pharmacy is required to collect all additional documentation to be submitted to the MCO to support the original dispensing.
Guidance: Supporting documentation should be submitted within 14 calendar days of receiving the initial results.

6. The MCO will typically receive the supporting documentation via email or fax. At this time the MCO reviews the supporting documentation to determine the final audit results. The MCO will typically send final audit results to the pharmacy within 24 hours of receipt of supporting documentation. With the final audit results, the MCO should communicate the amount that the pharmacy is to expect on the next remittance advice as payment for the prescription order.
7. The pharmacy will then verify that the proper payment was received on the claim when the corresponding remittance advice is received.

II. Desktop Audits

Desktop Audits (a retrospective audit) are a method of auditing that MCOs use which many pharmacies prefer because they may be less disruptive to the day-to-day pharmacy operations when compared to an in-pharmacy audit. Typically these audits utilize a process where community pharmacy may provide copies of prescriptions along with additional documentation to satisfy the audit.

Documentation

When a relationship is established between a pharmacy and a MCO, there should be formal written documentation contractually defined either included in the body of the contract or in the provider manual that includes specific information on the process. It is strongly recommended that pharmacy staff responsible for approving contracts read the provider manual prior to signing any contracts. For desktop pharmacy audits the following information may be pertinent:

- Documentation of the audit process
- Documented list of items necessary to satisfy the audit which can include some or all of the following:
  - Prescription order copies — either original prescription orders or electronic scanned images
    Regardless of the copy type, it is important for the prescription copy to be legible and contain any pertinent documentation on the prescription. For the electronic copies, documentation for the prescription may be in electronic transaction notes with a date and time stamp. It is important that all necessary information related to the prescription order dispensing is provided.
  - Proof of pick up or delivery of the prescription. Pharmacy is most often allowed to provide one of the following:
    - Electronic date and time stamp in the pharmacy software system of the sold prescription
    - Electronic signature
    - Paper signature
  - Physician Notes
    - Notes should be on the written copy which is what will be reviewed in an audit.

Audit Process: Outline of Procedures

continued

- Additional Documentation
  - Electronic documentation on the dispensing of the prescription order with a date and time stamp of when the documentation occurred.
  - Written documentation on the dispensing of the prescription order that is dated as to when the documentation occurred.

- Timeframes should be outlined
  - Timeframe for a pharmacy to submit audit documentation for a desktop or mail audit. *Suggested timeframe:* At least 14 to 21 calendar days.
  - Timeframe of initial results to be sent to the pharmacy. *Suggested timeframe:* Within 30 to 45 calendar days of the audit.
  - Timeframe for additional supporting documentation to be submitted. *Suggested timeframe:* Within 14 to 21 calendar days after receipt of initial results.
  - Timeframe to send final results to the pharmacy. *Suggested timeframe:* Within 30 to 45 calendar days of receiving any follow up documentation.

- Types of discrepancies
  - Documentation on which discrepancies can be reviewed again if the pharmacy submits additional documentation
  - Each MCO may have different policies regarding documents that are acceptable for additional review

- Documented appeals process
- Process for chargebacks or recoupment of payment defined.

Procedures

1. The MCO identifies claims for audit.
   Guidance: The number of prescription orders audited typically ranges from 1 to 50 unique prescription claims and from 1 to 12 months old.
2. The MCO can deliver the audit notification to the pharmacy via mail or encrypted email.
   Guidance: The audit notification should include the following information:
   a. *Pharmacy response time*
   b. *Documentation needed to satisfy the audit request*
   c. *Contact within the auditing department at the MCO to answer any questions*
   d. *Expectation of when the pharmacy will receive initial results*
3. The pharmacy needs to compile all audit documentation for submission to the MCO. The documentation should include everything necessary to satisfy the audit.
   Guidance: All documentation should be faxed, emailed or mailed back to the MCO within the specified time which typically ranges from 14 to 21 calendar days.
4. The MCO will then review all audit documentation submitted by the pharmacy and create an initial findings report for the pharmacy.
   Guidance: This report is typically mailed or sent via secure email to the pharmacy within 30 to 45 calendar days after the receipt of the original documentation. The initial results typically include a listing of all claims reviewed followed by the audit discrepancy, or indicate if there is no discrepancy.

Audit Process: Outline of Procedures
continued

5. The pharmacy may receive the initial audit results via mail or secure email. At this time all claims should be reviewed to determine the following results:
   a. No discrepancies are found.
   b. Pharmacy agrees with the audit discrepancy.
   c. Pharmacy disagrees with the audit discrepancy and would like to submit additional documentation. The pharmacy will collect all additional documentation to be submitted to the MCO to support the original dispensing.
   Guidance: Supporting documentation is typically submitted 14 to 21 calendar days after reception of initial results.
6. The MCO will typically receive the additional documentation via fax, mail or email. At this time the MCO reviews the additional documentation to determine the final audit results.
   Guidance: The MCO will typically send final audit results to the pharmacy within 30 to 45 calendar days. With the final audit results, the MCO will typically give the pharmacy the choice to pay any chargeback amounts with a separate check or an automatic deduction from a future remittance to the pharmacy.
7. Once the pharmacy receives the final audit results, it can do the following:
   a. Appeal the audit results via the appeals process
   b. Agree with the results and select a payment method.
   Guidance: Alternatives include pharmacy submitting payment via check to the MCO within the period of time specified contractually, typically agreed to by the parties but generally within 30 calendar days of receipt of final audit results. The pharmacy may also opt to allow the MCO to complete an automatic deduction on a future remittance advice typically at least 30 calendar days from the date the pharmacy received the final audit results.

III. In-Pharmacy Audits

In-Pharmacy Audits (a retrospective audit) are used widely by MCOs because they provide the most comprehensive view of operational practices and procedures yet they are most intrusive to pharmacy practice as they can interrupt daily operations and patient care. MCOs should be sensitive to scheduling this type of audit to minimize disruption. It is also advisable for the pharmacy to provide dedicated pharmacy staff to the auditor to minimize exposure of health information and ascertain that the best effort is made to find all documentation. From a pharmacy perspective, Concurrent Daily Audits or Desktop Audits are typically preferred methods, but reality is that the In-Pharmacy Audit gives a MCO the opportunity to interact directly with members in the pharmacy network.

Documentation

When a relationship is established between a pharmacy and a MCO, there should be formal written documentation contractually defined either included in the body of the contract or in the provider manual that includes specific information on the process. It is strongly recommended that pharmacy staff responsible for approving contracts read the provider manual prior to signing any contracts.

For In-pharmacy audits the following information is pertinent:

- Documentation of the audit process
- Documented list of items and documentation necessary to satisfy the audit which can include some or all of the following:

Audit Process: Outline of Procedures

continued

- Prescription order copies — either original prescription orders or electronic scanned images

  Regardless of the copy type, it is important for the prescription copy to be legible and contain any pertinent documentation on the prescription. For the electronic copies, documentation for the prescription may be in electronic transaction notes with a date and time stamp. It is important that all necessary information related to the prescription order dispensing is provided.

- Proof of pick up or delivery of the prescription. Pharmacy may be allowed to provide as documentation, as defined in the pharmacy contract, one of the following:
  - Electronic date and time stamp in the pharmacy software system documenting the delivery of the sold prescription
  - Electronic signature
  - Paper signature
- Prescriber Notes
- Additional Documentation
  - Electronic documentation on the dispensing of the prescription order with a date and time stamp of when the documentation occurred.
  - Written documentation concerning the dispensing of the prescription order that is dated as to when the documentation occurred.

- Timeframes should be outlined
  - Timeframe of initial results to be sent to the pharmacy. *Suggested timeframe:* Within 30 to 45 calendar days of the audit.
  - Timeframe for additional supporting documentation to be submitted. *Suggested timeframe:* Within 14 to 21 calendar days after receipt of initial results.
  - Timeframe to send final results to the pharmacy. *Suggested timeframe:* Within 30 to 45 calendar days of receiving any follow up documentation.
- Types of discrepancies
  - Documentation on which discrepancies can be reviewed again if the pharmacy submits additional documentation
  - Each MCO may have different policies regarding documents that are acceptable for additional review
- Documented appeals process
- Process for chargebacks or recoupment of payment defined.

Procedures

1. The MCO identifies claims for audit.
   Guidance: The number of prescription orders audited typically ranges from 25 to 125 unique prescription claims and from 1 to 12 months old, however, Medicare Part D audits by the MCO or CMS (or its OIG) may require the review of claims substantially older than this general timeframe.
2. The MCO can deliver the audit notification to the pharmacy via mail or encrypted email.
   Guidance: The audit notification should include the following information:
   a. *Date and time of the In-Pharmacy audit. Guidance: The MCO would typically notify the pharmacy at least 14 to 21 calendar days prior to the audit date. In the event*

Audit Process: Outline of Procedures

continued

the pharmacy is not available for an In-Pharmacy audit on the date the MCO selected, there should be flexibility to reschedule the audit at a time when both parties are available. Effort should be made by the MCO to avoid the holiday timeframes, weekends, Mondays, or the first week of the month when pharmacies are experiencing high prescription volumes.

   b. *Documentation needed to satisfy the audit request along with the timeframe of the records to be audited. Guidance: All documentation should be within the rules and regulations of the State Board of Pharmacy, DEA, state regulatory/enforcement agencies, and HIPAA/HITECH.*
   c. *Contact within the auditing department at the MCO to answer any questions.*
   d. *Expectation of when the pharmacy will receive initial results after the In-Pharmacy audit is completed.*

3. The pharmacy must prepare for the In-Pharmacy audit. Preparation would include obtaining the appropriate records for review. Note: The MCO will typically provide a date range or masked prescription number for the community pharmacy to begin pulling appropriate records if they are in storage. Community pharmacy should also prepare from a staffing standpoint so that their day-to-day workflow is not impacted by the In-Pharmacy audit.

4. The MCO will then review all audit documentation submitted by the pharmacy and create an initial findings report for the pharmacy.
   Guidance: This report is typically mailed or emailed to the pharmacy within 30 to 45 calendar days after the receipt of the original documentation. The initial results typically include a listing of all claims reviewed followed by the audit discrepancy, or indicate if there is no discrepancy.

5. The pharmacy will receive the initial audit results via mail or email depending on agreement between MCO and pharmacy. At this time all audit reports detailed by claim should be reviewed to determine the following:
   a. No discrepancies were found
   b. Pharmacy agrees with the audit discrepancy
   c. Pharmacy disagrees with the audit discrepancy and would like to submit additional documentation. The pharmacy will collect all additional documentation to be submitted to the MCO to support the original dispensing.
      Guidance: The MCO may accept supporting documentation that is submitted by the pharmacy up to 21 calendar days after reception of initial results.

6. The MCO will typically accept the additional documentation via fax, mail, or email. At this time the MCO reviews the additional documentation to determine the final audit results.
   Guidance: The MCO will typically send final audit results to the pharmacy within 30 to 45 calendar days. With the final audit results, MCO will typically give the pharmacy the choice to pay any chargeback amounts with a separate check or an automatic deduction on a future remittance advice.

7. Once the pharmacy receives the final audit results, it can do the following:
   a. Appeal the audit results via the appeals process.
   b. Agree with the results and select a payment method.
      Guidance: The pharmacy typically would then send a check to the MCO within 30 calendar days of receipt of final audit results. The pharmacy may also opt to allow the MCO to complete an automatic deduction on a future remittance advice typically at least 30 calendar days from the date the pharmacy received the final audit results.

THE APPEAL PROCESS

Once the pharmacy receives the audit results, it is recommended that the pharmacy be given the opportunity to submit a formal appeal to the MCO. This is typically completed and received by the MCO no later than 30 calendar days from the date that the final audit report is communicated to the pharmacy.

If the pharmacy files an appeal, it should be filed according to the procedures and timeline as detailed in the contract between the parties. Many MCOs require the pharmacy to complete a formal appeal form and send it with the required documentation.

The pharmacy should provide appropriate additional documentation to substantiate the appeal of the final audit results. The MCO should provide a written determination of the appeal within 30 calendar days of the expiration of its specified review period.

Guidance:

1. *Reasonable documentation from a prescriber or a patient to substantiate the dispensing of a prescription should be accepted by the MCO.*
2. *The type of acceptable documentation should be outlined in the contract between the pharmacy and the MCO.*
3. *Regardless of what is required in the contract, the pharmacy should always submit the appeal by a secure mail service.*

COMPOUNDED MEDICATION: GENERAL DISCUSSION AND GUIDANCE

A compounded prescription order is a unique, nonstandard order for the preparation of a medication or medications in a form that is not commercially available; therefore, not standardized with a single specific NDC number describing the product dispensed. For this reason, billing for compounded medications is often confusing and inconsistent for MCOs and pharmacies. Most MCOs have their own specific process for pharmacies to submit a compounded prescription order claim. Pharmacies may be in many different MCO networks and not familiar with all the different processes. The pharmacy will choose one process and use it to bill all MCOs for compounded prescription orders resulting in an inappropriately billed claim because it is not the proper process.

There are pharmacies that prepare compounded prescription orders as a small percentage of the practice, and because they are members of MCO networks, they will direct bill to the MCO. However, there are others that specialize in compounding prescription orders. These pharmacies are commonly referred to as compounding pharmacies. Many of these compounding pharmacies do not participate in MCO networks, which will require patients to seek reimbursement by submitting a claim directly to the MCO.

It is important for pharmacy and MCOs to come together to develop model guidelines that specifically address billing for compounded prescription medications. Due to the lack of model guidelines addressing compounded prescription orders, there are inconsistencies in the way compounded prescription orders are submitted. The number that are inaccurately billed may result in auditors targeting compounded prescription claims disproportionately and more frequently than other types of claims. To a pharmacy submitting a high percentage of compounded prescription claims, this targeting appears unfair.

NCPDP recognized this and developed a new telecommunication standard (v D.0) that was adopted and its use will be required on January 1, 2012. Once MCOs and pharmacies adopt and implement the new standard, there will be a more accurate means of billing c ompounded prescription claims.

Guidance: Pharmacy and MCOs should develop model audit guidelines based on the implementation of the new vD.0 telecommunication standard for compounded prescription billing.

LONG TERM CARE: GENERAL DISCUSSION AND GUIDANCE

Auditing of Long Term Care (LTC) pharmacies is one of the more challenging areas of pharmacy practice for auditing. The volume of claims by the LTC pharmacy, the issue of medical orders versus prescription orders, state-by-state regulatory differences in the storage of prescription order documentation and physical accessibility of stored documents are just some of the underlying factors that make it so challenging. These Model Guidelines can provide only limited help in resolving the existing problems for LTC pharmacy audit processes. It is recommended that pharmacy and MCOs seek to develop a model audit process specific to LTC pharmacy. Further, it is recommended that the National Association of State Boards of Pharmacy (NABP) and state boards of pharmacy develop a national standard for the retention and storage requirements for LTC prescription orders.

The demographics of patients, the prescribers and the LTC facility make it difficult for pharmacies to get, verify and store what MCOs view as the appropriate documentation to validate appropriate filling and billing of a prescription order. It is recommended that the audit process should allow an extended period of time, perhaps 30 calendar days, for LTC pharmacies to locate and present the appropriate documentation; however, often the expected documents are simply not available. This is due primarily to physicians writing medication orders in a patient chart rather than writing prescription orders as is typical for ambulatory care patients. The lack of appropriate documentation onsite often leads to what auditors and MCOs today view as inappropriate documentation (such as a "bar code scan" for a reorder) as proof of a prescription order. The result is often a citation for recoupment of the claim payment which can frustrate the pharmacy. The LTC pharmacy may view this as a legitimately dispensed prescription order. The recoupment of the claim may result in the patient/beneficiary being denied the value of the benefit to which they are entitled. In turn, the MCO may then become frustrated by its inability to properly conduct its drug utilization review process and validation of a paid claim to meet the requirements of government and private payor programs. Each believes they are following best practices and regulations; however, the documentation requirements to fill a prescription order and to bill a prescription order are inconsistent. It is recommended that further discussion by the profession is needed to bridge this documentation gap.

Guidance: Pharmacies, MCOs and government regulatory entities should develop audit processes specific to LTC pharmacy practice. The processes should consider:

1. *The types of documentation that are legally accepted to support medication orders in the LTC pharmacy. Audit findings should be consistent with legal requirements under state laws, and until documentation requirements are standardized and clarified, pharmacies should ensure that documentation properly supports the dispensing and billing of prescription orders;*
2. *Proper execution of MCO DUR programs, which are an integral part of drug benefit management and utilization controls;*
3. *Government program documentation requirements that impose obligations on both MCOs and pharmacies; and,*
4. *Preservation of the drug benefit to which the patient/beneficiary is entitled.*

PRIVACY CONCERNS

Pharmacies are considered to be Covered Entities under the Federal HIPAA law as well as under state privacy laws. Amendments to HIPAA contained in the HITECH law passed in 2009 included expansion of several requirements to Business Associates, which include the MCO and audit contractors. In addition, there may be state privacy laws that place similar or separate privacy requirements on pharmacies, MCOs, and audit contractors. Audit procedures should incorporate any requirements contained in these laws to ensure that the audit does not place the MCO, audit contractor and pharmacy being audited in violation of these laws.

Guidance: Audit Procedures should include provisions to ensure that privacy protections required by federal and state law are met. Procedures should also include provisions to assist audited pharmacies in complying with their obligations under these laws.

In developing audit procedures, the MCO should analyze Federal and State laws to:

1. *Identify privacy issues and responsibilities of the MCO*
2. *Identify privacy issues and responsibilities of Pharmacy*
3. *Identify privacy issues and responsibilities of the Audit Contractor (if outside of the MCO)*
4. *Address compliance issues of all parties*
   a. *Patient Consent and Auditor authority regarding personal health information (PHI)*
   b. *Authorized disclosures*
   c. *Unauthorized disclosures*
   d. *Accounting of all disclosures*
   e. *Allowed exclusion of PHI*

STATE and FEDERAL OVERSIGHT

State and Federal Pharmacy Laws and Regulations

State and federal laws reflect a wide variety of requirements and regulatory oversight that apply to the practice of pharmacy, the distribution of federal legend drugs, the operation of pharmacies and the sale and administration of health benefit plans inclusive of prescription drug benefit coverage in each state and throughout the country. The pharmacy and pharmacist are required to comply with the law that applies to the location of the pharmacy, or, on occasion, the pharmacy law of the locale where the patient resides. In general, interpretation of, and compliance with, the applicable law is a matter that is left to a Board of Pharmacy, Department of Insurance, CMS or another regulatory agency with jurisdiction over the issue. Auditors are often asked to evaluate the legitimacy and legality of prescription drug orders as part of their auditing procedure. There have been wide complaints from audited pharmacies that auditors are not qualified to interpret the state laws, or that they make interpretations that are inconsistent with those of the state board of pharmacy.

Audit and appeal procedures should include provisions that prevent claim recoupment based on interpretations of law that are inconsistent with the law under which the pharmacy filled the prescription order.

In developing audit procedures and training for auditors, the MCO should outline the following federal and/or state laws and regulations:

- Related to Health Plans
  - General ERISA and non-ERISA
  - Medicare
  - Medicaid

State and Federal Pharmacy Laws and Regulations *continued*

- Related to Pharmacies
  - Dispensing
  - Controlled Substances
  - Compounding
  - Other Drug Laws
- Specific laws related to insurance other plans and/or audit standards
- Laws related to Pharmacy Practice
  - Board of Pharmacy
    - General Practice
    - Practice Site Specific (LTC, assisted living, home infusion, etc.)
    - Compounding
  - Other
- Laws related to Health Plans
- General laws related to contracts

Guidance

1. *Audit procedures should acknowledge that differences exist between:*
   a) *Contractual requirements of network participation in a variety of plans with defined benefits as one component of audit evaluation, and*
   b) *Various federal and state laws and regulations that govern the practice of pharmacy and the operation of pharmacies.*
2. *It is recommended that auditors be pharmacists or certified pharmacy technicians that have had experience in community pharmacy practice.*

PHARMACY AUDIT TRANSACTION STANDARDS

In 2009, NCPDP[3] sponsored audit focus groups including representatives from pharmacies, MCOs, and audit companies to develop the scope of a project on pharmacy audit transaction standards. With participants from all segments of the industry within and outside of the NCPDP membership, focus groups were conducted which resulted in the three goals of the project:

- Create an electronic audit transaction file with requests, responses, and final outcome transmissions for both Desk Top claim audits and for In-Pharmacy audit notices.
- Create a forum to discuss and resolve audit issues with government programs and state regulation
- Create a forum to discuss and resolve common prescription conflict/dispensing events that may be non-compliant with the plan coverage criteria.

An NCPDP Task Group within the Telecom Workgroup was assigned this project and the Implementation Guide was approved by NCPDP as a standard in May 2011.

The new NCPDP Pharmacy Audit Transaction Standard was developed to help guide those involved with the community pharmacy claims audit process and was intended to meet two needs:

- To provide practical guidelines for software developers throughout the industry as they implement the Audit Transaction Standard, and
- To ensure a consistent implementation of the Audit Transaction Standard.

[3] NCPDP (National Council of Prescription Drug Programs) is a not-for-profit ANSI-Accredited Standards Development Organization representing virtually every sector of the pharmacy services industry.

PHARMACY AUDIT TRANSACTION STANDARDS

continued

This Standard should facilitate a specific type of business communication among diverse parties within the audit process. However, the use of this standard may be too burdensome on both pharmacies and MCOs because a process to upload documentation that is so critical in the audit process has not been selected and HIPAA standards for this type of information exchange have not yet been released. These factors may slow its adoption.

Guidance

1. *The adoption of this new transaction standard should remain voluntary.*
2. *A mechanism to upload documentation needs to be determined to assist in the adoption of this new transaction standard.*

CONCLUSION

Pharmacy claims auditing has been a source of contention in pharmacy, and, to some degree, MCOs and pharmacies have been positioned as adversaries. It became necessary for the profession to develop a stakeholder-based process to address the pharmacy claims audit process.

The *AMCP Model Audit Guidelines for Pharmacy Claims* will assist stakeholders in taking the first steps in understanding the perspectives of the MCO and pharmacy to ensure the audit process policies and procedures are sensitive to all stakeholders.

It is encouraged that all stakeholders review the presented *Model Guidelines* and use them when developing or reviewing current audit processes to ensure that they are fair and balanced. If both MCOs and pharmacies objectively review and embrace these Model Guidelines, the result will be a transparent audit process, a better understanding of the audit process and a more cooperative relationship between the parties.

APPENDIX: GLOSSARY

Appeal: As it relates to pharmacy claims audits, a formal request by the pharmacy for reconsideration on the audit findings.

Audit Notification: A communication via US mail or electronic means that is sent by the MCO to notify the pharmacy of an audit.

Audit Process: A means of ensuring that pharmacy procedures and reimbursement mechanisms are consistent with regulatory and MCO contractual requirements.

Audit Types: There are different types of audits that apply to pharmacy claims or conducted by an MCO:

- **Concurrent Daily Review:** An audit that is conducted by telephone or email usually immediately (within the same day but no longer than 72 hours of claim submission). The claim concern is usually resolved at the time of notification by the pharmacy's electronic resubmission of the claim.
- **Retrospective Audit** is a retrospective detailed analysis of the total volume of claims submitted by a pharmacy. A retrospective audit can be conducted using one of three types of pharmacy claims auditing:
  - **Desk Top Audit** is conducted after notification by the MCO to the contracting pharmacy as defined in the contract between the parties. The audit is conducted electronically. See *Guidelines* for process.
  - **In Pharmacy Audit** is conducted after notification by the MCO to the contacting pharmacy via email, U.S. mail, or other channel as defined in the contract between the parties. This audit is conducted onsite in the pharmacy. See *Guidelines* for process.
  - **Investigational Audit** differs from MCO to MCO, but typically it is broader than a pharmacy claims audit and may be initiated from a medical, dental or another type of claim. An investigational audit is usually a more extensive audit and can involve regulatory and law enforcement. Typically this type of audit commences when there is clear evidence based upon preliminary reviews or audits that reveal fraud or abuse by patient or provider.

Adjudication: The process of completing all validity, process and file edits necessary to prepare a claim for final payment or denial.

Claim: A submission by the pharmacy to the MCO for payment of prescription dispensed to an MCO plan member.

Documentation: Items (i.e., prescription order, signature logs, purchasing invoices, etc) required to satisfy an audit and/or appeal process. These items should be listed in the provider manual under the audit process.

Employee Retirement Income Security Act of 1974 (ERISA): A federal law that regulates employer-sponsored benefit plans and restricts state government from regulating these plans. The law mandates reporting and disclosure requirements for group life and health plans with relevant guidance on the sponsorship, administration, minimum records retention period, servicing of plans, some claims processing, appeals regulations and minimum mandatory clinical benefits.

APPENDIX: GLOSSARY

continued

Fraud, Waste and Abuse (FWA)

- **Fraud:** It is the illegal acquisition of prescription drugs for personal use or profit. This definition excludes theft, burglary, backdoor pharmacies and illegal importation or distribution of prescription drugs (i.e., purposeful billing for non-existent prescriptions (phantom claims), billing for brand drugs when generics are dispensed)
- **Waste:** To consume, spend, or employ uselessly or without adequate return; use to no avail or profit (i.e., prescription medications ordered when not needed (auto fill or hoarding), filled after patient death or discontinuation of treatment, large day supplies filled when drug has not been shown effective for patient and medications automatically given because patient says they've been taken in the past yet there is no demonstrated need.
- **Abuse:** The use of a prescription medication in a way not intended by the prescriber.

HIPAA: The Health Insurance Portability and Accountability Act of 1996, a Federal law and subsequent regulations that include protection of personally identifiable health information and gives HHS the authority to mandate the use of electronic standards for the electronic exchange of health care data.

HITECH: The Health Information Technology for Economic and Clinical Health (HITECH) Act, was enacted as part of the American Recovery and Reinvestment Act of 2009 to promote the adoption and meaningful use of health information technology. It also addresses the privacy and security concerns associated with the electronic transmission of health information that strengthen the civil and criminal enforcement of the HIPAA regulations.

Incentive-based Auditing: Auditors are paid for their services based on a percentage of incorrectly or inappropriately submitted pharmacy claims.

Long Term Care (LTC) Pharmacy: Long term care typically refers to individuals who require health care either in an institutional facility on a long-term basis, but can also refer to those requiring services at home. Pharmacy services may be provided by the institutional facility or through an offsite pharmacy providing services to the facility.

Managed Care Organization (MCO): For the purposes of this document this term is used generically to include all types of MCOs including health plans, pharmacy benefit managers (PBM), health maintenance organizations (HMO), contracted agents, etc.

NDC Number (National Drug Code): A unique 11 digit code given to drugs that identifies the labeler, product and package size.

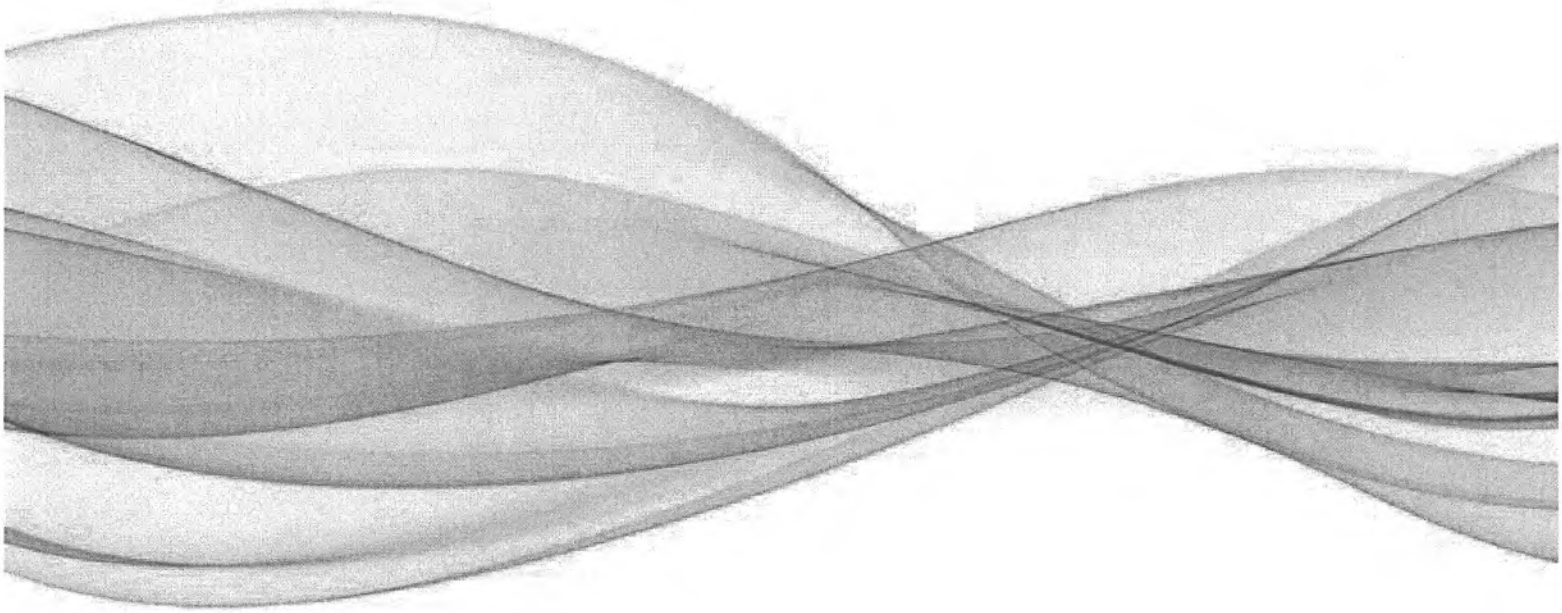
National Council of Prescription Drug Programs (NCPDP): National Council of Prescription Drug Programs is a not-for-profit ANSI-Accredited Standards Development Organization representing virtually every sector of the pharmacy services industry.

Pharmacy Benefits Manager (PBM): PBMs are hired by the health plan, employer, or PDP to orchestrate the development of the pharmacy network and adjudicate claims for the health plan.

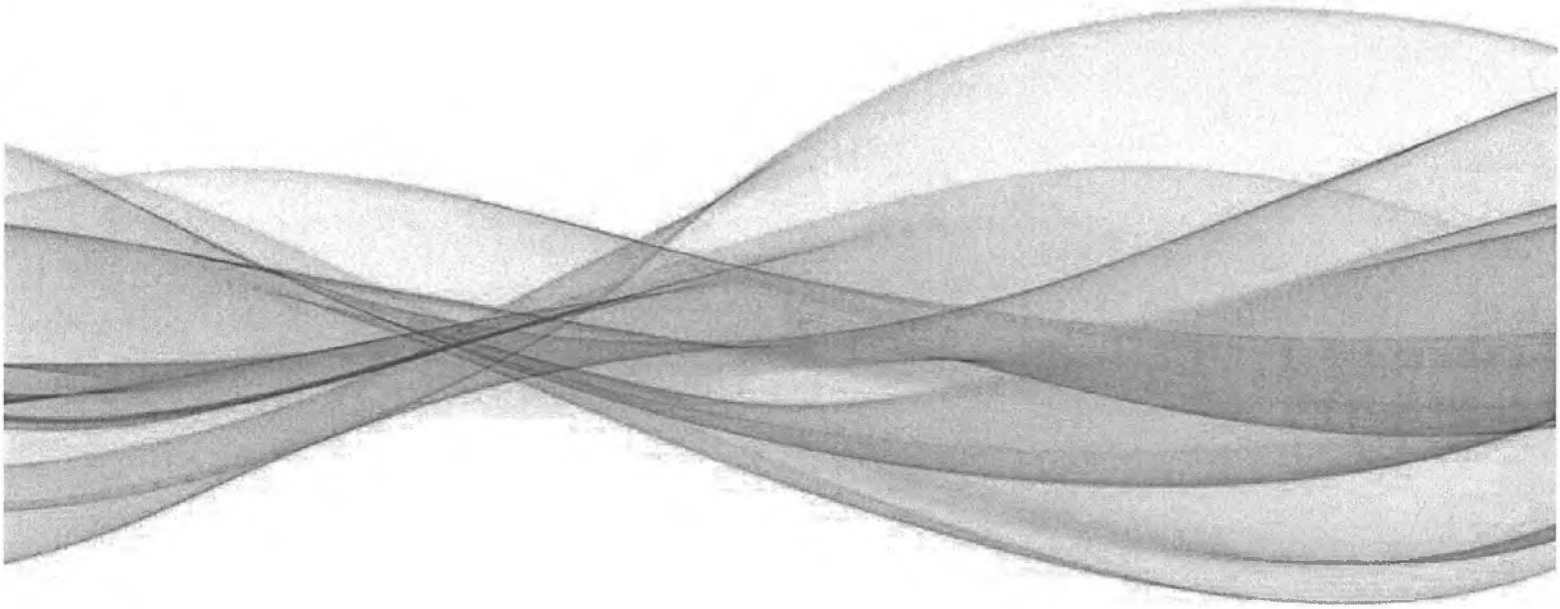
Pharmacy Network: Pharmacies that are contracted by a MCO in order to service the members of the health plan by providing convenient sites to fill their prescriptions.

Provider: An entity who has contracted with an MCO to deliver care to a covered person. In the case of pharmacy services, it is typically the pharmacy, rather than the pharmacist, that contracts with the MCO.

Provider Manual: A manual issued by the MCO and distributed to the pharmacy that outlines its processes, procedures, etc., as it relates to drug benefit and pharmacy claims.



This document is available electronically at
www.amcp.org/audit



AMCP | Academy of Managed Care Pharmacy®

100 North Pitt Street | Suite 400
Alexandria, VA 22314

800 827 2627 | 703 683 8416
Fax 703 683 8417

www.amcp.org

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Survey of Community Pharmacies
Impact of Pharmacy Benefit Manager (PBM) Contracting and Auditing Practices on Patient Care

National

The Patient Choice and Pharmacy Competition Act of 2011 (H.R. 1971/S. 1058) would make several reforms to the unregulated Pharmacy Benefit Management (PBM) marketplace. These reforms would help community pharmacies serve patients and assure that there is a strong, accessible community pharmacy network.

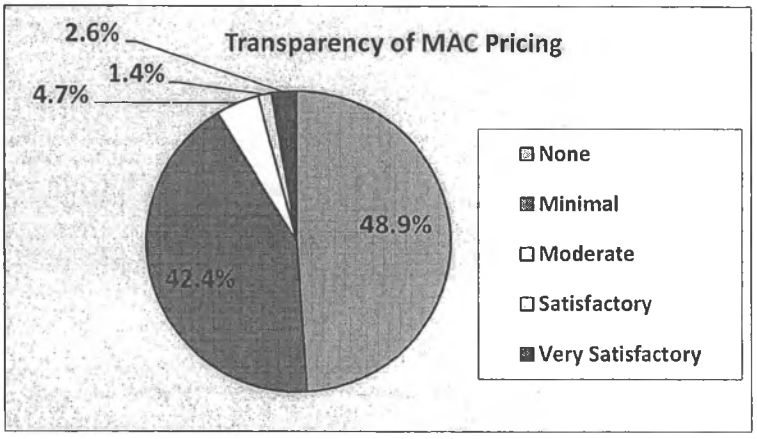
Among other provisions, the bill would require a minimum level of reimbursement transparency in the contracts that PBMs have with pharmacies for Part D and commercial insurance plans. For generic drugs, pharmacies generally don't know how much they will be reimbursed or when it will change. The bill would also make PBM auditing practices more focused on fraud rather than administrative and technical issues and make these audits more consistent among PBMs.

This survey provides important information to policymakers regarding the challenges that over 1,800 pharmacies report having with PBMs. This survey was conducted between June and July 2011.

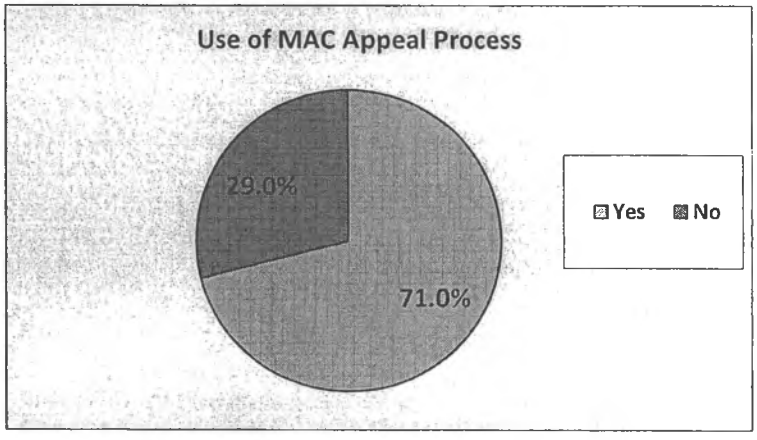
100 Daingerfield Road
Alexandria, VA 22314-2888
(703) 683-8200 PHONE
(703) 683-3619 FAX

Part I – Transparency of Generic Drug Reimbursement in PBM Contracts

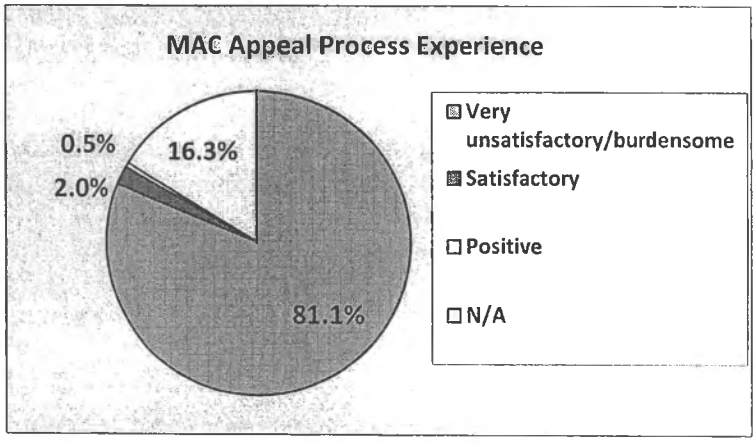
I - A provision of H.R. 1971 would require PBMs to disclose greater information to pharmacies in contracts regarding MAC reimbursement for generics. In a typical PBM/pharmacy contract, how much information or specificity is usually given regarding either how MAC pricing for generics is determined (methodology) or how often these prices will be updated?



II - Have you ever used or tried to use a PBM's MAC appeal process?

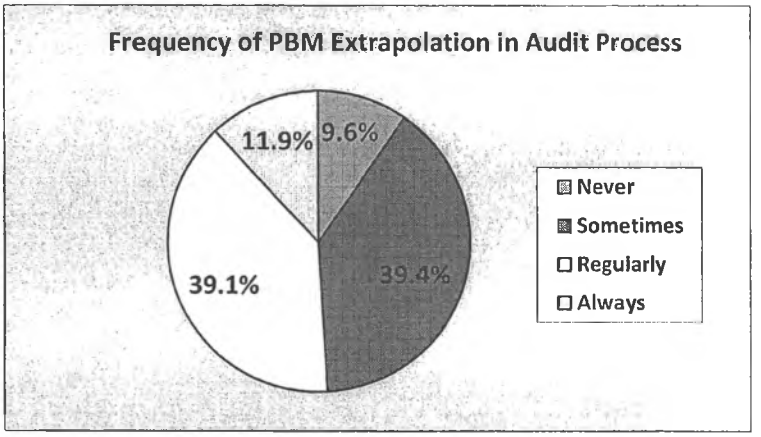


III - If you answered yes, did you find the process or overall experience to be:

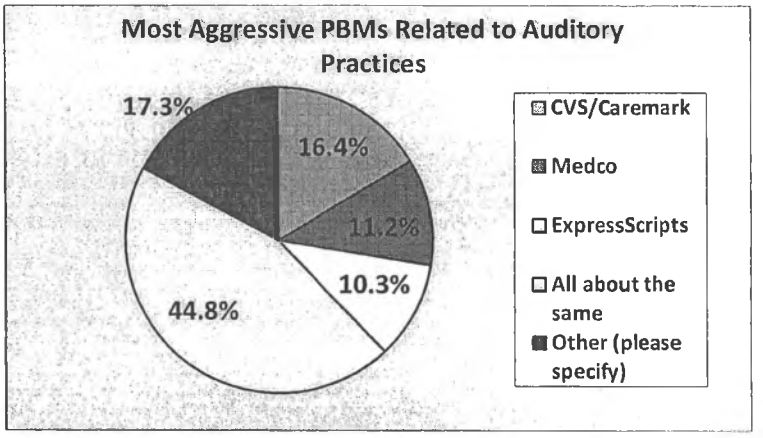


Part II – PBM Auditing Practices of Community Pharmacies

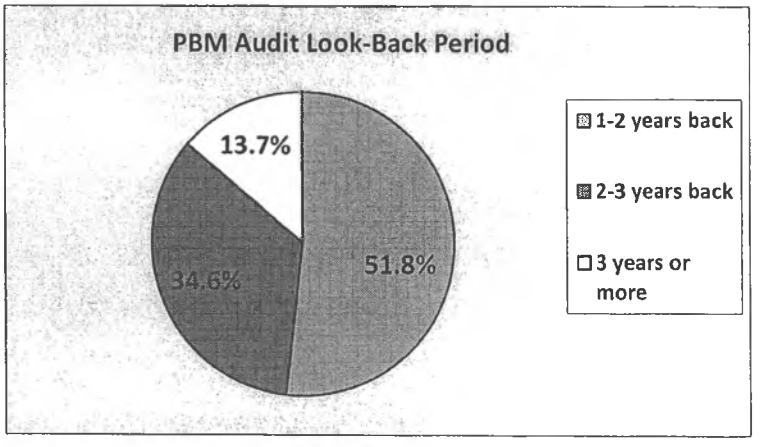
IV - Several provisions of H.R. 1971 would reform the manner in which PBMs could conduct audits. How often is extrapolation used in a PBM pharmacy audit?



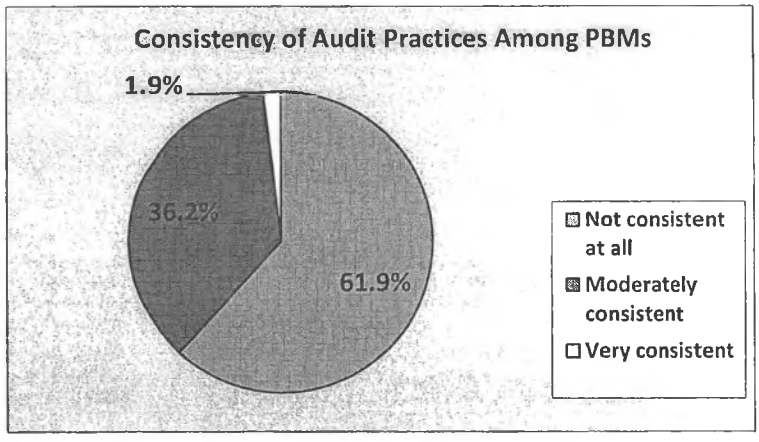
V - Which PBM typically conducts the most aggressive audits?



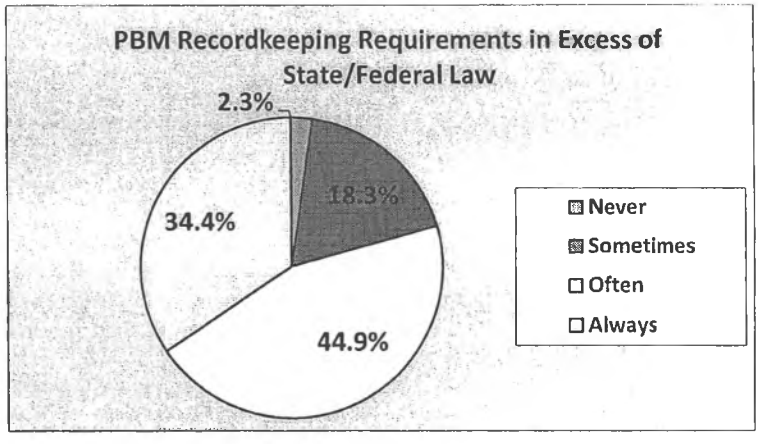
VI - In general, how many years back does a PBM go when auditing your pharmacy's claim data?



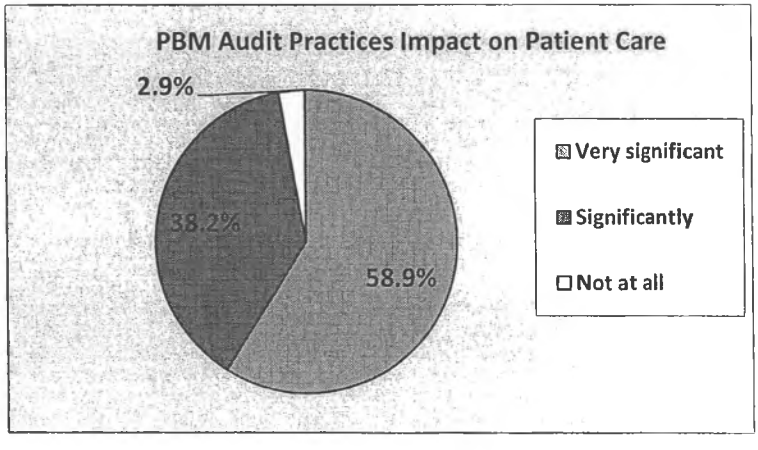
VII - How consistent are the auditing requirements across PBMs?



VIII - How often do PBM auditors require (and accordingly harshly penalize pharmacies for even minor noncompliance) recordkeeping requirements that go above and beyond what is required under state or federal law?



IX - How significantly are PBMs reimbursement and auditing practices affecting your ability to provide patient care and remain in business?



PBM Audits Steal Money From Pharmacies, Take Time Away from Patients

- The auditor disallowed a handwritten prescription for a high dollar medication and attempted to recoup the payments from every refill because "in his opinion, the prescription was written out by someone other than the practitioner who signed it." The script had been written (documented) by the physician's nurse due to his poor penmanship and signed by the physician. Despite thorough follow up documentation of the legitimacy and accuracy of the prescription, the payments were recouped in full.

- A physician once stamped his DEA number on a prescription for a $1000 med that the patient received. The PBM took the money back even though the patient got the meds, because they wanted the doctor to preprint the DEA# on the prescription pad. However, this was a new doctor at that group practice and the office manager did not have enough time to preprint thousands of pads at the print press.

- Doctor spelled the patient name incorrectly, and they refuse to pay the prescription and all refills

- Audited 4 months ago by ACS for Humana patients. They Found only one mistake and that was [that the] clinic NPI was used on physician name. Two years ago NPI was not available online, so we called the doctor's office to get his NPI. They gave us the clinic NPI. We do not have a way to find how many NPI's do not match with our physician profile. So we were using the same NPI for one doctor for [the] last 2 years. Humana or ACS never corrected us either. Unfortunately it was all AIDS medication (very expensive). Now they want $16,000 back for using wrong NPI. To appeal we went to [the] doctor's office and they filled out [a] form that [the] insurance required us to get from [the] doctor's office to make sure that they were legitimate prescriptions and sent it to ACS for further clarification. ACS denied our appeal twice and wants to recoup money now. I called Humana and left messages several times and never heard anything back. I can not go to court because it would cost me too much and I do not have this amount that I can pay them easily. Very discouraging.

- Doctor wrote prescription for 1 bottle of a liquid maintenance medication, we dispensed 1 month's supply. They claimed we should've only given 14 days worth and took all the money from the claim back, even though the patient received the whole prescription. They took all the money back for the life of the prescription (11 refills, or 12 months).



Alaska Pharmacists Association

Examples of Abusive Auditing Practices in Alaska

Audit Abuse Example:

1) Our pharmacy had filled a prescription for patient who had been having chronic hives (itching) from auto-immune type disease. The patient had seen a specialist who had prescribed a high dose antihistamine at a dose of two tablets three times per day to dispense a 3 month supply with refills. The patient refilled the prescription approximately 5 months after the first fill.

We received a desk audit from the Insurance Company (Aetna) about a year after that and sent them a copy of the prescription. We later received notice from Aetna that they would be recouping the total cost of the prescription (including the dispensing fee) since the patient didn't refill the prescription until 5 months after the first date of the fill (i.e. patient wasn't always using six tablets per day). We received no electronic notification of concern from Aetna at the time we dispensed the prescription (which is done in real time). We spent considerable time with the doctor's office getting a letter to document the patient's ongoing need for the medication in order to fight the recoupment.

We shouldn't have needed to do this since we filled the prescription as written and verified the need and dose at the original time of dispensing.

2) CareMart called our pharmacy and requested audit on 21 prescriptions; they would only give me the numbers over the phone and would not fax because they want deniability. It took a lot of time to comply with their audit.

3) One issue I remember was from a pharmacy in Alaska by Express Scripts. They were taking back our payment because of a transferred Rx. They were not accepting a prescription copy because at the time of transfer the prescription image was not sent correctly between the two Kroger Pharmacies. The pharmacist transcribed the information on an Rx blank with all the information. They were not accepting this, even though state law says this is good enough. I did appeal and win this.

4) In February, 2011 our pharmacy received notice of a large desk audit to be performed. The audit was for prescriptions from 2008 and over 100 prescriptions were involved. All of these prescriptions had to be copied, printed, signature logs, etc. - so it was very time consuming, especially since all of the records were from over 3 years ago. This was completed and sent to the auditors. Then we were notified that they were going to also do an on-site audit of these and other prescriptions.

In August of this year - 2 auditors arrived at our store and I spent the entire day answering their questions, pulling files, and finding documentation. They were not very well knowledgeable in pharmacy as many of their questions were not good questions. So, we made it through that and I was told we would be receiving a final report in a few weeks.

That report arrived and I was very pleased when I read the first few pages. Out of over $103,000 in claims reviewed - we had $89 in errors according to the auditors. However, when I got to the last page - through their "one-sided confidence extrapolation method" (their name for this) - they said I owed over $7,300! I called the auditors to no avail.

Since this - I have just hired a lawyer to help in disputing this claim. Most companies only use extrapolation when the error rate is over 5%. Ours was less than 0.1%! The last audit we had a few years ago - we had a zero repay. Being told to repay over $7000 is just not right!

5) Our pharmacy received a desk audit from ACS Audit and Compliance Solutions who was contracted by the Pharmacy Benefit Manager Healthspring. The letter was dated November 9, 2011 and we received the letter on November 14, 2011. All requested documentation had to be postmarked by 12/9/2011. On the 12/9/11 we mailed all documentation to ACS. On January 24, 2012 we received the results of the audit via UPS in a letter dated 1/17/12. The report indicated that "the signature documenting receipt of pharmacy services cannot be found in the signature logs" for one prescription. Because of this missing signature, the plan was going to deduct the entire amount of that prescription from a future remittance. This prescription was correctly filled for a legitimate purpose and mailed to the patient in Haines Alaska. To prevent this recoupment by the audit company, our pharmacy has had to send an affidavit to the patients daughter (the patient has since passed away from cancer) so she can sign to verify that they did indeed receive the medication. All supporting documentation was due back to ACS by 2/6/12. This pharmacy had to request and was granted a one week extension to this deadline. As of today, 2/9/12 the pharmacy has not received the affidavit, and has called for another extension but has not heard back from ACS. This pharmacy has already dispensed the medication correctly, the patient has taken the medication as prescribed, but because of a procedural error, the plan is attempting to recoup the entire amount of the prescription from the pharmacy.

LAWS THAT PROVIDE REGULATION OF THE BUSINESS PRACTICES OF PHARMACY BENEFIT MANAGERS

ARKANSAS
Title 17, Chapter 92
Section 17-92-1201, et.seq.

- Pharmacy Audit Bill of Rights sets forth standards for audits by a managed care company, an insurance company, a third-party payor or any entity that represents such companies or groups
- Pharmacy must be given at least one week advance notice of an audit
- If clinical or professional judgment is required audit must be conducted by or in consultation with a pharmacist
- Pharmacy may use records of a hospital, physician or other authorized practitioner to validate the pharmacy record
- Recoupment of claims has to be based on actual overpayment unless it is part of a settlement with the pharmacy
- Period covered by audit cannot exceed 24 months from the date the claim was submitted to or adjudicated by the entity
- Unless consented to by the pharmacy, the audit cannot take place during the first 7 days of the month due to high volume of prescriptions filled during that time
- Preliminary audit report must be delivered within 120 days after the conclusion of the audit - final report must be delivered within 6 months
- Use of extrapolation audits for calculation of recoupments or penalties is prohibited
- Copy of the final audit report to be provided to the plan sponsor
- Applies to audits of claims submitted after January 1, 2008

Effective: 04/03/07

Arkansas
Arkansas Code Title 9 Chapter 88 Sec. 801-804
Fair Disclosure of State Funded Payments for Pharmacists' Services Act

- Requires PBMs to itemize by individual claim the amount actually paid to the pharmacy or pharmacist, the identity of the pharmacy, and an identifier of the pharmacist services

Signed into law: 4/2/2009

CONNECTICUT
Public Act No. 07-200
An Act Requiring the Registration of Pharmacy Benefit Managers

- PBM must obtain a certificate of registration from the Insurance Department.
- PBM must complete an application form which must include the name and address for an agent for service of process, pay a fee and provide evidence of a surety bond.

• PBM operating as a line of business or affiliate of a health insurer or other entity does not have to obtain a certificate of registration but must provide annual notification to the Commissioner of its status.
• Registration may be denied and a hearing process is provided for an Appeal.

• Commissioner has the authority to suspend, revoke or refuse to issue or renew for conduct of a character likely to mislead, deceive or defraud the public or the commissioner, unfair or deceptive business practices or nonpayment of renewal fee.
Effective: 01/01/08

FLORIDA
Florida Statutes Chapter 465
465.188dicaid audits of pharmacies

• Agency conducting the audit must give 1 week prior notice
• Audit must be conducted by a pharmacist licensed in this state
• Any clerical error, typographical error, scrivener's error or computer error regarding a document or record required under Medicaid program does not constitute a willful violation and is not subject to criminal penalties without proof of intent to commit fraud
• A pharmacist may use the physicians record or other order for drugs or medicinal supplies written or transmitted by any means of communication for purposes of validating the pharmacy record with respect to orders or refills of a legend or narcotic drug
• Each pharmacy must be audited under same standards, parameters
• Pharmacist must be allowed at least 10 days to produce documentation to address any discrepancies
• Period covered by an audit may not exceed 1 calendar year
• Audit may not be scheduled during the first 5 days of any month due to high volume of prescriptions filled during that time
• Audit report must be delivered to pharmacist within 90 days after conclusion of audit.
• Entity conducting the audit may not use the accounting practice of extrapolation in calculating penalties for Medicaid audits
• Provisions do not apply to investigative audits conducted by Medicaid Fraud Control Unit of the Department of Legal Affairs

• Provisions do not apply when Florida Agency for Health Care Administration has reliable evidence that claim that is the subject of the audit involved fraud under the Medicaid program.

GEORGIA
Title 26, Chapter 26-4.110.1

• Requires a PBM to be licensed as a pharmacy, with a few exceptions, if it provides the services of benefits that constitute the practice of pharmacy.
• If the PBM is licensed then the Board can inspect its premises whether they are located within or outside the state.
Effective: 05/22/02

Title 26, Chapter 4 – 26-4-118
The Pharmacy Audit Bill of Rights

• Requires certain procedures when an audit of pharmacy records is undertaken by a managed care company, insurance company, third-party payor or any entity that represents such companies (which would include PBMs).
• Pharmacy must be given notice at least one week prior to the conducting of the audit.
• Any audit that requires clinical or professional judgment must be conducted by or in consultation with a pharmacist.
• A finding of an overpayment or underpayment may be a projection based on the number of patients served having a similar diagnosis or on the number of similar orders or refills for similar drugs; however recoupment of claims must be based on the actual overpayment or underpayment unless the pharmacy agrees as part of a settlement.
• Pharmacy must be allowed at least 30 days following the receipt of the audit report in which to produce documentation to address any discrepancy found during the audit.
• Period covered by the audit may not exceed two years from the date that the claim was submitted to or adjudicated by the entity.
• An audit may not be scheduled during the first seven calendar days of any month without the consent of the pharmacy.
• The preliminary report must be delivered to the pharmacy within120 days after the conclusion of the audit.
• Extrapolation is prohibited in calculating recoupments or penalties for audits.
• Each entity conducting an audit shall establish an appeals process
• Plan sponsor must be provided with a copy of the audit report
Effective: 04/19/06 (applies to audits to claims submitted for payment after 07/01/06)

Official Code of GA Ann. Title 33 Chapter 64

- Provides for license requirements and filing fees for PBMs

- Requires a surety bond
- Provides that a pharmacy benefit manager shall not engage in the practice of medicine
- Makes certain audit requirements applicable to pharmacy benefit managers
- To provide that a pharmacy benefits managers shall not have no be licensed as an administrator

Effective: 06/02/10 (Senate Date Signed by Governor)

Indiana
Indiana Code 25-26-22

- Provides pharmacists procedural protections against audits initiated by PBMs
- PBM must provide description of audit procedures in audit contract
- Pharmacy must be given at least two weeks written notice in advance of an onsite audit
- Auditor may not interfere with pharmacist-delivered services to patients and must minimize disruption of pharmacy operations
- If clinical or professional judgment is required audit must be conducted by or in consultation with a pharmacist
- Pharmacy may use records of a hospital, physician, or other health practitioners to validate a prescription for a legend drug
- Period covered by audit cannot exceed 24 months from the date the claim was submitted to or adjudicated by PBM
- PBM must permit pharmacy to electronically resubmit claims disputed by the audit
- Unless consented to by the pharmacy, the audit cannot take place during the first 5 days of the month
- On-site auditor may not be paid based on percentage of amount recovered, resulting from the audit
- Preliminary audit report must be delivered within 90 days after the conclusion of the audit
- Final report must be delivered within120 days after the preliminary audit is received by the pharmacy or if a final appeal is filed, after a determination is made
- Recoupment of claims must be based on actual overpayment or underpayment, not extrapolation –final audit report must be distributed prior to recoupment

Effective: 7/1/2009

IOWA
Title XIII Commerce

Subtitle 1 Insurance and Related Regulation
Chapter 510B.1 – 510B.9

• PBM must obtain a certificate as a third party administrator
• PBM must perform its duties exercising good faith and fair dealing
• PBM must notify the covered entity in writing of any conflicts
• PBM cannot contact a covered individual without permission of the covered entity
• PBM cannot require more stringent record keeping than that required by state or federal law or regulation
• PBM must notify the pharmacy when it receives notice from a covered entity of a contract cancellation within 10 working days
• Within three business days of a price increase notification by a manufacturer or supplier the PBM must adjust its payment to the pharmacy consistent with the price increase
• Commissioner must enforce the provisions and adopt rules concerning timely payment of pharmacy claims and a process for adjudication of complaints and settlement of disputes between a PBM and a pharmacy related to auditing practices and termination of pharmacy agreements
• Legislative Council is directed to establish an interim committee on PBMs to review transparency, disclosure, confidentiality protections, ability of covered entities to audit PBMs and appropriate remedies for covered entities to enforce the provisions in the Act

Effective: 01/01/08

KANSAS
Chapter 154
Pharmacy Benefits Manager Registration Act

• Requires pharmacy benefit managers to obtain a valid certificate of registration issued by the insurance commissioner in order to operate in the state
• PBM must file an application form which includes:
(a) Name, address, official position and professional qualification of each individual who is responsible for the conduct of the affairs of the PBM, including all members of the board of directors, board of trustees, executive committee, other governing board or committee, the principal officers in case of corporation, the partners or members in the case of a partnership or association and any other person who exercises control or influence over the affairs of the PBM
(b) Name and address of the applicant's agent for service of process in the state
(c) A nonrefundable application fee of $140
• Registration expires on March 31st of each year and the renewal fee is $140
• If the fee is not paid the registration may be revoked or suspended
• PBMs must register within 90 days after the effective date of the act
• Insurance commissioner may adopt rules

• If a PBM acts without registering, it will be subject to a fine of $500 per violation

Effective: 04/28/06

Kentucky
KRS Chapter 304, Subtitle 17A, Sections 1-5
An Act Relating to Pharmacy Audits

- Creates pharmacy audit protections
- Pharmacy must be given at least thirty days written notice of an audit
- If clinical or professional judgment is required audit must be conducted by or in consultation with a pharmacist
- Pharmacy may use records of a hospital, physician, or other authorized practitioner to validate the pharmacy record
- Recoupment of claims must be based on actual overpayment unless it is part of a settlement with the pharmacy
- Period covered by audit cannot exceed two years from the date the claim was submitted unless federal law allows a longer period or there is evidence of fraud
- Unless consented to by the pharmacy, the audit cannot take place during the first 7 days of the month
- Preliminary audit report must be delivered within 120 days after the conclusion of the audit – final report must be delivered in 6 months
- Following receipt of preliminary audit report, the pharmacy may take 30 days to produce documentation in response to discrepancies
- Final audit report must provide claim-level detail of amounts and reasons for each claim recovery
- Auditor may not be paid based on percentage of amount recovered, resulting from the audit
- Exit interview to provide pharmacy an opportunity to respond to questions, comment and clarify findings must be done at end of audit – time of interview must be agreed to by pharmacy
- Pharmacy must be provided written instruction of appeals process for final audit report
- If unsubstantiated audits discovered following appeal, they are dismissed without further proceeding.
- Auditor may not collect disputed funds until audit process, including appeals, is completed

Signed into Law: 3/24/2009

MAINE
Title 22, Chapter 603, Subchapter 4, Section 2699
Prescription drug practices

• Provides that a PBM owes a fiduciary duty to a covered entity and must discharge that duty in accordance with the provisions of state and federal

law.
• Requires PBM to perform its duties with care, skill, prudence and diligence in accordance with the standards of conduct applicable to a fiduciary in an enterprise of a like character and with like aims.
• Requires the PBM to notify the covered entity in writing of any practice that is a conflict of interest.
• Upon request by the covered entity, the PBM must provide all financial and utilization information relating to services to that covered entity.
• The PBM may designate any information provided to the covered entity as confidential and the information may not be disclosed without the permission of the PBM except that disclosure may be ordered by a court. Also this provision does not limit the Attorney General's use of its investigative authority.
• Requires the PBM to transfer in full to the covered entity any benefit or payment received as a result of a substitution.
• Requires the PBM to disclose to the covered entity all financial terms and arrangements for remuneration of any kind that apply between the PBM and any drug manufacturer or labeler, including formulary management, drug-switch programs, educational support, claims processing and pharmacy network fees that are charged from retail pharmacies and data sales fees. The PBM may designate the information as confidential. However disclosure may be ordered by a court and this provision does not limit the Attorney General's use of its investigative authority.
• Provides that a violation of the Act is a violation of the Maine Unfair Trade Practices Act and subject to a fine of not more than $10,000.
• Applies to contracts executed or renewed on or after September 13, 2003.
Effective: 04/13/05 (On 06/05/06, the United States Supreme Court denied the Petition for a Writ of Certiorari filed by PCMA seeking to overturn the Maine law on the grounds that ERISA preempted that state law. This ruling ended any further legal challenges by PCMA to the law.)

MARYLAND
Subtitle 16, Sections 15-1601 et seq
Pharmacy Benefits Managers

• Prior to entering into a contract, the PBM must inform the purchaser that the PBM may solicit and received manufacturer payments, pas through or retain those payments depending on the contract terms, sell aggregate utilization information and share aggregate utilization information with other entities.
• PBM must offer to provide to the purchaser a report that contains net revenue and manufacturer payments.
• If a purchaser has a rebate sharing agreement, the PBM must offer to provide a repot fore each fiscal quarter and each fiscal year that contains information on the net revenues, prescription drug expenditures, manufacturer payments and rebates.
• PBM may require purchaser to sign a nondisclosure agreement prior to

releasing information.
• Ability of Attorney General or Insurance Commissioner to obtain information and use the information in any proceedings not affected by this section.
• PBM must disclose at the time of contracting with a pharmacist and at least 30 days before any contract change: the terms of reimbursement, process for verifying benefits and beneficiary eligibility, dispute resolution and audit appeals process and procedures for verifying drugs included on the formularies used by the PBM.
• PBM may not schedule an onsite audit to begin during the first 5 calendar days of a month unless requested by the pharmacist.
• PBM must use a pharmacist if the audit requires clinical or professional judgment.
• All pharmacies in the network must be audited under the same standards and parameters.
• Audit limited to claims submitted or adjudicated within the 2 year period immediately preceding the audit.
• Extrapolation audits are prohibited unless the pharmacist agrees to projected overpayments or denials as part of a settlement agreement.
• PBM must establish an internal appeals process for disputed audit claims.
• PBM must follow certain procedures for the timing of audit reports and payment of amounts due as a result of the audit,
• PBM may not request a therapeutic interchange unless certain criteria are met unless the proposed interchange is for medical reasons that benefit the beneficiary or it will result in financial savings and benefits to the purchaser or the beneficiary.
• PBM must follow disclose certain information to the prescriber when the PBM solicits the prescriber to make an interchange.
• If PBM receives payment from a manufacturer for making the interchange that payment must be disclosed to the prescriber at the time of the solicitation.
• If an interchange occurs, the PBM must provide certain information to the beneficiary.
• PBM must maintain a toll free number for prescribers, pharmacists and beneficiaries.
• PBM must register with the Insurance Commissioner and renew registration every 2 years.
• Commissioner may suspend, deny, revoke or refuse to renew a registration, PBM subject to administrative penalties.
• PBM may not ship, mail or deliver drugs through a non-resident pharmacy unless it holds a pharmacy permit from the Board of Pharmacy.
• Establishes requirements for a pharmacy and therapeutics (P&T) committee established by a PBM.
• Members of a P&T committee must sign a conflict of interest statement.
• A majority of the P&T committee members must be practicing physicians or pharmacist.

• PBM must have policies and procedures including disclosure requirements to address potential conflicts of interest and a process to evaluate medical and scientific evidence concerning the safety and effectiveness of prescription drugs.
• PBM may not require a pharmacist to participate on the P&T committee.
Effective: 10/01/08

Title 15, Subtitle 10B, Section 15-10B-20
Private Review Agents

• Requires the Insurance Department to conduct an examination of any PBM registered as a private review agent at least once every three years.
• Requires the Commissioner to issue a report based on the examinations.
Effective: 05/13/03

MISSISSIPPI
Pharmacy Audit Integrity Act

• Establishes minimum and uniform standards and criteria for the audit of pharmacy records.
• Pharmacy contract must identify and describe in detail the audit procedures.
• Entity conducting an onsite audit must give the pharmacy at least 2 weeks prior written notice before conducting an initial audit.
• An audit that involves clinical and professional judgment must be conducted by or in consultation with a pharmacist.
• Entity conducting the onsite audit may not interfere with the delivery of pharmacy services.
• Pharmacy may use records of a hospital, physician or other authorized practitioner to validate the pharmacy record
• Recoupment of claims has to be based on actual overpayment.
• A finding of an overpayment shall include the dispensing fee amount unless the prescription was not dispensed.
• Period covered by the audit may not exceed two years from the date that the claim was submitted to or adjudicated by the entity.
• Audit cannot take place during the first 5 days of the month.
• Preliminary audit report must be delivered within 120 days after the conclusion of the audit - final report must be delivered within 180 days. Pharmacy has at least 30 days to review preliminary report. Audit report must be written.
• Recoupments of disputed funds or repayment of funds must occur after final internal disposition of the audit including the appeal, if any, process. If identified discrepancy exceeds $25,000 future amounts in excess of that amount may be withheld pending finalization of the audit.
• Interest may not accrue during the audit period.
• Entity conducting the audit must establish a written appeals process and if either party is not satisfied with the appeal, that party may seek mediation.
• Plan sponsor must receive a copy of the final report.

Effective: 07/01/08

Title 73 – Professions and Vocations
Chapter 21 – Pharmacists -- Sections 73- 21-151 – 73-21-159
Pharmacy Benefit Prompt Pay Act

• Requires PBMs to file financial statements with the state Insurance Department.
• PBMs must use a nationally recognized reference in pricing calculations when reimbursing pharmacies and must update that reference no less than every three business days.
• Clean claims filed electronically must be paid within 15 days (not later than 35 days if filed as a paper claim).
• The Board of Pharmacy shall monitor PBMs for compliance with the law and is authorized to subject PBMs to administrative penalties or noncompliance.
Effective: 06/30/06

MISSOURI
Revised Statutes
Chapter 338 Pharmacists and Pharmacies
Section 338.600

• Sets forth standards for pharmacy audits by a managed care company, insurance company, third party payor or any entity that represents such groups
• The entity conducting the audit must provide pharmacy with one-week notice prior to audit
• If clinical or professional judgment is required, must by conducted by or in consultation with licensed pharmacist
• Any clerical error, record-keeping error, typographical error, or scrivener's error shall not constitute fraud or grounds for recoupment, so long as the prescription was legally dispensed. No claim arising under this provision shall be subject to criminal penalties without proof of intent to commit fraud
• A pharmacy may use the records of a hospital, physician or other authorized practitioner of the healing arts for purposes of validating the pharmacy record. Electronically stored images of prescriptions, electronically created annotations shall be considered valid prescription records.
• Each pharmacy shall be audited under same standards/parameters
• Period covered by audit shall not exceed two-year period unless previous finding of fraud
• Audit shall not be conducted during first three business days of any month due to high volume of prescriptions filled during such time
• Entity conducting the audit shall not use extrapolation

• Recoupment shall only occur after final internal disposition of audit, including appeals process
• Each entity conducting audit shall establish an appeals process, lasting no longer than six months
• Entity conducting audit shall provide copy of final audit report (after appeals) to plan sponsor
• Section does not apply to investigative audit that involved probably fraud or willful misrepresentation or conducted by law enforcement agency
EFFECTIVE August 2009

NEW MEXICO
Chapter 61 – Article 11
61-11-18.2

• Requires a managed care company, insurance company, third-party payor or representative of the managed care company, insurance company or third-party payor to conduct audits according to certain criteria.
• Must give pharmacy at least two weeks notice prior to conducting an initial on-site audit.
• An audit that requires clinical or professional judgment must be conducted by or in consultation with a pharmacist.
• Pharmacy can use the records of a hospital, physician or other authorized practitioner for the purposes of validating the pharmacy record.
• A finding of overpayment or underpayment cannot be based on a projection and recoupment of claims must be based on actual overpayment or underpayment unless a statistically justifiable method of projection is part of an agreed settlement.
• Pharmacy must be allowed at least 21 days, with reasonable extensions, to produce documentation to address any discrepancies.
• Audit period cannot exceed 2 years, unless agreed by contract, from the date that the claim was submitted or adjudicated.
• Audit may not be initiated or scheduled during the first five calendar days of a month unless consented to by the pharmacy.
• Preliminary audit report must be delivered within 120 days, with reasonable extensions allowed, after the conclusion of the audit.
• Final report must be delivered within 6 months after receipt of the preliminary audit report or final appeal, whichever is later.
• Audit criteria apply to all audits of claims submitted after July 1, 2007.
• Extrapolation audits are prohibited in calculating recoupments or penalties
• Each entity conducting an audit must have an appeals process. If the discrepancy exceeds $25,000 future payments to the pharmacy may be withheld pending finalization of the audit.

• Law does not apply to any investigative audit that involves fraud or willful misrepresentation.
Effective: 07/01/07

NORTH DAKOTA
Chapter 26.1-27

• Defines a PBM as an administrator and requires PBM to be registered as an administrator.
• Requires disclosure of ownership interest in the PBM by an insurer or a pharmaceutical manufacturer.
• Requires the PBM to notify the Commissioner in writing within five business days of any material change in the PBM's ownership.
• Requires PBM to comply with statutory provisions concerning substitution of one drug for another.
• PBM may not exclude an otherwise qualified pharmacy from its network if the pharmacy accepts the terms, conditions and reimbursement rates of the PBM's contract.
• PBM may not require a pharmacist or pharmacy to participate in one contract in order to participate in another contract.
• PBM must offer to the covered entity contracting options that must include: a transaction fee without a sharing of a payment received by the PBM, a combination of transaction fee and a sharing of the payment received by the PBM or a transaction fee based on the covered entity receiving all of the benefits of payments received by the PBM.
• Agreement between the PBM and the covered entity must include a provision allowing the covered entity to audit the PBM's books, accounts and records as necessary to confirm that the benefit of a payment received by the PBM is being shared as required by the contract.
• During an examination of a covered entity, the Commissioner may examine any contracts between the covered entity and the PBM in order to determine whether payments received from the PBM are being applied to reduce the covered entity's rates or have been distributed to covered individuals.
• Covered entity must disclose annually the benefits of the payments received and describe how the benefits received were applied towards reducing rates or distributed to covered individuals.
• Any information disclosed to the Commissioner is considered a trade secret.
• Legislative Council was directed to study the PBM industry and make a report and recommendations, together with legislation required to implement the recommendations to the next assembly.
Effective: 08/01/05

OKLAHOMA

Title 59, Section 356
Pharmacy Audit Integrity Act

- Establishes minimum and uniform standards and criteria for the audit of pharmacy records.
- Pharmacy contract must identify and describe the audit procedures.
- Entity conducting an onsite audit must give the pharmacy at least 2 weeks prior written notice before conducting an initial audit.
- An audit that involves clinical and professional judgment must be conducted by or in consultation with a licensed pharmacist.
- Entity conducting the onsite audit may not interfere with the delivery of pharmacy services.
- Pharmacy may use records of a hospital, physician or other authorized practitioner to validate the pharmacy record
- Recoupment of claims has to be based on actual overpayment or underpayment; however a projection may be used as part of a settlement as agreed to by the pharmacy.
- A finding of an overpayment shall include the dispensing fee amount unless the prescription was not dispensed or a physician denied authorization.
- Each pharmacy must be audited under the same standards and parameters as other similarly situated pharmacies audited by the entity.
- Period covered by the audit may not exceed two years from the date that the claim was submitted to or adjudicated by the entity.
- Audit cannot take place during the first 5 days of the month.
- Must disclose to the plan sponsor any money recouped in the audit.
- Preliminary audit report must be delivered within 120 days after the conclusion of the audit - final report must be delivered within 6 months after receipt of the preliminary report or final appeal. Pharmacy has at least 60 days to review preliminary report. Audit report must be written.
- Recoupments of disputed funds or repayment of funds must occur after final internal disposition of the audit including the appeal, if any, process. If identified discrepancy exceeds $25,000 future amounts in excess of that amount may be withheld pending finalization of the audit.
- Interest may not accrue during the audit period.
- Entity conducting the audit must establish a written appeals process.
- Plan sponsor must receive a copy of the final report.
- Act does not apply to any audit which involves fraud, abuse or willful misrepresentation.
- Not consider as fraud any clerical or record-keeping error, such as a typographical error, scrivener's error, or computer error regarding a required document or record; however, such claims may be subject to recoupment. No such claim shall be subject to criminal penalties without proof of intent to commit fraud;

Effective: 11/01/08

RHODE ISLAND
Title 27 – Insurance
Chapter 27-29.1

• Includes PBMs in the definition of third-party administrator under chapter 20.7 and thus requires filing of an annual report
• Annual report filed by third-party administrators with the department of business regulation shall include: contractual language that provides a complete description of the financial arrangements between the third-party administrator and each of the insurers covering benefit contracts delivered in Rhode Island
• If the third-party administrator is owned by or affiliated with another entity or entities, it shall include an organization chart and brief description which shows the relationships among all affiliates within a holding company or otherwise affiliated
• Report must be in a format required by the director and filed with the department as a public record

Effective: 07/05/04

SOUTH DAKOTA
Chapter 58-29E -- Pharmacy Benefits Management

• Requires PBMs to be licensed as a third party administrator.
• Requires PBM to perform its duties by exercising good faith and fair dealing toward the covered entity.
• Gives the covered entity the option to request information from the PBM on rebate revenues and retrospective utilization discounts.
• Gives the covered entity the option to request information on the nature, type and amount of all other revenue received from a pharmaceutical manufacturer or labeler for programs that the covered entity offers to its enrollees.
• Prohibits a PBM from contacting a covered individual without express written permission of the covered entity.
• Provides that information disclosed to the covered entity shall be confidential and proprietary information; however insurance department may request information but it will be considered confidential and privileged and not open to public inspection or disclosure.
• Provides that the covered entity may audit the PBM's records as they relate to rebates and other information described in this Chapter.
• Prescription may be substituted if it is a lower priced generic or if the substitution is for medical reasons but PBM must obtain prior approval from the prescriber.
• Allows the Division of Insurance to promulgate rules.
• Applies to contracts entered into or renewed after June 30, 2004.

Effective: 03/09/04

TENNESSEE
Titles 56 and 63

• Establishes certain standards for audits of pharmacies conducted by PBMs
• At least two weeks prior written notice must be given to the pharmacy before conducting the initial on-site audit.
• If clinical or professional judgment is required audit must be conducted in consultation with a pharmacist who has knowledge of the Tennessee Pharmacy Practice Act.
• Pharmacy may use records of a hospital, physician or other authorized practitioner to validate the pharmacy record.
• Unless consented to by the pharmacy, the audit cannot take place during the first 7 days of the month due to high volume of prescriptions filled during that time.
• Pharmacist must be given no less than 30 days following receipt of the audit report to produce documentation to address any discrepancy
• PBM must establish an appeals process and provide the pharmacist a written explanation of the process.
• Use of extrapolation audits for calculation of recoupments or penalties is prohibited.
• Preliminary audit report must be delivered within 120 days and the final report must be delivered with 6 months after receipt of the preliminary audit report or final appeal, whichever is later.
• Period covered by an audit cannot exceed two years from the date the claim was submitted or adjudicated.
• Recoupment of any disputed funds cannot take place until after the final internal disposition of the audit including any appeal process
• If PBM uses a nationally recognized reference to calculate reimbursement then the PBM must use the most current reference price or amount
• Requires PBMs to provide timely updates to pharmacy product pricing files used to calculate prescription prices and reimburse pharmacies. Files must be updated no less than every 3 business days.
• Any clerical or record-keeping error, such as a typographical error, scrivener's error, or computer error, regarding a required document or record may not, in and of itself, constitute fraud; however, such claims may be subject to recoupment. Notwithstanding any other provision of law to the contrary, no such claim shall be subject to criminal penalties without proof of intent to commit fraud;

Effective: 07/01/07

Tenn. Code Ann. Title 56, Chap. 7 Sec. 3201-3205

- Specifies that when PBMs provide patients information regarding out-of-pocket costs, such as co-pay, for a prescription or service, they must provide the patient the actual reimbursement
- Prohibits PBMs from restricting pharmacies from disclosing to patients the actual reimbursement for a particular prescription or covered service

Effective: 1/1/2010

TEXAS
Texas Insurance Code Chapter 1369, Subchapter B Sect. 1369

- Provides for a study to evaluate how PBMs use prescription drug information to manage therapeutic drug interchange programs and other drug substitution recommendations

Effective: 9/1/2009

Texas Gov. Code Chap. 2158, Subchapter H
An Act Relating to the Regulation of PBMs and Mail Order Pharmacies

- Requires state agencies to disclose information relating to amounts charged by PBMs for PBM services provided under prescription drug programs –information must be provided within 30 days of request
- Provides for a study to evaluate how PBMs use prescription drug information to manage therapeutic drug interchange programs and other drug substitution recommendations
- Provides that in awarding contracts to provide PBM services the board of trustees of the Employee Retirement System of Texas is not required to select the lowest bid but must meet certain criteria – includes, contract that must state board of trustees ability to audit PBM, entitlement to access PBM cost and service information during audit, define information PBM must provide related to pharmacy audits, and required independent auditing of mail order pharmacies owned by the PBM
- Prohibits mail order requirement for prescription drug coverage
- Requires PBMs to allow enrollees to obtain a multiple-month supply of any prescription drug from a community pharmacy under same terms and conditions as when purchased through a mail-order pharmacy – community pharmacy must accept same reimbursement that applies to a mail-order pharmacy
- PBMs must reimburse pharmacies for both brand and generic drugs using reimbursement rates based on current and nationally recognized benchmark indices that include AWP and MAC.

Effective: 9/1/2009

VERMONT
18 V.S.A. Chapter 221, Sections 9421, 9471 – 9473
Pharmacy Benefit Managers

• PBM must discharge its duties with reasonable care and diligence and be fair and truthful

• PBM must provide notice to a health insurer that the following terms may be included in its contract with the PBM:

(1) all financial and utilization information requested by the insurer

relating to the provision of benefits to beneficiaries through that insurer's health plan (information may be designated as confidential);
(2) notify the insurer of any proposed or ongoing activity that, directly or indirectly, poses a conflict of interest;
(3) if a substitute drug is to be dispensed which costs more than the prescribed drug and the PBM receives a payment or benefit then the cost of both drugs and the benefit or payment must be disclosed;
(4) if PBM derives any benefit based on volume of sales for certain drugs or classes or brands of drugs, that payment or benefit must be passed on in full to the health insurer; and
(5) disclose all financial terms and arrangement for remuneration of any kind that apply between the PBM and the drug manufacturer including formulary management and drug-switch programs, educational support, claims process and pharmacy network fees charged from retail pharmacies and data sales fees (information may be designated as confidential).
• PBM must register before doing business in the state
• PBM must notify health insurers that they are entitled to a quote for an administrative-services-only (ASO) contract with full pass through of negotiated prices, rebates and other such financial benefits which would identify to the insurer external sources of revenue and profit generally available and whether the PBM offers that type of arrangement.
• In order to verify the pricing arrangements of ASO contracts, the PBM must allow access to the Commissioner to conduct an audit
• Department's expenses in conducting the audit must be paid by the PBM
• Applies to all contracts executive or renewed on or after September 1, 2007.
Effective: 07.01.07

DISTRICT OF COLUMBIA
Title 48, Subtitle II, Chapter 8A, Subchapter II.
Transparent Business Practices Among Pharmacy Benefit Managers

• Requires a PBM to act as a fiduciary.
• PBM must perform its duties with care, skill, prudence and diligence
• Requires the PBM to notify the covered entity in writing of any practice that is a conflict of interest.
• Requires any payments/benefits that a PBM receives from a drug manufacturer or labeler based on volume of sales or market share must be paid in full to the covered entity; however covered can agree to return a portion of the benefit or payment to the PBM
• Upon request by the covered entity, the PBM must provide information on all rebates, discounts and other similar payments.
• Upon request by the covered entity, the PBM must disclose all financial terms and arrangements for remuneration of any kind between the PBM and a drug manufacturer or labeler including formulary management, drug substitution programs, educational support claims processing and data

sales fees.
• PBM may designate the information provided as confidential.
• If a PBM substitutes another prescription drug for a prescribed drug and if the substitute drug costs more than the prescribed drug, the PBM must disclose the costs of both drugs and any benefit or payment directly or indirectly that accrues to the PBM as a result of the substitution. Any benefit or payment received as a result of the substitution must be transferred in full to the covered entity.
• Violations are subject to a fine of not more than $10,000.
Effective: 09/16/06 (This law remains the subject of litigation by PCMA.)

State of Alaska
Senate Labor and Commerce Committee
Hearing on Pharmacy Audits
Testimony of the National Community Pharmacists Association
March 1, 2012

Chairman Egan and honorable members of the committee:

On behalf of the National Community Pharmacists Association (NCPA) I wish to thank you for conducting this hearing. NCPA testifies today in strong support of S.B.217 as legislation that provides fair and common sense protections for pharmacies against what are currently abusive audit practices by PBMs. Let me first be clear, this legislation does not prevent audits from occurring for their intended purpose of preventing fraud, waste and abuse. In fact, this legislation specifically states that the standards within S.B.217 do not apply when pertaining to criminal investigation or an investigation by a government agency. NCPA members understand that audits must occur to catch fraud and abuse within the system. However, current PBM audits of pharmacy are in many cases simply being used as a lucrative revenue source

NCPA represents America's independent community pharmacists, including the owners of more than 23,000 community pharmacies, pharmacy franchises and chains. Together, they employ over 300,000 full-time employees and dispense nearly half of the nation's retail prescription medicines. In Alaska alone there are over 39 community pharmacies, which employee a projected 413 residents. The average independent community pharmacy generates $4 million in annual revenue and employs 10.6 full-time individuals. Alaska's independent community pharmacies generate $157 million in annual revenue. Also, those community pharmacies support additional revenues to other state businesses in the amount of $141.2 million annually and support additional full-time employment to other businesses equal to 165 employees.

NCPA has long championed the need for greater oversight of pharmacy benefit managers (PBMs) and many of their questionable business practices due to the problems our members and their patients continue to face. One of the largest problems that NCPA pharmacist members face in today's pharmacy marketplace, is the issue of abusive audit practices. This issue occurs nationwide and many states are taking steps to protect their pharmacists and small business owners. Today about 15 states have implemented some level of fair audit protections. It is not uncommon for these audits to penalize an independent pharmacy tens of thousands or even hundreds of thousands of dollars for nothing more than a clerical or administrative mishap, many of which are not the fault of the pharmacy. Let me be clear, the so called errors I am referring to are instances in which the correct medication was dispensed to the correct person and the correct fee was charged to the patient and plan.

Let me provide you with a recent example of a "minor" audit that an NCPA member went through. This member was penalized $14,000 for not using a physician's number in their computer system. The catch was that in this case, it was a Certified Nurse Practitioner (CRNP) that wrote the order so there was no physician's number to log in. The prescriber was not a physician! The pharmacist took measures to ensure he was properly compliant and contacted the insurance company who indicated this was not a problem and he should use the CRNP License number. He did this. In addition, he also attached a copy of the CRNP's actual license just so it was clear what he was doing. He then logged the phone call to further protect himself. Even so, when he was audited, the PBM demanded $14,000 back. After all the steps this pharmacist took to ensure he was acting

100 Daingerfield Road
Alexandria, VA 22314-2888
(703) 683-8200 PHONE
(703) 683-3619 FAX

properly, he ultimately settled this issue for $12,000. The pharmacist was doing exactly what he was told to do by the insurance company and even took additional steps to make sure everything was properly documented. Even so, this pharmacist small business owner took a loss of $12,000. These stories occur on a regular basis. Similar stories have resulted in pharmacists being fined $250,000 or even more.

Rather than legitimately using the audit process to guard and protect against fraud, many PBMs now view the process as a profitable revenue stream for the company. In fact, many auditors are incentivized by receiving payment based on a percentage of the money reclaimed. PBMs now go well beyond the basic intent of an audit, to catch fraud and abuse, and instead focus on typographical or administrative errors, or loopholes in the rules and regulations such as the above story as a basis to recoup money from the pharmacy. In many cases, if a PBM auditor identifies an administrative error, he or she will "take back" 100% of the value of that prescription and even all its refills—a severe financial penalty that is out of proportion to the gravity of the offense.

Another egregious practice many PBMs employ in order to "ensure" that discrepancies will be found is to establish elaborate record keeping requirements well in excess of what is required under state or federal law or other PBMs. Pharmacies typically maintain contracts with multiple PBMs. The result is a myriad of conflicting documentation requirements that can make operating a busy pharmacy and providing patient care an even greater challenge.

NCPA is confident that once members review S.B.217 they will see the measures spelled out are reasonable standards to ensure that abuses do not occur. In circumstances where fraud or legitimate errors occur, independent pharmacists understand that steps must be taken to correct these errors and recoup a reasonable sum of money. As business owners, independent pharmacists realize that there are individuals in every profession that may try to work the system. In those cases, we fully support the recoupment of money. These instances are not what is being referred to today.

In conclusion, NCPA urges your support of S.B.217—legislation that will provide pharmacies an understandably needed degree of protection against the overaggressive and far reaching PBM audit practices. Community pharmacists understand that in business there must be audits to identify those instances where true fraud occurs. However, these audits should not be utilized to only increase PBMs profit margins. I thank you for taking NCPA's concerns into consideration.

I welcome your questions at this time.

NCPA
NATIONAL COMMUNITY PHARMACISTS ASSOCIATION

WWW.NCPANET.ORG

February 29, 2012

The Honorable Dennis Egan
State Capitol Room 510
Juneau AK, 99801

Dear Senator Egan:

I am writing today on behalf of the National Community Pharmacists Association (NCPA) in strong support of S.B.217. This legislation would provide some fair and common sense protections for pharmacies against abusive pharmacy audit practices. NCPA represents America's independent community pharmacists, including the owners of more than 23,000 community pharmacies, pharmacy franchises and chains. Together, they employ over 300,000 full-time employees and dispense nearly half of the nation's retail prescription medicines. In Alaska alone there are over 39 community pharmacies which employee a projected 413 residents.

NCPA has long championed the need for greater oversight of pharmacy benefit managers (PBMs) and many of their questionable business practices due to the problems our members and their patients continue to face. PBMs have been allowed to operate virtually unchecked since their inception—slowed only by the increasing amount of litigation alleging fraudulent and deceptive business practices filed against the PBMs each year and some extremely limited regulation. One of the largest problems that NCPA pharmacist members face in today's pharmacy marketplace, is the issue of abusive audit practices.

Rather than legitimately using the audit process to guard and protect against fraud, many PBMs now view the pharmacy audit process as a profitable revenue stream for the company. These audits can claim hundreds of thousands of dollars for nothing more than basic administrative or typographical mistakes, many not even occurring at the fault of the pharmacist or pharmacy staff. Many PBMs now go well beyond the basic intent of an audit, to catch fraud and abuse, and instead focus on these typographical or administrative errors as a basis to recoup money from the pharmacy. In many cases, if a PBM auditor identifies an administrative error, he or she will "take back" 100% of the value of the prescription and all refills—a severe financial penalty that is out of proportion to the gravity of the offense.

Another egregious practice many PBMs employ in order to "ensure" that discrepancies will be found is to establish elaborate record keeping requirements well in excess of what is required under state or federal law or other PBMs. Pharmacies typically maintain contracts with multiple PBMs. The result is a myriad of conflicting documentation requirements that can make operating a busy pharmacy and providing patient care an even greater challenge.

In conclusion, NCPA urges the support of S.B.217—legislation that will provide pharmacies an understandably needed degree of protection against the overaggressive and far reaching PBM audit practices. Community pharmacists understand that in business there must be audits to identify those instances where true fraud occurs. NCPA is confident that once you review S.B.217 you will find it simply sets reasonable standards to insure that audits continue to be useful for their true intent yet cannot be utilized to only increase PBMs profit margins. If you have any questions about the information contained in this letter or wish to discuss in greater detail, please do not hesitate to contact me at matt.diloreto@ncpanet.org or at (703) 600-1223.

Sincerely,

Matthew J. DiLoreto
Director, State Government Affairs

100 Daingerfield Road
Alexandria, VA 22314-2888
(703) 683-8200 PHONE
(703) 683-3619 FAX

NACDS NATIONAL ASSOCIATION OF CHAIN DRUG STORES

February 2, 2012

The Honorable Cathy Munoz
The Honorable Peggy Wilson
Alaska State House of Representatives
Alaska State Capitol
Juneau, AK 99801-1182

RE: House Bill 259 – Pharmacy Audits

Dear Representatives Munoz and Wilson,

On behalf of the members of the National Association of Chain Drug Stores (NACDS) operating in the State of Alaska, I ask for your support of House Bill 259. NACDS members operating in Alaska include Costco, Health Mart Systems, Safeway/Carrs, Target, Walgreen and Wal-Mart.

Auditing practices and their lack of standardization have long been the bane of pharmacies. House Bill 259 would set the standard by which pharmacies are audited and allow for appeal in the case of disagreement.

Pharmacies are not opposed to audits based on suspicion of fraud, unlawful billing practices and abuse. However, most audits are preformed based on a "hunting" expedition where the entity contracting for the audit is looking for additional revenue on the basis of overpayments based on technical errors.

Technical errors are ones in which the right person, got the right drug, in the right dose at the right time, but there is some type of clerical, record-keeping or typographical error.

We applaud your sponsorship of this legislation and the parameters it establishes for auditing practices.

Provisions of the Bill

- Two weeks notice would be very helpful due to the personnel and time needed to compile the records for auditing;
- Eliminating the first seven days of the month would be tremendously helpful to pharmacies due to the large influx of prescriptions during that time period;
- Limiting the "look back" to a period of two years allows the pharmacies to go back and bill a different third-party payer that they may have been unaware of at the time of original billing;
- Disallowing the use of extrapolation is a huge issue for pharmacies as they are an extremely inaccurate methodology for determining over or underpayment;
- Disallowing an overpayment to include dispensing fees is fair based on the fact overpayments are calculated on the cost of the drug; and
- Providing for a mechanism by which the pharmacy can appeal the findings allows for fairness in the process.

We appreciate your sponsorship of the legislation and stand ready to answer questions as they may arise to keep this bill moving through the legislative process.

Sincerely,

Lis Houchen

Lis Houchen
130 18th Avenue SE
Olympia, WA 98501
Lhouchen@nacds.org
360.480.6990

STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT
Board of Pharmacy

March 1, 2012

Senator Dennis Eagan
State Capitol Room 510
Juneau AK 99801-1182

RE: SB 217: Auditing Pharmacy Records

Dear Senator Eagan,

The Alaska Board of Pharmacy, at its February meeting in Anchorage, voted unanimously in favor of supporting House Bill 259 (An Act establishing procedures and guidelines for auditing pharmacy records, and providing for an effective date). The Board feels the time for such statutory oversight is overdue. This industry has operated far too long without oversight, and the need is great to protect not only our pharmacies, but the patients they serve. Our hope is to see this bill enacted without delay. Thank you.

Sincerely,

Richard Holm, R. Ph.
per MK Vellucci

Richard Holm, R.Ph.
Chair-Alaska Board of Pharmacy

cc: House Labor & Commerce Committee Members
Representative Dennis Eagan

PO Box 110806, Juneau, AK 99811-0806
Telephone: (907) 465-2589 Fax: (907) 465-2974 Text Tel: (907) 465-5437
Website: http://www.commerce.alaska.gov/occ/ppha.htm

Alaska Pharmacists Association

February 3, 2012

The Honorable Cathy Munoz
The Honorable Peggy Wilson
Alaska State House of Representatives
Alaska State Capitol
Juneau AK 99801-1182

RE: House Bill 259 – Pharmacy Audits

Dear Representatives Munoz and Wilson,

On behalf of the members of the Alaska Pharmacists Association, I ask for your support of this important bill for the benefit of all pharmacies in the State of Alaska. Our membership includes pharmacists, pharmacy technicians, pharmacies and others interested in the practice of pharmacy throughout the state.

This bill will standardize the manner in which pharmacies may be audited and will allow for appeal in the case of disagreement. Pharmacies realized that audits may be a way to detect fraud, unlawful billing practices, and abuse, but sometimes they are done as a way of looking for additional revenue on the basis of overpayment for technical errors. These technical errors are ones where the right person got the right drug in the right dose but there was some sort of clerical or typographical error in the billing.

Some provisions of the bill that we think are especially important are:

- Two weeks notice to allow pharmacies to gather the needed information with less disruption to their daily routine
- Eliminating the first 7 days of the month from a potential audit would be very helpful because pharmacies see a greater number of prescriptions in the first part of the month
- Limiting the audit period to two years
- Disallowing the use of extrapolation when auditors determine over or underpayment
- Disallowing an overpayment to include the dispensing fee since overpayments are based on the cost of the drug and dispensing fees are for the service rendered
- Providing for a method of appeal

The Alaska Pharmacists Association appreciates your sponsorship of this important piece of legislation.

Sincerely,

Margaret D. Soden, RPh, President

E-mail: akphrmcy@alaska.net

203 W. 15th Ave., Suite 100 • Anchorage, Alaska 99501 • (907) 563-8880 • (907) 563-7880

PREMERA | BLUE CROSS BLUE SHIELD OF ALASKA

Jack C. McRae
Senior Vice President

March 6, 2012

Senator Dennis Egan
State Capitol Room 510
Juneau, Alaska 99801

Re: SB 217, Pharmacy Audits

Dear Senator Egan,

On behalf of Premera Blue Cross Blue Shield of Alaska, I am writing to you to express our concerns with SB 217, pertaining to pharmacy audits.

The purpose of pharmacy auditing is similar to other types of audits – it is a process for verifying compliance with requirements and regulations and to ensure appropriate quality standards are met. Typically, the language of the contract between the Pharmacy Benefits Manager (PBM) and a pharmacy specify the components and conditions of the auditing process.

In this case, Premera's Pharmacy Benefits Manager, Medco, conducts audits on a regular basis, as specified in the contract, to ensure pharmacies are providing services and billing in compliance with the contract that they hold with Medco. Medco has effective, appropriate pharmacy auditing processes already in place.

Therefore, we oppose SB 217, as it would interfere with the contractual agreement between these parties.

Thank you for considering our concerns on this issue. I would be happy to answer any questions that you may have.

Sincerely,

Jack C. McRae

Jack C. McRae
Senior Vice President

P.O. Box 327
Seattle, WA 98111

tel 425.918.5757
fax 425.918.5635
jack.mcrae@premera.com

www.premera.com

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April 4, 2012

Senator Dennis Egan
Alaska State Senate
State Capitol Room 510
Juneau AK, 99801

RE: Senate Bill 217 – Pharmacy Audits

Dear Senator Egan:

As one of Alaska's largest private employers (2900 employees in 11 stores in Alaska), I am writing to express Fred Meyer Stores' support of this important bill.

This bill will standardize the manner in which pharmacies may be audited and will allow for appeal in the case of disagreement. As Pharmacists, we recognize that audits are vital to detecting fraud, unlawful billing practices, and abuse. However, there are times when penalties are assessed for truly innocent technical errors. These technical errors are ones where the right person got the right drug in the right dose but there was some sort of clerical or typographical error in the billing. Penalties based on these situations fall outside the spirit and purpose of auditing.

Some provisions of the bill that we think are especially important are:

- Two weeks' notice to allow pharmacies to gather the needed information with less disruption to their daily routine (Pharmacies run a VERY tight ship in order to help do our part in preventing more increases in health care costs.)
- Eliminating the first 7 days of the month from a potential audit would be very helpful because pharmacies see a greater number of prescriptions in the first part of the month
- Limiting the audit period to two years
- Disallowing the use of extrapolation when auditors determine over or underpayment
- Disallowing an overpayment to include the dispensing fee since overpayments are based on the cost of the drug and dispensing fees are for the service rendered
- Providing for a method of appeal

These are reasonable provisions that still provide for the oversight needed in an industry such as Pharmacy, where the safety of our customers is our top priority, just as it is for the State.

Thank you for your sponsorship of this legislation. If I can answer any questions, please call me at 907-267-6786.

Sincerely,

Mark Bohrer

Mark Bohrer
Alaska Coordinator, Pharmacy

Alaska Pharmacists Association

To: Senate Labor and Commerce Committee

From: Barry Christensen, RPh
Co-Chair Legislative Committee Alaska Pharmacists Association
Date: March 25, 2012

Re: SB 217 Letter of Opposition from Alaska Teamsters on HB 259

The Alaska Pharmacists Association respectfully disagrees with the Teamsters that HB259 is not well defined and is not revenue neutral.

This bill is based on model legislation that has passed in approximately 20 states and legislative legal counsel has had adequate time to review and modify any Alaska specific language. The bill does not set forth any commissions or mandate any state specific agency oversight.

Regarding claims in the letter that certain portions of the bill are "vague and not well written" we again respectfully disagree. Our association is willing to sit down with teamster representatives anytime to explain the specific line items and why it's important to have fair audit standards for Alaskan Pharmacists.

I will address specific items that were addressed in the letter:

Subparagraph 3 requires the audit of a claim within two years. This is consistent with State of Alaska Pharmacy practice statutes that mandates pharmacies keep prescription records for only **two years.**

Subparagraph 6 merely says a clerical error doesn't constitute fraud. The "marking up the price of a prescription by a dollar" example isn't relevant in today's world. Even if a pharmacy submitted a price of a prescription for a dollar more than the contracted rate the pharmacy would still only get the contracted rate. Not a penny more or less.

Subparagraphs 8 & 9 sets forth when and how extrapolations can be used. Legislation addressing this issue has been enacted in at 11 other states. Extrapolation is a serious issue for pharmacy that must be corrected.

Subparagraph 11 the claim that "there is a lot of revenue built into the dispensing fee" is misleading. I am sure if you look at the total plan expenditures the dispensing fees, at an average of $2-$3 per prescription, are a small portion of the overall drug plan expenditures. However, these are the dollars necessary to provide pharmacy services and it is unfair to take them back when a service is provided.

Subparagraph 12 -16 covers delivery of the final audit and appeal process. The letter notes for example that most pharmacy contracts already allow 90 days for the audit results to be delivered to pharmacy. However in a Teamsters Healthtrans PBM contract example, submitted by one Alaskan pharmacy, no date was given for an audit finding results back to the pharmacy. In fact the contract only contained two reference lines regarding audits. This is exactly the problem pharmacies in Alaska face in dealing with multiple PBM contracts that do not allow for negotiating such language. HB 259 standardizes and gives structure to the auditing process.

E-mail: akphrmcy@alaska.net

203 W. 15th Ave., Suite 100 • Anchorage, Alaska 99501 • (907) 563-8880 • (907) 563-7880

CVS CAREMARK

Testimony in Opposition to Senate Bill No. 217

Submitted by

Eric P. Douglas
Director, Government Affairs
CVS Caremark Corporation

To

Alaska State Senate
Senate Labor and Commerce Committee

March 1, 2012

Committee Chair Eagan, Vice Chair Paskvan, Honorable members of the Alaska Senate Labor and Commerce Committee; my name is Eric Douglas and I am the Director of Government Affairs for CVS Caremark over the Western United States. Thank you for providing me with an opportunity to testify before you today. CVS Caremark respectfully submits this testimony in opposition to Senate Bill 217 ("SB217"). This bill consists of four Sections covering numerous audit practices and procedures, many of which are overly prescriptive and would hinder our ability to perform audit functions on behalf of our clients. Therefore, we ask that you reject SB217.

Background and Information Regarding Fraud and Use of Audits

CVS Caremark is the leading pharmacy health care provider in the country. Through our integrated offerings across the entire spectrum of pharmacy care, we are uniquely positioned to provide greater access to care, engage plan members in behaviors that improve their health, and lower overall health care costs for health plans and their members. As one of the country's top PBMs, we also provide access to a network of more than 65,000 pharmacies, including over 7,300 CVS pharmacies. Our relationship with our network pharmacies is a critical component to the value we bring to our clients and their beneficiaries. To deter fraud and ensure contract pharmacies comply with CVS Caremark quality assurance requirements, we audit a minimum of five-percent (5%) of contracted pharmacies annually. CVS Caremark audits network pharmacies based on statistical analysis of claims data or as a result of state regulatory authorities and clients informing us about potential violations. PBMs look for errors, irregularities and

suspicious patterns over time and claims are compared with historical information as well as claims submitted by similarly situated pharmacies, e.g. geographically, by volume, etc. Substantial changes in the volume of claims submitted or the dollar amount of claims form particular pharmacies can also be in indication of fraudulent activity.

Following an audit, CVS Caremark allows a pharmacy 30 days to submit additional documentation on claim discrepancies. This is especially important to a pharmacy that has itself been a victim of fraudulent activity by one or more of its employees. Unacceptable findings discovered by an audit may include the submission of a fraudulent claim or a pharmacy consistently demonstrating a failure to follow the claims submissions policies clearly outlined in their Provider Manual. However, the more common type of fraud discovered is a "phantom" billing where a claim is submitted by a pharmacy but cannot be supported by a valid prescription on audit.

For pharmacies that have unacceptable audits or have submitted fraudulent claims, our Management Review Committee meets quarterly to review unacceptable and fraudulent activity to determine if continued membership in our network places our clients and their beneficiaries at risk. The Committee is made up of CVS Caremark employees from various cross-functional departments. Additionally, when we find irrefutable evidence of fraud we report it to the appropriate authorities and state agencies. CVS Caremark is active in both the National Association of Drug Diversion Investigators ("NADDI") and the National Health Care Anti-Fraud Association ("NHCAA"). These two organizations and their members make it their mission to assist in investigating and prosecuting pharmaceutical drug diversion.

"Health care fraud is a pervasive and costly drain on the U.S. health care system. In 2008, Americans spent $2.34 Trillion dollars on health care. Of these trillions of dollars spent, the Federal Bureau of Investigation ("FBI") estimates that between 3 and 10 percent (3%-10%) was lost to health care fraud." [i]

In 2010 alone, a joint health care fraud and prevention effort between the U.S. Department of Justice and the Department of Health and Human Services resulted in the recovery of more than $4 Billion in taxpayer dollars. A not insignificant portion of the recovered money came from uncovering pharmacy fraud schemes that included fraudulent billing practices and illegal dispensing of medications.[ii]

CVS Caremark recommends that the government not impose onerous pharmacy audit restrictions that will lessen PBM's ability to detect and recover monies resulting from fraudulent activity, abuse and wasteful spending in our healthcare system.

Conclusion

CVS Caremark sincerely appreciates the opportunity to submit our testimony regarding this legislation. SB217 unfortunately would create unreasonable restrictions on legitimate and necessary audits of prescription drug claims submitted for payment by pharmacies in Alaska. SB217 would weaken the ability of an insurer, MCO or PBM to protect its clients, detect fraud, reject invalid claims and recoup a clients' money when they have been improperly billed. For these reasons, CVS Caremark respectfully asks for your "NO" vote, rejecting SB217.

I will be pleased to answer any questions the Committee members may have and again, thank you for the opportunity to testify before you today.

---

[i] National Heath Care Anti-Fraud Association, "Combating Health Care Fraud in a Post-Reform World: Seven Guiding Principles for Policymakers", October 2010, available online at: http://www.nhcaa.org/eweb/docs/nhcaa/PDFs/Member%20Services/WhitePaper_Oct10.pdf

[ii] U.S. Department of Health and Human Services & U.S. Department of Justice, "Health Care Fraud and Abuse Control Program Annual Report for Fiscal Year 2010," January 2011, available online at: http://oig.hhs.gov/publications/docs/hcfac/hcfacreport2010.pdf

From: NACDS News Release

Date sent 03/21/2012 01:03:41 pm

Subject: NACDS Applauds Enactment of Indiana Bill to Counter Unfair PBM Audit Practices

Print This

NACDS NATIONAL ASSOCIATION OF CHAIN DRUG STORES

NewsRelease

FOR IMMEDIATE RELEASE
March 21, 2012

Contact: Chrissy Kopple
(703) 837-4266

NACDS Applauds Enactment of Indiana Bill to Counter Unfair PBM Audit Practices

Legislation reflects growing nationwide recognition of need to protect patients and community pharmacies from predatory PBM policies

Alexandria, Va. – The National Association of Chain Drug Stores (NACDS) today lauded the enactment of legislation in Indiana to prevent unfair pharmacy benefit manager (PBM) audit practices that could hinder patient access to community pharmacy-provided services, which help advance patient health and reduce costs to the health system.

Among other provisions, the legislation specifies PBM audit requirements of pharmacies – including reasonable time frames and procedures – and strengthens standards that help prohibit PBMs from acting in a belligerent manner to use their enormous leverage when conducting these audits.

Governor Mitch Daniels (R) signed Senate Bill 407 after the Indiana legislature approved the measure last week. NACDS sent a letter to Governor Daniels urging him to sign the bill, underscoring the importance of protecting community pharmacies from the virtually unregulated PBM industry.

"Ensuring PBM compliance with reasonable and appropriate business practices will increase transparency on the opaque PBM industry and benefit patients in making their healthcare choices," said NACDS President & Chief Executive Officer Steven C. Anderson, IOM, CAE. "We applaud Governor Daniels and Indiana policymakers for enacting this vital legislation that will help prevent PBMs from dictating unreasonable contract terms to pharmacies and employing anti-competitive practices."

Indiana now joins several other states that have either enacted or are considering legislation to rein in one-sided PBM tactics, audit requirements and reimbursement procedures. For example, Utah lawmakers recently passed legislation that also would require PBM audits of pharmacies to use fair and rational standards, while also addressing other concerns with reimbursement.

Unfair PBM audit, transparency and reimbursement practices have also generated attention on the federal level. Just this week, U.S. Representative Cathy McMorris Rodgers (R-WA) introduced legislation that would establish Medicare standards for pharmacy audits and reimbursement by PBMs. Representative McMorris Rodgers has also introduced, along with U.S. Senator Mark Pryor (D-AR), the Pharmacy Competition and Consumer Choice Act (H.R. 1971 and S. 1058), which address concerns with forcing beneficiaries to use a PBM's own mail order pharmacy, the frequency of updating maximum

allowable cost (MAC) pricing, data usage, and other issues identified by Members of Congress.

"From the U.S. Capitol to state legislatures, policymakers are sending a clear message that PBMs must use fair practices and cease the utilization of auditing gimmicks to attack community pharmacies," Anderson said. "NACDS will continue advocating on the federal, state and local levels to preserve patient access to neighborhood pharmacies, which have demonstrated a proven track record of gaining patients' trust and offering services to improve health while reducing costs."

For more information on NACDS efforts to highlight detrimental PBM practices and oppose the proposed mega-merger of PBMs Express Scripts and Medco, which would likely exacerbate existing PBM problems, please visit www.TooBigToPlayFair.com.

###

The National Association of Chain Drug Stores (NACDS) represents traditional drug stores, supermarkets, and mass merchants with pharmacies – from regional chains with four stores to national companies. Chains operate more than 40,000 pharmacies and employ more than 3.5 million employees, including 130,000 pharmacists. They fill over 2.6 billion prescriptions annually, which is more than 72 percent of annual prescriptions in the United States. The total economic impact of all retail stores with pharmacies transcends their $900 billion in annual sales. Every $1 spent in these stores creates a ripple effect of $1.81 in other industries, for a total economic impact of $1.76 trillion, equal to 12 percent of GDP. For more information about NACDS, visit www.NACDS.org.

Pharmacies. The face of neighborhood healthcare.

SB 221

<TARGET><BILL>SB 221</BILL><SUBJECT>SB 221</SUBJECT><COMM>SFIN27</COMM></TARGET>

ALASKA STATE LEGISLATURE
SENATE FINANCE COMMITTEE

Senator Bert Stedman, Co-Chair
State Capitol, Room 516
Juneau, Alaska 99801-1182
(907) 465-3873 Phone
(907) 465-3922 Fax
Senator_Bert_Stedman@legis.state.ak.us

Senator Lyman Hoffman, Co-Chair
State Capitol, Room 518
Juneau, AK 99801-1182
Phone (907) 465-4453
Fax (907) 465-4523
Senator_Lyman_Hoffman@legis.state.ak.us

SPONSOR STATEMENT – SENATE BILL 221

SB 221 – An Act relating to the disposition of proceeds from the alcoholic beverage tax and to the alcohol and other drug abuse treatment and prevention fund.

The state of Alaska is projected to collect nearly $40 million dollars from the existing alcohol excise tax in FY2013. SB 221 allocates 100 percent of existing alcohol tax revenue to the Alcohol and Other Drug Abuse Treatment and Prevention Fund (ADTP). In 2002, State Representative Lisa Murkowski championed HB225 to raise the alcoholic beverage tax and establish the ADTP to "help provide revenue needed for the expanded treatment, therapeutic courts, diversion programs and other initiatives now under consideration in the Legislature." Since 2003, only 50 percent of funds collected from the existing alcohol tax have been appropriated to the ADTP. While the political reasoning for the fund was to expand treatment, decreases in general fund spending have left overall funding for substance abuse treatment and prevention reduced or stagnant.

Despite passage of HB 225, demand for residential treatment, intensive outpatient, aftercare and community treatment and prevention programs continue to dramatically exceed the substance abuse treatment system's capacity. Providers throughout the state report treatment beds are full to capacity, long waiting lists exist for services they offer, and there are numerous requests for services they can't provide.

According to the Division of Behavioral Health, when the 141,000 uninsured Alaskans living at or below 250 percent of the federal poverty index become eligible for publicly funded health insurance after 2014 under federal law, (based on 2006 prevalence estimates) at least 2,800 of these adults can be expected to experience a substance abuse disorder requiring treatment. Federal match funds (FMAP) will provide 100 percent funding for expanded populations from 2014-2016, then phase down to a 90 percent match by 2020. Failing to build adequate alcohol and drug treatment capacity for the Medicaid expansion will have a profound impact on State General Fund expenditures for the Medicaid program long into the future. Passage of SB 221 will provide supplemental funding to expand treatment capacity statewide by addressing the backlog of capital budget requests for evidence-based detox and treatment facilities, as well as reinforce and expand current substance abuse treatment programs.

Alcoholism and drug abuse are inextricably linked to Alaska's epidemic levels of domestic violence and sexual assault, suicide, child neglect cases and rising corrections costs. According to a 2005 McDowell report, costs incurred as a result of substance abuse neared $738 million annually. With a small statutory change, all monies collected from alcohol taxes can be put toward proven substance abuse treatment and prevention programs. I strongly urge you to join in support of SB 221 to allocate 100 percent of existing alcohol tax revenue for substance abuse treatment and prevention.

Behavioral Health Response
LegLog 870
Breakdown of Funding for SA Treatment & Prevention by Component and Fund Source
11/3/2011

Behavioral Health offers response to the following request:

- Can we provide a breakdown of our alcohol and drug treatment and prevention programs by component showing funding by fund source for FY11? FED, UGF, DGF, Other.

Based on the associated core services, Behavioral Health recognizes the expenditures and revenue in the following components as Substance Abuse related.

- AK Fetal Alcohol Syndrome Program – SA Prevention and Intervention
- Alcohol Safety Action Program (ASAP) – SA Prevention and Intervention
- Community Action Prevention & Intervention - SA Prevention and Intervention
- Rural Services & Suicide Prevention - SA Prevention and Intervention
- Behavioral Health Grants – SA Treatment

The attached spreadsheet reports actual expenditures and revenue in the above components for FY11. The expenditures and revenue reported for Substance Abuse Administration are based on an allocation proportionate to the expenditures in the substance abuse components vs. the expenditures in the mental health related components. The expenditures reported for Substance Abuse Medicaid are available at the collocation code level.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version	**SB 221**
Fiscal Note Number	1
(S) Publish Date	3/23/12

Identifier (file name)	SB221-DOR-TAX-03-15-12	Dept. Affected	Revenue
Title	Alcoholic Bev. Tax/Prevention	Appropriation	Taxation and Treasury
		Allocation	Tax
Sponsor	Senate Finance		
Requester	Senate HSS	OMB Component Number	2476

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial fiscal note.

Prepared by	Johanna Bales, Deputy Director	Phone	907-269-6628
Division	Tax	Date/Time	03/15/2012; 3:00 pm
Approved by	Jerry Burnett, Director Administrative Services Division Department of Revenue	Date	3/15/2012

FISCAL NOTE #1

STATE OF ALASKA **BILL NO.** SB 221
2012 LEGISLATIVE SESSION

Analysis

Bill Language:
Under current statute, 50% of the Alcoholic Beverage Excise Tax is deposited into the alcohol and other drug abuse treatment and prevention fund , a subaccount within the general fund, and the remaining 50% is deposited directly into the general fund. This bill would require the entire proceeds of the Alcoholic Beverage Excise Tax to be deposited in the alcohol and other drug abuse treatment and prevention fund established in the general fund. In FY 2011, the Tax Division collected approximately $38.7 million in total alcoholic beverage excise tax. Approximately $19.3 million was deposited in the alcohol and other drug abuse treatment and prevention fund. Under this bill, the entire amount would be deposited in the drug abuse treatment and prevention fund.

Revenues:
The bill has no effect on total revenues.

Expenditures:
The department can implement the provisions of the bill with existing resources.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB 221**
Fiscal Note Number: 2
(S) Publish Date: 3/23/12

Identifier (file name): SB221-DOA-DOF-3-16-12
Title: Alcoholic Bev Tax/Prevention Fund
Sponsor: Senate Finance Committee
Requester: Senate Health and Social Services

Dept. Affected: Administration
Appropriation: Centralized Administrative Services
Allocation: Finance
OMB Component Number: 59

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by: Scot Arehart, Director — Phone: 465-3435
Division: Division of Finance — Date/Time: 3/16/2012 1:00pm
Approved by: John Cramer, Deputy Commissioner — Date: 3/16/2012
Department of Administration

(Revised 1/17/2012 OMB)

FISCAL NOTE #2

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB 221

Analysis

This bill relates to the disposition of proceeds from the alcoholic beverage tax and to the alcohol and other drug abuse treatment and prevention fund.

This fund was established several years ago, and there are processes in place for the Department of Revenue to make the deposits of taxes, and the Department of Health and Social Services to expend the funds upon receiving an appropriation.

This bill will have no fiscal impact on the Department of Administration, Division of Finance.

MAT-SU HEALTH FOUNDATION

950 E. Bogard Road, Suite 218 • Wasilla, AK 99654
Phone: (907) 352-2863 • Fax: (907) 352-2865
www.matsuhealthfoundation.org

March 30, 2012

Senator Lyman Hoffman, Co-chair
Senator Bert Stedman, Co-chair
Senate Finance
Alaska State Legislature
Alaska State Capitol
Juneau, AK 99801

Dear Senator Hoffman and Senator Stedman:

Please accept this letter of support for HB 78. The Mat-Su Health Foundation (MSHF) is a 501c3 that owns part of the Mat-Su Regional Medical Center. We invest revenues from our local hospital into grants to improve the health of Mat-Su residents. MSHF's mission is to improve the health and wellness of Alaskans living in Mat-Su, with the goal to become the healthiest borough in the state of AK by 2017. We have four strategies to reach this goal. One strategy is to reduce barriers to healthcare access.

One key barrier to access is the lack of healthcare professionals to deliver healthcare services. On the acute care side, building a new hospital has helped our community attract qualified physicians, specialists, and nursing and technical staff to deliver the quality care our Mat-Su residents need and deserve. MSRMC spends thousands of dollars annually to recruit these professionals, most of them from out-of-state—especially for hard to fill positions for pharmacists, physical therapists, occupational therapists, and others for which there is no professional education within the state of AK.

Until the needed clinician is recruited, the hospital still has to deliver that quality care. In the interim, it hires "travelers" from out of state with the credentials to fill these needed slots. MSRMC spent $6,447,814 from 2004 through 2010 on contract, temporary health professionals from outside AK to fill current needs. And that is probably one of the lowest expenditures for contract labor of hospitals in the state. Because we have a relatively new hospital in a growing community, we have had great success in recruiting. So believe it or not, this $6.4 million is low by industry standards.

Despite what MSRMC is doing, MSHF is still concerned this workforce barrier is limiting access Mat-Su residents have to primary care in particular. We're doing our part by offering scholarships to Mat-Su residents pursuing education for a career in healthcare and are giving away $100,000 this year. It's not enough, and it's not nearly as effective as loan repayment and incentive programs.

We've been studying the various ways to either educate our young adults here in healthcare professions or encourage our young adults to return to AK to work after getting their education outside or ways we could incentivize healthcare professionals to return or move to Alaska to provide services in local clinics and hospitals to Alaskan citizens. National studies have determined loan repayment and incentive programs to be two of the most effective strategies in terms of both recruitment and retention. I've attached a resolution passed by the MSHF Board of Directors in support of the State's investment in a loan repayment and incentive program. This offers more details about the workforce needs in Mat-Su.

I commend you for closely watching the state budget and looking critically at state spending. An investment in a loan repayment and incentive program is just that—an investment. And it has a phenomenal return. Every doctor that moves to our state represents a new business, one that employs receptionists, nurses, bookkeepers, accountants, technicians, etc. Every healthcare professional we recruit will generate jobs and income to our state—an incredible return on investment. Please make this return possible by passing HB 78.

Sincerely,

Elizabeth Ripley

Elizabeth Ripley
Executive Director
Mat-Su Health Foundation

RASMUSON FOUNDATION

301 W. Northern Lights Blvd.
Suite 400
Anchorage, AK 99503

907.297.2700 *tel*
907.297.2770 *fax*
877.366.2700 *toll-free in Alaska*
rasmusonfdn@rasmuson.org *email*
www.rasmuson.org

March 29, 2012

The Honorable Senate Finance Committee
Senators Lyman Hoffman and Bert Stedman, Co-Chairs
Alaska State Legislature
State Capitol, Room 532
Juneau, Alaska 99801

RE: Letter of Support for SB 221

Dear Senators Hoffman and Stedman:

Thank you for the invitation from the Senate Finance Committee to comment on Senate Bill 221, an Act relating to the disposition of proceeds from the existing alcohol tax to the alcohol and other drug abuse treatment and prevention fund.

Substance abuse and dependence and their consequences are associated with substantial health and social costs. Large numbers of Alaskans continue to suffer from the effects of substance abuse, and it remains one of our most serious health and social problems. Substance abuse is a contributing factor in suicides, crime, domestic violence, child abuse, unemployment, school dropout rates, and juvenile delinquency.

We need to prevent, intervene early, treat and help people recover from substance abuse. Senate Bill 221 is designed to do just that.

Our research into this topic indicates that there are insufficient resources to fully address this problem in Alaska; therefore, we support increasing the capacity of substance abuse treatment programs in Alaska by dedicating 100 percent of the taxes collected under the Alcoholic Beverage Tax to the Alcohol and Other Drug Abuse Treatment and Prevention Fund (ADTP). These funds would supplement, not supplant, the existing undesignated general funds to the ADTP for this purpose.

Best regards,

Diane Kaplan
President

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PRESIDENT
Diane Kaplan

Department of Health and Social Services
Division of Behavioral Health
FY11 Substance Abuse Maintenance of Effort (MOE)
Source: FY11 Actuals from the Alaska Budget System (ABS)

The following spreadsheet shows the allocation detail for the actual expenditures and revenue during FY11. Data source Alaska Budget System. All funds are in thousands of dollars. The State of Alaska fiscal year is from July 1 to June 30.

	M	N	O	P	Q	R	S	T	U
1	Substance Abuse Medicaid	Substance Abuse Admin	Substance Abuse Prevention				Substance Abuse Treatment	Boards & Commissions	Substance Abuse TOTAL
2	SA Rehab	BH Admin	AK FAS Program	Alcohol Safety Action Program	Community Action Prevention & Intervention Grants	Rural Services & Suicide Prevention	Behavioral Health Grants	ABADA	
3 71000 Personal Services		4009.4		1,626.8				270.0	5,906.2
4 72000 Travel		244		21.3	11.0			90.6	366.9
5 73000 Services		2170.7	89.0	196.2	410.3	451.4	1,093.3	67.4	4,478.3
6 74000 Commodities		43		26.4	1.6	12.4		12.9	96.3
7 75000 Capital Outlay				0.0	0.0	0.0			-
8 77000 Grants & Benefits	12,755.0		1,274.4	1,552.8	3,119.3	2,462.0	28,024.8		49,188.3
9 78000 Misc./Debt Service				0.0					-
10	12,755.0	6,467.1	1,363.4	3,423.5	3,542.2	2,925.8	29,118.1	440.9	60,036.0
11									
12 **Funding Sources:**									
13 1003 G/F Match	517.4	783.6							1,301.0
14 1004 Gen Fund	807.7	83.2	1,363.4	875.8	947.0	313.1	9,306.0	21.3	13,717.5
15 1005 GF/Prgm				365.8					365.8
16 1007 I/A Rcpts		59.4		1,063.7			1,169.4	19.3	2,311.8
17 1013 Alchl/Drug									-
18 1037 GF/MH	2,375.7	2625.1		722.4	1,507.2	128.9		222.6	7,581.9
19 1061 CIP Receipts									-
20 1092 MHTAAR		242.7					188.7	169.3	600.7
21 1108 Stat Desig	4.9	19.8							24.7
22 1168 Tob Ed/Ces		859.9							859.9
23 1180 ADTP Fund				131.7		2,115.0	15,144.4		17,391.1
24 Non-Federal Subtotal	3705.7	4673.7	1,363.4	3,159.4	2,454.2	2,557.0	25,808.5	432.5	44,154.4
25 1002 Fed Rcpts	9049.3	1793.4		264.1	1,088.0	368.8	3,309.6	8.4	15,881.6
26 TOTAL	12,755.0	6,467.1	1,363.4	3,423.5	3,542.2	2,925.8	29,118.1	440.9	60,036.0

29 **Substance Abuse Maintenance of Effort**	FY11 Actual SA MOE
30 SA Medicaid (cell M24)	3,705.7
31 SA Admin (cell N24)	4,673.7
32 SA Prevention (cells O24-R24)	9,534.0
33 ABADA	432.5
34 SA Treatment (cells S24)	25,808.5
35 SA MOE (cell U23)	44,154.4

36
37
38 revenue detail is preliminary (submitted by DHSS Budget but not approved by OMB as of 10/31/2011)

39 Budget but not approved by OMB as of 10/31/2011)

1		Substance Abuse Medicaid	Substance Abuse Admin	Substance Abuse Prevention				Substance Abuse Treatment	Boards & Commissions	Substance Abuse TOTAL
2		SA Rehab	BH Admin	AK FAS Program	Alcohol Safety Action Program	Community Action Prevention & Intervention Grants	Rural Services & Suicide Prevention	Behavioral Health Grants	ABADA	
13	1003 G/F Match	517.4	783.6							1,301.0
14	1004 Gen Fund	807.7	83.2	1,363.4	875.8	947.0	313.1	9,306.0	21.3	13,717.5
15	1005 GF/Prgm				365.8					365.8
18	1037 GF/MH	2,375.7	2625.1		722.4	1,507.2	128.9		222.6	7,581.9
22	1168 Tob Ed/Ces		859.9							859.9
	TOTAL GENERAL FUNDS	3,700.8	4351.8	1,363.4	1,964.0	2,454.2	442.0	9,306.0	243.9	23,826.1

Department of Health and Social Services
Division of Behavioral Health
FY12 Authorized - Substance Abuse Components
Source: Alaska Budget System (ABS)

		H	I	J	K	L		M	N	O
1		Substance Abuse Prevention				Substance Abuse Treatment	Boards	**Substance Abuse Total**	Unallocated to MH & SA until Actual Expenditures are Recorded	
2		AK FAS Program	Alcohol Safety Action Program	Community Action Prevention & Intervention Grants	Rural Services & Suicide Prevention	Behavioral Health Grants	ABADA		BH Medicaid	BH Admin
3	71000 Personal Services		1,831.6				307.1	2,138.7		7,242.1
4	72000 Travel		71.7				93.1	164.8		692.9
5	73000 Services	194.1	387.8	478.0	398.6	1,579.0	114.6	3,152.1	1,551.9	3,408.8
6	74000 Commodities		120.0	30.0	10.0		22.9	182.9		202.0
7	75000 Capital Outlay						3.5	3.5		
8	77000 Grants & Benefits	1574.4	1,627.4	6,227.9	2,713.0	29,842.7		41,985.4	175,745.7	85.0
9	78000 Misc./Debt Service							-		
10		1,768.5	4,038.5	6,735.9	3,121.6	31,421.7	541.2	47,627.4	177,297.6	11,630.8
11										
12	**Funding Sources:**									
13	1003 G/F Match							-	7,518.8	947.0
14	1004 Gen Fund	1,409.0	786.2	863.7	285.9	1,678.8		5,023.6		674.7
15	1005 GF/Prgm		392.9					392.9		134.5
16	1007 I/A Rcpts		902.2	1,400.0		1,771.5	22.5	4,096.2		190.2
17	1013 Alchl/Drug (incl w fed)							-		2.0
18	1037 GF/MH	359.5	852.4	1,547.2	148.9	8,664.3	235.8	11,808.1	73,560.8	5,018.2
19	1061 CIP Receipts		638.4					638.4		352.6
20	1092 MHTAAR					275.0	234.0	509.0		666.8
21	1108 Stat Desig							-	717.5	182.5
22	1156 Rcpt Svcs							-		
23	1168 Tob Ed/Ces							-		921.0
24	1180 ADTP Fund		142.0		2,186.8	15,558.2		17,887.0	1,500.0	231.4
25	GF Subtotal	1,768.5	3,714.1	3,810.9	2,621.6	27,947.8	492.3	40,355.2	83,297.1	9,320.9
26	1002 Fed Rcpts		324.4	2,925.0	500.0	3,473.9	48.9	7,272.2	94,000.5	2,309.9
27	TOTAL	1,768.5	4,038.5	6,735.9	3,121.6	31,421.7	541.2	47,627.4	177,297.6	11,630.8
28										

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER
FINANCE AND MANAGEMENT SERVICES

SEAN PARNELL, GOVERNOR

P.O. Box 110601
Juneau, AK 99811-0601
Phone: (907) 465-1630
Fax: (907) 465-2499

March 19, 2012

The Honorable Senator Johnny Ellis
Alaska State Legislature
State Capitol, Room 119
Juneau, AK 99801-1182

Dear Senator Ellis:

On March 16, 2012, the Department of Health and Social Services received the following question from your staff regarding the list of grantees receiving Alcohol and Drug Abuse Fund:

- ***Please provide a list of DHSS grantees receiving Alcohol/Drug Fund and how much.***

Please see the attached list of FY2012 Division of Behavioral Health Grants for Substance Abuse Treatment and Prevention.

If you have additional questions regarding this issue, please contact me at 465-1630.

Sincerely,

Nancy Rolfzen
Assistant Commissioner

Enclosure

cc: Amanda Ryder, Fiscal Analyst, Legislative Finance
Sarah Brinkley, Budget Analyst, Office of Management and Budget
William J. Streur, Commissioner
Ree Sailors, Deputy Commissioner
Kimberli Poppe-Smart, Deputy Commissioner
Melissa Stone, Director, Division of Behavioral Health
Laura Baker, Deputy Director, Finance and Management Services

Wilda Laughlin, Legislative Liaison
Dirk Anderson, Budget Manager

Log 1102/2012

SUBSTANCE ABUSE TREATMENT GRANTS

Grant Number	Agency	$ GF	$ ADTP	Total
602-12-231	Akeela - AWRC		241,415	241,415
602-12-237	Akeela - KTN		446,061	446,061
602-12-230	Akeela, Inc.		413,689	413,689
602-12-280	Alaska Addiction Rehabilitation Service, Inc.		533,556	533,556
602-12-260	Alaska Family Services (Mat-Su Recovery Center)		328,008	328,008
602-12-254	Alaska Island Commuity Services		132,724	132,724
602-12-268	Aleutian/Pribilof Islands Association		104,105	104,105
602-12-210	ARC of Anchorage		41,253	41,253
602-12-281	Bristol Bay Area Health Corporation		205,580	205,580
602-12-282	Central Peninsula General Hospital		87,807	87,807
602-12-232	Cook Inlet Council on Alcohol & Drug Abuse		374,552	374,552
602-12-233	Cook Inlet Tribal Council		1,126,292	1,126,292
602-12-283	Copper River Native Association		83,070	83,070
602-12-001	Maniilaq		462,030	462,030
602-12-285	Narcotic Drug Treatment Center, Inc.		641,567	641,567
602-12-274	North Slope Borough		106,070	106,070
602-12-002	NSHC		874,106	874,106
602-12-275	Railbelt Mental Health & Addictions	114,492	72,000	186,492
602-12-235	Salvation Army Clitheroe Center		2,067,231	2,067,231
602-12-057	SEARHC (JYS)	-	102	102
602-12-200	Southcentral Foundation -McGrath	-	20,811	20,811
602-12-211	TCC (FY10 less $956,896 xferred out to FNA)	474,116	156,682	630,798
602-12-236	Volunteers of America of Alaska, Inc.		983,352	983,352
602-12-005	YKHC		1,062,648	1,062,648
602-12-271	Fairbanks Native Association	-	3,120,704	3,120,704
602-12-301	Alaska Commission for chemical dependency		45,833	45,833
602-12-907	Akeela, Inc.		283,000	283,000
605-12-056	ASHNA		13,000	13,000
602-12-021	Soteria House	275,000	100,000	375,000
602-12-010	Salvation Army Clitheroe	-	1,200,000	1,200,000
602-12-303	Akeela		200,000	200,000
		863,608	15,527,248	16,390,856

PREVENTION GRANTS

Grant Number	Agency	$ GF	$ ADTP	Total
602-12-016	Asa'Carsarmiut Tribal Council		65,000	65,000
602-12-023	Interior AK Ctr for Non-Violent Living (Careline)		144,057	144,057
602-12-741	Juneau Youth Services	160,800	125,712	286,512
602-12-703	Nulato	22,105	33,158	55,263
602-12-003	Petersburg Mental Health Services	36,506	36,505	73,011
602-12-729	Tanana Chiefs Conference	112,500	37,500	150,000
602-12-815	Cook Inlet Tribal Council		106,157	106,157
602-12-816	Copper River Native Association		97,731	97,731
602-12-810	Railbelt Mental Health & Addictions	50,000	86,440	136,440
602-12-811	Southeast Alaska Regional Health Consortium		87,640	87,640
602-12-818	Association of Village Council Presidents AVCP	80,000	145,387	225,387
602-12-801	Bristol Bay Area Health Corporation	186,697	343,021	529,718
602-12-804	Eastern Aleutian Tribes		120,200	120,200
602-12-806	Kodiak Area Native Association	80,000	134,660	214,660
602-12-807	Maniilaq Association	50,000	75,638	125,638
602-12-809	Norton Sound Health Corporation		82,789	82,789
602-12-812	SeaView Community Services		56,594	56,594

602-12-817	Sitka Counseling & Prevention Services		85,545	85,545
602-12-803	Tanana Chiefs Conference		123,066	123,066
		778,608	1,986,800	2,765,408

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

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March 19, 2012

The Honorable Senator Johnny Ellis
Alaska State Legislature
State Capitol, Room 119
Juneau, AK 99801-1182

Dear Senator Ellis:

On March 16, 2012, the Department of Health and Social Services received the following question from your staff regarding Alcohol and Drug Abuse funding:

- ***Would you please send the latest projections from February based on the January 30, 2012 data?***

Please find the attached Alcohol Fund Projection as of January 31, 2012.

- ***Can you explain the technicalities of why there is carry forward every fiscal year?***

The carry forward term refers to the dollars rolled to the next fiscal year because net revenues have exceeded expenditures from a prior year. For certain special funds such as the Alcohol and Other Drug Abuse Treatment and Prevention Fund, the excess revenue from a prior year is carried forward to the next fiscal year.

If you have additional questions regarding this issue, please contact me at 465-1630.

Sincerely,

Nancy Rolfzen
Assistant Commissioner

Enclosure

cc: Amanda Ryder, Fiscal Analyst, Legislative Finance
Sarah Brinkley, Budget Analyst, Office of Management and Budget
William J. Streur, Commissioner
Ree Sailors, Deputy Commissioner
Kimberli Poppe-Smart, Deputy Commissioner
Melissa Stone, Director, Division of Behavioral Health
Laura Baker, Deputy Director, Finance and Management Services
Wilda Laughlin, Legislative Liaison
Dirk Anderson, Budget Manager

Log 1099/2012

Summary of Alcohol Funding for FY2011-FY2014

(All figures updated as of January 31, 2012)

	Alcohol and Other Drug Treatment & Prevention Fund
FY2011 Actuals and Encumbrances	
FY2011 Actual Expenditures	
AR 23017-11, Alcohol Safety Action Program	131.7
AR 23026-11, Behavioral Health Medicaid Svcs	0.0
AR 23035-11, Behavioral Health Grants *	15,131.9
AR 23037-11, Behavioral Health Administration	0.0
AR 23041-11, Rural Services and Suicide Prevention *	2,115.0
Total FY2011 Actuals and Encumbrances *	**17,378.6**
* *Includes encumbrances; amounts may change due to liquidation or release of encumbrances.*	
FY2011 Actual Revenues	
Actual Revenue deposited as of 1/31/12	19,300.4
Recovery of Prior Year Expenditures	6.5
Projected Carryforward of FY2010 Revenue	12,082.0
Total FY2011 Actual Revenue	**31,388.9**
Net Revenue Available to Carryforward to FY2012	**14,010.3**
FY2012 Authorized Expenditures	
AR 23017-12 Alcohol Safety Action Program	142.0
AR 23026-12, Behavioral Health Medicaid Svcs	1,500.0
AR 23035-12, Behavioral Health Grants	15,558.2
AR 23037-12, Behavioral Health Administration	231.4
AR 23041-12, Rural Services and Suicide Prevention	2,186.8
	19,618.4
FY2012 Authorized Budget	
FY2012 Projected Revenues	
2012 Estimates (Based on DOR Fall 2011 Forecast)	19,800.0
Projected Carryforward of FY2011 Revenue	14,010.3
Total FY2012 Estimated Revenue	**33,810.3**
Net Revenue Available to Carryforward to FY2013	**14,191.9**
FY2013 Governor's Operating Budget	
FY2013 Governor's Budget	
AR 23017-13 Alcohol Safety Action Program	145.8
AR 23026-13, Behavioral Health Medicaid Svcs	1,500.0
AR 23035-13, Behavioral Health Grants	15,558.2
AR 23037-13, Behavioral Health Administration	231.4
AR 23041-13, Rural Services and Suicide Prevention	2,186.8
	19,622.2
FY2013 Projected Revenues	
2013 Estimates (Based on DOR Fall 2011 Forecast)	20,400.0
Projected Carryforward of FY2012 Revenue	14,191.9
Total FY2013 Estimated Revenue	**34,591.9**
Net Revenue Available to Carryforward to FY14	**14,969.7**
FY2014 Projected Operating Budget	
AR 23017-14 Alcohol Safety Action Program	145.8
AR 23026-14, Behavioral Health Medicaid Svcs	1,500.0
AR 23035-14, Behavioral Health Grants	15,558.2
AR 23037-14, Behavioral Health Administration	231.4
AR 23041-14, Rural Services and Suicide Prevention	2,186.8
FY2014 Continuation Operating Budget	**19,622.2**
FY2014 Projected Revenues	
2014 Estimates (Based on DOR Fall 2011 Forecast)	20,400.0
Projected Carryforward of FY2013 Revenue	14,969.7
Total FY2014 Estimated Revenue	35,369.7

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
Substance Abuse and Mental Health Services Administration
Center for Substance Abuse Treatment
www.samhsa.gov

April 2009

Cost Offset of Treatment Services

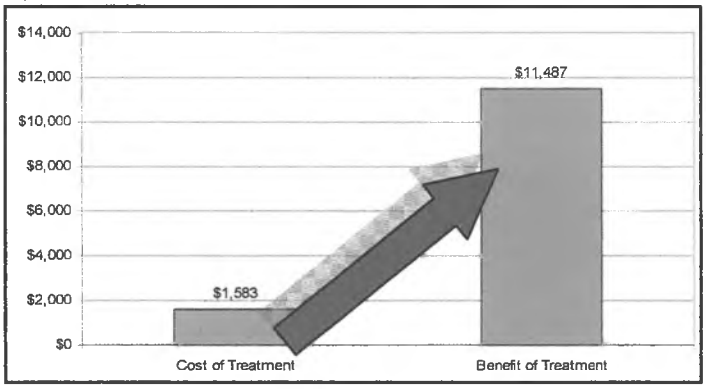
There is a great paucity on nationwide data related to the cost benefit of substance use treatment. However, the limited research in some States suggests that there is a major benefit to substance use treatment. According to recent estimates[1], the total financial cost of drug use disorders to the United States is estimated to be $180 billion annually. The economic costs of alcohol abuse were 184.6 billion in 1998[2]. Accessible and effective community-based alcohol and drug treatment is imperative to reduce society's financial burden from problems associated with drug use. As the U.S. economy faces unsustainable escalations in health care costs, we need to ensure needed substance use disorder treatment and recovery programs help reduce health and societal costs.

The benefits of treatment far outweigh the costs. Even beyond the enormous physical and psychological costs, treatment can save money by diminishing the huge financial consequences imposed on employers and taxpayers.

Cost Savings of Treatment: California, New York, and Washington

Treatment has been shown to have a benefit-cost ratio of 7:1[3]. The largest savings were due to reduced cost of crime and increased employer earnings (see Figure 1).

Figure 1. Cost Offset of Substance Abuse Treatment in California



For every **$100,000 spent on treatment,**



$487,000 of health care costs[4] and $700,000 of crime costs were shown to be avoided[5].

Public Assistance in Washington

A comparison of medical expenses of Medicaid clients[6] who received treatment noted these savings:

Modality	Savings per Medicaid member per month
Inpatient	$170
Outpatient	$215
Methadone	$230

Spending money on treatment has led to important health and public safety cost reductions in Washington[7]:



Health Care Utilization Savings: California

Treated patients have been shown to **reduce**[8]:



ER visits by 39%

Hospital stays by 35%

Total medical costs by 26%

when compared to a control group.

Employers

Employees treated for substance use[9] have:

- **reduced absenteeism,**
- **reduced tardiness,**
- **lowered on-the-job injuries,**
- **fewer mistakes, and**
- **disagreements with supervisors**



Benefit-Cost Comparisons

- A study[10] comparing the direct cost of treatment to monetary benefits to society determined that on average, costs were $1,583 compared to a benefit of $11,487 (a benefit-cost ratio of 7:1).
- In an analysis[11] of methadone detoxification patients (n=102), authors observed that for every dollar spent on treatment, $4.87 of health care costs were offset.
- In comparing cost offsets in Washington State of people in treatment to non-treated, authors noted:[12] lower medical costs ($311/month); lower state hospital expenses ($48/month); lower community psychiatric hospital costs ($16/month); reduced likelihood of arrest by 16%; and reduced likelihood of felony convictions by 34%.

Health Care Utilization

- In a study[13] examining nearly 150,000 Medicaid claims for beneficiaries in six states, authors determined that people with substance abuse disorders had significantly higher expenditures for health problems compared to others.
- In comparison of medical expenses for welfare clients in Washington State[14] (n=3,235 treatment group and n=4,863 control) it was determined that substance abuse treatment was associated with a reduction in expenses of $2,500 per year.
- In reviewing selected beneficiaries in Oregon's Medicaid program,[15] researchers concluded that eliminating the substance abuse benefit led to increased medical expenditures.
- A review[16] of over 1,000 patients in a Sacramento chemical dependency program noted a substantial decline in hospital (35%), emergency room (39%), and total medical costs (26%) when compared to a control group.
- A recent article[17] on medical costs concluded that health care costs are higher for families with a person who has a dependency problem than for other similar families.

Employer Savings

An intake-to-follow-up assessment[18] study of nearly 500 people treated at Kaiser Permanente's Addiction Medicine program demonstrated significant reduction in missed work, conflict with coworkers, and tardiness. It also noted that employers break even on investing in chemical dependency treatment.

Every $1 spent on addiction treatment saves $7 in crime and criminal justice costs. When researchers added savings related to health care, the savings-to-cost ratio was 12:1.[19]

---

[1] Office of National Drug Control Policy (2004). "The economic costs of drug abuse in the United States, 1992-2002." Washington, DC: Executive Office of the President (Publication No. 207303).

[2] Harwood, Henrick. (2000). "Updating estimates of the economic costs of alcohol abuse in the United States." Report prepared by the Lewin Group for the National Institute on Alcohol Abuse and Alcoholism.

[3] Ettner, S.L., D. Huang, et al. (2006). "Benefit-cost in the California treatment outcome project: does substance abuse treatment 'pay for itself'?" *Health Services Research*, 41(1): 192-213.

[4] Hartz, D.T., P. Meel, et al. (1999). "A cost-effectiveness and cost-benefit analysis of contingency contracting-enhanced methadone detoxification." *American Journal of Drug and Alcohol Abuse*, 25(2):207-18.

[5] NIDA, Principles of Addiction Treatment, 1999.

[6] Wickizer, T.M., A. Krupski, et al. (2006). "The effect of substance abuse treatment on Medicaid expenditures among GA clients in WA State." *Milbank Quarterly*, 84(3): 555-76.

[7] Estee, S. and D. Norlund (2003). Washington State Supplemental Security Income (SSI) Cost Offset Pilot Project: 2002 Progress Report. R.a.D.A. Division and W.S.Do.S.a.H., Services, Washington State.

[8] Parthasarathy, S., C. Weisner, et al. (2001). "Association of outpatient alcohol and drug treatment utilization and cost: revisiting the offset hypothesis." *Journal of Studies on Alcohol and Drugs*, 62(1): 89-97.

[9] CATOR Connection, Comprehensive Assessment and Treatment Outcome Research, St. Paul, MN, 1990.

[10] Ettner, op cit.

[11] Hartz, D.T., P. Meek, et al. (1999). "A cost-effectiveness and cost-benefit analysis of contingency contracting-enhanced methadone detoxification." *American Journal of Drug and Alcohol Abuse*, 25(2):207-18.

[12] Estee and Norlund, op cit.

[13] Clark, R. E., M. Samnaliev, et al. (2009). "Impact of substance abuse disorders on Medicaid beneficiaries with behavioral health disorders." *Psychiatric Services*, 60(1): 35-42.

[14] Wickizer and Krupski, op cit.

[15] McConnell, K.J., N.T. Wallace, et al. (2008). "Effect of eliminating behavioral health benefits for selected Medicaid enrollees." *Health Services Research*, 43(4): 1348-65.[16].

[16] Parthasarathy and Weisner, op cit.

[17] Ray, G.T., J.R. Mertens, et al. (2007). "The excess medical cost and health problems of family members of persons diagnosed with alcohol or drug problems." *Med Care*, 45(2): 116-22.

[18] Jordan, N., G. Grissom, et al. (2008). "Economic benefit of chemical dependency treatment to employers." *Journal of Substance Abuse Treatment*, 34(30): 311-19.

[19] NIDA, Principles of Addiction Treatment, 1999.

RESEARCH SUMMARY
Institute of Social and Economic Research
University of Alaska Anchorage • January 2009
R.S. No. 71

The Cost of Crime: Could The State Reduce Future Crime and Save Money by Expanding Education and Treatment Programs?

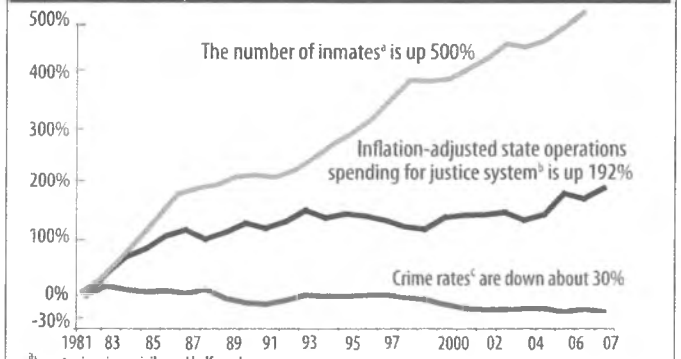
By Stephanie Martin and Steve Colt

Alaska's prison population is among the fastest-growing in the U.S., with five times more inmates in 2007 than in 1981. Spending for the state justice system has nearly doubled since 1981—but the crime rate has dropped only about 30%.

Here's the dilemma for the state, given the pattern shown in Figure 1: what can it do to hold down the number of inmates and stem the rising costs—while at the same time keeping the public safe and using tax dollars effectively?

Senator Hollis French asked ISER to project growth in the number of Alaska inmates and the associated costs—and then evaluate whether the state could reduce that growth by expanding intervention and prevention programs for people already in prison or at risk of ending up there. Alaska currently spends about $17 million a year for such programs, but they aren't available to many of those who might benefit from them.

Figure 1. Percentage Changes in Alaska Crime Rate, Spending for Justice System, and Number of Inmates, 1981-2007



[a]Inmates in prisons, jails, and halfway houses
[b]Spending for Departments of Corrections, Public Safety, and Law; court system; Division of Juvenile Justice; Public Defender Agency; and Office of Public Advocacy. Does not include capital spending or payment on debt
[c]Rates per 100,000 for murder, rape, robbery, aggravated assault, burglary, larceny, and motor vehicle theft
Sources: U.S. Department of Justice; state budget documents; Alaska Department of Corrections

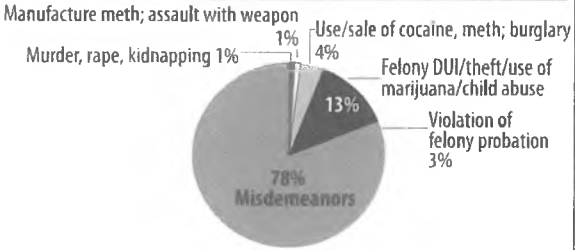
There are a wide range of such programs. But it is programs for adults who are already in prison or jail that have the most potential to save money and reduce crime in the next 20 years. That's because they can reach the most people.

We know that without any intervention, about two-thirds of those who serve their sentences and are released commit new crimes. Stopping at least some of them from committing more crimes would not only help improve public safety but also reduce growth in both the number of inmates and in spending.

Also, most of those released committed misdemeanors (Figure 2). Those who commit the most serious crimes serve long sentences and make up a small share of those released in any given year.

To analyze which programs have the most potential to reduce crime *and* save the state money, we worked with the Alaska Criminal Justice Working Group and the Washington State Institute of Public Policy. That institute did a similar analysis for Washington state and provided us with data it collected from program evaluations nationwide (see back page). What did our study show?

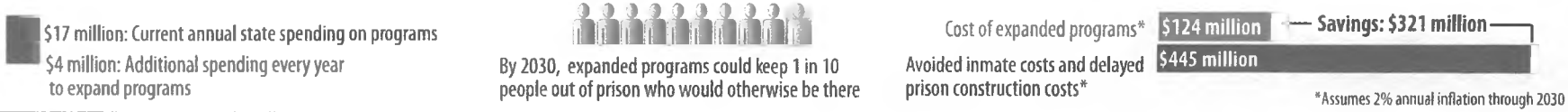
Figure 2. Who Gets out of Jail or Prison in Alaska?
(Total Releases, 2002-2007: 82,339)



Source: Alaska Department of Corrections

- *With no change in policies, the number of Alaska inmates is likely to double by 2030,* from 5,300 to 10,500.
- *If the state spent an additional $4 million a year to expand programs it already has, the prison population in 2030 might be 10% smaller* than projected—about 1,050 fewer inmates.
- *The state would spend about $124 million for expanded programs through 2030 but would avoid $445 million in costs—a savings of $321 million.* It would save money by incarcerating fewer people and by delaying prison construction costs. (Figures 3 and 8).
- *Education and substance-abuse treatment programs—in prison, after prison, and instead of prison—save the state two to five times* what they cost and reach the most people. Programs for teenagers are also very effective at reducing crime and saving money, but they reach fewer people.

Figure 3. Potential Effects, Costs of, and Savings from Expanded Prevention or Intervention Programs



Why Consider Expanding Programs?

In 1980, 2 in 1,000 Alaskans were behind bars; today that share is approaching 10 in 1,000. The sharp increase started in the 1980s, when the state government began collecting large oil revenues. The state used some of that money to expand police agencies, courts, and other parts of the criminal justice system statewide. Also in the 1980s, it made sentencing for the most serious felonies more uniform and stiffened sentences.

The crime rate in Alaska has declined since the 1980s. But the number of Alaskans in prisons, jails, and halfway houses has increased much faster, as have costs for the state justice system. Alaska's prisons are full, and the 1,500-bed prison scheduled to open in 2012 is projected to be full soon after it opens.

Locking people up is expensive, whether their crimes are major or less serious. Alaska spends on average $44,000 a year per inmate in prisons, jails, and halfway houses. Adjusted for inflation, that's actually less than in the 1980s—but it's still a lot (Figure 4).

Studies in other states have shown that some intervention and prevention programs can help cut both costs and crime, either by keeping people who have served their sentences from committing new crimes after they're released, or preventing some people from going to prison in the first place.

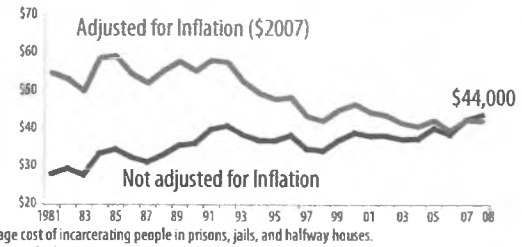
What Programs Did We Analyze?

The Alaska Criminal Justice Working Group gave us a list of programs to analyze. We looked for programs with the biggest potential payoff for the state—those that could reduce growth in both numbers of inmates and in spending for corrections, at a reasonable cost for the state.

Alaska already has a number of programs in place, and we found that expanding some of those would be most cost-effective. Table 1 lists the programs in our final analysis. As a guideline for what was a "reasonable" expansion, we used 10% to 20% of the eligible people not already served—except for very small programs that can't easily be expanded that much.

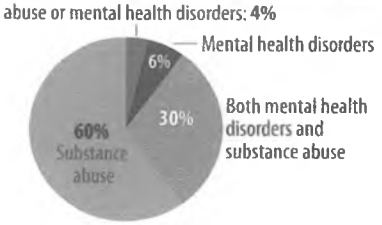
These programs would serve inmates, at-risk juveniles, and young children. They are all intended to reduce future crime in some way. Programs that treat substance-abuse or mental heath disorders have been shown to reduce recidivism—and as Figure 5 shows, almost all current inmates have those disorders.

Figure 4. Annual State Costs Per Inmate,* 1981-2008
(In Thousands of Dollars)



*Average cost of incarcerating people in prisons, jails, and halfway houses.
Source: Alaska Department of Corrections

Figure 5. How Many Alaska Inmates Have Substance Abuse or Mental Health Disorders?



Sources: Alaska Department of Corrections; Alaska Mental Health Trust

Table 1. Current Size and Potential Expansion of Intervention and Prevention Programs[a]

Programs	Currently serve	Reasonable expansion	Potentially eligible (2008)
Prison-based programs			
Education (adult basic; vocational)	More than 1,000	500	Almost all inmates (4,500)
Substance-Abuse (residential; intensive outpatient)	Close to 500	500	90% of inmates (approximately 4,000)
Sex-offender treatment[b]	0	50	10% of 500 eligible inmates
Transition from prison			
Transition for inmates with mental health disorders (Institutional Discharge Project)	70	100	36% of inmates (1,600)
Alternatives to Incarceration	500	500	Approximately 5,000[c]
Mental health, drug, alcohol courts; electronic monitoring; residential substance-abuse treatment			
Juvenile offenders	Approximately 500	1,000	Approximately 3,000
Aggression replacement training; family therapy; residential treatment; institutional transition			
Prevention	3,025	450	Approximately 8,000[e]
Head Start for 3- and 4-year olds from low-income families[d]			

[a]Programs included in our final analysis are those for which we found evidence that expansion would have significant pay-offs for the state at a reasonable cost. We evaluated additional programs not included here, either because there wasn't sufficient evidence to assess their effectiveness or because they weren't feasible to implement in Alaska at this time.

[b]To effectively reduce crime, sex offender treatment programs need to be offered in both prison and the community. Treatment is currently available only in the community, so the number served in prison is currently zero—but there are proposals to add treatment in prison.

[c]People facing low-level charges and with substance-abuse problems.

[d]Head Start is a federal program, but the state supplements federal money and Governor Sarah Palin has proposed additional state funding.

[e]We assume all children from families with up to double the poverty-level income would be eligible.

We looked at but excluded other programs from our final analysis. The criminal justice working group decided that a few programs, while effective elsewhere, wouldn't be feasible to implement in Alaska at this time. For other programs, there wasn't enough available evidence to judge how effective they were in saving money or reducing crime, or the available evidence showed them to be largely ineffective.

How Do the Programs Compare?

As Figure 3 (front page) shows, expanding programs to serve more of the eligible people would save the state about $321 million and reduce the projected number of inmates 10% by 2030. Figures 6 and 7 show how the various programs contribute to costs, savings, and reductions in the number of Alaskans behind bars.

- *Education and substance-abuse treatment programs for inmates save two to four times what they cost*, reduce recidivism by about four percentage points, and can reach the most people.

- *Intervention programs for juveniles who have committed crimes are very effective* at saving money and reducing recidivism, but they serve a much smaller number of people.

- *Programs that set up transition services for inmates with mental-health disorders* coming out of prison are among the most effective—but they can't readily be expanded to serve the many people who could benefit from them.

- *Alternatives to prison for some people charged with lesser offenses save the state money right away, and almost all reduce recidivism.* The exception is electronic monitoring, which is inexpensive but hasn't been shown to reduce future crime.

- *Treatment programs for sex offenders do reduce crime,* but they are very expensive and so don't save the state money.

- *Programs that prevent future crime by helping very young at-risk children are the most effective.* But the effects of spending for those programs aren't apparent until many years later.

Figure 6. How Effective Are Various Programs at Saving Money and Reducing Crime?

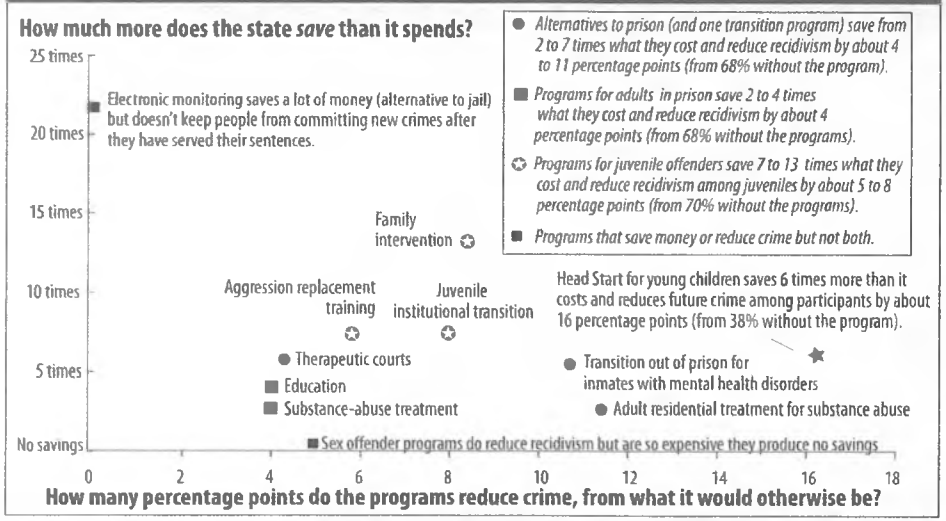
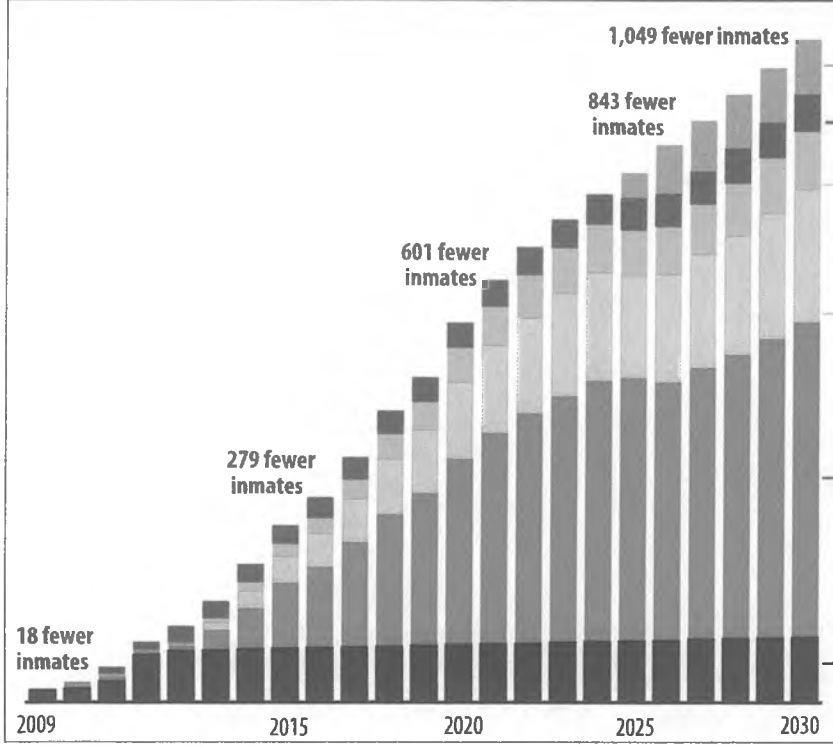


Figure 7. How Would Expanding Specific Programs Contribute to Reducing Growth in Numbers of Inmates?



Pre-school programs for at-risk children cost about $1,000 per child but save many times that much, by reducing future crime. The effects of the spending aren't apparent for years, until the children grow up.

Programs for juveniles offenders cost an average of about $2,500 per person, but save almost 10 times that much by keeping kids out of prison. They serve only a subset of the population of 12- to-17-year-olds.

Transition programs for people with mental health disorders are extremely effective, add about $2,000 per person to inmate costs, and save about four times that much. But the programs currently serve very few people and can't readily be expanded to serve large numbers.

Programs that treat inmates for substance abuse add about $2,000 a person to inmate costs, but over time save about twice as much. They are effective, but can't readily be expanded to reach all the people who need them.

Education and job training programs in prison add about $1,000 to inmate costs, but they reach the most people and save about four times more than they cost. Because they are offered in every facility, they can easily be expanded and can reach more people. (Reductions in the number of inmates as a result of the sex-offender treatment program are also included here, but are only one or two people a year.)

Programs that keep people out of prison save the state money right away, because they cost much less than the $44,000 per person the state spends to lock people up. They include therapeutic courts for substance abuse and mental health disorders, electronic monitoring, and residential substance-abuse treatment.

Conclusion

In conclusion, Figure 8 shows how Alaska's corrections system got where it is and where it's likely to go—if intervention and prevention program are kept at their current levels, and if the most effective programs are expanded to serve more of the eligible people.

We found that the state could both reduce the number of Alaskans in prison or jail and save considerable money over the next 20 years, by adding about $4 million a year to the $17 million it currently spends to keep people from returning to prison— or prevent them from ever going there at all.

Spending more for these programs even as oil prices and state revenues are falling may not seem like a good idea. But Alaska also needs to look to the future—and over time the benefits of strategically expanding those programs that reduce crime and keep more Alaskans out of prison far outweigh the costs.

Method of Analysis

Our job was to assess whether specific programs could reduce long-term state spending for corrections by reducing growth in the number of inmates. As a starting point, we needed evaluations of how effective various programs are at reducing future crime.

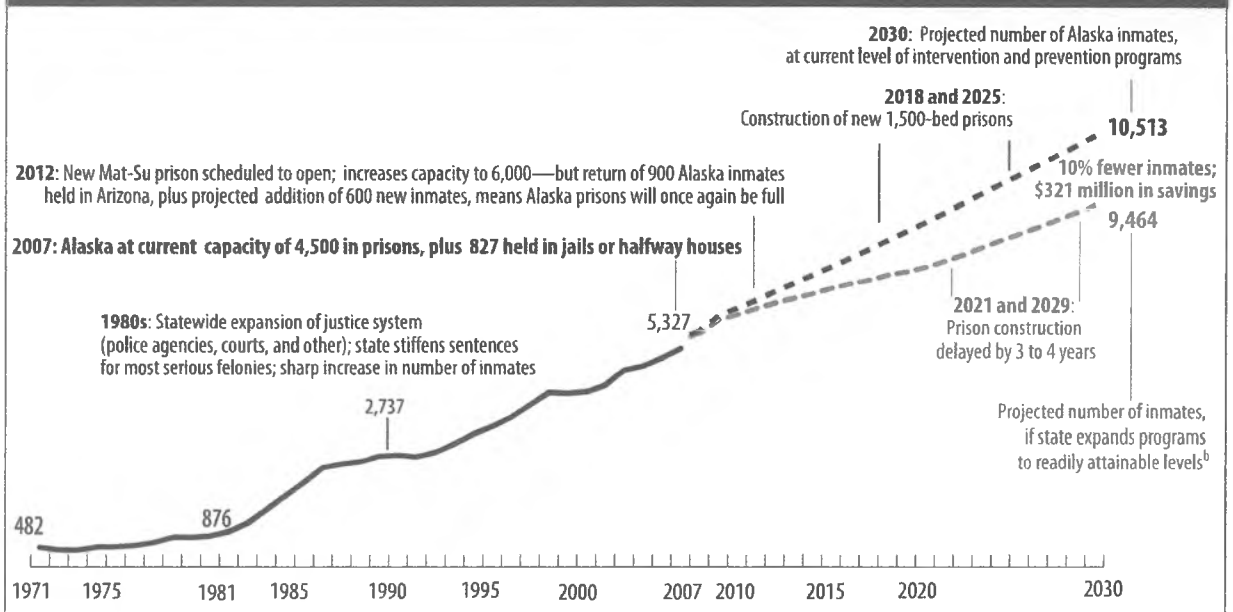
But except for some of the therapeutic court programs, most programs in Alaska have not been rigorously evaluated. Therefore, we used results of a Washington state assessment that systematically reviewed 571 program evaluations from around the country.

To be included, evaluations had to have carefully designed control groups, replicable results in multiple settings, and long-lasting effects. This method is evidence-based public policy, which merges research and practice. It is similar to clinical trials in medicine. Keep in mind that this is a new field, and only about 10% of programs in place nationwide have been evaluated at this standard.

With data from rigorous evaluations, the Washington State Institute of Public Policy created a model that estimated the effects of programs on recidivism—and then combined those results with a cost-benefit analysis to estimate the long-term effects on state spending and inmate populations.

We combined the institute's estimates of recidivism with Alaska data on program costs, eligible groups, and state population to estimate long-term effects on crime and state spending.

Figure 8. Average Number of Alaska Inmates,[a] 1971-2007, and Projected Number, 2008-2030



[a]Average daily number of people in prisons, jails, and halfway houses. [b]The number of people who could be readily added to program rolls varies considerably by program; see Table 1.

Sources: Alaska Department of Corrections; ISER projections of number of prisoners, based on Alaska Department of Labor projections of Alaska population 18-64 and assuming no change in current use of rehabilitation programs as well as expanded use; Washington State Institute of Public Policy

The authors thank the members of the Alaska Criminal Justice Working Group for their help in identifying programs to evaluate and for comments on drafts of this publication. The Alaska Legislature funded this group in 2007 and authorized the Alaska Judicial Council to act as its staff.

The group is chaired by a justice of the Alaska Supreme Court and Alaska's lieutenant governor. Other members include top policymakers from the departments of Corrections, Public Safety, Health and Social Services, and Law, as well as the Alaska Mental Health Trust Authority; the heads of the Alaska Public Defender Agency and the Office of Public Advocacy; the administrative and deputy directors for the Alaska Court System; the executive director of the Judicial Council, the U.S. attorney, and Anchorage's police chief.

This group meets monthly to talk about long-term justice issues, as well as to resolve any inter-branch issues that come up among the many agencies and organizations that deal with aspects of Alaska's justice system.

The authors also thank Elizabeth Drake and Steve Aos of the Washington State Institute of Public Policy for developing the methods and models we used and for helping us apply them to Alaska. For more information go to www.wsipp.wa.gov.

This research summary and many other publications on a wide range of topics are available on ISER's Web site:

www.iser.uaa.alaska.edu

Editor: Linda Leask Graphics: Ciemencia Merrill

Economic Costs of Alcohol and Other Drug Abuse in Alaska, 2005 Update

Prepared for:

The Advisory Board on Alcoholism and Drug Abuse
Department of Health & Social Services

Prepared by:

McDowell Group

Juneau • Anchorage

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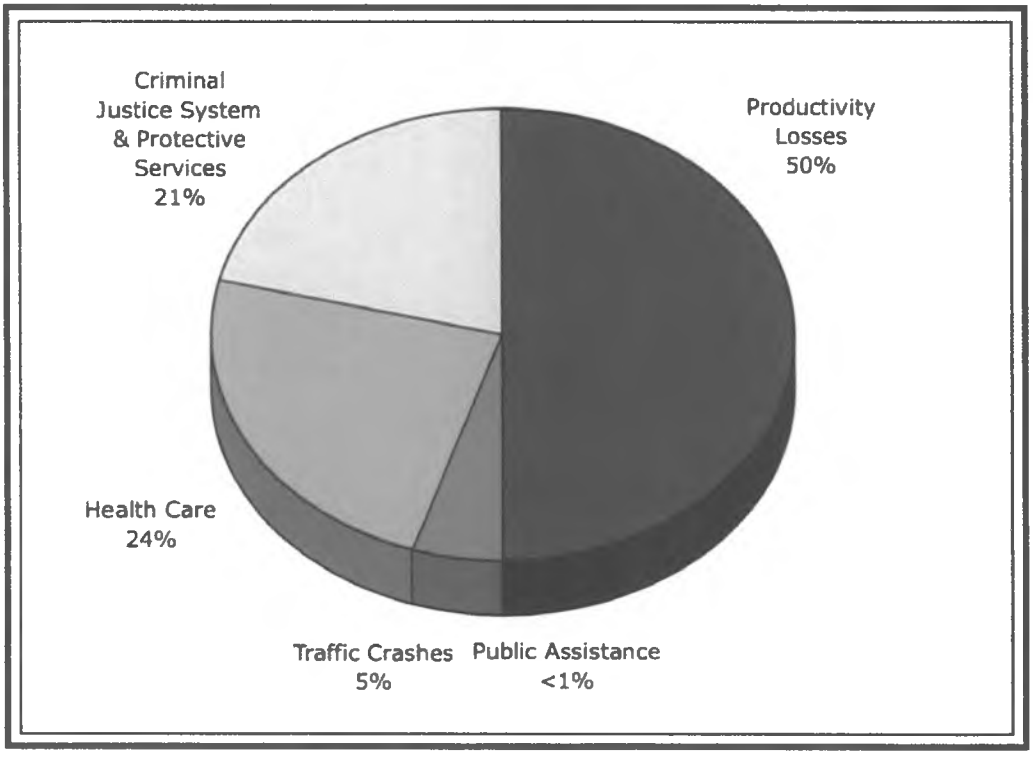
EXECUTIVE SUMMARY

The Advisory Board on Alcoholism and Drug Abuse, through the Alaska Department of Health and Social Services, contracted with McDowell Group in April 2005 to update a prior study on the economic costs of alcohol and other drug abuse in Alaska.

Alcohol and other drug abuse impacts the economy in many ways. Public safety, health care, and public assistance are among the areas impacted by alcohol and other drug abuse. The extent of these impacts is evident in the level of alcohol and other drug dependency and its associated cost on the Alaska economy. According to a 1998 study, 9.7 percent of Alaska's population is dependent upon or abuses alcohol (39,596 residents), while 1.5 percent is other drug dependent (14,238 residents). The total cost of this dependence to the Alaska economy is estimated to be $738 million during 2003. Alcohol abuse costs accounted for $525.5 million (71 percent). Other drug abuse costs were estimated at $212.5 million (29 percent). Costs by category include:

- $367 million from productivity losses.
- $154 million from criminal justice and protective services.
- $178 million from health care.
- $35 million from traffic crashes.
- $4 million from public assistance.

Percentage of Costs by Category Related to Alcohol and Other Drug Abuse in Alaska, 2003



More detailed study results for each cost category are presented below. Some of the economic benefits related to the manufacturing and sale of alcohol are also included.

Productivity Losses

Lost productivity occurs when alcohol and other drug abuse results in premature death, reduced efficiency of workers through physical or mental impairment, incarceration for criminal offense, and inpatient treatment or hospitalization. The reduced efficiency of employees, or premature death of Alaska residents, results in less production of goods and services, and is thus a cost to society.

Alcohol and other drug abuse in Alaska cost an estimated $367 million in lost productivity during 2003. Components of productivity losses and associated costs include:

- Premature death from alcohol and other drug abuse in Alaska resulted in an estimated $183 million in lost productivity in 2003. The annual average number of deaths from alcohol and other drug abuse between 1999 and 2003 was 236.
- Workers impaired by alcohol and other drug abuse had an estimated reduced productivity in Alaska of $136 million during 2003. This includes $106 million in alcohol-related impairment and $20 million in other drug-related impairment.
- Costs from alcohol and other drug-related incarcerations totaled an estimated $39 million in lost productivity during 2003. During that period, 1,193 inmate incarcerations were directly related to alcohol and other drug abuse.
- Lost productivity from Alaska residents receiving inpatient treatment for alcohol and other drug abuse cost an estimated $8.8 million in 2003.

Traffic Crashes

Alcohol and other drug abuse are a major cause of traffic crashes in Alaska. There were 1,109 traffic crashes in Alaska attributed to alcohol and other drug abuse during 2002. Of these crashes, 25 were fatal, 107 were major injury crashes, 370 were minor injury crashes, and 607 had property damage only. The estimated costs from these crashes were more than $35 million. Costs included:

- $16 million for legal costs.
- $12 million for insurance administration costs.
- $5 million for property damage costs.
- $2 million for workplace costs.

Costs by traffic accident category included:

- $26 million from major injuries.
- $5 million from fatalities.
- $2.5 million from minor injuries.
- $1 million from property damage only.

Criminal Justice

Alcohol and other drug abuse contribute to crime and child abuse. In 2003, an estimated 17,400 arrests were attributed to alcohol and other drug abuse. During this same period, 15,800 Alaska residents were victims of alcohol and other drug abuse-related crimes. Costs attributed to crime-related alcohol and other drug abuse in the state were nearly $154 million during this period. Crime costs in 2003 included:

- $43 million for law enforcement.
- $38 million for corrections.
- $12 million for legal costs and court adjudication.
- $636,000 for property damage.
- $1.9 million in economic costs to victims.
- Adult and child protective services attributed to alcohol and other drug abuse cost an estimated $59 million. These costs include foster care services, adoption care services, residential care services, and social worker services.

Health Care

Health care costs attributed to alcohol and other drug abuse result from illnesses or injuries. Examples of the kinds of health problems that can result from alcohol and drug abuse are cirrhosis of the liver, hypertension, diabetes, or stomach cancer. Health care costs related to alcohol and other drug abuse totaled an estimated $178 million in 2003. Health care costs included:

- Hospital costs from illnesses and injuries were estimated at $9.3 million. Alcohol abuse-related health care costs accounted for $84.8 million, while other drug abuse-related costs were $8.2 million.
- Alcohol and other drug residential and outpatient treatment costs were approximately $26.8 million.
- Total medical outpatient costs from illnesses and injuries totaled an estimated $25.7 million.
- Pharmaceutical costs were estimated at $23.0 million, while nursing home costs were $719,400.
- Medical care totaled $3.9 million for patients with other drug-related HIV and HIV with AIDS. Approximately 78 HIV and HIV with AIDS cases were attributed to intravenous drug abuse.
- Costs for medical treatment of hepatitis B and C caused by intravenous drug abuse was $5.1 million. Intravenous drug abuse contributed to 344 hepatitis B and C cases in Alaska in 2003.

Public Assistance and Social Services

A portion of public assistance expenditures can be attributed to alcohol and other drug abuse. Alcohol and other drug-dependent persons may qualify for public assistance because of reduced income, inability to hold a job, or disability caused by substance abuse. Costs attributed to abuse (program administration costs only) were an estimated $4.1 million in 2003.

Employment Impacts of Alcohol Sales

Although the focus of this study is centered on the cost of alcohol and other drug abuse, there are some economic benefits associated with the sale of alcoholic beverages. These economic benefits include employment, income and tax revenues. In 2003, there were approximately 3,000 jobs in alcohol-related industries in Alaska, with earnings of approximately $62 million. State excise tax revenue on alcoholic beverages, collected at the wholesale level, was approximately $33 million in FY 2004.

Actual Costs

It is critical the reader recognize that the alcohol and other drug-related costs presented in this study are estimates only. Actual costs could be 25 percent higher or lower than the total presented in this report. Very little underlying data exists regarding the monetary impact of alcohol and other drug abuse in Alaska. There is a clear need for more comprehensive research.

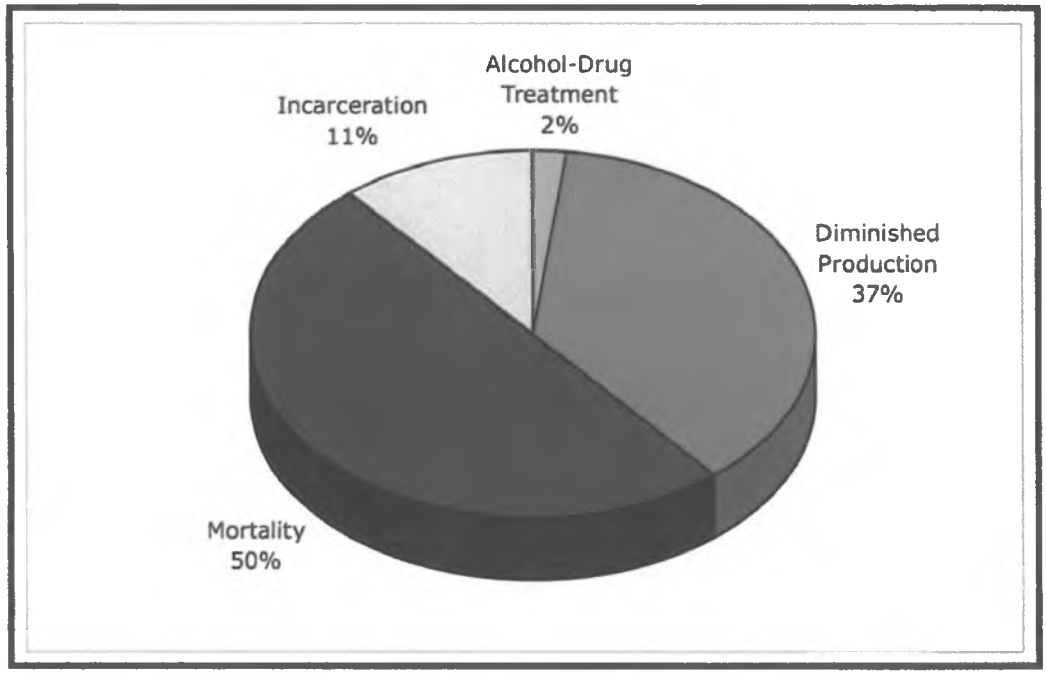
For this report, the McDowell Group study team used national data to estimate Alaska's alcohol and other drug abuse costs and then adjusted these costs for Alaska's higher cost of living. The study team relied heavily on a 1998 publication from the National Institute on Drug Abuse and National Institute on Alcohol Abuse and Alcoholism (NIDA/NIAAA, 1998), and a 1999 study for the Washington State Department of Social and Health Services, Division of Alcohol and Substance Abuse. As exhaustive and thorough as these studies are, they do not address Alaska's higher alcohol rates or its higher cost of providing services. Alaska's alcohol-dependent population is double the national average, according to results of the Alaska Adult Household Telephone Survey conducted by the Gallup Organization. In addition, cost-of-living indicators published by American Chamber of Commerce Researchers Association (ACCRA) show Anchorage health care costs were 65 percent higher than the national average during 2003.

In nearly all cases, Alaska-specific data were not available on the amount of crime, health and medical costs, lost production, and public assistance that can be attributed to alcohol and other drug abuse. Estimates rely on national norms based on tested methodologies. National norms are based on a lower prevalence of alcohol abuse and dependence than is the case in Alaska. Comprehensive development of Alaska-specific data is recommended.

Summary

Alcohol and other drug abuse cost Alaska an estimated $367 million in lost productivity during 2003. Lost productivity occurs when alcohol and other drug abuse results in premature death, reduced efficiency of workers through physical or mental impairment, incarceration for criminal offense, and residents requiring inpatient treatment or hospitalization. Overall, the reduced efficiency of employees or premature death of Alaska residents results in less production of goods and services, and thus is a cost to society. Figure 1 illustrates the sources of lost productivity in the Alaska economy.

Figure 1
Percent of Lost Productivity for Alaska from Alcohol and Other Drug Abuse in 2003



- Premature death from alcohol and other drug abuse in Alaska resulted in an estimated $183 million in lost productivity in 2003. Males accounted for $145 million in estimated losses and females, $37.7 million. An average of 236 deaths annually can be attributed to alcohol and other drug abuse between 1999 and 2003. Alcohol and drug abuse accounted for approximately 8 percent of deaths in that period; the average annual number of deaths from all causes in Alaska was 2,964 between 1999 and 2003.
- Alcohol and other drug abuse can impair worker performance resulting in lost productivity. An estimated 39,596 Alaska residents are alcohol dependent, resulting in reduced productivity of $106 million in 2003. Another 14,238 residents were drug dependent, resulting in $30 million in diminished productivity. The male population accounted for the largest portion of lost

productivity at $111 million, while productivity losses for females were estimated at $26 million.

- Of the 3,743 Alaska residents incarcerated in 2003, an estimated 1,193 incarcerations can be attributed to alcohol and other drug abuse. Lost productivity from alcohol and drug related incarcerations was estimated at $39 million.

- Time spent by Alaska residents while receiving inpatient treatment for alcohol and other drug abuse resulted in approximately $9 million in lost productivity in 2003. These figures do not include the actual cost of treatment.

Lost Production Due to Mortality

The largest cost to Alaska residents from alcohol and other drug abuse stems from productivity losses due to premature death. Death from alcohol and other drug abuse can result from suicide, motor vehicle crashes, homicide, cirrhosis, diabetes, or other medical causes. From an economic point of view, an Alaska resident provides two types of production benefits. The first is in the form of employment. By being employed, the resident is contributing to the overall benefit of Alaska society by producing goods and services. The second production benefit is from household services. An individual spends time caring for children, cleaning and maintaining a household like any wage and salary job, though that service is generally not compensated. Combined, these production losses contribute to the largest cost from alcohol and other drug abuse in Alaska.

Methodology

To estimate productivity losses from premature death, McDowell Group relied on the same methodology used in the "The Economic Costs of Alcohol and Drug Abuse in the United States – 1992" for the National Institute on Drug Abuse and National Institute on Alcohol Abuse and Alcoholism (NIDA/NIAAA) published in 1998. The research team first applied attribution factors by diagnosis supplied in the NIDA/NIAAA study to annual deaths by diagnosis reported by Alaska Vital Statistics from 1999 to 2003. Second, 2000 estimates of the present value of life earnings by age and gender were obtained from a published report by University of California Professor Dorothy Rice. These values are a combination of earnings data and estimated value of household services, which originate from U.S. Bureau of Census data. Earnings were adjusted by 5.5 percent to reflect the change in annual per capita personal income from 2000 to 2003 reported by the Bureau of Economic Analysis. Finally, the number of deaths by age and gender attributed to alcohol and other drug abuse were multiplied by the appropriate present value of life earnings in 2003 dollars.

In summary, the value of an average person's lifetime productivity is estimated and, depending on their age at the time of premature death, lost productivity is measured. It is important to note that this measure is not an estimate of "out-of-pocket" losses. Rather, it is a theoretical construct intended to reflect the fact that humans have the potential to be productive, and if life is cut short, society has suffered a loss of production potential.

Results

On average, there were 236 deaths in Alaska due to alcohol and other drug abuse between 1999 and 2003. Based on data from this period, alcohol and other drug abuse accounted for approximately 8 percent of all the deaths in the state (there was an annual average of 2,964 deaths from all causes between 1999 and 2003).

A breakdown of average annual deaths by age and gender is presented in Table 1. Of these deaths, 72 were females and 163 were males. From 1999 to 2003 the largest number of deaths was between ages 40 to 44 for females (seven alcohol and other drug-related deaths) and ages 45 to 54 for males (36 alcohol and other drug-related deaths). Table 2 shows the number of alcohol and other drug-related deaths by cause during this period. Motor vehicle crashes (41 deaths) and suicide (33 deaths) were the major causes of premature death from alcohol and other drug abuse between 1999 and 2003.

Table 1
Average Annual Number of Deaths Attributed to Alcohol and Other Drug Abuse by Age and Gender, 1999-2003

Age	Males	Females
00-04	2.9	2.0
05-09	1.4	0.2
10-14	2.9	1.4
15-19	10.8	4.0
20-24	11.4	4.0
25-29	9.7	3.5
30-34	9.9	3.3
35-39	13.3	5.9
40-44	15.6	6.9
45-49	16.7	6.5
50-54	14.1	4.7
55-59	11.9	4.2
60-64	8.7	4.6
65-69	9.5	3.8
70-74	9.1	4.1
75-79	6.1	4.2
80-84	5.4	3.5
85+	4.0	5.2
Total	**163.4**	**72.2**

Source: Alaska Bureau of Vital Statistics.

Table 2
Average Annual Number of Deaths Attributed to Alcohol and Other Drug Abuse by Diagnoses or Accident, 1999-2003

Illness or Accident	Average Deaths
Motor vehicle accidents	41.2
Intentional self-harm (suicide)	33.0
Mental and behavioral disorders due to use of alcohol	31.2
Assault (homicide)	20.0
Malignant neoplasm of esophagus	14.0
Cerebrovascular disease	11.8
Accidental drowning and submersion	9.1
Accidental poisoning by and exposure to alcohol	8.6
Fibrosis and cirrhosis of liver	8.2
Toxic liver disease	7.7
Malignant neoplasm of lip, oral cavity and pharynx	6.5
Accidental falls	5.4
Accidents caused by fire and flames	4.7
Psychoactive Substance (nondependent) abuse	4.4
Diabetes mellitus	4.2
Malignant neoplasm of stomach	4.0
Air and space transport accidents	3.3
Water transport accidents	3.1
Drug dependence	2.8
Pedal cyclist, motorcycle rider and ATV accidents	2.5
Alcoholic cardiomyopathy	2.4
Pneumonia and influenza	2.4
Acute pancreatitis	2.4
Other diseases of pancreas (including alcohol-induced and chronic)	0.9
Essential hypertension	0.8
Diseases of esophagus, stomach and duodenum	0.8
Respiratory tuberculosis	0.4
Alcoholic gastritis	0.2
Total	**235.6**

Source: Alaska Bureau of Vital Statistics.

Total economic loss from premature death of Alaska residents was $183 million during 2003. Table 3 presents estimated loss of productivity by age and gender. Males accounted for almost $145 million in lost productivity. Females accounted for approximately $38 million. The most significant costs were associated with males in two age groups, those between the ages of 20 to 24 years and 40 to 44 years, which each accounted for $18 million in lost productivity. Females age 35 to 39 years accounted for $5 million, as did those age 40 to 44.

Table 3
Mortality Costs Attributed to Alcohol and Other Drug Abuse
By Age and Gender, 2003

Age	Males	Females
1-4	$3,363,000	$1,693,000
5-9	$1,751,000	$226,000
10-14	$4,038,000	$1,382,000
15-19	$16,320,000	$4,450,000
20-24	$18,240,000	$4,602,000
25-29	$15,410,000	$3,892,000
30-34	$14,810,000	$3,348,000
35-39	$17,870,000	$5,216,000
40-44	$18,040,000	$5,054,000
45-49	$15,590,000	$3,765,000
50-54	$9,872,000	$1,951,000
55-59	$5,456,000	$1,076,000
60-64	$2,188,000	$625,000
65-69	$1,189,000	$236,000
70-79	$539,800	$115,200
75-79	$150,100	$49,440
80-84	$59,880	$16,690
85 & over	$12,000	$4,255
Total	**$144,900,000**	**$37,700,000**

Source: Alaska Bureau of Vital Statistics and Dr. Dorothy Rice, University of California.

Lost Production Due to Diminished Productivity

Alcohol and other drug abuse by Alaska residents results in reduced productivity. This loss can come in the form of high absenteeism, reduced efficiency from diminished physical and mental abilities, or limited work history because of the individual's inability to hold a job. Abuses of alcohol and other drugs may also impact a person's ability to be productive in non-employment related activities like household or parenting services. In extremely severe cases, abusers of alcohol and other drugs can be hospitalized or even institutionalized, in essence removing the individual from productive society entirely. These productivity losses from alcohol and other drug abuse have a significant cost burden to the residents of Alaska.

Methodology

The primary method for estimating economic costs from diminished productivity was to measure lost earnings. The research team relied on estimates presented in the NIDA/NIAAA (1998) study that determined the percent of lost earnings from alcohol and other drug dependence. In the study, the authors estimated the loss of earnings from alcohol-dependent males at 9.4 percent of average earnings and lost earnings from other drug dependent males at 7.7 percent of average earnings. Estimates on lost earnings for the female alcohol and other drug-dependent population came from the 1990 Rice study on the economic impacts of alcohol and other drug abuse. These estimates were used because the authors of the NIDA/NIAAA (1998) study found no impacts to female earnings from alcohol or other drug dependence. The 1990 study reports a reduction in earnings from alcohol dependence of 6.9 percent and 5.4 percent from other drug dependence.

Estimates on the number of Alaskans who are alcohol and other drug dependent came from the 2003 National Survey on Drug Use and Health by the Substance Abuse and Mental Health Services Administration (SAMHSA). In the report, SAMHSA estimated that 10.4 percent of Alaska's population is classified with alcohol or drug dependence or abuse: 8.6 percent for alcohol and 3.1 percent for other drugs. Approximately 1.3 percent of the population is dependent or abusing both alcohol and drugs. SAMHSA reports that males are almost twice as likely to be classified with substance dependence or abuse as females.

Total costs from diminished productivity for male and females were calculated by multiplying diminished productivity by the number of Alaskans who were alcohol and other drug dependent in 2003. The research team collected data from the Alaska Department of Labor and Workforce Development (ADOL) on earnings for males and females during 2003. Alaska males earned an average of $33,762 in 2003, while females earned $23,056. The research team then estimated the annual loss in earnings by multiplying the percent decline in earnings for alcohol or other drug dependence for each gender by the appropriate annual Alaska earnings for 2003.

Results

In 2003, Alaska had approximately 39,596 adult residents classified with alcohol dependence or abuse and 14,238 residents classified with drug dependence or abuse. Of those alcohol-dependent residents, 27,355 were males and 12,240 were females. The drug-dependent population consists of 9,283 adult males and 4,956 adult females. Table 4 presents computation figures for estimating diminished productivity from alcohol and other drug dependence or abuse.

Table 4
Productivity Losses from Alcohol and Other Drug Dependence or Abuse by Gender, 2003

	Alcohol		Other Drugs	
	Males	**Females**	**Males**	**Females**
Alaska population 18 years and over that is alcohol and other drug dependent	27,355	12,240	9,283	4,956
Annual average earnings for Alaska in 2003	$33,762	$23,056	$33,762	$23,056
Loss in productivity from alcohol and other drug dependence	9.4%	6.9%	7.7%	5.4%
Annual lost earnings from alcohol and other drug abuse	$3,174	$1,591	$2,600	$1,245
Estimated productivity loss from alcohol and other drug abuse	$87 million	$19 million	$24 million	$6 million

Sources: Alaska Department of Labor, Employment and Earnings report, 2003; SAMHSA 2003 National Survey on Drug Use and Health, and The Economic Costs of Alcohol and Drug Abuse in the United States-1992 (NIDA/NIAAA, 1998).

The typical Alaska male alcohol abuser cost society $3,174 annually in diminished productivity in 2003. The typical male drug abuser cost society $2,600 in 2003. During that same period, the average female alcohol abuser cost society $1,591 in lost production, while the typical female drug abuser cost society $1,245. Total diminished productivity for Alaska from alcohol and other drug-dependent residents was an estimated $137 million. Of those adults who abuse alcohol or are dependent, the largest portion was from the state's male population. An estimated $87 million in diminished productivity was from males who abuse or are dependent on alcohol, and another $19 million was from females. Diminished productivity from other drug dependence was estimated to cost the state economy $30 million, $24 million from males and $6 million from females.

Lost Production Due to Incarceration

Another source of lost productivity for Alaska is from residents incarcerated because of alcohol and other drugs. Residents can be incarcerated for committing an alcohol or other drug related crime or from committing a crime while under the influence of alcohol or other drugs. An example of an alcohol or other drug-related crime would be distributing alcohol without a license or selling illegal drugs. Sexual assault is an example of a crime committed under the influence, where alcohol or other drug use was a contributing factor. Without alcohol or other drugs, incarcerated Alaskans could be productive members of society producing goods and services. While incarcerated, these individuals are generally not employed and thus are not productive members of society. This loss in productivity can be measured by estimating lost earnings.

Methodology

Estimates for lost productivity from incarcerations involved two steps. The first was to determine the number of Alaska residents incarcerated due to alcohol or other drug-related crimes. The research team relied on national attribution rates published in the NIDA/NIAAA (1998) study. These rates are presented in Table 5. These national attribution rates are thought to be lower than incarceration rates for Alaska from alcohol and other drug abuse. However, no Alaska-specific research has been completed to verify this premise. Currently, only anecdotal information is available. It is speculated that alcohol and other drug abuse plays a role in 85 percent to 95 percent of all incarcerations in Alaska.[1]

Table 5
Attribution Rates for Alcohol and Other Drug-Related Incarcerations

	Alcohol	Other Drug
Homicide	30.0%	15.8%
Assault	30.0%	5.1%
Sexual assault	22.5%	5.1%
Robbery	3.4%	27.2%
Burglary	3.6%	30.0%
Larceny/theft	2.8%	29.6%
Auto theft	3.5%	6.8%
Drug laws	0.0%	100.0%
Driving under the influence	100.0%	0.0%
Liquor laws	100.0%	0.0%
Prostitution	0.0%	12.8%

Source: The Economic Costs of Alcohol and Drug Abuse in the United States – 1992 (NIDA/NIAAA, 1998).

The second step was to estimate potential loss of earnings from incarceration. The research team assumed that persons incarcerated because of alcohol and other drug abuse could be as productive as the general population. As shown above, ADOL indicates Alaska males earned $33,762 in 2003 and females earned $23,056. The earnings estimates were then applied to the alcohol and other drug-related incarcerated population for Alaska in 2003.

[1] Based on discussions with Sarah Williams, Coordinator of Substance Abuse Program, and Teri Carns, Staff Director for the Alaska Criminal Justice Assessment Commission.

Results

In 2003, there were 3,743 people incarcerated for crimes of all types (this is a count of the inmate population regardless of what year they were placed in a correctional facility, not the number of annual offenses). Of these, 1,193 incarcerations were attributed to abuse of alcohol and other drugs. Males accounted for most of the incarcerations attributed to abuse of alcohol and other drugs at 1,065 in 2003, while females accounted for 128 incarcerations.

Table 6 presents the number of people incarcerated for alcohol or drug related offenses in 2003 by offense and gender. These are not the number of incidences in a single year, but the cumulative total of those in prison as of December 31, 2003. Sexual assault, assault, and homicide were the primary offenses committed. Based on attribution rates shown in Table 5, an estimated 122 people were incarcerated for sexual assaults, 163 for assaults, and 122 for homicides attributed to alcohol abuse. Drug law violations were the primary offense associated with other drug abuse at 175 incarcerations.

Table 6
Alcohol and Other Drug-related Incarcerations in Alaska by Offense and Gender, 2003

	Alcohol		Other Drug	
Offense	**Females**	**Males**	**Females**	**Males**
Homicide	7	115	4	61
Assault	11	152	2	26
Sexual Assault	1	121	0	27
Robbery	0	4	2	32
Burglary	0	2	0	21
Larceny-Theft	1	5	11	51
Auto Theft	0	1	0	3
Drug Laws	0	0	34	141
Driving under the influence	41	259	0	0
Liquor Laws	8	49	0	0
Prostitution	0	0	0	0
Total	**70**	**708**	**54**	**360**

Source: McDowell Group based on Alaska Department of Corrections 2003 Offender Profile data and attribution rates by offense from The Economic Costs of Alcohol and Drug Abuse in the United States – 1992 (NIDA/NIAAA, 1998).

Total lost productivity from incarcerations from alcohol and other drug abuse in Alaska was $39 million in 2003. Incarcerated males accounted for $36 million, while females accounted for $3 million in lost productivity.

Lost Production Due to Alcohol/Other Drug Treatment

The final source of lost productivity included in this study is from Alaska residents receiving inpatient alcohol and other drug treatment. Treatment includes long-term residential treatment, short-term hospitalization, and detoxification. While receiving treatment for alcohol and other drug abuse, patients are not productive residents in the Alaska economy, so society loses the benefit of their production of goods and services. This loss in productivity can be measured by estimating lost earnings.

Methodology

Total bed days for residential and detoxification treatment centers were used to estimate lost productivity in 2005 from time spent while undergoing alcohol and other drug treatment. Data for 2003 was not available, therefore 2005 is considered a reasonable proxy for 2003 bed days. Total bed days were then converted to work years. Work years were multiplied by average annual 2003 earnings of $37,356 for all Alaskans, as reported by ADOL.

Results

There were 85,926 total bed days for alcohol and other drug abuse in 2005.[2] These total bed days was equivalent to 235 work years. Overall, total lost production from inpatient treatment for alcohol and other drug abuse was estimated at $8.8 million. This figure does not include lost productivity from residents receiving substance abuse treatment outside the state. Although the exact number of these individuals is unknown, it is estimated that much of the private residential treatment received by Alaskans occurs outside of the state.[3]

[2] Source: Alaska Department of Health and Social Services, Mike Bellevue.
[3] Source: Finding the Answers to Tough Questions About Substance Abuse in Alaska, 1999 Annual Report, State of Alaska Advisory Board on Alcoholism and Drug Abuse.

Alcohol use is a major cause of traffic crashes in Alaska. In 2002, 1,109 traffic crashes were attributed to alcohol, costing an estimated $35 million. Of these crashes, 25 were fatal injury crashes, 107 were major injury crashes, 370 were minor injury crashes, and 607 crashes had property damage only. According to the Alaska Department of Transportation and Public Facilities (ADOTPF), a traffic crash is alcohol-related under the following conditions:

- If the blood alcohol test given to the driver, pedestrian, pedal cyclists, or recreational vehicle operator was positive.
- If a police investigation indicated that alcohol consumption was a contributing factor.
- If a citation was issued for driving while under the influence of alcohol, driving with an open container of alcohol, or public drunkenness.

Methodology

To measure the cost of traffic crashes, the research team used two sources: State of Alaska 2002 alcohol-related traffic crash statistics from ADOTPF, and cost-per-accident data from the National Highway Traffic Safety Administration (NHSTA), adjusted for inflation to 2003 dollars.[4] Crash data was divided into four categories: property damage only, minor injury, major injury, and deaths. These categories were matched to the national data, which shows unit costs from motor vehicle crashes in eight categories. McDowell Group matched minor injuries reported by ADOTPF with Maximum Abbreviated Injury Scale (MAIS) Level 1, classified as minimum injuries in the NHTSA report. Major injuries were matched to MAIS Level 5, classified as critical injuries by NHTSA. No extrapolation is needed for the remaining categories, property damage only and fatalities, which are in each study. Unit costs related to traffic crashes from the NHTSA report are presented in Table 7.

Table 7
Unit Costs of Traffic Crashes in the U.S., 2003

Type of Cost	Fatal	Major Injury (MAIS 5)	Minor Injury (MAIS 1)	Property Damage Only
Insurance administration	$37,120	$75,118	$715	$116
Workplace cost	$8,702	$8,191	$252	$51
Legal cost	$102,138	$88,753	$172	$0
Property damage	$10,273	$9,446	$3,844	$1,484
Total	**$158,233**	**$181,508**	**$4,983**	**$1,651**

Source: The Economic Cost of Motor Vehicle Crashes, 2000, NHSTA.

Other than knowing that other drugs are a contributing factor in traffic crashes, little is known about their significance, because only alcohol-related data is collected. In the NHTSA study, costs from traffic crashes are divided into separate expense categories. This includes medical costs, loss in productivity from mortality and morbidity, insurance administration costs, workplace costs, legal costs, and property damage costs. To avoid double counting, the research team estimated insurance

[4] *The Economic Cost of Motor Vehicle Crashes, 2000*, published by the National Highway Traffic Safety Administration (NHTSA).

administration costs, workplace, legal and property costs. Losses in productivity and medical costs are accounted for in other sections of the report.

Cost estimates for alcohol-related traffic crashes were adjusted to reflect changes in the Alaska cost-of-living and in U.S. prices from 2000 to 2003. Inflation was estimated using the Anchorage consumer price index from the Bureau of Labor Statistics (BLS). Inflation over this period was approximately 8 percent. The source for the cost-of-living data was the American Chamber of Commerce Researchers Association (ACCRA). During 2003, Anchorage's cost-of-living was approximately 25 percent higher than the average participating city in the American Chamber of Commerce.

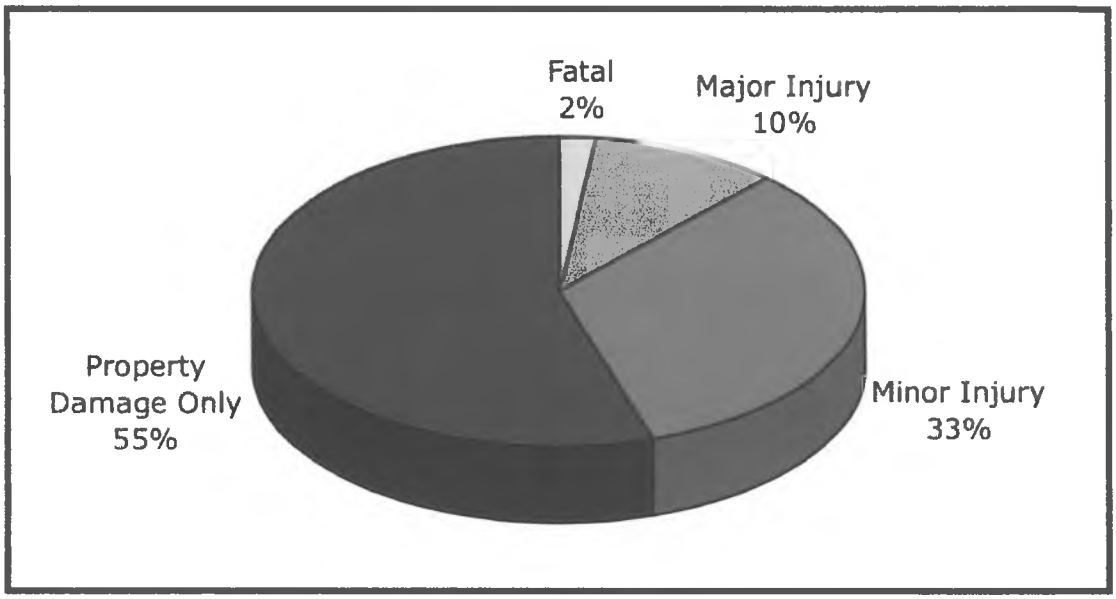
Traffic accident statistics include ATV and snowmobile crashes on roadways, but DOTPF does not collect ATV and snowmobile crashes off roadways, such as rivers, lakes, and in the backcountry. Lost productivity and health care costs associated with alcohol-related ATV and snowmobile deaths or injuries are included in the cost estimates. Property damage is not included.

Results

In 2002, 1,109 traffic crashes in Alaska were alcohol-related, about 8 percent of traffic crashes from all causes (13,325). However, the percentage of traffic fatalities caused by alcohol is much greater. About half of all U.S. fatal traffic crashes are caused by alcohol use (NHTSA, 1994). In Alaska, 32 percent of the 78 deaths from traffic crashes were attributed to alcohol in 2002. Figure 2 shows the number of alcohol-related crashes by category.

Adjusted to reflect 2003 dollars, alcohol-related traffic crashes in Alaska cost approximately $35 million in 2003. Table 7 shows the cost of alcohol-related traffic crashes by severity and expense. Legal costs of $16 million were the largest expense, followed by insurance administration costs at $12 million. By crash category, major injuries accounted for the largest costs at $26 million. Lost productivity associated with fatal crashes are not included in this estimate. (See chapter on Lost Productivity.) If these costs were included, the costs of alcohol-related traffic deaths would be far higher than other traffic crash categories.

Figure 2
Percent of Alcohol-Related Traffic Crashes by Type in Alaska, 2002



Source: Alaska Department of Transportation and Public Facilities.

Table 8
Number of Traffic Crashes and
Total Cost of Alcohol-Related Crashes in Alaska, 2003

Number of Traffic Crashes and Cost Type	Fatal	Major Injury	Minor Injury	Property Damage Only	Total Costs
Number of traffic crashes	25	107	370	607	1,109
Insurance administration cost (thousands of dollars)	$1,245	$10,787	$355	$94	$12,482
Workplace cost (thousands of dollars)	$292	$1,176	$125	$42	$1,635
Legal cost (thousands of dollars)	$3,427	$12,745	$85	$0	$16,257
Property damage cost (thousands of dollars)	$345	$1,356	$1,909	$1,209	$4,819
Total Costs (thousands of dollars)	**$5,309**	**$26,064**	**$2,474**	**$1,345**	**$35,192**

Source: McDowell Group, Note: Number of accidents is based on 2002 data from Alaska Department of Transportation and Public Facilities report, 2002 Alaska Traffic Collisions; and The Economic Cost of Motor Vehicle Crashes, 2000, NHTSA, adjusted for inflation and cost-of-living in Alaska.

Alcohol and other drug abuse contribute to a majority of the criminal justice and protective services costs in Alaska. Combined, these costs totaled nearly $154 million during 2003. Costs for police protection, legal and court services, and incarceration services totaled $93.8 million in 2003. Child and adult protective services totaled nearly $60 million in Alaska during 2003. Child protective services, the largest share of protective services, includes foster care, adoption care, residential care, and social worker services.

Criminal Justice

Like all states in the U.S., Alaska suffers from alcohol and other drug abuse-related crime. Nationwide, 49 percent of 14,000 inmates surveyed reported they were under the influence of alcohol and other drugs at the time of the offense (NIDA/NIAAA, 1998). In another study, it was reported that 2.5 million arrests were made in the U.S. for alcohol offenses, while another 1.5 million arrests were for other drug offenses (Schneider Institute for Health Policy, 2001).

In Alaska there were an estimated 17,000 arrests or offenses known to law enforcement in 2003 that were attributed to alcohol and other drug abuse. During the same period, approximately 57,000 Alaska residents were victims of alcohol and other drug abuse-related crimes. All combined, costs attributed to crime-related alcohol and other drug abuse in Alaska were $93.8 million during this period.

The focus of this section is to provide estimates on the economic costs of crime-related alcohol and other drug abuse for Alaska during 2003.

Methodology

To estimate the economic costs of alcohol and other drug abuse-related crime, the research team relied on a methodology similar to that used in the NIDA/NIAAA (1998) report. Five cost measurements were used: law enforcement, legal and adjudication, corrections, victims' property damage, and victims' medical expenses. Within each category, crime-related attribution rates for alcohol and other drug abuse (NIDA/NIAAA, 1998) were applied to Alaska crime data.

To estimate enforcement and legal costs, estimates were based on data from the Alaska Department of Public Safety (DPS), and blended with attribution rates from the NIDA/NIAAA (1998) report. DPS prepares an annual report, "Crime Reported in Alaska," as part of the nationwide Unified Crime Reporting system. In 2003, law enforcement agencies reporting to DPS for the purposes of the UCR had jurisdiction over 97.5 percent of Alaska's population. The report presents data on offenses known to law enforcement for a proscribed group of offenses: murder, rape, aggravated assault, burglary, larceny-theft, and motor vehicle theft. This includes all offenses of which law enforcement is aware, whether or not an arrest was made. In addition, the report provides arrest data on a number of additional categories of offense. For the purpose of this report, data on offenses known to law enforcement were used when available. When unavailable, straight arrest data was used. Variations between the two data types are noted when appropriate.

Though not used in this study, data from the Arrestee Drug Abuse Monitoring Program (ADAM) project provides an indication of the linkage between drug abuse and crime in Alaska. For example, a survey (including drug testing) of 718 male and female arrestees in Anchorage in 1999 found that 54 percent of males and 56 percent of females tested positive for one or more drugs (including cocaine, marijuana, opiates, Methamphetamine, and PCP).[5] The ADAM project also collected arrestee data on alcohol use. The survey collected data on long-term and near-term drinking behavior prior to arrest for 1,178 males booked into Anchorage jails in 2000 and 2001. The authors of the summary report concluded that "among those that enter the criminal justice system through jails, problematic alcohol abuse is rampant."[6]

Inmate population by offense was used for correction cost estimates. Inmate counts were based on the Alaska Department of Corrections 2003 Offender Profile. The Offender Profile provides inmate counts by offense category as of December 31 of each year. Alcohol and drug abuse attribution rates from NIDA/NIAAA (1998) were applied to this data. Total expenditures by the Department of Corrections in 2003 were $179 million.

Alaska population data from ADOL and victimization rates from the Bureau of Justice Statistics were used to estimate victim property damage and medical costs. In each case, Alaska-specific data by offense was multiplied by its associated attribute rate for alcohol and other drug abuse.

Attribution rates, arrests, and incarcerations related to alcohol and other drug abuse are presented in Tables 9 and 10.[7] Victimization rates, victim numbers, and attribution rates related to alcohol and other drug abuse are shown in Table 11.

[5] "Drug Abuse Among Arrestees in Anchorage", Alaska Justice Forum 17(1), Spring 2000.
[6] "Alcohol Use Among Anchorage Arrestees", Alaska Justice Forum 19(4), Winter 2003.
[7] Specific data on drug and alcohol arrests is available from the Alaska State Troopers Alaska Bureau of Alcohol and Drug Enforcement (ABADE). For example, ABADE alcohol-related arrest/charges included 43 for distribution/sales and 237 for transport in 2003. Cocaine related arrests/charges includes 53 for distribution/sales, 28 for transport and 24 for possession in 2003. Crack related arrests/charges includes 13 for distribution/sales and 11 for possession. Source: 2003 Annual Drug Report.

Table 9
Arrests Attributed to Alcohol and Other Drug Abuse in Alaska, 2003

Type of Offense	Total Number of Arrests	Alcohol Abuse	Drug Abuse	Arrests Attributed to Alcohol Abuse	Arrests Attributed to Drug Abuse	Total Substance Related Arrests
Murder	39	30%	16%	12	6	**18**
Aggravated Assault	2,638	30%	5%	791	135	**926**
Sexual Assault	575	23%	2%	129	14	**143**
Robbery	442	3%	27%	15	120	**135**
Burglary	3,809	4%	30%	137	1,143	**1,280**
Larceny-Theft	17,626	3%	30%	494	5,217	**5,711**
Auto Theft	2,411	4%	7%	84	164	**248**
Driving While Intoxicated*	4,987	100%	0%	4,987	0	**4,987**
Liquor Laws*	1,746	100%	0%	1,746	0	**1,746**
Stolen Property*	24	0%	15%	0	4	**4**
Prostitution*	59	0%	13%	0	8	**8**
Drug Laws*	2,187	0%	100%	0	2,187	**2,187**
Total	**36,543**			**8,396**	**8,997**	**17,392**

Source: McDowell Group, based on attribution rates from The Economic Costs of Alcohol and Drug Abuse in the United States – 1992 (NIDA/NIAAA, 1998); and Crime Reported in Alaska, 2003 from the Alaska Department of Public Safety.
Notes: Columns and rows may not total due to rounding.
* Categories marked with an asterisk (*) represent pure arrest data. Other categories are offenses known to law enforcement, which include arrests as well as offenses for which no arrest was made.

Table 10
Incarcerations Attributed to Alcohol and Other Drug Abuse in Alaska, 2003

Type of Offense	Alaska Inmates in 2003 by category	Percent Alcohol-related	Percent Other Drug Related	Incarcerations Attributed to Alcohol Abuse	Incarcerations Attributed to Other Drug Abuse	Total Incarcerations Related Alcohol and Other Drug Abuse
Murder	407	30.0%	15.8%	122	64	**186**
Aggravated assault	541	30.0%	5.1%	162	28	**190**
Sexual assault	543	22.5%	2.4%	122	28	**150**
Robbery	124	3.4%	27.2%	4	34	**38**
Burglary	70	3.6%	30.0%	3	21	**24**
Larceny/theft	209	2.8%	29.6%	6	62	**68**
Auto theft	40	3.5%	6.8%	1	3	**4**
Driving while intoxicated	300	100.0%	0.0%	300	0	**300**
Liquor laws	57	100.0%	0.0%	57	0	**57**
Prostitution	2	0.0%	12.8%	0	0	**0**
Drug laws	175	0.0%	100.0%	0	175	**175**
Total	**2,468**			**778**	**414**	**1,192**

Source: McDowell Group, based on attribution rates from The Economic Costs of Alcohol and Drug Abuse in the United States – 1992 (NIDA/NIAAA, 1998); and incarceration data from Alaska Department of Corrections. Counts do not include entire inmate population; only those offenders in the specified categories are counted. Inmates whose offense was an "attempt" at any of the specified categories are included in the counts. For example, inmates imprisoned for "attempted murder" would be grouped in the "murder" category.
Notes: Columns and rows may not total due to rounding.

Table 11
Victimizations Attributed to Alcohol and Other Drug Abuse in Alaska, 2003

Type of Crime	Victimizations per 1,000 persons age 12 or older or per 1,000 households	Total Number of Victims	Percent Alcohol-related	Percent Other Drug Related	Number of Victims Attributed to Alcohol Abuse	Number of Victims Attributed to Other Drug Abuse	Total Number of Victims Attributed to Substance Abuse
Robbery	2.5	1,309	3.4%	27.2%	45	356	**401**
Assault	19.3	10,107	30.0	5.1	3,032	515	**3,548**
Personal larceny	124.4	28,506	2.8	29.6	798	8,438	**9,236**
Burglary	29.8	6,829	3.6	30.0	246	2,049	**2,294**
Motor vehicle theft	9	2,062	3.5	6.8	72	140	**212**
Sexual Assault	0.8	419	22.5	2.4	94	10	**104**
Murder	-	39	30.0	16.0	12	6	**18**
Total		**49,232**			**4,299**	**11,514**	**15,813**

Source: McDowell Group, based on attribution rates from The Economic Costs of Alcohol and Drug Abuse in the United States – 1992 (NIDA/NIAAA, 1998); population data from Alaska Department of Labor, and victimization rates from Bureau of Justice Statistics.

As reported under Productivity Losses, crime rates attributed to alcohol and other drug abuse are thought to be higher in Alaska than the rest of the nation. Attribution rates from the NIDA/NIAAA (1998) study were used to estimate Alaska crime rates related to substance abuse, because no Alaska-specific data is currently available to support this premise.

To measure criminal costs attributed to alcohol and other drug abuse, the research team used NIDA/NIAAA (1998) data to estimate the economic implications of criminal activity. After adjusting for inflation and the Alaska cost-of-living differential, law enforcement costs per arrest ranged from $60 to $4,100, depending on the offense, while the average legal costs for most offenses were $1,100 per arrest. Legal costs for driving while intoxicated, liquor laws, and public drunkenness were approximately $60 per arrest. Average incarceration costs per inmate were approximately $33,500. Property damage and medical costs per victim by crime type are presented in Table 12. These unit costs were used to estimate the costs of arrests, incarcerations, and victimizations related to alcohol and other drug abuse.

Table 12
Property Damage and Medical Expenses per Victim, 2003

Type of Crime	Property Damage Expenses per Victim	Medical Expenses per Victim
Robbery	$27	$10
Assault	46	540
Rape	-	72
Murder**	-	23,816
Larceny	31	-
Burglary	58	-
Motor vehicle theft	207	-

Source: McDowell Group estimates based on NIDA, NIAAA 1992 and the Bureau of Justice Statistics.
** Medical costs for homicides include long-term costs. See NIDA/NIAAA (1998), Appendix C, Table C.6.

As noted above, costs were adjusted to reflect changes in U.S. prices from 1992 to 2003, as well as the cost-of-living in Alaska. Bureau of Labor Statistics inflation rates specific to health care were used to inflate health care and medical expenses (a 56 percent inflation rate). To adjust for Alaska's higher medical costs relative to the rest of the country, medical expenses for victims were increased by a 65 percent health care-specific cost-of-living differential. This differential was drawn from American Chamber of Commerce Research Association data for fourth quarter 2003.

Additional costs from lost productivity due to incarceration are presented in the Productivity Losses chapter to avoid double counting. Inmates are generally not employed while incarcerated, so society loses the benefit of their production of goods and services.

Drug traffic control costs were not included in this report. The U.S. budget in fiscal year 2003 for drug traffic control was $11 billion.[8] Some portion of this money was spent in Alaska for drug interdiction, international intelligence, research, and a number of other drug-related activities. However, specific information on Alaska's portion of this budget is not available.

Results

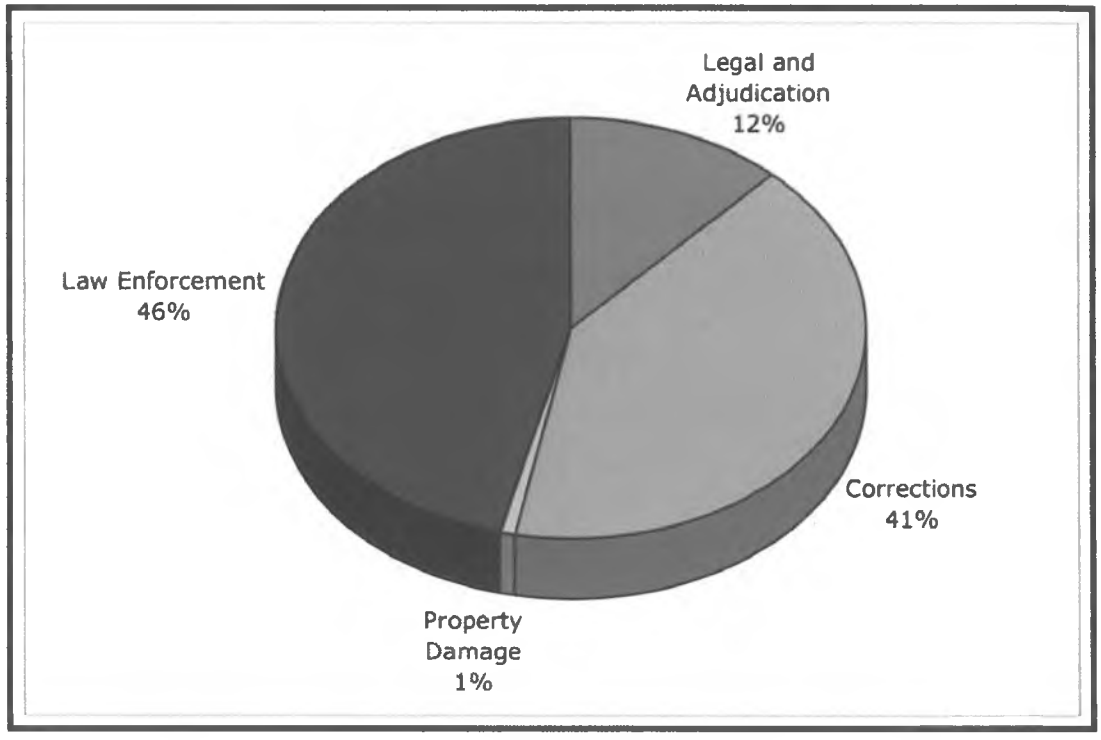
In Alaska in 2003, approximately 17,400 offenses known to law enforcement and 1,190 incarcerations were attributed to alcohol and other drug abuse. Of the 17,400 arrests, 8,400 crimes were related to alcohol abuse, while other drug abuse accounted for 9,000 crimes. Among incarcerations, 780 were alcohol-related and 410 were other drug-related.

Alaska also had an estimated 15,800 residents who were victims of alcohol or other drug abuse-related crimes. The number of victims who had property damage was 11,700, while 4,100 of the victimizations were against a person.

Figure 3 shows the distribution of alcohol and other drug-related crime by cost. Total costs for Alaska substance abuse-related crime were $93.8 million in 2003. The largest expense was law enforcement at $43.4 million, followed by correction costs at $38.2 million and legal and adjudication costs at $11.6 million. Property damage costs totaled more than $636,000 and medical costs to victims totaled $1.9 million. Medical costs are reported in this chapter for reference, but were not added to total crime-related costs to avoid double counting. Medical costs are included in the Health Care chapter.

[8] Bureau of Justice Statistics, http://www.ojp.usdoj.gov/bjs/dcf/dcb.htm, retrieved 8/17/05.

Figure 3
Distribution of Criminal Justice Costs Attributed to Alcohol and Other Drug Abuse in Alaska, 2003



Note: Figures may not add to 100% due to rounding.

Table 13 presents law enforcement costs from alcohol and other drug-related crime for Alaska during 2003. Larceny and theft accounted for the largest expense at $23 million. Burglary accounted for $5.2 million and assault for $3.7 million.

Legal costs from alcohol and other drug-related crimes for Alaska during 2003 are presented in Table 14. Larceny and theft were the largest expense at $6 million. Costs for burglary were $1.3 million, and for assault were $972,000.

Among Alaska incarceration costs in 2003, costs for inmates imprisoned for driving while intoxicated were greatest, at $10 million. This is a substantial increase from 1999, due largely to a more than doubling of the inmate population for DWI crimes. This was followed by costs for aggravated assault, at $6.4 million and homicide at $6.2 million. Drug laws were fourth, at $5.9 million, and sexual assault followed, at $4.5 million. Table 15 presents incarceration costs for Alaska during 2003 by offense.

Table 13
Law Enforcement Costs Attributed to Alcohol and Other Drug Abuse by Offense in Alaska, 2003

Type of Offense	Alcohol	Drug	Total
Homicide*	$47,000	$25,000	$71,000
Aggravated Assault*	3,196,000	544,000	3,740,000
Sexual Assault*	512,000	47,000	559,000
Robbery*	61,0600	485,000	545,000
Burglary*	555,000	4,610,000	5,165,000
Larceny-Theft*	1,986,000	21,066,000	23,051,000
Auto Theft*	348,000	657,000	1,005,000
Driving while intoxicated	311,000	-	311,000
Liquor Laws	107,000	-	107,000
Stolen Property	-	15,000	15,000
Prostitution	-	30,000	30,000
Drug Laws	-	8,831,000	8,831,000
Total	**$7,122,000**	**$36,307,000**	**$43,430,000**

Source: McDowell Group, based on attribution rates from The Economic Costs of Alcohol and Drug Abuse in the United States – 1992 (NIDA/NIAAA, 1998); and offense data from Alaska Department of Public Safety, Crime in Alaska, 2003.

* Categories marked with an asterisk (*) represent pure arrest data. Other categories are offenses known to law enforcement, which include arrests as well as offenses for which no arrest was made.

Note: Columns and rows may not total due to rounding.

Table 14
Legal and Adjudication Costs Attributed to Alcohol and Other Drug Abuse by Offense in Alaska, 2003

Type of Offense	Alcohol-Related	Drug-Related	Total
Homicide	$11,000	$5,000	$16,000
Aggravated assault	832,000	140,000	972,000
Sexual assault	140,000	23,000	163,000
Robbery	16,000	125,000	141,000
Burglary	142,000	1,195,000	1,337,000
Larceny-theft	520,000	5,494,000	6,013,000
Auto theft	97,000	174,000	271,000
Driving while intoxicated	311,000	-	311,000
Liquor laws	107,000	-	107,000
Stolen property	-	4,000	4,000
Prostitution	-	8,000	8,000
Drug laws	-	2,299,000	2,299,000
Total	**$2,176,000**	**$9,468,000**	**$11,644,000**

Source: McDowell Group, based on attribution rates from The Economic Costs of Alcohol and Drug Abuse in the United States – 1992 (NIDA/NIAAA, 1998); and offense data from Alaska Department of Public Safety, Crime in Alaska, 2003.

Note: Columns and rows may not total due to rounding.

Table 15
Incarceration Costs Attributed to
Alcohol and Other Drug Abuse by Offense in Alaska, 2003

Type of Offense	Alcohol-Related	Other Drug-Related	Total
Homicide	$ 4,163,000	$2,195,000	$6,358,000
Aggravated assault	5,540,000	936,000	6,477,000
Sexual assault	4,122,000	444,000	4,566,000
Robbery	152,000	1,216,000	1,368,000
Burglary	85,000	708,000	792,000
Larceny/theft	202,000	2,110,000	2,312,000
Auto theft	47,000	93,000	140,000
Driving while intoxicated	10,074,000	-	10,074,000
Liquor laws	-	-	-
Prostitution	-	-	-
Drug laws	-	6,097,000	6,097,000
Total	**$24,384,000**	**$13,800,000**	**$38,184,000**

Source: McDowell Group, based on attribution rates from The Economic Costs of Alcohol and Drug Abuse in the United States – 1992 (NIDA/NIAAA, 1998); and incarceration data from Alaska Department of Corrections.

Note: Columns and rows may not total due to rounding.

This incarceration data does not include Alaska Statute Title 47 Protective Holds in Department of Corrections Facilities. Department of Corrections data does not specify the reason for each protective hold, but DOC staff indicate that the "vast majority [of protective holds] are the result of incapacitation due to alcohol use." For the years 2000-2002, there were a total of 7,920 protective holds for 3,243 individuals.[9] Estimates of the annual cost of these protective holds are not available.

Protective Services

Alcohol and other drug abuse is a primary contributor to child abuse and neglect cases in Alaska. In a study completed by the National Center on Addiction and Substance Abuse at Columbia University in 1999, it was found that parents were three times more likely to abuse their children and four times more likely to neglect their children if the parents were substance abusers. In that same study, approximately seven out of ten abused or neglected children nationwide are linked to parents who abuse alcohol and other drugs. In a study completed by the Alaska, Department of Health and Social Services, Division of Alcohol and Drug Abuse (DADA) (now part of the Department of Behavioral Health), approximately 81 percent of all Division of Family and Youth Services (DFYS) (now the Office of Children's Services) reports of child abuse involved alcohol and drug abuse.[10,11]

[9] "Analysis of Title 47 Protective Holds in Department of Corrections Facilities, CY 00-02." Undated document.
[10] *Final Report of the Alaska Criminal Justice Assessment Commission*, May 2000, published by the Alaska Judicial Council.

Methodology

Currently, there is no accurate measure of the cost to Alaska from child abuse and neglect caused by alcohol and other drug abuse. To overcome this shortfall, the research team relied on the 1999 DADA child abuse estimate and assumed that 81 percent of child protective services were attributable to alcohol and other drug abuse. These services include foster care, adoption care, residential care, and social work care through the Office of Children's Services (OCS). In addition, the Office of Public Advocacy (OPA) provides child protective services. Their services include advocacy within the legal system for children under state custody. Their total FY2003 expenditure was $13.8 million. Unfortunately, OPA was not able to provide the portion of their budget that is attributed to child protective services.

Adult protective service costs during 2003 were provided by Division of Senior and Disability Services, in the Department of Health and Social Services. The division provides assistance to adults who are unable to care for themselves, either because of physical, emotional, or mental impairment. Total expenditures on adult protective services in 2003 were $733,000. Department personnel estimate that 20 percent of all protective services cases are related to substance abuse or dependence by the care recipient. Another 20 percent of the cases the department handles are linked to substance abuse or dependence by primary caregivers or other family members.

Results

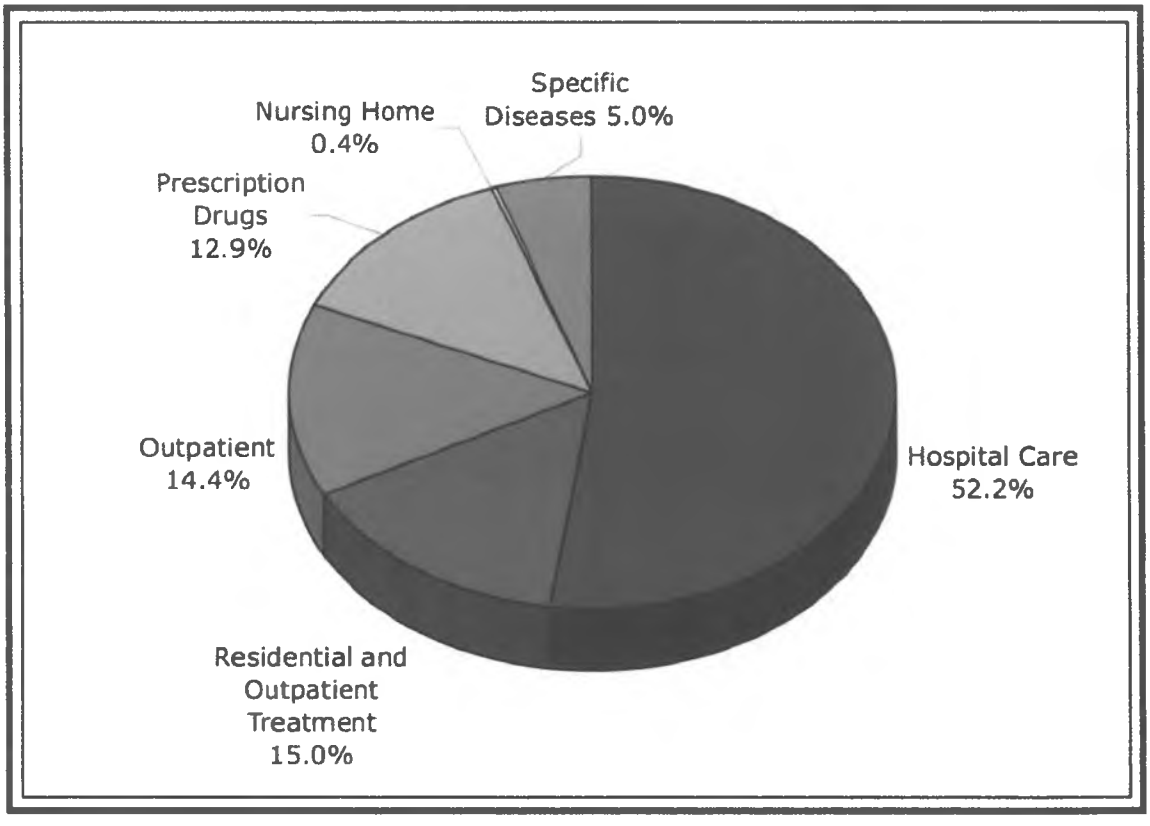
Total costs for child protective services provided by the Office of Children's Services in Alaska during fiscal year 2003 were nearly $60 million. Social work accounted for the largest expense at $18.4 million. Other expenses include $13 million for foster care services, $14 million for residential services, and $13.7 million for adoption and guardianship services. Additional program funding for child abuse prevention programs was $1.6 million.

Adult protective care services were estimated at $293,000 during 2003.

Illness and injuries stemming from alcohol and other drug abuse have significant health costs. In Alaska, health care costs related to alcohol and other drug abuse are estimated at $178 million. Alcohol and other drug-related illnesses or injuries range from acute to chronic. Acute illness includes alcohol poisoning, while chronic illness could be cirrhosis of the liver. In addition, prolonged alcohol and other drug abuse could increase the chance of other illnesses such as hypertension, diabetes, or stomach cancer.

This chapter estimates health care costs related to alcohol and other drug abuse in Alaska during 2003. Health care costs are presented for the following categories: hospital, outpatient, prescription drugs, nursing home and long term care facilities, fetal alcohol syndrome (FAS), HIV, and hepatitis B and C.

Figure 4
Distribution of Health Care Costs Related to Alcohol and Other Drug Abuse in Alaska, 2003



- Hospital costs from alcohol and other drug abuse-related injuries and illnesses in Alaska are estimated at $93 million in 2003. Alcohol abuse-related hospital care for medical illnesses and injuries costs accounted for $84.8 million, while other drug abuse-related costs were $8.2 million.

- Alcohol and other drug in-resident and outpatient drug and alcohol treatment costs from state sources were approximately $26.8 million.

- Total medical outpatient visits from alcohol and other drug abuse-related illness or injuries are estimated at 60,100 for a total cost of $25.7 million in 2003.

- Pharmaceutical and long term care costs from alcohol abuse are estimated at $23.0 million and $719,400, respectively.

- Approximately 78 HIV and HIV with AIDS cases were attributed to intravenous drug use during 2003. Total medical costs for treating these patients were $3.9 million.

- Intravenous drug abuse contributed to 344 hepatitis B and C cases in Alaska during 2003, with medical care costs of $5.1 million.

Excluded from the total values are the costs of care for individuals with Fetal Alcohol Syndrome and other Fetal Alcohol Spectrum Disorders. Data on the number of individuals living with FASD in Alaska is unavailable. However, information on the number of children born with FAS in a given year is available, as are estimates for lifetime costs of care. Estimated lifetime health care costs for the 15 FAS births in 2003 are $47.0 million.

Hospital Costs

Hospital costs from illness and injuries are a significant portion of alcohol and other drug-related health care costs. In 2003, hospital costs from illness and injuries accounted for 52 percent of total health care costs related to alcohol and other drug abuse (which totaled $178 million). Hospital costs are composed of three sources:

- Illness or injuries directly related to alcohol and other drug abuse, which might include alcohol cirrhosis or gastritis.

- Illness indirectly related to alcohol and other drug abuse, which could include cancer of the esophagus, burns, or poisoning.

- Treatment or injuries complicated by alcohol and other drug abuse resulting in lengthy hospital stays.

Methodology

To estimate injury and illness-related hospital costs from alcohol and other drug abuse, the research team relied on results of two studies: the *National Survey on Drug Use and Health*, conducted annually by the Substance Abuse and Mental Health Services Administration in the U.S. Department of Health and Social Services; and *The Economic Costs of Alcohol and Drug Abuse in the United States - 1992*, NIDA/NIAAA (1998).

The NSDUH showed that 10.4 percent of Alaska's population age 12 and older was dependent upon or had abused illicit drugs or alcohol in 2003, while the U.S. national average was 4.5 percent. Alaska's portion of the U.S. substance dependent or abusing population was 0.5 percent.

No Alaska-specific data exists on the number of hospital inpatient days related to drug and alcohol abuse; to estimate this number, the research team adjusted NIDA/NIAAA (1998) estimates to reflect growth in the U.S. population, and used

the factor for Alaska's alcohol and drug-dependent population (0.5 percent) to determine the number of hospital care days in the state. The NIDA/NIAAA study reported costs for non-federal and federal/veteran inpatient care, as well as costs for alcohol and other drug-related hospital and outside physician services. Cost estimates were adjusted to reflect U.S. price inflation for health care from 1992 to 2003 and Alaska health care costs. Inflation in nationwide health care costs over the time period was approximately 56 percent according to the Bureau of Labor Statistics. During 2003, health care costs in Fairbanks (the largest Alaska city included in 2003 American Chamber of Commerce Research Associates – ACCRA cost-of-living data) were approximately 65 percent higher than a national average. After adjusting for inflation and Alaska health care costs, estimated average cost per day for hospital care in 2003 was $2,099. The daily cost for physician care averaged $504.

Total Alaska non-federal hospital costs from illness and injury-related substance abuse were estimated by applying daily hospital costs to the estimated number of hospital care days related to alcohol and other drug abuse. Hospital costs were divided into three categories for alcohol: alcohol-specific illness, alcohol-related illness, and additional costs from co-occurring alcohol disorders. Other drug categories include other drug-specific illness, other drug-related illness, and additional days from other drug disorders.

Substance abuse-related hospital stay costs for illnesses and injuries in a veterans' or federal facility were estimated using the methodology from the NIDA/NIAAA (1998) study. In that study, veterans' and federal hospital revenues accounted for 9.5 percent of total U.S. hospital revenues. By applying this proportion to non-federal hospital costs for substance abuse, the research team estimated hospital costs for the federal facilities for Alaska during 2003.

Results

The estimated total number of hospital care days related to alcohol and other drug abuse illnesses and injuries were 32,900 in Alaska during 2003. Alcohol abuse accounted for an estimated 30,000 care days, while 2,900 were from other drug abuse. Among alcohol abusers, total hospital care days were estimated as follows: specific illnesses at 2,300, related illnesses at 22,700, and co-occurring alcohol disorders at 5,000. Estimated number of hospital care days for other drug abuse-specific illnesses was fewer than 10, while hospital care days for other drug abuse-related illnesses are not included in hospital costs to avoid double counting. These costs are presented later in this chapter. Additional days from other drug disorders were estimated at 2,900 hospital care days. Table 16 presents results on the number of care days by category for Alaska in 2003.

Table 16
Hospital Costs for Illness and Injuries
Related to Substance Abuse in Alaska, 2003

	Total Care Days	Non-Federal Hospital Costs	Veteran and Federal Hospital Costs	Total Hospital Costs
Alcohol-specific illness	2,300	$6,072,400	$514,000	**$6,586,300**
Alcohol-related illness	22,700	59,164,600	5,007,800	**64,172,400**
Additional days from co-occurring alcohol disorders	5,000	12,931,600	1,094,600	**14,026,100**
Subtotal, alcohol abuse	30,000	78,168,600	6,616,300	**84,784,900**
Other Drug abuse-specific illness	<10	14,800	1,300	**16,100**
Other Drug abuse-related illness	*	*	*	*
Additional days from other drug disorders	2,900	7,586,700	642,200	**8,228,900**
Subtotal, other drug abuse	2,900	7,601,600	643,400	**8,245,000**
Total alcohol and other drug abuse	**32,900**	**$85,770,100**	**$7,259,700**	**$93,029,900**

Source: McDowell Group, based on alcohol and drug dependent population estimates from the 2003 National Survey on Drug Use and Health, from the Substance Abuse and Mental Health Services Administration, U.S. Department of Health and Human Services; and U.S. hospital care days and costs per day related to alcohol and other drug abuse from The Economic Costs of Alcohol and Drug Abuse in the United States – 1992 (NIDA/NIAAA, 1998).

*These costs include HIV, and Hepatitis A and B, which are presented later in the chapter.

Alaska hospital costs from alcohol and other drug abuse-related medical injuries and illness in 2003 were estimated at $93 million (Table 16). Non-federal hospitals accounted for $85.8 million, while veterans and federal hospitals were $7.3 million. Estimated hospital costs injuries and illness related to alcohol and other drug abuse were $84.8 million and $8.2 million, respectively. Alcohol-related illnesses resulted in the highest hospital costs at $64 million.

Data maintained in the Alaska Department of Health and Social Services Alaska Trauma Registry, for the years 1997 through 2001, provides an indication of the number of accidents where alcohol and/or illegal drug use, at the time of the accident, was suspected or proven. Of approximately 22,700 trauma incidents recorded in the registry, alcohol use was suspected or proven in 24 percent of the cases and illegal drug use was suspected or proven in 10 percent of the cases.

Residential and Outpatient Alcohol and Other Drug Treatment Costs

In 2003, there were 4,006 substance abuse treatment admissions in Alaska. Just over 80 percent of these admissions were for alcohol or alcohol with secondary drug issues.

There are several categories of costs related to the treatment of alcohol and drug abuse and dependence in resident and outpatient facilities. The Alaska Department

of Health and Social Services, Division of Behavioral Health, provides grant funds to organizations and agencies throughout the state in support of drug and alcohol treatment services. Specific services include rehabilitation, counseling, case management, and other types of treatment services for individuals and families. In addition, Medicaid pays for treatment in facilities within and outside of Alaska for qualifying Alaskans. Treatment can also be paid through private insurers or private parties.

Data pertaining to the state-funded treatment, both through DBH and through Medicaid, is readily available. Data on costs borne by private insurers or private parties is not available. As a result, cost estimates presented underestimate the total cost of drug and alcohol treatment.

Funding appropriated by the DBH to support alcohol and drug abuse treatment in 2003 totaled approximately $23.3 million. Payments from Medicaid for substance abuse services in 2003 totaled $3.5 million. These payments account for treatment received in substance abuse-specific treatment facilities. Not included in these treatment costs are any services for co-occurring disorders that may have been billed by mental health or other providers. Costs for lab tests for drug and alcohol screening are also excluded from this number. Because Health and Social Services provided the data on both DBH and Medicaid directly, no estimate procedures were needed.

Data from the National Survey of Substance Abuse Treatment Services (N-SSATS) provides data on the number of treatment facilities and clients in substance abuse treatment. As of March 2004, there were 2,503 clients in substance abuse treatment in 69 facilities in Alaska. Just over half of those clients (53 percent) were in private non-profit treatment facilities, 8 percent were in private for-profit facilities, 9 percent were in local government facilities, 14 percent were in federal government facilities, and 16 percent were in tribal government facilities.[12]

Medical Outpatient Costs

Another health expense related to alcohol and other drug abuse is outpatient medical treatment for a specific disorder or illness related to alcohol and other drug abuse. Examples of specific disorders could include alcohol gastritis or cirrhosis, while a related illness could be chronic pancreatitis or cancer of the esophagus.

Methodology

Like hospital costs, specific data on alcohol and other drug abuse-related medical outpatient visits was not available for Alaska. To estimate these costs, the research team applied Alaska prevalence figures to U.S. estimates for alcohol abuse-related medical outpatient visits reported in the NIDA/NIAAA (1998) study. The NIDA/NIAAA study did not report any medical outpatient visits for other drug abuse-specific disorders because of the lack of data and causal relationships needed to estimate the medical outpatient visits. Other drug abuse medical outpatient visits related to HIV and Hepatitis B and C are presented later in the chapter.

Estimated medical outpatient visits were multiplied by the average medical outpatient cost for alcohol and other drug abuse-related illnesses and injuries. Cost estimates were adjusted to reflect changes in U.S. prices from 1992 to 2003, and

[12] N-SSATS State Profile – Alaska 2004.

Alaska health care costs. Inflation was estimated at 56 percent using U.S. consumer price index for health care expenditures from the U.S. Bureau of Labor Statistics. Alaska health care cost data came from ACCRA. During 2003, health care costs in Fairbanks (the largest Alaska city for which data were available) were approximately 64 percent higher than the average participating city. After adjusting for inflation and cost-of-health care in Alaska, the estimated average cost for an alcohol and other drug abuse-related medical outpatient visit was $504.

Results

Alcohol abuse-related medical outpatient visits in Alaska during 2003 were estimated at $25.7 million. Alcohol-related disorders accounted for 52,200 estimated visits, while alcohol-specific illnesses had an estimated 7,900 visits. Table 17 presents estimated medical outpatient visits and costs for alcohol abuse-related disorders.

Of the total $25.7 million in alcohol abuse-related outpatient medical costs in 2003, alcohol abuse-related illness and injury contributed an estimated at $22.3 million, while alcohol abuse-specific illness and injury contributed $3.4 million.

Table 17
Medical Outpatient Visits and Costs Related to Alcohol Abuse in Alaska, 2003

	Outpatient Visits	Outpatient Costs (thousands of dollars)
Alcohol-specific	7,900	$3,373,000
Alcohol-related	52,200	22,286,000
Total, Alcohol Abuse	**60,100**	**$25,659,000**

Source: McDowell Group, based on alcohol and other drug-dependent population estimates from National Survey on Drug Abuse and Health, 2003, Substance Abuse and Mental Health Services Administration, U.S. Department of Health and Human Services; and U.S. medical outpatient and costs related to alcohol abuse from The Economic Costs of Alcohol and Drug Abuse in the United States – 1992 (NIDA/NIAAA, 1998).

Prescription Drugs and Nursing Home/Long-Term Care Costs

Although not as high as hospital and medical outpatient costs, alcohol and other drug abuse also have prescription drug and nursing home costs. Prescription drugs are prescribed for alcohol abuse-specific illnesses such as cirrhosis or alcohol-related cancer. Long-term care and nursing home costs estimates are for residents who have a primary alcohol abuse-specific diagnosis.

Methodology

Alcohol-related prescription drug costs were estimated using Alaska prevalence data on substance abuse. Prevalence estimates were applied to the total U.S. prescription drug costs related to alcohol abuse, as published in the NIDA/NIAAA (1998) study. These totals were adjusted to reflect population growth, inflation, and the cost of health care in Alaska. In the study, 2.2 percent of U.S. prescription drug costs for all illnesses were attributed to alcohol abuse. Prescription drug costs related to other drug abuse were not estimated due to the lack of national data.

Nursing home costs related to alcohol abuse were estimated using data from the Alaska Department of Health and Social Services and the NIDA/NIAAA (1998) study. HSS collects data on the number of long-term care days per care facility in

Alaska, as well as the daily rate information for each facility. There were an estimated 219,400 total nursing home and long-term treatment care bed days in Alaska for all during 2003, while cost per day of care averaged $328 per day, with a range of $213 to $625 per day. The cost of Alaska nursing home care for all illnesses and injuries during 2003 was approximately $71.9 million. Based on estimates published in the NIDA/NIAAA (1998) study, approximately 1 percent of the nation's nursing home care costs can be attributed to alcohol abuse-specific illnesses. The research team applied 1 percent to total nursing home and long term care costs in Alaska during 2003.

Results

Estimated pharmaceutical costs related to alcohol abuse in Alaska during 2003 were approximately $23.0 million. Alcohol abuse-related nursing home care days totaled 2,194 in Alaska during 2003. Costs from these visits amounted to approximately $719,000.

Fetal Alcohol Spectrum Disorders

Prenatal exposure to alcohol can cause specific birth defects which may include physical, mental, behavioral, and learning disabilities. Many children with fetal alcohol disorders are not identified until they reach school age or later. Individuals with alcohol-related effects may have difficulties with attention, memory, and problem solving. Heart, liver, and kidney defects are also common, as well as vision and hearing problems.[13] Alcohol-related effects that fall within the broad category of fetal alcohol spectrum disorders (FASD) include:

- fetal alcohol syndrome (FAS),
- partial FAS (PFAS),
- fetal alcohol effects (FAE),
- alcohol-related neurodevelopmental disorder (ARND),
- and other alcohol-related birth defects (ARBD).[14]

During the past ten years, a number of FAS prevalence rates have been established. Studies by the Centers for Disease Control and Prevention indicate a national rate from 0.2 to 1.5 cases per 1,000 births across various populations.[15] Other studies, including those focusing on specific high-risk populations such as Native Americans, other minorities and families living in poverty have indicated rates from 0.5 to 5.0 per 1,000 live births. Clearly, the data is varied and limited.

In establishing a clear number of infants born each year in the United States with Fetal Alcohol Syndrome, the CDC estimates between 1,000 and 6,000 children will be born with FAS each year – a preventable birth defect and disability.

Beginning in 1997, Alaska was one of five states comprising the CDC's Fetal Alcohol Syndrome Surveillance Network (FASSNet), a program established to provide consistent and comparable FAS prevalence rates. Participating states included Arizona, Colorado, New York, Wisconsin and Alaska (however, FAS rates for Wisconsin are not available). At 1.5 per 1,000 live births, Alaska has a significantly higher rate of children born with FAS than other states in the FASSNet program. In

[13] National Organization on Fetal Alcohol Syndrome, *What is FAS/FASD?*, www.nofas.org/faqs.aspx?id=9
[14] US Department of Health and Human Services, SAMHSA Fetal Alcohol Spectrum Disorders Center for Excellence. *The Language of Fetal Alcohol Spectrum Disorders.*
[15] *FAS: Guidelines for Referral and Diagnosis*, CDC, 2004.

addition, Alaska data showed an estimated FAS prevalence rate of 4.8 per 1,000 live births among Alaska Natives. CDC data indicates FAS prevalence rates ranging from 0.3 per 1,000 in Arizona and Colorado to 0.4 in New York.

CDC estimates that other prenatal alcohol-related conditions, such as ARND and ARBD, occur approximately three times as often as FAS.[16] Within the wider category of FASD (which would include individuals with FAS), the US is estimated to have about 10 cases per 1,000 live births. [17]

Alaska's estimated rate of all births impacted by prenatal alcohol exposure is 16.3 cases per 1,000 births, based on the 1995 to 1999 birth years. While these alcohol-related effects are closely associated with FASD, these rates are not directly comparable to national FASD rates of 10 per 1,000 live births due to differences in diagnoses and reporting at the state and national levels. Based on 16.3 cases per 1,000 and the number of live births from 1995 to 1999, approximately 160 infants are born each year in Alaska with FAS and other effects from maternal alcohol use during pregnancy. Of those, approximately 15 are born with Fetal Alcohol Syndrome (FAS).

FAS vs. FASD

It is important to remember that the information being used to determine the economic costs of care and service delivery to individuals with Fetal Alcohol Syndrome is only a small portion of the overall impact of prenatal exposure to alcohol and the resulting birth defects and disabilities. Beginning in 2000, the State of Alaska began extensive efforts to improve and expand the ability to appropriately diagnose individuals prenatally exposed to alcohol. In 2005, Alaska has a broad and regionally diverse network of diagnostic teams across the state.[18] Data collected from these teams indicate that from July 2000 through March 2005 teams have conducted 755 FASD diagnostic assessments. Of this number, 76 (10.0 percent) were diagnosed with FAS or atypical FAS; 378 (49.9 percent) were diagnosed with Static Encephalopathy; 251 (32.2 percent) were diagnosed with Neurobehavioral Disorder; and 50 (6.6 percent) were found to have no evidence of organic brain damage.

What this data indicates is that the costs associated with all alcohol-related births are much higher than those estimated just for individuals with FAS. And, as noted in the break-through research of Dr. Ann Streissguth in 1996 (Understanding the Occurrence of Secondary Disabilities in Clients with Fetal Alcohol Syndrome [FAS] and Fetal Alcohol Effects [FAE]), individuals with FAE (what is now referred to as FASD) are more likely to develop secondary disabilities and need more services than those with Fetal Alcohol Syndrome and the associated facial dysmorphology. For Alaska and the economic costs associated with all fetal alcohol spectrum disorders, the costs could be as much as 80 percent higher than indicated for FAS alone.

Economic Cost of Fetal Alcohol Syndrome

The cost of caring for and providing appropriate services to a person with FAS can be significant. These costs may include neonatal care for low birth weight to special speech therapy, behavioral management, or residential care for adults with FAS. Lifetime costs for care for children born in 2003 with FAS are estimated below. However, these costs are excluded from the total health care costs for 2003, as the component of that expenditure in 2003 alone cannot be determined.

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[16] CDC, *Tracking Fetal Alcohol Syndrome*, www.cdc.gov/ncbddd/fas/fassurv.htm

[17] National Organization on Fetal Alcohol Syndrome, *What are the Statistics and Facts about FAS and FASD?*, www.nofas.org/faqs.aspx?id=12

[18] For information on available services go to http://health.hss.state.ak.us/fas/teams/default.htm).

Methodology

To estimate the economic costs from FAS, the research team first determined the number of live births with FAS in Alaska. The Alaska Department of Health and Social Services has closely monitored incidence of FAS in the state since 1998, as part of a U.S. Centers for Disease Control (CDC) monitoring program called the Fetal Alcohol Syndrome Surveillance Network (FASSNet), the ongoing Alaska FAS Surveillance Project and the Alaska Birth Defects Registry. The development of 13 community-based FASD diagnostic teams across Alaska has also assisted in the collection of data related to both FAS and other alcohol-related disabilities included in the FASD umbrella definition.

The Alaska FAS Surveillance Project data collection system is based on reports to the Alaska Birth Defects Registry, and uses medical chart data points to identify children with FAS or other prenatal alcohol-related conditions. DHSS staff consider the surveillance program to be highly rigorous. Alaska clinicians and case workers use a diagnostic process developed by researchers at the University of Washington Fetal Alcohol Syndrome Diagnostic and Prevention Network. Reporting of birth defects to the state registry is mandated by Alaska law. While Alaska's FAS surveillance system is believed to capture the majority of prenatal alcohol-related cases, it is possible that underreporting could make the incidence rate even higher.

For birth years 1995 to 1999, the incidence rate of FAS in Alaska is 1.5 per 1,000 live births.[19] This was the highest rate of the five states that were involved in developing the CDC FASSNet system. (The lowest rate was 0.3 FAS cases per 1,000 births.) However, the incidence of all prenatal alcohol-related conditions, including such conditions as alcohol-related birth defects (ARBD) and alcohol-related neurodevelopmental disorder (ARND), as well as FAS, is 16.3 per 1,000 live births. This incidence rate is assumed to be consistent in birth year 2003.

To estimate FAS costs in Alaska, the research team relied on data published in Health Professions Education Partnership Act of 1998 (Senate Bill 1754). The cost of treating an individual with FAS over his or her lifetime was estimated to be at least $1.4 million in 1995. These costs could include neonatal intensive care, medical and surgical services (not related to neonatal care), special speech therapy, behavioral management, and residential care. Medical and surgical service might include rectifying or monitoring hearing loss or cleft palate surgery. Residential services include special education, home care, speech therapy or institutional care. The 1995 data was adjusted for inflation using the Bureau of Labor Statistics Consumer Price Index for medical care. Additionally, costs of providing care were adjusted by the Alaska differential for cost of living (65 percent in 2003). The resulting total lifetime costs (in 2003 dollars) for providing services to an individual with FAS are estimated at $3.1 million.

The total cost for providing services to an individual with FAS born in Alaska during 2003 was estimated by multiplying the lifetime costs by the number of FAS births during that period.

Results

Table 18 presents estimated costs for FAS births in Alaska during 2003. During that period, Alaska had about 15 FAS births. Total economic costs resulting from services to all individuals with FAS in Alaska totaled approximately $47.0 million.

[19] *Susan Merrick, FAS Surveillance Project Manager, Alaska Department of Health and Social Services, personal communication, July 2005.*

Table 18
Lifetime Costs of Medical and Residential Services for Children Born with FAS in 2003

	Incidence and Costs
Alaska births in 2003	10,084
FAS incidence per 1,000 live births	1.5
FAS births	15
Lifetime FAS cost	**$47,037,000**

Source: Birth data from the Alaska Bureau of Vital Statistics. McDowell Group, based on FAS data from Alaska Department of Health and Social Services; and Health Professions Education Partnership Act of 1998, S. 1754, 108d Congress (1998).

AIDS and HIV Costs

Intravenous drug abuse among individuals who share unhygienic needles is a significant cause of AIDS and HIV. Although AIDS and HIV no longer require extensive inpatient medical care, both result in high medical expenses worth measuring separately from the hospital and outpatient costs presented above (NIDA/NIAAA, 1998).

Methodology

The State of Alaska Department of Health and Social Services Epidemiology Section compiles data on HIV and AIDS diagnoses in the state. While the section does not track individuals with HIV and/or AIDS diagnoses, it does compile cumulative counts of the number of diagnoses in the state since the first known HIV diagnosis. Of the known cases of HIV and/or AIDS, 13 percent are associated with intravenous drug use. In addition, the Epidemiology Section tracks known deaths. The section does not track the whereabouts of diagnosed individuals, and as a result no data exists regarding the number of HIV/AIDS patients who may have moved away from Alaska. For the purposes of these estimates the research team assumes that 100 percent of diagnosed individuals remain in the state, though it is recognized that this may not be the case. Additionally, we assume that 100 percent of the known deaths occurred among individuals who had been diagnosed with AIDS, although data is not available on specific cause of death.

Two steps were used to calculate other drug-related AIDS and HIV medical costs. First, AIDS and HIV costs were estimated by applying annual medical expenses from the NIDA/NIAAA (1998) study to the number of known Alaska AIDS and HIV patients in 2003. Cost data was adjusted for inflation and the cost of health care in Alaska using the same sources and methods previously reported. Annual medical expenses for each Alaska HIV patient were estimated at $30,600, while medical expenses for each AIDS patient were $68,200.

The second step was to determine the percent of AIDS and HIV medical expenses that can be attributed to other drug abuse. The Epidemiology Section reported that approximately 13 percent of AIDS and HIV cases were attributed to intravenous drug abuse. This attribution rate was then applied to medical costs for AIDS and HIV patients.

Based on the data from the Alaska Division of Public Health, a total of 597 individuals with HIV or HIV/AIDS lived in Alaska in 2003. Of those, an estimated

295 had HIV without AIDS and 302 had HIV with AIDS. An estimated 13 percent of these individuals contracted HIV through intravenous drug use.

Although the following cost estimates are limited only to those caused by intravenous drug abuse, alcohol abuse is a risk factor in contracting AIDS and HIV from unprotected sex.

Results

An estimated 78 HIV and HIV with AIDS cases in Alaska are attributable to intravenous drug use. Medical costs for treating these patients in 2003 were approximately $3.8 million. Table 19 presents the number of HIV and HIV with AIDS cases and annual medical expenses for these cases.

Table 19
Annual Medical Expenses per AIDS and HIV Case
Due to Other Drug Abuse in Alaska, 2003

	Annual Medical Expenses per Patient	Number of AIDS and HIV Patients	Total Costs due to Drug Abuse
HIV Positive	$30,600	38	$1,172,000
AIDS	$68,200	39	$2,678,000
Total	**n/a**	**78**	**$3,850,000**

Source: McDowell Group, based on AIDS and HIV case numbers from Alaska Department of Health and Social Services, Division of Public Health; and annual medical expense data from The Economic Costs of Alcohol and Drug Abuse in the United States – 1992 (NIDA/NIAAA, 1998).

Hepatitis B and C Costs

Intravenous drug abuse and sharing unhygienic needles are leading contributors to hepatitis B and C in Alaska. In fact, intravenous drug use is the largest contributor to hepatitis C. Hepatitis B and C have been linked to cirrhosis and primary hepatic cancer.

Methodology

Approximately 12 percent of hepatitis B cases and 36 percent of hepatitis C cases can be attributed to intravenous drug abuse (NIDA/NIAAA, 1998). According to the Alaska Department of Health and Social Services, there were 8 cases of hepatitis B and 952 cases of hepatitis C reported in the state in 2003. Hepatitis B infection is accompanied by acute illness, and reported cases in 2003 likely accurately represent the number of people seeking care for hepatitis B in that year. However, hepatitis C is not necessarily accompanied by acute symptoms, though long-term costs of care are generally far more significant. Due to limited data on the disease stage[20] and how many patients were cured, the report estimates the cost of treating only those hepatitis C cases reported by the Alaska Division of Public Health in 2003.

Medical expenses for hepatitis B and C were presented in the NIDA/NIAAA (1998) study by stage. Since data is limited for hepatitis B and C in Alaska, medical expenses from the NIDA/NIAAA study were averaged. Adjusting for inflation and Alaska health costs, the annual average medical expense is $3,400 for treating hepatitis B and $14,900 for hepatitis C. These costs were applied to all other drug

[20] Incubation, acute, and persistent are the three stages of hepatitis.

abuse-related hepatitis B and C cases reported in 2003 by the Division of Public Health. However, it should be pointed out that most hepatitis B and C cases required only monitoring of the disease, which is relatively inexpensive. Hepatitis B cases generally require intensive treatment but limited long-term care, while hepatitis C cases may require low levels of treatment over an extended time, leading toward intensive treatment in later stages of the disease. The study provides an approximate cost of treating hepatitis B and C cases that were newly reported during 2003.

Results

In Alaska, intravenous drug abuse attributed to one hepatitis B case and 343 hepatitis C cases during 2003. Total annual medical costs for intravenous drug abuse-related hepatitis B were $3,000. Costs associated with the treatment of hepatitis C attributed to intravenous drug abuse were an estimated $5.1 million. Table 20 presents total medical costs and number of cases for hepatitis C in Alaska during 2003.

Table 20
Annual Medical Expenses per Hepatitis C Case
Due to Drug Abuse in Alaska, 2003

	Annual Medical Expenses per Patient	Number of Patients	Total Costs due to Drug Abuse
Hepatitis C	$14,900	343	$5,114,000

Source: McDowell Group, based on hepatitis B and C case numbers from the Alaska Department of Health and Social Services; and annual medical expense data from The Economic Costs of Alcohol and Drug Abuse in the United States – 1992 (NIDA/NIAAA, 1998).
Hepatitis B costs were not included in the table because costs were insignificant compared to Hepatitis C ($3,000).

A significant percentage of individuals with serious mental illness also are users of or dependent upon drugs and/or alcohol. Similarly, rates of serious mental illness among individuals who experience drug and/or alcohol dependence or abuse are significantly higher than among the general population. Research also indicates that adults with co-occurring serious mental illness (SMI) and substance abuse disorders are more likely to receive treatment for their mental illness than for their substance dependence.

The State of Alaska is currently undergoing a process to integrate substance abuse treatment and mental health services in the state so that individuals in need of care can receive coordinated treatment for any co-occurring disorders. In addition, the state introduced an initiative in 2004 called Bring the Kids Home. The purpose of BTKH is to support the development of in-state residential psychiatric treatment capacity for Alaskan children and youths. Though still in its nascent stage, there are already measurable impacts from the initiative.

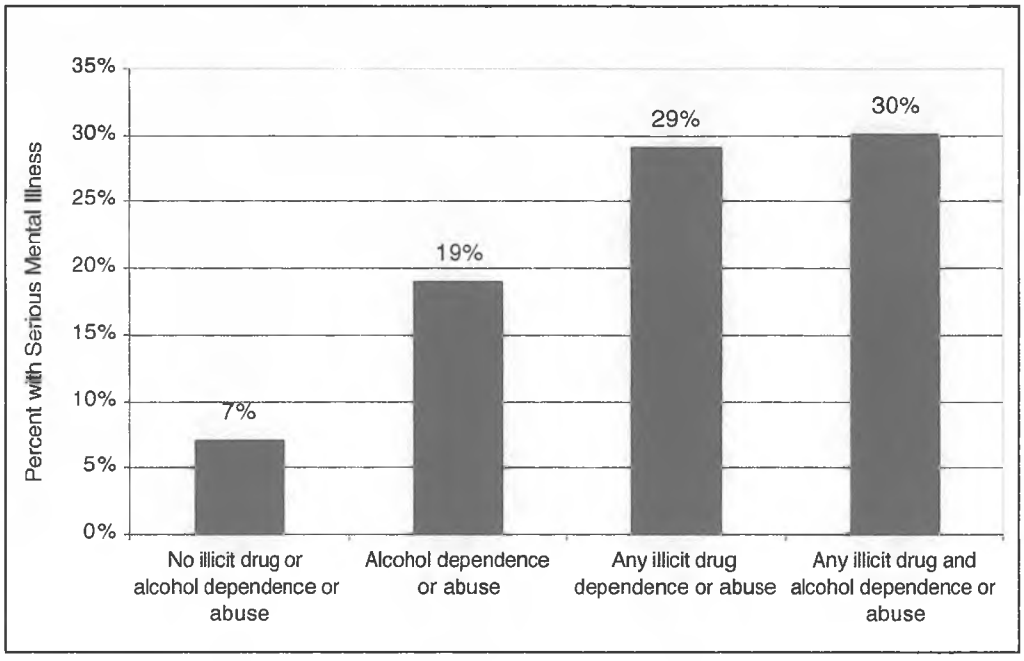
The U.S. Substance Abuse and Mental Health Services Administration (SAMHSA), Office of Applied Studies published a report in 2004 on *Serious Mental Illness and Its Co-Occurrence with Substance Use Disorders* for the year 2002. The report provides data on co-occurrence of mental illness and substance dependence or abuse, as well as comparative data on the rates of treatment for individuals with these conditions, alone or in combination.

Co-Occurrence of Serious Mental Illness and Substance Dependence or Abuse

The prevalence of serious mental illness (SMI) among adults who have a substance use disorder is significantly higher than among adults who do not. Nineteen percent of adults who are dependent upon or who abuse alcohol had SMI in 2002, as did 29 percent of those with illicit drug dependence or abuse, and 30 percent of those with both drug and alcohol abuse or dependence. By contrast, only 7 percent of adults who have no substance use disorder experienced SMI (see Figure 5).

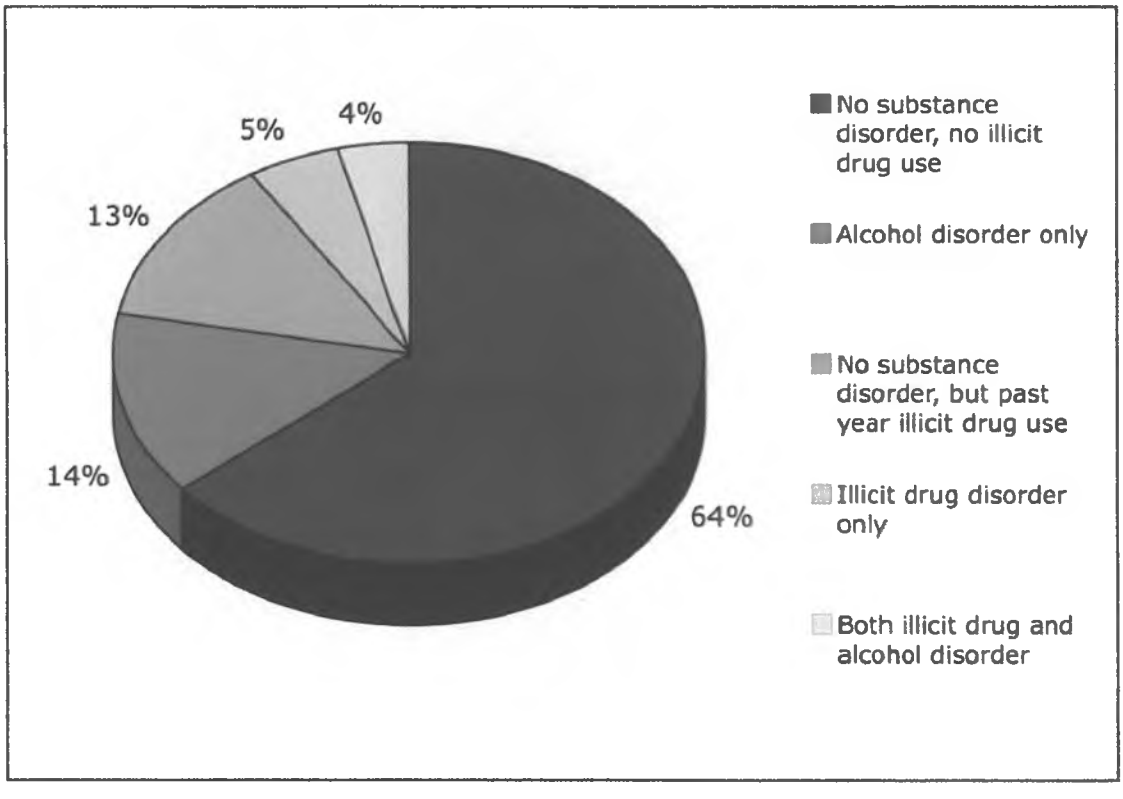
This data clearly shows that serious mental illness is much more likely to occur among the drug and/or alcohol dependent population. Likewise, among the population of adult Americans who experience serious mental illness, significant percentages of individuals are likely to have a drug and/or alcohol dependency or abuse. Of 17.5 million adults aged 18 or older who experienced SMI in 2002, 14 percent had an alcohol disorder only, 13 percent had no substance abuse disorder but had nevertheless used illicit drugs in the past year, 5 percent had an illicit drug disorder only, and another 5 percent had both illicit drug and alcohol disorders. In total, 46 percent of the population with SMI had drug or alcohol disorders or abuse, alone or in combination (see Figure 6.)

Figure 5
Serious Mental Illness among Adults Aged 18 or Older, by Substance Dependence or Abuse, 2002



Source: SAMHSA, Office of Applied Studies, National Survey on Drug Use and Health, 2002.

Figure 6
Substance Use Disorder Among Adults With Serious Mental Illness, 2002



Source: SAMHSA, Office of Applied Studies, National Survey on Drug Use and Health, 2002.

These data clearly show that there is a strong correlation between alcohol and or substance dependence and serious mental illness.

The analysis of the use of treatment services for either SMI or for substance dependence in the SAMHSA report revealed interesting trends in the treatment services accessed by affected individuals. Individuals with SMI only, and no substance abuse disorder, were most likely (48 percent) to receive mental health treatment. Among those individuals with SMI and substance dependence, 46 percent received only mental health treatment, while 14 percent received only specialty substance use treatment. Only 12 percent received treatment for both SMI and a substance abuse disorder. In addition, adults with SMI co-occurring with illicit drug dependence or abuse were more likely to receive mental health treatment (54 percent) than those adults who had SMI co-occurring with alcohol dependence or abuse (43 percent).

Adults who had co-occurring SMI and substance dependence or abuse were more likely to receive specialty substance use treatment than adults with substance disorders but no SMI (14 versus 5 percent).

In 1999, the Gallup Organization conducted a household telephone survey in Alaska and determined that 9.7 percent of the population aged 18 and over abused or was dependent on alcohol. Applying this percentage to the 2002 adult population in Alaska of 448,000 would result in an estimated 43,500 alcohol dependent adults in that year. Based on the co-occurrence rates presented in the SAMHSA (2002) study, this means an estimated 8,300 Alaskans had co-occurring alcohol dependence or abuse and serious mental illness in 2002. However, the Gallup survey did not assess the percentage of Alaskans whose alcohol dependence was accompanied by illicit drug dependence or abuse. It is reasonable to assume that some of the 8,300 alcohol dependent Alaskans also had illicit drug dependence or abuse. The prevalence of SMI among adults with both alcohol dependence and illicit drug use is significantly higher (30 percent versus 19 percent for alcohol only), so it is likely that the number of Alaskan adults with co-occurring SMI and alcohol and/or illicit drug dependence or abuse is even higher.

Bring the Kids Home Initiative

Like adults, children and youth experience co-occurring mental and substance abuse disorders. According to the SAMHSA Report to Congress, 2002, researches have found a link between substance abuse disorders and behavioral and mental/emotional disorders in youth. The 2001 National Household Survey on Drug Abuse found that 26 percent of 12 to 17-year-olds who had used illicit drugs in the past year had also received treatment or counseling for behavioral or mental health issues. This compared to only 16 percent of youths who had not used illicit drugs (SAMHSA, 2002).

In Alaska, there are a limited number of residential mental health treatment facilities for children and youth. When children and youth need intensive mental health treatment they often must travel to facilities outside of the state. However, according to the Alaska Division of Behavioral Health and the Mental Health Trust Authority, out-of-state treatment may not be as beneficial as services delivered close to home. Possible disadvantages of out-of-state services may include less therapeutic benefit for children and their families, longer lengths of stay and higher risk of readmission, and transitional difficulties.

To address the high rates of out-of-state institutionalization, the State of Alaska launched the "Bring the Kids Home Initiative" to support the development of in-state infrastructure and treatment opportunities for youth and children. Since the program inception in late 2004, several steps have been taken to position the state to achieve these goals. Three workgroups have been established, including one that is working to identify means to support the establishment of services and service providers in Alaska and one that is identifying ways to support the development of a treatment professional workforce. A third work group, made up of three mental health clinicians, reviews the cases of children who are under consideration for out-of-state treatment, and tries to redirect cases within the state whenever clinically possible and appropriate.

Prior to the launch of the BTKH initiative, Alaska had seen a stark increase in the number of children in out-of-state residential psychiatric treatment centers (RPTCs). There was a 200 percent increase in the number of children covered by Medicaid who received treatment in an out-of-state RPTC from 2000 to 2004. This was accompanied by a 280 percent increase in the cost of those services, from $9.9 million in 2000 to $37.8 million in 2004.

Preliminary fiscal year 2005 data, however, shows that more children were able to receive treatment in Alaska facilities. The number of children receiving services in out-of-state treatment facilities through Medicaid decreased from the previous year, and the percentage of Alaskan children receiving treatment services in-state rose to 29 percent from 22 percent the previous year. In addition, 71 children who were in out-of-state facilities have been transferred to treatment facilities within Alaska since the program inception. Additionally, there was a drop in out-of-state spending on RPTC care.

Table 21
Medicaid Residential Treatment Care Expenditures,
State Fiscal Years 2001 to 2005

	SFY01	SFY02	SFY03	SFY04	SFY05 preliminary
In-State	8,243,000	9,230,000	10,093,000	11,532,000	12,659,000
Out-of-State	17,609,000	21,752,000	30,915,000	37,794,000	34,044,000
Total	**$25,852,000**	**$30,982,000**	**$41,008,000**	**$49,326,000**	**$46,703,000**

Source: Division of Behavioral Health, "Bring the Kids Home Indicators: Baseline Data State Fiscal Years 1998-2004," May 2005; and "Bring the Kids Home Indicators: SFY05 Supplemental Data—Preliminary," August 2005.
Note: Claims for state fiscal year 2005 are still being processed; final numbers will likely be higher.

While the state continues to process insurance claims for FY05 treatment services, HSS staff indicated that the trends reflected in the preliminary data are likely representative of overall change. While expenditures for the program were modest in FY05 ($100,000), HSS staff said awareness of the BTKH initiative in the treatment community likely drove some of the shift toward Alaska-based treatment. The BTKH initiative has a budget of $2.4 million for FY06.

Needy Alaskans who qualify for public assistance receive cash and food stamps and other social services from the state. A portion of the public assistance expenditures can be attributed to alcohol and other drug abuse. As noted earlier in the report, alcohol and other drug dependence can result in reduced income, trouble finding and holding a job, or even a disability, all of which may qualify the individual for public assistance. This chapter looks briefly at the economic costs of alcohol and other drug abuse-related public assistance.

Methodology

Different methods were used to estimate the costs of alcohol and drug abuse-related public assistance at the state and federal levels. At both levels, only administrative costs of programs were considered as public assistance payments are a redistribution of income and not an actual cost to society.

At the federal level, there are two sources of public assistance costs. The first is former Supplemental Security Income (SSI) and Old Age, Survivors, and Disability Insurance (OASDI) recipients. National administrative cost figures were used to estimate the Alaska-specific portion of the federal programs, using the assumption that costs were proportional to the number of recipients. NIDA/NIAAA (1998) attribution rates were used to estimate the proportion of total costs that are attributable to drug and alcohol abuse. For SSI and OASDI recipients, 1.7 percent of the cases were related to alcohol and other drug abuse.

At the state level, public assistance programs include the Alaska Temporary Assistance Program (ATAP) and food stamp programs, and other programs such as energy assistance and child care assistance. Again, NIDA/NIAAA (1998) attribution rates were used to estimate the cost attributable to substance abuse.

For ATAP and other state programs, 4.1 percent of the cases were related. Because Alaska's dependency rates are more than twice national rates, attribution rates published in the NIDA/NIAAA (1998) study likely provide a conservative estimate of Alaska's true administration costs from public assistance. However, the lack of Alaska attribution rates for alcohol and other drug abuse-related public assistance necessitates the use of these national attribution rates published in the NIDA/NIAAA study.

Results

Administration costs from alcohol and other drug abuse-related public assistance was approximately $4.1 million in Alaska during 2003. The largest contributor was administration of payments for Alaska Temporary Assistance Program, food stamps and other state-administered assistance programs at $4.0 million, while administrative costs from former OASDI and SSI recipients totaled $170,000.

The cost of underage drinking in Alaska is a component of many of the alcohol and drug abuse-related costs already identified in this study. However, it is informative to examine specifically underage drinking costs, to place such costs in perspective relative to overall costs associated with alcohol and other drug abuse in Alaska.

This study did not include research focused on underage drinking costs. However, data from other sources is available. The Pacific Institute for Research and Evaluation (PIRE) has produced national and state-level estimates of the cost of underage drinking. PIRE data indicates that medical care costs and loss of work costs in Alaska totaled $128 million in 2001. PIRE also placed "pain and suffering" costs at $353 million. The following table provides more detail on specific sources of underage drinking costs in Alaska.

Table 22
Costs of Underage Drinking in Alaska, by Problem, 2001

	Total Costs (in millions)
Youth Violence	$329.7
Youth Traffic Crashes	77.7
High-Risk Sex, Ages 14-20	13.9
Youth Property Crime	7.6
Youth Injury	26.9
Poisonings and Psychoses	2.6
FAS Among Mothers Age 15-20	3.3
Youth Alcohol Treatment	18.9
TOTAL	$480.7

Source: Pacific Institute for Research and Evaluation (PIRE), March 2004. Posted at http://www.udetc.org/UnderageDrinkingCosts.asp

As indicated above, many of these costs have been captured in other sections of this report. The largest component of underage drinking costs, as measured by PIRE, are pain and suffering-related costs, which are not addressed at all (for adults or youth) in this report. While it is likely that some of the direct medical and work loss costs identified in the PIRE study are not reflected in this report, the potential for double-counting is high, therefore none of the costs reported in Table 22 are added to the grand total costs related to alcohol and drug abuse in Alaska, as measured in this study. Research beyond the scope of this study would be required to identify specific components of costs reported in the PIRE report that are not captured in the McDowell Group report.

Although this report concentrates on quantifying the costs of alcohol and other drug abuse, there are some measurable economic benefits associated with the sale of alcohol. The most obvious benefit is employment. Jobs related to alcohol sales include manufacturing, wholesale trade and retail trade. Alcohol excise tax revenues go into Alaska's unrestricted general-fund budget. Other benefits, including indirect employment impacts from alcohol manufacturing and sales, are more difficult to measure and beyond the scope of this study. Earnings from these jobs help employ other residents who are not directly linked to the alcohol industry.

This chapter looks briefly at the direct employment benefits from the alcohol industry and discusses the excise tax collected from the sale of alcohol beverages.

Methodology

To measure the employment and earnings related to manufacturing and sales of alcohol, the research team relied on data published in the 2003 Employment and Earnings Report by Alaska Department of Labor and Workforce Development, Research and Analysis Division. Employment and earnings data was collected for the following industries:

- Breweries & Wineries (NAICS 31212, 31213)
- Wholesale trade for beer, wine, and distilled beverages (NAICS 4248)
- Beer, Wine, Liquor stores (NAICS 4453)
- Drinking places, Alcoholic (NAICS 7224)

Total tax revenue collected in FY2004 from the sale of alcohol beverages was published in the Tax Division Annual Report of Division Operations, by the Alaska Department of Revenue. Per gallon tax rates on alcoholic beverages were increased, on October 1, 2002, from $0.35 to $1.07 for beer, $0.85 to $2.50 for wine and $5.60 to $12.80 for liquor. As of that same date, 50 percent of the revenue is deposited in the Alcohol and Other Drug Abuse Treatment and Prevention Fund.

Results

Table 22 presents employment and earnings for alcohol-related commerce and manufacturing industries in Alaska during 2003. Total employment related to the sale of alcoholic beverages in Alaska was approximately 3,000 jobs with earnings of $62 million. Drinking establishments accounted for the most employment at approximately 1,800 jobs with $26 million in payroll.

Table 23
Employment and Earnings for Alcohol-Related Industries in Alaska, 2003

Industry	Employment	Earnings (millions)
Breweries and Wineries	90	$3.0
Wholesale trade	413	17.1
Retail trade: Liquor stores	672	15.9
Retail trade: Drinking places	1,815	25.8
Total	**2,990**	**$61.8**

Source: 2003 Employment and Earnings Report, Alaska Department of Labor and Workforce Development, Research and Analysis Division.

Total tax revenue collected from the sale of alcohol beverages in Alaska was $32.7 million during FY 2004. This includes $14.1 million collected on sales of 1.1 million gallons of liquor, $4.3 million collected on sales of 1.7 million gallons of wine, and $14.3 million collected on sales of 14.7 million gallons of beer. Contributions of unrestricted revenue to the General Fund totaled $16.4 million, with an equal amount contributed to the fund for alcohol and drug abuse treatment programs.

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Alaska Wine & Spirits Wholesalers Association

March 19, 2012

Dear Alaska Legislators:

The Alaska Wine and Spirits Wholesalers Association (AWSWA) and Alaska Cabaret, Hotel, Restaurant & Retailers Association (CHARR) support depositing 100 percent of the receipts from the existing Alcoholic Beverage Tax into the Alcohol and Other Drug Abuse Treatment and Prevention Fund, and request that these funds be allocated into the budget to provide additional treatment services rather than supplanting current services.

Currently, only half of the revenue from the existing alcohol tax is used for substance abuse treatment and prevention. Alaska consistently ranks among the top five states for alcohol and drug dependence. Alaskans who seek treatment must be able to find and enter into treatment programs. There are far too few options available, and when someone needs help they often face long wait times. Substance abuse treatment services continue to be underfunded statewide, leaving individuals to continue the costly and tragic cycle of addiction.

According to the Federation of Tax Administrators, Alaska's alcohol tax is 3.5 to 4 times the national average which means Alaska has one of the highest excise tax rates on alcohol in the nation. These taxes produce over 38 million dollars annually, but sadly the majority of this tax revenue is not used to combat the problems related to the abuse and misuse of alcohol.

Alaska's hospitality industry pays the state government its fair share in taxes, and we support the use of this revenue to provide cost-effective, readily available treatment. Alaska CHARR and AWSWA respectfully requests that you support SB221, to ensure 100 percent of the existing alcohol tax revenue goes towards substance abuse treatment.

Sincerely,

Don Grasse, President, K&L Distributors

Joel Kadarauch, VP, Odom Corporation

Dale G. Fox, CAE, President & CEO, Alaska CHARR

Nine Star Enterprises

Education and Employment Services
"We Develop Alaska's Workforce!"

March 9, 2012

716 W. 4th Ave. Ste. 500
Anchorage AK 99501-2133
Attention to: Senator Johnny Ellis

Dear Members of the Senate Finance Committee,

Thank you for introducing Senate Bill 221 to allocate 100 percent of existing alcohol tax revenue to the Alcohol and Other Drug Abuse Treatment and Prevention Fund (ADTP). In 2002, State Representative Lisa Murkowski championed HB225 to raise the alcoholic beverage tax and establish the ADTP to help provide much-needed revenue for expanded substance abuse treatment and diversion programs. Since 2003, only half of the funds collected from the existing alcohol tax have been appropriated to the ADTP. While the political reasoning for the fund was to expand treatment, decreases in general fund spending have left overall funding for substance abuse treatment and prevention reduced or stagnant.

Despite the increasing need for more substance abuse treatment and prevention, these programs are historically underfunded. Providers throughout the state report treatment beds are full to capacity, long waiting lists exist for services they offer, and there are numerous requests for services they can't provide. According to the Federation of Tax Administrators, Alaska's alcohol tax is 3.5 to 4 times the national average which means Alaska has one of the highest excise tax rates on alcohol in the nation. These taxes produce over 38 million dollars annually, but sadly the majority of this tax revenue is not used to combat the problems related to the abuse and misuse of alcohol.

Alaska consistently ranks among the top 5 states for alcohol and drug dependence. Not only does substance abuse have an extreme economic impact on the state, estimated at $738 million annually in health care costs, traffic crashes, criminal justice and public assistance, substance abuse is a reportedly a factor in 85% of sexual assault and domestic violence cases, and a contributing factor in 70% of child abuse and neglect cases. We cannot continue to ignore the substance abuse epidemic in Alaska.

The Governor should be commended for his Choose Respect initiative. Senate Bill 221 is the logical next step. We can't stop the scourge of sexual assault and domestic violence without addressing the underlying issue of alcoholism and drug abuse. With a small statutory change, all monies collected from alcohol taxes can be put toward proven substance abuse treatment and prevention programs. The time to act is now.

Thank you for your leadership on this crucial issue. Sincerely,

David S. Alexander, President
Nine Star Education and Employment Services

Partners For Progress
1326 K Street
Anchorage, AK 99501
Ph: (907) 272-2119
Fax: (907) 272-2893
www.partnersforprogressak.org

Subject: Senate Bill 221

March 15, 2012

Dear Members of the Senate Finance Committee:

At our March 15, 2012 meeting, the Board of Directors of Partners for Progress discussed Senate Bill 221. We voted unanimously to support this bill.

Since 1999 Partners for Progress has been closely involved in the work of Alaska's Legislature, Administration, and the Court System to identify "Smart Justice" measures that better protect the public while reducing the human and monetary costs of incarceration. This year's Legislative Crime Summit highlighted a number of tested and proven measures that achieve this goal. Most involve substance abuse prevention and treatment.

Prevention and treatment of substance abuse is at the core of "Smart Justice". Providing additional funding to address the scourge of alcohol and drug abuse that underlies much of the crime in Alaska is an essential step towards curbing Alaska's ever-growing costs of incarceration while improving public protection. We urge your support for Senate Bill 221.

Respectfully,

Janet McCabe

Janet McCabe,
Chair, Partners for Progress

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730 I Street • Anchorage, AK 99501• (907) 279-7827 Phone • (907) 279-3299 Fax

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Respectfully,

Janet McCabe

Janet McCabe,
Chair, Partners for Progress

Advisory Board on Alcoholism and Drug Abuse

abada amhb

Alaska Mental Health Board

ALASKA MENTAL HEALTH BOARD
ADVISORY BOARD ON ALCOHOLISM AND DRUG ABUSE
431 NORTH FRANKLIN STREET, SUITE 200
JUNEAU, ALASKA 99801
(907) 465-8920

March 16, 2012

Senator Johnny Ellis
Alaska State Capitol, Room 103
Juneau, Alaska 99801

Re: Letter of Support for SB 221

Dear Senator Ellis,

The Alaska Mental Health Board and Advisory Board on Alcoholism and Drug Abuse support SB 221, a bill to ensure that the revenue from our state's alcohol taxes is used to prevent and treat substance abuse. We appreciate your work, and that of the Senate Finance Committee, to address this issue.

Our Boards have long held the position that funds available from the alcohol tax were intended to supplement and not supplant existing general fund (GF) monies for behavioral health. The legislative intent of the alcohol tax was clearly to supplement existing funding for behavioral health services. This is clear from then state Representative Lisa Murkowski's sponsor statement: the alcohol tax fund "would help provide revenue needed for the expanded treatment, therapeutic courts, diversion programs and other initiatives" then being considered by the Legislature.

Alaska consistently ranks among the states with the highest rates of binge drinking.[1] Indigenous Americans report higher rates of alcohol dependence than other ethnicities in America.[2] Alaska's alcohol taxes produce over $38 million annually. Only half of the revenue from the existing alcohol tax is expressly allocated for substance abuse treatment and prevention.

Our concern is that funds from the alcohol tax fund have been used instead of GF dollars rather than in addition to GF dollars. The result is that substance abuse treatment services continue to be underfunded statewide, leaving individuals to continue the costly and tragic cycle of addiction.

---

[1] "Prevalence of Binge Drinking Among Adults, 2010," Centers for Disease Prevention and Control *citing* Behavior Risk Factor Surveillance System data (geographic representation of state rates available online at http://www.cdc.gov/alcohol/data-stats.htm).

[2] *The NSDUH Report*, "Alcohol Dependence or Abuse: 2002, 2003, 2004" (Issue 16, 2006) (online at http://www.samhsa.gov/data/2k6/alcDepend/alcDepend.htm).

In 2005, the Advisory Board on Alcoholism and Drug Abuse published findings on the economic costs of alcoholism and other drug abuse in Alaska:

- $367 million due to productivity loss in the workplace;
- $154 million on criminal justice and protective services;
- $178 million on health care;
- $35 million on traffic crashes; and
- $4 million for public assistance.[3]

Accessible and effective community-based alcohol and drug treatment is essential to reducing society's financial burden from problems associated with alcohol and drug abuse. Even beyond helping to alleviate the enormous physical and psychological costs, access to treatment and recovery supports diminishes the huge financial consequences imposed on employers and taxpayers.

Our board members expressly support the effort to ensure that 100 percent of Alaska's alcohol tax revenue goes to substance abuse treatment and prevention programs. We appreciate your work to improve access to these important services – for the health of all our neighbors and our communities.

Sincerely,

J. Kate Burkhart
Executive Director

cc: Robert Coghill, Jr., Chairman ABADA
Dan Meddleton, Chairman AMHB

[3] *Economic Costs of Alcohol and Other Drug Abuse in Alaska, 2005 Update*, McDowell Group Research-Based Consulting (December 2005) at 2-4 (available online at http://www.hss.state.ak.us/abada/).

ALASKA FEDERATION
OF NATIVES

March 16th, 2012

The Honorable Senate Finance Committee
State Capitol Building, Room 532
Juneau, Alaska 99801

Dear Senate Finance Committee Members,

On behalf of the Alaska Federation of Natives we would like to state our support for Senate Bill 221 to allocate 100 percent of the money collected by the existing alcohol tax to the Alcohol and Other Drug Abuse Treatment and Prevention Fund. It is clear that you recognize the negative effect of alcohol and drug addiction on the health and safety of Alaska Natives and you are actively seeking solutions that will reduce that impact.

We advocate for this bill on behalf of our membership wishes for a healthy future for all of Alaska. AFN represents 230 villages, through themselves or the 11 Regional Non-profits, and 12 Regional ANSCA corporations that are also members.

Senate Bill 221 is in alignment with AFN's commitment to ensuring healthier Alaska Natives. Many of the health challenges facing Alaska Natives are tied to behavioral health conditions; chief among these is substance abuse.

- 1 in 11 Alaska Native deaths is alcohol-induced
- Alcohol was the fourth leading cause of death from 1993 to 2002 (Alaska Bureau of Vital Statistics)
- Alcohol contributed to 85% of reported domestic violence cases and 80% of reported sexual assault cases between 2000-2003 (ISER, Status of Alaska Native Report, 2004)

Senate Bill 221 will help us fulfill our mission by allocating nearly 40 million dollars for substance abuse treatment and prevention services statewide. These programs continue to be underfunded leaving desperate individuals to continue the costly and tragic cycle of addiction.

Should you have any questions about our position, please feel free to contact me at (907) 274-3611.

1577 C Street, Suite 300 • Anchorage, Alaska 99501 • tel 907.274.3611 • fax 907.276.7989 • www.nativefederation.org

Sincerely,

Julie Kitka

Julie Kitka, President

Alaska Federation of Natives

1577 C Street, Suite 300 • Anchorage, Alaska 99501 • tel 907.274.3611 • fax 907.276.7989 • www.nativefederation.org

Catholic
Social Services

3710 East 20th Avenue, Anchorage, AK 99508 • (907) 222-7300 • Fax (907) 258-1091 • www.cssalaska.org

March 19, 2012

Senator Hoffman, Finance Committee Co-chair
State Capitol Room #518
Juneau, AK 99801

Senator Stedman, Finance Committee Co-chair
State Capitol Room # 516
Juneau, AK 99801

RE: **SB 221 – An Act relating to the disposition of proceeds from the alcoholic beverage tax and to the alcohol and other drug abuse treatment and prevention fund.**

Dear Senators Hoffman, Stedman and members of the Finance Committee,

Catholic Social Services (CSS) is writing in strong support of Senate Bill 221. As one of the largest social service agencies in Alaska, we see first-hand the devastating impact of alcohol and drug abuse. CSS operates eight multi-faceted programs including two emergency homeless shelters, a home for teens, a food pantry, supportive housing, an adoption and pregnancy support program, services for individuals with disabilities, and a refugee resettlement & immigration program. During fiscal year 2011, CSS served 20,317 clients in Alaska.

Alcoholism and drug abuse are inextricably linked to Alaska's epidemic levels of domestic violence and sexual assault, suicide, child neglect cases, and rising corrections costs. According to a 2005 McDowell report, costs incurred as a result of substance abuse neared $738 million annually. With a small statutory change, all monies collected from alcohol taxes can be put toward proven substance abuse treatment and prevention programs.

I strongly urge you to join in support of SB 221 to allocate 100 percent of existing alcohol tax revenue to substance abuse treatment and prevention.

Sincerely,

Susan H. Bomalaski, Ph.D., LPC
Executive Director

Cc: Sen. Finance Committee: Senator Olson, Senator Egan, Senator Thomas, Senator Ellis, Senator McGuire
Sen. Health & Social Services Committee: Senator Davis (chair), Senator Meyer, Senator Dyson, Senator Ellis, Senator Egan

Providing Help
Creating Hope

COA
Council on Accreditation
Founded 1977

Submitted by: ASSEMBLY MEMBER FLYNN
Prepared by: Assembly Counsel
For reading: December 13, 2011

CLERK'S OFFICE
APPROVED
Date: 12-13-11

ANCHORAGE, ALASKA
AR NO. 2011–347

A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY IN SUPPORT OF ALLOCATING 100 PERCENT OF THE EXISTING ALCOHOLIC BEVERAGE TAX RECEIPTS TO FUND ADDITIONAL TREATMENT SERVICES IN RECOGNITION OF THE OVERWHELMING UNMET DEMAND FOR SUBSTANCE ABUSE TREATMENT IN ALASKA.

WHEREAS alcohol and drug abuse are an epidemic in Alaska; and

WHEREAS Alaska consistently ranks among the top five states for alcohol and drug dependence; and

WHEREAS Alaska ranks eighth nationally for the percentage of people ages 18 years and older who need but do not receive treatment for illicit drug use; and

WHEREAS alcohol is a factor in an estimated 85 percent of reported cases of domestic violence and 80 percent of sexual assaults; and

WHEREAS the 2005 Advisory Board on Alcohol and Drug Abuse through the Alaska Department of Health and Social Services found that the economic costs of alcoholism and other drugs in Alaska annually include $367 million due to productivity loss in the workplace, $154 million on criminal justice and productive services, $178 million on health care, $35 million on traffic crashes, and $4 million for public assistance; and

WHEREAS Treatment has been shown to have a benefit-cost ratio of 7:1, and the largest savings are due to reduced cost of crime and increased employer earnings; and

WHEREAS according to the latest federal Substance Abuse and Mental Health Services Administration (SAMHSA) reports, between 43,000 and 57,000 Alaskans age 12 or over abused or were dependent on alcohol or an illicit drug; and

WHEREAS under AS 43.60.050 (a), 50% of the taxes collected under the Alcoholic Beverage Tax (43.60.010) are deposited in the Alcohol and Other Drug Abuse Treatment and Prevention Fund; and

WHEREAS Alaska is projected to collect nearly $40 million in total existing alcohol tax receipts for Fiscal Year 2012; and

WHEREAS, there is an overwhelming unmet demand for substance abuse treatment in Alaska; and

WHEREAS tax monies collected from the sale of alcohol should be used to prevent and treat substance abuse; and

WHEREAS the Cabaret, Hotel, Restaurant & Retailers Association, Alaska Wine and Spirit Wholesalers, social service organizations, treatment providers, and faith-based organizations support increasing funds for substance abuse treatment in Alaska;

NOW THEREFORE BE IT RESOLVED that the Anchorage Assembly, in recognition of the overwhelming unmet demand for substance abuse treatment in Alaska, supports allocating 100 percent of the receipts from the existing Alcoholic Beverage Tax to fund additional substance abuse treatment services in Alaska, rather than supplanting current funding for the limited services presently available.

PASSED AND APPROVED by the Anchorage Assembly this 13th day of December, 2011.

Debbie Ossiander
Chair

ATTEST:

Barbara S. Jones
Municipal Clerk

ANCHORAGE
CHARR
CABARET, HOTEL, RESTAURANT & RETAILERS ASSOCIATION

December 6, 2011

Dear Assembly Members;

The Anchorage Cabaret, Hotel, Restaurant & Retailers Association (CHARR) supports depositing 100 percent of the receipts from the existing Alcoholic Beverage Tax into the Alcohol and Other Drug Abuse Treatment and Prevention Fund, and requests that these funds be allocated into the budget to provide additional treatment services rather than supplanting current services.

Currently, only half of the revenue from the existing alcohol tax is used for substance abuse treatment and prevention. Alaska consistently ranks among the top five states for alcohol and drug dependence. Alaskans who seek treatment must be able to find and enter into treatment programs. There are far too few options available, and when someone needs help they often face long wait times. Substance abuse treatment services continue to be underfunded statewide, leaving individuals to continue the costly and tragic cycle of addiction.

According to the Federation of Tax Administrators, Alaska's alcohol tax is 3.5 to 4 times the national average which means Alaska has one of the highest excise tax rates on alcohol in the nation. These taxes produce over 38 million dollars annually, but sadly the majority of this tax revenue is not used to combat the problems related to the abuse and misuse of alcohol.

Alaska's hospitality industry pays the state government its fair share in taxes, and we support the use of this revenue to provide cost-effective, evidence based and readily available treatment. Anchorage CHARR respectfully requests that you support this effort, and take action to ensure 100 percent of the existing alcohol tax revenue goes towards substance abuse treatment.

Sincerely,

S. Villamides

Silvia Villamides, executive director

SEARHC
SouthEast Alaska Regional Health Consortium

Behavioral Health Division
Gunaanastí / Déilee Hít
222 Tongass Drive
Sitka, Alaska 99835

Dear Members of the Senate Finance Committee,

Thank you for introducing Senate Bill 221 to allocate 100 percent of existing alcohol tax revenue to the Alcohol and Other Drug Abuse Treatment and Prevention Fund (ADTP). In 2002, State Representative Lisa Murkowski championed HB225 to raise the alcoholic beverage tax and establish the ADTP to help provide much-needed revenue for expanded substance abuse treatment and diversion programs. Since 2003, only half of the funds collected from the existing alcohol tax have been appropriated to the ADTP. While the political reasoning for the fund was to expand treatment, decreases in general fund spending have left overall funding for substance abuse treatment and prevention reduced or stagnant.

Despite the increasing need for more substance abuse treatment and prevention, these programs are historically underfunded. Providers throughout the state report treatment beds are full to capacity, long waiting lists exist for services they offer, and there are numerous requests for services they can't provide. According to the Federation of Tax Administrators, Alaska's alcohol tax is 3.5 to 4 times the national average which means Alaska has one of the highest excise tax rates on alcohol in the nation. These taxes produce over 38 million dollars annually, but sadly the majority of this tax revenue is not used to combat the problems related to the abuse and misuse of alcohol.

Alaska consistently ranks among the top 5 states for alcohol and drug dependence. Not only does substance abuse have an extreme economic impact on the state, estimated at $738 million annually in health care costs, traffic crashes, criminal justice and public assistance, substance abuse is a reportedly a factor in 85% of sexual assault and domestic violence cases, and a contributing factor in 70% of child abuse and neglect cases. We cannot continue to ignore the substance abuse epidemic in Alaska.

The Governor should be commended for his Choose Respect initiative. Senate Bill 221 is the logical next step. We can't stop the scourge of sexual assault and domestic violence without addressing the underlying issue of alcoholism and drug abuse. With a small statutory change, all monies collected from alcohol taxes can be put toward proven substance abuse treatment and prevention programs. The time to act is now.

Thank you for your leadership on this crucial issue.

Stewart Pook MBA ADM
Program Manager
Bill Brady Healing Center / Deilee Hit Safe Harbor House TX Centers
SEARHC
Sitka, AK 99835

2/20/12
Date

The TRUST

The Alaska Mental Health Trust Authority

March 16, 2012

Senator Hoffman, Finance Committee Co-chair
State capitol Room #518
Juneau, AK 99801

Senator Stedman, Finance Committee Co-chair
State capitol Room #516
Juneau, AK 99801

RE: **SB 221** – Allocation of 100 percent of existing alcohol tax revenue to the Alcohol and Other Drug Abuse Treatment and Prevention Fund (ADTP)

Dear Senators Hoffman, Stedman and members of the Finance Committee,

The Alaska Mental Health Trust Authority (The Trust) is writing in strong support of **Senate Bill 221**. This bill would allocate 100 percent of existing alcohol tax revenue to the Alcohol and Other Drug Abuse Treatment and Prevention (ADTP) fund.

Sadly, Alaska consistently ranks among the top five states for alcohol and drug dependence. In addition, many of Alaska's social ills can be linked back to substance abuse. For example, substance abuse is a reportedly a factor in 85% of sexual assault and domestic violence cases, and in 70% of child abuse and neglect cases. Furthermore, the economic impact on Alaska from substance abuse is estimated at $738 million annually in health care costs, traffic crashes, criminal justice, public assistance and lost productivity.

In an effort to ensure Alaska had revenue for substance abuse prevention strategies and treatment programs, then State Representative Lisa Murkowski, championed HB225 to raise the alcoholic beverage tax and establish the ADTP fund to generate needed revenue for these programs and services. Unfortunately, since 2003, only 50 percent of the funds collected from the existing alcohol tax have been appropriated to the ADTP fund.

The Trust and its partners have been and continue to be steadfast advocates for ensuring Alaska's continuum of health care is sufficient to help those with addictions find a path to recovery. Unfortunately, Alaskans' access to evidence based substance abuse treatment is severely limited. If these additional ADTP funds were used to supplement rather than supplant the General Funds currently used for these services, they would go a long way to helping individual Alaskans and improving the health and wellness of our state.

The Trust strongly supports SB221 and thanks the Senate Finance Committee for their leadership in helping Alaskans suffering from addiction find their path to recovery.

Sincerely,

Jeff Jessee, CEO

Cc: **Sen. Finance Committee:** Senator Olson, Senator Egan, Senator Thomas, Senator Ellis, Senator McGuire
Sen. Health & Social Services Committee: Senator Davis (chair), Senator Meyer, Senator Dyson, Senator Ellis, Senator Egan

MAT-SU HEALTH FOUNDATION

950 E. Bogard Road, Suite 218 • Wasilla, AK 99654
Phone: (907) 352-2863 • Fax: (907) 352-2865
www.matsuhealthfoundation.org

March 28, 2012

Senator Johnny Ellis
Alaska State Capitol, Room 103
Juneau, AK 99801

RE: Mat-Su Health Foundation support for SB 221

Dear Senator Ellis:

Mat-Su Health Foundation (MSHF) is the official business name of Valley Hospital Association, Inc., which shares ownership in Mat-Su Regional Medical Center. MSHF invests its assets into charitable works to improve the health and wellness of Alaskans living in Mat-Su. MSHF has identified substance abuse as a focus area for our philanthropic work and is a member of the Mat-Su Substance Abuse Prevention Coalition and a funder of Recover AK. Both of these coalitions are concentrating on reducing and preventing alcohol abuse.

According to the Center for Disease Control's Behavior Risk Factor Surveillance System data for AK over the last decade, adult binge drinking rates have ranged from 16 to 19% and proportion of heavy drinkers from four to seven percent. These stats contribute to one of the highest state rates of alcohol dependence in the nation. These rates impact Alaska's suicide, domestic violence, child abuse, sexual assault, motor vehicle crash, and crime rates as well as contribute to lost productivity for employers. According to the 2005 report from the Advisory Board on Alcoholism and Drug Abuse, the economic impact on Alaska from substance abuse is estimated at $738 million annually in health care costs, traffic crashes, criminal justice, public assistance and lost productivity.

Representative Lisa Murkowski's sponsor statement for the state alcohol tax explained that the fund "would help provide revenue needed for the expanded treatment, therapeutic courts, diversion programs and other initiatives." Whereas the legislative intent of the tax is clear, only 50% of the collected funds have been applied to treatment, prevention and other efforts related to alcohol abuse.

Taxing alcohol is an environmental strategy to reduce consumption. Applying 100% of these tax revenues for additional environmental strategies to reduce the misuse and abuse of alcohol will help more Alaskan families to enjoy greater quality of life; more Alaskan children to thrive in their homes and schools; and Alaska businesses to enjoy more productivity and income.

The MSHF Board of Directors supports SB 221, which would allocate 100 percent of existing alcohol tax revenue to the Alcohol and Other Drug Abuse Treatment and Prevention (ADTP) fund. We commend your efforts to advance this cause and your help in creating a healthier Alaska.

Sincerely,

Elizabeth Ripley

Elizabeth Ripley
Executive Director
Mat-Su Health Foundation

PO Box 92580, Anchorage, AK 99509



ALASKA ADDICTION PROFESSIONALS ASSN

March 28, 2012

Dear Members of the Senate Finance Committee,

Thank you for introducing Senate Bill 221 to allocate 100 percent of existing alcohol tax revenue to the Alcohol and Other Drug Abuse Treatment and Prevention Fund (ADTP). In 2002, State Representative Lisa Murkowski championed HB225 to raise the alcoholic beverage tax and establish the ADTP to help provide much-needed revenue for expanded substance abuse treatment and diversion programs. Our association, then known as the Substance Abuse Directors Association (SADA), vigorously supported that legislation and its intent. Since 2003, only half of the funds collected from the existing alcohol tax have been appropriated to the ADTP. While the political reasoning for the fund was to expand treatment, decreases in general fund spending have left overall funding for substance abuse treatment and prevention reduced or stagnant. Our providers have experienced higher costs to provide services but have not seen the significant gain in funding to keep pace with the price of doing business. The overall effect has been a loss of treatment capacity and reduction in the number of services available for those who suffer the ravages of addiction.

Despite the increasing need for more substance abuse treatment and prevention, these programs are historically underfunded. Providers throughout the state report that treatment beds are full to capacity, long waiting lists exist for services they offer, and there are numerous requests for services they cannot provide. According to the Federation of Tax Administrators, Alaska's alcohol tax is 3.5 to 4 times the national average, which means Alaska has one of the highest excise tax rates on alcohol in the nation. These taxes produce over 38 million dollars annually, but sadly, the majority of this tax revenue is not used to combat the problems related to the abuse and misuse of alcohol.

Alaska consistently ranks among the top five states for alcohol and drug dependence. Not only does substance abuse have an extreme economic impact on the state, estimated at $738 million annually in health care costs, traffic crashes, criminal justice and public assistance, substance abuse is a reportedly a factor in 85% of sexual assault and domestic violence cases, and a contributing factor in 70% of child abuse and neglect cases. We cannot continue to ignore the

Email: sada@ak.net Phone: 907-242-6638 Fax: 1-866-252-8824

PO Box 92580, Anchorage, AK 99509

substance abuse epidemic in Alaska. The economic toll in communities from untreated addiction to alcohol and other drugs can be seen in high health care costs from individuals seeking help in emergency rooms. These costs are also seen in legal and corrections costs to serve offenders with drug and alcohol related crimes, families torn apart and children sent to OCS custody… For every $1 spent in treatment services, $7 is saved (UCLA, 2007) in related cost to our state and communities.

The Governor should be commended for his Choose Respect initiative. Senate Bill 221 is the logical next step. We cannot stop the scourge of sexual assault and domestic violence without addressing the underlying issue of alcoholism and drug abuse. With a small statutory change, all monies collected from alcohol taxes can be put toward proven substance abuse treatment and prevention programs. The time to act is now.

Thank you for your leadership on this crucial issue.

Respectfully,

Anna K. Sappah
Executive Director
Alaska Addiction Professionals Association

Email: sada@ak.net Phone: 907-242-6638 Fax: 1-866-252-8824

SB 226

<TARGET><BILL>SB 226</BILL><SUBJECT>SB 226</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT
First Committee of Referral

DATE: 3/16/12

FURTHER:

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 226

SB 226-PURCHASE & LEASE OF NOME OFFICE BUILDING

"An Act relating to the purchase by the Alaska Housing Finance Corporation of an office building in Nome; approving the issuance of bonds for the purchase of the office building; providing notice of, and authorizing the commissioner of administration to enter into, a lease-purchase agreement with the Alaska Housing Finance Corporation for the office building; and providing for an effective date."

and recommends:

[X] be **replaced** with **CS** SB 226 (FIN) *[ ] Same Title [X] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
ADM	X			
REV	X			2

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	THOMAS	✓			
	EGAN	✓			
	MCGUIRE	✓			
	OLSON	✓			
	ELLIS	X			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓			

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SB226**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SB226CS(FIN)-DOA-FAC-4-2-12
Title: Purchase and Lease of Nome Office Building
Sponsor: Senate Community and Regional Affairs
Requester: Senate Finance

Dept. Affected: Administration
Appropriation: General Services
Allocation: Facilities
OMB Component Number: 2429

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	101.5		101.5	101.5	101.5	101.5	101.5
Travel							
Services	704.6		571.3	588.4	606.1	624.3	643.0
Commodities							
Capital Outlay	2,504.0		2,504.0	2,504.0	2,504.0	2,504.0	2,504.0
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**3,310.1**	**0.0**	**3,176.8**	**3,193.9**	**3,211.6**	**3,229.8**	**3,248.5**
FUND SOURCE			(Thousands of Dollars)				
1002 Federal Receipts							
1003 GF Match							
1004 GF	2,504.0		2,504.0	2,504.0	2,504.0	2,504.0	2,504.0
1005 GF/Prgm (DGF)							
1007 I/A Rcpts (Other)	806.1		672.8	689.9	707.6	725.8	744.5
1178 temp code (UGF)							
TOTAL	**3,310.1**	**0.0**	**3,176.8**	**3,193.9**	**3,211.6**	**3,229.8**	**3,248.5**
POSITIONS							
Full-time	1		1	1	1	1	1
Part-time							
Temporary							
CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

The language in the committee substitue for SB226 now requires AHFC to finance the purchase of an office building in Nome and require the Department of Administration to enter into a lease purchase agreement for the building, whereas the previous language was permissive and not mandatory.

Prepared by: Vern Jones — Phone: 465-5684
Division: General Services — Date/Time: 4/2/12 3:45 PM
Approved by: John Cramer, Deputy Commissioner, Department of Administration — Date: 4/2/2012

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB226

Analysis

The bill directs the Alaska Housing Finance Corporation (AHFC) to finance construction and purchase of a new office building in Nome to house state agency offices, financed by AHFC, then placed in service as an asset of the Alaska Public Building Fund (APBF) managed by the Department of Administration (DOA). The APBF would collect rents for the building to cover lease costs, maintenance and operations costs, and all other costs embedded in the APBF rates. Fund, DOA/DGS will charge tenant agencies an estimated rate beginning at $2.42 sq ft per month in FY2013, increasing to an estimated $2.81 sq ft per month beginning in FY2018.

FY2013 costs are $704.6. Calculation: $2.42 sq ft x 19,100 sq ft x 12 months = $554.6+$150.0 (a one-time item for the architect in year one) FY2014 through FY2018 represents the cost for tenant agencies reflecting an anticipated increases in PBF rates.

The bill anticipates construction of a building by a private developer, for a purchase price of $38 million AHFC would finance the project with 21-year bonds; the state would require operating appropriations in order to pay the debt service to AHFC estimated to be $2,504.0 per year. If the funding required to service the debt is not appropriated separately , debt retirement costs would have to be embedded in the per square foot rate per month set for agencies occupying the building, thereby increasing the proposed rent per square foot rate accordingly. For the purposes of this fiscal note, facilities rents collected from tenant agencies are shown as interagency receipts, but will ultimately be recorded in the Alaska Public Building Fund once received.

This fiscal note is prepared to illustrate operating costs for the proposed building,
allowing for backfilling existing space leased from the private sector in Nome.

Assumptions:
1) The proposed building will be constructed from bond proceeds as a justice center that measures 19,100 usf. Debt retirement will be on a 21-year timeframe.
2) If the existing Nome SOB will be demolished--demo costs are not in DOA's fiscal note as demolition/disposal costs will be borne by DOT/PF.
3) The proposed building will be financed from AHFC bond proceeds on 21-year term. Estimated debt retirement cost is $2,504.0 annually beginning in FY2013.
Tenant agencies must budget separately for the facilities rent charges they will be billed for occupying space in the proposed building.
4) DOA would require one additional permanent, full-time contracting officer position in Anchorage for administration of the proposed building. Salary and benefits costs for the new position comprise personal services costs shown on the fiscal note.
5) DOA would also require the services of a licensed architect for the first year to assist in the monitoring of the design document and construction process. An estimate of $150.0 for year 1 is included in this fiscal note.

Proposed Occupants:

Agency	Projected Space Need in proposed building
Alaska Court System	12,000
Public Safety	3,000
Administration/Public Defender	1,500
Corrections	800
Law	1,800
Total	**19,100**

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CS SB226**
Fiscal Note Number: 2
() Publish Date:

Identifier (file name): SB226CS-DOR-AHFC-04-02-12
Title: Purchase & Lease of Nome Office Building
Sponsor: Senate Community & Regional Affairs
Requester: Senate Finance

Dept. Affected: Revenue
Appropriation: Alaska Housing Finance Corporation
Allocation: AHFC Operations
OMB Component Number: 110

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	58.1		56.1				
Travel	19.3		6.4				
Services	474.7		158.2				
Commodities	0.7		0.3				
Capital Outlay							
Grants, Benefits							
Miscellaneous	2,964.0		2,964.0	2,964.0	2,964.0	2,964.0	2,964.0
TOTAL OPERATING	**3,516.8**	**0.0**	**3,185.0**	**2,964.0**	**2,964.0**	**2,964.0**	**2,964.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	2,964.0		2,964.0	2,964.0	2,964.0	2,964.0	2,964.0
1005	GF/Prgm (DGF)	552.8		221.0				
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**3,516.8**	**0.0**	**3,185.0**	**2,964.0**	**2,964.0**	**2,964.0**	**2,964.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

The CS for SB 226 directs Alaska Housing Finance Corporation (AHFC) to finance the purchase of an office building in Nome from the City of Nome. As part of its due diligence, AHFC will engage in a process to identify useable space requirements and tenant needs. As such, AHFC is presenting ranges for the cost of the project up to $38,000,000 as specified in the bill.

Prepared by: Cary Bolling, Officer Governmental Relations & Public Affairs
Phone: 907-350-2479
Division: Alaska Housing Finance Corporation
Date/Time: 4/2/12 12:00 AM
Approved by: Mike Buller, Deputy Executive Director
Alaska Housing Finance Corporation
Date: 4/2/2012

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** CS SB226
2012 LEGISLATIVE SESSION

Analysis

CS for SB 226 directs Alaska Housing Finance Corporation (AHFC) to finance with bond proceeds the purchase of an office building in Nome to provide space for state agency occupancy and use. It further directs the commissioner of the Department of Administration to enter into a lease with AHFC for the purchased building.

Section 2 specifies, the term of the bonds may not exceed 21 years. The bill also specifies an anticipated annual rental obligation of $2,504,000 with total lease payments for the full term of the lease-purchase agreement anticipated to be $52,548,000. The Act would take effect immediately under AS 01.10.070 (c).

AHFC analysis:
Consistent with language included in Sec. 2 of the bill, AHFC estimates total project cost at $38,000,000 which AHFC believes could support a new office building up to 54,000 sq. ft. In contrast, a smaller building at 30,000 sq. ft, is projected to cost $27,675,000.

Based on a reasonable set of assumptions, annual debt service on these projects would range from $2,964,000 to $2,221,000, respectively . Total bond payments over 21-years on these projects would range from $62,241,250 to $44,416,500.

Finally, using these scenarios, operational expenses for AHFC would range in total from $773,854 to $590,400 in FY 13 and FY 14. This fiscal note projects the larger 54,000 sq. ft. building will be constructed; should a small building be selected, actual costs will be less than those presented.

CS FOR SENATE BILL NO. 226(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

A BILL

FOR AN ACT ENTITLED

"An Act relating to the purchase by the Alaska Housing Finance Corporation of an office building in Nome from the City of Nome; approving the issuance of bonds for the purchase of the office building; providing notice of, and directing the commissioner of administration to enter into, a lease-purchase agreement with the Alaska Housing Finance Corporation for the office building; and providing for an effective date."

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

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

FINDINGS AND PURPOSE. (a) The Department of Administration has identified a need for office space in the City of Nome for state agency use. The purchase of an office building in Nome from the City of Nome to provide space for state agency occupancy and use would serve a public purpose.

(b) The purpose of this Act is to

(1) direct the Alaska Housing Finance Corporation to finance the purchase of an office building in Nome from the City of Nome to provide space for state agency occupancy and use; and

(2) provide notice of, and direct the commissioner of administration to enter into, a lease with the Alaska Housing Finance Corporation for the office building authorized in sec. 2 of this Act.

*** Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE AUTHORIZATION FOR PURCHASE AND BONDS. (a) The Alaska Housing Finance Corporation shall finance under AS 18.55.010 - 18.55.290 with bond proceeds the purchase of an office building in Nome from the City of Nome to be leased to the Department of Administration to provide space for state agency occupancy and use. The purchase price of the office building may not exceed $38,000,000, including the costs of purchasing the office building and issuing the bonds for the purchase.

(b) The Alaska Housing Finance Corporation may issue bonds under AS 18.55.100(a)(15) and (d) for the purchase of the office building described in (a) of this section. The term of the bonds may not exceed 21 years.

*** Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE NOTICE OF AND AUTHORIZATION FOR LEASE-PURCHASE AGREEMENT. Subject to annual appropriation, the commissioner of administration shall enter into a lease-purchase agreement for the office building described in sec. 2 of this Act. The anticipated total cost of the project is $38,000,000. The anticipated annual amount of the rental obligation is $2,504,000. The total lease payments for the full term of the lease-purchase agreement are anticipated to be $52,548,000. The term of the lease-purchase agreement may not exceed the maximum term of the bonds authorized under sec. 2 of this Act.

*** Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPROVAL OF FINANCING AND AGREEMENT. (a) Section 2 of this Act constitutes the approval required by AS 18.55.100(d) for the financing of the office building

described in sec. 2 of this Act.

(b) Section 3 of this Act constitutes the notice and approval required by AS 36.30.085 for the lease-purchase agreement described in sec. 3 of this Act.

*** Sec. 5.** This Act takes effect immediately under AS 01.10.070(c).



ALASKA STATE LEGISLATURE

SENATOR DONALD C. OLSON

Session
Alaska State Capitol, Rm. 508
Juneau, AK 99801
(907) 465-3707
Fax: (907) 465-4821

Interim
716 W. 4th Ave. Ste 530
Anchorage, AK 99501
(907) 269-0254
Fax:(907)269-2031

Senator_Donny_Olson@legis.state.ak.us

Chair
Community & Regional Affairs
Member
Senate Finance Committee
Ethics Committee
Legislative Council
Northern Waters Task Force
Education Funding District Cost Factor
Finance Subcommittee Chair
Fish & Game
Health & Social Services
Public Safety
Finance Subcommittee Member
Environmental Conservation

SB 226 - PURCHASE & LEASE OF NOME STATE OFFICE BUILDING
Sectional Analysis

SECTION 1 Findings & Purpose.

SECTION 2 Directs AHFC to finance the purchase of an office building in Nome, from Nome.

SECTION 3 Directs DOA to enter into a lease-purchase agreement for the building.

SECTION 4 Legislative approvals of financing & lease-purchase agreement.

SECTION 5 Effective date.

BLOCK 70 PARKING GARAGE DEVELOPMENT AGREEMENT

THIS AGREEMENT made effective this 31st day of August, 2006, is between the Municipality of Anchorage, a municipal corporation and its assigns ("MOA") and the Alaska Center for Convention & Trade, LLC, an Alaska limited liability company ("**ACCT**").

Recitals

A. MOA has undertaken the development of a new Anchorage civic and convention center through design build procurement RFP 24-P009, to be built on Block 80 in downtown Anchorage. At the time of procurement, the Alaska Housing Finance Corporation ("AHFC") owned Block 80 and used it for parking for Atwood Building tenants. One element of RFP 24-POO9 required proposers to recommend changes for the coordination and relocation of parking from Block 80 to other locations and to address the lack of adequate parking in downtown Anchorage. ACCT was the successful proposer for RFP 24-P009. It recommended and provided initial designs for the construction of a new parking garage in a location approximate to the Atwood Office Building and the new convention center.

B. In consummation of the procurement, the MOA, through its successor-in-interest CivicVentures, entered a Development Agreement, dated November 10, 2004 and an Amended and Restated Development Agreement, dated effective December 31, 2006 (collectively "Convention Center Development Agreements"), with ACCT. The Convention Center Development Agreements require the MOA and ACCT to work cooperatively to explore options for maximizing parking available for the civic and convention center, including the construction of a new parking facility on a site agreeable to the MOA and ACCT. The Amended and Restated Development Agreement further provides the MOA with the right to elect to construct a parking garage with or through ACCT, so long as such election is made prior to substantial completion of the convention center.

C. To provide for the siting of the convention center on Block 80, the MOA, through the Anchorage Community Development Authority, entered into the Property Exchange Agreement and the Agreement Conveying Parking Rights, both dated April 12, 2006, (collectively, the "Parking Agreements") with AHFC. The Parking Agreements established the terms of the MOA acquisition of Block 80 for use for the convention center and, among other covenants, required the MOA and

AHFC to work toward long-term solutions for substitute parking for the Atwood Building.

D. Under the terms of the Parking Agreements, the MOA transferred title to the south half of Block 70 to AHFC to provide for a location for substitute parking for the Atwood Building. The Parking Agreements further contemplated the possibility of funding for a parking garage on the south half of Block 70, which would better serve the needs of the State of Alaska as well as the needs of MOA in the development of downtown Anchorage and the new civic and convention center.

E. Following execution of the Parking Agreements, AHFC sought and received legislative authorization under Chapter 47 of the Session Laws of Alaska 2006 to finance the purchase of a parking garage from the MOA or other potential sellers or developers. AHFC is willing to purchase a parking garage from the MOA if the MOA, using its contractual rights under its procurement process and the Convention Center Development Agreements, would agree to construct a parking garage on Block 70.

F. The MOA is willing to cooperate with AHFC to develop and sell a parking garage to AHFC. To achieve this aim, the MOA, through this Agreement, which shall be binding upon the MOA only after approval of this Agreement by the Anchorage Assembly, exercises its rights under the Amended and Restated Development Agreement to elect to construct a parking garage through ACCT. The MOA desires to have the development of the parking garage occur contemporaneously with the development of the new civic and convention center and the adjacent improvements to various streets.

G. ACCT is willing to proceed with a development of a parking garage. Relying in part on its prior work done on developing a parking solution and to further facilitate the project by developing certain baseline information in order for AHFC and the MOA to reach agreement, ACCT has undertaken numerous predevelopment activities without promise of compensation, including, but not limited to, preparing a preliminary project narrative, a preliminary construction budget, 10 percent design drawings, and a preliminary construction schedule. ACCT has also addressed and identified concerns relating to impacts to traffic, financing requirements, public hearings, and sales price.

H. Based upon the MOA's desire to sell a parking garage to AHFC and based upon ACCT's initial work of identifying development costs and needs for the parking garage, ACCT and the MOA wish to enter into this Development Agreement to

set forth the contractual obligations of each party as the parking garage project progresses. Because AHFC is the ultimate purchaser of the parking garage and the garage must meet the needs of AHFC and the tenants of the Atwood Office Building, it is intended, unless otherwise stated herein or unless expressly reserved by the MOA in its separate written agreement with AHFC, that where approvals are required by the MOA of design, schedules, deliverables or other performances by ACCT, that responsibility for such approvals will be transferred and assigned to AHFC under the terms of the Agreement to License, Assign, Construct, and Purchase the Block 70 Parking Garage entered into contemporaneously with this Block 70 Parking Garage Development Agreement.

In recognition of the recitals, which are material to this Agreement, the parties hereby agree as follows:

1. Definitions.

1.1. Additional Defined Terms. Capitalized words used in this Agreement that are not defined in Section 1 shall have the same meaning as the capitalized words under the Design Build Contract attached as Exhibit E to this Agreement. Words of technical usage, even if not capitalized, including but not limited to "substantial completion," "hazardous materials," "design-builder," "stipulated sum," or "change orders" shall have a common meaning in both this Agreement and the Design-Build Contract. However, the reference to "Owner" in the Design-Build Contract shall mean ACCT until the date of Acknowledgement of Substantial Completion, after which it shall mean the MOA or its assigns. The MOA will be an additional and required signatory to the Acknowledgement of Substantial Completion.

1.2. "Agreement" means this Block 70 Parking Garage Development Agreement.

1.3. "Block 70 Parking Garage" means the garage to be developed and constructed under this Agreement.

1.4. "Design-Build Contract" means the agreement between ACCT and its design-builder for the Project, which shall be substantially in the form of AIA Form 141 "Standard Form of Agreements between Owner and Design/Builder" (2004 ed.) and Exhibits A and C thereto, the form of which is attached as Exhibit "E" to this Agreement.

1.5. **"Effective Date"** means August 31, 2006.

1.6. **"Notice To Proceed"** means the written notice from the MOA to ACCT directing it to proceed with the Phase II work and identifying the Design Build Documents and the Phase I deliverables that form the basis for the Phase II work, including any negotiated modifications to such deliverables.

1.7. **"Parties"** means ACCT and the MOA and its assigns.

1.8. **"Phase I"** means the period of time from the Effective Date of this Agreement until the Notice to Proceed to Phase II work, or notice of termination.

1.9. **"Phase II"** means the period of time from the issuance of the Notice to Proceed for Phase II work until the date of MOA's acceptance of final completion as set forth in article A.9.10 in Exhibit A to the Design Build Contract.

1.10. **"Pricing Documents"** means that level of design plans and specifications sufficient for the design-builder to provide a stipulated sum price for the completion of all design and construction necessary to complete the Project under the terms and conditions of the Design Build Contract.

1.11. **"Project"** means the design and construction of the Block 70 Parking Garage from the beginning of Pre-development through MOA's acceptance of final completion as set forth in Article A.9.10 in Exhibit A to the Design Build Contract.

1.12. **"Property"** means that half of Block 70 more particularly described as Tract 1, Block 70, Anchorage Original Townsite, according to Plat No. _____, situated in Anchorage Recording District, Third Judicial District, State of Alaska.

1.13. **"Purchase and Sale Agreement"** means that Agreement to License, Assign, Construct, and Purchase the Block 70 Parking Garage entered into between the MOA and AHFC contemporaneously with this Agreement.

2. **Development Phases.** Obligations to be performed prior to or under this Agreement shall be divided into the Predevelopment Phase, Phase I, and Phase II.

3. **Predevelopment Phase. 10% Plans and Phase Approval.**

3.1 **Scope of Work.** The scope of work for Predevelopment Phase shall include development and completion of Predevelopment Phase deliverables. Predevelopment Phase deliverables shall include a Project

narrative, a preliminary Project budget, 10% design level drawings, a preliminary Project schedule, and a final budget for Phase I deliverables all as further identified in this Section.

3.1.1 **Preliminary Project Narrative.** ACCT shall develop a preliminary Project narrative, to be incorporated as **Exhibit A** to this Agreement. The preliminary Project narrative will identify salient design objectives and functional goals of the Project and will provides an objective description of how the Project will appear and function at completion. The Project narrative shall guide the preparation of the Project design and preliminary Project budget. ACCT and the MOA will work collaboratively on the narrative before it is finalized as part of the Phase I deliverables.

3.1.2 **Preliminary Project Budget.** ACCT shall prepare a preliminary Project budget, to be incorporated as **Exhibit B** to this Agreement. The preliminary Project budget provides a preliminary analysis of the viability of the Project. Excluding the cost of Block 70, the preliminary Project budget, shall be comprehensive by category as to all Project expenses, including, but not limited to: preliminary consultant expenses of both ACCT and MOA; recoverable expenses incurred by ACCT or its consultants during the Predevelopment Phase; developer fees; contingency amounts and categories; financing costs; and the cost of design and construction. Notwithstanding the above, however, the Project budget shall not be construed to be a guaranteed maximum price, nor will it be representative of the final budget. All line items are subject to change in the final Project budget as the risks of the Project are better ascertained, including the developer fee and contingency amounts and categories.

3.1.3 **10% Design Level Drawings.** ACCT shall prepare 10% design level drawings for the Block 70 Parking Garage that reflect the features identified in the Project narrative, including site placement and general plan view of the parking structure. The 10% design level drawings shall be incorporated as **Exhibit C** to this Agreement. Exhibit C

contains the current preliminary plans as of the date this Agreement is signed by the Parties.

3.1.4 **Preliminary Project Schedule.** ACCT shall furnish a preliminary Project schedule to be incorporated as **Exhibit D** to this Agreement. The preliminary Project schedule shall identify milestones for the design and construction of the Project, including a construction start date, a substantial completion date, and anticipated dates for required approvals of Phase I and Phase II work in order for the Project to proceed on a timely basis.

3.1.5 **Final Budget for Phase I Deliverables.** Notwithstanding Section 3.1.2, ACCT shall prepare a final budget for Phase I deliverables, which shall be incorporated as a line item to Exhibit B to this Agreement. The budget shall identify fees and costs of ACCT and its consultants for Phase I deliverables that shall be paid according to the terms of Section 6 of this Agreement.

3.1.6 **MOA Required Design Items.** Certain design features are identified in the Purchase and Sale Agreement at section 4.2.1 that will remain part of the Project and not to be changed without written consent of the mayor of the MOA, even after assignment. The required design of the elevator stair tower and the design of the building skin are attached hereto as **Exhibit G** and **Exhibit H** respectively.

3.2 **Coordination.** The Parties shall consult and coordinate with AHFC for the development of all Predevelopment Phase deliverables. Neither ACCT nor MOA warrants or represents that concurrence will be reached on all issues. However, ACCT will endeavor to assist with due diligence to achieve concurrence on all material Project elements.

3.3 **Payment.** ACCT fees for Predevelopment Phase deliverables shall be determined under Section 6 of this Agreement.

3.4 **Execution of Agreement and Binding Effect.** Execution of this Agreement by the MOA shall constitute the MOA's acceptance of the Pre-Development Phase deliverables. However, the MOA shall not execute this

Agreement until AHFC has signed the Purchase and Sale Agreement. Written notice to proceed for the Phase I work based upon the deliverables set forth in section 3.1 shall be deemed given upon execution of the Purchase and Sale Agreement. This Agreement shall not be binding upon, or give rise to any obligations of the MOA until this Agreement and the Purchase and Sale Agreement have been approved by the Anchorage Assembly.

4. Phase I. The Development of the Stipulated Sum and the Pricing Documents.

4.1 Scope of Work. During Phase I of the Project, ACCT will complete the design and development of the Project to a level of design drawings and specifications sufficient for ACCT to propose to the MOA a lump sum to complete the design and construction of the Project. The scope of work for Phase I shall include provision by ACCT of the following deliverables: the final Project narrative, a final Project budget, the Pricing Documents, a Project schedule, the Design Build Contract, and copies of all other agreements between ACCT and its other consultants for the design and construction of the Project. The time for delivery of the Phase I deliverables will be established as part of the Pre-Development Phase Schedule attached as Exhibit D to this Agreement. Any delay in any party's failure to meet a deadline set by the preliminary Schedule shall extend the time for the other party's performance by an equal number of days for the performance of Phase I work and the deadline to issue the Notice to Proceed to Phase II. Notwithstanding an assignment by MOA of its rights under this Agreement to AHFC, ACCT shall also provide a copy of the deliverables to MOA at the same time it provides a copy to AHFC.

4.1.1 Final Project Narrative. ACCT shall develop and provide a final Project narrative. The final Project narrative will identify the structural features and design elements of the Block 70 Parking Garage whose inclusion does not exceed the final Project budget. The MOA covenants and represents that it will accurately advise ACCT of all elements it requires to be in the Project as part of the Phase I process. Should MOA issue the Notice to Proceed under Section 4.4 of this Agreement, the final Project narrative shall be incorporated as part of the Design-Build Documents as set forth in section 1.1 of the Design-Build Contract between ACCT and the design-builder. Should MOA issue the Notice to Proceed under Section 4.4 of this Agreement, the Final Project Narrative, as amended, if applicable, per the terms of Section 4.4 of this Agreement, shall be incorporated as Exhibit A-1 to this Agreement and shall be incorporated by reference into the Notice to Proceed. The final Project

Narrative will include the design elements set forth in the Purchase and Sale Agreement Section 4.2.1, including but not limited to those features shown graphically on Exhibits G and H unless modified by consent of the MOA, in accordance with section 3.2.5 of the Purchase and Sale Agreement.

4.1.2 Final Project Budget. ACCT shall develop and provide a Final Project Budget. The Final Project Budget will set forth all fixed cost components and allowance components, the Phase II developer fees and MOA contingency fees, the Stipulated Sum for the design build construction of the Project, AHFC costs of development and bonding, and all other fees and costs of MOA and its consultants required for completion of the Project. The allowance components are set forth as "soft costs" in the Budget, Exhibit B. The final Project budget shall be in compliance with Chapter 47 of the Session Laws of Alaska 2006. Should MOA issue the Notice to Proceed under Section 4.4 of this Agreement, the final Project budget, as amended, if applicable, per the terms of Section 4.4. of this Agreement, shall be incorporated as Exhibit B-1 to this Agreement and shall be incorporated by reference into the Notice to Proceed. The line items on the budget include items that are under the control and the responsibility of ACCT and its consultants and the design builder and items under the direct control and responsibility of the MOA or its assigns. At the time a Notice to Proceed is executed by the MOA and approved by ACCT, both ACCT and the MOA shall be limited to expenditures on the line items allocated to them under the final Project budget, unless a modification or equitable adjustment is otherwise allowed by this Agreement.

4.1.3 Pricing Documents. ACCT shall develop and provide the Pricing Documents for the Project that reflects the features identified in the final Project narrative and final Project budget. The design will comply with all required and applicable local, state, and national codes and regulations. The drawings will be to a level of design sufficient for ACCT's design-build contractor to give a firm Stipulated Sum to complete the design and provide all labor, and materials to complete construction of the Project. Should the MOA issue the Notice to Proceed under Section 4.4 of this Agreement, the Pricing Documents, as amended, if applicable, per the terms of Section 4.4. of this Agreement, shall be incorporated as Exhibit C-1 to this Agreement, shall be incorporated by reference into the Notice to Proceed, and shall be incorporated as part of the Design-Build Documents

as set forth in section 1.1 of the Design-Build Contract between ACCT and the design-builder.

4.1.3.1 Approval of Drawings. MOA's approval of the drawings and specifications shall be limited to providing a certification that the building design will meet the MOA's Project needs, including such requirements as established under the Purchase and Sale Agreement. The MOA's approval of drawings and specifications shall not constitute a waiver of MOA's expectation that the design complies with any applicable codes, statutes, or regulations applicable to the Project. Such compliance shall be the responsibility of ACCT and its design-builder.

4.1.4 Final Project Schedule. ACCT shall develop and provide a final Project schedule for design and construction of the Project. Should the MOA issue the Notice to Proceed under Section 4.4 of this Agreement, the final Project schedule, as amended, if applicable, per the terms of Section 4.4 of this Agreement, shall be incorporated as Exhibit D-1 to this Agreement, shall be incorporated by reference into the Notice to Proceed, and shall be incorporated as part of the Design-Build Documents as set forth in section 1.1 of the Design-Build Contract between ACCT and the design-builder. The final Project schedule will incorporate the same schedule ACCT uses for its Design-Build Contract with its design-builder.

4.1.5 Design Build Contract. ACCT shall develop and provide a final Design-Build Contract for the Project setting forth the obligations of the design-builder to undertake the work, the obligations of ACCT acting as the "Owner," until the date of Acceptance of Substantial Completion, and the rights and obligations of MOA as "Owner" following the date of Acknowledgment of Substantial Completion. At a minimum, the Design-Build Contract shall: identify the Stipulated Sum for the Project payable to the design-builder, identify Project criteria, set forth the final Project schedule, set forth the requirements necessary to complete the Project including design, permitting and governmental approval, identify that the MOA shall be an additional and required signatory to the Acknowledgement of Substantial Completion, and identify all available remedies to the MOA should it become necessary to remove ACCT and its contractors from the Project. The Design-Build Contract shall be in substantial compliance with **Exhibit E** to this Agreement and shall be subject to MOA approval.

4.2 MOA Cost Estimate. The MOA may retain a consultant of its own choosing to provide independent third-party construction cost estimating and to verify the reasonableness of ACCT's proposed budget. The MOA shall notify ACCT of the identification of its consultant within fifteen (15) calendar days of the Effective Date of this Agreement. ACCT and MOA's consultant shall engage in a cost reconciliation process following MOA's consultant's review of ACCT's proposed Project budget. Per Section 4.4 of this Agreement, the MOA may elect not to proceed to Phase II, in its sole discretion, if its consultant and ACCT are unable to resolve budget differences after ACCT's delivery of its final and best price.

4.3 Costs and Fees. The lump sum costs and fee for performing the Phase I scope of work (exclusive of the Pre-development costs) shall not exceed ONE MILLION SIX HUNDRED TWENTY SEVEN THOUSAND FIVE HUNDRED and NO 100's DOLLARS ($1,627,500), inclusive of all third party costs and development fees of ACCT as set forth in Exhibit B to this Agreement. Costs and fees shall be payable in accordance with Section 6.2 of this Agreement.

4.4 Notice To Proceed to Phase II. Upon delivery of the Phase I deliverables identified in Section 4.1 of this Agreement, the MOA shall have the right to review all such documentation and elect in its sole and exclusive discretion, based upon such review, whether to proceed to Phase II of the Project within the time frame set forth in Exhibit D-1 to this Agreement. The MOA may further negotiate the terms of the Pricing Documents, the Final Project Budget, and the final Schedule, and other Phase I deliverables. If the MOA elects not to proceed to Phase II, it shall provide ACCT with written reasons for such election. The provision of written reasons for MOA's election shall be solely for the purpose of facilitating further discussions between the Parties, and shall not be construed as a limitation upon MOA's right to elect not to proceed to Phase II for any reason in its sole and exclusive discretion. The Parties shall confer to attempt to resolve any differences. If the parties are unable to resolve their concerns within ten (10) calendar days from the date of the MOA's election not to proceed, either ACCT or the MOA may terminate this Agreement with written notice to the other. If the Parties agree on a revised set of Phase I deliverables, then the revised deliverables shall be incorporated into this Agreement and the Design-Build Contract and shall be incorporated by reference into the written Notice to Proceed. The issuance of the Notice to Proceed shall be contingent upon satisfaction of the terms of the Purchase and Sale Agreement and Section 5.2 of this Agreement and the Notice to Proceed shall warrant and represent that such conditions have been satisfied by the MOA or its assigns.

5. Phase II Construction and Management.

5.1 Scope of Work. The scope of work for Phase II shall be defined by the Notice to Proceed and shall include: ACCT's entry into the Design-Build Contract with its design-builder, the subsequent design, construction, and final completion of the Project, meeting the conditions set forth by the MOA for MOA's acceptance of final completion of the Project, and receipt of all other necessary land use and occupancy permits and approvals. Satisfactory delivery of the Phase II scope of work shall be set by and determined under the terms as set forth in Article 9 of Exhibit A to the Design Build Contract as attached as Exhibit E to this Agreement.

5.2 Conditions Precedent to Phase II. The Parties shall not proceed to Phase II unless all of the following conditions precedents are satisfied.

5.2.1 The MOA has approved the Phase I deliverables and provided the written Notice to Proceed as described in Section 4.4 of this Agreement.

5.2.2 The MOA and AHFC have executed the Purchase and Sale Agreement.

5.2.3 ACCT and its design builder are able to enter into a Design-Build contract in form and upon terms acceptable to the MOA and ACCT.

5.2.4 The Municipality of Anchorage Assembly has approved this Agreement, and the Purchase and Sale Agreement.

5.2.5 The MOA has secured sufficient funding and financing for the Project.

5.3. Form of ACCT's Design-Build Contract. So long as the conditions precedents are satisfied, ACCT shall enter into the Design-Build Contract with its design-builder. The form of the Design-Build Contract shall be in substantial compliance with **Exhibit E** to this Agreement. For purposes of such contract, ACCT shall be considered the Owner of the Project. Notwithstanding the definition of "Owner", ACCT will be responsible to the MOA for the delivery of the Project on the schedule and terms consistent with the Notice to Proceed.

5.4. **Written Notice to Proceed.** Upon the satisfaction of all conditions precedent in Section 5.2, with the exception of subsection 5.2.1, the MOA shall give ACCT its written Notice to Proceed with the Project, which will satisfy all conditions precedent to this Agreement and shall incorporate by reference Exhibits A-1, B-1, C-1, and D-1 to this Agreement. ACCT shall deliver to the MOA within ten (10) days of the written Notice to Proceed, an executed copy of the Design Build Contract, the insurance certificates required for the Project and the payment and performance bonds.

5.5 **Other Terms.** The following terms and covenants apply to the Phase II work.

5.5.1 **Payment and Performance Bonds.** Both ACCT and the MOA or its assign will be named as co-obligees under the payment and performance bonds to be provided by the design-builder under the Design-Build Contract.

5.5.2 **MOA Third Party Beneficiary.** The MOA shall be a third-party beneficiary of any contracts between ACCT and other entities who perform work on the Project and any contracts between ACCT's design builder and other entities who perform work on the Project. Notwithstanding the above, these rights shall not be interpreted nor relied upon to permit any direct claims against the MOA by the Design-Builder and its subcontractors and vendors or any of ACCT's other contractors or consultants. Such parties shall seek their relief solely as provided in the Design Build Contract.

5.5.3 **Standard of Work/Contractors.** All work performed by ACCT and the design builder shall be performed in accordance with the professional standards applicable to the Project consistent with other projects in Anchorage Alaska of similar complexity, quality and scope. ACCT may use or replace, or consent to the use or replacement, of the design-builders, contractors or personnel or re-allocate responsibilities as it deems necessary or appropriate in order to carry out its responsibilities hereunder with any qualified design-builders, contractors or personnel as it deems appropriate in its reasonable judgment. If ACCT seeks to name any design-builder to take over the Project in place of Davis Constructors and Engineers, Inc., the MOA must consent to the named design-builder; however,

the MOA's consent to such named design-builder shall not be unreasonably withheld or delayed. This requirement shall not apply to any surety performing under the payment and performance bonds who shall remain free to select its own contractors without the MOA's consent, but who shall select its own contractors in compliance with its obligations under its bonds and the governing law of surety.

5.5.4 **Site Control.** The ~~MOA~~ Developer shall be solely responsible for providing timely site control and access to the Project site for the construction of the project in accordance with the final schedule that is Exhibit D-1 to this Agreement. The MOA reserves for itself, its representatives, and its or any other assigns, the right to enter upon the Property so long as such entry is coordinated with and through ACCT, at any time and for any purpose, so long as MOA shall notify ACCT and does not interfere with ACCT's or the design–builder's use of the Property or construction of the Block 70 Parking Garage. The MOA and its assigns shall comply with all necessary job-site safety rules imposed by ACCT or its contractor while present on the Property during construction.

5.5.5 **Contingency; Disposition of Contingency upon Substantial Completion.** Exhibit B-1 will include a "Project contingency" in the amount of ACCT's development fee and an MOA contingency. The Project contingency shall be available to cover cost-overruns allocated to ACCT under this Agreement and the Design-Build Contract. The MOA contingency shall be available to cover cost overruns chargeable to the MOA under this Agreement and chargeable to the MOA, either directly or through ACCT, under the Design-Build Contract.

5.5.5.1 Disposition of Project Contingency. Any sums not expended by ACCT from the Project contingency shall be paid as the Developer's Fee. If the Project contingency is to be paid to ACCT, then 80% of the remaining Project contingency, or a greater amount if mutually agreed upon by the Parties, shall be paid to ACCT at MOA's Acknowledgement of Substantial Completion under the Design-Build Contract; and the remaining 20% of the contingency (or such lesser remaining balance if earlier

withheld as set forth above) shall be paid upon final completion of the Project as set forth in Article 9.10 of the Design Build Contract.

5.5.5.2 Disposition of MOA Contingency. Any sums not expended by the MOA from the MOA contingency upon MOA's Acknowledgement of Substantial Completion of the Project may be allocated or retained as MOA determines within its sole discretion, but in compliance with the Purchase and Sale Agreement.

5.5.6 Changes. MOA shall have the right to initiate Change Order requests for the Project. Change Order requests will be processed in accordance with the procedures set forth in Article A-7 to Exhibit A to the Design-Build Contract. The MOA's Change Order request shall be submitted through ACCT and the MOA will sign the Change Order and authorize the change in final budget and schedule. Payment for cost overruns owing to MOA initiated Change Orders shall be in compliance section 6.3 of this Agreement. After assignment by MOA to AHFC, a Change Order request relating to items described in 4.2.1 of the Purchase and Sale Agreement shall not be effective unless it has been signed by both AHFC and MOA.

5.5.7 Cost Overruns. The design builder, and then ACCT, not the MOA, is at risk for Change Orders initiated by ACCT and/or for cost overruns for construction and design for work performed within the scope of the Design Build Contract, except as set forth in this Section 5.5.7.

5.5.7.1 The MOA shall be responsible for cost overruns that result directly and solely from the MOA's delayed execution of a Notice to Proceed outside the timeframe set forth for issuing the Notice to Proceed in Exhibit D-1 to this Agreement. Any cost overruns resulting from such delay, however, must be approved by the MOA in its Notice to Proceed in order for such overruns to be enforceable against the MOA.

5.5.7.2 The MOA shall be responsible for cost overruns resulting directly and solely from the MOA's failure to

provide timely and exclusive site control per the requirements of Section 5.5.4 of this Agreement.

5.5.7.3 Except for environmental claims, which are governed by Section 5.5.7.5 of this Agreement, and regulatory changes, which are governed by Section 5.5.7.4, the MOA shall be responsible for payment for cost overruns owing to changes in site conditions as set forth in section A.4.1.4 of Exhibit A to the Design-Build Contract. Any such change will be processed as a Change Order under the Design-Build Contract and will result in an equitable adjustment of the final budget and schedule. Changes in the Stipulated Sum owing from cost overruns governed by this Section 5.5.7.3 shall be paid from the MOA's Contingency first and then by the MOA upon exhaustion of the MOA's contingency.

5.5.7.4 The MOA shall be responsible to pay the cost overruns associated with regulatory changes as set forth in Section A.4.1.11 of Exhibit A to the Design-Build Contract that are attributable to changes in municipal code or regulation between the date of record for the Pricing Documents and the date of issuance of the building permits, or which retroactively affect approvals earlier given under the building permits. Any change in regulatory requirements attributable to changes in municipal code or regulation shall be processed as a change order and shall result in an equitable adjustment of the final budget and schedule attached as Exhibit B-1 and D-1 respectively of this Agreement. Change orders under this Section 5.5.7.4 shall be submitted directly to and paid by the MOA.

5.5.7.5 ACCT shall pay the first TWO HUNDRED THOUSAND and no/100 DOLLARS ($200,000) ("**Environmental Cap**") of cost overruns owing from environmental claims arising under A.4.1.4 and A.10.3 of Exhibit "A" to the Design-Build Contract or other claims or losses incurred because of the presence of hazardous materials on the Project site from the Project Contingency. The MOA shall be responsible for cost overruns in excess of the Environmental Cap. The MOA agrees to indemnify,

defend and hold ACCT harmless from any other costs it incurs in excess of the Environmental Cap required by any Change Orders arising due to environmental claims arising under sections A.4.1.4 and A.10.3 of Exhibit A to the Design-Build Contract or other losses, damages, or claims arising from the presence of hazardous materials on the site as regulated under applicable local, state or federal law.

5.5.7.6 The MOA shall be responsible for cost overruns owing to change orders that change the scope of the Project and deviate from the Project narrative. The MOA shall be responsible for cost overruns for bonding and purchasing the garage in excess of those amounts set forth as finance costs/cost of issuance in Exhibit B-1 to the Block 70 Parking Garage Development Agreement that are not the responsibility of ACCT. Cost overruns owing to Change Orders which are determined to be the responsibility of ACCT to pay under the terms of Design-Build Contract, and not allocated to the MOA under this Agreement shall be paid from the Project contingency and then by ACCT upon exhaustion of the Project contingency.

5.6 **Payment for Phase II Scope of Work.** Costs and fees for Phase II Scope of Work shall be payable in accordance with Section 6 of this Agreement.

5.7 **1% for Art Program.** The MOA, in compliance with Anchorage Municipal Code 07.04.010 - 07.04.080, will separately administer a 1% for Art program for the Project. ACCT, through the design builder's architect, will have a representative on the selection committee. The parties will collaborate in finding art that does not increase the cost of construction of the Project. Payment for the 1% for art costs and effort will be paid directly by the MOA, subject to the terms of Section 4.3 of the Purchase and Sale Agreement, and will not be processed as an obligation of ACCT.

6. Payment

6.1 **Pre-Development Phase Work Payment.** The MOA shall owe ACCT and the consultants and contractors of ACCT no fee for work performed under the Predevelopment Phase scope of work. However, if the Parties

execute this Agreement and proceed to Phase I, Pre-development Phase costs shall be due and payable as set forth in section 6.2.1.

6.2 **Phase I Work Payment.** Payment for the Phase I work will be billed based upon a lump sum basis for the effort to complete the Phase I work. In no event, absent an MOA directed change in the scope of work, shall the final billing exceed the lump sum set forth in Section 4.3 of this Agreement. Phase I Costs are earned and payable in accordance with Section 6.2.1 of this Agreement regardless of whether the MOA decides to proceed to Phase II. Should the MOA not elect to proceed to Phase II, the MOA shall not owe any additional money for the allowance components (reflected as "soft costs" on Exhibit "B") and shall only owe the Phase I costs as set forth in the Budget and attached as Exhibit B. Should the MOA elect to proceed to Phase II and issue the Notice to Proceed, then the amount paid by MOA for Phase I and Pre-development costs and fees will be credited to the final Project budget. In such case, allowance components for Phase I work that may be in excess of the Phase I costs may be reimbursable under the final Project budget if included in the final Project budget.

6.2.1 Timing of Payments. The Pre-Development Work as shown on Exhibit "B" in the amount of THREE HUNDRED SEVENTY THOUSAND AND NO/100 DOLLARS ($370,000) shall be due and owing upon execution and paid within ten (10) business days of execution of this Agreement by MOA. The lump sum for the Phase I scope of work as shown on Exhibit "B" in the amount of ONE MILLION SIX HUNDRED TWENTY-SEVEN THOUSAND FIVE HUNDRED AND NO/100 DOLLARS ($1,627,500) shall be due and owing and paid within ten (10) business days of either the issuance of the Notice to Proceed or the written election of the MOA not to proceed to Phase II. Phase II work shall be paid in accordance with section 6.3.

6.3 **Phase II Work.** Phase II work will be billed to the MOA in monthly billings based upon the percentage of work complete, the time and hours undertaken to complete the work and the requirements specified in Sections 5.1 and 5.2 of the Design-Build Contract and in the Article A.9 of Exhibit A to the Design-Build Contract, and shall be paid within the times set forth therein. The development fee earned during Phase II work shall be earned as a percentage of work completed under Phase II work in accordance with the Design Build Contract and paid in accordance with section 5.5.5.1 of

this Agreement. ACCT shall be entitled to stop work in the event of a failure to timely pay, except for matters submitted to the dispute resolution process as set forth in Section 13 of this Agreement, unless the failure to pay prevents it from requiring its design-builder to proceed with construction under the Design-Build Contract, in which case it may suspend work pending resolution of the dispute.

6.4 **Payment Notwithstanding Contingency.** Notwithstanding the condition precedent of Assembly approval as set forth in section 5.2.4, upon the assignment of this Agreement by the MOA to AHFC, the obligation to pay for the Pre-Development Fee and the Phase I Fee shall vest and the cost and fees shall be due and owing by AHFC as assignee until a notice of termination is given. In the event a notice of termination is given during Phase I work, then the amount owed shall be paid on a percentage of completion basis allocated for the time under the Exhibit D-1 from the start of work on Pricing Documents (line 32) until the delivery of the Pricing Documents (line 36).

7. **Consent to Assignment.** In the event that MOA executes the Purchase and Sale Agreement and in so doing assigns its rights, duties, and responsibilities to AHFC, upon AHFC's written assumption of MOA's duties and obligations under this Agreement, ACCT consents to such assignment and agrees ACCT shall look solely to AHFC for payment and releases MOA from any obligations to make payment. ACCT shall include in its Design Build Contract and require the Design Builder to include in its subcontractor agreements this language releasing MOA from obligations to pay for claims relating to the Project. ACCT shall be entitled to take direction from AHFC after assignment on all matters relating to the Project; except sections 3.2.2, 3.2.3 and modification or deletion of any of the design items in section 4.2 of the Purchase and Sale Agreement, as to which ACCT shall be entitled to take sole direction from the MOA. If ACCT is aware that AHFC and the MOA disagree over who has authority to direct ACCT, ACCT will, at a minimum, provide MOA and AHFC with a written statement of such disagreement five calendar days prior to the time required for resolution of the disagreement without cost overrun to the Project. Upon following such procedure for notice, ACCT shall not be responsible to the MOA or its assigns for following the direction of either the MOA or AHFC; nor shall ACCT be responsible for the cost of any changes incurred in following such direction.

8. **Mutual Obligations.** Each party covenants and agrees that the other party has relied in material ways on the expectation and belief that the other party will

continue to proceed with the Project with the other party consistent with the covenant of good faith and fair dealing. MOA recognizes that the development services identified above are complex and time intensive and will require ACCT to engage other professionals in order to deliver the scope of services with enough accuracy and detail necessary to submit an application for financing and information to MOA to make an informed decision. MOA agrees to work solely and in cooperation with ACCT in order to proceed with the Phase I work. Nothing in this Paragraph requires MOA to advance to a subsequent phase of the Project, or prevents MOA, if MOA and ACCT are unable to agree on the terms for proceeding to a subsequent phase, from proceeding in its sole discretion with that phase with a different developer or design builder.

9. **Ownership of Documents.** The design-builder will maintain the redline drawings during the construction of the Project and one set shall be delivered to the MOA within a reasonable time after the date of final completion. ACCT will have the architect of record deliver to the MOA an e-version of the final drawings and specifications, which will be endorsed with the limited license and the MOA's release and waiver as set forth immediately below for any use without the retention of the Architect and ACCT. Any other reproductions and other hard copies will be delivered on a reimbursable basis outside of the final budget. The MOA and its assigns shall have a license to use such plans for its future work, remodeling and renovation work of the Project without any further consent from ACCT, the design-builder, or the architect of record, conditioned upon the implied promise from such use that each such licensee shall release ACCT, the design-builder, the architect of record and their employees and subcontractors from any liability, loss, claim arising therefrom and that each such licensee architect, engineer or contractor who uses the plans and specifications will indemnify, defend and hold harmless ACCT, the design-builder, the architect of record and their employees and subcontractors from any and all liability which may arise from its use of the plans, unless such use is undertaken with prior written consent of ACCT, the architect of record and the design-builder, which consent shall not be unreasonably withheld. If found to be in default, ACCT assigns to MOA all of its rights to the ownership and use of documents as set forth in Design-Build Contract. To the extent not set forth above, the MOA's rights to documents shall be co-equal to ACCT's as set forth in section A.1.6 of Exhibit A to the Design-Build Contract.

10. **Records.** ACCT shall keep all records and accounts of the Project as is usual and customary in the construction industry for not less than five (5) years after substantial completion. Upon written request from MOA, such records shall be

available to MOA or its appointed accounting or auditing representatives for inspection and copying. Prior to destroying or disposing of such records, ACCT shall offer the records to MOA.

11 **Termination and Default.** This Agreement may be terminated by mutual agreement of the Parties, for convenience, or for default as set forth below.

11.1 ACCT Right of Termination for Cause. ACCT may terminate this Agreement upon thirty (30) days written notice upon a material default by the MOA, unless during such notice period, the default is cured, or if the default is such that it may not be cured reasonably within thirty (30) days, then MOA has begun the cure and is diligently prosecuting the cure until its completion. A material default shall not exist as to funds not paid, but in dispute under the Disputes Clause of this Agreement, until after the funds are found due after exhaustion of the Disputes Clause, however, such non-payment shall provide a basis for stopping work until the dispute is resolved.

11.2 MOA Right of Termination for Cause. MOA may terminate this Agreement upon thirty (30) days written notice upon a material default by ACCT, unless during such notice period, the default is cured, or if the default is such that it may not be cured reasonably within thirty (30) days, then ACCT has begun the cure and is diligently prosecuting the cure until its completion, or if the default is in dispute, then until resolved under the Disputes Clause of this Agreement. Notwithstanding the proceeding, the MOA shall also have the rights to take over the work under the terms and conditions and with the obligations as set forth in section 14.2 of Exhibit A to the Design-Build Contract; however, if the disputes resolution determination is that ACCT was not in default, or that its non performance was excused, then ACCT shall be entitled to payment of its Developer Fee and its design-builder shall be entitled to payment of its lost profits and unallocated overhead to the extent provided for in the Design-Build Contract.

11.3 Waiver of Consequential Damages. Upon any default, except for defaults of time of completion, which are addressed by liquidated damages, each party may seek its actual damages; however, both Parties waive as against the other the right to seek consequential damages as further defined by section A.4.1.10 of Exhibit A to the Design-Build Contract and/or punitive damages arising from such breach.

11.4 Termination for Convenience. MOA shall have the right to terminate this Agreement for convenience under the terms, conditions, and with the obligations

of the Owner under Section A.14.4 of Exhibit A to the Design-Build Contract. ACCT shall be entitled to its development fee in the event of such termination.

12. **Alternative Contractor.** In the event ACCT and MOA are unable to agree on an acceptable final budget to proceed to Phase II, then MOA shall pay to ACCT all sums due and owing for the Phase I work completed as set forth in section 6.2 and 6.4 of this Agreement and reimburse ACCT for any approved expenses advanced on behalf of MOA in anticipation of Phase II work. Approved expenses are expenses described as Phase I on Exhibit A attached hereto, which are approved by MOA upon execution of this Agreement, or expenses for Phase II work that the MOA has authorized in writing to keep the Project on schedule prior to the Notice to Proceed with Phase II work. In the event of termination because of the decision not to proceed with Phase II work with ACCT, then ACCT will grant a license to MOA to use the documents for construction of a parking garage on the Property on the terms set forth in section 9 of this Agreement. MOA acknowledges that the documents are incomplete and waives any claims against ACCT, the design-builder and/or architect of record for any errors or omissions in the documents and the MOA will hold the licensee(s) to the requirements of section 9 of this Agreement.

13. **Disputes between MOA and ACCT.** In the event of any dispute arising between the MOA and the ACCT regarding any part of this Agreement or the Parties' obligations or performance hereunder, either Party may institute the dispute resolution procedures set forth herein. The Parties shall continue performance of their respective obligations hereunder notwithstanding the existence of a dispute, except only for the failure to pay for Phase I or Phase II work. ACCT will include this Disputes Clause in lieu of the disputes clause set forth in Article 6 of the Design-Build Contract and Articles A.4.2 to 4.4.5 of Exhibit A to the Design-Build Contract.

13.1 Initial Meeting to Resolve Disputes. Any party may from time to time call a special meeting for the resolution of disputes that would have a material impact on the cost or progress of the Project. Such meeting shall be held at the MOA offices in Anchorage, Alaska within three (3) working days of written request therefore, which request shall specify in reasonable detail the nature of the dispute. The MOA's Authorized Representative, ACCT's Authorized Representative and any other person who may be affected in any material respect by the resolution of such dispute shall attend the meeting. Such Authorized Representative shall have authority to settle the dispute and shall attempt in good faith to resolve the dispute.

13.2 Mediation. If the dispute has not been resolved within five (5) working days after the special meeting has been held, a mediator, mutually acceptable to the Parties and experienced in design and construction matters shall be appointed. The Parties shall share the cost of the mediator. The mediator shall be given any written statements of the Parties and may review the Site and any relevant documents. The mediator shall call a meeting of the Parties within ten (10) working days after his/her appointment, which meeting shall be attended by the MOA's Authorized Representative, the ACCT's Authorized Representative and any other person who may be affected in any material respect by the resolution of such dispute. Such Authorized Representatives shall have authority to settle the dispute and shall attempt in good faith to resolve the dispute. During such ten (10) day period, the mediator may meet with the Parties separately.

13.2.1 No minutes shall be kept with respect to any mediation proceedings, and the comments and/or findings of the mediator, together with any written statements prepared, shall be non-binding, confidential and without prejudice to the rights and remedies of any Party. The entire mediation process shall be completed within twenty (20) working days of the date upon which the initial special meeting is held, unless the Parties agree otherwise in writing. If the dispute is settled through the mediation process, the decision will be implemented by written agreement signed by the Parties.

13.3 Court. In the event mediation fails, then any party may seek to resolve the dispute in a court of competent jurisdiction located in Anchorage Alaska. The prevailing party in such action shall be entitled to payment of their reasonable Alaska Rule of Civil Procedure 82 fees and court costs incurred in the court action itself and in any action necessary to enforce the judgment.

13.4 Other contracts. All contracts that the MOA or ACCT enter into with third parties that implement design or construction of the Project shall be required to include as a term a dispute resolution procedure in substantial compliance with the terms of Section 13 of this Agreement.

13.5 Authorized Representative/Notice. Each Party agrees, within ten days of the delivery of a mutual executed copy of this Agreement, to notify the other party who its Authorized Representative is, including mailing address, phone numbers, fax numbers, and e-mail address.

13.5.1 Notice. All notices sent pursuant to this Agreement shall be in writing and sent by regular, registered or certified mail, postage prepaid, or by hand-delivery to the parties as follows below:

To ACCT:

Venture Development Group
425 G Street, Suite 210
Anchorage, AK 99501
Attn: Mark Pfeffer

JL Properties
813 D Street , Ste. 200
Anchorage, AK 99501
Attn: Jon Rubini

With a copy to:

Ashburn & Mason
1130 West Sixth Ave., Ste. 100
Anchorage, AK 99501
Attn: Donald W. McClintock, III

To MOA:

Municipal Manager
632 W. 6th Ave., Suite 830
Anchorage, AK 99501

Municipal Attorney
Municipality of Anchorage
Department of Law
632 W. 6th Avenue, Ste. 730
Box 196650
Anchorage, AK 99519-6650

Either party may change these persons or addresses by giving notice as provided above. Notice shall be considered given and received on the latest original

delivery or attempted delivery date as indicated on the postage or service receipt(s) of all persons and addresses to which notice is to be given. In the event of notice by regular mail, notice shall be deemed received on the fourth business day after posting.

14. **Insurance**. ACCT shall require its design-builder to carry the insurance as set forth in **Exhibit "F."** ACCT itself will not carry separate coverages; it will be named as an additional insured under the design-builder's policies.

15. **Coordination with Design-Build Contract.** This Agreement and the Design-Build Contract shall define the obligations and performances of ACCT to the MOA.

15.1 Delay. In the event the design-builder shall be entitled to an equitable adjustment of time under the Design-Build Contract due to changes, force majeure, or other reasons as set forth in the Design Build Contract, then ACCT shall be allowed an equal time extension under this Agreement.

15.2 Liquidated Damages. In the event of unexcused delay in completion of the project, then ACCT shall collect from its design-builder the liquidated damages provided for under the Design-Build Contract and remit those to the MOA. ACCT shall not be required to pay any additional liquidated damages for such delay under this Agreement. Such liquidated damages shall be the MOA's sole and exclusive remedy for delay.

15.3 Warranties. The warranties to be provided after substantial completion and acceptance of the Project shall be an obligation owed directly by the design-builder to the MOA and its assigns and no other warranty provided by ACCT shall be provided nor implied under this Agreement. ACCT performance shall be complete upon final completion of the Project and acceptance of the same by MOA or its assigns. Beneficial occupancy will be delivered at the time of Acceptance of Substantial Completion.

15.4 Conflicts with form agreements. In the event of a conflict between this Agreement and the Design-Build Contract, the terms of this Agreement shall control over any printed portions of the Design-Build Contract, and the typed or revised provisions of the Design-Build Contract that have been approved by the MOA shall control over this Agreement.

15.5 Review and Approval of the Design-Build Contract. The MOA shall have the right of review and approval of the form of the Design-Build Contract prior to its execution.

16. **General Provisions.** The following general provisions shall apply to this Agreement.

16.1 Except where a party is entitled explicitly by this Agreement to make a decision in its sole discretion, whenever consent or approval of either party is required, that party shall not unreasonably withhold such consent or approval;

16.2 This Agreement shall be binding upon and inure to the benefit of the parties and their successors;

16.3 This Agreement shall be construed and interpreted in accordance with the laws of the State of Alaska and venue for dispute resolution shall be Anchorage, Alaska;

16.4 Headings and captions shall have no effect on its interpretation;

16.5 When required by this Agreement, the singular shall include the plural and the neuter shall include the masculine and the feminine;

16.6 The unenforceability, invalidity, or illegality of any provision of this Agreement shall not render the other provisions of this Agreement unenforceable, invalid, or illegal; and,

16.7 Each party has negotiated this Agreement with the assistance of counsel and any ambiguity in the Agreement shall not be construed against either party for having provided the language in question.

End of Text

Signatures follow

DATED this 11th day of September, 2006.

MUNICIPALITY OF ANCHORAGE,
A municipal corporation

By: _____
Mark Begich
Its: Mayor

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 11th day of September, 2006, by Mark Begich, Mayor of the Municipality of Anchorage.

_____
Notary Public in and for Alaska
My commission expires: 10/16/06

State of Alaska
NOTARY PUBLIC
Demetria Veasy
My Commission Expires October 16, 2006

ALASKA CENTER FOR CONVENTION & TRADE, LLC an Alaska limited liability company

By: VENTURE DEVELOPMENT GROUP, LLC, an Alaska limited liability company, its Managing Member

By: Mark E. Pfeffer
Its: Member

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 11th day of September, 2006 by Mark E. Pfeffer, Managing Member of Venture Development Group, LLC.

State of Alaska
NOTARY PUBLIC
Demetria Veasy
My Commission Expires October 16, 2006

Notary Public in and for Alaska
My commission expires: 10/16/06

ALASKA CENTER FOR CONVENTION & TRADE, LLC an Alaska limited liability company

By: JL PROPERTIES, INC., an Alaska corporation, its Managing Member

By: Jonathan Rubini
Its: Member

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 11th day of September, 2006 by Jonathan Rubini, Managing Member of JL Properties, Inc.

State of Alaska
NOTARY PUBLIC
Demetria Veasy
My Commission Expires October 16, 2006

Notary Public in and for Alaska
My commission expires: 10/16/06

AGREEMENT TO LICENSE, ASSIGN, CONSTRUCT, AND PURCHASE THE BLOCK 70 PARKING GARAGE

This Agreement to License, Assign, Construct, and Purchase the Block 70 Parking Garage is made this 31st day of August 2006, between the Municipality of Anchorage ("MOA") and the Alaska Housing Finance Corporation ("AHFC").

RECITALS

A. Under Chapter 47 of the Session Laws of Alaska 2006, the Alaska State Legislature found there is insufficient parking available for the Atwood Office Building in downtown Anchorage and the purchase of a new garage to provide parking for the Atwood Office Building tenants, who include numerous Alaska state departments and agencies, would serve a public purpose. By this legislation, AHFC is authorized to finance and purchase a parking garage, the price for which may not exceed $44,000,000, including the costs of purchasing and issuing bonds for the facility.

B. AHFC is the fee-simple title owner of the south half of Block 70, an area of land on the north side of Seventh Avenue, across the street from the Atwood Office Building.

C. Until April 12, 2006, AHFC was the owner of Block 80, a parcel of real property adjacent to and used for parking for the Atwood Office Building. MOA has undertaken the development of a new Anchorage civic and convention center on Block 80 through a design-build procurement. One element of that procurement required recommendations for the coordination and relocation of parking in downtown Anchorage and foresaw the need for the design and construction of a new parking garage to serve the Atwood Office Building, the convention center, and the public at large.

D. The Alaska Center for Convention & Trade, LLC ("ACCT") was the successful proposer on MOA's request for proposal for the convention center project. In consummation of this proposal, MOA, through its successor-in-interest CivicVentures, entered into a development agreement with ACCT on November 10, 2004 and into the Amended and Restated Development Agreement on January 19, 2006. In addition to providing for the design and construction of the convention center, the Amended and Restated Development Agreement permitted MOA to further contract with ACCT for the design and construction of a new parking garage.

E. Contemporaneous with the execution of this Agreement, MOA is entering into the Block 70 Parking Garage Development Agreement with ACCT for the design and construction of the parking garage permitted under the Amended and Restated Development Agreement for the convention center.

F. AHFC believes that the Block 70 Parking Garage as set forth and described under the Block 70 Parking Garage Development Agreement will serve the parking needs contemplated under the legislative authorization. So long as the Block 70 Parking Garage substantially meets the design guidelines set forth under this Agreement, MOA desires to assign some of its rights and responsibilities under the Block 70 Parking Garage Development Agreement to AHFC and to sell the completed garage to AHFC.

G. Therefore, AHFC and MOA desire to work together to see the design and construction of the Block 70 Parking Garage come to completion. To achieve this aim, the Parties for their mutual and best interests, enter into this Agreement to License, Assign, Construct, and Purchase the Block 70 Parking Garage.

1. DEFINITIONS

1.1. **"Agreement"** means this Agreement to License, Assign, Construct, and Purchase the Block 70 Parking Garage.

1.2. **"Block 70 Parking Garage"** means the garage to be constructed under the Block 70 Parking Garage Development Agreement.

1.3. **"Block 70 Parking Garage Development Agreement"** means the agreement between MOA and ACCT for the design and construction of the Block 70 Parking Garage that is effective as of August 31, 2006.

1.4. **"Effective Date"** means August 31, 2006.

1.5. **"Parties"** means AHFC and MOA.

1.6 **"Property"** means that half of Block 70, more particularly described as:

> Tract 1, Block 70, Anchorage Original Townsite, according to Plat No. _____ situated in the Anchorage Recording District, Third Judicial District, State of Alaska.

1.7 **Additional Defined Terms.** Additional capitalized words used in this Agreement shall have the same meaning as the capitalized words under the Block 70 Parking Garage Development Agreement. Words of technical

usage such as "substantial completion" or "final completion" shall have a common meaning under both this Agreement and the Block 70 Parking Garage Development Agreement.

2. LICENSE TO DEVELOP PROPERTY

2.1 License. As of the Effective Date, AHFC grants to MOA a non-exclusive license to enter upon and develop the Property for the design and construction of the Block 70 Parking Garage and for any other purpose incidental or relevant to such design and construction.

2.1.1 Assignment of License. MOA shall assign its license to enter upon and develop the Property to ACCT. Notwithstanding this assignment to ACCT, MOA reserves for itself the right to enter upon the Property so that it may monitor and protect its interests related to environmental indemnification as set forth in Section 5.5.7.5 of the Block 70 Parking Garage Development Agreement. When entering upon the Property, however, MOA shall first notify ACCT of its intended entry, comply with all necessary job-site safety rules imposed by ACCT or its contractor while present on the Property during construction, and not interfere with ACCT's use of the Property or construction of the Block 70 Parking Garage.

2.1.2 Access and Site Control. The Parties hereby incorporate the provisions of Section 5.5.4 of the Block 70 Parking Garage Development Agreement regarding access and site control into this Agreement.

2.2 Reserved Rights. Notwithstanding Section 2.1, AHFC reserves for itself, its representatives, and its assigns the right to enter upon the Property at any time and for any purpose, so long as AHFC shall notify ACCT and does not interfere with ACCT's use of the Property or construction of the Block 70 Parking Garage. AHFC shall comply with all necessary job-site safety rules imposed by ACCT or its contractor while present on the Property during construction.

2.3 Termination of License. Unless otherwise extended by mutual agreement, MOA's license to enter upon and develop the Property terminates upon any of the following events:

2.3.1 AHFC's election under Section 4.4 of the Block 70 Parking Garage Development Agreement not to proceed to Phase II.

3.2, MOA assigns to AHFC all of its rights, duties, and responsibilities under the Block 70 Parking Garage Development Agreement.

3.2 Reservation of Assignment. MOA reserves for itself the following rights, duties, and responsibilities under the Block 70 Parking Garage Development Agreement.

3.2.1 Those rights, duties, and responsibilities occurring during the Pre-development Phase as described in Section 3 of the Block 70 Parking Garage Development Agreement, excluding the obligation to make payment set forth in Section 3.3 of such agreement.

3.2.2 Those rights, duties, and responsibilities set forth in Section 5.5.7.4 (COST OVERRUNS) (Changes to Municipal code or regulations) of the Block 70 Parking Garage Development Agreement.

3.2.3 Those rights, duties, and responsibilities set forth in Section 5.5.7.5 (COST OVERRUNS) (Environmental) of the Block 70 Parking Garage Development Agreement.

3.2.4 MOA shall receive a copy of the deliverables described in section 4.1 of the Block 70 Parking Garage Development Agreement at the same time the deliverables are given to AHFC.

3.2.5 MOA shall have the right to participate in all negotiations between AHFC or its consultants and ACCT or its consultants described and set forth in Section 4.4 of the Block 70 Parking Garage Development Agreement where such negotiations are relevant to the design features described in Section 4.2 of this Agreement. Notwithstanding this provision, AHFC shall have exclusive right to determine in its sole discretion whether to proceed to Phase II pursuant to Sections 4.4 and 5.4 of the Block 70 Parking Garage Development Agreement.

3.2.6 MOA shall have the right provided in section 5.5.4 of the Block 70 Parking Garage Development Agreement to visit and inspect the site from time to time at its sole discretion for the purpose of evaluating and monitoring environmental activities for which MOA has potential indemnification responsibility, so long as MOA complies with the access and entry provisions set forth in Section 2.1.1 of this Agreement.

3.2.7 All non-financial obligations imposed by Anchorage Municipal Code 07.40.010 - 07.40.080 relating to funds for work of art in public facilities. AHFC shall be responsible for payment to MOA for the costs of implementing the one percent for the Art program per the requirements of Section 4.3.

3.3 **AHFC's Acceptance of Assignment.** AHFC accepts the assignment of rights and assumes the duties and responsibilities under the Block 70 Parking Garage Development Agreement from MOA as set forth in Section 3.1 and limited by Section 3.2 of this Agreement.

3.4 **Cooperation.** MOA and AHFC agree they will cooperate in good faith to facilitate AHFC's assumption and implementation of AHFC's assigned rights and responsibilities.

3.5 **Indemnification.** Subject to a specific appropriation by the legislature for this purpose, AHFC agrees to indemnify MOA against all claims arising out of or asserted against MOA as a result of performance of those rights, duties, and responsibilities assigned to AHFC under Section 3.1 of this Agreement; however such obligation does not extend to claims arising out of or asserted against MOA as a result of performance of those rights, duties, and responsibilities reserved to MOA by Section 3.2 of this Agreement or extend to damages caused by MOA's own negligence. All Parties to this Agreement recognize and agree that AHFC has no appropriation currently available to it to indemnify MOA under this section and that enactment of an appropriation in the future to fund a payment under this section remains in the sole discretion of the legislature. The legislature's failure to make such an appropriation fully rescinds any liability on the part of AHFC under this Section and creates no further liability or obligation of AHFC for indemnification or other action.

4. DESIGN AND CONSTRUCTION OF THE BLOCK 70 PARKING GARAGE

4.1 Predevelopment and Phase I Activities. AHFC agrees that until such time as AHFC, as the assignee of the MOA, elects to proceed to Phase II under Sections 4.4 and 5.4 of the Block 70 Parking Garage Development Agreement, AHFC will keep MOA informed of all meetings, events, and decisions concerning design, schedule, budget, or cost of the Block 70 Parking Garage and that MOA will be permitted to send a representative to all meetings between AHFC or its consultants and ACCT or its consultants or between ACCT and its contractors or consultants.

4.2 Design Features.

4.2.1 Design Features. If AHFC elects to proceed to Phase II under Section 5.4 of the Block 70 Parking Garage Development Agreement, the Block 70 Parking Garage shall be designed and constructed to contain the following design features:

4.2.1.1 The garage shall be located at the northern property line of the Property so that the width of the sidewalks along 7th Avenue is maximized.

4.2.1.2 The first floor of the structure shall contain commercial or retail space along E Street, F Street, and Seventh Avenue.

4.2.1.3 The sidewalks on the E Street, F Street, and Seventh Avenue sides of the garage shall be heated from the outside face of the commercial or retail space storefront to the back of the curb.

4.2.1.3.1 MOA and AHFC agree that should AHFC elect to proceed to Phase II and the Block 70 Parking Garage be constructed, AHFC shall be responsible for any maintenance of the sidewalks around the garage. However, should the MOA undertake any activities within its right-of-way, MOA shall be responsible for any damage to or impacts upon the heating system caused by those activities.

4.2.1.4 No vehicle entry or exit shall be designed or constructed on the F Street side of the garage.

4.2.1.5 The garage shall be designed and constructed to provide for two lanes of access to the garage to or from E Street. The E Street access shall not diminish the twenty-nine (29) feet of sidewalk measured from the outside face of the commercial or retail storefront (nineteen (19) feet from the face of the structure) to the back of curb.

4.2.1.6 The garage shall be designed and constructed with an exterior skin as such skin is described and depicted in Exhibits A and H to the Block 70 Parking Garage Development Agreement. Any change to the exterior skin that does not conform to Exhibits A and H must be approved in writing by the mayor of the MOA.

4.2.1.7 The garage shall be designed and constructed to include a stair-elevator tower and pedestrian plaza that conforms with the tower and pedestrian plaza described and depicted in Exhibits A and G to the Block 70 Parking Garage Development Agreement. Any change to the tower and plaza that does not conform to Exhibits A and G must be approved in writing by the mayor of the MOA.

4.3 **One Percent for Art.** MOA shall undertake and perform all legal responsibilities imposed by Anchorage Municipal Code 07.40.010 - 07.40.080 regarding funds for works of art in public facilities and shall be responsible for administering such program for the Block 70 Parking Garage. Appointments to the committee or jury for art collection shall be structured so that AHFC and ACCT representatives compose the majority of members. As such, the five-person committee or jury for selecting art shall be appointed as follows: two members by AHFC; two members by MOA; and one member by ACCT. AHFC funds allocated to the one percent for the arts shall be used to cover the cost of the art, the costs of installing the art on or at the Block 70 Parking Garage, and the MOA administrative fee described in this Section. The MOA administrative fee shall equal ten percent of the one percent for art budget. One half of such fee shall be paid within 30 days after the selection committee is appointed and the remainder of such fee shall be paid after all of the artwork has been selected and contracts awarded to the artists. As to payment for the art, MOA shall notify AHFC when payment to the selected artist or artist is due not later than 35 days prior to the due date, and AHFC shall provide the funding for one-percent for art directly to MOA not less than five business days prior to the date upon which payment to the artists is due.

4.4 **Assembly Approval.** MOA shall submit to the Anchorage Assembly and use its best efforts to obtain passage of a municipal ordinance concerning public facility site review for the Project. The submitted ordinance shall provide for the Anchorage Assembly to follow substantially similar expedited procedures for approvals of site review and public hearings used for the Anchorage convention center.

5. PURCHASE AND SALE OF THE BLOCK 70 PARKING GARAGE

5.1 **Purchase Price.** The purchase price for the Block 70 Parking Garage shall equal the amount payable to ACCT for design and construction of the Project as set forth in the Block 70 Parking Garage Development Agreement, plus the administrative fee payable to MOA under Section 5.2 of this Agreement. The purchase price shall not exceed Forty-Four Million Dollars ($44,000,000) less AHFC's costs for bonding and purchasing the garage. Cost overruns for bonding and purchasing the garage in excess of those amounts set forth in Exhibit B-1 to the Block 70 Parking Garage Development Agreement shall be borne by AHFC. If AHFC does not elect under Sections 4.4 and 5.4 of the Block 70 Parking Garage Development Agreement to proceed to Phase II, the purchase price shall not be owed, but the payments required under Section 6 of the Block 70 Parking Garage Development Agreement shall be made by AHFC directly to ACCT.

5.2 **MOA Administrative Fee.** As part of the purchase price, AHFC shall pay an administrative fee directly to MOA of Two Hundred Twenty Thousand Dollars and no cents ($220,000). Payment of such fee beyond the initial payment shall be made only if AHFC elects under Section 4.4 and 5.4 of the Block 70 Parking Garage Development Agreement to proceed to Phase II. Payment of the fee shall be made in installments as follows:

5.2.1 One hundred and Ten Thousand Dollars ($110,000.00) -- Thirty days following the Effective Date

5.2.2 Fifty Five Thousand Dollars ($55,000.00) -- Thirty days following the signing of the Notice to Proceed described under Section 5.4 of the Block 70 Parking Garage Development Agreement.

5.2.3 Fifty Five Thousand Dollars ($55,000.00) -- Upon beginning of construction.

5.3 **Installment Payments of Purchase Price.** If AHFC elects under Sections 4.4 and 5.4 of the Block 70 Parking Garage Development

Agreement to proceed to Phase II, AHFC shall pay the balance of the purchase price in excess of the administrative fee provided for under Section 5.2 of this Agreement in installments paid directly to ACCT as provided in Section 6 of the Block 70 Parking Garage Development Agreement. AHFC shall provide MOA with documentation showing that such payments have been made within fifteen (15) days of the date such payments are made.

5.4 **Warranties.** Except as provided in Sections 5.4.1 and 5.4.2 of this Agreement, MOA does not warrant, in any manner whatsoever, title to the Property or the quality, condition, or fitness of the Property for use of the Block 70 Parking Garage.

5.4.1 Nothing contained in Section 5.4 shall be construed to limit any warranties assigned by MOA to AHFC pursuant to Section 3 of this Agreement.

5.4.2 Nothing contained in Section 5.4 shall be construed to limit the limited warranty provided by MOA as described in Section 5.5 and Exhibit A to this Agreement.

5.5 **Closing.** The closing for AHFC's acquisition of the Block 70 Parking Garage shall be contemporaneous with AHFC's acceptance of substantial completion of the Block 70 Parking Garage. At such time, MOA shall furnish AHFC with a quitclaim deed with one limited warranty. The quitclaim deed with one limited warranty shall be in substantial compliance with Exhibit A to this Agreement.

6. ADDITIONAL PROVISIONS

6.1. **Termination of Agreement. Termination.** This Agreement may be terminated by any of the following events:

6.1.1 AHFC's election under Section 4.4 of the Block 70 Parking Garage Development Agreement not to proceed to Phase II.

6.1.2 Termination of the Block 70 Parking Garage Development Agreement.

6.1.3 Upon mutual agreement of the Parties.

6.1.4 Upon AHFC's acceptance of final completion of the Block 70 Parking Garage.

6.2 **Effect of Termination.** In the event of termination, this Agreement shall be of the following force and effect.

6.2.1 If AHFC does not elect to proceed to Phase II construction and management under Section 4.4 of the Block 70 Parking Garage Development Agreement, this Agreement shall be without further force and effect. However, this clause shall not be interpreted to dispense with AHFC's obligations to make the payments to ACCT required by Section 6 of the Block 70 Parking Garage Development Agreement or to limit AHFC's ownership of the Phase I deliverables as governed by Section 9 of the Block 70 Parking Garage Development Agreement.

6.2.2 If the Agreement is terminated pursuant to Section 6.1.2 of this Agreement, MOA shall immediately transfer ownership of the Block 70 Parking Garage to AHFC in whatever state of completion by provision of the quitclaim deed with one limited warranty in substantial compliance with Exhibit A to this Agreement. With the exception of the following listed provisions of this Agreement, the remainder of this Agreement shall be without force and effect.

6.2.2.1 Section 3 (ASSIGNMENT OF DEVELOPMENT AGREEMENT), including AHFC's ability to exercise remedies for default under the Block 70 Parking Garage Development Agreement.

6.2.2.2 Section 4.1 (DESIGN AND CONSTRUCTION OF DOWNTOWN PARKING GARAGE -- Predevelopment and Phase I Activities).

6.2.2.3 Section 5.2 (PURCHASE AND SALE OF THE BLOCK 70 PARKING GARAGE-MOA Administrative Fee).

6.2.2.4 Section 5.4 (PURCHASE AND SALE OF THE BLOCK 70 PARKING GARAGE --Warranties).

6.2.2.5 Section 6 (ADDITIONAL PROVISIONS).

6.3 **Loss or Damage.** In the event of loss or damage to the Property as a result of flood, fire, earthquake, or other casualty, risk of loss shall be as set forth in the Block 70 Parking Garage Development Agreement.

6.4 **Notices.** All notices, demands, and requests which may be or are required to be given by either party to the other shall be in writing and shall be personally served, delivered by express courier, or sent by facsimile transmission(if sent by facsimile transmission a duplicate copy shall be sent by mail) to the individuals identified below:

If to MOA:

Municipal Manager
Municipality of Anchorage
632 W. Sixth Ave., Ste. 830
Anchorage, Alaska 99501
(907) 343-7110
Fax: (907) 343-7140

And

Municipal Attorney
632 W. Sixth Ave.,
Suite 730
Anchorage, Alaska 99501
(907) 343-4545
Fax: (907) 343-4550

If to AHFC:

Executive Director
Alaska Housing Finance
Corporation
4300 Boniface Parkway
Anchorage, Alaska 99504
(907) 330-8452
Fax: (907) 338-9218

And

Department of Administration
Division of General Services
Attn: Tanci Mintz
550 W. Seventh Ave., Suite 1970
Anchorage, Alaska 99501
(907) 269-0300
Fax: (907) 269-0308

6.5 **Consultation.** MOA and AHFC independently represent that each has had an adequate opportunity to consult with its own tax, legal, and other advisor prior to executing this Agreement. This Agreement when executed shall represent the agreement of the Parties and the rule of construction that ambiguities are construed against the drafter shall not apply.

6.6 **No Third Party Beneficiaries.** With the exception of Section 6.6.1, this Agreement creates no third party beneficiaries and no private rights of action that can be exercised by anyone other than the Parties to this Agreement, their successors, or assigns.

6.6.1 ACCT is a third-party beneficiary of Section 5.1 of this Agreement in the limited and only circumstance as follows: ACCT is a third-party beneficiary and may bring a private cause of action to enforce the obligations of AHFC set forth in Section 5.1 of this Agreement for payment of Pre-development and Phase I fees as such payment is required by and described in Section 6 of the Block 70 Parking Garage Development Agreement. AHFC agrees that ACCT may proceed in reliance upon this covenant, even if the Assembly does not approve the Block 70 Parking Garage Development Agreement and this Agreement, provided only that ACCT complies with its obligation to license its Phase 1 deliverables to AHFC upon such payment.

6.7 **Binding Effect.** This Agreement is binding on and shall inure to the benefit of the Parties and their respective legal representatives, successors, and assigns.

6.8 **Governing Law; Jurisdiction.** This Agreement shall be construed and interpreted and the rights of the Parties determined in accordance with the laws of the State of Alaska. Should any legal proceeding be necessary under this Agreement, the same shall be commenced in the Superior Court of the State of Alaska, Third Judicial District at Anchorage, Alaska. MOA and AHFC agree specifically that venue and jurisdiction in that court are proper and further agree to submit themselves to the jurisdiction of that court as a result of any matter arising under this Agreement.

6.9 **Headings and Subheadings.** Headings and subheadings are provided for descriptive purposes only and shall not be interpreted as obligations of this Agreement.

6.10 **Enforceability of Agreement.** Invalidity or unenforceability of any provision of this Agreement shall not affect the remainder.

6.11 **Waiver.** No waiver of any provision of this Agreement shall be effective unless in writing and signed by the Party who is bound to perform under the waived provision.

6.12 **Integration; Amendment.** This Agreement is the entire agreement of the Parties relating to the Property and it supersedes all prior agreements, understandings, representations, and negotiations. This Agreement may not be amended verbally or by any course of dealing, but only in writing signed by both parties.

6.13 **Disputes.** The Parties agree to apply the alternative disputes resolution procedures set forth in section 13.1 and 13.2 of the Block 70 Parking Garage Development Agreement to disputes between MOA and AHFC regarding this Agreement or the Parties' obligations or performance hereunder. Notwithstanding this provision, the alternative disputes resolutions procedures of Section 13.1 and 13.2 of the Block 70 Parking Garage Development Agreement shall not be applicable to any of the following: those matters set forth under this Agreement as being under the exclusive authority or sole discretion of either MOA or the AHFC; those matters which would subject AHFC to cost overruns under Section 5.5.7 of the Block 70 Parking Garage Development Agreement; or those matters, if any, subject to AHFC's administrative claims procedures.

DATED this 11th day of September, 2006.

MUNICIPALITY OF ANCHORAGE
A municipal corporation

By: _____
Mark Begich
Its: Mayor

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 11th day of September, 2006, by Mark Begich, (title) Mayor of the City of Anchorage.

_____
Notary Public in and for Alaska
My commission expires: 10/16/06

State of Alaska
NOTARY PUBLIC
Demetria Veasy
My Commission Expires October 16, 2006

DATED this 11th day of September, 2006.

ALASKA HOUSING FINANCE CORPORATION

By: _____
Daniel R. Fauske
Its: Chief Executive Officer/Executive Director

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 11th day of September, 2006, by Daniel Fauske, (title) CEO/Exec Director of the Alaska Housing Fin. Corp.

State of Alaska
NOTARY PUBLIC
Demetria Veasy
My Commission Expires October 16, 2006

Notary Public in and for Alaska
My commission expires: 10/16/06

EXHIBIT A

QUITCLAIM DEED WITH ONE LIMITED WARRANTY

THIS DEED is granted this _____ day of _____, 200__ by and between the Municipality of Anchorage ("Grantor") and the Alaska Housing and Finance Corporation ("Grantee").

WITNESSETH:

That the Grantor, for and in consideration of the sum of Ten and no/100 DOLLARS ($10.00), lawful money of the United States of America, and other valuable consideration to it paid or exchanged by the Grantee, the receipt of which is hereby acknowledged, CONVEYS AND QUITCLAIMS to Grantee all interest which it has, if any, to Grantee and to its successors and assigns to the following described premises and improvements on such premises:

> Tract 1, Block 70, Anchorage Original Townsite, according to Plat No ___ situated in the Anchorage Recording District, Third Judicial District, State of Alaska.

The Grantor WARRANTS that as of and including the date of this conveyance Grantor has placed no encumbrances or liens on the premises or improvements.

IN WITNESS WHEREOF, Grantor has signed this Quitclaim Deed with Special Conditions on the day and year first above written.

_____

_____

STATE OF ALASKA)
) ss:
THIRD JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on the _____ day of _____, ____, before me, the undersigned Notary Public, in and for the State of Alaska, personally appeared, known to me to be the person named in and who executed the foregoing instrument, and acknowledged to me that she signed the same freely and voluntarily for the uses and purposes therein mentioned.

WITNESS my hand and official seal the day and year in this certificate first above written.

_____
Notary Public in and for Alaska
My Commission expires:_____

LAWS OF ALASKA

2006

Source
SB 317

Chapter No.
_____

AN ACT

Relating to the purchase by the Alaska Housing Finance Corporation of a parking garage in Anchorage, Alaska and approving the issuance of bonds for the purchase of that parking garage; providing notice of, and authorizing the commissioner of the Department of Administration to enter into, a lease-purchase agreement with the Alaska Housing Finance Corporation for that parking garage; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1

AN ACT

Relating to the purchase by the Alaska Housing Finance Corporation of a parking garage in Anchorage, Alaska and approving the issuance of bonds for the purchase of that parking garage; providing notice of, and authorizing the commissioner of the Department of Administration to enter into, a lease-purchase agreement with the Alaska Housing Finance Corporation for that parking garage; and providing for an effective date.

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

FINDINGS AND PURPOSE. (a) There is insufficient parking available for the Atwood Office Building in downtown Anchorage, Alaska, and the purchase of a new parking garage to provide parking for the Atwood Office Building would serve a public purpose.

(b) The purpose of this Act is to

(1) authorize the Alaska Housing Finance Corporation to finance the purchase of a parking garage for the Atwood Office Building; and

(2) provide notice of, and authorize the commissioner of administration to enter into, a lease with the Alaska Housing Finance Corporation for that parking garage.

*** Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE AUTHORIZATION FOR PURCHASE AND BONDS. (a) The Alaska Housing Finance Corporation is authorized to finance under AS 18.55.010 - 18.55.290, with bond proceeds, the purchase of a parking garage in Anchorage, Alaska, to be leased to the state to provide parking for the Atwood Office Building. The maximum amount of the purchase price of the parking garage may not exceed $44,000,000, including the costs of purchasing the facility and issuing the bonds for the purchase.

(b) The Alaska Housing Finance Corporation is authorized to issue bonds under AS 18.55.100(a)(15) and (d) for the purchase of the parking garage described in (a) of this section. The bonds may have a term not to exceed 21 years.

*** Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE NOTICE OF AND AUTHORIZATION FOR LEASE-PURCHASE AGREEMENT. Subject to annual appropriation, the commissioner of administration is authorized to enter into a lease-purchase agreement for the parking garage described in sec. 2 of this Act. The anticipated total cost of the project is $44,000,000. The anticipated annual amount of the rental obligation is $3,700,000. The total lease payments for the full term of the lease-purchase agreement is anticipated to be $77,700,000.

*** Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPROVAL OF FINANCING AND AGREEMENT. (a) Section 2 of this Act constitutes the approval for the financing of the public building project described in sec. 2 of this Act required by AS 18.55.100(d).

(b) Section 3 of this Act constitutes the notice and approval of the lease-purchase agreement described in sec. 3 of this Act required by AS 36.30.085.

*** Sec. 5.** This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 317
(S) Publish Date: 4/27/06

Revision Date/Time (Note if correction): 4/27/06 8:10 a.m.
Dept. Affected: Administration

Title: An Act relating to the purchase by AHFC of an Anchorage Parking Garage
RDU: State Owned Facilities
Component: Facilities

Sponsor: Rules Committee
Requester: Governor
Component No.: 2429

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual		3,700.0	3,700.0	3,700.0	3,700.0	3,700.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	**0.0**	**3,700.0**	**3,700.0**	**3,700.0**	**3,700.0**	**3,700.0**
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF		3,700.0	3,700.0	3,700.0	3,700.0	3,700.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	**0.0**	**3,700.0**	**3,700.0**	**3,700.0**	**3,700.0**	**3,700.0**

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

POSITIONS

Full-time						
Part-time						
Temporary						

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

The Alaska Housing Finance Corporation will finance, with bond proceeds, the purchase of a parking garage in Anchorage which will be leased to the state to provide parking for the Atwood Office Building. The maximum purchase price of the parking garage may not exceed $44,000,000, including the cost of purchasing the facility and issuing the bonds for purchase. Subject to an annual appropriation, the Commissioner of Administration is authorized to enter into a lease-purchase for the parking garage. The anticipated total cost of the project is $44,000,000 and the anticipated annual amount of the rental obligation is $3,700,000. This fiscal note represents the amount necessary to satisfy the required annual lease payment of $3,700,000.

Prepared by: Remond Henderson, Deputy Director
Phone 465-5687
Division: General Services
Date/Time 4/27/2006 8:10 a.m.

Approved by: Michael Tibbles, Deputy Commissioner
Date 4/27/2006
Agency: Administration

(Revised 9/7/2005 OMB)

HOUSE FINANCE COMMITTEE
May 3, 2006
8:51 a.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at 8:51:12 AM.

MEMBERS PRESENT

Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Richard Foster
Representative Mike Hawker
Representative Jim Holm
Representative Reggie Joule
Representative Mike Kelly
Representative Beth Kerttula
Representative Carl Moses
Representative Bruce Weyhrauch

MEMBERS ABSENT

Representative Mike Chenault, Co-Chair

ALSO PRESENT

Linda Hall, Director, Division of Insurance, CCED; Scott J. Nordstrand, Commissioner, Department of Administration; Senator Fred Dyson; Senator Donny Olson; John MacKinnon, Deputy Director, Department of Transportation and Public Facilities; Peter Putzier, Senior Assistant Attorney General, Transportation Section, Department of Law; Gary Olson, Chairman, Alaska Moose Federation

PRESENT VIA TELECONFERENCE

Jim McMillian, Deputy Director of Credit & Business Development, Alaska Industrial Development and Export Authority (AIDEA)

SUMMARY

CONFIRMATIONS:
Alaska Mental Health Trust Authority Board Confirmations:
Laraine L. Derr, Juneau
Paula Easley, Anchorage
Roy Huhndorf, Anchorage

State Assessment Review Board:
Mary Keller

CSSB 289(FIN)

domestic insurers. It changes licensing language to be consistent with state standards, allows for increasing electronic communication, and changes some definitions.

Co-Chair Meyer noted the zero fiscal note. He asked if the Labor and Commerce Committee agrees with the bill. Ms. Hall replied that Labor and Commerce sponsored the bill at her request.

9:02:17 AM

Representative Foster MOVED to REPORT CSSB 289 (FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSSB 289 (FIN) was REPORTED out of Committee with a "no recommendation" and with zero fiscal note #1 by the Department of Commerce, Community and Economic Development.

9:03:43 AM

SENATE BILL NO. 317

> "An Act relating to the purchase by the Alaska Housing Finance Corporation of a parking garage in Anchorage, Alaska and approving the issuance of bonds for the purchase of that parking garage; providing notice of, and authorizing the commissioner of the Department of Administration to enter into, a lease-purchase agreement with the Alaska Housing Finance Corporation for that parking garage; and providing for an effective date."

SCOTT J. NORDSTRAND, COMMISSIONER, DEPARTMENT OF ADMINISTRATION, referred to a handout "Atwood Building Parking Center" (copy on file.) He explained that Anchorage is building a convention center downtown and wants to acquire Block 80, which is valued at $4.6 million. An agreement was made to swap half of Block 70 for half of Block 80. The state accepted $2.3 million in cash for the other half of Block 80. That left a shortage of parking in Block 70. The state made an agreement with the municipality for the right to park 149 cars in the JC Penney garage for up to 7 years and for free parking during the construction of a new parking garage. If, at the end of 7 years, the state does not build a parking garage, the municipality has the option to purchase back the property and they would have to build a parking garage. Presently, there is a need for about 1,000 parking spaces.

9:07:37 AM

Mr. Nordstrand referred to page 2 and listed the various parking spaces currently available. The plan is to build a parking garage on Block 70 that would accommodate up to 830 vehicles and with a skyway into the Atwood Building.

Mr. Nordstrand noted on page 5 the configuration of the future parking plan. Alaska Housing Finance Corporation (AHFC) owns the Atwood Building. The developer for the new convention center will also be used for the new parking garage in order to get the best possible price. Construction on the new garage will begin next spring. AHFC would issue debt and purchase from the municipality, and the Department of Administration would lease the parking facility from AHFC. The state will own it at the end of the lease/debt payoff. The Department of Administration will build the cost of the parking into the lease rate that is charged to tenants in the facility.

9:10:41 AM

Mr. Nordstrand related the financial terms on page 7. AHFC will bond up to $44 million and have a debt service of $3,700,000 annual lease payments over 21 years. The debt would be issued at the beginning of construction with progress payments thereafter.

Mr. Nordstrand talked about the lease cost analysis on page 8. The new lease rate of $2.52 per square foot does not reflect offsetting revenues and savings. He explained the revenues and savings on page 9. He estimated that parking costs would increase. The first floor of the facility will be used for retail space and will be a source of income. The convention center cash payment of $2.3 million is available revenue. After hours parking revenue is estimated to be $200,000 per year. The total when capitalized is $23.5 million. Revenues and savings are estimated to reduce the square foot cost for the parking center by half.

9:14:26 AM

Mr. Nordstrand summarized that there is a demand for more parking and future cost and demand impacts are imminent. The Atwood Parking Center would provide safety and convenience for visitors and 1,000 state employees and other tenants.

Representative Foster spoke in support of SB 317. He recalled that a survey in the 80's showed 59 percent of facilities were not taxed so the burden fell on the other 41 percent of the people. When the state owns facilities, others have to pay for maintenance. Co-Chair Meyer recalled when the state bought the Atwood building, which resulted in a loss to the tax rolls. Mr. Nordstrand described this transaction as a win/win situation that has the approval of

the city. Co-Chair Meyer commented that the taxpayers may not be happy.

9:16:24 AM

Representative Kelly asked if there is a charge to park at the lot. Mr. Nordstrand replied that there are so many square feet allowed for state parking. He gave an example of a lease facility with not enough parking. Atwood employees have not been paying for parking. There are 930 free parking places presently.

Representative Kelly asked if that would be an issue in the future. He agreed with the concern brought up by Representative Foster and Co-Chair Meyer. He suggested letting the people pay for it. Mr. Nordstrand said that issue has not been looked at. He could see how it could be a financial problem for employees. The norm is to not pay for parking.

Representative Kelly cautioned that there is unfunded liability. Mr. Nordstrand pointed out that the municipality is planning to build more parking.

9:21:52 AM

Co-Chair Meyer asked if lease payments are shown on the fiscal note. He asked about savings resulting from consolidating parking. Mr. Nordstrand said that expense has not been determined. Co-Chair Meyer asked who would pay for maintenance of the parking garage. Mr. Nordstrand said the Anchorage Parking Authority. He spoke of how security would be handled. Those costs are unknown, but evening and weekend parking could offset those expenses.

Co-Chair Meyer asked if there would be a walkway to the Atwood Building. Mr. Nordstrand replied that the Atwood Building was designed for such a skyway. There may be a skyway to the Convention Center in the future.

9:25:03 AM

Co-Chair Meyer commented that the fiscal note has unknowns.

Representative Foster MOVED to REPORT SB 317 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SB 317 was REPORTED out of Committee with individual recommendations and with fiscal note #1 by the Department of Administration.

9:26:37 AM

MINUTES
SENATE FINANCE COMMITTEE
April 28, 2006
9:13 a.m.

CALL TO ORDER

Co-Chair Lyda Green convened the meeting at approximately 9:13:55 AM.

PRESENT

Senator Lyda Green, Co-Chair
Senator Gary Wilken, Co-Chair
Senator Con Bunde, Vice Chair
Senator Fred Dyson
Senator Bert Stedman
Senator Lyman Hoffman
Senator Donny Olson

Also Attending: SENATOR RALPH SEEKINS; AMY STEITZ, Staff to Senator Tom Wagoner; SCOTT NORDSTRAND, Commissioner, Department of Administration; GREG O'CLARAY, Commissioner, Department of Labor and Workforce Development; TOM MAHER, Staff to Senator Therriault; MIKE ANDREWS, Director, Alaska Works Partnership Inc.; JOHN BITNEY, Lobbyist, Alaska State Homebuilders Association;

[NOTE: Public testimony on SJR 20 was presented in the order depicted in the minutes. In addition, all testimony was presented in Juneau unless otherwise noted.]

Attending via Teleconference: From Anchorage: MARK DAVIS, Director, Division of Banking & Securities, Department of Commerce, Community and Economic Development; ROGER PRINCE, Department of Commerce, Community and Economic Development; JOE BRAMMER, Alaska Association of Mortgage Brokers; JOHN MARTIN; KEN GAIN, Secretary/Treasurer, Independent Lenders of Alaska; JOHN CARMAN, Past President, Alaska Mortgage Bankers Association; MIKE SAMSON, President, Samson Electric; BILL WATTERSON, President, Watterson Construction; JULIE AUNE, Vice President, AAA Fence; REBECCA LOGAN, President, Associated Building and Contractors (ABC) of Alaska; from Fairbanks: DOUG ISAACSON, Past President, Alaska Association of Mortgage

Commissioner O'Claray guaranteed this bill was developed to be non-partisan in regard to the union/non-union issue. He asserted that there are many people to train, and the bill endeavors to encompass as many employees as possible.

Co-Chair Green appreciated Commissioner O'Claray's "positive attitude".

Co-Chair Wilken moved to report the bill from Committee with individual recommendations and accompanying fiscal notes.

There being no objection, CSSB 309(L&C) was REPORTED from Committee with two fiscal notes from the Department of Labor and Workforce Development: fiscal note #1 in the amount of $5,043,300, and fiscal note #2 for $247,700.

#sb317
4:33:51 PM

SENATE BILL NO. 317
"An Act relating to the purchase by the Alaska Housing Finance Corporation of a parking garage in Anchorage, Alaska and approving the issuance of bonds for the purchase of that parking garage; providing notice of, and authorizing the commissioner of the Department of Administration to enter into, a lease-purchase agreement with the Alaska Housing Finance Corporation for that parking garage; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

SCOTT NORDSTRAND, Commissioner, Department of Administration, introduced the bill, and explained it as a proposal to build a parking garage to serve the Atwood Building in downtown Anchorage.

4:34:45 PM

Commissioner Nordstrand referred to a presentation titled "Atwood Building Parking Center" [copy on file]. He explained that the State purchased the Atwood Building and the adjacent

"Block 80" lot at the same time, and had since used Block 80 as a parking area for State employees working in the Atwood Building. He directed attention to the map on page 3 of the presentation. The Municipality of Anchorage and the State recently concluded negotiations to sell Block 80 to the Municipality for construction of a convention center.

Commissioner Nordstrand continued that the State was compensated in a "block for block" trade, and acquired one half of "Block 70" directly across the street from the Atwood Building, where the Dimond Center parking lot is currently located. In addition, the State was paid market value of $2.3 million by the Municipality of Anchorage for the other half of Block 80. The State is statutorily required to provide 40 visitor parking places as well as a specified number of handicap parking places within one half block from the door of the Atwood Building, in addition to employee parking, for a total of approximately 930 parking spaces. These parking needs are currently met with multiple parking lots within a 12 square block area.

4:38:54 PM

This bill proposes a long term solution to the Atwood Building's parking issues in the form of a parking structure to be built on the State's portion of Block 70. As part of the negotiated terms between the State and the Municipality, the State committed to build a parking garage within seven years on Block 70, or to allow the Municipality the option to buy back the lot at market value to do so themselves. The erection of a parking structure would enable the State to sell Block 102, currently used for parking and valued at approximately $4 million, and put those funds into the parking facility.

The parking facility would include a "skybridge" to the Atwood Building, as the building was configured to receive that type of overpass. Per request of the Mayor of Anchorage, the ground level would be available for lease by retail stores, resulting in additional income generated by the parking facility.

Commissioner Nordstrand reported that the Alaska Housing Finance Corporation (AHFC) owns the Atwood Building; the State Department of Administration leases the space from AHFC, and charges the departments that occupy the offices. The Municipality was once planning to build the parking garage themselves, but found it financially burdensome. Under this

proposal, the developer retained by the Municipality of Anchorage would be used by the State to design and construct the facility. The State would engage an independent cost expert to determine a fixed price for the project which would be agreed to by both parties. AHFC would issue the debt for construction of the facility and purchase the completed parking garage from the Municipality, whereby the Department of Administration would lease the structure. Commissioner Nordstrand anticipated the construction bonds would be paid off in 21 years, at which time the deed for the parking garage would be turned over to the State. This bill requested authority to bond for up to $44 million, although he did not anticipate the cost would be that high. If, however, the project incurred the maximum amount of debt, the annual debt payment would be $3.7 million for 21 years. The debt would be issued at the beginning of construction to pay for construction expenses.

4:43:12 PM

Commissioner Nordstrand estimated the cost of the project to be approximately $1.22 per square foot, if the full bond amount was issued. The State currently pays roughly $1.30 per square foot for the offices in the Atwood Building, bringing the total new lease rate to $2.52 per square foot. The market rate for this type of office accommodations in Anchorage averages approximately $2.75.

4:44:12 PM

Commissioner Nordstrand assumed that the cost to lease parking spaces would increase with time. An escalation in parking fees would provide cost avoidance savings to the State, as well as generate additional income by renting spaces in the parking structure for after-hours and weekend parking. In addition to retail lease income and revenues from the sale of surrounding parking areas, including Block 80 and Block 102, he projected the parking facility would generate the equivalent of $23.5 million. He considered these figures evidence of the State's ability to "buy down the debt".

4:45:59 PM

Commissioner Nordstrand summarized that the demand for parking would remain constant, if not increase, in the future, and the construction of a parking facility would allow the State and the

occupants of the Atwood Building to provide for their own needs rather than paying market price for rented parking.

4:46:21 PM

Commissioner Nordstrand added that the parking structure would provide "safety and convenience" for visitors to the Atwood Building, as well as State employees.

4:46:41 PM

Senator Hoffman asked how Block 102 would be sold.

Commissioner Nordstrand answered that the parcel would be sold "competitively". The lot was appraised for approximately $3.7 million in January 2006, and he expected the value to increase dramatically with the completion of the nearby convention center.

Senator Hoffman assumed the land would be advertised publicly.

Commissioner Nordstrand affirmed.

4:47:33 PM

Senator Olson asked regarding maintenance and operating costs related to the facility.

Commissioner Nordstrand replied that operating the parking structure would incur costs, such as management of the lease space and employment of a parking attendant, but he was unsure what the total cost would be. He expected the costs would be "minimal", and operations may be handled by the Atwood Building managers or the Anchorage Parking Authority.

4:48:31 PM

Co-Chair Wilken was frustrated with the decision to bond for this project and invest $30 million in debt services. He pointed to the $2.5 billion in the Constitutional Budget Reserve (CBR) account and $2 billion in the Earnings Reserve Account (ERA) as possible revenue sources to pay for the parking facility outright, thus avoiding the $30 million the State would pay in interest under the current proposal.

4:49:46 PM

DAN FAUSKE, CEO, Alaska Housing Finance Corporation, testified via teleconference from an offnet location. He directed attention to Sec. 2(b) on page 2, line 16, and noted that the terms of the bonds should indicate a 21-year period rather than 20 years.

4:50:16 PM

Commissioner Nordstrand confirmed this.

Co-Chair Green voiced support for the bill.

Co-Chair Wilken moved to report the bill from Committee with individual recommendations and accompanying fiscal notes.

There being no objection, SB 317 was REPORTED from Committee with zero fiscal note #1 from the Department of Administration.

4:51:21 PM

#

ADJOURNMENT

Co-Chair Lyda Green adjourned the meeting at 4:51:42 PM.

SB 317

SB317

FRANK H. MURKOWSKI
GOVERNOR

GOVERNOR@GOV.STATE.AK.US

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

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 27, 2006

The Honorable Ben Stevens
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Stevens:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the purchase by the Alaska Housing Finance Corporation of a parking garage in Anchorage, Alaska; approving the issuance of bonds for the purchase of that parking garage; and providing notice of and authorizing the commissioner of the Department of Administration to enter into a lease-purchase agreement with the Alaska Housing Finance Corporation for that parking garage.

This bill would authorize the Alaska Housing Finance Corporation (AHFC) to finance, with bond proceeds, the purchase of an up to approximately 830-space parking garage to serve the parking needs of the Atwood Building in downtown Anchorage. The bill also would authorize the Department of Administration to enter into a lease-purchase agreement with the AHFC for that parking garage.

I urge your prompt and favorable action on this measure.

Sincerely yours,

Frank H. Murkowski
Governor

Enclosure

COMMITTEE COPY

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
APR 2 8 2006
SENATE FINANCE COMMITTEE

DATE: 4/27/06

FURTHER:

DATE TURNED IN TO OFFICE: 4/28/06

Finance Committee considered SENATE BILL NO. 317

SB 317 ANCHORAGE PARKING GARAGE

"An Act relating to the purchase by the Alaska Housing Finance Corporation of a parking garage in Anchorage, Alaska and approving the issuance of bonds for the purchase of that parking garage; providing notice of, and authorizing the commissioner of the Department of Administration to enter into, a lease-purchase agreement with the Alaska Housing Finance Corporation for that parking garage; and providing for an effective date."

and recommends:

[ ] be replaced with _____ CS _____ (_____)

[ ] adopt previous _____ CS _____ (_____)

[ ] attached amendment(s)

[ ] adopt Letter of Intent by _____ Committee

[ ] further referral to _____ Committee

CS Senate Bill:
[ ] Same Title
[ ] New Title

SCS House Bill:
[ ] Same Title
[ ] Technical Title Change
[ ] New Title w/ SCR #_____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#
DOA	4/27/06			✓	1

[ ] APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
			✓	
			—	
COCHAIR: Gary Wilken			✓	
COCHAIR: Lyda Green	✓			

HOUSE COMMITTEE REPORT

(11)
Date Referred to Committee: May 2, 2006 **FURTHER REFERRALS:**

Date of Committee Action: 5/3/06

The FINANCE Committee considered: **SB 317**

SENATE BILL NO. 317 **ANCHORAGE PARKING GARAGE**

"An Act relating to the purchase by the Alaska Housing Finance Corporation of a parking garage in Anchorage, Alaska and approving the issuance of bonds for the purchase of that parking garage; providing notice of, and authorizing the commissioner of the Department of Administration to enter into, a lease-purchase agreement with the Alaska Housing Finance Corporation for that parking garage; and providing for an effective date."

Recommends it be replaced with [ ] HCS *or* [ ] CS *for* _____(_____)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
~~ERD~~
DEC
DFG
GOV
HSS
LEG
LAW
LWF
MVA
DNR
DPS
REV
DOT
UA

***NEW* FISCAL NOTES**
*Assigned by Chief Clerk's Office

List by Dept(s):	*FN#	Fiscal	Indet.	Zero

***PREVIOUS* FISCAL NOTES**

List by Dept(s):	FN#	Fiscal	Indet.	Zero
DTDM	1	✓		

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
Beth Kerttula	Kerttula			✓	
Carl Moses	MOSES	X			
	Joule			✓	
	Holm			✓	
Mike Hawker	Hawker	X			
	Stoltze			✓	
	Foster	X			
Chair:	Meyer	✓			
Chair:					

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 317
(S) Publish Date: 4/27/06

Revision Date/Time (Note if correction): 4/27/06 8:10 a.m.
Dept. Affected: Administration

Title: An Act relating to the purchase by AHFC of an Anchorage Parking Garage
RDU: State Owned Facilities
Component: Facilities

Sponsor: Rules Committee
Requester: Governor
Component No.: 2429

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual		3,700.0	3,700.0	3,700.0	3,700.0	3,700.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	3,700.0	3,700.0	3,700.0	3,700.0	3,700.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF		3,700.0	3,700.0	3,700.0	3,700.0	3,700.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	3,700.0	3,700.0	3,700.0	3,700.0	3,700.0

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

POSITIONS

Full-time						
Part-time						
Temporary						

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

The Alaska Housing Finance Corporation will finance, with bond proceeds, the purchase of a parking garage in Anchorage which will be leased to the state to provide parking for the Atwood Office Building. The maximum purchase price of the parking garage may not exceed $44,000,000, including the cost of purchasing the facility and issuing the bonds for purchase. Subject to an annual appropriation, the Commissioner of Administration is authorized to enter into a lease-purchase for the parking garage. The anticipated total cost of the project is $44,000,000 and the anticipated annual amount of the rental obligation is $3,700,000. This fiscal note represents the amount necessary to satisfy the required annual lease payment of $3,700,000.

Prepared by: Remond Henderson, Deputy Director
Phone 465-5687
Division: General Services
Date/Time 4/27/2006 8:10 a.m.

Approved by: Michael Tibbles, Deputy Commissioner
Date 4/27/2006
Agency: Administration

(Revised 9/7/2005 OMB)

Atwood Building Parking Center

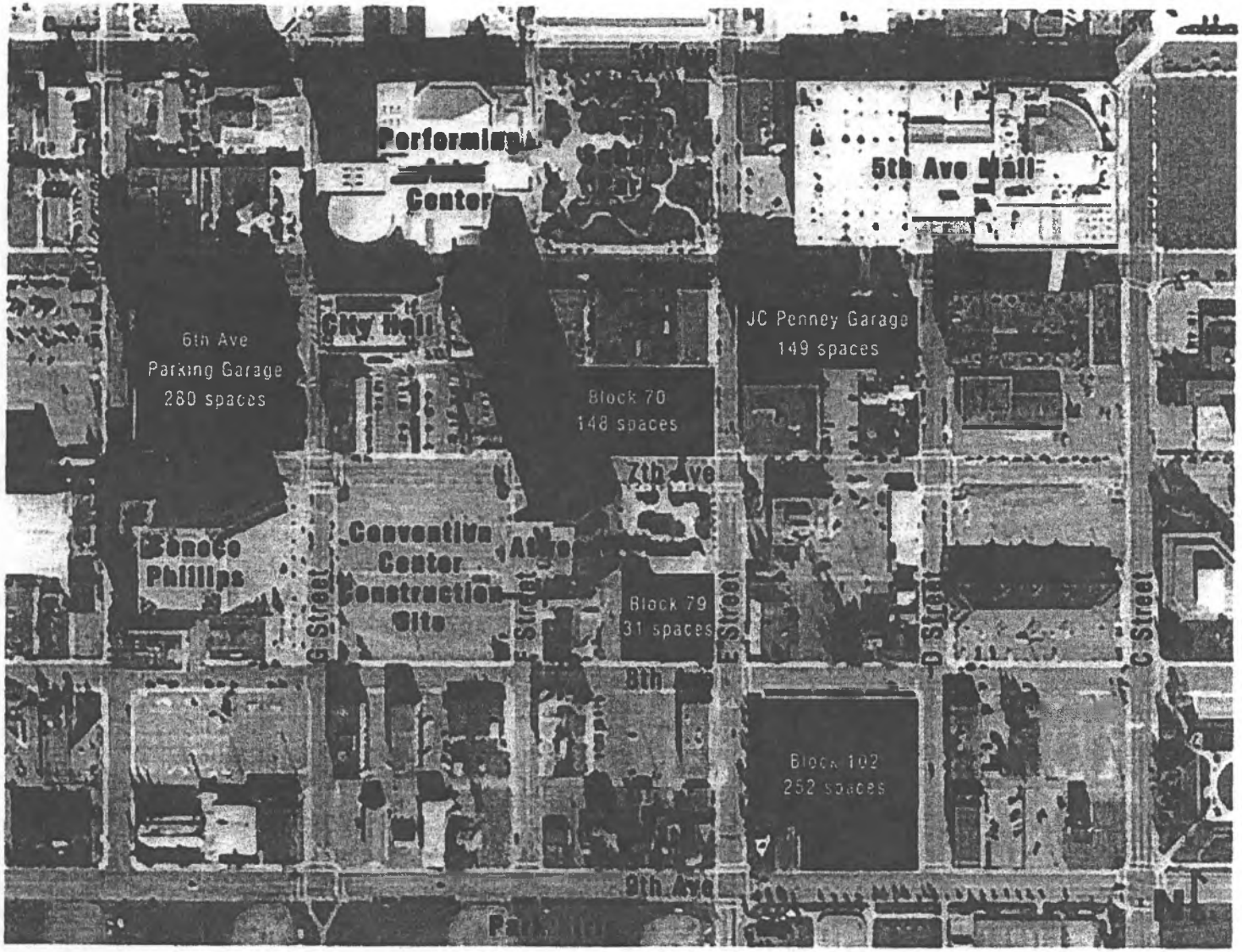


Atwood Building Currently

- Challenges

9:03:57

  - Block 80 deal with MOA
  - Previous and current scattered site parking arrangement
  - Current agreements with expiration dates (MOA, JC Penney, Block 70)
  - Increased demand in 2 years from Convention Center

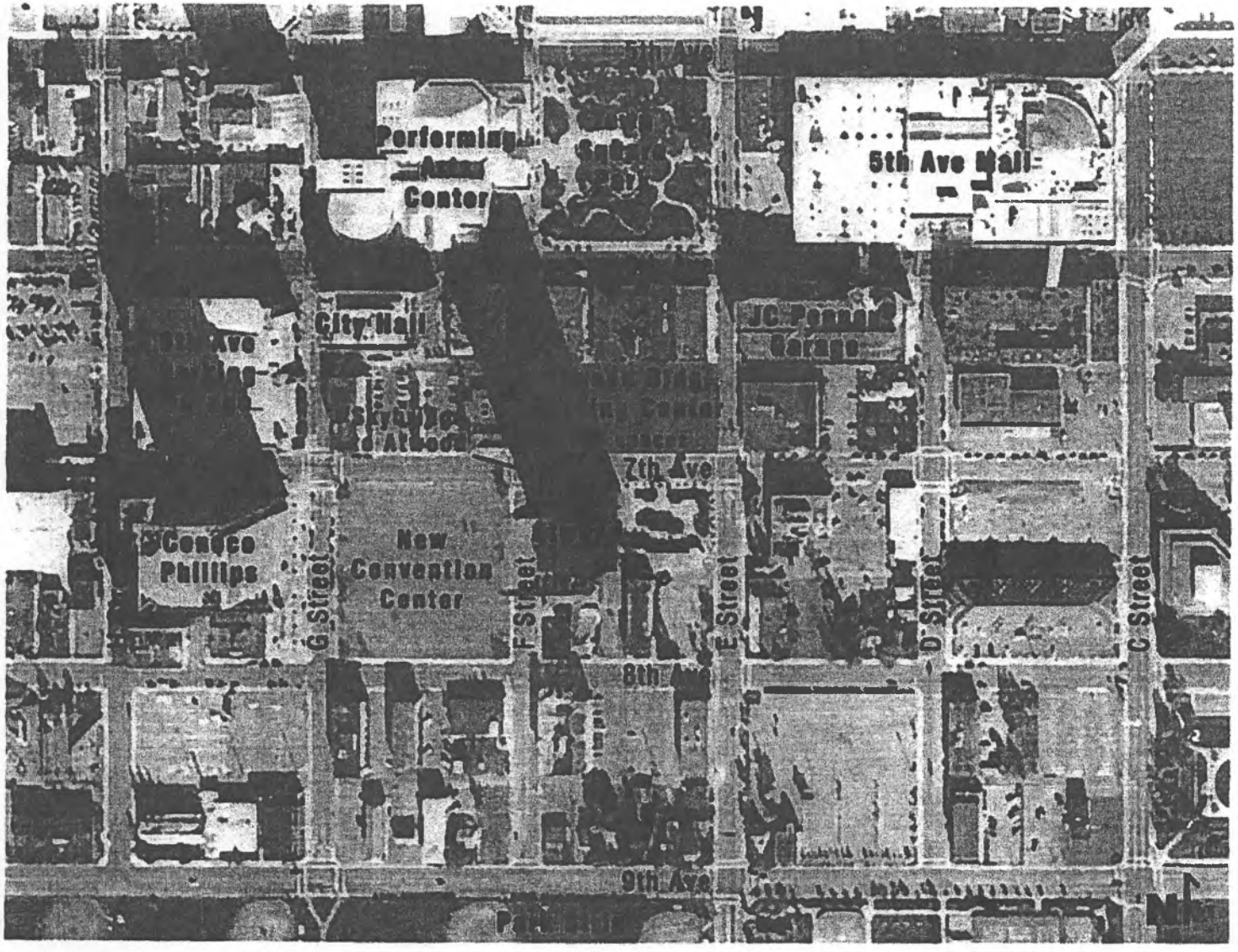

Performing
Center
5th Ave Mall
6th Ave
Parking Garage
280 spaces
City Hall
Block 70
148 spaces
JC Penney Garage
149 spaces
7th Ave
Phillips
Convention
Center
Construction
Site
Block 79
31 spaces
F Street
E Street
D Street
C Street
8th
Block 102
252 spaces
9th Ave

Atwood Building Currently

- Opportunity
  - Recent acquisition of ½ block 70
  - Ability to consolidate all spaces into central facility
  - Ability to leverage other revenue sources
  - Preliminary due diligence work completed by others

Atwood Building Parking Center

- Long Term Solution
  - Parking Facility for up to 830 cars on Block 70
  - Skybridge to Atwood Building
  - Retail facilities at Street Level


Performing Arts Center
5th Ave Mall
City Hall
7th Ave
ConocoPhillips
New Convention Center
G Street
F Street
E Street
D Street
C Street
8th
9th Ave

Atwood Building Parking Center

- Requirements
  - AHFC owns Atwood Building
  - MOA to design and construct for fixed price
  - AHFC to issue debt & purchase from MOA
  - DOA to lease from AHFC; State owns at end of lease/debt payoff
  - Same arrangement as Atwood Building
  - DOA builds cost into lease rate charged to agencies

Atwood Building Parking Center

- Financial Terms
  - AHFC bonds up to $44 million
  - $3,700,000 annual lease payments (21 years)
  - Debt issued at beginning of construction with progress payments thereafter

Atwood Building Parking Center

- Lease Cost Analysis

  - $3,700,000/252,000 SF/12 = $1.22 p/SF

  - Existing Lease Rate $1.30 per SF
  - New Lease Rate $2.52 per SF
  - Market Rate Comparable $2.75 per SF

- New lease rate does not reflect offsetting revenues and savings

Atwood Building Parking Center

- Revenues & Savings
  - Existing Parking Cost (280 spaces with MOA; $170,000 p/yr)
  - Future Parking Cost Increases (MOA)
  - Retail Lease Income ($360,000 p/yr est.)
  - Land Sale (Block 102; $4 million est.)
  - Convention Center Cash payment ($2.3 million)
  - After Hours Parking Revenue ($200,000 p/yr est.)
- Total when capitalized $23.5 million
- Revenues & Savings estimated to reduce SF cost for Parking Center by half

Atwood Building Parking Center

- Summary
  - A current demand exists
  - Future cost and demand impacts are imminent
  - A current opportunity for resolution
  - A sound financial investment
  - No general fund appropriation needed
  - Safety and convenience for visitors and 1000 state employees and other tenants

City of Nome proposal for State Office Building in Nome:

March 20, 2012

In separate studies over a number of years, both the Department of Administration and the Department of Transportation and Public Facilities have repeatedly identified the pressing need for modern, functional and efficient office space for state agencies in Nome, Alaska to serve the public interest. A structural conditions report by PDC Engineers as far back as 2001, and confirmed by BBFM Engineers in 2004, identified "severe…on-going corrosion of steel columns below the 1st floor and starting to diminish structural integrity". In March 2010, the Alaska Court System estimated deferred maintenance, code upgrades and remodeling of the existing Nome Courthouse (the former Federal Building) would cost nearly $9M, but would not ultimately address the building's structural failings in design, construction or location within the floodplain and its recent history of flooding.

In January 2010, the Mayor and City Council of Nome identified a new state office building as a legislative priority as part of its 2011 City of Nome presentation to the State of Alaska. On July 15 of that year, the City formally responded to the State Department of Administration RFI identifying its preferred Front Street site as lots owned by Sitnausak Native Corporation. In March of 2012 Sitnausak Native Corporation expanded the potential building site by securing additional lots which were subsequently committed to the City for this project at fair market values.

Through an open public process the City of Nome, its executives and City Council have repeatedly expressed commitment and determination that the City needs and deserves a first-class functional State office building in Nome at a location approved by City Council; a location that promotes local business, servers the public interest and enhances Nome's historic Front Street.

Under the City's development plan the State would own a new facility built to its specifications, at or below an independent third- party engineer's cost estimate. The facility would be on the

City of Nome's preferred site, which the State will own through the City's acquisition at appraised fair mark value.

- **Site Location:** Optimal location on Front Street as identified by the Nome City Council; a central location with good public accessibility that revitalizes downtown Nome rather than causing/contributing to its decline or cannibalizing local vendors. (precise location is Block C, Lots 1-4; Block D, Lots "Portion of 9" and 12A & 13A)
- **Site Attributes:** Building site is beyond the identified floodplain and has the most cost-efficient utility infrastructure of any site available. In conversation with Nome Joint Utility Manager, John Handland, utility connections at the Front Street location would be significantly less expensive than other alternatives (the Stedman Street location.) Site allows for co-location with existing state agency offices next door, and allows for physical connection of the buildings, if desired. Site also requires less site preparation than other alternatives.
- **Site Ownership and Terms:** All parcels comprising the site are now owned or fully controlled by Sitnasuak Native Corporation, which has committed the aggregated parcels to the project for development to suit by its subsidiary, Nanuaq Development. The Nanuaq team has substantial successful project financing and development experience, including multiple completed projects for State and municipal ownership on similar development models.
- **Site Size:** The aggregated parcels, plus the current right-of-way of Lane's Way, which the City would vacate for the project, comprise nearly 70,000 square feet—over an acre and a half and large enough to support the State's requirements.
- **Site Cost:** The commitment of the land is at Fair Market Value, as determined by a State-approved appraisal.
- **Building Attributes:** To be developed under contract with the City of Nome; State determined scale and State specifications.
- **Building Cost:** At or below the cost estimate of a State-approved cost estimator
- **Financing:** Best tax-exempt bond rates available to AHFC.
- **Project Cost:** Lowest cost project delivery methodology available to the state that provides state ownership and avoids long-term lease premium.
- **Timing:** Provides the shortest path to a completed project.
- **Contract Administration:** City of Nome, and then AHFC (upon assignment from City of Nome)
- **Operator:** Department of Administration at project completion

Project Delivery Plan



1 **Predevelopment Phase**
Preliminarily project definition
Preliminary Project Budget
Schedule

2 **Price Proposal Phase**
Fully define the project; and
Provide a guaranteed price proposal

3 **Project Delivery Phase**
Construct and commission the project

1 **Predevelopment**
Owners Representative / Project Manager
Program Requirements
Budget Validation

2 **Price Proposal**
Owners Representative / Project Manager
Design and Engineering reviews and approvals
Third Party Cost Validation

3 **Project Delivery**
Owners Representative / Project Manager
Progress inspections / Reviews & Approvals
Commissioning
Project Acceptance

Following is an extract of findings from existing architectural and engineering reports on file for the building:

USKH Jan 1994. This report is separated into three volumes as follows:

- Vol A Exterior Envelope Corrosion Study
- Corrosion damage to the south wall of the structure was the primary focus of the report. The report documented damage that occurred as a result of a major storm even that occurred in November of 1974 The report identified that an inadequate repair of that damages resulted in poor protection from the elements which had resulted
- USKH recommended removal of the existing cladding system to expose the framing members such that the extent of corrosion damage could be determined and removed.
- After repair of the damaged framing, a new cladding system Exterior Insulation and Finish System (EIFS) was recommended This system would utilize a synthetic plaster system such as Dryvit, R-Wall, Pleko, Finestone or Thorowall These types of systems are considered to have excellent resistance to harsh and/or corrosive environments.

- Vol B Heating and Ventilation controls Study Volume B focused solely on the HVAC control system

- Pneumatic Heating and Ventilation System controls are original and nearing the end of their useful life Lifespan is typically 20-30yrs building was 20 yrs old in 1993

- USKH recommended upgrading the system to DDC

- Other suggested improvements were to balance all the air and hydronic systems in the facility and insulate heating system piping in the basement.

- None of this work was ever funded

- Vol C Condition Survey and Deficiencies Report
  Life Safety issues are as follows:
- 1 hour corridor system: Current corridors now on extend from floor to drop ceiling. Corridors should be replaced with floor to hard ceiling on hour fire rated walls and 20 minute fire rated metal framed doors
- Stair Railings need to be brought up to current codes
- Fire alarm system: Building wide addressable fire alarm system is recommended
- Other fire separations. Additional smoke dampers in the ventilation system are required to meet current codes.
- Inadequate ventilation for fume hood and kettle exhaust fan
- Emergency Lighting system upgrade
  Other items noted include provisions for lessening the maintenance cost of the build, energy conservation and ADA compliance

Loftus Engineering Associates 10/13/97

- Exterior Envelope Corrosion Study Review
  This report was made as a follow up (second opinion) report to Volume A of the initial USKH report. Report confirms the initial USKH diagnosis and recommendation for

repair Report indicates that the condition of the south wall is "an unacceptable condition by any standard of performance"

Recommended repairs to the wall system include
1 Removal of all of the existing siding on the building to expose the underlying sheet rock for inspection.
2. Removal and replacement of all the studs in the crawl space, includes the entire wall section.
3 Additional 15% of wall areas (first floor primarily) are expected to require similar removal and replacement. Areas requiring removal shall be determined by inspection after removal of cladding and areas of sheetrock.
4. All removed walls to be reconstructed Entire building clad with half inch ply covered with building paper EPS insulation will be fastened to the ply and then covered with an EIFS cladding system as identified in the USKH report

Corrosion in the steel columns is first identified in this report Report indicates the condition as "serious" and indicates that repairs should be made by stripping up to 2 feet of the concrete cladding over the existing columns and cleaning and reapplying corrosion inhibitors.

None of these repairs were undertaken

PDC Inc Consulting Engineers12/20/2001

- Engineers Report Nome State Office Building

This report focuses primarily on corrosion to the structural elements of the building. Notes indicate corrosion has reduced the cross section of some structural elements to have reduced column cross sections by as much as 15%. Failure of the exterior cladding is identified as the source of the leakage for wind driven salt spray from the Bering Sea Corrosion also noted in steel floor decking on the east wall. Beam to column and beam to girder bolted connections show corrosion as well.

Recommended fix is to expose all structural elements suspected to be subject to corrosion. Sandblast and recoat them with corrosion inhibitors. All connections should be sandblasted, inspected and repaired. Additional lateral supports may be required to correct structural deficiencies. Replace all metal studs along the south wall of the crawl space and the first floor of the structure Exterior cladding should be completely removed and replaced with a new system more resistant to the corrosive elements particular to the building location

None of the recommended repairs have been made

BBFM Engineers Inc. 10/22/2004

- Nome State Office Building Inspection

Inspection was made immediately subsequent to a storm event which caused flooding in the basement of the Nome State Office Building and caused up to three feet of gravel deposited along the south wall of the building Report references a previous report by PDC that identifies concrete spalling and sever corrosion of structural columns on the south wall of the building. Recommends repair of this problem as indicated in the PDC Report.

DOTPF Northern Region Safety Officer Letter Regarding Mold/Fungus 5/17/2006

- Letter documents Northern Region M&O cleanup and testing to demonstrate that mold and fungus were not present in the building

I. Background

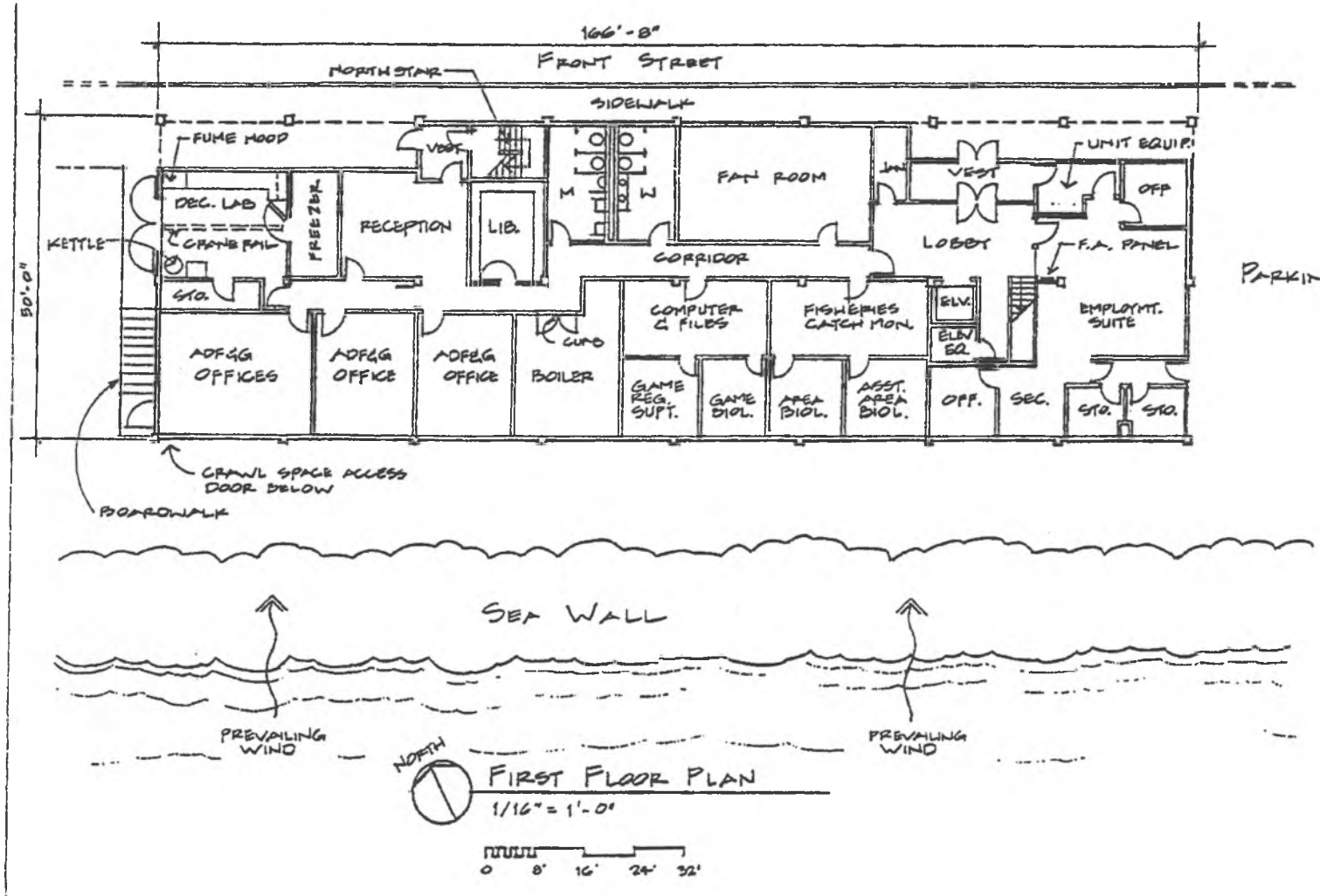
The Nome State Office Building is a 15,980 square-foot, two-story structure, located on Front Street in Nome, adjacent to the sea wall on the Norton Sound of the Bering Sea. The facility houses various state agencies, including:

Department of Corrections
Department of Environmental Conservation
Department of Fish and Game
Department of Health and Social Services
Department of Labor
Elections
Attorney General
Governor's Office
Legislative Affairs

On November 17, 1993, at the request of DOT&PF, the facility was inspected by Scott Bell, P.E., a mechanical engineer with USKH. The purpose of the inspection was to determine the condition of the existing HVAC controls system, list deficiencies, and provide recommendations and budgetary cost estimates for correction of the identified deficiencies. The wide difference in room temperatures throughout the facility is the primary impetus for this study of the HVAC control system. As part of this investigation, Mr. Bell met with the Honeywell, Inc. representative in Anchorage and reviewed this building's control system with them.

The existing controls system is a pneumatic system consisting primarily of Honeywell components and is in average condition for a 20-year old system (control systems have a useful life of from 20 to 30 years). Several of the control sequences can be improved upon by the addition of control components. Given the remaining useful life of the control system the State should consider switching to a direct digital control (DDC) for the mechanical rooms and main controllers.

Upgrades to the building's air heating system are also discussed, but are not recommended at this time due to their high estimated construction cost.



USKH
Architecture • Engineering
Land Surveying • Planning

STATE of ALASKA
DEPARTMENT of TRANSPORTATION & PUBLIC FACILITIES
NOME STATE OFFICE BUILDING UPGRADE
Project No. 66060

DATE 1/12/94
DRAWN JRN
CHECKED GHP

DWG. NO.
1

BBFM Engineers Inc.

510 L Street, Suite 200
Anchorage, AK 99501-1949
(907) 274-2236
(907) 274-2520 Fax

MEMORANDUM

Date: October 22, 2004 204153
To: Mike Szewc, State of Alaska
From: Troy J. Feller, PE
Re: Nome State Office Building

The purpose and scope of site visit was to identify and assess any storm damage or distress to the Nome State Office Building on Front Street. The recommendations from this assessment are in my Site Observation Report dated October 22, 2004. Although not storm related, during my observations I did note the on-going corrosion of steel columns below 1st floor along south side of building. This corrosion is becoming severe and is starting to diminish the building's structural integrity. Most of the cracked and spalled concrete observed around perimeter of building and in the crawl space is being caused by the steel column corrosion. The outer layer of steel expands as it oxidizes which results in prying forces to the un-reinforced concrete encasement resulting in the cracking and spalling. Once the concrete encasement is loose it tends to trap moisture against steel columns which exacerbates the problem. This situation needs to be addressed as described in the December 2001 report by PDC Engineers.

P.O. Box 281 • Nome, Alaska 99762
phone 907.443.6663 fax 907.443.5349

March 12, 2012

The Honorable Sean Parnell
Office of the Governor
P.O. Box 110001
Juneau, AK 99811-0001

Sent via email

Dear Governor Parnell:

Please accept our deep appreciation for your recent visit during a busy Legislative session. We are especially grateful for your personal interest in the potential construction of a new Alaska State Office Building in Nome. We admire the high level of integrity and professionalism your administration has displayed in addressing this project.

It is our hope this much needed project can be advanced during the current Legislative session; to do so will require definitive action be taken very soon. We hope you can finish the project feasibility study and make a final determination on how to proceed this week.

If you should chose to pursue the project through a government-to-government relationship, as proposed in the City of Nome's July 2010 response to the Department of Administration's Request for Information, we urge you to designate the Alaska Housing Finance Corporation (AHFC) as the lead state agency for the project.

The advantages of this approach, which were discussed during your trip, are these:

- It would allow location of the project on Front Street, which through a series of public meetings was identified as the optimal central location preferred by the community.
- The vetted procurement methodology and legal documents used by AHFC in development of the parking garage for the Atwood Building in Anchorage could be used with very minimal modification.
- The State would receive a building custom designed to its specifications without having to bear any construction risk.
- Substantial historic data indicates a building developed in this manner would cost the State of Alaska considerably less than if the State of Alaska built the building itself.

We look forward to working with your administration on this important project.

Respectfully,
CITY OF NOME

Denise Michels
Mayor

cc: Senator Donny Olson
Representative Neal Foster

MEMORANDUM

State of Alaska
Department of Transportation & Public Facilities
Statewide Public Facilities

TO: File

DATE: September 26, 2007

FILE NO:
TELEPHONE NO: 907-269-0869
FAX NO: 907-269-0805

SUBJECT: Nome State Office Building
Project Number TBD

FROM: Matt Desalernos P.E.
Project Manager

The Nome State Office Building was constructed in 1973-74 Problems with the building began almost immediately. A major storm event in the fall of 1974 caused significant damage to the south wall of the building The repairs made after the 1974 storm have been largely ineffective at protecting the building from the infiltration of corrosive salt water spray from the Bering Sea which sits only a few feet away. Over the years significant corrosion to steel framing members and to steel structural members has now developed into a serious problem that must be addressed soon if the building is to remain in service An engineers report dated 2001 indicated that corrosion has reduced the cross section of some columns by as much as 15% Undoubtedly the situation has continued to worsen in the years since that report was written

The structural problems with the building are well documented through a series of engineer's reports dating back to Jan 1994 (see attached summary). Each subsequent report has noted additional and progressive damage to the steel framing and the structural components of the building. Another severe storm event such as the one in that occurred in 1974 could easily cave in the entire south wall of the crawl space, allowing storm waves to wreak havoc within that area of the building causing extensive damage to the building HVAC system. Such damage could easily cause the entire building to be unfit for occupancy for a significant amount of time

The exterior cladding system on those portions of the building not damaged by the 1974 flood has been at a point of failure for some time. A significant amount of the cladding system is made of steel that has now rusted away to the point where it no longer serving as an effective moisture barrier. In addition, the original cladding system relied heavily on a number of caulked joints to maintain the integrity of the moisture barrier. Such systems are difficult or impossible to maintain, particularly in a severe environment. As a result many if not all of the original caulked joints are now at a point of failure. The end result of the rusted out steel panels and failed caulked joints is that the likelihood of additional corrosion damage to interior steel framing members in other areas of the building is very high.

Subsequent storm events in 2004 and 2005 have caused additional damage to the south wall During these events significant flooding resulted in the crawl space The flood water infiltrated the buildings HVAC system, creating the potential for possibly hazardous contaminants (dust and mold) to have been introduced into the buildings ventilation system. While these contaminates have been removed, the probability is high that future storm events will cause more flooding in the crawl space and the cleanup will need to be repeated If the building is to remain in service, it would be prudent and sensible to look at reconfiguring the buildings HVAC system so that mechanical equipment is removed from this area completely or at a minimum housed or sealed in such a way as to be protected from damaging effects of the almost certain future flooding of the crawl space

The mechanical systems in the building are all original equipment and have exceeded their useful life expectancy New boilers and direct digital control systems are needed to replace the existing 30+ year old systems.

Other significant life safety issues need to be corrected if the building is to remain in service Existing corridors were identified in 1994 as not meeting the current fire rating (1hour), it is doubtful that the fire marshal will allow this deficiency to remain if other major upgrades to the building are undertaken Other life safety issues such as adding a fire alarm system, adding code required smoke dampers to the ducting system and adding code compliant emergency exit lighting should also be addressed

The original roof was replaced in 1993, so it is now 14 years old Nome maintenance personnel have not mentioned problems with the roof Typically roofs of this kind can be expected to last 20 yrs or more. Accordingly, a new roof is probably going to be needed in the next 5-10 years.

ROM Cost estimate (not including costs for temporary relocation of current occupants):

Structural Repair and new siding 2 5 million

- Demo old siding including haz mat for asbestos impregnated siding: $250,000
- Demo damaged framing members exposing corroded steel structural members and joints: $150,000
- Repair of corroded structural members $1,000,000
- Replacement of damaged wall framing $500,000
- Install new siding system: $500,000

HVAC System Renovations 2 0 million

Life Safety upgrades: 1 5 million

P.O. Box 281 • Nome, Alaska 99762
phone 907.443.6663 fax 907.443.5349

March 7, 2012

The Honorable Sean Parnell
Office of the Governor
P.O. Box 110001
Juneau, AK 99811-0001

Sent via email

Dear Governor Parnell:

Thank you for engaging with us over the past year regarding the proposed State Office Building in Nome. Also, thank you for including an installment of funding for the project in your proposed budget. We appreciate your efforts and your support for the project.

As you know, the City has been very concerned about the possibility that the facility might be developed at a location other than on Front Street. Based on this concern, in the first half of 2010 the Nome City Council adopted formal resolutions identifying its preferred Front Street site, encouraging the State to solicit a "build-to-suit" proposal for its development.

Our interest in this regard is so great that we decided to back-up those resolutions by partnering with the State to achieve our preferred location. We proposed as much in response to a Department of Administration issued Request for Information (RFI) procurement process as far back as July of 2010.

Since that time, our partnering has included direct discussion with the site owner, including a public City Council work session last fall in which we discussed a general outline of an arrangement for acquisition and development of our preferred site. It was agreed that the Mayor should work with the State and the site owner to develop final terms and to bring the necessary agreements back to the City Council for approval.

Consistent with that direction, I have continued to work with the site owner and expect very soon to have a signed agreement for site acquisition and development to State specifications (subject to City Council approval), to form the basis for negotiation of an agreement with the State. The result would be development precisely to State requirements, with the design and construction components for completion of the project procured through an RFP process.

Under this approach, we would propose to deliver an optimally-located and efficiently acquired new Nome State Office Building, custom-built to the State's scope and specifications, at a cost that reflects the fair market value of the land, as determined by the State, and a facility cost at or below an engineer's estimate, also as determined by the State.

The Nome City Council's identification of the site on Front Street was fully consistent with the State Procurement Code under AS 36.30.850(b)(5), reflecting recognition of the unique nature of particular parcels of "real property or interest in real property." Likewise, that same provision will allow the State to acquire the site and development on a build-to-suit basis directly from the City of Nome.

We understand that the Department of Administration is preparing to issue yet another RFI relating to the State's needs in Nome. If we must, we will respond again; however, we believe it is in the public interest, and will save the State considerable time and money, to deal directly with the City of Nome instead.

We are respectfully requesting to partner in the solution by engaging in a meaningful dialogue that accomplishes development on the City of Nome's selected site, with the State directing the scope and quality of the project, and the City having meaningful participation in the development details and, per the above procurement methodologies and approaches, we will accomplish the goal together with the greatest efficiency and cost certainty.

It is our understanding that AHFC has played a comprehensive facilitation role on the State's behalf on similar projects in the past, combining AHFC's unique project management and financing expertise to benefit the project, and that they have the staff and resources to do so efficiently. Could a partnership between AHFC, acting on the State's behalf, and the City of Nome be considered? If so we would propose a face-to-face meeting with your representative, AHFC and the City.

With the clock winding down on the current Legislative Session, we understand that time is of the essence; however, if we meet no later than March 20, 2012 we still have time to adequately define the project for Legislative approval.

We are prepared to do our part to meet both the State's goals and the City's goals and we respectfully request your consideration of this approach.

Respectfully,
CITY OF NOME

Denise Michels
Mayor

cc: Senator Donny Olson
Representative Neal Foster

P.O. Box 281 • Nome, Alaska 99762
phone 907.443.6663 fax 907.443.5349

SENT VIA EMAIL & CERTIFIED MAIL

July 15, 2010

Mr. Jeff Jolly, Contracting Officer III
Department of Administration
Division of General Services
550 West 7th Avenue, Suite 1970
Anchorage, AK 99501

Subject: Letter of Interest Regarding the Nome State Office Building

Dear Mr. Jolly,

The City of Nome (the City) is hereby formally responding to the State of Alaska's Request for Information / Letters of Interest in building a new Nome State Office Building. The City is very interested in entering into a binding agreement or contract on a government to government basis with the State of Alaska to design, bid, build and then lease with the option to purchase a new State Office Building in the City of Nome. The City feels that a government to government partnership on this project is in both the best interest of the State and the local community of Nome given the impacts such a project can have on a small community.

Given the unique nature of this public / private sector partnership, it would be the intent of the City to contract the construction and management of the building to Nanuaq, LLC (a subsidiary of Sitnasuak Native Corporation) who is also the majority land holder in the proposed project. Nanuaq, LLC would act as the Construction Manager / General Contractor on the project pulling together the long term financing, design and construction aspects of the project. In doing so, the up front capital costs of such a project will not be a burden on the State or local residents.

Included in this response and described below are three sample building options that are all located on blocks C and D of Front Street, well within the specified 3.5 mile radius of the post office. The building options all have outlines of the proposed parking spaces and building options as they relate to the flood zone area(s). All of the options listed and shown in Attachments A, B and C would additionally be constructed as Leed Certified buildings, be ADA compliant and could be ready within a 10 month period from the date that the State and City approve the completed construction documents.

Sample Building Options

Option A:
This option is a 3-story 60,000 SF building with a 5,000 SF penthouse for mechanical equipment. The building has a covered drop off area as well as 75 parking spaces. This option requires occupying / vacating Lanes Way, along with occupying lots 9, 12A, and 13A, Blk D for a 45 space parking lot and lots 1-4 of Blk C for the building, covered drop off and 30 space parking lot.

Option B:
This option is a 3-story 49,200 SF building with a 5,000 SF penthouse for mechanical equipment. The building has a covered drop off area as well as 75 parking spaces. This option does not require occupying or vacating Lanes Way. Lots 9, 12A and 13A of Blk D will be occupied for a 45 space parking lot and lots 1-4 of Blk C for the building, covered drop off and 30 space parking lot.

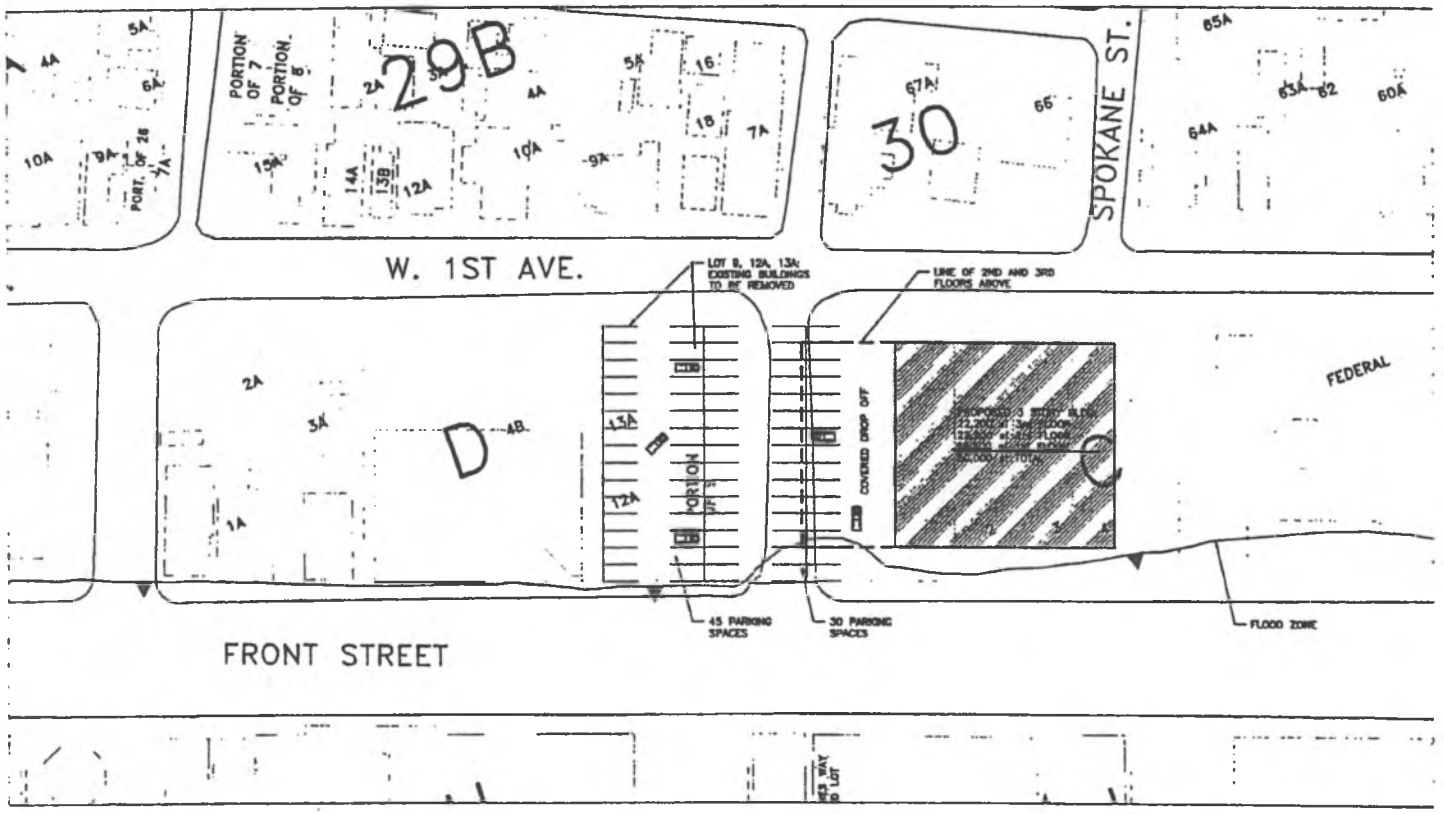
Option C:
This option is a 3-story 59,200 SF building with a 5,000 SF penthouse for mechanical equipment. The building has a covered drop off area as well as 75 parking spaces. This option does not require occupying or vacating Lanes Way. Lots 9, 12A and 13A of Blk D will be occupied for a 45 space parking lot and lots 1-4 of Blk C for the building, covered drop off and 30 space parking lot.

Additionally, the City has attached letters of support from the individual land owners for this project. Should you require additional information or have questions, please contact me at 907.443.6600 or manager@ci.nome.ak.us.

Sincerely,
CITY OF NOME

Josie Bahnke
City Manager

cc: Denise Michels, Mayor
Nome Common Council
Trudy Sobosclenski, CEO, Sitnasuak Native Corporation
John Handeland, Utility Manager, Nome Joint Utility System
Mitch Erickson, Director, Chamber of Commerce
Leo von Scheben, Commissioner, DOT & PF



CONCEPT A

BUILDING SF:	60,000
MECH PENTHOUSE:	5,000
NUMBER OF FLOORS:	3
PARKING SPACES:	75

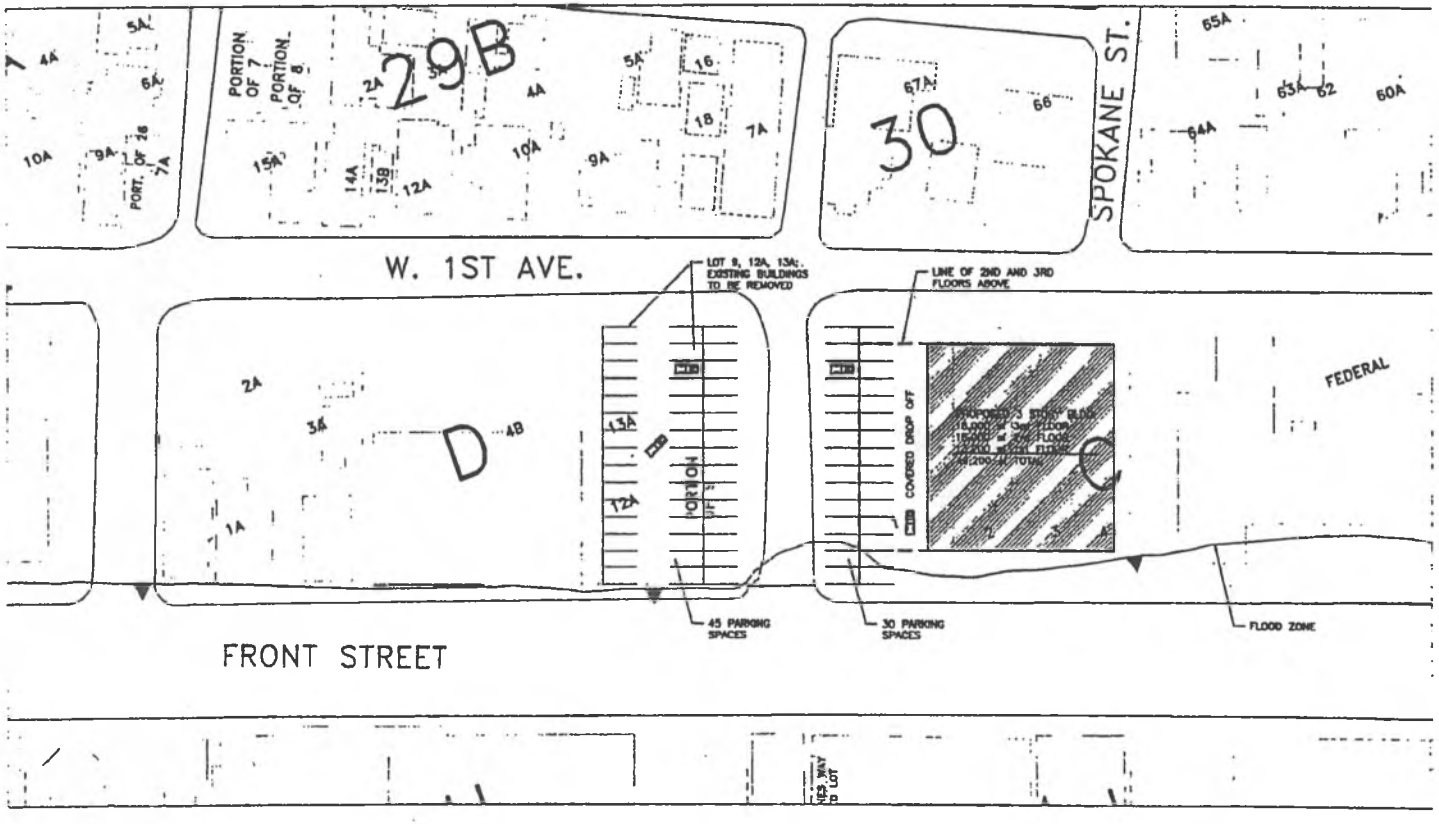
CITY OF NOME PROPOSAL

NOME STATE OFFICE BUILDING

CONCEPT A

JULY 8, 2010

A



CONCEPT B

BUILDING SF:	49,200
MECH PENTHOUSE:	5,000
NUMBER OF FLOORS:	3
PARKING SPACES:	75

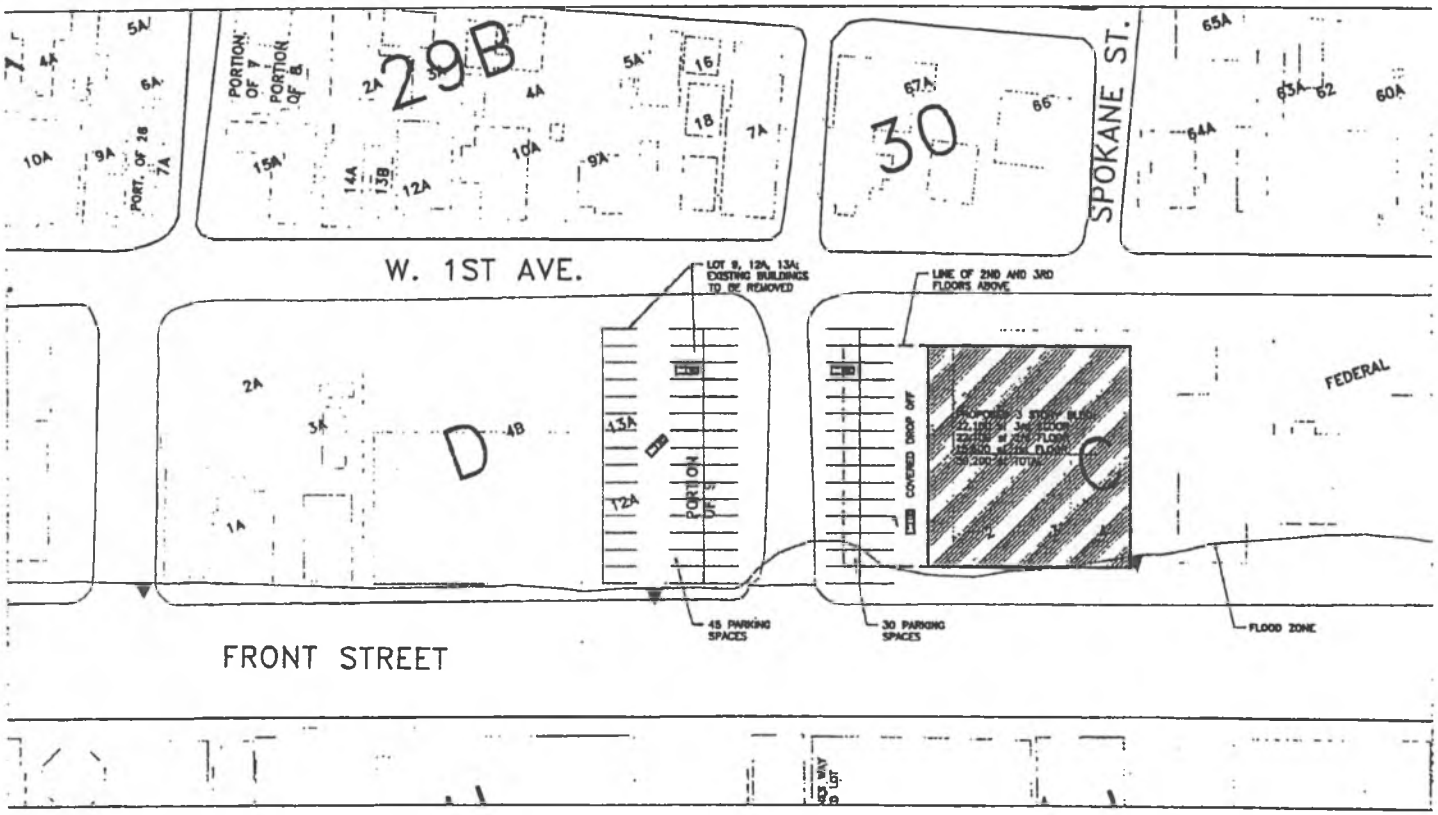
CITY OF NOME PROPOSAL

NOME STATE OFFICE BUILDING

CONCEPT B

JULY 8, 2010

B



CONCEPT C

BUILDING SF:	59,200
MECH PENTHOUSE:	5,000
NUMBER OF FLOORS:	3
PARKING SPACES:	75

CITY OF NOME PROPOSAL

NOME STATE OFFICE BUILDING

CONCEPT C

JULY 8, 2010

C

Sitnasuak
Native Corporation

Post Office Box 905 • Nome, Alaska 99762
(907) 443-2632 • Fax: (907) 443-3063

July 15, 2010

Leo von Scheben, P.E., L.S., M.B.A.
Commissioner, Department of Transportation
State of Alaska
3132 Channel Drive
PO Box 112500
Juneau, AK 99811-2500

RE: New Nome State Office Building

Dear Mr. Scheben,

Sitnasuak Native Corporation and its subsidiary, Nanuaq, Inc. are committed to working with the City of Nome in the development of a new State office building on Front Street in Nome, Alaska. The current Front Street property, owned by Sitnasuak Native Corporation, combined with a vacated Lanes Way, and two additional privately owned lots would provide the greatest benefit to Nome and its local businesses. Maintaining State offices on Front Street will ensure the local economy remains in the commercial business section of Nome.

I hope that we can continue to discuss this issue to find a solution that addresses the needs of the State of Alaska and local economy of Nome. You can reach me at your convenience at tsobocienski@snc.org or 907-387-1215.

Thank you for your time.

Respectfully,

Trudy Sobocienski

Trudy Sobocienski, President/CEO
Sitnasuak Native Corporation

NOME ALASKA
CHAMBER OF COMMERCE

July 15, 2010

Department of Administration
State of Alaska
10th Floor State Office Building
PO Box 110000
Juneau, Alaska 99811

RE: Letters of Interest – Nome New State Office Building

The Nome Chamber of Commerce would like to voice its support for the public/private partnership between the City of Nome and the Sitnasuak Native Corporation in providing land along Front Street for the proposed new State office building. This win-win situation would combine the Front Street lot owned by Sitnasuak, a vacated Lanes Way and two additional lots along Front Street into one large lot. The new site was be adjacent to the Sitnasuak Office building, a building already occupied by State departments.

Front Street was designed to handle the traffic flow that the proposed new State office building would create. An historic monument outside the Bering Strait Native Corporation office building (Old Federal Building) reads "Front Street has been the business district of Nome since the gold rush". We fully support this public/private partnership.

If you have any question on this matter, feel free to call me at (907) 443 – 3879.

Sincerely,

Mitch Erickson

Executive Director

Mark Sackett
Soap & Suds
PO Box 1294
Nome Alaska 99762

July 12, 2010

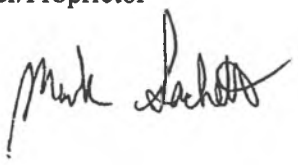
Sitnasuak Native Corporation
PO Box 905
Nome, Alaska 99762

To Whom It May Concern:

I support Sitnasuak Native Corporation and its subsidiary Nanuaq, LLC in the development of a new state office building on Front Street in Nome, Alaska. I believe that the current Front Street property owned by Sitnasuak Native Corporation is the location that provides the greatest benefit to the continued economic well being of Nome and its local businesses. I own neighboring property that will enhance the development of the Sitnasuak Front street site by providing additional space for building development, parking and/or other use. In support of that, I am committed to negotiate in good faith to sell my property to Sitnasuak, should they and/or the City of Nome be selected to execute this project.

Sincerely,

Mark Sackett
Landowner/Proprietor



James D. West Sr. Trust

James D West Jr. – Trustee

Box 967

Nome, Alaska 99762

Sitnasuak Native Corporation

Box 905

Nome, Alaska 99762

July 15, 2010

To Whom it may concern:

I support the efforts of the City of Nome and SNC in the development of a new state office building on Front Street in Nome, Alaska. Snc has the location that provides the greatest benefit to the continued economic well being of Nome and its local businesses. I own neighboring property that will enhance of the front street site location for development or parking and or other uses. I will committed to negotiate in good faith to sell my property should Snc or the City of Nome be selected to execute this project.

Sincerely,

Jim West Jr.

Trustee of James D West Sr. Trust

Online Public Notice
State of Alaska

Public Notices
Request for Information/Letters of Interest - Nome State Office Building
Submitted by: bbcampbell/02
Date Submitted: 06/25/2010 03:02 PM
Date Modified:
Submission Mode: direct
Approve Prior To Post: n/a
Approved By: n/a
Approval Date: n/a

Attachments:
- RFI-Letters of Interest - Nome State Office Building.pdf

Request for Information/Letters of Interest - Nome State Office Building

Category: Procurement
Publish Date: 06/25/2010
Event/Deadline Date:

Department: Administration
Location: Statewide
Coastal District: N/A

Body of Notice:

The Department of Administration, Division of General Services is requesting information on available office space in Nome.

The State of Alaska (State) is seeking letters of interest from contractors, developers, or lessors, interested in providing approximately 60,000 square feet of office space located in Nome, Alaska. The State will consider a long term lease (approximately 20 years), a lease/purchase or the purchase of a new state office building.

The State is considering all alternative space where economically advantageous. The State will use the information it receives in response to this advertisement as the basis to develop a cost/benefit analysis and to determine whether to compete this office space requirement, design and construct its own office building in Nome, or take other appropriate action.

The site for the Nome State Office Building shall be located within an approximate three point five (3.5) mile radius of the Nome Post Office and shall be situated within approximately 250 feet of the existing public road and utility system.

If you are interested in providing office space to the State in Nome, Alaska, respond in writing no later than July 16, 2010. Responses must indicate compliance with the items below and include a name, contact information, and building location/address:

- Size of proposed building
- Location of building (must be within an approximate 3.5 mile radius of the Post Office)
- The space shall be ADA compliant
- Number of parking spaces available (to accommodate employees and visitors)
- Facility location in relation to flood zones
- Estimated date building could be ready for State occupancy

This RFI does not obligate the State to issue an RFP, award a contract or pay any costs incurred in the preparation of a response to this RFI. Do not submit price/costs with your response, a Notice of Award for space will not be made as a direct result of this RFI. Contact information will be kept on file for any future related Request for Proposal (RFP) solicitations under AS 36.30, Alaska State Procurement Code.

Written responses may be sent by: US Mail, fax, or email to the following address. Please note the State does not accept responsibility for failed fax or emailed response deliveries.

Department of Administration
Division of General Services
c/o Jeff Jolly, Contracting Officer III
550 West 7th Avenue, Suite 1970
Anchorage, AK 99501
(907) 269-0301

SCR

2

<TARGET><BILL>SCR 2</BILL><SUBJECT>SCR
2</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/21/11

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE CONCURRENT RESOLUTION NO. 2

SCR 2-UNIFORM RULES: PRESIDING OFFICER PRO TEM

Proposing amendments to the Uniform Rules of the Alaska State Legislature relating to the presiding officer pro tempore.

and recommends:

[✓] adopt previous **CS** SCR 2 (STA) [✓] *Same Title* [ ] *New Title*

[ ] adopt **previous CS** _____ (_____) [ ] *Same Title* [ ] *New Title*

[ ] attached amendment(s)

[ ] adopt _____ Letter of Intent

[ ] further referral to _____ Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)

Dept.	Fiscal	Indet.	Zero	FN #
Leg (Fina)			✓	

PREVIOUS FISCAL NOTE(S)

Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	THOMAS	✓			
	[illegible]	→			
	McGuire	✓			
	OLSON			✓	
	ELLIS	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman			✓	

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **CSSCR 2(STA)**
Fiscal Note Number:
Publish Date: 1/28/2012

Identifier (file name):
Title: SCR 2 - Uniform Rules: Presiding Officer Pro Tem
Sponsor: Senator Davis
Requester: Senate Finance Committee

Dept. Affected: Legislature
Appropriation:
Allocation:
OMB Component Number:

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by: Darwin Peterson — Phone: 465-3873
Division: Senate Finance Committee — Date/Time: 1/28/12 2:30 P.M.
Approved by: Senator Stedman, Co-Chair — Date: 1/28/2012
Senator Hoffman, Co-Chair

(Revised 8/17/2011 OMB)

Alaska State Legislature

Interim: (May - Dec.)
716 W. 4th Ave
Anchorage, AK 99501
Phone: (907) 269-0144
Fax: (907) 269-0148

Session: (Jan. - May)
State Capitol, Suite 30
Juneau, AK 99801-1182
Phone: (907) 465-3822
Fax: (907) 465-3756
Toll free: (800) 770-3822

Senator_Bettye_Davis@legis.state.ak.us
http://www.akdemocrats.org

Senator Bettye Davis

CSSCR 2(STA), 27-LS0031\B - "Proposing amendments to the Uniform Rules of the Alaska State Legislature relating to the presiding officer pro tempore."

SPONSOR STATEMENT

THE PURPOSE OF SENATE CONCURRENT RESOLUTION NO. 2 IS TO AMEND THE UNIFORM RULES TO INCREASE THE DUTIES AND RESPONSIBILITIES OF TEMPORARY PRESIDING OFFICERS AND TO ALLOW MORE LEGISLATORS TO FUNCTION IN LEADERSHIP POSITIONS.

CSSCR 2(STA) creates a permanent third position in leadership for temporary presiding officers who heretofore only presided over the first floor session of a legislature until the chambers were organized and the permanent or regular presiding officers were seated.

Sections 1-3 change the nomenclature in titles to be consistent throughout the Uniform Rules.

Section 4 amends Uniform Rule 4 by establishing that in the absence of both the regular presiding officer (Speaker of the House) and the absence of the majority leader, the presiding officer pro tempore previously elected in Uniform Rule 1(b) serves as the presiding officer pro tempore. The result of the language amending section 4 of SCR 2 is that the presiding officer pro tempore elected at the start of the first session of legislature, in addition to the presiding officer pro tempore's duties set out in Uniform Rule 1(b), will continue for both sessions to serve as a "backup" in the absence of the regular presiding officer (Speaker of the House) and majority leader. Presiding officers pro tempore may also be assigned other duties consistent with the Uniform Rules. As presently provided in Rule 4, the regular presiding officers, majority leaders, and now the presiding officers pro tempore, may relinquish the chair to any member.

LEGAL SERVICES

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

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

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

MEMORANDUM March 21, 2011

SUBJECT: Sectional Summary to CSSCR 2(STA)
(Work Order No. 27-LS0031\B)

TO: Senator Bettye Davis
Attn: Tom Obermeyer

FROM: Doug Gardner
Director

You requested a sectional summary of SCR 2, a bill relating to proposed amendments to the Uniform Rules of the Alaska State Legislature relating to the presiding officer pro tempore. This summary is current as of the date of this memorandum and the "B" version of the resolution.

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

Section 1 of the bill amends Uniform Rule 1(a) by replacing "temporary" with the phrase "pro tempore," making the use of the term "pro tempore" consistent throughout Uniform Rule 1.

Section 2 of the bill amends Uniform Rule 1(b) by replacing "temporary" with the phrase "pro tempore" in two places in Uniform Rule 1(b). Again, replacing "temporary" with "pro tempore" achieves consistency throughout Uniform Rule 1 when describing the "pro tempore" officer. This section also replaces "permanent" with the word "regular" when identifying the regular presiding officer in four places in Uniform Rule 1(b). The term "regular" is used to replace reference to the existing "permanent" officer, and provides consistency in describing the "regular" officer throughout Uniform Rule 1.

Section 3 of the bill amends Uniform Rule 1(c) by replacing the phrase "temporary and permanent," with "the presiding officer pro tempore," and "regular," and also replaces "officers" with "officer." Again, the proposed amending language is used to achieve consistency throughout Uniform Rule 1.

Section 4 amends Uniform Rule 4 by establishing that, in the absence of both the regular presiding officer (Speaker of the House) and the absence of the majority leader, the presiding officer pro tempore previously elected in Uniform Rule 1(b) serves as the presiding officer pro tempore. The presiding officer pro tempore elected at the start of the first session of a legislature, in addition to the presiding officer pro tempore's duties set out in Uniform Rule 1(b), will continue for both sessions to serve as a "backup" in the absence of the regular presiding officer (Speaker of the House) and majority leader. Section 4 of the bill does not displace or in any way alter the duties of the Speaker of the House, or the House Majority Leader. Rather, the bill provides a third leadership position called "presiding officer pro tempore" to identify a member elected to this position as a designated alternate in the event that the speaker and the majority leader are absent.

DDG:plm
11-169.plm

NCSL

Examples of Duties of the Senate President Pro Tem

(as of February 2011)

Alabama Senate

Rule 21. Messages may be called at any stage of business by the President Pro Tempore or in his/her absence, then the Majority Leader, except while a matter is being considered, while the yeas and nays are being called, or while the ballots are being counted.

Rule 36. During the period between the end of the regular session and the convening of the next regular session, or, in the first year of a quadrennium, between the Organizational Session and the regular session, members may deliver bills to the Secretary of the Senate, which shall be known as "pre-filing." Such bills shall be numbered by the Secretary in the order of receipt and otherwise processed for introduction when the regular session has been convened. Pre-filed bills shall be assigned by the President, or his/her designee, with the concurrence of the President Pro Tempore, or his/her designee, to a standing committee for study and shall be formally referred to the same committee upon commencement of the regular session; provided, however, that no bill shall be pre-filed under this rule after the commencement of the last regular session of the Legislature in any quadrennium and before the organizational session following the general election.

Rule 42. In the absence of the President when the Senate convenes, the President Pro Tempore shall preside except as provided for in Rule 1; however, any other rule to the contrary notwithstanding, when the President of the Senate chooses not to preside, the President Pro Tempore shall preside. Should the President Pro Tempore not be in the chamber or choose not to preside, the Majority Leader shall preside and/or designate in writing a member to preside or until such time as the President or the President Pro Tempore, as the case may be, assumes or reassumes the presidential duties of the Chair; provided, however, that such delegation may not continue to the next legislative day.

Rule 45. When more than one member rises seeking recognition, the Presiding Officer shall decide which member to recognize. The President Pro Tempore shall be recognized first when rising for a Point of Order, as well as for the purpose of taking up House messages, executive messages, and other matters of serious import for the operation of the Senate. The Majority Leader, in the absence of the President Pro Tempore, shall have priority when seeking recognition.

Rule 47. (a) The Senate President Pro Tempore may designate the Majority Leader to perform the duties of the Senate President Pro Tempore in his/her absence, with the exception of signing of bills and resolutions, which only the President and President Pro Tempore are constitutionally allowed to do. The President Pro Tempore shall be an additional voting member of all Senate Standing Committees, superseding the number of members of each standing committee as set out in Rule 48, including Local Legislation No. 1, but excluding all other local legislation committees unless he/she is a member of another local legislation committee by geographical circumstance. The President Pro Tempore may designate in writing to the Secretary of the Senate the name of a member who is not already a member of the committee to represent him or her as a voting member under this rule. Such substitution shall be for a term of not less than one year unless such member so appointed dies or resigns from the Senate, or resigns from the committee so appointed under this rule.
(b) There shall be a Senate Committee on Assignments which shall be composed of the President Pro Tempore, the Lieutenant Governor, the Senate Majority Leader and three additional members appointed by the President Pro Tempore. The Committee on Assignments shall appoint the Chairperson, Vice Chairperson and membership of all Senate Standing Committees and Select Committees. The Committee may reappoint the membership of the committees, and may rename the leadership of the committees. Any such change in committee membership, or the chairman or vice-chairman thereof, shall only be authorized by a majority vote of the membership of the Committee

on Assignments. Actions of this committee shall be reported to the Senate by the President Pro Tempore or in his/her absence by the Senate Majority Leader as such appointments are approved. ...

Rule 54. A bill or resolution carrying an appropriation may be referred to a committee other than the appropriate finance and taxation committee if the subject matter requires such referral in the judgment of the President Pro Tempore. However, such bill or resolution shall also be referred to and reported by the appropriate committee on finance and taxation after being given a second reading.

Rule 68. The Secretary shall provide the Chairperson of each standing committee with a stamp with which to make endorsements on bills. Each standing committee of the Senate shall be furnished a secretary or clerk by the Secretary of the Senate. Office space shall be provided to the President Pro Tempore, the Senate Majority Leader, and to the Chairpersons of standing committees as such space is made available to the Senate.

Rule 82. Any motion relating to creating or filling a vacancy in the office of President Pro Tempore shall be in writing with a day certain for the vote, which day certain may not be less than five legislative days after the motion is filed. Any vote relating to the removal of a member serving as President Pro Tempore shall prevail only with a concurrence of a two-thirds vote of the elected members of the Senate.

Arizona Senate

Rule 2. ... H. The President shall have the right to name any member as President Pro Tempore to serve during the President's absence, which appointment may extend throughout the session unless terminated by the Senate. The President may appoint any other member as temporary President Pro Tempore to serve for a limited period of time in the absence of the President and President Pro Tempore. In the absence or omission of such an appointment, the Senate shall proceed to elect a President Pro Tempore to act during the absence of the President.

Arkansas Senate

Rule 1.02. The President shall have the right to name any member to perform the duties of the Chair, but such substitution shall not extend beyond adjournment; provided, however, that in case of the absence of the President Pro Tempore, he may make such appointment for a period not exceeding ten (10) days, with the approval of the Senate at the time the same is made.

Rule 2.01. (a) At the beginning of every regular session of the General Assembly the Senate shall elect from its members an officer to be styled "President Pro Tempore" of the Senate, who shall perform all the duties of the President of the Senate during his absence, except as otherwise provided in these Rules. At the beginning of each regular session, the President Pro Tempore shall appoint four (4) Assistant President Pro Tempores, one from each of the current Congressional Districts. At least three (3) of the Assistant President Pro Tempores shall be a member of the majority party. The President Pro Tempore shall designate one of the four Assistant President Pro Tempores to perform all the duties of the President Pro Tempore during his or her absence.
(b) Beginning with the 87th General Assembly, the President Pro Tempore shall not serve more than one term in the office nor shall the President Pro Tempore be Chairman of any Class "A", "B" or Class "C" Committee nor the Joint Budget Committee.
(c) The President Pro Tempore shall have the authority to convene the members of the Senate between sessions for the purpose of addressing any matter that affects the business of the full Senate.

Rule 5.01. The Chaplain shall be selected daily by the President Pro Tempore or his designee and shall attend the commencement of that day's session of the Senate and open the same with prayer.

Rule 7.02. ... (c) All vacancies on Class "A", Class "B" and Class "C" Committees of the Senate shall be filled by the President Pro Tempore on the basis of seniority or as provided by law or by other Rules of the Senate. In the temporary absence of the Chairman and the Vice-Chairman, the member next in rank and seniority, and soon, as often as the case may happen, shall act as Chairman. In case of a permanent vacancy in the Chairmanship or Vice-Chairmanship of any committee, the President Pro Tempore shall appoint another Chairman or Vice-Chairman within the first three (3) days of the next regular or special session of the General Assembly.

Rule 10.05. In the absence of a quorum, five (5) members shall be appointed by the President Pro Tempore to compel the attendance of absent members. In all calls of the Senate, the doors shall be closed, the names of the members shall be called by the Secretary of the Senate, and the absentees noted. Those for whom no sufficient excuse is made may, by order of the majority of those present, be sent for by members to be appointed by the President Pro Tempore for that purpose and their attendance secured and retained. The Senate shall determine upon what conditions they may be discharged. Members who voluntarily appear shall, unless the Senate otherwise directs, be immediately admitted to the Senate Chamber, and they shall report the names to the Secretary of the Senate to be entered upon the Journal as present. At any time after the roll call has been completed, the Presiding Officer may entertain a motion to adjourn. If the Senate adjourns, all proceedings under this section shall be vacated.

Rule 20.01. The President Pro Tempore shall appoint all conference committees which 1 shall be ordered from the Senate from time to time, and unless otherwise directed by the Senate, the same number of Senators shall be named to serve on the conference committees as are named to serve on such committees by the House.

California Senate

Rule 2. The President pro Tempore, Assistant President pro Tempore, Vice Chair of the Committee on Rules, or senior member present shall call the Senate to order at the hour stated and, if a quorum is present, shall proceed with the order of business

Rule 7. The President pro Tempore shall take the Chair and call the Senate to order at the hour of the meetings of the Senate. The President pro Tempore is the Presiding Officer of the Senate.

It shall be the particular responsibility of the President pro Tempore to secure the prompt and businesslike disposition of bills and other business before the Senate. He or she shall maintain order in the Senate Chamber and, in case of a disturbance or disorderly conduct outside the bar or in the gallery, he or she shall have the power to order the same cleared.

The President pro Tempore shall serve ex officio as a member of all Senate and joint committees of which he or she is not a regular member, with all of the rights and privileges of that membership except the right to vote. In counting a quorum of any of these committees, the President pro Tempore may not be counted as a member.

The Assistant President pro Tempore or the Vice Chair of the Committee on Rules shall, in the absence of the President pro Tempore, perform the duties, and have all powers and authority, of the President pro Tempore.

Rule 8. The President pro Tempore of the Senate may name a Senator to perform the duties of the Chair in his or her absence. The Senator so named shall be vested, during that time on the floor, with all the powers of the President pro Tempore, and the Senator who performs these duties shall be known as the Assistant President pro Tempore.

In the absence of the President pro Tempore, the Assistant President pro Tempore, or the Vice Chair of the Committee on Rules, any Senator may perform the duties of the Chair.

Rule 10.5. On the first day of each session, the President pro Tempore, members of the Committee on Rules, Secretary of the Senate, and Sergeant at Arms shall be elected by a majority vote of the duly elected and qualified Members of the Senate and shall serve until their successors are elected and qualify. The Committee on Rules shall appoint an Assistant Secretary, a Minute Clerk, a Chaplain, and other employees with such duties as the committee requires.

Rule 11. The Committee on Rules shall consist of the President pro Tempore of the Senate, who shall be the chair of the committee, and four other Members of the Senate to be elected by the Senate. There is a vacancy on the committee in the event a member ceases to be a Member of the Senate or resigns from the Committee on Rules. Any vacancy occurring during a summer, interim study, or final recess, except in the case of the President pro Tempore, shall be filled by the remaining members of the Committee on Rules. A vacancy occurring at any other time shall be filled by election by the Senate.

The Committee on Rules shall appoint all other committees of the Senate and shall designate a chair and vice chair of each committee.

In making committee appointments, the Committee on Rules shall give consideration to seniority, preference, and experience. However, in making committee appointments, the Committee on Rules shall, as far as practicable, give equal representation to all parts of the state.

Rule 38.5. Every amendment proposed must be germane. In order to be germane, an amendment must relate to the same subject as the original bill, resolution, or other question under consideration.

A point of order may be raised that the proposed amendment or an amendment now in the bill, resolution, or other question under consideration is not germane, so long as the question is within control of the body. In that case the President pro Tempore shall decide whether the point of order is well taken. In the absence of the President pro Tempore, the Vice Chair of the Committee on Rules shall decide whether the point of order is well taken. If, in the opinion of the President pro Tempore or the Vice Chair of the Committee on Rules, the point of order is well taken, the question of germaneness shall on his or her motion be referred to the Committee on Rules for determination. The Committee on Rules shall make its determination by the following legislative day. If the point of order is raised and referral is made on the last legislative day preceding a joint recess, the Committee on Rules shall make its determination before adjourning for the recess. ...

Colorado Senate

Rule 1. (a) Unless otherwise ordered, the regular hour of meeting of the Senate shall be 10 o'clock a.m. on Mondays, and 9 o'clock a.m. on other days. The hour of adjournment shall be as ordered.

(b) The President of the Senate, or in the President's absence the President pro tempore, shall take the chair every day promptly at the hour to which the Senate stands adjourned, shall call the Senate to order, shall lead or designate another Senator to lead the members in a recitation of the pledge of allegiance to the flag of the United States of America, and on the ascertainment of a quorum, shall proceed to business.

(c) If at the hour for the convening of the Senate, the President and the President pro tempore shall be absent, the senior Senator present shall call the Senate to order and shall continue to preside, with all the powers, privileges, and duties of the President, until the President or President pro tempore shall appear.

Rule 12. ... (b) At the beginning of each regular session convening after a general election and at such other times as may be necessary, the Senate shall, by a majority vote of all members elected, elect one of its members as President, and another member as President pro tempore, who shall, during the absence or inability of the President to serve, preside over the Senate and exercise and perform all the powers, privileges, and duties of the President. In addition, in the event of the death, resignation, disability, or absence from the state of the President, the President pro tempore, as acting President, shall exercise all the powers and duties of the President when the General Assembly is not in session, but the exercise of such powers and duties by the President pro tempore shall continue only until the General Assembly shall meet or until the disability or absence from the state of the President is removed, whichever shall first occur. In the event of the death, resignation, disability, or absence from the state of the President pro tempore, then the majority floor leader shall succeed to the office of acting President pro tempore.

(c) Neither the President, President pro tempore, nor any acting or temporary presiding officer shall be excused from or prohibited from voting on any question because of so presiding, but shall not vote on appeals from such person's decision.

Connecticut Senate

Rule 6. If the President while presiding, wishes to leave the chair, the president pro tempore shall preside, or, in the absence of the president pro tempore, the president pro tempore's designee shall preside for a period not exceeding one day.

Rule 7. Within one week after appointment, the President Pro Tempore shall nominate a chaplain and up to three

deputy chaplains, and if such nominations are confirmed by the Senate by a majority vote, the candidates so nominated and confirmed shall serve for the 2011 and 2012 sessions.

Rule 9. ... (b) On any day that is not scheduled as a session day, the President Pro Tempore and the Minority Leader, or their designees, may call the Senate into session for purposes of transacting business of a procedural nature by filing with the clerk or the clerk's designee a written instruction to conduct a pro forma Senate session with or without the presence of a senator. Said direction shall include a written motion to adopt the day's Senate agenda and act on all items as indicated and incorporate the items by reference into the Senate journal and Senate transcript. Said motion shall be read into the record and shall have the same force and effect as if the Senate were convened with a presiding officer and senator.

Rule 18. The majority leader, other leaders of the majority party in the Senate and the chairperson and vice chairpersons of each standing and select committee shall be appointed by the president pro tempore of the Senate. Chairpersons and vice chairpersons shall serve at the pleasure of the president pro tempore and the majority leader. The clerks of the standing and select committees and the chairpersons of the subcommittees thereof shall be appointed by the chairpersons of the respective committees with the approval of the president pro tempore of the Senate. The minority leader shall be elected by the members of the minority party in the Senate and the other leaders of the minority party in the Senate shall be appointed by the minority leader. The minority leader shall appoint ranking minority members to each standing and select committee. Such ranking members shall serve at the pleasure of the minority leader. All standing and select committee members shall be appointed by the president pro tempore by the fifth regular session day of the first year of the term, except to fill a vacancy caused by death or incapacity or resignation from the Senate or from a committee; and except that the president pro tempore may appoint any member elected after the fifth regular session day of the first year of the term to any committee within five calendar days after the member takes the oath of office. Not more than nine senators shall be appointed to any standing committee, except that the joint standing committees on Appropriations and Finance, Revenue and Bonding shall consist of not more than eleven senators. The member first named shall be chairperson. The chairperson of each committee may appoint one of the members of the committee as clerk thereof. All Senate leaders, standing committee assignments, chairpersons, vice chairpersons and clerks and subcommittee chairpersons shall serve for both the 2011 and the 2012 sessions.

Delaware Senate

Rule 9. ... C. President Pro Tem's pre-filed list.
(1) A bill or resolution filed with the Secretary may, in the discretion of the President Pro Tem, be placed upon the "President Pro Tem's pre-filed list" and the bill or resolution shall at such time be assigned to a Committee by the President Pro Tem. Copies of the President Pro Tem's pre-filed list shall be distributed to members prior to its reading by the Reading Clerk. The President Pro Tem's pre-filed list shall be read as soon as practicable by the Reading Clerk.

Rule 18. The President Pro Tempore shall appoint all committees; however, the President Pro Tempore, on at the Pro Tem's own initiative or upon order of the Senate, may appoint special or select committees.

Florida Senate

Rule 1.1. A President and a President Pro Tempore shall be elected for a term of two (2) years at the organization session preceding the regular session of each odd-numbered year. They shall take an oath to support the Constitution of the United States and the Constitution of the State of Florida, and for the true and faithful discharge of the duties of office. The Majority Party may, by caucus called by the President, elect a President Designate and a President Pro Tempore Designate, and their names shall be certified to the Secretary. The President may designate a Majority Leader whose name shall be certified to the Secretary. The Minority Party may, by caucus, elect a Minority Leader and a Minority Leader Pro Tempore, and their names shall be certified to the Secretary at the organization session. All elected officers are to hold office until their successors are chosen and qualified or until the expiration of their term, whichever shall occur first.

Rule 1.7. (1) The President may name any Senator to perform the duties of the chair.
(2) If for any reason the President is absent and fails to name a Senator, the President Pro Tempore shall assume the duties of the chair.

(3) If the President resigns, he or she may, prior to resignation, designate a member of his or her party to assume the duties of the chair until a permanent successor is elected.
(4) In the event the chair is vacated permanently, nothing herein shall preclude the Senate from electing a presiding officer. If the chair is vacated permanently during a session of the Legislature, a new presiding officer must be elected within seven (7) days of the vacancy. If the chair is vacated permanently while the Legislature is not in session, the President's designee shall convene the Senate no later than thirty (30) days after the vacancy for the purpose of electing a new presiding officer. The election shall be the Senate's first order of business. In the event that a designation is not made pursuant to subsection (3) of this Rule, the President Pro Tempore shall assume the duties of the designee in convening the Senate to elect a new presiding officer.

Georgia Senate

Rule 1-1.2. (a) A President Pro Tempore shall be elected by the Senate from among its members by a majority of the Senators voting, provided the total vote constitutes a quorum. The President Pro Tempore shall act as President in case of the temporary disability of the President of the Senate. In case of the death, resignation, or permanent disability of the President of the Senate or in the event of the succession of the President of the Senate to the executive power, the President Pro Tempore shall become President of the Senate and shall receive the same compensation and allowances as the Speaker of the House of Representatives. The General Assembly shall provide by law for the method of determining disability as provided in this Paragraph.
(b) Whenever from any cause the President of the Senate shall be absent, the President Pro Tempore shall preside. If both shall be absent, the Secretary of the Senate shall call the Senate to order and shall preside until the election of an acting presiding officer, which said election shall be the first business of the Senate. The acting presiding officer shall preside until the return of one of the first named officers, at which time his or her functions shall cease.
(c) The President of the Senate may, during a day's session, name the President Pro Tempore or the designee of the President to perform the duties of the Chair during any part of that day, but no longer.
(d) While presiding, or in the absence of the President of the Senate, the President Pro Tempore shall have the same powers and duties as the President of the Senate.

Rule 1-1.3. When the President Pro Tempore or any other Senator is presiding, he or she shall not vote unless the Senate shall be equally divided, or unless his or her vote, if given to the minority, will make the division equal. The presiding Senator shall vote in all elections. In all cases where a fixed constitutional vote is required to pass a bill or measure under consideration, and said bill or measure shall lack only one vote to pass the same, the presiding Senator shall vote, and his or her vote shall be counted the same as that of any other member.

Rule 2-1.1. The Committee on Assignments shall be composed of the President Pro Tempore of the Senate, the Majority Leader, the Majority Caucus Chairperson, the Majority Whip, the Majority Caucus Vice-Chair, the Majority Caucus Secretary, and two Senators appointed by the President of the Senate. The President Pro Tempore or his designee shall serve as Chair of the committee. The Chair shall vote only to break a tie. Actions of this committee shall be reported to the Senate by the committee chairperson as necessary. The meetings of this committee shall be closed to the public.

Rule 2-1.2. There shall be a Committee on Administrative Affairs composed of the President of the Senate, the President Pro Tempore, the Majority Leader, the Minority Leader, the Secretary of the Senate, and three members appointed by the President of the Senate. This Committee shall have the responsibility of employing, supervising, disciplining, and setting the compensation of all aides, secretaries and other personnel for the Senate, including the Senate Budget and Evaluation, Senate Press and Senate Research offices. The Committee shall supervise the purchase and allotment of supplies for the Senate. This Committee shall also supervise and approve all out-of-state travel of members of the Senate and staff.

Rule 2-7.3. The Committee of the Whole shall not proceed with the business before it whenever a vote on any question shall disclose the fact that no quorum of the Senate is present. Whenever it is suggested that a quorum is not present, the President Pro Tempore or his or her designee shall satisfy himself or herself of the fact by actual count of the Committee and shall report the same to the Committee; and the President Pro Tempore or his or her designee shall, on his or her own motion, order that the Committee immediately rise, and he or she shall report the fact of the absence of a quorum to the Senate.

Rule 8-1.2. When two or more Senators shall rise at the same time, the President shall name the Senator entitled to proceed; provided, however, the President shall recognize the President Pro Tempore, the Majority Leader, and the Minority Leader, in that order of precedence, should any of them rise to speak, prior to recognizing any other Senator.

Hawaii Senate

Rule 5. (1) In case the President and Vice-President shall be absent at the hour to which the Senate had adjourned, the member of the majority party having the longest tenure in the Senate shall preside until a President pro tempore is chosen. If two or more members are equally qualified to preside, the eldest qualified member shall preside.
(2) The President pro tempore shall be invested with all of the powers and shall perform all the duties of the President. Whenever the President pro tempore is required to sign a bill or other instrument, the Clerk shall attach to such bill or instrument a certificate stating that such President pro tempore was duly elected and is authorized to so sign.

Idaho Senate

Rule 1. (A) The President of the Senate is the Lieutenant Governor and, in his absence or inability to serve, the President Pro Tempore shall perform with like privilege and authority all functions and duties of the President. The President shall vote only when the Senate is equally divided, but this restriction shall apply only to the President and not to the President Pro Tempore or any other Senator who may be in the Chair. The presiding officer shall never cast more than one vote. ...

Rule 3. (A) At the first meeting of the Senate at which a quorum shall be present, the Senate shall proceed to elect a President Pro Tempore and a Secretary and shall adopt temporary rules which, unless otherwise specifically stated, shall be the permanent rules of the preceding session. ...

Rule 6. (A) The President may, in the temporary absence or temporary incapacity of the President Pro Tempore, or with his consent, designate, either verbally or in writing, any Senator to perform the duties of the Chair who shall, during such time, be invested with all powers and privileges of the President except that of signing bills and joint resolutions, but such appointment shall not extend beyond an adjournment.
(B) Succession to Office of President Pro Tempore of the Senate. Upon the death, removal, permanent incapacity or resignation from office of the President Pro Tempore of the Senate, during a legislative session, the Senate shall proceed to elect a new President Pro Tempore. In the event of the President Pro Tempore's death, removal, resignation or permanent incapacity between legislative sessions, the Senate Majority Leader (and in the event of his death, removal, resignation or permanent incapacity to act as interim President Pro Tempore, the Senate Assistant Majority Leader) shall act as interim President Pro Tempore with all of the duties, powers and prerogatives of the office, to serve until the next session of the Legislature, at which time a new President Pro Tempore shall be elected.

Rule 7. ... (C) All employees of the Senate shall be selected by an attache committee, which committee shall be appointed by the Senate leadership, and the employees so selected shall be subject to the approval of the Senate. There shall be paid to the employees of the Senate, for all services rendered by them, such compensation as may be determined by Senate leadership. The President Pro Tempore is authorized to retain such personnel as deemed necessary during the interim.
(D) Subject to the overall supervision of the President Pro Tempore, the Secretary of the Senate shall have general responsibility for all Senate employees, although doorkeepers, watchmen, janitors, pages, and others charged with housekeeping functions, shall be immediately responsible to the Sergeant at Arms.

Rule 19. (A) The following standing committees shall be appointed by the leadership under the direction of the President Pro Tempore, by and with the advice and consent of the Senate; the number of members on each committee shall be fixed in the order of appointment, and such order shall be read into the Journal; provided that the President Pro Tempore shall appoint a majority of each committee and the chairman of each committee from the membership of the political party having a majority in the Senate: ...

Indiana Senate

Rule 1. ... (b) The announced convening time of the Senate may be changed after the Senate has adjourned with the agreement of the President Pro Tempore and the Minority Floor Leader. ...

Rule 3. Every Senator shall be present at all meetings of the Senate unless excused by the President Pro Tempore.

Rule 9. (a) The President Pro Tempore shall preside over the Senate when the President is absent or steps down from the Chair. Whenever presiding over the Senate, the President Pro Tempore shall at any time have the right to designate a member of the Senate to preside in place of the President Pro Tempore. In the absence of the President and the President Pro Tempore, the Majority Leader shall preside over the Senate.
(b) In the case of death or resignation of the President Pro Tempore, the Majority Caucus Chair shall serve as Temporary President Pro Tempore until the election of a President Pro Tempore by the members of the Senate pursuant to subsection (d) of this rule. If the Majority Caucus Chair is unable to serve as Temporary President Pro Tempore, the individuals holding the following positions shall serve as Temporary President Pro Tempore in the order listed:
(1) Majority Floor Leader.
(2) Majority Whip.
(3) Assistant President Pro Tempore.
(4) Assistant Majority Floor Leader. If two (2) individuals hold the position of Assistant Majority Floor Leader, the individual having served in that position the longest shall serve as Temporary President Pro Tempore.
(c) Whenever the Majority Caucus Chair, or any member listed in the order of succession, files with the Ranking Member of the Committee on Rules and Legislative Procedure a written statement suggesting that the President Pro Tempore is unable to perform the duties of the office because of incapacity, the Ranking Member shall convene the Committee within twenty-four (24) hours to decide the question. The President Pro Tempore, who serves as Chair of the Committee, shall not preside over the meeting of the Committee under this rule. However, the President Pro Tempore shall be permitted to vote on the question as a member of the committee. If the Committee finds that the President Pro Tempore is unable to perform the duties of the office, the Majority Caucus Chair shall serve as Temporary President Pro Tempore until the election of an Acting President Pro Tempore by the caucus of the President Pro Tempore pursuant to subsection (e) of this rule. If the Majority Caucus Chair is unable to serve as Temporary President Pro Tempore, the individuals holding the following positions shall serve as Temporary President Pro Tempore, in the order listed:
(1) Majority Floor Leader.
(2) Majority Whip.
(3) Assistant President Pro Tempore.
(4) Assistant Majority Floor Leader. If two (2) individuals hold the position of Assistant Majority Floor Leader, the individual having served in that position the longest shall serve as Temporary President Pro Tempore.
(5) Assistant Caucus Chair. If two (2) individuals hold the position of Assistant Caucus Chair, the individual having served in that position the longest shall serve as Temporary President Pro Tempore.
(6) Assistant Majority Whip.
(d) If the President Pro Tempore dies or resigns when the Senate is in session, the full Senate shall meet within forty-eight (48) hours to elect a new President Pro Tempore. If the President Pro Tempore dies or resigns when the Senate is not in session, the full Senate shall meet within five (5) calendar days to elect a new President Pro Tempore.
(e) If the President Pro Tempore is found unable to perform the duties of the office under subsection (c) when the Senate is in session, the caucus of the President Pro Tempore shall meet within forty-eight (48) hours to elect an Acting President Pro Tempore. If the President Pro Tempore is found unable to perform the duties of the office under subsection (c) when the Senate is not in session, the caucus of the President Pro Tempore shall meet within five (5) calendar days to elect an Acting President Pro Tempore. The full Senate is not required to meet to approve the election of an Acting President Pro Tempore by the caucus.
(f) The Temporary President Pro Tempore and the Acting President Pro Tempore shall exercise all of the duties and powers granted to the President Pro Tempore under the Standing Rules and Orders of the Senate.
(g) The Acting President Pro Tempore shall serve until the Committee on Rules and Legislative Procedure determines that the President Pro Tempore is able to resume the duties of the office. The Committee shall meet within twenty-four (24) hours to determine the question upon receipt of a written statement from the President Pro Tempore that the President Pro Tempore is able to resume the duties of the office. The President Pro Tempore, who

serves as Chair of the Committee, shall not preside over the meeting of the Committee under this Rule. However, the President Pro Tempore shall be permitted to vote on the question as a member of the committee.

Rule 17. ... (d) A motion to adjourn may be made only by the President Pro Tempore or Senator designated by the President Pro Tempore.

Rule 21. The first item of business at the first regular session of a term of the General Assembly shall be the election of the following:
The President Pro Tempore
The Principal Secretary

Rule 23. (a) The President Pro Tempore shall appoint the following:
(1) Majority Floor Leader.
(2) Majority Whip.
(3) Assistant President Pro Tempore.
(4) Assistant Majority Floor Leader(s).
(5) Assistant Majority Whip.
(6) Assistant Majority Caucus Chair(s).
(7) Assistant Majority Secretary of the Senate.
(8) Postmaster of the Senate.
(9) Principal Doorkeeper of the Senate.
(10) Majority Attorney of the Senate.
(11) Deputy Secretary of Operations.
(12) Acting Principal Secretary of the Senate, if the Principal Secretary is removed, suspended, unable to serve, or resigns.
(13) Chief Legal Counsel. ...

Rule 24. The officers and employees of the Senate shall be responsible to and under the direction of the President Pro Tempore or President Pro Tempore-elect.

Rule 32. (a) The President Pro Tempore or President Pro Tempore-elect shall appoint the chairperson and members of each of the standing committees and subcommittees thereto. The appointments to standing committees and subcommittees shall be reported to the Senate by the President Pro Tempore and recorded in the Journal.
(b) The chairpersons and members of the standing committees and subcommittees thereof shall continue for the term of the General Assembly unless removed by the President Pro Tempore or unable to serve.
(c) All vacancies on any committee or subcommittee shall be filled by appointment by the President Pro Tempore or President Pro Tempore-elect of the Senate.

Rule 49. (a) Whenever the President Pro Tempore of the Senate shall assign a filed Senate bill or joint resolution to a standing committee, the assignment shall be made within seven (7) calendar days following the last day for filing Senate bills and joint resolutions and shall cause the bill or joint resolution with the committee assignment to be set forth on a bill filing list. ...

Rule 51. Bills and resolutions pre-filed prior to a session or during recess after organization day may be assigned and released by the President Pro Tempore or President Pro Tempore-elect of the Senate to a standing committee for consideration and will be introduced the first or a subsequent day on which the Senate is convened.

Rule 84. (a) If the Senate dissents in House amendments, the President Pro Tempore may appoint a conference committee, and if the House dissents in Senate amendments, the Speaker may request by the appointment of House conferees, that the President Pro Tempore appoint a conference committee.
(b) The Senate conference committee consists of two Senators, with the first listed Senator being the Senate Chairperson. Advisors may be appointed at any time by the President Pro Tempore.
(c) Senate conferees may be changed or removed at any time by the President Pro Tempore, who shall give written notice to the Office of the Minority Leader of the change.

(d) The appointment of a conference committee and any change of conferees shall be reported by the President Pro Tempore to the Senate and posted in the information center for the Senate committee meetings and on the Senate bulletin boards.

Rule 87. (a) All bills passed by both Houses shall be printed in enrolled form and shall be certified as accurate by the first author of the bill, the President of the Senate, the President Pro Tempore, and the Principal Secretary. One copy of each enrollment shall be furnished to the author at the time of that certification.

Iowa Senate
Rule 53. The senate shall elect, from its membership, a president pro tempore. When the president is absent, the president pro tempore shall preside, except when the chair is filled by temporary appointment by the president or the majority leader.

The president pro tempore, when presiding, shall perform duties as prescribed in rule 52, paragraphs 1 and 2.

The president pro tempore shall serve as a member of the legislative council and as a member of the senate committee on rules and administration.

Kentucky Senate

Rule 26. ... The President may designate any Senator to preside in the absence of both the President and President Pro Tem and to perform all duties of the President, including duties as a member of the Committee on Committees. This designation by the President may be made from time to time or for any period of time as the President may designate.

Rule 27. ... Any decision made by the President shall be subject to appeal to the Senate. During the pendency of any appeal to the Senate from a decision of the chair, the President shall vacate the chair and call the President Pro Tem to preside. When the President Pro Tem is presiding on an appeal to the Senate from a decision of the President, no motion or business shall be in order except the motion on appeal from the decision of the President, and that motion shall not be debatable. Upon an appeal, the question put to the Senate shall be stated as follows: "Shall the decision of the President stand as the judgment of the Senate? An 'Aye' vote shall support the President's ruling, and a 'Nay' vote shall oppose the President's ruling." The ruling of the President shall be sustained unless a majority of the members elected to the Senate oppose the ruling.

Rule 28. The Senate shall elect a President Pro Tem, who shall perform the duties of the President when the President is absent from the Senate, or when empowered by the President to perform the duties of the chair.

Rule 37. There shall be a Committee on Committees composed of the President, the President Pro Tem, the Majority Floor Leader, the Majority Caucus Chairman, the Majority Whip, the Minority Floor Leader, the Minority Caucus Chairman, and the Minority Whip of the Senate.

The majority of this committee shall have full power to act on all matters referred to the committee either by these rules or by action of the Senate. A meeting of the Committee on Committees may be called by the President, the Majority Floor Leader, or a majority of the committee members.

The President shall be Chairman of the Committee on Committees, and in the President's absence, the Majority Floor Leader shall serve as Chairman.

All bills and resolutions bearing the force and effect of law shall, upon their introduction, be automatically referred to the Committee on Committees which shall refer same to the proper committee not later than the third day in which the Senate is in session after the date of introduction.

The Committee on Committees shall have supervision and control over all employees of the Senate whether elected by the Senate or appointed by the Committee on Committees or provided by the Legislative Research Commission, and the Committee on Committees shall see that they perform all of their duties to the Senate and the members thereof. The Committee on Committees is empowered to discharge any or all of said employees and officers except

the constitutional officers of the Senate. The Committee on Committees shall appoint the members of all standing and special committees and shall fill any vacancies thereon.

Louisiana Senate

Rule 3.4. A. The President Pro Tempore shall be elected by the members of the Senate from among the members thereof in the same manner as the President. He shall be elected every four years, and his election shall be the next order of business following election of the President.
B. He may be removed from office in the same manner as the President.
C. A vacancy in the office of President Pro Tempore shall be filled in the same manner as the original election.

Rule 3.5. The President Pro Tempore shall:
(1) In the absence of the President, preside or call a member to preside over the Senate.
(2) Upon the death or resignation of the President, assume the powers, duties, and emoluments of the President until a president is elected as provided in Senate Rule 3.2.
(3) In case of the disability or temporary absence of the President, assume the powers, duties, and responsibilities of the President until the termination of the disability or absence. The Senate shall make appropriate financial recompense to the President Pro Tempore for his service during such time.
(4) Determine the meeting time of the Senate, with concurrence of the Senate.
(5) Perform such other duties as are assigned to him by the President, the Senate, the state constitution or laws, the Joint Rules of the Senate and House, the Senate rules, or otherwise by the Legislature.

Maine Senate

Rule 201. The President shall:
...3. Appoint all committees, a Sergeant-at-Arms, an Assistant Sergeant-at-Arms, a President Pro Tempore to perform the duties of the Chair during the President's absence and chamber staff, unless the Senate otherwise directs. Name a Senator to perform the duties of the President when the President Pro Tempore is absent. The President may rescind these appointments at any time; ...

Rule 202. The President Pro Tempore shall:
1. Preside at the time to which the Senate has adjourned when the President is absent;
2. When the President assumes the office of Governor, exercise the powers and duties of the office of President until the vacancy in the Senate created by the President's succession to the office of Governor is filled, the Senator so elected is seated and a President is elected.

Michigan Senate

Rule 1.104. a) A President pro tempore, Assistant President pro tempore, and Associate President pro tempore shall be elected by a vote of a majority of the Senators elected and serving. They shall be elected at the first session of a quadrennium. All officers elected by the Senate are to hold office until their successors are elected and qualified or until the expiration of their term, whichever occurs first. ...

Minnesota Senate

Rule 14.2. The President may call a member to preside. In the absence of the President, the President Pro Tem, the Chair of the Committee on Rules and Administration, or the Chair's designee, shall preside over the Senate. In the absence of the President and the Chair, the Senate may select a member to perform the duties of the President. Substitutions do not extend beyond adjournment.

Mississippi Senate

Rule 9. There shall be elected a President Pro Tempore in the manner provided in Section 5-1-15, Mississippi Code of 1972. The President Pro Tempore shall not be eligible for appointment as chairman of any standing Senate committee, with the exception of the Rules Committee.

Rule 10. In the election of the President Pro Tempore, the candidate receiving the lowest number of votes shall be dropped after the first ballot and on each succeeding ballot until one (1) candidate receives a majority of all votes cast, and the vote shall be by viva voce vote on roll call of the members.

Rule 11. In the absence of the President, or at the President's request, the President Pro Tempore shall act in the President's stead, assuming the duties and responsibilities herein granted to the President.

Rule 65. (1) There shall be a standing Committee on Rules which shall consist of the President (who shall be a nonvoting member), the President Pro Tempore, and four (4) Senators, each having served at least four (4) years in the Senate, one (1) from each Congressional District of the State as constituted on January 1, 2004, to be selected by the Senators from their respective congressional districts by caucus. The voting precinct of the Senator representing such district shall determine the congressional district caucus in which the Senator shall participate and for which the Senator may hold membership on the Rules Committee. The President Pro Tempore shall serve as chairman of the committee; the vice chairman shall be appointed by the President Pro Tempore from among the Senators on the committee. ...

Missouri Senate

Rule 10. The president pro tem shall be parliamentarian of the senate and may decide all points of order, and in his absence such points of order may be decided by the chairman of the Committee on the Judiciary and Civil and Criminal Jurisprudence, except in either case, the point of order may be referred by the then acting parliamentarian, to the Committee on Parliamentary Procedure for consideration and determination. All rulings on points of order shall be subject to an appeal to the senate and all questions and points of order shall be noted by the secretary with the decision thereon.

Rule 12. All committees listed in Rule 25 shall be appointed by the president pro tem of the senate, except as otherwise provided. The minority party members shall be chosen by the minority party in the manner determined by the minority party caucus.
At the beginning of each session the caucus chairman of the minority party may file with the secretary of the senate a statement setting forth the method by which minority party members are to be appointed as determined by the minority party caucus, but if no such statement is filed, the minority party members shall be appointed to committees by the minority floor leader.

Rule 13. The president pro tem shall be chosen by the senate, and if the president pro tem so chosen is absent, or his office vacant, the senate may proceed to elect an interim president pro tem to hold the office during such absence or other incapacity, at the pleasure of the senate.

Rule 14. The president pro tem shall sign all acts, joint resolutions and addresses. All writs, warrants and subpoenas issued by order of the senate shall be under his or her hand attested by the secretary.

Rule 16. Stenographers and reporters wishing to take down the debates and proceedings of the senate may be admitted by the president pro tem to the reporters' table on the floor of the senate for that purpose, and under such further regulations as the senate may prescribe, but no persons, including members of the senate, other than members of the press, shall be permitted to sit at the press table while the senate is in session.

Rule 17. Subject to the unanimous approval of the president pro tem and the majority and minority floor leaders as to time and duration, live or taped news media broadcasts of sessions of the senate may be made by broadcast media representatives. Reporters and technicians to effectuate such broadcasts or taping may be admitted to the chamber for this purpose, but no apparatus or procedure shall be used which will interfere with the usual procedure of the senate. All recording or broadcasting shall be done from areas reserved or set aside for such activities by news media representatives by the president pro tem.

Rule 25. The president pro tem of the senate shall appoint the following standing committees: ...

Rule 27. The Committee on Parliamentary Procedure shall be composed of three members: the president pro tem, the chairman of the Committee on the Judiciary and Civil and Criminal Jurisprudence, and the minority floor leader.

Rule 31. 1. The standing committees of the senate on Administration, Appropriations, and such other committees as the president pro tem shall designate, may function within the state unless otherwise approved by the president pro tem during the interim between the end of the first regular session and the commencement of the second regular

session, at such times and places as are considered necessary to consider bills and other matters referred to them, to hold hearings, hear testimony, receive evidence, make such studies as are deemed necessary and to perform any other necessary legislative function pertinent to their respective powers and duties.
2. The actual and necessary expenses of each committee functioning during the interim pursuant to the provisions of this rule, and the expenses of its members and the research and clerical personnel assigned to it incurred in attending meetings of the committee or of any subcommittee thereof, shall be paid from the senate contingent fund upon the approval of the chairman of the committee on administration and the president pro tem of the senate.

Montana Senate

Rule S10-30. President, President pro tempore, and other officers. (1) The Senate shall, at the beginning of each regular session, and at other times as may be necessary, elect a Senator as President and a Senator as President pro tempore.
(2) The Senate shall choose its other officers and is the judge of the elections, returns, and qualifications of the Senators.

Rule S10-60. Succession. (1) In case of the absence or disqualification of the President, the President pro tempore of the Senate shall perform the duties of the President until the vacancy is filled or the disability removed.
(2) Whenever the President pro tempore of the Senate is of the opposite political party from that of the President, the following procedure applies:
(a) If the President dies while in office, the members of the Senate have the right to immediately nominate and elect an acting President of the same party.
(b) If the President is absent for 2 or more legislative days or at any time after the 85th legislative day or at any time during special session of the Legislature and wants to appoint an acting President during the President's absence, the President may do so, or the members of the Senate have the right to immediately nominate and elect an acting President of the President's caucus.
(c) An acting President of the Senate has the powers of the President and supersedes the powers of the President pro tempore.

Nevada Senate

Rule 2. President Pro Tem and Other Presiding Officers. 1. Except as otherwise provided in subsection 2:
(a) The President Pro Tem has all the power and shall discharge all the duties of the President during his absence or inability to discharge the duties of his office.
(b) In the absence or inability of the President Pro Tem to discharge the duties of the President's office, the Chair of the Standing Committee on Legislative Operations and Elections shall serve as the presiding officer. In the absence or inability of the Chair, the Vice Chair of the Standing Committee on Legislative Operations and Elections shall serve as the presiding officer. In the absence or inability of the Vice Chair of the Standing Committee on Legislative Operations and Elections, the Senate shall elect one of its members to serve as the presiding officer. A member who is serving as the presiding officer has all the power and shall discharge all the duties of the President until the absence or inability which resulted in the member serving as the presiding officer has ended.
2. When the President Pro Tem or another member is serving as the presiding officer, the President Pro Tem or other member may vote on any question for which he is otherwise qualified to vote as a member. If the Senate is equally divided on the question, the President Pro Tem or other member may not give an additional deciding vote or casting vote pursuant to Senate Standing Rule No. 31 or Section 17 of Article 5 of the Nevada Constitution.

New Jersey Senate

Rule 1:4. At the organization meeting, the Senate shall elect a President, a President, *pro tempore*, and a Secretary, each of whom shall continue in office at the pleasure of the Senate. The votes of 21 or more members are required for the election of each of those officers and for their removal from office. Vacancies in those offices shall be filled at the next meeting of the Senate

Rule 3:9. a. If the President desires to temporarily vacate the Chair during any meeting, the President shall request the President, *pro tempore*, or name another Senator to preside. While presiding the President, *pro tempore*, or other Senator shall exercise the powers and duties of the President.
b. When the President is absent, the President, *pro tempore*, shall possess all the powers and discharge all the duties of the President.

New Mexico Senate

Rule 1-2. The other officers of the senate shall be:
(a) a president pro tempore;
(b) one chaplain;
(c) one chief clerk;
(d) three assistant chief clerks; and
(e) one sergeant-at-arms.

Rule 4-5. The president pro tempore when acting as president, or any member of the senate while acting as presiding officer of the senate, shall be invested with all the powers and duties conferred by these rules upon the president. Whenever the president is not in the chair, the president pro tempore or some member designated by the president pro tempore, or elected by the senate, shall preside.

Rule 9-1. There shall be a committee known as the "committees' committee", which shall be composed of the president pro tempore, the majority floor leader, the majority whip, the minority floor leader, the minority whip and five members of the majority party and one member of the minority party appointed by the president pro tempore, by and with the consent of the senate; provided if a vacancy is created on the committees' committee for any reason, the president pro tempore or the appropriate caucus if the vacancy is that of a party leader, may fill the vacancy. The chairman of the committees' committee shall be the president pro tempore. The vice chairman shall be selected by the members of the committees' committee. ...

Rule 9-13-1. There shall be a committee known as the senate ethics committee, which shall be composed of the president pro tempore, the majority floor leader, the majority whip, the minority floor leader, the minority whip, the majority caucus chairman, the minority caucus chairman and one member of the senate minority party appointed by the senate minority floor leader. The senate ethics committee is designated as the committee to which all matters pertaining to ethics shall be referred. The president pro tempore shall chair the senate ethics committee. ...

Rule 10-1. When the senate resolves itself into the committee of the whole, the president pro tempore, or a senator designated by him or the senate, shall preside.

North Carolina Senate

Rule 4. Convening and presiding in absence of President. – In the absence of the President, the President Pro Tempore or a Senator designated by the President Pro Tempore shall convene or reconvene the Senate and preside, and during such time shall be vested with all powers of the President of the Senate except that of casting a vote in case of a tie when the President Pro Tempore or the designated Presiding Officer has already voted on the question as a Senator. In the event of the absence of the President and President Pro Tempore at any time fixed for the reconvening of the Senate, the Senate shall be called to order by a member designated by the President Pro Tempore, or if no member is designated, by the Deputy President Pro Tempore of the Senate. If no member has been designated and the Deputy President Pro Tempore is also absent, the Senate shall be called to order by the Chair of the Committee on Rules and Operations of the Senate who shall designate some member to act as Presiding Officer.

Rule 9. Parliamentarian to be appointed by the President Pro Tempore. – The President Pro Tempore shall appoint from among the members of the Senate a Parliamentarian. In the absence of the Parliamentarian, the Chair of the Committee on Rules and Operations of the Senate shall act as Parliamentarian.

Rule 17. ... (g) The President Pro Tempore may authorize and provide for the broadcasting of Senate sessions via television or Internet.

Rule 31. Appointment of committees. – The President Pro Tempore of the Senate shall have the exclusive right and authority to appoint the membership of all committees, regular and select, and to appoint committee chairs and vice-chairs and to establish select committees, but this does not exclude the right of the Senate by resolution to establish select committees. Upon the recommendation of the Committee on Rules and Operations of the Senate, the Senate

may alter the name, number, and composition of the standing committees by a majority vote of the Senators present and voting.

Rule 34. (a) ... The President Pro Tempore shall have the exclusive right and authority to determine the total number of members and the number of members of each political party of each committee. No Senator shall hold membership on more than 12 standing committees unless the Committee on Rules and Operations of the Senate provides otherwise. ...
(b) The President Pro Tempore and the Deputy President Pro Tempore may serve as ex officio members of each Senate committee and subcommittee.

Rule 37. Committee of the Whole Senate. ... Only the President Pro Tempore, the Deputy President Pro Tempore, or the Chair of the Committee on Rules and Operations of the Senate may move to resolve into the Committee of the Whole Senate. ... The Chair shall be the President Pro Tempore of the Senate or his designee.

Rule 57. Conference committee. – The President Pro Tempore of the Senate, or in the President Pro Tempore's absence, the Deputy President Pro Tempore, upon motion, shall appoint a conference committee when the Senate fails to concur in amendments or committee substitutes put by the House to a bill originating in the Senate, or when the House of Representatives fails to concur in amendments or committee substitutes put by the Senate to a bill originating in the House. Senate conferees shall include the primary sponsor of the bill. In considering the bill committed to the conferees, only such matters as are germane to the bill shall be considered by the conferees, and the conference report shall deal only with such matters. The matters referred to the conference committee by the conference committee chairs shall go to and be considered by the conferees appointed by the Senate and the House of Representatives. While the bill is in conference committee, the Senate's position shall be determined by a majority of the Senate conferees. Upon agreement by the Senate and House of Representatives, a conference report shall be drafted reflecting the matters considered and agreed upon by the conferees. The conference report shall not be amended.

Rule 60. Pages. – (a) The President Pro Tempore of the Senate shall appoint pages. The President Pro Tempore, or such person as the President Pro Tempore may designate, shall supervise the pages and assign to them their duties. Each page shall be at least 15 years of age or be in the ninth grade at the time of service. ...

Rule 66. President to sign papers. – All addresses and all warrants and subpoenas issued by order of the Senate, shall be signed by the President, the President Pro Tempore, or the Deputy President Pro Tempore. All acts and resolutions shall be signed by the President, the President Pro Tempore, the Deputy President Pro Tempore, or by a Senator designated by the President Pro Tempore to act as Presiding Officer.

Rule 72. Assignment of seats; offices. – (a) The President Pro Tempore of the Senate shall assign seats in the Senate Chamber to the members elected. The President Pro Tempore, when assigning seats, may give preferential consideration to the respective members according to the length of service which each member has rendered in the Senate. No incumbent appointed to fill an unexpired term in the immediate preceding session shall retain the seat if requested by a Senator elected to said session.
(b) Not later than two weeks after the initial committee assignments become final, the President Pro Tempore of the Senate is authorized to make assignments of committee rooms and offices to designated committees, chairs, and members of the Senate. In making such assignments of individual offices, the President Pro Tempore may give preferential consideration to the respective members according to the length of service which each member has rendered in the Senate.

North Dakota Senate

Rule 202. President Pro Tempore. In the absence of the President of the Senate, or during refusal of the President to act, the President Pro Tempore shall exercise all rights and prerogatives of the President. While the Legislative Assembly is in session, the President Pro Tempore shall sign all vouchers for payment of money out of the appropriation for the Legislative Assembly.

Oklahoma Senate

Rule 1-3. INTERPRETATION. When the Senate is in daily session, interpretation of the rules shall be made by the President Pro Tempore or by an elected member of the Senate designated by the President Pro Tempore as Presiding Officer pursuant to Senate Rule 2-4; when a committee is meeting, interpretation of the rules shall be made by the committee chair, or in the chair's absence the vice-chair, of the committee; and at all other times interpretation of the rules shall be made by the President Pro Tempore of the Senate. ...

Rule 2-1. OFFICERS. Officers of the Senate shall be:
The President, who shall be the Lieutenant Governor of the State of Oklahoma;
The President Pro Tempore, who shall be the Presiding Officer of the Senate;
Such other officers as may be designated by the Majority and Minority caucuses; provided, the Majority Floor Leader shall serve as acting President Pro Tempore in the event that the President Pro Tempore vacates the office on a temporary basis. If the President Pro Tempore shall vacate the office on a permanent basis, the Majority Floor Leader shall serve as acting President Pro Tempore until such time as the Senate shall elect a new President Pro Tempore; and
The Secretary.

Rule 2-2. ELECTION. The President Pro Tempore shall be elected by a majority of the members of the Senate when the Senate convenes on the first Tuesday after the first Monday in January of each odd-numbered year. The Secretary of the Senate, who shall not be a member of the Senate, shall be elected by a majority of the members following election of the President Pro Tempore and announcement of the other officers.

Rule 2-4. DUTIES OF THE PRESIDENT PRO TEMPORE.
A. The President Pro Tempore shall be the chief executive officer of the Senate and shall prescribe all policies not otherwise provided by law or by the rules. The President Pro Tempore shall serve as Presiding Officer of the Senate during its daily sessions but may designate another member of the Senate to serve as Presiding Officer at such times as the President Pro Tempore deems appropriate. Wherever the title "Presiding Officer" appears in the rules it shall mean the President Pro Tempore or an elected member of the Senate designated by the President Pro Tempore as Presiding Officer.
B. The President Pro Tempore may refer any matter concerning exercise of the Senate's discretionary powers and duties under Section 30 of Article V of the Oklahoma Constitution to a standing committee or select committee as the President Pro Tempore deems appropriate.
C. The President Pro Tempore shall determine the duties to be performed for the Senate by the Secretary of the Senate and shall designate a Chief of Staff to be responsible for staff duties not assigned to the Secretary of the Senate. The President Pro Tempore or a designee shall be responsible for the issuance of all warrants and vouchers and the maintenance of an accurate account of expenditures by the Senate.

Rule 3-1. EXECUTIVE ASSISTANTS. Each member of the Senate shall be entitled to designate an executive assistant. Executive assistants shall serve at the discretion of, and perform such duties as prescribed by, the individual member of the Senate for whom employed, subject to such policies as may be established by the President Pro Tempore.

Rule 3-2. LEADERSHIP STAFF. The President Pro Tempore shall be entitled to employ a leadership staff. Leadership staff shall serve at the discretion of, for such compensation pursuant to law as may be determined by, and perform such duties as prescribed by, the President Pro Tempore.

Rule 3-3. SERVICE STAFF. The Chief of Staff, subject to the review and supervision of the President Pro Tempore, shall be authorized to employ service staff. Service staff shall be employed according to policies established by the President Pro Tempore and shall receive such compensation pursuant to law as may be determined by, and perform such duties as prescribed by, the President Pro Tempore.

Rule 4-2. MANDATORY AUDIT. The President Pro Tempore shall cause an audit of the Senate's expenditures to be made at least once each fiscal year.

Rule 4-3. PHYSICAL PROPERTY. The President Pro Tempore shall be responsible for the physical property of the Senate and for that portion of the Capitol assigned to the Senate. The Chief of Staff, under direction of the President

Pro Tempore, shall be authorized to perform routine repairs, maintenance and upkeep on such property and facilities.

Rule 4-4. SUPPLIES AND EQUIPMENT. The use of Senate supplies and equipment, including Senate postage meters, is restricted to official Senate business. Questions of compliance shall be resolved by the President Pro Tempore or, at the discretion of the President Pro Tempore, the Rules Committee.

Rule 6-1. PROPOSALS. Any member of the Senate may submit in writing to the President Pro Tempore a proposal for study or consideration by the Senate, subject to such deadlines for interim studies as may be established by the President Pro Tempore.

Rule 7-1. TYPES AND NUMBER. There shall be two types of Senate committees established by the President Pro Tempore, to-wit: standing committees and select committees. The President Pro Tempore shall appoint the chair and vice-chair of each standing committee and of each select committee.

The President Pro Tempore may establish, and appoint the members of, as many ad hoc subcommittees of each standing committee as the President Pro Tempore deems appropriate. There shall be as many select committees as are created by the President Pro Tempore.

Rule 7-2. MEMBERSHIP. Membership on standing committees and on select committees shall be subject to the following:
A. The President Pro Tempore shall appoint, subject to the approval of the Senate, the Majority Caucus members and the chair and vice-chair of each standing committee.
...
D. The President Pro Tempore shall appoint all members of select committees.
E. The President Pro Tempore and Majority Floor Leader shall each be ex officio and voting members of all standing and select Senate committees.

Rule 7-4. DUTIES OF LEGISLATION COMMITTEES. Each legislative committee shall be responsible for the formulation of legislative programs and determination of nonlegislative matters within the jurisdiction prescribed by the President Pro Tempore; shall inquire into the administration and execution of all laws within the same jurisdiction; shall consider such proposals as may be submitted to the committee by the President Pro Tempore; and shall be responsible for the continuing codification of all laws within the prescribed jurisdiction.

Rule 8-1. COMMITTEE OF THE WHOLE. Without prior notice, the Senate may, by motion approved by a majority of the members of the Senate, declare itself a Committee of the Whole, at which time the President Pro Tempore or a member designated by the President Pro Tempore shall chair the Committee of the Whole. Rules applicable to other Senate committees shall be applied to the Committee of the Whole, except those rules relating to notice.

Rule 10-2. GALLERIES AND HALLWAYS. The President Pro Tempore or a designee is empowered to assign seats in the galleries of the Senate and is empowered to order the galleries and hallways of the Senate cleared to preserve order or to ensure the safety of the members of the Senate. ...

Rule 10-5. CALL OF THE SENATE. The Senate may, by majority vote of the members present, operate under Call of the Senate, in which case the President Pro Tempore is empowered to compel the attendance of all members of the Senate and is empowered to confine the members of the Senate to the chamber.

Rule 10-10. SENATE LOUNGE AND ANTEROOMS. The President Pro Tempore may prescribe policies restricting the use of the Senate lounge and any rooms adjoining the lounge or the Senate chamber.

Oregon Senate

Rule 7.01. Election of Presiding Officer; Pro Tempore Presiding Officer. (1) The members of the Senate shall elect by a roll call vote a President of the Senate. A constitutional majority (16) is required to elect a President. (2) The members shall also elect by a roll call vote a President pro tempore of the Senate. A constitutional majority (16) is required to elect a President pro tempore.

Pennsylvania Senate

Rule IV

1. (a) The Senate shall, at the beginning and close of each regular session and at such other times as may be necessary, elect one of its Members President Pro Tempore, who shall perform the duties of the Lieutenant Governor in any case of absence or disability of that officer, and whenever the office of Lieutenant Governor shall be vacant. (Const. Art. 2, Sec. 9)

(b) The vote of a majority of the Members voting shall be required to elect a President Pro Tempore. Except at the beginning and close of each regular session, the Senate shall only elect a President Pro Tempore when the office has become vacant and the vote of the majority of the Members elected shall be required to vacate the office of a seated President Pro Tempore.

Rule V

1. The President Pro Tempore shall:

(a) Appoint the Chairmen, Vice-Chairmen and members of the Standing Committees of the Senate as soon after the election of the President Pro Tempore as possible.

(b) Appoint members to special committees whenever authorized.

(c) Fill all vacancies occurring in standing and special committees.

(d) Refer to the appropriate standing committee, every bill and joint resolution which may be introduced in the Senate or received from the House of Representatives. Such referral shall be at the President Pro Tempore's convenience but not later than the succeeding legislative day.

(e) Appoint and have under the President Pro Tempore's direction such Senate employees as are authorized by law.

(f) Vote last on all questions when occupying the Chair.

2. The President Pro Tempore may:

(a) Name any Senator to preside in the absence of the President, or if both the President and President Pro Tempore are absent the Majority Leader, or the Majority Leader's designee, shall preside. The Majority Leader, during such time, shall be vested with all powers of the President. This authority shall not extend beyond a day's adjournment.

Rule XV

1. There shall be the following permanent Standing committees, the Chairmen, the Vice-Chairmen and members thereof to be appointed by the President Pro Tempore as soon as possible after his election in sessions convening in odd-numbered years or such other times as may be necessary. The composition of each Standing Committee shall reasonably reflect the party composition of the Senate membership. ...

2. (a) The President Pro Tempore shall be an ex-officio voting Member of all standing committees and subcommittees and not included in the number of committee members herein provided except that the President Pro Tempore shall not be an ex-officio Member of the Committee on Ethics and Official Conduct. ...

Rule XX

1. The President Pro Tempore shall appoint three Senators to comprise a Committee of Conference. Two shall be from the majority party and one from the minority party. ...

Rhode Island Senate

Rule 1.6. "President Pro Tempore" is a member of the senate elected to that position, who presides over the senate in the absence of the president of the senate.

South Carolina Senate

Rule 1. ... B. At various times as he or she deems necessary during the session, the President *Pro Tempore* is authorized to make a motion to provide for the convening of the Senate in statewide session for the exclusive purpose of the introduction and referral of bills, receipt of communications and committee reports and the reading and passage of local legislation to which all members of an affected delegation have given their consent for the bill to be taken up, and to adjourn immediately thereafter. Any such motion shall provide the specific dates during which the motion shall apply and shall provide that the Senate must convene at 11:00 a.m. and adjourn not later than 12:30 p.m. on each such day and such motion must be made at least two (2) days prior to the beginning of the period for which it applies.

C. The President *Pro Tempore* or his designee, when, in his opinion, it is impractical or dangerous to hold a regularly scheduled session(s) of the Senate, may declare the body adjourned to some other time. Such actions are to be taken only in times of great emergency including, but not limited to, natural disasters, severe weather, and acts of God.

Rule 7. A. If a Senator in speaking, or otherwise, violates the Rules of the Senate, the presiding officer shall, or any member may, by raising a point of order, call him to order; and when a member is called to order by the President or under a point of order, he or she shall sit down and may not proceed without leave of the Senate, unless the President takes the point of order under advisement. The President may call for the Sense of the Senate on any question of order. Every question of order must be decided by the President, without debate, and Senators shall have the right to appeal the decisions of the President to the full Senate. When the decision of the President is appealed, the President *Pro Tempore* or his or her designee shall preside and the President shall retire from the chamber during the pendency of the appeal and the Senate's debate and action on the motion to appeal. The question before the Senate shall be "Shall the ruling of the President be overridden?" and after not more than thirty (30) minutes, fifteen (15) minutes for and fifteen (15) minutes against, of debate it shall be decided by a majority vote of the membership.
...

South Dakota Senate

Rule S1-1. President pro tempore presides in absence of president. If the president is absent or unable to serve, the president pro tempore shall act as presiding officer of the Senate. The acts of the president pro tempore have the same validity as those of the president.

Rule S2-2. Seating assignments. The president pro tempore of the Senate, with the advice of the minority leader, shall make the seating assignments for the floor of the Senate.

Rule S3-1. Elective officers. The officers of the Senate are a president pro tempore of the Senate, a secretary of the Senate and such other officers necessary to conduct the business of the Senate, who shall be formally elected by a majority vote of the members-elect of the Senate. Employees necessary to conduct the business of the Senate shall be appointed by the president pro tempore and their appointment shall be announced at the opening of the session.

Rule S4-2. Chairs of standing committees. The president pro tempore of the Senate shall serve as the chair of the legislative procedure committee. For other committees, the member of a committee announced first is the chair. In the absence of the chair, the member announced next shall act as chair, and so on as often as necessary.

Rule S4-3. Referral of bills to committee. Upon the first reading of a bill, the president pro tempore of the Senate or his designee shall assign that bill to an appropriate committee for hearing.

Tennessee Senate

Rule 3. SPEAKER PRO TEMPORE. The Speaker of the Senate shall appoint a Speaker pro tempore who shall perform such duties as assigned by the Speaker. The Speaker pro tempore shall serve at the pleasure of the Speaker. The Speaker pro tempore shall preside during the absence of the Speaker, except that the Speaker shall have the right to name any member to perform the duties of the Chair for a period not to extend beyond an adjournment. In the absence of the Speaker and the Speaker pro tempore, it shall be the duty of the Clerk to call the Senate to order and call the roll for the election of a temporary speaker. In the event of an interim vacancy in the office of Speaker, through death or resignation, or in the event of disability, the Speaker pro tempore shall conduct the necessary business of the Senate only until such time as an election can be held in the Senate to fill the vacancy.

Texas Senate

Rule 1.02. The Senate shall, at the beginning and close of each session, and at such other times as may be necessary, elect one of its members President Pro Tempore, who shall perform the duties of Lieutenant Governor in any case of absence or disability of the Lieutenant Governor.

Rule 1.03. If the office of Lieutenant Governor becomes vacant, the President Pro Tempore of the Senate shall convene the Committee of the Whole Senate within 30 days after the vacancy occurs. The Committee of the Whole Senate shall elect one of its members to perform the duties of the Lieutenant Governor in addition to the duties of

Senator until the next general election. If the Senator so elected ceases to be a Senator before the election of a new Lieutenant Governor, another Senator shall be elected in the same manner to perform the duties of the Lieutenant Governor until the next general election. Until the Committee of the Whole Senate elects one of its members for this purpose, the President Pro Tempore shall perform the duties of the Lieutenant Governor.

Utah Senate

Rule SR-20.03. The President may call a Senator to the chair as President Pro Tempore and that Senator has the power of the President while conducting. This substitution does not extend beyond adjournment.

Vermont Senate

Rule 6. As soon as may be after the convening of each biennial session, the President of the Senate, the President pro tempore, and one senator elected by the Senate shall comprise the committee to be known as the Committee on Committees. The Committee on Committees shall appoint the members, on the part of the Senate, of the permanent joint standing committee on Joint Rules, and all committees of the Senate, and all other committees requiring appointment of members of the Senate, unless otherwise provided by statute; but any appointment so made may, on motion of a senator, be overruled by the Senate; in which case the Senate shall, on nomination of a senator, immediately fill the vacancy. Any motion to overrule the appointments of the Committee on Committees must be made not later than the next legislative day following the announcement of the committee appointments to the Senate. ...

Rule *17.* The President pro tempore shall perform all the duties of the President during the latter's absence.

Rule 36. The Orders of the Day shall then be taken up. At the request of the President pro tempore, unless a majority of the Senate objects, bills or resolutions may be taken up out of their normal sequence. ...

Virginia Senate

Rule 2. (a). There shall be elected by the Senate, on the first day of the session following the election of the Senate, a President pro tempore who shall serve for a term of four years and be a senior member in the Senate.
(b). In the event of the absence, disability or vacancy in the office of the Lieutenant Governor, the President pro tempore shall carry out the duties of the Lieutenant Governor as presiding officer. Further, the President pro tempore shall be the Chairman of the Commission on Interstate Cooperation of the Senate.
(c). The President pro tempore shall have the right to name in open session, or if he is absent, in writing, a Senator to perform the duties of the presiding officer, but such substitution shall not extend beyond an adjournment of a daily session, except by unanimous consent of those present.
(d). In the event of a vacancy in the office of the Lieutenant Governor, or whenever the powers and duties of the Governor shall devolve upon the Lieutenant Governor, the President pro tempore shall have the right to name, in writing, a Senator to perform the duties of the presiding officer during his absence; and the Senator so named shall have the right to name, in open session, or in writing, if he is absent, a Senator to perform the duties of the presiding officer, but such substitution shall not extend beyond adjournment of a daily session, except by unanimous consent of those present.

Rule 7. The Senate shall elect 11 Pages and five Pages shall be appointed by the following: one by the Lieutenant Governor; one by the President pro tempore; one by the chairman of the caucus of the majority party; one by the majority leader; and one by the minority leader. The Pages shall be no less than 13 and no more than 14 years of age at the time of election or appointment, shall be residents of the Commonwealth of Virginia, and shall be elected or appointed for a term of one year. No Page shall be eligible for reelection. Any such Page so elected or appointed may be suspended or dismissed for cause by the Clerk of the Senate.

Rule 19. (a). A Committee on Rules, which shall be in addition to the foregoing standing Committees, 17 Senators, consisting of the standing Committee Chairs; the President pro tempore, if the person is not a Chair; the Majority Leader, if the person is not a Chair; the Minority Leader; and members to comprise the 17. ....

Rule 50. The Senate may go into the Committee of the Whole only upon the affirmative vote of a majority of the members elected. When the Senate shall resolve itself into the Committee of the Whole, the President shall leave the

Chair and the President pro tempore shall preside in the Committee. If the President pro tempore is absent from the Senate, then the Senate shall elect a chairman to preside therein. ...

Washington Senate

Rule 2. 1. Upon the organization of the senate the members shall elect one of their number as president pro tempore who shall have all the powers and authority and who shall discharge all the duties of lieutenant governor acting as president during the lieutenant governor's absence. The senate shall also elect a vice-president pro tempore who will serve in the absence of the lieutenant governor and the president pro tempore.
2. In the absence of the president pro tempore, and vice president pro tempore, or with their consent, the president shall have the right to name any senator to perform the duties of the chair, but such substitution shall not extend beyond an adjournment, nor authorize the senator so substituted to sign any documents requiring the signature of the president.

West Virginia Senate

Rule 4. The President of the Senate shall appoint a President *pro tempore,* who, during the absence of the President, shall preside and perform all the duties of the President.

Wisconsin Senate

Rule 1. (1) The senate shall elect, by roll call vote, one of its members to serve as president and one to serve as president pro tempore. The president and president pro tempore shall serve for the biennial session unless separated by death, resignation, or removal by the adoption of a resolution by a majority of the current membership. ...

Rule 2. (1) When the president is absent or unable to preside over the senate sitting in session, the president pro tempore may preside and assume all of the duties enumerated under rule 4. The substitution does not extend beyond adjournment and ends upon the president's return or the election of a new president. ...

Rule 3. Duties of president pro tempore and majority leader. When the president is separated by death, resignation, or removal from office, or is otherwise unable to serve, all of the powers and duties of the president not enumerated in rule 4 devolve upon the president pro tempore until a president is elected. When both the president and president pro tempore are separated by death, resignation, or removal from office, or are otherwise unable to serve, all of the powers and duties of the president not enumerated under rule 4 devolve upon the majority leader until a president is elected

Legislative Leaders

Leadership positions. At the beginning of each legislative session, decisions are made concerning leadership positions. Among the first is the determination of which titles will be used and the number of individuals who may hold each position. The most common leadership titles are president of the Senate, speaker of the House, majority leader and minority leader. However, there usually are no limits to the names and numbers of leadership positions that may exist, and table 99-2.13 illustrates the variety used by legislative chambers.

Selection and terms. Once titles and the number of individuals to hold each position have been set, the actual selection of legislative leaders commences. It is one of the key steps taken to organize a legislative chamber, and tables 99-2.14 through 99-2.18 illustrate how state legislatures choose their leaders.

The presiding officer—that is, the president of the Senate or speaker of the House—typically is elected by a vote of the full body. However, in the states shown below, the person who is elected by the people to serve as lieutenant governor acts as the president of the Senate.

Alabama
Arkansas
California
Connecticut
Delaware
Georgia
Idaho
Indiana
Michigan
Mississippi
Missouri
Nebraska
Nevada
New Mexico
New York
North Carolina
North Dakota
Oklahoma
Pennsylvania
Rhode Island
South Carolina
South Dakota
Texas
Vermont
Virginia
Washington

The president pro tem selects other caucus leaders in three states. In Alabama, the president pro tem appoints the Senate majority leader and assistant majority leader. The Senate assistant majority leader and the majority whip are appointed by this leader in Connecticut. In the Indiana Senate, the president pro tem chooses the majority leader, assistant majority leader and majority whip.

The majority leader appoints other caucus leaders in the Connecticut Senate and House, Florida Senate and House, Iowa Senate, Minnesota Senate, Oregon Senate and Rhode Island Senate. The specific leaders who are selected by the majority leader are:

Connecticut Senate	Assistant majority leader, majority whip
Connecticut House	Deputy majority leader
Florida Senate	Majority whip
Florida House	Majority floor leader, majority caucus chair
Iowa Senate	Majority caucus secretary
Minnesota Senate	Majority whip, majority caucus secretary
Oregon Senate	Assistant majority leader, majority whip
Rhode Island Senate	Majority whip

In the Delaware House, the speaker pro tem is the most senior member of the majority caucus. The chairman of the District of Columbia Council is elected by the citizens of Washington, D.C.

In most legislatures, there is no limit to the number of years that an individual may hold a leadership position. However, 24 chambers reported that some of their leadership positions have term limits—either official or unwritten. Table 99-2.19 highlights these limits.

Roles and responsibilities. The roles and responsibilities of legislative leaders vary considerably among the states. Shown below are brief synopses of the duties typically associated with selected leadership positions. Tables 99-2.20 through 99-2.36 provide more detailed information on leaders' duties.

President of the Senate. The president is the principal leader of the Senate. The president typically will 1) preside over the daily sessions of the Senate, 2) preserve order in the chamber, 3) state parliamentary motions, 4) rule on parliamentary questions, 5) appoint committee chairs and members, 6) refer bills to committee, 7) sign legislation, writs and warrants, and 8) act as the official spokesperson for the chamber. In about 26 states, the lieutenant governor serves as the president of the Senate, and many of these duties often are assumed by the president pro tem.

President pro tem of the Senate. The primary roles assigned to the president pro tem are to 1) preside over the Senate in the president's absence, 2) exercise the powers and duties of the president in his or her absence, and 3) assume other duties as assigned by the president. Sometimes, this is an honorary position, with few substantive duties assigned. In states where the lieutenant governor presides over the Senate, the president pro tem often assumes duties associated with a president.

Speaker of the House or Assembly. The speaker is the principal leader of the House or Assembly. The speaker typically will 1) preside over the daily sessions of the House or Assembly, 2) preserve order in the chamber, 3) state parliamentary motions, 4) rule on parliamentary questions, 5) appoint committee chairs and members, 6) refer bills to committee, 7) sign legislation, writs and warrants, and 8) act as the official spokesperson for the chamber.

Speaker pro tem. The primary roles assigned to the speaker pro tem are to 1) preside over the House or Assembly in the speaker's absence, 2) exercise the powers and duties of the speaker in his or her absence, and 3) assume other duties as assigned by the speaker. In some states, this is an honorary position, with few substantive duties assigned.

Majority leader or majority floor leader. The primary functions of a majority leader usually relate to floor duties. The majority leader 1) is the lead speaker for the majority party caucus during floor debates, 2) develops the calendar, and 3) assists the president or speaker with program development, policy formation and policy decisions.

Majority whip. The duties of the majority whip are to 1) assist the floor leader, 2) ensure member attendance, 3) count votes, and 4) generally communicate the majority position on issues.

Majority caucus chair. The majority caucus chair generally 1) develops the majority caucus agenda with other principal leaders, 2) presides over the majority caucus meetings, and 3) assists with the development of policy.

Majority caucus secretary. The main responsibility of the majority caucus secretary is to keep records of caucus meetings.

Minority leader or minority floor leader. The minority leader is the principal leader of the minority party caucus. The minority leader is responsible for 1) developing the minority position, 2) negotiating with the majority party, 3) directing minority caucus activities on the chamber floor, and 4) leading floor debate for the minority caucus.

Minority Whip. The major responsibilities for the minority whip are to 1) assist the minority leader on the chamber floor, 2) count votes, and 3) ensure attendance of minority party members.

Minority caucus chair. The minority caucus chair 1) presides over caucus meetings and 2) assists the minority leader with policy development.

Minority caucus secretary. The main responsibility of the minority caucus secretary is to keep records of caucus meetings.

Table 99-2.22 Major Roles and Responsibilities—President Pro Tem or Vice President

State (1)	Acts as official spokesperson for the chamber	Acts as official spokesperson for the caucus	Presides over floor sessions	Preserves order during meetings	States parliamentary motions	Rules on parliamentary questions	Appoints other caucus leaders	Appoints committee chairs	Appoints committee members	Sets calendar(s) or agenda(s)	Refers bills to committee
Alabama			S					S	S		S
Alaska			S								
Arizona											
Arkansas	S										
California	S	S	S	S	S	S					
Colorado			S						S		
Connecticut		S	S				S	S	S		
Delaware											
Florida											
Georgia			S		S	S					
Hawaii											
Idaho	S	S	S		S			S	S		S
Illinois											
Indiana	S				S		S	S	S		S
Iowa											
Kansas			S								
Kentucky									S	S	S
Louisiana											
Maine											
Maryland	S	S	S	S							
Massachusetts											
Michigan			S	S	S	S					
Minnesota											
Mississippi			S	S	S	S					
Missouri	S	S	S	S	S	S		S	S		S
Montana											

Table 99-2.22 Major Roles and Responsibilities—President Pro Tem or Vice President, cont'd.

State (1)	Acts as official spokesperson for the chamber	Acts as official spokesperson for the caucus	Presides over floor sessions	Preserves order during meetings	States parliamentary motions	Rules on parliamentary questions	Appoints other caucus leaders	Appoints committee chairs	Appoints committee members	Sets calendar(s) or agenda(s)	Refers bills to committee
Nebraska											
Nevada	S		S	S	S	S					
New Hampshire											
New Jersey											
New Mexico											
New York											
North Carolina	S							S	S		
North Dakota			S		S	S					S
Ohio					S						
Oklahoma	S		S	S	S	S		S	S		
Oregon			S		S	S					
Pennsylvania	S	S	S	S	S	S		S	S		S
Rhode Island											S
South Carolina	S		S			S					S
South Carolina								S	S	S	
Tennessee											
Texas											
Utah											
Vermont									S	S	
Virginia			S								
Washington			S			S					
West Virginia			S								
Wisconsin											
Wyoming											
American Samoa											
District of Columbia											
Puerto Rico			S		S	S					

Table 99-2.22 Major Roles and Responsibilities—President Pro Tem or Vice President, cont'd.

Key:
S=Senate
H=House or Assembly
B=Both chambers

Note:
1. The following chambers did not return a survey: Delaware Senate, Hawaii Senate, Maryland House, New Hampshire Senate, New York Senate, American Samoa House, Guam Senate, Northern Mariana Islands Senate and House, Puerto Rico House and Virgin Islands Senate.

Table 99-2.23 More Duties of the President Pro Tem or Vice President

State (1)	Signs legislation, writs and warrants	Has jurisdiction over employees	Leads floor debate	Presides over caucus meetings	Ensures member attendance	Counts votes	Develops caucus agenda	Coordinates information dissemination to members	Other
Alabama									
Alaska									
Arizona									
Arkansas									
California			S	S	S	S	S	S	
Colorado									
Connecticut				S			S	S	
Delaware									
Florida									
Georgia					S				
Hawaii									
Idaho	S	S	S			S	S	S	
Illinois									
Indiana	S	S	S		S				
Iowa									
Kansas									
Kentucky		S							
Louisiana									
Maine									
Maryland									
Massachusetts									
Michigan									
Minnesota									
Mississippi									
Missouri	S	S	S		S			S	
Montana									

Table 99-2.23 More Duties of the President Pro Tem or Vice President, cont'd.

State (1)	Signs legislation, writs and warrants	Has jurisdiction over employees	Leads floor debate	Presides over caucus meetings	Ensures member attendance	Counts votes	Develops caucus agenda	Coordinates information dissemination to members	Other
Nebraska									
Nevada	S								
New Hampshire									
New Jersey									
New Mexico									
New York									
North Carolina				S					
North Dakota	S								
Ohio									
Oklahoma	S	S	S			S		S	
Oregon									
Pennsylvania	S	S					S	S	
Rhode Island									
South Carolina		S							
South Carolina		S							
Tennessee									
Texas									
Utah									
Vermont			S						
Virginia									
Washington									
West Virginia									
Wisconsin									
Wyoming									
American Samoa									
District of Columbia									2
Puerto Rico									

Table 99-2.23 More Duties of the President Pro Tem or Vice President, cont'd.

Key:
S=Senate
H=House or Assembly
B=Both chambers

Notes:
1. The following chambers did not return a survey: Delaware Senate, Hawaii Senate, Maryland House, New Hampshire Senate, New York Senate, American Samoa House, Guam Senate, Northern Mariana Islands Senate and House, Puerto Rico House and Virgin Islands Senate.
2. District of Columbia: The chairman pro tem acts in the chairman's absence.

Table 99-2.26 Major Roles and Responsibilities—Speaker Pro Tem

State (1)	Presides over floor sessions	Preserves order during meetings	States parliamentary motions	Rules on parliamentary questions	Ensures member attendance	Counts votes	Develops caucus agenda	Coordinates information dissemination to members	Other
Alabama									
Alaska	H								
Arizona	H	H	H	H					
Arkansas									2
California	H		H	H					3
Colorado									
Connecticut	H	H	H	H	H	H	H	H	4
Delaware	H								
Florida	H								
Georgia	H			H					5
Hawaii									
Idaho									
Illinois									
Indiana	H	H		H					
Iowa	H		H	H			H		
Kansas	H								
Kentucky	H								
Louisiana									6
Maine									
Maryland									
Massachusetts									
Michigan	H								
Minnesota	H	H	H	H	H	H	H		
Mississippi	H	H	H						
Missouri									
Montana									

Table 99-2.26 Major Roles and Responsibilities—Speaker Pro Tem, cont'd.

State (1)	Presides over floor sessions	Preserves order during meetings	States parliamentary motions	Rules on parliamentary questions	Ensures member attendance	Counts votes	Develops caucus agenda	Coordinates information dissemination to members	Other
Nebraska									
Nevada									7
New Hampshire									
New Jersey									
New Mexico									
New York	H		H	H					
North Carolina	H								8
North Dakota									
Ohio									
Oklahoma	H	H		H					9
Oregon									
Pennsylvania									
Rhode Island									10
South Carolina	H	H	H	H					11
South Dakota									
Tennessee	B	H	H	H					12
Texas	H								
Utah									
Vermont									
Virginia									
Washington									
West Virginia									
Wisconsin									
Wyoming									
American Samoa									
District of Columbia									
Puerto Rico									

Table 99-2.26 Major Roles and Responsibilities—Speaker Pro Tem, cont'd.

Key:
S=Senate
H=House or Assembly
B=Both chambers

Notes:
1. The following chambers did not return a survey: Delaware Senate, Hawaii Senate, Maryland House, New Hampshire Senate, New York Senate, American Samoa House, Guam Senate, Northern Mariana Islands Senate and House, Puerto Rico House and Virgin Islands Senate.
2. Arkansas: In the House, the speaker pro tem performs the duties of the speaker in his or her absence.
3. California: The speaker pro tem of the House also may preside over caucus meetings.
4. Connecticut: The speaker pro tem of the House also refers bills to committee and has jurisdiction over employees.
5. Georgia: The speaker pro tem also may act as the official spokesperson for the House.
6. Louisiana: In the House, the speaker pro tem performs the duties of the speaker in his or her absence.
7. Nevada: In the Assembly, the speaker pro tem performs the duties of the speaker in his or her absence.
8. North Carolina: In the House, the speaker pro tem performs the duties of the speaker in his or her absence.
9. Oklahoma: The speaker pro tem of the House also may sign legislation, writs and warrants.
10. Rhode Island: In the House, the speaker pro tem performs the duties of the speaker in his or her absence.
11. South Carolina: In the House, the speaker pro tem also refers bills to committee.
12. Tennessee: The speaker pro tem of the Senate also sets calendars or agendas.

SCR

24

<TARGET><BILL>SCR 24</BILL><SUBJECT>SCR 24</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT
First Committee of Referral

DATE: 3/12/12

FURTHER:

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE CONCURRENT RESOLUTION NO. 24

SCR 24-COMMISSION ON 100TH ANNIV. OF LEGISLATURE

Establishing the Alaska Legislative Celebration Commission to organize events to commemorate the 100th anniversary of the first convening of the legislative branch of government in Alaska.

and recommends:

[ ] be **replaced** with **CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] adopt **previous CS** _____ (_____) *[ ] Same Title [ ] New Title*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
LEG	X			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	EGAN	✗			
	McGuire	✓			
	OLSON	✓			
	ELLIS	✗			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓			

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SCR 24**
Fiscal Note Number:
() Publish Date:

Identifier (file name): SCR24-LEG-COU-3-30-12
Title: "Establishing the AK Legislative Celebration Commission to organize events to commemorate the 100th anniver..."
Sponsor: Senate Rules by Request
Requester: Finance

Dept. Affected: Alaska Legislature
Appropriation: Legislative Council
Allocation: Council & Subcommittees
OMB Component Number: 783

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel	33.0		10.3				
Services	50.0		20.0				
Commodities	20.0		20.0				
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**103.0**	**0.0**	**50.3**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	103.0		50.3				
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**103.0**	**0.0**	**50.3**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial Version

Prepared by: Jessica Geary, Finance Manager — Phone: 465-6626
Division: Legislative Affairs Agency — Date/Time: 3/30/12 3:23 PM
Approved by: Pamela Varni, Executive Director — Date: 3/30/2012
Legislative Affairs Agency

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SCR 24
2012 LEGISLATIVE SESSION

Analysis

SCR 24 establishes the Alaska Legislative Celebration Commission to organize events to commemorate the 100th anniversary of the first convening of the legislative branch of government in Alaska. The Commission will be comprised of two members of the House of Representatives, to be appointed by the Speaker of the House and two members of the Senate, to be appointed by the Senate President . There will also be three public members which will be jointly appointed by the Presiding Officers. The Commission will be staffed by existing staff to the appointed members and by staff of the Legislative Affairs Agency. Staffing costs will be absorbed within existing budgets. It is anticipated that there will be eight meetings in total. Six of these meetings are anticipated to be held in Anchorage during the summer months and two will be held in Juneau during the spring months. Travel and per diem costs for the members of the Commission and their staff is estimated to be 43.3 (detailed below), with the majority of the travel taking place in FY13 and a small FY14 travel budget for purposes of this fiscal note. A services budget of 70.0 - split between two fiscal years for event planning, catering, space and equipment rental, and design of a commemorative coin is included in this fiscal note, along with a commodities budget of 40.0, for supplies, flowers, decorations, etc. Costs to teleconference meetings or print materials will be absorbed within the existing Legislative Affairs Agency budget.

6 Anchorage Meetings - airfare and 2 days of travel per diem (285/day)

	AIR/PD
Fairbanks Senator	364 / 570
Fairbanks Representative	364 / 570
Anchorage Senator	0 / 0
Anchorage Representative	0 / 0
Anchorage Public Member	0 / 0
Fairbanks Public Member	364 / 570
Anchorage Public Member	0 / 0
Juneau Staff	465 / 570
Juneau Staff	465 / 570

2,022 + 2,850 = 4,872 @ 6 = $ 29,232.00

2 Juneau Meetings - airfare and 2 days of travel per diem (238/day)

	AIR/PD
Fairbanks Senator	616 / 476
Fairbanks Representative	616 / 476
Anchorage Senator	465 / 476
Anchorage Representative	465 / 476
Anchorage Public Member	465 / 476
Fairbanks Public Member	616 / 476
Anchorage Public Member	465 / 476
Juneau Staff	0 / 0
Juneau Staff	0 / 0

3,708 + 3,332 = 7,040 @ 2 = $ 14,080.00

Total Travel $ 43,312.00

SENATE CONCURRENT RESOLUTION NO. 24

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST

Introduced: 3/12/12
Referred: Finance

A RESOLUTION

Establishing the Alaska Legislative Celebration Commission to organize events to commemorate the 100th anniversary of the first convening of the legislative branch of government in Alaska.

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

WHEREAS the United States of America acquired the Alaska territory from Russia by the Treaty of Cession of March 30, 1867, for $7,200,000; and

WHEREAS local government was not officially instituted in the Alaska territory until 1884, when the United States Congress passed the Organic Act, "An act providing for a civil government for Alaska"; and

WHEREAS the Organic Act redesignated Alaska as an incorporated but unorganized territory renamed the District of Alaska and provided for a governor, a district court of general jurisdiction, a district judge, and court officials, all appointed by the President of the United States; and

WHEREAS, from 1884 to 1912, several efforts that were made to petition the United States Congress for the institution of more representative government in the District of Alaska

and, specifically, for an elected legislative body, failed or were largely ignored; and

WHEREAS, following substantial grassroots efforts and the promotional work of James Wickersham, the United States Congress approved the Second Organic Act on August 24, 1912, making Alaska a territory of the United States and providing for an elected legislative body vested with very limited powers; and

WHEREAS, following local elections in November 1912, the first legislative body of the Territory of Alaska, consisting of eight senators and 16 representatives, was convened on March 3, 1913, in Juneau, Alaska; and

WHEREAS March 3, 2013, will mark the 100th anniversary of the first convening of Alaska's legislative branch of government; and

WHEREAS it is fitting that the occasion of the 100th anniversary of the first convening of Alaska's legislative branch be commensurate with Alaska's magnificent heritage and celebrate the opportunities that 100 years of representative government have brought to the state and its people; and

WHEREAS the organization of a statewide celebration to commemorate the occasion properly will require advance research, planning, and other preparation;

BE IT RESOLVED that the Alaska State legislature establishes the Alaska Legislative Celebration Commission, which may meet during the interim between legislative sessions, to research, plan, and prepare for the 100th anniversary of the first convening of the legislative branch of government in Alaska; and be it

FURTHER RESOLVED that the commission shall consist of two members from the house of representatives appointed by the speaker of the house of representatives, two members from the senate appointed by the president of the senate, and three public members appointed jointly by the speaker of the house of representatives and the president of the senate; and be it

FURTHER RESOLVED that if a member of the commission resigns or is otherwise unable to perform the duties of a member of the commission or if a legislative member of the commission is no longer a member of the legislative body from which the member was appointed, the officer responsible for appointing the member shall appoint a replacement member as soon as is practicable; and be it

FURTHER RESOLVED that a majority of the members of the commission

constitutes a quorum; the commission may approve measures, make recommendations, and take other action based on a vote of a majority of the quorum that is present; the members shall elect from among the membership a chair and other officers as may be required to fulfill the duties of the commission; and be it

FURTHER RESOLVED that members of the commission serve without compensation but are entitled to per diem and travel expenses authorized for boards and commissions in statute; and be it

FURTHER RESOLVED that the staff of the legislative members of the commission and staff of the Legislative Affairs Agency shall serve as staff for the commission; and be it

FURTHER RESOLVED that the commission shall plan and administer activities leading up to and relating to the official commemoration of the 100th anniversary of the first convening of the legislative branch of government in Alaska; and be it

FURTHER RESOLVED that the commission may engage in joint projects with municipalities, civic organizations, and other entities to help identify ways to commemorate and celebrate the 100th anniversary of the first convening of the legislative branch, and that the commission shall be dissolved not later than March 3, 2014.

Rules Committee
•
Senate Finance Committee
•
Health & Social Services Committee
•
Community & Regional Affairs Committee
•
World Trade Special Committee
•
Committee on Committees

ALASKA STATE LEGISLATURE

While in Session
State Capitol, Rm. 119
Juneau, AK 99801
(907) 465-3704
Fax: (907) 465-2529
•
While in Anchorage
716 W. 4th Ave, Rm. 500
Anchorage, AK 99501
(907) 269-0169
Fax: (907) 269-0172

SENATOR JOHNNY ELLIS
RULES COMMITTEE CHAIR

SENATE CONCURRENT RESOLUTION 24
SPONSOR STATEMENT

Senate Concurrent Resolution 24 begins the process of recognizing 100 years of government by the people, as embodied by the establishment and convening of an elected legislature in Alaska beginning on March 3, 1913.

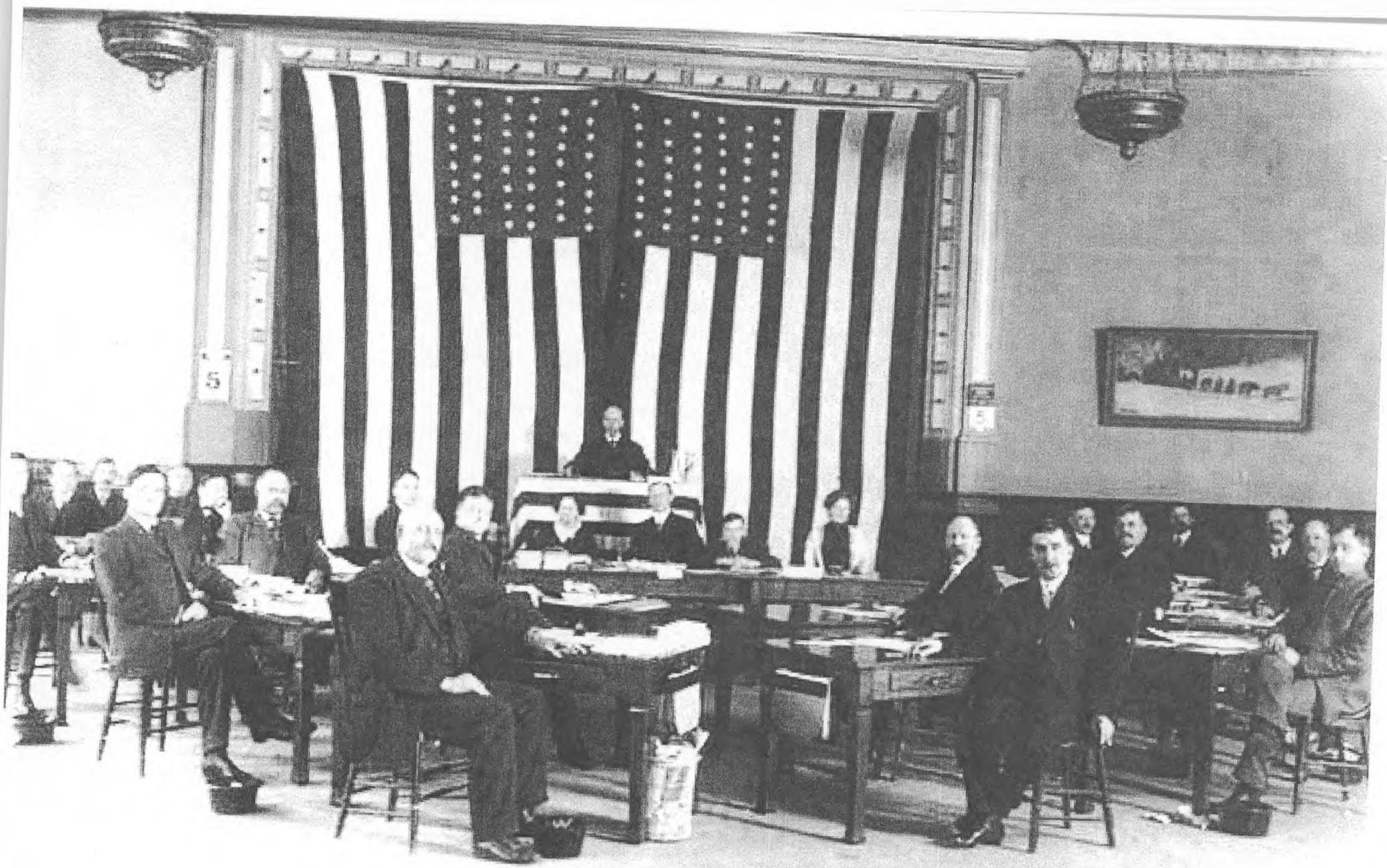
Before looking at 100-years of accomplishments of Alaska's Legislature, please take a moment to consider how elected representation in Alaska was achieved in the first place. The journey was a long one.

Today many people take for granted that we have the right of representation, of appeal, of petition, etc. No such rights existed in legal practice during pre-territorial days. This was by and large a lawless land from Alaska's purchase in 1867 until 1884, when the Organic Act passed Congress, and even then Alaska was in the hands of executives; territorial governors were appointed by the President of the United States.

At least 25 measures for representation were presented to Congress, none ever reached a vote in either house before 1912. The rational for denying Alaskans the rights of representation and appeal were firstly that its population was too small, and secondly that it would be too much of a financial drain on the federal treasury. However, every other territory in U.S. history had a similarly sized population at the time of its induction as a territory; and by 1916, then Governor John Strong estimated that Alaska had added approximately $500,000,000 to the national wealth since its purchase in 1867, a figure that exceeded national trade with China and the Philippines.

Regardless, it was only after 46 years of exhaustive efforts appealing to the President and Congress that Alaska was finally afforded the right to establish and elect its own Legislature. The First Territorial Legislature was quick to pass ground-breaking laws such as women's suffrage, compulsory school ages, required registration of lobbyists, 8-hour work days, and the establishment the Pioneers' Homes. Thereafter the Alaska Legislature continued to have a colorful history.

The small Commission established by SCR 24 would set out to examine that history carefully over the coming months and present to the Legislature in 2013 a schedule of events commensurate of 100 years of elected service to Alaska and its people. Thank you for your consideration of this timely legislation.



Alaska State Library - Historical Collections



Alaska State Library - Historical Collections

Territorial Organic Act

(37 Stat. 512)
August 24, 1912
ch. 387

Editor's notes. — The sections of the Territorial Organic Act as set out below correspond to the sections formerly set out in the United States Code, 48 U.S.C. 21 et seq., but the numbering system was not the same as that in the United States Code. The following table provides a cross reference from the section number in this volume to the former section in the United States Code. All United States Code sections cited below have either been omitted or repealed.

Act Sec.	USC	Act Sec.	USC
1	48 U.S.C. 21	10	48 U.S.C. 81
2	48 U.S.C. 22	11	48 U.S.C. 82, 83
3	48 U.S.C. 23, 24, 80	12	48 U.S.C. 84
4	48 U.S.C. 67-72	13	48 U.S.C. 85
5	48 U.S.C. 73	14	48 U.S.C. 86
6	48 U.S.C. 74	15	48 U.S.C. 87
7	48 U.S.C. 75	16	48 U.S.C. 88, 89
8	48 U.S.C. 76	17	48 U.S.C. 145
9	48 U.S.C. 44, 45, 77-79	20	48 U.S.C. 90

Collateral references. — 81A C.J.S., States, § 5; 86 C.J.S., Territories, § 4.

§ **1. Territory of Alaska organized.** That the Territory ceded to the United States by Russia by the treaty of March thirtieth, eighteen hundred and sixty-seven, and known as Alaska, shall be and constitute the Territory of Alaska under the laws of the United States, the government of which shall be organized and administered as provided by said laws.

§ **2. Capital and seat of government.** That the capital of the Territory of Alaska shall be at the city of Juneau, Alaska, and the seat of government shall be maintained there.

§ **3. Constitution and laws of the United States extended; limitation on legislative powers.** That the Constitution of the United States, and all the laws thereof which are not locally inapplicable, shall have the same force and effect within the said Territory as elsewhere in the United States; that all the laws of the United States heretofore passed establishing the executive and judicial departments in Alaska shall continue in full force and effect until amended or repealed by Act of Congress; that except as herein provided all laws now in force in Alaska shall continue in full force and effect until altered, amended, or repealed by Congress or by the Legislature: *Provided,* That the authority herein granted to the Legislature to alter, amend, modify, and repeal laws in force in Alaska shall not extend to the customs, internal revenue, postal or other general laws of the United States or to the game, fish and fur-seal laws and laws relating to fur bearing animals of the United States applicable to Alaska, or to the laws of the United

States providing for taxes on business and trade, or to the Act Entitled "An Act to provide for the construction and maintenance of roads, the establishment and maintenance of schools, and the care and support of insane persons in the District of Alaska, and for other purposes," approved January twenty-seven, nineteen hundred and five, and the several Acts amendatory thereof: Provided, further, That the provision shall not operate to prevent the Legislature from imposing other and additional taxes or licenses. And the legislature shall pass no law depriving the judges and officers of the district court of any authority, jurisdiction, or function exercised by like judges or officers of district courts of the United States.

§ **4. The legislature.** (a) The legislative power and authority of the Territory shall be vested in a legislature, which shall consist of a senate and a house of representatives. The senate shall consist of sixteen members, four from each of the four judicial divisions into which Alaska is now divided by Act of Congress, each of whom shall have at the time of his election the qualifications of an elector in Alaska, and shall have been a resident and an inhabitant in the division from which he is elected for at least two years prior to the time of his election. The term of office of each member of the senate shall be four years, except that at the general election in Alaska in 1944 one member for each division, other than a member elected to fill the unexpired term of a senator previously elected, shall be elected for a term of two years.

(b) The house of representatives shall consist of twenty-four members elected from the four judicial divisions into which Alaska is now divided by Act of Congress. Each such division shall be entitled in the seventeenth to the twentieth legislatures, inclusive, to the following number of representatives:

First judicial division, eight representatives;
Second judicial division, four representatives;
Third judicial division, seven representatives; and
Fourth judicial division, five representatives.

The United States Director of the Census shall, with[in] one week after the first meeting of the twentieth legislature and of each fifth legislature thereafter, certify to such legislature, and to the Secretary of Alaska, the number of representatives to which each judicial division is entitled under an apportionment, according to the method of equal proportions, of the total number of representatives among the various divisions on the basis of the total population (exclusive of members of the military or naval forces of the United States and members of their families not actual and bona fide residents of Alaska) of each division, as determined under the latest United States Decennial Census. Each judicial division shall in the five legislatures succeeding the legislature to which such certification is made be entitled to the number of representatives so certified. The term of office of each representative shall be two years, and each representative shall possess the same qualifications as are prescribed for members of the senate.

(c) (1) The legislature is authorized to establish, and to adjust from time to time, legislative districts within the several judicial divisions for the election of the members of the senate and house of representatives for such divisions. Districts separate from those established for the election of members of the house of representatives may be established for the election of members of the senate. All districts in any division for the election of members of the same body shall be as nearly equal in population and shall be established with as great a degree of geographical unity and cohesiveness, as is reasonable and practicable, and shall elect the same number of members, unless it shall be found desirable to provide districts around municipalities of a multiple size in which case proportionate representation shall be provided.

(2) Whenever the representation of any division shall increase or decrease by reason of a reapportionment under subsection (b), the legislature shall cause such division to be redistricted in accordance with the provisions of subdivision (1) of this subsection. If the

legislature to which such certification of reapportionment is made fails to so redistrict, the representatives of such division shall be elected at large from such division in the manner provided in subsection (d) for the election of representatives prior to the establishment of legislative districts, until such time as such division is so redistricted.

(3) Whenever the legislature shall have established legislative districts for the election of members of the senate, the terms of office of all members of the senate in the legislature immediately preceding the legislature to which the members of the senate are first to be elected by district shall, regardless of the term for which such members were elected, expire with the expiration of such preceding legislature. As soon as the members of the senate shall have assembled as a consequence of such first election they shall, by lot or drawing, be divided in each division into two classes. The seats of the members of the first class shall be vacated at the end of two years, and the seats of members of the second class shall be vacated at the end of four years, so that two members of the senate from each division shall, after such first election, be elected biennially at the regular election.

(d) In any election held prior to the establishment of legislative districts pursuant to subsection (c) the electors in each judicial division shall be entitled to vote for as many senators and representatives as are to be elected to such office from such division. The candidates for each such office in the number to be so elected receiving the highest number of votes for such office shall be elected. In any election for senator or representative held after the establishment of legislative districts pursuant to subsection (c) the candidates in the number to be elected from each district for such office, receiving the highest number of votes of the electors of such district for such office, shall be elected. In case of a tie vote in any election for senator or representative, the candidates affected shall settle the question by lot.

(e) In case of a vacancy in either branch of the legislature the Governor shall order an election to fill such vacancy, giving due and proper notice thereof.

(f) Each member of the legislature shall be paid by the United States the sum of $15 per day for each day's attendance while the legislature is in session, at each regular biennial session thereof, and mileage, in addition, for each such session, at the rate of 15 cents per mile for each mile from his home to the capital and return by the nearest traveled route. All other legislative expenses, including salaries and mileage of the members at other than regular biennial sessions, shall be paid by the Territory. (Amended November 13, 1942, 56 Stat. 1016)

Editor's notes. — The Act of November 13, 1942, 56 Stat. 1018, also provided as follows:

§ 4. (a) The amendments made by this Act shall take effect only with respect to the seventeenth and succeeding legislatures of the Territory of Alaska.

§ 5. Election of members of the legislature. That the first election for members of the Legislature of Alaska shall be on the Tuesday next after the first Monday in November, nineteen hundred and twelve, and all subsequent elections for the election of such members shall be held on the Tuesday next after the first Monday in November biennially thereafter; that the qualifications of electors, the regulations governing the creation of voting precincts, the appointment and qualifications of election officers, the supervision of elections, the giving of notices thereof, the forms of ballots, the register of votes, the challenging of voters, and the returns and the canvass of the returns of the results of all such elections for members of the legislature shall be the same as those prescribed in the Act of Congress entitled "An Act providing for the election of a Delegate, to the House of Representatives from the Territory of Alaska," approved May seventh, nineteen hundred and six, and all the provisions of said Act which are applicable are extended to said elections for members of the legislature, and shall govern the same, and the canvassing board created by said Act shall canvass the returns of such elections and issue certificates of election to each member elected to the said legislature; and all the penal provisions contained in section fifteen of the said Act shall apply to elections for

members of the legislature as fully as they now apply to elections for Delegate from Alaska to the House of Representatives.

Editor's notes. — Act of March 26, 1934, 48 Stat. 465, quoted in the amendments following § 20 of this Act, provided that the election of members of the legislature be held on the second Tuesday in September in 1934 and every second year thereafter.

§ 6. Convening of legislature; sessions. The Legislature of Alaska shall convene at the capitol at the city of Juneau, Alaska, on the fourth Monday in January in the year 1941 and on the fourth Monday in January every two years thereafter; but the said legislature shall not continue in session longer than sixty days in any two years unless again convened in extraordinary session by a proclamation of the Governor, which shall set forth the object thereof and give at least fifteen days' notice in writing or by telegram or radiogram to each member of said legislature, and in such case shall not continue in session longer than thirty days. The Governor of Alaska is hereby authorized to convene the legislature in extraordinary session for a period not exceeding thirty days when requested to do so by the President of the United States, or when any public danger or necessity may require it. (Amended April 18, 1940, 54 Stat. 111)

§ 7. Organization of legislature. That when the legislature shall convene under the law, the senate and house of representatives shall each organize by the election of one of their number as presiding officer, who shall be designated in the case of the senate as "president of the senate" and in the case of the house of representatives as "speaker of the house of representatives," and by the election by each body of the subordinate officers provided for in section "eighteen hundred and sixty-one of the United States Revised Statutes of eighteen hundred and seventy-eight," and each of said subordinate officers shall receive the compensation provided in that section, which shall be paid by the Territory. (Amended November 13, 1942, 56 Stat. 1018)

Editor's notes. — See editor's note to § 4.

§ 8. Enacting clause; title and subject of act. That the enacting clause of all laws passed by the legislature shall be "Be it enacted by the Legislature of the Territory of Alaska." No law shall embrace more than one subject, which shall be expressed in its title.

§ 9. Legislative power; limitations. The legislative power of the Territory shall extend to all rightful subjects of legislation not inconsistent with the Constitution and laws of the United States, but no law shall be passed interfering with the primary disposal of the soil; no tax shall be imposed upon the property of the United States; nor shall the lands or other property of nonresidents be taxed higher than the lands or other property of residents, nor shall the legislature grant to any corporation, association, or individual any special or exclusive privilege, immunity, or franchise without the affirmative approval of Congress; nor shall the legislature pass local or special laws in any of the cases enumerated in the Act of July thirtieth, eighteen hundred and eighty-six [48 U.S.C. § 1471]; nor shall it grant private charges or special privileges, but it may, by general act, permit persons to associate themselves together as bodies corporate for manufacturing, mining, agriculture, and other industrial pursuits, and for the conduct of business of insurance, savings banks, banks of discount and deposit (but not of issue), loans, trust, and guaranty associations, for the establishment and conduct of cemeteries, and for the construction and operation of railroads, wagon roads, vessels, and irrigating ditches, and the colonization and improvement of lands in connection therewith, or for colleges, seminaries, churches, libraries, or any other benevolent, charitable, or scientific association, but the authority embraced in this section shall only permit the organization of corporations and associations whose chief business shall be in the Territory of Alaska; no divorce shall be granted by the legislature nor shall any divorce be granted by the courts

of the Territory unless the applicant therefor shall have resided in the Territory for two years next preceding the application, which residence and all causes for divorce shall be determined by the court upon evidence adduced in open court; nor shall any lottery or the sale of lottery tickets be allowed; nor shall the legislature or any municipality interfere with or attempt in any wise to limit the Acts of Congress to prevent and punish gambling, and all gambling implements shall be seized by the United States marshal or any of his deputies, or any constable or police officer, and destroyed; nor shall any public money be appropriated by the Territory or any municipal corporation therein for the support or benefit of any sectarian, denominational, or private school, or any school not under the exclusive control of the government; nor shall the Government of the Territory of Alaska or any political or municipal corporation or subdivision of the Territory make any subscription to the capital stock of any incorporated company, or in any manner lend its credit for the use thereof; nor shall the Territory, or any municipal corporation therein, have power or authority to create or assume any bonded indebtedness whatever; nor to borrow money in the name of the Territory or of any municipal division thereof; nor to pledge the faith of the people of the same for any loan whatever, either directly or indirectly; nor to create, nor to assume, any indebtedness, except for the actual running expenses thereof, and no such indebtedness for actual running expenses shall be created or assumed in excess of the actual income of the Territory or municipality for that year including as a part of such income appropriations then made by Congress, and taxes levied and payable and applicable to the payment of such indebtedness and cash and other money credits on hand and applicable and not already pledged for prior indebtedness; *Provided,* That all authorized indebtedness shall be paid in the order of its creation; all taxes shall be uniform upon the same class of subjects and shall be levied and collected under general laws, and the assessments shall be according to the true and full value thereof, except that unpatented mining claims and nonproducing patented mining claims, which are also unimproved, may be valued at the price paid the United States therefor, or at a flat rate fixed by the legislature, but if the surface ground is used for other than mining purposes, and has a separate and independent value for such other purposes, or if there are improvements or machinery or other property thereon of such a character as to be deemed a part of the realty, then the same shall be taxed according to the true and full value thereof. No tax shall be levied for Territorial purposes in excess of 2 per centum upon the assessed valuation of the property therein in any one year; nor shall any incorporated town or municipality levy any tax, for any purpose, in excess of 3 per centum of the assessed valuation of property within the town in any one year; *Provided,* That the Congress reserves the exclusive power for five years from the date of the approval of this Act to fix and impose any tax or taxes upon railways or railway property in Alaska, and no acts or laws passed by the Legislature of Alaska providing for a county form of government therein shall have any force or effect until it shall be submitted to and approved by the affirmative action of Congress; and all laws passed, or attempted to be passed, by such legislature in said Territory inconsistent with the provisions of this section shall be null and void; *Provided, further,* That nothing herein contained shall be held to abridge the right of the legislature to modify the qualifications of electors by extending the elective franchise to women. (Amended June 3, 1948, 62 Stat. 302)

Editor's notes. — See § 2 of Act of April 13, 1934, 48 Stat. 583, quoted following the provisions of this Act, for authorization of legislation concerning intoxicating liquor.

§ 10. Selection of officers of legislature; rules; journal; quorum; adjournments; compelling attendance of members. That the Senate and House of Representatives shall each choose its own officers, determine the rules of its own proceedings not inconsistent with this Act, and keep a journal of its proceedings; that the ayes and noes of the members of either house on any question shall, at the request of one-fifth of

the members present, be entered upon the journal; that a majority of the members to which each house is entitled shall constitute a quorum of such house for the conduct of business, of which quorum a majority vote shall suffice; that a smaller number than a quorum may adjourn from day to day and compel the attendance of absent members, in such manner and under such penalties as each house may provide; that for the purpose of ascertaining whether there is a quorum present the presiding officer shall count and report the actual number of members present.

§ 11. Legislators holding other office; persons commissioned or appointed under United States. That no member of the legislature shall hold or be appointed to any office which has been created, or the salary or emoluments of which have been increased, while he was a member, during the term for which he was elected and for one year after the expiration of such term; and no person holding a commission or appointment under the United States shall be a member of the legislature or shall hold any office under the government of said territory.

§ 12. Privileges of legislators. That no member of the legislature shall be held to answer before any other tribunal for any words uttered in the exercise of his legislative functions. That the members of the legislature shall, in all cases except treason, felony, or breach of the peace, be privileged from arrest during their attendance upon the sessions of the respective houses, and in going to and returning from the same; *Provided,* That such privilege as to going and returning shall not cover a period of more than ten days each way, except in the second division, where it shall extend to twenty days each way, and the fourth division to fifteen days each way.

§ 13. Passage of bills. That a bill in order to become a law shall have three separate readings in each house, the final passage of which in each house shall be by majority vote of all members to which such house is entitled, taken by ayes and noes, and entered upon its journal. That every bill, when passed by the house in which it originated or in which amendments thereto shall have originated, shall immediately be enrolled and certified by the presiding officer and the clerk and sent to the other house for consideration.

NOTES TO DECISIONS

Applied in Plumley v. Georgia E. Hale, M.D., Inc., Sup. Ct. Op. No. 1847 (File Nos. 4014, 4017), 594 P.2d 497 (1979).

§ 14. Approval or veto of bills by Governor; reconsideration after veto; effective date of act. That, except as herein provided, all bills passed by the legislature shall, in order to be valid, be signed by the Governor. That every bill which shall have passed the legislature shall be certified by the presiding officers and clerks of both houses, and shall thereupon be presented to the Governor. If he approves it, he shall sign it and it shall become a law at the expiration of ninety days thereafter, unless sooner given effect by a two-thirds vote of said legislature. If the Governor does not approve such bill, he may return it, with his objections, to the legislature. He may veto any specific item or items in any bill which appropriates money for specific purposes, but shall veto other bills, if at all, only as a whole. That upon the receipt of a veto message from the Governor each house of the legislature shall enter the same at large upon its journal and proceed to reconsider such bill, or part of a bill, and again vote upon it by ayes and noes, which shall be entered upon its journal. If, after such reconsideration, such bill or part of a bill shall be approved by a two-thirds vote of all the members to which each house is entitled, it shall thereby become a law. That if the Governor neither signs nor vetoes a bill within three days (Sundays excepted) after it is delivered to him, it shall become a law without

his signature, unless the legislature adjourns sine die prior to the expiration of such three days. If any bill shall not be returned by the Governor within three days (Sundays excepted) after it shall have been presented to him, the same shall be a law in a like manner as if he had signed it, unless the legislature, by its adjournment, prevents the return of the bill, in which case it shall not be a law.

§ **15. Legislative expenses.** There shall be annually appropriated by Congress a sum sufficient to pay the salaries and mileage of members of the legislature for each regular biennial session. All other legislative expenses, including the salaries and mileage of the members of the legislature for other than the regular biennial sessions, the salaries of the employees of the legislature, the printing of the laws, and all other incidental expenses of the legislature, shall be appropriated and paid by the Territory. All of the sums so appropriated by Congress shall be disbursed by the Governor of Alaska, under sole instructions of the Secretary of the Treasury, and the Governor shall report quarterly to the Secretary of the Treasury for the manner in which said funds have been expended. No expenditure, to be paid out of money to be appropriated by Congress, shall be made by the Governor or by the legislature for objects not authorized by the acts of Congress making appropriations nor beyond the sum thus appropriated for such objects. (Amended November 13, 1942, 56 Stat. 1018)

Editor's notes. — See editor's note to § 4.

§ **16. Transmitting laws and resolutions to President and Secretary of State; printing.** That the Governor of Alaska shall, within ninety days after the close of each session of the Legislature of the Territory of Alaska, transmit a correct copy of all the laws and resolutions passed by the said legislature, certified to by the Secretary of the Territory, with the seal of the Territory attached; one copy to the President of the United States, and one to the Secretary of State of the United States; and the legislature shall make provisions for printing the session laws and resolutions within ninety days after the close of each session and for their distribution to public officials and sale to the people of the Territory.

§ **17. Election of delegates.** That after the year nineteen hundred and twelve the election for Delegate from the Territory of Alaska, provided by "An Act providing for the election of a Delegate to the House of Representatives from the Territory of Alaska," approved May seventh, nineteen hundred and six, shall be held on the Tuesday next after the first Monday in November in the year nineteen hundred and fourteen, and every second year thereafter on the said Tuesday next after the first Monday in November and all of the provisions of the aforesaid Act shall continue to be in full force and effect and shall apply to the said election in every respect as is now provided for the election to be held in the month of August therein; *Provided,* That the time for holding an election in said Territory for Delegate in Alaska to the House of Representatives to fill a vacancy, whether such vacancy is caused by failure to elect at the time prescribed by law, or by the death, resignation, or incapacity of a person elected, may be prescribed by an act passed by the legislature of the Territory of Alaska; *Provided: further,* That when such election is held it shall be governed in every respect by the laws passed by Congress governing such election.

§ **18. Commission to examine transportation question.** That an officer of the Engineer Corps of the United States Army, a geologist in charge of Alaska surveys, an officer in the Engineer Corps of the United States Navy, and a civil engineer who has had practical experience in railroad construction and has not been connected with any railroad enterprise in said Territory be appointed by the President as a commission hereby authorized and instructed to conduct an examination into the transportation

question in the Territory of Alaska; to examine railroad routes from the seaboard to the coal fields and to the interior and navigable waters; to secure surveys and other information with respect to railroads, including cost of construction and operation; to obtain information in respect to the coal fields and their proximity to railroad routes; and to make a report of the facts to Congress on or before the first day of December, nineteen hundred and twelve, or as soon thereafter as may be practicable, together with the conclusions and recommendations in respect to the best and most available routes for railroads in Alaska which will develop the country and the resources thereof for the use of the people of the United States; *Provided, further,* That the sum of twenty-five thousand dollars, or so much thereof as may be necessary, is hereby appropriated, out of any money in the Treasury not otherwise appropriated to defray the expenses of said commission.

§ 19. Codifying United States laws applicable to Alaska. That the Committee on Territories of the Senate and the Committee on Territories of the House of Representatives are hereby authorized, empowered, and directed to jointly codify, compile, publish, and annotate all the laws of the United States applicable to the Territory of Alaska, and said committees are jointly authorized to employ such assistance as may be necessary for that purpose; and the sum of five thousand dollars, or so much thereof as may be necessary, is hereby appropriated, out of any money in the Treasury not otherwise appropriated, to cover the expenses of said work, which shall be paid upon vouchers properly signed and approved by the chairman of said committees.

§ 20. Laws to be submitted to Congress for approval. That all laws passed by the Legislature of the Territory of Alaska shall be submitted to the Congress by the President of the United States, and, if disapproved by Congress, they shall be null and of no effect.

Amendment to Organic Act

AN ACT to amend an Act entitled "An Act creating a legislative assembly in the Territory of Alaska and conferring legislative powers thereon, and for other purposes," approved August twenty-fourth, nineteen hundred and twelve.

That nothing in that Act of Congress entitled "An Act creating a legislative assembly in the Territory of Alaska and conferring legislative power thereon, and for other purposes," approved August twenty-fourth, nineteen hundred and twelve, shall be so construed as to prevent the courts now existing or that may be hereafter created in said Territory from enforcing within their respective jurisdictions all laws passed by the legislature within the power conferred upon it, the same as if such laws were passed by Congress, nor to prevent the legislature passing laws imposing additional duties, not inconsistent with the present duties of their respective offices, upon the governor, marshals, deputy marshals, clerks of the district courts, and United States Commissioners acting as justices of the peace, judges of probate courts, recorders, and coroners, and providing the necessary expenses of performing such duties, and in the prosecuting of all crimes denounced by Territorial laws the cost shall be paid the same as is now or may hereafter be provided by Act of Congress providing for the prosecutions of criminal offenses in said Territory, except that in prosecutions growing out of any revenue law passed by the legislature the costs shall be paid as in civil actions and such prosecutions shall be in the name of the Territory. (August 29, 1914, 38 Stat. 710)

Amendment to Organic Act

Schools. That the Legislature of Alaska is hereby empowered to establish and maintain schools for white and colored children and children of mixed blood who lead a

civilized life in said Territory and to make appropriations of Territorial funds for that purpose; and all laws or parts of laws in conflict with this Act are to that extent repealed. (March 3, 1917, 39 Stat. 1131)

Amendment to Organic Act

An act fixing the date for holding elections of a Delegate from Alaska to the House of Representatives and of members of the Legislature of Alaska; fixing the date on which the Legislature of Alaska shall hereafter meet; prescribing the personnel of the territorial canvassing board, defining its duties, and for other purposes.

§ 1. **Date for election of delegate.** That the election of a Delegate from the Territory of Alaska to the House of Representatives provided for by the Act of Congress entitled "An Act providing for the election of a Delegate to the House of Representatives from the Territory of Alaska", approved May 7, 1906, as amended, and the election of the members of the Legislature of the Territory of Alaska, provided for by the Act of Congress entitled, "An Act to create a legislative assembly in the Territory of Alaska, to confer legislative powers thereon, and for other purposes", approved August 24, 1912, shall hereafter be held on the second Tuesday in September in the year 1934, and every second year thereafter on the said second Tuesday in September. (March 26, 1934, 48 Stat. 465)

§ 2. **Sessions of legislature.** (March 26, 1934, 48 Stat. 465; Repealed April 18, 1940, 54 Stat. 111)

§ 3. **Territorial canvassing board.** That the canvassing board for the Territory of Alaska created by the Act of Congress entitled, "An Act providing for the election of a Delegate to the House of Representatives from the Territory of Alaska", approved May 7, 1906, shall hereafter consist of the Governor, the secretary of the Territory, and the collector of customs for Alaska. It shall be the duty of the said canvassing board to canvass and compile in writing the vote specified in the certificates of election returned to the Governor from the several election precincts in the Territory and to keep an accurate record of each voting precinct in the Territory and the date of its creation.

The said canvassing board shall commence the performance of its duties at the office of the Governor within ten days after the second Tuesday in October in each year in which an election is held as hereinabove provided, and shall continue with such work from day to day until the same is completed. No packages containing election returns shall be opened until the canvass commences, at which time they shall be opened in public and in such manner and under such conditions, as nearly as possible, as to give all parties interested an opportunity to see the returns. In case it shall appear to the board that no election return, as herein prescribed, has been received by the Governor from any precinct in which an election has been held, the said board may accept in place thereof the certified copy of the certificate of election for such precinct received from the clerk of the court, and may canvass and compile the same with the other election returns. The canvassing board shall terminate the canvass and issue the certificates of election as soon as it is satisfied that no missing return would, if received, change the result of a canvass based upon the returns at hand, but when the board has information that an election was held at any precinct from which no return has been received and which return, if received, the board has reason to believe will affect the result of the election, it shall be the duty of the board to await the arrival of such return until 4 o'clock post-meridian on the 10th day of December in the year during which the election is held, but no longer, and any return received after that time shall not be counted by the board.

Upon the completion of the said canvass as herein provided, the said board shall declare the person who has received the greatest number of votes for the office for which

he is a candidate elected to such office for the term for which he is elected and shall issue and deliver to him in writing, under their hands and seals, a certificate of his election. It shall be the duty of the Governor to preserve all election returns carefully and inviolate, and, after the certificates of result have been canvassed, to replace the returns into the packages from which they were taken and carefully seal the same and preserve all such returns inviolate for at least two years thereafter, unless sooner called upon by the House of Representatives of Congress or some court or tribunal of competent jurisdiction to produce the same for inspection. It shall also be the duty of the Governor to notify each successful candidate of his election, and to do so by the speediest means of communication. (March 26, 1934, 48 Stat. 465)

§ 4. Effect of existing laws; authority of Territorial Legislature. Except as herein otherwise provided, all of the provisions of the Acts of May 7, 1906, and of August 24, 1912, hereinabove referred to, shall continue in full force and effect until altered, amended, or repealed by Congress. And any and all laws enacted by the Legislature of the Territory of Alaska pertaining to elections in said Territory shall remain in full force and effect until altered, amended, or repealed by the said Legislature or by Congress. That the Legislature of the Territory of Alaska shall have the power from time to time as the need therefor may arise, to change the date of general elections in the said Territory, including the date of election of a Delegate from the Territory of Alaska to the House of Representatives and of the members of the territorial legislature; and that the Legislature of the Territory of Alaska shall also have the power by law to change from time to time the personnel of the canvassing board, the dates of its meetings, and may prescribe its duties. (March 26, 1934, 48 Stat. 466)

Amendment to Organic Act

AN ACT to repeal an Act of Congress entitled "An Act to prohibit the manufacture or sale of alcoholic liquors in the Territory of Alaska, and for other purposes," approved February 14, 1917, and for other purposes.

§ 1. Repeal. That the Act of Congress entitled "An Act to prohibit the manufacture or sale of alcoholic liquors in the Territory of Alaska, and for other purposes", approved February 14, 1917, contained in United States Statutes at Large, volume 39, Public Laws, pages 903 to 909, is repealed. Title II of the National Prohibition Act, as amended and supplemented, and the Act entitled "An Act to provide revenue by the taxation of certain nonintoxicating liquor, and for other purposes", approved March 22, 1933, except such provisions of such title and of such Act of March 22, 1933, as shall be retained in force and effect in the States, are repealed to the extent such title and such Act of March 22, 1933, are in force and effect in the Territory of Alaska. (April 13, 1934, 48 Stat. 583)

§ 2. Legislation as to intoxicating liquors authorized. That notwithstanding the repeal of the said Act no spirituous or intoxicating liquors shall be manufactured or sold in the Territory of Alaska, except under such regulations and restrictions as the Territorial Legislature shall prescribe, and the legislative power and authority conferred upon the Legislative Assembly of the Territory of Alaska by the Act of Congress entitled "An Act to create a legislative assembly in the Territory of Alaska, to confer legislative power thereon, and for other purposes", approved August 24, 1912, shall be, and hereby is, extended to include any legislation pertaining to the manufacture or sale of spirituous or intoxicating liquor within the said Territory, and any provision contained in the said Act of August 24, 1912, in conflict herewith, is hereby expressly repealed: *Provided, however,* That the Legislature of the Territory of Alaska shall have full power and authority to delegate the powers hereby conferred to any board or commission designated

or created by the legislature for such purpose, which powers shall include the power to make rules and regulations governing the manufacture, barter, sale, or possession of spirituous or intoxicating liquors in the Territory of Alaska, to prescribe the qualifications of those who are to engage in the manufacture, barter, sale, or possession of intoxicating liquors in the said Territory, and to prescribe license fees and excise taxes therefor: *Provided,* That nothing in this Act shall in any way repeal, conflict, or interfere with the public general laws of the United States imposing taxes on the manufacture and sale of intoxicating liquors for the purpose of revenue and known as the "internal revenue laws." (April 13, 1934, 48 Stat. 583)

§ **3. Liquor control board.** That the act of the Territorial Legislature of Alaska entitled "An Act to create the board of liquor control and prescribe its powers and duties", approved May 4, 1933, contained in the Session Laws of Alaska, 1933, being Chapter 109 thereof at pages 193—194 be, and the same hereby is, ratified and approved, and the board thereby created shall have the powers and the authority conferred upon it by the said Act. And any person, firm, or corporation, who shall violate any of the rules or regulations prescribed by the said board governing the manufacture, sale, barter, and possession of intoxicating liquors in the Territory of Alaska, or the qualifications of those engaging in the manufacture, sale, barter, and possession of such liquors in the said Territory, or the payment of license fees and excise taxes therefor, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished as provided in section 2072 of the Compiled Laws of Alaska. (April 13, 1934, 48 Stat. 584)

§ **4. Repeal.** That sections 462 to 478, both inclusive, of Act of Congress entitled "An Act to define and punish crime in the District of Alaska and to provide a code of criminal procedure for said district", approved March 3, 1899 (30 Stat L 1337—1341), as amended by the Act of June 6, 1900 (31 Stat L 332), and by the Act of February 6, 1909 (35 Stat L 601—603), be and the same hereby are, repealed. (April 18, 1934, 48 Stat. 584)

§ **5. Nonapplication of 1 USC § 29.** Section 13 of the Revised Statutes (USC, title 1, sec 29) shall not apply with respect to any penalty, forfeiture or liability incurred under any provision repealed by this Act. (April 18, 1934, 48 Stat. 584)

HOME RULE FOR ALASKA.

WICKERSHAM FILES 1912

For Immediate Release.

Washington, D. C.,

(Release) ..... Alaska has no territorial legislature, and has not had at any time since its purchase by the United States in 1867. Congress is Alaska's only legislative body. With 65,000 people and an average trade with the United States for the last decade of $55,000,000.00 a year the territory is greatly in need of the developing aid of a local legislature. Every other territory created by the United States, since the passage of the Ordinance of 1787 for the organization of the Ohio country, has been given a legislative body at the moment of its creation.

On April 24th, the House of Representatives passed a bill creating an elective legislature in Alaska such as the other territories have had and that bill is now pending before the United States Senate. It was referred to the Senate Committee on Territories of which Senator William Alden Smith, of Michigan, is chairman. It is now before that committee.

It is interesting to note that Missouri territory for twenty years was much larger in area than Alaska and had a much smaller population. Sixteen territories were created each having a smaller population in proportion to area than Alaska. Nine states were created at a time when each had a less population than Alaska now has.

Delaware became a state in 1776 and by the census of 1790 had a population of only 59,096, while Alaska had at the time of the last census a population of 54,356. As late as 1890 the new state of Wyoming had a population of but 60,705.

The most interesting feature of Alaska's claim of right to organize an elective territorial legislature of her own is her astonishing trade with the United States. Since the United States purchased Alaska in 1867 there has been extracted from that northern territory $206,813,594.00 in gold, silver, and copper; the sea and fur products amount to $229,710,036.00, and with the cash items paid into the United States Treasury by the people of the territory the total production of Alaska in forty-five years amounts to $446,640,984.00. Against that enormous sum is to be placed the expenditures of the United States in the purchase and maintenance of the territory, which amounts to only the sum of $35,816,674.00, and leaves a balance in favor of Alaska of more than $410,000,000.00. This astonishing production of the northern territory is to be supplemented, so we are informed, by an area of agricultural lands in the great interior Tanana valley of equal arable capacity and of larger area than all the land actually put to crop in Norway, Sweden and Finland, where more than ten million people live from agriculture alone.

The statistics presented certainly make a good case in favor of granting Alaska an elective territorial legislature. Aside from the figures, however, there is a question of principle involved which is dear to the heart of every American. It is the principle of the right of the people to rule.

The bill as it passed the House carefully limits the powers of the Alaska legislature with more than the usual safeguards against unwise and vicious legislation. There is first the veto of the governor, appointed by the President of the United States, and therefore presumed to be a reasonably discreet person; then Congress reserves the right to disapprove any act passed by the Alaskan legislature, which gives an additional veto upon its acts. These two vetoes taken in connection with the presumption that the representatives of the people in the legislature will wish to do right ought sufficiently to protect the public from bad legislation in that territory. The Act also provides that the legislature shall have no authority to dispose of any part or portion of the public domain. Neither the coal lands, the fisheries, water power, nor any other national property can be disposed of without the affirmative approval of Congress.

The power conferred is very largely limited to the police power and the bill does little more than permit the people of the territory to elect an agency under Congress to assist in laying the foundations of civil government in the territory.

There is no good reason why the Committee on Territories should not report this bill, and the Senate pass it at this session.

There is no good reason why Alaska should not have home-rule.

SESSION LAWS

MARCH 3 – MAY 2, 1913

SYNOPSIS OF LAWS

Chapter 1 (H. B. No. 2).

AN ACT to extend the elective franchise to women in the Territory of Alaska.

Chapter 2 (S. B. No. 4).

AN ACT in relation to legal holidays and repealing Sections 716 and 717 of Chapter 71, Title II, of the Code of Civil Procedure for Alaska.

Chapter 3 (S. B. No. 12).

AN ACT to repeal the act of Congress, entitled, "An Act to Authorize the Appointment of Road Overseers and to Create Road Districts in the District of Alaska, and for Other Purposes." 33 Stats. at L., Ch. 1629, Page 391, approved April 27, 1904, and declaring an emergency.

Chapter 4 (S. B. No. 14).

AN ACT to prevent the desecration of the flag of the United States, and to provide a punishment for carrying flags in public parades or flying them from buildings under certain conditions.

Chapter 5 (S. B. No. 29).

AN ACT to require hotels and lodging houses in the Territory of Alaska, to be provided with fire escapes, ropes and other appliances.

Chapter 6 (S. B. No. 51).

AN ACT relating to the filing, publication and citation of laws of the Territory, and declaring an emergency.

Chapter 7 (S. B. No. 6).

AN ACT to establish the number of hours to constitute a day's work on all Territorial and municipal construction or such work done by contract or sub-contract, and providing penalties for its violation.

Chapter 8 (S. B. No. 19).

AN ACT to regulate the purchase of ore.

Chapter 9 (S. B. No. 31).

AN ACT to prevent employees from being oppressed by reason of an employer compelling them to board at a particular boarding house, or to purchase goods or supplies at a particular store and providing a penalty for violations thereof.

Chapter 10 (H. B. No. 27).

AN ACT to amend Section 18, Ch. I, Title I, Part III, of the Alaska Code, relating to the duties of notaries public. (Compiled Laws of Alaska, Sec. 382).

Chapter 11 (S. B. No. 35).

AN ACT regulating and prescribing fees and license tax to be paid by domestic corporations and by foreign corporations doing business in the Territory of Alaska.

Chapter 12 (S. B. No. 40).

AN ACT to provide for the incorporation of colleges, seminaries, churches, libraries, or other benevolent, fraternal, social, religious, educational, charitable, or scientific associations whose chief business shall be in the Territory of Alaska.

Chapter 13 (H. B. No. 28).

AN ACT to provide a form of summons in civil actions in Justice Courts. (Compiled Laws of Alaska, Sec. 1781.)

Chapter 14 (H. B. No. 34).

AN ACT to amend Section 47 of the Penal Code of Alaska. (Compiled Laws of Alaska, Sec. 1927.)

Chapter 15 (H. B. No. 35).

AN ACT to amend Section 277 of the Code of Civil Procedure of Alaska. (Compiled laws of Alaska, Sec. 1109.)

Chapter 16 (H. B. No. 36).

AN ACT to amend Section 299 of the Code of Civil Procedure of Alaska. (Compiled Laws of Alaska, Sec. 1131.)

Chapter 17 (H. B. No. 41).

AN ACT to amend Section 255 of the Civil Code of Alaska. (Compiled Laws of Alaska, Sec. 684.)

Chapter 18 (H. B. No. 42).

AN ACT to amend Section 1011 of the Code of Civil Procedure of Alaska. (Compiled Laws of Alaska, Sec. 1843.)

Chapter 19 (H. B. No. 44).

AN ACT to amend Section 950 of the Code of Civil Procedure of Alaska. (Compiled Laws of Alaska, Sec. 1782.)

Chapter 20 (H. B. No. 50).

AN ACT to amend Section 305 of the Code of Criminal Procedure of Alaska. (Compiled Laws of Alaska, Sec. 2414.)

Chapter 21 (H. B. No. 51).

AN ACT to amend Section 45 of the Code of Civil Procedure for Alaska. (Compiled Laws of Alaska, Sec. 877.)

Chapter 22 (H. B. No. 53).

AN ACT to amend Section 153 of the Code of Civil Procedure of Alaska. (Compiled Laws of Alaska, Sec. 985.)

Chapter 23 (H. B. No. 56).

AN ACT to amend Section 134 of the Penal Code of Alaska. (Compiled laws of Alaska, Sec. 2014.)

Chapter 24 (H. B. No. 57).

AN ACT to amend Section 166 of the Penal Code of Alaska. (Compiled Laws of Alaska, Sec. 2046.)

Chapter 25 (H. B. No. 58).

AN ACT to amend Section 171 of the Penal Code of Alaska. (Compiled Laws of Alaska, Sec. 2051.)

Chapter 26 (H. B. No. 66).

AN ACT to amend Section 178 of the Code of Criminal Procedure of Alaska. (Compiled Laws of Alaska, Sec. 2287.)

Chapter 27 (H. B. No. 67).

AN ACT to amend Section 169 of the Code of Criminal Procedure of Alaska. (Compiled Laws of Alaska, Sec. 2278.)

Chapter 28 (H. B. No. 69).

AN ACT to provide a penalty for inciting another to commit a crime.

Chapter 29 (S. B. No. 1).

AN ACT to declare employment in underground mines, applied to metalliferous lode mining only, underground workings, open cut workings, open pit workings, smelters, reduction works, stamp-mills, roller mills, concentrating mills, chlorination processes, cyanide processes, to be injurious to health and dangerous to life and limb. To regulate and limit the hours of employment in said occupations; to declare the violation thereof a misdemeanor and to provide penalties for the violation thereof.

Chapter 30 (S. B. No. 21).

AN ACT making it a felony to take, remove or conceal any ore, mineral, amalgam, precipitates, concentrates or other mineral-bearing substance from any mine, sampler, smelter, concentrating mill, chlorination mill, cyanide mill, or other reduction works, with intent to steal the same or to defraud the owner thereof, and providing a penalty therefor.

Chapter 31 (S. B. No. 39).

AN ACT to amend Section 1550 of the Compiled Laws of the Territory of Alaska, referring to the adjourning of terms of court on account of the non-attendance of the judge.

Chapter 32 (S. B. No. 49).

AN ACT to establish Juvenile Courts, to provide for the care of dependent children, to create children's guardians in Alaska, and for other purposes.

Chapter 33 (S. B. No. 38).

AN ACT to punish the making of false certificates by notaries public and other officers authorized to administer oaths in the Territory of Alaska.

Chapter 34 (S. B. No. 34).

AN ACT to provide for the service of process in a criminal proceeding against a corporation.

Chapter 35 (H. B. No. 25).

AN ACT to require the registration of vital statistics in the Territory of Alaska, and for other purposes.

Chapter 36 (H. B. No. 30).

AN ACT prohibiting the use of deception, misrepresentation, false advertising, and false pretenses and unlawful force in the procuring of employees to work in any department of labor in this Territory, and fixing penalties criminal and civil for violation thereof.

Chapter 37 (H. B. No. 60).

AN ACT to regulate the practice of pharmacy in the Territory of Alaska and to prescribe penalties for the violation thereof.

Chapter 38 (H. B. No. 86).

AN ACT to prevent the spread of contagious disease among live stock.

Chapter 39 (H. B. No. 88).

AN ACT to amend Section 43 of Title II of the Act of Congress of March 3, 1899, entitled, "An Act to Define and Punish Crimes in the District of Alaska and to Provide a Code of Criminal Procedure for said District."

Chapter 40 (H. B. No. 76).

AN ACT to provide for the appointment of commissioners for the promotion of uniformity of legislation in the United States.

Chapter 41 (H. B. No. 90).

AN ACT to amend Chapter 2, of the Penal Code of Alaska by adding to said Chapter an additional section to be numbered Section 31.

Chapter 42 (H. B. No. 80).

AN ACT to provide for the registration and restriction of communicable diseases in the Territory of Alaska; and declaring an emergency.

Chapter 43 (H. B. No. 13).

AN ACT to provide for the registration of persons employed to advocate or oppose legislative measures, and to regulate the method of such advocacy or opposition.

Chapter 44 (H. B. No. 4).

AN ACT to provide for the compulsory education of the children of Alaska and for other purposes. (8-16)

Chapter 45 (H. B. No. 22).

AN ACT to fix the liability of employers for personal injuries sustained by their employees.

Chapter 46 (H. B. No. 14).

AN ACT to amend an act of Congress entitled: "An Act to Amend and Codify the Laws Relating to Municipal Corporations in the District of Alaska."

Chapter 47 (H. B. No. 20).

AN ACT to provide for the incorporation of cities of the second class in the Territory of Alaska.

Chapter 48 (Substitute for H. B. No. 40 and H. B. No. 61).

AN ACT to provide for the formation of banking corporations, and to regulate the business of banking in the Territory of Alaska, and securing supervision thereof; for the appointment of a Territorial Banking Board, defining its duties; and fixing penalties for the violation of this act.

Chapter 49 (H. B. No. 74).

AN ACT to provide for the filing of grubstake contracts and prospecting agreements.

Chapter 50 (H. B. No. 75).

AN ACT prohibiting the casting of sawdust, planer shavings and other lumber waste into the waters of Alaska and declaring the violation thereof to be a misdemeanor.

Chapter 51 (H. B. No. 85).

AN ACT to relieve destitution in the Territory of Alaska.

Chapter 52 (H. B. No. 96).

AN ACT to establish a system of taxation, create revenue, and provide for collection thereof for the Territory of Alaska, and for other purposes.

Chapter 53 (H. B. No. 97).

AN ACT to make appropriation for the Territory of Alaska for the fiscal year ending December 31, 1913, and for the fiscal year ending December 31, 1914, and for the quarter ending March 31, 1915.

Chapter 54 (H. B. No. 98).

AN ACT to impose a poll tax upon male persons in the Territory of Alaska and providing means for its collection.

Chapter 55 (S. B. No. 61).

AN ACT declaring the use of water for mining, power and other purposes, and the use of pole and tower lines for telephone and telegraph purposes for aerial tram and for the transmission of electric light and power to be a public use and providing for the condemnation of rights-of-woy therefor.

Chapter 56 (S. B. No. 62).

AN ACT to make uniform any reference to or citation of the compiled laws of the Territory of Alaska.

Chapter 57 (S. B. No. 71).

AN ACT to provide punishment for pimps or macques.

Chapter 58 (S. B. No. 56).

AN ACT to make uniform the law of business corporations in the Territory of Alaska.

Chapter 59 (S. B. No. 54).

AN ACT to make uniform the law of bills of lading in the Territory of Alaska, and repealing all acts, and parts of acts, inconsistent or in conflict therewith.

Chapter 60 (S. B. No. 67).

AN ACT to amend Chapter 88 of the Code of Civil Procedure in Respect to the Disposition of Estates of Persons Who Have Disappeared.

Chapter 61 (S. B. No. 66).

AN ACT relative to wills without this Territory, and to promote uniformity in the Territory in that respect.

Chapter 62 (S. B. No. 63).

AN ACT to amend Section 41, Chapter III, Part I, of the Alaska Criminal Code relating to Larceny, and for other purposes.

Chapter 63 (S. B. No. 41).

AN ACT to prohibit the transportation of explosives and other dangerous articles on vessels or vehicles carrying passengers for hire.

Chapter 64 (S. B. No. 36).

AN ACT relating to negotiable instruments, and repealing all acts and parts of acts in conflict with this act.

Chapter 65 (S. B. No. 50).

AN ACT to make uniform the law of warehouse receipts in the Territory of Alaska, and repealing all acts, and parts of acts, inconsistent or in conflict therewith.

Chapter 66 (S. B. No. 47).

AN ACT to make uniform the law of sales of goods in the Territory of Alaska, and repealing all acts or parts of acts inconsistent or in conflict therewith.

Chapter 67 (S. B. No. 46).

AN ACT to make uniform the law of transfers of shares of stock in corporations in the Territory of Alaska, and repealing all acts or parts of acts inconsistent or in conflict therewith.

Chapter 68 (S. B. No. 37).

AN ACT to provide for the locating of the water front boundary lines of townsites located near navigable rivers and streams in Alaska; declaring the violation thereof a misdemeanor and prescribing a penalty therefor.

Chapter 69 (S. B. No. 48).

AN ACT relating to the assessment, levy and collection of general taxes for school and municipal purposes by municipal corporations, and declaring an emergency.

Chapter 70 (S. B. No. 26).

AN ACT to provide for the amicable adjustment of differences that may arise between employers and employees.

Chapter 71 (S. B. No. 16).

AN ACT making it unlawful to wrongfully and without authority use the name, title of officers, insignia, emblem, ritual or ceremonies of any order or society, and providing punishment for the violation of the provisions of this act.

Chapter 72 (S. B. No. 52).

AN ACT to divide the Territory into mine inspection districts; to establish the office of mine inspector; to prescribe the duties, powers, qualifications and compensation thereof; to regulate the operation of mines in the Territory of Alaska; to provide for the health and safety of mine workers in the Territory; to declare the violation of any of the provisions hereof a misdemeanor and prescribing punishment therefor.

Chapter 73 (S. B. No. 69).

AN ACT to amend Chapter 19, of the Compiled Laws of Alaska relating to escheats.

Chapter 74 (S. B. No. 11).

AN ACT to supplement the mining laws of the United States in their application to the Territory of Alaska; providing for the location and possession of mining claims in Alaska and repealing all acts and parts of acts in conflict herewith to the extent of such conflicts.

Chapter 75 (S. B. No. 23).

AN ACT concerning certain forms of prostitution, and providing punishment for persons encouraging prostitution in violation of this act.

Chapter 76 (H. B. No. 21).

AN ACT to provide for the alteration, enlargement, and the annexation of new territory to the boundaries and limits of incorporated towns within the Territory of Alaska.

Chapter 77 (H. B. No. 68).

AN ACT creating the office, and providing for the appointment of a Treasurer of the Territory of Alaska, prescribing his duties and compensation, and making other provisions with reference to the administration of that office.

Chapter 78 (H. B. No. 89).

AN ACT to create a board of commissioners to provide for a home for aged prospectors in Interior Alaska.

Chapter 79 (H. B. No. 91).

AN ACT to create, establish, and provide for liens on mines in favor of laborers and materialmen, and repealing all acts and parts of acts in conflict herewith.

Chapter 80 (H. B. No. 94).

AN ACT to provide for the acceptance and use of the United States Marine Barracks buildings at Sitka, Alaska, as a home for indigent prospectors and others who have spent their years in Alaska and become dependent, and to create a commission for the government of the same.

Chapter 81 (H. B. No. 95).

AN ACT to amend Chapter 10, of the Penal Code of Alaska.

Chapter 82 (H. B. No. 99).

AN ACT directing and authorizing the Treasurer of the Territory of Alaska to apply for and receive moneys in the United States Treasury due the Territory on account of sales of timber in national forests in Alaska.

Chapter 83 (H. B. No. 59).

AN ACT to regulate the practice of medicine and surgery in the Territory of Alaska, to create a Board of Medical Examiners, and to regulate the fees thereof, to prevent the practice of medicine and surgery by unauthorized persons, and to provide for the trial and punishment of violators of the provisions of this Act by fine or imprisonment, or both, and to repeal all laws or part of laws in conflict or inconsistent with this Act.

Chapter 84 (H. B. No. 73).

AN ACT to regulate the practice of dentistry in the Territory of Alaska and to provide for the examination, regulation, licensing and registration of persons engaged in the practice of dentistry, and for the punishment of offenders against this act.

HB

7

<TARGET><BILL>HB 7</BILL><SUBJECT>HB 7</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/28/11

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered CS FOR HOUSE BILL NO. 7(JUD)

HB 7-SYNTHETIC CANNABINOIDS

"An Act classifying certain substances as schedule IIIA controlled substances; and providing for an effective date."

and recommends:

[ ] be **replaced** with **SCS** _____ (_____) *[ ] Same Title [ ] Technical Title Change [ ] New Title/SCR No._____*

[X] adopt **previous SCS** HB7 (JUD) *[ ] Same Title [ ] Technical Title Change [ ] New Title/SCR No._____*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	**Fiscal**	**Indet.**	**Zero**	**FN #**
COR		X		

PREVIOUS FISCAL NOTE(S)				
Dept.	**Fiscal**	**Indet.**	**Zero**	**FN #**
HFIN/DPS			X	4
LAW			X	5

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	Egan	✓			
	Olson	✓			
	Ellis	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stevens	✓			

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **HB007SCS(JUD)**
() Publish Date: 3/28/2011

Identifier (file name) HB007SCS-DOC-OC-04-15-11
Title: "An Act classifying synthetic cannabinoids as schedule IIIA
Sponsor: Rep. Munoz, Herron, Kerttula, Gatto, Lynn & Pruitt
Requester: Judiciary Committee

Dept. Affected: DOC
Appropriation: Admin & Support
Allocation: Commissioner's Office
OMB Component Number: 694

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**	**	**	**	**	**	**
CAPITAL EXPENDITURES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**	**	**	**	**	**	**

Estimate of any current year (FY2011) cost 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

This version of the bill includes charges for possession of organic herbs that contain synthetic cannabinoids.

Prepared by: Leslie Houston, Director — Phone 465-3339
Division: Dept. of Corrections - Administrative Services — Date/Time 4/15/2011 6:30 p.m.
Approved by: Joseph D. Schmidt, Commissioner — Date 4/15/2011
Dept. of Corrections

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB007SCS(JUD)

Analysis

This legislation makes synthetic cannabinoids a schedule IIIA controlled substance.

Currently, possession of a schedule IIIA is a Class A misdemeanor if the amount possessed is less than 3 grams (AS 11.71.050) or a Class C Felony if the amount possessed is over 3 grams (AS 11.71.040). Manufacturing or delivering a schedule IIIA controlled substance is a Class B felony (AS 11.71.030). The sentences for these crimes range anywhere from 0 - 10 years.

The current average daily cost of care to house an inmate is $136.44. Therefore, housing one offender could have a potential impact to the department ranging from $0.0 (no time served) to $498.0 (for a 10-year sentence).

This bill makes possession of the liquid form of synthetic cannabinoids a class C felony for possession of 3 grams or more a class A misdemeanor for 3 grams or less.

Additionally, this legislation would make possession of 12 grams or more of organic herbs that contain synthetic cannabinoids a class C felony. Possession of 6-12 grams of organic herbs that contain synthetic cannabinoids a class A misdemeanor and possession of 6 grams and under of organic herbs that contain synthetic cannabinoids a class B misdemeanor.

Department of Corrections is unable to determine the fiscal impacts of the passage of this legislation, as we cannot estimate the total number of actual violations that will occur. Should this legislation pass, the department will closely monitor the fiscal impact.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 5
Bill Version: CSHB 7(JUD)
(H) Publish Date: 2/25/11

Identifier (file name): HB007CS(JUD)-LAW-CRIM-02-18-11
Dept. Affected: Law
Title: An Act classifying certain synthetic cannabinoids as schedule IIIA controlled substances; and providing for an effective date.
Appropriation: Criminal
Allocation: Criminal Justice Litigation
Sponsor: Representative(s) Munoz, Herron, Kerttula, Gatto, Lynn, Pruitt
Requester: (H) Judiciary
OMB Component Number: 2202

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by: Eileen Donahue, Division Operations Manager — Phone: 465-5427
Division: Administrative Services — Date/Time: 2/18/11 10:00 AM
Approved by: John J. Burns, Attorney General — Date: 2/18/2011
Department of Law

(Revised 1/27/2011 OMB)

FISCAL NOTE #5

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. CSHB 7(JUD)

Analysis

This bill adds several chemical forms of synthetic cannabinoids to Schedule IIIA of Alaska's prohibited substance schedules. The bill also adds salts, isomers, and other forms of Schedule IIIA substances to the same schedule. Currently, marijuana is a Schedule VIA prohibited substance. The anticipated fiscal impact is zero, however, if litigation ensues there will be addition costs in defending this litigation.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 4
Bill Version: CSHB 7(JUD)
(H) Publish Date: 2/25/11

Identifier (file name): CSHB007(JUD)-DPS-LAB-02-22-11
Title: "An Act Relating to Synthetic Cannabinoids As Schedule IIIA"
Sponsor: Representatives Munoz, Herron, Kerttula, Lynn, and Pruitt
Requester: House Finance Committee

Dept. Affected: Public Safety
Appropriation: Statewide Support
Allocation: Laboratory Services
OMB Component Number: 527

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY2011) cost

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

Changed from Schedule IIA to Schedule IIIA.

Prepared by: James Armstrong
Division: House Finance Committee
Approved by: Rep. Bill Stoltze
House Finance Committee Co-Chair

Phone: 907-465-4958
Date/Time: 2/24/2011 3:00PM
Date: 2/24/2011

(Revised 12/29/2010 OMB)

FISCAL NOTE #4

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. CSHB 7(JUD)

Analysis

This proposed legislation would add certain synthetic cannabinoids to the schedule IIIA list of controlled substances. This bill would become effective immediately.

REPRESENTATIVE CATHY MUÑOZ

CS HB7 (JUD) - Ban on Controlled Substances

A new synthetic cannabinoid, commonly known as K2 or Spice, has become readily available at local stores and over the internet. Some users of this chemical compound experience severe adverse reactions including hallucinations, nausea, vomiting, agitation, and panic attacks.

The synthetic cannabinoid is a combination of herbal and chemical compounds that commonly produce a reaction similar to the use of marijuana. The popularity is increasing, especially among youth, due to easy accessibility, low cost, and the difficulty of detection on drug tests.

The first introduction to K2 came to my attention through an individual's story. Within moments of inhaling K2 the young man experienced adverse reactions that included severe vomiting, loss of reality, inability to walk and talk, and violent outbursts. Without the quick reaction of those nearby there may have been tragic ending to this story. Many similar stories have surfaced in communities throughout Alaska. To date, nine states have successfully enacted laws to prohibit synthetic cannabinoids.

HB7 will classify certain synthetic cannabinoids as schedule IIIA controlled substance. Schedule IIIA includes materials, compounds and mixtures which contain similar synthetic chemicals. It is important that we get ahead of this growing problem and I urge your support for the passage of this bill.

REPRESENTATIVE CATHY MUÑOZ

MEMORANDUM

TO: Senator Bert Stedman
Senate Finance Co-Chair

CC: Darwin Peterson
Finance Committee Aide

FROM: Representative Cathy Muñoz

DATE: March 29, 2011

RE: Changes to Senate CS for CS HB 7 (JUD)

The Senate Judiciary Committee changed the penalties relating to the possession of organic herbs that contain synthetic cannabinoids.

1) Possession of 12 grams or more of organic herbs that contain synthetic cannabinoids as a misconduct in the fourth degree (Class C felony).

2) Possession of 6-12 grams of organic herbs that contain synthetic cannabinoids as a misconduct in the fifth degree (Class A misdemeanor).

3) Possession of 6 grams and under of organic herbs that contain synthetic cannabinoids as a misconduct in the sixth degree (Class B misdemeanor).

Other penalties relating to the selling and manufacturing of the synthetic cannabinoids, which are listed as a scheduled IIIA controlled substance, remain unchanged. The pure liquid form of these synthetic cannabinoids remains a class C felony for possession of 3 grams or more, a class A misdemeanor for under 3 grams.

An effective of July 1, 2011 was added to give adequate notice to the public and store owners who are selling these materials.

A title change has been done to reflect to the two changes.

STATE CAPITOL • JUNEAU, ALASKA 99801-1182 • (907) 465-3744 • FAX (907) 465-2213
REPRESENTATIVE_CATHY_MUNOZ@LEGIS.STATE.AK.US

REPRESENTATIVE CATHY MUÑOZ

MEMORANDUM

TO: Representative Bill Stolze
Finance Co-Chair

CC: James Armstrong
Finance Committee Aide

FROM: Representative Cathy Muñoz

DATE: February 11, 2011

RE: Changes to CS HB 7 (JUD)

Based on conversations with the Department of Law and the House Judiciary Committee the synthetic cannabinoids were moved from a schedule IIa controlled substance to a schedule IIIA controlled substance. Similar synthetic cannabinoids which mimic the effects of the THC drug are already placed under schedule IIIa.

STATE CAPITOL • JUNEAU, ALASKA 99801-1182 • (907) 465-3744 • FAX (907) 465-2213
REPRESENTATIVE_CATHY_MUNOZ@LEGIS.STATE.AK.US

LEGISLATIVE RESEARCH SERVICES

Alaska State Legislature
Division of Legal and Research Services
State Capitol, Juneau, AK 99801

(907) 465-3991 phone
(907) 465-3908 fax
research@legis.state.ak.us

Memorandum

TO: Representative Cathy Muñoz
FROM: Chuck Burnham, Legislative Analyst
DATE: February 8, 2011
RE: Comparing States' Laws on Synthetic Cannabinoids to Selected Alaska Drug Laws
LRS Report 11.159

You asked us for information on states' laws on synthetic cannabinoids. Specifically, you asked for an account of where such substances appear on states' schedules of controlled substances and the crime classifications and penalties for possessing those substances. You also asked us to compare those other states' penalties for such crimes to those indicated for possession of substances in Alaska's controlled substance schedules IIA and IIIA.

We identified 11 states with laws prohibiting the possession of synthetic cannabinoids.[1] Classifications and penalties for a first criminal offense of possession in these states range from a Class B misdemeanor in Kentucky, which carries a maximum term of imprisonment of 90 days and a $250 fine, to an unclassified felony in Georgia, for which an offender is subject to a prison sentence of 2-15 years. In addition to the 11 states that have synthetic cannabinoid prohibitions in place, at least 21 states, including Alaska, are currently considering similar legislation.

In Alaska, as you know, controlled substances are placed on a given level within the schedule of controlled substances based on the degree of danger or probable danger a given drug poses to a person or the public. Those schedules range from "IA," containing the most dangerous substances, to "VIA," which are perceived to be the least dangerous drugs. Possession of a Schedule IIA controlled substance in Alaska constitutes the crime of "misconduct involving a controlled substance in the fourth degree." That offense is a Class C felony punishable by a maximum of 5 years in prison and a $50,000 fine. Please note, however, that the presumptive sentencing guideline in Alaska is far less severe, and a suspended sentence is possible for a first offense. Possession of a Schedule IIIA controlled substance in Alaska is a Class A misdemeanor for which an offender can receive a maximum of 1 year in prison and a $10,000 fine.[2]

The attached table summarizes crime classifications and penalties for possessing synthetic cannabinoids in the eleven states where that activity has been criminalized, and compares that information to the crime classification and penalties for possession of items on Alaska' controlled substances Schedules IIA and IIIA. Please note that the penalties listed in our table are either maximum sentences or ranges of incarceration periods. Actual penalties are generally subject to considerable discretion by the sentencing courts.

We hope this is helpful. If you have questions or need additional information, please let us know.

[1] Those states are Alabama, Georgia, Illinois, Kansas, Kentucky, Louisiana, Michigan, Mississippi, Missouri, Oklahoma, and Tennessee. According to the National Conference of State Legislatures (NCSL), synthetic cannabinoids are "chemically engineered substances, similar to THC—the active ingredient in marijuana—that, when smoked or ingested, can produce a high similar to marijuana. Initially developed for research related to treatment of pain and the effects of cannabis on the brain, these substances have recently become a popular alternative to marijuana. The NCSL maintains information about these substances and states' responses to the issue at *http://www.ncsl.org/?tabid=21398*.

[2] Controlled Substance Schedules in Alaska are enumerated at AS § 11.71.140-190.



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Rules - 2011

[Federal Register Volume 76, Number 40 (Tuesday, March 1, 2011)]
[Rules and Regulations]
[Pages 11075-11078]
From the Federal Register Online via the Government Printing Office [www.gpo.gov]
[FR Doc No: 2011-4428]

DEPARTMENT OF JUSTICE

Drug Enforcement Administration

21 CFR Part 1308

[Docket No. DEA-345F]

Schedules of Controlled Substances: Temporary Placement of Five Synthetic Cannabinoids Into Schedule I

AGENCY: Drug Enforcement Administration (DEA), U.S. Department of Justice.

ACTION: Final order.

SUMMARY: The Administrator of the Drug Enforcement Administration (DEA) is issuing this final order to temporarily place five synthetic cannabinoids into the Controlled Substances Act (CSA) pursuant to the temporary scheduling provisions. The substances are 1-pentyl-3-(1- naphthoyl)indole (JWH-018), 1-butyl-3-(1-naphthoyl)indole (JWH-073), 1- [2-(4-morpholinyl)ethyl]-3-(1-naphthoyl)indole (JWH-200), 5-(1,1-dimethylheptyl)-2-[(1R,3S)-3-hydroxycyclohexyl]-phenol (CP-47,497), and 5-(1,1-dimethyloctyl)-2-[(1R,3S) -3-hydroxycyclohexyl]-phenol (cannabicyclohexanol; CP-47,497 C8 homologue). This action is based on a finding by the Administrator that the placement of these synthetic cannabinoids into Schedule I of the CSA is necessary to avoid an imminent hazard to the public safety. As a result of this order, the full effect of the CSA and its implementing regulations including criminal, civil and administrative penalties, sanctions and regulatory controls of Schedule I substances will be imposed on the manufacture, distribution, possession, importation, and exportation of these synthetic cannabinoids.

FOR FURTHER INFORMATION CONTACT: Christine A. Sannerud, PhD, Chief, Drug and Chemical Evaluation Section, Office of Diversion Control, Drug Enforcement Administration, 8701 Morrissette Drive, Springfield, VA 22152, telephone (202) 307-7183, fax (202) 353-1263, or e-mail ode@usdoj.gov.

DATES: Effective Date: March 1, 2011.

SUPPLEMENTARY INFORMATION:

Background

The Comprehensive Crime Control Act of 1984 (Pub. L. 98-473), which was signed into law on October 12, 1984, amended section 201 of the CSA (**21 U.S.C. 811**) to give the Attorney General the authority to temporarily place a substance into Schedule I of the CSA for one year without regard to the requirements of 21 U.S.C. 811(b) if he finds that such action is necessary to avoid imminent hazard to the public safety. The Attorney General may extend the temporary scheduling up to six months during pendency of proceedings under 21 U.S.C. 811(a)(1). A substance may be temporarily scheduled under the emergency provisions of the CSA if it is not listed in any other schedule under section 202 of the CSA (**21 U.S.C. 812**) or if there is no exemption or approval in effect under 21 U.S.C. 355 for the substance. The Attorney General has delegated his authority under 21 U.S.C. 811 to the DEA Administrator (28 CFR 0.100).

As per section 201(h)(4) of the CSA (**21 U.S.C. 811**(h)(4)), the Deputy Administrator, now Administrator, transmitted notice of her intention to temporarily place JWH-018, JWH-073, JWH-200, CP-47,497, and cannabicyclohexanol into Schedule I of the CSA to the Assistant Secretary for Health of the Department of Health and Human Services (HHS) in a letter dated October 6, 2010. In response to this notification, the

Assistant Secretary of Health, HHS communicated in a letter dated November 22, 2010, to the then-DEA Acting Administrator that there are no exemptions or approvals in effect for JWH-018, JWH- 073, JWH-200, CP-47,497, and cannabicyclohexanol under Section 505 of the Federal Food, Drug and Cosmetic Act (21 U.S.C. 355). The substances are not listed in any other schedule in **21 U.S.C. 812**.

A notice of intent to temporarily place JWH-018, JWH-073, JWH-200, CP-47,497, and cannabicyclohexanol into Schedule I of the CSA was published in the Federal Register on November 24, 2010 (75 FR 71635). Before making a finding that temporarily placing a substance into Schedule I of the CSA is necessary to avoid an imminent hazard to the public safety, the Administrator must consider three of the eight factors (factors 4, 5, and 6) set forth in section 201(c) of the CSA (**21 U.S.C. 811**(c)). These factors are the history and current pattern of abuse, the scope, duration, and significance of abuse, and what, if any, risk there is to the public health, including actual abuse, diversion from legitimate channels, and clandestine importation, manufacture, or distribution. 21 U.S.C. 811(h)(3).

The temporary placement of these five synthetic cannabinoids into Schedule I of the CSA is necessary in order to avoid an imminent hazard to the public safety. First, these substances are not intended for human consumption, but there has been a rapid and significant increase in abuse of these substances in the United States. As a result of this abuse, synthetic cannabinoids are banned in at least 18 states in the United States and several countries, and all five branches of the U.S. military prohibit military personnel from possessing or using synthetic cannabinoids. Second, law enforcement has seized synthetic cannabinoids in conjunction with controlled substances and based on self-reports to law enforcement and health care professionals, synthetic cannabinoids are abused for their psychoactive properties. Third, numerous state and local public health departments and poison control centers have issued health warnings describing the adverse health effects associated with synthetic cannabinoids. Based on scientific data currently available, these five substances have the potential to be extremely harmful and, therefore, pose an imminent hazard to the public safety.

History and Current Pattern of Abuse

A "cannabinoid" is a class of chemical compounds in the marijuana plant that are structurally related. The cannabinoid [Delta]9- tetrahydrocannabinol (THC) is the primary psychoactive constituent of marijuana. "Synthetic cannabinoids" are a large family of chemically unrelated structures functionally (biologically) similar to THC, the active principle of marijuana.

Two of the five synthetic cannabinoids (CP-47,497 and cannabicyclohexanol) were synthesized in the early 1980s for research purposes

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in the investigation of the cannabinoid system. JWH-018, JWH-073, and JWH-200 were prepared in the mid-1990s and evaluated to further advance understanding of drug-receptor interactions regarding the cannabinoid system. Developed and evaluated as research tools, no other known legitimate uses have been identified for these five synthetic cannabinoids. Furthermore, these five synthetic cannabinoids are not intended for human consumption.

The emergence of these five synthetic cannabinoids represents a recent phenomenon in the U.S. designer drug market. Since the initial identification of JWH-018 by U.S. forensic laboratories, many additional synthetic cannabinoids including JWH-073, JWH-200, CP- 47,497, and cannabicyclohexanol have been identified in related herbal incense products and plant food. These synthetic cannabinoids have purported psychotropic effects when smoked or ingested. These substances are typically found in powder form or are dissolved in appropriate solvents, such as acetone, before being sprayed on the plant material contained in the herbal incense products.

The popularity of these THC-like synthetic cannabinoids has significantly increased throughout the United States, and they are being abused for their psychoactive properties as reported by law enforcement, the medical community, and through scientific literature.

Some of the product names include, but are not limited to, "Spice," "K2," and many more. Due to sophisticated marketing, the products that contain these five THC-like synthetic cannabinoids are perceived as "legal" alternatives to marijuana despite the fact that they are typically advertised as herbal incense or plant food (Bonsai- 18) by Internet retailers, tobacco shops, head shops, and other domestic brick and mortar retail venues, and labeled "Not For Human Consumption." No evidence exists that these synthetic cannabinoids have value as an additive to herbal incense products due to the absence of odor associated with the substances.

Based on law enforcement encounters, these five substances are typically found laced on plant material. The plant material is packaged in small pouches or packets, and is being sold over the Internet, in tobacco and smoke shops, drug paraphernalia shops, gas stations, and convenience stores as herbal incense products, giving customers of all ages direct access to these five substances. Research articles propose that the packaging is professional and conspicuous, targeting young people, possibly eager to use cannabis, but who are afraid of the judicial consequences and/or association with illicit drugs.

According to Internet discussion boards and law enforcement encounters reported directly to DEA, these five synthetic cannabinoids are being both abused alone and/or being sprayed on plant material (which is then smoked). The most common route of administration of these synthetic cannabinoids is by smoking (using a pipe, a water pipe, or rolling the drug-spiked plant material in cigarette papers).

These five synthetic cannabinoids alone or spiked on plant material have the potential to be extremely harmful due to their method of manufacture and high pharmacological potency. There is little information regarding the pharmacology, toxicology, and safety of these substances in humans given the minimal amount of pre-clinical investigations undertaken regarding these substances; therefore, the full danger of these drugs has not yet been determined.

As of January 31, 2011, 18 states in the United States and other countries have controlled one or more of the five synthetic cannabinoids. Moreover, all five branches of the military prohibit their personnel from possessing or using synthetic cannabinoids associated with products such as Spice and K2.

Scope, Duration, and Significance of Abuse

According to forensic laboratory reports, the initial appearance of these synthetic cannabinoids in herbal incense products in the United States occurred in November 2008 when U.S. Customs and Border Protection first encountered products such as Spice.

The increasing abuse of the five synthetic cannabinoids is demonstrated by the increase in federal, state, and local law enforcement activity associated with these substances. The National Forensic Laboratory Information System, a national repository for drug evidence analyses from forensic laboratories across the United States, has reported in excess of 500 exhibits containing synthetic cannabinoid from January 2010 through September 2010. These exhibits came from numerous states across the nation including Alabama, Arkansas, California, Florida, Hawaii, Iowa, Indiana, Kansas, Kentucky, Louisiana, Minnesota, Missouri, North Dakota, Nebraska, Nevada, Oklahoma, Pennsylvania, South Carolina, Tennessee, and Virginia.

Even though there is no evidence of legitimate non-research related use for these synthetic cannabinoids, multiple shipments of JWH-018 and JWH-073 have been encountered by U.S. Customs and Border Protection in 2010. One enforcement operation encountered five shipments of JWH-018 totaling over 50 kilograms (110.2 pounds) of powder. In addition, bulk loads of JWH-018 and JWH-200 have been encountered by law enforcement in 2010. For example, in Casper, Wyoming, DEA agents encountered large quantities of herbal incense products laced with the synthetic cannabinoid JWH-018 in conjunction with methamphetamine and other illegal drugs in execution of search and arrest warrants.

On March 24, 2010, the American Association of Poison Control Centers reported receiving 112 calls from 15 states related to synthetic cannabinoids to U.S. poison centers since 2009. Just nine months later, the number of calls increased to over 2,700 from 49 states and the District of Columbia.

What, If Any, Risk There Is to the Public Health

Health warnings have been issued by numerous state and local public health departments and poison control centers describing the adverse health effects associated with these synthetic cannabinoids and their related products, including agitation, anxiety, nausea, vomiting, tachycardia (fast, racing heartbeat), elevated blood pressure, tremor, seizures, hallucinations, paranoid behavior, and non-responsiveness.

Smoking these synthetic cannabinoids for the purpose of achieving intoxication and experiencing the psychoactive effects has been identified as a reason for emergency room visits and calls to poison control centers. In a fact sheet by the National Drug Court Institute, the problem of synthetic cannabinoid abuse is described as "significant and disturbing." This is supported by information that was communicated to DEA from one of the major private toxicology laboratories. Based on laboratory findings from drug screens for the period of July 2010 through November 2010, over 3,700 specimens tested positive for either JWH-018 or JWH-073. They also indicated that they were finding 30-35% positivity for specimens submitted by juvenile probation departments.

Case reports describe psychotic episodes, withdrawal, and dependence associated with use of these synthetic cannabinoids, similar to syndromes

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observed in marijuana abuse. In addition, based on law enforcement encounters reported directly to DEA, when responding to incidents involving individuals who have reportedly smoked these synthetic cannabinoids, first responders report that these individuals have suffered from intense hallucinations. Moreover, emergency department physicians and toxicologists have reported the adverse health effects associated with smoking herbal incense products laced with these substances. Furthermore, based on law enforcement encounters, suspected Driving Under the Influence of Drug incidents are attributed to the smoking of synthetic cannabinoids. For example, in September 2010, police in Nebraska responded to an incident involving a teenage male who had careened his truck into the side of a residence. After striking the residence and several more items, the teen continued several more yards before coming to a complete stop. Prior to crashing the truck, the individual had driven past a junior high school and nearly struck a child. Upon further investigation, the driver of the vehicle admitted to smoking "Wicked X," a product marketed as "herbal incense" and known to contain synthetic cannabinoids, prior to the accident. Preliminary toxicology reports indicated that the individual did not have any alcohol or other illegal substances in his system.

Detailed chemical analyses by DEA and other investigators have found these synthetic cannabinoids spiked on plant material in herbal incense products marketed to the general public. Product analyses have found variations in both the synthetic cannabinoid found on the plant material and the amount. As proposed in scientific literature, the risk of adverse health effects is further increased by the fact that similar products vary in the composition and concentration of synthetic cannabinoids spiked on the plant material.

Self-reported abuse of these THC-like synthetic cannabinoids either alone (e.g., in pills with the substance in powder form) or spiked on plant material appear extensively on Internet discussion boards, and abuse has been reported to public health officials and law enforcement. The abuse of these substances spiked on plant material is corroborated by forensic laboratory analysis of products encountered by law enforcement.

According to the U.S. Customs and Border Protection, a number of the products and synthetic cannabinoids appear to originate from foreign sources. Product manufacturing operations encountered by law enforcement corroborate that the herbal incense products are manufactured in the absence of quality controls and devoid of regulatory oversight. Law enforcement has encountered the manufacture of herbal

incense products occurring in such places as residential neighborhoods. These products and associated synthetic cannabinoids are readily accessible via the Internet.

Based on the above data, the continued uncontrolled manufacture, distribution, importation, exportation, and possession of JWH-018, JWH- 073, JWH-200, CP-47,497, and cannabicyclohexanol pose an imminent hazard to the public safety. DEA is not aware of any recognized therapeutic uses of these synthetic cannabinoids in the United States.

DEA has considered the three criteria for placing a substance into Schedule I of the CSA (**21 U.S.C. 812**). The data available and reviewed for JWH-073, JWH-018, JWH-200, CP47,497, and cannabicyclohexanol indicate that these synthetic cannabinoids each has a high potential for abuse, no currently accepted medical use in treatment in the United States and a lack of accepted safety for use under medical supervision.

In accordance with the provisions of section 201(h) of the CSA (**21 U.S.C. 811**(h)) and 28 CFR 0.100, the Administrator has considered the available data and the three factors required to support a determination to temporarily schedule five synthetic cannabinoids: 1- butyl-3-(1-naphthoyl)indole, 1-pentyl-3-(1-naphthoyl)indole, 1-[2-(4- morpholinyl)ethyl]-3-(1-naphthoyl)indole, 5-(1,1-dimethylheptyl)-2- [(1R,3S)-3-hydroxycyclohexyl]-phenol, and 5-(1,1-dimethyloctyl)-2- [(1R,3S)-3-hydroxycyclohexyl]-phenol in Schedule I of the CSA and finds that temporary placement of these synthetic cannabinoids into Schedule I of the CSA is necessary to avoid an imminent hazard to the public safety.

Regulatory Requirements

With the issuance of this final order, JWH-018, JWH-073, JWH-200, CP-47,497, and cannabicyclohexanol become subject to the regulatory controls and administrative, civil and criminal sanctions applicable to the manufacture, distribution, possession, importation, and exportation of a Schedule I controlled substance under the CSA.

1. Registration. Any person who manufactures, distributes, dispenses, imports, exports, or possesses JWH-018, JWH-073, JWH-200, CP-47,497, or cannabicyclohexanol or who engages in research or conducts instructional activities with respect to JWH-018, JWH-073, JWH-200, CP-47,497, or cannabicyclohexanol, or who proposes to engage in such activities, must be registered to conduct such activities in accordance with **21 U.S.C. 823** and **958**. Any person who is currently engaged in any of the above activities and is not registered with DEA must submit an application for registration and may not continue their activities until DEA has approved that application. Retail sales of Schedule I controlled substances to the general public are not allowed under the Controlled Substances Act.

2. Security. JWH-018, JWH-073, JWH-200, CP-47,497, and cannabicyclohexanol are subject to Schedule I security requirements. Accordingly, appropriately registered DEA registrants must manufacture, distribute and store these substances in accordance with **1301.71**; **1301.72**(a), (c), and (d); **1301.73**; **1301.74**; **1301.75**(a) and (c); and **1301.76** of Title 21 of the Code of Federal Regulations as of March 1, 2011.

3. Labeling and packaging. All labeling and packaging requirements for controlled substances set forth in **Part 1302** of Title 21 of the Code of Federal Regulations shall apply to commercial containers of JWH-018, JWH-073, JWH-200, CP-47,497, and cannabicyclohexanol. Current DEA registrants shall have thirty (30) calendar days from the effective date of this Final Order to be in compliance with all labeling and packaging requirements.

4. Quotas. Quotas for JWH-018, JWH-073, JWH-200, CP-47,497, and cannabicyclohexanol will be established based on registrations granted and quota applications received pursuant to **part 1303** of Title 21 of the Code of Federal Regulations.

5. Inventory. Every DEA registrant who possesses any quantity of JWH-018, JWH-073, JWH-200, CP-47,497, or cannabicyclohexanol is required to keep inventory of all stocks of these substances on hand pursuant to **1304.03**, **1304.04**, and **1304.11** of Title 21 of the Code of Federal Regulations. Every current DEA registrant who desires registration in Schedule I for JWH-018, JWH-073, JWH-200, CP-47,497, or cannabicyclohexanol shall conduct an inventory of all stocks of these substances. Current DEA registrants shall have thirty (30) calendar days from the effective date of this Final Order to be in compliance with all inventory requirements.

6. Records. All registrants who handle JWH-018, JWH-073, JWH-200, CP-

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47,497, or cannabicyclohexanol are required to keep records pursuant to **1304.03**, **1304.04**, **1304.21**, **1304.22**, and **1304.23** of Title 21 of the Code of Federal Regulations. Current DEA registrants shall have thirty (30) calendar days from the effective date of this Final Order to be in compliance with all recordkeeping requirements.

7. Reports. All registrants are required to submit reports in accordance with **1304.33** of Title 21 of the Code of Federal Regulations. Registrants who manufacture or distribute JWH-018, JWH-073, JWH-200, CP-47,497, or cannabicyclohexanol are required to comply with these reporting requirements and shall do so as of March 1, 2011.

8. Order Forms. All registrants involved in the distribution of JWH-018, JWH-073, JWH-200, CP-47,497, or cannabicyclohexanol must comply with order form requirements of **part 1305** of Title 21 of the Code of Federal Regulations as of March 1, 2011.

9. Importation and Exportation. All importation and exportation of JWH-018, JWH-073, JWH-200, CP-47,497, or cannabicyclohexanol must be conducted by appropriately

registered DEA registrants in compliance with **part 1312** of Title 21 of the Code of Federal Regulations on or after March 1, 2011.

10. Criminal Liability. The manufacture, distribution, dispensation, or possession with the intent to conduct these activities; possession; importation; or exportation of JWH-018, JWH - 073, JWH-200, CP-47,497, or cannabicyclohexanol not authorized by, or in violation of the CSA or the Controlled Substances Import and Export Act occurring as of March 1, 2011 is unlawful.

Executive Order 12988

This final temporary scheduling order meets the applicable standards set forth in sections 3(a) and 3(b)(2) of Executive Order 12988 Civil Justice Reform.

Executive Order 13132

This final temporary scheduling order does not preempt or modify any provision of State law; nor does it impose enforcement responsibilities on any State; nor does it diminish the power of any State to enforce its own laws. Accordingly, this order does not have federalism implications warranting the application of Executive Order 13132.

Congressional Review Act

Pursuant to section 808(2) of the Congressional Review Act, the agency is not required to comply with the Act if it makes a good faith finding that notice and public procedure thereon are impracticable, unnecessary, or contrary to the public interest. It is in the public interest to schedule these cannabinoids immediately because they pose a public health risk. Use of materials spiked with these cannabinoids has been the cause of emergency room visits and calls to poison control centers. The adverse health effects associated with these synthetic cannabinoids and their related products include agitation, anxiety, nausea, vomiting, tachycardia (fast, racing heartbeat), elevated blood pressure, tremor, seizures, hallucinations, paranoid behavior, and non- responsiveness. The materials have been marketed on products that are available to the general public, and their manufacture is devoid of quality controls and unregulated.

This temporary scheduling action is taken pursuant to **section 811**(h), which is specifically designed to enable DEA to act in an expeditious manner to avoid an imminent hazard to the public safety from new or designer drugs or abuse of those drugs. Section 811(h) exempts the temporary scheduling order from standard notice and comment rulemaking procedures to ensure that the process moves swiftly. For the same reasons that underlie section 811(h), that is, DEA's need to move quickly to place these five cannabinoids into Schedule 1 because they pose a threat to public health, it would be contrary to the public interest to delay implementation of the temporary scheduling order by requiring DEA to undertake the procedures necessary to comply with the Congressional Review Act prior to the order taking effect.

Unfunded Mandates Reform Act of 1995

This final temporary scheduling order will not result in the expenditure by State, local and tribal governments, in the aggregate, or by the private sector, of $126,400,000 or more (adjusting for inflation) in any one year, and it will not significantly or uniquely affect small governments. Therefore, no actions were deemed necessary under the provisions of the Unfunded Mandates Reform Act of 1995.

List of Subjects in 21 CFR Part 1308

Administrative practice and procedure, Drug traffic control, Reporting and recordkeeping requirements.

Under the authority vested in the Attorney General by section 201(h) of the CSA (**21 U.S.C. 811**(h)), the Administrator hereby amends 21 CFR part 1308 as follows:

PART 1308--SCHEDULES OF CONTROLLED SUBSTANCES

- 1. The authority citation for part 1308 continues to read as follows:

  Authority: **21 U.S.C. 811**, **812**, **871**(b), unless otherwise noted.

- 2. **Section 1308.11** is amended by adding new paragraphs (g)(1), (2), (3), (4), and (5) to read as follows:

Sec. 1308.11 Schedule I.

* * * * *

(g) * * *

(1) 5-(1,1-Dimethylheptyl)-2-[(1R,3S)-3-hydroxycyclohexyl]-phenol, its optical, positional, and geometric isomers, salts and salts of isomers--7297 (Other names: CP-47,497)

(2) 5-(1,1-Dimethyloctyl)-2-[(1R,3S)-3-hydroxycyclohexyl]-phenol, its optical, positional, and geometric isomers, salts and salts of isomers--7298 (Other names: cannabicyclohexanol and CP-47,497 C8 homologue)

(3) 1-Butyl-3-(1-naphthoyl)indole, its optical, positional, and geometric isomers, salts and salts of isomers--7173 (Other names: JWH- 073)

(4) 1-[2-(4-Morpholinyl)ethyl]-3-(1-naphthoyl)indole, its optical, positional, and geometric isomers, salts and salts of isomers--7200 (Other names: JWH-200)

(5) 1-Pentyl-3-(1-naphthoyl)indole, its optical, positional, and geometric isomers, salts and salts of isomers--7118 (Other names: JWH- 018 and AM678)

Dated: February 18, 2011.

Michele M. Leonhart,
Administrator.

[FR Doc. 2011-4428 Filed 2-28-11; 8:45 am]

BILLING CODE 4410-09-P

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Comparing States' Laws on Synthetic Cannabinoids to Selected Alaska Drug Laws				
State	**Citation**	**Controlled Substance Schedule**	**Crime Classification** (1st Offense--Possession)	**Penalty**
Alaska	AS § 11.71.040 and § 12.55.125	Schedule IIA (as proposed in HB 7)	Class C felony	Maximum 5 years imprisonment and $50,000 fine (presumptive sentence is far less--suspended sentence possible)
	AS § 11.71.050	Schedule IIIA	Class A misdemeanor	Maximum 1 year imprisonment and $10,000 fine
Alabama	CA § 13A-12-213 to 14.1	Not scheduled	Class A misdemeanor	Sentencing guidelines: up to 32 month sentence typically allotted by court among probation, community corrections, county jail/work release or an alternative
Georgia	OCGA § 16-30-25 and 16-13-30	Schedule I	Unclassified felony	2-15 years imprisonment
Illinois	720 ILCS § 570/204 and 402(c) and 730 ILCS § 5/5-4.5-45 and 5-4.5-50	Schedule I	Class 4 felony	1-3 years imprisonment and $25,000 fine
Kansas	KSA § 21-36a06 and 4708	Schedule I	Class A non-person misdemeanor	Sentencing guidelines: typically, 10-12 months of probation
Kentucky	KRS § 218A.1427 and 534.040	Schedule I	Class B misdemeanor	Maximum imprisonment of 90 days and fine of $250
Louisiana	LSA § 40:966	Schedule I	Unclassified	Maximum 6 months in jail and $500 fine
Michigan	MCL § 333.7403	Schedule I	Unclassified misdemeanor	Maximum 1 year imprisonment and $2,000 fine
Mississippi	MC § 41-29-113 and 139	Schedule I	Unclassified misdemeanor or felony depending upon amount of drug	For example, 0.1 grams to 2 grams, up to 2 years imprisonment and $50,000 fine; 10-30 grams, 6-24 years imprisonment and up to $50,000 fine.
Missouri	MRS § 195.202, 558.011, and 560.016	Schedule I	Class A misdemeanor	Maximum 1 year imprisonment and $1,000 fine
Oklahoma	OSA 63 § 2-204 and § 2-402	Schedule I	Unclassified felony	2-10 years imprisonment and $5,000 fine
Tennessee	TCA § 39-17-438	Not scheduled	Class A misdemeanor	Sentencing guidelines--wide latitude to courts
Notes and Source: This table provides information gleaned from the *Lexis* database of state statutes on first offenses for possessing small amounts of synthetic cannabinoids or the referenced drug schedule, as applicable. Please note that a variety of crime-specific circumstances and elements of criminal procedure impact actual sentences.				

APOA
ALASKA PEACE OFFICERS ASSOCIATION

ALASKA ASSOCIATION OF CHIEFS OF POLICE

Women Police of Alaska

February 14, 2011

Representative Cathy Muñoz
House of Representatives
State Capitol
Juneau AK 99801-1182

Dear Representative Muñoz:

On behalf of our respective organizations, we would like to thank you for introducing HB 7, an Act classifying certain synthetic cannabinoids as schedule IIA controlled substances; and providing for an effective date.

We met recently to review proposed legislation and decided to unanimously support this bill.

Again, thank you for addressing this issue. Please contact the APOA office in Anchorage at 277-0515 if there is anything our organizations can do to assist in the passage of this bill.

Sincerely,

John Lucking Jr., President
Alaska Peace Officers Association
PO Box 240106
Anchorage AK 99524

Tom Clemons, President
Alaska Association of Chiefs of Police
183 Nelson Ave
Wasilla AK 99654

Michele Logan, President
Women Police of Alaska
PO Box 233306
Anchorage AK 99523

cc: Reps. Carl Gatto, Bob Herron, Beth Kerttula, Bob Lynn, and Lance Pruitt

FAIRBANKS POLICE
911 Cushman Street
Fairbanks, Alaska 99701-4616
Phone (907) 450-6500
Fax (907) 452-1588
Email: fpd@ci.fairbanks.ak.us

January 21, 2011

Representative Cathy Munoz
State Capitol Room 403
Juneau AK 99801

Dear Representative Munoz:

As the Chief of Police for the Fairbanks Police Department, I would like to extend my support of House Bill No. 7 "An Act classifying certain synthetic cannabinoids as schedule IIA controlled substances."

According to the U.S. Department of Justice Drug Enforcement Administration, these substances have no known therapeutic use and are known to cause a variety of effects including seizures, hallucinations, psychotic episodes, and non-responsiveness. In addition the Alaska Information Analysis Center (AKIAC) has reported in studies that subjects have reported having difficulties with balance, slurred speech, and being light headed.

These cannabinoids present a significant threat to the safety of Alaska's citizens as long as they remain unclassified. Without this new legislation a person who is under the influence of synthetic cannabinoids while operating a motor vehicle is not in violation of the law. This presents a clear danger to the citizens of Alaska, as someone could potentially be under the influence of a synthetic cannabinoid while driving and experience hallucinations, seizures, or a psychotic episode. This is not a hypothetical situation and the Fairbanks Police Department has already investigated a motor vehicle accident where the driver of the vehicle was having seizures as a result of consuming synthetic cannabinoids.

By classifying synthetic cannabinoids as a schedule II controlled substance, the act of operating a motor vehicle under the influence of a synthetic cannabinoid would become an illegal act. This bill would therefore have a direct impact on the safety of the citizens of the State of Alaska.

Sincerely

Laren Zager
Chief of Police
Fairbanks Police Department

MUNICIPALITY OF ANCHORAGE

Office of the Municipal Attorney
Civil Division, Suite 730

Telephone: 907-343-4545
Fax: 907-343-4550

Mayor Dan Sullivan

February 8, 2011

Chairman Carl Gatto
House Judiciary Committee
State Capitol, Room 118
Juneau, Alaska 99801-1182

Vice-Chair Steve Thompson
House Judiciary Committee
State Capitol, Room 428
Juneau, Alaska 99801-1182

Re: House Bill 7 and Senate Bill 17 - *Synthetic Cannabinoids*

Dear Representatives:

The Municipality of Anchorage supports the bills currently before the legislature. As I indicated last Friday before your Committee, the primary reasons to treat synthetic cannabinoids more serious than their organic equivalents is because the potency of the synthetics has been found to be up to 800 times greater than the organic, and the potency from sample to sample varies widely. We have evidence that this high potency induces hallucinogenic reactions and unpredictable behaviors that are far more dangerous to the user, and those who may come into contact with them, than marijuana. The variations in the strength of any one dose can cause users to get a mild reaction in one instance and fall into unconsciousness in another instance. We have had one death in Anchorage that can be directly attributed to the use of synthetic cannabinoids. The Municipality believes felony prosecution for the manufacture, production, distribution, and sale of synthetics is a necessary tool that should be available to law enforcement to discourage the use of these drugs.

The Municipality supports providing the State Crime Lab with necessary resources to test for these drugs. As of a couple of months ago, we were aware of only two labs nationally that could test for these products in blood or urine. One lab could test urine samples and the other could test blood samples. In order to successfully prosecute people in the chain of production and consumption, we need the capability of testing both seized products and the bodily fluids of users. If properly resourced, having these tests performed locally and having local technicians available to testify, may save both money and time over using out-of-state labs.

Please find included in our email the Powerpoint presentation our Traffic Safety Resource Prosecutor uses. We have been making these presentations to the local military, business groups, and governmental agencies. We look forward to providing additional testimony on the bills in the coming weeks. If you have any questions, please do not hesitate to contact me.

Sincerely,

Dennis A. Wheeler
Municipal Attorney

cc: Sara Gill, Special Assistant to the Mayor

Mat-Su Substance Abuse Prevention Coalition

January 31, 2011

Alaska House of Representatives

RE: Synthetic Cannabinoids

To Whom it May Concern,

The purpose of this correspondence is to support House Bill 7 that would list certain synthetic cannabinoids found in "K2" or "Spice" as Scheduled controlled substances which will provide law enforcement will have the necessary authority to prosecute the sell and possession of these substances. These drugs are currently being sold in several local venders which sends the social message that they are not harmful and social acceptable; thereby, increasing the risk for youth consumption and related consequences.

K2/Spice products are a mixture of herbal/spice plant products sprayed with potent psychotropic drugs, often contaminated with unidentified toxic substances which is marketed under variety of names including K2, Spice, Pep Spice, Spice Silver, Spice Gold, Spice Diamond, Smoke, Sence, Skunk, Yucatan Fire, Genie & Zohai and sold in variety of colors/flavors-usually sold in foil packaging

The growing popularity of these drugs is causing increasing alarm among law enforcement officials, lawmakers, and health care professionals across America. "Spice" has been banned by some U.S. domestic and overseas military commands as well as in Germany and other European countries because substances have been identified in the product to have the presence of chemicals with tetrahydrocannabinol (THC)-like effects.

The danger in smoking "Spice" is that the product is unregulated and not manufactured in a controlled environment. Smoking this product could be very harmful because the substance could also include unknown contaminants. Therefore, there is no way to accurately determine what the potential harmful effects could be. [1] Medical officials concur that smoking "Spice" can cause adverse effects to one's health. Hospitals have reported incidents of people, mostly

[1] 4Mind Hacks: Spice flow: the new street drug pharmacology December 01, 2009, Accessed 13 May 2010 and Wikipedia Accessed 13 May 2010

teenagers, visiting emergency rooms for: heart palpitations, respiratory issues, panic attacks, hallucinations, delusions, and, one case where a teen lapsed into a coma.[2]

The Mat-Su Substance Abuse Prevention Coalition seeks to reduce substance abuse among youth by advocating for and implanting evidence-based environmental strategies. These drugs are currently sold at local shops which increases access to the drug and sends the social message to young people that they are acceptable and not harmful.

I have attached legislation adopted by the state of Missouri which contains a list of the compounds used to create these drug which can be used by the Senate as a template to draft a similar bill/ordinance.

The Mat-Su Substance Abuse Prevention Coalition appreciates your time and consideration of this issue. If you would like any additional information, please contact the project coordinator, undersigned. Thank you for your time.

Sincerely,

Desiree Compton, for Mat-Su Substance Abuse Prevention Coalition
Project Coordinator
124 W. Swanson, Suite C
Wasilla, AK 99654
(907) 373-5818
dcompton@unitedwaymatsu.org

Mat-Su Substance Abuse Prevention Coalition

Vision: Our vision is to enhance our community by supporting healthy lifestyles and drug free alternatives.

Mission Statement: To reduce substance abuse among youth and, over time, among adults by addressing the factors in our community that increase the risk of substance abuse and promoting the factors that minimize the risk of substance abuse.

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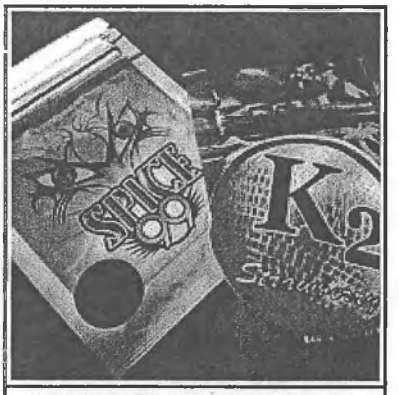
[2] "Synthetic Marijuana A Growing Trend Among Teens, Authorities Say", CNN/WIBW.com March 24, 2010. Accessed 10 May 2010

News Release
FOR IMMEDIATE RELEASE
March 01, 2011
Contact: DEA Public Affairs
Number: 202-307-7977

Chemicals Used in "Spice" and "K2" Type Products Now Under Federal Control and Regulation

DEA Will Study Whether To Permanently Control Five Substances

MAR 01 - WASHINGTON, D.C. – The United States Drug Enforcement Administration (DEA) today exercised its emergency scheduling authority to control five chemicals (JWH-018, JWH-073, JWH-200, CP-47,497, and cannabicyclohexanol) used to make so-called "fake pot" products. Except as authorized by law, this action makes possessing and selling these chemicals or the products that contain them illegal in the United States. This emergency action was necessary to prevent an imminent threat to public health and safety. The temporary scheduling action will remain in effect for at least one year while the DEA and the United States Department of Health and Human Services (DHHS) further study whether these chemicals should be permanently controlled.



Chemicals like K-2 and Spice are designated as Schedule I substances, the most restrictive category under the Controlled Substances Act.

The Final Order was published today in the *Federal Register* to alert the public to this action. These chemicals will be controlled for at least 12 months, with the possibility of a six month extension. They are designated as Schedule I substances, the most restrictive category under the Controlled Substances Act. Schedule I substances are reserved for those substances with a high potential for abuse, no accepted medical use for treatment in the United States and a lack of accepted safety for use of the drug under medical supervision.

Over the past couple of years, smokeable herbal products marketed as being "legal" and as providing a marijuana-like high, have become increasingly popular, particularly among teens and young adults. These products consist of plant material that has been coated with research chemicals that claim to mimic THC, the active ingredient in marijuana, and are sold at a variety of retail outlets, in head shops, and over the Internet. These chemicals, however, have not been approved by the FDA for human consumption, and there is no oversight of the manufacturing process. Brands such as "Spice," "K2," "Blaze," and "Red X Dawn" are labeled as herbal incense to mask their intended purpose.

Since 2009, DEA has received an increasing number of reports from poison control centers, hospitals and law enforcement regarding these products. At least 16 states have already taken action to control one or more of these chemicals. The Comprehensive Crime Control Act of 1984 amends the Controlled Substances Act (CSA) to allow the DEA Administrator to place a substance temporarily in schedule I when it is necessary to avoid an imminent threat to the public safety. Emergency room physicians report that individuals that use these types of products experience serious side effects which include: convulsions, anxiety attacks, dangerously elevated heart rates, increased blood pressure, vomiting, and disorientation.

"Young people are being harmed when they smoke these dangerous 'fake pot' products and wrongly equate the products' 'legal' retail availability with being 'safe'," said DEA Administrator Michele M. Leonhart. "Parents and community leaders look to us to help them protect their kids, and we have not let them down. Today's action, while temporary, will reduce the number of young people being seen in hospital emergency rooms after ingesting these synthetic chemicals to get high."

>> Notice of Intent to Temporarily Control Five Synthetic Cannabinoids

Advisory Board on Alcoholism and Drug Abuse

abada amhb

Alaska Mental Health Board

ALASKA MENTAL HEALTH BOARD
ADVISORY BOARD ON ALCOHOLISM AND DRUG ABUSE
431 NORTH FRANKLIN STREET, SUITE 200
JUNEAU, ALASKA 99801
(907) 465-8920

February 3, 2011

Representative Cathy Munoz
Alaska State Legislature
Capitol Building, Room 403
Juneau, Alaska 99801

Re: HB 7 – Regulation of Synthetic Cannabinoids

Dear Representative Munoz,

On behalf of the Advisory Board on Alcoholism and Drug Abuse, I would like to express our appreciation of your bringing this important issue to the forefront. Synthetic marijuana or "cannabinoids" pose a grave risk to youth and adults, given the serious health consequences and impairments experienced by users of these drugs.

The dangers posed by synthetic marijuana are serious. While the base products may be natural, the chemicals used to mimic the properties of THC are not approved for human consumption. National news reports on the effects of these products include elevated heart rate and blood pressure, extreme anxiety, poisoning, nausea and vomiting, hallucinations, overdoses, and even addiction.

The American Association of Poison Control Centers reported more than 3,000 calls related to poisoning by synthetic marijuana products in 2010 – and nearly 400 calls since January 1 of this year. The U.S. Army banned use of synthetic marijuana by service members in August 2010. The U.S. Drug Enforcement Agency (DEA) exercised its emergency scheduling authority to **temporarily** control five chemicals used in synthetic marijuana products (JWH-018, JWH-073, JWH-200, CP-47,497, and cannabicyclohexanol). This federal regulation is limited in duration (12-18 months), leaving Alaskans at risk after that time without the state taking action.

The effects of synthetic marijuana are being felt right here in Alaska. News reports of crimes involving these products have come from Fairbanks and Anchorage. The U.S. Army reported courts martial and non-judicial discipline of more than thirty soldiers in Alaska by December 2010. The Anchorage School District reports use by students (though not to the same extent as actual marijuana). Given the health consequences and the role synthetic marijuana can play in criminal activity, there is a more than adequate basis for the regulation of these products to protect the health and safety of Alaskans.

Thank you for your work to protect Alaskans from these harmful products.

Sincerely,

J. Kate Burkhart
Executive Director

Kendra Kloster

From: Scott Spickler [sspickler@gmail.com]
Sent: Monday, January 24, 2011 4:07 PM
To: Kendra Kloster
Subject: HB-7,SB17

To Representives Munoz and Kerttula and Senator Egan

I would like to voice my support for the passage of HB 7 and SB 17 banning synthetic marijuana and the chemical substances that these "Herbal Incense" are laced with.

I feel that for this product to be sold off the shelf by local businesses to anyone is a criminal act and the penalities should be severe enough to discourage the sale and distribution of this meth like product.

The target market for synthetic pot, in my opinion, is typically anyone that is trying to avoid drug use detection by their employers, (including the military), as well as students participating in school sports at districts that have a drug testing program in place.

While people over 18 should know better than to smoke this substance, many do not understand the consequences of inhaling the unregulated chemicals sprayed on these herbs. I fear that the drug is going to cause irreparable harm or death to someone, and sadly that someone will likely be under the age of 18 to get the public's attention and to shed the light on the potential harm that this product can cause. However, passage of a law to criminalize the sale and possession can help circumvent that concern.

.he Federal Government regulates the importation of toys painted with lead from China, sometimes not all that well quite honestly. Alaska should join the ranks of several other states that have already passed legislation of this particular poison from being so readily available on store shelves.

We don't need to make it easy for people to gain access to this drug.

Thank you,

Scott Spickler
10754 Horizon Dr.
Juneau, AK. 99801

789-3780 W.

Kendra Kloster

From: frank.b@gci.net on behalf of Frank Bergstrom [frank.b@gci.net]
Sent: Tuesday, January 25, 2011 10:26 AM
To: Kendra Kloster
Subject: HB-7 and SB-17

Honorable Representatives Munoz and Kerttula, and Senator Egan:

Please support the above bills and outlaw synthetic cannabis products (Spice, K2, etc.).

- This family of drugs is intended to produce a high – thus users are impaired in any activities they may undertake (e.g. driving)
- These products appear to be falsely labeled and do not contain herbal plants, but rather cannabinoid compounds related to THC (active ingredient in pot); i.e., they lie

It would appear these products are a thinly veiled effort to bypass anti-marijuana rules to sell pot by-any-other-name. Whether it is pot or other, the stated intent is to produce a drugged high. That alone is sufficient to merit regulation as a controlled substance. At a minimum it should be so regulated – at best it would be made illegal. It's market is based on wriggling around anti-drug law. Let's close the door on the deceptive marketing of pot by-any-other-name. It is a drug (or group of drugs) being made available to the public essentially as an unregulated nutraceutical. This is a sham and should be ended.

Respectfully,

Frank Bergstrom

Frank Bergstrom
PO Box 22909
Juneau, AK 99802
907-523-1995 phone/fax
907-321-3637 cell
frank.b@gci.net

Kendra Kloster

From: bruce@donabel.biz on behalf of Bruce Abel [bruce@donabel.biz]
Sent: Tuesday, January 25, 2011 10:07 AM
To: Kendra Kloster
Subject: HB-7/SB17

Dear Representatives Munoz and Kerttula and Senator Egan:

I would like express my support and encourage you to pass HB 7 and SB 17 banning synthetic marijuana and the chemical substances that lace these "Herbal Incense". These substances should not be sold to anyone for any reason. The sale of such material should be designated a criminal act with penalties severe enough to discourage their sale and distribution.

As an employer with strict drug use policies the legal sale of synthetic narcotics creates untold liability. I think it is safe to say that if my fully loaded boom truck is in an accident with your loved ones and the driver has been enjoying "Herbal Incense" prior to the accident you won't be satisfied with a defense that the product was sold over the counter by a local business and is legal. Dead is dead. Legalizing these materials creates a liability nightmare for employers, school sports programs and endangers the public.

Alaska has more than its share of substance abuse problems so lets join with other states that have already passed legislation of this particular poison from being so readily available on store shelves.

Sincerely,

Bruce Abel
President/CEO
Don Abel Bilding Supply
9999 Glacier Highway
Juneau, AK. 99801

Kendra Kloster

From: Kasen Spickler [kasen_spickler@hotmail.com]
Sent: Monday, January 24, 2011 8:59 PM
To: Kendra Kloster
Cc: Scott Spickler
Subject: HB-7, SB17

To whom it may concern,

I would like to voice my opinion in favor of banning synthetic marijuana in Alaska. It's a very dangerous drug and it doesn't belong in our state.

I have seen what smoking this does to a person and it was a very scary experience. Vomiting, very intense hallucinations, and high heart rate just to name a few symptoms. I believe if I wasn't around during this episode this person very well could have died. I think it's just a matter of time before it does take someones life.

I hope Alaska follows in many other states footsteps and bans this substance.

Kasen Spickler
9690 N. Douglas Hwy.
Juneau, AK 99801

(907) 723-9330

Testimony for HB7

I would have to start by saying that I never thought I would have had a bad trip on synthetic herb, most times people have bad trips from mushrooms or acid but that herb I had was unlike anything I'd ever heard of. I had started smoking spice in February of this year and smoked on weekends. The appealing side of this herb was that it gave a marijuana like high for about 3 hours with just a couple of hits and the best part being that you didn't have to worry about drug tests because it passed for friends that I knew in the military so passing standard tests was not a problem.

Now another plus to this herb was that unlike normal weed, this herb is not supposed to produce any paranoia, and there was no sign of being high at all, such as no red eye, no half open eyes and you were able to basically be a functional stoner, you could be in public and not look or smell high in anyway. This of course was very appealing to me and many of my friends who also couldn't smoke weed because of drug tests at their jobs.

The brand of spice I had been smoking for about 6 months was called red dawn, spark 20. The herb I smoked the night of my incident was called spike, max. I only had 2 hits and less than 2 minutes later I was losing my perception of what was real in every way, it turned everything into a fuzzy cartoon like picture and I lost control of my legs that I couldn't walk at all. I couldn't talk. I could hear what I thought and what I wanted to say, but all I was spitting out was gibberish. This went on for what felt like many hours. I can remember thinking to myself that I wasn't actually going come out of this craziness and this might be how I end up dying! I remember telling my brother to call 911 and remember going into the ambulance and ending up in the hospital for a day. The doctors haven't had an incident with synthetic herb until that night and I had to basically be flushed out for 10 hours.

I know many people are still going to want to try spice but the fact it's just a bunch of chemicals sprayed on tobacco and nobody knows what the long term affects of this herb are and the scary thing is that this stuff is so easy to purchase. The price has dropped here in town from $53 a gram down to $30 a gram, which is just a bit more than the going rate for actual weed.

I would have thought this herb was completely harmless but the fact that a regular smoker such as myself could even have a bad experience as bad as mine was a huge eye opener to just how bad this stuff really is. The fact that it's very easy to get in town and that it only takes a little bit to get to a mind altering high is spooky. I know a large number of kids in town have had a substance abuse problem and this drug is dangerous because of the fact you can have an herb that twists reality in such a way that you can't tell what's real and what's a hallucination. I see this problem getting worse in the near future because it's a new drug that is easy to obtain and has a weed like high and at the same time has dangerous side effects.

HB

13

<TARGET><BILL>HB 13</BILL><SUBJECT>HB
13</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/1/11

FURTHER:

DATE TURNED IN TO OFFICE: 4.16.11

Finance Committee considered HOUSE BILL NO. 13

HB 13-WORKERS' COMPENSATION: MEDICAL FEES

"An Act relating to fees and charges for medical treatment or services as they relate to workers' compensation; and providing for an effective date."

and recommends:

[ ] be **replaced** with **SCS** _____ (_____) *[ ] Same Title [ ] Technical Title Change [ ] New Title/SCR No._____*

[ ] adopt **previous SCS** _____ (_____) *[ ] Same Title [ ] Technical Title Change [ ] New Title/SCR No._____*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
HFC/LWF	✓			2

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	McGuire			✓	
	Olson			✓	
	ELLIS			✓	
CO-CHAIR:	Hoffman			✓	
CO-CHAIR:	STBoman	✓			

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: HB 13
(H) Publish Date: 3/9/11

Identifier (file name): HB013-DOLWD-WC-1-24-11
Title: Workers' Compensation Medical Fee Schedule
Sponsor: Representative Kurt Olson
Requester: House Finance Committee

Dept. Affected: Labor and Workforce Development
Appropriation: Workers' Compensation
Allocation: Workers' Compensation
OMB Component Number: 344

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual	75.0						
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**75.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts	75.0						
TOTAL	**75.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost 75.0

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

The out years were zeroed out in order for the Department of Labor and Workforce Development to provide accurate costs of future fiscal impact.

Prepared by: James Armstrong
Division: House Finance Committee
Phone: 907-465-4958
Date/Time: 3/8/11 10:30 AM

Approved by: Rep. Bill Stoltze
House Finance Committee Co-Chair
Date: 3/8/2011

(Revised 12/29/2010 OMB)

ALASKA STATE LEGISLATURE

REPRESENTATIVE KURT OLSON

- Chair: Labor and Commerce
- Vice Chair: Rules, Administrative Regulation Review
  Economic Development Trade & Tourism
- Member: Energy, Legislative Budget & Audit

Session: January - April
State Capitol, Room 24
Juneau, AK 99801-1182
Phone: 907-465-2693
Fax: 907-465-3835

Interim: May - December
145 Main Street Loop, Ste 221
Kenai, AK 99611
Phone: 907-283-2690
Fax: 907-283-2763

Official Business

Sectional Analysis

House Bill 13

"An Act relating to fees and charges for medical treatment or services as they relate to workers' compensation; and providing for an effective date."

This is a summary only. Note that this sectional analysis should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1. Amends AS 23.30.097(a) to provide that after December 31, 2010, the fee may not exceed the usual, customary and reasonable charges in a fee schedule adopted by the board which must include the most recent Current Procedural Terminology codes maintained by the American Medical Association for category I, II and III medical services and the Health Care Procedure Coding System for medical supplies, injections, emergency transportations and other medically related services. The fee schedule must reflect the cost in the geographical area where services are provided and is set at the 90th percentile.

Section 2. Provides for an immediate effective date under AS 01.10.070(c)

Email: Representative_Kurt_Olson@legis.state.ak.us

Alaska Medical Average Cost per Case vs. Countrywide



* Countrywide figure is preliminary
Source: NCCI financial data valued as of 12/31/08 and 12/31/09

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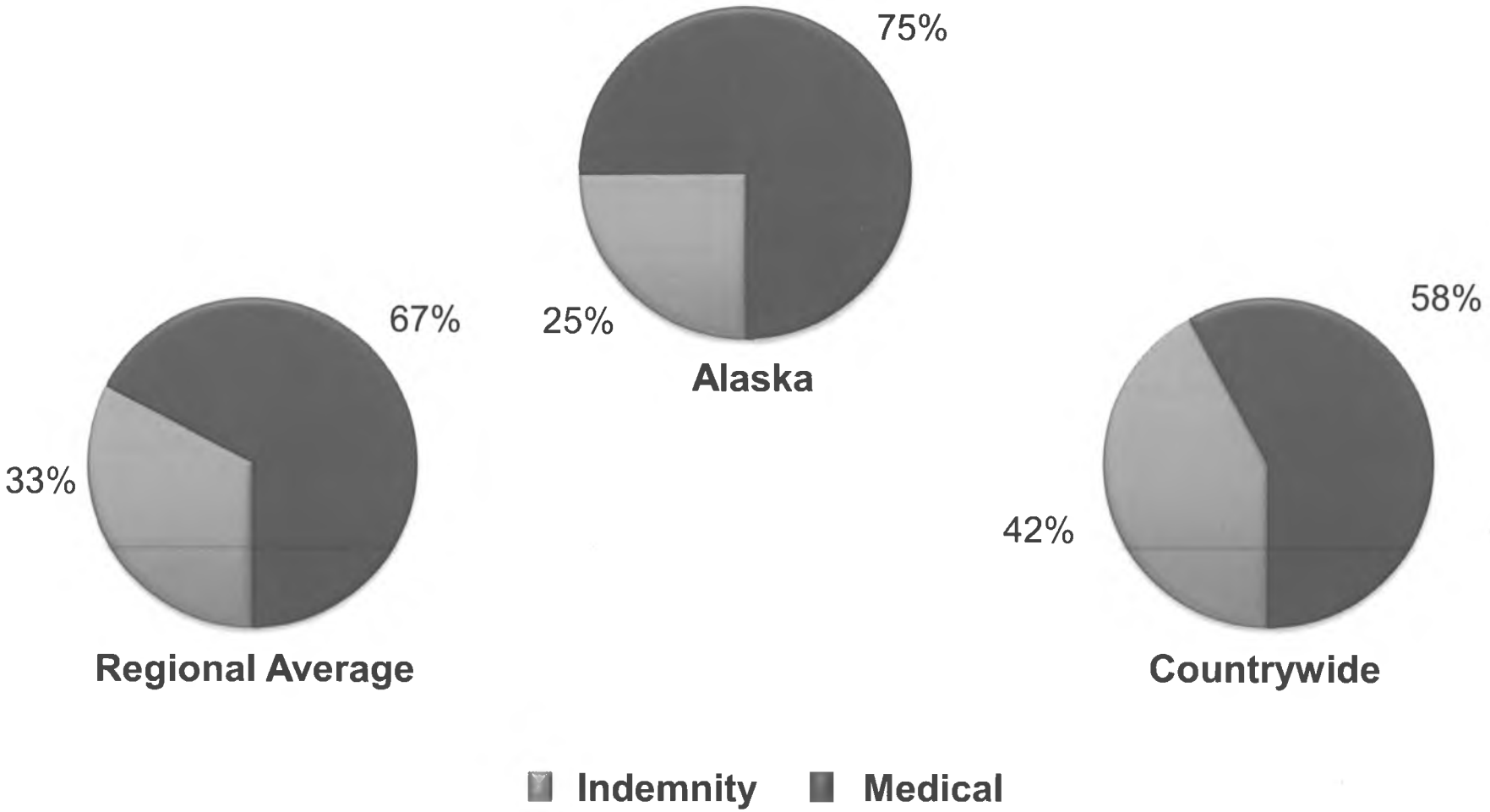
Medical Benefits Constitute the Majority of Total Benefit Costs in Alaska



Regional states are AZ, MT, NM, and OR

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schedule conversion factor and the education and promotion of EBM as defined by Sackett and the ultimate adoption of EBM treatment guidelines are necessary to effectively control medical costs.

The committee also finds, however, the adoption of EBM treatment guideline requires greater study and public involvement than this committee has managed to garner. It may be wise to view this as a public health intervention since it will affect thousands of people, thus requiring careful thought, planning and attention to public perception and buy-in. Selection and adoption of treatment guidelines with over-emphasis on cost control without explicit focus on the benefits of changes to workers, coupled with overly-hasty and poorly-planned implementation can cause widespread confusion, needless system disruption and delays, and resistance by system participants who might otherwise cooperate as occurred in California. Further study with more public involvement and discussion of the purpose, anticipated benefits and intended outcomes of guidelines adoption is likely needed before practice guidelines can be implemented.

D. Other Methods for Improving Workers' Compensation. During its study of various medical cost control methods employed in other jurisdictions, the committee has realized the vital role advisory councils play in the development and improvement of workers' compensation systems throughout North America. Although Alaska has attempted to promote change through the efforts of an informal *ad hoc* group, the committee believes that a formal advisory council should be statutorily created to monitor the performance of the Alaska workers' compensation system and, on an on-going basis, make recommendations to reduce injuries and improve the effectiveness of care delivered to injured workers and the overall outcomes produced for injured workers, their employers and the state's overall economic and social well-being. The establishment of such a council would not only assist in providing the public involvement necessary to implement treatment guidelines but could play a central role in the improvement of Alaska's workers' compensation system as a whole through adoption of the framework, model, and process offered by The 60 Summits Project. The minority while in favor of creating an advisory council believes that a medical services review committee that is more medically dominated is important to maintain to address areas requiring more specialized knowledge and medical consensus. The minority suggests that joint meetings could be utilized where needed as in a 60 Summits process.

IX. RECOMMENDATIONS. Based on the above, the committee recommends as follows:

A. Medical Costs. The committee was not unanimous on all sections listed below. One member abstained from the fee schedule language in (b) below and although all members agree with the concept of evidence-based medicine and treatment guidelines, two believed the language contained in section (c) should be eliminated.

Amend AS 23.30.097 to take effect January 1, 2011 to read as follows:

(a) All fees and other charges for medical treatment or service are subject to regulation by the board consistent with this section. A fee or other charge for medical treatment or service may not exceed the lowest of

(1) the fee schedule as published by the department under (b) of this section; [THE USUAL, CUSTOMARY, AND REASONABLE FEES FOR THE TREATMENT OR SERVICE IN THE COMMUNITY IN WHICH IT IS RENDERED, FOR TREATMENT OR SERVICE, (A) PROVIDED BEFORE AUGUST 1, 2007, NOT TO EXCEED THE FEES IN THE FEE

SCHEDULE SPECIFIED BY THE BOARD IN ITS PUBLISHED BULLETIN DATED DECEMBER 1, 2004; (B) PROVIDED ON OR AFTER AUGUST 1, 2007, BUT BEFORE MARCH 31, 2009, NOT TO EXCEED THE FEES OTHERWISE APPLICABLE IN (A) OF THIS PARAGRAPH ADJUSTED BY THE PERCENTAGE CHANGE FROM 2004 TO 2006 IN THE MEDICAL CARE COMPONENT OF THE CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS COMPILED BY THE UNITED STATES DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS]

(2) the fee or charge for the treatment or service when provided to the general public; or

(3) the fee or charge for the treatment or service negotiated by the provider and the employer under (c) of this section.

(b) **The department shall annually establish a schedule of fees by bulletin on or before December 1 of each year to take effect on January 1 the following year. The fee schedule rates shall be established in consultation with the Medical Services Review Committee or its successor as a subcommittee of the advisory council and be based on the following standards as adopted by the Centers for Medicare and Medicaid services in effect at the time the services are provided, regardless of where services are provided:**

(1) The American Medical Association Current Procedural Terminology Codes (CPT);
(2) the Healthcare Common Procedure Coding System (HCPCS);
(3) the Medicare Severity Diagnosis-Related Groups (MS-DRG);
(4) the Ambulatory Payment Classifications;
(5) the Relative Value Units as adjusted annually using the most recently published resource-based relative value scale;
(6) The Average Wholesale Price as obtained from the current Medispan, Drug Topics Red Book or other national publication as determined by the department.

(c) **The department may establish by regulation in consultation with the Medical Services Review Committee or its successor as a subcommittee of the advisory council evidence based utilization and treatment guidelines for medical services. There is a rebuttable presumption that the utilization and treatment guidelines established by the department are correct medical treatment for injured workers.**

(d) An employer or group of employers may establish a list of preferred physicians and treatment service providers to provide medical, surgical, and other attendance or treatment services to the employer's employees under this chapter; however,

(1) the employee's right to chose the employee's attending physician under AS 23.30.095 (a) is not impaired;

(2) when given to the employee, the employer's preferred physician list must clearly state that the list is voluntary, that the employee's choice is not restricted to the list, that the employee's rights under this chapter are not impaired by choosing an attending physician from the list, and that, if the employee chooses an attending physician from the list, the employee may, in the manner provided in AS 23.30.095 , make one change of attending physician, from the list or otherwise; and

2010 Oregon Workers' Compensation Premium Rate Ranking Summary

Department of Consumer and Business Services October 2010

By Jay Dotter and Mike Manley

Oregon employers in the voluntary market pay, on average, the 41st highest workers' compensation premium rates in the nation. Oregon rates are 17 percent below those of the median state in the study.

Premium rate indices are calculated based on data from 51 jurisdictions, for rates in effect as of Jan. 1, 2010. Oregon's premium rate index is $1.69 per $100 of payroll, or 83 percent of the national median. National premium rate indices range from a low of $1.02 in North Dakota to a high of $3.33 in Montana. The 2010 median value is $2.04, which is a drop of 10 percent from the $2.26 median of the 2008 study. Three jurisdictions have an index rate in the $3.00 to $3.49 range; five are in the $2.50 to $2.99 range; 20 are in the $2.00 to $2.49 range; 16 are in the $1.50 to $1.99 range; and seven have indices under $1.50.

Figure 1. 2010 Workers' compensation premium index rates

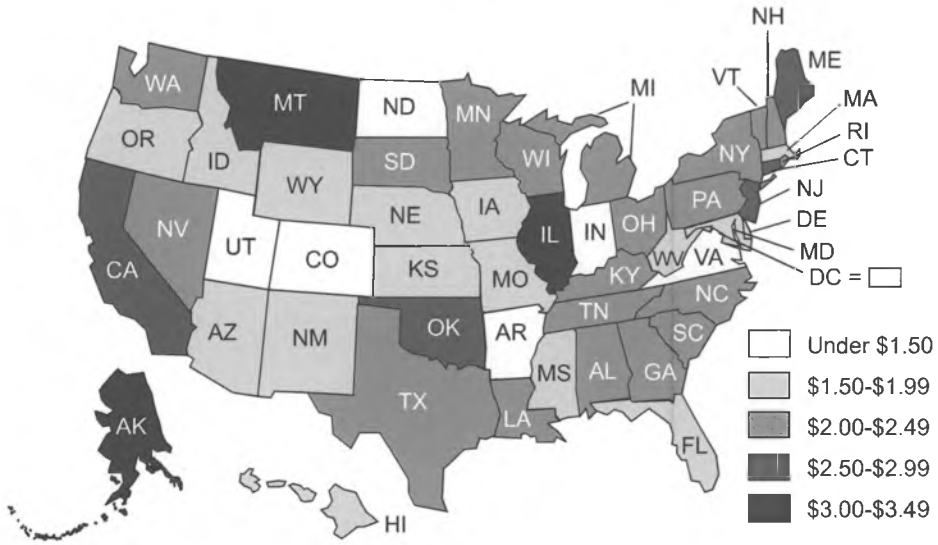

Table 1. Oregon's ranking in the top 10 classifications

Occupation	Ranking
Clerical office employees NOC	45
Salespersons - outside	48
College: professional employees and clerical	39
Physician and clerical	42
Restaurant NOC	40
Store: retail, NOC	41
Hospital: professional employees	36
Automobile service/repair center and drivers	34
Trucking: NOC - all employees and drivers	28
Health care employees – retirement, nursing, convalescent	21

This study used classification codes from the National Council on Compensation Insurance (NCCI). Of approximately 450 active classes in Oregon, 50 were selected based on relative importance as measured by share of losses in Oregon. To control for differences in industry distributions, each state's rates were weighted by 2004-2006 Oregon payroll to obtain an average manual rate for that state. Listed in Table 1 are Oregon's rankings in the top 10 of the 50 classifications used.

Table 2 (on the back) contains the premium rate ranking for all 51 jurisdictions.

Table 2. Workers' compensation premium rate ranking

2010 Ranking	2008 Ranking	State	Index Rate	Percent of study median	Effective Date
1	2	Montana	3.33	163%	July 1, 2009
2	1	Alaska	3.10	152%	Jan. 1, 2010
3	10	Illinois	3.05	149%	Jan. 1, 2010
4	9	Oklahoma	2.87	141%	11/1/09 state fund, 1/1/10 private
5	13	California	2.68	131%	Jan. 1, 2010
6	20	Connecticut	2.55	125%	Jan. 1, 2010
7	16	New Jersey	2.53	124%	Jan. 1, 2010
8	5	Maine	2.52	123%	Jan. 1, 2010
10	14	New Hampshire	2.45	120%	Jan. 1, 2010
10	8	Alabama	2.45	120%	March 1, 2009
12	17	Texas	2.38	117%	May 1, 2009
12	12	South Carolina	2.38	117%	July 1, 2009
13	19	New York	2.34	115%	Oct. 1, 2009
14	15	Pennsylvania	2.32	114%	April 1, 2009
15	7	Kentucky	2.29	112%	Oct. 1, 2009
16	24	Minnesota	2.27	111%	Jan. 1, 2010
17	3	Ohio	2.24	110%	July 1, 2009
18	4	Vermont	2.22	109%	April 1, 2009
19	34	Wisconsin	2.21	108%	Oct. 1, 2009
20	21	Tennessee	2.19	108%	Nov. 4, 2009
21	18	Nevada	2.13	104%	March 2, 2009
23	32	Michigan	2.12	104%	Jan. 1, 2009
23	22	North Carolina	2.12	104%	April 1, 2009
24	25	Georgia	2.08	102%	July 1, 2009
25	11	Louisiana	2.06	101%	Oct, 1, 2009
26	38	Washington	2.04	100%	Jan. 1, 2010
28	36	South Dakota	2.02	99%	July 1, 2009
28	26	Rhode Island	2.02	99%	Jan. 1, 2010
29	34	Idaho	1.98	97%	Jan. 1, 2010
30	32	Nebraska	1.97	97%	Feb. 1, 2009
31	24	Mississippi	1.96	96%	March 1, 2009
32	32	New Mexico	1.91	94%	Jan. 1, 2010
33	28	Missouri	1.90	93%	Jan. 1, 2010
34	7	Delaware	1.85	91%	Dec. 1, 2009
35	41	West Virginia	1.84	90%	Nov. 1, 2009
36	41	Iowa	1.82	89%	Jan. 1, 2010
37	37	Wyoming	1.79	88%	Jan. 1, 2010
38	45	Arizona	1.71	84%	Jan. 1, 2010
40	36	Hawaii	1.70	83%	Jan. 1, 2010
40	28	Florida	1.70	83%	Jan. 1, 2010
41	**39**	**OREGON**	**1.69**	**83%**	**Jan. 1, 2010**
42	44	Maryland	1.63	80%	Jan. 1, 2010
43	42	Kansas	1.55	76%	Jan. 1, 2010
44	49	Massachusetts	1.54	75%	Sept. 1, 2008
45	46	Utah	1.46	71%	Dec. 1, 2009
47	43	Colorado	1.39	68%	Jan. 1, 2010
47	48	Virginia	1.39	68%	April 1, 2009
48	29	District of Columbia	1.32	65%	Nov. 1, 2009
49	47	Arkansas	1.18	58%	July 1, 2009
50	50	Indiana	1.16	57%	Jan. 1, 2010
51	51	North Dakota	1.02	50%	July 1, 2009

Notes: Starting with the 2008 study, when two or more states' Index Rate values are the same, they are assigned the same ranking. The index rates reflect adjustments for the characteristics of each individual state's residual market. Rates vary by classification and insurer in each state. Actual cost to an employer can be adjusted by the employer's experience rating, premium discount, retrospective rating, and dividends. Link to previous reports and summaries.

Employers can reduce their workers' compensation rates through accident prevention, safety training, and by helping injured workers return to work quickly.

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350 Winter St. NE, Room 300
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Salem, OR 97309-0405
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440-2082 (10/10/COM)

HB

13

<TARGET><BILL>HB 13</BILL><SUBJECT>HB
13</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/1/11

FURTHER:

DATE TURNED IN TO OFFICE: 4.16.11

Finance Committee considered HOUSE BILL NO. 13

HB 13-WORKERS' COMPENSATION: MEDICAL FEES

"An Act relating to fees and charges for medical treatment or services as they relate to workers' compensation; and providing for an effective date."

and recommends:

[ ] be **replaced** with **SCS** _____ (_____) *[ ] Same Title [ ] Technical Title Change [ ] New Title/SCR No._____*

[ ] adopt **previous SCS** _____ (_____) *[ ] Same Title [ ] Technical Title Change [ ] New Title/SCR No._____*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
HFC/LWF	✓			2

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	McGuire			✓	
	Olson			✓	
	ELLIS			✓	
CO-CHAIR:	Hoffman			✓	
CO-CHAIR:	STBoman	✓			

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: HB 13
(H) Publish Date: 3/9/11

Identifier (file name): HB013-DOLWD-WC-1-24-11
Title: Workers' Compensation Medical Fee Schedule
Sponsor: Representative Kurt Olson
Requester: House Finance Committee

Dept. Affected: Labor and Workforce Development
Appropriation: Workers' Compensation
Allocation: Workers' Compensation
OMB Component Number: 344

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual	75.0						
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**75.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts	75.0						
TOTAL	**75.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost 75.0

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

The out years were zeroed out in order for the Department of Labor and Workforce Development to provide accurate costs of future fiscal impact.

Prepared by: James Armstrong
Division: House Finance Committee
Phone: 907-465-4958
Date/Time: 3/8/11 10:30 AM

Approved by: Rep. Bill Stoltze
House Finance Committee Co-Chair
Date: 3/8/2011

(Revised 12/29/2010 OMB)

ALASKA STATE LEGISLATURE

REPRESENTATIVE KURT OLSON

- Chair: Labor and Commerce
- Vice Chair: Rules, Administrative Regulation Review
  Economic Development Trade & Tourism
- Member: Energy, Legislative Budget & Audit

Session: January - April
State Capitol, Room 24
Juneau, AK 99801-1182
Phone: 907-465-2693
Fax: 907-465-3835

Official Business

Interim: May - December
145 Main Street Loop, Ste 221
Kenai, AK 99611
Phone: 907-283-2690
Fax: 907-283-2763

Sectional Analysis

House Bill 13

"An Act relating to fees and charges for medical treatment or services as they relate to workers' compensation; and providing for an effective date."

This is a summary only. Note that this sectional analysis should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1. Amends AS 23.30.097(a) to provide that after December 31, 2010, the fee may not exceed the usual, customary and reasonable charges in a fee schedule adopted by the board which must include the most recent Current Procedural Terminology codes maintained by the American Medical Association for category I, II and III medical services and the Health Care Procedure Coding System for medical supplies, injections, emergency transportations and other medically related services. The fee schedule must reflect the cost in the geographical area where services are provided and is set at the 90th percentile.

Section 2. Provides for an immediate effective date under AS 01.10.070(c)

Email: Representative_Kurt_Olson@legis.state.ak.us

Alaska Medical Average Cost per Case vs. Countrywide



* Countrywide figure is preliminary
Source: NCCI financial data valued as of 12/31/08 and 12/31/09

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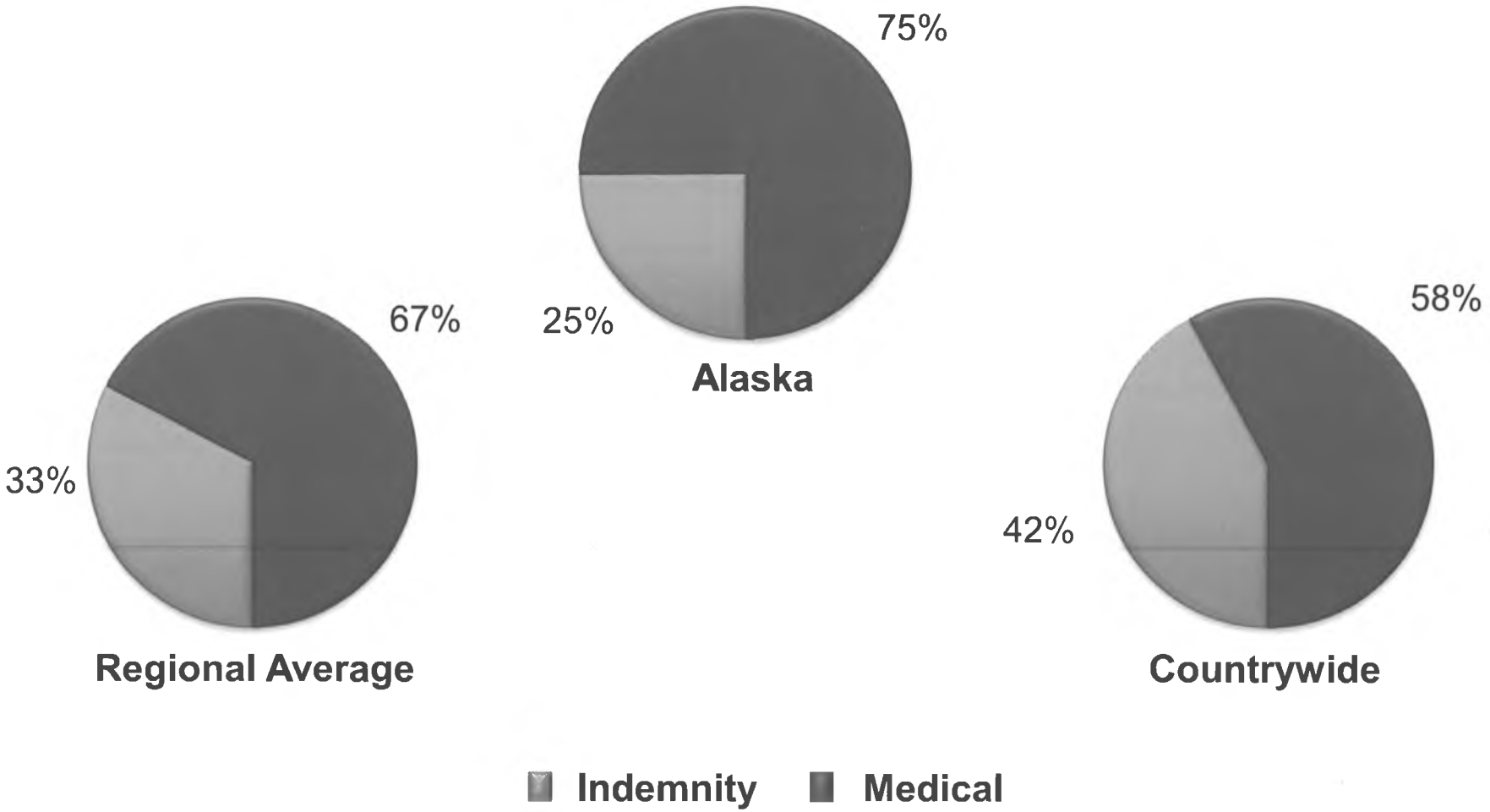
Medical Benefits Constitute the Majority of Total Benefit Costs in Alaska



Regional states are AZ, MT, NM, and OR

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schedule conversion factor and the education and promotion of EBM as defined by Sackett and the ultimate adoption of EBM treatment guidelines are necessary to effectively control medical costs.

The committee also finds, however, the adoption of EBM treatment guideline requires greater study and public involvement than this committee has managed to garner. It may be wise to view this as a public health intervention since it will affect thousands of people, thus requiring careful thought, planning and attention to public perception and buy-in. Selection and adoption of treatment guidelines with over-emphasis on cost control without explicit focus on the benefits of changes to workers, coupled with overly-hasty and poorly-planned implementation can cause widespread confusion, needless system disruption and delays, and resistance by system participants who might otherwise cooperate as occurred in California. Further study with more public involvement and discussion of the purpose, anticipated benefits and intended outcomes of guidelines adoption is likely needed before practice guidelines can be implemented.

D. Other Methods for Improving Workers' Compensation. During its study of various medical cost control methods employed in other jurisdictions, the committee has realized the vital role advisory councils play in the development and improvement of workers' compensation systems throughout North America. Although Alaska has attempted to promote change through the efforts of an informal *ad hoc* group, the committee believes that a formal advisory council should be statutorily created to monitor the performance of the Alaska workers' compensation system and, on an on-going basis, make recommendations to reduce injuries and improve the effectiveness of care delivered to injured workers and the overall outcomes produced for injured workers, their employers and the state's overall economic and social well-being. The establishment of such a council would not only assist in providing the public involvement necessary to implement treatment guidelines but could play a central role in the improvement of Alaska's workers' compensation system as a whole through adoption of the framework, model, and process offered by The 60 Summits Project. The minority while in favor of creating an advisory council believes that a medical services review committee that is more medically dominated is important to maintain to address areas requiring more specialized knowledge and medical consensus. The minority suggests that joint meetings could be utilized where needed as in a 60 Summits process.

IX. RECOMMENDATIONS. Based on the above, the committee recommends as follows:

A. Medical Costs. The committee was not unanimous on all sections listed below. One member abstained from the fee schedule language in (b) below and although all members agree with the concept of evidence-based medicine and treatment guidelines, two believed the language contained in section (c) should be eliminated.

Amend AS 23.30.097 to take effect January 1, 2011 to read as follows:

(a) All fees and other charges for medical treatment or service are subject to regulation by the board consistent with this section. A fee or other charge for medical treatment or service may not exceed the lowest of

(1) the fee schedule as published by the department under (b) of this section; [THE USUAL, CUSTOMARY, AND REASONABLE FEES FOR THE TREATMENT OR SERVICE IN THE COMMUNITY IN WHICH IT IS RENDERED, FOR TREATMENT OR SERVICE, (A) PROVIDED BEFORE AUGUST 1, 2007, NOT TO EXCEED THE FEES IN THE FEE

SCHEDULE SPECIFIED BY THE BOARD IN ITS PUBLISHED BULLETIN DATED DECEMBER 1, 2004; (B) PROVIDED ON OR AFTER AUGUST 1, 2007, BUT BEFORE MARCH 31, 2009, NOT TO EXCEED THE FEES OTHERWISE APPLICABLE IN (A) OF THIS PARAGRAPH ADJUSTED BY THE PERCENTAGE CHANGE FROM 2004 TO 2006 IN THE MEDICAL CARE COMPONENT OF THE CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS COMPILED BY THE UNITED STATES DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS]

(2) the fee or charge for the treatment or service when provided to the general public; or

(3) the fee or charge for the treatment or service negotiated by the provider and the employer under (c) of this section.

(b) **The department shall annually establish a schedule of fees by bulletin on or before December 1 of each year to take effect on January 1 the following year. The fee schedule rates shall be established in consultation with the Medical Services Review Committee or its successor as a subcommittee of the advisory council and be based on the following standards as adopted by the Centers for Medicare and Medicaid services in effect at the time the services are provided, regardless of where services are provided:**

(1) The American Medical Association Current Procedural Terminology Codes (CPT);
(2) the Healthcare Common Procedure Coding System (HCPCS);
(3) the Medicare Severity Diagnosis-Related Groups (MS-DRG);
(4) the Ambulatory Payment Classifications;
(5) the Relative Value Units as adjusted annually using the most recently published resource-based relative value scale;
(6) The Average Wholesale Price as obtained from the current Medispan, Drug Topics Red Book or other national publication as determined by the department.

(c) **The department may establish by regulation in consultation with the Medical Services Review Committee or its successor as a subcommittee of the advisory council evidence based utilization and treatment guidelines for medical services. There is a rebuttable presumption that the utilization and treatment guidelines established by the department are correct medical treatment for injured workers.**

(d) An employer or group of employers may establish a list of preferred physicians and treatment service providers to provide medical, surgical, and other attendance or treatment services to the employer's employees under this chapter; however,

(1) the employee's right to chose the employee's attending physician under AS 23.30.095 (a) is not impaired;

(2) when given to the employee, the employer's preferred physician list must clearly state that the list is voluntary, that the employee's choice is not restricted to the list, that the employee's rights under this chapter are not impaired by choosing an attending physician from the list, and that, if the employee chooses an attending physician from the list, the employee may, in the manner provided in AS 23.30.095 , make one change of attending physician, from the list or otherwise; and

2010 Oregon Workers' Compensation Premium Rate Ranking Summary

Department of Consumer and Business Services October 2010

By Jay Dotter and Mike Manley

Oregon employers in the voluntary market pay, on average, the 41st highest workers' compensation premium rates in the nation. Oregon rates are 17 percent below those of the median state in the study.

Premium rate indices are calculated based on data from 51 jurisdictions, for rates in effect as of Jan. 1, 2010. Oregon's premium rate index is $1.69 per $100 of payroll, or 83 percent of the national median. National premium rate indices range from a low of $1.02 in North Dakota to a high of $3.33 in Montana. The 2010 median value is $2.04, which is a drop of 10 percent from the $2.26 median of the 2008 study. Three jurisdictions have an index rate in the $3.00 to $3.49 range; five are in the $2.50 to $2.99 range; 20 are in the $2.00 to $2.49 range; 16 are in the $1.50 to $1.99 range; and seven have indices under $1.50.

Figure 1. 2010 Workers' compensation premium index rates

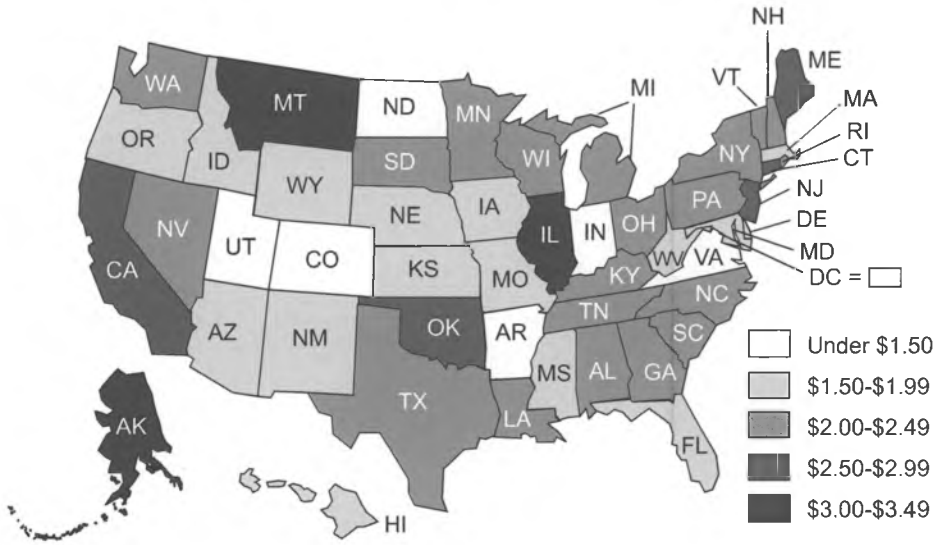

Table 1. Oregon's ranking in the top 10 classifications

Occupation	Ranking
Clerical office employees NOC	45
Salespersons - outside	48
College: professional employees and clerical	39
Physician and clerical	42
Restaurant NOC	40
Store: retail, NOC	41
Hospital: professional employees	36
Automobile service/repair center and drivers	34
Trucking: NOC - all employees and drivers	28
Health care employees – retirement, nursing, convalescent	21

This study used classification codes from the National Council on Compensation Insurance (NCCI). Of approximately 450 active classes in Oregon, 50 were selected based on relative importance as measured by share of losses in Oregon. To control for differences in industry distributions, each state's rates were weighted by 2004-2006 Oregon payroll to obtain an average manual rate for that state. Listed in Table 1 are Oregon's rankings in the top 10 of the 50 classifications used.

Table 2 (on the back) contains the premium rate ranking for all 51 jurisdictions.

Table 2. Workers' compensation premium rate ranking

2010 Ranking	2008 Ranking	State	Index Rate	Percent of study median	Effective Date
1	2	Montana	3.33	163%	July 1, 2009
2	1	Alaska	3.10	152%	Jan. 1, 2010
3	10	Illinois	3.05	149%	Jan. 1, 2010
4	9	Oklahoma	2.87	141%	11/1/09 state fund, 1/1/10 private
5	13	California	2.68	131%	Jan. 1, 2010
6	20	Connecticut	2.55	125%	Jan. 1, 2010
7	16	New Jersey	2.53	124%	Jan. 1, 2010
8	5	Maine	2.52	123%	Jan. 1, 2010
10	14	New Hampshire	2.45	120%	Jan. 1, 2010
10	8	Alabama	2.45	120%	March 1, 2009
12	17	Texas	2.38	117%	May 1, 2009
12	12	South Carolina	2.38	117%	July 1, 2009
13	19	New York	2.34	115%	Oct. 1, 2009
14	15	Pennsylvania	2.32	114%	April 1, 2009
15	7	Kentucky	2.29	112%	Oct. 1, 2009
16	24	Minnesota	2.27	111%	Jan. 1, 2010
17	3	Ohio	2.24	110%	July 1, 2009
18	4	Vermont	2.22	109%	April 1, 2009
19	34	Wisconsin	2.21	108%	Oct. 1, 2009
20	21	Tennessee	2.19	108%	Nov. 4, 2009
21	18	Nevada	2.13	104%	March 2, 2009
23	32	Michigan	2.12	104%	Jan. 1, 2009
23	22	North Carolina	2.12	104%	April 1, 2009
24	25	Georgia	2.08	102%	July 1, 2009
25	11	Louisiana	2.06	101%	Oct, 1, 2009
26	38	Washington	2.04	100%	Jan. 1, 2010
28	36	South Dakota	2.02	99%	July 1, 2009
28	26	Rhode Island	2.02	99%	Jan. 1, 2010
29	34	Idaho	1.98	97%	Jan. 1, 2010
30	32	Nebraska	1.97	97%	Feb. 1, 2009
31	24	Mississippi	1.96	96%	March 1, 2009
32	32	New Mexico	1.91	94%	Jan. 1, 2010
33	28	Missouri	1.90	93%	Jan. 1, 2010
34	7	Delaware	1.85	91%	Dec. 1, 2009
35	41	West Virginia	1.84	90%	Nov. 1, 2009
36	41	Iowa	1.82	89%	Jan. 1, 2010
37	37	Wyoming	1.79	88%	Jan. 1, 2010
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Notes: Starting with the 2008 study, when two or more states' Index Rate values are the same, they are assigned the same ranking. The index rates reflect adjustments for the characteristics of each individual state's residual market. Rates vary by classification and insurer in each state. Actual cost to an employer can be adjusted by the employer's experience rating, premium discount, retrospective rating, and dividends. Link to previous reports and summaries.

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440-2082 (10/10/COM)

HB

16

<TARGET><BILL>HB 16</BILL><SUBJECT>HB
16</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 2/4/11

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered HOUSE BILL NO. 16

HB 16-EXTEND SENIOR BENEFITS PAYMENT PROGRAM

"An Act extending senior benefits."

and recommends:

[✓] be **replaced** with **SCS** HB 16 (FIN)

[ ] Same Title [ ] Technical Title Change or [✓] New Title & SCR No._____

[ ] adopt **previous SCS** _____ (_____)

[ ] Same Title [ ] Technical Title Change or [ ] New Title & SCR No._____

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DHS	✓			
DHS	✓			
DHS	✓			
DHS	✓			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	EGAN	✓			
	McGuire	✓			
	OLSON	✓			
	ELLIS	X			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	STEDMAN	✓			

Adopted 4/1/11

27-LS0135\D
Mischel
3/30/11

SENATE CS FOR HOUSE BILL NO. 16(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES HAWKER, Millett, Lynn, Gara, Tuck, Petersen, Herron, Kawasaki, Johnson, Holmes, Kerttula, Doogan, Joule, Seaton, Gruenberg, Olson, Muñoz, Guttenberg, Miller, Gardner, Stoltze, Johansen, Edgmon

SENATORS Wielechowski, Meyer, Ellis, Paskvan, Egan, Davis, McGuire, Olson, Huggins, Wagoner, Giessel, Dyson, French, Menard, Thomas

A BILL

FOR AN ACT ENTITLED

"An Act extending the senior benefits payment program; and relating to income allowances for medical assistance recipients and Alaska Pioneers' Homes and Alaska Veterans' Homes residents."

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

*** Section 1.** AS 47.45 is amended by adding a new section to read:

Article 4. Long-term Care Allowance.

Sec. 47.45.400. Long-term care allowance. (a) The department shall exclude a personal needs allowance of $200 a month from the income calculation made for the reimbursed cost of long-term care facility services, including swing-bed facility services, paid by the department for a person who is a recipient of medical assistance benefits under AS 47.07.020.

(b) The department shall pay a personal needs allowance of $200 a month to a resident of a long-term care facility in the state who is without income or resources.

(c) In this section, "long-term care facility" means an establishment, other than

an Alaska Pioneers' Home or an Alaska Veterans' Home, that is

(1) licensed by the department under AS 47.32 as a skilled nursing facility or intermediate care facility; or

(2) owned or operated as a skilled nursing facility or intermediate care facility by the United States, an Indian tribe, or a tribal organization and exempt from state licensure under applicable law.

* **Sec. 2.** AS 47.55.020(b) is amended to read:

(b) Every person admitted to a home who receives income from any source in excess of **$200** [$100] a month shall be required by the department to pay the excess to the department immediately upon receipt of the money in payment, or part payment, of the cost of the person's care. However, the department may not require in any month the payment of an amount greater than the monthly rate set under AS 47.55.030(b) except to satisfy indebtedness incurred under AS 47.55.070. The department may not evict a person from a home if the income and assets of the person are insufficient to pay the monthly rate set under AS 47.55.030(b) and the person is otherwise in compliance with requirements under this chapter.

* **Sec. 3.** AS 47.55.020(c) is amended to read:

(c) At the end of each month, the payments made under (b) of this section shall be transmitted to the commissioner of revenue. The department **shall** [MAY] pay the sum of **$200** [$100] a month to a resident **who is** without **income or resources** [MONEY].

* **Sec. 4.** AS 47.55.020(d) is amended to read:

(d) Notwithstanding AS 47.55.070 and (b) of this section, a resident of a home whose income, assets, and other resources are insufficient to pay the monthly rate set under AS 47.55.030(b), and who does not have private insurance to cover the cost of care, qualifies for payment assistance if the resident is otherwise in compliance with requirements under this chapter. The amount of payment assistance equals the amount needed, when added to other income and assets of the resident, to pay the monthly rate set under AS 47.55.030(b). Payment assistance received by a home resident is a debt to the state. In determining the amount of payment assistance for which a home resident qualifies, the following income, assets, and other resources of the resident

shall be disregarded:

(1) income from any source in an amount up to **$200** [$100] a month as established by the department by regulation;

(2) the following assets received under 43 U.S.C. 1601 et seq. (Alaska Native Claims Settlement Act):

(A) cash dividends and other income equal to at least $2,000 as established by the department by regulation;

(B) stock;

(C) noncash dividends from stock; and

(D) land;

(3) a permanent fund dividend issued under AS 43.23;

(4) compensation to volunteers under the federal retired and senior volunteers (42 U.S.C. 5001), foster grandparents (42 U.S.C. 5011), and senior companion (42 U.S.C. 5013) programs made in accordance with 42 U.S.C. 5044(f);

(5) federal World War II restitution payments made under 50 U.S.C. App. 1989b-4 and c-5;

(6) payments under AS 18.67 (Violent Crimes Compensation Board);

(7) an amount, determined by the department by regulation, that is sufficient for burial expenses of the resident, the resident's spouse, and dependents of the resident;

(8) real property being used as the primary residence of the resident's spouse or a dependent of the resident;

(9) other real or personal property equal to at least a total value of up to $10,000 as established by the department by regulation;

(10) federal payments that are excluded by law from income for federal assistance purposes.

* **Sec. 5.** Section 4, ch. 1, FSSLA 2007, is amended to read:

Sec. 4. AS 09.38.015(a)(11); AS 47.45.301, 47.45.302, 47.45.304, 47.45.306, 47.45.308, and 47.45.309 are repealed June 30, **2015** [2011].

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **SCSHB016(FIN)**
() Publish Date:

Identifier (file name): HB016SCS(FIN)-DHSS-AKPH-4-1-11
Dept. Affected: Health and Social Services
Title: Extend Senior Benefits Payment Program
Appropriation: Alaska Pioneer Homes
Allocation: Pioneer Homes
Sponsor: Rep. Hawker
Requester: Senate FIN Committee
OMB Component Number: 2671

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**158.4**	**158.4**	**158.4**	**158.4**	**158.4**	**158.4**	**158.4**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	158.4	158.4	158.4	158.4	158.4	158.4	158.4
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**158.4**	**158.4**	**158.4**	**158.4**	**158.4**	**158.4**	**158.4**

Estimate of any current year (FY2011) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

The CS impacts the Alaska Pioneer Homes and necessitates a fiscal note.

Prepared by: Dave Cote, Director — Phone 465-5737
Division: Alaska Pioneer Homes — Date/Time 4/1/11 8:30 AM
Approved by: Alison Elgee, Assistant Commissioner — Date 4/1/2011
DHSS Finance & Management Services

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SCSHB016(FIN)
2011 LEGISLATIVE SESSION

Analysis:

The Pioneer Home Payment Assistance Program currently allows resident to retain $100 for a personal needs allowance. Increasing the personal needs allowance to $200 will result in $158,400 ($100 x 132 payment assistance residents x 12 months) in lost revenue to the Alaska Pioneer Homes.
Currently three residents have no income. We consider this to have an insignificant impact on this fiscal analysis.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **SCSHB016(FIN)**
() Publish Date:

Identifier (file name):HB016SCS(FIN)-DHSS-MS-3-28-11
Title: Extend Senior Benefits Payment Program
Sponsor: Rep. Hawker
Requester: Senate FIN Committee

Dept. Affected: Health and Social Services
Appropriation: Medicaid Services
Allocation: Senior and Disabilities Medicaid Services
OMB Component Number: 2662

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants	519.0	519.0	519.0	519.0	519.0	519.0	519.0
Miscellaneous							
TOTAL OPERATING	**519.0**	**519.0**	**519.0**	**519.0**	**519.0**	**519.0**	**519.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	259.5	259.5	259.5	259.5	259.5	259.5	259.5
1003 GF Match	259.5	259.5	259.5	259.5	259.5	259.5	259.5
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**519.0**	**519.0**	**519.0**	**519.0**	**519.0**	**519.0**	**519.0**

Estimate of any current year (FY2011) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

In addition to reauthorizing the Senior Benefits Payment Program, this legislation also increases the personal needs allowance for residents of long-term care facilities, Alaska Pioneers' Homes, and Alaska Veterans' Homes to $200 per month.

Prepared by: Kimberli Poppe-Smart, Deputy Commissioner
Division: Mediciad Services Director, Health Care Services
Phone 907-334-2520
Date/Time 3/25/11 12:00 AM

Approved by: Alison Elgee, Assistant Commissioner
DHSS Finance & Management Services
Date 3/28/2011

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SCSHB016(FIN)
2011 LEGISLATIVE SESSION

Analysis:

The Senior Benefits Payment Program helps low income seniors who are age 65 or older remain independent in the community by providing a monthly income supplement to help meet their basic needs, such as food and housing. Currently the program is set to expire June 30, 2011.

This bill increases the personal needs allowance for residents of long-term care facilities, Alaska Pioneers' Homes, and Alaska Veterans' Homes to $200 per month. Medicaid is the payer of last resort, and will pay for the medical services that are not paid by other means.

It is estimated that of the 502 Medicaid recipients in nursing homes, 346 individuals will need to have their Medicaid contributions increased by $125 per month. The $125 increase in their personal needs allowances will reduce the amount they are contributing for medical care by $125. (346 x $125) x 12 (months) = $519,000.

It is assumed that the federal match will be 50% in future years.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **SCSHB016(FIN)**
() Publish Date:

Identifier (file name): HB016SCS(FIN)-DHSS-APA-3-31-11
Title: Extend Senior Benefits Payment Program
Sponsor: Rep. Hawker
Requester: Senate FIN Committee

Dept. Affected: Health and Social Services
Appropriation: Public Assistance
Allocation: Adult Public Assistance
OMB Component Number: 222

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants	105.0		105.0	105.0	105.0	105.0	105.0
Miscellaneous							
TOTAL OPERATING	**105.0**	**0.0**	**105.0**	**105.0**	**105.0**	**105.0**	**105.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	105.0		105.0	105.0	105.0	105.0	105.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**105.0**	**0.0**	**105.0**	**105.0**	**105.0**	**105.0**	**105.0**

Estimate of any current year (FY2011) cost:

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

In addition to reauthorizing the Senior Benefits Payment Program, this legislation also requires the department to increase the amount of monthly income that nursing home residents are allowed to keep for their personal needs from $75 to $200 a month if the resident is a Medicaid recipient and 65 years of age or older. It also requires the department to increase the monthly amount it pays to nursing home residents who are age 65 or older and have no other income from $75 to $200 a month.

Prepared by: Ron Kreher, Director — Phone 907-465-2680
Division: Public Assistance — Date/Time 3/31/11 7:00 PM
Approved by: Alison Elgee, Assistant Commissioner — Date 3/31/2011
DHSS Finance & Management Services

(Revised 1/27/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SCSHB016(FIN)
2011 LEGISLATIVE SESSION

Analysis:

Assumptions:
* The legislation will become effective July 1, 2012.
* The amount paid to nursing home residents with no other income will also apply to nursing home residents who are under the age of 65.
* 70 individuals a month will be impacted by the increased personal needs payment. (22 are age 65 or older and 48 are under the age of 65.)
* This number is expected to remain constant through FY 2017.
* The increased cost per person/month will be $125. $200 future payment - $75 current payment = $125.

Additional Cost for FY 2012 through FY 2017 = $105.0/year
* 70 individuals/month x $125 payment x 12 months = $105.0

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: **SCSHB016(FIN)**
() Publish Date:

Identifier (file name): HB016SCS(FIN)-DHSS-SBP-3-29-11
Dept. Affected: Health and Social Services
Title: Extend Senior Benefits Payment Program
Appropriation: Public Assistance
Allocation: Senior Benefits Payment Program
Sponsor: Rep. Hawker
Requester: Senate FIN Committee
OMB Component Number: 2897

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services		486.0	486.0	486.0	486.0		
Travel		9.7	9.7	9.7	9.7		
Services		169.7	169.7	169.7	169.7		
Commodities		43.5	43.5	43.5	43.5		
Capital Outlay							
Grants		21,744.5	22,349.3	22,970.9	23,606.5		
Miscellaneous							
TOTAL OPERATING	**0.0**	**22,453.4**	**23,058.2**	**23,679.8**	**24,315.4**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF		22,453.4	23,058.2	23,679.8	24,315.4		
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**0.0**	**22,453.4**	**23,058.2**	**23,679.8**	**24,315.4**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost: 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

In addition to re-authorizing the Senior Benefits Payment Program, this legislation also increases the personal needs allowance for residents of long term care facilities, Alaska Pioneers' Homes, and Alaska Veterans' Homes to $200 a month. The governor's FY12 budget includes an increment of $1,968.1 to fund projected caseload growth in FY12.

Note: Other fiscal notes address the costs associated with the increased personal needs allowance.

Prepared by: Ron Kreher, Acting Director — Phone 465-2680
Division: Public Assistance — Date/Time 3/29/11 8:45 AM
Approved by: Alison Elgee, Assistant Commissioner — Date 3/29/2011
DHSS Finance & Management Services

Analysis:

The Senior Benefits Payment Program helps low income seniors who are age 65 or older remain independent in the community by providing a monthly income supplement to help meet their basic needs, such as food and housing. Currently, the program is set to expire on June 30, 2011. This legislation continues the program through June 30, 2015. As of December 2010, the current program enrollment was 10,093. The number and percent of seniors at each payment level was:

* $250 - 1,071 (10.6%)
* $175 - 3,872 (38.4%)
* $125 - 5,150 (51.0%)

Assumptions:

* Current staffing levels for the program will be maintained and will consist of one Eligibility Technician III, four Eligibility Technician I's, and one Office Assistant I.

* Annual expenditures for Personal Services, Travel, Contractual, and Supplies will remain constant for FY 2012 through FY 2015.

* Projected grant expenditures in FY 2011 are expected to be about $21.0 million. A supplemental for $1.3 million has been requested in FY 2011.

* Annual grant expenditures for FY 2012 are expected to increase in response to a projected caseload growth of 3.6%.

* Annual grant expenditures for FY 2013 through FY 2015 are expected to increase in response to a projected caseload growth of 3% annually.

* Grant expenditures for FY 2012 through FY 2015 are expected to increase as follows:
-- 3.55 percent in FY 2012
-- 2.78 percent in FY 2013
-- 2.78 percent in FY 2014
-- 2.77 percent in FY 2015

See attached projected caseload and grant expenditures.

STATE OF ALASKA
DEPT. OF HEALTH AND SOCIAL SERVICES
OFFICE OF THE COMMISSIONER

SEAN PARNELL, GOVERNOR

P.O. BOX 110601
JUNEAU, ALASKA 99811-0601
PHONE: (907) 465-3030
FAX: (907) 465-3068

Response to Senate Finance Questions from February 7, 2011
Submitted: February 22, 2011

When legislation established the Senior Benefits Program in 2007 the Division of Public Assistance estimated that four Eligibility Technicians I positions, one Eligibility Technician III and 1 administrative support position would be needed to serve the projected number of program participants. Despite growth in the service population since 2007, no additional staff has been needed to manage the work.

The Senior Benefits Program Eligibility Technician I (ET I) accepts applications for assistance (including renewal or re-certification applications), determines eligibility, pursues and verifies needed documentation, and authorizes benefits. The ET I also acts on reports of change from program participants and addresses client inquiries about their case status. The ET I documents all case actions and composes notices that summarize the eligibility determination.

The Eligibility Technician III (ET III) is the unit's lead worker, office manager and program policy expert. The ET III conducts quality assurance case reviews, responds to the more complex client inquiries, assists in the Fair Hearing process, conducts outreach and performs other tasks associated with the administration of the program.

An Office Assistant I (OA I) is the only administrative support personnel for the office. The OAI registers applications, handles incoming and outgoing mail, and is the office receptionist.

Each Eligibility Technician I actively manages an average caseload of approximately 2,500 program participants. The Senior Benefits Program Office receives about 220 new applications and approximately 850 renewal applications each month.

The caseload is not as static as it might seem. In addition to the more than 1,000 new and renewal applications received monthly, over 200 cases are closed each month. Roughly 32 percent of the closures are due to the death of the recipient, 15 percent are because the elder has left the state, and 12 percent are due to the elder moving to a nursing home or a Pioneer Home.

The amount of time it takes to process an application depends on the complexity of the information contained on the application and whether or not the applicant provided all of the needed information. A simple application (one person household with income only from Social Security) takes an average of 15 to 20 minutes to process. More complex cases (e.g., multiple sources of income) may take up to 30 minutes.

Response to Senate Finance Questions from February 7, 2011

Approximately 40 to 50 percent of initial applications are incomplete. Staff estimates that incomplete applications can take 30 to 45 minutes to complete. Incomplete applications take longer to process because the ET makes a concerted effort to contact the applicant to secure the missing information or to pursue verification through interfaces and collateral contacts. When these efforts fail a notice is drafted to request the missing information. Because of the efforts of the ET to pursue missing, incomplete, or questionable information it is only necessary to pend approximately 25 to 30 percent of incomplete applications.

It takes an average of 10 minutes to process renewal applications as long as there are no changes in the applicant's circumstances. As with an initial application the ET reviews the application for completeness, checks system interfaces, reviews prior case notes, authorizes benefits, sends notices, and documents all actions taken on the application. If there are changes reported on the renewal application, it may be necessary to contact the customer for additional information or clarification, which increases the amount of time needed to complete the eligibility determination.

Once an applicant is determined eligible, the Eligibility Information System (EIS) automatically issues the approved benefits for future months until a renewal application is required or the client reports a change in their circumstances.

Each month the office receives approximately 200 reports of change (changes in residence, reports of death, new income, etc.) that require action by an ET. The processing time for reports of change varies depending on the nature of the change. It can take from five minutes to as long as 10 to 15 minutes to process a report of change if it entails a change in benefits or requires verifying the information provided by the client.

The office receives 40 to 50 calls per day during peak periods, which include the week benefits are typically issued for on-going cases and after renewal applications are mailed out. Responding to calls takes on average 10 minutes and longer if interpreter services are needed.

Approximately 40 to 50 people come to the office each month to inquire about the program, the status of their case, or to drop off an application or verification. Visits may be relatively short or quite protracted depending on the needs of the customer.

Staff must also research returned mail, which entails attempts to contact the customer to confirm the correct address or, after investigating the circumstances, closing the case for loss of contact. It is estimated that responding to return mail takes about 8 -10 hours per month. Staff also must address lost payments and re-issuance of benefits (when changes in mailing address are not reported timely, etc.). About 20 of these requests are received monthly and it takes about 10 -20 minutes to discuss the situation with the client and to process the stop-payment for a warrant and to document the changed information.

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

DIVISION OF PUBLIC ASSISTANCE

SEAN PARNELL, GOVERNOR

P.O. BOX 110640
JUNEAU, ALASKA 99811-0640
PHONE: (907) 465-3347
FAX: (907) 465-5154

DATE: February 9, 2011

TO: Senate Finance Committee

FROM: Ron Kreher
Acting Director of Public Assistance

SUBJECT: HB 16 Questions from Finance Committee Hearing

1. Why are Pioneer Home residents ineligible for Senior Benefits payments? Is it everyone in the PH?

Response: Pioneer home residents are not eligible for Senior Benefits payments. Most low-income individuals in institutions or Pioneer Homes are required, as a condition of Medicaid or the Pioneer Homes payment assistance program, to contribute most of their income towards the cost of the services they receive in those facilities. In the case of residents of Pioneer Homes, the Division of Pioneer Homes heavily subsidizes its residents. The Pioneer Homes have a payment assistance program that helps to address the needs of low-income individuals living in their facilities who are unable to cover the full costs of residing in the facility.

If residents of these facilities received Senior Benefit payments, it would increase the amount of money they would need to contribute toward the cost of their care. In most cases, the offset would be dollar for dollar. In the case of Medicaid, Senior Benefit payments, which are 100% General Fund, would effectively offset Medicaid payments, which are 50% federal funds. So, it would result in a net increase in General Fund expenditure with little to no benefit to the client.

2. How do Pioneer Home residents with very low income pay for their personal needs, such as haircuts?

Response: Medicaid and the Pioneer Homes payment assistance program participants are required to contribute most of their income toward the cost of their care. AS 47.55.020(b) exempts $100 of a residents income from the room and board payment. AS 47.55.020(c) and 7 AAC 74.050 authorizes the department to pay a personal needs allowance of $100 per month for residents who don't have money. The personal needs allowance is for the resident to purchase miscellaneous items they may need or want.

3. Can seniors receive Senior Benefits payments while they are not present in Alaska? (What provisions are in place if a senior needs to go outside of Alaska due to medical reasons? Are Senior Benefit checks sent out of state?).

Response: There is allowance for seniors to receive a Senior Benefits payment while not present in Alaska. According to state statute (AS 47.45.304), an eligible individual who leaves the state may not receive a cash benefit under AS 47.45.302 during the absence unless the individual absence is temporary and is for one of the following reasons:

(1) to receive medical treatment;

(2) to accompany the individual's family member who is receiving medical treatment outside the state; or

(3) for a vacation, business trip, or other absence of less than 30 consecutive days, unless the individual has applied for and received a time extension from the department for special circumstances.

4. How are Alaska seniors, particularly those in rural areas, advised of the Senior Benefits program? (The concern is that many elderly in rural areas do not have access to, nor do they use, computers.)

Response: The department performs outreach for the Senior Benefits Payment program in several ways. The department maintains information about the Senior Benefits program on its public assistance website. In addition to computer based outreach, it advertizes the Senior Benefits Program through TV ads, sends letters and flyers to rural community leaders asking them to advise seniors in their communities about the program; and makes application forms and informational flyers available to senior centers throughout the state. In addition, Adult Public Assistance recipients who are age 65 or older are advised to apply for the program when public assistance records indicate the individual is not receiving a Senior Benefits payment.

5. Provide more detailed information about ineligible seniors who live in Pioneer Homes, Veterans Homes and other nursing homes. How many seniors living in those facilities are on Medicaid? We understand the Medicaid recipients not qualifying as this would reduce the federal match and increase the state match. But what about those seniors who would otherwise qualify based on income but someone else (such as family) pays the bill for the nursing home?

Response: There were 454 residents in the Pioneer Homes on 12/31/2010.

- 95 were on an Older Alaskans Medicaid waiver.
- 136 were on the Payment Assistance program.
- 223 were private pay. However, income to the individual (such as Senior Benefits), would be required to go toward the cost of care per the Medicaid and the Pioneer Homes payment assistance program.

6. Provide more detailed information to justify the need for six employees to process Senior Benefit program. What is each person's job description, are they all full time, what are their caseloads, etc.?

Response: Division of Public Assistance determined the existing staffing levels are necessary to administer the Senior Benefits program after more than three years of program operation. The unit consists of one Eligibility Technician III position, four Eligibility Technician I positions, and one Office Assistant position. This unit handles a Senior Benefits caseload of over 10,000 individuals. In addition to accepting and processing new applications, public assistance staff process annual reviews and act on "reports of change" throughout the year.

Representative Mike Hawker
Alaska State Legislature

Session:
State Capitol
Juneau, AK 99801
907 465-4949 direct
800 478-4950 toll free
907 465-4979 fax

Interim:
716 W 4th Avenue
Anchorage, AK 99501
907 269-0244 office
907 269-0248 fax

Chair:
Legislative Budget & Audit Committee

House District 32:
Eagle River
Anchorage
Rainbow
Indian
Bird
Girdwood
Portage
Whittier
Sunrise
Hope

House Bill 16
Sponsor Statement

Short Title: Extend Senior Benefits Payment Program

House Bill 16 would extend the Alaska Senior Benefits Program to June 30, 2015.

The Senior Benefits Program provides monthly cash assistance to state residents age 65 years or older whose household income does not exceed 175% of the federal poverty guidelines for Alaska. Specifically, the program pays:

- $250 per month to individuals with income of 75% or less of FPG
- $175 per month to individuals with income between 75% and 100% of FPG
- $125 per month to individuals with income between 100% and 175% of FPG

The program assists approximately 10,000 Alaskan seniors, with a total cost of $21 million projected for this fiscal year. If it is not extended, the program will sunset on June 30, 2011.

Staff Contact: Rena Delbridge 465-6959

Revised 2/1/2011

House Bill 16 Background Information
Alaska Senior Benefits Program Statutes

Title 09. CODE OF CIVIL PROCEDURE

Chapter 09.38. ALASKA EXEMPTIONS ACT

(a) An individual is entitled to exemption of the following property:

(11) [See delayed amendment note]. benefits paid or payable under AS 47.45.301 - 47.45.309.

Sec. 47.45.301. Alaska senior benefits payment program. [See delayed repeal note]..

(a) The Alaska senior benefits payment program is established in the Department of Health and Social Services to provide cash benefits as far as practicable under appropriations provided by law.

(b) The department shall administer the program and adopt regulations under AS 44.62 to carry out the purposes of the program.

(c) If the department estimates that appropriations for the program are insufficient to meet the demands of the program in a fiscal year, the department may reduce or eliminate the cash benefit available to recipients.

Sec. 47.45.302. Cash assistance benefit. [See delayed repeal note]..

(a) An individual is eligible for a cash assistance benefit under the program if the individual

(1) is 65 years of age or older;

(2) is a resident of the state;

(3) has a household income that does not exceed 175 percent of the annual federal poverty line for Alaska, as determined by the United States Department of Health and Human Services and revised under 42 U.S.C. 9902(2);

(4) has not received a longevity bonus payment under AS 47.45.010 - 47.45.160 for the same period; and

(5) applies on a form provided by the department; the department may use an abbreviated form for an individual who received a payment under an assistance program for seniors that paid $120 a month and was administered by the department on or before the effective date of this section.

(b) An eligible individual shall receive a monthly cash assistance payment beginning on August 1, 2007, as follows:

(1) $250 if the individual's household income does not exceed 75 percent of the federal poverty line for Alaska;

(2) $175 if the individual's household income does not exceed 100 percent but is above 75 percent of the federal poverty line for Alaska;

(3) $125 if the individual's household income does not exceed 175 percent but is above 100 percent of the federal poverty line for Alaska.

(c) Cash assistance provided under this section is subject to appropriation.

Sec. 47.45.304. Continuation of benefits. [See delayed repeal note]..

An eligible individual who leaves the state may not receive a cash benefit under AS 47.45.302 during the absence unless the individual's absence is temporary and is for one of the following reasons:

(1) to receive medical treatment for the individual;

(2) to accompany the individual's family member who is receiving medical treatment outside the state; or

(3) for a vacation, business trip, or other absence of less than 30 consecutive days, unless the individual has applied for and received a time extension from the department for special circumstances.

Sec. 47.45.306. Appeal rights. [See delayed repeal note]..
An individual who receives a determination from the department that denies, limits, or modifies a cash benefit under AS 47.45.301 - 47.45.309, other than a determination under AS 47.45.301 (c) to reduce or eliminate benefits, may request a hearing before the department under regulations adopted by the department.

Sec. 47.45.308. Ability to recover or recoup improper assistance or benefits. [See delayed repeal note]..
An individual is liable to the department for the value of assistance or benefits improperly paid to the individual under AS 47.45.302 or former AS 47.45.310 or 47.45.320 if the improper payment was based on inaccurate or incomplete information provided by the individual. In a civil action brought by the state to recover from the individual the value of assistance or benefits improperly paid under AS 47.45.302 or former AS 47.45.310 or 47.45.320, the state may recover from the individual the costs of investigation and prosecution of the civil action, including attorney fees as determined under court rules.

Sec. 47.45.309. Definitions. [See delayed repeal note]..
In AS 47.45.301 - 47.45.309,

(1) "department" means the Department of Health and Social Services;

(2) "eligible individual" means an individual who meets the requirements of AS 47.45.301 - 47.45.309 and regulations adopted under those statutes for eligibility for the program;

(3) "family member" means a person who is

(A) legally related to an eligible individual through marriage or guardianship; or

(B) an eligible individual's sibling, parent, grandparent, son, daughter, grandson, granddaughter, uncle, aunt, niece, nephew, or first cousin;

(4) "program" means the senior benefits payment program established in AS 47.45.301 - 47.45.309;

(5) "resident" has the meaning given in AS 47.25.430 (a).

January 24, 2011

The Honorable Mike Hawker
Member of the House of Representatives
Alaska Capitol, Room 502
Juneau, AK 99801-1182

RE: HB 16 (Hawker) – Support

Dear Representative Hawker:

The Alaska Food Coalition is pleased to express our support for HB 16 which will extend the Senior Benefits Program for another four years. At least 1/3 of the Alaska Food Coalition membership serves the senior population. Our members identify hunger, or food insecurity, as a growing problem among the senior population in Alaska.

The Hunger in America 2010 study found 42% of adult pantry and soup kitchen clients in Alaska were 50 and older. Of those pantry visitors 65 and older, 57.8% told us they experienced low or very low food security; they worry about or don't know if they will have enough food. The study also found, of all pantry clients in Alaska:

- 43% had to choose between buying food and paying for utilities
- 45% had to choose between buying food and paying for rent or mortgage
- 35% had to choose between buying food and medicine

Among households with 1 senior member age 65 or older, 21.8% participate in a home delivered meal program. Agencies who deliver home meals have reported a 20% increase in requests for services. The Salvation Army Older Alaskans Program in Anchorage estimates there are twice as many seniors in Anchorage in need of their services. The Yakutat Senior Center serves an average of 42 meals a day; double what they served the previous year. According to data from the Alaska Department of Public Assistance, food stamp recipients age 60 and over increased by 22% in 2009. The need is clear; our low-income seniors need help paying for basic needs.

We want all Alaskans to be hunger free, food secure. There is no question the Senior Benefits Program has helped Alaskan seniors put food on their tables, and will continue to do so with continued funding. We appreciate your leadership on this issue and wish to express our sincere thanks to you for helping Alaska Seniors live full and productive lives.

We ware also thankful to Representatives Millet, Lynn, Gara and Tuck for signing up to co-sponsor HB16.

Please do not hesitate to contact Vanessa Salinas, Alaska Food Coalition Manager if you have any questions, 907-222-3103 afc@foodbankofalaska.org

Thank you for all that you do for Alaska.

Sincerely,

Heather Harris
Alaska Food Coalition President

CC: Representative Charisse Millet
Representative Les Gara
Representative Bob Lynn
Representative Chris Tuck

Senior BENEFITS PROGRAM

Fact Sheet
January 24, 2011

The Alaska Senior Benefits Payment Program was established on August 1, 2007 and, unless reauthorized, is set to end on June 30, 2011. It pays cash benefits to Alaskans who are age 65 or older and have low to moderate income. Cash payments are $125, $175, or $250 each month depending on income.

Recipients

- There were 10,093 Senior Benefits recipients as of December 2010. Of these, 5,534 were also Adult Public Assistance recipients.

- Number and percent of seniors at each payment level in December 2010.
  - ✓ $250 - 1,071 (10.6%)
  - ✓ $175 - 3,872 (38.4%)
  - ✓ $125 - 5,150 (51.0%)

- Average age of recipients is 75. The maximum age is 105.

Program Expenditures

- Currently, projected program benefit expenditures for FY 2011 are $21.0 million. Projected benefit expenditures for FY 2012 are $21.7 million.

Eligibility and Payment

- Eligibility and payment amount is based on gross annual income (before any deductions are taken for taxes, Medicare premiums, etc.).

Senior Household Size	**Senior Benefits Program Gross Annual Income Limit** Effective 3/1/2011		
	$250 monthly payment	**$175 monthly payment**	**$125 monthly payment**
Individual	$10,200 ($850 per month)	$13,600 ($1,134 per month)	$23,800 ($1,984 per month)
Married Couple	$13,785 ($1,149 per month)	$18,380 ($1,532 per month)	$32,165 ($2,680 per month)

- Income limits may change yearly along with Alaska's federal poverty level. The $250, $175, and $125 monthly payments correspond to 75 percent, 100 percent, and 175 percent of the federal poverty level for Alaska, respectively.

- Assets, such as savings, are not counted for eligibility.

- Payments are not available to seniors living in the following institutions:
  - ✓ Prison or jail,
  - ✓ nursing home,
  - ✓ Alaska Pioneers' Home or Alaska Veterans' Home, or
  - ✓ Public or private institution for mental disease

Geographic Distribution by Census Area, December 2010

Census Area	Number of Recipients
Aleutians East	23
Aleutians West	14
Anchorage	3,636
Bethel	558
Bristol Bay	7
Denali	13
Dillingham	150
Fairbanks North Star	747
Haines	83
Juneau	338
Kenai Peninsula	934
Ketchikan Gateway	251
Kodiak	220
Lake and Peninsula	39
Matanuska-Susitna	1,250
Nome	238
North Slope	38
Northwest Arctic	159
Prince of Wales	185
Southeast Fairbanks	187
Sitka	98
Skagway/Hoonah/Angoon	68
Valdez/Cordova	171
Wade Hampton	255
Wrangell/Petersburg	149
Yakutat	15
Yukon/Koyukuk	259
Unidentified	8
Grand Total	10,093

AARP Alaska
3601 C Street
Suite 1420
Anchorage, AK 99503

T 1-866-227-7447
F 907-341-2270
TTY 1-877-434-7598
www.aarp.org/ak

January 19, 2011

The Honorable Mike Hawker
Member of the House of Representatives
Alaska Capitol, Room 502
Juneau, AK 99801-1182

RE: HB 16 (Hawker)—Support

Dear Representative Hawker:

On behalf of the members of AARP in Alaska, we are pleased to indicate our very strong support for HB 16 which will extend the Senior Benefits program for another four years.

There is no doubt that the Senior Benefits program has proven to be an invaluable help to many older Alaskans who might not be able to afford to stay here without it.

We all recognize that Alaska's seniors face high health care costs as well as high energy costs.

The Senior Benefits program has allowed over 10,000 older Alaskans to deal with these costs and to remain citizens of our state.

We want Alaskans to be able to stay here after retirement. The Senior Benefits program is essential to achieve that goal.

On behalf of all those older Alaskans who may not be aware of your continued leadership on this issue, please accept our thanks for all that you have done, continue to do, and will do in the future.

We are pleased to thank Representatives Millet, Lynn, Gara and Tuck for signing up to co-sponsor HB 16.

Should you have any questions about our position, please feel free to contact me (586-3637) or Patrick Luby, AARP Advocacy Director (907-762-3314).

Thank you for your consideration.

Sincerely,

Marie Darlin

Marie Darlin, Coordinator
AARP Capital City Task Force
415 Willoughby Avenue, Apt. 506
Juneau, AK 99801
586-3637 (voice)
463-3580 (fax)

CC: Representative Charisse Millet
Representative Les Gara
Representative Bob Lynn
Representative Chris Tuck

Matsu Legislative Information
— Office —
600 E. Railroad Ave.
Wasilla, AK. 99654-8135

January 12, 2011

Barbara A. Schumacher
P.O. Box 873505
Wasilla, AK. 99687

To Whom it may concern,
Please think very carefully about the Senior Benefits Program, here in Alaska. It has been a great source of comfort & financial stability to me for the last 3 years. I shudder to think what it would mean to your Senior Constituents, who benefit so greatly from this program if it were to be discontinued
Thank you for your consideration.

Sincerely,
Barbara A. Schumacher - age 75
BARBARA A. SCHUMACHER
Wasilla, AK.

Date: January 12, 2011

To: MatSu Legislative Office

To whom it may concern;

I am the daughter of a Wasilla area resident senior citizen. It has come to my attention that the State needs to seek renewal for the Alaska Senior Citizen Benefits Program. I strongly support this program and urge the State to petition for renewal of this very important service to our Seniors. The Senior Care benefits that my mother receives allow her that tiny bit of extra wiggle room on her fixed retirement income, without which, her standard of living will become negatively affected.

Many Alaskan Seniors are in similar, or worse, situations. Without these benefits the State would surely see a rise in emergency medical care resulting from senior's not getting the medications, doctor visits, appropriate food, etc. they need because of less income.

Please support the continued funding for the Alaska Senior Citizen Benefits Program.

Sincerely,

Mrs. Katherine McLaughlin
PO Box 8043
Chenega Bay, Alaska 99574

Mabel T. Caverly Senior Services
325 E. Third Ave.
Anchorage, AK 99501
907-276-1496
executivedirector@mabeltcaverly.org

3 February 2011

The Honorable Lyman Hoffman, Co-Chair
The Honorable Bert Stedman, Co-Chair
Senate Finance Committee
Alaska Capitol, Room 532
Juneau, AK 99801-1182

Re: HB 16 (Hawker)
Letter of Support- Senior Benefit

Dear Co-Chairs Hoffman and Stedman:

Mabel T. Caverly Senior Services provides small grants for dental work, eyeglasses, hearing aids, prescriptions, rent, utilities, furnace repair, appliance repair, etc. We also collaborate with the Food Bank of Alaska to distribute monthly food boxes. Thanks to a partnership with Alyeska Canine Trainers, we are able to add dog and cat food to our distribution offerings. All these programs have income limits of approximately 200% of the Federal Poverty Level.

Because of these programs, nearly all our client base would be considered low income.
The average monthly income for the grants program clients who are ages 65 and older is $1,400. That includes the Senior Benefit income of $125.00.

One of our clients better explained the circumstances of a great many of seniors with very modest means much better than I ever could. "I get my social security check, pay the house payment and utilities. My check is mostly gone. Last year, I was in the doughnut hole. I couldn't afford my medications which cost $ 400 for 2. My teeth are falling out. I'm in pain. I worked all my life. I would have never thought I would have to ask for help. This is the first time in my life. At times, I don't know what to do anymore."

Please imagine life for this gentleman and so many others like him if the Senior Benefit goes away.

We would appreciate your support to extend the Senior Benefit.

Thank-you in advance for considering this matter.

Sincerely,

(s) S.B. Camery

Sandra B. Camery
Executive Director

cc: Senator Olson
Senator Thomas
Senator McGuire
Senators Ellis & Egan HSS

HB

21

<TARGET><BILL>HB 21</BILL><SUBJECT>HB
21</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/16/11

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered CS FOR HOUSE BILL NO. 21(FIN)

HB 21-SUICIDE PREVENTION COUNCIL MEMBERS

"An Act relating to the membership of the Statewide Suicide Prevention Council."

and recommends:

[ ] be **replaced** with **SCS** _____ (_____)

[ ] Same Title [ ] Technical Title Change or [ ] New Title & SCR No._____

[ ] adopt **previous SCS** _____ (_____)

[ ] Same Title [ ] Technical Title Change or [ ] New Title & SCR No._____

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DHS	X			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	Egan	✓			
	McGuire	✓			
	Ellis	X			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓			

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **CSHB021(FIN)**
Fiscal Note Number:
Publish Date:

Identifier (file name): HB021-DHSS-SPC-12-15-11
Title: Suicide Prevention Council Members
Sponsor: Rep. Fairclough, Rep. Gardner, Rep. Herron
Requester: Senate Finance Committee

Dept. Affected: Health and Social Services
Appropriation: Behavioral Health
Allocation: Suicide Prevention Council
OMB Component Number: 2651

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel	4.0		4.0	4.0	4.0	4.0	4.0
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**4.0**	**0.0**	**4.0**	**4.0**	**4.0**	**4.0**	**4.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)	4.0		4.0	4.0	4.0	4.0	4.0
1178	temp code (UGF)							
TOTAL		**4.0**	**0.0**	**4.0**	**4.0**	**4.0**	**4.0**	**4.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated fiscal note to reflect current fiscal year.

Prepared by: Melissa W Stone, Director — Phone: 269-3410
Division: Behavioral Health — Date/Time: 11/17/11 5:00 PM
Approved by: Nancy Rolfzen, Assistant Commissioner — Date: 12/15/2011
DHSS Finance & Management Services

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** CSHB021(FIN)
2012 LEGISLATIVE SESSION

Analysis

This bill will increase the size of the Statewide Suicide Prevention Council by one member, from a total membership of 16 to 17. The bill would add a representative from the military. In addition, the bill amends the definition of the youth member to include an age demarcation, and eliminates the requirement that the student be currently enrolled in a secondary school in Alaska.

The proposed changes will result in increased travel costs for the Council. Four meetings are held each year at varying locations. Based on historical costs, it is estimated that the additional travel costs for an additional council member will be $4,000 per year.

Alaska State Legislature

Representative Anna Fairclough – House District 17

House Bill 21

"An Act relating to the membership of the Statewide Suicide Prevention Council."

House Bill 21 would simply increase the number of members appointed to the Statewide Suicide Prevention Council from 16 members to 17 members and create an age requirement for the youth member.

The additional member would be appointed by the Governor and would give representation on the council for members of our military. Suicide among our military is on the rise and having an individual familiar with the lives and challenges our military members face on a daily basis is crucial to their overall well-being.

The new member must be one of the following; discharged from, retired from, or engaged in active duty military service or someone who is a mental health provider, social worker, or other person actively providing a health care service to discharged, retired, or active military personnel.

House Bill 21 also changes the requirement for the youth member who is appointed to the council. Currently this appointee has to be enrolled in the 9th, 10th, 11th, or 12th grade of a secondary school. This member would be changed allowing the youth to be 16 years of age when appointed, but not older than 20 years of age. This will allow our youth members to continue to serve beyond completion of their secondary school education and allow for continuity on the council.

Thank you for your consideration of this legislation. I appreciate your support of House Bill 21.

Session: Alaska State Capitol • Juneau, AK 99801 • 907-465-3777 • Fax 907-465-2819
Interim: 10928 Eagle River Road, Suite 238 • Eagle River, AK 99577 • 907-694-8944 • Fax 907-694-8945
Representative_Anna_Fairclough@legis.state.ak.us

Alaska State Legislature

Representative Anna Fairclough – House District 17

CSHB 21- Explanation of Changes

1) House State Affairs Committee Change-

Page 2, line 20, following **"States"**: inserted **", including the United States Coast Guard, the Army National Guard, the Air National Guard, or a reserve unit of the armed forces of the United States,"**

This change was made to expand and specify the military service organizations which qualify for the new position on the council.

2) House Finance Committee Change-

Page 2, line 16: changed **20** years of age to **24** years of age.

This change was made to allow more continuity on the council with the high school and secondary school age member. Most young people do not complete their secondary school education by the age of 20. Moving the age to 24 will give this member the ability to serve through their secondary school completion.

Session: Alaska State Capitol • Juneau, AK 99801 • 907-465-3777 • Fax 907-465-2819
Interim: 10928 Eagle River Road, Suite 238 • Eagle River, AK 99577 • 907-694-8944 • Fax 907-694-8945
Representative_Anna_Fairclough@legis.state.ak.us

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

STATEWIDE SUICIDE PREVENTION COUNCIL

SEAN PARNELL, GOVERNOR

P.O. BOX 110608
431 N. Franklin Street, Suite 200
JUNEAU, ALASKA 99811-0608
PHONE: (907) 465-8920
FAX: (907) 465-4410
TOLL FREE: (888) 464-8920

January 18, 2012

Representative Anna Fairclough
State Capitol Room 501
Juneau, Alaska 99801

Re: Letter of Support for House Bill 21 (CSHB 21)

Dear Representative Fairclough,

On behalf of the Statewide Suicide Prevention Council, I express our full support for HB 21 expanding the membership of the Council to include representatives from the veteran and military community and a wider group of youth.

In 2010, the Council received public comment during its meetings requesting representation from the military and veteran service systems on the Council. These populations are a particularly high-risk group for suicide, with high incidence of post traumatic stress disorder, depression, substance abuse, and other disorders contributing to suicide.[1] In Alaska, the Veterans Health Administration is engaged with the suicide prevention system as a partner. The state suicide prevention plan, *Casting the Net Upstream*, includes a specific strategy to increase suicide prevention efforts related to active and veteran military service members. Thus, having a representative from the veteran/military systems will be of great benefit to the Council's work.

The Council currently has a seat reserved for a high school age youth. We have discovered that these members are often appointed as juniors or seniors, which limits the time they have to serve with the Council. HB 21 serves to expand the eligibility for the youth representative to age 24, so that this member can serve a full 4 year term. Also, this better reflect the actual age group with the highest risk of suicide in Alaska – youth age 15-24.[2]

The Council supports HB 21, and we thank you for your work on behalf of – and as a member of – the Statewide Suicide Prevention Council.

Sincerely,

J. Kate Burkhart
Executive Director

cc: William Martin, Chairman

---

[1] *See Losing the Battle: The Challenge of Military Suicide,* Center for a New American Security (October 2011).
[2] The age-adjusted rate of suicide for young men age 15-24 in Alaska between 2000-2009 was 56.1/100,000.

From: Sami Velez-Douglas [mailto:mtsamiam@yahoo.com]
Sent: Saturday, April 16, 2011 9:20 PM
To: Rep. Anna Fairclough
Subject: CSHB21(Fin)

Dear Representative Fairclough:

I am currently a graduate student at the University of Alaska in Anchorage pursuing my Masters of Social Work degree. As part of my Policy practice course, I have been following with great interest HB 21 (now known as CSHB21(Fin)). My primary graduate research and professional interests include the analysis and development of innovative community-based programs that provide post-combat resource navigation and trauma/crisis intervention strategies.

I am a veteran of the United States Army and have held the distinct honor of serving as a federal civilian contractor at Fort Wainwright (2007) and a federal civilian employee at Fort Richardson (2008-2010). In my role as a Family Readiness Support Assistant, I worked directly with the command group of a deployable unit at Fort Richardson. Together, we implemented and sustained a comprehensive Family Readiness Program to support nearly 500 Soldiers and their family members through all phases of the unit's two-year deployment cycle -- pre-deployment, mobilization, deployment, and reintegration. Through these experiences, I have learned first-hand -- the challenges of post-combat integration can only be expressed by those who have walked that difficult path.

Combat veteran and military family member voices *must* be heard. I offer my wholehearted support for the inclusion of a *combat* veteran representative on the Statewide Suicide Prevention Council.

Please accept my deepest appreciation for sponsoring this bill, and for your service to the State of Alaska.

Sincerely,

Sami J. Douglas
907-854-5676

HB

24

<TARGET><BILL>HB 24</BILL><SUBJECT>HB
24</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/13/11

FURTHER:

DATE TURNED IN TO OFFICE: 4-16-11

Finance Committee considered CS FOR HOUSE BILL NO. 24(FIN)

HB 24 EXTEND REGULATORY COMM. OF ALASKA SUNSET

"An Act extending the termination date of the Regulatory Commission of Alaska; and providing for an effective date."

and recommends:

[✓] be **replaced** with **SCS** CSHB 24 (FIN) *[✓] Same Title* *[ ] Technical Title Change* *[ ] New Title/SCR No.*_____

[ ] adopt **previous SCS** _____ (_____) *[ ] Same Title* *[ ] Technical Title Change* *[ ] New Title/SCR No.*_____

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
SFIN/CED	✓			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	Wielechowski	✓			
	Olson			✓	
	Stevens	✓			
CO-CHAIR:	Huffman	✓			
CO-CHAIR:	Stedman	✓			

ADOPTED 9/16/11

27-LS0173\E
Kirsch/Kane
4/15/11

SENATE CS FOR CS FOR HOUSE BILL NO. 24(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES OLSON, Petersen

A BILL

FOR AN ACT ENTITLED

"An Act extending the termination date of the Regulatory Commission of Alaska; and providing for an effective date."

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

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE INTENT. In order for the legislature to evaluate the desirability of extending the Regulatory Commission of Alaska beyond June 30, 2013, it is the intent of the legislature that before January 17, 2012, the Regulatory Commission of Alaska shall provide a proposal to the legislature to reduce the statutory timeline for tariff filings that change a utility's revenue requirement or rate design.

*** Sec. 2.** AS 44.66.010(a)(3) is amended to read:

(3) Regulatory Commission of Alaska (AS 42.04.010) - June 30, **2013** [2011];

*** Sec. 3.** This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number
Bill Version: **SCS CSHB 24 (FIN)**
() Publish Date

Identifier (file name)
Title: Extending the Regulatory Commission of Alaska
Dept. Affected: DCCED
Appropriation: Regulatory Commission of Alaska
Allocation: Regulatory Commission of Alaska

Sponsor: Representative Kurt Olson
Requester: Senate Finance Committee
OMB Component Number: 2417

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services		6,095.8	6,095.8				
Travel		51.5	51.5				
Services		2,715.3	2,715.3				
Commodities		56.9	56.9				
Capital Outlay		12.6	12.6				
Grants							
Miscellaneous							
TOTAL OPERATING	**0.0**	**8,932.1**	**8,932.1**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							
FUND SOURCE		(Thousands of Dollars)					
1212 Stimulus 09		204.3	204.3				
1003 GF Match							
1004 GF							
1141 RCC Receipts		8,587.8	8,587.8				
1037 GF/Mental Health							
1007 Interagency Receipts		140.0	140.0				
TOTAL	**0.0**	**8,932.1**	**8,932.1**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost 0.0

POSITIONS

Full-time		56	56				
Part-time							
Temporary		5	5				

Why this fiscal note differs from previous version (if initial version, please note as such)

This fiscal note reflects the change made by the Senate Finance Committee to extend the termination date of the Regulatory Commission of Alaska to June 30, 2013.

Prepared by: Darwin Peterson
Senate Finance Committee staff
Phone: 465-3873
Date/Time: 4/15/11 7:17 PM

Senator Bert Stedman, Co-Chair Senate Finance Committee
Date: 4/15/2011
Senator Lyman Hoffman, Co-Chair Senate Finance Committee

(Revised 1/27/2011 OMB)

Adopted 4/14/11 Replaced

27-LS0173\D
Kirsch/Kane
4/13/11

SENATE CS FOR CS FOR HOUSE BILL NO. 24(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES OLSON, Petersen

A BILL

FOR AN ACT ENTITLED

"An Act extending the termination date of the Regulatory Commission of Alaska; and providing for an effective date."

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

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE INTENT. In order for the legislature to evaluate the desirability of extending the Regulatory Commission of Alaska beyond June 30, 2012, it is the intent of the legislature that before January 17, 2012, the Regulatory Commission of Alaska shall provide a proposal to the legislature to reduce the statutory timeline for tariff filings that change a utility's revenue requirement or rate design.

*** Sec. 2.** AS 44.66.010(a)(3) is amended to read:

(3) Regulatory Commission of Alaska (AS 42.04.010) - June 30, **2012** [2011];

*** Sec. 3.** This Act takes effect immediately under AS 01.10.070(c).

Kate Giard, Commissioner
Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501-3469

April 14, 2011

Senator Lesil McGuire
State Capitol Room 125
Juneau AK, 99801

Dear Senator McGuire:

During Senate Finance yesterday, you expressed concern about a conversation I had with Mr. Kerr of Anchor Point Energy, LLC. Hopefully, the information below provides some context and explanation for my comments to Mr. Kerr in February.

The design, size and location of Anchor Point's planned pipeline was identified as a potential issue by Union Oil (Unocal) when Enstar filed "to construct a new 8-inch gas transmission pipeline to increase access to both known natural gas supplies as well as prospective exploration areas" in 2009. Anchor Point filed comments in that docket and Unocal also filed comments. Among other things, Unocal sought assurance that Anchor Point's pipeline would be established from the outset with consideration for the potential use of that pipeline by other users, stating,

> [Anchor Point's proposed] 9.3 mile pipeline will be located in the immediate vicinity of a number of other oil and gas leases including the existing Nikolavesk Unit, CIRI acreage, and state oil and gas leases held by Renaissance Alaska, LLC, Alaska Energy Alliance, LLC, Nordic Energy Partners, LLC, and Benchmark Oil & Gas Company. Companies holding this acreage should be assured from the outset that they will have access to the 9.3 mile pipeline
>
> ...
>
> ..it is clear that Anchor Point's proposed pipeline is subject to the Commission's jurisdiction under AS 42.06 and that Anchor Point will now be required to obtain a Commission certificate pursuant to AS 42.06 before commencing construction. As part of obtaining a certificate, Anchor Point will be required to design its system to accommodate third party volumes... (Emphasis added).

Enstar asserted that it was inappropriate to discuss Anchor Point's pipeline in Enstar's docket. We granted Enstar's expansion stating that we were not going to address any

extraneous matters raised. With that order, in April, 2010 I wrote a statement urging Anchor Point to apply for a certificate soon so that any disputes over the pipeline's design or access would not impede Enstar's plans to take gas in early 2011 (attached).

As Unocal noted in its comments, state law requires that a carrier must offer carriage to others, which means that design, size and route become important matters to address before a pipeline is constructed. AS 42.06.240(a) requires that a pipeline carrier may not "undertake the construction or extension of any pipeline facilities ...unless there is in force with respect to that pipeline carrier a certificate of public convenience and necessity issued by the commission authorizing those acts or operations." It would inefficient and costly for a pipeline carrier to completely build a pipeline, come for a certificate, only to find that a third party wants the pipeline sized differently. The way the law is written avoids these situations.

Anchor Point's application for a certificate was filed on December 29, 2010. In its application, Anchor Point stated, "Actual construction of the Pipeline is currently well under way as the Applicant was not aware of any requirement for advance approval."

Anchor Point lack of compliance with statute created an uncomfortable precedent. AS 42.06 offers regulatory structure for several critical pipelines in Alaska, including TAPS and other Cook Inlet natural gas pipelines. If a new pipeline can be constructed, without offering the public due process on important matters, particularly when those matters were already raised in a closely related docket, it becomes challenging to find a rational basis to enforce any provision of AS 42.06.

When a commissioner has a position about a matter pending before the RCA, there are several venues that are available. First, we can write a concurring statement, as I did in April and as commissioners have done for years. Those statements reflect the perspective of a commissioner but do not affect the overall decision in the docket. Second, we can make statements on the public record, which was the venue I had seriously considered. Those statements create a record, but are also the reflections of just one commissioner.

Emphasizing this circumstance through a public venue would make it more readily apparent that the statute had been weakened and more easily accessible to other carriers in the future as a basis for why they should not be penalized for taking similar action. So I determined not highlight the matter in the public arena, but to let Mr. Kerr know how seriously I did consider the matter.

In my conversation with Mr. Kerr, I explained how disturbing it was, to have encouraged Anchor Point in April 2010, to file early, thus allow for a full due process, to find in December, that the pipeline had been illegally constructed. I expressed that I was at least partially convinced that building the pipeline in advance of obtaining a certificate may have been a strategic step to avoid designing the pipeline to accommodate a route or size needed by other developers in the area.

I discussed other aspects of Mr. Kerr's application related to compliance with commission regulations on confidential financial matters, as I had been asked by the adjudicatory panel to review them. My comments were limited to the statutory and regulatory matters in front of the commission, just as I would have made them on the public record.

At the hearing, Mr. Kerr referred to our conversation, noted that he was very upset that someone would question his integrity, that he truly was not aware that he needed to file an application prior to construction and that he would do everything possible to comply with our statutes in the future. (attached) The Commission footnoted his promise in its final order and expressly conditioned his certificate on complying with all statutes and regulations.

Those are the facts as I know them and I would be happy to provide any additional information that you may need about the subject.

With regards,

Kate Giard

STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

Robert M. Pickett, Chairman
Kate Giard
Paul F. Lisankie
T.W. Patch
Janis W. Wilson

In the Matter of the Application Filed by ALASKA PIPELINE COMPANY to Amend Certificate of Public Convenience and Necessity No. 141 to Expand Its Service Area

U-09-107

ORDER NO. 2

CONCURRING STATEMENT OF COMMISSIONER KATE GIARD

If an application for a certificate of public convenience and necessity is required under AS 42.06 for Anchor Point Energy's pipeline (or for APLC's proposed pipeline in the event that DNR issues an AS 38.35 right-of-way lease), the law requires the RCA to hold a public hearing at least 30 days prior to issuing the certificate.

Comments made by Union in this docket indicate that there may be tension as to the location and routing of any new AS 42.06 pipelines. A contested application process will take longer to resolve. Given the proposed construction schedules, parties may wish to file their AS 42.06 applications as soon as possible to get the process underway.

Kate Giard, Commissioner

(SEAL)

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501
(907) 276-6222; TTY (907) 276-4533

REGULATORY COMMISSION OF ALASKA
Anchorage, Alaska
VOLUME I
PUBLIC HEARING
February 14, 2011
10:00 o'clock a.m.
Anchorage, Alaska

Comments of Anchor Point:

You know, right before this meeting I had someone come and, I guess, as my dad would say, dress me down. And, you know, we have always at Armstrong attempted to work with regulatory authorities. It's -- you know, it's our intention to be partners with you guys. We see that as how things are a win/win and to the extent that we can, we're always going to do that. And I feel horrible right now 'cause I had someone imply that I was less than honest or something like that. And just for what it's worth anything I can do to get you guys where you need to be, let me know because, you know, life is just too short. I don't want anyone in your shoes to think that we're doing anything that is less than forthright or less than honest, so -- and I apologize, but I just had to get that out there because it shook me up with respect to that.

Q So now is probably as good a time as any to address the question of why is it that the pipeline is almost built and we're just now asking for the certificate?

A Right. And with respect to that let me -- let me start by saying I apologize. And, again, apologize, too for having to hear me earlier, but this is unique for us. Number one, we did not know we needed to come here and I sincerely apologize for that with respect to the pipeline aspect. We thought we -- when we went through the SPCO and all of the protocol that is associated with that and Bob Rich has been nice enough to be here and under his feet we've got two boxes full of various filings and data that went in tangent with the -- with the SPCO filing, but we definitely dropped the ball. We did not recognize that we needed to be in front of you for your permission to -- for the construction of the pipeline and I sincerely apologize for that. And at this point all I can do is say we'll try everything we can to make it better. We actually found out when we began this tariff filing aspect which was another unique thing to us since we're only moving our own gas, but when we did find out shortly after that which was the very first week, I think, of December I came up and visited with some people with the RCA to say I'm sorry, we've made a mistake and we're going to try everything we can to rectify it.

ALASKA STATE LEGISLATURE

REPRESENTATIVE KURT OLSON

- Chair: Labor and Commerce
- Vice Chair: Rules, Administrative Regulation Review
  Economic Development Trade & Tourism
- Member: Energy, Legislative Budget & Audit

Session: January - April
State Capitol, Room 24
Juneau, AK 99801-1182
Phone: 907-465-2693
Fax: 907-465-3835

Interim: May - December
145 Main Street Loop, Ste 221
Kenai, AK 99611
Phone: 907-283-2690
Fax: 907-283-2763

Official Business

Sponsor Statement
CS House Bill 24 (FIN)

"An Act extending the termination date of the Regulatory Commission of Alaska; and providing for an effective date."

CSHB 24(FIN) extends the sunset date for the Regulatory Commission of Alaska (RCA) to June 30, 2015.

I encourage all the members to review the Legislative Audit summary and the full audit report. You will see that in the opinion of our auditors, the RCA is serving a public purpose and has demonstrated an effort to resolve issues brought forward by prior audits.

Legislative Audit has recommended 8 year extension. In this bill the RCA would be extended for 4 years. This more conservative extension will give the Legislature confidence that the required action items in a recent audit are completed.

The RCA serves an important role in the everyday lives of the residents of Alaska. The rate oversight of public utilities and pipelines in Alaska help control the prices consumers pay for heat and lights. The continuation of the Commission is very important.

Thank you for your support of this legislation.

Email: Representative_Kurt_Olson@legis.state.ak.us

AARP Alaska
3601 C Street
Suite 1420
Anchorage, AK 99503

T 1-866-227-7447
F 907-341-2270
TTY 1-877-434-7598
www.aarp.org/ak

March 14, 2011

The Honorable Kurt Olson, Chair
House State Affairs Committee
Alaska State Capitol, Room 24
Juneau, Alaska 99801-1182

Dear Chair Olson:

HB 24 (Olson)—Support

On behalf of the AARP members in Alaska, we encourage you and your colleagues on the House Labor and Commerce Committee to support HB 24, which you authored. HB 24 would extend the life of the Regulatory Commission of Alaska (RCA) for two years. AARP would support an even longer authorization if possible.

AARP relies on the RCA because it offers our members and all Alaskans the best opportunity to achieve basic consumer protections:

- The ability to make informed choices about utility services
- The security of safe and reliable energy and telecommunications services
- The assurance that sales practices and advertisements are fair, so they do not confuse, mislead, or frighten the public
- The reassurance that consumers receive accurate information, communicated clearly and in plain language, so we understand our rights and remedies

The RCA assures consumers the right to affordable rates and access to such basic necessary services as utilities and communications. We rely on the Attorney General to represent consumers on cases before the RCA. AARP families need HB 24; all Alaskans need this bill.

AARP recommends an "AYE" vote on HB 24.

Should you have any questions about our position, please feel free to contact me (586-3637) or Patrick Luby, AARP Advocacy Director (907-762-3314).

Thank you for your consideration.

Sincerely,

Marie Darlin

Marie Darlin, Coordinator
AARP Capital City Task Force
415 Willoughby Avenue, Apt. 506
Juneau, AK 99801
586-3637 (voice)
463-3580 (fax)

CC: Vice-Chair Craig Johnson
Representative Dan Saddler
Representative Paul Seaton
Representative Steve Thompson
Representative Lindsey Holmes
Representative Bob Miller

Konrad Jackson

From: Rep. Kurt Olson
Sent: Tuesday, March 15, 2011 1:12 PM
To: Konrad Jackson
Subject: FW: HB 24 (Extend Regulatory Commission of Alaska Sunset)

-----Original Message-----
From: Michael O'Meara [mailto:mikeo@horizonsatellite.com]
Sent: Monday, March 14, 2011 9:09 PM
To: Rep. Kurt Olson; Rep. Craig Johnson
Cc: Rep. Paul Seaton
Subject: HB 24 (Extend Regulatory Commission of Alaska Sunset)

Dear Representatives Olsen and Johson:

I serve as spokesman for the HEA Members Forum, an ad hoc group of some 300 Homer Electric Association members. Unfortunately, due to prior commitments, I will be unable to participate in the Labor and Commerce Committee meeting on HB 24 (Extend Regulatory Commission of Alaska
Sunset) scheduled for Wednesday, March 16 at 3:15 PM. Our experience has shown the RCA to be the main agency looking out for utility ratepayers interests. Members Forum participants concur with the October 16, 2010 Legislative Budget and Audit Committee report findings that the RCA fulfills an important public need and should be extended through June 30, 2019. Consequently we urge passage of HB 24. Please circulate this message to members of your Labor and Commerce Committee.

Many thanks for considering our concerns.

Sincerely,

Mike O'Meara, Spokesman
HEA Members Forum
3734 Ben Walters Lane
Homer, AK 99603

907-399-4022

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit

P.O. Box 113300
Juneau, AK 99811-3300
(907) 465-3830
FAX (907) 465-2347
legaudit@legis.state.ak.us

December 14, 2010

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 and Title 44 of the Alaska Statutes (sunset legislation), we have reviewed the activities and the attached report is submitted for your review.

DEPARTMENT OF COMMERCE, COMMUNITY, AND
ECONOMIC DEVELOPMENT
REGULATORY COMMISSION OF ALASKA
SUNSET REVIEW

October 16, 2010

Audit Control Number

08-20067-11

This audit was conducted as required by AS 44.66.050 and under the authority of AS 24.20.271(1). Currently, under AS 44.66.010(a)(3), the Regulatory Commission of Alaska is scheduled to terminate on June 30, 2011. In our opinion, the termination date for this commission should be extended. We recommend the legislature extend the termination date to June 30, 2019.

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Fieldwork procedures utilized in the course of developing the findings and recommendations presented in this report are discussed in the Objectives, Scope, and Methodology.

Pat Davidson, CPA
Legislative Auditor

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OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Title 24 and 44 of the Alaska Statutes, we have reviewed the activities of the Regulatory Commission of Alaska (RCA) to determine if there is a demonstrated public need for its continued existence and if it has been operating in an efficient and effective manner.

As required by AS 44.66.050(a), this report shall be considered by the committee of reference during the legislative oversight process to determine whether the RCA should be reestablished. Currently, under AS 44.66.010(a)(3), the board will terminate on June 30, 2011, and will have one year from that date to conclude its administrative operations.

Objectives

The RCA was created to regulate public utilities and pipeline carriers. In regulating public utilities and pipeline carriers, the RCA's activities include certificating qualified providers of public utility and pipeline service, and ensuring reliable services and facilities at just and reasonable rates, terms, and conditions.

To this end, the primary objective of this audit was to determine whether there is a public need for the RCA and if its existence should be extended.

The secondary objective was to determine if the RCA is serving the public's interest in its commissions and administrative activities.

Scope

Alaska Statute 44.66.050 outlines the factors to be considered in determining whether the RCA has demonstrated public need for its continued existence. We reviewed the RCA activities that occurred between FY 07 and FY 10.

Methodology

In order to meet the various objectives of the audit:

- We evaluated a statistical sample of 73 dockets[1] and a statistical sample of 73 tariff filings[2] to determine that dockets and tariff filings were processed within the applicable, if any, statutory timeline or within tariff regulations.

[1]The sample included: 62 utility dockets, 8 pipeline dockets, and 3 rule-making dockets.
[2]The sample included: 63 utility tariffs, 7 pipeline tariffs, and 2 interexchange tariffs.

- We reviewed the RCA regulation changes and board minutes for adequate public notice and public comment.

- We reviewed proposed legislation and related testimony for statutory changes and the RCA's position.

- We generated ALDER management reports to prepare a schedule of revenues and expenditures for FY 07 through FY 10.

- We examined a random sample of 25 power cost equalization eligible non-regulated utilities to determine if the RCA was performing reviews of annual financial reports.

- We interviewed the RCA's Consumer Protection Section and American Association of Retired Persons (AARP) representatives on the extent of the RCA public outreach efforts.

- We analyzed consumer complaints received during July 1, 2006 to April 9, 2010, to assess the timely processing of the complaints. On a sample basis, we also selected 25 consumer complaints for examination of compliance with the RCA regulations and procedures.

- We reviewed appealed RCA decisions to determine the status of the decision and the explanation for the court remanding the appealed decisions back to the RCA.

- We evaluated the reliability of certain data maintained in the commission database.

- We surveyed a sample of representatives from public utilities, pipeline companies, and individuals who were party to formal proceedings or tariff filings during July 1, 2006 through April 9, 2010. We also surveyed a sample of parties involved in informal complaints during the same time period.

Exhibit 1

Survey Group	Response Rate
Utility Dockets	42%
Rule-making Dockets	44%
Pipeline Dockets	21%
Tariff Filings	41%
Informal Complaints	26%

- We interviewed the RCA staff, commissioner, and various individuals from other state agencies. We also contacted the State Ombudsman, the Office of Victims' Rights, the Alaska State Human Rights Commission, the United States Equal Employment Opportunity Commission, the Alaska Labor Relations Agency, and the equal employment opportunity staff within the Department of Administration.

ORGANIZATION AND FUNCTION

The Regulatory Commission of Alaska (RCA) was created July 1, 1999, upon reorganization of the Alaska Public Utilities Commission by Ch 25, SLA 99. Under state law, the RCA is responsible for ensuring safe, adequate, and fair public utility and pipeline services. This is to be done by allowing regulated entities to charge users rates and provide service in a manner consistent with the interests of both the public and regulated entity. The RCA has the authority to adopt regulations and to hold formal, quasi-judicial hearings to accomplish these purposes.

The RCA regulates pipeline, telephone, electric, natural gas, water, sewer, refuse, cable TV, and heat services through a certification process. A public utility or pipeline company must obtain a certificate of public convenience and necessity, which describes the authorized service area and scope of operations. A certificate is issued when the RCA formally finds the applicant to be fit, willing, and able to provide the service requested.

In addition to the certification process, the RCA also may economically regulate the rates, classifications, rules, regulations, practices, and services of public utility facilities, and pipeline carriers covered by Alaska Statutes. The RCA determines whether the rates being charged or proposed by regulated entities are fair, just, and reasonable.

The RCA records in dockets the activities relating to certification and regulation of public utilities and pipeline carriers; resolution of formal complaints; and adoption of regulations. These dockets are categorized into three types: utility, pipeline, and regulatory. (See Exhibit 3 on page 10.)

As shown in Exhibit 2, the RCA consists of five commissioners. The commissioners are appointed by the governor, confirmed by the legislature for six-year terms, and must either be a member of the Alaska Bar Association or have a degree in engineering, finance, economics, accounting, business administration, or public administration from an accredited college or university. The RCA's staff includes administrative law judges, engineers, financial analysts, telecommunications specialists, tariff analysts, consumer protection officers, paralegals as well as administrative and support staff. The RCA also receives legal advice from counsel assigned to it by the Department of Law.

Exhibit 2

Regulatory Commission of Alaska Members
Robert Pickett, Chair Term expires March 2014
T.W. Patch Term expires March 2016
Kate Giard Term expires March 2013
Paul Lisankie Term expires March 2015
Jan Wilson Term expires March 2012

The staff of RCA is organized around seven major functions: administration, administrative law, finance, tariff, engineering, common carriers, and consumer protection. The RCA had

57 permanent funded positions[3] in its $8 million FY 10 operating budget. A brief description of the services provided by each RCA function is as follows.

- Administration: This function is responsible for fiscal and personnel administration, budget preparation, and records management - including the case management system. The commission chair is responsible for this function and is aided by an administrative manager, a commission section manager, an advisory section manager, documents processing and accounting personnel, and other clerical support staff.

- Administrative Law: This function is responsible for setting procedural schedules for dockets, making discovery and evidentiary rulings, issuing procedural orders, conducting hearings, advising commissioners on legal issues in pending dockets, and drafting the RCA orders. An administrative law judge is assigned to each docket shortly after it is opened and, along with an assigned commissioner and staff docket manager, works on the docket until it is closed.

- Finance: This function examines, analyzes, and evaluates financial statements submitted for rate cases. The finance staff audits financial records of utilities and pipeline companies and examines historical operating year data and pro forma adjustments. These analyses are presented at proceedings before the RCA.

- Tariff: This function examines, analyzes, and investigates tariff filings and presents recommendations to the RCA at biweekly tariff action meetings. Administrative duties include organizing those meetings, ensuring that public notice requirements on tariff filings are met, and maintaining current master tariffs for all utilities.

- Engineering: This function is responsible for certification proceedings and the investigation of utility and pipeline company procedures and practices affecting service quality. The engineering staff also reviews legal descriptions for service areas, plans for plant expansion, and plant-in-service and depreciation schedules. These analyses are presented in proceedings before the RCA.

- Common Carriers: This function develops, recommends, and administers policies and programs with respect to the regulation of rates, services, accounting, and facilities of communications common carriers within the State involving the use of wire, cables, radio, and space satellites.

- Consumer Protection: This function investigates and resolves informal consumer complaints, and is responsible for public affairs and media relations as well as responding to information requests.

---

[3]This total does not include three non-permanent positions and the assistant attorney general that the Department of Law furnishes to RCA through a reimbursable services agreement.

REPORT CONCLUSIONS

In developing our conclusion regarding whether the termination date of the Regulatory Commission of Alaska (RCA) should be extended, we evaluated RCA operations using the 11 factors set out in AS 44.66.050. Under the State's "sunset" law, these factors are to be used in assessing if an agency has demonstrated a public policy need for continuing operations.

In our opinion the RCA fulfills a public need and is serving Alaskans by:

- Assessing the capabilities of utility and pipeline companies to safely serve the public;
- Evaluating tariffs and charges made by regulated entities;
- Verifying the pass-through charges to consumers from electric and natural gas utilities;
- Adjudicating disputes between ratepayers and regulated entities;
- Providing consumer protection services; and
- Performing financial reviews of utilities for the State's power cost equalization program.

Under AS 44.66.010(a)(3), the RCA is scheduled to terminate June 30, 2011. We recommend the legislature extend the RCA's termination date until June 30, 2019.

(Intentionally left blank)

FINDINGS AND RECOMMENDATIONS

In our previous sunset audit,[4] we made one recommendation. The recommendation was for the Regulatory Commission of Alaska (RCA) to develop regulations that would enhance the transparency, accountability, and efficiency of the RCA's decision making process. The recommendation included three areas for improvement: (1) establishing timelines for matters not covered by statute; (2) establishing standards for certain aspects of discovery; and (3) clarifying terms used in statute that relate to established timelines for certain formal proceedings. This overall recommendation has been partially resolved.

In May 2007, HB 209 amended the statutory timelines in AS 42.05.175 to include a new section for other adjudicated matters. The amendment also modified the timeframes from months to days. The concerns related to this part of the prior audit recommendation have substantially been addressed.

The second part of the recommendation stated that the RCA should establish standards for certain aspects of discovery. The RCA opened a docket in October 2006 to seek comments from regulated entities and interested parties regarding potential regulation projects that should be viewed as priorities. One of the potential projects noted in the docket is regulations for discovery. However, no action was taken regarding discovery regulations, and the 2006 regulations docket was subsequently closed. In May 2010, the RCA opened another docket to solicit comments on discovery regulations. The docket states:

> *We are required by AS 42.05.175(e) to issue a final decision in a rulemaking proceeding not later than 730 days after the order initiating the proceeding is issued. However, until we have received public comment and evaluated the availability of staff resources, we will not know whether it is appropriate to initiate one or more rule-making proceedings, and, if so, the proper scope and subject matter of those proceedings. Consequently, we may close this docket without further action once we complete our information gathering effort, or we may issue one or more orders initiating separate rule-making proceedings.*

Comments were received, and the RCA is currently in the process of reviewing the comments in order to assess if one or more orders initiating separate rule-making proceedings are necessary. The concerns related to this part of the prior audit recommendation have not been addressed, but the RCA is currently in the process of evaluating industry and public input on discovery regulations.

The third part of the prior audit recommendation states the RCA should clarify terms used in statute that relate to established timelines for certain formal proceedings. Specific terms

[4]Department of Commerce, Community and Economic Development; Regulatory Commission of Alaska, Sunset Review, October 20, 2006, Audit Control No. 08-20048-06.

include *complete*: applications, tariff filings, formal complaints and petitions. The RCA adopted new regulations specific to complete and incomplete applications.[5] The RCA's management stated that no regulations were adopted for the terms *complete*: tariff filings, formal complaints, and petitions.

The prior recommendation also suggested an alternative solution to clarifying terms by developing a practice of issuing an order to memorialize the date when the initial record is considered complete. The RCA did implement this practice by issuing an initiating order on each matter which calculates and identifies the statutory deadline. Parties disputing the calculation of the statutory deadline may petition the RCA for reconsideration within 15 days of the initiating order. Under this revised procedure, the statutory deadline is known and communicated to all parties early in the proceeding.

[5]3 AAC 48.648 "Complete Applications" and 3 AAC 48.650 "Incomplete Applications."

ANALYSIS OF PUBLIC NEED

The following analyses of board activities relate to the public need factors defined in AS 44.66.050(c). These analyses are not intended to be comprehensive, but address those areas we were able to cover within the scope of our review.

Determine the extent to which the board, commission, or program has operated in the public interest.

The Regulatory Commission of Alaska (RCA) is operating in the public's interest. The RCA identifies its core services as the following:

1. Thoroughly review utility and pipeline filings for compliance and approval.
2. Clear guidance to utility and pipeline service providers.
3. Ensure Alaska's interests are considered in the development of federal legislation and regulation.
4. Dispute resolution involving regulated entities.
5. Public information and education to enhance the public's understanding and use of utility and pipeline services.

In carrying out its responsibilities, the RCA acts much of the time in a quasi-judicial manner. Accordingly, decisions must be supported by findings of fact, and the findings of fact must be based solely upon the evidence as it appears in the record of a given proceeding. The RCA implemented a new practice beginning in FY 08 for the RCA's legal counsel to review final orders ensuring final decisions are based on evidentiary record and contain justification for the decision reached. Review of final orders from a sample of utility dockets indicates that the RCA has substantially implemented this new practice. The RCA continues to be very concerned about affording all parties involved in a given decision appropriate due process, while at the same time being responsive to concerns about the timeliness of its decision making process.

The RCA has responded well to legislative concerns about timeliness. In 2007, the legislature amended the RCA's statutory timeline requirement by adding AS 42.05.175(i) to address other adjudicated matters that were not already subject to a federal law, state law, or statutory timeline of AS 42.05.175(a)-(e). We reviewed a sample of formal proceedings

subject to statutory timelines[6] and a sample of tariff filings subject to regulatory timelines.[7] Testing showed that the RCA was in compliance with its statutory and regulatory timelines.[8]

Exhibit 3

Regulatory Commission of Alaska Dockets
FY 07 – FY 10

Docket Type	Utility	Pipeline	Regulatory	Total
FY 07				
Open as of July 1, 2006	75	17	13	105
Opened during FY 07	150	18	6	174
Closed during FY 08	142	17	7	166
FY 08				
Open as of July 1, 2007	83	18	12	113
Opened during FY 08	166	16	5	187
Closed during FY 08	163	12	5	180
FY 09				
Open as of July 1, 2008	86	22	12	120
Opened during FY 09	154	13	5	172
Closed during FY 09	146	7	5	158
FY 10 (as of April 9, 2010)				
Open as of July 1, 2009	94	28	12	134
Opened during FY 10	76	13	1	90
Closed during FY 10	66	5	1	72

Source: The RCA Case Management System

Exhibit 3, details the number of dockets the RCA processed for FY 07 through FY 10. The RCA opened 175 dockets, on average, over the three year period of FY 07 through FY 09. Additionally, the RCA closed, on average, almost 170 dockets for the same three year period.

Surveys were sent to representatives from utility and pipeline companies who were parties to a sample of formal proceedings or tariff filings presented before the RCA during FY 07 through April 2010. Surveys were also sent to a sample of consumers who filed an informal complaint with the RCA during the same time period. Over the past three years, approximately 85% of survey respondents stated that the RCA's overall operations stayed the

[6]Alaska Statute 42.05.175(a)-(i)
[7]3 AAC 48.220 – 3 AAC 48.280
[8]RCA management reported during our sunset audit that there were two tariff filings that went into effect without the required commission approval.

same or improved. Additionally, comments from two utility survey respondents regarding the RCA serving the public interest stated:

- *Sometimes it is more important to carry out the RCA's purpose of protecting the public than it is to "be efficient."*

- *Continue the good public service.*

The RCA's efforts at resolving consumer complaints with regulated utilities also serve the public's interest. The commission resolves most informal complaints within 45 days. Most of the respondents to the informal complaint survey reported that the RCA's complaint resolution process was efficient.

Determine the extent to which the operation of the board, commission, or agency program has been impeded or enhanced by existing statutes, procedures, and practices that it has adopted, and any other matter, including budgetary, resource, and personnel matters.

During FY 07, the RCA created an administrative law section comprised of four administrative law judges (ALJs) and a professional support staff. The RCA made this change based on input from regulated entities seeking streamlined pre-hearing and hearing processes as well as enhanced quality and timeliness of commission orders. The ALJs set procedural schedules for dockets, make discovery and evidentiary rulings, issue procedural orders, conduct hearings, advise the RCA on legal issues in pending dockets, and draft RCA orders. An ALJ is assigned to each docket shortly after it is opened and, along with an assigned commissioner and staff docket manager, oversees the processing of the docket until it is closed.

Although over half the utility survey respondents felt the efficiency of the RCA's hearing process did not change in the last three years, a third felt that the process is more efficient now. Utility survey respondents suggested the following areas for improvement in the efficiency of the hearing process:

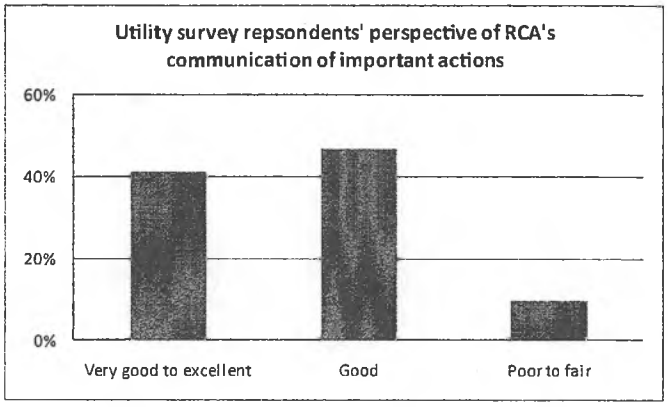
- Utilizing the ALJs for discovery and evidentiary rulings;
- Requiring only three commissioners to sit on the hearing panel; and
- Limiting the number of issues to be addressed and ensuring they are defined and fully explained.

Also, during FY 07, the RCA implemented the new procedure of issuing an initiating order that identifies: (1) the statutory or regulatory authority and timeline; (2) the RCA panel assigned to the docket; and (3) the ALJ assigned to the docket. The initiating order should document the application completion date, tariff filing date, or petition date. These dates are critical as they trigger the statutory timeline.

The RCA conducts two docket status meetings each month to review open dockets and the associated statutory timelines to ensure the dockets: will be evaluated, will proceed to the hearing process, and a final order will be issued prior to the statutory timeline. Additionally, the RCA monitors its tariff filings to ensure timelines are met and holds two tariff action meetings each month to approve tariff filings.

Almost all the utility survey respondents involved in formal proceedings before the RCA reported that they were informed by the RCA of the statutory timelines related to their dockets. As illustrated in Exhibit 4, over 40% of the utility survey respondents stated that the RCA's communication of important matters related to their formal proceeding was very good to excellent and almost 50% said that communication was good.

Exhibit 4



The RCA's total expenditures remained relatively stable from FY 07 through FY 10. The funding source for almost all of these expenditures was the regulatory cost charges paid by regulated entities. The RCA's total revenues remained stable between FY 07 and FY 09; however in FY 10, the RCA had $900,000 more in revenues than in expenditures. Appendix A summarizes the RCA's revenues and expenditures for FY 07 through FY 10.

Determine the extent to which the board, commission, or agency has recommended statutory changes that are generally of benefit to the public interest.

During FY 07, the RCA opened a docket requesting recommendations for statutory revisions and sought comments on five specific areas of potential statutory reform.[9] The RCA invited two rounds of comments, held a public workshop and a public hearing, and discussed the proposed statutory revisions at three public meetings. The RCA then voted to transmit several proposed statute changes to include revising:

- Public utility and pipeline carrier regulatory costs;
- Civil penalties for public utilities and pipeline carriers;
- Timeliness for issuance of final orders;
- Potential conflict of interest of legal counsel;

[9]The areas were: (1) a specific statutory interest rate or interest formula to apply to refund obligations; (2) an increase to the statutory exemption levels in AS 42.05.711; (3) statutory timelines for AS 42.05 and AS 42.06 matters not currently subject to timelines; (4) updated civil penalties; and (5) statutory authorization for the chairman to appoint ALJs to hear certain types of cases and present proposed decision.

- Partially exempt position structures; and
- Qualification levels for commissioners.

The transmittal also included adding an administrative law section and a natural gas and oil pipeline section to the RCA's statutes that were forwarded to the governor for consideration. According to RCA management, the governor's intention was to support a bill that would enact many of the requested statute changes. However, based on committee minutes[10], the governor did not pursue the legislation and requested that the RCA work with the legislature. The resulting bill that was presented to the legislature did not contain many of the original statutory changes the RCA sought.

During the 2007 legislature, the RCA chair provided testimony to the legislature in support of establishing a deadline for formal proceedings not currently subject to statutory timelines. This legislation was passed and created statutory timelines for adjudicatory matters that come before the RCA and are not subject to federal timelines or timelines in AS 42.05.175(a)-(e). Also, in 2007, the legislature amended the RCA's annual report statutes[11] to include specific language in the statute that requires the RCA's annual report to contain details about the RCA's compliance with the statutory timeline requirements under AS 42.05.175(a)-(e), with the timeline extensions made by the commission under AS 42.05.175(f), and with other performance measures established by the commission.

The RCA did not recommend any statutory changes during FY 08 through FY 10. While numerous statutory changes were made by the legislature, the RCA did not have an official position on the changes.

Determine the extent to which the board, commission, or agency has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of service, economy of service, and availability of service that it has provided.

The RCA affords the public opportunities to speak at publicly noticed, RCA meetings. The RCA uses a variety of methods for notifying the public of formal proceedings. Notices appear on the RCA and the State's website. Notices are also placed in newspapers in the affected regions of the State or maybe included with utility customer billings.

Additionally, as part of its operating mission, the RCA has an active consumer protection function which provides utility customers an avenue to seek resolution of complaints. The RCA generally tries to resolve disputes between customers and utilities informally, before

[10] House Labor and Commerce Committee, April 13, 2007

[11] Alaska Statute 42.05.211 and AS 42.06.220. Note: AS 42.06.220 states, "*The report must address regulation of oil and gas pipeline facilities in the state ... and must contain details about the commission's compliance with performance measures reported by the commission.*"

opening a formal complaint. Exhibit 5 below illustrates the consumer complaints filed with the RCA regarding utility types during the first ten months of FY 10.

The RCA resolved 84% of consumer complaints within 45 days of those filed between July 1, 2006 and April 9, 2010. Additionally, most of the respondents to our survey, who were involved with the informal complaint resolution process, reported the RCA was efficient in processing their complaint.

Exhibit 5

Consumer Complaints filed with the RCA between July 1, 2009 to April 9, 2010

	Number Filed	Total Complaint %
Telecommunications	94	40%
Electric	68	29%
Water / Sewer	30	13%
Natural Gas	25	10%
Cable Television	12	5%
Refuse Collection	6	3%
Totals	235	100%

Source: The RCA case management system

Beginning in 2007, the RCA, in a joint venture with the American Association of Retired People (AARP) Alaska, participated in several workshops for outreach in financial education and consumer protection. The RCA has continued to collaborate with consumer groups such as the Alaska Housing Finance Corporation to educate ratepayers and homebuyers about utility rates and services. The RCA also had an informational booth present at the Alaska Federation of Natives convention and was present at the Better Business Bureau seminars. As part of the consumer protection workshops, staff taught classes to educate consumers on utility rates and services.

Determine the extent to which the board, commission, or agency has encouraged public participation in the making of its regulations and decisions.

The quasi-judicial manner in which the RCA operates provides opportunities for all interested and affected parties to informally and formally respond to proposed regulations and decisions. Review of a sample of proposed regulations confirms that the RCA provided opportunities for public comment at the public meetings, workshops, and through the RCA's website.

The RCA's website is instrumental for communicating with the public. The RCA makes a computer terminal available at its office for the public to use for researching RCA records. Besides notices of upcoming meetings, formal actions are posted on the RCA website along with the commission's annual reports, discussions of major regulatory issues, and a forum for public comment. The process for filing a consumer complaint is explained and visitors to the website can subscribe to direct e-mail notices related to specific topics of interest.

Half of the survey respondents[12] report that the RCA's website is easy to use for finding information and provided sufficient information regarding dockets and filings. However, a third of the respondents stated that the website was not user friendly. Areas for improvement suggested by survey respondents include:

- Better search capabilities;
- Access to historical decisions;
- Status of pending motions for dockets;
- Continuous updates of current forms and information; and
- Allow for electronic filings.

Determine the efficiency with which public inquiries or complaints regarding the activities of the board, commission, or agency filed with it, with the department to which a board or commission is administratively assigned, or with the office of victims' rights or the office of the ombudsman have been processed and resolved.

The Department of Commerce, Community, and Economic Development, the Boards and Commission within the Office of the Governor, and the Office of Victims' Rights reported receiving no complaints about the RCA over the past four years. The State's Office of the Ombudsman opened 24 cases based on contacts from the public. The majority of the cases were about how to contact the RCA. There were four cases filed by consumers regarding complaint processing and public meeting activities of the RCA. Based on our review of these cases, we determined that the ombudsman's investigation was appropriate resulting in the case being closed with no further recommendation for the RCA.

The RCA's orders and decisions are subject to appeal to the state courts. Since the prior sunset review, 18 of the RCA's final orders reflecting docket decisions have been appealed to the State's Superior Court. The Superior Court remanded two of the decisions back to the RCA for further proceedings due to the RCA not adequately articulating the reason for one decision and the other due to the RCA denying a direct refund to the affected entity. One remanded decision is pending a final decision before the RCA and the other was settled prior to further proceedings before the RCA. Eight appealed decisions are open and pending at the Superior Court, six were dismissed, and the Superior Court affirmed two of RCA's decision.

Additionally, the State's Supreme Court issued decisions related to four RCA docket decisions, resulting in affirming two RCA decisions, reversing the RCA's decision on one appealed decision and denying the RCA's appeal of a Superior Court's decision.

[12]Survey respondents included representatives from utility and pipeline companies who were a party to a utility, pipeline, rule-making docket or a tariff filing.

Determine the extent to which a board or commission that regulates entry into an occupation or profession has presented qualified applicants to serve the public.

A public utility or pipeline carrier must obtain from the RCA a certificate of public convenience and necessity, which describes the authorized service area and scope of operations. A certificate is issued upon the RCA formally finding the applicant to be fit, willing, and able to provide the service requested. The RCA generally regulates the rates, services, and practices of these entities.

As of June 2010, there were 622 active certificated entities. Of these, 153 were economically regulated. Exhibit 6 is a summary, by service type, of the economically regulated entities.

To ensure utilities meet requirements, the RCA employs utility financial analysts and utility engineers to perform the appropriate analyses to make a determination of an applicant's capabilities before granting a certificate. Between July 1, 2007 and June 30, 2010, the RCA issued 54 certificates of public convenience and necessity, of which 18 were for economically regulated entities.

Exhibit 6

RCA Economically Regulated Certificates by Service Type

Telecommunications	56
Electric	37
Pipeline	24
Water	14
Gas	6
Refuse	6
Sewer	6
Cable TV	2
Heat	2
Total	153

Source: The RCA case management system

Determine the extent to which state personnel practices, including affirmative action requirements, have been complied with by the board, commission, or agency to its own activities and the area of activity or interest.

We found no evidence of the RCA's hiring practices or appointments that were contrary to state personnel practices. Since July 2006, no complaints have been filed with any of the following: (1) Alaska State Commission on Human Rights within the Office of the Governor; (2) the United States Equal Employment Opportunity Commission; (3) the Alaska Labor Relations Agency with the Department of Labor and Workforce Development; or (4) staff specializing in equal employment opportunity issues in the Division of Personnel within the Department of Administration.

Determine the extent to which statutory, regulatory, budgeting, or other changes are necessary to enable the agency, board, or commission to better serve the interests of the public and to comply with the factors enumerated in this subsection.

Almost half of all survey respondents[13] reported the existing statutes and regulations are

[13]Except for consumer complaint survey recipients.

obsolete, vague, unduly restrictive, or inadequate. Some of the areas that the respondents believe should be addressed by statutory or regulatory changes are:

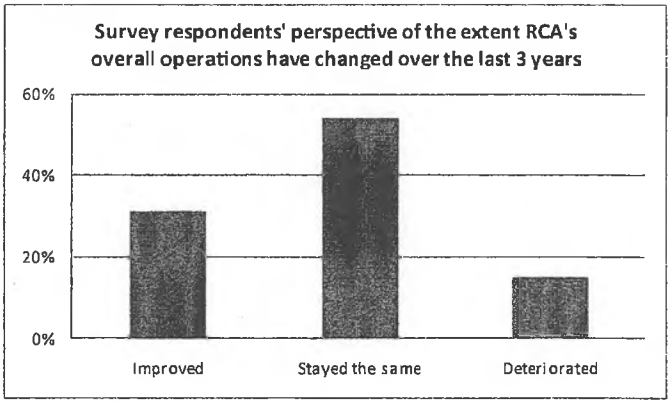
- Clarifying statute for definition of a final order;
- Revising regulations to allow for electronic filings;
- Establishing regulations for discovery;
- Amending parts of AS 42.05.175 to segregate the timeframes between adjudicative proceedings and the time given for the RCA to issue its final order at the close of such proceedings;
- Shortening the statutory timeline for decisions in rate proceedings; and
- Revising ex parte communication rules.

Again, the last three items are survey respondents' issues from the prior sunset audit.

Determine the extent to which the board, commission, or agency has effectively attained its objectives and purposes and the efficiency with which the board, commission, or agency has operated.

As shown in Exhibit 7, almost 55% of all survey respondents stated that the RCA's overall operations have stayed the same and over 30% stated they improved during the past three years.

Exhibit 7



The review of the data from the case management system for our analysis identified many errors with the data entry into the system. The RCA does not have comprehensive written procedures to ensure the data entered into the system is accurate, consistent, and complete. This was also identified during our audit of the RCA's FY 09 Annual Report and is documented in the Findings and Recommendations section of that report.[14] Although these errors were still present during our sunset audit, the RCA's management has acknowledged and agreed that improvements are needed.

[14]Department of Commerce, Community, and Economic Development, Regulatory Commission of Alaska, FY 09 Annual Report Audit, September 21, 2010, Audit Control No. 08-30057-10.

The RCA assists in the administration of the State's power cost equalization (PCE) program. The Alaska Energy Authority (AEA) administers the PCE program based on the PCE rate calculations performed by the RCA.[15]

There are approximately 70 non-regulated PCE recipients, and the RCA has set an internal performance measure to review one-third of the annual reports received annually. Exhibit 8 details the number of annual reports the RCA has reviewed during FY 07 to FY 10. The RCA has improved on the number of annual report reviews and has exceeded their internal performance measure for FY 10.

Exhibit 8

Non-regulated PCE entities' annual reports reviewed by the RCA

	FY 07	FY 08	FY 09	FY 10
Number of Non-Regulated PCE Entities	79	84	69	69
Goal (30% of entities)	24	25	21	21
Number of Annual Report Reviewed by RCA	11	7	9	30

Source: Compiled from the RCA annual reports and RCA management

During FY 10, the RCA was awarded a grant under the American Recovery and Reinvestment Act (ARRA) for $767,500 to help fund positions to manage an increase in its responsibilities resulting from the ARRA electricity-related projects.[16] As of June 30, 2010, the RCA has expended roughly $7,000 of the ARRA funding. The RCA hired staff[17] who worked on reviewing utility tariffs language, provided analysis and commission support in hearing reviews, and reviewed applications for the transfer of an electric utility. The staff also participated in the development of new electrical interconnection regulations.

Determine the extent to which the board, commission, or agency duplicates the activities of another governmental agency or the private sector.

The RCA's mission is to assure viable utility and pipeline service is provided with just and reasonable rates to consumers in Alaska. The RCA's role is to reach decisions which consider the often competing interests of the concerned parties in pursuit of outcomes which protect and promote the overall public interest.

The Regulatory Affairs and Public Advocacy (RAPA) section within the Department of Law also protects the public's interest. The responsibility of the RAPA was established in July 2003 to advocate on behalf of the public's interest in utility matters that come before the

[15]3 AAC 52.660 states that in order for the RCA to determine if the PCE rate is just and reasonable, a non-regulated utility shall file an annual report for review. The RCA, using its discretion under 3 AAC 42.640, will adjust the PCE rates based on review of the annual report. However, non-regulated utilities can request the RCA to review its annual report for the PCE adjustment at any time.

[16]The ARRA electricity related projects include, but are not limited to, energy efficiencies, electricity-based renewable energy, energy storage, smart grids, electric and hybrid-electric vehicles, demand response equipment, coal with carbon capture and storage.

[17]The ARRA funding is for two positions. The RCA filled one position with an engineering analyst; however, it has not found a qualified applicant for the financial analyst position.

RCA,[18] in court appeals, and before the legislature and other policymakers. The attorney general, as the public advocate, determines and advocates for the general public's interest with particular attention to the interests of consumers who would not otherwise have an effective voice regarding the rates and services of regulated utilities or pipeline carriers operating in the State. No legal services are provided directly to the people. Individual utility customers who seek assistance may contact the Consumer Protection Section of the RCA.

There is a common mission between the two organizations; however, they both perform different functions. The RCA issues decisions on utility matters in the public's interest and the RAPA advocates for the public.

Almost 90% of the survey respondents[19] stated that the RCA did not duplicate the activities of another government agency or private sector. The areas the survey respondents stated were duplicated include reports that are filed with the RCA and with the Federal Communications Commission and reports filed with the RCA and with the AEA. The duplicate reporting between the RCA and the AEA indicates this is an area for improved communication between the two state entities.

[18]Alaska Statute 44.23.020(e)

[19]Survey respondents include representatives from utility and pipeline companies who were parties to a utility, pipeline, rule-making, informal complaint docket or tariff filing that were open at one point between FY 07 to April 9, 2010. Survey respondents also included consumers of informal complaint dockets.

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ATTACHMENT A

Department of Commerce, Community, and Economic Development
Regulatory Commission of Alaska
Schedule of Revenues and Expenditures
FY 07 through FY 10
(rounded to nearest hundred)
(unaudited)

Revenues	FY 07	FY 08	FY 09	FY 10
Utility Regulatory Cost Charge	$ 7,548,400	$ 7,464,700	$ 7,745,700	$ 9,420,500
Utility Application Fee	10,400	9,400	15,300	21,000
Utility Hearing Reimbursement	4,200	4,100	6,000	2,700
Public Document Sale	5,800	4,500	700	5,800
3rd Party Collection	4,000	4,400	2,200	1,300
Total Revenues	$ 7,572,800	$ 7,487,100	$ 7,769,900	$ 9,451,300
Expenditures				
Personal Services	$ 4,132,400	$ 4,274,600	$ 4,782,300	$ 4,934,500
Travel	131,600	61,500	37,400	77,300
Contract Services	2,347,500	1,509,700	1,689,500	1,809,000
Commodities	132,400	131,600	211,900	161,200
Capital Outlay	169,700	603,700	42,900	0
Total Expenditures	$ 6,913,600	$ 6,581,100	$ 6,764,000	$ 6,982,000
Transfers To				
Department of Law - Regulatory Affairs and Public Advocacy[20]	$ 1,425,000	$ 1,327,500	$ 1,498,300	$ 1,537,300

Source: Alaska State Accounting System

[20]Expenditures for public advocacy, the responsibility of the Regulatory Affairs and Public Advocacy section within the Department of Law, are appropriated from fees paid by regulated entities.

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STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT
Office of the Commissioner

Sean Parnell, Governor
Susan K. Bell, Commissioner

RECEIVED
JAN 04 2011
LEGISLATIVE AUDIT

January 4, 2011

Ms. Pat Davidson
Legislative Auditor
Division of Legislative Audit
Alaska State Legislature
P.O. Box 113300
Juneau, AK 99811-3300

RE: Response to preliminary audit report, Department of Commerce, Community, and Economic Development, Sunset Audit of the Regulatory Commission of Alaska (RCA)

Dear Ms. Davidson,

I have reviewed preliminary audit report on the sunset review of the RCA and concur with the recommendation that the legislature extend the RCA's termination date to June 30, 2019.

Your letter notes that the RCA has not resolved a recommendation from a prior audit that standards for discovery be developed. You also recognized that the RCA is currently evaluating input regarding discovery regulations. I have every reason to believe the matter will be appropriately addressed.

In addition, the audit's in-depth analysis of the RCA, with suggestions from survey respondents, provides an alternative perspective from which the RCA can evaluate its operations.

Thank you for the opportunity to comment on the preliminary audit report.

Sincerely,

Susan K. Bell
Commissioner

P.O. Box 110800, Juneau, Alaska 99811-0800
Telephone: (907) 465-2500 Fax: (907) 465-5442 Text Telephone: (907) 465-5437
Email: questions@alaska.gov Website: http://www.commerce.alaska.gov/

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STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Sean Parnell, Governor
Susan K. Bell, Commissioner
Robert M. Pickett, Chairman

Regulatory Commission of Alaska

January 4, 2011

Ms. Pat Davidson
Legislative Auditor
Division of Legislative Audit
Alaska State Legislature
PO Box 113300
Juneau, AK 99811-3300

RECEIVED
JAN 04 2011
LEGISLATIVE AUDIT

RE: Response to preliminary audit report,
Department of Commerce, Community, and Economic Development (DCCED),
Sunset Audit of the Regulatory Commission of Alaska (RCA)

Dear Ms. Davidson:

Thank you for the opportunity to respond to the confidential preliminary audit report. The RCA appreciates the conclusion that it fulfills a public need and is serving Alaskans.

The report details the RCA's response to the 2006 sunset audit report recommendation that the RCA enhance the transparency, accountability, and efficiency of its decision-making process. As noted, the first part of the three-part recommendation was addressed through a statutory change; another part was addressed through the use of initiating orders which calculate and identify statutory deadlines for new proceedings. Through a rule-making proceeding, the RCA is currently pursuing the remaining part of the recommendation by considering discovery regulations. As interested entities have conflicting views, new regulations take time and careful consideration. However, the RCA is currently evaluating industry and public input regarding discovery regulations.

In summary, the RCA concurs with the recommendation that the legislature extend the RCA until June 30, 2019. Thank you for the opportunity to comment on the preliminary audit report.

Sincerely,

Robert M. Pickett, Chair
Regulatory Commission of Alaska

cc: The Honorable Susan Bell
Commissioner
Department of Commerce, Community and Economic Development

Chairman Kurt Olson
Labor and Commerce Committee
House of Representatives
Capitol Building
Juneau, Alaska 99801

March 15, 2011

Re: Regulatory Commission of Alaska

Dear Chairman Olson:

General Communication, Inc. (GCI) supports the Legislative Budget Audit recommendation to extend the termination date for the Regulatory Commission of Alaska (RCA) to June 30, 2019.

By extending the RCA authorization, the legislature will allow for consistency and continuity in the consideration and determination of telecommunications issues in the State. As a provider of telecommunications services, GCI can best focus on serving our customers when regulatory issues and policies are decided, as necessary, before an established, experienced, professional body. For these reasons, GCI believes that the extension of the RCA authorization as recommended best serves the public interest.

Please address any questions on this matter to the undersigned or Alex von Wichman at (907) 229-3857.

Sincerely,

Tina Pidgeon
Sr. Vice President, Governmental Affairs and Senior Counsel

2550 Denali Street • Suite 1000 • Anchorage, Alaska 99503-2751 • 907/ 265-5600

HB

56

<TARGET><BILL>HB 56</BILL><SUBJECT>HB
56</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/4/12

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered HOUSE BILL NO. 56

HB 56-INCLUDE ARSON IN CRIMES OF CONSPIRACY

"An Act making arson in the first degree and arson in the second degree serious felonies for purposes of application of the crime of conspiracy."

and recommends:

[ ] be **replaced** with **SCS** _____ (_____) *[ ] Same Title [ ] Technical Title Change [ ] New Title/SCR No._____*

[ ] adopt **previous SCS** _____ (_____) *[ ] Same Title [ ] Technical Title Change [ ] New Title/SCR No._____*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
LAW			✓	4
DPS			✓	5
COR		✓		6

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	[illegible]	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓			

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **HB 56**
Fiscal Note Number: **4**
Publish Date: **2/24/12 (H)**

Identifier (file name): HB056-LAW-CRIM-12-07-11
Title: An Act making arson in the first degree and arson in the second degree serious felonies.
Sponsor: Representative(s) Gatto, Gruenberg, and Lynn
Requester: (H) Finance

Dept. Affected: Law
Appropriation: Criminal
Allocation: Criminal Justice Litigation
OMB Component Number: 2202

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated for new fiscal year form.

Prepared by: Eileen Donahue, Division Operations Manager — Phone 465-5427
Division: Administrative Services — Date/Time 12/07/11 11:00AM
Approved by: John J. Burns, Attorney General — Date 12/7/2011
Department of Law

(Revised 8/17/2011 OMB)

FISCAL NOTE #4

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. HB 56

Analysis

HB 056 adds arson in the first and second degrees to those crimes defined as a "serious felony offense" in the statute defining conspiracy. With this amendment, the crime of conspiracy would prohibit persons from conspiring to commit arson in the first or second degree.

Passage of this legislation would have no foreseeable fiscal impact on the Department of Law.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version	**HB 56**
Fiscal Note Number	**5**
(H) Publish Date	**2/24/12**

Identifier (file name)	HB056-DPS-FLS-12-22-11	Dept. Affected	Public Safety
Title	"An Act making arson in the first degree and arson in the second degree serious felonies..."	Appropriation	Fire and Life Safety
		Allocation	Fire and Life Safety Operations
Sponsor	Representatives Gatto, Gruenberg, Lynn		
Requester	(H) FIN	OMB Component Number	2883

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated on new fiscal note form.

Prepared by	Kelly Howell	Phone	(907) 269-5591
Division	Office of the Commissioner	Date/Time	12/22/11 2:40 PM
Approved by	Joe Masters, Commissioner Department of Public Safety	Date	12/15/2011

(Revised 11/28/2011 OMB)

FISCAL NOTE #5

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. HB 56

Analysis

Passage of this legislation will have no fiscal impact on the Division of Fire and Life Safety.

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **HB 56**
Fiscal Note Number: **6**
Publish Date: **2/24/12 (H)**

Identifier (file name): HB056-DOC-OC-12-22-11
Title: "An Act making arson in the first degree and arson in the second degree serious felonies for purposes of..."
Sponsor: Representative Gatto, Gruenberg and Lynn
Requester: House Finance Committee

Dept. Affected: DOC
Appropriation: Admin & Support
Allocation: Commissioner's Office
OMB Component Number: 694

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**	**	**	**	**	**	**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**	**	**	**	**	**	**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Update to reflect current fiscal year.

Prepared by: Leslie Houston, Director — Phone: 907-465-3339
Division: Department of Corrections - Administrative Services — Date/Time: 12/22/11 3:45 PM
Approved by: Joseph D. Schmidt, Commissioner — Date: 12/22/2011
Department of Corrections

(Revised 8/17/2011 OMB)

FISCAL NOTE #6

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. HB 56

Analysis

This legislation is creating a new serious felony crime of conspiring to commit arson in the first degree and arson in the second degree. Therefore, the Department of Corrections has no information to determine the number of offenders that will be placed under the custody of the department.

The department will closely monitor potential future impacts of this legislation.

Alaska State Legislature

House of Representatives

Representative Carl Gatto
Representative Max Gruenberg
Representative Bob Lynn

HB 56
INCLUDE ARSON IN CRIMES OF CONSPIRACY

Sponsor Statement

House Bill 56 adds first and second degree arson to Alaska's conspiracy statute, which will provide strong deterrents to committing arson and close a loophole in current law. HB 56 was drafted after it became apparent during a committee hearing last session that arson is not currently included in Alaska's conspiracy statute. Because of this, arsonists may only be charged with a crime if the arson is attempted or completed, and they cannot be charged with the separate crime of conspiracy if two or more people are involved in the arson. This bill only adds first and second degree arson

- Conspiracy: an agreement by two or more people to commit a crime with at least one overt act committed towards the completion of the crime.
- Arson in the first degree: damaging property by fire or explosion and recklessly placing another person (including emergency personnel) in danger or serious physical injury. (Class A Felony)
- Arson in the second degree: knowingly damages a building by fire or explosion. (Class B Felony)
- Conspiracy to commit a Class A Felony (Arson One) is a Class B Felony.
- Conspiracy to commit a Class B Felony (Arson Two) is a Class C Felony.

HB 56 will fix those problems. Including arson in the conspiracy statute will provide stronger punishments, whether or not conspirators actually complete the arson. Under HB 56, if arson is committed, the conspiring arsonists can charged with *both* arson and conspiracy, rather than just arson under the current law. If the arson is not completed, however, this bill will allow conspirators to be prosecuted for conspiracy to commit arson, which is not punishable under current law.

If you have any questions, please contact Representative Gruenberg's legislative aide, Miles Brookes, at 465-4940.

ALASKA FIRE CHIEF'S ASSOCIATION

2358 Bradway Road, North Pole, Alaska 99705
Phone: (907) 488-3400 FAX: (907) 488-6118

February 15th, 2011

Representative Carl Gatto
State Capitol, Room 118
Juneau, AK 99801-1182

Reference: HB56

Dear Representative Gatto,

On behalf of the Alaska Fire Chiefs Association I would like to give you our support for HB56 "An Act making arson in the first degree and arson in the second degree serious felonies for purposes of application of the crime of conspiracy."

The act of Arson is a horrendous and devastating crime. Arson crimes take a terrible toll on individuals and communities across the State of Alaska through the loss of lives and property.

The Alaska Fire Chiefs Association supports your efforts to add conspiracy to the possible offenses for this crime.

Sincerely,

Jeff Tucker, President
Alaska Fire Chiefs Association

Cc: Rep. Gruenberg
Rep. Lynn

APOA
ALASKA PEACE OFFICERS ASSOCIATION

ALASKA ASSOCIATION

Women Police of Alaska

February 14, 2011

Representative Carl Gatto
House of Representatives
State Capitol
Juneau AK 99801-1182

Dear Representative Gatto:

On behalf of our respective organizations, we would like to thank you for introducing HB 56, an Act making arson in the first degree and arson in the second degree serious felonies for purposes of application of the crime of conspiracy.

We met recently to review proposed legislation and decided to unanimously support this bill.

Again, thank you for addressing this issue. Please contact the APOA office in Anchorage at 277-0515 if there is anything our organizations can do to assist in the passage of this bill.

Sincerely,

John Lucking Jr., President
Alaska Peace Officers Association
PO Box 240106
Anchorage AK 99524

Tom Clemons, President
Alaska Association of Chiefs of Police
183 Nelson Ave
Wasilla AK 99654

Michele Logan, President
Women Police of Alaska
PO Box 233306
Anchorage AK 99523

cc: Max Gruenberg
Bob Lynn



Fire Chief Richard Etheridge

February 17, 2011

Representative Carl Gatto
Representative Max Gruenberg
Representative Bob Lynn

Reference: House Bill No. 56 – Include Arson in Crimes of Conspiracy

Dear Representatives:

Capital City Fire/Rescue fully supports House Bill No. 56 and would like to offer our assistance in any way that would be beneficial to the enactment of this bill.

If this bill were enacted, we believe that there would be a greater deterrent to the crime of arson and allow the prosecution of arson/conspiracy cases when the actual arson was not completed, but a crime was committed.

I can be reached at (907) 586-5322 or by e-mail at dan_jager@ci.juneau.ak.us if you wish to contact me.

Sincerely,

Daniel M. Jager
Fire Marshal

Mailing Address: 820 Glacier Avenue Juneau, Alaska 99801

THE ALASKA ASSOCIATION OF FIRE & ARSON INVESTIGATORS

February 15, 2011

Representative Carl Gatto
Representative Max Gruenberg
Representative Bob Lynn

Reference: House Bill 56 - Arson

Dear Representatives:

The Alaska Association of Fire & Arson Investigators is in total support of House Bill 56 and would like to offer our assistance in any way, which would aid in the enactment of this bill.

It is our belief the enactment of this bill will provide a greater deterrent to the crime of arson and allow for the prosecution of arson/conspiracy cases, where the actual arson was not completed, but a crime nonetheless committed. This will put a closure to a loophole presently in the current law.

Please feel free to contact my office at 907-262-4792 or ghale@borough.kenai.ak.us.

Sincerely,

Gary E. Hale, President
Alaska Association of Fire & Arson Investigators

MUNICIPALITY OF ANCHORAGE

Mayor Dan Sullivan

February 15, 2011

Representative Carl Gatto
Representative Max Gruenberg
Representative Bob Lynn

Reference: House Bill No. 56 - Arson

Dear Representatives:

The Anchorage Fire Department is fully in support of House Bill No. 56 and would like to offer our assistance in any way you feel would be beneficial to aid in the enactment of this bill.

It is out belief that the enactment of this bill will provide a greater deterrent to the crime of arson and allow for the prosecution of arson/conspiracy cases where the actual arson was not completed, but a crime nonetheless was committed.

I can be reached at (907) 267-4936 or by e-mail at hallms@muni.org should you wish to contact me.

Sincerely,

Mark S. Hall
Fire Chief

cc: Brian Balega – Arson Investigator – Anchorage Fire Department

JuneauEmpire.com

To catch an arsonist

Juneau Crime Line announces new arson reward program

Posted: March 15, 2012 - 12:10am

By EMILY RUSSO MILLER

JUNEAU EMPIRE

After a reported 31 arsons in 13 months, the Juneau Crime Line is upping the ante in hopes of catch arsonists who have evaded police.

The nonprofit crime solving organization, which is Juneau's equivalent to Crime Stoppers, announced a new $1,500 arson reward program Wednesday to incentivize those with information about unlawful blazes to come forward.

"We're trying to get some information to help the police department to get these arsons to stop," longtime Crime Line board member Robin Paul said in a phone interview. "That's our main goal."

Crime Line tipsters, who are guaranteed anonymity, are usually awarded up to $1,000 when they provide information that is instrumental to cracking unsolved cases. But Paul hopes the extra $500 will prompt more leads.

"These arsons are something that have really been problematic for the community," she said.

Capital City Fire Marshal Daniel Jager said there were 31 arson incidents reported from January 2011 through February 2012, and that all of those cases are still open and active. Those include 11 vehicle fires, fire damage to the turf field at Adair-Kennedy Memorial Park and Thunder Mountain High School sports fields and the destruction of a Porta-Potty and to the Twin Lakes playground, according to a statement from Paul.

"All of these are still open, and we're still actively pursing leads on them," Jager said. "We haven't just forgot about them."

Perhaps the most troubling suspected arson was the vehicle and carport fire at the Crow Hill Condominiums last July that "could have resulted in tragedy if the fire had spread to the complex and trapped unaware sleeping residents," Paul said.

The perpetrator or perpetrators of that crime still remain at large.

CCFR and the Juneau Police Department work together to solve arson cases, with the fire marshal focused on the fire scene (the point of origin of the fire, whether an accelerant was used, etc.) while the police conduct the criminal investigation. But when leads wind down or "things go cold," as Paul put it, Crime Line can reignite a case by enticing informants to come forward with a monetary award.

"(Arson) is a very big concern for us, and I'm pleased to see the Crime Line is offering rewards to help us solve these issues," JPD spokesman Lt. David Campbell said in an interview.

He said arson not only poses danger to property and people, but to firefighters and others who respond to the scene.

Arson cases can be difficult to investigate and prosecute if there's not a confession or witness, Jager said, because potential physical evidence is not only destroyed in the flames, but also by firefighters while doing their job suppressing the fire. He said there's about a 2 percent arson conviction rate nationwide.

Jager said he hopes this new reward program will jog people's memory and cause them to think back to see if they remember anything out of the ordinary; and for those who know something, to come forward. The anonymity Crime Line affords is the key, he said.

"Sometimes people are a little more willing to do the right thing if they have a reward, but the key is not so much the money award, it's the fact that it can be done anonymously," he said. "They don't want people to know that they're involved and that's understandable. I think the Crime Line is a great avenue for people who aren't comfortable doing that in person."

Jager added, "The money helps, but for the most part, people, they're just concerned about potential ramifications."

The 31 arsons have come at a high price. Jager estimates the total damage from all the above instances is much more than $100,000, and the damage from the Crow Hill fire alone caused as much.

Local businesses — like Shattuck & Grummett Insurance and Malia Hayward State Farm Insurance — and other community members have stepped forward to pledge money to the special arson reward program. Crime Line is funded only by donations from the community.

This isn't the first time Crime Line has created a special reward program. According to the Crime Line website, more than $10,000 was pledged for the unsolved murder of Johnny L. Jack Sr. in October 1988 and the murder of Cindy Elrod nearly 30 years ago.

The group also offers up to $1,500 for reporting the purchase or distribution of oxycontin in the Juneau area.

Other popular programs are the $100 reward for reporting drunken driving, and the special graffiti program, sponsored by the city, also pays $100, according to the website.

The last suspected arson incident in Juneau area, Jager said, was a vehicle fire by Glacier Gardens, a botanical garden on Glacier Highway, about two weeks ago.

To report a tip, visit juneaucrimeline.com.

• Contact reporter Emily Russo Miller at 523-2263 or at emily.miller@juneauempire.com.

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HB

60

<TARGET><BILL>HB 60</BILL><SUBJECT>HB
60</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 2/15/12

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered HOUSE BILL NO. 60

HB 60-GEODUCK AQUATIC FARMING/SEED TRANSFER

"An Act relating to aquatic farm permitting involving geoducks and to geoduck seed transfers between certified hatcheries and aquatic farms."

and recommends:

[ ] be **replaced** with **SCS** _____ (_____) *[ ] Same Title [ ] Technical Title Change [ ] New Title/SCR No._____*

[ ] adopt **previous SCS** _____ (_____) *[ ] Same Title [ ] Technical Title Change [ ] New Title/SCR No._____*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DNR			X	4
DFG			X	3

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	ECA	✓			
	Wielechowski	✓			
	Ellis	x			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓			

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **HB 60**
Fiscal Note Number: 4
(S) Publish Date: 2/15/12

Identifier (file name): HB060-DNR-MLW-12-13-11
Title: Geoduck Aquatic Farming/Seed Transfer
Sponsor: Rep. Seaton
Requester: (S) RES

Dept. Affected: Natural Resources
Appropriation: Land & Water Resources
Allocation: Mining, Land & Water
OMB Component Number: 3002

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This is a updated form version for the second session of the 27th legislature. The identifier, appropriation, and allocation have been changed to reflect the revised DNR structure.

Prepared by: Brent Goodrum, Director — Phone: (907) 269-8501
Division: Mining, Land & Water — Date/Time: 12/13/11 1:00 PM
Approved by: Daniel S. Sullivan — Date: 2/14/2011
Department of Natural Resources

(Revised 11/17/2011 OMB)

FISCAL NOTE #4

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. HB 60

Analysis

The proposed legislation will have no effect on DNR and will not interfere with the leasing of tide and submerged lands for aquatic farms.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **HB 60**
Fiscal Note Number: 3
(S) Publish Date: 2/15/12

Identifier (file name): HB60-DFG-CFD-12-15-11
Title: GEODUCK AQUATIC FARMING/SEED TRANSFER
Sponsor: REPRESENTATIVE(S) SEATON, Gruenberg
Requester: Senate Resouces Committee

Dept. Affected: ADF&G
Appropriation: Commercial Fisheries
Allocation: Headquarters Fisheries Management
OMB Component Number: 2171

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time	**0.0**	0.00	0	0	0	0	0
Part-time	0.0	0	0	0	0	0	0
Temporary	0.0	0	0	0	0	0	0

CHANGE IN REVENUES	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated to reflect current fiscal year.

Prepared by: Geron Bruce, Assistant Director — Phone: 465-6151
Division: Commercial Fisheries Division — Date/Time: 11/14/2011 1:45PM
Approved by: Kevin Brooks, Administrative Services Director — Date: 12/1/2011
Department of Fish and Game

(Revised 8/17/2011 OMB)

FISCAL NOTE #3

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. HB 60

Analysis

HB 60 would allow for the transfer of geoduck and culture geoducks in Southcentral Alaska subtidal areas.

The effect of this legislation can be addressed with existing staff and resources.

Alaska State Legislature

State Capitol, Room 102
Juneau, AK 99802
Phone: 465-6089
Fax: 465-3472
Toll Free (800) 665-6089
Representative_Paul_Seaton@legis.state.ak.us

345 W. Sterling Highway
Suite 102B
Homer, AK 99603
Phone: 235-2921
Fax: 235-4008

REPRESENTATIVE Paul Seaton

District 35

HB 60 Expanding Geoduck Farming

Shellfish farming has the potential to diversify the economic base of coastal communities impacted by the changing dynamics of the fishing industry. HB 60 allows this expansion of this clean water industry by permitting geoducks to be farmed subtidally in the Gulf of Alaska even if wild geoducks are not present. The bill does not exempt farmers from any health, safety, or other transfer provisions relating to hatchery seed.

The Alutiiq Pride Shellfish Hatchery is the only hatchery that supplies mariculture spat and seed in the State. It was initiated by the State to be a self-sustaining operation in association with the private mariculture farms permitted by the State. Their business plan relies on the sale of geoduck seed. However, an informal policy of the Department of Fish and Game prevents geoduck seed from being utilized by farms anywhere outside of southeast Alaska. These restrictions on the sale of geoduck seed cause the sole hatchery for the mariculture industry in Alaska to require continual subsidy by the State. HB 60 will allow the mariculture industry to develop around the Gulf of Alaska, providing a potentially strong market for seed and private sector financing for the operation of the hatchery.

As non-mobile filter feeders eating plankton, farmed geoducks will not prey on any local commercial, sport or personal use fish. There have been no reports of species displacement in the sedimentary habitat by geoduck clams. Farmed geoducks will not interfere with personal recreational boaters as they are cultivated in the sediment below low tide and without the numerous buoys and floating cages used in oyster farms. No infectious disease has been identified in any wild geoduck population or the geoduck farming industries of Washington, British Columbia, or Alaska.

The conflict involving geoducks in southeast Alaska is between the dive fishermen who harvest wild stock and farmers who wish to farm in areas with existing wild stock. HB 60 would circumvent this conflict because there is no wild geoduck stock in the proposed area. This bill will not override any Department of Natural Resources farm site leasing or Department of Fish & Game permit regulation.

HB 60 eliminates unnecessary hindrances to the growth of the maricluture industry in Alaska and provides a potential alternative economic base for coastal communities while adequately considering the health of our marine ecosystem.

Staff Contact, Heather Beggs 465-2028

2/10/2012 HB60/A

Article 02. AQUATIC FARMING

Sec. 16.40.100. Aquatic farm and hatchery permits.

(a) A person may not, without a permit from the commissioner, construct or operate

(1) an aquatic farm; or

(2) a hatchery for the purpose of supplying aquatic plants or shellfish to an aquatic farm.

(b) A permit issued under this section authorizes the permittee, subject to the conditions of AS 16.40.100 - 16.40.199 and AS 17.20, to

(1) acquire, purchase, offer to purchase, transfer, possess, sell, and offer to sell stock and aquatic farm products that are used or reared at the hatchery or aquatic farm; and

(2) except as provided in (f) of this section, harvest and, without further cultivation, sell an insignificant population that may be present at the aquatic farm site of a wild stock of a shellfish species intended to be cultured at the site.

(c) The commissioner may attach conditions to a permit issued under this section that are necessary to protect natural fish and wildlife resources.

(d) Notwithstanding other provisions of law, the commissioner may not issue a permit under this section for the farming of, or hatchery operations involving, Atlantic salmon.

(e) Upon the expiration or termination of a permit issued under this section, a person who holds a permit for an aquatic farming site where wild stocks of shellfish indigenous to the site are cultured shall, as a condition of the permit, restore the wild stock of shellfish, as consistent with sustained yield management of the wild stock, to the population level that existed on the site when the permit for the site was initially issued by the commissioner. A permit holder is not required to restore that portion of the wild stock of shellfish that was removed from an aquatic farming site by a common property fishery conducted after the issuance of the permit for the aquatic farming site.

(f) If the wild stock of a shellfish species to be cultured at an aquatic farm site exceeds the amount determined by the department to be an insignificant population and if the commissioner determines in writing that removal from the site of that portion of the stock that exceeds an insignificant population would benefit the public and that removal of the stock by a person other than the permittee would unreasonably interfere with the operation of the aquatic farm, the commissioner may authorize the permittee to remove and sell the excess amount of the wild stock from the site, if the permittee pays reasonable compensation, as defined by the department, to the department for the harvest and sale of the excess wild stock. The department shall deposit the money received under this subsection into the general fund. The legislature may appropriate the money received under this section to the department for shellfish management and enhancement.

Sec. 16.40.105. Criteria for issuance of permits.

The commissioner shall issue permits under AS 16.40.100 on the basis of the following criteria:

(1) the physical and biological characteristics of the proposed farm or hatchery location must be suitable for the farming or the shellfish or aquatic plant proposed;

(2) the proposed farm or hatchery may not require significant alterations in traditional fisheries or other existing uses of fish and wildlife resources;

(3) the proposed farm or hatchery may not significantly affect fisheries, wildlife, or their habitats in an adverse manner;

(4) the proposed farm or hatchery plans and staffing plans must demonstrate technical and operational feasibility; and

(5) the proposed farm site may not include more than an insignificant population of a wild stock, on the site, of a shellfish species intended to be cultured.

Sec. 16.40.110. Permit application, renewal, and transfer.

(a) An applicant for an aquatic farming or hatchery permit required under AS 16.40.100 shall apply on a form prescribed by the commissioner. An application for a permit must include a plan for the development and operation of the aquatic farm or hatchery, which must be approved by the commissioner before the permit is issued.

(b) An application for renewal or transfer of a permit must be accompanied by fees required by the commissioner, a report of the disease history of the farm or hatchery covered by the permit, and evidence that satisfies the commissioner that the applicant has complied with the development plan required under (a) of this section. The commissioner may require a health inspection of the farm or hatchery as a condition of renewal. The department may conduct the inspection or contract with a disease diagnostician to conduct the inspection.

(c) A person to whom a permit is transferred may use the permit only for the purposes for which the permit was authorized to be used by the transferor, and subject to the same conditions and limitations.

Sec. 16.40.120. Aquatic stock acquisition permits.

(a) A person may not acquire aquatic plants or shellfish from wild stock in the state for the purpose of supplying stock to an aquatic farm or hatchery required to have a permit under AS 16.40.100 unless the person holds an acquisition permit from the commissioner.

(b) An acquisition permit authorizes the permit holder to acquire the species and quantities of wild stock in the state specified in the permit for the purposes of supplying stock to

(1) an aquatic farm or hatchery required to have a permit under AS 16.40.100;

(2) the department.

(c) The commissioner shall specify the expiration date of an acquisition permit and may attach conditions to an acquisition permit, including conditions relating to the time, place, and manner of harvest. Size, gear, place, time, licensing, and other limitations applicable to sport, commercial, or subsistence harvest of aquatic plants and shellfish do not apply to a harvest with a permit issued under this section. The commissioner of fish and game shall issue or deny a permit within 30 days after receiving an application.

(d) The commissioner shall deny or restrict a permit under this section upon finding that the proposed harvest will impair sustained yield of the species or will unreasonably disrupt established uses of the resources by commercial, sport, personal use, or subsistence users. The commissioner shall inform the Board of Fisheries of any

action taken on permit applications for species that support commercial fisheries subject to limited entry under AS 16.43 and of any permits denied because of unreasonable disruption of an established use. A denial of the permit by the commissioner must contain the factual basis for the findings.

(e) The Board of Fisheries may adopt regulations for the conservation, maintenance, and management of species for which an acquisition permit is required.

(f) Except as provided in (d) of this section or in a regulation adopted under (e) of this section, the commissioner shall issue a permit if

(1) wild stock is necessary to meet the initial needs of farm or hatchery stock;

(2) there are technological limitations on the propagation of culture stock for the species sought;

(3) wild stock sought is not fully utilized by commercial, sport, personal use, or subsistence fisheries; or

(4) wild stock is needed to maintain the gene pool of a hatchery or aquatic farm.

(g) Aquatic plants and shellfish acquired under a permit issued under this section become the property of the permit holder and are no longer a public or common resource.

Sec. 16.40.130. Importation of aquatic plants or shellfish for stock.
A person may not import into the state an aquatic plant or shellfish for the purpose of supplying stock to an aquatic farm or hatchery unless authorized by a regulation of the Board of Fisheries.

Sec. 16.40.140. Limitation on sale, transfer of stock, and products.

(a) A private hatchery required to have a permit under AS 16.40.100 may sell or transfer stock from the hatchery only to an aquatic farm or other hatchery that has a permit issued under AS 16.40.100, except that shellfish stock may also be sold or offered for sale to an aquatic farm or related hatchery outside of the state.

(b) Stock may not be transferred to or from an aquatic farm or hatchery required to have a permit under AS 16.40.100 without prior notice of the transfer to the commissioner. A notice of transfer shall be submitted at least 45 days before the proposed date of transfer.

(c) A notice of transfer must be accompanied by a report of a health inspection of the stock. The department shall conduct the inspection or contract with a disease diagnostician to conduct the inspection. The cost of inspection shall be borne by the department.

(d) The department may restrict or disapprove a transfer of stock if it finds that the transfer would present a risk of spreading disease.

(e) A person may not sell, transfer, or offer to sell or transfer, or knowingly purchase or receive, an aquatic farm product grown or propagated in the state unless the product was grown or propagated on a farm with a permit issued under AS 16.40.100. The permit must be in effect at the time of the sale, transfer, purchase, receipt, or offer.

Sec. 16.40.150. Disease control and inspection.

(a) The department shall order the quarantine or the destruction and disposal of diseased hatchery stock or of aquatic farm products when necessary to protect wild stock. A holder of a permit issued under AS 16.40.100 shall report to the department an

outbreak or incidence of disease among stock or aquatic farm products of the permit holder within 48 hours after discovering the outbreak or incidence.

(b) A holder of a permit issued under AS 16.40.100 shall allow the department to inspect the permit holder's farm or hatchery during operating hours and upon reasonable notice. The cost of inspection shall be borne by the department.

(c) The department shall develop a disease management and control program for aquatic farms and hatcheries.

(d) The department may enter into an agreement with a state or federal agency or a private, state-certified provider to provide services under (b) and (c) of this section, or inspections under AS 16.40.110(b).

Sec. 16.40.155. Records and reports confidential.
Records required by statute or by a regulation adopted by the department concerning aquatic farm stocks or production, prices, and harvests of aquatic farm products and wild stocks, and annual statistical reports of individual aquatic farms or hatcheries required by statute or by a regulation adopted by the department are confidential and may not be released by the department, except that the department may release the records and reports

(1) to the Department of Revenue and the Department of Natural Resources to assist the departments in carrying out their respective statutory responsibilities;

(2) as necessary to comply with a court order;

(3) provided by an aquatic farm or hatchery permit holder to the permit holder whose activity is the subject of the records or reports;

(4) regarding cumulative annual harvests of wild stocks at individual aquatic farm sites.

Sec. 16.40.160. Regulations.
The commissioner may adopt regulations necessary to implement AS 16.40.100 - 16.40.199.

Sec. 16.40.170. Penalty.
A person who violates a provision of AS 16.40.100 - 16.40.199, a regulation adopted under AS 16.40.100 - 16.40.199, or a term or condition of a permit issued under AS 16.40.100 - 16.40.199, is guilty of a class B misdemeanor.

Sec. 16.40.199. Definitions.
In AS 16.40.100 - 16.40.199

(1) "aquatic farm" means a facility that grows, farms, or cultivates aquatic farm products in captivity or under positive control;

(2) "aquatic farm product" means an aquatic plant or shellfish, or part of an aquatic plant or shellfish, that is propagated, farmed, or cultivated in an aquatic farm and sold or offered for sale;

(3) "aquatic plant" means a plant indigenous to state water or that is authorized to be imported into the state under a permit issued by the commissioner;

(4) "commissioner" means the commissioner of fish and game;

(5) "hatchery" means a facility for the artificial propagation of stock, including rearing of juvenile aquatic plants or shellfish;

(6) "insignificant population" means a population of shellfish that, in the determination of the commissioner, would not attract and support a commercial fishery for that species of shellfish and the harvest and sale of the shellfish would not result in significant alteration in traditional fisheries or other existing uses of fish and wildlife resources if the population were included within an aquatic farm site;

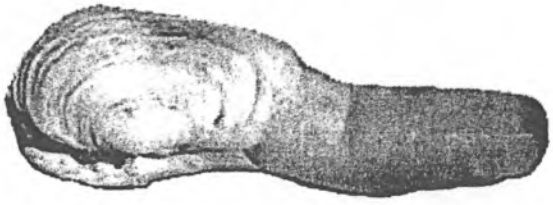
(7) "positive control" means, for mobile species, enclosed within a natural or artificial escape-proof barrier; for species with limited or no mobility, such as a bivalve or an aquatic plant, "positive control" also includes managed cultivation in unenclosed water;

(8) "shellfish" means a species of crustacean, mollusk, or other invertebrate, in any stage of its life cycle, that is indigenous to state water or that is authorized to be imported into the state under a permit issued by the commissioner;

(9) "stock" means live aquatic plants or shellfish acquired, collected, possessed, or intended for use by a hatchery or aquatic farm for the purpose of further growth or propagation.

Interesting Geoduck Facts

Latin name: *Panopea abrupta* (Conrad, 1849)
Superfamily: Hiatellidae
Family: Hiatellidae



- **"The common name for geoduck has a native American origin, meaning "dig deep", a reference to humans or sea otters digging them. The scientific name is *Panopea abrupta* (Conrad, 1849) and I believe it is the largest intertidal clam in the world. It is the largest species of Panopea."**
  Harbo, R.1997.Shells and Shellfish of the Pacific Northwest".
- **The geoduck clam is sometimes spelled: goeduck, goiduck, or gweduck.**
- **The Chinese call the geoduck the "elephant trunk clam"**
- **Native to the northern Pacific coasts of Canada and the United States of America, that is, along the coasts of Washington state and the province of British Columbia. About 109 million adult geoducks are packed into Puget Sound's sediments the biggest bunch of marine animals in the Sound.**
- **The geoduck is the largest intertidal clam (and the largest burrowing clam) in the world with an average weight of approximately 1 kg (2.2 lbs) in B.C. and a shell length to 195 mm (7").**
  - **"I had one of these (Panopea abrupta) on display here at the Seattle Aquarium that was 13 pounds, and I've heard of bigger ones. They are generally credited with being the deepest digging clam, the biggest burrowing clam and it's possible that the geoduck is one of the longest-living mollusks."**
    Roland C. Anderson, PhD; Puget Sound Curator, The Seattle Aquarium
    (Source)
- **Huge geoducks have been recorded weighing up to 4.5 kg (10 lbs) Hand et al.1996, Harbo 1997 with larger denizens of the deep reported by fishermen in the field. (Source)**
  The maximum documented weight: 7.15 kgs. (Sources differ on this point)
- **Age and growth studies have shown that geoduck clams grow about one inch per**

year in shell length for the first four years of life. The growth rate is gradually reduced after this time. The average size of 2.2 pounds is reached in five to six years.

- Average Age: Adults may live to over 140 years and reach a maximum shell length of 23 cm. Geoducks are among the longest-lived animals in the world. Growth-ring analysis shows many individuals live for more than 100 years. They grow rapidly in the first 10-15 years (approximately 1 inch per year), after which time the growth in shell length almost ceases and is replaced by a thickening of the shell and a slow increase in body weight.
- Oldest Recorded Age: 146 to 168 years (sources differ on this point).
    - "The neck of a geoduck can stretch to 1 meter, from the body and shell of this clam. When the clam is harvested (by divers, using high pressure water jets), the neck contracts. The oldest clam aged from British Columbia is 168 years old!" "
      Harbo, R.1997.Shells and Shellfish of the Pacific Northwest".
- Geoducks are most often found at depths between 10 and 80 feet below the mean low tide mark, but have been reported at depths reaching 360 feet. Average depths from another source: subtidal, from 8 to 120 m depth
- They bury themselves up to a meter deep in sand, silt, gravel and other soft substrates. A developing geoduck will burrow into sediment at an approximate rate of 1 foot per year. After digging about 3 feet deep, the adult geoduck settles in for 100 years or more.
- Siphons and neck cannot be withdrawn into their shell. In burrowed adults, the siphon may stretch 39 inches to the sea bed.
- Geoducks have separate sexes. Spawning occurs annually, primarily from Late April to July, when waters are warm. Females release from 7-10 million eggs, which develop through several stages in the water column until settling on the bottom within 40-50 days. At a shell length of 2 mm, they burrow into the substrate and can bury to a refuge depth of 60 cm in two years. They are sexually mature by 3 yrs.
- The of the geoduck is thin, it lacks teeth, and it may attain a length of 8 in. (20 cm). The valves, or two parts of the shell, are always open in the adult, because the body and siphons are too large to be retracted.
- The geoduck feeds on phytoplankton (single-celled marine algae), mostly diatoms and flagellates. Due to it's diet, one must be careful of paralytic shellfish poison (PSP) or "red tides". Check with autorities if unsure wheter or not there is a red tide before attempting to invite a geoduck for lunch. Red tides are harmless to the clams, but they can be fatal to humans.
- As Food: The neck can be cut or ground and used in chowders. The body meat, when sliced, pounded and sautéed it resembles abalone. Although they are edible,

they are not widely marketed due to their inaccessibility. They are exposed for only a few hours a month, during minus tides, and even then only a very fast person digging with a shovel can attempt to dig out this fast burrowing clam. (Note: sport limits for the stae of Washington are three per day)

- See the Underwater Harvestors Page for information of purchasing, storing, preparing and recipes for geoducks
- The prime meat comes from the neck, which may be up to 24-inches when fully extended, and the mantle can be cut or ground and used in chowders. The neck meat is often used in sushi or minced into patties and quick fried.
- Welcome to Geoduck Recipes: not only recipes but an introduction to geoduck aquaultue. By Grant Jones and his wife, Ashley.
- Mirugai Sushi: Source

- Predators: sea stars, crabs, fishes, and birds.

- SCUBA divers utilize high-pressure water to "dig" out the geoduck. The divers wear dry suits for protection from the cold water and they are supplied with air pumped down to them through a flexible hose from a compressor onboard a fishing boat. They must wear heavy weights to keep them submerged. Divers walk along the bottom for geoduck shows, which are the visible exposed tip of a siphon or dimple left in the sand from a retracted siphon. The divers then use a nozzle fed with high pressure water from the fishing boat above them to liquefy the sand around the geoduck thus removing the clam. The geoduck is then placed into a bag clipped to their waist. Divers are in constant communication with their boat via high tech diver to ship communications.

Resources Used for this Page and Other Sites on the Geoduck:

- The Columbian (2007) another good facts page
- Canada Fishery Management:
- Geoduck.org - Canada
- Fact Sheets - Geoduck
- Geoduck clam (Panopea abrupta): Anatomy, Histology, Development, Pathology, Parasites and Symbionts
- Geoduck farms considered - As many as 10 operations could be started along the coast ... Nicholas Read, Vancouver Sun
- Geoduck Information: David George Gordon, "Field Guide to the Geoduck"
- Geoduck FAQs:
- Geoduck Fact sheet: Government of Canada
  Harbo, R.1997.Shells and Shellfish of the Pacific Northwest".
- Fisheries and Oceans Canada Stock Status Report (pdf file)
- Washington State geoduck facts: Washington Department of Fish and Wildlife
- Three Feet Under
- The Geoduck Chronicles: How an obscure bivalve became the object of international desire
- NOAA FAQs
- Roland C. Anderson, PhD; Puget Sound Curator, The Seattle Aquarium
- Science
- Wikipedia
- Toxicity in Geoducks: Red Tide

- Underwater Harvester's Association:
- King Clam
- Oceans Alive
- Puget Sound Online - Current Creature- Puget Sound Sealife
- Seatlepi.com: Cashing in on geoducks
  Once chowder fodder, the giant clam can fetch up to $24 a pop
- To Prepare Geoduck For The Table.....
- The Geoduck Aquaculture Program
- Shellfish Commercial Fisheries - Geoduck - Southeast Alaska and Yakutat
  CURRENT NEWS RELEASES AND FISHERY UPDATES
- Seattle Times: 'Duck' is a misnomer for bountiful 'King Clam'
- Monteray Aquarium - Geoduck Clams
- GOOEY DUCKS (geoducks) fun site
- A Geoduck Blows Bubbles at Dungeness Spit

Comments From My Viewers

- Geoducks may be the fastest flying clam but they settle in they are not going win any races with with any other animal except another geoduck. Thanks for you info, Bill Lackner

To Page Top	To Bivalve Page	To Home Page

BEST DOC
Thunderbird
International
Film Festival

OFFICIAL SELECTIONS
Ashland Film Festival · S F Ocean Film Festival
Da Vinci Film Festival · West Chester Film Festival
Dahlonega Film Festival · Big Bear Lake Film Festival
Winslow Film Festival · Napa Valley Film Festival
Dances With Films · Bainbridge Film Festival
Int'l Cultural Film Symposium

BEST DOC
short
Port Townsend
Film Festival



3 FEET UNDER

Digging Deep for the Geoduck Clam

home

synopsis

credits

gallery

contact

reviews



The geoduck ("gooey duck") clam sports a phallic, three-foot-long neck and a life span of 160-plus years. 3 FEET UNDER explores how it has garnered a quirky yet devoted following in the Pacific Northwest.

a documentary for those who let it all hang out

As seen on PBS stations

view trailer

Directed by Justin Bookey
63 min., digital video. Available on DVD.

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+
Coolbellup Media, Inc.

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Photo: MSCUA, Univ. of Wash. Libraries, UW5784



Alutiiq Pride Shellfish Hatchery
PO Box 369
Seward, AK 99664
907 224-5181 224-5282 fax
ijh@seward.net

January 21, 2011

Representative Paul Seaton
State Capitol, Room 201
Juneau, Alaska 99801

Dear Representative Seaton:

The Alutiiq Pride Shellfish Hatchery appreciates your efforts with House Bill 60. We rely upon shellfish seed sales to cover portions of our operating expenses. Geoducks and their high value offer us the best opportunity to achieve our sales goals. To date, the demand has not been originally projected causing a perpetual shortfall in revenue. Opening additional markets in south-central Alaska will help alleviate this deficit.

We are often frustrated by the Alaska Department of Fish and Game and their regulation of transport. It is ironic that we can transport a non-indigenous species such as oysters and cannot transport a native species outside what is considered its natural range. The fact that it will probably be non-reproductive in south- central Alaska should make management easy.

I would suggest we promote a cooperative demonstration project exploring the feasibility of geoduck farming in south-central Alaska headed by the Department of Fish and Game, the Department of Commerce and the Chugach Regional Resources Commission. The shellfish hatchery can provide geoduck seed for such an effort.

Sincerely,

Jeff Hetrick, Director

CITY OF SEWARD
P.O. BOX 167
SEWARD, ALASKA 99664-0167

• Main Office (907) 224-4050
• Police (907) 224-3338
• Harbor (907) 224-3138
• Fire (907) 224-3445
• City Clerk (907) 224-4046
• Community Development (907) 224-4049
• Utilities (907) 224-4050
• Fax (907) 224-4038

March 11, 2011

Dear Alaska Legislators,

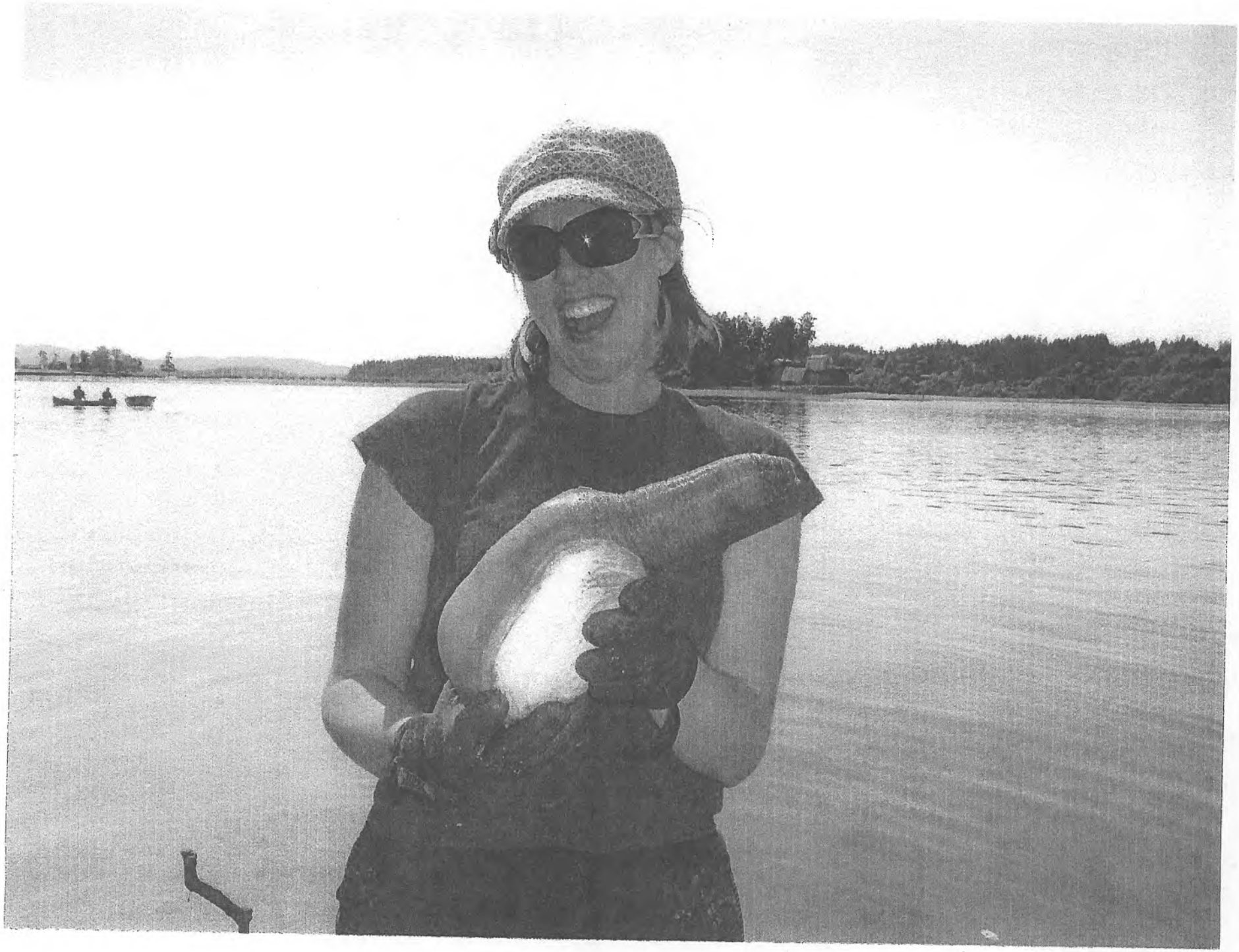
The City of Seward supports House Bill 60, "An Act relating to aquatic farm permitting involving geoducks and to geoduck seed transfers between certified hatcheries and farms".

HB 60 will remove limitations to the growth of geoduck mariculture in Alaska. Currently, geoduck clam seed from the Alutiiq Pride Shellfish Hatchery can be utilized only by southeast shellfish farms due to Alaska Fish and Game geographic restrictions. This limits geoduck seed sales and the start-up of geoduck farms in Alaska. Removing the geographic limitation will expand the geoduck farming industry into other coastal communities of Alaska.

By supporting HB 60, you are expanding the geoduck industry in Alaska and expanding the economic diversity of our communities.

Sincerely,

Mayor William E. Dunham
City of Seward



HB

65

<TARGET><BILL>HB 65</BILL><SUBJECT>HB
65</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/16/11

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered HOUSE BILL NO. 65

HB 65-SENIOR CITIZEN HOUSING DEV. FUND GRANTS

"An Act making regional Native housing authorities eligible to receive grants through the Alaska Housing Finance Corporation from the senior citizens housing development fund."

and recommends:

[ ] be **replaced** with **SCS** _____ (_____)

[ ] Same Title [ ] Technical Title Change or [ ] New Title & SCR No._____

[ ] adopt **previous SCS** _____ (_____)

[ ] Same Title [ ] Technical Title Change or [ ] New Title & SCR No._____

[ ] attached amendment(s)

[X] adopt Education Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
REV			X	

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	EGAN	✓			
	OLSON			✓	
	ELLIS	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓			

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version **HB65**
Fiscal Note Number
Publish Date

Identifier (file name) HB065-DOR-AHFC-12-14-11
Title SENIOR CITIZEN HOUSING DEV. FUND GRANTS
Sponsor Representatives Edgmon, Herron
Requester Senate Finance

Dept. Affected Revenue
Appropriation Alaska Housing Finance Corp.
Allocation AHFC Operations
OMB Component Number 110

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated for new legislative session.

Prepared by Stacy Schubert, Director Government Relations & Public Affairs — Phone 907-301-4556
Division Alaska Housing Finance Corporation — Date/Time 12/11/11 12:00 AM
Approved by Dan Fauske, CEO — Date 12/14/2011
Alaska Housing Finance Corporation

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. HB65

Analysis

This bill allows regional housing authorities to compete for a funding source that already exisits within AHFC. No additional resources or staff are expected; therefore, there is no fiscal impact to the corporation.

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

Senator Bert Stedman, Co-Chair
State Capitol, Room 516
Juneau, AK 99801-1182
(907) 465- 3873 - Phone
(907) 465-3922 - Fax
Senator_Bert_Stedman@legis.state.ak.us

Official Business

Senator Lyman Hoffman, Co-Chair
State Capitol, Room 518
Juneau, AK 99801-1182
Phone - (907) 465- 4453
Fax - (907) 465- 4523
Senator_Lyman_Hoffman@legis.state.ak.us

AGENDA

Monday, March 5, 2012 Senate Finance Room 532 – 9:00 AM

HB 307 – Supplemental/Capital/Other Appropriations (Pending Referral)
SB 184-Supplemental/Capital/Other Appropriations

SB 130 – Alaska Native Language Council
CSSB 130(STA) Version T
NEW $ (DCCED) Community and Regional Affairs

SB 135 – Continuances in Criminal Trials/Victims
CSSB 135(JUD) Version M
NEW Zero (LAW) Criminal
Previously Published Zero (DOC) Office of the Commissioner
Previously Published Ind. (DOA) Office of Public Advocacy

HB 104 – Alaska Performance Scholarships
SCSforCSHB 104(FIN) Version R
NEW $ (DEED) APCE
NEW $ (DEED) APCE - Alaska Performance Scholarsips
NEW Zero (DEED) Education Support Services
Previously Published Zero (DOR) Taxation and Treasury

HB 65 – Senior Citizen Housing Dev. Fund Grants
HB 65 Version A
New Zero (DOR) Alaska Housing Finance Corporation

SB 160 – FY 13 Capital Budget: Agency Overviews
-Department of Natural Resources (continued)
-Department of Fish and Game
-Department of Health and Social Services
-Department of Public Safety
-Department of Corrections

STATE OF ALASKA
DEPT. OF HEALTH & SOCIAL SERVICES

Alaska Commission on Aging

SEAN PARNELL, GOVERNOR

P.O. BOX 110693
JUNEAU, ALASKA 99811-0693
PHONE: (907) 465-3250
FAX: (907) 465-1398

March 2, 2012

The Honorable Lyman Hoffman, Co-Chair
The Honorable Bert Stedman, Co-Chair
Senate Finance Committee
Alaska State Capitol, Rooms 518 & 516
Juneau, AK 99801-1182

Subject: Support for HB 65

Dear Chair Hoffman & Chair Stedman:

The Alaska Commission on Aging (ACoA) is pleased to offer our support for HB 65, a bill authored by Representatives Edgmon, Joule, Herron and Foster co-sponsored by Representatives Peggy Wilson, Kerttula, Tuck, Gardner, Kawasaki, Millet, and Gara. The purpose of this legislation is to expand the list of eligible applicants for Alaska Housing Finance Corporation's (AHFC) Senior Citizens Housing Development Fund (SCHDF) to include regional housing authorities in addition to municipalities, 501(c)3 and (4) nonprofit organizations. The SCHDF program is used specifically to increase the number of senior housing units for older Alaskans and to address the needs of a growing Alaska senior population whose incomes are in the low to moderate range. The SCHDF is a flexible funding tool that provides gap financing for the construction of mixed-income housing projects for older Alaskans and supports a variety of development needs. The ACoA endorses the inclusion of regional housing authorities as eligible applicants to increase the availability of quality and affordable senior housing to benefit older Alaskans in every region of the state, including rural and remote areas.

The ACoA supports passage of HB 65 to make these funds available for development of senior housing in rural and remote regions that are not adequately served by this program. Please feel free to contact Denise Daniello, ACoA's executive director (465-4879 or denise.daniello@alaska.gov) should you require additional information about our position. Thank you for your consideration and support of HB 65.

Sincerely,

Sharon Howerton-Clark
Chair, Alaska Commission on Aging

Sincerely,

Denise Daniello
ACoA Executive Director

Cc: Senator Johnny Ellis
Senator Dennis Egan
Senator Donald Olson
Senator Lesil McGuire
Senator Joe Thomas

Representative Reggie Joule
Representative Bryce Edgmon
Representative Bob Herron
Representative Neal Foster

Alaska State Legislature
REPRESENTATIVE BRYCE EDGMON
House District 37

Adak
Akutan
Aleknagik
Atka
Chignik
Chignik Lagoon
Chignik Lake
Clark's Point
Cold Bay
Dillingham
Egegik
Ekwok
False Pass
Ivanof Bay
King Cove
King Salmon
Koliganek
Manokotak
Naknek
Nelson Lagoon
New Stuyahok
Nikolski
Perryville
Pilot Point
Portage Creek
Port Heiden
St. George
St. Paul
Sand Point
South Naknek
Togiak
Twin Hills
Ugashik
Unalaska

HB 65
Senior Citizens Housing Development Fund Grants

SPONSOR'S INTENT

HB 65 will benefit senior citizens across the state by including regional housing authorities among the entities eligible for grants through the Alaska Housing Finance Corporation's Senior Citizens Housing Development Fund (SCHDF).

The SCHDF contributes funding to organizations that develop quality housing for older Alaskans, who make up the fastest growing segment of our population.

While SCHDF grants have been available to municipalities and 501(c)(3) and (4) nonprofits since the fund's inception, Alaska's regional housing authorities have not been eligible. HB 65, which has the support of the Alaska Housing Finance Corporation, will correct that omission.

In most cases, grants through the SCHDF complement funding from a variety of other sources. Often an SCHDF grant is the final piece of the puzzle that allows a project to go forward. Funds can be put toward pre-development expenses and new construction as well as acquisition of properties, accessibility modifications, and rehabilitations.

Alaska's 14 regional housing authorities span from Ketchikan to Barrow and are among the state's most experienced developers of affordable housing. Making housing authorities eligible for grants will not increase spending through the SCHDF. It may, however, widen the selection of projects competing for grants and increase AHFC's ability to more effectively allocate funding.

I would be very grateful for your support for this legislation, which I hope will benefit elders in every region of Alaska.

State Capitol Building
Juneau, AK 99801 · Phone: (907) 465-4451 · Toll Free: 1-800-898-4451 · FAX: (907) 465-3445
Email: Rep_Bryce_Edgmon@legis.state.ak.us

Alaska State Legislature

REPRESENTATIVE BRYCE EDGMON

House District 37

Memorandum

Date: February 2nd, 2011

To: Rep. Cathy Munoz, Chair
House Community & Regional Affairs Committee

From: Rep. Bryce Edgmon
House District 37

RE: Examples of 501(c)3 Nonprofits that have Received SCHDF Grants

Thank you again for hearing HB 65—Senior Citizens Housing Development Fund Grants—on February 1st in the Community & Regional Affairs Committee.

At the hearing, Rep. Saddler asked for examples of already-qualifying nonprofit organizations that have been recipients of SCHDF grants. I have looked into the question, and I write now to provide the requested examples.

They include the Retirement Community of Fairbanks as well as the Mid-Valley Senior Citizens—two of the three entities whose projects were described in an item in the committee members' bill packets titled "Examples of Senior Housing Projects Partly Funded with Senior Citizens Housing Development Grants."

Additional examples include:

Chugach Colony Estates—Grantee: Palmer Senior Citizens' Center, Inc.
Meadow Lakes—Grantee: Meadow Lakes Community Council
Togiak Senior Housing—Grantee: Bristol Bay Housing Development Corporation
Tovarish Manor Phase II—Grantee: Ninilchik Tribal Health, Culture and Heritage Nonprofit

Please do not hesitate to contact me or my staff if you require any further information regarding HB 65.

Adak
Akutan
Aleknagik
Atka
Chignik
Chignik Lagoon
Chignik Lake
Clark's Point
Cold Bay
Dillingham
Egegik
Ekwok
False Pass
Ivanof Bay
King Cove
King Salmon
Koliganek
Manokotak
Naknek
Nelson Lagoon
New Stuyahok
Nikolski
Perryville
Pilot Point
Portage Creek
Port Heiden
St. George
St. Paul
Sand Point
South Naknek
Togiak
Twin Hills
Ugashik
Unalaska

State Capitol Building
Juneau, AK 99801 · Phone: (907) 465-4451 · Toll Free: 1-800-898-4451 · FAX: (907) 465-3445
Email: Rep.Bryce.Edgmon@legis.state.ak.us

Senior Citizens Housing Development Fund (SCHDF)

Grants from the SCHDF provide funding for senior citizen housing. SCHDF monies are awarded according to three different AHFC programs which are outlined below. Under all three programs, eligible recipients for SCHDF monies are limited to municipalities or public or private nonprofit corporations designated as tax exempt under 26 U.S.C. 501(c) (3) and (4) of the internal Revenue Code of 1954.

Greater Opportunities for Affordable Living (GOAL)

The GOAL program awards SCHDF monies to bridge the gap between the total cost of the project and the total funding from other sources. Funds may be used for acquisition, rehabilitation and/or new construction of senior housing.

Grant recipients must choose a definition of "senior citizens" as either age 55 and older or age 62 and older according to the federal definition of "housing for older persons" under the Federal Fair Housing Act (Section 807 of 42 U.S.C. 3607) implemented at 24 CFR 100.300-308. Both choices carry with them requirements detailed in the application process.

Senior Access Program (SAP)

The SAP provides funds for accessibility modifications to existing housing. Examples of eligible activities are construction of ramps and installation of shower grab bars. SAP funds are awarded based on the cost of proposed eligible activities and are capped according to an annually determined amount.

Qualifying seniors must meet the definition of a "senior household" under 15 AAC 151.950 c.11. Income and residency restrictions apply.

Pre-Development Grants Program

The Pre-Development Grants Program provides funding in order to prepare projects for application to the GOAL, HUD 202, HUD 811 or other construction funding programs. Some examples of eligible expenses under this program are architectural single line drawings, legal fees, preliminary site engineering and consultant fees. Awards are based on specific eligible activities and are capped according to an annually determined amount.

Information provided by Alaska Housing Finance Corporation.
On the Web: http://www.ahfc.state.ak.us/grants/schdf.cfm

Examples of Senior Housing Projects Partly Funded with Senior Citizens Housing Development (SCHDF) Grants

Generally, please see the below table for information regarding funding levels and interest in senior housing over the past few years. The table references senior funds allocated to rental development projects, by source, for competitive allocation through the Greater Opportunities for Affordable Living (GOAL) cycles from FY 2008 to present.

GOAL Cycle for Rental Development	SCHDF $'s Used	DCEH $'s Used	Funded Requests / Number of Applicants
FY 2008	$3.5 M	$5.7 M	6/9
FY 2009	$5.5 M	$1.6 M	4/7
FY 2010	$2.8 M	$0.7 M	2/2
FY 2011	$4.0 M	$0	2/4

Project Examples:

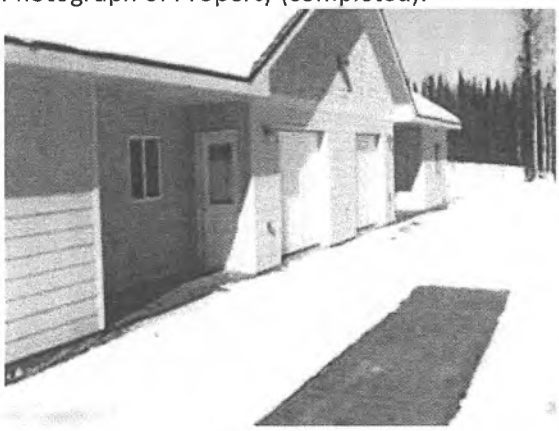
1) Raven Landing Phase I – Funded in FY 2008 Cycle
    a. Project Sponsor: Retirement Community of Fairbanks
    b. Project Location: Fairbanks
    c. Number of Units: 20
    d. Total Development Costs: $5.1 M
    e. Funding Sources:
        i. $490k - Neighborhood Stabilization Program
        ii. $1.1 M – SCHDF
        iii. $1.1 M – DCEH
        iv. $1.2 M – AHFC 1st Deed of Trust
        v. $950k – AHFC 2nd Deed of Trust
        vi. $150k – Denali Bank loan
        vii. $31k – Deferred Developer Fee

Photograph of Property (construction underway):



2) Blueberry Pointe – Funded in FY 2009 Cycle
    a. Project Sponsor: Mid Valley Senior Citizens
    b. Project Location: Houston
    c. Number of Units: 6
    d. Total Development Costs: $2.3M
    e. Funding Sources:
        i. $1.2 M – SCHDF
        ii. $620k – HOME Investment Partnership funds
        iii. $330k – AHFC 1st Deed of Trust
        iv. $169k – AHFC 2nd Deed of Trust

Photograph of Property (completed):



3) Tuyurgarmiat Tegganritta Eniit – Funded in FY 2009 Cycle
    a. Project Sponsor: Bristol Bay Housing Development Corporation
    b. Project Location: Togiak
    c. Number of Units: 6
    d. Total Development Costs: $2.4 M
    e. Funding Sources:
        i. $399k – SCHDF
        ii. $994k DCEH
        iii. $1 M – HUD Section 202

Pictures from Property (completed):



Alaska Housing
FINANCE CORPORATION

2011 LEGISLATIVE FACTSHEET

Enable Regional Housing Authorities (RHAs) to receive AHFC Senior Citizens Housing Development Funds (SCHDF)

January 31, 2011

LEGISLATIVE REQUEST: This legislation, pre-filed by Rep. Bryce Edgmon as HB65, will insert language in A.S. 18.56.810(a) to include Regional Housing Authorities as eligible grant recipients for funds appropriated by the legislature to the Senior Citizens Development Fund (SCHDF) that is administered by Alaska Housing Finance Corporation (AHFC). AHFC supports this legislation as written.

STATEMENT OF NEED:

- The Senior Citizens Housing Development Fund moved to AHFC during the merger of all state housing functions in 1992. SCHDF provides funding to organizations to develop senior citizen housing.
- Statutory language currently limits program eligibility to municipalities or public or private non-profit corporations designated as tax exempt under 26 U.S.C. 501c(3) and (4) (Internal Revenue Code of 1954). Although Alaska regional housing authorities are some of the most experienced and qualified housing developers in the state, they are not able to access this grant program that supports increased development of senior housing.
- Because of current statutory language, a housing authority must incorporate a separate non-profit organization or partner with an eligible organization in order to receive a SCHDF award for senior housing development.

HOW IT WORKS:

- Funding under SCHDF is used to develop housing for "older persons" as defined under the Federal Fair Housing Act. Sponsors can elect either age 62 and older, or age 55 and older as the age requirement for occupancy under Section 807 of the Fair Housing Act (42 U.S.C. 3607 (b) (1) as implemented at 42 CFR 100.300-308.
- Acquisition, rehabilitation, accessibility modification and new construction of senior housing as well as pre-development activities are all eligible for grant awards.

ADDITIONAL:

- Members of the Alaska Association of Housing Authorities (AAHA), collectively one of the largest groups of affordable housing providers in the state, support this statutory change.

CONTACT:
Stacy Schubert, 301-4556, sschubert@ahfc.state.ak.us Cary Bolling: 350-2479, cbolling@ahfc.state.ak.us

AARP Alaska
3601 C Street
Suite 1420
Anchorage, AK 99503

T 1-866-227-7447
F 907-341-2270
TTY 1-877-434-7598
www.aarp.org/ak

February 16, 2011

The Honorable Bill Stoltze, Co-Chair
House Finance Committee
Alaska Capitol, Room 515
Juneau, AK 99801-1182

The Honorable Bill Thomas, Co-Chair
House Finance Committee
Alaska Capitol, Room 505
Juneau, AK 99801-1182

RE: HB 65 (Edgmon, Herron, Foster, Joule)—Support

Dear Co-Chairs Stoltze and Thomas:

On behalf of the members of AARP in Alaska, we encourage you and your colleagues on the House Finance Committee to support for HB 65, authored by your Committee colleagues Representatives Bryce Edgmon and Reggie Joule as well as by Representatives Bob Herron and Neal Foster and co-sponsored by Representative Peggy Wilson. HB 65 will allow regional Native housing entities to apply for grants for senior housing from the Alaska Housing Finance Corporation.

HB 65 does not expand funding for senior housing. It simply allows Native organizations with housing expertise and experience to compete for grants for senior housing. This makes sense and creates a fair competitive field for organizations that AARP would like to see involved in senior housing.

AARP recommends an "AYE" vote for HB 65.

Should you have any questions about our position, please feel free to contact me (586-3637) or Patrick Luby, AARP Advocacy Director (907-762-3314).

Thank you for your consideration.

Sincerely,

Marie Darlin

Marie Darlin, Coordinator
AARP Capital City Task Force
415 Willoughby Avenue, Apt. 506
Juneau, AK 99801
586-3637 (voice)
463-3580 (fax)

CC: Vice-Chair Fairclough
Representative Costello
Representative Edgmon
Representative Joule
Representative Neuman
Representative T. Wilson
Representative Doogan
Representative Gara
Representative Guttenberg
Representative Herron
Representative Foster

STATE OF ALASKA

DEPT. OF HEALTH & SOCIAL SERVICES

Alaska Commission on Aging

SEAN PARNELL, GOVERNOR

P.O. BOX 110693
JUNEAU, ALASKA 99811-0693
PHONE: (907) 465-3250
FAX: (907) 465-1398

February 14, 2011

Representative Bryce Edgmon
Representative Bob Herron
Representative Neal Foster
Representative Reggie Joule
Alaska State Capitol
Juneau, AK 99801-1182

Subject: Support for HB 65

Dear Representatives Edgmon, Herron, Foster, and Joule:

The Alaska Commission on Aging (ACoA) is pleased to offer our support for HB 65, a bill sponsored by you and co-sponsored by Representative Peggy Wilson, to expand the list of eligible applicants for Alaska Housing Finance Corporation's (AHFC) Senior Citizens Housing Development Fund (SCHDF) to include regional housing authorities in addition to municipalities, 501(c)3 and (4) nonprofit organizations. The SCHDF program is used specifically to increase the number of senior housing units for older Alaskans and to address the needs of a growing Alaska senior population whose incomes are in the low to moderate range. The SCHDF is a flexible funding tool that provides gap financing for the construction of mixed-income housing projects for older Alaskans and supports a variety of development needs. The ACoA endorses the inclusion of regional housing authorities as eligible applicants to increase the availability of quality and affordable senior housing to benefit older Alaskans in every region of the state, including rural and remote areas.

Alaska is the state with the fastest growing senior population. Currently, there are more than 85,000 Alaska seniors age 60 years and older representing 12.3% of the state's population, a 52.6% increase since 2001. The population of Alaskan seniors increased nearly seven percent in the most recent year alone. All nine regions recognized by the Department of Health and Social Services experienced an increase in their senior populations of at least 20% over the last eight years.

Having a safe, comfortable, and accessible home fulfills a basic human need which becomes even more important as a person ages and develops frailties. Alaska has a statewide shortage of accessible, affordable housing options for seniors. The waiting list for AHFC's senior/disabled housing has grown by 70% in the past two years. In addition, 15-16% of Alaska's homeless population is estimated to be people age 55 years and older.

The ACoA supports passage of HB 65 to make these funds available for development of senior housing in rural and remote regions that are not adequately served by this program. Looking forward, we recognize that there will be an increased demand for additional funds for the SCHDF to meet the accelerating need of the growing Alaska senior population as well as to pay for higher construction costs related to

inflation and development in rural and remote communities. Please feel free to contact Denise Daniello, ACoA's executive director (465-4879 or denise.daniello@alaska.gov) should you require additional information about our position. Thank you for your support of HB 65 and for recognizing the critical need to develop additional quality senior housing in Alaska.

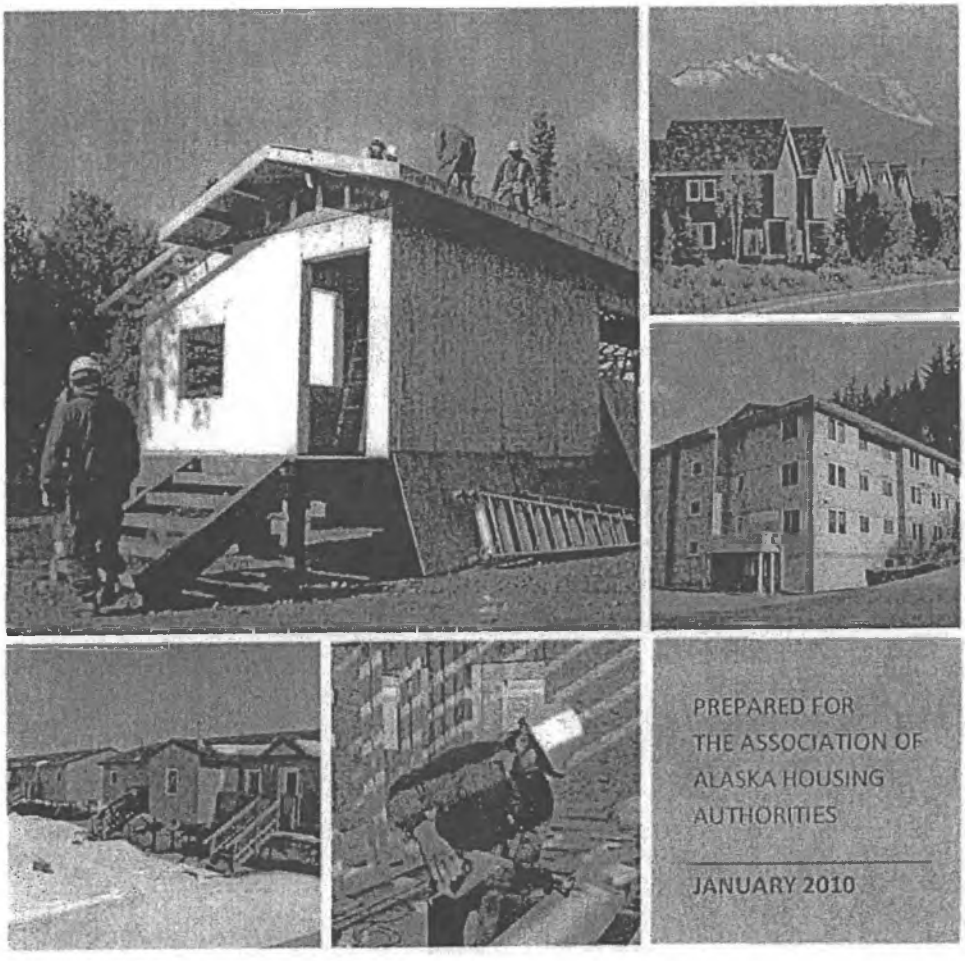
Sincerely,

Sharon Howerton-Clark
Chair, Alaska Commission on Aging

Sincerely,

Denise Daniello
ACoA Executive Director

Cc: Representative Peggy Wilson



PREPARED FOR
THE ASSOCIATION OF
ALASKA HOUSING
AUTHORITIES

JANUARY 2010

The Economic Impact of Alaska's
Regional Housing Authorities

Information Insights
Fairbanks + Anchorage

Executive Summary

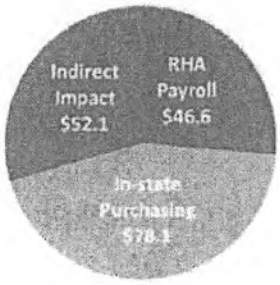
Alaska's Regional Housing Authorities (RHA) play a key role in increasing the supply of quality affordable housing in Alaska. They provide housing, assistance in purchasing a home, renter and home buyer education, infrastructure for housing development, community facilities and employment opportunities to benefit Alaska Natives as well as non-Alaska Natives.

In rural communities, these organizations provide the vast majority of new housing units for local residents and they are a key player in increasing the supply of affordable housing in urban communities. The impacts to the lives of the people who receive housing are easy to understand, but housing authorities also provide benefits to all Alaskans in less direct ways. In addition to providing housing and other benefits to clients in substantial numbers, they also employ Alaskans throughout the state and contribute to the whole state by stimulating economic activity. RHAs have a nearly 100 percent resident hire rate.

The Association of Alaska Housing Authorities (AAHA) contracted with Information Insights to identify the statewide economic impacts of Alaska regional housing authorities, including the direct benefits to urban and rural Alaska as well as indirect economic benefits to the state as a whole. The study also highlights the work housing authorities are doing to provide safe, affordable and energy efficient housing stock in the state and the non-housing projects that improve the lives of Alaskans and benefit their communities. Finally, it provides regional details on housing authority economic activity.

Key Findings

TOTAL ECONOMIC IMPACT



The total economic impact of Alaska's regional housing authorities on the state's economy includes both direct and indirect benefits. Direct impacts include wages and benefits paid to employees of the regional housing authorities as well as purchases made by the housing authorities from vendors and contractors in Alaska. Indirect impacts include the additional revenue, employment and earnings created by the companies from which RHAs purchase goods and services, as well as the economic activity generated throughout the economy when employees of all impacted companies or organizations spend their paychecks.

Total impacts of housing authority activity from all sources

The total (direct + indirect) economic impact of RHA activity in the state in 2008 was significant:

- $177 million in economic activity statewide
- 2,831jobs statewide

Of the jobs generated by RHAs in 2008, approximately 51.5 percent (1,457) were full-time jobs, 47.5 percent (1,345) were seasonal and temporary jobs, and the remainder (29) were part-time jobs.

Direct economic impacts statewide

In 2008, direct impacts statewide totaled:

- 1,757 people employed with housing authorities
- $46.6 million in direct payroll
- $78.1 million in spending with Alaska-based vendors and contractors

Nearly one third of the 1,757 direct jobs were full-time year round positions. The proportion of full time year round workers is lower in the direct jobs count than in the jobs generated by RHA vendor spending owing to the highly seasonal nature of construction in Alaska.

Indirect impacts

In 2008, indirect impacts of RHA activity statewide included:

- 495 jobs primarily in Alaska's construction, freight, government and professional services as a result of RHA purchases from Alaska-based vendors and contractors
- 579 additional jobs primarily in the service sector created when employees of both housing authorities and vendors spent their paychecks on Alaska goods and services
- $45.5 million in additional economic activity resulting from RHA purchasing and payroll spending

BUILDING AND RETROFITTING ALASKA'S LOW-INCOME HOUSING STOCK

Direct benefits also include all the new housing units constructed in the state as well as renovations to existing housing by Alaska regional housing authorities. In 2008, these totaled:

- 200 new housing units built at a cost of just under $48.1 million dollars
    - 137 new urban housing units built at a total cost of more than $26.7 million dollars
    - 63 new rural housing units built at total cost of nearly $21.4 million dollars

- Approximately 1,000 housing units rehabilitated and renovated at a total cost of more than $18.2 million dollars
- 260 housing units - valued at more than $23.6 million - were "conveyed" to individual owners through a variety of housing authority programs designed to make home ownership possible for the people they serve.

The 200 new units built in 2008 represent all types of homes, both single and multi-family units, including units that are designed to serve special populations like the elderly and people with disabilities. It is also important to note that site remediation and infrastructure development becomes part of total costs for many projects in both urban and rural communities. Examples include extending utilities or road systems to un-served areas in rural communities and providing demolition and environmental remediation in challenging urban neighborhoods.

In addition to building, renovating and transferring ownership of homes to individuals, regional housing authorities reported having nearly 4,500 housing units currently under management and conservatively estimate serving more than 10,000 people.

BRINGING MONEY AND JOBS TO RURAL AND URBAN ALASKA

In the four years from 2005 to 2007, RHAs contributed to the economies of 125 Alaska communities. In 2008 alone, the direct economic impact of RHA projects in the state's rural and urban communities were as follows:

Direct impacts on rural Alaska, 2008

- More than 1,250 people employed
- $26.5 million in payroll
- $13.9 million spent with vendors and contractors located in rural Alaska

RHAs are creating work across the state, including some of the most remote communities where unemployment rates are extremely high. The impact of job creation in these small communities, with few employment opportunities, has far reaching positive implications beyond just local spending of disposable income.

Direct impacts on urban Alaska, 2008

- More than 500 people employed and $20.2 million in payroll in 2008
- $64.1 million spent with vendors and contractors located in urban Alaska[1]

A KEY ROLE IN EXPANDING WEATHERIZATION SERVICES

For the past 30 years there have been five active weatherization entities in the state; now the Alaska Housing Finance Corporation has signed agreements with the

[1] The total purchasing by RHAs of $78.1 million includes six percent that cannot be allocated as either urban or rural.

housing authorities to do this important work as well. Alaska's regional housing authorities will play a key role in meeting the state's goal of weatherizing 13,000 housing units over the next five years. Regional housing authorities have the infrastructure and relationships throughout the state that will be invaluable in achieving rapid expansion in weatherization services.

NON-HOUSING IMPACTS

The flexibility of Native American Housing and Self Determination Act (NAHASDA) funds has made it possible for RHAs to invest in the infrastructure needed to support new quality housing units, even when the infrastructure goes beyond the buildings themselves. Examples include projects to extend utilities (water, electric, gas), extending access into new neighborhoods, building community facilities and providing financial support.

Cook Inlet Housing Authority

Promoting Independence Through Housing

January 10, 2011

Representative Bryce Edgmon
Alaska State Capitol, Room 416
Juneau, Alaska 99801

SUBJECT: PROPOSED REVISIONS TO AS 18.56.010 – SENIOR CITIZENS HOUSING DEVELOPMENT FUND

Dear Representative Edgmon:

I am writing on behalf of Cook Inlet Housing Authority (CIHA), the state chartered regional housing authority for the Cook Inlet Region., and a member of the Association of Alaska Housing Authorities (AAHA). We offer our support for a proposed amendment to AS 18.56.010 to explicitly include Alaska's regional housing authorities as eligible recipients under the Alaska Housing Finance Corporation (AHFC) Senior Citizens Housing Development Fund (SCHDF) program.

The SCHDF program was created to provide funding to assist organizations in the development of senior citizen housing through grant awards for acquisition, rehabilitation, accessibility modification and new construction activities. CIHA and other Alaska regional housing authorities are some of the most qualified and experienced developers of senior housing in the state; in fact, CIHA itself is now the largest provider of senior housing in Alaska.

The current language of AS 18.56.010 excludes regional housing authorities from eligibility for SCHDF funds, because although they are tax exempt for I.R.S. purposes, they are not 501(c)(3) or (4) entities. The rationale for this distinction is unclear, and more importantly, has not been uniformly applied by AHFC in past grant awards. AHFC has awarded SCHDF grant funds to many regional housing authorities in the past, including CIHA, and only last year determined that regional housing authorities were actually not named as eligible recipients. The statutory language is unclear in that it names "public and private non-profit 501(C)(3) or (4) organizations" as eligible recipients. Although regional housing authorities are in fact public corporations, they are not "public non-profit" (i.e., 501(C)(3) entities). Inclusion of "regional housing authorities" to the list of eligible participants in the program would help clear this confusion.

AHFC's past award of SCHDF to regional housing authorities for senior housing development has set a precedent for regional housing authority eligibility for these funds. Regional housing authorities are also collectively the largest developer of housing, including senior housing, in the State. Denying regional housing authorities access to these valuable funds will result in a significant reduction in the delivery of greatly needed senior housing in rural and urban areas of the state. Further, there would not be any financial impact to the state's general fund if regional housing authorities were permitted to continue to access SCHDF funds. For these reasons, CIHA strongly supports AAHA's proposal to expressly include regional housing authorities organized under AS 18.55.996 to the list of entities eligible for the direct receipt of SCHDF funds.

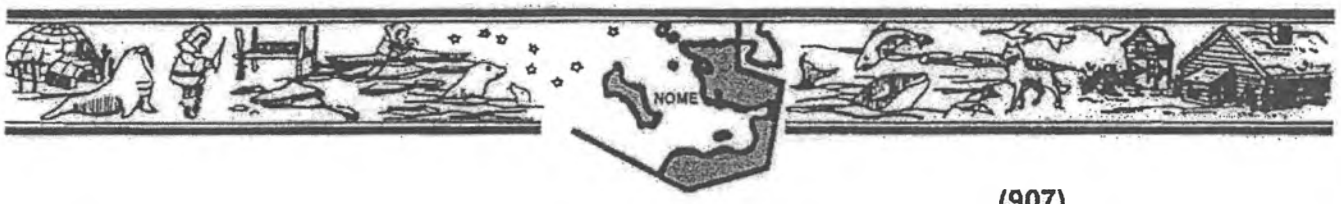
3510 Spenard Road, Suite 100 Anchorage, AK 99503 Tel 907-793-3000 Fax 907-793-3070

It is our understanding that your office has agreed to sponsor legislation to provide for the requested statutory change. We very much appreciate your efforts to assist in this matter, and if there is anything further we can do to help in this effort please do not hesitate to contact us.

Respectfully,

Carol Gore
President/CEO

cc: Heather Arnett, AAHA Statewide Administrator



BERING STRAITS REGIONAL HOUSING AUTHORITY
Robert Mocan, President/CEO

(907)
(907)
P. O. Box 995 Nome, AK 99762
Phone No. (907) 443-5256
Fax No. (907) 443-8652
Toll Free No. 1-800-478-5255

January 27, 2011

Rep. Bryce Edgmon
Alaska State Capitol, Room 416
Juneau, AK 99801

Re: Proposed Revisions to Sec. 18.56.810: Senior Citizens Housing Development

Dear Rep. Edgmon,

I am writing on behalf of [Bering Straits Regional Housing Authority], one of 14 state chartered regional housing authorities who are members of the Association of Alaska Housing Authorities (AAHA). We offer our support for a proposed statutory amendment which would provide for the direct eligibility of Alaska housing authorities under the AHFC Senior Citizens Housing Development Fund Program.

The program was created to provide funding to assist organizations attempting to develop senior citizen housing. Acquisition, rehabilitation, accessibility modification and new construction of senior housing as well as pre-development activities are all eligible for grant awards.

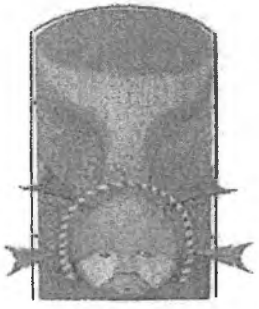
Although Alaska's regional housing authorities are some of the most experienced and qualified housing developers in the state, current statutory language limits program eligibility to municipalities or public or private nonprofit corporations designated as tax exempt under 26 U.S.C. 501©(3) and (4) (Internal Revenue Code of 1954). Regional housing authorities do not meet this technical definition and are thus unable to directly access this particular program as a resource to address increasing senior housing needs throughout the state. [Bering Straits Regional Housing Authority] strongly supports the proposal by AAHA to add regional housing authorities, as defined under AS 18.55.996, to the specified eligible entities which can apply for and receive these funds.

It is our understanding that your office has agreed to sponsor legislation which would provide for the requested statutory change. We very much appreciate your efforts to assist in this matter. If there is anything further we can do to help in your efforts, please do not hesitate to contact us.

Sincerely,

Robert Mocan
BSRHA
President/CEO

Cc: Heather Arnett, AAHA Statewide Administrator



Kodiak Island Housing Authority

3137 Mill Bay Road, Kodiak AK 99615
kodiakislandhousing.org
Phone: 907- 486-8111 Toll Free: 800- 478-5442 Fax: 907-486-4432

January 6, 2011

Rep. Bryce Edgmon
Alaska State Capitol, Room 416
Juneau, AK 99801

Re: Proposed Revisions to Sec. 18.56.810: Senior Citizens Housing Development

Dear Rep. Edgmon,

I am writing on behalf of the Kodiak Island Housing Authority (KIHA), one of 14 state chartered regional housing authorities who are members of the Association of Alaska Housing Authorities (AAHA). We offer our support for a proposed statutory amendment which would provide for the direct eligibility of Alaska housing authorities under the AHFC Senior Citizens Housing Development Fund Program.

The program was created to provide funding to assist organizations attempting to develop senior citizen housing. Acquisition, rehabilitation, accessibility modification and new construction of senior housing as well as pre-development activities are all eligible for grant awards.

Although Alaska's regional housing authorities are some of the most experienced and qualified housing developers in the state, current statutory language limits program eligibility to municipalities or public or private nonprofit corporations designated as tax exempt under 26 U.S.C. 501©(3) and (4) (Internal Revenue Code of 1954). Regional housing authorities do not meet this technical definition and are thus unable to directly access this particular program as a resource to address increasing senior housing needs throughout the state. KIHA strongly supports the proposal by AAHA to add regional housing authorities, as defined under AS 18.55.996, to the specified eligible entities which can apply for and receive these funds.

It is our understanding that your office has agreed to sponsor legislation which would provide for the requested statutory change. We very much appreciate your efforts to assist in this matter. If there is anything further we can do to help in your efforts, please do not hesitate to contact us.

Sincerely,

Marty Shuravloff
Executive Director

ALEUTIAN
HOUSING AUTHORITY

January 4, 2011

Rep. Bryce Edgmon
Alaska State Capitol, Room 416
Juneau, AK 99801

Re: Proposed Revisions to Sec. 18.56.810: Senior Citizens Housing Development

Dear Rep. Edgmon,

I am writing on behalf of Aleutian Housing Authority (AHA), one of the 14 state chartered regional housing authorities and a member of the Association of Alaska Housing Authorities (AAHA) to offer our support for a proposed statutory amendment which would provide for the direct eligibility of Alaska housing authorities under the AHFC Senior Citizens Housing Development Fund Program.

The program was created to provide funding to assist organizations attempting to develop senior citizen housing for seniors 60 years of age and older and whose incomes are in the low to moderate ranges. Acquisition, rehabilitation, accessibility modification and new construction of senior housing as well as pre-development activities are all eligible for grant awards.

Although Alaska's regional housing authorities are some of the most experienced and qualified housing developers in the state, current statutory language limits program eligibility to municipalities or public or private nonprofit corporations designated as tax exempt under 26 U.S.C. 501©(3) and (4) (Internal Revenue Code of 1954). Regional housing authorities do not meet this technical definition and are thus unable to directly access this particular program as a resource to address increasing senior housing needs throughout the state. Aleutian Housing strongly supports the proposal by AAHA to add regional housing authorities, as defined under AS 18.55.996, to the specified eligible entities which can apply for and receive these funds.

It is our understanding that your office has agreed to sponsor legislation which would provide for the requested statutory change. We very much appreciate your efforts to assist in this matter. If there is anything further we can do to help in your efforts, please do not hesitate to contact us.

Sincerely,

Dan Duame
Executive Director

Cc: Heather Arnett, AAHA Statewide Administrator

520 E. 32ND AVENUE · ANCHORAGE, ALASKA 99503 · MAIN (907) 563-2146 · FAX (907) 563-3105 · WWW.ALEUTIAN-HOUSING.COM

BRISTOL BAY HOUSING AUTHORITY

P.O. Box 50 Dillingham, Alaska 99576 Phone (907) 842-5956
Fax (907) 842-2784 TTY Phone (907) 842-6541

January 5, 2011

Rep. Bryce Edgmon
Alaska State Capitol, Room 416
Juneau, AK 99801

Re: Proposed Revisions to Sec. 18.56.810:
Senior Citizens Housing Development

Dear Rep. Edgmon:

Bristol Bay Housing Authority (BBHA) supports a proposed statutory amendment which would provide for the direct eligibility of Alaska housing authorities under the AHFC Senior Citizens Housing Development Fund Program. As you are aware, BBHA is one of 14 state chartered regional housing authorities who are members of the Association of Alaska Housing Authorities (AAHA).

The program was created to provide funding to assist organizations attempting to develop senior citizen housing. Acquisition, rehabilitation, accessibility modification and new construction of senior housing as well as pre-development activities are all eligible for grant awards.

Although Alaska's regional housing authorities are some of the most experienced and qualified housing developers in the state, current statutory language limits program eligibility to municipalities or public or private nonprofit corporations designated as tax exempt under 26 U.S.C. 501©(3) and (4) (Internal Revenue Code of 1954). Regional housing authorities do not meet this technical definition and are thus unable to directly access this particular program as a resource to address increasing senior housing needs throughout the state. In the past, AHFC has interpreted the regulations to define Housing Authorities as eligible applicants and recipients of such funds. However, after a AG opinion on the topic, AHFC has reversed that interpretation of eligibility of Housing Authorities to directly participate in the program. BBHA strongly supports the proposal by AAHA to add regional housing authorities, as defined under AS 18.55.996, to the specified eligible entities which can apply for and receive these funds.

Thank you for sponsoring legislation which would provide for the requested statutory change. We appreciate your efforts to assist in this matter. Please contact me for any further information you may need on this issue.

Sincerely,

Dave McClure
Executive Director
Bristol Bay Housing Authority

Cc: Heather Arnett, AAHA Statewide Administrator

Tlingit-Haida Regional Housing Authority
P.O. Box 32237 • Juneau, Alaska 99803 • Fax (907) 780-6895 • Tel (907) 780-6868

January 23, 2011

Bryce Edgmon
Representative District 37
Alaska State Capitol, Room 416
Juneau, AK 99801

Re: Proposed Revisions to Sec. 18.56.810
Senior Citizens Housing Development

Dear Representative Edgmon,

It is my understanding that your office has agreed to sponsor legislation that will request a statutory amendment to allow Alaska housing authorities as eligible entity to apply for the AHFC Senior Citizens Housing Development Fund Program (SCHDF).

We thank you for sponsoring legislation that will allow Alaska regional housing authorities to apply for the SCHDF program as a resource to address increasing senior housing needs throughout the state and especially Alaska rural communities.

Tlingit Haida Regional Housing Authority is a member of the Association of Alaska Housing Authorities (AAHA). We strongly support the proposal by AAHA to add regional housing authorities, as defined under AS 18.55.996, to the specified eligible entities that are eligible to apply for and receive SCHDF funds.

If you have any questions or need my support with your efforts, please feel free to contact me at 907-780-6868.

Sincerely,

Blake Z. Kazama

Dr. Blake Kazama
President and CEO
Tlingit Haida Regional Housing Authority

cc: Heather Arnett, AAHA Statewide Administrator

INTERIOR REGIONAL HOUSING AUTHORITY

January 5, 2011

Rep. Bryce Edgmon
Alaska State Capitol, Room 416
Juneau, AK 99801

Dear Rep. Edgmon:

RE: Proposed Revisions to Sec. 18.56.810 Senior Citizens Housing Development.

I am writing on behalf of the Interior Regional Housing Authority, one of 14 state chartered regional housing authorities who are members of the Association of Alaska Housing Authorities (AAHA). We offer our support for a proposed statutory amendment which would provide for the direct eligibility of Alaska housing authorities under the AHFC Senior Citizens Housing Development Program.

The program among others was created to provide funding to assist organizations attempting to develop senior citizen housing. The acquisition, rehabilitation, accessibility modification and new construction of senior housing as well as pre-development activities are all eligible for grant awards. What should be a relatively straightforward process is complicated by the fact that, regional housing authorities are hampered by a technicality. The need for senior housing is a need that we hear about on a continual basis.

Although Alaska's regional housing authorities are some of the most experienced and qualified housing developers in the state, current statutory language limits program eligibility to municipalities or public or private nonprofit corporations designated as tax exempt under 26 U.S.C. 501©(3) and (4) (Internal Revenue Code of 1954). Regional housing authorities do not meet this technical definition and are thus unable to directly access this particular program as a resource to address increasing senior housing needs throughout the state without having to jump through a lot of hoops.. The Interior Regional Housing Authority strongly supports the proposal by AAHA to add regional housing authorities, as defined under AS 18.55.996, to the specified eligible entities which can apply for and receive these funds.

It is our understanding that your office has agreed to sponsor legislation which would provide for the requested statutory change. We very much appreciate your efforts to assist in this matter. If there is anything further we can do to help in your efforts, please do not hesitate to contact us.

Sincerely,

Irene Catalone
CEO

828 27th Avenue • Fairbanks, Alaska 99701-6918 • Tel (907) 452-8315 • 1-800-478-IRHA • Fax (907) 456-8941

HB

78

<TARGET><BILL>HB 78</BILL><SUBJECT>HB 78</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/28/12

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered CS FOR HOUSE BILL NO. 78(FIN)

HB 78-INCENTIVES FOR CERTAIN MEDICAL PROVIDERS

"An Act establishing a loan repayment program and employment incentive program for certain health care professionals employed in the state; and providing for an effective date."

and recommends:

[ ] be **replaced** with **SCS** _____ (_____) *[ ] Same Title [ ] Technical Title Change*
[ ] New Title/SCR No._____

[ ] adopt **previous SCS** _____ (_____) *[ ] Same Title [ ] Technical Title Change*
[ ] New Title/SCR No._____

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DHS	X			4
EED			X	3

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	Egan	✓			
	McGuire	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓			

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version	**CSHB 78(FIN)**
Fiscal Note Number	**4**
(H) Publish Date	**3/16/12**

Identifier (file name)	HB078CS(FIN)-DHSS-HPSD-3-16-12	Dept. Affected	Health and Social Services
Title	Incentives for Certain Medical Providers	Appropriation	Public Health
		Allocation	Health Planning and Systems Development
Sponsor	Representative Herron		
Requester	House Finance Committee	OMB Component Number	2765

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services	102.8		102.8	102.8	102.8	102.8	102.8
Travel	6.0		6.0	6.0	6.0	6.0	6.0
Services	2,724.5		2,724.5	2,724.5	2,724.5	2,724.5	2,724.5
Commodities	9.6		2.0	2.0	2.0	2.0	2.0
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**2,842.9**	**0.0**	**2,835.3**	**2,835.3**	**2,835.3**	**2,835.3**	**2,835.3**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	2,164.2		2,156.6	2,156.6	2,156.6	2,156.6	2,156.6
1005	GF/Prgm (DGF)	678.7		678.7	678.7	678.7	678.7	678.7
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**2,842.9**	**0.0**	**2,835.3**	**2,835.3**	**2,835.3**	**2,835.3**	**2,835.3**

POSITIONS							
Full-time	**1.0**		1	1	1	1	1
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This fiscal note reflects CSHB078(FIN) version "27-LS0147\O". The CS moves advanced nurse practitioners (ANPs) from the eligible list of practitioner types in Tier II to Tier I after the Board of Nursing adopts a regulation that requires ANPs to complete a degree of doctor of nursing practice. As of March 13, 2012, the Alaska Board of Nursing has not made a decision to require doctoral education. It is assumed then that the doctoral requirement would not occur within the time frame of this fiscal note; therefore, there is no change in the fiscal note amounts. However, when the requirement does change it should be noted that there will be an increased cost. Using the existing assumptions of the fiscal note on page 3, moving a practioner type from Tier II ($222.0) to Tier I ($387.0) will increase the total cost by $165.0 ($387.0 - $222.0), with $123.8 GF and $41.2 in matching funds from the employing site. No changes were made to pages 2-3.

Prepared by	Ward B. Hurlburt, M.D., MPH / Chief Medical Officer-Director	Phone	269-6680
Division	Public Health	Date/Time	3/13/12 12:00 AM
Approved by	Nancy Rolfzen, Assistant Commissioner	Date	3/16/2012
	DHSS Finance & Management Services		

(Revised 1/17/2012 OMB)

FISCAL NOTE #4

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSHB 78(FIN)

Analysis

This bill creates a loan repayment program and an employment incentive program for certain health care professionals employed in the state. These health care professionals must meet eligibility criteria, and they must be engaged in qualified employment. The intent of the legislation is to "address the worsening shortage of certain health care professionals in the state by increasing the number and improving the distribution of health care professionals who provide direct patient care."

The Division of Public Health estimates that it will need 1.0 FTE to fully administer the loan repayment and employment incentive programs.

The Division estimates that it will need $2,715.0 for practitioner payments in Year 1. This assumes that 90 participants will be enrolled in the program in Year 1. Funding can be used for practitioner payments as cash incentives, for payments to lending institutions for loan repayments, or for a combination of the two types of payments. Maximum payments established for any combination of loan repayment and cash incentive are: $35.0 annually for Tier I health care professionals employed in "regular" positions; $47.0 annually for Tier I health care professionals employed in "very hard-to-fill" positions; $20.0 annually for Tier II health care professionals employed in "regular" positions; and $27.0 annually for Tier II health care professionals employed in "very hard-to-fill" positions. The need for $2,715.0 in FY2012 assumes the following:

Tier I	27 Practitioners	$1,161.0
Tier II	63 Practitioners	$1,554.0
Total	90 Practitioners	$2,715.0

Tier I assumes 9 participants from each of 3 types comprising Tier I at $387.0 for each type.
(6 x $47.0 + 3 x $35.0 = 387.0 x 3 = $1,161.0)

Tier II assumes 9 participants from each of 7 types comprising Tier II at $222.0 for each type)
(6 x $27.0 + 3 x $20.0 = 222.0 x 7 = $1,554.0)

The Division assumes the employing entities will provide 25% of the $2,715.0 as contributing match as specified in the bill. Therefore, the expected GF need is $2,036.3. The match for the employing entities is $678.7 (GF/Pgm).

Incentive payments are available to professionals for up to 3 years of qualified employment with a lifetime maximum participation of 12 years in the loan repayment and direct incentives aspects of the program by a Tier I or Tier II health care professional. The total number of participants in the program may not exceed 90 participants annually, regardless of whether the participant is a new or continuing participant.

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSHB 78(FIN)

Analysis Continued

Continued from page 2

On the fiscal note, the payments for practitioners will be paid from the services line:

Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Practitioner	$ 2,715.0	$ 2,715.0	$2,715.0	$ 2,715.0	$ 2,715.0	$ 2,715.0
Personal	$ 102.8	$ 102.8	$ 102.8	$ 102.8	$ 102.8	$ 102.8
Travel	$ 6.0	$ 6.0	$ 6.0	$ 6.0	$ 6.0	$ 6.0
Commodities	$ 9.6	$ 2.0	$ 2.0	$ 2.0	$ 2.0	$ 2.0
Services	$ 9.5	$ 9.5	$ 9.5	$ 9.5	$ 9.5	$ 9.5
Equipment	$	$	$	$	$	$
Eval Report	$	$	$	$	$	$
Total:	$2,842.9	$2,835.3	$2,835.3	$2,835.3	$2,835.3	$2,835.3

Administrative Costs

1.0 Health Program Manager II. Assumes $9.5 per FTE annually for office space, phones, and other contractual costs; $7.6 one time costs per FTE for computers, software, and office equipment; $2.0 per FTE annually for supplies; $6.0 per year for travel.

Health Program Manager II

This position will serve as lead program manager for the loan repayment and employment incentive program and will establish procedures for the commissioner's designation and prioritization of sites eligible for participation in the program, develop the application process for participation in the program for sites and professionals, develop and disseminate public information and notices pertinent to the program, lead the development of the methodology and procedures for classifying each eligible site as having either regular or very hard-to-fill positions, prepare annual reports that document the successes and challenges of the program, facilitate the creation of and ongoing work of the advisory committee, and establish procedures and manage the employer contribution portion of the program.

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **CSHB 78(FIN)**
Fiscal Note Number: **3**
Publish Date: **3/16/12 (H)**

Identifier (file name): HB078CS(HSS)-EED-ACPE-12-15-11
Title: Incentives for Certain Medical Providers
Sponsor: Rep. Herron
Requester: (H)FIN

Dept. Affected: Education
Appropriation: ACPE
Allocation: Program Administration & Operations
OMB Component Number: 2738

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated Fiscal Note form for 2012 Session

Prepared by: Diane Barrans, Executive Director — Phone: 465-6740
Division: Alaska Commission on Postsecondary Education — Date/Time: 12/15/11 10:00 AM
Approved by: Diane Barrans, Executive Director — Date: 12/15/2011
Diane Barrans, Executive Director

(Revised 8/17/2011 OMB)

FISCAL NOTE #3

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSHB 78(FIN)

Analysis

This bill, as amended, modifies the Alaska Commission on Postsecondary Education's (ACPE) role relative to the loan repayment program for health care professionals employed in the state. ACPE will validate that the education loans claimed by an applicant for program participation exist and qualify as education loans for the purpose of receiving the loan repayment payment. This is a service that ACPE can provide without any associated costs to the program.

ALASKA STATE LEGISLATURE
Representative Bob Herron

Official Business

State Capitol
Juneau, Alaska
99801-1182

House Bill 78 – Incentives for Certain Medical Providers

Version 27-LS0147\O | CSHB 78(FIN)
Staff Contact: Liz Clement 465-6576

SPONSOR STATEMENT

Alaska communities, both urban and rural, face a serious shortage of health care providers that, if not immediately addressed, will rapidly worsen. In response to this challenge, HB 78 creates the Alaska Health Care Professions Loan Repayment & Incentive Program (HCPLRIP) - a loan repayment and direct monetary incentive program, which will quickly reduce the shortage by filling vacant health care provider positions throughout the state with both new and experienced health care professionals.

Similar programs have proven effective in other states. Alaska's HCPLRIP will support up to 90 participants each year, spread across 10 different essential health care occupation shortage areas[1]. 30 of these slots will be reserved for the most underserved areas of the state, designated by the Commissioner of Health and Social Services as having the greatest need[2]. Benefit will not be limited to rural Alaska, however; there is also room for urban health care providers.

Other health workforce supports exist, but they are not enough[3]. HCPLRIP is an effective and efficient step to fill the gaps in our current heath care service landscape. When implemented, Alaska's HCPLRIP will be one of very few in the United States offering incentives to mid-career professionals who may have already exhausted other loan repayment options, or who no longer carry educational loan debt. This feature will serve as a powerful recruitment tool, bringing with it the benefit of experience only seasoned professionals carry. New graduate or mid-career, HB 78 is designed to bring them here, bring them home - and keep them here for the long term.

It is critical that we promptly address Alaska's healthcare workforce shortage, in order to ensure that all Alaskans have meaningful access to the basic health care they need. HB 78 is not a comprehensive solution, but a proven, manageable, measurable step we can take right now.

Please join me in support of HB 78.

---

[1] Three positions will be reserved for practitioners in each of the following professional groups: dentist, pharmacist, physician, dental hygienist, registered nurse, advanced nurse practitioner, physician assistant, physical therapist, clinical psychologist, and Master's level or higher clinical social worker. Other slots will be filled as needs are identified.

[2] Based upon ongoing needs assessment and employment statistics.

[3] The valuable WWAMI program, which I fully support, is on its own not enough to meet Alaska's complex health care needs. Students who eventually practice in Alaska can only do so once their education is complete. In addition, the program only supplies physicians, while Alaska demands a variety of health care professionals.

ALASKA STATE LEGISLATURE
Representative Bob Herron

Official Business

State Capitol
Juneau, Alaska
99801-1182

CS HB 78 (FIN) – Incentives for Certain Medical Providers

Version 27-LS0147\O
Staff Contact: Liz Clement 465-6576

SECTIONAL SUMMARY

Section 1. Establishes the health care professions loan repayment and incentive program in the Department of Health and Social Services for the purpose of addressing a shortage of certain health care professionals in the state, and for improving the distribution of those professionals. Requires the Commissioner of health and social services to administer the program, to designate and prioritize eligible employment sites, and to monitor the program in consultation with an advisory body established under this section. Provides for maximum combined loan repayment and employment incentives based on the type of employment. Lists professions eligible for participation in the program.

Sections 2 and 3. Allow Advanced Nurse Practitioners to move from Tier II to Tier I classification, contingent upon regulatory action by the Board of Nursing to require a doctorate-level degree for practice in the state. See Section 7 for effective date.

Section 4. Requires the Department of Health and Social Services to prepare and submit a report in 2019 pertaining to the health care professions incentive program established in the bill.

Section 5. Requires the Board of Nursing to notify the revisor of statutes upon adoption of a regulation that requires completion of a degree of Doctor of Nursing Practice in order to practice as an Advanced Nurse Practitioner in the State of Alaska.

Section 6. Repeals all provisions in the bill that establish the health care professions incentive program on June 30, 2019.

Section 7. Activates Sections 2 and 3 of the bill 30 days after the Board of Nursing notifies the revisor of statutes of the adoption of a regulation detailed in Section 5.

Section 8. Except for the content of Section 7, provides for an immediate effective date for the bill.

Alaska Center for Rural Health – Alaska's AHEC
UNIVERSITY of ALASKA ANCHORAGE
August 2007

2007 Alaska Health Workforce Vacancy Study Research Summary

Key Findings: *Alaska is confronted by severe shortages of professional health workers, primarily in high-level primary care occupations that include* ***Family Physician, General Internist, Critical Care Nurse, Nurse Case Manager, Family Nurse Practitioner, Physician Assistant, Pharmacist, Dentist, Physical/Occupational/Speech Therapist,*** *and* ***Behavioral Health*** *occupations. Shortages in* ***RNs*** *and* ***Allied Health*** *are much less acute. Most affected are rural areas and Tribal Health Organizations, though growth-driven high vacancy rates affect the Anchorage-Matsu region as well.*

BACKGROUND

Alaska is confronted by a "perfect storm" of health professional shortages. The state has long suffered from a deficient "supply side" characterized by insufficient numbers of key health workers whose recruitment, retention and training have been impeded by Alaska's remoteness, harsh climate, rural isolation, low population density and scarce training resources. Now exacerbating this already difficult situation is a burgeoning "demand side" for increased health services for a steadily growing and aging population. The health services industry is the fastest growing sector of Alaska's economy, employing over 7% of the state workforce.

METHODOLOGIES

The key questions this study sought to answer were: What health occupations were at this time most critically affected by shortages? Exactly how many budgeted positions existed and how many of these currently remained unfilled? Where were these vacancies regionally and in what types of organizations? What did employers perceive to be the major underlying causes of their vacancies? How many new trainees/graduates could the job market actually absorb annually and how many organizations could absorb them?

Four hundred seventy-six (476) purposively sampled Alaska health service organizations of all types responded to the study survey (Figure 1). Survey data was used to generate estimates of positions and vacancies for the entire state of Alaska.

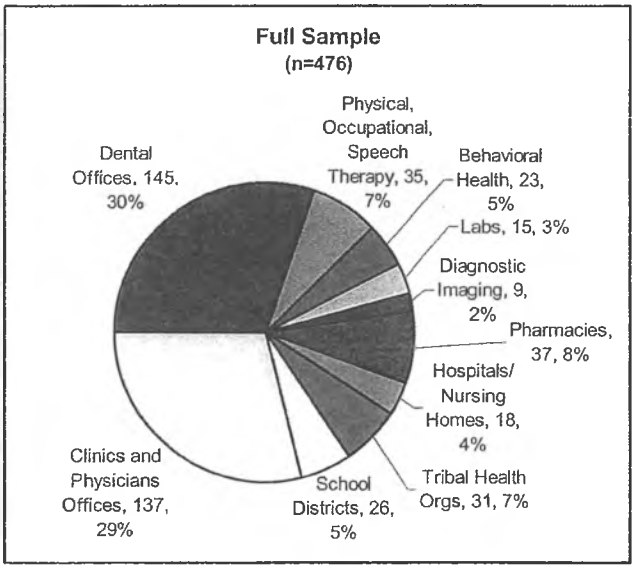


Figure 1

KEY FINDINGS

The findings confirm and quantify the trends cited in recent studies and accumulating anecdotal evidence: despite the recent progress in training and deploying health personnel, such as **Registered Nurses**, critical shortages persist (Tables 1,2).

The situation for key primary care occupations – **Family Physician, General Internist, Nurse Practitioner, and Physician Assistant** – was troubling, particularly in the rural areas, with numerous estimated vacancies and high estimated state vacancy rates between 15% and 20%.

Though vacancies for **Psychiatrists** were not numerous, they were particularly in demand (19.0% estimated vacancy rate) and difficult to recruit (mean vacancy length of 34.5 months).

This study was funded by the Office of Associate VP for Health, University of Alaska Anchorage, through Center for Disease Control and Prevention grant #5-H755-DP024673, and by the Alaska Mental Health Trust Authority.

The national **Pharmacist** shortage has hit Alaska hard and affects every region, with high estimated vacancy numbers (98), and an estimated vacancy rate of 23.7%.

Therapists of all kinds – **Physical, Occupational, Speech, and Speech-Language Pathologists** – were in short supply, with estimated vacancy rates ranging from 15.6% to 29.3%. No part of the state escaped the shortages; vacancy rates were most acute in rural areas, but numerically high in the Anchorage Mat-Su region.

High numbers of vacancies and high vacancy rates were reported for key specialized nursing occupations, particularly for **Nurse Case Manager**, **Family Nurse Practitioner**, and **Critical Care Nurse**. These appeared to be the current areas of most critical shortage in nursing.

The estimated **Registered Nurse** vacancy rate was moderate (8.0%), but this masked 10% rates in hospitals and tribal health organizations, and an estimated rural rate of 16.1%.

While the estimated vacancy rate for **Dentist** was 10.3%, this masked a 15.3% estimated rural rate and a very high 42.0% rate for tribal health organizations, which had 39% of estimated **Dentist** vacancies.

Table 1. Occupational Groups

Occupational Groups	Study Sample (n=476)			State Estimate		
	Positions	Vacancies	Vacancy Rate	Positions	Vacancies	Vacancy Rate
All Occupations	18158	1866	10.3%	34738	3529	**10.2%**
Physicians	730	109	14.9%	1931	226	**11.7%**
Professional Nurses	4202	462	11.0%	7139	696	**9.8%**
Other Nursing Staff	1769	135	7.6%	1762	111	**6.3%**
Professions/ Therapists	1240	217	17.5%	2281	404	**17.7%**
Behavioral Health	2938	327	11.1%	7450	1033	**13.9%**
Allied Health	3209	291	9.1%	5523	434	**7.9%**
Public Health/ Nutrition	154	18	11.7%	189	ND	**ND**
Other Primary Care (PA & CHAP)	759	132	17.4%	1067	198	**18.5%**
Managers	1337	69	5.2%	2947	160	**5.4%**
Health Information/ Reimbursement	1816	106	5.8%	4451	253	**5.7%**

In the **Behavioral Health** occupational group, the most acute shortages – with both extremely high vacancy numbers and high vacancy rates – appeared to be among **Human Services Workers**. In addition, overall estimated **Behavioral Health** occupation vacancies were extremely numerous (1033), around 29% of all estimated vacancies – more than any other occupational group.

Among **Allied Health** occupations, high vacancy rates were affecting employers of **Physical Therapy Assistants** and **Respiratory Therapists**. **Sonographer** vacancies were difficult to fill, and **Surgical Technician** vacancies, though not numerous, were averaging 3 to 4 years in length.

One hundred (100) vacancies and a vacancy rate of 18.1% were reported for **Community Health Aide/Practitioners (CHA/Ps).**

Among "front office" and "back office" occupations, **Coding Specialist** and **Certified Coder** had 11% estimated vacancy rates and very long mean vacancy lengths.

The managerial occupations for which high vacancy rates were reported were healthcare related: **Behavioral Health Supervisor, Clinical Department Manager, Health Information Manager, Medical Director, Nurse Manager, and Practice Manager.** Behavioral health organizations had the most estimated managerial vacancies.

Table 2. Key occupations

Key Occupations (high numbers of vacancies, high vacancy rates)	Study Sample (n=476)			State Estimate		
	Positions	Vacancies	Vacancy Rate	Positions	Vacancies	Vacancy Rate
Family Physician	252	48	18.3%	675	107	**15.8%**
General Internist	71	15	21.1%	200	40	**20.0%**
Psychiatrist	36	10	27.8%	93	18	**19.0%**
Registered Nurse	3109	299	9.6%	5489	439	**8.0%**
Critical Care Nurse	497	43	8.7%	629	60	**9.5%**
Nurse Case Manager	136	42	30.9%	209	49	**23.4%**
Family Nurse Practitioner	155	36	23.2%	364	71	**19.5%**
Physician Assistant	207	32	15.5%	515	98	**19.0%**
Pharmacist	302	73	24.2%	413	98	**23.7%**
Physical Therapist	271	29	10.7%	510	84	**16.5%**
Dentist	319	47	14.7%	692	71	**10.3%**
Human Services Worker	1568	170	10.8%	4800	697	**14.5%**
Behavioral Health Clinician	297	35	11.8%	555	71	**12.8%**
Case Manager/Care Coordinator	505	52	10.3%	1163	164	**14.1%**
Physical Therapy Assistant	35	11	31.4%	62	18	**28.6%**
Medical Assistant	367	38	10.4%	1092	102	**9.3%**
CHA/P	552	100	18.1%	552	100	**18.1%**
Certified Coder	85	6	7.1%	209	22	**10.6%**
Medical Director	49	6	12.2%	120	18	**14.8%**
Behavioral Health Supervisor	82	13	15.9%	176	22	**12.5%**

Looking at respondent types, tribal health organizations reported the highest overall vacancy rate (16.5%). These organizations reported 87 **CHA/P** vacancies; approximately half of all estimated vacancies for **Nurse Case Manager, Pharmacist, Chemical Dependency Counselor, Dentist, Medical Lab Tech, Medical Technologist**, and **Health Educator**; and all the estimated vacancies for **Coding Specialist**. But every respondent type was a locus for acute shortages in key occupations, such as clinics/offices of physicians for **PAs**, hospitals/nursing homes for **RNs**, pharmacies for **Pharmacists**, behavioral health organizations for **Human Services Workers**, and school districts for **Speech-Language Pathologists**.

Higher vacancy rates were generally found in the rural respondents, particularly in the North/West and Southwest regions, which reported double digit vacancy rates for nearly all occupational groups, and overall vacancy rates of around 20% (Table 3, Figure 2). Occupations with much higher rural estimated vacancy rates included **RN** (6.9% urban, 16.1% rural), **Behavioral Health Clinician** (9.3% urban, 22.9% rural), **Dentist** (7.2% urban, 15.3% rural), **Physical Therapist** (13.5 urban, 31.6% rural), and **PA** (14.7% urban, 26.8% rural) (Table 4).

DISCUSSION

The "supply side" shortages apparently persist. "Inadequate Pool of Qualified Workers" was the top reason given for vacancies, cited by 54% of respondents, followed by "Transience/Moving Away" (28%), "Insufficient Compensation" (18%), and "Rural Isolation" (16%). Many tribal health organizations also reported "Insufficient/Expensive Housing" as a top reason for unfilled vacancies. The data also indicated a burgeoning "demand side," where shortages were exacerbated by population growth and an increased need and demand for health services, particularly in the high-growth Anchorage Mat-Su region.

Table 3. Regional vacancy rates

Occupational Group	Regions (Study Sample – n =476)						
	North/ West (n=10)	Southwest (n=17)	Interior (n=72)	Anchorage Mat-Su (n=232)	Gulf Coast (n=69)	Southeast (n=70)	Statewide/ Multiregional (n=6)
Physicians	26.7%	21.2%	21.6%	12.6%	10.4%	6.8%	30.3%
Professional Nurses	26.0%	21.6%	5.9%	11.1%	8.0%	5.9%	12.1%
Other Nursing Staff	18.6%	18.8%	5.8%	6.2%	4.6%	2.3%	8.8%
Dentists/Pharmacists/Therapists	32.4%	32.4%	20.7%	15.9%	16.5%	16.3%	12.4%
Behavioral Health	19.0%	22.7%	13.1%	8.3%	7.1%	11.1%	11.6%
Allied Health	17.0%	24.6%	7.3%	6.5%	8.4%	7.7%	8.6%
Public Health/ Nutrition	30.0%	6.3%	0.0%	4.0%	18.9%	0.0%	10.5%
Other Primary Care (PA & CHA/P)	19.7%	18.6%	24.5%	9.0%	9.1%	4.0%	0.0%
Managers	13.8%	2.4%	3.5%	3.2%	6.4%	11.7%	4.0%
Health Information/ Reimbursement	15.9%	16.9%	2.0%	5.3%	6.6%	2.8%	7.2%
All Occupations	20.1%	20.3%	9.0%	8.6%	8.1%	7.7%	10.2%

Table 4. Urban vs. Rural vacancies and vacancy rates

Occupation	Urban		Rural	
	Estimated Vacancies	Estimated Vacancy Rate	Estimated Vacancies	Estimated Vacancy Rate
Family Physician	68	14.9%	38	17.6%
General Internist	27	18.8%	13	23.1%
RN	339	6.9%	94	16.1%
Family Nurse Practitioner	36	13.3%	34	36.4%
Pharmacist	68	22.7%	30	25.9%
Behavioral Health Clinician	36	9.3%	34	22.9%
Human Services Worker	158	8.5%	209	10.1%
Dentist	32	7.2%	38	15.3%
Dental Hygienist	14	3.6%	17	10.0%
Dental Assistant	27	4.4%	64	14.9%
Physical Therapist	59	13.5%	26	31.6%
PA	50	14.7%	47	26.8%
All Occupations	1998	8.1%	1162	13.3%

Many respondents provided commentary with their surveys and noted positions that are particularly difficult to fill:

- *"We have been hiring travelers for Physical Therapy positions at $67/hr – we can't find therapists to employ. We have been looking for 2 years."* (Urban Medical Clinic).
- *"Without a state Physical Therapy program it is very difficult to get PT staff. Usually this area is staffed by PTs that leave competing PT clinics."* (Urban Physical Therapy Office)
- *We really need a pharmacy school in Alaska. It took two years to fill our last pharmacist position."* (Urban Pharmacy)
- *"Pharmacists are always the most difficult position to fill."* (Rural Pharmacy)

The availability of military spouses has apparently alleviated some of the workforce pressure, but has exacerbated the "transience" problem. Also affecting the shortages was the absence of local training resources (such as medical, dental, pharmacy, and therapy schools) to provide a local workforce pipeline. In the qualitative data, common refrains were, "we need a pharmacy school," "we need a dental school," "we need a physical therapy school."

The acuity of workforce shortages was also reflected by the high percentage of estimated vacancies the responding employers would consider filling with new grads (Table 5). Respondents indicated that they had the capacity to hire sizeable graduating cohorts of Family Physicians, PAs, Occupational and Physical Therapists, Pharmacists, and Dentists. These may be the occupations likely to yield optimal responses to substantial investments in preparation and training programs and/or targeted recruitment and retention campaigns.

Copies of the full study can be downloaded from the ACRH website at:

http://nursing.uaa.alaska.edu/acrh/

Table 5. New Grad Vacancies

Occupation	Study Sample (n=476)	Statewide Estimate
Human Services Worker – HS diploma	68	266
Registered Nurse	93	226
Human Services Worker – AA degree	47	195
Case Manager/Care Coordinator	37	120
Family Physician	25	89
CHA/P	88	88
Pharmacist	46	84
Medical Assistant	21	84
Physician Assistant	23	80
Occupational Therapist	21	75
Dental Assistant	26	75
Dentist	27	67
Physical Therapist	23	62
Speech-Language Pathologist	28	53
Behavioral Health Clinician	19	53

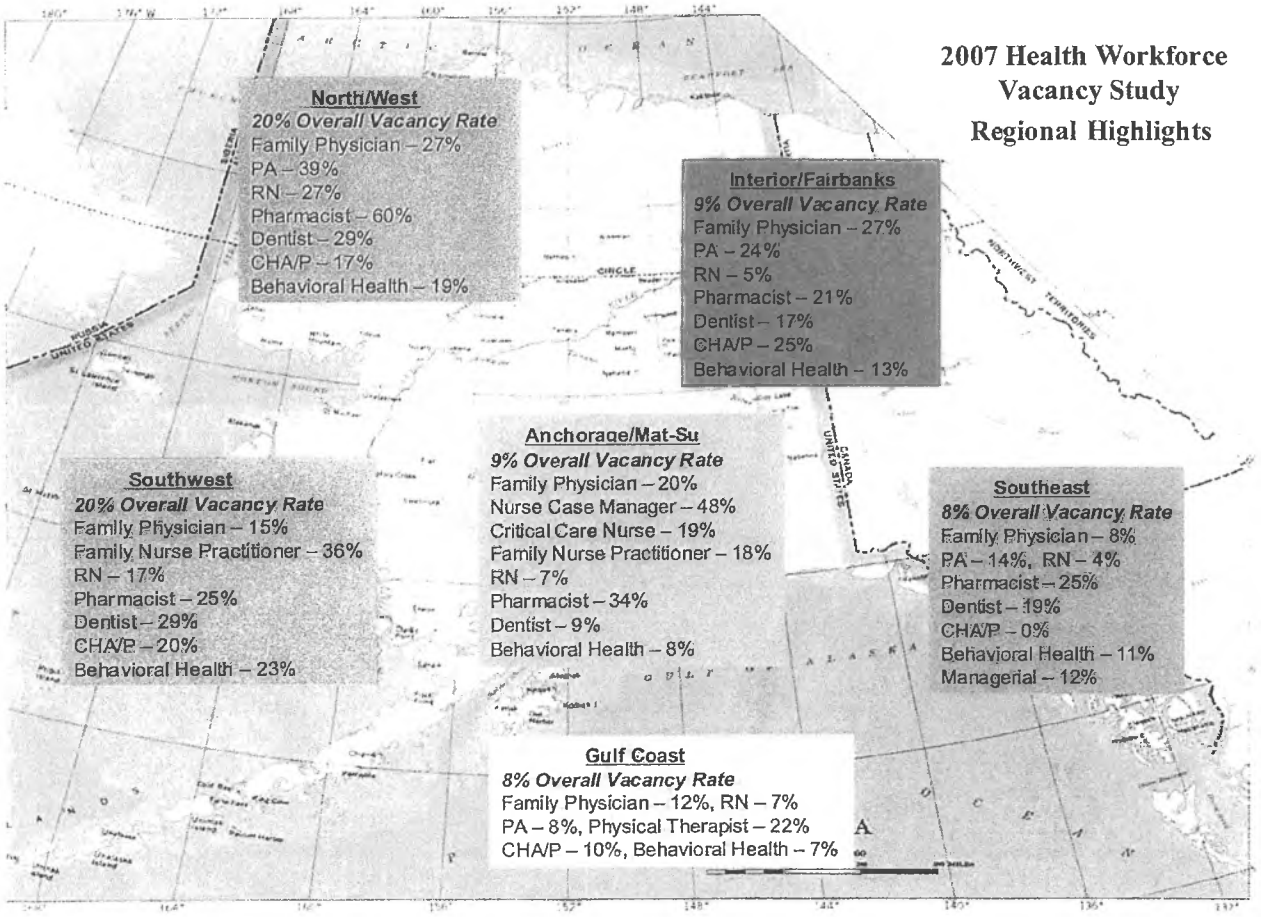


Figure 2. Regional Highlights

How Hard Is It for Alaska's Medicare Patients to Find Family Doctors?

By Rosyland Frazier and Mark Foster

UA Research Summary No. 14 • March 2009
Institute of Social and Economic Research • University of Alaska Anchorage

In the past few years, Alaskans have been hearing reports that some primary-care doctors won't see new Medicare patients. Medicare pays these doctors only about two-thirds of what private insurance pays—and that's after a sizable increase in 2009. But most Americans 65 or older have to use Medicare as their main insurance, even if they also have private insurance. Just how widespread is the problem of Alaska's primary-care doctors turning away Medicare patients? ISER surveyed hundreds of doctors to find out—and learned that so far there's a major problem in Anchorage, a noticeable problem in the Mat-Su Borough and Fairbanks, and almost no problem in other areas.

Medicare is the federal health insurance program for older Americans and for some younger people with disabilities. At issue is what Medicare pays primary-care doctors for their services—not what it pays for other medical costs. Alaska's 50,000 Medicare enrollees are almost all in the "fee for service" plan, which pays doctors standard fees for their services.*

Why is it so worrisome if primary-care doctors won't see Medicare patients? These are the doctors who provide broad care, track patients' overall health, and coordinate care with specialists. That's very important for older people, who often have various medical problems and chronic conditions. And the number of Alaskans over 65 is growing fast—it's expected to double in the next 15 years.

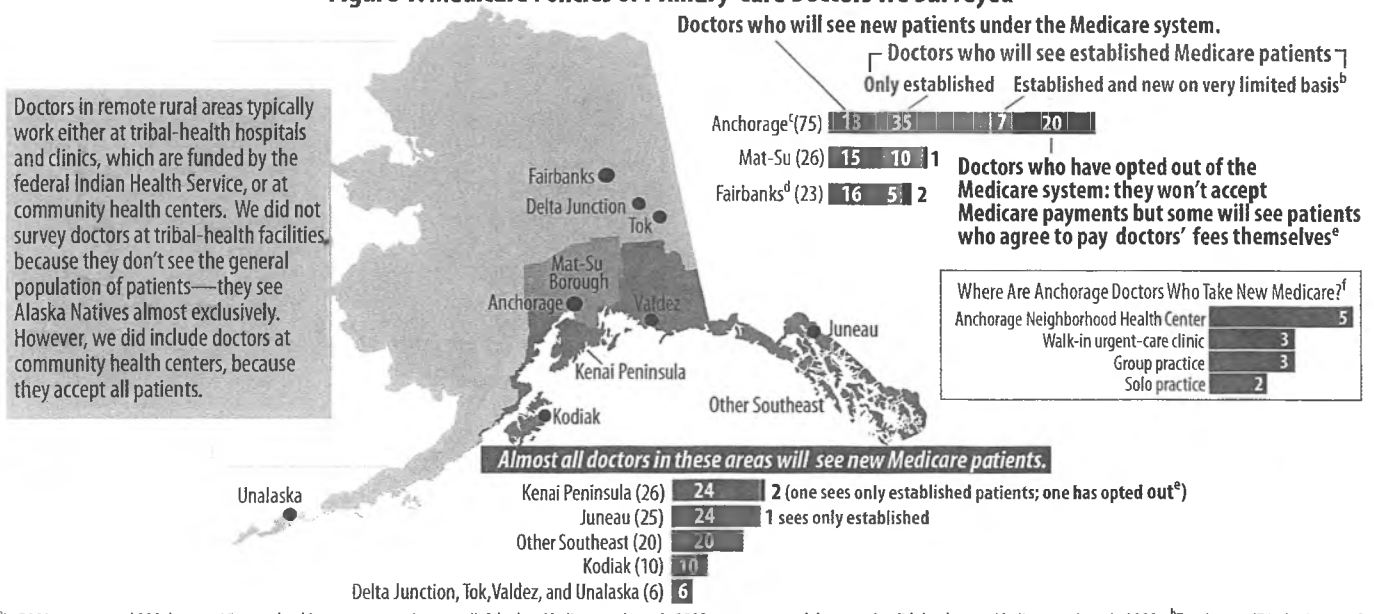
To learn how hard it is for older Alaskans to find primary-care doctors, in 2008 we tried to survey all those who could see the general population of Medicare patients. We were able to interview 229 doctors or their staffs—about 85% of those we tried to reach.

But Medicare payments for Alaska doctors increased in 2009, thanks to efforts of Alaska's U.S. senators. So we recently called back the doctors who had told us they weren't taking new Medicare patients. None of them had opened their doors to significant numbers of new Medicare patients. Four said they now see a very limited number of new Medicare patients, under special circumstances. Two doctors in a joint practice who still didn't see new Medicare patients had hired a nurse practitioner who did.

It's certainly also possible that without the 2009 increase, even more doctors would have decided not to see Medicare patients. Figure 1 shows what our 2008 and 2009 surveys found.

- *It's mainly doctors in Alaska's larger urban areas who are declining to see new Medicare patients.* But that's where the majority of older Alaskans live. Most doctors (even in Anchorage) will still see established patients—that is, patients they've seen in the past.
- *Almost all doctors in smaller communities take new Medicare patients.* Rural places have few doctors—so doctors probably feel more of an obligation to see all patients. For patients (Medicare or otherwise) in rural Alaska, the challenge is more likely to be recruiting and keeping doctors.
- *One in ten doctors we surveyed has opted out of the Medicare system.* Most are in Anchorage. They will not accept Medicare payments, but some will see patients who agree to pay the entire doctor's bill themselves.
- *The Anchorage Neighborhood Health Center,* which accepts all patients, saw twice as many Medicare patients in 2007 as in 2001. It has become the only choice for many of Anchorage's Medicare patients.
- *Medicare patients are not relying more on emergency rooms,* if figures for Providence Hospital's emergency room in Anchorage are typical. Numbers of Medicare patients there haven't changed much in the past several years.

Figure 1. Medicare Policies of Primary-Care Doctors We Surveyed[a]



[a]In 2008 we surveyed 229 doctors; 15 weren't taking any new patients at all; 3 had no Medicare patients. In 2009 we re-surveyed doctors who didn't take new Medicare patients in 2008. [b]Ten doctors (7 in Anchorage, 2 in Fairbanks, 1 in Mat-Su) accept a few new Medicare patients under special circumstances, but don't typically see new Medicare patients. [c]Includes Eagle River/Chugiak. [d]Includes North Pole. [e]See Figure 9. [f]See page 3.

*Nationwide, 21% of beneficiaries have enrolled in Medicare Advantage programs—which means they become members of private health plans, and Medicare then pays the plans a set monthly amount for each Medicare enrollee.

Survey of Primary-Care Doctors

We surveyed only primary-care doctors. So far there hasn't been any sign that specialists are declining to see Alaska's Medicare patients—not surprising, since Medicare tends to pay them closer to private-insurance rates.

We first had to determine how many doctors fit our survey criteria: those who currently practice general, family, or internal medicine at least 20 hours a week and who could see the average Medicare patient, if they chose to.

About 700 primary-care doctors are licensed in Alaska, but most aren't available to see the general population of Medicare patients. Hundreds work for government agencies, are in public health, or see only specific groups (Figure 2).

Among those who didn't fit our criteria are doctors working for tribal-health facilities that provide Indian Health Service programs for Alaska Natives. These doctors do see Alaska Native Medicare patients.

We estimated that 264 doctors were left, after we took out those who didn't fit our criteria. In 2008 we tried to reach all 264. We were able to talk with about 85%—229 doctors or their staffs. We asked them to tell us their policies for seeing Medicare patients and to rank reasons why they might be limiting or turning them away. The top reason they cited was "inadequate reimbursement"—that is, Medicare payments aren't enough to cover the costs of seeing patients.

We also followed up, in 2009, with doctors who had told us in 2008 that they weren't taking new Medicare patients. We reached all but two.

Figure 2. How Many Primary-Care Doctors Are Available to See Medicare Patients?
(Among Alaska Doctors Practicing General, Family, or Internal Medicine at Least 20 Hours per Week)



[a]We excluded pediatricians and obstetrician-gynecologists, who are often included in definitions of primary-care doctors, because they don't routinely see older patients. [b]About 42 doctors were not at the addresses and phone numbers in the medical directory. We tried but weren't able to find them, and we assume they have left the state or are not practicing [c]We excluded doctors working for tribal-health organizations, the military, the Veterans' Administration, and Planned Parenthood, because they don't see the general population of Medicare patients. Doctors who work for tribal-health facilities do see Alaska Native Medicare patients. [d]We interviewed either doctors or members of their staffs.

Medicare Versus Private Insurance

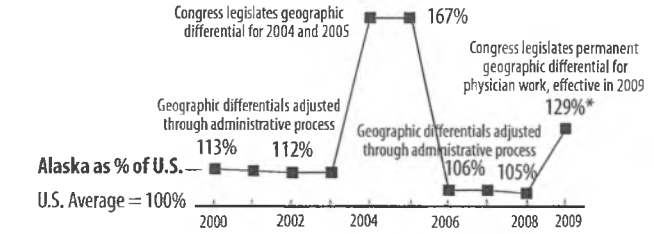
The federal Center for Medicare and Medicaid Services (CMS) calculates Medicare payments for doctors under a complex formula that takes into account geographic differences in costs around the country. Alaska's doctors have historically been paid more than the U.S. average for seeing Medicare patients.

The CMS formula actually includes three geographic differentials: one for "physician work" itself, one for doctors' costs of operating practices, and one for doctors' costs of carrying liability insurance.

In 2008, Congress set the Alaska geographic differential for "physician work" at 50% above the U.S. average, effective in 2009. Alaska's U.S. senators Lisa Murkowski and Ted Stevens were instrumental in gaining that increase for Alaska doctors. But combined with the other differentials—set by CMS—the overall Medicare geographic differential for Alaska doctors in 2009 is 29% above the U.S. average. Figure 3 shows the differential since 2000.

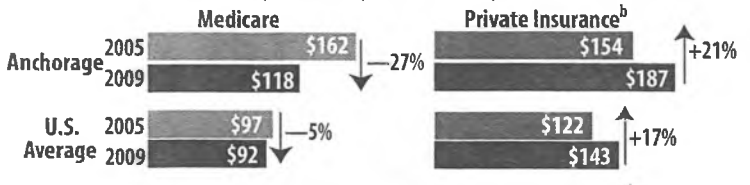
- *From 2000 to 2003, the geographic differential for Alaska doctors was about 12% above the U.S. average.* That differential was set entirely under CMS's administrative process.
- *In 2004 and 2005, the differential for Alaska doctors jumped to 67% above the U.S. average.* Ted Stevens, at that time Alaska's senior U.S. senator, spearheaded the legislation that led to the substantial but temporary increase. In those two years, Medicare paid Alaska doctors as much as private health insurance (Figure 4).
- *After that legislation expired, the Medicare differential dropped sharply,* to about 5% above the U.S. average from 2006 to 2008.
- *In 2009, the cost differential for Alaska doctors climbed to 29% above the U.S. average,* due to new federal legislation—as we just discussed. But Medicare still pays doctors less now than it did in 2005 (Figure 4).
- *Medicare pays about two-thirds of what private insurance pays, in Alaska and on average nationwide.* (But in the adjacent markets of Washington state, Medicare pays 68% to 75% of what private insurance pays.)
- *That nationwide gap helps explain why more Medicare patients are having trouble finding doctors.* Recent national surveys sponsored by the Medicare Payment Advisory Commission found that 17% of Medicare patients in the U.S. had "a big problem" finding family doctors in 2007, up from 13% in 2005. Alaska may be the harbinger of a national trend.

Figure 3. Medicare Geographic Cost Differential* for Alaska Doctors



*This is a weighted average of three geographic cost differentials the Center for Medicare and Medicaid Services uses in a complex formula that determines what doctors are paid. One of those is the differential for "physician work," and Congress set that at 150% of the U.S. average for Alaska doctors, effective in 2009. But the other differentials--for physicians' costs of operating their practices and for carrying liability insurance—are set by CMS and can vary from year to year.
Source: Center for Medicare and Medicaid Services; Medicare Payment Advisory Committee

Figure 4. Medicare and Private Insurance Payments[a] To Primary-Care Doctors, Anchorage and U.S. Average, 2005 and 2009
(New Patient, 30-Minute Visit)



[a]Figures include the amount Medicare or private insurance pays and the amount the patient pays. [b]Median payments
Source: Ingenix National Fee Analyzer

Where Are the Medicare Patients?

• *Nearly 70% of non-Natives over 65 live in Anchorage, the Mat-Su Borough, and the Fairbanks area.* Figure 5 shows only where older non-Natives live, because older Alaska Native patients have access to doctors through tribal-health care facilities. For them, the issue is not that doctors won't see them but that there may not be enough doctors, especially in rural areas.

Who Accepts Medicare Patients?

Besides the doctors who will see new or established patients, some doctors have made another choice: they've opted out of the Medicare system. They don't accept any Medicare payments (see Figure 9), but some will see Medicare patients who agree to pay the doctor's fee themselves. Patients who can do that have more choices. But for those who need Medicare to help pay the bill, the access problem is the worst in Anchorage.

• *We found only 13 primary-care doctors seeing the general population of new Medicare patients in Anchorage.* Of those, 3 were at walk-in, urgent-care clinics, which mostly just treat minor injuries and illnesses (Figure 1).

• *Five of the 13 Anchorage doctors seeing new Medicare patients in 2008 were at the Anchorage Neighborhood Health Center.* That's one of dozens of federally funded community health centers in Alaska. There are hundreds more across the U.S. These centers are open to everyone, but they are mainly for medically "under-served" groups of people—poor and uninsured, for instance—or areas of the country without adequate local medical care, like many of Alaska's rural communities.

• *The Anchorage Neighborhood Health Center is the main choice for growing numbers of Medicare patients.* Both the number of Medicare patients coming to the clinic and the percentage they make up of all patients doubled between 2001 and 2007 (Figure 6). That growth did flatten out in 2004 and 2005, when Medicare paid doctors at a level comparable to private insurance. But after that, the numbers climbed. (In Fairbanks, the community health center saw a similar percentage increase. In the Mat-Su Borough, a health center just opened in 2005, so data are limited.)

• *Until recently there was another choice for Anchorage's Medicare patients—the Alaska Family Medicine Residency Program*, where some family doctors get their final phase of training. These resident doctors see patients, and they had been accepting growing numbers of Medicare patients. But to make sure the residents see a variety of patients, the program has now capped the number of Medicare patients it accepts.

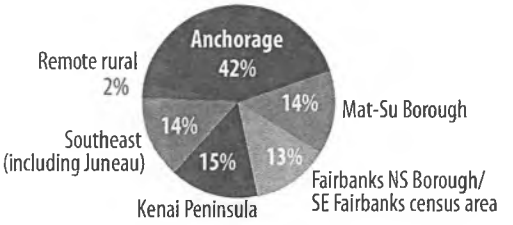
• *Anchorage's Medicare patients don't seem to be turning more to emergency rooms.* Data from Providence Hospital's emergency room show that visits by older patients have stayed mostly steady, with seasonal variations, since 2004 (Figure 7). But some health-care providers think that Medicare patients may be postponing care they need and coming in only when medical problems get much worse.

Medicare Payments to Doctors and to Health Centers

• *Medicare pays doctors and community health centers differently.* Some people believe that Medicare uniformly pays health centers more than it pays private doctors, making it more feasible for health centers to see Medicare patients. But the reality is more complex.

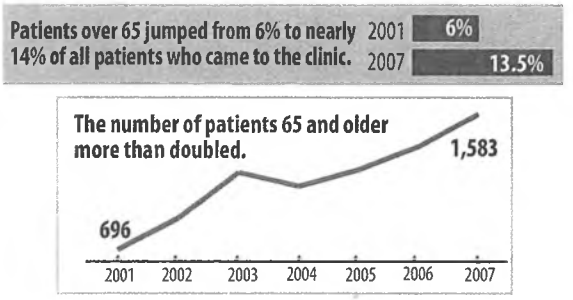
• *Medicare pays health centers the same fee for seeing Medicare patients for any visit, but private doctors more for longer, more complex visits.* Figure 8 compares payments for 30- and 60-minute visits with new patients, at doctors' offices and the Anchorage Neighborhood Health Center (ANHC). For a 30-minute visit, Medicare pays ANHC $119 and doctors about $95. But for a 60-minute visit, it still pays ANHC $119, but the doctors $189.

Figure 5. Where Do Non-Native Alaskans Over 65 Live?
(2006 Estimate: 38,227)



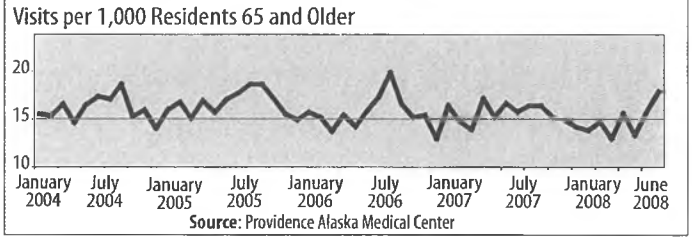
Source: Alaska Department of Labor, Research and Analysis section, 2006 bridge estimates

Figure 6. Growth in Number of Patients 65 and Older at Anchorage Neighborhood Health Center, 2001-2007



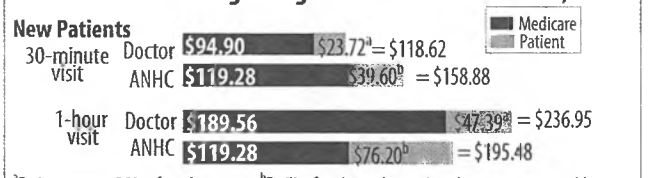
Source: Uniform Data System Reports, U.S. Department of Health and Human Services, Health Resources and Services Administration

Figure 7. Visits to Providence Hospital's Emergency Room in Anchorage, Patients 65 and Older, 2004 to 2008



Source: Providence Alaska Medical Center

Figure 8. Medicare and Patient Payments to Private Doctors and Anchorage Neighborhood Health Center, 2009



[a]Patient co-pay; 20% of total payment. [b]Facility fee charged to patient, but many are not able to pay full charge. Patients with incomes up to 200% of federal poverty line pay on a sliding fee scale.

Sources: Anchorage Neighborhood Health Center; Ingenix National Fee Analyzer

• *What Medicare patients pay at health centers and at doctors' offices is also determined in different ways.* Essentially, Medicare allows the health centers to take their own fees into account when determining what patients are charged. But Medicare doesn't allow doctors to use their own fees; instead, Medicare sets a maximum allowable charge for specific kinds of visits, and patients pay a portion of that (see Figure 9).

• *Neither ANHC nor the doctors' offices necessarily collect the amounts shown in Figure 8 as payments from patients.* At ANHC, patients with incomes up to 200% of the federal poverty line are charged on a sliding fee scale. Likewise, private doctors may not always be able to collect the patient's share. And both private doctors and ANHC report losing money when they see Medicare patients.

Doctors and the System

Primary-care doctors who see Medicare patients have three choices for getting paid. Figure 9 describes those choices among doctors we surveyed.

About 85% choose the standard Medicare process ("participating"). Another 4% still work with the Medicare system but charge patients somewhat more ("non-participating"). The final 11% have opted out of the Medicare system , but will still see patients who agree to foot the bill.

Patients also pay different amounts, depending on their doctors' policies. For a service with an allowable Medicare fee of $100, patients seeing doctors who accept that fee would pay $20—but only after Medicare paid the other $80. Patients seeing "non-participating" doctors would pay the doctors $109.25; Medicare would later reimburse the patients $76, so their final cost would be $33.25. Patients seeing doctors who have opted out of the Medicare system would pay a fee determined by the doctor—perhaps a negotiated fee, but still typically more than Medicare pays.

Figure 9. How Do Alaska Primary-Care Doctors Who See Medicare Patients Deal with the System?
(Among 211 Surveyed Who See New or Established Patients)

Most doctors accept standard Medicare fees and bill Medicare. They are called "participating." Medicare sets maximum allowable charges for various services. Participating doctors agree not to charge more than the allowable rate, and Medicare pays them 80% of that. The patients (and their secondary insurance, if they have any) pay the other 20%.

A few doctors (called non-participating) can charge up to 9% more than the allowable Medicare charge. But Medicare pays less and patients pay more. Here's how it works. The patient pays the entire bill, but the doctor submits a statement to Medicare so the patient is paid for the Medicare share. But instead of paying 80% of the charge, Medicare pays only 76%. The patients (and their secondary insurance, if they have any) pay the rest of the bill.



Some doctors don't accept Medicare payments for their fees. They are said to have "opted out." They will still see Medicare patients, but patients must agree to pay a fee the doctor sets. Medicare doesn't pay either doctors or patients, and patients can't bill any secondary health insurance they may have. Remember that patients pay only the fee for the doctor. They still use Medicare to help pay hospital and other medical costs. Doctors who opt out have to re-confirm their decision with Medicare every two years. They can also apply to come back into the system after two years.

Example: How Much Would Patients Pay for a Service with an Allowable Medicare Charge of $100?

	Participating Doctors Charge $100	Non-Participating Doctors Can Charge $109.25	Doctors Who Have Opted Out Can Set Their Own Fees
Medicare pays	$80	$76	$0
Patient pays	$20[a]	$33.25[a]	Entire doctor's fee[b]

[a]Patients can bill secondary insurance to help pay their share. [b]Patients can't bill secondary insurance to pay any amount.

Sources: American Academy of Family Physicians; Government Accountability Office

Conclusion

With few exceptions, Americans 65 or older who are retired have to use Medicare as their primary insurance—even if they also carry private health insurance or have retirement benefits that include health-care coverage. Any other insurance they have can *only* be used to help pay *their share of the allowable Medicare charge*. They can't use private insurance to pay doctors more than Medicare allows.

As more Alaskans turn 65, the access problem will get worse, unless something changes. Growing numbers of Medicare patients around the country are also reporting access problems. And the American College of Physicians has reported that a nationwide shortage of primary-care doctors is looming—which would make the problem even worse.

This summary talks about just a very narrow slice of the multitude of issues facing Medicare. It's one of the largest and fastest-growing federal programs, and President Obama has said reforming it will be part of his plan to improve the U.S. health-care system. How potential reforms might affect Medicare patients' access to family doctors isn't clear today.

Because Medicare is a federal program, the state's options for helping improve access are limited. But Alaskans are talking about various possibilities—like recruiting more doctors and offering them bonuses to see Medicare patients, and either establishing an Anchorage clinic for Medicare patients or expanding the Anchorage Neighborhood Health Center.

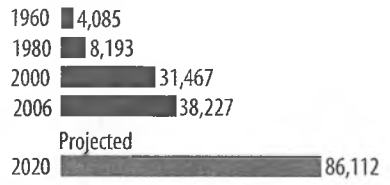
In a publication later this year, we'll look at the implications of various ways of trying to improve access for Medicare patients. We'll also report what family doctors themselves told us—how they make decisions about seeing Medicare patients and what might make them willing to see more.

Figure 10. Alaska Medicare Enrollment, 2005



Source: Alaska Department of Health and Social Services, Alaska Health Care Data Book 2007

Figure 11. Non-Native Alaskans 65 and Older



Sources: U.S. Bureau of the Census; ISER estimates based on census data; Alaska Department of Labor, Research Analysis, 2006 estimates and mid-range 2020 projections

Back-up materials for figures in this summary are available from ISER. Call the authors at 907-786-7710 with questions. We've also developed a basic model that doctors—or anyone else—can use to estimate how changing the balance between patients paying with Medicare and with private insurance could affect doctors' revenues. To try that model, go to ISER's Web site:

www.iser.uaa.alaska.edu

The authors thank the doctors and others in health care who took the time to help us. We especially thank doctors Leslie Bryant, Richard Neubauer, and Thomas Nighswander; Joan Fisher of the Anchorage Neighborhood Health Center; James Jordan of the Alaska State Medical Association; and Providence Alaska Medical Center, Providence Health and Services - Alaska.

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Editor: Linda Leask Graphics: Clemencia Merrill

Health Care Professions Loan Repayment Program

Concept Proposal

Submitted by
Pat Carr, Chief
Health Planning & Systems Development
Department of Health & Human Services
State of Alaska

on
September 11th, 2007

via
PCC Workforce Subcommittee

to
Alaska Primary Care Council

Health Care Professions Loan Repayment Program

Summary

Problem

Alaska is competing with other states and nations for the finite pool of available healthcare professionals. This competition will only intensify since the growth of supply is continuing to fall behind that of demand.

A common state-level response to these pressures is the use of financial inducements, collectively known as support-for-service programs (SFSP's). Good outcomes have been achieved with these. There are five types: scholarships, service-option loans, loan repayment, direct financial incentives, and residency support programs. All SFSP's have the same public goal: To improve healthcare staffing in shortage areas. National studies have determined loan repayment programs to be one of the most effective of the several support-for-service strategies - in terms of both recruitment and retention (see: *HCPLRP: Issue Paper*, 2007)

A key problem is that Alaska does not have a robust support-for-service program while most other states do, many have several, and further, some of those are growing. In sum, Alaska is at a substantive disadvantage as it necessarily competes in the national healthcare labor market.

Discussion

Alaskan health care provider agencies use many approaches to recruit and retain staff. This has proved difficult, however, and particularly so where (1) federal loan repayment programs do not apply, or, (2) there is insufficient resource available to meet need. More tools are needed to confront the problem of steadily growing vacancies in the Alaskan healthcare workforce.

Most all other states have state-sponsored programs that influence health professionals' geographic and specialty distributions. Programs that integrate a number of strategies for attracting and retaining health professionals have had a greater likelihood of success than have programs which rely on a single strategy. Substantial evidence indicates that state-level support-for-service programs typically are a fundamental part of those strategies.

Support-for-Service Programs

It is well-established that many healthcare professionals carry a heavy debt-burden as they come out of training and are attracted to serving in those locations where a share of that burden can be taken away. For instance, in 2004, young physicians' educational debt averages stood at over $109,000 and this cost was increasing at the rate of more than $4,000 per annum.

There are several types of support-for-service programs. One of the two most common types of such programs is the service-requiring scholarship program. These pay tuition and other costs for healthcare students while obligating them to a period of service that begins when they complete residency (or similar post-graduate training) years later. The other common program type is loan repayment. Loan repayment programs recruit healthcare practitioners as they complete their training and are ready to begin service in exchange for paying off the traditional education loans

they acquired years earlier. Programs of both types typically require one year of service for each year of training cost support they provide.

Considerable precedent exists for state-level offices to sponsor and manage financial support and inducement programs to thus encourage the within-state service of healthcare personnel. Overall, 81 state-level programs were identified. There were 44 states with at least one program (88% of states). Fully 21 states had two or more programs (47%), with highs found in New Mexico (at 5) and Minnesota (at 7). On average, the 44 states had nearly two programs (1.8) each.

Loan Repayment Programs

In national studies, loan repayment has been found to be a successful strategy to recruit and retain health care professionals. Twenty-five years of program evaluations have clarified many of the outcomes possible from healthcare training support-for-service programs. Furthermore, studies have demonstrated that loan repayment programs, as a whole, have better outcomes than scholarship programs. Studies have shown that there are several benefits which can accrue from loan repayment programs. Selected examples include: (a) high position-fill rates, (b) high service-completion rates, and (c) high retention rates.

These programs are successful because the benefit of loan repayment is clear to potential applicants, and programs typically only provide payments to participants after they complete each 3 or 6 months of work; therefore, if a participant leaves or otherwise fails to work in the agreed upon area or practice, payments simply stop and there is no need to enforce penalties.

In 2006, the Alaska Physician Supply Task Force recommended a number of specific strategies and action steps to assuring an adequate supply of physicians to meet Alaska's need. One of the PSTF findings was that loan repayment is a proven strategy for recruiting physicians, and the federal loan repayment programs currently available to Alaska physicians need to be stabilized financially and supplemented with Alaska-based programs.

Conclusion

Reported increasing vacancy rates, increasing costs of recruitment [SORRAS report], and comparisons with national norms [PSTF report] suggest that Alaska currently experiences a shortage of healthcare professionals, and, that shortages exist in several key occupational categories. Loan repayment programs have demonstrated substantial and longstanding success as a public strategy which has helped to rectify such shortages.

Recommendation

It is recommended that Alaska create a "Health Care Professions Loan Repayment Program".

To do this, a planning process should be established. This process should define and prepare for adoption at least the following program elements: (a.) organizational support, (b.) oversight, (c.) fiduciary agent, (d.) practitioner eligibility, (e.) site eligibility, (f) repayment details, (g.) program design & management, and (g) program evaluation.

Resource

Health Care Professions Loan Repayment Program: Issue Paper (2007). Health Planning & Systems Development, Alaska Department of Health & Social Services.

Health Care Professions Loan Repayment Program
Issue Paper

Abstract

This paper: (1.) illustrates the current and expected healthcare workforce needs of Alaska; (2.) indicates the widespread use elsewhere of support-for-service programs, and in particular loan repayment; and (3.) recommends that Alaskans should now explore creation of a Health Care Professions Loan Repayment Program (HCPLRP).

Main Issue

Alaska is increasingly vulnerable to the competitive challenges posed by other states and nations for the finite pool of available healthcare graduates. This vulnerability will increase during coming years because of two factors. (1.) The need for health care professionals in Alaska is steadily rising, and, shortages are now evident in some categories. (2.) Further, these trends are national. These workers are part of, and often respond to, nationwide labor markets. Further, these trends are expected to accelerate. This is particularly true in those states that do not produce adequate numbers of their own health workers in the given disciplines. This puts such states at a marked disadvantage. Financial incentive programs are particularly important for those states, and Alaska is one of these. As a result, several other states have become robust competitors in recruitment of the healthcare workforce, and some are planning new and expanded loan repayment programs (Pathman, 2007).

A fundamental, and common, state-level response to these pressures is the use of financial inducements, these collectively known as support-for-service programs (SFSP's). Excellent outcomes are readily achievable from these efforts. There are five types: scholarships, service-option loans, loan repayment, direct financial incentives, and resident support programs. All support-for-service programs have the same key public goal: To improve healthcare staffing in shortage area communities.

National studies have determined loan repayment programs to be one of the most effective of the several support-for-service strategies - in terms of both recruitment and retention. As compared to the other SFSP options, here loan repayment participants sign support-for-service contracts after they complete their training, when they are older and better informed as to their career options. These professionals make commitments at the time they are ready to begin their service-obligations. They are more likely to know their own needs and those of their families at this later juncture. They know where they will serve and have a sense as to how well their chosen worksites will "fit" their needs.

Problem

This section presents evidence which indicates that:

- A healthcare workforce shortage currently exists in several occupations.
- Under current conditions these shortages will continue into the foreseeable future.
- In several occupations, these shortages will escalate.

Trends in National Workforce

Numerous, prominent sources indicate that there is a growing national shortage in the rural health care workforce. Two examples follow.

GAO Position (2001): In 2001, the General Accounting Office's (GAO's) director of health care-public health issues testified before Congress regarding growing concerns about the adequacy of the health care work force and lessons learned from the experience of the National Health Service Corps (NHSC) in addressing the maldistribution of health care professionals (Heinrich, 2001). Selected key points were:

- Recruitment and retention of adequate numbers of qualified health care workers are major concerns for many health care providers today.
- Available evidence suggests emerging shortages in some fields (e.g. nurses).
- Vacancy rates for HC workers in rural areas and inner cities are especially high.
- Although demand for most health workers will continue to grow, the increasing age of Americans, and their workforce may limit supply.
- The National Health Services Corp (NHSC) illustrates the challenges in addressing shortages of health professionals in certain locations.
- Better placement coordination with waivers for J-1 visa physicians is needed.
- Loan repayment is a better approach than service-requiring scholarships, to which individuals commit when they are still students.

NOSORH Position (2006): A representative and recent understanding can be gained from the National Organization of State Offices of Rural Health (NOSORH). In September 2006 NOSORH issued a Statement of National Priorities. Presented below are selected summaries of that document, without further comment. Interested readers should see: http://www.nosorh.org/pdf/Rural_Impact_Study_States_IT.pdf

- While most rural communities in the U.S. already experience health care workforce shortages, the demand for health care workers nationwide is projected to grow faster than the supply. This shortage of health care workers can impact health care in a variety of ways, including: decreasing quality of care, decreasing access to care, increasing stress in the workplace, increasing medical errors, increasing workforce turnover/decreasing retention rates, and increasing health care costs.

- Most rural areas ... are classified by the federal government as Health Professional Shortage Areas (HPSAs) for primary medical care. A HPSA designation is made using a formula that includes a ratio of physician to population that is greater than 1:3,500. A population is considered "adequately served" when the ratio is 1:2,000. In 1997, more than 2,200 additional physicians would have been needed in non-metropolitan areas to eliminate HPSA designations. SORH directors consider the workforce shortage to be one of the greatest issues facing rural health, in particular shortages related to physicians and nurses.

- Certain national health workforce trends that will have a profound impact on rural populations and exacerbate the current rural health workforce shortages. Examples follow:

    - If health care consumption patterns and physician productivity remain constant over time, the aging population will increase the demand for physicians per thousand population from 2.8 in 2000 to 3.1 in 2020. Demand for fulltime-equivalent RNs per thousand population would increase from 7 to 7.5 during this same period.

    - Minority and female physicians have a greater propensity than do non-minority and male physicians to practice in urban communities. Meanwhile the percentage of physicians that are minorities and women is increasing.

    - The Bureau of Health Professions projects that there will be a 33-44% increase in demand for physicians, 41 percent for RNs, and 46 percent for LPNs from 2000 to 2020.

    - According to the Bureau of Health Professions, there is an acute shortage of pharmacists in the U.S. In February 1998, there were 2,670 unfilled full and part-time positions in the U.S. as compared to 6,920 in February 2000. Adding to this, enrollment rates in U.S. schools of pharmacy declined during this period.

    - In 1970, women accounted for 13 percent of the nation's pharmacists as compared to 2000 when they were 46 percent of the nation's pharmacists. Women tend to elect part-time work as pharmacists.

    - From 1990 to 1999, there was a 46 percent increase in the number of prescriptions dispensed from hospitals.

- *NOSORH concluded the following in its 2006 statement of national priorities:* ...SORH directors around the U.S. determined that they are most concerned with issues related to rural health workforce, health care services, and the needs of special populations. Research suggests that this concern is warranted as: demand for health care workers is increasing while the supply is decreasing; rural health care facilities continue to be fragile, there are gaps in these services, and all of these rural health services are critical to the health and well-being of the U.S.; and the needs of rural populations are changing, however, the programs serving them are unable to meet their needs. While SORHs respond to a variety of rural health needs and issues, new health care policies and additional rural health programs and funding will be needed if states are to address these increasingly important rural health issues and concerns.

Growth in Alaskan Jobs

Healthcare Workforce Overall: In 2004 there were 301,300 jobs in Alaska, with 32,700 (10.9 percent) of these in health care and social assistance (HCSA). By 2014, the overall job count is projected to be 349,550, with the HCSA workforce at 43,650 (12.5 percent). Thus by 2014, the number of HCSA jobs is projected to grow by 10,950 (34 percent), accounting for 22.7 percent of overall statewide job growth for the period. By 2014, health care and social assistance is projected to be the largest single industry workforce category in Alaska with 43,650 workers. (AHCDB, 2007, Table 3.300).

Social Service Occupations: For 2004, employment in community & social service (CSS) occupations was estimated to be 6,025 jobs. By 2014, this category of jobs is forecasted to be at 7,487, a rise of 1,462 (24 percent). The highest projected growth rates from 2000-2014 are projected to include mental health & substance abuse social workers (36.2 percent), social & human service assistants (34.6 percent) and mental health counselors (32 percent). (AHCDB, 2007, Table 3.310).

Selected Occupations: Review of 42 particular healthcare occupations indicates that these held 14,083 jobs in 2000, and that these are forecasted to reach 25,009 by 2010, an overall rise of 10,026 jobs (78 percent). Registered nursing positions are expected to grow the most, from 4,439 in 2000 to 8,556 in 2010, a gain of 4,117 jobs or (93 percent). All but one of the examined occupations is expected to have more jobs available by 2010. Further, of the 42 occupations presented, employment in 8 of these will more than double (e.g. AHCDB, 2007, Table 3.330).

Shortage in Alaskan Workforce

Health Professional Shortage Areas: Alaska has a large number of federally designated "Health Professional Shortage Areas" (HPSAs), the point of these designations being to aid in health care planning and finance. Typically these are determined by the existence of: (1.) a relative lack of desired personnel, and (2.) the existence of particular socio-economic conditions. A second route to HPSA designation, which is automatic, is via the existence of a federally funded community health center (CHC). HPSAs are of three types. Statewide in 2007 the following HPSAs existed: 28 in Primary Care (with 16 scored, and 12 via CHCs), 27 in Mental Health (with 14 scored, and 13 via CHCs), and 24 in Dental Health (with 7 scored, & 17 via CHCs). (Alaska Health Care Databook, 2007, Table 3.360). However, an important caveat is that many observers feel that the federal HPSA designation process underestimates the extant need for more healthcare professionals (e.g. US GAO, 1995). Thus, these designations should be considered as a conservative method for establishing need for the healthcare workforce.

Medically Underserved Areas: Alaska also has numerous federally designated "Medically Underserved Areas" (MUA) and "Medically Underserved Populations" (MUP). These designations identify shortages of primary medical care, dental health or mental health providers. Designations may be either geographic (MUA, i.e. a county or service area), or demographic (MUP, i.e. low income, Medicaid-eligible populations, cultural and/or linguistic access barriers to primary medical care services). Each designation is assigned an Index of Medical Underservice (IMU) score, which is used to determine the eligibility of an area or population for MUA/MUP status. For 2007, there were 17 area designations and 11 population designations. (Alaska Health Care Databook, 2007, Table 3.350).

Resident Workers with Age: Two aspects of worker demographics further suggest the likelihood of a workforce shortage in the health care and social assistance (HCSA). The first of these regards "resident workers with age". In 2005 total employment in all HCSA occupations stood at 28,356. Of resident workers in all HCSA occupations statewide, 40 percent were age 45 and older; 27 percent were age 50 and older. Of resident workers who were in health care practitioner occupations per se, 47 percent were age 45 and older; and 31 percent were age 50 and older. Therefore, succession planning will be of concern over the next two decades as today's mature health care professionals retire (Alaska Health Care Databook, 2007, Table 3.320).

Non-Resident Workers: A second workforce demographic issue regards the sizeable number of "non-resident" workers. Overall, 10 percent of the workforce was non-residents in 2005, with a

high of (13 percent) among non-resident health care practitioner and technologist occupations. Expect additional pressure to build on the health care system if non-resident (itinerate) workers are not available to fill Alaska health care workforce gaps (e.g. AHCDB, 2007, Table 3.320).

Selected Occupations: Physicians

Physician Shortage – 1997: A decade ago Johnson and Norris (1997) conducted a comprehensive study to describe Alaska's geographic distribution of generalist physicians relative to population. These investigators queried all 443 generalist care physicians (family, general, general internal medicine, and pediatric) or their offices as to their specialties, employers, populations served, hours spent per week offering direct patient care, and locations. The results indicated a 30% overall shortage of generalist physicians for the state, representing roughly 141 full-time-equivalent generalists relative to national practice patterns and trends of health maintenance organizations. Of 17 primary health care areas, including the Anchorage area, 15 showed a need for additional generalist physicians. Most areas had a 20 to 40% shortage.

Physician Shortage – 2004: In 2004, a survey by the American Medical Association showed that, nationally, there were 2.38 practicing physicians per 1,000 people. Alaska's rate of practicing physicians was 2.05 per 1,000 people. Based on Alaska's 2004 population estimate of 656,834 and the national average of 2.38 physicians per 1,000 people, Alaska should have had 1,565 practicing physicians to be on par with national averages. The actual number of physicians practicing in Alaska was 1,347, indicating a shortage of 14 percent or 218 physicians. In areas outside of Anchorage, the rate of physician deficiency was 16 percent. (Alaska Health Care Databook, 2007, Table 3.370).

Physician Shortage – 2006: In 2006, the AK DHSS and the University of Alaska jointly assembled the "Alaska Physician Supply Task Force" (PSTF). This group then conducted a large inter-agency study, issuing the authoritative report, "*Securing an Adequate Number of Physicians for Alaska's Needs*". It found that Alaska had a shortage of physicians. Although not at crisis levels, the shortage was affecting access to care throughout the state, and, increasing cost to hospitals and other health care organizations. Up to 16% of rural physician positions in Alaska were vacant in 2004. Patients with Medicare were having difficulty finding a primary care physician. Several important specialties were in serious shortage in Alaska. It concluded that:

- The shortage is very likely to worsen over the next 20 years as the state's population increases and ages. Physician supply nationwide is entering a period of shortage, according to the best current predictions. Physicians in Alaska are aging and one-third may be retiring in the next 10-15 years. The new generation of physicians wants a more balanced life, meaning fewer hours on duty and more predictable schedules. These trends mean that more physicians will be required to serve the same population. Technology and scientific advances have increased the amount of medical care available, also adding to the need for physicians, as the patients expect more care than previously.

- As the supply of physicians shrinks, recruitment will become more competitive. Alaska's traditional system of recruiting physicians from federal assignment in the military and Indian Health Service is much less effective with changes in these systems. Alaska is far behind the other states in production capacity. (1-2) Long-range planning, even if it includes a four-year medical school in Alaska, will not address current physician needs in a timely fashion, so interim measures are needed. (59)

Selected Occupations: Nurses

Nursing Shortage – 2003: The nursing shortage is particularly acute, both in Alaska and nationwide. It is estimated that during this decade the need for RN's will increase by 4,117 (in 2000: 4,439; in 2010: 8,556) (Fried, N. & Keith, B. (2003). National shortages will make recruitment yet more difficult. As a result, Alaska will have a great need to recruit and retain registered nurses. Addressing the need of rural and remote areas will be yet more difficult and expensive than to do so for urban areas.

Impact on CHC's

Rosenblatt, et al. (2006) examined the status of provider workforce shortages such as these may limit CHC expansion. They noted that the federal government has continued to expand the capacity of community health centers (CHCs) to provide care to underserved populations. The researchers therefore conducted a survey of all 846 federally funded US CHCs that directly provide clinical services and are within the 50 states and the District of Columbia (May-Sept, 2004). Questionnaires were completed by the chief executive officer of each grantee. Overall response rate was 79.3%. Information was supplemented by data from the 2003 Bureau of Primary Health Care Uniform Data System and weighted to be nationally representative.

Rosenblatt, et al (2006) found that primary care physicians made up 89.4% of physicians working in the CHCs, the majority of whom are family physicians. In rural CHCs, 46% of the direct clinical providers of care were non-physician clinicians compared with 38.9% in urban CHCs. There were 428 vacant funded full-time equivalents (FTEs) for family physicians and 376 vacant FTEs for registered nurses. There were vacancies for 13.3% of family physician positions, 20.8% of obstetrician/gynecologist positions, and 22.6% of psychiatrist positions. Rural CHCs had a higher proportion of vacancies and longer-term vacancies and reported greater difficulty filling positions compared with urban CHCs. Physician recruitment in CHCs was heavily dependent on National Health Service Corps scholarships, loan repayment programs, and international medical graduates with J-1 visa waivers. The study concluded that CHCs face substantial challenges in recruitment of clinical staff, particularly in rural areas. The largest numbers of unfilled positions were for family physicians at a time of declining interest in family medicine among graduating US medical students. They stated that success of the current US national policy to expand CHCs may be challenged by these workforce issues.

Strategy

It is essential to enhance the capacity of Alaskan health care provider agencies to recruit and retain staff where: (1.) federal loan repayment programs either do not apply, or, (2.) there are insufficient resources available to meet need. More tools are needed to confront the problem of steadily growing vacancies in the Alaskan healthcare workforce.

Most other states have programs that influence health professionals' geographic and specialty distributions. Programs that integrate a number of strategies for attracting and retaining health professionals have a greater likelihood of success than do programs which rely on a single strategy. Substantial evidence indicates that state-level support-for-service programs should be, and typically are, a fundamental part of those strategies.

Debt from Health Care Training

What follows are brief summaries of recent, representative studies which suggest that:

- Health care student debt affects subsequent practitioner career choices;
- Loan repayment options support recruitment goals; and
- These programs directly help to correct practitioner maldistributions.

Factors in Recruitment & Retention: Daniels, et al. (2007) sought to identify factors associated with rural recruitment and retention of graduates from a variety of health professional programs in the southwestern United States. They conducted a longitudinal study by mailing a survey to graduates from 12 health professional programs in New Mexico. The main outcomes examined were: (1.) first rural employment, and, (2.) aspects of any rural employment, since graduation. Daniels, et al. (2007) concluded that rural background and preference for smaller sized communities are associated with both recruitment and retention. In addition, however, they stated that loan forgiveness and rural training programs appear to support recruitment. Retention efforts must focus on financial incentives, professional opportunity, and desirability of rural locations

Medical Student Debt & Career Choice: Rosenblatt & Andrilla (2005) examined the notion that medical students' rising total educational debt is one of the factors that explains the recent decline in students' interest in family medicine and primary care. They analyzed the results from questions on the Association of American Medical Colleges' 2002 Medical School Graduation Questionnaire that focused on students' debt and career choices. Students reported that higher levels of debt influenced their future career choices. An inverse relationship was observed between the level of total educational debt and the intention to enter primary care, with the most marked effect noted for students owing more than $150,000 at graduation.

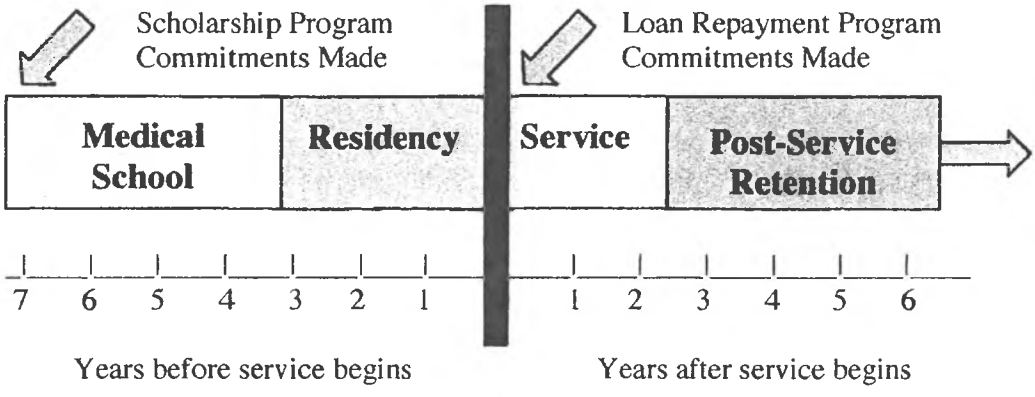
Medical Training Debt & Service Commitments: Pathman, et al (2000) assessed how student loan debt and scholarships, loan repayment and related programs with service requirements influence the incomes young physicians seek and attain, influence whether they choose to work in rural practice settings and affect the number of Medicaid-covered and uninsured patients they see. Data are from a 1999 mail survey of a national probability sample of 468 practicing family physicians, general internists and pediatricians who graduated from U.S. medical schools in 1988 and 1992. A majority of these generalist physicians recalled "moderate" or "great" concern for their financial situations before, during and after their training. Eighty percent financed all or part of their training with loans, and one-quarter received support from federal, state or community-sponsored scholarship, loan repayment and similar programs with service obligations. In their first job after residency, family physicians and pediatricians with greater debt reported caring for more patients insured under Medicaid and uninsured than did those with less debt. For no "specialty" was debt associated with physicians' income or likelihood of working in a rural area. Physicians serving commitments in exchange for training cost support, compared to those without obligations, were more likely to work in rural areas (33 vs. 7 percent, respectively, $p < 0.001$) and to provide care to more Medicaid-covered and uninsured patients (53 vs. 29 percent, $p < 0.001$), but did not differ in their incomes ($99,600 vs. $93,800, $p = 0.11$). Thus, among physicians who train as generalists, the high costs of medical education appear to promote, not harm, national physician work force goals by prompting participation in service-requiring financial support programs and perhaps through increasing student borrowing.

Support-for-Service Programs

It is well-established that a sizeable number of healthcare professionals carry a heavy debt-burden as they come out of training and are attracted to serving in those locations where a share of that burden can be taken away. For instance, training to become a physician is expensive, as 80 percent of medical students who graduate in debt will attest (e.g. Jolly, 2005). In 2004, young physicians' educational debt averages stood at over $109,000 and was this cost was increasing at the rate of more than $4,000 per annum (e.g. AAMC, 2004). Nonetheless, educational costs and students' fears of acquiring six-figure debts have created a market for government programs that link support for healthcare training costs to a period of obligated clinical work in shortage areas.

There are several types of financial "support-for-service programs" (SFSP's). These include: scholarships, service-option loans, loan repayment, direct financial incentives, and resident support programs. One of the two most common types of such programs is the service-requiring scholarship program. These pay tuition and other costs for healthcare students while obligating them to a period of service that begins when they complete residency (or similar post-graduate training) years later. The other common program type is loan repayment. Loan repayment programs recruit healthcare practitioners as they complete their training and are ready to begin service in exchange for paying off the traditional education loans they acquired years earlier. Programs of both types typically require one year of service for each year of training cost support they provide.

Figure 1 - Timeline of physicians' training years, signing of commitments with service-requiring scholarship and loan repayment programs, service periods (typically two-to-four years) and post service retention.



(After: Pathman, D.E. (2006). What Outcomes Should We Expect From Programs That Pay Physicians' Training Expenses in Exchange For Service? NCMEDJ, 67(1), pg. 77)

Support-for-service programs appear to be a natural solution to both the students' and the public's needs. They have grown in popularity over the past 25 years in tandem with rising tuition costs, with both federal and state agencies using them. In one well-known federal example, in 2005 the Bureau of Health Professions reported that the National Health Service Corps (NHSC) was providing an obligated physician workforce of about 1,700 scholars and loan re-payers. As a result of NHSC shifting most of its funding to loan repayment, more workers were immediately brought into the fold, and that census has now roughly doubled. In addition, most states also

sponsor their own support-for-service programs. In 1996 there were a total of 69 state programs with an estimated workforce of 1,300 practicing physicians. These state programs doubled in number from 1990 to 1996 and very likely have grown further since (Pathman, et al. 2000).

State Scholarship, Loan Forgiveness, and Related Programs: Pathman, Taylor, et al (2000) noted that in the mid-1980s, states expanded their initiatives of scholarships, loan repayment programs, and similar incentives to recruit primary care practitioners into underserved areas. These programs have since grown substantially during the ensuing two decades. The authors thus sought to identify and describe state programs that provide financial support to physicians and midlevel practitioners in exchange for a period of service in underserved areas, and to begin to assess the magnitude of the contributions of these programs to the US health care safety net. This cross-sectional, descriptive study established the number and types of state support-for-service programs in 1996; trends in program types and numbers since 1990; distribution of programs across states; numbers of participating physicians and other practitioners in 1996; numbers in state programs relative to federal programs; and basic features of the state programs.

The study found that in 1996 there were 82 eligible programs operating in 41 states, including 29 loan repayment programs, 29 scholarship programs, 11 loan programs, 8 direct financial incentive programs, and 5 resident support programs. Programs more than doubled in number between 1990 (n = 39) and 1996 (n = 82). In 1996, an estimated 1306 physicians and 370 midlevel practitioners were serving obligations to these state programs, a number comparable with those in federal programs. Common features of state programs were a mission to influence the distribution of the health care workforce within their states' borders, an emphasis on primary care, and reliance on annual state appropriations and other public funding mechanisms.

The authors concluded that as of 1996 the several states had fielded an obligated primary care workforce comparable in size to the better-known federal programs. Thus, these state programs constitute a major portion of the US health care safety net. The study emphasized that such state programs should be considered in plans to further improve health care access.

Experience of Other States

State-Level Support-for-Service Programs (2007): Considerable precedent exists for state-level offices to sponsor and manage financial support and inducement programs to thus encourage the within-state service of healthcare personnel. Tables 1, 2 & 3 here-present listings of those state-level support-for-service programs that were web-posted by the Association of American Medical Colleges (as of 8/10/07). These provide a selective look at state and federal loan repayment, forgiveness and scholarship programs available to allopathic medicine and other health professions students. This compilation is not exhaustive, and at present, our office is not aware of one that is. The here-derived tables shows that, overall, there were 81 programs. There were 44 listed states with at least one program (88% of US states). Fully, 21 of these states had two or more programs (47% of listing), with highs found in New Mexico (at 5) and Minnesota (at 7). On average, the 44 listed states had nearly 2 programs (1.8) each. Table 1 presents 43 listings that were designated as "state programs". Table 2 presents another 20 listings that were designated as "federal/state programs". Finally, Table 3 presents another 18 programs were not otherwise classified, though quick inspection of titles suggests that many can be readily classified. Those programs that were categorized as (strictly) "federal" (e.g. NIH, military) are not further considered. Click on any program title for more programmatic detail.

State-Level Offices: Service-for-Support Programs

Table 1: Designation as: "State Program"

State	Program
Arizona	Arizona Medical Student Loan Program
Arkansas	Community Match Physician Recruitment Program
Arkansas	Physician Grant Recruitment and Retention Program
Colorado	Colorado Health Professions Loan Repayment Program
Georgia	State Medical Education Board of Georgia Scholarship Program
Indiana	Indiana Primary Care Scholarship Program (IPCSP)
Iowa	Osteopathic Physician Recruitment Program (O.P.R.P.)
Kansas	Kansas Bridging Plan
Maine (2)	Maine Health Professions Loan Program
Maryland	Loan Assistance Repayment Program for Primary Care Physicians
Minnesota	Minnesota Dentist Loan Forgiveness Program
Minnesota	Minnesota Nurse Loan Forgiveness Program
Minnesota	Minnesota Rural Mid-level Practitioner Loan Forgiveness Program
Minnesota	Minnesota Rural Physician Loan Forgiveness Program
Minnesota	Urban Physician Loan Forgiveness Program
Mississippi (2)	Family Medical Education Loan/Scholarship Program
Mississippi	State Medical Education Loan/Scholarship Program
Missouri	Primary Care Resource Initiative for Missouri (PRIMO)
Montana (3)	Montana Rural Physician Incentive Program (MRPIP)
Montana	WICHE Professional Student Exchange Program
Montana	WWAMI Medical Exchange Program
Nebraska	Nebraska Student Loan Program
Nevada	Nevada Health Service Corps
New Mexico (5)	Allied Health Loan-for-Service Program
New Mexico	New Mexico Health Professions Student Loan-for-Service Program
New Mexico	Nursing Loan-for-Service Program
New Mexico	Osteopathic Medical Student Loan for Service Program
New York	Regents Physician Loan Forgiveness Award Program
North Carolina (4)	Community Practitioner Program
North Carolina	NC Student Loan Program for Health, Science and Mathematics
North Carolina	North Carolina State Loan Repayment Program
Ohio	Ohio Physician Loan Repayment Program

Table 1: "State Program" (continued)

Oklahoma (3)	Family Practice Resident Rural Scholarship Loan Program
Oklahoma	Oklahoma Rural Medical Education Scholarship Loan Program
Oklahoma	Oklahoma State Loan Repayment Program
Oregon	Oregon Rural Health Services (RHS) Loan Repayment Program
South Dakota	South Dakota Midlevel Tuition Reimbursement Program
Tennessee (2)	Health Access Incentive Program: Incentive Grant: Mid-Levels
Tennessee	Health Access Incentive Program: Incentive Grant: Physicians
Virginia	Virginia Loan Repayment Program
Washington (2)	WA State Health Professional Loan Repayment Program
West Virginia	Medical Student Loan Program
Wyoming	Wyoming WWAMI Medical Education Program

State-Level Offices: Service-for-Support Programs

Table 2: Designations as: "Federal/State Program"

Connecticut	Connecticut State Loan Repayment Program
Delaware	Delaware State Loan Repayment Program
Illinois	Illinois/National Health Service Corps Loan Repayment Program
Iowa (2)	Iowa PRIMECARRE Loan Repayment Program
Louisiana	Louisiana State Loan Repayment Program
Maine	Maine State Loan Repayment Program
Massachusetts	Massachusetts State Loan Repayment Program
Minnesota	Minnesota State Loan Repayment Program
Missouri (2)	Physician Loan Repayment
New Hampshire	NH Primary Loan Care Repayment Provider Plans
New Jersey	Primary Care Loan Redemption Program of New Jersey
New Mexico	Health Professional Loan Repayment Program (HPLPP)
Ohio	NHSC / BHPr Ohio Loan Repayment Program
Pennsylvania	Pennsylvania's Primary Health Care Practitioners Loan Repayment Program
Texas	Physician Education Loan Repayment Program of Texas
Utah	Utah Health Care Workforce Financial Assistance Program
Virginia (2)	National Health Service Corp-VA Loan Repayment Program
Washington	WA State Health Professional Scholarship Program
Wisconsin (2)	Wisconsin Health Professions Loan Assistance Program
Wisconsin	Wisconsin Physician Loan Assistance Program

(number in parentheses indicates total state-office programs for that state that are not "federal" per se)

State-Level Offices: Service-for-Support Programs

Table 3: Programs – "Not Otherwise Designated"

Arizona (3)	Arizona Loan Repayment Program
Arizona	NHSC/Arizona Department of Health Services
Arkansas (3)	Arkansas Rural Medical Practice Student Loan/Scholarship Program (ARMPSLSP)
California (2)	Dr. James L. Hutchinson & Evelyn Ribbs Hutchinson Medical School Scholarshio
California	NHSC/CA State Loan Repayment Program
Georgia (2)	Georgia Physician Loan Repayment Program
Kentucky	Rural Kentucky Medical Scholarship Fund (RKMSF) Grant Program
Michigan	Michigan Essential Health Provider Program/SLRP
Minnesota (7)	Federal National Health Service Corps (NHSC) Loan Repayment Program
Nebraska (2)	Nebraska Loan Repayment Program
North Carolina	Loan Repayment Program
North Dakota (2)	The Medical Personnel Loan Repayment Program
North Dakota	The State Community Matching Physician Loan Repayment Program
Rhode Island	Rhode Island Health Professional Loan Repayment Program
South Dakota (3)	NHSC/Loan Repayment and Scholarship Program
South Dakota	South Dakota Physician Tuition Reimbursement Program
Vermont (2)	Freeman Educational Loan Repayment for Physicians Program
Vermont	Vermont State Loan Repayment Program

(number in parentheses indicates total state-office programs for that state that are not "federal" per se)

Loan Repayment Programs

In national studies, loan repayment has been found to be a successful strategy to recruit and retain physicians and nurses. Twenty-five years of program evaluations have clarified many of the outcomes possible from healthcare training support-for-service programs. Furthermore, studies have demonstrated that loan repayment programs, as a whole, have better outcomes than scholarship programs. Results of these comparisons have proved compelling. For example, studies demonstrating the strengths of loan repayment programs prompted Congress recently to allow the NHSC to make more loan repayment and fewer scholarship awards (e.g. Bureau of Health Professions, 2005) and led some states to expand their loan repayment programs (Pathman, et al. 2000).

Studies have shown that there are several benefits which can accrue from loan repayment programs. Selected examples follow:

> *High Position Fill-Rates:* Some programs, including the NHSC, have many more applicants than their funds can support and regularly fill all funded positions; other programs have many unfilled positions for lack of applicants.
>
> *High Service Completion Rates*: Very few loan repayment programs, accordingly, have found a need to set any buy-out penalties; as a group, their service completion rates average 93% without them (Pathman, et al, 2004). It is the physician-program-community fit and the financial attractiveness of the program that prompts physicians to complete their obligations with service (the "carrot"), not financial and legal threats (the "stick").
>
> *High Retention Rates:* Beyond merely completing obligations with service, there has long been the hope that obligated physicians will remain in their service communities for years afterwards ... In fact, data show that physicians participating in state-run support-for-service programs remain in their service sites as long on average as other young physicians remain in practices of all types nationwide. Physicians obligated to state-run loan repayment programs remain substantially *longer* than other young physicians (e.g. Pathman, 2004).

Effectiveness of Support-for-Service: Sempowski, I.P. (2004) attempted to evaluate the effectiveness of programs that provide financial incentives to physicians in exchange for a rural or underserviced area return-of-service (ROS) commitment. This was done via a systematic literature review using Medline and Ovid HealthSTAR databases were searched from 1966 to 2002. The initial search yielded 516 results. Bibliography review yielded additional references. Ten publications were selected as the highest level of evidence available. The main outcome measures were: (a.) initial recruitment of physicians, (b.) buyout rates, and (c.) long-term retention.

The majority of studies reported effective recruitment despite high buyout rates in some US-based programs. The one prospective cohort study on retention showed that physicians who chose voluntarily to go to a rural area were far more likely to stay long term than those who located there as an ROS commitment. Multidimensional programs appeared to be more successful than those relying on financial incentives alone. Sempowski, I.P. (2004) concluded that ROS programs to rural and underserviced areas have achieved their primary goal of short-term recruitment but have had less success with long-term retention. However, this study combined different types of support-for-service programs within its analysis thus somewhat preventing conclusions as to loan repayment programs, per se.

Loan Repayment vs. Payback Programs: Miller & Crittenden (2001) sought to determine and contrast the possible impact that two different types of support-for-service programs might have on medical school choice, and, students' intentions to return to their home states. The authors examined difference in preferences for: (a.) payback programs regarding state-subsidized medical education which are designed to increase the rate of graduates returning to those states to practice; and (b.) loan repayment programs that are designed to entice medical school graduates from rural states to return to their home states.

Miller & Crittenden (2001) surveyed 229 medical students (response rate 80 percent). The questionnaire collected background information on the students and addressed the possible

impact of payback and loan repayment policy proposals on student plans. Forty-seven percent of students reported that they would attend a different medical school if a required payback program were in place. Students who were more competitive at the time of admission to medical school were significantly more likely to say they would attend another medical school than were less competitive students. In contrast, 48 percent of students reported that they would be more likely to return to their home states if expanded loan repayment programs were available for service in areas of need. The findings suggest that payback programs may dissuade more competitive students from entering medical schools with such requirements, compromising the pool of students most likely to return to rural areas. Conversely, medical students appear willing to consider loan repayment programs upon completion of their training.

Why Do Loan Repayment Programs Work? Expert opinion was sought for insights into why loan repayment programs work. Donald Pathman, MD, MPH, (Univ. of North Carolina) was queried as to his view. Dr. Pathman stated:

> "As a whole, state-run (loan repayment) programs are successful but not because they are run well---- most are under-funded, under-staffed and can't offer individualized assistance to the health care practitioners they support. They are successful because the benefit of loan repayment is clear to potential applicants and programs typically only provide payments to participants after they complete each 3 or 6 months of work; therefore, if a participant leaves or otherwise fails to work in the agreed upon area or practice, payments simply stop and there is no need to enforce penalties." (Pathman, 2007)

Does a Loan Repayment Program Make Sense for Alaska? Expert opinion was sought for perceptions as to whether a loan repayment program makes sense for Alaska. Again, Donald Pathman, MD, MPH, (Univ. of North Carolina) was queried as to his view. Dr. Pathman stated:

> "I am glad to hear that Alaska is thinking of expanding loan repayment opportunities. I visited Alaska for the first time this past spring for the National Rural Health Association meeting, in Anchorage, with a side trip to Minto and Fairbanks. What an amazing place! I spoke with several folks working with the Native American health corporation in the state, and realize the physician shortages for the populations they serve. I was impressed that they knew little about how to attract and keep a physician. Lots of opportunities there for improvement in programs." (Pathman, personal communication, 2007)

Position of the Alaska Physician Supply Task Force (2006): The PSRF recommended a number of specific strategies and action steps to achieve four main goals related to assuring an adequate supply of physicians to meet Alaska's need. One of the PSRF findings was that Alaska's clinics and hospitals receive inquiries from physicians about the availability of loan forgiveness often. Loan repayment is a proven strategy for recruiting physicians, and the federal loan repayment programs currently available to Alaska physicians need to be stabilized financially and supplemented with Alaska-based programs. For detail, see: *"Securing an Adequate Number of Physicians for Alaska's Need"* (2006).

Precedents in Alaska: There are, and have been, other circumspect loan repayment programs for health professionals here in Alaska. These have typically been via categorical federal funding. Examples include Indian Health Service supports, and use of the National Health Service Corp. There have also been selected opportunities via the regional health corporations, and certain hospitals. Further, the Alaska Mental Health Trust has recently considered some loan repayment supports in the behavioral health field. While promising, these will collectively still fall far short of garnering the needed workforce to face projected need.

Recommendation

Recommended: Alaska should establish a Health Care Professionals Loan Repayment Program (HCPLRP). Decisions as to particular program elements must await further public process. Questions should be addressed regarding at least the following program elements:

- *Organizational Support*: What are the best ways to build legislative and public understanding and support on this issue? For instance, members of the Alaska Physician Supply Task Force supported a loan payback provision for physicians.

- Oversight: What is that governance entity most suited to provide leadership and oversight of this program? Similarly, which entity is most suited to administer the program? There is evidence that no single entity has the expertise to properly oversee and administer such a program. This might argue for a blended or interagency oversight structure. One agency might provide programmatic administration, while the other might serve as fiduciary agent.

- *Fiduciary Agent*: It may prove both workable and preferred that fiduciary mechanics and other administrative aspects be organizationally separated. If so, which agency is most to assume this fiduciary role? One approach might be to have the program work in tandem with the Alaska Commission on Postsecondary Education (ACPE). It is possible that the functions of the Alaska Commission on Postsecondary Education could be amended as these relate to repayment provisions healthcare degree program participants. It appears likely that no substantive change would be necessary for ACPE to act strictly as fiscal agent for participant payments. Further, this would not be a recommendation to change the scope of the ACPE mission to include direct workforce development. This later function would likely be accomplished by another state agency via interagency partnership.

- *Provider Eligibility*: Which healthcare occupations are to be deemed as eligible for the HCPLRP? Are all eligible occupations to benefit equally from the HCPLRP, or, will the occupations differ in terms of: (a.) maximum financial benefit, (b.) length of service required, (c.) specificity of service location, and, (d.) penalty for early-quit? There is evidence that for a loan repayment program, marked penalties are not needed, and, are actually likely harm outcomes.

- *Repayment Details*: Several policy and procedural decisions must be concluded. Examples follow. What is an adequate period of service-payback? What is the proportionality of payback when scheduled over years? What are the most useful policies with which to govern service payoff?

- *Work Processes*: Several work-process details will need to be established as regards management client relationships. Programmatically, what ways do we want to work, one-on-one, with program applicants to help them find suitable communities/positions? What types of assistance do we most want to provide to applicants, practices and communities?

- *Program Evaluation*: An ongoing evaluation should be installed and maintained as an expected part of any proposed support-for-service program (e.g. Henderson & Fox-Grage, 1997). It is in everyone's interest, and particularly in those of Alaska's medically underserved communities, that such programs: (a.) have explicit outcome objectives, (b.)

are regularly monitor as to those outcomes, (c.) openly acknowledge weaknesses, and (d.) embrace change as needed. Many different types of outcomes might be monitored. Reasonable measures might include:

- Practice in specific needy communities (e.g. HPSAs)
- Serve high-priority patient groups (e.g. Medicaid)
- Service completion of participants
- Retention rate of participants
- Satisfaction of participants
- Indictors as to the content of practice/work of program participants (e.g., proportion that provide inpatient care, that provide obstetrical care, or whatever specific services are deemed to have critical workforce shortages)

Other Support-For-Service Options to Consider:

As robust as a state-level loan repayment is likely to prove, there are other programmatic strategies. At least two other strategies should also be thoroughly examined: (a.) service-option loans, and (b.) direct incentives.

- *Strategy: Service-Option Loan Programs*

  Consider provision of educational loans to all citizens of Alaska who undertake health professions training, where the loans will be forgiven if they work within Alaska after graduation. This would provide added incentive for health care students who were raised in Alaska to return to Alaska to practice, rather than being wooed away by the states/communities where they receive their training. There is evidence that these have worked well elsewhere, given attention to key programmatic details. For Alaska, a service-option loan program should nicely complement a loan repayment program; because the former would address only Alaska residents and the latter would primarily attract those health practitioners coming from out-of-state.

- *Strategy: Direct Incentive Programs*

  Consider provision of direct incentive programs. In these, funding is provided to practitioners who agree to work in needy settings whether or not they have educational loans to be repaid. There is no reason to believe that only young practitioners-with-debt are suited to work in rural areas and/or with underserved populations.

  Loan repayment programs only target recent graduates who have weighty educational debts. For instance, as regards physicians, many recent graduates carry minimal debt (perhaps 40%). Further, a large portion of those physicians who are potentially recruit-able to Alaska are 10 or 20 years out of training and have no educational debts. It is possible, even likely, that "an Alaskan adventure" would appeal to some number of mid and late-career physicians. It may prove informative to assess the State's medical licensure files to learn the average/median/quartiles of age of physicians as to when they gain their first Alaska license. If, indeed, many are older, then this is a group that should be targeted. Direct incentive programs target those practitioners without loans, and, older practitioners.

Finally, support-for-service programs (of all types) constitute only one way to help bolster recruitment and retention of health care professionals. Alaska must develop a multi-pronged approach to confronting our growing healthcare workforce shortage.

Conclusion

Substantial evidence shows that Alaska currently experiences a shortage of healthcare professionals, and, that this shortage exists in several key occupational categories.

There are several types of support-for-service programs, and the national experience has proven loan repayment programs to be robust. These have demonstrated substantial and longstanding success as a public strategy which has helped to rectify such shortages. To quote from Pathman, et al. (2004),

> "As a whole, states' support-for-service programs bring physicians to needy communities where they find satisfying work caring for at-risk patient populations and remain for many years. Of all program types, the loan repayment and direct financial incentive forms, which target physicians after training, show the broadest successes. The successes of these state programs warrant their continued support and perhaps expansion to remedy the continuing maldistribution of physicians." (pg. 567).

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Outcomes of States' Scholarship, Loan Repayment, and Related Programs for Physicians

Donald E. Pathman, MD, MPH,† Thomas R. Konrad, PhD,* Tonya S. King, PhD,‡ Donald H. Taylor, Jr., PhD,§ and Gary G. Koch, PhD‖*

Context: Many states attempt to entice young generalist physicians into rural and medically underserved areas with financial support-for-service programs—scholarships, service-option loans, loan repayment, direct financial incentives, and resident support programs—with little documentation of their effectiveness.

Objective: The objective of this study was to assess outcomes of states' support-for-service programs as a group and to compare outcomes of the 5 program types.

Design: We conducted a cross-sectional, primarily descriptive study.

Participants: We studied all 69 state programs operating in 1996 that provided financial support to medical students, residents, and practicing physicians in exchange for a period of service in underserved areas; federally funded initiatives were excluded. We also surveyed 434 generalist physicians who served in 29 of these state programs and a matched comparison group of 723 nonobligated young generalist physicians.

Data Collection: Information on eligible programs was collected by telephone, mail questionnaires, and from secondary sources. Obligated and nonobligated physicians were surveyed, with 80.3% and 72.8% response rates, respectively.

Main Outcome Measures: Levels of socioeconomic need of communities and patients served by physicians, programs' participant service completion and retention rates, and physicians' satisfaction levels.

Results: Compared with young nonobligated generalists, physicians serving obligations to state programs practiced in demonstrably needier areas and cared for more patients insured under Medicaid and uninsured (48.5% vs. 28.5%, $P < 0.001$). Service completion rates were uniformly high for loan repayment, direct incentive, and resident-support programs (93% combined) but lower for student-targeting service-option loan (mean, 44.7%) and scholarship (mean, 66.5%) programs. State-obligated physicians were more satisfied than nonobligated physicians, and 9 of 10 indicated that they would enroll in their programs again. Obligated physicians also remained longer in their practices than nonobligated physicians ($P = 0.03$), with respective group retention rates of 71% versus 61% at 4 years and 55% versus 52% at 8 years. Retention rates were highest for loan repayment, direct incentive, and loan programs.

Conclusions: States' support-for-service programs bring physicians to needy communities where a strong majority work happily and with at-risk patient populations; half stay over 8 years. Loan repayment and direct financial incentive programs demonstrate the broadest successes.

Key Words: physicians, health services access, rural health, primary care, student loans and scholarships, loan repayment, state health policy

(*Med Care* 2004;42: 560–568)

■ *It is one of the happy incidents of the federal system that a single courageous State may, if its citizens choose, serve as a laboratory; and try novel social and economic experiments without risk to the rest of the country.—"Louis Brandeis*
Supreme Court of the United States
New State Ice Co. v. Liebmann, *1932; dissenting opinion*[1]

States and federal agencies frequently use service-requiring scholarships, loans, loan repayment, and related incentives to entice physicians into medically underserved settings.[2–4] As of 1996, 40 states offered 69 such physician-obligating programs, the federal National Health Service Corps (NHSC) and Indian Health Service (IHS)-sponsored scholarship and loan repayment initiatives,[5] and the NHSC and states jointly sponsored an additional 29 loan repayment programs. Service-requiring programs collectively wield a sizable workforce, estimated at 2900 physicians in 1996, half each under state and federal auspices.[5]

The 5 recognized program types—scholarships, service-option loans, loan repayment, direct financial incentives,

From the *Cecil G. Sheps Center for Health Services Research, and the †Department of Family Medicine, UNC-Chapel Hill, Chapel Hill, North Carolina; the ‡Department of Health Evaluation Sciences, Pennsylvania State University, Philadelphia, Pennsylvania; the §Terry Sanford Institute of Public Policy Studies, Duke University, Durham, North Carolina; and the ‖Department of Biostatistics, UNC-Chapel Hill, Chapel Hill, North Carolina.

Reprints: Donald E. Pathman, MD, MPH, Cecil G. Sheps Center for Health Services Research, UNC CB# 7590, Chapel Hill, NC 27599. E-mail: don_pathman@unc.edu.

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and resident support[5]—share fundamental goals and an approach that links financial support to periods of service; however, these program variations differ in important ways. *Scholarship programs* obligate medical students early in their training and many years before they are to serve their obligations. Participants in scholarship programs are firmly expected to provide service, and hefty penalties are used to discourage participants from buying out their obligations should their career interests change. *Service-option loan programs* also target medical students but offer participants a choice of performing service or repaying program funds at standard interest rates.

Loan repayment and *direct financial incentive programs* commit physicians much later, near the completion of residency training when their service is to begin. They typically levy no or minimal penalties on physicians who fail to complete a period of service. With loan repayment programs, physicians receive assistance repaying traditional education loans they acquired years earlier as students, whereas financial incentive programs provide unrestricted funds.

The newest programs, the *resident support* type, respond to the growing financial pressures on residents[6] with assistance in the form of scholarships, loan repayment, and direct financial incentives. Service is required and begins 1 to 2 years after a commitment is signed, at the end of residency.

Over the decades much has been said, with little supporting evidence, about the outcomes of these programs as a group and the relative strengths of the individual program types. It is generally believed, for example, that physicians in support-for-service programs are less satisfied and remain in their practices briefer than physicians without obligations. Many observers believe that stiff penalties are required to curtail otherwise high buyout rates, especially in programs that obligate individuals years in advance of service.[7] Others worry, however, that high penalties trap some participants in ill-suited commitments who are then unhappy as they serve and unlikely to be retained.[8-10] Proponents of loan repayment and direct incentive programs believe satisfaction and retention are better when physicians sign commitments after their training when they know their career interests, job options, and families' needs.[11] Scholarship defenders counter that only captive scholarship recipients can be drawn to the most desperately underserved communities because they are so unattractive.[12]

Few studies have assessed the outcomes of support-for-service programs, like the rates at which their practitioners complete their obligations with service and their practitioners' satisfaction and retention. Programs do not often undertake self-evaluations and those that do seldom have comparative data on other programs.[2,13] States and federal agencies regularly add, drop, and modify their programs without firm evidence of their effectiveness.[14-17]

This study has 2 primary goals: 1) to assess outcomes of states' support-for-service programs as a group, and 2) to compare outcomes for the 5 program types. We assess program outcomes we believe are important to underserved communities, physicians, and policymakers: the levels of socioeconomic need of communities and patients served by participating physicians, participant service completion and retention rates, and satisfaction levels of participants and their families. We also test the assumptions that 1) higher buyout penalties increase the proportion of physicians who fulfill their obligations with service but at a cost of lower physician satisfaction and poorer retention, and 2) scholarship programs bring physicians into the neediest communities.

METHODS

Identifying Eligible State Programs

We identified all state support-for-service physician programs nationally as of 1996[5] by supplementing previous lists of relevant programs[3,18,19] with information from telephone calls to key contacts in every state and from available online sources and printed materials. Eligibility criteria for programs were that they 1) provided financial support to students, residents, and/or practicing physicians in 1996; 2) had a service requirement or option in defined medically needy settings located across a given state; and 3) received no direct federal support. Of the 69 identified eligible programs, 20 offered scholarships, 24 provided loan repayment incentives, 12 offered loans with service options, 7 offered direct financial incentives, and 6 offered support to residents.

Program Data

We obtained basic descriptive information for all programs through initial and follow-up telephone contacts with program directors and from programs' web sites, brochures, reports, and copies of their enacting legislation. This information was verified and supplemented through an 8-page mailed questionnaire completed by 45 programs (65%). Forty-eight (86%) of the 56 programs old enough to have had more than 20 physicians eligible for placement in service sites provided estimates of the service completion rate for their obligated physicians over the previous 3 years. Programs were approached for survey and other data in no particular order other than we started with the few directors we knew and tended to recruit all programs within a particular state at the same time.

Identifying State-Obligated and Comparison Group Physicians

Programs were asked to provide names and basic information on each physician who signed a first contract with them and/or had been placed in a first-service site in 1991 and 1996. These 2 years were selected because individuals who

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committed to student programs in 1991 and loan repayment and direct incentive programs in 1996 would have begun serving their obligations in approximately 1996. Programs created after 1991 provided names of individuals contracted in their first year of operation; very large programs provided only a randomly selected subsample of names from 1991 and 1996, and smaller programs supplemented their samples with names of physicians obligated in proximate years (eg, 1992 and 1995). We elected not to request physician names from the last 12 eligible programs as a result of project time requirements. Of the 48 programs from which we requested physician data, 29 (60%) provided all data we needed to survey their obligated physicians. Programs from which we requested and received physician-specific information, programs from which we requested but did not receive this information, and programs from which this information was not requested were similar in size, physicians' contract terms, the types of geographic locations where their obligated practitioners served, and reported service completion rates.

We surveyed all 434 family physician, general internist, and general pediatrician participants (allopaths and osteopaths) identified by programs as then serving or having served their obligations. We excluded nongeneralists and physicians who defaulted or bought out their obligations without ever serving a day of their obligations. Programs reported no international medical graduates.

We constructed a comparison group of nonobligated generalists from the American Medical Association Physician Masterfile. A sampling frame of eligible subjects was constructed of all 8742 graduates of U.S. allopathic and osteopathic medical schools in 1988 and 1992 who 4 years after graduation were in clinical practice in the United States in family practice, general internal medicine, and general pediatrics. A stratified random sample of 723 of these physicians was selected, with oversampling of strata to match the state-obligated cohort in specialty distribution and geography, and to ensure diverse racial and ethnic representation.

Physician Surveys

In 1998 and early 1999, we sent up to 4 questionnaire mailings to the state-obligated and comparison group physicians. Of the 434 obligated physicians surveyed, 23 proved to be ineligible or were never located, and there were 330 eligible respondents (80.3%). Response rates for obligated physicians were comparable across service program types, physician specialties, and racial–ethnic groups.

In the comparison sample of 723 physicians, 56 subjects proved ineligible or were never located and 468 eligible physicians responded (72.8%). Response rates for the comparison sample did not vary by subjects' rural/urban location, gender, or specialty; rates were somewhat lower for blacks (52.4%). We excluded 100 physicians from the comparison group who indicated that they had or were serving a state or federal obligation.

In the physician questionnaires, participants of state programs reported details of the first practice in which they served their obligations. On parallel questionnaire items, comparison group physicians described the first practice after residency in which they worked 9 months or longer. Both groups reported their incomes, satisfaction, their families' experiences, and their patients' insurance types. Nearly all questionnaire items had been used in earlier studies[9,20,21] and were pilot-tested again for applicability to this study with 30 obligated and nonobligated physicians in North Carolina.

We appended 1990 U.S. Census data characterizing the towns and cities where physicians worked.[22] County data on local physician-to-population numbers were appended for 1994 from the Area Resource File.[23]

Analyses

We compared obligated and nonobligated physicians on a variety of outcomes, including satisfaction and retention rates. We also compared programs of each of the 5 types individually and with the other 4 program types as a group. We used chi-squared tests, independent sample 2-tailed *t* tests, and 1-way analysis of variance (ANOVA) to compare groups on normally distributed variables. The Kruskal-Wallis test was used to compare groups on 4 nonnormally distributed variables: physician income, town population, town per capita income, and county primary care physician-to-population ratios. Bivariate comparisons were followed with linear and logistic regression models (with log transformations of nonnormally distributed variables) to adjust for key potentially confounding or explanatory variables. Life tables were used to describe proportions of physician groups remaining in their practices for specified numbers of years. Kaplan-Meier plots and Cox proportional hazards models were used to compare estimates of retention for various physician groups over time.

We also assessed relationships between programs' buyout costs and the various program outcomes with chi-squared and 2-tailed *t* tests. We further used multiple and logistic regression to test the relationships between buyout costs and the various outcomes for confounding by varying service obligation terms across programs and/or respondents' actual obligation periods. No confounding was found and we do not report these models.

Comparisons of obligated and nonobligated physicians were weighted to adjust for strata sampling fractions and response rates and run on the SUDAAN statistical software program (Research Triangle Institute, Research Triangle Park, NC). Analyses involving only obligated physicians were run on the SPSS statistical program (release 11.5.0; SPSS Inc., Chicago, IL) and not weighted. A level of statistical significance of $P \leq 0.05$ was used throughout.

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RESULTS

State Programs

In 1996, the 69 eligible programs were relatively new and small, with a median age of just 6 years and median workforce of 11 physicians. Sixty-four programs were funded with state revenues, 2 had only private support, and 3 were self-supporting using buyout funds from earlier participants; 9 programs also used community matching funds. Forty-seven programs were based in state offices of rural health or other state agencies, 18 within individual medical schools, and 4 within private organizations.

Programs supported physicians with an average of $14,000 for each year of obligated service with no significant differences across the 5 types of programs ($P = 0.55$). Average minimum service obligation terms did vary across program types, from 12 months in resident support programs, 18 months in scholarship programs, 19 months in service-option loan programs, 29 months in loan repayment programs, and 36 months in direct financial incentive programs ($P = 0.003$).

Physicians and Their Practices

Physicians obligated to state programs, compared with physicians without obligations, were more often male (63% vs. 53%, $P < 0.05$), more often married (84% vs. 75%, $P < 0.05$), slightly older (33 vs. 32 years on average, $P < 0.001$), but no more or less likely to be black or Hispanic (8.5% vs. 6.2%, $P = 0.10$). Obligated physicians were much more likely than nonobligated generalist physicians to be family physicians (72% vs. 38%, $P < 0.001$) and more often owned the practices where they worked (36% vs. 27%, $P < 0.05$), but earned comparable salaries (median, $89,735 vs. $89,622, $P = 0.2$).

Comparing physicians obligated to the 5 types of programs, we found no differences in gender, marital status, ethnicity, or income. Loan program participants, however, were less likely to be family physicians than participants of other programs (54% vs. 75%, $P = 0.02$), and physicians in incentive programs more often owned their practices (49% vs. 16%, $P = 0.01$).

Although minimum service obligation durations varied across programs of the 5 types, the average number of years this study's respondents were actually obligated to their programs did not differ for those in 4 of the types (range, 3.13–3.48 years, $P = 0.31$) but was shorter for participants of resident-support programs (2.72 years, $P = 0.02$).

Service Completion Rates

The 5 types of programs differed greatly in how often their physicians completed their obligations with service rather than buying out or defaulting ($P < 0.001$) (Fig. 1). Service-option loan programs reported the lowest average service completion rates (44.7%) followed by scholarship programs (66.5%). The 30 programs of the remaining 3 types, programs that committed physicians after training or as residents, reported uniformly high service rates (entire group mean, 93%; 92% after omitting the 5 of these 30 programs without a minimum service period).

Program directors reported obligation default rates, the proportion of obligated physicians who failed to provide either service or repay program funds, of 5.2% on average for all programs combined with no significant differences across program types ($P = 0.78$). In contrast, the percentage of physicians who bought out-of-service commitments differed greatly across the 5 program types, greatest in service-option loan programs (49.2%) and scholarship programs (27.2%).

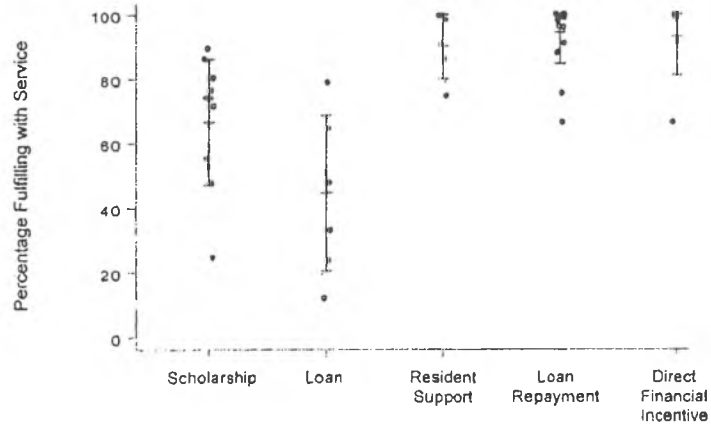

FIGURE 1. Percentage of recent physicians in each program (°) who fulfilled their obligations with service, grouped by program type.

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Programs of the remaining 3 types reported comparable low buyout rates (2.3% combined). Thus, the high buyout rates of student programs account for their low service completion rates.

The costs that loan repayment, direct incentive, and resident support programs levy on physicians who buyout of obligations had no relationship with programs' service completion rates. Only among student programs, scholarships and service-option loans, were penalties and service completion rates related; specifically, rates averaged 80.3% for the 4 student programs that charged penalties of 3 times the amount of support provided compared with 48.6% for the 12 programs that charged less ($P = 0.02$).

Communities and Patients Served by Physicians

Physicians serving in state programs of all types combined, compared with the nonobligated physicians, worked in counties that were far more often rural and had lower primary care physician-to-population ratios, in cities and towns that were much smaller and poorer, and they reported more of their patients were uninsured or covered under Medicaid (Table 1). Even in analyses run separately for rural and urban-situated physicians and in multivariate models adjusting for physicians' rural versus urban location, specialty, and demographics, obligated physicians were still found to work in needier communities and with needier patients by all measures.

We explored whether county physician-to-population ratios were lower for obligated physicians simply because states with a greater need for physicians (and thus lower ratios) more often sponsored support-for-service programs.[24] We confirmed that, indeed, obligated physicians worked in counties with primary care physician-to-population ratios lower than their state's median county ratios more often than nonobligated physicians (37% vs. 11%, $P < 0.001$).

Among obligated physicians and weighing findings on all 5 measures of community need (Table 1), those serving in direct financial incentive programs worked in the neediest settings. Contrary to popular belief, the towns and counties where scholarship participants worked demonstrated no greater need than where participants of other programs worked.

Physician and Family Satisfaction

Physicians serving state obligations were more often satisfied with their work and practices and more often felt a sense of belonging to their communities than nonobligated physicians (Fig. 2). Obligated and nonobligated physicians gave comparable estimations of the satisfaction and needs-fulfillment of their spouses and children.

In virtually all ways tested, satisfaction was comparable for physicians and families participating in the 5 types of programs, the only exception being that scholarship program participants more often than others felt restricted by the practice sites available to them (36.6% vs. 19.3%; $P < 0.01$).

TABLE 1. Comparison of Community and Patient Characteristics of State-Obligated and Nonobligated Physicians; Physicians Serving in the 5 Types of Service Programs; and Physicians Obligated to Programs Using Different Types of Site-Eligibility Criteria

		Community and Patient Characteristics				
	(n Physicians/ Programs)	Rural (Nonmetropolitan) County (%)	Median Town/City Population	Median Town/City per Capita Income ($)	Median County Primary Care Physician-to-Population Ratio	Mean Patients Covered by Medicaid or Uninsured (%)
Obligated vs. nonobligated						
Obligated, all types	(330/29)	68.4‡	5094‡	10,813‡	78.5‡	48.5‡
Nonobligated	(368/NA)	11.6	56,129	14,090	118.1	28.5
Comparisons of 5 program types						
Scholarship	(30/5)	86.2*	3541	10,302	82	40.5
Service-option loan	(56/3)	50.0‡	7284	12,082‡	76	43.3
Resident support	(38/3)	51.4*	4062†	10,958	57‡	50.8
Loan repayment	(138/14)	73.3	5422*	10,681	91†	48.0
Direct financial incentive	(68/4)	75.4	4410	9911‡	64	55.5†

*$P \leq 0.05$;
†$P \leq 0.01$;
‡$P \leq 0.001$; 2-tailed t-test, chi-square, and Kruskal-Wallis comparisons of nonobligated versus obligated physicians, and comparisons of physicians in each program type versus obligated physicians in all four other types of programs.

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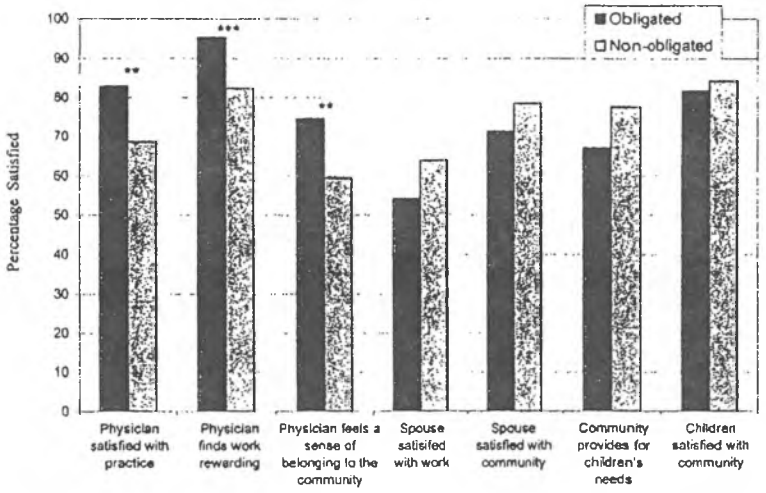

* $p \leq .05$; ** $p \leq .01$; *** $p \leq .001$

FIGURE 2. Satisfaction and needs fulfillment of physicians and their families serving in all state programs combined (n = 330) compared with nonobligated physicians (n = 368)

A remarkable 90.2% of obligated physicians indicated that they likely would enroll in their program if they had it to do all over again, including 64.2% who indicated that they definitely would do so. Differences across programs were found only for physicians in scholarship compared with loan repayment programs in which 47% versus 71% of physicians indicated that they would definitely sign up again ($P = 0.01$).

We explored the relationships between the buyout costs that programs levied and physicians' satisfaction, again finding associations only for medical student-targeted programs. When service-option loan and scholarship programs charged more than simple principal plus interest to buyout, most measures of physician satisfaction were lower, including fewer participants reporting, in retrospect, a definite willingness to commit to their programs again (36% vs. 65%, $P = 0.04$).

Retention

Obligated physicians remained longer in their service practices than nonobligated physicians remained in their first jobs after training (hazard ratio [HR] for leaving, 0.70; 95% confidence interval [CI], 0.51–0.96; $P = 0.029$) (Table 2). Respective group retention rates from life tables at 2 years were 92% versus 77%, at 4 years 71% versus 61%, at 6 years 59% versus 55%, and at 8 years 55% versus 52%. Retention tended to be better for obligated physicians than nonobligated physicians even after adjusting for group differences in physicians' specialties and demographics, although the differ-

TABLE 2. Comparison of the Retention of State-Obligated versus Nonobligated Physicians

	Hazard Ratio	*P* Value	95% Confidence Interval
Model 1 (unadjusted)			
Obligated vs. nonobligated	0.70	0.029	(0.51–0.96)
Model 2 (adjusted)			
Obligated vs. nonobligated	0.75	0.080	(0.53–1.03)
Family physician vs. internist	0.91	0.688	(0.58–1.43)
Pediatrician vs. internist	0.80	0.533	(0.40–1.61)
Male vs. female	0.76	0.190	(0.50–1.15)
Married vs. unmarried	0.75	0.270	(0.46–1.25)
Age when physicians began serving obligations	1.01	0.675	(0.95–1.08)

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ence fell under the threshold of statistical significance (P = 0.08).

Among the 5 types of service-requiring programs, the longest group retention was seen for loan repayment recipients, 66% of whom remained in their service sites 8 years after starting work there, with a hazard ratio of departure compared with all other programs = 0.46 (95% CI, 0.30–0.70; P <0.001) (Fig. 3). Retention was shortest for resident support programs (HR, 6.72; 95% CI, 4.05–11.12; P <0.002). Scholarship participants demonstrated the second shortest retention (HR relative to service-option loan, loan repayment and direct incentive programs, 1.96; 95% CI, 0.97–3.97; P = 0.061).

Programs' buyout penalties were associated with retention, but once again only in scholarship and service-option loan programs, wherein penalties above simple principal plus interest were associated with lower odds of retention at 4 years (odds ratio, 12.4; P = 0.012).

DISCUSSION

Outcomes for states' support-for-service programs as a group were generally quite positive. Programs as a whole placed physicians in small and needy rural towns and counties, where physicians estimated that almost half of their patients were covered by Medicaid or were without health insurance. Physicians who served in these state programs were generally more satisfied with their work and communities and remained in their service sites longer than nonobligated "mainstream" generalists. We do not believe that the jobs and communities where these physicians served were inherently more pleasing; rather, we suspect that the benevolence of individuals who commit to and then fulfill service requirements predisposes them to find particular satisfaction from work that they believe in.[25,26]

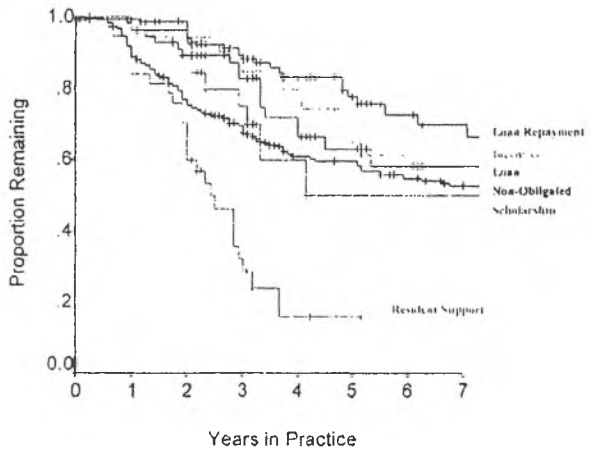

FIGURE 3. Retention of obligated physicians within their service practices: Kaplan-Meier estimations by type of program and compared with nonobligated physicians

Loan repayment and direct financial incentive programs enjoyed the greatest successes among the various program types, confirming the wisdom of recruiting physicians at the end of their training.[11] Financial buyout penalties were generally not used or needed in these programs, because their service completion rates were excellent without financial threats. Several program directors spoke of how much easier loan repayment and financial incentive programs are to administer than student-targeted programs, in which program staff must monitor participants during their training and deal with the many who buy out.[10,27] Direct financial incentive programs demonstrated an interesting niche among the program types, supporting physicians who often owned their practices, often in particularly needy settings.

Despite positive outcomes for programs overall, this study confirmed some commonly held concerns about scholarship programs. Very high penalties do seem to cut buyout rates by one third,[7] but penalties of any amount were associated with lower physician satisfaction and shorter retention. Contrary to claims,[12] state scholarship program participants did not work in demonstrably needier settings than participants of other programs. Studies of the NHSC Scholarship Program have similarly found that its participants do not serve in needier settings than those in the NHSC Loan Repayment Program.[11,27] The Congressional Government Accounting Office (GAO) and NHSC further similarly concluded that the NHSC Loan Repayment Program achieved better outcomes—higher service-completion rates, greater satisfaction, and longer retention—than the NHSC Scholarship Program, and also at a lower cost.[11,15,28]

The affordable buyout terms of student service-option loan programs allowed half of their participants to opt out of service, but the half who did serve were satisfied and long retained. Service-option loans could play an important complementary role to programs that target graduates, appealing to aspiring medical students who might otherwise choose not to pursue a medical career rather than assume the typical $100,000+ debt in traditional education loans. To embrace loan programs with service options, states must accept that it is not fatally undesirable for some participants to satisfy their loan contracts financially rather than with service. Indeed, most medical students fund their education with traditional loans, like the Health Education Assistance Loans (HEAL), where there is no option or enticement for service.[9] Concerns that too many physicians buyout of loan-for-service programs leaving too few available for shortage communities can be addressed quite readily by making more awards up front, costing programs nothing more because nearly all who opt not to serve repay their loans with interest.

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Limitations and Unanswered Questions

Some of this study's data were self-reported and thus vulnerable to reporting inaccuracies. Directors provided figures on their programs' default and buyout rates and likely used a variety of methods to determine these rates. We are unaware, however, of any systematic inaccuracies likely to have biased our principal findings.

Some directors of scholarship and service-option loan programs who otherwise cooperated with our study would not provide the physician-specific information we needed to survey their participants, citing federal confidentiality protections of administrative data collected on students.[29] Given the demonstrated similarities between participating and nonparticipating programs, most importantly in the service completion rates of their participants, we do not suspect that the lower participation rates of student programs biased our outcomes. However, if less successful student programs withheld participants' names to hide their weaknesses, then loan repayment and direct incentive programs could actually be relatively even *more* successful than we judged (ie, bias, if present, was toward the null).

We had wanted to assess program costs and cost-effectiveness but program directors could not provide complete or comparable cost data. We also did not assess the experiences of physicians who signed up with these programs but chose not to serve.

We had no validated criteria on which to judge how often state-obligated physicians work in the very neediest settings, because states have not substantiated their site eligibility criteria and current federal criteria are inadequate.[30,31] Nonetheless, because some state programs use very broad site eligibility criteria, it is very likely that some obligated physicians do not work in the neediest areas.[5,32]

CONCLUSIONS AND RECOMMENDATIONS

As a whole, states' support-for-service programs bring physicians to needy communities where they find satisfying work caring for at-risk patient populations and remain for many years. Of all program types, the loan repayment and direct financial incentive forms, which target physicians after training, show the broadest successes. The successes of these state programs warrant their continued support and perhaps expansion to remedy the continuing maldistribution of physicians.

ACKNOWLEDGMENTS

The authors are grateful to the many state program directors, program staff, and participating physicians who provided data for this study. The authors thank the indispensable contributions of Kathleen Crook, MPA, to the data management aspects of this study, and the contributions of Tim Henderson, MSPH, of the National Conference of State Legislatures and James Bernstein, MHA, and Thomas Tucker of the NC Office of Rural Health and Resources Development to our understanding of these state programs and interpretation of the data. The authors also thank the fellows of UNC's National Research Service Award Primary Care Research Fellowship for their thoughtful suggestions on various drafts of this paper. This study was funded by grant R01-HS09165 from the Agency for Healthcare Research and Quality.

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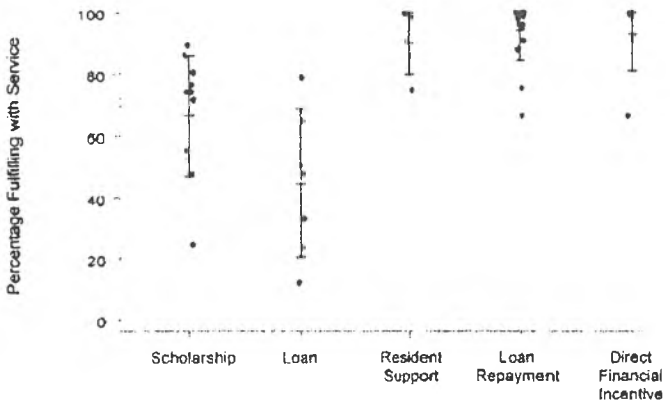

Bars denote group means +/- standard deviations

FIGURE 1. Percentage of recent physicians in each program (°) who fulfilled their obligations with service, grouped by program type.

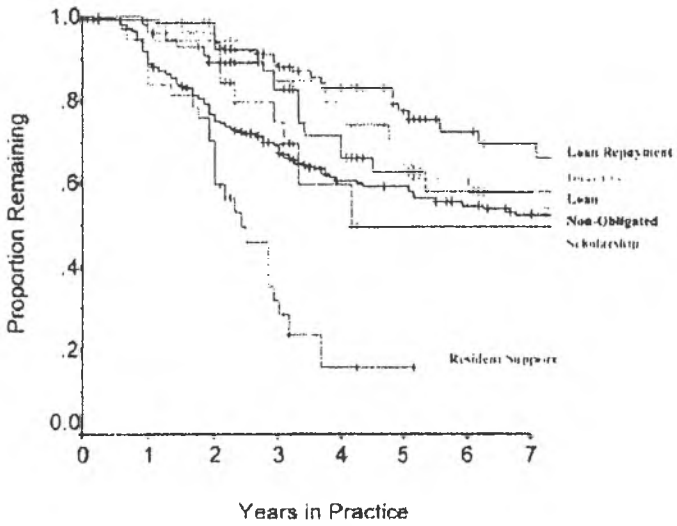

FIGURE 3. Retention of obligated physicians within their service practices: Kaplan-Meier estimations by type of program and compared with nonobligated physicians

STATE OF ALASKA
DEPT. OF HEALTH & SOCIAL SERVICES

Alaska Commission on Aging

SEAN PARNELL, GOVERNOR

P.O. BOX 110693
JUNEAU, ALASKA 99811-0693
PHONE: (907) 465-3250
FAX: (907) 465-1398

February 9, 2011

Representative Bob Herron
Alaska Capitol, Room 411
Juneau, AK 99801-1182

Subject: Support for HB 78, Incentives for Certain Medical Providers

Dear Representative Herron:

The Alaska Commission on Aging (ACoA) supports for HB 78, a bill to establish a loan repayment program to build Alaska's health care workforce by increasing the recruitment and retention of targeted health care professionals in urban and rural, underserved communities. This bill is authored by you and co-sponsored by Representative Edgmon.

Alaska, as with the rest of the nation, is experiencing a shortage of health care workers as fewer students are entering the health care profession and many of those already working in health care are preparing for retirement. Alaska is one of five states that does not offer a state-sponsored loan repayment program for health care professions. As a result, our hospitals, clinics, and communities lose potential health care workers to other states that incentivize their workforce with loan repayment programs.

Access to quality health care is a priority for all Alaskans and a critical need for people age 65 years and older. Older Alaskans benefit from regular health care services which enhance their overall health and decrease the need for more expensive, intensive treatment and emergency visits.

Alaska continues to lead all states with the fastest growing senior population currently comprising about 12 percent of our state's population and is projected to increase by five to six percent each year until 2020. The graying of Alaska's population is creating substantial shifts for workforce, particularly in the health care and long-term support service sectors, as demand increases and providers are reaching retirement age. If older Alaskans are unable to find a health care provider, they may be forced to leave the state in search of access to health care professionals. As a result, Alaska could suffer from a loss of retirees, who contribute more than $1.7 billion to the state's economy in addition to their significant volunteer service, caregiving activities, and community leadership.

ACoA supports HB 78 and believes that the proposed legislation will help to build a qualified health care workforce who will be available to meet the health care needs of older Alaskans. Please feel free to contact Denise Daniello, ACoA's executive director, by phone (465-4879) or email (denise.daniello@alaska.gov) should you have questions or require additional information about our position. Thank you.

Sincerely,

Sharon Howerton-Clark
Chair, Alaska Commission on Aging

Sincerely,

Denise Daniello
ACoA Executive Director

ALASKA
PRIMARY CARE ASSOCIATION

RESOLUTION 2011-02
Health Care Professionals Incentive Program

WHEREAS the Alaska Primary Care Association strives toward the goal of a healthy population, it recognizes that a robust health care workforce is necessary to provide adequate health care access for all Alaskans and is a key ingredient in improving the public health of all Alaskans; and

WHEREAS Alaska is competing nationally for the finite pool of available health care professionals; and Alaska is suffering from labor shortages in most health care occupations,[1] demonstrated by the fact that most of the state is designated either a Health Professional Shortage Area or a Medically Underserved Area,[2] and these shortages are particularly acute for primary care "safety net" agencies; and

WHEREAS a common state-level response to these pressures is the use and state funding of financial inducements, collectively known as support-for-service programs (SFSPs), and good outcomes have been achieved with these,[3] and national studies have determined loan repayment programs and incentive programs to be two of the most effective of the several SFSP strategies in terms of both recruitment and retention of new providers and experienced providers respectively;[4] and

WHEREAS Alaska does not have a robust SFSP while most other states do, many have several, and some of those are growing, and these SFSP assist with the geographic and specialty distributions of providers in these states;[5] and

WHEREAS it is well-established that many health professionals carry a heavy debt-burden from the date of graduation and are attracted to locations where a share of that burden can be relieved; and

WHEREAS for areas in the state where providers are required to work in professional isolation due to remote settings, direct incentives are needed to attract more experienced health care providers who do not carry debt and are considered desirable placements, and direct incentives can also be used to recruit and retain recent graduates who can use the incentives to pay student loans; and

WHEREAS the State of Alaska is making positive and important strides to reduce the health care workforce shortage administering a small, newly created federally and AMHTA and CHC funded program called SHARP (Supporting Health-care Access through loan Repayment), Alaska also needs a state-designed and state-controlled program to allow us to address our unique needs and help us be more competitive with other states in drawing candidates: ensuring an adequate number of provider slots, providing for certain health care professional categories not included in SHARP that are in shortage, allowing for greater flexibility in placements, and offering incentives to experienced providers without student loans as well as recent graduates with student loans; and

WHEREAS in 2006, the Alaska Physician Supply Task Force recommended specific strategies and action steps to assure an adequate supply of physicians to meet Alaska's need, including creation of a SFSP, and the 2007 Alaska Workforce Vacancy Study and the 2005-2006 Status of Recruitment Resources and Strategies (SORRAS II) point to the need for a state loan repayment and incentive program; and

903 W. Northern Lights Blvd., Suite 200, Anchorage, AK 99503-2400
main: 907.929.2722 fax: 907.929.2734 www.alaskapca.org

ALASKA PRIMARY CARE ASSOCIATION

WHEREAS a proposal submitted to the Alaska Primary Care Council by DHSS Health Planning and Systems Development recommends that "Alaska create a 'Health Care Professions Loan Repayment Program'"[6] based on the following logic;

> Reported increasing vacancy rates, increasing costs of recruitment [SORRAS report,] and comparisons with national norms [PSTF report] suggest that Alaska (per DHHS March 2009 data 7,) currently experiences a shortage of healthcare professionals, and, that shortages exist in several key occupational categories.
>
> Loan repayment programs have demonstrated substantial and longstanding success as a public strategy which has helped to rectify such shortages;[8]

WHEREAS, the Alaska Health Care Commission, in its 2009 Report / 2010-2014 Strategic Plan entitled "Transforming Health Care in Alaska," recommends as a goal to the Governor and Legislature the following: "Develop the health care workforce.....[by] increas[ing] the supply of primary care physicians by supporting educational loan repayment and financial incentives for recruitment" and later explained in its report:

> [O]ther strategies to improve recruitment and retention of physicians from outside Alaska must be considered. Support-for-Service programs offer an important recruitment and retention tool for states. These programs provide current or future health practitioners with educational scholarships, educational loans, repayment of educational loans, or direct monetary incentives in return for a contractual obligation with the practitioner to serve a period of service in a needy area.
>
> Loan repayment and financial incentive programs are the most popular form of support-for-service programs, as studies document service obligations established at the beginning of a practitioner's educational process (through a scholarship or loan) are less effective in terms of achieving the desired recruitment outcome as are loan repayment and financial incentive programs. Another benefit of loan repayment and financial incentive programs is that the return is immediate.

WHEREAS Having experienced providers on staff helps overall retention and recruitment, and many providers are reaching retirement age with no current incentives in place to keep these providers in the workforce beyond retirement age; and

WHEREAS federal health reform law permits state funding used for loan repayment to be tax exempt;

THEREFORE BE IT RESOLVED that the Alaska Primary Care Association supports the creation of a state-sponsored "Health Care Professionals Incentive Program," and recommends that the program include a provision that will allow incentives used for loan repayment to be tax exempt, and will advocate for the necessary authorizing and fiduciary legislation.

DONE AND DATED THE 16th DAY OF September IN THE YEAR 2010

SIGNED BY

Sonia Handforth-Kome
Board President, Alaska Primary Care Association

903 W. Northern Lights Blvd., Suite 200, Anchorage, AK 99503-2400
main: 907.929.2722 fax: 907.929.2734 www.alaskapca.org

ALASKA
PRIMARY CARE ASSOCIATION

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903 W. Northern Lights Blvd., Suite 200, Anchorage, AK 99503-2400
main: 907.929.2722 fax: 907.929.2734 www.alaskapca.org

Alaska Pharmacists Association

February 1, 2011

Representative Bob Herron
Alaska State House State Capitol Room 411
Juneau, AK 99801

RE: Support for HB 78
Alaska Health Care Professions Loan Repayment & Incentive Program

Because the health care workforce shortage in Alaska is reducing health care access for our state's residents, putting Alaskans in jeopardy, the Alaska Pharmacists Association strongly supports the concept of a state-sponsored loan repayment and incentive program to allow Alaska to compete with the lower 48 in recruitment of providers from a limited and shrinking national pool.

"The Mission of the Alaska Pharmacists Association is to preserve, promote and lead the profession of pharmacy in Alaska."

With alarming and rising vacancy rates, Alaska is posed for a crisis without intervention. Alaska is one of only six states without a state-sponsored support-for-service program such as a loan repayment and incentive program and is losing ground. The competition for recruitment of providers is very difficult. Currently only 2% of medical students nationally are choosing the primary care field; more than 90 pharmacists vacancies exist in Alaska; many communities have inadequate access to dentists; physician assistants and nurse practitioners are increasingly difficult to recruit; nurses, dental hygienists, psychologists, LCSWs (licensed, clinical social workers), and physical therapists are all in short supply in Alaska.

Based on statistics provided by Laura Miller, PhD, Senior Economist with the National Association of Chain Drug Stores, the national average of community pharmacists per 10,000 people is 5.36. For Alaska, the figure is 3.35. To get to the national average, Alaska would need an additional 137 pharmacists. The average number of people per community retail pharmacy is about 5,300 nationally, and in Alaska it is 8,900. Even if you add in the 15 Indian Health Service (IHS) pharmacies, Alaska's pharmacies average about 7,500 people, much higher than the national average.

The Health Care Professions Loan Repayment & Incentive Program proposal brings to the table an important part of the solution to the workforce shortage Alaska faces. The proposal was developed after careful review of national studies of best practices for workforce recruitment and retention and input from stakeholders statewide, including consideration of factors unique to Alaska. More cost-efficient and results-producing than other methods, loan repayment and incentives have been shown to effectively help alleviate shortage problems in other states. The proposed program designed for Alaska will provide much needed relief for our state.

Respectfully,

Nancy O. Davis
Executive Director

E-mail: akphrmcy@alaska.net

203 W. 15th Ave., Suite 100 • Anchorage, Alaska 99501 • (907) 563-8880 • (907) 563-7880

Iliuliuk Family and Health Services, Inc.

P.O. Box 144
Unalaska, Alaska 99685

Phone: (907) 581-1202
Fax: (907) 581-2331

Re: Support for HB 78 Incentives for Certain Medical Providers

February 9, 2011

Dear Senate and House Members of the Alaska State Legislature:

Because the health care workforce shortage in Alaska is reducing health care access for our state's residents, Iliuliuk Family and Health Services, Inc. (IFHS) strongly supports HB 78 to establish a loan repayment and incentive program to allow Alaska to compete with the lower 48 in recruitment of providers from a shrinking national pool.

Our organization, IFHS, is the only comprehensive service provider for medical, dental and behavioral health services within 800 air miles of Unalaska. We are remote, and we frequently find that we are unable to compete with "lower 48" medical practices for providers, since we also cannot compete effectively with salaries. State loan repayment options for our providers would help us offer a competitive package.

With alarming and rising vacancy rates, Alaska is posed for a crisis without intervention. Alaska is one of only a handful of states without a state-sponsored support-for-service program such as a loan repayment and incentive program and is losing ground. The competition for recruitment of providers is very difficult. Currently only 2% of medical students nationally are choosing the primary care field; more than 90 pharmacists vacancies exist in Alaska; many communities have inadequate access to dentists; physician assistants and nurse practitioners are increasingly difficult to recruit; nurses, dental hygienists, psychologists, licensed certified social workers, and physical therapists are all in short supply in Alaska.

It takes IFHS over a year to recruit a single doctor; six months to recruit a behavioral health specialist, and the last time we recruited a dentist, it took us four years to do so. We cannot recruit RNs – until July of 2009, we had two open RN positions for over two years, and currently have one RN position that has been open for over four years. We fill this position with locums RNs, but far prefer a full-time staff RN for consistency of care to our patients. A state-sponsored support-for-service program would help make our recruitment package more appealing and more competitive.

The Professions Loan Repayment & Incentive Program proposed in HB 78 provides an important part of the solution to the workforce shortage Alaska faces. The proposal was developed after careful review of national studies of best practices for workforce recruitment and retention and input from stakeholders statewide, including consideration of factors unique to Alaska. More cost-efficient and results-producing than other methods, loan repayment and

incentives have been shown to effectively help alleviate shortage problems in other states. HB 78 establishes a loan repayment and incentive program customized for Alaska and will provide much needed relief for our state.

IFHS supports HB 78 and urges passage of this important legislation. Your active steps to assure the establishment of the Alaska Health Care Professions Loan Repayment & Incentive Program are greatly appreciated.

Respectfully,

Sonia Handforth-Kome
Executive Director

MAT-SU HEALTH FOUNDATION

950 E. Bogard Road, Suite 218 • Wasilla, AK 99654
Phone: (907) 352-2863 • Fax: (907) 352-2865
www.matsuhealthfoundation.org

February 18, 2011

The Honorable Bob Herron
AK House of Representatives
State Capitol Room 411
Juneau AK, 99801

Dear Rep. Herron:

Please accept this letter of support for HB 78. The Mat-Su Health Foundation (MSHF) is a 501c3 that owns part of the Mat-Su Regional Medical Center. We invest revenues from our local hospital into grants to improve the health of Mat-Su residents. MSHF's mission is to improve the health and wellness of Alaskans living in Mat-Su, with the goal to become the healthiest borough in the state of AK by 2017. We have four strategies to reach this goal. One strategy is to reduce barriers to healthcare access.

One key barrier to access is the lack of healthcare professionals to deliver healthcare services. On the acute care side, building a new hospital has helped our community attract qualified physicians, specialists, and nursing and technical staff to deliver the quality care our Mat-Su residents need and deserve. MSRMC spends thousands of dollars annually to recruit these professionals, most of them from out-of-state—especially for hard to fill positions for pharmacists, physical therapists, occupational therapists, and others for which there is no professional education within the state of AK.

Until the needed clinician is recruited, the hospital still has to deliver that quality care. In the interim, it hires "travelers" from out of state with the credentials to fill these needed slots. MSRMC spent $6,447,814 on contract labor from 2004 through 2010 on temporary health professionals from outside AK to fill current needs. And that is probably one of the lowest expenditures for contract labor of hospitals in the state. Because we have a relatively new hospital in a growing community, we have had great success in recruiting. So believe it or not, this $6.4 million is low by industry standards.

Despite what MSRMC is doing, MSHF is still concerned this workforce barrier is limiting access Mat-Su residents have to primary care in particular. We're doing our part by offering scholarships to Mat-Su residents pursuing education for a career in healthcare and are giving away $100,000 this year. It's not enough, and it's not nearly as effective as loan repayment and incentive programs.

We've been studying the various ways to either educate our young adults here in healthcare professions or encourage our young adults to return to AK to work after getting their education outside or ways we could incentivize healthcare professionals to return or move to Alaska to provide services in local clinics and hospitals to Alaskan citizens. National studies have determined loan repayment and incentive programs to be two of the most effective strategies in terms of both recruitment and retention. I've attached a resolution passed by the MSHF Board of Directors in support of the State's investment in a loan repayment and incentive program. This offers more details about the workforce needs in Mat-Su.

MAT-SU HEALTH FOUNDATION

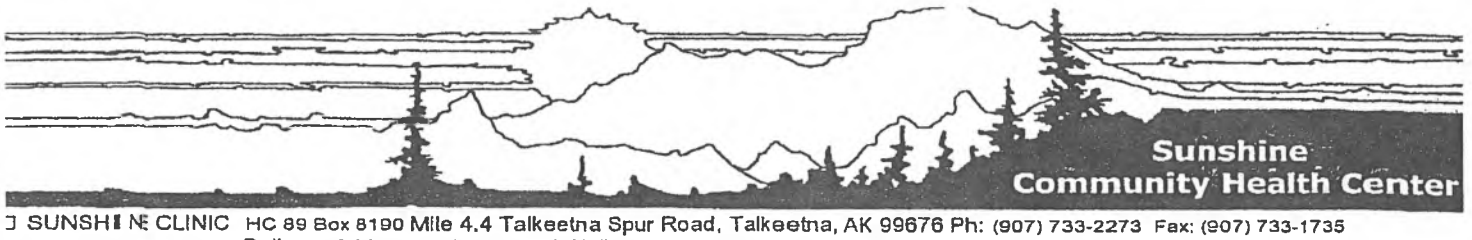
950 E. Bogard Road, Suite 218 • Wasilla, AK 99654
Phone: (907) 352-2863 • Fax: (907) 352-2865
www.matsuhealthfoundation.org

I commend you for closely watching the state budget and looking critically at state spending. An investment in a loan repayment and incentive program is just that—an investment. And it has a phenomenal return. Every doctor that moves to our state represents a new business, one that employs receptionists, nurses, bookkeepers, accountants, technicians, etc. Every healthcare professional we recruit will generate jobs and income to our state—an incredible return on investment. Please make this return possible by passing HB 78.

Sincerely,

Elizabeth Ripley

Elizabeth Ripley
Executive Director
Mat-Su Health Foundation



☐ SUNSHINE CLINIC HC 89 Box 8190 Mile 4.4 Talkeetna Spur Road, Talkeetna, AK 99676 Ph: (907) 733-2273 Fax: (907) 733-1735
Delivery Address: 34300 South Talkeetna Spur Road
☐ WILLOW CLINIC P.O. Box 1049 - Mile 67 Park Hwy - Willow, AK 99688 Ph: (907) 495-4100 Fax: (907) 495-4106
Delivery Address: 11203 N. Nancy Lakes Parkway

February 9, 2011

Representative Robert Herron
State Capitol
Juneau, AK

Dear Representative Herron,

I am writing you regarding HB 78

As executive director for the Sunshine Community Health Center, I cannot tell you how valuable a loan repayment and incentive program is to recruiting potential medical and dental providers.

It took Sunshine 20 months (December 2008 – August 2010) to hire a new dentist and while there were other obstacles (i.e. licensing for one) which hampered our efforts, loan repayment was the number one question asked by candidates. In March of 2009, we began a search for a medical provider, which last 6 months, 70% of the candidates interviewed said loan repayment was critical in their choice of employment. During those six months, we were forced to employ a locum rather than reduce clinic days or hours, which would have been a hardship to the rural and remote patients we see. The cost in hiring a locum is 35% more than hiring a permanent provider.

While Alaska certainly has a lot of offer we cannot compete with clinics and centers in the lower 48 if the playing field is not level. One-way to even the playing field is to approve and fund a loan and incentive program in Alaska.

I urge you to support this bill because without and even playing field we place clinics in a position of having to scale back hours as they search for months for new providers. At a time when clinics in Alaska are seeing a shift in patient needs seeing more uninsured, Medicare and Medicaid patients we cannot afford to close or reduce hours at the expense of good patient care.

Sincerely,

Sharon Montagnino
Executive Director

cc: Regan Mattingly, AKPCA

Representative Herron

Alaska State Legislature

Juneau, Alaska 99801

March 2nd, 2011

Re: A Pharmacist's Support for HB 78

Dear Representative Herron,

I am a pharmacist from south Florida who relocated in September 2010 to work in rural southeast Alaska. I would appreciate the opportunity to share my story and subsequent support for HB 78.

After putting myself through a bachelors in environmental science, I decided to move back into my parent's home to begin repaying my nearly twenty thousand in student loans. During this time I became very involved with a local children's hospital and nursing home. This volunteer work inspired me to return to college to pursue a career in pharmacy. I was accepted at one out of state and two private colleges of pharmacy. I knew any choice would result in massive student loans accrued during the four years required for a Doctor of Pharmacy degree. Therefore, I choose a local private college, which allowed me to economize by continuing to live with my parents.

A week after graduating pharmacy school in May 2008, I was married. Despite various extraordinary efforts to contain debt, my student loan total had grown to roughly two hundred thousand. My husband and I felt a great responsibility to begin aggressively repaying my student loans in order to prepare for a family. As a result, I did not defer my loans to complete a residency and subsequently enter a more sought-after field of pharmacy. Rather, I entered the very demanding field of retail pharmacy. I spent two years working fulltime at an independent retail pharmacy and as a relief pharmacist at another pharmacy in Florida. I have come to value and respect the vital role a local retail pharmacist has in counseling and advising patients, collaborating with practitioners, seeking innovative ways to meet individual patient's needs (i.e. compounding medications), and often serving as a listening friend. It is a physically demanding and emotionally draining, but richly rewarding by the relationships built with patients.

In September 2010, my husband and I relocated to Prince of Wales Island to work at an independent retail pharmacy. We have seen firsthand the vital role this pharmacy plays in the community and overall health of the residents. Professionally, I have been enriched by working in a pharmacy with such a strong focus on serving and challenged by the multiple unique services the pharmacy offers to help patients, the community, and state. Part of my employment has been dedicated to expanding these services. For example, I have arranged for pharmacy students to come from other states to complete educational rotations at the pharmacy and the pharmacy plans to participate in the state safe medication disposal program. In addition, my husband and I have thoroughly enjoyed become a part of the Prince of Wales community. My husband has become a volunteer firefighter, joined a community volleyball team, assisted a local domestic violence organization with financial matters, and is leading the technology improvement efforts of a local church. I have had the privilege of starting a gymnastic program at the city recreation center with nearly sixty participants in four classes, I am assisting in the formation of the Prince of Wales Behavioral Health Coalition, and I was recently elected to serve on the Board of Directors for the Alaska Pharmacists Association.

My husband and I would like to remain on Prince of Whales Island long-term, but there are costs involved with staying and the burden of my student loans forces us to be very cautious with our choices. From my perspective, HB 78 would be a powerful incentive to draw pharmacists to Alaska and encourage retention. I have witnessed much legislation that is well intentioned, but often a significant portion ends up benefiting or rewarding those who have not necessarily made the hard choices. In contrast, I personally found HB 78 to be distinctive. The reason for this is twofold: First, HB 78 will attract medical professionals to Alaska and rural areas in particular, thus benefitting the underserved in these areas. Second, HB 78 will actually assist those who have made the continuous rigorous sacrifices of time, energy, and finances to enter the medical profession in an effort to give of themselves in the service of others.

Thank you for your time and consideration!

Sincerely,

Dr. Julie McDonald

ANCHORAGE FAITH & ACTION • CONGREGATIONS TOGETHER

AFACT

March 10, 2012

The Honorable Bob Herron
Alaska House of Representatives
State Capital Room 411
Juneau, AK 99801

Dear Rep. Herron:

Please accept this letter of support for HB78 on behalf of the Anchorage organizing ministries of Lutheran Church of Hope and Central Lutheran Church. Both are members of AFACT (Anchorage Faith and Action--Congregations Together). For many months, leaders from each congregation have joined together, responding to concerns we have heard with regard to the struggle of seniors to find, keep, and be retained by primary care doctors.

We support HB78 because we hope it will provide an incentive for more primary care doctors to come to the state and treat seniors 65 and over. Our joint organizing ministry is grateful that the supporters of this bill recognize that the struggle for equal access to healthcare providers is not limited to the rural areas of our state. In our one-to-one conversations with seniors in Anchorage, we have heard many stories of concern and fear about the lack of primary care doctors.

The new Medicare clinics have temporarily alleviated some of this stress, however the senior population is growing. ISER has projected that by 2020 the number of Medicare recipients in Alaska will more than double, likely outgrowing the clinics. In our state, being in or near an urban center does not mean you have access to primary care.

We hope that this committee and the House will act in sympathy and solidarity with *all* our underserved populations, including and especially Medicare recipients in the Anchorage Bowl.

Sincerely,

Rev. Julia Seymour

The Rev. Julia Seymour
Pastor, Lutheran Church of Hope

Alaska Academy of Physician Assistants

Re: Support for HB 78 Incentives for Certain Medical Providers

March 21, 2011

Dear Representative Herron and Members of the Alaska State Legislature:

Because the health care workforce shortage in Alaska is reducing health care access for our state's residents, the Alaska Academy of Physician Assistants strongly supports HB 78 to establish a loan repayment and incentive program to allow Alaska to compete with the lower 48 in recruitment of providers from a shrinking national pool.

With alarming and rising vacancy rates, Alaska is posed for a crisis without intervention. Alaska is one of only six states without a state-sponsored support-for-service program such as a loan repayment and incentive program and is losing ground. The competition for recruitment of providers is very difficult. Currently only 2% of medical students nationally are choosing the primary care field; more than 90 pharmacists vacancies exist in Alaska; many communities have inadequate access to dentists; physician assistants and nurse practitioners are increasingly difficult to recruit; nurses, dental hygienists, psychologists, licensed clinical social workers, and physical therapists are all in short supply in Alaska.

The Alaska Health Care Professions Loan Repayment & Incentive Program provides an important part of the solution to the workforce shortage Alaska faces. The proposal was developed after careful review of national studies of best practices for workforce recruitment and retention and input from stakeholders statewide, including consideration of factors unique to Alaska. More cost-efficient and results-producing than other methods, loan repayment and incentives have been shown to effectively help alleviate shortage problems in other states. HB 78 establishes a loan repayment and incentive program customized for Alaska and will provide much needed relief for our state.

The Alaska Academy of Physician Assistants supports HB 78 and urges passage of this important legislation. Your active steps to assure the establishment of the Alaska Health Care Professions Loan Repayment & Incentive Program are greatly appreciated.

Respectfully,

Robert Thomas

Robert Thomas, MPAS, PA-C, ATC
Board President, Alaska Academy of Physician Assistants

4450 Cordova Street, Suite 110, Anchorage, AK 99503 ♦ Phone: (907) 646-0588 ♦ Fax: (907) 562-8641
Email: info@akapa.org ♦ Website: www.akapa.org

AARP Alaska
3601 C Street
Suite 1420
Anchorage, AK 99503

T 1-866-227-7447
F 907-341-2270
TTY 1-877-434-7598
www.aarp.org/ak

February 28, 2012

The Honorable Bill Stoltze, Co-Chair
House Finance Committee
Alaska Capitol, Room 515
Juneau, AK 99801-1182

The Honorable Bill Thomas, Co-Chair
House Finance Committee
Alaska Capitol, Room 505
Juneau, AK 99801-1182

RE: HB 78 (Herron)--Support

Dear Co-Chairs Stoltze and Thomas:

On behalf of the members of AARP in Alaska, we encourage you and your colleagues on the House Finance Committee to support HB 78, authored by Representative Bob Herron and co-sponsored by your Committee colleague Representatives Edgmon as well as Representatives Feige, Millet, and Tuck.

The intent of HB 78 is to provide incentives for health care providers, especially for expertise that is in short supply in Alaska as well as to secure providers in our many underserved geographic areas.

AARP approaches HB 78 from the standpoint of the customer. Our members are the group most likely to need health care services and are often the first ones to face critical health care problems because they cannot find a provider.

You are well aware of our health care workforce shortages in Alaska. If our members cannot find a health provider, the results can be bad for them as well as for the state.

Postponing a needed health visit often results in health deterioration and, in many cases, more intense and more expensive treatment. With an increase in providers, our members are more likely to seek prevention and early treatment. The overall health status of older Alaskans will improve.

However, if our members cannot find a health care provider, Alaska will be the loser.

As you know, prior to 1990 many older Alaskans left the state after retirement because they could not count on finding medical facilities and providers to meet their needs.

This trend reversed and now Alaska has the highest percentage of older people who decide to stay in their home state after retirement. The economic value of these retirees is estimated at over $1.7 billion.

We want our citizens to stay here after retirement. The most significant determination of where retirees decide to live is the availability of quality health care. We must have an adequate health care workforce if we are going to keep older Alaskans in our state.

HB 78 will go a long way in helping us secure that workforce.

AARP recommends an "AYE" vote on HB 78.

Should you have any questions about our position, please feel free to contact me (586-3637) or Patrick Luby, AARP Advocacy Director (907-762-3314).

Thank you for your consideration.

Sincerely,

Marie Darlin

Marie Darlin, Coordinator
AARP Capital City Task Force
415 Willoughby Avenue, Apt. 506
Juneau, AK 99801
586-3637 (voice)
463-3580 (fax)

CC: Vice-Chair Fairclough
Representative Costello
Representative Edgmon
Representative Joule
Representative Neuman
Representative T. Wilson
Representative Doogan
Representative Gara
Representative Guttenberg
Representative Herron

American Dental Hygienists' Association

Re: Support for HB 78—Incentives for Certain Medical Providers

March 7, 2011

Dear Representative Herron and Members of the Alaska State Legislature:

The Alaska State Dental Hygienists' Association (ASDHA) supports House Bill 78 to establish a loan repayment and incentive program. This legislation addresses the shortage of certain health care professionals in the state and will increase the number and improve the distribution of health care professionals that provide direct patient care.

Alaska is one of only six states without a state-sponsored support-for-service program such as a loan repayment and incentive program. The proposal was developed after careful review of national studies of best practices for workforce recruitment and retention and input from stakeholders statewide, including consideration of factors unique to Alaska. More cost-efficient and results-producing than other methods, loan repayment and incentives have been shown to effectively help alleviate shortage problems in other states. This legislation would allow Alaska to compete with other states in the recruitment of numerous providers and help fill the alarming number of vacancies that exist.

House Bill 78 provides incentives for dental professionals, including dentists and dental hygienists. While current practice act limitations exist for direct patient care by dental hygienists, we are hopeful HB 78 will attract more dentists and dental hygienists to our state and to rural communities. With up to eighteen dental hygiene students graduating from Alaska universities yearly, we believe HB 78 would provide an additional incentive for them to stay.

The ASDHA supports HB 78 and urges passage of this important legislation. Your active steps to assure the establishment of the Alaska Health Care Professions Loan Repayment & Incentive Program are greatly appreciated.

Respectfully,

Gail Walden

Gail Walden, RDH, BSDH
Alaska State Dental Hygienists' Association

Liz Clement

From: Jim Towle [JTowle@akdental.org]
Sent: Tuesday, March 08, 2011 2:05 PM
To: Rep. Bob Herron
Subject: Support for HB-78

Rep. Herron:
On behalf of the Alaska Dental Society, I'm writing to ask for your support of HB-78 Incentives for Certain Medical Providers.
If our small and rural communities are going to succeed in attracting the services of private practice dentists, Alaska will need these types of assistance to recruit practitioners. My office received a request recently from a dentist looking to relocate in Ketchikan who would treat primarily Medicaid eligible children. A resource that is needed in many small Alaskan communities, but because of student loans was asking what type of assistance is available in Alaska. HB-78 would help us ensure that Alaska could compete with other states that offer generous incentives for healthcare providers.
Your support for HB-78 is appreciated.

Jim Towle

Executive Director
Alaska Dental Society – Pursuing policies that enhance the dental profession and the well-being of Alaskans

The information contained in this e-mail communication from the Alaska Dental Society Executive Director may be confidential and is for the use of the intended recipient(s) only. If you are not the intended recipient(s), or an authorized employee or agent responsible for delivering it to the intended recipient(s), the dissemination, distribution or reproduction of this communication or its contents (including any attachments) is strictly prohibited. If you have received this communication in error, please notify me immediately by telephone or reply e-mail and permanently delete it and any copies from your system and files.

(o) 907-563-3003 (f) 907-563-3009 (e) itowle@akdental.org

From: David Logan [mailto:drdave@acsalaska.net]
Sent: Thursday, March 31, 2011 7:58 AM
To: Representative_Alan_Austerman; Representative_Anna_Fairclough; Representative_Bill_Stoltze; Representative_Bill_Thomas; Representative_Bryce_Edgmon; Representative_Mike_Doogan; Representative_Mike_Hawker; Representative_Tammie_Wilson; Representative_Mia_Costello@legis.state.ak.us; Representative_Reggie_Joule; Representative_David_Guttenberg; Representative_Les_Gara
Cc: Representative_Bob_Herron
Subject: HB78

Members of the House Finance Committee

The Alaska Dental Society urges you to support HB78, Incentives for certain Medical Providers.

HB78 will provide financial incentives to encourage health care providers to provide care in underserved areas. The underserved areas, primarily in rural Alaska, face chronic shortages of health care providers and will continue to do so without incentives. The Dental Health Aide Therapist (DHAT) program run by ANTHC has helped provide needed dental services but given the limited scope of treatment provided has still left a need for dentists in rural Alaska. Economics of scale and the high cost of building a dental clinic make it unlikely towns with less than 2000 in population will have a private dentist.

46 other states have recognized the difficulty in requiting dentists into underserved areas and have one or more programs in their states to provide encouragement. Unfortunately that leaves Alaska as one of only 4 states without such a program. New dentists frequently graduate with $200,000+ in school debt and consequently make their location choices based on the ability to repay these loans.

HB78 coupled with the economic package provided by the ANTHC subsidiaries and the FQHCs (Federally Qualified Health Centers) will provide an economic incentive for new graduates – and possibly other dentists – to provide care in underserved areas.

David Logan
Legislative Chair, Alaska Dental Society

Liz Clement

From: Mary Sullivan [msullivan@akeela.org]
Sent: Monday, March 07, 2011 3:43 PM
To: Rep. Bob Herron
Cc: Shelley Hughes
Subject: HB 78

Re: Support for HB 78 Incentives for Certain Medical Providers

March, 07, 2011

Dear Representative Herron:

Thank you for your tireless work on behalf of Alaskans and their best interests. My name is Mary Sullivan and I'm the program manager of the Seniors Behavioral Health Coalition, facilitated by Akeela Inc. The SBHC is made up of senior service providers, senior citizens, private business and state and tribal entities and is dedicated to prevent older adult behavioral health problems, as well as to ensure the full continuum of care for this population. Because the health care workforce shortage in Alaska is reducing health care access for our state's residents, the Senior Behavioral Health Coalition strongly supports HB 78 to establish a loan repayment and incentive program to allow Alaska to compete with the lower 48 in recruitment of providers from a shrinking national pool.

The members of the SBHC feel that ensuring health care access especially to seniors is a key protective factor against the development of behavioral health problems in later life. HB 78 would help to recruit qualified providers both in primary care, and in the ancillary services (such as social work) that are often needed with the medically fragile and those experiencing chronic conditions, such as those that many older adults experience. Access early and often to these ancillary and primary care services means that the development of more costly diseases and behavioral problems are more likely to be prevented. However, with the workforce shortage, access to much needed services is extremely impeded and in some cases impossible. Older adults already face challenges with access to primary care due to the reimbursement rates of Medicare, and the workforce shortage makes it doubly difficult for our elders, who worked very hard all their lives, to get the health care they need and have earned the right to deserve. Therefore, the SBHC feels that HB 78 is a wise choice for Alaska with its aging population, and is also a fiscally responsible role for government to fill in helping make Alaska a desirable place of work for these hard to fill health care positions.

With alarming and rising vacancy rates, Alaska is posed for a crisis without intervention. Alaska is one of only six states without a state-sponsored support-for-service program such as a loan repayment and incentive program and is losing ground. The competition for recruitment of providers is very difficult. Currently only 2% of medical students nationally are choosing the primary care field; more than 90 pharmacists vacancies exist in Alaska; many communities have inadequate access to dentists; physician assistants and nurse practitioners are increasingly difficult to recruit; nurses, dental hygienists, psychologists, licensed clinical social workers, and physical therapists are all in short supply in Alaska.

The Alaska Health Care Professions Loan Repayment & Incentive Program provides an important part of the solution to the workforce shortage Alaska faces. The proposal was developed after careful review of national studies of best practices for workforce recruitment and retention and input from stakeholders statewide, including consideration of factors unique to Alaska. More cost-efficient and results-producing than other methods, loan repayment and incentives have been shown to effectively help alleviate shortage problems in other states. HB 78 establishes a loan repayment and incentive program customized for Alaska and will provide much needed relief for our state.

The Senior Behavioral Health Coalition supports HB 78 and feels it is an important and needed piece of legislation. Your work on behalf of Alaska's seniors is very appreciated.

Respectfully,

ary Sullivan
gram Manager
Seniors Behavioral Health Coalition
Akeela Inc
msullivan@akeela.org
907-565-1214 (office)

Alaska Native
Tribal Health Consortium

Administration · 4000 Ambassador Drive · Anchorage, Alaska 99508 · Phone: (907) 729-1900 · Fax: (907) 729-1901 · www.anthc.org

POSITION PAPER

CONTACT: Valerie Davidson, Senior Director
Legal and Intergovernmental Affairs
Through Pat Jackson, State Liaison for Alaska Native Health
523-0363 – paiackson@anthc.org

DATE: March 7, 2011

RE: HB-78 – Incentives for Certain Medical Providers

POSITION: Support

ANTHC is a tribally controlled, non-profit, statewide tribal health organization formed pursuant to federal law to provide medical and community health services for more than 130,000 Alaska Natives. ANTHC is part of the Alaska Tribal Health System (ATHS), which is owned and managed by the 229 federally recognized tribes in Alaska and by their respective regional health organizations.

ANTHC and Southcentral Foundation jointly manage the Alaska Native Medical Center (ANMC), the tertiary hospital of the ATHS located in Anchorage. ANMC hospital and SCF clinic facilities together employ 161 physicians, 37 dentists and 509 nurses, along with many more employees working in health-related professions. We face the same workforce challenges as our partner health organizations, competing with employers in the Lower 48 to recruit and retain a quality workforce.

Current reports prepared by the Indian Health Service on physician positions within the tribal system and by Alaska tribal facilities on nursing positions provide a good snapshot of workforce challenges. These challenges are even greater for rural sites that also experience higher turnover rates. One significant issue not included in the reports is the aging population of our current providers.

Profession	*Positions Authorized*	*Vacancies*	*Percentage*
Physicians – statewide	305	59	19%
Physicians – ANTHC/SCF	168	17	10%
RN – statewide	900	133	15%
LPN – statewide	107	25	23%
APN – statewide	137	38	28%

Ideally we would grow our own health professionals in numbers that would meet our workforce needs, and we have made progress over the years. The tribal health system offers internships and scholarships that bring some of our best and brightest to the medical field. More Alaska Natives are choosing Medical and Dental careers; a University of Alaska Anchorage program, Recruitment and Retention of Alaska Natives into Nursing, is graduating Alaska Native nurses; many of our Community Health Aides have built on their basic training opportunities to prepare for advancing careers; and the Dental Health Aide Program is graduating students who fill a need for dental health services and patient education. We are inching forward, but more work needs to be done. Experienced providers are needed now to meet the needs of our patient/owners while we work to grow our own. They are also needed as preceptors and role models to students.

HB 78 is a strategy to attract skilled health professional to Alaska jobs. It would work in tandem with other efforts as Alaska's health provider community work to provide quality care to our residents. ANTHC urges your favorable consideration and passage of HB 78 to help us turn the corner on Alaska's health care workforce.

Alaska State Medical Association

4107 Laurel Street • Anchorage, Alaska 99508 • (907) 562-0304 • (907) 561-2063 (fax)

March 31, 2011

Honorable Bill Stoltze
Honorable Bill Thomas Jr.
Co-Chairs
State of Alaska
House of Representatives
Finance Committee
Room 519
State Capitol
Juneau, AK 99801

Re - HB78 - Recruitment Incentives for Certain Health Care Professionals

Dear Representatives Stoltze & Thomas:

The Alaska State Medical Association (ASMA) represents physicians statewide and is primarily concerned with the health of all Alaskans.

ASMA strongly supports HB78. It was one of the stakeholders that came together to develop the concept for loan repayment and direct incentive program proscribed in HB78. This measure will provide for an effective recruitment tool for physicians as well as other health care professionals in short supply.

Alaska competes with all other states in the recruitment of an ever shrinking pool of physicians practicing general internal medicine or family medicine. Currently only about 2% of medical school graduates are choosing general internal medicine or family medicine residencies. 46 of those states with whom Alaska competes for these physicians already have a loan repayment or direct incentive program.

HB78 will help to solve Alaska's chronic and acute (in certain practice specialties) physician workforce shortages. Those practice specialties include family medicine, general internal medicine, psychiatry and general surgery.

HB78 is needed to help put Alaska on a more level playing field with other states trying to recruit for the same limited and shrinking supply of physicians needed to provide the care. Obviously, by attracting and keeping physicians in the State, the people of Alaska have better access to health care; but not so obvious is that our physician community is an important "economic engine" that materially contributes to a stronger state economy.

ASMA urges you and the other members of the House Finance Committee to support HB78 and to expeditiously take action to ensure enactment of this critical measure.

Sincerely,

By: James. J. Jordan, Executive Director
For: The Alaska State Medical Association.

SEARHC
SouthEast Alaska Regional Health Consortium
Your Partner in Health

Ethel Lund Medical Center
3245 Hospital Drive, Juneau, AK 99801
907.463.4040 - www.searhc.org

Re: Support for HB 78 Incentives for Certain Medical Providers

March 4, 2011

Dear Representative Herron and Members of the Alaska State Legislature:

Because the health care workforce shortage in Alaska is reducing health care access for our state's residents, the SEARHC Ethel Lund Medical Center strongly supports HB 78 to establish a loan repayment and incentive program to allow Alaska to compete with the lower 48 in recruitment of providers from a shrinking national pool.

The SEARHC Ethel Lund Medical Center provides comprehensive outpatient care to Alaska Native/Native American patients in the Juneau area (over 6,000 active patients). We have found recruitment of healthcare providers to be extremely challenging, including physicians, physician assistants, pharmacists, physical therapists, optometrists, and other healthcare professionals. Almost all potential applicants request loan repayment.

With alarming and rising vacancy rates, Alaska is posed for a crisis without intervention. Alaska is one of only six states without a state-sponsored support-for-service program such as a loan repayment and incentive program and is losing ground. The competition for recruitment of providers is very difficult. Currently only 2% of medical students nationally are choosing the primary care field; more than 90 pharmacists vacancies exist in Alaska; many communities have inadequate access to dentists; physician assistants and nurse practitioners are increasingly difficult to recruit; nurses, dental hygienists, psychologists, licensed clinical social workers, and physical therapists are all in short supply in Alaska.

The Alaska Health Care Professions Loan Repayment & Incentive Program provides an important part of the solution to the workforce shortage Alaska faces. The proposal was developed after careful review of national studies of best practices for workforce recruitment and retention and input from stakeholders statewide, including consideration of factors unique to Alaska. More cost-efficient and results-producing than other methods, loan repayment and incentives have been shown to effectively help alleviate shortage problems in other states. HB 78 establishes a loan repayment and incentive program customized for Alaska and will provide much needed relief for our state.

The SEARHC Ethel Lund Medical Center supports HB 78 and urges passage of this important legislation. Your active steps to assure the establishment of the Alaska Health Care Professions Loan Repayment & Incentive Program are greatly appreciated.

Respectfully,

Janice Sheufelt, MD

Janice Sheufelt, MD
Clinic Administrator/Medical Director

School of Social Work
UNIVERSITY of ALASKA ANCHORAGE

3211 Providence Drive
Anchorage, Alaska 99508-4614
T 907.786.6900 • F 907.786.6912
socialwork.uaa.alaska.edu

3/11/2011

TO: House Health and Social Services Committee
Chair: Representative Wes Keller
Members:
Representative Dick
Representative Herron
Representative Seaton
Representative Cissna
Representative Miller
Representative Millett

RE: HB 78 Incentives for Certain Medical Providers

Dear Committee Members,

The purpose of this letter is to strongly support HB 78 and encourage you to push this important legislation forward for passage. The University of Alaska Anchorage has developed a distance delivered Master of Social Work program to make it possible for Alaskans to remain in their communities while they earn an advanced degree in social work. Our graduates reside in rural communities throughout the state, serving some of Alaska's most vulnerable citizens. Unfortunately, these graduates often carry excessive student loan debt as they move into social work jobs. Department of Labor data indicates the average master's level social work graduate earns approximately $43,100/year. Our students often carry over $60,000 in student loan debt. HB 78 will assist Licensed Clinical Social Workers (LCSW) to repay their student loans while motivating them to seek employment in "shortage priority" areas.

Please feel free to give me a call if you have any questions about the distance MSW program and supporting graduates to repay their loans.

Sincerely,

Elizabeth A. Sirles, PhD, Director
School of Social Work

Ray Andreassen, DO
HC 60 Box 4860
Delta Junction, AK 99737
February 16, 2011

To whom it may concern:

I am the long-time owner operator of Family Medical Center in Delta Junction, and I am writing to express my full support of Representative Herron's HB 78 Incentives for Certain Medical Providers.

Family Medical Center is one of the many facilities servicing rural communities that would greatly benefit from this measure. Recruitment and retention is one of the paramount hurdles in providing consistent quality care in rural Alaska.

I urge you to move forward on the approval of HB 78 Incentives for Certain Medical Providers.

Sincerely,

Ray Andreassen, DO

Liz Clement

From: Gretchen Clarke [gretchensclarke@gmail.com]
Sent: Monday, March 07, 2011 10:10 AM
To: Rep. Bob Herron
Liz Clement
Subject: HB 78 Incentives for health workforce providers

Dear Representative Herron,

I am writing in support of HB 78 Incentives for Health Workforce Providers.

As you know, Alaska is 1 of 5 states without a state-sponsored program and communities, clinics, and hospitals in Alaska lose candidates daily to other states because we don't have a program. For every dollar spent, there is a 100% return on state investment: every penny spent will mean a practitioner was filling a vacancy in Alaska. Unlike other loan programs and scholarship proposals which target students in training, HB 78 targets professionals who are ready to work immediately – and targets seasoned professionals (incentive portion of program) so greatly increases size of candidate pool; will make Alaska highly competitive (traditional loan repayment programs target only recent graduates with student debt – a smaller pool)
Without action, Alaska will face ongoing recruitment costs and high locum tenens costs due to high turnover, and the length of vacancies will continue to increase health care costs in Alaska. Without action, Alaska will continue to trend toward a public health crisis in pockets of the state; and without action, Alaska can expect increased ER use, increased Medivac use, increased Medicaid travel costs, and increased costs associated with chronic disease.
Thank you for your continued support of HB 78.

Sincerely,
Gretchen Clarke
Sitka, AK

--
Gretchen S. Clarke, MPH
gretchensclarke@gmail.com

Liz Clement

From: Jay Dexter [Jay.Dexter@comconnections.org]
Sent: Tuesday, March 08, 2011 3:15 PM
To: Liz Clement
Subject: letter to support HB 78

March 8, 2011

TO: House Health and Social Services Committee
Chair: Representative Wes Keller
Members:
Representative Dick
Representative Herron
Representative Seaton
Representative Cissna
Representative Miller
Representative Millett
RE: HB 78 Incentives for Certain Medical Providers

writing in support of HB 78. Passing this bill would be instrumental in ensuring that rural communities such as where I am ly working to have the incentives that would draw and retain professional clinical social workers that would remain and or join ies that desperately require these workers to help provide the highest quality of services for the community they serve. HB 78 l a provide incentives for community members to seek continuing education to enhance their ability to become qualified .s in their home community. As a Clinical Social Worker who has seen the need for services and know of the need for be able to remain working in these rural areas any extra incentives would benefit retention while reducing the financial itions that this type of education requires.

egards

exter LCSW
unity Connections
ikan, Alaska

Jay Dexter
Community Connections
(907) 225-7825

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Liz Clement

From: Rachel Gearhart [Rachel@jamhi.org]
Sent: Tuesday, March 08, 2011 2:45 PM
To: Rep. Bob Herron
Cc: Liz Clement
Subject: RE: HB 78 Incentives for Certain Medical Providers

I am writing in support of HB 78. Passing this bill would be instrumental in ensuring that rural communities have a hook to attract qualified social workers. More importantly HB 78 provides an incentive for community members to seek continuing education to enhance their ability to become qualified practitioners in their home community. As a member of the Alaska Chapter of the National Association of Social Workers, one of our goals is to continue to grow the profession within Alaska, HB 78 would provide one tool to further this goal and bring qualified social workers and other health professionals to the state and allow them to stay. We know this is an expensive state to live in and yet one of the most needy in terms of resources. HB78 just makes sense.

I appreciate the committee's willingness to hear the bill and we look forward to its movement through the political process.

Best Regards,

Rachel Gearhart, LCSW

Rachel Gearhart, LCSW
Intake Specialist
Juneau Alliance for Mental Health, Inc.
3406 Glacier Hwy
Juneau, AK 99801
(907) 463-3303

JAMHI
Juneau Alliance for Mental Health, Inc.

"We help adults with mental illness live their own best lives"

*The information contained in this transmission is privileged and confidential. It is intended only for the use of the individual entity named above. This information has been disclosed to you from records protected by federal and state confidentiality rules. These rules prohibit you from making any further disclosure of this information unless further disclosure is expressly permitted by the written consent of the person to whom it pertains, or as otherwise permitted by federal rules 42 CFR Part 2. A general authorization for the release of medical or other information is not sufficient for this purpose.

Liz Clement

From: Naomi Harris [Naomi@jamhi.org]
Sent: Wednesday, March 09, 2011 8:42 AM
To: Liz Clement
Subject: FW: Practitioner support for HB 78 Incentives

From: Naomi Harris
Sent: Wednesday, March 09, 2011 8:41 AM
To: 'Representative_Bob_Herron@legis.state.ak.us'
Subject: Practitioner support for HB 78 Incentives

RE: HB 78 Incentives for Certain Medical Providers

I am writing in support of HB 78. Passing this bill would be instrumental in ensuring that rural communities have a hook to attract qualified social workers. More importantly HB 78 provides an incentive for community members to seek continuing education to enhance their ability to become qualified practitioners in their home community. As a member of the Alaska Chapter of the National Association of Social Workers, one of our goals is to continue to grow the profession within Alaska, HB 78 would provide one tool to further this goal.

Additionally, on a personal note, my goal as an Alaska Native has always been to provide services and support for the community that supported my professional growth. In that vein, as a young person I traveled to the lower 48 to gain education and experience I could bring back to my home community in Alaska. However, the return was a more difficult decision since there were fewer Support-for-Service opportunities in Alaska while the state requires more continued education credits for practitioners to remain licensed. I value my accreditation and am committed to maintaining my license. I feel it affords clients and my community assurance that they are getting the best support possible. I would truly value any programs that can financially support this work and enabling other practitioners to provide their own best services for communities in need.

I appreciate the committee's willingness to hear the bill and we look forward to its movement through the political process.
Best Regards,

Naomi Harris, LCSW
Behavioral Health Clinician
Juneau Alliance for Mental Health, Inc.
3406 Glacier Highway
Juneau, AK 99801

Phone: (907) 463-3303
Email: naomi@jamhi.org
Fax: (907) 586-3877

"We help adults with mental illness live their own best lives"

March 31, 2011

Dear House Finance Committee members:

March is Social Work Appreciation Month – and a wonderful time to hold a hearing on an important bill impacting my profession's future, HB 78.

My name is Marie Lavigne and I am a licensed clinical social worker, board certified in oncology and a proud alumni of the University of Alaska School of Social Work, where I earned my degree and student loans. As I will be serving patients at the Cancer Center during your hearing, I am submitting written testimony to express my support for HB 78.

As Chair of the UAA School of Social Work Community Advisory, I want to express our support of efforts such as HB 78, to develop creative incentives to help fill the gap in countless vacant health care provider positions – which include masters trained, clinical licensed social workers and other health professionals across Alaska.

Like most of my colleagues who earned an MSW at the University of Alaska, student loans helped to pay my tuition. Graduate financing for my beloved field of practice is very limited. Despite considerable fundraising by our UAA Social Work Advisory and community partners over the years to endow several scholarships (average award $500), bachelor and masters trained social workers finance their own education. In fact, I have refinanced my loans to make them affordable till I am age 65. It's rather discouraging, that I will be paying my own loans while trying to finance my children's higher education and save for my retirement, in a field such as social work that offers modest salaries. Incentives such as loan repayment can help make the investment of education and service to the community a win-win for students, professionals and communities.

As you will hear in testimony by countless providers today, we have a growing health care shortage that is being compounded by an age wave bringing with it retirements of experienced health care professionals compounded by increased demand for care of our elders and Alaskans living with chronic or life limiting health conditions, such as cancer.

In response to this health care challenge, HB 78 creates the Alaska Health Care Professions Loan Repayment and Incentive Program which offers a valuable solution for Alaska. This can help quickly reduce the shortage by filling vacant health care provider positions throughout the state with both new and experienced health care professionals. It's an important investment the Alaskan legislature can make this session.

Alaskans continues to learn and develop their professional skills in health care in Alaska. Let's invest in this valuable sector of the economy through HB 78.

Thank you for your vote in favor of HB 78.

Marie J. Lavigne, LCSW, OSW-C
4161 Patterson Circle Anchorage, Alaska 99504
907-240-2482 rie@acsalaska.net

March 8, 2011

TO: House Health and Social Services Committee
Chair: Representative Wes Keller
Members:
Representative Dick
Representative Herron
Representative Seaton
Representative Cissna
Representative Miller
Representative Millett

RE: HB 78 Incentives for Certain Medical Providers

I am writing in support of HB 78. Passing this bill would be instrumental in ensuring that rural communities have a hook to attract qualified social workers. More importantly HB 78 provides an incentive for community members to seek continuing education to enhance their ability to become qualified practitioners in their home community. As a board member of the Alaska Chapter of the National Association of Social Workers, one of our goals is to continue to grow the profession within Alaska, HB 78 would provide one tool to further this goal.

I appreciate the committee's willingness to hear the bill and we look forward to its movement through the political process.

Best Regards,

Clover Simon, MSW
South Central Representative
NASW of Alaska Board
Clover.simon@gmail.com
907-240-7449

Sam Trivette
7870 Glacier Hwy.
Juneau, AK. 99801

March 30, 2011

The Honorable Bill Thomas, Co-Chair
The Honorable Bill Stoltze, Co-Chair
House Finance Committee
Alaska State Capitol, Room 519
Juneau, Alaska 99801-1182

RE: CS HB 78 [HSS]

Dear Co-Chairs Thomas and Stoltze:

I have lived in Alaska since 1954 and plan to stay here the remainder of my days. I supported HB 392 during the last legislative session, a bill very similar to HB 78. I support CS HB 78 and urge the Committee to support and move this legislation at its next hearing. The documents on BASIS show this bill enjoys wide support from numerous groups around Alaska.

Below is a partial list of the reasons I support CS HB 78. I had intended to testify in person before the Finance Committee, but a previously scheduled medical appointment conflicts with the Committee schedule.

- We need more medical practitioners in Alaska
- Many of our health care practitioners themselves are reaching retirement age
- This bill will make it possible for Alaska to attract new Health Care professionals. We are competing nationally for this talent. We want the incentives this bill provides to attract young Alaskans to go into the health care fields and return to Alaska with their skills
- Alaska has the fastest-growing senior population in the 50 states
- Retired seniors contribute about $1.7 Billion annually to the Alaska economy, including retirement and health care spending
- This spending generates nearly 15,000 year round jobs for residents all around Alaska
- Senior income from investments outside Alaska and other non-earned income flowing into Alaska, generate about 3,500 more jobs
- It has been exceedingly difficult to find a primary care practitioner in Anchorage or Fairbanks that will see a new Medicare patient. There were 25 in Anchorage in early 2009; in the spring of 2010, that number was down to 4 practitioners, all at the Neighborhood CHC. The recent opening of the Medicare clinic should help some

Representative Herron,
I want to urge you to support HB 78 to create a health care professions loan repayment and incentives program for Alaska. We struggle with access to care though out the state. As a dentist who has spent most of my career in Alaska working in rural communities, I have seen providers come and go. We need to do more to keep providers here and engaged with our communities. Financial incentives and loan repayments would help them to stay. There are a lot of financial benefits to providers working in other states, we need to make Alaska appealing and rewarding. HB 78 could help us meet the needs of our communities.

Mary E. Williard, DDS
Dental Health Aide Therapist Training Director
Alaska Native Tribal Health Consortium
Division of Community Health Services
University of Washington DENTEX Training Center
4200 Lake Otis Parkway, Suite 204
Anchorage, AK 99508
907-729-5602
Fax 907-729-5610
email: mewilliard@anthc.org
website: http://depts.washington.edu/dentexak/

If you would like to contribute to the DHAT Training program, please visit the Healthy Alaska Natives Foundation website at http://inspiringgoodhealth.org

Liz Clement

From: tom.hunt@providence.org
Sent: Tuesday, September 13, 2011 6:32 PM
To: Liz Clement
Subject: HB 78 Support - House Fin Subcommittee

Follow Up Flag: Follow Up
Flag Status: Flagged

Tom Hunt
3300 Providence Dr., Suite B-301
Anchorage, AK 99508-4671

September 13, 2011

Liz Clement
Rep. Herron Legislative Aide

Liz Clement:

As Medical Director for a community health center (ANHC) and now Chief Executive for Providence Medical Group, Alaska, I may have recruited more physicians to non-tribal, non-military practice than anyone in the state.

...oan repayment is always a high priority for recruits, and often is the critical difference in a successful recruiting engagement.

This is a problem in primary care, where there are too few trainees graduating, and now increasing competition for them as the nation wakes up to their value.

This is also a problem in urban specialty care, for example, psychiatry and pediatric subspecialties. While urban Anchorage isn't considered "underserved," many of these subspecialists serve the entire state.

Please support HB 78 so that we may compete. Successfully competing for healthcare professionals means serving our citizens at home.

Sincerely,

Tom Hunt, MD
907-212-8339

Liz Clement

From: janis.abbott@providence.org
Sent: Wednesday, September 14, 2011 8:07 AM
Liz Clement
Subject: HB 78 Support - House Fin Subcommittee

Follow Up Flag: Follow Up
Flag Status: Flagged

Jan Abbott
Area Health Education Center 3760 Piper Street #2040 Anchorage, AK 99508

September 14, 2011

Liz Clement
Rep. Herron Legislative Aide

Liz Clement:

Thank your for taking the time to meet and consider this important issue.
I understand the need to be fiscally conservative, but I see - everyday - the impact of our healthcare workforce shortage and am truly fearful for our future.

This bill is more cost-efficient and results-producing than other methods
- loan repayment and incentives have been shown to effectively help alleviate shortage problems in other states. The proposed program designed for Alaska will provide much needed relief for our state.

It will take a multifaceted effort to solve our healthcare workforces shortage - this bill is foundational to that effort.
Please help us touch the future!

Sincerely,

Jan Abbott

Re: Support for HB 78 Incentives for Certain Medical Providers

September, 12, 2011

Dear Members of the House Finance Subcommittee:

Because the health care workforce shortage in Alaska is reducing health care access for our state's residents, the UAA Department of Health Sciences Physician Assistant Program strongly supports HB 78 to establish a loan repayment and incentive program to allow Alaska to compete with the lower 48 in recruitment of providers from a shrinking national pool.

The mission of the UAA Department of Health Sciences Physician Assistant Program is to recruit and train PAs to work in underserved areas of Alaska. Our PA students graduate with a debt burden of over $100,000. HB 78 will add important financial incentives to allow our students to choose practices in primary care underserved settings.

With alarming and rising vacancy rates, Alaska is posed for a crisis without intervention. Alaska is one of only five states without a state-sponsored support-for-service program such as a loan repayment and incentive program and is losing ground. The competition for recruitment of providers is very difficult. Currently only 2% of medical students nationally are choosing the primary care field; more than 90 pharmacists vacancies exist in Alaska; many communities have inadequate access to dentists; physician assistants and nurse practitioners are increasingly difficult to recruit; nurses, dental hygienists, psychologists, licensed certified social workers, and physical therapists are all in short supply in Alaska.

The Alaska Health Care Professions Loan Repayment & Incentive Program provides an important part of the solution to the workforce shortage Alaska faces. The proposal was developed after careful review of national studies of best practices for workforce recruitment and retention and input from stakeholders statewide, including consideration of factors unique to Alaska. More cost-efficient and results-producing than other methods, loan repayment and incentives have been shown to effectively help alleviate shortage problems in other states. Alaska will realize a 100% return on state investment: every penny spent will mean a practitioner was filling a vacancy in Alaska.

The UAA Department of Health Sciences Physician Assistant Program supports HB 78 and urges passage of this important legislation. Your active steps to assure the establishment of the Alaska Health Care Professions Loan Repayment & Incentive Program are greatly appreciated.

Respectfully,

John Riley PA-C, MS
UAA Physician Assistant Program Coordinator

HB

89

<TARGET><BILL>HB 89</BILL><SUBJECT>HB
89</SUBJECT><COMM>SFIN27</COMM></TARGET>

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: HB 89
Fiscal Note Number:
Publish Date:

Identifier (file name): CSHB089(RES)-DNR-MLW-12-15-11
Title: EXTRACTION OF BEDLOAD MATERIAL
Sponsor: Rep. Seaton
Requester: (S) FIN

Dept. Affected: Natural Resources
Appropriation: Land & Water Resources
Allocation: Mining, Land & Water
OMB Component Number: 3002

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	***	***	***	***	***	***	***

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		***	***	***	***	***	***	***

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Fiscal note updated (1) to reflect changes made from the bill as introduced to the committee substitute (27-LS0334\B) adopted in House Resources and the conceptual amendment #1 made to that CS and (2) to reflect that certain erosion control projects that also contribute to flood mitigation could be included in the disposal of bedload material as it pertains to this bill. This is a new fiscal note form version for the second session of the 27th legislature. The appropriation and allocation have been changed to reflect the revised DNR structure.

Prepared by: Brent Goodrum, Director
Division: Mining, Land & Water
Phone: (907) 269-8501
Date/Time: 12/13/11 1:00 PM
Approved by: Daniel S. Sullivan
Department of Natural Resources
Date: 12/13/2011

SENATE FINANCE COMMITTEE REPORT

DATE: 4/15/11

FURTHER: Rules

DATE TURNED IN TO OFFICE: 4/15/12

Finance Committee considered CS FOR HOUSE BILL NO. 89(RES)

HB 89-EXTRACTION OF BEDLOAD MATERIAL

"An Act relating to the disposal of certain bedload material in conjunction with a flood mitigation plan."

and recommends:

[ ] be **replaced** with **SCS** _____ (_____) *[ ] Same Title [ ] Technical Title Change [ ] New Title/SCR No._____*

[ ] adopt **previous SCS** _____ (_____) *[ ] Same Title [ ] Technical Title Change [ ] New Title/SCR No._____*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DNR		X		4
DOT		X		5

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	Egan	✓			
	Olson			✓	
	Ellis	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓			

FISCAL NOTE

STATE OF ALASKA **BILL NO.** HB 89
2012 LEGISLATIVE SESSION

Analysis

This bill allows the Commissioner of the Department of Natural Resources (DNR) to offer for disposal bedload material within a river, lake, stream or coastal water (gravel, rock and other material) at below fair market value if disposal of that material enhances the effectiveness of a flood control project.

The Department already routinely sells bedload material at fair market value through its authority under AS 38.05.120. This bill would change the current fixed-fee structure ($/cubic yard) to a percent of profit royalty structure (not less than 12.5%) for the disposal of bedload material that enhances the effectiveness of a flood control project.

Reduction in revenue generated from the disposal of bedload material would be dependent upon the number of extraction sites approved under a site-specific flood mitigation plan and the volume of bedload material extracted from those sites. Additionally, the reduction in revenue from individual sales may be offset by the potential increase in the number of sales that would not have otherwise occured without this legislation. In either case, because the number of sites and volume of bedload material that might be extracted is at this time is unknow, the revenue impact is indeterminate.

Additionally, DNR will incur new costs for the review of each site-specific flood mitigation plan and review of net profit reporting after extraction. While DNR does not anticipate the proposed legislation will result in a significant increase in cost for any one project, the number of plans and sale applications that will be received is also indeterminate. The cumulative costs of receiving many applications may result in future supplemental budget requests.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **CSHB89**
Fiscal Note Number:
Publish Date:

Identifier (file name): HB89CS(RES)-DOT-SWDES-12-27-11
Dept. Affected: DOT&PF
Title: Bedload Material for Disposal for Flood Control
Appropriation: Design and Construction
Allocation: SW Design & Engineering Svcs
Sponsor: Rep. Seaton
Requester: S FIN
OMB Component Number: 2357

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	***	***	***	***	***	***	***

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		***	***	***	***	***	***	***

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated first session fiscal note to 2012 form.

Prepared by: Brenda Hewitt — Phone: (907) 465-4772
Division: Commissioner's Office — Date/Time: 12/20/11 4:30 PM
Approved by: Pat Kemp — Date: 12/28/2011
Deputy Commissioner

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSHB89

Analysis

The fiscal impact of this legislation cannot be determined by the Department of Transportation and Public Facilities. This bill requests consultation with a professional engineer with relevant experience to review plans for bed load material extraction. The Department of Transportation and Public Facilities has professional engineers and hydrologists on staff that may be used for determining how a project near a roadway or bridge might be undertaken so as not damage state infrastructure. We cannot determine how often this will occur, thus DOT&PF submits an indeterminate fiscal note.

CS FOR HOUSE BILL NO. 89(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered: 3/23/11
Referred: Finance

Sponsor(s): REPRESENTATIVE SEATON

A BILL

FOR AN ACT ENTITLED

"An Act relating to the disposal of certain bedload material in conjunction with a flood mitigation plan."

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

* **Section 1.** AS 38.05.872 is amended by adding new subsections to read:

(b) The commissioner may offer for disposal bedload material from an area subject to a site-specific flood mitigation plan approved by the commissioner under the terms in (d) of this section after making a finding that

(1) removal of the bedload gravel will offset future costs to the state that are attributable to flood damage;

(2) the sale of the bedload gravel under (b) - (e) of this section at a cost that may be below fair market value is in the best interests of the state; and

(3) removal of the bedload gravel will enhance the effectiveness of the flood mitigation plan in preventing a flood or minimizing flood damage.

(c) The commissioner may request a professional engineer with relevant

experience to review the plans for bedload material extraction.

(d) A person, other than the state or federal government or a political subdivision of the state, acquiring bedload material under a disposal authorized by the commissioner under this section shall comply with the terms and conditions established by the commissioner and pay to the department a royalty of not less than 12.5 percent of pretax profit calculated by subtracting from the value of the bedload material the actual direct costs of extricating, loading, and transporting the material to market, if applicable. The commissioner may adopt regulations that identify the method and means for determining the value of the bedload material and the costs that may be deducted for the purpose of calculating the amount to be paid to the state. In this subsection, "value" means the sales price of the material in a bona fide arm's-length transaction between unaffiliated parties or the sales price of the material had the material been sold in a bona fide arm's-length transaction between unaffiliated parties.

(e) In this section, "bedload material" means gravel, rock, and other material located below the plane of the ordinary high water mark or the mean high water mark of a river, lake, stream, or other coastal water.

*** Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to read:

REVISOR'S INSTRUCTION. The revisor of statutes shall change the catch line of AS 38.05.872 from "Disposition of state land for flood control projects" to "Disposition of state land and material for flood mitigation."

REPRESENTATIVE PAUL SEATON

SESSION ADDRESS
State Capitol Building
Juneau, Alaska 99801-1182
(907) 465-2689
Fax: (907) 465-3472
1-800-665-2689

INTERIM ADDRESS
345 W. Sterling Highway
Homer, Alaska 99603
(907) 235-2921
Fax: (907) 235-4008
1-800-665-2689

ALASKA STATE LEGISLATURE
House District 35

HB 89
Sponsor Statement

Weather related disasters have cost the State of Alaska $106,474,936 over the past twenty years according to the Department of Military and Veterans Affairs. One of the most persistent and costly problems for Alaska communities is the regular flooding of rivers. In many regions this flooding is caused by an accumulation of gravel in the river bed, and the severity of the flooding could be decreased by removal of the gravel.

HB 89 provides commercial operators with a financially achievable way to remove gravel and other material in a riverbed prone to flooding. Statute currently requires that the state receive fair market value for sales of its gravel. The Department of Natural Resources assesses fair market value of gravel statewide and charges an up-front per yard fee for gravel removed from state land. This includes all gravel below a river that is determined to be navigable. The current pricing for gravel varies statewide from $5.00 per yard in Cordova, to $3.25 per yard on the Kenai Peninsula, $3.00 in the Mat-Su Borough, and $2.50 in the Aleutian Islands. This fee inhibits commercial removal of gravel from rivers with regular flooding issues.

HB 89 allows the Department of Natural Resources to consider mitigation of state disaster expenses as part of the fair market value calculation, and to receive a percent of the profit that a private contractor receives for the sale of the gravel they have extracted. HB 89 establishes this level at 12.5% of profits, mirroring the royalty share that the state receives for its oil and gas resources. The percent of profit paid to the state is calculated after the cost of extraction, loading and transportation are subtracted.

http://www.RepPaulSeaton.com
Email: Rep_Paul_Seaton@legis.state.ak.us

REPRESENTATIVE PAUL SEATON

SESSION ADDRESS
State Capitol Building
Juneau, Alaska 99801-1182
(907) 465-2689
Fax: (907) 465-3472
1-800-665-2689

INTERIM ADDRESS
345 W. Sterling Highway
Homer, Alaska 99603
(907) 235-2921
Fax: (907) 235-4008
1-800-665-2689

ALASKA STATE LEGISLATURE
House District 35

Summary of changes between HB 89 and CSHB 89 (RES)

- **Page 1, Line 6**: changed wording from "approved flood control project" to "site-specific flood mitigation plan" to distinguish these site-specific plans from federally funded projects involving the Army Corps of Engineers.

- **Page 1, Line 14**: added sub (c) allowing the Commissioner of DNR to request a professional engineer with relevant experience to review site specific flood mitigation plans.

- **Page 2, Line 2**: added "other than the state or federal government or political subdivision of the state" to make it clear that the percent of profit payment for bedload material does not apply to government entities.

- **Page 2, Line 3**: added "shall comply with the terms and conditions established by the commissioner" to make clear that the agency has oversight on the bedload material disposal process.

http://www.RepPaulSeaton.com
Email: Rep_Paul_Seaton@legis.state.ak.us

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF MINING, LAND AND WATER
SOUTHCENTRAL REGION LAND OFFICE

FRANK H. MURKOWSKI
GOVERNOR

550 W. 7TH AVE., SUITE 900C
ANCHORAGE, ALASKA 99501-3577

August 1, 2006

Honored Customers

Re: **Unit Pricing Change for Purchase of Sand, Gravel and Rock Materials**
Material Sale Contracts on State-owned Land – Southcentral Region

Dear Customer:

The Department of Natural Resources, Division of Mining, Land and Water has conducted a telephone market survey of current prices for sand, gravel and rock materials in various geographic locations in Southcentral Alaska where the State offers materials for sale. The purpose was to determine current fair market value.

Per 11 AAC 71.090 (c), ADNR is expected to "periodically establish representative sales prices for materials that are an estimate of the material's fair market value." The new prices determined will be used as the fair market value unit price per cubic yard of materials in the material sale contracts issued for the right to extract sand, gravel or rock for all contracts and permits, per AS 38.05.110 through 38.05.120.

> **Fair Market Value** – Fair market value is defined in 11 AAC 71.090 as the "highest price described in terms of money, which timber or material would bring if offered for sale for a reasonable time in the open market by a seller willing, but not forced, to sell to a buyer willing, but not forced, to buy, both being fully informed of the purposes for which the timber or material is best suited."

We have determined the current unit price schedule for purchase of materials throughout the Southcentral Region. The price list is attached as "Cost per Cubic Yard of Sand, Gravel and Rock Information Sheet – 2007." These prices will be effective beginning **January 1, 2007.**

These prices will remain in effect until updated through a similar price analysis. If you have any questions please contact Susan Browne at 907-269-8560 or Susan_G_Browne@dnr.state.ak.us.

Sincerely,

Michael Sullivan
Acting Regional Manager

Encl: Cost per Cubic Yard of Sand, Gravel and Rock Information Sheet - 2007

Cost per Cubic Yard of Sand, Gravel and Rock Information Sheet – 2007

11 AAC 71.090

Parks Highway	**$3.00**	**MP 52 - Big Lake to MP 210 - Cantwell**
Glenn Highway	**$3.00**	**MP 61 - Sutton to MP 189 - Glennallen**
Mat-Su Borough	**$3.00**	**Areas Within the Political Boundary**
Kenai Peninsula – South of Portage Creek (Except those listed below)	**$3.25**	**Entire Peninsula**
Seldovia & English Bay	**$2.50**	**City Areas**
Valdez	**$1.50**	**City Limits to Richardson Hwy MP 19**
Richardson Highway	**$1.50**	**MP 19 - Valdez to MP 205 Gakona**
Kodiak	**$3.00**	**Entire Island**
Lake Clark Shorelands (Port Alsworth)	**$1.50**	**Lake Clark Area**
Bristol Bay Area	**$1.50**	**Entire Bay Area to False Pass**
Aleutians	**$2.50**	**Aleutian Islands beyond False Pass**
Kuskokwin \ Yukon Area	**$1.50**	**All River Corridors**
Cordova	**$5.00**	**Cordova Area**
Rock – For All of the Southcentral Region	**$3.00**	**All Southcentral Region**

Fact Sheet

Title: Material Sales in Alaska

Alaska Department of NATURAL RESOURCES
Division of Mining, Land & Water
February 2009

What is "Materials"?
Materials are sand, gravel, riprap, rock, limestone, slate, peat, and any other substances from the ground that are not applied for through the location system for mining claims (e.g. gold, silver, and other metals. Materials are measured and sold in cubic yards.

Where can I find materials on state land?
You can find information on material sites at the Department of Natural Resources (DNR) Public Information Center (PIC) offices listed at the end of this fact sheet. Often, sites that have already been used for extracting materials will be shown on state status plat maps. You may also do your own research to find new areas where you can extract materials. To get started, find the area in which you want to extract the materials. Use a USGS topographic map to determine what township, range and section your selected site is in. To determine if the site is on state-owned land, visit or contact the PIC.

How do I buy material on state land?
Determine the quantity of material you require from the site you have identified and request an application from the PIC.

Are there different types of state material sales?
Yes, there are three types of material sales.

- The first and smallest is a "limited" material sale which cannot be for more than 200 cubic yards per 12 month period per person. This is a revocable, nonexclusive contract for personal or commercial use.

- The second type is the "negotiated" sale, which generally cannot exceed 25,000 cubic yards per year per person or company. Material purchased under this type of sale can be sold or used for commercial purposes. The term of the sale is generally one year, but can be longer depending on circumstances.

- The third and larges is the "competitive" sale. The sale contract can be issued for an unlimited amount of material to be taken over many years. Award will be determined by public auction if there are multiple bidders for the same location. If no competitive interest is expressed during the public notification period, no auction is necessary and the sale can proceed to contract upon completion of the decision making process. Material purchased through competitive sale can be sold or used for commercial purposes.

What are the procedures for material sales?
If the material is located in an approved site, a limited material sale (200 cubic yards or less) can usually be issued over-the-counter at the Public Information Center.

For a negotiated material contract at an approved material site, the applicant must submit the following:

- A negotiated material sale application, environmental risk questionnaire, development plan, reclamation plan and a $100 application fee.

- Bonding deposit and insurance are requirements of a negotiated material sale contract. If approved the Division of Mining, Land & Water will then issue a contract to the applicant.

If a negotiated material or competitive contract is requested from a "new undeveloped site", a more involved public interest process must be followed. The process begins with agency review and a Coastal Zone Review if the project is within a coastal district.

Preliminary and final findings must be written and public notice given. The applicant is responsible for the cost of the public notice. These additional procedures take several months to process, depending on the complexity of issues and agency/public comments that must be addressed. Plan ahead; apply several months before you need to extract material.

What are the costs involved?
No filing or application fee is charged for a limited material permit, but negotiated and competitive sales contracts require a filing fee of $100.

The price charged for "limited" and small "negotiated" sales is set by the DNR, typically based on the fair market sales price of material in the area.

The amount charged for larger "negotiated" and "competitive" material sales (sales of more than 25,000 cubic yards) is generally based on a site-specific appraisal or an abbreviated appraisal called an "opinion of value". A "competitive" sale price is initially set by an appraisal, but may be raised during an auction if more than one person or company competes for the material.

NOTE: State regulations require the DNR to set a minimum "base price" which covers the cost of processing the contract. In no event can the amount charged for materials be less than this "base price".

USEFUL FACTS

- A full size pickup bed can hold approximately one cubic yard.
- A standard dump truck has a capacity of 10-12 cubic yards.
- The standard capacity of a belly dump is approximately 18-20 cubic yards.
- One Cubic Yard = 1.5 Tons (approximate)

Most negotiated material sales and all competitive sales require a business license, proof of insurance and a performance/reclamation bond. The bond will be refunded if all the terms of the sale contract are observed.

What happens when the material sale expires?
If you have met all the terms of the material sale contact, any bond will be refunded. If terms of the contract have been violated, penalties may be assessed against you. If you need to purchase more material, a new application must be submitted and processed by DNR in order to issue a new material sale contract.

Authority:
The applicable State statute and regulations include, but are not limited to: AS 38.05.110-120 and 11 AAC 71.

Where do I apply?
Material sale applications are available from and may be submitted to any of the DNR offices listed below.

DNR Public Information Center
550 West 7th Avenue, Suite 1260
Anchorage, AK 99501-3557
Phone: 907-269-8400
Fax: 907-269-8901

DNR Public Information Center
3700 Airport Way
Fairbanks, AK 99709-4699
Phone: 907-451-2700
Fax: 907-451-2706

DNR Public Information Office
400 Willoughby Street, 4th Floor
Juneau, AK 99801
Phone: 907-465-3400
Fax: 907-586-2954

Helpful Hints to Speed Processing

- Plan ahead; apply several months before you need to extract your material.
- If you have selected an existing material site used by the Department of Transportation and Public Facilities, obtain a written letter of non-objection from them and attach it to your application.
- If you will be applying for an extraction site within a wetland, river or stream you will need to contact the U.S. Army Corps of Engineers and the Department of Fish & Game Office of Habitat Management & Permitting (OHMP)

U.S. Army Corps of Engineers
Anchorage – 907-753-2712
Outside Anchorage - 1-800-478-2712
Fairbanks – 907-474-2166
Juneau - 907-790-4490

DF&G – OHMP
http://www.habitat.adfg.alaska.gov
Anchorage - 907-267-2342
Fairbanks - 907-459-7289
Juneau - 907-465-4105

Municipality of Skagway

GATEWAY TO THE KLONDIKE

P.O. BOX 415 SKAGWAY, ALASKA 99840

(PHONE) 907-983-2297 – Fax 907-983-2151

WWW.SKAGWAY.ORG

March 14, 2011

The Municipality of Skagway is in support of House Bill 89. This legislation is of vital importance to the river and coastal communities throughout the state of Alaska. Flood control is a Municipal responsibility and this legislation will allow communities to protect their infrastructure and in turn save money for the State.

Sincerely,

Thomas D. Cochran
Mayor
Municipality of Skagway, Alaska

Introduced by:	Mayor
Date:	02/15/11
Action:	Adopted
Vote:	9 Yes, 0 No, 0 Absent

KENAI PENINSULA BOROUGH
RESOLUTION 2011-010

A RESOLUTION SUPPORTING ENACTMENT OF HOUSE BILL 89 AUTHORIZING THE DEPARTMENT OF NATURAL RESOURCES COMMISSIONER TO OFFER BEDLOAD MATERIAL FOR FLOOD CONTROL PURPOSES IN EXCHANGE FOR A PERCENTAGE OF THE PROFIT FROM THE SALE OF THAT MATERIAL

WHEREAS, flooding is a serious problem in the Seward-Bear Creek area, where at least six major flooding events have occurred since 1986, causing millions of dollars in damage to private and public properties and infrastructure; and

WHEREAS, the Seward-Bear Creek area is subject to alluvial fan flooding hazards including high velocity floodwaters which can cause tremendous erosion, and carry large amounts of sediment and debris which fill stream beds and allow floodwaters to spread widely, threatening development over a broad area; and

WHEREAS, one problem encountered in mitigating losses from flooding that the borough, the City of Seward and the Seward-Bear Creek Flood Service Area ("SBCFSA") have attempted to address is the charge imposed by the State for gravel removed from stream beds under navigable water which rendered the level of removal needed infeasible due to the horrendous cost; and

WHEREAS, following the work of the flood plain task force established by the assembly in resolution 2009-005 a summit was held during October 2010 in Seward to bring the various involved parties together including the Department of Natural Resources ("DNR"), the City of Seward, the borough administration, the SBCFSA representatives, representatives from the Matanuska-Susitna Borough, the Corps of Engineers and other agencies; and

WHEREAS, one proposal presented at that summit was to support revisions to state statutes that would give the DNR commissioner the discretion to offer bedload material for disposal for flood control purposes in exchange for a percentage of profit from the sale of the material instead of a fixed permit fee; and

WHEREAS, Representative Seaton is sponsoring House Bill no. 89 which would amend AS 38.05.872 to grant such discretion to the commissioner; and

WHEREAS, support of House Bill 89 is consistent with the short term mitigation measures and goals of the SBCFSA Flood Hazard Mitgation Plan (May 2010); and

WHEREAS, support of House Bill 89 is consistent with section 2.12 Flood Mitigation Strategy 4 of Chapter 2.0 of the KPB All Hazard Mitigation Plan;

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. That the assembly supports HB 89 in its current form, which would grant the Department of Natural Resources Commissioner the discretionary authority to sell bedload material for flood control purposes from state land in exchange for a royalty based on a percentage of the pretax profit derived from the sale of such material.

SECTION 2. That copies of this resolution shall be forwarded to the Borough's Legislative Delegation Senators Cathy Giessel, Al Kookesh, Thomas Wagoner, and Gary Stevens, and Representatives Alan Dick, Mike Hawker, Kurt Olson, Mike Chenault, and Paul Seaton.

SECTION 3. That this resolution takes effect immediately upon its adoption.

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 15TH DAY OF FEBRUARY, 2011.

Gary Knopp, Assembly President

ATTEST:

Johni Blankenship, Borough Clerk

KENAI PENINSULA BOROUGH 1964

Yes:	Haggerty, Johnson, McClure, Murphy, Pierce, Smalley, Smith, Tauriainen, Knopp
No:	None
Absent:	None

City of Seward
P.O. Box 167
Seward, Alaska 99664-0167

Main Office (907) 224-4050
Facsimile (907) 224-4038

City of Seward, Alaska
1963 1965 2005
All-America City

February 7, 2011

The Honorable Paul Seaton
Alaska Legislature
State Capitol
Juneau, AK 99801-1182

Re: House Bill 89

Dear Representative Seaton,

This letter is written in support of House Bill 89, an Act authorizing the Commissioner of Natural Resources to offer bedload material for disposal for flood control purposes in exchange for a percentage of the profit from the sale of that material. On behalf of the City of Seward, please accept our thanks for your sponsorship of this important legislation.

As you are aware, removal of gravel from alluvial streams is essential for successful flood mitigation efforts. In many cases, however, the removal of bedload material does not occur because of the cost of removing gravel. This is a cost that increases when we remove bedload gravel from navigable streams. In those instances, our community pays twice; we pay a contractor to remove the gravel and then we also pay a royalty to the State for the gravel.

Your legislation makes it more affordable for a community to remove gravel from navigable streams for flood mitigation purposes. This is because contractors have an opportunity to profit from sale of the gravel thus reducing or eliminating the amount we would pay to the contractor. House Bill 89 also provides superior value to the State for its gravel resources. The value to the State is from better flood protection for its citizens and the receipt of 12.5% of the pretax profit when the gravel is sold or used by the local government or contractor. Arguably, this is greater value than that offered by the current policy of a set royalty for each cubic yard of gravel.

Please make our support of House Bill 89 a matter of the official record. Let us know if you need additional testimony to support this important legislation.

Sincerely,

Willard E. Dunham
Mayor
City of Seward

Phillip E. Oates, DBA
City Manager
City of Seward

HB

97

<TARGET><BILL>HB 97</BILL><SUBJECT>HB
97</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/6/11

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered HOUSE BILL NO. 97

HB 97-EXTEND INVASIVE PLANTS LAW

"An Act extending a provision relating to noxious weeds, invasive plants, and agricultural pest management and education; providing for an effective date by repealing the effective date of sec. 2, ch. 102, SLA 2008; and providing for an effective date."

and recommends:

[ ] be **replaced** with **SCS** _____ (_____) *[ ] Same Title [ ] Technical Title Change [ ] New Title/SCR No._____*

[ ] adopt **previous SCS** _____ (_____) *[ ] Same Title [ ] Technical Title Change [ ] New Title/SCR No._____*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DNR	✓			1

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	[illegible]	✓			
	McGuire	✓			
	Olson			✓	
	Ellis	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓			

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 97
(H) Publish Date: 3/9/11

Identifier (file name): HB097-DNR-PMC-3-3-11
Title: Noxious Weeds and Invasive Plants
Sponsor: JOHNSON, Stoltz, Gruenberg, Kerttula
Requester: HRES

Dept. Affected: Natural Resources
Appropriation: Resource Development
Allocation: N. Latitude Plant Materials Center
OMB Component Number: 2204

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services	85.1	85.1	85.1	85.1	85.1	85.1	85.1
Travel	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Services	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Commodities	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	**101.1**	**101.1**	**101.1**	**101.1**	**101.1**	**101.1**	**101.1**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	101.1	101.1	101.1	101.1	101.1	101.1	101.1
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	**101.1**	**101.1**	**101.1**	**101.1**	**101.1**	**101.1**	**101.1**

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time	1	1	1	1	1	1	1
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial fiscal note.

Prepared by: Franci Havemeister
Phone: 761-3867
Division: Agriculture
Date/Time: 3/3/11 1:23 PM
Approved by: Daniel S. Sullivan
Date: 3/3/2011
Department of Natural Resources

(Revised 1/27/2011 OMB)

FISCAL NOTE #1

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB 97

Analysis

HB 97 would indefinitely extend the Invasive Weeds and Agriculture Pest Coordinator position within the Department of Natural Resources, Division of Agriculture. The authority for this position exists under AS 03.05.027, which will be automatically repealed on June 30, 2011 (Sec. 2 and 3, ch. 102, SLA 2008).

The Invasive Weeds and Agriculture Pest Coordinator position provides public information and education on invasive weed and pest control, conducts research on invasive weeds and pests, and represents the Division of Agriculture and the Department of Natural Resources on issues relating to the prevention, identification, and management of invasive species. This position is a Range 16, Natural Resource Specialist II located in Palmer.

Continued funding of the position would require $101,100 in annual operating expenditures, including $85,100 in personal services (one Range 16 NRS-II), $5,000 in travel (in-state travel for weed management and outreach), $5,000 in contractual services (technical assistance and facility operating expenses), and $6,000 in commodities (supplies, tools, and equipment) necessary to fulfill the duties outlined in AS 03.05.027.

ALASKA STATE LEGISLATURE

Interim:
716 West 4th Avenue
Anchorage, Alaska 99501
Phone (907) 269-0200
Fax (907) 269-0204
Rep.Craig.Johnson@legis.state.ak.us

Session:
State Capitol Building
Juneau, Alaska
99801-1182
Phone (907) 465-4993
Fax (907) 465-3872

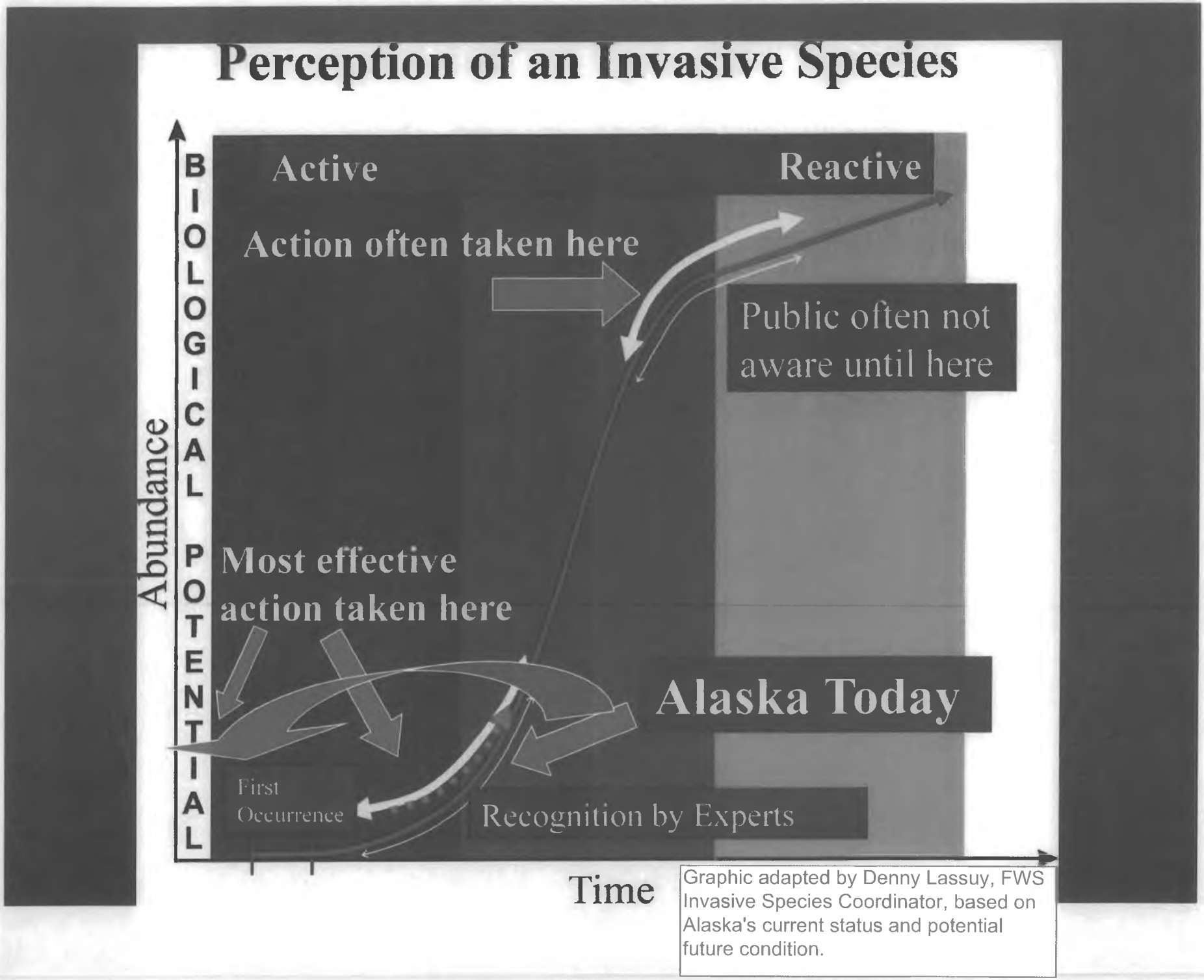
REPRESENTATIVE CRAIG JOHNSON
RULES COMMITTEE CHAIRMAN

SPONSOR STATEMENT FOR HB 97

This bill will allow the Commissioner of Natural Resources to keep employed a state coordinator to manage and educate the citizens of Alaska on the subject of noxious weeds, invasive terrestrial plants, and agricultural pests. This coordinator works through the Division of Agriculture along with other state departments, agencies and institutions. This person brings together the aforementioned entities in addition to the University of Alaska Cooperative Extension Service and the Alaska Association of Conservation Districts.

Through this coordination the State of Alaska has begun to develop a strategic plan and requested Federal funding for survey projects. More importantly, a start toward limiting economic loss and adverse effects to the state's agricultural, natural, and human resources because of the presence and spread of noxious weeds, invasive terrestrial plants, and agricultural pests, in the state.

This bill repeals the sunset date of June 30, 2011.


Perception of an Invasive Species
Active
Reactive
Action often taken here
Public often not aware until here
Most effective action taken here
Alaska Today
First Occurrence
Recognition by Experts
BIOLOGICAL POTENTIAL
Abundance
Time
Graphic adapted by Denny Lassuy, FWS Invasive Species Coordinator, based on Alaska's current status and potential future condition.

Department of Natural Resources
Division of Agriculture
February 22, 2011

Invasive Weeds and Agriculture Pest Management Coordinator: Overview of Accomplishments

Established in statute by HB 330 in 2008, the Invasive Weeds and Agricultural Pest Coordinator (Coordinator) within the Department of Natural Resources, Division of Agriculture, has worked across multiple agencies and jurisdictions to further invasive plant management. Accomplishments of note include furthering key program components; initiating weed management projects; coordinating with industry, agencies, local entities, Canada and other states; providing comments to agencies on proposed projects; providing technical assistance; and participating in public outreach. Below are examples of accomplishments in each of these categories.

Core Program Components: Strategic Plan development and Regulation Revision/Development
A strategic plan was developed with coordination and review of local, state, and federal entities. The plan is currently drafted and out for public review.

Regulations have been drafted and are being reviewed by the Commissioner's Office prior to a going out for the public review process.

Weed Management Projects
The Coordinator has initiated 4 priority invasive species control and eradication projects:

- Canada thistle management in Anchorage;
- Spotted knapweed eradication in Anchorage, Kenai, Kasilof, Kake, Prince of Wales, Ketchikan, Valdez, Haines and Skagway;
- Purple loosestrife replacement in Anchorage; and
- Giant Hogweed Eradication in Kake.

Industry Coordination
The Coordinator has worked with a number of industry groups and private sector companies on a range of invasive weeds and pest issues, including:

- horticulture industry to find solutions to identified problem species and vectors
- gravel producers through the Alaska Rock Products Association and Alaska Miners Association to develop a weed free gravel certification program
- agricultural producers and Soil and Water Conservation Districts to further the Weed Free Forage Certification Program by keeping records and organizing trainings for forage certifiers
- Alaska Wilderness Recreation and Tourism Association (AWRTA) to incorporate invasive species prevention and detection measures in their "Adventure Green" certification program
- pest control operators to develop presentations about state invasive weeds and agricultural pest management priorities at the pesticide applicator recertification class, 2009 and 2010

Agency Coordination
The Coordinator regularly works with state, federal, and local government employees to organize management of invasive weeds and agricultural pests. Examples of interagency coordination include:

- Participating in the Alaska Committee for Noxious and Invasive Plants Management (CNIPM) by organizing the annual conference, coordinating multiagency weed management efforts, and participating in subcommittees
- Participating in the Alaska Invasive Species Working Group (AISWG) meetings, and presently leading an effort to further formalize the group by establishing bylaws and an advisory board
- Being identified as lead in coordinating response to potential Spartina infestations
- Working with Alaska DOT, providing presentations at the annual Environmental Expo in 2009 and encouraging their involvement in local weed management projects around the state
- Furthering coordination with federal agencies through participation in several committees including the Alaska Pest Risk Assessment Committee, Weed Free Gravel Committee, Weed Free Forage Committee, and others.
- Coordinating early detection border inspections for state priority weeds with U.S. Customs and Borders Protection staff
- Assisting in annual Integrated Pest Management trainings for the Cooperative Extension Service
- Participating in the Alaska Coastal Management Plan working group

Local Coordination Efforts

The coordinator participates and facilitates local efforts to manage invasive weeds and agricultural pests by connecting organizations with similar efforts, focusing priorities, and providing assistance when necessary. Key examples of local coordination efforts include:

- Attended Cooperative Weed Management Area (CWMA) meetings around the state in person and by teleconference
- Helped to coordinate local response for Garlic Mustard and Spotted Knapweed eradication
- Coordinates with Soil and Water Conservation Districts attending local and statewide meetings
- Assisted AACD in hiring their invasive plants coordinator
- Assisted the Anchorage CWMA in developing a strategic plan for invasive plant management
- Participated in coordinating response to a newly discovered Elodea canadensis infestation in the Chena Slough in Fairbanks

Coordination with Canada and Other States

The Division of Ag has participated in coordination with the Yukon, British Columbia and Northwest Territories in Canada to share information and encourage management of high priority invasive weeds that threaten to spread to Alaska. Coordination with other states is done through participation in the Western Weed Coordinator Committee.

Comments on Agency Projects

The state coordinator has provided comments to federal agencies seeking to manage invasive weeds on federal lands to ensure state invasive weed management priorities are addressed and management is done with effective and safe methods. Comments to agencies have included:

- USDA 2009 priorities
- National Park Service Environmental Analysis for invasive plants management
- BLM scoping Environmental Analysis for weed management on the Dalton Highway
- USFWS Kodiak National Wildlife Refuge Environmental Analysis for invasive plant management

Comments were submitted on state projects and programs as well. Several DOT road construction projects have been commented on to include invasive plant management and prevention measures, often by request from DOT. The coordinator commented to DF&G that the scope of invasive species

issues eligible for funding from the Alaska Sustainable Salmon Fund be broadened from just pike to any invasive species with impacts to salmon.

Technical Assistance

Individuals and groups working on weed and pest management around the state are often dealing with these issues for the first time. The coordinator has worked to provide advice on controlling infestations in effective, economical, and safe ways. Examples of technical assistance provided include:

- Provided numerous recommendations for weed management and prevention at DOT's request
- Participated in the review committee for Alaska Association of Conservation Districts (AACD) Invasive Plant Program Grants
- Participated in ranking the invasiveness of invasive plants
- Provided guidance to Chugach State Park staff seeking to initiate invasive plant management
- Reviewed species included in a grass identification field guide and freshwater plants identification field guide
- Provided firsthand knowledge to USGS when modeling the spread of invasive plants in Alaska
- Reviewed strategic plan for Spartina prevention and management developed by NOAA
- Worked to develop protocol for an inventory of invasive weeds along the Trans Alaska Pipeline
- Provided assistance in project development to AACD Invasive Plant Program Coordinators
- Working with the Alaska Shorezone Committee who models habitat for invasive plants

Public Outreach and Presentations

Many people in Alaska are unfamiliar with the impacts invasive weeds and agricultural pests pose Alaska. The Coordinator works to provide information to the public to generate awareness and increase participation in prevention, detection, and management. Recent examples of public events which the Coordinator presented or participated in include:

- Mat- Su Salmon Science Symposium 2008 and 2009
- Fairbanks, Anchorage, and Kenai CWMA workshops
- Alaska Forum on the Environment 2009, 2010, and scheduled for 2011
- Alaska Citizen Scientist Teachers Workshop in 2010
- Lead tour of weeds on Chester Creek greenbelt in Anchorage
- Invasive plants impacts to salmon and moose, the Eagle River Nature Center, September 2010
- Alaska Wilderness Recreation and Tourism Association annual conference, 2009
- Alaska Greenhouse and Nursery Conference, 2009

Grant Writing

The coordinator has worked to secure additional funds and grants from partnering agencies and other sources to assist the state in meeting its weed and pest management goals. Examples of such grants include:

- USFWS ARRA project grant to eradicate spotted knapweed (awarded $100,000)
- USFS Forest Health Protection grant for coordination with horticultural industry (awarded $80,000)
- USFS Forest Health Protection grant for management of Canada thistle in Anchorage (awarded $8,000)
- National Fish and Wildlife Foundation grant for management of Canada thistle in Anchorage (awarded $80,000 but returned because matching funds were not appropriated)
- BLM grant for gravel pit inventory and initiation of a weed-free gravel certification program (awarded $20,000)

Alaska SeaLife Center
windows to the sea

December 1, 2010

The Honorable Sean Parnell
P.O. box 110001
Juneau, AK 99801

Dear Governor Parnell:

Re: AS 03.05.027: Noxious weed, invasive plant and agricultural pest management and education

Globally, invasive plants, agricultural pests and other species of invasive organisms impact ecosystems, ecosystem services, and economies that in the United States alone result in over $130 billion in losses and associated management costs each year. Alaska lags other states in coordinating prevention, monitoring, mitigation and education to reduce the threats and impacts of invasives, but Alaska does have some programs of value in our efforts to confront this growing problem. One such program is instituted under AS 03.05.027: Noxious weed, invasive plant and agricultural pest management and education. However, this Statute includes Sec. 2. Repealing the Act; and Sec. 3. setting an effective date for the repeal as June 30, 2011.

We would like to ask you to consider the impacts repeal of this Act will have on Alaska's ability to address both the threat and the realities of invasive plants and agricultural pests in Alaska. As the Director of Conservation for the Alaska SeaLife Center and having charge over our marine invasive species program, I engage various Federal and State staff in invasive species planning and action and with industry and communities on initiatives to reduce the many threats posed by introduction of non native species. It will be a great loss to the State in managing invasive plants and our coordinating activities if AS 03.05.027 sunsets. We would therefore respectfully request your intervention to repeal Sec. 3. of this Act and assure a sustaining budget is approved to uphold the very important objectives, staffing and actions so necessary under the Statute.

I will be pleased to speak with you or anyone else who can help make a difference in building the State capacity to address the growing problem of invasive species that impact and threaten our State and its ecosystems and economies.

Sincerely,

Howard Ferren
Director of Conservation
907.224.6396
howard_ferren@alaskasealife.org



Alaska Committee for Noxious and Invasive Plants Management

December 3rd, 2010

State of Alaska
Office of the Governor
P.O. Box 11001
Juneau, AK 99811-0001
3rd Floor State Capital

Subject: continue funding for AS 03.05.027 and remove sunset clause

Dear Governor Parnell:

Compared to the lower 48, Alaska has far fewer non-native invasive plant species. With swift and strategic management of our invasive weeds, Alaska has a rare opportunity to avoid severe economic and ecological impacts that have occurred in other parts of the country.

The Alaska Committee for Noxious and Invasive Plants Management (CNIPM) appreciates the excellent work that has resulted from AS 03.05.027, which pertains to Division of Agriculture's invasive weed and agricultural pest program. Since signing this statute into law, the Division of Agriculture has undertaken a significant role in collaboration and management of high-priority invasive plant species in Alaska. Unfortunately, AS 03.05.027 will sunset in the spring of 2011. CNIPM supports continued funding of AS 03.05.027 and recommends the removal of its sunset clause.

CNIPM is composed of concerned citizens, scientists, and land managers that volunteer or work for non-profit, tribal, local, state, and federal agencies across Alaska. The goals of CNIPM are to heighten the awareness of problems associated with invasive plant species and to bring about greater statewide coordination, cooperation, and action to halt the introduction and spread of these undesirable plants. To learn more about the mission and goals of CNIPM, please visit www.uaf.edu/ces/cnipm.

Without continued funding of AS 03.05.027, CNIPM believes regular review of regulations and the strategic plan generated from this statute will cease and quickly become outdated. When signing AS 03.05.027 into law, the state recognized that pre-existing invasive plant regulations were outdated and ineffective and that the creation of a strategic plan with updated regulations would increase efficacy of invasive plant management in Alaska. As the type and abundance of invasive weeds are constantly changing in Alaska, the state should regularly review both documents. Consistent review will increase the likelihood of the state pursuing the most urgent and meaningful management priorities for invasive plant species in Alaska.

CNIPM greatly appreciates the new level of cooperation and coordination from the state government, which we feel is a direct result of AS 03.05.027. In years past, CNIPM had

minimal contact with the DNR, likely a result of state employees having a full load of job duties. AS 03.05.027 created a dedicated invasive plant management position within the Division of Agriculture. As a result, CNIPM now has a DNR contact that regularly attends monthly teleconferences and collaborates on education and management projects.

CNIPM is particularly pleased with Division of Agriculture leading projects that involve private industries and state-wide management efforts of notorious invasive plant species. First, Division of Agriculture is leading a CNIPM subcommittee geared towards the creation of a weed free gravel certification program. Second, Division of Agriculture is working with the horticulture industry to find solutions to state-wide invasive plant issues. Finally, Division of Agriculture is leading efforts in the state-wide eradication of spotted knapweed, giant hogweed, and regional management of Canada thistle, all of which have a serious potential to impact economies in Alaska.

While much work remains, CNIPM believes that AS 03.05.027 has resulted in Division of Agriculture making valuable contributions to invasive plant problems across Alaska. In particular, CNIPM feels AS 03.05.027 has directly improved invasive plant species regulations and strategic planning, DNR coordination with CNIPM, collaboration with private industries in the pursuit of solutions to invasive plant problems, and management of notorious invasive weeds. To continue and progress on the great work accomplished by Division of Agriculture, CNIPM urges for continued funding of AS 03.05.027.

Sincerely,

Blaine Spellman

Blaine T. Spellman
Chair, CNIPM Board of Directors
(907)354-1227
blainespellman@gmail.com

From: Imlorijean@aol.com [mailto:Imlorijean@aol.com]
Sent: Friday, March 04, 2011 11:26 AM
To: sean.parnell@alaska.gov; mead.treadwell@alaska.gov
Cc: Sen. Lyman Hoffman
Subject: Regarding HB97

We are Troy and Lori Zaumseil and are writing to request that you support the passage of HB97 which will allow the Division of Ag to retain the statewide coordinator position, addressing noxious weeds and invasive plants. The bill is set to be heard in the House Resources Committee on Monday and move forward from there. Alaska is at such a critical place in preventing/managing the economic and ecological impact from invasive threats and maintaining the continuity of efforts is imperative.

Troy and I became involved in this issue several years ago when we found a Canada Thistle growing in a plant we purchased at a local box store. This extremely noxious and invasive plant was covered by Alaska statute (albeit a very old and outdated one), and yet when we tried to make a report to the Division of Agriculture, we were disturbed to find that they had neither staff nor funding to follow up on this serious situation. That began a journey for us as concerned citizens, property owners, gardeners, outdoors people and voters. After contacting the legislative body, we also began speaking--first to community councils then to state conventions (Alaska Forum on the Environment, CNIPM, Master Gardeners, etc) and eventually we were invited to address the opening session of the National Invasive Weeds Awareness Week in Washington D.C. to talk about Alaska's fight to protect valuable resources from invasion. During that first year, HB330 was introduced by Rep Craig Johnson and later passed unanimously by the Alaska Legislature in a demonstration of how the system CAN work for ordinary citizens who ask their representatives to protect their interests and then those elected officials take action. Troy and I have spoken about our involvement and pride in our Alaska system in presentations we have given all over Alaska and Outside, not only in D.C., but in Nevada, Oregon and Florida as well. We were asked by US Fish and Wildlife Service to speak in Allakaket, Bettles and Coldfoot this past summer and were able to educate residents of interior Alaska on the threats to their way of life posed by invasive species. Without an organized statewide program, Alaska will not be eligible for federal funding and the individual efforts of state and federal agency staffers will be far less effective. We ask you, once again, to protect the citizens you serve by voting for HB97 and allowing this work to continue uninterrupted. Prevention and Early detection are the most economical and efficient method to address the problem. Delay or disruption would certainly result in higher cost to the state's taxpayers.

In addition, we are asking that you request action be taken by the State Department of Transportation. Travel corridors are the proven vector for invasive species to move through and into an area, and Alaska is extremely vulnerable to this scenario. It is imperative that DOT take positive action to PREVENT the spread of invasives and no longer be the passive conduit to ALLOW the spread. Roadways all over the state have noxious plants growing in the right of ways and airports also have infestations, and all of these are allowing noxious weeds to be spread into pristine areas that are defenseless when these seeds and plant parts are transported through or onto them. The Department needs to be given a mandate to address this issue so that their budget allocations can be made accordingly. The DEC approval process to treat noxious weeds is so cumbersome as to be nearly ineffective and needs to be streamlined to allow effective and efficient treatment. While Troy and I are not versed in the workings of state bureaucracy, we are confident that those in receipt of this e-mail will be able to take the necessary steps to bring DOT and DEC into step with assisting in the problem and not adding to it.

Thank you so much for your time and attention

Lori and Troy Zaumseil
9015 Dewberry St
Anchorage, AK 99502
907-602-3604

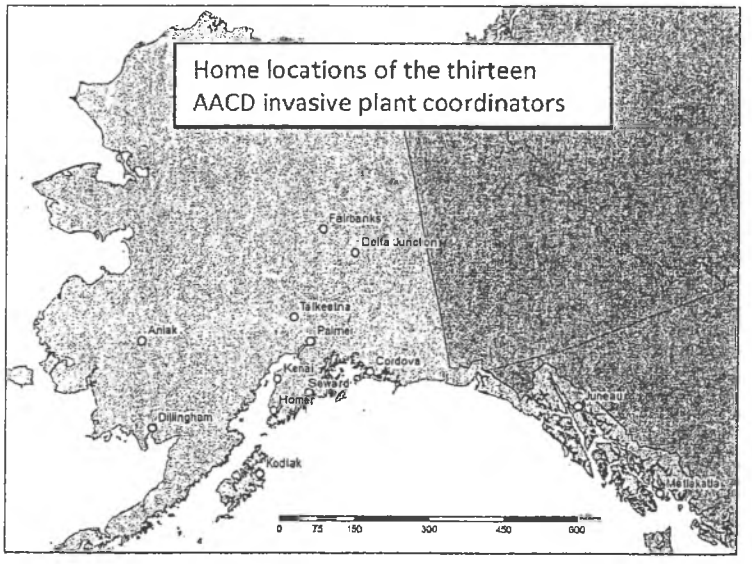
A Brief Report on the Alaska Invasive Plants Project

A $1.14 million Recovery Act grant from the USDA Forest Service to Alaska Association of Conservation Districts

In September of 2009, the Alaska Association of Conservation Districts entered into a cooperative agreement with the US Forest Service to accept $1.14 million to implement the Alaska Invasive Plants Project. The overall goal of any Recovery Act funds is to create jobs and equip those hired with the skills and training needed to move into better, more permanent employment.

The purpose of this project was to oversee and coordinate invasive plant programs throughout Alaska via coordinator positions stationed in Soil and Water Conservation Districts. IP coordinators received training in issues related to invasive plant surveying, control and management, as well as training in public outreach methods and grant writing. Supported by a roving weed crew, the coordinators conducted invasive plant surveys, control, education and outreach projects in their regions. The purpose was to generate high-quality jobs, with high priority placed on training so that these jobs would function as springboards to future employment.

In addition, AACD contracted the Alaska Natural Heritage Program through the University of Alaska to conduct the second phase of the Alaska invasiveness ranking project. The ANHP ranking system has provided land managers, agencies and the general public with a valuable tool for invasive plant management prioritization. Expanding the list of species screened by this system strengthens our ability to protect and manage Alaska's natural areas and resources.



A total of 18 people have been employed through this project: 14 for a year or more, and three more as a summer roving work crew. In the course of the project, a project manager, 13 invasive plant coordinators, and a research analyst were hired and trained. The staff were scattered around the state, as shown on this map. Locations were: Wasilla, Palmer, Upper Susitna, Kenai, Kodiak, Homer, Seward, Aniak, Dillingham, Metlakatla, Juneau, Cordova, Fairbanks and Delta Junction.

The project has been successful beyond our expectations. More than 2,000 students and 5,000 adults were provided with information about invasive plants, their effect on Alaska's natural habitat, and how to control them. Nearly 1,000 volunteers worked on remediation projects. Over 1,000 bags of weeds were removed around the state, and over 100 acres were treated by various means, including pulling, digging, spraying, burning, tarping and whacking. Over 5,000 acres were surveyed for invasive plant infestations, and thousands of new records were provided to the Alaska Natural Heritage Program for inclusion in its database. We established relationships in numerous rural villages, including two that are developing distinct Native conservation districts, and provided training and remediation plans through

the Yukon-Kuskokwim Delta and in the community of Tyonek. We provided written work plans for numerous private and public property owners and managers, including a community garden, several municipalities, an arboretum, a number of farmers, and many others.

Of the 15 regular employees hired, eight were unemployed at the time they were hired, and another four were underemployed. At this time, four of the 15 have secured funding for future employment and two others have decided to pursue other plans. We have provided grant-writing training to all employees and are encouraging them to pursue new sources of funds to expand the work on identifying and reducing invasive plants in Alaska. Our goal is to replace the 15 full-time and 3 part-time jobs we will lose at the end of this grant with 30 new jobs in Alaska. We are hopeful that we will find funding for at least half our goal by the time most of the ARRA-funded employees go off payroll at the end of March.

Although we are proud of the work we have accomplished with this grant, we believe that the field work and outreach successes will be ephemeral unless the work is followed up for at least two more years. Many of the plants we worked to reduce or eliminate are known to be resilient and to require follow-up treatment for three to five years, some even longer. Unless this work is taken up by others or funded by similar projects, we fear that what we have gained in the fight against invasive plants this past year will be lost.

In addition to continuation of the work funded by this grant, we see another pressing concern that is in its infancy in Alaska: the identification and remediation of aquatic invasives. The discovery last summer of a serious infestation in the Chena Slough near Fairbanks, and the anecdotal reports of aquatic invasives in other areas of Alaska bring us grave concern. We hope that, at a minimum, a comprehensive statewide survey for aquatic invasives is begun in the very near future.



Authored by and
For more information, contact:
Joan Hope, Project Manager
Alaska Association of Conservation Districts
1700 E Bogard Road, Suite 203-A, Wasilla, Alaska 99654
907-315-1795
joanaacd@yahoo.com

HB 104

<TARGET><BILL>HB 104</BILL><SUBJECT>HB 104</SUBJECT><COMM>SFIN27</COMM></TARGET>

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

Senator Bert Stedman, Co-Chair
State Capitol, Room 516
Juneau, AK 99801-1182
(907) 465- 3873 - Phone
(907) 465-3922 - Fax
Senator_Bert_Stedman@legis.state.ak.us

Official Business

Senator Lyman Hoffman, Co-Chair
State Capitol, Room 518
Juneau, AK 99801-1182
Phone - (907) 465- 4453
Fax - (907) 465- 4523
Senator_Lyman_Hoffman@legis.state.ak.us

AGENDA

Wednesday, January 18, 2012 9:00 AM

HB 104 – Alaska Performance Scholarships
CSHB 104(RLS) version X
(DOR) Treasury and Taxation - Treasury
(DOR) Taxation and Treasury - Tax Division
(DEED) Education and Support Services
(DEED) ACPE
NEW (DEED) ACPE
Off-net testifier: Robynn Wilson

SB 86 – Protection of Vulnerable Adults
CSSB 86(JUD) version T
DHSS - Senior and Disabilities Services
ADMIN - Legal and Advocacy Services
LAW - Civil
DPS - Statewide Support
DPS - Alaska State Troopers
DOC - Admin. & Support
ACS - Trial Courts

Off-net testifier: Rodney Dial, Lieutenant, Division of Alaska State Troopers
Kathy Monfreda, Bureau Chief, Criminal Records and Identification, Division of Statewide Services

POSTPONED:
SB 2 – License Plates: National Rifle Association
CSSC 2(STA) version E
FN's Updated for FY13:
DOA - Administration

SB 16 – Special Request License Plates
CSSB 16(STA) version E
FN's Updated for FY13:
DOA - Administration

SENATE FINANCE COMMITTEE REPORT

DATE: 4/16/11

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered CS FOR HOUSE BILL NO. 104(RLS)

HB 104-ALASKA PERFORMANCE SCHOLARSHIPS

"An Act renaming the Alaska performance scholarship and relating to the scholarship and tax credits applicable to contributions to the scholarship; relating to AlaskAdvantage education grant funding and to Alaska performance scholarship funding; establishing an account and fund for those purposes; making conforming amendments; and providing for an effective date."

and recommends:

[X] be **replaced** with **SCS** CSHB104 (FIN) *[ ] Same Title [ ] Technical Title Change [X] New Title/SCR No._____*

[ ] adopt **previous SCS** _____ (_____) *[ ] Same Title [ ] Technical Title Change [ ] New Title/SCR No._____*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
SFIN/EED	X			
EED	X			
EED			X	
REV		X		

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	ECAS	✓			
	Olson			✓	
	Ellis	✓			
CO-CHAIR:	Stedman			✓	
CO-CHAIR:	Hoffman			✓	

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version **CSHB104 (RLS)**
Fiscal Note Number
Publish Date

Identifier (file name) HB104-EED-TLS-11-29-11
Title "An Act renaming the Alaska performance scholarship and relating to the scholarship and tax credits..."
Sponsor House Rules by Request of the Governor
Requester Senate Finance Committee

Dept. Affected Education & Early Development
Appropriation Education Support Services
Allocation Executive Administration
OMB Component Number 2736

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits	0.0		0.0	0.0	0.0	0.0	0.0
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	0.0		0.0	0.0	0.0	0.0	0.0
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This fiscal note was updated to reflect current fiscal information.

Prepared by Elizabeth Nudelman, Director — Phone 465-8679
Division School Finance & Facilities — Date/Time 11/29/11 12:00 AM
Approved by Mike Hanley — Date 12/9/2011
Commissioner

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSHB104 (RLS)

Analysis

The bill changes the name of the Alaska Merit Scholarship program to the Alaska Performance Scholarship program in the applicable statutes. The bill repeals and reenacts AS 14.43.825(f) which now prohibits the commission from awarding new scholarship applicants if insufficient funds are available to pay existing awards and the existing awards will be prorated. AS 14.43.830 (qualified postsecondary institutions) is amended to include requirements that institutions have advisory programs and provide counseling related to course selection and career choice to incoming student and proved credits that will result in the issuance of a degree or certificate within a customary time period.

The bill will establish a new income account and fund for the AlaskaAdvantage education grant and Alaska performance scholarship award. The amounts appropriated to the fund may not exceed the greater of $40 million or an amount when added to the fund balance equals $160 million. The department is required to distribute one-third of the fund or $40 million whichever is less. The bill provides transition language so the $40 million limit may be substituted for the following amounts and fiscal years:

FY2012, $20,000,000
FY2013, $30,000,000.

The tax credits allowed in AS 43.20.014(a) would be expanded to include credits for cash contributions accepted for the Alaska performance scholarship investment fund.

The bill changes the name of the Alaska merit scholarship program to the Alaska performance scholarship and leaves the scholarship awards unchanged so there is no fiscal impact to the Department of Education & Early Development.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **HB 104**
Fiscal Note Number:
() Publish Date:

Identifier (file name): HB104 - EED - Alaska Performance Scholarships
Dept. Affected: DEED

Title: Alaska Performance Scholarships
Appropriation: AK Performance Scholarship Awards

Allocation: AK Performance Scholarship Awards

Sponsor: RLS by Request of the Governor
Requester: Senate Finance Committee
OMB Component Number: 2990

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits	4,900.0	8,000.0	11,566.0	14,558.0	16,240.0	16,161.0	17,040.0
Miscellaneous							
TOTAL OPERATING	**4,900.0**	**8,000.0**	**11,566.0**	**14,558.0**	**16,240.0**	**16,161.0**	**17,040.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)	4,900.0	8,000.0	11,566.0	14,558.0	16,240.0	16,161.0	17,040.0
TOTAL		**4,900.0**	**8,000.0**	**11,566.0**	**14,558.0**	**16,240.0**	**16,161.0**	**17,040.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This revised fiscal note restores the $4.9 million that the Senate Sub-Committee removed from the Governor's FY13 operating budget **(bringing total FY13 funding to $8 million)**. The funding source will be changed to the Scholarship Fund if this bill is adopted and the new fund code is established.

Prepared by: Darwin Peterson — Phone: 465-3873
Division: Senate Finance Committee — Date/Time: 3/30/12 8:00 AM
Approved by: Senator Stedman, Co-Chair — Date: 3/30/2012
Senator Hoffman, Co-Chair

(Revised 11/18/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** HB 104
2012 LEGISLATIVE SESSION

Analysis

The committee substitute bill establishes award income accounts and an investment fund, the earnings from which will pay out Alaska performance scholarships (APS) and AlaskAdvantage education grants (AEG); and, establishes a proportional allocation of funding structure with two-thirds of each year's appropriation allocated to APS and onethird of the appropriation to AEG.

Assumptions for the APS participation projections below include:

Student eligibility rates increase over time from 28% to 44% of high school graduates.
APS utilization rates increase over time from 36% to 50%.
Average award amount is $3,419.

APS estimates:

#APS Projected Student Headcount by Cohort Year

CY1	CY2	CY3	CY4	CY5	CY6	Total Annual Costs
FY13	1,273	1,067				$ 8,000.0
FY14	1,181	1,082	1,120			$11,566.0
FY15	1,157	1,003	1,049	1,041		$14,558.0
FY16	1,296	983	933	1,049	456	$16,240.0
FY17	1,296	1,101	914	933	534	129 $16,161.0
FY18	1,296	1,101	1,024	914	496	153 $17,040. 0
FY19	1,512	1,101	1,024	1,024	486	142 $18,069.0
FY20	1,512	1,285	1,024	1,024	544	139 $18,900.0
FY21	1,512	1,285	1,092	1,024	544	156 $19,191.0
FY22	1,584	1,285	1,092	1,092	544	156 $19,670.0
FY23	1,584	1,346	1,092	1,092	635	156 $20,189.0
FY24	1,584	1,346	1,144	1,092	635	181 $20,452.0

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version: **SCSHB104 DRAFT**
Fiscal Note Number:
() Publish Date:

Identifier (file name): HB104SCS(FIN)-EED-ACPE(2)-2-13-12 DRAFT
Title: Alaska Performance Scholarship Fund
Sponsor: Rules
Requester: (S)FIN

Dept. Affected: Education
Appropriation: ACPE
Allocation: Program Administration & Operations
OMB Component Number: 2738

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits		3,000.0	5,783.0	7,279.0	8,120.0	8,520.0	9,035.0
Miscellaneous							
TOTAL OPERATING	**0.0**	**3,000.0**	**5,783.0**	**7,279.0**	**8,120.0**	**8,520.0**	**9,035.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)		3,000.0	5,783.0	7,279.0	8,120.0	8,520.0	9,035.0
TOTAL		**0.0**	**3,000.0**	**5,783.0**	**7,279.0**	**8,120.0**	**8,520.0**	**9,035.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This fiscal note differs in that estimates reflect amendments to HB104 which create an allocation of annual appropriations from the investment fund to pay for Alaska performance scholarships (APS) and for AlaskAdvantage education grants (AEG). The $3,000.0 shown as FY13 costs is included in the Governor's FY13 base budget request.

Prepared by: Diane Barrans, Executive Director — Phone: 465-6740
Division: Alaska Commission on Postsecondary Education — Date/Time: 2/13/12 1:00 PM
Approved by: Diane Barrans, Executive Dirctor — Date: 2/13/2012
Alaska Commission on Postsecondary Education

(Revised 1/17/2012 OMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SCSHB104 DRAFT

Analysis

The committee substitute establishes award income accounts and an investment fund, the earnings from which will pay for APS and AEG awards to students; and, establishes a proportional allocation of funding structure with two-thirds of each year's appropriation allocated to APS and one-third of the appropriation allocated to AEG.

Based on the structure described above, the annual allocated amounts for AEG are shown below. These estimates are derived by assuming all APS-eligible students applying to use their award are fully funded. Also shown are the projected number of AEG recipients based upon an average individual annual award amount of $1,580:

	Funding Allocation	#AEG Recipients
FY13	$ 3,000.0	1,899
FY14	$ 5,783.0	3,660
FY15	$ 7,279.0	4,607
FY16	$ 8,120.0	5,139
FY17	$ 8,080.0	5,114
FY18	$ 8,520.0	5,392
FY19	$ 9,035.0	5,718
FY20	$ 9,450.0	5,981
FY21	$ 9,596.0	6,073
FY22	$ 9,835.0	6,225
FY23	$10,095.0	6,389
FY24	$10,226.0	6,472

It is important to note that AEG awards are made relative to the pool of applicants specific to a given academic year. Unlike the APS, there is no implied continuing obligation that an individual awarded an AEG in a given year will receive it in a subsequent year. The applicant pool is ranked in order of greatest to least financial need and AEGs are awarded until available funds are exhausted or all eligible applicants are awarded, whichever occurs first.

FISCAL NOTE

STATE OF ALASKA cost ≠ codes
2012 LEGISLATIVE SESSION

Bill Version: **SCS CSHB104**
Fiscal Note Number: 6
Publish Date:

Identifier (file name): HB104SCSCS-DOR-TAX-02-14-12
Title: AlaskAdvantage Educ Grant - AK Perfomance Scholarship
Sponsor: H Rules by Request of the Governor
Requester: S FIN

Dept. Affected: Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY13**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	**0.0**	***	***	***	***	***	***

Estimated SUPPLEMENTAL (FY12) operating costs _____ *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Updated to include other tax types against which the credit can be applied.

Prepared by: Johanna Bales, Deputy Director
Division: Tax
Phone: (907) 269-6628
Date/Time: 2/14/2012 4:20 p.m.

Approved by: Jerry Burnett, Director Administrative Services
Department of Revenue
Date: 2/14/2012

(Revised 8/17/2011 OMB)

FISCAL NOTE

STATE OF ALASKA **BILL NO.** SCS CSHB104
2012 LEGISLATIVE SESSION

Analysis

Bill Language:
This bill expands the existing education tax credit allowed against the corporate income, oil and gas production and property, mining license, and fisheries business and landing taxes to include contributions made to the newly created Alaska Higher Education Investment Fund under AS 37.14.750.

Revenues:
This bill does not increase or decrease the amount of total education tax credits allowed against the tax types identified above. It merely identifies an additional class of contributions that can qualify for the credit. It is possible that taxpayers who have not made qualifying contributions and not claimed an education tax credit in the past, may contribute to the higher education fund and claim a credit. However, it is difficult to determine the affect this bill will have on taxpayer behavior and, therefore, it is difficult to determine if this bill will affect tax revenues from the taxes identified above.

Expenditures:
Department of Revenue can implement and administer the provisions of this bill utilizing existing resources.

SENATE CS FOR CS FOR HOUSE BILL NO. 104(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

"An Act renaming the Alaska performance scholarship and relating to the scholarship and tax credits applicable to contributions to the scholarship; relating to AlaskAdvantage education grant funding and to Alaska performance scholarship funding; relating to AlaskAdvantage education grant eligibility; establishing accounts and a fund for those purposes; making conforming amendments; and providing for an effective date."

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

*** Section 1.** AS 14.03.113 is amended to read:

Sec. 14.03.113. District determination of scholarship eligibility. A school district shall determine whether a student who graduates from a high school in the district is eligible for an award of an Alaska **performance** [MERIT SCHOLARSHIP PROGRAM] scholarship under AS 14.43.810 - 14.43.849. If a student is eligible, the district shall state in the student's permanent record the highest level of funding for

which the student is eligible. A district shall provide a student with an opportunity to request that the district correct an error in the eligibility determination.

*** Sec. 2.** AS 14.43.415(a) is amended to read:

(a) For an applicant to be eligible for a grant under AS 14.43.400 - 14.43.420, the applicant must be

(1) a resident of this state;

(2) enrolled or about to be enrolled

(A) at an institution **located in the state that is**

(i) accredited by an institutional accrediting body recognized by the United States Secretary of Education; or

(ii) approved to participate in the Alaska performance scholarship program as a qualified postsecondary institution under AS 14.43.830 [APPROVED TO PARTICIPATE IN FEDERAL FINANCIAL AID PROGRAMS UNDER 20 U.S.C. 1070 - 1099c-2, AS AMENDED, LOCATED IN THIS STATE]; and

(B) on at least a half-time basis; and

(3) able to demonstrate financial need in accordance with standards for determining financial need established by the commission [UNDER 20 U.S.C. 1070c-2, AS AMENDED].

*** Sec. 3.** AS 14.43.810 is amended to read:

Sec. 14.43.810. Alaska performance [MERIT] scholarship program established; regulations. (a) The Alaska **performance** [MERIT] scholarship program is established to provide scholarships for **Alaska residents who have attained an Alaska High School Diploma by Examination after January 1, 2011, or who are** high school graduates [WHO ARE ALASKA RESIDENTS] to attend a qualified postsecondary institution in the state.

(b) The department shall, in consultation with the commission, adopt regulations necessary to implement the **Alaska performance scholarship** program. The commission shall administer the daily operations of the **Alaska performance scholarship** program and financing of the **Alaska performance scholarship** program, including the procedures for applying for the scholarships, establishing standards for

and ensuring continuing compliance with programmatic standards, and requiring students to apply for other nonloan financial aid, consistent with federal law.

*** Sec. 4.** AS 14.43.820(a) is amended to read:

(a) Subject to appropriation, the commission shall award an Alaska **performance** [MERIT SCHOLARSHIP PROGRAM] scholarship to an applicant who

(1) is a resident of the state as defined in AS 01.10.055;

(2) **except as provided in (c) of this section,** graduated or will graduate within six months from a high school in the state;

(3) **except as provided in (d) of this section,** has completed a core academic curriculum **of** [IN] high school **level coursework** that includes

(A) four years of mathematics, four years of language arts, four years of science, and four years of social studies, one year of which may include a foreign language, an Alaska Native language, fine arts, or cultural heritage; or

(B) three years of mathematics, four years of language arts, three years of science, four years of social studies, and two years of a foreign language or an Alaska Native language;

(4) **except as provided in (c) of this section,** has a minimum grade-point average in high school of 2.5 or higher; the department shall set by regulation minimum requirements based on a substantially similar standard for districts that do not assign grades;

(5) has achieved a minimum score on a

(A) college entrance examination; or

(B) standardized examination designed to measure a student's level of preparedness to make the transition to work, as selected by the department; and

(6) is enrolled in good standing in a course of study at a qualified postsecondary institution in this state that is intended to result in the award of a certificate or degree.

*** Sec. 5.** AS 14.43.820 is amended by adding new subsections to read:

(c) Notwithstanding the eligibility requirements in (a)(2) and (4) of this

section, the department shall adopt regulations to provide for the eligibility of a student who has attained an Alaska High School Diploma by Examination in the state.

(d) The commissioner shall waive a portion of the core academic requirements specified under (a)(3) of this section for not more than 12 additional months after a student graduates from a high school in the state or 24 months after a student attains an Alaska High School Diploma by Examination to provide an eligible applicant the opportunity to complete the academic requirements at a qualified postsecondary institution using a scholarship awarded under AS 14.43.825(a) or at a public high school in the state with a district sponsorship under (g) of this section if the applicant submits a timely application on a form approved by the commissioner and, for an applicant who has graduated from a high school in the state, provides satisfactory proof that the applicant was unable to complete the academic requirements under (a)(3) of this section as a result of circumstances beyond the applicant's control, including

(1) illness or disability;

(2) a lack of reasonable access to the required coursework at a small or remote high school attended by the applicant in the state; and

(3) other circumstances prescribed by regulation adopted by the board.

(e) The commissioner shall approve or deny an application for a waiver submitted under (d) of this section within 30 days after receiving the application.

(f) An applicant who receives a waiver under (d) of this section, shall, within the time granted for the waiver, provide satisfactory proof to the commissioner of completion of the core academic requirements specified under (a)(3) of this section.

(g) Notwithstanding a contrary provision in this title, a school district that agrees to sponsor a student for a waiver under (d) of this section may include a student who has been approved for a waiver under (d) of this section in the student count conducted under AS 14.17.600 as a full-time or part-time student if the student attends a school in the district for the purpose of completing the core academic requirements under (a)(3) of this section.

(h) In this section, "district" has the meaning given in AS 14.17.990.

*** Sec. 6.** AS 14.43.825(a) is amended to read:

(a) The maximum annual awards for the Alaska **performance** [MERIT SCHOLARSHIP PROGRAM] scholarships are as follows:

(1) the first award level is $4,755 and requires a

(A) 3.5 grade-point average or above **or a total score in the 90th percentile or above on the general educational development examination;** and

(B) [A] very high minimum score on a college entrance examination;

(2) the second award level is $3,566 and requires a

(A) 3.0 grade-point average or above **or a total score in the 80th percentile or above on the general educational development examination;** and

(B) [A] high minimum score on a college entrance examination;

(3) the third award level is $2,378 and requires a

(A) 2.5 grade-point average or above **or a total score in the 70th percentile or above on the general educational development examination;** and

(B) [A] moderately high minimum score on a college entrance examination.

*** Sec. 7.** AS 14.43.825(b) is amended to read:

(b) A student's eligibility for a scholarship terminates six years after the date the student **graduates** [GRADUATED] from high school **or attains a State of Alaska High School Diploma by Examination,** unless the student qualifies for an extension of time allowed by the department by regulation.

*** Sec. 8.** AS 14.43.825(f) is repealed and reenacted to read:

(f) Payment of a scholarship is subject to appropriation and the availability of funds for expenditure under AS 37.14.750. If insufficient funds are appropriated or available in a fiscal year to pay all eligible scholarships, the commission may not award a scholarship to a new applicant, and the commission shall pay existing awards on a pro rata basis for that fiscal year.

* **Sec. 9.** AS 14.43.830 is amended to read:

Sec. 14.43.830. Qualified postsecondary institutions. (a) The following institutions are qualified postsecondary institutions for purposes of awarding an Alaska **performance** [MERIT SCHOLARSHIP PROGRAM] scholarship:

(1) a university or college physically located in the state that [IS]

(A) **is** authorized to operate in the state under AS 14.48.020 or is exempt from authorization under AS 14.48.030(b)(1); [AND]

(B) **is** accredited by a regional **or national** accreditation association;

(C) has an advisory program established for incoming students that provides counseling related to course selection, career choice, and personal challenges; and

(D) provides courses and credits that can result in the issuance of a degree or certificate available at the institution within a time frame expected for that degree or certificate;

(2) a career and technical school program physically located in the state that **meets the standards established in (a)(1)(C) and (D) of this section and that** has been included on a list of certified career and technical school programs received from the Department of Labor and Workforce Development; the commission shall publish the list on or before June 30 of the year preceding enrollment.

(b) The Department of Labor and Workforce Development shall, in consultation with the Department of Education and Early Development, adopt regulations under AS 44.62 (Administrative Procedure Act) establishing criteria under which the Department of Labor and Workforce Development shall certify career and technical school programs in the state as eligible to participate in the Alaska **performance** [MERIT] scholarship program.

* **Sec. 10.** AS 14.43.849(4) is amended to read:

(4) "program" means the Alaska **performance** [MERIT] scholarship program established under AS 14.43.810 - 14.43.849;

* **Sec. 11.** AS 14.43 is amended by adding a new section to read:

Sec. 14.43.915. AlaskAdvantage education grant account and Alaska

performance scholarship award account. (a) The AlaskAdvantage education grant account is created as an account in the general fund. Money may be appropriated to the account from the Alaska higher education investment fund under AS 37.14.750 and from other sources. The commission may use the money in the account to pay grants awarded under AS 14.43.400 - 14.43.420.

(b) The Alaska performance scholarship award account is created as an account in the general fund. Money may be appropriated to the account from the Alaska higher education investment fund under AS 37.14.750 and from other sources. The commission may use the money in the account to pay scholarships awarded to students under AS 14.43.810 - 14.43.849.

(c) Of the total amount available annually to the commission for payment of grants under AS 14.43.400 - 14.43.420 and for payment of scholarships under AS 14.43.810 - 14.43.849, one-third of the combined amount in the accounts established under (a) and (b) of this section shall be available solely for payment of grants awarded under AS 14.43.400 - 14.43.420. The commission shall annually allocate to all qualified applicants for scholarships awarded under AS 14.43.810 - 14.43.849 two-thirds of the combined amount in the accounts. If an insufficient number of qualified applicants are awarded scholarships under AS 14.43.810 - 14.43.849 before September 1 of each fiscal year, the balance of the account established in (b) of this section shall be transferred to the account established in (a) of this section for the payment of grants under AS 14.43.400 - 14.43.420 for that year. If an insufficient number of qualified applicants are awarded grants under AS 14.43.400 - 14.43.420 before the end of that fiscal year, the commissioner shall redeposit the remaining funds into the Alaska higher education investment fund established under AS 37.14.750.

(d) The commission shall reserve a percentage calculated under this subsection of the total amount available for awards in the accounts established under (a) and (b) of this section each year for award to students who graduate from a school district with an ADM of less than 800 or from a school that was operated by the Alaska State-Operated School System established under former AS 14.08.020. The percentage reserved under this subsection shall be calculated by adding the ADMs of

districts with an ADM of less than 800 and the number of students enrolled in a school that was operated by the Alaska State-Operated School System established under former AS 14.08.020 that is located in a district with an ADM of 800 or more and then dividing that number by the sum of the ADMs of all districts in the state.

(e) If an insufficient number of applicants apply for the available amount reserved under (d) of this section, the commission shall redeposit the remaining amount in the account from which the funds originated.

(f) In this section,

(1) "ADM" has the meaning given in AS 14.17.990;

(2) "district" has the meaning given in AS 14.17.990, but also includes a state boarding school under AS 14.16.

*** Sec. 12.** AS 14.45.130(a) is amended to read:

(a) A religious or other private school that elects to comply with AS 14.45.100 - 14.45.130 shall maintain permanent student records reflecting immunizations, physical examinations, standardized testing, academic achievement, courses taken at the school, and level of eligibility for an Alaska **performance** [MERIT SCHOLARSHIP PROGRAM] scholarship under AS 14.43.810 - 14.43.849.

*** Sec. 13.** AS 37.14 is amended by adding a new section to read:

Article 8A. Alaska Higher Education Investment Fund.

Sec. 37.14.750. Alaska higher education investment fund established. (a) The Alaska higher education investment fund is established in the general fund for the purpose of making grants awarded under AS 14.43.400 - 14.43.420 by appropriation to the account established under AS 14.43.915(a) and of making scholarship payments to qualified postsecondary institutions for students under AS 14.43.810 - 14.43.849 by appropriation to the account established under AS 14.43.915(b). Money in the fund does not lapse. The fund consists of

(1) money appropriated to the fund;

(2) income earned on investment of fund assets;

(3) donations to the fund; and

(4) money redeposited under AS 14.43.915(c).

(b) The legislature may appropriate any amount to the fund established in (a)

of this section. Nothing in this section creates a dedicated fund.

(c) As soon as is practicable after July 1 of each year, the commissioner of revenue shall determine the market value of the fund established in this section on June 30 for the immediately preceding fiscal year. The commissioner shall identify 10 percent of that amount as available for appropriation as follows:

(1) one-third for the grant account established under AS 14.43.915(a), from which the Alaska Commission on Postsecondary Education may award grants; and

(2) two-thirds for the scholarship account established under AS 14.43.915(b), from which the Alaska Commission on Postsecondary Education may award scholarships.

(d) In this section, unless the context requires otherwise, "fund" means the Alaska higher education investment fund established in (a) of this section.

*** Sec. 14.** AS 43.20.014(a) is amended to read:

(a) A taxpayer is allowed a credit against the tax due under this chapter for cash contributions accepted **for**

(1) [FOR] direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) [FOR] secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) [FOR] vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) [FOR] a facility or an annual intercollegiate sports tournament by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) [FOR] Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state; [AND]

(6) [FOR] education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government**; and**

(7) the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 15.** AS 43.20.014(a), as amended by sec. 14, ch. 92, SLA 2010, is amended to read:

(a) A taxpayer is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; [AND]

(3) by a state-operated vocational technical education and training school**; and**

(4) for the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 16.** AS 43.55.019(a) is amended to read:

(a) A producer of oil or gas is allowed a credit against the tax due under this chapter for cash contributions accepted **for**

(1) [FOR] direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) [FOR] secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) [FOR] vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) [FOR] a facility or an annual intercollegiate sports tournament by a

nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) [FOR] Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state; [AND]

(6) [FOR] education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government**; and**

(7) the Alaska higher education investment fund under AS 37.14.750.

* **Sec. 17.** AS 43.55.019(a), as amended by sec. 21, ch. 92, SLA 2010, is amended to read:

(a) A producer of oil or gas is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; [AND]

(3) by a state-operated vocational technical education and training school**; and**

(4) for the Alaska higher education investment fund under AS 37.14.750.

* **Sec. 18.** AS 43.56.018(a) is amended to read:

(a) The owner of property taxable under this chapter is allowed a credit against the tax due under this chapter for cash contributions accepted **for**

(1) [FOR] direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-

year or four-year college accredited by a regional accreditation association;

(2) [FOR] secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) [FOR] vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) [FOR] a facility or an annual intercollegiate sports tournament by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) [FOR] Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state; [AND]

(6) [FOR] education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government**; and**

(7) the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 19.** AS 43.56.018(a), as amended by sec. 28, ch. 92, SLA 2010, is amended to read:

(a) The owner of property taxable under this chapter is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; [AND]

(3) by a state-operated vocational technical education and training school**; and**

(4) for the Alaska higher education investment fund under AS 37.14.750.

* **Sec. 20.** AS 43.65.018(a) is amended to read:

(a) A person engaged in the business of mining in the state is allowed a credit against the tax due under this chapter for cash contributions accepted **for**

(1) [FOR] direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) [FOR] secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) [FOR] vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) [FOR] a facility or an annual intercollegiate sports tournament by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) [FOR] Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state; [AND]

(6) [FOR] education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government**; and**

(7) the Alaska higher education investment fund under AS 37.14.750.

* **Sec. 21.** AS 43.65.018(a), as amended by sec. 35, ch. 92, SLA 2010, is amended to read:

(a) A person engaged in the business of mining in the state is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; [AND]

(3) by a state-operated vocational technical education and training school**; and**

(4) for the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 22.** AS 43.75.018(a) is amended to read:

(a) A person engaged in a fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted **for**

(1) [FOR] direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) [FOR] secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) [FOR] vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) [FOR] a facility or an annual intercollegiate sports tournament by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) [FOR] Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state; [AND]

(6) [FOR] education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government**; and**

(7) the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 23.** AS 43.75.018(a), as amended by sec. 42, ch. 92, SLA 2010, is amended to read:

(a) A person engaged in a fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; [AND]

(3) by a state-operated vocational technical education and training school**; and**

(4) for the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 24.** AS 43.77.045(a) is amended to read:

(a) In addition to the credit allowed under AS 43.77.040, a person engaged in a floating fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted **for**

(1) [FOR] direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) [FOR] secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) [FOR] vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) [FOR] a facility or an annual intercollegiate sports tournament by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) [FOR] Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state; [AND]

(6) [FOR] education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government; **and**

(7) the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 25.** AS 43.77.045(a), as amended by sec. 49, ch. 92, SLA 2010, is amended to read:

(a) In addition to the credit allowed under AS 43.77.040, a person engaged in a floating fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; [AND]

(3) by a state-operated vocational technical education and training school; **and**

(4) for the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 26.** Section 8, ch. 14, SLA 2010, is repealed.

*** Sec. 27.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: ALASKA HIGHER EDUCATION INVESTMENT FUND. The Alaska higher education investment fund established in AS 37.14.750, enacted by sec. 12 of this Act, is the fund identified in sec. 20(f), ch. 5, FSSLA 2011.

*** Sec. 28.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: REGULATIONS. The Department of Education and Early Development, the Department of Labor and Workforce Development, the Department of Revenue, and the Alaska Commission on Postsecondary Education may adopt regulations

necessary to implement changes made to their respective authorities by this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before July 1, 2012.

*** Sec. 29.** The uncodified law of the State of Alaska is amended by adding a new section to read:

REVISOR'S INSTRUCTION. The revisor of statutes is instructed to change the

(1) heading of art. 12 of AS 14.43 from "Alaska Merit Scholarship Program" to "Alaska Performance Scholarship Program";

(2) catch line for AS 14.43.820 from "Alaska merit scholarship program; eligibility" to "Alaska performance scholarship program; eligibility."

*** Sec. 30.** Sections 2, 4, 5 - 7, and AS 14.43.915(d) and (e), added by sec. 11 of this Act, take effect April 1, 2013.

*** Sec. 31.** AS 14.43.830(a)(1)(C) and (D), added by sec. 9 of this Act, and the amendment to AS 14.43.830(a)(2) made by sec. 9 of this Act take effect July 1, 2013.

*** Sec. 32.** Sections 15, 17, 19, 21, 23, and 25 of this Act take effect January 1, 2021.

*** Sec. 33.** Except as provided in secs. 30 - 32 of this Act, this Act takes effect immediately under AS 01.10.070(c).

SENATE CONCURRENT RESOLUTION NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Introduced:
Referred:

A RESOLUTION

Suspending Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State Legislature, concerning House Bill No. 104, renaming the Alaska performance scholarship and relating to the scholarship and tax credits applicable to contributions to the scholarship; relating to AlaskAdvantage education grant funding and to Alaska performance scholarship funding; establishing an account and fund for those purposes; and making conforming amendments.

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

That under Rule 54, Uniform Rules of the Alaska State Legislature, the provisions of Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State Legislature, regarding changes to the title of a bill, are suspended in consideration of House Bill No. 104, renaming the Alaska performance scholarship and relating to the scholarship and tax credits applicable to contributions to the scholarship; relating to AlaskAdvantage education grant funding and to Alaska performance scholarship funding; establishing an account and fund for those purposes; and making conforming amendments.

27-GH1893\S
Mischel
3/28/12

Adopted 03/30/12

SENATE CS FOR CS FOR HOUSE BILL NO. 104(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

"An Act renaming the Alaska performance scholarship and relating to the scholarship and tax credits applicable to contributions to the scholarship; relating to AlaskAdvantage education grant funding and to Alaska performance scholarship funding; relating to AlaskAdvantage education grant eligibility; establishing accounts and a fund for those purposes; making conforming amendments; and providing for an effective date."

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

*** Section 1.** AS 14.03.113 is amended to read:

Sec. 14.03.113. District determination of scholarship eligibility. A school district shall determine whether a student who graduates from a high school in the district is eligible for an award of an Alaska **performance** [MERIT SCHOLARSHIP PROGRAM] scholarship under AS 14.43.810 - 14.43.849. If a student is eligible, the district shall state in the student's permanent record the highest level of funding for

New Text Underlined [DELETED TEXT BRACKETED]

which the student is eligible. A district shall provide a student with an opportunity to request that the district correct an error in the eligibility determination.

*** Sec. 2.** AS 14.43.415(a) is amended to read:

(a) For an applicant to be eligible for a grant under AS 14.43.400 - 14.43.420, the applicant must be

(1) a resident of this state;

(2) enrolled or about to be enrolled

(A) at an institution **located in the state that is**

(i) accredited by an institutional accrediting body recognized by the United States Secretary of Education; or

(ii) approved to participate in the Alaska performance scholarship program as a qualified postsecondary institution under AS 14.43.830 [APPROVED TO PARTICIPATE IN FEDERAL FINANCIAL AID PROGRAMS UNDER 20 U.S.C. 1070 - 1099c-2, AS AMENDED, LOCATED IN THIS STATE]; and

(B) on at least a half-time basis; and

(3) able to demonstrate financial need in accordance with standards for determining financial need established by the commission [UNDER 20 U.S.C. 1070c-2, AS AMENDED].

*** Sec. 3.** AS 14.43.810 is amended to read:

Sec. 14.43.810. Alaska performance [MERIT] scholarship program established; regulations. (a) The Alaska **performance** [MERIT] scholarship program is established to provide scholarships for **Alaska residents who have attained an Alaska High School Diploma by Examination after January 1, 2011, or who are** high school graduates [WHO ARE ALASKA RESIDENTS] to attend a qualified postsecondary institution in the state.

(b) The department shall, in consultation with the commission, adopt regulations necessary to implement the **Alaska performance scholarship** program. The commission shall administer the daily operations of the **Alaska performance scholarship** program and financing of the **Alaska performance scholarship** program, including the procedures for applying for the scholarships, establishing standards for

and ensuring continuing compliance with programmatic standards, and requiring students to apply for other nonloan financial aid, consistent with federal law.

*** Sec. 4.** AS 14.43.820(a) is amended to read:

(a) Subject to appropriation, the commission shall award an Alaska **performance** [MERIT SCHOLARSHIP PROGRAM] scholarship to an applicant who

(1) is a resident of the state as defined in AS 01.10.055;

(2) **except as provided in (c) of this section,** graduated or will graduate within six months from a high school in the state;

(3) **except as provided in (d) of this section,** has completed a core academic curriculum **of** [IN] high school **level coursework** that includes

(A) four years of mathematics, four years of language arts, four years of science, and four years of social studies, one year of which may include a foreign language, an Alaska Native language, fine arts, or cultural heritage; or

(B) three years of mathematics, four years of language arts, three years of science, four years of social studies, and two years of a foreign language or an Alaska Native language;

(4) **except as provided in (c) of this section,** has a minimum grade-point average in high school of 2.5 or higher; the department shall set by regulation minimum requirements based on a substantially similar standard for districts that do not assign grades;

(5) has achieved a minimum score on a

(A) college entrance examination; or

(B) standardized examination designed to measure a student's level of preparedness to make the transition to work, as selected by the department; and

(6) is enrolled in good standing in a course of study at a qualified postsecondary institution in this state that is intended to result in the award of a certificate or degree.

*** Sec. 5.** AS 14.43.820 is amended by adding new subsections to read:

(c) Notwithstanding the eligibility requirements in (a)(2) and (4) of this

section, the department shall adopt regulations to provide for the eligibility of a student who has attained an Alaska High School Diploma by Examination in the state.

(d) The commissioner shall waive a portion of the core academic requirements specified under (a)(3) of this section for not more than 12 additional months after a student graduates from a high school in the state or 24 months after a student attains an Alaska High School Diploma by Examination to provide an eligible applicant the opportunity to complete the academic requirements at a qualified postsecondary institution using a scholarship awarded under AS 14.43.825(a) or at a public high school in the state with a district sponsorship under (g) of this section if the applicant submits a timely application on a form approved by the commissioner and, for an applicant who has graduated from a high school in the state, provides satisfactory proof that the applicant was unable to complete the academic requirements under (a)(3) of this section as a result of circumstances beyond the applicant's control, including

(1) illness or disability;

(2) a lack of reasonable access to the required coursework at a small or remote high school attended by the applicant in the state; and

(3) other circumstances prescribed by regulation adopted by the board.

(e) The commissioner shall approve or deny an application for a waiver submitted under (d) of this section within 30 days after receiving the application.

(f) An applicant who receives a waiver under (d) of this section, shall, within the time granted for the waiver, provide satisfactory proof to the commissioner of completion of the core academic requirements specified under (a)(3) of this section.

(g) Notwithstanding a contrary provision in this title, a school district that agrees to sponsor a student for a waiver under (d) of this section may include a student who has been approved for a waiver under (d) of this section in the student count conducted under AS 14.17.600 as a full-time or part-time student if the student attends a school in the district for the purpose of completing the core academic requirements under (a)(3) of this section.

(h) In this section, "district" has the meaning given in AS 14.17.990.

*** Sec. 6.** AS 14.43.825(a) is amended to read:

(a) The maximum annual awards for the Alaska **performance** [MERIT SCHOLARSHIP PROGRAM] scholarships are as follows:

(1) the first award level is $4,755 and requires a

(A) 3.5 grade-point average or above **or a total score in the 90th percentile or above on the general educational development examination;** and

(B) [A] very high minimum score on a college entrance examination;

(2) the second award level is $3,566 and requires a

(A) 3.0 grade-point average or above **or a total score in the 80th percentile or above on the general educational development examination;** and

(B) [A] high minimum score on a college entrance examination;

(3) the third award level is $2,378 and requires a

(A) 2.5 grade-point average or above **or a total score in the 70th percentile or above on the general educational development examination;** and

(B) [A] moderately high minimum score on a college entrance examination.

* **Sec. 7.** AS 14.43.825(b) is amended to read:

(b) A student's eligibility for a scholarship terminates six years after the date the student **graduates** [GRADUATED] from high school **or attains a State of Alaska High School Diploma by Examination,** unless the student qualifies for an extension of time allowed by the department by regulation.

* **Sec. 8.** AS 14.43.825(f) is repealed and reenacted to read:

(f) Payment of a scholarship is subject to appropriation and the availability of funds for expenditure under AS 37.14.750. If insufficient funds are appropriated or available in a fiscal year to pay all eligible scholarships, the commission may not award a scholarship to a new applicant, and the commission shall pay existing awards on a pro rata basis for that fiscal year.

* **Sec. 9.** AS 14.43.830 is amended to read:

Sec. 14.43.830. Qualified postsecondary institutions. (a) The following institutions are qualified postsecondary institutions for purposes of awarding an Alaska **performance** [MERIT SCHOLARSHIP PROGRAM] scholarship:

(1) a university or college physically located in the state that [IS]

(A) **is** authorized to operate in the state under AS 14.48.020 or is exempt from authorization under AS 14.48.030(b)(1); [AND]

(B) **is** accredited by a regional **or national** accreditation association;

(C) has an advisory program established for incoming students that provides counseling related to course selection, career choice, and personal challenges; and

(D) provides courses and credits that can result in the issuance of a degree or certificate available at the institution within a time frame expected for that degree or certificate;

(2) a career and technical school program physically located in the state that **meets the standards established in (a)(1)(C) and (D) of this section and that** has been included on a list of certified career and technical school programs received from the Department of Labor and Workforce Development; the commission shall publish the list on or before June 30 of the year preceding enrollment.

(b) The Department of Labor and Workforce Development shall, in consultation with the Department of Education and Early Development, adopt regulations under AS 44.62 (Administrative Procedure Act) establishing criteria under which the Department of Labor and Workforce Development shall certify career and technical school programs in the state as eligible to participate in the Alaska **performance** [MERIT] scholarship program.

* **Sec. 10.** AS 14.43.849(4) is amended to read:

(4) "program" means the Alaska **performance** [MERIT] scholarship program established under AS 14.43.810 - 14.43.849;

* **Sec. 11.** AS 14.43 is amended by adding a new section to read:

Sec. 14.43.915. AlaskAdvantage education grant account and Alaska

performance scholarship award account. (a) The AlaskAdvantage education grant account is created as an account in the general fund. Money may be appropriated to the account from the Alaska higher education investment fund under AS 37.14.750 and from other sources. The commission may use the money in the account to pay grants awarded under AS 14.43.400 - 14.43.420.

(b) The Alaska performance scholarship award account is created as an account in the general fund. Money may be appropriated to the account from the Alaska higher education investment fund under AS 37.14.750 and from other sources. The commission may use the money in the account to pay scholarships awarded to students under AS 14.43.810 - 14.43.849.

(c) Of the total amount available annually to the commission for payment of grants under AS 14.43.400 - 14.43.420 and for payment of scholarships under AS 14.43.810 - 14.43.849, one-third of the combined amount in the accounts established under (a) and (b) of this section shall be available solely for payment of grants awarded under AS 14.43.400 - 14.43.420. The commission shall annually allocate to all qualified applicants for scholarships awarded under AS 14.43.810 - 14.43.849 two-thirds of the combined amount in the accounts. If an insufficient number of qualified applicants are awarded scholarships under AS 14.43.810 - 14.43.849 before September 1 of each fiscal year, the balance of the account established in (b) of this section shall be transferred to the account established in (a) of this section for the payment of grants under AS 14.43.400 - 14.43.420 for that year. If an insufficient number of qualified applicants are awarded grants under AS 14.43.400 - 14.43.420 before the end of that fiscal year, the commissioner shall redeposit the remaining funds into the Alaska higher education investment fund established under AS 37.14.750.

(d) The commission shall reserve a percentage calculated under this subsection of the total amount available for awards in the accounts established under (a) and (b) of this section each year for award to students who graduate from a school district with an ADM of less than 800 or from a school that was operated by the Alaska State-Operated School System established under former AS 14.08.020. The percentage reserved under this subsection shall be calculated by adding the ADMs of

districts with an ADM of less than 800 and the number of students enrolled in a school that was operated by the Alaska State-Operated School System established under former AS 14.08.020 that is located in a district with an ADM of 800 or more and then dividing that number by the sum of the ADMs of all districts in the state.

(e) If an insufficient number of applicants apply for the available amount reserved under (d) of this section, the commission shall redeposit the remaining amount in the account from which the funds originated.

(f) In this section,

(1) "ADM" has the meaning given in AS 14.17.990;

(2) "district" has the meaning given in AS 14.17.990, but also includes a state boarding school under AS 14.16.

*** Sec. 12.** AS 14.45.130(a) is amended to read:

(a) A religious or other private school that elects to comply with AS 14.45.100 - 14.45.130 shall maintain permanent student records reflecting immunizations, physical examinations, standardized testing, academic achievement, courses taken at the school, and level of eligibility for an Alaska **performance** [MERIT SCHOLARSHIP PROGRAM] scholarship under AS 14.43.810 - 14.43.849.

*** Sec. 13.** AS 37.14 is amended by adding a new section to read:

Article 8A. Alaska Higher Education Investment Fund.

Sec. 37.14.750. Alaska higher education investment fund established. (a) The Alaska higher education investment fund is established in the general fund for the purpose of making grants awarded under AS 14.43.400 - 14.43.420 by appropriation to the account established under AS 14.43.915(a) and of making scholarship payments to qualified postsecondary institutions for students under AS 14.43.810 - 14.43.849 by appropriation to the account established under AS 14.43.915(b). Money in the fund does not lapse. The fund consists of

(1) money appropriated to the fund;

(2) income earned on investment of fund assets;

(3) donations to the fund; and

(4) money redeposited under AS 14.43.915(c).

(b) The legislature may appropriate any amount to the fund established in (a)

of this section. Nothing in this section creates a dedicated fund.

(c) As soon as is practicable after July 1 of each year, the commissioner of revenue shall determine the market value of the fund established in this section on June 30 for the immediately preceding fiscal year. The commissioner shall identify 10 percent of that amount as available for appropriation as follows:

(1) one-third for the grant account established under AS 14.43.915(a), from which the Alaska Commission on Postsecondary Education may award grants; and

(2) two-thirds for the scholarship account established under AS 14.43.915(b), from which the Alaska Commission on Postsecondary Education may award scholarships.

(d) In this section, unless the context requires otherwise, "fund" means the Alaska higher education investment fund established in (a) of this section.

*** Sec. 14.** AS 43.20.014(a) is amended to read:

(a) A taxpayer is allowed a credit against the tax due under this chapter for cash contributions accepted **for**

(1) [FOR] direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) [FOR] secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) [FOR] vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) [FOR] a facility or an annual intercollegiate sports tournament by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) [FOR] Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state; [AND]

(6) [FOR] education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government; **and**

(7) the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 15.** AS 43.20.014(a), as amended by sec. 14, ch. 92, SLA 2010, is amended to read:

(a) A taxpayer is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; [AND]

(3) by a state-operated vocational technical education and training school**; and**

(4) for the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 16.** AS 43.55.019(a) is amended to read:

(a) A producer of oil or gas is allowed a credit against the tax due under this chapter for cash contributions accepted **for**

(1) [FOR] direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) [FOR] secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) [FOR] vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) [FOR] a facility or an annual intercollegiate sports tournament by a

nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) [FOR] Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state; [AND]

(6) [FOR] education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government**; and**

(7) the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 17.** AS 43.55.019(a), as amended by sec. 21, ch. 92, SLA 2010, is amended to read:

(a) A producer of oil or gas is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; [AND]

(3) by a state-operated vocational technical education and training school**; and**

(4) for the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 18.** AS 43.56.018(a) is amended to read:

(a) The owner of property taxable under this chapter is allowed a credit against the tax due under this chapter for cash contributions accepted **for**

(1) [FOR] direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-

year or four-year college accredited by a regional accreditation association;

(2) [FOR] secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) [FOR] vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) [FOR] a facility or an annual intercollegiate sports tournament by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) [FOR] Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state; [AND]

(6) [FOR] education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government**; and**

(7) the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 19.** AS 43.56.018(a), as amended by sec. 28, ch. 92, SLA 2010, is amended to read:

(a) The owner of property taxable under this chapter is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; [AND]

(3) by a state-operated vocational technical education and training school**; and**

(4) for the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 20.** AS 43.65.018(a) is amended to read:

(a) A person engaged in the business of mining in the state is allowed a credit against the tax due under this chapter for cash contributions accepted **for**

(1) [FOR] direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) [FOR] secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) [FOR] vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) [FOR] a facility or an annual intercollegiate sports tournament by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) [FOR] Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state; [AND]

(6) [FOR] education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government**; and**

(7) the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 21.** AS 43.65.018(a), as amended by sec. 35, ch. 92, SLA 2010, is amended to read:

(a) A person engaged in the business of mining in the state is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; [AND]

(3) by a state-operated vocational technical education and training school**; and**

(4) for the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 22.** AS 43.75.018(a) is amended to read:

(a) A person engaged in a fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted **for**

(1) [FOR] direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) [FOR] secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) [FOR] vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) [FOR] a facility or an annual intercollegiate sports tournament by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) [FOR] Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state; [AND]

(6) [FOR] education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government**; and**

(7) the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 23.** AS 43.75.018(a), as amended by sec. 42, ch. 92, SLA 2010, is amended to read:

(a) A person engaged in a fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; [AND]

(3) by a state-operated vocational technical education and training school**; and**

(4) for the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 24.** AS 43.77.045(a) is amended to read:

(a) In addition to the credit allowed under AS 43.77.040, a person engaged in a floating fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted **for**

(1) [FOR] direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) [FOR] secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) [FOR] vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) [FOR] a facility or an annual intercollegiate sports tournament by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) [FOR] Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state; [AND]

(6) [FOR] education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government; **and**

(7) the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 25.** AS 43.77.045(a), as amended by sec. 49, ch. 92, SLA 2010, is amended to read:

(a) In addition to the credit allowed under AS 43.77.040, a person engaged in a floating fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; [AND]

(3) by a state-operated vocational technical education and training school; **and**

(4) for the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 26.** Section 8, ch. 14, SLA 2010, is repealed.

*** Sec. 27.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: ALASKA HIGHER EDUCATION INVESTMENT FUND. The Alaska higher education investment fund established in AS 37.14.750, enacted by sec. 12 of this Act, is the fund identified in sec. 20(f), ch. 5, FSSLA 2011.

*** Sec. 28.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: REGULATIONS. The Department of Education and Early Development, the Department of Labor and Workforce Development, the Department of Revenue, and the Alaska Commission on Postsecondary Education may adopt regulations

necessary to implement changes made to their respective authorities by this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before July 1, 2012.

*** Sec. 29.** The uncodified law of the State of Alaska is amended by adding a new section to read:

REVISOR'S INSTRUCTION. The revisor of statutes is instructed to change the

(1) heading of art. 12 of AS 14.43 from "Alaska Merit Scholarship Program" to "Alaska Performance Scholarship Program";

(2) catch line for AS 14.43.820 from "Alaska merit scholarship program; eligibility" to "Alaska performance scholarship program; eligibility."

*** Sec. 30.** Sections 2, 4, 5 - 7, and AS 14.43.915(d) and (e), added by sec. 11 of this Act, take effect April 1, 2013.

*** Sec. 31.** AS 14.43.830(a)(1)(C) and (D), added by sec. 9 of this Act, and the amendment to AS 14.43.830(a)(2) made by sec. 9 of this Act take effect July 1, 2013.

*** Sec. 32.** Sections 15, 17, 19, 21, 23, and 25 of this Act take effect January 1, 2021.

*** Sec. 33.** Except as provided in secs. 30 - 32 of this Act, this Act takes effect immediately under AS 01.10.070(c).

2012 Alaska Performance Scholarship Outcomes Report



EXHIBIT 1. 2010-2011 APS Eligibility and Acceptance by District/Region

District Name / Region	Class of 2011 High School Graduates	APS-Eligible Graduates	Percent Eligible	APS Recipients	APS $ Awarded
Alaska Gateway / Interior	22	6	27%	*	*
Aleutians East / Southwest	13	*	*	*	*
Aleutian Region / Southwest	*	*	*	*	*
Anchorage / Southcentral	3,062	1,081	35%	359	$1,203,217
Annette Island / Southeast	13	*	*	*	*
Bering Strait / Far North	106	*	*	*	*
Bristol Bay / Southwest	9	*	*	*	*
Chatham / Southeast	13	*	*	*	*
Chugach / Southcentral	7	*	*	*	*
Copper River / Southcentral	24	9	38%	7	$26,154
Cordova City / Southcentral	32	10	31%	*	*
Craig City / Southeast	22	*	*	*	*
Delta-Greely / Interior	55	14	25%	10	$33,289
Denali / Interior	19	7	37%	*	*
Dillingham / Southwest	20	*	*	*	*
Fairbanks / Interior	836	288	34%	142	$487,216
Galena / Interior	253	54	21%	25	$91,549
Haines / Southeast	24	10	42%	*	*
Hoonah / Southeast	4	*	*	*	*
Hydaburg / Southeast	4	*	*	*	*
Iditarod / Southwest	27	*	*	*	*
Juneau / Southeast	403	115	29%	25	$77,277
Kake / Southeast	6	*	*	*	*
Kashunamiut / Southwest	12	*	*	*	*
Kenai Peninsula / Southcentral	593	179	30%	58	$199,287
Ketchikan / Southeast	122	48	39%	19	$63,903
Klawock / Southeast	11	*	*	*	*
Kodiak Island / Southwest	181	67	37%	17	$49,928

** Information cannot be disclosed without potentially releasing personally identifiable information.*

EXHIBIT 1. (continued)

District Name / Region	Class of 2011 High School Graduates	APS-Eligible Graduates	Percent Eligible	APS Recipients	APS $ Awarded
Kuspuk / Southwest	20	*	*	*	*
Lake and Peninsula / Southwest	26	*	*	*	*
Lower Kuskokwim / Southwest	150	12	8%	*	*
Lower Yukon / Southwest	67	*	*	*	*
Mat-Su / Southcentral	1,085	244	22%	91	$309,281
Mt Edgecumbe / Southeast	74	13	18%	*	*
Nenana / Interior	128	5	4%	*	*
Nome / Far North	29	10	34%	6	$19,642
North Slope / Far North	86	17	20%	8	$30,910
Northwest Arctic / Far North	78	*	*	*	*
Pelican / Southeast	*	*	*	*	*
Petersburg / Southeast	53	25	47%	9	$39,234
Pribilof / Southwest	4	*	*	*	*
Saint Mary's / Southwest	13	*	*	*	*
Sitka / Southeast	98	37	38%	5	$12,484
Skagway / Southeast	12	5	42%	*	*
Southeast Island / Southeast	10	*	*	*	*
Southwest Region / Southwest	32	*	*	*	*
Tanana / Interior	*	*	*	*	*
Unalaska / Southwest	22	10	45%	5	$16,040
Valdez / Southcentral	45	13	29%	8	$21,400
Wrangell / Southeast	26	7	27%	*	*
Yakutat / Southeast	9	*	*	*	*
Yukon Flats / Far North	8	*	*	*	*
Yukon-Koyukuk / Interior	88	7	8%	*	*
Yupiit / Southwest	8	*	*	*	*
Statewide Public Schools Total	**8,064**	**2,322**	**29%**	**835**	**$2,826,835**
Non-Public Schools Total	N/A	42	N/A	35	$133,079

** Information cannot be disclosed without potentially releasing personally identifiable information.*

APPENDIX E.

Alaska Regions Referenced in the APS Report



Created by: Alaska Department of Labor and Workforce Development

EXHIBIT 2. AY11 Graduates' APS Percentage Eligibility and Use by Region

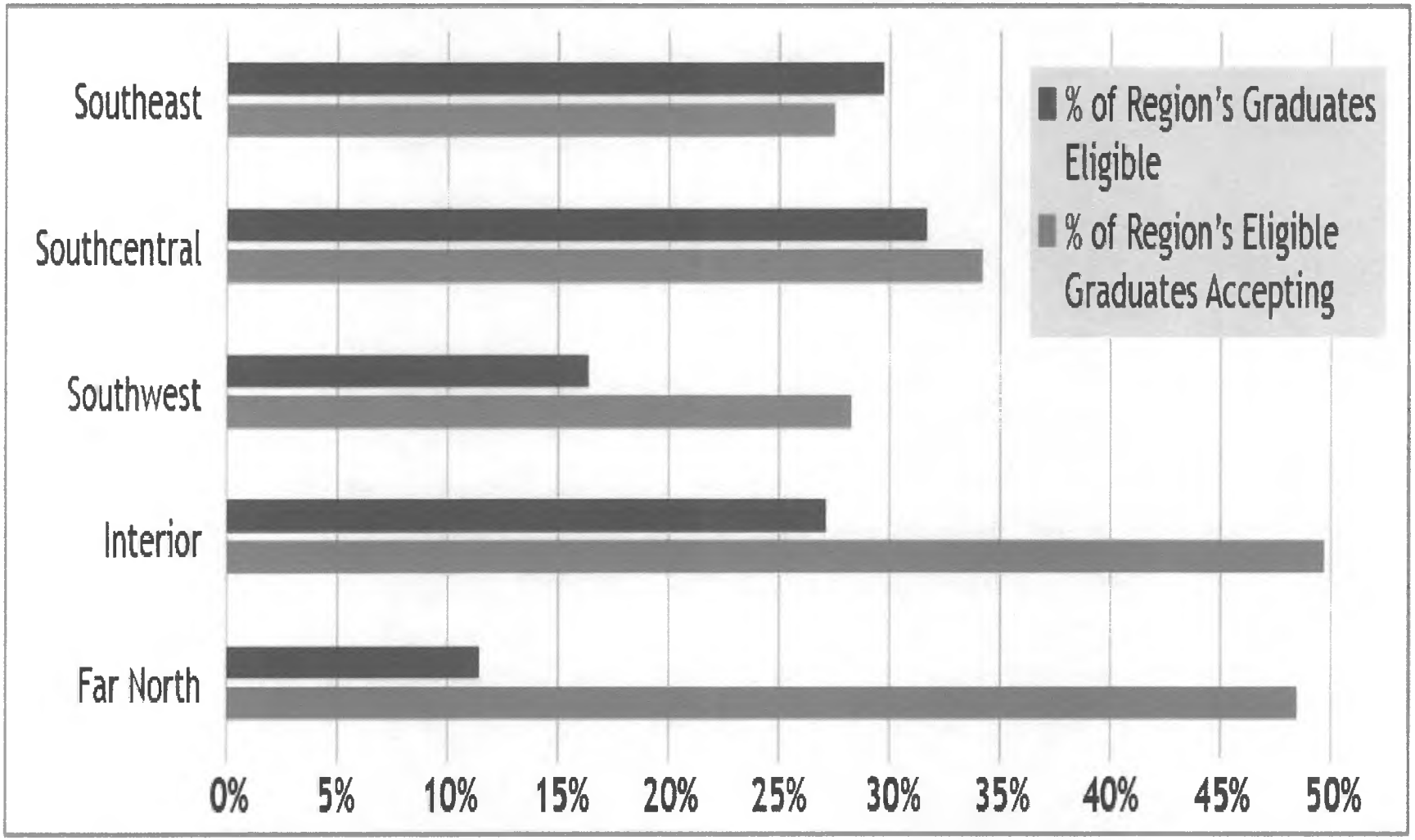


EXHIBIT 3. APS Eligibility and Recipients by Gender

	Public School Graduates	Eligible		Recipients	
		Count	% of Graduates	Count	% of Eligible
Totals	8,064	2,322	28.8%	835	36.0%
Male	4,012	1,060	26.4%	380	35.8%
Female	4,052	1,262	31.1%	455	36.1%

EXHIBIT 4. APS Eligibility and Recipients by Ethnicity

	Public School Graduates	Eligible		Recipients	
		Count	% of Graduates	Count	% of Eligible
Total	8,064	2,322	28.8%	835	36.0%
Caucasian (White)	4,764	1,807	37.9%	652	36.1%
Alaska Native/American Indian	1,463	122	8.3%	44	36.1%
Asian	575	143	24.9%	44	30.8%
Hispanic	427	78	18.3%	33	42.3%
Native Hawaiian or Pacific Islander	402	112	27.9%	40	35.7%
African-American (Black), not Hispanic	292	50	17.1%	18	36.0%
2 or more races (not Hispanic)	141	10	7.1%	4	40.0%

EXHIBIT 6. AY11 Public School Graduates' In-state and Out-of-state Attendance Patterns

	Headcounts			
	AY11 Graduates	Attended In AK	Attended Outside	Not Found / Not Attending
Total Graduates	8,064	2,437	1,401	4,226
Not APS Eligible	5,742	1,439	467	3,836
Total APS Eligible	2,322	998	934	390
Level 1	922	298	518	106
Level 2	687	350	215	122
Level 3	713	350	201	162

	Percentages			
	AY11 Graduates	Attended In AK	Attended Outside	Not Found / Not Attending
Total Graduates	8,064	30%	17%	52%
Not APS Eligible	5,742	25%	8%	67%
Total APS Eligible	2,322	43%	40%	17%
Level 1	922	32%	56%	11%
Level 2	687	51%	31%	18%
Level 3	713	49%	28%	23%

EXHIBIT 9. APS Recipients and Postsecondary Attendance by Institution

Institution	Total # of Awards
Alaska Bible College	5
AVTEC	7
UAA	497
UAF	316
UAS	40
Other Institutions	5

EXHIBIT 10. APS Award Amounts by Degree/Certificate

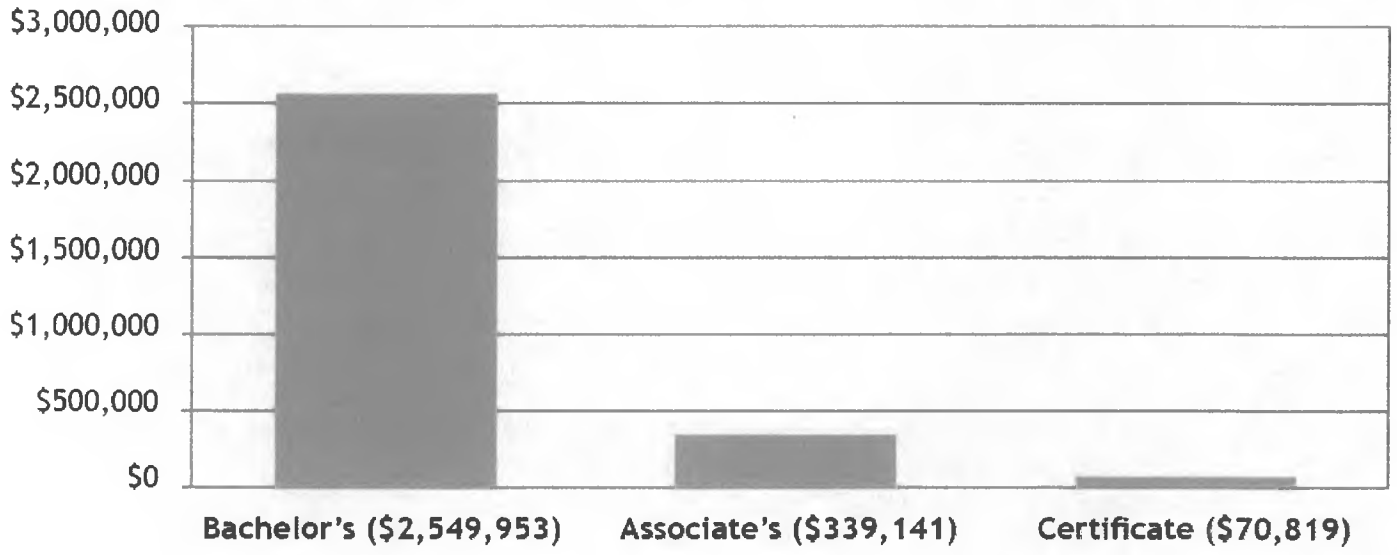


EXHIBIT 11. APS Award Amounts by Enrollment Status

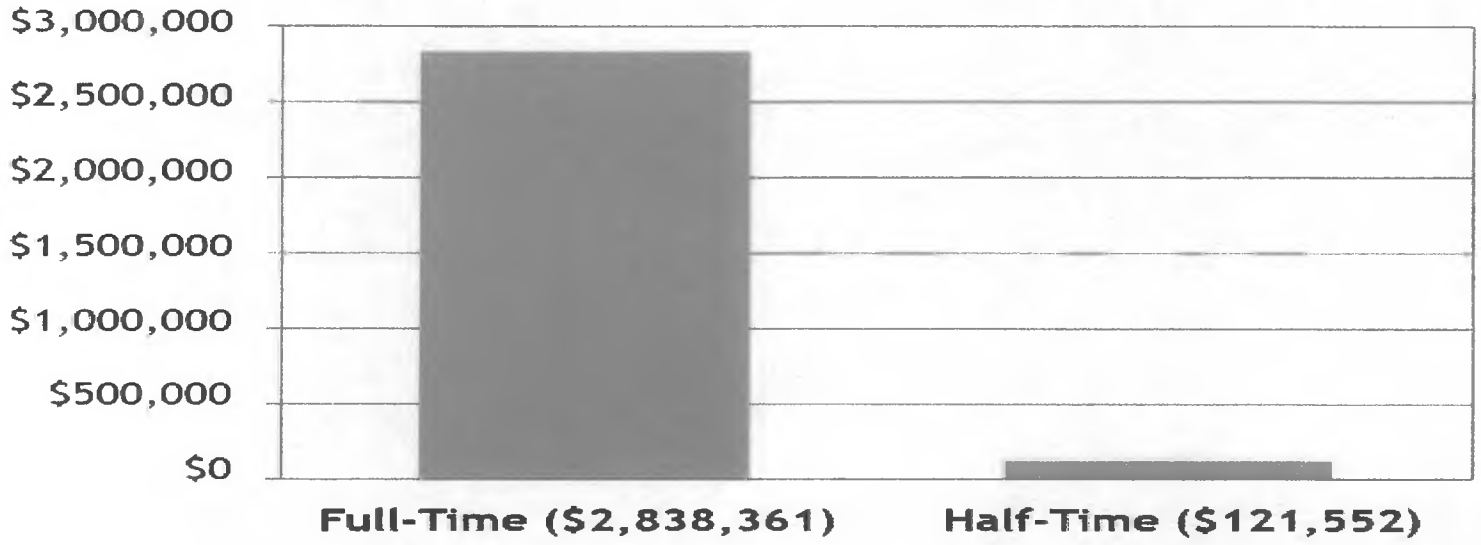


EXHIBIT 14. UA First-Time Freshmen in AY12 Taking Preparatory Courses and Average Credit Hours Attempted

Total Headcount of First-Time Freshman, AY12 = 3,631	Non-APS-Eligible First-Time Freshmen	APS-Eligible First-Time Freshmen				
		Total Eligible	College Level 1	College Level 2	College Level 3	All Vocational
Total Student Headcount	2,751	880	262	310	287	21
Students Taking Any Preparatory Courses	1,784	241	23	86	124	8
Percent of Total Headcount	64.8%	27.4%	8.8%	27.7%	43.2%	38.1%
Students Taking Preparatory Math	1,504	207	21	71	108	7
Percent of Total Headcount	54.7%	23.5%	8.0%	22.9%	37.6%	33.3%
Students Taking Preparatory English	1,003	52	2	15	32	3
Percent of Total Headcount	36.5%	5.9%	0.8%	4.8%	11.1%	14.3%
Average Total Hours Attempted	11.3	13.6	14.5	13.6	13.0	12.8
Avg. Preparatory Hours Attempted	2.9	1.0	0.3	0.9	1.6	1.7
Avg. Preparatory Hours - Math	1.7	0.7	0.2	0.7	1.2	1.1
Avg. Preparatory Hours - English	1.1	0.2	0.0	0.2	0.4	0.5

EXHIBIT 17. Retention of AY05-AY07 High School Graduates Attending UA Within One Year of Graduation

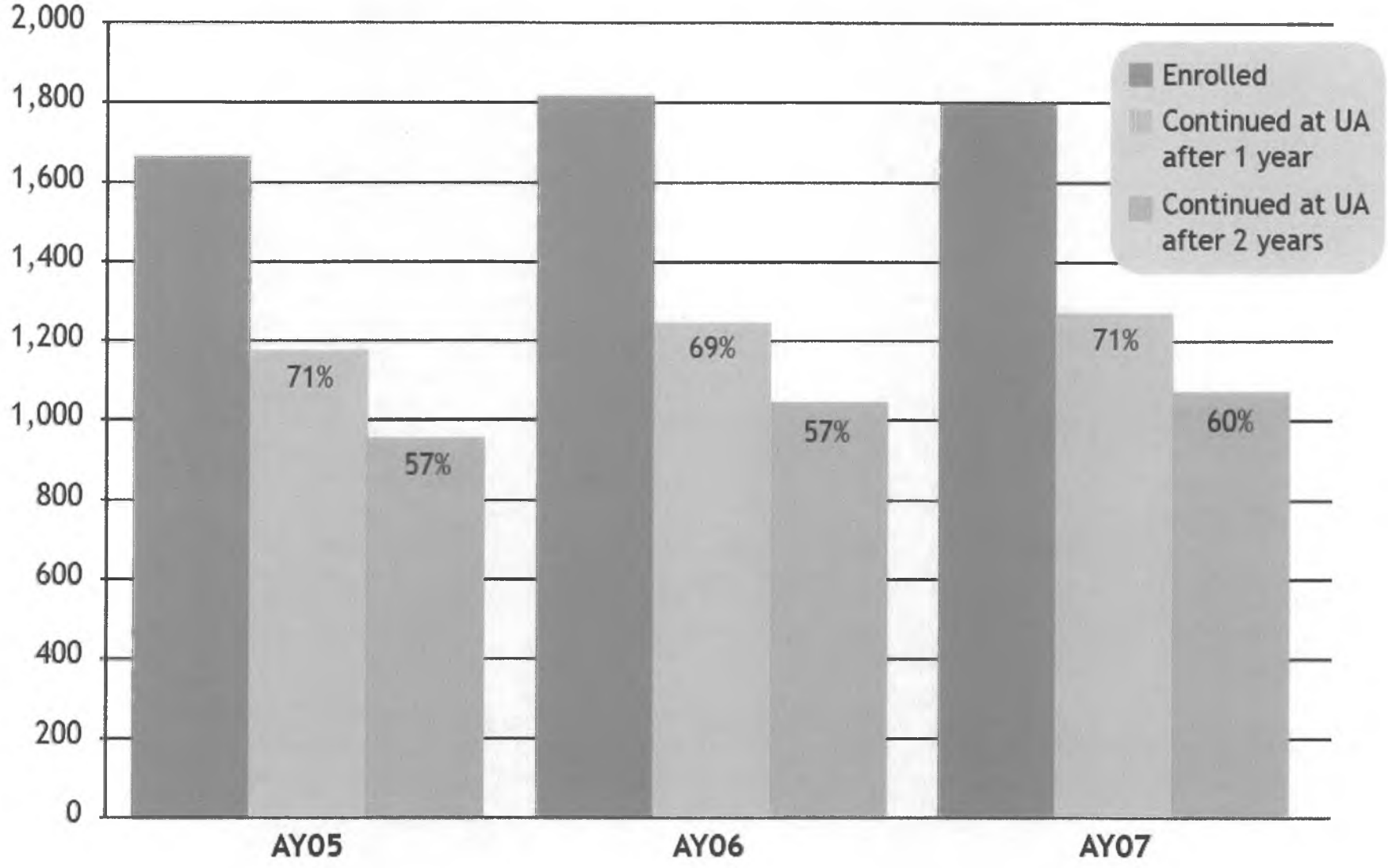


EXHIBIT 18. UA Degree and Certificate Completion by AY11, for AY05-AY07 High School Graduates Attending UA Within One Year of Graduation

Graduates Pursuing a Degree	AY05	AY06	AY07
Total Enrolled in a Degree Program	1,674	1,824	1,802
Total Completing Program	529	397	253
Percentage Completing Program	31.6%	21.8%	14.0%
Average Years to Completion	4.42	4.03	3.48

Graduates Pursuing a Certificate	AY07
Total Enrolled in a Certificate Program	38
Total Completing Program	9
Percentage Completing Program	23.7%
Average Years to Completion	1.44

2012 Alaska Performance Scholarship Outcomes Report



Presented to the Public, the Governor, and the Alaska Legislature by

Alaska Commission on Postsecondary Education
Alaska Department of Education & Early Development
Alaska Department of Labor and Workforce Development
University of Alaska

By Brian Rae
Assistant Director of Research and Analysis
Alaska Commission on Postsecondary Education

January 2012

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EXECUTIVE SUMMARY

As set forth in Alaska Statute 14.43.840, the state's departments of Education & Early Development (EED) and Labor and Workforce Development (DOLWD), the University of Alaska (UA), and the Alaska Commission on Postsecondary Education (ACPE) present this first annual report on the Alaska Performance Scholarship (APS) to the public, the Governor, and the Legislature. In its first year, as of January 1, 2012 the APS has awarded over $3,000,000 to over 900[1] Alaska high school graduates from the class of 2011, with over 1,400 additional students who qualified and will remain eligible to receive the APS in coming years.

Described as "an invitation to excellence," the scholarship's intent is to inspire students to push themselves academically in areas that correlate to success in college and career training. While it is still too early to measure the full effects of the scholarship, some students have indicated that the APS has had an effect on them. While the graduating class of 2011 had very little time to change their classes or study habits in order to qualify for the scholarship, in a recent survey of APS-eligible students, 16% said they had worked harder in school in order to increase their GPA, 20% said they either took or retook a standardized test in order to become eligible, and 10% made changes to the classes they were taking. Perhaps most importantly, over one-quarter of the survey respondents said that the scholarship was extremely important in influencing their decision on whether or not to pursue postsecondary education.

APS recipients come from all regions of the state, though their eligibility and use of the scholarship vary by gender, race/ethnicity, and region. And, while there are a variety of approved training providers throughout the state at which students may use the APS, over 98% of the students in this first year are using their scholarships at one of the University of Alaska campuses. Over 96% of APS funds go to pay for students enrolled full time, and 86% of APS funds go to students pursuing a bachelor's degree.

In future years, as APS recipients progress through their academic careers and join the labor force, a more complete picture of APS' impacts on students will begin to form, and there will be additional evidence to determine how the scholarship is influencing Alaska students and providing additional opportunities for them to pursue postsecondary education and succeed in the workforce. Until then, the following report provides some preliminary information on this, the inaugural class of recipients of the Alaska Performance Scholarship, including characteristics of who is receiving the APS, where they came from, where they are pursuing their postsecondary studies, how much was spent, and some preliminary indicators of how these recipients are faring in their first year of studies.

[1] The full report references APS data as of November 14, 2011, the date information on students' APS eligibility and usage was collected and distributed to the agencies partnering in the writing of this report. At that time, APS had awarded 870 recipients approximately $2.94 million.

"I am so grateful for the APS scholarship, as I was not completely sure I was willing to take on a student loan to attend full time. Because of the APS scholarship, in conjunction with the UAA Scholars scholarship, I am able to attend full time without any loans. I am very fortunate for the timing of the APS!"

Level 1 APS Recipient, in response to APS Outcomes Survey

"I am very thankful that the APS was available for me. I definitely have a hard time paying for school, especially as a full time student working part time hours, with full time working parents who have never received higher than a high school education. I am a full time student, daughter, and eldest sibling. I am also a part time employee. Paying for tuition on top of textbooks and other fees is almost near impossible for me. Thank you APS for this opportunity, I would be struggling to make ends meet without this scholarship!"

Level 2 APS Recipient, in response to APS Outcomes Survey

"I believe the Alaska Performance Scholarship promoted the competitiveness of the University of Alaska system in its attempt to endorse post-secondary education in the state. Also, I would also want to mention that the customer service was remarkably great. I was surprised that those answering my calls were knowledgeable and did everything to help my cause, so I commend them for that!"

Level 1 APS Recipient, in response to APS Outcomes Survey

ALASKA PERFORMANCE SCHOLARSHIP INAUGURAL YEAR'S OUTCOMES REPORT

As set forth in Alaska Statute 14.43.840, Alaska's Departments of Education & Early Development (EED) and Labor and Workforce Development (DOLWD), the University of Alaska (UA), and the Alaska Commission on Postsecondary Education (ACPE) present this first annual report on the Alaska Performance Scholarship to the public, the Governor, and the Legislature. While the legislatively authorized framework of the Alaska Performance Scholarship, or APS, has been in place for little more than one year, by mid-November 2011 the program had provided $2,959,913 to 870 Alaskans from the 2011 high school graduating class[2] to provide assistance in paying for their postsecondary education. An additional 1,452 graduates qualified in 2011 and will remain eligible to receive the APS, and may take advantage of its benefit in coming years.

The APS has been described as "an invitation to excellence," in that students must strive to meet certain education milestones, which correlate to success in college and career training, in order to be eligible for a scholarship. (Information on the requirements is included in Appendix A.) Students' eligibility was verified by their school districts. The final list of eligible APS students, with relevant information, was then provided to EED. School districts were not required to report to EED the underlying details relative to each student's APS award eligibility for academic year 2011 (AY11), as such information was not readily available or easily compiled for the initial reporting period. However, this information was voluntarily provided for approximately one-third of APS-eligible students[3].

AN ANALYSIS OF HIGH SCHOOL GRADUATES, APS-ELIGIBLE GRADUATES, AND RECIPIENTS

Data Sources for the AY11 APS Outcomes Report

Information on AY11 graduates is available from several sources. EED maintains information on public school students in its K-12 data system known as OASIS (the On-line Alaska School Information System), and collects some information on a small number of graduates from outside of the public school systems who applied for an APS. As the primary source of information on all Alaska public high school graduates, including those who decide not to pursue postsecondary education, EED's data was used to identify socioeconomic and demographic characteristics of students. In order to provide comparisons between the AY11 graduating class and prior years' graduates, EED provided several years of high school graduation data for the APS outcomes report. For the graduating class of 2011, the EED data can be considered to be in its final form, with no future updates or changes expected. For all other sources of information on these students, the data available is preliminary and in some cases is likely to see significant future revisions.

For students pursing postsecondary education at one of the University of Alaska campuses, UA's BANNER system is the primary source of information about their progress toward attaining their degree or certificate. Incorporating the information on Alaska high school graduates provided by EED, the Institutional Research & Analysis (IRA) unit at UA provided some characteristics of APS-eligible students, including preliminary findings on enrollments for students attending any UA school. Data included in this report was collected early in the fall semester, and will almost certainly change once complete semester data becomes available. In future years, such information on students' rates of college attendance, retention and completion will provide valuable measures of the APS' impacts on students' educational outcomes.

DOLWD is able to link its labor force and wage data to high school and postsecondary graduates, a capability that will provide valuable information on the effects of the APS in years to come as graduates

---

[2] Public high school graduate information comes primarily from EED's summer OASIS data collection, and represents information confirmed by October 4, 2011. APS recipient information comes from ACPE's Alaska Student Aid Portal system (ASAP), and is current as of November 14, 2011. Information in both databases has been subject to slight changes since the substantive data used in this report was collected. Some information contained in this report may reflect more recent data, and slight differences in reported data may exist due to record matching disparities among the four agencies. The most recent data is available from these agencies, and on the APS webpage at *aps.alaska.gov*.

[3] EED is coordinating with school districts to build capacity for reporting individual-level data, including student GPA, completed course information, and SAT, ACT or WorkKeys scores for those students who have their scores reported to their district.

enter the workforce. While such information will not be available for APS recipients for several years, DOLWD's Research & Analysis Section has conducted several similar studies to date, looking at characteristics such as comparative wages, workers' occupations, place of work, and unemployment insurance use. This information will provide the benchmark against which to measure APS recipients in the future.

ACPE collects information on those students who complete the Free Application for Federal Student Aid (FAFSA) and other information on students receiving the APS, as well as students receiving other grants and loans it administers. ACPE also contracts with the National Student Clearinghouse (NSC) to receive information on Alaska students and their pursuit of postsecondary education, either in or outside the state[4]. For this year's APS outcomes report, ACPE also conducted a survey of APS-eligible students to gain some understanding of how the scholarship affected them. By combining the data available from these different sources, this first annual report derives a preliminary profile of the state's most recent graduates, of APS-eligible students, and of APS recipients.

Where Do APS-Eligible and Recipient Students Reside?

Consistent with the state's population distribution, the majority of APS-eligible students and recipients come from the Anchorage School District, the largest city in the state and the school district which accounted for nearly 40% of the state's public school graduates in AY11. At the other extreme, in AY11 there were 12 of Alaska's 54 school districts which graduated fewer than 10 students[5], two of which had no seniors. (See Exhibit 1.)

EXHIBIT 1. 2010-2011 APS Eligibility and Acceptance by District/Region

District Name / Region	Class of 2011 High School Graduates	APS-Eligible Graduates	Percent Eligible	APS Recipients	APS $ Awarded
Alaska Gateway / Interior	22	6	27%	*	*
Aleutians East / Southwest	13	*	*	*	*
Aleutian Region / Southwest	*	*	*	*	*
Anchorage / Southcentral	3,062	1,081	35%	359	$1,203,217
Annette Island / Southeast	13	*	*	*	*
Bering Strait / Far North	106	*	*	*	*
Bristol Bay / Southwest	9	*	*	*	*
Chatham / Southeast	13	*	*	*	*
Chugach / Southcentral	7	*	*	*	*
Copper River / Southcentral	24	9	38%	7	$26,154
Cordova City / Southcentral	32	10	31%	*	*
Craig City / Southeast	22	*	*	*	*
Delta-Greely / Interior	55	14	25%	10	$33,289
Denali / Interior	19	7	37%	*	*
Dillingham / Southwest	20	*	*	*	*
Fairbanks / Interior	836	288	34%	142	$487,216
Galena / Interior	253	54	21%	25	$91,549

** Information cannot be disclosed without potentially releasing personally identifiable information.*

[4] NSC states that 93% of all U.S. higher education students from 3,300 postsecondary institutions are reported to the Clearinghouse. NSC is more likely to miss students in smaller schools and those pursuing certificates and vocational licenses. For Alaska, the NSC database contains information only from the UA system and from Alaska Pacific University. The algorithm to match students is also prone to slight errors, in both erroneously matching records for different students, and in not matching records for the same student. These errors affect only a small percentage of students, but numbers may not equal other reported results due to these matching issues.

[5] There are 53 local public school districts in Alaska plus the Mount Edgecumbe boarding school in Sitka, which is managed by EED.

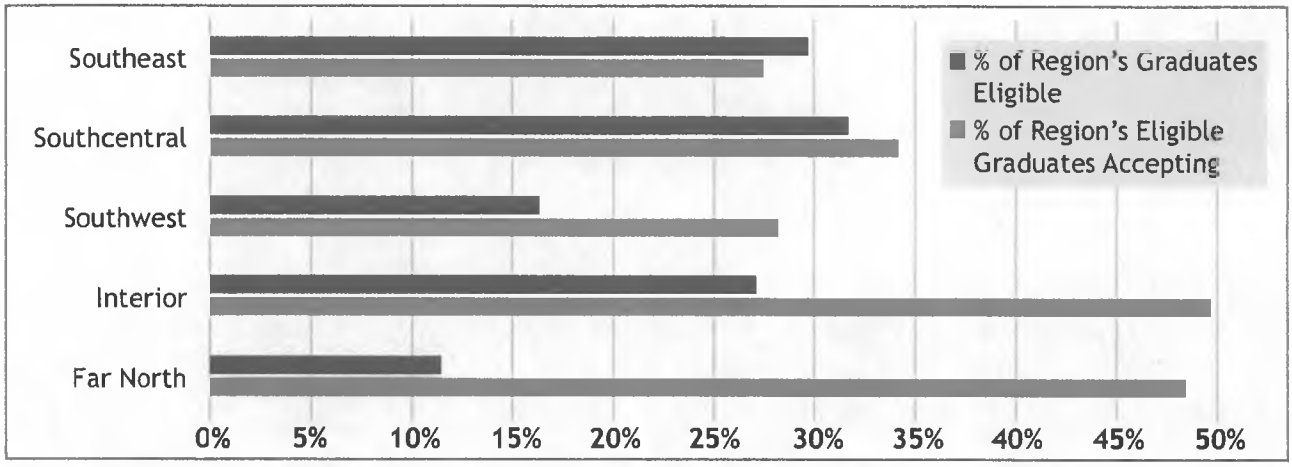
EXHIBIT 1. (continued)

District Name / Region	Class of 2011 High School Graduates	APS-Eligible Graduates	Percent Eligible	APS Recipients	APS $ Awarded
Haines / Southeast	24	10	42%	*	*
Hoonah / Southeast	4	*	*	*	*
Hydaburg / Southeast	4	*	*	*	*
Iditarod / Southwest	27	*	*	*	*
Juneau / Southeast	403	115	29%	25	$77,277
Kake / Southeast	6	*	*	*	*
Kashunamiut / Southwest	12	*	*	*	*
Kenai Peninsula / Southcentral	593	179	30%	58	$199,287
Ketchikan / Southeast	122	48	39%	19	$63,903
Klawock / Southeast	11	*	*	*	*
Kodiak Island / Southwest	181	67	37%	17	$49,928
Kuspuk / Southwest	20	*	*	*	*
Lake and Peninsula / Southwest	26	*	*	*	*
Lower Kuskokwim / Southwest	150	12	8%	*	*
Lower Yukon / Southwest	67	*	*	*	*
Mat-Su / Southcentral	1,085	244	22%	91	$309,281
Mt Edgecumbe / Southeast	74	13	18%	*	*
Nenana / Interior	128	5	4%	*	*
Nome / Far North	29	10	34%	6	$19,642
North Slope / Far North	86	17	20%	8	$30,910
Northwest Arctic / Far North	78	*	*	*	*
Pelican / Southeast	*	*	*	*	*
Petersburg / Southeast	53	25	47%	9	$39,234
Pribilof / Southwest	4	*	*	*	*
Saint Mary's / Southwest	13	*	*	*	*
Sitka / Southeast	98	37	38%	5	$12,484
Skagway / Southeast	12	5	42%	*	*
Southeast Island / Southeast	10	*	*	*	*
Southwest Region / Southwest	32	*	*	*	*
Tanana / Interior	*	*	*	*	*
Unalaska / Southwest	22	10	45%	5	$16,040
Valdez / Southcentral	45	13	29%	8	$21,400
Wrangell / Southeast	26	7	27%	*	*
Yakutat / Southeast	9	*	*	*	*
Yukon Flats / Far North	8	*	*	*	*
Yukon-Koyukuk / Interior	88	7	8%	*	*
Yupiit / Southwest	8	*	*	*	*
Statewide Public Schools Total	**8,064**	**2,322**	**29%**	**835**	**$2,826,835**
Non-Public Schools Total	N/A	42	N/A	35	$133,079

** Information cannot be disclosed without potentially releasing personally identifiable information.*

It is informative to look at differences in the rates of eligibility and students' use of the APS across regions of the state. Regions referenced in this report are shown in Appendix E.

EXHIBIT 2. AY11 Graduates' APS Percentage Eligibility and Use by Region



Alaska's Southcentral region not only had the most students eligible to receive an APS, but, as shown in Exhibit 2, it had the highest percentage of graduates eligible to receive a scholarship as well, at 31.7%. Southeast and Interior Alaska trailed Southcentral, and Southwest Alaska's eligibility rate was just more than one-half that of Southcentral's. The Far North region had the lowest percentage of graduates eligible for the APS. However, when we consider the percentage of APS-eligible students who actually made use of it in their first year after graduation, the Far North and Interior regions led the state with nearly one-half of all eligible students actually receiving the scholarship, 48.6% and 49.9%, respectively. This compares to the Southeast region, where just over one-quarter, 27.5%, of eligible students took advantage of the APS in this first year.

Who is Eligible for the APS, and Who Is Using It?

To determine who is benefiting from the APS, we need to make comparisons across three different populations of students: all AY11 high school graduates; the subset of students who were academically eligible to receive the APS; and those students who actually received the scholarship. In certain cases, these three populations show only slight differences, and in other cases there are significant contrasts.

Exhibits 3 and 4 provide two examples of the similarities and the differences among these three groups. When we consider all public high school graduates in AY11, nearly 29% were academically eligible to receive the APS. Of those eligible, slightly more than one-third, or 36%, took advantage of the APS during their first semester after graduating from high school.

EXHIBIT 3. APS Eligibility and Recipients by Gender

	Public School Graduates	Eligible		Recipients	
		Count	% of Graduates	Count	% of Eligible
Totals	8,064	2,322	28.8%	835	36.0%
Male	4,012	1,060	26.4%	380	35.8%
Female	4,052	1,262	31.1%	455	36.1%

Female graduates were slightly more likely to be eligible for the APS as compared to their male counterparts. However, in terms of those eligible students who go on to receive an APS in the first year after graduation, the two genders are nearly identical.

Such similarities are not the case when we analyze APS eligibility by race/ethnicity. For the eligible populations based on race, Caucasian students are four and one-half times more likely to be academically eligible for the APS than are Alaska Native/American Indian students, at 37.9% versus 8.3%.

EXHIBIT 4. APS Eligibility and Recipients by Ethnicity

	Public School Graduates	Eligible		Recipients	
		Count	% of Graduates	Count	% of Eligible
Total	8,064	2,322	28.8%	835	36.0%
Caucasian (White)	4,764	1,807	37.9%	652	36.1%
Alaska Native/American Indian	1,463	122	8.3%	44	36.1%
Asian	575	143	24.9%	44	30.8%
Hispanic	427	78	18.3%	33	42.3%
Native Hawaiian or Pacific Islander	402	112	27.9%	40	35.7%
African-American (Black), not Hispanic	292	50	17.1%	18	36.0%
2 or more races (not Hispanic)	141	10	7.1%	4	40.0%

However, similar to our gender analysis, once a student becomes eligible for the APS, differences in its usage across ethnic groups nearly disappear. Almost all groups take advantage of the APS at the same rate, 36%, within the first year after graduating from high school. The two outliers in the use of the APS are Hispanics, with 42% of eligible students using the APS in the first year after graduation, and Asians, with only 31% making use of the APS. However, given the small size of the student populations within these ethnic groups, care should be taken in drawing conclusions about their propensity to use, or not use, the APS to pursue postsecondary education opportunities. Additional information over the next several years will help identify if there are any significant differences in the use of the APS among ethnic groups.

Still, there are instances when there are observed differences in the percentages of the eligible populations making use of the APS their first year after graduation. One of the most striking is in the use of the scholarship based on the award level. (See Exhibit 5.) Even though a Level 1 award is, in its dollar value, one-third larger than a Level 2 award, students are 50% more likely to use the Level 2 award than they are a Level 1, at 43.1% compared to 28.4%.

EXHIBIT 5. APS-Eligible Public School Graduates by Award Level[6]

	Total Eligible	Recipients	
		Count	Percent
Total	2,322	835	36.0%
Level 1	922	262	28.4%
Level 2	687	296	43.1%
Level 3	713	277	38.8%

Part of the difference in APS use by award level can be attributed to competition from non-Alaska postsecondary institutions. Using information available through the NSC, it is possible to identify many of the students academically eligible to receive the APS who pursued postsecondary education at an out-of-state institution. For the graduating class of 2011, NSC data identified 30% of all high school graduates as attending a postsecondary institution in Alaska, while 17% were found to attend out-of-state institutions.

[6] Exhibit excludes non-public school APS recipients, because of a lack of information on the total number of non-public school students who were eligible for an award but who failed to apply by completing an Alternative Eligibility Determination Application.

(See Exhibit 6.) Just over one-half of the total graduating class was not found in the NSC database, either because they did not pursue postsecondary education, or because they attended an institution that does not report to NSC. Nevertheless, given the scope of the NSC database (see footnote 4, page 6), it is unlikely the number of graduates attending non-reporting institutions would be material.

EXHIBIT 6. AY11 Public School Graduates' In-state and Out-of-state Attendance Patterns

	Headcounts			
	AY11 Graduates	Attended In AK	Attended Outside	Not Found / Not Attending
Total Graduates	**8,064**	**2,437**	**1,401**	**4,226**
Not APS Eligible	**5,742**	**1,439**	**467**	**3,836**
Total APS Eligible	**2,322**	**998**	**934**	**390**
Level 1	922	298	518	106
Level 2	687	350	215	122
Level 3	713	350	201	162

	Percentages			
	AY11 Graduates	Attended In AK	Attended Outside	Not Found / Not Attending
Total Graduates	**8,064**	**30%**	**17%**	**52%**
Not APS Eligible	**5,742**	**25%**	**8%**	**67%**
Total APS Eligible	**2,322**	**43%**	**40%**	**17%**
Level 1	922	32%	56%	11%
Level 2	687	51%	31%	18%
Level 3	713	49%	28%	23%

In AY11, nearly as many APS-eligible graduates decided to attend out-of-state as did in-state, 934 versus 998, while only 390 eligible students are unaccounted for in the NSC data. For students eligible for the Level 1 awards, their tendency to attend an out-of-state institution is much greater than those students eligible for Levels 2 or 3 awards. Also, this group of highest academic performing students is more likely to pursue postsecondary training somewhere, whether in-state or out-of-state, with over 88% of these students being found in the NSC data. This compares to Level 3-eligible students, where only 77% were found to be attending any postsecondary institution.

Finally, there are some differences in the eligibility for and use of the APS based on students' (and their parents') financial capacity. While information on students' finances is not available consistently across the three student populations being considered - high school graduates, APS-eligible and APS-recipient students - there are two sources of financial information available to shed some light on which students are most likely to be eligible to receive the scholarship, and which are most likely to make use of it. For APS-eligible students, information collected by EED allows for the identification of those public school students considered economically disadvantaged in their senior year of high school. In AY11, 30% of all high school graduates were considered economically disadvantaged, or 2,420 total graduates. (See Exhibit 7.) Of these students, 10.9% were APS-eligible, compared to the total student eligibility of 28.8%.

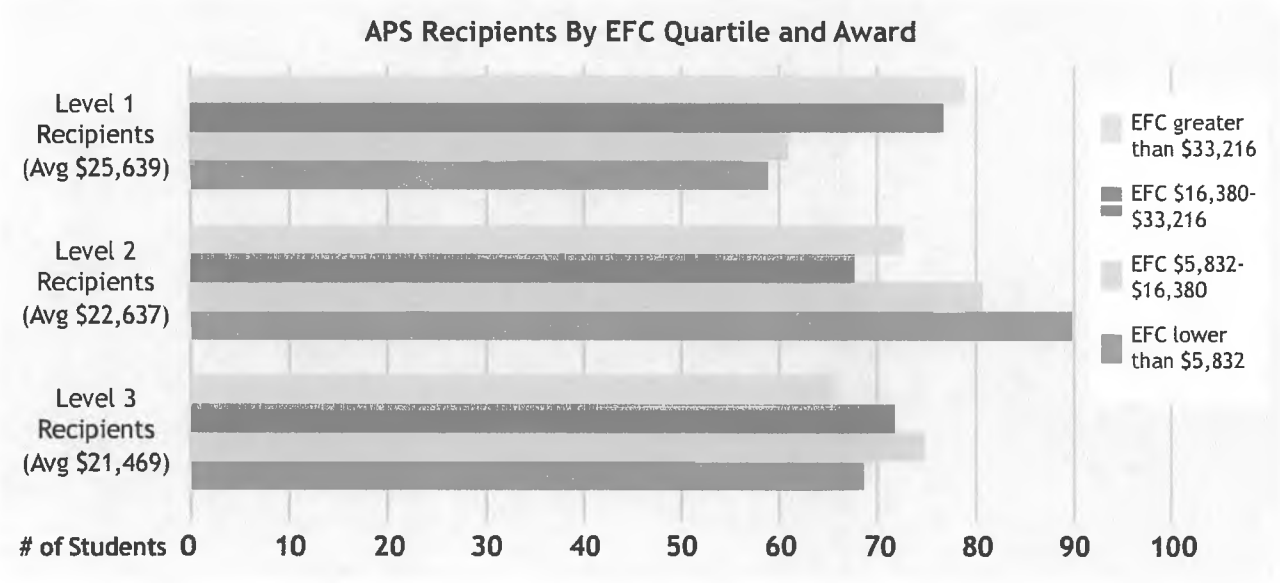
However, if an economically disadvantaged student was eligible for an APS, they were nearly as likely to use it as the total student population, at 34% versus 36%.

EXHIBIT 7. AY11 Public School Graduates and APS-Eligible Students by Financial Status

	Total AY11 Graduates	% of Total Graduates	APS Eligible	Eligible/ Total	APS Recipients	Recipients /Eligible
Total Students	8,064	n/a	2,322	28.8%	835	36.0%
Economically Disadvantaged	2,420	30.0%	253	10.9%	86	34.0%
Not Economically Disadvantaged	5,644	70.0%	2,069	36.7%	749	36.2%

The second source of financial data comes from students' FAFSA filings. To determine a student's eligibility for certain financial aid opportunities, the FAFSA collects information on the student's and their parents' (relative to dependent students) income and assets. This is used by the United States Department of Education to determine how much, according to a federal formula, the family is expected to pay toward a student's education on an annual basis (the Expected Family Contribution or EFC). Because the FAFSA is the primary application for the APS we have this information for both public- and private-school graduates. It should be noted that the EFC is not a factor in determining APS *eligibility*; however, it is used for purposes of this analysis as a proxy for student income status.

EXHIBIT 8. AY11 APS Recipients by Expected Family Contribution and Award Level



In Exhibit 8, the 870 APS recipients were sorted by their EFC and then divided into four equally sized groups, or quartiles. One quartile contained families expected to contribute at least $33,216 to their postsecondary education. Another contained families expected to contribute at least $16,380, but less than $33,216. The third quartile families were to contribute at least $5,832, but less than the second group. The final quartile was expected to contribute less than $5,832. Each quartile's use of the APS by award level was then analyzed.

Those students in the highest EFC quartile, and to a lesser extent those students in the second quartile, were slightly more likely to be Level 1 award recipients. Those in the two lower quartiles, who were expected to contribute less than $16,380, were less likely to receive a Level 1 award. Those students in

the lowest EFC quartile were most likely to receive a Level 2 award, followed by a Level 3 and finally by a Level 1 award. When we calculate the average EFC by award level received, Level 1 recipients' average $25,639 compared to Level 3 recipients, whose families are expected, according to the federal methodology, to contribute an average of $21,469 annually toward their postsecondary education.

Where are APS Recipients Pursuing Their Postsecondary Studies?

For the high school graduating class of AY11, in addition to regionally accredited institutions, 13 career and technical education institutions in the state were approved for students to attend and receive the APS[7]. However, only eight institutions were attended by APS award recipients in their first year after graduation. (See Exhibit 9.)

Because APS funds are available for up to six years after graduation from high school, and because many students pursuing career and technical training do so after having already entered the labor force, it is expected that the number of students using the APS for certifications and vocational licensure will increase in the future. However, a surprisingly low number of APS-eligible students used their scholarships to pursue certificates and licenses their first year after graduation. Of the 870 students who received a scholarship immediately after graduating, only 22 pursued a certificate.

EXHIBIT 9. APS Recipients and Postsecondary Attendance by Institution

Institution	Total # of Awards
Alaska Bible College	5
AVTEC	7
UAA	497
UAF	316
UAS	40
Other Institutions	5

As noted earlier, nearly as many eligible students pursued their postsecondary studies outside of Alaska as did in the state. (See Exhibit 6, page 10.) The largest number of students, both in terms of overall graduates and in the number of APS-eligible students, attended a postsecondary institution in Washington, followed closely by Oregon. Colorado was the only other state attracting at least 100 graduates from the class of AY11, while Montana, California, Idaho and Arizona each attracted more than 50 graduates. A list of those states where 10 or more recent graduates were attending can be found in Appendix B.

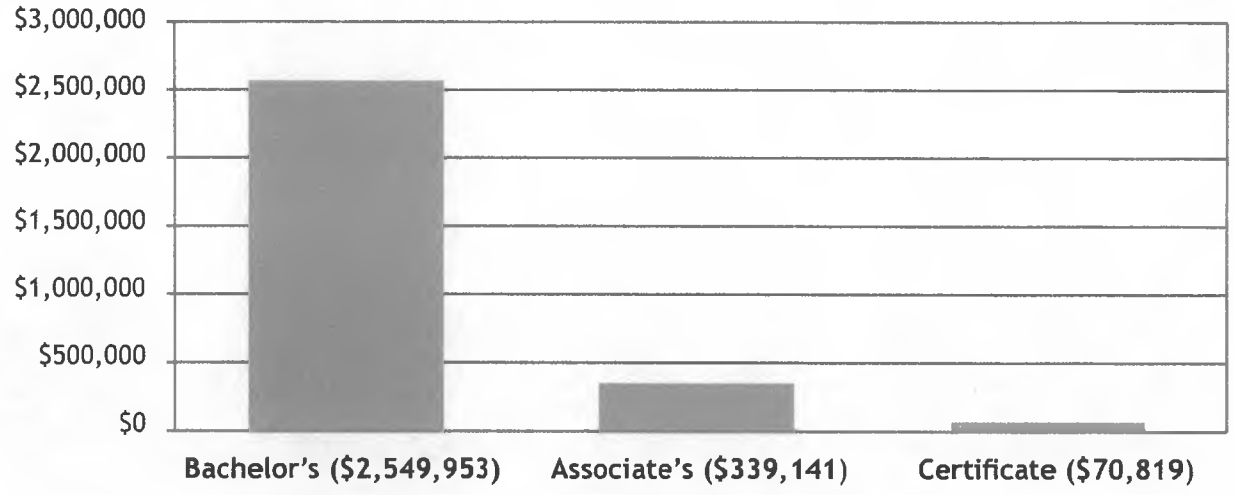
How Much In APS Funds Was Awarded, And For What Types Of Enrollment?

As of November 14, 2011, the APS program had paid out $2,959,913 to 870 recipients pursuing postsecondary education at a qualified institution in Alaska, for an average award amount of $3,402 per APS recipient[8]. As mentioned above, the majority of students used the APS to pursue degrees, either associate's or bachelor's, and so very little of the nearly $3 million was used to pursue certificates. (See Exhibit 10.)

[7] For a list of participating institutions and programs, see Appendix B.

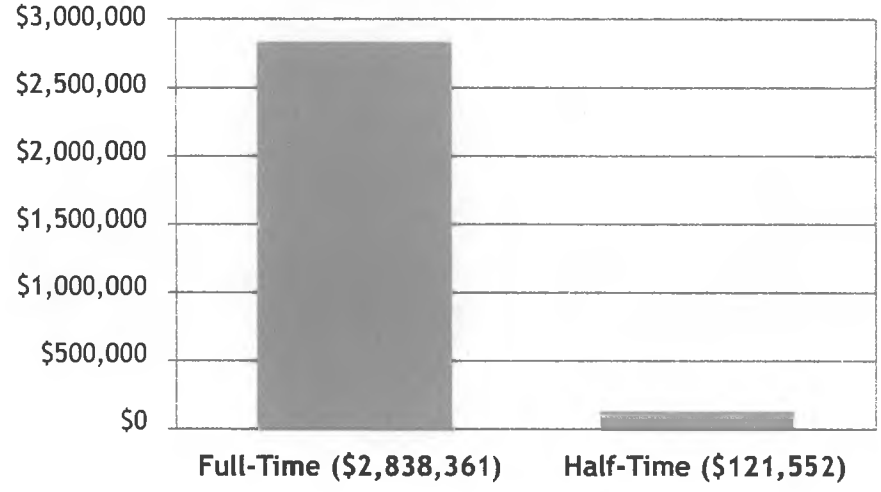
[8] As of December 20, 2011, the total amount awarded has risen to $3,006,713, with 902 recipients receiving funds.

EXHIBIT 10. APS Award Amounts by Degree/Certificate



APS recipients decided overwhelmingly to pursue postsecondary studies on a full-time basis. Because the APS can be used to pay for only four years (eight semesters or twelve quarters of studies), and because the award is reduced by 50% for attending less than full-time, students may be attempting to maximize the amount of the award they are eligible to receive. However, there are additional benefits to students for attending full-time - they are able to complete their degree sooner and therefore enter the workforce sooner, maximizing the return on their educational investment. Moreover, students who attend full time are more likely to complete their degree or certificate than those who attend less than full time.

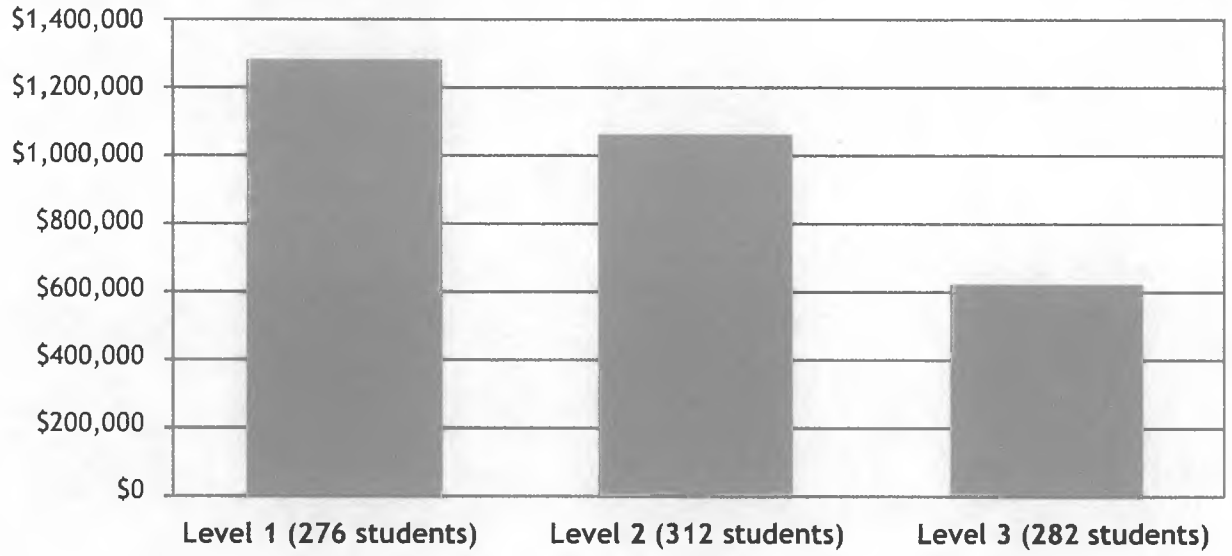
EXHIBIT 11. APS Award Amounts by Enrollment Status



As shown in Exhibit 12, given the differences in the amounts awarded at each level, most APS funds were expended for the top award level, even though this level had the fewest recipients[9].

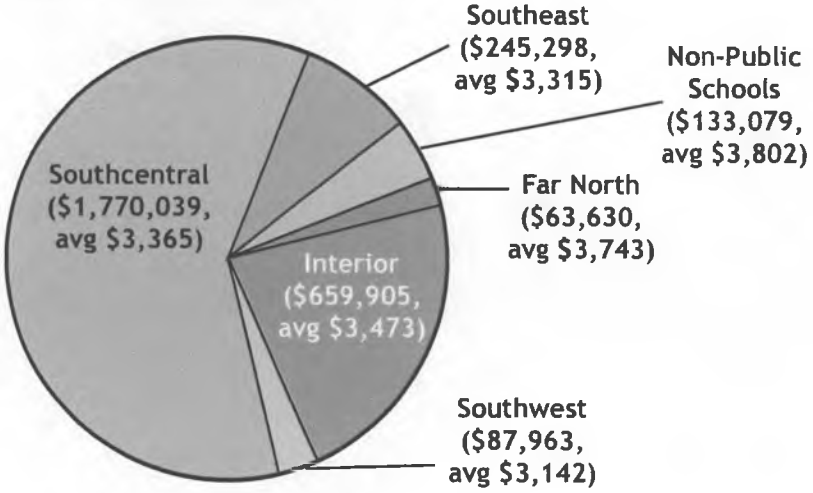
[9] Numbers of recipient students do not match those in Exhibit 3, which included only public school eligible and recipient students.

EXHIBIT 12. APS Award Amounts by Award Level



The Southcentral region receives funding roughly proportional to the number of APS recipients who come from the region, though the average award in the region is slightly less than the statewide average of $3,402. (See Exhibit 13.) Note that while 35 non-public school graduates from the class of 2011 received an APS award and were included in the chart, these students were not allocated to a region.

EXHIBIT 13. APS Total and Average Awards by Region



How Does the APS Affect Educational Attainment?

The APS goals include improving students' high school performance and preparing them for postsecondary education and career success. Evaluating progress in achieving these goals will require several years of information comparing APS recipients to non-recipients in their postsecondary education and labor force performances.

Given the program's short history, AY11 high school graduates had few opportunities to change behaviors in order to be eligible for an APS award. In future years, as the APS eligibility requirements for rigorous

curricula are completely phased in, students will have more time to align their course plans. We will then be better able to measure if the APS motivates students to push themselves academically, and if the APS' "invitation to excellence" is broadly accepted and reflected in the performance of the recipients. (For more information on how the APS affected students' behaviors in high school, see the section "APS Survey Findings" on page 19.)

Determining the appropriate measures to evaluate APS outcomes can be complex. For example, with regard to postsecondary education, three typical measures of success are: reduced remediation, increased student retention from one year to the next, and an increase in graduation rates. However, much of the information required to determine how successful the class of AY11 has been in these regards is not yet available.

There is preliminary information available on the patterns of UA first-time freshmen who enroll in preparatory (remedial) courses during the most recent fall semester. Nearly two-thirds of those who were not APS eligible enrolled in some type of preparatory classes. More than one-half of these APS-ineligible students were enrolled in preparatory mathematics courses, and more than one-third were enrolled in preparatory English classes. By comparison, just over one in four APS eligible students took any preparatory classes in their first semester at UA. (See Exhibit 14.) As would be expected, those APS-eligible students at the higher award levels were less likely to take preparatory classes, with fewer than one in 10 students eligible for the top collegiate APS award taking any type of preparatory classes.

Not only did APS-eligible students take fewer preparatory courses, but they also enrolled in more credit hours in their first semester than did the ineligible students. Ineligible students attempted, on average, 11.3 credit hours in their first semester in AY12, of which 2.9 hours were preparatory classes. APS eligible students attempted on average 13.6 credit hours in their first semester, only one of which was in a preparatory class. Because preparatory courses do not count toward degree requirements, the average APS student, if they successfully complete their first semester course load, ends up with 12.6 credit hours to apply toward a degree, compared to 8.4 hours for an ineligible student who successfully completes their first semester classes.

EXHIBIT 14. UA First-Time Freshmen in AY12 Taking Preparatory Courses and Average Credit Hours Attempted[10]

Total Headcount of First-Time Freshman, AY12 = 3,631	Non-APS-Eligible First-Time Freshmen	APS-Eligible First-Time Freshmen				
		Total Eligible	College Level 1	College Level 2	College Level 3	All Vocational
Total Student Headcount	**2,751**	**880**	**262**	**310**	**287**	**21**
Students Taking Any Preparatory Courses	**1,784**	**241**	**23**	**86**	**124**	**8**
Percent of Total Headcount	64.8%	27.4%	8.8%	27.7%	43.2%	38.1%
Students Taking Preparatory Math	1,504	207	21	71	108	7
Percent of Total Headcount	54.7%	23.5%	8.0%	22.9%	37.6%	33.3%
Students Taking Preparatory English	1,003	52	2	15	32	3
Percent of Total Headcount	36.5%	5.9%	0.8%	4.8%	11.1%	14.3%
Average Total Hours Attempted	11.3	13.6	14.5	13.6	13.0	12.8
Avg. Preparatory Hours Attempted	2.9	1.0	0.3	0.9	1.6	1.7
Avg. Preparatory Hours - Math	1.7	0.7	0.2	0.7	1.2	1.1
Avg. Preparatory Hours - English	1.1	0.2	0.0	0.2	0.4	0.5

[10] Data reflect student enrollments for the opening of the fall semester, and credit hours are credit hours attempted. Preparatory Studies and Preparatory Science courses are not included in the analysis above, and numbers are subject to change once closing data for the fall semester becomes available.

The benefits from the APS will occur if more students are successfully motivated to study harder in order to maintain a high GPA and to take rigorous classes to become APS eligible. These two factors will contribute to higher standardized test scores, and therefore less need for remediation and greater success in postsecondary pursuits.

One future measure of such motivation will be the number of students who take college entrance examinations. There was only a limited opportunity for AY11 graduates to increase their test taking during this first year of the scholarship. However, information is available from both ACT and College Board, the organization which administers the SAT, on the number of students in each graduating class taking their tests over the past several years. As future years' graduates prepare to qualify for the scholarship, it is expected that the numbers and percentage of students taking one or both tests should increase. Historically, as the percentage of students taking these tests increases, the average scores decrease. Tracking the test-taking patterns and average scores of future graduates will provide some insights into the scholarship's ability to motivate students to pursue higher education, and also on how well increased rigor and the emphasis on higher performance in secondary school translates into higher scores on college entrance examinations. As a benchmark, for the graduating class of 2011, 40% of those graduates had taken the ACT, and of these 54% scored 21 or higher on the composite score, the minimum score to become APS-eligible using the ACT[11].

EXHIBIT 15. Number and Percentage of Alaska High School Graduates Taking College Entrance Examinations by Year, 2006-2011[12]

Numbers and Percentages of ACT & SAT Test Takers By Year

	2006	2007	2008	2009	2010	2011
AK High School Graduates	7,361	7,666	7,855	8,008	8,245	8,064
ACT Test Takers	1,987	2,106	2,047	2,254	2,228	3,022
% taking ACT	27%	27%	26%	28%	27%	37%
SAT Test Takers	(not available)	4,050	4,060	3,899	4,089	3,866
% taking SAT		53%	52%	49%	50%	48%

UA data was also able to capture how quickly recent high school graduating classes' students began work on their degree. Exhibit 16 again uses the most recent three years' public high school graduating classes, noting how many students in each class began their postsecondary studies within one year of graduation, and the types of degree or certificate they pursued. For AY11, UA was able to match its APS-eligible students to EED's AY11 graduation data, and to the types of endorsements they pursued. Of UA's 880 APS eligible students, 852 had graduated from public schools. Over the past three years, the percentage of Alaska public school graduates attending UA within one year of their high school graduation has remained relatively stable, between 26% and 29%. However, for the population of APS-eligible students in AY11, 36.7% attended one of the UA schools in the fall semester following their high school graduation.

[11] ACT Profile Report - Alaska, Graduating Class 2011. Similar statistics were not yet available for SAT test takers.

[12] Percentages of test takers will not match those as reported by the testing agencies. ACT and the College Board use the Western Interstate Commission for Higher Education's (WICHE) projections of high school graduates by year. Percentages calculated in Exhibit 15 represent the number of test takers divided by the number of public school graduates receiving diplomas as reported by EED.

EXHIBIT 16. High School Graduates Pursuing Postsecondary Degree/Certificate at UA Within One Year of Graduation[13]

	Public School Graduates			APS Eligible, AY11		Percentage of Public School Graduates			Percentage APS Eligible, AY11
	AY09	AY10	AY11	Public	Other	AY09	AY10	AY11	Public
Total Graduates	7,997	8,249	8,064	2,322					
Total Degree/ Certificate Seekers	2,093	2,374	2,144	852	27	26.2%	28.8%	26.6%	36.7%
Bachelor's Degree Seekers	1,387	1,532	1,442	697	20	17.3%	18.6%	17.9%	30.0%
Associate's Degree Seekers	653	793	651	121	7	8.2%	9.6%	8.1%	5.2%
Certificate Seekers	53	49	51	10	0	0.7%	0.6%	0.6%	0.4%
Pending Endorsement	n/a	n/a	n/a	24	1	n/a	n/a	n/a	1.0%

In addition, these APS-eligible public school graduates exhibit a tendency to pursue higher degrees, thus committing to stay in school longer to attain their degrees. For all Alaska public school graduates in the last three years, between 17% and 19% pursued a bachelor's degree within a year after their high school graduation. For the inaugural class of APS-eligible students, 30% enrolled in a bachelor's degree program. In addition, because the AY11 cohort data is based only on fall semester enrollments, the percentage of AY11 students seeking a degree or certificate within one year of graduation will likely go up.

Some of these students' tendencies may be based on the fact that APS recipients have shown a history in secondary school of achieving good grades and high test scores, so these students could be more likely to pursue postsecondary education than an average student. APS recipients' higher first year attending rates could also be driven by the APS rewarding them to attend school in Alaska. Still, it appears that APS recipients are more likely to pursue postsecondary education within their first year after graduation, and at a rate substantially above the average rate for all students.

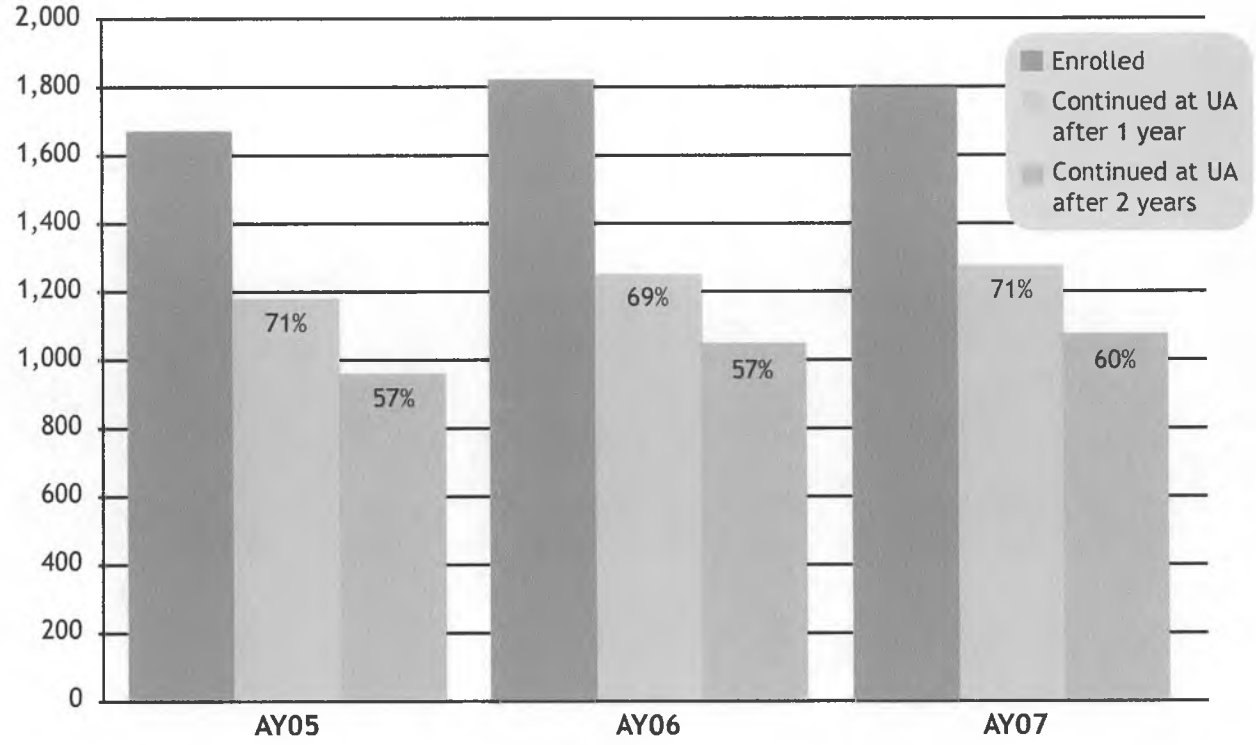
Pursuing postsecondary education soon after graduating from high school can have several benefits for students. Students' retention of information learned in high school diminishes over time, so attending a postsecondary institution early can reduce the need for remediation. Students also complete their degrees sooner, the earlier they begin their pursuit of one, giving them more years to reap the rewards of higher education.

With only one semester of postsecondary data available for review, first year attendance and remedial classes taken are the only two measures of postsecondary performance available at this time. The next potentially measurable effect of the APS, second year student retention rates, will not be available until the fall of 2012[14]. Still, historical data is available, and can be used to illustrate current student retention rates in order to create the benchmark that the APS program will be compared against. Exhibit 17 shows Alaska high school graduates from AY05 through AY07 enrolling within one year of their high school graduation (so enrolling at UA in AY06 through AY08.)

[13] AY11 data is based on information gathered at the beginning of the semester, while previous years' data reflects information gathered at the close of the semester. In the table, "Public" indicates APS students matched to AY11 EED data. "Other" includes those students graduating from non-public schools in AY11 who are eligible to receive an APS award. Because the total number of non-public school graduates in Alaska is not known, no percentages were calculated for this student population. "Pending Endorsement" includes students awaiting admission into a degree or certificate program.

[14] Going forward, NSC data can help measure whether the APS has affected students' decisions on where to attend school, and if the APS makes students more likely to pursue their postsecondary studies in Alaska.

EXHIBIT 17. Retention of AY05-AY07 High School Graduates Attending UA Within One Year of Graduation



Without linking those students who end up not returning to UA after one or two years to other data sources, most notably the NSC data, we cannot determine if these students actually stopped pursuing their postsecondary education, or if they continued at another postsecondary institution. Still, more than one in four students did not return to their declared degree program at UA after their first year, and more than one in three were no longer pursuing their degree after two years.

For AY11 high school graduates, the 2013 APS outcomes report will be able to provide comparable retention rate measures for all students attending UA, and for the subset of APS recipients. Similar to the first year postsecondary attendance rates, APS recipients may have other factors that affect their retention rates, but it is reasonable to believe the scholarships will incent students to remain in school and complete their degree. As recipients progress through their postsecondary studies, data from their attending institutions and the NSC will help provide additional measures as to the scholarship's influence on recipients.

Educational attainment data even further into the future will include APS recipients' graduation rates, how they compare to the overall student population, and how quickly they earn their degree or certificate. However, a sufficient number of years must elapse before the data on this measure of the APS' success is available.

In preparation for future reports on the outcomes of APS students, UA's IRA unit compiled UA graduation rate data on Alaska high school students using the most recent graduating class for which complete information is available, AY05[15]. Comparable data for AY06 and AY07 is not yet available, since these students have had less than six years in which to complete their degrees. Information presented for AY07

[15] Completion information and graduation rates are generally calculated based on 150% of the normal time to completion for the degree or certificate. For a bachelor's degree, which normally takes four years to complete, graduation and completion data is then based on six years after the student begins their postsecondary education. Similarly, associate's degree and two-year certificate programs are calculated after three years. For the high school graduating class of AY11, comparable completion and graduation rates information for four-year programs will not be available until after AY17, but completions will be reported in the first year data is available.

completers represents those students who completed either a bachelor's or associate's degree within four years (graduating with their degree in AY11).

In Exhibit 18, we can compare AY05 completion rates to AY07. At 31.6% versus 14%, it is obvious that a significant share of students take more than four years to complete their degree. While comparable data for APS recipients is several years away, APS' effect on degree completion and the average number of years required to complete a degree will be an important measure.

EXHIBIT 18. UA Degree and Certificate Completion by AY11, for AY05-AY07 High School Graduates Attending UA Within One Year of Graduation

Graduates Pursuing a Degree	AY05	AY06	AY07
Total Enrolled in a Degree Program	1,674	1,824	1,802
Total Completing Program	529	397	253
Percentage Completing Program	31.6%	21.8%	14.0%
Average Years to Completion	4.42	4.03	3.48

Graduates Pursuing a Certificate	AY07
Total Enrolled in a Certificate Program	38
Total Completing Program	9
Percentage Completing Program	23.7%
Average Years to Completion	1.44

How Does the APS Affect Workforce Success?

As a part of the analysis of how the APS affects students, DOLWD will in the future be able to provide information relative to several indicators of workforce success and how receipt of the APS changes students' behavior while in school. For example, one effect of the APS might be that the additional funds provided allow students to focus more on their studies and less on earning money to pay for school. We know that the majority of APS recipients are attending school full time, and we can compare recipients' wage earnings while in school to similar non-recipients to see if the APS allows a student to focus on their studies.

DOLWD will also be able to provide the average earnings of APS recipients, determine if their occupation is related to their degree, and determine how many remain in Alaska versus leaving the state to pursue a career elsewhere. Labor outcomes can be measured among the three eligibility levels for both recipients and non-recipients, and between eligible and ineligible students. Similar to graduation rates, however, this information will be available only after the APS cohorts are more fully matured.

APS Survey Findings

In December, ACPE surveyed approximately 1,800 students who met the academic requirements to receive an APS award. These students were a subset of the 2,322 APS-eligible students - they had filed a FAFSA and included an email address in that application. Students did not have to have received an APS award in order to be included in the survey, though students filing a FAFSA are those most likely to pursue postsecondary education. Therefore the selection process was biased toward those students intending to be enrolled in postsecondary studies in 2011-12 and therefore more likely to have received the scholarship.

The survey included several multiple choice and scaled questions, as well as opportunities for responders to provide their own comments. Selected comments gathered through the survey have been interspersed throughout this report. Not all comments received were positive, though most negative ones focused on the scholarship's requirement that it be used only at in-state schools, and in some cases on the confusion and lack of information available about the scholarship in this its first year. (Representative comments, both pro and con, are included in Appendix C.)

Responses were collected from 357 students, or 20% of the students who were asked to participate. Response rates ran from a high of 23% for award Level 1-eligible students, down to 16% for award Level 3-eligible students. Nearly 90% of respondents were pursuing a degree, and 5% were not pursuing postsecondary education. Of those pursuing postsecondary education, just over one-quarter were attending school outside of Alaska and were therefore not eligible to receive the award in AY12.

Two-thirds of the survey respondents, 237 students, said that the APS affected their decision to attend school. Nearly two-thirds of these students said the APS affected their decision to pursue their education in Alaska, and over 20% said that it made them consider doing so, even though they eventually went to an out-of-state school. Over one-quarter of the respondents said it was extremely important in influencing their decision on whether or not to pursue postsecondary education.

When asked about their use of the APS, 58% of respondents said it was extremely likely that they would make use of their entire APS award within six years of graduating, and 44% said they were extremely likely to do this within four years. Two-thirds of respondents said that it is extremely likely that they will attend school full-time.

Although the APS program was new this year, and final outcomes regarding funding were not available until the spring, 55% of students knew that they could become eligible for the APS before or near the beginning of their last semester during their senior year. Another 19% found out shortly before their graduation, and only 5% discovered they were eligible after having arrived at their postsecondary institution. Nearly 10% of students surveyed stated that they weren't aware that they were eligible to receive the APS until they received the ACPE survey, but this high level was partially due to confusion in their interpretation of the question - 29 of these 34 students were attending an out-of-state institution, so while they were academically eligible they did not meet all requirements to actually receive an APS award. Thirty-nine percent of students learned about the APS through a teacher or school counselor, and 29% through a parent or guardian.

Students were seemingly well-informed about the program and their status. Two-thirds knew the award level they were eligible to receive, and 40% knew the dollar value of their award. (See Exhibit 19.)

EXHIBIT 19. Survey Respondents' Knowledge About the APS and their Eligibility Status

Knew the award level for which they were eligible	67.5%
Knew the amount of their award	40.4%
Knew the APS was available only if they attended a qualifying Alaska school	78.1%
Knew they must attend at least half time to receive the scholarship	38.4%
Knew that they would be eligible to receive up to four years of funding	57.3%
Knew that they had six years in which to use the APS	24.8%

The high school graduates in AY11 had little opportunity to change their approach to the classes they took or the effort they expended in order to become eligible for the APS - 69% said they made no changes. Almost 16% said they worked harder to increase their GPA, 12% said they retook a standardized test in hopes of increasing their score, 10% made changes to the classes they had planned to take, and 8% took a standardized test when they would not have done so otherwise.

Conclusion

With the first-ever APS recipients just finishing the first semester of their postsecondary studies, it is impossible to determine the long-term effects of the scholarship, and it is too early to tell if the eligibility and enrollment patterns seen in this first year were caused by the APS, or if they will continue into the future. Because the information available at this early date is so preliminary, it will be subject to revision as a more complete picture of these students' performance during their first semester of postsecondary studies becomes available.

Until comparative data for APS recipients versus non-recipients becomes available, some of the best information comes directly from students who are eligible to receive the scholarship, and their thoughts on how the APS program has affected them. A significant number of recipients expressed their belief that the scholarship had allowed them to pursue postsecondary education, with one-quarter saying that it was extremely important in their decision to even pursue postsecondary education. Two-thirds of surveyed students responded that it strongly influenced their decision to attend school, and most credited the APS with their choice to attend school in Alaska.

In future years, as more data becomes available, additional assessments of APS' effectiveness will be possible, and a better determination can be made as to what extent the scholarship is meeting its intended goals. For the 2013 report, examples include preliminary information on students' retention rates and more complete information on the number of remedial credit hours being taken by AY11 graduates. Information on satisfactory annual progress of APS recipients will also be available, and can be compared to non-recipients' progress. There will also be data on the number of graduates beginning their pursuit of postsecondary training in their second year after high school graduation, and on those students initially attending institutions outside of Alaska and then returning in their second year. In subsequent years, information on degree/certificate completions and labor force participation will become available, and will offer even more meaningful measures of the success and value of the Alaska Performance Scholarship.

"I think it is an amazing thing to offer a scholarship to encourage students to stay in Alaska. I love Alaska and find it sad that a lot of students my age are so eager to flee the state after graduating."

Level 3 APS Recipient, in response to APS Outcomes Survey

"I really appreciate that I get APS. It really helps me pursue my education and life goals. It is extremely hard to work and study and any financial assistance helps a lot. Thank you very much for helping me pursue my goals. I'm greatly thankful for the opportunities I have."

Level 3 APS Recipient, in response to APS Outcomes Survey

"Thank you for rewarding my efforts in high school with this scholarship. Every bit of financial aid encourages and empowers Alaskans to pursue a higher education. If the state invests in us, the youth, we will invest in the state with the power of our minds and ideas. It is because of programs like this that advocates for positive change are born."

Level 2 APS Recipient, in response to APS Outcomes Survey

"It was a very nice surprise to see that I did not have to pay for school at all with this scholarship and all of my others. It is helping my family very much not to have to get a loan. It is a nice way to see that the state wants their children to go to college and will help you with that."

Level 2 APS Recipient, in response to APS Outcomes Survey

"This scholarship program is opening up so many doors I never thought would be open and available to me. Thank you so much!"

Level 1 APS Recipient, in response to APS Outcomes Survey

"You have changed my life and future. Thank you for investing in me. I will do my best to use your faith in me well. My home is here; and hopefully will always be here."

Level 1 APS Recipient, in response to APS Outcomes Survey

APPENDIX A.

Determining APS Eligibility

For the high school graduating class of 2011, a student could become eligible for the APS by:

- ✓ maintaining a minimum grade-point average in high school of 2.5 or higher;
- ✓ achieving a minimum score on a college entrance exam to be eligible for an APS which could be used to pursue a degree or a certificate, or achieving a minimum score on a standardized examination designed to measure a student's level of preparedness to transition to the workforce to pursue a certificate or professional licensure; and
- ✓ completing a rigorous core curriculum that included four years of language arts, three years of social studies, a minimum of two years of each and five years combined of mathematics and science, and one year of physical education.

The APS rigorous curriculum is being phased in over four years to give school districts time to incorporate changes to meet the new requirements. Therefore curriculum requirements for the class of 2011 were less rigorous than ultimately established by the APS legislation. In 2013, students must complete:

- ✓ either four years of mathematics, science, language arts, and social studies; or
- ✓ four years of language arts and social studies, three years of science and mathematics, and two years of a foreign language or an Alaska Native language.

If a student met the rigorous curriculum requirements, their GPA and college entrance and standardized test scores were used to determine the APS award level the student could receive, and therefore the amount of their scholarship. (See Exhibit 1.) A student is eligible only for the lowest award level based on their GPA and test scores. For example, consider a student with an SAT score of 1710 and a GPA of 2.6. Although the SAT score would qualify for an APS Level 1 award, it must be combined with a GPA that also qualifies for Level 1. In this example, the lower GPA drops the student's eligibility to a Level 3.

EXHIBIT 1. APS Award Levels and Minimum Requirements

APS Award Level	Minimum GPA	Minimum Standardized Test Scores (only one test required)			Award Amounts
		Collegiate & Career/Technical		Career/Technical Only	
		SAT	ACT	WorkKeys	
Level 1	3.5	1680	25	5 in three subject areas	$ 4,755
Level 2	3.0	1560	23		$ 3,566
Level 3	2.5	1450	21		$ 2,378

The type of standardized test the student takes affects the award type they are eligible to receive. Scores from the two college entrance exams, the SAT and the ACT, can be used to determine a student's eligibility for both a collegiate award and a career/vocational award. In the example described earlier, the student would be eligible to pursue either a degree or a certificate or vocational license and receive a Level 3 award. However, the WorkKeys test scores can only be used to determine a student's eligibility to receive a scholarship to pursue a certificate or vocational licensure program. WorkKeys scores will not qualify a student for a collegiate award. To become eligible for a collegiate award, the student would need to take a college entrance exam.

RECEIVING THE SCHOLARSHIP

To actually receive the APS scholarship, a student must:

- ✓ submit a FAFSA or an approved alternative application no later than June 30 for the following academic year[16];
- ✓ enroll in a qualified postsecondary program at one of the 23 participating institutions, or pursue an approved certificate or vocational licensure program at one of 13 career and technical education institutions in the state;
- ✓ enroll in:
  - ❖ at least 12 credit hours for each semester to receive the full amount of their APS award during their freshman year, and 15 credit hours in subsequent years; or
  - ❖ at least 6 credit hours to receive a half-time award[17]; or
  - ❖ a qualifying clock-hour CTE program.
- ✓ have an unmet cost of attendance[18] of $500 or more in order to receive the scholarship.

[16] For AY11 graduates, the FAFSA and alternative application deadlines were extended to December 15, 2011, because of the availability of funding to provide additional scholarships after the June 30 filing deadline.

[17] Students pursuing graduate degrees have lower credit hour limit requirements.

[18] The cost of attendance includes tuition, fees, books, required tools and supplies, room, board and transportation. This amount is reduced by all other non-loan aid (scholarships, grants, etc.) for which a student is eligible to calculate the unmet cost of attendance. If the unmet cost of attendance is less than $500, a student does not receive any APS funds. If the unmet cost of attendance is greater than $500 but less than the available APS award amount, the student receives only the amount of their unmet cost of attendance.

APPENDIX B.

AY11 Alaska Public High School Graduates Attending Postsecondary Education by State Where Enrolled

	Headcount of Students Attending Outside Alaska by State and APS Eligibility				
STATE	Not Eligible	Level 1	Level 2	Level 3	TOTAL
WA	60	80	36	25	201
OR	63	59	30	22	174
CO	28	50	12	17	107
MT	15	43	17	14	89
CA	34	29	7	11	81
ID	29	13	11	17	70
AZ	29	11	17	11	68
MN	20	16	4	7	47
UT	9	21	4	8	42
TX	20	12	4	4	40
NY	10	15	4	2	31
HI	9	4	7	9	29
NV	10	5	6	8	29
PA	2	22	3	0	27
MA	3	18	1	0	22
ND	10	4	1	7	22
WY	14	3	1	4	22
IL	9	7	2	2	20
MI	4	12	3	0	19
VA	7	5	2	3	17
GA	4	5	4	3	16
OK	7	5	2	2	16
IN	4	8	1	1	14
MO	5	5	3	1	14
NM	5	6	1	1	13
OH	4	4	4	1	13
FL	6	2		3	11
CT	2	6	2	0	10
NE	4	3	3	0	10
Other - 22	41	45	23	18	127
Grand Total	**467**	**518**	**215**	**201**	**1,401**

APPENDIX C.

Approved Institutions and Programs of Study

Regionally Accredited Institutions: Institution	Website and Telephone Number
Alaska Pacific University	www.alaskapacific.edu 907-564-8342
Bristol Bay Campus-UAF	www.uaf.edu/bbc 800-478-5109
Chukchi Campus-UAF	www.uaf.edu/chukchi/ 800-478-3402
Ilisagvik College	www.ilisagvik.edu 907-852-3333
Interior-Aleutians Campus-UAF	www.iac.uaf.edu 888-474-5207
Kenai Peninsula College-UAA	www.kpc.alaska.edu 907-262-0300
Ketchikan Campus-UAS	www.ketch.alaska.edu 907-225-6177
Kodiak College-UAA	www.koc.alaska.edu 907-486-4161
Kuskokwim Campus-UAF	www.bethel.uaf.edu/ 800-478-5822
Matanuska-Susitna College-UAA	www.matsu.alaska.edu 907-745-9774
Northwest Campus-UAF	www.nwc.uaf.edu 907-478-2202
Prince William Sound Community College	www.pwscc.edu 907-834-1600
Sitka Campus-UAS	www.uas.alaska.edu 907-747-6653
UAF Community & Technical College	www.ctc.uaf.edu 877-882-8827
University of Alaska Anchorage	www.uaa.alaska.edu 907-786-1800
University of Alaska Fairbanks	www.uaf.edu 907-474-7211
University of Alaska Southeast-Juneau Campus	www.uas.alaska.edu 907-796-6457
Wayland Baptist University- Anchorage Campus	www.wbu.edu/colleges-in-anchorage 907-333-2277
Wayland Baptist University-Anchorage Ft. Richardson Army Post Site	www.wbu.edu/colleges-in-anchorage 907-428-1496
Wayland Baptist University-Eielson Air Force Base	www.wbu.edu/colleges-in-fairbanks 907-377-4398
Wayland Baptist University-Elmendorf Air Force Base	www.wbu.edu/colleges-in-anchorage 907-753-6416
Wayland Baptist University- Fort Wainwright	www.wbu.edu/colleges-in-fairbanks 907-356-2403
Wayland Baptist University-Wasilla Center (Valley Center)	www.wbu.edu/colleges-in-anchorage 907-373-4828

Career and Technical Education Institutions	Website and Telephone Number	Approved Programs
A Head of Time Design Academy	907-277-5907	Barber Course Instructor Training Course Hairdresser Course Half-time Eligible Program: Refresher Course Hairdresser/Barber
Alaska Bible College	*www.akbible.edu* 907-822-3201	Bible Certificate Bible and Ministry Certificate Associate's of Arts Degree Bachelor's of Arts Degree
Alaska Christian College	*www.akcc.org* 907-260-7422	Certificate in Biblical and General Studies
Alaska Teamster Employer Service Training Trust	*www.akteamsterstraining.com* 907-278-3674	Half-time Eligible Programs: Freight Over-the-Road Driver Apprenticeship (Heavy Truck Driver) Construction Driver Apprenticeship Surveyor Assistant, Instruments Apprenticeship
Alaska Technical Center	*www.nwarctic.org/atc* 907-442-3733	Administrative Assistant Millwright Maintenance Construction Technology Training Half-time Eligible Programs: Personal Care Attendant Certified Nursing Assistant
Amundsen Educational Center	*www.aecak.org* 907-260-8041	Professional Medical Coding Professional Medical Coding (Residential)
AVTEC	*www.avtec.edu* 907-224-3322	Automotive Business and Office Technology Combination Welding Diesel/Heavy Equipment Technology Facility Maintenance Construction Industrial Electricity Information Technology Licensed Practical Nurse Plumbing and Heating Professional Cooking and Baking Pipe Welding Structural Welding Qualified Member of the Engine Department (QMED) Oiler Half-time Eligible Programs: Certified Nurse Assistant Master Not More than 200 Tons
Alaska Career College	*www.alaskacareercollege.edu* 907-563-7575	Business Office Technology Specialist Insurance Coding and Billing Specialist with Externship Insurance Coding and Billing Specialist without Externship Medical Assistant Specialist Therapeutic Massage Specialist Business and Computer Technology, AAS Half-time Eligible Programs: Phlebotomy Technician Specialist Aircraft Dispatcher Specialist
Center for Employment Education	*www.cee-ak.net* 907-279-8451	Half-time Eligible Program: Basic Driver Training-CDL-A
Charter College	907-277-1000 Anchorage Campus 907-352-1000 Wasilla Campus	Certificate Program in Computerized Accounting Specialist Certificate Program in Computer Aided Drafting Associate Certificate Program in Medical Assistant Certificate Program in Network Technology Certificate Program in Network Security Certificate Program in Computerized Office Specialist Certificate Program in Paralegal Studies A.A.S. Degree in Computerized Accounting A.A.S. Degree in Business Management Practice A.A.S. Degree in Computer Science Concentration in Technical Graphics A.A.S. Degree in Criminal Justice A.A.S. Degree in Health Information Technology

Charter College (continued)		A.A.S. Degree in Medical Office Administration: Concentration in Medical Assistant A.A.S. Degree in Computer Science: Concentration in Networking Technology A.A.S. Degree in Computer Science: Concentration in Network Security A.A.S. Degree in Computer Science: Concentration in Business Applications A.A.S. Degree in Paralegal Studies B.S. Business Management Accounting B.S. Business Management Technology B.S. Criminal Justice B.S. Construction Management B.S. Health Care Management B.S. Information Technology Engineering
Galena City School District Postsecondary Adult Programs	postsec.galenaalaska.org 907-565-1205	Hairdressing (Full-time and Half-time eligible)
MetrOasis	www.metroasis.com 907-276-4110	Hairdressing Esthetician
Northern Industrial Training	www.nitalaska.com 907-357-6400	Half-time Eligible Programs: CET Heavy Equipment/ Truck Driver (CDL) NCCER Electrical Level I Program NCCER Pipefitting Program Professional Truck Driver Institute (PTDI) Truck Driver Program NCCER Welding Level I Program

APPENDIX D.

Sample APS Recipients' Comments to Survey

Responders to the APS survey had an opportunity to provide comments on how their eligibility to receive the APS affected their decision on whether and where to pursue their postsecondary education, and were asked if they had any additional thoughts on the scholarship. In total there were 335 comments provided by responders, with a sampling of them below. Responses have been separated into generally positive and generally negative ones.

Examples of responders' positive comments on the APS program:

I was going to transfer after a year or two, but now I'll probably stay in Alaska all four years.

It made me stay in Alaska instead of leave the state for a different college.

The scholarship was appreciated and is a great initiative on the part of the State of Alaska. Suggest that even though a student doesn't study in Alaska, if the student comes back to Alaska and works for five years that the APS be awarded to pay student's college loans. Alaska is still benefiting from having a college educated worker in Alaska; just as if the worker studied in Alaska.

I was excited to learn that I can use it for two year of graduate school after I graduate from an out-of-state university. It has given me an incentive to return to Alaska. I like having plans for my future!

It was a huge deciding factor on whether or not I would be going to college, and if I would stay in-state.

I was going to attend Brown University, but the financial aid I received for studying within the state has encouraged me to stay in Alaska.

The APS scholarship is helping me stay in school. I could have gone to just the certification on the previous scholarship money and money I had saved. Now I will apply the APS money toward my associate's and my bachelor's degrees. I will be in the aviation industry and am convinced that a 4 yr degree is important. I thank the APS board for this assistance.

Since my family is low-income, my parents would not have been able to pay for my education. The APS Scholarship encouraged me to continue with my post-secondary plans and gave me a means to do so. It is a great idea =).

It made it possible. I graduated a year early from high school. It was important to me to start taking a core classes right away and work into seeing what field I really want to study. The APS made this possible....THANK YOU!

Knowing that I had this extra help of funding for school, I decided to go for my full bachelor's degree instead of just my associate's.

I was considering other-out-of state schools, but I believed that this scholarship opportunity was too big to miss. Thus the APS was the deciding factor for me attending college in Alaska.

It was not advantageous to me to attend an in-state school before the APS became available. I was offered the top scholarship at Covenant College in Georgia and half tuition scholarships at two or three other schools. However, as an independent home school student I was not eligible for the UA Scholars program. Thank you for providing this merit-based program to Alaskans of all walks of life!

The APS helped me take a closer look at the field of study that I plan on pursuing (Applied Engineering) and see the excellent opportunities available at Alaskan universities.

I am a UA Scholar, so I knew that $11,000 of my tuition and fees would be covered if I chose to stay in-state. However, when I heard about the APS, I knew that it would cover any remaining tuition costs. This really closed the deal for me to stay in Alaska.

I would've attended the University of Washington in Seattle if there was no scholarship. I conducted a cost-benefit analysis of whether I should attend the University of Alaska Fairbanks or the University of Washington, and UAF proved to reap more benefits if attended. Also, this decision to decline the University of Washington was made in late June because I found out I was eligible for my scholarship level only then.

My candid opinion is that the APS is a step in the right direction; obviously, it is in its first stage, so the coordination problems are inherently understandable. However, more needs to be done. Higher education is too expensive, still, even in-state.

This scholarship is a great idea for helping low-to-middle-income students get through college. In general, this segment of students falls through the cracks, insofar that need-based scholarships seldom accept them and their family's income often prevents them from going to a choice school without taking out costly loans. Furthermore, the scholarship is well-rounded in its brackets, however I know of a few students who missed out on it by falling short in only one of the admission factors. A little more leniency would go very far, as poor test-takers are often not poor students.

I believe the Alaska Performance Scholarship promoted the competitiveness of the University of Alaska system in its attempt to endorse post-secondary education in the state. Also, I would also want to mention that the costumer service was remarkably great. I was surprised that those answering my calls were knowledgeable and did everything to help my cause, so I commend them for that!

I wasn't sure who to contact in an effort to thank you all for this scholarship, but I am very grateful for this award. I plan to use it all, and I'm working towards maintaining my GPA so I can use it.

Examples of responders' negative comments on the APS program:

I felt cheated. I worked hard, took difficult classes and did well. Why should I be discriminated against and denied access to these public funds because I am going to school Outside? I actually cost the State of Alaska less since I am out of state. UAA tuition is already subsidized by the state.

Since I was misinformed and made my plans accordingly, I have to come up with a different plan that will now take longer and cost me more money than anticipated! Very disappointed!

I was already pretty certain about going to school in Alaska. I think high school should inform students better about how the program works. I know a lot of girls who didn't know they could get it with their grade 3.0's and so they didn't take the ACT or the SAT.

I had already applied and gotten in to out of state schools by the time that I knew about APS, so it didn't affect my decision much, but may in the future since I can use it for up to six years after graduating.

It did not offer me much and indicated I would get more by going out-of-state. I already knew I would be pursuing a postsecondary education. I already had full-tuition waivers, honors program offers, and other scholarship opportunities that were much better.

I think high-achieving students should be able to receive the APS even if they attend school out of state. Although I understand the appeal of keeping these students in Alaska, the fact remains that those students eligible for the APS who wish to pursue higher education out of state usually have to pay more for school than they would remaining in Alaska without the APS. There should be a level of APS that can be given regardless of the location of the chosen university of the student.

Originally I had trouble receiving this scholarship. I was eligible, but I had a few complications with the school and with my FAFSA. I ended up receiving the scholarship about a month late, but I was pleased that I was still able to receive it. After I emailed the APS through the website they were very helpful.

I could not receive the APS because I was over-awarded by many other scholarships I applied and competed for. If I knew that the APS scholarship would have been funded earlier, I could have spent less time on scholarship applications and more time studying or doing athletic sports.

I wish I had received more information on the APS. I didn't realize this award was different from some of the other scholarships offered to Alaska students, so I didn't think to look further into it.

It is a great scholarship, but I would like to see more scholarships for Alaska residents pursuing other studies that are not available in Alaska.

We had a very complicated experience with getting the 2nd set of SAT/ACT scores from the high school to the state. Each thought the other was responsible for getting scores from one place to the other. If it wasn't for the perseverance of my mother facilitating and phone calling everywhere my APS opportunity would have slipped through the cracks and I would not have gotten it! No one really understood the process or procedures at the time and it was very frustrating and messy. Maybe next year it will go smoother for students and families! Thank you very much for helping me and my family pay for college in Alaska. We are grateful for the support at home here in Alaska.

APPENDIX E.

Alaska Regions Referenced in the APS Report



Created by: Alaska Department of Labor and Workforce Development

Acknowledgements

This inaugural report on the Alaska Performance Scholarship would not have been possible without the considerable efforts of staff in the research sections at each of the four partnering agencies. ACPE would like to acknowledge the following agencies and staff and thank them for their contributions to this, the 2012 Alaska Performance Scholarship Outcomes Report.

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For more information about the Alaska Performance Scholarship, or to contact ACPE, visit: *APS.alaska.gov*

27-GH1893\U
Kirsch/Mischel
3/6/12

SENATE CS FOR CS FOR HOUSE BILL NO. 104(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

"An Act renaming the Alaska performance scholarship and relating to the scholarship and tax credits applicable to contributions to the scholarship; relating to AlaskAdvantage education grant funding and to Alaska performance scholarship funding; relating to AlaskAdvantage education grant eligibility; establishing accounts and a fund for those purposes; making conforming amendments; and providing for an effective date."

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

* **Section 1.** AS 14.03.113 is amended to read:

Sec. 14.03.113. District determination of scholarship eligibility. A school district shall determine whether a student who graduates from a high school in the district is eligible for an award of an Alaska **performance** [MERIT SCHOLARSHIP PROGRAM] scholarship under AS 14.43.810 - 14.43.849. If a student is eligible, the district shall state in the student's permanent record the highest level of funding for

which the student is eligible. A district shall provide a student with an opportunity to request that the district correct an error in the eligibility determination.

*** Sec. 2.** AS 14.43.415(a) is amended to read:

(a) For an applicant to be eligible for a grant under AS 14.43.400 - 14.43.420, the applicant must be

(1) a resident of this state;

(2) enrolled or about to be enrolled

(A) at an institution **located in the state that is**

(i) accredited by an institutional accrediting body recognized by the United States Secretary of Education; or

(ii) approved to participate in the Alaska performance scholarship program as a qualified postsecondary institution under AS 14.43.830 [APPROVED TO PARTICIPATE IN FEDERAL FINANCIAL AID PROGRAMS UNDER 20 U.S.C. 1070 - 1099c-2, AS AMENDED, LOCATED IN THIS STATE]; and

(B) on at least a half-time basis; and

(3) able to demonstrate financial need in accordance with standards for determining financial need established by the commission [UNDER 20 U.S.C. 1070c-2, AS AMENDED].

*** Sec. 3.** AS 14.43.810 is amended to read:

Sec. 14.43.810. Alaska performance [MERIT] scholarship program established; regulations. (a) The Alaska **performance** [MERIT] scholarship program is established to provide scholarships for **Alaska residents who have attained an Alaska High School Diploma by Examination after January 1, 2011, or who are** high school graduates [WHO ARE ALASKA RESIDENTS] to attend a qualified postsecondary institution in the state.

(b) The department shall, in consultation with the commission, adopt regulations necessary to implement the **Alaska performance scholarship** program. The commission shall administer the daily operations of the **Alaska performance scholarship** program and financing of the **Alaska performance scholarship** program, including the procedures for applying for the scholarships, establishing standards for

and ensuring continuing compliance with programmatic standards, and requiring students to apply for other nonloan financial aid, consistent with federal law.

*** Sec. 4.** AS 14.43.820(a) is amended to read:

(a) Subject to appropriation, the commission shall award an Alaska **performance** [MERIT SCHOLARSHIP PROGRAM] scholarship to an applicant who

(1) is a resident of the state as defined in AS 01.10.055;

(2) **except as provided in (c) of this section,** graduated or will graduate within six months from a high school in the state;

(3) **except as provided in (d) of this section,** has completed a core academic curriculum **of** [IN] high school **level coursework** that includes

(A) four years of mathematics, four years of language arts, four years of science, and four years of social studies, one year of which may include a foreign language, an Alaska Native language, fine arts, or cultural heritage; or

(B) three years of mathematics, four years of language arts, three years of science, four years of social studies, and two years of a foreign language or an Alaska Native language;

(4) **except as provided in (c) of this section,** has a minimum grade-point average in high school of 2.5 or higher; the department shall set by regulation minimum requirements based on a substantially similar standard for districts that do not assign grades;

(5) has achieved a minimum score on a

(A) college entrance examination; or

(B) standardized examination designed to measure a student's level of preparedness to make the transition to work, as selected by the department; and

(6) is enrolled in good standing in a course of study at a qualified postsecondary institution in this state that is intended to result in the award of a certificate or degree.

*** Sec. 5.** AS 14.43.820 is amended by adding new subsections to read:

(c) Notwithstanding the eligibility requirements in (a)(2) and (4) of this

section, the department shall adopt regulations to provide for the eligibility of a student who has attained an Alaska High School Diploma by Examination in the state.

(d) The commissioner may waive a portion of the core academic requirements specified under (a)(3) of this section for not more than 12 additional months after a student graduates from a high school in the state or 24 months after a student attains an Alaska High School Diploma by Examination to provide an eligible applicant the opportunity to complete the academic requirements at a qualified postsecondary institution using a scholarship awarded under AS 14.43.825(a) or at a public high school in the state with a district sponsorship under (g) of this section if the applicant

(1) submits a timely application on a form approved by the commissioner;

(2) provides satisfactory proof that the applicant was unable to complete the academic requirements under (a)(3) of this section as a result of circumstances beyond the applicant's control, including

(A) illness or disability;

(B) a lack of reasonable access to the required coursework at a small or remote high school attended by the applicant in the state; and

(C) other circumstances prescribed by regulation adopted by the board.

(e) The commissioner shall approve or deny an application for a waiver submitted under (d) of this section within 30 days after receiving the application.

(f) An applicant who receives a waiver under (d) of this section, shall, within one year after approval of the waiver, provide satisfactory proof to the commissioner of completion of the core academic requirements specified under (a)(3) of this section.

(g) Notwithstanding a contrary provision in this title, a school district that agrees to sponsor a student for a waiver under (d) of this section may include a student who has been approved for a waiver under (d) of this section in the student count conducted under AS 14.17.600 as a full-time or part-time student if the student attends a school in the district for the purpose of completing the core academic requirements under (a)(3) of this section.

(h) In this section, "district" has the meaning given in AS 14.17.990.

* **Sec. 6.** AS 14.43.825(a) is amended to read:

(a) The maximum annual awards for the Alaska **performance** [MERIT SCHOLARSHIP PROGRAM] scholarships are as follows:

(1) the first award level is $4,755 and requires a

(A) 3.5 grade-point average or above **or a total score in the 90th percentile or above on the general educational development examination;** and

(B) [A] very high minimum score on a college entrance examination;

(2) the second award level is $3,566 and requires a

(A) 3.0 grade-point average or above **or a total score in the 80th percentile or above on the general educational development examination;** and

(B) [A] high minimum score on a college entrance examination;

(3) the third award level is $2,378 and requires a

(A) 2.5 grade-point average or above **or a total score in the 70th percentile or above on the general educational development examination;** and

(B) [A] moderately high minimum score on a college entrance examination.

* **Sec. 7.** AS 14.43.825(b) is amended to read:

(b) A student's eligibility for a scholarship terminates six years after the date the student **graduates** [GRADUATED] from high school **or attains a State of Alaska High School Diploma by Examination,** unless the student qualifies for an extension of time allowed by the department by regulation.

* **Sec. 8.** AS 14.43.825(f) is repealed and reenacted to read:

(f) Payment of a scholarship is subject to appropriation and the availability of funds for expenditure under AS 37.14.750. If insufficient funds are appropriated or available in a fiscal year to pay all eligible scholarships, the commission may not award a scholarship to a new applicant, and the commission shall pay existing awards

on a pro rata basis for that fiscal year.

*** Sec. 9.** AS 14.43.830 is amended to read:

Sec. 14.43.830. Qualified postsecondary institutions. (a) The following institutions are qualified postsecondary institutions for purposes of awarding an Alaska **performance** [MERIT SCHOLARSHIP PROGRAM] scholarship:

(1) a university or college physically located in the state that [IS]

(A) **is** authorized to operate in the state under AS 14.48.020 or is exempt from authorization under AS 14.48.030(b)(1); [AND]

(B) **is** accredited by a regional **or national** accreditation association;

(C) has an advisory program established for incoming students that provides counseling related to course selection, career choice, and personal challenges; and

(D) provides courses and credits that can result in the issuance of a degree or certificate available at the institution within a time frame expected for that degree or certificate;

(2) a career and technical school program physically located in the state that **meets the standards established in (a)(1)(C) and (D) of this section and that** has been included on a list of certified career and technical school programs received from the Department of Labor and Workforce Development; the commission shall publish the list on or before June 30 of the year preceding enrollment.

(b) The Department of Labor and Workforce Development shall, in consultation with the Department of Education and Early Development, adopt regulations under AS 44.62 (Administrative Procedure Act) establishing criteria under which the Department of Labor and Workforce Development shall certify career and technical school programs in the state as eligible to participate in the Alaska **performance** [MERIT] scholarship program.

*** Sec. 10.** AS 14.43.849(4) is amended to read:

(4) "program" means the Alaska **performance** [MERIT] scholarship program established under AS 14.43.810 - 14.43.849;

*** Sec. 11.** AS 14.43 is amended by adding a new section to read:

Sec. 14.43.915. AlaskAdvantage education grant account and Alaska performance scholarship award account. (a) The AlaskAdvantage education grant account is created as an account in the general fund. Money may be appropriated to the account from the Alaska higher education investment fund under AS 37.14.750 and from other sources. The commission may use the money in the account to pay grants awarded under AS 14.43.400 - 14.43.420.

(b) The Alaska performance scholarship award account is created as an account in the general fund. Money may be appropriated to the account from the Alaska higher education investment fund under AS 37.14.750 and from other sources. The commission may use the money in the account to pay scholarships awarded to students under AS 14.43.810 - 14.43.849.

(c) Of the total amount available annually to the commission for payment of grants under AS 14.43.400 - 14.43.420 and for payment of scholarships under AS 14.43.810 - 14.43.849, one-third of the combined amount in the accounts established under (a) and (b) of this section shall be available solely for payment of grants awarded under AS 14.43.400 - 14.43.420. The commission shall annually allocate to all qualified applicants for scholarships awarded under AS 14.43.810 - 14.43.849 two-thirds of the combined amount in the accounts. If an insufficient number of qualified applicants are awarded scholarships under AS 14.43.810 - 14.43.849 before September 1 of each fiscal year, the balance of the account established in (b) of this section shall be transferred to the account established in (a) of this section for the payment of grants under AS 14.43.400 - 14.43.420 for that year. If an insufficient number of qualified applicants are awarded grants under AS 14.43.400 - 14.43.420 before the end of that fiscal year, the commissioner shall redeposit the remaining funds into the Alaska higher education investment fund established under AS 37.14.750.

(d) The commission shall reserve a percentage calculated under this subsection of the total amount available for awards in the accounts established under (a) and (b) of this section each year for award to students who graduate from a school district with an ADM of less than 800 or from a school that was operated by the Alaska State-Operated School System established under former AS 14.08.020. The

percentage reserved under this subsection shall be calculated by adding the ADMs of districts with an ADM of less than 800 and the number of students enrolled in a school that was operated by the Alaska State-Operated School System established under former AS 14.08.020 that is located in a district with an ADM of 800 or more and then dividing that number by the sum of the ADMs of all districts in the state.

(e) If an insufficient number of applicants apply for the available amount reserved under (d) of this section, the commission shall redeposit the remaining amount in the account from which the funds originated.

(f) In this section,

(1) "ADM" has the meaning given in AS 14.17.990;

(2) "district" has the meaning given in AS 14.17.990, but also includes a state boarding school under AS 14.16.

* **Sec. 12.** AS 14.45.130(a) is amended to read:

(a) A religious or other private school that elects to comply with AS 14.45.100 - 14.45.130 shall maintain permanent student records reflecting immunizations, physical examinations, standardized testing, academic achievement, courses taken at the school, and level of eligibility for an Alaska **performance** [MERIT SCHOLARSHIP PROGRAM] scholarship under AS 14.43.810 - 14.43.849.

* **Sec. 13.** AS 37.14 is amended by adding a new section to read:

Article 8A. Alaska Higher Education Investment Fund.

Sec. 37.14.750. Alaska higher education investment fund established. (a) The Alaska higher education investment fund is established in the general fund for the purpose of making grants awarded under AS 14.43.400 - 14.43.420 by appropriation to the account established under AS 14.43.915(a) and of making scholarship payments to qualified postsecondary institutions for students under AS 14.43.810 - 14.43.849 by appropriation to the account established under AS 14.43.915(b). Money in the fund does not lapse. The fund consists of

(1) money appropriated to the fund;

(2) income earned on investment of fund assets;

(3) donations to the fund; and

(4) money redeposited under AS 14.43.915(c).

(b) The legislature may appropriate any amount to the fund established in (a) of this section. Nothing in this section creates a dedicated fund.

(c) As soon as is practicable after July 1 of each year, the commissioner of revenue shall determine the market value of the fund established in this section on June 30 for the immediately preceding fiscal year. The commissioner shall identify 10 percent of that amount as available for appropriation as follows:

(1) one-third for the grant account established under AS 14.43.915(a), from which the Alaska Commission on Postsecondary Education may award grants; and

(2) two-thirds for the scholarship account established under AS 14.43.915(b), from which the Alaska Commission on Postsecondary Education may award scholarships.

(d) In this section, unless the context requires otherwise, "fund" means the Alaska higher education investment fund established in (a) of this section.

*** Sec. 14.** AS 43.20.014(a) is amended to read:

(a) A taxpayer is allowed a credit against the tax due under this chapter for cash contributions accepted **for**

(1) [FOR] direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) [FOR] secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) [FOR] vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) [FOR] a facility or an annual intercollegiate sports tournament by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) [FOR] Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state;

[AND]

(6) [FOR] education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government**; and**

(7) the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 15.** AS 43.20.014(a), as amended by sec. 14, ch. 92, SLA 2010, is amended to read:

(a) A taxpayer is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; [AND]

(3) by a state-operated vocational technical education and training school**; and**

(4) for the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 16.** AS 43.55.019(a) is amended to read:

(a) A producer of oil or gas is allowed a credit against the tax due under this chapter for cash contributions accepted **for**

(1) [FOR] direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) [FOR] secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) [FOR] vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) [FOR] a facility or an annual intercollegiate sports tournament by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) [FOR] Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state; [AND]

(6) [FOR] education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government**; and**

(7) the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 17.** AS 43.55.019(a), as amended by sec. 21, ch. 92, SLA 2010, is amended to read:

(a) A producer of oil or gas is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; [AND]

(3) by a state-operated vocational technical education and training school**; and**

(4) for the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 18.** AS 43.56.018(a) is amended to read:

(a) The owner of property taxable under this chapter is allowed a credit against the tax due under this chapter for cash contributions accepted **for**

(1) [FOR] direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment,

by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) [FOR] secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) [FOR] vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) [FOR] a facility or an annual intercollegiate sports tournament by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) [FOR] Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state; [AND]

(6) [FOR] education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government; **and**

(7) the Alaska higher education investment fund under AS 37.14.750.

* **Sec. 19.** AS 43.56.018(a), as amended by sec. 28, ch. 92, SLA 2010, is amended to read:

(a) The owner of property taxable under this chapter is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; [AND]

(3) by a state-operated vocational technical education and training school; **and**

(4) for the Alaska higher education investment fund under

AS 37.14.750.

* **Sec. 20.** AS 43.65.018(a) is amended to read:

(a) A person engaged in the business of mining in the state is allowed a credit against the tax due under this chapter for cash contributions accepted **for**

(1) [FOR] direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) [FOR] secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) [FOR] vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) [FOR] a facility or an annual intercollegiate sports tournament by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) [FOR] Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state; [AND]

(6) [FOR] education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government**; and**

(7) the Alaska higher education investment fund under AS 37.14.750.

* **Sec. 21.** AS 43.65.018(a), as amended by sec. 35, ch. 92, SLA 2010, is amended to read:

(a) A person engaged in the business of mining in the state is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or

four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; [AND]

(3) by a state-operated vocational technical education and training school**; and**

(4) for the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 22.** AS 43.75.018(a) is amended to read:

(a) A person engaged in a fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted **for**

(1) [FOR] direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) [FOR] secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) [FOR] vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) [FOR] a facility or an annual intercollegiate sports tournament by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) [FOR] Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state; [AND]

(6) [FOR] education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government**; and**

(7) the Alaska higher education investment fund under AS 37.14.750.

* **Sec. 23.** AS 43.75.018(a), as amended by sec. 42, ch. 92, SLA 2010, is amended to read:

(a) A person engaged in a fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; [AND]

(3) by a state-operated vocational technical education and training school**; and**

(4) for the Alaska higher education investment fund under AS 37.14.750.

* **Sec. 24.** AS 43.77.045(a) is amended to read:

(a) In addition to the credit allowed under AS 43.77.040, a person engaged in a floating fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted **for**

(1) [FOR] direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) [FOR] secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) [FOR] vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) [FOR] a facility or an annual intercollegiate sports tournament by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) [FOR] Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state;

[AND]

(6) [FOR] education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government**; and**

(7) the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 25.** AS 43.77.045(a), as amended by sec. 49, ch. 92, SLA 2010, is amended to read:

(a) In addition to the credit allowed under AS 43.77.040, a person engaged in a floating fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; [AND]

(3) by a state-operated vocational technical education and training school**; and**

(4) for the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 26.** Section 8, ch. 14, SLA 2010, is repealed.

*** Sec. 27.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: ALASKA HIGHER EDUCATION INVESTMENT FUND. The Alaska higher education investment fund established in AS 37.14.750, enacted by sec. 12 of this Act, is the fund identified in sec. 20(f), ch. 5, FSSLA 2011.

*** Sec. 28.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: REGULATIONS. The Department of Education and Early Development, the Department of Labor and Workforce Development, the Department of

Revenue, and the Alaska Commission on Postsecondary Education may adopt regulations necessary to implement changes made to their respective authorities by this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before July 1, 2012.

*** Sec. 29.** The uncodified law of the State of Alaska is amended by adding a new section to read:

REVISOR'S INSTRUCTION. The revisor of statutes is instructed to change the

(1) heading of art. 12 of AS 14.43 from "Alaska Merit Scholarship Program" to "Alaska Performance Scholarship Program";

(2) catch line for AS 14.43.820 from "Alaska merit scholarship program; eligibility" to "Alaska performance scholarship program; eligibility."

*** Sec. 30.** Sections 2, 4, 5 - 7, and AS 14.43.915(d) and (e), added by sec. 11 of this Act, take effect April 1, 2013.

*** Sec. 31.** AS 14.43.830(a)(1)(C) and (D), added by sec. 9 of this Act, and the amendment to AS 14.43.830(a)(2) made by sec. 9 of this Act take effect July 1, 2013.

*** Sec. 32.** Sections 15, 17, 19, 21, 23, and 25 of this Act take effect January 1, 2021.

*** Sec. 33.** Except as provided in secs. 30 - 32 of this Act, this Act takes effect immediately under AS 01.10.070(c).

adopted 02/15/12

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SENATE CS FOR CS FOR HOUSE BILL NO. 104(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

"An Act renaming the Alaska performance scholarship and relating to the scholarship and tax credits applicable to contributions to the scholarship; relating to AlaskAdvantage education grant funding and to Alaska performance scholarship funding; relating to AlaskAdvantage education grant eligibility; establishing accounts and a fund for those purposes; making conforming amendments; and providing for an effective date."

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

*** Section 1.** AS 14.03.113 is amended to read:

Sec. 14.03.113. District determination of scholarship eligibility. A school district shall determine whether a student who graduates from a high school in the district is eligible for an award of an Alaska **performance** [MERIT SCHOLARSHIP PROGRAM] scholarship under AS 14.43.810 - 14.43.849. If a student is eligible, the district shall state in the student's permanent record the highest level of funding for

which the student is eligible. A district shall provide a student with an opportunity to request that the district correct an error in the eligibility determination.

*** Sec. 2.** AS 14.43.415(a) is amended to read:

(a) For an applicant to be eligible for a grant under AS 14.43.400 - 14.43.420, the applicant must be

(1) a resident of this state;

(2) enrolled or about to be enrolled

(A) at an institution **located in the state that is**

(i) accredited by the United States Secretary of Education; or

(ii) approved to participate in the Alaska performance scholarship program as a qualified postsecondary institution under AS 14.43.830 [APPROVED TO PARTICIPATE IN FEDERAL FINANCIAL AID PROGRAMS UNDER 20 U.S.C. 1070 - 1099c-2, AS AMENDED, LOCATED IN THIS STATE]; and

(B) on at least a half-time basis; and

(3) able to demonstrate financial need in accordance with standards for determining financial need established by the commission [UNDER 20 U.S.C. 1070c-2, AS AMENDED].

*** Sec. 3.** AS 14.43.810 is amended to read:

Sec. 14.43.810. Alaska performance [MERIT] scholarship program established; regulations. (a) The Alaska **performance** [MERIT] scholarship program is established to provide scholarships for high school graduates who are Alaska residents to attend a qualified postsecondary institution in the state.

(b) The department shall, in consultation with the commission, adopt regulations necessary to implement the **Alaska performance scholarship** program. The commission shall administer the daily operations of the **Alaska performance scholarship** program and financing of the **Alaska performance scholarship** program, including the procedures for applying for the scholarships, establishing standards for and ensuring continuing compliance with programmatic standards, and requiring students to apply for other nonloan financial aid, consistent with federal law.

* **Sec. 4.** AS 14.43.820(a) is amended to read:

(a) Subject to appropriation, the commission shall award an Alaska **performance** [MERIT SCHOLARSHIP PROGRAM] scholarship to an applicant who

(1) is a resident of the state as defined in AS 01.10.055;

(2) graduated or will graduate within six months from a high school in the state;

(3) **except as provided in (c) of this section,** has completed a core academic curriculum **of** [IN] high school **level coursework** that includes

(A) four years of mathematics, four years of language arts, four years of science, and four years of social studies, one year of which may include a foreign language, an Alaska Native language, fine arts, or cultural heritage; or

(B) three years of mathematics, four years of language arts, three years of science, four years of social studies, and two years of a foreign language or an Alaska Native language;

(4) has a minimum grade-point average in high school of 2.5 or higher; the department shall set by regulation minimum requirements based on a substantially similar standard for districts that do not assign grades;

(5) has achieved a minimum score on a

(A) college entrance examination; or

(B) standardized examination designed to measure a student's level of preparedness to make the transition to work, as selected by the department; and

(6) is enrolled in good standing in a course of study at a qualified postsecondary institution in this state that is intended to result in the award of a certificate or degree.

* **Sec. 5.** AS 14.43.820 is amended by adding new subsections to read:

(c) The department shall waive a portion of the core academic requirements provided under (a)(3) of this section if that portion of the curriculum is not available to a student who attended a public school in the state in a district in which the student resides.

(d) Notwithstanding the eligibility requirements in (a)(2) - (4) of this section, the department shall adopt regulations to provide for the eligibility of a student who has attained a general education development diploma in the state.

*** Sec. 6.** AS 14.43.825(a) is amended to read:

(a) The maximum annual awards for the Alaska **performance** [MERIT SCHOLARSHIP PROGRAM] scholarships are as follows:

(1) the first award level is $4,755 and requires a

(A) 3.5 grade-point average or above **or a total score in the 90th percentile or above on the general education development diploma examination;** and

(B) [A] very high minimum score on a college entrance examination;

(2) the second award level is $3,566 and requires a

(A) 3.0 grade-point average or above **or a total score in the 80th percentile or above on the general education development diploma examination;** and

(B) [A] high minimum score on a college entrance examination;

(3) the third award level is $2,378 and requires a

(A) 2.5 grade-point average or above **or a total score in the 70th percentile or above on the general education development diploma examination;** and

(B) [A] moderately high minimum score on a college entrance examination.

*** Sec. 7.** AS 14.43.825(f) is repealed and reenacted to read:

(f) Payment of a scholarship is subject to appropriation and the availability of funds for expenditure under AS 37.14.750. If insufficient funds are appropriated or available in a fiscal year to pay all eligible scholarships, the commission may not award a scholarship to a new applicant, and the commission shall pay existing awards on a pro rata basis for that fiscal year.

*** Sec. 8.** AS 14.43.830 is amended to read:

Sec. 14.43.830. Qualified postsecondary institutions. (a) The following institutions are qualified postsecondary institutions for purposes of awarding an Alaska **performance** [MERIT SCHOLARSHIP PROGRAM] scholarship:

(1) a university or college physically located in the state that [IS]

(A) **is** authorized to operate in the state under AS 14.48.020 or is exempt from authorization under AS 14.48.030(b)(1); [AND]

(B) **is** accredited by a regional **or national** accreditation association;

(C) has an advisory program established for incoming students that provides counseling related to course selection, career choice, and personal challenges; and

(D) provides courses and credits that can result in the issuance of a degree or certificate available at the institution within a time frame expected for that degree or certificate;

(2) a career and technical school program physically located in the state that **meets the standards established in (a)(1)(C) and (D) of this section and that** has been included on a list of certified career and technical school programs received from the Department of Labor and Workforce Development; the commission shall publish the list on or before June 30 of the year preceding enrollment.

(b) The Department of Labor and Workforce Development shall, in consultation with the Department of Education and Early Development, adopt regulations under AS 44.62 (Administrative Procedure Act) establishing criteria under which the Department of Labor and Workforce Development shall certify career and technical school programs in the state as eligible to participate in the Alaska **performance** [MERIT] scholarship program.

* **Sec. 9.** AS 14.43.849(4) is amended to read:

(4) "program" means the Alaska **performance** [MERIT] scholarship program established under AS 14.43.810 - 14.43.849;

* **Sec. 10.** AS 14.43 is amended by adding a new section to read:

Sec. 14.43.915. AlaskAdvantage education grant account and Alaska performance scholarship award account. (a) The AlaskAdvantage education grant

account is created as an account in the general fund. Money may be appropriated to the account from the Alaska higher education investment fund under AS 37.14.750 and from other sources, as provided under (c) of this section. The commission may use the money in the account to pay grants awarded under AS 14.43.400 - 14.43.420.

(b) The Alaska performance scholarship award account is created as an account in the general fund. Money may be appropriated to the account from the Alaska higher education investment fund under AS 37.14.750 and from other sources, as provided under (c) of this section. The commission may use the money in the account to pay scholarships awarded to students under AS 14.43.810 - 14.43.849.

(c) Of the total amount available annually to the commission for payment of grants under AS 14.43.400 - 14.43.420 and for payment of scholarships under AS 14.43.810 - 14.43.849, one-third of the combined amount in the accounts established under (a) and (b) of this section shall be available solely for payment of grants awarded under AS 14.43.400 - 14.43.420. The commission shall annually allocate to all qualified applicants for scholarships awarded under AS 14.43.810 - 14.43.849 two-thirds of the combined amount in the accounts. If an insufficient number of qualified applicants are awarded scholarships under AS 14.43.810 - 14.43.849 before October 1 of each fiscal year, the balance of the account established in (b) of this section shall be transferred to the account established in (a) of this section for the payment of grants under AS 14.43.400 - 14.43.420 for that year.

(d) The commission shall reserve a percentage calculated under this subsection of the total amount available for awards in the accounts established under (a) and (b) of this section each year for award to students who graduate from a school district with an ADM of less than 800 or from a school that was operated by the Alaska State-Operated School System established under former AS 14.08.020. The percentage reserved under this subsection shall be calculated by adding the ADMs of districts with an ADM of less than 800 and the number of students enrolled in a school that was operated by the Alaska State-Operated School System established under former AS 14.08.020 that is located in a district with an ADM of 800 or more and then dividing that number by the sum of the ADMs of all districts in the state.

(e) If an insufficient number of applicants apply for the available amount

reserved under (d) of this section, the commission shall redeposit the remaining amount in the Alaska higher education investment fund established under AS 37.14.750.

(f) In this section,

(1) "ADM" has the meaning given in AS 14.17.990;

(2) "district" has the meaning given in AS 14.17.990, but also includes a state boarding school under AS 14.16.

*** Sec. 11.** AS 14.45.130(a) is amended to read:

(a) A religious or other private school that elects to comply with AS 14.45.100 - 14.45.130 shall maintain permanent student records reflecting immunizations, physical examinations, standardized testing, academic achievement, courses taken at the school, and level of eligibility for an Alaska **performance** [MERIT SCHOLARSHIP PROGRAM] scholarship under AS 14.43.810 - 14.43.849.

*** Sec. 12.** AS 37.14 is amended by adding a new section to read:

Article 8A. Alaska Higher Education Investment Fund.

Sec. 37.14.750. Alaska higher education investment fund established. (a) The Alaska higher education investment fund is established in the general fund for the purpose of making grants awarded under AS 14.43.400 - 14.43.420 by appropriation to the account established under AS 14.43.915(a) and of making scholarship payments to qualified postsecondary institutions for students under AS 14.43.810 - 14.43.849 by appropriation to the account established under AS 14.43.915(b). Money in the fund does not lapse. The fund consists of

(1) money appropriated to the fund;

(2) income earned on investment of fund assets; and

(3) donations to the fund.

(b) The legislature may appropriate any amount to the fund established in (a) of this section. Nothing in this section creates a dedicated fund.

(c) As soon as is practicable after July 1 of each year, the commissioner of revenue shall determine the market value of the fund established in this section on June 30 for the immediately preceding fiscal year. The commissioner shall identify 10 percent of that amount as available for appropriation as follows:

(1) one-third for the grant account established under AS 14.43.915(a), from which the Alaska Commission on Postsecondary Education may award grants; and

(2) two-thirds for the scholarship account established under AS 14.43.915(b), from which the Alaska Commission on Postsecondary Education may award scholarships.

(d) In this section, unless the context requires otherwise, "fund" means the Alaska higher education investment fund established in (a) of this section.

*** Sec. 13.** AS 43.20.014(a) is amended to read:

(a) A taxpayer is allowed a credit against the tax due under this chapter for cash contributions accepted **for**

(1) [FOR] direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) [FOR] secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) [FOR] vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) [FOR] a facility or an annual intercollegiate sports tournament by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) [FOR] Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state;

(6) [FOR] education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government**; and**

(7) the Alaska higher education investment fund under AS 37.14.750.

* **Sec. 14.** AS 43.20.014(a), as amended by sec. 14, ch. 92, SLA 2010, is amended to read:

(a) A taxpayer is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; [AND]

(3) by a state-operated vocational technical education and training school**; and**

(4) for the Alaska higher education investment fund under AS 37.14.750.

* **Sec. 15.** AS 43.55.019(a) is amended to read:

(a) A producer of oil or gas is allowed a credit against the tax due under this chapter for cash contributions accepted **for**

(1) [FOR] direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) [FOR] secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) [FOR] vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) [FOR] a facility or an annual intercollegiate sports tournament by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) [FOR] Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state; [AND]

(6) [FOR] education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government**; and**

(7) the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 16.** AS 43.55.019(a), as amended by sec. 21, ch. 92, SLA 2010, is amended to read:

(a) A producer of oil or gas is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; [AND]

(3) by a state-operated vocational technical education and training school**; and**

(4) for the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 17.** AS 43.56.018(a) is amended to read:

(a) The owner of property taxable under this chapter is allowed a credit against the tax due under this chapter for cash contributions accepted **for**

(1) [FOR] direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) [FOR] secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) [FOR] vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) [FOR] a facility or an annual intercollegiate sports tournament by a

nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) [FOR] Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state; [AND]

(6) [FOR] education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government**; and**

(7) the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 18.** AS 43.56.018(a), as amended by sec. 28, ch. 92, SLA 2010, is amended to read:

(a) The owner of property taxable under this chapter is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; [AND]

(3) by a state-operated vocational technical education and training school**; and**

(4) for the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 19.** AS 43.65.018(a) is amended to read:

(a) A person engaged in the business of mining in the state is allowed a credit against the tax due under this chapter for cash contributions accepted **for**

(1) [FOR] direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-

year or four-year college accredited by a regional accreditation association;

(2) [FOR] secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) [FOR] vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) [FOR] a facility or an annual intercollegiate sports tournament by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) [FOR] Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state; [AND]

(6) [FOR] education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government**; and**

(7) the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 20.** AS 43.65.018(a), as amended by sec. 35, ch. 92, SLA 2010, is amended to read:

(a) A person engaged in the business of mining in the state is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; [AND]

(3) by a state-operated vocational technical education and training school**; and**

(4) for the Alaska higher education investment fund under AS 37.14.750.

* **Sec. 21.** AS 43.75.018(a) is amended to read:

(a) A person engaged in a fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted **for**

(1) [FOR] direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) [FOR] secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) [FOR] vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) [FOR] a facility or an annual intercollegiate sports tournament by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) [FOR] Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state; [AND]

(6) [FOR] education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government**; and**

(7) the Alaska higher education investment fund under AS 37.14.750.

* **Sec. 22.** AS 43.75.018(a), as amended by sec. 42, ch. 92, SLA 2010, is amended to read:

(a) A person engaged in a fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; [AND]

(3) by a state-operated vocational technical education and training school**; and**

(4) for the Alaska higher education investment fund under AS 37.14.750.

*** Sec. 23.** AS 43.77.045(a) is amended to read:

(a) In addition to the credit allowed under AS 43.77.040, a person engaged in a floating fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted **for**

(1) [FOR] direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) [FOR] secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) [FOR] vocational education courses, programs, and facilities by a state-operated vocational technical education and training school;

(4) [FOR] a facility or an annual intercollegiate sports tournament by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) [FOR] Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state; [AND]

(6) [FOR] education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government**; and**

(7) the Alaska higher education investment fund under AS 37.14.750.

* **Sec. 24.** AS 43.77.045(a), as amended by sec. 49, ch. 92, SLA 2010, is amended to read:

(a) In addition to the credit allowed under AS 43.77.040, a person engaged in a floating fisheries business is allowed a credit against the tax due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses and programs by a school district in the state; [AND]

(3) by a state-operated vocational technical education and training school**; and**

(4) for the Alaska higher education investment fund under AS 37.14.750.

* **Sec. 25.** Section 8, ch. 14, SLA 2010, is amended to read:

TRANSITION: **PERFORMANCE SCHOLARSHIP** PROGRAM STANDARDS AND IMPLEMENTATION FOR INITIAL SCHOOL YEARS. Notwithstanding any contrary provision of this Act, the Department of Education and Early Development and the Department of Labor and Workforce Development, after consultation with the Alaska Commission on Postsecondary Education, may adopt regulations under AS 44.62 (Administrative Procedure Act) to implement their respective duties under the Alaska **performance** [MERIT] scholarship program established in AS 14.43.810, enacted by sec. 5**, ch. 14, SLA 2010** [OF THIS ACT], so that a student

(1) may be eligible for **an Alaska performance scholarship** [THE PROGRAM] even though the student did not fully meet the required core academic curriculum for the school years beginning July 1, 2010, through June 30, 2014; and

(2) who graduated from high school in this state after January 1, 2011, and before July 1, 2011, and meets eligibility requirements for the **Alaska performance scholarship** program may apply for a scholarship on or after January 1, 2011, for enrollment in a program of study beginning on or after July 1, 2011.

*** Sec. 26.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: REGULATIONS. The Department of Education and Early Development, the Department of Labor and Workforce Development, the Department of Revenue, and the Alaska Commission on Postsecondary Education may adopt regulations necessary to implement changes made to their respective authorities by this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before July 1, 2012.

*** Sec. 27.** The uncodified law of the State of Alaska is amended by adding a new section to read:

REVISOR'S INSTRUCTION. The revisor of statutes is instructed to change the

(1) heading of art. 12 of AS 14.43 from "Alaska Merit Scholarship Program" to "Alaska Performance Scholarship Program";

(2) catch line for AS 14.43.820 from "Alaska merit scholarship program; eligibility" to "Alaska performance scholarship program; eligibility."

*** Sec. 28.** Section 26 of this Act takes effect immediately under AS 01.10.070(c).

*** Sec. 29.** AS 14.43.830(a)(1)(C) and (D), added by sec. 8 of this Act, and the amendment to AS 14.43.830(a)(2) made by sec. 8 of this Act take effect July 1, 2013.

*** Sec. 30.** Sections 14, 16, 18, 20, 22, and 24 of this Act take effect January 1, 2021.

*** Sec. 31.** Except as provided in secs. 28 - 30 of this Act, this Act takes effect July 1, 2012.

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

SEAN PARNELL, GOVERNOR
333 Willoughby Avenue, 11th Floor
P.O. Box 110400
Juneau, Alaska 99811-0400
Phone: (907) 465-2300
Fax: (907) 465-2389

February 24, 2012

The Honorable Bert Stedman
The Honorable Lyman Hoffman
Co-Chairs, Senate Finance Committee
Alaska State Senate
Juneau, AK 99801

Dear Senators Stedman and Hoffman:

Attached you will find an update to previous analyses we have provided regarding the Senate Finance Committee Substitute to HB 104. The purpose of this update is to respond to the Committee's request as to how much of an additional appropriation is necessary in order to cover costs of the AlaskAdvantage Education Grant program.

Assuming an asset allocation which achieves 5% earnings, we project an additional appropriation of $160 million in FY2013 will be needed. This appropriation is a result of the House amendments. Governor Parnell's Alaska Performance Scholarship Fund, as proposed, does not require the additional appropriation.

Please contact me if you would like more detail or any additional information. We appreciate the opportunity to provide this to the Committee.

Sincerely,

Angela Rodell
Deputy Commissioner

cc: Darwin Peterson, Senate Finance Committee Aide

Purpose: To project total return as well as understand effect of operating expenditures

AK Performance Scholarship Fund

($ Thousand)

Principal Assets	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Beginning Assets	-	402,364.5	579,071.9	590,028.5	596,991.5	601,562.0	606,493.7	610,303.8	612,702.7	613,929.1	614,763.4	614,894.6	614,224.3
Total Investment Return	2,364.5	27,707.4	28,305.7	28,690.0	28,939.5	29,172.8	29,370.1	29,502.9	29,576.3	29,621.3	29,636.2	29,613.7	29,565.5
1st transfer of grants		(1,500.0)	(2,891.5)	(3,639.5)	(4,060.0)	(4,040.0)	(4,260.0)	(4,517.5)	(4,725.0)	(4,798.0)	(4,917.5)	(5,047.5)	(5,113.0)
1st transfer of scholarships		(4,000.0)	(5,783.0)	(7,224.0)	(8,124.5)	(8,080.5)	(8,520.0)	(9,034.5)	(9,450.0)	(9,595.5)	(9,835.0)	(10,094.5)	(10,226.0)
2nd transfer of grants	-	(1,500.0)	(2,891.5)	(3,639.5)	(4,060.0)	(4,040.0)	(4,260.0)	(4,517.5)	(4,725.0)	(4,798.0)	(4,917.5)	(5,047.5)	(5,113.0)
2nd transfer of scholarships	-	(4,000.0)	(5,783.0)	(7,224.0)	(8,124.5)	(8,080.5)	(8,520.0)	(9,034.5)	(9,450.0)	(9,595.5)	(9,835.0)	(10,094.5)	(10,226.0)
Net contribution/withdrawals	400,000.0	160,000.0	-	-	-	-	-	-	-	-	-	-	-
Ending Assets	402,364.5	579,071.9	590,028.5	596,991.5	601,562.0	606,493.7	610,303.8	612,702.7	613,929.1	614,763.4	614,894.6	614,224.3	613,111.8
INCOME VARIABLES													
Expected return of Fund Invested in Higher Risk, Moderately Long Investment Horizon	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

3030 VINTAGE BLVD.
JUNEAU, ALASKA 99801-7109
VOICE (800) 441-2962
In Juneau (907) 465-6740
TDD (907) 465-3143
FAX (907) 465-3293

February 22, 2012

The Honorable Bert Stedman, Co-chair
Senate Finance Committee
Alaska State Legislature
State Capitol Room 516
Juneau, Alaska 99801

Dear Senator Stedman:

The following information is provided in response to requests made at the February 15, 2012 meeting of the Senate Finance Committee.

1. **What are the rates of APS eligibility and usage, aggregated by school size?**
The table below aggregates APS eligibility specifically by ranges of high school size.

2011 Alaska Public High School Graduates

Size of School Graduating Class	Total Graduates	Eligible Graduates	Received Scholarship	# of Schools
All Schools	8,064	2,338	835	
Greater than 100	4,729	1,680	560	20
51 to 100	1,659	363	143	22
21 to 50	690	204	93	22
11 to 20	405	48	20	29
6 to 10	278	21	10	37
5 or fewer	303	22	9	116

2. **What are the national college-going rate and the Alaska college-going rate?**
This information was misreported by me during last week's discussion. According to the National Center for Higher Education Management Systems (NCHEMS), the national college-going rate in 2008 (most recent year available) was 63.3%, and the Alaska-specific rate was 45.7%, the lowest of any state in the nation. The college-going rate is defined as the number of first-time freshmen who graduated from high school in the past year and are enrolled in postsecondary institutions anywhere in the United States, divided by the number of public and private high school graduates.

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3. **Relative to math remediation/preparatory courses, what level of math is generally considered college level?**
   The University of Alaska reports that calculus is generally considered entry level for the college-level mathematics course sequences.

4. **How many students are getting simultaneous awards from the AlaskAdvantage Education Grant (AEG) and the Alaska Performance Scholarship (APS)?**
   This number remains a moving target since spring awards have not been completed and additional AEGs are awarded as funds become available as a result of changes in students' statuses. At this time, it is anticipated we will have approximately 20 students who receive both AEG and APS awards for 2011/2012 enrollment.

5. **Where did students with AEGs enroll?**

AEG Awards by School of Attendance, *through 12/31/2011*

School	# of Students	Total Dollars Awarded
Alaska Pacific University	11	$24,000
AVTEC	9	$19,500
Alaska Career College	12	$31,500
Charter College	107	$151,375
Ilisagvik College	7	$10,500
UAA	1,271	$1,896,375
UAF	449	$660,375
UAS	123	$168,000
Wayland Baptist University	20	$20,000
Total	2,009	$2,981,625

6. **What is the Alaska college-going rate by district?**
   Please see Attachment 1.

7. **What are the specific legal requirements relative to small cell suppression when reporting APS outcomes, and what options are available to provide legislators with specific numbers relative to APS eligibility and usage by district and high school?**
   The Family Education Rights and Privacy Act, or FERPA (20 U.S.C. § 1232g), provides parents (or students, if over 18) the right to consent to the disclosure of personally identifiable information (PII) from education records, with certain exceptions set out in law. PII is defined as information that, alone or in combination, is linked or linkable to a specific student and that would allow a reasonable person (an "outside observer"), who does not have

personal knowledge of the relevant circumstances, to identify an individual student or to ascribe specific academic characteristics to an individual with reasonable certainty.

The Department of Education and Early Development works with ACPE to ensure appropriate protocols are followed and will be responding directly to the committee's inquiry. However, recent changes in federal guidance relative to FERPA provide an opportunity to re-examine compliance protocols. Such re-examination is also timely relative to policymakers' need for APS outcomes information.

To best inform this re-examination, and to ensure we maximize information availability without putting compliance at risk, ACPE will consult with a recognized FERPA expert. We expect to receive guidance relative to changes in administrative law recommended to classify receipt of an APS award as FERPA directory information, which may in future years be considered public information.

Alaska did submit a request directly to the federal FERPA compliance office several months ago for guidance relative to the publication of APS data, but have yet to receive a response.

Based on an internal review, EED and ACPE have concurred that, in a greater number of instances than originally published, release of the annual number of APS recipients by school district is reasonable and complies with all applicable FERPA requirements. A new list of graduates and APS recipients by school district is provided as the second attachment to this document.

We look forward to providing additional detail relative to FERPA requirements upon completion of legal review and receipt of additional external expert analyses.

Thank you for the opportunity to discuss the Alaska Performance Scholarship outcomes report. I hope this information is responsive to the inquiries. I would be pleased to provide any additional information requested.

Sincerely,

Diane Barrans
Executive Director

Attachments:

1. Alaska college-going rates by district
2. Summary of APS recipients by district

Attachment 1: Alaska College-Going Rates by District

The table below presents information available from the National Student Clearinghouse (NSC). AY11 Alaska high school graduates were matched to NSC data to identify those pursuing postsecondary education, both in-state and out-of-state. Students enrolled in non-collegiate postsecondary training programs such as apprenticeships or non-degree vocational training are not included in the college-going rates calculated from NSC numbers.

NSC collects its information directly from postsecondary institutions. A student's attendance is considered to be directory information under FERPA, and is disclosable by the institution unless the student requests that such information not be shared. When this occurs, the institution does not report the identity of that student to NSC. This maintains compliance with FERPA, but may understate the actual number of graduates attending postsecondary institutions.

School District	Attending Postsecondary			Not Found in NSC	Grand Total
	Total	In-State	Out-of-State		
Alaska Gateway	9	8	1	13	22
Aleutians East	5	4	1	8	13
Anchorage	1,685	1,029	656	1,377	3,062
Annette Island	3	2	1	10	13
Bering Strait	15	14	1	91	106
Bristol Bay	6	5	1	3	9
Chatham	4	3	1	9	13
Chugach	2	1	1	5	7
Copper River	17	12	5	7	24
Cordova City	17	6	11	15	32
Craig City	14	4	10	8	22
Delta-Greely	22	17	5	33	55
Denali	10	10		9	19
Dillingham	9	7	2	11	20
Fairbanks	425	302	123	411	836
Galena	83	62	21	170	253
Haines	16	12	4	8	24
Hoonah	2	2	-	2	4
Hydaburg	1	1	-	3	4
Iditarod	6	5	1	21	27
Juneau	227	114	113	176	403

Kake	3	3		3	6
Kashunamiut	2	1	1	10	12
Kenai Peninsula	267	159	108	326	593
Ketchikan	62	35	27	60	122
Klawock	6	3	3	5	11
Kodiak Island	86	58	28	95	181
Kuspuk	4	4		16	20
Lake and Peninsula	8	6	2	18	26
Lower Kuskokwim	39	32	7	111	150
Lower Yukon	9	8	1	58	67
Mat-Su	445	278	167	640	1,085
Mt Edgecumbe	51	40	11	23	74
Nenana	34	32	2	94	128
Nome	17	11	6	12	29
North Slope	32	23	9	54	86
Northwest Arctic	18	15	3	60	78
Petersburg	30	17	13	23	53
Pribilof	2	1	1	2	4
Saint Mary's	3	2	1	10	13
Sitka	49	21	28	49	98
Skagway	6	2	4	6	12
Southeast Island	2	2		8	10
Southwest Region	8	7	1	24	32
Unalaska	11	8	3	11	22
Valdez	28	22	6	17	45
Wrangell	11	5	6	15	26
Yakutat	5	3	2	4	9
Yukon Flats	1	1		7	8
Yukon-Koyukuk	21	18	3	67	88
Yupiit	-			8	8
Grand Total	**3,838**	**2,437**	**1,401**	**4,226**	**8,064**

Attachment 2: APS Recipients by District

2010-2011 APS Eligibility and Acceptance by School District

District Name	Class of 2011 High School Graduates	APS-Eligible Graduates	Percent Eligible	APS Recipients
Alaska Gateway	22	6	27%	4
Anchorage	3,062	1,081	35%	359
Copper River	24	9	38%	7
Cordova City	32	10	31%	3
Delta-Greely	55	14	25%	10
Denali	19	7	37%	3
Fairbanks	836	288	34%	142
Galena	253	54	21%	25
Haines	24	10	42%	4
Juneau	403	115	29%	25
Kenai Peninsula	593	179	30%	58
Ketchikan	122	48	39%	19
Kodiak Island	181	67	37%	17
Lower Kuskokwim	150	12	8%	3
Mat-Su	1,085	244	22%	91
Mt Edgecumbe	74	13	18%	3
Nenana	128	5	4%	4
Nome	29	10	34%	6
North Slope	86	17	20%	8
Petersburg	53	25	47%	9
Sitka	98	37	38%	5
Skagway	12	5	42%	1
Unalaska	22	10	45%	5
Valdez	45	13	29%	8
Wrangell	26	7	27%	3
Yukon-Koyukuk	88	7	8%	2
Other Districts w/ Graduates (25 total)	542	29	5%	11
Statewide Public	**8,064**	**2,322**	**29%**	**835**

NOTES: ***Other Districts w/ Graduates*** includes twenty five school districts with fewer than five APS-eligible students in AY11. These districts were: Aleutians East, Annette Island, Bering Strait, Bristol Bay, Chatham, Chugach, Craig City, Dillingham, Hoonah, Hydaburg, Iditarod, Kake , Kashunamiut, Klawock, Kuspuk , Lake and Peninsula , Lower Yukon, Northwest Arctic, Pribilof, Saint Mary's, Southeast Island , Southwest Region, Yakutat, Yukon Flats, and Yupiit. Three districts (Aleutian Region, Pelican and Tanana) had no high school seniors and/or graduates in AY11.

1) The committee substitute amends subsection (3) on page 3, line 8 – in the previous version eligibility for a performance scholarship was based on a student's completion of a core academic curriculum in high school. The change in the committee substitute allows a student to complete a core academic curriculum of high school level coursework. Some students take advanced high school courses in the 8th grade and that coursework should apply.

2) That same section references an exemption to the core academic curriculum found in section 5 at the bottom of page 3. It provides a waiver of any portion of the core academic curriculum if those courses aren't made available.

3) Subsection (d) was also included to allow a mechanism for students who attain a General Education Development diploma or GED. On that same page in section 6 you will see that language was added whereby a student who scores in the 90th percentile on the GED would be eligible for the highest scholarship award. A score in the 80th percentile would result in eligibility for the second highest award level and a score in the 70th percentile would make a student eligible for the third award level.

4) On page 5, line 7, the words "or national" was inserted so qualified institutions in the state could be accredited by either a regional or national accreditation association.

5) At the bottom of page 5, section 10 creates two subaccounts, the AlaskaAdvantage education grant account and the Alaska Performance Scholarship award account. Money would be deposited into these accounts from the Alaska Higher Education Investment Fund. This last fund I mentioned is a new fund recommended by the Administration where the $400 million appropriated last year to a subaccount of the Alaska Housing Finance Corporation would be deposited. (appropriation required)

6) Sections (c) on line 10 and section (d) on line 21 of page 6 are both new. Section (c) is the 1/3 – 2/3 concept whereby one-third of the amount available each year from the Alaska Higher Education Investment Fund would be made available for the AlaskaAdvantage grants and two-thirds would be for the performance scholarships. It also states that if there are an insufficient number of qualified applicants eligible for the pool of funds available for the performance scholarships, the balance remaining would be allocated to the AlaskaAdvantage grant program.

7) Section (d) creates a mechanism for preserving a proportional amount of funds for students in a school district with an Average Daily Membership of less than 800. This amount would be calculated by taking the statewide percentage of students in a school district of 800 students or less and that same percentage of funds would be reserved for those students. For example, if 25% of the students in Alaska are enrolled in these small school districts, then 25% of the funds available for grants and scholarships would first be made available to those students. Subsection (e) states that if an insufficient

number of those students qualify, then the remaining funds will be redeposited back into the Alaska Higher Education Investment Fund.

8) Section 12 on page 7 creates the Alaska Higher Education Investment Fund. Subsection (c) on the bottom of page 7 establishes the payout method from this umbrella fund into the two subaccounts. Annually, 10 percent of the amount available in the Fund would be made available for appropriation. 1/3 of that amount would go into the AlaskaAdvantage education grant account and 2/3 would go into the Alaska Performance Scholarship award account. This payout method will need to be revisited.

9) Sections 13 through 24 adds the Alaska higher education investment fund as an eligible recipient for are all the statutory tax credits allowed for contributions to education. Sections 13 and 14 apply to the state corporate income tax. Sections 15 and 16 apply to the oil and gas production tax. Sections 17 and 18 apply to the oil and gas property tax. Sections 19 and 20 apply to the mining license tax. Sections 21 and 22 apply to the fisheries business tax. Sections 23 and 24 apply to the fisheries resource landing tax. The reason why each one of these tax credits are referenced twice is because of changes we made to the tax credits in previously enacted legislation which would have sunset them in 2021.

10) Finally, sections 29 and 30 on page 16 have new effective dates. Section 29 establishes a delayed effective date of July 1, 2013 for section 8 of the bill. This section describes

the conditions a postsecondary institution must meet in order to receive scholarship funds. Basically it says they have to provide an advisory program for incoming students and offer courses that will result in the issuance of a degree within an expected time frame.

11) The January 1, 2021 effective date in section 30 apply to all the second referenced tax credit provisions which would sunset in 2021. With this effective date, contributions to the Alaska Higher Education Investment Fund will be permanent.

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

SEAN PARNELL, GOVERNOR
333 Willoughby Avenue, 11th Floor
P.O. Box 110400
Juneau, Alaska 99811-0400
Phone: (907) 465-2300
Fax: (907) 465-2389

February 14, 2012

The Honorable Bert Stedman
The Honorable Lyman Hoffman
Co-Chairs, Senate Finance Committee
Alaska State Senate
Juneau, AK 99801

Dear Senators Stedman and Hoffman:

Attached you will find an update to the analysis we provided on January 30, 2011 for the Senate Finance Committee Substitute to HB 104. The purpose of this update is to reflect revisions made to expenditures under the fund along with a longer time forecast as well as to give indications of the minimum investment return needed.

The first chart assumes a return of 6.85%, similar to the Power Cost Equalization Fund or the CBRF – Subaccount. The asset allocation is comprised of 41% Broad Market Fixed Income, 27% Domestic Equities and 32% International Equities. The second chart assumes a return of 5.00%. The asset allocation is comprised of 71% Broad Market Fixed Income, 19% Domestic Equities and 10% International Equities.

We believe both of the scenarios provided give the Committee both a conservative estimation along with a prudent investment strategy that while assumes more risk, provides for greater return.

As you will note the projected return under either set of assumptions appears to be sufficient to cover the expected payments relative to the Alaska Performance Scholarships, as proposed by Governor Parnell. However, amendments to the bill have expanded the purpose of the fund to cover costs of the AlaskAdvantage Education Grant program. In order to avoid an erosion of the principal of the Alaska Performance Scholarship Fund, other general fund appropriations may be necessary to cover all the purposes of this bill.

Please contact me if you would like more detail or any additional information. We appreciate the opportunity to provide this to the Committee.

Sincerely,

Angela Rodell

Angela Rodell
Deputy Commissioner

cc: Darwin Peterson, Senate Finance Committee Aide

AK Performance Scholarship Fund

($ Thousand)

Principal Assets	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Beginning Assets	-	402,364.5	418,364.4	428,787.0	435,321.9	439,527.4	444,155.5	447,714.2	449,894.9	450,916.3	451,549.2	451,471.9	450,571.5
Total Investment Return	2,364.5	27,000.0	27,771.6	28,261.8	28,574.5	28,869.1	29,118.8	29,283.6	29,369.4	29,417.0	29,423.7	29,378.6	29,296.8
1st transfer of grants		(1,500.0)	(2,891.5)	(3,639.5)	(4,060.0)	(4,040.0)	(4,260.0)	(4,517.5)	(4,725.0)	(4,798.0)	(4,917.5)	(5,047.5)	(5,113.0)
1st transfer of scholarships		(4,000.0)	(5,783.0)	(7,224.0)	(8,124.5)	(8,080.5)	(8,520.0)	(9,034.5)	(9,450.0)	(9,595.5)	(9,835.0)	(10,094.5)	(10,226.0)
2nd transfer of grants	-	(1,500.0)	(2,891.5)	(3,639.5)	(4,060.0)	(4,040.0)	(4,260.0)	(4,517.5)	(4,725.0)	(4,798.0)	(4,917.5)	(5,047.5)	(5,113.0)
2nd transfer of scholarships	-	(4,000.0)	(5,783.0)	(7,224.0)	(8,124.5)	(8,080.5)	(8,520.0)	(9,034.5)	(9,450.0)	(9,595.5)	(9,835.0)	(10,094.5)	(10,226.0)
Net contribution/withdrawals	400,000.0	-	-	-	-	-	-	1.0	2.0	3.0	4.0	5.0	6.0
Ending Assets	402,364.5	418,364.4	428,787.0	435,321.9	439,527.4	444,155.5	447,714.2	449,894.9	450,916.3	451,549.2	451,471.9	450,571.5	449,196.3
Annual Growth %	N/A	3.976%	2.491%	1.524%	0.966%	1.053%	0.801%	0.487%	0.227%	0.140%	-0.017%	-0.199%	-0.305%
INCOME VARIABLES													
Expected return of Fund Invested in High Risk, Moderately Long Investment Horizon	6.85%	6.85%	6.85%	6.85%	6.85%	6.85%	6.85%	6.85%	6.85%	6.85%	6.85%	6.85%	6.85%

AK Performance Scholarship Fund

($ Thousand)

Principal Assets	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Beginning Assets	-	402,364.5	411,071.9	413,628.5	411,771.5	407,081.0	402,288.7	395,888.5	387,567.7	377,539.2	366,557.1	354,282.0	340,586.1
Total Investment Return	2,364.5	19,707.4	19,905.7	19,870.0	19,678.5	19,448.7	19,159.8	18,782.2	18,319.6	17,801.8	17,225.9	16,583.1	15,883.6
1st transfer of grants		(1,500.0)	(2,891.5)	(3,639.5)	(4,060.0)	(4,040.0)	(4,260.0)	(4,517.5)	(4,725.0)	(4,798.0)	(4,917.5)	(5,047.5)	(5,113.0)
1st transfer of scholarships		(4,000.0)	(5,783.0)	(7,224.0)	(8,124.5)	(8,080.5)	(8,520.0)	(9,034.5)	(9,450.0)	(9,595.5)	(9,835.0)	(10,094.5)	(10,226.0)
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Net contribution/withdrawals	400,000.0	-	-	-	-	-	-	1.0	2.0	3.0	4.0	5.0	6.0
Ending Assets	402,364.5	411,071.9	413,628.5	411,771.5	407,081.0	402,288.7	395,888.5	387,567.7	377,539.2	366,557.1	354,282.0	340,586.1	325,797.6
Annual Growth %	N/A	2.164%	0.622%	-0.449%	-1.139%	-1.177%	-1.591%	-2.102%	-2.588%	-2.909%	-3.349%	-3.866%	-4.342%
INCOME VARIABLES													
Expected return of Fund Invested in Moderate to Higher Risk, Moderately Long Investment Horizon	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

SEAN PARNELL, GOVERNOR

Department of Education & Early Development

Office of the Commissioner

Goldbelt Place
801 West Tenth Street, Suite 200
P.O. Box 110500
Juneau, Alaska 99811-0500
(907) 465-2800
(907) 465-4156 Fax

February 10, 2012

The Honorable Bert Stedman
Co-Chair Finance Committee
Alaska State Senate
Capitol, Room 516
Juneau, AK 99801

Dear Co-Chair Stedman:

The following represents the Parnell administration's response to certain proposals to modify the Alaska Performance Scholarship's structure through HB104, a bill currently in Senate Finance.

Context

The Alaska Performance Scholarship (APS) is intended to be "an invitation to excellence" with the goal of encouraging students, schools, and parents to set their standards high so that more of Alaska's young people are fully prepared to be successful in their postsecondary education, whether at a college, university or in career training. The eligibility criteria for APS are aligned to standards that reduce the need for remediation after high school. APS also rewards students for academic achievement beyond the minimum required for high school graduation. As importantly, it challenges schools which have not previously done so to step up and offer what Alaska's students need and deserve to better meet the challenges of their future and the workforce in which they will be a part.

Proposal: Create a Statutory District Waiver of Curricular Requirements

The Administration rejects the proposal that a loophole is needed in state law that would accommodate school districts which elect not to add or make available to their students, through a growing menu of options, the course content required for APS eligibility. In order to have the desired outcome of increasing opportunities and likelihood for students striving to be prepared for postsecondary education, a uniformly high set of standards for program offerings needs to be sustained.

However, it is reasonable to conclude that it may take some districts longer than others to incorporate the necessary components into their schools' course offerings. Anticipating that process, the State Board of Education and Early Development created a student-centered safety net by regulation: 4 AAC 43.035 Grace Period for Curriculum Requirements. This regulation

provides that safety net to students by allowing the commissioner to grant otherwise eligible students a grace period to satisfy a gap in curricular requirements. The grace period grants students one extra year after graduation to complete the curriculum requirements of 4 AAC 43.030. Moreover, during the grace period the student, if enrolled in a participating institution, may apply for and receive the scholarship while potentially working on both high school and college credits simultaneously.

The current regulation sunsets after the 2012 school year but, should school districts require a longer period of time to make available the necessary course, could be extended for an appropriate period of time. With foresight, this will allow districts a definitive time period in which to assist their students in accessing the necessary courses.

Proposal: Create a Statutory Waiver of Rigorous Curriculum and High School Graduation

For reasons related to the previous discussion, the Administration objects to any proposal that would substantially dilute APS' fundamental components. The vision and purpose of the APS is to incent students to take and master academic content which prepares them to advance to postsecondary education with a much greater likelihood that they will not need to spend time and resources on the remedial course work which, data show, more often than not leads to an educational dead end. The first year of data preliminarily confirms that goal, through APS' existing structure, can be achieved with only 27% of APS recipients needing remedial courses compared to 64% of non-APS recipients.

During the first several years of scholarship implementation, APS requirements will increase in rigor and preparation above and beyond minimum graduation requirements. Incorporation of a General Equivalency Diploma (GED) alternative would purport to offer students an even less rigorous standard than high school graduation. There would be an anticipated effect that students receiving a GED may actually require more remediation than a student with a diploma and significantly more than current APS qualifiers.

Marketing the concept to our young people that a GED route to the APS is viable is not only contrary to the stated purpose of the scholarship, but is directly opposed to the goal of incentivizing students to: stay in school, take challenging courses, and prepare to succeed after high school. Additionally, the offering of a supposed GED pathway, would immediately be recognized as a "bait and switch" option when GED recipients attempted to achieve the necessary scores on required college entrance exams and overwhelmingly failed to achieve the minimums needed for APS eligibility. It is imperative that we deal honestly with teenagers weighing the impacts of their decisions to drop out or stay in their secondary education program.

APS, as it currently exists, says to set your goals high and work hard and you will be recognized and rewarded. The GED route says that you don't even have to graduate and you *could* still be rewarded. These messages are contradictory and not supported by data on the postsecondary outcomes for GED recipients.

From a policy perspective it is instructive to note that the branches of U.S. military service have become extremely restrictive in terms of accepting GED recipients as enlistees. This policy shift was based upon years of research on military enlistees which resulted in data that showed GED recipients had service attrition rates of twice those with a high school diploma or some college credit. Furthermore, studies on the impact of making GEDs available to

teenagers suggest that the mere fact the GED appears to be an "equivalent" credential may increase the high school dropout rates. The Administration is staunchly opposed to any modification of APS that would further mislead our young people into perceiving the GED track to be, in any way, comparable and leading to the same rewards as the rigorous standards associated with Alaska's scholarship.

Proposal: Create Two APS Funding Priority Tiers Based on the Number of Students in a District

The Administration supports the structure of the existing statutes and as clarified in HB104 that requires, in the event of a funding shortfall, APS-eligible students would receive scholarship amounts on a pro rata basis. We do not believe that it is sound public policy to reserve any portion of scholarship funds based upon the school district size from which students graduated. Governor Parnell seeks to fully fund all eligible students because they have, in equal measure, satisfied the eligibility requirements—inclusive of students from small districts.

Using district size as a distinguishing factor fails to recognize more influential factors relative to APS-eligibility such as socio-economic status and race/ethnicity. Under the district-size amendment, assuming a shortfall in funding, based on the statistics today, most beneficiaries would not be rural kids. Those prioritized beneficiaries would be students from small cities with a higher proportions of educated parents such as Unalaska, Skagway, Wrangell, and Petersburg. Notwithstanding the public policy issue, there very well may be equal protection concerns if the outcome is discrimination in favor of small districts' graduates. Again, this would not be a policy the Administration would advance or support.

Thank you for the opportunity to offer these comments. If you or the committee members have additional questions or would like additional information, please contact me at 465-2802 or Diane Barrans at 465-6740.

Sincerely,

Mike Hanley

Mike Hanley
Commissioner

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

SEAN PARNELL, GOVERNOR
333 Willoughby Avenue, 11th Floor
P.O. Box 110400
Juneau, Alaska 99811-0400
Phone: (907) 465-2300
Fax: (907) 465-2389

The Honorable Bert Stedman
The Honorable Lyman Hoffman
Co-Chairs, Senate Finance Committee
Alaska State Senate
Juneau, AK 99801

January 30, 2012

Dear Senators Stedman and Hoffman:

On January 25, 2012 we sent you our response to questions raised during the January 18th hearing. The pro forma forecast of interest earnings assumed the fund would stay under Alaska Housing Capital Corporation and remain in GeFONSI. As of January 25th, the asset allocation for GeFONSI is 58.98% in the Short-term pool and 41.02% in the Intermediate Fixed Income pool. If the funds were moved to its own endowment fund as contemplated under HB 104 and we assumed the same asset allocation as currently utilized by the Constitutional Budget Reserve Fund – Special Subaccount, we would project the following result:

AK Performance Scholarship Fund

($ Thousands)

	2012	2013	2014	2015	2016	2017	2018
Principal Assets							
Beginning Assets	-	401,736.0	413,744.6	422,237.2	427,052.0	429,999.0	431,833.9
Total Investment Return	1,736.0	27,005.3	27,684.2	28,124.9	28,381.9	28,540.3	28,563.2
Transferred as Grants	-	(6,996.2)	(7,625.1)	(8,310.8)	(8,726.3)	(9,162.4)	(9,619.0)
Transferred as Scholarships	-	(8,000.5)	(11,566.5)	(14,999.2)	(16,708.7)	(17,542.9)	(20,087.6)
Net contribution/withdrawals	400,000.0	-	-	-	-	-	-
Ending Assets	401,736.0	413,744.6	422,237.2	427,052.0	429,999.0	431,833.9	430,690.5
Annual Growth %	N/A	2.99%	2.05%	1.14%	0.69%	0.43%	-0.27%

This asset allocation is comprised of 41% Broad Market Fixed Income, 27% Domestic Equities and 32% International Equities and is projected to earn an annual rate of return of 6.85%. We have also calculated the probability of a negative return over 1 year to be 24.95% for this asset allocation.

We believe both of the scenarios provided give the Committee both a conservative estimation along with a prudent investment strategy that while assumes more risk, provides for greater return. Investment returns for GeFONSI and the CBRF Special Subaccount are reviewed

quarterly with the Commissioner, myself and the Chief Investment Officer and any needed adjustments are made.

Please contact me if you would like more detail or any additional information. We appreciate the opportunity to provide this to the Committee.

Sincerely,

Angela Rodell
Deputy Commissioner

cc: Darwin Peterson, Senate Finance Committee Aide

State of Alaska
Department of Revenue

Commissioner Bryan Butcher

SEAN PARNELL, GOVERNOR
333 Willoughby Avenue, 11th Floor
P.O. Box 110400
Juneau, Alaska 99811-0400
Phone: (907) 465-2300
Fax: (907) 465-2389

The Honorable Bert Stedman
The Honorable Lyman Hoffman
Co-Chairs, Senate Finance Committee
Alaska State Senate
Juneau, AK 99801

January 25, 2012

SUBJECT: Response to questions asked of the Department of Revenue at the January 18, 2012 Senate Finance Committee meeting

Dear Senators Stedman and Hoffman:

Thank you for giving us a chance to respond to questions regarding HB 104. I apologize for the delay in getting you this information.

First, the scholarship fund generated approximately $868,000, equating to approximately 0.6%. In the chart below, we forecasted earnings vs. payouts assuming the historical GeFONSI rate of 3.2% and we assumed draws would be made twice a year.

AK Performance Scholarship Fund

($ Thousands)

Principal Assets	2012	2013	2014	2015	2016	2017	2018
Beginning Assets	-	402,364.5	399,884.5	393,029.8	381,738.8	367,910.6	352,339.2
Total Investment Return	2,364.5	12,516.7	12,336.9	12,019.0	11,606.8	11,133.9	10,563.8
1st transfer of grants		(3,498.1)	(3,812.6)	(4,155.4)	(4,363.2)	(4,581.2)	(4,809.5)
1st transfer of scholarships		(4,000.3)	(5,783.3)	(7,499.6)	(8,354.4)	(8,771.5)	(10,043.8)
2nd transfer of grants	-	(3,498.1)	(3,812.6)	(4,155.4)	(4,363.2)	(4,581.2)	(4,809.5)
2nd transfer of scholarships	-	(4,000.3)	(5,783.3)	(7,499.6)	(8,354.4)	(8,771.5)	(10,043.8)
Net contribution/withdrawals	400,000.0	-	-	-	-	-	-
Ending Assets	402,364.5	399,884.5	393,029.8	381,738.8	367,910.6	352,339.2	333,196.3
Annual Growth %	N/A	-0.616%	-1.714%	-2.873%	-3.622%	-4.232%	-5.433%

Please let us know if you need any additional information or have any questions.

Sincerely,

Angela Rodell

Angela Rodell
Deputy Commissioner

cc: Darwin Peterson, Senate Finance Committee Aide

STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

3030 VINTAGE BLVD.
JUNEAU, ALASKA 99801-7109
VOICE (800) 441-2962
In Juneau (907) 465-6740
TDD (907) 465-3143
FAX (907) 465-3293

January 20, 2012

The Honorable Bert Stedman, Co-Chair
Senate Finance Committee
Alaska State Senate
State Capitol, Room 516
Juneau, Alaska 99801

Dear Senator Stedman:

The following information is provided as follow-up to my January 18, 2012 testimony to the members of the Finance Committee regarding CSHB104 (RLS). Committee members requested information about the numbers of applicants and recipients of both Alaska Performance Scholarships (APS) and AlaskAdvantage Education Grants (AEG) for the 2011-12 year.

That information follows, however, please bear in mind that with respect to the numbers of actual recipients, these are preliminary statistics that will likely have modest changes between now and the end of the 2012 academic year due to changes in students' enrollment and eligibility statuses.

For both AEG and APS purposes, the application is the Free Application for Federal Student Aid (FAFSA). 7,753 Alaska residents filed the 2011-12 FAFSA by the program deadline, which was June 30, 2011, indicating they were considering attending at least one Alaska institution.[1] As of December 1, 2011, AEGs had been awarded to 2,009 applicants for attendance at nine Alaska institutions.[2] Approximately 5,000 students were certified as enrolled in Alaska institutions. However, in developing ACPE's fiscal note relative to costs of fully funding this program, based upon prior year experience I have estimated that between 4,400 and 4,500 of the students meet the AEG award criteria of being: (1) enrolled at least half-time; (2) in good academic standing; and, (3) matriculated into a certificate or degree program.

Relative to APS-eligible 2011 graduates, 2,322 students met the initial eligibility requirements; as of January 1, 902 eligible students had received APS awards. As I indicated to the committee, the 2012 Alaska Performance Scholarship Outcomes Report is scheduled to be transmitted to the legislative members on or before the statutory deadline of January 27, 2012. Please note that the statistics in the report are primarily referencing a snapshot of data from November 14, 2011, and so vary slightly from these numbers. Additional preliminary APS

[1] On the FAFSA filers can list multiple institutions with which the FAFSA data will be shared.
[2] Alaska Pacific University, AVTEC, Alaska Career College, Charter College, Ilisagvik College, UAA, UAF, UAS and Wayland Baptist

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statistics can be found online at http://akadvantage.alaska.gov/Research/APS_Statistics.aspx. These statistics will be updated following the end of the Spring 2012 term.

I hope this information is responsive to the inquiry. Please let me know if there is additional information I can provide.

Respectfully,

Diane Barrans
Executive Director

DB/dv

STATE CAPITOL
PO Box 110001
Juneau, Alaska 99811-0001
907-465-3500
fax: 907-465-3532



550 West 7th Avenue #1700
Anchorage, Alaska 99501
907-269-7450
fax: 907-269-7463
www.gov.alaska.gov
Governor@alaska.gov

Governor Sean Parnell
STATE OF ALASKA

January 14, 2011

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Chenault,

It is time now to sustainably fund the performance scholarships we so diligently worked together on last year. Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill renaming the Alaska Merit Scholarship to the Alaska Performance Scholarship; relating to tax credits applicable to contributions for the scholarships; and establishing the Alaska Performance Scholarship investment fund and the Alaska Performance Scholarship award fund. This bill would create funding mechanisms for the Alaska Performance Scholarship that are in accordance with recommendations of the Alaska State Legislature's Joint Higher Education Scholarship Funding Task Force.

The Alaska Performance Scholarship incentivizes Alaska students to take a rigorous curriculum and earn scholarships for post-secondary education. This will lead to increased academic performance in our high schools, increased parental involvement, and increased graduation rates. More students will graduate prepared to enter and complete postsecondary education and training in Alaska. The scholarship helps a variety of students – those who seek career and technical training as well as academic studies – to realize their dreams through their own hard work.

The bill creates an Alaska Performance Scholarship investment fund. The fund would consist of appropriations to the fund, donations to the fund, and income earned on investments of fund assets. Also, the bill would create the Alaska Performance Scholarship award fund to make scholarship awards. The bill would authorize certain tax credits applicable to contributions to the scholarship.

The graduating class of 2011 will be the first students eligible for this opportunity. I urge your prompt and favorable action on this important measure.

Sincerely,

Sean Parnell
Governor

Enclosure

ALASKA COMMISSION ON POSTSECONDARY EDUCATION
SECTIONAL ANALYSIS FOR CSHB104 (RLS)

Renaming the Alaska performance scholarship and relating to the scholarship and tax credits applicable to contributions to the scholarship; relating to **AlaskAdvantage education grant funding and to** the Alaska performance scholarship funding; establishing an account and fund for those purposes; making confirming amendments; and providing for an effective date.

BILL SEC.	AK STATUTE SECTION TITLE	Pg	LINE	PURPOSE OF SECTION **NEW OR SUBSTANTIVELY AMENDED SECTIONS SET OUT IN BOLD FONT.**	AGENCY
1	14.03.113 – District determination of scholarship eligibility.	1 2	7-13 1	Renames scholarship Alaska performance scholarship (APS).	DEED - Public Schools Generally
2	14.43.810 – Alaska performance scholarship established; regulations.	2	2-13	Renames Alaska performance scholarship program; and to generally references Alaska performance scholarship as scholarships, including section heading.	ACPE – Financial Aid Programs
3	14.43.820(a) – Alaska performance scholarship; eligibility.	2 3	14-31 1-8	Renames scholarship Alaska performance scholarship. (Section title changed through reviser's instructions in Section 16).	ACPE – Financial Aid Programs
4	14.43.825(a) – Maximum annual awards.	3	9-18	Renames scholarship Alaska performance scholarship.	ACPE - Financial Aid Programs
5	**14.43.825(f) – Maximum annual awards**	**3**	**19-24**	**Clarifies in the event of a funding shortfall no "new" APS awards will be made.**	**ACPE - Financial Aid Programs**
6	**14.43.830 – Qualified postsecondary institutions.**	**3** **4**	**25-31** **1-18**	Renames scholarship Alaska performance scholarship. **Adds requirements applicable to postsecondary institutions seeking to participate in APS that they 1) have counseling services; and, 2) provide to students the courses needed for on-time degree completion.**	**ACPE - Financial Aid Programs**
7	14.43.849 – Definitions.	4 5	19-31 1	Amends "program" definition for new program name.	ACPE - Financial Aid Programs
8	**14.43.915 – General Section.**	**5**	**2-12**	**Establishes an AEG/APS award income account in the general fund. Permits appropriations to the account from the fund under 37.14.750. Monies to be used to pay AEG and APS awards with the amount to be determined annually under 37.14.750(c)—lesser of 1/3 AEG/APS fund balance or $40 million. [See Section 10.]**	**ACPE - Financial Aid Programs**
9	14.45.130(a) – Records	5	13-18	Renames scholarship Alaska performance scholarship.	DEED – Exempt Religious/Other Private Schools

Prepared by D. Barrans 4/18/11

BILL SEC.	AK STATUTE SECTION TITLE	Pg	LINE	PURPOSE OF SECTION	AGENCY
10	**37.14.750 – Alaska performance scholarship investment fund established.**	**5** **6**	**19-31** **1-15**	**Establishes the AEG/APS fund containing: appropriations, income earned on fund investments, and donations to the fund. Establishes a revolving balance for the AEG/APS fund. Caps annual appropriation at the greater of $40 million or amount needed to achieve AEG/APS fund balance to $160 million. On or about 7/1 of each year the department will deposit the lesser of 1/3 the fund balance or $40 million into the AEG/APS account (14.43.915). No dedication of funds.**	**DOR – Tax Division**
11	43.20.014(a) – Income tax education credit.	6	16-30	Expands contributions eligible for the Alaska education credit against corporate income tax to include contributions made to the AEG/APS fund.	DOR – Tax Division
12	43.20.014(a) – Income tax education credit.	6 7	31 1-12	Deals with the sunset provision in the education tax credit program. In 2010, the annual maximum education tax credit was increased to $5 million. The increase sunsets 1/1/14 at which time the limit returns to $150,000. This provision ensures, even though the amount of the credit is reduced, contributions to the APS fund remain eligible for a credit.	DOR – Tax Division
13	Sec. 8, ch. 14, SLA 2010	7	13-28	Transition language is amended to rename scholarship Alaska performance scholarship; and to generally reference Alaska performance scholarship as scholarships.	ACPE - Financial Aid Programs
14	**Uncodified law**	**7** **8**	**29-31** **1-5**	**Transition language permitting the appropriation of smaller sums ($20 million and $30 million) into the AEG and APS fund in 37.14.750 for FY12 and FY13, respectively.**	
15	Uncodified law	8	6-13	Transition language provides that state agencies may proceed to adopt regulations to implement Act, but regulations take effect no earlier than 7/1/2011.	DOLWD, DEED, DOR and ACPE;
16	Uncodified law	8	14-20	Instructs revisor to change title of Article 12 to Alaska Performance Scholarship Program and change title of 14.43.820 to Alaska performance scholarship program; eligibility.	
17	Effective date notice	8	21	Section 15 takes effect immediately.	
18	**Effective date notice**	**8**	**22-23**	**New postsecondary institution requirements in Section 6 take effect 7/1/2012.**	
19	Effective date notice	8	24	Section 12 takes effect 7/1/2014.	
20	Effective date notice	8	25	Except as set out in Sections 17-19, Act is effective 7/1/2011.	

RESOLUTION NUMBER 11-01

RESOLUTION TO ENDORSE THE ALASKA PERFORMANCE SCHOLARSHIP

WHEREAS, the Alaska Workforce Investment Board is a private industry driven public organization that is accountable through its members including representatives from business and industry, education, organized labor, and government to the residents, the Legislature and the Governor of Alaska;

WHEREAS, the Alaska Workforce Investment Board acts as the lead state planning and coordinating entity for state human resource programs involving employment training, career and technical education, and workforce development;

WHEREAS, the Alaska Workforce Investment Board recognizes and values the attributes that the Alaska Performance Scholarship provides to Alaskans graduating from an Alaskan high school;

WHEREAS, the Alaska Workforce Investment Board has noted the percentage of Alaskans entering postsecondary education is among the lowest in the nation;

WHEREAS, there is a growing drop-out rate and non-graduation rate in Alaska's secondary schools;

WHEREAS, the Alaska Workforce Investment Board believes that the scholarship program will provide incentives to Alaska students to attain higher performance in secondary school, complete their high school diploma, and plan to attend postsecondary education;

WHEREAS, the scholarships will also help lower the cost of education for Alaska students and leave them in better financial status as they complete certifications or degrees; and

NOW THEREFORE BE IT RESOLVED that the Alaska Workforce Investment Board endorses the Alaska Performance Scholarship.

CERTIFICATION
The Alaska Workforce Investment Board held a meeting duly and regularly called, noticed, and convened this 23rd day of February, 2011 and the foregoing Resolution was adopted unanimously at said meeting.

Signed this 23rd day of February, 2011.

Jim Lynch, Chair
Alaska Workforce Investment Board

STATE OF ALASKA

SEAN PARNELL, GOVERNOR

Department of Education & Early Development

State Board of Education and Early Development

Goldbelt Place
801 West 10th Street, Suite 200
P. O. Box 110500
Juneau, Alaska 99811-0500
(907) 465-2800
(907) 465-4156 Fax

March 19, 2011

The Honorable Alan Dick
Chair, House Education Committee
Alaska House of Representatives
Alaska State Capitol, Room 104
Juneau, Alaska 99801

Dear Mr. Chair and Members of the House Education Committee:

Thank you for the opportunity to meet jointly with the House and Senate Education Committees yesterday while the State Board of Education and Early Development held their quarterly meeting in Juneau. Hopefully Chair Dick, you will have a chance to meet with the board at another time.

In March 2010 the State Board of Education and Early Development passed a resolution supporting the Alaska Performance Scholarship (APS) and the opportunities that it will provide for Alaskan students (see attached). The board still supports the resolution as well as the APS. The board is also committed to implementation of the APS through the regulatory process.

There are many students across the state that will graduate in the next couple of months who have been working hard towards achieving the APS and, in fact, have been counting on the APS opportunities. The board would like to emphasize its support of those students, parents and teachers who have been working so diligently towards their goal.

The Board is committed to working with Department of Education and Early Development staff, school districts, superintendents, teachers, home school families and all others to deliver the rigorous curriculum.

If you have any questions or would like to speak with me about the board's support of the APS,

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please contact me directly at esthercox@alaskalife.net. I welcome an open dialogue on our support of APS.

Sincerely,

Esther Cox
Chair
State Board of Education and Early Development

Attachment

HB 105

<TARGET><BILL>HB 105</BILL><SUBJECT>HB 105</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/6/11

FURTHER:

DATE TURNED
IN TO OFFICE: _

Finance Committee considered HOUSE BILL NO. 105

HB 105-SOUTHEAST STATE FOREST

"An Act relating to the Southeast State Forest; and providing for an effective date."

and recommends:

[ ] be **replaced** with **SCS** _____ (_____) *[ ] Same Title [ ] Technical Title Change [ ] New Title/SCR No._____*

[ ] adopt **previous SCS** _____ (_____) *[ ] Same Title [ ] Technical Title Change [ ] New Title/SCR No._____*

[ ] attached amendment(s)

[ ] adopt _____Letter of Intent

[ ] further referral to _____Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DNR			X	1

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND ~~RECOMMENDATIONS~~:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	✓			
	EGAN	✓			
	McGuire	✓			
	Ellis	✓			
CO-CHAIR:	Hoffman	✓			
CO-CHAIR:	Stedman	✓			

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 105
(H) Publish Date: 1/18/11

Identifier (file name) 1694-DNR-FMD-1-13-11
Title: Land Additions to Southeast State Forest
Sponsor: Rules Committee
Requester: Governor

Dept. Affected: Natural Resources
Appropriation: Resource Development
Allocation: Forest Management and Development
OMB Component Number: 435

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

not applicable, initial version

Prepared by: Rick Rogers — Phone: 269-8473
Division: Forestry — Date/Time: 1-10-11 3:30pm
Approved by: Daniel S. Sullivan — Date: 1/13/2011
Natural Resources

(Revised 12/29/2010 OMB)

FISCAL NOTE #1

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB 105

Analysis

This bill adds 23,181 acres to the southeast State Forest in Southern Southeast Alaska by redsignating certain state-owned parcels. A timber management plan would be developed to actively manage the parcels for higher timber volumes per acre, shorter rotations, and less impact on wildlife. Designation of these parcels as State Forest lands and the development of a timber management plan will allow for long-term management activities, including the thinning of young second-growth timber stands, generally not considered appropriate for undesignated state lands.

Implementation of this bill will not require new positions or funding.

The bill will have no short-term impact to the revenue stream, but will provide for long-term increases in forest productivity and subsequent increased timber revenues.

STATE CAPITOL
PO Box 110001
Juneau, Alaska 99811-0001
907-465-3500
fax: 907-465-3532

Governor Sean Parnell
STATE OF ALASKA

550 West 7th Avenue #1700
Anchorage, Alaska 99501
907-269-7450
fax: 907-269-7463
www.gov.alaska.gov
Governor@alaska.gov

January 14, 2011

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Chenault,

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill relating to the Southeast State Forest. The Southeast State Forest was established in June 2010, under Chapter 112, SLA 2010, in an effort to ensure that State lands in Southeast Alaska that had already been designated for commercial forestry management would be managed as an integrated unit and according to a broader long-term and comprehensive forest management plan. This bill would designate an additional 23,181 acres of commercial forest lands that are conducive to meeting these goals, almost doubling the size of the Southeast State Forest, and further ensuring an appropriate land base for long-term forest management. The lands would continue to be open for multiple uses, including wildlife harvest and recreational activities.

Adding lands to the Southeast State Forest enables the Division of Forestry in the Department of Natural Resources to manage this land to increase long-term timber supply for local processors and wood energy needs, provide near-term jobs in pre-commercial thinning, timber harvest and milling, and retain the land in State ownership for multiple uses.

The bill contains provisions to avoid conflicts with the newly formed City and Borough of Wrangell's land selection and entitlement. Additionally, if new municipalities are incorporated before June 30, 2019, lands that were vacant, unappropriated, and unreserved before establishment of the State Forest will be included in the calculation of the municipal entitlement acreage, but may not be selected.

Alaska's timber industry and energy needs remain top priorities of my administration. This legislation is one important piece of our overall strategy to stabilize and revitalize the timber industry and expand wood energy opportunities in Southeast Alaska.

I urge your prompt and favorable action on this measure.

Sincerely,

Sean Parnell
Governor

Enclosure

Public Briefing: HB 105/SB 44

Additional Lands to Southeast State Forest

Alaska Department of NATURAL RESOURCES

January 24, 2011

DEPARTMENT OF NATURAL RESOURCES -- DIVISION OF FORESTRY

Background. Pursuant to SCSHB 162(RES), the 25,291 acre Southeast State Forest was established in June 2010. These forest lands will be managed as an integrated unit and according to a state forest management plan. While the lands were previously available for timber harvest before the State Forest was established, the State Forest designation ensures these productive forest lands will remain in state ownership and contribute to the long term viability of the timber based economy in southeast.

An additional 23,181 acres of State lands in the southern southeast have been identified as appropriate for inclusion into the Southeast State Forest. The Department of Natural Resources manages over 159,000 acres of uplands in southern southeast Alaska. Timber management is allowed on approximately one third of this land; the State actively manages this timber base to supply wood to local processors. The remaining land is designated primarily for other uses including land sales, recreation, water resources, and fish and wildlife habitat, including over 25,000 acres of legislatively designated state parks, refuges, and public use areas.

Adding lands to the State Forest will ensure that the State's most suitable lands in Southeast remain available to contribute to timber supply through the State's ongoing timber sale program. Much of the State owned timber land in southeast Alaska was inherited from the U.S. Forest Service and is comprised of young, second-growth stands. Actively-managed second-growth stands provide more timber volume per acre on shorter rotations and can result in improved deer browse than unmanaged stands. We can increase timber yield and associated timber supply from state land by thinning these stands. Thinning is a long-term investment and is only justified if the land will continue to be available for forest management.

Purpose. This bill would add an additional 23,181 acres of State lands to the Southeast State Forest from lands currently available for timber harvest. The Division of Forestry would then be able to manage the 48,472 acres of Southeast State Forest lands for a long-term supply of timber and retain these lands in state ownership for multiple uses.

Proposed Additions to Southeast State Forest The proposed additions to the Southeast State Forest include 23 parcels totaling approximately 23,181 acres (see chart). Approximately 21 percent of these lands are from six parcels that had previously been reserved pending legislative transfer to the University of Alaska. That legislation did not pass freeing these lands for long-term forest management in the State Forest. The legislation includes general use lands on Prince of Wales, Tuxekan, Gravina, Kosciusko, Revillagigedo, Wrangell, Suemez, Mitkof, Kuiu, Dall, and Zarembo Islands. Six of these parcels are adjacent or near existing State Forest parcels. The Division of Forestry worked with the Division of Mining, Land, and Water to identify and exclude lands that are priorities for the state land disposal program.

State Forest Management. The Southeast State Forest will be managed as part of the State Forest System under AS 41.17.200-.230. Lands in the State Forest will continue to be open for multiple uses, including wildlife habitat and harvest and recreational activities. State Forest lands will be managed consistent with the management intent under the current Prince of Wales Island Area Plan, Prince of Wales Island Area Plan Amendment, and Central/Southern Southeast Area Plan. Changes to management intent would require public and interagency review through adoption of a State Forest Management Plan under AS 41.17.230.

Municipal Entitlements. The City and Borough of Wrangell boundary encompasses five parcels in the proposed state forest additions (St. Johns Harbor, Eastern Passage, Pat Creek, Pat Creek Uplands and Earl

West Cove). A State Forest designation will not affect the amount or location of land the Wrangell Borough can select. That determination is based on the maximum total acreage of vacant, unappropriated, unreserved land in the borough boundaries within two years after the date of incorporation (AS 29.65.030). However, a borough would not normally be able to select land within a State Forest. To avoid conflicts with the Wrangell entitlement, the Southeast State Forest bill specifies that the Wrangell Borough may select State Forest land within the borough boundary.

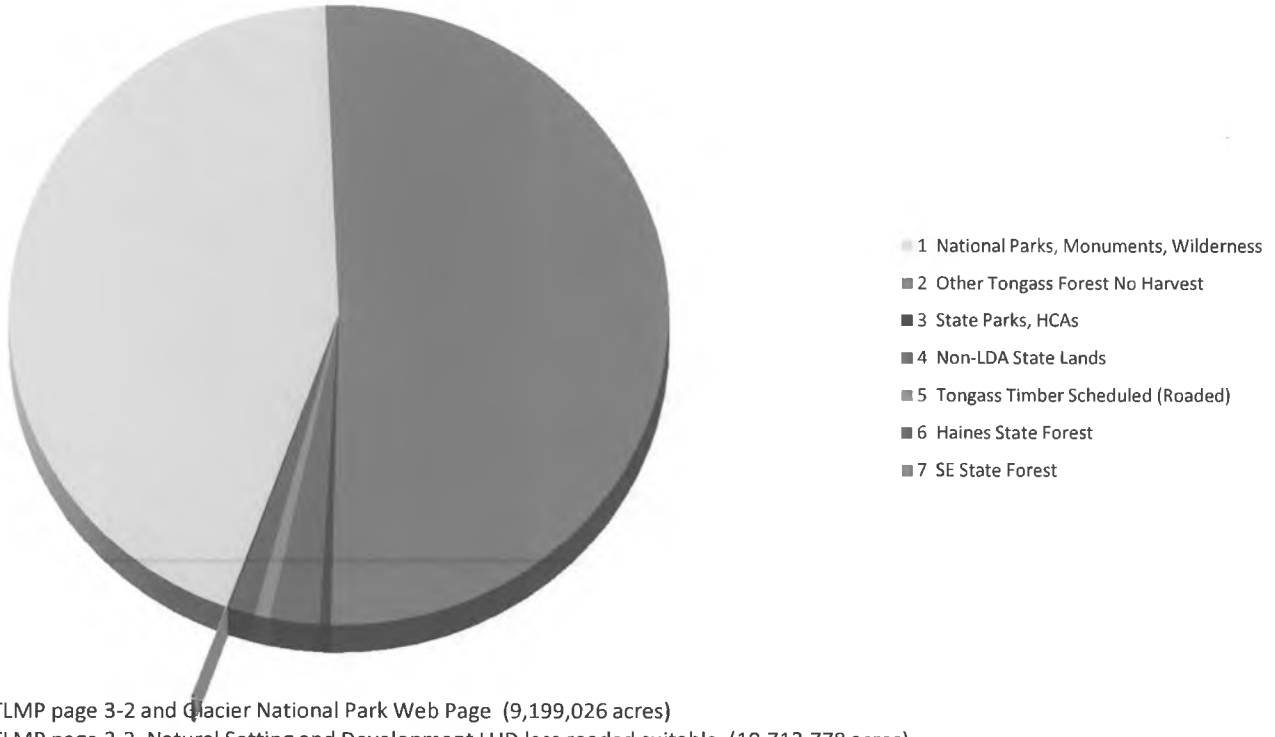
If new municipalities are incorporated before June 30, 2019, lands that were vacant, unappropriated, unreserved land before establishment of the State Forest will be included in the calculation of the municipal entitlement acreage, but may not be selected.

SOUTHEAST STATE FOREST ADDITIONS			
Plan Unit	**Acreage**	**General Location**	**Island**
Prince of Wales Island Area Plan and Amendment			
8b	617	Kosciusko Island/ Edna Bay	Kosciusko
7c	786	Naukati	Prince of Wales
7b	345	Tuxekan	Tuxekan
6a	597	Coffman Cove	Prince of Wales
5a	972	Whale Pass	Prince of Wales
13b	523	Kitkun Bay	Prince of Wales
12b	1,002	Indian Creek	Prince of Wales
11c	280	Thorne Bay South	Prince of Wales
D-01	1,063	Port Delores	Suemez
D-02	985	Hook Arm	Dall Island
Central/Southern Southeast Area Plan			
K01, K02	1,885	Neets Bay	Revillagegedo
K11	332	Leask Cove	Revillagegedo
K25	1,487	North Gravina Island	Gravina
P23	1,264	Favor Peak (E Mitkof)	Mitkof
P25	467	South Mitkof	Mitkof
P27	1,040	Woodpecker	Mitkof
P28	867	Frederick Point	Mitkof
U02	652	Rowan Bay	Kuiu
W02	1,266	St. Johns Harbor	Zarembo
W08	1,411	Eastern Passage	Wrangell Is.
W10	2,601	Pat Creek	Wrangell Is.
W12	2,320	Earl West Cove	Wrangell Is.
W27	419	Pat Creek Uplands	Wrangell Is.
TOTAL	**23,181**	**23 parcels**	

Shaded parcels are from prior University Land bill

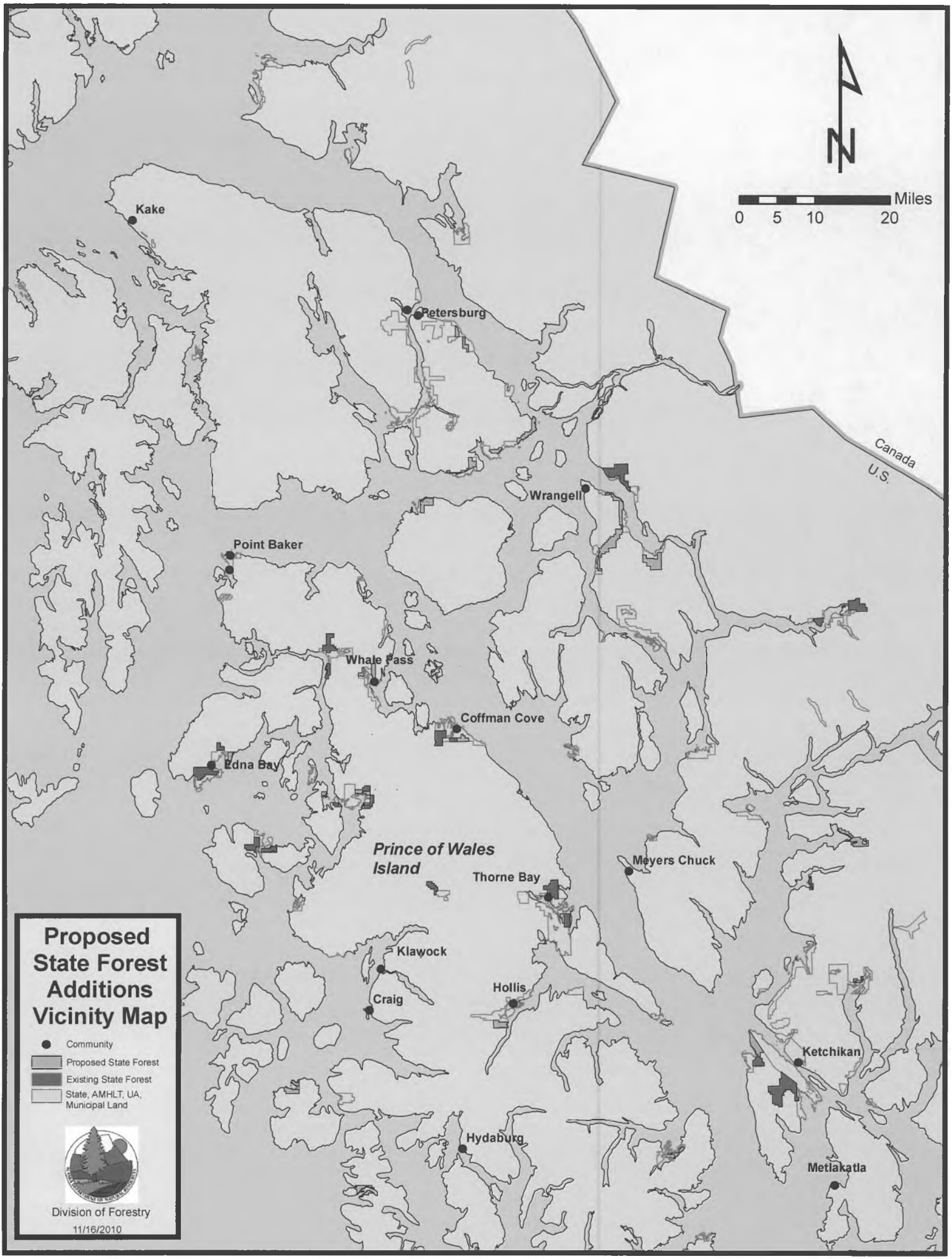
Southeast Alaska Public Land Summary

(21,004,230 acres)



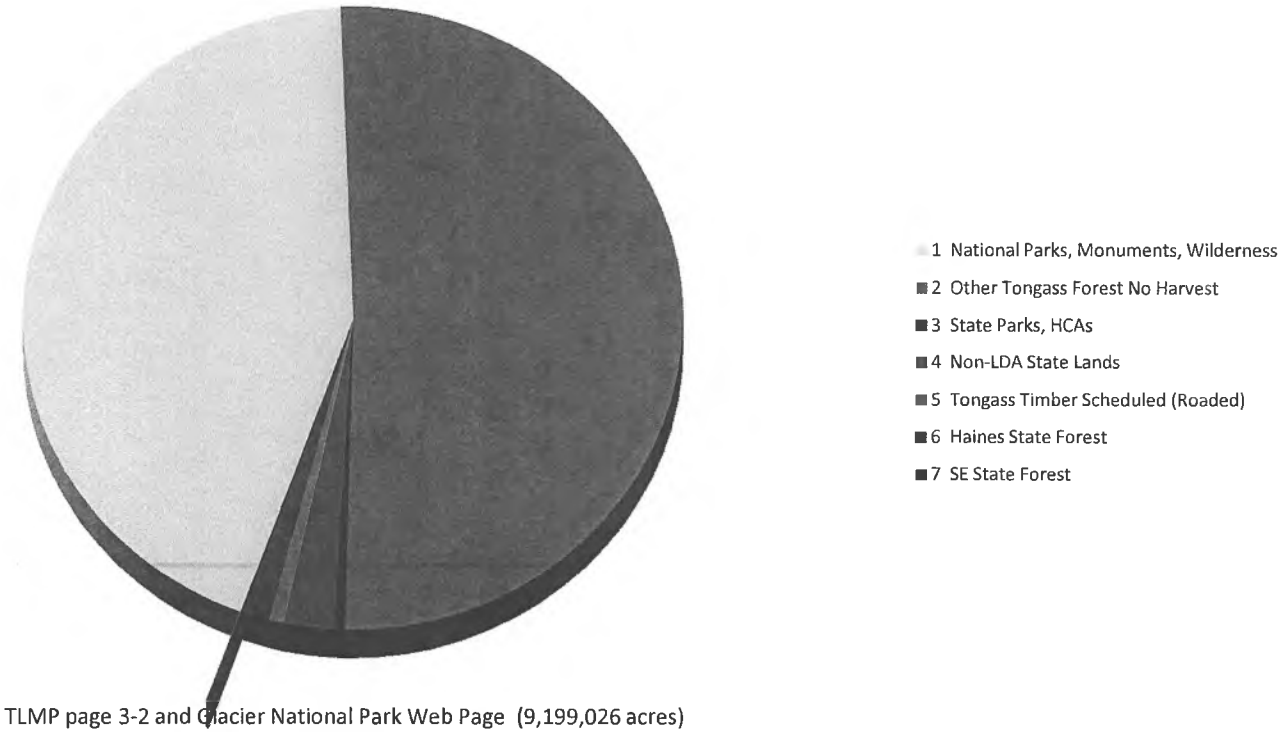
1 2008 TLMP page 3-2 and Glacier National Park Web Page (9,199,026 acres)
2 2008 TLMP page 3-2, Natural Setting and Development LUD less roaded suitable (10,713,778 acres)
3 Per DNR DMLW records including Chilkat Preserve, State Marine Parks and Critical Habitat Areas (110,032 acres)
4 DNR DMLW, excludes Juneau Area Plan which lumps uplands and tidelands together. Excludes selections. (526,103 acres)
5 2008 TLMP, Roaded Suitable, includes old growth and young growth. Table 2-4, TLMP FEIS (144,000 acres)
6 Per DOF Web page (286,000 acres)
7 SE State Forest not including additional SB44/HB105 acres (25,291 acres)

Prepared by Rick Rogers, Alaska DNR, Division of Forestry, February 22, 2011


N
Miles
0 5 10 20
Kake
Petersburg
Canada
U.S.
Wrangell
Point Baker
Whale Pass
Coffman Cove
Edna Bay
Prince of Wales Island
Thorne Bay
Meyers Chuck
Klawock
Craig
Hollis
Ketchikan
Hydaburg
Metlakatla
Proposed State Forest Additions Vicinity Map
Community
Proposed State Forest
Existing State Forest
State, AMHLT, UA, Municipal Land
Division of Forestry
11/16/2010

Southeast Alaska Public Land Summary

(21,004,230 acres)



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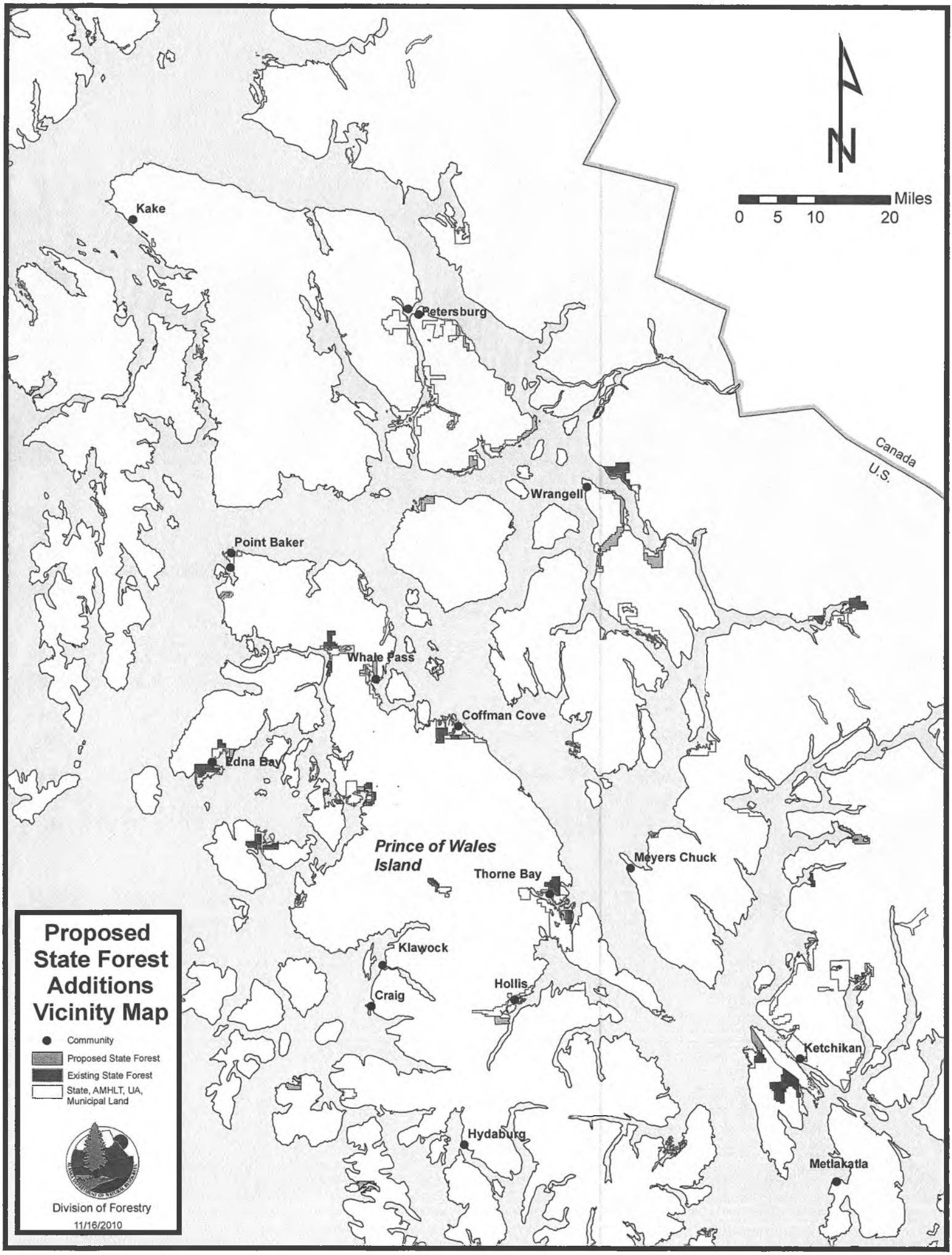
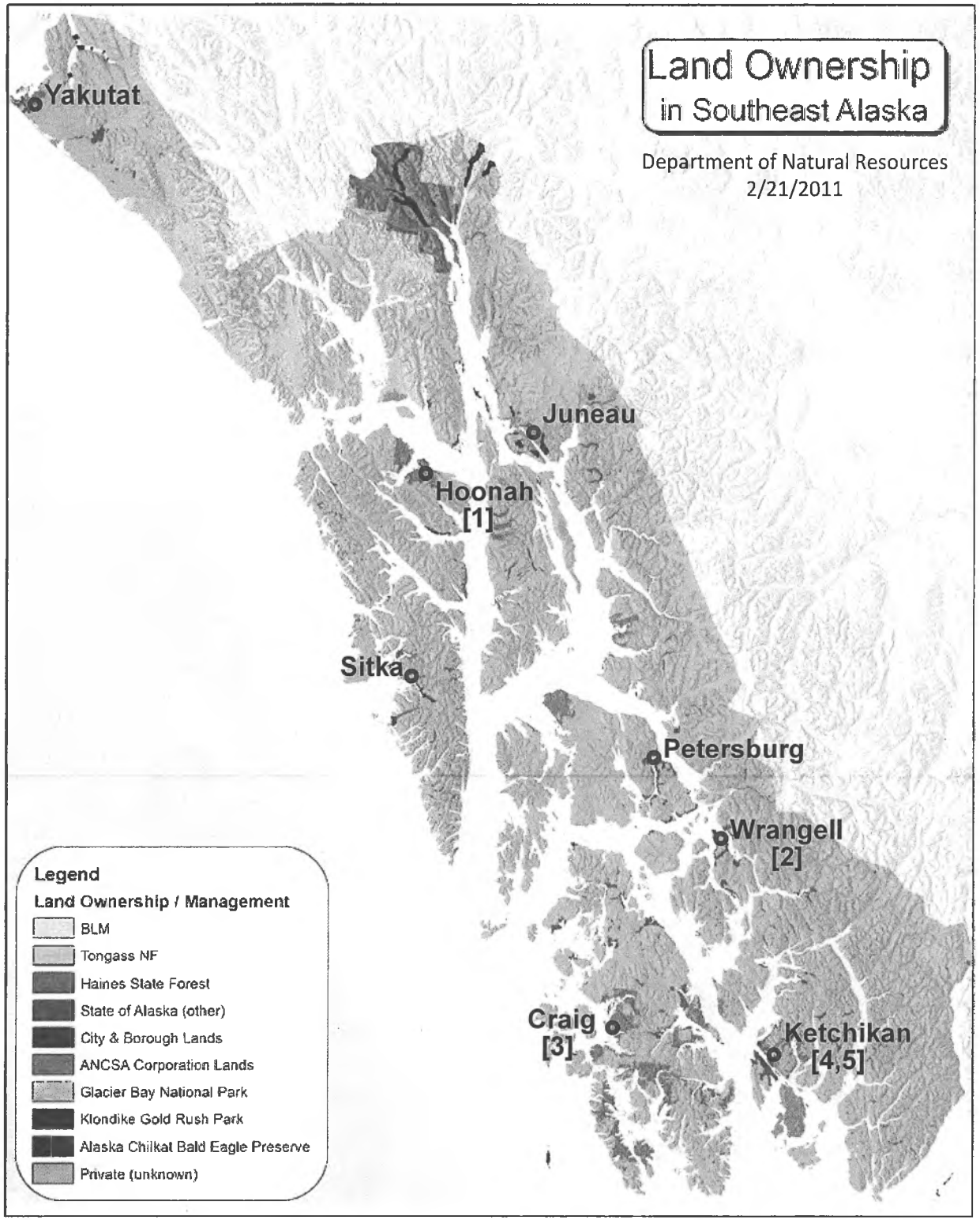
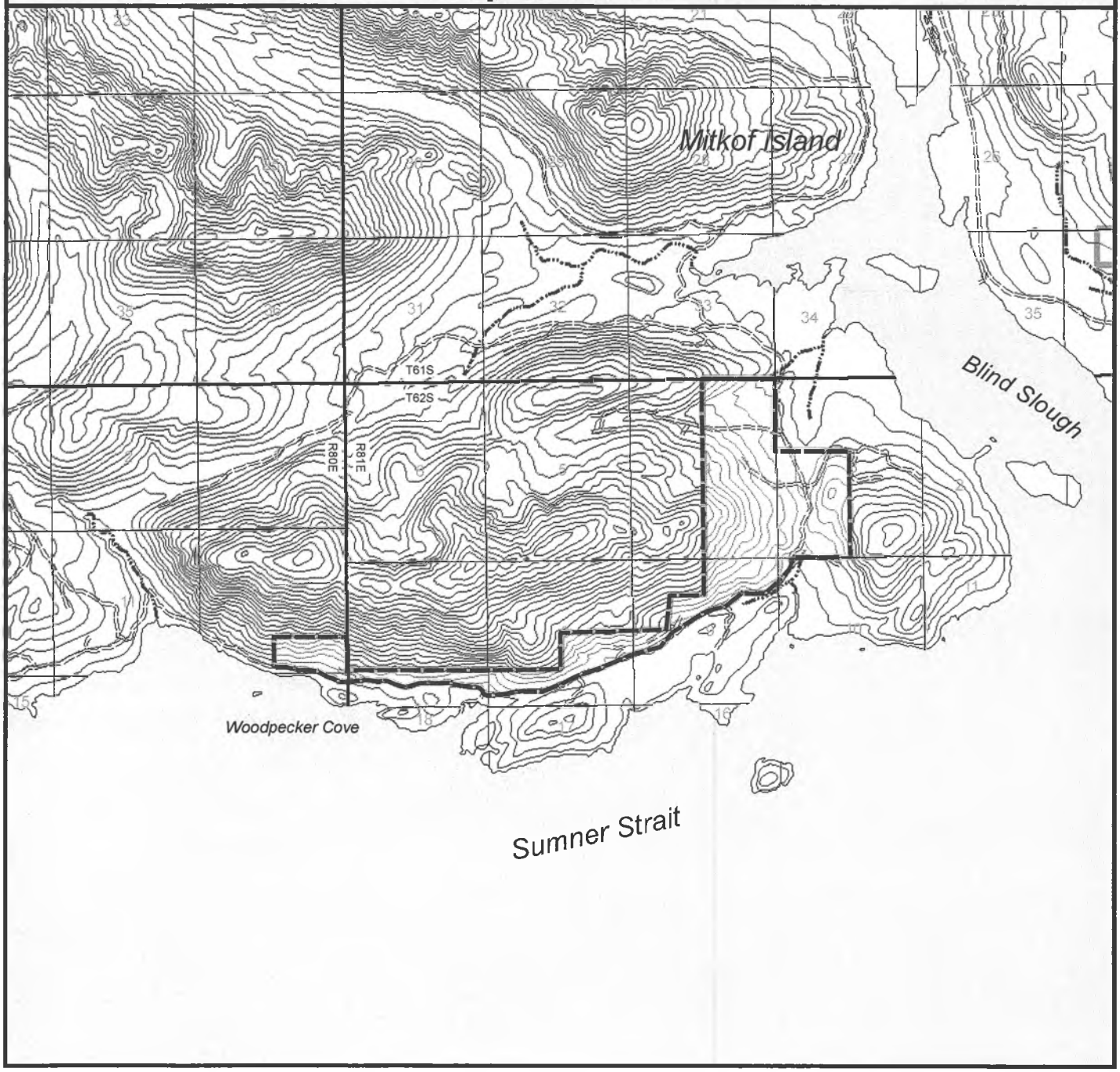

N
Miles
0 5 10 20
Kake
Petersburg
Canada
U.S.
Wrangell
Point Baker
Whale Pass
Coffman Cove
Edna Bay
Prince of Wales Island
Meyers Chuck
Thorne Bay
Klawock
Craig
Hollis
Ketchikan
Hydaburg
Metlakatla
Proposed State Forest Additions Vicinity Map
Community
Proposed State Forest
Existing State Forest
State, AMHLT, UA, Municipal Land
Division of Forestry
11/16/2010



SE Mills

1. **Icy Strait Lumber (Operating, but recovering from fire)**
2. **Silver Bay Logging (Closed)**
3. **Viking Lumber Co. (Operating)**
4. **Pacific Log & Lumber (Closed)**
5. **Ketchikan Veneer Mill (Closed)**

Woodpecker Parcel



NAD 83, Contour Interval 100'

Area Planning Unit P27

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

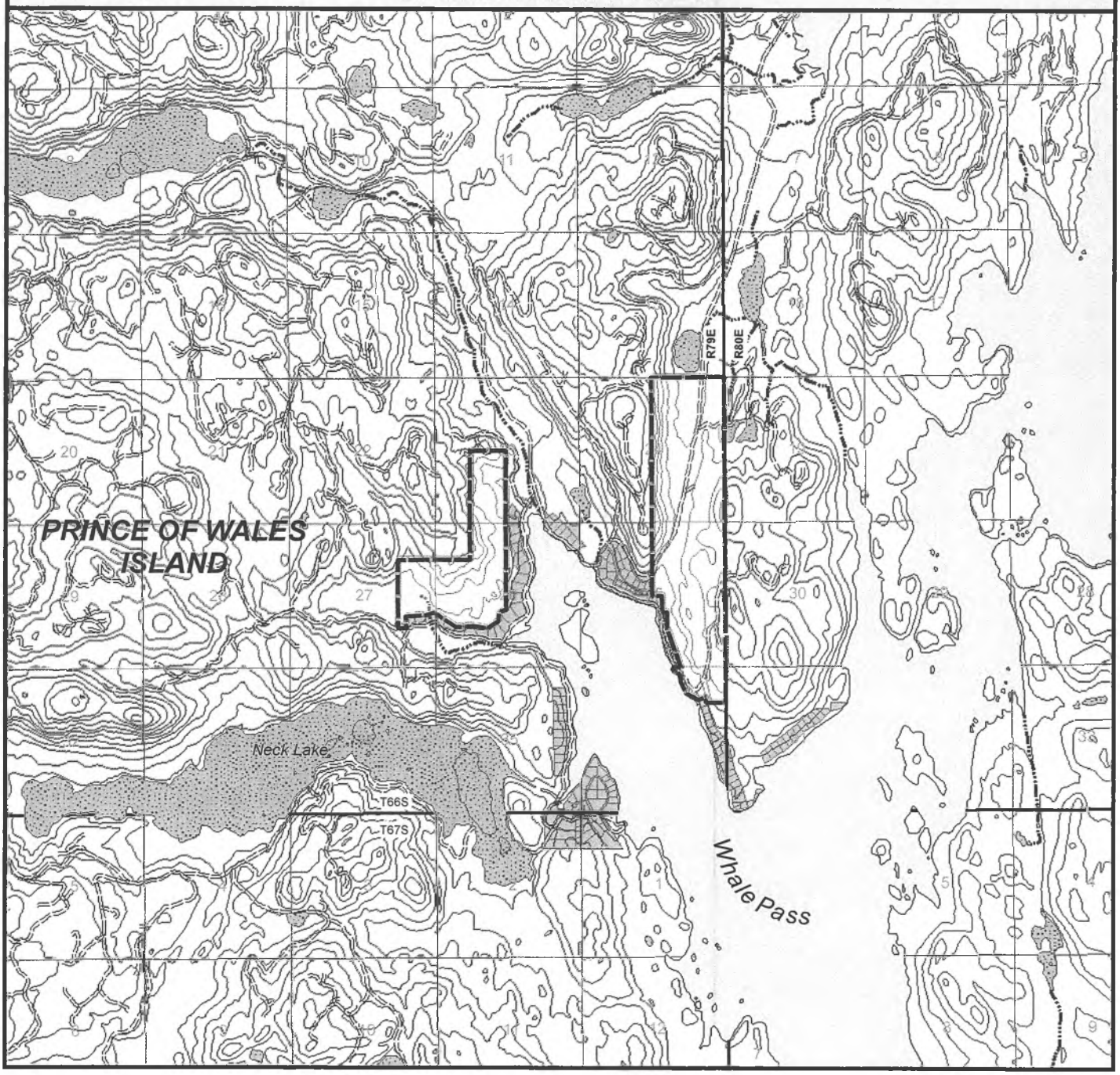
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Whale Pass Parcel



NAD 83, Contour Interval 100'

Area Planning Unit 5a

SOUTHEAST STATE FOREST PROPOSED ADDITIONS

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

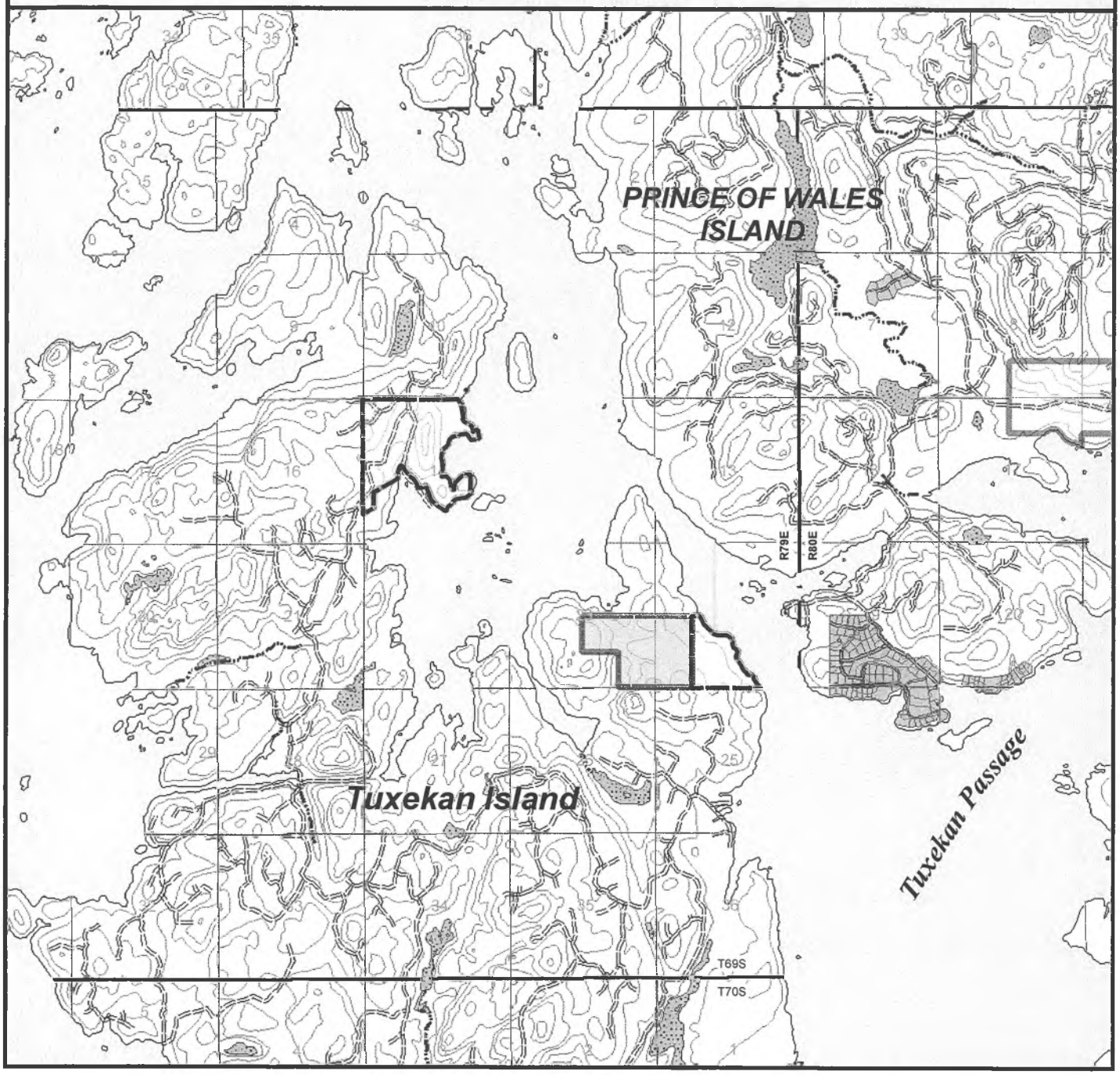
0 1 2 Miles

1 inch = 1 miles

DIVISION OF FORESTRY

Oct 27, 2010

Tuxekan Parcel



NAD 83, Contour Interval 100'

Area Planning Unit 7b

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

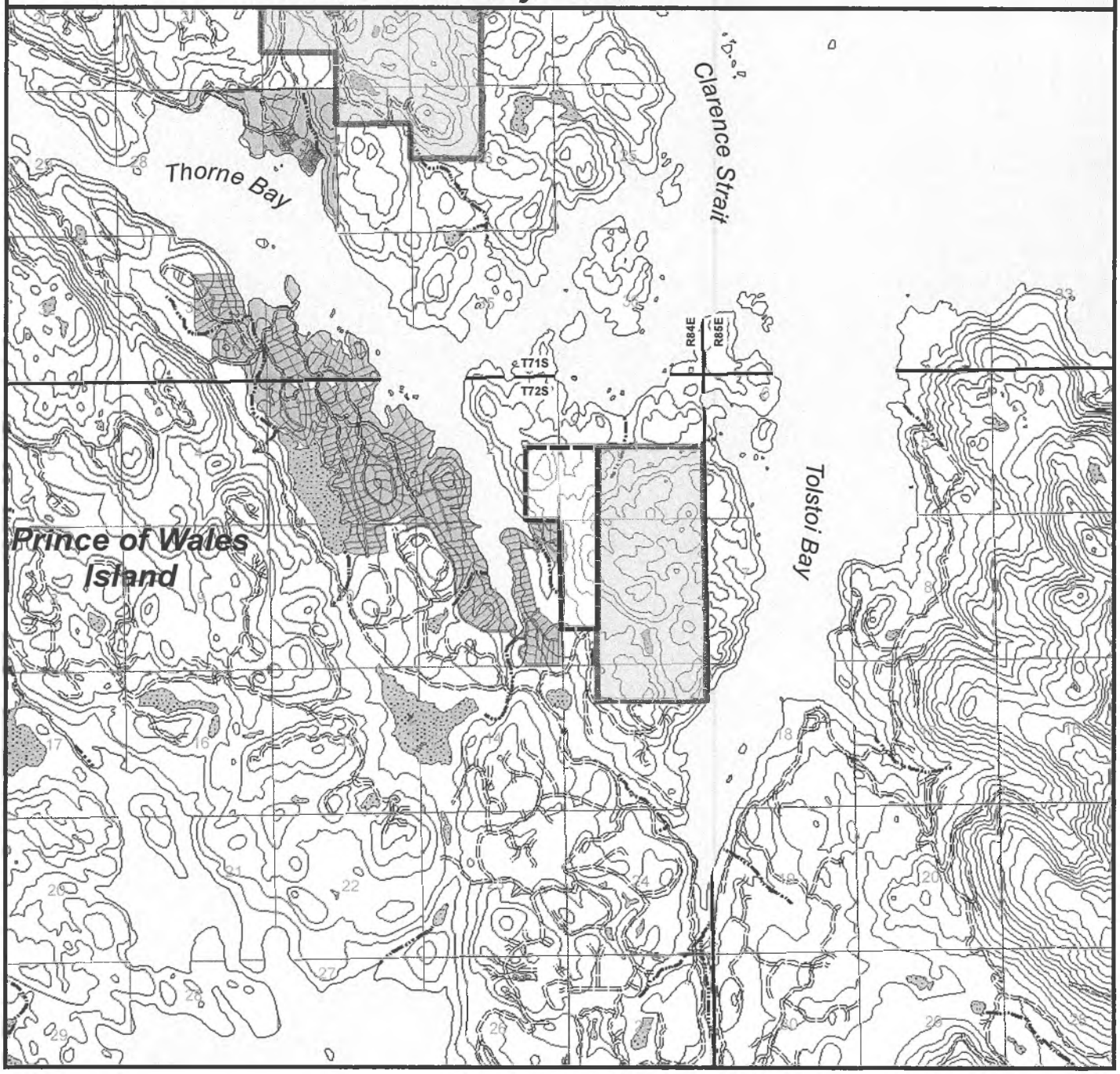
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Dec 15, 2010

Thorne Bay South Parcel



NAD 83, Contour Interval 100'

Area Planning Unit 11c

SOUTHEAST STATE FOREST PROPOSED ADDITIONS

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

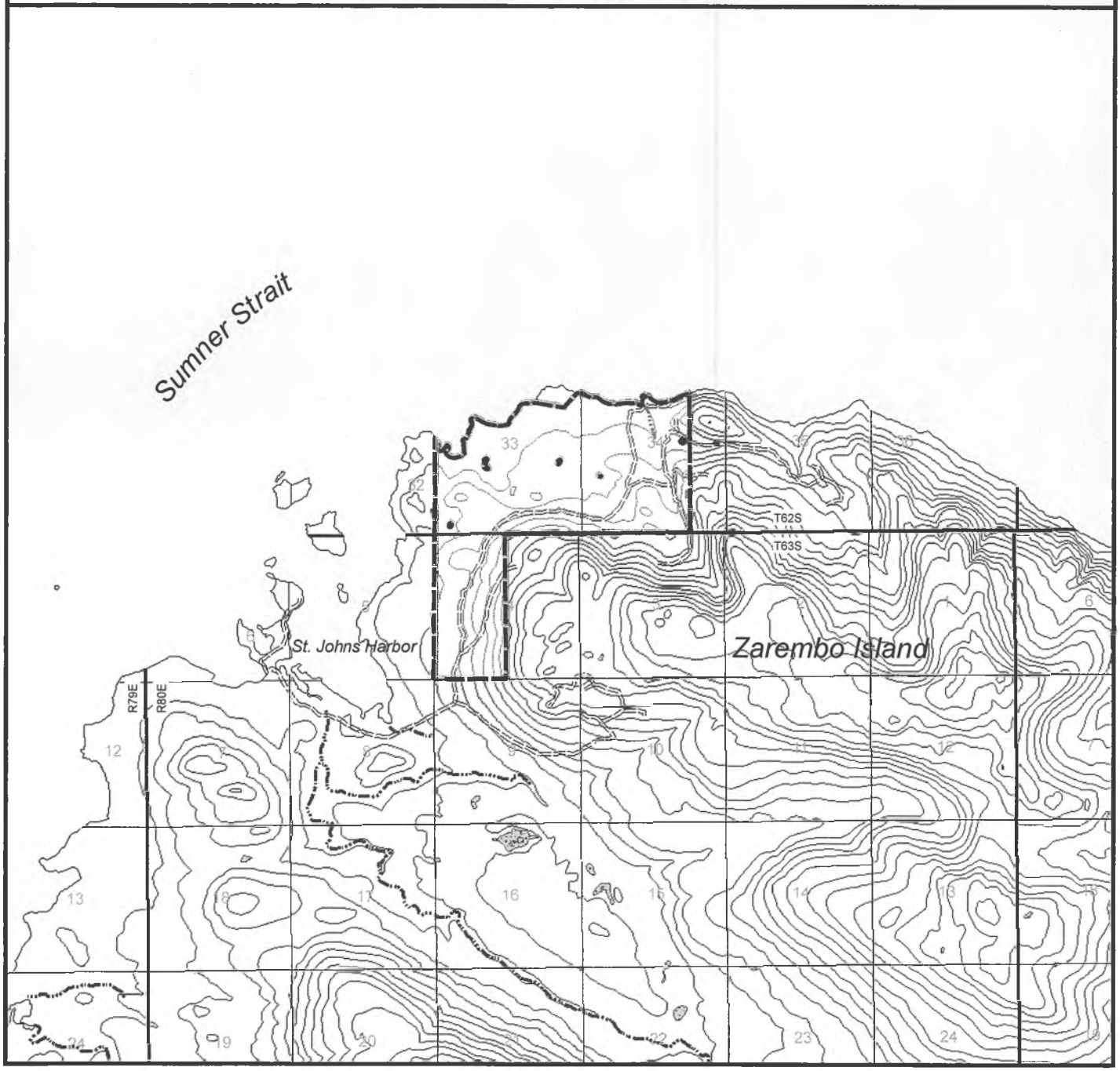
1 inch = 1 miles

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

St. Johns Harbor Parcel



NAD 83, Contour Interval 100'

Area Planning Unit W02

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

South Mitkof Parcel



NAD 83, Contour Interval 100'

Area Planning Unit P25

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

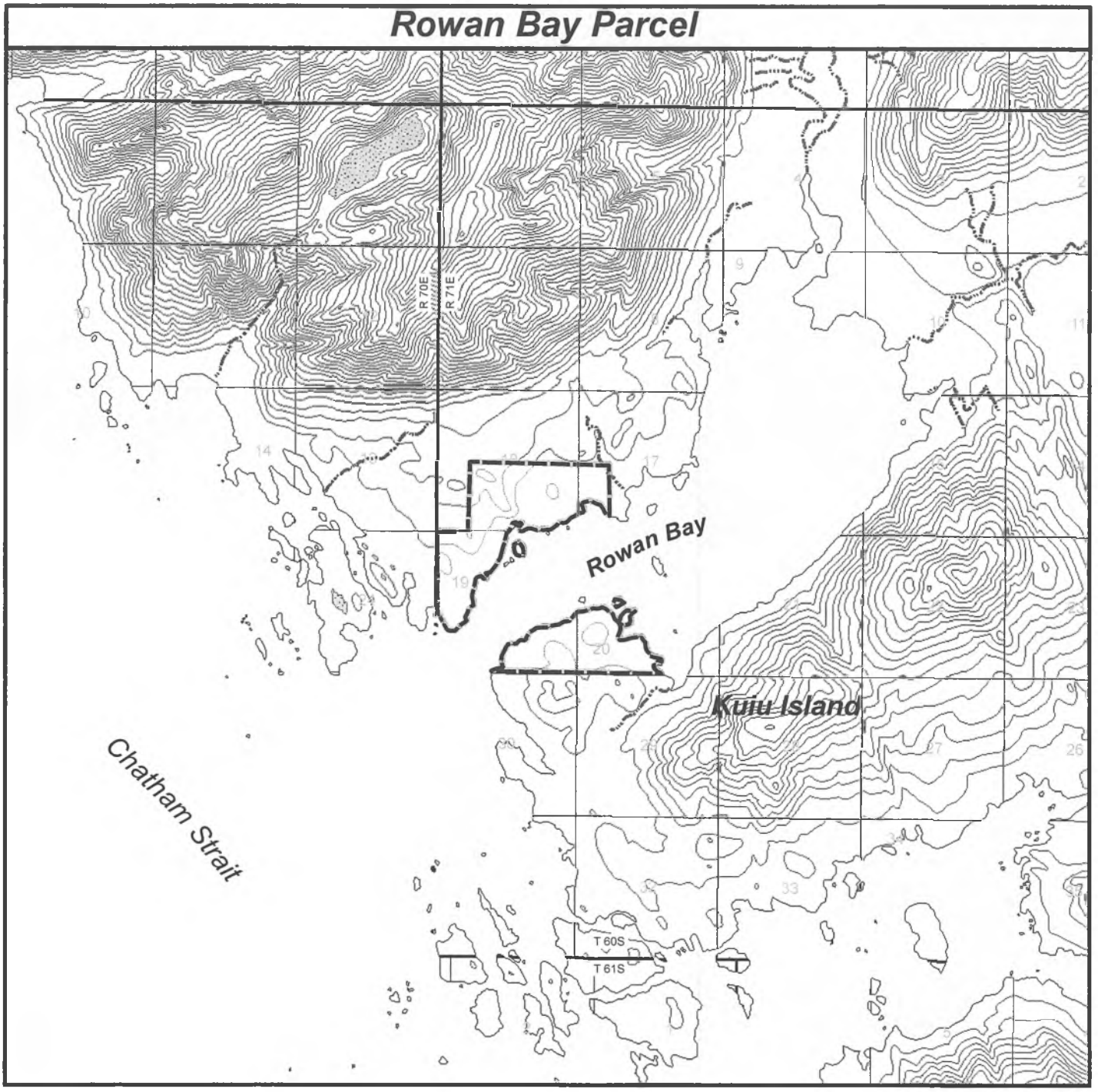
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Rowan Bay Parcel



NAD 83, Contour Interval 100'

Area Planning Unit U02

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

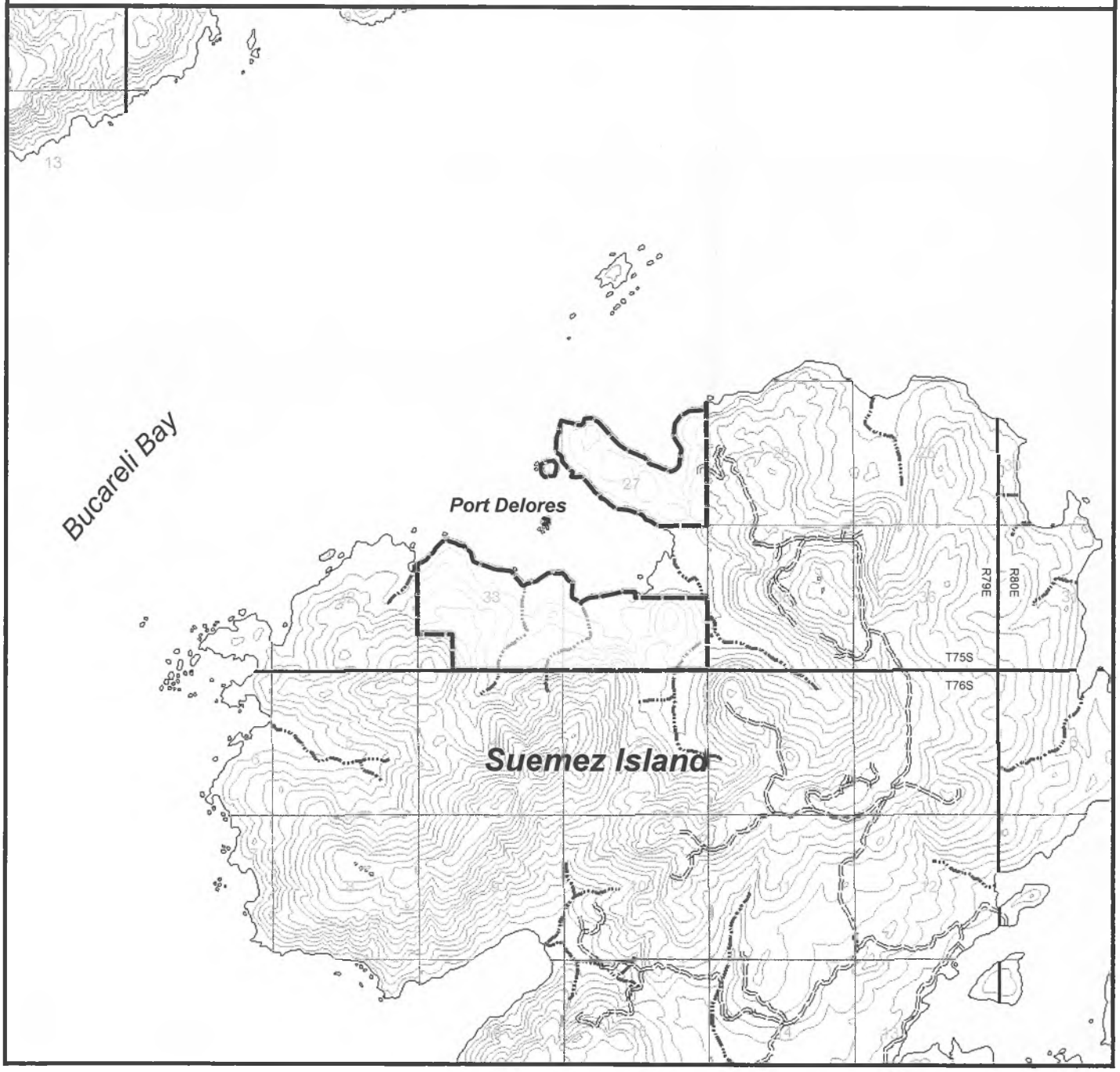
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Port Delores Parcel



NAD 83, Contour Interval 100'

Area Planning Unit D01

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

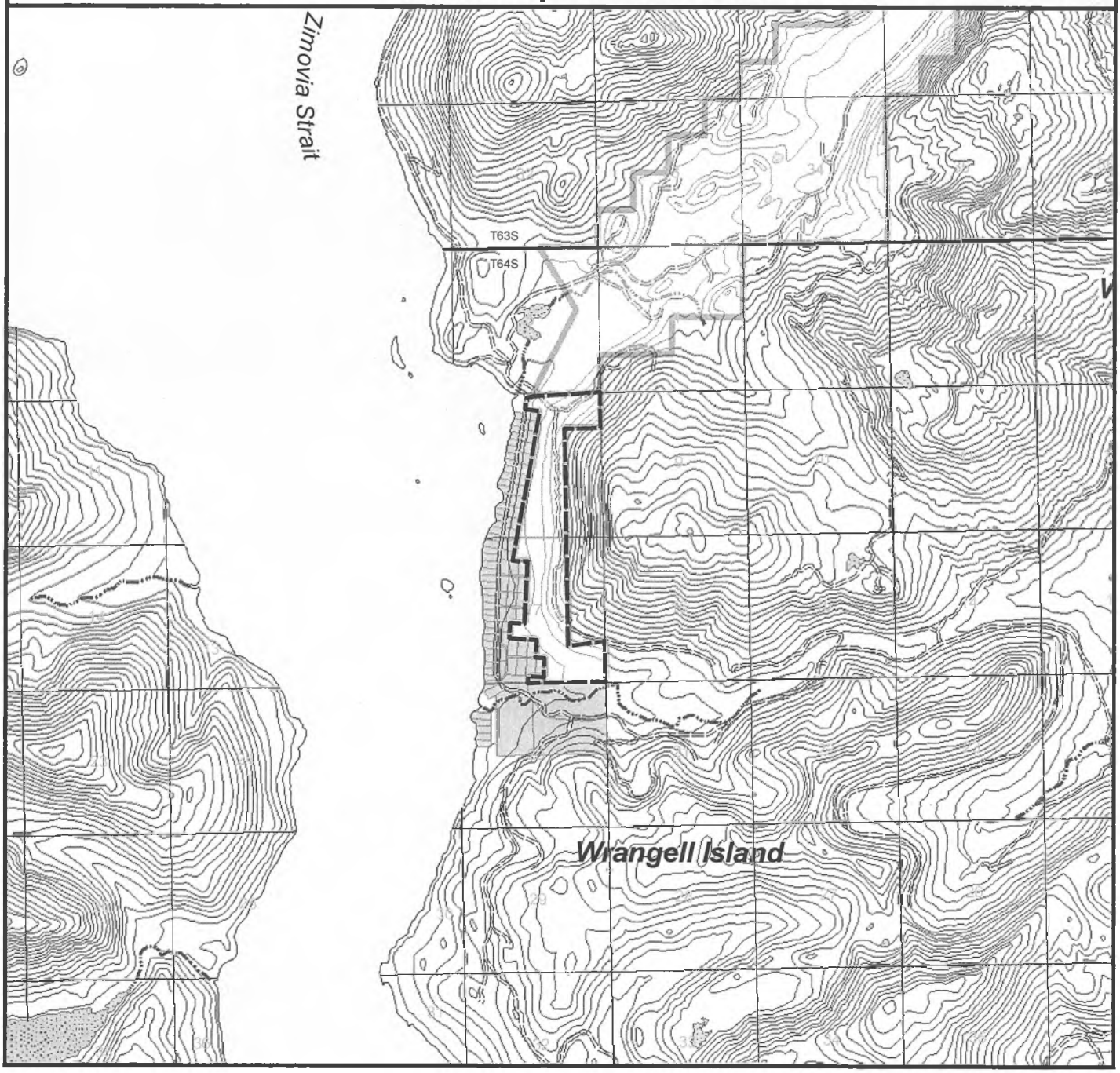
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Dec 13, 2010

Pat Creek Uplands Parcel



NAD 83, Contour Interval 100'

Area Planning Unit W27

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

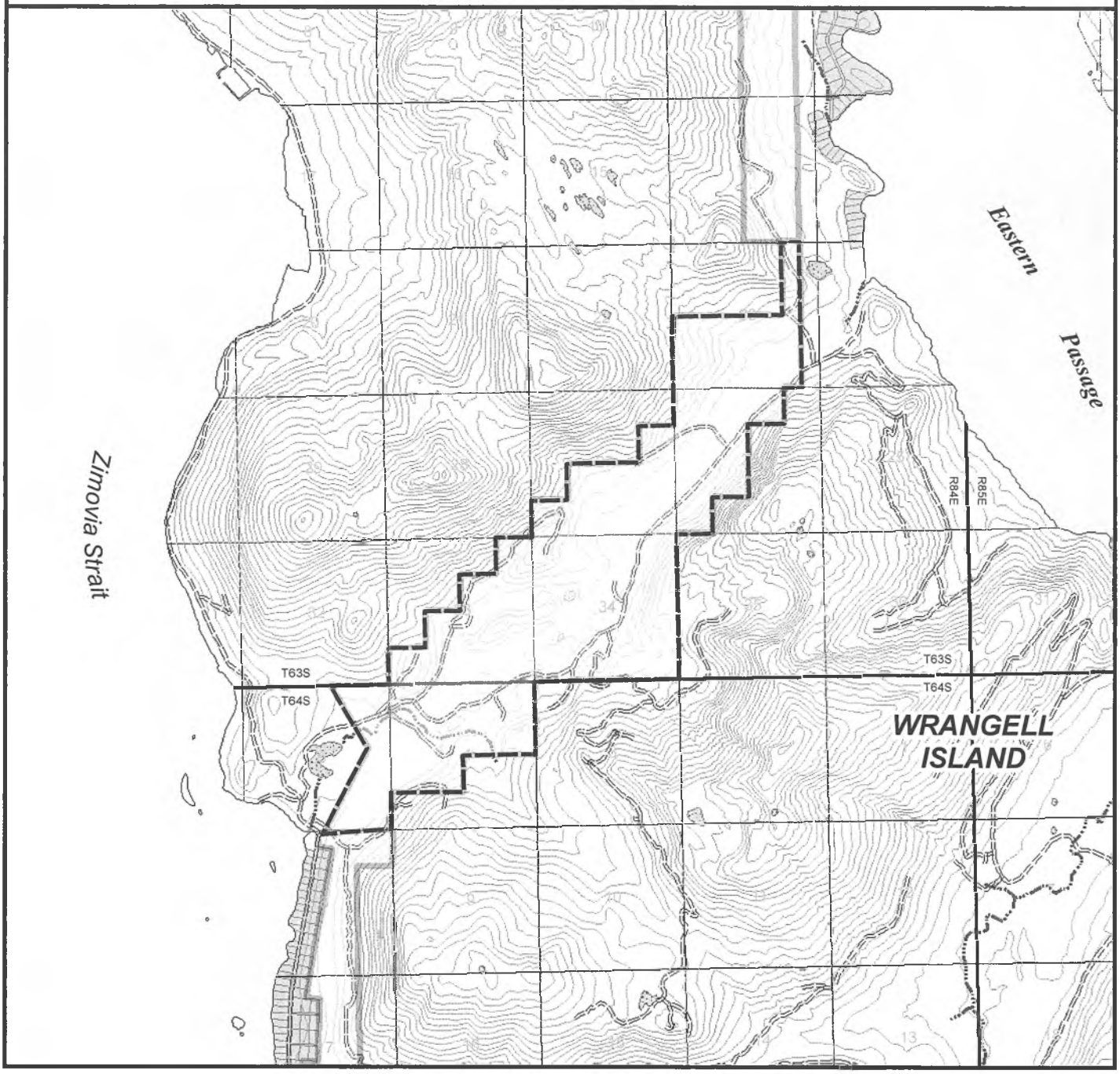
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Pat Creek Parcel



NAD 83, Contour Interval 100'

Area Planning Unit W10

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

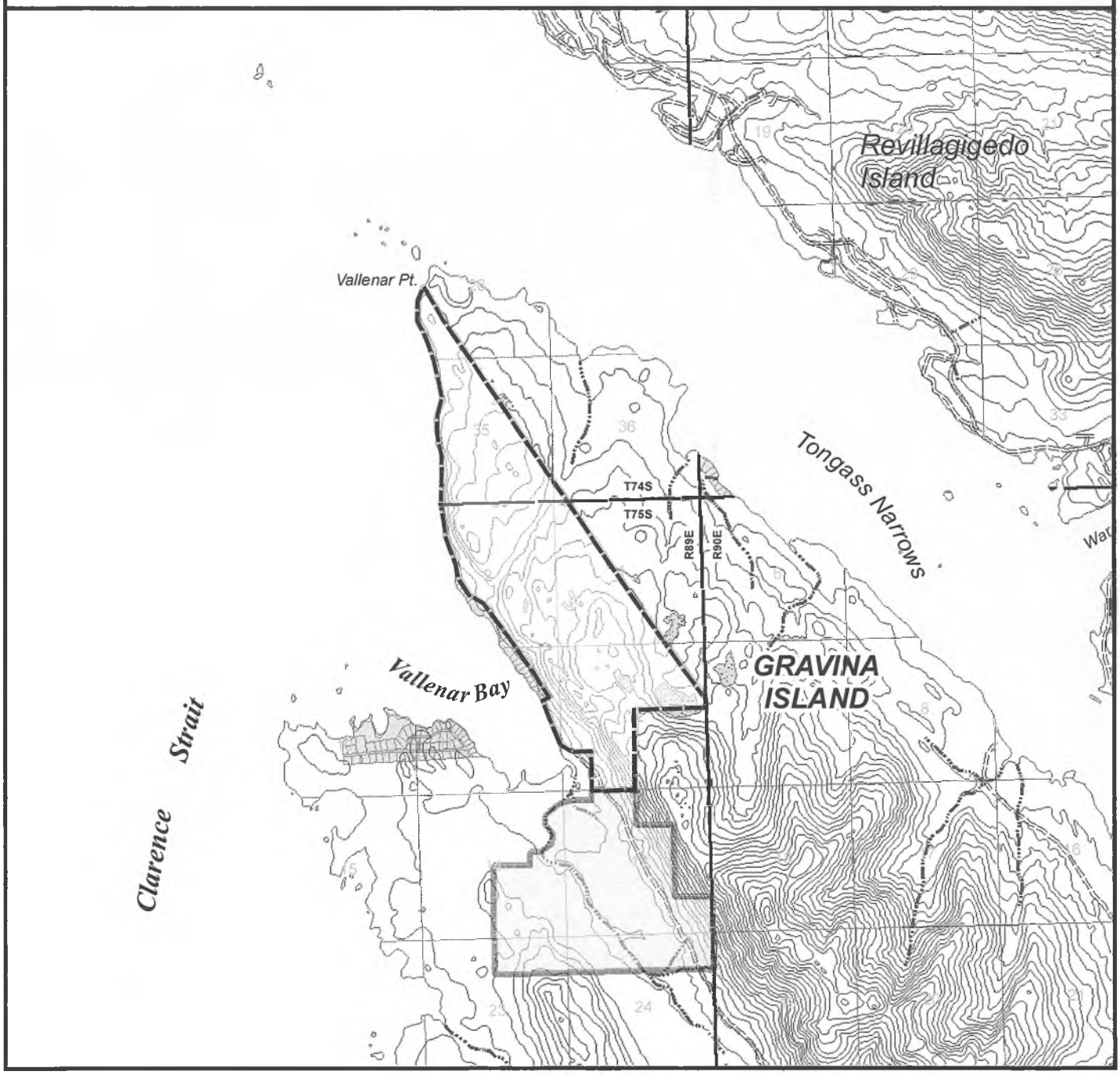
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Dec 15, 2010

North Gravina Island Parcel



NAD 83, Contour Interval 100'

Area Planning Unit K25

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

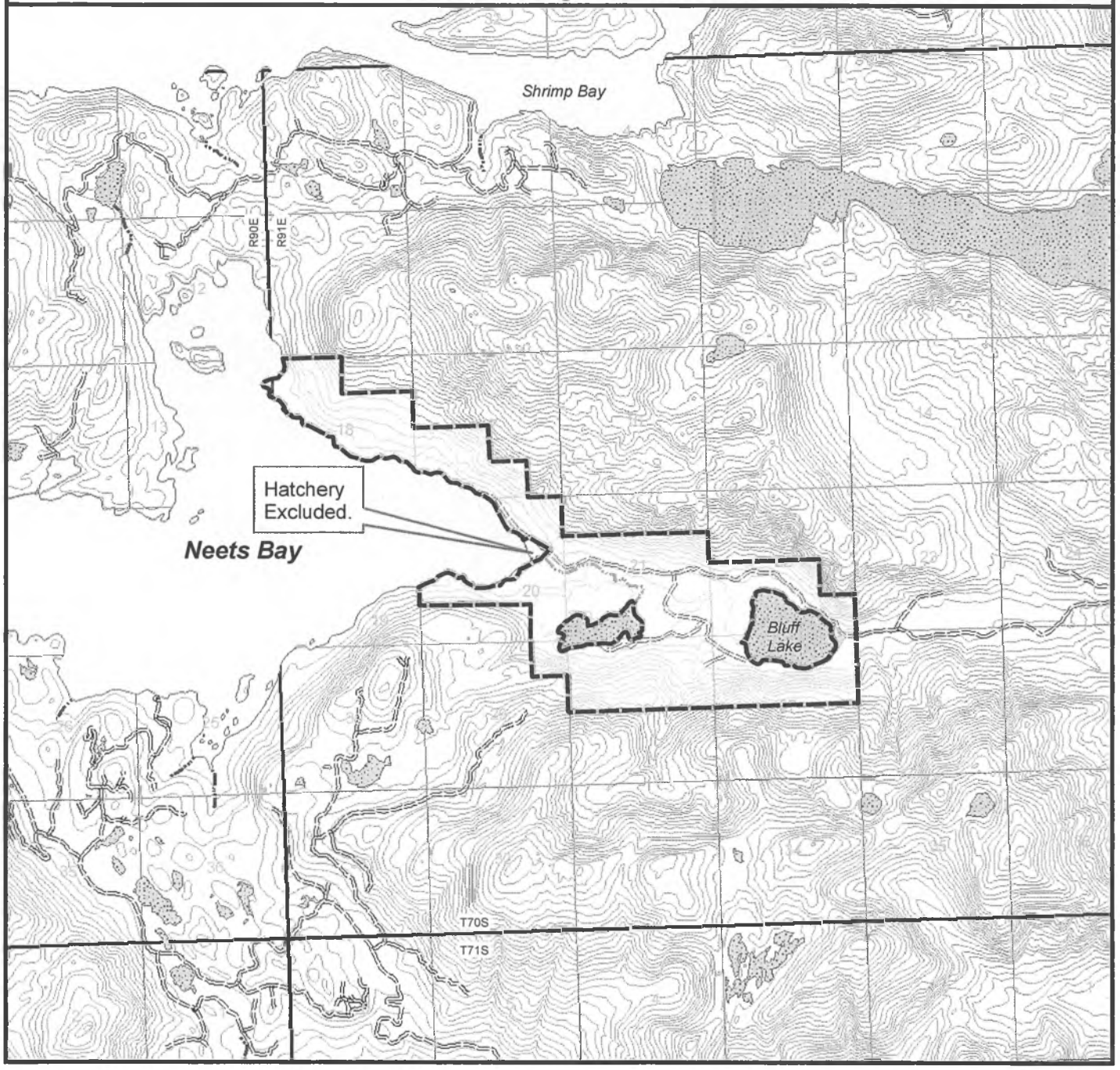
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Neets Bay Parcel



NAD 83, Contour Interval 100'

Area Planning Unit K01/02

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

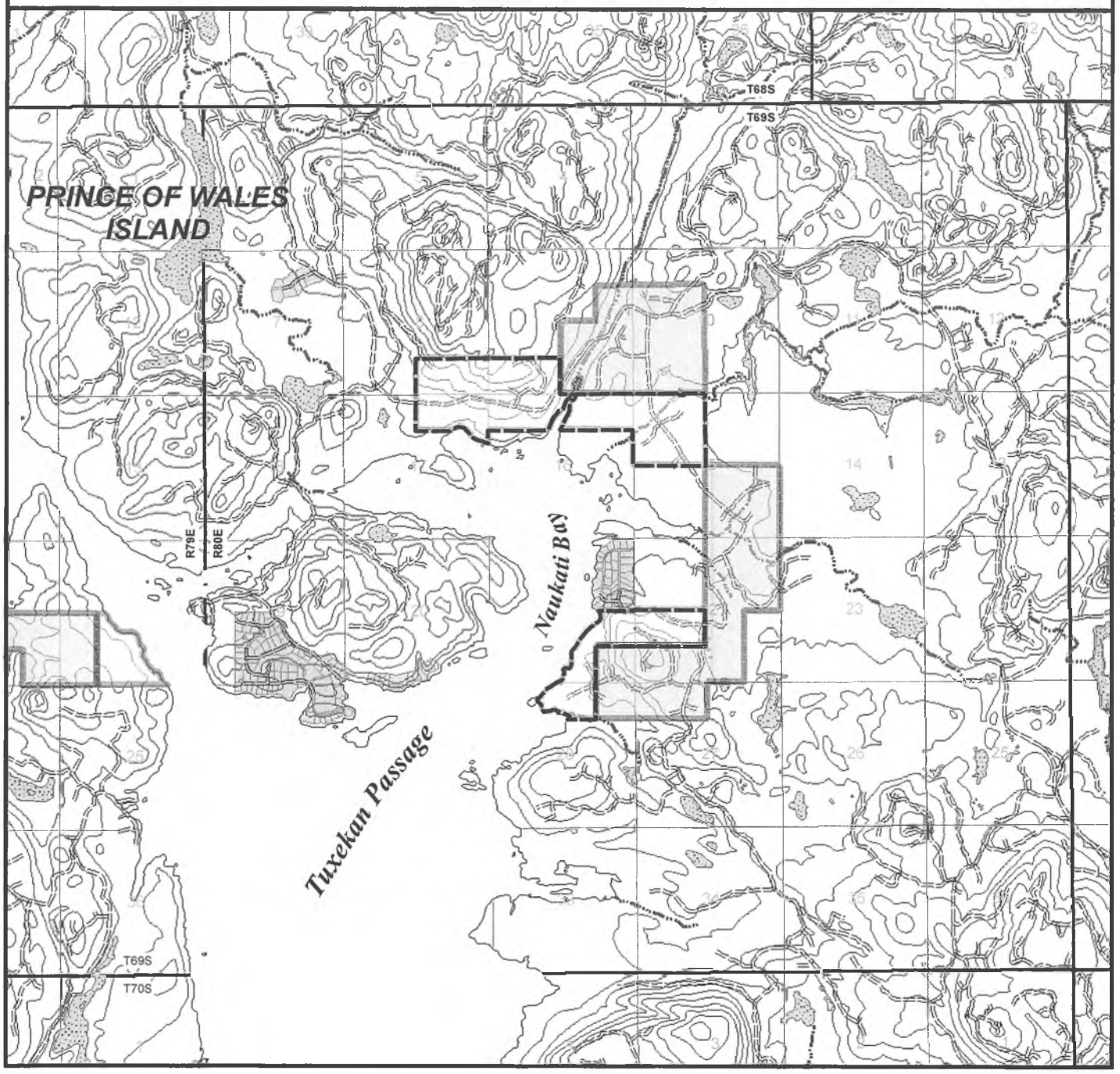
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Dec 15, 2010

Naukati Parcel



NAD 83, Contour Interval 100'

Area Planning Unit 7c

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

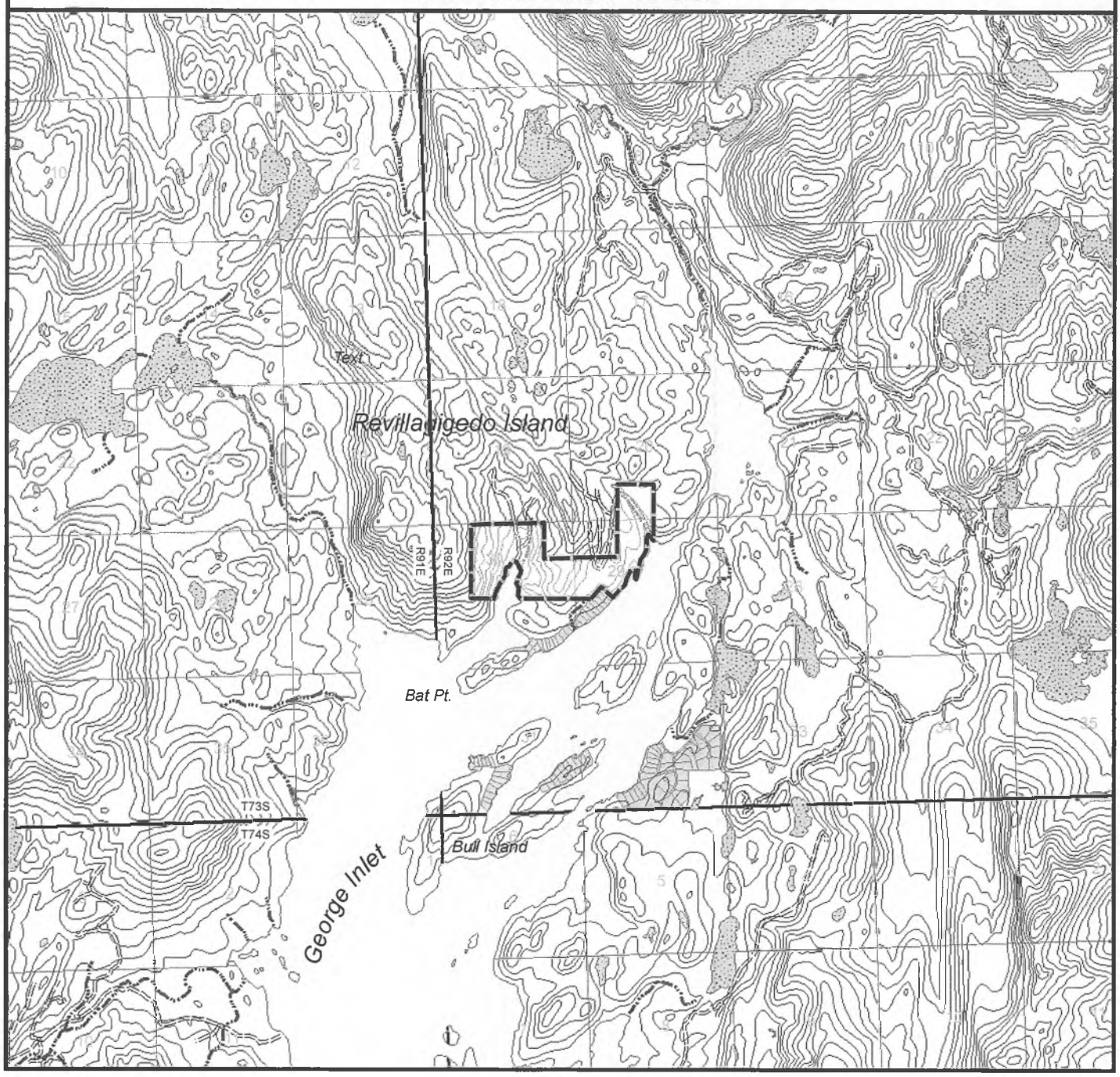
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Leask Cove Parcel



NAD 83, Contour Interval 100'

Area Planning Unit K11

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

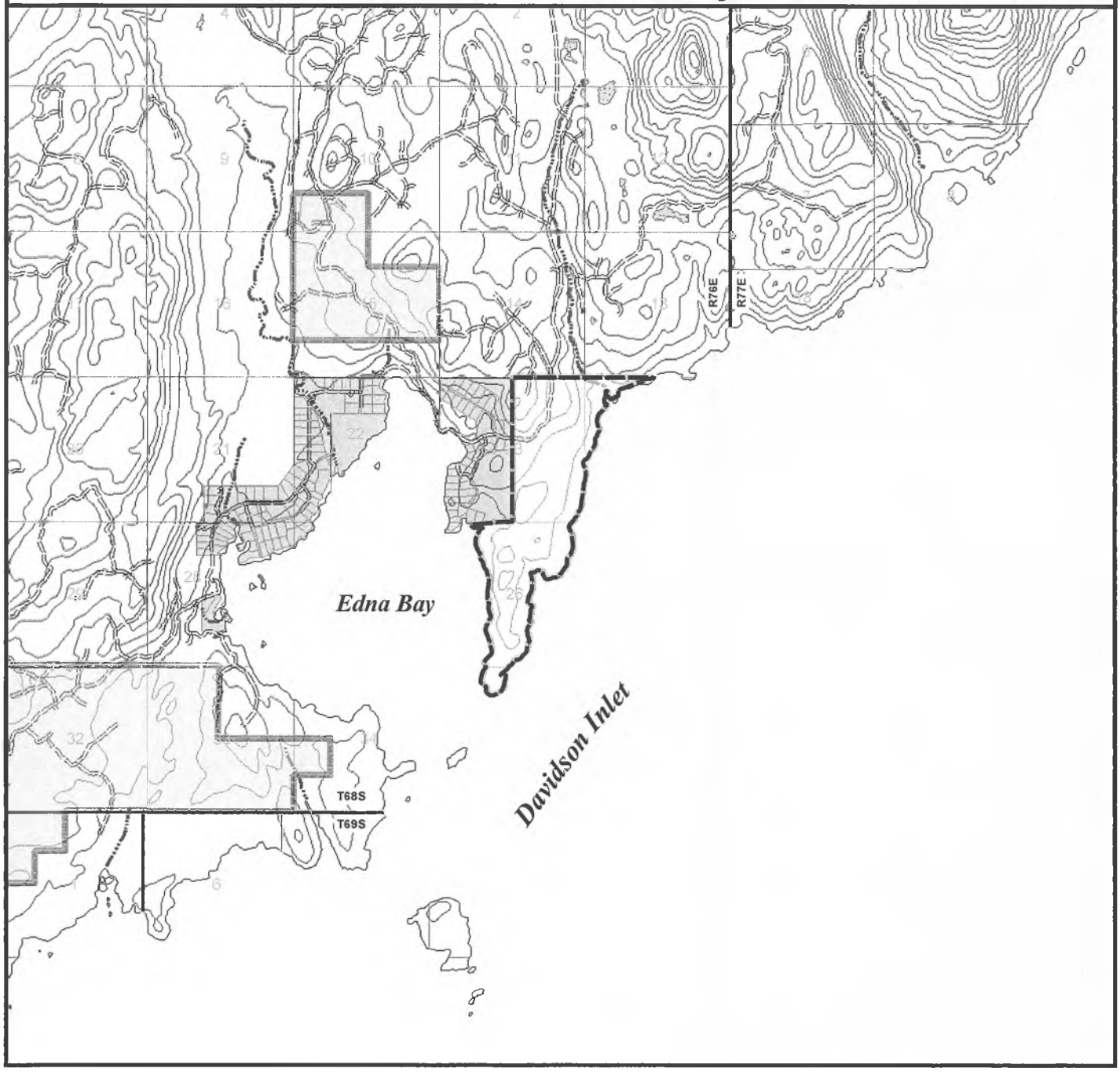
1 inch = 1 miles

SOUTHEAST STATE FOREST PROPOSED ADDITIONS

DIVISION OF FORESTRY

Oct 27, 2010

Kosciusko Island/ Edna Bay Parcel



NAD 83, Contour Interval 100'

Area Planning Unit 8b

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

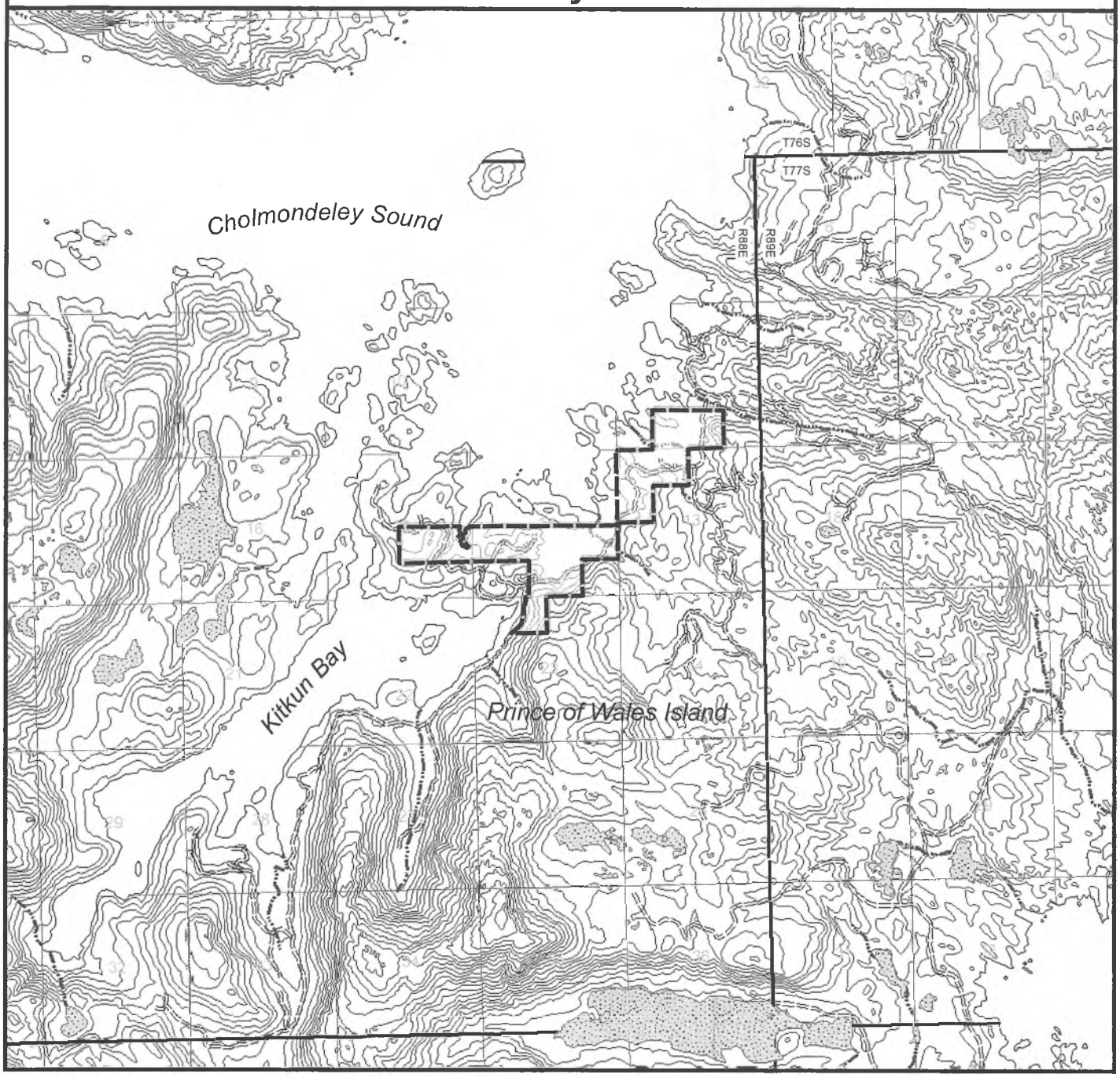
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Kitkun Bay Parcel



NAD 83, Contour Interval 100'

Area Planning Unit 13b

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

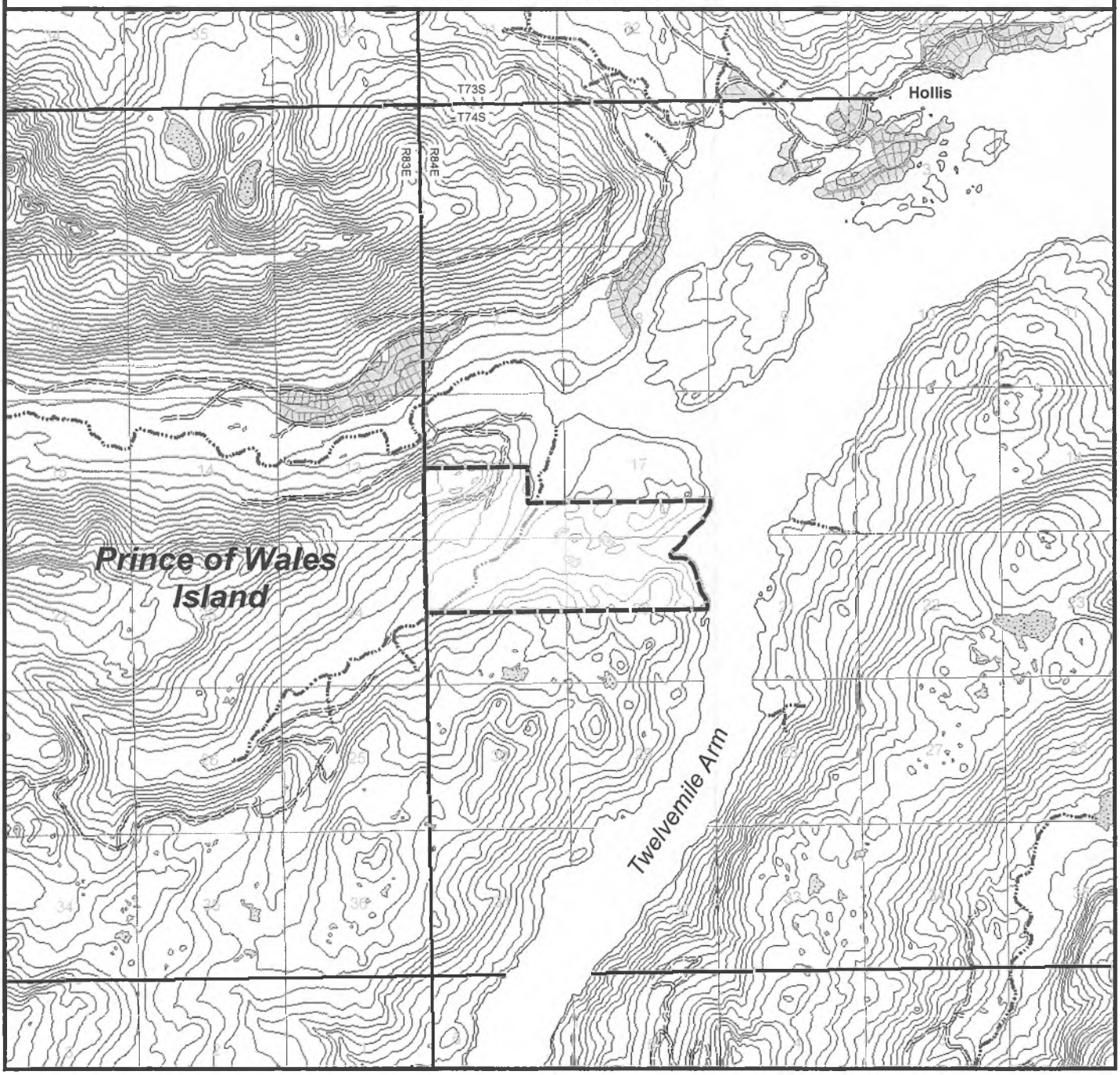
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Indian Creek Parcel



NAD 83, Contour Interval 100'

Area Planning Unit 12b

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

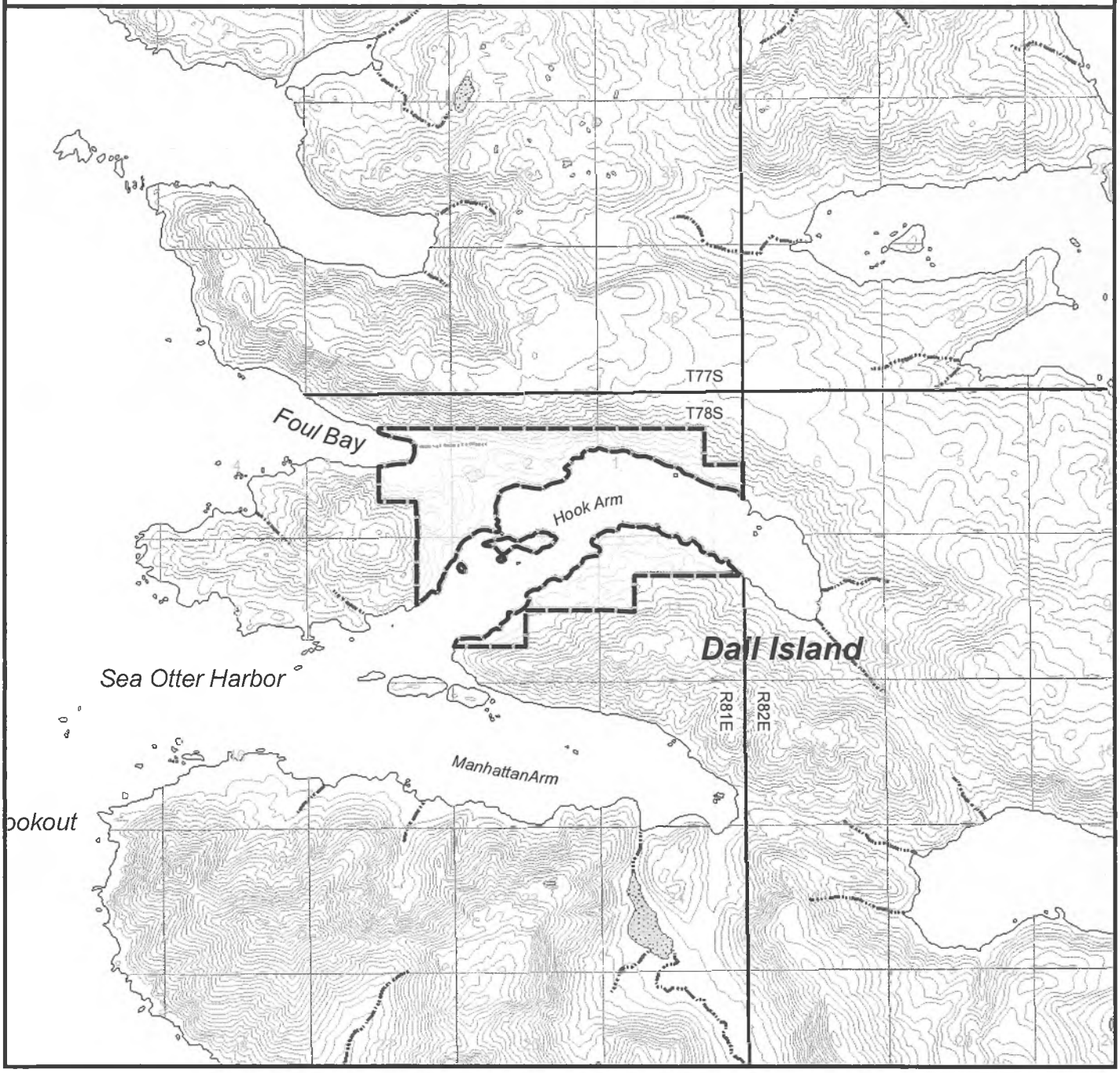
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Hook Arm Parcel



NAD 83, Contour Interval 100'

Area Planning Unit D02

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

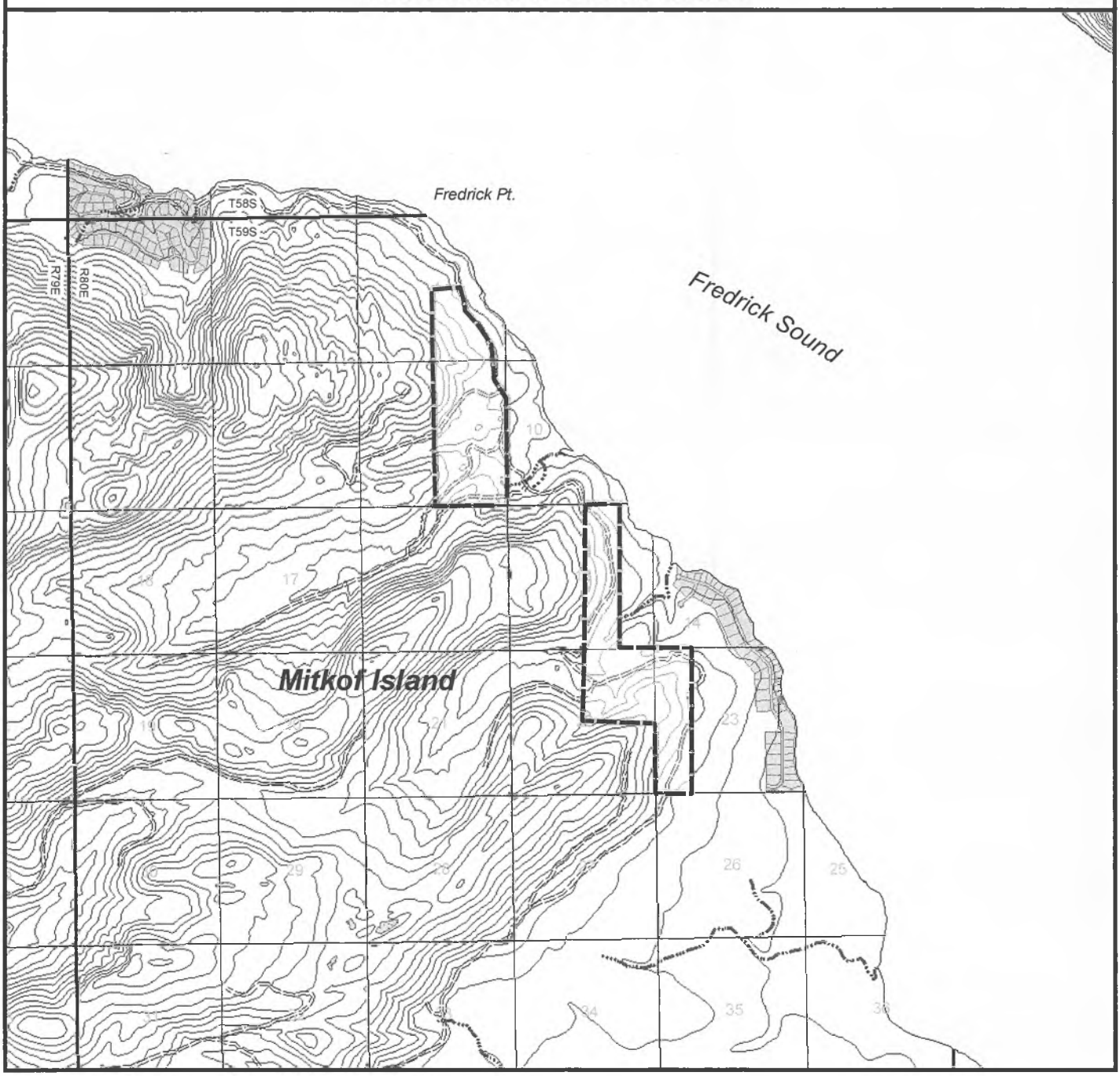
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Dec 13, 2010

Frederick Point Parcel



NAD 83, Contour Interval 100'

Area Planning Unit P28

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

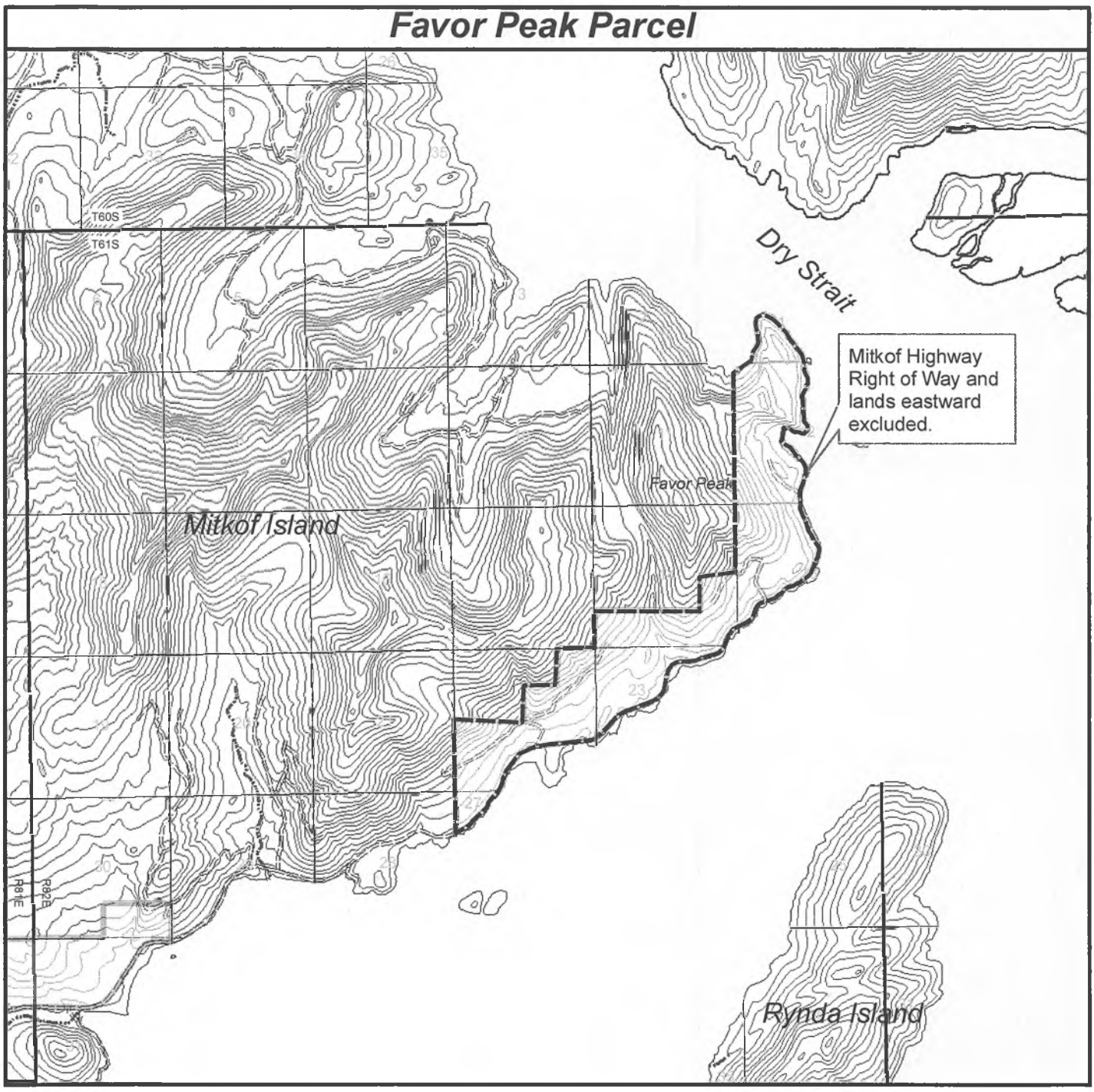
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Favor Peak Parcel



NAD 83, Contour Interval 100'

Area Planning Unit P23

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

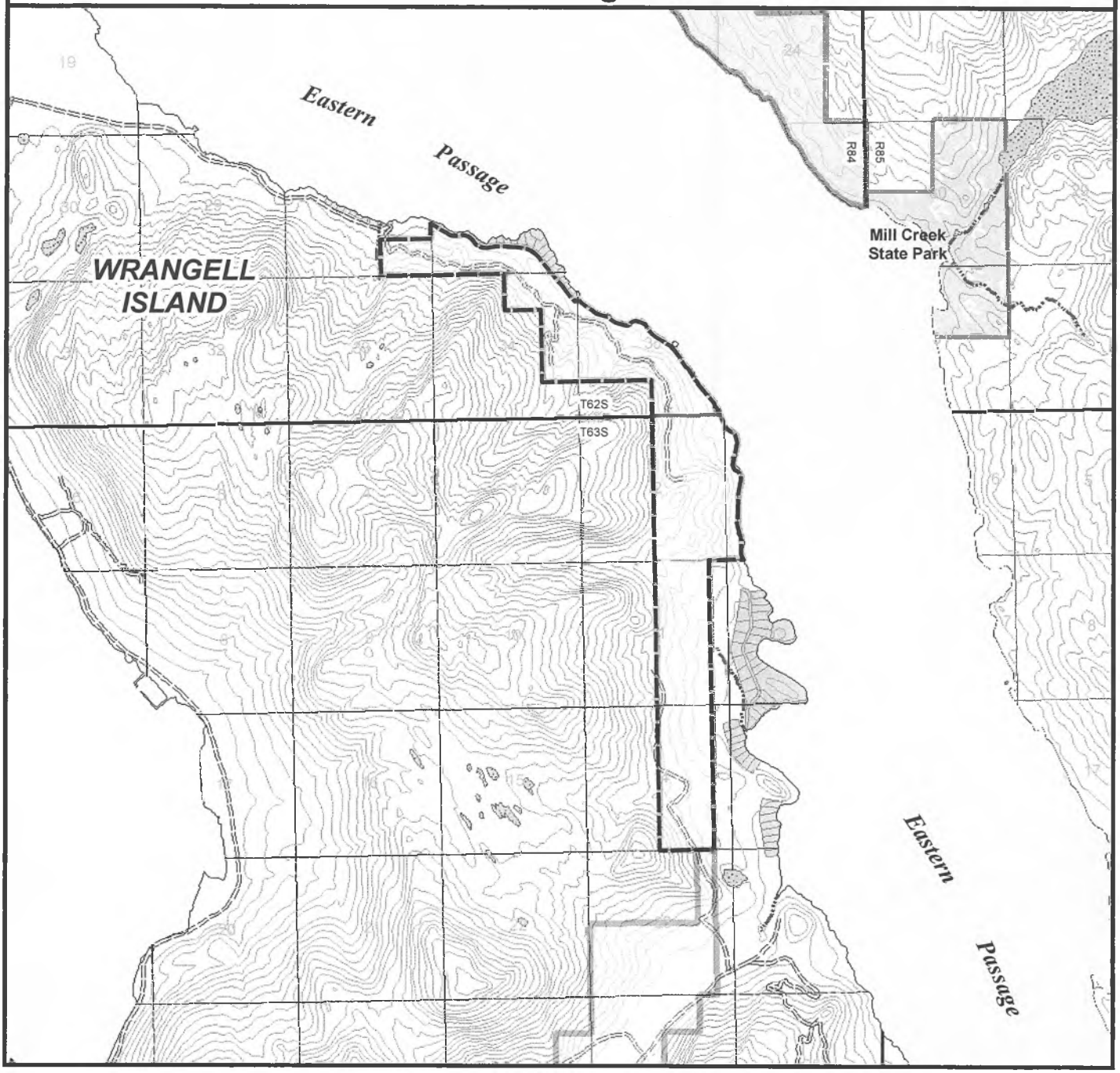
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Eastern Passage Parcel



NAD 83, Contour Interval 100'

Area Planning Unit W08

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

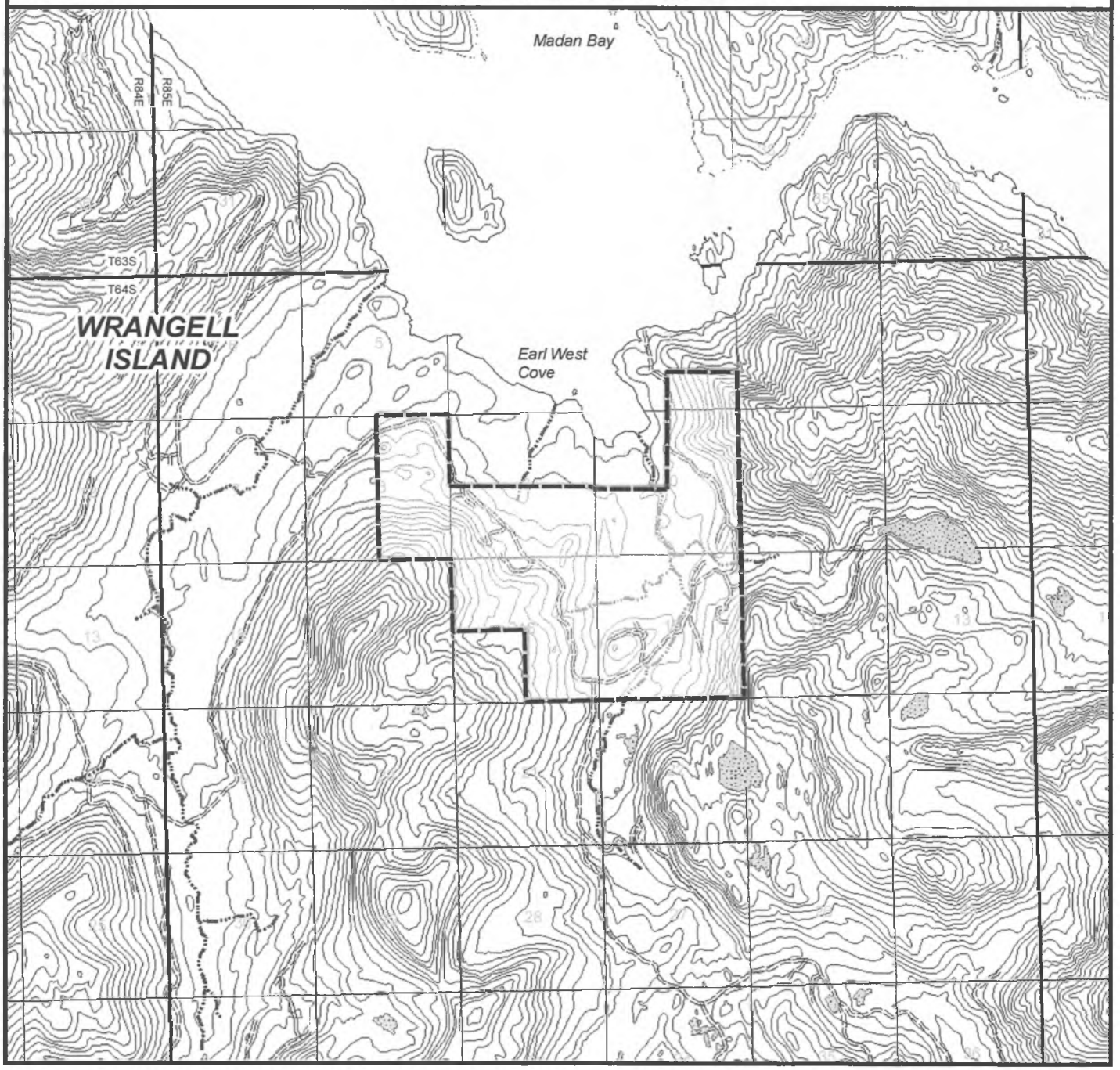
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Dec 15, 2010

Earl West Cove Parcel



NAD 83, Contour Interval 100'

Area Planning Unit W12

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

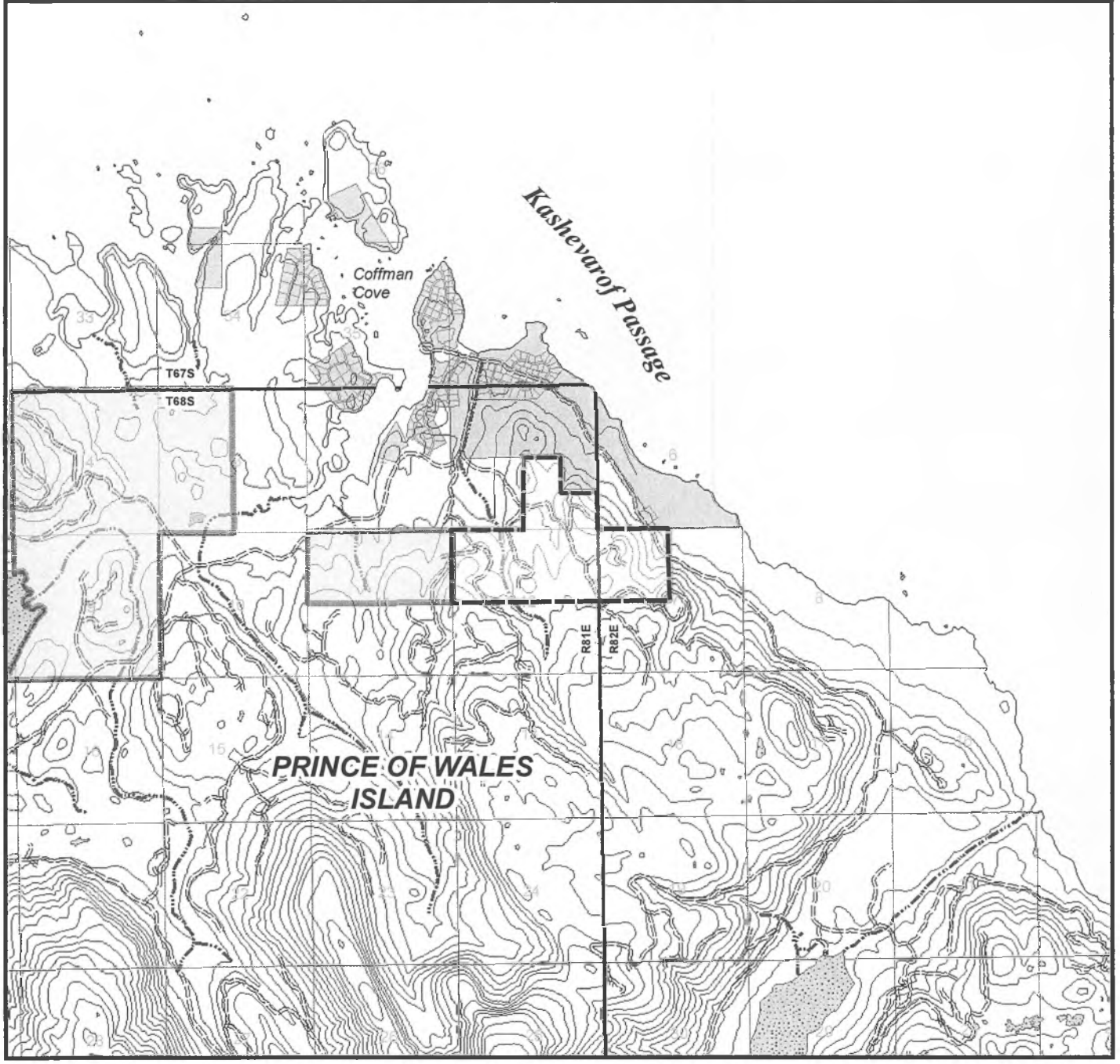
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Coffman Cove Parcel



NAD 83, Contour Interval 100'

Area Planning Unit 6a

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

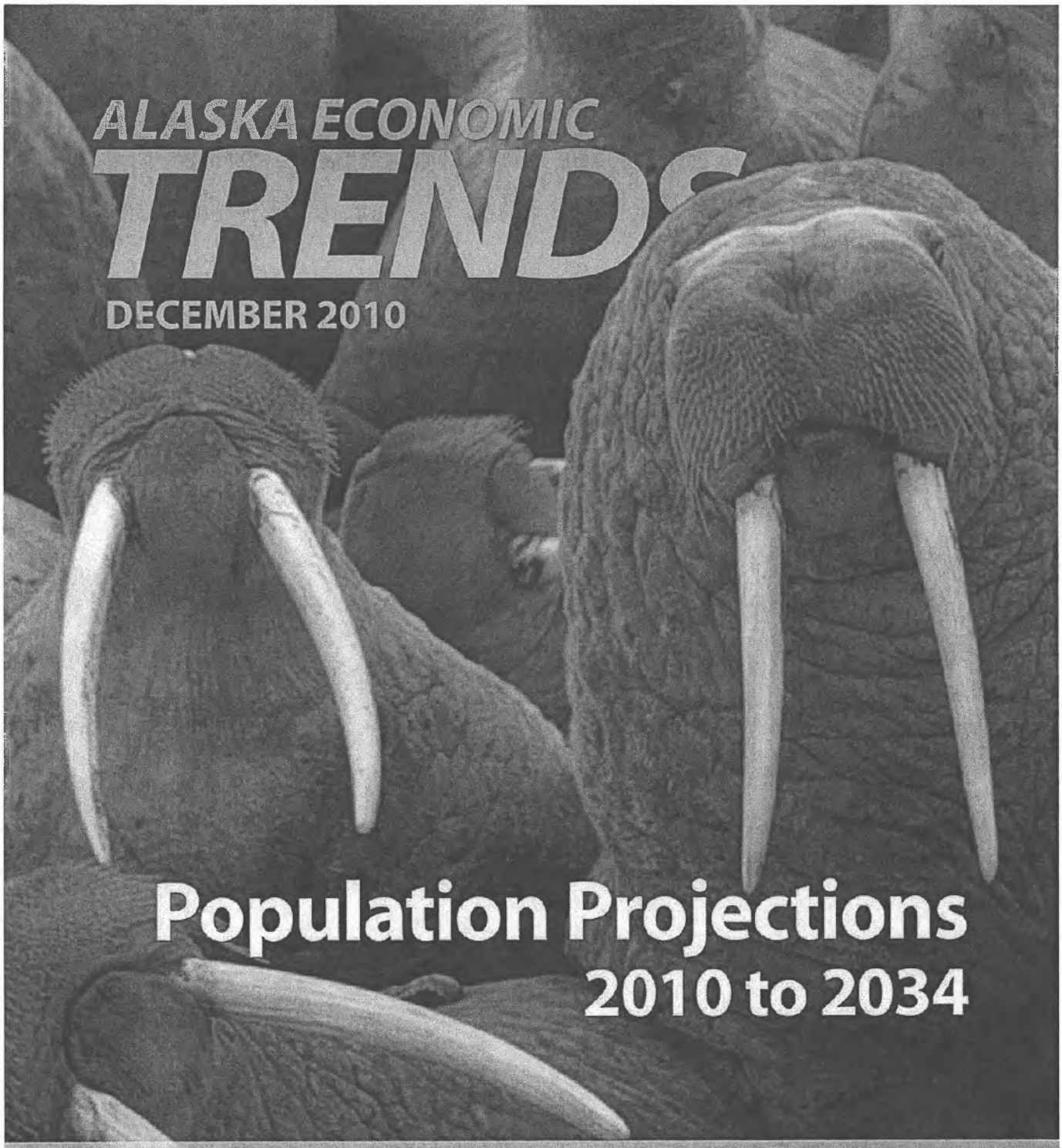
1 inch = 1 miles

SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010



ALASKA ECONOMIC TRENDS

DECEMBER 2010

Population Projections 2010 to 2034

WHAT'S INSIDE

The Matanuska-Susitna Borough
Growth continues to eclipse rest of Alaska

Employment Scene
Unemployment rate at 7.9 percent in October

jobs

ALASKA DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT

Governor Sean Parnell
Commissioner Click Bishop

9 Population By Region and Borough/Census Area
Alaska, 2009-2034[1]

	2009	2014	2019	2024	2029	2034	Percentage Change 2009-2034	Average Annual Growth Rate 2009-2034
State of Alaska	692,314	723,619	758,613	794,975	828,867	862,750	24.6%	0.9%
Anchorage / Mat-Su Region	374,902	399,950	427,814	457,519	487,028	517,429	38.0%	1.5%
Anchorage, Municipality of	290,588	304,555	319,812	335,672	350,569	364,973	25.6%	1.0%
Matanuska-Susitna Borough	84,314	95,395	108,002	121,847	136,459	152,456	80.8%	3.1%
Gulf Coast Region	76,686	78,196	79,885	81,313	81,908	81,925	6.8%	0.3%
Kenai Peninsula Borough	53,578	56,007	58,562	60,921	62,673	64,019	19.5%	0.7%
Kodiak Island Borough	13,860	13,461	13,095	12,705	12,188	11,567	-16.5%	-0.6%
Valdez-Cordova Census Area	9,248	8,728	8,228	7,687	7,047	6,339	-31.5%	-1.2%
Interior Region	108,463	111,723	115,217	118,773	121,822	124,658	14.9%	0.6%
Denali Borough	1,838	1,783	1,715	1,642	1,550	1,451	-21.1%	-0.8%
Fairbanks North Star Borough	93,779	96,997	100,358	103,768	106,774	109,580	16.8%	0.6%
Southeast Fairbanks Census Area	7,243	7,694	8,216	8,751	9,246	9,742	34.5%	1.3%
Yukon Koyukuk Census Area	5,603	5,249	4,928	4,612	4,252	3,885	-30.7%	-1.2%
Northern Region	23,664	24,760	26,037	27,257	28,354	29,572	25.0%	1.0%
Nome Census Area	9,500	9,911	10,391	10,859	11,282	11,744	23.6%	0.9%
North Slope Borough	6,798	7,140	7,517	7,855	8,157	8,517	25.3%	1.0%
Northwest Arctic Borough	7,366	7,709	8,129	8,543	8,915	9,311	26.4%	1.0%
Southeast Region	69,338	67,948	66,480	64,692	62,244	59,472	-14.2%	-0.5%
Haines Borough	2,286	2,133	1,974	1,802	1,619	1,422	-37.8%	-1.5%
Juneau, City and Borough of	30,661	30,884	31,051	31,040	30,710	30,191	-1.5%	-0.1%
Ketchikan Gateway Borough	12,984	12,464	11,934	11,339	10,633	9,878	-23.9%	-0.9%
Prince of Wales-Outer Ketchikan Census Area	5,392	5,052	4,721	4,368	3,966	3,566	-33.9%	-1.3%
Sitka, City and Borough of	8,627	8,578	8,505	8,400	8,215	8,000	-7.3%	-0.3%
Skagway-Hoonah-Angoon Census Area	2,908	2,785	2,642	2,483	2,297	2,100	-27.8%	-1.1%
Wrangell-Petersburg Census Area	5,852	5,445	5,070	4,701	4,276	3,828	-34.6%	-1.3%
Yakutat, City and Borough of	628	607	583	559	528	487	-22.5%	-0.9%
Southwest Region	39,261	41,042	43,180	45,421	47,511	49,694	26.6%	1.0%
Aleutians East Borough	2,778	2,830	2,887	2,945	2,967	2,981	7.3%	0.3%
Aleutians West Census Area	4,549	4,592	4,627	4,638	4,610	4,564	0.3%	0.0%
Bethel Census Area	16,997	18,036	19,224	20,471	21,720	23,019	35.4%	1.4%
Bristol Bay Borough	967	972	977	986	986	974	0.7%	0.0%
Dillingham Census Area	4,729	4,739	4,781	4,798	4,755	4,698	-0.7%	0.0%
Lake and Peninsula Borough	1,547	1,487	1,441	1,393	1,328	1,258	-18.7%	-0.7%
Wade Hampton Census Area	7,694	8,386	9,243	10,190	11,145	12,200	58.6%	2.3%

[1] Middle projection series

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

through migration is projected to continue through 2034.

The Department of Labor projects stable growth for the Native population through the projection period, from 125,200 people in 2009 to 171,660 in 2034. (See Exhibits 6 and 11.) Additionally, Natives are expected to increase as a share of the state's population, from 18.1 percent in 2009 to 19.9 percent in 2034.

Historical trends for natural increase and interstate net-migration have been relatively stable, so uncertainty estimates were unnecessary for this group. Therefore, the Alaska Native projections are only comparable to the middle series of the statewide projections and can be subtracted from this series to estimate the non-Native population.

Decreasing fertility rates are reflected in the Native share of the total population under age 20. That proportion is projected to decline over the period from 22.4 percent in 2009 to 21.9 percent in 2034. The median age for the population is expected to rise from 25.8 to 29.8 between 2009 and 2034.

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ENCOURAGING VALUE ADDED TIMBER PROCESSING OF STATE TIMBER

Most state timber made available through state timber sales remains in-state and is processed locally. Over the past six years, of the total statewide timber sale volume of 159 million board feet, just over 8 million board feet, or **5.1%, was exported**. It should be noted that all of the exports have been from the Southern Southeast area, where export markets and local manufacturing markets coexist.

Excluding timber sales conducted outside of the Southern Southeast area, over the past six years, roughly 13% of total timber sale volume was exported. Some of this volume was exported by the mills themselves, as they can maximize sale value by exporting specific logs that command premium prices in oversees markets.

Summary Six Year Sale History SSE Area Office, FY05 - FY10
In thousands of board feet (Mbf) and number of sales

Domestic Sales	54	90.0%
Domestic Volume	54,525	89.7%
Export Sales	6	10.0%
Export Volume	6,262	10.3%
Export Volume by Mills [1]	1,806	3.0%
Total sales [2]	60	
Total Volume	60,777	

1 Note: Export by AK mills in eight transactions as follows:
Viking Lumber, 6 export transactions
Icy Straights, 1 Export Transaction
Western Gold, 1 Export transaction

2 Note: These sixty timber sales made to thirty different Alaska businesses

The most effective method for encouraging value-added timber processing is to provide a steady, reliable, and consistent timber supply. However, in instances where available timber might not be adequate to allow for timber export while meeting in-state manufacture needs, the state has a number of authorities to encourage, under certain circumstance, local manufacture of timber from state timber sales.

Although the U.S. Supreme Court decision in *South-central Timber v. State of Alaska* (available online at http://supreme.justia.com/us/467/82/index.html) imposes restrictions on the state's

ability to require primary manufacture of timber from competitively bid state timber sales, the state has developed criteria whereby primary manufacture requirements can be included in negotiated state timber sales. Of the following timber sale authorities, the 38.05.118 and 38.05.123 statutes can be applied under certain circumstances, namely underutilized manufacturing capacity, high unemployment, and/or high value-added processing. In most parts of the state, competitive sales go to manufacturers because export markets are not viable. In Southern Southeast, log exports are viable alternatives and thus the 118 or 123 authorities are sometimes used to encourage local manufacturing.

DNR Division of Forestry State Timber Sale Types

◆**Competitive sales** (AS 38.05.120)
- No volume limit within allowable cut
- No duration limit
- Requires best interest finding, advertisement, and public notice
- Price determined by auction, but not less than base price
- This is the standard sale type. Use of negotiated sales is limited to the specific conditions listed below.

◆**Small negotiated sales** (AS 38.05.115)
- ≤500 MBF
- ≤1 year duration
- No more than one per purchaser each year
- No best interest finding, advertisement, or public notice required
- Price determined by fair market value appraisal and base price (11 AAC 71.092)

◆**Negotiated sales for value-added products** (AS 38.05.123)
- Up to 10MMBF/yr (100 MMBF total over 10 years)
- Up to 10 years
- Requires best interest finding and public notice
- Restricted to use for local manufacture that includes "high value-added" wood products. By statute, wood chips are defined as a "value-added" product rather than a "high value-added" product.
- Operators must submit a business plan/operating plan for their processing facilities prior to negotiating a .123 sale. Processing facilities must be operational prior to harvesting timber sold under a .123 sale.
- Requires best interest finding and public notice.
- State typically uses RFP process to select winning proposal, especially where there is competitive interest in state resources.

◆**Negotiated sales for areas with high unemployment** (AS 38.05.118)
- No volume limit
- Up to 25 years with reappraisal every five years

- Limited to areas with unemployment ≥135% of statewide average
  - This sale type does not apply in some jurisdictions because their unemployment rates are close to the statewide average)
- Area must have underutilized manufacturing capacity
- Must have underutilized allowable cut or salvage timber
- Requires best interest finding and public notice
- Price determined by fair market value appraisal and base price (11 AAC 71.092)

◆**Personal use sales** (AS 38.05.850)
- Not for commercial use
- No best interest finding, advertisement, or public notice required
- Up to 10MBF per purchaser per year
- Price determined by fair market value appraisal and base price (11 AAC 71.092)

Other Initiatives to Encourage Investment in Value Added Processing

- New Growth Prospectus for Interior Alaska

  This publication provides summary inventory information including annual allowable cut and contacts for State and Native Corp lands in interior Alaska.

- Updated Forest Inventories

The division has been updating forest inventories in Southern Southeast, Tanana Valley, and Matsu valley and will proceed with updates in Haines and Kenai over next few years. Reliable inventory information is critical for investors interested in citing new facilities.

- Credible and Effective Regulatory Structure

The State's Forest Resources and Practices program (FRPA) is a model, credible in protecting public resources while not being overly burdensome on operators. Investors in manufacturing facilities need assurance that they can coexist with other forest users and FRPA helps provide that assurance.

Trends in Value Added Processing

The State's investment in the renewable energy fund is generating widespread interest in developing woody biomass energy facilities for heat and combined heat and power. Energy prices and state investments will spur an increase in value added for low quality wood to meet energy needs. DOF is working with existing timber sale authorities however there may be need for modifications to address the unique needs of these projects that include up to 25 year supply commitments.

Prepared by Rick Rogers, Division of Forestry, March 7, 2011

STATE OF ALASKA

SEAN PARNELL, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

550 West 7th Avenue, Suite 1450
Anchorage, AK 99501

BOARD OF FORESTRY

April 4, 2011

Senator Bert Stedman, Co-chair
Senator Lyman Hoffman, Co-chair
Senate Finance Committee
120 4th Street, State Capitol, Room 520
Juneau, Alaska 99801-1182

Dear Senators Stedman and Hoffman,

The Alaska Board of Forestry is pleased to convey its support for Senate Bill 44/House Bill 105 to expand the Southeast State Forest. The Board of Forestry provides a forum to discuss and resolve issues on forest practices and management of forests on state land (AS 41.17.947(b)). Board members represent diverse constituencies – the timber, fishing, and mining industries, Native Corporations, professional foresters and fish and wildlife biologists, and environmental and recreational organizations.

The Board of Forestry was briefed on the concept of state forest additions at their meeting on August 23-25, 2010, on a draft of the bill at the December 13-14, 2010 meeting, and on the specifics of SB 44/HB 105. This land is currently part of the state timber base, but susceptible to future changes in land use designations. Five of these parcels were previously part of the University land settlement. Dedication to long-term management helps sustain the Southeast timber industry and communities, and ensure continued multiple use. It also secures a long-term land base that justifies the investment in thinning to increase the volume of second-growth timber and enhance wildlife habitat.

I am pleased to report that on April 1, 2011 the Board unanimously voted to support passage of Senate Bill 44/House Bill 105.

Sincerely,

Chris Maisch, State Forester
Chair, Alaska Board of Forestry

Cc: Sean Parnell, Governor
Dan Sullivan, DNR Commissioner
Representative William Thomas, Co-Chair House Finance
Alaska Board of Forestry
- Ron Wolfe, Alaska Native Corporations
- Eric Nichols, Forest Industry Trade Association

- Wayne Nicolls, Non-governmental Professional Forester
- Rob Bosworth, Environmental Organization
- Erin McLarnon, Recreation Organization
- Mark Vinsel, Commercial Fisherman's Organization
- Jeff Foley, Mining Organization
- Matt Cronin, Non-governmental Professional Fish/Wildlife Biologist

FYI rb
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OFFICE OF THE GOVERNOR
MAILROOM
FEB 24 20

JUNEAU
CHAMBER OF COMMERCE

3100 Channel Drive, Suite 300 • Juneau AK 99801• (907) 463-3488 • Fax (907) 463-3489
E-mail: juneauchamber@gci.net • jcc@alaska.com • Web site: http://www.juneauchamber.com

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AEL&P
Bob Martin, *Past Pres.*
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Max Mertz
Elgee Rehfeld Mertz
Lance Stevens
Alaska USA FCU
Nathan McCowan
Sealaska
Karen Hansen
Wings of Alaska
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Walsh Consulting
Kelly Shattuck
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Alaska Pacific Bank
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Alaskan Brewing Company
Bartlett Regional Hospital
BP Alaska
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Capital Office Supply
Coeur Alaska, Inc.
Coogan Construction
Copy Express
Elgee Rehfeld & Mertz
First National Bank of Alaska
Hecla Greens Creek Mining
Goldbelt, Inc
Huna Totem
Shattuck & Grummett
Taku Oil
True North FCU
UAS
Wells Fargo Bank of Alaska
Westmann and Associates

A RESOLUTION OF THE JUNEAU CHAMBER OF COMMERCE EXPRESSING SUPPORT FOR THE PROPOSED ADDITIONS TO THE SOUTHEAST STATE FOREST AS PRESENTED IN HB 105
02-11

WHEREAS, the majority of timber in SE Alaska is on federally owned National Forest land, harvest of which has drastically declined and local mills are heavily dependent on sale of state timber, and

WHEREAS, the state is committed to maximizing the sustainable supply of timber from the small state timber land base, and

WHEREAS, there is broad support for shifting timber harvesting in SE Alaska from old growth to young growth stands, which yield higher volumes per acre on shorter rotations, and have less impact on wildlife, and

WHEREAS, much of the state timber land was conveyed from the federal government with young growth stands, the shift from old growth to young growth harvest can be accelerated by thinning these stands, and

WHEREAS, thinning and subsequent young growth management constitutes long-term investment, it is only justified if the land will continue to be available for forest management, and

WHEREAS, land designated as State Forest would ensure that some land will remain available for long-term management for multiple uses including the supply of timber to local processors, and

WHEREAS, the State owns the parcels of land that are listed in HB105 and are suitable for designation and subsequent management as a State Forest,

THEREFORE BE IT RESOLVED, that the Juneau Chamber of Commerce endorses the establishment of a Southeast Alaska State Forest as currently proposed in House Bill 105 "An Act relating to the Southeast State Forest; and providing for an effective date".

BE IT FURTHER RESOLVED, that the Juneau Chamber of Commerce will transmit this resolution to the Governor of Alaska, House and Senate Resource Committee Chair, Alaska State Legislature, the Alaska Congressional Delegation, the U.S. Forest Service Chief, U.S. Forest Service Alaska Regional Forester.

PASSED AND APPROVED, by the Juneau Chamber of Commerce Board of Directors on this date: February 15, 2011

Cathie Roemmich
CEO, Juneau Chamber of Commerce
At the direction of the Board of Directors and
Representing nearly 400 Business Members

Southeast Conference

February 14, 2011

Southeast Conference is a broad based association of communities in Southeast Alaska with a mission of undertaking and supporting activities that promote strong economies, healthy communities and a quality environment throughout the region. In keeping with that mission we support expanding the Southeast Alaska State Forest....SB44 & HB105.

The timber industry in SE Alaska is on the verge of disappearing as a result of the failure of the US Forest Service to provide a supply of economic timber from the Tongass National Forest. This disaster started with the cancellation of the Long Term Timber sales. The timber sale program went into a decline starting with the cancellation of the long term contracts and continues today. The current volume offered by the Forest Service is less than 10% of the volume offered at the time of cancellation of the long term sales.

The existence of a timber industry in SE Alaska depends on immediate action to provide a supply of economically viable sales. There has been a concerted effort by the State working with the Forest Service to improve the quantity and quality of the Forest Service timber sales. This effort continues but has not resulted in the improvements needed.

Southeast Conference has reviewed Senate Bill 44-which will add an additional 23,181 acres of State lands to the 25,291 acre existing Southeast State Forest established last year. This expanded Southeast State Forest of 48,474 acres will be managed by the department of Natural Resource' Division of Forestry, which has an exemplary record of managing Alaska's forests and related resources.

Southeast Conference commends Governor Parnell and the Alaska Legislature for the establishment of a Southeast Alaska State Forest.

The Southeast Conference is pleased to support SB-44. Enactment of SB-44 will enable the Department of Natural Resources Division of Forestry to sustainably manage the timber, fisheries, wildlife, waters, recreation and other multiple benefits that will strengthen the local economy, provide jobs and improve quality of life of all Southeast Alaska communities.

Thank you for your consideration.

Merrill Sanford
SEC Timber Committee Chairperson

P.O. Box 21989 612 W. Willoughby Avenue, Suite B, Juneau Alaska 99802
(907) 523-4350 (907) 463-5670 Fax info@seconference.org
www.seconference.org

SOUTHEAST CONFERENCE

RESOLUTION 11-11

A RESOLUTION OF THE SOUTHEAST CONFERENCE EXPRESSING SUPPORT FOR THE PROPOSED ADDITIONS TO THE SOUTHEAST STATE FOREST AS PRESENTED IN HB105 & SB44

WHEREAS, the majority of timber in SE Alaska is on federally owned National Forest land, harvest of which has drastically declined and local mills are heavily dependent on sale of state timber, and;

WHEREAS, the state is committed to maximizing the sustainable supply of timber from the small state timber land base, and;

WHEREAS, there is broad support for shifting timber harvesting in SE Alaska from old growth to young growth stands, which yield higher volumes per acre on shorter rotations, and have less impact on wildlife, and;

WHEREAS, much of the state timber land was conveyed from the federal government with young growth stands, the shift from old growth to young growth harvest can be accelerated by thinning these stands, and;

WHEREAS, thinning and subsequent young growth management constitutes long-term investment, it is only justified if the land will continue to be available for forest management, and;

WHEREAS, land designated as State Forest would ensure that some land will remain available for long-term management for multiple uses including the supply of timber to local processors, and;

WHEREAS, the State owns the parcels of land that are listed in HB105 and are suitable for designation and subsequent management as a State Forest, now therefore;

THEREFORE BE IT RESOLVED THAT Southeast Conference generally endorses establishment of a Southeast Alaska State Forest as currently proposed in House Bill 105 "An Act relating to the Southeast State Forest; and providing for an effective date".

AND BE IT FINALLY RESOLVED THAT Southeast Conference will transmit this resolution to the Governor of Alaska, House and Senate Resource Committee Chair, Alaska State Legislature, the Alaska Congressional Delegation, the U.S. Forest Service Chief, U.S. Forest Service Alaska Regional Forester.

Approved and passed by the Southeast Conference Board of Directors on January 31, 2011

Witness:

Janice Hill

Jan Hill, President

Attest:

Shelly Wright

Shelly Wright, Executive Director

Alaska Forest Association, Inc.

111 STEDMAN STREET, SUITE 200
KETCHIKAN, ALASKA 99901
Phone: 907-225-6114
Fax: 907-225-5920
E-mail: afa@akforest.org

January 12, 2011

Chris Maisch
State Forester
Alaska Division of Forestry
550 W. 7th Ave., Suite 1450
Anchorage, AK 99501

RE: Support of Additional Lands to Southeast State Forest

Dear Chris:

The Alaska Forest Association supports inclusion of an additional 23,181 acres to the Southeast State Forest. The state's timber sale program in Southeast is very small, but very effective. The federal government controls about 94% of the land in Southeast Alaska but they have been supplying only about 20% of the timber that our industry has harvested in the last few years. While State and private timberlands have supplied the other 80%, this has not been sufficient to keep our mills operating. Currently we have only a single medium-size mill still operating in the region along with a handful of very small mills.

Unlike the federal forest management program, the State effort has provided economically viable timber sales on a regular and consistent basis within the constraints of sustained yield principles. In addition to supporting our timber industry the State's timber sale program brings in revenue in the form of stumpage payments that are invested back into the statewide forest management program.

Dedicating more State lands in Southeast Alaska to long-term forest management helps ensure these lands will continue to support the State timber sale program. This helps sustain our remaining timber industry until we can either overcome the impediments that make the federal timber unavailable or until we can persuade Congress to allow the State to own or manage a significant portion of the Tongass. By dedicating lands for long-term forest management the State is better positioned to invest in practices that enhance forest productivity, such as pre-commercial thinning. By increasing the growth and yield from the State Forest, more timber can be supplied to our industry from these lands in perpetuity.

We urge you to support the current efforts to increase the size of the Southern Southeast State Forest.

Sincerely,

Owen Graham
Executive Director
Alaska Forest Association

City of Coffman Cove

PO Box 18135
102 Denali
Coffman Cove, AK. 99918
Phone: (907) 329-2233 Fax: (907) 329-2212
Email: coffmancove@msn.com

1-18-2011

Chris Maisch
State of Alaska
Department of Natural Resources
Division of Forestry
550 W. 7th Avenue, Suite 1450
Anchorage, AK 99501

RECEIVED
JAN 26 2011
State of Alaska
DNR-Division of Forestry

RE: State Forest

Dear Chris:

The City of Coffman Cove fully supports the inclusion of additional lands to the State Forest. The addition of 23,181 acres will ensure the future of a small timber industry in Southeast Alaska. The concept of a State Forest is a good management tool to help Southeast Alaska diversify its economy to include timber harvest along with tourism and fishing.

Coffman Cove has a long history as a logging community. While we are trying to incorporate other industries, timber is still an important part of our lifestyle and economy. Other communities in Southeast Alaska find themselves in similar situations. With the shift in US Forest Service management of the Tongass National Forest we find ourselves in a situation where planning for the future is impossible. The establishment of the State Forest will allow some sensible management practices. The additional acreage will ensure there is enough land base to provide some stability.

Please feel free to copy this letter to use in any capacity to support the State Forest. I will write a similar letter to Senator Stedman and Representative Johansen.

Sincerely,

Elaine Price
City Administrator

RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

Founded 1975
Executive Director
Jason W. Brune
2010-2011 Executive Committee
Tom Maloney, President
Phil Cochrane, Sr. Vice President
L.F. "Len" Horst, Vice President
Eric Fjelstad, Treasurer
Steve Denton, Secretary
Wendy Lindskoog, Past President
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Frank Kelty
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Tom Lovas
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James Mery
Denise Michels
Hans Neidig
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Keith Sanders
Mary Sattler
Danny Seybert
Ken Sheffield
Keith Silver
John Sturgeon
Dan Sullivan
Michael Terminel
Jan Trigg
John Zager

Ex-Officio Members
Senator Mark Begich
Senator Lisa Murkowski
Congressman Don Young
Governor Sean Parnell

January 5, 2011

Mr. Chris Maisch, State Forester
Division of Forestry
550 W. 7th Avenue, Suite 1450
Anchorage, AK 99501

RE: Additional Lands to Southeast State Forest

Dear Mr. Maisch:

The Resource Development Council (RDC) is writing to support the inclusion of an additional 23,181 acres to the Southeast State Forest. This state land in southern Southeast Alaska is appropriately suited for inclusion into the new state forest as it has been consistently managed for timber harvest. A state forest designation over these lands would expand the Southeast State Forest to 48,472 acres and ensure they will remain in state ownership and contribute to the long-term viability of the forest products industry in Southeast Alaska.

RDC is a statewide, non-profit, membership-funded organization founded in 1975. The RDC membership is comprised of individuals and companies from Alaska's oil and gas, mining, timber, tourism, and fisheries industries, as well as Alaska Native corporations, local communities, organized labor, and industry support firms. RDC's purpose is to link these diverse interests together to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

RDC supported the creation of the 25,291-acre Southeast State Forest, which was established in June 2010. In Southeast Alaska, demand for state timber exceeds supply and local mills are dependent on a consistent supply to stay in business. The majority of the timber in Southeast Alaska is on federal land, but federal timber sales have declined sharply. Subsequently, the demand for state timber from local mills has increased significantly.

Much of the new state forest was inherited from the U.S. Forest Service with young second-growth stands. There is broad support for shifting timber harvesting in Southeast Alaska from old growth to second growth stands. The new state forest and the proposed additional parcels to it will help provide a sustainable timber supply to local mills and accelerate the harvest of second-growth timber. Actively managed second-growth stands will provide more timber volume per acre on shorter rotations.

The shift to second-growth harvesting can be accelerated and timber volume increased on state land by thinning these stands. However, thinning is a long-term investment and is only justified if the land will be available for timber harvesting.

The Division of Forestry will manage the state forest for a long-term supply of timber to local processors, and retain the land in state ownership for multiple use, including wildlife habitat and harvest, as well as recreational activities. The forest will be managed as part of the State Forest System in accordance with a new management plan that will be developed within the next three years. In the interim, existing guidance under the current Prince of Wales Island Area Plan and Central/Southern Southeast area plans will apply.

RDC supports the proposed additions to the Southeast State Forest from lands currently available for timber harvest and believes a larger state forest in the region will benefit the economy.

Sincerely,

Carl Portman
Deputy Director

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503-2035
Phone: 907-276-0700 Fax: 907-276-3887 Email: resources@akrdc.org Website: www.akrdc.org

Society of American Foresters
Growing better all the time

January 31, 2011

Alaska, SAF
C/o Maynard Nuss
Executive Secretary
521 High View Drive
Anchorage, Alaska 99515-3716

Governor Parnell
P.O. Box 110001
Juneau, AK 99811-0001

Dear Governor Parnell,

The Alaska Society of American Foresters (SAF) is Alaska's organization of professional foresters and other natural resource scientists dedicated to the sustainable management and protection of Alaska's forests and related resources.

The Alaska Society of American Foresters and Southeast state chapters have reviewed the HB 105 and corresponding Senate Bill 44 – which will add an additional 23,181 acres of State lands to the 25,291 acre existing Southeast State Forest established last year. This expanded Southeast State Forest of 48,474 acres will be managed by the Department of Natural Resource' Division of Forestry, which has an exemplary record of managing Alaska's forests and related resources.

The Alaska SAF commends the Governor Parnell and the Alaska Legislature for the establishment of a SE Alaska State Forest.

The Alaska Society of American Foresters is please to support HB 105. Enactment of HB 105 will enable the Department of Natural Resources Division of Forestry to sustainably manage the timber, fisheries, wildlife, waters, recreation, and other multiple benefits that will strengthen the local economy, provide jobs, and improve quality of life of all Southeast Alaska communities.

Sincerely,

Kathryn S. Pyne,
Alaska SAF, Chair

Cc: Southeast Legislature Delegation; Alaska Congressional Delegation, State Forester Chris Maisch, Southeast Conference, USFS Regional Forester Beth Pendleton, and National SAF.